

CONFIDENTIAL (FR)

May 10, 1978

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)	
	4/12/78	5/10/78	4/12/78	5/10/78	4/12/78	5/10/78	4/12/78	5/10/78
1974- ^{1/}	8.1	8.1	-1.4	-1.4	10.4	10.4	5.6	5.6
1975- ^{1/}	8.2	8.2	-1.3	-1.3	9.5	9.5	8.5	8.5
1976- ^{1/}	11.6	11.6	6.0	6.0	5.4	5.4	7.7	7.7
1977- ^{1/}	10.7	10.7	4.9	4.9	6.0	6.0	7.0	7.0
1978	11.1	11.1	4.2	4.1	6.6	6.4	6.0	5.9
1977-III- ^{1/}	10.2	10.2	5.1	5.1	5.0	5.0	6.9	6.9
1977-IV- ^{1/}	9.9	9.9	3.8	3.8	5.4	5.4	6.6	6.6
1978-I- ^{1/}	8.7	6.5	1.4	-.6	7.4	6.6	6.2	6.2
1978-II	14.5	17.4	6.7	9.0	7.3	7.7	6.0	5.9
1978-III	11.4	11.6	4.4	4.4	6.8	6.9	6.0	5.9
1978-IV	12.0	12.2	4.6	4.6	6.8	6.9	5.9	5.8
1979-I	11.9	11.5	4.6	4.2	7.4	7.3	5.8	5.7
1979-II	10.8	10.5	4.1	3.8	7.0	6.9	5.8	5.7
Change:								
76-IV to 77-IV- ^{1/}	11.8	11.8	5.7	5.7	6.1	6.1	-1.2	-1.2
77-II to 78-II	10.8	10.9	4.2	4.3	6.3	6.1	-1.1	-1.2
77-IV to 78-IV	11.6	11.9	4.2	4.3	7.1	7.0	-.7	-.8
78-II to 79-II	11.5	11.4	4.4	4.3	7.0	7.0	-.2	-.2
Memo:								
Growth Over Annual Policy Period:								
78-I to 79-I	12.4	13.1	5.1	5.5	7.1	7.2	-.4	-.5

1/ Actual.

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

	1977			1978			Projected		1979	
	III	IV	I	II	III	IV	I	II	I	II
Gross National Product	1915.9	1961.8	1992.9	2074.3	2132.2	2194.3	2254.6	2311.5		
Final purchases	1892.2	1948.2	1976.4	2051.3	2108.2	2168.8	2227.3	2283.0		
Private	1491.3	1534.4	1559.3	1622.6	1668.1	1714.9	1762.8	1807.7		
Excluding net exports	1498.8	1552.6	1581.9	1639.5	1679.5	1725.4	1771.8	1816.9		
Personal consumption expenditures	1218.9	1259.5	1284.0	1328.1	1361.0	1399.9	1439.0	1476.1		
Goods	659.4	685.9	689.8	716.8	734.2	756.4	776.4	794.5		
Services	559.5	573.7	594.3	611.3	626.8	643.5	662.6	681.6		
Gross private domestic investment	303.6	306.7	314.4	334.4	342.5	351.0	360.1	369.3		
Residential construction	92.5	99.7	100.2	104.7	105.2	105.2	105.2	105.7		
Business fixed investment	187.5	193.5	197.7	206.7	213.3	220.3	227.6	235.1		
Change in business inventories	23.6	13.5	16.5	23.0	24.0	25.5	27.3	28.5		
Nonfarm	23.1	9.0	15.5	22.0	24.0	25.5	27.3	28.5		
Net exports of goods and services ^{1/}	-7.5	-18.2	-22.6	-16.9	-11.4	-10.5	-9.0	-9.2		
Exports	179.9	170.6	178.3	189.3	198.8	206.8	216.6	224.0		
Imports	187.4	188.8	200.8	206.1	210.1	217.2	225.5	233.1		
Gov't. purchases of goods and services	400.9	413.8	417.1	428.7	440.1	453.9	464.5	475.3		
Federal ^{2/}	148.1	153.8	153.1	155.1	159.0	165.5	169.0	172.7		
State and local	252.9	260.0	264.1	273.6	281.1	288.4	295.5	302.6		
Gross national product in constant (1972) dollars	1347.4	1360.2	1358.3	1387.9	1402.9	1418.9	1433.6	1447.0		
Personal income	1549.8	1603.0	1636.7	1687.4	1736.4	1784.8	1828.1	1872.2		
Wage and salary disbursements	998.9	1029.1	1057.4	1091.2	1116.2	1146.1	1177.9	1205.4		
Disposable income	1323.8	1368.3	1400.5	1440.7	1479.7	1534.7	1574.0	1609.9		
Saving rate (per cent)	5.5	5.6	5.9	5.4	5.6	6.4	6.2	5.9		
Corporate profits with I.V.A. and C.C. Adj.	149.0	144.8	125.3	147.1	151.3	160.7	158.8	162.1		
Corporate profits before tax	172.8	178.3	170.5	189.4	192.7	202.3	200.9	204.7		
Federal government surplus or deficit (-) (N.I.A. basis)	-58.9	-60.0	-60.5	-49.0	-44.7	-61.0	-54.1	-49.1		
High employment surplus or deficit (-)	-20.4	-22.1	-12.3	-10.1	-4.9	-24.1	-15.9	-10.0		
State and local government surplus or deficit (-) (N.I.A. basis)	32.9	31.1	34.1	33.7	30.5	30.1	28.6	26.5		
Excluding social insurance funds	17.4	15.4	18.0	17.1	13.4	12.5	10.5	7.9		
Civilian labor force (millions)	97.6	98.6	99.2	99.9	100.4	101.0	101.5	102.0		
Unemployment rate (per cent)	6.9	6.6	6.2	5.9	5.9	5.8	5.7	5.7		
Nonfarm payroll employment (millions)	82.5	83.2	84.1	85.3	85.7	86.3	86.8	87.3		
Manufacturing	19.6	19.8	20.1	20.3	20.5	20.7	20.9	21.1		
Industrial product (1967=100)	138.4	139.3	139.5	143.5	145.9	148.6	151.0	153.1		
Capacity utilization: all manufacturing (per cent)	83.0	82.9	82.1	83.5	84.2	85.0	85.5	85.9		
Materials (per cent)	82.3	82.2	81.4	83.3	84.1	85.0	85.8	86.4		
Housing starts, private (millions, A.R.)	2.04	2.15	1.73	2.00	1.80	1.75	1.70	1.70		
Sales new autos, (millions, A.R.)	10.92	10.75	10.80	10.95	10.90	11.05	11.10	10.95		
Domestic models	8.88	8.77	8.80	8.85	8.90	9.10	9.15	9.10		
Foreign models	2.04	1.98	2.00	2.10	2.00	1.95	1.95	1.85		

^{1/} Balance of payments data and projection 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.

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AND RELATED ITEMS

	1977		1978		Projected		1979	
	III	IV	I	II	III	IV	I	II
	Billions of dollars							
Gross National Product	46.0	45.9	31.1	81.5	57.9	62.1	60.3	56.9
Inventory change	1.9	-10.1	3.0	6.5	1.0	1.5	1.8	1.2
Final purchases	44.0	56.0	28.2	75.0	56.9	60.6	58.5	55.7
Private	33.7	43.1	24.9	63.4	45.5	46.8	47.9	44.9
Net exports	2.2	-10.7	-4.4	5.7	5.5	.9	1.5	-.2
Excluding net exports	31.5	53.8	29.3	57.6	40.0	45.9	46.4	45.1
Personal consumption expenditures	24.9	40.6	24.5	44.1	32.9	38.9	39.1	37.1
Goods	6.4	26.5	3.9	27.0	17.4	22.2	20.0	18.1
Services	18.4	14.2	20.6	17.0	15.5	16.7	19.1	19.0
Residential fixed investment	1.7	7.2	.5	4.5	.5	.0	.0	.5
Business fixed investment	5.1	6.0	4.2	9.0	6.6	7.0	7.3	7.5
Government	10.3	12.9	3.3	11.6	11.4	13.8	10.6	10.8
Federal	4.5	5.7	-.7	2.0	3.9	6.5	3.5	3.7
State and local	5.9	7.1	4.1	9.5	7.5	7.3	7.1	7.1
GNP in constant (1972) dollars	16.7	12.8	-1.9	29.6	15.0	16.0	14.7	13.3
Final purchases	14.3	19.7	-4.6	25.2	14.6	15.2	13.5	12.2
Private	10.3	16.7	-2.5	21.8	11.2	12.6	11.3	9.9
————— ^{1/} In per cent per year—————								
Gross National Product	10.2	9.9	6.5	17.4	11.6	12.2	11.5	10.5
Final purchases	9.9	12.4	5.9	16.1	11.6	12.0	11.2	10.4
Private	9.6	12.1	6.7	17.3	11.7	11.7	11.6	10.6
Personal consumption expenditures	8.6	14.0	8.0	14.5	10.3	11.9	11.6	10.7
Goods	4.0	17.0	2.3	16.6	10.1	12.7	11.0	9.7
Services	14.3	10.5	15.2	12.0	10.5	11.1	12.4	11.9
Gross private domestic investment	12.4	4.1	10.4	28.0	10.0	10.3	10.8	10.6
Residential structures	7.7	35.0	2.1	19.2	1.9	.0	.0	1.9
Business fixed investment	11.6	13.4	9.0	19.5	13.4	13.8	13.9	13.8
Gov't. purchases of goods and services	11.0	13.5	3.3	11.6	11.1	13.1	9.7	9.6
Federal	12.9	16.3	-1.8	5.4	10.4	17.4	8.7	9.0
State and local	9.9	11.8	6.4	15.3	11.4	10.8	10.2	10.0
GNP in constant (1972) dollars	5.1	3.8	-.6	9.0	4.4	4.6	4.2	3.8
Final purchases	4.4	6.1	-1.3	7.7	4.3	4.5	3.9	3.5
Private	4.0	6.5	-.9	8.3	4.1	4.7	4.1	3.5
GNP implicit deflator ^{2/}	4.8	5.9	7.1	7.7	6.9	7.2	6.9	6.5
Gross business product fixed-weighted price index ^{3/}	5.0	5.4	6.6	7.7	6.9	6.9	7.3	6.9
Personal income	8.9	14.5	8.7	13.0	12.1	11.6	10.1	10.0
Wage and salary disbursements	7.5	12.7	11.5	13.4	9.5	11.2	11.6	9.7
Disposable income	10.0	14.1	9.8	12.0	11.3	15.7	10.6	9.4
Corporate profits before tax	-2.7	13.4	-16.4	52.2	7.3	21.4	-2.7	7.9
Nonfarm payroll employment	3.3	3.2	4.4	5.6	2.3	2.7	2.4	2.3
Manufacturing	1.3	2.7	6.6	4.0	4.5	4.4	4.2	4.0
Nonfarm business sector								
Output per hour	3.8	2.3	-3.3	3.9	3.3	2.8	2.1	1.9
Compensation per hour	7.5	8.2	13.2	7.7	7.9	8.0	11.6	8.2
Unit labor costs	3.5	5.8	17.0	3.8	4.6	5.2	9.5	6.3
Industrial production	4.2	2.6	.6	12.0	6.9	7.6	6.6	5.7
Housing starts, private	23.3	22.2	-57.6	77.8	-34.4	-10.7	-10.9	.0
Sales new autos	-24.1	-6.2	2.0	5.6	-1.8	5.6	1.8	-5.3
Domestic models	-18.4	-4.8	1.4	2.1	2.3	9.3	2.2	-2.2
Foreign models	-43.9	-12.3	4.7	21.6	-17.7	-9.6	.0	-19.0

^{1/} Percentage rates are annual rates compounded quarterly.
 Excluding Federal pay increases rates of change are: 1977-IV, 5.1 per cent; 1978-I, 7.0 per cent; 1978-IV, 6.6 per cent; 1979-I, 6.9 per cent.
 Using expenditures in 1972 as weights.

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

	1971	1972	1973	1974	1975	1976	1977	Projected 1978
Gross National Product	1063.4	1171.1	1306.6	1412.9	1528.8	1706.5	1889.6	2098.5
Final purchases	1057.1	1161.7	1288.6	1404.0	1540.3	1693.1	1871.4	2076.2
Private	823.4	908.6	1019.1	1101.3	1201.4	1331.7	1476.4	1641.2
Excluding net exports	821.8	911.9	1012.0	1095.3	1181.0	1323.9	1487.3	1656.6
Personal consumption expenditures	668.2	733.0	809.9	889.6	980.4	1094.0	1211.2	1343.3
Goods	374.8	410.5	457.5	498.3	542.2	601.6	660.5	724.3
Services	293.4	322.4	352.3	391.3	438.2	492.3	550.7	619.0
Gross private domestic investment	160.0	188.3	220.0	214.6	189.1	243.3	294.2	335.6
Residential construction	49.6	62.0	66.1	55.1	51.5	68.0	91.0	103.8
Business fixed investment	104.1	116.8	136.0	150.6	149.1	161.9	185.1	209.5
Change in business inventories	6.4	9.4	17.9	8.9	-11.5	13.3	18.2	22.2
Nonfarm	5.1	8.8	14.7	10.8	-15.1	14.9	17.1	21.7
Net exports of goods and services	1.6	-3.3	7.1	6.0	20.4	7.8	-10.9	-15.3
Exports	65.6	72.7	101.6	137.9	147.3	162.9	174.7	193.3
Imports	64.0	75.9	94.4	131.9	126.9	155.1	185.6	208.6
Gov't. purchases of goods and services	233.7	253.1	269.5	302.7	338.9	361.4	395.0	435.0
Federal	96.2	102.1	102.2	111.1	123.3	130.1	145.4	158.2
State and local	137.5	151.0	167.3	191.5	215.6	231.2	249.6	276.8
Gross national product in constant (1972) dollars	1107.5	1171.1	1235.0	1217.8	1202.1	1274.7	1337.3	1392.0
Personal income	859.1	942.5	1052.4	1154.9	1253.4	1382.7	1536.7	1711.3
Wage and salary disbursements	579.4	633.8	701.3	764.6	805.7	891.8	990.0	1102.7
Disposable income	742.8	801.3	901.7	984.6	1084.4	1185.8	1309.2	1463.9
Saving rate (per cent)	7.7	6.2	7.8	7.3	7.4	5.6	5.1	5.8
Corporate profits with I.V.A. and C.C. Adj.	77.2	92.1	99.1	83.6	99.3	128.1	139.9	146.1
Corporate profits before tax	82.0	96.2	115.8	126.9	123.5	156.9	171.7	188.7
Federal government surplus or deficit (-) (N.I.A. basis)	-22.0	-17.3	-6.7	-10.7	-70.2	-54.0	-49.5	-53.8
High employment surplus or deficit (-)	-5.3	-5.9	-.7	17.1	-20.3	-10.4	-8.7	-12.8
State and local government surplus or deficit (-) (N.I.A. basis)	3.7	13.7	13.0	7.5	5.9	18.4	29.2	32.1
Excluding social insurance funds	-3.8	5.6	4.1	-2.9	-6.2	3.9	13.7	15.2
Civilian labor force (millions)	84.1	86.5	88.7	91.0	92.6	94.8	97.4	100.1
Unemployment rate (per cent)	5.9	5.6	4.9	5.6	8.5	7.7	7.0	5.9
Nonfarm payroll employment (millions)	71.2	73.7	76.9	78.4	77.1	79.4	82.1	85.4
Manufacturing	18.6	19.1	20.1	20.0	18.3	19.0	19.6	20.4
Industrial production (1967=100)	109.6	119.7	129.8	129.3	117.8	129.8	137.0	144.4
Capacity utilization: all manufacturing (per cent)	78.0	83.1	87.5	84.2	73.6	80.2	82.4	83.7
Materials (per cent)	83.1	88.0	92.4	87.7	73.6	80.4	81.9	83.5
Housing starts, private (millions, A.R.)	2.05	2.36	2.05	1.34	1.16	1.54	1.99	1.82
Sales new autos (millions, A.R.)	10.24	10.93	11.42	8.91	8.66	10.12	11.13	10.93
Domestic models	8.68	9.32	9.65	7.49	7.08	8.63	9.07	8.91
Foreign models	1.56	1.61	1.77	1.42	1.58	1.50	2.06	2.01

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S II FOMCCHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1971	1972	1973	1974	1975	1976	1977	Projected 1978
Billions of dollars								
Gross National Product	81.0	107.7	135.5	106.3	115.9	177.7	183.1	208.9
Inventory change	2.6	3.0	8.5	-9.0	-20.4	24.8	4.9	4.0
Final purchases	78.5	104.6	126.9	115.4	136.3	152.8	178.3	204.8
Private	63.7	85.2	110.5	82.2	100.1	130.3	144.7	164.8
Net exports	-2.3	-4.9	10.4	-1.1	14.4	-12.6	-18.7	-4.4
Excluding net exports	66.0	90.1	100.1	83.3	85.7	142.9	163.4	169.3
Personal consumption expenditures	49.4	64.8	76.9	79.7	90.8	133.6	117.2	132.1
Goods	25.2	35.7	47.0	40.8	43.9	59.4	58.9	63.8
Services	24.3	29.0	29.9	39.0	46.9	54.1	58.4	68.3
Residential fixed investment	13.0	12.4	4.1	-11.0	-3.6	16.5	23.0	12.8
Business fixed investment	3.6	12.7	19.2	14.6	-1.5	12.8	23.2	24.4
Government	14.8	19.4	16.4	33.2	36.2	22.5	33.6	40.0
Federal	.6	5.9	.1	8.9	12.2	6.8	15.3	12.8
State and local	14.3	13.5	16.3	24.2	24.1	15.6	18.4	27.2
GNP in constant (1972) dollars	32.2	63.6	63.9	-17.2	-15.7	72.6	62.6	54.7
Final purchases	29.9	60.8	56.8	-8.6	2.1	54.2	59.3	51.4
Private	30.7	57.1	57.4	-13.8	-3.2	52.8	52.6	42.7
In per cent per year								
Gross National Product	8.2	10.1	11.6	8.1	8.2	11.6	10.7	11.1
Final purchases	8.0	9.9	10.5	8.9	9.7	9.9	10.5	10.9
Private	8.4	10.3	12.2	8.1	9.1	10.8	10.9	11.2
Personal consumption expenditures	8.0	9.7	10.5	9.8	10.2	11.6	10.7	10.9
Goods	7.2	9.5	11.4	8.9	8.8	11.0	9.8	9.7
Services	9.0	9.9	9.3	11.1	12.0	12.4	11.9	12.4
Less private domestic investment	13.6	17.7	16.8	-2.5	-11.9	28.7	20.9	14.1
Residential structures	35.5	25.1	6.6	-16.7	-6.5	32.2	33.7	14.1
Business fixed investment	3.6	12.3	16.4	10.8	-1.0	8.6	14.3	13.2
Gov't. purchases of goods and services	6.8	8.3	6.5	12.3	12.0	6.6	9.3	10.1
Federal	.6	6.1	.1	8.7	11.0	5.5	11.8	8.8
State and local	11.6	9.8	10.8	14.5	12.6	7.2	7.9	10.9
GNP in constant (1972) dollars	3.0	5.7	5.5	-1.4	-1.3	6.0	4.9	4.1
Final purchases	2.8	5.5	4.9	-.7	.2	4.5	4.7	3.9
Private	3.7	6.7	6.3	-1.4	-.3	5.6	5.3	4.0
GNP implicit deflator	5.1	4.1	5.8	9.7	9.6	5.3	5.5	6.7
Gross business product fixed-weighted index ^{1/}	4.4	3.3	5.7	10.4	9.5	5.4	6.0	6.4
Personal income	7.2	9.7	11.7	9.7	8.5	10.3	11.1	11.4
Wage and salary disbursements	6.0	9.4	10.7	9.0	5.4	10.7	11.0	11.4
Disposable income	8.3	7.9	12.5	9.2	10.1	9.4	10.4	11.8
Corporate profits before tax	14.7	17.3	20.4	9.6	-2.7	27.0	9.4	9.9
Nonfarm payroll employment	.4	3.5	4.3	2.0	-1.7	3.1	3.4	3.9
Manufacturing	-4.0	2.8	5.1	-.1	-8.5	3.3	3.2	4.2
Nonfarm business sector								
Output per hour	2.9	3.0	1.7	-2.9	1.6	4.1	2.2	1.5
Compensation per hour	6.6	5.8	7.8	9.4	9.6	8.7	8.8	9.1
Unit labor costs	3.5	2.7	6.0	12.7	7.9	4.5	6.4	7.6
Industrial production	1.7	9.2	8.4	-.4	-8.9	10.2	5.5	5.4
Housing starts	43.1	14.9	-13.2	-34.6	-13.3	32.5	29.2	-8.4
Sales new autos	21.9	6.8	-4.7	-14.5	-2.8	16.9	9.9	-1.8
Domestic models	21.9	7.4	3.5	-22.4	-5.5	21.9	5.1	-1.7
Foreign models	21.8	3.1	9.7	-19.9	11.4	-5.1	37.2	-2.1

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

FEDERAL SECTOR ACCOUNTS
(billions of dollars)

May 10, 1978

	FY 1977*	F.R. Staff Estimates														
		FY 1978 e/ 1/ 2/ Admin. Board		FY 1979 e/ 1/ Board		CY77* F.R. Board		CY78e/ F.R. Board		Calendar quarters; unadjusted data						
		1977	1978	I	II	III	IV	I	II	III	IV	I	II	III		
Unified budget receipts	356.9	400.5	400.0	439.8	440.0	365.2	409.3	91.3	84.5	84.9	124.7	105.9	93.8	96.6	133.3	116.4
Unified budget outlays	401.9	453.5	454.1	499.4	499.6	416.1	463.6	103.4	113.3	110.7	112.7	117.4	122.8	121.3	125.4	130.1
Surplus(+) / Deficit(-), unified budget	-45.0	-53.0	-54.1	-59.6	-59.6	-50.9	-54.3	-12.2	-28.8	-25.8	12.0	-11.5	-29.0	-24.7	7.9	-13.7
Surplus(+) / Deficit(-), off-budget agencies ^{3/}	-8.7	-11.5	-11.6	-12.5	-11.5	-10.4	-11.9	-4.9	-1.3	-3.6	-2.0	-4.6	-1.7	-3.9	-1.3	-4.6
Means of financing combined deficits:																
Net borrowing from public	53.5	57.2	52.0	74.7	73.9	56.8	61.3	19.6 ^{8/}	20.7 ^{8/}	20.8	-1.4	11.9	30.0	27.6	-4.7	21.0
Decrease in cash operating balance	-1.7	n.a.	8.0	0	-0.9	-0.6	0.3	-2.8 ^{9/}	6.8 ^{9/}	5.9	-9.6	4.9	-0.9	0	0	0
Other ^{4/}	1.9	n.a.	5.7	-2.6	-2.0	5.3	4.7	0.4	2.6	2.8	1.0	-0.7	1.6	1.0	-1.9	-2.7
Cash operating balance, end of period	19.1	12.0	11.1	12.0	12.0	12.3	12.0	19.1 ^{8/}	12.3	6.4	16.0	11.1	12.0	12.0	12.0	12.0
Memo: Sponsored agency borrowing ^{5/}	5.2	n.a.	19.7	n.a.	13.5	6.8	20.7	1.1	2.0	4.5	6.4	6.8	3.0	2.5	3.5	4.5
NIA Budget								Seasonally adjusted annual rates								
Receipts	361.8 ^{6/}	410.9 ^{9/}	403.0 ^{6/}	451.6 ^{9/}	n.e.	373.9	415.6	373.2	386.3	391.1	411.1	430.5	429.8	443.8	457.0	n.e.
Outlays	411.9	457.0	458.3	503.4	503.7	423.4	469.4	432.1	446.3	451.6	460.1	475.2	490.8	497.9	506.1	520.0
Purchases (total)	140.6	156.0	155.3	171.4	170.9	145.5	158.2	148.1	153.8	153.1	155.1	159.0	165.5	169.0	172.7	176.5
Defense	91.8	99.3	99.8	107.6	107.8	94.3	101.4	95.6	98.5	99.2	100.3	101.4	104.5	106.4	109.0	111.4
Non-defense	48.8	56.7	55.4	63.8	63.1	51.2	56.8	52.5	55.3	53.9	54.8	57.6	61.0	62.6	63.7	65.1
All other outlays	271.4 ^{6/}	301.0	303.0 ^{6/}	332.0	332.8	278.0	311.2	284.0	292.5	298.5	305.0	316.2	325.3	328.9	333.4	343.5
Surplus(+) / Deficit(-)	-50.1 ^{6/}	-46.1	-55.3 ^{6/}	-51.8	n.e.	-49.5	-53.8	-58.9	-60.0	-60.5	-49.0	-44.7	-61.0	-54.1	-49.1	n.e.
High Employment Surplus(+) / Deficit(-) (NIA basis) ^{7/}	-5.0	n.a.	-12.3	n.a.	-13.0	-8.7	-12.8	-20.4	-22.1	-12.3	-10.1	-4.9	-24.1	-15.9	-10.0	-1.9
*actual	e--estimated	r--revised			n.e.--not estimated			n.a.--not available			p--preliminary					

^{1/} The Budget of the United States Government, Fiscal Year 1979, January 1978 and OMB Current Budget Estimates, March 1978.

^{2/} The Second Concurrent Resolution on the Budget (September 15, 1977) set the Congressional receipt and outlay targets at \$397 and \$458.3 billion, respectively.

^{3/} Includes Federal Financing Bank, Postal Service, U.S. Railway Association, Rural Electrification and Telephone Revolving fund, Housing for the Elderly or Handicapped Fund (until October 1977), and Pension Benefit Guaranty Corporation.

^{4/} Checks issued less checks paid, accrued items and other transactions.

^{5/} Includes Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives.

^{6/} Quarterly average exceeds fiscal year total by \$1.7 billion for FY 1977 and by \$1.8 billion for FY 1978 due to spreading of wage base effect over calendar year.

^{7/} Estimated by F.R.B. staff.

^{8/} Includes \$2.5 billion of borrowing from the Federal Reserve on September 30 which was repaid October 4.

^{9/} NIA estimates consistent with the March Update. The Survey of Current Business, March 1978.

CONFIDENTIAL (FR)
CLASS II FOMC

U.S. Net Exports and Related Items
(billions of dollars, seasonally adjusted annual rates)

May 10, 1978

	1976	1977 ^r	1978 ^P	1977 ^r				1978 ^P				1979 ^P	
				I	II	III	IV	I	II	III	IV	I	II
1. GNP NET EXPORTS - Intl Acct. data	7.8	-10.6	-13.5	-9.3	-5.5	-5.7	-21.7	-20.8	-15.1	-9.5	-8.7	-7.2	-7.4
2. (GNP net exports - GNP Acct. data) ^{1/}	(7.8)	(-10.9)	(-15.3)	(-8.2)	(-9.7)	(-7.5)	(-18.2)	(-22.6*)	(-16.9)	(-11.4)	(-10.5)	(-9.0)	(-9.2)
3. a) Merchandise Trade Balance	-9.3	-31.5	-39.1	-30.0	-27.3	-29.1	-39.6	-44.8*	-40.3	-35.7	-35.6	-35.6	-36.2
4. Exports (excl. military)	114.7	120.5	133.6	117.9	122.4	123.9	117.7	122.3*	130.7	137.8	143.5	150.1	156.0
5. Agricultural	23.4	24.4	26.3	24.9	26.1	23.8	22.6	26.0*	26.4	26.4	26.4	27.0	27.0
6. Nonagricultural	91.3	96.1	107.3	93.0	96.3	100.1	95.1	96.4*	104.3	111.4	117.1	123.1	129.0
7. Imports	124.0	152.0	172.7	147.9	149.7	153.0	157.3	167.1*	171.0	173.5	179.1	185.7	192.2
8. Petroleum and petrol. products	34.6	45.0	46.4	46.3	46.1	45.2	42.2	39.9*	43.0	45.5	49.1	50.7	52.2
9. Nonpetroleum	89.4	107.0	128.3	101.6	103.6	107.8	115.1	127.3*	128.0	128.0	130.0	135.0	140.0
10. b) Military transactions, net ^{2/}	--	1.0	2.6	1.7	.8	1.8	.2	2.1	2.4	2.8	3.1	3.5	3.6
11. c) Investment income, net ^{3/}	14.3	17.4	20.3	17.6	18.9	18.2	15.2	19.3	20.1	20.7	20.9	22.1	22.2
12. d) Other services, net ^{4/}	2.7	2.5	2.7	1.4	2.2	3.3	2.9	2.6	2.7	2.7	2.9	2.8	2.9
13. U.S. CURRENT ACCOUNT BALANCE	-1.4	-20.5	-28.5	-18.6	-15.0	-16.1	-32.2	-34.9	-29.7	-24.5	-24.9	-24.5	-25.3
14. a) GNP net exports (line 1.)	7.8	-10.6	-13.5	-9.3	-5.5	-5.7	-21.7	-20.8	-15.1	-9.5	-8.7	-7.2	-7.4
15. b) U.S. Govt & private transfers ^{5/}	-9.2	-9.9	-15.0	-9.2	-9.5	-10.5	-10.5	-14.1	-14.6	-15.0	-16.2	-17.3	-17.9
16. Constant (1972) dollars													
16. Merchandise exports (excl. military)	66.7	66.9	69.0	66.2	67.7	68.9	65.2	65.5	68.3	70.6	72.2	73.9	75.5
17. (% change, annual rates)	(3.6)	(0.3)	(3.4)	(-7.0)	(9.1)	(7.4)	(-24.8)	(2.8)	(18.3)	(13.9)	(9.5)	(9.5)	(9.1)
18. Merchandise imports	62.8	71.2	74.7	71.0	70.2	70.8	72.7	74.3	74.7	74.4	75.2	76.1	77.6
19. (% change, annual rates)	(22.5)	(13.4)	(4.8)	(33.5)	(-4.5)	(3.7)	(10.8)	(9.1)	(2.0)	(-1.6)	(4.5)	(4.9)	(8.2)
20. Foreign Outlook - Major Industrial Countries ^{6/}													
20. Real GNP, % change, annual rates	5.2	2.9	3.7	5.3	.4	0.8	3.7	4.9	4.5	4.1	4.1	4.5	4.1
21. Wholesale Prices, % change, A.R. ^{7/}	9.4	8.7	4.8	10.4	7.4	3.7	2.8	4.5	6.1	5.7	5.7	5.7	5.7

^{1/} Differs from Intl. Acct. data (line 1) in the inclusion of revisions and new data.

^{2/} Excludes grants to Israel under military assistance acts and exports financed by those grants.

^{3/} Excludes U.S. Govt. interest payments to foreigners, which are included in line 15.

^{4/} Includes travel, transportation, fees and royalties, and miscellaneous other service transactions.

^{5/} Includes U.S. Govt. grants, U.S. Govt. interest payments to foreigners, remittances and pensions, and exports to Israel financed by U.S. military assistance grants.

^{6/} Weighted by the shares of Canada, France, Germany, Italy, Japan and the United Kingdom in the sum of the real GNP of the six countries in dollar terms.

^{7/} Data are largely manufactured goods prices.

^{P/} Projected

^{E/} Estimated

^{*} Published data.

CONFIDENTIAL (FR)

May 10, 1978

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

**By the Staff
Board of Governors
of the Federal Reserve System**

PLANT AND EQUIPMENT EXPENDITURES
 (Per cent change from preceding year)

	Anticipated for 1978			
	Commerce		McGraw-Hill	
	<u>1/</u> Feb. Survey	<u>Oct.</u> Survey	<u>2/</u> Special Check-up	April Survey
All Business	10.9	11.1	14.1	17.3
Manufacturing	11.7	10.0	15.2	18.9
Durables	12.0	14.2	17.4	22.9
Nondurables	11.5	8.2	13.3	15.4
Nonmanufacturing	10.4	11.3	13.2	16.0

1/ Results are adjusted for systematic bias. Without this adjustment the February Commerce survey showed a 13.9 per cent increase.

2/ Conducted in late January and early February.

RECENT PLANT AND EQUIPMENT SURVEY PERFORMANCE
 (Per cent change from preceding year)

Year	McGraw-Hill	Commerce	Actual
	April Survey	May Survey	
1972	14.5	10.3	8.9
1973	19.3	13.2	12.8
1974	19.5	12.3	12.7
1975	5.5	1.6	.3
1976	12.9	7.3	6.8
1977	17.5	12.3	12.7

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

	Year	1977		1978			
		QIV	QI	Mar. ^{e/}	Apr. ^{e/}	May ^{f/}	June ^{f/}
<u>Gross offerings</u>							
Corporate securities--total	4,518	5,361	3,088	3,700	3,300	3,200	3,800
Publicly offered bonds	2,016	1,955	1,527	1,900	2,000	1,700	1,800
By quality <u>1/</u>							
Aaa and Aa	1,089	1,010	755	650	1,125	--	--
Less than Aa <u>2/</u>	927	945	772	1,250	875	--	--
By type of borrower							
Utility	692	660	472	675	425	--	--
Industrial <u>3/</u>	700	490	514	525	675	--	--
Financial	624	805	541	700	900	--	--
Privately placed bonds	1,501	2,000	933	1,000	800	800	1,200
Stocks	1,001	1,406	628	800	500	700	800
Foreign securities--total	621	482	728	1,130	554	--	--
Publicly offered <u>4/</u>	437	342	425	950	550	375	300
Privately placed	184	140	303	180	4	--	--
State and local govt. securities--total	5,771	4,812	4,988	5,904	8,300	6,000	5,300
Long-term	3,891	3,595	3,433	4,300	3,500	4,000	3,300
Short-term	1,880	1,217	1,555	1,604	4,800	2,000	2,000
<u>Net offerings</u>							
U.S. Treasury	3,433	7,167	7,200	12,760	-11,445	4,600	-3,600
Sponsored Federal agencies	604	703	1,804	2,687	1,071	3,142	1,582

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.