

CONFIDENTIAL (FR)

November 15, 1978

SUMMARY AND OUTLOOK

By the Staff
Board of Governors
of the Federal Reserve System

SUMMARY AND OUTLOOK

STAFF GNP PROJECTIONS

	Per cent changes, annual rate							
	Nominal GNP		Real GNP		Gross business product fixed-weighted price index		Unemployment rate (per cent)	
	10/11/78	11/15/78	10/11/78	11/15/78	10/11/78	11/15/78	10/11/78	11/15/78
1975 ^{1/}	8.2	8.2	-1.3	-1.3	9.4	9.4	8.5	8.5
1976 ^{1/}	11.2	11.2	5.7	5.7	5.4	5.4	7.7	7.7
1977 ^{1/}	11.0	11.0	4.9	4.9	6.2	6.2	7.0	7.0
1978	11.5	11.5	3.8	3.9	7.5	7.5	6.0	6.0
1979	11.5	10.8	3.7	3.1	7.7	7.8	5.9	6.1
1978-I ^{1/}	7.1	7.1	-1.1	-1.1	6.7	6.7	6.2	6.2
1978-II ^{1/}	20.6	20.6	8.7	8.7	12.1	12.1	5.9	5.9
1978-III ^{1/}	10.6	10.7	3.1	3.4	7.0	7.5	6.0	6.0
1978-IV	10.9	11.2	3.3	3.3	6.9	7.3	5.9	5.9
1979-I	11.8	11.3	4.1	3.4	7.9	7.9	5.8	5.9
1979-II	10.4	9.5	3.3	2.3	7.9	7.9	5.8	6.0
1979-III	10.3	8.4	3.3	1.6	7.2	7.0	5.9	6.2
1979-IV	10.5	8.9	2.7	1.4	7.4	7.1	6.0	6.4
Change:								
77-II to 78-II ^{1/}	11.8	11.8	4.3	4.3	7.5	7.5	-1.2	-1.2
77-IV to 78-IV	12.2	12.3	3.7	3.8	8.2	8.4	-.7	-.7
78-II to 79-II	10.9	10.6	3.4	3.1	7.4	7.6	-.1	.1
78-IV to 79-IV	10.8	9.5	3.3	2.1	7.6	7.4	.1	.5
Memo:								
Growth Over Annual Policy Period:								
78-III to 79-III	10.9	10.1	3.5	2.6	7.5	7.5	-.1	.2

^{1/} Actual.

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USS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS
(Quarterly figures are seasonally adjusted. Expenditures and income
figures are billions of current dollars at annual rates.)

	1978				1979			
	I	II	III	IV	Projected I	II	III	IV
Gross national product	1992.0	2087.5	2141.1	2198.4	2257.8	2309.4	2356.7	2407.3
Final purchases	1975.3	2067.4	2123.4	2178.8	2238.2	2289.8	2338.1	2389.7
Private	1558.6	1642.7	1682.1	1724.3	1774.3	1816.8	1855.3	1894.0
Excluding net exports	1582.7	1648.2	1688.6	1730.6	1778.1	1819.7	1854.1	1890.0
Personal consumption expenditures	1276.7	1322.9	1354.5	1388.0	1427.7	1465.1	1496.5	1527.2
Goods	684.9	717.1	728.7	745.1	766.1	784.9	799.5	813.7
Services	591.8	605.8	625.8	642.9	661.6	680.2	697.0	713.5
Gross private domestic investment	322.7	345.4	351.7	362.2	370.0	374.2	376.2	380.4
Residential construction	100.3	105.3	108.8	110.8	112.3	110.3	107.8	107.6
Business fixed investment	205.6	220.1	225.4	231.8	238.1	244.3	249.8	255.2
Change in business inventories	16.7	20.1	17.6	19.6	19.6	19.6	18.6	17.6
Nonfarm	16.9	22.1	18.6	19.6	19.6	19.6	18.6	17.6
Net exports of goods and services ^{1/}	-24.1	-5.5	-6.5	-6.3	-3.8	-2.9	1.2	4.0
Exports	181.7	205.4	210.9	217.7	226.5	236.6	245.1	253.5
Imports	205.8	210.9	217.3	223.9	230.2	239.4	243.8	249.4
Gov't. purchases of goods and services	416.7	424.7	441.3	454.5	463.9	473.0	482.8	495.7
Federal ^{2/}	151.5	147.2	156.1	162.8	165.3	167.6	170.7	176.9
State and local	265.2	277.6	285.2	291.7	298.6	305.4	312.1	318.8
Gross national product in constant (1972) dollars	1354.2	1382.6	1394.3	1405.6	1417.3	1425.4	1431.0	1435.8
Personal income	1628.9	1682.4	1727.2	1776.1	1819.5	1863.0	1910.7	1953.4
Wage and salary disbursements	1050.8	1090.2	1110.9	1140.6	1171.7	1197.3	1222.9	1251.5
Disposable personal income	1391.6	1433.3	1464.7	1504.4	1550.7	1586.5	1625.7	1660.3
Saving rate (per cent)	5.9	5.3	5.1	5.3	5.5	5.2	5.5	5.6
Corporate profits with I.V.A. and C.C. Adj.	132.6	163.4	174.5	178.9	176.7	180.9	183.2	186.9
Corporate profits before tax	172.1	205.5	214.7	219.5	218.1	222.6	224.7	228.2
Federal government surplus or deficit (-) (N.I.A. basis)	-52.6	-23.6	-24.4	-27.9	-31.3	-29.4	-34.1	-37.3
High employment surplus or deficit (-)	-3.0	17.3	14.3	10.4	10.8	16.8	16.9	18.2
State and local government surplus or deficit (-) (N.I.A. basis)	31.5	29.8	23.5	23.9	23.8	23.0	21.6	22.6
Excluding social insurance funds	11.5	9.3	2.2	2.0	1.3	-1.1	-2.1	-1.7
Civilian labor force (millions)	99.2	100.2	100.7	101.3	101.9	102.5	103.0	103.5
Unemployment rate (per cent)	6.2	5.9	6.0	5.9	5.9	6.0	6.2	6.4
Nonfarm payroll employment (millions)	84.3	85.7	86.1	86.7	87.1	87.4	87.7	87.9
Manufacturing	20.1	20.3	20.3	20.5	20.6	20.7	20.8	20.8
Industrial production (1967=100)	139.6	144.0	146.9	148.6	150.2	151.8	152.6	153.3
Capacity utilization: all mfg. (per cent)	82.1	84.0	84.9	85.1	85.2	85.3	84.9	84.5
Materials (per cent)	81.7	84.5	85.7	86.0	86.3	86.5	86.3	86.0
Housing starts, private (million units, A.R.)	1.72	2.11	2.08	1.95	1.85	1.75	1.65	1.60
New autos sales, (millions, A.R.)	10.80	12.12	11.16	11.05	10.80	10.65	10.45	10.30
Domestic models	8.80	10.01	9.19	9.15	9.00	8.90	8.80	8.75
Foreign models	2.00	2.11	1.98	1.90	1.80	1.75	1.65	1.55

1/ Balance of payments data and details underlying these estimates are shown in the International Developments section of this part of the Greenbook.

2/ Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

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PER CENT CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS
(Annual rates compounded quarterly)

November 15, 1978

	1978				1979			
	I	II	III	IV	Projected			
					I	II	III	IV
<u>Constant (1972) dollars</u>								
Gross national product	-1	8.7	3.4	3.3	3.4	2.3	1.6	1.4
Final purchases	-1.6	8.6	4.0	2.9	3.4	2.3	1.8	1.5
Private	-1.1	11.0	2.8	2.8	3.8	2.4	1.6	1.3
Excluding net exports	-1.0	7.7	2.6	2.6	3.3	2.1	1.0	1.0
Personal consumption expenditures	-1.4	6.0	3.4	2.8	3.8	3.2	2.0	1.5
Goods	-8.1	9.7	1.4	2.3	3.8	2.6	1.2	.6
Services	7.0	1.9	5.7	3.4	3.7	3.7	3.0	2.6
Gross private domestic investment	11.3	15.2	-4.2	4.0	1.1	-2.3	-4.6	-2.4
Residential structures	-5.2	2.7	-1.5	-3.9	-4.1	-14.6	-16.3	-8.9
Business fixed investment	4.2	21.3	-2	3.9	3.4	2.9	1.7	1.3
Gov't. purchases of goods and services	-3.5	-2	9.0	3.2	1.9	1.9	2.4	2.1
Federal	-8.9	-15.3	21.1	5.1	1.0	1.3	3.2	2.4
State and local	-1	9.6	2.6	2.1	2.4	2.3	2.0	1.9
Disposable personal income	1.1	3.5	2.6	3.8	4.6	1.9	3.4	1.8
<u>Current dollars</u>								
Gross national product	7.1	20.6	10.7	11.2	11.3	9.5	8.4	8.9
Final purchases	6.4	20.0	11.3	10.9	11.4	9.5	8.7	9.1
Private	7.0	23.4	9.9	10.4	12.1	9.9	8.7	8.6
Excluding net exports	7.1	17.6	10.2	10.3	11.4	9.7	7.8	8.0
Personal consumption expenditures	7.0	15.3	9.9	10.3	11.9	10.9	8.9	8.5
Goods	.5	20.2	6.6	9.3	11.8	10.2	7.7	7.3
Services	15.3	9.8	13.9	11.4	12.2	11.7	10.3	9.8
Gross private domestic investment	12.2	31.3	7.5	12.4	8.9	4.6	2.2	4.5
Residential structures	.5	21.0	14.0	7.7	5.5	-6.9	-8.8	-7
Business fixed investment	11.1	31.2	10.0	12.0	11.3	10.8	9.3	8.9
Gov't. purchases of goods and services	4.1	7.9	16.6	12.5	8.5	8.1	8.5	11.1
Federal	-2.0	-10.9	26.7	18.3	6.3	5.7	7.6	15.3
State and local	7.8	19.9	11.4	9.4	9.8	9.4	9.1	8.9
Disposable personal income	9.8	12.5	9.1	11.3	12.9	9.5	10.3	8.8
Personal income	9.3	13.8	11.1	11.8	10.1	9.9	10.7	9.2
Wage and salary disbursements	12.1	15.9	7.8	11.1	11.4	9.0	8.8	9.7
Corporate profits with IVA & C.C. Adj.	-35.9	130.6	30.1	10.5	-4.8	9.9	5.2	8.3
Corporate profits before tax	-13.2	103.3	18.8	9.4	-2.6	8.5	3.9	6.2
Nonfarm payroll employment	3.8	6.9	2.1	2.6	1.8	1.6	1.3	1.2
Manufacturing	5.7	3.1	-2	3.8	2.7	2.5	1.0	.9
Nonfarm business sector								
Output per hour	-3.1	1.7	3.7	.8	1.7	1.1	.7	.6
Compensation per hour	12.2	8.2	8.9	8.2	12.3	8.5	8.6	8.5
Unit labor costs	15.7	6.4	5.0	7.3	10.4	7.3	7.8	7.9
GNP implicit deflator 1/	7.2	11.0	7.0	7.6	7.6	7.0	6.8	7.4
Gross business product fixed-weighted price index 2/	6.7	12.1	7.5	7.3	7.9	7.9	7.0	7.1
Industrial production	.9	13.2	8.3	4.7	4.5	4.1	2.3	1.8

^{1/} Excluding Federal pay increase rates of change are: 1978 QI, 7.2 per cent; 1978 QIV, 7.1 per cent; 1979 QI, 7.6 per cent; 1979 QIV, 6.9 per cent.

^{2/} Using expenditures in 1972 as weights.

	1972	1973	1974	1975	1976	1977	Projected	
							1978	1979
Gross national product	1171.1	1306.6	1412.9	1528.8	1700.1	1887.2	2104.8	2332.8
Final purchases	1161.7	1288.6	1404.0	1539.6	1689.9	1871.6	2086.2	2314.0
Private	908.6	1019.1	1101.3	1201.2	1330.4	1477.6	1651.9	1835.1
Excluding net exports	911.9	1012.0	1095.3	1180.8	1323.0	1488.7	1662.5	1835.5
Personal consumption expenditures	733.0	809.9	889.6	979.1	1090.2	1206.5	1335.5	1479.1
Goods	410.5	457.5	498.3	541.5	599.2	657.4	718.9	791.0
Services	322.4	352.3	391.3	437.5	491.0	549.2	616.6	688.1
Gross private domestic investment	188.3	220.0	214.6	190.9	243.0	297.8	345.5	375.2
Residential construction	62.0	66.1	55.1	51.5	68.2	91.9	106.3	109.5
Business fixed investment	116.8	136.0	150.6	150.2	164.6	190.4	220.7	246.8
Change in business inventories	9.4	17.9	8.9	-10.7	10.2	15.6	18.5	18.8
Nonfarm	8.8	14.7	10.8	-14.3	12.2	15.0	19.3	18.8
Net exports of goods and services ^{1/}	-3.3	7.1	6.0	20.4	7.4	-11.1	-10.6	-3.3
Exports	72.7	101.6	137.9	147.3	163.2	175.5	203.9	240.4
Imports	75.9	94.4	131.9	126.9	155.7	186.6	214.5	240.7
Gov't. purchases of goods and services	253.1	269.5	302.7	338.4	359.5	394.0	434.3	478.8
Federal ^{2/}	102.1	102.2	111.1	123.1	129.9	145.1	154.4	170.1
State and local	151.0	167.3	191.5	215.4	229.6	248.9	279.9	308.7
Gross national product in constant (1972) dollars	1171.1	1235.0	1217.8	1202.3	1271.0	1332.7	1384.1	1427.4
Personal income	942.5	1052.4	1154.9	1255.5	1380.9	1529.0	1703.6	1886.7
Wage and salary disbursements	633.8	701.3	764.6	805.9	890.1	983.6	1098.1	1210.8
Disposable personal income	801.3	901.7	984.6	1086.7	1184.4	1303.0	1448.5	1605.8
Saving rate (per cent)	6.2	7.8	7.3	7.7	5.7	5.1	5.4	5.5
Corporate profits with I.V.A. and C.C. Adj.	92.1	99.1	83.6	95.9	127.0	144.2	162.4	181.9
Corporate profits before tax	96.2	115.8	126.9	120.4	155.9	173.9	203.0	223.4
Federal government surplus or deficit (N.I.A. basis)	-17.3	-6.7	-10.7	-70.6	-53.8	-48.1	-32.1	-33.0
High employment surplus or deficit (-)	-5.9	-7	17.1	-19.4	-9.3	-4.6	9.8	15.7
State and local government surplus or deficit (-) (N.I.A. basis)	13.7	13.0	7.6	6.2	20.7	29.6	27.2	22.7
Excluding social insurance funds	5.6	4.1	-2.9	-6.2	5.5	11.5	6.3	-7
Civilian labor force (millions)	86.5	88.7	91.0	92.6	94.8	97.4	100.3	102.7
Unemployment rate (per cent)	5.6	4.9	5.6	8.5	7.7	7.0	6.0	6.1
Nonfarm payroll employment (millions)	73.7	76.8	78.3	76.9	79.4	82.3	85.7	87.5
Manufacturing	19.2	20.2	20.1	18.3	19.0	19.6	20.3	20.7
Industrial production (1967=100)	119.7	129.8	129.3	117.8	129.8	137.1	144.8	152.0
Capacity utilization: all manufacturing (per cent)	83.1	87.5	84.2	73.6	80.2	82.4	84.0	85.0
Materials (per cent)	88.0	92.4	87.7	73.6	80.4	81.9	84.5	86.3
Housing starts, private (million units, A.R.)	2.36	2.05	1.34	1.16	1.54	1.99	1.96	1.71
New auto sales, (millions, A.R.)	10.93	11.42	8.91	8.66	10.12	11.13	11.28	10.55
Domestic models	9.32	9.65	7.49	7.08	8.63	9.07	9.29	8.86
Foreign models	1.61	1.77	1.42	1.58	1.50	2.06	2.00	1.69

^{1/} Balance of payments data underlying these estimates are shown in the International Developments section of this part of the Greenbook.

^{2/} Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

	1972	1973	1974	1975	1976	1977	Projected	
							1978	1979
<u>Constant (1972) dollars</u>								
Gross national product	5.7	5.5	-1.4	-1.3	5.7	4.9	3.9	3.1
Final purchases	5.5	4.9	-.7	.2	4.3	4.7	3.7	3.2
Private	6.7	6.3	-1.4	-.3	5.5	5.3	4.0	3.2
Excluding net exports	7.0	5.1	-2.3	-1.0	6.4	6.0	4.0	2.7
Personal consumption expenditures	5.9	4.7	-.9	1.8	5.8	4.7	3.6	3.2
Goods	6.5	5.0	-3.4	.7	6.4	5.0	2.7	2.8
Services	5.3	4.4	2.3	3.2	5.0	4.4	4.6	3.6
Gross private domestic investment	12.9	10.0	-11.4	-22.3	21.6	13.2	7.3	.2
Residential structures	18.8	-3.7	-24.6	-13.9	23.4	20.5	3.3	-7.2
Business fixed investment	8.1	12.2	-.3	-13.0	4.7	9.1	7.2	3.6
Gov't. purchases of goods and services	1.5	-.2	2.1	1.9	.1	2.4	2.3	2.9
Federal	-1.7	-5.4	-.8	.7	.1	5.2	-.8	3.4
State and local	3.8	3.2	3.8	2.6	.1	.8	4.2	2.7
Disposable personal income	4.2	6.7	-1.5	2.1	3.5	4.1	4.0	3.3
<u>Current dollars</u>								
Gross national product	10.1	11.6	8.1	8.2	11.2	11.0	11.5	10.8
Final purchases	9.9	10.9	8.9	9.7	9.8	10.8	11.5	10.9
Private	10.3	12.2	8.1	9.1	10.8	11.1	11.8	11.1
Excluding net exports	11.0	11.0	8.2	7.8	12.0	12.5	11.7	10.4
Personal consumption expenditures	9.7	10.5	9.8	10.1	11.4	10.7	10.7	10.8
Goods	9.5	11.4	8.9	8.7	10.7	9.7	9.4	10.0
Services	9.9	9.3	11.1	11.8	12.2	11.8	12.3	11.6
Gross private domestic investment	17.7	16.8	-2.5	-11.0	27.3	22.6	16.0	8.6
Residential structures	25.0	6.6	-16.7	-6.5	32.5	34.8	15.7	3.0
Business fixed investment	12.2	16.4	10.8	-.3	9.6	15.7	15.9	11.8
Gov't. purchases of goods and services	8.3	6.5	12.3	11.8	6.2	9.6	10.2	10.3
Federal	6.1	.1	8.7	10.7	5.5	11.7	6.4	10.2
State and local	9.8	10.8	14.5	12.5	6.6	8.4	12.5	10.3
Disposable personal income	7.9	12.5	9.2	10.4	9.0	10.0	11.2	10.9
Personal income	9.7	11.7	9.7	8.7	10.0	10.7	11.4	10.7
Wage and salary disbursements	9.4	10.6	9.0	5.4	10.4	10.5	11.6	10.3
Corporate profits with IVA & C.C. Adj.	19.3	7.6	-15.6	14.7	32.4	13.5	12.6	12.0
Corporate profits before tax	17.3	20.4	9.6	-5.1	29.5	11.5	16.7	10.0
Nonfarm payroll employment	3.5	4.3	1.9	-1.7	3.2	3.6	4.2	2.2
Manufacturing	3.1	5.2	-.4	-8.7	3.7	3.4	3.3	2.2
Nonfarm business sector								
Output per hour	3.0	1.7	-2.9	1.9	3.6	1.3	.5	1.5
Compensation per hour	5.8	7.8	9.4	9.9	8.5	8.1	9.1	9.4
Unit labor costs	2.7	6.0	12.7	7.9	4.7	6.7	8.5	7.8
GNP implicit deflator	4.1	5.9	9.7	9.6	5.2	5.9	7.4	7.5
Gross business product fixed-weighted price index ^{1/}	3.3	5.7	10.4	9.4	5.4	6.2	7.5	7.8
Industrial production	9.2	8.4	-.4	-8.9	10.2	5.6	5.6	5.0

^{1/} Using expenditures in 1972 as weights.