

CONFIDENTIAL (FR)

May 16, 1979

SUMMARY AND OUTLOOK

By the Staff
Board of Governors
of the Federal Reserve System

SUMMARY AND OUTLOOK

STAFF GNP PROJECTIONS

	Per cent changes, annual rate							
	Nominal GNP		Real GNP		Gross business product fixed-weighted price index		Unemployment rate (per cent)	
	4/11/79	5/16/79	4/11/79	5/16/79	4/11/79	5/16/79	4/11/79	5/16/79
1976 1/	11.2	11.2	5.7	5.7	5.4	5.4	7.7	7.7
1977 1/	11.0	11.0	4.9	4.9	6.2	6.2	7.0	7.0
1978 1/	11.7	11.7	4.0	4.0	7.7	7.7	6.0	6.0
1979	11.8	11.6	3.1	2.9	9.2	9.2	6.0	6.0
1980	9.4	9.5	1.2	1.2	8.3	8.3	6.8	6.8
1978-III 1/	9.6	9.6	2.6	2.6	8.0	8.0	6.0	6.0
1978-IV 1/	15.7	15.6	6.9	6.9	8.0	8.0	5.8	5.8
1979-I 1/	10.8	9.5	1.3	.7	10.4	9.8	5.7	5.7
1979-II	11.3	12.0	2.4	2.2	9.7	10.3	5.9	5.9
1979-III	8.6	8.4	1.0	.8	8.3	8.3	6.1	6.1
1979-IV	9.8	9.8	1.1	1.0	8.3	8.3	6.3	6.3
1980-I	9.2	9.3	1.1	1.1	8.4	8.5	6.5	6.5
1980-II	9.4	9.4	1.2	1.2	8.2	8.2	6.7	6.7
1980-III	9.2	9.2	1.4	1.4	7.7	7.7	6.9	6.9
1980-IV	9.7	9.6	1.4	1.4	7.7	7.7	7.1	7.1
Change:								
77-IV to								
78-IV 1/	13.1	13.1	4.4	4.4	8.7	8.7	-.8	-.8
78-IV to								
79-IV	10.1	9.9	1.4	1.2	9.2	9.2	.5	.5
79-IV to								
80-IV	9.4	9.4	1.3	1.3	8.0	8.0	.8	.8
Memo:								
Growth Over Annual Policy Period:								
78-IV to								
79 IV	10.1	9.9	1.4	1.2	9.2	9.2	.5	.5
1/ Actual.								

CONFIDENTIAL - FR
 ASS 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			
	I	II	III	IV	Projected I	II	III	IV
Gross national product	2265.6	2330.9	2378.5	2434.5	2489.2	2545.7	2602.3	2662.9
Final purchases	2247.4	2312.3	2360.9	2417.4	2472.1	2529.6	2587.2	2648.8
Private	1788.0	1842.1	1879.8	1924.0	1969.1	2017.0	2065.0	2113.3
Excluding net exports	1798.3	1849.5	1889.3	1929.5	1972.4	2017.0	2061.2	2106.4
Personal consumption expenditures	1444.7	1487.5	1522.1	1556.1	1591.1	1626.9	1662.6	1699.6
Goods	783.1	806.9	822.4	837.8	853.3	869.7	886.2	903.2
Services	661.6	680.6	699.7	718.3	737.8	757.2	776.4	796.4
Gross private domestic investment	371.6	380.6	384.8	390.5	398.4	406.2	413.7	420.9
Residential construction	110.9	109.4	107.9	107.9	109.6	112.4	115.2	118.2
Business fixed investment	242.6	252.6	259.3	265.5	271.7	277.7	283.4	288.6
Change in business inventories	18.1	18.6	17.6	17.1	17.1	16.1	15.1	14.1
Nonfarm	19.6	18.6	17.6	17.1	17.1	16.1	15.1	14.1
Net exports of goods and services ^{1/}	-10.3	-7.4	-9.5	-5.5	-3.3	.0	3.8	6.9
Exports	229.0	239.6	250.2	260.2	267.8	277.1	286.2	294.6
Imports	239.2	246.9	259.6	265.6	271.0	277.0	282.3	287.6
Gov't. purchases of goods and services	459.4	470.2	481.1	493.4	503.0	512.6	522.2	535.5
Federal ^{2/}	164.7	164.7	169.1	174.9	177.7	180.2	182.6	188.6
State and local	294.8	305.5	312.0	318.5	325.3	332.4	339.6	346.9
Gross national product in constant (1972) dollars	1417.3	1425.0	1427.7	1431.3	1435.3	1439.7	1444.7	1449.7
Personal income	1834.1	1883.1	1938.1	1987.2	2028.5	2073.2	2128.5	2177.1
Wage and salary disbursements	1184.7	1210.7	1234.9	1262.9	1290.6	1316.5	1343.3	1373.8
Disposable personal income	1563.5	1603.6	1648.0	1687.2	1721.4	1757.9	1803.8	1842.3
Saving rate (per cent)	5.2	4.8	5.2	5.3	5.0	4.9	5.2	5.1
Corporate profits with I.V.A. and C.C. Adj.	165.2	178.5	176.8	179.7	180.9	186.1	190.0	194.7
Corporate profits before tax	226.2	236.8	228.8	231.9	234.5	240.0	242.2	248.1
Federal government surplus or deficit (-) (N.I.A. basis)	-19.9	-13.6	-27.0	-28.1	-22.7	-18.8	-23.4	-20.5
High employment surplus or deficit (-)	6.0	13.5	5.9	8.6	19.6	28.2	28.2	35.0
State and local government surplus or deficit (-) (N.I.A. basis)	26.2	22.8	23.3	24.2	23.9	22.8	22.2	22.1
Excluding social insurance funds	2.4	-1.6	-1.8	-1.4	-2.3	-4.0	-5.1	-5.8
Civilian labor force (millions)	102.5	102.7	103.6	104.1	104.7	105.2	105.7	106.2
Unemployment rate (per cent)	5.7	5.9	6.1	6.3	6.5	6.7	6.9	7.1
Nonfarm payroll employment (millions)	87.9	88.5	88.8	89.1	89.4	89.6	89.9	90.1
Manufacturing	20.9	21.0	21.0	21.0	20.9	20.9	20.9	20.9
Industrial production (1967=100)	151.3	152.2	152.8	153.3	153.6	154.0	154.4	154.8
Capacity utilization: all mfg. (per cent)	86.1	85.8	85.3	84.7	84.1	83.6	83.0	82.4
Materials (per cent)	87.5	87.3	86.9	86.6	86.1	85.7	85.3	84.9
Housing starts, private (million units, A.R.)	1.62	1.80	1.60	1.55	1.60	1.65	1.70	1.75
New autos sales, (millions, A.R.)	11.55	11.20	10.95	10.70	10.60	10.55	10.50	10.50
Domestic models	9.13	8.90	8.85	8.80	8.75	8.75	8.75	8.80
Foreign models	2.42	2.30	2.10	1.90	1.85	1.80	1.75	1.70

^{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.

May 16, 1979

CONFIDENTIAL - FR
ASS II FOMC

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

	1979				1980			
	I	II	III	Projected IV	I	II	III	IV
<u>Constant (1972) dollars</u>								
Gross national product	.7	2.2	.8	1.0	1.1	1.2	1.4	1.4
Final purchases	-1.3	2.2	.9	1.2	1.1	1.4	1.6	1.5
Private	.5	2.2	.5	1.2	1.1	1.4	1.7	1.6
Excluding net exports	1.0	1.7	.6	.6	.7	1.0	1.2	1.2
Personal consumption expenditures	1.8	2.0	1.3	1.1	.8	1.0	1.3	1.5
Goods	-1.1	.3	-.5	-.3	-.6	-.1	.5	.6
Services	5.3	4.0	3.3	2.7	2.5	2.2	2.3	2.4
Gross private domestic investment	4.5	.8	-3.7	-2.6	.1	-.1	-.6	-.7
Residential structures	-13.8	-15.1	-15.1	-10.3	-3.2	1.5	1.7	2.1
Business fixed investment	2.6	7.2	2.3	1.6	1.3	.9	.5	-.4
Gov't. purchases of goods and services	-3.4	2.1	3.0	1.2	1.4	1.4	1.4	1.4
Federal	-1.8	-4.5	5.9	1.6	1.4	.9	.9	1.0
State and local	-4.4	6.2	1.3	1.0	1.4	1.7	1.7	1.7
Disposable personal income	3.2	.4	3.1	1.6	-.1	.5	3.0	1.1
<u>Current dollars</u>								
Gross national product	9.5	12.0	8.4	9.8	9.3	9.4	9.2	9.6
Final purchases	8.6	12.1	8.7	9.9	9.4	9.6	9.4	9.9
Private	9.8	12.7	8.4	9.7	9.7	10.1	9.9	9.7
Excluding net exports	8.2	11.9	8.9	8.8	9.2	9.4	9.1	9.1
Personal consumption expenditures	12.1	12.4	9.6	9.2	9.3	9.3	9.1	9.2
Goods	11.3	12.7	7.9	7.7	7.6	7.9	7.8	7.9
Services	13.3	12.0	11.7	11.1	11.3	10.9	10.5	10.7
Gross private domestic investment	8.6	10.0	4.5	6.1	8.3	8.1	7.6	7.1
Residential structures	-8.4	-5.3	-5.4	.0	6.5	10.6	10.3	10.8
Business fixed investment	9.6	17.5	11.0	9.9	9.7	9.1	8.5	7.5
Gov't. purchases of goods and services	4.4	9.7	9.6	10.6	8.0	7.9	7.7	10.6
Federal	5.4	.1	11.1	14.4	6.6	5.7	5.4	13.8
State and local	3.8	15.4	8.8	8.6	8.8	9.0	8.9	8.9
Disposable personal income	13.7	10.7	11.5	9.9	8.4	8.7	10.9	8.8
Personal income	10.5	11.1	12.2	10.5	8.6	9.1	11.1	9.5
Wage and salary disbursements	12.9	9.1	8.2	9.4	9.1	8.3	8.4	9.4
Corporate profits with IVA & C.C. Adj.	-23.4	36.3	-3.8	6.7	2.7	12.0	8.6	10.3
Corporate profits before tax	2.3	20.1	-12.9	5.6	4.5	9.8	3.8	10.1
Nonfarm payroll employment	4.2	2.9	1.2	1.3	1.4	1.2	1.0	1.0
Manufacturing	6.0	1.7	.6	-.5	-1.2	-.6	-.4	-.2
Nonfarm business sector								
Output per hour	-4.2	1.2	.5	.7	.7	.9	1.1	1.0
Compensation per hour	10.2	8.7	8.9	9.0	10.3	9.0	8.9	8.8
Unit labor costs	15.0	7.5	8.4	8.3	9.6	8.0	7.7	7.7
GNP implicit deflator <u>1/</u>	8.7	9.6	7.6	8.7	8.1	8.1	7.7	8.2
Gross business product fixed-weighted price index <u>2/</u>	9.8	10.3	8.3	8.3	8.5	8.2	7.7	7.7
Industrial production	4.3	2.4	1.6	1.3	.7	1.0	1.1	1.1

1/ Excluding Federal pay increase rates of change are: 1979 QI, 8.7 per cent; 1979 QIV, 8.1 per cent; 1980 QI, 8.1 per cent; 1980 QIV, 7.7 per cent.
Using expenditures in 1972 as weights.

May 16, 1979

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.)

	1977				1978			
	I	II	III	IV	I	II	III	IV
Gross national product	1806.8	1867.0	1916.8	1958.1	1992.0	2087.5	2136.1	2214.8
Final purchases	1796.5	1850.0	1894.9	1945.0	1975.3	2067.4	2122.5	2201.3
Private	1421.5	1461.2	1495.4	1532.5	1558.6	1642.7	1682.7	1746.8
Excluding net exports	1430.0	1467.1	1502.4	1555.7	1582.7	1648.2	1693.4	1754.4
Personal consumption expenditures	1167.7	1188.6	1214.5	1255.2	1276.7	1322.9	1356.9	1403.9
Goods	639.1	649.2	657.1	684.1	684.9	717.1	731.2	762.5
Services	528.6	539.4	557.5	571.1	591.8	605.8	625.8	641.4
Gross private domestic investment	272.5	295.6	309.7	313.5	322.7	345.4	350.1	364.0
Residential construction	81.6	91.4	94.3	100.2	100.3	105.3	109.0	113.4
Business fixed investment	180.6	187.2	193.5	200.3	205.6	220.1	227.5	237.1
Change in business inventories	10.3	17.0	21.9	13.1	16.7	20.1	13.6	13.5
Nonfarm	11.1	16.5	22.0	10.4	16.9	22.1	14.6	13.4
Net exports of goods and services ^{1/}	-8.5	-5.9	-7.0	-23.2	-24.1	-5.5	-10.7	-7.6
Exports	170.9	178.1	180.8	172.1	181.7	205.4	210.1	221.9
Imports	179.4	184.0	187.8	195.2	205.8	210.9	220.8	229.5
Gov't. purchases of goods and services	375.0	388.8	399.5	412.5	416.7	424.7	439.8	454.5
Federal ^{2/}	138.3	142.9	146.8	152.2	151.5	147.2	154.0	162.5
State and local	236.7	245.9	252.7	260.3	265.2	277.6	285.8	292.0
Gross national product in constant (1972) dollar	1306.7	1325.5	1343.9	1354.5	1354.2	1382.6	1391.4	1414.7
Personal income	1470.7	1508.6	1543.7	1593.0	1628.9	1682.4	1731.7	1789.0
Wage and salary disbursements	946.4	973.4	993.6	1021.2	1050.8	1090.2	1113.2	1149.4
Disposable personal income	1248.0	1285.3	1319.1	1359.6	1391.6	1433.3	1468.4	1513.9
Saving rate (per cent)	4.2	5.3	5.6	5.4	5.9	5.3	5.2	4.8
Corporate profits with I.V.A. and C.C. Adj.	129.9	143.7	154.8	148.2	132.6	163.4	165.2	176.6
Corporate profits before tax	164.8	175.1	177.5	178.3	172.1	205.5	205.4	224.9
Federal government surplus or deficit (-) (N.I.A. basis)	-37.3	-40.3	-56.4	-58.6	-52.6	-23.6	-22.8	-20.8
High employment surplus or deficit (-)	-2.9	-10.8	-29.9	-31.6	-19.5	-5	1.8	-1.0
State and local government surplus or deficit (-) (N.I.A. basis)	29.5	28.5	31.2	29.0	31.5	29.8	23.4	28.8
Excluding social insurance funds	12.5	10.8	12.8	9.9	11.5	9.3	1.8	5.9
Civilian labor force (millions)	96.2	97.1	97.6	98.5	99.3	100.1	100.8	101.5
Unemployment rate (per cent)	7.4	7.2	6.9	6.6	6.2	6.0	6.0	5.8
Nonfarm payroll employment (millions)	80.8	82.0	82.7	83.5	84.3	85.7	86.1	87.0
Manufacturing	19.4	19.6	19.7	19.9	20.1	20.3	20.3	20.6
Industrial production (1967=100)	133.6	137.0	138.4	139.3	139.6	144.0	147.0	149.7
Capacity utilization: all mfg. (per cent)	81.2	82.7	83.0	82.9	82.1	84.0	85.0	85.9
Materials (per cent)	80.4	82.6	82.3	82.2	81.7	84.5	86.0	87.6
Housing starts, private (million units, A.R.)	1.81	1.93	2.02	2.09	1.80	2.10	2.04	2.08
New autos sales, (millions, A.R.)	11.12	11.70	10.92	10.75	10.80	12.12	11.16	11.07
Domestic models	9.28	9.34	8.88	8.77	8.80	10.01	9.19	9.06
Foreign models	1.84	2.36	2.04	1.98	2.00	2.11	1.98	2.00

^{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.

May 16, 1979

CONFIDENTIAL - FR
CLASS II FOMC

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

	1977				1978			
	I	II	III	IV	I	II	III	IV
<u>Constant (1972) dollars</u>								
Gross national product	7.3	5.9	5.7	3.2	-1	8.7	2.6	6.9
Final purchases	5.3	4.6	5.0	4.7	-1.6	8.6	3.7	7.2
Private	6.1	3.7	4.8	4.8	-1.1	11.0	2.8	8.0
Excluding net exports	6.9	3.8	4.3	8.7	-1.0	7.7	3.7	7.7
Personal consumption expenditures	5.1	1.4	4.1	9.0	-1.4	6.0	4.1	7.6
Goods	5.2	1.2	2.4	13.5	-8.1	9.7	2.6	11.5
Services	4.9	1.5	6.1	3.9	7.0	1.9	5.9	3.1
Gross private domestic investment	32.8	25.7	9.7	-2.9	11.3	15.2	-5.1	5.8
Residential structures	10.2	37.8	5.2	11.1	-5.2	2.7	-1.6	4.0
Business fixed investment	19.0	7.5	5.3	5.3	4.2	21.3	3.5	9.5
Gov't. purchases of goods and services	2.4	8.0	5.8	4.2	-3.5	-2	7.2	4.0
Federal	5.1	10.7	6.4	2.9	-8.9	-15.3	14.3	8.8
State and local	.7	6.3	5.4	5.1	-1	9.6	3.4	1.3
Disposable personal income	1.7	6.2	5.9	7.8	1.1	3.5	3.6	6.1
<u>Current dollars</u>								
Gross national product	13.7	14.0	11.1	8.9	7.1	20.6	9.6	15.6
Final purchases	11.0	12.5	10.1	11.0	6.4	20.0	11.1	15.7
Private	11.3	11.6	9.7	10.3	7.0	23.4	10.1	16.1
Excluding net exports	14.9	10.8	10.0	15.0	7.1	17.6	11.4	15.2
Personal consumption expenditures	12.5	7.3	9.0	14.1	7.0	15.3	10.7	14.6
Goods	12.1	6.5	5.0	17.5	.5	20.2	8.1	30.7
Services	13.1	8.4	14.1	10.1	15.3	9.8	13.9	10.3
Gross private domestic investment	48.0	38.5	20.5	5.1	12.2	31.3	5.5	16.9
Residential structures	25.1	57.8	13.5	27.3	.5	21.0	14.9	17.3
Business fixed investment	25.9	15.3	14.1	14.8	11.1	31.2	14.3	18.0
Gov't. purchases of goods and services	9.9	15.5	11.5	13.7	4.1	7.9	15.0	14.1
Federal	11.5	14.0	11.3	15.7	-2.0	-10.9	20.0	23.9
State and local	9.0	16.4	11.6	12.5	7.8	19.9	12.4	9.0
Disposable personal income	9.0	12.5	10.9	12.9	9.8	12.5	10.2	13.0
Personal income	11.7	10.7	9.6	13.4	9.3	13.8	12.2	13.9
Wage and salary disbursements	12.0	11.9	8.6	11.6	12.1	15.9	8.7	13.7
Corporate profits with IVA & C.C. Adj.	26.4	49.8	34.7	-16.0	-35.9	130.6	4.5	30.6
Corporate profits before tax	29.1	27.5	5.6	1.8	-13.2	103.3	-2	43.7
Nonfarm payroll employment	3.9	5.6	3.6	4.0	3.8	6.9	2.1	4.0
Manufacturing	5.2	5.7	1.5	3.2	5.7	3.1	-2	6.0
Nonfarm business sector								
Output per hour	2.4	-1.4	3.7	.5	-3.1	1.7	2.3	1.9
Compensation per hour	8.3	6.5	8.1	7.6	12.2	8.2	9.6	9.1
Unit labor costs	5.8	8.0	4.2	7.1	15.7	6.4	7.1	7.0
GNP implicit deflator 1/	6.0	7.7	5.1	5.5	7.2	11.0	6.9	8.2
Gross business product fixed-weighted price index 2/	6.7	7.9	4.7	6.3	6.7	12.1	8.0	8.0
Industrial production	6.2	10.6	4.2	2.6	.9	13.2	8.6	7.6

1/ Excluding Federal pay increase rates of change are: 1977:QI, 5.9 per cent; 1977:QIV, 4.8 per cent; 1978:QI, 7.2 per cent; 1978:QIV, 7.6 per cent.
Using expenditures in 1972 as weights.

May 16, 1979

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

	1973	1974	1975	1976	1977	1978	Projected	
							1979	1980
Gross national product	1306.6	1412.9	1528.8	1700.1	1887.2	2107.6	2352.4	2575.1
Final purchases	1288.6	1404.0	1539.6	1689.9	1871.6	2091.6	2334.5	2559.5
Private	1019.1	1101.3	1201.2	1330.4	1477.6	1657.7	1858.5	2041.1
Excluding net exports	1012.0	1095.3	1180.8	1323.0	1488.7	1669.7	1866.7	2039.2
Personal consumption expenditures	809.9	889.6	979.1	1090.2	1206.5	1340.1	1502.6	1645.0
Goods	457.5	498.3	541.5	599.2	657.4	724.0	812.6	878.1
Services	352.3	391.3	437.5	491.0	549.2	616.2	690.0	766.9
Gross private domestic investment	220.0	214.6	190.9	243.0	297.8	345.6	381.9	409.8
Residential construction	66.1	55.1	51.5	68.2	91.9	107.0	109.0	113.8
Business fixed investment	136.0	150.6	150.2	164.6	190.4	222.6	255.0	280.3
Change in business inventories	17.9	8.9	-10.7	10.2	15.6	16.0	17.8	15.6
Nonfarm	14.7	10.8	-14.3	12.2	15.0	16.7	18.2	15.6
Net exports of goods and services ^{1/}	7.1	6.0	20.4	7.4	-11.1	-12.0	-8.1	1.9
Exports	101.6	137.9	147.3	163.2	175.5	204.8	244.7	281.4
Imports	94.4	131.9	126.9	155.7	186.6	216.8	252.8	279.5
Gov't. purchases of goods and services	269.5	302.7	338.4	359.5	394.0	433.9	476.0	518.3
Federal ^{2/}	102.2	111.1	123.1	129.9	145.1	153.8	168.3	182.3
State and local	167.3	191.5	215.4	229.6	248.9	280.2	307.7	336.0
Gross national product in constant (1972) dollars	1235.0	1217.8	1202.3	1271.0	1332.7	1385.7	1425.4	1442.3
Personal income	1052.4	1154.9	1255.5	1380.9	1529.0	1708.0	1910.6	2101.8
Wage and salary disbursements	701.3	764.6	805.9	890.1	983.6	1100.9	1223.3	1331.0
Disposable personal income	901.7	984.6	1086.7	1184.4	1303.0	1451.8	1625.6	1781.3
Saving rate (per cent)	7.8	7.3	7.7	5.7	5.1	5.3	5.1	5.1
Corporate profits with I.V.A. and C.C. Adj.	99.1	83.6	95.9	127.0	144.2	159.5	175.0	187.9
Corporate profits before tax	115.8	126.9	120.4	155.9	173.9	202.0	230.9	241.2
Federal government surplus or deficit (N.I.A. basis)	-6.7	-10.7	-70.6	-53.8	-48.1	29.9	-22.2	-21.4
High employment surplus or deficit (-)	-1.3	14.9	-26.9	-19.5	-18.8	-4.8	8.5	27.8
State and local government surplus or deficit (-) (N.I.A. basis)	13.0	7.6	6.2	20.7	29.6	28.3	24.1	22.7
Excluding social insurance funds	4.1	-2.9	-6.2	5.5	11.5	7.1	-6	-4.3
Civilian labor force (millions)	88.7	91.0	92.6	94.8	97.4	100.4	103.2	105.5
Unemployment rate (per cent)	4.9	5.6	8.5	7.7	7.0	6.0	6.0	6.8
Nonfarm payroll employment (millions)	76.8	78.3	76.9	79.4	82.3	85.8	88.5	89.7
Manufacturing	20.2	20.1	18.3	19.0	19.6	20.3	21.0	20.9
Industrial production (1967=100)	129.8	129.3	117.8	129.8	137.1	145.2	152.4	154.2
Capacity utilization: all manufacturing (per cent)	87.5	84.2	73.6	80.2	82.5	84.3	85.5	83.3
Materials (per cent)	92.4	87.7	73.6	80.4	81.9	85.0	87.1	85.5
Housing starts, private (million units, A.R.)	2.05	1.34	1.16	1.54	1.99	2.02	1.64	1.67
New auto sales, (millions, A.R.)	11.42	8.91	8.66	10.12	11.13	11.29	11.10	10.54
Domestic models	9.65	7.49	7.08	8.63	9.07	9.27	8.92	8.76
Foreign models	1.77	1.42	1.58	1.50	2.06	2.02	2.18	1.77

- ^{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.

May 16, 1979

CONFIDENTIAL - FR
CLASS II FOMCPER CENT CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1973	1974	1975	1976	1977	1978	Projected	
							1979	1980
<u>Constant (1972) dollars</u>								
Gross national product	5.5	-1.4	-1.3	5.7	4.9	4.0	2.9	1.2
Final purchases	4.9	-.7	.2	4.3	4.7	3.9	2.8	1.3
Private	6.3	-1.4	-.3	5.5	5.3	4.3	3.1	1.2
Excluding net exports	5.1	-2.3	-1.0	6.4	6.0	4.5	3.0	.9
Personal consumption expenditures	4.7	-.9	1.8	5.8	4.7	4.0	3.3	1.1
Goods	5.0	-3.4	.7	6.4	5.0	3.4	2.7	-.2
Services	4.4	2.3	3.2	5.0	4.4	4.6	4.1	2.7
Gross private domestic investment	10.0	-11.4	-22.3	21.6	13.2	7.3	1.9	-1.0
Residential structures	-3.7	-24.6	-13.9	23.4	20.5	3.8	-8.4	-5.3
Business fixed investment	12.2	-.3	-13.0	4.7	9.1	8.1	5.8	1.6
Gov't. purchases of goods and services	-.2	2.1	1.9	.1	2.4	2.2	1.6	1.6
Federal	-5.4	-.8	.7	.1	5.2	-1.3	1.8	1.4
State and local	3.2	3.8	2.6	.1	.8	4.2	1.5	1.7
Disposable personal income	6.7	-1.5	2.1	3.5	4.1	4.3	3.1	1.2
<u>Current dollars</u>								
Gross national product	11.6	8.1	8.2	11.2	11.0	11.7	11.6	9.5
Final purchases	10.9	8.9	9.7	9.8	10.8	11.8	11.6	9.6
Private	12.2	8.1	9.1	10.8	11.1	12.2	12.1	9.8
Excluding net exports	11.0	8.2	7.8	12.0	12.5	12.2	11.8	9.2
Personal consumption expenditures	10.5	9.8	10.1	11.4	10.7	11.1	12.1	9.5
Goods	11.4	8.9	8.7	10.7	9.7	10.1	12.2	8.1
Services	9.3	11.1	11.8	12.2	11.8	12.2	12.0	11.1
Gross private domestic investment	16.8	-2.5	-11.0	27.3	22.6	16.0	10.5	7.3
Residential structures	6.6	-16.7	-6.5	32.5	34.8	16.4	1.9	4.4
Business fixed investment	16.4	10.8	-.3	9.6	15.7	16.9	14.6	9.9
Gov't. purchases of goods and services	6.5	12.3	11.8	6.2	9.6	10.1	9.7	8.9
Federal	.1	8.7	10.7	5.5	11.7	6.0	9.4	8.3
State and local	10.8	14.5	12.5	6.6	8.4	12.6	9.8	9.2
Disposable personal income	12.5	9.2	10.4	9.0	10.0	11.4	12.0	9.6
Personal income	11.7	9.7	8.7	10.0	10.7	11.7	11.9	10.0
Wage and salary disbursements	10.6	9.0	5.4	10.4	10.5	11.9	11.1	8.8
Corporate profits with IVA & C.C. Adj.	7.6	-15.6	14.7	32.4	13.5	10.6	9.7	7.4
Corporate profits before tax	20.4	9.6	-5.1	29.5	11.5	16.2	14.3	4.5
Nonfarm payroll employment	4.3	1.9	-1.7	3.2	3.6	4.3	3.3	1.4
Manufacturing	5.2	-.4	-8.7	3.7	3.4	3.5	3.1	-.4
Nonfarm business sector								
Output per hour	1.7	-2.9	1.9	3.5	1.3	.5	.0	.8
Compensation per hour	7.8	9.4	9.9	8.4	8.1	9.3	9.3	9.3
Unit labor costs	6.0	12.7	7.8	4.7	6.7	8.8	9.3	8.4
GNP implicit deflator	5.9	9.7	9.6	5.2	5.9	7.4	8.5	8.2
Gross business product fixed-weighted price index ^{1/}	5.7	10.4	9.4	5.4	6.2	7.7	9.2	8.3
Industrial production	8.4	-.4	-8.9	10.2	5.6	5.9	5.0	1.2

^{1/} Using expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS
(billions of dollars)

May 16, 1979

		FRB Staff Estimates														
	Fiscal Year 1978*	FY 1979 e/ Admin. F.R. 1/ Board		FY 1980 e/ Admin. F.R. 1/ Board		CY 1978*	CY79e/ F.R. Board	Calendar quarters; unadjusted data								
								1979					1980			
								IV*	I*	II	III	IV	I	II	III	
Unified budget receipts	402.0	461.8	464.3	503.9	512.2	416.9	475.3	99.5	102.1	142.9	119.8	110.4	112.0	154.1	135.6	
Unified budget outlays	450.8	495.0	494.3	532.3	539.2	460.6	504.5	123.2	122.6	123.3	125.3	133.3	133.1	135.2	137.6	
Surplus(+)/Deficit(-), unified budget	-48.8	-33.2	-30.0	-28.4	-27.0	-43.7	-29.2	-23.7	-20.5	19.6	-5.5	-22.9	-21.1	18.9	-2.0	
Surplus(+)/Deficit(-), off-budget agencies 2/	-10.3	-12.0	-13.4	-12.0	-11.5	-9.1	-14.3	-0.1	-3.0	-6.0	-4.3	-1.0	-3.0	-4.0	-3.5	
Combined deficit to be financed	-59.1	-45.2	-43.4	-40.4	-38.5	-52.8	-43.5	-23.8	-23.5	13.6	-9.8	-23.9	-24.1	14.9	-5.5	
Means of financing combined deficits:																
Net borrowing from public	59.1	35.8	31.1	38.4	37.2	53.6	34.8	15.2	10.6	-4.9	10.2	18.9	17.5	-4.9	5.7	
Decrease in cash operating balance	-3.3	7.4	7.4	0.0	0.0	-4.0	4.3	6.1	8.6	-6.3	-1.0	3.0	4.0	-8.0	1.0	
Other 3/	3.2	2.0	4.9	2.0	1.4	3.2	4.3	2.6	4.2	-2.4	0.5	2.0	2.6	-2.0	-1.2	
Cash operating balance, end of period	22.4	15.0	15.0	15.0	15.0	16.3	12.0	16.3	7.7	14.0	15.0	12.0	8.0	16.0	15.0	
Memo: Sponsored agency borrowing 4/	19.1	n.a.	23.1	n.a.	14.7	22.0	21.9	4.9	5.9	7.3	5.0	3.7	3.0	4.0	4.0	
NIA Budget								Seasonally adjusted annual rates								
Receipts 5/	413.8	470.1	472.6	515.9	523.6	431.5	485.8	463.1	467.2	482.7	490.5	502.8	516.0	528.7	541.3	
Expenditures 5/	450.6	496.3	496.2	540.8	545.4	461.4	508.0	483.8	487.2	496.3	517.5	530.9	538.7	547.5	564.7	
Purchases (total)	151.1	166.2	165.3	178.8	178.8	153.8	168.4	162.5	164.7	164.7	169.1	174.9	177.7	180.2	182.6	
Defense	98.1	105.3	105.1	116.0	114.9	99.5	107.5	102.1	103.9	106.1	108.2	111.9	113.8	115.9	118.0	
Non-defense	53.0	60.9	60.2	62.8	63.9	54.3	60.8	60.4	60.8	58.6	60.9	63.0	63.9	64.3	64.6	
All other expenditures	299.5	330.1	330.9	362.0	366.6	307.6	339.6	321.3	322.5	331.6	348.4	356.0	361.0	367.3	382.1	
Surplus(+)/Deficit(-) 5/	-36.8	-26.2	-23.6	-24.9	-21.8	-29.9	-22.2	-20.8	-19.9	-13.6	-27.0	-28.1	-22.7	-18.8	-23.4	
High Employment Surplus(+)/ Deficit(-) (NIA basis) 6/	-12.4	n.a.	6.1	n.a.	21.1	-4.8	8.5	-1.0	6.0	13.5	5.9	8.6	19.6	28.2	28.2	
	*--actual	e--estimated				r--revised		n.a.--not available								

- 1/ The Budget of the United States Government: Fiscal Year 1980, January 1979, and Current Budget Estimates. March 1979, Office of Management and Budget.
- 2/ Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, and Pension Benefit Guaranty Corporation.
- 3/ Checks issued less checks paid, accrued items and other transactions.
- 4/ Includes Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives.
- 5/ The fiscal year totals as published by the BEA "Fiscal Year 1980 Budget Translation," January 1979, are based on unadjusted data and do not conform to the average of four seasonally adjusted quarters. The FRB staff estimates, therefore, have been adjusted in order to make the BEA and staff estimates comparable.
- 6/ FRB staff estimates are consistent with the Council's new potential GNP series as reported in the Economic Report of the President, January 1979.

OUTLOOK FOR U.S. NET EXPORTS AND RELATED ITEMS
(billions of dollars, seasonally adjusted annual rates)

May 16, 1979

	1978	1979 ^P	1980 ^P	1978		1 9 7 9 ^P				1 9 8 0 ^P			
				III	IV	I	II	III	IV	I	II	III	IV
1. <u>U.S. Current Account Balance</u>	-16.0	-6.4	4.0	-14.8	-5.3	-8.0	-5.9	-8.0	-4.2	-1.8	1.9	5.9	9.6
2. <u>GNP Net Exports of Goods & Services 1/</u>	-11.2	1.6	11.6	-10.0	-2.5	-.4	2.4	.3	4.3	6.5	9.8	13.6	16.7
3. (using GNP account data) <u>2/</u>	(-12.0)	(-8.1)	(1.9)	(-10.7)	(-7.6)	(-10.3*)	(-7.4)	(-9.5)	(-5.5)	(-3.3)	(0)	(+3.8)	(+6.9)
4. a) Merchandise Trade Balance	-34.1	-23.8	-19.5	-32.0	-25.5	-24.9*	-22.0	-25.5	-23.0	-22.2	-20.8	-18.7	-16.5
5. Exports (excl. military)	141.8	176.5	202.2	145.9	157.3	164.6*	172.9	180.6	187.8	193.0	199.0	205.3	211.6
6. Agricultural	29.9	31.6	33.8	31.7	31.3	30.4*	31.7	32.2	32.2	33.0	33.4	34.2	34.7
7. Nonagricultural	111.9	144.9	168.4	114.2	126.0	134.3*	141.3	148.5	155.6	160.0	165.6	171.2	176.9
8. Imports	176.0	200.3	221.8	177.9	182.7	189.5*	194.9	206.1	210.8	215.1	219.8	224.0	228.2
9. Petroleum and petrol. products	42.3	51.2	57.6	43.5	43.2	46.6*	48.0	54.4	55.6	56.5	57.3	58.0	58.7
10. Nonpetroleum	133.7	149.2	164.1	134.4	139.5	143.0*	146.9	151.7	155.2	158.7	162.5	166.0	169.4
11. b) Other Transactions, net	22.9	25.4	31.1	22.0	23.0	24.4	24.4	25.8	27.3	28.5	30.6	32.3	33.2
12. Selected Invest. Income, net <u>3/</u>	20.0	25.8	31.6	22.4	23.3	24.7	24.8	26.3	27.6	29.0	31.0	32.6	33.7
13. Other, net <u>4/</u>	2.9	-.4	-.5	-.4	-.3	-.3	-.4	-.5	-.3	-.5	-.4	-.3	-.5
<u>Merchandise Trade in 1972 \$</u>													
14. Merchandise exports (excl. military)	71.9	79.8	84.3	73.1	75.4	77.5*	78.9	80.5	82.1	82.9	83.8	84.7	85.7
15. (% change, annual rates)	(7.4)	(10.9)	(5.6)	(-.8)	(13.0)	(12.1)*	(7.0)	(8.7)	(8.2)	(3.6)	(4.5)	(4.5)	(4.5)
16. Merchandise imports	75.8	78.5	81.5	76.3	76.7	77.1*	77.2	79.5	80.3	80.5	81.3	81.9	82.4
17. (% change, annual rates)	(7.0)	(3.6)	(3.8)	(10.0)	(2.4)	(1.6*)	(.4)	(12.6)	(4.1)	(.8)	(3.6)	(2.8)	(2.8)
<u>Foreign Outlook - Ten Industrial Countries 5/</u>													
18. Real GNP, % change, annual rates	3.6	3.9	3.8	2.5	4.7	3.3	4.2	3.9	3.8	3.7	3.7	3.6	3.7
19. Consumer Prices, <u>6/</u> % change, A.R.	4.4	5.9	5.9	2.8	3.3	8.7	7.0	6.2	5.8	5.8	5.9	5.6	5.7

1/ Using data from the international accounts.

2/ Lines 2 and 3 are defined identically but, data in line 3 differ from Int'l. Acct. data (line 2) in that they usually lag the Int'l Acct. data in publication of revisions and new information.

3/ Excluding U.S. Govt. interest payments to foreigners, and reinvested earnings of incorporated affiliates.

4/ Includes travel, transportation, fees and royalties, miscellaneous other service transactions, and military transactions.

5/ Weighted by the shares of Canada, France, Germany, Italy, Japan, United Kingdom, Netherlands, Sweden, Belgium and Switzerland in the sum of the real GNP of the ten countries in dollar terms.

6/ Wholesale prices for Japan.

p/ Projected.

e/ Estimated.

*/ Published data.

NOTE: A revised methodology for seasonally adjusting merchandise exports and imports was introduced with the January data. Data for 1978 have been revised accordingly. The new seasonal pattern results in a smaller 1978-IV trade deficit and a larger 1978-I deficit; there is no change in the annual figures. These changes will be incorporated in the published GNP data in July 1979.

CONFIDENTIAL (FR)

May 16, 1979

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

GROSS OFFERINGS OF CORPORATE AND FOREIGN SECURITIES
(Monthly totals or monthly averages, in millions of dollars)

	1978		1979				
	Year	QIV	QI ^{e/}	Mar. ^{e/}	Apr. ^{e/}	May ^{f/}	June ^{f/}
<u>Seasonally adjusted</u>							
Corporate securities--total	3,776	3,510	3,257	2,920	4,525	3,225	3,000
Publicly offered bonds	1,662	1,528	1,332	1,400	2,825	1,775	1,500
Privately placed bonds	1,270	1,011	1,350	1,200	1,100	1,100	1,100
Stocks	844	971	575	320	600	350	400
<u>Not seasonally adjusted</u>							
Publicly offered bonds	1,662	1,495	1,444	1,800	2,900	1,600	1,600
By quality <u>1/</u>							
Aaa and Aa	853	885	950	1,175	1,900	--	--
Less than Aa <u>2/</u>	809	610	494	625	1,000	--	--
By type of borrower							
Utility	612	625	605	590	875	--	--
Industrial <u>3/</u>	532	415	349	485	475	--	--
Financial	518	455	490	725	1,550	--	--
Foreign securities--total	504	479	617	321	220	--	--
Publicly offered <u>4/</u>	362	333	428	0	200	250	300
Privately placed	142	146	189	321	20	--	--

1/ Bonds categorized according to Moody's bond ratings.

2/ Includes issues not rated by Moody's.

3/ Includes equipment trust certificates.

4/ Classified by original offering date.

e/ Estimated.

f/ Forecast.

GOVERNMENT SECURITY OFFERINGS
(Monthly totals or monthly averages, in millions of dollars)

	1978		1979				
	Year	QIV	QI	Mar.	Apr. ^{e/}	May ^{f/}	June
<u>Seasonally adjusted</u>							
State and local government securities, gross offerings							
Total	5,851	5,813	4,825	5,393	6,800	3,600	3,600
Long-term	4,042	4,018	3,110	4,143	3,400	2,500	2,550
Short-term	1,809	1,795	1,715	1,250	3,400	1,100	1,050
U.S. Government securities, net offerings							
U.S. Treasury ^{1/}	2,337	-945	1,732	-2,406	6,717	11,300	-5,250
Sponsored agencies	1,930	1,788	2,608	1,568	2,355	2,530	1,410
<u>Not seasonally adjusted</u>							
State and local government securities, gross offerings							
Total	5,851	5,187	4,790	5,841	7,500	4,500	4,400
Long-term	4,042	3,747	3,291	4,487	3,000	3,100	3,000
Short-term	1,809	1,440	1,499	1,354	4,500	1,400	1,400
U.S. Government securities, net offerings							
U.S. Treasury ^{1/}	2,337	1,152	2,998	-1,177	289	9,500	-8,700
Sponsored agencies	1,930	1,635	2,120	1,412	2,590	2,770	1,875

^{1/} Marketable issues only.

^{e/} Estimated.

^{f/} Forecasted.