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SMALLER BUT STILL SUBSTANTIAL FEDERAL DEFICIT
IN THE THIRD QUARTER OF 1970

The Federal Government recorded another large deficit in the third quarter, as measured in the national income accounts (NIA), the Commerce Department's Office of Business Economics announced today.

The third-quarter deficit -- \$11.2 billion at a seasonally adjusted annual rate -- was down \$3 billion from the \$14.2 billion deficit of the second quarter. There has been a deficit in each quarter so far this year, and a large deficit is also likely in the fourth. By comparison, every quarter in 1969 showed substantial surpluses.

Third-quarter receipts amounted to \$195.5 billion at an annual rate, down \$1.2 billion from the second quarter. While changes in Federal tax rates accounted for a loss of \$4.8 billion, there was an offsetting \$3.6 billion gain attributable to increases in incomes and profits.

Personal taxes were down \$4.1 billion, the net result of a \$1.3 billion increase due to growth in incomes and a \$5.4 billion decline resulting from tax changes (\$3.7 billion attributable to complete elimination of the surcharge and \$1.7 billion from higher personal exemptions). Corporate tax accruals increased \$1.4 billion as before-tax profits rose \$3 billion after declining in the preceding four quarters. Indirect business taxes increased \$0.7 billion, with higher airline user charges in July accounting for \$0.3 billion. An increase in the monthly supplementary medical insurance premium under medicare -- from \$4 to \$5.30 -- accounted for one-third of the \$0.8 billion rise in social insurance contributions.

Total Federal expenditures were \$206.7 billion in the third quarter, at an annual rate, a \$4.2 billion decline from the previous quarter. This resulted from (1) a decrease of \$5.2 billion due to the absence of the retroactive payments associated with the increase in social security benefits and the Federal pay raise which had increased second quarter expenditures, (2) a \$0.8 billion increase in the third quarter due to the 8 percent postal pay raise which was retroactive to mid-April, and (3) after adjustment for the factors just noted, a fractional increase of \$0.2 billion in expenditures, with defense purchases and grants-in-aid declining, and transfers, net interest, and subsidies recording increases.

The NIA statement of Government receipts and expenditures calculated by OBE differs in several respects from the unified budget, and is integrated conceptually and statistically with the rest of the national income and product accounts. Unlike the unified budget, it excludes financial transactions, such as loans; it also records several categories for receipts and expenditures on a timing basis that is different from the budget. It is published quarterly at seasonally adjusted annual rates.

Additional data appear in the Survey of Current Business, the monthly magazine published by the Office of Business Economics. The Survey is available from Field Offices of the Department of Commerce or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at an annual subscription price of \$9, including weekly supplements; single copy, \$1.

				1969					1970	
				III	IV	I	II	III ^{1/}		
				Seasonally adjusted at annual rates						
	1967	1968	1969							
Federal Government receipts	151.2	175.4	200.6	200.8	202.0	195.9	196.7	195.5		
Personal tax and nontax receipts	67.5	79.3	95.9	95.6	96.9	93.4	93.5	89.4		
Corporate profits tax accruals	30.7	37.5	39.2	38.6	38.1	34.8	34.9	36.3		
Indirect business tax and nontax accruals . .	16.3	18.0	19.1	19.5	19.3	19.3	19.4	20.1		
Contributions for social insurance	36.7	40.7	46.5	47.0	47.7	48.4	48.9	49.7		
Federal Government expenditures	163.6	181.6	191.3	192.5	195.9	197.7	210.9	206.7		
Purchases of goods and services	90.7	99.5	101.3	102.5	102.1	102.3	99.7	98.6		
National defense	72.4	78.0	78.8	79.8	78.8	79.3	76.8	75.8		
Other	18.4	21.5	22.6	22.7	23.3	23.0	22.9	22.9		
Transfer payments	42.2	47.8	52.1	52.2	53.3	55.3	64.4	62.9		
To persons	40.0	45.7	50.0	50.3	51.2	53.4	62.4	61.0		
To foreigners (net)	2.2	2.1	2.1	1.9	2.1	1.9	2.0	1.9		
Grants-in-aid to State and local governments	15.8	18.4	20.2	20.0	21.8	23.0	25.1	24.4		
Net interest paid	10.2	11.8	13.1	13.2	13.9	14.3	14.3	14.8		
Subsidies less current surplus of government enterprises	4.6	4.1	4.6	4.6	4.9	5.3	5.3	5.6		
Less: Wage accruals less disbursements0	.0	.0	.0	.0	2.5	-2.1	-.4		
Surplus or deficit (-), national income and product accounts	-12.4	-6.2	9.3	8.3	6.1	-1.7	-14.2	-11.2		

Source: U.S. Department of Commerce, Office of Business Economics. USCOMM-DC 6266-P69
 1/ Third quarter 1970 corporate profits tax accruals and related totals are preliminary and subject to revision next month.