

CONFIDENTIAL (FR)

October 11, 1978

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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I - 6  
STAFF GNP PROJECTIONS

	Per cent changes, annual rate				Gross business product fixed-weighted price index		Unemployment rate (per cent)	
	Nominal GNP		Real GNP		9/13/78	10/11/78	9/13/78	10/11/78
	9/13/78	10/11/78	9/13/78	10/11/78				
1975 <sup>1/</sup>	8.2	8.2	-1.3	-1.3	9.5	9.5	8.5	8.5
1976 <sup>1/</sup>	11.2	11.2	5.7	5.7	5.4	5.4	7.7	7.7
1977 <sup>1/</sup>	11.0	11.0	4.9	4.9	6.2	6.2	7.0	7.0
1978	11.2	11.5	3.7	3.8	7.4	7.5	6.0	6.0
1979	11.4	11.5	3.8	3.7	7.5	7.7	5.9	5.9
1978-I <sup>1/</sup>	7.1	7.1	-.1	-.1	6.7	6.7	6.2	6.2
1978-II <sup>1/</sup>	19.6	20.6	8.0	8.7	12.0	12.1	5.9	5.9
1978-III	10.1	10.6	2.9	3.1	6.3	7.0	6.0	6.0
1978-IV	10.8	10.9	3.3	3.3	6.7	6.9	5.9	5.9
1979-I	12.2	11.8	4.2	4.1	7.9	7.9	5.8	5.8
1979-II	10.5	10.4	3.5	3.3	7.7	7.9	5.8	5.8
1979-III	10.1	10.3	3.2	3.3	6.9	7.2	5.9	5.9
1979-IV	10.2	10.5	2.7	2.7	7.0	7.4	6.0	6.0
Change:								
77-II to 78-II <sup>1/</sup>	11.6	11.8	4.1	4.3	7.5	7.5	-1.2	-1.2
77-IV to 78-IV	11.8	12.2	3.5	3.7	8.0	8.2	-.7	-.7
78-II to 79-II	10.9	10.9	3.5	3.4	7.1	7.4	-.1	-.1
78-IV to 79-IV	10.7	10.8	3.4	3.3	7.4	7.6	.1	.1
Memo: Growth Over Annual Policy Period:								
78-III to 79-III	10.9	10.9	3.6	3.5	7.4	7.5	-.1	-.1

1/ Actual.

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CLASS II FOMC

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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.)

	1978				1979			
	I	II	III	IV	I	II	III	IV
Gross national product	1992.0	2087.5	2140.6	2196.9	2259.1	2315.6	2373.3	2433.2
Final purchases	1975.3	2067.4	2119.0	2174.3	2235.5	2291.0	2348.2	2407.6
Private	1558.6	1642.7	1678.8	1720.0	1772.1	1818.0	1863.5	1909.9
Excluding net exports	1582.7	1648.2	1686.1	1726.7	1777.1	1823.5	1866.7	1910.5
Personal consumption expenditures	1276.7	1322.9	1351.4	1384.3	1426.6	1465.5	1501.5	1536.9
Goods	684.9	717.1	728.1	744.9	768.0	787.9	805.5	822.8
Services	591.8	605.8	623.3	639.4	658.6	677.6	696.0	714.1
Gross private domestic investment	322.7	345.4	356.3	365.0	374.1	382.6	390.3	399.2
Residential construction	100.3	105.3	108.5	109.7	110.6	110.6	110.6	111.6
Business fixed investment	205.6	220.1	226.2	232.7	239.9	247.4	254.6	262.0
Change in business inventories	16.7	20.1	21.6	22.6	23.6	24.6	25.1	25.6
Nonfarm	16.9	22.1	21.6	22.6	23.6	24.6	25.1	25.6
Net exports of goods and services <sup>1/</sup>	-24.1	-5.5	-7.3	-6.7	-5.0	-5.5	-3.2	-.6
Exports	181.7	205.4	209.1	217.3	225.6	234.6	242.5	251.3
Imports	205.8	210.9	216.4	224.0	230.6	240.1	245.7	251.9
Gov't. purchases of goods and services	416.7	424.7	440.2	454.3	463.4	473.0	484.7	497.7
Federal <sup>2/</sup>	151.5	147.2	154.6	161.8	164.0	166.6	171.2	177.2
State and local	265.2	277.6	285.6	292.5	299.4	306.4	313.5	320.5
Gross national product in constant (1972) dollars	1354.2	1382.6	1393.0	1404.2	1418.3	1429.8	1441.5	1451.2
Personal income	1628.9	1682.4	1730.5	1775.3	1820.0	1866.4	1917.5	1965.0
Wage and salary disbursements	1050.8	1090.2	1114.0	1140.8	1174.5	1202.9	1231.3	1262.6
Disposable personal income	1391.6	1433.3	1469.6	1505.2	1554.0	1591.6	1633.6	1671.8
Saving rate (per cent)	5.9	5.3	5.7	5.6	5.8	5.5	5.7	5.7
Corporate profits with I.V.A. and C.C. Adj.	132.6	163.4	173.6	179.5	178.9	182.9	189.0	193.8
Corporate profits before tax	172.1	205.5	211.5	216.8	216.0	220.3	226.7	231.8
Federal government surplus or deficit (-) (N.I.A. basis)	-52.6	-23.6	-27.7	-30.3	-33.5	-30.2	-32.8	-33.0
High employment surplus or deficit (-)	-2.9	17.4	13.8	12.9	11.9	18.0	17.3	19.8
State and local government surplus or deficit (-) (N.I.A. basis)	31.5	29.8	22.9	23.2	22.0	20.9	20.0	21.8
Excluding social insurance funds	11.5	9.3	1.8	1.5	-.3	-2.0	-3.5	-2.3
Civilian labor force (millions)	99.2	100.2	100.7	101.2	101.9	102.5	103.1	103.6
Unemployment rate (per cent)	6.2	5.9	6.0	5.9	5.8	5.8	5.9	6.0
Nonfarm payroll employment (millions)	84.3	85.7	86.1	86.4	87.0	87.4	87.9	88.4
Manufacturing	20.1	20.3	20.3	20.4	20.6	20.7	20.8	20.9
Industrial production (1967=100)	139.6	144.0	146.4	148.2	150.7	152.5	154.1	155.6
Capacity utilization: all mfg. (per cent)	82.1	83.9	84.5	84.8	85.3	85.6	85.7	85.7
Materials (per cent)	81.7	84.5	85.3	85.8	86.5	87.0	87.3	87.5
Housing starts, private (million units, A.R.)	1.72	2.11	2.04	1.90	1.90	1.85	1.80	1.75
New autos sales, (millions, A.R.)	10.80	12.12	11.16	10.90	10.90	10.75	10.65	10.55
Domestic models	8.80	10.01	9.19	9.00	8.95	8.90	8.85	8.80
Foreign models	2.00	2.11	1.98	1.90	1.95	1.85	1.80	1.75

<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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CLASS II FOMC

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

October 11, 1978

	1978				1979			
	I	II	III	IV	Projected		IV	
<u>Constant (1972) dollars</u>								
Gross national product	-.1	8.7	3.1	3.3	4.1	3.3	3.3	2.7
Final purchases	-1.6	8.6	2.9	3.0	3.9	3.0	3.2	2.7
Private	-1.1	11.0	1.6	2.7	4.5	3.1	3.1	2.8
Excluding net exports	-1.0	7.7	1.7	2.5	4.2	3.2	2.7	2.4
Personal consumption expenditures	-1.4	6.0	1.7	3.0	4.7	3.7	3.2	2.6
Goods	-8.1	9.7	.0	3.1	5.1	3.5	2.7	2.0
Services	7.0	1.9	3.9	2.8	4.1	4.0	3.7	3.3
Gross private domestic investment	11.3	15.2	2.6	2.4	2.8	3.0	1.1	2.0
Residential structures	-5.2	2.7	-1.0	-6.7	-6.1	-8.3	-8.3	-4.9
Business fixed investment	4.2	21.3	2.5	3.7	5.0	5.0	4.1	4.0
Gov't. purchases of goods and services	-3.5	-.2	8.2	4.1	1.5	2.5	3.7	2.3
Federal	-8.9	-15.3	15.8	6.6	-.1	2.6	5.9	2.3
State and local	-.1	9.6	4.2	2.7	2.5	2.5	2.5	2.3
Disposable personal income	1.1	3.5	3.2	2.9	5.5	2.5	3.9	2.5
<u>Current dollars</u>								
Gross national product	7.1	20.6	10.6	10.9	11.8	10.4	10.3	10.5
Final purchases	6.4	20.0	10.4	10.9	11.7	10.3	10.4	10.5
Private	7.0	23.4	9.1	10.2	12.7	10.8	10.4	10.3
Excluding net exports	7.1	17.6	9.5	10.0	12.2	10.9	9.8	9.7
Personal consumption expenditures	7.0	15.3	8.9	10.1	12.8	11.4	10.2	9.8
Goods	.5	20.2	6.3	9.6	13.0	10.8	9.2	8.9
Services	15.3	9.8	12.1	10.7	12.6	12.0	11.3	10.8
Gross private domestic investment	12.2	31.3	13.2	10.1	10.4	9.4	8.3	9.4
Residential structures	.5	21.0	12.9	4.5	3.3	.0	.0	3.7
Business fixed investment	11.1	31.2	11.6	12.0	13.0	13.1	12.2	12.1
Gov't. purchases of goods and services	4.1	7.9	15.4	13.4	8.3	8.5	10.3	11.2
Federal	-2.0	-10.9	21.7	20.0	5.6	6.5	11.5	14.8
State and local	7.8	19.9	12.1	10.0	9.8	9.7	9.6	9.2
Disposable personal income	9.8	12.5	10.5	10.0	13.6	10.0	11.0	9.7
Personal income	9.3	13.8	12.0	10.7	10.5	10.6	11.4	10.3
Wage and salary disbursements	12.1	15.9	9.0	10.0	12.3	10.0	9.8	10.6
Corporate profits with IVA & C.C. Adj.	-35.9	130.6	27.4	14.3	-1.3	9.2	14.0	10.6
Corporate profits before tax	-13.2	103.3	11.9	10.5	-1.5	8.3	12.1	9.3
Nonfarm payroll employment	3.8	6.9	2.0	1.3	2.5	2.3	2.4	2.1
Manufacturing	5.7	3.1	-.3	1.6	4.3	2.8	2.0	1.7
Nonfarm business sector								
Output per hour	-3.3	1.2	2.6	2.3	2.1	1.7	1.7	1.5
Compensation per hour	12.0	8.1	7.7	8.4	12.5	8.8	8.9	8.9
Unit labor costs	15.8	6.9	5.0	6.0	10.2	7.0	7.1	7.3
GNP implicit deflator 1/	7.2	11.0	7.3	7.4	7.4	6.9	6.8	7.5
Gross business product fixed-weighted price index 2/	6.7	12.1	7.0	6.9	7.9	7.9	7.2	7.4
Industrial production	.9	13.2	7.1	5.1	6.7	5.0	4.4	3.8

1/ Excluding Federal pay increase rates of change are: 1978 Q1, 7.2 per cent; 1978 QIV, 6.9 per cent; 1979 Q1, 7.4 per cent; 1979 QIV, 7.0 per cent.

2/ Using expenditures in 1972 as weights.

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CLASS II FOMC

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

October 11, 1978

	1972	1973	1974	1975	1976	1977	Projected 1978	1979
Gross national product	1171.1	1306.6	1412.9	1528.8	1700.1	1887.2	2104.3	2345.3
Final purchases	1161.7	1288.6	1404.0	1539.6	1689.9	1871.6	2084.0	2320.6
Private	908.6	1019.1	1101.3	1201.2	1330.4	1477.6	1650.0	1840.9
Excluding net exports	911.9	1012.0	1095.3	1180.8	1323.0	1488.7	1660.9	1844.4
Personal consumption expenditures	733.0	809.9	889.6	979.1	1090.2	1206.5	1333.8	1482.6
Goods	410.5	457.5	498.3	541.5	599.2	657.4	718.7	796.0
Services	322.4	352.3	391.3	437.5	491.0	549.2	615.1	686.6
Gross private domestic investment	188.3	220.0	214.6	190.9	243.0	297.8	347.4	386.5
Residential construction	62.0	66.1	55.1	51.5	68.2	91.9	105.9	110.8
Business fixed investment	116.8	136.0	150.6	150.2	164.6	190.4	221.2	251.0
Change in business inventories	9.4	17.9	8.9	-10.7	10.2	15.6	20.2	24.7
Nonfarm	8.8	14.7	10.8	-14.3	12.2	15.0	20.8	24.7
Net exports of goods and services 1/	-3.3	7.1	6.0	20.4	7.4	-11.1	-10.9	-3.6
Exports	72.7	101.6	137.9	147.3	163.2	175.5	203.4	238.5
Imports	75.9	94.4	131.9	126.9	155.7	186.6	214.3	242.1
Gov't. purchases of goods and services	253.1	269.5	302.7	338.4	359.5	394.0	434.0	479.7
Federal 2/	102.1	102.2	111.1	123.1	129.9	145.1	153.8	169.7
State and local	151.0	167.3	191.5	215.4	229.6	248.9	280.2	309.9
Gross national product in constant (1972) dollars	1171.1	1235.0	1217.8	1202.3	1271.0	1332.7	1383.5	1435.2
Personal income	942.5	1052.4	1154.9	1255.5	1380.9	1529.0	1704.3	1892.2
Wage and salary disbursements	633.8	701.3	764.6	805.9	890.1	983.6	1098.9	1217.8
Disposable personal income	801.3	901.7	984.6	1086.7	1184.4	1303.0	1449.9	1612.8
Saving rate (per cent)	6.2	7.8	7.3	7.7	5.7	5.1	5.6	5.7
Corporate profits with I.V.A. and C.C. Adj.	92.1	99.1	83.6	95.9	127.0	144.2	162.3	186.2
Corporate profits before tax	96.2	115.8	126.9	120.4	155.9	173.9	201.5	223.7
Federal government surplus or deficit (N.I.A. basis)	-17.3	-6.7	-10.7	-70.6	-53.8	-48.1	-33.5	-32.4
High employment surplus or deficit (-)	-5.9	-.7	17.1	-19.4	-9.3	-4.6	10.3	16.8
State and local government surplus or deficit (-) (N.I.A. basis)	13.7	13.0	7.6	6.2	20.7	29.6	26.9	21.2
Excluding social insurance funds	5.6	4.1	-2.9	-6.2	5.5	11.5	6.1	-2.0
Civilian labor force (millions)	86.5	88.7	91.0	92.6	94.8	97.4	100.3	102.8
Unemployment rate (per cent)	5.6	4.9	5.6	8.5	7.7	7.0	6.0	5.9
Nonfarm payroll employment (millions)	73.7	76.8	78.3	76.9	79.4	82.2	85.6	87.7
Manufacturing	19.2	20.2	20.1	18.3	19.0	19.6	20.3	20.8
Industrial production (1967=100)	119.7	129.8	129.3	117.8	129.8	137.1	144.6	153.2
Capacity utilization: all manufacturing (per cent)	83.1	87.5	84.2	73.6	80.2	82.4	83.8	85.6
Materials (per cent)	88.0	92.4	87.7	73.6	80.4	81.9	84.3	87.1
Housing starts, private (million units, A.R.)	2.36	2.05	1.34	1.16	1.54	1.99	1.94	1.82
New auto sales, (millions, A.R.)	10.93	11.42	8.91	8.66	10.12	11.13	11.25	10.71
Domestic models	9.32	9.65	7.49	7.08	8.63	9.07	9.25	8.87
Foreign models	1.61	1.77	1.42	1.58	1.50	2.06	2.00	1.84

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.

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	1972	1973	1974	1975	1976	1977	Projected 1978	Projected 1979
<u>Constant (1972) dollars</u>								
Gross national product	5.7	5.5	-1.4	-1.3	5.7	4.9	3.8	3.7
Final purchases	5.5	4.9	-.7	.2	4.3	4.7	3.5	3.6
Private	6.7	6.3	-1.4	-.3	5.5	5.3	3.8	3.7
Excluding net exports	7.0	5.1	-2.3	-1.0	6.4	6.0	3.9	3.3
Personal consumption expenditures	5.9	4.7	-.9	1.8	5.8	4.7	3.4	3.6
Goods	6.5	5.0	-3.4	.7	6.4	5.0	2.6	3.5
Services	5.3	4.4	2.3	3.2	5.0	4.4	4.3	3.6
Gross private domestic investment	12.9	10.0	-11.4	-22.3	21.6	13.2	8.1	3.2
Residential structures	18.8	-3.7	-24.6	-13.9	23.4	20.5	3.1	-5.6
Business fixed investment	8.1	12.2	-.3	-13.0	4.7	9.1	7.6	5.2
Gov't. purchases of goods and services	1.5	-.2	2.1	1.9	.1	2.4	2.3	3.2
Federal	-1.7	-5.4	-.8	.7	.1	5.2	-1.2	3.3
State and local	3.8	3.2	3.8	2.6	.1	.8	4.4	3.2
Disposable personal income	4.2	6.7	-1.5	2.1	3.5	4.1	4.0	3.6
<u>Current dollars</u>								
Gross national product	10.1	11.6	8.1	8.2	11.2	11.0	11.5	11.5
Final purchases	9.9	10.9	8.9	9.7	9.8	10.8	11.3	11.4
Private	10.3	12.2	8.1	9.1	10.8	11.1	11.7	11.6
Excluding net exports	11.0	11.0	8.2	7.8	12.0	12.5	11.6	11.1
Personal consumption expenditures	9.7	10.5	9.8	10.1	11.4	10.7	10.6	11.2
Goods	9.5	11.4	8.9	8.7	10.7	9.7	9.3	10.8
Services	9.9	9.3	11.1	11.8	12.2	11.8	12.0	11.6
Gross private domestic investment	17.7	16.8	-2.5	-11.0	27.3	22.6	16.7	11.3
Residential structures	25.0	6.6	-16.7	-6.5	32.5	34.8	15.2	4.6
Business fixed investment	12.2	16.4	10.8	-.3	9.6	15.7	16.2	13.5
Gov't. purchases of goods and services	8.3	6.5	12.3	11.8	6.2	9.6	10.2	10.5
Federal	6.1	.1	8.7	10.7	5.5	11.7	6.0	10.4
State and local	9.8	10.8	14.5	12.5	6.6	8.4	12.6	10.6
Disposable personal income	7.9	12.5	9.2	10.4	9.0	10.0	11.3	11.2
Personal income	9.7	11.7	9.7	8.7	10.0	10.7	11.5	11.0
Wage and salary disbursements	9.4	10.6	9.0	5.4	10.4	10.5	11.7	10.8
Corporate profits with IVA & C.C. Adj.	19.3	7.6	-15.6	14.7	32.4	13.5	12.6	14.7
Corporate profits before tax	17.3	20.4	9.6	-5.1	29.5	11.5	15.9	11.0
Nonfarm payroll employment	3.4	4.3	1.9	-1.7	3.2	3.6	4.1	2.4
Manufacturing	3.1	5.2	-.4	-8.7	3.7	3.4	3.2	2.4
Nonfarm business sector								
Output per hour	3.0	1.7	-2.9	1.9	3.6	1.5	.5	1.9
Compensation per hour	5.8	7.8	9.4	9.9	8.5	8.3	9.0	9.5
Unit labor costs	2.7	6.0	12.7	7.9	4.7	6.7	8.4	7.6
GNP implicit deflator	4.1	5.9	9.7	9.6	5.2	5.9	7.4	7.5
Gross business product fixed-weighted price index <u>1/</u>	3.3	5.7	10.4	9.4	5.4	6.2	7.5	7.7
Industrial production	9.2	8.4	-.4	-8.9	10.2	5.6	5.5	6.0

1/ Using expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS  
(billions of dollars)

October 11, 1978

	Fiscal Year 1977*	FY 1978 <sup>e/</sup>			FY 1979 <sup>e/</sup>			CY 1977*	CY 78 <sup>e/</sup>	F.R. Staff Estimate								
		Admin.		F.R. Board	Admin.		F.R. Board			1977			Calendar quarters; unadjusted data			1978		
		1/	1/		1/	1/	1/			IV*	I*	II*	III	IV	I	II	III	
Unified budget receipts 3/	357.8	401.2	402.1		448.2	450.0	448.7	366.1	416.2	84.5	85.4	125.3	106.9	98.3	98.3	137.2	116.2	
Unified budget outlays 3/	402.8	452.3	450.2		496.6	491.3	487.5	417.0	459.4	113.3	111.2	111.3	114.4	122.5	121.5	122.5	124.8	
Surplus(+) / Deficit(-), unified budget	-45.0	-51.1	-48.1		-48.5	-41.3	-38.8	-50.9	-43.2	-28.8	-25.8	14.0	-7.5	-24.2	-23.2	14.7	-8.6	
Surplus(+) / Deficit(-), off-budget agencies 4/		-8.7	-11.0	-10.5		-12.9	-12.8	n.a.	-10.4	-10.5	-1.3	-3.6	-2.3	-3.3	-1.3	-3.4	-3.9	-4.3
Means of financing combined deficits:																		
Net borrowing from public	53.5	54.9	59.1		62.0	45.7	n.a.	56.8	53.9	20.7 <sup>9/</sup>	20.8	2.5	15.1	15.5	19.8	-6.3	16.8	H
Decrease in cash operating balance	-1.7	4.0	-3.3		0	10.4	n.a.	-0.6	0.3	6.8 <sup>9/</sup>	5.9	-11.1	-4.9	10.4	3.0	-3.0	0	
Other 5/	1.9	3.2	2.7		-0.6	-2.0	n.a.	5.3	-0.2	2.6	2.8	-3.2	0.5	-0.3	3.7	-1.5	-3.9	T1
Cash operating balance, end of period	19.1	15.1	22.4		15.1	12.0	n.a.	12.3	12.0	12.3	6.4	17.5	22.4	12.0	9.0	12.0	12.0	
Memo: Sponsored agency borrowing 6/	5.2	n.a.	19.1		n.a.	15.1	n.a.	6.8	19.9	2.0	4.5	6.5	6.1	2.8	2.1	4.6	5.6	
<u>NIA Budget 7/</u>																		
Receipts	362.7 <sup>10/</sup>	411.4 <sup>11/</sup>	411.0 <sup>10/</sup>		457.7 <sup>11/</sup>	461.7 <sup>10/</sup>	n.a.	374.5	427.6	385.5	396.2	424.8	438.5	450.9	454.9	467.2	481.2	
Expenditures	411.9	454.7	451.9		499.7	495.3	n.a.	422.6	461.2	444.1	448.8	448.4	466.2	481.2	488.4	497.4	514.0	
Purchases (total)	140.7	153.5	151.4		169.0	165.9	n.a.	145.1	153.8	152.2	151.5	147.2	154.6	161.8	164.0	166.6	171.2	
Defense	92.3	98.5	98.3		105.5	105.0	n.a.	94.3	99.8	97.1	97.9	98.6	99.8	102.7	103.7	105.8	107.9	
Nondefense	48.4	55.0	53.0		63.5	60.9	n.a.	50.8	54.0	55.1	53.6	48.6	54.8	59.1	60.3	60.8	63.3	
All other expenditures	271.2 <sup>10/</sup>	301.2	300.5 <sup>10/</sup>		330.7	329.4 <sup>10/</sup>	n.a.	277.5	307.4	291.9	297.3	301.2	311.6	319.4	324.4	330.8	342.8	
Surplus(+) / Deficit(-)	-49.2 <sup>10/</sup>	-43.3	-40.9 <sup>10/</sup>		-42.0	-33.6 <sup>10/</sup>	n.a.	-48.1	-33.6	-58.6	-52.6	-23.6	-27.7	-30.3	-33.5	-30.2	-32.8	
High Employment Surplus(+) / Deficit(-) (NIA basis) 8/	-3.0	n.a.	3.0	n.a.	15.0	n.a.	-4.6	10.3	-16.2	-2.9	17.4	13.8	12.9	11.9	18.0	17.3		

\*actual                    e--estimated                    r--revised                    n.a.--not available                    p--preliminary

1/ OMB Mid-Session Review of the 1979 Budget (July 6, 1978) and the Department of Commerce, Survey of Current Business (July 1978).

2/ Second Concurrent Budget Resolution (September 20, 1978).

3/ Adjusted for accounting change in earned income credit payments--formerly treated as income tax refunds and now classified as outlays.

4/ Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, Housing for the Elderly and Handicapped Fund (until October 1977), and Pension Benefit Guaranty Corporation.

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

6/ Includes Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives.

7/ All NIA data incorporate the Department of Commerce's July 1978 GNP revisions.

8/ FRB staff estimates.

9/ Includes \$2.5 billion of borrowing from the Federal Reserve on September 10, 1977 which was repaid October 4, 1977.

10/ Quarterly average exceeds fiscal year total by \$1.0 billion for fiscal year 1977, by \$1.0 billion for fiscal year 1978, and by \$3.5 billion for fiscal year 1979, due to spreading of wage base effect over calendar year.

11/ The fiscal year totals as published in the July 1978 Survey of Current Business 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 Commerce Department and the staff's estimates comparable.

	1977	1978P	1979P	1978				1979P			
				I	II	III <sup>P</sup>	IV <sup>P</sup>	I	II	III	IV
1. GNP NET EXPORTS - Intl Acct. data	-11.1	-10.7	-3.3	-23.8	-5.3	-7.0	-6.4	-4.7	-5.2	-2.9	-.3
2. (GNP net exports - GNP Acct. data) <u>1/</u>	(-10.9)	(-10.9)	(-3.6)	(-24.1)	(-5.5)	(-7.3)	(-6.7)	(-5.0)	(-5.5)	(-3.2)	(-.6)
3. a) Merchandise Trade Balance	-31.1	-35.5	-32.2	-44.8	-31.2	-32.2	-33.5	-32.0	-33.6	-32.5	-30.4
4. Exports (excl. military)	120.6	138.6	164.5	122.7	140.3	143.6	148.1	154.5	161.1	167.5	174.9
5. Agricultural	24.4	29.3	28.9	26.0	32.0	30.6	28.7	28.8	28.6	28.7	29.6
6. Nonagricultural	96.2	109.3	135.6	96.6	108.3	113.0	119.4	125.7	132.5	138.8	145.3
7. Imports	151.6	174.1	196.7	167.5	171.5	175.8	181.6	186.5	194.7	200.0	205.3
8. Petroleum and petrol. products	45.0	43.1	48.3	39.8	43.2	43.0	46.3	44.9	48.5	49.4	50.3
9. Nonpetroleum	106.7	131.0	148.4	127.7	128.2	132.8	135.3	141.6	146.2	150.6	155.0
10. b) Military transactions, net <u>2/</u>	.9	1.6	3.0	.4	1.9	2.0	2.2	2.4	2.8	3.2	3.6
11. c) Investment income, net <u>3/</u>	17.3	20.5	22.2	18.4	21.3	20.4	21.8	21.5	22.0	22.6	22.6
12. d) Other services, net <u>4/</u>	1.7	2.7	3.7	2.2	2.8	2.8	3.1	3.4	3.6	3.8	3.9
13. U.S. CURRENT ACCOUNT BALANCE	-15.2	-17.5	-13.1	-27.4	-13.0	-14.4	-14.9	-14.3	-15.2	-12.6	-10.0
14. a) GNP net exports (line 1.)	-11.1	-10.7	-3.3	(-24.1)	(-5.5)	(-7.0)	(-6.4)	(-4.7)	(-5.2)	(-2.9)	(-.3)
15. b) U.S. Govt & private transfers <u>5/</u>	-4.1	-6.8	-9.8	(-3.3)	(-7.7)	(-7.4)	(-8.5)	(-9.6)	(-10.0)	(-9.7)	(-9.7)
16. Constant (1972) dollars											
16. Merchandise exports (excl. military)	67.0	71.5	78.2	65.7	72.8	73.2	74.1	75.8	77.4	78.8	80.6
17. (% change, annual rates)	(0.3)	(6.7)	(9.4)	(4.5)	(51.3)	(2.0)	(4.9)	(9.5)	(8.7)	(7.4)	(9.5)
18. Merchandise imports	71.0	75.0	78.8	74.5	75.1	74.8	75.7	76.8	78.4	79.3	80.4
19. (% change, annual rates)	(13.0)	(5.6)	(5.1)	(7.0)	(3.2)	(-1.6)	(4.9)	(5.7)	(8.2)	(4.5)	(5.7)
20. Foreign Outlook - Ten Industrial Countries <u>6/</u>											
20. Real GNP, % change, annual rates	2.9	3.6	4.1	5.6	3.6	3.6	3.9	4.6	4.1	4.1	4.2
21. Consumer Prices, % change, A.R.	7.9	5.5	6.2	4.9	6.8	4.8	5.5	6.6	6.2	6.9	7.0

1/ Differs from Intl. Acct. data (line 1) in the inclusion of revisions and new data.2/ Excludes grants to Israel under military assistance acts and exports financed by those grants.3/ Excludes U.S. Govt. interest payments to foreigners, and reinvested earnings of incorporated affiliates which are included in line 15.4/ Includes travel, transportation, fees and royalties, and miscellaneous other service transactions.5/ Includes U.S. Govt. grants, U.S. Govt. interest payments to foreigners, remittances and pensions, and exports to Israel financed by U.S. military assistance grants, and reinvested earnings of incorporated affiliates.6/ Weighted by the shares of Canada, France, Germany, Italy, Japan, United Kingdom, Netherlands, Sweden, Belgium, and Switzerland in the sum of the real GNP of the ten countries in dollar terms.p/ Projected.e/ Estimated.x/ Published data.

NOTE: Foreign outlook data have been revised to include 10 countries.

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CONFIDENTIAL (FR)

October 11, 1978

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

III - 12  
**SECURITY OFFERINGS**  
 (monthly totals or monthly averages, in millions of dollars)

	1977 Year	1978					
		H1	QIII <sup>e/</sup>	Aug. <sup>e/</sup>	Sept. <sup>e/</sup>	Oct. <sup>f/</sup>	Nov. <sup>f/</sup>
<u>Gross Offerings</u>							
Corporate securities--total	4,518	3,775	3,513	2,900	3,500	3,900	3,500
Publicly offered bonds	2,016	1,695	1,700	1,500	1,500	2,000	1,800
By quality <u>1/</u>							
Aaa and Aa	1,089	825	867	1,025	550	--	--
Less than Aa <u>2/</u>	927	870	833	475	950	--	--
By type of borrower							
Utility	692	525	770	825	600	--	--
Industrial <u>3/</u>	700	583	530	450	750	--	--
Financial	624	587	400	225	150	--	--
Privately placed bonds	1,501	1,263	1,180	800	1,200	1,000	1,000
Stocks	1,001	817	633	600	800	900	700
Foreign securities--total	621	640	317	185	400	--	--
Publicly offered <u>4/</u>	437	466	183	125	325	750	300
Privately placed	184	174	134	60	75	--	--
State and local gov't. securities--total	5,771	6,162	6,109	7,964	4,800	5,500	4,300
Long-term	3,891	4,050	4,107	6,161	2,300	4,000	3,000
Short-term	1,880	2,112	2,002	1,803	2,500	1,500	1,300
<u>Net Offerings</u>							
U.S. Treasury	3,433	2,382	3,609	5,900	2,481	1,500	10,700
Sponsored Federal agencies	601	2,012	2,101	2,804	2,229	585	1,139

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

2/ Includes issues not rated by Moody's.

3/ Includes equipment trust certificates.

4/ Classified by original offering date.

e/ Estimated.

f/ Forecast.

CONFIDENTIAL (FR)  
CLASS II - FOMC

October 13, 1978

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

Errata:

Page II-6. Section on Residential Construction, line 4:  
"September" should be changed to read "August."

Page IV -T-1: Table on U.S. International Transactions should  
be updated to read as follows:

For 1978-Q2:

Line 14	--	-5,100
17	--	374
19	--	489
21	--	7,914

For 1978 - August:

Line 4	--	39
6b	--	-535
14	--	1913
17	--	-322
19	--	590
21	--	43

Page IV-9: Table on U.S. International Transactions Summary should  
be updated to read as follows:

For 1978-Q2:

Line 7		-2.7
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For 1978 - August:

Line 3		--
4		--
7		3.4

Page IV-12: Section on Bank-reported private capital transactions,

Line 2: "net inflow of \$0.5 billion" should be  
changed to read "very small net inflow."