

January 28, 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				Unemployment rate (percent)
	12/12/80	1/28/81	12/12/80	1/28/81	12/12/80	1/28/81	12/12/80	1/28/81	12/12/80	1/28/81	
<u>Annual changes:</u>											
1979 1/	11.3	12.0	2.3	3.2	9.5	9.6	8.1	8.1	5.8	5.8	
1980 1/	8.9	8.9	-.6	-.1	10.2	9.7	8.5	8.1	7.2	7.1	
1981	9.9	10.7	-.6	.6	10.4	10.1	9.0	8.6	8.4	8.1	
1982	8.9	8.7	.4	.4	8.4	8.3	7.7	7.7	9.2	8.9	
<u>Quarterly changes:</u>											
1980-Q1 1/	10.8	12.6	1.2	3.1	11.2	10.2	8.5	7.7	6.1	6.2	
1980-Q2 1/	.1	-1.1	-9.6	-9.9	10.4	9.5	9.7	9.3	7.5	7.3	
1980-Q3 1/	10.8	11.8	.9	2.4	10.2	9.8	10.2	9.3	7.6	7.5	
1980-Q4 1/	17.9	16.7	4.5	5.0	10.4	9.6	9.8	8.5	7.6	7.5	
1981-Q1	8.0	13.2	-2.7	1.3	11.5	12.9	8.6	8.3	7.9	7.5	
1981-Q2	7.4	6.3	-2.0	-2.2	10.4	9.9	8.3	8.1	8.4	8.0	
1981-Q3	9.7	9.3	.4	.6	9.6	8.9	8.2	8.0	8.6	8.3	
1981-Q4	10.6	9.9	1.2	.7	8.7	8.0	8.0	7.8	8.8	8.5	
1982-Q1	9.0	8.8	.7	.7	8.0	8.1	7.6	7.7	9.0	8.7	
1982-Q2	7.9	7.9	.0	.3	7.8	7.9	7.4	7.4	9.2	8.8	
1982-Q3	8.0	8.1	.2	.6	7.7	7.8	7.3	7.3	9.2	8.9	
1982-Q4	8.7	9.2	.4	1.0	7.5	7.5	7.1	7.1	9.3	9.0	
<u>Two-quarter changes:</u>											
1980-Q2 1/	5.3	5.6	-4.4	-3.6	10.9	9.8	9.1	8.5	1.6	1.4	
1980-Q4 1/	14.3	14.3	2.6	3.7	10.3	9.7	10.0	8.9	.1	.2	
1981-Q2	7.7	9.7	-2.3	-.5	10.9	11.4	8.5	8.2	.8	.5	
1981-Q4	10.2	9.6	.8	.6	9.1	8.5	8.1	7.9	.4	.5	
1982-Q2	8.5	8.3	.4	.5	7.9	8.0	7.5	7.5	.4	.3	
1982-Q4	8.3	8.6	.3	.8	7.6	7.7	7.2	7.2	.1	.2	
<u>Three-quarter changes:</u>											
1979-Q4 1/	9.9	9.9	1.0	1.7	9.7	9.4	7.5	7.2	.1	.1	
1980-Q4 1/	9.7	9.8	-.9	.0	10.6	9.8	9.6	8.7	1.7	1.6	
1981-Q4	8.9	9.6	-.8	.1	10.0	10.0	8.3	8.0	1.2	1.0	
1982-Q4	8.4	8.5	.3	.7	7.7	7.8	7.4	7.4	.5	.5	

1/ Actual.

2/ Percent change from two quarters earlier.

3/ Percent change from four quarters earlier.

January 28, 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	2741.4
Final purchases	2316.2	2341.5	2430.8	2497.1	2569.1	2557.4	2653.4	2747.1
Private	1858.0	1876.4	1955.4	2000.7	2052.3	2027.4	2119.9	2188.3
Excluding net exports	1838.1	1868.2	1937.5	1993.1	2044.1	2010.3	2075.4	2153.8
Personal consumption expenditures	1454.1	1478.0	1529.1	1582.3	1631.0	1626.8	1682.2	1744.4
Goods	784.3	793.8	824.8	855.3	882.0	858.4	883.0	919.9
Services	669.9	684.2	704.3	727.0	749.0	768.4	799.2	824.5
Gross private domestic investment	408.3	423.2	421.7	410.0	415.6	390.9	377.1	403.7
Residential construction	116.7	117.2	119.8	120.6	115.2	93.6	99.2	112.2
Business fixed investment	267.3	272.9	288.5	290.2	297.8	289.8	294.0	297.3
Change in business inventories	24.3	33.1	13.3	-8	2.5	7.4	-16.0	-5.7
Nonfarm	20.8	29.2	7.8	-4.4	1.5	6.1	-12.3	-2.0
Net exports of goods and services 1/	19.9	8.2	17.9	7.6	8.2	17.1	44.5	34.5
Exports	259.1	266.8	293.1	306.3	337.3	333.3	342.4	349.2
Imports	239.2	258.6	275.2	298.7	329.1	316.2	297.9	314.7
Gov't. purchases of goods and services	458.2	465.1	475.4	496.4	516.8	530.0	533.5	558.8
Federal 2/	164.8	163.6	165.1	178.1	190.0	198.7	194.9	213.3
State and local	293.4	301.6	310.4	318.3	326.8	331.3	338.6	345.5
Gross national product in constant (1972) dollar	1479.9	1473.4	1488.2	1490.6	1501.9	1463.3	1471.9	1490.1
Personal income	1864.6	1906.3	1972.3	2032.0	2088.2	2114.5	2182.1	2559.1
Wage and salary disbursements	1194.8	1218.6	1248.6	1282.2	1314.7	1320.4	1341.8	1398.3
Disposable personal income	1580.2	1612.8	1663.8	1710.1	1765.1	1784.1	1840.6	1899.1
Saving rate (percent)	5.3	5.6	5.4	4.7	4.9	6.2	6.1	5.6
Corporate profits with I.V.A. and C.C. Adj	201.9	196.6	199.5	189.4	200.2	169.3	177.9	181.2
Corporate profits before tax	253.1	250.9	262.0	255.4	277.1	217.9	237.6	238.2
Federal government surplus or deficit (-) (N.I.A. basis)	-11.5	-8.1	-15.2	-24.5	-36.3	-66.5	-74.2	-69.7
High employment surplus or deficit (-)	-4.9	-5.3	-2.2	-7.1	-17.4	-25.3	-22.1	-17.7
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	33.7
Excluding social insurance funds	7.1	-1.7	2.1	4.0	1.3	-1.7	.9	4.8
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)	89.1	89.7	90.2	90.6	91.1	90.5	90.1	90.9
Manufacturing	21.1	21.1	21.1	21.0	21.0	20.3	19.9	20.3
Industrial production (1967=100)	152.7	152.3	152.6	152.5	152.5	144.6	142.1	148.9
Capacity utilization: all mfg. (percent)	86.9	85.9	85.3	84.4	83.4	77.9	75.7	79.1
Materials (percent)	88.4	87.5	87.2	86.3	85.5	78.7	74.9	79.9
Housing starts, private (million units, A.R.)	1.67	1.82	1.81	1.59	1.26	1.05	1.41	1.56
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.

January 28, 1981

~~CONFIDENTIAL - FR
CLASS 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	5.0
Final purchases	2.5	-2.5	7.2	2.9	3.1	-10.4	4.1	3.7
Private	3.0	-3.0	8.7	2.2	2.2	-13.3	6.5	3.9
Excluding net exports	1.1	-1.6	5.5	1.9	-.4	-14.4	4.6	5.8
Personal consumption expenditures	.9	-1.2	4.7	3.6	.8	-9.8	5.1	5.3
Goods	-2.7	-4.6	6.0	4.2	-.3	-17.7	4.0	7.0
Services	5.5	3.0	3.1	2.8	2.1	.0	6.4	3.6
Gross private domestic investment	10.6	1.7	-9.9	-17.8	-5.6	-28.9	-10.0	18.9
Residential structures	-6.5	-10.8	-3.6	-3.1	-24.2	-60.2	16.0	54.1
Business fixed investment	5.2	-.4	13.4	-5.4	2.2	-19.9	-1.5	-3.0
Gov't. purchases of goods and services	.7	-.5	1.2	6.1	6.9	2.5	-5.0	2.9
Federal	8.0	-7.9	-3.6	13.1	18.9	11.9	-13.1	6.8
State and local	-3.3	4.0	3.9	2.4	.6	-2.8	.3	.6
Disposable personal income	3.1	.5	3.5	.8	1.3	-4.9	4.1	3.2
<u>Current dollars</u>								
Gross national product	12.7	5.9	12.2	8.8	12.6	-1.1	11.8	16.7
Final purchases	11.5	4.4	16.1	11.4	12.0	-1.8	15.9	14.9
Private	12.8	4.0	17.9	9.6	10.7	-4.8	19.5	13.5
Excluding net exports	10.8	6.7	15.7	12.0	10.6	-6.5	13.6	16.0
Personal consumption expenditures	11.0	6.7	14.6	14.7	12.9	-1.0	14.3	15.6
Goods	8.5	4.9	16.6	15.6	13.1	-10.3	12.0	17.8
Services	14.2	8.8	12.1	13.5	12.7	10.8	17.0	13.3
Gross private domestic investment	17.0	15.4	-1.5	-10.6	5.6	-21.8	-13.3	31.3
Residential structures	1.8	1.8	9.1	2.8	-16.7	-56.4	25.7	63.8
Business fixed investment	13.9	8.6	25.0	2.3	11.0	-10.4	6.0	4.5
Gov't. purchases of goods and services	6.3	6.2	9.2	18.8	17.5	10.6	2.6	20.4
Federal	10.7	-2.9	3.7	35.4	29.5	19.8	-7.5	43.6
State and local	3.9	11.6	12.2	10.6	11.2	5.6	9.1	8.4
Disposable personal income	13.5	8.5	13.3	11.6	13.5	4.4	13.3	13.3
Personal income	12.8	9.3	14.6	12.7	11.5	5.1	13.4	14.9
Wage and salary disbursements	13.5	8.2	10.2	11.2	10.5	1.8	6.6	17.9
Corporate profits with IVA & C.C. Adj.	-1.6	-10.1	6.0	-18.8	24.8	-48.9	21.9	60.4
Corporate profits before tax	8.3	-3.4	18.9	-9.7	38.6	-61.8	41.4	38.7
Nonfarm payroll employment	4.3	2.4	2.3	1.7	2.5	-2.7	-1.6	3.5
Manufacturing	4.6	.6	-.6	-1.7	-.8	-11.7	-7.2	6.7
Nonfarm business sector								
Output per hour	-.9	-1.9	-1.4	-.3	.0	-3.0	3.7	-.7
Compensation per hour	10.9	10.0	8.1	9.6	9.9	11.2	9.2	10.5
Unit labor costs	11.9	12.1	9.7	9.9	9.9	14.6	5.3	11.2
GNP implicit deflator 1/	8.4	7.8	7.8	8.1	9.3	9.8	9.2	11.2
Gross domestic business product								
fixed-weighted price index 2/	9.5	9.2	9.5	9.3	10.2	9.5	9.8	9.6
Excluding food and energy	7.5	7.2	6.8	7.4	7.7	9.3	9.3	8.5
Consumer price index (all urban)	11.1	13.6	12.9	13.2	16.9	13.6	7.2	12.2
Industrial production	5.4	-1.0	.8	-.3	.0	-19.2	-6.7	20.6

1/ 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, 10.5 percent.

2/ Uses expenditures in 1972 as weights.

January 28, 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.)

	1981				1982			
					Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	2827.7	2871.5	2935.8	3005.7	3069.5	3128.1	3189.8	3260.5
Final purchases	2819.7	2869.5	2941.8	3009.7	3068.4	3127.2	3188.7	3259.6
Private	2250.6	2289.5	2351.1	2402.2	2448.7	2495.6	2544.7	2597.3
Excluding net exports	2214.3	2253.0	2308.2	2351.0	2397.0	2445.3	2494.4	2544.4
Personal consumption expenditures	1799.7	1839.9	1890.6	1928.2	1968.2	2009.3	2049.9	2089.7
Goods	950.4	968.3	993.7	1012.7	1032.4	1052.6	1073.0	1092.6
Services	849.3	871.6	896.9	915.5	935.8	956.7	976.9	997.1
Gross private domestic investment	422.6	415.1	411.6	418.8	429.9	436.9	445.6	455.6
Residential construction	113.2	107.2	107.7	109.7	111.7	113.7	116.2	119.7
Business fixed investment	301.4	305.9	309.9	313.1	317.1	322.3	328.3	335.0
Change in business inventories	8.0	2.0	-6.0	-4.0	1.1	.9	1.1	.9
Nonfarm	8.0	2.0	-6.0	-4.0	1.1	.9	1.1	.9
Net exports of goods and services <u>1/</u>	36.3	36.5	42.9	51.2	51.7	50.3	50.3	52.9
Exports	377.0	389.1	397.3	406.4	415.3	422.4	430.1	440.0
Imports	340.7	352.6	354.4	355.2	363.6	372.1	379.8	387.1
Gov't. purchases of goods and services	569.1	580.0	590.7	607.5	619.7	631.6	644.0	662.3
Federal <u>2/</u>	217.0	221.4	225.7	236.1	242.1	248.0	254.6	267.1
State and local	352.1	358.6	365.0	371.4	377.6	383.6	389.4	395.2
Gross national product in constant (1972) dollars	1494.9	1486.7	1488.8	1491.4	1494.1	1495.2	1497.4	1501.3
Personal income	2314.0	2362.3	2424.8	2476.6	2524.4	2577.5	2638.5	2693.2
Wage and salary disbursements	1430.2	1449.9	1473.1	1502.9	1530.1	1555.6	1581.6	1614.3
Disposable personal income	1939.0	1975.9	2056.8	2096.6	2134.2	2176.3	2226.3	2268.4
Saving rate (percent)	4.7	4.4	5.6	5.5	5.3	5.2	5.4	5.4
Corporate profits with I.V.A. and C.C. Adj.	177.3	168.7	177.2	184.7	185.5	183.8	188.5	196.1
Corporate profits before tax	231.8	222.7	230.7	237.7	239.4	238.4	243.4	251.5
Federal government surplus or deficit (-) (N.I.A. basis)	-41.6	-50.8	-96.4	-97.0	-90.5	-92.9	-105.7	-107.8
High employment surplus or deficit (-) <u>3/</u>	17.5	19.2	-22.3	-14.5	-.9	4.4	-1.0	4.2
State and local government surplus or deficit (-) (N.I.A. basis)	32.0	32.7	34.7	34.1	33.5	33.0	33.0	33.3
Excluding social insurance funds	2.5	2.6	4.0	2.8	1.4	.2	-.6	-1.1
Civilian labor force (millions)	105.5	105.8	106.1	106.4	106.7	107.0	107.2	107.5
Unemployment rate (percent)	7.5	8.0	8.3	8.5	8.7	8.8	8.9	9.0
Nonfarm payroll employment (millions)	91.4	91.1	91.0	91.0	91.0	91.1	91.2	91.4
Manufacturing	20.5	20.3	20.2	20.1	20.1	20.1	20.1	20.2
Industrial production (1967=100)	150.8	149.0	149.0	150.0	149.0	149.5	150.0	152.0
Capacity utilization: all mfg. (percent)	80.0	78.5	78.2	78.0	77.9	77.7	77.9	78.1
Materials (percent)	81.2	78.3	77.8	77.8	78.1	77.9	78.2	78.6
Housing starts, private (million units, A.R.)	1.35	1.30	1.30	1.30	1.35	1.35	1.35	1.35
New autos sales, (millions, A.R.)	8.90	8.80	9.00	8.80	8.70	8.60	8.50	8.40
Domestic models	6.50	6.40	6.60	6.40	6.40	6.30	6.20	6.10
Foreign models	2.40	2.40	2.40	2.40	2.30	2.30	2.30	2.30

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 5.1 percent high employment unemployment rate. Evaluated at a 6.1 percent unemployment rate, the high employment budget would show a deficit of \$41.2 billion in 1980-Q4 and a deficit of \$39.6 billion in 1981-Q4, and a deficit of \$23.1 billion in 1982-Q4.

January 28, 1981

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

	1981				1982			
	Q1	Q2	Q3	Projected Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) dollars</u>								
Gross national product	1.3	-2.2	.6	.7	.7	.3	.6	1.0
Final purchases	.2	-1.4	1.7	.4	.0	.3	.6	1.1
Private	.2	-1.8	2.0	.4	-.1	.2	.5	1.1
Excluding net exports	-.4	-2.2	1.4	-.2	.1	.5	.6	.9
Personal consumption expenditures	.0	-1.0	2.2	.3	.4	.6	.5	.6
Goods	-2.4	-2.8	1.8	.7	.2	.6	.5	.5
Services	2.6	1.0	2.7	-.0	.5	.7	.4	.9
Gross private domestic investment	6.1	-12.8	-10.2	-.2	4.0	-.3	1.1	2.0
Residential structures	-4.4	-25.9	-5.8	-.5	-.7	-.8	.8	4.1
Business fixed investment	-1.6	-1.1	-1.6	-2.7	-1.4	.1	1.0	1.7
Gov't. purchases of goods and services	.2	.1	.4	.7	.8	.8	1.0	1.1
Federal	1.2	1.5	2.5	3.3	3.8	4.1	5.0	5.1
State and local	-.5	-.7	-.8	-.8	-1.0	-1.2	-1.4	-1.5
Disposable personal income	-3.8	-2.3	7.7	.1	-.7	.2	1.6	.4
<u>Current dollars</u>								
Gross national product	13.2	6.3	9.3	9.9	8.8	7.9	8.1	9.2
Final purchases	11.0	7.3	10.5	9.6	8.0	7.9	8.1	9.2
Private	11.9	7.1	11.2	9.0	8.0	7.9	8.1	8.5
Excluding net exports	11.7	7.2	10.2	7.6	8.1	8.3	8.3	8.3
Personal consumption expenditures	13.3	9.2	11.5	8.2	8.6	8.6	8.3	8.0
Goods	13.9	7.7	10.9	7.9	8.0	8.1	8.0	7.5
Services	12.6	10.9	12.1	8.6	9.2	9.2	8.7	8.5
Gross private domestic investment	20.0	-6.9	-3.3	7.2	11.0	6.7	8.2	9.3
Residential structures	3.8	-19.6	1.9	7.6	7.5	7.4	9.1	12.6
Business fixed investment	5.7	6.1	5.3	4.2	5.2	6.7	7.7	8.4
Gov't. purchases of goods and services	7.6	7.9	7.6	11.9	8.3	7.9	8.1	11.9
Federal	7.1	8.4	8.0	19.7	10.6	10.1	11.1	21.1
State and local	7.9	7.6	7.3	7.2	6.8	6.5	6.2	6.1
Disposable personal income	9.0	7.8	17.4	8.0	7.4	8.1	9.5	7.8
Personal income	10.1	8.6	11.0	8.8	7.9	8.7	9.8	8.6
Wage and salary disbursements	9.4	5.6	6.6	8.3	7.4	6.8	6.9	8.5
Corporate profits with IVA & C.C. Adj.	-8.3	-18.0	21.7	18.0	1.7	-3.6	10.6	17.1
Corporate profits before tax	-10.3	-14.8	15.2	12.7	2.8	-1.6	8.8	13.8
Nonfarm payroll employment	2.2	-1.5	-.1	-.3	.0	.5	.6	.7
Manufacturing	4.3	-3.1	-2.8	-1.5	-.8	.6	.8	.8
Nonfarm business sector								
Output per hour	-.2	-1.3	1.3	.8	.8	.3	.5	.6
Compensation per hour	12.1	9.1	8.8	8.4	9.2	7.9	7.7	7.7
Unit labor costs	12.3	10.5	7.4	7.5	8.3	7.6	7.2	7.1
GNP implicit deflator 1/	11.7	8.7	8.6	9.1	8.0	7.6	7.5	8.1
Gross domestic business product								
fixed-weighted price index 2/	12.9	9.9	8.9	8.0	8.1	7.9	7.8	7.5
Excluding food and energy	8.3	8.1	8.0	7.8	7.7	7.4	7.3	7.1
Consumer price index (all urban)	16.5	13.2	11.5	8.6	8.2	8.0	8.0	8.0
Industrial production	5.2	-4.7	.0	2.7	-2.6	1.3	1.3	5.4

1/ Excluding Federal pay increases, the rates of change are: 1981-Q1, 11.7 percent; 1981-Q4, 8.5 percent; 1982-Q1, 8.0 percent; 1982-Q4, 8.1 percent.

2/ Uses expenditures in 1972 as weights.

January 28, 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	2628.8	2910.2	3162.0
Final purchases	1556.1	1706.2	1897.0	2133.9	2396.4	2631.8	2910.2	3161.0
Private	1216.2	1344.1	1502.5	1701.3	1922.6	2097.0	2323.3	2521.6
Excluding net exports	1189.4	1330.4	1506.7	1701.9	1909.2	2070.9	2281.6	2470.3
Personal consumption expenditures	976.4	1084.3	1205.5	1348.7	1510.9	1671.1	1864.6	2029.3
Goods	539.5	598.5	657.8	729.1	814.5	885.9	981.3	1062.6
Services	437.0	485.7	547.7	619.6	696.3	785.3	883.3	966.6
Gross private domestic investment	206.1	257.9	322.3	375.3	415.8	396.8	417.0	442.0
Residential construction	55.3	72.0	95.8	111.3	118.6	105.1	109.4	115.3
Business fixed investment	157.7	174.1	205.5	242.0	279.7	294.7	307.6	325.7
Change in business inventories	-6.9	11.8	21.0	22.2	17.5	-3.0	.0	1.0
Nonfarm	-10.5	13.9	20.2	21.8	13.4	-1.7	.0	1.0
Net exports of goods and services <u>1/</u>	26.8	13.7	-4.2	-.6	13.4	26.1	41.7	51.3
Exports	154.9	170.9	183.3	219.8	281.3	340.6	392.4	426.9
Imports	128.1	157.1	187.5	220.4	267.9	314.5	350.7	375.6
Gov't. purchases of goods and services	339.9	362.1	394.5	432.6	473.8	534.8	586.8	639.4
Federal <u>2/</u>	122.7	129.2	143.9	153.4	167.9	199.2	225.0	252.9
State and local	217.2	232.9	250.6	279.2	305.9	335.6	361.8	386.4
Gross national product in constant (1972) dollars	1233.9	1300.4	1371.7	1436.9	1483.0	1481.8	1490.4	1497.0
Personal income	1265.0	1391.2	1538.0	1721.8	1943.8	2161.0	2394.4	2608.4
Wage and salary disbursements	806.4	889.9	983.8	1105.2	1236.1	1343.8	1464.0	1570.4
Disposable personal income	1096.1	1194.4	1311.5	1462.9	1641.7	1822.2	2017.1	2201.3
Saving rate (percent)	8.6	6.9	5.6	5.2	5.2	5.7	5.1	5.3
Corporate profits with I.V.A. and C.C. Adj.	110.5	138.1	164.7	185.5	196.8	182.1	177.0	188.5
Corporate profits before tax	132.1	166.3	192.6	223.3	255.4	242.7	230.7	243.2
Federal government surplus or deficit (N.I.A. basis)	-69.3	-53.1	-46.4	-29.2	-14.8	-61.6	-71.4	-99.2
High employment surplus or deficit (-)	-29.1	-20.1	-23.0	-15.7	-2.2	-20.6	-.3	1.7
State and local government surplus or deficit (-) (N.I.A. basis)	5.5	16.6	28.1	29.0	26.7	28.2	33.4	33.2
Excluding social insurance funds	-7.6	.9	10.1	9.0	2.9	1.3	3.0	.0
Civilian labor force (millions)	92.6	94.8	97.4	100.4	102.9	104.8	106.0	107.1
Unemployment rate (percent)	8.5	7.7	7.0	6.0	5.8	7.1	8.1	8.9
Nonfarm payroll employment (millions)	77.0	79.4	82.5	86.7	89.9	90.7	91.1	91.2
Manufacturing	18.3	19.0	19.7	20.5	21.1	20.4	20.3	20.1
Industrial production (1967=100)	117.8	130.5	138.1	146.1	152.5	147.0	149.7	150.1
Capacity utilization: all manufacturing (percent)	72.9	79.5	81.9	84.4	85.6	79.0	78.7	77.9
Materials (percent)	73.4	81.1	82.7	85.6	87.4	79.8	78.8	78.2
Housing starts, private (million units, A.R.)	1.16	1.54	1.99	2.02	1.75	1.29	1.31	1.35
New auto sales, (millions, A.R.)	8.66	10.12	11.13	11.28	10.70	9.04	8.87	8.55
Domestic models	7.08	8.63	9.07	9.29	8.38	6.62	6.47	6.25
Foreign models	1.58	1.50	2.06	1.99	2.32	2.42	2.40	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.

January 28, 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	-.1	.6	.4
Final purchases	.3	4.2	5.2	4.7	3.5	.7	.5	.4
Private	-.1	5.3	6.0	15.4	4.0	.2	.6	.3
Excluding net exports	-.6	6.2	6.5	5.2	2.9	-1.2	.3	.2
Personal consumption expenditures	2.2	5.6	4.9	4.7	2.9	.4	1.0	.6
Goods	1.3	6.7	5.2	4.2	1.9	-1.6	-.3	.4
Services	3.3	4.3	4.5	5.4	4.1	2.6	2.6	.7
Gross private domestic investment	-20.8	19.2	15.7	7.6	1.3	-12.1	-2.7	-1.1
Residential structures	-12.5	21.3	18.5	2.9	-5.2	-18.9	-3.6	-2.7
Business fixed investment	-12.1	5.3	11.9	9.1	6.5	-3.4	-3.1	-.9
Gov't. purchases of goods and services	2.1	.0	2.1	2.0	1.5	2.9	.2	.7
Federal	.8	-.7	4.1	-.9	1.9	6.6	1.3	3.7
State and local	2.9	.5	.9	3.7	1.2	.9	-.4	-1.0
Disposable personal income	2.0	3.6	3.6	4.4	3.1	.7	.2	.9
<u>Current dollars</u>								
Gross national product	8.0	10.9	11.6	12.4	12.0	8.9	10.7	8.7
Final purchases	9.6	9.6	11.2	12.5	12.3	9.8	10.6	8.6
Private	9.0	10.5	11.8	13.2	13.0	9.1	10.8	8.5
Excluding net exports	7.9	11.8	13.3	12.9	12.2	8.5	10.2	8.3
Personal consumption expenditures	9.9	11.1	11.2	11.9	12.0	10.6	11.6	8.8
Goods	9.0	10.9	9.9	10.8	11.7	8.8	10.8	8.3
Services	11.1	11.2	12.7	13.1	12.4	12.8	12.5	9.4
Gross private domestic investment	-9.9	25.1	25.0	16.5	10.8	-4.6	5.1	6.0
Residential structures	-4.7	30.2	33.1	16.1	6.6	-11.4	4.1	5.4
Business fixed investment	.8	10.3	18.1	17.7	15.6	5.4	4.4	5.9
Gov't. purchases of goods and services	11.8	6.5	8.9	9.7	9.5	12.9	9.7	9.0
Federal	10.6	5.3	11.4	6.6	9.5	18.7	13.0	12.4
State and local	12.5	7.3	7.6	11.4	9.6	91.7	7.8	6.8
Disposable personal income	9.8	9.0	9.8	11.5	12.2	11.0	10.7	9.1
Personal income	8.2	10.0	10.6	12.0	12.9	11.2	10.8	8.9
Wage and salary disbursements	5.3	10.4	10.6	12.3	11.8	8.7	8.9	7.3
Corporate profits with IVA & C.C. Adj.	16.5	25.0	19.3	12.6	6.1	-6.3	-7.5	6.5
Corporate profits before tax	-3.3	25.9	15.8	15.9	14.4	-4.9	-4.9	5.4
Nonfarm payroll employment	-1.7	3.2	3.9	5.1	3.7	.9	.5	.1
Manufacturing	-8.8	3.7	3.6	4.2	2.8	-3.3	-.5	-.8
Nonfarm business sector								
Output per hour	2.0	3.5	1.8	-.2	-.8	-1.1	-.8	.6
Compensation per hour	10.0	8.3	7.9	8.5	9.6	9.8	10.1	8.5
Unit labor costs	7.9	4.7	6.3	8.7	10.4	11.1	9.2	7.8
GNP implicit deflator	9.6	5.2	5.8	7.3	8.5	9.0	10.1	8.2
Gross domestic business product								
fixed-weighted price index 1/	9.0	5.4	6.3	7.8	9.6	9.7	10.1	8.3
Excluding food and energy	9.5	5.8	6.3	7.2	8.1	8.1	8.6	7.7
Consumer price index (all urban)	9.1	5.8	6.5	7.7	11.3	13.4	12.6	8.9
Industrial production	-8.9	10.8	5.8	5.8	4.4	-3.6	1.8	.3

1/ Uses expenditures in 1972 weights.

FEDERAL SECTOR ACCOUNTS
(billions of dollars)

January 28, 1981

	Fiscal Year 1980*	FRB Staff Estimates														
		FY 1981 e/ Admin. F.R. 1/ Board		FY 1982 e/ Admin. F.R. 1/ Board		CY 1980*	CY81e/ F.R. Board	Calendar quarters; unadjusted data								
		III*	IV*	I	II			IV	I	II	III					
Unified budget receipts	520.0	607.5	599.5	711.8	645.0	533.0	613.0	135.2	127.0	140.1	180.7	151.8	140.4	144.9	192.5	167.2
Unified budget outlays	579.6	662.7	656.2	739.3	726.0	601.1	683.0	150.5	160.6	164.2	165.5	165.9	187.4	170.6	182.4	185.6
Surplus(+) / deficit(-), unified budget	+59.6	-53.2	-56.7	-27.5	-81.0	-68.1	-70.0	-15.4	-33.6	-24.1	15.2	-14.1	-47.0	-25.7	10.1	-18.4
Surplus(+) / deficit(-), off-budget agencies 2/	-14.2	-23.2	-22.7	-18.3	-18.3	-15.3	-22.0	-4.9	-2.2	-6.4	-7.2	-7.0	-1.4	-4.9	-5.7	-6.3
Combined deficit to be financed	+73.8	-78.4	-79.4	-45.8	-99.3	-83.4	-92.0	-20.3	-35.8	-30.5	8.0	-21.1	-48.4	-30.6	4.4	-24.7
Means of financing combined deficits:																
Net borrowing from public	70.5	72.0	70.2	45.0	97.3	79.3	83.4	27.1	27.7	22.9	-2.0	21.6	40.9	29.6	1.6	25.2
Decrease in cash operating balance	3.2	6.0	6.0	0.0	0.0	3.6	0.3	-6.9	8.7	4.3	-4.0	-3.0	3.0	4.0	-4.0	-3.0
Other 3/	0.1	0.4	3.2	0.8	2.0	0.5	8.3	0.1	-0.6	3.3	-2.0	2.5	4.5	-3.0	-2.0	2.5
Cash operating balance, end of period	21.0	15.0	15.0	15.0	15.0	12.3	12.0	21.0	12.3	8.0	12.0	15.0	12.0	8.0	12.0	15.0
Memo: Sponsored agency borrowing 4/	21.4	18.2	26.1	24.9	20.0	24.3	22.3	2.2	9.1	5.5	5.9	5.6	5.3	5.0	5.0	5.0
<u>NIA Budget</u>																
Receipts	527.3	614.4	601.4	728.2	639.8	539.6	613.8	540.8	568.5	613.5	620.4	603.4	617.9	635.2	646.6	659.5
Expenditures	578.2	671.0	666.1	746.3	736.3	601.3	685.3	615.0	638.2	655.1	671.2	699.8	714.9	725.7	739.5	765.1
Purchases (total)	190.2	218.5	219.4	248.7	245.2	199.2	225.1	194.9	213.3	217.0	221.4	225.7	236.1	242.1	248.0	254.6
Defense	126.1	148.0	148.8	167.5	169.6	132.0	153.8	131.4	142.7	146.5	150.9	154.9	163.0	167.2	171.8	176.5
Nondefense	64.1	70.5	70.6	81.2	75.6	67.2	71.2	63.5	70.6	70.5	70.5	70.8	73.1	74.9	76.2	78.1
All other expenditures	388.0	452.5	441.7	497.6	491.1	402.1	460.2	420.3	424.9	438.1	449.8	474.1	478.8	483.6	491.5	510.5
Surplus(+) / deficit(-)	-50.9	-56.6	-64.7	-18.1	-96.5	-61.7	-71.5	+74.2	-69.7	-41.6	-50.8	-96.4	-97.0	-90.5	-92.9	-105.6
High employment (H.E.) surplus(+) / deficit(-) evaluated at H.E. unemployment rate of: 5/																
5.1 percent	-18.0	n.a.	-0.6	n.a.	-3.0	-20.6	0.3	-22.1	-17.7	17.5	19.2	-21.3	-14.5	-0.9	4.4	-1.0
6.1 percent	-40.3	n.a.	-25.2	n.a.	-28.8	-43.5	-24.8	-45.3	-41.2	-7.3	-6.3	-45.9	-39.6	-26.6	-21.7	-27.6

*--actual e--estimated n.a.--not available

- The Budget of the United States Government, Fiscal Year 1982, January 1981. In its report on the Second Concurrent Resolution, the Congress recommended receipts of \$603.0 billion and outlays of \$632.4 billion.
- Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank.
- Checks issued less checks paid, accrued items and other transactions.
- FRB staff estimates include Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives marketable debt on an offerings basis.
- These estimates differ from those in preceding Greenbooks due primarily to benchmark revisions in the NIPA and the associated change in potential GNP; and to a lesser extent, to a re-estimation of some of the equations used to calculate the high employment budget.

CONFIDENTIAL (FR)
CLASS II FONC

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

	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/>											
1. GNP NET EXPORTS											
CURRENT \$, NET	26.1	41.7	51.3	36.3	36.5	42.9	51.1	51.7	50.3	50.4	52.9
EXPORTS OF G&S	340.5	392.4	427.0	377.0	389.1	397.3	406.4	415.3	422.4	430.2	440.0
IMPORTS OF G&S	314.5	350.7	375.6	340.7	352.6	354.4	355.2	363.6	372.1	379.8	387.1
CONSTANT 72 \$, NET	53.1	56.8	57.8	54.7	55.7	57.6	59.1	58.4	57.6	57.4	58.0
EXPORTS OF G&S	161.6	169.1	171.2	167.2	168.9	169.6	170.6	171.0	171.0	171.1	171.7
IMPORTS OF G&S	108.5	112.3	113.4	112.5	113.2	112.1	111.4	112.7	113.4	113.7	113.7
TERMS OF TRADE (1972=100) 1/	72.7	74.3	75.2	74.4	73.9	74.0	74.7	75.2	75.3	75.2	75.2
<hr/>											
2. U.S. MERCHANDISE TRADE BALANCE 2/	-26.0	-22.2	-22.3	-24.3	-26.8	-21.9	-15.7	-17.7	-21.8	-24.3	-25.4
EXPORTS (EXCL. MILITARY)	222.5	247.4	264.0	238.9	245.3	250.5	255.1	259.5	261.9	265.0	269.4
AGRICULTURAL	41.7	49.2	53.9	47.8	49.4	49.5	49.9	51.7	53.0	54.7	56.4
NONAGRICULTURAL	180.8	198.3	210.0	191.0	195.9	201.0	205.2	207.9	208.8	210.3	213.0
IMPORTS	248.5	269.6	286.2	263.1	272.1	272.3	270.9	277.2	283.6	289.3	294.8
PETROLEUM AND PRODUCTS	78.9	92.1	94.7	88.1	93.8	94.2	92.4	94.3	94.9	94.9	94.7
NONPETROLEUM	169.6	177.5	191.5	175.0	178.3	178.2	178.5	182.9	188.7	194.4	200.1
<hr/>											
3. U.S. CURRENT ACCOUNT BALANCE	3.2	11.5	18.3	7.1	6.7	12.9	19.4	18.9	17.9	17.5	19.0
OF WHICH: NET INVESTMENT INCOME	33.7	36.3	41.9	35.2	36.0	36.6	37.3	38.8	40.8	42.7	45.5
<hr/>											
4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/											
REAL GNP, % CHANGE, ANNUAL RATES	1.7	.3	1.8	.1	.6	1.3	1.6	2.0	2.1	2.3	2.6
CONSUMER PRICES, 4/, % CHANGE, ANNUAL RATES	11.4	8.1	7.0	8.3	8.0	7.1	6.9	7.3	6.7	6.5	6.4

1/ CNP EXPORT IMPLICIT DEFULATOR DIVIDED BY GNP IMPLICIT DEFULATOR.

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%)

4/ WHOLESALE PRICES FOR JAPAN.

P/ PROJECTED.

January 28, 1981

RECENT DEVELOPMENTS

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

FEDERAL GOVERNMENT AND SPONSORED AGENCY FINANCING¹
(Billions of dollars)

	Q3	Q4 ^e	Q1 ^f	Nov.	Dec. ^e	Jan. ^e
<u>Treasury financing</u>						
Combined surplus/deficit(-)	-20.3	-35.6	-33.8	-10.7	-7.7	-6.7
Net marketable borrowings/ repayments(-)	27.5	28.9	27.6	9.5	14.5	7.9
bills	14.6	15.8	13.6	5.9	7.4	3.7
coupons	12.9	13.1	14.0	3.6	7.1	4.2
Nonmarketable borrowings/ repayments(-)	-.6	-1.3	-1.4	-.3	-.9	-.4
Other means of finance ²	.3	-.7	3.3	-4.0	-.8	-1.2
Change in cash balance	+6.9	-8.7	-4.3	-5.5	+5.1	-.4
<u>Federally sponsored credit agencies net cash borrow- ings³</u>						
	2.1	9.1	3.5	.5	3.4	1.5

1. Numbers reported on a not seasonally adjusted, payments 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.

f--forecast. e--estimated.