

January 25, 1984

SUMMARY AND OUTLOOK

Prepared for the Federal Open Market Committee

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

January 25, 1984

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				
12/14/83	1/25/84	12/14/83	1/25/84	12/14/83	1/25/84	12/14/83	1/25/84	12/14/83	1/25/84	
Annual changes:										
1982 <1>	4.0	4.0	-1.9	-1.9	6.0	6.0	6.9	6.9	9.7	9.7
1983 <1>	7.9	7.7	3.4	3.3	4.2	4.3	5.0	5.1	9.6	9.6
1984	10.2	9.7	5.5	5.1	4.6	4.7	4.6	4.8	8.0	7.7
1985	....	8.6	....	3.6	....	5.1	....	5.2	....	7.2
Quarterly changes:										
1983 Q1 <1>	8.2	8.2	2.6	2.6	3.6	3.6	6.7	6.7	10.3	10.4
Q2 <1>	13.3	13.3	9.7	9.7	4.1	4.1	3.5	3.5	10.1	10.1
Q3 <1>	11.2	11.5	7.7	7.6	4.4	4.7	5.1	5.6	9.4	9.4
Q4 <1>	11.6	8.6	6.3	4.5	4.5	4.5	4.6	5.0	8.5	8.5
1984 Q1	10.0	10.1	4.8	4.7	4.8	4.8	4.7	4.6	8.1	8.0
Q2	8.7	8.8	4.1	4.4	4.8	4.8	4.7	4.9	8.0	7.8
Q3	8.8	8.8	4.2	4.3	4.8	4.8	4.5	4.6	7.9	7.6
Q4	8.9	8.6	4.1	3.8	4.9	4.9	4.8	4.8	7.8	7.5
1985 Q1	....	8.8	....	3.4	....	5.0	....	5.2	....	7.4
Q2	....	8.4	....	3.4	....	5.2	....	5.3	....	7.3
Q3	....	8.4	....	3.1	....	5.3	....	5.6	....	7.1
Q4	....	8.4	....	2.9	....	5.4	....	5.9	....	7.0
Two-quarter changes: <2>										
1983 Q2 <1>	10.7	10.7	6.1	6.1	3.9	3.9	5.1	5.1	-0.6	-0.5
Q4 <1>	11.4	10.0	7.0	6.0	4.4	4.6	4.9	5.3	-1.6	-1.6
1984 Q2	9.3	9.4	4.4	4.6	4.8	4.8	4.7	4.7	-0.5	-0.7
Q4	8.9	8.7	4.1	4.0	4.9	4.9	4.7	4.7	-0.2	-0.3
1985 Q2	....	8.6	....	3.4	....	5.1	....	5.3	....	-0.2
Q4	....	8.4	....	3.0	....	5.4	....	5.7	....	-0.3
Four-quarter changes: <3>										
1982 Q4 <1>	2.6	2.6	-1.7	-1.7	4.7	4.7	5.4	5.4	2.4	2.4
1983 Q4 <1>	11.1	10.4	6.5	6.1	4.2	4.3	5.0	5.2	-2.2	-2.1
1984 Q4	9.1	9.1	4.3	4.3	4.8	4.8	4.7	4.7	-0.7	-1.0
1985 Q4	....	8.5	....	3.2	....	5.2	....	5.5	....	-0.5

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

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CONFIDENTIAL - FR
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS
(Quarterly figures are seasonally adjusted. Expenditures and income
figures are billions of current dollars at annual rates.)

	1982				1983			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	3021.4	3070.2	3090.7	3109.6	3171.5	3272.0	3362.2	3432.0
Final sales	3047.1	3081.4	3095.6	3165.9	3210.9	3286.6	3353.7	3414.3
Private	2417.3	2449.8	2439.9	2486.2	2533.5	2603.2	2655.4	2712.6
Domestic final purchases	2387.4	2416.5	2439.0	2480.6	2516.5	2611.7	2673.7	2745.2
Personal consumption expenditures	1938.9	1972.8	2008.8	2046.9	2073.0	2147.0	2181.1	2233.1
Goods	989.1	997.6	1010.0	1025.1	1035.6	1077.3	1097.6	1121.1
Services	949.7	975.2	998.9	1021.8	1037.4	1069.7	1083.5	1112.0
Gross private domestic investment	422.9	432.5	425.3	377.4	404.1	450.1	501.1	529.8
Residential structures	87.3	91.0	87.9	96.8	111.3	128.4	141.5	140.8
Business fixed investment	361.3	352.7	342.3	337.0	332.1	336.3	351.0	371.2
Change in business inventories	-25.7	-11.2	-4.9	-56.4	-39.4	-14.5	8.5	17.7
Nonfarm	-27.6	-8.8	-2.3	-53.7	-39.0	-10.3	18.4	26.0
Net exports of goods and services <1>	29.9	33.3	.9	5.6	17.0	-8.5	-18.3	-32.6
Exports	358.4	364.5	346.0	321.6	326.9	327.1	341.1	348.1
Imports	328.5	331.2	345.0	316.1	309.9	335.6	359.4	380.7
Gov't. purchases of goods and services	629.8	631.6	655.7	679.7	677.4	683.4	698.3	701.7
Federal <2>	249.7	244.1	261.7	279.2	273.5	273.7	278.1	275.6
State and local	380.0	387.5	394.0	400.5	404.0	409.7	420.2	426.1
Gross national product in constant (1972) dollars	1485.8	1489.3	1485.7	1480.7	1490.1	1525.1	1553.4	1570.5
Personal income	2528.1	2563.2	2591.3	2632.0	2657.7	2713.6	2761.9	2834.2
Wage and salary disbursements	1542.8	1563.8	1579.8	1586.0	1610.7	1648.4	1681.9	1716.7
Disposable personal income	2127.9	2159.0	2191.5	2227.8	2255.9	2301.0	2361.7	2423.6
Saving rate (percent)	6.1	5.9	5.6	5.4	5.4	4.0	4.9	5.1
Corporate profits with I.V.A. and C.C. Adj.	162.0	166.8	168.5	161.9	181.8	218.2	248.4	256.8
Corporate profits before tax	173.2	178.8	177.3	167.5	169.7	203.3	229.1	219.1
Federal government surplus or deficit (-) (N.I.A. basis)	-108.5	-113.2	-158.3	-208.2	-183.3	-166.1	-187.3	-195.0
High employment surplus or deficit (-) <3>	-38.1	-32.7	-64.9	-99.7	-72.3	-65.1	-102.1	-116.7
State and local government surplus or deficit (-) (N.I.A. basis)	28.8	32.0	31.3	32.9	40.4	51.7	55.5	56.4
Excluding social insurance funds	-3.5	-.8	-2.1	-1.2	5.5	16.1	18.9	19.1
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 (millions)	90.3	89.9	89.3	88.8	88.8	89.5	90.3	91.4
Manufacturing	19.4	19.1	18.7	18.3	18.3	18.5	18.8	19.2
Industrial production (1967=100)	141.7	139.4	138.2	135.2	138.5	144.5	151.8	156.0
Capacity utilization: all manufacturing (percent)	72.9	71.6	71.1	69.0	70.7	73.9	77.4	79.2
Materials (percent)	73.0	70.7	69.4	67.2	70.1	73.5	77.5	79.8
Housing starts, private (million units, A.R.)	.90	.95	1.12	1.26	1.69	1.68	1.79	1.69
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 Accounts table which follows.

<3> Estimates in table are evaluated at a 6.0 percent high employment unemployment rate.

January 25, 1984

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

	1982				1983			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	-5.5	1.0	-1.0	-1.3	2.6	9.7	7.6	4.5
Final sales	-1.3	-.8	-1.5	4.5	.6	6.8	5.1	3.5
Private	-1.6	.1	-4.0	3.0	3.0	8.8	5.3	5.0
Domestic final purchases	.0	.8	-.9	3.4	3.9	11.9	5.7	8.0
Personal consumption expenditures	2.4	3.1	.9	3.6	2.9	10.0	2.2	6.5
Goods	2.0	1.5	-.1	5.1	4.4	13.5	3.7	8.4
Services	2.9	4.7	2.1	1.9	1.4	6.4	.6	4.5
Gross private domestic investment	-34.1	3.4	-5.8	-34.6	28.6	49.8	45.1	22.0
Residential structures	-28.5	17.9	-13.0	53.2	57.3	79.5	35.9	-5.2
Business fixed investment	-5.9	-14.3	-8.8	-6.6	-1.5	7.9	18.7	22.3
Gov't. purchases of goods and services	-.2	-5.0	9.4	10.6	-8.8	-1.1	4.4	-2.7
Federal	.2	-14.0	26.3	28.3	-18.0	-2.8	4.6	-6.8
National defense	-1.3	13.0	14.0	5.1	6.5	7.4	.0	6.9
State and local	-.5	1.3	-.4	-.1	-1.8	.0	4.3	.1
Disposable personal income	-3.4	1.9	-.3	2.6	2.9	3.5	6.5	7.5
<u>Current Dollars</u>								
Gross national product	-1.4	6.6	2.7	2.5	8.2	13.3	11.5	8.6
Final sales	3.9	4.6	1.9	9.4	5.8	9.8	8.4	7.4
Private	3.8	5.5	-1.6	7.8	7.8	11.5	8.3	8.9
Domestic final purchases	3.7	5.0	3.8	7.0	5.9	16.0	9.8	11.1
Personal consumption expenditures	7.5	7.2	7.5	7.8	5.2	15.1	6.5	9.9
Goods	4.4	3.5	5.1	6.1	4.2	17.1	7.8	8.8
Services	10.8	11.2	10.1	9.5	6.3	13.0	5.3	10.9
Gross private domestic investment	-37.8	9.5	-6.5	-38.0	31.5	53.9	53.6	25.0
Residential structures	-26.5	18.2	-13.0	46.9	75.3	76.7	47.5	-1.8
Business fixed investment	-6.7	-9.1	-11.3	-6.0	-5.7	5.1	18.8	25.1
Gov't. purchases of goods and services	4.6	1.2	16.1	15.5	-1.3	3.6	9.0	2.0
Federal	2.1	-8.7	32.1	29.5	-8.0	.3	6.6	-3.6
National defense	3.5	18.0	20.8	16.5	7.8	10.7	3.6	10.4
State and local	6.2	8.1	6.8	6.8	3.5	5.8	10.7	5.7
Disposable personal income	1.4	6.0	6.1	6.8	5.1	8.2	11.0	10.9
Personal income	1.8	5.7	4.5	6.4	4.0	8.7	7.3	10.9
Wage and salary disbursements	3.2	5.6	4.2	1.6	6.4	9.7	8.4	8.5
Corporate profits with I.V.A. and C.C. Adj.	-49.3	12.4	4.1	-14.8	59.0	107.5	68.0	14.2
Corporate profits before tax	-59.6	13.6	-3.3	-20.3	5.4	106.0	61.3	-16.3
Nonfarm payroll employment	-3.0	-1.8	-2.7	-2.3	.1	2.9	3.6	5.1
Manufacturing	-9.5	-7.5	-7.7	-8.6	-.1	5.2	7.0	8.2
Nonfarm business sector								
Output per hour	.1	-.4	2.3	1.3	3.7	6.6	3.1	.4
Compensation per hour	10.0	5.8	7.2	5.8	6.8	4.3	4.2	4.2
Unit labor costs	9.9	6.2	4.7	4.4	3.0	-2.1	1.1	3.7
GNP implicit deflator <1>	4.3	5.6	3.7	3.8	5.5	3.3	3.6	3.9
Gross domestic business product								
fixed-weighted price index <2>	4.9	4.5	5.8	3.8	3.6	4.1	4.7	4.5
Excluding food and energy	5.8	6.4	5.4	3.9	6.7	3.5	5.6	5.0
Consumer price index (all urban)	3.0	5.3	7.7	1.9	-.4	4.3	4.7	4.9
Industrial production	-11.8	-6.5	-3.4	-8.2	10.1	18.4	21.8	11.7

<1> Excluding the Federal pay increase, the rate of change in 1982-Q4 was 3.5 percent.

<2> Uses expenditures in 1972 as weights.

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CONFIDENTIAL - FR
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS
(Quarterly figures are seasonally adjusted. Expenditures and income
figures are billions of current dollars at annual rates.)

	1984				1985			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	3515.7	3590.4	3666.9	3742.9	3822.9	3901.0	3980.5	4061.2
Final sales	3471.2	3560.4	3636.9	3712.4	3791.9	3869.5	3949.0	4029.2
Private	2767.6	2820.2	2873.9	2931.3	2991.4	3052.3	3114.6	3177.3
Domestic final purchases	2808.9	2872.9	2934.4	2995.9	3056.6	3117.9	3179.4	3240.4
Personal consumption expenditures	2282.3	2331.0	2378.7	2426.2	2472.4	2520.2	2567.5	2615.7
Goods	1144.3	1167.0	1188.7	1210.2	1229.2	1249.7	1270.2	1290.2
Services	1138.0	1164.0	1190.0	1216.0	1243.2	1270.5	1297.3	1325.5
Gross private domestic investment	571.1	571.9	585.7	600.2	615.2	629.2	643.4	656.7
Residential structures	143.0	146.1	147.5	148.5	150.5	152.2	154.4	156.1
Business fixed investment	383.6	395.8	408.2	421.2	433.7	445.5	457.5	468.6
Change in business inventories	44.5	30.0	30.0	30.5	31.0	31.5	31.5	32.0
Nonfarm	36.5	26.0	26.0	28.5	31.0	31.5	31.5	32.0
Net exports of goods and services <1>	-41.3	-32.7	-60.5	-64.6	-65.2	-65.6	-64.8	-63.1
Exports	353.9	360.6	369.7	380.2	394.4	409.4	425.7	443.3
Imports	395.2	413.3	430.2	444.8	459.6	475.0	490.5	506.4
Gov't. purchases of goods and services	703.6	740.2	763.0	781.1	800.5	817.2	834.4	851.9
Federal <2>	268.1	295.9	309.8	318.8	329.0	336.3	344.3	352.4
State and local	435.5	444.3	453.2	462.3	471.5	480.9	490.1	499.5
Gross national product in constant (1972) dollars	1588.5	1605.9	1622.8	1637.9	1651.5	1665.2	1678.1	1690.4
Personal income	2916.4	2960.5	3025.4	3087.2	3155.7	3219.8	3282.9	3346.4
Wage and salary disbursements	1756.2	1791.9	1829.1	1866.6	1907.3	1946.1	1985.1	2024.2
Disposable personal income	2490.4	2528.8	2582.6	2634.1	2692.1	2744.1	2795.2	2846.4
Saving rate (percent)	5.6	5.1	5.1	5.1	5.4	5.4	5.4	5.3
Corporate profits with I.V.A. and C.C. Adj.	258.3	265.1	266.4	270.6	271.1	278.3	287.0	297.3
Corporate profits before tax	218.3	222.1	218.9	218.6	215.6	219.3	225.5	232.8
Federal government surplus or deficit (-) (N.I.A. basis)	-185.1	-192.0	-195.9	-197.5	-198.9	-199.3	-198.1	-197.3
High employment surplus or deficit (-) <3>	-111.8	-124.4	-133.5	-138.4	-141.5	-143.5	-143.6	-143.0
State and local government surplus or deficit (-) (N.I.A. basis)	60.6	59.6	58.1	57.2	55.7	54.4	52.7	51.3
Excluding social insurance funds	22.2	20.7	18.5	16.9	14.8	12.9	10.6	8.5
Civilian labor force (millions)	112.4	113.0	113.5	114.0	114.6	115.0	115.5	116.0
Unemployment rate (percent)	8.0	7.8	7.6	7.5	7.4	7.3	7.1	7.0
Nonfarm payroll employment (millions)	92.2	92.9	93.7	94.4	95.1	95.8	96.4	97.1
Manufacturing	19.5	19.8	20.1	20.3	20.5	20.6	20.7	20.7
Industrial production (1967=100)	158.5	160.9	163.1	165.0	166.4	167.6	168.8	169.9
Capacity utilization: all manufacturing (percent)	80.1	80.9	81.7	82.3	82.6	82.8	82.9	83.0
Materials (percent)	81.1	82.2	83.4	84.2	84.6	84.9	85.2	85.3
Housing starts, private (million units, A.R.)	1.70	1.70	1.65	1.65	1.65	1.60	1.60	1.60
New auto sales (millions, A.R.)	10.00	10.30	10.45	10.55	10.60	10.70	10.85	10.85
Domestic models	7.70	7.80	7.90	8.00	8.10	8.15	8.20	8.20
Foreign models	2.30	2.50	2.55	2.55	2.50	2.55	2.65	2.65

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CONFIDENTIAL - FR
CLASS II FOMC

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

	Projected							
	1984				1985			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	4.7	4.4	4.3	3.8	3.4	3.4	3.1	2.9
Final sales	1.2	6.4	4.4	3.8	3.4	3.4	3.2	3.0
Private	3.6	3.6	3.5	3.6	3.5	3.4	3.2	2.9
Domestic final purchases	4.9	4.4	3.3	3.2	3.2	3.1	2.8	2.4
Personal consumption expenditures	3.9	3.4	2.6	2.5	2.5	2.7	2.3	2.2
Goods	3.9	3.6	2.4	2.4	1.9	2.3	2.2	2.0
Services	4.0	3.3	2.8	2.7	3.2	3.0	2.4	2.4
Gross private domestic investment	35.1	-3.0	6.1	5.9	5.8	4.8	4.4	3.3
Residential structures	1.7	4.1	-1.1	-2.3	.2	-.7	.4	-1.2
Business fixed investment	12.1	10.1	9.2	8.9	7.9	6.6	6.2	4.7
Gov't. purchases of goods and services	-8.8	19.5	8.3	4.8	3.2	3.2	3.3	3.3
Federal	-24.7	51.9	17.2	8.1	4.4	4.4	4.9	4.9
National defense	10.3	9.7	8.6	6.4	5.7	5.5	6.5	6.3
State and local	3.0	2.4	2.5	2.4	2.4	2.4	2.2	2.2
Disposable personal income	6.2	1.0	2.9	2.5	3.7	2.6	2.2	2.0
<u>Current Dollars</u>								
Gross national product	10.1	8.8	8.8	8.6	8.8	8.4	8.4	8.4
Final sales	6.8	10.7	8.9	8.6	8.8	8.4	8.5	8.4
Private	8.4	7.8	7.8	8.2	8.5	8.4	8.4	8.3
Domestic final purchases	9.6	9.4	8.8	8.7	8.4	8.3	8.1	7.9
Personal consumption expenditures	9.1	8.8	8.4	8.2	7.8	8.0	7.7	7.7
Goods	8.5	8.2	7.6	7.4	6.4	6.8	6.7	6.4
Services	9.7	9.5	9.2	9.0	9.3	9.1	8.7	9.0
Gross private domestic investment	35.0	.6	10.0	10.3	10.4	9.4	9.3	8.5
Residential structures	6.3	9.0	3.9	2.7	5.5	4.6	5.9	4.5
Business fixed investment	14.0	13.3	13.1	13.4	12.4	11.3	11.2	10.1
Gov't. purchases of goods and services	1.1	22.5	12.9	9.8	10.3	8.6	8.7	8.7
Federal	-10.4	48.4	20.2	12.1	13.4	9.2	9.9	9.7
National defense	20.4	14.6	14.1	11.6	14.7	10.7	12.1	11.7
State and local	9.1	8.3	8.3	8.3	8.2	8.2	7.9	7.9
Disposable personal income	11.5	6.3	8.8	8.2	9.1	8.0	7.7	7.5
Personal income	12.1	6.2	9.1	8.4	9.2	8.4	8.1	8.0
Wage and salary disbursements	9.5	8.4	8.6	8.5	9.0	8.4	8.3	8.1
Corporate profits with I.V.A. and C.C. Adj.	2.2	10.9	2.0	6.4	.8	11.0	13.1	15.2
Corporate profits before tax	-1.5	7.1	-5.6	-.6	-5.3	6.9	11.8	13.6
Nonfarm payroll employment	3.7	3.1	3.2	3.2	3.0	2.9	2.7	2.6
Manufacturing	7.6	6.5	5.5	4.4	3.2	2.2	1.4	.9
Nonfarm business sector								
Output per hour	1.1	1.5	1.1	.8	.5	.7	.8	.8
Compensation per hour	7.1	5.3	5.4	5.5	6.1	5.7	5.9	6.0
Unit labor costs	5.9	3.8	4.2	4.7	5.5	5.0	5.1	5.2
GNP implicit deflator <1>	5.2	4.1	4.3	4.6	5.3	4.9	5.1	5.3
Gross domestic business product								
fixed-weighted price index <2>	4.8	4.8	4.8	4.9	5.0	5.2	5.3	5.4
Excluding food and energy	4.6	4.9	4.6	4.8	5.2	5.3	5.6	5.9
Consumer price index (all urban)	4.9	5.1	5.3	5.3	5.2	5.2	5.3	5.4
Industrial production	6.6	6.2	5.6	4.7	3.4	2.9	2.9	2.6

<1> Excluding Federal pay increases, the rate of change in 1984-Q1 is 4.8 percent and in 1985-Q1 is 4.9 percent.

<2> Uses expenditures in 1972 as weights.

January 25, 1984

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

	1978	1979	1980	1981	1982	1983	—Projected—	
							1984	1985
Gross national product	2163.9	2417.8	2631.7	2954.1	3073.0	3309.5	3629.0	3941.4
Final sales	2137.4	2403.5	2641.5	2935.6	3097.5	3316.4	3595.2	3909.9
Private	1705.5	1929.1	2103.7	2339.9	2448.3	2626.2	2848.2	3083.9
Domestic final purchases	1706.6	1915.9	2079.7	2313.6	2430.9	2636.8	2903.0	3148.6
Personal consumption expenditures	1346.5	1507.2	1668.1	1857.2	1991.9	2158.6	2354.5	2543.9
Goods	728.5	813.5	883.5	970.0	1005.5	1082.9	1177.5	1259.8
Services	618.0	693.7	784.5	887.1	986.4	1075.7	1177.0	1284.1
Gross private domestic investment	386.6	423.0	401.9	474.9	414.5	471.3	582.2	636.1
Residential construction	111.2	118.6	102.9	104.3	90.8	130.3	146.3	153.3
Business fixed investment	248.9	290.2	308.8	352.2	348.3	347.7	402.2	451.3
Change in business inventories	26.5	14.3	-9.8	18.5	-24.5	-6.9	33.7	31.5
Nonfarm	25.4	8.6	-4.5	10.9	-23.1	-1.2	29.2	31.5
Net exports of goods and services <1>	-1.1	13.2	23.9	26.3	17.4	-10.6	-54.8	-64.7
Exports	218.7	281.4	338.8	368.8	347.6	335.8	366.1	418.2
Imports	219.8	268.1	314.8	342.5	330.2	346.4	420.9	482.9
Gov't. purchases of goods and services	431.9	474.4	537.8	595.7	649.2	690.2	747.0	826.0
Federal <2>	153.6	168.3	197.0	229.2	258.7	275.2	298.1	340.5
State and local	278.3	306.0	340.8	366.5	390.5	415.0	448.8	485.5
Gross national product in constant (1972) dollars	1438.6	1479.4	1475.0	1513.8	1485.4	1534.8	1613.8	1671.3
Personal income	1732.7	1951.2	2165.3	2435.0	2578.6	2741.9	2997.4	3251.2
Wage and salary disbursements	1106.3	1237.6	1356.7	1493.2	1568.1	1664.4	1810.9	1965.7
Disposable personal income	1474.0	1650.2	1828.9	2047.6	2176.5	2335.6	2559.0	2769.4
Saving rate (percent)	6.1	5.9	6.0	6.6	5.8	4.8	5.2	5.4
Corporate profits with I.V.A. and C.C.Adj.	192.4	194.8	175.4	192.3	164.8	226.3	265.1	283.4
Corporate profits before tax	229.1	252.7	234.6	227.0	174.2	205.3	219.5	223.3
Federal government surplus or deficit(-)	-29.5	-16.1	-61.2	-62.2	-147.1	-182.9	-192.6	-198.4
(N.I.A. basis)								
High employment surplus or deficit(-)	-29.2	-18.6	-36.0	-26.0	-58.8	-89.1	-127.0	-142.9
State and local government surplus or deficit (-) (N.I.A. basis)	30.3	30.4	30.6	35.3	31.3	51.0	58.9	53.5
Excluding social insurance funds	10.0	6.6	3.5	4.4	-1.9	14.9	19.6	11.7
Civilian labor force (millions)	102.3	105.0	106.9	108.7	110.2	111.5	113.2	115.3
Unemployment rate (percent)	6.1	5.8	7.1	7.6	9.7	9.6	7.7	7.2
Nonfarm payroll employment (millions)	86.7	89.8	90.4	91.2	89.6	90.0	93.3	96.1
Manufacturing	20.5	21.0	20.3	20.2	18.9	18.7	19.9	20.6
Industrial production (1967=100)	146.1	152.5	147.0	150.9	138.6	147.7	161.9	168.2
Capacity utilization: all manufacturing (percent)	84.7	86.0	79.6	79.4	71.1	75.3	81.2	82.9
Materials (percent)	85.6	87.6	80.4	80.7	70.1	75.2	82.7	85.0
Housing starts, private (million units, A.R.)	2.00	1.72	1.30	1.10	1.06	1.72	1.68	1.61
New auto sales (millions, A.R.)	11.29	10.68	9.04	8.56	8.00	9.18	10.33	10.75
Domestic models	9.29	8.36	6.62	6.24	5.77	6.77	7.85	8.16
Foreign models	2.00	2.32	2.42	2.32	2.23	2.41	2.48	2.59

<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.

CONFIDENTIAL - FR
CLASS II FOMC

PERCENT CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1978	1979	1980	1981	1982	1983	--Projected--	
							1984	1985
<u>Constant (1972) Dollars</u>								
Gross national product	5.0	2.8	-.3	2.6	-1.9	3.3	5.1	3.6
Final sales	4.9	3.5	.5	1.8	-.7	2.8	4.0	3.7
Private	5.6	4.0	.1	2.0	-1.3	3.4	4.3	3.4
Domestic final purchases	5.5	2.9	-1.0	2.7	-.1	4.9	5.6	3.2
Personal consumption expenditures	4.5	2.7	.5	2.7	1.4	4.3	4.2	2.5
Goods	4.2	1.9	-1.4	2.1	.1	5.6	4.9	2.3
Services	4.8	3.7	2.7	3.3	2.9	2.8	3.4	2.8
Gross private domestic investment	10.5	-.2	-11.8	9.2	-14.5	12.3	20.3	4.8
Residential structures	2.8	-5.3	-20.3	-5.1	-15.4	39.4	7.5	-.4
Business fixed investment	12.8	7.3	-2.4	5.2	-4.8	1.1	13.4	7.7
Gov't. purchases of goods and services	2.0	1.3	2.2	.8	1.8	.5	2.4	5.1
Federal	-.1	1.8	4.2	3.8	5.6	1.2	2.5	9.1
National defense	.4	2.6	3.9	5.2	7.1	6.9	7.5	6.5
State and local	3.3	1.1	1.0	-1.0	-.5	.1	2.2	2.4
Disposable personal income	4.9	2.7	.6	3.2	.5	3.2	4.7	2.7
<u>Current Dollars</u>								
Gross national product	12.8	11.7	8.8	12.2	4.0	7.7	9.7	8.6
Final sales	12.8	12.4	9.9	11.1	5.5	7.1	8.4	8.8
Private	13.6	13.1	9.0	11.2	4.6	7.3	8.5	8.3
Domestic final purchases	13.4	12.3	8.5	11.2	5.1	8.5	10.1	8.5
Personal consumption expenditures	11.8	11.9	10.7	11.3	7.3	8.4	9.1	8.0
Goods	10.9	11.7	8.6	9.8	3.7	7.7	8.7	7.0
Services	12.9	12.2	13.1	13.1	11.2	9.1	9.4	9.1
Gross private domestic investment	19.3	9.4	-5.0	18.2	-12.7	13.7	23.5	9.3
Residential structures	16.1	6.6	-13.2	1.4	-13.0	43.8	12.1	4.8
Business fixed investment	21.3	16.6	6.4	14.1	-1.1	-.2	15.7	12.2
Gov't. purchases of goods and services	9.7	9.8	13.4	10.8	9.0	6.3	8.2	10.6
Federal	7.1	9.6	17.1	16.3	12.9	6.4	8.3	14.2
National defense	8.0	11.5	17.3	17.4	16.5	11.6	13.3	12.7
State and local	11.2	9.9	11.4	7.5	6.6	6.3	8.2	8.2
Disposable personal income	12.2	12.0	10.8	12.0	6.3	7.3	9.6	8.2
Personal income	12.5	12.6	11.0	12.5	5.9	6.3	9.3	8.5
Wage and salary disbursements	12.5	11.9	9.6	10.1	5.0	6.1	8.8	8.5
Corporate profits with I.V.A. and C.C.Adj.	15.0	1.3	-9.9	9.6	-14.3	37.3	17.1	6.9
Corporate profits before tax	17.7	10.3	-7.1	-3.3	-23.2	17.9	6.9	1.7
Nonfarm payroll employment	5.1	3.6	.6	.8	-1.7	.4	3.7	3.0
- Manufacturing	4.2	2.6	-3.6	-.6	-6.5	-.9	6.8	3.3
Nonfarm business sector								
Output per hour	.6	-1.5	-.7	1.9	-.1	3.1	1.6	.8
Compensation per hour	8.6	9.0	10.4	9.8	7.8	5.7	5.4	5.7
Unit labor costs	8.0	10.7	11.1	7.7	7.9	2.5	3.7	4.9
GNP implicit deflator	7.4	8.6	9.2	9.4	6.0	4.2	4.3	4.9
Gross domestic business product								
fixed-weighted price index <1>	8.0	9.9	10.0	9.5	6.0	4.3	4.7	5.1
Excluding food and energy	7.8	8.6	8.5	9.3	6.9	5.1	4.8	5.2
Consumer price index (all urban)	7.6	11.3	13.5	10.3	6.2	3.2	5.0	5.2
Industrial production	5.8	4.4	-3.6	2.6	-8.1	6.5	9.6	3.9

<1> Uses expenditures in 1972 as weights.

January 25, 1984

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

	FR staff estimates													
	Calendar quarters; not seasonally adjusted													
	-----Fiscal year ¹ -----			Calendar years		1983		1984			1985			
	1983*	1984*	1985*	1983*	1984*	III*	IV	I	II	III	IV	I	II	III
Unified budget receipts	601	666	742	612	685	157	148	158	186	173	168	167	214	193
Unified budget outlays	796	856	936	800	886	194	209	213	218	216	239	226	236	235
Surplus/deficit(-), unified budget	-195	-189	-195	-188	-200	-37	-61	-55	-31	-43	-71	-59	-22	-42
Surplus/deficit(-), off-budget agencies ²	-12	-13	-15	-11	-15	-5	0	-3	-5	-5	-3	-3	-5	-5
Combined deficit to be financed	-208	-202	-210	-199	-215	-42	-61	-57	-36	-48	-74	-61	-27	-48
Means of financing combined deficit:														
Net borrowing from public	212	183	206	187	216	48	37	53	49	45	70	52	40	44
Decrease in cash operating balance	-8	17	0	8	-3	-9	25	-1	-7	0	5	5	-10	0
Other ³	3	2	4	4	2	4	-1	6	-6	3	-1	4	-3	4
Cash operating balance, end of period	37	20	20	12	15	37	12	13	20	20	15	10	20	20
Memo: Sponsored agency borrowing ⁴	-3	13	17	1	15	1	3	4	4	4	4	5	5	5
<u>NIA Budget</u>														
						Seasonally adjusted annual rates								
Receipts	634	688	759	643	707	645	652	686	699	715	730	751	769	787
Expenditures	820	880	958	826	900	833	847	871	891	911	927	950	968	985
Purchases	276	287	332	275	298	278	276	268	296	310	319	329	336	344
Defense	197	219	249	200	227	201	206	216	224	231	237	246	252	259
Nondefense	80	68	83	75	71	77	69	52	72	79	81	83	84	85
All other expenditures	544	592	626	551	602	554	571	602	595	601	608	621	632	641
Surplus/deficit(-)	-187	-192	-198	-183	-193	-187	-195	-185	-192	-196	-197	-199	-199	-198
High Employment (H.E.) surplus/deficit(-) evaluated at the unemployment rate of 6 percent	-85	-122	-142	-89	-127	-102	-117	-112	-124	-133	-138	-142	-143	-144
	*--actual			e--estimated by FR staff		n.a.--not available								

1. FR Board staff January estimate. Administration estimates will be released February 1. Mid-session review estimates for FY 1984 showed unified receipts of \$668 billion, outlays of \$848 billion, deficit of \$180 billion and a combined deficit of \$194 billion. The August CBO estimate of the First Concurrent Resolution on the Budget -- Fiscal Year 1984 indicated revenues of \$677 billion and outlays of \$860 billion. The lack of Congressional action on revenue measures and incoming data led CBO, in December, to reestimate FY1984 receipts to be \$665 billion and outlays to be \$850 billion. CBO's 1984 Annual Report is expected to be released February 7-8.

2. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank and Strategic Petroleum Reserve.
3. Checks issued less checks paid, accrued items and other transactions.
4. FRB staff estimates and actuals include Federal Home Loan Banks, FHLMC (excluding participation certificates), FNMA (excluding mortgage-backed securities), Federal Land Banks, Federal Intermediate Credit Banks for Cooperatives, and Student Loan Marketing Association marketable debt on a payment basis.

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

JANUARY 24, 1984

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

	1983 ANN.	1984-P ANN.	1985-P ANN.	1983 Q3	1983 Q4	1984-P Q1	1984-P Q2	1984-P Q3	1984-P Q4	1985-P Q1	1985-P Q2	1985-P Q3	1985-P Q4
1. GNP NET EXPORTS													
CURRENT \$, NET	-10.6	-50.8	-64.7	-18.3	-32.6	-41.4	-52.7	-60.5	-64.6	-65.3	-65.6	-64.8	-63.1
EXPORTS OF G+S	335.8	366.1	418.2	341.1	348.1	353.9	360.6	369.7	380.2	394.4	409.4	425.7	443.3
IMPORTS OF G+S	346.4	420.9	482.9	359.4	380.7	395.2	413.3	430.2	444.8	459.6	475.0	490.5	506.4
CONSTANT 72 \$, NET	11.7	-3.1	-0.2	11.5	2.5	-1.7	-4.2	-3.8	-2.8	-2.0	-0.9	0.4	1.9
EXPORTS OF G+S	138.9	144.2	155.0	140.7	141.5	142.0	142.8	144.6	147.2	149.9	153.1	156.6	160.4
IMPORTS OF G+S	127.2	147.3	155.2	129.2	139.0	143.8	147.0	148.4	150.0	151.9	154.1	156.2	158.5
TERMS OF TRADE (1972=100) 1/	88.8	88.9	86.6	87.2	89.8	90.6	89.8	88.2	87.0	86.9	86.7	86.5	86.5
2. U.S. MERCHANDISE TRADE BALANCE 2/	-62.6 ^f	-105.9	-117.6	-72.7	-83.9 ^f	-92.7	-103.5	-111.5	-115.8	-117.1	-118.3	-118.1	-116.9
EXPORTS (EXCL. MILITARY)	200.1 ^f	213.4	243.1	202.3	204.3 ^f	208.1	210.7	214.7	220.3	228.7	237.3	247.4	259.0
AGRICULTURAL	36.7 ^f	39.0	43.0	37.8	37.8 ^f	38.5	38.8	39.3	39.5	40.9	42.1	43.6	45.2
NONAGRICULTURAL	163.3 ^f	174.4	200.1	164.6	166.5 ^f	169.5	171.9	175.4	180.8	187.8	195.2	203.8	213.7
IMPORTS	262.7 ^f	319.3	360.7	275.0	288.2 ^f	300.8	314.2	326.2	336.1	345.8	355.5	365.6	375.9
PETROLEUM AND PRODUCTS	55.1 ^f	63.4	66.2	66.3	60.0 ^f	61.2	62.8	64.4	65.1	65.1	65.5	66.5	67.6
NONPETROLEUM	207.6 ^f	256.0	294.5	208.7	228.2 ^f	239.6	251.4	261.8	271.0	280.7	290.1	299.1	308.2
3. U.S. CURRENT ACCOUNT BALANCE	-40.0 ^f	-83.4	-96.9	-47.9	-59.3 ^f	-68.6	-80.8	-89.6	-94.5	-96.1	-97.4	-97.5	-96.7
OF WHICH: NET INVESTMENT INCOME	24.7 ^f	24.1	20.1	27.7	28.0 ^f	26.0	24.7	23.4	22.2	21.3	20.6	19.7	18.8
4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/													
REAL GNP, % CHANGE, ANNUAL RATES	1.3 ^f	2.4	2.7	2.3	2.6 ^f	2.5	2.3	2.5	2.6	2.7	2.7	2.7	2.7
CONSUMER PRICES, % CHANGE, ANNUAL RATES	5.7 ^f	5.3	5.1	5.3	5.5 ^f	5.3	5.4	4.9	5.0	5.2	5.2	4.8	4.8

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

2/ INTERNATIONAL ACCOUNTS BASIS

3/ GEOMETRIC WEIGHTS USED TO AGGREGATE FOREIGN REAL GNP AND CONSUMER PRICES -- PERCENT SHARE IN TEN-COUNTRY TOTAL MULTILATERAL TRADE.

GERMANY (20.8%), JAPAN (13.6%), FRANCE (13.1%), UNITED KINGDOM (11.8%), CANADA (9.1%), ITALY (9.0%), THE NETHERLANDS (8.3%), BELGIUM (6.4%), SWEDEN (4.2%), SWITZERLAND (3.6%)

P/ PROJECTED

Part 2

January 25, 1984

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Recent Developments

GROSS OFFERINGS OF SECURITIES BY U.S. CORPORATIONS
(Monthly totals or monthly averages, millions of dollars)

	1983					1984
	H1	Q3	Q4P	Nov.P	Dec.P	Jan.f
----- Seasonally adjusted -----						
Corporate securities--total	11,937	9,141	8,504	9,400	7,386	8,500
Securities sold in U.S.	11,152	8,511	7,734	8,000	7,186	8,000
Publicly offered bonds ¹	4,798	2,649	3,503	4,300	3,186	4,500
Privately placed bonds	1,467	1,760 ^e	1,500 ^e	1,500 ^e	1,500 ^e	1,500 ^e
Stocks ²	4,887	4,102	2,731	2,200	2,500	2,000
Securities sold abroad ³	785	630	770	1,400	200	500
--- Domestic offerings, not seasonally adjusted ---						
Publicly offered bonds--total ¹	4,833	2,654	3,452	4,100	3,200	4,500
By industry						
Utility	1,185	871	602	1,020	225	--
Industrial	1,796	527	359	45	550	--
Financial	1,852	1,256	2,491	3,035	2,425	--
Mortgage-backed	161	322	839	1,293	527	--
By quality ⁴						
Aaa and Aa	1,478	889	1,597	2,655	1,020	--
A and Baa	2,051	1,141	947	1,110	910	--
Less than Baa	694	242	405	165	825	--
No rating (or unknown)	610	382	503	170	445	--
Memo items:						
Equity based bonds ⁵	1,068	693	323	113	494	--
Original discount bonds						
Par value	302	117	132	129	100	--
Gross proceeds	250	100	114	113	88	--
Stocks--total ²	4,842	3,674	3,012	2,300	3,200	2,000
By industry						
Utility	948	479	702	685	500	--
Industrial	2,606	2,147	1,686	1,240	2,200	--
Financial	1,288	1,048	624	375	500	--

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

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

3. Notes and bonds, not seasonally adjusted.

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

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

p--preliminary. f--staff forecast. e--estimate.

TREASURY AND AGENCY FINANCING¹
(Total for period; billions of dollars)

	1983 ^P		1984 ^F	
	Dec.	04	Jan.	01
<u>Treasury financing</u>				
Combined surplus/deficit(-)	-14.7	-60.6	-9.3	-57.6
Means of financing deficit:				
Net cash borrowing from the public	15.9	36.5	23.0	52.8
Marketable borrowings/ repayments(-)	14.7	34.9	22.8	51.6
Bills	8.5	3.0	3.2	10.9
Coupons	6.2	31.9	19.6	40.7
Nonmarketable	1.2	1.6	.2	1.2
Decrease in the cash balance	-6.6	25.3	-16.7	-1.2
Memo: Cash balance at end of period	11.8	11.8	28.5	13.0
Other ²	5.4	-1.2	3.0	6.0
<u>Federally sponsored credit agencies net cash borrowing³</u>				
FHLB	-.3	-.1	-.4	.4
FNMA	.6	2.9	.6	2.3
Farm Credit Banks	-1.1	-1.2	0	0
FHLMC	.1	1.0	.5	.7
SLMA	0	-.1	0	.2

1. Data 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 National Mortgage Association, the Federal Farm Credit Bank System, the Federal Home loan Mortgage Corporation, and the Student Loan Marketing Association. Excludes mortgage pass-through securities issued by FNMA and FHLMC.

p--preliminary. f--staff forecast.

In particular, pending legislation (the Tax Reform Act of 1983) would limit the issuance of private-purpose tax-exempt borrowing (other than financing for single-family housing), effective retroactively to January 1, 1984. In addition, the authority to issue tax-exempt bonds for single-family housing lapsed at year-end; although the proposed legislation likely will extend this authority, the rules that will govern such issues remain uncertain. Thus far in January, offerings of long-term municipal bonds have dropped substantially below December levels. No sales of new private-purpose bonds are expected until the fate of the pending legislation becomes clear.

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

	1982	1983					1984
	Year	QI	QII	QIII	QIV ^e	Dec. ^e	Jan. ^f
----- Seasonally adjusted -----							
Total	10.29	10.33	11.13	9.29	9.36	10.82	7.89
Long-term	6.58	7.24	8.24	5.98	6.42	7.85	5.19
Short-term ¹	3.71	3.09	2.89	3.31	2.94	2.97	2.70
----- Not seasonally adjusted -----							
Total	10.29	8.68	13.38	8.84	9.15	10.20	6.10
Long-term	6.58	6.26	9.38	5.54	6.75	8.10	4.10
Refundings	.27	.94	2.02	.90	.76	.41	n.a.
Mortgage revenue ²	1.24	1.09	1.29	1.62	1.69	1.70	n.a.
Short-term ¹	3.71	2.42	4.00	3.30	2.40	2.10	2.00

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

2. Includes mortgages for home ownership as well as multifamily rental structures.

e--estimate. f--staff forecast. n.a.--not available.

Note: Figures may not add due to rounding.

Approximately \$3 billion of student loan bonds and securities issued by trust territories were scheduled to come to market in December,