

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

January 4, 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 Proj.	1966 IV	1967				1968 Proj.
				I	II	III	IV	I
Gross National Product	743.3	785.4	762.1	766.3	775.1	791.2	809.0	829.0
Final sales	729.9	781.0	743.6	759.2	774.6	787.4	802.8	820.0
Private purchases	575.6	604.6	581.9	588.8	599.6	609.2	620.7	635.5
Personal consumption expenditures	465.9	492.4	473.8	480.2	489.7	495.3	504.3	515.0
Durable goods	70.3	72.4	70.6	69.4	72.5	72.7	75.0	78.0
Nondurable goods	207.5	217.9	210.3	214.2	217.2	218.5	221.5	225.5
Services	188.1	202.1	192.9	196.6	200.0	204.1	207.8	211.5
Gross private domestic investment	118.0	111.5	122.2	110.4	105.1	112.2	118.1	124.7
Residential construction	24.4	24.5	20.9	21.4	23.1	25.6	28.0	28.8
Business fixed investment	80.2	82.5	82.8	81.9	81.5	82.8	83.9	86.9
Change in business inventories	13.4	4.4	18.5	7.1	.5	3.8	6.2	9.0
Nonfarm	13.7	4.1	19.0	7.3	.6	3.4	5.2	8.5
Net Exports	5.1	5.1	4.3	5.3	5.3	5.4	4.5	4.8
Gov't purchases of goods & services	154.3	176.4	161.7	170.4	175.0	178.2	182.1	184.5
Federal	77.0	90.0	81.5	87.1	89.5	90.9	92.5	93.1
Defense	60.5	72.6	65.6	70.2	72.5	73.3	74.5	74.5
Other	16.5	17.4	15.9	16.8	17.0	17.6	18.0	18.6
State and local	77.2	86.4	80.2	83.3	85.4	87.4	89.6	91.4
Gross National Product in constant (1958) dollars	652.6	669.6	661.1	660.7	664.7	672.0	681.0	691.7
GNP Implicit deflator (1958=100)	113.9	117.3	115.3	116.0	116.6	117.7	118.8	119.9
Personal income	584.0	626.6	601.6	612.9	619.1	631.0	643.5	658.0
Wage and salaries	394.6	424.0	407.4	414.7	418.3	426.2	436.9	448.3
Disposable income	508.8	544.9	522.0	532.7	540.0	548.2	558.6	570.5
Personal saving	29.8	38.3	34.6	38.8	36.0	38.5	39.8	40.7
Saving rate (per cent)	5.9	7.0	6.6	7.3	6.7	7.0	7.1	7.1
Corporate profits before tax	83.8	80.1	83.9	79.0	78.9	80.0	82.5	84.5
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	143.2	151.6	148.6	149.1	148.1	152.7	156.5	162.2
Expenditures	142.9	164.2	151.9	160.9	162.8	165.9	167.2	168.1
Surplus or deficit (-)	.3	-12.6	-3.3	-11.9	-14.7	-13.2	-10.7	-5.9
Total labor force (millions)	78.9	80.8	79.8	80.3	80.2	81.1	81.6	82.1
Armed forces "	3.1	3.5	3.3	3.4	3.5	3.5	3.5	3.5
Civilian labor force "	75.8	77.4	76.5	76.9	76.7	77.7	78.1	78.6
Unemployment rate (per cent)	3.8	3.9	3.7	3.7	3.8	3.9	4.0	3.8
Nonfarm payroll employment (millions)	64.0	66.0	65.0	65.7	65.7	66.1	66.6	67.2
Manufacturing	19.2	19.4	19.5	19.5	19.3	19.2	19.4	19.6
Industrial production (1957-59=100)	156.3	157.3	159.3	157.1	155.9	157.2	158.8	162.5
Capacity utilization, manufacturing (per cent)	90.5	85.0	90.0	87.1	84.9	84.0	84.0	84.9
Housing starts, private (millions A. R.)	1.17	1.31	.92	1.12	1.21	1.40	1.51	1.44
Sales new U.S.-made autos (millions, A. R.)	8.38	7.65	8.13	7.33	7.83	8.00	7.44	8.50

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1966	1967	1966	1967			1968	
		Proj.	IV	I	II	III	Proj.	I
							IV	
	----- In Billions of Dollars -----							
Gross National Product	59.4	42.1	13.3	4.2	8.8	16.1	17.8	20.0
Final sales	55.4	51.1	6.2	15.6	15.4	12.8	15.4	17.2
Private purchases	37.5	29.0	2.2	6.9	10.8	9.6	11.5	14.8
GNP in constant (1958) dollars	35.9	17.0	6.3	-.4	4.0	7.3	9.0	10.7
Final sales	32.1	25.6	-0.3	10.1	10.3	4.2	6.7	8.7
Private purchases	21.9	11.4	-2.8	3.7	7.1	3.0	5.7	7.3
	--- In Per Cent; Quarterly Changes are at Annual Rates ---							
Gross National Product	8.7	5.7	7.1	2.2	4.6	8.3	9.0	9.9
Final sales	8.2	7.0	3.4	8.4	8.1	6.6	7.8	8.6
Private purchases	7.0	5.0	1.5	4.7	7.3	6.4	7.5	9.5
Personal consumption expenditures	7.6	5.7	3.1	5.4	7.9	4.6	7.3	8.5
Durable goods	6.5	3.0	-1.7	-6.8	17.9	1.1	12.7	16.0
Nondurable goods	8.5	5.0	1.5	7.4	5.6	2.4	5.5	7.2
Services	6.9	7.4	6.5	7.7	6.9	8.2	7.2	7.1
Gross private domestic investment	9.9	-5.5	19.9	-38.6	-19.2	27.0	21.0	22.4
Residential construction	-9.6	0.4	-47.3	9.6	31.8	43.3	37.5	11.4
Business fixed investment	12.8	2.9	7.9	-4.3	-2.0	6.4	5.3	14.3
Gov't purchases of goods & services	13.1	14.3	10.1	21.5	10.8	7.3	8.8	5.3
Federal	15.3	16.9	10.1	27.5	11.0	6.3	7.0	2.6
Defense	20.8	20.0	16.5	28.0	13.1	4.4	6.5	0.0
Other	-1.2	5.5	-16.9	22.6	4.8	14.1	9.1	13.3
State & local	10.9	11.9	10.8	15.5	10.1	9.4	10.1	8.0
GNP in constant (1958) dollars	5.8	2.6	3.8	-.2	2.4	4.4	5.4	6.3
Final sales	5.3	4.0	-0.2	6.3	6.3	2.5	4.0	5.2
Private purchases	4.4	2.2	-2.2	2.9	5.5	2.3	4.3	5.5
GNP Implicit deflator	2.7	3.0	3.1	2.4	2.1	3.8	3.7	3.5
Personal income	8.6	7.3	8.3	7.5	4.0	7.7	7.9	9.0
Wage and salaries	9.9	7.5	7.8	7.2	3.5	7.6	10.0	10.4
Disposable income	7.8	7.1	7.5	8.2	5.5	6.1	7.6	8.5
Corporate profits before tax	9.5	-4.4	-.5	-23.4	-0.5	5.6	12.5	9.7
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	14.7	5.9	8.2	1.3	-2.7	12.4	10.0	14.6
Expenditures	15.8	14.9	15.3	23.7	4.7	7.6	3.1	2.2
Nonfarm payroll employment	5.3	3.1	4.4	4.3	0.0	2.4	3.0	3.6
Manufacturing	6.1	1.0	4.1	0.0	-4.1	-2.1	4.2	4.1
Industrial production	9.0	0.6	4.1	-5.5	-3.1	3.3	4.1	9.3
Housing starts, private	-20.4	12.0	-59.3	87.0	32.1	62.8	31.4	-18.5
Sales new U.S.-made autos	-4.4	-8.7	-15.8	-39.6	27.3	8.7	-28.0	57.0

VARIOUS FEDERAL BUDGETS
(In billions of dollars)

	1966		1967				1968	FY 1967	Fiscal Year 1968	
	III	IV	I	II	III	IV ^e	I ^e	Actual	January Budget 3/	Summer Review 4/
<u>Quarterly data, unadjusted</u>										
Cash surplus/deficit (-)	- 6.7	- 7.7	1.4	11.5	- 9.2	-11.0	- 4.9	- 1.5	- 4.3	-11.5
Cash receipts	34.6	31.1	38.0	49.9	35.9	32.2	37.8	153.6	168.1	164.0
Cash payments	41.3	38.8	36.7	38.4	45.1	43.2	42.7	155.1	172.4	175.5
Change in total cash balance	- 4.1	- 2.5	.7	1.4	.3	- 1.9	- .8	- 4.5	--	--
Net Cash borrowing (+)	2.4	5.1	- .9	-10.3	9.3	9.1	4.1	- 3.8	3.8	11.0
(Pool sales to public) <u>1/</u>	- .5	--	1.1	1.8	--	.7	1.4	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	-13.1	-10.7	- 5.9	- 7.7	- 2.1	- 6.4
Receipts	145.6	148.6	149.1	148.1	152.8	156.5	162.2	147.9	167.1	164.0
Expenditures	146.3	151.9	160.9	162.8	165.9	167.2	168.1	155.5	169.2	170.4
High employment surplus/ deficit (-) <u>2/</u>	- .4	- 3.3	-10.5	-13.0	-12.2	-10.2	- 5.5	- 6.8		

a • Staff projections. Based on existing tax rates.

1/ Not included in net cash borrowing.

2/ Uses 1966 IVQ as a high employment base.

3/ Includes tax legislation proposed in January 1967 estimated to raise \$5.8 billion in fiscal 1968.

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

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

January 8, 1968

The Bank of Japan discount rate was increased on January 6 from 5.84 per cent to 6.21 per cent. This action, accompanying the credit policy measures described on page IV-24, is intended to restrain domestic demand and improve the balance of payments, which has worsened with the rise in Japanese imports in recent months.

Corrections:

Section III - page 10 - para. 2 - line 7 -

Change \$13.5 to \$9.0 billion.