

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**

December 11, 1974

CONFIDENTIAL (FR)

SUMMARY AND OUTLOOK

By the Staff
Board of Governors
of the Federal Reserve System

December 11, 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)	
	11/13/74	12/11/74	11/13/74	12/11/74	11/13/74	12/11/74	11/13/74	12/11/74
1971 1/	77.8	77.8	3.3	3.3	4.3	4.3	5.9	5.9
1972 1/	103.1	103.1	6.2	6.2	3.3	3.3	5.6	5.6
1973 1/	136.9	136.9	5.9	5.9	6.3	6.3	4.9	4.9
1974	101.8	102.3	-2.0	-2.0	11.7	11.5	5.6	5.6
1975	97.7	85.1	-2.2	-2.9	10.2	9.6	7.4	7.8
1973-III 1/	31.0	31.0	1.6	1.6	8.4	8.4	4.7	4.7
IV 1/	35.1	35.1	2.3	2.3	9.1	9.1	4.7	4.7
1974-I 1/	14.8	14.8	-7.0	-7.0	14.1	14.1	5.2	5.2
II 1/	25.0	25.0	-1.6	-1.6	12.3	12.3	5.1	5.1
III 1/	27.8	31.6	-2.9	-2.1	14.0	13.8	5.5	5.5
IV	20.9	15.6	-5.5	-6.5	12.7	11.9	6.4	6.5
1975-I	21.0	14.5	-2.5	-4.0	9.7	8.8	6.8	7.3
II	21.0	16.0	-1.9	-3.0	8.3	7.9	7.2	7.7
III	32.0	31.5	1.5	1.0	7.6	7.6	7.6	8.0
IV	36.5	36.5	2.4	2.8	7.0	6.5	7.8	8.1
1976-I	--	33.5	--	3.0	--	5.9	--	8.2
II	--	32.5	--	3.0	--	5.4	--	8.3
Change:								
73-IV to								
74-IV	88.5	87.0	-4.3	-4.3	13.3	12.9	1.7	1.8
74-II to								
75-II	90.7	77.7	-3.2	-3.9	11.1	10.4	2.1	2.6
74-IV to								
75-IV	110.5	98.5	- .1	- .8	8.1	7.7	1.4	1.6
75-I to								
76-II	--	134.0	--	2.5	--	6.3	--	.6

1/ Actual.

December 11, 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		1975				1976	
	III	IV	I	II	Projection		I	II
					III	IV		
Gross National Product	1415.4	1431.0	1445.5	1461.5	1493.0	1529.5	1563.0	1595.5
Final purchases	1406.7	1417.5	1442.5	1466.5	1497.0	1529.5	1560.5	1591.5
Private	1094.4	1097.7	1117.4	1136.1	1158.7	1182.0	1204.5	1227.5
Excluding net exports	1098.4	1099.6	1118.9	1139.4	1164.3	1189.4	1212.9	1235.8
Personal consumption expenditures	901.3	906.2	923.3	940.0	959.7	979.0	997.6	1016.3
Durable goods	136.1	124.0	126.0	127.3	129.8	132.6	135.5	138.3
Nondurable goods	389.0	396.2	402.5	409.3	417.9	426.2	433.9	441.8
Services	376.2	386.0	394.8	403.4	412.0	420.2	428.2	436.2
Gross private domestic investment	205.8	206.9	198.6	194.4	200.6	210.4	217.8	223.5
Residential construction	46.2	41.4	40.1	41.4	44.3	48.1	51.0	53.2
Business fixed investment	150.9	152.0	155.5	158.0	160.3	162.3	164.3	166.3
Change in business inventories	8.7	13.5	3.0	-5.0	-4.0	.0	2.5	4.0
Nonfarm	6.6	12.0	3.0	-5.0	-4.0	.0	2.5	4.0
Net exports of goods and services ^{1/}	-4.0	-1.9	-1.5	-3.3	-5.6	-7.4	-8.4	-8.3
Exports	142.6	146.3	146.5	144.8	144.5	145.1	147.5	151.9
Imports	146.6	148.2	148.0	148.1	150.1	152.5	155.9	160.2
Gov't. purchases of goods and services	312.3	319.8	325.1	330.4	338.3	347.5	356.0	364.0
Federal	117.2	120.0	120.5	120.8	122.3	126.5	130.0	133.5
Defense	78.4	80.3	80.5	80.7	82.1	85.1	86.9	89.4
Other	38.8	39.7	40.0	40.1	40.2	41.4	43.1	44.1
State & local	195.1	199.8	204.6	209.6	216.0	221.0	226.0	230.5
Gross national product in constant (1958) dollars	822.7	809.0	800.8	794.7	796.7	802.2	808.2	814.2
GNP implicit deflator (1958 = 100)	172.0	176.9	180.5	183.9	187.4	190.6	193.4	196.0
Personal income	1168.2	1188.4	1208.7	1228.5	1258.3	1284.3	1307.0	1330.9
Wage and salary disbursements	763.0	773.5	784.9	797.6	814.4	833.2	850.1	865.4
Disposable income	993.1	1009.2	1026.3	1042.0	1068.4	1090.2	1108.8	1128.9
Personal saving	85.5	76.4	76.2	75.0	81.4	83.6	83.2	84.3
Saving rate (per cent)	6.6	7.6	7.4	7.2	7.6	7.7	7.5	7.5
Corporate profits & inventory val. adj.	106.7	99.5	92.4	85.6	89.0	95.2	98.9	103.0
Corporate profits before tax	158.4	148.5	132.5	119.0	118.5	117.5	118.0	119.0
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	303.5	304.4	304.6	304.4	309.8	314.9	323.6	328.8
Expenditures	304.7	312.8	321.0	325.6	337.3	345.6	353.1	359.8
Surplus or deficit (-)	-1.1	-8.4	-16.4	-21.2	-27.5	-30.7	-29.5	-31.0
High employment surplus or deficit (-) ^{2/}	8.8	14.8	19.7	26.5	26.6	30.0	35.7	39.3
State and local government surplus or deficit (-), (N.I.A. basis)	2.1	2.3	.8	-.1	-2.1	-2.5	-2.9	-3.2
Total labor force (millions)	93.6	94.0	94.2	94.3	94.5	94.7	94.9	95.2
Armed forces "	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Civilian labor force "	91.4	91.8	92.0	92.1	92.3	92.5	92.7	93.0
Unemployment rate (per cent)	5.5	6.5	7.3	7.7	8.0	8.1	8.2	8.3
Nonfarm payroll employment (millions)	78.7	78.3	77.8	77.5	77.4	77.5	77.6	77.7
Manufacturing	20.1	19.6	18.9	18.5	18.4	18.4	18.4	18.5
Industrial production (1967 = 100)	125.5	122.5	120.9	119.2	119.5	120.6	121.9	123.2
Capacity utilization, mfg. (per cent)	79.2	76.5	74.8	73.1	72.6	72.6	72.7	72.8
Major materials (per cent)	88.3	86.2	82.9	80.2	79.4	79.3	79.5	79.6
Housing starts, private (millions, A.R.)	1.20	1.15	1.15	1.25	1.45	1.55	1.60	1.60
Sales new autos (millions, A.R.)	10.03	7.50	7.75	7.75	8.00	8.50	9.20	9.80
Domestic models	8.48	6.00	6.25	6.25	6.50	7.00	7.50	8.00
Foreign models	1.55	1.50	1.50	1.50	1.50	1.50	1.70	1.80
^{1/} Net exports of g. & s. (Bal. of Paymts.)	-3.2 ^{3/}	-1.1 ^{3/}	-.7 ^{3/}	-2.5 ^{3/}	-4.8	-6.6	-7.6	-7.5
Exports	144.2 ^{3/}	147.9 ^{3/}	148.1 ^{3/}	146.4 ^{3/}	146.1	146.7	149.1	153.5
Imports	147.4	149.0	148.8	148.9	150.9	153.3	156.7	161.0

^{2/} The method of computing this series has been changed; the new method is described in an appendix of Part II.

^{3/} Includes shipments of military equipment and supplies to Israel which are not included in GNP exports; amounts are: 1974-III, \$.3 billion; 1974-IV, \$.4 billion; 1975-I and II \$.3 billion.

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1974 Proj.		1975 Projection				1976 Projection	
	III	IV	I	II	III	IV	I	II
-----Billions of Dollars-----								
Gross National Product	31.6	15.6	14.5	16.0	31.5	36.5	33.5	32.5
Inventory change	-4.8	4.8	-10.5	-8.0	1.0	4.0	2.5	1.5
Final purchases	36.4	10.8	25.0	24.0	30.5	32.5	31.0	31.0
Private	28.5	3.3	19.7	18.7	22.6	23.3	22.5	23.0
Net exports	-2.5	2.1	.4	-1.8	-2.3	-1.8	-1.0	.1
Excluding net exports	31.0	1.2	19.3	20.5	24.9	25.1	23.5	22.9
Personal consumption expenditures	32.2	4.9	17.1	16.7	19.7	19.3	18.6	18.7
Durable goods	6.6	-12.1	2.0	1.3	2.5	2.8	2.9	2.8
Nondurable goods	13.2	7.2	6.3	6.8	8.6	8.3	7.7	7.9
Services	12.4	9.8	8.8	8.6	8.6	8.2	8.0	8.0
Residential fixed investment	-2.6	-4.8	-1.3	1.3	2.9	3.8	2.9	2.2
Business fixed investment	1.5	1.1	3.5	2.5	2.3	2.0	2.0	2.0
Government	7.9	7.5	5.3	5.3	7.9	9.2	8.5	8.0
Federal	2.9	2.8	.5	.3	1.5	4.2	3.5	3.5
State and local	5.0	4.7	4.8	5.0	6.4	5.0	5.0	4.5
GNP in constant (1958) dollars	-4.4	-13.7	-8.2	-6.1	2.0	5.5	6.0	6.0
Final purchases	-1.2	-17.0	-1.8	-.9	2.4	3.9	3.7	4.5
Private	-1.3	-18.6	-1.7	-.6	1.4	2.3	1.9	2.4
-----Per Cent Per Year ^{1/} -----								
Gross National Product	9.5	4.5	4.1	4.5	8.9	10.1	9.1	8.6
Final purchases	11.1	3.1	7.2	6.8	8.6	9.0	8.4	8.2
Private	11.1	1.2	7.4	6.9	8.2	8.3	7.8	7.9
Personal consumption expenditures	15.7	2.2	7.8	7.4	8.7	8.3	7.8	7.7
Durable goods	22.0	-31.1	6.6	4.2	8.1	8.9	9.0	8.5
Nondurable goods	14.8	7.6	6.5	6.9	8.7	8.2	7.4	7.5
Services	14.3	10.8	9.4	9.0	8.8	8.2	7.8	7.7
Gross private domestic investment	-10.9	2.2	-15.1	-8.2	13.4	21.0	14.8	10.9
Residential structures	-19.7	-35.5	-12.0	13.6	31.1	39.0	26.4	18.4
Business fixed investment	4.1	2.9	9.5	6.6	6.0	5.1	5.0	5.0
Gov't. purchases of goods & services	10.8	10.0	6.8	6.7	9.9	11.3	10.1	9.3
Federal	10.5	9.9	1.7	1.0	5.1	14.5	11.5	11.2
Defense	9.7	10.1	1.0	1.0	7.1	15.4	8.7	12.0
Other	12.2	9.6	3.1	1.0	1.0	12.5	17.5	9.6
State and local	10.9	10.0	10.0	10.1	12.8	9.6	9.4	8.2
GNP in constant (1958) dollars	-2.1	-6.5	-4.0	-3.0	1.0	2.8	3.0	3.0
Final purchases	-.6	-8.1	-.9	-.4	1.2	2.0	1.9	2.2
Private	-.8	-10.6	-1.1	-.4	.8	2.3	1.9	2.4
GNP implicit deflator	11.8	11.9 ^{2/}	8.4 ^{2/}	7.8	7.8	7.0 ^{2/}	6.0 ^{2/}	5.5
Private GNP fixed weighted index ^{3/}	13.8	11.9	8.8	7.9	7.6	6.5	5.9	5.4
Personal income	12.4	7.1	7.0	6.7	10.1	8.5	7.3	7.5
Wage and salary disbursements	9.9	5.6	6.0	6.6	8.7	9.6	8.4	7.4
Disposable income	11.5	6.6	7.0	6.3	10.5	8.4	7.0	7.5
Corporate profits before tax	68.6	-22.8	-36.6	-34.9	-1.7	-3.3	1.7	3.4
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	22.3	1.2	.3	-.3	7.3	6.7	11.5	6.6
Expenditures	19.2	11.1	10.9	5.9	15.2	10.2	9.0	7.8
Nonfarm payroll employment	1.7	-2.0	-2.5	-1.5	-.5	.5	.5	.5
Manufacturing	-.6	-9.6	-13.5	-8.2	-2.1	0	.0	2.2
Industrial production	.0	-11.4	-5.1	-5.3	1.0	3.8	4.4	4.2
Housing starts, private	-65.4	-15.7	.0	39.6	16.0	30.6	13.5	.0
Sales new autos	41.4	-68.7	14.0	.0	13.5	27.4	37.2	28.8
Domestic models	29.4	-74.9	17.7	.0	17.0	34.5	31.8	29.5
Foreign models	138.3	-12.3	.0	.0	.0	.0	65.0	25.7

^{1/} Percentage rates are annual rates compounded quarterly.^{2/} Excluding Federal pay increases rates of change are: 1974-IV, 11.1 per cent; 1975-I, 8.3 per cent; 1975-IV, 6.5 per cent; and 1976-I, 5.9 per cent.^{3/} Using expenditures in 1967 as weights.

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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.)

	1969	1970	1971	1972	1973	1974	1975
						---Projected---	
Gross National Product	930.3	977.1	1054.9	1158.0	1294.9	1397.3	1482.4
Final purchases	922.5	972.6	1048.6	1149.5	1279.6	1384.1	1483.9
Private	712.5	753.1	814.4	893.8	1003.2	1075.9	1148.6
Excluding net exports	710.6	749.5	814.6	899.8	999.3	1074.9	1153.0
Personal consumption expenditures	579.5	617.6	667.1	729.0	805.2	879.3	950.5
Durable goods	90.8	91.3	103.9	118.4	130.3	128.4	128.9
Nondurable goods	245.9	263.8	278.4	299.7	338.0	381.4	414.0
Services	242.7	262.6	284.8	310.9	336.9	369.6	407.6
Gross private domestic investment	139.0	136.3	153.7	179.3	209.4	208.8	201.0
Residential construction	32.6	31.2	42.8	54.0	57.2	46.2	43.5
Business fixed investment	98.5	100.6	104.6	116.8	136.8	149.4	159.0
Change in business inventories	7.8	4.5	6.3	8.5	15.4	13.2	-1.5
Nonfarm	7.7	4.3	4.9	7.8	11.4	10.6	-1.5
Net exports of goods and services ^{1/}	1.9	3.6	- .2	-6.0	3.9	1.0	-4.5
Exports	55.5	62.9	65.4	72.4	100.4	139.7	145.2
Imports	53.6	59.3	65.6	78.4	96.4	138.7	149.7
Gov't. purchases of goods and services	210.0	219.5	234.2	255.7	276.4	308.2	335.3
Federal	98.8	96.2	97.6	104.9	106.6	115.8	122.5
Defense	78.4	74.6	71.2	74.8	74.4	77.8	82.1
Other	20.4	21.6	26.5	30.1	32.2	38.0	40.4
State & local	111.2	123.3	136.6	150.8	169.8	192.5	212.8
Gross national product in constant (1958) dollars	725.6	722.5	746.3	792.5	839.2	822.3	798.6
GNP implicit deflator (1958 = 100)	128.2	135.2	141.4	146.1	154.3	170.0	185.6
Personal income	750.9	808.3	864.0	944.9	1055.0	1150.9	1245.0
Wage and salary disbursements	509.7	542.0	573.0	626.8	691.7	752.3	807.5
Disposable income	634.4	691.7	746.4	802.5	903.7	979.9	1056.7
Personal saving	38.2	56.2	60.5	52.6	74.4	74.5	79.1
Saving rate (per cent)	6.0	8.1	8.1	6.6	8.2	7.6	7.5
Corporate profits & inventory val. adj	79.8	69.2	78.7	92.2	105.1	104.9	90.6
Corporate profits before tax	84.9	74.0	83.6	99.2	122.7	145.3	121.9
Federal government receipts and expenditures, (N.I.A. basis)							
Receipts	197.3	192.0	198.5	227.2	258.5	293.7	308.4
Expenditures	189.2	203.9	220.3	244.7	264.2	297.5	332.4
Surplus or deficit (-)	8.1	-11.9	-21.9	-17.5	-5.6	-3.8	-24.0
High employment surplus or deficit (-) ^{2/}	8.8	6.2	2.6	-3.4	1.9	10.5	25.7
State and local government surplus or deficit (-), (N.I.A. basis)	.7	1.8	3.4	12.3	9.2	2.4	-1.0
Total labor force (millions)	84.2	85.9	86.9	89.0	91.0	93.3	94.4
Armed forces "	3.5	3.2	2.8	2.4	2.3	2.2	2.2
Civilian labor force "	80.7	82.7	84.1	86.5	88.7	91.1	92.2
Unemployment rate (per cent)	3.5	4.9	5.9	5.6	4.9	5.6	7.8
Nonfarm payroll employment (millions)	70.4	70.9	71.2	73.7	76.8	78.3	77.6
Manufacturing	20.2	19.3	18.6	19.1	20.1	20.0	18.6
Industrial production (1967 = 100)	110.7	106.7	106.8	115.2	125.6	124.6	120.1
Capacity utilization, mfg. (per cent)	86.5	78.3	75.0	78.6	83.0	79.1	73.3
Major materials (per cent)	90.0	86.2	85.3	89.6	93.0	88.7	80.4
Housing starts, private (millions, A.R.)	1.47	1.43	2.05	2.36	2.05	1.39	1.35
Sales new autos (millions, A.R.)	9.57	8.40	10.24	10.93	11.44	8.94	8.00
Domestic models	8.46	7.12	8.68	9.32	9.67	7.48	6.50
Foreign models	1.11	1.28	1.56	1.61	1.77	1.46	1.50
^{1/} Net exports of g. & s. (Bal. of Paymts.)	1.3	2.9	- .2	-6.0	4.4	^{3/} 1.83	-3.93
Exports	55.0	62.3	65.4	72.4	101.0	^{3/} 141.33	146.63
Imports	53.6	59.4	65.6	78.4	96.6	139.5	150.5

^{2/} The method of computing this series has been changed; the new method is described in an appendix of Part II.

^{3/} Includes shipments of military equipment and supplies to Israel which are not included in GNP exports; amounts are 1973, \$.6 billion; 1974, \$.325 billion; and 1975, \$.150 billion.

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1969	1970	1971	1972	1973	Projected	
						1974	1975
-----Billions of Dollars-----							
Gross National Product	66.1	46.8	77.8	103.1	136.9	102.3	85.1
Inventory change	.7	-3.3	1.8	2.2	6.9	-2.2	-14.7
Final purchases	65.4	50.1	76.0	100.9	130.1	104.5	99.8
Private	55.0	40.6	61.3	79.4	109.4	72.7	72.7
Net exports	-.6	1.7	-3.8	-5.8	9.9	-2.9	-5.5
Excluding net exports	55.6	38.9	65.1	85.2	99.5	75.6	78.1
Personal consumption expenditures	43.3	38.1	49.6	61.8	76.2	74.1	71.2
Durable goods	6.8	.5	12.6	14.5	11.9	-1.9	.5
Nondurable goods	15.1	17.9	14.6	21.6	38.3	43.4	32.6
Services	21.4	19.9	22.2	26.1	26.0	32.7	38.0
Residential fixed investment	2.5	-1.4	11.6	11.2	3.2	-11.0	-2.7
Business fixed investment	9.7	2.1	4.0	12.2	20.0	12.6	9.6
Government	10.4	9.5	14.7	21.5	20.7	31.8	27.1
Federal	.0	-2.6	1.4	7.3	1.7	9.2	6.7
State and local	10.4	12.1	13.3	14.2	19.0	22.7	20.3
GNP in constant (1958) dollars	19.0	-3.1	23.8	46.2	46.7	-16.9	-23.7
Final purchases	18.7	-.4	-22.5	-44.4	43.0	-14.1	-13.9
Private	20.6	6.2	18.5	46.1	45.2	-16.0	-15.4
-----Per Cent Per Year ^{1/} -----							
Gross National Product	7.6	5.0	8.0	9.8	11.8	7.9	6.1
Final purchases	7.6	5.4	7.8	9.6	11.3	8.2	7.2
Private	8.4	5.7	8.1	9.7	12.2	7.2	6.8
Personal consumption expenditures	8.1	6.6	8.0	9.3	10.5	9.2	8.1
Durable goods	8.1	.6	13.8	14.0	10.1	-1.5	.4
Nondurable goods	6.5	7.3	5.5	7.7	12.8	12.8	8.5
Services	9.7	8.2	8.5	9.2	8.4	9.7	10.3
Gross private domestic investment	10.3	-1.9	12.8	16.7	16.8	-.3	-3.7
Residential structures	8.3	-4.3	37.2	26.2	5.9	-19.2	-5.8
Business fixed investment	10.9	2.1	4.0	11.7	17.1	9.2	6.4
Gov't. purchases of goods & services	5.2	4.5	6.7	9.2	3.1	11.5	8.8
Federal	.0	-2.6	1.5	7.5	1.6	8.6	5.8
Defense	.1	-4.8	-4.6	5.1	-.5	4.6	5.5
Other	-.5	5.9	22.7	13.6	7.0	18.0	6.3
State and local	10.3	10.9	10.8	10.4	12.6	13.4	10.5
GNP in constant (1958) dollars	2.7	-.4	3.3	6.2	5.9	-2.0	-2.9
Final purchases	2.7	-.1	3.1	6.0	5.5	-1.7	-1.7
Private	3.7	1.1	3.9	6.7	6.5	-2.3	-2.3
GNP implicit deflator	4.8	5.5	4.6	3.4	5.6	10.2	9.2
Private GNP fixed weighted index ^{2/}	4.7	4.8	4.3	3.3	6.3	11.5	9.6
Personal income	9.0	7.6	6.9	9.4	11.7	9.1	8.2
Wage and salary disbursements	9.6	6.3	5.8	9.3	10.4	8.8	7.3
Disposable income	7.3	9.0	7.9	7.5	12.6	8.4	7.8
Corporate profits before tax	-3.1	-12.8	13.0	18.7	23.7	18.4	-16.1
Federal government receipts and expenditures (N.I.A. basis)							
Receipts	12.7	-2.7	3.4	14.5	13.8	13.6	5.0
Expenditures	4.2	7.8	8.0	11.1	8.0	12.6	11.7
Nonfarm payroll employment	3.7	.7	.4	3.5	4.2	2.0	-.9
Manufacturing	2.0	-4.1	-4.0	2.8	5.0	-.5	-7.0
Industrial production	4.7	-3.6	.1	7.9	9.0	-.8	-3.6
Housing starts, private	-2.7	-2.3	43.2	14.9	-13.2	-32.2	-2.9
Sales new autos	-.6	-12.3	21.9	6.7	4.7	21.9	-10.5
Domestic models	-1.8	-15.9	21.9	7.4	3.7	-22.6	-13.1
Foreign models	9.0	15.5	21.8	3.3	9.8	-17.5	2.7

^{1/} Percentage rates are annual rates compounded quarterly.^{2/} Using expenditures in 1967 as weights.

CONFIDENTIAL (FR)

CURRENT ECONOMIC and FINANCIAL CONDITIONS

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Federal Open Market Committee**

By the Staff

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

December 11, 1974

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TABLE 6
FEDERAL BUDGET AND FEDERAL SECTOR IN NATIONAL INCOME ACCOUNTS
(In billions of dollars)

	F.R. B. Staff Estimates										
	Calendar Years								Calendar Quarters		
	Fiscal Year 1974*	Fiscal 1975 e/ Adm. Est. 11-26-74 1/	F.R. F.R. Board	Fiscal 1976 FRB e/	1973 Actual	FRB e/ 1974	1975	1974		1975	
								III*	IV	I	II
<u>Federal Budget</u>								Unadjusted data			
Surplus/deficit	-3.5	-9.2	-16.9	-31.5	-7.9	-10.4	-22.1	-1.6	-11.4	-9.9	6.0
Receipts	264.9	293.0	290.1	307.5	250.4	279.4	299.1	72.9	65.8	67.0	84.4
Outlays	268.4	302.2	307.0	339.0	258.3	289.8	321.2	74.5	77.2	76.8	78.4
Means of financing:											
Net borrowing from the public	3.0	n.a.	18.0	n.e.	7.9	12.4	25.6	4.5	10.9	7.7	-5.1
Decrease in cash operating balance	3.4	n.a.	2.4	n.e.	.7	3.4	--	.5	1.7	.2	--
Other 2/	-2.9	n.a.	-3.5	n.e.	-.7	-5.4	-3.5	-3.4	-1.2	2.0	-.9
Cash operating balance, end of period	9.2	n.a.	6.8	n.e.	10.4	7.0	7.0	8.7	7.0	6.8	6.8
Memò: Sponsored agency borrowing 3/	14.8	n.a.	16.3	n.e.	16.3	16.4	n.e.	7.7	3.2	2.4	3.1
<u>National Income Sector</u>								Seasonally adjusted, annual rates			
Surplus/deficit	-5.4 ^{p/}	n.a.	-12.4 ^{4/}	-30.9 ^{4/}	-5.6	-3.8	-22.9	-1.1	-8.4	-16.4	-21.2
Receipts	272.6 ^{p/}	n.a.	303.6 ^{4/}	318.1 ^{4/}	258.5	293.7	308.4	303.5	304.4	304.6	304.4
Expenditures	278.0 ^{p/}	n.a.	316.0	349.0	264.2	297.5	332.4	304.7	312.8	321.0	325.6
High Employment surplus/deficit (NIA basis) 5/ p/	8.1	n.a.	17.5	32.9	1.9	10.5	25.7	8.8	14.8	19.7	26.5

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

1/ Estimates presented in the President's Message on Budget Restraint. \$302.2 billion outlay total assumes favorable Congressional action on \$4.6 billion of proposed reductions.

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

3/ 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.

4/ Quarterly average exceeds fiscal year total by \$.6 billion for fiscal 1975 and \$1.3 billion for fiscal 1976 due to spreading of wage base effect over calendar year.

5/ Estimated by F.R. Board Staff.

SECURITY OFFERINGS
(Monthly or monthly averages, in millions of dollars)

	1973	1974						1975
	Year	Half I ^{e/}	QIII ^{e/}	QIV ^{f/}	Nov. ^{e/}	Dec. ^{f/}	Jan. ^{f/}	
<u>Gross offerings, long term</u>								
Corporate securities -								
Total	2,779	3,047	2,600	4,183	3,850	4,000	3,200	
Public bonds	1,125	1,950	1,767	3,000	2,900	2,700	2,200	
Privately placed								
bonds	725	543	467	567	400	900	600	
Stock	929	555	367	616	550	400	400	
State and Local govern-								
ment securities	1,942	2,113	1,833	1,967	2,200	1,400	2,000	
<u>Net offerings, total</u>								
U.S. Treasury	658	-501	1,498	3,640	4,400	5,800	2,700	
Sponsored Federal Agency	1,367	925	2,519	1,066	-200	1,200	900	

e/ Estimated.

f/ Forecast.

If one were to assume that a constantly higher unemployment rate of, say, 5 per cent represented full-employment, the level of capacity GNP would be smaller. However, the growth rate of capacity GNP would be affected very little, and hence, the changes in the full-employment surplus would not differ by much.

Full Employment Surplus
(billions of dollars)

<u>Calendar Year</u>	<u>Using GNP Deflator</u>	<u>Using Okun Deflator</u>
1964	3.4	3.6
1965	.1	.2
1966	-4.9	-6.1
1967	-12.5	-13.3
1968	-9.1	-11.1
1969	8.8	5.6
1970	6.2	2.8
1971	2.6	.6
1972	-3.5	-4.3
1973	1.9	-5.1
1974	10.4	-3.3
1975	25.7	16.2
1976 <u>1/</u>	36.3	31.2

1/ This estimate extends beyond the period considered in the current Greenbook projections.

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SUPPLEMENT

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The surge in sugar prices was a major factor in the sharp rise in the farm and food index and in the increase in the overall WPI last month. For example, if the sugar and confectionery group were excluded from the farm and food products index, the index would have declined 0.4 per cent, unadjusted, and would have been about unchanged, seasonally adjusted. If the sugar and confectionery group were excluded from the total WPI, the increase would have been 0.3 per cent, unadjusted, and an estimated 0.5 per cent, seasonally adjusted.

WHOLESALE PRICES
(Percentage changes)

	October to November, 1974			
	Not seasonally adjusted		Seasonally adjusted	
	Including sugar*	Excluding sugar*	Including sugar*	Excluding sugar*
WPI	1.0	0.3	1.2	0.5e
Farm and food products	2.1	-0.4	2.5	0.0e
Processed foods and feeds	3.4	-0.9	3.5	-0.8e
*Sugar and confectionery group in processed foods and feeds.				

CORRECTIONS

Part I: Table I-8, line 4 from bottom of the table, Housing starts, private, QIII 1974, the figure should be 81.0 (not 16.0) per cent compound annual rate.

Part II: Page 4, line 3 from the bottom, the figure should be 3.4 per cent (not 3.2).

Part II: Page 6, line 7 of full paragraph, the figure should be 14 per cent (not 15).