EPB MEETING

Monday, August 2, 1976
8:30 a.m.

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

July 28, 1976

MEMORANDUM FOR HONORABLE L. WILLIAM SEIDMAN

From: Ambassador Frederick B. Dent

Subject: Cognac Price Break Restoration

Unanimous interagency approval has been obtained for the publishing on August 2nd of the enclosed notice of proposed duty increase on certain brandy. This reflects our inability to obtain negotiating progress with the French and the EC with respect to gaining greater access to the European market for American poultry. The cognac price break was instituted two years ago in order to encourage responsive action with respect to poultry by the Europeans. We have been in continuing contact with them for about a year on this subject, but have been unable to make any progress. Many believe this is due to the fact that they simply do not believe that we will take action to restore the price break.

We stand ready to continue discussions with the Europeans on this subject while the procedures initiated by this notice are in process, but I did want you to know of the matter in advance of the publication of the notice.

Enclosure

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

Notice of Proposed Duty Increase
on Certain Brandy (TSUS items
168.28, and 168.32)

By Proclamation No. 3564 of December 4, 1963, the United States suspended the application of certain trade agreement concessions on certain brandy valued over $9 per gallon (TSUS items 168.20 & 168.22). The action resulted in the placing of an additional duty on such brandy, raising the tariff from $1.25 and $1.00 per gallon, respectively, to $5.00 per gallon. This action was one of a group of actions taken in response to unreasonable restrictions maintained by the European Community (EC) on imports of poultry from the United States.

On July 16, 1974, in order to encourage the resolution of trade disputes between the European Community and the United States, and to obtain the removal of unreasonable import restrictions maintained by the EC on poultry imported from the United States, the United States provisionally restored prior trade agreement concession rates of duty on imports of brandy valued at over $9 but not more than $17 per gallon (Proclamation No. 4304 of July 16, 1974). It was the intention of the United States to provide a temporary adjustment for a limited period of time during which a satisfactory solution to the problem of EC poultry import restrictions could be found.

No solution having been reached on this problem in the intervening period, notice is hereby given of a proposed action to restore the $17/gallon price-break (above which the $5/gallon duty has applied) to the $9 level set when the concessions were suspended in 1963. It is proposed that the tariff on brandy (provided for in TSUS items 168.28 and 168.32) valued at over $9 per gallon be increased to not less than $5.00 per gallon.

This action is proposed, pursuant to sections 125 or 301 of the Trade Act of 1974 or other authority, to restore the balance of benefits of trade agreement concessions.

Anyone wishing to appear at a public hearing on this issue must submit a request to testify and 20 copies of testimony to the Office of the Special Representative for Trade Negotiations, 1800 G Street, N.W., Washington, D. C., 20506, by Aug. 16, 1976. If requests for a hearing are received from interested persons, a public hearing on the proposed U.S. action will be held on Sept. 1, 1976, in room 730, Office of the Special Representative for Trade Negotiations, 1800 G Street, N.W., Washington, D. C. Written briefs may be submitted in addition to or in lieu of testimony. Written briefs must be received by Aug. 27, 1976 in the Office of the Special Representative for Trade Negotiations.

Further details concerning any such hearing will be published in the Federal Register.

Alan Wm. Wolff
Acting Deputy Special
Representative for Trade
Negotiations

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
PAUL W. MACAVOY
BURTON G. MALKIEL

July 29, 1976

MEMORANDUM FOR THE EXECUTIVE COMMITTEE OF THE ECONOMIC POLICY BOARD

From: Burton G. Malkiel and David Munro

Subject: The Outlook for Business Investment

I. The Troika Investment Forecast Compared with Other Major Forecasting Models

It is useful to begin by comparing the recent Troika forecast for investment expenditures with those of Chase, DRI and Wharton. This is done in Table 1. Our own forecast calls for considerable growth in real investment during 1976 and much faster growth in 1977. A similar pattern is found in the Chase, DRI, and Wharton forecasts. Only DRI forecasts less strength in business investment while Wharton and Chase project even more strength.

These projections are all based on the GNP accounts as the stood prior to the revisions published earlier this month. These revisions did not radically alter our view of investment. They lowered the level of investment just over $3 billion in the fourth quarter of last year, wiping out the real gain in the fourth quarter. The revisions preserved much of the substantial real rise in the first quarter, however. Without altering our quarterly changes for the second half, the revisic lower our year over year increase from 12 percent to about 10-1/2 percent, or to just under 5 percent in real terms. Presumably similar revisions would be called for in the other forecasts as well.

Essentially two methods are involved in these projections. The models generally begin by making mechanical econometric estimates of investment based on underlying economic factors. These econometric projections are then judgmentally altered on the basis of factors known to be excluded from the econometric estimates and also on the basis of readings from various leading indicators of investment activity.

II. Fundamental Economic Determinants of Investment

The econometric models generally specify that investment responds positively to output (sales) and the prices of output as well as to increases in corporate profits and cash flow. On the other hand investment is assumed to be restrained by increases in the cost of financial capital (higher interest rates and lower equity prices) and by the size of the current capital stock (i.e., the margin of unused capacity currently available).

Typically the econometric models assume that investment is affected by these underlying variables with considerable lags (usually from 1/2 to 1 year). The models differ somewhat in the weights assigned to different variables and to the specific measures employed.

Explicit capacity utilization variables are as often as not left out. To an extent they bring to the forecasting equations the same information brought in by measurements of the size of the capital stock and the output variables. Also part of the unpopularity of using utilization rates can be traced to the unsatisfactory quality of these data. The FRB rates, for instance, clearly failed to measure the full extent of the rise in utilization from 1970 to 1972-3. The Commerce utilization data only goes back to the mid-1960's, too short a history to be used effectively in estimating an equation. Charts 1 through 7 show the recent behavior of these economic variables. Real output has been increasing strongly, as shown in Chart 1. This rise in output has significantly lowered the margin of excess capacity as is shown in Charts 2 and 3.

The cash flow of nonfinancial corporations has also been increasing sharply as is shown in Chart 4. Expressing this cash flow as a ratio to the total net capital stock of nonfinancial corporations at current prices, i.e., the cost of replacing current capacity, (Chart 5) shows that the average profitability of corporations has improved considerably. Note that this ratio is calculated with the current cost of capital goods in the denominator. Thus a rising price of capital goods would tend to lower profitability if not compensated by an increase in earnings. While average profitab on past investment does not indicate the expected profitability on future investments it does influence businessmen's expectations and does of course provide the cash flow to facilitate the financing of new investment. Indeed, as is shown in Chart 6 the ratio of cash flow to the total investment of nonfinancial corporations has risen during the past two years from 1/2 to over 1. For the first time since 1965 corporations have in recent quarters been able to finance all of their investments with internal cash flow. The ratio is expected to fall somewhat below 1, however, later this year as the investment recovery gets fully underway.

Chart 7 compares the market valuation of a corporation's stocks and bonds with the replacement value of its assets. The economic argument for such a comparison is as follows.

The inducement for private investment may be effectively estimated on the basis of the relationship between the market value of a company and the replacement value of its assets. If, for example, assets are valued in the market at one and one-half times their replacement cost, corporations will be encouraged to invest in new equipment and thereby create capital gains for the owners of their securities. The situation is reversed if the market valuation is less than the replacement cost. "Why investment in real capital assets?" the corporate treasurer may ask, when he can buy claims on these assets in the marketplace at 80 cents on the dollar.

Unfortunately, at the end of 1974 the ratio of corporate market values to asset replacement values had fallen to less than 0.8; that is, corporate assets were, on average, actually being valued in the marketplace at less than 80 percent of the cost to replace them. Fortunately the ratio is now close to unity and a further rise in equity prices would again raise the ratio above one.

On balance these fundamental economic variables point in a favorable direction. Output has been rising strongly and margins of excess capacity have been substantially reduced. Profit rates on invested capital have recovered from their sharp previous decline and corporate cash flow has improved considerably. Corporate balance sheets have been repaired (see Chart 8) and conditions in financial markets are more favorable than they have been in recent years. Econometric estimates of investment based on these fundamental factors would point to a pattern of investment not dissimilar to that in the Wharton model.

Another fundamental economic factor -- not captured with standard econometric models -- is the opportunity for cost-cutting investments in the economy. The recent inflationary period has been accompanied by a sharp change in relative price which has made obsolete much plant and equipment that was put in place on the basis of a different cost structure. For example, a relatively inexpensive machine which may have been efficient on the assumption of continued availability of low priced foreign crude oil may now no longer be efficient and might profitably be replaced by a more expensive machine of different design which is relatively more efficient in its use of fuel. We believe that many such investment opportunities exist in the economy brightning the long term outlook for capital spending.

III. More Immediate Indicators of Investment Activity

While forecasts of investment generally start with straigh forward econometric estimates, these estimates are often adjusted by more immediate indicators of investment spending. Thus, much attention is paid to such leading indicators as surveys of investment plans, net new appropriations, constructi contract awards, starts of new investment projects, and new ord for noncapital goods. These more immediate indicators had fail to show increases last year despite strength in the fundamental economic factors.

Trends in plans and appropriations generally lead changes in contracts, starts, and orders by one or two quarters. These in turn lead changes in investment outlays, which show up in GNP, by about 1/2 year for smaller items and projects, and by an average of about 1 year for large new plant projects. Fortunately, these more immediate indicators of investment activity are now clearly pointing to growing strength for capital goods spending over the remainder of 1976 and especiall in 1977.

Many indicators of investment activity have been turning up strongly since last winter. (See Charts 9 through 11). The average of first quarter constuction contract values was up 19 percent over the fourth quarter of 1975. This series has then continued up over the first two months of the second quart the latest data available. Other construction indicators, such as permit and other contract data, have yet to show renewed strength, however. They can be expected to in this half of 1976 as larger projects which will increasingly show up in investment in 1977 are moved off the drawing board. There has been a ten percent half year rise in manufacturers' net new capital appropriations and a near halving of cancellations from their worst levels of last year. Over the first half of this year new orders for non-defense capital goods have risen 17.5 percent. They have now risen above the rate of shipments, so that the backlog of unfilled orders rose in June for the fir time since late in 1974. In the same period, shipments from these industries have risen 8.1 percent, or about 4 percent in real terms, and the FRB index of real output of business equipment has risen 3.8 percent. Thus, tangible evidence is finally at hand that our projections for increases in business fixed investment are likely to be realized.

It appears that the unstable economic environment of the 1974-1975 inflation-recession period and the enormous distruction of business confidence it caused has retarded to some extent the normal business investment planning reaction to the objective variables of output and capital costs. As confidence continues to build up investment spending should accelerate. Reports of resumption of work on major modernization and expansion projects shelved a year ago by the auto industry and others tend to confirm this view, as does the late but vigorous upturn in capital goods new orders. From the secc quarter of 1976 to the second of 1977, therefore, a growth of investment of 19 percent (11 percent in real terms) is expected

The slow rebuilding of business confidence may be responsible for the low level of anticipated investment reported in the BEA surveys in 1976. (See Chart 12) Starting, last winter econometric equations indicated considerable real investment strength for this year, concentrated in the last half. This was due to the sharp rise in output which began in the spring of 1975 and because of the improved financing parameters compared with 1974. However, the BEA survey of U. S. business investment plans which covers about 3/4 of business investment projected no rise in real investment this year. The survey also projected an implausible pattern of rise early in the year followed by a leveling off in the second half. The latest edition of the survey conducted in May now shows about one percent anticipated increase in real 1976 investment and again shows the peculiar late year leveling Although this survey typically fails to capture the full magnitude of both upturns and downturns of investment, the divergence is not typically so large as it seems might be the case this year. While a 2 percent error in the survey's year to year anticipations is not untoward because of the ability to revise investment schedules, a greater than 3 percent error would be.

Besides investment expenditure anticipations, the BEA survey also records the value of new investment projects started and calculates a carryover (backlog) of projects on which work is in progress. These series currently are consiste with the modest expenditure anticipations in the survey.

The McGraw-Hill survey last fall of investment plans in 19 projected a 9 percent nominal rise over 1975, and their spring survey shows a 13 percent projection. Though more consistent with most projections, this was not given great prominence in constructing the investment projections shown. This is because the McGraw-Hill survey covers only 1/2 of total investment, is heavily weighted toward large firms, and is only published twice a year. In addition, it offers only full year quotations, which limit its usefulness in short-term forecasting. In past years the BEA survey has been a better indicator of total investment.

Projecting investment beyond mid-1977 becomes quite depend on projections of output and profitability in the remainder of year and first half of next. Projecting no additional accelera tion of the growth rate of investment is consistent with the deceleration of real GNP growth from 7.0 percent over the last four quarters to 5.9 over the next four, and with the cyclicall typical slowdown in the growth of profits relative to other incomes after the early stage of recovery. Thus, we project the same rate of growth of 19 percent (10 percent real) in late 1977 as from now to mid-1977. At this growth rate, the share of investment in GNP continues to rise (See Chart 13) but is still relatively low especially compared with the capital needs estimated in the 1976 CEA Annual Report.

IV. The Significance of Business Confidence

One of John Maynard Keynes most important contributions to economics was his emphasis on business confidence in determining corporate investment. Undoubtedly the most important variable missing from our review of investment determinants is the state of business confidence. No matter how favorable are the objective indications of investment, capital spending will continue to languish if businessmen do not have confidence in the stability of the economic environment over the substantial number of years it takes for major investments to pay back their initial outlays and produce positive net returns. Thus, in a real sense, we have been rehearsing Hamlet without the Prince of Denmark.

Discussions with businessmen, data on new orders and the tone of the capital markets suggest that confidence is returning and that in fact our forecasts are likely to be realized. But confidence is still fragile and can easily be shattered. This underscores the need to continue stabilizing monetary and fiscal policies. Only with a continuation of steadiness in our economic policies can we make further progress in lowering risk premiums in financial markets and reducing uncertainty in the business community. Long-term corporate planning can effectively be carried out if there is a degree of certainty about government policies r only with respect to aggregate economic activity but also with respect to the regulatory climate, environment and safet rules and freedom to make wage-price decisions in the absence of government controls.

List of Tables and Charts

Table 1.--Business Fixed Investment; NIA

	1976				1977				Percent Change					
									1975 to 76		1976 II to 1977 II		1976 to 77	
	I	II	III	IV	I	II	III	IV	Nominal	Real	Nominal	Real	Nominal	Real
T-4 (6/16)	158.1	162.5	169.1	176.4	185.0	193.8	202.8	211.7	12	6	19	11	19	10
Chase (6/21)....	158.1	167.1	174.7	185.5	195.7	205.8	213.4	220.7	15	9	23	15	22	13
DRI (6/25)	158.1	162.8	167.1	172.6	180.2	187.7	195.4	201.9	11	5	15	7	16	8
Wharton (6/30)..	158.1	169.8	174.2	183.1	192.5	202.5	212.5	221.4	15	8	22	13	22	13

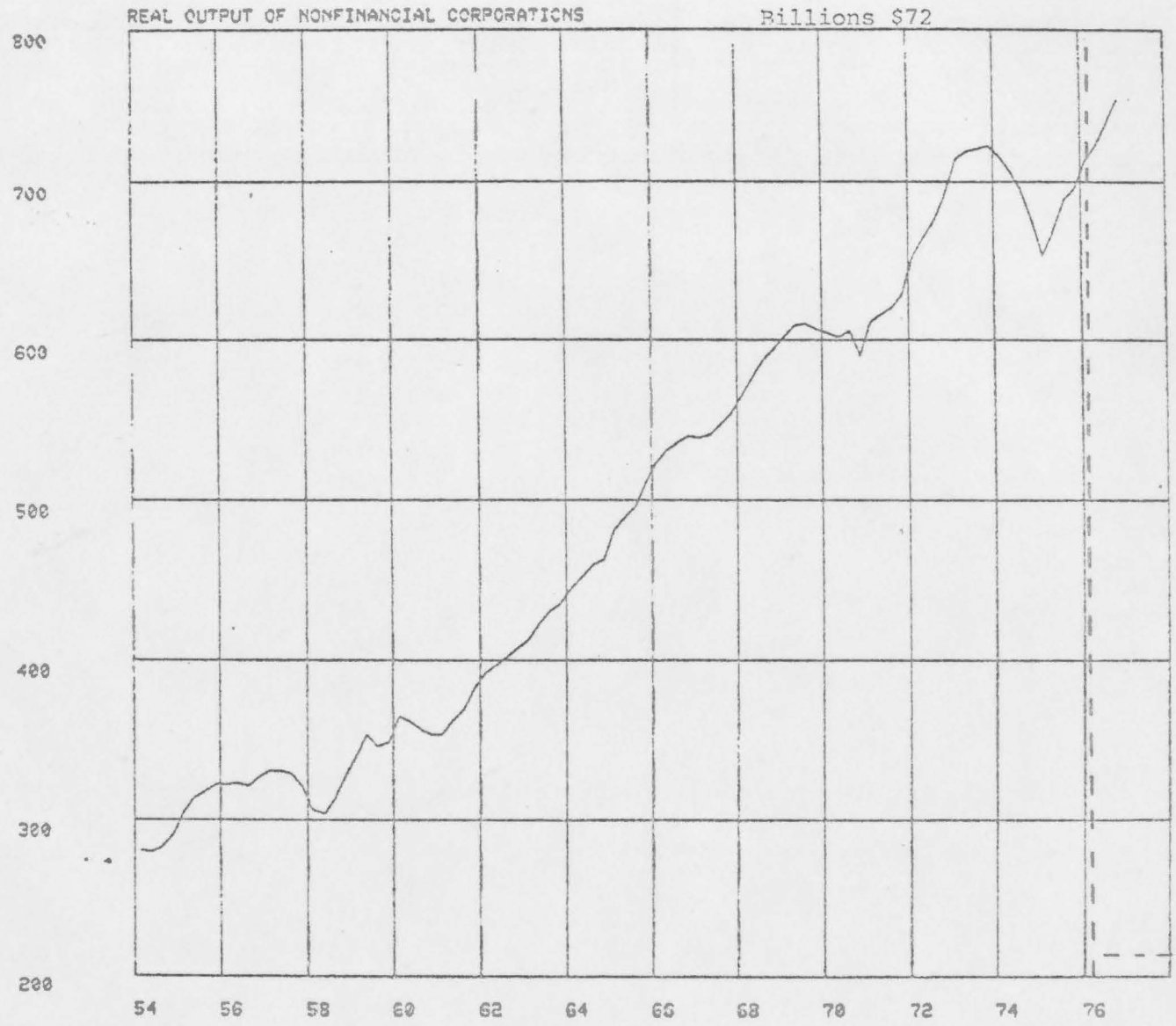


Chart- 1.

Chart- 2.

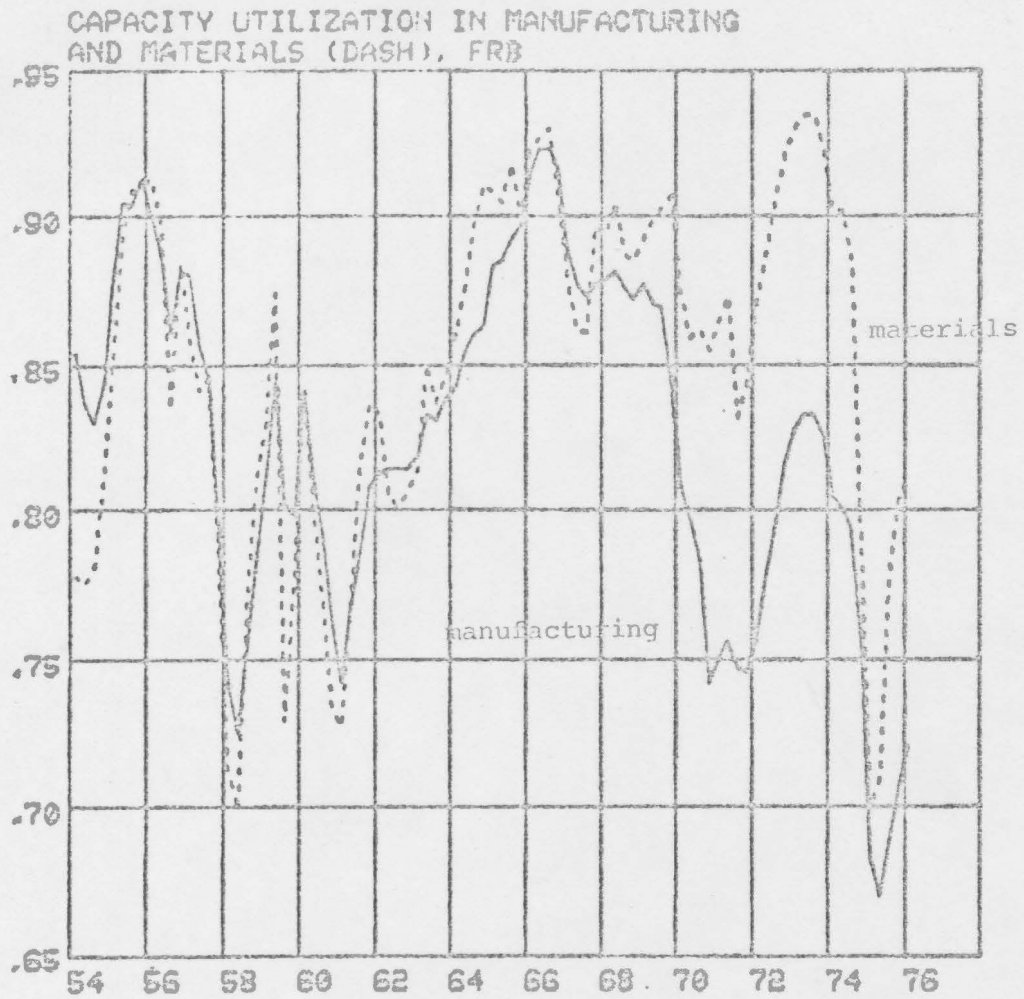
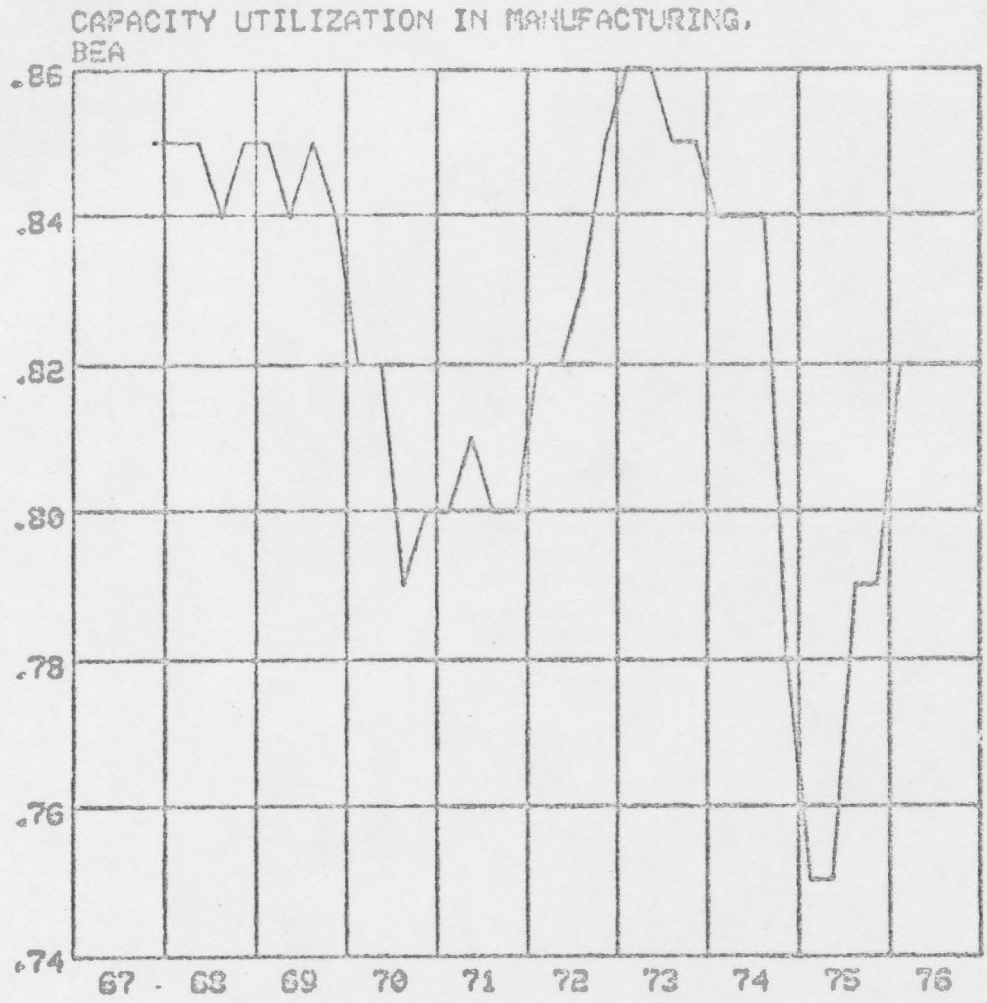


Chart- 3.



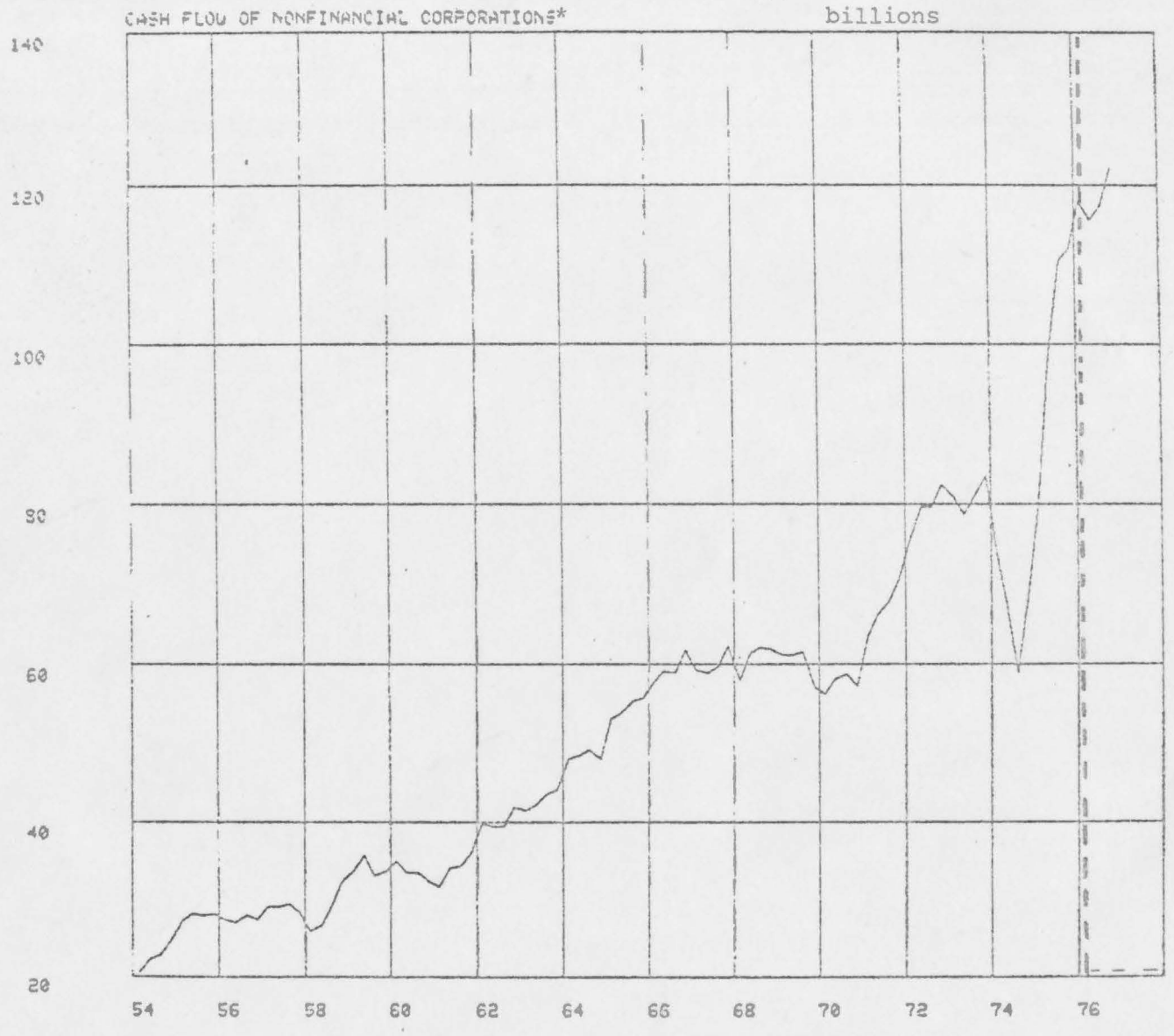
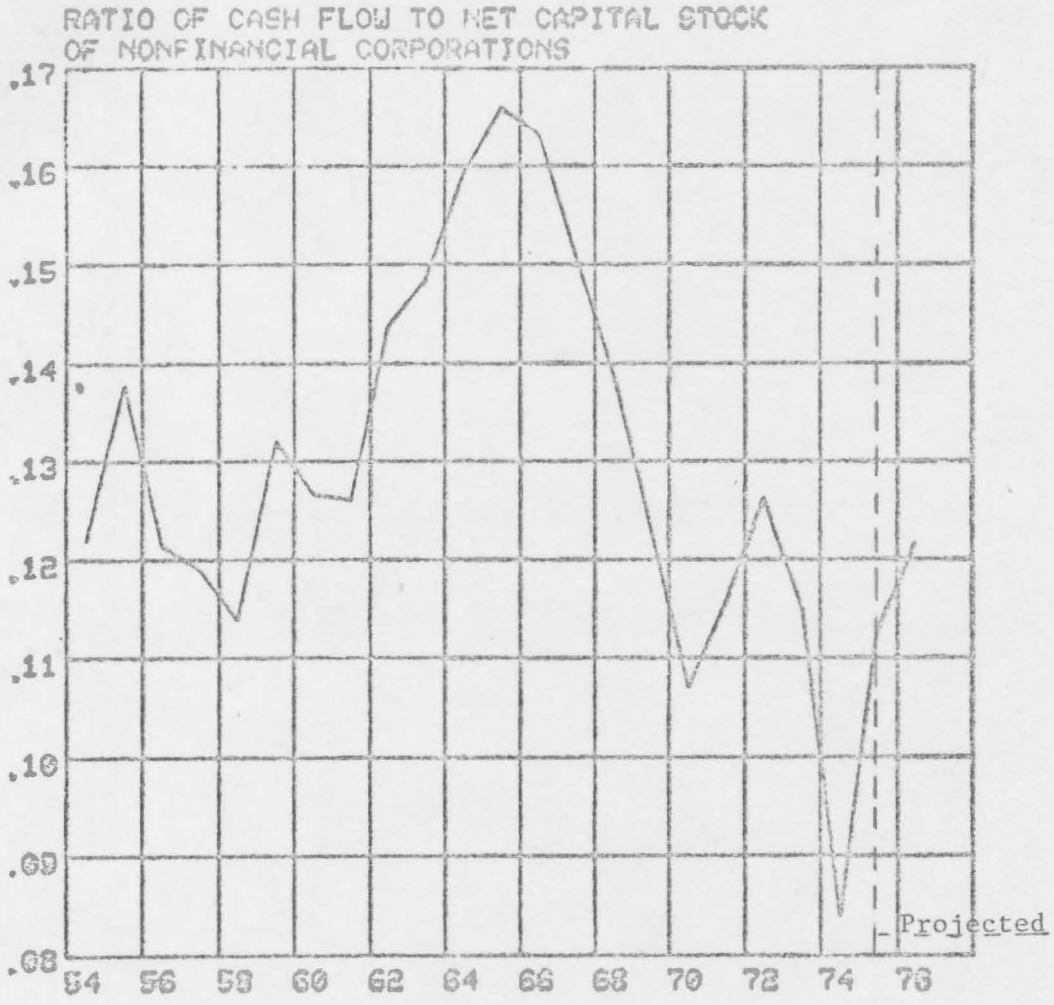


Chart- 4.

*Retained earnings excluding inventory profits plus book depreciation. The cash flow shown represents the flow of internal funds available to increase the present value of the domestic corporate sector

Chart- 5.



RATIO OF CASH FLOW TO TOTAL INVESTMENT
OF NONFINANCIAL CORPORATIONS

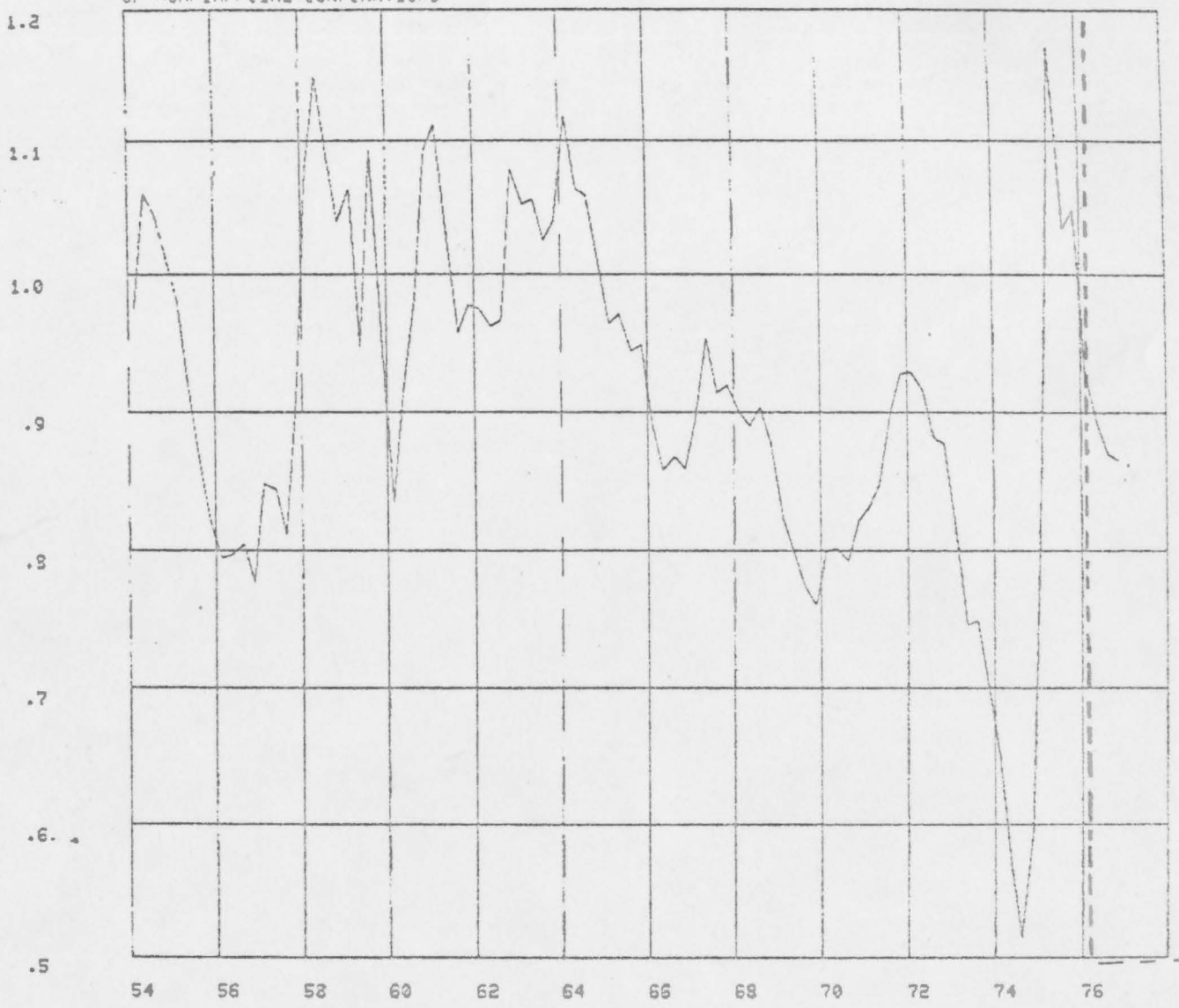


Chart-6.

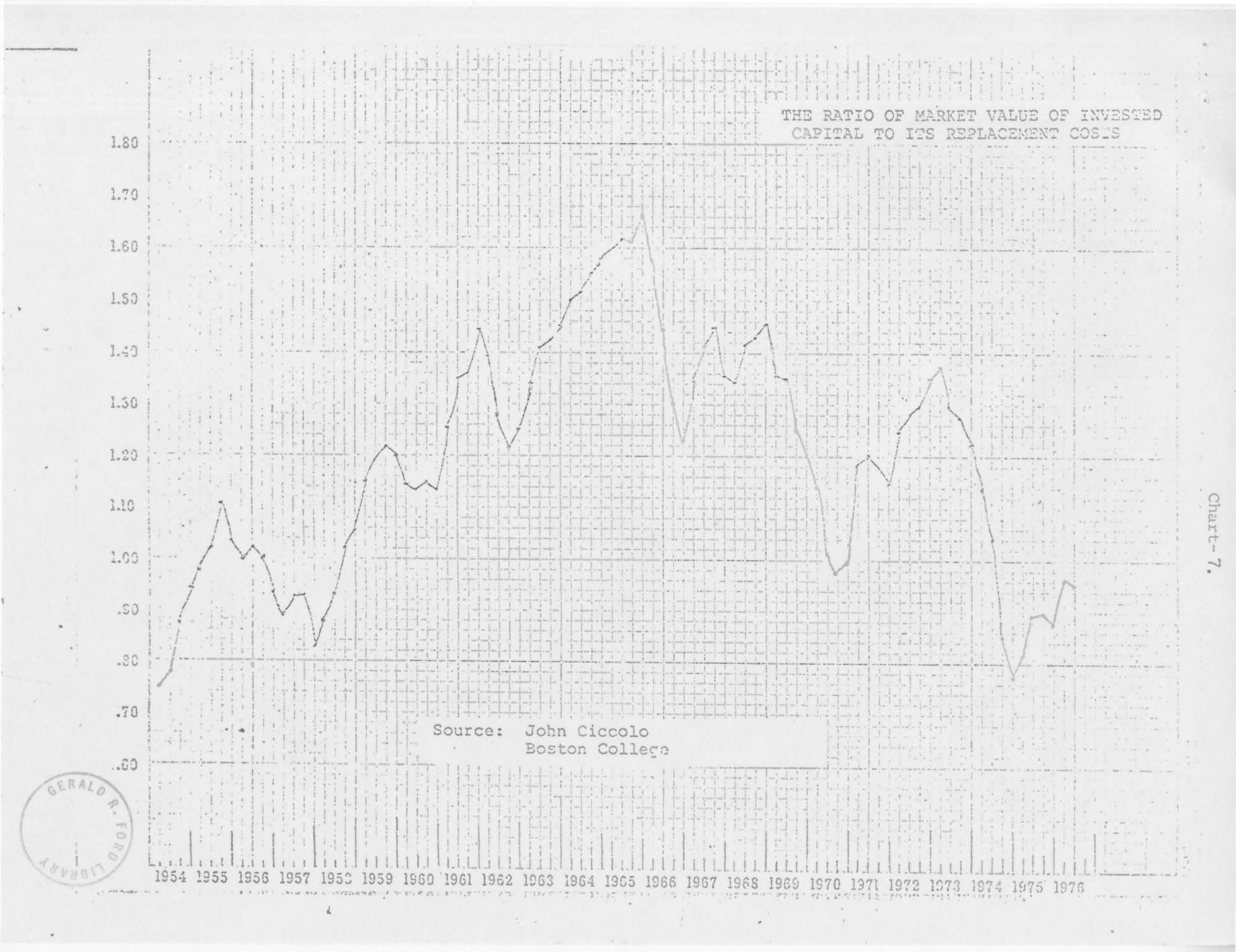
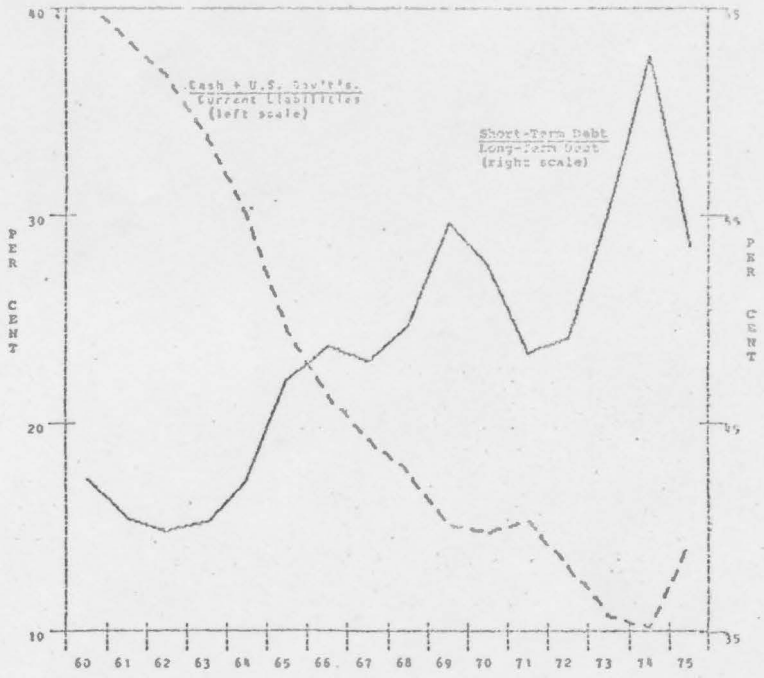


Chart-7.

Chart 8. Measures of Business Liability



Source: Manufacturers Hanover Trust.

Chart- 9.

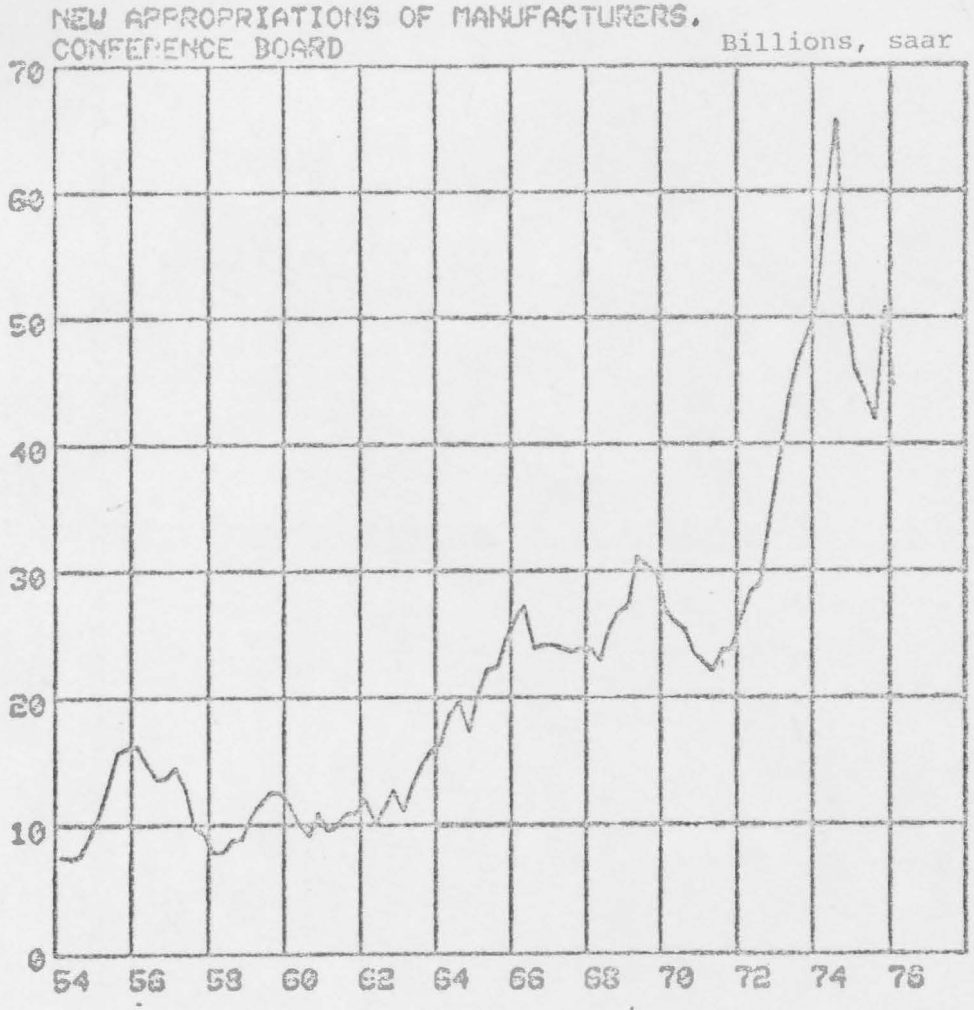


Chart- 10.

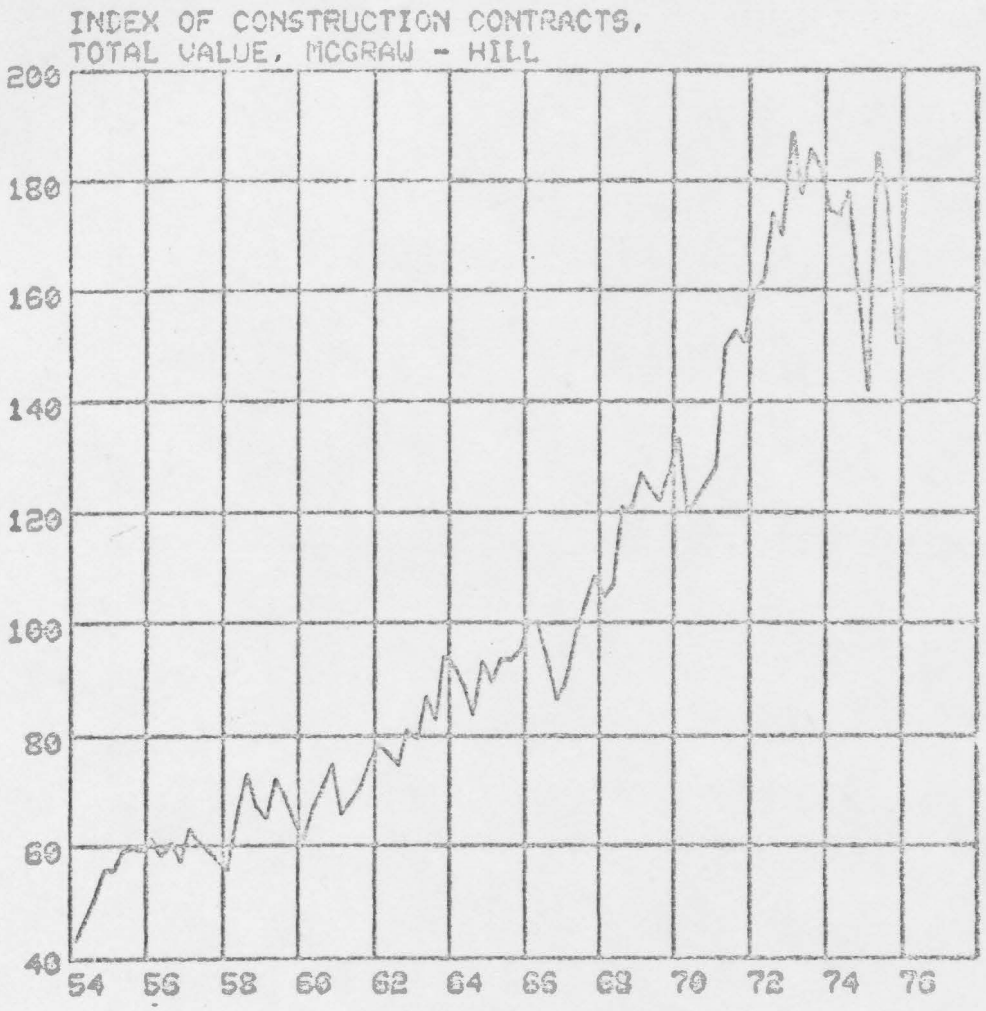


Chart- 11.

Chart- 12.

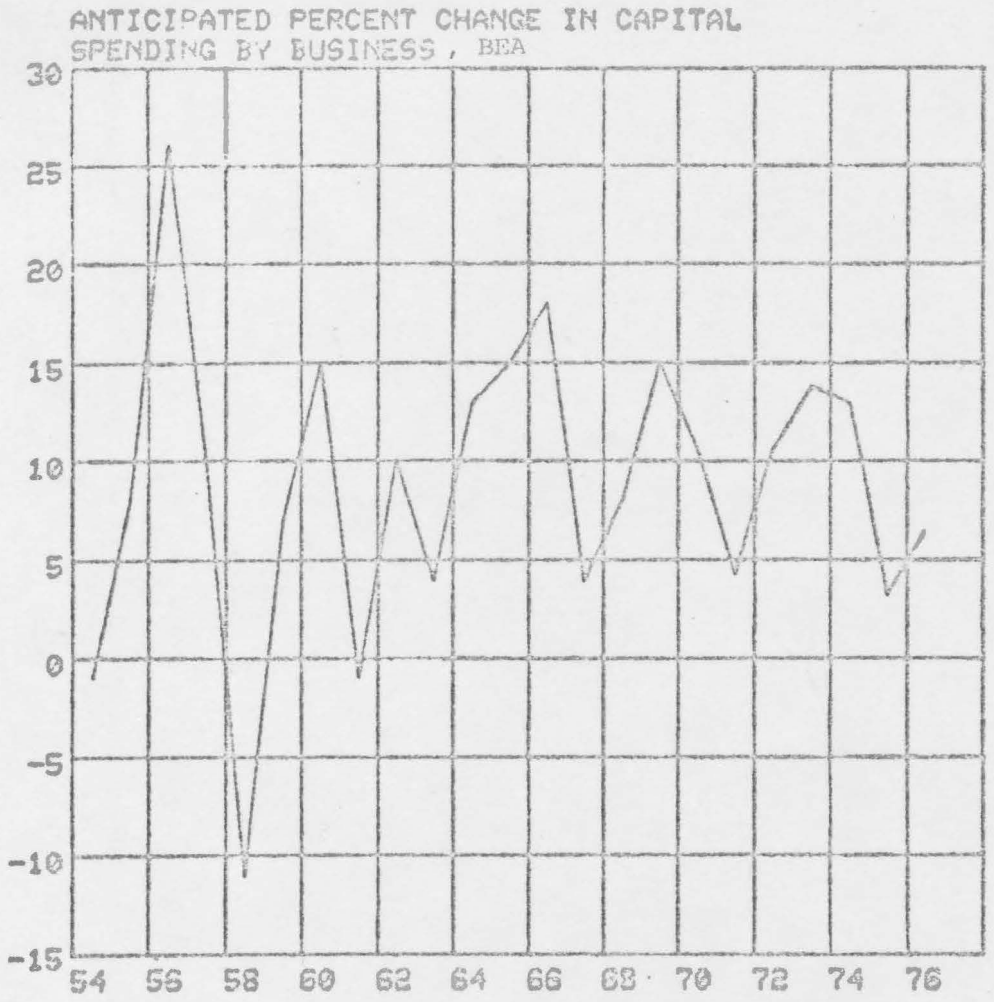
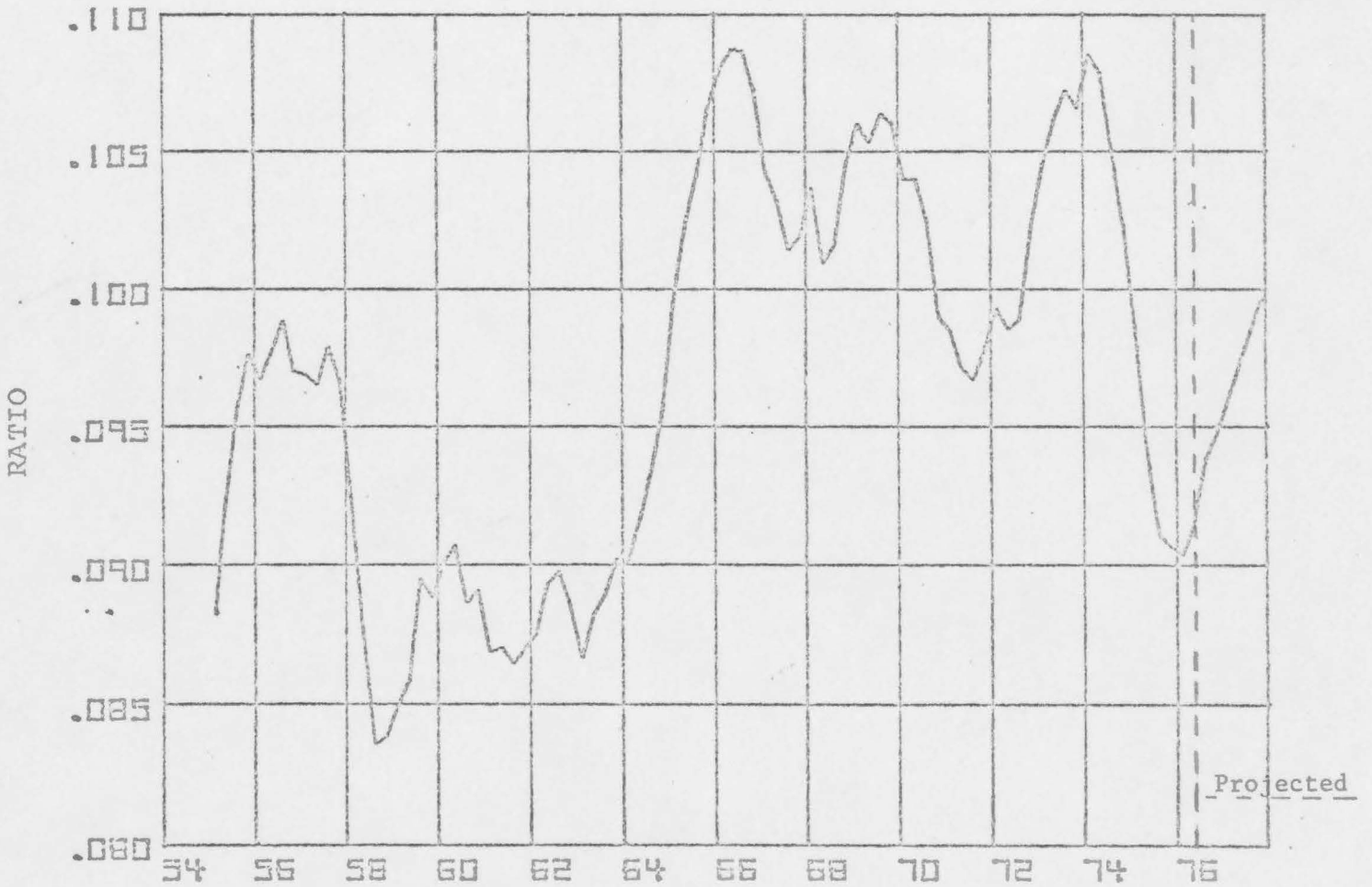


Chart-13.

Ratio of Real Nonresidential
Business Fixed Investment
to Constant-dollar GNP



COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
PAUL W. MACAVOY
BURTON G. MALKIEL

July 27, 1976

MEMORANDUM FOR THE ECONOMIC POLICY BOARD-EXECUTIVE COMMITTEE

FROM: Paul W. MacAvoy and Bruce Gardner

SUBJECT: Crop Prospects and Implications for Farm Prices and Incomes

Crop Prospects

The U.S. 1976 corn crop was forecast as of July 1 to be 166.4 million metric tons, up 20 million tons (14 percent) from 1975. Hot and dry Corn Belt weather in early July threatened this potential large crop, but widespread showers last week have greatly reduced the likelihood of substantial crop loss. The wheat crop has turned out much better than anticipated during the period of moisture shortage last fall and winter. As the harvest moves into Minnesota, we are almost certain to have a wheat supply (production plus carryover stocks) for 1976-77 bigger than the 1975-76 supply. Of the major crops, only soybeans have an outlook for reduced production. Although USDA's first official crop estimate has not been made, acreage planted indicates a crop about 10 percent smaller than last year.

Supply-Demand Balance

Despite the uncertainties of hot, dry weather, it is time to consider the farm price and income consequences if the crops turn out at the currently forecast levels. Consider first the supply and demand outlook for corn.

Although the supply-demand situation for 1975 crop corn is tight, the 1976-77 crop year may be much different. Table 1 compares the 1975-76 and 1976-77 situations as currently estimated.

Table 1. Corn supply and demand estimates, crop year beginning October 1. (million metric tons)

	1975-76	1976-77	
Supply:			
Beginning stocks	9.2	8.1	
Production	146.5	166.4	
Total	155.7	174.5	
Demand:			
Domestic use	104.5	116.8	
Exports	43.2	36.8	
Ending stocks	8.1	20.9	
Total	155.8	174.5	
Chicago price	$2.77	$2.35	(consistent with S-D forecasts)
		$2.85	(futures prices, 1976-77 average)

The year-average price to clear the market for corn in 1975-76, assuming that the July-September 1976 old crop prices continues at roughly the June level, will be about $2.77 (Chicago cash). With 1976 estimated production exceeding domestic use plus exports by about 13 million tons, the 1976-77 price should be much lower, approximately at the $2.35 level (assuming an elasticity of demand for corn for all purposes including exports and private stockpiling of -1/2). However, futures prices, which we take as the best forecast available, currently imply 1976-77 average prices of about $2.85. The market apparently expects either a smaller crop or stronger demand than the current USDA forecasts, although private trade analysts generally agree with the USDA projections. In order to make the futures prices come out correctly, we estimate that a combination of U.S. crop shortfall and export demand adding up to about 15 million metric tons would be required.

Table 2 provides similar comparisons for wheat.

Table 2. Wheat supply and demand estimates, crop year beginning June 1. (million metric tons)

	1975-76	1976-77	
Supply:			
Beginning stocks	11.7	18.1	
Production	58.1	55.5	
Total	69.8	73.6	
Demand:			
Domestic use	19.8	20.0	
Exports	32.0	28.6	
Ending stocks	18.1	25.1	
Total	69.9	73.7	
Kansas City price	$3.81	$3.25	(consistent with S-D forecasts)
		$3.70	(futures prices)

Wheat starts the crop year in a considerably less tight situation, since stocks increased 6-1/2 million metric tons during 1975-76. USDA's projections imply a further buildup during 1975-76 of 7 million tons, which would result in June 1, 1977 wheat stocks of 25 million tons.

The price implications of such a large carryover are bearish. The 1975-76 year-average Kansas City price was $3.81 per bushel. With 1976 production exceeding domestic use plus exports by about 7 million metric tons, the

1976-77 price ought to be lower. Assuming an elasticity of demand for wheat of -2/3, this would imply a 1976-77 average Kansas City price of about $3.25 per bushel. Kansas City futures prices for 1976-77 currently average about $3.70. In order to validate the futures prices it would take roughly a 6 million ton U.S. crop reduction or export demand increase.

The soybean situation is shown in Table 3.

Table 3. Soybean supply and demand estimates, crop year beginning September 1. (million metric tons)

	1975-76	1976-77	
Supply:			
Beginning stocks	5.0	5.4	
Production	41.4	36.7	
Total	46.4	42.1	
Demand:			
Domestic use	25.6	24.5	
Exports	15.4	15.0	
Ending stocks	5.4	2.7	
Total	46.4	42.2	
	$5.30	$5.75-$6.00	(consistent with S-D forecasts)
		$6.55	(futures prices)

The principal uncertainty in demand for grains results from world production, especially for feed grains and Southern Hemisphere wheat. Although prospects for the Soviet grain crop remain good, so that prospective 1976-77 imports are well below 1975-76, the recent severe damage to West European crops implies substantially larger grain

imports than forecast a few months ago. However, much of the European demand for feed grain imports has been felt already in increased exports of 1975 crop corn (crop year ends October 1, 1976). Since last April, USDA has increased its estimate of U.S. corn exports out of 1975 crops from 39.4 to 43.2 million metric tons, and has increased forecast exports of 1976 crop corn from 31.8 to 36.8 million tons.

The situation at this time is more uncertain for soybeans than for either wheat or corn because USDA's first sampling-survey crop forecast is not in and the situation for export demand is unsettled with Soviet demand and the Brazilian production prospects very uncertain. Nonetheless, the prospective smaller U.S. crop and stock drawdown during 1976-77 indicate that prices should be higher than in 1975-76. However, the futures prices appear even more bullish than the supply-demand forecasts warrant.

Farm Income Consequences

Rough calculations suggest that, when an increase in production costs of about 5 percent is added in, net farm income from these three major crops could be reduced by $3 billion in 1976-77 from 1975-76. The farm price equivalents of the wholesale prices implied by the supply-demand forecasts are roughly $2.10 per bushel for corn, $3.00 for wheat, and $5.50-$5.75 for soybeans. The bearish 1976-77 farm values of the crops, compared to last year, would be:

	1975-76	1976-77
CORN:	146 mil. met. tons x 39.4 bu./met. tons x $2.55/bu. = $14.7 billion	166.4 x 39.4 x $2.10 = $13.8 billion
WHEAT:	58.1 mil. met tons x 36.7 bu./met. tons x $3.50/bu. = $7.5 billion	55.5 x 36.7 x $3.00 = $6.1 billion
SOY-BEANS:	41.4 mil. met. tons x 36.7 bu./met. tons x $5.00 = $7.6 billion	36.7 x 36.7 x $5.75 = $7.7 billion
TOTAL:	$29.8 billion	$27.6 billion

These reductions in income, if they come, will not become apparent until the 1976 crops are in. The 1975-crop prices have been holding up well for corn and soybeans and should continue to do so. Wheat could begin to weaken sooner. More important for farm income in the near term is fed steer prices, which are currently putting cattle feeders in a loss position.

On the other hand, dairy prices continue strong in the face of production increases and cotton prices are up substantially. USDA's current projection for aggregate realized net farm income in 1976 under a large crop scenario is $23 billion, down only about $1 billion from 1975.

EYES ONLY

MINUTES OF THE ECONOMIC POLICY BOARD EXECUTIVE COMMITTEE MEETING

July 28, 1976

Attendees: Messrs. Seidman, Richardson, Usery, Dixon, Cannon, Malkiel, Rogers, Gorog, Darman, Porter, Penner, Hormats, Arena, Rosenblatt, Bosworth, Spaulding, Reichley

1. Review for Meeting with the President

Mr. Seidman briefly reviewed the agenda items for today's EPB Executive Committee meeting with the President. Burt Malkiel has been requested to present a brief overview on the current state of the economy with an emphasis on the capital spending outlook.

Secretary Richardson indicated that he had requested the Maritime Administration to review again alternative measures to provide relief to the maritime industry. The Maritime Administration has prepared a paper on "Measures to Assist the U.S.-Flag Merchant Marine Through Changes in the Administration of Cargo Preferences." The measures suggested in the paper will not be presented to the President for his decision today. However, Secretary Richardson indicated that he would like to raise them at today's meeting as candidates for further study.

2. Report on CIEC

The Executive Committee reviewed a paper prepared by the Department of State reporting on the CIEC. The discussion focused on the recent demands by the developing country representatives for a work program which would have committed the industrial countries in advance to large-scale and automatic debt relief for many LDCs and indexation for prices and other key commodities, the possible reasons for the LDC strategy, the impact of a breakdown of the CIEC on the coherence of the industrial democracies' response to the developing nations, and the political impact of a breakdown of the CIEC.

EYES ONLY

Decision

Under Secretary Rogers will review our strategy on the CIEC with the Executive Committee following his return from Europe.

3. California Cannery Strike

Secretary Usery reported that he has been informed some workers will be returning to their jobs today and most workers are expected to be on the job tomorrow following the agreement reached between the 29 canners of California fruits and vegetables and the Council of Cannery and Food Processing Unions.

EYES ONLY
RBP

THE WHITE HOUSE

WASHINGTON

July 26, 1976

MEMORANDUM FOR

THE EXECUTIVE COMMITTEE
ECONOMIC POLICY BOARD

FROM: WILLIAM F. GOROG WFG

SUBJECT: Update of Selected Economic Statistics

1. Money Stock Measures

Change in June from:	M_1 (%Change)	M_2
March 1976	6.7	9.8
December 1975	5.6	10.8
June 1975	4.1	9.0

2. Total Industrial Production (Real terms, seasonally adj.)

(Index: 1967 = 100)	Index	% Change
June 1976	129.9	+0.3
May 1976	129.5	+0.7
April 1976	128.6	+0.4
March 1976	128.1	+0.6
February 1976	127.3	+1.3
(June 1975 - June 1976)		+11.6

3. Retail Sales (Current dollars, seasonally adj.)

Total:	$ Billions	% Change
June 1976	53.99	+2.7
May 1976	52.56	-2.1
April 1976	53.69	+0.7
March 1976	53.34	+1.4
(June 1975 - June 1976)		+10.9

4. Housing Starts and Building Permits (Seasonally adj.)

Starts (annual rates):	Millions of Units	% Change
June 1976	1,492,000	+4.3
May 1976	1,430,000	+4.6
April 1976	1,367,000	-3.5
March 1976	1,417,000	-8.4
(June 1975 - June 1976)		+38.1

Permits (annual rates):		
June 1976	1,122,000	-3.0
May 1976	1,158,000	+7.0
April 1976	1,082,000	-4.6
March 1976	1,134,000	-
(June 1975 - June 1976)		+19.6

5. Employment and Unemployment (Seasonally adj.)

Civilian Labor Force (CLF):	Millions of Persons - 16 yrs.+
June 1976	94.64
May 1976	94.55
April 1976	94.44
March 1976	93.72
March 1975	91.88
December 1974	91.64

Employment:	
June 1976	87.50
May 1976	87.70
April 1976	87.40
March 1976	86.69
March 1975(low)	84.11
December 1974	85.05

Unemployment:	Millions of Persons	% of CLF
June 1976	7.14	7.5
May 1976	6.86	7.3
April 1976	7.04	7.5
March 1976	7.03	7.5
May 1975 (peak)	8.25	8.9
December 1974	6.58	7.2

Unemployment:

		(% of Group)
Heads of Households:		
June 1976	-	5.1
May 1976	-	4.8
April 1976	-	4.8
March 1976	-	5.0
December 1975	-	5.7
May 1975	-	6.1
December 1974	-	4.6

6. Manufacturers' Shipments and Orders (current dollars, seasonally adj.)

Total Shipments:	$ Billions	% Change
May 1976	94.51	+0.7
April 1976	93.84	+0.8
March 1976	93.05	+2.3
February 1976	90.91	+1.8
Total Inventories:		
May 1976	149.17	+0.7
April 1976	148.12	-
March 1976	148.15	+0.6
February 1976	147.32	+0.2
Total New Orders:		
May 1976	96.05	+2.0
April 1976	94.14	+0.8
March 1976	93.39	+3.5
February 1976	90.20	+2.4

7. Consumer Price Index

All Items - 12 mos. previous to:		% Change
June 1976	(+0.5% for month)	+5.9
May 1976	(+0.6% for month)	+6.2
April 1976	(+0.4% for month)	+6.1
March 1976	(+0.2% for month)	+6.1
February 1976	(+0.1% for month)	+6.3
January 1976		+6.8
December 1975		+7.0
September 1975		+7.8
June 1975		+9.3
March 1975		+10.3
December 1974		+12.2

8. Wholesale Price Index

All Commodities - 12 mos. previous to:		% Change
June	1976 (+0.4 for month)	+5.4
May	1976 (+0.3 for month)	+5.0
April	1976 (+0.8 for month)	+5.3
March	1976 (+0.2 for month)	+5.5
September	1975	+6.3
June	1975	+11.6
March	1975	+12.5

9. Gross National Product (constant 1972 dollars)

Change from previous Quarter:	% Change
Second Quarter 1976	+4.4
First Quarter 1976	+9.2
Fourth Quarter 1975	+3.3
Third Quarter 1975	+11.4
Second Quarter 1975	+5.6
First Quarter 1975	-9.9

10. Real Spendable Earnings

12 Months previous to:		% Change
June	1976	-0.4
May	1976	+0.5
April	1976	+4.3
March	1976	+4.5
December	1975	+3.8
September	1975	+1.6
June	1975	+0.2
March	1975	-4.6

11. Personal Income (current dollars, seasonally adj.)

Annual Rate:		$ Billions	% Change
June	1976	1,368.9	+0.4
May	1976	1,362.9	+0.8
April	1976	1,352.5	+0.8
March	1976	1,341.9	+0.8
February	1976	1,331.4	+0.8
January	1976	1,320.8	+1.0
December	1975	1,308.2	+13.3
December	1974	1,153.3	-

12. Composite Index of Leading Indicators

Change from previous month:		% Change
May	1976	+1.4
April	1976	+0.7
March	1976	+0.9
February	1976	+0.7
January	1976	+1.3