

**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**

November 8, 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)

	1966	1967 Proj.	1966		1967			Proj. IV
			III	IV	I	II	IIIp	
Gross National Product	743.3	784.9	748.8	762.1	766.3	775.1	790.1	808.1
Final sales	729.9	782.4	737.4	743.6	759.2	774.6	788.6	807.1
Private	575.6	605.0	579.7	581.9	588.8	599.6	609.7	622.0
Personal consumption expenditures	465.9	492.6	470.1	473.8	480.2	489.7	495.8	504.5
Durable goods	70.3	72.4	70.9	70.6	69.4	72.5	73.0	74.5
Nondurable goods	207.5	218.2	209.5	210.3	214.2	217.2	219.0	222.5
Services	188.1	202.0	189.8	192.9	196.6	200.0	203.8	207.5
Gross private domestic investment	118.0	109.4	116.4	122.2	110.4	105.1	109.8	112.2
Residential construction	24.4	24.4	23.7	20.9	21.4	23.1	25.4	27.7
Business fixed investment	80.2	82.5	81.2	82.8	81.9	81.5	82.9	83.5
Change in business inventories	13.4	2.5	11.4	18.5	7.1	.5	1.5	1.0
Nonfarm	13.7	2.4	12.0	19.0	7.3	.6	1.1	.5
Net Exports	5.1	5.6	4.6	4.3	5.3	5.3	5.6	6.3
Gov't. purchases of goods & services	154.3	177.4	157.7	161.7	170.4	175.0	178.9	185.1
Federal	77.0	90.8	79.5	81.5	87.1	89.5	91.4	95.3
Defense	60.5	73.3	63.0	65.6	70.2	72.5	73.9	76.4
Other	16.5	17.6	16.6	15.9	16.8	17.0	17.5	18.9
State & local	77.2	86.5	78.1	80.2	83.3	85.4	87.6	89.8
Gross National Product in constant (1958) dollars	652.6	669.3	654.8	661.1	660.7	664.7	671.6	680.2
GNP Implicit deflator (1958=100)	113.9	117.3	114.4	115.3	116.0	116.6	117.7	118.8
Personal income	584.0	626.8	589.3	601.6	612.9	619.1	630.7	644.5
Wage and salaries	394.6	423.9	399.6	407.4	414.7	418.3	425.9	436.5
Disposable income	508.8	544.8	512.4	522.0	532.7	540.0	547.9	558.6
Personal saving	29.8	38.1	29.2	34.6	38.8	36.0	37.8	39.7
Saving rate (per cent)	5.9	7.0	5.7	6.6	7.3	6.7	6.9	7.1
Corporate profits before tax	83.8	80.2	84.0	83.9	79.0	78.9	80.5*	82.5
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	143.2	151.8	145.6	148.6	149.1	148.1	152.9*	157.1
Expenditures	142.9	165.1	146.3	151.9	160.9	162.8	166.4	170.2
Surplus or deficit (-)	.3	-13.3	-.7	-3.3	-11.9	-14.7	-13.5*	-13.1
Total labor force (millions)	78.9	80.8	79.1	79.8	80.3	80.2	81.1	81.6
Armed forces "	3.1	3.5	3.2	3.3	3.4	3.5	3.5	3.5
Civilian labor force "	75.8	77.3	76.0	76.5	76.9	76.7	77.7	78.1
Unemployment rate (per cent)	3.8	3.9	3.8	3.7	3.7	3.8	3.9	4.0
Nonfarm payroll employment (millions)	64.0	66.0	64.3	65.0	65.7	65.7	66.1	66.4
Manufacturing	19.2	19.3	19.3	19.5	19.5	19.3	19.2	19.3
Industrial production (1957-59=100)	156.3	156.8	157.6	158.8	157.0	155.8	156.9	157.4
Capacity utilization, manufacturing (per cent)	90.5	84.6	90.6	89.8	87.0	84.8	83.8	82.8
Housing starts, private (millions A. R.)	1.17	1.30	1.08	.92	1.12	1.21	1.41	1.45
Sales new U.S.-made autos (millions, A. R.)	8.38	7.79	8.47	8.13	7.33	7.83	8.01	8.00

\* Projected.

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1966	1967	1966		1967			Proj.
		Proj.	III	IV	I	II	IIIp	IV
	----- In Billions of Dollars -----							
Gross National Product	59.4	41.6	12.1	13.3	4.2	8.8	15.0	18.0
Final sales	55.4	52.5	14.7	6.2	15.6	15.4	14.0	18.5
Private	37.5	29.4	8.2	2.2	6.9	10.8	10.1	12.3
GNP in constant (1958) dollars	35.9	16.7	5.5	6.3	-4	4.0	6.9	8.6
Final sales	32.1	28.8	8.3	-0.3	10.1	10.3	5.9	9.0
Private	21.9	12.0	4.4	-2.8	3.7	7.1	4.1	6.3
	----- In Per Cent; Quarterly Changes are at Annual Rates -----							
Gross National Product	8.7	5.6	6.6	7.1	2.2	4.6	7.7	9.1
Final sales	8.2	7.2	8.1	3.4	8.4	8.1	7.2	9.4
Private	7.0	5.1	5.7	1.5	4.7	7.3	6.7	8.1
Personal consumption expenditures	7.6	5.7	7.4	3.1	5.4	7.9	5.0	7.0
Durable goods	6.5	3.0	15.8	-1.7	-6.8	17.9	2.8	8.2
Nondurable goods	8.5	5.2	4.6	1.5	7.4	5.6	3.3	6.4
Services	6.9	7.4	7.5	6.5	7.7	6.9	7.6	7.3
Gross private domestic investment	9.9	-7.3	-7.1	19.9	-38.6	-19.2	17.9	8.7
Residential construction	-9.6	0.0	-32.6	-47.3	9.6	31.8	39.8	36.2
Business fixed investment	12.8	2.9	12.7	7.9	-4.3	-2.0	6.9	2.9
Gov't purchases of goods & services	13.1	15.0	17.2	10.1	21.5	10.8	8.9	13.9
Federal	15.3	17.9	24.6	10.1	27.5	11.0	8.5	17.1
Defense	20.8	21.2	31.5	16.5	28.0	13.1	7.7	13.5
Other	-1.2	6.7	0.0	-16.9	22.6	4.8	11.8	32.0
State & local	10.9	12.0	10.0	10.8	15.5	10.1	10.3	10.0
GNP in constant (1958) dollars	5.8	2.6	3.4	3.8	-2	2.4	4.2	5.1
Final sales	5.3	4.2	5.2	-0.2	6.3	6.3	3.6	5.4
Private	4.4	2.3	3.4	-2.2	2.9	5.5	3.1	4.8
GNP Implicit deflator	2.7	3.0	3.2	3.1	2.4	2.1	3.8	3.7
Personal income	8.6	7.3	8.3	8.3	7.5	4.0	7.5	8.8
Wage and salaries	9.9	7.4	9.6	7.8	7.2	3.5	7.3	10.0
Disposable income	7.8	7.1	7.2	7.5	8.2	5.5	5.8	7.8
Corporate profits before tax	9.5	-4.3	1.9	-5	-23.4	-0.5	8.1*	9.9
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	14.7	6.0	11.3	8.2	1.3	2.7	13.0*	11.0
Expenditures	15.8	15.5	22.8	15.3	23.7	4.7	8.8	9.1
Nonfarm payroll employment	5.3	3.1	3.8	4.4	4.3	0.0	2.4	1.8
Manufacturing	6.1	.5	4.2	4.1	0.0	-4.1	-2.1	2.1
Industrial production	9.0	.3	6.2	3.0	-4.5	-3.1	2.8	1.3
Housing starts, private	-20.4	11.1	-62.5	-59.3	87.0	32.1	66.1	11.3
Sales new U.S.-made autos	-4.4	-7.0	33.6	-15.8	-39.6	27.3	9.2	.0

\* Projected.

VARIOUS FEDERAL BUDGETS  
(In billions of dollars)

	1966		1967				1967	Fiscal Year	
	III	IV	I	II	III	IV <sup>e</sup>	Actual	Jan. Budget	Summer <sup>3/</sup>
								Document	Review
<u>Quarterly data, unadjusted</u>									
Cash surplus/deficit (-)	-6.7	-7.7	1.4	11.3	- 9.2	-10.3	-1.8	-4.3	-11.5
Cash receipts	34.6	31.1	38.0	49.8	35.9	32.3	153.5	168.1	164.0
Cash payments	41.3	38.8	36.7	38.6	45.1	42.6	155.3	172.4	175.5
Change in total cash balance	-4.1	-2.5	.7	1.2	.3	- 2.4	-4.7	--	--
Net Cash borrowing (+)	2.4	5.1	- .9	-10.3	9.3	7.9	-3.8	3.8	11.0
(Pool sales to public) <u>1/</u>	- .5	--	1.1	1.8	--	1.5	2.9	5.0	5.0
<u>Seasonally adjusted annual rate</u>									
Federal surplus/deficit (-) in national income accounts	- .7	-3.3	-11.9	-14.7	-13.5	-13.1	-7.7	-2.1	- 6.4
Receipts	145.6	148.6	149.1	148.1	152.9	157.1	147.9	167.1	164.0
Expenditures	146.3	151.9	160.9	162.8	166.4	170.2	155.5	169.2	170.4
High employment surplus/ deficit (-) <u>2/</u>	- .4	-3.3	-10.5	-13.0	-12.6	-12.5	-6.8		

e - Staff projections. Based on existing tax rates.

1/ Not included in net cash borrowing.

2/ Uses 1966 IVQ as a high employment base.

3/ Figures derived from President's statement of August 3. The figures assume a 10 per cent surcharge effective July 1, 1967, for corporations, and October 1, 1967, for individuals, as well as the lowest expenditure totals considered possible by the Administration. The President's tax increase proposals were projected to produce \$7.4 billion of additional revenues in fiscal 1968.