

August 15, 1984

## **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											
		Nominal GNP		Real GNP		Gross domestic business product fixed-weighted price index				Unemployment rate (Percent)	
						Total		Excluding food and energy			
		7/11/84	8/15/84	7/11/84	8/15/84	7/11/84	8/15/84	7/11/84	8/15/84	7/11/84	8/15/84
Annual changes:											
1982	<1>	4.0	3.8	-1.9	-2.1	6.0	6.0	6.9	7.0	9.7	9.7
1983	<1>	7.7	7.7	3.4	3.7	4.2	3.8	5.1	4.6	9.6	9.6
1984		11.0	11.3	7.0	7.3	4.1	3.8	4.2	4.1	7.2	7.4
1985		8.4	8.2	3.5	3.8	4.9	4.5	5.1	4.9	6.5	6.6
Quarterly changes:											
1983	Q1 <1>	8.2	8.5	2.6	3.3	3.6	2.7	6.7	4.9	10.4	10.4
	Q2 <1>	13.3	12.3	9.7	9.4	4.1	3.9	3.5	3.5	10.1	10.1
	Q3 <1>	11.5	10.1	7.6	6.8	4.7	4.5	5.6	5.4	9.4	9.4
	Q4 <1>	9.1	10.6	5.0	5.9	4.1	3.5	4.4	3.8	8.5	8.5
1984	Q1 <1>	13.9	14.9	9.7	10.1	4.2	4.2	3.7	3.4	7.9	7.9
	Q2 <1>	9.8	10.9	6.7	7.5	3.1	3.3	3.7	4.2	7.5	7.5
	Q3	9.6	8.4	5.3	5.0	4.3	3.6	4.4	4.3	6.9	7.2
	Q4	8.2	8.1	3.5	4.0	4.8	4.4	4.8	4.7	6.7	6.9
1985	Q1	8.1	8.0	3.0	3.4	5.1	4.6	5.1	4.7	6.6	6.8
	Q2	7.7	7.4	2.8	3.1	5.2	4.7	5.4	4.9	6.5	6.7
	Q3	8.2	8.1	2.8	3.1	5.6	5.3	5.9	5.7	6.4	6.6
	Q4	8.5	8.4	2.7	3.0	5.9	5.6	6.2	5.9	6.4	6.5
Two-quarter changes: <2>											
1983	Q2 <1>	10.7	10.4	6.1	6.3	3.9	3.3	5.1	4.2	-5	-5
	Q4 <1>	10.3	10.3	6.3	6.4	4.4	4.0	5.0	4.6	-1.6	-1.6
1984	Q2 <1>	11.8	12.9	8.2	8.8	3.6	3.7	3.7	3.8	-1.0	-1.0
	Q4	8.9	8.2	4.4	4.5	4.5	4.0	4.6	4.5	-8	-5
1985	Q2	7.9	7.7	2.9	3.3	5.1	4.6	5.2	4.8	-2	-3
	Q4	8.3	8.2	2.7	3.0	5.7	5.4	6.1	5.8	-1	-2
Four-quarter changes: <3>											
1982	Q4 <1>	2.6	2.7	-1.7	-1.5	4.7	4.7	5.4	5.3	2.4	2.4
1983	Q4 <1>	10.5	10.4	6.2	6.3	4.2	3.7	5.1	4.4	-2.1	-2.1
1984	Q4	10.4	10.5	6.3	6.6	4.1	3.9	4.1	4.2	-1.8	-1.5
1985	Q4	8.1	8.0	2.8	3.2	5.4	5.0	5.6	5.3	-3	-5

&lt;1&gt; Actual.

&lt;2&gt; Percent change from two quarters earlier.

&lt;3&gt; Percent change from four quarters earlier.

I-8  
GROSS NATIONAL PRODUCT AND RELATED ITEMS  
(Quarterly figures are seasonally adjusted. Expenditures and income figures are billions of current dollars at annual rates.)

August 15, 1984

	1982				1983			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3026.0	3061.2	3080.1	3109.6	3173.8	3267.0	3346.6	3431.7
Final sales	3043.1	3072.1	3095.5	3170.8	3216.8	3286.4	3350.9	3419.0
Private	2412.2	2438.4	2439.2	2489.8	2538.0	2604.2	2661.1	2727.6
Domestic final purchases	2384.5	2402.9	2432.6	2483.5	2518.4	2610.7	2677.5	2757.4
Personal consumption expenditures	1931.3	1960.9	2001.3	2046.1	2070.4	2141.6	2181.4	2230.2
Goods	985.8	992.2	1007.0	1025.6	1034.6	1073.0	1095.8	1122.8
Services	945.4	968.6	994.2	1020.6	1035.8	1068.6	1085.7	1107.5
Gross private domestic investment	436.2	431.2	415.9	376.2	405.0	449.6	491.9	540.0
Residential structures	87.5	90.9	89.0	97.9	113.3	129.8	142.3	143.4
Business fixed investment	365.7	351.2	342.2	339.3	334.6	339.3	353.9	383.9
Change in business inventories	-17.0	-10.9	-15.3	-61.1	-42.9	-19.4	-4.3	12.7
Nonfarm	-20.9	-9.5	-11.1	-54.3	-32.6	-5.4	11.6	14.1
Net exports of goods and services <1>	27.7	35.5	6.6	6.3	19.6	-6.5	-16.4	-29.8
Exports	359.4	366.3	346.3	321.7	328.5	328.1	342.0	346.1
Imports	331.7	330.8	339.7	315.4	308.9	334.5	358.4	375.9
Gov't. purchases of goods and services	630.9	633.7	656.3	681.0	678.8	682.2	689.8	691.4
Federal <2>	249.8	245.0	261.6	279.4	273.0	270.5	269.2	266.3
State and local	381.1	388.7	394.7	401.6	405.8	411.6	420.6	425.1
Gross national product in constant (1972) dollars	1483.5	1480.5	1477.1	1478.8	1491.0	1524.8	1550.2	1572.7
Personal income	2536.3	2568.3	2594.2	2639.4	2662.8	2714.7	2763.2	2836.4
Wage and salary disbursements	1546.3	1564.2	1578.0	1586.4	1608.1	1642.1	1671.3	1715.4
Disposable personal income	2132.0	2156.8	2195.8	2237.5	2261.4	2302.9	2367.4	2428.6
Saving rate (percent)	6.7	6.3	6.1	5.8	5.7	4.2	5.0	5.3
Corporate profits with I.V.A. and C.C. Adj.	159.8	161.8	163.3	151.7	179.0	216.6	244.9	259.9
Corporate profits before tax	167.5	169.9	168.9	155.9	161.6	198.1	227.3	225.5
Federal government surplus or deficit (-)								
(N.I.A. basis)	-106.2	-112.1	-163.8	-210.7	-185.8	-167.3	-181.0	-180.4
High employment surplus or deficit (-) <3>	-36.9	-30.3	-71.5	-107.8	-78.7	-73.9	-110.4	-122.2
State and local government surplus or deficit(-) (N.I.A. basis)	32.6	34.2	33.3	31.4	34.0	43.8	47.4	51.1
Excluding social insurance funds	.5	.9	-1.0	-3.8	-2.0	6.9	9.4	12.0
Civilian labor force (millions)	109.4	110.2	110.5	110.8	110.7	111.3	112.1	112.0
Unemployment rate (percent)	8.8	9.4	10.0	10.6	10.4	10.1	9.4	8.5
Nonfarm payroll employment	90.4	89.9	89.2	88.7	88.8	89.6	90.4	91.7
Manufacturing	19.4	19.0	18.6	18.1	18.1	18.3	18.6	19.0
Industrial production (1967=100)	141.7	139.4	138.2	135.2	138.5	144.5	151.8	155.5
Capacity utilization: all manufacturing (percent)	72.9	71.6	71.1	69.0	70.7	73.9	77.4	78.9
Materials (percent)	73.0	70.7	69.4	67.2	70.1	73.5	77.5	79.6
Housing starts, private (million units, A.R.)	.88	.96	1.12	1.27	1.64	1.69	1.78	1.70
New auto sales (millions, A.R.)	8.12	7.53	7.78	8.57	8.46	9.10	9.22	9.94
Domestic models	5.90	5.53	5.56	6.08	6.06	6.81	6.92	7.29
Foreign models	2.22	1.99	2.22	2.49	2.40	2.28	2.31	2.65

- <1> Balance of payments data and details underlying these estimates are shown in the International Developments section of this part of the Greenbook.  
 <2> Components of purchases and total receipts and total expenditures are shown in the Federal Sector Account table which follows.  
 <3> Estimates in table are evaluated at a 6 percent high employment unemployment rate.

I-9  
PERCENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS  
(Annual rates compounded quarterly)

August 15, 1984

	1982				1983			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	-4.7	-8	-9	.5	3.3	9.4	6.8	5.9
Final sales	-1.0	-1.5	-3	5.5	1.1	6.4	4.9	4.2
Private	-1.4	-9	-2.3	4.1	3.5	8.6	6.2	6.3
Domestic final purchases	.7	-6	.6	4.8	4.0	12.1	6.9	9.7
Personal consumption expenditures	2.9	2.2	2.2	5.1	2.6	10.0	3.8	6.8
Goods	2.7	1.5	1.8	6.7	3.5	12.6	5.4	9.5
Services	3.1	3.0	2.7	3.4	1.5	7.3	2.1	3.7
Gross private domestic investment	-29.9	-8.1	-11.6	-29.9	34.0	52.5	38.4	37.0
Residential structures	-29.5	16.4	-8.2	51.1	64.4	78.5	31.6	4.3
Business fixed investment	-3.8	-17.6	-7.0	-5.7	.2	9.5	18.9	30.6
Gov't. purchases of goods and services	.8	-4.3	8.3	11.1	-8.1	-2.6	-.5	-4.3
Federal	3.6	-12.6	24.3	28.6	-17.3	-5.9	-5.3	-8.7
National defense	2.1	13.3	13.4	6.6	7.0	7.4	-1.9	9.3
State and local	-1.1	1.4	-.7	.2	-1.1	-.2	2.8	-1.4
Disposable personal income	-1.2	.8	1.2	3.7	2.1	3.4	7.7	8.3
<u>Current Dollars</u>								
Gross national product	-.3	4.7	2.5	3.9	8.5	12.3	10.1	10.6
Final sales	4.6	3.9	3.1	10.1	5.9	8.9	8.1	8.4
Private	4.4	4.4	.1	8.6	8.0	10.8	9.0	10.4
Domestic final purchases	5.2	3.1	5.0	8.6	5.7	15.5	10.6	12.5
Personal consumption expenditures	8.6	6.3	8.5	9.3	4.8	14.5	7.6	9.3
Goods	6.0	2.6	6.1	7.6	3.6	15.7	8.8	10.2
Services	11.4	10.2	11.0	11.1	6.1	13.3	6.6	8.3
Gross private domestic investment	-32.8	-4.5	-13.5	-33.1	34.3	51.9	43.3	45.2
Residential structures	-27.4	16.5	-8.1	46.4	79.4	72.3	44.5	3.1
Business fixed investment	-2.5	-14.9	-9.9	-3.3	-5.4	5.7	18.4	38.5
Gov't. purchases of goods and services	5.4	1.8	15.0	15.9	-1.3	2.0	4.5	.9
Federal	4.8	-7.3	30.0	30.1	-8.9	-3.6	-1.9	-4.2
National defense	6.9	17.4	19.5	17.9	8.0	9.8	3.3	13.1
State and local	5.8	8.2	6.3	7.2	4.2	5.8	9.0	4.3
Disposable personal income	4.3	4.7	7.4	7.8	4.3	7.5	11.7	10.7
Personal income	4.7	5.1	4.1	7.2	3.6	8.0	7.3	11.0
Wage and salary disbursements	3.8	4.7	3.6	2.1	5.6	8.7	7.3	11.0
Corporate profits with I.V.A. and C.C.Adj.	-44.2	5.1	3.8	-25.5	93.9	114.4	63.4	26.8
Corporate profits before tax	-57.7	5.9	-2.3	-27.4	15.4	125.8	73.3	-3.1
Nonfarm payroll employment	-2.7	-1.9	-3.1	-2.3	.5	3.4	3.7	5.8
Manufacturing	-9.2	-8.7	-8.9	-9.5	-.9	5.0	7.0	9.1
Nonfarm business sector								
Output per hour	2.5	-1.6	3.6	1.1	4.4	8.1	2.1	1.0
Compensation per hour	10.5	5.9	7.5	5.1	5.7	3.5	2.2	4.1
Unit labor costs	7.9	7.6	3.7	4.0	1.3	-4.2	.1	3.0
GNP implicit deflator <1>	4.6	5.6	3.4	3.4	5.0	2.6	3.1	4.4
Gross domestic business product								
fixed-weighted price index <2>	5.3	4.4	5.6	3.7	2.7	3.9	4.5	3.5
Excluding food and energy	5.6	6.7	5.2	3.9	4.9	3.5	5.4	3.8
Consumer price index (all urban)	3.8	5.5	7.3	1.5	.3	4.4	4.1	4.5
Industrial production	-11.8	-6.5	-3.4	-8.2	10.1	18.4	21.8	10.2

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

<2> Uses expenditures in 1972 as weights.

I-10  
GROSS NATIONAL PRODUCT AND RELATED ITEMS  
(Quarterly figures are seasonally adjusted. Expenditures and income  
figures are billions of current dollars at annual rates.)

August 15, 1984

	1984				Projected 1985			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3553.3	3646.4	3720.9	3793.7	3867.6	3937.7	4014.9	4096.3
Final sales	3479.5	3592.5	3658.7	3739.6	3820.1	3892.8	3972.9	4058.8
Private	2775.1	2846.4	2898.2	2960.5	3018.9	3074.3	3137.2	3205.2
Domestic final purchases	2826.6	2904.4	2969.5	3038.0	3102.9	3163.3	3230.0	3297.5
Personal consumption expenditures	2276.5	2326.7	2371.1	2420.4	2468.9	2516.1	2566.6	2616.9
Goods	1152.2	1176.5	1193.0	1215.0	1236.8	1256.7	1278.5	1299.5
Services	1124.4	1150.2	1178.1	1205.4	1232.1	1259.4	1288.1	1317.4
Gross private domestic investment	623.8	631.5	660.6	671.7	681.5	692.1	705.4	718.1
Residential structures	151.2	156.6	155.7	156.7	156.6	154.1	154.2	155.3
Business fixed investment	398.8	421.2	442.7	460.9	477.4	493.1	509.2	525.3
Change in business inventories	73.8	53.8	62.2	54.1	47.5	44.9	42.0	37.5
Nonfarm	60.6	51.2	58.4	50.3	47.5	44.9	42.0	37.5
Net exports of goods and services <1>	-51.5	-58.0	-71.3	-77.5	-83.9	-89.1	-92.8	-92.3
Exports	358.9	371.4	376.1	387.3	399.3	412.3	426.6	442.0
Imports	410.4	429.4	447.4	464.8	483.2	501.4	519.4	534.3
Gov't. purchases of goods and services	704.4	746.1	760.5	779.0	801.2	818.5	835.7	853.6
Federal <2>	267.6	299.3	304.0	312.8	325.7	333.5	341.0	349.1
State and local	436.8	446.7	456.5	466.2	475.5	485.0	494.7	504.5
Gross national product in constant (1972) dollars	1610.9	1640.2	1660.3	1676.7	1690.7	1703.8	1716.9	1729.5
Personal income	2920.5	2984.9	3052.9	3121.6	3190.4	3251.7	3318.8	3383.8
Wage and salary disbursements	1755.7	1792.0	1826.4	1863.6	1902.9	1940.0	1976.9	2013.8
Disposable personal income	2502.2	2557.6	2610.2	2666.6	2722.0	2771.5	2826.3	2879.1
Saving rate (percent)	6.1	6.0	6.1	6.2	6.3	6.2	6.2	6.1
Corporate profits with I.V.A. and C.C. Adj.	277.4	283.6	292.3	294.2	294.7	296.9	303.3	313.2
Corporate profits before tax	243.3	238.6	244.4	246.3	242.8	241.0	243.9	249.3
Federal government surplus or deficit (-) (N.I.A. basis)	-161.3	-168.0	-169.8	-175.3	-183.7	-185.7	-188.0	-187.7
High employment surplus or deficit (-) <3>	-113.4	-135.4	-144.4	-156.4	-168.7	-173.5	-178.2	-179.8
State and local government surplus or deficit(-) (N.I.A. basis)	34.0	51.9	51.5	50.7	49.7	48.8	47.9	47.2
Excluding social insurance funds	13.5	10.0	8.9	7.4	5.7	4.2	2.7	1.4
Civilian labor force (millions)	112.6	113.6	114.1	114.7	115.2	115.7	116.2	116.7
Unemployment rate (percent)	7.9	7.5	7.2	6.9	6.8	6.7	6.6	6.5
Nonfarm payroll employment	92.8	93.8	94.6	95.5	96.3	97.0	97.6	98.2
Manufacturing	19.4	19.6	19.8	20.0	20.1	20.3	20.4	20.5
Industrial production (1967=100)	159.8	163.0	166.5	168.6	170.6	172.4	174.1	175.7
Capacity utilization: all manufacturing (percent)	80.7	81.8	83.0	83.4	83.8	84.1	84.3	84.4
Materials (percent)	81.6	82.8	84.2	84.8	85.3	85.7	86.1	86.4
Housing starts, private (million units, A.R.)	1.97	1.91	1.73	1.70	1.65	1.60	1.60	1.60
New auto sales (millions, A.R.)	10.46	10.68	10.73	11.00	10.95	11.15	11.15	11.15
Domestic models	8.16	8.26	8.23	8.35	8.50	8.60	8.50	8.40
Foreign models	2.30	2.42	2.50	2.65	2.45	2.55	2.65	2.75

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

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

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

I-11  
PERCENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS  
(Annual rates compounded quarterly)

August 15, 1984

	1984				Projected 1985			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	10.1	7.5	5.0	4.0	3.4	3.1	3.1	3.0
Final sales	3.6	10.4	4.1	4.8	4.2	3.5	3.5	3.5
Private	4.2	8.5	4.4	4.8	4.0	3.4	3.5	3.5
Domestic final purchases	7.6	9.0	5.7	5.1	4.1	3.2	3.2	2.8
Personal consumption expenditures	4.6	6.9	4.1	3.9	3.3	2.8	2.6	2.1
Goods	7.8	9.4	3.9	4.1	3.5	2.7	2.6	2.0
Services	1.2	3.9	4.4	3.7	3.0	3.0	2.7	2.3
Gross private domestic investment	71.5	1.0	16.7	4.8	2.2	2.6	2.9	2.2
Residential structures	20.8	9.6	-6.1	-1.7	-4.8	-10.7	-4.6	-2.1
Business fixed investment	20.5	20.7	18.3	13.4	10.8	9.0	7.9	7.1
Gov't. purchases of goods and services	1.0	19.1	2.8	5.1	5.3	3.9	3.5	3.5
Federal	-2.8	47.7	2.7	8.4	9.2	5.7	4.7	4.7
National defense	3.8	13.0	9.7	7.0	7.6	6.5	6.0	6.2
State and local	3.5	3.2	2.9	2.9	2.7	2.7	2.6	2.6
Disposable personal income	8.6	6.9	4.7	4.2	3.6	2.4	2.5	1.8
<u>Current Dollars</u>								
Gross national product	14.9	10.9	8.4	8.1	8.0	7.4	8.1	8.4
Final sales	7.3	13.6	7.6	9.1	8.9	7.8	8.5	8.9
Private	7.1	10.7	7.5	8.9	8.1	7.5	8.4	9.0
Domestic final purchases	10.4	11.5	9.3	9.6	8.8	8.0	8.7	8.6
Personal consumption expenditures	8.6	9.1	7.9	8.6	8.3	7.9	8.3	8.1
Goods	10.9	8.7	5.7	7.6	7.4	6.6	7.1	6.7
Services	6.2	9.5	10.1	9.6	9.2	9.2	9.4	9.4
Gross private domestic investment	78.1	5.0	19.7	6.9	5.9	6.4	7.9	7.4
Residential structures	23.6	15.1	-2.3	2.6	-3	-6.2	.3	2.9
Business fixed investment	16.5	24.4	22.0	17.5	15.0	13.9	13.7	13.3
Gov't. purchases of goods and services	7.7	25.9	8.0	10.1	11.9	8.9	8.7	8.8
Federal	2.0	56.5	6.4	12.1	17.5	9.9	9.3	9.8
National defense	12.5	15.7	13.5	11.3	16.8	11.3	11.1	11.8
State and local	11.5	9.4	9.1	8.8	8.2	8.2	8.2	8.2
Disposable personal income	12.7	9.2	8.5	8.9	8.6	7.5	8.2	7.7
Personal income	12.4	9.1	9.4	9.3	9.1	7.9	8.5	8.1
Wage and salary disbursements	9.7	8.5	7.9	8.4	8.7	8.0	7.8	7.7
Corporate profits with I.V.A. and C.C.Adj.	29.8	9.2	12.8	2.6	.7	2.9	9.0	13.7
Corporate profits before tax	35.5	-7.5	10.1	3.1	-5.5	-3.0	5.0	9.1
Nonfarm payroll employment	4.8	4.4	3.8	3.8	3.2	2.9	2.7	2.5
Manufacturing	7.5	4.5	4.4	4.1	3.2	2.8	2.4	2.0
Nonfarm business sector								
Output per hour	2.9	3.3	1.5	.1	.4	.4	.9	.9
Compensation per hour	6.1	3.6	4.0	4.4	5.5	5.2	5.5	5.7
Unit labor costs	3.1	.3	2.5	4.3	5.1	4.8	4.6	4.8
GNP implicit deflator <1>	4.4	3.2	3.3	3.9	4.5	4.2	4.8	5.2
Gross domestic business product								
fixed-weighted price index <2>	4.2	3.3	3.6	4.4	4.6	4.7	5.3	5.6
Excluding food and energy	3.4	4.2	4.3	4.7	4.7	4.9	5.7	5.9
Consumer price index (all urban)	5.0	3.7	3.7	4.6	5.0	5.0	5.5	5.7
Industrial production	11.5	8.3	8.9	5.1	4.8	4.3	4.0	3.7

<1> Excluding Federal pay increase, the rate of change in 1984-Q1 is 4.0 percent and in 1985-Q1 is 4.2 percent.  
<2> Uses expenditures in 1972 as weights.

I-12  
GROSS NATIONAL PRODUCT AND RELATED ITEMS  
(Expenditures and income figures are billions of current dollars.)

August 15, 1984

	1978	1979	1980	1981	1982	1983	—Projected—	
							1984	1985
Gross national product	2163.9	2417.8	2631.7	2957.8	3069.3	3304.8	3678.6	3979.1
Final sales	2137.4	2403.5	2641.5	2931.7	3095.4	3318.3	3617.6	3936.2
Private	1705.5	1929.1	2103.7	2335.2	2444.9	2632.7	2870.1	3108.9
Domestic final purchases	1706.6	1915.9	2079.7	2307.2	2425.9	2641.0	2934.6	3198.5
Personal consumption expenditures	1346.5	1507.2	1668.1	1849.1	1984.9	2155.9	2348.7	2542.1
Goods	728.5	813.5	883.5	966.1	1002.7	1081.5	1184.2	1267.9
Services	618.0	693.7	784.5	883.0	982.2	1074.4	1164.5	1274.2
Gross private domestic investment	386.6	423.0	401.9	484.2	414.9	471.6	646.9	699.3
Residential construction	111.2	118.6	102.9	104.3	91.4	132.2	155.0	155.0
Business fixed investment	248.9	290.2	308.8	353.9	349.6	352.9	430.9	501.3
Change in business inventories	26.5	14.3	-9.8	26.0	-26.1	-13.5	61.0	43.0
Nonfarm	25.4	8.6	-4.5	18.2	-24.0	-3.1	55.1	43.0
Net exports of goods and services <1>	-1.1	13.2	23.9	28.0	19.0	-8.3	-64.6	-89.5
Exports	218.7	281.4	338.8	369.9	348.4	336.2	373.4	420.0
Imports	219.8	268.1	314.8	341.9	329.4	344.4	438.0	509.6
Gov't. purchases of goods and services	431.9	474.4	537.8	596.5	650.5	685.5	747.5	827.3
Federal <2>	153.6	168.3	197.0	228.9	258.9	269.7	295.9	337.3
State and local	278.3	306.0	340.8	367.6	391.5	415.8	451.6	489.9
Gross national product in constant (1972) dollars	1438.6	1479.4	1475.0	1512.2	1480.0	1534.7	1647.0	1710.2
Personal income	1732.7	1951.2	2165.3	2429.5	2584.6	2744.3	3020.0	3286.2
Wage and salary disbursements	1106.3	1237.6	1356.7	1493.1	1568.7	1659.2	1809.4	1958.4
Disposable personal income	1474.0	1650.2	1828.9	2041.7	2180.5	2340.1	2584.1	2799.7
Saving rate (percent)	6.1	5.9	6.0	6.7	6.2	5.0	6.1	6.2
Corporate profits with I.V.A. and C.C.Adj.	192.4	194.8	175.4	189.9	159.1	225.1	286.9	302.0
Corporate profits before tax	229.1	252.7	234.6	221.2	165.5	203.1	243.1	244.2
Federal government surplus or deficit (-) (N.I.A. basis)	-29.5	-16.1	-61.2	-64.3	-148.2	-178.6	-168.1	-185.2
High employment surplus or deficit (-)	-33.9	-20.8	-36.4	-31.3	-61.6	-92.7	-137.4	-175.0
State and local government surplus or deficit (-) (N.I.A. basis)	30.3	30.4	30.6	37.6	32.9	44.1	52.0	48.4
Excluding social insurance funds	10.0	6.6	3.5	7.8	-8	6.6	9.9	3.5
Civilian labor force (millions)	102.3	105.0	106.9	108.7	110.2	111.5	113.8	116.0
Unemployment rate (percent)	6.1	5.8	7.1	7.6	9.7	9.6	7.4	6.6
Nonfarm payroll employment (millions)	86.7	89.8	90.4	91.2	89.6	90.0	94.2	97.3
Manufacturing	20.5	21.0	20.3	20.2	18.9	18.7	19.7	20.3
Industrial production (1967=100)	146.1	152.5	147.0	150.9	138.6	147.6	164.5	173.2
Capacity utilization: all manufacturing (percent)	84.7	86.0	79.6	79.4	71.1	75.2	82.2	84.1
Materials (percent)	85.6	87.6	80.4	80.7	70.1	75.2	83.3	85.8
Housing starts, private (million units, A.R.)	2.00	1.72	1.30	1.10	1.06	1.70	1.83	1.61
New auto sales (millions, A.R.)	11.29	10.68	9.04	8.56	8.00	9.18	10.72	11.10
Domestic models	9.29	8.36	6.62	6.24	5.77	6.79	8.25	8.50
Foreign models	2.00	2.32	2.42	2.32	2.23	2.39	2.47	2.60

- <1> Balance of payments data underlying these estimates are shown in the International Developments section of this part of the Greenbook.  
<2> Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

	1978	1979	1980	1981	1982	1983	---Projected---	
							1984	1985
Constant (1972) Dollars								
Gross national product	5.0	2.8	-.3	2.5	-2.1	3.7	7.3	3.8
Final sales	4.9	3.5	.5	1.5	-.7	3.2	5.4	4.4
Private	5.6	4.0	.1	1.6	-1.3	4.1	6.0	4.2
Domestic final purchases	5.5	2.9	-1.0	2.2	-.2	5.6	8.0	4.4
Personal consumption expenditures	4.5	2.7	.5	2.0	1.3	4.8	5.6	3.5
Goods	4.2	1.9	-1.4	1.7	.4	6.0	7.6	3.7
Services	4.8	3.7	2.7	2.3	2.5	3.4	3.2	3.3
Gross private domestic investment	10.5	-.2	-11.8	10.7	-15.9	13.7	32.4	4.5
Residential structures	2.8	-5.3	-20.3	-5.5	-14.8	41.6	13.9	-4.5
Business fixed investment	12.8	7.3	-2.4	5.5	-4.6	2.5	20.6	11.8
Gov't. purchases of goods and services	2.0	1.3	2.2	.9	2.0	-.3	3.2	5.1
Federal	-.1	1.8	4.2	3.7	6.1	-.7	4.9	8.6
National defense	.5	2.6	3.9	5.0	7.6	7.1	6.9	7.5
State and local	3.3	1.1	1.0	-.6	-.6	-.0	2.1	2.8
Disposable personal income	4.9	2.7	.6	2.7	.9	3.5	7.0	3.6
Current Dollars								
Gross national product	12.8	11.7	8.8	12.4	3.8	7.7	11.3	8.2
Final sales	12.8	12.4	9.9	11.0	5.6	7.2	9.0	8.8
Private	13.6	13.1	9.0	11.0	4.7	7.7	9.0	8.3
Domestic final purchases	13.4	12.3	8.5	10.9	5.1	8.9	11.1	9.0
Personal consumption expenditures	11.8	11.9	10.7	10.9	7.3	8.6	8.9	8.2
Goods	10.9	11.7	8.6	9.3	3.8	7.9	9.5	7.1
Services	12.9	12.2	13.1	12.6	11.2	9.4	8.4	9.4
Gross private domestic investment	19.3	9.4	-5.0	20.5	-14.3	13.7	37.2	8.1
Residential structures	16.1	6.6	-13.2	1.3	-12.4	44.7	17.3	-.0
Business fixed investment	21.3	16.6	6.4	14.6	-1.2	.9	22.1	16.3
Gov't. purchases of goods and services	9.7	9.8	13.4	10.9	9.0	5.4	9.0	10.7
Federal	7.1	9.6	17.1	16.2	13.1	4.2	9.7	14.0
National defense	8.0	11.5	17.3	17.2	16.8	11.7	11.9	13.2
State and local	11.2	9.9	11.4	7.9	6.5	6.2	8.6	8.5
Disposable personal income	12.2	12.0	10.8	11.6	6.8	7.3	10.4	8.3
Personal income	12.5	12.6	11.0	12.2	6.4	6.2	10.0	8.8
Wage and salary disbursements	12.5	11.9	9.6	10.1	5.1	5.8	9.1	8.2
Corporate profits with I.V.A. and C.C.Adj.	15.0	1.2	-9.9	8.3	-16.2	41.5	27.4	5.3
Corporate profits before tax	17.7	10.3	-7.1	-5.7	-25.2	22.7	19.7	.5
Nonfarm payroll employment	5.1	3.6	.7	.8	-1.7	.4	4.7	3.3
Manufacturing	4.2	2.6	-3.6	-.6	-6.5	-.9	5.4	3.3
Nonfarm business sector								
Output per hour	.6	-1.5	-.8	1.5	.2	3.4	2.5	.8
Compensation per hour	8.5	9.0	10.4	9.6	8.0	4.8	4.2	4.9
Unit labor costs	8.0	10.7	11.2	8.0	7.8	1.3	1.7	4.2
GNP implicit deflator	7.4	8.6	9.2	9.6	6.0	3.8	3.7	4.2
Gross domestic business product								
fixed-weighted price index <1>	8.0	9.9	9.9	9.7	5.9	3.7	3.8	4.5
Excluding food and energy	7.8	8.6	8.5	9.4	7.0	4.6	4.1	4.9
Consumer price index (all urban)	7.6	11.3	13.5	10.3	6.1	3.2	4.3	4.8
Industrial production	5.8	4.4	-3.6	2.6	-8.1	6.4	11.5	5.3

<1> Uses expenditures in 1972 as weights.



FEDERAL SECTOR ACCOUNTS  
(Billions of dollars)

August 15, 1984

	Fiscal Year 1983*	FY1984 <sup>e</sup> /2/		FY1985 <sup>e</sup> /2/		CY1984 <sup>e</sup>		FRB staff estimates Calendar quarters: not seasonally adjusted							
		Admin.	FRB	Admin.	FRB	CY	FRB	1984							
		1/	Staff	1/	Staff	1983*	Staff	1983	I*	II*	III	IV	I	II	III
								IV*							
Unified budget receipts	601	671	671	764	753	613	690	149	155	187	180	168	173	215	196
Unified budget outlays	796	845	846	931	933	803	870	213	209	211	213	236	230	234	232
Surplus/deficit(-), unified budget	-195	-174	-175	-167	-180	-190	-180	-63	-54	-24	-33	-68	-57	-19	-35
Surplus/deficit(-), off-budget agencies <sup>3</sup>	-12	-13	-11	-13	-14	-10	-15	1	-2	-4	-6	-2	-3	-4	-5
Combined deficit to be financed	-208	-187	-186	-180	-194	-200	-195	-62	-57	-28	-40	-70	-60	-23	-40
Means of financing combined deficit:															
Net borrowing from public	212	n.a.	169	n.a.	199	187	197	36	49	31	52	65	54	39	41
Decrease in cash operating balance	-8	n.a.	17	n.a.	-7	8	-1	25	-2	1	-7	7	2	-13	-3
Other <sup>4</sup>	3	n.a.	1	n.a.	2	6	-1	1	10	-3	-6	-2	4	-3	3
Cash operating balance, end of period	37	n.a.	20	n.a.	27	12	13	12	14	14	20	13	11	24	27
Memo: Sponsored agency borrowing <sup>5</sup>	-3	n.a.	29	n.a.	23	1	33	3	6	9	11	7	6	5	5
<b>NIA Budget</b>															
Receipts	629	n.a.	690	n.a.	764	641	710	655	686	699	719	736	757	773	790
Expenditures	816	n.a.	859	n.a.	946	820	878	835	848	867	887	910	940	957	977
Purchases	273	n.a.	284	n.a.	328	270	296	266	268	299	304	313	326	334	341
Defense	196	n.a.	218	n.a.	250	201	225	207	213	221	229	237	247	253	261
Nondefense	77	n.a.	67	n.a.	79	69	71	59	54	78	75	76	79	80	80
All other expenditures	543	n.a.	575	n.a.	618	550	582	569	580	568	583	597	614	624	636
Surplus/deficit(-)	-186	n.a.	-170	n.a.	-182	-179	-168	-180	-161	-168	-169	-174	-183	-185	-187
High employment surplus/deficit(-) evaluated at 6 percent unemployment	-91	n.a.	-127	n.a.	-169	-93	-137	-113	-113	-135	-144	-156	-169	-174	-178
*--actual e--estimated n.a.--not available															

1. OMB Mid-Session Review of the 1985 Budget, August 1984.

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

Note: Details may not add to totals due to rounding.

- Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank and Strategic Petroleum Reserve.
- Checks issued less checks paid, accrued items and other transactions.
- 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.

AUGUST 14, 1984

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

	ANNUAL			1983		1984				1985			
	1983	1984-P	1985-P	Q3	Q4	Q1	Q2	Q3-P	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
1. GNP EXPORTS AND IMPORTS 1/													
CURRENT \$, NET	-8.2	-64.6	-89.5	-16.4	-29.8	-51.5	-58.0	-71.3	-77.5	-83.9	-89.1	-92.8	-92.3
EXPORTS OF G+S	336.2	373.4	420.0	342.0	346.1	358.9	371.4	376.1	387.3	399.3	412.3	426.6	442.0
IMPORTS OF G+S	344.4	438.0	509.6	358.4	375.9	410.4	429.4	447.4	464.8	483.2	501.4	519.4	534.3
CONSTANT 72 \$, NET	12.6	-11.9	-14.3	11.9	1.9	-8.3	-10.0	-14.1	-15.3	-15.8	-15.3	-14.2	-11.8
EXPORTS OF G+S	139.5	149.3	160.0	141.6	141.0	144.9	148.8	150.3	153.4	155.9	158.5	161.3	164.4
IMPORTS OF G+S	126.9	161.3	174.2	129.7	139.1	153.2	158.8	164.3	168.7	171.6	173.7	175.4	176.2
2. U.S. MERCHANDISE TRADE BALANCE 2/	-41.1	-110.1	-131.2	-70.0	-77.6	-102.6	-105.1	-112.8	-119.8	-125.9	-130.8	-134.2	-134.0
EXPORTS	200.3	218.3	239.0	201.7	207.3	216.7	216.4	218.2	221.8	227.2	234.2	242.5	252.3
AGRICULTURAL	36.6	37.1	37.6	37.2	39.2	41.1	37.0	35.4	35.1	36.0	37.3	38.1	39.1
NONAGRICULTURAL	163.6	181.1	201.4	164.5	168.1	175.5	179.4	182.9	186.7	191.2	196.8	204.4	213.2
IMPORTS	241.3	328.4	370.3	271.8	284.9	319.2	321.5	331.0	341.6	353.1	364.9	376.7	386.3
PETROLEUM AND PRODUCTS	93.8	62.3	73.1	63.7	57.1	55.4	59.5	65.0	69.2	70.0	71.9	74.6	75.7
NONPETROLEUM	247.5	266.1	297.2	208.1	227.8	263.8	262.0	266.1	272.4	283.1	293.0	302.1	310.6
3. U.S. CURRENT ACCOUNT BALANCE	-41.6	-91.0	-118.9	-47.4	-68.8	-77.6	-84.8 <sup>P</sup>	-97.4	-104.3	-111.7	-117.9	-122.7	-123.2
OF WHICH: NET INVESTMENT INCOME	23.5	23.4	15.6	28.7	20.5	30.5	24.5 <sup>P</sup>	19.4	19.2	17.7	16.3	14.8	13.8
4. FOREIGN OUTLOOK 3/													
REAL GNP--TEN INDUSTRIAL 4/	1.5	3.0	2.6	2.3	4.2	4.1	1.4	2.6	2.8	2.7	2.8	2.6	2.6
REAL GNP--MONOPEC LDC 5/	0.5	2.7	3.7	1.5	2.3	2.9	3.3	3.5	3.7	3.8	3.8	3.8	3.8
CONSUMER PRICES--TEN IND. 4/	5.7	5.2	4.8	5.3	5.4	5.4	4.8	4.9	4.7	4.8	5.1	4.7	4.9

1/ NATIONAL INCOME AND PRODUCT ACCOUNT DATA.

2/ INTERNATIONAL ACCOUNTS BASIS.

3/ PERCENT CHANGE, ANNUAL RATES.

4/ WEIGHTED BY MULTILATERAL TRADE-WEIGHTS OF G-10 COUNTRIES PLUS SWITZERLAND.

5/ WEIGHTED BY SHARE IN MONOPEC LDC GNP.

P/ PROJECTED

August 15, 1984

## **RECENT DEVELOPMENTS**

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Prepared for the Federal Open Market Committee

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

GROSS OFFERINGS OF SECURITIES BY U.S. CORPORATIONS  
(Monthly rates, not seasonally adjusted, billions of dollars)

	1983	1984					
		Q1	Q2P	May	JuneP	JulyP	Aug. <sup>f</sup>
Corporate securities - total <sup>1</sup>	8.91	8.36	6.60	5.23	6.76	7.86	9.50
Public offerings in U.S.	8.21	6.92	5.54	4.92	5.65	7.20	8.00
Stocks--total <sup>2</sup>	4.30	2.17	1.73	1.81	1.60	.90	1.50
Nonfinancial	3.07	1.11	1.20	1.38	1.00	.60	--
Utility	.80	.22	.32	.22	.40	.10	--
Industrial	2.27	.89	.88	1.16	.60	.50	--
Financial	1.23	1.06	.53	.43	.60	.30	--
Bonds--total <sup>1</sup>	3.91	4.75	3.81	3.11	4.05	6.30	6.50
By industry							
Nonfinancial	2.03	1.49	1.91	1.60	1.77	2.54	--
Utility	.95	.64	.45	.10	.70	.72	--
Industrial	1.08	.85	1.45	1.50	1.07	1.82	--
Financial	1.88	3.26	1.90	1.51	2.28	3.76	--
By quality <sup>3</sup>							
Aaa and Aa	1.13	.93	1.19	1.36	.85	1.38	--
A and Baa	1.57	1.59	1.33	.79	1.96	3.29	--
Less than Baa	.48	.61	.72	.53	.39	.60	--
No rating (or unknown)	.37	.36	.15	.22	.10	.09	--
Memo items:							
Equity based bonds <sup>4</sup>	.75	.28	.34	.22	.13	.08	--
Mortgage-backed bonds	.38	1.26	.42	.20	.74	.82	--
Floating rate or extendible notes	.46	.58	1.35	.84	1.85	2.16	--
Bonds sold abroad - total	.70	1.44	1.06	.31	1.11	.66	1.50
Nonfinancial	.33	.86	.42	.19	.38	.30	--
Financial	.37	.58	.64	.12	.73	.36	--

p—preliminary. f—staff forecast.

1. Securities issued in the private placement market are not included. Total reflects gross proceeds rather than par value of original discount bonds.

2. Includes equity issues associated with debt/equity swaps.

3. Bonds categorized according to Moody's bond ratings. Excludes mortgage-backed bonds.

4. Includes bonds convertible into equity and bonds with warrants attached where the warrants entitle the holder to purchase equity in the future.

TREASURY AND AGENCY FINANCING<sup>1</sup>  
(Total for period billions of dollars)

	1984				
	Q2	Q3 <sup>f</sup>	July <sup>p</sup>	Aug. <sup>f</sup>	Sept. <sup>f</sup>
<u>Treasury financing</u>					
Combined surplus/deficit(-)	-28.3	-39.5	-18.1	-35.9	14.5
Means of financing deficit:					
Net cash borrowing from the public	31.2	51.8	24.2	24.9	2.7
Marketable borrowings/ repayments(-)	29.7	49.3	23.4	24.1	1.8
Bills	-7.0	13.3	4.1	12.9	-3.7
Coupons	36.7	36.0	19.3	11.2	5.5
Nonmarketable	1.5	2.5	.8	.8	.9
Decrease in the cash balance	.5	-6.5	-2.7	11.0	-14.8
Memo: Cash balance at end of period	13.6	20.1	16.3	5.3	20.1
Other <sup>2</sup>	-3.4	-5.8	-3.4	0.0	-2.4
<u>Federally sponsored credit agencies, net cash borrowing<sup>3</sup></u>					
FHLB	6.2	5.8	2.3	2.0	1.5
FNMA	1.9	3.8	.0	2.0	1.8
Farm Credit Banks	-.1	.3	.6	-.2	-.1
FHLMC	.5	.3	.1	.1	.1
SLMA	.7	.8	.4	.2	.2

p--preliminary. f--staff forecast.

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

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

3. Excludes mortgage pass-through securities issued by FNMA and FHLMC.

is a bargain for the smaller ones. Borrowing by the Farm Credit Banks on the whole remains sluggish, owing to depressed agricultural conditions. Sallie Mae issued \$2 billion of 30-year zero-coupon bonds which raised about \$75 million at an interest cost well below the Treasury's. The debentures were sold mainly in Japan and Europe, and were the first by a federal agency to be sold through foreign dealers since the withholding tax was repealed.

State and local sector. Issuance of tax-exempt bonds picked up in July; gross offerings totaled \$7.2 billion, compared with a \$5.7 billion monthly average over the first half of the year. Most of the July increase reflected a surge in the volume of single-family mortgage revenue bonds after the authority to issue these bonds was renewed by the Deficit Reduction Act of 1984. Such issues totaled \$2-1/2 billion in July, and the volume appears to have slowed only moderately thus far in August. Offerings of

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

	1982	1983	1984			
			Q1	Q2 <sup>e</sup>	July <sup>e</sup>	August <sup>f</sup>
----- Seasonally adjusted -----						
Total	10.30	10.39	9.35	8.40	9.40	8.70
Long-term	6.59	7.20	5.80	5.50	7.20	6.00
Short-term <sup>1</sup>	3.71	3.19	3.55	2.90	2.20	2.70
----- Not seasonally adjusted -----						
Total	10.30	10.39	7.77	9.99	8.40	8.50
Long-term	6.59	7.20	5.01	6.09	6.20	5.50
Refundings	.36	1.17	.79	.89	.31	--
Total housing <sup>2</sup>	1.24	1.48	.44	.51	2.80	--
Short-term <sup>1</sup>	3.71	3.19	2.76	3.90	2.20	3.00

e—estimate. f—staff forecast.

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

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

CONFIDENTIAL (FR)  
CLASS III - FOMC

August 17, 1984

SUPPLEMENT  
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

ADMINISTRATION MID-SESSION REVIEW BUDGET ESTIMATES  
(Billions of dollars, unified basis)

	Fiscal years					
	1984	1985	1986	1987	1988	1989
<u>Outlays</u>						
Current services	845	930	1000	1083	1162	1220
Proposed changes	0	1	-3	-6	-8	-11
Budget outlays	845	931	997	1077	1153	1209
<u>Receipts</u>						
Current services	671	758	826	897	986	1059
Proposed increases	0	6	6	6	8	11
Budget receipts	671	764	832	904	994	1070
<u>Deficit</u>						
Current services	174	172	174	185	176	162
Total changes	0	-7	-9	-12	-16	-22
Budget deficit	174	167	166	173	160	139
<u>Memoranda:</u>						
<u>Percent of GNP</u>						
Budget outlays	23.5	23.6	23.2	23.1	22.9	22.3
Budget receipts	18.7	19.4	19.4	19.4	19.7	19.7
Budget deficit	4.8	4.2	3.9	3.7	3.2	2.6
Current services deficit	4.8	4.4	4.1	4.0	3.5	3.0
<u>CBO baseline deficit</u> <sup>1</sup>	172	178	195	216	238	263

Note: Details may not add to totals due to rounding.

1. The Economic and Budget Outlook: An Update, August 1984.