

**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**

*August 9, 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			
			III	IV	I	IIp	Projected III	IV
Gross National Product	743.3	784.0	748.8	762.1	766.3	775.3	789.0	805.5
Final sales	729.9	781.5	737.4	743.6	759.2	773.2	789.8	804.0
Private	575.6	603.5	579.7	581.9	588.8	598.0	609.7	617.8
Personal consumption expenditures	465.9	492.6	470.1	473.8	480.2	488.9	497.8	503.5
Durable goods	70.3	72.3	70.9	70.6	69.4	72.1	73.8	73.8
Nondurable goods	207.5	218.4	209.5	210.3	214.2	216.6	220.2	222.6
Services	188.1	201.9	189.8	192.9	196.6	200.2	203.8	207.1
Gross Private domestic investment	118.0	108.0	116.4	122.2	110.4	106.1	105.5	110.0
Residential construction	24.4	23.6	23.7	20.9	21.4	22.7	24.3	26.2
Business fixed investment	80.2	81.9	81.2	82.8	81.9	81.3	82.0	82.3
Change in business inventories	13.4	2.5	11.4	18.5	7.1	2.1	-.8	1.5
Nonfarm	13.7	2.5	12.0	19.0	7.3	2.2*	-1.0	1.5
Net Exports	5.1	5.4	4.6	4.3	5.3	5.2	5.6	5.8
Gov't. purchases of goods & services	154.3	178.0	157.7	161.7	170.4	175.2	180.1	186.2
Federal	77.0	91.2	79.5	81.5	87.1	89.5	92.2	95.9
Defense	60.5	74.0	63.0	65.6	70.2	72.6	75.1	77.9
Other	16.5	17.2	16.6	15.9	16.8	16.9	17.1	18.0
State & local	77.2	86.8	78.1	80.2	83.3	85.6	87.9	90.3
Gross National Product in Constant (1958) dollars	652.6	668.9	654.8	661.1	660.7	664.6	671.5	679.0
GNP Implicit deflator (1958=100)	113.9	117.2	114.4	115.3	116.0	116.7	117.5	118.6**
Personal income	584.0	625.7	589.3	601.6	612.9	618.9	629.5	641.5
Wage and salaries	394.6	423.5	399.6	407.4	414.7	418.0	426.0	435.1
Disposable income	508.8	542.4	512.4	522.0	532.7	540.2	546.8	550.0
Personal saving	29.8	35.6	29.2	34.6	38.8	37.1	34.8	31.8
Saving rate (per cent)	5.9	6.6	5.7	6.6	7.3	6.9	6.3	5.8
Corporate profits before tax	83.8	79.5	84.0	83.9	79.0	77.0	79.3	82.5
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	143.2	153.7	145.6	148.6	149.1	146.6	154.4	164.6
Expenditures	142.9	165.4	146.3	151.9	160.9	163.2	166.6	171.0
Surplus or deficit (-)	.3	-11.7	-.7	-3.3	-11.9	-16.6	-12.2	-6.4
Total labor force (millions)	78.9	80.6	79.1	79.8	80.3	80.2	80.7	81.1
Armed forces "	3.1	3.5	3.2	3.3	3.4	3.5	3.5	3.5
Civilian labor force "	75.8	77.1	76.0	76.5	76.9	76.7	77.2	77.6
Unemployment rate (per cent)	3.8	3.8	3.8	3.7	3.7	3.8	3.9	3.8
Nonfarm payroll employment (millions)	63.9	65.9	64.1	64.8	65.5	65.5	66.0	66.6
Manufacturing	19.1	19.3	19.2	19.4	19.4	19.2	19.2	19.5
Industrial production (1957-59=100)	156.3	157.5	157.6	158.8	157.0	155.6	157.5	160.0
Capacity utilization, manufacturing (per cent)	90.5	85.2	90.6	89.8	87.0	84.7	84.5	84.6
Housing starts, private (millions, A.R.)	1.17	1.24	1.08	.92	1.12	1.20	1.29	1.27
Sales new U.S.-made autos (millions, A.R.)	8.38	7.92	8.47	8.13	7.33	7.83	8.25	8.25

\* Recently available data indicate a downward revision of perhaps as much as \$2.0 billion in the published estimate of change in nonfarm business inventories. This downward revision may be offset in part by upward revisions in final sales, particularly in personal consumption expenditures for nondurable goods.

\*\* 118.4 without Federal pay increase.

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

	1966	1967	1966		1967			
		Proj.	III	IV	I	IIp	Projected	
							III	IV
----- In Billions of Dollars -----								
Gross National Product	59.4	40.7	12.1	13.3	4.2	9.0	13.7	16.5
Final sales	55.4	51.6	14.7	6.2	15.6	14.0	16.6	14.2
Private	37.5	27.9	8.2	2.2	6.9	9.2	11.7	8.1
GNP in constant (1958) dollars	35.9	16.3	5.5	6.3	-.4	3.9	6.9	7.5
Final sales	32.1	27.0	8.3	-0.3	10.1	8.9	9.8	5.3
Private	21.9	11.2	4.4	-2.8	3.7	5.6	6.5	2.6
----- In Per Cent Per Year -----								
Gross National Product	8.7	5.5	6.6	7.1	2.2	4.7	7.1	8.4
Final sales	8.2	7.1	8.1	3.4	8.4	7.4	8.6	7.2
Private	7.0	4.8	5.7	1.5	4.7	6.2	7.8	5.3
Personal consumption expenditures	7.6	5.7	7.4	3.1	5.4	7.2	7.3	4.6
Durable goods	6.5	2.8	15.8	-1.7	-6.8	15.6	9.4	0.0
Nondurable goods	8.5	5.3	4.6	1.5	7.4	4.5	6.6	4.4
Services	6.9	7.3	7.5	6.5	7.7	7.3	7.2	6.5
Gross private domestic investment	9.9	-8.5	-7.1	19.9	-38.6	-15.6	-2.3	17.1
Residential construction	-9.6	-3.3	-32.6	-47.3	9.6	24.3	28.2	31.3
Business fixed investment	12.8	2.1	12.7	7.9	-4.3	-2.9	3.4	1.5
Gov't purchases of goods & services	13.1	15.4	17.2	10.1	21.5	11.3	11.2	13.5
Federal	15.3	18.4	24.6	10.1	27.5	11.0	12.1	16.1
Defense	20.8	22.3	31.5	16.5	28.0	13.7	13.8	14.9
Other	-1.2	4.2	0.0	-16.9	22.6	2.4	4.7	21.1
State & local	10.9	12.4	10.0	10.8	15.5	11.0	10.7	10.9
GNP in constant (1958) dollars	5.8	2.5	3.4	3.8	-.2	2.4	4.2	4.5
Final sales	5.3	4.2	5.2	-0.2	6.3	5.4	5.9	3.2
Private	4.4	2.2	3.4	-2.2	2.9	4.3	5.0	2.0
GNP Implicit deflator	2.7	2.9	3.2	3.1	2.4	2.4	2.7	3.7*
Personal income	8.6	7.1	8.3	8.3	7.5	3.9	6.8	7.6
Wage and salaries	9.9	7.3	9.6	7.8	7.2	3.2	7.7	8.5
Disposable income	7.8	6.6	7.2	7.5	8.2	5.6	4.9	2.3
Corporate profits before tax	9.5	-5.1	1.9	-.5	-23.4	-10.1	11.9	16.1
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	14.7	7.3	11.3	8.2	1.3	-6.7	21.3	26.4
Expenditures	15.8	15.7	22.8	15.3	23.7	5.7	8.3	10.6
Nonfarm payroll employment	5.1	3.1	3.3	4.0	4.3	0.0	3.1	3.6
Manufacturing	5.8	1.0	3.5	4.0	0.0	-4.1	0.0	6.2
Industrial production	9.0	0.8	6.2	3.0	-4.5	-3.6	4.9	6.3
Housing starts, private	-20.4	6.0	-62.5	-59.3	87.0	28.6	30.0	24.8
Sales new U.S.-made autos	-4.4	-5.5	33.6	-15.8	-39.6	27.3	21.5	0.0

\* 3.0 per cent without Federal pay increase.

VARIOUS FEDERAL BUDGETS  
(In billions of dollars)

	1966		1967				Fiscal Year		
	III	IV	I	II	III <sup>e</sup>	IV <sup>e</sup>	1967 Actual	1968	
								Jan. Bud. Doc.	Rev. 8-3-67 <sup>e</sup>
<u>Quarterly data, unadjusted</u>									
Cash surplus/deficit (-)	- 6.7	- 7.7	1.4	11.3	- 6.0	-12.7	- 1.8	- 4.3	-17.5
Cash receipts	34.6	31.1	38.0	49.8	36.4	31.9	153.5	168.1	163.5
Cash payments	41.3	38.8	36.7	38.6	42.4	44.6	155.3	172.4	181.0
Change in total cash balance	- 4.1	- 2.5	.7	1.2	2.2	- 3.2	- 4.7	--	--
Net cash borrowing (+)	2.4	5.1	- .9	-10.3	8.2	9.5	- 3.8	3.8	17.5
(Pool sales to public) <u>1/</u>	- .5	--	1.1	1.8	.5	.5	2.9	5.0	3.0
<u>Seasonally adjusted annual rate</u>									
Federal surplus/deficit (-) in national income accounts	- .7	- 3.3	-11.9	-16.6	-12.2	- 6.4	- 7.5	- 2.1	-12.6
Receipts	145.6	148.6	149.1	146.6	154.4	164.6	147.7	167.1	163.1
Expenditures	146.3	151.9	160.9	163.2	166.6	171.0	155.2	169.2	175.7
High employment surplus/ deficit (-) <u>2/</u>	- .2	- .6	- 8.3	-15.0	-11.4	- 7.0	- 6.0		

e - Staff projections based on President's statement to Congress on August 3, 1967.

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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August 11, 1967

Corrections:

Page II-6a, GROSS NATIONAL PRODUCT AND RELATED ITEMS table.  
Housing starts, private (millions, A.R.) projected for 1967-IV should be 1.37.

Page III-6, second paragraph. Put a period after word "weeks" and start a new sentence with "Since."

Page III-8. First line of second paragraph should read:  
Treasury bill rates moved up sharply, etc.

Appendix A, page A-8, Table III. July 1967 total reserves NSA should be 23,906.

Appendix A, page A-2. Table I, reproduced below, should be substituted for the one in the Greenbook. The last column of figures have been corrected.

TABLE I  
FORMER AND REVISED SEASONAL FACTORS FOR CREDIT PROXY,  
MONEY SUPPLY, DEMAND DEPOSITS AND NONBORROWED RESERVES

	Credit Proxy		Money Supply: Demand Deposit Component		Nonborrowed Reserves	
	Former	Revised	Former	Revised	Former	Revised
1966--Jan.	101.3	101.3	103.9	103.9	102.3	102.3
Feb.	99.8	99.7	100.0	99.8	99.3	99.3
Mar.	99.7	99.7	99.2	99.2	99.1	99.0
Apr.	99.8	100.1	100.8	101.0	99.6	99.7
May	99.7	99.7	97.7	97.6	99.0	99.1
June	99.9	99.9	98.3	98.6	99.6	99.6
July	100.2	100.3	98.6	98.4	100.0	100.1
Aug.	99.2	99.1	97.9	97.6	98.6	98.4
Sept.	99.7	99.6	99.2	99.4	99.7	99.7
Oct.	100.0	100.0	100.3	100.2	100.3	100.2
Nov.	99.8	99.6	101.0	100.7	100.0	99.8
Dec.	101.1	101.1	103.1	103.5	102.7	102.7
1967--Jan.	101.3	101.3	103.9	103.8	102.3	102.3
Feb.	99.8	99.7	100.0	99.6	99.3	99.3
Mar.	99.7	99.7	99.2	99.4	99.1	99.0
Apr.	99.8	100.1	101.0	101.0	99.6	99.7
May	99.7	99.7	97.6	97.7	99.0	99.1
June	99.9	99.9	98.5	98.7	99.6	99.6
July	100.2	100.3	98.5	98.4	100.0	100.1