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CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

August 14, 1974

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DOMESTIC NONFINANCIAL SCENE

August 14, 1974

II -- T - 1

SELECTED DOMESTIC NONFINANCIAL DATA
AVAILABLE SINCE PRECEDING GREENBOOK
(Seasonally adjusted)

	Latest Data			Per Cent Change From		
	Period	Release Date	Data	Preceding Period	Three	Year
					Periods	Earlier
						(At Annual Rates)
Civilian labor force (mil.)	July	8/2/74	91.2	3.3	3.8	2.6
Unemployment rate	July	8/2/74	5.3	5.2 ^{1/}	5.0 ^{1/}	4.7 ^{1/}
Insured unemployment rate	June	7/24/74	3.4	3.3 ^{1/}	3.4 ^{1/}	2.7 ^{1/}
Nonfarm employment, payroll (mil.)	July	8/2/74	77.0	- 1.9	.1	2.0
Manufacturing	July	8/2/74	19.9	- 5.1	- 1.1	.3
Nonmanufacturing	July	8/2/74	57.1	- .8	.4	2.5
Private nonfarm:						
Average weekly hours (hours)	July	8/2/74	36.9	36.7 ^{1/}	36.6 ^{1/}	37.2 ^{1/}
Hourly earnings (\$)	July	8/2/74	4.20	4.18 ^{1/}	4.08 ^{1/}	3.91 ^{1/}
Manufacturing:						
Average weekly hours (hours)	July	8/2/74	40.3	40.1 ^{1/}	39.3 ^{1/}	40.7 ^{1/}
Unit labor cost (1967=100)	June	7/29/74	131.6	12.9	13.2	8.6
Industrial production (1967=100)	July	8/16/74	125.7	1.0	2.6	- .8
Consumer goods	July	8/16/74	130.0	5.6	4.7	-2.2
Business equipment	July	8/16/74	129.7	.0	5.6	5.4
Defense & space equipment	July	8/16/74	81.2	7.4	3.0	.1
Materials	July	8/16/74	129.3	- .9	1.9	-1.2
Consumer prices (1967=100)	June	7/21/74	147.0	11.6	10.5	11.1
Food	June	7/21/74	160.0	3.8	3.0	14.7
Commodities except food	June	7/21/74	136.4	16.0	14.9	10.6
Services ^{2/}	June	7/21/74	150.9	12.0	10.6	9.3
Wholesale prices (1967=100)	July	8/8/74	160.9	44.6	22.2	20.4
Industrial commodities	July	8/8/74	157.6	32.9	31.7	25.1
Farm products & foods & feeds	July	8/8/74	170.2	78.1	.2	10.1
Personal income (\$ billion) ^{3/}	June	7/17/74	1141.8	7.8	8.8	9.0
						(Not at Annual Rates)
Mfrs. new orders dur. goods (\$ bil.)	June	7/31/74	46.7	- .1	11.2	11.2
Capital goods industries:	June	7/31/74	13.3	- 4.2	4.2	6.2
Nondefense	June	7/31/74	11.6	- 1.4	3.0	10.2
Defense	June	7/31/74	1.7	-20.5	13.0	-15.5
Inventories to sales ratio:						
Manufacturing and trade, total	June	8/13/74	1.48	1.45 ^{1/}	1.44 ^{1/}	1.46 ^{1/}
Manufacturing	June	7/31/74	1.64	1.61 ^{1/}	1.62 ^{1/}	1.60 ^{1/}
Trade	June	8/13/74	1.32	1.29 ^{1/}	1.28 ^{1/}	1.33 ^{1/}
Ratio: Mfrs.' durable goods inven- tories to unfilled orders	June	7/31/74	.694	.703 ^{1/}	.722 ^{1/}	.766 ^{1/}
Retail sales, total (\$ bil.)	July	8/9/74	46.3	4.0	4.5	8.2
GAF	July	8/9/74	11.9	2.1	2.8	7.7
Auto sales, total (mil. units) ^{3/}	July	8/8/74	9.5	2.6	3.2	-17.3
Domestic models	July	8/8/74	8.2	2.1	3.9	-15.6
Foreign models	July	8/8/74	1.3	6.0	-1.3	-27.0
Housing starts, private (thous.) ^{3/}	June	7/17/74	1595.0	8.1	6.4	-25.9
Leading indicators (1967=100)	June	7/29/74	175.4	- .4	1.3	6.8

^{1/} Actual data. ^{2/} Not seasonally adjusted. ^{3/} At annual rate.

DOMESTIC NONFINANCIAL DEVELOPMENTS

Second quarter GNP and related items. Gross national product rose \$24.7 billion in the second quarter according to preliminary Commerce Department estimates. The revised estimate of the first quarter increase was essentially unchanged at \$14.8 billion. In real terms, GNP declined at a 1.2 per cent annual rate in the second quarter following a 7.0 per cent first quarter drop. The implicit GNP price deflator rose at an 8.8 per cent annual rate in the second quarter, and the gross private product fixed-weighted price index rose at a 12.3 per cent rate, compared to a 14.1 per cent rate in the first quarter.

The Commerce estimates indicate that consumer spending rose \$26 billion in the second quarter; in real terms this was about a 2 per cent rise at an annual rate following a very sharp first quarter decline. Durable goods purchases (mainly reflecting increased auto buying) rebounded after dropping sharply in the first quarter. The pace of business capital spending picked up a bit in the second quarter, but almost all of the increase was due to price increases; inventory investment was about \$2 billion below the first quarter. Net exports of goods and services at close to zero were off sharply from the first quarter as import increases--mainly reflecting an increased volume of oil imports at sharply higher prices--far outstripped export expansion. Government purchases rose less than in the first quarter as growth in State and local outlays slowed.

Personal income and disposable income both rose more rapidly than in the first quarter but the increase in personal consumption outlays was even more rapid. As a result the saving rate declined to 7.6 per cent from 8.9 per cent in the first quarter (which, itself, was down from the record high 9.5 per cent in the fourth quarter of 1973).

Industrial production. Industrial production in July was virtually the same as in May and June. The total index at 125.7 per cent of the 1967 average was 0.8 per cent below a year earlier. A moderate rise in production of consumer goods was about offset by a large drop in output of construction products. Production of both business equipment and industrial materials were unchanged.

Auto assemblies were scheduled to increase 10 per cent in July, but, mainly because of strikes at parts supplying factories, rose only 2 per cent. These strikes have continued so far into August. Output of other durable consumer goods in July was unchanged and production of nondurable consumer goods rose moderately. Output of business equipment reached a peak in May and has been maintained at that level in both June and July.

Steel production in July was also unchanged, as was output of other durable goods materials and nondurable goods materials.

(Confidential until released, August 15 - p.m.)

INDUSTRIAL PRODUCTION

(1967=100, seasonally adjusted)

	<u>1973</u> July	<u>1974</u>			<u>Per cent change</u>	
		rMay	p June	e July	Month ago	Year ago
Total index	126.7	125.7	125.6	125.7	.1	-.8
Market groupings:						
Final products	122.1	122.5	121.8	122.3	.4	.2
Consumer goods	132.9	130.3	129.4	130.0	.5	-2.2
Business equip.	123.0	129.8	129.7	129.7	0	5.4
Materials	130.9	129.2	129.4	129.3	-.1	-1.2
Industry groupings:						
Manufacturing	126.5	125.6	125.3	125.5	.2	-.8
Durables	123.8	122.2	121.8	122.1	.2	-1.4
Nondurables	130.6	130.7	130.4	130.5	.1	-.1
Mining & utilities	130.4	128.3	127.9	128.5	.5	-1.5

Note: Industrial Production is confidential until released Thursday, August 15, 1974.

Retail sales. Sales in July rose 4.0 per cent from June, continuing the improved pattern of sales suggested by the upward revisions in the data for May and June. All major categories of stores reported higher sales, but the largest increase was in the automotive group which rose almost 10 per cent. Total sales excluding autos and nonconsumer items, however, were also strong, with a gain of almost 3 per cent.

Upward revisions in previous estimates of sales for May and June raised the increase from the first to second quarter to 2.9 per cent from 2.5 per cent. But in real terms, sales remained at the reduced first quarter level.

RETAIL SALES
(Seasonally adjusted, percentage change from previous period)

	1974		1974		
	Q I	Q II	May	June	July
Total sales	1.5	2.9	1.4	- .9	4.0
Durable	-2.8	4.3	2.5	-1.9	6.3
Auto	-8.1	5.4	2.7	- .6	9.9
Furniture & appliances	4.2	3.8	2.4	-3.2	2.8
Nondurable	3.5	2.2	.9	- .4	2.9
Food	4.3	1.7	1.1	- .1	2.8
General merchandise	3.8	2.0	1.6	-1.2	1.8
Gasoline	3.9	8.3	2.3	2.1	2.6
Total, less auto and nonconsumption items	3.6	2.5	1.	- .7	2.9
GAF	3.8	1.7	2.0	-1.3	2.1
Real*	-2.1	. .	.2	-1.8	3.0**

* Deflated by all commodities CPI, seasonally adjusted.

** Estimated.

Unit sales of consumer durables. Sales of new domestic-type autos in July were at an 8.2 million unit annual rate, slightly above June but a sixth below July last year. Large car sales continued their steady improvement from the lows last winter, but were down 18 per cent from a year earlier. Meanwhile, small cars were the same as in the preceding two months but 8 per cent below July 1973. A sales pick-up at the end of the month was due in part to consumers' trying to beat the big price increases announced for the 1975 models as well as taking advantage of manufacturers' rebates to dealers on sales of some small cars.

Stocks of domestic-type new cars increased slightly in July, the first monthly increase this year. The supply stood at 56 days' sales at the end of July compared to 55 days in June and 51 days last July.

Estimates of foreign auto sales in July indicate sales rose to a 1.3 million unit rate, a little above the June rate but a quarter below July last year. On a seasonally adjusted basis, the import share was 13.5 per cent in July, about the same as in June but below the 15.2 per cent of a year ago.

Factory sales of major home appliances, TVs, and radios in the first three and a half weeks of July were down considerably from both June and a year earlier. All home goods in the index shared this decline with the exception of freezers and washers which were above sales a month earlier.

SELECTED SALES OF CONSUMER DURABLES
Seasonally adjusted

	1973	1974		Per cent change from		
	July	May	June	July	Month ago	Year ago
Annual rates, millions of units						
Auto sales, total	11.5	9.1	9.2	9.5	3	-17
Foreign	1.8	1.2	1.2	1.3	8	-27
Domestic	9.7	7.9	8.0	8.2	2	-16
Large	7.0	5.4	5.5	5.7	4	-18
Small	2.7	2.5	2.5	2.5	0	- 8
Indexes, 1967=100						
Home goods factory						
unit sales	151	153	157r	140e	-11	- 7
TV's <u>1/</u>	160	165	177	150	-15	- 6
Radios <u>1/</u>	77	115	137	115	-16	49
Major appliances	148	148	144r	131e	- 9	-11

1/ Includes domestic and foreign label imports.

e/ Estimated on the basis of data through July 20.

Conference Board survey of consumer attitudes and buying plans.

The survey taken in late May and early June suggested a continuation over the near-term of the pattern of limited discretionary purchases. Consumer attitudes were less pessimistic than at the height of the energy crisis but little changed from the relatively depressed levels of the April survey. The insignificant drop in the composite index of consumer confidence reflected small downward shifts in appraisals of the outlook for the economy in the second half of the year. Evaluations of present business and employment conditions were almost identical

to the previous bi-monthly survey while there was a slight increase in the number of respondents expecting income increases in the next six months.

More strength was indicated in the composite index of buying plans, which rebounded from the previous survey, but this index was still historically low. Moreover, most of the improvement was in purchase plans for used cars. Very few families were planning to buy homes and major durable appliances.

CONSUMER EXPECTATIONS AND INTENTIONS

	1973	1974		
	May- June	January- February	March- April	May- June
----Composite Series: 1969-1970=100----				
Consumer Confidence Index	93.4	56.0	85.9	83.3
Buying Plans Index	111.1	89.2	87.6	97.5
-----Appraisal of Present Situation----- (Per cent)				
Business Conditions				
Good	31.3	18.1	22.8	22.4
Bad	12.5	22.7	17.1	17.1
Employment				
Jobs plentiful	20.8	12.6	17.5	17.8
Jobs not so plentiful	54.5	55.3	55.5	55.2
----Expectations for Six Months Hence---- (Per cent)				
Business Conditions				
Better	17.9	10.9	19.7	17.4
Worse	13.2	33.4	13.8	14.9
Employment				
More jobs	16.1	9.8	16.5	14.9
Fewer jobs	20.9	40.9	20.6	20.9
Income				
Increase	28.7	23.4	27.9	28.8
Decrease	5.8	10.6	8.0	8.4
-----Plans to Buy Within Six Months----- (Per cent)				
Automobile				
New or used	8.3	5.1	5.3	7.0
New	4.3	2.7	3.2	3.7
Used	3.6	2.1	1.8	3.1
Home				
New or used	3.2	2.7	2.8	2.9
Major appliances				
Total plans	37.9	33.4	31.1	31.9

Manufacturers' orders and shipments. New orders for durable goods were about unchanged in June (p), following a 5.9 per cent increase in May. Machinery and aircraft orders were off, but primary metals rose strongly. Nondefense capital goods orders were down 1.4 per cent following a 1.0 per cent drop in May. With prices continuing to rise sharply, total durable goods orders, in real terms, fell 2.6 per cent in June and nondefense capital goods orders were off 3.7 per cent.

For the second quarter, new orders for durable goods rose 9.4 per cent (not at annual rate) following a 1.6 per cent drop in the first quarter. All market categories except defense capital goods (reflecting a sharp drop in aircraft orders) showed a marked improvement in the second quarter. Nondefense capital goods orders rose 4.9 per cent following a 2.1 per cent first quarter increase.

In real terms, however, new orders for durable goods were up only 3.0 per cent in the second quarter, following a 4.9 per cent decline in the first quarter. Nondefense capital goods orders edged up 0.4 per cent in the second quarter, following no change in the previous period.

Shipments of durable goods were up 0.8 per cent in May and unfilled orders grew by 3.1 per cent.

MANUFACTURERS' NEW ORDERS FOR DURABLE GOODS
(Per cent changes)

	1974		
	Q I from Q IV 1/	Q II from Q I 1/	June from May (p)
Durable goods, total	- 1.6	9.4	- .1
Excluding defense	- 1.9	10.2	.8
Excluding primary metals & motor vehicles and parts	2.2	4.0	- 1.9
Primary metals	- 3.4	32.8	4.5
Motor vehicles & parts	-17.1	11.0	2.3
Household durables	1.1	4.8	- 9.1
Nondefense capital goods	2.1	4.9	- 1.4
Defense capital goods	5.7	- 7.9	-20.5
Construction & other durables	2.0	4.7	2.1
Durable goods total, in 1967 \$	- 4.9	3.0	- 2.6
Nondefense capital goods, in 1967 \$.0	.4	- 3.7

1/ Changes between quarters are based on quarterly average levels.

Inventories. Book value of manufacturing and trade inventories increased at a \$47 billion annual rate in June (p), following a \$48 billion rise in May. For the second quarter the increase in inventories was at an annual rate of \$40 billion, up slightly from the \$37 billion first quarter rate. However, the rapid increase in second quarter prices indicates a substantial reduction in GNP inventory investment.

The \$28 billion annual rate of rise in manufacturing stocks in June occurred mainly in durable goods, particularly machinery and

blast furnaces and steel mills. By stage of processing, the acceleration in rate of increase was most noticeable in finished goods inventories. Wholesale trade inventories increased at a \$7 billion rate in June following a \$9 billion rise in May. Retail inventories rose at an annual rate of \$12 billion in June, up from the \$9 billion May rate. Retail auto stocks rose \$1 billion in June after declining in each of the previous four months.

BUSINESS INVENTORIES
(Change at annual rates in seasonally adjusted
book values, \$ billions)

	1973	1974		
	Q IV	Q I	Q II	June (p)
Manufacturing & trade	36.5	36.9	39.7	47.1
Manufacturing, total	19.0	22.5	27.2	28.4
Durable	12.8	14.3	17.0	18.6
Nondurable	6.3	8.2	10.2	9.7
Trade, total	17.5	14.4	12.5	18.8
Wholesale	6.6	9.7	5.1	7.2
Retail	10.9	4.7	7.3	11.6
Auto	4.4	- 2.5	- 1.0	1.4

The manufacturing and trade inventory-sales ratio increased to 1.48 in June. The ratio of inventories to unfilled orders at durable goods producers declined further to 0.694 in June.

INVENTORY RATIOS

	1973		1974	
	May	June	May	June (p)
<u>Inventories to sales:</u>				
Manufacturing and trade	1.44	1.46	1.45	1.48
Manufacturing, total	1.59	1.60	1.61	1.64
Durable	1.90	1.93	2.02	2.04
Nondurable	1.21	1.21	1.17	1.20
Trade, total	1.30	1.33	1.29	1.32
Wholesale	1.15	1.16	1.08	1.11
Retail	1.41	1.45	1.46	1.50
<u>Inventories to unfilled orders:</u>				
Durable manufacturing	.786	.765	.702	.694

Cyclical indicators. The Census composite index of leading indicators fell 0.4 per cent in June (p), following a sharply upward-revised 1.4 per cent rise in May. The Boston FRB deflated leading index (with no trend adjustment) declined 1.5 per cent in June and the Census deflated coincident index edged down.

CHANGES IN COMPOSITE CYCLICAL INDICATORS
(Per cent change from prior month)

	1974					
	Jan.	Feb.	Mar.	Apr.	May	June (p)
12 Leading, trend adjusted	1.8	1.3	1.5	.3	1.4	-.4
5 Coincident	-.3	.6	.7	.7	.5	.2
5 Coincident, deflated	-1.6	-.1	.0	.2	.1	-.2
6 Lagging	1.2	.7	2.3	2.7	1.8	1.2
Leading indexes prior to trend adjustment						
Census undeflated	1.4	1.0	1.2	-.1	1.0	-.8
Boston FRB deflated	.1	.4	.5	-.6	-.1	-1.5

Of the eight leading series available for June, those increasing were the ratio of price to unit labor cost, industrial materials prices and common stock prices. Initial claims for unemployment insurance (inverted), the average workweek in manufacturing, new orders for durable goods, and contracts and orders for plant and equipment all declined; private building permits were unchanged.

Of the indicators currently available for July, the average workweek increased but common stock prices declined.

Construction and real estate. The seasonally adjusted total value of new construction put in place changed little in July from the upward revised June rate. Except for a further rise in Federally-owned public construction outlays, all major types of expenditures were virtually unchanged from a month earlier. Expenditures for private residential building in July continued nearly a fifth below their February 1973 peak, but despite some slackening in new commercial building, private nonresidential expenditures were only slightly below the recent high in May 1974. In constant dollars, total construction outlays remained 13 per cent below the January 1973 peak.

NEW CONSTRUCTION PUT IN PLACE
(Seasonally adjusted annual rates, in billions of dollars)

	1973	1974			Per cent change in July from	
	QIV	QI	QII(p)	July 1/	June 1974	July 1973
Total - current dollars	135.0	134.7	136.7	136.5	--	--
Private	101.8	98.5	99.3	99.3	--	- 6
Residential	54.3	49.4	49.6	49.5	--	-16
Nonresidential	47.5	49.1	49.7	49.9	--	+ 7
Public	33.2	36.3	37.4	37.2	+ 1	+18
State and local	28.4	31.2	32.5	32.1	--	+20
Federal	4.9	5.1	4.9	5.0	+10	+ 4
Total - 1967 dollars	85.7	83.3	82.3	81.1	--	- 9

1/ Data for July 1974 are confidential Census Bureau extrapolations. In no case should public reference be made to them.

-- Means change less than 1 per cent.

Merchant builder sales of new single-family homes declined a tenth in June from a month earlier. Sales, while up in the second quarter as a whole, remained well-below year earlier levels, due in part to the shortage and high cost of permanent financing for buyers and reflecting remaining uncertainty over energy-related locational considerations. As a result, builder backlogs of unsold units have declined only slightly from their peak almost a year ago, and, at the current sales rate, represented nearly ten months' supply in June. The median price for the mix of unsold new units declined in June as the

median price of homes sold edged up. Existing-home sales, which had improved in April and May, continued below their year earlier level in June. Even so, the median price on used homes sold increased to \$32,860--13 per cent above June 1973.

SALES, STOCKS AND PRICES OF NEW SINGLE-FAMILY HOMES

	Homes sold 1/ (thousands of units)	Homes for sale 2/ (thousands of units)	Months' supply	Median price of: Homes sold Homes for sale (thousands of dollars)	
<u>1973</u>					
QI	726	426	7.0	30.4	29.4
QII	680	436	7.7	32.7	31.2
QIII	566	453	9.6	33.5	32.1
QIV	483	446	11.1	34.0	32.9
<u>1974</u>					
QI (r)	525	453	10.4	35.2	34.0
QII (p)	570	434	9.1	35.5	35.0
April (r)	574	449	9.4	35.7	34.3
May (r)	598	441	8.9	35.4	34.7
June (p)	539	434	9.7	35.5	35.0

1/ Seasonally adjusted annual rate.

2/ Seasonally adjusted, end of period.

The average residential rental vacancy rate edged up further in the second quarter of 1974, reflecting the still relatively large number of new multi-family completions and the reclassification of some unsold single-family homes and condominiums into the rental market.

At 6.3 per cent, the vacancy rate was the highest for any second quarter since 1967, but was still well below average rates of over 8.0 per cent experienced in the early 1960's. Regionally, second quarter rates were higher than a year earlier in all but the West. Homeowner vacancy rates, while down somewhat from the first quarter, were also above the second quarter of 1973.

Labor market. Labor market indicators generally continue to reflect the approximate stability prevailing since early in the year. However, some signs of weakness have appeared in nonfarm payroll employment, which declined 120,000 in July to a level 180,000 below May. This decrease was due in part to increased strike activity, largely concentrated in construction, which was up by 40,000 workers in the past month and by 70,000 since May. While employment continued to rise in retail trade, services and State-local government, it fell in manufacturing and construction. Factory job losses in July were widely distributed while improvement was confined primarily to small gains in the primary metal and chemical industries. Also, payroll employment was revised downward by 30,000 for May and June.

CHANGES IN PAYROLL EMPLOYMENT
(In thousands; seasonally adjusted)

	Employment (July, 1974)	Average monthly change		
		June 1974- July 1974	April 1974- July 1974	July 1973- July 1974
Total nonfarm	76,951	-122	3	123
Goods-producing	24,041	-178	-66	- 6
Construction	3,500	-102	-53	-15
Manufacturing	19,867	- 84	-18	5
Service-producing	52,910	56	69	129
Trade	16,612	37	21	27
Services	13,397	34	50	47
State-local gov't.	11,467	25	14	38

The average workweek in manufacturing increased by .2 hour in July to 40.3 hours, the same as in May, but the increase was concentrated in a few nondurable goods industries. Average hours and overtime in manufacturing were both down by .7 hour since peaking early in 1973.

The civilian labor force increased by some 250,000 in July, the third consecutive monthly gain after showing little change in the previous three months. The recent labor force increases have been due chiefly to women entrants. Since April, the number of adult women in the labor force has increased by 800,000; adult males rose by 140,000; and teenagers declined by 80,000. This labor force growth has been largely matched by a rise in household employment. However, full-time employment has dropped by 220,000 since April, while part-time jobs have increased by 400,000. The part-time increase is consistent with the relatively large influx of women workers into the labor force and perhaps reflects an attempt by families to maintain real income levels in the face of declining real earnings.

The unemployment rate edged up to 5.3 per cent in July after holding in a 5.0 - 5.2 per cent range since the beginning of the year. Unemployment rates for most groups showed little significant change. A rise in average duration of unemployment to 10.1 weeks in July, from 9.8 weeks in June, apparently reflected a somewhat reduced rate of hiring.

SELECTED UNEMPLOYMENT RATES
(Per cent, seasonally adjusted)

	1973		1974		
	July	Oct.	Jan.	June	July
Total	4.7	4.6	5.2	5.2	5.3
Males 20+	3.1	3.0	3.4	3.5	3.5
Females 20+	4.8	4.4	5.2	5.1	5.2
Teenagers	14.4	14.0	15.6	15.6	16.2
White collar	2.9	2.6	3.2	3.1	3.3
Blue collar	5.2	5.1	6.0	6.2	6.1
Household heads	2.7	2.7	3.0	3.1	3.0
State insured	2.7	2.6	3.1	3.4	3.4

Earnings. The steep rise in the average hourly earnings index for private nonfarm production workers moderated somewhat in July. However, the index has risen by 8 per cent from July 1973, and its rate of growth has accelerated over the past three months. In the 12 months ending in June, real average hourly earnings declined by 2.6 per cent. (It should be noted that the earnings table contains less industry detail than usual because of revisions still under way.)

HOURLY EARNINGS INDEX*
(Seasonally adjusted, per cent change, annual rates)

	July 1973- July 1974	Jan. 1974- July 1974	April 1974- July 1974
Total private nonfarm	8.0	9.2	10.8
Manufacturing	8.7	10.2	12.4
Mining	11.1	13.1	15.7
Trade	8.5	9.5	12.8

*Excludes the effects of fluctuations in overtime premium in manufacturing and shifts of workers between industries.

Collective bargaining. Wage rate adjustments in major collective bargaining agreements accelerated sharply in the second quarter with settlements including workers in the steel, construction, food, and transit industries. In the second quarter first-year wage increases averaged 9.2 per cent compared with 6.2 per cent in the first quarter and 5.8 per cent average for 1973. There was a significant increase in the number of workers covered by new settlements--1.6 million in the second quarter compared to 500,000 in the first quarter.

Another measure of wage rate change in major collective bargaining situations (1,000 or more workers) was newly published by the Bureau of Labor Statistics this quarter. The new series, the "effective"

wage change, is designed to measure quarterly wage changes provided in new contracts including deferred increases and cost-of-living raises. The effective wage increased at a 9.6 per cent annual rate in the second quarter--up sharply from the 4.8 per cent rate of increase in the first quarter and the 7.0 per cent average rise in 1973. Acceleration was most evident in the construction industry, but a speed-up was also apparent in manufacturing. The more rapid rate of increase in the effective wage rate this quarter was primarily due to an acceleration in the size of first year adjustments. Escalator clause payouts provided 1.6 per cent, annual rate, in the second quarter--up slightly from the first quarter and last year. Escalator provisions now cover approximately 4.5 million (45 per cent) of the workers in major bargaining units.

In other collective bargaining developments, the Communications Workers and the Bell Telephone System reached agreement on a new 3-year contract that provides large wage and fringe benefit increases and cost-of-living protection. The new agreement, which affects about 700,000 workers, will increase wages and benefits by 12 per cent in the first year (with wage increases alone amounting to 7.1 - 10.7 per cent, depending on salary level), and by a total of 7.5 per cent in the last two contract years, excluding possible cost-of-living raises. The company has estimated that if the Consumer Price Index rises by about 7 per cent in the second contract year (August 1975-August 1976) and by 6 per cent in the third year, the total wage and fringe package for the three years would raise costs by 35.8 per cent.

About 50,000 workers in Western Electric, the manufacturing arm of AT&T, voted not to go along with the industry wide agreement and are currently on strike. Wages and work rule changes appear to be the primary issues.

WAGE RATE CHANGES IN COLLECTIVE BARGAINING AGREEMENTS
(Per cent change from preceding quarter, annual rate)

	1972	1973	1973				1974	
			1	2	3	4	1	2
<u>Wage decisions</u> ^{1/}								
First year	7.3	5.8	5.5	6.2	5.8	5.5	6.2	9.2
Over-life of contract	6.4	5.1	4.8	5.7	5.3	4.5	5.3	7.4
<u>Wages & benefits</u> ^{2/}								
First year	8.5	7.1	7.1	7.8	7.2	6.1	6.9	9.0
Over-life of contract	7.4	6.1	5.6	6.7	6.3	5.6	5.9	7.5
<u>Effective wage rate</u> ^{1/}								
Total	6.6	7.0	4.8	7.6	9.2	4.8	4.8	9.6
Manufacturing	N.A.	7.3	4.0	7.6	8.4	6.4	5.6	10.8
Nonmanufacturing	N.A.	7.0	5.6	6.4	11.6	3.2	5.2	6.0
Construction	N.A.	4.8	2.0	11.6	4.0	1.2	2.4	14.4

- ^{1/} 1,000 or more workers.
^{2/} 5,000 or more workers.
^{3/} Excluding construction.

Consumer prices. Consumer prices continued to rise rapidly in June--at an 11.5 per cent annual rate, seasonally adjusted--to a level 11 per cent above June 1973. Food and energy prices rose less than in May but advances for other commodities and services were larger.

CONSUMER PRICES
(Percentage changes, seasonally adjusted annual rates)^{1/}

	Relative importance to Dec. 1973	Sept. 1973 to Dec. 1973	Dec. 1973 to Mar. 1974	March to June 1974	May to June 1974
All items	100.0	9.2	14.2	10.9	11.5
Food	24.8	11.0	19.4	3.1	3.8
Commodities less food	38.6	7.6	16.0	15.8	16.0
Services <u>2/</u>	36.5	9.4	9.2	11.0	12.0
Addendum					
All items less food and energy components <u>3/</u> <u>4/</u>	68.8	5.5	8.6	12.8	14.6
Services less home finance <u>2/3/5/</u>	29.9	7.2	10.2	11.4	11.6
Commodities less food, used cars, home purchases <u>3/</u>	30.9	10.1	19.0	14.4	16.1

1/ Not compounded for one-month changes.

2/ Not seasonally adjusted.

3/ Confidential--not for publication.

4/ Excludes food, gasoline and motor oil, fuel oil and coal, and gas and electricity.

5/ Home financing costs excluded from services reflect property taxes and insurance rates--as well as mortgage costs--which in turn move with mortgage interest rates and house prices.

Food prices rose moderately--despite substantial further declines for meats and poultry--reflecting advances for restaurant meals, imports, and other items not of U.S. farm origin. In July there may be little change in food prices according to preliminary (confidential) USDA estimates for their market basket, but a reversal in meat prices may boost the August index. Farm-retail spreads continue high.

ENERGY PRICES AND THE CPI,^{1/} 1973
 (Percentage changes, seasonally adjusted annual rates)^{2/}

	Relative importance Dec. 1973	Dec. 1972 to Dec. 1973	Sept. 1973 to Dec. 1973	Dec. 1973 to Mar. 1974	March to June 1974	May to June 1974
Gasoline and motor oil, fuel oil and coal	4.0	23.4	77.3	99.3	26.6	17.4
Gas and electricity	2.4	6.9	11.1	28.2	16.1	11.7
All items less energy components	93.6	8.3	6.9	10.8	11.4	13.3

^{1/} Confidential--not for publication.

^{2/} Not compounded for one-month changes.

While gasoline and fuel oil prices rose less than in recent months, advances for other nondurables, household durables and new cars were even larger than in May, and used car prices spurted further. Exceptionally large increases for medical, housekeeping and home maintenance services weighed heavily in the rate of rise of service costs. The rise in these items in the six months since December 1973 already exceeds that during the full year 1973.

RECENT PRICE CHANGES, SELECTED COMPONENTS
 (Per cent change, seasonally adjusted, not annual rates)

	Dec. 1972 to Dec. 1973	Dec. 1973 to June 1974
Non food commodities:		
Apparel	4.1	4.6
Other nondurables ^{1/}	3.6	7.4
Household durables	4.1	5.5
Services:		
Medical	5.8	5.9
Housekeeping and home maintenance	7.7	10.2

^{1/} Excluding fuels, alcohol and tobacco.

Wholesale prices. The wholesale price index rose between June and July by 3.7 per cent, seasonally adjusted (not at an annual rate), to a level 20 per cent above a year earlier. The index reflected a sharp increase in prices of farm and food products, following four months of decline, and a further huge rise in prices of industrial commodities, which have risen 2 per cent or more in each of the last seven months.

WHOLESALE PRICES
(Per cent changes at seasonally adjusted
compound annual rates) 1/

	July '73 to July '74	June '73 to Dec. '73	Dec. '73 to Mar. '74	Mar. '74 to June '74	June '74 to July '74
All commodities	20.4	10.9	24.5	12.2	44.6
Farm products	10.1	10.4	10.8	-29.3	77.3
Industrial commodities	25.1	10.9	32.3	35.7	32.9
Crude materials	49.1	40.4	88.7	10.4	73.0
Intermediate materials	28.0	11.7	32.6	43.7	36.9
Finished goods	17.4	7.1	23.1	25.9	22.8
Producer	14.6	5.3	13.2	27.2	25.1
Consumer	18.9	8.1	28.3	25.3	21.7
Nondurable, excl. foods	25.0	11.3	40.4	30.9	24.4
Durable	9.2	2.8	11.3	15.0	17.3
<u>Consumer finished foods</u>	<u>13.2</u>	<u>18.5</u>	<u>17.3</u>	<u>-16.7</u>	<u>43.7</u>

Note: Farm products include farm products and processed foods and feeds.

1/ Not compounded for one-month changes.

The index of farm and food products advanced 6.4 per cent, seasonally adjusted, as large increases were posted for livestock, meats, grains, and soybeans.

The index of industrial commodities rose 2.7 per cent, seasonally adjusted, reflecting large and widespread increases. Of particular importance were increases for metals and metal products, fuels, machinery and equipment, chemicals, and woodpulp and paper products. This index in July was 25 per cent above the level of a year earlier.

Agriculture. After a four month decline of almost 20 per cent, prices received by farmers have moved generally upward since mid-June. By mid-July they had advanced 6 per cent to a level about even with a year ago. Higher prices for livestock, grain, and soybeans contributed to the increase, partly offset by lower prices for milk, dry beans, and cotton.

After further sharp advances in the latter part of July, prices stabilized for a period in early August, but have again started upward on further news of drought damage to crops. On August 13, steer, hog, and corn prices were about 10 per cent above July 15 levels, while soybeans were 20 per cent higher.

Despite recent sharp increases, farm prices in mid-August may be near the levels of a year ago. From July to August last year farm prices advanced by a record 20 per cent.

The recent crop price increases resulted mainly from news of deterioration of harvest prospects caused by drought. Based on August 1 conditions, the Agriculture Department estimated corn production at 4.96 billion bushels and soybean production at 1.31 billion bushels.

These levels are 12 per cent and 16 per cent, respectively, below last year's production. Some small improvement in soybean prospects may result from recent rains in growing areas, but most of the damage to corn is reported to be beyond repair.

Most of the strength in livestock prices resulted from seasonal declines in the supply of cattle for slaughter, aggravated somewhat by more-than-seasonal declines in hog and poultry marketings. Preliminary estimates of total meat and poultry production in July, seasonally adjusted, was 2 per cent below the June level. Two per cent larger beef production, seasonally adjusted, was more than offset by 4 per cent declines in pork and poultry production.

The number of cattle on feedlots on July 1 was a quarter below the near-record level of a year earlier, but most of the decline reflects fewer cattle weighing less than 900 pounds. Cattle weighing more than 900 pounds, which will be marketed over the next four months, were only 3 per cent below a year ago. These substantial supplies are expected to be augmented by sizeable marketings of cattle direct from pasture, thereby providing ample quantities of generally lower quality beef.

Curtailed feedlot operations may continue to provide a relatively heavy flow of cattle since the feeding period will likely be shortened to about three months as compared to the 6 to 8 months that was common until recently. With larger marketings of grassfed cattle, the resulting lower usage of feed may help reduce pressure on limited grain supplies.

DOMESTIC FINANCIAL SITUATION

III-T-1
SELECTED DOMESTIC FINANCIAL DATA
(Dollar amounts in billions)

Indicator	Latest data		Net change from			
	Period	Level	Month ago	Three months ago	Year ago	
Monetary and credit aggregates			SAAR (per cent)			
Total reserves	July	37.3	24.0	17.3	9.4	
Reserves available (RPD's)	July	35.1	9.3	16.7	10.3	
Money supply						
M1	July	281.2	.9	4.5	5.6	
M2	July	600.2	5.2	6.8	8.7	
M3	July	934.0	4.4	5.4	7.7	
Time and savings deposits						
(Less CDs)	July	319.0	9.1	8.8	11.7	
CDs (dollar change in billions)	July	85.3	2.0	9.9	21.4	
Savings flows (S&ls + MSBs)	July	334.1	1.4	2.8	5.9	
Bank credit (end of month)	July	686.7	13.1	10.5	11.9	
Market yields and stock prices			Percentage or index points			
Federal funds	wk. endg.	8/7/74	12.09	-1.46	.80	1.70
Treasury bill (90 day)	"	8/7/74	8.42	.84	.39	-.06
Commercial paper (90-119 day)	"	8/7/74	11.55	-.54	.57	1.47
New utility issue Aaa	"	8/9/74	9.82	-.43	.55	1.30
Municipal bonds (Bond Buyer)	1 day	8/8/74	6.58	-.37	.58	1.00
FNMA auction yield	wk. endg.	8/5/74	10.12	.22	.78	1.41
Dividends/price ratio (Common stocks)	wk. endg.	7/31/74	4.61	.47	.66	1.67
NYSE index (12/31/65=50)	end of day	8/5/74	41.53	-2.07	-6.80	-15.40
Credit demands			Net change or gross offerings			
			Current month		Year to date	
			1974	1973	1974	1973
Business loans at commercial banks	July		2.9	3.3	21.3	22.3
Consumer instalment credit outstanding	June		1.1	1.6	5.7	11.0
Mortgage debt outst. (major holders)	May		5.2	5.7	21.7	27.3
Corporate bonds (public offerings)	May		2.3e	1.0	9.7e	4.9
Municipal long-term bonds (gross offerings)	May		2.1e	1.9	10.5e	9.7
Federally sponsored Agcy. (net borrowing)	Aug		.8e	1.6	9.4e	10.8
U.S. Treasury (net cash borrowing)	July		1.83	-.7	-1.6	1.1
Total of above credits			16.2	14.4	76.7	87.1

e - Estimated

DOMESTIC FINANCIAL SITUATION

Monetary aggregates. There was a pronounced retardation in the rates of growth of the monetary aggregates in July. A balanced and substantial slowing of the rate of expansion of both the demand deposit and currency components of M_1 reduced its growth to the lowest rate since January. In recent months, currency and coin had been contributing substantially to growth in M_1 , but in July this component grew at about one-third the 10 per cent pace of the first half.

The slowing in M_1 largely accounted for the downturn in the rate of growth of M_2 , as growth in time and savings deposits other than large CD's declined only moderately. In contrast, the slower growth of M_3 reflected the continuing deterioration of deposit inflows to thrift institutions.

Loan demand at commercial banks was strong in early July, continuing a surge in lending that began in late June. With U.S. Government deposits declining and small time and savings deposits not growing rapidly enough to support the expansion of loans, banks bid aggressively for CD's. Although there are reports of individual banks experiencing difficulty in selling CD's, particularly outside their regional markets, the aggregate figures do not suggest that growth of CD's at banks outside New York and Chicago was retarded materially by investor resistance to regional issuers. In July, outstanding CD's at these banks rose \$2.0 billion on a month-end basis, more than in most other months of 1973 and 1974. With demand for funds strong, rates on CD's rose until mid-month when loan growth slowed and banks lowered their offering rates. In addition, New York City banks borrowed heavily

MONETARY AGGREGATES 1/
(Seasonally adjusted changes)

	1973	1974				
	QIV	QI	QII	May	June	July
	Per cent at annual rates					
M ₁ (Currency plus private demand deposits)	8.9	7.1	7.0	4.7	7.7	.9
M ₂ (M ₁ plus commercial bank time and savings deposits other than large CD's)	11.0	9.9	7.8	5.3	9.7	5.2
M ₃ (M ₂ plus time and savings deposits at mutual savings banks and S&L's)	9.8	9.4	6.5	4.4	7.4	4.4
Adjusted bank credit proxy	3.3	8.5	20.9	16.8	13.3	9.4
Time and savings deposits at commercial banks						
a. Total	6.1	15.6	23.6	22.9	16.1	12.9
b. Other than large CD's	12.6	12.5	8.5	5.8	11.5	9.1

(Billions of dollars)^{2/}

Memoranda:

a. U.S. Government demand deposits	--	-.4	--	-.7	-.1	-1.1
b. Negotiable CD's	-1.3	1.6	5.2	5.8	2.1	2.0
c. Nondeposit sources of funds	--	.4	.6	1.1	-.4	.9

1/ Staff estimates.

2/ Change in average levels month-to-month or average monthly change for the quarter, measured from last month in quarter to last month in quarter, not annualized.

from the Euro-dollar market, taking advantage of relatively low deposit rates at their foreign branches induced by the influx of funds from oil-exporting countries. Growth of the adjusted credit proxy decelerated, but remained high by historical standards.

Bank credit. Growth in total loans and investments at all commercial banks (last Wednesday-of-the-month series, seasonally adjusted) accelerated in July, interrupting the slackening trend that began in April. Loan growth accounted for all of the expansion, with business loans increasing at a 20 per cent rate, nearly as high as in May, and loans to nonbank financial institutions and security loans also registering substantial growth. Banks liquidated a large volume of U.S. Treasury securities in July to acquire funds for lending, but holdings of other securities, which banks had been purchasing in volume in recent months, remained unchanged.

Through most of July, security loans at banks were essentially unchanged, but they ballooned at month-end when the System sold \$2.6 billion in RP's and the Federal Financing Bank sold \$1.5 billion in bills. The increase in security loans to brokers and dealers associated with these sales, which presumably is temporary, contributed almost 4 percentage points to the rate of growth of total loans and investments in July.

The strength in business loans at banks in July represented a continuation of developments that began in late June, when investors became increasingly reluctant to accept the risk of nonprime paper and forced many commercial paper issuers into the banks. Moreover, in late June rates on top-grade commercial paper rose above the prime rate, thus inducing prime borrowers to turn to bank credit as well. Adverse conditions in bond markets during late June and early July also may have

COMMERCIAL BANK CREDIT^{1/}
 (Seasonally adjusted changes at annual percentage rates)

	1973			1974		
	QIV	QI	QII	May	June	July
Total loans and investments ^{2/}	6.3	15.9	11.5	10.2	7.8	13.1
U.S. Treasury securities	-25.5	25.8	6.4	--	8.5	-35.7
Other securities	17.6	6.8	9.1	9.9	13.4	--
Total loans ^{2/}	7.1	17.4	12.7	11.5	6.2	22.4
Business loans ^{2/}	4.6	22.2	23.0	20.9	12.3	-19.7
Real estate loans	15.9	12.2	12.2	13.7	10.7	7.6
Consumer loans	10.1	5.4	4.4	2.9	4.4	4.3

(Average monthly change, billions
of dollars)

Memorandum:

Security loans	--	-.1	-.1	.3	.3	2.2
Loans to nonbank financial institutions	-.3	.8	.5	1.5	-1.5	1.8

^{1/} Last-Wednesday-of-month series except for June and December, which are adjusted to the last business day of the month.

^{2/} Includes outstanding amounts of loans reported as sold outright by banks to their own holding companies, affiliates, subsidiaries, and foreign branches.

caused some corporations to turn to short-term financing at banks, pending improvements in the long-term markets. But more broadly, available data suggest that strength in business borrowing stems from the low rate of internal funds generation in the corporate sector after taxes and adjustment for inventory valuation, further accumulation of inventories, and inflated working capital needs.

Growth in business loans at large New York City banks was extremely rapid in the first half of July, accounting for almost half of the increase at all large banks in that period. After mid-month, however, the large New York City banks reduced their lending to business. Large banks outside New York also expanded their business loans rapidly early in July and only slightly after mid-month. There are reports that the sharp growth in New York in early July reflected, in part, tight lending conditions at regional banks which were reluctant to meet all of the intense demand for loans by issuing CD's or relying on nondeposit sources of funds.

The demand for credit at large banks early in July was centered in manufacturing firms, both durable and nondurable, and public utilities; loans to such firms accounted for almost three-quarters of the growth of business loans at large banks in that period. After mid-month outstanding loans in these categories contracted, as did total business loans. Sales of bankers acceptances also contributed substantially to the decline. Almost the entire contraction of outstanding acceptances was accounted for by sales of acceptances to foreign branches and to the market by one large New York City bank which had acquired a sizeable volume of acceptances early in the month for this purpose.

By month's end, conditions in the commercial paper market had improved as rates declined and spreads between prime and nonprime paper narrowed. During July, dealer-placed paper showed the largest increase since February. Consequently, total short-term business borrowing--borrowing at banks plus issuance of dealer-placed commercial paper--accelerated.

In contrast to growth of dealer-placed commercial paper, there was a run-off of finance company paper. Direct issuers reported that they were encountering investor resistance to declining interest rates at the end of July, and many finance companies turned to bank lines. REIT's continued their recent heavy borrowing at commercial banks, and the increase in bank loans to these and other nonbank financial institutions was the largest of the year. The decline in outstanding directly-issued paper at the end of July largely offset the growth of dealer-placed commercial paper. With bank-related paper growing moderately, total commercial paper outstanding showed little change from the June level.

RATE SPREADS AND CHANGES IN BUSINESS LOANS AND COMMERCIAL PAPER
(Amounts in billions of dollars, seasonally adjusted monthly changes)

	Prime rate less 30-59 day commercial paper rate (per cent)	Business loans at all commercial banks ^{1/}	Dealer placed commercial paper ^{2/}	Total	Annual rate of change in total (per cent)
<u>Average monthly changes</u>					
1973--QIII	--	2.1	.1	2.2	16.1
QIV	--	.6	1.1	1.7	12.3
1974--QI	--	2.9	.4	3.3	23.7
QII	--	3.2	.1	3.3	22.1
1973--Oct.	+ .52	-.1	2.4	2.3	16.7
Nov.	+ .38	1.2	1.0	2.2	15.7
Dec.	-.04	.7	-.1	.6	4.2
1974--Jan.	+ .42	2.0	1.7	3.7	26.0
Feb.	+ .85	1.2	1.6	2.8	19.3
Mar.	-.09	5.6	-2.0	3.6	24.4
Apr.	-.08	4.8	-.2	4.6	30.6
May	+ .39	3.0	.5	3.5	22.7
June	+ .38	1.8	.1	1.9	12.1
July est.	+ .04	2.9	.7	3.6	22.7
<u>Weekly pattern:</u>					
1974--June	5	+ .95			
	12	+ .73			
	19	+ .28			
	26	+ .08			
July	3	-.23			
	10	-.13			
	17	-.25			
	24	+ .05			
	31	+ .55			
Aug.	7	+ .45			

^{1/} Changes are based on last-Wednesday-of-month data and are adjusted for outstanding amounts of loans sold to affiliates.
^{2/} Measured from end-of-month to end-of-month.
^{e/} Estimated.

COMMERCIAL PAPER
(Seasonally adjusted, billions of dollars)

	Monthly or average monthly change ^{2/}					Outstanding
	QI	QII	May	June	July	July 31 1974 e/
Total commercial ^{1/} paper outstanding	1.0	.3	1.1	-.3	.2	45.7
Bank-related	.4	.3	.3	-.1	.1	7.0
Nonbank-related	.6	--	.8	-.1	.1	38.7
Dealer-placed	.4	.1	.5	.1	.8	14.5
Directly-placed	.2	-.2	.3	-.2	-.7	24.1

^{1/} Seasonally adjusted figures are unavailable for bank-related paper. The unadjusted data for bank-related paper are combined with seasonally adjusted nonbank-related data to obtain the total for commercial paper outstanding.

^{2/} Changes shown are changes in levels end-of-month to end-of-month or average monthly change for the quarter, measured from end-of-month in quarter to end-of-month in quarter, not annualized.

e/ Estimated.

Nonbank financial intermediaries. Estimates based on sample data indicate that deposit flows at thrift institutions deteriorated markedly during July, with both mutual savings banks and savings and loan associations experiencing net deposit outflows for the month. After adjustment for seasonal patterns, the S&Ls had a growth rate of about 3.0 per cent and the MSBs an attrition rate of about 1.5 per cent. If universe data confirm the sample results, the combined growth of 2.0 per cent would be the second lowest since January 1970--only marginally above the 1.7 per cent rate in August of last year.

DEPOSIT GROWTH AT NONBANK THRIFT INSTITUTIONS
(Seasonally adjusted annual rates, in per cent)

	Mutual savings banks	Savings and loans associations	Both
1973 - QI	7.0	12.3	10.7
QII	7.1	11.4	10.1
QIII	1.3	4.9	3.8
QIV	5.1	9.3	8.1
1974 - QI	5.2	10.1	8.7
QII <u>p/</u>	1.4	5.4	4.2
May	-0.2	2.9	2.0
June <u>p/</u>	4.4	8.3	7.2
July <u>e/</u>	-1.5	3.0	2.0

p/ Preliminary.

e/ Estimated on the basis of sample data.

At both sets of institutions, disintermediation accelerated during the latter part of the month. At S&Ls, sample data (excluding interest credited) indicate that deposits, after showing no change during the first 10 days of July, declined \$100 million during the second 10 days and \$400 million during the last part of July. At the large New York City MSBs, too, a large portion of the monthly net loss occurred during the final part of the month. Presumably, the July 31 payment date for the Citicorp note and the further irregular advances in some market rates contributed to this pattern of outflows.

During July, FHLB advances to S&Ls increased by about \$900 million--slightly more than the \$800 million average for May

and June. During the first few business days of August, advances continued strong, averaging over \$50 million a day, but the volume has moderated most recently.

Data for the sample of 17 large New York City MSBs show continued deposit losses during the first 5 business days of August-- with this year's loss totaling \$54 million versus a loss of \$18 million a year ago and a record \$170 million net outflow in the comparable July period. Although no early August data are available for S&Ls, the heavy volume of FHLB advances and the large number of noncompetitive tenders at recent Treasury note auctions are suggestive of continuing deposit outflows at these institutions.

The continued high level of interest rates also had an impact on policy loans at life insurance companies. In June, the net increase in policy loans was relatively high--about the same as in May--but remained below the record increases in August and September of 1973. Nevertheless, industry reports suggest that life companies had anticipated increased demand for policy loans and therefore had maintained an adequate level of liquidity to meet it.

Consumer credit. Growth in total consumer credit outstanding slowed in June to a seasonally adjusted annual rate of \$13.8 billion, or 7 1/2 per cent, with smaller gains in both instalment and noninstalment credit. The slowing mainly reflected the decrease in retail sales for the month; increases in nonautomotive consumer goods credit and noninstalment charge account balances were considerably

smaller than in the first 2 months of the second quarter. For the second quarter as a whole, outstanding consumer credit advanced at a \$17.2 billion seasonally adjusted annual rate, more than double the \$8.2 billion rate in the first quarter, but well below the \$26.1 billion peak in the fourth quarter of 1972.

CONSUMER CREDIT

Period	Net change for all lenders <u>1/</u>		Market share of commercial banks <u>2/</u>	
	Total	Instalment	Total	Excluding credit cards
1973 - QI	25.3	24.0	42.6	37.9
QII	24.1	20.0	41.9	36.8
QIII	21.9	21.0	42.3	37.2
QIV	18.8	15.3	42.3	36.7
1974 - QI	8.2	8.8	41.9	35.7
QII	17.2	14.0	41.5	35.2
April	18.0	13.8	41.2	35.1
May	19.7	15.1	41.1	34.7
June	13.8	13.0	42.2	35.7

1/ Billions of dollars, seasonally adjusted annual rate.

2/ Per cent of gross extensions of instalment credit, seasonally adjusted.

The commercial bank share of gross extensions of consumer instalment credit contracted to 41.5 per cent in the second quarter, compared with 41.9 per cent in the first quarter and 42.2 per cent during 1973. If bank credit cards are excluded from the computation, the commercial bank share of the "traditional" instalment credit market showed a somewhat larger decline. Nearly one-fourth of the volume of commercial bank instalment lending so far this year has been

generated by credit cards; in 1973 credit card volume accounted for less than one-fifth of bank credit extensions.

Although developments in the automobile market have had a substantial restraining effect on consumer instalment credit growth, commercial banks have continued to extend more than three-fifths of the automobile loans granted during the first half of 1974. Banks on the West Coast took the lead in lengthening new-car contract maturities beyond 36 months some time ago, but more recently some of the major automobile finance companies also have begun lengthening. Over the past year the proportion of new car contracts with maturities beyond 36 months has been rising steadily, reaching about 8 per cent in May for commercial banks and 7.7 per cent in June for finance companies.

However, the finance company average maturity is held down by the relatively conservative lending policy of the largest company--GMAC; according to confidential data, almost one-fifth of the Chrysler and 15 per cent of the Ford contracts in June had terms over 36 months. Higher prices on the 1975 models are likely to further spur the growth of "extended-maturity" financing, especially if the new models encounter strong buyer resistance.

Meanwhile, delinquency rates on consumer instalment loans at commercial banks continued to rise in June. The percentage of all loans delinquent for 30-89 days rose to 2.37 per cent, seasonally adjusted, from 2.20 per cent in April and 1.75 per cent a year ago. The increase was particularly sharp for personal loans and FHA home improvement loans. Delinquencies on indirect auto loans rose 10 basis points to 2.09 per cent.

Short-term interest rates, Private short-term interest rates

have declined significantly on balance since the July FOMC meeting, responding mainly to a substantial easing in the Federal funds market. Early in the intra-meeting period, bank CD and commercial paper rates had fallen as much as 100 to 125 basis points. But as the funds rate has tended to stabilize around 12 to 12.25 per cent in the past couple of weeks, these rates moved back into closer alignment with the funds rate and at present are about 1/2 to 3/4 of a percentage point below their mid-July levels.

SELECTED SHORT-TERM INTEREST RATES
(Per cent)

	Daily rates						
	1973			1974			
	Aug.-Sept. Highs	Feb. lows	July FOMC July 16	July 23	July 30	Aug. 6	Aug. 13
Treasury bills							
3-months	9.05	6.93	7.53	7.45	7.84	8.65	8.73
6-months	9.00	6.80	7.81	7.58	8.37	8.64	8.74
1-year	8.50	6.37	7.75	7.68	8.33	8.41	8.51
Commercial paper							
1-month	10.38	8.13	12.25	11.88	11.25	11.63	11.63
90-119 days	10.50	7.75	12.25	11.88	11.25	11.63	11.75
4-6 months	10.50	7.50	12.00	11.25	11.13	11.50	11.63
Large negot. CD's ^{1/}							
3-months	11.05	7.85	12.50	11.90	12.00	12.15	12.20
6-months	11.00	7.50	11.75	11.25	11.50	12.00	12.00
Federal agencies							
1-year	9.49	7.01	9.38	9.23	9.22	9.49	n.a.
Bank prime rate							
	10.00	8.75	12.00	12.00	12.00	12.00	12.00
	Statement week ended						
			July 17	July 24	July 31	Aug. 7	Aug. 14 ^{2/}
Federal funds rate (weekly average)	(10.84)	(8.81)	13.04	12.60	12.29	12.09	12.03

^{1/} Highest quoted new issues.

^{2/} Average for first five days of the statement week.

In contrast to the easing in private short-term markets, significantly tighter conditions have developed in the Treasury bill market in the past few weeks. After having been relatively depressed by the strong technical condition of the market and by investor preferences for top quality instruments, bill rates have advanced 125 to 150 basis points since the last FOMC meeting largely in response to an influx of additional supplies to the market. During this period, the Treasury has auctioned \$1.5 billion of September tax anticipation bills and \$1.5 billion of 9-month Federal Financing Bank bills--the first security offering of this institution--and has added \$200 million to the August 5 and August 12 weekly bill auctions. Some of these issues apparently received a mixed reception from investors, and dealer positions in short-term Treasury bills (which include the Federal Financing Bank issue) have increased from a nominal level for the statement week encompassing the July FOMC meeting to an average of somewhat more than \$2.0 billion in the latest statement week.

Upward pressures on bill rates have been generated by prospective as well as actual additions to supply. Under-Secretary Bennett has indicated that unless the Arab oil countries begin to acquire special issues from the Treasury, the Treasury will need to raise around \$3.5 billion in the market before September 15 and that such financing probably would be centered in the Treasury bill market. Part of this financing need is being covered by the ongoing expansion of the weekly bill auction and the remainder may be in the form of a short-term tab or a strip of bills.

Treasury coupon market. Yields on Treasury coupon issues also have

risen significantly on balance since the mid-July meeting. At that time, such yields were low relative to those on corporate and municipal bonds, reflecting the net short dealer positions in coupon issues and investor anticipations that investments in Treasury special issues by OPEC nations might result in some net debt retirement in conjunction with the August 15 refunding. But such investments failed to materialize, and a full rollover of the \$4.3 billion of publicly held debt maturing on August 15 became necessary. Consequently, coupon rates began to rise, and this upward movement was reinforced by the Treasury announcement of a financing package designed to extend the average maturity of its debt.

YIELDS ON TREASURY COUP. N ISSUES
(Per cent)

	Aug.-Sept. highs	Feb. lows	July FOMC July 16	July 23	July 30	Aug. 6	Aug. 13(p)
Constant maturities							
5-years	8.13	6.72	8.42	8.15	8.47	8.53	8.60
10-years	7.58	6.93	7.88	7.79	7.89	7.97	8.08
20-years	7.83	7.41	8.32	8.22	8.32	8.51	8.63

Details on the three securities auctioned by the Treasury are presented in the following table. The high coupon rate offered on all three securities proved very attractive to individuals. Altogether non-competitive awards amounted to roughly half of the \$4.4 billion of new securities issued, a record participation by non-competitive bidders. Dealers were awarded about \$1.3 billion of the new issues and have

met with reasonable success in distributing them, reducing their holdings at present to about \$1.0 billion.

AUGUST REFUNDING

Issue	Amount (\$bil.)	Maturity	Coupon (per cent)	Awards		Yield	
				Non-competitive (\$ bil.)	Dealers (\$ mil.)	Auction average (per cent)	Current (per cent)
Note	2.25	33 mos	9.0	1.4	517	8.59	8.56
Note	1.75	6 yrs.	9.0	.8	545	8.75	8.65
Bond	.4	24-3/4 yrs.	8.50	.04	241	8.63	8.67

Long-term securities markets. Long-term rates after fluctuating in July declined slightly in early August. Although yields still are at historically high levels, the market atmosphere has improved since early July when long-term rates were rising rapidly and the market was dominated by fears that more companies would reveal financial problems similar to those of Franklin National and Consolidated Edison. Issues in the corporate market have been selling well, and the rate of postponement of prospective offerings has let up from the heavy pace of late June and early July.

SELECTED LONG-TERM INTEREST RATES

		New Aaa utility bonds ^{1/}	Recently offered Aaa utility bonds ^{1/}	Long-term State and ^{2/} local bonds ^{2/}	U.S. Government bonds (10-year constant maturity)
1970 - High		9.43 (6/19)	9.20 (6/26)	7.12 (5/28)	8.06 (5/29)
Low		7.72 (12/11)	8.16 (12/18)	5.33 (12/10)	6.29 (12/18)
1971 - High		8.26 (7/30)	8.23 (1/1)	6.23 (6/24)	6.89 (7/20)
Low		7.02 (2/5)	7.17 (12/31)	4.97 (10/21)	5.87 (1/14)
1972 - High		7.60 (4/21)	7.49 (4/21)	5.54 (4/13)	6.58 (9/27)
Low		6.99 (11/24)	7.15 (12/1)	4.96 (12/7)	5.87 (1/14)
1973 - High		8.52 (8/10)	8.32 (8/10)	5.59 (8/3)	7.55 (8/10)
Low		7.29 (1/12)	7.28 (1/5)	4.99 (10/11)	6.42 (1/3)
1974 - High		10.30 (8/2)	10.28 (8/2)	6.95 (7/12)	7.98 (8/9)
Low		8.05 (2/6)	8.13 (1/4)	5.16 (2/7)	6.93 (2/15)
July	5	--	9.79	6.64	7.68
	12	10.25	10.16	6.95	7.82
	19	10.11	10.02	6.78	7.88
	26	--	10.09	6.34	7.77
Aug.	2	10.30	10.28r	6.70	7.90
	9	9.82p	10.16p	6.58p	7.98p

^{1/} FRB series.^{2/} Bond Buyer.

p/ Preliminary.

r/ Revised.

The rise in interest rates over the past few months and the market's preference for higher quality issues have prompted increased caution on the part of underwriters. Most issues coming to market now receive only one or two bids, whereas in previous years they would typically receive three, and individual syndicate members generally are taking down smaller proportions of each offering. In response to this phenomenon the SEC recently has released for comment a proposal to suspend the requirement for competitive bidding on common stock issues of public utility holding companies. Specific exceptions still will have to be obtained for preferred stock and debt issues, and many companies are requesting these. Recently, both Columbia Gas and Georgia Power successfully executed negotiated offerings that had been postponed in early July due to a lack of bids.

Stock prices have fluctuated considerably during the last six weeks. They reached their lowest levels since 1971 at the end of July, but currently are at about the same level as the time of the last FOMC meeting. Trading volume has been averaging about 12 million shares a day.

The volume of corporate security offerings in July was substantially less than previously expected, as rising bond rates at the beginning of the month precipitated almost \$700 million of postponements, cancellations, and reductions in size of prospective bond issues, mostly of utilities and financial firms. In recent weeks several more utilities have announced cut-backs in proposed

plans for capital expansion, and two industrial firms, Ford and Goodyear, also made similar announcements.

The volume of corporate security offerings is expected to be unseasonably heavy in August and to remain so in September, mainly because of continued demand for public bond financing. Long-term, fixed rate instruments are making up a smaller proportion of the total bond calendar and issuers are showing continued interest in attracting individual investors into the bond market. The calendar for August includes \$475 million of fixed rate, intermediate maturity offerings, which averaged \$350 million per month in the first half of the year, and \$675 million of floating rate notes, which first appeared in July.

Increased policy loans and the desire for liquidity by life insurance companies are expected to keep the volume of private placements relatively low, and unfavorable market conditions also have kept the volume of prospective stock offerings at low levels.

CORPORATE AND MUNICIPAL LONG-TERM SECURITY OFFERINGS
(Monthly or monthly averages, in millions of dollars)

	1973	1974				
	Year	1st Half e/	QIII f/	July	Aug.	Sept.
Corporate securities -						
Total	2,779	3,011	3,001	2,900	2,900	3,200
Public bonds	1,125	1,952	2,067	2,100	2,100	2,000
Privately placed bonds	725	507	467	400	400	600
Stock	929	552	467	400	400	600
State and local government securities	1,942	2,095	1,600	1,400	1,700	1,700

e/ Estimated.

f/ Forecast.

Issuance of bonds by State and local governments was substantially less than expected in July, as the rise in yields early in the month prompted \$526 million of postponements of scheduled offerings, and there were virtually no new additions to the calendar during the month. Some of these postponements were due to legislated interest rate ceilings, but underwriters report that many prospective issuers still have relatively good cash positions and can easily afford to delay financing in an unfavorable market. Also, an increasing proportion of the calendar has consisted of pollution control bonds and other types of revenue issues which are particularly rate sensitive. The volume of municipal offerings is expected to increase somewhat in August and September but still remain below the monthly average in the first half of the year.

Mortgage market. Reflecting the expansion in commitment activity last fall and early this year, seasonally-adjusted net mortgage debt formation in the second quarter rose to an annual rate of \$65 billion--up \$7 billion from the recent low in the fourth quarter of 1973. However, the net expansion of mortgage debt at private financial intermediaries--particularly the nonbank thrift institutions--slowed markedly in the latter part of the quarter while direct and indirect support by Federal and related agencies increased. Net purchases of mortgages by both FNMA and FHLMC were at record levels in May and June, and net advances to S&Ls by the FHLBanks were quite high for the quarter.

Seasonally adjusted new mortgage commitments at S&L's declined substantially in June for the second consecutive month, and by the end of June outstanding commitments had dropped to the lowest level in over 2 years. Preliminary data indicate that both new and outstanding commitments declined further in July. Furthermore, S&L's continued to report funds in short supply in all 12 of the FHLBank Districts through the first week of August.

Average contract interest rates on new commitments for 80 per cent conventional home loans at selected S&L's rose by 36 basis point from early July to a level of 9.50 per cent by August 7. These rates have now reached as much as 10 per cent on the West Coast where state usury ceilings are relatively liberal.^{1/} However, home mortgage yields in most areas of the country have remained below yields on new issues of high-grade utility bonds, and thus investment in home mortgages has continued to be relatively unattractive to diversified lenders.

Offerings in the August 12 FNMA purchase commitment auction remained modest, and average yields on accepted bids rose to 10.12 per cent on FHA/VA mortgages and to 10.16 per cent on high loan-to-value

^{1/} Sixteen states currently have interest rate ceilings of 9-1/2 per cent or less, and an additional 17 states have ceilings of 10 per cent; California has a 10 per cent ceiling but exempts loans closed by banks and S&L's. Illinois raised its usury ceiling from 8 to 9-1/2 per cent on July 15--a factor partly responsible for the large jump in the series on average rates during that week. The ceiling in the District of Columbia was raised to 10 per cent from 8 per cent, effective August 1.

CONVENTIONAL HOME MORTGAGES
AT 120 'S&L's

	Average going rate on 80% loans (per cent)	Basis point change from month or week earlier	Spread ^{1/} (basis points)	Number of Federal Home Loan Bank districts with funds in short supply
<u>1973</u> - High	8.85 (9/28)	--	107 (9/12)	12 (Aug.-Sept.)
Low	7.43 (1/26, 2/2, 2/9)	--	- 12 (8/8)	0 (Jan.-Mar.)
<u>1974</u>				
Jan.	8.52	- 4	27	4
Feb.	8.42	-10	32	0
Mar.	8.41	- 1	-23	0
Apr.	8.73	+32	-25	6
May	9.03	+30	- 6	12
June 7	9.06	+ 3	-17	11
14	9.11	+ 5	-17	12
21	9.07	- 4	-42	12
28	9.10	+ 3	-40	11
July 5	9.14	+ 4	n.a.	12
12	9.19	+ 5	-106	12
19	9.37	+18	-74	12
26	9.42	+ 5	n.a.	12
Aug. 2	9.47	+ 5	-83	12
9	9.50	+ 3	-32	12

^{1/} Average mortgage return before deducting servicing costs minus average yield on new issues of Aaa utility bonds paying interest semi-annually and with 5-year call protection. Mortgage yields shown may be converted to equivalents of semi-annual interest investments by adding 16 basis points to the gross yields between 8.59 and 8.85 per cent, and 17 basis points to yields above this level.

ratio conventional home mortgages. Negotiated purchases of FNMA's one-year convertible standby commitments have remained rather low recently despite the record-high auction yields. Field reports suggest that, in addition to low current and expected levels of new-loan production, most warehoused loans have already been committed. In order to bring nominal rates on Federally-underwritten mortgages closer in line with the market, the maximum contract interest rate on FHA and VA loans was raised by administrative action to 9-1/2 per cent from 9 per cent, effective August 14.

The decline in use of FNMA support has come at a time when activity under the FHLMC, FHLB, and GNMA subsidy programs announced by the Administration in May has remained strong. By mid-July, the FHLMC had issued commitments for the entire \$3 billion authorized for purchase of 8-3/4 per cent mortgages; actual purchase of the loans is scheduled to begin August 20. The new program of subsidized FHLBank advances has been proceeding at about the scheduled pace of \$500 per month. Activity under the GNMA Tandem Plan, which has been quite sluggish relative to the other subsidy programs, picked up somewhat in July as GNMA issued commitments to purchase below-market-rate mortgages on about 22,000 units; the unused authorization under this program amounts to about 175,000 new units. One reason for the small pickup might be the policy announced near the end of June to accelerate the purchase of mortgage by GNMA--thus allowing mortgage originators to lower their costs at a time of record-high warehousing interest rates.

FNMA AUCTION RESULTS
HOME MORTGAGE COMMITMENTS

	Government-underwritten			Conventional		
	Amount (in millions of dollars)		Yield to FNMA	Amount (in millions of dollars)		Yield to FNMA
	Offered	Accepted		Offered	Accepted	
1973 - High	551 (9/3)	289 (9/3)	9.37 (9/17)	171 (8/20)	88 (4/16)	9.68 (9/17)
Low	25 (10/15, 11/26)	17 (10/15)	7.69 (1/8)	9 (10/1)	7 (10/1)	7.84 (1/2)
1974 - Mar. 11	351	285	8.44	74	50	8.47
25	1,154	333	8.62	126	34	8.64
Apr. 8	1,061	267	8.95	164	63	9.00
22	334	169	9.18	80	41	9.21
May 6	256	111	9.34	74	30	9.44
20	218	83	9.48	41	24	9.63
June 3	85	72	9.54	26	21	9.70
17	39	32	9.54	22	11	9.69
July 1	272	103	9.65	40	24	9.76
15	380	194	9.90	60	30	9.90
29	152	73	9.98	37	18	10.02
Aug. 12	208	98	10.12	46	19	10.16

NOTE: Average secondary market yields are gross before deduction of the fee of 38 basis points paid for mortgage servicing. They reflect the average accepted bid yield for home mortgages assuming a prepayment period of 12 years for 30-year loans, without special adjustment for FNMA commitment fees and FNMA stock purchase and holding requirements on 4-month commitments. Mortgage amounts offered by bidders relate to total bids received. The maximum size of competitive offers was \$3 million in all but the March 25 and April 8 auctions when the maximum was suspended.

Agricultural finance. According to revised Department of Agriculture estimates, net farm income in the last half of 1973 rose much more rapidly than previously indicated and has since dropped more sharply. At seasonally adjusted annual rates, gross farm receipts declined by 9 per cent between the fourth quarter of 1973 and the second quarter of 1974, farm production expenses rose by 8 per cent, and net farm income declined by 37 per cent.

FARM INCOME

	1971	1972	1973	Q4 1973	Q1 1974	Q2 1974
				(SAAR)		
Total (billions of dollars):						
Gross income	60.6	69.9	97.0	106.7	105.0	98.4
Production expenses	47.6	52.4	64.7	69.0	72.1	74.5
Net income	14.4	18.4	36.2	42.7	36.9	26.9
Net income per farm (dollars)	4,957	6,409	12,743	15,250	13,180	9,610

The upward revision of last fall's farm income helps to explain previously-reported sharp increases in farm capital expenditures and land prices--such as the 12 per cent jump in land prices during the first quarter of 1974 reported by Seventh District rural bankers. An active farm land market and higher production expenses combined to produce continued rapid increases in farm borrowing through the first half of this year.

NET CHANGE IN OUTSTANDING FARM DEBT
(First half of year)

	1966-70 average	1971	1972	1973	1974
	<u>Net change (millions of dollars)</u>				
Production credit associations	642	904	716	857	1,238
Federal Land Banks	373	393	516	984	1,229
	<u>Percentage change</u>				
Production credit associations	18.6	17.6	11.7	12.9	15.8
Federal Land Banks	7.0	5.5	6.5	10.8	11.2

In contrast to the relative stability typically exhibited by farm loan interest rates at rural banks, there were sharp increases in both the first and second quarters of 1974, but average farm loan rates at rural banks remained well below those at larger banks. Federal Land Bank variable billing rates on both new and outstanding farm real estate loans--based on the average cost of funds to the Land Banks--also continued well below money market rates.

AVERAGE INTEREST RATES ON NEW FARM LOANS

	July 1 1970	July 1 1972	July 1 1973	April 1 1974	July 1 1974
(per cent)					
Rural commercial banks:					
Chicago F. R. District:					
Feeder cattle loans	7.78	7.44	7.69	8.30	8.60
Real estate loans	8.00	7.61	7.81	8.39	8.60
Minneapolis F. R. District:					
Short-term loans	8.38	8.03	8.18	8.53	8.82
Intermediate-term loans	8.49	8.13	8.26	8.65	9.05
Long-term loans	8.46	7.90	8.05	8.43	8.70
Banks reporting for G.10 release: ^a					
Feeder cattle loans	N.A.	7.34	8.61	9.69	10.48 ^b
Other production loans	N.A.	7.55	8.35	9.30	9.73 ^b
Production credit associations ^c	N.A.	7.07	8.16	9.34	9.55
Federal Land Banks ^c	8.67	7.42	7.35	7.83	8.06
Life insurance companies ^d	9.48	8.32	8.49	9.00	N.A.

a/ Mostly larger commercial banks, most common rates in first week of month.

b/ Data for June 1974.

c/ Simple averages estimated by Federal Reserve Board staff. Federal Land Bank rates are not adjusted for required purchase of stock.

d/ Average rate on farm mortgage commitments in the quarter ending the day before date shown.

The July 1 surveys of rural banks in the Chicago and Minneapolis Districts reflected these underlying developments. The bankers anticipated further increases in demand for certain non-real-estate loans, particularly in the crop production and storage areas, but declines for cattle feeder machinery, and real estate loans. The bankers reported that the rate of farm loan repayments was falling from its high year-end level, and that loan renewals were rising. The availability of funds at rural banks had been reduced and measures of their degree of tightness--such as the proportion of banks with a loan/deposit ratio higher than desired or the proportion seeking new farm loan accounts--were moving rapidly toward their 1970 levels.

Federal finance. For the current fiscal year, we now project unified budget receipts of \$294.8 billion and outlays of \$304.5, resulting in a deficit of \$9.7 billion. Our estimate of Federal spending has been increased beginning in the spring of 1975 to reflect a larger public employment program than assumed previously. Expenditures under this program are now expected to reach a level of \$4.0 billion--at annual rates--by the second quarter of 1975. However, the effect of recent House and Senate Committee action that could possibly reduce defense spending in fiscal 1975 has not been incorporated in our projection. During the fiscal year just ended, the unified budget deficit was \$3.5 billion.

It may be noted that the recent revisions in the NIA accounts show a considerably lower effective tax rate for corporations and a slightly lower one for individuals. For the first quarter of 1974, for instance, the effective Federal tax accrual rate on corporate profits has been reduced from 37 to 34 per cent, while the rate on personal income (excluding transfer income) went from 12.7 to 12.6 per cent. Various components of the NIA revisions also have affected our estimate of the high-employment budget, which now shows a \$1.6 billion deficit for calendar 1974 as compared to a \$3.0 billion surplus in the July Greenbook. The high employment budget still shows a large move toward fiscal restraint by the first half of 1975, when a surplus of \$12 billion is projected. While the high employment budget exaggerates the degree of discretionary restriction because inflation blows-up high employment receipts, the staff's measure cited above partially corrects for this bias.

The staff and conventional measures of the high employment budget are compared in the text-table below.

The percentage change in (nominal) Federal expenditures is also a useful measure of fiscal impact, particularly at this time, because there are no significant tax changes--other than the social-security wage base increase--during the projected period. Following an 8 per cent rise in calendar 1973, Federal spending (NIA basis) grew at an unusually rapid annual rate of 14.8 per cent in the first half of calendar 1974, and is expected to continue to grow at the same rate in the last half. In the first half of 1975, however, growth in spending is expected to slacken to a 10.3 per cent annual rate. The higher growth rates during 1974 are partly due to two recent social security benefit hikes. The next hike is scheduled for July 1975.

PROJECTED HIGH-EMPLOYMENT SURPLUS
(Billions of dollars, annual rates)

	Calendar year halves			
	1973-H2	1974-H1	1974-H2	1975-H1
Staff estimate <u>1/</u>	-4.5	-3.0	-.1	12.1
Conventional measure	5.3	9.9	11.8	19.7

1/ Adjusted to remove a large part of the impact of expected inflation.

Recently, the House Ways and Means Committee made some tentative decisions on tax reform measures whose net effect would raise revenues by \$.5 billion. Final Committee action is expected sometime

in September. Among other proposals the bill includes: (1) increases in the low-income allowance and the standard deduction, (2) a series of changes regarding itemized deductions, (3) a sliding-scale effective tax rate on long-term capital gains designed to "unlock" investors, and (4) a completely new form of the "minimum tax" which would increase revenues somewhat. In addition to these reforms, the package contains a modified version of the "Oil and Gas Energy Tax Act of 1974", which the Committee approved earlier but did not send to the House because of procedural disputes. The revised version would speed up the removal of depletion allowances. Due to uncertainty about the prospects for passage of this legislation, present staff receipts estimates include only the revenue effects of the energy-tax bill which are also contained in the Administration's June estimate.

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	July ^e	Aug	Sept.	Oct.
Total net borrowing	1.8	2.0	2.0	1.5
Weekly and monthly bills	.8	1.2	--	--
Tax bills	--	1.5	-1.5	--
Coupon issues, net	--	.1	--	--
As yet unspecified new borrowing	--	--	3.5	--
Special foreign series	-.6	-.8	--	--
Budget agency transactions with the public	--	--	--	--
Net Federal Financing Bank transactions with the public	1.5	--	--	1.5
Debt repayment	.1	--	--	--
Plus: <u>Other net financial sources</u> a/	-.3	-1.5	--	-.1
Plus: <u>Budget surplus or deficit</u> (-)	-4.2	-1.7	3.5	-6.0
Equals: <u>Change in cash balance</u>	-2.7 ^{b/}	-1.2	5.5	-4.6
Memoranda: Level of cash balance, end of period	6.5 ^{b/}	5.3	10.8	6.2
Derivation of budget surplus or deficit:				
Budget receipts	20.9	23.7	28.5	19.5
Budget outlays	25.1	25.4	25.0	25.5
Maturing coupon issues held by public	--	4.3	1.8	--
Net borrowing by government-sponsored agencies	3.0	.8	2.5	1.5

e--estimated.

a/ Checks outstanding less checks paid and other accrual items.

b/ Actual

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

	Fiscal Year 1974 *	Fiscal 1975 e/		Calendar Years		F.R.B. Staff Estimates						
		Adm. Est. 5-30-74	F.R. Board	1973 Actual	1974 FRB e/	Calendar Quarters				1975		
						1974	1974	1974	1974	I	II	
						Unadjusted data						
Federal Budget												
Surplus/deficit	-3.5	-11.4	-9.7	-7.9	-7.3	-7.1	9.7	-2.4	-7.5	-7.0	-7.2	
Receipts	264.8	294.0	294.8	250.4	280.9	60.5	80.1	73.1	67.2	66.5	88.0	
Outlays	268.3	305.4	304.5	258.3	288.2	67.6	70.4	75.5	74.7	73.6	80.8	
Means of financing:												
Net borrowing from the public	3.0	n.a.	12.0	7.9	9.2	3.4	-6.4	5.8	6.4	2.0	-2.2	
Decrease in cash operating balance	3.4	n.a.	2.6	.7	2.6	2.0	-.8	-1.6	3.0	4.2	-3.0	
Other <u>1/</u>	-2.9	n.a.	-4.8	-.7	-4.5	1.7	-2.5	-1.8	-1.9	.8	-1.9	
Cash operating balance, end of period	9.2	n.a.	6.6	10.4	7.8	8.4	9.2	10.8	7.8	3.6	6.6	
Memo <u>2/</u> : Sales of financial assets to the public <u>3/</u>												
Borrowing from the public: <u>4/</u>	1.5	n.a.	5.7	3.6	4.1	.1	.4	1.8	1.6	1.2	1.1	
Budget agency	1.3	n.a.	n.a.	-.1	4.8	.4	.1	--	2.8	n.e.	n.e.	
Federal Financing Bank	--			--		--	--	1.5				
Treasury borrowing, net	1.7	n.a.	n.e.	8.1	4.4	3.0	-6.3	4.3	3.6	n.e.	n.e.	
Sponsored agency borrowing <u>5/</u>	14.9	n.a.	n.e.	16.3	15.6	--	5.6	6.3	3.7	n.e.	n.e.	
National Income Sector						Seasonally adjusted, annual rates						
Surplus/deficit	-3.5e	-12.8	-12.1	-5.6	-4.7	-1.5	-1.7	-5.5	-10.0	-12.6	-17.7	
Receipts	273.1	6/304.3	302.2	6/258.5	291.6	279.4	289.5	296.8	300.8	305.3	308.2	
Expenditures	276.6	317.1	314.3	264.2	296.3	281.0	291.2	302.3	310.8	317.9	325.9	
High Employment surplus/deficit (NIA basis) <u>7/</u>	-3.8	n.a.	6.0	-6.6	-1.6	-3.0	-3.1	-2.9	2.8	9.3	14.8	
* Actual	e--projected	n.e.--not estimated		n.a.--not available					p--preliminary			

Footnotes continued

- 1/ Includes such items as deposit fund accounts and clearing accounts.
- 2/ The sum of sponsored and budget agency debt issues, financial asset sales, and borrowing by the Federal Financing Bank does not necessarily reflect the volume of debt absorbed by the public, since both the sponsored and budget agencies acquire a portion of these issues. Most of the market activities of budget agencies are expected to be handled by the Federal Financing Bank in fiscal year 1975.
- 3/ Includes net sales of loans held by the Government National Mortgage Assn., Federal Housing Adm., and Veterans Adm. Receipts from these sales are netted against Federal Budget Outlays shown above.
- 4/ Budget agencies such as U.S. Postal Service, Export-Import Bank, and Tennessee Valley Authority, borrow directly from the public or from the Federal Financing Bank. The Federal Financing Bank in turn borrows from the public or from the Treasury. To avoid double counting only net borrowing from the public is shown in the table.
- 5/ Federally-sponsored credit agencies, i.e., Federal Home Loan Banks, Federal National Mortgage Assn., Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives.
- 6/ Quarterly averages exceed fiscal year total by \$1.7 billion for fiscal 1974 and \$.6 billion for fiscal 1975 due to spreading of wage base effect over calendar year.
- 7/ Estimated by F.R. Board Staff.

INTERNATIONAL DEVELOPMENTS

Second quarter data
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8/14/74

U.S. Balance of Payments
 (In millions of dollars; seasonally adjusted)

	1973		1974p/		
	YEAR	1Q	2Q	MAY*	JUNE*
<u>Goods and services, net 1/</u>	14,388	2,727			
Trade balance 2/	470	-74	-1,709	-996	-573
Exports 2/	70,277	22,299	24,023	7,510	8,363
Imports 2/	69,807	-23,373	-25,732	-8,506	-8,936
Service balance	3,918	2,801			
<u>Remittances and pensions</u>	-1,943	-396			
<u>Govt. grants & capital, net</u>	-3,472	-1,183			
<u>U.S. private capital (- = outflow)</u>	-14,101	-7,391			
Direct investments abroad	-4,872	-220			
Foreign securities	-807	-647	-350	-65	-101
Bank-reported claims -- liquid	-1,103	-2,248	-1,197	-1,477	-180
" " " other	-4,773	-2,983	-6,113	-1,628	-2,524
Nonbank-reported claims -- liquid	-841	-412	131	-86	61
" " " other	-1,704	-881			
<u>Foreign capital (excl. reserve trans.)</u>	12,444	6,822			
Direct investments in U.S.	2,537	1,127			
U.S. corporate stocks	2,758	376	5	-19	8
New U.S. direct investment issues	1,223	25	50		
Other U.S. securities (excl. U.S. Treas.)	70	296	277		
Liquid liabilities to:	4,436	4,573	2,852	2,590	961
Commercial banks abroad	2,978	4,589	1,954	2,216	555
Of which liab. to branches 3/	(309)	(3,381)	(-1,165)	(1,758)	(-970)
Other private foreign	1,082	577	606	120	244
Intl. & regional organizations	376	-593	292	254	162
Other nonliquid liabilities	1,420	426			
<u>Liab. to foreign official reserve agencies</u>	5,095	-836	4,849	796	2,030
<u>U.S. monetary reserves (increase, -)</u>	209	-210	-358	-219	-76
Gold stock	--	--	--	--	--
Special drawing rights	9	--	-29	3	-32
IMF gold tranche	-33	-209	-244	-165	-16
Convertible currencies	233	-1	-85	-57	-28
<u>Errors and omissions</u>	-2,620	465			
<u>BALANCE (deficit -)</u>					
Official settlements, S.A.		1,044	-4,491		
" " , N.S.A.	-5,304	1,488	-4,104	-577	-1,954
Net liquidity, S.A.		-869	-6,277		
" " , N.S.A.	-7,796	-48	-6,695	-1,604	-2,796
Liquidity, S.A. 4/		-3,529	-7,343		
" " , N.S.A.	-9,740	-2,850	-7,810	-3,167	-2,915
Basic balance, S.A.		2,065			
" " , N.S.A.	-744	2,453			

* Monthly, only exports and imports are seasonally adjusted.

1/ Equals "net exports" in the GNP, except for latest revisions.

2/ Balance of payments basis which differs a little from Census Basis

3/ Not seasonally adjusted.

4/ Measures by changes in U.S. monetary reserves, all liabilities to foreign official reserve agencies and liquid liabilities to commercial banks and other foreigners.

 INTERNATIONAL DEVELOPMENTS

Foreign exchange markets. The weighted average exchange value of the dollar has increased on balance by more than 1 per cent from its level four weeks ago. The dollar held steady in July, but has moved up sharply during the past two weeks.

 WEIGHTED AVERAGE EXCHANGE RATE CHANGES
 (from May, 1970 Parities)

	U.S. Dollar	German Mark	Italian Lira	Japanese Yen
<u>Monthly aves.</u>				
Oct.	-21.5	31.0	-9.2	13.5
Jan.	-11.5	22.0	-13.0	11.0
April	-17.3	30.3	-16.1	13.4
June	-17.0	30.5	-18.1	11.2
July	-16.9	29.0	-17.1	8.0
<u>Weeks ended:</u>				
Aug. 7	-16.5	28.3	-17.3	4.6
14	-15.8	27.6	-17.6	4.8

Exchange market activity, in both the spot and forward markets, has recovered from the precipitous decline that accompanies the Herstatt Bank failure. Volume is now reported to be averaging 75 per cent of the pre-Herstatt levels, with the decline in volume confined to non-commercial transactions.

The upward movement in the dollar began with release of June U.S. trade figures which showed a decline in the trade deficit from May.

In the past week and a half, the dollar was further strengthened by market anticipations that the political turmoil surrounding the office of the President would soon be resolved. The inaugural commitments by President Ford to combat inflation have also increased market confidence in the dollar.

The System has taken advantage of the strengthened position of the dollar and has repaid over \$200 million in swap drawings on the Bundesbank in the past two weeks.

Since the closure of the Herstatt Bank on June 26, the German mark has declined gradually but steadily in exchange markets. Downward pressure on the mark resulted from a larger than expected reduction in the German trade surplus and from activity by German banks to cover their short dollar positions in advance of the July 31 reporting date on their net external position to the Bundesbank. To moderate the decline in the mark, the Bundesbank has sold nearly \$200 million since mid-July and has intervened with substantial sales of Belgian francs and guilders. The Netherlands Bank and the National Bank of Belgium have also intervened with purchases of marks to keep the snake within its agreed upon margins.

After gaining strength in July, the Italian lira has depreciated in the past two weeks and the Bank of Italy has already sold over \$150 million in August. The Bank of Italy purchased \$445 million in July. The major factor contributing to the strength of the lira in July had been heavy Euro-dollar borrowing by Italian banks. This source of strength evaporated when the Bank of Italy instructed the banks not to increase their net foreign liabilities.

The weighted average exchange value of the Japanese yen has dropped sharply during the past four weeks. Since the beginning of July, the yen has depreciated by nearly 5 per cent and it has declined more than 8 per cent since April. The yen has weakened as both U.S. and Euro-dollar banks have been reluctant to increase their dollar loans to the Japanese and as Japanese officials have also discouraged such borrowing. To accommodate the commercial banks needs for dollars, the Japan Ministry of Finance has deposited substantial amounts of dollars with the commercial banks. In addition, quotas have been raised on the quantities of yen that foreign banks operating in Japan can hold.

Euro-dollar market. Euro-dollar interest rates have declined from their peaks of mid-July. The decline has been uneven among maturities, however, as overnight rates fell much more than three-month rates. The former have fallen about 2 percentage points from their highs, while the latter have declined by less than one per cent. This shift in the term structure was also reflected in U.S. domestic money market rates, as can be seen from the table on the next page.

U.S. banks' liabilities to their own foreign branches rose by some \$800 million on a daily average basis from the week ended July 10 to the week ended August 7, with all of the rise occurring around mid-July. This increase resulted from substantial downward pressures on very short term Euro-dollar rates associated with the investment of large amounts of funds in that market by OPEC countries. Borrowings from their head offices abroad by U.S. agencies and branches of foreign banks also surged during July and early August.

SELECTED EURO-DOLLAR AND U.S. MONEY MARKET RATES

Average for month or week ending Wednesday	(1) Over-night Euro-\$	(2) Federal Funds	(3) Differential (1)-(2)(*)	(4) 3-month Euro-\$ Deposit	(5) 60-89 day CD rate	(6) Differential (4)-(5)(*)
1974-Apr.	9.73	10.47	-0.74 (0.11)	10.48	10.05	0.43 (0.47)
May	10.94	11.32	-0.38 (0.57)	11.70	10.88	0.82 (0.89)
June	11.40	11.75	-0.35 (0.64)	12.04	11.08	0.96 (1.04)
July	12.18	12.88	-0.70 (0.36)	13.52	11.70	1.82 (1.98)
1974-July 10	13.42	13.32	0.10 (1.27)	13.80	12.00	1.80 (1.96)
17	12.23	13.04	-0.81 (0.25)	14.02	11.88	2.14 (2.33)
24	11.02	12.60	-1.58 (-0.62)	12.87	11.50	1.37 (1.49)
31	11.31	12.29	-0.98 (0.00)	13.31	11.50	1.81 (1.97)
Aug. 7	11.21	12.06	-0.85 (0.12)	13.60	11.63	1.97 (2.14)
14 ^{p/}	11.40	12.06	-0.66 (0.33)	13.19	11.63	1.56 (1.70)

*/ Differentials in parentheses are adjusted for the cost of required reserves.
p/ Preliminary

SELECTED EURO-DOLLAR AND U.S. COSTS FOR PRIME BORROWERS
(1974; Friday dates)

	<u>July 12</u>	<u>July 26</u>	<u>Aug. 2</u>	<u>Aug. 9</u>
1) 3-mo. Euro-\$ loan ^{a/}	14.69	14.06	13.75	14.56
2) 90-119 day com'l. paper ^{b/}	12.38	11.63	11.63	11.76
3) U.S. bank loan:				
a) predominant prime rate	12.00	12.00	12.00	12.00
b) with 15% comp. bal's. ^{c/}	14.12	14.12	14.12	14.12
c) with 20% comp. bal's. ^{c/}	15.00	15.00	15.00	15.00
Differentials:				
(1) - (2)	2.31	2.43	2.12	2.80
(1) - (3a)	2.69	2.06	1.75	2.56
(1) - (3b)	0.57	-0.06	-0.37	0.44
(1) - (3c)	-0.31	-0.94	-1.25	-0.44

a/ 3/4 per cent over deposit bid rate.

b/ offer rate plus 1/8 per cent.

c/ prime rate adjusted for compensating balances.

Contributing to the easing of Euro-dollar interest rates in recent weeks were actions by monetary authorities in Italy and Japan to discourage borrowings by Italian and Japanese commercial banks, who had previously been heavy borrowers in that market. The Japanese Ministry of Finance deposited \$650 million with Japanese banks in late July and early August in an effort to reduce the pressures on those banks to borrow abroad. Japanese banks had been paying premiums of up to 2 per cent on Euro-dollar deposits as potential lenders had become wary of extending further credit to those banks.

The relationship between Euro-dollar and U.S. loan rates for prime borrowers has changed little in recent weeks, as indicated on the previous page. U.S. banks continued to lend heavily abroad in July, particularly to Japanese banks as the latter increased borrowing from U.S. banks as their credit standing in the Euro-dollar market deteriorated.

U.S. balance of payments. Only very partial information is available about changes in the U.S. international payments position in July. The weighted average exchange value of the dollar was about the same as the June average. Based on preliminary data, the official settlements balance, in July, is estimated to be in deficit by about \$1-3/4 billion (not seasonally adjusted, not annual rate), but over half is probably attributable to inflows of official funds from oil producing countries. Official holdings of oil exporting countries at the FR Bank of New York increased by about \$1 billion in the month, and there was probably also some increase in the large part of the oil producers' funds that is customarily held with U.S. commercial banks.

For the second quarter, U.S. liabilities to official institutions of the major oil exporting countries rose by almost \$2-1/2 billion, compared to an increase of about \$1 billion in the first quarter; the official settlements balance in the second quarter (including these liabilities to oil exporting countries) was in deficit by \$4.5 billion (seasonally adjusted, not at annual rate) compared to a \$1.0 billion surplus in the first quarter. Liabilities to official institutions other than the major oil producers increased by about \$2 billion in the second quarter, mostly to Germany and Japan.

The \$5-1/2 billion decline in the official settlements balance from the first quarter to the second quarter (see table below) is attributable largely to a substantial increase (about \$3-1/2 billion) in bank-reported net capital outflows and a large deterioration in the trade balance as described in the section that follows. Bank-reported claims on foreigners increased by over \$7 billion in the second quarter (seasonally adjusted), an increase \$1-1/2 billion greater than in the first quarter (see table). Of the total second quarter increase, \$5-1/2 billion was reported by U.S. commercial banks and the remainder by U.S. agencies and branches of foreign banks. U.S. acceptance credits (included in these bank claims) increased by nearly \$2-1/2 billion in the second quarter compared to a \$1 billion increase in the first quarter. Much of the lending in both the first and second quarters was to Japan with total banking claims on Japan increasing by \$4-1/2 billion in the half year to a total of about \$11 billion; half of

U.S. BALANCE OF PAYMENTS
(billions of dollars, seasonally adjusted)

	1Q-74	2Q-74	Change
Trade balance	-.1	-1.7	-1.6
Service transactions, net	+2.8	+2.0 ^e	-.8 ^e
Selected private capital flows			
<u>Bank-reported transactions, net</u>	(-.9)	(-4.3)	(-3.3)
Claims, net	-5.6	-7.2	-1.5
Liabilities, net	+4.7	+2.9	-1.8
<u>Securities transactions, net</u>	(+.0)	(-.0)	(-.1)
U.S. purchases of foreign securities, net	-.6	-.4	+.3
Foreign purchases of U.S. securities other than Treasury issues, net	+.7	+.3	-.4
(of which: stocks)	(+.4)	(+.0)	(-.4)
<u>Sum of above</u>	+1.8	-4.0	-5.8
Other transactions (residual)	-.8	-.5	+.3
<u>Official settlements balance</u>	+1.0	-4.5	-5.5
of which: liabilities to official agencies of oil exporting countries, n.s.a. (increase -)	(-1.0)	(-2.4)	(-1.4)

Note: Second quarter data are STRICTLY CONFIDENTIAL until released by the Department of Commerce.

that increase were acceptance credits. On the liability side, there was a nearly \$3 billion increase in borrowings from private foreigners reported by U.S. banks in the second quarter, about \$1-3/4 billion less than in the first quarter. Of the second quarter increase in liabilities, about \$3/4 billion was reported by U.S. agencies and branches of foreign banks; on June 30, the net foreign liability position of these foreign banks was about \$1 billion, compared to about \$2 billion on both March 31 and December 31.

Net transactions in securities other than U.S. Treasury issues in the second quarter were about in balance, as they were in the first quarter. U.S. net purchases of foreign securities were about \$300 million less in the second quarter than in the first quarter mainly because of smaller purchases of Canadian new issues. Foreign net purchases of U.S. securities were about \$350 million less than in the first quarter, almost entirely because of the reduction of net purchases of U.S. stocks to nearly zero. Sales of offshore Euro-bond issues by U.S. corporations were also virtually nil in the second quarter, as they were in the first quarter, probably reflecting in part the termination of the OFDI program in January.

Net service transactions in the second quarter are estimated (on a very preliminary basis) to have been in surplus by about \$2 billion compared to a first quarter surplus of \$2-3/4 billion. The reduction in the surplus was largely attributable to a decline in estimated net investment income receipts, largely reflecting increased foreign participation in U.S. oil company operations abroad.

The sum of the changes in the trade and capital transactions described above accounts for slightly more than the \$5.5 billion decline in the official settlements balance from the first to second quarters. This would suggest only a small improvement in other balance of payments accounts for which data are not yet available.

U.S. foreign trade. In June the U.S. trade deficit fell from the extraordinarily large deficit in May as exports rose sharply and imports rose

much more moderately. For the second quarter the trade balance was in deficit by nearly \$7 billion at an annual rate (balance of payments basis) compared with a very small deficit in the first quarter and substantial surpluses in the last two quarters of 1973.

U.S. MERCHANDISE TRADE, BALANCE OF PAYMENTS BASIS
(billions of dollars, seasonally adjusted annual rates)

	1973 Year	1973				1974			
		1Q	2Q	3Q	4Q	1Q	2Q	May	June
<u>EXPORTS</u>	<u>70.3</u>	<u>60.9</u>	<u>66.7</u>	<u>72.6</u>	<u>80.9</u>	<u>89.2</u>	<u>96.1</u>	<u>90.1^r</u>	<u>100.4</u>
Agric.	17.9	14.7	16.5	19.0	21.2	23.6	22.5	20.6	22.4
Nonagric.	52.4	46.2	50.2	53.6 ^r	59.7	65.6	73.5	69.5 ^r	77.9
<u>IMPORTS</u>	<u>69.8</u>	<u>64.7</u>	<u>68.2^r</u>	<u>70.3^r</u>	<u>76.0^r</u>	<u>89.5^r</u>	<u>102.9</u>	<u>102.1^r</u>	<u>107.2</u>
Fuels	8.8 ^r	6.7	7.9 ^r	9.1 ^r	11.6 ^r	20.5	28.3 ^r	28.5 ^r	28.2 ^r
Nonfuels	61.0 ^r	58.1	60.3 ^r	61.2 ^r	64.5 ^r	69.0 ^r	74.6 ^r	73.6 ^r	79.1 ^r
<u>TOTAL BALANCE</u>	<u>+0.5^r</u>	<u>-3.8</u>	<u>-1.5^r</u>	<u>+2.3^r</u>	<u>+4.8^r</u>	<u>-0.3^r</u>	<u>-6.8</u>	<u>-12.0^r</u>	<u>-6.9</u>
BALANCE excl. fuel imp. & agr. exp.	-8.6 ^r	-11.9	-10.1	-7.6 ^r	-4.8 ^r	-3.4 ^r	-1.1 ^r	-4.1 ^r	-1.2 ^r

Note: Details may not add to totals because of rounding.

The worsening in the trade balance from the first to the second quarter of this year resulted primarily from the very large increase in the value of fuel imports -- 40 percent higher than in the first quarter -- and, to a much smaller extent, a downturn in value of agricultural exports. However, the trade deficit may increase much less steeply in the next few quarters. With prices of oil apparently leveling off and only a moderate further increase expected in the volume of oil imports, the value of fuel imports is expected to rise less sharply in the coming months. At the same

time the disappointing prospects for the new harvests of U.S. grain and soybeans have resulted in a sharp run-up in the prices of these commodities, and these higher prices should prevent the value of agricultural exports from slipping much below the current high level, even if quantities are reduced.

Apart from agricultural exports and fuel imports, there was a small trade deficit in the second quarter of about \$1 billion at an annual rate, down substantially from the \$3-1/2 billion deficit rate in the first quarter.

Higher prices continued to play a major role in the further large increases in the values of exports and imports from the first to the second quarters. While prices of agricultural exports showed almost no change between the two quarters, in contrast to the sharp quarter-to-quarter increases during the last two years, prices of nonagricultural exports continued to rise strongly in the second quarter (over 20 percent at an annual rate) -- mainly in nonagricultural industrial materials. While a large part of the rise in prices of total imports from the first to the second quarter resulted from the further rise in prices of oil imports, prices of other types of imports also moved up very sharply (by about 35 percent at an annual rate) in the second quarter. The increase in prices of nonfuel imports was widely distributed over all major categories -- foodstuffs, capital equipment, industrial materials (other than fuels), cars and other consumer goods.

After adjustment for these price changes in exports and imports, the trade balance in real terms in the second quarter showed a moderately

larger surplus than in the first quarter. The continuing strength in the trade balance in real terms has served to cushion, to some degree, the very pronounced slowdown in U.S. goods output (as measured in the GNP) in the first half of this year.

CHANGES IN U.S. FOREIGN TRADE VOLUMES AND IN
U.S. REAL GNP GOODS OUTPUT
(changes from previous period in billions of 1967 dollars, SAAR)

		GNP goods output	Net Exports	Exports	Imports
1973:	Q-1	16.2	2.9	4.8	1.9
	Q-2	2.7	3.7	2.2	-1.4
	Q-3	1.3	1.2	.9	-.3
	Q-4	6.9	2.4	2.2	-.3
1974:	Q-1	-17.6	.5	1.1	.5
	Q-2	.4	1.7	2.2	.5

While the value of fuel imports rose very sharply from the first to the second quarter, there was actually a small decline in the value of fuel imports since April. The volume of oil imports which averaged about 6.7 million barrels per day in April (compared with a daily average of 5.8 million barrels in the first quarter) actually drifted downward to 6.3 million barrels per day in June. The decline of U.S. oil consumption this year below last year levels is the principal explanation for the leveling off in imports. At the same time the average unit-value for oil imports has also shown little change from April through June, holding at about

\$11.60 per barrel in each of these three months. The pronounced shift in oil imports from high-priced sources -- Canada, Venezuela and Nigeria -- to a relatively lower-price source, Saudi Arabia, probably accounts for the leveling off of the prices of oil imports in recent months.

U.S. CRUDE OIL IMPORTS FROM SELECTED COUNTRIES

	1973			1974					
	Q-II			Q-II			June		
	Mil. bbl.	Per cent	Dollars per bbl. ^{1/}	Mil. bbl.	Per cent	Dollars per bbl. ^{1/}	Mil. bbl.	Per cent	Dollars per bbl. ^{1/}
<u>Total</u>	<u>318</u>	<u>100</u>	<u>2.93</u>	<u>339</u>	<u>100</u>	<u>11.69</u>	<u>10</u>	<u>100</u>	<u>11.65</u>
Canada	101	32	3.15	80	24	10.47	20	18	11.18
Venezuela	48	15	2.82	34	10	11.14	9	8	11.07
Nigeria	36	11	3.28	52	15	14.01	12	11	13.58
S. Arabia	33	10	2.47	34	10	10.20	20	18	10.33

^{1/} FOB foreign port.

The quantity of nonfuel imports, in the aggregate, showed little change from the first to the second quarter but there were divergent movements by major commodity groups. There were sharp increases in the volume of imports of capital equipment, and autos from Europe and Japan, with a more moderate increase in consumer durables. While imports of foods dropped sharply in volume, and there was virtually no change in the quantity of total imports of nonfuel industrial materials, steel imports began to arrive in increased amounts in May and June, notably from Japan.

Imports of capital equipment have risen about in line with the increase in domestic fixed investment expenditures, but the number of cars

imported has been far in excess of domestic sales of such cars; stocks are now equivalent to six months of current sales, an unusually large ratio.

The significant development in exports in the second quarter was the very strong showing in exports of nonagricultural commodities, which more than compensated for the slowdown in agricultural exports. Shipments of nonagricultural industrial materials rose sharply in both quantity and price, particularly in items which are in short supply world-wide -- steel, chemicals, paper -- or as in aluminum where U.S. prices are still below world prices. Deliveries of civilian aircraft were exceptionally large in the second quarter and delivery schedules of the aircraft companies indicate that these heavy exports may be maintained through 1975. Exports of machinery also picked up sharply in the second quarter. However, foreign orders were virtually unchanged during the months of the second quarter, suggesting a possible decline in machinery exports around the beginning of next year.

Trade developments in the major industrial countries. With a large deterioration expected in the trade balances of the major industrial countries this year owing to the sharp rise in oil prices, two important questions are: (1) how much of that deterioration has already occurred; and (2) how has the over-all trade position of individual countries been affected. On the basis of the data now available for the first half of this year, it is clear that there was a huge deterioration in the first quarter, followed by a further -- though less sharp -- deterioration in the second quarter. One rough measure of these trends is the aggregate trade balance for the seven key industrial countries listed in Table 1. This balance, measured at a seasonally adjusted annual rate, deteriorated from about zero in the fourth quarter of last year to a deficit of about \$15 billion in the first quarter of this year. In the second quarter, the aggregate deficit rose further though less sharply, to an annual rate of about \$26 billion.

All of the listed countries except Germany and Canada experienced a substantial deterioration in their trade balances in the first quarter. The largest deteriorations occurred in the United States, France, Italy and Japan, with the U.K. experiencing a further moderate increase in its trade deficit. In the second quarter, the United States, France and the U.K. experienced a further substantial deterioration, while the Canadian surplus declined significantly from the first quarter. Japan's trade balance, however, improved in the second quarter.

Table 1. INTERNATIONAL TRADE BALANCES OF MAJOR INDUSTRIAL COUNTRIES
(In billions of U.S. dollars at seasonally adjusted annual rates)^{1/}

	1972	1973	1973				1974		June
			Q1	Q2	Q3	Q4	Q1	Q2	
France	1.2	1.4	1.5	2.0	1.5	0.8	-2.7	-4.4	-1.0
Germany	6.4	12.5	8.5	11.7	16.5	13.9	20.6	20.6	15.9
Italy ^{2/}	-0.7	-5.6	-4.6	-6.0	-5.3	-6.5	-12.1	-12.5	-11.0
United Kingdom	-1.7	-5.8	-3.4	-4.0	-6.0	-9.7	-11.9	-13.1	-13.4
Japan	5.2	-1.4	4.2	-2.0	-3.8	-4.2	-10.7	-10.3	-7.6
Canada	1.5	2.0	2.1	2.7	1.6	1.7	1.5	1.0	-1.0
United States	-7.0	0.3	-3.8	-1.5	2.3	4.2	0.4	-6.8	-6.9
Total	4.9	3.4	4.4	2.8	6.8	0.2	-14.8	-25.6	-25.0
Total (excl. U.S.)	11.9	3.1	8.2	4.3	4.5	-4.0	-15.2	-18.8	-18.1

Note: Customs data from national country sources with imports c.i.f. in Germany, Italy and Japan -- otherwise f.o.b. The U.S. and U.K. data are on a balance-of-payments basis.

^{1/} Data converted to dollars on the basis of average exchange rates as published in the Federal Reserve Bulletin.

^{2/} Data not seasonally adjusted.

Table 2. PERCENTAGE CHANGES IN SEASONALLY ADJUSTED EXPORTS AND IMPORTS:
MAJOR INDUSTRIAL COUNTRIES^{1/}

	1966-70 Average	1972	1973	1973				1974	
				Q1	Q2	Q3	Q4	Q1	Q2
France: Exports	15.1	15.7	21.7	2.4	7.0	3.8	1.9	22.2	9.4
Imports	16.2	14.5	22.5	4.4	6.2	5.6	3.7	32.7	12.6
Germany: Exports	11.9	9.6	19.7	2.6	4.8	2.6	5.9	16.0	3.5
Imports	9.6	7.2	13.0	2.4	1.1	-2.0	10.3	6.5	7.4
Italy: Exports ^{2/}	12.9	15.9	19.5	-19.8	31.5	9.4	12.4	3.1	15.0
Imports	15.4	13.8	44.0	-3.6	32.2	4.2	14.9	23.1	10.6
U.K.: Exports	10.6	3.8	25.2	0.8	6.0	6.9	1.3	11.5	14.9
Imports	9.5	15.4	40.7	5.8	6.9	12.5	12.6	15.5	12.3
Japan: Exports	18.2	4.9	13.9	1.2	-4.6	5.2	16.2	18.4	15.6
Imports	18.3	4.6	43.9	5.9	14.7	9.8	15.9	32.4	11.4
Canada: Exports	14.0	13.0	25.6	5.5	4.7	0.7	9.2	9.2	2.0
Imports	10.3	19.5	24.8	8.3	2.1	5.9	9.4	10.7	3.8
U.S.: Exports	9.6	14.0	44.1	15.1	9.5	8.8	11.4	10.3	7.7
Imports	13.3	22.6	25.4	8.0	5.2	3.2	8.8	15.9	15.9

Note: Percentage changes are based on country trade data in local currencies.

^{1/} 1966-70 data measure average annual rates of change; 1972 and 1973 data measure percentage increase over previous year; quarterly figures show percentage change from previous quarter, at quarterly rates.

^{2/} Data not seasonally adjusted.

For the major industrial countries discussed above, the largest part of the rise in trade values this year has reflected an increase in unit values. The volume of exports, however, has also increased for most countries except Canada, and the volume of imports has increased for most countries except Germany and, in the second quarter, the United States. This year's rise in export prices has generally been outstripped by the sharp upswing in import prices, the latter mainly reflecting the rise in oil prices. The bulk of the export expansion that has occurred this year in value terms reflects higher exports of raw materials and intermediate goods, rather than finished goods.

If trade in oil is excluded from the data, only Italy and Canada (second quarter) among the major countries have had a deterioration in their non-oil trade balances this year.

Since late 1972, German exports have generally increased at a much faster rate than imports, the result being an increasingly large trade surplus. Whereas the German trade surplus was DM 20 billion in 1972, it rose to a record level of DM 33 billion in 1973 and for the first six months of 1974 was running at a seasonally adjusted annual rate of almost DM 54 billion (\$20.6 billion). The value of exports in the first half of this year was 31 per cent higher than in the same period a year earlier, while the value of imports was up 20 per cent. During the January-May period the monthly trade surpluses

generally exceeded DM 4.5 billion, and while the June surplus declined to DM 2.5 billion, this may not yet signify any change in trend, since a similar drop occurred in May-June last year.

The recent strength of German external trade is partly due to cyclical considerations and certain special factors. The type of products that have been leading the German export boom suggest that Germany has been a major beneficiary of the cyclical boom in industrial materials, particularly those with high levels of value-added. Production and delivery disruptions in several major trading partners have also given German producers an edge, resulting in superior German "delivery capacity." Other factors include the higher levels of inflation and demand in other countries, as well as the continuing weakness of German domestic demand.

Until recently, nominal changes in German exports and imports were dominated by quantity movements. During 1965-72 the average annual increase in the unit value of exports was less than 1 per cent and it was only 1.6 per cent in 1973. The unit value of imports showed no trend increase during 1965-72, but rose 4.9 per cent in 1973. Very steep increases in both indexes, however, were registered in the closing months of last year and the first part of this year, overall export unit values being 14 per cent higher in January-April 1974 than in the same period a year earlier. With regard to the volume of trade, export volume continued to expand during January-April of this

year and was 19 per cent higher than in the same period a year earlier, while the volume of imports was 1.5 per cent lower.

Despite a 10.5 per cent decline in the volume of German oil imports in the first four months of this year, as compared to the same period a year earlier, the value of oil imports rose from DM 2.7 billion in January-April 1973 to DM 7.2 billion in January-April 1974. This rise in the cost of oil imports has been more than offset by the substantial rise in aggregate exports and the sluggishness of non-oil imports.

The deterioration in the United Kingdom's trade balance, which began in early 1973, continued through the first half of this year. Data just released on the July trade deficit show virtually no change from the June level. Exports in the first half of this year were 33 per cent higher than in the same period a year earlier, while imports were up 60 per cent. Most of the rise in the value of trade reflected an increase in prices. For the first five months of this year export unit values were up 25 per cent over the same period last year, while import unit values were up 57 per cent. Of greatest significance was the four-fold increase in the price of crude oil imports between the third quarter of last year and the second quarter of this year.

As a result of these developments, there has been a steady deterioration in the trade balance. Of the total deterioration in the trade balance of £3.9 billion (seasonally adjusted annual rate) from

the second quarter of 1973 through the second quarter of this year, £3.4 billion was due to the increase in the value of imports of petroleum and petroleum products. When trade in these products is excluded, Britain's trade deficit increased throughout 1973, but so far this year has been declining. In the second quarter of this year it stood at £1.7 billion, or approximately \$4 billion, at a seasonally adjusted annual rate.

The commodity details of British trade in volume terms is available only through the end of 1973, but these data indicate that the total volume of exports in 1973 rose about 14 per cent, with the increase in non-manufactured and manufactured goods being virtually the same. The volume of imports also increased 14 per cent in 1973, with considerable variation among categories: imports of food and tobacco increased 3 per cent, basic materials 12 per cent, and manufactured goods 21 per cent.

A breakdown in value terms, however, presents a different picture, particularly on the import side. Because of the relatively rapid increase in prices of food and raw materials, the increase in 1973 in the value of imports of food, beverages and tobacco (31 per cent) and basic materials (49 per cent) was much greater relative to imports of manufacture goods (46 per cent). Similarly, in the first half of 1974 the value of imports of industrial materials and fuels increased very rapidly, largely -- though not entirely -- because of price increases.

After registering a growing surplus for four years, France's trade balance changed to a large and growing deficit in the first and second quarters of this year. Prior to the onset of the oil crisis last October, French officials had expected that the 1974 trade surplus would be somewhat larger than the 1973 surplus of 6-1/2 billion francs, but it is now anticipated that there will be a deficit of about 20 billion francs.

Recent calculations by the Ministry of Finance indicate that the average monthly cost of oil imports this year will be about 2-1/2 billion francs. Available data indicate that the anticipated 1974 trade deficit will be largely due to the higher bill for oil imports.

The French authorities are extremely concerned about the sharp deterioration in their trade position and recently inaugurated an export expansion and domestic "austerity program" which is aimed at cutting domestic demand while transferring any free capacity to the foreign sector. One of the program's goals is to reduce the present trade deficit by one-half by mid-1975 and to eliminate it altogether by the end of 1975. The authorities have liberalized the granting of export credits and an extensive export promotion drive is underway which focuses on an expansion of exports to oil producers with large populations, to countries with raw materials other than oil and to the East European countries.

Preliminary data for early 1974 indicate that while the volume of exports rose faster than the volume of imports, the sharp rise in import prices, particularly for oil imports, more than offset the underlying favorable trend in the volume of trade. With the terms of trade turning unfavorable, there has been a very adverse impact on the nominal trade balance, despite the fact that volume sales are way up and foreign demand for French goods -- particularly grains, semi-finished products and, to a lesser extent, capital goods -- remains dynamic.

After deteriorating substantially in 1973, the Italian trade deficit reached alarming proportions during the first four months of this year. Measured on a seasonally unadjusted customs basis with imports c.i.f., the trade deficit in January-June 1974 was 3,949 billion lire (\$6.1 billion), whereas the entire 1973 deficit on a comparable basis was 3,254 lire (\$5.6 billion). In May, however, the trade deficit decreased to 573 billion lire (\$910 million), the lowest level since January. The improvement in the May trade deficit was probably due in part to the import deposit scheme imposed in the same month. In June, the trade deficit worsened slightly, but not to the levels of March-April. A further improvement, at least in the non-oil deficit, should occur as the restrictive monetary and fiscal policies imposed earlier, begin to take effect.

Very preliminary estimates for the first half of 1974 indicate that there was a worsening of the non-oil trade balance as exports rose 38 per cent, at an annual rate, and imports 66 per cent over the levels of the second half of 1973. Much of this non-oil deterioration reflected a continued worsening of the terms of trade, with export unit values rising at an annual rate of 27 per cent compared to a 44 per cent increase in import unit values. The volume of imports also increased faster at a rate of 15 per cent, compared to an 8 per cent rise in the volume of exports. (Italian authorities, however, have expressed some doubt as to whether the price movements are completely genuine or reflect over- and under-invoicing of imports and exports, respectively.)

Despite the sharp rise in the cost of oil imports, Japan's trade position -- after worsening sharply in the first quarter -- improved from the first to the second quarter of this year. The value of exports accelerated in the second quarter while imports, reflecting the sluggish economic conditions domestically, continued to decelerate. As a result, the seasonally adjusted trade deficit at an annual rate dropped from \$10.7 billion in the first quarter to \$10.3 billion in the second quarter.

Preliminary data on the volume of trade indicate that exports in the first half of this year were 9.7 per cent higher than in the same period a year earlier, while imports were up only 7.9 per cent.

Export and import prices both continued to rise during the first half of the year, but the terms of trade tended to stabilize following a sharp decline in February due primarily to the increase in oil import prices.

The underlying trade trends excluding oil imports indicate a growing surplus on trade account. During the second quarter the trade balance excluding oil, rose steadily from \$1.1 billion in April to \$1.6 billion in June. Assuming a continuation during the rest of the year of these recent trends, Japan should be able to offset a substantial portion of the higher cost of oil imports.

There was a moderate deterioration in the Canadian trade account in the first half of this year, partly reflecting a 4 per cent increase in the volume of imports (not seasonally adjusted) in the first half of 1974 over the same period a year earlier and a decrease in the volume of exports (not seasonally adjusted) of 8 per cent. Since export prices rose by about 33 per cent over the same period, the value of exports (not seasonally adjusted) rose by 23 per cent. Import prices were up by about 25 per cent, and the value of imports rose by about 31 per cent. For 1974 as a whole, the Canadian trade surplus is expected to decline by about C\$1/2 billion from its 1973 level of about C\$2.2 billion.

In contrast to the other major industrial countries, Canada is self-sufficient in petroleum. Thus Canada's petroleum (both crude

and petroleum products) trade surplus increased to C\$304 million (not seasonally adjusted) in the first quarter of this year compared to C\$151 million in the same period a year earlier. There has, however, been a substantial decline in Canada's non-oil trade balance. The non-petroleum trade surplus (not seasonally adjusted) was only C\$54 million in the first quarter of this year compared to C\$272 million a year earlier.

APPENDIX A:

Highlights of the 1974 Annual GNP Revisions *

The July 1974 revisions of GNP data for 1971, 1972, and 1973 indicate current dollar GNP rose a bit less in 1971 but a bit more in 1972 and 1973 than earlier indicated. In real terms, however, the differences between the revised annual averages and the earlier estimates are negligible. The quarterly pattern for 1973 remained relatively unchanged: however, there was slightly more rapid real growth in the first and fourth quarters and less in the second and third than earlier indicated. The largest change was in the third quarter when the implicit deflator rose considerably faster than previously estimated.

Overall, in current dollars, the upward revision in 1973 amounted to \$5.8 billion. The most significant revision was in the change in business inventories which was revised upward by \$7.4 billion (almost half of this in the farm sector) for the year as a whole with the largest revisions occurring in the third and fourth quarters. Inventory investment in the fourth quarter is now indicated to have been at an annual rate of almost \$29 billion. There was virtually no revision in the IVA. The estimate of net exports was lowered by about \$2 billion. Other changes were minor and essentially off-setting.

The level of national income was lowered a bit in 1971 and was raised by \$4.7 and \$11.7 billion in 1972 and 1973, respectively. The 1972 increase was mainly in corporate profits, rental income of persons and proprietors income. In 1973 the revision was entirely due to an \$11.8 billion upscaling of farm proprietors' income; there were small upward changes in other categories and a \$3.5 billion downward revision in before tax corporate profits.

Personal income estimates were revised upward sharply in 1972 and 1973 as was disposable income. The 1973 revision was largely due to the revision in farm incomes. Personal outlays were only slightly increased in 1973. As a result, personal saving and the saving rate both moved sharply upward. The saving rate in 1973 is now estimated at 8.2 per cent of disposable income rather than the 6.2 per cent indicated earlier. In the fourth quarter of 1973, it is now estimated that consumers saved at a 9.5 per cent rate as opposed to the earlier indication of 7.3 per cent. The 9.5 per cent saving rate was the highest quarterly rate since the series began in 1947.

*Prepared by James August, Economist, National Labor Force and Trade Section, Division of Research and Statistics.

The Federal Government is now estimated to have incurred a \$5.6 billion deficit (NIPA) in 1973 rather than a \$.9 billion surplus with much of the revision resulting from a lower estimate of corporate profits tax accruals. State and local governments recorded a surplus of \$9.2 billion in 1973--down from the earlier estimated \$10.5 billion.

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GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Changes in Periods Indicated; Based on Seasonally Adjusted Annual Rate Data)

	1970-IV to 1971-IV		1971-IV to 1972-IV		1972-IV to 1973-IV		1973-IV to 1974-I	
	Former Estimates	Revised Estimates	Former Estimates	Revised Estimates	Former Estimates	Revised Estimates	Former Estimates	Revised Estimates
	-----Billions of Dollars-----						Seasonally Adjusted	
Gross National Product	92.4	91.4	115.0	121.5	138.3	139.3	14.7	14.8
Final purchases	92.2	91.1	112.1	115.9	128.4	121.4	27.3	26.8
Private	73.3	72.3	93.6	95.4	103.5	97.6	15.1	16.9
Excluding net exports	78.3	78.5	94.9	97.3	87.2	83.0	13.2	14.9
Personal consumption expenditures	55.1	55.5	69.2	73.4	72.6	66.7	19.4	16.7
Durable goods	18.6	19.3	16.2	16.9	2.7	.0	-.6	-.4
Nondurable goods	12.4	12.3	27.2	27.5	38.9	41.2	12.7	12.3
Services	24.1	23.9	25.8	29.0	31.0	25.4	7.3	5.0
Gross private domestic investment	23.4	23.4	28.6	29.4	24.5	34.3	-15.0	-14.0
Residential construction	13.7	13.8	9.4	9.1	-2.9	-3.1	-4.7	-5.2
Business fixed investment	9.5	9.3	16.3	14.7	17.5	19.4	2.3	3.3
Change in business inventories	.2	.3	2.9	5.6	9.8	17.9	-12.5	-12.0
Nonfarm	-1.4	-.5	4.4	6.0	9.4	13.6	-12.3	-10.9
Net exports of goods & services	-5.0	-6.2	-1.3	-1.9	16.3	14.6	-1.9	2.0
Exports	.2	-1.2	16.7	16.5	36.7	35.1	14.0	17.6
Imports	4.8	5.0	18.0	18.4	20.4	20.5	15.8	15.6
Gov't. purchases of goods & services	18.9	18.8	18.5	20.5	24.9	23.8	12.2	9.9
Federal	6.4	5.7	1.5	4.7	4.1	3.2	5.3	3.1
Defense	-.2	-.5	.0	2.6	.6	.6	3.3	.5
Other	6.6	6.3	1.5	2.0	3.5	2.6	2.0	2.6
State and local	12.5	13.1	17.0	15.8	20.8	20.5	6.9	6.9
Gross national product in constant (1958) dollars	39.7	39.8	53.3	55.1	32.3	31.5	-13.6	-15.2
Personal income	61.5	62.9	91.7	99.2	102.8	114.3	15.5	13.2
Wage and salary disbursements	40.4	39.6	61.6	61.2	68.5	69.5	9.0	10.6
Transfer payments	11.6	11.6	15.5	15.7	10.0	9.9	5.5	8.1
Disposable personal income	53.2	54.6	68.3	76.3	89.1	101.3	13.6	11.2
Personal saving	-2.8	-2.0	-3.4	.3	12.7	30.4	-5.6	-4.9
Saving rate (per cent) ^{1/}	8.1	8.1	6.2	6.6	6.2	8.2	6.6	8.9
Corporate profits and I.V.A.	17.5	16.5	15.4	17.4	13.1	6.6	1.0	1.3
Corporate profits before tax	17.1	16.9	19.2	21.5	21.3	14.5	16.6	16.0
Cash flow, net of div. (domestic)	16.6	17.2	13.4	16.0	12.1	9.4	5.8	5.8
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	14.2	14.1	33.4	32.2	37.4	32.7	11.3	11.1
Expenditures	19.4	18.3	32.3	34.3	9.3	9.4	12.7	10.4
Surplus or deficit (-)	-5.2	-4.2	1.1	-2.1	28.1	23.3	-1.4	.8
High employment surplus or deficit (-)	1.5	1.6	12.2	-19.7	6.5	15.2	7.6	3.3
State and local government surplus or deficit (-), (N.I.A. basis)	5.8	4.5	13.7	14.5	-13.6	-14.5	-1.4	-1.2
Change in business inventories ^{2/}	6.1	6.3	6.0	8.6	8.0	15.4	5.5	16.9
Nonfarm	4.5	4.9	5.6	7.8	7.3	11.4	5.0	13.1
Net exports of goods & services ^{3/}	.8	.2	-4.6	6.0	5.8	3.9	10.9	11.3
Personal saving ^{4/}	60.2	60.5	49.8	52.6	54.8	74.4	61.5	84.4
Federal government surplus or deficit (-), (N.I.A. basis) ^{5/}	-22.2	-21.9	-15.9	-17.5	.9	-5.7	3.3	-1.5
High employment budget ^{5/}	3.2	3.0	.4	-1.7	-1.3	-1.9	2.4	4.3
	-----In Per Cent Per Year-----							
Gross National Product	9.3	9.2	10.6	11.2	11.5	11.6	4.5 ^{6/}	4.5 ^{6/}
Gross Private Product	9.3	9.3	10.9	11.3	11.8	12.0	3.9 ^{6/}	4.0 ^{6/}
Gross Private Nonfarm Product	8.9	8.9	10.8	11.1	9.9	9.8	1.3 ^{6/}	3.0 ^{6/}
GNP in constant prices	5.5	5.5	7.0	7.3	4.0	3.9	-6.3 ^{6/}	-7.0 ^{6/}
GPP in constant prices	6.0	6.0	7.5	7.8	4.1	4.0	-7.1 ^{6/}	-7.8 ^{6/}
GPNNFP in constant prices	6.0	6.0	8.2	8.4	4.3	3.8	-8.1 ^{6/}	-9.0 ^{6/}
GNP Implicit Price Deflator	3.6	3.5	3.3	3.7	7.3	7.4	11.5 ^{6/}	12.3 ^{6/}
GPP Fixed-Weighted Price Index	3.9	3.8	3.5	3.4	7.8	8.3	13.6 ^{6/}	14.1 ^{6/}

^{1/} Average saving rate during the period indicated. ^{2/} Inventory investment during the periods indicated. ^{3/} Net exports during the period indicated. ^{4/} Personal saving during the period indicated. ^{5/} Average surplus or deficit during the period indicated. ^{6/} At compound rates.

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GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Quarterly figures are seasonally adjusted. Expenditures and income
figures are billions of dollars, with quarter figures at annual rates.)

	1973				1974			
	I	II	III	IV	I	IIp	III	IV
Gross National Product	1248.9	1277.9	1308.9	1344.0	1358.8	1383.5		
Final purchases	1238.9	1267.2	1297.0	1315.1	1341.9	1368.4		
Private	969.9	993.9	1020.1	1028.7	1045.6	1064.9		
Excluding net exports	970.7	993.4	1013.4	1019.4	1034.3	1064.7		
Personal consumption expenditures	781.7	799.0	816.3	823.9	840.6	866.8		
Durable goods	132.4	132.1	132.4	124.3	123.9	130.2		
Nondurable goods	323.3	332.7	343.8	352.1	364.4	375.2		
Services	325.9	334.2	340.1	347.4	352.4	361.4		
Gross private domestic investment	199.0	205.1	209.0	224.5	210.5	213.0		
Residential construction	58.5	58.7	58.1	53.6	48.4	48.7		
Business fixed investment	130.5	135.6	139.0	141.9	145.2	149.2		
Change in business inventories	10.0	10.7	11.8	28.9	16.9	15.1		
Nonfarm	6.5	7.7	7.4	24.0	13.1	11.9		
Net exports of goods and services	-.8	.5	6.7	9.3	11.3	.2		
Exports	88.8	95.4	103.7	113.6	131.2	138.6		
Imports	89.5	94.9	96.9	104.3	119.9	138.4		
Gov't. purchases of goods & services	269.0	273.3	276.9	286.4	296.3	303.5		
Federal	106.4	106.2	105.3	108.4	111.5	113.9		
Defense	75.0	74.0	73.3	75.3	75.8	76.1		
Other	31.4	32.2	32.0	33.1	35.7	37.8		
State and local	162.6	167.1	171.6	177.9	184.8	189.6		
Gross national product in constant (1958) dollars	832.8	837.4	840.8	845.7	830.5	828.0		
GNP implicit deflator (1958 = 100)	150.0	152.6	155.7	158.9	163.6	167.1		
Personal income	1013.6	1039.2	1068.0	1099.3	1112.5	1133.8		
Wage and salary disbursements	667.6	683.8	698.2	717.0	727.6	744.9		
Disposable income	869.5	892.1	913.9	939.4	950.6	965.9		
Personal saving	65.3	69.6	73.2	89.3	84.4	73.3		
Saving rate (per cent)	7.5	7.8	8.0	9.5	8.9	7.6		
Corporate profits and I.V.A.	103.9	105.0	105.2	106.4	107.7	n.a.		
Corporate profits before tax	120.4	124.9	122.7	122.7	138.7	n.a.		
Cash flow, net of div. (domestic)	109.3	112.7	110.9	110.3	116.1	n.a.		
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	249.1	255.0	261.8	268.3	279.4	n.a.		
Expenditures	260.2	262.4	263.4	270.6	281.0	291.2		
Surplus or deficit (-)	-11.2	-7.4	-1.7	-2.3	-1.5	n.a.		
High employment surplus or deficit (-)	-5.2	-2.9	-.2	.8	4.1	n.a.		
State and local government surplus or deficit (-), (N.I.A. basis)	13.2	10.4	8.4	4.6	3.4	n.a.		
Total labor force (millions)	90.0	90.8	91.3	92.2	92.8	92.9		
Armed forces "	2.4	2.3	2.3	2.3	2.3	2.2		
Civilian labor force "	87.6	88.5	89.0	89.9	90.5	90.6		
Unemployment rate (per cent)	5.0	4.9	4.7	4.7	5.2	5.1		
Nonfarm payroll employment (millions)	74.6	75.3	75.7	76.6	76.7	77.1		
Manufacturing	19.6	19.8	19.8	20.1	19.9	19.9		
Industrial production (1967 = 100)	123.1	124.8	126.7	127.0	124.9	125.3		
Capacity utilization, manufacturing (per cent)	82.8	83.3	83.3	82.6	80.5	80.1		
Major materials (per cent)	93.0	93.4	93.5	92.3	90.2	90.1		
Housing starts, private (millions, A.R.)	2.39	2.21	2.01	1.58	1.63	1.57		
Sales new autos (millions, A.R.)	12.19	12.03	11.33	10.15	9.04	9.20		
Domestic models	10.27	10.17	9.66	8.51	7.49	7.95		
Foreign models	1.92	1.85	1.67	1.64	1.55	1.25		

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GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Quarterly figures are seasonally adjusted. Expenditures and income
figures are billions of dollars, with quarter figures at annual rates.)

	1971				1972			
	I	II	III	IV	I	II	III	IV
Gross National Product	1027.8	1047.3	1061.3	1083.2	1115.0	1143.0	1169.3	1204.7
Final purchases	1020.0	1039.1	1057.5	1077.8	1110.0	1135.1	1159.1	1193.7
Private	792.1	807.8	821.8	835.7	858.9	881.3	904.0	931.1
Excluding net exports	789.2	808.0	821.7	839.1	866.0	888.2	908.8	936.4
Personal consumption expenditures	650.5	662.1	672.1	683.8	701.5	720.6	736.8	757.2
Durable goods	100.6	102.1	105.6	107.4	112.1	116.2	121.2	124.3
Nondurable goods	273.0	277.8	279.5	283.4	288.4	297.4	302.0	310.9
Services	277.0	282.2	287.0	293.0	301.0	307.0	313.6	322.0
Gross private domestic investment	146.6	154.0	153.5	160.8	169.4	175.5	182.1	190.2
Residential construction	37.3	41.6	44.9	47.6	51.8	52.9	54.5	56.7
Business fixed investment	101.4	104.3	104.8	107.8	112.7	114.7	117.5	122.5
Change in business inventories	7.9	8.1	3.8	5.4	5.0	8.0	10.2	11.0
Nonfarm	6.0	6.8	2.4	4.4	4.1	7.0	9.6	10.4
Net exports of goods and services	2.9	- .2	.1	-3.4	-7.1	-6.9	-4.8	-5.3
Exports	65.2	66.5	68.2	62.0	69.1	68.8	73.3	78.5
Imports	62.3	66.6	68.1	65.4	76.1	75.7	78.1	83.8
Gov't. purchases of goods & services	227.9	231.3	235.7	242.1	251.1	253.8	255.1	262.6
Federal	95.9	96.2	97.9	100.5	105.6	105.9	102.7	105.2
Defense	71.8	70.8	70.0	72.1	75.9	75.9	72.6	74.7
Other	24.1	25.5	27.9	28.5	29.7	30.0	30.1	30.5
State and local	132.0	135.1	137.8	141.6	145.5	147.9	152.4	157.4
Gross national product in constant (1958) dollars	736.9	742.1	747.2	759.1	770.9	786.6	798.1	814.2
GNP implicit deflator (1958 = 100)	139.5	141.1	142.0	142.7	144.6	145.3	146.5	148.0
Personal income	841.2	859.6	869.6	885.8	913.3	930.9	950.3	985.0
Wage and salary disbursements	559.7	569.2	576.8	586.3	608.1	620.1	631.4	647.5
Disposable income	728.6	744.1	751.3	761.8	774.7	790.0	807.2	838.1
Personal saving	59.7	63.4	60.3	58.6	53.3	49.0	49.3	58.9
Saving rate (per cent)	8.2	8.5	8.0	7.7	6.9	6.2	6.1	7.0
Corporate profits and I.V.A.	74.2	78.7	79.4	82.4	86.5	89.5	92.9	99.8
Corporate profits before tax	78.7	83.5	85.7	86.7	92.3	96.0	100.2	108.2
Cash flow, net of div. (domestic)	73.9	78.1	81.1	84.9	89.0	93.1	95.1	100.9
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	194.2	197.0	199.3	203.4	220.9	224.1	228.4	235.6
Expenditures	212.1	220.3	221.9	226.9	235.8	243.7	238.2	261.2
Surplus or deficit (-)	-18.0	-23.4	-22.7	-23.5	-14.9	-19.6	-9.8	-25.6
High employment surplus or deficit (-)	3.8	.0	2.3	5.3	5.2	-3.0	3.7	-14.4
State and local government surplus or deficit (-), (N.I.A. basis)	1.4	3.3	4.1	4.6	-1.7	14.4	9.2	19.1
Total labor force (millions)	86.4	86.5	87.1	87.7	88.4	88.7	89.3	89.6
Armed forces "	3.0	2.8	2.8	2.7	2.5	2.4	2.4	2.4
Civilian labor force "	83.5	83.6	84.3	85.0	85.8	86.3	86.9	87.1
Unemployment rate (per cent)	6.0	5.9	5.9	5.9	5.9	5.7	5.6	5.3
Nonfarm payroll employment (millions)	70.3	70.5	70.7	71.1	71.8	72.5	73.0	73.8
Manufacturing	18.6	18.5	18.5	18.5	18.6	18.9	19.0	19.3
Industrial production (1967 = 100)	105.8	107.0	106.4	107.3	110.7	113.8	116.3	120.2
Capacity utilization, manufacturing (per cent)	75.0	75.6	74.7	74.6	75.6	77.9	79.4	81.5
Major materials (per cent)	86.4	87.3	83.2	84.3	87.0	88.7	90.6	92.3
Housing starts, private (millions, A. R.)	1.83	2.02	2.09	2.20	2.41	2.28	2.36	2.39
Sales new autos (millions, A. R.)	9.87	9.83	10.49	10.70	10.19	10.66	11.21	11.69
Domestic models	8.32	8.21	8.85	9.31	8.65	9.15	9.59	9.90
Foreign models	1.54	1.63	1.64	1.39	1.54	1.51	1.61	1.79

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CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1973				1974			
	I	II	III	IV	I	IIp	III	IV
	-----Billions of Dollars-----							
Gross National Product	44.2	29.0	31.0	35.1	14.8	24.7		
Inventory change	-1.0	.7	1.1	17.1	-12.0	-1.8		
Final purchases	45.2	28.3	29.8	18.1	26.8	26.5		
Private	38.8	24.0	26.2	8.6	16.9	19.3		
Net exports	4.5	1.3	6.2	2.6	2.0	-11.1		
Excluding net exports	34.3	22.7	20.0	6.0	14.9	30.4		
Personal consumption expenditures	24.5	17.3	17.3	7.6	16.7	26.2		
Durable goods	8.1	-.3	.3	-8.1	-.4	6.3		
Nondurable goods	12.4	9.4	11.1	8.3	12.3	10.8		
Services	3.9	8.3	5.9	7.3	5.0	9.0		
Residential fixed investment	1.8	.2	-.6	-4.5	-5.2	.3		
Business fixed investment	8.0	5.1	3.4	2.9	3.3	4.0		
Government	6.4	4.3	3.6	9.5	9.9	7.2		
Federal	1.2	-.2	-.9	3.1	3.1	2.4		
State and local	5.2	4.5	4.5	6.3	6.9	4.8		
GNP in constant (1958) dollars	18.6	4.6	3.4	4.9	-15.2	-2.5		
Final purchases	20.2	4.1	3.1	-7.0	-5.8	-1.0		
Private	19.1	4.3	3.3	-9.0	-6.1	-.3		
	-----In Per Cent Per Year ^{1/} -----							
Gross National Product	15.5	9.6	10.1	11.2	4.5	7.5		
Final purchases	16.0	9.5	9.7	5.7	8.4	8.1		
Private	17.7	10.3	11.0	3.4	6.7	7.6		
Personal consumption expenditures	13.6	9.2	8.9	3.8	8.4	13.1		
Durable goods	28.7	-.9	.9	-22.3	-1.3	21.9		
Nondurable goods	16.9	12.1	14.0	10.0	14.7	12.4		
Services	4.9	10.6	7.3	8.9	5.9	10.6		
Gross private domestic investment	19.8	12.8	7.8	33.1	-22.7	4.8		
Residential construction	13.3	1.4	-4.0	-27.6	-33.5	2.5		
Business fixed investment	28.8	16.6	10.4	8.6	9.6	11.5		
Gov't. purchases of goods & services	10.1	6.5	5.4	14.4	14.6	10.1		
Federal	4.6	-.7	-3.3	12.3	11.9	8.9		
Defense	1.6	-5.2	-3.7	11.4	2.7	1.6		
Other	12.3	10.6	-2.5	14.5	35.3	25.7		
State & local	13.9	11.5	11.2	15.5	16.4	10.8		
GNP in constant (1958) dollars	9.5	2.2	1.6	2.3	-7.0	-1.2		
Final purchases	10.4	2.0	1.5	-3.3	-2.8	-.5		
Private	12.0	2.5	1.9	-5.1	-3.5	-.2		
GNP implicit deflator	5.5	7.3	8.3	8.6	12.3	8.8		
Private GNP fixed weight index ^{2/}	7.4	8.1	8.4	9.1	14.1	12.3		
Personal income	12.1	10.5	11.6	12.2	4.9	7.9		
Wage and salary disbursements	13.0	10.1	8.7	11.2	6.0	9.9		
Disposable income	15.8	10.8	10.1	11.6	4.9	6.6		
Corporate profits and I.V.A.	17.5	4.3	.8	4.6	5.0	n.a.		
Corporate profits before tax	53.3	15.8	-6.9	.0	63.3	n.a.		
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	25.0	9.8	11.1	10.3	17.6	n.a.		
Expenditures	-1.5	3.4	1.5	11.4	16.3	15.3		
Nonfarm payroll employment	4.5	3.7	2.2	4.4	.8	1.9		
Manufacturing	5.4	4.7	1.2	4.5	-2.9	.1		
Industrial production (1967 = 100)	10.0	5.6	6.2	1.0	-6.5	1.3		
Housing starts, private (millions, A.R.)	1.0	-27.0	-32.0	-61.4	11.6	-14.2		
Sales new autos (millions, A.R.)	18.2	-5.3	-21.3	-35.5	-37.1	7.2		
Domestic models	15.9	-3.8	-18.6	-39.8	-40.0	27.1		
Foreign models	31.8	-12.9	-35.0	-5.9	-20.0	-58.2		

1/ Rates of change are on a compounded basis.

2/ Using expenditures in 1967 as weights.

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CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1971				1972			
	I	II	III	IV	I	II	III	IV
	-----Billions of Dollars-----							
Gross National Product	36.0	19.5	14.0	21.9	31.8	28.0	26.3	35.4
Inventory change	2.8	.2	-4.3	1.6	-.4	3.0	2.2	.8
Final purchases	33.3	19.1	18.4	20.3	32.2	25.1	24.0	34.6
Private	28.7	15.7	14.0	13.9	23.2	22.4	22.7	27.1
Net exports	.1	-3.1	.3	-3.5	-3.7	.2	2.1	-.5
Excluding net exports	28.6	18.8	13.7	17.4	26.9	22.2	20.6	27.6
Personal consumption expenditures	22.2	11.6	10.0	11.7	17.7	19.1	16.2	20.4
Durable goods	12.5	1.5	3.5	1.8	4.7	4.1	5.0	3.1
Nondurable goods	1.9	4.8	1.7	3.9	5.0	9.0	4.6	8.9
Services	7.9	5.2	4.8	6.0	8.0	6.0	6.6	8.4
Residential fixed investment	3.5	4.3	3.3	2.7	4.2	1.1	1.6	2.2
Business fixed investment	2.9	2.9	.5	3.0	4.9	2.0	2.8	5.0
Government	4.6	3.4	4.4	6.4	9.0	2.7	1.3	7.5
Federal	1.1	.3	1.7	2.6	5.1	.3	-3.2	2.5
State and local	3.5	3.1	2.7	3.8	3.9	2.4	4.5	5.0
GNP in constant (1958) dollars	17.6	5.2	5.1	11.9	11.8	15.7	11.5	16.1
Final purchases	15.6	4.9	8.6	10.6	12.2	13.3	9.7	15.6
Private	15.9	4.9	6.4	7.7	11.0	13.3	11.7	14.4
	-----In Per Cent Per Year ^{1/} -----							
Gross National Product	15.3	7.8	5.5	8.5	12.2	10.5	9.5	12.7
Final purchases	14.2	7.7	7.3	7.9	12.5	9.4	8.7	12.5
Private	15.9	8.2	7.1	6.9	11.6	10.8	10.7	12.5
Personal consumption expenditures	14.9	7.3	6.2	7.1	10.8	11.3	9.3	11.5
Durable goods	70.0	6.1	14.4	7.0	18.7	15.5	18.4	10.6
Nondurable goods	2.8	7.2	2.5	5.7	7.2	13.1	6.3	12.3
Services	12.3	7.7	7.0	8.6	11.4	8.2	8.9	11.2
Gross private domestic investment	29.6	21.8	-1.3	20.4	23.2	15.2	15.9	19.0
Residential construction	48.3	54.7	35.7	26.3	40.2	8.8	12.7	17.2
Business fixed investment	12.3	11.9	1.9	12.0	19.5	7.3	10.1	18.1
Gov't. purchases of goods & services	8.5	6.1	7.8	11.3	15.7	4.4	2.1	12.3
Federal	4.7	1.3	7.3	11.1	21.9	1.1	-11.6	10.1
Defense	-4.3	-5.5	-4.4	12.6	22.8	.0	-16.3	12.1
Other	38.9	25.3	43.3	8.9	17.9	4.1	1.3	5.4
State & local	11.3	9.7	8.2	11.5	11.5	6.8	12.7	13.8
GNP in constant (1958) dollars	10.1	2.8	2.8	6.5	6.4	8.4	6.0	8.2
Final purchases	9.0	2.7	4.8	5.8	6.6	7.1	5.1	8.1
Private	11.5	3.3	4.4	5.2	7.4	8.8	7.6	9.2
GNP implicit deflator	4.7	4.8	2.6	1.9	5.5	1.9	3.3	4.1
Private GNP fixed weight index ^{2/}	4.5	5.0	3.4	2.3	3.7	2.5	3.6	3.8
Personal income	9.2	9.0	4.7	7.7	13.0	7.9	8.6	15.4
Wage and salary disbursements	9.9	7.0	5.4	6.8	15.7	8.1	7.5	10.6
Disposable income	12.7	8.8	3.9	5.7	6.9	8.1	9.0	16.2
Corporate profits and I.V.A.	60.7	26.6	3.6	16.0	21.4	14.6	16.1	33.2
Corporate profits before tax	61.6	26.7	11.0	4.7	28.4	17.0	18.7	36.0
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	10.8	5.9	4.8	8.5	39.1	5.9	7.9	13.2
Expenditures	6.9	16.4	2.9	9.3	16.6	14.1	-8.7	44.6
Nonfarm payroll employment	1.2	1.3	.6	2.4	4.0	4.0	2.8	4.5
Manufacturing	-.1	-1.4	-1.6	.7	2.5	5.2	2.6	7.1
Industrial production (1967 = 100)	7.9	4.6	-2.2	3.4	13.3	11.7	9.1	14.1
Housing starts, private (millions, A.R.)	30.9	49.8	15.5	22.3	43.7	-20.4	15.4	4.7
Sales new autos (millions, A.R.)	256.5	-1.3	29.7	8.2	-17.8	19.6	22.2	18.4
Domestic models	351.4	-5.4	35.1	22.3	-25.5	25.3	20.8	13.4
Foreign models	21.4	22.7	4.5	-46.2	49.7	-8.5	30.9	52.0

^{1/} Rates of change are on a compounded basis.^{2/} Using expenditures in 1967 as weights.

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GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Expenditures and income figures are billions of dollars.)

	1966	1967	1968	1969	1970	1971	1972	1973
Gross National Product	749.9	793.9	864.2	930.3	977.1	1054.9	1158.0	1294.9
Final purchases	735.1	785.7	857.1	922.5	972.6	1048.6	1149.5	1279.5
Private	578.3	605.6	657.5	712.5	753.1	814.4	893.8	1003.1
Excluding net exports	573.0	600.4	655.0	710.6	749.5	814.6	899.8	999.2
Personal consumption expenditures	466.3	492.1	536.2	579.5	617.6	667.1	729.0	805.2
Durable goods	70.8	73.1	84.0	90.8	91.3	103.9	118.4	130.3
Nondurable goods	206.9	215.0	230.8	245.9	263.8	278.4	299.7	338.0
Services	188.6	204.0	221.3	242.7	262.6	284.8	310.9	336.9
Gross private domestic investment	121.4	116.6	126.0	139.0	136.3	153.7	179.3	209.4
Residential construction	25.0	25.1	30.1	32.6	31.2	42.8	54.0	57.2
Business fixed investment	81.6	83.3	88.8	98.5	100.6	104.6	116.8	136.8
Change in business inventories	14.8	8.2	7.1	7.8	4.5	6.3	8.5	15.4
Nonfarm	15.0	7.5	6.9	7.7	4.3	4.9	7.8	11.4
Net exports of goods and services	5.3	5.2	2.5	1.9	3.6	- .2	-6.0	3.9
Exports	43.4	46.2	50.6	55.5	62.9	65.4	72.4	100.4
Imports	38.1	41.0	48.1	53.6	59.3	65.6	78.4	96.4
Gov't. purchases of goods & services	156.8	180.1	199.6	210.0	219.5	234.2	255.7	276.4
Federal	77.8	90.7	98.8	98.8	96.2	97.6	104.9	106.6
Defense	60.7	72.4	78.3	78.4	74.6	71.2	74.8	74.4
Other	17.1	18.4	20.5	20.4	21.6	26.5	30.1	32.2
State and local	79.0	89.4	100.8	111.2	123.3	136.6	150.8	169.8
Gross national product in constant (1958) dollars	658.1	675.2	706.6	725.6	722.5	746.3	792.5	839.2
GNP implicit deflator (1958 = 100)	113.9	117.6	122.3	128.2	135.2	141.4	146.1	154.3
Personal income	587.2	629.4	688.9	750.9	808.3	864.0	944.9	1055.0
Wage and salary disbursements	394.5	423.1	464.9	509.7	542.0	573.6	626.8	691.6
Disposable income	511.9	546.3	591.0	634.4	691.7	746.4	802.5	903.7
Personal saving	32.5	40.4	39.8	38.2	56.2	60.5	52.6	74.4
Saving rate (per cent)	6.4	7.4	6.7	6.0	8.1	8.1	6.6	8.2
Corporate profits and I.V.A.	82.4	78.7	84.3	79.8	69.2	78.7	92.2	105.1
Corporate profits before tax	84.2	79.8	87.6	84.9	74.0	83.6	99.2	122.7
Cash flow, net of div. (domestic)	66.8	66.1	68.6	70.0	68.2	79.5	94.5	90.8
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	142.5	151.2	175.0	197.3	192.0	198.5	227.2	258.5
Expenditures	142.8	163.6	181.5	189.2	203.9	220.3	244.7	264.2
Surplus or deficit (-)	- .2	-12.4	-6.5	8.1	-11.9	-21.9	-17.5	-5.6
High employment surplus or deficit (-)	-6.1	-13.1	-11.2	5.7	3.2	2.9	2.1	-1.9
State and local government surplus or deficit (-), (N.I.A. basis)	1.3	-1.6	- .3	.7	1.8	3.4	12.3	9.2
Total labor force (millions)	78.9	80.8	82.3	84.2	85.9	86.9	89.0	91.0
Armed forces "	3.1	3.4	3.5	3.5	3.2	2.8	2.4	2.3
Civilian labor force "	75.8	77.3	78.7	80.7	82.7	84.1	86.5	88.7
Unemployment rate (per cent)	3.8	3.8	3.6	3.5	4.9	5.9	5.6	4.9
Nonfarm payroll employment (millions)	64.0	65.9	67.9	70.3	70.6	70.6	72.8	75.6
Manufacturing	19.2	19.4	19.8	20.2	19.3	18.5	18.9	19.8
Industrial production (1967 = 100)	97.9	100.0	105.7	110.7	106.7	106.8	115.2	125.6
Capacity utilization, manufacturing (per cent)	91.9	87.9	87.7	86.5	78.3	75.0	78.6	83.0
Major materials (per cent)	92.1	87.4	89.3	90.0	86.2	85.3	89.6	93.0
Housing starts, private (millions, A.R.)	1.16	1.29	1.51	1.47	1.43	2.05	2.36	2.05
Sales new autos (millions, A.R.)	9.04	8.34	9.64	9.57	8.40	10.24	10.93	11.44
Domestic models	8.38	7.57	8.62	8.46	7.12	8.68	9.32	9.67
Foreign models	.66	.77	1.02	1.11	1.28	1.56	1.61	1.77

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CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1966	1967	1968	1969	1970	1971	1972	1973
-----Billions of Dollars-----								
Gross National Product	65.0	44.0	70.3	66.1	46.8	77.8	103.1	136.9
Inventory change	5.2	-6.6	-1.1	.7	-3.3	1.8	2.2	6.9
Final purchases	59.8	50.6	71.4	65.4	50.1	76.0	100.9	130.0
Private	40.1	27.3	51.9	55.0	40.6	61.3	79.4	109.3
Net exports	-1.6	-.1	-2.7	-.6	1.7	-3.8	-5.8	9.9
Excluding net exports	41.6	27.4	54.6	55.6	38.9	65.1	85.2	99.4
Personal consumption expenditures	33.5	25.8	44.1	43.3	38.1	49.6	61.8	76.2
Durable goods	4.5	2.3	10.9	6.8	.5	12.6	14.5	11.9
Nondurable goods	15.8	8.1	15.8	15.1	17.9	14.6	21.6	38.0
Services	13.1	15.4	17.3	21.4	19.9	22.2	26.1	26.0
Residential fixed investment	-2.2	.1	5.0	2.5	-1.4	11.6	11.2	3.2
Business fixed investment	10.3	1.7	5.5	9.7	2.1	4.0	12.2	20.0
Government	19.8	23.3	19.5	10.4	9.5	14.7	21.5	20.7
Federal	10.9	12.9	8.1	.0	-2.6	1.4	7.3	1.7
State and local	8.9	10.4	11.4	10.4	12.1	13.3	14.2	19.0
GNP in constant (1958) dollars	40.3	17.1	31.4	19.0	-3.1	23.8	46.2	46.7
Final purchases	35.4	23.3	32.7	18.7	-.4	-22.5	-44.4	43.0
Private	23.5	9.6	25.3	20.6	6.2	18.5	46.1	45.2
-----In Per Cent Per Year-----								
Gross National Product	9.5	5.9	8.9	7.5	5.0	8.0	9.0	11.8
Final purchases	8.9	6.9	9.1	7.6	5.4	7.8	9.6	11.3
Private	7.4	4.7	8.6	8.4	5.7	8.1	9.7	12.2
Personal consumption expenditures	7.7	5.5	9.0	8.1	6.6	8.0	9.3	10.5
Durable goods	6.8	3.2	14.9	8.1	.6	13.8	14.0	10.1
Nondurable goods	8.3	3.9	7.3	6.5	7.3	5.5	7.7	12.8
Services	7.5	8.2	8.5	9.7	8.2	8.5	9.2	8.4
Gross private domestic investment	12.3	-4.0	8.1	10.3	-1.9	12.8	16.7	16.8
Residential construction	-8.1	.4	19.9	8.3	-4.3	37.2	26.2	5.9
Business fixed investment	14.4	2.1	6.6	10.9	2.1	4.0	11.7	17.1
Gov't. purchases of goods & services	14.5	14.9	10.8	5.2	4.5	6.7	9.2	8.1
Federal	16.3	16.6	8.9	.0	-2.6	1.5	7.5	1.6
Defense	21.2	19.3	8.1	.1	-4.8	-4.6	5.1	-.5
Other	1.8	7.6	11.4	-.5	5.9	22.7	13.6	7.0
State & local	12.7	13.2	12.8	10.3	10.9	10.8	10.4	12.6
GNP in constant (1958) dollars	6.5	2.6	4.7	2.7	-.4	3.3	6.2	5.9
Final purchases	5.8	3.6	4.9	2.7	-.1	3.1	6.0	5.5
Private	4.8	1.9	4.8	3.7	1.1	3.9	6.7	6.5
GNP implicit deflator	2.7	3.2	4.0	4.8	5.5	4.6	3.3	5.6
Private GNP fixed weight index	2.7	2.8	3.8	4.7	4.8	4.3	3.3	6.3
Personal income	9.0	7.2	9.5	9.0	7.6	6.9	9.4	11.7
Wage and salary disbursements	9.9	7.2	9.9	9.6	6.3	5.8	9.3	10.3
Disposable income	8.2	6.7	8.2	7.3	9.0	7.9	7.5	12.6
Corporate profits and I.V.A.	8.3	-4.5	7.1	-5.3	-13.3	13.7	17.2	14.0
Corporate profits before tax	8.2	-5.2	9.8	-3.1	-12.8	13.0	18.7	23.7
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	14.3	6.1	15.7	12.7	-2.7	3.4	14.5	13.8
Expenditures	15.6	14.6	10.9	4.2	7.8	8.0	11.1	8.0
Nonfarm payroll employment	5.2	3.0	3.1	3.5	.4	.1	3.0	3.9
Manufacturing	6.4	1.2	2.1	2.0	-4.1	-4.2	2.2	4.7
Industrial production (1967 = 100)	9.8	2.1	5.7	4.7	-3.6	.1	7.9	9.0
Housing starts, private (millions, A.R.)	-20.9	10.9	16.7	-2.7	-2.3	43.2	14.9	-13.2
Sales new autos (millions, A.R.)	-3.2	-7.7	15.6	-.6	-12.3	21.9	6.7	4.7
Domestic models	-4.4	-9.7	13.8	-1.8	-15.9	21.9	7.4	3.7
Foreign models	15.8	16.5	32.6	9.0	15.5	21.8	3.3	9.8