

September 25, 1985

## **SUMMARY AND OUTLOOK**

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

September 25, 1985

I-7  
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					
	8/14/85	9/25/85	8/14/85	9/25/85	8/14/85	9/25/85	8/14/85	9/25/85	8/14/85	9/25/85
<b>Annual changes:</b>										
1983	<1>	7.7	7.7	3.7	3.7	3.7	3.7	4.6	4.6	9.6
1984	<1>	10.8	10.8	6.8	6.8	4.0	4.0	4.3	4.3	7.5
1985		6.1	6.1	2.4	2.4	3.6	3.6	4.2	4.2	7.3
1986		6.2	6.3	2.6	2.7	3.7	3.6	4.1	4.2	7.1
<b>Quarterly changes:</b>										
1984	Q1	<1>	14.9	14.9	10.1	10.1	4.2	4.2	3.4	7.9
	Q2	<1>	10.7	10.7	7.1	7.1	4.1	4.1	5.4	7.5
	Q3	<1>	5.6	5.6	1.6	1.6	4.0	4.0	4.9	7.4
	Q4	<1>	7.1	7.1	4.3	4.3	3.5	3.5	3.9	7.2
1985	Q1	<1>	5.6	5.6	.3	.3	3.6	3.6	4.6	7.3
	Q2	<1>	4.6	4.5	1.7	1.9	3.5	3.7	3.3	7.3
	Q3		5.9	6.2	3.0	3.0	3.3	2.8	3.9	7.3
	Q4		6.4	5.8	3.2	3.0	3.5	2.8	3.9	7.2
1986	Q1		6.3	5.6	2.5	2.5	3.8	3.5	4.1	7.1
	Q2		6.3	7.1	2.5	2.7	3.9	4.3	4.2	7.1
	Q3		6.2	7.3	2.4	2.8	4.1	4.3	4.4	7.1
	Q4		6.9	7.6	2.6	2.9	4.3	4.5	4.5	7.0
<b>Two-quarter changes: &lt;2&gt;</b>										
1984	Q2	<1>	12.8	12.8	8.6	8.6	4.2	4.2	4.4	-1.0
	Q4	<1>	6.4	6.4	2.9	2.9	3.8	3.8	4.4	-.3
1985	Q2	<1>	5.1	5.1	1.0	1.1	3.5	3.7	4.0	.1
	Q4		6.1	6.0	3.1	3.0	3.4	2.8	3.9	-.1
1986	Q2		6.3	6.3	2.5	2.6	3.8	3.9	4.1	-.1
	Q4		6.5	7.4	2.5	2.9	4.2	4.4	4.5	.0
<b>Four-quarter changes: &lt;3&gt;</b>										
1983	Q4	<1>	10.4	10.4	6.3	6.3	3.7	3.7	4.4	-2.1
1984	Q4	<1>	9.5	9.5	5.7	5.7	4.0	4.0	4.4	-1.3
1985	Q4		5.6	5.5	2.0	2.0	3.5	3.2	3.9	.0
1986	Q4		6.4	6.9	2.5	2.7	4.0	4.2	4.3	-.1

&lt;1&gt; Actual.

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

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

September 25, 1985

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.)

	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	10.2	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 (1977=100)	103.3	106.8	111.7	114.9	119.3	121.5	123.4	123.1
Capacity utilization: all manufacturing (percent)	70.2	72.5	75.8	77.4	79.8	80.8	81.6	81.0
Materials (percent)	71.4	73.6	77.0	79.3	82.0	82.6	83.0	81.4
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.

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

	1983				1984			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Constant (1972) Dollars</b>								
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
<b>Current Dollars</b>								
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	3.9	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	3.6	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	35.3	4.5	-30.3	7.1
Nonfarm payroll employment	.3	3.4	4.2	5.8	5.5	4.3	3.9	4.0
Manufacturing	-1.2	4.4	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	3.7	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>	3.0	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	4.3	4.0	3.5
Excluding food and energy	4.9	3.5	9.4	3.8	3.4	5.4	4.9	3.9
Consumer price index (all urban)	.4	6.3	4.2	4.2	5.2	3.7	3.7	3.6
Industrial production	11.5	14.0	19.8	12.0	16.0	7.6	6.4	-.7

<1> Excluding the federal pay increase, the rate of change in 1983-Q4 was 4.4 percent.  
<2> Uses expenditures in 1972 as weights.

CONFIDENTIAL - PR  
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.)

	1985				Projected 1986			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3810.6	3853.1	3911.2	3967.2	4021.5	4091.1	4163.6	4240.3
Gross domestic purchases	3885.2	3947.1	4005.9	4073.0	4138.2	4200.0	4267.4	4335.4
Final sales	3770.0	3835.2	3907.6	3933.6	3988.5	4057.5	4129.2	4205.5
Private	2978.1	3024.3	3070.2	3084.7	3130.6	3189.6	3247.4	3308.2
Domestic final purchases	3052.6	3118.3	3164.8	3190.5	3247.3	3298.5	3351.2	3403.3
Personal consumption expenditures	2446.5	2493.0	2536.0	2550.2	2596.5	2636.7	2677.0	2717.6
Goods	1212.1	1231.1	1246.5	1235.9	1255.4	1269.5	1283.4	1296.9
Services	1234.4	1261.9	1289.5	1314.3	1341.1	1367.2	1393.6	1420.7
Gross private domestic investment	646.8	643.2	632.4	673.8	683.8	695.4	708.6	720.5
Residential structures	155.2	158.0	160.5	167.1	170.3	174.4	179.5	183.4
Business fixed investment	450.9	467.3	468.3	473.2	480.5	487.4	494.7	502.3
Change in business inventories	40.7	17.9	3.6	33.5	33.1	33.6	34.4	34.8
Nonfarm	34.1	11.4	1.0	31.4	31.4	32.4	33.2	33.6
Net exports of goods and services <sup>1</sup>	-74.5	-94.0	-94.6	-105.8	-116.7	-108.9	-103.8	-95.1
Exports	360.7	347.7	346.6	358.0	363.0	375.2	387.5	402.8
Imports	435.2	441.6	441.3	463.8	479.7	484.1	491.3	497.9
Gov't. purchases of goods and services	791.9	810.9	837.4	848.9	857.9	867.9	881.8	897.3
Federal <sup>2</sup>	319.9	324.2	339.1	342.7	344.0	346.5	352.6	360.0
State and local	472.0	486.7	498.3	506.2	513.9	521.4	529.2	537.3
Gross national product in constant (1972) dollars	1663.5	1671.3	1683.6	1696.3	1706.8	1718.3	1730.3	1742.9
Personal income	3143.8	3174.7	3202.0	3264.2	3317.9	3371.9	3429.7	3490.6
Wage and salary disbursements	1882.7	1910.6	1933.4	1963.4	1993.1	2023.9	2055.3	2087.6
Disposable personal income	2654.8	2726.5	2718.5	2771.1	2826.7	2869.0	2915.0	2963.4
Saving rate (percent)	4.5	5.1	3.2	4.4	4.6	4.5	4.5	4.6
Corporate profits with I.V.A. and C.C. Adj.	292.3	298.5	319.4	311.2	301.5	308.0	313.3	319.7
Corporate profits before tax	222.3	221.0	240.6	232.0	222.8	228.3	232.1	237.0
Federal government surplus or deficit (-) (N.I.A. basis)	-165.1	-214.1	-192.9	-198.7	-204.8	-195.7	-190.3	-189.0
High employment surplus or deficit (-) <sup>3</sup>	-129.4	-178.3	-157.3	-163.4	-169.2	-160.1	-155.4	-155.0
State and local government surplus or deficit (-) (N.I.A. basis)	53.7	50.3	48.6	48.9	50.3	52.0	52.7	53.9
Excluding social insurance funds	8.3	4.2	1.6	1.1	1.7	2.6	2.5	2.7
Civilian labor force (millions)	115.2	115.2	115.4	116.0	116.6	117.1	117.6	118.1
Unemployment rate (percent)	7.3	7.3	7.2	7.2	7.2	7.1	7.0	7.0
Nonfarm payroll employment	96.6	97.3	98.0	98.6	99.1	99.7	100.3	100.8
Manufacturing	19.6	19.4	19.4	19.5	19.5	19.6	19.6	19.7
Industrial production (1972=100)	123.8	124.2	124.7	125.6	126.4	127.3	128.3	129.2
Capacity utilization: all manufacturing (percent)	80.5	80.3	80.2	80.1	80.1	80.0	80.1	80.1
Materials (percent)	81.5	80.4	79.9	79.9	79.8	79.8	79.7	79.7
Housing starts, private (million units, A.R.)	1.80	1.77	1.73	1.80	1.80	1.80	1.80	1.80
New auto sales (millions; A.R.)	10.87	10.92	12.10	9.90	10.70	10.70	10.70	10.60
Domestic models	8.46	8.27	9.20	6.90	7.70	7.70	7.60	7.50
Foreign models	2.42	2.63	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.

September 25, 1985

CONFIDENTIAL - FR  
CLASS II FOMCPERCENT 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	1.9	3.0	3.0	2.5	2.7	2.8	2.9
Gross domestic purchases	3.9	3.2	2.9	2.7	2.4	1.8	2.1	2.0
Final sales	-.3	4.6	4.6	-.1	2.7	2.7	2.8	3.0
Private	-.4	4.8	3.2	-.5	3.3	3.2	2.8	2.8
Domestic final purchases	4.1	6.4	3.1	-.8	3.2	2.1	2.0	1.7
Personal consumption expenditures	5.2	4.8	4.3	-2.0	3.2	1.7	1.5	1.3
Goods	5.4	5.4	5.1	-5.8	3.9	1.5	1.1	.8
Services	5.0	4.2	3.4	2.6	2.4	2.0	1.9	1.8
Gross private domestic investment	3.1	-3.5	-9.8	24.7	2.0	3.4	4.0	3.1
Residential structures	5.3	6.4	3.9	13.0	3.7	6.1	8.3	4.9
Business fixed investment	-1.6	14.5	-2.6	1.6	2.8	2.8	2.8	2.8
Gov't. purchases of goods and services	.3	3.7	10.8	1.4	.2	.8	2.8	3.6
Federal	.7	-.4	20.0	.2	-2.6	-1.2	3.3	5.4
National defense	-.2	7.2	8.3	2.1	2.1	2.1	2.9	3.3
State and local	.0	6.7	4.4	2.2	2.2	2.1	2.3	2.3
Disposable personal income	-1.6	8.2	-3.7	3.5	4.0	1.5	1.8	1.8
<u>Current Dollars</u>								
Gross national product	5.6	4.5	6.2	5.8	5.6	7.1	7.3	7.6
Gross domestic purchases	7.6	6.5	6.1	6.9	6.6	6.1	6.6	6.5
Final sales	5.2	7.1	7.8	2.7	5.7	7.1	7.3	7.6
Personal consumption expenditures	8.6	7.8	7.1	2.3	7.5	6.3	6.3	6.2
Goods	6.6	6.4	5.1	-3.4	6.5	4.6	4.4	4.3
Services	10.6	9.2	9.0	7.9	8.4	8.0	8.0	8.0
Gross private domestic investment	5.8	-2.2	-6.5	28.9	6.1	7.0	7.8	6.8
Residential structures	4.6	7.4	6.5	17.5	7.9	10.0	12.2	9.0
Business fixed investment	3.0	15.3	.9	4.3	6.3	5.9	6.1	6.2
Gov't. purchases of goods and services	5.9	10.0	13.7	5.6	4.3	4.8	6.6	7.2
Federal	5.4	5.6	19.7	4.3	1.5	2.9	7.2	8.7
National defense	4.0	12.8	9.8	7.3	6.5	5.6	7.3	7.2
State and local	6.3	13.0	9.9	6.5	6.2	6.0	6.1	6.3
Disposable personal income	1.6	11.2	-1.2	8.0	8.3	6.1	6.6	6.8
Personal income	6.3	4.0	3.5	8.0	6.7	6.7	7.0	7.3
Wage and salary disbursements	7.8	6.1	4.9	6.4	6.2	6.3	6.4	6.4
Corporate profits with I.V.A. and C.C.Adj.	1.0	8.8	31.4	-9.9	-11.9	8.9	7.1	8.4
Corporate profits before tax	-10.7	-2.3	40.5	-13.5	-14.9	10.2	6.8	8.7
Nonfarm payroll employment	3.3	2.9	2.7	2.3	2.4	2.3	2.3	2.1
Manufacturing	.0	-2.7	.0	1.2	.8	.8	1.0	1.0
Nonfarm business sector								
Output per hour	-3.1	1.0	1.0	.7	1.2	.9	1.2	1.2
Compensation per hour	5.0	3.3	3.0	3.9	4.8	4.3	4.5	4.7
Unit labor costs	8.4	2.3	2.0	3.2	3.6	3.4	3.3	3.5
GNP implicit deflator <sup>1</sup>	5.4	2.6	3.1	2.7	3.0	4.3	4.3	4.5
Gross domestic business product								
fixed-weighted price index <sup>2</sup>	3.6	3.7	2.8	2.8	3.5	4.3	4.3	4.5
Excluding food and energy	4.6	3.8	3.7	3.5	4.0	4.7	4.7	4.8
Consumer price index (all urban)	3.2	4.2	2.3	2.9	4.1	4.5	4.6	4.8
Industrial production	2.1	1.4	1.7	2.9	2.6	2.8	3.0	3.1

1. Excluding Federal pay increase, the rate of change in 1985-Q1 is 5.0 percent and in 1986-Q1 is 2.9 percent.

2. Uses expenditures in 1972 as weights.

CONFIDENTIAL - FR  
CLASS II FOMCGROSS 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	3885.5	4129.1
Gross domestic purchases	2404.5	2607.7	2929.8	3050.2	3313.1	3727.0	3977.7	4235.2
Final sales	2403.5	2641.4	2931.7	3095.4	3318.3	3604.6	3861.6	4095.2
Private	1929.2	2103.7	2335.2	2444.9	2632.7	2857.2	3039.3	3219.0
Domestic final purchases	1915.9	2079.7	2307.2	2425.9	2641.0	2921.4	3131.6	3325.1
Personal consumption expenditures	1507.1	1668.0	1849.1	1984.9	2155.9	2341.8	2506.4	2656.9
Goods	813.4	883.5	966.1	1002.6	1081.5	1175.7	1231.4	1276.3
Services	693.7	784.5	883.0	982.2	1074.4	1166.1	1275.0	1380.6
Gross private domestic investment	423.0	401.9	484.2	414.9	471.6	637.8	649.1	702.1
Residential construction	118.5	102.9	104.3	91.3	132.2	153.9	160.2	176.9
Business fixed investment	290.2	308.8	353.9	349.6	352.9	425.7	464.9	491.2
Change in business inventories	14.3	-9.8	26.0	-26.1	-13.5	58.2	23.9	34.0
Nonfarm	8.6	-4.5	18.2	-23.9	-3.1	49.6	19.5	32.6
Net exports of goods and services <sup>1</sup>	13.2	23.9	28.0	19.0	-8.3	-64.2	-92.2	-106.1
Exports	281.3	338.8	369.9	348.4	336.2	364.3	353.3	382.1
Imports	268.1	314.8	341.9	329.4	344.4	428.5	445.5	488.2
Gov't. purchases of goods and services	474.4	537.8	596.5	650.5	685.5	747.4	822.3	876.2
Federal <sup>2</sup>	168.3	197.0	228.9	258.9	269.7	295.4	331.5	350.8
State and local	306.0	340.8	367.6	391.5	415.8	452.0	490.8	525.4
Gross national product in constant (1972) dollars	1479.4	1475.0	1512.1	1480.0	1534.7	1639.3	1678.7	1724.6
Personal income	1951.1	2165.3	2429.4	2584.6	2744.2	3012.1	3196.2	3402.5
Wage and salary disbursements	1237.6	1356.7	1493.1	1568.7	1659.2	1804.0	1922.5	2040.0
Disposable personal income	1650.2	1828.9	2041.7	2180.5	2340.1	2576.8	2717.7	2893.5
Saving rate (percent)	5.9	6.0	6.7	6.2	5.0	6.1	4.3	4.6
Corporate profits with I.V.A. and C.C.Adj.	194.8	175.4	189.9	159.1	225.2	285.7	305.3	310.6
Corporate profits before tax	252.7	234.6	221.2	165.5	203.2	235.7	228.9	230.0
Federal government surplus or deficit (-) (N.I.A. basis)	-16.1	-61.2	-64.3	-148.2	-178.6	-175.8	-192.7	-194.9
High employment surplus or deficit (-)	-20.8	-36.4	-31.3	-61.6	-92.7	-139.6	-157.1	-160.0
State and local government surplus or deficit (-) (N.I.A. basis)	30.4	30.6	37.6	32.9	44.1	52.9	50.4	52.2
Excluding social insurance funds	6.6	3.5	7.8	-.8	6.6	10.4	3.8	2.4
Civilian labor force (millions)	105.0	106.9	108.7	110.2	111.6	113.5	115.4	117.3
Unemployment rate (percent)	5.8	7.1	7.6	9.7	9.6	7.5	7.3	7.1
Nonfarm payroll employment (millions)	89.8	90.4	91.2	89.6	90.2	94.5	97.6	100.0
Manufacturing	21.0	20.3	20.2	18.8	18.4	19.4	19.5	19.6
Industrial production (1977=100)	110.7	108.6	111.0	103.1	109.2	121.8	124.6	127.8
Capacity utilization: all manufacturing (percent)	84.6	79.3	78.3	70.3	74.0	80.8	80.3	80.1
Materials (percent)	87.1	81.1	81.1	71.7	75.3	82.3	80.4	79.8
Housing starts, private (million units, A.R.)	1.72	1.30	1.10	1.06	1.70	1.77	1.77	1.80
New auto sales (millions, A.R.)	10.68	9.04	8.56	8.00	9.18	10.43	10.94	10.68
Domestic models	8.36	6.62	6.24	5.77	6.77	7.97	8.20	7.63
Foreign models	2.32	2.42	2.32	2.23	2.41	2.46	2.74	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

L-13  
PERCENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

September 25, 1985

	1979	1980	1981	1982	1983	1984	Projected 1985	1986
<b>Constant (1972) Dollars</b>								
Gross national product	2.8	-.3	2.5	-2.1	3.7	6.8	2.4	2.7
Gross domestic purchases	2.0	-1.2	3.1	-1.2	5.0	8.7	3.4	2.4
Final sales	3.5	.5	1.5	-.7	3.2	5.0	3.3	2.5
Private	4.0	.1	1.6	-1.3	4.1	5.3	2.9	2.5
Domestic final purchases	2.9	-1.0	2.2	-.2	5.6	7.6	4.2	2.2
Personal consumption expenditures	2.7	.5	2.0	1.4	4.8	5.3	3.8	1.8
Goods	1.9	-1.4	1.7	.4	6.0	7.1	3.7	1.3
Services	3.7	2.7	2.3	2.5	3.4	3.2	4.0	2.5
Gross private domestic investment	-.2	-11.8	10.7	-15.8	13.7	31.2	.2	4.5
Residential structures	-5.3	-20.3	-5.5	-14.8	41.7	12.2	2.1	6.7
Business fixed investment	7.3	-2.4	5.6	-4.7	2.5	19.8	6.4	2.5
Gov't. purchases of goods and services	1.3	2.2	1.0	2.0	-.3	3.5	5.0	2.5
Federal	1.8	4.2	3.6	6.1	-.6	5.4	8.4	2.2
National defense	2.6	3.9	5.1	7.6	7.1	5.8	6.0	3.3
State and local	1.1	1.0	-.6	-.6	.0	2.2	2.7	2.7
Disposable personal income	2.7	.6	2.7	.9	3.5	6.7	2.3	2.3
<b>Current Dollars</b>								
Gross national product	11.7	8.8	12.4	3.8	7.7	10.8	6.1	6.3
Gross domestic purchases	11.1	8.4	12.3	4.1	8.6	12.5	6.7	6.5
Final sales	12.4	9.9	11.0	5.6	7.2	8.6	7.1	6.0
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	4.7	3.6
Services	12.2	13.1	12.6	11.2	9.4	8.5	9.3	8.3
Gross private domestic investment	9.4	-5.0	20.5	-14.3	13.7	35.2	1.8	8.2
Residential structures	6.6	-13.2	1.4	-12.4	44.7	16.4	4.1	10.4
Business fixed investment	16.6	6.4	14.6	-1.2	.9	20.6	9.2	5.7
Gov't. purchases of goods and services	9.8	13.4	10.9	9.0	5.4	9.0	10.0	6.6
Federal	9.6	17.1	16.2	13.1	4.2	9.5	12.2	5.8
National defense	11.5	17.3	17.2	16.8	11.7	10.5	9.8	7.4
State and local	9.9	11.4	7.9	6.5	6.2	8.7	8.6	7.1
Disposable personal income	12.0	10.8	11.6	6.8	7.3	10.1	5.5	6.5
Personal income	12.6	11.0	12.2	6.4	6.2	9.8	6.1	6.5
Wage and salary disbursements	11.9	9.6	10.1	5.1	5.8	8.7	6.6	6.1
Corporate profits with I.V.A. and C.C.Adj.	1.2	-9.9	8.3	-16.2	41.5	26.9	6.9	1.7
Corporate profits before tax	10.3	-7.1	-5.7	-25.2	22.8	16.0	-2.9	.5
Nonfarm payroll employment	3.6	.6	.8	-1.7	.7	4.7	3.4	2.4
Manufacturing	2.6	-3.6	-.6	-6.9	-1.8	5.3	.3	.6
Nonfarm business sector								
Output per hour	-1.3	-.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	3.9	4.2
Unit labor costs	10.7	11.1	8.0	7.7	1.4	1.4	3.7	3.1
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 <sup>1</sup>	9.9	9.9	9.7	5.9	3.7	4.0	3.6	3.6
Excluding food and energy	8.6	8.5	9.4	7.0	4.6	4.3	4.2	4.2
Consumer price index (all urban)	11.3	13.5	10.3	6.1	3.2	4.3	3.4	3.9
Industrial production	3.9	-1.9	2.2	-7.1	5.9	11.6	2.3	2.6

1. Uses expenditures in 1972 as weights.

September 25, 1985

FEDERAL SECTOR ACCOUNTS  
(Billions of dollars)

	Fiscal Year 1984*	FY1985 <sup>e</sup>						FY1986 <sup>e</sup>						CY1985 <sup>e</sup>						FRB staff estimates						
		2/3/ 1/		2/3/ 1/		CY 1984*		PRB Staff		1984 IV*		1985 I*		1985 II*		1985 III		1986 IV		1986 I		1986 II		1986 III		
		Admin.	FRB Staff	Admin.	FRB Staff	CY 1984*	PRB Staff	1984 IV*	1985 I*	1985 II*	1985 III	1985 IV	1986 I	1986 II	1986 III	1986 IV	1986 V	1986 VI	1986 VII	1986 VIII	1986 IX	1986 X	1986 XI	1986 XII		
Unified budget receipts	666	736	736	780	775	683	744	166	174	207	189	175	181	224	195											
Unified budget outlays	842	937	936	955	967	868	942	239	230	234	234	244	241	241	242											
Surplus/deficit(-), unified budget	+175	-201	-200	-175	-192	-184	-197	-72	-56	-27	-45	-69	-60	-16	-47											
Surplus/deficit(-), off-budget agencies <sup>4</sup>	-10	-10	-11	-2	-5	-10	-13	1	-3	-5	-4	-1	-1	-2	-1											
Combined deficit to be financed	-185	-211	-211	-178	-197	-195	-210	-71	-59	-32	-49	-70	-61	-18	-48											
Means of financing combined deficit:																										
Net borrowing from public	171	203	197	180	199	199	202	64	42	45	46	69	52	31	46											
Decrease in cash operating balance	7	10	13	0	-8	-6	2	13	4	-10	7	2	0	-10	0											
Other <sup>5</sup>	8	-2	1	-2	6	2	5	-6	13	-3	-4	-1	8	-3	2											
Cash operating balance, end of period	30	20	18	20	25	18	15	18	14	24	18	15	15	25	25											
Memo: Sponsored agency borrowing <sup>6</sup>	30	n.a.	21	n.a.	19	30	21	4	4	9	4	4	5	5	5											
<u>NIA Budget</u>																										
Receipts	688	756	749	809	795	705	764	722	771	734	770	780	784	801	817											
Expenditures	860	946	942	978	993	881	956	920	937	948	963	979	989	996	1007											
Purchases	283	326	325	343	347	295	331	316	320	324	339	343	344	347	353											
Defense	215	238	238	255	257	222	243	232	234	241	247	251	255	259	263											
Nondefense	68	88	86	88	89	74	88	84	86	83	92	92	89	88	89											
All other expenditures	577	620	617	635	646	586	625	604	617	624	624	636	645	650	655											
Surplus/deficit(-)	-172	-188	-193	-169	-198	-176	-193	-198	-165	-214	-193	-199	-205	-196	-190											
High employment surplus/deficit(-) evaluated at 6 percent unemployment	-126	n.a.	-159	n.a.	-162	-140	-157	-169	-129	-178	-157	-163	-169	-160	-155											

e--actual

e--estimated

n.a.--not available

1. Mid-session Review, August 30, 1985.
2. The Congressional Budget Resolution, passed August 1, 1985, shows revenues of \$737 billion and \$796 billion, combined unified and off-budget outlays of \$946 billion and \$968 billion, and total deficits of \$210 billion and \$172 billion in fiscal years 1985 and 1986, respectively.
3. The latest CBO budget estimates that incorporate the Budget Resolution policy assumptions and the August 1985 CBO economic forecast show revenues of \$737 billion and \$790 billion, combined unified and off-budget outlays of \$946 billion and \$965 billion, and total deficits of \$210 billion and \$175 billion in fiscal years 1985 and 1986, respectively.

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

4. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank and Strategic Petroleum Reserve.
5. Checks issued less checks paid, accrued items and other transactions.
6. Sponsored agency borrowing includes net debt issuance by Federal Home Loan Banks, FHLBC (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.

SEPTEMBER 24, 1985

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

1. GNP EXPORTS AND IMPORTS 1/	ANNUAL				1984		1985				1986		
	1984-	1985-P	1986-P	Q3-	Q4-	Q1-	Q2-	Q3-P	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
CURRENT \$, NET EXPORTS OF G+S IMPORTS OF G+S	-64.2 364.3 428.5	-92.3 353.3 445.5	-106.2 382.1 488.2	-90.6 368.6 459.3	-56.0 367.2 423.2	-74.5 360.7 435.2	-94.0 347.7 441.6	-94.7 346.6 441.3	-105.9 358.0 463.8	-116.8 363.0 479.7	-109.0 375.2 484.1	-103.9 387.5 491.3	-95.2 402.8 497.9
CONSTANT 72 \$, NET EXPORTS OF G+S IMPORTS OF G+S	-15.0 146.0 161.1	-32.1 140.1 172.4	-27.5 146.2 173.8	-27.0 147.4 174.4	-13.4 147.1 160.5	-28.4 143.7 172.1	-33.8 137.9 171.8	-33.8 137.3 171.2	-32.6 141.6 174.3	-32.5 141.9 174.4	-28.9 144.5 173.5	-26.2 147.3 173.6	-22.4 151.1 173.6
2. U.S. MERCHANTISE TRADE BALANCE 2/	-108.3	-133.5	-148.3	-130.0	-98.2	-118.1	-132.0	-134.5	-149.5	-156.3	-150.8	-146.2	-140.0
EXPORTS AGRICULTURAL NONAGRICULTURAL	220.3 38.4 181.9	214.7 28.9 185.9	232.5 29.8 202.6	222.1 36.9 185.3	225.4 38.3 187.2	222.8 33.5 189.4	213.0 28.3 184.6	210.1 25.6 184.5	213.1 28.0 185.0	219.5 29.2 190.3	227.2 29.9 197.3	236.2 30.0 206.2	246.9 30.2 216.7
IMPORTS PETROLEUM AND PRODUCTS NONPETROLEUM	328.6 57.5 271.1	348.3 48.4 299.9	380.8 46.3 334.5	352.1 57.8 294.4	323.6 56.8 266.9	341.0 45.2 295.7	345.0 52.8 292.2	344.6 48.1 296.5	362.6 47.3 315.3	375.8 47.1 328.7	378.0 45.5 332.4	382.4 46.5 335.9	386.9 46.1 340.8
3. U.S. CURRENT ACCOUNT BALANCE	-101.5	-129.9	-141.7	-130.0	-101.9	-121.3	-127.3	-129.0	-142.2	-151.1	-143.6	-138.8	-133.4
OF WHICH: NET INVESTMENT INCOME	19.1	19.9	19.2	13.0	16.0	10.1	22.3	21.8	25.4	20.5	19.8	18.8	17.7
4. FOREIGN OUTLOOK 3/													
REAL GNP--TEN INDUSTRIAL 4/	3.1	2.7	2.8	5.0	3.5	0.5	4.0	3.1	2.7	2.7	2.6	2.6	2.6
REAL GNP--NONOPEC LDC 5/	4.1	3.7	3.8	4.3	3.8	3.4	3.4	3.5	3.6	3.7	4.0	4.3	4.6
CONSUMER PRICES--TEN IND. 4/	4.9	4.5	3.9	2.6	4.8	5.4	5.7	2.7	3.6	4.3	4.3	3.3	3.7

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