

CONFIDENTIAL (FR)

**CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

**June 12, 1974**

**By the Staff  
Board of Governors  
of the Federal Reserve System**

## STAFF GNP PROJECTIONS

|                              | Per cent change annual rate             |         |                               |         |         |         |                      |      |
|------------------------------|-----------------------------------------|---------|-------------------------------|---------|---------|---------|----------------------|------|
|                              | Changes in<br>nominal GNP<br>\$ billion |         | Gross private<br>product      |         |         |         |                      |      |
|                              |                                         |         | fixed weighted<br>price index |         |         |         | Unemployment<br>rate |      |
|                              |                                         |         | Real GNP                      |         |         |         |                      |      |
| 5/15/74                      | 6/12/74                                 | 5/15/74 | 6/12/74                       | 5/15/74 | 6/12/74 | 5/15/74 | 6/12/74              |      |
| 1971 <u>1/</u>               | 78.3                                    | 78.3    | 3.2                           | 3.2     | 4.6     | 4.6     | 5.9                  | 5.9  |
| 1972 <u>1/</u>               | 99.7                                    | 99.7    | 6.1                           | 6.1     | 3.2     | 3.2     | 5.6                  | 5.6  |
| 1973 <u>1/</u>               | 133.9                                   | 133.9   | 5.9                           | 5.9     | 6.1     | 6.1     | 4.9                  | 4.9  |
| 1974                         | 108.8                                   | 107.2   | - .2                          | - .6    | 9.2     | 9.6     | 5.4                  | 5.5  |
| 1973: I <u>1/</u>            | 43.3                                    | 43.3    | 8.7                           | 8.7     | 7.0     | 7.0     | 5.0                  | 5.0  |
| II <u>1/</u>                 | 29.5                                    | 29.5    | 2.4                           | 2.4     | 7.9     | 7.9     | 4.9                  | 4.9  |
| III <u>1/</u>                | 32.5                                    | 32.5    | 3.4                           | 3.4     | 7.0     | 7.0     | 4.7                  | 4.7  |
| IV <u>1/</u>                 | 33.0                                    | 33.0    | 1.6                           | 1.6     | 8.6     | 8.6     | 4.7                  | 4.7  |
| 1974: I <u>1/</u>            | 14.3                                    | 14.3    | -5.8                          | -5.8    | 12.5    | 12.5    | 5.2                  | 5.2  |
| II                           | 28.2                                    | 27.8    | - .4                          | - .5    | 9.3     | 9.4     | 5.2                  | 5.2  |
| III                          | 32.0                                    | 29.5    | 2.4                           | 1.3     | 7.0     | 7.6     | 5.5                  | 5.6  |
| IV                           | 36.0                                    | 33.9    | 3.0                           | 2.2     | 6.7     | 7.1     | 5.7                  | 5.9  |
| 1975: I                      | 30.0                                    | 27.4    | 2.3                           | 1.6     | 5.8     | 6.0     | 5.9                  | 6.1  |
| II                           | 27.0                                    | 25.0    | 2.2                           | 1.6     | 5.2     | 5.3     | 6.1                  | 6.3  |
| Change:<br>72-IV to<br>73-IV | 138.3                                   | 138.3   | 4.0                           | 4.0     | 7.8     | 7.8     | - .6                 | - .6 |
| 73-IV to<br>74-IV            | 110.5                                   | 105.9   | - .2                          | - .9    | 8.8     | 9.4     | 1.0                  | 1.2  |
| 74-II to<br>75-II            | 125.0                                   | 115.8   | 2.5                           | 1.7     | 6.2     | 6.5     | .9                   | 1.1  |

1/ Actual.

June 12, 1974

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<br>Proj.       | 1973   |        |        |                     | 1974                |
|----------------------------------------------------------------------|---------------------|---------------------|--------|--------|--------|---------------------|---------------------|
|                                                                      |                     |                     | I      | II     | III    | IV                  | I                   |
| Gross National Product                                               | 1289.1              | 1396.3              | 1242.5 | 1272.0 | 1304.5 | 1337.5              | 1352.2              |
| Final purchases                                                      | 1281.1              | 1388.1              | 1237.8 | 1267.5 | 1299.8 | 1319.4              | 1346.7              |
| Private                                                              | 1004.0              | 1078.3              | 969.2  | 992.2  | 1020.8 | 1033.8              | 1048.9              |
| Excluding net exports                                                | 998.2               | 1075.8              | 969.2  | 989.4  | 1013.2 | 1021.0              | 1038.0              |
| Personal consumption expenditures                                    | 804.0               | 875.7               | 779.4  | 795.6  | 816.0  | 825.2               | 844.6               |
| Durable goods                                                        | 130.8               | 131.9               | 132.2  | 132.8  | 132.8  | 125.6               | 125.0               |
| Nondurable goods                                                     | 335.9               | 374.6               | 322.2  | 330.3  | 341.6  | 349.6               | 362.3               |
| Services                                                             | 337.3               | 369.2               | 325.0  | 332.6  | 341.6  | 350.0               | 357.3               |
| Gross private domestic investment                                    | 202.1               | 208.4               | 194.5  | 198.2  | 202.0  | 213.9               | 198.9               |
| Residential construction                                             | 58.0                | 49.9                | 59.0   | 59.6   | 59.2   | 54.0                | 49.3                |
| Business fixed investment                                            | 136.2               | 150.3               | 130.9  | 134.1  | 138.0  | 141.8               | 144.1               |
| Change in business inventories                                       | 8.0                 | 8.2                 | 4.6    | 4.5    | 4.7    | 18.0                | 5.5                 |
| Nonfarm                                                              | 7.3                 | 7.9                 | 4.4    | 4.4    | 3.2    | 17.3                | 5.0                 |
| Net exports of goods and services <sup>1/</sup>                      | 5.8 <sup>2/</sup>   | 2.5                 | .0     | 2.8    | 7.6    | 12.8 <sup>2/</sup>  | 10.9 <sup>2/</sup>  |
| Exports                                                              | 102.0 <sup>2/</sup> | 137.6               | 89.7   | 97.2   | 104.5  | 116.4 <sup>2/</sup> | 130.4 <sup>2/</sup> |
| Imports                                                              | 96.2                | 135.0               | 89.7   | 94.4   | 97.0   | 103.6               | 119.4               |
| Gov't. purchases of goods and services                               | 277.1               | 309.8               | 268.6  | 275.3  | 279.0  | 285.6               | 297.8               |
| Federal                                                              | 106.6               | 115.8               | 105.5  | 107.3  | 106.8  | 106.8               | 112.1               |
| Defense                                                              | 73.9                | 79.0                | 74.3   | 74.2   | 74.2   | 73.0                | 76.3                |
| Other                                                                | 32.7                | 36.8                | 31.2   | 33.1   | 32.7   | 33.8                | 35.8                |
| State & local                                                        | 170.5               | 194.0               | 163.0  | 168.0  | 172.2  | 178.8               | 185.7               |
| Gross national product in<br>constant (1958) dollars                 | 837.4               | 832.7               | 829.3  | 834.3  | 841.3  | 844.6               | 831.0               |
| GNP implicit deflator (1958 = 100)                                   | 153.9               | 167.7               | 149.8  | 152.5  | 155.1  | 158.4               | 162.7               |
| Personal income                                                      | 1035.4              | 1133.4              | 996.6  | 1019.0 | 1047.1 | 1078.9              | 1094.4              |
| Wage and salary disbursements                                        | 691.5               | 748.9               | 666.7  | 682.6  | 699.3  | 717.2               | 726.2               |
| Disposable income                                                    | 882.5               | 963.3               | 851.5  | 869.7  | 891.1  | 917.8               | 931.4               |
| Personal saving                                                      | 54.8                | 61.0                | 50.0   | 51.0   | 51.1   | 67.1                | 61.5                |
| Saving rate (per cent)                                               | 6.2                 | 6.3                 | 5.9    | 5.9    | 5.7    | 7.3                 | 6.6                 |
| Corporate profits & inventory val. adj.                              | 109.0               | 117.5               | 104.3  | 107.9  | 112.0  | 111.9               | 108.9               |
| Corporate profits before tax                                         | 126.3               | 143.3               | 119.6  | 128.9  | 129.0  | 127.4               | 140.1               |
| Federal government receipts and<br>expenditures, (N.I.A. basis)      |                     |                     |        |        |        |                     |                     |
| Receipts                                                             | 265.0               | 295.2               | 253.6  | 262.4  | 269.5  | 274.3               | 284.9               |
| Expenditures                                                         | 264.0               | 298.0               | 258.6  | 262.4  | 265.6  | 269.6               | 282.3               |
| Surplus or deficit (-)                                               | 1.0                 | -2.8                | -5.0   | .0     | 4.0    | 4.7                 | 2.6                 |
| High employment surplus or deficit (-)                               | -1.3                | 3.1                 | -2.4   | -1.7   | -2.1   | 1.1                 | 2.2                 |
| State and local government surplus or<br>deficit (-), (N.I.A. basis) | 10.5                | 2.6                 | 13.9   | 11.5   | 10.4   | 6.0                 | 4.5                 |
| Total labor force (millions)                                         | 91.0                | 93.2                | 90.0   | 90.8   | 91.3   | 92.2                | 92.8                |
| Armed forces "                                                       | 2.3                 | 2.3                 | 2.4    | 2.3    | 2.3    | 2.3                 | 2.3                 |
| Civilian labor force "                                               | 88.7                | 90.9                | 87.6   | 88.5   | 89.0   | 89.9                | 90.5                |
| Unemployment rate (per cent)                                         | 4.9                 | 5.5                 | 5.0    | 4.9    | 4.7    | 4.7                 | 5.2                 |
| Nonfarm payroll employment (millions)                                | 75.6                | 77.0                | 74.6   | 75.3   | 75.7   | 76.6                | 76.7                |
| Manufacturing                                                        | 19.8                | 19.9                | 19.6   | 19.8   | 19.8   | 20.1                | 19.9                |
| Industrial production (1967 = 100)                                   | 125.6               | 125.8               | 123.1  | 124.8  | 126.7  | 127.0               | 124.8               |
| Capacity utilization, mfg. (per cent)                                | 83.0                | 80.0                | 82.8   | 83.3   | 83.3   | 82.6                | 80.5                |
| Major materials (per cent)                                           | 93.2                | 89.7                | 92.8   | 92.8   | 94.1   | 93.2                | 90.2                |
| Housing starts, private (millions, A.R.)                             | 2.04                | 1.66                | 2.39   | 2.21   | 2.01   | 1.58                | 1.62                |
| Sales new autos (millions, A.R.)                                     | 11.44               | 9.19                | 12.23  | 11.73  | 11.74  | 10.09               | 9.04                |
| Domestic models                                                      | 9.67                | 7.87                | 10.27  | 9.87   | 10.11  | 8.44                | 7.49                |
| Foreign models                                                       | 1.77                | 1.32                | 1.96   | 1.86   | 1.63   | 1.65                | 1.55                |
| <sup>1/</sup> Net exports of g. & s. (Bal. of Paymts.)               | 6.9 <sup>2/</sup>   | 5.4 <sup>2/</sup>   | .7     | 2.4    | 8.6    | 15.9 <sup>2/</sup>  | 13.7 <sup>2/</sup>  |
| Exports                                                              | 102.7 <sup>2/</sup> | 137.7 <sup>2/</sup> | 90.2   | 97.2   | 105.0  | 118.7 <sup>2/</sup> | 130.5 <sup>2/</sup> |
| Imports                                                              | 95.8                | 132.3               | 89.4   | 94.8   | 96.4   | 102.8               | 116.7               |

<sup>2/</sup> Includes effects of shipments of military equipment and supplies to Israel; for 1973-IV 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; for 1974-I they are estimated at \$.5 billion, annual rate, all from defense stocks.

June 12, 1974

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<br>Proj.       | 1974<br>Projection  |        |        |        | 1975   |        |
|----------------------------------------------------------------------|---------------------|---------------------|--------|--------|--------|--------|--------|
|                                                                      |                     | I                   | II     | III    | IV     | I      | II     |
| Gross National Product                                               | 1396.3              | 1352.2              | 1380.0 | 1409.5 | 1443.4 | 1470.8 | 1495.8 |
| Final purchases                                                      | 1388.1              | 1346.7              | 1370.0 | 1400.7 | 1434.9 | 1462.6 | 1487.6 |
| Private                                                              | 1078.3              | 1048.9              | 1065.0 | 1087.6 | 1111.8 | 1131.3 | 1148.6 |
| Excluding net exports                                                | 1075.8              | 1038.0              | 1063.2 | 1088.3 | 1113.8 | 1136.6 | 1156.1 |
| Personal consumption expenditures                                    | 875.7               | 844.6               | 865.5  | 886.5  | 906.0  | 924.3  | 941.7  |
| Durable goods                                                        | 131.9               | 125.0               | 130.3  | 134.0  | 138.2  | 141.2  | 142.7  |
| Nondurable goods                                                     | 374.6               | 362.3               | 370.2  | 379.5  | 386.3  | 393.3  | 401.2  |
| Services                                                             | 369.2               | 357.3               | 365.0  | 373.0  | 381.5  | 389.8  | 397.8  |
| Gross private domestic investment                                    | 208.4               | 198.9               | 207.7  | 210.6  | 216.2  | 220.5  | 222.6  |
| Residential construction                                             | 49.9                | 49.3                | 49.4   | 49.5   | 51.4   | 52.5   | 51.4   |
| Business fixed investment                                            | 150.3               | 144.1               | 148.3  | 152.3  | 156.3  | 159.8  | 163.0  |
| Change in business inventories                                       | 8.2                 | 5.5                 | 10.0   | 8.8    | 8.5    | 8.2    | 8.2    |
| Nonfarm                                                              | 7.9                 | 5.0                 | 10.0   | 8.5    | 8.0    | 8.0    | 8.0    |
| Net exports of goods and services <sup>1/</sup>                      | 2.5 <sup>2/</sup>   | 10.9 <sup>2/</sup>  | 1.8    | - .7   | -2.0   | -5.3   | -7.5   |
| Exports                                                              | 137.6 <sup>2/</sup> | 130.4 <sup>2/</sup> | 138.0  | 139.8  | 142.0  | 142.4  | 143.7  |
| Imports                                                              | 135.0               | 119.4               | 136.2  | 140.5  | 144.0  | 147.7  | 151.2  |
| Gov't. purchases of goods and services                               | 309.8               | 297.8               | 305.0  | 313.1  | 323.1  | 331.3  | 339.0  |
| Federal                                                              | 115.8               | 112.1               | 113.9  | 116.1  | 121.0  | 123.4  | 125.8  |
| Defense                                                              | 79.0                | 76.3                | 77.8   | 79.0   | 82.9   | 84.6   | 86.1   |
| Other                                                                | 36.8                | 35.8                | 36.1   | 37.1   | 38.1   | 38.8   | 39.7   |
| State & local                                                        | 194.0               | 185.7               | 191.1  | 197.0  | 202.1  | 207.9  | 213.2  |
| Gross national product in<br>constant (1958) dollars                 | 832.7               | 831.0               | 829.9  | 832.5  | 837.2  | 840.5  | 843.8  |
| GNP implicit deflator (1958 = 100)                                   | 167.7               | 162.7               | 166.3  | 169.3  | 172.4  | 175.0  | 177.3  |
| Personal income                                                      | 1133.4              | 1094.4              | 1119.5 | 1147.3 | 1172.4 | 1197.4 | 1220.9 |
| Wage and salary disbursements                                        | 748.9               | 726.2               | 740.2  | 757.5  | 771.6  | 788.2  | 802.8  |
| Disposable income                                                    | 963.3               | 931.4               | 952.5  | 974.6  | 994.6  | 1015.2 | 1034.4 |
| Personal saving                                                      | 61.0                | 61.5                | 60.7   | 61.0   | 60.6   | 62.0   | 63.0   |
| Saving rate (per cent)                                               | 6.3                 | 6.6                 | 6.4    | 6.3    | 6.1    | 6.1    | 6.1    |
| Corporate profits & inventory val. adj.                              | 117.0               | 108.9               | 115.4  | 118.7  | 124.9  | 127.5  | 127.7  |
| Corporate profits before tax                                         | 143.3               | 140.1               | 144.0  | 144.0  | 145.0  | 142.5  | 139.5  |
| Federal government receipts and<br>expenditures, (N.I.A. basis)      |                     |                     |        |        |        |        |        |
| Receipts                                                             | 295.2               | 284.9               | 292.2  | 298.6  | 305.1  | 310.8  | 315.1  |
| Expenditures                                                         | 298.0               | 282.3               | 292.9  | 304.3  | 312.6  | 320.6  | 327.2  |
| Surplus or deficit (-)                                               | -2.8                | 2.6                 | - .7   | -5.7   | -7.5   | -9.8   | -12.1  |
| High employment surplus or deficit (-)                               | 3.1                 | 2.2                 | 1.6    | 1.6    | 6.8    | 12.3   | 16.4   |
| State and local government surplus or<br>deficit (-), (N.I.A. basis) | 2.6                 | 4.5                 | 2.9    | 1.9    | 1.2    | .0     | -1.5   |
| Total labor force (millions)                                         | 93.2                | 92.8                | 93.0   | 93.4   | 93.7   | 93.9   | 94.2   |
| Armed forces "                                                       | 2.3                 | 2.3                 | 2.3    | 2.3    | 2.3    | 2.2    | 2.2    |
| Civilian labor force "                                               | 90.9                | 90.5                | 90.7   | 91.1   | 91.4   | 91.7   | 92.0   |
| Unemployment rate (per cent)                                         | 5.5                 | 5.2                 | 5.2    | 5.6    | 5.9    | 6.1    | 6.3    |
| Nonfarm payroll employment (millions)                                | 77.0                | 76.7                | 77.1   | 77.1   | 77.1   | 77.2   | 77.3   |
| Manufacturing                                                        | 19.9                | 19.9                | 19.9   | 19.9   | 19.9   | 19.9   | 19.9   |
| Industrial production (1967 = 100)                                   | 125.8               | 124.8               | 125.4  | 126.0  | 127.0  | 128.0  | 128.9  |
| Capacity utilization, mfg. (per cent)                                | 80.0                | 80.5                | 80.3   | 79.9   | 79.2   | 79.4   | 79.4   |
| Major materials (per cent)                                           | 89.7                | 90.2                | 90.2   | 89.4   | 88.9   | 88.2   | 87.6   |
| Housing starts, private (millions, A.R.)                             | 1.66                | 1.62                | 1.60   | 1.70   | 1.70   | 1.60   | 1.50   |
| Sales new autos (millions, A.R.)                                     | 9.19                | 9.04                | 9.07   | 9.25   | 9.40   | 9.50   | 9.50   |
| Domestic models                                                      | 7.87                | 7.49                | 7.84   | 8.00   | 8.15   | 8.25   | 8.25   |
| Foreign models                                                       | 1.32                | 1.55                | 1.23   | 1.25   | 1.25   | 1.25   | 1.25   |
| <sup>1/</sup> Net exports of g. & s. (Bal. of Paymts.)               | 5.4 <sup>2/</sup>   | 13.7 <sup>2/</sup>  | 4.6    | 2.1    | .8     | -2.5   | -4.7   |
| Exports                                                              | 137.7 <sup>2/</sup> | 130.5 <sup>2/</sup> | 138.1  | 139.9  | 142.1  | 142.5  | 143.8  |
| Imports                                                              | 132.3               | 116.7               | 133.5  | 137.8  | 141.3  | 145.0  | 148.5  |

<sup>2/</sup> Includes effects of shipments of military equipment and supplies to Israel; for 1974-I these are now estimated at \$.5 billion, annual rate, and considered as a sale, all from U.S. military stocks and thus reducing defense purchases by that amount.

June 12, 1974

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

|                                                             | 1973  | 1974<br>Proj. | 1973 |       |       |                   | 1974               |
|-------------------------------------------------------------|-------|---------------|------|-------|-------|-------------------|--------------------|
|                                                             |       |               | I    | II    | III   | IV                | I                  |
| -----Billions of Dollars-----                               |       |               |      |       |       |                   |                    |
| Gross National Product                                      | 133.9 | 107.2         | 43.3 | 29.5  | 32.5  | 33.0              | 14.7               |
| Inventory change                                            | 2.0   | .2            | -3.6 | - .1  | .2    | 13.3              | -12.5              |
| Final purchases                                             | 132.0 | 107.0         | 46.8 | 29.7  | 32.3  | 19.6              | 27.3               |
| Private                                                     | 121.9 | 74.3          | 38.9 | 23.0  | 28.6  | 13.0              | 15.1               |
| Net exports                                                 | 28.5  | -3.3          | 3.5  | 2.8   | 4.8   | 5.2               | -1.9               |
| Excluding net exports                                       | 105.4 | 77.6          | 35.4 | 20.2  | 23.8  | 7.8               | 17.0               |
| Personal consumption expenditures                           | 77.5  | 71.7          | 26.8 | 16.2  | 20.4  | 9.2               | 19.4               |
| Durable goods                                               | 13.4  | 1.1           | 9.3  | .6    | .0    | -7.2              | - .6               |
| Nondurable goods                                            | 36.0  | 38.7          | 11.5 | 8.1   | 11.3  | 8.0               | 12.7               |
| Services                                                    | 28.1  | 31.9          | 6.0  | 7.6   | 9.0   | 8.4               | 7.3                |
| Residential fixed investment                                | 4.0   | -8.1          | 2.1  | .6    | - .4  | -5.2              | -4.7               |
| Business fixed investment                                   | 18.0  | 14.1          | 6.6  | 3.2   | 3.9   | 3.8               | 2.3                |
| Government                                                  | 22.1  | 32.7          | 7.9  | 6.7   | 3.7   | 6.6               | 12.2               |
| Federal                                                     | 2.2   | 9.2           | 2.8  | 1.8   | - .5  | .0                | 5.3                |
| State and local                                             | 20.0  | 23.5          | 5.0  | 5.0   | 4.2   | 6.6               | 6.9                |
| GNP in constant (1958) dollars                              | 46.7  | -4.7          | 17.0 | 5.0   | 7.0   | 3.3               | -13.6              |
| Final purchases                                             | 45.7  | -4.2          | 20.0 | 5.0   | 7.3   | -6.2              | -4.6               |
| Private                                                     | 44.0  | -6.1          | 19.1 | 4.2   | 7.5   | -5.3              | -8.0               |
| -----Per Cent Per Year <sup>1/</sup> -----                  |       |               |      |       |       |                   |                    |
| Gross National Product                                      | 11.6  | 8.3           | 15.2 | 9.9   | 10.6  | 10.5              | 4.5                |
| Final purchases                                             | 11.5  | 8.4           | 16.7 | 9.9   | 10.6  | 6.2               | 8.5                |
| Private                                                     | 12.0  | 7.4           | 17.8 | 9.8   | 12.0  | 5.2               | 6.0                |
| Personal consumption expenditures                           | 10.7  | 8.9           | 15.0 | 8.6   | 10.7  | 4.6               | 9.7                |
| Durable goods                                               | 11.4  | .8            | 33.9 | 1.8   | .0    | -20.0             | -1.9               |
| Nondurable goods                                            | 12.0  | 11.5          | 15.6 | 10.4  | 14.4  | 9.7               | 15.3               |
| Services                                                    | 9.1   | 9.5           | 7.7  | 9.7   | 11.3  | 10.2              | 8.6                |
| Gross private domestic investment                           | 13.3  | 3.1           | 11.2 | 7.8   | 7.9   | 25.7              | -25.2              |
| Residential structures                                      | 7.4   | -14.0         | 15.6 | 4.1   | -2.7  | -30.8             | -30.5              |
| Business fixed investment                                   | 15.2  | 10.4          | 23.0 | 10.1  | 12.2  | 11.5              | 6.6                |
| Gov't. purchases of goods & services                        | 8.7   | 11.8          | 12.7 | 10.4  | 5.5   | 9.8               | 18.2               |
| Federal                                                     | 2.1   | 8.6           | 11.4 | 7.0   | -1.9  | .0                | 21.4               |
| Defense                                                     | - .7  | 6.9           | 10.9 | - .5  | .0    | -6.3              | 19.3               |
| Other                                                       | 8.6   | 12.5          | 12.4 | 26.7  | - 4.7 | 14.1              | 25.9               |
| State and local                                             | 13.3  | 13.8          | 13.3 | 12.8  | 10.4  | 16.2              | 16.4               |
| GNP in constant (1958) dollars                              | 5.9   | - .6          | 8.7  | 2.4   | 3.4   | 1.6               | -6.3               |
| Final purchases                                             | 5.8   | - .5          | 10.3 | 2.4   | 3.6   | -2.9              | -2.2               |
| Private                                                     | 6.8   | - .9          | 12.0 | 2.5   | 4.4   | 3.0               | -4.6 <sup>2/</sup> |
| GNP implicit deflator                                       | 5.4   | 8.9           | 6.1  | 7.3   | 7.0   | 8.8 <sup>2/</sup> | 11.5 <sup>2/</sup> |
| Private GNP fixed weighted index <sup>3/</sup>              | 6.1   | 9.6           | 7.0  | 7.9   | 7.6   | 8.6               | 13.5               |
| Personal income                                             | 10.2  | 9.5           | 8.7  | 9.3   | 11.5  | 12.7              | 5.9                |
| Wage and salary disbursements                               | 10.1  | 8.3           | 11.6 | 9.9   | 10.2  | 10.6              | 5.1                |
| Disposable income                                           | 10.7  | 9.2           | 11.5 | 8.8   | 10.2  | 12.5              | 6.1                |
| Corporate profits before tax                                | 28.9  | 13.5          | 61.5 | 34.9  | .3    | -4.9              | 46.2               |
| Federal government receipts and expenditures (N.I.A. basis) |       |               |      |       |       |                   |                    |
| Receipts                                                    | 15.9  | 11.4          | 31.3 | 14.6  | 11.3  | 7.8               | 16.4               |
| Expenditures                                                | 7.9   | 12.9          | -2.6 | 6.0   | 5.0   | 6.2               | 20.2               |
| Nonfarm payroll employment                                  | 3.9   | 1.9           | 4.5  | 3.7   | 2.2   | 4.4               | .8                 |
| Manufacturing                                               | 4.7   | .5            | 5.4  | 4.7   | 1.2   | 4.5               | -2.9               |
| Industrial production                                       | 9.0   | .2            | 10.0 | 5.6   | 6.2   | 1.0               | -6.8               |
| Housing starts, private                                     | -13.4 | -18.8         | 1.0  | -27.0 | -32.0 | -61.3             | 10.3               |
| Sales new autos                                             | 4.6   | -19.7         | 4.6  | -15.4 | .2    | -45.5             | -35.3              |
| Domestic models                                             | 3.7   | -18.6         | 16.0 | -14.9 | 10.1  | -51.5             | -38.0              |
| Foreign models                                              | 9.8   | -25.4         | 42.3 | -18.1 | -41.7 | 5.8               | -19.8              |

<sup>1/</sup> Percentage rates are annual rates compounded quarterly.<sup>2/</sup> Excluding Federal pay increases rates of change are: 1973-IV, 8.2 per cent and 1974-I, 11.4 per cent.<sup>3/</sup> Using expenditures in 1967 as weights.

June 12, 1974

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

|                                                             | 1974<br>Proj. | 1974               |       |      |                   | 1975              |       |
|-------------------------------------------------------------|---------------|--------------------|-------|------|-------------------|-------------------|-------|
|                                                             |               | I                  | II    | III  | Projection<br>IV  | I                 | II    |
| -----Billions of Dollars-----                               |               |                    |       |      |                   |                   |       |
| Gross National Product                                      | 107.2         | 14.7               | 27.8  | 29.5 | 33.9              | 27.4              | 25.0  |
| Inventory change                                            | .2            | -12.5              | 4.5   | -1.2 | - .3              | - .3              | .0    |
| Final purchases                                             | 107.0         | 27.3               | 23.3  | 30.7 | 34.2              | 27.7              | 25.0  |
| Private                                                     | 74.3          | 15.1               | 16.1  | 22.6 | 24.2              | 19.5              | 17.3  |
| Net exports                                                 | -3.3          | -1.9               | -9.1  | -2.5 | -1.3              | -3.3              | -2.2  |
| Excluding net exports                                       | 77.6          | 17.0               | 25.2  | 25.1 | 25.5              | 22.8              | 19.5  |
| Personal consumption expenditures                           | 71.7          | 19.4               | 20.9  | 21.0 | 19.5              | 18.3              | 17.4  |
| Durable goods                                               | 1.1           | - .6               | 5.3   | 3.7  | 4.2               | 3.0               | 1.5   |
| Nondurable goods                                            | 38.7          | 12.7               | 7.9   | 9.3  | 6.8               | 7.0               | 7.9   |
| Services                                                    | 31.9          | 7.3                | 7.7   | 8.0  | 8.5               | 8.3               | 8.0   |
| Residential fixed investment                                | -8.1          | -4.7               | .1    | .1   | 1.9               | 1.1               | -1.1  |
| Business fixed investment                                   | 14.1          | 2.3                | 4.2   | 4.0  | 4.0               | 3.5               | 3.2   |
| Government                                                  | 32.7          | 12.2               | 7.2   | 8.1  | 10.0              | 8.2               | 7.7   |
| Federal                                                     | 9.2           | 5.3                | 1.8   | 2.2  | 4.9               | 2.4               | 2.4   |
| State and local                                             | 23.5          | 6.9                | 5.4   | 5.9  | 5.1               | 5.8               | 5.3   |
| GNP in constant (1958) dollars                              | -4.7          | -13.6              | -1.1  | 2.6  | 4.7               | 3.3               | 3.3   |
| Final purchases                                             | -4.2          | -4.6               | -3.6  | 3.3  | 4.6               | 3.1               | 3.1   |
| Private                                                     | -6.1          | -8.0               | -2.3  | 3.1  | 4.6               | 2.9               | 2.5   |
| -----Per Cent Per Year <sup>1/</sup> -----                  |               |                    |       |      |                   |                   |       |
| Gross National Product                                      | 8.3           | 4.5                | 8.5   | 8.8  | 10.0              | 7.8               | 7.0   |
| Final purchases                                             | 8.4           | 8.5                | 7.1   | 9.3  | 10.1              | 7.9               | 7.0   |
| Private                                                     | 7.4           | 6.0                | 6.3   | 8.8  | 9.2               | 7.2               | 6.3   |
| Personal consumption expenditures                           | 8.9           | 9.7                | 10.3  | 10.1 | 9.1               | 8.3               | 7.7   |
| Durable goods                                               | .8            | -1.9               | 18.1  | 11.9 | 13.1              | 9.0               | 4.3   |
| Nondurable goods                                            | 11.5          | 15.3               | 9.0   | 10.4 | 7.4               | 7.4               | 8.3   |
| Services                                                    | 9.5           | 8.6                | 8.9   | 9.1  | 9.4               | 9.0               | 8.5   |
| Gross private domestic investment                           | 3.1           | -25.2              | 18.9  | 5.7  | 11.1              | 8.2               | 3.9   |
| Residential structures                                      | -14.0         | -30.5              | .8    | .8   | 16.3              | 8.8               | -8.1  |
| Business fixed investment                                   | 10.4          | 6.6                | 12.2  | 11.2 | 10.9              | 9.3               | 8.3   |
| Gov't. purchases of goods & services                        | 11.8          | 18.2               | 10.0  | 11.1 | 13.4              | 10.5              | 9.6   |
| Federal                                                     | 8.6           | 21.4               | 6.6   | 8.0  | 18.0              | 8.2               | 8.0   |
| Defense                                                     | 6.9           | 19.3               | 8.1   | 6.3  | 21.3              | 8.5               | 7.3   |
| Other                                                       | 12.5          | 25.9               | 3.4   | 11.5 | 11.2              | 7.6               | 9.6   |
| State and local                                             | 13.8          | 16.4               | 12.1  | 12.9 | 10.8              | 12.0              | 10.6  |
| CNP in constant (1958) dollars                              | - .6          | -6.3               | - .5  | 1.3  | 2.2               | 1.6               | 1.6   |
| Final purchases                                             | - .5          | -2.2               | -1.7  | 1.6  | 2.2               | 1.5               | 1.5   |
| Private                                                     | - .9          | -4.6 <sup>2/</sup> | -1.8  | 1.8  | 2.7 <sup>2/</sup> | 1.7 <sup>2/</sup> | 1.5   |
| GNP implicit deflator                                       | 8.9           | 11.5 <sup>2/</sup> | 9.0   | 7.5  | 7.5 <sup>2/</sup> | 6.1 <sup>2/</sup> | 5.3   |
| Private GNP fixed weighted index <sup>3/</sup>              | 9.6           | 13.5               | 9.4   | 7.6  | 7.1               | 6.0               | 5.3   |
| Personal income                                             | 9.5           | 5.9                | 9.5   | 10.3 | 9.0               | 8.8               | 8.1   |
| Wage and salary disbursements                               | 8.3           | 5.1                | 7.9   | 9.7  | 7.7               | 8.9               | 7.6   |
| Disposable income                                           | 9.2           | 6.1                | 9.4   | 9.6  | 8.5               | 8.5               | 7.8   |
| Corporate profits before tax                                | 13.5          | 46.2               | 11.6  | .0   | 2.8               | -6.7              | -8.2  |
| Federal government receipts and expenditures (N.I.A. basis) |               |                    |       |      |                   |                   |       |
| Receipts                                                    | 11.4          | 16.4               | 10.6  | 9.1  | 9.0               | 7.7               | 5.6   |
| Expenditures                                                | 12.9          | 20.2               | 15.9  | 16.5 | 11.4              | 10.6              | 8.5   |
| Nonfarm payroll employment                                  | 1.9           | .8                 | 2.0   | .0   | .0                | .5                | .5    |
| Manufacturing                                               | .5            | -2.9               | - .4  | .0   | .0                | .0                | .0    |
| Industrial production                                       | .2            | -6.8               | 1.9   | 1.9  | 3.2               | 3.2               | 2.8   |
| Housing starts, private                                     | -18.8         | 10.3               | -4.8  | 27.4 | .0                | -21.5             | -22.8 |
| Sales new autos                                             | -19.7         | -35.3              | 1.3   | 8.2  | 6.6               | 4.3               | .0    |
| Domestic models                                             | -18.6         | -38.0              | 20.0  | 8.4  | 7.7               | 5.0               | .0    |
| Foreign models                                              | -25.4         | -19.8              | -60.3 | 6.7  | .0                | .0                | .0    |

<sup>1/</sup> Percentage rates are annual rates compounded quarterly.<sup>2/</sup> Excluding Federal pay increases rates of change are: 1974-I, 11.4 per cent; 1974-IV, 7.0 per cent; 1975-I, 6.0 per cent.<sup>3/</sup> Using expenditures in 1967 as weights.

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

|                                       | <u>1973</u><br>Year | <u>1974</u>      |                   |                   |                    |                    |
|---------------------------------------|---------------------|------------------|-------------------|-------------------|--------------------|--------------------|
|                                       |                     | QI <sup>e/</sup> | QII <sup>e/</sup> | May <sup>e/</sup> | June <sup>f/</sup> | July <sup>f/</sup> |
| Corporate securities -                |                     |                  |                   |                   |                    |                    |
| Total                                 | 2,779               | 3,066            | 3,270             | 2,960             | 3,800              | 3,000              |
| Public bonds                          | 1,125               | 1,939            | 2,200             | 2,300             | 2,600              | 2,000              |
| Privately placed bonds                | 725                 | 534              | 467               | 400               | 500                | 400                |
| Stock                                 | 929                 | 593              | 603               | 260               | 700                | 600                |
| State and local government securities | 1,942               | 2,037            | 2,133             | 2,100             | 2,000              | 2,000              |

e/ Estimated.

f/ Forecast.

Based on current schedules, the volume of municipal offerings is expected to be about \$2 billion per month in June and July, although two recent developments could increase supply pressures in this market in the near future. The State of New York has agreed to have the State power authority buy and complete two unfinished generating plants of Consolidated Edison and thereby provide the company with additional working capital. The financing, which is awaiting the completion of an engineering audit that will take two to three months, should be between \$500 and \$800 million. Also, the State has recently empowered New York City to set up a special Stabilization Reserve Corporation to issue long-term bonds. The City is currently up against a debt ceiling for general obligation bonds, and the Corporation will be used to help alleviate its problem of financing large operating deficits with short-term notes.

PROJECTION OF TREASURY CASH OUTLOOK  
(In billions of dollars)

|                                                    | May <sup>e</sup>   | June               | July             | August |
|----------------------------------------------------|--------------------|--------------------|------------------|--------|
| <u>Total net borrowing</u>                         | - .4               | -2.9               | 3.6              | 1.4    |
| Weekly and monthly bills                           | .6                 | .4                 | .4               | 1.0    |
| Tax bills                                          | --                 | -4.5               | --               | --     |
| Coupon issues, net                                 | 4.2                | .8                 | --               | --     |
| As yet unspecified new borrowing                   | --                 | --                 | 3.0              | 4.4    |
| Special foreign series                             | .3                 | -.2                | --               | --     |
| Agency transactions, debt repayment, etc.          | -5.5               | .6                 | .2               | -4.0   |
| Plus: <u>Other net financial sources</u> <u>a/</u> | .4                 | -1.5 <sup>b/</sup> | .9 <sup>b/</sup> | -2.4   |
| Plus: <u>Budget surplus or deficit</u> (-)         | -5.1               | 8.1                | -8.2             | -1.1   |
| Equals: <u>Change in cash balance</u>              | -5.1 <sup>c/</sup> | 3.7                | -3.7             | -2.1   |
| Memoranda: Level of cash balance, end of period    | 6.4 <sup>c/</sup>  | 10.1               | 6.4              | 4.3    |
| Derivation of budget surplus or deficit:           |                    |                    |                  |        |
| Budget receipts                                    | 19.2               | 32.1               | 20.3             | 24.0   |
| Budget outlays                                     | 24.3               | 24.0               | 28.5             | 25.1   |
| Maturing coupon issues held by public              | 5.6 <sup>d/</sup>  | --                 | --               | 4.4    |
| Sales of financial assets                          | .1                 | .6                 | .2               | .7     |
| Budget agency borrowing                            | .1                 | .4                 | .1               | .4     |
| Net borrowing by government-sponsored agencies     | 1.8                | 2.6                | 1.9              | 1.1    |

e--Estimated.

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

b/ Reflects assumption of \$1.2 billion in deferred receipts from auction of offshore oil leases.

c/ Actual.

d/ In the May refinancing, \$3.75 billion of notes and \$.3 billion of bonds were sold to provide funds for a partial refinancing of the \$5.6 billion of publicly-held bonds and notes maturing May 15.



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

|                                                          |                                  |       |                     |       |                     |        | F.R.B. Staff Estimates |       |       |       |          |
|----------------------------------------------------------|----------------------------------|-------|---------------------|-------|---------------------|--------|------------------------|-------|-------|-------|----------|
|                                                          | Fiscal 1974 e/                   |       | Fiscal 1975 e/      |       | Calendar Years      |        | Calendar Quarters      |       |       |       | Half-Yr. |
|                                                          | Adm. Est.                        | F.R.  | Adm. Est.           | F.R.  | 1973                | 1974   | 1974                   |       |       |       | 1975     |
|                                                          | 5-30-74                          | Board | 5-30-74             | Board | Actual              | FRB e/ | I*                     | II    | III   | IV    | Jan-June |
| <u>Federal Budget</u>                                    | Unadjusted data                  |       |                     |       |                     |        |                        |       |       |       |          |
| Surplus/deficit                                          | -3.5                             | -2.8  | -11.4               | -8.0  | -7.9                | -7.6   | -7.1                   | 10.4  | -4.1  | -6.8  | 2.9      |
| Receipts                                                 | 266.0                            | 265.7 | 294.0               | 296.0 | 250.4               | 281.1  | 60.5                   | 81.0  | 72.9  | 66.7  | 156.3    |
| Outlays                                                  | 269.5                            | 268.5 | 305.4               | 304.0 | 258.3               | 288.7  | 67.6                   | 70.6  | 77.0  | 73.5  | 153.4    |
| Means of financing:                                      |                                  |       |                     |       |                     |        |                        |       |       |       |          |
| Net borrowing from the public                            | n.a.                             | 3.5   | n.a.                | n.e.  | 7.9                 | 8.6    | 3.4                    | -5.8  | 5.6   | 5.4   | n.e.     |
| Decrease in cash operating balance                       | n.a.                             | 2.5   | n.a.                | n.e.  | .7                  | 2.0    | 2.0                    | -1.7  | -.4   | 2.1   | n.e.     |
| Other <u>1/</u>                                          | n.a.                             | -3.2  | n.a.                | -1.1  | -.7                 | -3.0   | 1.7                    | -2.9  | -1.1  | -.7   | .7       |
| Cash operating balance, end of period                    | n.a.                             | 10.1  | n.a.                | n.e.  | 10.4                | 8.4    | 8.4                    | 10.1  | 10.5  | 8.4   | n.e.     |
| Memo <u>2/</u> : Sales of financial assets <u>3/</u>     | n.a.                             | 1.5   | n.a.                | 5.3   | 3.6                 | 3.1    | .1                     | .5    | 1.5   | 1.0   | 2.7      |
| Budget agency borrowing <u>4/</u>                        | 1.7                              | 1.5   | n.a.                | n.e.  | -.1                 | 1.8    | .4                     | .6    | .4    | .4    | n.e.     |
| Sponsored agency borrowing <u>5/</u>                     | 13.6                             | 14.6  | n.a.                | n.e.  | 16.3                | 13.4   | --                     | 5.3   | 4.6   | 3.4   | n.e.     |
| <u>National Income Sector</u>                            | Seasonally adjusted annual rates |       |                     |       |                     |        |                        |       |       |       |          |
| Surplus/deficit                                          | -.6                              | .0    | -12.8               | -9.5  | .9                  | -2.8   | 2.6                    | -.7   | -5.7  | -7.5  | -10.9    |
| Receipts                                                 | 278.2                            | 278.5 | 304.3               | 306.8 | 265.0               | 295.2  | 284.9                  | 292.2 | 298.6 | 305.1 | 313.0    |
| Expenditures                                             | 278.8                            | 278.5 | 317.1               | 316.3 | 264.0               | 298.0  | 282.3                  | 292.9 | 304.3 | 312.6 | 323.9    |
| High Employment surplus/deficit<br>(NIA basis) <u>8/</u> | n.a.                             | .7    | n.a.                | 9.3   | -1.3                | 3.0    | 2.2                    | 1.6   | 1.6   | 6.8   | 14.4     |
| * Actual                                                 | e--projected                     |       | n.e.--not estimated |       | n.a.--not available |        | p.--preliminary        |       |       |       |          |

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. Most of the market activities of budget agencies are expected to be handled by the Federal Financing Bank in fiscal year 1975.
- 3/ Includes net sales of loans held by the 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 averages exceed fiscal year total by \$1.7 billion for fiscal 1974 and \$.6 billion for fiscal 1975 due to spreading of wage base effect over calendar year.
- 7/ Fiscal year exceeds quarterly average by \$.9 billion due to seasonal adjustment.
- 8/ Estimated by F.R. Board Staff.