

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

January 16, 1974

STAFF GNP PROJECTIONS

	Changes in nominal GNP (\$ billion)		Real GNP (Per cent change at annual rate)		Gross private product fixed weighted price index		Unemployment rate (Per cent)	
	12/12/73	1/16/74	12/12/73	1/16/74	12/12/73	1/16/74	12/12/73	1/16/74
1971 ^{1/}	78.3	78.3	3.2	3.2	4.6	4.6	5.9	5.9
1972 ^{1/}	99.7	99.7	6.1	6.1	3.2 ^{2/}	3.2	5.6	5.6
1973	133.0	132.7	5.9	5.9	5.9 ^{2/}	5.9	4.9	4.9
1974	96.6	101.1	.8	.6	6.7	7.1	5.6	5.6
1973: I ^{1/}	43.3	43.3	8.7	8.7	7.0	7.0	5.0	5.0
II ^{1/}	29.5	29.5	2.4	2.4	7.9	7.9	4.9	4.9
III ^{1/}	32.5	32.5	3.4	3.4	7.6	7.6	4.8	4.8
IV	29.0	28.0	2.0	1.0	6.8	7.0	4.7	4.7
1974: I	20.5	22.0	-.8	-1.3	7.1	8.0	5.1	5.2
II	16.5	20.5	-1.2	-.7	6.2	6.9	5.5	5.5
III	22.5	23.0	1.2	1.3	5.5	5.5	5.8	5.8
IV	28.5	30.5	2.3	2.8	5.5	5.5	6.0	6.0
Change: 72-IV to 73-IV	134.3	133.3	4.1	3.8	7.3	7.4	-.6	-.6
73-IV to 74-IV	88.0	96.0	.4	.5	6.1	6.5	1.3	1.3
^{1/} Actual								
^{2/} Corrected								

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GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Quarterly figures are seasonally adjusted. Expenditures and income
figures are billions of dollars, with quarter figures at annual rates.)

	1972	1973 Proj.	1972		1973			
			III	IV	I	II	III	Proj. IV
Gross National Product	1155.2	1287.9	1166.5	1199.2	1242.5	1272.0	1304.5	1332.5
Final purchases	1149.1	1281.2	1157.8	1191.0	1237.8	1267.5	1299.8	1319.5 ^{1/}
Private	894.1	1003.8	903.1	930.3	969.2	992.2	1020.8	1033.1 ^{1/}
Excluding net exports	898.7	999.0	906.9	933.8	969.2	989.4	1013.2	1024.2
Personal consumption expenditures	726.5	804.9	734.1	752.6	779.4	795.6	816.0	828.6
Durable goods	117.4	131.4	120.2	122.9	132.2	132.8	132.8	127.6
Nondurable goods	299.9	336.2	302.3	310.7	322.2	330.3	341.6	350.5
Services	309.2	337.4	311.6	319.0	325.0	332.6	341.6	350.5
Gross private domestic investment	178.3	200.8	181.5	189.4	194.5	198.2	202.0	208.6
Residential construction	54.0	58.1	54.5	56.9	59.0	59.6	59.2	54.4
Business fixed investment	118.2	136.1	118.3	124.3	130.9	134.1	138.0	141.2
Change in business inventories	6.0	6.7	8.7	8.2	4.6	4.5	4.7	13.0
Nonfarm	5.6	5.8	8.4	7.9	4.4	4.4	3.2	11.0
Net exports of goods and services ^{2/}	-4.6	4.8	-3.8	-3.5	0.0	2.8	7.6	8.9 ^{1/}
Exports	73.5	101.1	74.0	79.7	89.7	97.2	104.5	112.9 ^{1/}
Imports	78.1	96.3	77.7	83.2	89.7	94.4	97.0	104.0
Gov't. purchases of goods and services	255.0	277.3	254.7	260.7	268.6	275.3	279.0	286.4 ^{1/}
Federal	104.4	107.0	102.3	102.7	105.5	107.3	106.8	108.5 ^{1/}
Defense	74.4	74.4	71.9	72.4	74.3	74.2	74.2	74.7 ^{1/}
Other	30.1	32.7	30.4	30.3	31.2	33.1	32.7	33.8
State & local	150.5	170.3	152.4	158.0	163.0	168.0	172.2	177.9
Gross national product in constant (1958) dollars	790.7	837.1	796.7	812.3	829.3	834.3	841.3	843.3
GNP implicit deflator (1958 = 100)	146.1	153.9	146.4	147.6	149.8	152.5	155.1	158.0
Personal income	939.2	1034.7	943.7	976.1	996.6	1019.0	1047.1	1076.0
Wage and salary disbursements	627.8	691.4	632.7	648.7	666.7	682.6	699.3	717.0
Disposable income	797.0	881.9	800.9	828.7	851.5	869.7	891.1	915.1
Personal saving	49.7	53.5	45.8	54.4	50.0	51.0	51.1	61.7
Saving rate (per cent)	6.2	6.1	5.7	6.6	5.9	5.9	5.7	6.7
Corporate profits before tax	98.0	127.5	98.4	106.1	119.6	128.9	129.0	132.5
Corp. cash flow, net of div. (domestic)	105.0	109.6	91.9	97.7	104.9	110.3	110.6	112.4
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	228.7	265.5	229.6	236.9	253.6	262.4	269.5	276.4
Expenditures	244.6	264.6	237.0	260.3	258.6	262.4	265.8	271.4
Surplus or deficit (-)	-15.9	1.0	-7.4	-23.4	-5.0	0.0	4.0	5.0
High employment surplus or deficit (-)	0.4	1.0	7.3	-10.9	-0.1	0.9	0.7	2.3
State and local government surplus or deficit (-), (N.I.A. basis)	13.1	10.9	9.5	19.6	13.9	11.5	10.4	7.9
Total labor force (millions)	89.0	91.1	89.3	89.6	90.0	90.9	91.3	92.2
Armed forces "	2.5	2.3	2.4	2.4	2.4	2.3	2.3	2.3
Civilian labor force "	86.5	88.8	86.9	87.2	87.6	88.6	89.0	89.9
Unemployment rate (per cent)	5.6	4.9	5.6	5.3	5.0	4.9	4.8	4.7
Nonfarm payroll employment (millions)	72.8	75.6	73.0	73.8	74.6	75.3	75.7	76.6
Manufacturing	18.9	19.8	19.0	19.3	19.6	19.8	19.8	20.1
Industrial production (1967 = 100)	115.1	125.4	116.3	120.2	123.1	124.8	126.7	127.0
Capacity utilization, mfg. (per cent)	78.6	83.0	79.4	81.5	82.8	83.3	83.3	82.6
Major materials (per cent)	90.2	94.9	91.0	92.4	93.8	94.5	96.0	95.1
Housing starts, private (millions, A.R.)	2.38	2.08	2.37	2.40	2.40	2.22	2.03	1.65
Sales new autos (millions, A.R.)	10.94	11.44	11.52	11.69	12.23	11.73	11.74	10.08
Domestic models	9.32	9.67	9.91	9.90	10.27	9.87	10.11	8.44
Foreign models	1.61	1.77	1.61	1.79	1.96	1.86	1.63	1.64

^{1/} Includes effects of shipments of military equipment and supplies to Israel; these are now estimated at \$2.8 billion annual rate and considered as a sale, with \$2.4 billion coming from U.S. military stocks and thus reducing defense purchases by that amount.

^{2/} Net exports of g. & s. (bal. of paymts.) -4.6 5.5 -3.8 -3.5 0.6 2.7 8.6 10.0
 Exports 73.5 101.5 74.0 79.7 90.4 97.5 104.8 113.2
 Imports 78.1 96.0 77.7 83.2 89.8 94.8 96.2 103.2

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GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Quarterly figures are seasonally adjusted. Expenditures and income
figures are billions of dollars, with quarter figures at annual rates.)

	1974 Proj.	1974 Projected			
		I	II	III	IV
Gross National Product	1389.0	1354.5	1375.0	1398.0	1428.5
Final purchases	1379.0	1341.5	1364.0	1388.5	1422.0
Private	1072.7	1046.4	1062.4	1079.3	1102.6
Excluding net exports	1073.8	1043.1	1061.7	1082.5	1108.0
Personal consumption expenditures	876.1	848.4	866.3	884.6	905.2
Durable goods	127.0	125.0	125.0	127.0	131.0
Nondurable goods	377.3	363.9	373.3	381.6	391.2
Services	371.9	359.5	368.0	376.0	384.0
Gross private domestic investment	207.7	207.7	206.4	207.4	209.3
Residential construction	49.8	50.2	48.4	48.9	51.8
Business fixed investment	147.9	144.5	147.0	149.0	151.0
Change in business inventories	10.0	13.0	11.0	9.5	6.5
Nonfarm	10.0	14.0	11.5	9.0	5.5
Net exports of goods and services ^{1/}	-1.2	3.3	0.7	-3.2	-5.4
Exports	118.3	114.2	117.6	119.4	122.1
Imports	119.5	110.9	116.9	122.6	127.5
Gov't. purchases of goods and services	306.3	295.1	301.6	309.2	319.4
Federal	114.5	111.3	112.7	115.0	119.1
Defense	78.5	76.7	77.3	78.5	81.3
Other	36.1	34.6	35.4	36.5	37.8
State & local	191.8	183.8	188.9	194.2	200.3
Gross national product in constant (1958) dollars	842.4	840.7	839.3	842.0	847.8
GNP implicit deflator (1958 = 100)	164.9	161.1	163.8	166.0	168.5
Personal income	1134.1	1096.0	1120.0	1146.5	1173.7
Wage and salary disbursement	752.2	729.2	742.5	759.0	778.0
Disposable income	964.6	932.0	952.8	975.3	998.2
Personal saving	61.8	58.2	60.3	63.7	65.0
Saving rate (per cent)	6.4	6.2	6.3	6.5	6.5
Corporate profits before tax	132.1	136.0	132.5	130.0	130.0
Corp. cash flow, net of div. (domestic)	115.2	115.9	114.7	114.4	115.6
Federal government receipts and expenditures, (N.I.A. basis)					
Receipts	290.8	286.0	288.4	291.9	296.8
Expenditures	299.0	285.2	294.7	304.0	311.9
Surplus or deficit (-)	-8.2	0.8	-6.3	-12.1	-15.1
High employment surplus or deficit (-)	4.1	2.5	3.7	4.2	6.1
State and local government surplus or deficit (-), (N.I.A. basis)	4.3	7.9	5.4	3.5	0.3
Total labor force (millions)	93.1	92.6	93.0	93.3	93.6
Armed forces "	2.3	2.3	2.3	2.3	2.3
Civilian labor force "	90.8	90.3	90.7	91.0	91.3
Unemployment rate (per cent)	5.6	5.2	5.5	5.8	6.0
Nonfarm payroll employment (millions)	76.6	76.5	76.6	76.6	76.8
Manufacturing	19.9	20.0	19.9	19.8	19.8
Industrial production (1967 = 100)	126.0	126.2	125.5	125.8	126.5
Capacity utilization, mfg. (per cent)	80.0	81.3	80.0	79.3	79.3
Major materials	93.3	94.5	93.1	92.8	92.7
Housing starts, private (millions, A.R.)	1.64	1.62	1.55	1.65	1.75
Sales new autos (millions, A.R.)	9.25	9.00	8.75	9.25	10.00
Domestic models	7.50	7.25	7.00	7.50	8.25
Foreign models	1.75	1.75	1.75	1.75	1.75
^{1/} Net exports of goods and services (balance of payments).	-0.1	4.4	1.8	-2.1	-4.3
Exports	118.6	114.5	117.9	119.7	122.4
Imports	118.7	110.1	116.1	121.8	126.7

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CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1972	1973 Proj.	1972		1973			Proj. IV
			III	IV	I	II	III	IV
-----Billions of Dollars-----								
Gross National Product	99.7	132.7	24.1	32.7	43.3	29.5	32.5	28.0
Inventory change	-0.1	0.7	3.2	-0.5	-3.6	-0.1	0.2	8.3
Final purchases	99.7	132.1	20.9	33.2	46.8	29.7	32.3	19.7
Private	79.0	109.7	20.4	27.2	38.9	23.0	28.6	12.3
Net exports	-5.4	9.7	1.9	0.3	3.5	2.8	4.8	1.3
Excluding net exports	84.4	100.3	18.5	26.9	35.4	20.2	23.8	11.0
Personal consumption expenditures	59.3	78.4	14.9	18.5	26.8	16.2	20.4	12.6
Durable goods	13.8	14.0	5.1	2.7	9.3	0.6	0.0	-5.2
Nondurable goods	21.2	36.3	4.4	8.4	11.5	8.1	11.3	8.9
Services	24.3	28.2	5.4	7.4	6.0	7.6	9.0	8.9
Residential structures	11.3	4.1	1.7	2.4	2.1	0.6	-0.4	-4.8
Nonresidential fixed investment	13.8	17.9	2.0	6.0	6.6	3.2	3.9	3.2
Government	20.7	22.3	0.5	6.0	7.9	6.7	3.7	7.4
Federal	6.3	2.6	-4.4	0.4	2.8	1.8	-0.5	1.7
State and local	14.3	19.8	4.9	5.6	5.0	5.0	4.2	5.7
GNP in constant (1958) dollars	45.3	46.4	11.1	15.6	17.0	5.0	7.0	2.0
Final purchases	46.0	46.3	8.7	16.0	20.0	5.0	7.3	-4.2
Private	41.4	44.4	10.9	14.3	19.1	4.2	7.5	-4.1
-----Per Cent Per Year ^{1/} -----								
Gross National Product	9.4	11.5	8.7	11.7	15.2	9.9	10.6	8.9
Final purchases	9.5	11.5	7.6	12.0	16.7	9.9	10.6	6.2
Private	9.7	12.3	9.6	12.6	17.8	9.8	12.0	4.9
Personal consumption expenditures	8.9	10.8	8.5	10.5	15.0	8.6	10.7	6.3
Durable goods	13.3	11.9	18.9	9.3	33.9	1.8	0.0	-14.8
Nondurable goods	7.6	12.1	6.0	11.6	15.6	10.4	14.4	10.8
Services	8.5	9.1	7.2	9.8	7.7	9.7	11.3	10.8
Gross private domestic investment	16.4	12.6	16.5	18.6	11.2	7.8	7.9	13.7
Residential structures	26.5	7.6	13.5	18.8	15.6	4.1	-2.7	-28.7
Business fixed investment	13.2	15.1	7.1	21.9	23.0	10.1	12.2	9.6
Gov't. purchases of goods & services	8.8	8.7	0.8	9.8	12.7	10.4	5.5	11.0
Federal	6.4	2.5	-15.5	1.6	11.4	7.0	-1.9	6.5
Defense	3.9	0.0	-22.4	2.8	10.9	-0.5	0.0	2.7
Other	13.6	8.6	4.0	-1.3	12.4	26.7	-4.7	14.1
State and local	10.5	13.2	14.0	15.5	13.3	12.8	10.4	13.9
GNP in constant (1958) dollars	6.1	5.9	5.8	8.1	8.7	2.4	3.4	1.0
Final purchases	6.2	5.9	4.5	8.4	10.3	2.4	3.6	-2.0
Private	6.9	6.9	7.0	9.1	12.0	2.5	4.4	-2.3
GNP implicit deflator	3.2	5.3	2.8	3.3	6.1	7.4	7.0	7.8 ^{2/}
Private GNP fixed weighted index ^{3/}	3.2	5.9	3.1	4.1	7.0	7.9	7.6	7.0
Personal income	8.8	10.2	7.8	14.5	8.7	9.3	11.5	11.5
Wage and salary disbursements	9.5	10.1	7.7	10.5	11.6	9.9	10.2	10.5
Disposable income	6.8	10.7	8.1	14.6	11.5	8.8	10.2	11.2
Corporate profits before tax	15.2	30.1	16.1	35.2	61.5	34.9	0.3	11.3
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	15.0	16.1	7.7	13.3	31.3	14.6	11.3	10.6
Expenditures	10.7	8.2	-11.6	45.5	-2.6	6.0	5.3	8.7
Nonfarm payroll employment	3.0	3.8	2.8	4.5	4.5	3.7	2.2	4.4
Manufacturing	2.2	4.8	2.6	7.1	5.4	4.7	1.2	4.6
Industrial production	7.9	8.8	9.2	13.8	10.1	5.8	6.0	1.0
Housing starts, private	14.1	-12.6	16.0	6.6	0.2	-27.1	-30.2	-56.4
Sales new autos	6.8	4.6	49.7	5.9	19.8	-15.4	0.2	-45.7
Domestic models	7.4	3.8	53.1	-0.5	16.0	-14.9	10.1	-51.5
Foreign models	3.3	9.9	30.9	52.0	42.3	-18.1	-41.7	3.2

^{1/} Percentage rates of change are annual rates compounded quarterly.^{2/} Excluding Federal pay increase, 7.2 per cent per year.^{3/} Using expenditures in 1967 as weights.

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CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1974 Proj.	1974 Projection			
		I	II	III	IV
		-----Billions of Dollars-----			
Gross National Product	101.1	22.0	20.5	23.0	30.5
Inventory change	3.3	0.0	-2.0	-1.5	-3.0
Final purchases	97.8	22.0	22.5	24.5	33.5
Private	68.9	13.3	16.0	16.9	23.3
Net exports	-6.0	-5.6	-2.6	-3.9	-2.2
Excluding net exports	74.8	18.9	18.6	20.8	25.5
Personal consumption expenditures	71.2	19.8	17.9	18.3	20.6
Durable goods	-4.4	-2.6	0.0	2.0	4.0
Nondurable goods	41.1	13.4	9.4	8.3	8.6
Services	34.5	9.0	8.5	8.0	8.0
Residential structures	-8.3	-4.2	-1.8	0.5	2.9
Nonresidential fixed investment	11.8	3.3	2.5	2.0	2.0
Government	29.0	8.7	6.5	7.6	10.2
Federal	7.5	2.8	1.4	2.3	4.1
State and local	21.5	5.9	5.1	5.3	6.1
GNP in constant (1958) dollars	5.3	-2.6	-1.4	2.7	5.8
Final purchases	3.2	-2.7	0.8	2.8	8.2
Private	-0.6	-4.7	-0.0	1.6	6.6
-----Per Cent Per Year ^{1/} -----					
Gross National Product	7.8	6.8	6.2	6.9	9.0
Final purchases	7.6	6.8	6.9	7.4	10.0
Private	6.9	5.2	6.3	6.5	8.9
Personal consumption expenditures	8.8	9.9	8.7	8.7	9.6
Durable goods	-3.3	-7.9	0.0	6.6	13.2
Nondurable goods	12.2	16.2	10.7	9.2	9.3
Services	10.2	10.7	9.8	9.0	8.8
Gross private domestic investment	3.4	-1.7	-2.5	2.0	3.7
Residential structures	-14.3	-27.5	-13.6	4.2	25.9
Nonresidential fixed investment	8.7	9.7	7.1	5.6	5.5
Gov't. purchases of goods & services	10.5	12.7	9.1	10.5	13.9
Federal	7.0	10.7	5.1	8.4	15.0
Defense	5.5	11.1	3.2	6.4	15.0
Other	10.4	9.8	9.6	13.0	15.0
State and local	12.6	13.9	11.6	11.7	13.2
GNP in constant (1958) dollars	0.6	-1.3	-0.7	1.3	2.8
Final purchases	0.4	-1.3	0.4	1.4	4.0
Private	-0.1	-2.7 ^{2/}	-0.0	0.9	3.9 ^{3/}
GNP implicit deflator	7.2	8.1 ^{2/}	6.9	5.5	6.0 ^{3/}
Private GNP fixed weighted index ^{4/}	7.1	8.0	6.9	5.5	5.5
Personal income	9.7	7.6	9.0	9.8	9.8
Wage and salary disbursements	8.8	7.0	7.5	9.2	10.4
Disposable income	9.4	7.6	9.2	9.8	9.7
Corporate profits before tax	3.6	11.0	-9.9	-7.3	0.0
Federal government receipts and expenditures, (N.I.A. basis)					
Receipts	12.2	14.6	3.4	4.9	6.9
Expenditures	13.0	21.9	14.0	13.2	10.8
Nonfarm payroll employment	1.3	-0.1	0.3	0.0	1.0
Manufacturing	0.2	-1.4	-2.0	-2.0	0.0
Industrial production	4.8	-2.4	-2.2	0.8	2.3
Housing starts, private	-21.2	-7.1	-16.2	28.4	26.5
Sales new autos	-19.1	-36.3	-10.7	24.9	36.6
Domestic models	-22.4	-45.5	-13.1	31.8	46.4
Foreign models	-1.1	30.0	0.0	0.0	0.0

^{1/} Percentage rates of change are annual rates compounded quarterly.^{2/} Excluding Federal pay increase, 8.0 per cent annual rate.^{3/} Excluding Federal pay increase, 5.5 per cent annual rate.^{4/} Using expenditures in 1967 as weights.

announced their intention of seeking a large settlement. Mine owners may be under additional pressure to avoid a strike, because of the energy crisis.

Table 1
MAJOR CONTRACT EXPIRATIONS, 1974

Month	Industry	Workers Covered
February	Metal cans	30,000
May	Aluminum	35,900
	Apparel	125,000
July	Telephone	575,000
August	Steel	350,000
September	Aerospace (McDonnell Douglas)	14,800
	East and Gulf Coast Stevedore	38,000
October	Aerospace (Boeing, Lockheed, Rockwell)	62,600
November	Bituminous coal	80,000
December	Railroads	500,000

Table 2
MAJOR DEFERRED WAGE INCREASES - 1974

Month	Industry	Workers Covered
January	Apparel	35,000
	Railroads	442,000
February	Apparel	60,000
May	Electrical machinery (G.E.)	107,000
June	Electrical machinery (Westinghouse)	59,300
	Maritime	29,000
July	Rubber	70,000
	Teamsters	400,000
September	Auto	305,000

CORPORATE AND MUNICIPAL LONG-TERM SECURITY OFFERINGS
(Monthly or monthly averages, in millions of dollars)

	Year	1973	Dec. <u>e</u> /	1974	
		QIV <u>e</u> /		Jan. <u>f</u> /	Feb. <u>f</u> /
Corporate securities -					
Total	2,779	3,385	3,400	3,900	3,800
Public bonds	1,125	1,625	1,400	2,500	2,200
Privately placed bonds	725	715	1,200	800	800
Stock	929	1,045	800	600	800
State and local government securities	1,942	2,200	2,000	2,200	2,100

e/ Estimated.

f/ Forecast.

The volume of municipal bond offerings in January and February is expected to average more than one tenth above the average monthly level in 1973 and about the same as in 1972. Growth in State and local financing is associated with increased amounts of special revenue bond issues and industrial pollution control financing. Corporate financing in the tax-exempt market totaled about \$1.8 billion last year and is expected to be considerably larger in 1974.

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	Dec.	Jan.	Feb.	March
<u>Total net borrowing</u>	2.9	0.1	0.3	1.0
Weekly and monthly bills	--	--	--	--
Tax bills	--	--	--	1.0
Coupon issues, net	--	--	--	--
As yet unspecified new borrowing	--	--	--	--
Special foreign series	--	--	--	--
Agency transactions, debt repayment, etc.	2.9 ^{a/}	0.1	0.3	--
Plus: <u>Other net financial sources</u> ^{b/}	1.5	1.2	-1.1	2.0
Plus: <u>Budget surplus or deficit</u> (-)	1.3	-0.2	-2.8	-3.7
Equals: <u>Change in cash balance</u>	5.7 ^{c/}	1.1	-3.6	-0.7
Memoranda: Level of cash balance, end of period	10.4 ^{c/}	11.5	7.9	7.2
Derivation of budget surplus or deficit:				
Budget receipts	21.7	23.3	19.9	19.4
Budget outlays	20.4	23.5	22.7	23.1
Maturing coupon issues held by public	--	--	4.5	--
Sales of financial assets	0.7	0.1	0.6	0.1
Budget agency borrowing	*	0.1	0.3	--
Net borrowing by government-sponsored agencies	0.5	-0.5	0.4	0.7

^{a/} Reflects purchase and resale of Tax Bills by Exchange Stabilization Fund.

^{b/} Checks issued less checks paid and other accrual items.

^{c/} Actual.

* Less than \$50 million.

FEDERAL BUDGET AND FEDERAL SECTOR IN NATIONAL INCOME ACCOUNTS
(In billions of dollars)

F.R.B. Staff Estimates											
	Fiscal Year 1973*	Fiscal 1974 ^e / Adm. Est. F.R. Board 11-15-73	Calendar Years F.R. Estimates 1973 1974			Calendar Quarters 1973 1974 III* IV I II III IV					
Federal Budget											
Surplus/deficit	-14.3	0.0	-4.5	-9.1	-10.8	-1.1	-6.1	-6.7	9.3	-4.4	-9.0
Receipts	232.2	270.0	267.5	250.0	280.9	64.4	59.5	62.6	80.9	71.7	65.7
Outlays	246.5	270.0	272.0	259.2	291.7	65.5	65.6	69.3	71.6	76.1	74.7
Means of financing:											
Net borrowing from the public	19.3	n.a.	0.3	7.7	7.3	-0.7	6.5	1.4	-6.9	4.8	8.0'
Decrease in cash operating balance	-2.5	n.a.	3.0	0.7	1.4	4.3	-2.1	3.2	-2.4	.6	--
Other <u>1</u> /	-2.5	n.a.	1.2	0.7	2.1	-2.5	1.7	2.1	--	-1.0	1.0
Cash operating balance, end of period	12.6	n.a.	9.6	10.4	9.0	8.3	10.4	7.2	9.6	9.0	9.0
Memo <u>2</u> /: Sales of financial assets <u>3</u> /	4.8	n.a.	3.0	3.8	n.a.	-0.2	1.2	0.9	1.1	n.a.	n.a.
Budget agency borrowing <u>4</u> /	0.4	n.a.	1.4	0.1	n.a.	0.4	0.3	0.4	0.3	n.a.	n.a.
Sponsored agency borrowing <u>5</u> /	8.7	n.a.	11.2	16.3	n.a.	6.1	3.1	0.6	1.4	n.a.	n.a.
National Income Sector											
	Seasonally adjusted, annual rates										
Surplus/deficit	-12.1	n.a.	0.9	1.0	-8.2	4.0	5.0	0.8	-6.3	-12.1	-15.1
Receipts	242.9	n.a.	280.1 ⁶ /	265.5	290.8	269.5	276.4	286.0	288.4	291.9	296.8
Expenditures	255.0	n.a.	279.2	264.5	299.0	265.6	271.4	285.2	294.7	304.0	311.9
High Employment surplus/deficit (NIA basis) <u>7</u> /	-1.2	n.a.	2.3	1.0	4.1	0.7	2.3	2.5	3.7	4.2	6.1
* Actual e--projected n.e.--not estimated n.a.--not available											

Footnotes continued

- 1/ Includes such items as deposit fund accounts and clearing accounts.
- 2/ The sum of sponsored and budget agency debt issues and financial asset sales does not necessarily reflect the volume of debt absorbed by the public, since both the sponsored and budget agencies acquire a portion of these issues.
- 3/ Includes net sales of loans held by the Commodity Credit Corporation, Farmers Home Adm., Government National Mortgage Assn., Federal Housing Adm., and Veterans Adm. Receipts from these sales are netted against Federal Budget Outlays shown above.
- 4/ Includes, for example, debt issued by the U.S. Postal Service, Export-Import Bank, and Tennessee Valley Authority, which is included in the Net Treasury Borrowing from the Public shown above.
- 5/ Federally-sponsored credit agencies, i.e., Federal Home Loan Banks, Federal National Mortgage Assn., Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives.
- 6/ Calculated by averaging appropriate quarters. Official fiscal year estimates are adjusted for spreading of wage base and refund effect over calendar year.
- 7/ Estimated by F.R. Board Staff.

Effects of the Oil Situation on Trade Balances and Current
Account of Selected Industrial Countries
(Billions U.S. Dollars, SAAR)

	1973 Actual				1974 Forecast		
			Trade Balance	Current Account	Expected Increase in Oil Import Bill	Forecast of Current Account	
	Exports	Imports				Pre-oil Situation	Post-oil Situation
	(Jan.-Sept. 1973)	(Jan.-Sept. 1973)		(Jan.-Sept. 1973)		(10/73)	(1/74)
France	35.0	36.4	-1.4	0.3*	5.2	.7	-3.5
Germany	65.4	52.7	12.6	3.6	5.8	1.8	-2.8
Italy	20.9	26.5	-5.6	-1.7*	4.3	1.0	-2.6
U. K.	30.0	37.1	-7.0	-2.4	4.7	-1.8	-5.4
Netherlands	23.3	23.7	-0.4	1.3	1.7	1.7	0.2
Japan	35.1	35.7	-0.5	0.8	9.6	0.3	-7.9
Canada	23.8	22.5	1.3	-0.4	0	-0.7	-0.5
U. S.	67.0	67.7	-0.7	0.3	11.4	5.0	-4.0

Note: January 1974 forecasts include estimates of increased exports to oil producing countries. The difference in the October and January forecasts reflects the effect on current accounts of changed expectations about the level of economic activity as well as the increased oil import bill. The exchange rates used in the 1974 forecasts are those prevailing at the time of each forecast. Current Account is defined as net goods and services and private and official transfers.

*First half of 1973 only.

Source: OECD, national sources, and Federal Reserve staff estimates.

CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

January 18, 1974

By the Staff
Board of Governors
of the Federal Reserve System

January 17, 1974

GROSS NATIONAL PRODUCT AND RELATED ITEMS

(Quarterly figures are seasonally adjusted. Expenditures and income figures are billions of dollars, with quarterly figures at annual rates.)

	1973 Preliminary		1973-III		1973-IV Preliminary	
	Amount	Change from 1972	Amount	Change from 73-II	Amount	Change from 73-III
Gross National Product	1228.2	133.0	1304.5	32.5	1334.0	29.5
Final purchases	1280.8	131.7	1299.8	32.3	1318.1	18.3
Private	1003.6	121.0	1020.8	28.6	1032.3	11.5
Excluding net exports	999.0	107.8	1013.2	23.8	1024.3	11.1
Personal consumption expenditures	805.0	78.5	816.0	20.4	829.0	13.0
Durable goods	131.1	13.7	132.8	0.0	126.8	-6.0
Nondurable goods	336.3	36.4	341.6	11.3	351.1	9.5
Services	337.6	28.4	341.6	9.0	351.2	9.6
Gross private domestic investment	201.5	23.2	202.0	3.8	211.2	9.2
Residential construction	58.0	4.0	59.2	-0.4	54.2	-5.0
Business fixed investment	136.0	17.8	138.0	3.9	141.1	3.1
Change in business inventories	7.4	1.4	4.7	0.2	15.9	11.2
Nonfarm	6.7	1.1	3.2	-1.2	14.9	7.8
Net exports of goods and services	4.6	9.2	7.6	4.8	8.0	0.4
Exports	101.3	27.8	104.5	7.3	113.5	9.0
Imports	96.7	18.6	97.0	2.6	105.6	8.6
Gov. purchases of goods and services	277.2	22.2	279.0	3.7	285.8	6.8
Federal	106.9	2.5	106.8	-0.5	107.8	1.0
Defense	74.2	-0.2	74.2	0.0	74.0	-0.2
Other	32.7	2.6	32.7	-0.4	33.8	1.1
State and local	170.3	19.8	172.2	4.2	178.0	5.8
GNP in constant (1958) dollars	837.3	46.6	841.3	7.0	844.1	2.8
Personal income	1035.5	96.3	1047.1	28.1	1079.2	32.1
Wage and salary disbursements	691.6	63.8	699.3	16.7	717.6	18.3
Disposable personal income	882.6	85.6	891.1	21.4	918.0	26.9
Personal saving	53.8	4.1	51.1	0.1	63.3	12.2
Saving rate (per cent)	6.1	--	5.7	--	6.9	--
-----Per Cent Change at Annual Rate-----						
Gross National Product		11.5		10.6		9.4
Gross Private Product		11.9		11.1		9.0
Gross Private Nonfarm Product		10.9		9.3		6.5
GNP in constant prices		5.9		3.4		1.3
GPP in constant prices		6.2		3.6		1.3
GPNFP in constant prices		6.6		4.3		-0.4
GNP implicit price deflator		5.3		7.0		7.9
GNP fixed weighted price index		6.1		7.3		8.1
GPP fixed weighted price index		6.0		7.6		7.6