

Outlays apparently were consistent with the Administration's expectations, although the distribution was different; continued shortfalls in defense expenditures and declines in unemployment compensation outlays were offset by accelerated spending for the strategic petroleum reserve, lower-than-anticipated repayments of Commodity Credit Corporation loans, and limited sales of financial assets.

The First Concurrent Resolution on the fiscal 1982 budget was passed by the Congress in mid-May. The resolution is in general agreement with the Administration's budget proposals and recommends outlays of \$695 billion and receipts of \$658 billion in FY1982, resulting in a deficit of about \$38 billion. Reconciliation instructions included in the resolution require that the authorizing committees of Congress reduce the cost of existing programs by about \$36 billion. The Senate and House have approved reconciliation bills that are consistent with this target.

The budget resolution allows for tax cuts of \$9 billion in fiscal year 1981 and \$51 billion in fiscal year 1982, sufficient to accommodate the Administration's original tax cut proposals. Subsequently, the Administration has scaled back its recommended tax reductions to \$2 billion in FY1981 and \$38 billion in FY1982. The Senate Finance Committee has reported a bill that is in general agreement with the Administration's revised program. Meanwhile, deliberations by the House Ways and Means Committee on tax reduction continue.

State and local governments have curtailed their spending in recent months, partly in response to reductions in federal grants-in-aid. Employment fell 40,000 in May and has decreased 80,000 over the past six months. In large part, this decline reflects the ongoing elimination

of federally funded public service jobs. CETA enrollments have fallen 180,000 since December; a Labor Department survey suggests that fewer than half of the laid-off CETA workers have been transferred to regular payrolls. The value of new construction activity dropped a record 12 percent in April, with declines recorded for all major State and local government categories. This drop follows a very strong gain in the first quarter, however, and the value of new construction in real terms in the first four months of 1981 was almost 5 percent above that in the fourth quarter of 1980.

Prices and Labor Costs

Declining food and gasoline prices continued to hold down increases in broad measures of inflation in May, and the inflation rate for some other consumer commodities has been running below last year's rate. However, homeownership costs accelerated in May, and prices for capital equipment continued to advance at the double-digit pace evident since early 1980.

Consumer food prices, which were little changed over the first four months of 1981, edged lower in May. Price declines were widespread in May, but meat prices rose slightly, after falling for four months. In addition, farm prices for livestock--especially live hogs--increased sharply in June, amid signs that pork production is trending lower.

Retail energy prices have risen only slightly on average since March, as decreases for petroleum products largely offset higher natural gas and electricity rates. Gasoline prices fell about 1-1/2 percent per month in April and May, and industry sources indicate that these prices