

CONFIDENTIAL (FR)

July 3, 1979

SUMMARY AND OUTLOOK

By the Staff  
Board of Governors  
of the Federal Reserve System

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## **SUMMARY AND OUTLOOK**

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## STAFF GNP PROJECTIONS

	Per cent changes, annual rate				Gross business product fixed-weight price index		Unemployment rate (per cent)	
	Nominal GNP		Real GNP		5/16/79	7/3/79	5/16/79	7/3/79
	5/16/79	7/3/79	5/16/79	7/3/79				
1976 I/	11.2	11.2	5.7	5.7	5.4	5.4	7.7	7.7
1977 I/	11.0	11.0	4.9	4.9	6.2	6.2	7.0	7.0
1978 I/	11.7	11.7	4.0	4.0	7.7	7.7	6.0	6.0
1979	11.6	10.6	2.9	1.6	9.2	9.7	6.0	6.2
1980	9.5	9.0	1.2	-.5	8.3	9.7	6.8	7.6
1978-III I/	9.6	9.6	2.6	2.6	8.0	8.0	6.0	6.0
1978-IV I/	15.6	15.6	6.9	6.9	8.0	8.0	5.8	5.8
1979-I I/	9.5	9.8	.7	.8	9.8	9.9	5.7	5.7
1979-II	12.0	7.9	2.2	-1.5	10.3	10.9	5.9	5.8
1979-III	8.4	6.3	.8	-2.4	8.3	10.6	6.1	6.3
1979-IV	9.8	8.6	1.0	-2.0	8.3	10.1	6.3	6.9
1980-I	9.3	9.8	1.1	-.1	8.5	9.7	6.5	7.3
1980-II	9.4	9.3	1.2	.2	8.2	9.5	6.7	7.5
1980-III	9.2	9.9	1.4	1.5	7.7	8.8	6.9	7.7
1980-IV	9.6	10.2	1.4	1.5	7.7	8.7	7.1	7.9
Change:								
77-IV to 78-IV I/	13.1	13.1	4.4	4.4	8.7	8.7	-.8	-.8
78-IV to 79-IV	9.9	8.2	1.2	-1.3	9.2	10.4	.5	1.1
79-IV to 80-IV	9.4	9.8	1.3	.8	8.0	9.2	.8	1.0
Memo:								
Growth Over Annual Policy Period:								
78-IV to 79 IV	9.9	8.2	1.2	-1.3	9.2	10.4	.5	1.1

I/ Actual.

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

	1979				Projected				1980			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Gross national product	2267.3	2311.1	2346.7	2395.4	2452.1	2507.0	2566.9	2630.0				
Final purchases	2252.0	2285.0	2332.4	2390.6	2450.9	2508.1	2565.4	2626.3				
Private	1793.6	1818.7	1854.0	1899.9	1950.7	1998.5	2046.3	2094.0				
Excluding net exports	1797.3	1826.3	1867.5	1904.4	1942.9	1987.1	2033.5	2082.1				
Personal consumption expenditures	1442.2	1465.8	1502.8	1539.1	1676.4	1514.6	1653.0	1693.3				
Goods	779.2	786.3	806.0	824.1	841.7	859.9	878.7	898.1				
Services	663.1	679.5	696.8	715.0	734.7	754.7	774.3	795.2				
Gross private domestic investment	370.4	386.6	379.0	370.1	367.7	371.4	382.0	392.5				
Residential construction	111.1	111.6	109.1	107.6	107.0	108.3	110.1	112.1				
Business fixed investment	244.0	248.9	255.6	257.7	259.5	264.2	270.4	276.7				
Change in business inventories	15.3	26.1	14.3	4.8	1.2	-1.1	1.5	3.7				
Nonfarm	16.5	26.1	14.3	4.8	1.2	-1.1	1.5	3.7				
Net exports of goods and services <u>1/</u>	-3.7	-7.6	-13.5	-4.5	7.8	11.4	12.8	11.9				
Exports	235.0	238.6	254.1	266.4	276.4	285.7	292.5	298.6				
Imports	238.7	246.2	267.6	270.9	268.6	274.3	279.7	286.7				
Gov't. purchases of goods and services	458.4	466.3	478.4	490.7	500.2	509.6	519.1	532.3				
Federal <u>2/</u>	164.5	163.4	168.0	173.9	176.9	179.8	182.2	188.2				
State and local	293.9	302.9	310.4	316.8	323.3	329.8	336.9	344.1				
Gross national product in constant (1972) dollars	1417.6	1412.2	1403.5	1396.6	1396.3	1396.9	1402.2	1407.3				
Personal income	1836.0	1879.5	1933.1	1974.9	2016.0	2063.9	2122.1	2175.1				
Wage and salary disbursements	1185.3	1210.0	1229.5	1248.6	1270.6	1295.9	1323.8	1355.4				
Disposable personal income	1563.3	1596.9	1641.7	1675.2	1709.5	1748.4	1796.9	1838.7				
Saving rate (per cent)	5.3	5.7	6.0	5.6	5.2	5.1	5.4	5.3				
Corporate profits with I.V.A. and C.C. Adj.	168.7	168.3	159.3	164.2	170.9	171.8	175.5	178.6				
Corporate profits before tax	229.8	227.1	211.2	216.3	224.4	225.6	227.6	231.9				
Federal government surplus or deficit (-) (N.I.A. basis)	-16.9	-14.1	-34.6	-39.1	-34.2	-32.6	-37.5	-35.0				
High employment surplus or deficit (-)	6.4	13.8	6.4	11.8	24.8	34.0	34.3	41.0				
State and local government surplus or deficit (-) (N.I.A. basis)	27.5	22.3	19.9	19.9	19.8	19.5	18.9	18.5				
Excluding social insurance funds	3.8	-2.0	-5.0	-5.6	-6.3	-7.2	-8.3	-9.3				
Civilian labor force (millions)	102.5	102.3	103.1	103.7	104.1	104.5	104.9	105.3				
Unemployment rate (per cent)	5.7	5.8	6.3	6.9	7.3	7.5	7.7	7.9				
Nonfarm payroll employment (millions)	87.9	88.4	88.4	88.2	88.0	88.1	88.2	88.4				
Manufacturing	20.9	20.9	20.7	20.3	20.1	20.0	20.0	20.0				
Industrial production (1967=100)	151.5	151.7	149.7	147.6	146.7	146.4	147.1	147.8				
Capacity utilization: all mfg. (percent)	86.1	85.4	83.3	81.1	79.8	78.9	78.6	78.3				
Materials (per cent)	87.4	87.2	84.8	82.5	81.2	80.4	80.3	80.2				
Housing starts, private (million units, A.R.)	1.62	1.75	1.60	1.50	1.50	1.55	1.60	1.60				
New autos sales, (millions, A.R.)	11.55	10.83	10.50	10.10	9.90	9.90	10.00	10.05				
Domestic models	9.13	8.13	8.00	7.90	7.90	7.95	8.10	8.15				
Foreign models	2.42	2.70	2.50	2.20	2.00	1.95	1.90	1.90				

<sup>1/</sup> Balance of payments data and details underlying these estimates are shown in the International Developments section of this part of the Greenbook.

<sup>2/</sup> Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

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PER CENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS  
(Annual rates compounded quarterly)

	1979				Projected				1980	
	I	II	III	IV	I	II	III	IV		
<u>Constant (1972) dollars</u>										
Gross national product	.8	-1.5	-2.4	-2.0	-.1	.2	1.5	1.5		
Final purchases	.7	-3.6	-.1	-.1	.7	.6	1.0	1.0		
Private	1.2	-4.4	-.9	-.4	.6	.5	1.0	1.0		
Excluding net exports	.4	-4.1	-1.2	-1.7	-.9	.2	.9	1.2		
Personal consumption expenditures	.7	-3.9	-.5	-.3	.6	.7	1.1	1.3		
Goods	-3.6	-8.5	-2.9	-2.6	-.9	-.5	.3	.4		
Services	6.3	1.9	2.2	2.3	2.3	2.1	1.9	2.3		
Gross private domestic investment	3.7	9.3	-17.3	-18.8	-11.8	-5.5	3.9	3.8		
Residential structures	-14.4	-9.9	-17.7	-14.8	-11.9	-5.5	-2.9	-1.4		
Business fixed investment	4.9	-3.0	1.8	-5.3	-5.6	-1.2	1.2	1.3		
Gov't. purchases of goods and services	-4.3	-.4	2.9	.9	.8	.9	1.0	1.2		
Federal	-2.2	-7.3	5.3	1.4	1.3	1.3	.2	.8		
State and local	-5.5	3.8	1.5	.6	.5	.7	1.5	1.4		
Disposable personal income	2.8	-1.9	.5	-1.7	-.9	.1	2.6	.9		
<u>Current dollars</u>										
Gross national product	9.8	7.9	6.3	8.6	9.8	9.3	9.9	10.2		
Final purchases	9.5	6.0	8.6	10.4	10.5	9.7	9.5	9.8		
Private	11.2	5.7	8.0	10.3	11.1	10.2	9.9	9.7		
Excluding net exports	10.1	6.6	9.3	8.1	8.3	9.4	9.7	9.9		
Personal consumption expenditures	11.4	6.7	10.5	10.0	10.1	10.1	9.9	10.1		
Goods	9.1	3.7	10.4	9.3	8.8	8.9	9.0	9.1		
Services	14.2	10.3	10.6	10.9	11.5	11.3	10.8	11.2		
Gross private domestic investment	7.2	18.6	-7.6	-9.1	-2.6	4.1	11.9	11.5		
Residential structures	-7.9	1.8	-8.7	-5.4	-2.2	4.9	6.8	7.5		
Business fixed investment	12.2	8.2	11.2	3.3	2.8	7.4	9.7	9.7		
Gov't. purchases of goods and services	3.4	7.1	10.8	10.7	8.0	7.7	7.7	10.6		
Federal	5.1	-2.6	11.7	14.8	7.1	6.7	5.4	13.8		
State and local	2.5	12.8	10.3	8.5	8.5	8.3	8.9	8.8		
Disposable personal income	13.7	8.9	11.7	8.4	8.4	9.4	11.6	9.6		
Personal income	10.9	9.8	11.9	8.9	8.6	9.8	11.8	10.4		
Wage and salary disbursements	13.1	8.7	6.6	6.4	7.2	8.2	8.9	9.9		
Corporate profits with IVA & C.C. Adj.	-16.7	-.9	-19.7	12.9	17.3	2.1	8.9	7.3		
Corporate profits before tax	9.0	-4.6	-25.2	10.1	15.9	2.2	3.7	7.7		
Nonfarm payroll employment	4.2	2.5	-.2	-.9	-.5	.1	.8	.8		
Manufacturing	6.1	.2	-4.4	-6.3	-5.0	-1.9	.3	.0		
Nonfarm business sector										
Output per hour	-4.3	-2.9	-1.0	.2	1.7	1.0	1.3	1.4		
Compensation per hour	10.2	8.0	9.0	9.2	10.7	9.6	9.7	9.4		
Unit labor costs	15.2	11.2	10.1	9.0	8.9	8.5	8.4	8.0		
GNP implicit deflator 1/	8.9	9.6	9.0	10.7	9.9	9.1	8.3	8.6		
Gross business product fixed-weight price index 2/	9.9	10.9	10.6	10.1	9.7	9.5	8.8	8.7		
Industrial production	4.9	.5	-5.1	-5.7	-2.4	-.8	2.1	2.0		

Excluding Federal pay increases, the rates of change are: 1979 QI, 8.9 per cent; 1979 QIV, 10.2 per cent; 1980 QI, 9.9 per cent; 1980 QIV, 8.1 per cent.

1/ Uses expenditures in 1972 as weights.

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

	1977				1978			
	I	II	III	IV	I	II	III	IV
Gross national product	1806.8	1867.0	1916.8	1958.1	1992.0	2087.5	2136.1	2214.8
Final purchases	1796.5	1850.0	1894.9	1945.0	1975.3	2067.4	2122.5	2201.3
Private	1421.5	1461.2	1495.4	1532.5	1558.6	1642.7	1682.7	1746.8
Excluding net exports	1430.0	1467.1	1502.4	1555.7	1582.7	1648.2	1693.4	1754.4
Personal consumption expenditures	1167.7	1188.6	1214.5	1255.2	1276.7	1322.9	1356.9	1403.9
Goods	639.1	649.2	657.1	684.1	684.9	717.1	731.2	762.5
Services	528.6	539.4	557.5	571.1	591.8	605.8	625.8	641.4
Gross private domestic investment	272.5	295.6	309.7	313.5	322.7	345.4	350.1	364.0
Residential construction	81.6	91.4	94.3	100.2	100.3	105.3	109.0	113.4
Business fixed investment	180.6	187.2	193.5	200.3	205.6	220.1	227.5	237.1
Change in business inventories	10.3	17.0	21.9	13.1	16.7	20.1	13.6	13.5
Nonfarm	11.1	16.5	22.0	10.4	16.9	22.1	14.6	13.4
Net exports of goods and services 1/	-8.5	-5.9	-7.0	-23.2	-24.1	-5.5	-10.7	-7.6
Exports	170.9	178.1	180.8	172.1	181.7	205.4	210.1	221.9
Imports	179.4	184.0	187.8	195.2	205.8	210.9	220.8	229.5
Gov't. purchases of goods and services	375.0	388.8	399.5	412.5	416.7	424.7	439.8	454.5
Federal 2/	138.3	142.9	146.8	152.2	151.5	147.2	154.0	162.5
State and local	236.7	245.9	252.7	260.3	265.2	277.6	285.8	292.0
Gross national product in constant (1972) dollar	1306.7	1325.5	1343.9	1354.5	1354.2	1382.6	1391.4	1414.7
Personal income	1470.7	1508.6	1543.7	1593.0	1628.9	1682.4	1731.7	1789.0
Wage and salary disbursements	946.4	973.4	993.6	1021.2	1050.8	1090.2	1113.2	1149.4
Disposable personal income	1248.0	1285.3	1319.1	1359.6	1391.6	1433.3	1468.4	1513.9
Saving rate (per cent)	4.2	5.3	5.6	5.4	5.9	5.3	5.2	4.8
Corporate profits with I.V.A. and C.C. Adj.	129.9	143.7	154.8	148.2	132.6	163.4	165.2	176.6
Corporate profits before tax	164.8	175.1	177.5	178.3	172.1	205.5	205.4	224.9
Federal government surplus or deficit (-) (N.I.A. basis)	-37.3	-40.3	-56.4	-58.6	-52.6	-23.6	-22.8	-20.8
High employment surplus or deficit (-)	-2.9	-10.8	-29.9	-31.6	-19.5	-.5	1.8	-1.0
State and local government surplus or deficit (-) (N.I.A. basis)	29.5	28.5	31.2	29.0	31.5	29.8	23.4	28.8
Excluding social insurance funds	12.5	10.8	12.8	9.9	11.5	9.3	1.8	5.9
Civilian labor force (millions)	96.2	97.1	97.6	98.5	99.3	100.1	100.8	101.5
Unemployment rate (per cent)	7.4	7.2	6.9	6.6	6.2	6.0	6.0	5.8
Nonfarm payroll employment (millions)	80.8	82.0	82.7	83.5	84.3	85.7	86.1	87.0
Manufacturing	19.4	19.6	19.7	19.9	20.1	20.3	20.3	20.6
Industrial production (1967=100)	133.6	137.0	138.4	139.3	139.6	144.0	147.0	149.7
Capacity utilization: all mfg. (per cent)	81.2	82.7	83.0	82.9	82.1	84.0	85.0	85.9
Materials (per cent)	80.4	82.6	82.3	82.2	81.7	84.5	86.0	87.6
Housing starts, private (million units, A.R.)	1.81	1.93	2.02	2.09	1.80	2.10	2.04	2.08
New autos sales, (millions, A.R.)	11.12	11.70	10.92	10.75	10.80	12.12	11.16	11.07
Domestic models	9.28	9.34	8.88	8.77	8.80	10.01	9.19	9.06
Foreign models	1.84	2.36	2.04	1.98	2.00	2.11	1.98	2.00

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

2/ Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

July 3, 1979

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CLASS II FOMCPER CENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS  
(Annual rates compounded quarterly)

	1977				1978			
	I	II	III	IV	I	II	III	IV
<u>Constant (1972) dollars</u>								
Gross national product	7.3	5.9	5.7	3.2	-1.1	8.7	2.6	6.9
Final purchases	5.3	4.6	5.0	4.7	-1.6	8.6	3.7	7.2
Private	6.1	3.7	4.8	4.8	-1.1	11.0	2.8	8.0
Excluding net exports	6.9	3.8	4.3	8.7	-1.0	7.7	3.7	7.7
Personal consumption expenditures	5.1	1.4	4.1	9.0	-1.4	6.0	4.1	7.6
Goods	5.2	1.2	2.4	13.5	-8.1	9.7	2.6	11.5
Services	4.9	1.5	6.1	3.9	7.0	1.9	5.9	3.1
Gross private domestic investment	32.8	25.7	9.7	-2.9	11.3	15.2	-5.1	5.8
Residential structures	10.2	37.8	5.2	11.1	-5.2	2.7	-1.6	4.0
Business fixed investment	19.0	7.5	5.3	5.3	4.2	21.3	3.5	9.5
Gov't. purchases of goods and services	2.4	8.0	5.8	4.2	-3.5	-2.2	7.2	4.0
Federal	5.1	10.7	6.4	2.9	-8.9	-15.3	14.3	8.8
State and local	.7	6.3	5.4	5.1	-1	9.6	3.4	1.3
Disposable personal income	1.7	6.2	5.9	7.8	1.1	3.5	3.6	6.1
<u>Current dollars</u>								
Gross national product	13.7	14.0	11.1	8.9	7.1	20.6	9.6	15.6
Final purchases	11.0	12.5	10.1	11.0	6.4	20.0	11.1	15.7
Private	11.3	11.6	9.7	10.3	7.0	23.4	10.1	16.1
Excluding net exports	14.9	10.8	10.0	15.0	7.1	17.6	11.4	15.2
Personal consumption expenditures	12.5	7.3	9.0	14.1	7.0	15.3	10.7	14.6
Goods	12.1	6.5	5.0	17.5	.5	20.2	8.1	30.7
Services	13.1	8.4	14.1	10.1	15.3	9.8	13.9	10.3
Gross private domestic investment	48.0	38.5	20.5	5.1	12.2	31.3	5.5	16.9
Residential structures	25.1	57.8	13.5	27.3	.5	21.0	14.9	17.3
Business fixed investment	25.9	15.3	14.1	14.8	11.1	31.2	14.3	18.0
Gov't. purchases of goods and services	9.9	15.5	11.5	13.7	4.1	7.9	15.0	14.1
Federal	11.5	14.0	11.3	15.7	-2.0	-10.9	20.0	23.9
State and local	9.0	16.4	11.6	12.5	7.8	19.9	12.4	9.0
Disposable personal income	9.0	12.5	10.9	12.9	9.8	12.5	10.2	13.0
Personal income	11.7	10.7	9.6	13.4	9.3	13.8	12.2	13.9
Wage and salary disbursements	12.0	11.9	8.6	11.6	12.1	15.9	8.7	13.7
Corporate profits with IVA & C.C. Adj.	26.4	49.8	34.7	-16.0	-35.9	130.6	4.5	30.6
Corporate profits before tax	29.1	27.5	5.6	1.8	-13.2	103.3	-.2	43.7
Nonfarm payroll employment	3.9	5.6	3.6	4.0	3.8	6.9	2.1	4.0
Manufacturing	5.2	5.7	1.5	3.2	5.7	3.1	-.2	6.0
Nonfarm business sector								
Output per hour	2.4	-1.4	3.7	.5	-3.1	1.7	2.3	1.9
Compensation per hour	8.3	6.5	8.1	7.6	12.2	8.2	9.6	9.1
Unit labor costs	5.8	8.0	4.2	7.1	15.7	6.4	7.1	7.0
GNP implicit deflator <u>1/</u>	6.0	7.7	5.1	5.5	7.2	11.0	6.9	8.2
Gross business product fixed-weight price index <u>2/</u>	6.7	7.9	4.7	6.3	6.7	12.1	8.0	8.0
Industrial production	6.2	10.6	4.2	2.6	.9	13.2	8.6	7.6

1/ Excluding Federal pay increases, rates of change were: 1977:QI, 5.9 per cent; 1977:QIV, 4.8 per cent; 1978:QI, 7.2 per cent; 1978:QIV, 7.6 per cent.2/ 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.)

	1973	1974	1975	1976	1977	1978	Projected 1979	1980
Gross national product	1306.6	1412.9	1528.8	1700.1	1887.2	2107.6	2330.1	2539.0
Final purchases	1288.6	1404.0	1539.6	1689.9	1871.6	2091.6	2315.0	2537.7
Private	1019.1	1101.3	1201.2	1330.4	1477.6	1657.7	1841.6	2022.4
Excluding net exports	1012.0	1095.3	1180.8	1323.0	1488.7	1669.7	1848.9	2011.4
Personal consumption expenditures	809.9	889.6	979.1	1090.2	1206.5	1340.1	1487.5	1634.3
Goods	457.5	498.3	541.5	599.2	657.4	724.0	798.9	869.6
Services	352.3	391.3	437.5	491.0	549.2	616.2	688.6	764.7
Gross private domestic investment	220.0	214.6	190.9	243.0	297.8	345.6	376.5	378.4
Residential construction	66.1	55.1	51.5	68.2	91.9	107.0	109.8	109.4
Business fixed investment	136.0	150.6	150.2	164.6	190.4	222.6	251.6	267.7
Change in business inventories	17.9	8.9	-10.7	10.2	15.6	16.0	15.1	1.3
Nonfarm	14.7	10.8	-14.3	12.2	15.0	16.7	15.4	1.3
Net exports of goods and services <u>1/</u>	7.1	6.0	20.4	7.4	-11.1	-12.0	-7.3	11.0
Exports	101.6	137.9	147.3	163.2	175.5	204.8	248.5	288.3
Imports	94.4	131.9	126.9	155.7	186.6	216.8	255.8	277.3
Gov't. purchases of goods and services	269.5	302.7	338.4	359.5	394.0	433.9	473.4	515.3
Federal <u>2/</u>	102.2	111.1	123.1	129.9	145.1	153.8	167.4	181.8
State and local	167.3	191.5	215.4	229.6	248.9	280.2	306.0	333.5
Gross national product in constant (1972) dollars	1235.0	1217.8	1202.3	1271.0	1332.7	1385.7	1407.5	1400.7
Personal income	1052.4	1154.9	1255.5	1380.9	1529.0	1708.0	1905.9	2094.3
Wage and salary disbursements	701.3	764.6	805.9	890.1	983.6	1100.9	1218.3	1311.4
Disposable personal income	901.7	984.6	1086.7	1184.4	1303.0	1451.8	1619.3	1773.4
Saving rate (per cent)	7.8	7.3	7.7	5.7	5.1	5.3	5.7	5.2
Corporate profits with I.V.A. and C.C. Adj.	99.1	83.6	95.9	127.0	144.2	159.5	165.1	174.2
Corporate profits before tax	115.8	126.9	120.4	155.9	173.9	202.0	221.1	227.4
Federal government surplus or deficit (N.I.A. basis)	-6.7	-10.7	-70.6	-53.8	-48.1	29.9	-26.2	-34.8
High employment surplus or deficit (-)	-1.3	14.9	-27.4	-20.2	-19.6	-5.7	9.6	33.5
State and local government surplus or deficit (-) (N.I.A. basis)	13.0	7.6	6.2	20.7	29.6	28.3	22.4	19.2
Excluding social insurance funds	4.1	-2.9	-6.2	5.5	11.5	7.1	-2.2	-7.8
Civilian labor force (millions)	88.7	91.0	92.6	94.8	97.4	100.4	102.9	104.7
Unemployment rate (per cent)	4.9	5.6	8.5	7.7	7.0	6.0	6.2	7.6
Nonfarm payroll employment (millions)	76.8	78.3	76.9	79.4	82.3	85.8	88.2	88.2
Manufacturing	20.2	20.1	18.3	19.0	19.6	20.3	20.7	20.0
Industrial production (1967=100)	129.8	129.3	117.8	129.8	137.1	145.2	150.1	147.0
Capacity utilization: all manufacturing (per cent)	87.5	84.2	73.6	80.2	82.5	84.3	84.0	78.9
Materials (per cent)	92.4	87.7	73.6	80.4	81.9	85.0	85.5	80.5
Housing starts, private (million units, A.R.)	2.05	1.34	1.16	1.54	1.99	2.02	1.62	1.56
New auto sales, (millions, A.R.)	11.42	8.91	8.66	10.12	11.13	11.29	10.75	9.96
Domestic models	9.65	7.49	7.08	8.63	9.07	9.27	8.29	8.02
Foreign models	1.77	1.42	1.58	1.50	2.06	2.02	2.46	1.94

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.

July 3, 1979

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ASS II FOMC~~PER CENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1973	1974	1975	1976	1977	1978	Projected 1979	1980
<u>Constant (1972) dollars</u>								
Gross national product	5.5	-1.4	-1.3	5.7	4.9	4.0	1.6	-.5
Final purchases	4.9	-.7	.2	4.3	4.7	3.9	1.6	.2
Private	6.3	-1.4	-.3	5.5	5.3	4.3	1.8	.0
Excluding net exports	5.1	-2.3	-1.0	6.4	6.0	4.5	1.4	-.7
Personal consumption expenditures	4.7	-.9	1.8	5.8	4.7	4.0	1.6	.1
Goods	5.0	-3.4	.7	6.4	5.0	3.4	-.2	-1.7
Services	4.4	2.3	3.2	5.0	4.4	4.6	3.8	2.2
Gross private domestic investment	10.0	-11.4	-22.3	21.6	13.2	7.3	.3	-8.9
Residential structures	-3.7	-24.6	-13.9	23.4	20.5	3.8	-8.0	-10.3
Business fixed investment	12.2	-.3	-13.0	4.7	9.1	8.1	3.9	-2.4
Gov't. purchases of goods and services	-.2	2.1	1.9	.1	2.4	2.2	.8	1.1
Federal	-5.4	-.8	.7	.1	5.2	-1.3	1.0	1.1
State and local	3.2	3.8	2.6	.1	.8	4.2	.7	1.1
Disposable personal income	6.7	-1.5	2.1	3.5	4.1	4.3	2.1	-.2
<u>Current dollars</u>								
Gross national product	11.6	8.1	8.2	11.2	11.0	11.7	10.6	9.0
Final purchases	10.9	8.9	9.7	9.8	10.8	11.8	10.7	9.6
Private	12.2	8.1	9.1	10.8	11.1	12.2	11.1	9.8
Excluding net exports	11.0	8.2	7.8	12.0	12.5	12.2	10.7	8.8
Personal consumption expenditures	10.5	9.8	10.1	11.4	10.7	11.1	11.0	9.9
Goods	11.4	8.9	8.7	10.7	9.7	10.1	10.3	8.9
Services	9.3	11.1	11.8	12.2	11.8	12.2	11.7	11.1
Gross private domestic investment	16.8	-2.5	-11.0	27.3	22.6	16.0	8.9	.5
Residential structures	6.6	-16.7	-6.5	32.5	34.8	16.4	2.6	-.4
Business fixed investment	16.4	10.8	-.3	9.6	15.7	16.9	13.0	6.4
Gov't. purchases of goods and services	6.5	12.3	11.8	6.2	9.6	10.1	9.1	8.8
Federal	.1	8.7	10.7	5.5	11.7	6.0	8.8	8.6
State and local	10.8	14.5	12.5	6.6	8.4	12.6	9.2	9.0
Disposable personal income	12.5	9.2	10.4	9.0	10.0	11.4	11.5	9.5
Personal income	11.7	9.7	8.7	10.0	10.7	11.7	11.6	9.9
Wage and salary disbursements	10.6	9.0	5.4	10.4	10.5	11.9	10.7	7.6
Corporate profits with IVA & C.C. Adj.	7.6	-15.6	14.7	32.4	13.5	10.6	3.5	5.5
Corporate profits before tax	20.4	9.6	-5.1	29.5	11.5	16.2	9.5	2.8
Nonfarm payroll employment	4.3	1.9	-1.7	3.2	3.6	4.3	2.8	.0
Manufacturing	5.2	-.4	-8.7	3.7	3.4	3.5	1.8	-3.3
Nonfarm business sector								
Output per hour	1.7	-2.9	1.9	3.5	1.3	.5	-1.0	.6
Compensation per hour	7.8	9.4	9.9	8.4	8.1	9.3	9.2	9.6
Unit labor costs	6.0	12.7	7.8	4.7	6.7	8.8	10.3	9.0
GNP implicit deflator	5.9	9.7	9.6	5.2	5.9	7.4	8.9	9.5
Gross business product fixed-weighted price index 1/	5.7	10.4	9.4	5.4	6.2	7.7	9.7	9.7
Industrial production	8.4	-.4	-8.9	10.2	5.6	5.9	3.4	-2.0

1/ Uses expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS  
(billions of dollars)

July 3, 1979

	Fiscal Year	FRB Staff Estimates											
		FY 1979 e/2/		FY 1980 e/2/		CY 1978*	CY79e/ F.R. Board	Calendar quarters; unadjusted data					
		Admin.	F.R.	Admin.	F.R.			IV*	I*	II	III	IV	I
Unified budget receipts	402.0	461.8	465.7	503.9	509.0	416.9	475.9	99.5	102.1	143.8	120.3	109.6	111.2
Unified budget outlays	450.8	495.0	494.2	532.3	542.0	460.6	505.3	123.2	122.6	123.3	125.1	134.3	134.1
Surplus(+) / Deficit(-), unified budget	-48.8	-33.2	-28.5	-28.4	-33.0	-43.7	-29.4	-23.7	-20.5	20.5	-4.8	-24.8	-22.9
Surplus(+) / Deficit(-), off-budget agencies 3/	-10.3	-12.0	-12.1	-12.0	-10.9	-9.1	-13.5	-0.1	-3.0	-4.7	-4.3	-1.5	-3.3
Combined deficit to be financed	-59.1	-45.2	-40.6	-40.4	-43.9	-52.8	-42.9	-23.8	-23.5	15.8	-9.1	-26.3	-26.2
Means of financing combined deficits:													
Net borrowing from public	59.1	35.8	27.3	38.4	42.5	53.6	33.2	15.3	10.6	-4.7	6.1	21.2	19.6
Decrease in cash operating balance	-3.3	7.4	7.4	0.0	0.0	-4.0	4.3	6.1	8.6	-9.8	2.5	3.0	4.0
Other 4/	3.2	2.0	5.8	2.0	1.4	3.2	5.3	2.5	4.2	-1.4	0.5	2.0	2.6
Cash operating balance, end of period	22.4	15.0	15.0	15.0	15.0	16.3	12.0	16.3	7.7	17.5	15.0	12.0	8.0
Memo: Sponsored agency borrowing 5/	19.1	n.a.	22.9	n.a.	14.6	22.0	21.6	4.9	6.4	5.8	5.8	3.6	3.0
NIA Budget													
Receipts 6/	413.8	470.1	471.3	515.9	514.2	431.5	482.2	463.1	470.7	481.0	483.5	493.4	507.3
Expenditures 6/	450.6	496.3	496.2	540.8	548.6	461.4	508.4	483.8	487.7	495.1	518.1	532.5	541.5
Purchases (total)	151.1	166.2	164.6	178.8	178.2	153.8	167.5	162.5	164.5	163.4	168.0	173.9	176.9
Defense	98.1	105.3	104.9	116.0	114.5	99.5	107.2	102.1	103.9	105.7	107.8	111.5	113.4
Non-defense	53.0	60.9	59.7	62.8	63.7	54.3	60.2	60.4	60.6	57.7	60.2	62.4	63.5
All other expenditures	299.5	330.1	331.6	362.0	370.4	307.6	340.9	321.3	323.2	331.7	350.1	358.6	364.6
Surplus(+) / Deficit(-) 6/	-36.8	-26.2	-24.9	-24.9	-34.4	-29.9	-26.2	-20.8	-17.0	-14.1	-34.6	-39.1	-34.2
High Employment Surplus(+) / Deficit(-) (NIA basis) 7/	-13.3	n.a.	6.2	n.a.	26.2	-5.7	9.6	-1.9	6.4	13.8	6.4	11.8	24.8

\*\*-actual

e--estimated

r--revised

n.a.--not available

- 1/ The Budget of the United States Government: Fiscal Year 1980, January 1979, and Current Budget Estimates: March 1979, Office of Management and Budget.
- 2/ In the First Concurrent Resolution on the Budget Fiscal Year 1980, May 21, 1979, Congress projects FY 1979 receipts of \$461.0 billion and outlays of \$494.5 billion; and FY 1980 receipts of \$509.0 billion and outlays of \$532.0 billion.
- 3/ Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, and Pension Benefit Guaranty Corporation.
- 4/ Checks issued less checks paid, accrued items and other transactions.
- 5/ Includes Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives marketable debt on an offerings basis.
- 6/ The fiscal year totals as published by the BEA "Fiscal Year 1980 Budget Translation," January 1979, are based on unadjusted data and do not conform to the average of four seasonally adjusted quarters. The FRB staff estimates, therefore, have been adjusted in order to make the BEA and staff estimates comparable.
- 7/ FRB staff estimates are consistent with the Council's new potential GNP series as reported in the Economic Report of the President, January 1979.

OUTLOOK FOR U.S. NET EXPORTS AND RELATED ITEMS  
(billions of dollars, seasonally adjusted annual rates)

July 3, 1979

	1978 <sup>r</sup>	1979 <sup>p</sup>	1980 <sup>p</sup>	1978 <sup>r</sup>		1979				1980 <sup>p</sup>			
				III	IV	I	II <sup>r</sup>	III <sup>r</sup>	IV <sup>r</sup>	I	II	III	IV
1. U.S. Current Account Balance	-13.9	-4.8	13.8	-12.9	-1.3	0.6	-5.9	-11.4	-2.4	10.4	14.5	15.6	14.3
2. GNP Net Exports of Goods & Services 1/	-10.3	-1.0	17.3	-6.4	-1.5	2.6	-1.2	-7.4	1.9	14.2	17.8	19.2	18.1
3. (using GNP account data) 2/	(-12.0)	(-7.3)	(11.0)	(-10.7)	(-7.6)	(-3.7)	(-7.6)	(-13.5)	(-4.5)	(7.8)	(11.4)	(12.8)	(11.9)
4. a) Merchandise Trade Balance	-34.2	-29.4	-17.0	-32.0	-25.5	-24.4	-28.4	-36.2	-28.6	-17.8	-15.9	-16.2	-18.3
5. Exports (excl. military)	141.9	176.0	204.8	146.0	157.3	165.0	168.0	180.6	190.1	197.6	203.5	207.3	210.9
6. Agricultural	29.9	32.4	36.3	31.7	31.3	30.6	30.7	33.3	35.0	36.5	36.8	36.1	35.7
7. Nonagricultural	112.0	143.6	168.5	114.2	126.0	134.8	137.3	147.4	155.1	161.1	166.7	171.2	175.2
8. Imports	176.1	205.4	221.9	178.0	182.7	189.8	196.4	216.8	218.7	215.3	219.4	223.5	229.2
9. Petroleum and petrol. products	42.3	55.7	65.5	43.5	43.2	46.6	48.9	62.3	65.1	63.8	65.0	65.8	67.3
10. Nonpetroleum	133.8	149.7	156.4	134.5	139.5	143.2	147.5	154.6	153.6	151.6	154.4	157.7	161.9
11. b) Other Transactions, net	23.9	28.4	34.3	25.6	24.0	27.0	27.2	28.8	30.5	32.0	33.7	35.4	36.4
12. Selected Invest. Income, net 3/	20.6	24.7	27.9	20.7	21.2	24.2	24.1	24.6	25.5	26.4	27.5	28.4	29.4
13. Other, net 4/	3.3	3.7	6.4	4.9	2.8	2.8	3.1	4.2	5.0	5.6	6.2	7.0	7.0
<u>Merchandise Trade in 1972 \$</u>													
14. Merchandise exports (excl. military)	73.6	81.3	84.8	75.0	78.3	80.4	79.1	82.1	83.6	84.5	84.9	84.9	84.8
15. (% change, annual rates)	(8.8)	(10.5)	(4.2)	(2.8)	(18.8)	(11.2)	(-6.6)	(16.1)	(7.4)	(4.5)	(2.0)	(0)	(-0.8)
16. Merchandise imports	75.9	76.4	73.3	76.3	76.7	77.2	76.1	77.1	75.3	73.0	73.1	73.3	74.0
17. (% change, annual rates)	(7.0)	(0.7)	(-4.0)	(10.0)	(2.4)	(2.0)	(-5.7)	(5.7)	(-9.5)	(-13.0)	(0.4)	(1.2)	(4.1)
<u>Foreign Outlook - Ten Industrial Countries 5/</u>													
18. Real GNP, % change, annual rates	3.2	3.4	2.8	2.5	4.4	1.9	4.4	3.6	3.1	2.4	2.3	2.4	2.5
19. Consumer Prices, 6/ % change, A.R.	5.4	7.7	8.5	4.2	4.2	8.7	10.2	11.1	9.0	8.1	7.7	7.3	7.1

1/ Using data from the international accounts.

2/ Lines 2 and 3 are defined identically but, data in line 3 differ from Int'l. Acct. data (line 2) in that they usually lag the Int'l Acct. data in publication of revisions and new information.

3/ Excluding U.S. Govt. interest payments to foreigners, and reinvested earnings of incorporated affiliates.

4/ Includes travel, transportation, fees and royalties, miscellaneous other service transactions, and military transactions.

5/ Geometric weights used to aggregate foreign real GNP and consumer prices = per cent share in ten-country total multilateral trade. Canada (9.1%), Japan (13.6%), United Kingdom (11.9%), Germany (20.8%), France (13.1%), Italy (9.0%), Belgium (6.4%), the Netherlands (8.3%), Switzerland (3.6%), Sweden (4.2%).

6/ Wholesale prices for Japan.

p/ Projected.

e/ Estimated.

\* Published data.

NOTE: A revised methodology for seasonally adjusting merchandise exports and imports was introduced with the January data. Data for 1978 have been revised accordingly. The new seasonal pattern results in a smaller 1978-IV trade deficit and a larger 1978-I deficit; there is no change in the annual figures. These changes will be incorporated in the published GNP data in July 1979.

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CONFIDENTIAL (FR)

July 3, 1979

CURRENT-ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

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

	1978 Year	1979					
		QI <sup>e/</sup>	QII <sup>e/</sup>	May <sup>e/</sup>	June <sup>e/</sup>	July <sup>f/</sup>	Aug.
<u>Seasonally adjusted</u>							
Corporate securities--total	3,938	3,607	4,165	3,450	5,150	3,050	3,400
Publicly offered bonds	1,651	1,359	2,615	2,000	3,650	1,650	2,000
Privately placed bonds	1,424	1,645	1,100	1,100	1,100	1,000	1,000
Stocks	863	603	450	350	400	400	400
<u>Not seasonally adjusted</u>							
Publicly offered bonds	1,651	1,473	2,767	1,800	3,900	1,800	1,600
By quality <u>1/</u>							
Aaa and Aa	853	950	1,542	775	1,750	--	--
Less than Aa <u>2/</u>	798	523	1,225	1,025	2,150	--	--
By type of borrower							
Utility	610	605	785	450	1,075	--	--
Industrial <u>3/</u>	526	378	840	575	1,525	--	--
Financial	515	490	1,142	775	1,300	--	--
Foreign securities--total <u>4/</u>	504	513	274	300	300	300	200

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

2/ Includes issues not rated by Moody's.

3/ Includes equipment trust certificates.

4/ Includes both publicly offered and privately placed issues.

e/ Estimated.

f/ Forecast.

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

	1978		1979				<u>Seasonally Adjusted</u>	
	Year	QI	QII	May <sup>e/</sup>	June <sup>f/</sup>	July <sup>f/</sup>		
<u>State and local government securities, gross offerings</u>								
<u>Total</u>								
Long-term		4,853	4,869	3,085	4,700	5,600	4,300	
Short-term		3,138	3,254	2,510	3,800	4,100	3,000	
		1,715	1,615	575	900	1,500	1,300	
<u>U.S. Government securities, net offerings</u>								
<u>U.S. Treasury<sup>1/</sup></u>								
Sponsored agencies		1,732	4,824	9,030	-1,255	1,585	3,253	
		2,608	1,656	374	2,237	851	2,360	
<u>Not Seasonally Adjusted</u>								
<u>State and local government securities, gross offerings</u>								
<u>Total</u>								
Long-term		5,851	4,765	5,055	3,803	5,600	5,200	
Short-term		4,042	3,266	3,514	3,087	4,400	4,000	
		1,809	1,499	1,541	716	1,200	1,200	
<u>U.S. Government securities, net offerings</u>								
<u>U.S. Treasury<sup>1/</sup></u>								
Sponsored agencies		2,337	2,998	933	7,230	-4,700	0	
		1,930	2,120	1,887	617	2,450	1,185	
							6,700	
							2,794	

1/ Marketable issues only.

e/ Estimated.

f/ Forecasted.

**CONFIDENTIAL (FR)**  
**CLASS II - FOMC**

**July 6, 1979**

**SUPPLEMENT**

**CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

**Prepared for the  
Federal Open Market Committee**

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

The Domestic Financial Economy

Commercial paper outstanding rose by a record \$5.0 billion in June, as all major categories posted sharp gains (see Table). Nonbank-related financial issuers that directly place their paper increased their outstanding by \$1.8 billion, reflecting in large part the further rise in automobile dealer inventories during June. Dealer-placed nonbank financial paper increased sharply also, and commercial paper dealers reported that this gain was broadly based. Nonfinancial paper outstanding climbed by \$1.1 billion, due to heavy issuance by both public utilities and industrial corporations. Bank-related issuers boosted their outstanding by \$800 million in June; this category has increased by almost \$2.9 billion since the end of last year.

International Developments:

Errata: Part I, page I-25, line 13, should read "\$185 billion" instead of \$180 billion".