

September 26, 1984

SUMMARY AND OUTLOOK

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

September 26, 1984

STAFF GNP PROJECTIONS

| Percent changes, annual rate | | | | | | | | | | Unemployment rate (percent) | |
|------------------------------|---------|---------|----------|---------|---------|---------|--|---------------------------|---------|-----------------------------|-----------------------------|
| Nominal GNP | | | Real GNP | | | | Gross domestic business product fixed-weighted price index | | | | Unemployment rate (percent) |
| | 8/15/84 | 9/26/84 | 8/15/84 | 9/26/84 | 8/15/84 | 9/26/84 | Total | Excluding food and energy | 8/15/84 | 9/26/84 | |
| Annual changes: | | | | | | | | | | | |
| 1982 <1> | 3.8 | 3.8 | -2.1 | -2.1 | 6.0 | 6.0 | 7.0 | 7.0 | 9.7 | 9.7 | |
| 1983 <1> | 7.7 | 7.7 | 3.7 | 3.7 | 3.8 | 3.8 | 4.6 | 4.6 | 9.6 | 9.6 | |
| 1984 | 11.3 | 11.0 | 7.3 | 7.0 | 3.8 | 4.0 | 4.1 | 4.3 | 7.4 | 7.5 | |
| 1985 | 8.2 | 7.8 | 3.8 | 3.5 | 4.5 | 4.4 | 4.9 | 4.7 | 6.6 | 6.9 | |
| Quarterly changes: | | | | | | | | | | | |
| 1983 Q1 <1> | 8.5 | 8.5 | 3.3 | 3.3 | 2.7 | 2.7 | 4.9 | 4.9 | 10.4 | 10.4 | |
| Q2 <1> | 12.3 | 12.3 | 9.4 | 9.4 | 3.9 | 3.9 | 3.5 | 3.5 | 10.1 | 10.1 | |
| Q3 <1> | 10.1 | 10.1 | 6.8 | 6.8 | 4.5 | 4.5 | 5.4 | 5.4 | 9.4 | 9.4 | |
| Q4 <1> | 10.6 | 10.6 | 5.9 | 5.9 | 3.5 | 3.5 | 3.8 | 3.8 | 8.5 | 8.5 | |
| Q1 <1> | 14.9 | 14.9 | 10.1 | 10.1 | 4.2 | 4.2 | 3.4 | 3.4 | 7.9 | 7.9 | |
| Q2 <1> | 10.9 | 10.7 | 7.5 | 7.1 | 3.3 | 4.1 | 4.2 | 5.4 | 7.5 | 7.5 | |
| Q3 | 8.4 | 6.3 | 5.0 | 2.7 | 3.6 | 3.6 | 4.3 | 4.2 | 7.2 | 7.5 | |
| Q4 | 8.1 | 8.8 | 4.0 | 4.3 | 4.4 | 4.4 | 4.7 | 4.6 | 6.9 | 7.2 | |
| 1985 Q1 | 8.0 | 8.1 | 3.4 | 3.2 | 4.6 | 4.5 | 4.7 | 4.6 | 6.8 | 7.0 | |
| Q2 | 7.4 | 7.1 | 3.1 | 2.9 | 4.7 | 4.5 | 4.9 | 4.6 | 6.7 | 6.9 | |
| Q3 | 8.1 | 7.3 | 3.1 | 2.8 | 5.3 | 4.7 | 5.7 | 4.9 | 6.6 | 6.8 | |
| Q4 | 8.4 | 7.7 | 3.0 | 3.0 | 5.6 | 5.0 | 5.9 | 5.3 | 6.5 | 6.7 | |
| Two-quarter changes: <2> | | | | | | | | | | | |
| 1983 Q2 <1> | 10.4 | 10.4 | 6.3 | 6.3 | 3.3 | 3.3 | 4.2 | 4.2 | -.5 | -.5 | |
| Q4 <1> | 10.3 | 10.3 | 6.4 | 6.4 | 4.0 | 4.0 | 4.6 | 4.6 | -1.6 | -1.6 | |
| 1984 Q2 <1> | 12.9 | 12.8 | 8.8 | 8.6 | 3.7 | 4.2 | 3.8 | 4.4 | -1.0 | -1.0 | |
| Q4 | 8.2 | 7.5 | 4.5 | 3.5 | 4.0 | 4.0 | 4.5 | 4.4 | -.5 | -.3 | |
| 1985 Q2 | 7.7 | 7.6 | 3.3 | 3.0 | 4.6 | 4.5 | 4.8 | 4.6 | -.3 | -.3 | |
| Q4 | 8.2 | 7.5 | 3.0 | 2.9 | 5.4 | 4.9 | 5.8 | 5.1 | -.2 | -.2 | |
| Four-quarter changes: <3> | | | | | | | | | | | |
| 1982 Q4 <1> | 2.7 | 2.7 | -1.5 | -1.5 | 4.7 | 4.7 | 5.3 | 5.3 | 2.4 | 2.4 | |
| 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 | 10.5 | 10.1 | 6.6 | 6.0 | 3.9 | 4.1 | 4.2 | 4.4 | -1.5 | -1.3 | |
| 1985 Q4 | 8.0 | 7.5 | 3.2 | 3.0 | 5.0 | 4.7 | 5.3 | 4.9 | -.5 | -.5 | |

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

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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.)

| | 1982 | | | | 1983 | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Gross National Product | 3026.0 | 3061.2 | 3080.1 | 3109.6 | 3173.8 | 3267.0 | 3346.6 | 3431.7 |
| Final sales | 3043.1 | 3072.1 | 3095.5 | 3170.8 | 3216.8 | 3286.4 | 3350.9 | 3419.0 |
| Private | 2412.2 | 2438.4 | 2439.2 | 2489.8 | 2538.0 | 2604.2 | 2661.1 | 2727.6 |
| Domestic final purchases | 2384.5 | 2402.9 | 2432.6 | 2483.5 | 2518.4 | 2610.7 | 2677.5 | 2757.4 |
| Personal consumption expenditures | 1931.3 | 1960.9 | 2001.3 | 2046.1 | 2070.4 | 2141.6 | 2181.4 | 2230.2 |
| Goods | 985.8 | 992.2 | 1007.0 | 1025.6 | 1034.6 | 1073.0 | 1095.8 | 1122.8 |
| Services | 945.4 | 968.6 | 994.2 | 1020.6 | 1035.8 | 1068.6 | 1085.7 | 1107.5 |
| Gross private domestic investment | 436.2 | 431.2 | 415.9 | 376.2 | 405.0 | 449.6 | 491.9 | 540.0 |
| Residential structures | 87.5 | 90.9 | 89.0 | 97.9 | 113.3 | 129.8 | 142.3 | 143.4 |
| Business fixed investment | 365.7 | 351.2 | 342.2 | 339.3 | 334.6 | 339.3 | 353.9 | 383.9 |
| Change in business inventories | -17.0 | -10.9 | -15.3 | -61.1 | -42.9 | -19.4 | -4.3 | 12.7 |
| Nonfarm | -20.9 | -9.5 | -11.1 | -54.3 | -32.6 | -5.4 | 11.6 | 14.1 |
| Net exports of goods and services <1> | 27.7 | 35.5 | 6.6 | 6.3 | 19.6 | -6.5 | -16.4 | -29.8 |
| Exports | 359.4 | 366.3 | 346.3 | 321.7 | 328.5 | 328.1 | 342.0 | 346.1 |
| Imports | 331.7 | 330.8 | 339.7 | 315.4 | 308.9 | 334.5 | 358.4 | 375.9 |
| Gov't. purchases of goods and services | 630.9 | 633.7 | 656.3 | 681.0 | 678.8 | 682.2 | 689.8 | 691.4 |
| Federal <2> | 249.8 | 245.0 | 261.6 | 279.4 | 273.0 | 270.5 | 269.2 | 266.3 |
| State and local | 381.1 | 388.7 | 394.7 | 401.6 | 405.8 | 411.6 | 420.6 | 425.1 |
| Gross national product in constant (1972) dollars | 1483.5 | 1480.5 | 1477.1 | 1478.8 | 1491.0 | 1524.8 | 1550.2 | 1572.7 |
| Personal income | 2536.3 | 2568.3 | 2594.2 | 2639.4 | 2662.8 | 2714.7 | 2763.3 | 2836.5 |
| Wage and salary disbursements | 1546.3 | 1564.2 | 1578.0 | 1586.4 | 1608.1 | 1642.1 | 1671.3 | 1715.4 |
| Disposable personal income | 2132.0 | 2156.8 | 2195.8 | 2237.5 | 2261.4 | 2302.9 | 2367.4 | 2428.6 |
| Saving rate (percent) | 6.7 | 6.3 | 6.1 | 5.8 | 5.7 | 4.2 | 5.0 | 5.3 |
| Corporate profits with I.V.A. and C.C. Adj. | 159.8 | 161.8 | 163.3 | 151.7 | 179.0 | 216.6 | 245.0 | 260.0 |
| Corporate profits before tax | 167.5 | 169.9 | 168.9 | 155.9 | 161.6 | 198.1 | 227.4 | 225.5 |
| Federal government surplus or deficit (-) | -106.2 | -112.1 | -163.8 | -210.7 | -185.8 | -167.3 | -180.9 | -180.5 |
| (N.I.A. basis) | -36.9 | -30.3 | -71.5 | -107.8 | -81.0 | -74.4 | -102.3 | -113.1 |
| High employment surplus or deficit (-) <3> | | | | | | | | |
| State and local government surplus or deficit(-) (N.I.A. basis) | 32.6 | 34.2 | 33.3 | 31.4 | 34.0 | 43.8 | 47.4 | 51.2 |
| Excluding social insurance funds | .5 | .9 | -1.0 | -3.8 | -2.0 | 6.9 | 9.5 | 12.0 |
| Civilian labor force (millions) | 109.4 | 110.2 | 110.5 | 110.8 | 110.7 | 111.3 | 112.1 | 112.0 |
| Unemployment rate (percent) | 8.8 | 9.4 | 10.0 | 10.6 | 10.4 | 10.1 | 9.4 | 8.5 |
| Nonfarm payroll employment | 90.4 | 89.9 | 89.2 | 88.7 | 88.8 | 89.6 | 90.4 | 91.7 |
| Manufacturing | 19.4 | 19.0 | 18.6 | 18.1 | 18.1 | 18.3 | 18.6 | 19.0 |
| Industrial production (1967=100) | 141.7 | 139.4 | 138.2 | 135.2 | 138.5 | 144.5 | 151.8 | 155.5 |
| Capacity utilization: all manufacturing (percent) | 72.9 | 71.6 | 71.1 | 69.0 | 70.7 | 73.9 | 77.4 | 78.9 |
| Materials (percent) | 73.0 | 70.7 | 69.4 | 67.2 | 70.1 | 73.5 | 77.5 | 79.6 |
| Housing starts, private (million units, A.R.) | .88 | .96 | 1.12 | 1.27 | 1.64 | 1.69 | 1.78 | 1.70 |
| New auto sales (millions, A.R.) | 8.12 | 7.53 | 7.78 | 8.57 | 8.46 | 9.10 | 9.22 | 9.94 |
| Domestic models | 5.90 | 5.33 | 5.56 | 6.08 | 6.06 | 6.81 | 6.92 | 7.29 |
| Foreign models | 2.22 | 1.99 | 2.22 | 2.49 | 2.40 | 2.28 | 2.31 | 2.65 |

<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.

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| | 1982 | | | | 1983 | | | |
|--|-------|-------|-------|-------|-------|-------|------|------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Constant (1972) Dollars | | | | | | | | |
| Gross national product | -4.7 | -.8 | -.9 | .5 | 3.3 | 9.4 | 6.8 | 5.9 |
| Final sales | -1.0 | -1.5 | -.3 | 5.5 | 1.1 | 6.4 | 4.9 | 4.2 |
| Private | -1.4 | -.9 | -2.3 | 4.1 | 3.5 | 8.6 | 6.2 | 6.3 |
| Domestic final purchases | .7 | -.6 | .6 | 4.8 | 4.0 | 12.1 | 6.9 | 9.7 |
| Personal consumption expenditures | 2.9 | 2.2 | 2.2 | 5.1 | 2.6 | 10.0 | 3.8 | 6.8 |
| Goods | 2.7 | 1.5 | 1.8 | 6.7 | 3.5 | 12.6 | 5.4 | 9.5 |
| Services | 3.1 | 3.0 | 2.7 | 3.4 | 1.5 | 7.3 | 2.1 | 3.8 |
| Gross private domestic investment | -29.9 | -8.1 | -11.6 | -29.9 | 34.0 | 52.5 | 38.4 | 37.0 |
| Residential structures | -29.5 | 16.4 | -8.2 | 51.1 | 64.4 | 78.5 | 31.6 | 4.0 |
| Business fixed investment | -3.8 | -17.6 | -7.0 | -5.7 | .2 | 9.5 | 18.7 | 30.6 |
| Gov't. purchases of goods and services | .8 | -4.3 | 8.3 | 11.1 | -8.1 | -2.6 | -.5 | -4.3 |
| Federal | 3.6 | -12.6 | 24.3 | 28.6 | -17.3 | -5.9 | -5.3 | -8.7 |
| National defense | 2.1 | 13.3 | 13.4 | 6.6 | 7.0 | 7.4 | -1.9 | 9.2 |
| State and local | -1.1 | 1.4 | -.7 | .2 | -1.1 | -.2 | 2.7 | -1.4 |
| Disposable personal income | -1.2 | .8 | 1.2 | 3.7 | 2.1 | 3.4 | 7.7 | 8.2 |
| Current Dollars | | | | | | | | |
| Gross national product | -.3 | 4.7 | 2.5 | 3.9 | 8.5 | 12.3 | 10.1 | 10.6 |
| Final sales | 4.6 | 3.9 | 3.1 | 10.1 | 5.9 | 8.9 | 8.1 | 8.4 |
| Private | 4.4 | 4.4 | .1 | 8.6 | 8.0 | 10.8 | 9.0 | 10.4 |
| Domestic final purchases | 5.2 | 3.1 | 5.0 | 8.6 | 5.7 | 15.5 | 10.6 | 12.5 |
| Personal consumption expenditures | 8.6 | 6.3 | 8.5 | 9.3 | 4.8 | 14.5 | 7.6 | 9.3 |
| Goods | 6.0 | 2.6 | 6.1 | 7.6 | 3.6 | 15.7 | 8.8 | 10.2 |
| Services | 11.4 | 10.2 | 11.0 | 11.1 | 6.1 | 13.3 | 6.6 | 8.3 |
| Gross private domestic investment | -32.8 | -4.5 | -13.5 | -33.1 | 34.3 | 51.9 | 43.2 | 45.3 |
| Residential structures | -27.4 | 16.5 | -8.1 | 46.4 | 79.4 | 72.3 | 44.4 | 3.3 |
| Business fixed investment | -2.5 | -14.9 | -9.9 | -3.3 | -5.4 | 5.7 | 18.5 | 38.4 |
| Gov't. purchases of goods and services | 5.4 | 1.8 | 15.0 | 15.9 | -1.3 | 2.0 | 4.5 | .9 |
| Federal | 4.8 | -7.5 | 30.0 | 30.1 | -8.9 | -3.6 | -2.0 | -4.3 |
| National defense | 6.9 | 17.4 | 19.5 | 17.9 | 8.0 | 9.8 | 3.3 | 13.2 |
| State and local | 5.8 | 8.2 | 6.3 | 7.2 | 4.2 | 5.8 | 9.0 | 4.4 |
| Disposable personal income | 4.3 | 4.7 | 7.4 | 7.8 | 4.3 | 7.5 | 11.7 | 10.7 |
| Personal income | 4.7 | 5.1 | 4.1 | 7.2 | 3.6 | 8.0 | 7.3 | 11.0 |
| Wage and salary disbursements | 3.8 | 4.7 | 3.6 | 2.1 | 5.6 | 8.7 | 7.3 | 11.0 |
| Corporate profits with I.V.A. and C.C.Adj. | -44.2 | 5.1 | 3.8 | -25.5 | 93.9 | 114.4 | 63.7 | 26.8 |
| Corporate profits before tax | -57.7 | 5.9 | -2.3 | -27.4 | 15.4 | 125.8 | 73.6 | -3.3 |
| Nonfarm payroll employment | -2.7 | -1.9 | -3.1 | -2.3 | .5 | 3.4 | 3.7 | 5.8 |
| Manufacturing | -9.2 | -8.7 | -8.9 | -9.5 | -.9 | 5.0 | 7.0 | 9.1 |
| Nonfarm business sector | | | | | | | | |
| Output per hour | 2.5 | -1.6 | 3.6 | 1.1 | 4.4 | 8.1 | 2.1 | 1.0 |
| Compensation per hour | 10.5 | 5.9 | 7.5 | 5.1 | 5.7 | 3.5 | 2.2 | 4.1 |
| Unit labor costs | 7.9 | 7.6 | 3.7 | 4.0 | 1.3 | -4.2 | .1 | 3.0 |
| GNP implicit deflator <1> | 4.6 | 5.6 | 3.4 | 3.4 | 5.0 | 2.6 | 3.1 | 4.4 |
| Gross domestic business product | | | | | | | | |
| fixed-weighted price index <2> | 5.3 | 4.4 | 5.6 | 3.7 | 2.7 | 3.9 | 4.5 | 3.5 |
| Excluding food and energy | 5.6 | 6.7 | 5.2 | 3.9 | 4.9 | 3.5 | 5.4 | 3.8 |
| Consumer price index (all urban) | 3.8 | 5.5 | 7.3 | 1.5 | .3 | 4.4 | 4.1 | 4.5 |
| Industrial production | -11.8 | -6.5 | -3.4 | -8.2 | 10.1 | 18.4 | 21.8 | 10.2 |

<1> Excluding the federal pay increase, the rate of change in 1982-Q4 was 3.0 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.)

| | 1984 | | | | Projected 1985 | | | |
|---|--------|--------|--------|--------|----------------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Gross National Product | 3553.3 | 3644.7 | 3700.4 | 3778.8 | 3853.5 | 3919.8 | 3989.0 | 4063.8 |
| Final sales | 3479.5 | 3594.1 | 3634.6 | 3725.0 | 3808.2 | 3877.5 | 3950.7 | 4029.6 |
| Private | 2775.1 | 2850.4 | 2872.0 | 2944.4 | 3006.7 | 3059.1 | 3115.6 | 3177.2 |
| Domestic final purchases | 2826.6 | 2909.1 | 2947.1 | 3018.1 | 3082.5 | 3144.1 | 3207.8 | 3272.5 |
| Personal consumption expenditures | 2276.5 | 2332.7 | 2360.4 | 2414.9 | 2462.6 | 2510.1 | 2558.9 | 2607.3 |
| Goods | 1152.2 | 1179.0 | 1179.3 | 1206.4 | 1227.4 | 1247.5 | 1268.4 | 1288.2 |
| Services | 1124.4 | 1153.7 | 1181.1 | 1208.5 | 1235.2 | 1262.6 | 1290.5 | 1319.1 |
| Gross private domestic investment | 623.8 | 627.0 | 652.5 | 657.0 | 665.2 | 676.3 | 687.2 | 699.4 |
| Residential structures | 151.2 | 155.6 | 153.6 | 154.1 | 155.6 | 155.1 | 155.6 | 157.6 |
| Business fixed investment | 398.8 | 420.8 | 433.1 | 449.1 | 464.3 | 478.9 | 493.3 | 507.6 |
| Change in business inventories | 73.8 | 50.6 | 65.8 | 53.8 | 45.3 | 42.3 | 38.3 | 34.2 |
| Nonfarm | 60.6 | 47.0 | 56.8 | 47.8 | 44.3 | 41.3 | 38.3 | 34.2 |
| Net exports of goods and services <1> | -51.5 | -58.7 | -75.1 | -73.7 | -75.7 | -85.0 | -92.2 | -95.3 |
| Exports | 358.9 | 362.4 | 371.5 | 380.6 | 390.8 | 398.9 | 407.4 | 417.7 |
| Imports | 410.4 | 421.1 | 446.6 | 454.3 | 466.5 | 483.9 | 499.5 | 513.0 |
| Gov't. purchases of goods and services | 704.4 | 743.7 | 762.6 | 780.6 | 801.5 | 818.4 | 835.1 | 852.4 |
| Federal <2> | 267.6 | 296.4 | 304.4 | 312.8 | 324.3 | 332.2 | 339.8 | 347.9 |
| State and local | 436.8 | 447.4 | 458.2 | 467.8 | 477.2 | 486.2 | 495.3 | 504.5 |
| Gross national product in constant (1972) dollars | 1610.9 | 1638.8 | 1649.9 | 1667.3 | 1680.5 | 1692.5 | 1704.3 | 1716.7 |
| Personal income | 2920.5 | 2984.5 | 3045.0 | 3110.6 | 3180.7 | 3243.0 | 3302.2 | 3371.5 |
| Wage and salary disbursements | 1755.7 | 1793.1 | 1817.5 | 1852.7 | 1890.9 | 1925.3 | 1959.4 | 1994.5 |
| Disposable personal income | 2502.2 | 2554.3 | 2600.9 | 2654.4 | 2714.3 | 2764.4 | 2811.6 | 2868.3 |
| Saving rate (percent) | 6.1 | 5.7 | 6.1 | 5.9 | 6.1 | 6.0 | 5.8 | 5.9 |
| Corporate profits with I.V.A. and C.C. Adj. | 277.4 | 291.2 | 285.6 | 297.3 | 297.8 | 297.3 | 299.7 | 305.2 |
| Corporate profits before tax | 243.3 | 246.2 | 233.2 | 245.2 | 242.7 | 239.7 | 238.6 | 240.6 |
| Federal government surplus or deficit (-) | -161.3 | -163.9 | -168.9 | -172.3 | -183.1 | -185.5 | -184.8 | -189.9 |
| (N.I.A. basis) | -113.4 | -130.1 | -136.7 | -146.8 | -161.1 | -165.0 | -165.3 | -172.0 |
| State and local government surplus or deficit(-) (N.I.A. basis) | 54.0 | 54.3 | 49.6 | 50.4 | 49.4 | 48.2 | 47.9 | 47.2 |
| Excluding social insurance funds | 13.5 | 12.4 | 7.0 | 7.1 | 5.4 | 3.6 | 2.7 | 1.4 |
| Civilian labor force (millions) | 112.6 | 113.6 | 113.8 | 114.4 | 114.9 | 115.4 | 115.9 | 116.4 |
| Unemployment rate (percent) | 7.9 | 7.5 | 7.5 | 7.2 | 7.0 | 6.9 | 6.8 | 6.7 |
| Nonfarm payroll employment | 92.8 | 93.8 | 94.5 | 95.3 | 96.1 | 96.8 | 97.4 | 98.0 |
| Manufacturing | 19.4 | 19.6 | 19.7 | 19.9 | 20.1 | 20.2 | 20.3 | 20.4 |
| Industrial production (1967=100) | 159.8 | 163.1 | 165.9 | 167.8 | 169.6 | 171.2 | 172.9 | 174.5 |
| Capacity utilization: all manufacturing (percent) | 80.7 | 81.8 | 82.6 | 83.1 | 83.3 | 83.3 | 83.4 | 83.4 |
| Materials (percent) | 81.6 | 82.8 | 83.5 | 84.1 | 84.4 | 84.6 | 84.7 | 84.9 |
| Housing starts, private (million units, A.R.) | 1.97 | 1.90 | 1.67 | 1.75 | 1.70 | 1.65 | 1.65 | 1.65 |
| New auto sales (millions, A.R.) | 10.46 | 10.68 | 10.40 | 10.75 | 10.85 | 11.05 | 11.25 | 11.20 |
| Domestic models | 8.16 | 8.26 | 8.00 | 8.10 | 8.40 | 8.50 | 8.60 | 8.45 |
| Foreign models | 2.30 | 2.42 | 2.40 | 2.65 | 2.45 | 2.55 | 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 Account table which follows.

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

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

| | Projected | | | | | | | |
|--|-----------|------|-------|------|------|------|------|------|
| | 1984 | | | | 1985 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Constant (1972) Dollars | | | | | | | | |
| Gross national product | 10.1 | 7.1 | 2.7 | 4.3 | 3.2 | 2.9 | 2.8 | 3.0 |
| Final sales | 3.6 | 10.3 | .4 | 5.9 | 4.3 | 3.3 | 3.3 | 3.4 |
| Private | 4.2 | 8.5 | -.8 | 6.3 | 4.3 | 3.1 | 3.3 | 3.5 |
| Domestic final purchases | 7.6 | 9.5 | 1.7 | 5.9 | 4.4 | 3.4 | 3.3 | 3.0 |
| Personal consumption expenditures | 4.6 | 7.9 | .8 | 5.2 | 3.5 | 2.9 | 2.8 | 2.4 |
| Goods | 7.8 | 10.7 | -1.3 | 6.3 | 3.7 | 2.8 | 2.7 | 2.1 |
| Services | 1.2 | 4.6 | 3.5 | 3.8 | 3.4 | 3.1 | 2.9 | 2.7 |
| Gross private domestic investment | 71.5 | -2.2 | 19.3 | -.1 | 1.4 | 3.0 | 2.4 | 2.6 |
| Residential structures | 20.8 | 1.3 | -4.5 | -1.6 | .0 | -5.7 | -3.2 | .6 |
| Business fixed investment | 20.5 | 21.4 | 8.1 | 12.0 | 10.3 | 8.7 | 7.8 | 6.8 |
| Gov't. purchases of goods and services | 1.0 | 18.6 | 5.9 | 3.9 | 4.3 | 3.9 | 3.5 | 3.4 |
| Federal | -2.8 | 45.4 | 8.2 | 5.4 | 6.8 | 5.9 | 4.9 | 4.8 |
| National defense | 3.8 | 12.0 | 8.8 | 6.3 | 7.8 | 6.8 | 6.2 | 6.3 |
| State and local | 3.5 | 3.7 | 4.3 | 2.8 | 2.6 | 2.6 | 2.6 | 2.4 |
| Disposable personal income | 8.6 | 6.3 | 3.4 | 4.1 | 4.7 | 2.6 | 1.9 | 2.9 |
| Current Dollars | | | | | | | | |
| Gross national product | 14.9 | 10.7 | 6.3 | 8.8 | 8.1 | 7.1 | 7.3 | 7.7 |
| Final sales | 7.3 | 13.8 | 4.6 | 10.3 | 9.2 | 7.5 | 7.8 | 8.2 |
| Private | 7.1 | 11.3 | 3.1 | 10.5 | 8.7 | 7.2 | 7.6 | 8.1 |
| Domestic final purchases | 10.4 | 12.2 | 5.3 | 10.0 | 8.8 | 8.2 | 8.4 | 8.3 |
| Personal consumption expenditures | 8.6 | 10.2 | 4.8 | 9.6 | 8.1 | 7.9 | 8.0 | 7.8 |
| Goods | 10.9 | 9.6 | .1 | 9.5 | 7.1 | 6.7 | 6.9 | 6.4 |
| Services | 6.2 | 10.8 | 9.8 | 9.6 | 9.1 | 9.2 | 9.1 | 9.2 |
| Gross private domestic investment | 78.1 | 2.1 | 17.3 | 2.8 | 5.0 | 6.9 | 6.6 | 7.3 |
| Residential structures | 23.6 | 12.2 | -5.0 | 1.3 | 4.0 | -1.3 | 1.3 | 5.2 |
| Business fixed investment | 16.5 | 24.0 | 12.2 | 15.7 | 14.2 | 13.2 | 12.6 | 12.1 |
| Gov't. purchases of goods and services | 7.7 | 24.3 | 10.6 | 9.8 | 11.1 | 8.7 | 8.4 | 8.6 |
| Federal | 2.0 | 50.5 | 11.2 | 11.5 | 15.5 | 10.1 | 9.5 | 9.9 |
| National defense | 12.5 | 14.6 | 10.5 | 12.4 | 17.1 | 11.5 | 11.4 | 11.9 |
| State and local | 11.5 | 10.1 | 10.0 | 8.6 | 8.2 | 7.8 | 7.7 | 7.7 |
| Disposable personal income | 12.7 | 8.6 | 7.5 | 8.5 | 9.3 | 7.6 | 7.0 | 8.3 |
| Personal income | 12.4 | 9.1 | 8.4 | 8.9 | 9.3 | 8.1 | 7.5 | 8.7 |
| Wage and salary disbursements | 9.7 | 8.8 | 5.6 | 8.0 | 8.5 | 7.5 | 7.3 | 7.4 |
| Corporate profits with I.V.A. and C.C.Adj. | 29.8 | 21.4 | -7.4 | 17.3 | .7 | -.7 | 3.3 | 7.6 |
| Corporate profits before tax | 35.5 | 4.9 | -19.5 | 22.1 | -4.0 | -4.8 | -1.8 | 3.4 |
| Nonfarm payroll employment | 4.8 | 4.5 | 3.2 | 3.5 | 3.4 | 2.8 | 2.5 | 2.6 |
| Manufacturing | 7.5 | 4.5 | 3.5 | 3.7 | 3.0 | 2.6 | 2.4 | 2.0 |
| Nonfarm business sector | | | | | | | | |
| Output per hour | 2.9 | 4.7 | -.2 | 1.0 | .4 | .4 | .6 | .8 |
| Compensation per hour | 6.1 | 3.7 | 3.4 | 4.0 | 5.0 | 4.7 | 4.9 | 5.2 |
| Unit labor costs | 3.1 | -.9 | 3.6 | 3.0 | 4.6 | 4.3 | 4.3 | 4.4 |
| GNP implicit deflator <1> | 4.4 | 3.3 | 3.4 | 4.3 | 4.8 | 4.1 | 4.3 | 4.6 |
| Gross domestic business product | | | | | | | | |
| fixed-weighted price index <2> | 4.2 | 4.1 | 3.6 | 4.4 | 4.5 | 4.5 | 4.7 | 5.0 |
| Excluding food and energy | 3.4 | 5.4 | 4.2 | 4.6 | 4.6 | 4.6 | 4.9 | 5.3 |
| Consumer price index (all urban) | 5.0 | 3.7 | 3.7 | 4.6 | 4.7 | 4.8 | 5.0 | 5.1 |
| Industrial production | 11.5 | 8.5 | 7.0 | 4.7 | 4.4 | 4.0 | 4.0 | 3.6 |

<1> Excluding Federal pay increase, the rate of change in 1984-Q1 is 4.0 percent and in 1985-Q1 is 4.4 percent.
<2> Uses expenditures in 1972 as weights.

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

| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | Projected |
|--|--------|--------|--------|--------|--------|--------|--------|--------|-----------|
| Gross national product | 2163.9 | 2417.8 | 2631.7 | 2957.8 | 3069.3 | 3304.8 | 3669.3 | 3956.5 | |
| Final sales | 2137.4 | 2403.5 | 2641.5 | 2931.7 | 3095.4 | 3318.3 | 3608.3 | 3916.5 | |
| Private | 1705.5 | 1929.1 | 2103.7 | 2335.2 | 2444.9 | 2632.7 | 2860.5 | 3089.7 | |
| Domestic final purchases | 1706.6 | 1915.9 | 2079.7 | 2307.2 | 2425.9 | 2641.0 | 2925.2 | 3176.7 | |
| Personal consumption expenditures | 1346.5 | 1507.2 | 1668.1 | 1849.1 | 1984.9 | 2155.9 | 2346.1 | 2534.7 | |
| Goods | 728.5 | 813.5 | 883.5 | 966.1 | 1002.7 | 1081.5 | 1179.2 | 1257.9 | |
| Services | 618.0 | 693.7 | 784.5 | 883.0 | 982.2 | 1074.4 | 1166.9 | 1276.8 | |
| Gross private domestic investment | 386.6 | 423.0 | 401.9 | 484.2 | 414.9 | 471.6 | 640.1 | 682.0 | |
| Residential construction | 111.2 | 118.6 | 102.9 | 104.3 | 91.4 | 132.2 | 153.6 | 156.0 | |
| Business fixed investment | 248.9 | 290.2 | 308.8 | 353.9 | 349.6 | 352.9 | 425.5 | 486.0 | |
| Change in business inventories | 26.5 | 14.3 | -9.8 | 26.0 | -26.1 | -13.5 | 61.0 | 40.0 | |
| Nonfarm | 25.4 | 8.6 | -4.5 | 18.2 | -24.0 | -3.1 | 53.0 | 39.5 | |
| Net exports of goods and services <1> | -1.1 | 13.2 | 23.9 | 28.0 | 19.0 | -8.3 | -64.8 | -87.0 | |
| Exports | 218.7 | 281.4 | 338.8 | 369.9 | 348.4 | 336.2 | 368.3 | 403.7 | |
| Imports | 219.8 | 268.1 | 314.8 | 341.9 | 329.4 | 344.4 | 433.1 | 490.7 | |
| Gov't. purchases of goods and services | 431.9 | 474.4 | 537.8 | 596.5 | 650.5 | 685.5 | 747.8 | 826.8 | |
| Federal <2> | 153.6 | 168.3 | 197.0 | 228.9 | 258.9 | 269.7 | 295.3 | 336.1 | |
| State and local | 278.3 | 306.0 | 340.8 | 367.6 | 391.5 | 415.8 | 452.6 | 490.8 | |
| Gross national product in constant (1972) dollars | 1438.6 | 1479.4 | 1475.0 | 1512.2 | 1480.0 | 1534.7 | 1641.7 | 1698.5 | |
| Personal income | 1732.7 | 1951.2 | 2165.3 | 2429.5 | 2584.6 | 2744.3 | 3015.2 | 3274.4 | |
| Wage and salary disbursements | 1106.3 | 1237.6 | 1356.7 | 1493.1 | 1568.7 | 1659.2 | 1804.8 | 1942.6 | |
| Disposable personal income | 1474.0 | 1650.2 | 1828.9 | 2041.7 | 2180.5 | 2340.1 | 2577.9 | 2789.7 | |
| Saving rate (percent) | 6.1 | 5.9 | 6.0 | 6.7 | 6.2 | 5.0 | 6.0 | 5.9 | |
| Corporate profits with I.V.A. and C.C.Adj. | 192.4 | 194.8 | 175.4 | 189.9 | 159.1 | 225.1 | 287.9 | 300.0 | |
| Corporate profits before tax | 229.1 | 252.7 | 234.6 | 221.2 | 165.5 | 203.1 | 242.0 | 240.4 | |
| Federal government surplus or deficit (-) (N.I.A. basis) | -29.5 | -16.1 | -61.2 | -64.3 | -148.2 | -178.6 | -166.6 | -185.8 | |
| High employment surplus or deficit (-) | -33.9 | -20.8 | -36.4 | -31.3 | -61.6 | -92.7 | -131.7 | -165.9 | |
| State and local government surplus or deficit (-) (N.I.A. basis) | 30.3 | 30.4 | 30.6 | 37.6 | 32.9 | 44.1 | 52.1 | 48.2 | |
| Excluding social insurance funds | 10.0 | 6.6 | 3.5 | 7.8 | -.8 | 6.6 | 10.0 | 3.3 | |
| Civilian labor force (millions) | 102.3 | 105.0 | 106.9 | 108.7 | 110.2 | 111.5 | 113.6 | 115.7 | |
| Unemployment rate (percent) | 6.1 | 5.8 | 7.1 | 7.6 | 9.7 | 9.6 | 7.5 | 6.9 | |
| Nonfarm payroll employment (millions) | 86.7 | 89.8 | 90.4 | 91.2 | 89.6 | 90.1 | 94.1 | 97.1 | |
| Manufacturing | 20.5 | 21.0 | 20.3 | 20.2 | 18.8 | 18.5 | 19.7 | 20.3 | |
| Industrial production (1967=100) | 146.1 | 152.5 | 147.0 | 150.9 | 138.6 | 147.6 | 164.1 | 172.0 | |
| Capacity utilization: all manufacturing (percent) | 84.7 | 86.0 | 79.6 | 79.4 | 71.1 | 75.2 | 82.0 | 83.3 | |
| Materials (percent) | 85.6 | 87.6 | 80.4 | 80.7 | 70.1 | 75.2 | 83.0 | 84.6 | |
| Housing starts, private (million units, A.R.) | 2.00 | 1.72 | 1.30 | 1.10 | 1.06 | 1.70 | 1.82 | 1.66 | |
| New auto sales (millions, A.R.) | 11.29 | 10.68 | 9.04 | 8.56 | 8.00 | 9.18 | 10.57 | 11.09 | |
| Domestic models | 9.29 | 8.36 | 6.62 | 6.24 | 5.77 | 6.79 | 8.13 | 8.49 | |
| Foreign models | 2.00 | 2.32 | 2.42 | 2.32 | 2.23 | 2.39 | 2.44 | 2.60 | |

<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.

September 26, 1984

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

| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | ---Projected--- | 1984 | 1985 |
|--|------|------|-------|------|-------|------|-----------------|------|------|
| Constant (1972) Dollars | | | | | | | | | |
| Gross national product | 5.0 | 2.8 | -.3 | 2.5 | -2.1 | 3.7 | 7.0 | 3.5 | |
| Final sales | 4.9 | 3.5 | .5 | 1.5 | -.7 | 3.2 | 5.0 | 4.1 | |
| Private | 5.6 | 4.0 | .1 | 1.6 | -1.3 | 4.1 | 5.4 | 3.9 | |
| Domestic final purchases | 5.5 | 2.9 | -1.0 | 2.2 | -.2 | 5.6 | 7.6 | 4.2 | |
| Personal consumption expenditures | 4.5 | 2.7 | -.5 | 2.0 | 1.3 | 4.8 | 5.4 | 3.5 | |
| Goods | 4.2 | 1.9 | -1.4 | 1.7 | .4 | 6.0 | 7.3 | 3.6 | |
| Services | 4.8 | 3.7 | 2.7 | 2.3 | 2.5 | 3.4 | 3.2 | 3.4 | |
| Gross private domestic investment | 10.5 | -.2 | -11.8 | 10.7 | -15.9 | 13.7 | 31.5 | 3.4 | |
| Residential structures | 2.8 | -5.3 | -20.3 | -5.5 | -14.8 | 41.6 | 12.5 | -2.3 | |
| Business fixed investment | 12.8 | 7.3 | -2.4 | 5.5 | -4.6 | 2.5 | 19.3 | 10.1 | |
| Gov't. purchases of goods and services | 2.0 | 1.3 | 2.2 | .9 | 2.0 | -.3 | 3.4 | 5.0 | |
| Federal | -.1 | 1.8 | 4.2 | 3.7 | 6.1 | -.7 | 5.1 | 8.1 | |
| National defense | .5 | 2.6 | 3.9 | 5.0 | 7.6 | 7.1 | 6.6 | 7.4 | |
| State and local | 3.3 | 1.1 | 1.0 | -.6 | -.6 | .0 | 2.3 | 2.9 | |
| Disposable personal income | 4.9 | 2.7 | .6 | 2.7 | .9 | 3.5 | 6.7 | 3.7 | |
| Current Dollars | | | | | | | | | |
| Gross national product | 12.8 | 11.7 | 8.8 | 12.4 | 3.8 | 7.7 | 11.0 | 7.8 | |
| Final sales | 12.8 | 12.4 | 9.9 | 11.0 | 5.6 | 7.2 | 8.7 | 8.5 | |
| Private | 13.6 | 13.1 | 9.0 | 11.0 | 4.7 | 7.7 | 8.7 | 8.0 | |
| Domestic final purchases | 13.4 | 12.3 | 8.5 | 10.9 | 5.1 | 8.9 | 10.8 | 8.6 | |
| Personal consumption expenditures | 11.8 | 11.9 | 10.7 | 10.9 | 7.3 | 8.6 | 8.8 | 8.0 | |
| Goods | 10.9 | 11.7 | 8.6 | 9.3 | 3.8 | 7.9 | 9.0 | 6.7 | |
| Services | 12.9 | 12.2 | 13.1 | 12.6 | 11.2 | 9.4 | 8.6 | 9.4 | |
| Gross private domestic investment | 19.3 | 9.4 | -5.0 | 20.5 | -14.3 | 13.7 | 35.7 | 6.5 | |
| Residential structures | 16.1 | 6.6 | -13.2 | 1.3 | -12.4 | 44.7 | 16.2 | 1.5 | |
| Business fixed investment | 21.3 | 16.6 | 6.4 | 14.6 | -1.2 | .9 | 20.6 | 14.2 | |
| Gov't. purchases of goods and services | 9.7 | 9.8 | 13.4 | 10.9 | 9.0 | 5.4 | 9.1 | 10.6 | |
| Federal | 7.1 | 9.6 | 17.1 | 16.2 | 13.1 | 4.2 | 9.5 | 13.8 | |
| National defense | 8.0 | 11.5 | 17.3 | 17.2 | 16.8 | 11.7 | 11.4 | 13.1 | |
| State and local | 11.2 | 9.9 | 11.4 | 7.9 | 6.5 | 6.2 | 8.8 | 8.5 | |
| Disposable personal income | 12.2 | 12.0 | 10.8 | 11.6 | 6.8 | 7.3 | 10.2 | 8.2 | |
| Personal income | 12.5 | 12.6 | 11.0 | 12.2 | 6.4 | 6.2 | 9.9 | 8.6 | |
| Wage and salary disbursements | 12.5 | 11.9 | 9.6 | 10.1 | 5.1 | 5.8 | 8.8 | 7.6 | |
| Corporate profits with I.V.A. and C.C.Adj. | 15.0 | 1.2 | -9.9 | 8.3 | -16.2 | 41.5 | 27.9 | 4.2 | |
| Corporate profits before tax | 17.7 | 10.3 | -7.1 | -5.7 | -25.2 | 22.7 | 19.1 | -.7 | |
| Nonfarm payroll employment | 5.1 | 3.6 | .6 | .8 | -1.7 | .6 | 4.4 | 3.2 | |
| Manufacturing | 4.2 | 2.6 | -3.6 | -.6 | -6.9 | -1.5 | 6.3 | 3.1 | |
| Nonfarm business sector | | | | | | | | | |
| Output per hour | .6 | -1.5 | -.7 | 1.5 | .2 | 3.5 | 2.6 | .7 | |
| Compensation per hour | 8.6 | 9.0 | 10.3 | 9.6 | 8.0 | 4.9 | 4.2 | 4.5 | |
| Unit labor costs | 8.0 | 10.7 | 11.1 | 8.0 | 7.7 | 1.4 | 1.6 | 3.7 | |
| GNP implicit deflator | 7.4 | 8.6 | 9.2 | 9.6 | 6.0 | 3.8 | 3.8 | 4.2 | |
| Gross domestic business product | | | | | | | | | |
| fixed-weighted price index <1> | 8.0 | 9.9 | 10.0 | 9.6 | 6.0 | 3.8 | 4.0 | 4.4 | |
| Excluding food and energy | 7.8 | 8.6 | 8.5 | 9.4 | 7.0 | 4.6 | 4.3 | 4.7 | |
| Consumer price index (all urban) | 7.6 | 11.3 | 13.5 | 10.3 | 6.1 | 3.2 | 4.3 | 4.6 | |
| Industrial production | 5.8 | 4.4 | -3.6 | 2.6 | -8.1 | 6.4 | 11.2 | 4.8 | |

<1> Uses expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS
(billions of dollars)

| Fiscal Year 1983* | FY1984* 2/ | | | | FY1985* 2/ | | | | CY1984* 1983* | FRB staff estimates | | | | | | | | | | | | | | | | | | | | | | |
|---|-------------------------|------|-----------|------|--------------|------|-----------|-----|------------------|----------------------------------|------|------------|------|------|------|------|-----|------------------------|-----|-----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | Admin. 1/ | | FRB Staff | | Admin. 1/ | | FRB Staff | | | 1983 IV* | | 1984 I* | | II* | | III | | IV | | 1985 I | | II | | III | | | | | | | | |
| | Unified budget receipts | 601 | 671 | 670 | 764 | 750 | 613 | 688 | | 149 | 155 | 187 | 179 | 168 | 173 | 215 | 195 | Unified budget outlays | 796 | 845 | 843 | 931 | 929 | 803 | 865 | 213 | 209 | 211 | 210 | 235 | 229 | 233 |
| Surplus/deficit(-), unified budget agencies ³ | -195 | -174 | -173 | -167 | -179 | -190 | -177 | | | -63 | -54 | -24 | -31 | -67 | -56 | -18 | -36 | | | | | | | | | | | | | | | |
| Combined deficit to be financed | -208 | -187 | -184 | -180 | -193 | -200 | -191 | | | -62 | -57 | -28 | -37 | -69 | -59 | -22 | -41 | | | | | | | | | | | | | | | |
| Memo: financing combined deficit: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net borrowing from public | 212 | 161 | 170 | 178 | 185 | 187 | 191 | | 36 | 49 | 31 | 54 | 57 | 56 | 34 | 38 | | | | | | | | | | | | | | | | |
| Decrease in cash operating balance | -8 | 17 | 6 | 0 | 6 | 8 | -3 | | 25 | -2 | 1 | -17 | 16 | -1 | -10 | 0 | | | | | | | | | | | | | | | | |
| Other ⁴ | 3 | 0 | 8 | 2 | 2 | 6 | 4 | | 1 | 10 | -3 | 1 | -3 | 4 | -2 | 3 | | | | | | | | | | | | | | | | |
| Cash operating balance, end of period | 37 | 20 | 31 | 20 | 25 | 12 | 14 | | 12 | 14 | 14 | 31 | 14 | 15 | 25 | 25 | | | | | | | | | | | | | | | | |
| Memo: Sponsored agency borrowing ⁵ | -3 | n.a. | 32 | n.a. | 23 | 1 | 36 | | 3 | 6 | 9 | 14 | 7 | 6 | 5 | 5 | | | | | | | | | | | | | | | | |
| <u>NIA Budget</u> | | | | | | | | | | Seasonally adjusted annual rates | | | | | | | | | | | | | | | | | | | | | | |
| Receipts | 629 | 694 | 691 | 788 | 762 | 641 | 711 | | 655 | 686 | 704 | 717 | 737 | 754 | 770 | 786 | | | | | | | | | | | | | | | | |
| Expenditures | 816 | 863 | 859 | 932 | 943 | 820 | 878 | | 635 | 848 | 868 | 885 | 909 | 938 | 955 | 971 | | | | | | | | | | | | | | | | |
| Purchases | 273 | 288 | 284 | 337 | 327 | 270 | 295 | | 266 | 268 | 296 | 304 | 313 | 324 | 332 | 340 | | | | | | | | | | | | | | | | |
| Defense | 196 | 219 | 217 | 252 | 245 | 201 | 223 | | 207 | 213 | 221 | 226 | 233 | 243 | 249 | 256 | | | | | | | | | | | | | | | | |
| Nondefense | 77 | 69 | 67 | 84 | 82 | 69 | 72 | | 59 | 54 | 76 | 78 | 80 | 82 | 83 | 84 | | | | | | | | | | | | | | | | |
| All other expenditures | 543 | 575 | 576 | 613 | 616 | 550 | 582 | | 569 | 580 | 572 | 581 | 596 | 614 | 623 | 631 | | | | | | | | | | | | | | | | |
| Surplus/deficit(-) | -186 | -169 | -169 | -164 | -181 | -179 | -167 | | -180 | -161 | -164 | -169 | -172 | -183 | -185 | -185 | | | | | | | | | | | | | | | | |
| High employment surplus/deficit(-) evaluated at 6 percent unemployment | -91 | n.a. | -123 | n.a. | -160 | -93 | -132 | | -113 | -113 | -130 | -137 | -147 | -161 | -165 | -165 | | | | | | | | | | | | | | | | |

*—actual

**—estimated

n.a.—not available

1. OMB Mid-Session Review of the 1985 Budget, August 1984.
2. The CBO baseline budget estimates show revenues of \$673 billion and \$751 billion, outlays of \$845 billion and \$929 billion and deficits of \$172 billion and \$178 billion in fiscal years 1984 and 1985 respectively (The Economic and Budget Outlook: An Update, August 1984).

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, FHLBC (excluding participation certificates), FHLMA (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.

SEPTEMBER 25, 1984

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

| | ANNUAL | | | 1983 | | 1984 | | | | 1985 | | | |
|---|--------------|---------------|---------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1983 | 1984-P | 1985-P | Q3 | Q4 | Q1 | Q2 | Q3-P | Q4-P | Q1-P | Q2-P | Q3-P | Q4-P |
| 1. GNP EXPORTS AND IMPORTS 1/ | | | | | | | | | | | | | |
| CURRENT \$, NET | -8.2 | -64.7 | -87.0 | -16.4 | -29.8 | -51.5 | -58.4 | -75.1 | -73.7 | -75.7 | -85.0 | -92.2 | -95.3 |
| EXPORTS OF G+S | 336.2 | 368.3 | 403.7 | 342.0 | 346.1 | 358.9 | 362.4 | 371.5 | 380.6 | 390.8 | 398.9 | 407.4 | 417.7 |
| IMPORTS OF G+S | 344.4 | 433.0 | 490.7 | 358.4 | 375.9 | 410.4 | 420.8 | 446.6 | 454.3 | 466.5 | 483.9 | 499.5 | 513.0 |
| CONSTANT 72 \$, NET | 12.6 | -14.5 | -19.9 | 11.9 | 1.9 | -8.3 | -11.4 | -19.7 | -18.7 | -19.2 | -20.4 | -20.7 | -19.4 |
| EXPORTS OF G+S | 139.5 | 147.0 | 154.0 | 141.6 | 141.0 | 144.9 | 144.7 | 148.0 | 150.3 | 152.3 | 153.3 | 154.4 | 156.2 |
| IMPORTS OF G+S | 126.9 | 161.5 | 174.0 | 129.7 | 139.1 | 153.2 | 156.1 | 167.8 | 169.0 | 171.5 | 173.7 | 175.1 | 175.6 |
| 2. U.S. MERCHANDISE TRADE BALANCE 2/ | -61.1 | -108.8 | -126.1 | -70.0 | -77.6 | -103.4 | -102.9 | -115.4 | -113.2 | -115.4 | -124.2 | -130.6 | -134.2 |
| EXPORTS | 200.3 | 221.8 | 239.0 | 201.7 | 207.3 | 215.7 | 218.4 | 224.3 | 228.8 | 233.2 | 236.6 | 240.4 | 245.8 |
| AGRICULTURAL | 36.6 | 38.0 | 37.4 | 37.2 | 39.2 | 41.2 | 37.1 | 36.8 | 36.9 | 37.5 | 37.4 | 37.3 | 37.3 |
| NONAGRICULTURAL | 163.6 | 183.8 | 201.6 | 164.5 | 168.1 | 174.5 | 181.3 | 187.5 | 192.0 | 195.7 | 199.2 | 203.1 | 208.5 |
| IMPORTS | 261.3 | 330.6 | 365.1 | 271.8 | 284.9 | 319.2 | 321.3 | 339.8 | 342.0 | 348.6 | 360.7 | 371.0 | 380.0 |
| PETROLEUM AND PRODUCTS | 53.8 | 59.5 | 69.0 | 63.7 | 57.1 | 55.4 | 59.6 | 57.4 | 65.4 | 65.2 | 67.9 | 70.7 | 72.3 |
| NONPETROLEUM | 207.5 | 271.1 | 296.1 | 208.1 | 227.8 | 263.8 | 261.7 | 282.4 | 276.6 | 283.4 | 292.8 | 300.4 | 307.7 |
| 3. U.S. CURRENT ACCOUNT BALANCE | -41.6 | -95.8 | -118.9 | -47.4 | -68.8 | -78.7 | -97.6 | -103.5 | -103.4 | -106.2 | -116.4 | -124.6 | -128.6 |
| OF WHICH: NET INVESTMENT INCOME | 23.5 | 20.4 | 12.9 | 28.7 | 20.5 | 31.0 | 14.6 | 19.8 | 16.3 | 15.1 | 13.5 | 11.7 | 11.1 |
| 4. FOREIGN OUTLOOK 3/ | | | | | | | | | | | | | |
| REAL GNP--TEN INDUSTRIAL 4/ | 1.5 | 2.9 | 2.6 | 2.2 | 6.2 | 4.5 | -0.5 | 4.2 | 3.0 | 2.6 | 2.5 | 2.4 | 2.5 |
| REAL GNP--NONOPEC LDC 5/ | 0.4 | 2.7 | 3.7 | 0.9 | 1.3 | 4.2 | 3.4 | 3.5 | 3.7 | 3.8 | 3.8 | 3.8 | 3.8 |
| CONSUMER PRICES--TEN IND. 4/ | 5.7 | 5.0 | 4.6 | 5.3 | 5.5 | 5.3 | 4.8 | 2.9 | 5.1 | 4.6 | 4.9 | 4.5 | 4.9 |

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

I-23

September 26, 1984

RECENT DEVELOPMENTS

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

TREASURY AND AGENCY FINANCING¹
 (Total for period; billions of dollars)

| | 1984 | | | | |
|---|-------|-----------------|-------|--------|--------------------|
| | Q2 | Q3 ^f | July | Aug. P | Sept. ^f |
| <u>Treasury financing</u> | | | | | |
| Combined surplus/deficit(-) | -28.3 | -37.5 | -18.1 | -36.4 | 17.0 |
| Means of financing deficit: | | | | | |
| Net cash borrowing from the public | 31.2 | 53.7 | 24.2 | 25.8 | 3.7 |
| Marketable borrowings/ repayments(-) | 29.7 | 51.3 | 23.4 | 25.1 | 2.8 |
| Bills | -7.0 | 13.4 | 4.1 | 13.0 | -3.7 |
| Coupons | 36.7 | 37.9 | 19.3 | 12.1 | 6.5 |
| Nonmarketable | 1.5 | 2.4 | .8 | .7 | .9 |
| Decrease in the cash balance | .5 | -17.2 | -2.7 | 5.0 | -19.5 |
| Memo: Cash balance at end of period | 13.6 | 30.8 | 16.3 | 11.3 | 30.8 |
| Other ² | -3.4 | 1.0 | -3.4 | 5.6 | -1.2 |
| <u>Federally sponsored credit agencies, net cash borrowing³</u> | | | | | |
| FHLB | 6.2 | 9.7 | 3.2 | 3.5 | 3.0 |
| FNMA | 1.9 | 3.7 | 0.8 | 1.5 | 1.4 |
| Farm Credit Banks | -.1 | -.1 | 0.2 | -.2 | -.1 |
| FHLMC | .5 | .2 | .0 | .1 | .1 |
| SLMA | .7 | .6 | .4 | .1 | .1 |

p--preliminary. f--staff forecast.

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.

GROSS OFFERINGS OF SECURITIES BY STATE AND LOCAL GOVERNMENTS
 (Monthly totals or monthly averages; billions of dollars)

| | 1983 | 1984 | | | | |
|-------------------------------------|-------|------|-------|-------------------|-------------------|--------------------|
| | | Q1 | Q2 | July ^e | Aug. ^e | Sept. ^f |
| ----- Seasonally adjusted ----- | | | | | | |
| Total | 10.39 | 9.43 | 9.02 | 9.80 | 10.60 | 9.90 |
| Long-term | 7.20 | 5.85 | 5.78 | 7.60 | 8.70 | 7.70 |
| Short-term ¹ | 3.19 | 3.58 | 3.24 | 2.20 | 1.90 ³ | 2.20 ³ |
| ----- Not seasonally adjusted ----- | | | | | | |
| Total | 10.39 | 7.83 | 10.60 | 8.83 | 10.10 | 9.50 |
| Long-term | 7.20 | 5.05 | 6.41 | 6.63 | 8.00 | 7.20 |
| Refundings | 1.17 | .80 | .95 | .89 | .91 | — |
| Total housing ² | 1.48 | .48 | .70 | 2.78 | 2.80 | — |
| Short-term ¹ | 3.19 | 2.78 | 4.19 | 2.20 | 2.10 ³ | 2.30 ³ |

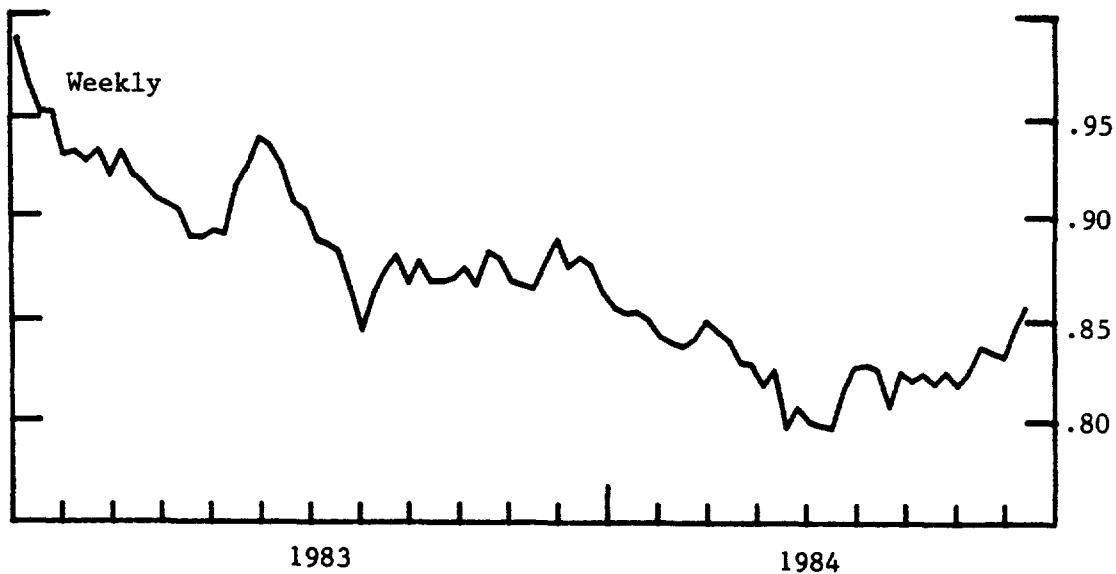
e--estimate. f--forecast.

1. These figures do not include tax-exempt commercial paper.

2. Primarily mortgage revenue bonds for home ownership and multifamily rental structures.

3. Excludes HUD cancellations.

RATIO OF TAX-EXEMPT TO TAXABLE BOND YIELDS*



*Bond Buyer 30-year revenue bond index to 30-year Treasury bond yield.

CONFIDENTIAL (FR)
CLASS III - FOMC

September 28, 1984

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

**Prepared for the
Federal Open Market Committee**

**By the Staff
Board of Governors
of the Federal Reserve System**

CONFERENCE AGREEMENT ON FY1985
BUDGET RESOLUTION
(Billions of dollars, unified budget)

| | Fiscal Year | | |
|----------|-------------|-------|-------|
| | 1985 | 1986 | 1987 |
| Receipts | 751 | 811 | 881 |
| Outlays | 932 | 1,004 | 1,088 |
| Deficit | 181 | 193 | 207 |