

**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**

**July 12, 1967**

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CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

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GROSS NATIONAL PRODUCT AND RELATED ITEMS <sup>1/</sup>  
 (Quarterly figures are seasonally adjusted. Expenditures and income  
 figures are billions of dollars, with quarterly figures at annual rates)

	1965	1966	1966			1967		
			II	III	IV	I	II	III
Gross National Product	681.2	739.6	732.3	745.3	759.3	763.7	775.3	790.5
Final sales	672.1	727.7	720.0	735.4	742.9	758.1	775.3	792.5
Private	535.9	574.7	571.0	579.2	581.8	589.0	601.0	613.2
Personal consumption expenditures	431.5	464.9	460.1	469.9	474.1	479.9	488.9	498.3
Durable goods	66.1	69.3	67.1	70.2	69.6	68.4	70.0	71.5
Nondurable goods	190.6	206.2	205.6	208.1	209.2	212.5	216.2	220.4
Services	174.8	189.4	187.4	191.5	195.3	199.1	202.7	206.4
Gross private domestic investment	106.6	117.0	118.5	115.0	120.0	109.3	106.1	106.6
Residential construction	27.8	25.8	28.0	24.8	21.9	22.1	24.1	25.9
Business fixed investment	69.7	79.3	78.2	80.3	81.6	81.6	81.5	82.2
Change in business inventories	9.1	11.9	12.3	9.9	16.4	5.6	.5	-1.5
Nonfarm	8.1	12.2	12.1	10.4	17.6	6.0	.5	-1.5
Net Exports	7.0	4.8	4.7	4.2	4.1	5.4	6.0	6.3
Gov't purchases of goods & services	136.2	153.0	149.0	156.2	161.1	169.1	174.3	179.3
Federal	66.8	76.9	74.0	79.0	81.7	87.0	90.0	92.8
Defense	50.1	60.0	57.1	62.0	65.5	69.7	72.5	75.0
Other	16.7	16.9	16.9	17.0	16.2	17.2	17.5	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	661.5	668.8
GNP Implicit deflator (1958=100)	110.9	114.2	113.8	114.7	115.5	116.3	117.2	118.2
Personal income	535.1	580.4	573.5	585.2	598.3	609.7	617.5	630.0
Wage and salaries	358.4	392.3	387.4	396.7	405.0	411.8	418.5	428.0
Disposable income	469.1	505.3	499.9	507.8	518.4	528.5	536.5	545.3
Personal saving	25.7	27.0	26.6	24.5	30.4	34.4	33.1	32.1
Saving rate (per cent)	5.5	5.3	5.3	4.8	5.9	6.5	6.2	5.9
Total labor force (millions)	77.2	78.9	78.4	79.1	79.8	80.3	80.2	80.7
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	76.7	77.2
Unemployment rate (per cent)	4.5	3.8	3.8	3.8	3.7	3.7	3.8	3.9
Nonfarm payroll employment (millions)	60.8	63.9	63.6	64.1	64.8	65.5	65.5	65.8
Manufacturing	18.0	19.1	19.0	19.2	19.4	19.4	19.2	19.3
Industrial production (1957-59=100)	143.4	156.3	155.2	157.6	158.8	157.0	155.6	157.5
Capacity utilization, manufacturing (per cent)	89	91	91	91	90	87	85	85
Housing starts, private (millions, A.R.)	1.51	1.22	1.37	1.09	.98	1.21	1.26	1.36
Sales new U.S.-made autos (millions, A.R.)	8.76	8.38	7.81	8.47	8.13	7.33	7.83	8.25

<sup>1/</sup> GNP revised figures will be available by July 17th.

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July 12, 1967

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS <sup>1/</sup>  
(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	11.6	15.2
Final sales	45.1	55.6	7.7	15.4	7.5	15.2	17.2	17.2
Private	37.8	38.8	3.7	8.2	2.6	7.2	12.0	12.2
GNP in constant (1958) dollars	34.4	33.4	3.0	6.4	7.3	-0.5	4.8	7.3
Final sales	30.2	31.1	-0.1	8.9	1.2	9.5	9.9	9.4
Private	27.4	22.0	-2.2	4.4	-2.2	4.2	6.3	6.2
	(Per Cent)							
Gross National Product	7.8	8.6	6.2	7.1	7.5	2.3	6.1	7.8
Final sales	7.2	8.3	4.3	8.6	4.1	8.2	9.1	8.9
Private	7.6	7.2	2.6	5.7	1.8	4.9	8.1	8.1
Personal consumption expenditures	7.5	7.7	3.9	8.5	3.6	4.9	7.5	7.7
Durable goods	11.3	4.8	-18.2	18.5	-3.4	-6.9	9.4	8.6
Nondurable goods	6.5	8.2	7.3	4.9	2.1	6.3	7.0	7.8
Services	7.2	8.4	8.7	8.7	7.9	7.8	7.2	7.3
Gross private domestic investment	14.6	9.8	14.0	-11.8	17.4	-35.7	-11.7	1.9
Residential construction	0.7	-7.2	-8.4	-45.7	-46.8	3.7	36.2	29.9
Business fixed investment	14.8	13.8	6.2	10.7	6.5	0.0	-0.5	3.4
Gov't purchases of goods & services	5.7	12.3	11.0	19.3	12.5	19.9	12.3	11.5
Federal	2.5	15.1	11.7	27.0	13.7	25.9	13.8	12.4
Defense	0.2	19.8	18.3	34.3	22.6	25.6	16.1	13.8
Other	9.9	1.2	-11.5	2.4	-18.8	24.7	7.0	6.9
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	2.9	4.4
Final sales	5.2	5.1	-0.1	5.6	0.7	5.9	6.1	5.7
Private	5.9	4.5	-1.7	3.4	-1.7	3.3	4.9	4.7
GNP Implicit deflator	1.8	3.0	4.3	3.2	2.8	2.8	3.1	3.4
Personal Income	7.9	8.5	6.3	8.2	9.0	7.6	5.1	8.1
Wage and salaries	7.4	9.5	7.8	9.6	8.4	6.7	6.5	9.1
Disposable income	7.4	7.7	3.9	6.3	8.3	7.8	6.1	6.6
Nonfarm payroll employment	4.2	5.1	4.9	3.3	4.0	4.3	0.0	1.8
Manufacturing	4.4	5.8	6.9	3.5	4.0	0.0	-4.1	2.1
Industrial production	8.4	9.0	7.9	6.2	3.0	-4.5	-3.6	4.9
Housing starts, private	-3.3	-18.9	-39.5	-81.3	-39.3	88.4	16.5	31.7
Sales new U.S.-made autos	15.0	-4.4	-62.8	33.6	-15.8	-39.6	27.3	21.5

<sup>1/</sup> GNP revised figures will be available by July 17th.

VARIOUS FEDERAL BUDGETS  
(In billions of dollars)

	Calendar 1966				Calendar 1967			Fiscal Year		Jan. Budget Document	
	I	II	III	IV	I	II E	III E	1966	1967 E	Fy1967	Fy1968
<u>Quarterly data, unadjusted</u>											
Cash surplus/deficit (-)	- 1.3	10.0	- 6.7	- 7.7	1.4	9.2	- 6.2	- 3.3	- 3.9	- 6.2	- 4.3
Cash receipts	33.3	46.2	34.6	31.1	38.0	49.4	36.3	134.5	153.1	154.7	168.1
Cash payments	34.6	36.2	41.3	38.8	36.7	40.2	42.5	137.8	157.0	160.9	172.4
Change in total cash balances	- .1	+6.6	- 4.1	- 2.5	+ .7	+ .3	3.4	- .1	- 5.6	- 3.4	--
Net cash borrowing (+)	+1.0	-3.7	+ 2.4	+ 5.1	- .9	- 9.1	8.2	+ 2.6	- 2.5	+ 1.7	+ 3.8
(Pool sales to public) <u>1/</u>	.4	1.8	--	--	1.1	1.9	.6	3.1	3.0	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	-13.5	-11.4	+ 0.3	- 7.0	- 3.8	- 2.1
Receipts	136.0	141.0	145.3	147.9	149.2	148.3	154.2	132.6	147.7	149.8	167.1
Expenditures	133.7	137.1	145.8	151.5	159.5	161.8	165.6	132.3	154.7	153.6	169.2
High employment surplus/deficit (-) <u>2/</u>	1.5	4.1	- .2	- .6	- 8.3	- 9.1	- 8.7	2.1	- 4.6	n.a.	n.a.

E - staff projections.

1/ Not included in net cash borrowing.

2/ Uses 1966 IVQ as a high employment base.

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SECOND SUPPLEMENT  
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

July 17, 1967

## SUPPLEMENTAL NOTE: GNP REVISION

Revised gross national product and related income figures from the first quarter of 1964 through the first quarter of this year and the preliminary estimates for the second quarter were released today by the Department of Commerce. This is the usual July 3-year revision which incorporates newly available data. The attached tables on "Gross National Product and Related Items" update those in the Greenbook of July 12, 1967, and show the revised figures, the preliminary estimates for 1967-II, and the staff's projection for 1967-III recast in terms of the revised data.

The revision raises only slightly earlier estimates of gross national product in both current and constant dollars, and personal income; for 1966 the upward revision in these series was only about 1/2 to 3/4 of 1 per cent. The revised GNP estimates also depict basically the same quarterly pattern of over-all developments as did the former ones. The annual rate of increase in current dollar GNP in the fourth quarter of last year, however, is now indicated at 7.1 per cent instead of 7.5 per cent, and in real terms 3.8 per cent instead of 4.5 per cent. For the first quarter of this year, the over-all effect of the revision is relatively small, and annual rates of change are 2.2 per cent for current dollar GNP and -.2 per cent for constant dollar GNP.

REVISED  
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)

	1964	1965	1966	1966		1967		
				III	IV	I	IIp	Proj. III
Gross National Product	632.4	683.9	743.3	748.8	762.1	766.3	775.3	789.3
Final sales	626.6	674.5	729.9	737.4	743.6	759.2	773.2	790.1
Private	497.9	538.1	575.6	579.7	581.9	588.8	598.0	610.1
Personal consumption expenditures	401.2	433.1	465.9	470.1	473.8	480.2	488.9	497.9
Durable goods	59.2	66.0	70.3	70.9	70.6	69.4	72.1	73.6
Nondurables goods	178.7	191.2	207.5	209.5	210.3	214.2	216.6	220.8
Services	163.3	175.9	188.1	189.8	192.9	196.6	200.2	203.5
Gross Private domestic investment	94.0	107.4	118.0	116.4	122.2	110.4	106.1	105.9
Residential construction	27.1	27.0	24.4	23.7	20.9	21.4	22.7	24.5
Business fixed investment	61.1	71.1	80.2	81.2	82.8	81.9	81.3	82.2
Change in business inventories	5.8	9.4	13.4	11.4	18.5	7.1	2.1	-.8
Nonfarm	6.4	8.4	13.7	12.0	19.0	7.3	2.2	-1.0
Net Exports	8.5	6.9	5.1	4.6	4.3	5.3	5.2	5.5
Gov't purchases of goods & services	128.7	136.4	154.3	157.7	161.7	170.4	175.2	180.0
Federal	65.2	66.8	77.0	79.5	81.5	87.1	89.5	92.2
Defense	50.0	50.1	60.5	63.0	65.6	70.2	72.6	75.1
Other	15.2	16.7	16.5	16.6	15.9	16.8	16.9	17.1
State & local	63.5	69.6	77.2	78.1	80.2	83.3	85.6	87.8
Gross National Product in								
Constant (1958) dollars	581.1	616.7	652.6	654.8	661.1	660.7	664.6	671.7
GNP Implicit deflator (1958=100)	108.8	110.9	113.9	114.4	115.3	116.0	116.7	117.5
Personal income	497.5	537.8	584.0	589.3	601.6	612.9	618.9	629.5
Wage and salaries	333.7	359.1	394.6	399.6	407.4	414.7	418.0	426.0
Disposable income	438.1	472.2	508.8	512.4	522.0	532.7	540.2	547.0
Personal saving	26.2	27.2	29.8	29.2	34.6	38.8	37.1	35.5
Saving rate (per cent)	6.0	5.8	5.9	5.7	6.6	7.3	6.9	6.5
Corporate profits before tax	66.8	76.6	83.8	84.0	83.9	79.0	n.a.	n.a.
Federal government receipts and								
expenditures (N.I.A. basis)								
Receipts	115.0	124.8	143.2	145.6	148.6	149.1	n.a.	n.a.
Expenditures	118.1	123.4	142.9	146.3	151.9	160.9	163.2	n.a.
Surplus or deficit (-)	-3.0	1.4	.3	-.7	-3.3	-11.9	n.a.	n.a.
Total labor force (millions)	75.8	77.2	78.9	79.1	79.8	80.3	80.2	80.7
Armed forces "	2.7	2.7	3.1	3.2	3.3	3.4	3.5	3.5
Civilian labor force "	73.1	74.5	75.8	76.0	76.5	76.9	76.7	77.2
Unemployment rate (per cent)	5.2	4.5	3.8	3.8	3.7	3.7	3.8	3.9
Nonfarm payroll employment (millions)	58.3	60.8	63.9	64.1	64.8	65.5	65.5	65.8
Manufacturing	17.3	18.0	19.1	19.2	19.4	19.4	19.2	19.3
Industrial production (1957-59=100)	132.3	143.4	156.3	157.6	158.8	157.0	155.6	157.4
Capacity utilization, manufacturing								
(per cent)	86	89	91	91	90	87	85	85
Housing starts, private (millions, A.R.)	1.56	1.51	1.22	1.09	.98	1.21	1.26	1.36
Sales new U.S.-made autos (millions, .R.)	7.62	8.76	8.38	8.47	8.13	7.33	7.83	8.25

n.a. -- not available



July 17, 1967

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

	1964	1965	1966	1966		1967		
				III	IV	I	Projected	
							II	III
(Billions of Dollars)								
Gross National Product	41.9	51.5	59.4	12.1	13.3	4.2	9.0	14.0
Final sales	42.0	47.9	55.4	14.7	6.2	15.6	14.0	16.9
Private	35.8	40.2	37.5	8.2	2.2	6.9	9.2	12.1
GNP in constant (1958) dollars	30.1	35.6	35.9	5.5	6.3	-.4	3.9	7.1
Final sales	30.0	32.6	32.1	8.3	-0.3	10.1	8.7	9.9
Private	28.4	29.5	21.9	4.4	-2.8	3.7	5.7	6.8
(Per Cent)								
Gross National Product	7.1	8.1	8.7	6.6	7.1	2.2	4.7	7.2
Final sales	7.2	7.6	8.2	8.1	3.4	8.4	7.4	8.7
Private	7.7	8.1	7.0	5.7	1.5	4.7	6.2	8.1
Personal consumption expenditures	7.0	8.0	7.6	7.4	3.1	5.4	7.2	7.4
Durable goods	9.8	11.5	6.5	15.8	-1.7	-6.8	15.6	8.3
Nondurable goods	6.0	7.0	8.5	4.6	1.5	7.4	4.5	7.8
Services	7.2	7.7	6.9	7.5	6.5	7.7	7.3	6.6
Gross private domestic investment	7.9	14.3	9.9	-7.1	19.9	-38.6	-15.6	-0.8
Residential construction	0.4	-0.4	-9.6	-32.6	-47.3	9.6	24.3	31.7
business fixed investment	12.5	16.4	12.8	12.7	7.9	-4.3	-2.9	4.4
Gov't purchases of goods & services	5.1	6.0	13.1	17.2	10.1	21.5	11.3	11.0
Federal	1.6	2.5	15.3	24.6	10.1	27.5	11.0	12.1
Defense	1.6	0.2	20.8	31.5	16.5	28.0	13.7	13.8
Other	12.6	9.9	-1.2	0.0	-16.9	22.6	2.4	4.7
State & local	9.1	9.6	10.9	10.0	10.8	15.5	11.0	10.3
GNP in constant (1958) dollars	5.5	6.1	5.8	3.4	3.8	-.2	2.4	4.3
Final sales	5.5	5.7	5.3	5.2	-0.2	6.3	5.3	6.0
Private	6.5	6.4	4.4	3.4	-2.2	2.9	4.4	5.2
GNP Implicit deflator	1.5	1.9	2.7	3.2	3.1	2.4	2.4	2.7
Personal income	6.9	8.1	8.6	8.3	8.3	7.5	3.9	6.9
Wage and salaries	7.3	7.6	9.9	9.6	7.8	7.2	3.2	7.7
Disposable income	8.3	7.8	7.8	7.2	7.5	8.2	5.6	5.0
Corporate profits before tax	12.4	14.6	9.5	1.9	-.5	-23.4	n.a.	n.a.
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	.5	8.5	14.7	11.3	8.2	1.3	n.a.	n.a.
Expenditures	3.7	4.5	15.8	22.8	15.3	23.7	5.7	n.a.
Nonfarm payroll employment	2.9	4.2	5.1	3.3	4.0	4.3	0.0	1.8
Manufacturing	1.6	4.4	5.8	3.5	4.0	0.0	-4.1	2.1
Industrial production	6.4	8.4	9.0	6.2	3.0	-4.5	-3.6	4.6
Housing starts, private	-3.2	-3.4	-18.9	-81.3	-39.3	88.4	16.5	31.7
Sales new U.S.-made autos	3.8	15.0	-4.4	33.6	-15.8	-39.6	27.3	21.5

n.a. -- Not available.