

April 16, 1980

SUMMARY AND OUTLOOK

Prepared for the Federal Open Market Committee

By the staff of the Board of Governors of the Federal Reserve System

STAFF GNP PROJECTIONS

Percent changes, annual rate										
Nominal GNP		Real GNP		Gross domestic business product fixed-weighted price index				Unemployment rate (percent)		
				Total		Excluding food and energy				
3/14/80	4/16/80	3/14/80	4/16/80	3/14/80	4/16/80	3/14/80	4/16/80	3/14/80	4/16/80	
Annual changes:										
1978 1/	12.0	12.0	4.4	4.4	7.6	7.6	7.2	7.2	6.0	6.0
1979 1/	11.4	11.3	2.3	2.3	9.6	9.6	8.1	8.1	5.8	5.8
1980	9.4	8.9	.1	-.4	10.2	10.7	7.9	8.1	6.7	7.0
1981	7.3	7.4	-1.8	-2.1	9.2	9.6	7.9	8.2	8.3	8.6
Quarterly changes:										
1979-Q1 1/	10.6	10.6	1.1	1.1	10.0	10.0	7.7	7.7	5.7	5.7
1979-Q2 1/	6.7	6.7	-2.3	-2.3	10.1	10.1	7.9	7.9	5.8	5.8
1979-Q3 1/	11.9	11.9	3.1	3.1	10.4	10.4	7.6	7.6	5.8	5.8
1979-Q4 1/	10.9	10.5	2.1	2.0	8.9	8.4	7.2	7.2	5.9	5.9
1980-Q1	11.3	10.3	1.9	2.0	11.2	11.9	8.0	8.8	6.1	6.1
1980-Q2	8.2	8.3	-1.6	-2.9	10.8	12.3	8.2	9.0	6.4	6.6
1980-Q3	5.6	4.6	-3.6	-4.9	9.7	10.2	8.3	8.4	7.0	7.3
1980-Q4	5.9	5.3	-3.8	-4.5	9.6	9.7	8.3	8.2	7.5	7.9
1981-Q1	6.8	7.6	-2.5	-2.3	9.2	9.9	8.1	8.7	8.0	8.3
1981-Q2	7.8	9.0	-.8	.0	8.8	9.2	7.6	8.1	8.3	8.5
1981-Q3	9.5	9.0	1.6	.9	8.2	8.5	7.1	7.5	8.4	8.7
1981-Q4	10.2	9.9	1.8	1.2	8.1	8.5	7.0	7.4	8.5	8.8
2/										
Two-quarter changes:										
1979-Q4 1/	11.4	11.2	2.6	2.5	9.6	9.3	7.4	7.1	.1	.1
1980-Q2	9.8	9.3	.2	-.5	11.0	12.1	8.1	8.9	.5	.7
1980-Q4	5.7	4.9	-3.7	-4.7	9.6	10.0	8.3	8.3	1.1	1.3
1981-Q2	7.3	8.3	-1.7	-1.2	8.9	9.5	7.8	8.4	.8	.6
1981-Q4	9.9	9.5	1.7	1.0	8.1	8.5	7.1	7.5	.2	.3
3/										
Four-quarter changes:										
1978-Q4 1/	13.4	13.4	4.8	4.8	8.6	8.6	8.1	8.1	-.7	-.7
1979-Q4 1/	10.0	9.9	1.0	1.0	9.8	9.7	7.6	7.5	.1	.1
1980-Q4	7.7	7.1	-1.8	-2.6	10.3	11.0	8.2	8.6	1.6	2.0
1981-Q4	8.6	8.9	.0	-.1	8.6	9.0	7.5	7.9	1.0	.9

1/ Actual.

2/ Percent change from two quarters earlier.

3/ Percent change from four quarters earlier.

April 16, 1980

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

	1980				1981				
	Q1	Q2	Q3	Q4	Projected	Q1	Q2	Q3	Q4
Gross national product	2517.9	2568.5	2597.5	2631.2	2680.0	2738.1	2797.9	2865.0	
Final purchases	2516.6	2561.8	2595.0	2643.2	2689.0	2738.1	2794.4	2860.0	
Private	1999.7	2035.1	2058.8	2093.7	2130.4	2170.2	2216.3	2267.2	
Excluding net exports	2021.9	2045.6	2063.1	2091.0	2119.8	2157.2	2202.9	2254.9	
Personal consumption expenditures	1634.3	1669.5	1694.0	1719.1	1746.2	1778.2	1815.4	1855.4	
Goods	875.8	888.8	893.3	898.2	904.6	915.9	933.2	953.0	
Services	758.5	780.7	800.7	820.9	841.6	862.3	882.2	902.4	
Gross private domestic investment	388.9	382.8	371.6	359.9	364.6	379.0	391.0	404.5	
Residential construction	111.9	94.9	87.4	90.4	94.4	100.4	107.9	117.4	
Business fixed investment	275.7	281.2	281.7	281.5	279.2	278.6	279.6	282.1	
Change in business inventories	1.3	6.7	2.5	-12.0	-9.0	.0	3.5	5.0	
Nonfarm	.9	6.7	2.5	-12.0	-9.0	.0	3.5	5.0	
Net exports of goods and services ^{1/}	-22.2	-10.5	-4.3	2.7	10.6	13.0	13.4	12.3	
Exports	298.0	303.9	310.2	315.1	322.7	330.7	339.5	348.6	
Imports	320.2	314.4	314.5	312.4	312.1	317.7	326.1	336.3	
Gov't. purchases of goods and services	516.9	526.7	536.2	549.5	558.6	567.9	578.1	592.8	
Federal ^{2/}	187.1	190.6	193.7	200.8	204.4	208.0	211.6	219.7	
State and local	329.8	336.1	342.5	348.7	354.2	359.9	366.5	373.1	
Gross national product in constant (1972) dollars	1447.4	1436.6	1418.7	1402.5	1394.4	1394.4	1397.4	1401.5	
Personal income	2056.3	2105.2	2161.1	2203.4	2237.7	2277.1	2333.0	2381.4	
Wage and salary disbursements	1299.9	1321.4	1338.3	1358.2	1378.3	1400.0	1423.4	1452.6	
Disposable personal income	1736.4	1774.2	1822.2	1856.6	1883.1	1914.1	1961.1	1998.8	
Saving rate (percent)	3.4	3.4	4.5	4.8	4.6	4.5	4.8	4.5	
Corporate profits with I.V.A. and C.C. Adj.	182.5	166.6	149.2	130.4	121.7	129.3	137.2	145.2	
Corporate profits before tax	264.6	238.2	217.9	197.6	189.4	197.5	205.9	214.4	
Federal government surplus or deficit (-) (N.I.A. basis)	-20.3	-13.0	-36.3	-43.0	-30.9	-23.6	-31.3	-28.7	
High employment surplus or deficit (-)	5.2	27.2	27.0	45.7	74.7	91.8	92.5	102.5	
State and local government surplus or deficit (-) (N.I.A. basis)	25.9	22.9	22.0	18.8	18.8	19.5	19.6	21.5	
Excluding social insurance funds	-2.7	-6.3	-7.7	-11.5	-12.1	-12.0	-12.5	-11.2	
Civilian labor force (millions)	104.2	104.5	104.9	105.3	105.5	105.8	106.1	106.4	
Unemployment rate (percent)	6.1	6.6	7.3	7.9	8.3	8.5	8.7	8.8	
Nonfarm payroll employment (millions)	90.7	90.5	90.0	89.5	89.2	89.2	89.2	89.3	
Manufacturing	20.9	20.6	20.3	19.9	19.5	19.3	19.3	19.3	
Industrial production (1967=100)	152.1	150.0	147.8	145.1	143.4	143.0	142.7	142.7	
Capacity utilization: all mfg. (percent)	83.7	81.9	79.9	77.3	75.6	74.7	74.1	73.6	
Materials (percent)	85.3	81.8	79.2	76.8	75.9	74.0	73.6	73.2	
Housing starts, private (million units, A.R.)	1.29	.90	.90	1.10	1.15	1.20	1.30	1.40	
New autos sales, (millions, A.R.)	10.64	9.75	9.55	9.40	9.25	9.35	9.45	9.65	
Domestic models	7.87	7.00	6.85	6.75	6.65	6.70	6.80	6.90	
Foreign models	2.77	2.75	2.70	2.65	2.60	2.65	2.65	2.75	

^{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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CONFIDENTIAL - FR
CLASS II FOMCPERCENT CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS
(Annual rates compounded quarterly)

	1980				1981			
	Q1	Q2	Q3	Projected Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) dollars</u>								
Gross national product -	2.0	-2.9	-4.9	-4.5	-2.3	.0	.9	1.2
Final purchases	2.3	-3.7	-4.4	-2.5	-2.7	-1.3	.4	1.0
Private	1.7	-4.5	-5.3	-3.0	-3.1	-1.5	.4	1.1
Excluding net exports	.6	-6.0	-5.8	-4.0	-4.1	-1.9	.2	1.2
Personal consumption expenditures	1.2	-3.4	-4.1	-3.7	-3.4	-1.6	.3	.8
Goods	-.4	-7.6	-8.0	-7.4	-6.8	-3.8	-.3	.5
Services	3.0	1.7	.6	.5	.2	.6	1.0	1.0
Gross private domestic investment	-3.8	-12.0	-17.5	-19.4	-4.2	7.0	3.7	4.9
Residential structures	-21.0	-52.5	-34.0	5.0	9.1	17.4	21.8	28.0
Business fixed investment	6.0	-1.4	-7.5	-8.4	-11.2	-8.5	-6.2	-3.9
Gov't. purchases of goods and services	4.6	-.7	-.3	-.5	-1.0	-.2	.4	.3
Federal	14.6	.6	.2	.1	.1	1.4	1.4	1.5
State and local	-1.1	-1.5	-.5	-.9	-1.6	-1.1	-.2	-.4
Disposable personal income	.2	-3.3	.7	-2.1	-4.0	-2.4	1.7	-.3
<u>Current dollars</u>								
Gross national product	10.3	8.3	4.6	5.3	7.6	9.0	9.0	9.9
Final purchases	11.1	7.4	5.3	7.6	7.1	7.5	8.5	9.7
Private	10.5	7.3	4.8	6.9	7.2	7.7	8.8	9.5
Excluding net exports	12.8	4.8	3.5	5.5	5.6	7.2	8.7	9.8
Personal consumption expenditures	14.4	8.9	6.0	6.1	6.5	7.5	8.6	9.1
Goods	14.4	6.1	2.0	2.2	2.9	5.1	7.8	8.8
Services	14.3	12.2	10.6	10.5	10.5	10.2	9.6	9.5
Gross private domestic investment	1.8	-6.1	-11.2	-12.0	5.3	16.8	13.3	14.3
Residential structures	-14.6	-48.3	-28.1	14.5	18.9	28.0	33.4	40.1
Business fixed investment	16.8	8.2	.7	-.3	-3.2	-.9	1.4	3.6
Gov't. purchases of goods and services	13.1	7.8	7.4	10.3	6.8	6.8	7.4	10.6
Federal	21.0	7.7	6.7	15.5	7.4	7.2	7.1	16.2
State and local	9.0	7.9	7.8	7.4	6.5	6.6	7.5	7.4
Disposable personal income	13.3	9.0	11.3	7.8	5.8	6.7	10.2	7.9
Personal income	10.6	9.9	11.1	8.1	6.4	7.2	10.2	8.6
Wage and salary disbursements	9.6	6.8	5.2	6.1	6.1	6.4	6.9	8.5
Corporate profits with IVA & C.C. Adj.	6.6	-30.6	-35.7	-41.7	-24.1	27.4	26.8	25.4
Corporate profits before tax	33.4	-34.3	-30.0	-32.3	-15.6	18.2	18.2	17.7
Nonfarm payroll employment	2.6	-.6	-2.2	-2.3	-1.1	-.3	.2	.2
Manufacturing	.1	-4.5	-5.8	-8.3	-7.1	-4.2	-1.4	.6
Nonfarm business sector								
Output per hour	1.2	-2.0	-2.5	-1.7	-.7	.9	1.0	1.3
Compensation per hour	9.7	9.4	9.4	9.4	11.9	8.5	8.3	8.2
Unit labor costs	8.4	11.6	12.2	11.3	12.7	7.5	7.2	6.8
GNP implicit deflator ^{1/}	8.2	11.5	10.0	10.2	10.2	9.0	8.1	8.7
Gross domestic business product								
fixed-weighted price index ^{2/}	11.9	12.3	10.2	9.7	9.9	9.2	8.5	8.5
Excluding food and energy	8.8	9.0	8.4	8.2	8.7	8.1	7.5	7.4
Consumer price index (all urban)	17.2	17.1	18.1	8.5	7.5	8.0	6.3	8.6
Industrial production	-.3	-5.4	-5.7	-7.1	-4.6	-1.1	-.8	.0

^{1/} Excluding Federal pay increases, the rates of change are: 1980-Q1, 8.2 percent; 1980-Q4, 9.6 percent; 1981-Q1, 10.1 percent; 1981-Q4, 8.0 percent.

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

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CONFIDENTIAL - FR
CLASS 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			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	2011.3	2104.2	2159.6	2235.2	2292.1	2329.8	2396.5	2456.9
Final purchases	1988.5	2078.4	2139.5	2214.5	2272.9	2296.4	2381.9	2451.4
Private	1569.1	1650.1	1698.6	1760.7	1812.8	1829.8	1904.1	1950.2
Excluding net exports	1591.3	1657.7	1705.4	1765.2	1808.8	1837.9	1906.4	1962.1
Personal consumption expenditures	1287.2	1331.2	1369.3	1415.4	1454.2	1475.9	1528.6	1580.4
Goods	691.2	722.1	740.2	770.2	784.9	789.9	818.1	846.9
Services	596.0	609.1	629.1	645.1	669.3	686.0	710.6	733.5
Gross private domestic investment	327.0	352.3	356.2	370.5	373.8	395.4	392.3	387.2
Residential construction	100.5	107.7	110.2	113.7	111.2	112.9	116.0	116.4
Business fixed investment	203.7	218.8	225.9	236.1	243.4	249.1	261.8	265.2
Change in business inventories	22.8	25.8	20.0	20.6	19.1	33.4	14.5	5.6
Nonfarm	22.0	25.3	18.5	19.3	18.8	32.6	12.6	2.1
Net exports of goods and services ^{1/}	-22.2	-7.6	-6.8	-4.5	4.0	-8.1	-2.3	-11.9
Exports	184.4	205.7	213.8	224.9	238.5	243.7	267.3	280.4
Imports	206.6	213.3	220.6	229.4	234.4	251.9	269.5	292.4
Gov't. purchases of goods and services	419.4	428.3	440.9	453.8	460.1	466.6	477.8	501.2
Federal ^{2/}	150.9	148.2	152.3	159.0	163.6	161.7	162.9	178.4
State and local	268.5	280.1	288.6	294.8	296.5	304.9	314.9	322.8
Gross national product in constant (1972) dollar	1367.8	1395.2	1407.3	1426.6	1430.6	1422.3	1433.3	1440.3
Personal income	1634.8	1689.3	1742.5	1803.1	1852.6	1892.5	1946.6	2005.0
Wage and salary disbursements	1052.0	1090.0	1116.8	1154.3	1189.3	1212.4	1238.1	1271.5
Disposable personal income	1395.0	1437.3	1476.5	1524.8	1572.2	1601.7	1640.0	1683.1
Saving rate (percent)	5.3	5.0	4.8	4.7	5.0	5.4	4.3	3.5
Corporate profits with I.V.A. and C.C. Adj.	141.2	169.4	175.2	184.8	178.9	176.6	180.8	179.6
Corporate profits before tax	177.5	207.2	212.0	227.4	233.3	227.9	242.3	246.2
Federal government surplus or deficit (-) (N.I.A. basis)	-49.4	-24.6	-20.4	-16.3	-11.7	-7.0	-11.3	-14.7
High employment surplus or deficit (-)	-24.9	-8.0	-6.8	-6.6	-9	13.8	10.8	8.3
State and local government surplus or deficit (-) (N.I.A. basis)	30.2	29.6	22.7	27.1	27.6	19.7	25.3	26.0
Excluding social insurance funds	7.9	6.5	-9	3.3	2.6	-6.3	-1.8	-2.0
Civilian labor force (millions)	99.1	100.2	100.8	101.5	102.3	102.4	103.2	103.7
Unemployment rate (percent)	6.2	6.0	6.0	5.8	5.7	5.8	5.8	5.9
Nonfarm payroll employment (millions)	84.8	86.3	86.9	87.8	88.7	89.4	89.8	90.1
Manufacturing	20.2	20.4	20.5	20.8	21.0	21.1	21.0	20.9
Industrial production (1967=100)	140.8	145.1	147.9	150.7	152.2	151.9	152.3	152.2
Capacity utilization: all mfg. (percent)	82.0	83.9	85.2	86.4	86.7	85.9	85.4	84.6
Materials (percent)	82.6	85.0	86.4	88.2	88.0	87.3	87.2	86.3
Housing starts, private (million units, A.R.)	1.86	2.10	2.03	2.06	1.67	1.82	1.81	1.59
New autos sales, (millions, A.R.)	10.80	12.09	11.16	11.06	11.56	10.65	10.79	9.80
Domestic models	8.80	10.01	9.21	9.14	9.30	8.16	8.63	7.43
Foreign models	2.00	2.09	1.96	1.92	2.25	2.49	2.16	2.37

^{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.

April 16, 1980

CONFIDENTIAL - FR
CLASS II FOMCPERCENT CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS
(Annual rates compounded quarterly)

	1978				1979			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) dollars</u>								
Gross national product	1.9	8.3	3.5	5.6	1.1	-2.3	3.1	2.0
Final purchases	.4	8.7	4.6	5.7	1.1	-3.9	6.4	3.6
Private	.8	10.7	4.4	6.7	1.8	-4.1	7.8	3.1
Excluding net exports	1.0	7.9	4.1	6.9	.4	-2.9	5.3	3.1
Personal consumption expenditures	.8	5.6	4.8	6.8	.6	-2.9	4.9	4.1
Goods	-4.7	9.2	4.2	9.9	-4.4	-7.3	6.0	4.7
Services	7.9	1.4	5.5	3.2	7.1	2.5	3.6	3.5
Gross private domestic investment	12.3	15.7	-5.0	6.6	-.5	8.5	-12.8	-11.6
Residential structures	-4.7	11.0	-4.9	-1.1	-14.3	-7.2	-1.5	-4.5
Business fixed investment	4.6	23.2	3.9	11.3	4.8	-.8	10.7	-.3
Gov't. purchases of goods and services	-1.2	.9	5.0	1.8	-1.8	-3.3	1.0	6.0
Federal	-7.4	-12.3	8.2	3.2	7.2	-11.3	-2.6	16.0
State and local	2.7	9.3	3.3	1.0	-6.6	1.6	3.1	.8
Disposable personal income	2.0	4.0	4.2	6.4	2.1	-1.4	.2	1.1
<u>Current dollars</u>								
Gross national product	8.4	19.8	10.9	14.8	10.6	6.7	11.9	10.5
Final purchases	7.5	19.3	12.3	14.8	11.0	4.2	15.8	12.2
Private	7.7	22.3	12.3	15.4	12.4	3.8	17.3	10.0
Excluding net exports	8.8	17.8	12.0	14.8	10.3	6.6	15.8	12.2
Personal consumption expenditures	9.0	14.4	11.9	14.2	11.4	6.1	15.0	14.3
Goods	3.3	19.1	10.4	17.2	7.9	2.6	15.1	14.8
Services	16.1	9.1	13.8	10.6	15.8	10.4	15.1	13.5
Gross private domestic investment	13.3	34.8	4.5	17.1	3.6	25.2	-3.0	-5.1
Residential structures	2.4	32.0	9.5	13.5	-8.5	6.1	11.7	1.4
Business fixed investment	10.6	33.3	13.7	19.3	12.9	9.6	22.0	5.4
Gov't. purchases of goods and services	6.5	8.8	12.3	12.2	5.6	5.8	10.0	21.1
Federal	-.9	-7.0	11.7	18.7	12.1	-4.6	3.1	43.8
State and local	11.1	18.5	12.6	8.9	2.3	11.9	13.8	10.4
Disposable personal income	10.3	12.7	11.4	13.8	13.0	7.7	9.9	10.9
Personal income	10.0	14.0	13.2	14.7	11.4	8.9	11.9	12.6
Wage and salary disbursements	11.7	15.3	10.2	14.1	12.7	8.0	8.8	10.9
Corporate profits with IVA & C.C. Adj.	-27.5	107.2	14.4	23.8	-12.2	-5.0	9.9	-2.6
Corporate profits before tax	-11.5	85.7	9.6	32.4	10.8	-8.9	27.8	6.6
Nonfarm payroll employment	4.6	7.1	2.8	4.4	4.3	2.9	1.8	1.6
Manufacturing	5.8	3.8	1.3	5.5	5.0	.8	-1.3	-2.3
Nonfarm business sector								
Output per hour	-.9	1.9	2.7	.8	-3.2	-4.1	-1.4	-.5
Compensation per hour	11.4	7.5	8.8	8.8	10.4	7.9	8.5	9.2
Unit labor costs	12.4	5.4	6.0	8.0	14.0	12.5	10.1	8.6
GNP implicit deflator 1/	6.3	10.6	7.2	8.7	9.3	9.3	8.5	8.4
Gross domestic business product								
fixed-weighted price index 2/	6.6	10.5	8.8	8.7	10.0	10.1	10.4	8.4
Excluding food and energy	5.5	9.4	8.9	8.7	7.7	7.9	7.6	7.7
Consumer price index (all urban)	7.8	10.2	8.8	9.1	11.1	13.6	12.9	13.2
Industrial production	1.4	12.8	7.9	7.8	4.0	-.8	1.1	-.3

1/ Excluding Federal pay increases, rates of change were: 1978-Q1, 6.3 percent; 1978-Q4, 8.1 percent; 1979-Q1, 9.3 percent; 1979-Q4, 8.0 percent.

2/ Uses expenditures in 1972 as weights.

April 16, 1980

CONFIDENTIAL - FR
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS
(Expenditures and income figures are billions of current dollars.)

	1974	1975	1976	1977	1978	1979	Projected	
							1980	1981
Gross national product	1412.9	1528.8	1702.2	1899.5	2127.6	2368.8	2578.8	2770.2
Final purchases	1404.0	1539.6	1692.1	1877.6	2105.2	2350.6	2579.2	2770.4
Private	1101.3	1201.2	1330.8	1481.4	1669.6	1874.2	2046.8	2196.0
Excluding net exports	1095.3	1180.8	1322.8	1491.3	1679.9	1878.8	2055.4	2183.7
Personal consumption expenditures	889.6	979.1	1089.9	1210.0	1350.8	1509.8	1679.2	1798.8
Goods	498.3	541.5	601.3	660.1	730.9	809.9	889.0	926.7
Services	391.3	437.5	488.5	549.8	619.8	699.8	790.2	872.1
Gross private domestic investment	214.6	190.9	243.0	303.3	351.5	387.2	375.8	384.8
Residential construction	55.1	51.5	68.1	91.9	108.0	114.1	96.1	105.0
Business fixed investment	150.6	150.2	164.9	189.4	221.1	254.9	280.0	279.9
Change in business inventories	8.9	-10.7	10.0	21.9	22.3	18.2	-4.4	-1.1
Nonfarm	10.8	-14.3	12.1	20.7	21.3	16.5	-5.5	-1.1
Net exports of goods and services ^{1/}	6.0	20.4	8.0	-9.9	-10.3	-4.6	-8.6	12.3
Exports	137.9	147.3	163.3	175.9	207.2	257.5	306.8	335.4
Imports	131.9	126.9	155.4	185.8	217.5	262.1	315.4	323.1
Gov't. purchases of goods and services	302.7	338.4	361.3	396.2	435.6	476.4	532.3	574.3
Federal ^{2/}	111.1	123.1	129.7	144.4	152.6	166.6	193.0	210.9
State and local	191.5	215.4	231.6	251.8	283.0	309.8	339.3	363.4
Gross national product in constant (1972) dollars	1217.8	1202.3	1273.0	1340.5	1399.2	1431.6	1426.3	1396.9
Personal income	1154.9	1255.5	1381.6	1531.6	1717.4	1924.2	2131.5	2307.3
Wage and salary disbursements	764.6	805.9	890.0	984.0	1103.3	1227.6	1329.4	1413.6
Disposable personal income	984.6	1086.7	1184.5	1305.1	1458.4	1624.3	1797.3	1939.3
Saving rate (percent)	7.3	7.7	5.8	5.0	4.9	4.5	4.0	4.6
Corporate profits with I.V.A. and C.C. Adj.	83.6	95.9	126.8	150.0	167.7	179.0	157.2	133.4
Corporate profits before tax	126.9	120.4	156.0	177.1	206.0	237.4	229.6	201.8
Federal government surplus or deficit (N.I.A. basis)	-10.7	-70.6	-53.6	-46.3	-27.7	-11.2	-28.2	-28.6
High employment surplus or deficit (-)	9.0	-19.2	-14.3	-19.3	-11.5	8.0	26.3	90.4
State and local government surplus or deficit (-) (N.I.A. basis)	7.6	6.2	17.9	26.8	27.4	24.7	22.4	19.8
Excluding social insurance funds	-2.9	-6.2	2.3	7.3	4.2	-1.9	-7.0	-12.0
Civilian labor force (millions)	91.0	92.6	94.8	97.4	100.4	102.9	104.7	106.0
Unemployment rate (percent)	5.6	8.5	7.7	7.0	6.0	5.8	7.0	8.6
Nonfarm payroll employment (millions)	78.3	77.0	79.4	82.4	86.4	89.5	90.2	89.2
Manufacturing	20.1	18.3	19.0	19.7	20.5	21.0	20.4	19.4
Industrial production (1967=100)	129.3	117.8	130.5	138.2	146.1	152.2	148.7	142.9
Capacity utilization: all manufacturing (percent)	83.8	72.9	79.5	81.9	84.4	85.7	80.7	74.5
Materials (percent)	87.1	73.4	81.1	82.7	85.6	87.2	80.8	74.2
Housing starts, private (million units, A.R.)	1.34	1.16	1.54	1.99	2.02	1.75	1.05	1.26
New auto sales, (millions, A.R.)	8.91	8.66	10.12	11.13	11.28	10.70	9.84	9.42
Domestic models	7.49	7.08	8.63	9.07	9.29	8.38	7.12	6.76
Foreign models	1.42	1.58	1.50	2.06	1.99	2.32	2.72	2.66

^{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.

April 16, 1980

CONFIDENTIAL - FR
CLASS II FOMCPERCENT CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1974	1975	1976	1977	1978	1979	Projected	
							1980	1981
<u>Constant (1972) dollars</u>								
Gross national product	-1.4	-1.3	5.9	5.3	4.4	2.3	-4	-2.1
Final purchases	-.7	.2	4.5	4.8	4.4	2.7	.3	-2.1
Private	-1.4	-.3	5.6	5.6	5.0	3.2	-.1	-2.5
Excluding net exports	-2.3	-1.0	6.5	6.2	5.0	2.6	-1.0	-3.2
Personal consumption expenditures	-.9	1.8	5.9	5.0	4.5	2.6	.1	-2.5
Goods	-3.4	.7	6.9	5.1	4.1	1.3	-1.9	-5.4
Services	2.3	3.2	4.8	4.9	5.1	4.3	2.4	.6
Gross private domestic investment	-11.4	-22.3	21.6	15.4	7.1	.4	-10.0	-6.2
Residential structures	-24.6	-13.9	23.3	20.7	4.2	-5.7	-22.6	-.3
Business fixed investment	-.3	-13.0	4.8	8.6	8.4	6.2	.9	-8.1
Gov't. purchases of goods and services	2.1	1.9	.2	2.0	1.8	.4	1.9	-.4
Federal	-.8	.7	-.2	4.4	-2.0	.9	5.4	.6
State and local	3.8	2.6	.5	.6	4.0	.2	-.1	-1.0
Disposable personal income	-1.5	2.1	3.7	4.2	4.6	2.3	-.5	-1.8
<u>Current dollars</u>								
Gross national product	8.1	8.2	11.3	11.6	12.0	11.3	8.9	7.4
Final purchases	8.9	9.7	9.9	11.0	12.1	11.7	9.7	7.4
Private	8.1	9.1	10.8	11.3	12.7	12.3	9.2	7.3
Excluding net exports	8.2	7.8	12.0	12.7	12.6	11.8	9.4	6.2
Personal consumption expenditures	9.8	10.1	11.3	11.0	11.6	11.8	11.2	7.1
Goods	8.9	8.7	11.0	9.8	10.7	10.8	9.8	4.2
Services	11.1	11.8	11.7	12.5	12.7	12.9	12.9	10.4
Gross private domestic investment	-2.5	-11.0	27.3	24.8	15.9	10.2	-2.9	2.4
Residential structures	-16.7	-6.5	32.3	35.0	17.5	5.7	-15.8	9.2
Business fixed investment	10.8	-.3	9.8	14.9	16.7	15.2	9.8	-.1
Gov't. purchases of goods and services	12.3	11.8	6.8	9.7	9.9	9.4	11.7	7.9
Federal	8.7	10.7	5.4	11.3	5.7	9.2	15.8	9.3
State and local	14.5	12.5	7.5	8.7	12.4	9.5	9.5	7.1
Disposable personal income	9.2	10.4	9.0	10.2	11.7	11.4	10.7	7.9
Personal income	9.7	8.7	10.0	10.9	12.1	12.0	10.8	8.2
Wage and salary disbursements	9.0	5.4	10.4	10.6	12.1	11.3	8.3	6.3
Corporate profits with IVA & C.C. Adj.	-15.6	14.7	32.2	18.3	11.8	6.7	-12.2	-15.1
Corporate profits before tax	9.6	-5.1	29.6	13.5	16.3	15.2	-3.3	-12.1
Nonfarm payroll employment	2.0	-1.7	3.1	3.8	4.9	3.5	.8	-1.1
Manufacturing	-.4	-8.7	3.7	3.6	4.0	2.5	-2.6	-5.3
Nonfarm business sector								
Output per hour	-2.9	1.9	3.5	1.8	.5	-1.1	-.9	-.6
Compensation per hour	9.4	9.9	8.3	8.0	8.6	8.9	9.2	9.6
Unit labor costs	12.7	7.8	4.7	6.3	8.0	10.2	10.2	10.2
GNP implicit deflator	9.7	9.6	5.2	6.0	7.3	8.8	9.3	9.6
Gross domestic business product								
fixed-weighted price index 1/	10.4	9.4	5.3	6.2	7.6	9.5	10.7	9.6
Excluding food and energy	8.1	9.5	5.8	6.3	7.2	8.1	8.1	8.2
Consumer price index (all urban)	11.0	9.1	5.8	6.5	7.7	11.3	15.3	9.7
Industrial production	-.4	-8.9	10.8	5.9	5.7	4.2	-2.2	-3.9

1/ Uses expenditures in 1972 weights.

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

April 16, 1980

	Fiscal Year 1979*	FY 1980 e/		FY 1980 e/2/		CY 1979*	CY80e/ F.R. Board	FRB Staff Estimates								
		Admin. 1/	F.R. Board	Admin. 1/	F.R. Board			Calendar quarters; unadjusted data								
								1979		1980				1981		
								III*	IV*	I	II	III	IV	I	II	III
Unified budget receipts	465.9	532.4	530.3	628.0	602.8	480.5	548.9	119.9	114.0	115.0	157.6	143.7	132.6	135.9	175.8	158.5
Unified budget outlays	493.7	568.9	572.0	611.5	621.9	508.7	584.4	124.4	138.6	142.2	144.1	147.1	151.0	151.4	157.3	162.2
Surplus(+)/deficit(-), unified budget	-27.7	-36.5	-41.7	16.5	-19.1	-28.2	-35.5	-4.5	-24.6	-27.2	13.5	-3.4	-18.4	-15.5	18.5	-3.7
Surplus(+)/deficit(-), off-budget agencies 3/	-12.4	-15.0	-16.0	-18.7	-20.0	-13.2	-16.3	-4.1	-1.0	-3.7	-6.6	-4.7	-1.3	-6.9	-6.6	-5.2
Combined deficit to be financed	-40.2	-51.5	-57.7	-2.2	-39.1	-41.4	-51.8	-8.6	-25.6	-30.9	6.9	-8.1	-19.7	-22.4	11.9	-8.9
Means of financing combined deficits:																
Net borrowing from public	33.7	39.3	45.3	1.4	37.6	37.3	48.1	12.4	18.9	18.4	1.8	6.2	21.7	19.4	-9.9	6.4
Decrease in cash operating balance	-1.8	9.2	9.2	0.0	0.0	0.4	0.9	-6.7	8.3	7.7	-6.8	0.0	0.0	0.0	0.0	0.0
Other 4/	8.3	3.0	3.1	0.8	1.5	3.5	2.8	2.9	-1.7	4.8	-2.0	2.0	-2.0	3.0	-2.0	2.5
Cash operating balance, end of period	24.2	15.0	15.0	15.0	15.0	15.9	15.0	24.2	15.9	8.2	15.0	15.0	15.0	15.0	15.0	15.0
Memo: Sponsored agency borrowing 5/	19.1	16.2	30.9	16.7	15.0	25.5	27.4	4.8	7.5	7.9	9.5	6.0	4.0	3.0	4.0	4.0
NIA Budget								Seasonally adjusted annual rates								
Receipts 6/	483.7	543.2	544.2	636.1	599.6	497.9	559.2	504.8	525.8	541.3	559.9	564.6	571.1	595.9	610.2	625.3
Expenditures 6/	493.6	568.1	569.6	621.4	632.8	509.0	587.4	516.1	540.4	561.6	572.9	600.9	614.1	626.8	633.8	656.6
Purchases (total)	162.4	188.1	187.4	204.4	206.2	166.6	193.1	162.9	178.4	187.1	190.6	193.7	200.8	204.4	208.0	211.6
Defense	105.9	122.4	120.8	136.8	136.9	108.3	125.3	109.0	114.6	119.4	122.7	126.5	132.4	135.3	138.4	141.4
Nondefense	56.5	65.7	66.6	67.6	69.3	58.4	67.8	53.9	63.8	67.7	67.9	67.2	68.4	69.1	69.6	70.2
All other expenditures	331.2	380.0	382.2	417.0	426.6	342.4	394.3	353.2	362.0	374.5	382.3	407.2	413.3	422.4	425.8	445.0
Surplus(+)/deficit(-) 6/	-9.9	-24.9	-25.4	14.7	-33.2	-11.2	-28.2	-11.3	-14.7	-20.4	-13.0	-36.4	-43.0	-30.9	-23.6	-31.3
High employment surplus(+)/deficit(-) (NIA basis)	4.3	n.a.	16.9	n.a.	76.2	8.0	26.3	10.8	8.3	5.2	27.2	27.0	45.7	74.7	91.8	92.5
*--actual		e--estimated						n.a.--not available								

1. The Budget of the United States Government, Fiscal Year 1981, January 1980 and BEA Fiscal Year 1981 Budget Revisions, March 1980.

2. In its recommendations for the First Concurrent Resolution on the Budget, Fiscal Year 1981, March 1980, the House Budget Committee approved receipts of \$614.2 billion and outlays of \$612.0 billion.

3. Includes Federal Financing Bank Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, and Pension Benefit Guaranty Corporation.

4. Checks issued less checks paid, accrued items and other transactions.

5. FRB staff estimates include Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives marketable debt on an offerings basis.

6. BEA Fiscal Year 1981 Budget Revisions, March 1980. The fiscal year totals are based on unadjusted data and do not conform to the average of four seasonally adjusted quarters. The FRB staff estimates, therefore, have been adjusted in order to make the BEA and the staff estimates comparable.

CONFIDENTIAL (FR)
CLASS 11 FOMC

OUTLOOK FOR U.S. NET EXPORTS AND RELATED ITEMS
(BILLIONS OF DOLLARS, SEASONALLY ADJUSTED ANNUAL RATES)

	1979 ANN.	1980 ANN.	1981 ANN.	1980 Q I	1980 Q II	1980 Q III	1980 Q IV	1981 Q I	1981 Q II	1981 Q III	1981 Q IV
1. GNP NET EXPORTS											
CURRENT \$, NET	-4.6	-8.6	12.3	-22.2	-10.5	-4.3	2.7	10.6	13.0	13.4	12.3
EXPORTS OF G&S	257.5	306.8	335.4	298.0	303.9	310.2	315.1	322.7	330.7	339.5	348.6
IMPORTS OF G&S	262.1	315.4	323.1	320.2	314.4	314.5	312.4	312.1	317.7	326.1	336.3
CONSTANT 72 \$, NET	17.6	27.8	34.8	23.3	27.6	28.7	31.6	34.0	34.8	35.2	35.2
EXPORTS OF G&S	119.9	126.3	127.2	126.7	126.0	126.3	126.1	126.3	126.7	127.5	128.3
IMPORTS OF G&S	102.3	98.5	92.4	103.4	98.4	97.6	94.5	92.3	91.9	92.3	93.2
TERMS OF TRADE (1972=100) 1/	83.8	75.9	75.4	76.0	75.5	76.2	75.6	75.6	75.5	75.4	75.3
2. U.S. MERCHANDISE TRADE BALANCE 2/	-29.5	-41.3	-23.6	-54.7	-41.7	-37.3	-31.7	-24.5	-22.6	-22.9	-24.5
EXPORTS (EXCL. MILITARY)	182.1	214.2	235.1	209.7	212.0	215.5	219.5	225.7	231.6	238.1	245.0
AGRICULTURAL	35.4	37.9	40.9	39.9	38.1	36.8	37.0	39.1	40.3	41.4	42.7
NONAGRICULTURAL	146.7	176.3	194.2	169.8	174.0	178.7	182.6	186.6	191.3	196.7	202.3
IMPORTS	211.5	255.5	258.7	264.4	253.7	252.7	251.2	250.2	254.3	261.0	269.5
PETROLEUM AND PRODUCTS	60.0	87.0	92.2	88.0	85.2	87.5	87.3	88.6	90.6	93.3	96.4
NONPETROLEUM	151.5	168.6	166.5	176.5	168.5	165.3	163.9	161.6	163.7	167.7	173.1
3. U.S. CURRENT ACCOUNT BALANCE	-0.3	-13.2	6.9	-26.3	-14.4	-9.4	-2.6	5.6	7.8	7.9	6.5
OF WHICH: NET INVESTMENT INCOME	32.3	32.4	34.3	33.2	31.7	31.9	32.7	33.7	34.1	34.5	34.9
4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/											
REAL GNP, % CHANGE, ANNUAL RATES	3.7	1.8	1.5	1.0	0.4	0.4	0.8	1.6	2.0	2.4	2.6
CONSUMER PRICES, 4/, % CHANGE, ANNUAL RATES	7.8	11.5	8.4	14.5	11.7	9.3	8.7	8.3	7.8	7.1	7.0

1/ GNP EXPORT IMPLICIT DEFLATOR DIVIDED BY GNP IMPORT IMPLICIT DEFLATOR.

2/ INTERNATIONAL ACCOUNTS BASIS.

3/ GEOMETRIC WEIGHTS USED TO AGGREGATE FOREIGN REAL GNP AND CONSUMER PRICES -- PER CENT SHARE IN TEN-COUNTRY TOTAL MULTILATERAL TRADE. CANADA (9.1%), JAPAN (13.6%), UNITED KINGDOM (11.9%), GERMANY (20.8%), FRANCE (13.1%), ITALY (9.0%), BELGIUM (6.4%), THE NETHERLANDS (8.3%), SWITZERLAND (3.6%), SWEDEN (4.2%).

4/ WHOLESALE PRICES FOR JAPAN.

P/ PROJECTED.

April 16, 1980

RECENT DEVELOPMENTS

Prepared for the Federal Open Market Committee

By the staff of the Board of Governors of the Federal Reserve System

Table 1
 ADMINISTRATION BUDGET ESTIMATES: ON- AND OFF-BUDGET
 (Billions of dollars; fiscal years)

	1979 Actual	1980 Estimate	1981 Estimate
Receipts	465.9	532.4	628.0
Outlays	493.7	568.9	611.5
Surplus(+)/deficit(-)	-27.7	-36.5	16.5
Deficit(-) of off-budget entities	-12.4	-15.0	-18.7
Combined deficit(-)	-40.2	-51.5	-2.2

Table 2
ECONOMIC ASSUMPTIONS IN THE BUDGET
(Billions of dollars; calendar years)

	1979	1980		1981	
	Actual	Jan.	Mar.	Jan.	Mar.
GNP					
Current dollars					
Amount	2,369	2,567	2,621	2,842	2,885
Percent change, year over year	11.4	8.3	10.6	10.7	10.1
Percent change, fourth over fourth	10.0	7.9	10.0	11.7	11.4
Constant (1972) dollars					
Amount	1,432	1,423	1,442	1,448	1,449
Percent change, year over year	2.3	-0.6	0.8	1.7	0.4
Percent change, fourth over fourth	1.0	-1.0	-0.4	2.8	2.2
Price level					
GNP implicit price deflator					
Percent change, year over year	8.8	8.9	9.8	8.8	9.6
Percent change, fourth over fourth	9.0	9.0	10.4	8.6	9.1
Consumer price index					
Percent change, year over year	11.4	11.8	13.9	9.2	9.5
Percent change, fourth over fourth	12.8	10.7	12.8	8.7	9.0
Unemployment rate					
Percent, fourth quarter	5.9	7.5	7.2	7.3	7.3

Table 3
 ADMINISTRATION REVENUE PROPOSALS
 (Billions of dollars; fiscal years)

	1980	1981
January revenue estimate	\$523.8	\$600.0
Revisions due to new economic forecast	5.2	12.0
March revenue forecast (excluding proposals)	\$529.0	\$612.0
New initiatives		
Oil import fee/gasoline tax (initiated March 15, 1980)	3.4	12.6
Withholding on interest and dividends (proposed)	0.0	3.4
New revenue forecast (including initiatives)	\$532.4	\$628.0

Table 4
 CHANGES IN FEDERAL RECEIPTS
 Fiscal Year 1980 to Fiscal Year 1981
 (Billions of dollars)

Source of Change	Revenue Change
Changes increasing effective tax rates or advancing the timing of receipts	
Effects of previously enacted legislation	
Social security rate increase	\$9.2
Effects of new tax initiatives (change from previous period)	
"Windfall profits" tax	9.9
Oil import fee and gas tax	9.2
Tax withholding on interest and dividend income	3.4
Miscellaneous (cash management initiatives, user fees)	5.0
Revenues attributable to the taxation of income at higher rates due to tax progressivity	<u>12.6</u>
Total	\$49.3
Residual (primarily the effect of nominal income growth on receipts under the effective tax rate structure in existence in 1980. The administration expects an 11.4 percent increase in nominal incomes--9.1 percent inflation and 2.2 percent real growth--between 1980:Q4 and 1981:Q4.)	<u>46.3</u>
TOTAL CHANGE	\$95.6

Table 5
COMPARISON OF ADMINISTRATION'S JANUARY AND MARCH OUTLAY ESTIMATES
(Billions of dollars; fiscal years)

	1980	1981
Outlays in January budget estimate	\$563.6	\$615.8
Revisions due to economic assumptions: subtotal	<u>--</u>	<u>4.2</u>
Interest payments	1.0	3.1
Indexed income security programs	--	1.5
Unemployment compensation	-1.0	-0.4
Revisions due to reestimates: subtotal	<u>7.9</u>	<u>8.7</u>
Defense (mainly fuel and transportation costs)	4.0	5.7
Other	3.9	3.0
March budget estimate before proposed reductions	\$571.5	\$628.7
Proposed budget cuts: subtotal	<u>-2.6</u>	<u>-17.2</u>
General revenue sharing (eliminate state portion)	--	-1.7
Deferral of energy projects	-0.2	-1.1
Reduce public service employment	-0.4	-1.0
Targeted fiscal assistance	-0.1	-1.0
Shift from semiannual to annual indexing	-0.2	-1.4
Delay strategic petroleum reserve purchases	-0.2	-0.8
Defense	-0.3	-1.0
Net interest	-0.2	-2.2
Other	-1.0	-7.0 ¹
March budget estimate including proposed spending cuts	\$568.9	\$611.5

1. The \$7.0 billion figure includes grant reductions for community development, waste treatment, education, mass transit and medicare. The President also has proposed a freeze on federal hiring, and a delay in welfare reform.

Table 6
 BUDGET COMMITTEES' ENDORSED RECOMMENDATIONS
 (Billions of dollars; fiscal years)

	1980		1981	
	House	Senate	House	Senate
Receipts	528.8	528.9	614.2	612.9
Outlays	567.0	566.4	612.0	612.9
Surplus(+)/deficit(-)	-38.2	-37.5	2.2	0.0

GROSS OFFERINGS OF CORPORATE SECURITIES
(Monthly totals or monthly averages; in millions of dollars)

	1979		1980		
	H1	H2	Q1 ^P	Mar. ^P	Apr. ^f
----- Seasonally adjusted -----					
Corporate securities--total	4,370	4,160	4,165	3,825	3,950
Publicly offered bonds	2,190	2,110	1,875	1,725	1,825
Privately placed bonds	1,460	875	865	800	800
Stocks	720	1,175	1,425	1,300	1,325
----- Not seasonally adjusted -----					
Publicly offered bonds--total	2,280	2,023	1,933	2,000	2,100
By quality ¹					
Aaa and Aa	1,225	1,120	1,010	760	--
Less than Aa ²	1,055	903	923	1,240	--
By type of borrower					
Utility	700	825	1,175	1,405	--
Industrial ³	635	753	455	495	--
Financial	945	445	303	100	--
Stocks	719	1,183	1,367	1,400	800
By industry group					
Utility	384	621	667	650	--
Industrial	251	408	617	650	--
Financial	84	154	83	100	--

p--preliminary. f--forecast.

1. Bonds categorized according to Moody's bond ratings.

2. Includes issues not rated by Moody's.

3. Includes equipment trust certificates.

GOVERNMENT SECURITY OFFERINGS
(Monthly totals or monthly averages, billions of dollars)

	1979		1980		
	H1	H2	Q1 ^e	March ^e	April ^f
<u>Seasonally adjusted</u>					
State and local government securities, gross offerings					
Total	5.01	5.65	4.72	4.35	4.78
Long-term	3.41	3.82	2.75	2.45	3.05
Short-term	1.60	1.83	1.97	1.90	1.73
U.S. government securities, net offerings					
U.S. Treasury ¹	3.28	2.87	9.41	18.03	6.68
Sponsored agencies	2.22	1.74	3.06	5.23	3.05
<u>Not seasonally adjusted</u>					
State and local government securities, gross offerings					
Total	5.43	5.82	4.30	4.40	6.80
Long-term	3.55	3.68	2.70	2.70	2.80
Housing revenue bonds	0.75	0.92	0.86	0.80	0.75
Single-family	0.57	0.61	0.76	0.72	0.70
Multi-family	0.18	0.31	0.10	0.08	0.05
Short-term	1.88	2.14	1.60	1.70	4.00
U.S. government securities, net offerings					
U.S. Treasury ¹	1.97	4.16	10.68	19.26	1.25
Bills	-0.35	2.13	7.78	18.46	-2.05
Coupons	2.32	2.03	2.90	0.80	3.30
Sponsored agencies	2.09	1.92	2.57	5.08	2.89

e--estimate. f--forecast.

1. Marketable issues only.

CONFIDENTIAL (FR)
CLASS II - FOMC

April 18, 1980

SUPPLEMENT
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

of the nation, with activity falling in March in all areas except the Northeast. Starts of single-family homes fell 23 percent in March to 606,000 units--the lowest level in more than 10 years. Multifamily starts were down 20 percent, reversing an increase in February and bringing the 1980:Q1 pace to 13 percent below 1979:Q4.

Correction:

Pages I-7 and I-11:

The 1979-Q4 change in the 4/16/80 estimate of the fixed-weighted price index for gross domestic business product excluding food and energy should read 6.6 percent per year.

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Percentage Changes at Annual Rates Except as Noted)

	<u>1979</u>	<u>1980</u>
	<u>Q4</u>	<u>Q1</u>
<u>Constant (1972) Dollars</u>		
Gross national product	2.0	1.1
Final purchases	3.6	1.5
Private	3.1	0.6
Excluding net exports	3.1	0.3
Personal consumption expenditures	4.1	1.6
Goods	4.7	- .8
Services	3.5	4.2
Gross private domestic investment	-11.6	-7.5
Residential investment	-4.5	-20.1
Business fixed investment	- .3 ¹	1.1 ¹
Inventory investment	-5.7 ¹	-1.4 ¹
Net exports of goods and services	0.0 ¹	0.7 ¹
Exports	7.0	13.6
Imports	8.2	13.5
Government purchases of goods and services	6.0	5.4
Federal	16.0	16.2
State and local	0.8	-0.5
Disposable personal income	1.1	0.7
<u>Related Items</u>		
Gross national product, current dollars	10.5	10.7
Final purchases, current dollars	12.2	10.9
GNP implicit price deflator	8.4	9.5
Gross domestic business product fixed-weighted price index	8.4	11.8
Excluding food and energy	6.6	8.8
Personal saving rate, current dollars	3.5 ²	3.4 ²

¹ Changes from levels in billions of 1972 dollars.

² Personal saving as percentage of disposable personal income.

PERSONAL INCOME
(Based on seasonally adjusted annual rate data)

	1978	1979	1979 Q4	Q1	1980 Feb.	Mar.
- - Percentage change, at annual rates ¹ - -						
Total personal income	12.9	11.2	12.6	10.7	4.3	9.1
Wage and salary disbursements	12.8	10.1	10.9	10.0	7.8	8.1
Private	14.1	10.8	11.1	11.0	8.6	9.1
Nominal disposable personal income	12.0	10.4	10.9	13.3	4.5	8.7
Real disposable personal income	4.2	.5	1.1	n.a.	-8.4	n.a.
- - Changes in billions of dollars ² - -						
Total personal income	\$17.8	\$16.8	\$22.7	\$13.7	\$7.4	\$15.6
Wage and salary disbursements	11.5	9.7	11.7	9.0	8.4	8.8
Private	10.1	8.4	9.8	7.8	7.5	8.0
Manufacturing	3.2	2.0	2.7	2.1	2.6	1.4
Other income	7.1	8.1	11.7	5.4	-.9	5.6
Transfer payments	1.5	2.9	2.0	2.1	-1.6	1.7
Less: Personal contributions for social insurance	.8	.9	.6	.7	.2	-1.2
Memorandum:						
Personal savings rate ³	4.9	4.6	3.5	3.4	3.4	n.a.

1. Changes over periods longer than one quarter are measured from final quarter of preceding period to final quarter of period indicated. Changes for quarterly period are compounded rates of changes.

2. Average monthly change.

3. Equals the centered three-month moving average of personal savings as a percentage of the centered three-month moving average of disposable personal income.

NEW PRIVATE HOUSING ACTIVITY
(Seasonally adjusted annual rates, millions of units)

	1979		Q1 ¹	1980		
	Annual	Q4		Jan.	Feb.	Mar. ¹
All units						
Permits	1.54	1.35	1.12	1.26	1.14	.94
Starts	1.75	1.59	1.26	1.42	1.33	1.04
Single-family units						
Permits	0.97	.82	.66	.76	.70	.53
Starts	1.19	1.06	.80	1.00	.79	.61
Sales						
New homes	.71	.62	n.a.	.59	.53	n.a.
Existing homes	3.74	3.56	n.a.	3.21	2.99	n.a.
Multifamily units						
Permits	.57	.53	.45	.50	.45	.41
Starts	.55	.54	.47	.42	.54	.44
Mobile home shipments	.28	.26	n.a.	.28	.27	n.a.

1. Preliminary estimates.

n.a.--not available.