

November 10, 1981

## **SUMMARY AND OUTLOOK**

---

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

## STAFF GNP PROJECTIONS

Percent changes, annual rate											
	Gross domestic business product fixed-weighted price index										
	Nominal GNP		Real GNP		Total		Excluding food and energy				9/30/81
	9/30/81	11/10/81	9/30/81	11/10/81	9/30/81	11/10/81	9/30/81	11/10/81	9/30/81	11/10/81	11/10/81
<u>Annual changes:</u>											
1979	1/	12.0	12.0	3.2	3.2	9.7	9.7	8.4	8.4	5.8	5.8
1980	1/	8.8	8.8	-.2	-.2	9.8	9.8	8.2	8.2	7.1	7.1
1981		11.1	11.1	1.9	1.8	9.2	9.4	9.0	9.2	7.4	7.6
1982		7.5	7.1	.1	-.7	7.6	7.9	7.6	8.0	8.1	8.8
<u>Quarterly changes:</u>											
1980-Q1	1/	12.6	12.6	3.1	3.1	10.1	10.1	7.4	7.4	6.2	6.2
1980-Q2	1/	-1.1	-1.1	-9.9	-9.9	9.8	9.8	9.5	9.5	7.3	7.3
1980-Q3	1/	11.8	11.8	2.4	2.4	9.6	9.6	9.3	9.3	7.5	7.5
1980-Q4	1/	14.9	14.9	3.8	3.8	9.3	9.3	8.2	8.2	7.5	7.5
1981-Q1	1/	19.2	19.2	8.6	8.6	10.5	10.5	8.1	8.1	7.4	7.4
1981-Q2	1/	4.7	4.7	-1.6	-1.6	8.2	8.2	9.7	9.7	7.4	7.4
1981-Q3	1/	7.7	8.8	-.6	-.6	8.5	9.6	10.0	11.2	7.2	7.2
1981-Q4		6.9	5.0	-1.8	-4.2	8.1	8.5	8.2	8.6	7.7	8.3
1982-Q1		6.9	5.2	.2	-1.8	7.4	7.5	6.8	7.2	7.9	8.6
1982-Q2		7.2	8.2	.3	.9	7.2	7.4	6.7	7.1	8.1	8.8
1982-Q3		9.5	10.1	2.9	3.3	7.2	7.1	6.7	6.7	8.2	8.8
1982-Q4		10.4	10.7	3.2	3.2	6.8	6.7	6.5	6.6	8.2	8.8
<u>Two-quarter changes:</u>											
1980-Q2	1/	5.6	5.6	-3.6	-3.6	9.9	9.9	8.4	8.4	1.4	1.4
1980-Q4	1/	13.3	13.3	3.1	3.1	9.5	9.5	8.8	8.8	.2	.2
1981-Q2	1/	11.7	11.7	3.4	3.4	9.2	9.2	9.0	9.0	-.1	-.1
1981-Q4		7.3	6.8	-1.2	-2.4	8.3	9.1	9.2	9.9	.3	.9
1982-Q2		7.1	6.7	.2	-.4	7.3	7.4	6.7	7.1	.4	.5
1982-Q4		10.0	10.4	3.0	3.2	7.0	7.0	6.6	6.7	.1	.0
<u>Three-quarter changes:</u>											
1979-Q4	1/	9.9	9.9	1.7	1.7	9.7	9.7	8.2	8.2	.1	.1
1980-Q4	1/	9.4	9.4	-.3	-.3	9.7	9.7	8.6	8.6	1.6	1.6
1981-Q4		9.5	9.2	1.1	.4	8.8	9.2	9.1	9.5	.2	.8
1982-Q4		8.5	8.5	1.6	1.4	7.1	7.2	6.7	6.9	.5	.5

1/ Actual.

2/ Percent change from two quarters earlier.

3/ Percent change from four quarters earlier.

November 10, 1981

~~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.)

	1979				1980			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	2340.6	2374.6	2444.1	2496.3	2571.7	2564.8	2637.3	2730.6
Final purchases	2316.2	2341.5	2430.8	2497.1	2569.1	2557.4	2653.4	2748.0
Private	1858.0	1876.4	1955.4	2000.7	2052.3	2027.4	2119.9	2189.4
Excluding net exports	1838.1	1868.2	1937.5	1993.1	2044.1	2010.3	2075.4	2166.1
Personal consumption expenditures	1454.1	1478.0	1529.1	1582.3	1631.0	1626.8	1682.2	1751.0
Goods	784.3	793.8	824.8	855.3	882.0	858.4	883.0	926.8
Services	669.9	684.2	704.3	727.0	749.0	768.4	799.2	824.2
Gross private domestic investment	408.3	423.2	421.7	410.0	415.6	390.9	377.1	397.7
Residential construction	116.7	117.2	119.8	120.6	115.2	93.6	99.2	113.0
Business fixed investment	267.3	272.9	288.5	290.2	297.8	289.8	294.0	302.1
Change in business inventories	24.3	33.1	13.3	-.8	2.5	7.4	-16.0	-17.4
Nonfarm	20.8	29.2	7.8	-4.4	1.5	6.1	-12.3	-14.0
Net exports of goods and services 1/	19.9	8.2	17.9	7.6	8.2	17.1	44.5	23.3
Exports	259.1	266.8	293.1	306.3	337.3	333.3	342.4	346.1
Imports	239.2	258.6	275.2	298.7	329.1	316.2	297.9	322.7
Gov't. purchases of goods and services	458.2	465.1	475.4	496.4	516.8	530.0	533.5	558.6
Federal 2/	164.8	163.6	165.1	178.1	190.0	198.7	194.9	212.0
State and local	293.4	301.6	310.4	318.3	326.8	331.3	338.6	346.6
Gross national product in constant (1972) dollar	1479.9	1473.4	1488.2	1490.6	1501.9	1463.3	1471.9	1485.6
Personal income	1864.6	1906.3	1972.3	2032.0	2088.2	2114.5	2182.1	2256.2
Wage and salary disbursements	1194.8	1218.6	1248.6	1282.2	1314.7	1320.4	1341.8	1397.8
Disposable personal income	1580.2	1612.8	1663.8	1710.1	1765.1	1784.1	1840.6	1897.0
Saving rate (percent)	5.3	5.6	5.4	4.7	4.9	6.2	6.1	5.1
Corporate profits with I.V.A. and C.C. Adj	201.9	196.6	199.5	189.4	200.2	169.3	177.9	183.3
Corporate profits before tax	253.1	250.9	262.0	255.4	277.1	217.9	237.6	249.5
Federal government surplus or deficit (-) (N.I.A. basis)	-11.5	-8.1	-15.2	-24.5	-36.3	-66.5	-74.2	-67.9
High employment surplus or deficit (-)	-4.7	5.1	-2.3	-7.1	-17.1	-21.5	-21.1	-13.3
State and local government surplus or deficit (-) (N.I.A. basis)	29.5	21.9	26.5	28.9	26.6	23.9	28.6	37.1
Excluding social insurance funds	7.1	-1.7	2.1	4.0	1.3	-1.7	.9	8.1
Civilian labor force (millions)	102.3	102.4	103.2	103.7	104.2	104.7	105.0	105.2
Unemployment rate (percent)	5.8	5.7	5.8	5.9	6.2	7.3	7.5	7.5
Nonfarm payroll employment (millions)	89.0	89.7	90.2	90.5	90.8	90.5	90.2	90.8
Manufacturing	21.0	21.1	21.1	20.9	20.8	20.3	20.0	20.2
Industrial production (1967=100)	152.7	152.3	152.6	152.5	152.6	144.5	142.3	148.7
Capacity utilization: all mfg. (percent)	86.9	85.9	85.3	84.4	83.4	77.9	75.9	79.1
Materials (percent)	88.4	87.5	87.2	86.3	85.8	78.8	75.2	80.1
Housing starts, private (million units, A.R.)	1.64	1.84	1.79	1.59	1.23	1.06	1.39	1.54
New autos sales, (millions, A.R.)	11.56	10.65	10.79	9.80	10.65	7.68	8.80	9.04
Domestic models	9.30	8.16	8.63	7.43	7.87	5.53	6.51	6.57
Foreign models	2.25	2.49	2.16	2.37	2.77	2.14	2.29	2.47

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.

November 10, 1981

~~CONFIDENTIAL - FR  
ASS II FOMC~~

**PERCENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS**  
(Annual rates compounded quarterly)

	1979				1980			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) dollars</u>								
Gross national product	3.9	-1.7	4.1	.6	3.1	-9.9	2.4	3.8
Final purchases	2.5	-2.5	7.2	2.9	3.1	-10.4	4.1	4.4
Private	3.0	-3.0	8.7	2.2	2.2	-13.3	5.5	4.9
Excluding net exports	1.1	-1.6	5.5	1.9	-.4	-14.4	4.7	8.5
Personal consumption expenditures	.9	-1.2	4.7	3.6	.8	-9.8	5.1	7.0
Goods	-2.7	-4.6	6.0	4.2	-.3	-17.7	4.0	10.2
Services	5.5	3.0	3.1	2.8	2.1	.0	6.4	3.7
Gross private domestic investment	10.6	1.7	-9.9	-17.8	-5.6	-28.9	-10.0	11.1
Residential structures	-6.5	-10.8	-3.6	-3.1	-24.2	-60.2	16.0	64.2
Business fixed investment	5.2	-.4	13.4	-5.4	2.2	-19.9	-1.5	4.0
Gov't. purchases of goods and services	.7	-.5	1.2	6.1	6.9	2.5	-5.0	2.2
Federal	8.0	-7.9	-3.6	13.1	18.9	11.9	-13.1	2.0
National defense	2.2	3.8	2.0	7.1	9.8	6.2	-.1	5.9
State and local	-3.3	4.0	3.9	2.4	.6	-2.8	.3	2.3
Disposable personal income	3.1	.5	3.5	.8	1.3	-4.9	4.1	2.9
<u>Current dollars</u>								
Gross national product	12.7	5.9	12.2	8.8	12.6	-1.1	11.8	14.9
Final purchases	11.5	4.4	16.1	11.4	12.0	-1.8	15.9	15.0
Private	12.8	4.0	17.9	9.6	10.7	-4.8	19.5	13.8
Excluding net exports	10.8	6.7	15.7	12.0	10.6	-6.5	13.6	18.7
Personal consumption expenditures	11.0	6.7	14.6	14.7	12.9	-1.0	14.3	17.4
Goods	8.5	4.9	16.6	15.6	13.1	-10.3	12.0	21.4
Services	14.2	8.8	12.2	13.5	12.7	10.8	17.0	13.1
Gross private domestic investment	17.0	15.4	-1.5	-10.6	5.6	-21.8	-13.3	23.7
Residential structures	1.8	1.8	9.1	2.8	-16.7	-56.4	25.7	68.5
Business fixed investment	13.9	8.6	25.0	2.3	11.0	-10.4	6.0	11.5
Gov't. purchases of goods and services	6.3	6.2	9.2	18.8	17.5	10.6	2.6	20.2
Federal	10.7	-2.9	3.7	35.4	29.5	19.8	-7.5	40.2
National defense	8.2	8.2	15.0	26.2	23.2	12.4	8.4	35.0
State and local	3.9	11.6	12.2	10.6	11.2	5.6	9.1	9.7
Disposable personal income	13.5	8.5	13.3	11.6	13.5	4.4	13.3	12.8
Personal income	12.8	9.3	14.6	12.7	11.5	5.1	13.4	14.3
Wage and salary disbursements	13.5	8.2	10.2	11.2	10.5	1.8	6.6	17.8
Corporate profits with IVA & C.C. Adj.	-1.6	-10.1	6.0	-18.8	24.8	-48.9	21.9	12.7
Corporate profits before tax	8.3	-3.4	18.9	-9.7	38.6	-61.8	41.4	21.6
Nonfarm payroll employment	3.7	3.1	2.4	1.2	1.5	-1.6	-1.0	2.7
Manufacturing	3.5	2.1	-.1	-3.6	-2.4	-9.7	-5.9	3.7
Nonfarm business sector								
Output per hour	-.9	-1.6	-1.1	-.2	.3	-2.9	3.6	-.2
Compensation per hour	10.9	10.4	-8.6	9.7	10.2	11.3	9.0	9.8
Unit labor costs	11.9	12.1	9.7	9.9	9.9	14.6	5.3	10.1
GNP implicit deflator 1/	8.4	7.8	7.8	8.1	9.3	9.8	9.2	10.7
Gross domestic business product								
fixed-weighted price index 2/	9.7	9.7	9.5	10.0	10.1	9.8	9.6	9.3
Excluding food and energy	7.5	7.2	6.9	11.1	7.4	9.5	9.3	8.2
Consumer price index (all urban)	10.2	12.5	14.0	14.3	16.5	13.1	7.7	12.9
Industrial production	5.4	-1.0	.8	-.3	.3	-19.6	-6.2	19.2

<sup>1/</sup> Excluding Federal pay increases, rates of change were: 1979-Q1, 8.3 percent; 1979-Q4, 7.5 percent; 1980-Q1, 9.2 percent; 1980-Q4, 9.7 percent.

<sup>2/</sup> Uses expenditures in 1972 as weights.

November 10, 1981

CONFIDENTIAL - FR  
S 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.)

	1981				1982			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Projected Q4
Gross national product	2853.0	2885.8	2947.0	2982.9	3021.2	3081.5	3156.6	3237.8
Final purchases	2848.5	2862.5	2929.4	2977.6	3020.2	3079.5	3156.1	3236.3
Private	2272.0	2285.1	2338.9	2369.5	2404.3	2450.7	2514.8	2577.2
Excluding net exports	2242.8	2264.3	2320.9	2346.3	2385.9	2436.5	2502.2	2561.5
Personal consumption expenditures	1810.1	1829.1	1888.6	1918.0	1953.6	1994.0	2048.5	2094.1
Goods	964.3	962.6	990.1	996.0	1008.6	1027.1	1058.5	1084.7
Services	845.8	866.5	898.6	922.0	945.0	966.9	990.0	1009.4
Gross private domestic investment	437.1	458.6	449.8	433.6	433.3	444.5	454.2	468.9
Residential construction	116.7	110.7	101.4	94.4	95.9	101.4	106.9	114.4
Business fixed investment	315.9	324.6	330.8	333.9	336.4	341.1	346.8	353.0
Change in business inventories	4.5	23.3	17.6	5.3	1.0	2.0	.5	1.5
Nonfarm	6.8	21.5	13.9	5.3	1.0	2.0	.5	1.5
Net exports of goods and services <u>1/</u>	29.2	20.8	18.0	23.2	18.4	14.2	12.6	15.7
Exports	367.4	368.2	362.8	365.7	359.4	362.1	371.3	383.0
Imports	338.2	347.5	344.8	342.5	341.0	347.9	358.7	367.3
Gov't. purchases of goods and services	576.5	577.4	590.5	608.1	615.9	628.8	641.3	659.1
Federal <u>2/</u>	221.6	219.5	227.7	239.2	240.9	247.7	253.9	265.4
State and local	354.9	357.9	362.9	368.9	375.0	381.1	387.4	393.7
Gross national product in constant (1972) dollars	1516.4	1510.4	1508.2	1492.0	1485.4	1488.8	1500.7	1512.5
- Personal income	2319.8	2368.5	2440.0	2483.4	2522.3	2564.8	2628.3	2682.9
Wage and salary disbursements	1442.9	1467.0	1497.8	1512.2	1533.3	1556.7	1584.9	1621.4
Disposable personal income	1947.8	1985.6	2040.1	2089.5	2125.0	2158.9	2246.2	2289.4
Saving rate (percent)	4.6	5.4	4.9	5.7	5.5	5.1	6.3	6.0
Corporate profits with I.V.A. and C.C. Adj.	203.0	190.3	189.4	189.1	182.7	191.8	207.2	218.2
Corporate profits before tax	257.0	229.0	230.0	225.2	213.4	216.7	230.7	237.1
Federal government surplus or deficit (-) (N.I.A. basis)	-46.6	-47.2	-60.1	-96.6	-103.9	-104.0	-148.0	-146.3
High employment surplus or deficit (-) <u>3/</u>	.5	6.6	1.7	-16.1	-8.8	-.6	-46.1	-42.1
State and local government surplus or deficit (-) (N.I.A. basis)	36.9	36.1	38.2	35.4	33.5	32.8	34.2	36.0
Excluding social insurance funds	6.6	4.3	5.5	2.1	-.6	-2.0	-1.4	-.4
Civilian labor force (millions)	105.8	106.8	106.4	106.8	107.1	107.3	107.5	107.8
Unemployment rate (percent)	7.4	7.4	7.2	8.3	8.6	8.8	8.8	8.8
Nonfarm payroll employment (millions)	91.2	91.5	91.9	91.6	91.2	91.0	90.9	91.0
Manufacturing	20.2	20.4	20.5	20.1	19.7	19.5	19.6	19.7
Industrial production (1967=100)	151.8	152.5	153.1	148.4	147.0	148.6	150.3	152.0
Capacity utilization: all mfg. (percent)	79.9	79.8	79.2	75.9	74.6	74.8	75.2	75.6
Materials (percent)	82.2	81.2	81.2	77.2	75.5	76.1	76.9	77.5
Housing starts, private (million units, A.R.)	1.39	1.18	.97	.87	1.00	1.10	1.20	1.30
New autos sales, (millions, A.R.)	9.96	7.89	9.03	7.80	8.30	8.70	9.10	8.95
Domestic models	7.31	5.63	6.90	5.70	6.20	6.40	6.70	6.55
Foreign models	2.66	2.25	2.13	2.10	2.10	2.30	2.40	2.40

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.

Estimates in table are evaluated at a 5.1 percent high employment unemployment rate. Evaluated at a 6.1 percent unemployment rate, the high employment budget would show a deficit of \$37.6 billion in 1980-Q4 and a deficit of \$43.4 billion in 1981-Q4, and a deficit of \$70.4 billion in 1982-Q4.

November 10, 1981

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

	1981				1982			
					Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) dollars</u>								
Gross national product	8.6	-1.6	-.6	-4.2	-1.8	.9	3.3	3.2
Final purchases	6.9	-4.7	-.5	-2.3	-1.2	.8	3.5	3.1
Private	7.3	-4.5	-.4	-3.0	-1.0	.7	3.9	3.5
Excluding net exports	6.7	-3.2	1.9	-3.2	-.5	1.5	4.4	3.4
Personal consumption expenditures	5.8	-2.1	4.3	-1.9	.0	1.2	4.6	3.0
Goods	9.8	-5.3	5.0	-5.0	-1.4	1.2	7.0	4.4
Services	1.4	1.6	3.5	1.7	1.6	1.2	2.1	1.5
Gross private domestic investment	24.2	16.1	-9.2	-21.4	-6.9	3.8	1.9	6.3
Residential structures	3.6	-23.4	-33.3	-29.7	-.5	16.8	15.6	22.7
Business fixed investment	13.3	-2.1	-.4	-3.0	-3.5	-.6	.4	1.0
Gov't. purchases of goods and services	5.4	-5.6	-.5	.7	-2.1	1.0	1.5	1.3
Federal	14.8	-8.4	5.3	5.3	-3.7	4.1	4.7	4.4
National defense	1.1	2.6	8.1	5.9	4.6	4.5	4.6	9.6
State and local	.2	-3.8	-4.0	-2.0	-1.1	-.9	-.6	-.7
Disposable personal income	3.0	1.4	2.2	1.5	-.7	-.6	10.1	1.8
<u>Current dollars</u>								
Gross national product	19.2	4.7	8.8	5.0	5.2	8.2	10.1	10.7
Final purchases	15.5	2.0	9.7	6.8	5.8	8.1	10.3	10.6
Private	16.0	2.3	9.8	5.4	6.0	7.9	10.9	10.3
Excluding net exports	14.9	3.9	10.4	4.5	6.9	8.8	11.2	9.8
Personal consumption expenditures	14.2	4.3	13.7	6.4	7.6	8.5	11.4	9.2
Goods	17.2	-.7	11.9	2.4	5.2	7.5	12.8	10.3
Services	10.9	10.1	15.7	10.8	10.4	9.6	9.9	8.1
Gross private domestic investment	45.9	21.1	-7.4	-13.7	-.3	10.7	9.0	13.6
Residential structures	14.0	-19.2	-29.7	-24.8	6.5	25.0	23.5	31.2
Business fixed investment	19.6	11.4	7.9	3.8	3.0	5.7	6.9	7.3
Gov't. purchases of goods and services	13.5	.6	9.4	12.4	5.2	8.6	8.2	11.6
Federal	19.3	-3.7	15.7	21.8	2.9	11.8	10.4	19.4
National defense	10.4	8.7	18.4	25.1	10.9	10.1	9.9	27.1
State and local	10.0	3.3	5.7	6.8	6.8	6.7	6.8	6.7
Disposable personal income	11.2	8.0	11.4	10.0	6.8	6.5	17.2	7.9
Personal income	11.8	8.7	12.6	7.3	6.4	6.9	10.3	8.6
Wage and salary disbursements	13.5	6.9	8.7	3.9	5.7	6.2	7.4	9.5
Corporate profits with IVA & C.C. Adj.	50.4	-22.8	-1.9	-.6	-12.9	21.5	36.2	23.0
Corporate profits before tax	12.6	-37.0	1.8	-8.2	-19.2	6.2	28.5	11.7
Nonfarm payroll employment	1.8	1.4	1.6	-1.4	-1.5	-1.1	-.2	.4
Manufacturing	.5	4.2	1.9	-8.6	-6.6	-3.7	1.1	2.0
Nonfarm business sector								
Output per hour	4.3	1.4	-2.2	-.9	-.5	2.1	3.3	2.1
Compensation per hour	11.6	9.6	9.4	8.5	8.9	8.1	7.9	7.9
Unit labor costs hour	7.0	8.1	11.9	9.4	9.4	5.8	4.5	5.7
GNP implicit deflator 1/	9.8	6.4	9.4	9.6	7.1	7.3	6.6	7.3
Gross domestic business product								
fixed-weighted price index 2/	10.5	8.2	9.6	8.5	7.5	7.4	7.1	6.7
Excluding food and energy	8.1	9.7	11.2	8.6	7.2	7.1	6.7	6.6
Consumer price index (all urban)	10.8	7.5	12.0	11.1	10.5	6.5	6.8	6.9
Industrial production	8.3	1.9	1.6	-11.7	-3.7	4.4	4.7	4.6

1/ Excluding Federal pay increases, the rates of change are: 1981-Q1, 9.7 percent; 1981-Q4, 8.6 percent; 1982-Q1, 7.1 percent; 1982-Q4, 6.4 percent.

2/ Uses expenditures in 1972 as weights.

November 10, 1981

CONFIDENTIAL - FR  
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS  
(Expenditures and income figures are billions of current dollars.)

	1975	1976	1977	1978	1979	1980	Projected 1981	Projected 1982
Gross national product	1549.2	1718.0	1918.0	2156.1	2413.9	2626.1	2917.2	3124.3
Final purchases	1556.1	1706.2	1897.0	2133.9	2396.4	2632.0	2904.5	3123.0
Private	1216.2	1344.1	1502.5	1701.3	1922.6	2097.3	2316.4	2486.7
Excluding net exports	1189.4	1330.4	1506.7	1701.9	1909.2	2074.0	2293.6	2471.5
Personal consumption expenditures	976.4	1084.3	1205.5	1348.7	1510.9	1672.8	1861.5	2022.5
Goods	539.5	598.5	657.8	729.1	814.5	887.6	978.2	1044.7
Services	437.0	485.7	547.7	619.6	696.3	785.2	883.2	977.8
Gross private domestic investment	206.1	257.9	322.3	375.3	415.8	395.3	444.8	450.2
Residential construction	55.3	72.0	95.8	111.3	118.6	105.3	105.8	104.6
Business fixed investment	157.7	174.1	205.5	242.0	279.7	296.0	326.3	344.3
Change in business inventories	-6.9	11.8	21.0	22.2	17.5	-5.9	12.7	1.2
Nonfarm	-10.5	13.9	20.2	21.8	13.4	-4.7	11.9	1.2
Net exports of goods and services 1/	26.8	13.7	-4.2	-6	13.4	23.3	22.8	15.2
Exports	154.9	170.9	183.3	219.8	281.3	339.8	366.0	368.9
Imports	128.1	157.1	187.5	220.4	267.9	316.5	343.2	353.7
Gov't. purchases of goods and services	339.9	362.1	394.5	432.6	473.8	534.7	588.1	636.3
Federal 2/	122.7	129.2	143.9	153.4	167.9	198.9	227.0	252.0
State and local	217.2	232.9	250.6	279.2	305.9	335.8	361.1	384.3
Gross national product in constant (1972) dollars	1233.9	1300.4	1371.7	1436.9	1483.0	1480.7	1506.8	1496.8
Personal income	1265.0	1391.2	1538.0	1721.8	1943.8	2160.2	2402.9	2599.6
Wage and salary disbursements	806.4	889.9	983.8	1105.2	1236.1	1343.7	1480.0	1574.1
Disposable personal income	1096.1	1194.4	1311.5	1462.9	1641.7	1821.7	2015.8	2204.9
Saving rate (percent)	8.6	6.9	5.6	5.2	5.2	5.6	5.1	5.8
Corporate profits with I.V.A. and C.C. Adj.	110.5	138.1	164.7	185.5	196.8	182.7	192.9	200.0
Corporate profits before tax	132.1	166.3	192.6	223.3	255.4	245.5	235.3	224.5
Federal government surplus or deficit (N.I.A. basis)	-69.3	-53.1	-46.4	-29.2	-14.8	-61.2	-62.6	-125.5
High employment surplus or deficit (-)	-29.2	-20.1	-23.0	-15.7	-2.2	-18.2	-1.8	-24.4
State and local government surplus or deficit (-) (N.I.A. basis)	5.5	16.6	28.1	29.0	26.7	29.1	36.6	34.1
Excluding social insurance funds	-7.6	.9	10.1	9.0	2.9	2.1	4.6	-1.1
Civilian labor force (millions)	92.6	94.8	97.4	100.4	102.9	104.7	106.4	107.4
Unemployment rate (percent)	8.5	7.7	7.0	6.0	5.8	7.1	7.6	8.7
Nonfarm payroll employment (millions)	76.9	79.4	82.5	86.7	89.8	90.6	91.6	91.1
Manufacturing	18.3	19.0	19.7	20.5	21.0	20.3	20.3	19.6
Industrial production (1967=100)	117.8	130.5	138.1	146.1	152.5	147.0	151.4	149.5
Capacity utilization: all manufacturing (percent)	72.9	79.5	81.9	84.4	85.6	79.1	78.7	75.1
Materials (percent)	73.4	81.1	82.7	85.6	87.4	80.0	80.4	76.5
Housing starts, private (million units, A.R.)	1.16	1.54	1.99	2.02	1.75	1.29	1.10	1.15
New auto sales, (millions, A.R.)	8.66	10.12	11.13	11.28	10.70	9.04	8.71	8.76
Domestic models	7.08	8.63	9.07	9.29	8.38	6.62	6.41	6.46
Foreign models	1.58	1.50	2.06	1.99	2.32	2.42	2.30	2.30

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.

November 10, 1981

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

	1975	1976	1977	1978	1979	1980	Projected 1981	Projected 1982
<u>Constant (1972) dollars</u>								
Gross national product	-1.1	5.4	5.5	4.8	3.2	-.2	1.8	-.7
Final purchases	.3	4.2	5.2	4.7	3.5	.7	1.2	-.3
Private	-.1	5.3	6.0	15.4	4.0	.2	1.4	-.3
Excluding net exports	-.6	6.2	6.5	5.2	2.9	-1.0	2.2	.3
Personal consumption expenditures	2.2	5.6	4.9	4.7	2.9	.5	2.7	1.0
Goods	1.3	6.7	5.2	4.2	1.9	-1.4	2.7	.3
Services	3.3	4.3	4.5	5.4	4.1	2.6	2.7	1.8
Gross private domestic investment	-20.8	19.2	15.7	7.6	1.3	-12.5	4.1	-5.2
Residential structures	-12.5	21.3	18.5	2.9	-5.2	-18.6	-5.7	-7.5
Business fixed investment	-12.1	5.3	11.9	9.1	6.5	-3.0	1.6	-1.6
Gov't. purchases of goods and services	2.1	.0	2.1	2.0	1.5	2.9	.2	-.4
Federal	.8	-.7	4.1	-.9	1.9	6.3	2.1	1.8
National defense	-.7	-2.3	.8	.0	2.6	5.7	3.6	5.4
State and local	2.9	.5	.9	3.7	1.2	1.0	-1.0	-1.7
Disposable personal income	2.0	3.6	3.6	4.4	3.1	.7	2.1	1.7
<u>Current dollars</u>								
Gross national product	8.0	10.9	11.6	12.4	12.0	8.8	11.1	7.1
Final purchases	9.6	9.6	11.2	12.5	12.3	9.8	10.4	7.5
Private	9.0	10.5	11.8	13.2	13.0	9.1	10.4	7.4
Excluding net exports	7.9	11.8	13.3	12.9	12.2	8.6	10.6	7.8
Personal consumption expenditures	9.9	11.1	11.2	11.9	12.0	10.7	11.3	8.7
Goods	9.0	10.9	9.9	10.8	11.7	9.0	10.2	6.8
Services	11.1	11.2	12.7	13.1	12.4	12.8	12.5	10.7
Gross private domestic investment	-9.9	25.1	25.0	16.5	10.8	-4.9	12.5	1.2
Residential structures	-4.7	30.2	33.1	16.1	6.6	-11.3	.5	-1.1
Business fixed investment	.8	10.3	18.1	17.7	15.6	5.8	10.3	5.5
Gov't. purchases of goods and services	11.8	6.5	8.9	9.7	9.5	12.9	10.0	8.2
Federal	10.6	5.3	11.4	6.6	9.5	18.5	14.1	11.0
National defense	7.7	3.7	8.5	7.1	11.2	18.4	16.1	14.9
State and local	12.5	7.3	7.6	11.4	9.6	9.8	7.5	6.4
Disposable personal income	9.8	9.0	9.8	11.5	12.2	11.0	10.6	9.3
Personal income	8.2	10.0	10.6	12.0	12.9	11.1	11.2	8.2
Wage and salary disbursements	5.3	10.4	10.6	12.3	11.8	8.7	10.1	6.4
Corporate profits with IVA & C.C. Adj.	16.5	25.0	19.3	12.6	6.1	-7.2	5.6	3.7
Corporate profits before tax	-3.3	25.9	15.8	15.9	14.4	-3.9	-4.2	-4.6
Nonfarm payroll employment	-1.7	3.2	3.9	5.1	3.6	.8	1.1	-.6
Manufacturing	-8.8	3.7	3.6	4.2	2.6	-3.5	-.1	-3.2
Nonfarm business sector								
Output per hour	2.1	3.2	2.0	-.2	-.7	-.3	1.2	.4
Compensation per hour	9.4	9.6	-.8.1	7.6	9.7	10.0	10.1	8.6
Unit labor costs	7.4	4.7	5.5	8.7	10.4	10.3	8.8	8.1
GNP implicit deflator	9.6	5.2	5.8	7.3	8.5	9.0	9.2	7.8
Gross domestic business product								
fixed-weighted price index 1/	9.2	5.5	6.3	7.8	9.7	9.8	9.4	7.9
Excluding food and energy	9.2	6.0	6.5	7.5	8.4	8.2	9.2	8.0
Consumer price index (all urban)	9.1	5.8	6.5	7.7	11.3	13.5	10.5	9.0
Industrial production	-8.9	10.8	5.8	5.8	4.4	-3.5	3.0	-1.3

1/ Uses expenditures in 1972 weights.

FEDERAL SECTOR ACCOUNTS  
(Billions of dollars)

November 10, 1981

	FRB Staff Estimates													
	Fiscal Year 1980*	Fiscal Year 1981*	FY 1982 e/ Admin. 1/		CY 1980* F.R. Board	CY 81 e/ E.R. Board	Calendar quarters; unadjusted data							
			1980 IV*	1981 I*			I	II	III	IV	I	II	III	
Unified budget receipts	520.0	602.6	662.4	632.7	533.0	614.6	127.0	135.2	183.7	156.7	138.9	146.7	192.4	154.7
Unified budget outlays	579.6	660.5	704.8	729.8	600.9	688.1	160.6	167.3	167.4	165.3	188.1	165.6	186.0	190.0
Surplus(+) / deficit(-), unified budget	-59.6	-57.9	-42.5	-97.1	-67.9	-73.5	-33.6	-32.1	16.3	-8.6	-49.2	-18.9	6.4	-35.3
Surplus/deficit(-), off-budget agencies <sup>2/</sup>	-14.2	-21.0	-18.2	-21.3	-15.3	-23.5	-2.2	-6.4	-5.5	-6.9	-4.7	-5.9	-5.1	-5.6
Combined deficit to be financed	-73.8	-78.9	-60.7	-118.4	-83.2	-97.0	-35.8	-38.5	10.8	-15.5	-53.9	-24.8	1.3	-40.9
Means of financing combined deficits:														
Net borrowing from public	70.5	79.3	59.0	112.5	79.3	90.1	27.7	35.8	-2.6	18.5	38.5	29.3	5.7	39.0
Decrease in cash operating balance	3.2	2.3	0.0	2.4	3.6	1.2	8.7	1.6	-5.7	-2.3	7.6	0.0	-5.2	0.0
Other <sup>3/</sup>	0.1	-2.7	1.7	3.5	0.3	5.7	-0.6	1.1	-2.5	-0.7	7.8	-4.5	-1.8	2.0
Cash operating balance, end of period	21.0	18.7	18.7	16.3	12.3	11.1	12.3	10.7	16.4	18.7	11.1	11.1	16.3	16.3
Memo: Sponsored agency borrowing <sup>4/</sup>	21.4	37.7	n.a.	26.6	24.3	35.1	9.0	3.6	9.7	15.4	6.4	6.1	8.7	5.4
NIA Budget														
Receipts	527.3	n.a.	678.3	631.3	540.8	625.8	573.2	617.4	621.0	636.6	628.0	631.1	641.7	624.4
Expenditures	578.2	667.5	719.3	745.1	602.0	688.4	641.1	664.0	668.2	696.5	724.8	735.8	746.6	773.3
Purchases	190.2	220.2	247.4	245.4	198.9	227.0	212.0	221.6	219.5	227.7	239.2	240.9	247.7	253.9
Defense	126.1	147.4	171.7	169.8	131.7	152.9	141.6	145.2	148.2	154.6	163.5	167.8	171.9	176.0
Nondefense	64.1	72.8	75.7	75.6	67.2	74.1	70.4	76.4	71.3	73.0	75.7	73.1	75.8	77.9
All other expenditures	388.0	447.3	471.9	499.7	403.1	461.4	429.1	442.4	448.7	468.8	485.6	494.9	498.9	519.4
Surplus(+) / deficit(-)	-50.9	n.a.	-41.0	-113.8	-61.2	-62.7	-67.9	-46.6	-47.2	-60.1	-96.8	-104.7	-104.9	-148.9
High Employment (H.E.) Surplus(+) / deficit(-) evaluated at H.E. unemployment rate of:														
5.1 percent	-16.7	-1.1	n.a.	-17.9	-18.2	-1.8	-13.3	0.5	6.6	1.7	-16.1	-8.8	-0.6	-46.1
6.1 percent	-39.5	-26.7	n.a.	-45.7	-41.6	-28.2	-37.6	-24.9	-19.2	-25.2	-43.4	-36.7	-29.0	-73.7

\*\*-actual

--estimated

n.a.--not available.

1. OMB Mid-Session Review of the 1982 Budget, July 1981. On September 24, 1981, the Administration presented revised estimates of unified budget receipts and outlays for FY1982. The Fall Budget Program Fact Sheet estimates receipts of \$666.2 billion and outlays of \$709.3 billion for a deficit of \$43.1 billion.

2. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, and Rural Telephone Bank.

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

4. FRB staff estimates include Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives marketable debt on an offering basis.

NOTE: Quarterly figures may not add to yearly totals due to rounding.

CONFIDENTIAL (FR)  
CLASS II PCMC

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

November 10, 1981

	1980 ANN.	1981 ANN.	1982 ANN.	1981 Q I	1981 Q II	1981 Q III	1981 Q IV	1982 Q I	1982 Q II	1982 Q III	1982 Q IV
<hr/>											
<b>1. GNP NET EXPORTS</b>											
CURRENT \$, NET EXPORTS OF G&S	23.3	22.8	15.2	29.2	20.8	18.0	23.2	18.4	14.2	12.6	15.7
IMPORTS OF G&S	339.8	366.0	368.9	367.4	368.2	362.8	365.7	359.4	362.1	371.3	383.0
CONSTANT 72 \$, NET EXPORTS OF G&S	52.0	44.1	36.3	50.9	46.2	39.5	39.8	38.3	36.2	35.2	35.7
IMPORTS OF G&S	161.1	159.5	150.1	162.5	161.2	157.9	155.9	150.2	148.5	149.7	151.9
TERMS OF TRADE (1972=100) 1/	109.1	115.4	113.7	111.6	115.4	118.4	116.1	111.9	112.3	114.6	116.1
	72.7	77.1	79.0	74.6	75.7	78.8	79.4	78.5	78.7	79.2	79.7
<hr/>											
<b>2. U.S. MERCHANDISE TRADE BALANCE 2/</b>											
EXPORTS (EXCL. MILITARY)	-25.3	-24.8	-30.8	-18.7	-27.7	-28.9	-23.7	-26.1	-28.4	-33.4	-35.0
AGRICULTURAL	224.0	239.1	239.3	244.4	241.9	232.0	238.2	237.5	237.9	239.3	242.5
NONAGRICULTURAL	42.2	45.4	50.1	50.9	44.3	39.6	46.6	48.0	49.3	50.6	52.5
181.7	193.8	189.2	193.5	197.6	192.5	191.6	189.5	188.6	188.7	190.0	
IMPORTS	249.3	263.9	270.1	263.1	269.6	260.9	261.9	263.6	266.3	272.7	277.5
PETROLEUM AND PRODUCTS	78.9	77.8	70.6	83.3	84.8	71.9	71.3	71.5	71.2	70.5	69.1
NONPETROLEUM	170.4	186.1	199.5	179.8	184.8	189.0	190.6	192.1	195.1	202.2	208.4
<hr/>											
<b>3. U.S. CURRENT ACCOUNT BALANCE</b>	3.7	4.7	-5.0	13.1	4.3	-1.3	2.8	-.9	-4.7	-7.8	-6.6
OF WHICH: NET INVESTMENT INCOME	32.8	34.4	32.3	36.2	34.6	33.7	33.2	32.0	30.3	32.1	34.9
<hr/>											
<b>4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/</b>											
REAL GNP, % CHANGE, ANNUAL RATES	1.8	.5	1.8	.6	.6	.6	1.2	2.0	2.2	2.7	2.8
CONSUMER PRICES, 4/, % CHANGE, ANNUAL RATES	10.5	9.6	8.4	10.8	10.7	8.1	8.2	8.6	8.6	7.6	7.5

1/ GNP EXPORT IMPLICIT DEFLATOR DIVIDED BY GNP IMPORT IMPLICIT DEFATER.

2/ INTERNATIONAL ACCOUNTS BASIS.

3/ GEOMETRIC WEIGHTS USED TO AGGREGATE FOREIGN REAL GNP AND CONSUMER PRICES -- PERCENT 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%).

P/ PROJECTED.

1  
22

November 10, 1981

## **RECENT DEVELOPMENTS**

---

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

MCGRAW-HILL FALL SURVEY  
 PLANT AND EQUIPMENT EXPENDITURES ANTICIPATED FOR 1982  
 (Percent change from prior year)

---

All business	9.6
Manufacturing	11.5
Durables	10.1
Nondurables	12.9
Nonmanufacturing	8.3

---

RECENT ERROR HISTORY OF THE FALL MCGRAW-HILL SURVEY

---

Year	Anticipated Change	Actual Change	Error (Anticipated Less Actual Change)
<hr/> Percent <hr/>			
1970	8.3	5.5	2.8
1971	2.4	1.9	.5
1972	6.9	8.9	-2.6
1973	10.6	12.8	-2.2
1974	13.6	12.7	.9
1975	11.8	.3	11.5
1976	8.8	6.8	2.0
1977	13.0	12.7	.3
1978	11.1	13.3	-2.2
1979	9.9	15.1	-5.2
1980	9.5	9.3	.2
1981	11.9	8.8 <sup>1</sup>	3.1

---

1. Anticipated by August Commerce Survey.

THE FISCAL YEAR 1981 BUDGET  
(Unified budget; billions of dollars)

	Time of Budget Estimate						Actual
	Jan. 1980	Mar. 1980	July 1980	Jan. 1981	Mar. 1981	July 1981	

Outlays

Defense	146.2	150.5	157.5	161.1	162.1	160.4	159.7
Int. Affairs	9.6	10.1	10.3	11.3	11.3	11.8	11.1
Energy	8.1	6.9	7.2	8.7	9.3	9.5	10.6
Agriculture	2.8	2.0	2.2	1.1	1.2	4.0	5.6
Interest (net)	67.2	68.4	67.6	80.4	77.2	83.1	82.6
Comm. & Housing	0.7	0.4	0.7	3.5	3.2	4.2	4.0
Income Security <sup>1</sup>	336.1	334.0	346.5	352.1	349.4	348.7	348.4
Fiscal Ass't.	9.6	7.4	7.3	6.9	6.8	6.9	6.6
All Other <sup>2</sup>	35.5	31.8	34.5	37.6	34.7	32.6	31.8
Total	615.8	611.5	633.8	662.7	655.2	661.2	660.5

Receipts

Current Law	579.0	589.2	591.6	605.0	608.8	607.8	n.a.
Total	<u>600.0</u>	<u>628.0</u>	<u>604.0</u>	<u>607.5</u>	<u>600.3</u>	<u>605.6</u>	<u>602.6</u>

<u>Deficit</u>	-15.8	+16.5	-29.8	-55.2	-54.9	-55.6	-57.9
----------------	-------	-------	-------	-------	-------	-------	-------

(percentage)

Economic Assumptions,  
Calendar Year 1981

GNP growth (Q4/Q4)	11.7	11.4	12.6	12.3	11.0	11.8
Unemployment rate	7.4	7.3	8.5	7.7	7.7	7.5
CPI (Q4/Q4)	8.7	9.0	9.8	12.6	10.5	8.6
Bill rate (annual average)	9.0	9.5	9.0	13.5	11.1	13.6

1. Education, Training and Employment, Social Services, Health, Income Security and Veterans Benefits.

2. Science, Natural Resources, Transportation, Community Development, Justice, General Government, Offsetting Receipts and Allowances.

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

	1981				
	Q1	Q2	Q3 <sup>P</sup>	Oct. <sup>P</sup>	Nov. <sup>F</sup>
----- Seasonally adjusted -----					
Corporate securities--total	5,942	6,886	3,615	3,400	4,700
Publicly offered bonds <sup>1</sup>	3,443	3,007	1,603	2,000	3,300
Privately placed bonds	523	843	609	700	700
Stocks	1,976	3,036	1,403	700	700
----- Not seasonally adjusted -----					
Publicly offered bonds--Total <sup>1</sup>	3,038	3,597	1,677	2,150	2,700
By Industry					
Utility	1,125	1,275	979	1,395	--
Industrial	1,289	1,383	465	275	--
Financial	624	939	333	480	--
By quality <sup>2</sup>					
Aaa and Aa	914	1,246	685	610	--
A and Baa	1,728	1,663	627	1,325	--
Less than Baa <sup>3</sup>	396	688	364	215	--
Memo items.					
Convertible bonds	439	491	150	155	--
Original discount bonds					
Par value	167	1,175	343	135	--
Gross proceeds	85	480	173	107	--
Stocks--total	1,889	2,850	1,403	900	800
By Industry					
Utility	499	1,012	486	386	--
Industrial	1,186	1,425	597	417	--
Financial	204	413	320	97	--

--preliminary. F--forecast.

1. Total reflects gross proceeds rather than par value of original discount bonds.

2. Bonds categorized according to Moody's bond ratings.

3. Includes issues not rated by Moody's.

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

	FY81	Q3	04	e	Oct.	f Nov.
<u>Treasury financing</u>						
Combined surplus/deficit(-)	-78.9	-15.4	-53.9	-16.3 <sup>e</sup>	-	-13.6
Net marketable borrowings/ repayments(-)	88.9	22.5	41.0	10.6	-	11.5
Bills	23.0	4.6	24.6	5.7	-	5.5
Coupons	65.9	17.9	16.4	4.9	-	6.0
Nonmarketable borrowings/ repayments(-)	-9.5	-4.0	-2.5	-.4	-	-1.0
Other means of finance <sup>2</sup>	-2.7	-.7	7.8	3.7 <sup>e</sup>	-	-2.3
Change in cash balance	-2.3	+2.3	-7.6	-2.4	-	-5.4
<u>Federally sponsored credit</u>						
agencies net cash borrowing <sup>3</sup>	37.5	15.4	6.4	2.8 <sup>e</sup>	-	1.4

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

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

3. Includes debt of Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and the Federal Farm Credit Bank System.

e--estimated. f--forecast.

STATE AND LOCAL GOVERNMENT SECURITY OFFERINGS  
 (Monthly totals or monthly averages, billions of dollars)

Year	1980		1981			f Nov.
	H1	03 <sup>e</sup>	Sept.	Oct. <sup>e</sup>		
----- Seasonally adjusted -----						
Total	6.22	6.51	6.30	8.40	8.80	6.00
Long-term	4.03	3.71	3.60	4.60	3.30	3.30
Short-term	2.19	2.80	2.70	3.80	5.50	2.70
----- Not seasonally adjusted -----						
Total	6.22	6.41	5.95	7.60	7.30	6.00
Long-term	4.03	3.79	3.25	3.50	3.50	3.50
Short-term	2.19	2.62	2.70	4.10	3.80	2.50

e--estimate. f--forecast.