

May 15, 1985

SUMMARY AND OUTLOOK

Prepared for the Federal Open Market Committee

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

May 15, 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			
		3/20/85	5/15/85	3/20/85	5/15/85	3/20/85	5/15/85	3/20/85	5/15/85	3/20/85	5/15/85
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>	10.9	10.8	6.9	6.8	4.0	4.0	4.3	4.3	7.5	7.5
1985		7.1	6.5	3.6	2.8	3.5	3.7	4.1	4.3	7.0	7.2
1986		6.4	6.3	2.8	2.7	3.8	3.7	4.1	4.0	6.7	7.0
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	3.4	3.4	7.5	7.5
	Q3 <1>	5.6	5.6	1.6	1.6	4.0	4.0	4.9	4.9	7.4	7.4
	Q4 <1>	7.8	7.1	4.9	4.3	3.2	3.5	3.8	3.9	7.2	7.2
1985	Q1 <1>	7.4	6.7	3.1	1.3	3.1	3.7	3.7	5.1	7.3	7.3
	Q2	6.4	5.3	3.5	2.3	3.5	3.5	4.3	3.7	7.1	7.3
	Q3	6.5	6.3	3.3	3.5	3.5	3.3	3.8	3.6	6.9	7.2
	Q4	6.7	6.3	3.3	3.0	3.7	3.5	3.8	3.7	6.8	7.1
1986	Q1	6.2	6.5	2.4	2.6	3.9	3.8	4.1	4.0	6.8	7.0
	Q2	5.9	6.0	2.4	2.5	3.9	3.9	4.1	4.1	6.8	7.0
	Q3	6.6	6.3	2.8	2.5	4.1	4.1	4.4	4.4	6.7	7.0
	Q4	6.8	6.8	2.6	2.5	4.3	4.3	4.4	4.4	6.7	7.0
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>	6.7	6.4	3.2	2.9	3.7	3.8	4.3	4.4	-.3	-.3
1985	Q2	6.9	6.0	3.3	1.8	3.3	3.6	4.0	4.4	-.1	.1
	Q4	6.6	6.3	3.3	3.3	3.6	3.4	3.8	3.6	-.3	-.2
1986	Q2	6.0	6.3	2.4	2.6	3.9	3.8	4.1	4.1	.0	-.1
	Q4	6.7	6.5	2.7	2.5	4.2	4.2	4.4	4.4	-.1	.0
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>	9.7	9.5	5.9	5.7	4.0	4.0	4.4	4.4	-1.3	-1.3
1985	Q4	6.8	6.1	3.3	2.5	3.4	3.5	3.9	4.0	-.4	-.1
1986	Q4	6.4	6.4	2.5	2.5	4.0	4.0	4.3	4.3	-.1	-.1

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

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CONFIDENTIAL - FR
CLASS II POMCGROSS 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	3758.7
Gross domestic purchases	3154.2	3273.4	3363.0	3461.5	3604.8	3703.4	3785.2	3814.8
Final sales	3216.8	3286.4	3350.9	3419.0	3479.5	3594.1	3622.8	3722.1
Private	2538.0	2604.2	2661.1	2727.6	2775.1	2850.4	2861.8	2941.6
Domestic final purchases	2518.4	2610.7	2677.5	2757.4	2826.6	2909.1	2952.4	2997.6
Personal consumption expenditures	2070.4	2141.6	2181.4	2230.2	2276.5	2332.7	2361.4	2396.5
Goods	1034.6	1073.0	1095.8	1122.8	1152.2	1179.0	1178.6	1192.8
Services	1035.8	1068.6	1085.7	1107.5	1124.4	1153.7	1182.8	1203.8
Gross private domestic investment	405.0	449.6	491.9	540.0	623.8	627.0	662.8	637.8
Residential structures	113.3	129.8	142.3	143.4	151.2	155.6	155.3	153.5
Business fixed investment	334.6	339.3	353.9	383.9	398.8	420.8	435.7	447.7
Change in business inventories	-42.9	-19.4	-4.3	12.7	73.8	50.6	71.8	36.6
Nonfarm	-32.6	-5.4	11.6	14.1	60.6	47.0	63.7	27.2
Net exports of goods and services <1>	19.6	-6.5	-16.4	-29.8	-51.5	-58.7	-90.6	-56.0
Exports	328.5	328.1	342.0	346.1	358.9	362.4	368.6	367.2
Imports	308.9	334.5	358.4	375.9	410.4	421.1	459.3	423.2
Gov't. purchases of goods and services	678.8	682.2	689.8	691.4	704.4	743.7	761.0	780.5
Federal <2>	273.0	270.5	269.2	266.3	267.6	296.4	302.0	315.7
State and local	405.8	411.6	420.6	425.1	436.8	447.4	458.9	464.8
Gross national product in constant (1972) dollars	1491.0	1524.8	1550.2	1572.7	1610.9	1638.8	1645.2	1662.4
Personal income	2662.8	2714.4	2763.3	2836.5	2920.5	2984.6	3047.3	3096.2
Wage and salary disbursements	1608.1	1642.1	1671.3	1715.4	1755.7	1793.1	1819.5	1847.6
Disposable personal income	2261.4	2302.9	2367.4	2428.6	2502.2	2554.3	2606.4	2644.5
Saving rate (percent)	5.7	4.2	5.0	5.3	6.1	5.7	6.3	6.2
Corporate profits with I.V.A. and C.C. Adj.	179.1	216.7	245.0	260.0	277.4	291.1	282.8	291.6
Corporate profits before tax	161.7	198.2	227.4	225.5	243.3	246.0	224.8	228.7
Federal government surplus or deficit (-) (N.I.A. basis)	-185.7	-167.3	-180.9	-180.5	-161.3	-163.7	-180.6	-197.8
High employment surplus or deficit (-) <3>	-80.9	-74.2	-102.5	-113.1	-113.3	-129.6	-146.1	-169.3
State and local government surplus or deficit (-) (N.I.A. basis)	34.1	43.9	47.4	51.2	53.9	54.5	47.6	55.6
Excluding social insurance funds	-1.9	7.0	9.5	12.0	13.4	12.6	4.3	11.1
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	164.7
Capacity utilization: all manufacturing (percent)	70.7	73.8	77.4	78.9	80.7	81.8	82.5	81.6
Materials (percent)	70.1	73.5	77.5	79.6	81.6	82.7	82.9	80.7
Housing starts, private (million units, A.R.)	1.64	1.67	1.79	1.72	1.95	1.86	1.66	1.60
New auto sales (millions, A.R.)	8.46	9.10	9.22	9.94	10.52	10.60	10.30	10.29
Domestic models	6.06	6.81	6.92	7.29	8.22	8.23	7.94	7.50
Foreign models	2.40	2.28	2.31	2.65	2.30	2.38	2.36	2.79

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

	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	4.3
Gross domestic purchases	3.7	12.3	7.4	8.7	12.9	7.9	5.4	.9
Final sales	1.1	6.4	4.9	4.2	3.6	10.3	-1.0	7.9
Private	3.5	8.6	6.2	6.3	4.2	8.5	-2.4	8.4
Domestic final purchases	4.0	12.1	6.9	9.7	7.6	9.5	2.3	4.0
Personal consumption expenditures	2.6	10.0	3.8	6.8	4.6	7.9	.7	3.6
Goods	3.5	12.6	5.4	9.5	7.8	10.7	-1.9	3.8
Services	1.5	7.3	2.1	3.8	1.2	4.6	3.8	3.3
Gross private domestic investment	34.1	52.5	38.4	37.0	71.6	-2.2	24.9	-13.1
Residential structures	64.5	78.1	31.6	4.0	21.3	1.2	-4.6	-5.5
Business fixed investment	.0	9.6	18.7	30.6	20.6	21.3	13.7	8.5
Gov't. purchases of goods and services	-8.2	-2.6	-.5	-4.3	1.0	18.6	5.4	5.9
Federal	-17.4	-5.9	-5.3	-8.7	-2.8	45.2	6.2	15.2
National defense	6.8	7.6	-1.9	9.2	3.4	12.2	-2.3	17.5
State and local	-1.2	-.2	2.7	-1.4	3.5	3.7	4.8	-2.2
Disposable personal income	2.1	3.3	7.7	8.2	8.6	6.3	3.9	3.5
<u>Current Dollars</u>								
Gross national product	8.5	12.3	10.1	10.6	14.9	10.7	5.6	7.1
Gross domestic purchases	6.7	16.0	11.4	12.2	17.6	11.4	9.1	3.2
Final sales	5.9	8.9	8.1	8.4	7.3	13.8	3.2	11.4
Personal consumption expenditures	4.8	14.5	7.6	9.2	8.6	10.2	5.0	6.1
Goods	3.6	15.7	8.8	10.2	10.9	9.6	-.1	4.9
Services	6.1	13.3	6.6	8.3	6.2	10.9	10.5	7.3
Gross private domestic investment	34.3	52.0	43.2	45.3	78.0	2.0	24.9	-14.3
Residential structures	79.3	71.9	44.4	3.3	23.6	12.1	-.6	-4.7
Business fixed investment	-5.5	5.7	18.5	38.4	16.5	23.9	14.9	11.5
Gov't. purchases of goods and services	-1.3	2.0	4.5	.9	7.8	24.3	9.6	10.7
Federal	-8.9	-3.6	-2.0	-4.3	2.0	50.5	7.8	19.4
National defense	7.9	9.8	3.3	13.2	12.5	14.7	-.8	22.1
State and local	4.2	5.8	9.0	4.4	11.5	10.0	10.7	5.2
Disposable personal income	4.3	7.5	11.7	10.7	12.7	8.6	8.4	6.0
Personal income	3.6	8.0	7.3	11.0	12.4	9.1	8.6	6.7
Wage and salary disbursements	5.6	8.7	7.3	11.0	9.7	8.8	5.9	6.5
Corporate profits with I.F.A. and C.C.Adj.	94.8	114.3	63.4	26.8	29.6	21.3	-10.9	13.0
Corporate profits before tax	16.0	125.7	73.3	-3.3	35.5	4.5	-30.3	7.1
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	1.1
Nonfarm business sector								
Output per hour	4.4	8.1	2.1	1.0	2.9	5.5	-1.1	2.2
Compensation per hour	5.7	3.5	2.2	4.1	6.1	3.7	3.6	3.7
Unit labor costs	1.3	-4.2	.1	3.0	3.1	-1.7	4.7	1.4
GNP implicit deflator <1>	5.0	2.6	3.1	4.4	4.4	3.3	3.9	2.8
Gross domestic business product								
fixed-weighted price index <2>	2.7	3.9	4.5	3.5	4.2	4.1	4.0	3.5
Excluding food and energy	4.9	3.5	5.4	3.8	3.4	5.4	4.9	3.9
Consumer price index (all urban)	.4	4.3	4.2	4.2	5.2	3.7	3.7	3.6
Industrial production	10.1	18.4	21.8	10.2	11.5	8.6	6.3	-2.3

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

	Projected							
	1985				1986			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3819.9	3869.7	3929.2	3989.4	4052.6	4112.5	4176.1	4245.0
Gross domestic purchases	3892.9	3942.0	4017.6	4083.2	4145.6	4206.6	4270.9	4337.7
Final sales	3773.3	3844.0	3893.3	3952.1	4018.0	4079.5	4143.8	4212.7
Private	2980.7	3031.0	3067.8	3112.5	3165.4	3215.6	3267.7	3322.9
Domestic final purchases	3053.7	3103.3	3156.1	3206.2	3258.4	3309.7	3362.5	3415.6
Personal consumption expenditures	2442.8	2479.1	2518.9	2557.2	2597.8	2637.5	2678.5	2719.6
Goods	1211.0	1226.0	1242.0	1257.5	1273.9	1289.3	1305.0	1320.3
Services	1231.8	1253.1	1276.9	1299.7	1323.9	1348.2	1373.4	1399.3
Gross private domestic investment	657.4	649.9	673.1	686.3	695.2	705.2	716.3	728.3
Residential structures	155.0	161.5	166.5	171.0	174.5	178.0	181.5	185.0
Business fixed investment	455.9	462.7	470.7	478.0	486.1	494.2	502.5	511.0
Change in business inventories	46.6	25.7	35.9	37.3	34.6	33.0	32.3	32.3
Nonfarm	40.5	23.4	34.3	37.3	34.6	33.0	32.3	32.3
Net exports of goods and services <1>	-73.0	-72.3	-88.3	-93.8	-93.0	-94.1	-94.8	-92.7
Exports	361.4	362.1	363.4	367.8	374.1	382.6	392.6	403.6
Imports	434.4	434.3	451.7	461.6	467.1	476.7	487.4	496.3
Gov't. purchases of goods and services	792.6	813.0	825.6	839.7	852.6	863.9	876.1	889.8
Federal <2>	320.2	331.6	335.9	341.7	346.8	350.3	354.7	360.2
State and local	472.5	481.4	489.7	498.0	505.8	513.6	521.4	529.6
Gross national product in constant (1972) dollars	1668.0	1677.5	1691.9	1704.6	1715.8	1726.3	1737.1	1747.8
Personal income	3141.6	3186.1	3242.2	3298.1	3350.0	3404.1	3457.5	3514.1
Wage and salary disbursements	1882.6	1910.8	1943.0	1973.5	2005.8	2035.7	2064.7	2095.3
Disposable personal income	2652.6	2734.4	2763.5	2806.7	2859.0	2901.5	2943.6	2988.4
Saving rate (percent)	4.6	6.0	5.5	5.5	5.7	5.6	5.5	5.5
Corporate profits with I.V.A. and C.C. Adj.	298.1	296.9	296.3	293.8	292.1	292.9	296.4	299.7
Corporate profits before tax	227.7	223.9	220.3	214.8	209.1	206.9	208.4	209.7
Federal government surplus or deficit (-) (N.I.A. basis)	-161.2	-217.5	-198.9	-193.8	-192.2	-191.4	-190.9	-190.3
High employment surplus or deficit (-) <3>	-128.3	-185.2	-168.7	-165.0	-163.3	-162.1	-161.0	-159.5
State and local government surplus or deficit(-) (N.I.A. basis)	56.4	56.7	54.8	50.9	49.8	49.7	50.5	51.2
Excluding social insurance funds	11.0	10.5	7.8	3.1	1.2	.3	.3	.2
Civilian labor force (millions)	115.2	115.5	115.9	116.3	116.8	117.2	117.7	118.2
Unemployment rate (percent)	7.3	7.3	7.2	7.1	7.0	7.0	7.0	7.0
Nonfarm payroll employment	96.2	96.9	97.5	98.1	98.6	99.1	99.6	100.0
Manufacturing	19.8	19.7	19.8	19.8	19.9	19.9	20.0	20.0
Industrial production (1967=100)	165.4	165.8	166.9	168.2	169.4	170.7	171.9	173.1
Capacity utilization: all manufacturing (percent)	81.0	80.5	80.4	80.3	80.3	80.2	80.2	80.2
Materials (percent)	80.7	80.3	80.3	80.2	80.1	80.1	80.1	80.0
Housing starts, private (million units, A.R.)	1.79	1.80	1.80	1.80	1.80	1.85	1.85	1.85
New auto sales (millions, A.R.)	10.87	10.90	11.00	10.90	10.90	10.80	10.80	10.70
Domestic models	8.46	8.30	8.10	7.90	7.90	7.80	7.70	7.60
Foreign models	2.42	2.60	2.90	3.00	3.00	3.00	3.10	3.10

<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.

	1985				Projected			
					1986			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	1.3	2.3	3.5	3.0	2.6	2.5	2.5	2.5
Gross domestic purchases	4.4	1.5	4.2	3.3	2.5	2.2	2.2	2.1
Final sales	.4	4.7	2.5	3.0	3.0	2.7	2.7	2.5
Private	.5	4.5	2.5	3.0	3.2	3.0	2.8	2.7
Domestic final purchases	4.3	3.4	3.4	3.2	3.0	2.6	2.4	2.2
Personal consumption expenditures	4.7	2.6	2.8	2.7	2.6	2.2	2.0	1.8
Goods	5.1	2.7	3.0	2.9	2.8	2.2	1.9	1.7
Services	4.4	2.3	2.6	2.4	2.4	2.2	2.1	2.0
Gross private domestic investment	7.9	-6.2	11.7	5.4	2.4	2.7	3.2	3.5
Residential structures	-8	14.3	8.9	7.7	4.5	4.3	3.9	3.7
Business fixed investment	3.5	5.2	5.0	4.7	4.4	4.0	4.0	3.9
Gov't. purchases of goods and services	.2	5.3	2.2	3.2	2.0	1.7	1.8	1.8
Federal	-8	8.8	2.0	4.2	2.1	1.3	1.7	1.4
National defense	-2.4	18.0	3.4	3.8	1.2	1.2	2.5	4.1
State and local	.9	2.8	2.4	2.4	2.0	2.0	1.9	2.0
Disposable personal income	-1.8	9.2	.6	2.9	3.7	2.0	1.6	1.7
<u>Current Dollars</u>								
Gross national product	6.7	5.3	6.3	6.3	6.5	6.0	6.3	6.8
Gross domestic purchases	8.4	5.1	7.9	6.7	6.3	6.0	6.3	6.4
Final sales	5.6	7.7	5.2	6.2	6.8	6.3	6.5	6.8
Personal consumption expenditures	8.0	6.1	6.6	6.2	6.5	6.3	6.4	6.3
Goods	6.2	5.0	5.3	5.1	5.3	4.9	5.0	4.8
Services	9.6	7.1	7.8	7.3	7.7	7.5	7.7	7.7
Gross private domestic investment	12.9	-4.5	15.1	8.1	5.3	5.8	6.5	6.8
Residential structures	3.9	17.9	13.0	11.3	8.4	8.3	8.1	7.9
Business fixed investment	7.5	6.1	7.1	6.4	7.0	6.8	7.0	6.9
Gov't. purchases of goods and services	6.4	10.7	6.3	7.0	6.3	5.4	5.8	6.4
Federal	5.8	15.0	5.3	7.1	6.1	4.2	5.1	6.3
National defense	5.0	22.3	7.0	7.0	5.8	4.8	6.5	8.0
State and local	6.7	7.7	7.1	7.0	6.4	6.3	6.2	6.4
Disposable personal income	1.2	12.9	4.3	6.4	7.7	6.1	5.9	6.2
Personal income	6.0	5.8	7.2	7.1	6.4	6.6	6.4	6.7
Wage and salary disbursements	7.8	6.1	6.9	6.4	6.7	6.1	5.8	6.1
Corporate profits with I.V.A. and C.C.Adj.	9.2	-1.6	-8	-3.4	-2.3	1.1	4.9	4.6
Corporate profits before tax	-1.7	-6.5	-6.3	-9.6	-10.2	-4.1	2.9	2.5
Nonfarm payroll employment	3.4	2.9	2.3	2.5	2.1	1.9	1.9	1.7
Manufacturing	.4	-2.0	2.1	1.6	1.2	1.0	1.0	1.0
Nonfarm business sector								
Output per hour	-1.2	.2	1.5	1.2	.9	.8	.9	1.2
Compensation per hour	6.0	4.2	4.3	4.3	4.8	4.4	4.5	4.6
Unit labor costs	7.3	4.0	2.8	3.1	3.9	3.6	3.6	3.4
GNP implicit deflator (1)	5.3	2.9	2.7	3.1	3.7	3.3	3.7	4.2
Gross domestic business product								
fixed-weighted price index (2)	3.7	3.5	3.3	3.5	3.8	3.9	4.1	4.3
Excluding food and energy	5.1	3.7	3.6	3.7	4.0	4.1	4.4	4.4
Consumer price index (all urban)	3.2	4.1	3.4	3.7	4.0	4.0	4.2	4.4
Industrial production	1.8	.9	2.8	3.2	2.9	2.9	3.0	2.8

(1) Excluding Federal pay increase, the rate of change in 1985-Q1 is 4.9 percent and in 1986-Q1 is 3.6 percent.
(2) Uses expenditures in 1972 as weights.

May 15, 1985

CONFIDENTIAL - FR
CLASS II FOMCGROSS 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	2957.8	3069.3	3304.8	3662.8	3902.1	4146.5
Gross domestic purchases	2404.5	2607.7	2929.8	3050.2	3313.0	3727.1	3983.9	4240.2
Final sales	2403.5	2641.5	2931.7	3095.4	3318.3	3604.6	3865.7	4113.5
Private	1929.2	2103.7	2335.2	2444.9	2632.8	2857.2	3048.0	3242.9
Domestic final purchases	1915.9	2079.7	2307.2	2425.9	2641.1	2921.4	3129.8	3336.5
Personal consumption expenditures	1507.2	1668.1	1849.1	1984.9	2155.9	2341.8	2499.5	2658.3
Goods	813.4	883.5	966.1	1002.6	1081.5	1175.7	1234.1	1297.1
Services	693.7	784.5	883.0	982.2	1074.4	1166.1	1265.4	1361.2
Gross private domestic investment	423.0	401.9	484.2	414.9	471.6	637.8	666.7	711.3
Residential construction	118.6	102.9	104.3	91.4	132.2	153.9	163.5	179.7
Business fixed investment	290.2	308.8	353.9	349.6	352.9	425.7	466.8	498.5
Change in business inventories	14.3	-9.8	26.1	-26.1	-13.5	58.2	36.4	33.1
Nonfarm	8.6	-4.5	18.2	-24.0	-3.1	49.6	33.9	33.1
Net exports of goods and services <1>	13.2	24.0	28.0	19.0	-8.3	-64.2	-81.8	-93.7
Exports	281.3	338.8	369.9	348.4	336.2	364.3	363.7	388.2
Imports	268.1	314.8	341.9	329.4	344.4	428.5	445.5	481.9
Gov't. purchases of goods and services	474.4	537.8	596.5	650.5	685.5	747.4	817.7	870.6
Federal <2>	168.3	197.1	228.9	259.0	269.7	295.4	332.3	353.0
State and local	306.0	340.8	367.6	391.5	415.8	452.0	485.4	517.6
Gross national product in constant (1972) dollars	1479.4	1475.0	1512.2	1480.0	1534.7	1639.3	1685.5	1731.7
Personal income	1951.2	2165.3	2429.5	2584.6	2744.2	3012.1	3217.0	3431.4
Wage and salary disbursements	1237.6	1356.7	1493.1	1568.7	1659.2	1804.0	1927.5	2050.3
Disposable personal income	1650.2	1828.9	2041.7	2180.5	2340.1	2576.8	2739.3	2923.1
Saving rate (percent)	5.9	6.0	6.7	6.2	5.0	6.1	5.4	5.6
Corporate profits with I.V.A. and C.C.Adj.	194.8	175.4	189.9	159.1	225.2	285.7	296.3	295.3
Corporate profits before tax	252.7	234.6	221.2	165.5	203.2	235.7	221.7	208.5
Federal government surplus or deficit (-) (N.I.A. basis)	-16.1	-61.3	-64.3	-148.2	-178.6	-175.8	-192.8	-191.2
High employment surplus or deficit (-)	-20.8	-36.4	-31.3	-61.6	-92.7	-139.6	-161.8	-161.5
State and local government surplus or deficit (-) (N.I.A. basis)	30.4	30.6	37.6	32.9	44.1	52.9	54.7	50.3
Excluding social insurance funds	6.6	3.5	7.8	-8	6.6	10.4	8.1	.5
Civilian labor force (millions)	103.0	106.9	108.7	110.2	111.6	113.5	115.7	117.5
Unemployment rate (percent)	5.8	7.1	7.6	9.7	9.6	7.5	7.2	7.0
Nonfarm payroll employment (millions)	89.8	90.4	91.2	89.6	90.1	94.2	97.2	99.3
Manufacturing	21.0	20.3	20.2	18.8	18.5	19.6	19.8	20.0
Industrial production (1967=100)	152.5	147.0	150.9	138.6	147.6	163.3	166.6	171.3
Capacity utilization: all manufacturing (percent)	86.0	79.6	79.4	71.1	75.2	81.6	80.6	80.2
Materials (percent)	87.6	80.4	80.7	70.1	75.2	82.0	80.3	80.1
Housing starts, private (million units, A.R.)	1.72	1.38	1.10	1.04	1.70	1.77	1.80	1.84
New auto sales (millions, A.R.)	10.68	9.04	8.96	8.00	9.18	10.43	10.91	10.80
Domestic models	8.36	6.62	6.26	5.77	6.77	7.97	8.19	7.75
Foreign models	2.32	2.42	2.70	2.23	2.41	2.46	2.72	3.05

<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.

May 15, 1985

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

	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	2.8	2.7
Gross domestic purchases	2.0	-1.2	3.1	-1.2	4.9	8.7	3.4	2.7
Final sales	3.5	.5	1.5	-.7	3.2	5.0	3.4	2.9
Private	4.0	.1	1.6	-1.3	4.1	5.3	3.2	3.0
Domestic final purchases	2.9	-1.0	2.2	-.2	5.6	7.6	4.0	2.9
Personal consumption expenditures	2.7	.5	2.0	1.3	4.8	5.3	3.4	2.4
Goods	1.9	-1.4	1.7	.4	6.0	7.1	3.4	2.5
Services	3.7	2.7	2.3	2.5	3.4	3.2	3.4	2.3
Gross private domestic investment	-.2	-11.8	10.7	-15.9	13.7	31.2	2.5	3.7
Residential structures	-5.3	-20.3	-5.5	-14.8	41.7	12.2	2.3	6.0
Business fixed investment	7.3	-2.4	5.5	-4.6	2.5	19.8	7.2	4.4
Gov't. purchases of goods and services	1.3	2.2	.9	2.0	-.3	3.5	4.3	2.4
Federal	1.8	4.2	3.7	6.1	-.6	5.4	7.8	2.6
National defense	2.6	3.9	5.0	7.6	7.1	5.8	6.8	3.3
State and local	1.1	1.0	-.6	-.6	.0	2.2	2.0	2.2
Disposable personal income	2.7	.6	2.7	.9	3.5	6.7	3.0	2.8
<u>Current Dollars</u>								
Gross national product	11.7	8.8	12.4	3.8	7.7	10.8	6.5	6.3
Gross domestic purchases	11.1	8.5	12.3	4.1	8.6	12.5	6.9	6.4
Final sales	12.4	9.9	11.0	5.6	7.2	8.6	7.2	6.4
Personal consumption expenditures	11.9	10.7	10.9	7.3	8.6	8.6	6.7	6.4
Goods	11.7	8.6	9.3	3.8	7.9	8.7	5.0	5.1
Services	12.2	13.1	12.6	11.2	9.4	8.5	8.5	7.6
Gross private domestic investment	9.4	-5.0	20.5	-14.3	13.7	35.2	4.5	6.7
Residential structures	6.6	-13.2	1.3	-12.4	44.7	16.4	6.2	9.9
Business fixed investment	16.6	6.4	14.6	-1.2	.9	20.6	9.6	6.8
Gov't. purchases of goods and services	9.8	13.4	10.9	9.0	5.4	9.0	9.4	6.5
Federal	9.6	17.1	16.2	13.1	4.2	9.5	12.5	6.2
National defense	11.5	17.3	17.2	16.8	11.7	10.5	11.4	7.1
State and local	9.9	11.4	7.9	6.5	6.2	8.7	7.4	6.6
Disposable personal income	12.0	10.8	11.6	6.8	7.3	10.1	6.3	6.7
Personal income	12.6	11.0	12.2	6.4	6.2	9.8	6.8	6.7
Wage and salary disbursements	11.9	9.6	10.1	5.1	5.8	8.7	6.9	6.4
Corporate profits with I.V.A. and G.C.Adj.	1.2	-9.9	8.3	-16.2	41.5	27.0	3.6	-.3
Corporate profits before tax	10.3	-7.1	-5.7	-25.2	22.8	16.1	-6.0	-5.9
Nonfarm payroll employment	3.6	.6	.8	-1.7	.6	4.5	3.2	2.2
Manufacturing	2.6	-3.6	-.6	-6.9	-1.5	5.9	.8	1.1
Nonfarm business sector								
Output per hour	-1.5	-.7	1.5	.2	3.5	2.7	.6	1.0
Compensation per hour	9.0	10.3	9.6	8.0	4.9	4.1	4.5	4.5
Unit labor costs	10.7	11.1	8.0	7.7	1.4	1.4	3.9	3.5
GNP implicit deflator	8.6	9.2	9.6	6.0	3.8	3.7	3.6	3.4
Gross domestic business product								
fixed-weighted price index <1>	9.9	10.0	9.6	6.0	3.8	4.0	3.7	3.7
Excluding food and energy	8.6	8.5	9.4	7.0	4.6	4.3	4.3	4.0
Consumer price index (all urban)	11.3	13.5	10.3	6.1	3.2	4.3	3.6	3.9
Industrial production	4.4	-3.6	2.6	-8.1	6.4	10.7	2.0	2.8

<1> Uses expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

	Fiscal Year 1984*	FY1985 ^{1/2/}		FY1986 ^{2/}		CY 1984*	CY1985 ³ FRB Staff	FRB staff estimates Calendar quarters; not seasonally adjusted								
		Admin. 1/	FRB Staff	Admin. 1/	FRB Staff			1984			1985			1986		
								IV*	I*	II	III	IV	I	II	III	
Unified budget receipts	666	741	733	794	787	683	742	166	174	206	187	174	185	230	198	
Unified budget outlays	842	944	939	971	972	867	947	239	230	235	236	247	241	242	242	
Surplus/deficit(-), unified budget	-175	-203	-206	-177	-185	-184	-205	-73	-56	-29	-49	-73	-56	-12	-44	
Surplus/deficit(-), off-budget agencies ³	-10	-10	-10	-1	-5	-10	-12	1	-3	-4	-4	-1	-1	-2	-1	
Combined deficit to be financed	-185	-213	-216	-177	-190	-195	-217	-72	-59	-33	-53	-74	-57	-14	-45	
Means of financing combined deficit:																
Net borrowing from public	171	201	197	179	185	199	198	64	42	38	54	65	54	13	52	
Decreases in cash operating balance	7	10	10	0	0	-5	8	13	4	-5	-1	10	-5	0	-5	
Other ⁴	8	2	9	-1	5	2	12	-6	13	1	0	-2	8	1	-2	
Cash operating balance, end of period	30	30	20	20	20	18	10	18	14	19	20	10	15	15	20	
Memo: Sponsored agency borrowing ⁵	30	42	16	46	20	32	18	3	4	4	5	5	5	5	5	
NIA Budget								Seasonally adjusted annual rates								
Receipts	688	762	751	825	806	705	767	722	774	740	769	785	799	813	828	
Expenditures	860	945	945	990	999	881	960	920	935	957	968	979	991	1005	1019	
Purchases	283	327	326	355	348	295	332	316	320	332	336	342	347	350	355	
Defense	215	242	241	272	260	222	247	232	235	247	251	255	259	262	266	
Nondefense	68	85	85	83	88	74	86	84	86	85	85	87	88	89	89	
All other expenditures	577	618	619	635	651	586	628	604	615	625	632	637	644	655	664	
Surplus/deficit(-)	-172	-183	-194	-165	-193	-176	-193	-198	-161	-217	-199	-194	-192	-191	-191	
High employment surplus/deficit(-) evaluated at 6 percent unemployment	-126	n.a.	-163	n.a.	-163	-140	-162	-169	-128	-185	-168	-165	-163	-162	-161	
	a--actual				e--estimated									n.a.--not available		

1. O.H.B., Current Budget Estimates (April 1985) and B.E.A. translations to an NIA basis.

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.

MAY 14, 1985

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

	ANNUAL			1984		1985				1986			
	1984-	1985-P	1986-P	Q3-	Q4-	Q1-	Q2-P	Q3-P	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
1. <u>GNP EXPORTS AND IMPORTS</u> 1/													
CURRENT \$, NET	-64.2	-81.8	-93.7	-90.6	-56.0	-73.0	-72.3	-88.3	-93.8	-93.0	-94.1	-94.8	-92.7
EXPORTS OF G+S	364.3	363.7	388.2	368.6	367.2	361.4	362.1	363.4	367.8	374.1	382.6	392.6	403.6
IMPORTS OF G+S	428.5	445.5	481.9	459.3	423.2	434.4	434.3	451.7	461.6	467.1	476.7	487.4	496.3
CONSTANT 72 \$, NET	-15.0	-25.4	-24.5	-27.0	-13.4	-26.1	-22.7	-25.8	-26.9	-26.3	-25.3	-24.0	-22.4
EXPORTS OF G+S	146.0	144.3	148.5	147.4	147.1	144.0	144.3	144.1	144.8	145.6	147.3	149.5	151.7
IMPORTS OF G+S	161.1	169.7	173.0	174.4	160.5	170.1	167.0	169.9	171.7	172.0	172.6	173.5	174.0
2. <u>U.S. MERCHANDISE TRADE BALANCE</u> 2/	-107.4	-122.0	-135.8	-129.6	-97.6	-113.3	-113.0	-128.1	-133.7	-133.7	-135.9	-138.0	-135.8
EXPORTS	220.3	224.8	238.7	222.2	225.4	224.3	224.3	224.5	226.0	229.7	234.9	240.9	249.3
AGRICULTURAL	38.4	33.6	35.8	36.9	38.3	34.1	33.7	33.2	33.3	34.2	35.5	36.2	37.3
NONAGRICULTURAL	181.9	191.2	202.9	185.4	187.1	190.2	190.7	191.3	192.7	195.5	199.3	204.7	212.1
IMPORTS	327.8	346.8	374.5	351.9	323.0	337.6	337.3	352.6	359.7	363.4	370.7	378.9	385.1
PETROLEUM AND PRODUCTS	57.3	49.8	49.9	57.8	56.4	42.3	50.4	54.5	52.2	48.2	49.3	51.1	51.1
NONPETROLEUM	270.5	297.0	324.6	294.0	266.6	295.3	287.0	298.1	307.5	315.2	321.5	327.8	334.0
3. <u>U.S. CURRENT ACCOUNT BALANCE</u>	-101.7	-120.0	-134.1	-132.3	-100.8	-109.5 ^P	-109.1	-126.5	-134.9	-131.1	-133.6	-135.6	-136.0
OF WHICH: NET INVESTMENT INCOME	18.1	17.1	15.7	11.5	16.2	17.8 ^P	17.7	16.7	16.4	15.8	15.8	16.1	14.9
4. <u>FOREIGN OUTLOOK</u> 3/													
REAL GNP--TEN INDUSTRIAL 4/	3.0	3.1	2.8	4.0	4.2	2.9 ^P	2.9	2.8	3.1	3.1	2.6	2.4	2.7
REAL GNP--NONOPEC LDC 5/	4.1	4.0	4.1	4.4	4.1	3.7 ^P	3.7	3.8	3.9	4.0	4.3	4.6	4.9
CONSUMER PRICES--TEN IND. 4/	4.9	4.2	3.9	2.6	4.9	5.0 ^P	4.2	3.1	3.9	4.3	3.8	3.6	3.7

/ ECONOMIC ACTIVITY AND PRODUCT ACCOUNT DATA.
/ INTERNATIONAL ACCOUNTS BASIS.
/ PERCENT CHANGE, ANNUAL RATES.
/ WEIGHTED BY MULTILATERAL TRADE-WEIGHTS OF G-10 COUNTRIES PLUS SWITZERLAND; PRICES ARE NOT SEASONALLY ADJUSTED.
/ WEIGHTED BY SHARE IN NONOPEC LDC GNP.
/ PROJECTED

May 15, 1985

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)

	1985				
	Q1	Q2 ^f	April ^p	May ^f	June ^f
<u>Treasury financing</u>					
Combined surplus/deficit(-)	-58.6	-33.0	8.9	-38.4	-3.5
Means of financing deficit:					
Net cash borrowing from the public	41.8	37.6	17.0	19.9	.7
Marketable borrowings/ repayments(-)	37.0	34.2	16.0	18.0	.2
Bills	5.1	1.9	.4	6.0	-4.5
Coupons	31.9	32.3	15.6	12.0	4.7
Nonmarketable	4.8	3.4	1.0	1.9	.5
Decrease in the cash balance	3.7	-5.6	-26.1	22.3	-1.8
Memo: Cash balance at end of period	13.9	19.5	40.0	17.7	19.5
Other ²	13.1	1.0	.2	-3.8	4.6
<u>Federally sponsored credit agencies, net cash borrowing³</u>					
	3.6	1.9	0	.7	1.2
FHLB	.2	.1	-.2	.1	.2
FNMA	2.6	2.2	.7	.8	.7
Farm Credit Banks	-1.1	-1.5	-.8	-.7	0
FHLMC	1.4	.5	.2	.2	.1
SLMA	.5	.6	.1	.3	.2

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.