

**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**

**March 26, 1969**

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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)

	1967	1968	1969 Proj.	1968		1969 - Projected			
				III	IV	I	II	III	IV
Gross National Product	789.7	860.6	924.8	871.0	887.4	902.5	917.0	932.5	947.0
Final sales	783.6	852.9	917.7	863.5	876.8	895.1	910.0	925.5	940.0
Private	605.2	655.7	705.4	663.9	673.8	688.6	701.0	710.5	721.5
Personal consumption expenditures	492.2	533.8	570.8	541.1	546.8	556.9	565.0	575.6	585.6
Durable goods	72.6	82.5	87.9	85.1	85.1	86.5	87.0	88.5	89.5
Nondurable goods	215.8	230.3	244.0	232.7	233.7	238.0	241.3	246.0	250.6
Services	203.8	221.0	238.9	223.4	228.0	232.4	236.7	241.1	245.5
Gross private domestic investment	114.3	127.7	138.8	127.1	136.6	138.6	138.4	138.6	139.6
Residential construction	24.6	29.9	31.0	29.5	31.6	32.7	31.9	30.1	29.1
Business fixed investment	83.6	90.0	100.7	90.1	94.3	98.5	99.5	101.5	103.5
Change in business inventories	6.1	7.7	7.1	7.5	10.6	7.4	7.0	7.0	7.0
Nonfarm	5.6	7.3	6.9	7.3	9.7	6.7	7.0	7.0	7.0
Net Exports	4.8	2.0	2.9	3.3	1.0	0.5	4.6	3.3	3.3
Gov't purchases of goods & services	178.4	197.2	212.3	199.6	203.0	206.5	209.0	215.0	218.5
Federal	90.6	100.0	104.1	101.2	101.7	102.5	102.2	105.4	106.0
Defense	72.4	78.9	81.6	79.6	80.0	80.3	80.5	82.7	82.9
Other	18.2	21.1	22.5	21.5	21.7	22.2	21.7	22.7	23.1
State & local	87.8	97.2	108.2	98.4	101.2	104.0	106.8	109.6	112.5
Gross national product in constant (1958) dollars	673.1	706.7	729.5	712.3	718.4	723.2	727.7	731.2	736.1
GNP implicit deflator (1958=100)	117.3	121.8	126.8	122.3	123.5	124.8	126.0	127.5	128.7
Personal income	628.8	685.8	738.9	694.3	708.2	720.5	732.5	745.5	757.0
Wages and salaries	423.4	463.5	502.9	469.0	479.0	489.8	498.5	507.2	516.0
Disposable income	546.3	589.0	624.1	592.7	602.4	608.6	617.7	630.7	639.4
Personal saving	40.2	40.7	38.0	37.1	40.9	36.3	37.6	39.8	38.3
Saving rate (per cent)	7.4	6.9	6.1	6.3	6.8	6.0	6.1	6.3	6.0
Corporate profits before tax	81.6	92.3	94.8	92.7	95.8	93.8	94.3	95.3	95.8
Federal government receipts and expenditures (N.I.A. basis)									
Receipts	151.2	176.9	198.3	182.1	187.1	195.8	198.5	198.3	200.8
Expenditures	163.6	182.2	194.2	184.9	186.9	190.0	191.3	196.9	198.7
Surplus or deficit (-)	-12.4	-5.3	4.1	-2.8	0.2	5.8	7.2	1.4	2.1
Total labor force (millions)	80.8	82.3	84.0	82.4	82.6	83.7	83.9	84.1	84.3
Armed forces "	3.4	3.5	3.5	3.6	3.5	3.5	3.5	3.5	3.5
Civilian labor force "	77.3	78.7	80.5	78.8	79.1	80.2	80.4	80.6	80.8
Unemployment rate (per cent)	3.8	3.6	3.6	3.6	3.4	3.3	3.5	3.7	3.8
Nonfarm payroll employment (millions)	66.0	68.1	70.3	68.3	69.0	69.8	70.1	70.4	70.7
Manufacturing	19.4	19.7	20.0	19.8	19.9	20.1	20.0	19.9	19.9
Industrial production (1957-59=100)	158.1	164.7	171.5	165.2	167.4	169.5	171.2	171.9	173.0
Capacity utilization, manufacturing (per cent)	85.3	84.5	83.3	84.0	84.2	84.0	83.5	83.0	82.6
Housing starts, private (millions A.R.)	1.29	1.51	1.49	1.55	1.60	1.72	1.53	1.35	1.35
Sales new domestic autos (millions, A.R.)	7.57	8.62	8.67	9.01	8.82	8.47	8.50	8.75	8.95

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1967	1968	1969 Proj.	1968		1969 - Projected			
				III	IV	I	II	III	IV
-----In Billions of Dollars-----									
Gross National Product	42.1	70.9	64.2	18.1	16.4	15.1	14.5	15.5	14.5
Inventory change	-8.6	1.6	-0.6	-3.2	3.1	-3.2	-0.4	0.0	0.0
Final sales	50.8	69.3	64.8	21.4	13.3	18.3	14.9	15.5	14.5
Private	28.6	50.5	49.7	17.5	9.9	14.8	12.4	9.5	11.0
Government	22.2	18.8	15.1	3.9	3.4	3.5	2.5	6.0	3.5
GNP in constant (1958) dollars	16.0	33.6	22.8	8.9	6.1	4.8	4.5	3.5	4.9
Final sales	24.0	32.4	24.1	12.0	3.2	8.3	5.1	3.3	4.7
Private	9.8	23.9	19.4	11.1	2.1	6.9	4.5	2.2	3.6
-----In Per Cent Per Year-----									
Gross National Product	5.6	9.0	7.5	8.5	7.5	6.8	6.4	6.8	6.2
Final sales	6.9	8.8	7.6	10.2	6.2	8.3	6.7	6.8	6.3
Private	5.0	8.3	7.6	10.8	6.0	8.8	7.2	5.4	6.2
Personal consumption expenditures	5.7	8.5	6.9	10.0	4.2	7.4	5.8	7.5	6.9
Durable goods	3.0	13.6	6.5	20.2	0.0	6.6	2.3	6.9	4.5
Nondurable goods	4.4	6.7	5.9	7.9	1.7	7.4	5.5	7.8	7.5
Services	8.2	8.4	8.1	8.6	8.2	7.7	7.4	7.4	7.3
Gross private domestic investment	-5.4	11.7	8.7	-0.6	29.9	5.9	-0.6	0.6	2.9
Residential construction	-0.8	21.5	3.7	0.0	28.5	13.9	-9.8	-22.6	-13.3
Business fixed investment	2.8	7.7	11.9	14.3	18.6	17.8	4.1	8.0	7.9
Gov't. purchases of goods & services	14.2	10.5	7.7	8.0	6.8	6.9	4.8	11.5	6.5
Federal	17.1	10.4	4.1	4.8	2.0	3.1	-1.2	12.5	2.3
Defense	19.5	9.0	3.4	3.0	2.0	1.5	1.0	10.9	1.0
Other	8.3	15.9	6.6	9.5	3.7	9.2	-9.0	18.4	7.0
State & local	11.4	10.7	11.3	11.7	11.4	11.1	10.8	10.5	10.6
GNP in constant (1958) dollars	2.4	5.0	3.2	5.0	3.4	2.7	2.6	1.9	2.7
Final sales	3.7	4.9	3.4	6.9	1.8	4.7	2.8	1.8	2.6
Private	1.9	4.5	3.5	8.2 <sup>1/</sup>	1.5	4.9	3.2	1.5 <sup>2/</sup>	2.5
GNP implicit deflator	3.1	3.8	4.1	3.4 <sup>1/</sup>	4.1	4.1	3.9	4.8 <sup>2/</sup>	3.5
Personal income	7.2	9.1	7.7	9.6	8.0	6.9	6.7	7.1	6.2
Wages and salaries	7.3	9.5	8.5	10.0	8.5	9.0	7.1	7.0	6.9
Disposable income	6.8	7.8	6.0	4.4	6.5	4.1	6.0	8.4	5.5
Corporate profits before tax	-4.7	13.1	2.7	1.7	13.4	-8.3	2.1	4.2	2.1
Federal government receipts and expenditures (N.I.A. basis)									
Receipts	5.7	17.0	12.1	23.5	11.0	18.6	5.5	-0.4	5.0
Expenditures	14.9	11.4	6.6	6.6	4.3	6.6	2.7	11.7	3.7
Nonfarm payroll employment	3.1	3.2	3.2	2.9	4.1	4.6	1.7	1.7	1.7
Manufacturing	1.0	1.5	1.5	2.0	2.0	4.0	-2.0	-2.0	0.0
Industrial production	1.2	4.2	4.1	2.4	5.3	5.0	4.0	1.6	2.6
Housing starts, private	10.9	16.3	-1.4	29.7	12.9	29.7	-45.8	-45.9	0.0
Sales new domestic autos	-9.7	13.9	0.5	27.3	-8.4	-15.9	1.5	11.8	10.0

<sup>1/</sup> Excluding Federal pay increase, 2.8 per cent per year.

<sup>2/</sup> Excluding Federal pay increase, 3.7 per cent per year.

BUSINESS PLANT AND EQUIPMENT EXPENDITURES\*

	Years		Quarters			Half-years		
			1968	1968	1969	1968	1969	
	1968	1969	IV	I	II	2nd Half	1st Half	2nd Half
Billions of Dollars; -----Quarterly and Half-year Figures at Annual Rates-----								
All Business	64.08	72.96	65.90	71.65	70.85	64.55	71.25	74.70
Manufacturing	26.44	30.65	26.85	29.50	29.95	26.75	29.73	31.45
Durable Goods	13.51	15.48	13.90	15.30	15.15	13.75	15.23	15.70
Nondurable Goods	12.93	15.17	12.95	14.20	14.80	13.00	14.50	15.75
Nonmanufacturing	37.64	42.31	39.05	42.15	40.90	37.80	41.53	43.25
Mining	1.42	1.60	1.35	1.65	1.60	1.35	1.63	1.55
Railroads	1.34	1.73	1.15	1.45	1.60	1.18	1.53	1.95
Other Transportation	4.31	4.83	4.80	5.00	4.05	4.70	4.53	5.25
Public Utilities	11.54	13.16	12.00	13.40	13.35	11.45	13.38	13.00
Communications	6.36	7.44	6.95	7.60	7.00	6.55	7.30	7.60
Commercial & Other	12.67	13.56	12.75	13.10	13.35	12.55	13.23	13.85

	1967- 1968	1968- 1969	1968-IV 1969-I	1969-I 1969-II	1968-H2 to 1969-H1	1969-H1 to 1969-H2	1968-H2 to 1969-H2
-----Per Cent Change-----							
All Business	3.9	13.9	9.4	-2.1	10.4	4.8	15.7
Manufacturing	-0.9	15.9	10.2	0.7	11.1	5.8	17.6
Durable Goods	-1.4	14.6	10.4	-2.0	10.8	3.1	14.2
Nondurable Goods	-0.5	17.3	10.0	3.5	11.5	8.6	21.2
Nonmanufacturing	7.6	12.4	8.8	-4.0	9.9	4.1	14.4
Mining	0.0	12.7	22.2	-3.0	20.7	-4.5	14.8
Railroads	-12.4	29.1	30.4	6.7	29.7	27.5	65.3
Other Transportation	11.1	12.1	3.1	-19.2	-3.6	15.9	11.7
Public Utilities	16.8	14.0	13.3	-1.5	16.9	-2.8	13.5
Communications	7.6	17.0	9.4	-9.2	11.5	4.1	16.0
Commercial & Other	2.7	7.0	3.1	1.1	5.4	4.7	10.4

\* - Figures for 1969 are planned expenditures.

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

	Fiscal years				1968		1969	
	Actual		Jan. budget	F.R. Bd	III	IV	I	II
	1967	1968	1969	1969				
<u>Quarterly data, unadjusted</u>								
New budget:								
Surplus/deficit	- 8.8	-25.2	2.4	1.7	- 3.2	- 7.1	-.8	12.9
Receipts	149.6	153.7	186.1	187.1	43.6	39.3	44.2	60.0
Total expenditures and net lending	158.4	178.9	183.7	185.4	46.9	46.3	45.1	47.1
Means of financing:								
Total borrowing from the public	2.9	23.1	- 3.1	1.3	7.7	3.4	.5	-10.3
Decrease in cash operating balance	5.2	.4	n.a.	- 3.5	-3.3	3.9	-.8	- 3.3
Other <u>1/</u>	.7	1.7	n.a.	.5	-1.1	-.2	1.1	.7
Cash operating balance, end of period	5.7	5.3	n.a.	8.8	8.6	4.7	5.5	8.8
<u>Seasonally adjusted annual rate</u>								
Federal surplus/deficit								
in national income accounts	- 6.7	-11.3	2.7	2.6	- 2.8	.2	5.8	7.2
Receipts <u>2/</u>	147.7	161.1	190.0	190.9	182.1	187.1p	195.8	198.5
Expenditures	154.4	172.4	187.3	188.3	184.9	186.9p	190.0	191.3

e--Projected.

p--Preliminary.

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

2/ Corporate tax accruals in first two quarters of 1969 assume extension of surtax through calendar 1969.

continued strong growth in the extractive industries (which includes sizable outlays for tankers) shows up mainly in **Latin America and "Other areas"**.

CHANGES IN PLANT AND EQUIPMENT EXPENDITURES OF  
FOREIGN AFFILIATES OF U.S. CORPORATIONS  
(per cent)

	Actual		<u>Estimated</u> 1967-68	<u>Projected</u> 1968-69
	1965 to 1966	1966 to 1967		
Total	16	7	3	7
By industry				
Manufacturing	18	-2	-6	1
Mining and smelting	25	14	14	13
Petroleum	11	19	11	11
Other industries	14	9	9	22
By area				
Canada	28	-6	-4	3
Latin America	2	16	26	12
Europe	23	11	-10	2
Other areas	3	9	18	14

The levelling off in outlays for foreign manufacturing plants is heavily influenced by a decline for the chemical industry, which in recent years had been especially active. All other manufacturing sectors combined project a 9 per cent increase in outlays in 1969. These figures indicate that though the hectic pace of the pre-1967 foreign expansion has slowed, there is still a strong urge to expand abroad. The absolute amount of the increase in foreign plant and equipment expenditures this year is projected at about \$3/4 billion.

Foreign financing for these investments, and for working capital of the foreign affiliates, is now considerably less easy to