

**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**

**April 26, 1967**

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prices which has occurred in the last few months. Moreover, the higher rate of saving--averaging about 6 per cent of disposable income since the fourth quarter of 1966--and reduced rates of auto sales and housing are to some extent restoring consumer liquidity positions.

## PERSONAL AND DISPOSABLE INCOME

		Personal income	Disposable income	Savings rate
		(Quarterly increases in billions)		(Per cent)
1966	1	\$11.8	\$ 9.0	5.4
	2	8.9	4.8	5.3
	3	11.7	7.9	4.8
	4	13.1	10.6	5.9
1967	1	11.8	10.5	6.1
	2	7.4	6.6	5.9
	3	12.5 <u>1</u> /	9.0 <u>1</u> /	5.9

1/ These estimates imply no changes in Federal tax rates or in social security benefits.

Although the largest upward revisions in estimates for the first half are in consumer expenditures, other areas of final demand also appear somewhat stronger than estimated earlier. Residential construction, in particular, is reviving fairly rapidly. The February rate of 1.2 million starts was maintained in March providing something of a test of strength, since a large rise in actual activity is needed to achieve even the normal seasonal improvement in March. The 1.2 million average rate of starts in the first quarter will be reflected in rising expenditures for construction in the present and subsequent quarters. Although the market for new houses still must be tested this

**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			Ip	1967 Projected	
			II	III	IV		II	III
Gross National Product	681.2	739.6	732.3	745.3	759.3	764.3	772.3	786.0
Final sales	672.1	727.7	720.0	735.4	742.9	758.8	772.3	788.0
Private	535.9	574.7	571.0	579.2	581.8	590.6	599.2	610.3
Personal consumption expenditures	431.5	464.9	460.1	469.9	474.1	482.2	489.1	497.5
Durable goods	66.1	69.3	67.1	70.2	69.6	68.1	69.1	70.5
Nondurable goods	190.6	206.2	205.6	208.1	209.2	214.7	216.9	220.2
Services	174.8	189.4	187.4	191.5	195.3	199.3	203.1	206.8
Gross private domestic investment	106.6	117.0	118.5	115.0	120.0	109.0	104.6	104.8
Residential construction	27.8	25.8	28.0	24.8	21.9	21.9	23.0	24.8
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	5.5	0.0	- 2.0
Nonfarm	8.1	12.2	12.1	10.4	17.6	5.8	0.0	- 2.0
Net exports	7.0	4.8	4.7	4.2	4.1	4.9	5.5	6.0
Gov't purchases of goods & services	136.2	153.0	149.0	156.2	161.1	168.2	173.1	177.7
Federal	66.8	76.9	74.0	79.0	81.7	86.2	88.9	91.3
Defense	50.1	60.0	57.1	62.0	65.5	68.8	71.3	73.4
Other	16.7	16.9	16.9	17.0	16.2	17.4	17.6	17.9
State & local	69.4	76.2	75.0	77.2	79.4	82.0	84.2	86.4
Gross National Product in constant (1958) dollars	614.4	647.8	643.5	649.9	657.2	657.2	659.8	666.6
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	610.1	617.5	630.0
Wage and salaries	358.4	392.3	387.4	396.7	405.0	411.8	418.1	427.4
Disposable income	469.1	505.3	499.9	507.8	518.4	528.9	535.5	544.5
Personal saving	25.7	27.0	26.6	24.5	30.4	32.5	31.8	32.0
Saving rate (per cent)	5.5	5.3	5.3	4.8	5.9	6.1	5.9	5.9
Total labor force (millions)	77.2	78.9	78.4	79.1	79.8	80.3	80.6	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	77.1	77.4
Unemployment rate (per cent)	4.5	3.8	3.8	3.8	3.7	3.7	4.0	4.1
Nonfarm payroll employment (millions)	60.8	63.9	63.6	64.1	64.8	65.4	65.5	65.8
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	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

Note: Labor force revised to exclude persons age 14 and 15. Quarterly data for 1966 also reflect new seasonal factors; projections for 1967 reflect new definitions of unemployment.

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

	1965	1966	1966				1967	
			II	III	IV	Ip	Projected	
							II	III
(Billions of Dollars)								
Gross National Product	49.5	58.4	11.1	13.0	14.0	5.0	8.0	13.7
Final sales	45.1	55.6	7.7	15.4	7.5	15.9	13.5	15.7
Private	37.8	38.8	3.7	8.2	2.6	8.8	8.6	11.1
GNP in constant (1958) dollars	34.4	33.4	3.0	6.4	7.3	0.0	2.6	6.5
Final sales	30.2	31.1	- 0.1	8.9	1.2	10.2	7.8	8.6
Private	27.4	22.0	- 2.2	4.4	- 2.2	5.6	5.5	6.4
(Per Cent)								
Gross National Product	7.8	8.6	6.2	7.1	7.5	2.6	4.2	7.1
Final sales	7.2	8.3	4.3	8.6	4.1	8.6	7.1	8.1
Private	7.6	7.2	2.6	5.7	1.8	6.1	5.8	7.4
Personal consumption expenditures	7.5	7.7	3.9	8.5	3.6	6.8	5.7	6.9
Durable goods	11.3	4.8	-18.2	18.5	- 3.4	- 8.6	5.9	8.1
Nondurable goods	6.5	8.2	7.3	4.9	2.1	10.5	4.1	6.1
Services	7.2	8.4	8.7	8.7	7.9	8.2	7.6	7.3
Gross private domestic investment	14.6	9.8	14.0	-11.8	17.4	-36.7	-16.1	0.8
Residential construction	0.7	- 7.2	- 8.4	-45.7	-46.8	0.0	20.1	31.3
Business fixed investment	14.8	13.8	6.2	10.7	6.5	0.0	0.0	2.0
Gov't purchases of goods & services	5.7	12.3	11.0	19.3	12.5	17.6	11.7	10.6
Federal	2.5	15.1	11.7	27.0	13.7	22.0	12.5	10.8
Defense	0.2	19.8	18.3	34.3	22.6	20.2	14.5	11.8
Other	9.9	1.2	-11.5	2.4	-18.8	29.6	4.6	6.8
State & local	8.9	9.8	10.4	11.7	11.4	13.1	10.7	10.4
GNP in constant (1958) dollars	5.9	5.4	1.9	4.0	4.5	0.0	1.6	4.1
Final sales	5.2	5.1	- 0.1	5.6	0.7	6.4	4.8	5.4
Private	5.9	4.5	- 1.7	3.4	- 1.7	4.4	4.2	5.1
GNP Implicit deflator	1.8	3.0	4.3	3.2	2.8	2.8	2.8	2.8
Personal income	7.9	8.5	6.3	8.2	9.0	7.9	4.8	8.1
Wage and salaries	7.4	9.5	7.8	9.6	8.4	6.7	6.1	8.9
Disposable income	7.4	7.7	3.9	6.3	8.3	8.1	5.0	6.7
Nonfarm payroll employment	4.2	5.1	4.9	3.3	4.0	4.0	0.3	1.8
Manufacturing	4.4	5.8	6.9	3.5	4.0	0.2	- 4.2	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	90.7	-12.9	54.2
Sales new U.S.-made autos	15.0	- 4.4	-62.8	33.6	-15.8	-39.6	16.4	21.1

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	7.6	-5.0	-3.3	-5.7	-6.2	-4.3
Cash receipts	33.3	46.2	34.6	31.1	38.0	50.1	36.0	134.5	153.8	154.7	168.1
Cash payments	34.6	36.2	41.3	38.8	36.7	42.5	41.0	137.9	159.5	160.9	172.4
Change in cash balance	- .3	+5.8	-3.6	-2.7	+ .7	+ .7	--	- .1	-4.9	-3.4	--
Net cash borrowing (+)	+1.0	-3.7	+2.4	+5.1	- .9	-7.4	+4.2	+2.6	- .1	+1.7	+3.8
(Pool sales to public) <sup>1/</sup>	.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	-9.6 <sup>e</sup>	-11.5	-11.8	+ .3	-6.3	-3.8	-2.1
Receipts	136.0	141.0	145.3	147.9	149.1 <sup>e</sup>	149.0	152.9	132.6	147.8	149.8	167.1
Expenditures	133.7	137.1	145.8	151.5	158.7 <sup>e</sup>	160.5	164.7	132.3	154.1	153.6	169.2
High employment surplus/deficit (-) <sup>2/</sup>	1.5	4.1	- .2	-3.6	-7.5	-8.2	-8.8	4.1	-4.9	n.a.	n.a.

p - Staff projections.                      e - Estimated.

<sup>1/</sup> Not included in net cash borrowing.

<sup>2/</sup> Uses 1966 IVQ as a high employment base.

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SUPPLEMENT

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Corrections:

Page I - T - 2, the last column, line 2 should be 3.82 instead of 4.01.

Page I - T - 3, footnote 1/ also applies to total reserves and credit proxy; footnote 2/ also applies to Bank Credit.

Page II - 1, last line of paragraph 1, the 4 per cent is at annual rates.

Page II - 19, Labor Market should be II - 21 and II - 20 and 21 should be II - 19 and 20.

The footnote "a/" indicating use of January-March data should be attached to the import figure for Japan in the last column of the table on page IV - 7 and to the export figure for U.S. in the last column of the table on page IV - 12.