

July 3, 1985

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			
		5/15/85	7/3/85	5/15/85	7/3/85	5/15/85	7/3/85	5/15/85	7/3/85	5/15/85	7/3/85
Annual changes:											
1983	<1>	7.7	7.7	3.7	3.7	3.7	3.7	4.6	4.6	9.6	9.6
1984	<1>	10.8	10.8	6.8	6.8	4.0	4.0	4.3	4.3	7.5	7.5
1985		6.5	6.2	2.8	2.5	3.7	3.7	4.3	4.3	7.2	7.2
1986		6.3	6.2	2.7	2.7	3.7	3.7	4.0	4.1	7.0	7.1
Quarterly changes:											
1984	Q1 <1>	14.9	14.9	10.1	10.1	4.2	4.2	3.4	3.4	7.9	7.9
	Q2 <1>	10.7	10.7	7.1	7.1	4.1	4.1	5.4	5.4	7.5	7.5
	Q3 <1>	5.6	5.6	1.6	1.6	4.0	4.0	4.9	4.9	7.4	7.4
	Q4 <1>	7.1	7.1	4.3	4.3	3.5	3.5	3.9	3.9	7.2	7.2
	Q1 <1>	6.7	5.6	1.3	.3	3.7	3.6	5.1	4.6	7.3	7.3
	Q2	5.3	5.0	2.3	2.1	3.5	3.7	3.7	3.9	7.3	7.3
	Q3	6.3	6.4	3.5	3.5	3.3	3.2	3.6	3.8	7.2	7.2
	Q4	6.3	6.3	3.0	3.0	3.5	3.4	3.7	3.9	7.1	7.1
1986	Q1	6.5	6.4	2.6	2.7	3.8	3.7	4.0	4.0	7.0	7.1
	Q2	6.0	6.0	2.5	2.3	3.9	3.9	4.1	4.2	7.0	7.1
	Q3	6.3	6.2	2.5	2.3	4.1	4.1	4.4	4.4	7.0	7.1
	Q4	6.8	6.7	2.5	2.5	4.3	4.3	4.4	4.5	7.0	7.1
Two-quarter changes: <2>											
1984	Q2 <1>	12.8	12.8	8.6	8.6	4.2	4.2	4.4	4.4	-1.0	-1.0
	Q4 <1>	6.4	6.4	2.9	2.9	3.8	3.8	4.4	4.4	-.3	-.3
1985	Q2	6.0	5.3	1.8	1.2	3.6	3.7	4.4	4.3	.1	.1
	Q4	6.3	6.3	3.3	3.3	3.4	3.3	3.6	3.8	-.2	-.2
1986	Q2	6.3	6.2	2.6	2.5	3.8	3.8	4.1	4.1	-.1	.0
	Q4	6.5	6.5	2.5	2.4	4.2	4.2	4.4	4.4	.0	.0
Four-quarter changes: <3>											
1983	Q4 <1>	10.4	10.4	6.3	6.3	3.7	3.7	4.4	4.4	-2.1	-2.1
1984	Q4 <1>	9.5	9.5	5.7	5.7	4.0	4.0	4.4	4.4	-1.3	-1.3
1985	Q4	6.1	5.8	2.5	2.2	3.5	3.5	4.0	4.0	-.1	-.1
1986	Q4	6.4	6.3	2.5	2.5	4.0	4.0	4.3	4.3	-.1	.0

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

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

	1983				1984			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3173.8	3267.0	3346.6	3431.7	3553.3	3644.7	3694.6	3758.7
Gross domestic purchases	3154.2	3273.4	3363.0	3461.5	3604.8	3703.4	3785.2	3814.8
Final sales	3216.8	3286.4	3350.9	3419.0	3479.5	3594.1	3622.8	3722.1
Private	2538.0	2604.2	2661.1	2727.6	2775.1	2850.4	2861.8	2941.6
Domestic final purchases	2518.4	2610.7	2677.5	2757.4	2826.6	2909.1	2952.4	2997.6
Personal consumption expenditures	2070.4	2141.6	2181.4	2230.2	2276.5	2332.7	2361.4	2396.5
Goods	1034.6	1073.0	1095.8	1122.8	1152.2	1179.0	1178.6	1192.8
Services	1035.8	1068.6	1085.7	1107.5	1124.4	1153.7	1182.8	1203.8
Gross private domestic investment	405.0	449.6	491.9	540.0	623.8	627.0	662.8	637.8
Residential structures	113.3	129.8	142.3	143.4	151.2	155.6	155.3	153.5
Business fixed investment	334.6	339.3	353.9	383.9	398.8	420.8	435.7	447.7
Change in business inventories	-42.9	-19.4	-4.3	12.7	73.8	50.6	71.8	36.6
Nonfarm	-32.6	-5.4	11.6	14.1	60.6	47.0	63.7	27.2
Net exports of goods and services <1>	19.6	-6.5	-16.4	-29.8	-51.5	-58.7	-90.6	-56.0
Exports	328.5	328.1	342.0	346.1	358.9	362.4	368.6	367.2
Imports	308.9	334.5	358.4	375.9	410.4	421.1	459.3	423.2
Gov't. purchases of goods and services	678.8	682.2	689.8	691.4	704.4	743.7	761.0	780.5
Federal <2>	273.0	270.5	269.2	266.3	267.6	296.4	302.0	315.7
State and local	405.8	411.6	420.6	425.1	436.8	447.4	458.9	464.8
Gross national product in constant (1972) dollars	1491.0	1524.8	1550.2	1572.7	1610.9	1638.8	1645.2	1662.4
Personal income	2662.8	2714.4	2763.3	2836.5	2920.5	2984.6	3047.3	3096.2
Wage and salary disbursements	1608.1	1642.1	1671.3	1715.4	1755.7	1793.1	1819.5	1847.6
Disposable personal income	2261.4	2302.9	2367.4	2428.6	2502.2	2554.3	2606.4	2644.5
Saving rate (percent)	5.7	4.2	5.0	5.3	6.1	5.7	6.3	6.2
Corporate profits with I.V.A. and C.C. Adj.	179.1	216.7	245.0	260.0	277.4	291.1	282.8	291.6
Corporate profits before tax	161.7	198.2	227.4	225.5	243.3	246.0	224.8	228.7
Federal government surplus or deficit (-) (N.I.A. basis)	-185.7	-167.3	-180.9	-180.5	-161.3	-163.7	-180.6	-197.8
High employment surplus or deficit (-) <3>	-80.9	-74.2	-102.5	-113.1	-113.3	-129.6	-146.1	-169.3
State and local government surplus or deficit(-) (N.I.A. basis)	34.1	43.9	47.4	51.2	53.9	54.5	47.6	55.6
Excluding social insurance funds	-1.9	7.0	9.5	12.0	13.4	12.6	4.3	11.1
Civilian labor force (millions)	110.7	111.2	112.1	112.1	112.7	113.5	113.8	114.2
Unemployment rate (percent)	10.4	10.1	9.3	8.5	7.9	7.5	7.4	7.2
Nonfarm payroll employment	88.8	89.6	90.5	91.8	93.0	94.0	94.9	95.8
Manufacturing	18.1	18.3	18.5	18.9	19.2	19.4	19.5	19.6
Industrial production (1967=100)	138.5	144.5	151.8	155.5	159.8	163.1	165.6	164.7
Capacity utilization: all manufacturing (percent)	70.7	73.8	77.4	78.9	80.7	81.8	82.5	81.6
Materials (percent)	70.1	73.5	77.5	79.6	81.6	82.7	82.9	80.7
Housing starts, private (million units, A.R.)	1.64	1.67	1.79	1.72	1.95	1.86	1.66	1.60
New auto sales (millions, A.R.)	8.46	9.10	9.22	9.94	10.52	10.60	10.30	10.29
Domestic models	6.06	6.81	6.92	7.29	8.22	8.23	7.94	7.50
Foreign models	2.40	2.28	2.31	2.65	2.30	2.38	2.36	2.79

<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.

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

	1983				1984			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	3.3	9.4	6.8	5.9	10.1	7.1	1.6	4.3
Gross domestic purchases	3.7	12.3	7.4	8.7	12.9	7.9	5.4	.9
Final sales	1.1	6.4	4.9	4.2	3.6	10.3	-1.0	7.9
Private	3.5	8.6	6.2	6.3	4.2	8.5	-2.4	8.4
Domestic final purchases	4.0	12.1	6.9	9.7	7.6	9.5	2.3	4.0
Personal consumption expenditures	2.6	10.0	3.8	6.8	4.6	7.9	.7	3.6
Goods	3.5	12.6	5.4	9.5	7.8	10.7	-1.9	3.8
Services	1.5	7.3	2.1	3.8	1.2	4.6	3.8	3.3
Gross private domestic investment	34.1	52.5	38.4	37.0	71.6	-2.2	24.9	-13.1
Residential structures	64.5	78.1	31.6	4.0	21.3	1.2	-4.6	-5.5
Business fixed investment	.0	9.6	18.7	30.6	20.6	21.3	13.7	8.5
Gov't. purchases of goods and services	-8.2	-2.6	-.5	-4.3	1.0	18.6	5.4	5.9
Federal	-17.4	-5.9	-5.3	-8.7	-2.8	45.2	6.2	15.2
National defense	6.8	7.6	-1.9	9.2	3.4	12.2	-2.3	17.5
State and local	-1.2	-.2	2.7	-1.4	3.5	3.7	4.8	-.2
Disposable personal income	2.1	3.3	7.7	8.2	8.6	6.3	3.9	3.5
<u>Current Dollars</u>								
Gross national product	8.5	12.3	10.1	10.6	14.9	10.7	5.6	7.1
Gross domestic purchases	6.7	16.0	11.4	12.2	17.6	11.4	9.1	3.2
Final sales	5.9	8.9	8.1	8.4	7.3	13.8	3.2	11.4
Personal consumption expenditures	4.8	14.5	7.6	9.2	8.6	10.2	5.0	6.1
Goods	3.6	15.7	8.8	10.2	10.9	9.6	-.1	4.9
Services	6.1	13.3	6.6	8.3	6.2	10.9	10.5	7.3
Gross private domestic investment	34.3	52.0	43.2	45.3	78.0	2.0	24.9	-14.3
Residential structures	79.3	71.9	44.4	3.3	23.6	12.1	-.6	-4.7
Business fixed investment	-5.5	5.7	18.5	38.4	16.5	23.9	14.9	11.5
Gov't. purchases of goods and services	-1.3	2.0	4.5	.9	7.8	24.3	9.6	10.7
Federal	-8.9	-3.6	-2.0	-4.3	2.0	50.5	7.8	19.4
National defense	7.9	9.8	3.3	13.2	12.5	14.7	-.8	22.1
State and local	4.2	5.8	9.0	4.4	11.5	10.0	10.7	5.2
Disposable personal income	4.3	7.5	11.7	10.7	12.7	8.6	8.4	6.0
Personal income	3.6	8.0	7.3	11.0	12.4	9.1	8.6	6.7
Wage and salary disbursements	5.6	8.7	7.3	11.0	9.7	8.8	5.9	6.5
Corporate profits with I.V.A. and C.C.Adj.	94.8	114.3	63.4	26.8	29.6	21.3	-10.9	13.0
Corporate profits before tax	16.0	125.7	73.3	-3.3	35.5	4.5	-30.3	7.1
Nonfarm payroll employment	.5	3.4	4.2	5.8	5.5	4.3	3.9	4.0
Manufacturing	-.9	5.0	6.2	7.8	6.4	4.5	2.4	1.1
Nonfarm business sector								
Output per hour	4.4	8.1	2.1	1.0	2.9	5.5	-1.1	2.2
Compensation per hour	5.7	3.5	2.2	4.1	6.1	3.7	3.6	3.7
Unit labor costs	1.3	-4.2	.1	3.0	3.1	-1.7	4.7	1.4
GNP implicit deflator <1>	5.0	2.6	3.1	4.4	4.4	3.3	3.9	2.8
Gross domestic business product								
fixed-weighted price index <2>	2.7	3.9	4.5	3.5	4.2	4.1	4.0	3.5
Excluding food and energy	4.9	3.5	5.4	3.8	3.4	5.4	4.9	3.9
Consumer price index (all urban)	.4	4.3	4.2	4.2	5.2	3.7	3.7	3.6
Industrial production	10.1	18.4	21.8	10.2	11.5	8.6	6.3	-2.3

<1> Excluding the federal pay increase, the rate of change in 1983-Q4 was 4.4 percent.

<2> Uses expenditures in 1972 as weights.

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

	1985				Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3810.6	3857.7	3917.7	3978.1	4040.5	4099.5	4161.6	4229.7
Gross domestic purchases	3885.1	3951.8	4018.2	4082.8	4143.5	4204.2	4267.7	4332.6
Final sales	3770.0	3829.0	3886.3	3945.1	4006.2	4064.9	4127.7	4196.0
Private	2978.1	3022.2	3061.8	3108.0	3156.0	3203.2	3253.6	3308.3
Domestic final purchases	3052.6	3116.4	3162.2	3212.7	3259.1	3307.9	3359.7	3411.2
Personal consumption expenditures	2446.5	2493.5	2524.8	2559.8	2595.5	2634.3	2675.7	2716.7
Goods	1212.1	1235.3	1245.8	1258.5	1272.0	1287.0	1302.9	1318.0
Services	1234.4	1258.2	1279.0	1301.3	1323.5	1347.3	1372.8	1398.7
Gross private domestic investment	646.8	651.6	668.8	685.9	697.9	708.2	718.0	728.2
Residential structures	155.2	160.0	168.0	176.5	180.0	183.0	186.0	189.0
Business fixed investment	450.9	462.9	469.4	476.4	483.6	490.6	498.1	505.5
Change in business inventories	40.7	28.7	31.4	33.0	34.3	34.6	33.9	33.7
Nonfarm	34.1	22.9	29.0	31.0	33.3	33.6	32.9	32.7
Net exports of goods and services <1>	-74.5	-94.2	-100.5	-104.7	-103.0	-104.7	-106.2	-102.9
Exports	360.7	351.3	355.5	360.3	366.2	374.1	383.2	395.7
Imports	435.2	445.5	456.0	465.0	469.3	478.8	489.3	498.6
Gov't. purchases of goods and services	791.9	806.7	824.5	837.1	850.1	861.7	874.1	887.7
Federal <2>	319.9	325.0	334.4	338.7	343.9	347.7	352.2	357.7
State and local	472.0	481.7	490.1	498.4	506.2	514.0	521.9	530.0
Gross national product in constant (1972) dollars	1663.5	1672.1	1686.6	1699.3	1710.7	1720.5	1730.4	1741.2
Personal income	3143.8	3179.2	3237.8	3293.8	3345.3	3398.7	3451.1	3508.0
Wage and salary disbursements	1882.7	1908.3	1939.0	1968.9	1998.0	2027.4	2056.4	2086.6
Disposable personal income	2654.8	2732.7	2760.0	2803.3	2855.2	2897.4	2938.8	2983.5
Saving rate (percent)	4.5	5.3	5.0	5.2	5.6	5.5	5.3	5.3
Corporate profits with I.V.A. and C.C. Adj.	292.3	293.0	292.4	293.8	291.0	290.7	292.2	296.5
Corporate profits before tax	222.3	220.0	215.9	213.3	207.0	204.2	202.7	204.5
Federal government surplus or deficit (-) (N.I.A. basis)	-165.1	-210.5	-197.8	-194.8	-192.3	-191.3	-190.2	-191.2
High employment surplus or deficit (-) <3>	-129.4	-175.3	-164.2	-162.0	-159.3	-157.2	-154.8	-155.0
State and local government surplus or deficit(-) (N.I.A. basis)	53.7	54.2	52.3	51.5	50.3	49.8	50.4	51.3
Excluding social insurance funds	8.3	8.0	5.3	3.7	1.7	.4	.2	.3
Civilian labor force (millions)	115.2	115.4	115.9	116.3	116.8	117.2	117.7	118.2
Unemployment rate (percent)	7.3	7.3	7.2	7.1	7.1	7.1	7.1	7.1
Nonfarm payroll employment	96.6	97.4	98.0	98.6	99.1	99.5	100.0	100.4
Manufacturing	19.6	19.5	19.5	19.6	19.7	19.7	19.8	19.8
Industrial production (1967=100)	165.5	165.5	166.4	167.6	168.7	169.7	170.9	172.0
Capacity utilization: all manufacturing (percent)	81.1	80.4	80.2	80.0	79.9	79.8	79.7	79.7
Materials (percent)	80.7	79.8	79.6	79.5	79.4	79.3	79.3	79.2
Housing starts, private (million units, A.R.)	1.80	1.80	1.90	1.90	1.90	1.85	1.85	1.85
New auto sales (millions, A.R.)	10.87	11.10	11.00	10.80	10.80	10.70	10.70	10.60
Domestic models	8.46	8.40	8.10	7.80	7.80	7.70	7.60	7.50
Foreign models	2.42	2.70	2.90	3.00	3.00	3.00	3.10	3.10

<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.

CONFIDENTIAL - FR
CLASS II FOMC

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

	1985				Projected 1986			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	.3	2.1	3.5	3.0	2.7	2.3	2.3	2.5
Gross domestic purchases	3.9	3.1	3.6	3.0	2.4	2.0	2.0	2.0
Final sales	-3.3	3.8	3.3	2.9	2.6	2.4	2.4	2.6
Private	-4.4	3.9	3.1	3.1	2.8	2.6	2.5	2.7
Domestic final purchases	4.1	5.2	3.2	3.1	2.5	2.2	2.2	2.0
Personal consumption expenditures	5.2	4.2	2.2	2.1	2.1	2.0	2.0	1.8
Goods	5.4	5.7	2.2	2.2	2.2	2.0	1.9	1.6
Services	5.0	2.4	2.2	2.1	2.1	2.1	2.1	2.0
Gross private domestic investment	3.1	-1.1	8.2	7.6	4.1	2.8	2.2	2.4
Residential structures	5.3	10.4	17.9	17.5	4.5	2.9	2.5	2.5
Business fixed investment	-1.6	9.0	4.1	4.1	3.8	3.1	3.1	3.0
Gov't. purchases of goods and services	.3	3.6	4.3	2.0	1.8	1.3	1.9	2.3
Federal	.7	3.9	6.8	1.3	1.6	.5	1.9	2.9
National defense	-2.2	8.5	9.2	2.1	1.7	.8	2.5	4.1
State and local	.0	3.4	2.4	2.4	2.0	2.0	1.9	1.9
Disposable personal income	-1.6	8.3	1.2	2.9	4.0	2.0	1.4	1.7
<u>Current Dollars</u>								
Gross national product	5.6	5.0	6.4	6.3	6.4	6.0	6.2	6.7
Gross domestic purchases	7.6	7.0	6.9	6.6	6.1	6.0	6.2	6.2
Final sales	5.2	6.4	6.1	6.2	6.3	6.0	6.3	6.8
Personal consumption expenditures	8.6	7.9	5.1	5.7	5.7	6.1	6.4	6.3
Goods	6.6	7.9	3.4	4.1	4.4	4.8	5.0	4.7
Services	10.6	7.9	6.8	7.2	7.0	7.4	7.8	7.8
Gross private domestic investment	5.8	3.0	11.0	10.6	7.2	6.0	5.6	5.8
Residential structures	4.6	12.9	21.6	21.8	8.2	6.8	6.7	6.6
Business fixed investment	3.0	11.1	5.7	6.0	6.2	5.9	6.2	6.1
Gov't. purchases of goods and services	5.9	7.7	9.1	6.2	6.3	5.6	5.9	6.4
Federal	5.4	6.5	12.1	5.2	6.3	4.5	5.3	6.4
National defense	4.0	11.0	15.5	6.8	6.3	5.2	6.6	8.1
State and local	6.3	8.5	7.2	6.9	6.4	6.3	6.3	6.4
Disposable personal income	1.6	12.3	4.1	6.4	7.6	6.1	5.8	6.2
Personal income	6.3	4.6	7.6	7.1	6.4	6.5	6.3	6.8
Wage and salary disbursements	7.8	5.6	6.6	6.3	6.0	6.0	5.9	6.0
Corporate profits with I.V.A. and C.C.Adj.	1.0	1.0	-9	2.0	-3.8	-4	2.0	6.0
Corporate profits before tax	-10.7	-4.1	-7.3	-4.6	-11.4	-5.2	-3.0	3.5
Nonfarm payroll employment	3.3	3.2	2.6	2.2	2.0	1.9	1.8	1.8
Manufacturing	.0	-2.0	1.7	1.6	1.2	1.0	1.0	.8
Nonfarm business sector								
Output per hour	-2.5	-.4	1.6	1.3	1.3	.6	.9	1.0
Compensation per hour	5.4	4.2	4.3	4.3	4.7	4.3	4.4	4.5
Unit labor costs	8.1	4.6	2.7	3.0	3.4	3.7	3.5	3.5
GNP implicit deflator <1>	5.4	2.9	2.8	3.2	3.6	3.6	3.8	4.1
Gross domestic business product								
fixed-weighted price index <2>	3.6	3.7	3.2	3.4	3.7	3.9	4.1	4.3
Excluding food and energy	4.6	3.9	3.8	3.9	4.0	4.2	4.4	4.5
Consumer price index (all urban)	3.2	4.1	3.3	3.4	3.8	4.0	4.2	4.4
Industrial production	2.0	.0	2.3	2.9	2.6	2.6	2.6	2.8

<1> Excluding Federal pay increase, the rate of change in 1985-Q1 is 5.0 percent and in 1986-Q1 is 3.5 percent.
<2> Uses expenditures in 1972 as weights.

CONFIDENTIAL - FR
CLASS II FOMC

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

	1979	1980	1981	1982	1983	1984	Projected	
							1985	1986
Gross national product	2417.8	2631.7	2957.7	3069.2	3304.8	3662.8	3891.0	4132.8
Gross domestic purchases	2404.5	2607.7	2929.8	3050.2	3313.0	3727.1	3984.5	4237.0
Final sales	2403.5	2641.4	2931.7	3095.4	3318.3	3604.6	3857.6	4098.7
Private	1929.2	2103.7	2335.2	2444.9	2632.7	2857.2	3042.5	3230.3
Domestic final purchases	1915.9	2079.7	2307.2	2425.9	2641.0	2921.4	3136.0	3334.5
Personal consumption expenditures	1507.1	1668.0	1849.1	1984.9	2155.9	2341.8	2506.1	2655.6
Goods	813.4	883.5	966.1	1002.6	1081.5	1175.6	1237.9	1295.0
Services	693.7	784.5	883.0	982.2	1074.4	1166.2	1268.2	1360.6
Gross private domestic investment	423.0	401.9	484.2	414.9	471.6	637.9	663.3	713.0
Residential construction	118.5	102.9	104.3	91.3	132.2	153.9	164.9	184.5
Business fixed investment	290.2	308.8	353.9	349.6	352.9	425.8	464.9	494.4
Change in business inventories	14.3	-9.8	26.0	-26.1	-13.5	58.2	33.4	34.1
Nonfarm	8.6	-4.5	18.2	-23.9	-3.1	49.6	29.3	33.1
Net exports of goods and services <1>	13.2	23.9	28.0	19.0	-8.3	-64.2	-93.5	-104.2
Exports	281.3	338.8	369.9	348.4	336.2	364.3	357.0	379.8
Imports	268.1	314.8	341.9	329.4	344.4	428.5	450.4	484.0
Gov't. purchases of goods and services	474.4	537.8	596.5	650.5	685.5	747.4	815.1	868.4
Federal <2>	168.3	197.0	228.9	258.9	269.7	295.4	329.5	350.4
State and local	306.0	340.8	367.6	391.5	415.8	452.0	485.6	518.0
Gross national product in constant (1972) dollars	1479.4	1475.0	1512.1	1480.0	1534.7	1639.3	1680.4	1725.7
Personal income	1951.1	2165.3	2429.4	2584.6	2744.3	3012.1	3213.6	3425.8
Wage and salary disbursements	1237.6	1356.7	1493.1	1568.7	1659.2	1804.0	1924.7	2042.1
Disposable personal income	1650.2	1828.9	2041.7	2180.5	2340.1	2576.8	2737.7	2918.7
Saving rate (percent)	5.9	6.0	6.7	6.2	5.0	6.1	5.0	5.4
Corporate profits with I.V.A. and C.C.Adj.	194.8	175.4	190.0	159.2	225.1	285.8	292.9	292.6
Corporate profits before tax	252.7	234.6	221.3	165.6	203.1	235.7	217.9	204.6
Federal government surplus or deficit (-) (N.I.A. basis)	-16.1	-61.3	-64.2	-148.2	-178.6	-175.9	-192.0	-191.3
High employment surplus or deficit (-)	-20.8	-36.4	-31.3	-61.6	-92.7	-139.6	-157.7	-156.6
State and local government surplus or deficit (-) (N.I.A. basis)	30.6	30.6	37.6	32.9	44.1	52.9	52.9	50.4
Excluding social insurance funds	6.8	3.5	7.8	-8	6.6	10.4	6.3	.6
Civilian labor force (millions)	105.0	106.9	108.7	110.2	111.6	113.5	115.7	117.5
Unemployment rate (percent)	5.8	7.1	7.6	9.7	9.6	7.5	7.2	7.1
Nonfarm payroll employment (millions)	89.8	90.4	91.2	89.6	90.2	94.5	97.7	99.7
Manufacturing	21.0	20.3	20.2	18.8	18.4	19.4	19.5	19.8
Industrial production (1967=100)	152.5	147.0	150.9	138.6	147.6	163.3	166.2	170.3
Capacity utilization: all manufacturing (percent)	86.0	79.6	79.4	71.1	75.2	81.6	80.4	79.8
Materials (percent)	87.6	80.4	80.7	70.1	75.2	82.0	79.9	79.3
Housing starts, private (million units, A.R.)	1.72	1.30	1.10	1.06	1.70	1.77	1.85	1.86
New auto sales (millions, A.R.)	10.68	9.04	8.56	8.00	9.18	10.39	10.94	10.70
Domestic models	8.36	6.62	6.24	5.77	6.77	7.95	8.19	7.65
Foreign models	2.32	2.42	2.32	2.23	2.41	2.44	2.75	3.05

<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

	1979	1980	1981	1982	1983	1984	-----Projected-----	
							1985	1986
<u>Constant (1972) Dollars</u>								
Gross national product	2.8	-.3	2.5	-2.1	3.7	6.8	2.5	2.7
Gross domestic purchases	2.0	-1.2	3.1	-1.2	4.9	8.7	3.5	2.6
Final sales	3.5	.5	1.5	-.7	3.2	5.0	3.2	2.8
Private	4.0	.1	1.6	-1.3	4.1	5.3	2.9	2.9
Domestic final purchases	2.9	-1.0	2.2	-.2	5.6	7.6	4.2	2.7
Personal consumption expenditures	2.7	.5	2.0	1.3	4.8	5.3	3.7	2.2
Goods	1.9	-1.4	1.7	.4	6.0	7.1	4.0	2.3
Services	3.7	2.7	2.3	2.5	3.4	3.2	3.4	2.1
Gross private domestic investment	-.2	-11.8	10.7	-15.9	13.7	31.2	2.0	4.3
Residential structures	-5.3	-20.3	-5.5	-14.8	41.7	12.1	4.8	8.0
Business fixed investment	7.3	-2.4	5.5	-4.6	2.5	19.8	6.5	3.9
Gov't. purchases of goods and services	1.3	2.2	.9	2.0	-.3	3.5	4.2	2.2
Federal	1.8	4.2	3.7	6.1	-.7	5.4	7.7	2.2
National defense	2.6	3.9	5.0	7.6	7.1	5.8	6.3	3.1
State and local	1.1	1.0	-.6	-.6	.0	2.2	1.8	2.2
Disposable personal income	2.7	.6	2.7	.9	3.5	6.7	3.0	2.8
<u>Current Dollars</u>								
Gross national product	11.7	8.8	12.4	3.8	7.7	10.8	6.2	6.2
Gross domestic purchases	11.1	8.5	12.3	4.1	8.6	12.5	6.9	6.3
Final sales	12.4	9.9	11.0	5.6	7.2	8.6	7.0	6.2
Personal consumption expenditures	11.9	10.7	10.9	7.3	8.6	8.6	7.0	6.0
Goods	11.7	8.6	9.3	3.8	7.9	8.7	5.3	4.6
Services	12.2	13.1	12.6	11.2	9.4	8.5	8.8	7.3
Gross private domestic investment	9.4	-5.0	20.5	-14.3	13.7	35.2	4.0	7.5
Residential structures	6.6	-13.2	1.3	-12.4	44.7	16.4	7.2	11.9
Business fixed investment	16.6	6.4	14.6	-1.2	.9	20.6	9.2	6.3
Gov't. purchases of goods and services	9.8	13.4	10.9	9.0	5.4	9.0	9.1	6.5
Federal	9.6	17.1	16.2	13.1	4.2	9.5	11.5	6.3
National defense	11.5	17.3	17.2	16.8	11.7	10.5	10.1	7.7
State and local	9.9	11.4	7.9	6.5	6.2	8.7	7.4	6.7
Disposable personal income	12.0	10.8	11.6	6.8	7.3	10.1	6.2	6.6
Personal income	12.6	11.0	12.2	6.4	6.2	9.8	6.7	6.6
Wage and salary disbursements	11.9	9.6	10.1	5.1	5.8	8.7	6.7	6.1
Corporate profits with I.V.A. and C.C.Adj.	1.2	-9.9	8.3	-16.2	41.5	26.9	2.5	-.1
Corporate profits before tax	10.3	-7.1	-5.7	-25.2	22.8	16.0	-7.6	-6.1
Nonfarm payroll employment	3.6	.6	.8	-1.7	.7	4.7	3.4	2.1
Manufacturing	2.6	-3.6	-.6	-6.9	-1.8	5.3	.7	1.1
Nonfarm business sector								
Output per hour	-1.5	-.7	1.5	.2	3.5	2.7	.2	1.0
Compensation per hour	9.0	10.3	9.6	8.0	4.9	4.1	4.3	4.4
Unit labor costs	10.7	11.1	8.0	7.7	1.4	1.4	4.2	3.4
GNP implicit deflator	8.6	9.2	9.6	6.0	3.8	3.8	3.6	3.4
Gross domestic business product								
fixed-weighted price index <1>	9.9	9.9	9.7	5.9	3.7	4.0	3.7	3.7
Excluding food and energy	8.6	8.5	9.4	7.0	4.6	4.3	4.3	4.1
Consumer price index (all urban)	11.3	13.5	10.3	6.1	3.2	4.3	3.6	3.8
Industrial production	4.4	-3.6	2.6	-8.1	6.4	10.7	1.8	2.5

<1> Uses expenditures in 1972 as weights.

July 3, 1985

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

	Fiscal Year 1984*	FY1985 ^e /2/		FY1986 ^e /2/		CY 1984*	CY1985 FRB Staff	FRB staff estimates								
		Admin. 1/	FRB Staff	Admin. 1/	FRB Staff			Calendar quarters; not seasonally adjusted								
								1984 IV*	1985				1986			
									I*	II	III	IV	I	II	III	
Unified budget receipts	666	741	732	794	784	683	740	166	174	206	187	174	184	229	197	
Unified budget outlays	842	944	940	971	969	868	948	239	230	237	235	246	241	241	242	
Surplus/deficit(-), unified budget	-175	-203	-208	-177	-185	-184	-207	-72	-56	-31	-48	-72	-57	-12	-44	
Surplus/deficit(-), off-budget agencies ³	-10	-10	-11	-1	-5	-10	-13	1	-3	-5	-4	-1	-1	-2	-1	
Combined deficit to be financed	-185	-213	-219	-177	-189	-195	-220	-71	-59	-36	-53	-73	-57	-13	-46	
Means of financing combined deficit:																
Net borrowing from public	171	201	202	179	187	199	202	64	42	45	51	64	55	21	48	
Decrease in cash operating balance	7	10	9	0	1	-5	8	13	4	-10	3	11	-5	-5	0	
Other ⁴	8	2	7	-1	2	2	11	-6	13	1	-1	-2	8	-2	-2	
Cash operating balance, end of period	30	20	21	20	20	18	10	18	14	24	21	10	15	20	20	
Memo: Sponsored agency borrowing ⁵	30	42	19	46	20	32	21	3	4	6	6	5	5	5	5	
NIA Budget																
								Seasonally adjusted annual rates								
Receipts	688	762	751	825	806	705	767	722	771	734	766	782	795	809	822	
Expenditures	860	945	941	990	994	881	955	920	937	944	963	976	987	1000	1012	
Purchases	283	327	324	355	346	295	330	316	320	325	334	339	344	348	352	
Defense	215	242	239	272	259	222	244	232	234	240	249	253	257	260	264	
Nondefense	68	85	85	83	87	74	86	84	86	85	86	86	87	88	88	
All other expenditures	577	618	617	635	648	586	625	604	617	619	629	637	643	652	660	
Surplus/deficit(-)	-172	-183	-194	-165	-193	-176	-193	-198	-165	-211	-198	-195	-192	-191	-190	
High employment surplus/deficit(-) evaluated at 6 percent unemployment	-126	n.a.	-160	n.a.	-158	-140	-158	-169	-129	-175	-164	-162	-159	-157	-155	
		*--actual			e--estimated			n.a.--not available								

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1. O.M.B., Current Budget Estimates (April 1985) and B.E.A. translations to an NIA basis.2. The CBO baseline budget estimates show revenues of \$735 billion and \$788 billion, unified outlays of \$938 billion and \$995 billion, and deficits of \$203 billion and \$206 billion in fiscal years 1985 and 1986, respectively. Off-budget outlays are projected to be \$11 billion in fiscal 1985 and \$9 billion in fiscal 1986.
(The Economic Outlook, February 1985.)

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

3. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank and Strategic Petroleum Reserve.
4. Checks issued less checks paid, accrued items and other transactions.
5. 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. The Administration's definition of borrowing by these agencies is somewhat broader.

JULY 2, 1985

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

	ANNUAL			1984		1985				1986			
	1984-	1985-P	1986-P	Q3-	Q4-	Q1-	Q2-P	Q3-P	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
1. <u>GNP EXPORTS AND IMPORTS</u> 1/													
CURRENT \$, NET	-64.2	-93.5	-104.2	-90.6	-56.0	-74.5	-94.2	-100.5	-104.7	-103.0	-104.7	-106.2	-102.9
EXPORTS OF G+S	364.3	357.0	379.8	368.6	367.2	360.7	351.3	355.5	360.3	366.2	374.1	383.2	395.7
IMPORTS OF G+S	428.5	450.4	484.0	459.3	423.2	435.2	445.5	456.0	465.0	469.3	478.8	489.3	498.6
CONSTANT 72 \$, NET	-15.0	-32.1	-30.7	-27.0	-13.4	-28.4	-32.9	-33.4	-33.6	-32.6	-31.5	-30.4	-28.3
EXPORTS OF G+S	146.0	141.7	145.7	147.4	147.1	143.7	139.9	141.0	142.1	142.9	144.4	146.4	149.3
IMPORTS OF G+S	161.1	173.7	176.4	174.4	160.5	172.1	172.8	174.4	175.7	175.4	175.9	176.9	177.6
2. <u>U.S. MERCHANDISE TRADE BALANCE</u> 2/	-108.3	-135.9	-146.3	-130.0	-98.2	-117.8	-136.9	-142.6	-146.4	-144.6	-146.8	-148.3	-145.4
EXPORTS	220.3	218.4	233.0	222.1	225.4	223.2	213.1	217.4	220.0	224.1	229.0	235.0	244.0
AGRICULTURAL	38.4	30.4	31.3	36.9	38.3	34.0	28.6	29.1	29.8	30.6	31.2	31.3	32.1
NONAGRICULTURAL	181.9	188.1	201.7	185.3	187.2	189.3	184.5	188.3	190.2	193.5	197.8	203.7	211.8
IMPORTS	328.6	354.4	379.3	352.1	323.7	341.0	349.9	360.0	366.5	368.7	375.8	383.3	389.4
PETROLEUM AND PRODUCTS	57.5	49.6	46.1	57.8	56.8	45.2	52.7	51.2	49.2	44.7	45.6	47.1	47.0
NONPETROLEUM	271.1	304.8	333.2	294.4	266.9	295.8	297.2	308.9	317.3	324.0	330.2	336.1	342.4
3. <u>U.S. CURRENT ACCOUNT BALANCE</u>	-101.5	-131.2	-139.4	-130.0	-101.9	-120.0	-130.3	-133.7	-140.7	-135.9	-139.0	-141.8	-141.0
OF WHICH: NET INVESTMENT INCOME	19.1	20.0	22.4	13.0	16.0	10.5	20.9	24.3	24.2	23.2	22.9	22.0	21.3
4. <u>FOREIGN OUTLOOK</u> 3/													
REAL GNP--TEN INDUSTRIAL 4/	3.1	2.7	2.8	4.6	3.9	0.7	3.8	3.2	2.8	2.7	2.6	2.6	2.6
REAL GNP--NONOPEC LDC 5/	4.1	4.1	4.2	4.5	4.1	3.9	3.9	3.9	4.0	4.0	4.4	4.7	5.0
CONSUMER PRICES--TEN IND. 4/	4.9	4.5	3.9	2.6	4.8	5.4	5.5	2.8	3.7	4.4	4.2	3.3	3.7

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1/ ECONOMIC ACTIVITY 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; PRICES ARE NOT SEASONALLY ADJUSTED.

5/ WEIGHTED BY SHARE IN NONOPEC LDC GNP.

P/ PROJECTED

July 3, 1985

RECENT DEVELOPMENTS

Prepared for the Federal Open Market Committee

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

FISCAL YEAR TO DATE BUDGET TOTALS
(Unified budget, billions of dollars)

Month	1984			1985		
	Receipts	Outlays	Deficit	Receipts	Outlays	Deficit
October	45.2	70.2	25.1	52.3	81.0	28.8
November	91.4	138.0	46.7	103.7	161.0	57.2
December	147.9	212.7	63.3	166.1	238.6	72.4
January	210.5	280.8	68.8	236.6	315.5	78.9
February	258.4	349.0	89.2	290.6	390.4	99.8
March	302.8	422.1	117.8	340.2	468.4	128.2
April	383.0	490.7	106.3	434.8	550.7	115.8
May	420.5	562.1	140.2	474.6	630.8	156.2
FY Total	666.5	841.8	175.3	740.6e	943.6e	203.0e

e--Administration estimate, April Budget Update.

INDIVIDUAL ESTIMATED AND FINAL TAX RECEIPTS¹ SINCE JANUARY 1
(Millions of dollars, not at annual rates nor seasonally adjusted)

Cumulative totals through:	Individual refunds		Estimated and final receipts		Net estimated and final receipts ²	
	1984	1985	1984	1985	1984	1985
January 31	128	270	14,110	14,830	13,982	14,560
February 28	2,905	1,341	15,975	16,716	13,070	15,375
March 31	19,547	12,870	19,425	20,529	-1,222	7,659
April 30	35,080	31,582	55,811	68,780	20,731	37,198
May 31	58,079	60,040	64,013	77,968	5,934	17,928
June 18	58,733	60,772	69,297	83,982	10,564	23,210

1. Includes payment of estimated Social Security taxes by self-employed individuals.

2. Estimated and final receipts less refunds.

Source: Daily Treasury Statement.