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ANALYSIS
DOMESTIC ECONOMY

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TALKING POINTS
ON THE ECONOMY

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TALKING POINTS ON THE ECONOMY
October 11, 1974

The economy has begun to experience some slippage in reaction to policies of restraint -- though this remains quite moderate in the aggregate. If a decline in real GNP growth is registered in the third quarter, as is likely, it will have followed a relatively strong performance, because employment, manhours, and industrial production continued to rise in the first half of 1974 -- unlike the GNP, which in this period of inflation and change in earnings from abroad is less reliable a measure than formerly. In fact, real "gross domestic product" -- which measures activity within territorial U.S. -- rose 0.3%, annual rate, in the second quarter. (Real gross national product fell 1.6%.)

Of course, economic policies of restraint has exerted a dramatic impact in some sectors: housing activity has receded substantially in reaction to more limited mortgage availability; automobile sales remain well below 1973 peaks; and some other industries have experienced less intense demand -- textiles, for example.

Nevertheless, the economy has continued to operate at a very high rate of capacity utilization. Shortages persist in most basic materials producing industries. In the third quarter, the operating rate for these industries is projected at only a shade below the 90% registered in the second quarter, which was the same as in the first, and compared with 92% in the fourth quarter of 1973. For all manufacturing, the operating rate in the second quarter had eased by only 2 percentage points below the overheated fourth quarter 1973 pace. Whatever slack has developed has been selective.

Against this perspective, it is no surprise that inflation shows little let-up -- and this at a rate somewhat more than had been anticipated. "Double-digit" inflation again is developing in the third quarter, as it did in the second. The risk in the situation is that the effort to regain losses in real purchasing power will generate wage-price developments unfavorable for disinflation. That already has begun. More risk was added by reduced forecasts of the 1974 corn crop, which already has generated higher farm prices for corn and related products in late September and early October.

1. Output

- Third quarter real GNP (and GDP) probably will show a small negative -- on the order of 1% or so. This follows a decline of 1.6% in the second, but that was influenced by reduced earnings from abroad.

- Real GNP in the second quarter declined 1.6%. Real GDP registered positive in the second quarter.

	1973		1974	
	III	IV	I	II
	(Percent Change, annual rate)			
Gross National Product	1.6	2.3	-7.0	-1.6
Gross Domestic Product	1.6	2.4	-7.9	0.3

- Industrial production rose 1.9%, annual rate, in the second quarter -- surely not evidence to support the "recession" label. In August, output declined 0.4% (not annualized). But this was mainly caused by strikes and cutbacks in the output of nonautomotive durable goods. The July-August average was only 0.1% below the second quarter, annual rate. (September might not show too much change from August.)

Industrial Production, Seas. Adj.
(Percent Change, Annual Rate)

1973		1974			
III	IV	I	II	Aug.	July-Aug. Av.
6.2	1.0	-6.5	1.9	-4.8	-0.1

- Though production adjustments might be expected in the months ahead, some limit to any decline of magnitude will be provided by still rising new orders for durable goods. In August, new orders advanced 2.8%, following an increase of 1.3% in July and 0.3% in June. Higher prices have contributed to these advances -- but not to this magnitude. Unfilled orders in August were a third higher than a year earlier -- much more than the price advance.

- The September Commerce survey of anticipated outlays on new plant and equipment shows that 1974 will register a 12.5% advance over 1973. Starts and carryovers of capital spending projects are rising sharply (see Chart 2). Announced deferrals by utilities refer more to financing plans than to spending. Incomplete results of new private surveys show that business plans to spend something in the range of a 10% rise in 1975 spending.

- Retail sales in August advanced 0.9% partly due to prices, but also because sales rates of new cars increased in anticipation of price advances. However, real retail sales, excluding cars, have tended flat in recent months. September domestic new car sales were at a 8.2 million annual rate, down from 9.5 million in August.

- Housing starts, feeling the pinch of high interest rates and "disintermediation," decreased from an annual rate of 1.6 million units in June and 1.3 million units in July, to 1.1 million in August. This is down from 2 to 2 1/2 million units in 1973. Housing permits in August eased to 0.9 million, down substantially from 1.3 million of last winter and about 2.0 million last summer.

The prior bright outlook for housing starts in the second half of 1974 has dimmed because rising short-term interest rates have diminished savings inflows to mortgage-granting institutions. Net savings flows at insured S&L's were negative in July, August, and September by about $1 billion a month. Saving in the first eight months of 1974 was 56% below the same period last year. (With interest credited, the saving change was 29% below a year earlier.)

- The international trade balance was strongly negative in July and August, with oil imports increasingly important in turning around the previously more favorable position.

	1972	1973	1974 I	1974 II	1974 July	1974 Aug.
	(--------Millions of Dollars; monthly averages--------)					
Exports*	4,103	5,903	7,463	8,073	8,307	8,370
Imports	4,632	5,756	7,235	8,387	9,035	9,502
Balance	-529	+147	+228	-314	-728	-1,132

*Excluding military aid.

2. Labor Markets

The unemployment rate in September rose to 5.8%, up from 5.4% in August. This sharp rise appears overstated -- though some increase was expected -- because the widely swinging teenage ratio increased so much. The slight upward drift is better measured by the moderate rise of state-insured unemployment to 3.4% in September, up 0.1%.

UNEMPLOYMENT RATES, SEAS. ADJ.

	1973	1974				
	Sept.	May	June	July	Aug.	Sept
Total	4.7	5.2	5.2	5.3	5.4	5.8
Males, 20 years and over	3.0	3.4	3.5	3.5	3.8	3.9
Females, 20 years and over	4.8	5.1	5.1	5.2	5.2	5.7
Teenagers	14.3	15.8	15.6	16.2	15.3	16.7
Married men	2.1	2.2	2.6	2.6	2.6	2.8
Household heads	2.7	3.0	3.1	3.0	3.1	3.4
State insured	2.6	3.3	3.4	3.4	3.3	3.4
Full-time workers	4.2	4.6	4.7	4.8	4.8	5.3

Even so, total employment in September stands 1.4 million higher than a year earlier.

3. Prices, productivity and labor costs

The GNP deflator rose at a rate of 9.4% in the second quarter, close to double digit inflation. High as this was, the growth rate of inflation was diminished by declining farm product prices, which in the meantime have turned up. Aside from farm products, other prices rose rapidly. The third quarter GNP deflator is likely to be "double digit."

The price outlook is less favorable than it was earlier this year because crop production in 1974, due to drought, is now estimated at 5.8% lower than in 1973. Nevertheless, less pressure might be expected from those industrial materials prices which are internationally traded, because economic growth rates and demand abroad have lessened. The price index of 13 industrial materials in early October was down 12.5% from the April 1974 peak (see Table 4). However, earlier sharp cost increases in many raw materials have yet to be transmitted through the cost-price chain to retail.

- Wholesale prices in September averaged no change from August, following that month's increase of 3.9% -- possibly the first indication of deceleration from the post-decontrol bubble. Farm and food prices declined in September, but this probably will be reversed in subsequent months. The significant development was the reduced September rise of 1% in industrial prices, sharply down from the 2 1/2% advances in earlier months this spring and summer. This moderated rate of rise appears quite promising for disinflation, because many areas of industrial prices contributed to it -- apparently in reaction to cooloff in many markets. Nevertheless, due to the turnabout of farm product and food prices, average wholesale prices probably will rise in October.

- Consumer prices rose 1.3% in August, after a 0.8% increase in July. August food prices, up 1.4%, registered their largest increase since last February. Prices of nonfood commodities and service costs in August continued to rise at the accelerated pace which has developed since last January. Over the year, all consumer prices advanced 11.2%.

- Productivity in the private nonfarm economy declined in the second quarter, but this was partly influenced by using GNP instead of GDP (which did not fall) as a measure of output. For nonfinancial corporations (which abstracts from these problems), productivity increased by 1.2% in the second quarter, up from the 5.5% decline in the first quarter. Still, due to heavy increases in labor compensation, unit labor costs increased 10.0%.

- Real weekly earnings decreased 0.9% in August. The over-the-year reduction in the weekly paycheck was 3.3%. Real hourly earnings in August declined 0.4%, with the over-the-year reduction at 2.0%. (See Table 2 for other time comparisons.)

4. Financial Markets

Though strong demand for business credit persists -- partly due to the inflation effect on current dollar working capital needs -- nevertheless, short-term interest rates have dropped sharply since July in response to a more accommodating monetary policy. The three-month Treasury bill rate was down to an average of 6 3/4% in late September and early October, from the 9 1/2% of prior weeks. Federal Reserve policy would appear to be directed towards moderated restraint, judging by some slippage in the Federal funds rate in the last two weeks. The prime rate is down to 11 3/4% this week at most major banks.

Long-term rates continued to rise to new highs in recent weeks. The strong economy, the buildup of corporate security flotations, and the "inflation premium" have kept long rates high. However, some cancellations of security offerings (e.g., electric utilities) have occurred in reaction to high rates and other financial conditions unfavorable for investment. Lately, the home mortgage rate has shaded up to an all time peak, as shown below:

	3-Month Treasury Bill	Federal Funds	Long-term Govt.Bond	AA Corporate	New Mortgage Yield
1972: Dec	5.07	5.33	5.63	7.35	7.72
1973: Dec	7.45	9.95	6.35	8.09	8.73
1974: Mar	7.96	9.35	6.81	8.60	8.61
Apr	8.33	10.51	7.04	9.04	8.88
May	8.23	11.31	7.07	9.38	9.15
June	7.90	11.98	7.03	9.58	9.23
July	7.55	12.92	7.18	10.18	9.38
Aug	8.96	12.01	7.33	10.28	9.62
Sept.	8.06	11.34	7.30	10.38	----
Latest week	6.87 (10/9)	10.43 (10/9)	7.31 (10/4)	11.00 (10/4)	----

M1 rose moderately in the first two quarters of this year, but slowed down in July and August. The money supply appears to have declined a little in September.

	M1	RPD
	(Simple annual rate change)	
12/71 to 12/72	8.7	10.0
12/72 to 12/73	6.1	8.9
12/73 to Oct. 2	4.5	11.3 (thru Oct. 9)
1974: I	5.6	6.2
II	6.4	20.3
July	1.7	8.6
Aug.	2.6	9.6
Sept.	1.3	6.1

5. International Developments

- Over the most recent 12 months for which data are available, the rate of inflation (as measured by consumer prices) registered by the U.S. has been close to those of the major industrial nations. The real growth rate (as measured by industrial production) presently is lower -- than in most of these countries.

	Consumer Price Index		Industrial Production Index	
	(-----Percent		Change*---)	
U.S.	11.3	(Aug.)	-0.6	(Aug.)
West Germany	7.2	(July)	1.5	(June)
United Kingdom	16.4	(July)	0	(June)
France	13.8	(July)	4.7	(June)
Italy	17.2	(July)	6.7	(May)
OECD Europe	----		4.4	(June)
Japan	22.7	(Aug.)	1.0	(June)
Canada	10.9	(Aug.)	2.6	(June)

* Percent change of 3-month average ending in month shown from corresponding average a year earlier.

• The gradual appreciation of the dollar in the foreign exchange market which occurred during June, July and August, 1974, ceased in September, and the dollar has depreciated slightly in the past few weeks. Nevertheless, on a trade-weighted basis, the dollar remains about 2% above its level following the February devaluation.

Despite the stresses and strains of rapidly changing payments positions, especially those associated with the greatly increased oil prices, the foreign exchange market has been quite resilient under the system of widespread, managed floating rates. In mid-January the dollar reached its highest point since its devaluation in February 1973, but then declined as the energy crisis threatened to provoke a more pronounced deterioration in the U. S. trade balance than had been expected, U. S. short-term interest rates declined, and foreign borrowing no longer restrained by U. S. capital controls increased. By mid-May, however, the decline in the dollar stopped and, stimulated by rising U. S. interest rates and heavy demands for dollars to finance oil payments, the dollar exchange rate again began to appreciate. Exchange markets were also influenced by the difficulties of a few individual banks in several countries resulting primarily from foreign exchange losses. At the end of June, the announcement that Bank Herstatt had been closed by the German authorities was particularly unsettling to the market, because pending transactions between banks were interrupted prior to completion. Exchange trading activity diminished sharply because of uncertainties whether traditional interbank trading practices in foreign exchange could be relied upon. Major attention is focused on the discussions among monetary authorities to provide suitable support, when needed, for banks facing liquidity and solvency problems, in particular banks heavily engaged in Euro-money operations which are not directly subject to government supervision and control.

The sharper exchange movements this year took place between the dollar and the European currencies participating in the joint float. The German mark was generally the center of attention and for a time subject to recurring rumors of a further revaluation. However, since the Herstatt closure the mark has, in fact, settled to the bottom of the European joint float and has needed substantial support in terms of other currencies in the float, especially the Dutch guilder, Belgian franc, and Norwegian krone. Of the currencies which withdrew from the joint float, the British pound, while gradually depreciating, has been supported by the large demand for sterling needed by oil companies for royalty and tax payments; the French franc has tended to fluctuate rather narrowly in terms of the dollar, well below, however, its central rate established in February 1973; and the Italian lira has depreciated rather steadily since mid-year and has been adversely affected by the recent resignation of the Italian Government.

- The current market gold price of $157.50 (October 7) compares with the high reached at the London fixings of $179.50 on April 3, 1974. The movement since that time, while sometimes erratic, was rather steadily down until early in July, reaching a low of $129.00 on July 4. The price then increased to about the present level by the end of July, probably related to the anticipation of the lifting of the restrictions on private holdings in the U. S. However, the price was not affected by the signing of the legislation on August 14, establishing the terminal date of December 31, 1974 for lifting the restrictions. The price declined in early September, reaching a low of $144.00 on September 18, and after fluctuating for some weeks, rose again above the $155.00 level during the recent annual Meeting of the Fund and Bank. There has been a rather sharp drop in the industrial use of gold beginning at about mid-1973, thus reducing the basic underpinning of the market and leaving it more to speculative movements.

- Commerce Department data for the second quarter of 1974 show a deficit of $2.7 billion on current account and long-term capital, seasonally adjusted, compared with a surplus of $1.8 billion in the first quarter. The release noted that higher payments for petroleum imports increased the merchandise trade deficit, and that net long-term private capital transactions shifted to a $1.2 billion outflow compared with a $0.5 billion inflow in the first quarter.

6. The Outlook

Though real growth has tapered -- indeed, may have declined in the third quarter -- the economy continues to operate close to its current potential. Only a few sectors of spare capacity exist -- notably in housing and in the automobile industry. Most of the private econometric models, at the worst, forecast only two quarters or so of low or negative growth before another economic expansion begins later in 1975.

Indeed, there continues to be current and sustaining strengths in the economy, which place a floor on economic growth rates. They continue to be centered in business fixed investment. Shortages in the capacity to produce prevail in most major materials producing industries and elsewhere. Efforts in progress to expand facilities are widespread. Electric utilities have announced some deferrals, but spending plans on work in progress cannot easily be changed. All indicators of capital spending plans point to a buoyant performance this year and next.

In addition, real consumer spending might be expected to advance because their stocks eventually become depleted; and perhaps real purchasing power might stop declining as disinflation proceeds. Outlays on consumer services generally might be expected to continue their uptrend. Finally, export demand will remain strong.

Nevertheless, the rise in national output may be expected to be more moderate during the last half of 1974 than had been thought earlier. The recovery of housing has been delayed by unfavorable financial conditions; while the revised national accounts figures on inventories just made available suggest somewhat greater accumulations than earlier statistics had indicated. Growth may also be limited by some continuing shortages in basic materials like steel, chemicals, and paper. The unemployment rate may rise some in late 1974 and early 1975 but may cling to 6% or so -- if real growth turns positive in the last half of 1975, as most forecasts project.

The near-term outlook does not promise any rapid diminishment in the inflation rate. While food prices had been expected earlier to decelerate, that prospect is no longer a certainty because it depended on average weather, reduced export demand and more red meat production by the end of the year -- none of which can be assumed, surely. A "wage explosion" and rising unit labor costs could upset the disinflation applecart. If that does not occur, modest progress towards disinflation might be expected in late 1975 -- assuming resumption of real growth (and therefore productivity gains) by that time.

Under present circumstances of low or no real economic growth, the temptation exists to expand demand by tax cuts and other stimulative measures. Budget outlay restraints might be thought inappropriate, and the drive to reach $300 billion in FY 1975 might be weakened. Easing of monetary restraint might proceed too fast. That was the danger in earlier periods when policies of fiscal and monetary restraint were discarded too soon. "Stop-and-go" policies then were adopted. That is one reason why the inflation problem is still with us.

Office of the Secretary of the Treasury October 11, 1974
Office of Financial Analysis: Liebling
Office of International Affairs: Springborn

MEASURES OF PRICE, WAGE, AND PRODUCTIVITY CHANGE

1. Summary

(Seasonally-Adjusted Percent Change, Compound Annual Rate except where noted)

	1969	1970	1971 Prior to Phase I	17 months Freeze I & Phase II Aug. 71-Jan. 73	Phases III & IV Jan. 73-Apr. 74	Last 6-month period ending Aug.'74	(Not annualized) Latest month Aug.'74
Consumer Price Index							
All Items	6.1	5.5	3.7	3.4	9.9	12.1	1.3
Wholesale Price Index							
Industrial Commodities	3.9	3.6	4.5	2.9	19.5	31.9*	1.0*
Hourly Earnings, Private Nonfarm Production Workers							
In Current Dollars	6.4	6.8	7.5	6.1	6.8	11.5*	0.9*
In Constant Dollars	0.3	1.2	3.6	2.5	-2.8	-1.1	-0.6
Productivity and Costs, Private Nonfarm (Quarterly)							
Output per man-hour	-1.2	1.7	5.2	4.5	-0.6	-4.0	-0.6
Unit Labor Costs	8.2	5.0	2.2	2.0	8.8	13.9	3.1

*period ending September '74.

r -- Revised
p -- Preliminary

MEASURES OF PRICE, WAGE, AND PRODUCTIVITY CHANGE

2. Monthly Series

(Seasonally-Adjusted Percent Change, Compound Annual Rate except where noted)

	12 mos. Dec.'68 to Dec.'69	12 mos. Dec.'69 to Dec.'70	8 months prior to Phase I Dec.'70 to 8-71	17 months Freeze I & Phase II Aug. 71-Jan. 73	Phases III & IV Jan. 73-Apr. 74	Last 6-month period ending Aug'74	Latest month Aug'74
Consumer Price Index							
All Items	6.1	5.5	3.7	3.4	9.9	12.1	17.3
Food	7.2	2.2	4.7	5.9	17.5	4.9	18.8
Commodities Less Food	4.5	4.8	2.6	2.2	7.9	17.0	19.8
Services a/	7.4	8.2	4.5	3.5	7.1	11.9	14.2
Rent a/	3.8	4.5	4.3	3.6	4.6	4.6	5.7
Wholesale Price Index							
All Commodities	4.8	2.2	5.0	5.7	19.3	25.8	57.6
Industrial Commodities	3.9	3.6	4.5	2.9	19.5	36.9	34.8
Farm Products, Processed Foods, Feeds b/	7.5	-1.4	6.5	13.3	18.9	5.0	140.4
Consumer Finished Goods	4.9	1.4	3.8	4.7	20.1	13.5	23.0
Consumer Foods b/	8.2	-2.5	6.7	9.0	19.5	1.7	46.0
Consumer Commod. ex. Food	2.9	4.0	2.2	1.9	20.6	24.3	16.4
Producer Finished Goods	4.6	4.9	3.4	1.6	8.0	38.5	38.5
Spot Market Price Index, Indus. Materials a/ c/	16.4	-8.8	-0.4	21.2	53.7	-16.1	-19.1
Private Nonfarm Production Workers							
Earnings in current dollars							
Hourly d/	6.4	6.8	7.5	6.1	6.8	11.5*	11.8*
Gross Weekly	6.2	4.1	7.3	6.0	5.8	11.1*	19.4*
Spendable Weekly e/	4.9	4.5	8.0	5.9	5.1	9.8*	17.1*
Earnings in constant dollars							
Hourly d/	0.3	1.2	3.6	2.5	-2.8	-0.9	-5.0
Gross Weekly	0.1	-1.4	3.4	2.5	-3.7	-2.9	-10.1
Spendable Weekly e/	-1.1	-0.9	4.1	2.4	-4.4	-3.8	-10.6

a/ Not seasonally adjusted; data contain almost no seasonal movements.
b/ Raw agricultural products are exempt from the price controls.
c/ Weekly index, not a component of WPI. Includes copper, lead and steel scrap, zinc, tin, cotton, print cloth, wood tops, burlap, hides, rubber, rosin, and tallow.
d/ Adjusted for overtime (mfg. only) and for inter-industry employment shifts.
e/ Gross weekly earnings, after taxes, for worker with 3 dependents. In annualizing the rates of change the effect of the change in tax rates at the beginning of 1973 is taken into account separately.

*period ending September '74.

MEASURES OF PRICE, WAGE, AND PRODUCTIVITY CHANGE

3. Quarterly Series

(Seasonally-Adjusted Percent Change, Compound Annual Rate)

	IV '68 to IV '69	IV '69 to IV '70	IV '70 to III '71	Freeze I and Phase II III '71-IV '72	Phases III & IV IV '72 I '74	Last 2 quarter, period ending II '74	Latest quarter, period ending II '74
GNP Price Deflators							
Total	5.3	5.3	3.8	3.3	8.4	10.8	9.4
Private, Fixed wts.	5.1	4.5	4.3	3.2	9.4	14.4	14.6
Per. Cons. Expend., Fixed wts.	5.0	4.3	4.2	3.1	9.6	13.3	12.0
Private Nonfarm							
Hourly Compensation	6.9	6.8	7.5	6.6	8.1	9.5	10.6
Output per Man-Hour	-1.2	1.7	5.2	4.5	-0.6	-4.0	-2.5
Unit Labor Costs	8.2	5.0	2.2	2.0	8.8	13.9	13.4
Unit Nonlabor Payments	-0.9	5.9	7.0	2.0	5.4	16.7	19.3
Price Deflator	4.8	5.3	3.9	2.0	7.5	14.9	15.4
Hourly Compensation	1.0	1.0	3.5	3.4	-0.8	-2.3	-1.7
Corporate Nonfinancial							
Hourly Compensation	7.1	7.3	7.8	6.0	9.0	9.9	11.3
Output per Man-Hour	0.9	1.7	7.7	3.5	1.1	-2.1	1.2
Unit Labor Costs	6.2	5.5	0.1	2.5	7.8	12.4	10.0
Unit Nonlabor Costs	7.9	13.2	-1.1	-0.6	4.8	11.7	9.3
Total Unit Costs	6.6	7.4	-0.2	1.6	7.1	12.2	9.8
Unit Profits	-20.1	-13.6	28.4	7.8	-2.0	10.3	39.0
Price Deflator	2.8	5.1	2.3	2.2	6.0	12.1	12.6
Real Hourly Compensation	1.2	1.5	3.7	2.8	0	-1.7	-1.0

Negotiated Wage Changes
All Industries

(Mean percentage adjustment, decisions reached during period)

	1969	1970	1971	1972	1973	Change from III '71 to IV'72	Change from IV '72 to I'74	Last 2 quarters, period ending II '74	Latest quarter II '74
Wages and benefits, 1st year	10.9	13.1	13.1	8.5	7.1	9.2	7.1	8.5	9.0
Wages, 1st year	9.2	11.9	11.6	7.3	5.8	7.8	5.8	8.7	9.2

r - revised
p - preliminary
* - period ending I '74

4. Sensitive Spot Market Prices*
(Percent Change)

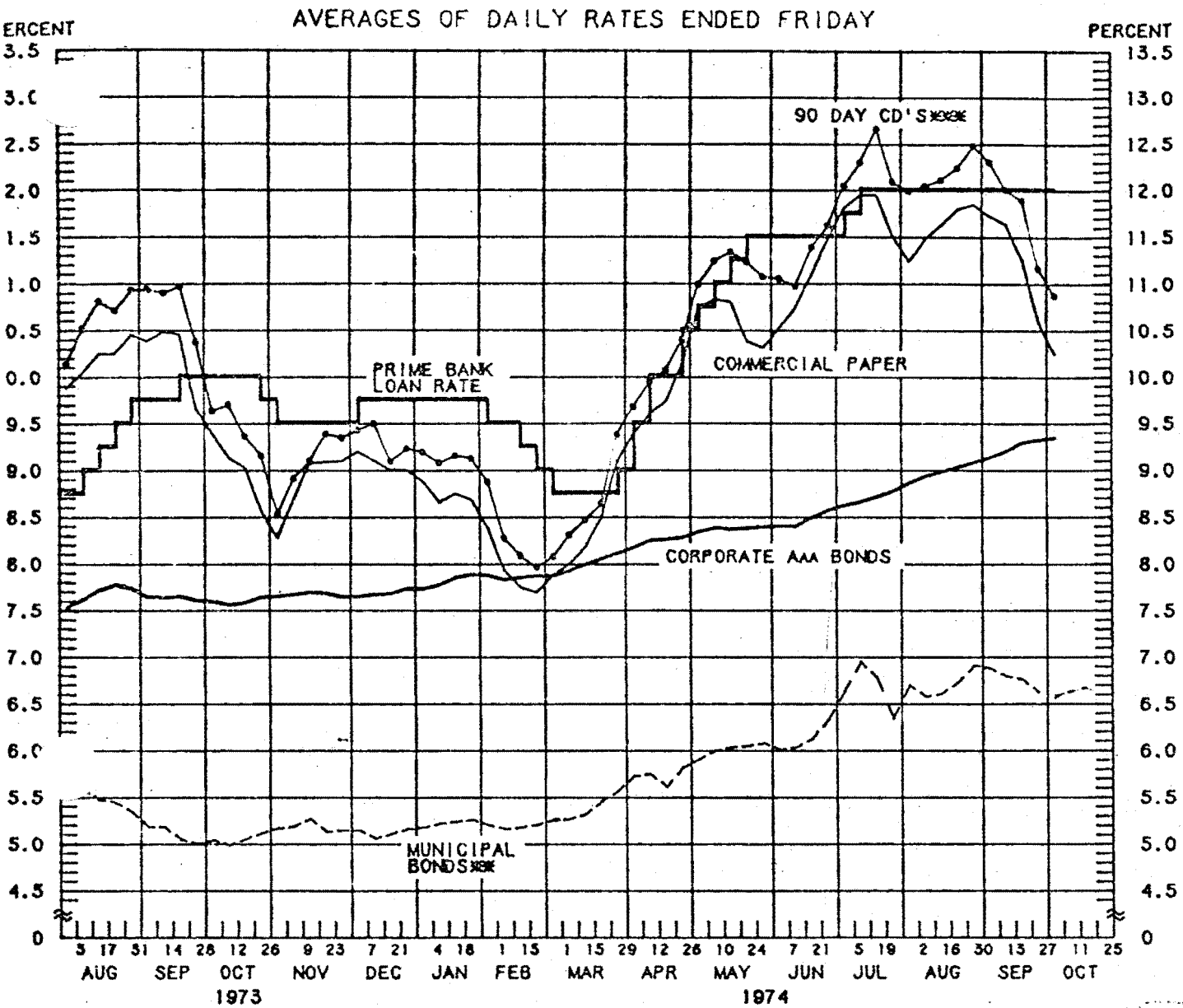
	Dec.'69 to Dec.'70	Dec.'70 to Dec.'71	Dec.'71 to Dec.'72	Dec.'72 to Peak		Peak to Oct ,'74		% Change from previous week, not annualized
				Total %: Change	% Change at : annual rate	Total %: Change	% Change at : annual rate	
All Commodities (22 items)	-6.5	-0.5	22.6	89.9 (July 30, 1974)	49.4	-7.0	-31.4	-0.9
Foodstuffs (9 items)	-2.9	-1.8	17.5	118.0 (July 30, 1974)	63.0	-0.5	-2.6	0.2
Industrial Materials (13 items)	-8.8	0.4	26.2	77.7 (April 2, 1974)	57.3	-13.8	-24.9	-1.6

* The indexes measure price trends of selected commodities which are particularly sensitive and are traded daily in major commodity markets.

** Date of peak shown in parenthesis.

YIELDS ON SELECTED SECURITIES

AVERAGES OF DAILY RATES ENDED FRIDAY



LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: OCTOBER 4, 1974

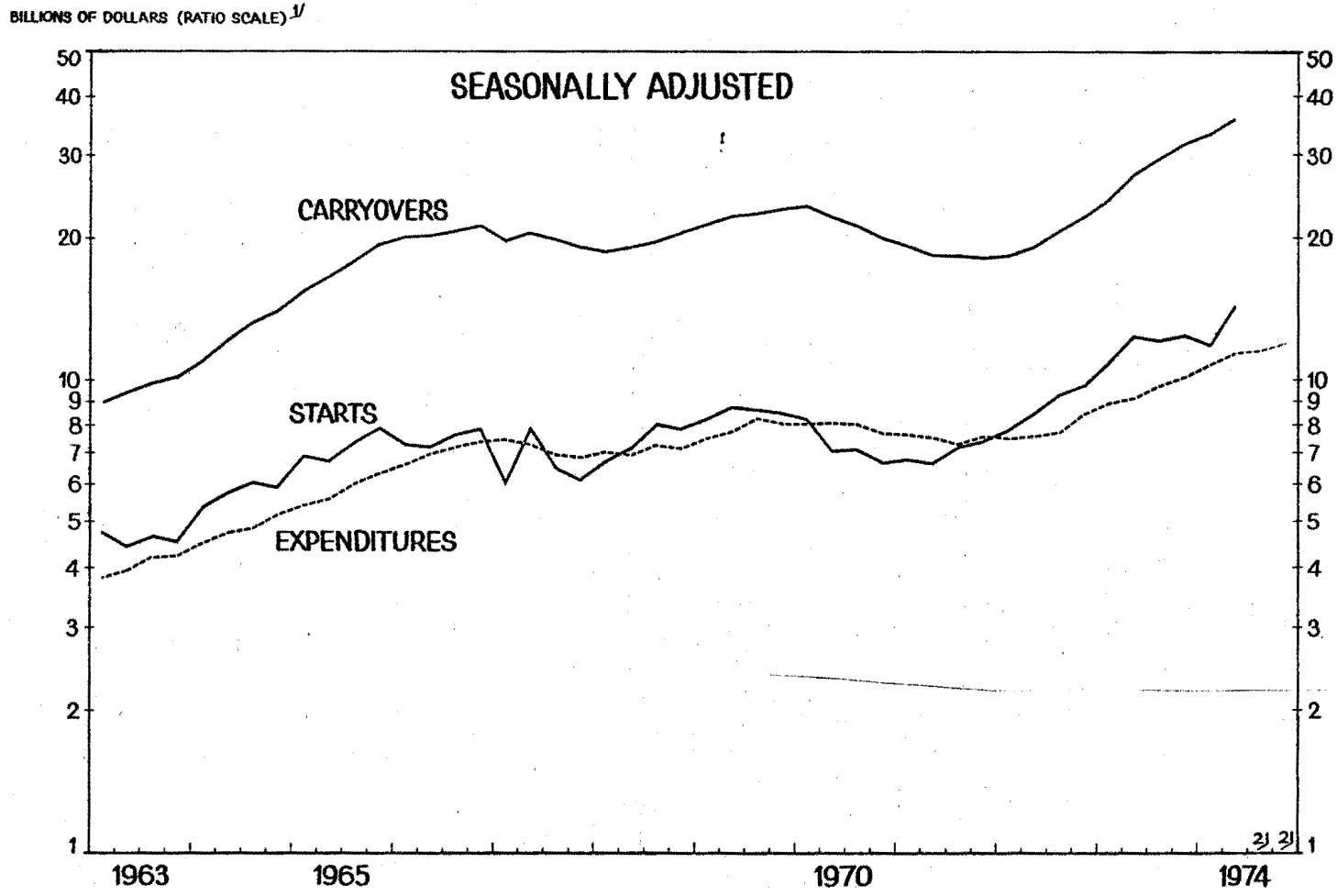
1974	90 DAY CD'S ***	PRIME COMMERCIAL PAPER 4-6 MONTH	PRIME BANKERS' ACCEPTANCES	CORPORATE AAA BONDS	MUNICIPAL BONDS **
AUG. 2	11.99	11.23	12.00	8.86	6.70
9	12.05	11.48	12.00	8.93	6.58
16	12.11	11.63	12.08	8.98	6.61
23	12.24	11.80	12.16	9.03	6.73
30	12.48	11.85	12.10	9.08	6.91
SEP. 6	12.30	11.72	11.79	9.13	6.88
13	12.00	11.63	11.46	9.20	6.79
20	11.89	11.25	10.95	9.29	6.76
27	11.16	10.58	10.36	9.32	6.62
OCT. 4 *	10.87	10.25	9.85	9.34	6.68
11					
18					
25					

* AVERAGES OF RATES AVAILABLE.
** BOND BUYER'S AVERAGE INDEX OF 20 MUNICIPAL BONDS, THURSDAY DATA.
*** SEVEN-DAY AVERAGES OF SECONDARY MARKET RATES FOR THE WEEK ENDING WEDNESDAY TWO DAYS EARLIER THAN DATES SHOWN. CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.
N.A. - NOT AVAILABLE

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

Chart 2

MANUFACTURING PLANT AND EQUIPMENT STARTS, EXPENDITURES, AND CARRYOVERS



1/ QUARTERLY RATES.

2/ PLANNED EXPENDITURES.

SOURCE: DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS.

CAPITAL GOODS
BOOM

GERALD R. FORD LIBRARY

Review of

ECONOMIC AND FINANCIAL DEVELOPMENTS

October 4, 1974

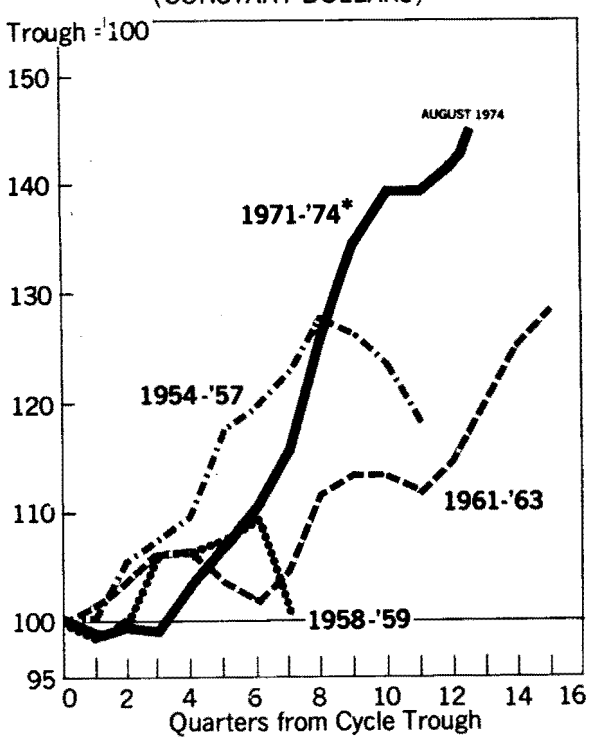
THE CAPITAL GOODS BOOM: A SUSTAINING FORCE INTO 1975

The momentum of the ongoing capital goods boom will provide a cushion which should soften the more pessimistic prospects for real GNP growth in 1975 now envisaged in many econometric forecasts.

Suddenly, a thickening gloom has emerged concerning the course of the economy resulting from such factors as continued sluggishness in consumer spending, involuntary inventory accumulation, and sustained weakness in housing. And, indeed, there is some basis for these expectations in the current statistics.

But the evidence now available would indicate that, unlike other periods of slowdown in growth, spending on new plant and equipment will be working against these forces and will temper cumulative declines of any large magnitude. In the past, business fixed investment has fallen promptly and substantially when aggregate demand has faltered. This time, however, capital spending may provide support to other sectors, sustaining rather than lowering income and employment.

BUILDUP OF UNFILLED ORDERS DURING EXPANSIONS, DURABLE GOODS MANUFACTURERS
(CONSTANT DOLLARS)



*Trough placed at 1971-II for current expansion

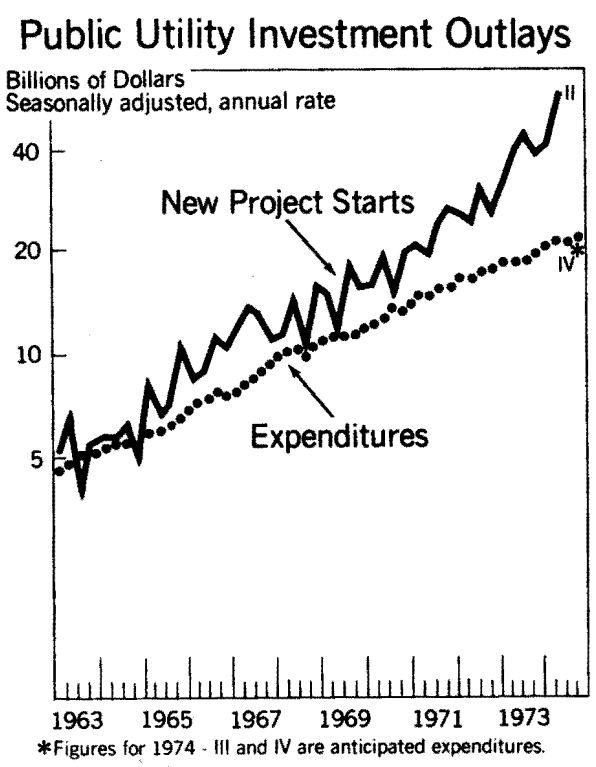
The basis for this atypical role for investment spending is the fact that additional capital capacity continues to be required in specific industries. The mix of our economy's productive capacity does not match the mix of demand that it is supposed to satisfy. The situation is manifested in extremely high and growing backlogs of orders for durable manufactures, though excess capacity in some durable manufacturing industries has emerged. (It should be noted that some "excess capacity" counted in surveys is the result of materials shortages rather than demand shortfalls.)

Firms are operating flat out (as in steel, fabricated metals, nonelectric machinery) and still cannot meet demand. Others have reduced production from levels attained earlier this year. Overall industrial production has topped off and eased a bit.

But, the capital goods boom appears to be an enduring force. This is portrayed in Chart I on the previous page against the perspective of other business cycles. It shows the growth of unfilled orders for durable goods after allowance for price changes. (This measure understates so-called "real backlogs" because some unfilled orders surely were placed at lower prices.) Since the third quarter of 1971, the nominal value of durable goods order backlogs has grown 92% and durable goods prices have risen 31%.

That amounted in August to a 47% increase in real unfilled orders in just three years, much higher than at the same duration of other expansions. This is the cushion that should prevent cumulative large declines in real GNP.

Of course, some spare capacity has emerged recently and changed the investment outlook in some industries.



In automobiles, aircraft, and textiles (in recent months), capital facilities would be more than adequate to meet increased demands, if they developed.

In contrast, most basic materials producing industries -- steel, petroleum refining, some chemicals, nonferrous metals, paper -- are continuing to spend more on capital facilities to meet still heavy demand, and they may be expected to maintain increased spending on such facilities in 1975. In nonmanufacturing as well, many capital capacity needs remain unmet.

Three additional factors are carrying a capital goods boom well into 1975:

- Inflationary expectations support a tendency to put in capital facilities sooner rather than later. In addition, older orders, which were priced lower, would tend not to be cancelled because of the price advantage.

- Lead times between contract and delivery are now very long and might encourage early ordering.

- Spending for environmental protection will expand -- regardless of cyclical developments.

Some hard evidence of the probable course of capital goods spending is now available in the form of capital appropriations, starts and carryover of investment projects, and spending anticipations surveys.

- Capital appropriations of the 1000 largest manufacturing corporations soared 39% in the second quarter of this year. Even if the extraordinary increase of the petroleum industry is excluded, the year-to-year advance in appropriations is 29%. This pattern is in contrast with what would be expected, if the capital goods boom had topped out -- appropriations generally declined immediately prior to other post World War II cyclical peaks.

  Given the lags between appropriations and expenditures and the huge backlog of unspent appropriations, econometric relations would indicate that substantial increases in plant and equipment spending by manufacturers can be expected in 1975, even if there is a severe falloff in new appropriations.

- o A similar picture is shown for public utilities, in spite of delays, cutbacks, and cancellations. (Financing has been affected more than spending.) "Starts" on spending on new investment projects of public utilities were 46% above a year earlier in the second quarter of 1974. More importantly, the carryover of uncompleted projects underway was equivalent to 3.7 years of work at the current rate of expenditure -- up nearly one full year from 12 months earlier. See Chart II.

All of the above is reflected in private anticipations survey results now becoming available, which indicate fairly substantial advances in plant and equipment spending for 1975.

- The Rinfret-Boston Associates survey shows a 16% rise in plant and equipment outlays anticipated for 1975 -- only half of which would represent price advances.

- Not fully tabulated results from the Lionel Edie survey -- one which has a remarkable record of success in forecasting outlays -- point to a gain of 10%. (This is "Confidential" until released.) Though inflation might reduce the real rate of gain, the respondents in this survey typically think in physical increments to spending.

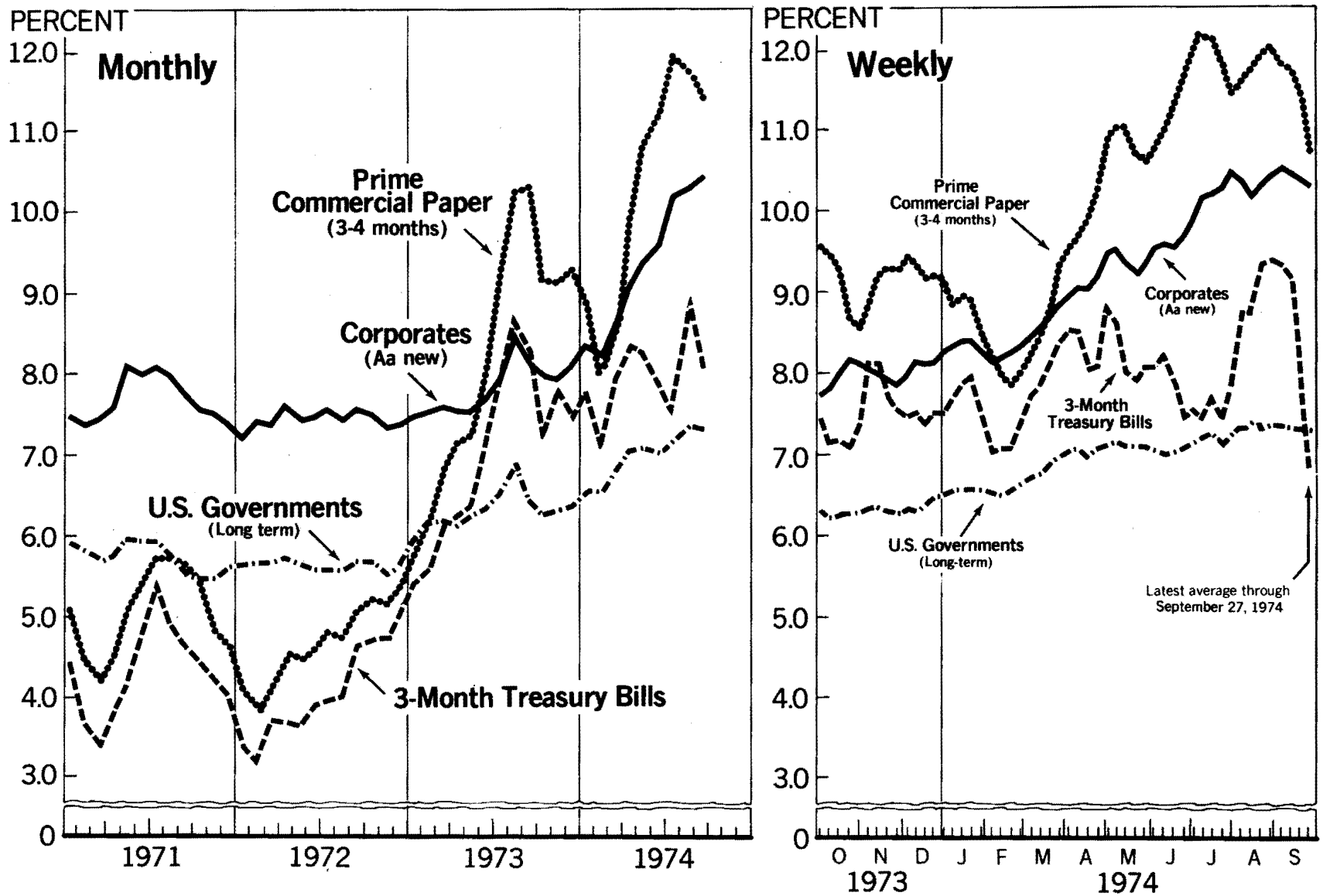
The gains projected by these surveys reflect anticipated increases in capital spending by industries which have been plagued by insufficient plant capacity during the last several years. Among these are steel, nonelectrical machinery, paper, some chemicals, petroleum, and utilities. They are among those reporting plans for substantial increases in spending in both surveys. Projected declines were reported in industries marked by slippages in demand (e.g., motor vehicles, electrical machinery, and textiles.)

Financing, of course, will be important in attaining these increases. Nevertheless, studies of prior experiences of financial stringency indicate that capital spending plans of medium and large firms remain unaffected by this factor.

Initiators: Schnabel Reviewer: Liebling

OFFICE OF THE SECRETARY OF THE TREASURY
OFFICE OF FINANCIAL ANALYSIS

MONEY MARKET AND LONG-TERM INTEREST RATES*



* Averages computed from daily closing bid prices.

ECONOMIC AND FINANCIAL REFERENCE DATA

	1. Seasonally adjusted	Latest Period		Previous Period	Year Ago
Production, income, and sales	Gross national product ($bil.) 1/	'74-II	1383.8	1358.8	1277.9
	Personal income ($bil.) 1/	Aug.	1165.2	1158.5	1067.6
	Wage and salary payments ($bil.) 1/	Aug.	762.1	759.7	697.2
	Corporate profits before taxes ($bil.) 1/	'74-II	143.5	138.7	124.9
	Industrial production, FRB 2/	Aug.	125.2	125.7	126.5
	New orders, durable goods mfrs. ($bil.)	Aug.	49.4	47.7	42.0
	Shipments, durable goods mfrs. ($bil.)	Aug.	44.7	44.1	38.9
	Retail sales, total ($bil.)	Aug.	46.5	46.3	42.4
Employment	Civilian employment (mil.)	Sept.	86.5	86.2	85.1
	Unemployment rate (%)	Sept.	5.8	5.4	4.7
Construction	Total new construction ($bil.) 1/	Aug.	134.4	136.2	137.4
	Private housing starts, total (thous.) 1/	Aug.	1126	1331	2030
International transactions	Exports ($mil.) 3/	Aug.	8370	8307	6042
	General imports ($mil.)	Aug.	9501	9036	6010
	Merchandise trade balance ($mil.)	Aug.	-1132	-728	+315
	Bal., current acct. & long-term capital 9/	'74-II	-2740	+1786	-1161
	Official reserve transactions balance 9/	'74-II	-4529	+1062	+287
[illegible]ercial statistics	Loans and investments ($bil.) 4/	Aug.	692.0	686.7	622.1
	Loans ($bil.) 4/	Aug.	501.7	495.8	440.6
	Money supply ($bil.) 5/ 6/	Aug.	280.8	280.0	266.3
	Time deposits ($bil.) 5/	Aug.	406.1	404.3	355.1

	2. Not seasonally adjusted	Latest Week or Month		Previous Period	Year Ago
Production	Auto production excl. trucks (thous.)	10/4	174.9	174.7	204.2
	Electric power, seasonally adjusted 2/	9/28	150	156	158
Price indexes	Raw industrials 2/	9/24	210.7	210.0	185.6
	Wholesale prices 2/	Aug.	167.4	161.7	142.1
	Consumer prices 2/	Aug.	150.2	148.3	135.1
Banking	Loans, large reporting banks ($mil.)	9/25	297,786	300,813	259,991
	Fed. Res. govt. sec. holdings ($mil.)	10/2	81,330	80,653	76,844
	"Free" reserves ($mil.)	10/2	-2,636	-3,309	-976
	Treasury gold stock ($mil.) 7/	10/2	11,567	11,567	10,410
Securities, average yields	Treasury 13-week new bill rate (%)	9/30	6.385	7.002	7.331
	Treasury long-term bond (%)	10/4	7.31	7.27	6.27
	Moody's seasoned Aa corporates (%)	10/4	9.45	9.42	7.85
	New Aa corporates, Treasury est. (%)	10/4	11.00	10.50	7.75
	Moody's seasoned Aaa municipals (%)	10/3	6.50	6.40	4.70
	Bond Buyer's new munic. bond index (%) 8/	10/3	6.68	6.62	5.04

1/ [illegible]easonally adjusted annual rate. 2/ 1967=100. 3/ Excluding military aid shipments. 4/ Last Wednesday of month. 5/ Daily average. 6/ Demand deposits adjusted and currency outside banks. 7/ Excludes gold in Exchange Stabilization Fund. 8/ 20-bond index. 9/ ($mil.)

PHANTOM PROFITS
& INVESTMENT

GERALD R. FORD LIBRARY

Review of

ECONOMIC AND FINANCIAL DEVELOPMENTS

August 2, 1974

PHANTOM PROFITS AND INVESTMENT

Due to inflation, the adequacy of corporate earnings to finance working and fixed capital has diminished significantly over the past decade. By 1973, that adequacy had diminished precipitously, and worsened further in early 1974.

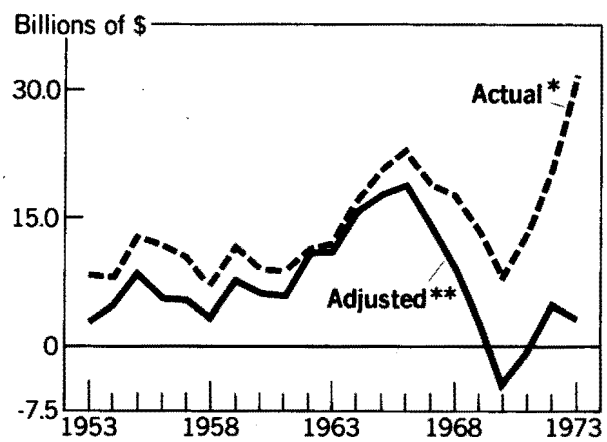
This growing inadequacy has become a major factor contributing to a shortfall in capital spending; to major shortages in materials and in finished goods-producing industries, thereby adding to the current accelerated inflation rate; and to the heavy current pressures in capital markets.

Since 1965, it has been the inflation that has caused a large discrepancy between the historic and replacement costs of physical assets by business, which lies at the root of the problem of profits adequacy. The discrepancy caused by inflation has resulted in a serious overstatement of corporate profits in recent years.

Chart I:

RETAINED EARNINGS: ACTUAL AND ADJUSTED FOR REPLACEMENT COST

(Non-Financial Corporations)



* Actual retained earnings, National Income Accounts.

** Adjusted retained earnings = actual retained earnings minus undervaluation of depreciation plus IVA.

In 1973, profits after taxes for nonfinancial corporations were estimated at $55 billion, which appears relatively large. However, if replacement costs for inventory and depreciation were charged, profits after taxes would be reduced to $26.5 billion. And, if dividends are then deducted as necessary payment to obtain capital from investors, retained earnings can be shown to have been only $2.8 billion. This represents a deep plunge from the 1965 level of $18.4 billion, as shown by the chart on this page; these data are also shown in

the following, for selected years (while the complete historical record since 1953 is shown in Table 1, attached):

Non-financial Corporate Earnings (Bil. dol.)

	1955	1965	1973
Profits after tax, reported	22.2	38.2	55.0
Profits after tax, adjusted*	18.0	35.3	26.5
Retained earnings*	8.6	18.4	2.8

* Adjusted for replacement costs of physical assets

Superficially, many national accounts measures of earnings appear to have ballooned since 1965. This contrasts with "adjusted" earnings shown below (and the declining share of them to corporate GNP, not shown):

Non-financial Corporate Earnings (Bil. dol.)

	After Tax Profits	Gross Cash Flow*	Net Cash Flow** "Historical"	Net Cash Flow** "Replacement"
1955	22.2	39.3	29.9	25.7
1965	38.2	73.6	56.7	53.8
1968	38.3	83.7	62.8	54.6
1973	55.0	123.1	99.4	70.9

* After tax profits plus "historical" depreciation.

** Retained earnings plus "historical" depreciation (Col.3) or "replacement" cost of inventories and fixed assets (Col.4).

But, the pace of inflation makes these figures much less meaningful than they have been. As prices rise significantly, the replacement cost of physical assets -- indeed, of all assets -- increases. Accordingly, those generally used Commerce Department measures of corporate earnings or cash flow -- because they reflect historical rather than the current or replacement cost of depreciation or of inventories -- are overstated. They are deficient, if intended as a measure of funds available to keep the capital stock intact, let alone as being a guide for the available finance of capital stock expansion.

As the inflation accelerated in the U.S., the greater has been the overstatement of corporate earnings because of the substantial understatement of the cost of replacing physical assets. The increasing magnitude of this negative factor on profits is shown in the chart on this page. (Note negative scale.)

Entering into the steep decline in "adjusted" retained earnings are corrections for the overstatement of corporate earnings made by:

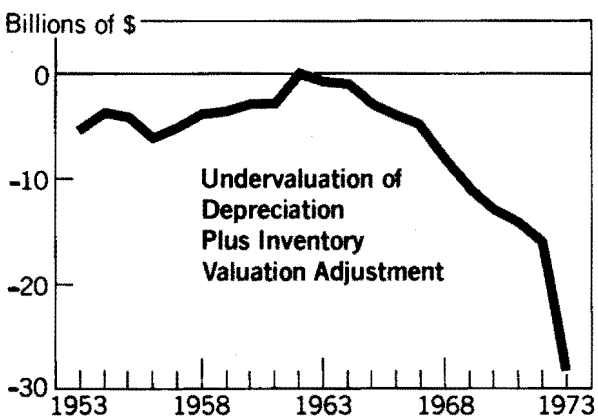
- The inventory valuation adjustment (IVA) in the national accounts, which attempts to correct corporate profits for changes in the replacement or current cost of inventory. This is required because most U.S. companies are on a "first-in first-out" or historical cost basis.

- Repricing of depreciation charges at replacement value. (However, statistical problems are involved in this measurement. Should the replacement cost be applied on a "straight-line," "double-declining balance," or some other type of depreciation method? Also, what service life might be assigned to physical assets -- Bulletin F, or what some have claimed as "more realistic" shorter lives?)

Chart II:

THE LOSS OF PURCHASING POWER OF RETAINED EARNINGS

(Non-Financial Corporations)



Alternative methods of depreciation have been calculated by the Department of Commerce. However, many authorities, including George Terborgh, are agreed that 85% of Bulletin F lives, as depreciated by the "double-declining balance" method, might be a good and realistic approximation of actual depreciation. This Review uses that procedure.

The decline in "adjusted" retained earnings noted above -- steep as it has been -- appears more grim when it is recognized that the adjustments noted above apply only to the replacement value of physical assets, not to funds that might finance expansion of capital. For that expansion, the 1973 level of retained earnings is surely very small as a source of finance. Moreover, the overstatement of earnings became even more dramatic during the first part of 1974, as the inflation accelerated. Some rough estimates indicate the overstatement of retained earnings grew from $28.5 billion. in 1973 to perhaps twice that rate in the first half of 1974.

But, the capital stock of the U.S. surely needs to grow. The internal sources of corporate funds clearly are insufficient to provide for expansion in the "net" capital stock.

All of this would indicate that corporations will need to rely very heavily on external means of financing -- in other words, having recourse to the capital markets for means of financing of capital expansion programs. Those markets already have been under pressure. Indeed, some expansion plans have recently been deferred because of high interest rates. In view of this Nation's present pattern of savings and consumption, there is little indication that such pressure will ease soon -- even under conditions of lower-than-expected economic growth in 1974 (assuming little change in overall capital spending plans).

Initiators: Jaakson
Liebling

Reviewer: Liebling

OFFICE OF THE SECRETARY OF THE TREASURY
OFFICE OF FINANCIAL ANALYSIS

Table 1

PROFITS AND RETAINED EARNINGS OF

NON-FINANCIAL CORPORATIONS

(Billions of Dollars)

	PROFITS AFTER TAXES	ADJUSTED PROFITS AFTER TAXES*	ADJUSTED RETAINED EARNINGS*
1953	16.4	10.9	2.9
1954	16.3	12.6	4.4
1955	22.2	18.0	8.6
1956	22.1	16.0	5.8
1957	20.9	15.6	5.2
1958	17.5	13.5	3.3
1959	22.5	18.8	7.9
1960	20.6	17.7	6.1
1961	20.5	17.5	5.9
1962	23.9	23.8	11.0
1963	26.2	25.3	11.0
1964	31.4	30.3	15.4
1965	38.2	35.3	18.4
1966	41.2	37.1	18.9
1967	37.8	33.0	14.2
1968	38.3	30.1	9.3
1969	34.3	23.4	2.7
1970	28.2	15.5	-4.5
1971	33.4	19.5	-0.7
1972	43.0	27.5	5.3
1973	55.0	26.5	2.8

* Adjusted for replacement costs of physical assets other than residential properties.

ECONOMIC AND FINANCIAL REFERENCE DATA

	1. Seasonally adjusted	Latest Period		Previous Period	Year Ago
Production, income, and sales	Gross national product ($bil.) 1/	'74-II	1383.5	1358.8	1277.9
	Personal income ($bil.) 1/	June	1141.8	1134.4	1047.2
	Wage and salary payments ($bil.) 1/	June	752.5	745.3	689.2
	Corporate profits before taxes ($bil.) 1/	'74-I	138.7	122.7	120.4
	Industrial production, FRB 2/	June	125.5	125.5	125.6
	New orders, durable goods mfrs. ($bil.)	June	46.7	46.7	41.9
	Shipments, durable goods mfrs. ($bil.)	June	42.9	42.5	38.3
	Retail sales, total ($bil.)	June	44.3	44.6	41.2
Employment	Civilian employment (mil.)	July	86.3	86.2	84.6
	Unemployment rate (%)	July	5.3	5.2	4.7
Construction	Total new construction ($bil.) 1/	June	136.0	136.4	134.7
	Private housing starts, total (thous.) 1/	June	1595	1476	2152
International transactions	Exports ($mil.) 3/	June	8357	7630	5728
	General imports ($mil.)	June	8613	8407	5775
	Merchandise trade balance ($mil.)	June	-256	-777	-47
	Bal., current acct. & long-term capital 9/	'74-I	2065	-498	-1006
	Official reserve transactions balance 9/	'74'I	1044	2661	-10,195
Co[illegible]cial ba[illegible] sta[illegible]stics	Loans and investments ($bil.) 4/	June	678.7	674.3	605.5
	Loans ($bil.) 4/	June	486.2	483.7	423.8
	Money supply ($bil.) 5/ 6/	June	281.0	279.2	265.5
	Time deposits ($bil.) 5/	June	400.0	394.7	345.9

	2. Not seasonally adjusted	Latest Week or Month		Previous Period	Year Ago
Production	Auto production excl. trucks (thous.)	7/26	133.3	121.5	156.7
	Electric power, seasonally adjusted 2/	7/27	158	158	162
Price indexes	Raw industrials 2/	7/23	229.5	228.1	182.5
	Wholesale prices 2/	June	155.7	155.0	136.0
	Consumer prices 2/	June	147.1	145.6	132.4
Banking	Loans, large reporting banks ($mil.)	7/17	300,550	299,695	258,548
	Fed. Res. govt. sec. holdings ($mil.)	7/24	81,314	80,955	75,208
	"Free" reserves ($mil.)	7/24	-3,333	-2,932	-1,936
	Treasury gold stock ($mil.) 7/	7/24	11,567	11,567	10,410
Securities, average yields	Treasury 13-week new bill rate (%)	7/29	7.698	7.604	8.114
	Treasury long-term bond (%)	7/26	7.11	7.24	6.63
	Moody's seasoned Aa corporates (%)	7/26	8.83	8.77	7.66
	New Aa corporates, Treasury est. (%)	7/26	10.13	10.17	8.15
	Moody's seasoned Aaa municipals (%)	7/25	6.15	6.50	5.30
	Bond Buyer's new munic. bond index (%) 8/	7/25	6.34	6.78	5.48

1/ [illegible]onally adjusted annual rate. 2/ 1967=100. 3/ Excluding military aid shipments. 4/ Last Wednesday of month. 5/ Daily average. 6/ Demand deposits adjusted and currency outside banks. 7/ Excludes gold in Exchange Stabilization Fund. 8/ 20-bond index. 9/ ($mil.)

THE ECONOMY
TURNS FLAT

GERALD R. FORD LIBRARY

Review of

ECONOMIC AND FINANCIAL DEVELOPMENTS

September 13, 1974

THE ECONOMY TURNS FLAT

The economy's performance in the third quarter appears headed for a replay of that in the second.

As measured by the gross domestic product, real growth was up 0.3% in the second quarter. Growth in the third quarter also should be close to flat -- though statistical vagaries might push it into minus.

Because both nominal and real gross domestic product are less reliable as measures of economic activity than usual during a period of rapidly changing prices, other measures should supplement those provided by the national accounts. These are shown in the table on this page. They, too, suggest that a "flat" record of economic growth in the third quarter is probable.

And, indeed, more of that might be expected in the fourth quarter, as indicated below.

This outlook for last half 1974, however, needs to be viewed in perspective. Real growth, indeed, has tapered, but the economy continues to operate close to its current potential and, indeed, some shortages persist. To a degree, the slowed growth expresses continued capacity constraints in petroleum, coal, paper, chemicals, steel, nonferrous metals and in a few other basic materials producing industries. Also, strikes have been a more important limit to output than formerly.

MEASURES OF ECONOMIC PERFORMANCE

	1973	1974		
	IV	I	II	July-Aug.Avg.
	(----Percent change, annual rate---)			
Real Gross Domestic Product	2.4	-7.9	0.3	0*
Employment				
Household survey	4.3	0.8	0.7	1.6
Nonfarm establishments	4.4	0.8	1.8	0.5
Manhours, nonfarm establishments	3.5	-0.9	0.9	0.8
Industrial production	1.0	-6.5	1.6	-0.1 **
	(----------Percent, level----------)			
Unemployment rate	4.7	5.2	5.1	5.3

* Projected

** July-August was affected by accelerated strike activity.

Nevertheless, a few sectors of spare capacity have emerged -- most importantly in housing and in the automobile industry. That has made the difference from economic developments in 1973, when slowed growth reflected shortages mainly -- of materials, energy and manpower.

Real activity in the third quarter, even at close to a zero change, will be subject to a very special and nonrecurrent influence because of automobile production. The latter will exert a temporary but strategic influence on the third quarter national accounts. Indeed, GDP in the third quarter will add up to close to zero only due to that special influence because:

Domestic auto sales surged to an annual rate of nearly 9 million units in the third quarter of 1974, up sharply from the 8 million rate in the second. Already announced price advances for 1975 models have spurred current purchasing. That high sales rate was made possible by extending output of 1974 cars beyond usual model changeover shut-down dates -- so enough room was made for both higher sales and some increases in inventories.

(Incidentally, different seasonal factors for the auto industry which are used in the Federal Reserve's industrial production index would not show as much gain in auto output. This is one of those statistical perplexities. The principal factor contributing to the zero growth in total gross domestic product is higher auto output, but this compares with little change in auto output as measured by the industrial production index.)

Surging auto sales in the third quarter will be only a temporary stimulus to growth because it will have been at the expense of the fourth quarter purchases. Other factors will contribute more lastingly to growth. The balance of these -- and other influences which clearly will be negative -- points to a flat performance of the economy for the rest of 1974.

Among the positive contributors to growth are (or will be):

- The ongoing capital goods boom. Though a few utilities are retrenching or stretching out plans, by and large spending on new plant and equipment by business continues to rise. Indeed, actual spending has been slower than the pace of new appropriations made or new orders placed. As a result, backlogs continue to rise and, indeed, they have accelerated in recent months.

- The general balance of inventory to sales. This balance may be more apparent than real because price advances have made interpretation of the inventory figures very difficult. There are a few sectors in which some imbalances certainly have emerged. Particularly worrisome has been a rise in the general merchandise category of retail trade over the past several months. However, inventory-sales ratios generally, and especially in manufacturing, do not appear to have increased substantially. If this were so, inventories might not provide that negative influence which so many have feared.

- Real net exports of goods and services are bolstering total real growth. Export markets remain strong. Accordingly, the decline in the current dollar net export balance due to higher oil import prices is registered more in the current dollar balance than in the "real" balance.

Offsetting these positive forces on real growth in this quarter and next are the following:

- Residential construction in the third quarter (as well as in the fourth) will continue to decline.

- Consumer expenditures on nonautomotive goods and purchases in the third quarter would appear to have registered something close to no change in real terms. Retail sales in July and August did rise substantially, but a large part, if not all of this gain, represented higher prices.

- Government purchases, at both the Federal and state and local levels, have turned flat in real terms and are expected to continue this trend.

Against this array of forces, the inventory situation is the critical element, and that, unfortunately, is difficult to interpret because of the shaky nature of the underlying statistics. From that standpoint, the physical measures of economic activity -- those relating to employment, manhours, and production -- should serve as alternative measures to GDP as guides to the economy's performance. As shown on the table on the first page, they would indicate that third quarter real growth was flat, at best.

If this were so, it might appear by the usual standard that the economy had departed substantially from its trend growth rate over a period of several quarters and that much spare capacity now exists in the economy. That has been the basis for recent recommendations for easing policies of economic restraint.

That calculation of trend, however, has proved unreliable, as it did at the end of 1972, when it appeared that there was widespread spare capacity, though in fact, that was not so.

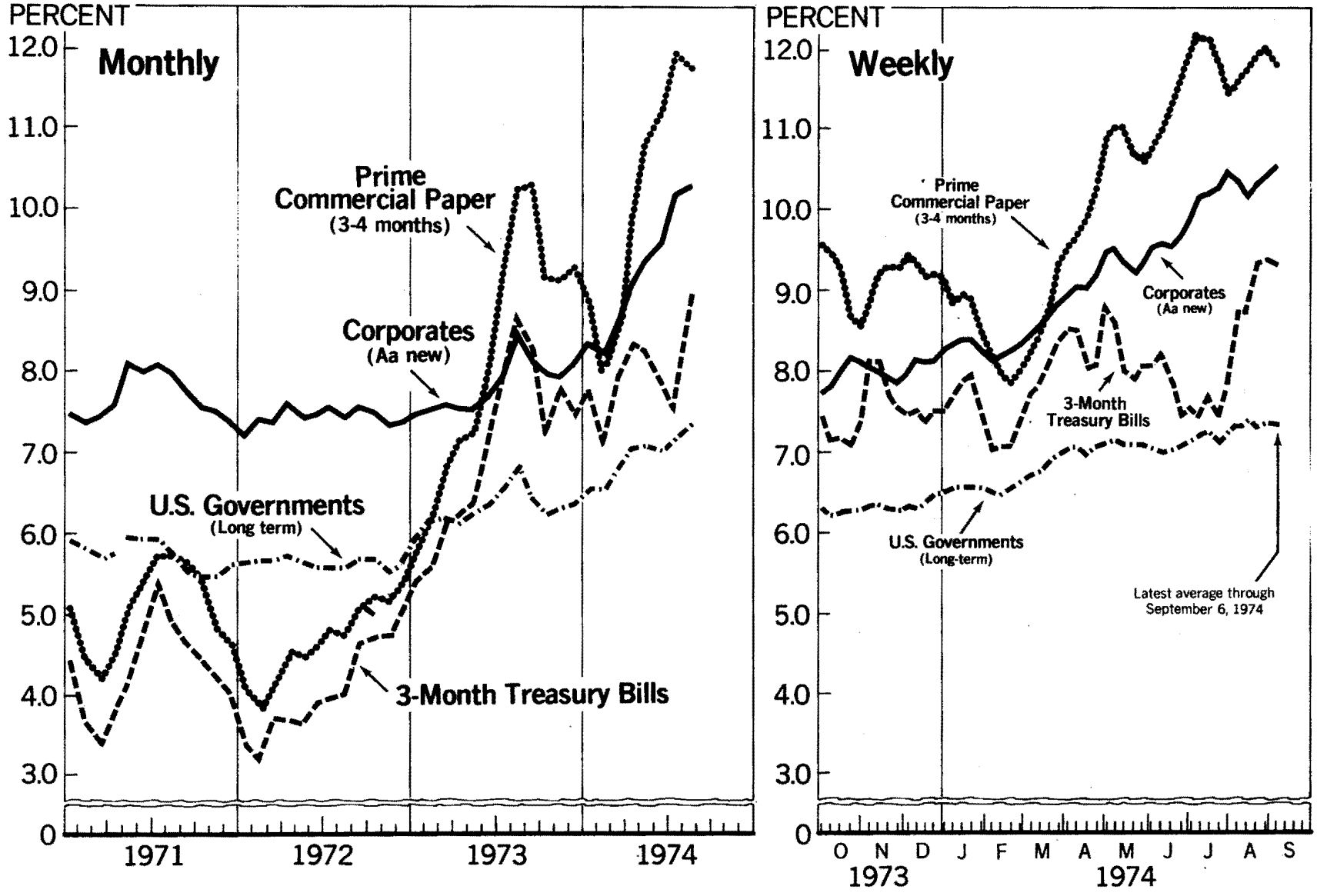
Similar widespread spare capacity has not yet emerged (though that might be ahead in late 1974 or early 1975). That is one reason why the unemployment rate averaged only 5.34% in July and August of this year -- about the same as that which prevailed in the fourth quarter of 1972, just prior to the acceleration of the inflation.

On that basis, the economy might still be viewed as supportive still of inflationary pressures -- circumstances which policy makers would have to consider.

Initiator: Russel Reviewer: Liebling

OFFICE OF THE SECRETARY OF THE TREASURY
OFFICE OF FINANCIAL ANALYSIS

MONEY MARKET AND LONG-TERM INTEREST RATES*



* Averages computed from daily closing bid prices.

ECONOMIC AND FINANCIAL REFERENCE DATA

	1. Seasonally adjusted	Latest Period		Previous Period	Year Ago
Production, income, and sales	Gross national product ($bil.) 1/	'74-II	1387.3	1358.8	1277.9
	Personal income ($bil.) 1/	July	1157.9	1143.5	1056.1
	Wage and salary payments ($bil.) 1/	July	759.4	753.2	692.9
	Corporate profits before taxes ($bil.) 1/	'74-II	150.4	138.7	124.9
	Industrial production, FRB 2/	July	125.7	125.6	126.7
	New orders, durable goods mfrs. ($bil.)	July	47.9	46.8	41.8
	Shipments, durable goods mfrs. ($bil.)	July	44.5	42.8	39.8
	Retail sales, total ($bil.)	Aug.	46.5	46.3	42.4
Employment	Civilian employment (mil.)	Aug.	86.2	86.3	84.5
	Unemployment rate (%)	Aug.	5.4	5.3	4.7
Construction	Total new construction ($bil.) 1/	July	137.2	138.1	137.2
	Private housing starts, total (thous.) 1/	July	1335	1590	2152
International transactions	Exports ($mil.) 3/	July	8307	8357	5865
	General imports ($mil.)	July	9036	8613	5829
	Merchandise trade balance ($mil.)	July	-728	-256	+37
	Bal., current acct. & long-term capital 9/	'74-I	2065	-498	-1006
	Official reserve transactions balance 9/	'74-II	-4491	+1040	+287
Commercial bank statistics	Loans and investments ($bil.) 4/	Aug.	692.0	686.7	622.1
	Loans ($bil.) 4/	Aug.	501.7	495.8	440.6
	Money supply ($bil.) 5/ 6/	Aug.	280.8	280.0	266.3
	Time deposits ($bil.) 5/	Aug.	406.1	404.3	355.1

	2. Not seasonally adjusted	Latest Week or Month		Previous Period	Year Ago
Production	Auto production excl. trucks (thous.)	9/13	172.3	132.0	188.9
	Electric power, seasonally adjusted 2/	9/7	147	158	164
Price indexes	Raw industrials 2/	9/10	213.9	216.2	186.4
	Wholesale prices 2/	Aug.	167.4	161.7	142.1
	Consumer prices 2/	July	148.3	147.1	132.7
Banking	Loans, large reporting banks ($mil.)	9/4	297,385	297,732	258,509
	Fed. Res. govt. sec. holdings ($mil.)	9/11	78,956	82,636	73,440
	"Free" reserves ($mil.)	9/11	-2,777	-3,322	-1,335
	Treasury gold stock ($mil.) 7/	9/11	11,567	11,567	10,410
Securities, average yields	Treasury 13-week new bill rate (%)	9/9	9.099	9.167	8.778
	Treasury long-term bond (%)	9/13	7.31	7.34	6.52
	Moody's seasoned Aa corporates (%)	9/13	9.32	9.26	7.85
	New Aa corporates, Treasury est. (%)	9/13	10.45	10.48	8.21
	Moody's seasoned Aaa municipals (%)	9/12	6.50	6.60	5.00
	Bond Buyer's new munic. bond index (%) 8/	9/12	6.79	6.88	5.18

1/ Seasonally adjusted annual rate. 2/ 1967=100. 3/ Excluding military aid shipments. 4/ Last Wednesday of month. 5/ Daily average. 6/ Demand deposits adjusted and currency outside banks. 7/ Excludes gold in Exchange Stabilization Fund. 8/ 20-bond index. 9/ ($mil.)

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ECONOMIC
INDICATORS

d Congress, 2d Session

Economic Indicators

September 1974

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Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Joint Economic Committee be authorized to issue a monthly publication entitled "Economic Indicators," and that a sufficient quantity be printed to furnish one copy to each Member of Congress; the Secretary and the Sergeant at Arms of the Senate; the Clerk, Sergeant at Arms, and Doorkeeper of the House of Representatives; two copies to the libraries of the Senate and House, and the Congressional Library; seven hundred copies to the Joint Economic Committee; and the required numbers of copies to the Superintendent of Documents for distribution to depository libraries; and that the Superintendent of Documents be authorized to have copies printed for sale to the public.

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TOTAL OUTPUT, INCOME, AND SPENDING

THE NATION'S INCOME, EXPENDITURE, AND SAVING

Gross national product increased $25.0 billion in the second quarter of 1974 to a seasonally adjusted annual rate of $1,383.8 billion, according to current estimates. The increase for the preceding quarter was $14.8 billion.

[Billions of dollars; quarterly data at seasonally adjusted annual rates]

Period	Persons					Government						
	Disposable personal income					Net receipts			Expenditures			
	Total [1]	Less: Interest paid and transfer payments to foreigners	Equals: Total excluding interest and transfers	Personal consumption expenditures	Personal saving or dissaving (−)	Tax and nontax receipts or accruals	Less: Transfers, interest, and subsidies [2]	Equals: Net receipts	Total expenditures	Less: Transfers, interest, and subsidies [2]	Equals: Purchases of goods and services	Surplus or deficit (−), income and product accounts
1968	591.0	15.1	575.9	536.2	39.8	263.5	70.7	192.7	270.3	70.7	199.6	−6.8
1969	634.4	16.7	617.7	579.5	38.2	296.7	77.9	218.8	287.9	77.9	210.0	8.8
1970	691.7	17.9	673.8	617.6	56.2	302.5	93.2	209.4	312.7	93.2	219.5	−10.1
1971	746.4	18.8	727.6	667.1	60.5	321.6	105.9	215.7	340.2	105.9	234.2	−18.5
1972	802.5	20.9	781.6	729.0	52.6	367.0	116.5	250.5	372.1	116.5	255.7	−5.1
1973	903.7	24.1	879.6	805.2	74.4	411.5	131.6	279.9	408.0	131.6	276.4	3.5
1973: I	869.5	22.5	847.0	781.7	65.3	398.2	127.2	271.0	396.0	127.2	269.0	2.1
II	892.1	23.5	868.6	799.0	69.6	406.9	130.7	276.2	404.0	130.7	273.3	3.0
III	913.9	24.3	889.6	816.3	73.2	416.6	133.0	283.6	409.8	133.0	276.9	6.7
IV	939.4	26.2	913.2	823.9	89.3	424.6	135.9	288.7	422.3	135.9	286.4	2.3
1974: I	950.6	25.6	925.0	840.6	84.4	437.3	139.3	298.0	435.5	139.3	296.3	1.8
II	966.5	25.8	940.7	869.1	71.5	452.7	147.4	305.3	451.7	147.4	304.4	1.0

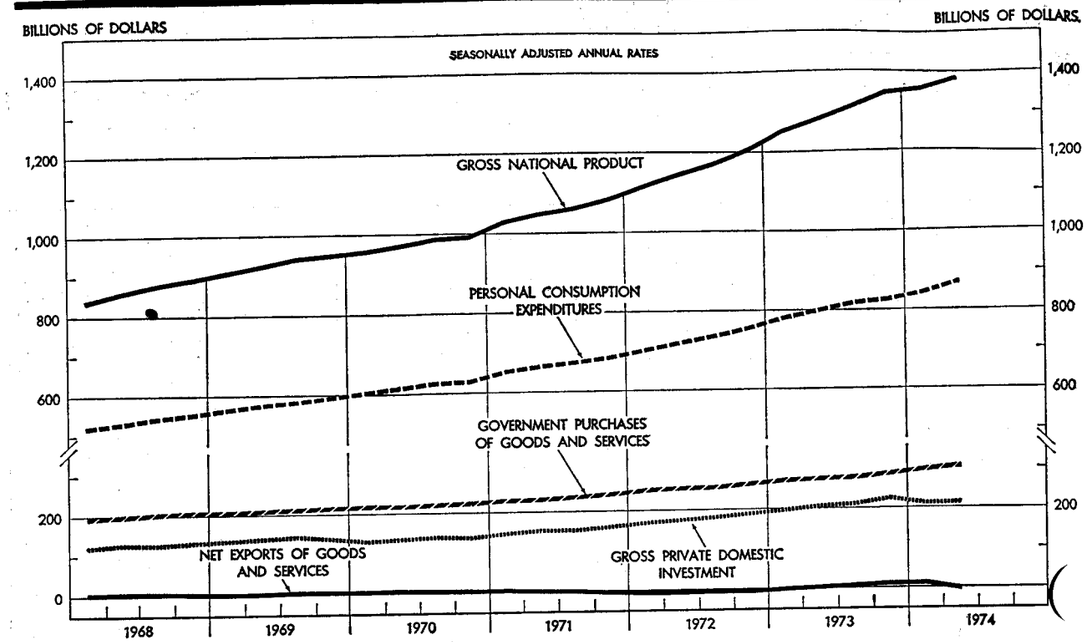
Period	Business			International					Total income or receipts	Statistical discrepancy	Gross national product or expenditure
	Gross retained earnings [3]	Gross private domestic investment [4]	Excess of investment (−)	Net transfers to foreigners by persons and Government	Net exports of goods and services			Excess of transfers or of net exports (−) [5]			
					Exports	Less: Imports	Equals: Net exports				
1968	95.4	126.0	−30.6	2.9	50.6	48.1	2.5	0.4	866.9	−2.7	864.2
1969	97.0	139.0	−42.0	2.9	55.5	53.6	1.9	1.0	936.3	−6.1	930.3
1970	97.0	136.3	−39.3	3.2	62.9	59.3	3.6	−.4	983.5	−6.4	977.1
1971	110.2	153.7	−43.5	3.6	65.4	65.6	−.2	3.8	1,057.2	−2.3	1,054.9
1972	125.9	179.3	−53.5	3.8	72.4	78.4	−6.0	9.8	1,161.8	−3.8	1,158.0
1973	136.5	209.4	−72.9	3.9	100.4	96.4	3.9	−.1	1,299.9	−5.0	1,294.9
1973: I	133.7	199.0	−65.3	3.0	88.8	89.5	−.8	3.8	1,254.7	−5.9	1,248.9
II	135.3	205.1	−69.8	4.2	95.4	94.9	.5	3.7	1,284.3	−6.5	1,277.9
III	137.1	209.0	−71.9	3.6	103.7	96.9	6.7	−3.1	1,313.9	−4.9	1,308.9
IV	140.1	224.5	−84.4	4.7	113.6	104.3	9.3	−4.7	1,346.7	−2.6	1,344.0
1974: I	138.3	210.5	−72.2	3.7	131.2	119.9	11.3	−7.7	1,365.0	−6.3	1,358.8
II	133.8	211.8	−78.0	3.7	138.5	140.0	−1.5	5.2	1,383.5	.3	1,383.8

[1] Personal income (p. 5) less personal tax and nontax payments (fines, penalties, etc.).
[2] Government transfer payments to persons, foreign net transfers by Government, net interest paid by government, subsidies less current surplus of government enterprises, and disbursements less wage accruals.
[3] Capital consumption allowances, corporate inventory valuation adjustment, undistributed corporate profits, and private wage accruals less disbursements. Does not include retained earnings of unincorporated business, which are included in disposable personal income.
[4] Private business investment, purchases of capital goods by private nonprofit institutions, and residential housing.
[5] Net foreign investment less capital grants received by United States, with sign changed.

Source: Department of Commerce.

GROSS NATIONAL PRODUCT OR EXPENDITURE

In the second quarter gross national product (seasonally adjusted) rose at an annual rate of 7.6 percent, reflecting an inflation rate of 9.4 percent and a decline of 1.6 percent in real GNP.



SOURCE: DEPARTMENT OF COMMERCE

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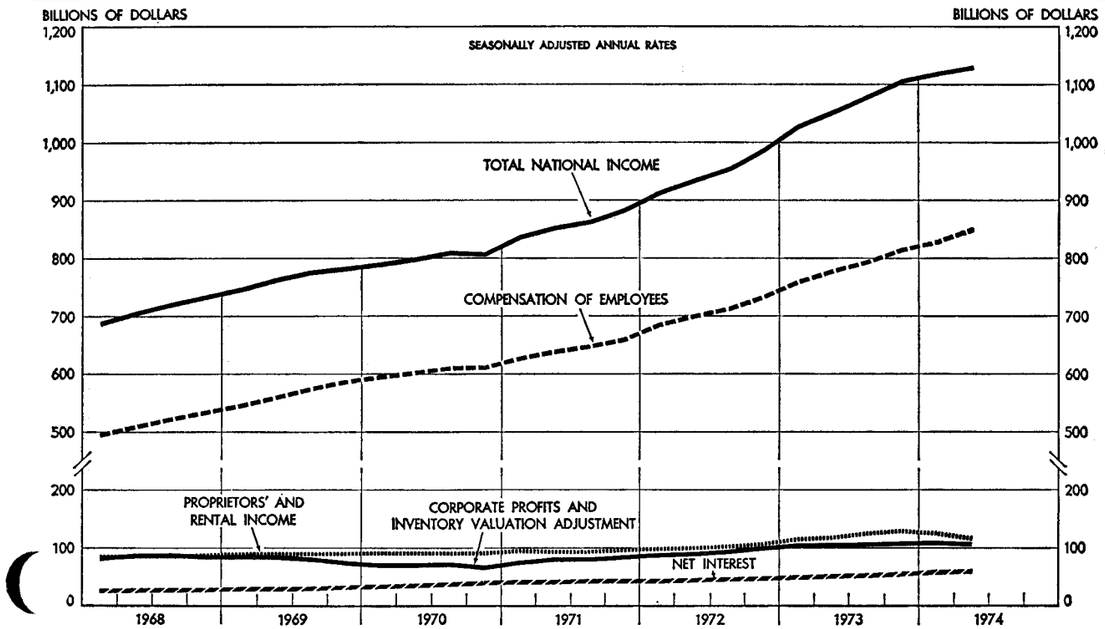
Period	Total gross national product in 1958 dollars	Total gross national product	Personal consumption expenditures	Gross private domestic investment	Net exports of goods and services	Government purchases of goods and services: Total	Federal: Total	Federal: National defense[1]	Federal: Other	State and local	Implicit price deflator for total GNP, 1958=100[2]
	Billions of dollars; quarterly data at seasonally adjusted annual rates										
1964	*581.1*	632.4	401.2	94.0	8.5	128.7	65.2	50.0	15.2	63.5	108.85
1965	*617.8*	684.9	432.8	108.1	6.9	137.0	66.9	50.1	16.8	70.1	110.86
1966	*658.1*	749.9	466.3	121.4	5.3	156.8	77.8	60.7	17.1	79.0	113.94
1967	*675.2*	793.9	492.1	116.6	5.2	180.1	90.7	72.4	18.4	89.4	117.59
1968	*706.6*	864.2	536.2	126.0	2.5	199.6	98.8	78.3	20.5	100.8	122.30
1969	*725.6*	930.3	579.5	139.0	1.9	210.0	98.8	78.4	20.4	111.2	128.20
1970	*722.5*	977.1	617.6	136.3	3.6	219.5	96.2	74.6	21.6	123.3	135.24
1971	*746.3*	1,054.9	667.1	153.7	−.2	234.2	97.6	71.2	26.5	136.6	141.35
1972	*792.5*	1,158.0	729.0	179.3	−6.0	255.7	104.9	74.8	30.1	150.8	146.12
1973	*839.2*	1,294.9	805.2	209.4	3.9	276.4	106.6	74.4	32.2	169.8	154.31
1973: I	*832.8*	1,248.9	781.7	199.0	−.8	269.0	106.4	75.0	31.4	162.6	149.95
II	*837.4*	1,277.9	799.0	205.1	.5	273.3	106.2	74.0	32.2	167.1	152.61
III	*840.8*	1,308.9	816.3	209.0	6.7	276.9	105.3	73.3	32.0	171.6	155.67
IV	*845.7*	1,344.0	823.9	224.5	9.3	286.4	108.4	75.3	33.1	177.9	158.93
1974: I	*830.5*	1,358.8	840.6	210.5	11.3	296.3	111.5	75.8	35.7	184.8	163.61
II	*827.1*	1,383.8	869.1	211.8	−1.5	304.4	114.3	76.6	37.7	190.1	167.31

[1] This category corresponds closely with budget outlays for national defense, shown on p. 36.
[2] Gross national product in current dollars divided by gross national product in 1958 dollars.

Source: Department of Commerce.

NATIONAL INCOME

National income rose $11½ billion (seasonally adjusted annual rate) in the second quarter, according to revised estimates. Compensation of employees increased $19½ billion while farm income fell sharply by $10 billion.



SOURCE: DEPARTMENT OF COMMERCE

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[Billions of dollars; quarterly data at seasonally adjusted annual rates]

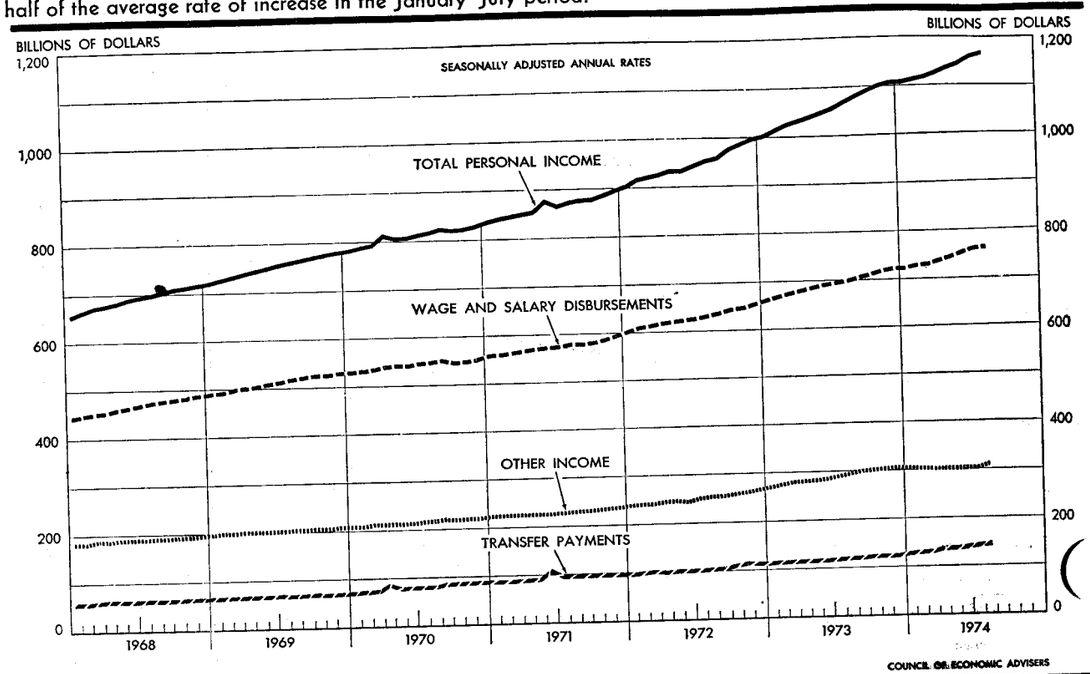
Period	Total national income	Compensation of employees[1]	Proprietors' income: Farm[2]	Proprietors' income: Business and professional	Rental income of persons	Net interest	Corporate profits and inventory valuation adjustment: Total	Corporate profits and inventory valuation adjustment: Profits before taxes	Corporate profits and inventory valuation adjustment: Inventory valuation adjustment
1964	518.1	365.7	12.1	40.2	18.0	15.8	66.3	66.8	−0.5
1965	564.3	393.8	14.8	42.4	19.0	18.2	76.1	77.8	−1.7
1966	620.6	435.5	16.1	45.2	20.0	21.4	82.4	84.2	−1.8
1967	653.6	467.2	14.8	47.3	21.1	24.4	78.7	79.8	−1.1
1968	711.1	514.6	14.7	49.5	21.2	26.9	84.3	87.6	−3.3
1969	766.0	566.0	16.7	50.5	22.6	30.5	79.8	84.9	−5.1
1970	800.5	603.9	16.9	50.0	23.9	36.5	69.2	74.0	−4.8
1971	857.7	643.1	17.2	52.0	25.2	41.6	78.7	83.6	−4.9
1972	946.5	707.1	21.0	54.9	25.9	45.6	92.2	99.2	−7.0
1973	1,065.6	786.0	38.5	57.6	26.1	52.3	105.1	122.7	−17.6
1973: I	1,027.6	759.1	32.1	57.0	26.3	49.2	103.9	120.4	−16.5
II	1,051.2	776.7	35.6	57.1	25.7	51.1	105.0	124.9	−20.0
III	1,077.3	793.3	41.5	57.7	26.2	53.2	105.2	122.7	−17.5
IV	1,106.3	814.8	44.9	58.4	26.4	55.5	106.4	122.7	−16.3
1974: I	1,118.8	828.8	39.1	59.3	26.4	57.5	107.7	138.7	−31.0
II	1,130.2	848.3	29.1	60.7	26.3	60.1	105.6	143.5	−37.9

[1] Includes employer contributions for social insurance. (See also p. 4.)
[2] Excludes farm profits of corporations engaged in farming and therefore differs from net farm income (including net inventory change) on p. 6 which includes such profits.

Source: Department of Commerce.

SOURCES OF PERSONAL INCOME

Personal income rose $6.7 billion (seasonally adjusted annual rate) in August or at about the same rate as in the first 6 months of this year. The rate of increase in wage and salary disbursements slowed to $2.4 billion or less than half of the average rate of increase in the January–July period.



SOURCE: DEPARTMENT OF COMMERCE

[Billions of dollars; monthly data at seasonally adjusted annual rates]

Period	Total personal income	Wage and salary disbursements [1]	Other labor income [1 2]	Proprietors' income: Farm	Proprietors' income: Business and professional	Rental income of persons	Dividends	Personal interest income	Transfer payments	Less: Personal contributions for social insurance	Nonagricultural personal income [3]
1967	629.3	423.1	22.3	14.8	47.3	21.1	21.4	48.0	51.8	20.5	609.4
1968	688.9	464.9	25.4	14.7	49.5	21.2	23.6	52.9	59.6	22.8	668.8
1969	750.9	509.7	28.4	16.7	50.5	22.6	24.3	59.3	65.8	26.3	728.3
1970	808.3	542.0	32.2	16.9	50.0	23.9	24.7	67.5	79.1	28.0	784.8
1971	864.0	573.0	36.4	17.2	52.0	25.2	25.0	72.8	93.3	30.7	840.0
1972	944.9	626.8	41.7	21.0	54.9	25.9	27.3	78.6	103.2	34.5	916.5
1973	1,055.0	691.7	46.0	38.5	57.6	26.1	29.6	90.6	117.8	42.8	1,008.0
1973: July	1,056.1	692.9	45.9	38.8	57.8	26.0	29.4	91.2	117.2	43.1	1,008.8
Aug	1,067.6	697.2	46.3	41.5	57.6	26.2	30.0	92.5	119.4	43.3	1,017.6
Sept	1,080.4	704.5	46.7	44.3	57.8	26.4	30.0	93.7	120.4	43.5	1,027.6
Oct	1,090.8	711.0	47.1	44.9	58.3	26.4	30.2	94.8	121.7	43.7	1,037.0
Nov	1,100.0	717.9	47.6	44.9	58.5	26.4	30.4	96.0	122.1	43.8	1,046.1
Dec	1,107.1	722.2	48.0	44.9	58.4	26.4	31.6	97.0	122.6	43.8	1,052.9
1974: Jan	1,107.0	722.5	48.5	42.1	58.7	26.4	31.4	97.5	126.7	46.7	1,055.5
Feb	1,113.4	728.3	48.9	39.1	59.4	26.4	31.6	98.8	128.4	46.8	1,064.9
Mar	1,117.1	732.1	49.4	36.1	59.9	26.4	31.9	99.0	129.5	47.0	1,071.6
Apr	1,125.2	737.1	49.9	32.6	60.2	25.5	32.1	100.4	134.6	47.2	1,083.1
May	1,135.2	745.3	50.5	29.1	60.8	26.7	32.5	102.0	135.8	47.6	1,096.6
June	1,143.5	753.2	51.1	25.7	61.2	26.7	33.0	103.5	137.0	47.9	1,106.8
July	1,158.5	759.7	51.7	27.1	61.9	26.6	33.1	104.4	142.5	48.5	1,121.7
Aug p	1,165.2	762.1	52.3	28.6	62.4	26.6	33.2	105.1	143.4	48.5	1,126.9

[1] The total of wage and salary disbursements and other labor income differs from compensation of employees (see p. 3) in that it excludes employer contributions for social insurance and the excess of wage accruals over wage disbursements.

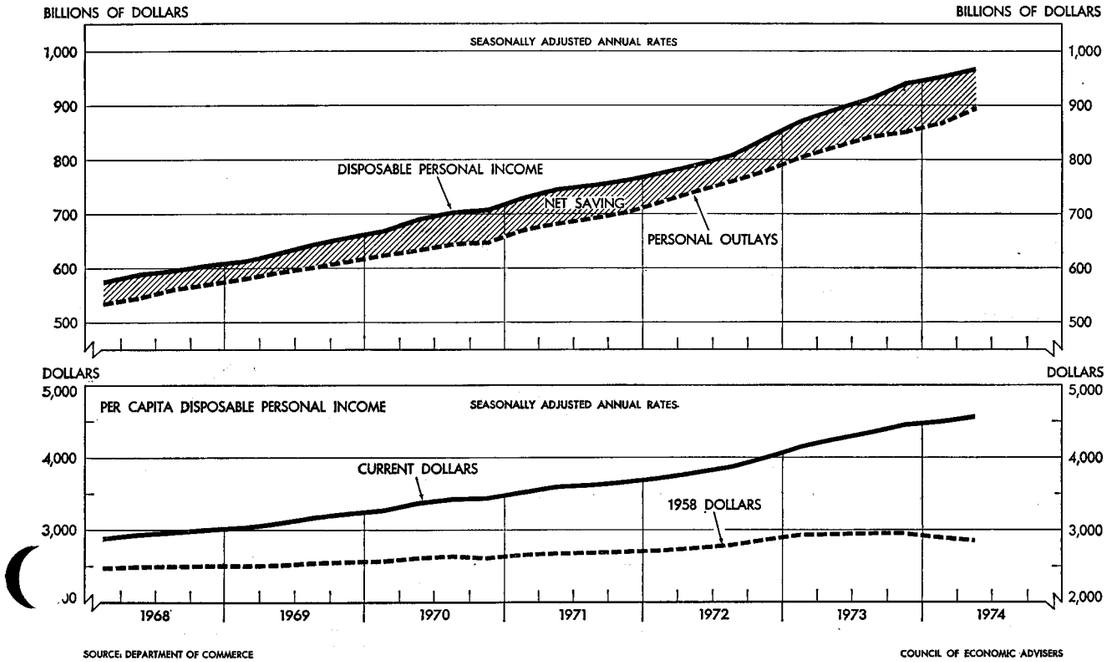
[2] Consists of employer contributions to private pension, health, and welfare funds; compensation for injuries; directors' fees; military reserve pay; and a few other minor items.

[3] Personal income exclusive of net income of unincorporated farm enterpri farm wages, agricultural net interest, and net dividends paid by agricu corporations.

Source: Department of Commerce.

SPOSITION OF PERSONAL INCOME

... the second quarter, personal income rose $22.1 billion (seasonally adjusted annual rate), disposable income $15.9 billion, and personal outlays $28.7 billion. Real per capita disposable income declined 1.3 percent in the quarter after having decreased 2.2 percent in the first quarter.



Period	Personal income	Less: Personal tax and nontax payments	Equals: Disposable personal income	Less: Personal outlays: Total personal outlays [1]	Personal consumption expenditures [2]: Durable goods	Personal consumption expenditures [2]: Nondurable goods	Personal consumption expenditures [2]: Services	Equals: Personal saving	Per capita disposable personal income: Current dollars	Per capita disposable personal income: 1958 dollars	Saving as percent of disposable personal income (percent)	Population (thousands) [3]
	Billions of dollars								Dollars			
1966	587.2	75.4	511.9	479.3	70.8	206.9	188.6	32.5	2,604	2,335	6.4	196,560
1967	629.3	83.0	546.3	506.0	73.1	215.0	204.0	40.4	2,749	2,403	7.4	198,712
1968	688.9	97.9	591.0	551.2	84.0	230.8	221.3	39.8	2,945	2,486	6.7	200,706
1969	750.9	116.5	634.4	596.2	90.8	245.9	242.7	38.2	3,130	2,534	6.0	202,677
1970	808.3	116.6	691.7	635.5	91.3	263.8	262.6	56.2	3,376	2,610	8.1	204,875
1971	864.0	117.6	746.4	685.9	103.9	278.4	284.8	60.5	3,605	2,683	8.1	207,045
1972	944.9	142.4	802.5	749.9	118.4	299.7	310.9	52.6	3,843	2,779	6.6	208,842
1973	1,055.0	151.3	903.7	829.4	130.3	338.0	336.9	74.4	4,295	2,945	8.2	210,396
	Seasonally adjusted annual rates											
1973: I	1,013.6	144.1	869.5	804.2	132.4	323.3	325.9	65.3	4,143	2,931	7.5	209,852
II	1,039.2	147.2	892.1	822.5	132.1	332.7	334.2	69.6	4,244	2,941	7.8	210,205
III	1,068.0	154.2	913.9	840.7	132.4	343.8	340.1	73.2	4,339	2,952	8.0	210,610
IV	1,099.3	159.9	939.4	850.1	124.3	352.1	347.4	89.3	4,452	2,952	9.5	211,030
1974: I	1,112.5	161.9	950.6	866.2	123.9	364.4	352.4	84.4	4,497	2,887	8.9	211,381
II	1,134.6	168.2	966.5	894.9	129.5	375.8	363.8	71.5	4,565	2,850	7.4	211,721

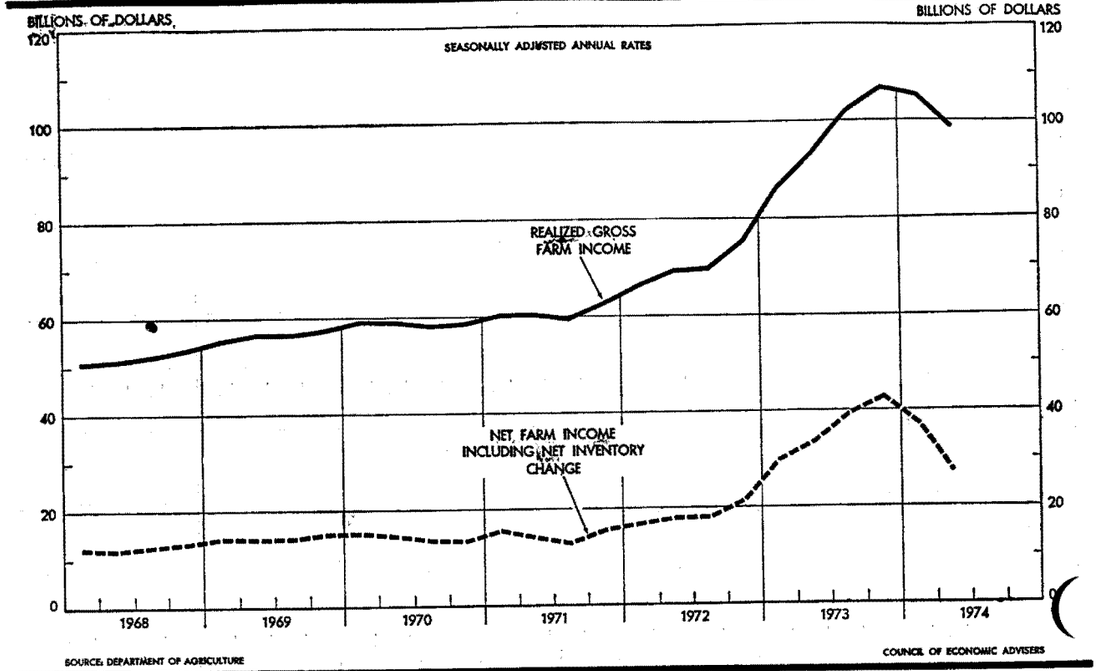
[1] Includes personal consumption expenditures, interest paid by consumers, [2] personal transfer payments to foreigners.
e p. 2 for total personal consumption expenditures.

[3] Includes Armed Forces abroad. Annual data are for July 1; quarterly data are for middle of period, interpolated from monthly data.

Source: Department of Commerce.

FARM INCOME

Farm income dropped sharply in the second quarter of 1974 because of falling farm prices.



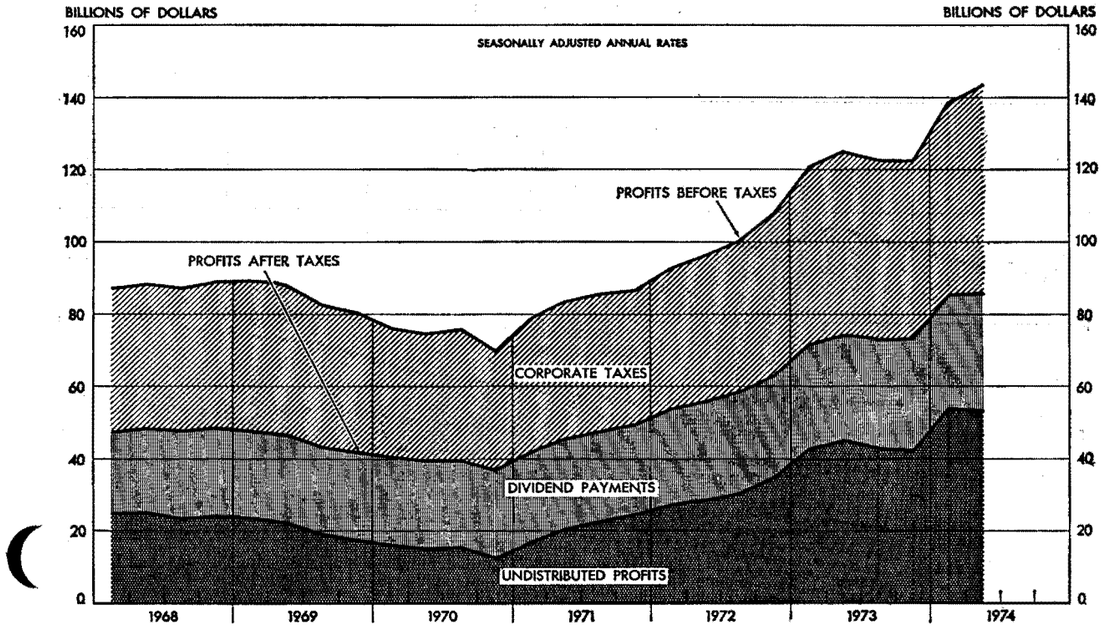
Period	Personal income received by total farm population: From all sources	From farm sources	From nonfarm sources	Income received from farming: Realized gross: Total [1]	Cash receipts from marketings	Production expenses	Net to farm operators: Excluding net inventory change	Including net inventory change [2]	Net income per farm including net inventory change [3]: Current dollars	1967 dollars [4]
	Billions of dollars								Dollars	
1966	23.7	12.7	11.0	50.6	43.4	36.4	14.1	14.1	4,316	4,404
1967	22.6	11.0	11.6	49.9	42.8	38.3	11.6	12.3	3,877	3,877
1968	23.9	11.3	12.7	51.7	44.2	39.5	12.2	12.3	4,018	3,863
1969	26.6	12.9	13.7	56.3	48.2	42.2	14.2	14.3	4,753	4,361
1970	27.1	12.9	14.2	58.6	50.5	44.6	14.0	14.0	4,752	4,168
1971	28.2	13.2	15.0	60.6	52.9	47.6	13.0	14.4	4,957	4,166
1972	33.7	16.5	17.2	69.9	61.0	52.4	17.5	18.4	6,410	5,169
1973	50.4	31.3	19.0	97.0	88.6	64.7	32.2	36.2	12,744	9,235
	Seasonally adjusted annual rates									
1973: I	--------	--------	--------	86.2	77.5	60.1	26.1	29.6	10,410	7,950
II	--------	--------	--------	93.2	84.8	62.9	30.3	33.3	11,710	8,610
III	--------	--------	--------	101.8	93.6	67.0	34.8	39.3	13,820	9,870
IV	--------	--------	--------	106.7	98.5	69.0	37.7	42.7	15,010	10,350
1974: I	--------	--------	--------	105.0	98.0	72.1	32.9	36.9	13,080	8,610
II	--------	--------	--------	98.4	91.3	74.5	23.9	26.9	9,540	6,000

[1] Cash receipts from marketings, Government payments, and nonmoney income furnished by farms.
[2] Inventory of crops and livestock valued at the average price for the year. Also, see footnote 2, p. 3.
[3] Based on Census of Agriculture definition of a farm. The number of farms is held constant within a year.
[4] Income in current dollars divided by the index of prices paid by farmers for family living items on a 1967 base.

Source: Department of Agriculture.

CORPORATE PROFITS

Corporate profits plus inventory valuation adjustment declined $2 billion (seasonally adjusted annual rate) in the second quarter, according to revised estimates. Excluding inventory valuation adjustment there was a rise of almost $5 billion.



[Billions of dollars; quarterly data at seasonally adjusted annual rates]

Period	Corporate profits (before taxes) and inventory valuation adjustment: All industries	Manufacturing: Total	Durable goods industries	Nondurable goods industries	Transportation, communication, and public utilities	All other [1]	Corporate profits before taxes	Corporate tax liability	Corporate profits after taxes: Total	Dividend payments	Undistributed profits	Corporate capital consumption allowances [2]	Profits plus capital consumption allowances [3]
1966	82.4	42.6	24.0	18.6	11.9	27.9	84.2	34.3	49.9	20.8	29.1	39.5	89.5
1967	78.7	38.7	20.7	18.0	10.8	29.1	79.8	33.2	46.6	21.4	25.3	43.0	89.6
1968	84.3	41.7	22.4	19.3	10.6	32.0	87.6	39.9	47.8	23.6	24.2	46.8	94.6
1969	79.8	36.6	18.8	17.7	10.1	33.1	84.9	40.1	44.8	24.3	20.5	51.9	96.8
1970	69.2	27.8	10.5	17.3	7.8	33.7	74.0	34.8	39.3	24.7	14.6	56.0	95.2
1971	78.7	32.3	14.5	17.8	8.3	38.1	83.6	37.5	46.1	25.0	21.1	60.4	106.5
1972	92.2	40.8	21.8	19.0	9.2	42.2	99.2	41.5	57.7	27.3	30.3	66.3	124.0
1973	105.1	47.6	26.1	21.5	9.2	48.3	122.7	49.8	72.9	29.6	43.3	71.2	144.1
1973: I	103.9	48.6	27.6	20.9	9.4	45.9	120.4	48.9	71.5	28.7	42.8	69.2	140.7
II	105.0	48.4	26.9	21.5	8.8	47.8	124.9	50.9	74.0	29.1	44.9	70.8	144.8
III	105.2	47.1	25.7	21.4	9.5	48.6	122.7	49.9	72.9	29.8	43.1	71.6	144.5
IV	106.4	46.4	24.3	22.1	9.2	50.8	122.7	49.5	73.2	30.7	42.5	73.1	146.3
1974: I	107.7	46.2	19.3	26.9	7.1	54.5	138.7	53.6	85.1	31.6	53.5	74.1	159.2
II	105.6	46.8	17.1	29.7	8.0	50.8	143.5	57.9	85.6	32.5	53.0	75.7	161.3

[1] Includes all other industries and financial institutions.
[2] Includes depreciation and accidental damages.
[3] Corporate profits after taxes plus corporate capital consumption allowances.

Source: Department of Commerce.

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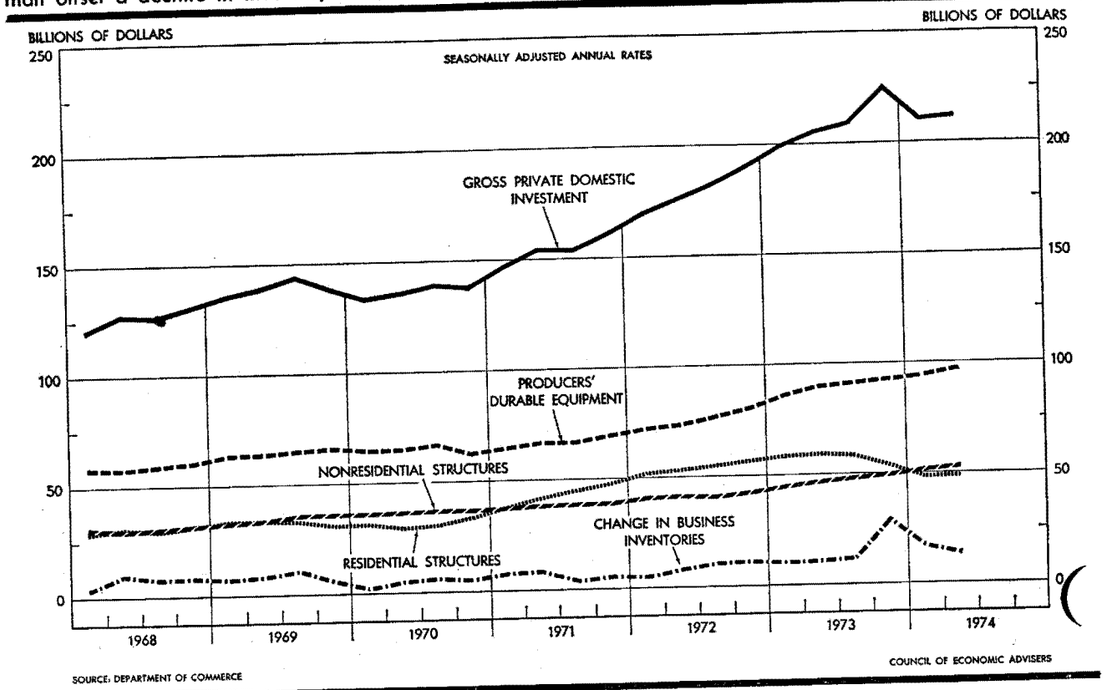
GROSS PRIVATE DOMESTIC INVESTMENT

Gross private domestic investment rose in the second quarter as an increase in nonresidential fixed investment more than offset a decline in inventory investment. Outlays for residential structures changed little.



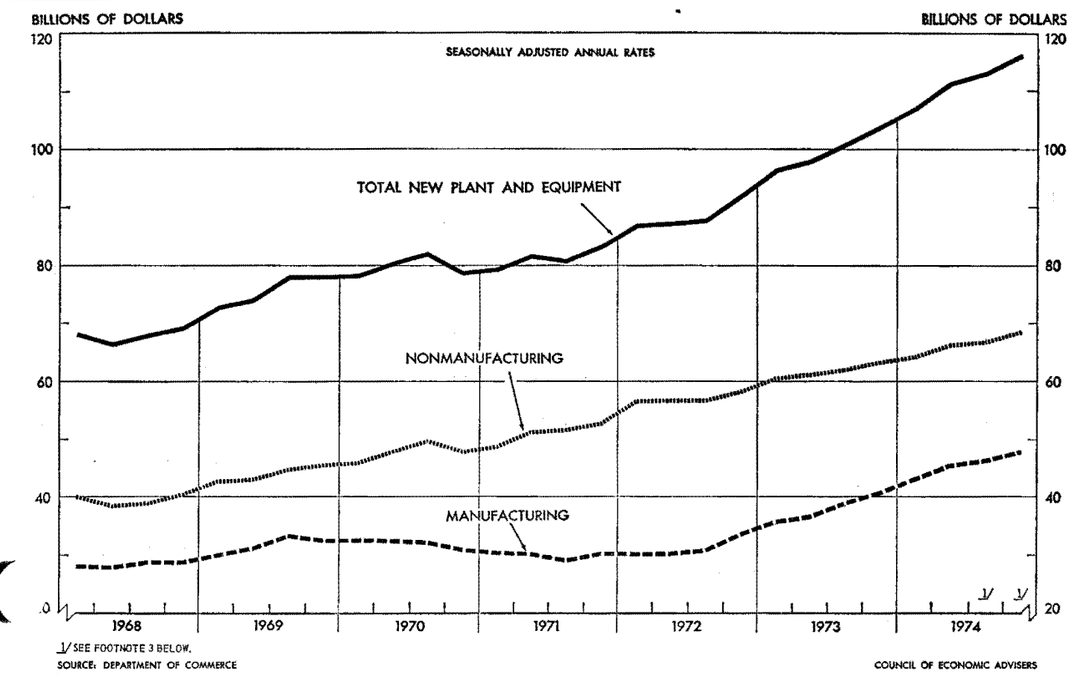
[Billions of dollars; quarterly data at seasonally adjusted annual rates]

Period	Total gross private domestic investment	Fixed investment								Change in business inventories	
		Total	Nonresidential					Residential structures			
			Total	Structures		Producers' durable equipment					
				Total	Nonfarm	Total	Nonfarm	Total	Nonfarm	Total	Nonfarm
1964	94.0	88.2	61.1	21.2	20.5	39.9	36.3	27.1	26.6	5.8	6.4
1965	108.1	98.5	71.3	25.5	24.9	45.8	41.6	27.2	26.7	9.6	8.6
1966	121.4	106.6	81.6	28.5	27.8	53.1	48.4	25.0	24.5	14.8	15.0
1967	116.6	108.4	83.3	28.0	27.3	55.3	50.0	25.1	24.5	8.2	7.5
1968	126.0	118.9	88.8	30.3	29.6	58.5	53.6	30.1	29.5	7.1	6.9
1969	139.0	131.1	98.5	34.2	33.5	64.3	59.2	32.6	32.0	7.8	7.7
1970	136.3	131.7	100.6	36.1	35.3	64.4	58.9	31.2	30.7	4.5	4.3
1971	153.7	147.4	104.6	37.9	37.1	66.6	61.1	42.8	42.3	6.3	4.9
1972	179.3	170.8	116.8	41.1	40.4	75.7	69.2	54.0	53.4	8.5	7.8
1973	209.4	194.0	136.8	47.0	45.7	89.8	81.4	57.2	56.7	15.4	11.4
1973: I	199.0	189.0	130.5	44.6	43.6	85.9	78.5	58.5	58.0	10.0	6.5
II	205.1	194.4	135.6	46.2	44.9	89.4	81.1	58.7	58.4	10.7	7.7
III	209.0	197.1	139.0	47.9	46.4	91.1	82.6	58.1	57.6	11.8	7.4
IV	224.5	195.5	141.9	49.3	47.8	92.6	83.5	53.6	53.0	28.9	24.0
1974: I	210.5	193.6	145.2	51.3	49.5	93.9	84.6	48.4	47.8	16.9	13.1
II	211.8	198.3	149.4	52.2	50.4	97.2	86.9	48.8	48.0	13.5	10.4

Source: Department of Commerce.

EXPENDITURES FOR NEW PLANT AND EQUIPMENT

According to the July–August survey, businessmen plan to increase their investment expenditures by 12½ percent in 1974. The planned increase is slightly above the projection made 3 months earlier.



[Billions of dollars; quarterly data at seasonally adjusted annual rates]

Period	Total [1]	Manufacturing			Nonmanufacturing							
		Total	Durable goods	Nondurable goods	Total	Mining	Transportation			Public utilities	Communication	Commercial and other [2]
							Railroad	Air	Other			
1966	63.51	28.20	14.06	14.14	35.32	1.62	2.37	1.74	1.64	7.43	6.02	14.48
1967	65.47	28.51	14.06	14.45	36.96	1.65	1.86	2.29	1.48	8.74	6.34	14.59
1968	67.76	28.37	14.12	14.25	39.40	1.63	1.45	2.56	1.59	10.20	6.83	15.14
1969	75.56	31.68	15.96	15.72	43.88	1.86	1.86	2.51	1.68	11.61	8.30	16.05
1970	79.71	31.95	15.80	16.15	47.76	1.89	1.78	3.03	1.23	13.14	10.10	16.59
1971	81.21	29.99	14.15	15.84	51.22	2.16	1.67	1.88	1.38	15.30	10.77	18.05
1972	88.44	31.35	15.64	15.72	57.09	2.42	1.80	2.46	1.46	17.00	11.89	20.07
1973	99.74	38.01	19.25	18.76	61.73	2.74	1.96	2.41	1.66	18.71	12.85	21.40
1974 [3]	112.17	45.69	22.95	22.73	66.48	3.07	2.41	2.10	2.23	20.91	14.17	21.60
1973: I	96.19	35.51	17.88	17.63	60.68	2.59	2.11	2.21	1.53	18.38	12.34	21.53
II	97.76	36.58	18.64	17.94	61.18	2.77	1.75	2.72	1.62	18.08	12.70	21.55
III	100.90	38.81	19.73	19.08	62.09	2.82	1.95	2.49	1.79	18.58	13.12	21.36
IV	103.74	40.61	20.48	20.13	63.12	2.76	2.05	2.20	1.73	19.80	13.24	21.35
1974: I	107.27	42.96	21.43	21.53	64.31	2.80	2.10	2.13	1.63	20.12	13.83	21.69
II	111.40	45.32	22.50	22.82	66.08	3.07	2.42	2.21	1.84	20.97	13.94	21.63
III [3]	113.00	46.21	23.60	22.61	66.80	3.12	2.56	2.08	2.58	20.70	35.75	
IV [3]	116.16	47.72	24.03	23.70	68.44	3.28	2.63	1.96	2.68	21.70	36.18	

[1] Excludes agricultural business; real estate operators; medical, legal, educa-
al, and cultural service; and nonprofit organizations.
cludes trade, service, construction, finance, and insurance.
timates based on expected capital expenditures as reported by business
July and August 1974. Includes adjustments when necessary for system-
endencies in expectations data.

NOTE.—Annual total is the sum of unadjusted expenditures; it does not necessarily coincide with the average of seasonally adjusted figures.

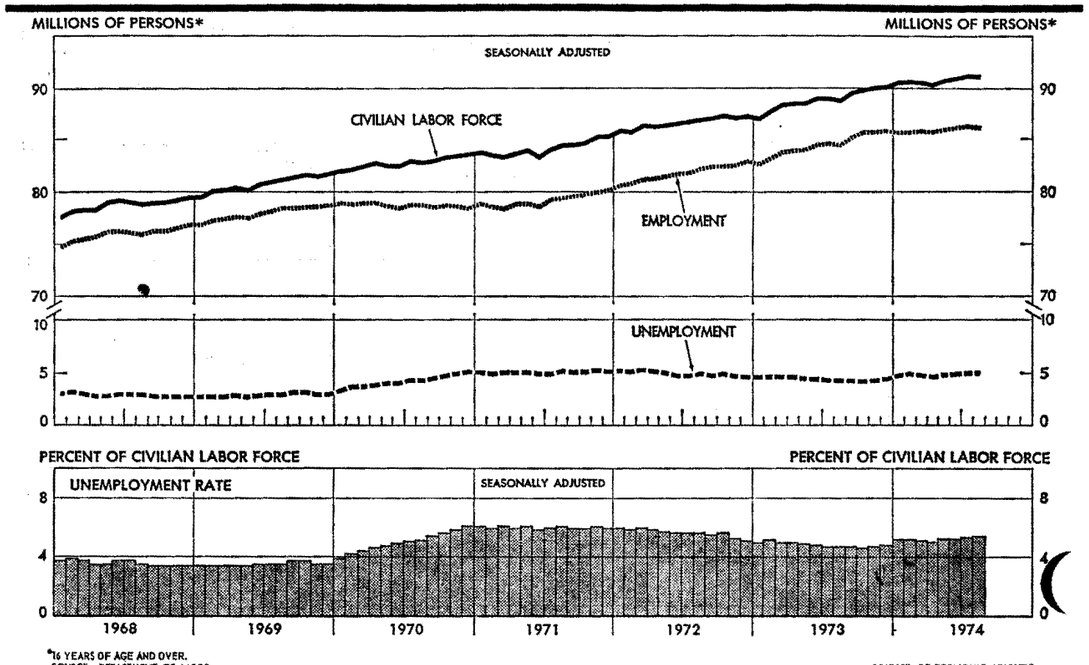
These figures do not agree with the totals included in the gross national product estimates, principally because the latter cover agricultural investment and also certain equipment and construction outlays charged to current expense.

Source: Department of Commerce.

EMPLOYMENT, UNEMPLOYMENT, AND WAGES

STATUS OF THE LABOR FORCE

In August, both employment and unemployment (seasonally adjusted) were basically unchanged from July levels.



*16 YEARS OF AGE AND OVER.
SOURCE: DEPARTMENT OF LABOR

COUNCIL OF ECONOMIC ADVISERS

Period	Total labor force (including Armed Forces)	Civilian employment: Total	Civilian employment: Nonagricultural	Unemployment	Total labor force (including Armed Forces)	Civilian labor force	Civilian employment: Total	Civilian employment: Agricultural	Civilian employment: Nonagricultural	Unemployment	Unemployment rate (percent of civilian labor force): Unadjusted	Unemployment rate (percent of civilian labor force): Seasonally adjusted	Labor force participation rate[1]
	Thousands of persons 16 years of age and over										Percent		
1970	85,903	78,627	75,165	4,088	85,903	82,715	78,627	3,462	75,165	4,088	4.9	-------	61.3
1971	86,929	79,120	75,732	4,993	86,929	84,113	79,120	3,387	75,732	4,993	5.9	-------	61.0
1972*	88,991	81,702	78,230	4,840	88,991	86,542	81,702	3,472	78,230	4,840	5.6	-------	61.0
1973*	91,040	84,409	80,957	4,304	91,040	88,714	84,409	3,452	80,957	4,304	4.9	-------	61.4
	Unadjusted				*Seasonally adjusted*						*Unadjusted*	*Seasonally adjusted*	
1973:													
July	93,227	86,367	82,201	4,550	*91,139*	*88,828*	*84,621*	*3,512*	*81,109*	*4,207*	5.0	*4.7*	*61.4*
Aug.	92,436	85,921	82,095	4,208	*91,011*	*88,704*	*84,513*	*3,425*	*81,088*	*4,191*	4.7	*4.7*	*61.3*
Sept.	91,298	84,841	81,406	4,165	*91,664*	*89,373*	*85,133*	*3,376*	*81,757*	*4,240*	4.7	*4.7*	*61.6*
Oct.	92,046	85,994	82,469	3,763	*92,038*	*89,749*	*85,649*	*3,455*	*82,194*	*4,100*	4.2	*4.6*	*61.8*
Nov.	92,168	85,828	82,409	4,056	*92,186*	*89,903*	*85,649*	*3,561*	*82,088*	*4,254*	4.5	*4.7*	*61.8*
Dec.	91,983	85,643	82,441	4,058	*92,315*	*90,033*	*85,669*	*3,643*	*82,026*	*4,364*	4.5	*4.8*	*61.8*
1974:													
Jan.	91,354	84,088	80,891	5,008	*92,801*	*90,543*	*85,811*	*3,794*	*82,017*	*4,732*	5.6	*5.2*	*62.0*
Feb.	91,692	84,294	81,011	5,140	*92,814*	*90,556*	*85,803*	*3,852*	*81,951*	*4,753*	5.7	*5.2*	*61.9*
Mar.	91,884	84,878	81,544	4,755	*92,747*	*90,496*	*85,863*	*3,699*	*82,164*	*4,633*	5.3	*5.1*	*61.8*
Apr.	91,736	85,192	81,756	4,301	*92,556*	*90,313*	*85,775*	*3,511*	*82,264*	*4,538*	4.8	*5.0*	*61.6*
May	92,158	85,785	82,181	4,144	*92,909*	*90,679*	*85,971*	*3,457*	*82,514*	*4,708*	4.6	*5.2*	*61.7*
June	94,758	87,167	83,272	5,380	*93,130*	*90,919*	*86,165*	*3,293*	*82,872*	*4,754*	5.8	*5.2*	*61.8*
July	95,496	88,015	83,991	5,260	*93,387*	*91,167*	*86,312*	*3,405*	*82,907*	*4,855*	5.6	*5.3*	*61.9*
Aug.	94,679	87,575	83,724	4,885	*93,281*	*91,061*	*86,187*	*3,443*	*82,744*	*4,874*	5.3	*5.4*	*61.7*

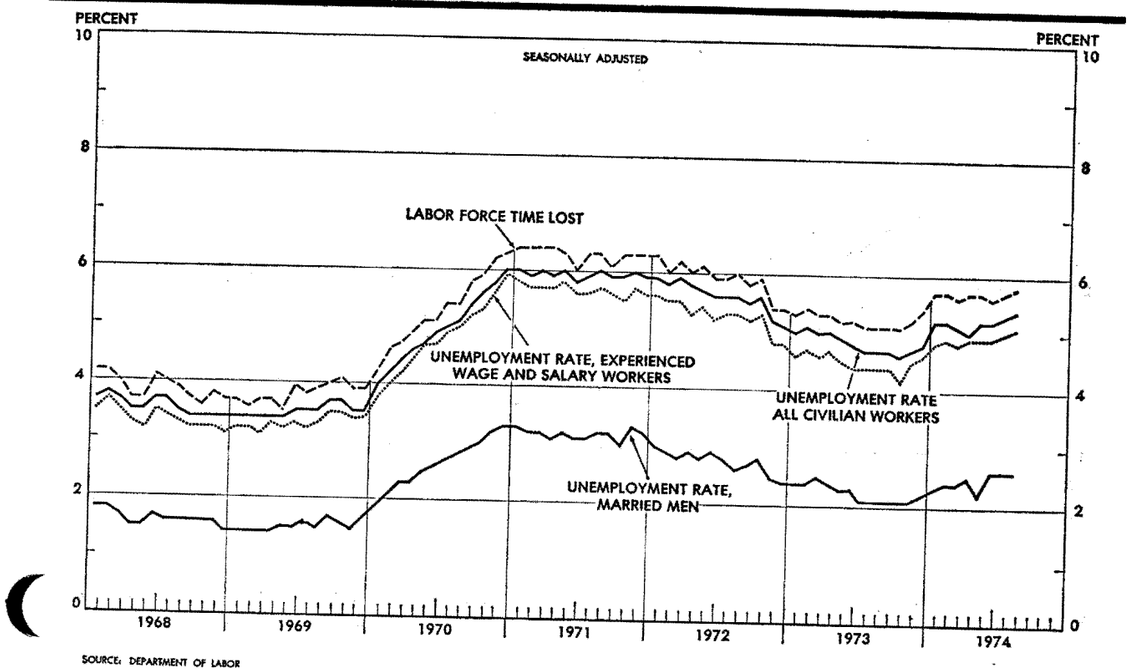
*Data beginning January 1972 not strictly comparable with prior data because of adjustment to 1970 Census data, which added 333,000 to the civilian labor force and 301,000 to civilian employment. A further adjustment in March 1973 added 60,000 to the labor force and to employment.

[1] Total labor force as percent of noninstitutional population 16 years of age and over.

Source: Department of Labor.

SELECTED MEASURES OF UNEMPLOYMENT AND PART-TIME EMPLOYMENT

The seasonally adjusted unemployment rate inched up in August by 0.1 percentage point to 5.4 percent. The rate for married men was again unchanged at 2.6 percent.



SOURCE: DEPARTMENT OF LABOR

COUNCIL OF ECONOMIC ADVISERS

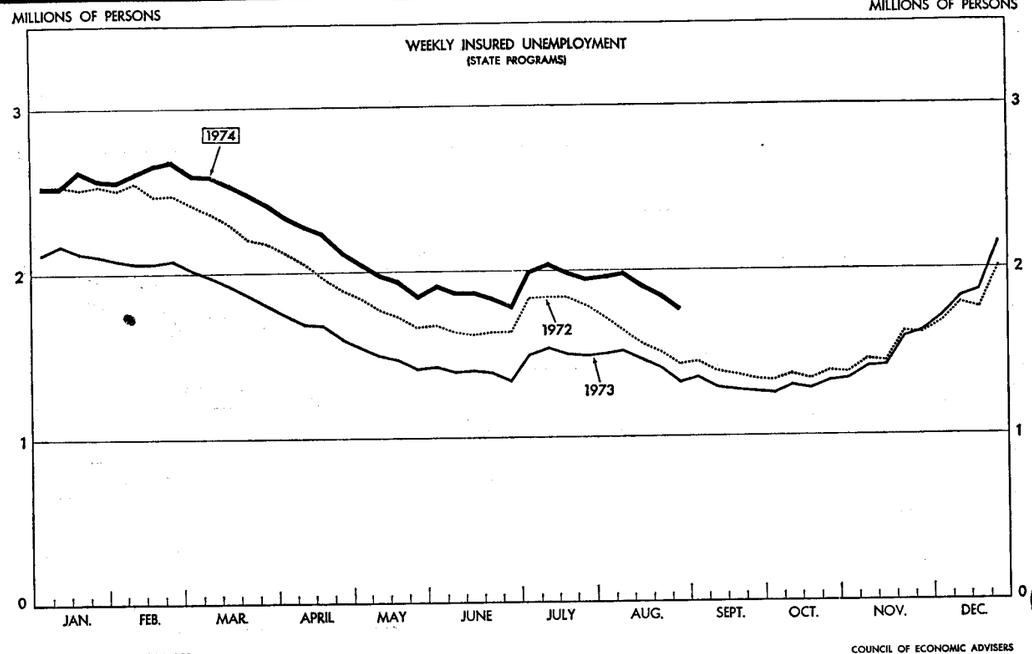
Period	Unemployment rate (percent of civilian labor force in group): All workers	Experienced wage and salary workers	Married men (wife present)	Labor force time lost[1]	Persons at work in nonagricultural industries by hours worked per week[2]: Over 40 hours	35–40 hours	Under 35 hours: Total	Part-time for economic reasons: Usually full-time[3]	Part-time for economic reasons: Usually part-time[4]	Part-time for economic reasons: Usually full-time[3]	Part-time for economic reasons: Usually part-time[4]
	Percent				Thousands of persons 16 years of age and over						
1970	4.9	4.8	2.6	5.3	18,925	33,537	18,222	1,201	995	-------	-------
1971	5.9	5.7	3.2	6.4	19,095	35,752	16,298	1,184	1,256	-------	-------
1972	5.6	5.3	2.8	6.0	20,320	36,794	16,549	1,081	1,327	-------	-------
1973	4.9	4.5	2.3	5.2	21,284	37,426	17,473	1,074	1,237	-------	-------
	Seasonally adjusted				*Unadjusted*					*Seasonally adjusted*	
1973: July	*4.7*	*4.4*	*2.1*	*5.1*	20,424	37,040	14,283	1,129	1,886	*1,161*	*1,208*
Aug.	*4.7*	*4.4*	*2.1*	*5.1*	20,503	37,125	14,326	1,315	1,567	*1,167*	*1,120*
Sept.	*4.7*	*4.4*	*2.1*	*5.1*	22,631	38,451	16,172	1,126	1,092	*1,106*	*1,247*
Oct.	*4.6*	*4.2*	*2.1*	*5.1*	21,797	34,956	22,136	1,046	1,108	*1,103*	*1,274*
Nov.	*4.7*	*4.5*	*2.1*	*5.2*	22,099	38,566	18,630	1,083	1,104	*1,143*	*1,262*
Dec.	*4.8*	*4.6*	*2.2*	*5.4*	22,225	39,574	17,934	1,140	1,210	*1,192*	*1,370*
1974: Jan.	*5.2*	*4.8*	*2.3*	*5.7*	19,913	38,579	18,682	1,274	1,111	*1,213*	*1,373*
Feb.	*5.2*	*4.9*	*2.4*	*5.7*	19,730	38,275	19,629	1,375	1,222	*1,381*	*1,373*
Mar.	*5.1*	*4.8*	*2.4*	*5.6*	20,854	39,416	17,927	1,261	1,127	*1,249*	*1,291*
Apr.	*5.0*	*4.9*	*2.5*	*5.7*	17,153	34,544	25,026	1,052	1,080	*1,078*	*1,312*
May	*5.2*	*4.9*	*2.2*	*5.7*	21,323	39,775	17,638	1,147	1,265	*1,260*	*1,486*
June	*5.2*	*4.9*	*2.6*	*5.6*	20,938	39,734	16,325	1,314	1,645	*1,209*	*1,275*
July	*5.3*	*5.0*	*2.6*	*5.7*	19,702	38,028	15,123	1,124	1,992	*1,156*	*1,276*
Aug.	*5.4*	*5.1*	*2.6*	*5.8*	19,842	38,476	14,815	[5] 1,323	[5] 1,871	*1,174*	*1,337*

[1] Man-hours lost by the unemployed and persons on part-time for economic reasons as a percent of potentially available labor force man-hours.
[2] Differs from total nonagricultural employment (p. 10), which includes persons with jobs but not at work for such reasons as vacation, illness, bad weather, industrial disputes.
[3] Includes persons who worked part-time because of slack work, material shortages or repairs, new job started, or job terminated.
[4] Primarily includes persons who could find only part-time work.
[5] Average hours worked: usually full-time, 24.0; usually part-time, 19.0.

Source: Department of Labor.

UNEMPLOYMENT INSURANCE PROGRAMS

In August, insured unemployment under State programs averaged 438,000 more than a year earlier. The seasonally adjusted insured unemployment rate dropped slightly to 3.2 percent.



SOURCE: DEPARTMENT OF LABOR

COUNCIL OF ECONOMIC ADVISERS

Period	All programs: Covered employment	All programs: Insured unemployment (weekly average)	All programs: Total benefits paid (millions of dollars)[1]	State programs: Insured unemployment	State programs: Initial claims	State programs: Exhaustions	State programs: Insured unemployment as percent of covered employment: Unadjusted	State programs: Insured unemployment as percent of covered employment: *Seasonally adjusted*	Benefits paid: Total (millions of dollars)	Benefits paid: Average weekly check (dollars)
	Thousands			Weekly average, thousands			Percent			
1970	59, 526	2, 070	4, 179. 1	1, 805	296	25	3. 4	--------	3, 848. 5	50. 34
1971	59, 375	2, 313	5, 498. 2	2, 150	295	38	4. 1	--------	4, 957. 0	54. 02
1972	66, 900	2, 185	5, 491. 1	1, 848	261	35	3. 5	--------	4, 471. 0	56. 03
1973 p	--------	1, 783	4, 441. 8	1, 632	246	29	2. 7	--------	4, 007. 6	58. 73
1973: July p	--------	1, 640	326. 9	1, 505	275	27	2. 5	*2. 7*	296. 3	57. 42
Aug p	--------	1, 572	353. 5	1, 436	212	27	2. 4	*2. 6*	316. 3	57. 46
Sept p	--------	1, 441	287. 8	1, 299	186	25	2. 1	*2. 6*	248. 3	58. 13
Oct p	--------	1, 452	322. 9	1, 299	210	24	2. 1	*2. 6*	280. 7	58. 97
Nov p	--------	1, 667	332. 5	1, 503	266	25	2. 4	*2. 7*	289. 4	59. 61
Dec p	--------	2, 093	378. 2	1, 922	395	27	3. 1	*2. 8*	335. 8	60. 40
1974: Jan p	--------	2, 740	622. 7	2, 561	446	32	4. 1	*3. 1*	570. 8	62. 28
Feb p	--------	2, 824	599. 3	2, 630	359	33	4. 2	*3. 3*	553. 3	63. 35
Mar p	--------	2, 751	652. 4	2, 502	293	35	4. 0	*3. 4*	593. 9	63. 86
Apr p	--------	2, 560	639. 3	2, 217	263	38	3. 5	*3. 3*	552. 7	63. 62
May p	--------	2, 278	584. 5	1, 934	237	39	3. 0	*3. 3*	486. 4	62. 69
June p	--------	2, 161	476. 5	1, 834	268	40	2. 9	*3. 3*	387. 4	62. 54
July p	--------	2, 319	562. 4	1, 988	340	35	3. 1	*3. 3*	509. 9	63. 55
Aug p	--------	2, 201	572. 3	1, 874	282	38	2. 9	*3. 2*	518. 7	63. 61
Week ended:										
1974: Aug 10	--------	2, 256	--------	1, 979	318	--------	3. 0	--------	--------	--------
17	--------	2, 182	--------	1, 900	269	--------	2. 9	--------	--------	--------
24	--------	2, 116	--------	1, 838	261	--------	2. 8	--------	--------	--------
31	--------	2, 032	--------	1, 764	259	--------	2. 7	--------	--------	--------
Sept 7 p	--------	2, 107	--------	[2] 1, 812	254	--------	2. 8	--------	--------	--------
14 p	--------	--------	--------	--------	270	--------	--------	--------	--------	--------

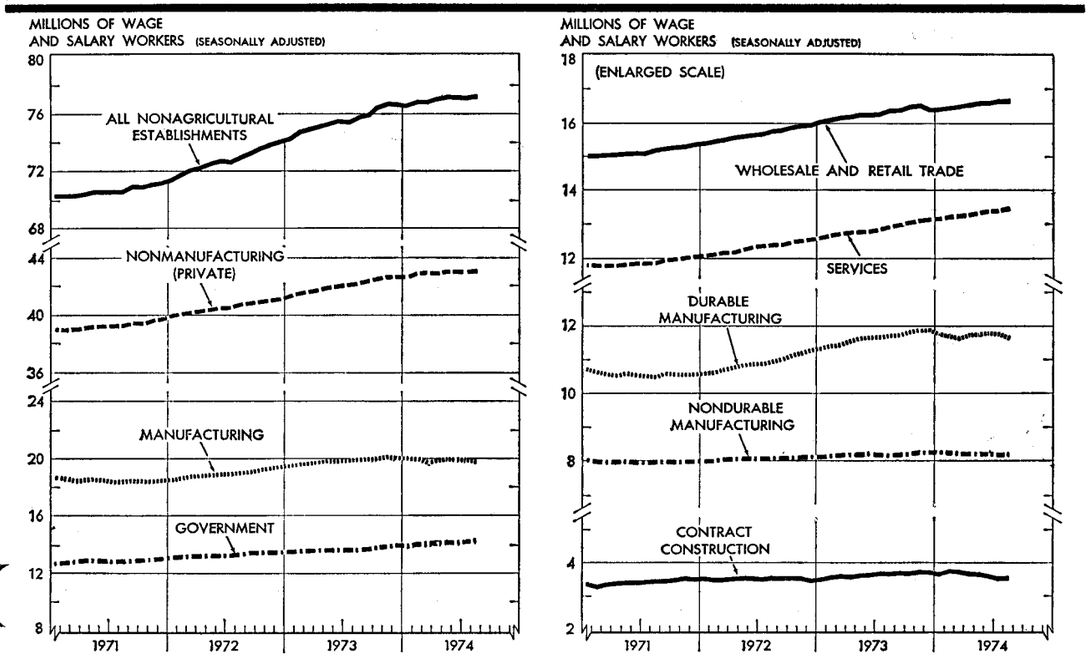
[1] Beginning with January 1973, monthly data include extended benefits.

[2] Not charted.

Source: Department of Labor.

NONAGRICULTURAL EMPLOYMENT

Nonagricultural payroll employment, at 77.2 million (seasonally adjusted) in August, has shown little change since May. The August decline in manufacturing employment was a little more than offset by employment increases in private nonmanufacturing and State and local government.



SOURCE: DEPARTMENT OF LABOR

COUNCIL OF ECONOMIC ADVISERS

[Thousands of wage and salary workers;[1] seasonally adjusted]

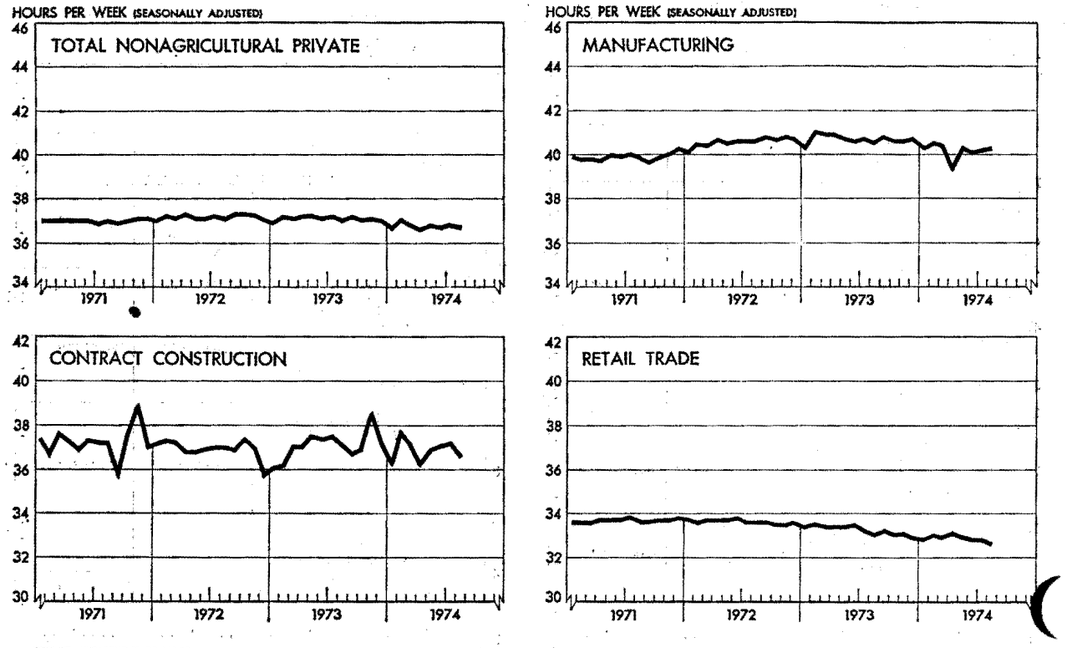
Period	Total	Manufacturing (private): Total	Manufacturing (private): Durable goods	Manufacturing (private): Nondurable goods	Nonmanufacturing (private): Total	Nonmanufacturing (private): Mining	Nonmanufacturing (private): Contract construction	Nonmanufacturing (private): Transportation and public utilities	Nonmanufacturing (private): Wholesale and retail trade	Nonmanufacturing (private): Finance, insurance, and real estate	Nonmanufacturing (private): Services	Government: Federal	Government: State and local
1968	67, 915	19, 781	11, 626	8, 155	36, 288	606	3, 285	4, 310	14, 084	3, 382	10, 623	2, 737	9, 109
1969	70, 284	20, 167	11, 895	8, 272	37, 915	619	3, 435	4, 429	14, 639	3, 564	11, 229	2, 758	9, 444
1970	70, 593	19, 349	11, 195	8, 154	38, 709	623	3, 381	4, 493	14, 914	3, 688	11, 612	2, 705	9, 830
1971	70, 645	18, 529	10, 565	7, 964	39, 261	602	3, 411	4, 442	15, 142	3, 796	11, 869	2, 664	10, 191
1972	72, 764	18, 933	10, 884	8, 049	40, 541	607	3, 521	4, 495	15, 683	3, 927	12, 309	2, 650	10, 640
1973	75, 567	19, 820	11, 633	8, 186	42, 089	625	3, 648	4, 611	16, 288	4, 053	12, 866	2, 627	11, 031
1973: July	75, 478	19, 804	11, 646	8, 158	42, 079	631	3, 680	4, 598	16, 294	4, 048	12, 828	2, 588	11, 007
Aug	75, 747	19, 861	11, 692	8, 169	42, 249	634	3, 676	4, 617	16, 352	4, 064	12, 906	2, 599	11, 038
Sept	75, 961	19, 882	11, 708	8, 174	42, 423	633	3, 700	4, 629	16, 388	4, 078	12, 995	2, 613	11, 043
Oct	76, 363	20, 016	11, 802	8, 214	42, 601	639	3, 694	4, 671	16, 465	4, 088	13, 044	2, 626	11, 120
Nov	76, 679	20, 095	11, 859	8, 236	42, 746	644	3, 711	4, 654	16, 520	4, 095	13, 122	2, 638	11, 200
Dec	76, 626	20, 090	11, 859	8, 231	42, 649	646	3, 732	4, 644	16, 398	4, 101	13, 128	2, 654	11, 233
1974: Jan	76, 526	20, 006	11, 774	8, 232	42, 636	654	3, 636	4, 684	16, 417	4, 109	13, 136	2, 651	11, 233
Feb	76, 813	19, 904	11, 683	8, 221	42, 915	656	3, 757	4, 691	16, 472	4, 124	13, 215	2, 670	11, 324
Mar	76, 804	19, 851	11, 644	8, 207	42, 910	655	3, 725	4, 676	16, 487	4, 127	13, 240	2, 675	11, 368
Apr	76, 941	19, 921	11, 733	8, 188	42, 913	659	3, 659	4, 668	16, 549	4, 130	13, 248	2, 681	11, 426
May	77, 136	19, 942	11, 746	8, 196	43, 058	664	3, 662	4, 664	16, 594	4, 145	13, 329	2, 698	11, 438
June	77, 101	19, 961	11, 783	8, 178	43, 024	665	3, 599	4, 653	16, 602	4, 140	13, 365	2, 684	11, 432
July p	77, 100	19, 915	11, 760	8, 155	43, 008	668	3, 522	4, 643	16, 664	4, 133	13, 378	2, 691	11, 486
Aug p	77, 177	19, 801	11, 635	8, 166	43, 104	665	3, 544	4, 642	16, 661	4, 143	13, 449	2, 694	11, 578

cludes all full- and part-time wage and salary workers in nonagricultural shments who worked during or received pay for any part of the pay period includes the 12th of the month. Excludes proprietors, self-employed per-, domestic servants, and personnel of the Armed Forces. Total derived from this table not comparable with estimates of nonagricultural employment of the civilian labor force, shown on p. 10, which include proprietors, self-employed persons, and domestic servants; which count persons as employed when they are not at work because of industrial disputes; and which are based on a sample of the working-age population, whereas the estimates in this table are based on reports from employing establishments.

Source: Department of Labor.

WEEKLY HOURS OF WORK - SELECTED INDUSTRIES

The seasonally adjusted workweek of private nonfarm payroll employees in August was 36.7 hours, about the same as that prevailing since the first of the year. There was a sharp decline in the construction workweek in August.



[Average hours per week[1]]

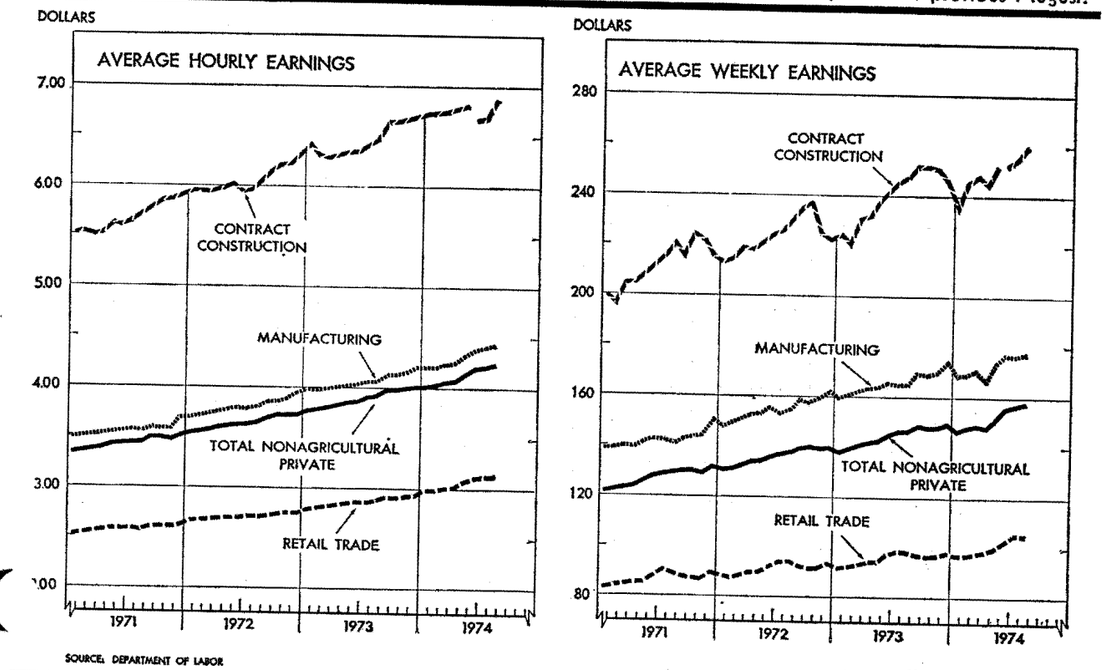
Period	Total nonagricultural private [2]	Manufacturing	Contract construction	Retail trade [3]	Total nonagricultural private [2]	Manufacturing	Contract construction	Retail trade [3]
	Unadjusted				Seasonally adjusted			
1965	38.8	41.2	37.4	36.6				
1966	38.6	41.3	37.6	35.9				
1967	38.0	40.6	37.7	35.3				
1968	37.8	40.7	37.4	34.7				
1969	37.7	40.6	37.9	34.2				
1970	37.1	39.8	37.4	33.8				
1971	37.0	39.9	37.3	33.7				
1972	37.2	40.6	37.0	33.6				
1973	37.1	40.7	37.2	33.2				
1973: July	37.6	40.5	38.4	34.3	*37.2*	*40.7*	*37.5*	*33.2*
Aug	37.5	40.5	38.3	34.1	*37.0*	*40.5*	*37.1*	*33.0*
Sept	37.3	41.0	37.9	33.2	*37.2*	*40.8*	*36.7*	*33.2*
Oct	37.0	40.7	37.7	32.8	*37.0*	*40.6*	*36.9*	*33.0*
Nov	37.0	40.8	37.5	32.8	*37.1*	*40.6*	*38.5*	*33.1*
Dec	37.2	41.2	36.6	33.2	*37.0*	*40.7*	*37.2*	*32.9*
1974: Jan	36.4	40.0	34.9	32.3	*36.7*	*40.3*	*36.2*	*32.8*
Feb	36.6	40.1	36.4	32.4	*37.0*	*40.5*	*37.7*	*33.0*
Mar	36.6	40.3	36.7	32.4	*36.8*	*40.4*	*37.1*	*32.9*
Apr	36.3	39.1	36.0	32.7	*36.6*	*39.3*	*36.2*	*33.1*
May	36.6	40.3	36.9	32.5	*36.8*	*40.3*	*36.9*	*32.9*
June	37.0	40.4	37.8	33.1	*36.7*	*40.1*	*37.1*	*32.8*
July p	37.2	40.0	38.1	33.8	*36.8*	*40.2*	*37.2*	*32.8*
Aug p	37.2	40.3	37.8	33.7	*36.7*	*40.3*	*36.6*	*32.6*

[1] Data relate to production workers or nonsupervisory employees.
[2] Also includes other private industry groups shown on p. 18.
[3] Includes eating and drinking places.

Source: Department of Labor.

AVERAGE HOURLY AND WEEKLY EARNINGS - SELECTED INDUSTRIES

Average hourly earnings (not seasonally adjusted) of private nonagricultural workers increased by 3 cents (8.9 percent annual rate) to $4.24 in August. This is an increase of 33 cents (8.4 percent) over the previous August.



[For production workers or nonsupervisory employees]

Period	Average hourly earnings—current dollars: Total nonagricultural private [1]	Manufacturing	Contract construction	Retail trade [2]	Average weekly earnings—current dollars: Total nonagricultural private [1]	Manufacturing	Contract construction	Retail trade [2]	Manufacturing industries: Adjusted hourly earnings, 1967=100 [3]	Average weekly earnings, 1967 dollars [4]
1965	$2.45	$2.61	$3.70	$1.82	$95.06	$107.53	$138.38	$66.61	92.6	$113.79
1966	2.56	2.72	3.89	1.91	98.82	112.34	146.26	68.57	95.7	115.58
1967	2.68	2.83	4.11	2.01	101.84	114.90	154.95	70.95	100.0	114.90
1968	2.85	3.01	4.41	2.16	107.73	122.51	164.93	74.95	106.2	117.57
1969	3.04	3.19	4.79	2.30	114.61	129.51	181.54	78.66	112.6	117.95
1970	3.22	3.36	5.24	2.44	119.46	133.73	195.98	82.47	119.6	114.99
1971	3.43	3.56	(5)	2.57	126.91	142.04	(5)	86.61	127.5	117.10
1972	3.65	3.81	(5)	2.70	135.78	154.69	(5)	90.72	135.4	123.46
1973	3.89	4.07	(5)	2.87	144.32	165.65	(5)	95.28	143.4	124.15
1973: July	3.90	4.06	(5)	2.86	146.64	164.43	(5)	98.10	143.2	123.91
Aug	3.91	4.06	(5)	2.87	146.63	164.43	(5)	97.87	143.9	121.71
Sept	3.99	4.13	(5)	2.92	148.83	169.33	(5)	96.94	145.2	124.97
Oct	3.99	4.14	(5)	2.93	147.63	168.50	(5)	96.10	145.9	123.35
Nov	4.00	4.16	(5)	2.94	148.00	169.73	(5)	96.43	146.7	123.35
Dec	4.01	4.21	(5)	2.94	149.17	173.45	(5)	97.61	148.3	125.23
1974: Jan	4.02	4.21	(5)	2.99	146.33	168.40	(5)	96.58	149.1	120.54
Feb	4.04	4.21	(5)	2.99	147.86	168.82	(5)	96.88	149.7	119.31
Mar	4.06	4.24	(5)	3.01	148.60	170.87	(5)	97.52	150.4	119.41
Apr	4.07	4.25	(5)	3.01	147.74	166.18	(5)	98.43	151.7	115.40
May	4.14	4.33	(5)	3.08	151.52	174.50	(5)	100.10	153.4	119.85
June	4.20	4.38	6.67	3.11	155.40	176.95	252.13	102.94	155.1	120.29
July p	4.21	4.41	6.69	3.12	156.61	176.40	254.89	105.46	156.2	118.95
Aug p	4.24	4.43	6.87	3.12	157.73	178.53	259.69	105.14	157.4	118.86

[1] Also includes other private industry groups shown on p. 13.
[2] Includes eating and drinking places.
[3] Adjusted to exclude the effects of overtime and interindustry shifts.
[4] Earnings in current dollars divided by the consumer price index.
[5] Series being corrected. Data not yet available.

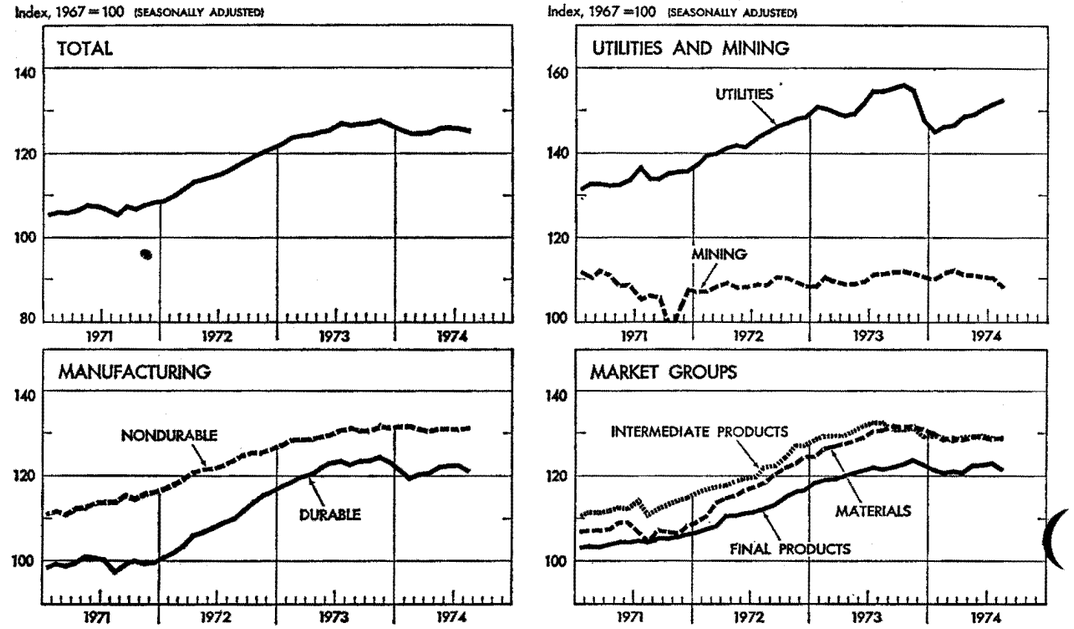
Source: Department of Labor.

39-870°—74——3

PRODUCTION AND BUSINESS ACTIVITY

INDUSTRIAL PRODUCTION

Industrial production declined 0.4 percent (seasonally adjusted) in August after a decrease of 0.1 percent in July. August decreases in durable goods manufacturing and mining, mainly caused by strikes, more than offset increases in nondurable goods manufacturing and public utilities.



SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — COUNCIL OF ECONOMIC ADVISERS

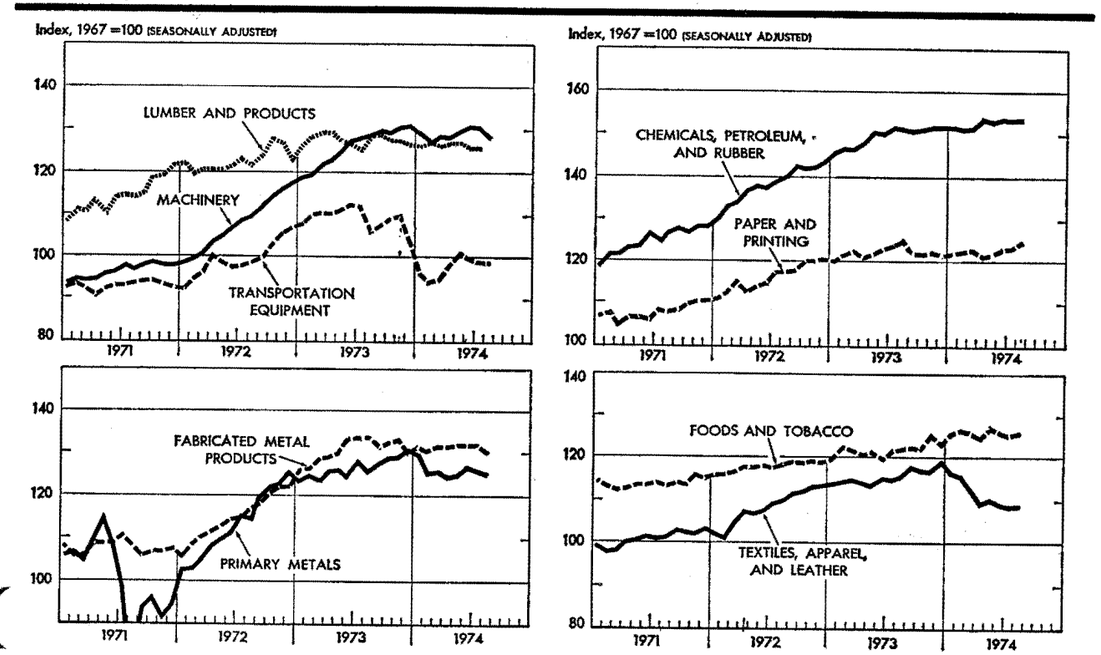
[1967=100, seasonally adjusted]

Period	Total industrial production	Industry					Market				
		Manufacturing			Mining	Utilities	Final products			Intermediate products	Materials
		Total	Durable	Nondurable			Total	Consumer goods	Equipment		
1966	97.9	98.3	99.0	97.3	98.4	93.6	96.1	98.6	93.0	99.2	99.8
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968	105.7	105.7	105.5	106.0	103.9	109.4	105.8	106.6	104.7	105.7	105.7
1969	110.7	110.5	110.0	111.1	107.2	119.5	109.0	111.1	106.1	112.0	112.4
1970	106.6	105.2	101.4	110.6	109.7	128.3	104.5	110.3	96.3	111.7	107.7
1971	106.8	105.2	99.4	113.5	107.0	133.9	104.7	115.7	89.4	112.5	107.4
1972	115.2	114.0	108.4	122.1	108.8	143.4	111.9	123.6	95.5	121.1	117.4
1973	125.6	125.1	122.0	129.7	110.3	152.6	121.3	131.7	106.7	131.0	129.3
1973: July	126.7	126.5	123.8	130.6	111.0	154.8	122.1	132.9	107.3	132.5	130.9
Aug	126.5	126.1	122.6	130.9	111.5	154.8	121.4	131.2	107.6	132.1	130.9
Sept	126.8	126.3	123.3	130.7	111.8	155.8	122.4	132.3	108.5	131.0	131.3
Oct	127.0	126.4	123.6	130.4	111.9	156.2	122.7	132.6	108.9	130.6	131.1
Nov	127.5	127.4	124.3	131.3	111.3	154.6	123.6	133.5	110.1	131.1	131.5
Dec	126.5	126.4	123.1	131.2	110.4	147.6	122.6	131.3	110.1	129.1	130.6
1974: Jan	125.4	125.3	121.0	131.4	109.9	144.9	121.3	129.2	109.8	129.2	129.7
Feb	124.6	124.5	119.4	131.5	111.7	146.1	120.6	128.3	109.9	129.1	128.3
Mar	124.7	124.6	120.4	131.0	112.2	146.5	121.0	128.5	110.1	128.1	128.9
Apr	124.9	124.8	120.7	130.4	111.3	148.7	120.7	128.5	110.1	129.4	128.7
May	125.7	125.7	122.1	130.9	111.0	149.2	122.4	129.7	112.2	129.2	129.1
June	125.8	125.9	122.4	130.9	110.6	150.5	122.5	130.0	112.1	129.3	129.1
July p	125.7	125.8	122.4	130.7	110.3	151.5	122.9	130.2	112.5	128.8	128.4
Aug p	125.2	125.0	120.8	131.2	108.1	152.5	121.3	129.9	109.4	128.6	128

Source: Board of Governors of the Federal Reserve System.

PRODUCTION OF SELECTED MANUFACTURES

Most durable manufactures (seasonally adjusted) declined sharply in August while nondurable manufactures registered some gains.



SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — COUNCIL OF ECONOMIC ADVISERS

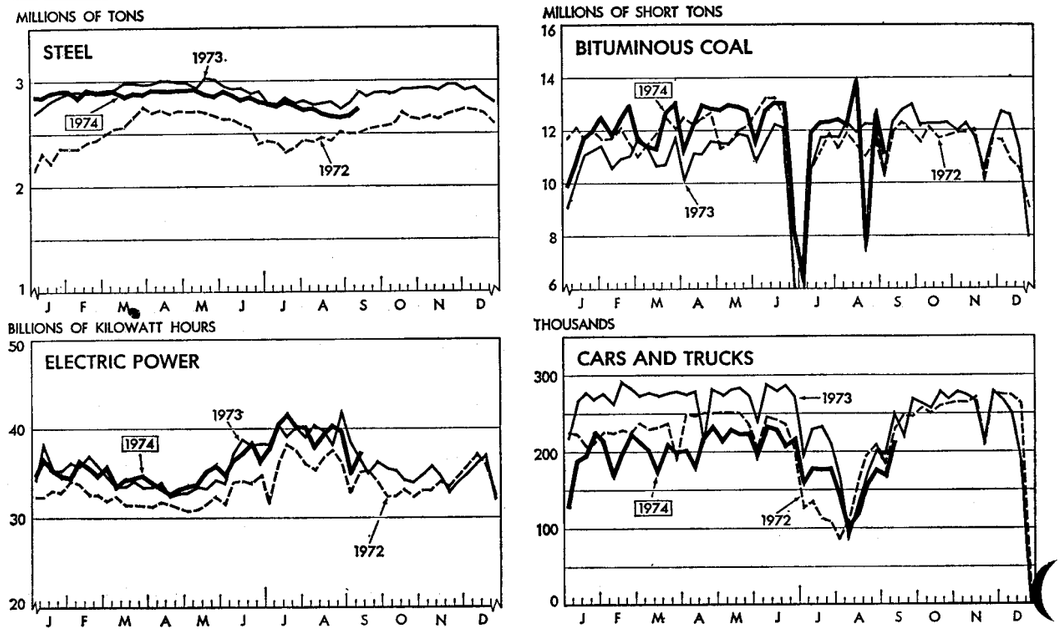
[1967=100, seasonally adjusted]

Period	Durable manufactures					Nondurable manufactures			
	Primary metals	Fabricated metal products	Machinery	Transportation equipment	Lumber and products	Textiles, apparel, and leather	Paper and printing	Chemicals, petroleum, and rubber	Foods and tobacco
1966	108.8	100.5	98.6	101.2	98.4	101.7	98.9	94.1	97.0
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968	103.2	106.3	101.9	109.7	104.8	104.9	104.2	109.6	103.6
1969	114.1	113.6	106.8	107.6	108.6	105.9	109.1	118.4	107.5
1970	106.9	109.4	100.3	90.4	106.3	100.2	107.8	118.2	110.8
1971	100.9	107.4	96.2	92.9	113.9	100.7	107.8	124.7	113.7
1972	113.1	114.8	107.5	99.0	122.4	108.1	116.1	137.8	117.6
1973	127.0	130.5	125.8	109.1	127.9	115.0	122.2	149.3	121.9
1973: July	128.1	133.5	127.6	112.1	125.4	114.5	123.8	151.8	121.3
Aug	125.6	133.8	128.5	105.7	128.4	115.4	124.5	151.0	122.0
Sept	127.8	131.5	130.0	107.3	128.9	117.5	122.1	150.9	122.2
Oct	128.7	132.4	129.3	108.8	127.4	116.8	121.3	151.1	121.7
Nov	128.9	133.1	130.4	109.8	127.3	116.7	121.9	151.6	124.7
Dec	130.7	130.0	130.9	103.0	126.3	118.8	121.2	151.6	123.0
1974: Jan	129.5	131.4	128.6	95.7	126.1	116.2	121.7	151.5	125.4
Feb	125.0	130.6	127.2	93.9	127.1	115.3	122.2	151.2	126.2
Mar	125.3	131.6	128.4	95.0	126.1	112.4	122.5	151.2	125.3
Apr	124.0	131.3	128.2	97.8	126.8	109.3	121.2	153.5	124.3
May	124.6	131.9	129.7	100.6	126.8	109.8	121.3	153.0	126.5
June	126.5	131.9	130.7	99.5	125.6	108.8	122.7	153.5	125.4
July p	125.6	131.9	130.4	98.9	125.6	108.2	123.0	153.3	124.8
Aug p	124.9	130.0	128.0	98.8	--------	108.4	124.3	153.6	125.4

urce: Board of Governors of the Federal Reserve System.

WEEKLY INDICATORS OF PRODUCTION

Weekly indicators of production (not seasonally adjusted) were mixed in August. Cars assembled dropped again as the model changeover period continued.



SOURCES: AMERICAN IRON AND STEEL INSTITUTE, DEPARTMENT OF THE INTERIOR, EDISON ELECTRIC INSTITUTE, AND WARD'S AUTOMOTIVE REPORTS

COUNCIL OF ECONOMIC ADVISERS

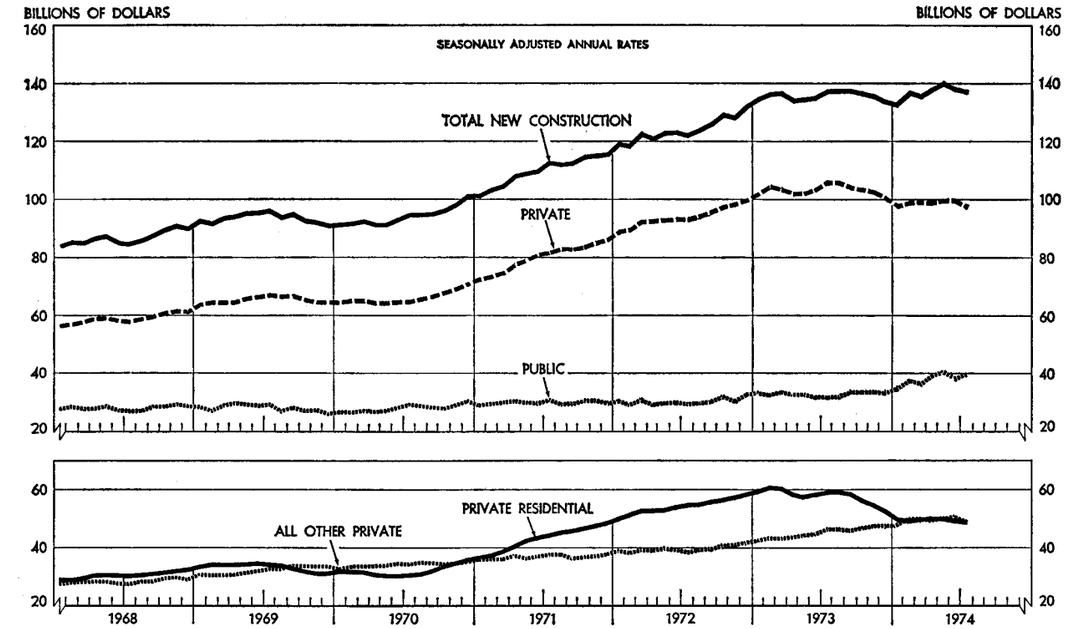
Period	Steel produced: Thousands of net tons	Steel produced: Index (1967=100)	Electric power distributed (millions of kilowatt-hours)	Bituminous coal mined (thousands of short tons) [1]	Freight loaded (thousands of cars)	Paperboard produced (thousands of tons)	Cars and trucks assembled (thousands): Total	Cars	Trucks
Weekly average:									
1967	2,440	100.0	23,169	10,627	540	439	172.9	142.4	30.5
1968	2,515	103.1	25,244	10,485	543	479	207.6	170.1	37.5
1969	2,709	111.0	27,588	10,779	543	507	195.8	158.1	37.8
1970	2,522	103.4	29,317	11,595	522	489	158.9	125.9	33.0
1971	2,310	94.7	30,923	10,619	486	501	204.8	165.0	39.8
1972	2,549	104.5	33,540	11,450	502	548	217.3	169.6	47.6
1973 p	2,892	118.5	35,834	11,346	525	569	243.5	185.8	57.7
1973: July	2,781	114.0	39,417	9,788	503	525	216.6	164.4	52.2
Aug	2,750	112.7	39,783	12,167	543	586	151.5	106.5	45.0
Sept	2,857	117.1	36,572	12,054	543	543	234.3	179.0	55.3
Oct	2,906	119.1	34,762	12,175	564	590	269.2	208.8	60.5
Nov	2,934	120.3	34,336	11,530	536	577	257.4	198.5	58.9
Dec	2,878	118.0	34,911	11,111	487	512	177.0	129.0	48.0
1974: Jan	2,873	117.8	35,150	11,348	491	505	189.1	133.1	56.0
Feb	2,900	118.8	35,617	12,201	524	584	200.1	141.1	59.0
Mar	2,880	118.0	34,224	12,078	529	595	196.1	139.2	56.8
Apr	2,900	118.9	33,302	12,396	525	594	208.9	153.1	55.8
May	2,879	118.0	34,885	12,534	532	590	217.4	160.1	57.2
June	2,840	116.4	37,011	11,759	542	589	220.3	163.2	57.1
July	2,750	112.7	39,982	11,051	500	536	166.6	115.9	50.6
Aug p	2,672	109.5	39,269	11,606	510	573	137.9	103.3	34.5
Week ended:									
1974: Aug 10	2,733	112.0	37,865	12,205	503	573	100.9	69.0	31.8
17	2,676	109.7	39,299	13,955	518	552	119.0	86.2	32.8
24	2,664	109.2	40,299	7,560	482	574	155.1	121.4	33.6
31	2,649	108.6	39,611	12,705	538	594	176.6	136.7	39.9
Sept 7	2,673	109.6	34,837	11,075	454	437	167.4	131.4	36.[illegible]
14 p	2,731	111.9	37,294	[2] 12,545	525	547	217.7	166.8	5[illegible]
21 p	[2] 2,759	113.1	----------	----------	----------	----------	[2] 228.9	170.8	5[illegible]

[1] Includes data for Alaska.
[2] Not charted.

Sources: American Iron and Steel Institute, Edison Electric Institute, Department of the Interior, Association of American Railroads, American Paper Institute, and Ward's Automotive Reports.

NEW CONSTRUCTION

According to preliminary estimates, expenditures for new construction (seasonally adjusted) declined about 1 percent in July. All of the decline was in the private sector.



SOURCE: DEPARTMENT OF COMMERCE

COUNCIL OF ECONOMIC ADVISERS

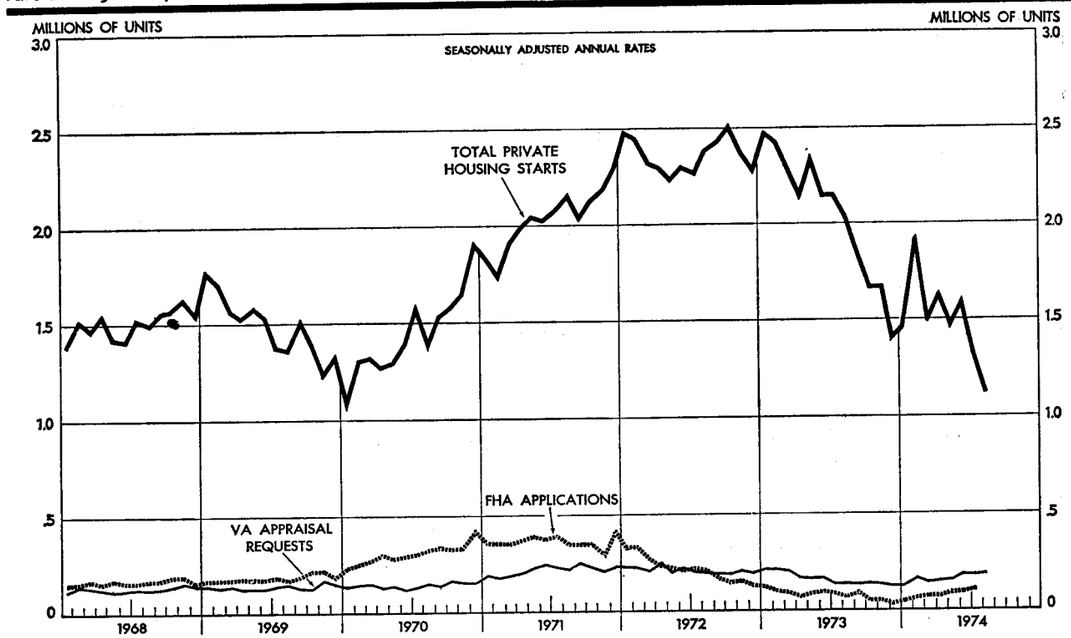
Period	Total new construction expenditures	Private: Total	Private: Residential: Total [1]	Private: Residential: New housing units	Private: Commercial and industrial	Private: Other	Federal, State, and local	Construction contracts [2]: Total value index, (1967=100)	Construction contracts [2]: Commercial and industrial floor space (millions of square feet)
	Billions of dollars								
1968	87.1	59.5	30.6	24.0	13.8	15.1	27.6	113.2	779
1969	93.9	66.0	33.2	25.9	16.2	16.6	28.0	123.7	883
1970	94.9	66.8	31.9	24.3	16.3	18.6	28.1	123.1	743
1971	110.0	80.1	43.3	35.1	17.0	19.8	29.9	145.4	727
1972	124.1	93.9	54.3	44.9	18.1	21.5	30.2	165.3	854
1973	135.4	102.9	57.6	47.8	21.7	23.6	32.6	181.3	1,021
	Seasonally adjusted annual rates							*Seasonally adjusted*	*Seasonally adjusted annual rates*
1973: May	134.5	101.9	57.6	49.3	21.2	23.1	32.6	173	988
June	134.7	103.2	58.2	49.7	21.6	23.4	31.5	183	1,027
July	137.2	105.6	59.1	49.7	22.5	24.0	31.6	175	1,161
Aug	137.4	105.5	59.3	49.5	22.2	24.0	31.9	199	1,118
Sept	137.3	104.1	58.0	48.2	22.3	23.8	33.2	182	1,029
Oct	136.4	103.2	56.2	46.2	22.5	24.5	33.2	191	1,106
Nov	135.6	102.2	54.5	44.2	23.1	24.6	33.4	194	1,047
Dec	133.2	100.1	52.3	42.1	23.2	24.5	33.1	161	815
1974: Jan	132.5	97.6	49.8	39.8	22.6	25.3	34.8	155	885
Feb	136.3	98.8	49.1	38.9	24.5	25.2	37.5	187	968
Mar	135.5	99.0	49.2	39.1	24.2	25.7	36.4	181	878
Apr	137.8	98.8	49.6	39.3	23.2	26.1	39.0	167	1,003
May	139.9	99.7	49.7	39.7	24.0	25.9	40.3	188	924
June p	138.1	99.8	49.3	39.4	24.5	26.0	38.3	166	909
July p	137.2	97.5	48.7	38.9	22.6	26.2	39.6	177	934

[1] Includes nonhousekeeping residential construction and additions and alterations, not shown separately.
[2] F. W. Dodge series. Relates to 50 States beginning 1969 for value index and beginning 1971 for floor space.

Sources: Department of Commerce and McGraw-Hill Information Systems Company, F. W. Dodge Division.

NEW HOUSING STARTS AND APPLICATIONS FOR FINANCING

Housing starts dropped 15 percent in August to a seasonally adjusted annual rate of 1,126,000 units—the lowest rate since January 1970. Permits for future housing also declined.



SOURCES: DEPARTMENT OF COMMERCE, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, AND VETERANS ADMINISTRATION · COUNCIL OF ECONOMIC ADVISERS

[Thousands of units]

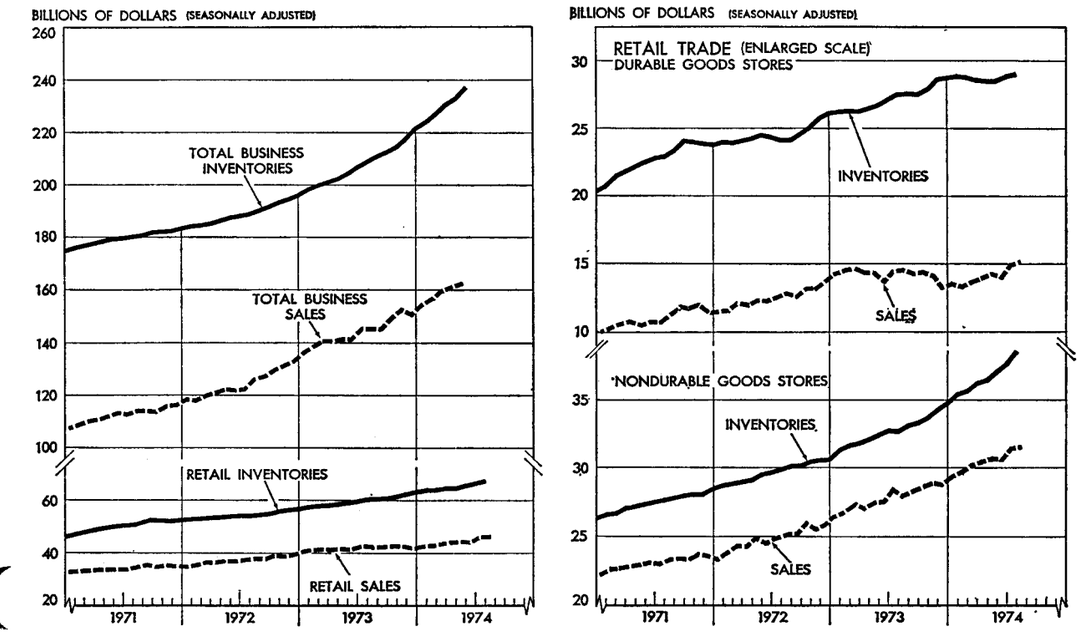
Period	Housing starts: Total private and public (including farm)	Housing starts: Total private (including farm)	Private: Total (including farm): Total	Private: Total (including farm): One unit	Private: Total (including farm): Two or more units	Private: Government home programs (nonfarm): FHA [1]	Private: Government home programs (nonfarm): VA	New private housing units authorized [2]	Proposed home construction [3]: Applications for FHA commitments [1]	Proposed home construction [3]: Requests for VA appraisals
1968	1,545.4	1,507.6	1,507.6	899.4	608.2	147.7	56.1	1,353.4	168.9	131.7
1969	1,499.5	1,466.8	1,466.8	810.6	656.2	153.6	51.2	1,323.7	187.6	138.2
1970	1,469.0	1,433.6	1,433.6	812.9	620.7	233.5	61.0	1,351.5	315.0	143.7
1971	2,084.5	2,052.2	2,052.2	1,151.0	901.2	301.2	94.0	1,924.6	366.8	217.9
1972	2,378.5	2,356.6	2,356.6	1,309.2	1,047.5	198.4	104.0	2,218.9	225.2	209.4
1973	2,057.5	2,045.3	2,045.3	1,132.0	913.3	73.6	86.1	1,795.5	83.2	161.9
			Seasonally adjusted annual rates							
1973: July	203.2	202.6	2,152	1,232	920	81	88	1,814	92	136
Aug	199.9	197.2	2,030	1,108	921	69	92	1,777	69	141
Sept	148.9	148.4	1,844	990	854	66	71	1,656	94	137
Oct	149.5	147.1	1,674	957	718	52	62	1,379	51	142
Nov	134.6	133.3	1,675	938	737	57	57	1,361	56	134
Dec	90.6	90.4	1,403	767	636	37	68	1,285	30	124
1974: Jan	86.2	84.5	1,464	793	671	39	61	1,282	46	124
Feb	109.6	109.4	1,922	1,056	866	48	64	1,325	62	163
Mar	127.2	124.8	1,499	962	537	48	72	1,410	71	144
Apr	160.9	159.5	1,630	996	634	41	74	1,296	71	150
May	149.9	149.0	1,471	931	540	63	79	1,120	89	157
June	149.5	147.6	1,596	1,014	582	57	75	1,106	91	185
July p	126.6	126.0	1,331	948	383	54	69	1,017	106	180
Aug p	112.6	109.7	1,126	824	302	-------	69	912	-------	184

[1] Units are for 1- to 4-family housing.
[2] Authorized by issuance of local building permit: in 14,000 permit-issuing places beginning 1972; 13,000 for 1967–71; 12,000 for 1963–66; and 10,000 prior to 1963.
[3] Units represented by mortgage applications or appraisal requests for new home construction.

Sources: Department of Commerce, Department of Housing and Urban Development, and Veterans Administration.

USINESS SALES AND INVENTORIES—TOTAL AND TRADE

Retail sales (seasonally adjusted) rose 0.6 percent in August after a rise of 3.8 percent in July. A sharp rise in sales of auto dealers accounted for most of the August increase.



SOURCE: DEPARTMENT OF COMMERCE · COUNCIL OF ECONOMIC ADVISERS

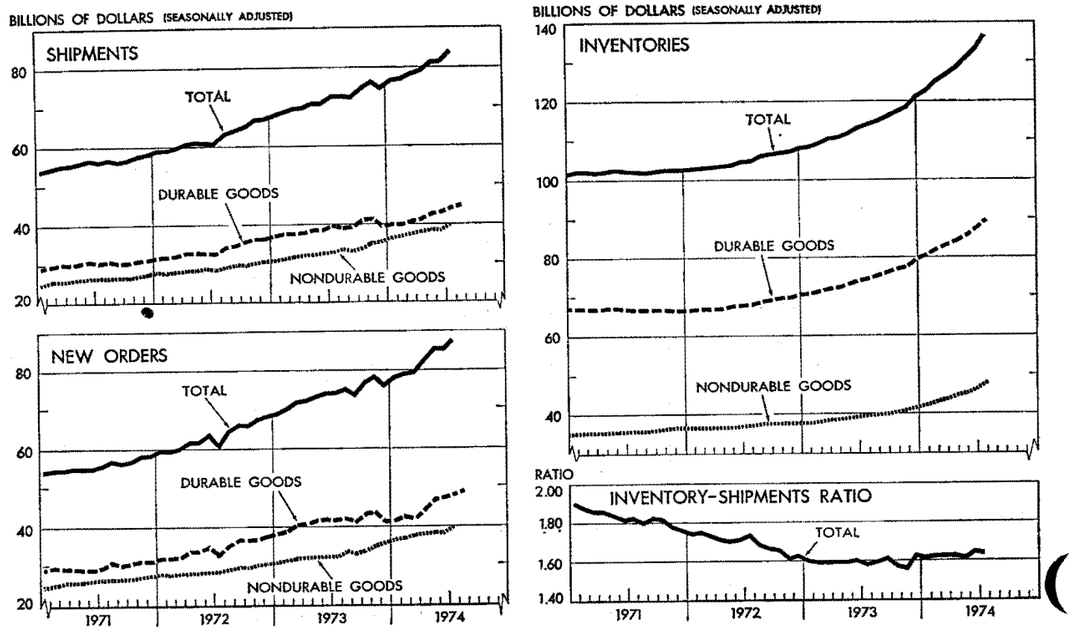
Period	Total business [1]: Sales [2]	Total business [1]: Inventories [3]	Wholesale: Sales [2]	Wholesale: Inventories [3]	Retail: Sales [2]: Total	Retail: Sales [2]: Durable goods stores	Retail: Sales [2]: Nondurable goods stores	Retail: Inventories [3]: Total	Retail: Inventories [3]: Durable goods stores	Retail: Inventories [3]: Nondurable goods stores
	Millions of dollars, seasonally adjusted									
1967	89,698	145,164	17,099	21,557	26,151	8,348	17,803	38,952	17,277	21,675
1968	97,100	155,376	18,329	22,528	28,490	9,268	19,222	41,973	19,167	22,806
1969	103,104	166,813	19,726	24,363	29,824	9,626	20,197	45,376	20,647	24,729
1970	104,706	174,875	20,554	26,604	31,294	9,524	21,770	46,626	20,345	26,281
1971	112,268	183,622	22,280	28,916	34,071	10,985	23,086	52,261	23,808	28,453
1972	124,231	196,002	24,850	31,732	37,365	12,472	24,893	56,551	26,034	30,517
1973	143,746	221,357	30,405	36,926	41,943	14,190	27,754	63,561	28,778	34,783
1973: June	141,334	206,961	29,528	34,148	41,167	13,731	27,436	59,788	27,051	32,737
July	145,467	208,776	30,443	34,653	42,767	14,409	28,358	60,213	27,494	32,719
Aug	145,337	210,548	30,692	34,964	42,355	14,481	27,874	60,677	27,563	33,114
Sept	145,321	212,227	30,646	35,266	42,529	14,267	28,262	60,847	27,507	33,340
Oct	149,469	214,284	31,918	35,379	42,970	14,331	28,639	61,681	27,926	33,755
Nov	152,255	217,637	33,101	36,265	42,976	14,090	28,886	62,937	28,662	34,275
Dec	150,643	221,357	33,910	36,926	42,116	13,270	28,846	63,561	28,778	34,783
1974: Jan	154,217	224,657	34,896	37,826	42,932	13,525	29,407	64,261	28,852	35,409
Feb	156,203	227,726	36,091	38,501	43,134	13,327	29,807	64,394	28,789	35,605
Mar	159,584	230,590	37,515	39,347	43,872	13,660	30,212	64,743	28,578	36,165
Apr	161,037	232,586	37,704	39,293	44,283	13,941	30,342	64,855	28,495	36,360
May	162,913	236,587	36,902	40,036	44,894	14,289	30,605	65,615	28,499	37,116
June	(4)	(4)	(4)	(4)	44,593	14,049	30,544	66,580	28,893	37,687
July p	(4)	(4)	(4)	(4)	46,276	14,911	31,365	67,538	29,030	38,508
Aug p	-------	-------	-------	-------	46,538	15,116	31,422	-------	-------	-------

The term "business" also includes manufacturing (see page 22).
Monthly average for year and total for month.
p Book value, end of period, seasonally adjusted.
[4] Wholesale (and total business) being revised beginning 1964. Data not yet available.

Source: Department of Commerce.

MANUFACTURERS' SHIPMENTS, INVENTORIES, AND NEW ORDERS

Sales, orders, and inventories of manufacturers (seasonally adjusted) all showed large increases in July. The ratio of inventories to shipments continued to fluctuate in the narrow range that has been evident since late last year.



SOURCE: DEPARTMENT OF COMMERCE

COUNCIL OF ECONOMIC ADVISERS

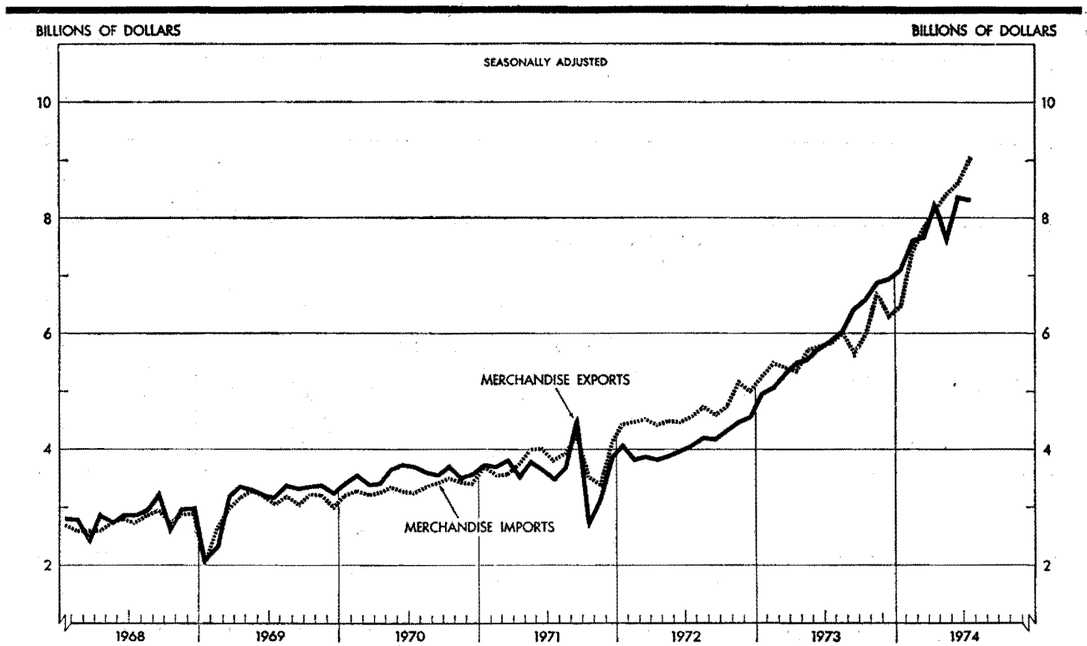
Period	Manufacturers' shipments [1]			Manufacturers' inventories [2]			Manufacturers' new orders [1]				Manufacturers' inventory—shipments ratio [3]
	Total	Durable goods	Nondurable goods	Total	Durable goods	Nondurable goods	Total	Durable goods: Total	Durable goods: Capital goods industries, nondefense	Nondurable goods	
	Millions of dollars, seasonally adjusted										
1968	50, 282	27, 694	22, 588	90, 875	59, 112	31, 763	50, 243	27, 666	6, 971	22, 577	1. 74
1969	53, 555	29, 459	24, 096	97, 074	63, 371	33, 703	53, 646	29, 549	7, 694	24, 097	1. 76
1970	52, 859	28, 229	24, 629	101, 645	66, 768	34, 877	52, 118	27, 486	7, 055	24, 632	1. 89
1971	55, 917	29, 948	25, 969	102, 445	66, 050	36, 395	55, 726	29, 745	7, 324	25, 981	1. 82
1972	62, 017	33, 443	28, 573	107, 719	70, 218	37, 501	62, 922	34, 274	8, 487	28, 648	1. 69
1973	71, 398	38, 724	32, 674	120, 870	79, 441	41, 429	73, 836	41, 098	10, 310	32, 738	1. 58
1973: July	72, 257	39, 788	32, 469	113, 910	74, 278	39, 632	74, 288	41, 840	10, 571	32, 448	1. 58
Aug	72, 290	38, 902	33, 388	114, 907	75, 213	39, 694	76, 407	41, 983	10, 283	33, 424	1. 59
Sept	72, 146	39, 248	32, 898	116, 114	76, 249	39, 865	74, 024	41, 154	10, 389	32, 870	1. 61
Oct	74, 581	40, 879	33, 702	117, 224	76, 951	40, 273	77, 025	43, 304	10, 928	33, 721	1. 57
Nov	76, 178	41, 055	35, 123	118, 435	77, 645	40, 790	78, 601	43, 475	11, 160	35, 126	1. 56
Dec	74, 617	39, 465	35, 152	120, 870	79, 441	41, 429	76, 292	41, 027	10, 943	35, 265	1. 62
1974: Jan	76, 389	39, 994	36, 395	122, 570	80, 541	42, 029	78, 139	41, 515	11, 003	36, 624	1. 61
Feb	76, 978	40, 073	36, 905	124, 831	81, 925	42, 906	79, 127	42, 267	11, 415	36, 860	1. 62
Mar	78, 197	40, 635	37, 562	126, 500	83, 014	43, 486	79, 547	41, 974	11, 300	37, 573	1. 62
Apr	79, 050	41, 232	37, 818	128, 438	84, 108	44, 330	82, 059	44, 124	11, 925	37, 935	1. 62
May	81, 117	42, 538	38, 579	130, 936	85, 715	45, 221	85, 264	46, 730	11, 804	38, 534	1. 61
June	81, 166	42, 785	38, 381	133, 488	87, 313	46, 175	85, 176	46, 848	12, 011	38, 328	1. 64
July p	83, 786	43, 889	39, 897	136, 731	89, 286	47, 445	87, 284	47, 476	12, 800	39, 808	1. 63
Aug p	--------	44, 261	--------	--------	--------	--------	--------	48, 783	11, 742	--------	--------

[1] Monthly average for year and total for month.
[2] Book value, end of period, seasonally adjusted.
[3] For annual periods, ratio of weighted average inventories to average monthly shipments; for monthly data, ratio of inventories at end of month to shipments for month.

Source: Department of Commerce.

MERCHANDISE EXPORTS AND IMPORTS

The U.S. merchandise trade deficit deepened in July to $728 million (seasonally adjusted), as exports remained large, about unchanged from June, while imports, led by the rise in value of imports of crude materials and fuels, rose to a record high level of over $9 billion.



SOURCE: DEPARTMENT OF COMMERCE

COUNCIL OF ECONOMIC ADVISERS

[Millions of dollars]

Period	Merchandise exports: Total (including reexports) [1]		Merchandise exports: Domestic exports				Merchandise imports: General imports [3]					Merchandise trade balance, *seasonally adjusted*
	Seasonally adjusted	Unadjusted	Total [1 2]	Food, beverages, and tobacco	Crude materials and fuels	Manufactured goods	Total [2]: *Seasonally adjusted*	Total [2]: Unadjusted	Food, beverages, and tobacco	Crude materials and fuels	Manufactured goods	
Monthly average:												
1966	--------	2, 458	2, 421	432	367	1, 602	--------	2, 135	382	476	1, 204	323
1967	--------	2, 586	2, 554	392	394	1, 737	--------	2, 241	392	447	1, 313	345
1968	--------	2, 839	2, 802	383	405	1, 985	--------	2, 769	447	503	1, 719	70
1969	--------	3, 111	3, 066	370	417	2, 232	--------	3, 004	442	533	1, 918	107
1970	--------	3, 555	3, 502	422	558	2, 445	--------	3, 329	519	545	2, 159	225
1971	--------	3, 629	3, 576	423	537	2, 537	--------	3, 797	534	606	2, 535	−168
1972	--------	4, 102	4, 035	547	591	2, 813	--------	4, 632	615	737	3, 147	−530
1973	--------	5, 902	5, 811	1, 078	895	3, 728	--------	5, 790	770	1, 120	3, 750	112
		Unadjusted						Unadjusted				
1973: June	*5, 728*	5, 860	5, 756	1, 023	873	3, 727	*5, 775*	5, 911	725	1, 084	3, 940	*−47*
July	*5, 865*	5, 331	5, 249	980	755	3, 388	*5, 829*	5, 659	694	1, 007	3, 804	*37*
Aug	*6, 042*	5, 785	5, 682	1, 294	767	3, 526	*6, 011*	6, 017	789	1, 220	3, 852	*32*
Sept	*6, 420*	5, 965	5, 886	1, 285	694	3, 816	*5, 644*	5, 307	707	1, 113	3, 342	*776*
Oct	*6, 585*	6, 751	6, 635	1, 327	984	4, 196	*5, 996*	6, 403	837	1, 317	4, 089	*589*
Nov	*6, 879*	7, 100	7, 008	1, 513	1, 115	4, 239	*6, 684*	6, 845	948	1, 438	4, 316	*195*
Dec	*6, 949*	6, 921	6, 837	1, 385	1, 104	4, 242	*6, 291*	5, 974	859	1, 496	3, 463	*658*
1974: Jan	*7, 111*	6, 832	6, 750	1, 289	1, 072	4, 248	*6, 467*	6, 650	881	1, 742	3, 882	*644*
Feb	*7, 606*	7, 298	7, 207	1, 244	1, 268	4, 563	*7, 392*	6, 692	830	1, 989	3, 718	*213*
Mar	*7, 674*	8, 520	8, 406	1, 336	1, 376	5, 523	*7, 845*	7, 823	1, 015	2, 343	4, 295	*−171*
Apr	*8, 234*	8, 381	8, 256	1, 277	1, 427	5, 381	*8, 141*	8, 371	937	2, 811	4, 444	*93*
May	*7, 630*	8, 427	8, 296	1, 195	1, 427	5, 517	*8, 407*	8, 899	939	2, 885	4, 902	*−777*
June	*8, 357*	8, 328	8, 212	1, 182	1, 360	5, 501	*8, 613*	8, 557	900	2, 675	4, 799	*−256*
July	*8, 307*	7, 656	7, 554	1, 172	1, 238	4, 962	*9, 036*	9, 003	901	3, 011	4, 897	*−728*

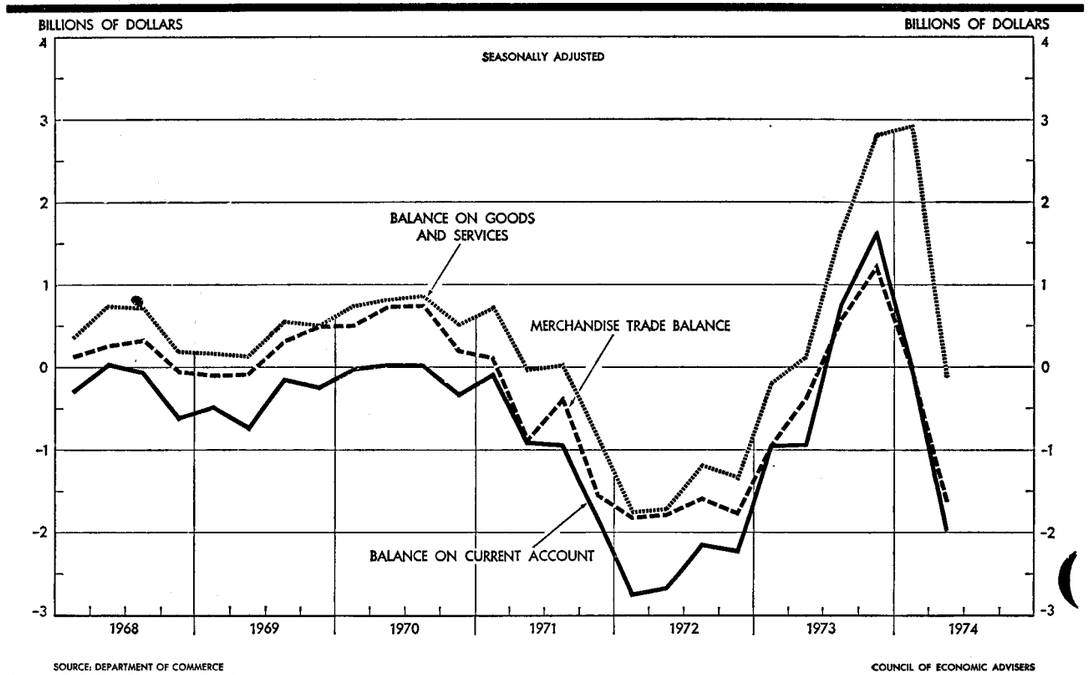
[1] Total excludes Department of Defense shipments of grant-aid military supplies and equipment under the Military Assistance Program.
[2] Total includes commodities and transactions not classified according to kind.
[3] Total arrivals of imported goods other than intransit shipments.

NOTE.—Data adjusted to include silver ore and bullion reported separately prior to 1969.

Source: Department of Commerce.

U.S. BALANCES ON GOODS, SERVICES, AND TRANSFERS

The U.S. current account was in deficit on a seasonally adjusted basis by $2.0 billion in the second quarter, following a near balance position in the first quarter. An increased trade deficit, due to higher cost of petroleum imports, and lower net investment income, due to increased petroleum-related payments to foreign participants in U.S. companies, were the major causes of the deepening of the current account deficit.



[Millions of dollars]

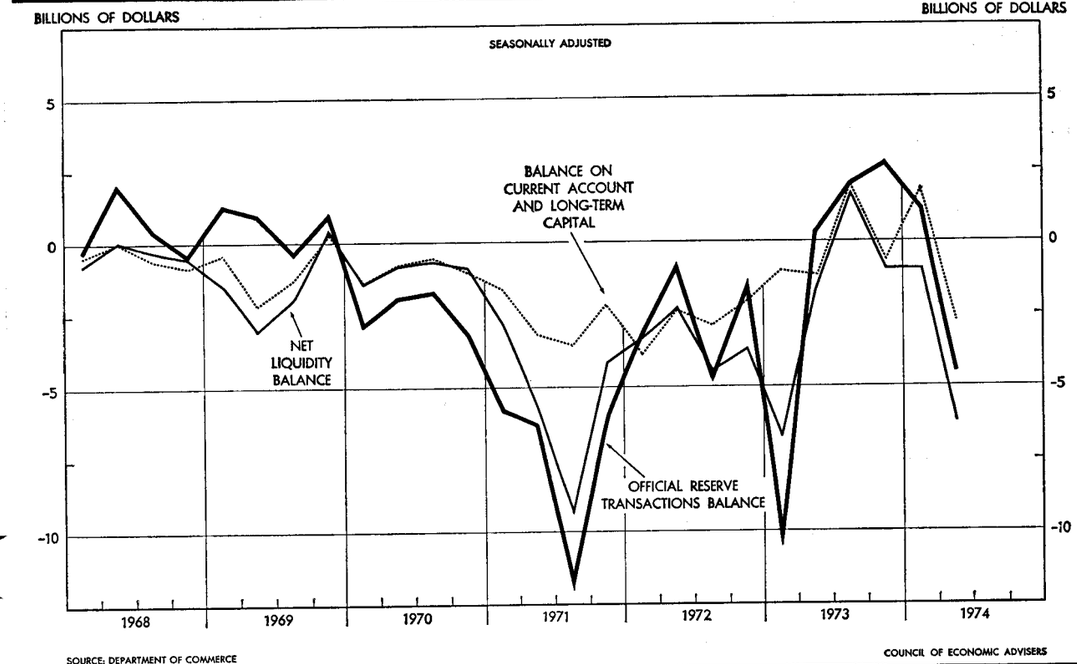
Period	Merchandise [1 2]			Military transactions			Net investment income		Net travel and transportation expenditures	Other services, net [3]	Balance on goods and services [1 4]	Remittances, pensions, and other unilateral transfers [1]	Balance on current account
	Exports	Imports	Net balance	Direct expenditures	Sales	Net balance	Private [3]	U.S. Government					
1968	33,626	−32,991	635	−4,535	1,392	−3,143	4,207	63	−1,548	1,766	1,980	−2,943	−962
1969	36,414	−35,807	607	−4,856	1,512	−3,344	3,655	156	−1,763	2,034	1,344	−2,978	−1,633
1970	41,947	−39,788	2,159	−4,855	1,478	−3,377	3,895	−111	−2,023	2,388	2,932	−3,256	−324
1971	42,754	−45,476	−2,722	−4,819	1,912	−2,908	5,976	−955	−2,341	2,781	−170	−3,647	−3,817
1972	48,768	−55,754	−6,986	−4,759	1,154	−3,604	6,413	−1,887	−3,055	3,110	−6,009	−3,797	−9,807
1973	70,277	−69,806	471	−4,555	2,354	−2,201	8,298	−3,008	−2,710	3,540	4,391	−3,876	515
	Seasonally adjusted												
1973: I	15,230	−16,184	−954	−1,175	342	−833	2,081	−634	−686	841	−185	−761	−946
II	16,679	−17,042	−363	−1,209	446	−763	1,968	−760	−781	815	116	−1,056	−940
III	18,152	−17,574	578	−1,067	520	−547	2,052	−795	−613	984	1,659	−897	762
IV	20,216	−19,006	1,210	−1,104	1,046	−58	2,197	−819	−630	901	2,801	−1,164	1,637
1974: I	22,299	−22,373	−74	−1,166	673	−493	3,843	−767	−502	921	2,928	−2,951	−23
II p	24,089	−25,720	−1,631	−1,291	655	−636	2,579	−799	−612	977	−122	−1,856	−1,978

[1] Excludes military grants.
[2] Adjusted from Census data for differences in timing and coverage.
[3] Fees and royalties from U.S. direct investments abroad or from foreign direct investments in the United States are excluded from net investment income and included in other services, net.
[4] Equal to net exports of goods and services in the national income and product accounts of the United States when converted to an annual rates basis.

Source: Department of Commerce.

U.S. OVERALL BALANCES ON INTERNATIONAL TRANSACTIONS

Rising liquid liabilities to foreigners, reflecting largely short-term investments in the United States by official agencies of petroleum exporting countries, caused the official reserve transactions balance to swing from a surplus in the first quarter to a seasonally adjusted deficit of $4.5 billion in the second quarter, and a deepening of the net liquidity balance deficit to $6.2 billion.



[Millions of dollars]

Period	Long-term capital flows, net		Balance on current account and long-term capital	Nonliquid short-term private capital flows net [2]	Allocations of special drawing rights	Errors and omissions, net	Net liquidity balance	Liquid private capital flows, net [2]	Official reserve transactions balance	Changes in liabilities to foreign official agencies, net [3]	Changes in U.S. official reserve assets, net [4]	U.S. official reserve assets, net (end of period) [5]
	U.S. Government [1]	Private [2]										
1968	−2,164	1,191	−1,935	231	-------	94	−1,611	3,252	1,641	−761	−880	15,710
1969	−1,933	−70	−3,637	−640	-------	−1,805	−6,081	8,820	2,739	−1,552	−1,187	16,964
1970	−2,025	−1,429	−3,778	−482	867	−458	−3,851	−5,988	−9,839	7,362	2,477	14,487
1971	−2,362	−4,381	−10,559	−2,347	717	−9,776	−21,965	−7,788	−29,753	27,405	2,348	12,167
1972	−1,330	−98	−11,235	−1,541	710	−1,790	−13,856	3,502	−10,354	10,322	32	13,151
1973	−1,539	127	−896	−4,276	-------	−2,624	−7,796	2,492	−5,304	5,095	209	14,378
	Seasonally adjusted											Unadjusted
1973: I	−371	319	−998	−1,663	-------	−4,093	−6,754	−3,441	−10,195	9,975	220	12,931
II	94	−315	−1,161	−1,457	-------	908	−1,710	1,997	287	−304	17	12,914
III	−398	1,529	1,893	97	-------	−364	1,626	316	1,942	−1,929	−13	12,927
IV	−862	−1,406	−631	−1,253	-------	925	−959	3,620	2,661	−2,646	−15	14,378
1974: I	1,343	466	1,786	−3,963	-------	1,209	−968	2,030	1,062	−852	−210	14,588
II p	388	−1,150	−2,740	−5,468	-------	1,979	−6,229	1,700	−4,529	4,887	−358	14,946

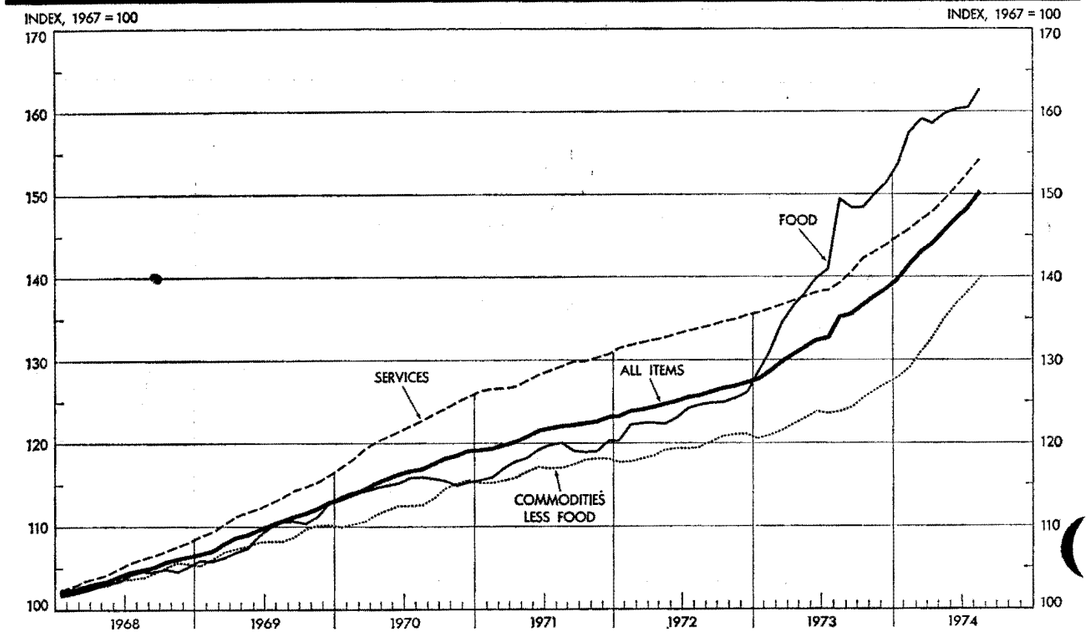
[1] Excludes liabilities to foreign official reserve agencies.
[2] Private foreigners exclude the IMF, but include other international and regional organizations.
[3] Includes liabilities to foreign official agencies reported by U.S. Government and U.S. banks and U.S. liabilities to the IMF arising from reversible gold sales and gold deposits with, the United States.
[4] Consists of gold, special drawing rights, convertible currencies, and the U.S. gold tranche position in the IMF. Minus sign indicates increase.
[5] Includes increases as follows: for 1969, $67 million resulting from revaluation of the German mark in Oct. 1969; for 1971, $28 million in dollar value of foreign currencies revalued to reflect market exchange rates as of Dec. 31, 1971; for second quarter and year 1972, $1,016 million resulting from change in par value of the dollar on May 8, 1972; and for fourth quarter and year 1973, $1,436 million resulting from change in par value of the dollar on Oct. 18, 1973.

Sources: Department of Commerce and Department of the Treasury.

PRICES

CONSUMER PRICES

In August, the consumer price index rose 1.3 percent (also 1.3 percent seasonally adjusted). Food prices increased 1.4 percent (also 1.4 percent seasonally adjusted). Nonfood commodity prices increased 1.4 percent (1.5 percent seasonally adjusted) and services prices rose 1.1 percent.



SOURCE: DEPARTMENT OF LABOR — COUNCIL OF ECONOMIC ADVISERS

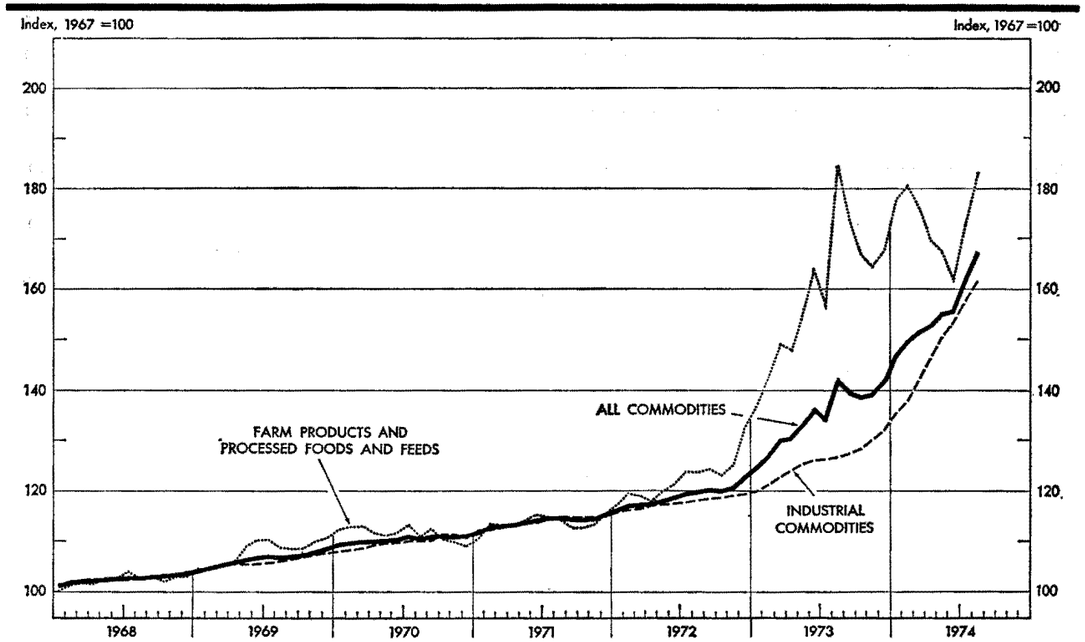
[1967=100]

Period	All items	Commodities					Services		
		All commodities	Food	Commodities less food			All services	Rent	Services less rent
				All	Durable	Nondurable			
1965	94.5	95.7	94.4	96.2	98.4	94.8	92.2	96.9	91.5
1966	97.2	98.2	99.1	97.5	98.5	97.0	95.8	98.2	95.3
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968	104.2	103.7	103.6	103.7	103.1	104.1	105.2	102.4	105.7
1969	109.8	108.4	108.9	108.1	107.0	108.8	112.5	105.7	113.8
1970	116.3	113.5	114.9	112.5	111.8	113.1	121.6	110.1	123.7
1971	121.3	117.4	118.4	116.8	116.5	117.0	128.4	115.2	130.8
1972	125.3	120.9	123.5	119.4	118.9	119.8	133.3	119.2	135.9
1973	133.1	129.9	141.4	123.5	121.9	124.8	139.1	124.2	141.8
1973: July	132.7	129.7	140.9	123.5	122.4	124.4	138.4	124.4	141.0
Aug	135.1	132.8	149.4	123.8	122.6	124.7	139.3	125.0	141.9
Sept	135.5	132.8	148.3	124.3	122.6	125.5	140.6	125.4	143.4
Oct	136.6	133.5	148.4	125.4	123.2	127.0	142.2	125.9	145.2
Nov	137.6	134.7	150.0	126.3	123.3	128.5	143.0	126.3	146.1
Dec	138.5	135.7	151.3	127.1	123.2	130.0	143.8	126.9	146.9
1974: Jan	139.7	137.0	153.7	127.9	123.3	131.3	144.8	127.3	148.0
Feb	141.5	139.3	157.6	129.2	123.4	133.5	145.8	128.0	149.1
Mar	143.1	141.0	159.1	131.1	124.3	136.1	147.0	128.4	150.4
Apr	144.0	141.9	158.6	132.8	126.1	137.7	147.9	128.8	151.4
May	145.6	143.7	159.7	134.9	128.5	139.5	149.4	129.3	153.1
June	147.1	145.2	160.3	136.8	131.2	141.0	150.9	129.8	154.7
July	148.3	146.1	160.5	138.1	133.0	141.8	152.5	130.3	156.6
Aug	150.2	148.0	162.8	140.0	134.8	143.7	154.2	130.9	158.4

Source: Department of Labor.

WHOLESALE PRICES

The wholesale price index rose 3.5 percent in August (3.9 percent after adjustment for seasonal factors). Prices of farm products and processed foods and feeds rose 6.2 percent (7.6 percent seasonally adjusted), their second consecutive sizable monthly advance. Industrial commodity prices were up 2.4 percent in August (2.5 percent seasonally adjusted), only slightly less than their average monthly increase during the 5 preceding months.



SOURCE: DEPARTMENT OF LABOR — COUNCIL OF ECONOMIC ADVISERS

[1967=100]

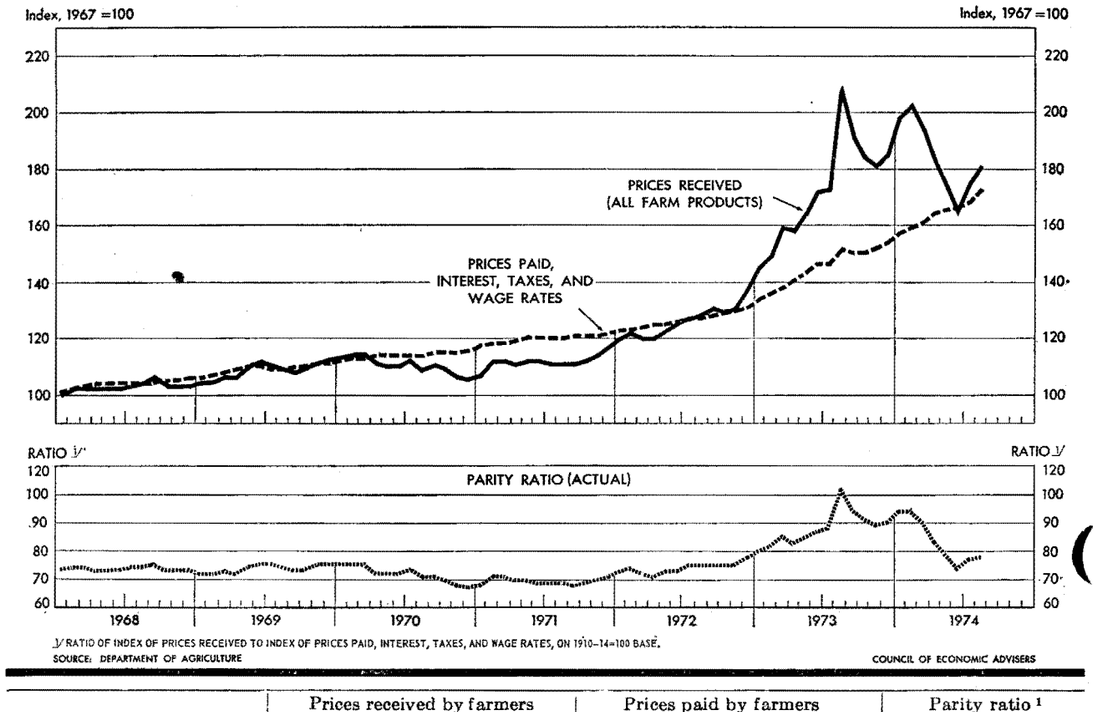
Period	All commodities	Farm products and processed foods and feeds			Industrial commodities					
		Total	Farm products	Processed foods and feeds	All industrials [1]	Crude materials [2]	Intermediate materials [3]	Producer finished goods	Consumer finished goods excluding foods	
									Durable	Nondurable
1965	96.6	97.1	98.7	95.5	96.4	100.9	96.9	94.4	97.9	95.9
1966	99.8	103.5	105.9	101.2	98.5	104.5	98.9	96.8	98.5	97.8
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968	102.5	102.4	102.5	102.2	102.5	102.0	102.6	103.5	102.2	102.2
1969	106.5	108.0	109.1	107.3	106.0	110.6	106.1	106.9	104.0	105.0
1970	110.4	111.7	111.0	112.1	110.0	118.8	110.0	111.9	107.1	108.2
1971	113.9	113.8	112.9	114.3	114.0	122.7	114.3	116.6	110.9	111.3
1972	119.1	122.4	125.0	120.8	117.9	131.1	118.9	119.5	113.2	113.6
1973	134.7	159.1	176.3	148.1	125.9	155.2	128.1	123.5	115.8	120.5
1973: July	134.3	156.9	173.3	146.5	126.1	153.5	128.5	123.5	116.1	120.5
Aug	142.1	184.5	213.3	166.2	126.7	156.0	129.3	123.9	116.3	120.9
Sept	139.7	173.5	200.4	156.3	127.4	161.0	130.1	124.2	115.8	121.2
Oct	138.7	166.8	188.4	153.1	128.5	164.7	131.0	125.1	116.7	122.6
Nov	139.2	164.4	184.0	151.9	130.1	174.2	132.4	125.7	117.0	124.4
Dec	141.8	168.0	187.2	155.7	132.2	179.8	134.8	126.7	117.9	126.6
1974: Jan	146.6	177.8	202.6	162.1	135.3	188.2	137.9	128.3	119.6	130.2
Feb	149.5	180.6	205.6	164.7	138.2	202.7	140.6	129.3	120.2	134.0
Mar	151.4	176.2	197.0	163.0	142.4	212.2	145.8	130.9	120.9	137.8
Apr	152.7	169.6	186.2	159.1	146.6	224.8	150.8	132.4	122.0	141.2
May	155.0	167.4	180.8	158.9	150.5	216.5	156.1	135.9	123.7	144.3
June	155.7	161.7	168.6	157.4	153.6	217.5	159.6	138.7	125.0	147.7
July	161.7	172.7	180.8	167.6	157.8	228.9	164.5	141.5	126.8	150.6
Aug	167.4	183.4	189.2	179.7	161.6	229.5	169.6	145.2	127.3	153.0

[1] Coverage of the subgroups does not correspond exactly to coverage of this index.
[2] Excludes crude foodstuffs and feedstuffs, plant and animal fibers, oilseeds, and leaf tobacco.
[3] Excludes intermediate materials for food manufacturing and manufactured animal feeds; includes, in part, grain products for further processing.

Source: Department of Labor.

PRICES RECEIVED AND PAID BY FARMERS

Prices received by farmers increased 3 percent in August, following a 6 percent rise in July. Contributing most to the increase were higher prices for corn, soybeans, cattle, hogs, wheat, and eggs. Prices paid also increased 3 percent. The actual parity ratio rose 1 point, while the adjusted ratio was unchanged.



1/ RATIO OF INDEX OF PRICES RECEIVED TO INDEX OF PRICES PAID, INTEREST, TAXES, AND WAGE RATES, ON 1910–14=100 BASE.
SOURCE: DEPARTMENT OF AGRICULTURE
COUNCIL OF ECONOMIC ADVISERS

Period	Prices received by farmers			Prices paid by farmers			Parity ratio [1]	
	All farm products	Crops	Livestock and products	All items, interest, taxes, and wage rates	Family living items	Production items	Actual	Adjusted [2]
	Index, 1967=100							
1965	98	103	94	94	95	96	77	82
1966	105	105	105	98	98	99	80	86
1967	100	100	100	100	100	100	74	79
1968	103	101	104	104	104	102	73	79
1969	108	97	117	109	109	106	74	80
1970	110	100	118	114	114	110	72	77
1971	112	107	116	120	119	115	69	74
1972	126	115	134	127	124	122	74	79
1973	172	164	179	145	138	146	88	91
1973: July 15	173	162	181	146	138	148	88	91
Aug 15	208	196	218	151	141	157	102	105
Sept 15	191	182	198	150	142	154	95	97
Oct 15	184	180	188	150	142	153	91	94
Nov 15	181	181	183	152	146	153	89	92
Dec 15	185	195	179	154	147	156	90	92
1974: Jan 15	198	208	193	157	149	161	94	94
Feb 15	202	220	190	159	153	161	94	94
Mar 15	194	216	179	161	155	162	90	90
Apr 15	183	205	169	164	157	167	83	83
May 15	175	201	158	165	159	166	79	79
June 15	165	199	142	166	160	168	74	74
July 15	175	204	155	168	161	170	77	78
Aug 15	181	214	160	173	164	178	78	78

[1] Percentage ratio of index of prices received by farmers to index of prices paid, interest, taxes, and wage rates on 1910–14=100 base.

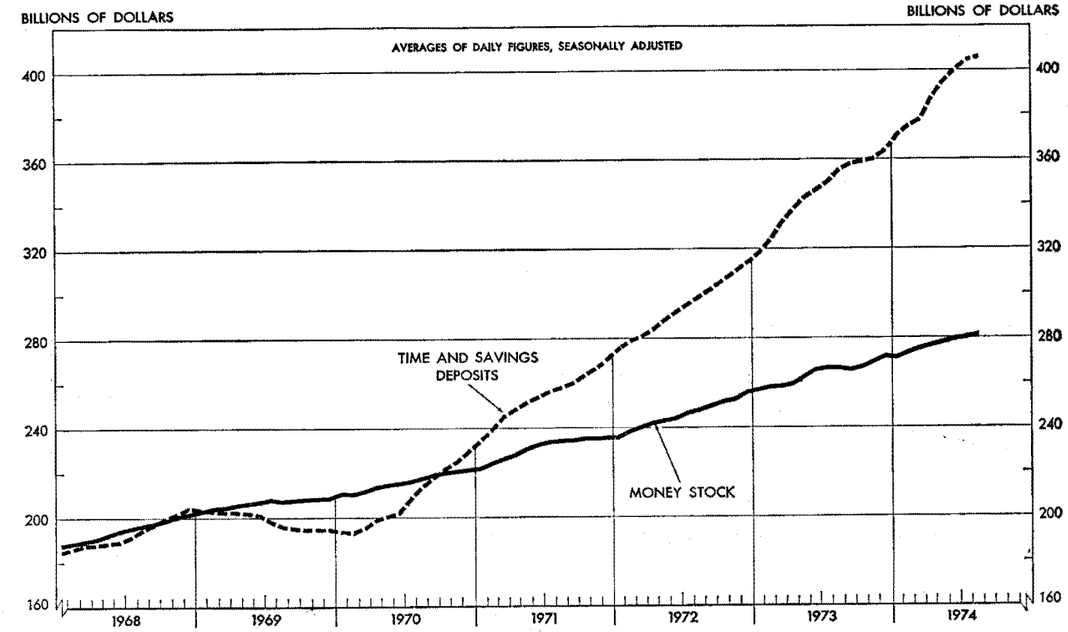
[2] The adjusted parity ratio reflects Government payments made directly to farmers.

Source: Department of Agriculture.

MONEY, CREDIT, AND SECURITY MARKETS

MONEY STOCK

The seasonally adjusted money stock grew at an annual rate of 3.9 percent in August, down from the rate of 5.5 percent for the first 7 months of this year.



SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
COUNCIL OF ECONOMIC ADVISERS

[Averages of daily figures, billions of dollars]

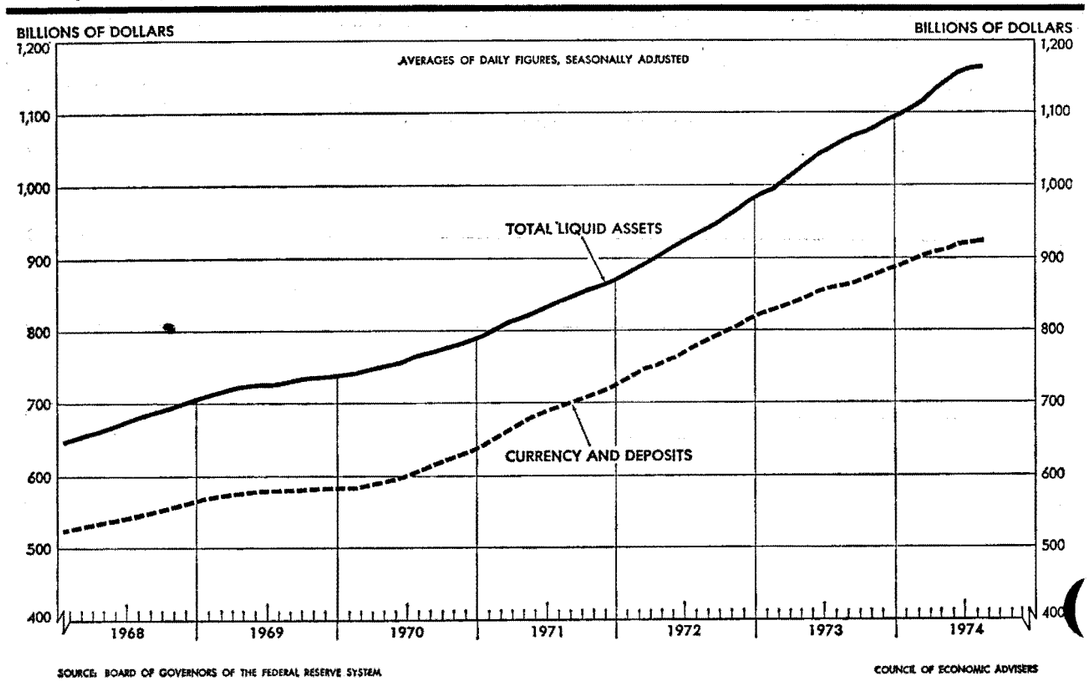
Period	Money stock			Time and savings deposits [1]	Money stock			Time and savings deposits [1]	U.S. Government demand deposits [1]
	Total	Currency outside banks	Demand deposits [1]		Total	Currency outside banks	Demand deposits [1]		
	Seasonally adjusted				Unadjusted				
1968: Dec	201.5	43.4	158.1	204.2	207.6	44.3	163.3	203.2	5.0
1969: Dec	208.6	46.1	162.5	194.4	214.7	46.9	167.7	193.2	5.6
1970: Dec	221.2	49.1	172.2	229.2	227.6	50.0	177.7	228.1	7.3
1971: Dec	235.2	52.6	182.6	270.9	241.9	53.5	188.4	269.8	6.9
1972: Dec	255.7	56.9	198.7	313.3	263.0	57.9	205.1	311.8	7.4
1973: Dec	271.4	61.7	209.7	363.5	279.1	62.7	216.4	362.2	6.3
1973: July	266.4	59.5	206.9	349.6	265.7	60.0	205.7	347.8	6.5
Aug	266.3	59.8	206.4	355.1	263.0	60.0	202.9	356.7	4.1
Sept	265.5	60.2	205.3	358.0	264.0	60.1	203.8	359.3	5.3
Oct	266.6	60.5	206.1	359.1	266.1	60.4	205.7	360.3	6.0
Nov	269.2	61.0	208.2	360.1	270.9	61.5	209.5	359.0	4.3
Dec	271.4	61.7	209.7	363.5	279.1	62.7	216.4	362.2	6.3
1974: Jan	270.6	61.9	208.7	370.1	277.8	61.6	216.2	369.4	8.1
Feb	273.1	62.7	210.4	374.7	270.2	61.9	208.3	374.3	6.6
Mar	275.2	63.3	211.9	377.5	272.5	62.7	209.8	379.1	6.4
Apr	276.7	63.9	212.8	387.1	278.2	63.5	214.7	387.1	6.0
May	277.8	64.4	213.4	394.4	273.1	64.2	208.9	393.9	7.6
June	279.6	64.8	214.8	399.9	277.6	64.9	212.7	397.9	6.1
July p	280.0	64.9	215.1	404.3	279.2	65.4	213.8	402.0	5.4
Aug p	280.9	65.6	215.3	406.1	277.4	65.8	211.6	408.2	3.9

[1] Deposits at commercial banks.

Source: Board of Governors of the Federal Reserve System.

PRIVATE LIQUID ASSET HOLDINGS – NONFINANCIAL INVESTORS

Private nonfinancial investors increased their holdings of liquid assets by $1.5 billion (seasonally adjusted) in August. Currency and deposits increased by $2.3 billion.



[Averages of daily figures; billions of dollars, seasonally adjusted]

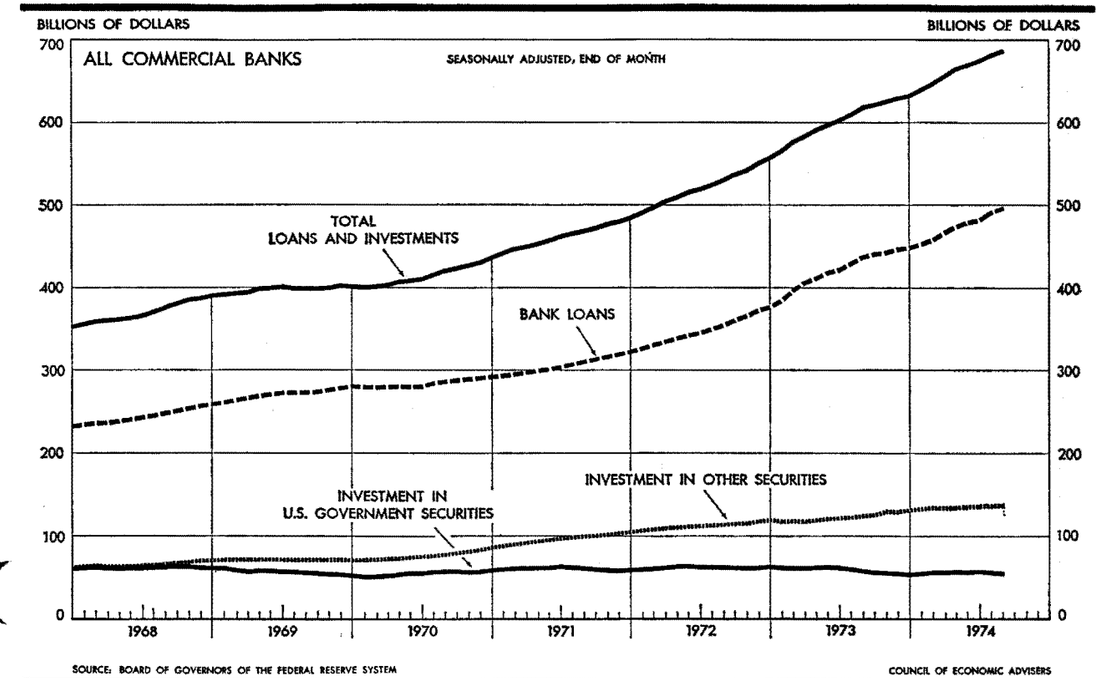
Period	Total liquid assets	Currency and deposits: Total	Currency and deposits: Currency	Currency and deposits: Demand deposits	Currency and deposits: Time deposits: Commercial banks	Currency and deposits: Time deposits: Nonbank thrift institutions	U.S. Government securities: Savings bonds	U.S. Government securities: Short-term marketable securities	Negotiable certificates of deposit	Commercial paper
1967: Dec	643.2	520.9	40.4	130.0	156.4	194.1	51.0	39.5	19.1	12.8
1968: Dec	704.2	564.6	43.4	140.0	174.5	206.7	51.4	46.8	22.4	18.9
1969: Dec	736.9	582.9	46.1	144.5	177.3	215.0	51.1	64.9	9.0	29.1
1970: Dec	786.5	634.2	49.1	153.1	199.2	232.8	51.3	53.3	23.0	24.7
1971: Dec	868.1	721.1	52.6	161.7	233.8	273.0	53.7	39.6	29.7	23.9
1972: Dec	978.1	815.4	56.9	175.0	264.8	318.8	57.0	39.1	39.3	27.3
1973: Dec	1,091.0	884.8	61.7	181.5	294.4	347.2	59.9	53.8	57.2	35.3
1973: July	1,050.8	859.0	59.5	180.6	280.1	338.8	59.0	45.9	58.4	28.5
Aug	1,060.7	862.0	59.8	179.7	283.2	339.4	59.2	48.4	60.8	30.2
Sept	1,067.9	865.4	60.2	178.7	285.8	340.6	59.4	50.1	61.1	32.0
Oct	1,073.1	871.5	60.5	178.9	289.5	342.6	59.5	50.8	58.0	33.4
Nov	1,080.9	878.3	61.0	180.6	292.1	344.7	59.7	52.2	56.3	34.4
Dec	1,091.0	884.8	61.7	181.5	294.4	347.2	59.9	53.8	57.2	35.3
1974: Jan	1,097.6	889.9	61.9	179.9	298.3	349.8	59.9	52.0	59.9	36.0
Feb	1,106.4	897.8	62.7	181.4	301.5	352.1	60.2	50.3	61.1	37.0
Mar	1,117.0	903.8	63.3	182.3	303.2	355.0	60.5	51.5	62.4	38.8
Apr	1,131.9	909.0	63.9	182.8	305.2	357.1	60.8	52.0	70.1	40.1
May	1,143.9	912.1	64.4	183.1	306.5	358.1	61.0	54.1	75.8	41.0
June	1,155.6	918.5	64.8	184.5	309.7	359.5	61.2	56.1	77.3	42.5
July p	1,161.6	921.7	64.9	184.2	312.0	360.5	61.5	56.5	78.5	43.[illegible]
Aug p	1,163.1	924.0	65.6	184.0	313.3	361.1	61.7	56.3	77.2	44.[illegible]

Note.—Series revised beginning 1974.

Source: Board of Governors of the Federal Reserve System.

ANK LOANS, INVESTMENTS, DEBITS, AND RESERVES

Total loans and investments (seasonally adjusted) at all commercial banks increased at an annual rate of 9.9 percent in August, compared to a 14.0 percent rate in July.



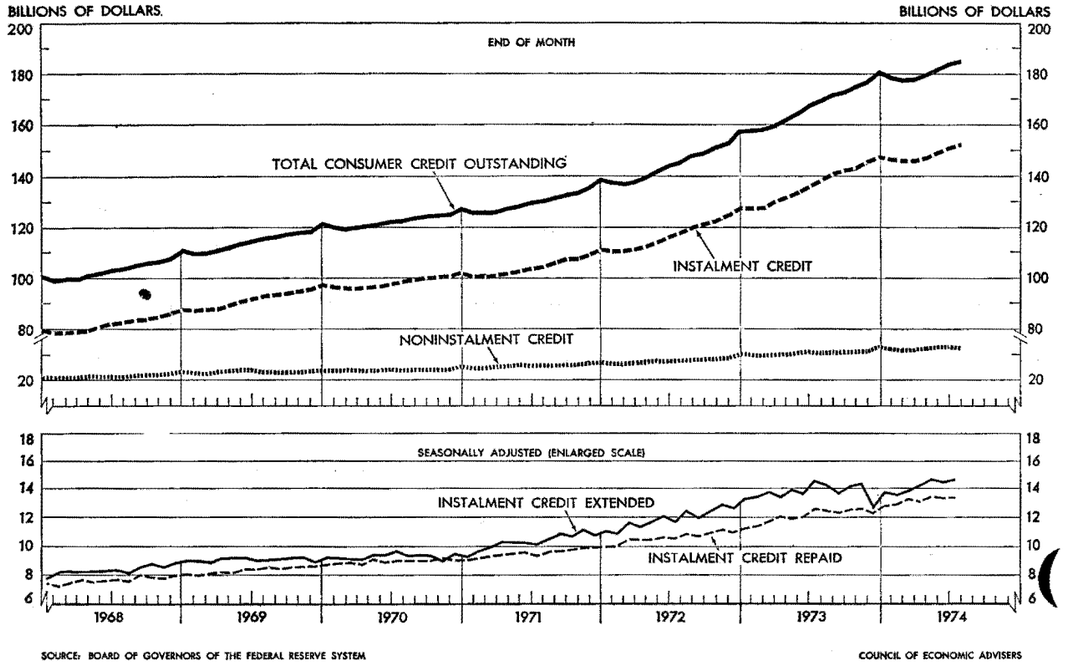
End of period	All commercial banks (seasonally adjusted data): Total loans and investments	Loans: Total, excluding interbank	Loans: Commercial and industrial	Investments: U.S. Government securities	Investments: Other securities	Bank debits outside New York City (232 centers), seasonally adjusted annual rates [1]	All member banks [2]: Total reserves	Excess reserves	Borrowings at Federal Reserve Banks	Free reserves
	Billions of dollars						Millions of dollars			
1968	390.2	258.2	95.9	60.7	71.3	*4,360*	27,221	455	765	−310
1969	[3] 401.7	[3] 279.1	[3] 105.7	[3] 51.5	[3] 71.1	*5,150*	28,031	257	1,086	−829
1970	435.5	291.7	110.0	57.9	85.9	*5,717*	29,265	272	321	−49
1971	484.8	[4] 320.3	115.9	60.1	[4] 104.4	*6,443*	31,329	165	107	58
1972	556.4	377.8	129.7	61.9	116.7	*7,530*	[5] 31,353	[5] 219	1,049	[5] −830
1973 p	630.3	447.3	155.8	52.8	130.2	*9,632*	35,068	262	[6] 1,298	−1,036
1973: Aug	617.4	435.9	153.4	57.9	123.6	*10,144*	33,783	243	2,144	−1,901
Sept	620.2	439.1	153.7	56.4	124.7	*9,893*	34,020	245	1,861	−1,616
Oct	624.2	441.1	153.6	55.1	128.0	*10,257*	34,913	223	1,465	−1,242
Nov	628.4	445.5	155.0	55.0	127.9	*10,612*	34,725	182	1,399	−1,217
Dec	630.3	447.3	155.8	52.8	130.2	*10,544*	35,068	262	1,298	−1,036
1974: Jan p	638.0	452.3	157.8	54.4	131.3	*10,735*	36,655	236	1,044	−808
Feb p	645.7	457.1	158.9	56.2	132.4	*10,917*	35,242	189	1,186	−997
Mar p	654.9	466.3	164.4	56.2	132.4	*11,253*	34,966	176	1,352	−1,176
Apr p	663.2	473.7	168.9	56.7	132.8	*11,424*	35,929	158	1,714	−1,556
May p	668.6	478.0	171.9	56.7	133.9	*11,589*	36,519	194	2,580	−2,386
June p	673.9	481.3	173.9	57.1	135.4	*11,384*	36,390	131	3,000	−2,869
July p	681.3	490.4	176.8	55.4	135.5	*11,767*	37,338	177	3,308	−3,131
Aug p	686.7	496.4	179.5	54.7	135.6		37,065	229	3,348	−3,119

[1] Debits during period to demand deposit accounts except interbank and S. Government.
Averages of daily figures. Annual data are for December.
[2] Beginning June 1969, data include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries; earlier data include commercial banks only.
[3] As of June 1971, Farmers Home Administration notes totaling about $0.7 billion are classified as other securities rather than as loans.
[4] As of June 1971, Farmers Home Administration notes totaling about $0.7 billion are classified as other securities rather than as loans.
[5] Beginning November 9, 1972 adjusted to include certain reserve deficiencies on which penalties can be waived for a transition period in connection with adaptation to Regulation J.
[6] Beginning April 1973, includes seasonal borrowings.

Source: Board of Governors of the Federal Reserve System.

CONSUMER AND REAL ESTATE CREDIT

Consumer credit (seasonally unadjusted) increased $1.4 billion during July. A year earlier there was an increase of $2.1 billion. Seasonally adjusted consumer instalment credit rose $1.3 billion in July.



SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — COUNCIL OF ECONOMIC ADVISERS

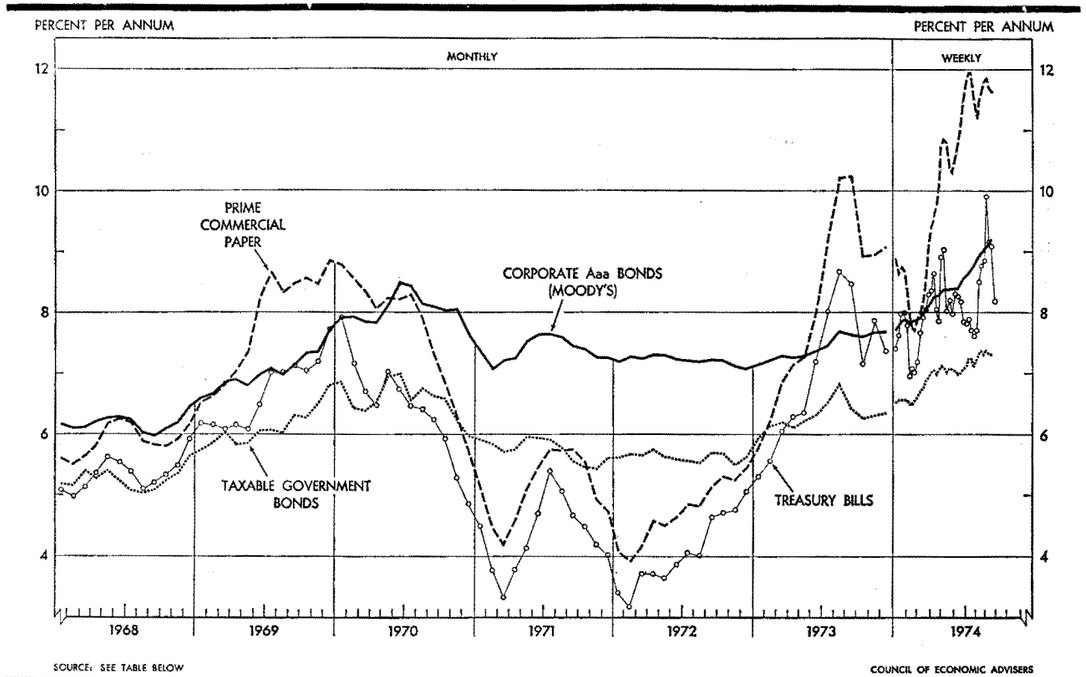
[Millions of dollars]

Period	Consumer credit outstanding (end of period; unadjusted)					Consumer instalment credit extended and repaid (seasonally adjusted)				Mortgage debt outstanding, nonfarm, 1- to 4-family houses [3]
	Total	Instalment			Noninstalment [2]	Total		Automobile paper		
		Total [1]	Automobile paper	Personal loans		Extended	Repaid	Extended	Repaid	
1965	89, 883	70, 893	28, 437	20, 237	18, 990	78, 661	70, 463	27, 208	23, 706	212, 937
1966	96, 239	76, 245	30, 010	21, 662	19, 994	82, 832	77, 480	27, 192	25, 619	223, 645
1967	100, 783	79, 428	29, 796	23, 235	21, 355	87, 171	83, 988	26, 320	26, 534	236, 060
1968	110, 770	87, 745	32, 948	25, 932	23, 025	99, 984	91, 667	31, 083	27, 931	251, 241
1969	121, 146	97, 105	35, 527	28, 652	24, 041	109, 146	99, 786	32, 553	29, 974	266, 823
1970	127, 163	102, 064	35, 184	30, 345	25, 099	112, 158	107, 199	29, 794	30, 137	280, 175
1971	138, 394	111, 295	38, 664	32, 865	27, 099	124, 281	115, 050	34, 873	31, 393	307, 200
1972	157, 564	127, 332	44, 129	36, 922	30, 232	142, 951	126, 914	40, 194	34, 729	345, 500
1973	180, 486	147, 437	51, 130	41, 425	33, 049	165, 083	144, 978	46, 453	39, 452	386, 489
1973: June	167, 083	136, 018	48, 549	38, 928	31, 065	13, 646	12, 034	3, 762	3, 253	366, 202
July	169, 148	138, 212	49, 352	39, 440	30, 936	14, 542	12, 544	3, 930	3, 334	--------
Aug	171, 978	140, 810	50, 232	40, 064	31, 168	14, 294	12, 399	3, 968	3, 293	--------
Sept	173, 035	142, 093	50, 557	40, 397	30, 942	13, 691	12, 332	3, 939	3, 406	378, 382
Oct	174, 840	143, 610	51, 092	40, 651	31, 230	14, 149	12, 449	3, 912	3, 427	--------
Nov	176, 969	145, 400	51, 371	41, 116	31, 569	14, 275	12, 549	3, 819	3, 471	--------
Dec	180, 486	147, 437	51, 130	41, 425	33, 049	12, 677	12, 267	3, 315	3, 338	386, 489
1974: Jan	178, 686	146, 575	50, 617	41, 352	32, 111	13, 714	12, 797	3, 492	3, 433	--------
Feb	177, 522	145, 927	50, 386	41, 417	31, 595	13, 541	12, 870	3, 389	3, 394	--------
Mar	177, 572	145, 768	50, 310	41, 492	31, 804	13, 823	13, 206	3, 484	3, 544	392, 053
Apr	179, 495	147, 047	50, 606	41, 851	32, 448	14, 179	13, 026	3, 545	3, 498	--------
May	181, 680	148, 852	51, 076	42, 402	32, 828	14, 669	13, 407	3, 769	3, 601	--------
June	183, 425	150, 615	51, 641	42, 945	32, 810	14, 387	13, 301	3, 731	3, 577	p402, 064
July	184, 805	152, 142	52, 082	43, 400	32, 663	14, 635	13, 310	3, 812	3, 563	--------

[1] Also includes other consumer goods paper, and home improvement loans, not shown separately.
[2] Consists of single-payment loans, charge accounts, and service credit.
[3] End of period, unadjusted.
Source: Board of Governors of the Federal Reserve System.

BOND YIELDS AND INTEREST RATES

In September corporate bond and home mortgage yields increased further. The Treasury bill rate dropped sharply; other interest rates also declined from their record August levels.



SOURCE: SEE TABLE BELOW — COUNCIL OF ECONOMIC ADVISERS

[Percent per annum]

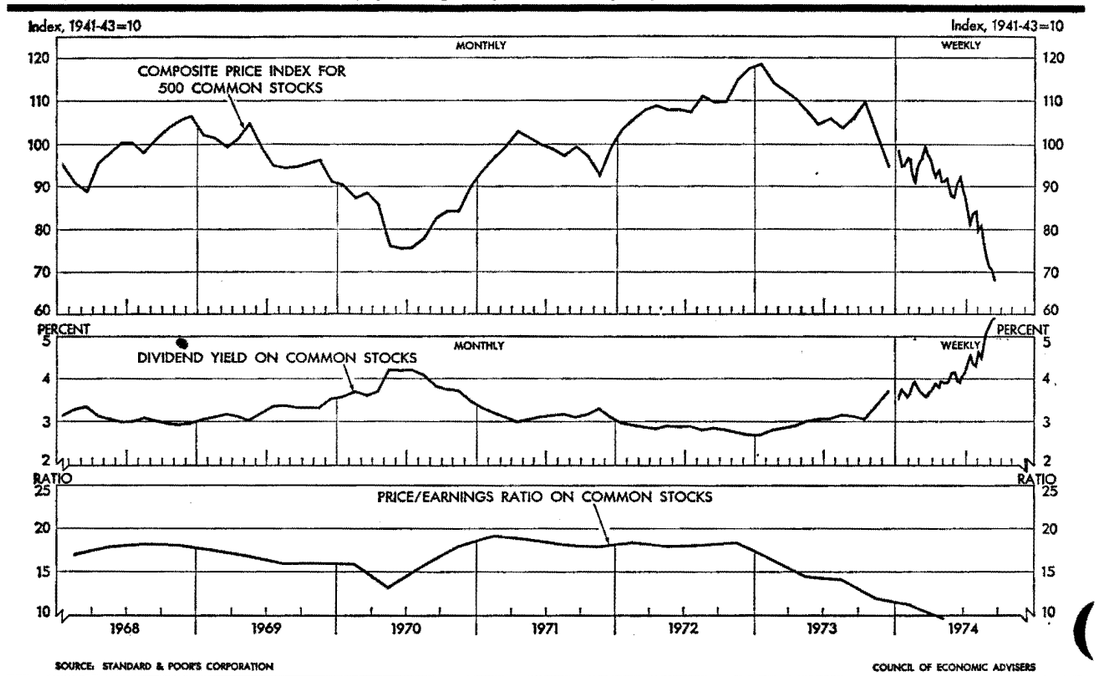
Period	U.S. Government security yields			High-grade municipal bonds (Standard & Poor's) [4]	Corporate bonds (Moody's)		Prime commercial paper, 4–6 months	FHA new home mortgage yields [5]
	3-month Treasury bills [1]	3–5 year issues [2]	Taxable bonds [3]		Aaa	Baa		
1968	5. 339	5. 59	5. 25	4. 51	6. 18	6. 94	5. 90	7. 13
1969	6. 677	6. 85	6. 10	5. 81	7. 03	7. 81	7. 83	8. 19
1970	6. 458	7. 37	6. 59	6. 51	8. 04	9. 11	7. 72	9. 05
1971	4. 348	5. 77	5. 74	5. 70	7. 39	8. 56	5. 11	7. 78
1972	4. 071	5. 85	5. 63	5. 27	7. 21	8. 16	4. 69	7. 53
1973	7. 041	6. 92	6. 30	5. 18	7. 44	8. 24	8. 15	8. 08
1973: Aug	8. 672	7. 75	6. 81	5. 47	7. 68	8. 53	10. 21	8. 19
Sept	8. 478	7. 16	6. 42	5. 11	7. 63	8. 63	10. 23	--------
Oct	7. 155	6. 81	6. 26	5. 05	7. 60	8. 41	8. 92	9. 18
Nov	7. 866	6. 96	6. 31	5. 17	7. 67	8. 42	8. 94	8. 97
Dec	7. 364	6. 80	6. 35	5. 12	7. 68	8. 48	9. 08	8. 86
1974: Jan	7. 755	6. 94	6. 56	5. 20	7. 83	8. 58	8. 66	8. 78
Feb	7. 060	6. 77	6. 54	5. 19	7. 85	8. 59	7. 82	--------
Mar	7. 986	7. 33	6. 81	5. 36	8. 01	8. 65	8. 42	8. 54
Apr	8. 229	7. 99	7. 04	5. 67	8. 25	8. 88	9. 79	8. 66
May	8. 430	8. 24	7. 07	5. 96	8. 37	9. 10	10. 62	9. 17
June	8. 145	8. 14	7. 03	6. 08	8. 47	9. 34	10. 96	9. 46
July	7. 752	8. 39	7. 18	6. 54	8. 72	9. 55	11. 72	9. 46
Aug	8. 744	8. 64	7. 33	6. 58	9. 00	9. 77	11. 65	9. 85
Sept	--------	--------	--------	--------	--------	--------	--------	10. 33
Week ended:								
1974: Aug 9	8. 505	8. 59	7. 31	6. 47	8. 93	9. 70	11. 48	--------
16	8. 763	8. 58	7. 35	6. 45	8. 98	9. 74	11. 63	--------
23	8. 846	8. 69	7. 30	6. 59	9. 03	9. 78	11. 80	--------
30	9. 908	8. 69	7. 36	6. 79	9. 08	9. 88	11. 85	--------
Sept 6	9. 167	8. 61	7. 33	6. 77	9. 13	9. 95	11. 72	--------
13	9. 099	8. 52	7. 31	6. 67	9. 20	10. 05	11. 63	--------
20	8. 185	8. 35	[6] 7. 31	6. 62	[6] 9. 29	10. 17	[6] 11. 25	--------

[1] Rate on new issues within period.
[2] Selected note and bond issues.
[3] April 1953 to date, bonds due or callable 10 years and after.
[4] Weekly data are Wednesday figures.
[5] Not charted.
[6] Data for first of the month, based on the maximum permissible interest rate (9½ percent beginning August 14, 1974) and 30-year mortgages paid in 15 years.

Sources: Department of Housing and Urban Development, Board of Governors of the Federal Reserve System, Moody's Investors Service, and Standard & Poor's Corporation.

COMMON STOCK PRICES, YIELD, AND EARNINGS

Stock prices continued to decline sharply during August and early September.



Period	Price index [1]						Dividend yield [2] (percent)	Price/earnings ratio [3]
	Total	Industrials			Public utilities	Railroads		
		Total	Capital goods	Consumers' goods				
	1941-43=10							
1968	98.70	107.49	105.77	86.33	66.42	48.84	3.07	17.66
1969	97.84	107.13	103.75	87.06	62.64	45.95	3.24	16.48
1970	83.22	91.29	87.87	80.22	54.48	32.13	3.83	15.69
1971	98.29	108.35	102.80	99.78	59.33	41.94	3.14	18.50
1972	109.20	121.79	119.39	113.91	56.90	44.11	2.84	18.20
1973	107.43	120.44	118.58	107.13	53.47	38.01	3.06	14.22
1973: Aug	103.80	116.75	115.98	104.35	50.14	33.76	3.16	----------
Sept	105.61	118.52	116.60	105.16	52.31	35.49	3.13	14.10
Oct	109.84	123.42	122.30	106.58	53.22	38.24	3.05	----------
Nov	102.03	114.64	115.48	96.97	48.30	39.74	3.36	----------
Dec	94.78	106.16	107.44	86.57	45.73	41.48	3.70	11.95
1974: Jan	96.11	107.18	108.06	87.63	48.60	44.37	3.64	----------
Feb	93.45	104.13	104.31	86.85	48.13	41.85	3.81	----------
Mar	97.44	108.98	109.22	92.24	47.90	42.80	3.65	11.16
Apr	92.46	103.66	104.19	87.73	44.03	40.26	3.86	----------
May	89.67	101.17	100.69	87.34	39.35	37.04	4.00	----------
June	89.79	101.62	100.10	90.07	37.46	37.31	4.02	[p] 9.68
July	82.82	93.54	93.64	80.34	35.37	35.63	4.42	----------
Aug	76.03	85.51	86.99	70.14	34.00	35.06	4.90	----------
Week ended:								
1974: Aug 9	80.98	91.21	95.27	77.70	35.62	36.86	4.47	----------
16	77.39	86.99	88.29	70.29	34.88	36.05	4.82	----------
23	73.48	82.54	83.70	67.72	33.36	34.37	5.05	----------
30	71.20	80.10	80.69	64.85	31.84	32.61	5.24	----------
Sept 6	70.38	79.26	77.50	63.78	31.00	31.97	5.40	----------
13	67.88	76.39	75.75	64.36	30.20	31.13	5.42	----------
20	[4] 68.32	76.81	75.62	63.20	30.68	31.67	[4] 5.49	----------

[1] Includes 500 common stocks: 425 industrials, 55 public utilities, and 20 railroads. Weekly indexes for capital and consumer goods are Wednesday figures; all other weekly indexes are averages of daily figures.

[2] Aggregate cash dividends (based on latest known annual rate) divided by the aggregate monthly market value of the stocks in the group. Annual yields are averages of monthly data. Weekly data are Wednesday figures.

[3] Ratio of price index for last day of quarter to earnings for 12 months ending with that quarter. Annual ratios are averages of quarterly data.

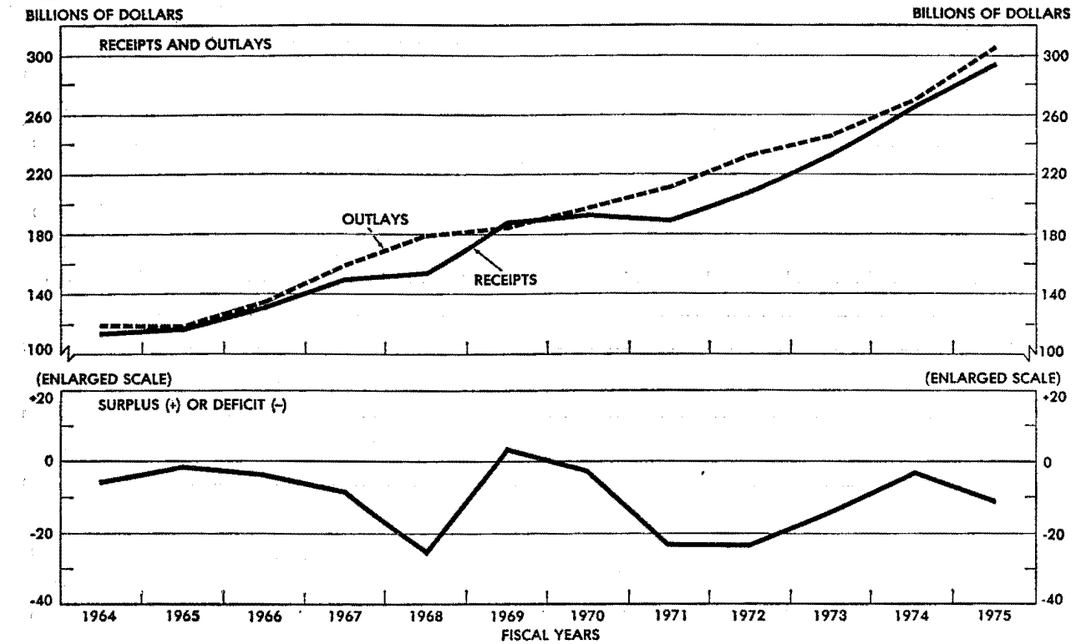
[4] Not charted.

Source: Standard & Poor's Corporation.

FEDERAL FINANCE

FEDERAL BUDGET RECEIPTS AND OUTLAYS AND DEBT

In fiscal year 1974 there was a deficit of $3.5 billion, compared to a deficit of $14.3 billion in fiscal 1973. In the first month of fiscal 1975, the deficit was $3.5 billion, $1 billion less than a year earlier.



[Billions of dollars]

Period	Receipts	Outlays	Surplus or deficit (−)	Federal debt (end of period)	
				Total [1]	Held by the public
Fiscal year:					
1963	106.6	111.3	−4.8	310.8	254.5
1964	112.7	118.6	−5.9	316.8	257.6
1965	116.8	118.4	−1.6	323.2	261.6
1966	130.9	134.7	−3.8	329.5	264.7
1967	149.6	158.3	−8.7	341.3	267.5
1968	153.7	178.8	−25.2	369.8	290.6
1969	187.8	184.5	3.2	367.1	279.5
1970	193.7	196.6	−2.8	382.6	284.9
1971	188.4	211.4	−23.0	409.5	304.3
1972	208.6	231.9	−23.2	437.3	323.8
1973	232.2	246.5	−14.3	468.4	343.0
1974 [p]	264.8	268.3	−3.5	486.3	346.1
1975 [2]	294.0	305.4	−11.4	509.1	359.8
First month:					
Fiscal year 1974	18.2	22.7	−4.5	469.3	342.3
Fiscal year 1975	20.9	24.4	−3.5	487.2	347.7

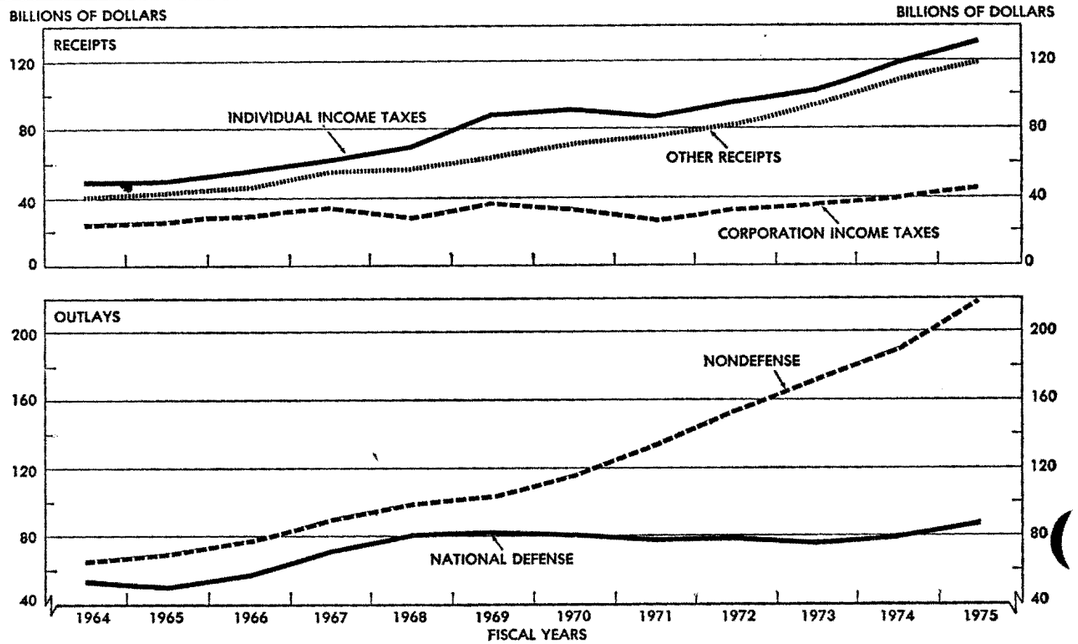
[1] Excludes non-interest-bearing public debt securities held by IMF.

[2] Estimates as revised June 12, 1974.

Sources: Department of the Treasury and Office of Management and Budget.

FEDERAL BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION

In fiscal 1974 budget receipts were $32.6 billion higher than in fiscal 1973 and budget outlays were $21.8 billion higher. In the first month of fiscal 1975, the $2.7 billion increase in receipts over a year earlier was $1 billion more than the increase in outlays.



[Billions of dollars]

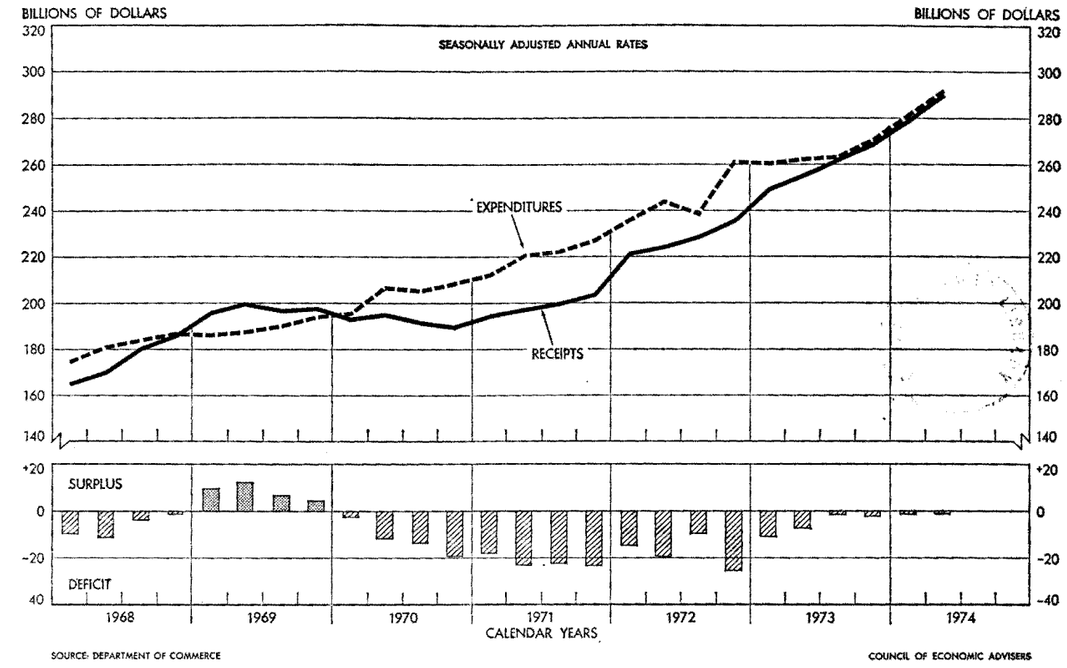
Period	Receipts				Outlays						
						National defense					
	Total	Individual income taxes	Corporation income taxes	Other	Total	Total	Department of Defense, military	International affairs and finance	Health and income security	Interest	Other
Fiscal year:											
1963	106.6	47.6	21.6	37.4	111.3	52.3	48.1	4.1	25.4	9.2	20.3
1964	112.7	48.7	23.5	40.5	118.6	53.6	49.6	4.1	26.9	9.8	24.2
1965	116.8	48.8	25.5	42.6	118.4	49.6	46.0	4.3	27.4	10.4	26.7
1966	130.9	55.4	30.1	45.3	134.7	56.8	54.2	4.5	31.4	11.3	30.7
1967	149.6	61.5	34.0	54.1	158.3	70.1	67.5	4.5	37.8	12.6	33.2
1968	153.7	68.7	28.7	56.3	178.8	80.5	77.4	4.6	43.7	13.7	36.2
1969	187.8	87.2	36.7	63.9	184.5	81.2	77.9	3.8	49.4	15.8	34.4
1970	193.7	90.4	32.8	70.5	196.6	80.3	77.2	3.6	56.6	18.3	37.8
1971	188.4	86.2	26.8	75.4	211.4	77.7	74.5	3.1	70.6	19.6	40.5
1972	208.6	94.7	32.2	81.7	231.9	78.3	75.2	3.7	82.0	20.6	47.2
1973	232.2	103.2	36.2	92.8	246.5	76.0	73.3	3.1	91.3	22.8	53.2
1974 p	264.8	118.8	38.7	107.4	268.3	78.8	77.6	4.2	105.6	28.1	51.7
1975 [1]	294.0	131.0	44.5	118.5	305.4	87.9	84.5	4.4	128.4	30.0	54.7
First month:											
Fiscal year 1974	18.2	8.8	1.4	8.0	22.7	4.9	5.1	.3	7.9	2.2	7.4
Fiscal year 1975	20.9	10.8	1.5	8.6	24.4	5.9	6.3	.4	10.1	2.5	5.6

[1] Estimates as revised June 12, 1974.

Sources: Department of the Treasury and Office of Management and Budget.

FEDERAL SECTOR, NATIONAL INCOME ACCOUNTS BASIS

According to revised estimates for the second quarter, Federal receipts increased $10.9 billion (seasonally adjusted annual rate) and expenditures rose $10.6 billion, yielding a deficit of $1.3 billion.



[Billions of dollars, quarterly data at seasonally adjusted annual rates]

Period	Federal Government receipts					Federal Government expenditures							Surplus or deficit (—), income and product accounts
	Total	Personal tax and nontax receipts	Corporate profits tax accruals	Indirect business tax and nontax accruals	Contributions for social insurance	Total	Purchases of goods and services	Transfer payments	Grants-in-aid to State and local governments	Net interest paid	Subsidies less current surplus of Government enterprises	Less: Wage accruals less disbursements	
Fiscal year:													
1971	192.5	87.5	32.3	20.1	52.6	212.4	95.8	69.7	26.8	14.3	5.7	−0.1	−19.8
1972	213.2	100.7	34.1	20.0	58.5	232.9	103.2	78.6	32.6	13.4	5.3	.0	−19.7
1973	240.4	106.8	41.2	20.7	71.7	255.4	105.3	89.4	40.2	14.5	6.7	.5	−15.0
1974 p	273.3	123.0	46.4	21.4	82.7	277.6	109.8	103.8	41.7	17.8	4.2	−.2	−4.3
Calendar year:													
1970	192.0	92.2	31.0	19.3	49.5	203.9	96.2	63.2	24.4	14.6	5.5	.0	−11.9
1971	198.5	89.9	33.4	20.4	54.6	220.3	97.6	74.9	29.0	13.6	5.2	.0	−21.9
1972	227.2	108.2	36.6	20.0	62.5	244.7	104.9	82.8	37.4	13.5	6.6	.5	−17.5
1973	258.5	114.1	43.7	21.2	79.5	264.2	106.6	95.5	40.5	16.3	5.3	.0	−5.6
1973: I	249.1	107.9	42.8	20.9	77.4	260.2	106.4	92.0	41.2	14.8	6.1	.1	−11.2
II	255.0	110.3	44.7	21.4	78.6	262.4	106.2	94.7	40.1	15.9	5.4	−.1	−7.4
III	261.8	116.7	43.8	21.0	80.2	263.4	105.3	96.5	39.8	16.8	5.0	.0	−1.7
IV	268.3	121.6	43.5	21.3	81.8	270.6	108.4	98.8	41.0	17.6	4.8	.0	−2.3
1974: I	279.4	124.1	47.2	21.5	86.7	281.0	111.5	106.5	42.9	17.9	2.2	.0	−1.5
II	290.3	129.4	50.9	21.9	88.1	291.6	114.3	113.6	43.2	18.7	1.3	−.6	−1.3

Source: Department of Commerce.

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NOTE.—Detail in these tables may not add to totals because of rounding.
Unless otherwise stated, all dollar figures are current dollars.
p Indicates preliminary and ___ not available.

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U.S. GOVERNMENT PRINTING OFFICE: 1974

BUDGET RESULTS
FOR FY 1974

GERALD R. FORD LIBRARY

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Joe Laitin - 395-3524 or 395-4854

FOR IMMEDIATE RELEASE July 24, 1974

JOINT STATEMENT OF WILLIAM E. SIMON, SECRETARY OF THE TREASURY
AND
ROY L. ASH, DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET
ON BUDGET RESULTS FOR FISCAL YEAR 1974

SUMMARY

The June Monthly Statement of Receipts and Outlays of the United States Government is being released today. It shows the following preliminary budget totals for fiscal year 1974, which ended on June 30:

Receipts of $264.8 billion.--Receipts were $1.2 billion below the May 30 Mid-Session Review, and $5.2 billion below the February 1974 budget estimate.

Outlays of $268.3 billion.--Outlays were $1.2 billion below the Mid-Session estimate, and $6.3 billion below the budget estimate.

A budget deficit of $3.5 billion.--This is the same as the Mid-Session Review estimate and $1.2 billion smaller than the February 1974 budget estimate.

On a full-employment basis, defined as an economy with a 4% unemployment rate, the 1974 budget showed a surplus of almost $10 billion, compared to the budget estimate of $4 billion. The decline in 1974 outlays is largely responsible for the increase in the full-employment surplus. On a full-employment basis, receipts and outlays are now estimated to be $277 billion and $267 billion, respectively.

WS-70

BUDGET TOTALS, FISCAL YEARS 1973 AND 1974
(in billions of dollars)

	1973 Actual	1974 February 1974 budget estimate	1974 Mid-Session Review estimate	1974 Actual
Budget receipts.....	232.2	270.0	266.0	264.8
Budget outlays.....	246.5	274.7	269.5	268.3
Deficit (-).....	-14.3	-4.7	-3.5	-3.5
Full-employment receipts.....	243.0	278.0	276.0	277.0
Full-employment outlays.....	245.0	274.0	268.0	267.3
Full-employment surplus or deficit (-).....	-2.0	4.0	8.0	9.7

July 1974

RECEIPTS

Budget receipts in fiscal year 1974 increased $32.6 billion from 1973 and were $5.2 billion below the February budget estimate. Corporation income tax receipts, which were $4.3 billion below the budget estimate, accounted for most of the decrease. Congressional failure to enact the Administration's proposed windfall profits tax accounts for $1 billion of the drop in corporation income tax receipts.

Employment taxes were $1.8 billion below the budget estimate. Estate and gift taxes, and excise taxes were also lower. Individual income taxes, unemployment taxes, and miscellaneous receipts were higher than estimated in the budget.

OUTLAYS

Total outlays in fiscal year 1974 were $21.8 billion over the prior year, but $6.3 billion short of the February budget estimates. The change in the total was accounted for by several large decreases which were partially offset by a few increases. The principal decreases below the February budget were:

- Outlays by the Department of Health, Education, and Welfare were $3,048 million less than the estimate in the February budget. Most of this shortfall occurred in the areas of health and education. Outlays for Medicare were $858 million below the budget estimate, largely because the number of

beneficiaries under the recently established program for the disabled was less than anticipated. Outlays for other health programs were $836 million below the budget estimate and outlays for education were down by $800 million. These shortfalls are due to slower than anticipated grant awards caused in part by late enactment of appropriations. Public assistance outlays for social services and social security retirement and disability benefits were also lower than estimated.

- Outlays by the Department of the Interior were $1,098 below the February estimate. Receipts from offshore oil leasing, which are an offset to outlays, were $748 million higher than estimated in February because of higher bid prices. In addition, States were slow in using grants from the Land and Water Conservation Fund and payments in other areas lagged behind expectations.
- Department of Defense military functions and military assistance outlays were $1,035 million below the budget estimate. The reduction was concentrated in operations and is primarily due to later than anticipated availability of 1974 supplemental appropriations.
- Outlays by the Environmental Protection Agency were $528 million below the February estimate. Outlays for sewage construction grants were lower than estimated because of slowdowns in

construction due to equipment and material shortages and delays in moving projects from planning to construction phases.

- Department of Transportation outlays were $330 million below the budget estimate. Spending by the Federal Highway Administration was down because billings from the States were lower than anticipated. Outlays for several other programs were also down slightly.
- Outlays by the United States Postal Service were $301 million below the budget estimate due to congressional delay in enacting proposed legislation concerning Postal Service payments to the Civil Service Retirement and Disability Fund.

The major increases above the budget estimates were:

- Department of Agriculture outlays were $511 million above the budget estimate largely because of a delay in the sale of financial assets of the Farmers Home Administration. (Receipts from asset sales are offset against outlays.) This increase was partially offset by an underrun in outlays for food assistance programs, which resulted from fewer eligible participants entering the program than anticipated, and by other general shortfalls.
- Outlays by the Department of Labor were $380 million above the budget estimate. Benefit payments for unemployment insurance were $487 million higher than estimated in February.

This increase was partially offset by slightly lower than estimated outlays for manpower and other programs and an accelerated reimbursement from the Postal Service for its share of Federal workers compensation payments.

- Net outlays by the Federal Deposit Insurance Corporation were $335 million above the budget estimate largely because expenses incurred in protecting depositors in federally-insured banks were higher than anticipated.

BUDGET RECEIPTS AND OUTLAYS
(fiscal years; in millions of dollars)

Description	1973 Actual	1974 February 1974 budget estimate	1974 Actual	1974 Change from February estimate
Receipts by source				
Individual income taxes	103,246	118,000	118,750	+750
Corporation income taxes	36,153	43,000	38,664	-4,336
Social insurance taxes and contributions:				
Employment taxes and contributions	54,876	67,664	65,894	-1,770
Unemployment insurance	6,051	6,198	6,907	+709
Contributions for other insurance and retirement	3,614	4,046	4,049	+3
Excise taxes	16,260	17,144	16,885	-259
Estate and gift taxes	4,917	5,400	5,009	-391
Customs	3,188	3,500	3,334	-166
Miscellaneous	3,921	5,049	5,355	+306
Total receipts	232,225	270,000	264,847	-5,153
Outlays by major agency				
Legislative Branch and the Judiciary	724	871	830	-41
Executive Office of the President	49	112	71	-42
Funds Appropriated to the President:				
Disaster relief	358	450	250	-200
International security assistance:				
Military assistance programs	531	1,100	820	-280
Economic supporting assistance programs	645	117	380	+263
Indochina post war reconstruction assistance	---	493	249	-244
Multilateral assistance	510	669	609	-60
Bilateral assistance	517	891	790	-101
Office of Economic Opportunity	801	611	681	+70
Other	371	272	232	-41
Agriculture:				
Commodity Credit Corporation, foreign assistance and special export programs	4,383	1,844	1,819	-25
Other	5,645	7,467	8,003	+536

Description	1973 Actual	1974 February 1974 budget estimate	1974 Actual	1974 Change fr. February estimate
Outlays by major agency (continued)				
Commerce	1,368	1,519	1,457	-62
Defense:				
Military	73,297	78,400	77,646	-754
Civil	1,703	1,621	1,682	+61
Health, Education, and Welfare	82,040	96,768	93,720	-3,048
Housing and Urban Development	3,592	4,983	4,739	-245
Interior	-2,253	-3,774	-4,872	-1,098
Justice	1,531	1,938	1,797	-141
Labor	8,639	8,590	8,971	+380
State	591	743	732	-10
Transportation	8,183	8,444	8,114	-330
Treasury:				
Interest on the public debt	24,167	29,100	29,319	+219
General Revenue Sharing	6,636	6,147	6,106	-41
Other	156	602	574	-28
Atomic Energy Commission	2,393	2,328	2,307	-21
Environmental Protection Agency	1,114	2,559	2,030	-528
General Services Administration	468	-306	-264	+4[illegible]
[illegible]onal Aeronautics and Space [illegible]inistration	3,311	3,177	3,228	+51
Veterans Administration	11,968	13,241	13,340	+99
Civil Service Commission	4,601	5,946	5,693	-253
Federal Deposit Insurance Corporation	-538	-558	-223	+335
United States Postal Service	1,567	1,999	1,698	-301
Railroad Retirement Board	2,439	2,683	2,668	-15
Small Business Administration	1,317	750	742	-8
Other independent agencies	2,064	2,524	2,344	-179
Allowance for contingencies	---	300	---	-300
Undistributed intragovernmental transactions:				
Federal employer contributions to retirement funds	-2,927	-3,543	-3,319	+224
Interest credited to certain Government accounts	-5,436	-6,420	-6,620	-200
Total outlays	246,526	274,660	268,343	-6,317
Budget surplus (+) or deficit (-)	-14,301	-4,660	-3,495	+1,164

NOTE: Detail will not necessarily add to totals because of rounding.

MONEY AND
INTEREST RATES

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MONEY AND INTEREST RATES

- Federal Reserve, St. Louis
  U.S. Financial Data, Week Ended Oct. 2, 1974

- Federal Reserve Mondy Stock Measures

- Federal Reserve Weekly Summary of
  Banking and Credit Measures

- Recent Interest Rates

U.S. FINANCIAL DATA

Week ending: October 2, 1974

Available data indicate that since mid-June, the nation's money stock has risen at a 1.3 percent annual rate while the monetary base has risen at a 5.8 percent rate. Growth of both of these aggregates has slowed from the pace earlier in the year. From mid-December of last year to mid-June, the money stock rose at a 6.2 percent rate and the base grew at an 8.3 percent rate.

Over longer periods, growth rates of the money stock and the monetary base have been similar. From the first quarter of 1970 to the second quarter of this year, a period of about four and one-half years, the money stock grew at a 6.7 percent average annual rate while the monetary base grew at an average rate of 7.6 percent per year.

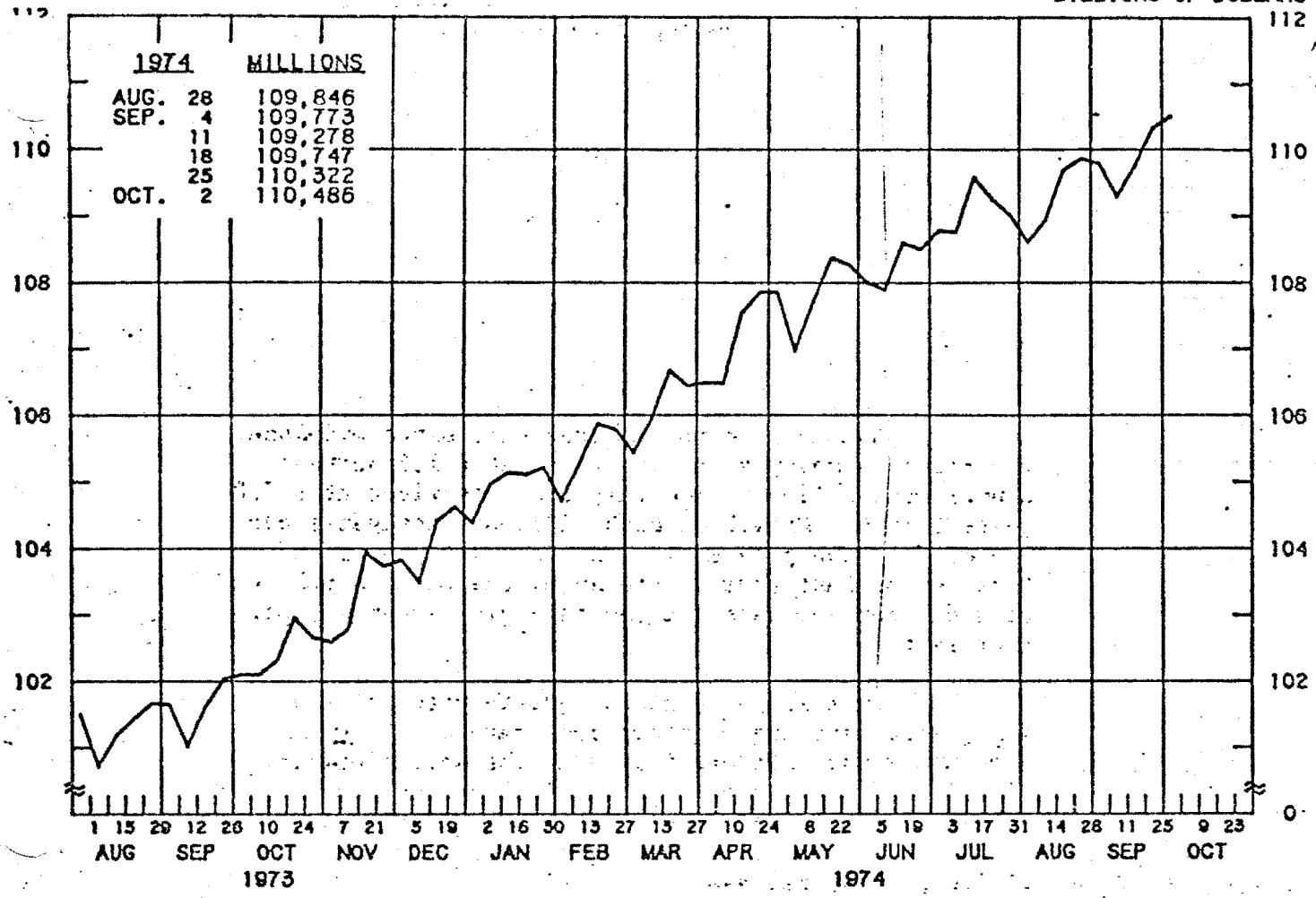
The discrepancy between the growth rates of the money stock and monetary base from early 1970 to mid-1974, which is less than one percentage point, largely is attributable to the rapid growth of time deposits relative to demand deposits. The amount of reserves required against time deposits has risen with the growth of time deposits, reducing the proportion of the monetary base available to support the demand deposit component of money. From the first quarter of 1970 to the second quarter of 1974, the monetary base less reserves required to support time deposits rose at an average rate of 6.6 percent per year, about the same rate of growth as the money stock over the same period.

Prepared by Federal Reserve Bank of St. Louis
Released: October 4, 1974

MONETARY BASE

AVERAGES OF DAILY FIGURES

SEASONALLY ADJUSTED BY THIS BANK



LATEST DATA PLOTTED WEEK ENDING: OCTOBER 2, 1974

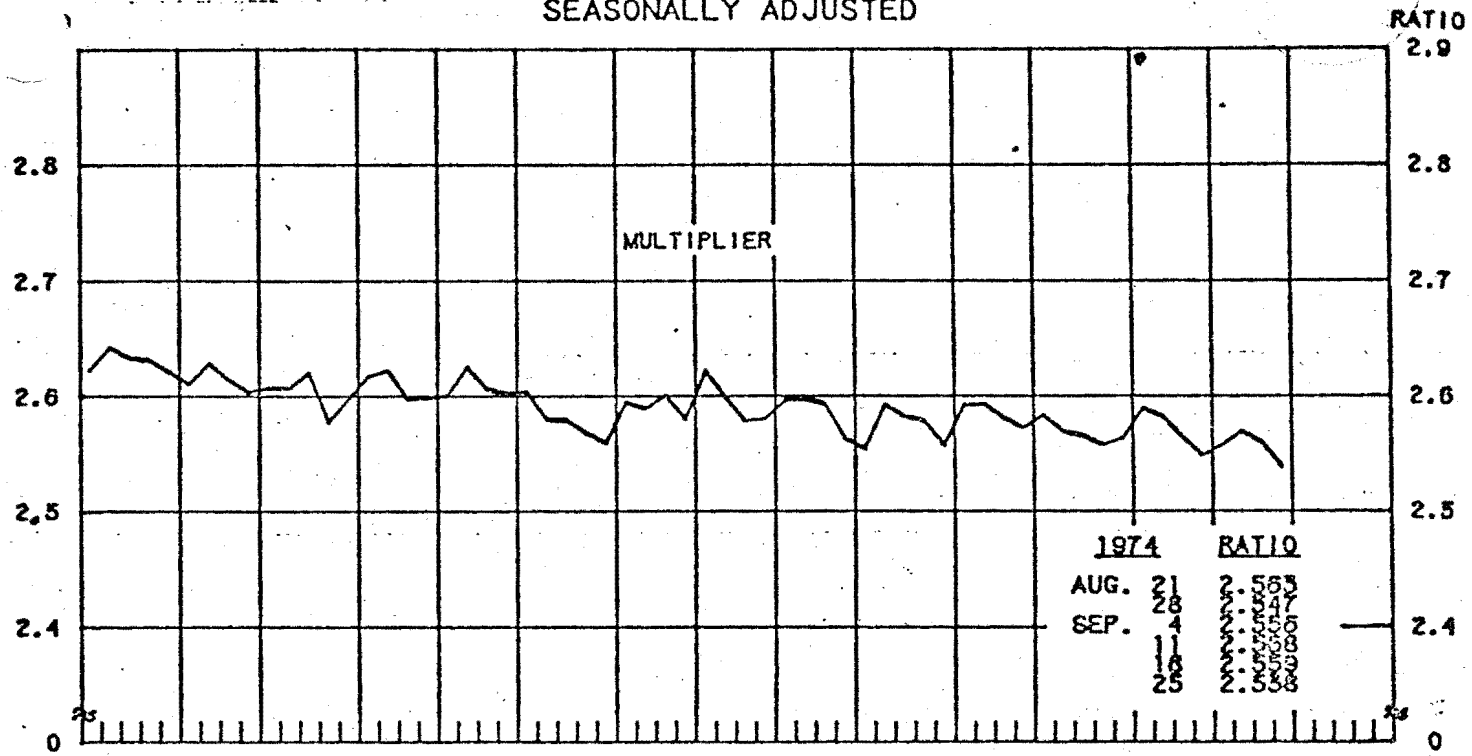
USES OF MONETARY BASE ARE MEMBER BANK RESERVES AND CURRENCY HELD BY THE PUBLIC AND NONMEMBER BANKS, ADJUSTED FOR RESERVE REQUIREMENT CHANGES AND SHIFTS IN DEPOSITS. FOR A DESCRIPTION OF THE BASE SEE THE AUGUST 1968 "REVIEW" OF THIS BANK.

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

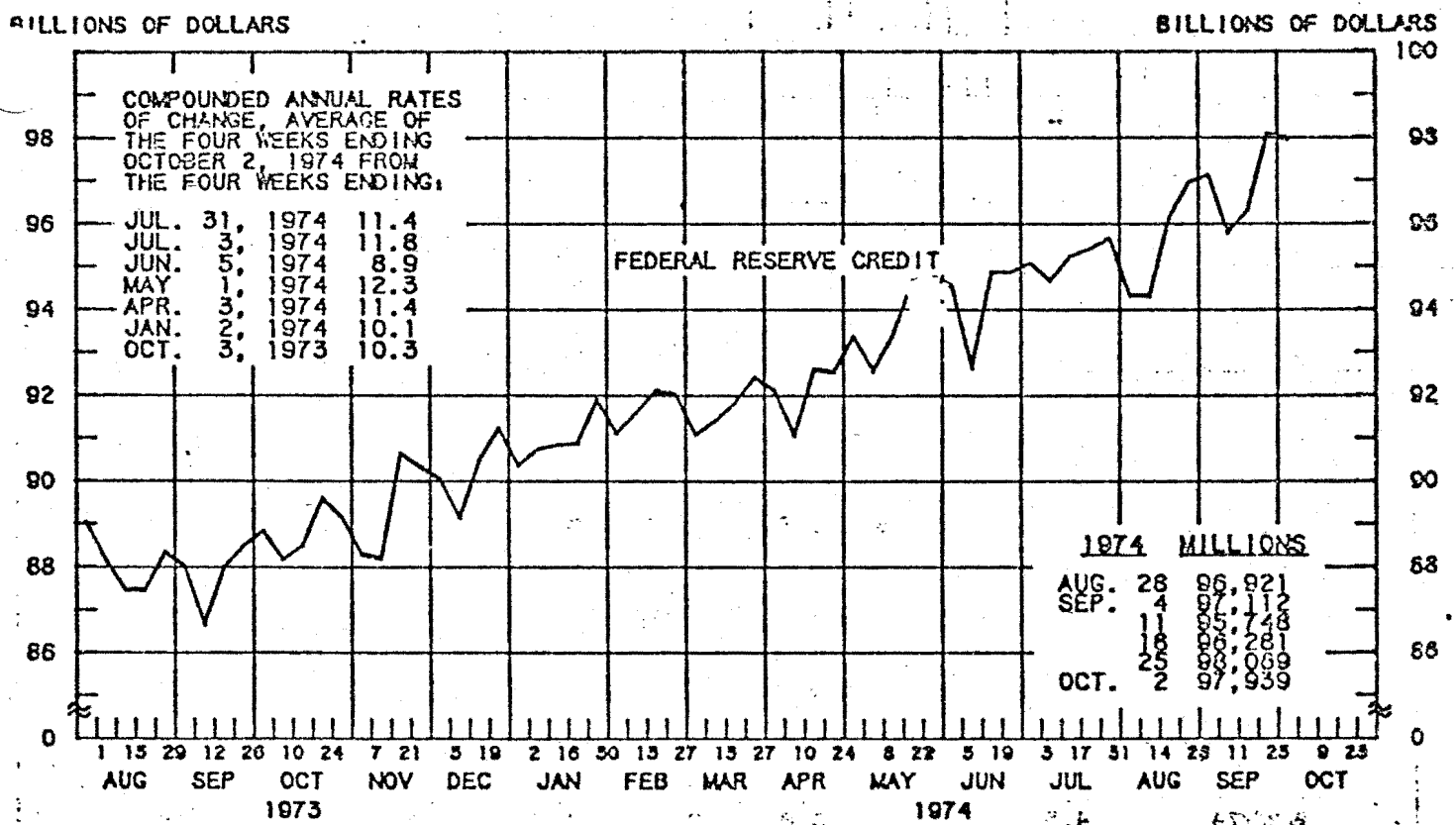
TO THE AVERAGE OF FOUR WEEKS ENDING:	10/3/73	1/2/74	2/27/74	4/3/74	5/1/74	6/5/74	7/3/74	7/31/74
2/27/74	9.3							
4/ 3/74	9.4	8.6						
5/ 1/74	10.0	9.7	11.6					
6/ 5/74	9.5	9.0	9.8	9.6				
7/ 3/74	8.9	8.3	8.5	7.9	5.5			
7/31/74	8.9	8.3	8.6	8.1	6.5	6.5		
9/ 4/74	8.4	7.7	7.8	7.2	5.9	5.6	6.2	
10/ 2/74	8.1	7.4	7.4	6.8	5.7	5.4	5.8	4.4

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

MULTIPLIER 1/
FEDERAL RESERVE CREDIT 2/
AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 25, 1974



LATEST DATA PLOTTED WEEK ENDING: OCTOBER 2, 1974

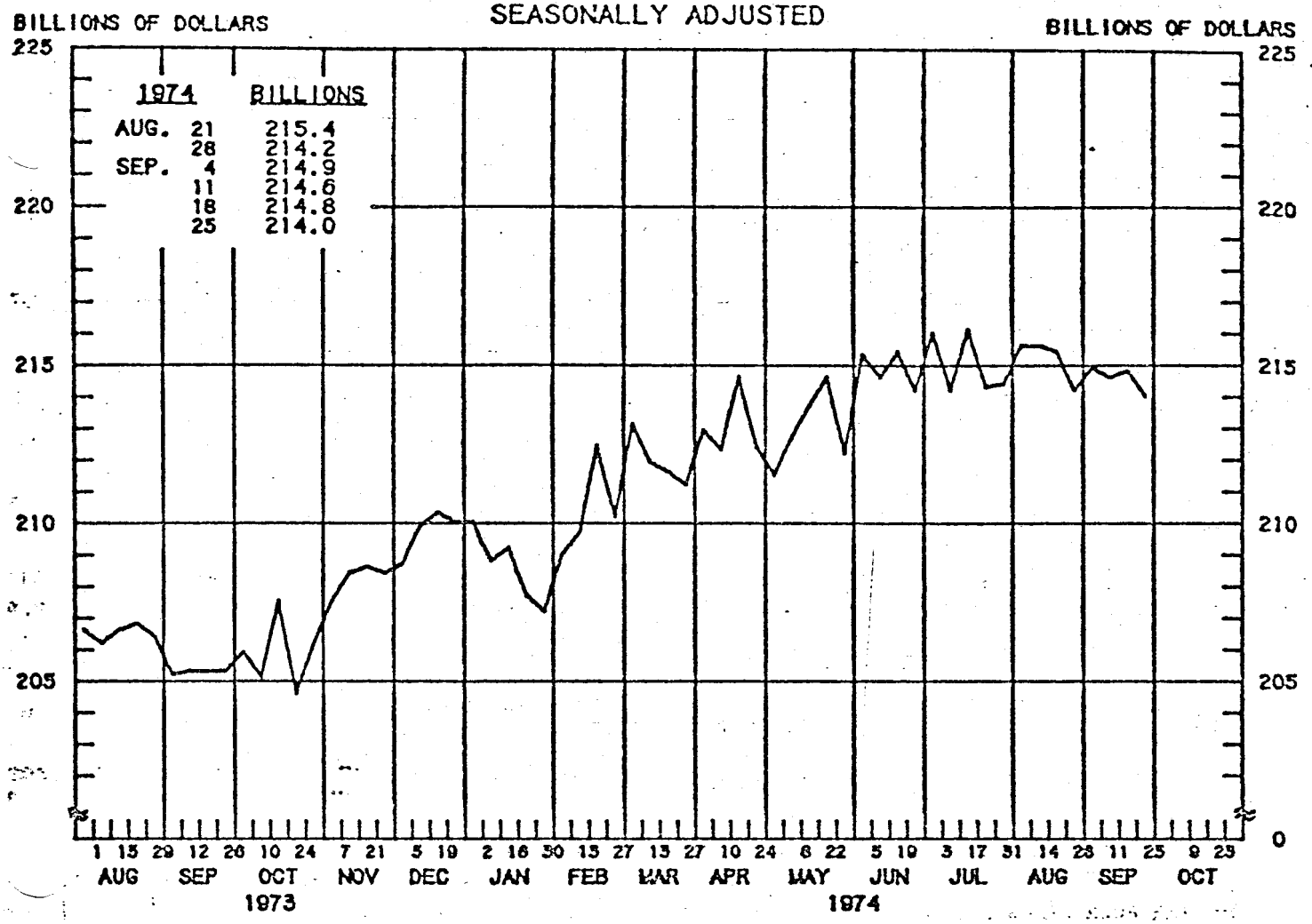
1/ RATIO OF MONEY STOCK (M1) / MONETARY BASE.

2/ DEFINED TO INCLUDE HOLDINGS OF SECURITIES, LOANS, FLOAT AND "OTHER" ASSETS, ADJUSTED FOR RESERVE REQUIREMENT CHANGES AND CHANGES IN REQUIREMENTS DUE TO SHIFTS IN DEPOSITS AMONG CLASSES OF BANKS. DATA ARE SEASONALLY ADJUSTED BY THIS BANK.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

DEMAND DEPOSIT COMPONENT OF MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 25, 1974

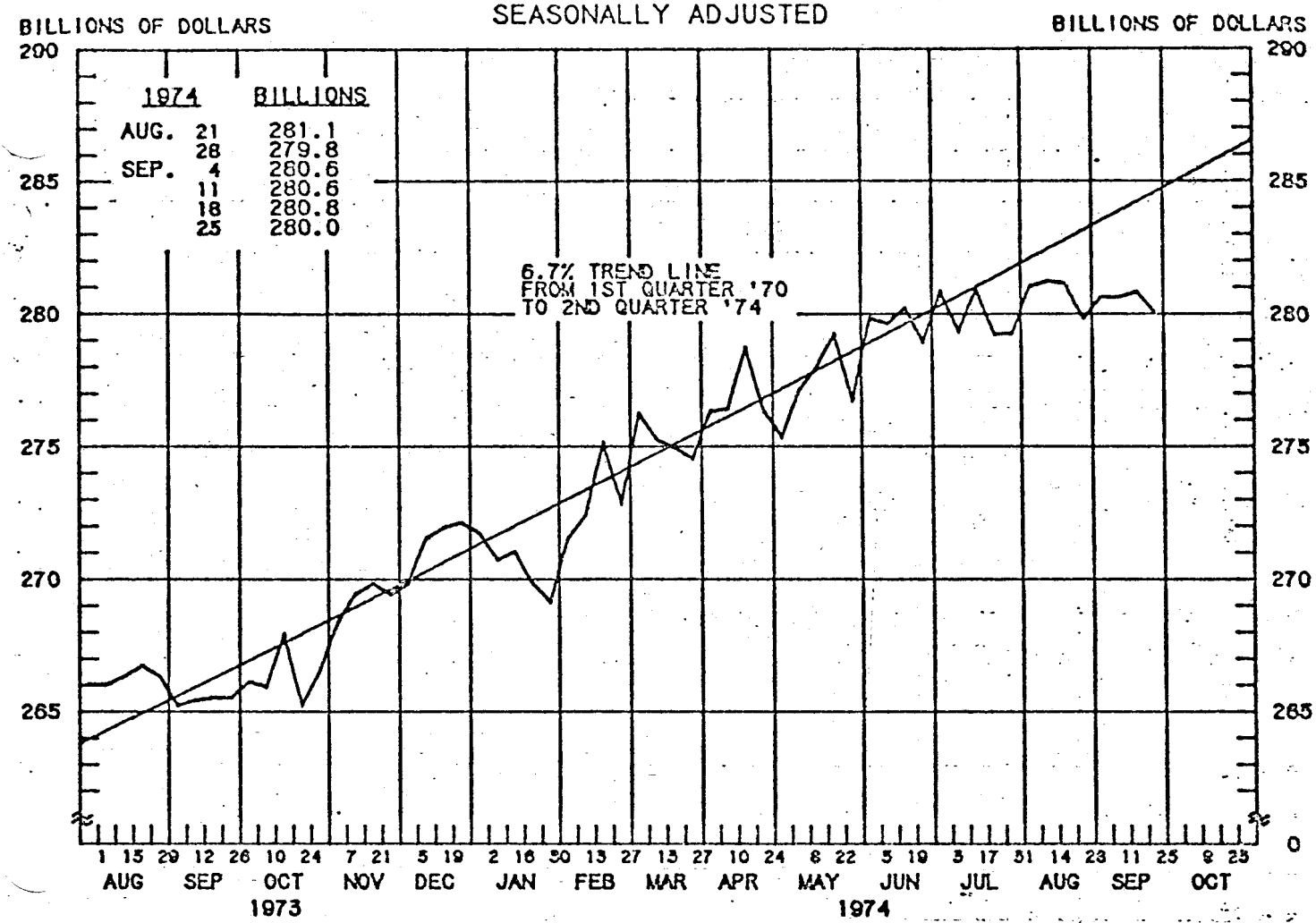
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

TO THE AVERAGE OF FOUR WEEKS ENDING:	9/26/73	12/26/73	2/27/74	3/27/74	4/24/74	5/22/74	6/26/74	7/24/74
2/27/74	5.9							
3/27/74	6.6	4.5						
4/24/74	6.7	5.0	8.0					
5/22/74	5.9	4.1	5.9	3.4				
6/26/74	6.3	5.0	6.6	5.6	5.0			
7/24/74	5.9	4.6	5.9	4.7	4.0	5.8		
8/28/74	5.2	3.9	4.7	3.6	2.9	3.7	0.8	
9/25/74	4.5	3.1	3.6	2.5	1.7	2.0	-0.6	-1.6

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

MONEY STOCK
AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 25, 1974

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

TO THE AVERAGE OF FOUR WEEKS ENDING:	9/28/73	12/28/73	2/27/74	3/27/74	4/24/74	5/22/74	6/28/74	7/24/74
2/27/74	6.9							
3/27/74	7.5	5.9						
4/24/74	7.6	6.4	9.7					
5/22/74	7.0	5.7	7.2	5.3				
6/28/74	7.2	6.2	7.6	6.6	5.8			
7/24/74	6.7	5.7	6.6	5.5	4.7	5.8		
8/28/74	6.3	5.2	5.8	4.9	4.1	4.6	2.5	
9/25/74	5.7	4.5	4.8	3.9	3.1	3.3	1.3	0.8

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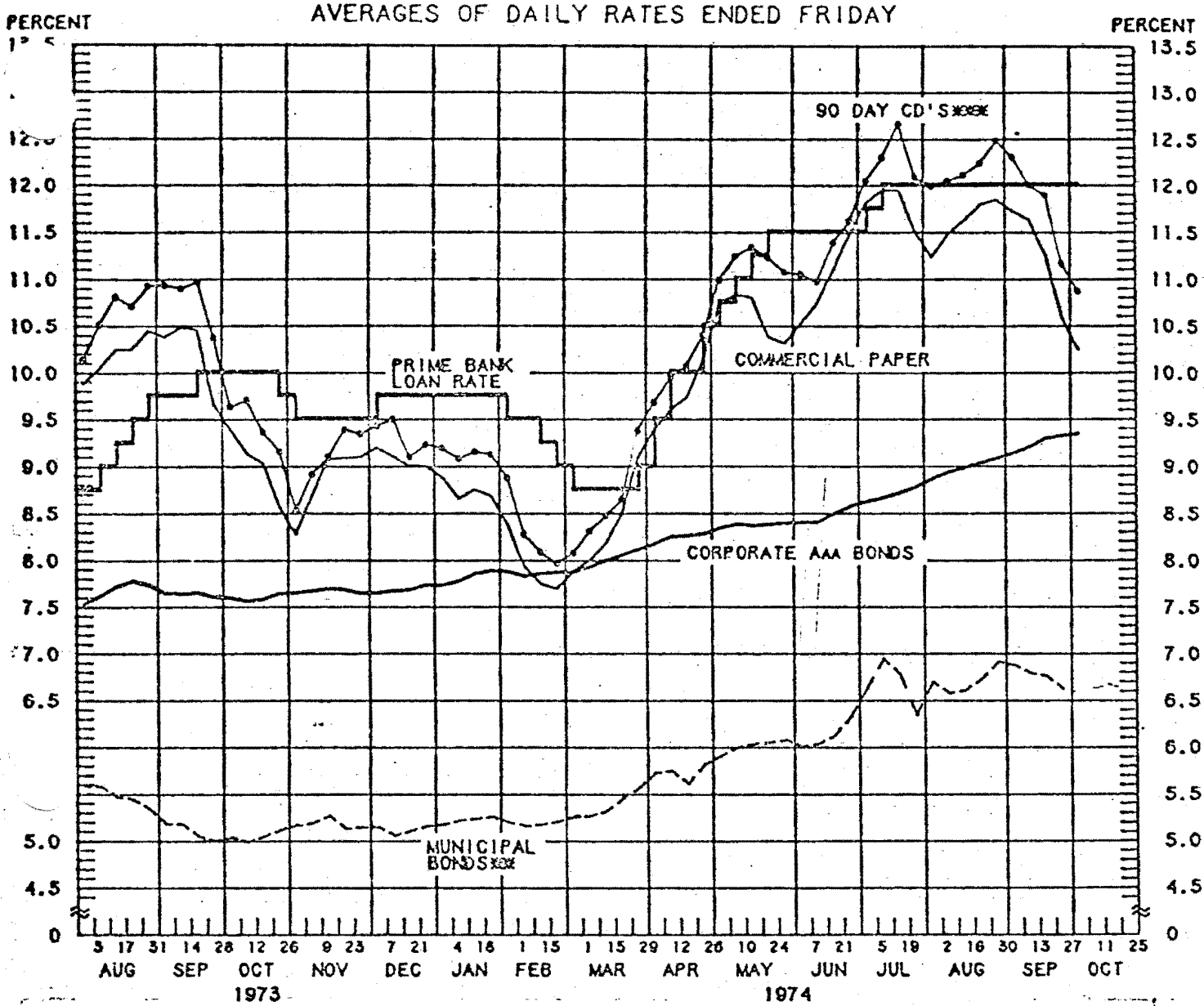
YIELDS ON SELECTED SECURITIES

AVERAGES OF DAILY RATES ENDED FRIDAY



LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: OCTOBER 4, 1974

1974	90 DAY CD'S ***	PRIME COMMERCIAL PAPER 4-6 MONTH	PRIME BANKERS' ACCEPTANCES	CORPORATE AAA BONDS	MUNICIPAL BONDS **
AUG. 2	11.99	11.23	12.00	8.86	6.70
9	12.05	11.48	12.00	8.93	6.58
16	12.11	11.63	12.08	8.98	6.61
23	12.24	11.80	12.16	9.03	6.73
30	12.48	11.85	12.10	9.08	6.91
SEP. 6	12.30	11.72	11.79	9.13	6.88
13	12.00	11.63	11.46	9.20	6.79
20	11.89	11.25	10.95	9.29	6.76
27	11.16	10.58	10.36	9.32	6.62
OCT. 4 *	10.87	10.25	9.85	9.34	N.A.
11					
18					
25					

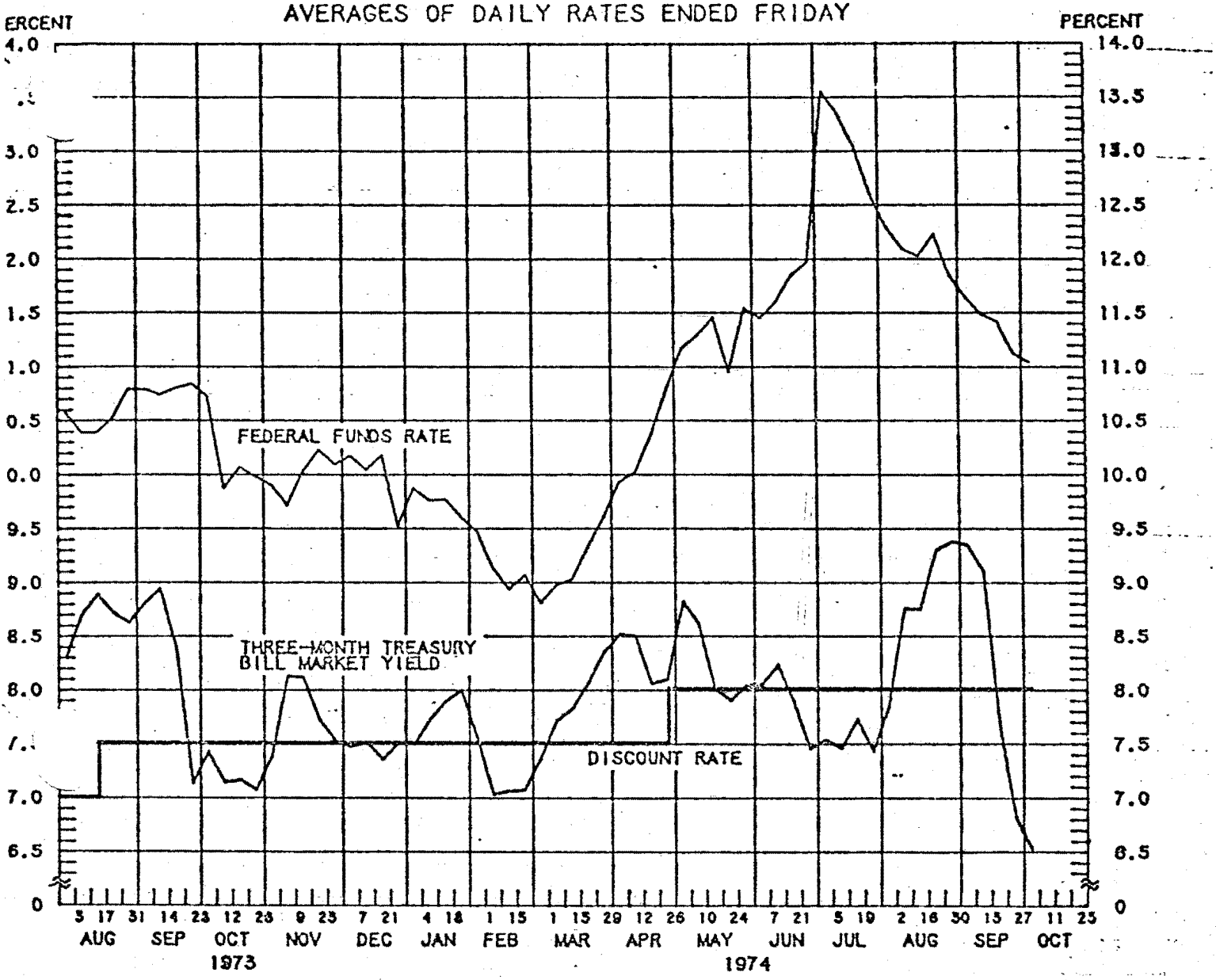
* AVERAGES OF RATES AVAILABLE.
** BOND BUYER'S AVERAGE INDEX OF 20 MUNICIPAL BONDS, THURSDAY DATA.
*** SEVEN-DAY AVERAGES OF SECONDARY MARKET RATES FOR THE WEEK ENDING WEDNESDAY TWO DAYS EARLIER THAN DATES SHOWN. CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.
N.A. - NOT AVAILABLE

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

6

SELECTED SHORT-TERM INTEREST RATES

AVERAGES OF DAILY RATES ENDED FRIDAY



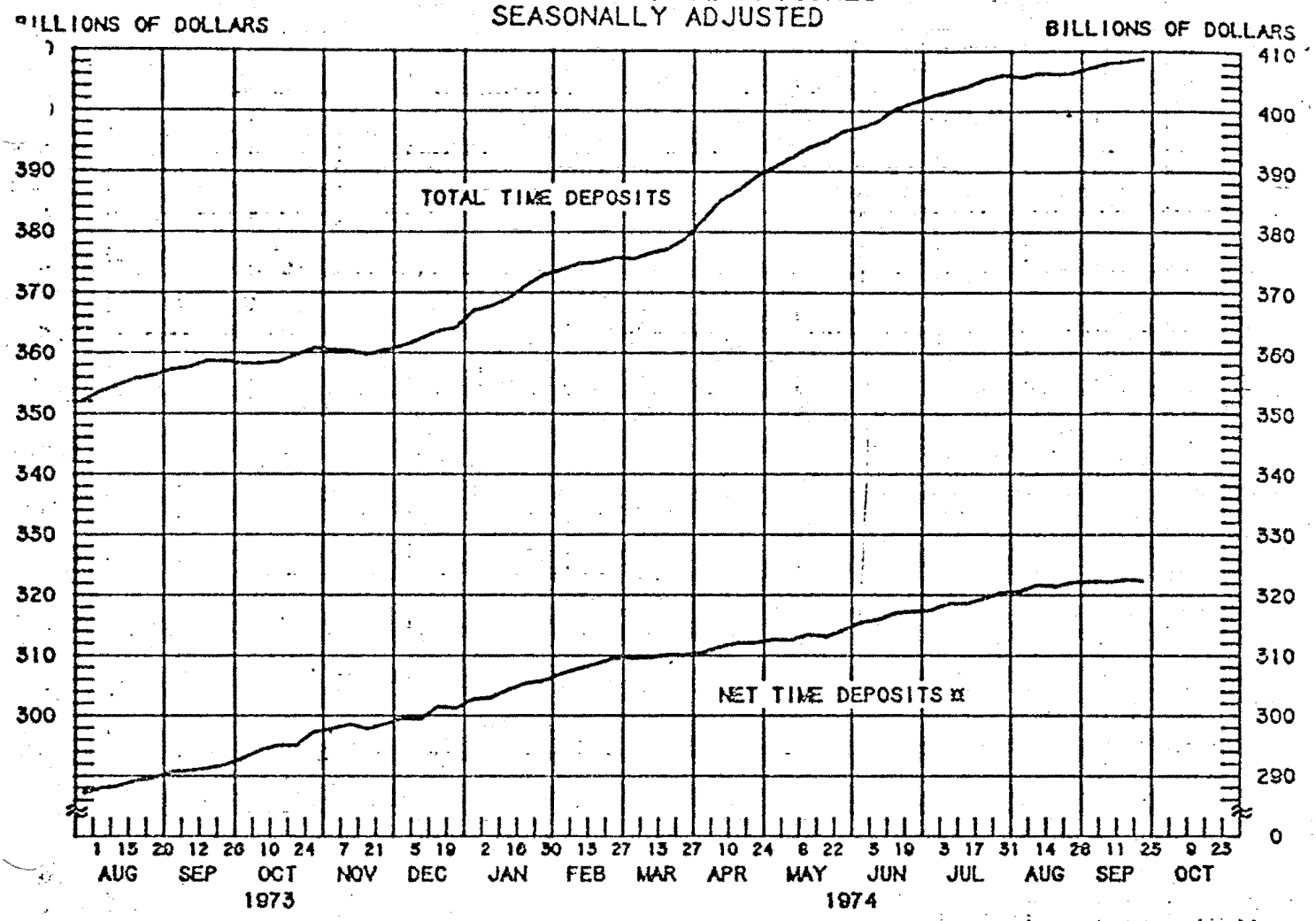
LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: OCTOBER 4, 1974

1974	FEDERAL FUNDS ※※	3-MONTH TREASURY BILLS	3-5 YEAR GOVERNMENT SECURITIES	LONG-TERM GOVERNMENT SECURITIES
AUG. 2	12.29	7.84	8.55	7.24
9	12.09	8.75	8.59	7.31
16	12.02	8.75	8.58	7.35
23	12.23	9.29	8.69	7.30
30	11.84	9.37	8.69	7.36
SEP. 6	11.64	9.34	8.61	7.33
13	11.48	9.10	8.52	7.31
20	11.41	7.64	8.35	7.31
27	11.12	6.81	8.14	7.27
OCT. 4 ※	11.04	6.53	8.12	7.29
11				
18				
25				

※ AVERAGES OF RATES AVAILABLE.
※※ SEVEN-DAY AVERAGES FOR WEEK ENDING WEDNESDAY TWO DAYS EARLIER THAN DATE SHOWN. CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

TIME DEPOSITS
ALL COMMERCIAL BANKS
AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 25, 1974

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

※ NET TIME DEPOSITS ARE DEFINED AS: SAVINGS DEPOSITS, TIME DEPOSITS OPEN ACCOUNT PLUS TIME CERTIFICATES OF DEPOSIT OTHER THAN NEGOTIABLE TIME CERTIFICATES OF DEPOSIT ISSUED IN DENOMINATIONS OF $100,000 OR MORE BY LARGE WEEKLY REPORTING COMMERCIAL BANKS.

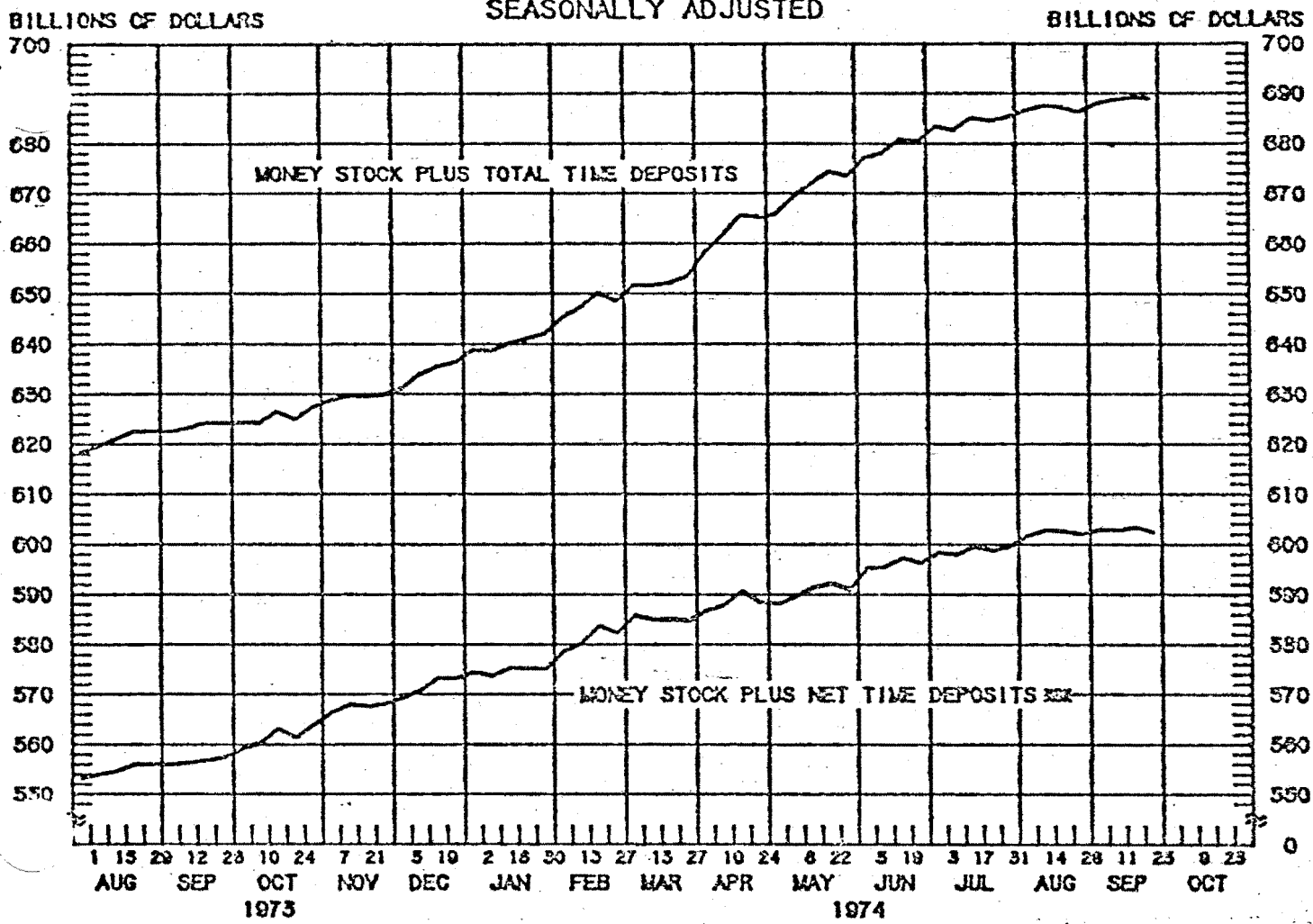
NET TIME DEPOSITS

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

TO THE AVERAGE OF FOUR WEEKS ENDING:	9/26/73	12/26/73	2/27/74	3/27/74	4/24/74	5/22/74	6/26/74	7/24/74
2/27/74	14.4							
3/27/74	13.3	13.3						
4/24/74	12.4	11.7	7.2					
5/22/74	11.6	10.6	6.8	6.5				
6/26/74	11.7	10.9	8.4	8.7	9.4			
7/24/74	11.4	10.7	8.5	8.7	9.3	10.8		
8/28/74	11.3	10.6	8.8	9.0	9.5	10.5	9.5	
9/25/74	10.7	9.9	8.1	8.2	8.5	9.0	7.8	7.3

MONEY STOCK PLUS TIME DEPOSITS

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 25, 1974

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

M2 IS DEFINED AS: CURRENCY, DEMAND DEPOSITS PLUS NET TIME DEPOSITS (SEE PAGE 8).

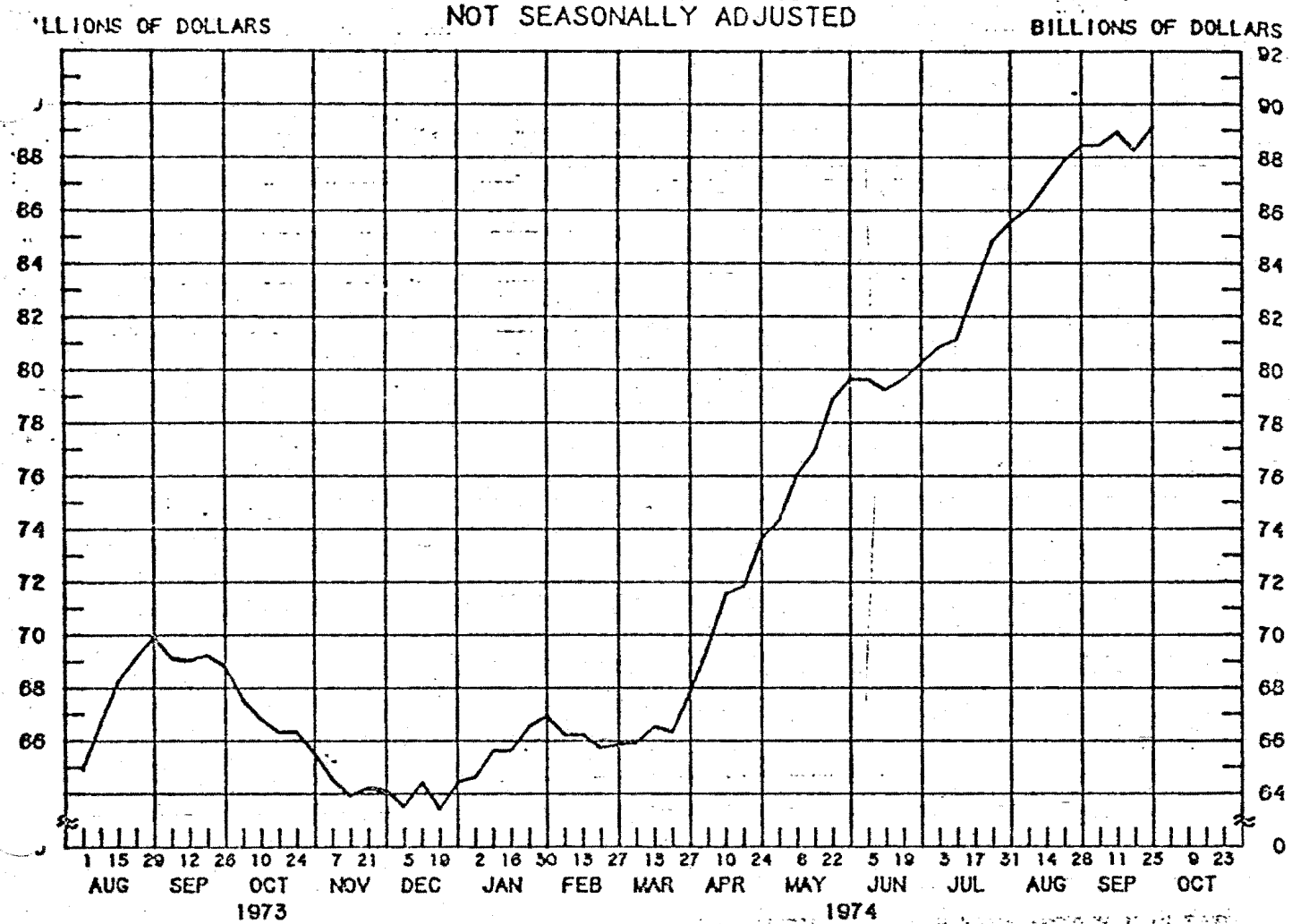
MONEY STOCK PLUS NET TIME DEPOSITS (M2)

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

TO THE AVERAGE OF FOUR WEEKS ENDING:	9/26/73	12/26/73	2/27/74	3/27/74	4/24/74	5/22/74	6/26/74	7/24/74
2/27/74	10.7							
3/27/74	10.5	9.7						
4/24/74	10.1	9.2	8.3					
5/22/74	9.4	8.3	7.0	5.9				
6/26/74	9.5	8.7	8.0	7.7	7.7			
7/24/74	9.2	8.3	7.6	7.2	7.1	8.4		
8/28/74	8.9	8.0	7.4	7.0	6.9	7.7	8.2	
9/25/74	8.3	7.3	6.5	6.1	5.9	6.2	4.6	4.1

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

CERTIFICATES OF DEPOSIT
LARGE COMMERCIAL BANKS
WEDNESDAY FIGURES
NOT SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 25, 1974

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

NEGOTIABLE TIME CERTIFICATES OF DEPOSIT ISSUED IN DENOMINATIONS OF $100,000 OR MORE BY LARGE WEEKLY REPORTING COMMERCIAL BANKS.

MONEY AND TIME DEPOSIT DATA

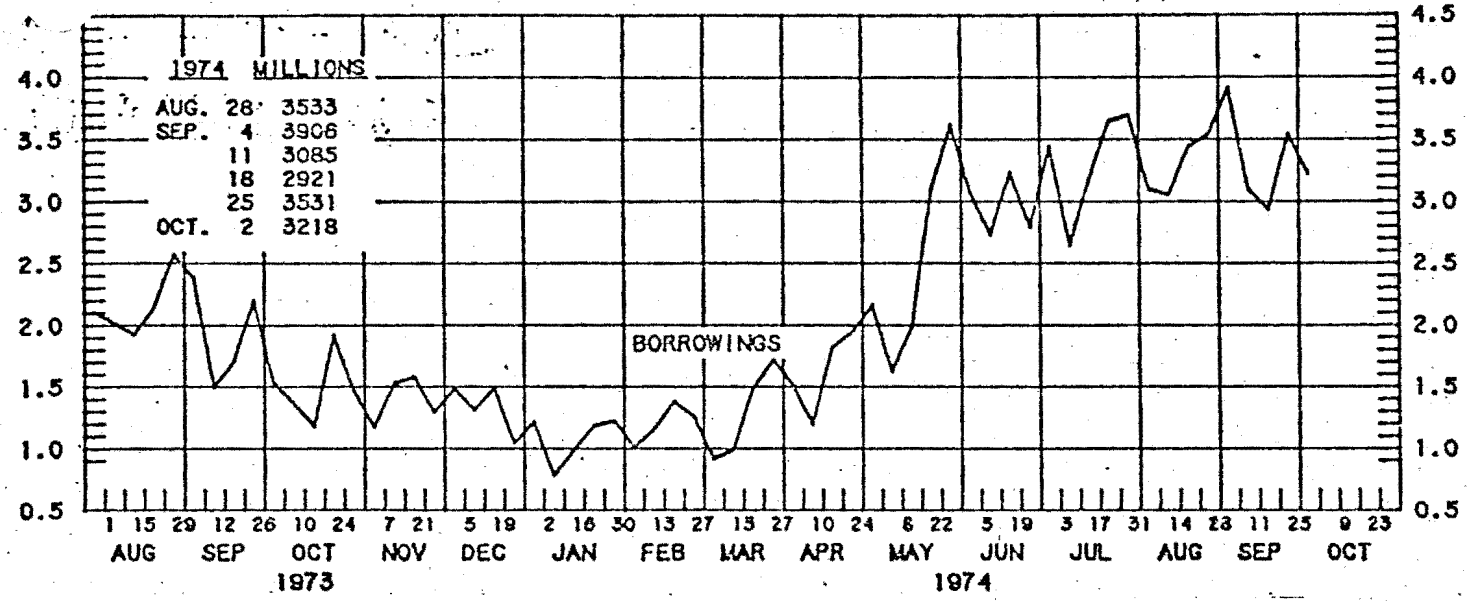
1974	BILLIONS			
	CERTIFICATES OF DEPOSIT NOT SEAS. ADJ.	CERTIFICATES OF DEPOSIT	NET TIME DEPOSITS *	M2 **
AUG. 7	86.0	84.9	320.5	601.5
14	86.9	84.7	321.5	602.7
21	87.8	84.6	321.3	602.4
28	88.4	84.4	322.0	601.8
SEP. 4	88.4	85.0	322.2	602.8
11	88.9	85.9	322.1	602.7
18	88.2	85.6	322.5	603.2
25	89.1	86.4	322.2	602.2
OCT. 2				
9				
16				
23				
30				

* SEE FOOTNOTE PAGE 8.
** SEE FOOTNOTE PAGE 9.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

BORROWINGS FROM FEDERAL RESERVE BANKS
ALL MEMBER BANKS IN THE NATION

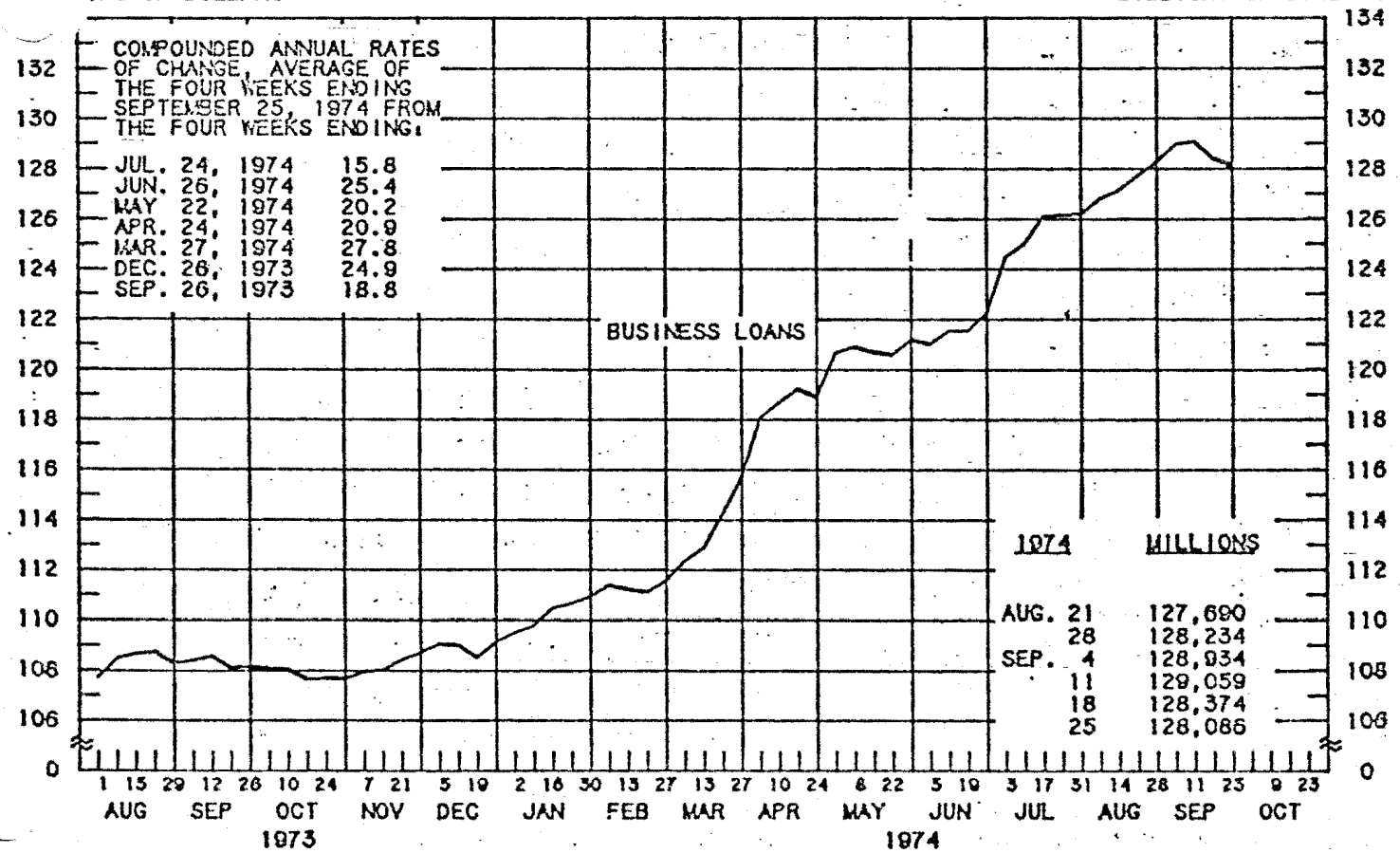
ONS OF DOLLARS — AVERAGES OF DAILY FIGURES — BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: OCTOBER 2, 1974

BUSINESS LOANS
(COMMERCIAL AND INDUSTRIAL)
WEEKLY REPORTING LARGE COMMERCIAL BANKS
SEASONALLY ADJUSTED

ONS OF DOLLARS — BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 25, 1974

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

P. O. BOX 442
ST. LOUIS, MISSOURI 63166

RETURN POSTAGE GUARANTEED

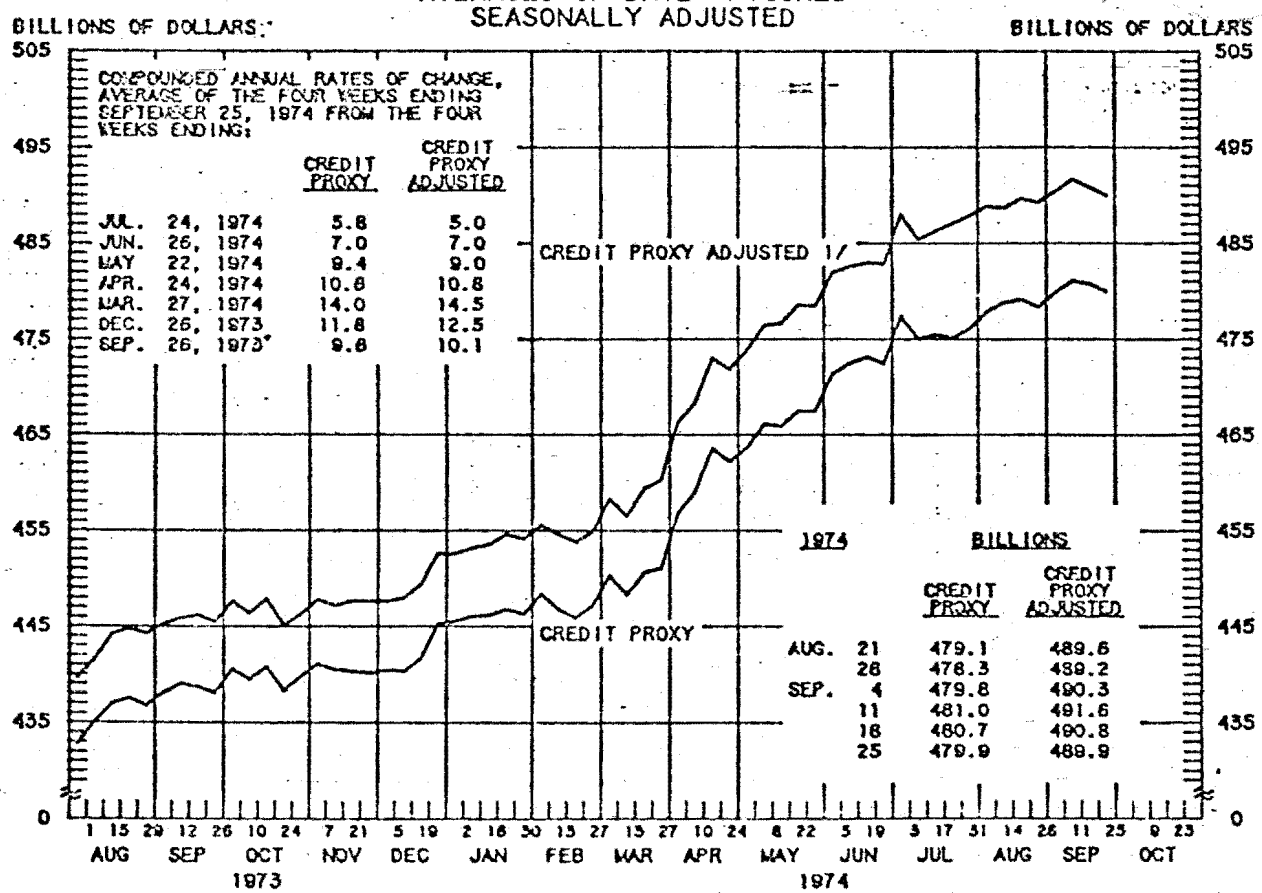
FIRST CLASS MAIL
U. S. POSTAGE
PAID
PERMIT 444

FIRST CLASS MAIL

MR. DONALD W. LOEWECKE
TREASURY DEPARTMENT
ROOM 4415
WASHINGTON, DC 20220

MEMBER BANK DEPOSITS SUBJECT TO RESERVE REQUIREMENTS (CREDIT PROXY)

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 25, 1974

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.

1/ INCLUDES MEMBER BANK DEPOSITS, BANK-RELATED COMMERCIAL PAPER, EURODOLLAR BORROWINGS OF U.S. BANKS, AND CERTAIN OTHER NONDEPOSIT SOURCES.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

FEDERAL RESERVE statistical release

H.6

For Immediate Release
October 3, 1974

Table 1

MONEY STOCK MEASURES

IN BILLIONS OF DOLLARS

Date	M_1 Currency plus demand deposits 1/	M_2 M_1 plus time deposits at commercial banks other than large CD's 2/	M_3 M_2 plus deposits at nonbank thrift institutions 3/	M_1 Currency plus demand deposits 1/	M_2 M_1 plus time deposits at commercial banks other than large CD's 2/	M_3 M_2 plus deposits at nonbank thrift institutions 3/
	Seasonally Adjusted			Not Seasonally Adjusted		
1973--Aug.	266.3	555.1	870.7	263.0	551.3	866.6
Sept.	265.5	556.8	873.5	264.0	554.4	870.0
Oct.	266.6	561.9	880.3	266.1	560.1	877.2
Nov.	269.2	567.3	887.7	270.9	565.7	884.0
Dec.	271.4	572.1	894.8	279.1	577.2	898.4
1974--Jan.	270.6	575.1	900.1	277.8	581.1	905.7
Feb.	273.1	581.2	908.3	270.2	578.6	905.5
Mar.	275.2	585.0	914.6	272.5	584.5	915.3
Apr.	276.7	588.5	919.9	278.2	592.9	926.1
May	277.8	591.0	923.1	273.1	589.1	922.2
June	279.6	596.2	929.2	277.6	595.7	930.3
July	280.0	598.9	932.9	279.2	597.8	933.4
Aug. p	r 280.8	602.2	r 936.7	277.4	598.3	932.4
1974--Aug. 7	281.0	601.5		278.3	598.4	
14	281.2	602.7		r 279.0	r 600.0	
21	281.1	602.4		277.4	598.2	
28	r 279.8	r 601.8		r 274.4	r 595.5	
Sept. 4p	280.6	602.8		278.2	599.9	
11p	280.6	602.7		280.5	601.8	
18p	r 280.8	r 603.2		r 280.9	r 602.0	
25p	280.0	602.2		276.5	597.5	

1/ Includes (1) demand deposits at all commercial banks other than those due to domestic commercial banks and the U.S. Government, less cash items in the process of collection and F.R. float
(2) foreign demand balances at F.R.Banks; and
(3) currency outside the Treasury, F.R. Banks and vaults of all commercial banks.

2/ Includes, in addition to currency and demand deposits, savings deposits, time deposits open account, and time certificates of deposits other than negotiable time certificates of deposit issued in denominations of $100,000 or more by large weekly reporting commercial banks.

3/ Includes M_2 plus the average of the beginning and end of month deposits of mutual savings banks and savings and loan shares.

p - Preliminary
r - Revised

Table 2

MONEY STOCK MEASURES

PER CENT CHANGE AT SEASONALLY ADJUSTED ANNUAL RATES

Period	M_1 Currency plus demand deposits 1/	M_2 M_1 plus time deposits at commercial banks other than large CD's 2/	M_3 M_2 plus deposits at nonbank thrift institutions 3/
August from:			
May 1974 (3 months previous)	4.3	7.6	5.9
Feb. 1974 (6 months previous)	5.6	7.2	6.3
Aug. 1973 (12 months previous)	5.4	8.5	7.6
Four weeks ending: Sept. 25, 1974 from four weeks ending:			
June 26, 1974 (13 weeks previous)	1.3	4.6	
Mar. 27, 1974 26 weeks previous)	3.9	6.1	
Sept. 26, 1973 (52 weeks previous)	5.7	8.3	

1/ Includes (1) demand deposits at all commercial banks other than those due to domestic commercial banks and the U.S. Government, less cash items in the process of collection and F.R. float.
(2) foreign demand balances at F.R. Banks, and
(3) currency outside the Treasury, F.R. Banks and vaults of all commercial banks.

2/ Includes, in addition to currency and demand deposits, savings deposits, time deposits open account, and time certificates of deposits other than negotiable time certificates of deposit issued in denominations of $100,000 or more by large weekly reporting commercial banks.

3/ Inc[illegible] M_2 plus the average of the beginning and end of month deposits of mutual saving[illegible] and savings and loan shares.

Note [illegible]s of change are based on daily average data; rates of change are not compounded.

COMPONENTS OF MONEY STOCK MEASURES AND RELATED ITEMS

SEASONALLY ADJUSTED, IN BILLIONS OF DOLLARS

Date	Currency	Demand deposits	Time and savings deposits			Nonbank thrift institutions 2/
			CD's 1/	Other	Total	
1973--Aug.	59.8	206.4	66.3	288.8	355.1	315.6
Sept.	60.2	205.3	66.7	291.4	358.0	316.7
Oct.	60.5	206.1	63.8	295.3	359.1	318.5
Nov.	61.0	208.2	62.0	298.1	360.1	320.4
Dec.	61.7	209.7	62.8	300.6	363.5	322.7
1974--Jan.	61.9	208.7	65.5	304.6	370.1	325.0
Feb.	62.7	210.4	66.6	308.1	374.7	327.1
Mar.	63.3	211.9	67.7	309.8	377.5	329.6
Apr.	63.9	212.8	75.4	311.8	387.1	331.4
May	64.4	213.4	81.2	313.3	394.4	332.1
June	64.8	214.8	83.3	316.5	399.9	333.1
July	64.9	215.1	85.4	319.0	404.3	334.0
Aug.p	65.6	215.3	84.7	321.4	406.1	334.4
Week ending:						
1974--Aug. 7	65.4	215.6	84.9	320.5	405.5	
14	65.6	215.6	84.7	321.5	406.2	
21	65.6	215.4	84.6	321.3	406.0	
28	65.7	r 214.2	84.4	r 322.0	r 406.3	
Sept. 4 p	65.7	214.9	85.0	322.2	407.2	
11 p	66.0	214.6	85.9	322.1	408.0	
18 p	65.9	214.8	r 85.8	r 322.5	r 408.3	
25 p	66.0	214.0	86.4	322.2	408.7	

1/ Includes negotiable time certificates of deposit issued in denominations of $100,000 or more by large weekly reporting commercial banks.
2/ Average of beginning and end of month deposits at mutual savings banks and savings and loans shares.

p - Preliminary
r - Revised

Table 4

COMPONENTS OF MONEY STOCK MEASURES AND RELATED ITEMS

NOT SEASONALLY ADJUSTED, IN BILLIONS OF DOLLARS

Date	Currency	Demand deposits			Time and savings deposit			Nonbank thrift institutions 4/	U.S. Gov't. demand 5/
		Total 1/	Member	Domestic nonmember 2/	CD's 3/	Other	Total		
1973--July	60.0	205.7	149.7	53.2	62.3	285.4	347.8	316.5	6.5
Aug.	60.0	202.9	147.8	52.7	68.4	288.3	356.7	315.3	4.1
Sept.	60.1	203.8	148.2	53.3	68.8	290.5	359.3	315.6	5.3
Oct.	60.4	205.7	149.7	53.8	66.3	294.0	360.3	317.0	6.0
Nov.	61.5	209.5	151.8	55.1	64.1	294.8	359.0	318.3	4.3
Dec.	62.7	216.4	157.0	56.6	64.1	298.1	362.2	321.2	6.3
1974--Jan.	61.6	216.2	156.4	56.9	66.1	303.3	369.4	324.5	8.1
Feb.	61.9	208.3	151.1	54.6	65.9	308.4	374.3	326.9	6.6
Mar.	62.7	209.8	152.4	54.7	67.0	312.0	379.1	330.8	6.4
Apr.	63.5	214.7	155.8	56.2	72.4	314.7	387.1	333.2	6.0
May	64.2	208.9	151.2	54.9	77.8	316.1	393.9	333.0	7.6
June	64.9	212.7	153.4	56.3	79.7	318.1	397.9	334.7	6.1
July	65.4	213.8	154.2	56.8	83.3	318.6	402.0	335.6	5.4
Aug. p	65.8	211.6	152.3	56.5	87.4	r 320.9	408.2	r 334.2	3.9
1974--Aug. 7	66.0	212.3	153.0	56.5	86.0	320.1	406.1		4.3
14	66.2	212.8	153.0	57.0	86.9	321.0	407.9		3.7
21	65.8	211.6	152.1	56.6	87.8	320.8	408.6		4.0
28	r 65.2	r 209.1	r 150.4	55.9	88.4	r 321.2	r 409.6		r 4.1
Sept. 4 p	65.9	212.3	152.8	56.6	88.4	321.7	410.2		3.4
11 p	66.4	214.1	153.2	58.1	88.9	321.3	410.2		3.8
18 p	66.0	214.9	r 154.0	57.9	r 88.2	r 321.2	409.3		5.6
25 p	65.4	211.1	151.7	56.3	89.1	321.0	410.1		7.0

1/ Total deposits include, in addition to the member and domestic nonmember deposits shown, deposits due to foreign and international institutions at F.R. Banks and M_1 type balances at agencies and branches of foreign banks.
2/ Based on most recent call report single-day observations.
3/ Includes negotiable time certificates of deposits issued in denominations of $100,000 or more by large weekly rep[illegible] commercial banks.
4/ Averag[illegible]ning and end of month deposits at mutual savings banks and savings and loan shares.
5/ U.S. G[illegible]t demand deposits at all commercial banks.

p - Preliminary
r - Revised

Rev. 2/74

FEDERAL RESERVE statistical release

H.9
(Rev. 4/72)

WEEKLY SUMMARY OF BANKING AND CREDIT MEASURES
(Averages of daily figures)

For Immediate Release
October 3, 1974

	Levels				Percent Change (Seasonally Adjusted Annual Rates)		
	Week ended		4 Wks. ended		Average of 4 Weeks Ended Oct. 2, 1974 from 4 Week Averages		
	Oct. 2	Sept. 25	Oct. 2	Sept. 4	13 weeks previous	26 weeks previous	52 weeks previous
Reserve Aggregates 1/	($ Bil., SA)						
Total reserves	37.51	37.09	37.25	37.32	7.2	14.0	9.4
Nonborrowed reserves	34.29	33.56	34.06	33.84	6.1	4.1	5.4
Required reserves	37.09	37.00	37.06	37.12	7.5	13.8	9.5
Reserves Available to Support Pvt. Nonbank Deposits	35.19	34.96	35.24	35.38	7.6	14.4	9.3
	Week ended		4 Wks. ended		Average of 4 Weeks Ended Sept. 25, 1974 from 4 Week Averages		
	Sept. 25	Sept. 18	Sept. 25	Aug. 28	13 weeks previous	26 weeks previous	52 weeks previous
Monetary Aggregates	($ Bil., SA)						
M_1 (Currency plus demand deposits)	280.0	280.8	280.5	280.8	1.3	3.9	5.7
M_2 (M_1 plus time deposits at commercial banks other than large time CD's)	602.2	603.2	602.7	602.1	4.6	6.1	8.3
Adjusted credit proxy 2/	489.9	490.8	490.7	489.1	6.8	14.0	10.1
Time deposits, all commercial banks	408.7	408.3	408.1	406.0	8.7	16.6	14.0
U.S. Government demand deposits, member banks	5.4	5.7	5.8	5.2			
	Week ended		4 Wks. ended				
	Oct. 2	Sept. 25	Oct. 2	Sept. 4			
Other Reserve Measures & Interest Rates	(NSA)						
Member bank borrowings ($ mil.)	3218	3551	3189	3479			
Includes seasonal borrowings of:	142	141	137	160			
Federal funds rate	11.04	11.12	11.26	11.93			
3-month Treasury bill rate	6.53	7.04	7.80	9.15			
90-119 day dealer placed commercial paper rate 3/	10.50	10.93	11.22	11.87			
3-month CD rate (secondary market) 4/	10.88	11.16	11.48	12.28			
3-month Euro-dollar rate	12.04	11.60	12.20	13.59			
U.S. Government bond rate	8.52	8.56	8.58	8.64			

NSA--Not Seasonally Adjusted. SA--Seasonally Adjusted.

1/ Includes required reserves against Euro-dollar borrowings and bank-related commercial paper. Reserves Available to Support Private Nonbank Deposits are required reserves for private demand deposits, total time and savings deposits, nondeposit sources subject to reserve requirements and excess reserves. Reserve aggregates reflect changes in Regulation D. Per cent annual rates of growth for required reserves and other reserve aggregates have been adjusted to remove the effect of these structural changes.

2/ Includes member bank deposits, bank-related commercial paper, Euro-dollar borrowings of U.S. banks, and certain nondeposit items.

3/ On September 25, 1974, bank-related commercial paper amounted to $8,211 million.

4/ Average of range of offering rates of negotiable certificates of deposit with three month maturity in secondary market.

5/ Daily average yield on 20-year bonds. Source: U.S. Treasury.

NOTE: All percentage changes are at seasonally adjusted annual rates, not compounded.

RECENT INTEREST RATES

	Latest	Previous Week	1 Month ago	3 Months ago	6 Months ago	1 Year ago	Benchmark
	10/4/74	9/27/74	9/4/74	7/3/74	4/4/74	10/4/73	8/13/71
Treasury Bills: 1/							
3 month	6.52%	6.17%	9.36%	7.75%	8.65%	7.58%	5.15%
6 month	7.53	7.49	9.42	8.34	8.40	7.61	5.51
12 month	7.68	7.95	9.23	8.44	8.10	7.60	5.85
Treasury Coupons:							
1 year	8.20%e	8.22%	9.71%	9.07%	8.53%	7.76%	6.90%
3 years	8.10e	8.06	8.70	8.47	8.12	6.96	6.60
7 years	8.00e	7.99	8.46	8.15	7.78	6.85	6.86
10 years	8.00e	7.94	8.12	7.70	7.51	6.88	6.68
20 years	8.58e	8.48	8.67	8.22	8.01	7.15	6.32
Federal Funds 2/	10.78%p	11.18%	11.46%	13.50%	9.89%	10.80%	5.62%
Prime Rate	12%	12%	12%	11 3/4%	9 1/2%	10%	6%
Prime Commercial Paper							
90-119 days	10.25%	10.63%	11.88%	12.00%	9.50%	9.63%	5.88%
4-6 months	10	10.50	11.75	11.88	9.50	9.50	5.88
Federal Agency:							
1 year	8.70%e	8.96%	10.02%	9.46%	8.74%	8.03%	6.52%
3 years	8.75e	8.91	9.56	9.08	8.34	7.49	7.32
New Aa Corp. Bonds (5 years call protection)	11.00%p	10.50%	10.48%	9.88%	8.94%	7.75%	8.07%
New Municipal Bonds	6.68	6.62%	6.91%	6.33%	5.73%	5.04%	6.03%
New Home Conventional Mortgage Rates	9.62%	9.62%	6.92%	9.38%	8.88%	8.82%	7.83%
FHMA Mortgage Commitments 3/							
FHA/VA	10.559%	10.559%	10.384%	9.650%	8.623%	9.110%	7.74%
Conventional	10.662	10.662	10.427	9.762	8.643	9.430	--
EURO - DOLLAR (90 day)	11 15/16%	12 1/4%	13 3/8%	13 13/16%	9 13/16%	11 1/4%	--

1/ Bank discount basis
2/ Ef ve daily rate
3/ 3 . commitments prior to 10/18/71; 4 months ther r
p Preliminary e estimate

Several large banks are r using an 11-3/4% prime.

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GERALD R. FORD LIBRARY

[illegible]

	1971 Yield Range				1972 Yield Range				1973 Yield Range				1974 Yield Range			
	High		Low		High		Low		High		Low		High		Low	
	Date	Yield	Date	Yield	Date	Yield	Date	Yield	Date	Yield	Date	Yield	Date	Yield	Date	Yield
													Through 10/4/74			
Treasury Bills: 1/																
3 month	7/19	5.53	3/11	3.22	12/19	5.19	2/11	2.99	8/14	9.05	1/4	5.12	8/23	9.74	9/30	6.12
6 month	7/27	5.84	3/11	3.35	12/29	5.39	1/10	3.35	9/13	9.00	1/4	5.38	8/23	9.86	2/19	6.80
12 month	7/28	6.01	3/11	3.45	9/22	5.55	1/18	3.57	9/13	8.50	1/4	5.40	8/23	9.65	2/15	6.37
Treasury Coupons:																
1 year	8/10	6.28	3/11	3.48	12/29	5.68	1/14	4.08	8/7	9.23	1/4	5.67	8/23	10.03	2/6	6.74
3 years	7/28	6.91	3/22	4.27	12/29	6.14	1/14	4.95	8/7	8.34	1/4	6.11	8/23	8.93	2/14	6.67
7 years	8/10	7.11	3/23	5.15	9/14	6.50	1/14	5.78	8/7	7.82	1/4	6.27	8/23	8.56	1/4	6.75
10 years	7/28	6.95	3/23	5.38	9/25	6.63	1/14	5.85	8/7	7.58	1/4	6.40	8/26	8.16	2/19	6.93
20 years	6/15	6.56	3/23	5.69	4/14	6.22	11/15	5.71	8/7	7.83	1/3	6.04	8/26	8.72	1/4	7.40
Federal Funds 2/	9/10	5.75	2/24	2.25	11/8	6.00	2/28	3.12	7/3	13	1/3	5.50	7/1	14.33	2/6	8.76
Prime Rate	1/5	6.75	12/27	5.25	12/26	6.00	2/15	4.50	9/18	10	1/2	6.00	7/5	12.00	2/25	8.75
Prime Commercial Paper																
90-119 days	8/18	5.88	4/12	4.25	12/29	5.62	2/29	3.75	9/19	10.50	1/12	5.62	7/17	12.25	2/22	7.75
4-6 months	8/18	5.88	3/27	4.05	12/29	5.62	3/3	3.88	9/20	10.50	1/12	5.62	7/10	12.13	2/22	7.50
Federal Agency:																
1 year	7/28	6.56	3/16	3.93	12/26	5.86	1/17	4.32	8/13	9.49	1/2	5.86	8/26	10.18	2/19	7.01
3 years	8/12	7.33	3/24	4.70	9/18	6.36	1/17	5.41	8/9	8.79	1/2	6.24	8/28	9.63	2/11	6.90
New Aa Corp. Bonds (5 years call protection)	5/21	8.27	2/11	7.17	4/21	7.71	1/14	7.12	8/10	8.49	1/5	7.41	10/4	11.00p	2/8	8.13
New Municipal Bonds	6/24	6.23	10/21	4.97	4/13	5.54	12/7	4.96	8/2	5.59	10/11	4.99	7/11	6.95	2/7	5.16
New Home Conventional Contract Mortgage Rates (FHA Series)	Jan.	7.96	Apr.	7.55	Dec.	7.72	Apr.	7.56	Sept.	8.95	Jan.	7.72	Aug.	9.62	Feb.	8.56
FNMA Mortgage Commitments 3/																
FHA/VA	9/21	7.89	4/12	6.92	10/30	7.74	3/20	7.53	9/4	9.37	1/9	7.69	9/13	10.59	2/25	8.43
Conventional	--	--	--	--	10/10	7.90	3/15	7.61	9/4	9.68	1/2	7.84	9/13	10.71	3/11	8.47

1/ Bank discount basis
2/ Effective daily rate
3/ 3 month commitments prior to 10/18/71; 4 months thereafter

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