

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

March 27, 1968

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	1967				1968	
			I	II	III	IV	Proj. I	II
Gross National Product	743.3	785.0	766.3	775.1	791.2	807.3	828.5	847.0
Final sales	729.9	779.8	759.2	774.6	787.4	798.1	820.4	838.0
Private purchases	575.6	603.5	588.8	599.6	609.2	616.4	634.0	647.2
Personal consumption expenditures	465.9	491.7	480.2	489.7	495.3	501.8	516.0	528.5
Durable goods	70.3	72.1	69.4	72.5	72.7	73.8	77.5	80.0
Nondurable goods	207.5	217.5	214.2	217.2	218.5	220.3	227.0	233.0
Services	188.1	202.1	196.6	200.0	204.1	207.7	211.5	215.5
Gross private domestic investment	118.0	112.1	110.4	105.1	112.2	120.8	122.8	123.5
Residential construction	24.4	24.4	21.4	23.1	25.6	27.6	28.2	28.0
Business fixed investment	80.2	82.6	81.9	81.5	82.8	84.0	86.5	86.5
Change in business inventories	13.4	5.2	7.1	.5	3.8	9.2	8.1	9.0
Nonfarm	13.7	4.8	7.3	.6	3.4	7.7	7.5	9.0
Net Exports	5.1	4.8	5.3	5.3	5.4	3.0	3.3	4.2
Gov't purchases of goods & services	154.3	176.3	170.4	175.0	178.2	181.7	186.4	190.8
Federal	77.0	89.9	87.1	89.5	90.9	92.2	94.7	97.0
Defense	60.5	72.5	70.2	72.5	73.3	74.2	75.7	77.2
Other	16.5	17.4	16.8	17.0	17.6	18.0	19.0	19.8
State and local	77.2	86.4	83.3	85.4	87.4	89.5	91.7	93.8
Gross National Product in constant (1958) dollars	652.6	669.3	660.7	664.7	672.0	679.6	690.6	699.0
GNP Implicit deflator (1958=100)	113.9	117.3	116.0	116.6	117.7	118.8	120.0	121.2
Personal income	584.0	626.4	612.9	619.1	631.0	642.5	659.0	673.2
Wages and salaries	394.6	423.8	414.7	418.3	426.2	435.9	448.5	457.2
Disposable income	508.8	544.7	532.7	540.0	548.2	557.9	571.9	584.5
Personal saving	29.8	38.7	38.8	36.0	38.5	41.6	41.1	40.9
Saving rate (per cent)	5.9	7.1	7.3	6.7	7.0	7.5	7.2	7.0
Corporate profits before tax	83.8	80.8	79.0	78.9	80.0	85.4	89.5	93.0
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	143.2	151.8	149.1	148.1	152.7	157.4	164.2	167.6
Expenditures	142.9	164.3	160.9	162.8	165.9	167.9	173.0	180.4
Surplus or deficit (-)	.3	- 12.5	- 11.9	- 14.7	- 13.2	10.5	- 8.8	- 12.8
Total labor force (millions)	78.9	80.8	80.3	80.3	81.1	81.6	82.0	82.5
Armed forces "	3.1	3.4	3.4	3.5	3.5	3.5	3.5	3.5
Civilian labor force "	75.8	77.3	76.8	76.8	77.6	78.2	78.5	79.0
Unemployment rate (per cent)	3.8	3.8	3.7	3.8	3.9	3.9	3.6	3.6
Nonfarm payroll employment (millions)	64.0	66.1	65.7	65.7	66.1	66.8	67.6	68.2
Manufacturing	19.2	19.3	19.5	19.3	19.2	19.4	19.6	19.7
Industrial production (1957-59=100)	156.3	157.8	157.1	155.9	157.2	159.5	162.0	164.5
Capacity utilization, manufacturing (per cent)	90.5	85.1	87.1	84.9	84.0	84.3	84.5	84.6
Housing starts, private (millions A. R.)	1.17	1.29	1.12	1.21	1.41	1.44	1.49	1.38
Sales new U.S.-made autos (millions, A. R.)	8.38	7.57	7.16	8.11	7.57	7.44	8.00	8.50

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1966	1967	1967				1968	
			I	II	III	IV	Proj.	
			I	II	III	IV	I	II
-----In Billions of Dollars-----								
Gross National Product	59.4	41.7	4.2	8.8	16.1	16.1	21.2	18.5
Final sales	55.4	49.9	15.6	15.4	12.8	10.7	22.3	17.6
Private purchases	37.5	27.9	6.9	10.8	9.6	7.2	17.6	13.2
NP in constant (1958) dollars	35.9	16.7	-.4	4.0	7.3	7.6	11.0	8.4
Final sales	32.1	24.6	10.1	10.3	4.2	2.5	12.0	7.7
Private purchases	21.9	10.4	3.7	7.1	3.0	1.7	9.5	5.7
---In Per Cent; Quarterly Changes are at Annual Rates---								
Gross National Product	8.7	5.6	2.2	4.6	8.3	8.1	10.5	8.9
Final sales	8.2	6.8	8.4	8.1	6.6	5.4	11.2	8.6
Private purchases	7.0	4.8	4.7	7.3	6.4	4.7	11.4	8.3
Personal consumption expenditures	7.6	5.5	5.4	7.9	4.6	5.2	11.3	9.7
Durable goods	6.5	2.6	-6.8	17.9	1.1	6.1	20.1	12.9
Nondurable goods	8.5	4.8	7.4	5.6	2.4	3.3	12.2	10.6
Services	6.9	7.4	7.7	6.9	8.2	7.1	7.3	7.6
Gross private domestic investment	9.9	-5.0	-38.6	-19.2	27.0	30.7	6.6	2.3
Residential construction	-9.6	0.0	9.6	31.8	43.3	31.2	8.7	-2.8
Business fixed investment	12.8	3.0	-4.3	-2.0	6.4	5.8	11.9	0.0
Gov't purchases of goods & services	13.1	14.3	21.5	10.8	7.3	7.9	10.3	9.4
Federal	15.3	16.8	27.5	11.0	6.3	5.7	10.8	9.7
Defense	20.8	19.8	28.0	13.1	4.4	4.9	8.1	7.9
Other	-1.2	5.5	22.6	4.8	14.1	9.1	22.2	16.8
State & local	10.9	11.9	15.5	10.1	9.4	9.6	9.8	9.2
GNP in constant (1958) dollars	5.8	2.6	-.2	2.4	4.4	4.5	6.5	4.9
Final sales	5.3	3.8	6.3	6.3	2.5	1.5	7.2	4.5
Private purchases	4.4	2.0	2.9	5.5	2.3	1.3	7.2	4.2
GNP Implicit deflator	2.7	3.0	2.4	2.1	3.9	3.6	4.0	4.0
Personal income	8.6	7.3	7.5	4.0	7.7	7.3	10.3	8.6
Wages and salaries	9.9	7.4	7.2	3.5	7.6	9.1	11.6	7.8
Disposable income	7.8	7.1	8.2	5.5	6.1	7.1	10.0	8.8
Corporate profits before tax	9.5	-3.6	-23.4	-0.5	5.6	27.0	19.2	15.6
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	14.7	6.0	1.3	-2.7	12.4	12.3	17.3	8.3
Expenditures	15.8	15.0	23.7	4.7	7.6	4.8	12.1	17.1
Nonfarm payroll employment	5.3	3.3	4.3	0.0	2.4	4.2	4.8	3.6
Manufacturing	6.1	0.5	0.0	-4.1	-2.1	4.2	4.1	2.0
Industrial production	9.0	1.0	-5.5	-3.1	3.3	5.9	6.3	6.2
Housing starts, private	-20.4	10.3	87.0	32.1	66.1	8.5	13.9	-29.5
Sales new U.S.-made autos	-4.4	-9.7	-50.3	53.1	-26.6	-6.9	30.1	25.0

BUSINESS SPENDING FOR NEW PLANT AND EQUIPMENT

	1967	1968 Planned	1967		1968 Planned		2nd Half
			III	IV	I	II	
(Billions of dollars; quarterly and half-year figures are seasonally adjusted at annual rates)							
All business	61.7	65.2	60.9	62.7	64.8	64.3	66.1
Manufacturing	26.7	27.9	26.2	26.0	28.0	28.1	27.9
Nonmanufacturing	35.0	37.3	34.8	36.7	36.8	36.2	38.2
Railroad	1.5	1.3	1.4	1.4	1.5	1.2	1.3
Nonrail transportation	3.9	4.5	4.1	4.5	4.0	3.9	5.1
Public utilities	9.9	10.9	9.8	10.7	11.3	11.0	10.7
Other	19.7	20.6	19.5	20.2	20.1	20.2	21.1
Per cent change from preceding same-length period; quarterly and half-year figures are at annual rates							
All business	1.7	5.8	- 3.9	11.8	13.4	3.1	4.6
Manufacturing	- 1.1	4.6	-12.6	- 2.3	30.8	1.4	-1.4
Nonmanufacturing	4.0	6.7	2.9	22.4	1.1	-6.5	9.3
Railroad	-22.7	-17.0	-38.7	0.0	14.3	-82.8	-7.7
Nonrail transportation	12.8	16.2	20.5	34.1	-40.5	-10.0	58.2
Public utilities	17.5	10.1	4.1	34.7	22.5	-10.7	-7.2
Other	- .8	4.9	2.1	15.4	- 2.0	2.0	9.4

NEW BUDGET AND FEDERAL SECTOR IN NATIONAL INCOME ACCOUNTS
(In billions of dollars)

	Fiscal years				Calendar quarters			
	1966	1967	1968 ^e Budget Doc.	1968 F.R.B.	1967		1968	
					III	IV	I ^e	II ^e
<u>Quarterly data, unadjusted</u>								
New Budget:								
Surplus/deficit	-3.7	-8.8	-21.7	-23.1	-8.5	-11.0	-8.3	4.8
Receipts	130.9	149.6	153.9	153.9	35.4	31.9	37.9	48.7
Total expenditures and net lending	134.6	158.4	175.6	177.0	43.9	42.9	46.3	43.9
Means of financing:								
Total borrowing from the public	6.0	3.6	22.7	21.0	9.0	10.1	5.8	-3.9
Decrease in cash operating balance	.6	5.2	-1.0	1.0	-1.0	1.1	.6	.3
Other <u>1/</u>	-2.9	--	--	1.1	.5	-.2	1.9	-1.2
Memorandum:								
Debt issued to public less invest-								
ments in public securities by:								
Federal Land Banks	.6	.5	.7		.2	.1	n.e.]	n.e.]
Federal Home Loan Banks	1.3	-3.5	.9		.4	.2		
<u>Seasonally adjusted annual rate</u>								
Federal surplus/deficit								
in national income accounts	.9	-7.5	-13.2	-12.2	-13.2	-10.5	-8.8	-12.8
Receipts <u>2/</u>	132.9	147.6	157.9	159.6	152.7	157.4	164.2	167.6
Expenditures	131.9	155.1	171.1	171.8	165.9	167.9	173.0	180.4

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e - Projections based on existing tax rates, including extension of telephone and auto taxes.
Assumes President's proposed corporate tax acceleration. Budget Document has been adjusted to remove surtax collections. n.e. - not estimated

NOTE: The quarterly data for the new budget represent preliminary adjustment to new budget concepts and may be revised later.

1/ Includes deposit fund accounts, accrued, but unpaid interest and other miscellaneous items.

2/ Quarterly receipts do not add to fiscal year totals.

~~CONFIDENTIAL (FR)~~

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

March 29, 1968

Corrections

Page II - 5, paragraph 2. Present estimates exceed those implied in the Budget by \$900 million, at an annual rate, in the first quarter and \$1.9 billion in the second.

Page II - 7. The capacity utilization indexes for QIII and QIV 1967 should be 84.1 and 84.4, respectively. The QI 1968 estimate of industrial production shown here is believed to be consistent with projected GNP.

Page II - 10. Delete the first steel in next to the last sentence.

Appendix A, Chart 1, refers to acquisitions instead of holdings of the household sector. Page A - 10, end of line 3 below table, should read Estimates may understate.