

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

March 13, 1974

STAFF GNP PROJECTIONS

	Per cent change annual rate							
	Changes in nominal GNP (\$ billions)		Real GNP		Gross private product fixed weighted price index		Unemployment rate (Per cent)	
	2/13/74	3/13/74	2/13/74	3/13/74	2/13/74	3/13/74	2/13/74	3/13/74
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	3.2	5.6	5.6
1973	133.0 ^{2/}	133.9 ^{1/}	5.9 ^{2/}	5.9 ^{1/}	5.9 ^{2/}	6.1 ^{1/}	4.9	4.9
1974	97.2	99.5	.3	.2	7.3	7.6	5.8	5.8
1973: I	43.3	43.3	8.7	8.7	7.0	7.0	5.0	5.0
II	29.5	29.5	2.4	2.4	7.9	7.9	4.9	4.9
III	32.5	32.5	3.4	3.4	7.0	7.0	4.7	4.7
IV	29.5 ^{2/}	33.0 ^{1/}	1.3 ^{2/}	1.6 ^{1/}	7.6 ^{2/}	8.6 ^{1/}	4.7	4.7
1974: I	16.0	15.5	-3.0	-3.4	8.0	8.3	5.4	5.3
II	20.5	19.0	- .7	-1.5	7.0	7.3	5.8	5.8
III	24.0	26.0	1.3	1.9	5.8	5.8	6.0	6.0
IV	32.0	33.5	3.0	3.5	5.7	5.7	6.2	6.2
Change: 72-IV to 73-IV	134.8 ^{2/}	138.3 ^{1/}	3.9 ^{2/}	4.0 ^{1/}	7.5 ^{2/}	7.8 ^{1/}	- .6	- .6
73-IV to 74-IV	92.5	94.0	.1	.1	6.6	6.8	1.5	1.5

^{1/} Actual.^{2/} Commerce preliminary estimates.

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.)

	1973	1974 Proj.	1973		1974 Projection			
			III	IV	I	II	III	IV
Gross National Product	1289.1	1388.6	1304.5	1337.5	1353.0	1372.0	1398.0	1431.5
Final purchases	1281.1	1377.9	1299.8	1319.4	1336.0	1361.0	1390.0	1424.5
Private	1004.0	1069.6	1020.8	1033.8 ^{1/}	1040.6	1056.6	1078.0	1103.0
Excluding net exports	998.2	1066.9	1013.2	1021.0	1033.9	1052.0	1077.0	1104.7
Personal consumption expenditures	804.0	868.5	816.0	825.2	840.1	858.2	877.5	898.2
Durable goods	130.8	125.9	132.8	125.6	124.0	124.0	126.0	129.5
Nondurable goods	335.9	372.0	341.6	349.6	357.8	367.7	376.7	385.6
Services	337.3	370.7	341.6	350.0	358.3	366.5	374.8	383.1
Gross private domestic investment	202.1	209.2	202.0	213.9	210.8	204.8	207.5	213.5
Residential construction	58.0	48.3	59.2	54.0	48.6	45.6	47.8	51.3
Business fixed investment	136.2	150.1	138.0	141.8	145.2	148.2	151.7	155.2
Change in business inventories	8.0	10.8	4.7	18.0	17.0	11.0	8.0	7.0
Nonfarm	7.3	10.6	3.2	17.3	17.5	11.5	7.5	6.0
Net exports of goods and services ^{2/}	5.8	2.7	7.6	12.8 ^{1/}	6.7	4.6	1.0	-1.7
Exports	102.0	125.0	104.5	116.4 ^{1/}	120.0	124.7	126.3	128.9
Imports	96.2	122.3	97.0	103.6	113.3	120.1	125.3	130.6
Gov't. purchases of goods and services	277.1	308.3	279.0	285.6 ^{1/}	295.4	304.4	312.0	321.5
Federal	106.6	115.6	106.8	106.8 ^{1/}	110.9	114.4	116.5	120.5
Defense	73.9	78.2	74.2	73.0 ^{1/}	75.4	77.4	78.5	81.5
Other	32.7	37.4	32.7	33.8	35.5	37.0	38.0	39.0
State & local	170.5	192.8	172.2	178.8	184.5	190.0	195.5	201.0
Gross national product in constant (1958) dollars	837.4	838.7	841.3	844.6	837.3	834.2	838.1	845.3
GNP implicit deflator (1958 = 100)	153.9	165.5	155.1	158.4	161.6	164.5	166.8	169.3
Personal income	1035.4	1131.6	1047.1	1078.9	1095.3	1118.9	1143.6	1168.4
Wage and salary disbursements	691.5	746.8	699.3	717.2	726.7	737.0	752.2	771.2
Disposable income	882.5	961.6	891.1	917.8	931.4	951.4	971.8	991.8
Personal saving	54.8	66.4	51.1	67.1	65.7	66.9	67.2	65.7
Saving rate (per cent)	6.2	6.9	5.7	7.3	7.1	7.0	6.9	6.6
Corporate profits before tax	126.6	122.6	129.0	129.0e	124.0	121.5	120.5	124.5
Corp. cash flow, net of div. (domestic)	109.0	110.5	110.6	110.6e	109.4	109.5	109.9	113.2
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	265.2	289.4	269.5	276.0e	282.3	286.0 ^{3/}	290.8	298.3
Expenditures	264.0	299.7	265.6	269.6	281.1	303.6 ^{3/}	303.6	310.4
Surplus or deficit (-)	1.2	-10.3	4.0	6.4e	1.2	-17.6 ^{3/}	-12.8	-12.1
High employment surplus or deficit (-)	-1.3	.1	-2.1	1.1	3.2	-8.9	1.2	4.8
State and local government surplus or deficit (-), (N.I.A. basis)	10.5	1.2	10.4	6.3e	5.3	1.8	~ .1	-2.2
Total labor force (millions)	91.0	93.4	91.3	92.2	92.9	93.2	93.5	93.8
Armed forces "	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Civilian labor force "	88.7	91.1	89.0	89.9	90.6	90.9	91.2	91.5
Unemployment rate (per cent)	4.9	5.8	4.7	4.7	5.3	5.8	6.0	6.2
Nonfarm payroll employment (millions)	75.6	76.6	75.7	76.6	76.6	76.4	76.5	76.7
Manufacturing	19.8	19.7	19.8	20.1	19.9	19.7	19.6	19.6
Industrial production (1967 = 100)	125.6	125.1	126.7	127.0	125.2	124.2	124.9	126.1
Capacity utilization, mfg. (per cent)	83.0	79.6	83.3	82.8	80.7	79.3	79.1	79.2
Major materials (per cent)	94.9	90.3	96.0	95.3	91.7	90.2	89.7	89.7
Housing starts, private (millions, A.R.)	2.04	1.59	2.01	1.58	1.46	1.50	1.65	1.75
Sales new autos (millions, A.R.)	11.44	9.35	11.74	10.09	9.15	9.00	9.25	10.00
Domestic models	9.67	7.63	10.11	8.44	7.50	7.25	7.50	8.25
Foreign models	1.77	1.72	1.63	1.65	1.65	1.75	1.75	1.75

^{1/} Includes effects of shipments of military equipment and supplies to Israel; these are now estimated at \$2.5 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.) 6.4 3.7 8.6 13.8 7.8 5.7 2.0 - .7
 Exports 102.4 125.3 104.9 116.7 120.3 125.0 126.6 129.2
 Imports 96.0 121.6 96.2 102.9 112.6 119.4 124.6 129.9

^{3/} Includes a one-time payment of a grant to India of \$2.2 billion (\$8.8 billion annual rate) worth of rupees as part of an overall rupee debt settlement.

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1973	1974 Proj.	1973		1974 Projection			
			III	IV	I	II	III	IV
-----Billions of Dollars-----								
Gross National Product	133.9	99.5	32.5	33.0	15.5	19.0	26.0	33.5
Inventory change	2.0	2.8	.2	13.3	-1.0	-6.0	-3.0	-1.0
Final purchases	132.0	96.8	32.3	19.6	16.6	25.0	29.0	34.5
Private	109.9	65.6	28.6	13.0	6.8	16.0	21.4	25.0
Net exports	10.4	-3.1	4.8	5.2	-6.1	-2.1	-3.6	-2.7
Excluding net exports	99.5	68.7	23.8	7.8	12.9	18.1	25.0	27.7
Personal consumption expenditures	77.5	64.5	20.4	9.2	14.9	18.1	19.3	20.7
Durable goods	13.4	-4.9	.0	-7.2	-1.6	.0	2.0	3.5
Nondurable goods	36.0	36.1	11.3	8.0	8.2	9.9	9.0	8.9
Services	28.1	33.4	9.0	8.4	8.3	8.2	8.3	8.3
Residential fixed investment	4.0	-9.7	-.4	-5.2	-5.4	-3.0	2.2	3.5
Business fixed investment	18.0	13.9	3.9	3.8	3.4	3.0	3.5	3.5
Government	22.1	31.2	3.7	6.6	9.8	9.0	7.6	9.5
Federal	2.2	9.0	-.5	.0	4.1	3.5	2.1	4.0
State and local	20.0	22.3	4.2	6.6	5.7	5.5	5.5	5.5
GNP in constant (1958) dollars	46.7	1.3	7.0	3.3	-7.3	-3.1	3.9	7.2
Final purchases	45.7	-.5	7.3	-6.2	-6.6	1.3	5.5	8.2
Private	44.0	-4.2	7.5	-5.3	-8.5	-.7	4.4	6.8
-----Per Cent Per Year ^{1/} -----								
Gross National Product	11.6	7.7	10.6	10.5	4.7	5.7	7.8	9.9
Final purchases	11.5	7.6	10.6	6.2	5.1	7.7	8.8	10.3
Private	12.3	6.5	12.0	5.2	2.7	6.3	8.3	9.6
Personal consumption expenditures	10.7	8.0	10.7	4.6	7.4	8.9	9.3	9.8
Durable goods	11.4	-3.7	.0	-20.0	-5.0	.0	6.6	11.6
Nondurable goods	12.0	10.0	14.4	9.7	9.7	11.5	10.2	9.8
Services	9.1	9.9	11.3	10.2	9.8	9.5	9.4	9.2
Gross private domestic investment	13.3	3.3	7.9	25.7	-5.7	-10.9	5.4	12.1
Residential structures	7.4	-16.7	-2.7	-30.8	-34.4	-22.5	20.7	32.7
Business fixed investment	15.2	10.2	12.2	11.5	9.9	8.5	9.8	9.6
Gov't. purchases of goods & services	8.7	11.3	5.5	9.8	14.4	12.8	10.4	12.7
Federal	2.1	8.4	-1.9	.0	16.3	13.2	7.5	14.5
Defense	-.7	5.8	.0	-6.3	13.8	11.0	5.8	16.2
Other	8.6	14.4	-4.7	14.1	21.7	18.0	11.3	10.9
State and local	13.3	13.1	10.4	16.2	13.4	12.5	12.1	11.7
GNP in constant (1958) dollars	5.9	.2	3.4	1.6	-3.4	-1.5	1.9	3.5
Final purchases	5.8	-.1	3.6	-2.9	-3.2	.6	2.7	4.0
Private	6.8	-.6	4.4	-3.0 ^{2/}	-4.8 ^{2/}	-.4	2.6	4.1
GNP implicit deflator	5.4	7.5	7.0	8.8 ^{2/}	8.4 ^{2/}	7.3	5.8	6.2 ^{2/}
Private GNP fixed weighted index ^{3/}	6.1	7.6	7.6	8.6	8.3	7.3	5.8	5.7
Personal income	10.2	9.3	11.5	12.7	6.2	8.9	9.1	9.0
Wage and salary disbursements	10.1	8.0	10.2	10.6	5.4	5.8	8.5	10.5
Disposable income	10.7	9.0	10.2	12.5	6.1	8.9	8.9	8.5
Corporate profits before tax	29.2	-3.2	.3	.0	-14.6	-7.8	-3.3	14.0
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	16.0	9.1	11.3	10.0	9.4	5.3	6.9	10.7
Expenditures	7.9	13.5	5.3	6.2	18.2	36.1	.0	9.3
Nonfarm payroll employment	3.9	1.3	2.2	4.4	.2	-1.0	.5	1.0
Manufacturing	4.7	-.5	1.2	4.5	-3.3	-4.0	-2.0	.0
Industrial production	9.0	-.4	6.0	1.1	-5.7	-3.1	2.3	3.9
Housing starts, private	-13.4	-7.8	-30.2	-61.4	-27.6	11.4	46.4	26.5
Sales new autos	4.6	-18.3	.2	-45.4	-32.3	-6.4	11.6	36.6
Domestic models	3.7	-21.1	10.1	-51.5	-37.6	-12.7	14.5	46.4
Foreign models	9.8	-2.8	-41.7	5.8	.2	26.5	.0	.0

^{1/} Percentage rates are annual rates compounded quarterly.^{2/} Excluding Federal pay increases rates of change are: 1973-IV 8.2 per cent; 1974-I 8.3 per cent; 1974-IV 5.7 per cent.^{3/} Using expenditures in 1967 as weights.

Rumors of an end to the Arab oil boycott and the belief that the decline in energy related stocks had proceeded too far apparently caused investors to bid up stock prices during the last three weeks of February and in early March. The rally has been broadly based, with stock of many small companies participating. At first, trading volume was light, but has increased recently with the continuing rise in prices.

Total corporate security offerings in March are expected to increase more than \$1 billion above the February level to \$4.1 billion. In April, total offerings are expected to decline only moderately. The build-up is accounted for by increases in both bond and stock offerings. The projected level of public bond offerings is particularly large, with the March and April volume expected to be more than twice the monthly average for 1973. The volume of stock offerings also is expected to increase in March and April but to remain below 1973 levels.

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

	1973		1974			
	Year	QIV ^{e/}	QI ^{f/}	Feb. ^{e/}	Mar. ^{f/}	Apr. ^{f/}
Corporate securities - Total	2,779	3,385	3,467	3,050	4,100	3,800
Public bonds	1,125	1,625	2,200	1,900	2,500	2,300
Privately placed bonds	725	715	667	600	800	800
Stock	929	1,045	600	550	800	700
State and local government securities	1,942	2,157	2,083	1,850	2,300	2,100

^{e/} Estimated.

^{f/} Forecast.

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	Feb. ^e	March	Apr.	May
<u>Total net borrowing</u>	-.2	1.9	-1.4	.2
Weekly and monthly bills	--	--	--	--
Tax bills	--	1.5	--	--
Coupon issues, net	-.5	--	--	--
As yet unspecified new borrowing	--	--	3.0	5.6
Special foreign series	--	--	--	--
Agency transactions, debt repayment, etc.	.3	.4	-4.4	-5.4
Plus: <u>Other net financial sources</u> a/	-.7	2.6	-.2	-.5
Plus: <u>Budget surplus or deficit</u> (-)	-1.9	-3.7	4.3	-4.4
Equals: <u>Change in cash balance</u>	-2.8 ^{b/}	.8	2.7	-4.7
Memoranda: Level of cash balance, end of period	7.7 ^{b/}	8.5	11.2	6.5
Derivation of budget surplus or deficit:				
Budget receipts	20.2	18.8	28.7	19.2
Budget outlays	22.1	22.5	24.4	23.6
Maturing coupon issues held by public	4.5 ^{c/}	--	--	5.6
Sales of financial assets	.2	.2	.8	.2
Budget agency borrowing	--	.4	.1	.2
Net borrowing by government-sponsored agencies	-.3	.6	.5	-.3

a/ Checks issued less checks paid and other accrual items.

b/ Actual.

c/ In the February refinancing, \$3.75 billion of notes and \$.3 billion of bonds were sold to provide funds for refunding the \$4.5 billion of publicly-held bonds and notes maturing on February 15.

e--estimated.

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

	F.R.B. Staff Estimates										
	Fiscal 1974 e/		FY 1975 e/	Calendar Years		Calendar Quarters					
	Budget	F.R.	Budget	1973	1974	1973	1974				
	Doc.	Board	Doc.	Actual	F.R.B. e/	IV*	I	II	III	IV	
Federal Budget							Unadjusted data				
Surplus/deficit	-4.7	-4.1	-9.4	-7.9	-11.8	-5.0	-5.8	7.7	-4.6	-9.1	
Receipts	270.0	267.2	295.0	250.4	278.3	59.9	62.5	80.4	70.0	65.4	
Outlays	274.7	271.3	304.4	258.3	290.1	64.9	68.3	72.7	74.6	74.5	
Mean of financing:											
Net borrowing from the public	3.5	2.9	12.5	7.9	8.3	6.7	.9	-4.0	3.3	8.1	
Decrease in cash operating balance	n.a.	1.8	n.a.	.7	1.9	-2.1	1.9	-2.3	2.3	--	
Other <u>1/</u>	n.a.	-.5	n.a.	-.7	1.6	.4	3.0	-1.4	-1.0	1.0	
Cash operating balance, end of period	n.a.	10.8	n.a.	10.4	8.5	10.4	8.5	10.8	8.5	8.5	
Memo <u>2/</u> : Sales of financial assets <u>3/</u>	3.7	3.1	4.5	3.6	n.e.	.9	.6	1.7	n.e.	n.e.	
Budget agency borrowing <u>4/</u>	1.7	1.3	1.8	-.1	1.6	.2	.4	.4	.4	.4	
Sponsored agency borrowing <u>5/</u>	13.6	9.9	1.3	16.3	1.3	3.2	-.1	.7	.2	.5	
National Income Sector							Seasonally adjusted, annual rates				
Surplus/deficit	-4.7	-4.1	-8.6	1.2	-10.3	6.4	1.2	-17.6	-12.8	-12.1	
Receipts	280.5	276.8 <u>6/</u>	304.8	265.2	289.4	276.0	282.3	286.0	290.8	298.3	
Expenditures	285.2	280.9 <u>7/</u>	313.4	264.0	299.7	269.6	281.1	303.6	303.6	310.4	
High Employment surplus/deficit (NIA basis) <u>8/</u>	n.a.	-1.7	n.a.	-1.3	.1	1.1	3.2	-8.9	1.2	4.8	
* Actual	e--projected		n.e.--not estimated			n.a.--not available					

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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/ Quarterly average exceeds fiscal year total by \$1.7 billion for fiscal 1974 due to spreading of wage base effect over calendar year.
- 7/ Fiscal year exceeds quarterly average of \$.9 billion due to seasonal adjustment.
- 8/ Estimated by F.R. Board Staff.