

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**

December 11, 1968

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

December 11, 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)

	1967	1968 Proj.	1968				1969 Projected	
			I	II	III	IV	I	II
Gross National Product	789.7	861.0	831.2	852.9	871.0	839.0	903.5	916.5
Final sales	783.6	854.2	829.1	842.1	863.5	882.0	896.5	908.0
Private	605.2	657.1	638.6	646.4	663.9	679.3	690.5	700.5
Personal consumption expenditures	492.2	534.9	519.4	527.9	541.1	551.3	560.0	567.5
Durable goods	72.6	82.7	79.0	81.0	85.1	85.8	85.7	85.0
Nondurable goods	215.8	231.2	226.5	228.2	232.7	237.4	241.8	245.8
Services	203.8	221.0	213.9	218.7	223.4	228.1	232.5	236.7
Gross private domestic investment	114.3	126.5	119.7	127.3	127.1	131.7	134.7	137.5
Residential construction	24.6	29.9	29.1	29.5	29.5	31.3	31.4	31.7
Business fixed investment	83.6	89.8	88.6	87.0	90.1	93.4	96.3	97.3
Change in business inventories	6.1	6.9	2.1	10.8	7.5	7.0	7.0	8.5
Nonfarm	5.6	6.6	1.6	10.4	7.3	7.0	7.0	8.5
Net Exports	4.8	2.5	1.5	2.0	3.3	3.3	2.8	4.0
Gov't. purchases of goods & services	178.4	197.1	190.5	195.7	199.6	202.7	206.0	207.5
Federal	90.6	100.1	97.1	100.0	101.2	101.9	103.0	102.5
Defense	72.4	78.8	76.8	79.0	79.6	79.9	80.5	80.5
Other	18.2	21.2	20.3	21.0	21.5	22.0	22.5	22.0
State & local	87.8	97.1	93.4	95.6	98.4	100.8	103.0	105.0
Gross national product in constant (1958) dollars	673.1	707.1	692.7	703.4	712.3	720.0	715.0	729.2
GNP implicit deflator (1958=100)	117.3	121.8	120.0	121.2	122.3	123.5	124.6	125.7
Personal income	628.8	686.0	662.7	678.1	694.3	709.0	720.5	733.0
Wages and salaries	423.4	463.5	448.3	457.6	469.0	478.9	488.5	499.2
Disposable income	546.3	589.3	574.4	586.3	592.7	603.6	610.3	618.5
Personal saving	40.2	39.9	40.8	44.0	37.1	37.6	35.4	35.9
Saving rate (per cent)	7.4	6.8	7.1	7.5	6.3	6.2	5.8	5.8
Corporate profits before tax	81.6	92.1	88.9	91.8	92.2	95.5	94.0	92.5
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	151.2	176.9	166.6	171.8	181.9	187.3	194.5	197.9
Expenditures	163.6	182.4	175.1	181.9	184.9	187.5	189.7	189.9
Surplus or deficit (-)	-12.4	-5.5	-8.6	-10.2	-3.0	-0.2	4.8	8.0
Total labor force (millions)	80.8	82.3	81.9	82.2	82.4	82.7	83.1	83.4
Armed forces "	3.4	3.6	3.5	3.5	3.6	3.6	3.6	3.6
Civilian labor force "	77.3	78.8	78.4	78.7	78.8	79.1	79.5	79.8
Unemployment rate (per cent)	3.8	3.6	3.6	3.6	3.6	3.5	3.7	3.9
Nonfarm payroll employment (millions)	66.0	68.1	67.4	67.8	68.3	68.8	69.1	69.3
Manufacturing	19.4	19.7	19.6	19.7	19.8	19.8	19.8	19.7
Industrial production (1957-59=100)	158.1	164.3	162.1	164.0	164.6	166.3	167.1	169.2
Capacity utilization, manufacturing (per cent)	85.3	84.2	84.9	84.8	83.6	83.5	82.8	82.6
Housing starts, private (millions A.R.)	1.29	1.50	1.50	1.44	1.55	1.52	1.55	1.61
Sales new domestic autos (millions, A.R.)	7.57	8.63	8.19	8.44	9.01	8.87	8.75	8.50

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1967	1968	1968				1969	
		Proj.	I	II	III	IV	Projected	
							I	II
-----In billions of dollars-----								
Gross National Product	42.1	71.3	20.2	21.7	18.1	18.0	14.5	13.0
Inventory change	-8.6	0.8	-6.2	8.7	-3.3	-0.5	0.0	1.5
Final sales	50.8	70.6	26.4	13.0	21.4	18.5	14.5	11.5
Private	28.6	51.9	19.4	7.8	17.5	15.4	11.2	10.0
Government	22.2	18.7	7.0	5.2	3.9	3.1	3.3	1.5
GNP in constant (1958) dollars	16.0	34.0	10.9	10.7	8.9	7.7	5.0	4.2
Final sales	24.0	33.6	16.9	2.8	12.0	8.0	5.1	2.9
Private	9.8	25.1	12.4	0.1	11.1	7.2	4.2	3.0
-----In Per Cent Per Year-----								
Gross National Product	5.6	9.0	10.0	10.4	8.5	8.3	6.5	5.8
Final sales	6.9	9.0	13.2	6.3	10.2	8.6	6.6	5.1
Private	5.0	8.6	12.5	4.9	10.8	9.3	6.6	5.8
Personal consumption expenditures	5.7	8.7	13.7	6.5	10.0	7.5	6.3	5.4
Durable goods	3.0	13.9	25.9	10.1	20.2	3.3	-0.5	-3.3
Nondurable goods	4.4	7.1	14.8	3.0	7.9	8.1	7.4	6.6
Services	8.2	8.4	8.2	9.0	8.6	8.4	7.7	7.2
Gross private domestic investment	-5.4	10.7	-6.9	25.4	-0.6	14.5	9.1	8.3
Residential construction	-0.8	21.5	8.4	5.5	0.0	24.4	1.3	3.8
Business fixed investment	2.8	7.4	16.9	-7.2	14.3	14.6	12.4	4.2
Gov't. purchases of goods & services	14.2	10.5	15.3	10.9	8.0	6.2	6.5	2.9
Federal	17.1	10.5	15.4	11.9	4.8	2.8	4.3	-1.9
Defense	19.5	8.8	11.8	11.5	3.0	1.5	3.0	0.0
Other	8.3	16.5	27.4	13.8	9.5	9.3	9.1	-8.9
State & local	11.4	10.6	15.1	9.4	11.7	9.8	8.7	7.8
GNP in constant (1958) dollars	2.4	5.1	6.4	6.2	5.0	4.3	2.8	2.3
Final sales	3.7	5.0	10.0	1.6	6.9	4.5	2.9	1.6
Private	1.9	4.8	9.3	0.1	8.2	5.2	3.0	2.1
GNP implicit deflator	3.1	3.8	3.5	4.2	3.4*	3.9	3.7	3.4
Personal income	7.2	9.1	10.8	9.3	9.6	8.5	6.5	6.9
Wages and salaries	7.3	9.5	10.9	8.3	10.0	8.4	8.0	7.9
Disposable income	6.8	7.9	10.6	8.3	4.4	7.4	4.4	5.4
Corporate profits before tax	-4.7	12.9	16.4	13.0	1.7	14.3	-6.3	-6.4
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	5.7	17.0	26.1	12.5	23.5	11.9	15.4	7.0
Expenditures	14.9	11.5	15.4	15.5	6.6	5.6	4.7	0.4
Nonfarm payroll employment	3.1	3.2	4.2	2.4	2.9	2.9	1.7	1.2
Manufacturing	1.0	1.5	2.0	2.0	2.0	0.0	0.0	-2.0
Industrial production	1.2	3.9	6.5	4.7	1.5	4.1	1.9	5.0
Housing starts, private	10.9	16.3	15.5	-16.3	29.7	-6.2	7.1	16.0
Sales new domestic autos	-9.7	14.0	40.6	12.0	27.3	-6.2	-5.4	-11.4

* Excluding Federal pay increase, 2.8 per cent.

NEW PLANT AND EQUIPMENT INVESTMENT

	1968*	1968				1969	
		I	II	III	IV*	I*	II*
	-----Billions of Dollars-----						
	----- (Seasonally Adjusted Annual Rate) -----						
All Business	64.53	64.75	62.65	63.45	67.25	71.15	69.80
Manufacturing	26.78	26.35	25.80	26.65	28.10	29.60	29.70
Durable Goods Industries	13.58	13.65	12.80	13.65	14.15	15.10	15.40
Nondurable Goods Industries	13.19	12.70	13.00	13.05	13.90	14.50	14.30
Nonmanufacturing	37.75	38.40	36.85	36.75	39.20	41.50	40.10
	-----Per cent Change from Preceding Period---						
All Business	4.7	3.3	-3.2	1.3	6.0	5.8	-1.9
Manufacturing	.3	1.3	-2.1	3.3	5.4	5.3	0.3
Durable Goods Industries	-.8	1.1	-6.2	6.6	3.7	6.7	2.0
Nondurable Goods Industries	1.5	1.2	2.4	0.4	6.5	4.3	-1.4
Nonmanufacturing	7.9	4.6	-4.0	-0.3	6.7	5.9	-3.4

* - Planned investment.

Earlier plans for outlays in the fourth quarter have been revised up substantially, according to the November survey--from an increase of \$250 million (annual rate) to \$3.8 billion. This very large increase includes outlays on projects already underway as well as expenditures planned on new projects begun this quarter. Manufacturers started a record volume of new projects in the third quarter of 1968, and the value of these projects totaled more than expenditures in the quarter. In fact, manufacturers' carryover of expenditures yet to be incurred on projects already underway at the end of the third quarter reattained

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	Oct. ^{a/}	Nov. ^{b/}	Dec.	Jan.
<u>Borrowing operations</u>				
New cash raised				
Weekly bills	.2	--	--	--
Tax bills	2.9	--	1.9	--
Coupon issues	--	--	--	--
PC's	--	--	--	--
Other (agency, debt repayment, etc.)	--	-1.0	- .8	--
Total net borrowing from public	3.1	-1.0	1.1	--
Plus: Other net financial sources ^{c/}	.9	- .8	--	.9
Plus: <u>Budget surplus or deficit</u> (-)	-6.1	-1.9	.3	- .4
Equals: <u>Change in cash balance</u>	-2.1	-3.7	1.4	.5
Memorandum:: Level of cash balance end of period	6.5	2.8	4.2	4.7

a/ Actual data.

b/ Actual and estimated data.

c/ Checks issued less checks paid and other accrual items.

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

	Fiscal years			1967		1968				1969	
	1967	1968	FR Board 1969 ^{e/}	III	IV	I	II	III	IV ^{e/}	I ^{e/}	II ^{e/}
<u>Quarterly data, unadjusted</u>											
New Budget:											
Surplus/deficit	-8.8	-25.4	- 2.6	- 8.9	-10.8	- 8.6	2.8	- 3.2	- 7.8	- 2.2	10.5
Receipts	149.6	153.5	184.2	35.3	31.8	36.2	50.2	43.6	39.1	44.2	57.2
Total expenditures and net lending	158.4	178.9	186.8	44.1	42.7	44.8	47.4	46.9	46.9	46.4	46.7
Means of financing:											
Total borrowing from the public	2.8	23.1	3.8	8.5	10.5	6.7	- 2.6	7.7	3.2	--	- 7.1
Decrease in cash operating balance	5.2	.4	- 2.0	- 1.0	1.1	.2	.1	- 3.3	4.4	1.0	- 4.1
Other <u>1/</u>	.8	1.9	.9	1.4	- .8	1.7	- .4	- 1.1	.1	1.2	.7
Cash operating balance, end of period	5.7	5.3	7.3	6.7	5.6	5.4	5.3	8.6	4.2	3.2	7.3
<u>Seasonally adjusted annual rate</u>											
Federal surplus/deficit											
in national income accounts	-6.7	-11.9	2.4	-12.9	-12.2	- 8.6	-10.2	- 3.0	- .2	4.8	8.0
Receipts <u>2/</u>	147.8	160.8	190.4	152.2	156.4	166.6	171.8	181.9	187.3	194.5	197.9
Expenditures	154.3	172.7	188.0	165.1	168.6	175.1	181.9	184.9	187.5	189.7	189.9

e--Projected.

1/ Includes various accrual items, such as deposit fund accounts and clearing accounts.

2/ Retroactive corporate surtax liability is included beginning first quarter 1968. Quarterly receipts do not add to fiscal year totals due to seasonal adjustment of social security taxes.