

CONFIDENTIAL (FR)

**CURRENT ECONOMIC
and
FINANCIAL CONDITIONS**

Summary and Outlook

**Prepared for the
Federal Open Market Committee**

By the Staff

**BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM**

October 9, 1974

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STAFF GNP PROJECTIONS

		<u>Per Cent Change, annual rate</u>							
		<u>Changes in nominal GNP (\$ billion)</u>		<u>Real GNP</u>		<u>Gross private product fixed weighted price index</u>		<u>Unemployment Rate (Per cent)</u>	
		<u>9/4/74</u>	<u>10/9/74</u>	<u>9/4/74</u>	<u>10/9/74</u>	<u>9/4/74</u>	<u>10/9/74</u>	<u>9/4/74</u>	<u>10/9/74</u>
1971	<u>1/</u>	77.8	77.8	3.3	3.3	4.3	4.3	5.9	5.9
1972	<u>1/</u>	103.1	103.1	6.2	6.2	3.3	3.3	5.6	5.6
1973	<u>1/</u>	136.9	136.9	5.9	5.9	6.3	6.3	4.9	4.9
1974		107.7	101.9	-1.4	-1.8	11.0	11.5 <u>2/</u>	5.5	5.5
1975		103.8	98.0	-.8	-1.6	8.3	9.7 <u>2/</u>	6.9	7.1
1973:	I <u>1/</u>	44.2	44.2	9.5	9.5	7.4	7.4	5.0	5.0
	II <u>1/</u>	29.0	29.0	2.2	2.2	8.1	8.1	4.9	4.9
	III <u>1/</u>	31.0	31.0	1.6	1.6	8.4	8.4	4.7	4.7
	IV <u>1/</u>	35.1	35.1	2.3	2.3	9.1	9.1	4.7	4.7
1974:	I <u>1/</u>	14.8	14.8	-7.0	-7.0	14.1	14.1	5.2	5.2
	II <u>1/</u>	28.5	25.0	-.8	-1.6	12.3	12.3	5.1	5.1
	III	32.5	26.2	-.7	-2.0	10.9	13.5 <u>2/</u>	5.5	5.5
	IV	24.5	24.5	-1.7	-3.1	9.1	11.1 <u>2/</u>	6.0	6.1
1975:	I	22.0	19.0	-2.0	-2.7	7.8	9.5 <u>2/</u>	6.5	6.6
	II	23.5	23.0	-.6	-1.0	7.1	8.0 <u>2/</u>	6.8	7.0
	III	28.0	30.0	1.0	1.0	6.7	7.5 <u>2/</u>	7.1	7.3
	IV	34.0	36.0	1.8	2.1	6.7	7.0 <u>2/</u>	7.3	7.5
Change:									
72-IV to 73-IV		139.3	139.3	3.9	3.9	8.3	8.3	-.6	-.6
73-IV to 74-IV		100.3	90.5	-2.6	-3.5	11.6	12.7 <u>2/</u>	1.3	1.4
74-II to 75-II		102.5	92.7	-1.3	-2.2	8.7	10.5 <u>2/</u>	1.7	1.9
74-IV to 75-IV		107.5	108.0	.0	-.2	7.1	8.0 <u>2/</u>	1.3	1.4

1/ Actual2/ Part of revisions from previous Greenbooks represents an improved procedure for estimating this series.

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			
			III	IV	I	II	Projected	
							III	IV
Gross National Product	1294.9	1396.8	1308.9	1344.0	1358.8	1383.8	1410.0	1434.5
Final purchases	1279.6	1384.3	1297.0	1315.1	1341.9	1370.3	1401.5	1423.5
Private	1003.2	1076.7	1020.1	1028.7	1045.6	1065.9	1090.2	1105.0
Excluding net exports	999.3	1078.5	1013.4	1019.4	1034.3	1067.4	1098.1	1114.2
Personal consumption expenditures	805.2	880.7	816.3	823.9	840.6	869.1	898.3	914.8
Durable goods	130.3	131.4	132.4	124.3	123.9	129.5	136.0	136.0
Nondurable goods	338.0	380.7	343.8	352.1	364.4	375.8	387.8	394.8
Services	336.9	368.7	340.1	347.4	352.4	363.8	374.5	384.0
Gross private domestic investment	209.4	210.3	209.0	224.5	210.5	211.8	208.3	210.4
Residential construction	57.2	46.6	58.1	53.6	48.4	48.8	46.8	42.4
Business fixed investment	136.8	151.2	139.0	141.9	145.2	149.4	153.0	157.0
Change in business inventories	15.4	12.5	11.8	28.9	16.9	13.5	8.5	11.0
Nonfarm	11.4	10.1	7.4	24.0	13.1	10.4	7.0	10.0
Net exports of goods and services ^{1/}	3.9	-1.8	6.7	9.3	11.3	-1.5	-7.9	-9.2
Exports	100.4	139.4	103.7	113.6	131.2	138.5	142.0	145.8
Imports	96.4	141.2	96.9	104.3	119.9	140.0	149.9	155.0
Gov't. purchases of goods and services	276.4	307.6	276.9	286.4	296.3	304.4	311.3	318.5
Federal	106.6	114.9	105.3	108.4	111.5	114.3	115.7	118.0
Defense	74.4	77.5	73.3	75.3	75.8	76.6	78.0	79.5
Other	32.2	37.4	32.0	33.1	35.7	37.7	37.7	38.5
State and local	169.8	192.8	171.6	177.9	184.8	190.1	195.6	200.5
Gross national product in constant (1958) dollars	839.2	824.2	840.8	845.7	830.5	827.1	822.9	816.4
GNP implicit deflator (1958 = 100)	154.3	169.5	155.7	158.9	163.6	167.4	171.4	175.7
Personal income	1055.0	1150.6	1068.0	1099.3	1112.5	1134.6	1167.2	1188.1
Wage and salary disbursements	691.7	753.3	698.2	717.0	727.6	745.2	764.0	776.4
Disposable income	903.7	979.6	913.9	939.4	950.6	966.5	992.2	1008.9
Personal saving	74.4	72.8	73.2	89.3	84.4	71.5	67.6	67.5
Saving rate (per cent)	8.2	7.5	8.0	9.5	8.9	7.4	6.8	6.7
Corporate profits & inventory val. adj.	105.1	104.0	105.2	106.4	107.7	105.6	101.8	100.9
Corporate profits before tax	122.7	145.2	122.7	122.7	138.7	143.5	152.0	146.5
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	258.5	293.4	261.8	268.3	279.4	290.3	300.3	303.6
Expenditures	264.2	296.0	263.4	270.6	281.0	291.6	303.4	308.0
Surplus or deficit (-)	-5.6	-2.6	-1.7	-2.3	-1.5	-1.3	-3.1	-4.4
High employment surplus or deficit (-)	-6.6	-1.3	-4.8	-4.2	-3.0	-3.5	-4.0	5.5
State and local government surplus or deficit (-), (N.I.A. basis)	9.2	2.5	8.4	4.6	3.4	2.2	3.2	1.2
Total labor force (millions)	91.0	93.3	91.3	92.2	92.8	92.9	93.6	93.8
Armed forces "	2.3	2.2	2.3	2.3	2.3	2.2	2.2	2.2
Civilian labor force "	88.7	91.0	89.0	89.9	90.5	90.6	91.4	91.6
Unemployment rate (per cent)	4.9	5.5	4.7	4.7	5.2	5.1	5.5	6.1
Nonfarm payroll employment (millions)	75.6	76.9	75.7	76.6	76.7	77.1	77.1	76.8
Manufacturing	19.8	19.8	19.8	20.1	19.9	19.9	19.9	19.6
Industrial production (1967 = 100)	125.6	125.0	126.7	127.0	124.9	125.5	125.4	124.1
Capacity utilization, mfg. (per cent)	83.0	79.5	83.3	82.6	80.5	80.2	79.3	77.9
Major materials (per cent)	93.0	89.3	93.5	92.3	90.2	90.2	89.3	87.4
Housing starts, private (millions, A.R.)	2.05	1.39	2.01	1.58	1.63	1.57	1.21	1.15
Sales new autos (millions, A.R.)	11.44	9.52	11.33	10.15	9.04	9.20	10.10	9.75
Domestic models	9.67	8.06	9.66	8.51	7.49	7.95	8.56	8.25
Foreign models	1.77	1.46	1.67	1.64	1.55	1.25	1.54	1.50
^{1/} Net exports of g. & s. (Bal. of Paymts.) ^{2/}	4.4	- .9	6.6	11.2	11.7	- .5	-6.9	-8.2
Exports ^{2/}	101.0	141.1	103.7	132.6	132.6	140.3	143.8	147.6
Imports	96.6	142.0	97.1	120.8	120.8	140.8	150.7	155.8

^{2/} Includes shipments of military equipment and supplies to Israel not included in GNP figures; for 1973-IV \$2.4 billion; 1974-I, \$.3 billions; 1974-II, III, IV, \$.4 billions each quarter.

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.	1975 Proj.	1974 Proj.		1975 Proj.			
			III	IV	I	II	III	IV
Gross National Product	1396.8	1494.8	1410.0	1434.5	1453.5	1476.5	1506.5	1542.5
Final purchases	1384.3	1491.5	1401.5	1423.5	1447.5	1473.3	1504.9	1540.2
Private	1076.7	1154.8	1090.2	1105.0	1122.3	1141.9	1165.0	1190.0
Excluding net exports	1078.5	1164.1	1098.1	1114.2	1131.7	1151.1	1174.4	1199.3
Personal consumption expenditures	880.7	954.1	898.3	914.8	929.7	945.0	961.5	980.0
Durable goods	131.4	136.0	136.0	136.0	135.0	134.5	135.5	139.0
Nondurable goods	380.7	411.7	387.8	394.8	401.7	408.2	415.1	421.6
Services	368.7	406.4	374.5	384.0	393.0	402.3	410.9	419.4
Gross private domestic investment	210.3	213.3	208.3	210.4	208.0	209.3	214.4	221.6
Residential construction	46.6	42.3	46.8	42.4	40.3	40.1	43.1	45.8
Business fixed investment	151.2	167.8	153.0	157.0	161.7	166.0	169.8	173.5
Change in business inventories	12.5	3.3	8.5	11.0	6.0	3.2	1.6	2.3
Nonfarm	10.1	3.5	7.0	10.0	6.5	4.2	1.6	1.8
Net exports of goods and services ^{1/}	-1.8	-9.3	-7.9	-9.2	-9.4	-9.2	-9.4	-9.3
Exports	139.4	153.0	142.0	145.8	148.8	151.2	154.2	157.6
Imports	141.2	162.3	149.9	155.0	158.2	160.4	163.6	166.9
Gov't. purchases of goods and services	307.6	336.7	311.3	318.5	325.2	331.4	339.9	350.2
Federal	114.9	122.7	115.7	118.0	119.7	120.7	123.0	127.2
Defense	77.5	82.8	78.0	79.5	80.8	81.2	83.0	86.0
Other	37.4	39.9	37.7	38.5	38.9	39.5	40.0	41.2
State & local	192.8	214.0	195.6	200.5	205.5	210.7	216.9	223.0
Gross national product in constant (1958) dollars	824.2	811.3	822.9	816.4	810.8	808.7	810.7	814.9
GNP implicit deflator (1958 = 100)	169.5	184.3	171.3	175.7	179.3	182.6	185.8	189.3
Personal income	1150.6	1245.0	1167.2	1188.1	1207.8	1230.2	1257.7	1284.2
Wage and salary disbursements	753.3	813.4	764.0	776.4	789.1	804.2	820.4	840.0
Disposable income	979.6	1055.8	992.2	1008.9	1024.9	1043.4	1066.6	1088.3
Personal saving	72.8	74.6	67.6	67.5	68.0	71.2	77.7	81.6
Saving rate (per cent)	7.5	7.1	6.8	6.7	6.6	6.8	7.3	7.5
Corporate profits & inventory val. adj.	104.0	98.4	101.8	100.9	95.8	94.8	98.6	104.4
Corporate profits before tax	145.2	133.4	152.0	146.5	136.0	130.5	132.5	134.5
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	293.4	313.6	300.3	303.6	307.1	309.8	315.7	322.0
Expenditures	296.0	326.7	303.4	308.0	314.4	320.3	332.1	340.1
Surplus or deficit (-)	-2.6	-13.1	-3.1	-4.4	-7.3	-10.5	-16.4	-18.1
High employment surplus or deficit (-)	-1.3	19.6	-4.0	5.5	12.7	21.0	20.2	24.5
State and local government surplus or deficit (-), (N.I.A. basis)	2.5	-2.5	3.2	1.2	-1.0	-2.1	-2.8	-3.9
Total labor force (millions)	93.3	94.4	93.6	93.8	94.0	94.3	94.5	94.6
Armed forces "	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Civilian labor force "	91.0	92.2	91.4	91.6	91.8	92.1	92.3	92.4
Unemployment rate (per cent)	5.5	7.1	5.5	6.1	6.6	7.0	7.3	7.5
Nonfarm payroll employment (millions)	76.9	76.5	77.1	76.8	76.6	76.5	76.4	76.3
Manufacturing	19.8	19.1	19.9	19.6	19.4	19.2	19.0	18.9
Industrial production (1967 = 100)	125.0	122.7	125.4	124.1	123.1	122.5	122.3	122.8
Capacity utilization, mfg. (per cent)	79.5	75.2	79.3	77.9	76.5	75.4	74.6	74.2
Major materials (per cent)	89.3	83.4	89.3	87.4	85.1	83.6	82.7	82.3
Housing starts, private (millions, A.R.)	1.39	1.25	1.21	1.15	1.10	1.20	1.30	1.40
Sales new autos (millions, A.R.)	9.52	8.95	10.10	9.75	9.15	8.75	8.75	9.15
Domestic models	8.06	7.45	8.56	8.25	7.65	7.25	7.25	7.65
Foreign models	1.46	1.50	1.54	1.50	1.50	1.50	1.50	1.50
^{1/} Net exports of g. & s. (Bal. of Paymts.)	- .9 ^{2/}	-8.3	-6.9 ^{2/}	-8.2 ^{2/}	-8.4	-8.2	-8.4	-8.3
Exports	141.1 ^{2/}	154.8	143.8 ^{2/}	147.6 ^{2/}	150.6	153.0	156.0	159.4
Imports	142.0	163.1	150.7	155.8	159.0	161.2	164.4	167.7

^{2/} Includes shipments of military equipment and supplies to Israel not included in GNP figures; for amounts, see table on preceding page.

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1973	1974 Proj.	1973		1974			
			III	IV	I	II	Projected	
							III	IV
-----Billions of Dollars-----								
Gross National Product	136.9	101.9	31.0	35.1	14.8	25.0	26.2	24.5
Inventory change	6.9	-2.9	1.1	17.1	-12.0	-3.4	-5.0	2.5
Final purchases	130.0	104.7	29.8	18.1	26.8	28.4	31.2	22.0
Private	109.3	73.5	26.2	8.6	16.9	20.3	24.3	14.8
Net exports	9.9	-5.7	6.2	2.6	2.0	-12.8	-6.4	-1.3
Excluding net exports	99.4	79.2	20.0	6.0	14.9	33.1	30.7	16.1
Personal consumption expenditures	76.2	75.5	17.3	7.6	16.7	28.5	29.2	16.5
Durable goods	11.9	1.1	.3	-8.1	-.4	5.6	6.5	.0
Nondurable goods	38.0	42.7	11.1	8.3	12.3	11.4	12.0	7.0
Services	26.0	31.8	5.9	7.3	5.0	11.4	10.7	9.5
Residential fixed investment	3.2	-10.6	-.6	-4.5	-5.2	.4	-2.0	-4.4
Business fixed investment	20.0	14.4	3.4	2.9	3.3	4.2	3.6	4.0
Government	20.7	31.2	3.6	9.5	9.9	8.1	6.9	7.2
Federal	1.7	8.3	-.9	3.1	3.1	2.8	1.4	2.3
State and local	19.0	23.0	4.5	6.3	6.9	5.3	5.5	4.9
GNP in constant (1958) dollars	46.7	-15.0	3.4	4.9	-15.2	-3.4	-4.2	-6.5
Final purchases	43.0	-11.5	3.1	-7.0	-5.8	-1.0	-1.0	-7.1
Private	45.2	-12.4	3.3	-9.0	-6.1	-.8	-.2	-6.5
-----Per Cent Per Year ^{1/} -----								
Gross National Product	11.8	7.9	10.1	11.2	4.5	7.6	7.8	7.1
Final purchases	11.3	8.2	9.7	5.7	8.4	8.7	9.4	6.4
Private	12.2	7.3	11.0	3.4	6.7	8.0	9.4	5.5
Personal consumption expenditures	10.5	9.4	8.9	3.8	8.4	14.3	14.1	7.6
Durable goods	10.1	.8	.9	-22.3	-1.3	19.3	21.6	.0
Nondurable goods	12.8	12.6	14.0	10.0	14.7	13.1	13.4	7.4
Services	8.4	9.4	7.3	8.9	5.9	13.6	12.3	10.5
Gross private domestic investment	16.8	.4	7.8	33.1	-22.7	2.5	-6.4	4.1
Residential structures	5.9	-18.5	-4.0	-27.6	-33.5	3.3	-15.4	-32.6
Business fixed investment	17.1	10.5	10.4	8.6	9.6	12.1	10.0	10.9
Gov't. purchases of goods & services	8.1	11.3	5.4	14.4	14.6	11.4	9.4	9.6
Federal	1.6	7.8	-3.3	12.3	11.9	10.4	5.0	8.2
Defense	-.5	4.2	-3.7	11.4	2.7	4.3	7.5	7.9
Other	7.0	16.1	-2.5	14.5	35.3	24.4	.0	8.8
State and local	12.6	13.5	11.2	15.5	16.4	12.0	12.1	10.4
GNP in constant (1958) dollars	5.9	-1.8	1.6	2.3	-7.0	-1.6	-2.0	-3.1
Final purchases	5.5	-1.4	1.5	-3.3	-2.8	-.5	-.5	-3.4
Private	6.5	-1.8	1.9	-5.1 ^{2/}	-3.5 ^{2/}	-.5	-.1	-3.8 ^{2/}
GNP implicit deflator	5.6	9.9	8.3	8.6 ^{2/}	12.3 ^{2/}	9.3	10.1	10.6 ^{2/}
Private GNP fixed weighted index ^{3/}	6.3	11.5	8.4	9.1	14.1	12.3	13.5	11.1
Personal income	11.7	9.1	11.6	12.2	4.9	8.2	12.0	7.4
Wage and salary disbursements	10.3	8.9	8.7	11.2	6.0	10.0	10.5	6.7
Disposable income	12.6	8.4	10.1	11.6	4.9	6.9	11.1	6.9
Corporate profits before tax	23.7	18.3	-6.9	.0	63.3	14.6	25.9	-13.7
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	13.8	13.5	11.1	10.3	17.6	16.5	14.5	4.5
Expenditures	8.0	12.0	1.5	11.4	16.3	16.0	17.2	6.2
Nonfarm payroll employment	5.9	1.8	2.2	4.4	.8	1.8	.2	-1.6
Manufacturing	4.7	-.1	1.2	4.5	-2.9	.4	-1.4	-5.4
Industrial production	9.0	-.5	6.2	1.0	-6.5	1.6	-.3	-3.8
Housing starts, private	-13.2	-32.0	-32.0	-61.4	11.6	-14.4	-64.4	-18.4
Sales new autos	4.7	-16.8	-21.3	-35.5	-37.1	7.4	45.4	-13.2
Domestic models	3.7	-16.6	-18.6	-39.5	-40.0	27.1	34.3	-13.6
Foreign models	9.8	-17.5	-35.0	-5.9	-20.0	-57.8	132.2	-10.7

^{1/} Percentage rates are annual rates compounded quarterly.^{2/} Excluding Federal pay increases rates of change are: 1973-IV, 8.0 per cent; 1974-I, 12.2 per cent, and 1974-IV, 10.0 per cent.^{3/} Using expenditures in 1967 as weights.

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1974 Proj.	1975 Proj.	1974		1975 Projected			
			III	IV	I	II	III	IV
-----Billions of Dollars-----								
Gross National Product	101.9	98.0	26.2	24.5	19.0	23.0	30.0	36.0
Inventory change	-2.9	-9.2	-5.0	2.5	-5.0	-2.8	-1.6	.7
Final purchases	104.7	107.2	31.2	22.0	24.0	25.8	31.6	35.3
Private	73.5	78.1	24.3	14.8	17.3	19.6	23.1	25.0
Net exports	-5.7	-7.5	-6.4	-1.3	- .2	.2	- .2	.1
Excluding net exports	79.2	85.6	30.7	16.1	17.5	19.4	23.3	24.9
Personal consumption expenditures	75.5	73.4	29.2	16.5	14.9	15.3	16.5	18.5
Durable goods	1.1	4.6	6.5	.0	-1.0	- .5	1.0	3.5
Nondurable goods	42.7	31.0	12.0	7.0	6.9	6.5	6.9	6.5
Services	31.8	37.7	10.7	9.5	9.0	9.3	8.6	8.5
Residential fixed investment	-10.6	-4.3	-2.0	-4.4	-2.1	- .2	3.0	2.7
Business fixed investment	14.4	16.6	3.6	4.0	4.7	4.3	3.8	3.7
Government	31.2	29.1	6.9	7.2	6.7	6.2	8.5	10.3
Federal	8.3	7.8	1.4	2.3	1.7	1.0	2.3	4.2
State and local	23.0	21.2	5.5	4.9	5.0	5.2	6.2	6.1
GNP in constant (1958) dollars	-15.0	-12.9	-4.2	-6.5	-5.6	-2.1	2.0	4.2
Final purchases	-11.5	-7.5	-1.0	-7.1	-3.1	- .8	2.7	3.6
Private	-12.4	-7.2	- .2	-6.5	-2.8	- .9	1.6	2.8
-----Per Cent Per Year ^{1/} -----								
Gross National Product	7.9	7.0	7.8	7.1	5.4	6.5	8.4	9.9
Final purchases	8.2	7.7	9.4	6.4	6.9	7.3	8.9	9.7
Private	7.3	7.3	9.4	5.5	6.4	7.2	8.3	8.9
Personal consumption expenditures	9.4	8.3	14.1	7.6	6.7	6.7	7.2	7.9
Durable goods	.8	3.5	21.6	.0	-2.9	-1.5	3.0	10.7
Nondurable goods	12.6	8.1	13.4	7.4	7.2	6.6	6.9	6.4
Services	9.4	10.2	12.3	10.5	9.7	9.8	8.8	8.5
Gross private domestic investment	.4	1.4	-6.4	4.1	-4.5	2.5	10.1	14.1
Residential structures	-18.5	-9.2	-15.4	-32.6	-18.4	-2.0	33.5	27.5
Business fixed investment	10.5	11.0	10.0	10.9	12.5	11.1	9.5	9.0
Gov't. purchases of goods & services	11.3	9.5	9.4	9.6	8.7	7.8	10.7	12.7
Federal	7.8	6.8	5.0	8.2	5.9	3.4	7.8	14.4
Defense	4.2	6.8	7.5	7.9	6.7	2.0	9.2	15.3
Other	16.1	6.7	.0	8.8	4.2	6.3	5.2	12.6
State and local	13.5	11.0	12.1	10.4	10.4	10.5	12.3	11.7
GNP in constant (1958) dollars	-1.8	-1.6	-2.0	-3.1	-2.7	-1.0	1.0	2.1
Final purchases	-1.4	- .9	- .5	-3.4	-1.5	- .4	1.3	1.8
Private	-1.8	-1.1	- .1	-3.8 ^{2/}	-1.7 ^{2/}	- .5	1.0	1.7 ^{2/}
GNP implicit deflator	9.9	8.7	10.0	10.6 ^{2/}	8.4 ^{2/}	7.6	7.3	7.7 ^{2/}
Private GNP fixed weighted index ^{3/}	11.5	9.7	13.5	11.1	9.5	8.0	7.5	7.0
Personal income	9.1	8.2	12.0	7.4	6.8	7.6	9.2	8.7
Wage and salary disbursements	8.9	8.0	10.5	6.7	6.7	7.9	8.3	9.9
Disposable income	8.4	7.8	11.1	6.9	6.5	7.4	9.2	8.4
Corporate profits before tax	18.3	-8.1	25.9	-13.7	-25.7	-15.2	6.3	6.2
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	13.5	6.9	14.5	4.5	4.7	3.6	7.8	8.2
Expenditures	12.0	10.4	17.2	6.2	8.6	7.7	15.6	10.0
Nonfarm payroll employment	1.8	- .5	.2	-1.6	-1.0	- .5	- .5	- .5
Manufacturing	- .1	-3.5	-1.4	-5.4	-4.0	-4.1	-4.1	-2.1
Industrial production	- .5	-1.8	- .3	-3.8	-3.3	-2.1	- .6	1.8
Housing starts, private	-32.0	-10.1	-64.4	-18.4	-16.3	41.6	37.7	34.5
Sales new autos	-16.8	-6.0	45.4	-13.2	-22.4	-16.4	.0	19.6
Domestic models	-16.6	-7.6	34.3	-13.6	-26.1	-19.3	.0	24.0
Foreign models	-17.5	2.7	132.2	-10.7	.0	.0	.0	.0

^{1/} Percentage rates are annual rates compounded quarterly.^{2/} Excluding Federal pay increases rates of change are: 1974-IV, 10.0 per cent; 1975-I, 8.2 per cent; and 1975-IV, 7.0 per cent.^{3/} Using expenditures in 1967 as weights.

CONFIDENTIAL (FR)

**CURRENT ECONOMIC
and
FINANCIAL CONDITIONS**

**Prepared for the
Federal Open Market Committee**

By the Staff

**BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM**



CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

October 9, 1974

SELECTED LONG-TERM INTEREST RATES

		New Aaa utility bonds ^{1/}	Recently offered Aaa utility bonds ^{1/}	Long-term State and local bonds ^{2/}	U. S. Government bonds (20-year constant maturity)
1970-73	High	9.43 (6/19/70)	9.20 (6/26/70)	7.12 (5/28/70)	7.80 (8/8/73)
	Low	6.99 (11/24/72)	7.15 (12/1/72)	4.96 (12/7/72)	5.74 (3/24/71) (11/22/72)
1974 -	High	10.61 (10/4)	10.47 (10/4)	6.95 (7/12)	8.68 (8/30)
	Low	8.05 (2/6)	8.13 (1/4)	5.16 (2/7)	7.40 (1/4)
Sept.	6	10.31	10.24	6.88	8.65
	13	10.27	10.30	6.79	8.60
	20	10.37	10.26	6.76	8.63
	27	10.46r	10.30r	6.72	8.53

^{1/} FRB series.^{2/} Bond Buyer.^{3/} Preliminary.^{r/} Revised.CORPORATE AND MUNICIPAL LONG-TERM SECURITY OFFERINGS
(Monthly or monthly averages, in millions of dollars)

	1973 Year	1974				
		1st half ^{e/}	QIII ^{f/}	Sept ^{f/}	Oct. ^{e/}	Nov. ^{e/}
Corporate securities -						
Total	2,779	3,047	2,600	2,000	4,200	3,600
Public bonds	1,125	1,950	1,767	1,000	2,800	2,800
Privately placed bonds	725	543	467	600	400	400
Stock	929	555	367	400	1,000	400
State and local govern- ment securities	1,942	2,113	1,367	1,600	2,100	1,800

^{e/} Estimated.^{f/} Forecast.

PROJECTION OF FEDERAL BORROWING--MONTHLY
(In billions of dollars--not seasonally adjusted)

	Sept. ^{e/}	Oct.	Nov.	Dec.
<u>Derivation of borrowing</u>				
Budget surplus or deficit (-)	3.0	-6.5	-.9	-1.0
Plus: Other sources	-.2	.9	-1.3	-.1
Less: Increase in cash balance	3.3 ^{a/}	-3.3	1.2	-.6
<u>Total net Treasury borrowing</u>	.5	2.3	3.4	.5
Weekly and monthly bills	2.0 ^{b/}	.8	.2	--
Tax bills	--	--	2.5	3.0
Coupon issues, net	--	--	--	--
As yet unspecified new borrowing	--	--	5.0	--
Federal financing bank	--	1.5	--	--
Debt repayment and other	-1.5	--	-4.3	-2.5
<u>Memo items:</u>				
Maturing coupon issues held				
by the public	1.8	--	4.3	2.0
Level of cash balance, end of period	8.7 ^{a/}	5.4	6.6	6.0
Net borrowing by government-sponsored agencies	2.6	1.6	.7	1.8

e--Estimated.

a/ Actual.

b/ Sale of 299-day bills maturing June 30, 1975.

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

	F.R.B. Staff Estimates										
	Fiscal 1975 e/			Calendar Years		Calendar Quarters					
	Year	Adm. Est.	F.R.	1973	1974	1974				1975	
	1974*	5-30-74	Board	Actual	FRB e/	I*	II*	III	IV	I	II
Federal Budget											
Surplus/deficit	-3.5	-11.4	-7.2	-7.9	-8.1	-7.1	9.7	-2.3	-8.4	-6.4	9.8
Receipts	264.8	294.0	292.3	250.4	278.3	60.5	80.1	72.3	65.4	66.7	87.8
Outlays	268.3	305.4	299.5	258.3	286.4	67.6	70.4	74.6	73.8	73.1	78.0
Means of financing:											
Net borrowing from the public	3.0	n.a.	11.3	7.9	7.6	3.4	-6.4	4.4	6.2	3.7	-3.0
Decrease in cash operating balance	3.4	n.a.	--	.7	4.4	2.0	-.8	.5	2.7	1.7	-4.9
Other <u>1/</u>	-2.9	n.a.	-4.0	-.7	-3.9	1.7	-2.5	-2.6	-.5	1.0	-1.9
Cash operating balance, end of period	9.2	n.a.	9.2	10.4	6.0	8.4	9.2	8.7	6.0	4.3	9.2
Memo: Sponsored agency borrowing <u>2/</u>	14.8	n.a.	16.5	16.3	15.4	--	5.5	5.7	4.1	3.5	3.1
National Income Sector											
						Seasonally adjusted, annual rate					
Surplus/deficit	-4.7 ^{p/}	-12.8	-6.9 ^{3/}	-5.6	-2.6	-1.5	-1.3	-3.1	-4.4	-7.3	-10.5
Receipts	273.3 ^{p/}	304.3	304.6 ^{3/}	258.5	293.4	279.4	290.3	300.3	303.6	307.1	309.8
Expenditures	278.0 ^{p/}	317.1	311.5	264.2	296.0	281.0	291.6	303.4	308.0	314.4	320.3
High Employment surplus/deficit (NIA basis) <u>4/</u>	-3.9	n.a.	8.8	-6.6	-1.3	-3.0	-3.5	-4.0	5.5	12.7	21.0

n.a. -- not available p -- preliminary * Actual e -- projected

1/ Includes such items as deposit fund accounts and clearing accounts.

2/ 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.

3/ Quarterly average exceeds fiscal year total by \$.6 billion for fiscal 1975 due to spreading of wage base effect over calendar year.

4/ Estimated by F.R. Board Staff.