

**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**

**May 17, 1967**

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

	1965	1966	1966			I	1967 Projected	
			II	III	IV		II	III
Gross National Product	681.2	739.6	732.3	745.3	759.3	763.7	771.7	786.0
Final sales	672.1	727.7	720.0	735.4	742.9	758.1	772.2	788.0
Private	535.9	574.7	571.0	579.2	581.8	589.0	597.8	608.5
Personal consumption expenditures	431.5	464.9	460.1	469.9	474.1	479.9	487.0	495.0
Durable goods	66.1	69.3	67.1	70.2	69.6	68.4	69.4	60.9
Nondurable goods	190.6	206.2	205.6	208.1	209.2	212.5	214.7	217.5
Services	174.8	189.4	187.4	191.5	195.3	199.1	202.9	206.6
Gross private domestic investment	106.6	117.0	118.5	115.0	120.0	109.3	104.3	105.0
Residential construction	27.8	25.8	28.0	24.8	21.9	22.1	23.2	25.0
Business fixed investment	69.7	79.3	78.2	80.3	81.6	81.6	81.6	82.0
Change in business inventories	9.1	11.9	12.3	9.9	16.4	5.6	-.5	- 2.0
Nonfarm	8.1	12.2	12.1	10.4	17.6	6.0	-.5	- 2.0
Net Exports	7.0	4.8	4.7	4.2	4.1	5.4	6.0	6.5
Gov't purchases of goods & services	136.2	153.0	149.0	156.2	161.1	169.1	174.4	179.5
Federal	66.8	76.9	74.0	79.0	81.7	87.0	90.1	93.0
Defense	50.1	60.0	57.1	62.0	65.5	69.7	72.7	75.2
Other	16.7	16.9	16.9	17.0	16.2	17.2	17.4	17.8
State & local	69.4	76.2	75.0	77.2	79.4	82.1	84.3	86.5
Gross National Product in constant (1958) dollars	614.4	647.8	643.5	649.9	657.2	656.7	659.0	666.7
GNP Implicit deflator (1958=100)	110.9	114.2	113.8	114.7	115.5	116.3	117.1	117.9
Personal income	535.1	580.4	573.5	585.2	598.3	609.7	617.0	629.0
Wage and salaries	358.4	392.3	387.4	396.7	405.0	411.8	418.0	427.0
Disposable income	469.1	505.3	499.9	507.8	518.4	528.5	535.0	544.5
Personal saving	25.7	27.0	26.6	24.5	30.4	34.4	33.4	34.5
Saving rate (per cent)	5.5	5.3	5.3	4.8	5.9	6.5	6.2	6.3
Total labor force (millions)	77.2	78.9	78.4	79.1	79.8	80.3	80.5	80.9
Armed forces "	2.7	3.1	3.1	3.2	3.3	3.4	3.5	3.5
Civilian labor force "	74.5	75.8	75.4	76.0	76.5	76.9	77.0	77.4
Unemployment rate (per cent)	4.5	3.8	3.8	3.8	3.7	3.7	3.9	4.0
Nonfarm payroll employment (millions)	60.8	63.9	63.6	64.1	64.8	65.4	65.6	65.9
Manufacturing	18.0	19.1	19.0	19.2	19.4	19.4	19.2	19.2
Industrial production (1957-59=100)	143.4	156.3	155.2	157.6	158.8	157.0	155	157
Capacity utilization, manufacturing (per cent)	89	91	91	91	90	87	85	85
Housing starts, private (millions, A.R.)	1.5	1.2	1.4	1.1	1.0	1.2	1.2	1.3
Sales new U.S.-made autos (millions, A.R.)	8.8	8.4	7.8	8.5	8.1	7.3	7.6	8.0

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS  
(Quarterly changes are at annual rates)

	1965	1966	1966				1967	
			II	III	IV	I	Projected	
							II	III
	(Billions of Dollars)							
Gross National Product	49.5	58.4	11.1	13.0	14.0	4.4	8.0	14.3
Final sales	45.1	55.6	7.7	15.4	7.5	15.2	14.1	15.8
Private	37.8	38.8	3.7	8.2	2.6	7.2	8.8	10.7
GNP in constant (1958) dollars	34.4	33.4	3.0	6.4	7.3	-0.5	2.3	7.7
Final sales	30.2	31.1	-0.1	8.9	1.2	9.5	8.2	9.0
Private	27.4	22.0	-2.2	4.4	-2.2	4.2	4.9	6.0
	(per cent)							
Gross National Product	7.8	8.6	6.2	7.1	7.5	2.3	4.2	7.4
Final sales	7.2	8.3	4.3	8.6	4.1	8.2	7.4	8.2
Private	7.6	7.2	2.6	5.7	1.8	4.9	6.0	7.2
Personal consumption expenditures	7.5	7.7	3.9	8.5	3.6	4.9	5.9	6.6
Durable goods	11.3	4.8	-18.2	18.5	-3.4	-6.9	5.8	-49.0
Nondurable goods	6.5	8.2	7.3	4.9	2.1	6.3	4.1	5.2
Services	7.2	8.4	8.7	8.7	7.9	7.8	7.6	7.3
Gross private domestic investment	14.6	9.8	14.0	-11.8	17.4	-35.7	-18.3	2.7
Residential construction	0.7	-7.2	-8.4	-45.7	-46.8	3.7	19.9	31.0
Business fixed investment	14.8	13.8	6.2	10.7	6.5	0.0	0.0	0.0
Gov't purchases of goods & services	5.7	12.3	11.0	19.3	12.5	19.9	12.5	11.7
Federal	2.5	15.1	11.7	27.0	13.7	25.9	14.3	12.9
Defense	0.2	19.8	18.3	34.3	22.6	25.6	17.2	13.8
Other	9.9	1.2	-11.5	2.4	-18.8	24.7	4.6	9.2
State & local	8.9	9.8	10.4	11.7	11.4	13.6	10.7	10.4
GNP in constant (1958) dollars	5.9	5.4	1.9	4.0	4.5	-0.3	1.4	4.7
Final sales	5.2	5.1	-0.1	5.6	0.7	5.9	5.0	5.5
Private	5.9	4.5	-1.7	3.4	-1.7	3.3	3.8	4.6
GNP Implicit deflator	1.8	3.0	4.3	3.2	2.8	2.8	2.7	2.7
Personal income	7.9	8.5	6.3	8.2	9.0	7.6	4.8	7.8
Wage and salaries	7.4	9.5	7.8	9.6	8.4	6.7	6.0	8.6
Disposable income	7.4	7.7	3.9	6.3	8.3	7.8	4.9	7.1
Nonfarm payroll employment	4.2	5.1	4.9	3.3	4.0	3.7	1.2	1.8
Manufacturing	4.4	5.8	6.9	3.5	4.0	0.0	-4.1	0.0
Industrial production	8.4	9.0	7.9	6.2	3.0	-4.5	-5.1	5.2
Housing starts, private	-3.4	-18.9	-39.5	-81.3	-39.3	80.0	0.0	33.3
Sales new U.S.-made autos	15.0	-4.4	-62.8	33.6	-15.8	-39.5	16.4	21.1

Table A  
TREASURY CASH DEFICIT AND ITS FINANCING  
July - December Periods  
(In billions of dollars)

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967 p
1. Treasury cash deficit	12.6	7.5	4.7	9.2	9.1	9.7	10.2	12.0	14.4	16.6
2. Gross cash borrowing <sup>1/</sup>	11.8	9.5	5.8	8.8	7.5	4.7	6.4	6.4	9.7	17.9
3. Less: Attrition & debt retirement <sup>1/</sup>	-3.7	- .6	-1.5	-1.2	-1.1	- .7	- .5	-.9	-1.0	-1.3
4. Misc. debt transactions <sup>2/</sup>	- .4	-1.3	-1.2	+1.6	- .3	+ .8	+ .8	- .2	-1.2	- .7
5. Net cash borrowing	7.7	7.6	3.1	9.2	6.1	4.8	6.7	5.3	7.5	15.9
6. Other sources of funds										
7. Decrease in cash operating balance (+)	+4.8	- .4	+1.3	+ .2	+2.7	+4.6	+ 3.9	+6.1	+6.3	+ .2
8. Seigniorage & other <sup>3/</sup>	+ .1	+ .3	+ .3	- .2	+ .2	+ .3	- .5	+ .6	+ .7	+ .5
N. B. Participation certificates sold to public <sup>4/</sup>	--	--	--	--	--	--	.8	.9	--	2.5

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<sup>1/</sup> Direct marketable debt only.

<sup>2/</sup> Includes net issues of nonmarketable debt and net security transactions of Federal Agencies and trust funds.

<sup>3/</sup> Includes mainly changes in cash held outside the Treasury (e.g. by disbursing agents), checks in process of collection, and statistical discrepancy items.

<sup>4/</sup> These sales, carried as "negative expenditures," reduce the Treasury cash deficit. Although they are not in line 2, they also represent Federal Government borrowing.

Table B

VARIOUS FEDERAL BUDGETS  
(In billions of dollars)

	Calendar 1966				Calendar 1967			Fiscal Year		Jan. Budget Document	
	I	II	III	IV	I	IIp	IIIp	1966	1967p	Fy 1967	Fy 1968
<u>Quarterly data, unadjusted</u>											
Cash surplus/deficit (-)	- 1.3	10.0	-6.7	-7.7	1.4	7.0	-5.5	-3.3	-6.1	- 6.2	- 4.3
Cash receipts	33.3	46.2	34.6	31.1	38.0	50.8	36.2	134.5	154.5	154.7	168.1
Cash payments	34.6	36.2	41.3	38.8	36.7	43.9	41.7	137.8	160.6	160.9	172.4
Change in cash balance	- .3	+5.8	-3.6	-2.7	+ .7	- .2	+ .9	- .1	-5.8	- 3.4	--
Net cash borrowing (+)	+ 1.0	-3.7	+2.4	+5.1	- .9	-8.6	6.2	+2.6	-2.0	+ 1.7	+ 3.8
(Pool sales to public) <u>1/</u>	.4	1.8	--	--	1.1	2.0	1.2	3.1	3.2	3.1	5.0
<u>Seasonally adjusted annual rate</u>											
Federal surplus/deficit (-) in national income accounts	2.3	3.8	-.5	-3.6	-10.3	-12.5	-13.0	+0.3	-6.7	- 3.8	-2.1
Receipts	136.0	141.0	145.3	147.9	149.2	149.4	152.7	132.6	148.0	149.8	167.1
Expenditures	133.7	137.1	145.8	151.5	159.5	161.9	165.7	132.3	154.7	153.6	169.2
High employment surplus/deficit (-) <u>2/</u>	1.5	4.1	-.2	- .6	-8.3	- 9.2	-10.2	2.1	-5.3	n.a.	n.a.

P - Staff projections.

1/ Not included in net cash borrowing.

2/ Uses 1966 IVQ as a high employment base.

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SUPPLEMENT

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Corrections to Greenbook, May 18, 1967

Page II - 6, line 5 of table: Personal consumption expenditures for durable goods in Quarter III, 1967, should read 70.9.

Page II - 7, line 13 of table: Per cent change in personal consumption expenditures for durable goods in Quarter III, 1967, should read 8.6.

Page II - 7, line 18 of table: Per cent change in business fixed investment in Quarter III, 1967, should read 2.0.

Page II - 17, line 3. Change March to April.

Attached is an updated version of the page I - T - 1 table. Also attached is the table on page III - 7 with the figures lined up with the stubs.