

December 12, 1984

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			
10/31/84	12/12/84	10/31/84	12/12/84	10/31/84	12/12/84	10/31/84	12/12/84	10/31/84	12/12/84

Annual changes:

1982	<1>	3.8	3.8	-2.1	-2.1	6.0	6.0	7.0	7.0	9.7	9.7
1983	<1>	7.7	7.7	3.7	3.7	3.8	3.8	4.6	4.6	9.6	9.6
1984		11.0	10.7	6.9	6.7	4.0	4.1	-3	4.4	7.5	7.5
1985		7.6	6.8	3.5	2.7	4.2	4.1	4.8	4.5	6.9	7.1

Quarterly changes:

1983	Q1	<1>	8.5	8.5	3.3	3.3	2.7	2.7	4.9	4.9	10.4	10.4
	Q2	<1>	12.3	12.3	9.4	9.4	3.9	3.9	3.5	3.5	10.1	10.1
	Q3	<1>	10.1	10.1	6.8	6.8	4.5	4.5	5.4	5.4	9.4	9.4
	Q4	<1>	10.6	10.6	5.9	5.9	3.5	3.5	3.8	3.8	8.5	8.5
	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>	6.3	5.7	2.7	1.9	3.6	4.0	4.4	4.9	7.5	7.5
	Q4		7.4	5.5	3.4	1.3	4.1	4.3	4.5	4.4	7.3	7.3
1985	Q1		8.2	7.1	3.4	2.4	4.3	4.0	4.8	4.3	7.1	7.2
	Q2		7.3	7.0	3.3	3.2	4.4	4.0	4.8	4.3	7.0	7.1
	Q3		7.3	7.0	3.1	3.2	4.6	4.2	4.8	4.3	6.9	7.1
	Q4		7.3	6.8	2.9	2.8	4.7	4.3	4.9	4.4	6.8	7.0

Two-quarter changes: <2>

1983	Q2	<1>	10.4	10.4	6.3	6.3	3.3	3.3	4.2	4.2	-5	-5
	Q4	<1>	10.3	10.3	6.4	6.4	4.0	4.0	4.6	4.6	-1.6	-1.6
1984	Q2	<1>	12.8	12.8	8.6	8.6	4.2	4.2	4.4	4.4	-1.0	-1.0
	Q4		6.8	5.6	3.0	1.6	3.9	4.2	4.4	4.7	-2	-2
1985	Q2		7.8	7.0	3.4	2.8	4.3	4.0	4.8	4.3	-3	-2
	Q4		7.3	6.9	3.0	3.0	4.6	4.2	4.8	4.3	-2	-1

Four-quarter changes: <3>

1982	Q4	<1>	2.7	2.7	-1.5	-1.5	4.7	4.7	5.3	5.3	2.4	2.4
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		9.8	9.1	5.8	5.0	4.0	4.2	4.4	4.5	-1.2	-1.2
1985	Q4		7.5	7.0	3.2	2.9	4.5	4.1	4.8	4.3	-5	-3

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

December 12, 1984

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.)

	1982				1983			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3026.0	3061.2	3080.1	3109.6	3173.8	3267.0	3346.6	3431.7
Final sales	3043.1	3072.1	3095.5	3170.8	3216.8	3286.4	3350.9	3419.0
Private	2412.2	2438.4	2439.2	2489.8	2538.0	2604.2	2661.1	2727.6
Domestic final purchases	2384.5	2402.9	2432.6	2483.5	2518.4	2610.7	2677.5	2757.4
Personal consumption expenditures	1931.3	1960.9	2001.3	2046.1	2070.4	2141.6	2181.4	2230.2
Goods	985.8	992.2	1007.0	1025.6	1034.6	1073.0	1095.8	1122.8
Services	945.4	968.6	994.2	1020.6	1035.8	1068.6	1085.7	1107.5
Gross private domestic investment	436.2	431.2	415.9	376.2	405.0	449.6	491.9	540.0
Residential structures	87.5	90.9	89.0	97.9	113.3	129.8	142.3	143.4
Business fixed investment	365.7	351.2	342.2	339.3	334.6	339.3	353.9	383.9
Change in business inventories	-17.0	-10.9	-15.3	-61.1	-42.9	-19.4	-4.3	12.7
Nonfarm	-20.9	-9.5	-11.1	-54.3	-32.6	-5.4	11.6	14.1
Net exports of goods and services <1>	27.7	35.5	6.6	6.3	19.6	-6.5	-16.4	-29.8
Exports	359.4	366.3	346.3	321.7	328.5	328.1	342.0	346.1
Imports	331.7	330.8	339.7	315.4	308.9	334.5	358.4	375.9
Gov't. purchases of goods and services	630.9	633.7	656.3	681.0	678.8	682.2	689.8	691.4
Federal <2>	249.8	245.0	261.6	279.4	273.0	270.5	269.2	266.3
State and local	381.1	388.7	394.7	401.6	405.8	411.6	420.6	425.1
Gross national product in constant (1972) dollars	1483.5	1480.5	1477.1	1478.8	1491.0	1524.8	1550.2	1572.7
Personal income	2536.3	2568.3	2594.2	2639.4	2662.8	2714.7	2763.3	2836.5
Wage and salary disbursements	1546.3	1564.2	1578.0	1586.4	1608.1	1642.1	1671.3	1715.4
Disposable personal income	2132.0	2156.8	2195.8	2237.5	2261.4	2302.9	2367.4	2428.6
Saving rate (percent)	6.7	6.3	6.1	5.8	5.7	4.2	5.0	5.3
Corporate profits with I.V.A. and C.C. Adj.	159.8	161.8	163.3	151.7	179.0	216.6	245.0	260.0
Corporate profits before tax	167.5	169.9	168.9	155.9	161.6	198.1	227.4	225.5
Federal government surplus or deficit (-) (N.I.A. basis)	-106.2	-112.1	-163.8	-210.7	-185.8	-167.3	-180.9	-180.5
High employment surplus or deficit (-) <3>	-36.9	-30.3	-71.5	-107.8	-81.0	-74.4	-102.3	-113.1
State and local government surplus or deficit(-) (N.I.A. basis)	32.6	34.2	33.3	31.4	34.0	43.8	47.4	51.2
Excluding social insurance funds	.5	.9	-1.0	-3.8	-2.0	6.9	9.5	12.0
Civilian labor force (millions)	109.4	110.2	110.5	110.8	110.7	111.3	112.1	112.0
Unemployment rate (percent)	8.8	9.4	10.0	10.6	10.4	10.1	9.4	8.5
Nonfarm payroll employment	90.4	89.9	89.2	88.7	88.8	89.6	90.4	91.7
Manufacturing	19.4	19.0	18.6	18.1	18.1	18.3	18.6	19.0
Industrial production (1967=100)	141.7	139.4	138.2	135.2	138.5	144.5	151.8	155.5
Capacity utilization: all manufacturing (percent)	72.9	71.6	71.1	69.0	70.7	73.9	77.4	78.9
Materials (percent)	73.0	70.7	69.4	67.2	70.1	73.5	77.5	79.6
Housing starts, private (million units, A.R.)	.88	.96	1.12	1.27	1.64	1.69	1.78	1.70
New auto sales (millions, A.R.)	8.12	7.53	7.78	8.57	8.46	9.10	9.22	9.94
Domestic models	5.90	5.53	5.56	6.08	6.06	6.81	6.92	7.29
Foreign models	2.22	1.99	2.22	2.49	2.40	2.28	2.31	2.65

> Balance of payments data and details underlying these estimates are shown in the International Developments section of this part of the Greenbook.

> Components of purchases and total receipts and total expenditures are shown in the Federal Sector Account table which follows.

> Estimates in table are evaluated at a 6 percent high employment unemployment rate.

December 12, 1984

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

	1982				1983			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	-4.7	-8	-9	.5	3.3	9.4	6.8	5.9
Final sales	-1.0	-1.5	-3	5.5	1.1	6.4	4.9	4.2
Private	-1.4	-9	-2.3	4.1	3.5	8.6	6.2	6.3
Domestic final purchases	.7	-6	.6	4.8	4.0	12.1	6.9	9.7
Personal consumption expenditures	2.9	2.2	2.2	5.1	2.6	10.0	3.8	6.8
Goods	2.7	1.5	1.8	6.7	3.5	12.6	5.4	9.5
Services	3.1	3.0	2.7	3.4	1.5	7.3	2.1	3.8
Gross private domestic investment	-29.9	-8.1	-11.6	-29.9	34.0	52.5	38.4	37.0
Residential structures	-29.5	16.4	-8.2	51.1	64.4	78.5	31.6	4.0
Business fixed investment	-3.8	-17.6	-7.0	-5.7	.2	9.5	18.7	30.6
Gov't. purchases of goods and services	.8	-4.3	8.3	11.1	-8.1	-2.6	-5	-4.3
Federal	3.6	-12.6	24.3	28.6	-17.3	-5.9	-5.3	-8.7
National defense	2.1	13.3	13.4	6.6	7.0	7.4	-1.9	9.2
State and local	-1.1	1.4	-7	.2	-1.1	-2	2.7	-1.4
Disposable personal income	-1.2	.8	1.2	3.7	2.1	3.4	7.7	8.2
<u>Current Dollars</u>								
Gross national product	-3	4.7	2.5	3.9	8.5	12.3	10.1	10.6
Final sales	4.6	3.9	3.1	10.1	5.9	8.9	8.1	8.4
Private	4.4	4.4	.1	8.6	8.0	10.8	9.0	10.4
Domestic final purchases	5.2	3.1	5.0	8.6	5.7	15.5	10.6	12.5
Personal consumption expenditures	8.6	6.3	8.5	9.3	4.8	14.5	7.6	9.3
Goods	6.0	2.6	6.1	7.6	3.6	15.7	8.8	10.2
Services	11.4	10.2	11.0	11.1	6.1	13.3	6.6	8.3
Gross private domestic investment	-32.8	-4.5	-13.5	-33.1	34.3	51.9	43.2	45.3
Residential structures	-27.4	16.5	-8.1	46.4	79.4	72.3	44.4	3.3
Business fixed investment	-2.5	-14.9	-9.9	-3.3	-5.4	5.7	18.5	38.4
Gov't. purchases of goods and services	5.4	1.8	15.0	15.9	-1.3	2.0	4.5	.9
Federal	4.8	-7.5	30.0	30.1	-8.9	-3.6	-2.0	-4.3
National defense	6.9	17.4	19.5	17.9	8.0	9.8	3.3	13.2
State and local	5.8	8.2	6.3	7.2	4.2	5.8	9.0	4.4
Disposable personal income	4.3	4.7	7.4	7.8	4.3	7.5	11.7	10.7
Personal income	4.7	5.1	4.1	7.2	3.6	8.0	7.3	11.0
Wage and salary disbursements	3.8	4.7	3.6	2.1	5.6	8.7	7.3	11.0
Corporate profits with I.V.A. and C.C.Adj.	-44.2	5.1	3.8	-25.5	93.9	114.4	63.7	26.8
Corporate profits before tax	-57.7	5.9	-2.3	-27.4	15.4	125.8	73.6	-3.3
Nonfarm payroll employment	-2.7	-1.9	-3.1	-2.3	.5	3.4	3.7	5.8
Manufacturing	-9.2	-8.7	-8.9	-9.5	-9	5.0	7.0	9.1
Nonfarm business sector								
Output per hour	2.5	-1.6	3.6	1.1	4.4	8.1	2.1	1.0
Compensation per hour	10.5	5.9	7.5	5.1	5.7	3.5	2.2	4.1
Unit labor costs	7.9	7.6	3.7	4.0	1.3	-4.2	.1	3.0
GNP implicit deflator <1>	4.6	5.6	3.4	3.4	5.0	2.6	3.1	4.4
Gross domestic business product								
fixed-weighted price index <2>	5.3	4.4	5.6	3.7	2.7	3.9	4.5	3.5
Excluding food and energy	5.6	6.7	5.2	3.9	4.9	3.5	5.4	3.8
Consumer price index (all urban)	3.8	5.5	7.3	1.5	.3	4.4	4.1	4.5
Industrial production	-11.8	-6.5	-3.4	-8.2	10.1	18.4	21.8	10.2

<1> Excluding the federal pay increase, the rate of change in 1982-Q4 was 3.0 percent.

<2> Uses expenditures in 1972 as weights.

December 12, 1984

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.)

	1984				Projected 1985			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3553.3	3644.7	3695.2	3744.8	3809.2	3873.8	3940.2	4005.7
Final sales	3479.5	3594.1	3626.8	3697.4	3778.6	3843.9	3909.7	3976.9
Private	2775.1	2850.4	2864.8	2917.4	2981.5	3031.7	3081.3	3132.9
Domestic final purchases	2826.6	2909.1	2954.7	2999.1	3060.2	3119.4	3179.6	3235.7
Personal consumption expenditures	2276.5	2332.7	2360.8	2401.8	2449.4	2493.1	2538.1	2582.7
Goods	1152.2	1179.0	1179.6	1196.7	1218.7	1237.2	1255.9	1273.9
Services	1124.4	1153.7	1181.2	1205.1	1230.7	1255.9	1282.2	1308.8
Gross private domestic investment	623.8	627.0	662.3	644.7	641.4	656.2	672.0	681.8
Residential structures	151.2	155.6	155.4	153.4	157.4	162.9	168.4	169.9
Business fixed investment	398.8	420.8	438.5	443.9	453.4	463.4	473.1	483.1
Change in business inventories	73.8	50.6	68.5	47.4	30.6	29.9	30.5	28.8
Nonfarm	60.6	47.0	59.5	42.4	28.6	28.9	30.5	28.8
Net exports of goods and services <1>	-51.5	-58.7	-89.9	-81.7	-78.7	-87.7	-98.3	-102.8
Exports	358.9	362.4	369.3	367.0	372.7	377.5	387.1	394.6
Imports	410.4	421.1	459.2	448.7	451.4	465.1	485.4	497.3
Gov't. purchases of goods and services	704.4	743.7	762.0	780.0	797.1	812.2	828.4	844.0
Federal <2>	267.6	296.4	302.8	311.6	320.0	326.9	335.0	342.5
State and local	436.8	447.4	459.3	468.4	477.1	485.3	493.4	501.5
Gross national product in constant (1972) dollars	1610.9	1638.8	1646.5	1651.7	1661.6	1674.7	1687.9	1699.8
Personal income	2920.5	2984.5	3046.6	3104.2	3161.2	3213.8	3266.2	3328.0
Wage and salary disbursements	1755.7	1793.1	1819.5	1845.9	1879.8	1911.5	1943.2	1974.9
Disposable personal income	2502.2	2554.3	2606.1	2652.9	2701.8	2744.7	2787.0	2838.4
Saving rate (percent)	6.1	5.7	6.3	6.3	6.2	5.9	5.7	5.7
Corporate profits with I.V.A. and C.C. Adj.	277.4	291.2	281.4	273.3	273.4	276.8	281.5	284.3
Corporate profits before tax	243.3	246.2	223.6	213.5	209.4	211.3	215.0	215.3
Federal government surplus or deficit (-) (N.I.A. basis)	-161.3	-163.9	-176.6	-192.4	-195.6	-196.0	-195.6	-204.8
High employment surplus or deficit (-) <3>	-113.4	-129.8	-142.7	-157.1	-160.5	-162.5	-163.3	-172.9
State and local government surplus or deficit(-) (N.I.A. basis)	54.0	54.3	45.7	46.1	46.8	47.7	47.7	47.7
Excluding social insurance funds	13.5	12.4	2.4	2.2	2.3	2.7	2.2	1.7
Civilian labor force (millions)	112.6	113.6	113.7	114.2	114.7	115.2	115.8	116.3
Unemployment rate (percent)	7.9	7.5	7.5	7.3	7.2	7.1	7.1	7.0
Nonfarm payroll employment	92.8	93.8	94.6	95.4	96.1	96.6	97.2	97.7
Manufacturing	19.4	19.6	19.7	19.7	19.8	19.9	20.0	20.1
Industrial production (1967=100)	159.8	163.1	165.6	165.0	166.3	167.7	169.2	170.7
Capacity utilization: all manufacturing (percent)	80.7	81.8	82.5	81.6	81.6	81.6	81.6	81.6
Materials (percent)	81.6	82.7	82.9	82.1	82.1	82.2	82.4	82.4
Housing starts, private (million units, A.R.)	1.97	1.90	1.66	1.64	1.75	1.85	1.80	1.75
New auto sales (millions, A.R.)	10.46	10.68	10.32	10.15	10.55	10.95	11.15	11.20
Domestic models	8.16	8.26	7.97	7.40	8.10	8.40	8.50	8.45
Foreign models	2.30	2.42	2.34	2.75	2.45	2.55	2.65	2.75

<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)

	1984				Projected 1985			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	10.1	7.1	1.9	1.3	2.4	3.2	3.2	2.8
Final sales	3.6	10.3	-5	3.5	4.4	3.4	3.2	3.1
Private	4.2	8.5	-2.0	3.3	4.8	3.4	3.1	3.0
Domestic final purchases	7.6	9.5	2.6	2.1	4.9	4.0	3.7	2.9
Personal consumption expenditures	4.6	7.9	.5	2.8	4.4	3.2	3.0	2.6
Goods	7.8	10.7	-1.5	2.5	5.4	3.7	3.3	2.7
Services	1.2	4.6	3.1	3.1	3.3	2.7	2.6	2.5
Gross private domestic investment	71.5	-2.2	25.7	-11.2	-4.7	6.0	6.4	2.9
Residential structures	20.8	1.3	-4.5	-7.7	7.1	10.5	9.8	-5
Business fixed investment	20.5	21.4	15.8	2.0	6.4	6.2	5.8	5.6
Gov't. purchases of goods and services	1.0	18.6	6.4	4.3	2.6	3.0	3.8	3.4
Federal	-2.8	45.4	7.3	6.3	2.6	4.2	6.0	5.2
National defense	3.8	12.0	-2.2	9.6	7.3	7.8	7.1	6.1
State and local	3.5	3.7	5.7	2.9	2.7	2.2	2.2	2.2
Disposable personal income	8.6	6.3	3.9	3.0	3.9	2.5	1.9	3.0
<u>Current Dollars</u>								
Gross national product	14.9	10.7	5.7	5.5	7.1	7.0	7.0	6.8
Final sales	7.3	13.8	3.7	8.0	9.1	7.1	7.0	7.1
Private	7.1	11.3	2.0	7.6	9.1	6.9	6.7	6.9
Domestic final purchases	10.4	12.2	6.4	6.2	8.4	8.0	7.9	7.2
Personal consumption expenditures	8.6	10.2	4.9	7.1	8.2	7.3	7.4	7.2
Goods	10.9	9.6	.2	5.9	7.6	6.2	6.2	5.9
Services	6.2	10.8	9.9	8.3	8.8	8.4	8.6	8.6
Gross private domestic investment	78.1	2.1	24.5	-10.2	-2.0	9.5	10.0	6.0
Residential structures	23.6	12.2	-5	-5.0	10.8	14.7	14.2	3.6
Business fixed investment	16.5	24.0	17.9	5.1	8.8	9.1	8.7	8.7
Gov't. purchases of goods and services	7.7	24.3	10.2	9.8	9.1	7.8	8.2	7.8
Federal	2.0	50.5	8.9	12.1	11.2	8.9	10.3	9.3
National defense	12.5	14.6	-7	14.7	17.3	12.3	12.0	10.6
State and local	11.5	10.1	11.1	8.1	7.7	7.1	6.9	6.7
Disposable personal income	12.7	8.6	8.4	7.4	7.6	6.5	6.3	7.6
Personal income	12.4	9.1	8.6	7.8	7.6	6.8	6.7	7.8
Wage and salary disbursements	9.7	8.8	6.0	5.9	7.6	6.9	6.8	6.7
Corporate profits with I.V.A. and C.C.Adj.	29.8	21.4	-12.8	-11.1	.1	5.2	6.9	4.1
Corporate profits before tax	35.5	4.9	-31.9	-17.0	-7.5	3.8	7.1	.6
Nonfarm payroll employment	4.8	4.5	3.3	3.8	2.6	2.5	2.3	2.1
Manufacturing	7.5	4.5	2.1	.8	2.0	2.2	1.8	1.8
Nonfarm business sector								
Output per hour	2.9	5.5	-7	-1.6	.3	1.2	1.2	1.0
Compensation per hour	6.1	3.7	3.8	3.8	4.5	4.3	4.5	4.7
Unit labor costs	3.1	-1.7	4.5	5.4	4.2	3.1	3.3	3.7
GNP implicit deflator <1>	4.4	3.3	3.7	4.1	4.5	3.6	3.7	3.9
Gross domestic business product								
fixed-weighted price index <2>	4.2	4.1	4.0	4.3	4.0	4.0	4.2	4.3
Excluding food and energy	3.4	5.4	4.9	4.4	4.3	4.3	4.3	4.4
Consumer price index (all urban)	5.0	3.7	3.5	4.5	4.0	4.1	4.4	4.6
Industrial production	11.5	8.6	6.3	-1.5	3.1	3.6	3.6	3.5

<1> Excluding Federal pay increase, the rate of change in 1984-Q1 is 4.0 percent and in 1985-Q1 is 4.0 percent.

<2> Uses expenditures in 1972 as weights.

December 12, 1984

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

	1978	1979	1980	1981	1982	1983	---Projected---	
							1984	1985
Gross national product	2163.9	2417.8	2631.7	2957.7	3069.2	3304.8	3659.5	3907.2
Final sales	2137.4	2403.5	2641.4	2931.7	3095.4	3318.3	3599.5	3877.3
Private	1705.5	1929.2	2103.7	2335.2	2444.9	2632.7	2851.9	3056.9
Domestic final purchases	1706.6	1915.9	2079.7	2307.2	2425.9	2641.0	2922.4	3148.7
Personal consumption expenditures	1346.5	1507.1	1668.0	1849.1	1984.9	2155.9	2343.0	2515.8
Goods	728.5	813.4	883.5	966.1	1002.6	1081.5	1176.9	1246.4
Services	618.0	693.7	784.5	883.0	982.2	1074.4	1166.1	1269.4
Gross private domestic investment	386.6	423.0	401.9	484.2	414.9	471.6	639.5	662.8
Residential construction	111.2	118.5	102.9	104.3	91.3	132.2	153.9	164.6
Business fixed investment	248.9	290.2	308.8	353.9	349.6	352.9	425.5	468.2
Change in business inventories	26.5	14.3	-9.8	26.0	-26.1	-13.5	60.1	30.0
Nonfarm	25.4	8.6	-4.5	18.2	-23.9	-3.1	52.4	29.2
Net exports of goods and services <1>	-1.1	13.2	23.9	28.0	19.0	-8.3	-70.5	-91.9
Exports	218.7	281.3	338.8	369.9	348.4	336.2	364.4	383.0
Imports	219.8	268.1	314.8	341.9	329.4	344.4	434.9	474.8
Gov't. purchases of goods and services	431.9	474.4	537.8	596.5	650.5	685.5	747.5	820.4
Federal <2>	153.6	168.3	197.0	228.9	258.9	269.7	294.6	331.1
State and local	278.3	306.0	340.8	367.6	391.5	415.8	453.0	489.3
Gross national product in constant (1972) dollars	1438.6	1479.4	1475.0	1512.1	1480.0	1534.7	1637.0	1681.0
Personal income	1732.7	1951.1	2165.3	2429.4	2584.6	2744.3	3014.0	3242.3
Wage and salary disbursements	1106.3	1237.6	1356.7	1493.1	1568.7	1659.2	1803.5	1927.4
Disposable personal income	1474.0	1650.2	1828.9	2041.7	2180.5	2340.1	2578.9	2768.0
Saving rate (percent)	6.1	5.9	6.0	6.7	6.2	5.0	6.1	5.9
Corporate profits with I.V.A. and C.C.Adj.	192.4	194.8	175.4	190.0	159.2	225.1	280.8	279.0
Corporate profits before tax	229.1	252.7	234.6	221.3	165.6	203.1	231.7	212.7
Federal government surplus or deficit (-) (N.I.A. basis)	-29.5	-16.1	-61.3	-64.2	-148.2	-178.6	-173.6	-198.0
High employment surplus or deficit (-)	-33.9	-20.8	-36.4	-31.3	-61.6	-92.7	-135.8	-164.8
State and local government surplus or deficit (-) (N.I.A. basis)	30.3	30.4	30.6	37.6	32.9	44.1	50.0	47.5
Excluding social insurance funds	10.0	6.8	3.5	7.8	-8	6.6	7.6	2.2
Civilian labor force (millions)	102.3	105.0	106.9	108.7	110.2	111.6	113.5	115.5
Unemployment rate (percent)	6.1	5.8	7.1	7.6	9.7	9.6	7.5	7.1
Nonfarm payroll employment (millions)	86.7	89.8	90.4	91.2	89.6	90.1	94.1	96.9
Manufacturing	20.5	21.0	20.3	20.2	18.8	18.5	19.6	20.0
Industrial production (1967=100)	146.1	152.5	147.0	150.9	138.6	147.6	163.4	168.5
Capacity utilization: all manufacturing (percent)	84.7	86.0	79.6	79.4	71.1	75.2	81.7	81.6
Materials (percent)	85.6	87.6	80.4	80.7	70.1	75.2	82.3	82.3
Housing starts, private (million units, A.R.)	2.00	1.72	1.30	1.10	1.06	1.70	1.79	1.79
New auto sales (millions, A.R.)	11.29	10.68	9.04	8.56	8.00	9.18	10.40	10.96
Domestic models	9.29	8.36	6.62	6.24	5.77	6.79	7.95	8.36
Foreign models	2.00	2.32	2.42	2.32	2.23	2.39	2.45	2.60

<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.

December 12, 1984

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

	1978	1979	1980	1981	1982	1983	---Projected---	
							1984	1985
<u>Constant (1972) Dollars</u>								
Gross national product	5.0	2.8	-.3	2.5	-2.1	3.7	6.7	2.7
Final sales	4.9	3.5	.5	1.5	-.7	3.2	4.7	3.5
Private	5.6	4.0	.1	1.6	-1.3	4.1	5.0	3.3
Domestic final purchases	5.5	2.9	-1.0	2.2	-.2	5.6	7.5	3.9
Personal consumption expenditures	4.5	2.7	.5	2.0	1.3	4.8	5.2	3.3
Goods	4.2	1.9	-1.4	1.7	.4	6.0	7.0	3.5
Services	4.8	3.7	2.7	2.3	2.5	3.4	3.1	3.1
Gross private domestic investment	10.5	-.2	-11.8	10.7	-15.9	13.7	31.4	1.3
Residential structures	2.8	-5.3	-20.3	-5.5	-14.8	41.6	12.0	2.8
Business fixed investment	12.8	7.3	-2.4	5.5	-4.6	2.5	19.6	7.3
Gov't. purchases of goods and services	2.0	1.3	2.2	.9	2.0	-.3	3.5	4.6
Federal	-.1	1.8	4.2	3.7	6.1	-.7	5.0	6.9
National defense	.5	2.6	3.9	5.0	7.6	7.1	5.4	6.8
State and local	3.3	1.1	1.0	-.6	-.6	.0	2.5	3.0
Disposable personal income	4.9	2.7	.6	2.7	.9	3.5	6.7	3.3
<u>Current Dollars</u>								
Gross national product	12.8	11.7	8.8	12.4	3.8	7.7	10.7	6.8
Final sales	12.8	12.4	9.9	11.0	5.6	7.2	8.5	7.7
Private	13.6	13.1	9.0	11.0	4.7	7.7	8.3	7.2
Domestic final purchases	13.4	12.3	8.5	10.9	5.1	8.9	10.7	7.7
Personal consumption expenditures	11.8	11.9	10.7	10.9	7.3	8.6	8.7	7.4
Goods	10.9	11.7	8.6	9.3	3.8	7.9	8.8	5.9
Services	12.9	12.2	13.1	12.6	11.2	9.4	8.5	8.9
Gross private domestic investment	19.3	9.4	-5.0	20.5	-14.3	13.7	35.6	3.7
Residential structures	16.1	6.6	-13.2	1.3	-12.4	44.7	16.4	7.0
Business fixed investment	21.3	16.6	6.4	14.6	-1.2	.9	20.6	10.0
Gov't. purchases of goods and services	9.7	9.8	13.4	10.9	9.0	5.4	9.0	9.8
Federal	7.1	9.6	17.1	16.2	13.1	4.2	9.2	12.4
National defense	8.0	11.5	17.3	17.2	16.8	11.7	10.0	12.3
State and local	11.2	9.9	11.4	7.9	6.5	6.2	8.9	8.0
Disposable personal income	12.2	12.0	10.8	11.6	6.8	7.3	10.2	7.3
Personal income	12.5	12.6	11.0	12.2	6.4	6.2	9.8	7.6
Wage and salary disbursements	12.5	11.9	9.6	10.1	5.1	5.8	8.7	6.9
Corporate profits with I.V.A. and C.C.Adj.	15.0	1.2	-9.9	8.3	-16.2	41.5	24.8	-.7
Corporate profits before tax	17.7	10.3	-7.1	-5.7	-25.2	22.7	14.0	-8.2
Nonfarm payroll employment	5.1	3.6	.6	.8	-1.7	.6	4.4	2.9
Manufacturing	4.2	2.6	-3.6	-.6	-6.9	-1.5	5.9	2.0
Nonfarm business sector								
Output per hour	.6	-1.5	-.7	1.5	.2	3.5	2.6	.5
Compensation per hour	8.6	9.0	10.3	9.6	8.0	4.9	4.2	4.2
Unit labor costs	8.0	10.7	11.1	8.0	7.7	1.4	1.7	3.7
GNP implicit deflator	7.4	8.6	9.2	9.6	6.0	3.8	3.8	4.0
Gross domestic business product								
fixed-weighted price index <1>	8.0	9.9	10.0	9.6	6.0	3.8	4.1	4.1
Excluding food and energy	7.8	8.6	8.5	9.4	7.0	4.6	4.4	4.5
Consumer price index (all urban)	7.6	11.3	13.5	10.3	6.1	3.2	4.3	4.1
Industrial production	5.8	4.4	-3.6	2.6	-8.1	6.4	10.7	3.1

<1> Uses expenditures in 1972 as weights.

December 12, 1984

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

	Fiscal Year 1983*	Fiscal Year 1984*	FY1985 ^a /2/		CY1984 ^c	FRB staff estimates Calendar quarters; not seasonally adjusted								
			Admin. 1/	FRB Staff	CY 1983*	FRB Staff	1983 IV*	I*	1984 II* III*		IV	I	1985 II III	
Unified budget receipts	601	666	764	735	613	683	149	155	187	175	166	170	212	188
Unified budget outlays	796	842	931	936	804	868	213	209	211	208	240	231	235	231
Surplus/deficit(-), unified budget	-195	-175	-167	-201	-191	-185	-63	-54	-24	-33	-74	-61	-23	-43
Surplus/deficit(-), off-budget agencies ³	-12	-10	-13	-14	-10	-12	1	-2	-4	-5	-1	-3	-5	-5
Combined deficit to be financed	-208	-185	-180	-215	-201	-197	-62	-57	-28	-38	-75	-64	-28	-48
Means of financing combined deficit:														
Net borrowing from public	212	171	178	197	187	195	36	49	31	54	61	57	34	45
Decrease in cash operating balance	-8	7	0	15	8	0	25	-2	1	-17	18	3	-5	0
Other ⁴	3	8	2	2	6	4	1	10	-3	1	-4	5	-2	2
Cash operating balance, end of period	37	30	20	15	12	12	12	14	14	30	12	10	15	15
Memo: Sponsored agency borrowing ⁵	-3	30	n.a.	21	2	32	3	6	9	12	5	6	5	5
NIA Budget														
							Seasonally adjusted annual rates							
Receipts	629	688	788	744	641	704	655	686	704	707	719	738	752	767
Expenditures	816	859	952	939	820	878	835	848	868	884	911	933	948	963
Purchases	273	283	337	323	270	295	266	268	296	303	312	320	327	335
Defense	196	215	252	240	201	221	207	213	221	220	228	237	244	251
Nondefense	77	68	84	83	69	74	59	54	76	82	84	83	83	84
All other expenditures	543	576	615	616	550	583	569	580	572	582	600	613	621	628
Surplus/deficit(-)	-186	-171	-164	-195	-179	-174	-180	-161	-164	-177	-192	-196	-196	-195
High employment surplus/deficit(-) evaluated at 6 percent unemployment	-91	-125	n.a.	-161	-93	-136	-113	-113	-130	-143	-157	-161	-163	-163
	*--actual		e--estimated				n.a.--not available							

1. OMB Mid-Session Review of the 1985 Budget, August 1984. More recent, unofficial OMB estimates show receipts of around \$745 billion, outlays of \$955 billion, and a deficit of roughly \$210 billion.
2. The CBO baseline budget estimates show revenues of \$751 billion, outlays of \$929 billion and a deficit of \$178 billion in fiscal year 1985 (The Economic and Budget Outlook: An Update, August 1984).

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.

DECEMBER 11, 1984

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

	1983	ANNUAL 1984-P	1985-P	1983		1984				1985			
	1983	1984-P	1985-P	Q3	Q4	Q1	Q2	Q3	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
1. <u>GNP EXPORTS AND IMPORTS</u> 1/													
CURRENT \$, NET	-8.2	-70.5	-91.9	-16.4	-29.8	-51.5	-58.7	-89.9	-81.7	-78.7	-87.7	-98.3	-102.8
EXPORTS OF G+S	336.2	364.4	383.0	342.0	346.1	358.9	362.4	369.3	367.0	372.7	377.5	387.1	394.6
IMPORTS OF G+S	344.4	434.9	474.8	358.4	375.9	410.4	421.1	459.2	448.7	451.4	465.1	485.4	497.3
CONSTANT 72 \$, NET	12.6	-17.4	-26.2	11.9	1.9	-8.3	-11.5	-26.6	-23.1	-23.5	-25.6	-27.9	-27.9
EXPORTS OF G+S	139.5	145.9	148.1	141.6	141.0	144.9	144.7	147.8	146.2	146.7	146.9	149.0	150.1
IMPORTS OF G+S	126.9	163.3	174.4	129.7	139.1	153.2	156.2	174.4	169.3	170.1	172.4	176.9	178.0
2. <u>U.S. MERCHANDISE TRADE BALANCE</u> 2/	-61.1	-114.0	-126.0	-70.0	-77.6	-103.4	-102.9	-131.6	-118.1	-113.3	-122.4	-131.7	-136.4
EXPORTS	200.3	219.9	232.6	201.7	207.3	215.7	218.4	221.5	223.9	228.6	231.0	233.4	237.5
AGRICULTURAL	36.6	37.3	35.9	37.2	39.2	41.2	37.1	35.9	35.1	35.8	35.9	35.7	36.3
NONAGRICULTURAL	163.6	182.6	196.7	164.5	168.1	174.5	181.3	185.6	188.7	192.8	195.1	197.7	201.3
IMPORTS	261.3	333.9	358.6	271.8	284.9	319.2	321.3	353.1	342.0	341.9	353.4	365.1	373.9
PETROLEUM AND PRODUCTS	53.8	58.5	62.4	63.7	57.1	55.4	59.6	57.9	61.1	59.5	61.0	63.8	65.2
NONPETROLEUM	207.5	275.4	296.2	208.1	227.8	263.8	261.7	295.3	280.9	282.4	292.3	301.3	308.8
3. <u>U.S. CURRENT ACCOUNT BALANCE</u>	-41.6	-102.7	-125.2	-47.4	-68.8	-78.7	-97.6	-119.8	-114.8	-109.9	-119.9	-132.0	-139.1
OF WHICH: NET INVESTMENT INCOME	23.5	19.8	9.6	28.7	20.5	31.0	14.6	20.3	13.3	11.3	10.8	8.5	7.6
4. <u>FOREIGN OUTLOOK</u> 3/													
REAL GNP--TEN INDUSTRIAL 4/	1.5	2.9	2.7	2.6	4.0	4.4	-0.8	4.8	2.9	2.6	2.8	2.7	2.6
REAL GNP--NONOPEC LDC 5/	0.4	2.7	3.7	0.9	1.3	4.2	3.4	3.5	3.6	3.7	3.9	4.1	4.2
CONSUMER PRICES--TEN IND. 4/	5.7	4.9	4.3	5.3	5.5	5.3	4.8	2.5	4.6	4.3	4.8	4.3	4.6

1/ NATIONAL INCOME 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; CPI data are NSA.

5/ WEIGHTED BY SHARE IN NONOPEC LDC GNP.

P/ PROJECTED

December 12, 1984

RECENT DEVELOPMENTS

Prepared for the Federal Open Market Committee

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

GROSS OFFERINGS OF SECURITIES BY U.S. CORPORATIONS
(Monthly rates, not seasonally adjusted, billions of dollars)

	1983	1984						
		Q1	Q2	Q3	Sept.	Oct.P	Nov.P	Dec. ^f
Corporate securities - total ¹	8.94	8.37	6.86	10.90	11.38	15.30	15.20	11.50
Public offerings in U.S.	8.24	6.93	5.80	8.74	7.73	12.80	11.60	8.00
Stocks--total ²	4.30	2.17	1.94	1.64	1.53	2.30	2.30	2.00
Nonfinancial	3.07	1.11	1.27	.84	.78	1.30	1.30	--
Utility	.80	.22	.28	.17	.19	.30	.50	--
Industrial	2.27	.89	.99	.67	.59	1.00	.80	--
Financial	1.23	1.06	.67	.80	.75	1.00	1.00	--
Bonds--total ¹	3.94	4.76	3.86	7.10	6.20	10.50	9.30	6.00
By industry								
Nonfinancial	2.04	1.49	1.91	3.29	3.13	5.50	4.70	--
Utility	.95	.64	.46	.88	.96	1.50	2.10	--
Industrial	1.08	.85	1.45	2.41	2.17	4.10	2.60	--
Financial	1.90	3.27	1.95	3.81	3.07	4.90	4.60	--
By quality ³								
Aaa and Aa	1.15	.94	1.20	2.23	2.63	2.20	3.20	--
A and Baa	1.58	1.59	1.34	2.76	1.51	4.80	1.85	--
Less than Baa	.49	.61	.75	1.19	1.10	2.00	2.15	--
No rating (or unknown)	.37	.36	.15	.32	.35	.70	.25	--
Memo items:								
Equity based bonds ⁴	.75	.28	.34	.55	1.01	1.90	1.55	--
Mortgage-backed bonds	.36	1.26	.42	.60	.61	.80	1.85	--
Floating rate or extendible notes	.46	.58	1.35	1.77	.91	.70	1.50	--
Bonds sold abroad - total	.70	1.44	1.06	2.16	3.65	2.50	3.60	3.50
Nonfinancial	.33	.86	.42	.88	1.81	.75	1.80	--
Financial	.37	.58	.64	1.28	1.84	1.75	1.80	--

p--preliminary. f--staff forecast.

1. Securities issued in the private placement market are not included. Total reflects gross proceeds rather than par value of original discount bonds.

2. Includes equity issues associated with debt/equity swaps.

3. Bonds categorized according to Moody's bond ratings. Excludes mortgage-backed bonds.

4. Includes bonds convertible into equity and bonds with warrants attached where the warrants entitle the holder to purchase equity in the future.

TREASURY AND AGENCY FINANCING¹
(Total for period; billions of dollars)

	1984			
	Q4 ^f	Oct.	Nov. ^P	Dec. ^f
<u>Treasury financing</u>				
Combined surplus/deficit(-)	-74.9	-28.0	-28.4	-18.5
Means of financing deficit:				
Net cash borrowing from the public	60.5	20.8	19.3	20.4
Marketable borrowings/ repayments(-)	58.2	20.3	17.4	20.5
Bills	17.1	2.3	6.1	8.7
Coupons	41.1	18.0	11.3	11.8
Nonmarketable	2.3	.5	1.9	-.1
Decrease in the cash balance	18.2	8.1	16.7	-6.6
Memo: Cash balance at end of period	12.2	22.3	5.6	12.2
Other ²	-3.8	-.9	-7.6	4.7
<u>Federally sponsored credit agencies, net cash borrowing³</u>				
FHLB	1.5	.5	.5	.5
FNMA	1.7	.2	.6	.9
Farm Credit Banks	.7	-.3	1.3	-.3
FHLMC	.5	.0	.5	.0
SLMA	.6	.2	.2	.2

p--preliminary. f--staff forecast.

1. Data reported on a not seasonally adjusted, payment basis.

2. Includes checks issued less checks paid, accrued items and other transactions.

3. Excludes mortgage pass-through securities issued by FNMA and FHLMC.

GROSS OFFERINGS OF SECURITIES BY STATE AND LOCAL GOVERNMENTS
(Monthly totals or monthly averages; billions of dollars)

		1984					
	1983	Q1	Q2	Q3 ^e	Oct. ^e	Nov. ^e	Dec. ^f
----- Seasonally adjusted -----							
Total	10.39	9.43	9.05	10.98	10.55	9.50	9.40
Long-term	7.20	5.86	5.81	8.96	8.80	8.70	8.50
Short-term ¹	3.19	3.57	3.24	2.02	1.75	.80	.90
----- Not seasonally adjusted -----							
Total	10.39	7.84	10.64	10.22	10.70	10.20	10.20
Long-term	7.20	5.06	6.45	8.12	9.00	9.50	9.50
Refundings	1.17	.80	.93	.79	.70	.30	--
Single-family housing ²	.92	.12	.29	2.69	1.55	1.20	--
Short-term ¹	3.19	2.78	4.19	2.10	1.70	.70	.70

e--estimate. f--staff forecast.

1. These figures do not include tax-exempt commercial paper.
2. Data from the Department of Housing and Urban Development.

absence of HUD project notes and a falloff in issuance of tax and revenue anticipation notes.

In the long-term market, single-family housing bonds have continued to boost issue volume since their reauthorization in June under the Deficit Reduction Act. After soaring to more than \$3 billion in July and August, issuance has trended down to a still sizable \$1.2 billion in November. There also has been a rush to market industrial development bonds because of impending volume restrictions on most IDBs. Other issuers of IDBs may be coming to market before the end of the year in an effort to avoid more severe arbitrage requirements that go into effect January 1.¹

1. Under the old law, the proceeds of capital improvement bonds could be reinvested for a period of three years. After year-end, however, the arbitrage period will be shortened to six months for all IDBs, except multifamily housing bonds.