

February 6, 1985

## **SUMMARY AND OUTLOOK**

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Prepared for the Federal Open Market Committee

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

February 6, 1985

## 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			
		12/12/84	2/6/85	12/12/84	2/6/85	12/12/84	2/6/85	12/12/84	2/6/85	12/12/84	2/6/85
Annual changes:											
1983	<1>	7.7	7.7	3.7	3.7	3.8	3.8	4.6	4.6	9.6	9.6
1984	<1>	10.7	10.8	6.7	6.8	4.1	4.0	4.4	4.3	7.5	7.5
1985		6.8	7.2	2.7	3.6	4.1	3.7	4.5	4.3	7.1	6.9
1986			6.7		3.0		3.9		4.3		6.6
Quarterly changes:											
1984	Q1 <1>	14.9	14.9	10.1	10.1	4.2	4.2	3.4	3.4	7.9	7.9
	Q2 <1>	10.7	10.7	7.1	7.1	4.1	4.1	5.4	5.4	7.5	7.5
	Q3 <1>	5.7	5.6	1.9	1.6	4.0	4.0	4.9	4.9	7.5	7.4
	Q4 <1>	5.5	6.4	1.3	3.9	4.3	3.3	4.4	3.8	7.3	7.2
1985	Q1	7.1	8.1	2.4	3.8	4.0	3.7	4.3	4.4	7.2	7.2
	Q2	7.0	7.4	3.2	3.6	4.0	3.7	4.3	4.3	7.1	6.9
	Q3	7.0	6.8	3.2	3.5	4.2	3.8	4.3	4.1	7.1	6.8
	Q4	6.8	6.6	2.8	3.3	4.3	3.8	4.4	4.1	7.0	6.7
1986	Q1		6.7		2.8		3.8		4.2		6.7
	Q2		6.4		2.4		4.0		4.4		6.7
	Q3		6.7		2.7		4.3		4.5		6.6
	Q4		7.0		2.8		4.5		4.5		6.6
Two-quarter changes: <2>											
1984	Q2 <1>	12.8	12.8	8.6	8.6	4.2	4.2	4.4	4.4	-1.0	-1.0
	Q4 <1>	5.6	6.0	1.6	2.7	4.2	3.7	4.7	4.4	-.2	-.3
1985	Q2	7.0	7.8	2.8	3.7	4.0	3.7	4.3	4.3	-.2	-.3
	Q4	6.9	6.7	3.0	3.4	4.2	3.8	4.3	4.1	-.1	-.2
1986	Q2		6.6		2.6		3.9		4.3		.0
	Q4		6.9		2.8		4.4		4.5		-.1
Four-quarter changes: <3>											
1983	Q4 <1>	10.4	10.4	6.3	6.3	3.7	3.7	4.4	4.4	-2.1	-2.1
1984	Q4 <1>	9.1	9.3	5.0	5.6	4.2	4.0	4.5	4.4	-1.2	-1.3
1985	Q4	7.0	7.2	2.9	3.6	4.1	3.8	4.3	4.2	-.3	-.5
1986	Q4		6.7		2.7		4.2		4.4		-.1

&lt;1&gt; Actual.

&lt;2&gt; Percent change from two quarters earlier.

&lt;3&gt; Percent change from four quarters earlier.

February 6, 1985

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.)

	1983				1984			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3173.8	3267.0	3346.6	3431.7	3553.3	3644.7	3694.6	3752.5
Final sales	3216.8	3286.4	3350.9	3419.0	3479.5	3594.1	3622.8	3721.4
Private	2538.0	2604.2	2661.1	2727.6	2775.1	2850.4	2861.8	2938.7
Domestic final purchases	2518.4	2610.7	2677.5	2757.4	2826.6	2909.1	2952.4	3003.0
Personal consumption expenditures	2070.4	2141.6	2181.4	2230.2	2276.5	2332.7	2361.4	2398.6
Goods	1034.6	1073.0	1095.8	1122.8	1152.2	1179.0	1178.6	1196.8
Services	1035.8	1068.6	1085.7	1107.5	1124.4	1153.7	1182.8	1201.8
Gross private domestic investment	405.0	449.6	491.9	540.0	623.8	627.0	662.8	635.5
Residential structures	113.3	129.8	142.3	143.4	151.2	155.6	155.3	155.4
Business fixed investment	334.6	339.3	353.9	383.9	398.8	420.8	435.7	448.9
Change in business inventories	-42.9	-19.4	-4.3	12.7	73.8	50.6	71.8	31.1
Nonfarm	-32.6	-5.4	11.6	14.1	60.6	47.0	63.7	22.1
Net exports of goods and services <1>	19.6	-6.5	-16.4	-29.8	-51.5	-58.7	-90.6	-64.3
Exports	328.5	328.1	342.0	346.1	358.9	362.4	368.6	364.7
Imports	308.9	334.5	358.4	375.9	410.4	421.1	459.3	429.0
Gov't. purchases of goods and services	678.8	682.2	689.8	691.4	704.4	743.7	761.0	782.7
Federal <2>	273.0	270.5	269.2	266.3	267.6	296.4	302.0	316.1
State and local	405.8	411.6	420.6	425.1	436.8	447.4	458.9	466.6
Gross national product in constant (1972) dollars	1491.0	1524.8	1550.2	1572.7	1610.9	1638.8	1645.2	1661.1
Personal income	2662.8	2714.7	2763.3	2836.5	2920.5	2984.5	3047.3	3100.4
Wage and salary disbursements	1608.1	1642.1	1671.3	1715.4	1755.7	1793.1	1819.5	1846.1
Disposable personal income	2261.4	2302.9	2367.4	2428.8	2502.2	2554.3	2606.4	2649.4
Saving rate (percent)	5.7	4.2	5.0	5.3	6.1	5.7	6.3	6.3
Corporate profits with I.V.A. and C.C. Adj.	179.0	216.6	245.0	260.0	277.4	291.2	282.8	286.8
Corporate profits before tax	161.6	198.1	227.4	225.5	243.3	246.2	224.8	223.0
Federal government surplus or deficit (-) (N.I.A. basis)	-185.8	-167.3	-180.9	-180.5	-161.3	-163.9	-180.6	-199.9
High employment surplus or deficit (-) <3>	-88.9	-74.2	-102.5	-113.1	-113.3	-129.6	-146.1	-170.8
State and local government surplus or deficit(-) (N.I.A. basis)	34.0	43.8	47.4	51.2	54.0	54.3	47.6	52.0
Excluding social insurance funds	-2.0	6.9	9.5	12.0	13.5	12.4	4.3	7.5
Civilian labor force (millions)	110.7	111.2	112.1	112.1	112.7	113.5	113.8	114.2
Unemployment rate (percent)	10.4	10.1	9.3	8.5	7.9	7.5	7.4	7.2
Nonfarm payroll employment	88.8	89.6	90.4	91.7	92.8	93.8	94.6	95.4
Manufacturing	18.1	18.3	18.6	19.0	19.4	19.6	19.7	19.7
Industrial production (1967=100)	138.5	144.5	151.8	155.5	159.8	163.1	165.6	165.3
Capacity utilisation all manufacturing (percent)	78.7	73.9	77.4	78.9	80.7	81.8	82.5	81.9
Materials (percent)	70.1	73.5	77.5	79.6	81.6	82.7	82.9	81.4
Housing starts, private (million units, A.R.)	1.64	1.69	1.78	1.70	1.97	1.90	1.66	1.56
New auto sales (millions, A.R.)	8.46	9.10	9.22	9.94	10.46	10.68	10.32	9.77
Domestic models	6.06	6.81	6.92	7.29	8.16	8.26	7.97	7.01
Foreign models	2.40	2.28	2.31	2.65	2.30	2.42	2.34	2.76

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

&lt;2&gt; Components of purchases and total receipts and total expenditures are shown in the Federal Sector Account table which follows.

&lt;3&gt; Estimates in table are evaluated at a 6 percent high employment unemployment rate.

CONFIDENTIAL - FR  
CLASS II FOMC

I-9  
PERCENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS  
(Annual rates compounded quarterly)

February 6, 1985

	1983				1984			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	3.3	9.4	6.8	5.9	10.1	7.1	1.6	3.9
Final sales	1.1	6.4	4.9	4.2	3.6	10.3	-1.0	8.2
Private	3.5	8.6	6.2	6.3	4.2	8.5	-2.4	8.6
Domestic final purchases	4.0	12.1	6.9	9.7	7.6	9.5	2.3	4.8
Personal consumption expenditures	2.6	10.0	3.8	6.8	4.6	7.9	.7	3.9
Goods	3.5	12.6	5.4	9.5	7.8	10.7	-1.9	5.1
Services	1.5	7.3	2.1	3.8	1.2	4.6	3.8	2.5
Gross private domestic investment	34.0	52.5	38.4	37.0	71.5	-2.2	24.9	-14.0
Residential structures	64.4	78.5	31.6	4.0	20.8	1.3	-4.6	-1.7
Business fixed investment	.2	9.5	18.7	30.6	20.5	21.4	13.7	11.1
Gov't. purchases of goods and services	-8.1	-2.6	-.5	-4.3	1.0	18.6	5.4	6.6
Federal	-17.3	-5.9	-5.3	-8.7	-2.8	45.4	6.2	13.7
National defense	7.0	7.4	-1.9	9.2	3.8	12.0	-2.3	14.4
State and local	-1.1	-.2	2.7	-1.4	3.5	3.7	4.8	1.9
Disposable personal income	2.1	3.4	7.7	8.2	8.6	6.3	3.9	4.2
<u>Current Dollars</u>								
Gross national product	8.5	12.3	10.1	10.6	14.9	10.7	5.6	6.4
Final sales	5.9	8.9	8.1	8.4	7.3	13.8	3.2	11.3
Private	8.0	10.8	9.0	10.4	7.1	11.3	1.6	11.2
Domestic final purchases	5.7	15.5	10.6	12.5	10.4	12.2	6.1	7.0
Personal consumption expenditures	4.8	14.5	7.6	9.3	8.6	10.2	5.0	6.5
Goods	3.6	15.7	8.8	10.2	10.9	9.6	-.1	6.3
Services	6.1	13.3	6.6	8.3	6.2	10.8	10.5	6.6
Gross private domestic investment	34.3	51.9	43.2	45.3	78.1	2.1	24.9	-15.5
Residential structures	79.4	72.3	44.4	3.3	23.6	12.2	-.6	.1
Business fixed investment	-5.4	5.7	18.5	38.4	16.5	24.0	14.9	12.7
Gov't. purchases of goods and services	-1.3	2.0	4.5	.9	7.7	24.3	9.6	11.9
Federal	-8.9	-3.6	-2.0	-4.3	2.0	50.5	7.8	19.9
National defense	8.0	9.8	3.3	13.2	12.5	14.6	-.8	21.8
State and local	4.2	5.8	9.0	4.4	11.5	10.1	10.7	6.9
Disposable personal income	4.3	7.5	11.7	10.7	12.7	8.6	8.4	6.8
Personal income	3.6	8.0	7.3	11.0	12.4	9.1	8.7	7.2
Wage and salary disbursements	5.6	8.7	7.3	11.0	9.7	8.8	6.0	6.0
Corporate profits with I.V.A. and C.C.Adj.	93.9	114.4	63.7	26.8	29.8	21.4	-10.9	5.6
Corporate profits before tax	15.4	125.8	73.6	-3.3	35.5	4.9	-30.5	-3.2
Nonfarm payroll employment	.5	3.4	3.7	5.8	4.8	4.5	3.3	3.8
Manufacturing	-.9	5.0	7.0	9.1	7.5	4.5	2.1	1.2
Nonfarm business sector								
Output per hour	4.4	8.1	2.1	1.0	2.9	5.5	-1.1	1.7
Compensation per hour	5.7	3.5	2.2	4.1	6.1	3.7	3.6	3.5
Unit labor costs	1.3	-4.2	.1	3.0	3.1	-1.7	4.7	1.8
GNP implicit deflator <1>	5.0	2.6	3.1	4.4	4.4	3.3	3.9	2.4
Gross domestic business product								
fixed-weighted price index <2>	2.7	3.9	4.5	3.5	4.2	4.1	4.0	3.3
Excluding food and energy	4.9	3.5	5.4	3.8	3.4	5.4	4.9	3.8
Consumer price index (all urban)	.3	4.4	4.1	4.5	5.0	3.7	3.5	3.9
Industrial production	10.1	18.4	21.8	10.2	11.5	8.6	6.3	-.8

<1> Excluding the federal pay increase, the rate of change in 1983-Q4 was 4.4 percent.

<2> Uses expenditures in 1972 as weights.

CONFIDENTIAL - FR  
CLASS II FOMC

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

	Projected							
	1985				1986			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3826.7	3895.4	3960.0	4023.9	4090.0	4154.0	4221.9	4294.4
Final sales	3787.5	3859.2	3925.2	3989.5	4055.8	4119.4	4187.4	4259.4
Private	2988.7	3046.6	3097.6	3147.6	3200.7	3252.8	3308.5	3366.6
Domestic final purchases	3063.7	3128.5	3192.5	3251.2	3305.9	3359.8	3418.4	3477.9
Personal consumption expenditures	2445.5	2493.2	2540.4	2585.4	2627.7	2672.0	2717.8	2762.6
Goods	1219.1	1240.2	1261.1	1280.0	1296.9	1314.2	1332.2	1350.7
Services	1226.4	1253.0	1279.3	1305.4	1330.8	1357.8	1385.6	1412.0
Gross private domestic investment	657.4	671.5	686.9	700.2	712.3	722.4	735.1	750.2
Residential structures	157.7	163.8	170.2	173.9	176.2	176.0	179.2	184.6
Business, fixed investment	460.5	471.5	481.9	491.9	501.9	511.8	521.4	530.6
Change in business inventories	39.2	36.2	34.8	34.4	34.2	34.6	34.5	35.0
Nonfarm	35.2	34.2	34.8	34.4	34.2	34.6	34.5	35.0
Net exports of goods and services <1>	-75.0	-81.8	-94.9	-103.6	-105.2	-107.0	-109.9	-111.3
Exports	361.3	364.3	370.1	377.3	384.4	391.7	400.6	411.6
Imports	436.3	446.1	465.0	480.9	489.6	498.7	510.6	522.8
Gov't. purchases of goods and services	798.8	812.5	827.6	841.8	855.1	866.6	878.9	892.8
Federal <2>	323.8	329.2	335.9	341.9	347.3	350.8	355.0	360.6
State and local	475.0	483.3	491.7	499.9	507.8	515.8	523.9	532.2
Gross national product in constant (1972) dollars	1676.6	1691.6	1706.2	1720.1	1732.1	1742.6	1754.2	1766.5
Personal income	3166.3	3221.5	3276.3	3338.6	3389.2	3447.4	3504.6	3563.7
Wage and salary disbursements	1884.1	1918.2	1951.3	1985.4	2019.4	2051.5	2082.8	2116.6
Disposable personal income	2707.7	2753.0	2797.0	2847.1	2896.8	2945.8	2993.8	3043.1
Saving rate (percent)	6.5	6.2	5.9	5.9	5.9	5.9	5.8	5.8
Corporate profits with I.V.A. and C.C. Adj.	290.4	295.3	297.3	293.4	290.7	290.0	293.2	297.5
Corporate profits before tax	222.4	225.8	226.8	220.4	212.2	208.5	208.2	209.5
Federal government surplus or deficit (-) (N.I.A. basis)	-200.7	-200.3	-199.1	-194.8	-191.6	-192.6	-193.7	-194.1
High employment surplus or deficit (-) <3>	-175.5	-179.1	-181.1	-179.4	-177.1	-177.8	-179.5	-181.0
State and local government surplus or deficit (-) (N.I.A. basis)	54.1	57.1	56.0	52.9	51.2	50.4	50.5	50.7
Excluding social insurance funds	9.0	11.5	9.9	6.3	4.1	2.8	2.4	2.1
Civilian labor force (millions)	114.8	115.3	115.8	116.3	116.8	117.3	117.7	118.1
Unemployment rate (percent)	7.2	6.9	6.8	6.7	6.7	6.7	6.6	6.6
Nonfarm payroll employment	96.3	97.1	97.8	98.4	98.9	99.4	99.8	100.3
Manufacturing	19.9	20.0	20.1	20.2	20.3	20.4	20.5	20.5
Industrial production (1967=100)	167.5	169.3	171.1	172.7	174.0	175.4	176.7	178.1
Capacity utilization: all manufacturing (percent)	82.4	82.5	82.7	82.7	82.7	82.6	82.6	82.6
Materials (percent)	81.9	82.2	82.4	82.5	82.5	82.5	82.5	82.5
Housing starts, private (million units, A.R.)	1.70	1.80	1.75	1.75	1.75	1.75	1.75	1.80
New auto sales (millions, A.R.)	10.85	10.95	11.05	11.05	10.95	10.85	10.75	10.65
Domestic models	8.40	8.40	8.35	8.30	8.40	8.25	7.95	7.75
Foreign models	2.45	2.55	2.70	2.75	2.55	2.60	2.80	2.90

<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 Account table which follows.

<3> Estimates in table are evaluated at a 6 percent high employment unemployment rate.

February 6, 1985

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

	Projected							
	1985				1986			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	3.8	3.6	3.5	3.3	2.8	2.4	2.7	2.8
Final sales	3.0	4.1	3.8	3.4	2.9	2.5	2.8	2.8
Private	3.3	4.3	3.8	3.5	3.1	2.7	3.0	3.0
Domestic final purchases	5.4	5.3	4.7	3.8	3.1	2.6	2.8	2.6
Personal consumption expenditures	4.9	4.5	3.8	3.3	2.7	2.6	2.5	2.0
Goods	6.0	5.3	4.4	3.6	2.7	2.5	2.3	2.0
Services	3.7	3.6	3.1	3.0	2.7	2.7	2.6	2.0
Gross private domestic investment	11.9	5.6	6.1	4.9	4.1	2.6	3.7	4.7
Residential structures	2.8	12.2	12.4	5.1	1.5	-4.6	3.1	8.2
Business fixed investment	8.7	7.4	6.6	6.1	5.5	4.8	4.4	4.1
Gov't. purchases of goods and services	1.9	3.0	3.6	3.3	2.1	1.4	1.7	2.2
Federal	1.1	4.0	5.2	4.7	2.4	.6	1.4	2.7
National defense	6.7	7.0	6.0	4.2	2.1	1.2	2.5	4.1
State and local	2.5	2.4	2.4	2.3	1.9	1.9	1.9	1.9
Disposable personal income	6.0	3.4	2.6	3.4	3.1	2.6	2.1	2.0
<u>Current Dollars</u>								
Gross national product	8.1	7.4	6.8	6.6	6.7	6.4	6.7	7.0
Final sales	7.3	7.8	7.0	6.7	6.8	6.4	6.8	7.1
Private	7.0	8.0	6.9	6.6	6.9	6.7	7.0	7.2
Domestic final purchases	8.3	8.7	8.4	7.6	6.9	6.7	7.2	7.1
Personal consumption expenditures	8.1	8.0	7.8	7.3	6.7	6.9	7.0	6.8
Goods	7.7	7.1	6.9	6.1	5.4	5.4	5.6	5.7
Services	8.4	9.0	8.7	8.4	8.0	8.4	8.5	7.8
Gross private domestic investment	14.5	8.9	9.5	8.0	7.1	5.8	7.2	8.5
Residential structures	6.1	16.4	16.6	9.0	5.4	-.5	7.5	12.6
Business fixed investment	10.7	9.9	9.1	8.6	8.4	8.1	7.7	7.3
Gov't. purchases of goods and services	8.5	7.0	7.6	7.1	6.5	5.5	5.8	6.5
Federal	10.1	6.8	8.4	7.3	6.5	4.1	4.9	6.5
National defense	14.6	10.0	9.5	7.4	6.4	4.7	6.4	8.2
State and local	7.4	7.2	7.1	6.9	6.5	6.4	6.4	6.5
Disposable personal income	9.1	6.9	6.5	7.4	7.2	6.9	6.7	6.7
Personal income	8.8	7.2	7.0	7.8	6.2	7.0	6.8	6.9
Wage and salary disbursements	8.5	7.4	7.1	7.2	7.0	6.5	6.2	6.6
Corporate profits with I.V.A. and C.C.Adj.	5.1	7.0	2.7	-5.1	-3.7	-1.0	4.5	6.0
Corporate profits before tax	-1.1	6.3	1.7	-10.7	-14.1	-6.9	-.5	2.5
Nonfarm payroll employment	3.7	3.2	2.9	2.6	2.1	1.9	1.8	1.9
Manufacturing	2.7	2.6	2.3	2.0	2.0	1.4	1.4	1.4
Nonfarm business sector								
Output per hour	1.3	.8	1.1	1.3	1.0	.8	1.2	1.3
Compensation per hour	4.4	4.2	4.3	4.4	4.9	4.6	4.7	4.8
Unit labor costs	3.1	3.4	3.2	3.1	3.8	3.8	3.5	3.5
GNP implicit deflator <1>	4.2	3.6	3.2	3.2	3.8	3.9	3.9	4.1
Gross domestic business product								
fixed-weighted price index <2>	3.7	3.7	3.8	3.8	3.8	4.0	4.3	4.5
Excluding food and energy	4.4	4.3	4.1	4.1	4.2	4.4	4.5	4.5
Consumer price index (all urban)	3.5	3.7	3.9	4.1	4.1	4.1	4.3	4.6
Industrial production	5.4	4.3	4.4	3.7	3.2	3.1	3.1	3.2

&lt;1&gt; Excluding Federal pay increase, the rate of change in 1985-Q1 is 3.7 percent and in 1986-Q1 is 3.7 percent.

&lt;2&gt; Uses expenditures in 1972 as weights.

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GROSS NATIONAL PRODUCT AND RELATED ITEMS  
(Expenditures and income figures are billions of current dollars.)

	1979	1980	1981	1982	1983	1984	—Projected—	
							1985	1986
Gross national product	2417.8	2631.7	2957.7	3069.2	3304.8	3661.3	3926.5	4190.1
Final sales	2403.5	2641.4	2931.7	3095.4	3318.3	3604.5	3890.3	4155.5
Private	1929.2	2103.7	2335.2	2444.9	2632.7	2856.5	3070.1	3282.1
Domestic final purchases	1915.9	2079.7	2307.2	2425.9	2641.0	2922.8	3159.0	3390.5
Personal consumption expenditures	1507.1	1668.0	1849.1	1984.9	2155.9	2342.3	2516.1	2695.0
Goods	813.4	883.5	966.1	1002.6	1081.5	1176.6	1250.1	1323.5
Services	693.7	784.5	883.0	982.2	1074.4	1165.7	1266.0	1371.6
Gross private domestic investment	423.0	401.9	484.2	414.9	471.6	637.3	679.0	730.0
Residential construction	118.5	102.9	104.3	91.3	132.2	154.4	166.4	179.0
Business fixed investment	290.2	308.8	353.9	349.6	352.9	426.0	476.4	516.4
Change in business inventories	14.3	-9.8	26.0	-26.1	-13.5	56.8	36.2	34.6
Nonfarm	8.6	-4.5	18.2	-23.9	-3.1	48.4	34.7	34.6
Net exports of goods and services <1>	13.2	23.9	28.0	19.0	-8.3	-66.3	-88.8	-108.3
Exports	281.3	338.8	369.9	348.4	336.2	363.6	368.3	397.1
Imports	268.1	314.8	341.9	329.4	344.4	430.0	457.1	505.4
Gov't. purchases of goods and services	474.4	537.8	596.5	650.5	685.5	747.9	820.2	873.4
Federal <2>	168.3	197.0	228.9	258.9	269.7	295.5	332.7	353.4
State and local	306.0	340.8	367.6	391.5	415.8	452.4	487.5	519.9
Gross national product in constant (1972) dollars	1479.4	1475.0	1512.1	1480.0	1534.7	1639.0	1698.6	1748.9
Personal income	1951.1	2165.3	2429.4	2584.6	2744.3	3013.2	3250.6	3476.2
Wage and salary disbursements	1237.6	1356.7	1493.1	1568.7	1659.2	1803.6	1934.8	2067.6
Disposable personal income	1650.2	1828.9	2041.7	2180.5	2340.1	2578.1	2776.2	2969.9
Saving rate (percent)	5.9	6.0	6.7	6.2	5.0	6.1	6.1	5.9
Corporate profits with I.V.A. and C.C.Adj.	194.8	175.4	190.0	159.2	225.1	284.6	294.1	292.9
Corporate profits before tax	252.7	234.6	221.3	165.6	203.1	234.3	223.9	209.6
Federal government surplus or deficit (-) (N.I.A. basis)	-16.1	-61.3	-64.2	-148.2	-178.6	-176.4	-198.7	-193.0
High employment surplus or deficit (-)	-20.8	-36.4	-31.3	-61.6	-92.7	-140.0	-178.8	-178.8
State and local government surplus or deficit (-) (N.I.A. basis)	30.4	30.6	37.6	32.9	44.1	52.0	55.0	50.7
Excluding social insurance funds	6.8	3.5	7.8	-8	6.6	9.5	9.2	2.8
Civilian labor force (millions)	105.0	107.0	108.7	110.2	111.5	113.5	115.5	117.5
Unemployment rate (percent)	5.8	7.1	7.6	9.7	9.6	7.5	6.9	6.6
Nonfarm payroll employment (millions)	89.8	90.4	91.2	89.6	90.1	94.2	97.4	99.6
Manufacturing	21.0	20.3	20.2	18.8	18.5	19.6	20.0	20.4
Industrial production (1967=100)	152.5	147.0	150.9	138.6	147.6	163.4	170.1	176.0
Capacity utilization: all manufacturing (percent)	86.0	79.6	79.4	71.1	75.2	81.7	82.6	82.6
Materials (percent)	87.6	80.4	80.7	70.1	75.2	82.1	82.3	82.5
Housing starts, private (million units, A.R.)	1.72	1.30	1.10	1.06	1.70	1.77	1.75	1.76
New auto sales (millions, A.R.)	10.68	9.04	8.56	8.00	9.18	10.31	10.98	10.80
Domestic models	8.36	6.62	6.24	5.77	6.79	7.85	8.36	8.09
Foreign models	2.32	2.42	2.32	2.23	2.39	2.46	2.61	2.71

<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.

	1979	1980	1981	1982	1983	1984	---Projected---	
							1985	1986
<u>Constant (1972) Dollars</u>								
Gross national product	2.8	-.3	2.5	-2.1	3.7	6.8	3.6	3.0
Final sales	3.5	.5	1.5	-.7	3.2	5.0	4.2	3.1
Private	4.0	.1	1.6	-1.3	4.1	5.3	4.1	3.2
Domestic final purchases	2.9	-1.0	2.2	-.2	5.6	7.6	4.9	3.4
Personal consumption expenditures	2.7	.5	2.0	1.3	4.8	5.3	4.1	3.0
Goods	1.9	-1.4	1.7	.4	6.0	7.2	4.6	3.1
Services	3.7	2.7	2.3	2.5	3.4	3.2	3.4	2.8
Gross private domestic investment	-.2	-11.8	10.7	-15.9	13.7	31.1	4.8	4.3
Residential structures	-5.3	-20.3	-5.5	-14.8	41.7	12.3	3.9	3.5
Business fixed investment	7.3	-2.4	5.5	-4.6	2.5	20.0	9.8	5.5
Gov't. purchases of goods and services	1.3	2.2	.9	2.0	-.3	3.5	4.7	2.4
Federal	1.8	4.2	3.7	6.1	-.7	5.3	7.6	2.8
National defense	2.6	3.9	5.0	7.6	7.1	5.6	7.0	3.3
State and local	1.1	1.0	-.6	-.6	.0	2.3	2.7	2.1
Disposable personal income	2.7	.6	2.7	.9	3.5	6.8	4.3	2.8
<u>Current Dollars</u>								
Gross national product	11.7	8.8	12.4	3.8	7.7	10.8	7.2	6.7
Final sales	12.4	9.9	11.0	5.6	7.2	8.6	7.9	6.8
Private	13.1	9.0	11.0	4.7	7.7	8.5	7.5	6.9
Domestic final purchases	12.3	8.5	10.9	5.1	8.9	10.7	8.1	7.3
Personal consumption expenditures	11.9	10.7	10.9	7.3	8.6	8.6	7.4	7.1
Goods	11.7	8.6	9.3	3.8	7.9	8.8	6.2	5.9
Services	12.2	13.1	12.6	11.2	9.4	8.5	8.6	8.3
Gross private domestic investment	9.4	-5.0	20.5	-14.3	13.7	35.1	6.5	7.5
Residential structures	6.6	-13.2	1.3	-12.4	44.7	16.8	7.8	7.6
Business fixed investment	16.6	6.4	14.6	-1.2	.9	20.7	11.8	8.4
Gov't. purchases of goods and services	9.8	13.4	10.9	9.0	5.4	9.1	9.7	6.5
Federal	9.6	17.1	16.2	13.1	4.2	9.6	12.6	6.2
National defense	11.5	17.3	17.2	16.8	11.7	10.5	11.8	7.0
State and local	9.9	11.4	7.9	6.5	6.2	8.8	7.8	6.7
Disposable personal income	12.0	10.8	11.6	6.8	7.3	10.2	7.7	7.0
Personal income	12.6	11.0	12.2	6.4	6.2	9.8	7.9	6.9
Wage and salary disbursements	11.9	9.6	10.1	5.1	5.8	8.7	7.3	6.9
Corporate profits with I.V.A. and C.C.Adj.	1.2	-9.9	8.3	-16.2	41.5	26.4	3.4	-.4
Corporate profits before tax	10.3	-7.1	-5.7	-25.2	22.8	15.3	-4.5	-6.4
Nonfarm payroll employment	3.6	.7	.8	-1.7	.6	4.5	3.4	2.3
Manufacturing	2.6	-3.6	-.6	-6.9	-1.5	5.9	2.3	1.8
Nonfarm business sector								
Output per hour	-1.5	-.7	1.5	.2	3.5	3.1	.8	1.1
Compensation per hour	9.0	10.3	9.6	8.0	4.9	4.6	3.5	4.6
Unit labor costs	10.7	11.1	8.0	7.7	1.4	1.5	2.8	3.5
GNP implicit deflator	8.6	9.2	9.6	6.0	3.8	3.7	3.5	3.6
Gross domestic business product								
fixed-weighted price index <1>	9.9	10.0	9.6	6.0	3.8	4.0	3.7	3.9
Excluding food and energy	8.6	8.5	9.4	7.0	4.6	4.3	4.3	4.3
Consumer price index (all urban)	11.3	13.5	10.3	6.1	3.2	4.2	3.7	4.1
Industrial production	4.4	-3.6	2.6	-8.1	6.4	10.8	4.1	3.5

<1> Uses expenditures in 1972 as weights.



FEDERAL SECTOR ACCOUNTS  
(Billions of dollars)

	Fiscal Year 1984*	FY1985 <sup>e</sup> /2/		FY1986 <sup>e</sup> /2/		CY 1984*	FY1985 <sup>e</sup> FRB Staff	FRB staff estimates										
		Admin. 1/	FRB Staff	Admin. 1/	FRB Staff			Calendar quarters; not seasonally adjusted										
								1984 IV*	1985				1986					
									I	II	III	IV	I	II	III			
Unified budget receipts	666	737	735	794	787	683	745	166	172	210	188	175	182	233	198			
Unified budget outlays	842	947	941	972	976	867	953	239	234	234	235	251	242	246	237			
Surplus/deficit(-), unified budget	-175	-210	-206	-178	-189	-184	-208	-73	-62	-24	-48	-76	-60	-13	-39			
Surplus/deficit(-), off-budget agencies <sup>3</sup>	-10	-12	-12	-2	-5	-10	-14	1	-3	-5	-5	-1	-1	-2	-1			
Combined deficit to be financed	-185	-222	-218	-180	-194	-195	-222	-72	-65	-29	-53	-77	-61	-15	-40			
Means of financing combined deficit:																		
Net borrowing from public	171	201	198	173	195	198	205	64	49	35	51	73	62	15	45			
Decrease in cash operating balance	7	10	15	0	-5	-5	7	13	7	-2	-3	5	-5	0	-5			
Other <sup>4</sup>	8	10	5	7	4	2	9	-6	9	-4	5	-1	4	0	0			
Cash operating balance, end of period	30	20	15	20	20	17	10	17	10	12	15	10	15	15	20			
Memo: Sponsored agency borrowing <sup>5</sup>	30	42	20	46	20	32	21	4	5	6	5	5	5	5	5			
<u>NIA Budget</u>								<u>Seasonally adjusted annual rates</u>										
Receipts	688	758	745	827	807	704	762	718	740	755	770	785	801	814	827			
Expenditures	860	948	945	992	1000	880	961	917	940	955	969	980	993	1006	1020			
Purchases	283	327	326	355	349	296	333	316	324	329	336	342	347	351	355			
Defense	215	242	242	272	261	221	248	231	239	245	251	255	259	262	266			
Nondefense	68	85	85	83	88	74	85	85	84	84	85	87	88	89	89			
All other expenditures	577	621	619	637	651	584	628	601	616	626	633	638	646	655	665			
Surplus/deficit(-)	-172	-190	-200	-166	-193	-176	-199	-200	-201	-200	-199	-195	-192	-193	-194			
High employment surplus/deficit(-) evaluated at 6 percent unemployment	-126	n.a.	-177	n.a.	-179	-140	-179	-171	-176	-179	-181	-179	-177	-178	-180			
*--actual								e--estimated								n.a.--not available		

1. Budget of the United States Government, Fiscal Year 1986 (February 1985).

2. The CBO baseline budget estimates show revenues of \$735 billion and \$788 billion, unified outlays of \$938 billion and \$995 billion, and deficits of \$203 billion and \$206 billion in fiscal years 1985 and 1986, respectively. Off-budget outlays are projected to be \$11 billion in fiscal 1985 and \$9 billion in fiscal 1986. (The Economic Outlook, February 1985.)

Note: Details may not add to totals due to rounding.

3. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank and Strategic Petroleum Reserve.

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

5. Sponsored agency borrowing includes net debt issuance by Federal Home Loan Banks, FHLMC (excluding participation certificates), FNMA (excluding mortgage-backed securities), Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, and Student Loan Marketing Association marketable debt on a payment basis. The Administration's definition of borrowing by these agencies is somewhat broader.

FEBRUARY 6, 1985

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

	1984	ANNUAL 1985-P	1986-P	1984 Q3	1984 Q4	1985 Q1-P	1985 Q2-P	1985 Q3-P	1985 Q4-P	1986 Q1-P	1986 Q2-P	1986 Q3-P	1986 Q4-P
1. <u>GNP EXPORTS AND IMPORTS</u> 1/													
CURRENT \$, NET	-66.3	-88.9	-108.4	-90.7	-64.4	-75.0	-81.9	-94.9	-103.6	-105.2	-107.1	-110.0	-111.3
EXPORTS OF G+S	363.6	368.2	397.0	368.6	364.6	361.3	364.2	370.1	377.3	384.3	391.6	400.6	411.5
IMPORTS OF G+S	429.9	457.1	505.4	459.3	429.0	436.3	446.1	465.0	480.9	489.6	498.7	510.6	522.8
CONSTANT 72 \$, NET	-15.5	-27.1	-30.3	-27.0	-15.2	-22.5	-26.1	-29.2	-30.7	-30.9	-30.7	-30.3	-29.2
EXPORTS OF G+S	145.8	144.5	149.1	147.4	146.2	143.4	143.5	144.8	146.3	147.2	148.2	149.6	151.5
IMPORTS OF G+S	161.3	171.6	179.4	174.4	161.4	165.9	169.6	173.9	177.0	178.2	178.9	179.8	180.8
2. <u>U.S. MERCHANDISE TRADE BALANCE</u> 2/	-107.6	-112.7	-131.2	-132.4	-91.5	-99.8	-105.9	-118.5	-126.7	-128.4	-130.1	-132.5	-133.7
EXPORTS	220.3	227.6	244.2	221.9	225.3	224.9	226.2	228.1	231.1	235.0	239.9	246.7	255.4
AGRICULTURAL	38.4	34.9	37.7	36.3	38.6	35.2	34.8	34.6	34.9	36.0	37.1	38.3	39.5
NONAGRICULTURAL	181.9	192.7	206.5	185.7	186.7	189.8	191.3	193.5	196.2	198.9	202.8	208.5	215.8
IMPORTS	327.9	340.3	375.4	354.3	316.8	324.7	332.1	346.6	357.8	363.4	369.9	379.2	389.0
PETROLEUM AND PRODUCTS	57.3	53.9	57.1	57.8	56.4	52.8	51.3	54.7	57.0	55.1	54.9	57.8	60.6
NONPETROLEUM	270.5	286.3	318.3	296.4	260.4	272.0	280.8	291.9	300.8	308.3	315.0	321.4	328.4
3. <u>U.S. CURRENT ACCOUNT BALANCE</u>	-98.6 <sup>P</sup>	-108.9	-132.6	-131.4	-85.6 <sup>P</sup>	-92.8	-100.9	-115.6	-126.5	-127.7	-130.6	-134.5	-137.7
OF WHICH: NET INVESTMENT INCOME	19.8 <sup>P</sup>	15.2	9.7	14.7	19.7 <sup>P</sup>	16.2	15.7	14.9	14.1	11.1	10.1	9.1	8.4
4. <u>FOREIGN OUTLOOK</u> 3/													
REAL GNP--TEN INDUSTRIAL 4/	2.8	3.0	2.8	4.3	3.8	2.9	3.0	3.0	2.7	2.8	2.8	2.9	2.9
REAL GNP--NONOPEC LDC 5/	3.2	3.6	3.6	2.3	3.5	4.3	4.2	3.8	3.5	3.2	3.5	3.9	4.3
CONSUMER PRICES--TEN IND. 4/	4.9	4.1	4.1	2.5	4.7	4.1	4.5	3.9	4.2	4.0	4.3	3.8	4.1

1/ NATIONAL INCOME AND PRODUCT ACCOUNT DATA.

2/ INTERNATIONAL ACCOUNTS BASIS.

3/ PERCENT CHANGE, ANNUAL RATES.

4/ WEIGHTED BY MULTILATERAL TRADE-WEIGHTS OF G-10 COUNTRIES PLUS SWITZERLAND.

5/ WEIGHTED BY SHARE IN NONOPEC LDC GNP.

P/ PROJECTED

February 6, 1985

## **RECENT DEVELOPMENTS**

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**Prepared for the Federal Open Market Committee  
By the staff of the Board of Governors of the Federal Reserve System**

TREASURY AND AGENCY FINANCING<sup>1</sup>  
(Total for period; billions of dollars)

	1984		1985		
	Q4	Dec.	Jan. <sup>p</sup>	Feb. <sup>f</sup>	Q1 <sup>f</sup>
<u>Treasury financing</u>					
Combined surplus/deficit(-)	-71.5	-14.6	-10.1	-23.7	-65.1
Means of financing deficit:					
Net cash borrowing from the public	64.2	24.1	13.2	15.8	48.7
Marketable borrowings/ repayments(-)	60.2	22.5	11.9	15.2	46.3
Bills	17.6	9.2	.1	2.3	13.5
Coupons	42.6	13.3	11.8	12.9	32.8
Nonmarketable	4.0	1.6	1.3	.6	2.4
Decrease in the cash balance	12.8	-12.0	-8.2	11.7	7.8
Memo: Cash balance at end of period	17.6	17.6	25.8	14.1	9.8
Other <sup>2</sup>	-5.5	2.5	5.1	-3.8	8.6
<u>Federally sponsored credit agencies, net cash borrowing<sup>3</sup></u>	3.5	1.0	1.9	.9	4.5
FHLB	-.1	-.8	.0	.0	.0
FNMA	3.6	2.6	1.4	.7	3.5
Farm Credit Banks	-1.9	-1.0	.3	-1.0	-.5
FHLMC	1.4	.1	.0	1.0	1.0
SLMA	.5	.1	.2	.2	.5

f--staff forecast. p--preliminary.

1. Data reported on a not seasonally adjusted, payment basis.

2. Includes checks issued less checks paid, accrued items and other transactions.

3. Excludes mortgage pass-through securities issued by FNMA and FHLMC.

CONFIDENTIAL (FR)  
CLASS III - FOMC

February 8, 1985

SUPPLEMENT  
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

TABLE 1

ADMINISTRATION CURRENT SERVICES BUDGET  
(fiscal years)

	1985	1986	1987	1988	1989	1990
-----Billions of dollars-----						
Revenues	736.9	794.3	863.7	952.3	1030.0	1108.4
Outlays	948.0	1015.3	1103.4	1194.0	1256.8	1328.4
Unified deficit	211.1	221.1	239.6	241.8	226.8	220.0
Off-budget	12.5	9.2	5.9	6.0	6.0	4.4
Total deficit	223.6	230.3	245.6	247.8	232.8	224.4
Memo: Structural deficit <sup>1</sup>	179	193	218	229	223	225
-----Percent of GNP-----						
Revenues	19.1	18.9	18.9	19.4	19.4	19.5
Outlays	24.5	24.2	24.2	24.3	23.7	23.4
Unified deficit	5.5	5.3	5.3	4.9	4.3	3.9
Off-budget	.3	.2	.1	.1	.1	.1
Total deficit	5.8	5.5	5.4	5.0	4.4	4.0
Memo: Structural deficit as percent of potential GNP <sup>1</sup>	4.5	4.5	4.7	4.6	4.2	4.0

1. Staff estimates throughout. The structural deficit does not include off-budget outlays. Okun's Law is used to convert OMB's projected GNP series into a potential GNP series, assuming a 6 percent benchmark unemployment rate. The resulting GNP gap is multiplied by an effective marginal tax rate to calculate the unified tax gross-up and the staff's NIPA estimates are used for the outlay gross-down.

Source: Budget of the United States Government, Fiscal Year 1986.

Note: Details may not add to totals due to rounding.

TABLE 2

ADMINISTRATION UNIFIED BUDGET PROPOSAL  
(fiscal years)

	1985	1986	1987	1988	1989	1990
-----Billions of dollars-----						
Revenues	736.9	793.7	861.7	950.4	1029.9	1107.7
Outlays	946.6	972.2	1029.9	1099.1	1142.7	1196.8
Unified deficit	209.7	178.5	168.2	148.7	112.8	89.1
Off-budget	12.5	1.5	-3.2	-4.3	-5.3	-6.8
Total deficit	222.2	180.0	164.9	144.4	107.5	82.4
Memo: Structural deficit <sup>1</sup>	178	150	146	136	109	94
-----Percent of GNP-----						
Revenues	19.1	18.9	18.9	19.3	19.4	19.5
Outlays	24.5	23.2	22.6	22.3	21.5	21.1
Unified deficit	5.4	4.3	3.7	3.0	2.1	1.6
Off-budget	.3	.0	-.1	-.1	-.1	-.1
Total deficit	5.7	4.3	3.6	2.9	2.0	1.5
Memo: Structural deficit as percent of potential GNP <sup>1</sup>	4.5	3.5	3.1	2.7	2.0	1.7

1. Staff estimates throughout. The structural deficit does not include off-budget outlays. Okun's Law is used to convert OMB's projected GNP series into a potential GNP series, assuming a 6 percent benchmark unemployment rate. The resulting GNP gap is multiplied by an effective marginal tax rate to calculate the unified tax gross-up and the staff's NIPA estimates are used for the outlay gross-down.

Source: Budget of the United States Government, Fiscal Year 1986.

Note: Details may not add to totals due to rounding.

TABLE 3

PROJECTIONS OF ECONOMIC ACTIVITY<sup>1</sup>  
(calendar years)

	1985	1986	1987	1988	1989	1990
Gross National Product						
Current dollars (percent change)						
Year-over-year	7.8	8.5	8.3	8.1	7.6	7.1
Q4 to Q4	8.5	8.5	8.3	8.0	7.4	6.9
Constant dollars (percent change)						
Year-over-year	3.9	4.0	4.0	4.0	3.9	3.6
Q4 to Q4	4.0	4.0	4.0	4.0	3.8	3.6
Prices						
GNP deflator (percent change)						
Year-over-year	3.8	4.4	4.2	3.9	3.6	3.3
Q4 to Q4	4.3	4.3	4.1	3.8	3.5	3.2
CPI (percent change) <sup>2</sup>						
Year-over-year	4.1	4.3	4.2	3.9	3.6	3.3
Q4 to Q4	4.2	4.3	4.1	3.8	3.5	3.2
Unemployment rate (percent, annual average)	7.0	6.9	6.6	6.3	6.1	5.8
Interest rate, 91-day Treasury Bill (percent, annual average)	8.1	7.9	7.2	5.9	5.1	5.0

1. The Administration numbers for 1985 and 1986 represent forecasts for that period while those for 1987 to 1990 are not forecasts but projections of trends consistent with economic policy objectives.

2. CPI for urban wage earners and clerical workers.

Source: Budget of the United States Government, Fiscal Year 1986.



TABLE 4

ADMINISTRATION'S FY1986 PROPOSALS FOR DEFICIT REDUCTION  
(Unified budget, billions of dollars)

	Fiscal years				
	1986	1987	1988	1989	1990
Current services outlays <sup>1</sup>	1025	1109	1200	1263	1333
Outlay changes:					
National defense <sup>2</sup>	-9	-9	-10	-12	-13
Entitlements and other relatively uncontrollables <sup>3</sup>	-14	-24	-30	-38	-43
Discretionary programs <sup>4</sup>	-21	-36	-45	-50	-55
Other <sup>5</sup>	-4	-3	-3	-3	-2
Debt service <sup>6</sup>	-3	-10	-17	-23	-30
Total	-51	-83	-105	-126	-143
Budget outlays <sup>1</sup>	974	1027	1095	1137	1190
Budget receipts	794	862	950	1030	1108
Deficit	180	165	144	108	82

NOTE: Details may not add to totals due to rounding.

1. Includes off-budget outlays.

2. Current services outlays for national defense are the "Rose Garden" proposals for adequate defense contained in the Mid-Session Review of the 1985 Budget. Annual real growth in current services outlays is estimated at 10.6 percent in 1986, declining to somewhat more than 5% per year in 1989 and 1990. Part of the proposed outlay reduction is due to a pay freeze for military personnel in 1986.

3. There are no proposed changes to the Social Security program. Elimination of the 1986 COLA adjustment in retirement benefits of former military and civilian employees of the Federal government is being proposed. Extension of the existing freeze on payments to physicians is being proposed for Medicare. Economies in Medicaid are also being proposed. Means-tested entitlements will also be affected: child nutrition subsidies for children of families with high income will be discontinued; all employable AFDC and food stamp recipients will be required to engage in work-related activities; subsidies paid to lenders of guaranteed student loans will be reduced. Also, other relatively uncontrollable programs will be affected: farm price supports will be reduced by bringing loan rates and target prices into alignment with market prices and phasing out production controls; the general revenue sharing program is proposed for termination in 1986.

4. This category includes a wide range of programs. Outlays on Federal highways will be reduced. Student financial assistance will be capped. The Job Corp program will be eliminated. Most grants to state and local governments will be reduced or eliminated. A two-year freeze on funding for additional housing units subsidized by HUD will be proposed. A 5 percent reduction in Federal civilian employee pay is proposed for 1986. Various Federal loan programs will be modified: for example, terminations are proposed for SBA direct loans and most loan programs of Farmers Home Administration; fees on loans made by the Veterans Administration and the Federal Housing Administration will be raised.

TABLE 4 CONT.

5. This category includes proposed increases in navigation, customs, boat and yacht, meat inspection, and recreation user fees as well as the one-time revenue gain from the proposed sale of Conrail in 1986.

6. This category represents the interest cost savings resulting from lowering the deficits from current services levels.