

August 12, 1981

## **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

## STAFF GNP PROJECTIONS

Percent changes, annual rate										
									Unemployment rate (percent)	
	Nominal GNP		Real GNP		Total		Excluding food and energy			
	7/1/81	8/12/81	7/1/81	8/12/81	7/1/81	8/12/81	7/1/81	8/12/81	7/1/81	8/12/81
<u>Annual changes:</u>										
1979 1/	12.0	12.0	3.2	3.2	9.7	9.7	8.4	8.4	5.8	5.8
1980 1/	8.8	8.8	-.2	-.2	9.8	9.8	8.7	8.7	7.1	7.1
1981	11.6	11.1	2.6	2.1	9.3	9.1	8.7	8.8	7.6	7.3
1982	8.3	7.9	.8	.6	8.0	7.6	7.7	7.4	8.2	8.0
<u>Quarterly changes:</u>										
1980-Q1 1/	12.6	12.6	3.1	3.1	10.1	10.1	7.4	7.4	6.2	6.2
1980-Q2 1/	-1.1	-1.1	-9.9	-9.9	9.8	9.8	9.5	9.5	7.3	7.3
1980-Q3 1/	11.8	11.8	2.4	2.4	9.6	9.6	9.3	9.3	7.5	7.5
1980-Q4 1/	14.9	14.9	3.8	3.8	9.3	9.3	8.2	8.2	7.5	7.5
1981-Q1 1/	19.2	19.2	8.6	8.6	10.5	10.5	8.1	8.1	7.3	7.4
1981-Q2 1/	6.5	4.0	.2	-1.9	8.4	7.8	10.0	9.8	7.5	7.4
1981-Q3	7.5	7.1	.3	-.2	8.3	8.0	8.4	9.0	7.7	7.1
1981-Q4	10.3	10.3	<u>1.1</u>	1.0	8.5	8.2	7.8	7.5	7.8	7.5
1982-Q1	7.6	6.9	.4	.3	8.1	7.5	7.4	6.8	8.0	7.7
1982-Q2	7.3	7.1	.2	.3	7.8	7.4	7.3	6.8	8.2	7.9
1982-Q3	8.8	8.8	2.0	2.2	7.6	7.4	7.2	6.8	8.3	8.1
1982-Q4	9.8	10.2	2.3	2.8	7.3	7.0	7.0	6.6	8.3	8.2
<u>Two-quarter changes:</u>										
1980-Q2 1/	5.6	5.6	-3.6	-3.6	9.9	9.9	8.4	8.4	1.4	1.4
1980-Q4 1/	13.3	13.3	3.1	3.1	9.5	9.5	8.8	8.8	.2	.2
1981-Q2 1/	12.6	11.3	4.3	3.2	9.4	9.1	9.1	9.0	.0	-.1
1981-Q4	8.9	8.7	.7	.4	8.4	8.1	8.1	8.2	.3	.1
1982-Q2	7.4	7.0	.3	.3	7.9	7.4	7.3	6.9	.4	.4
1982-Q4	9.3	9.5	2.2	2.5	7.4	7.2	7.1	6.6	.1	.3
<u>3/</u>										
<u>Four-quarter changes:</u>										
1979-Q4 1/	9.9	9.9	1.7	1.7	9.7	9.7	8.2	8.2	.1	.1
1980-Q4 1/	9.4	9.4	-.3	-.3	9.7	9.7	8.6	8.6	1.6	1.6
1981-Q4	10.8	10.0	2.5	1.8	8.9	8.6	8.6	8.6	.3	.0
1982-Q4	8.4	8.2	1.2	1.4	7.7	7.3	7.2	6.7	.5	.7

1/ Actual.

2/ Percent change from two quarters earlier.

3/ Percent change from four quarters earlier.

August 12, 1981

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

	1979				1980			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	2340.6	2374.6	2444.1	2496.3	2571.7	2564.8	2637.3	2730.6
Final purchases	2316.2	2341.5	2430.8	2497.1	2569.1	2557.4	2653.4	2748.0
Private	1858.0	1876.4	1955.4	2000.7	2052.3	2027.4	2119.9	2189.4
Excluding net exports	1838.1	1868.2	1937.5	1993.1	2044.1	2010.3	2075.4	2166.1
Personal consumption expenditures	1454.1	1478.0	1529.1	1582.3	1631.0	1626.8	1682.2	1751.0
Goods	784.3	793.8	824.8	855.3	882.0	858.4	883.0	926.8
Services	669.9	684.2	704.3	727.0	749.0	768.4	799.2	824.2
Gross private domestic investment	408.3	423.2	421.7	410.0	415.6	390.9	377.1	397.7
Residential construction	116.7	117.2	119.8	120.6	115.2	93.6	99.2	113.0
Business fixed investment	267.3	272.9	288.5	290.2	297.8	289.8	294.0	302.1
Change in business inventories	24.3	33.1	13.3	-.8	2.5	7.4	-16.0	-17.4
Nonfarm	20.8	29.2	7.8	-4.4	1.5	6.1	-12.3	-14.0
Net exports of goods and services <u>1/</u>	19.9	8.2	17.9	7.6	8.2	17.1	44.5	23.3
Exports	259.1	266.8	293.1	306.3	337.3	333.3	342.4	346.1
Imports	239.2	258.6	275.2	298.7	329.1	316.2	297.9	322.7
Gov't. purchases of goods and services	458.2	465.1	475.4	496.4	516.8	530.0	533.5	558.6
Federal <u>2/</u>	164.8	163.6	165.1	178.1	190.0	198.7	194.9	212.0
State and local	293.4	301.6	310.4	318.3	326.8	331.3	338.6	346.6
Gross national product in constant (1972) dollar	1479.9	1473.4	1488.2	1490.6	1501.9	1463.3	1471.9	1485.6
Personal income	1864.6	1906.3	1972.3	2032.0	2088.2	2114.5	2182.1	2256.2
Wage and salary disbursements	1194.8	1218.6	1248.6	1282.2	1314.7	1320.4	1341.8	1397.8
Disposable personal income	1580.2	1612.8	1663.8	1710.1	1765.1	1784.1	1840.6	1897.0
Saving rate (percent)	5.3	5.6	5.4	4.7	4.9	6.2	6.1	5.1
Corporate profits with I.V.A. and C.C. Adj	201.9	196.6	199.5	189.4	200.2	169.3	177.9	183.3
Corporate profits before tax	253.1	250.9	262.0	255.4	277.1	217.9	237.6	249.5
Federal government surplus or deficit (-) (N.I.A. basis)	-11.5	-8.1	-15.2	-24.5	-36.3	-66.5	-74.2	-67.9
High employment surplus or deficit (-)	-4.6	5.1	-2.3	-7.1	-17.1	-21.5	-21.2	-13.4
State and local government surplus or deficit (-) (N.I.A. basis)	29.5	21.9	26.5	28.9	26.6	23.9	28.6	37.1
Excluding social insurance funds	7.1	-1.7	2.1	4.0	1.3	-1.7	.9	8.1
Civilian labor force (millions)	102.3	102.4	103.2	103.7	104.2	104.7	105.0	105.2
Unemployment rate (percent)	5.8	5.7	5.8	5.9	6.2	7.3	7.5	7.5
Nonfarm payroll employment (millions)	89.0	89.7	90.2	90.5	90.8	90.5	90.2	90.8
Manufacturing	21.0	21.1	21.1	20.9	20.8	20.3	20.0	20.2
Industrial production (1967=100)	152.7	152.3	152.6	152.5	152.5	144.6	142.1	149.1
Capacity utilization: all mfg. (percent)	86.9	85.9	85.3	84.4	83.4	77.9	75.7	79.2
Materials (percent)	88.4	87.5	87.2	86.3	85.5	78.7	74.9	80.0
Housing starts, private (million units, A.R.)	1.64	1.84	1.79	1.59	1.23	1.06	1.39	1.54
New autos sales, (millions, A.R.)	11.56	10.65	10.79	9.80	10.65	7.68	8.80	9.04
Domestic models	9.30	8.16	8.63	7.43	7.87	5.53	6.51	6.57
Foreign models	2.25	2.49	2.16	2.37	2.77	2.14	2.29	2.47

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.

August 12, 1981

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

	1979				1980			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b><u>Constant (1972) dollars</u></b>								
Gross national product	3.9	-1.7	4.1	.6	3.1	-9.9	2.4	3.8
Final purchases	2.5	-2.5	7.2	2.9	3.1	-10.4	4.1	4.4
Private	3.0	-3.0	8.7	2.2	2.2	-13.3	6.5	4.9
Excluding net exports	1.1	-1.6	5.5	1.9	-.4	-14.4	4.6	8.5
Personal consumption expenditures	.9	-1.2	4.7	3.6	.8	-9.8	5.1	7.0
Goods	-2.7	-4.6	6.0	4.2	-.3	-17.7	4.0	10.2
Services	5.5	3.0	3.1	2.8	2.1	.0	6.4	3.7
Gross private domestic investment	10.6	1.7	-9.9	-17.8	-5.6	-28.9	-10.0	11.1
Residential structures	-6.5	-10.8	-3.6	-3.1	-24.2	-60.2	16.0	64.2
Business fixed investment	5.2	-.4	13.4	-5.4	2.2	-19.9	-1.5	4.0
Gov't. purchases of goods and services	.7	-.5	1.2	6.1	6.9	2.5	-5.0	2.2
Federal	8.0	-7.9	-3.6	13.1	18.9	11.9	-13.1	2.0
State and local	-3.3	4.0	3.9	2.4	.6	-2.8	.3	2.3
Disposable personal income	3.1	.5	3.5	.8	1.3	-4.9	4.1	2.9
<b><u>Current dollars</u></b>								
Gross national product	12.7	5.9	12.2	8.8	12.6	-1.1	11.8	14.9
Final purchases	11.5	4.4	16.1	11.4	12.0	-1.8	15.9	15.0
Private	12.8	4.0	17.9	9.6	10.7	-4.8	19.5	13.8
Excluding net exports	10.8	6.7	15.7	12.0	10.6	-6.5	13.6	18.7
Personal consumption expenditures	11.0	6.7	14.6	14.7	12.9	-1.0	14.3	17.4
Goods	8.5	4.9	16.6	15.6	13.1	-10.3	12.0	21.4
Services	14.2	8.8	12.2	13.5	12.7	10.8	17.0	13.1
Gross private domestic investment	17.0	15.4	-1.5	-10.6	5.6	-21.8	-13.3	23.7
Residential structures	1.8	1.8	9.1	2.8	-16.7	-56.4	25.7	68.5
Business fixed investment	13.9	8.6	25.0	2.3	11.0	-10.4	6.0	11.5
Gov't. purchases of goods and services	6.3	6.2	9.2	18.8	17.5	10.6	2.6	20.2
Federal	10.7	-2.9	3.7	35.4	29.5	19.8	-7.5	40.2
State and local	3.9	11.6	12.2	10.6	11.2	5.6	9.1	9.7
Disposable personal income	13.5	8.5	13.3	11.6	13.5	4.4	13.3	12.8
Personal income	12.8	9.3	14.6	12.7	11.5	5.1	13.4	14.3
Wage and salary disbursements	13.5	8.2	10.2	11.2	10.5	1.8	6.6	17.8
Corporate profits with IVA & C.C. Adj.	-1.6	-10.1	6.0	-18.8	24.8	-48.9	21.9	12.7
Corporate profits before tax	8.3	-3.4	18.9	-9.7	38.6	-61.8	41.4	21.6
Nonfarm payroll employment	3.7	3.1	2.4	1.2	1.5	-1.6	-1.0	2.7
Manufacturing	3.5	2.1	-.1	-3.6	-2.4	-9.7	-5.9	3.7
Nonfarm business sector								
Output per hour	-.9	-1.6	-1.1	-.2	.3	-2.9	3.6	-.2
Compensation per hour	10.9	10.4	8.6	9.7	10.2	11.3	9.0	9.8
Unit labor costs	11.9	12.1	9.7	9.9	9.9	14.6	5.3	10.1
GNP implicit deflator 1/	8.4	7.8	7.8	8.1	9.3	9.8	9.2	10.7
Gross domestic business product								
fixed-weighted price index 2/	9.7	9.7	9.5	10.0	10.1	9.8	9.6	9.3
Excluding food and energy	7.5	7.2	6.9	11.1	7.4	9.5	9.3	8.2
Consumer price index (all urban)	10.2	12.5	14.0	14.3	16.5	13.1	7.7	12.9
Industrial production	5.4	-1.0	.8	-.3	.0	-19.2	-6.7	21.2

1/ Excluding Federal pay increases, rates of change were: 1979-Q1, 8.3 percent; 1979-Q4, 7.5 percent; 1980-Q1, 9.2 percent; 1980-Q4, 9.7 percent.

2/ Uses expenditures in 1972 as weights.

August 12, 1981

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

	1981				1982			
	Q1	Q2	Q3	Q4	Projected	Q1	Q2	Q3
Gross national product	2853.0	2881.0	2930.5	3003.6	3054.0	3106.7	3172.8	3250.8
Final purchases	2848.5	2860.6	2916.6	2990.0	3041.2	3096.1	3167.7	3243.7
Private	2272.0	2283.0	2328.4	2384.2	2424.1	2464.0	2521.5	2577.9
Excluding net exports	2242.8	2263.6	2302.2	2355.5	2408.0	2459.1	2526.7	2587.5
Personal consumption expenditures	1810.1	1830.3	1871.7	1924.9	1968.5	2009.7	2066.5	2115.2
Goods	964.3	959.4	977.1	1005.9	1028.5	1049.7	1083.5	1112.8
Services	845.8	870.9	894.6	919.0	940.0	960.0	983.0	1002.4
Gross private domestic investment	437.1	453.8	444.4	444.2	452.3	460.0	465.3	479.4
Residential construction	116.7	111.4	102.4	98.4	103.4	108.9	114.9	121.9
Business fixed investment	315.9	322.0	328.1	332.2	336.1	340.5	345.3	350.4
Change in business inventories	4.5	20.4	13.9	13.6	12.8	10.6	5.1	7.1
Nonfarm	6.8	19.5	13.9	13.6	12.8	10.6	5.1	7.1
Net exports of goods and services <u>1/</u>	29.2	19.4	26.2	28.7	16.1	4.9	-5.2	-9.6
Exports	367.4	366.2	378.1	382.5	383.0	384.6	387.2	391.1
Imports	338.2	346.9	351.9	353.8	366.9	379.7	392.4	400.7
Gov't. purchases of goods and services	576.5	577.6	588.2	605.8	617.1	632.1	646.2	665.8
Federal <u>2/</u>	221.6	219.5	224.0	235.4	240.6	249.5	257.3	270.6
State and local	354.9	358.1	364.2	370.4	376.5	382.6	388.9	395.2
Gross national product in constant (1972) dollars	1516.4	1509.1	1508.4	1512.0	1513.0	1514.1	1522.3	1532.9
Personal income	2319.8	2367.8	2432.2	2484.3	2530.2	2574.8	2638.5	2694.5
Wage and salary disbursements	1442.9	1465.9	1492.8	1523.1	1548.2	1573.5	1601.8	1638.9
Disposable personal income	1947.8	1985.4	2037.5	2092.4	2133.0	2170.2	2257.4	2301.1
Saving rate (percent)	4.6	5.3	5.7	5.5	5.2	4.9	6.0	5.6
Corporate profits with I.V.A. and C.C. Adj.	203.0	177.2	172.7	189.0	185.5	187.8	194.1	204.1
Corporate profits before tax	259.1	220.3	210.1	228.2	212.6	211.5	214.4	221.0
Federal government surplus or deficit (-) (N.I.A. basis)	-43.3	-49.6	-67.0	-82.7	-92.4	-100.5	-148.3	-148.5
High employment surplus or deficit (-) <u>3/</u>	3.9	4.7	-3.9	-13.8	-13.8	-14.8	-62.0	-58.6
State and local government surplus or deficit (-) (N.I.A. basis)	37.2	34.7	32.4	31.3	30.7	30.1	31.5	32.5
Excluding social insurance funds	6.7	3.3	.4	-1.3	-2.7	-4.0	-3.4	-3.2
Civilian labor force (millions)	105.8	106.8	106.6	106.9	107.3	107.6	107.9	108.2
Unemployment rate (percent)	7.4	7.4	7.1	7.5	7.7	7.9	8.1	8.2
Nonfarm payroll employment (millions)	91.2	91.5	92.0	91.9	91.9	91.9	92.0	92.2
Manufacturing	20.2	20.4	20.6	20.5	20.5	20.4	20.5	20.6
Industrial production (1967=100)	151.8	152.6	152.5	153.1	153.3	153.6	155.1	156.6
Capacity utilization: all mfg. (percent)	79.9	79.9	79.1	78.8	78.5	78.1	78.2	78.5
Materials (percent)	81.7	81.1	80.5	80.6	80.2	79.8	80.0	80.3
Housing starts, private (million units, A.R.)	1.39	1.17	1.00	1.00	1.15	1.20	1.30	1.35
New autos sales, (millions, A.R.)	9.96	7.89	8.50	8.90	8.40	8.80	9.10	8.85
Domestic models	7.31	5.63	6.20	6.50	6.30	6.50	6.70	6.45
Foreign models	2.66	2.26	2.30	2.40	2.10	2.30	2.40	2.40

- 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.
- 3/ Estimates in table are evaluated at a 5.1 percent high employment unemployment rate. Evaluated at a 6.1 percent unemployment rate, the high employment budget would show a deficit of \$37.7 billion in 1980-Q4 and a deficit of \$41.7 billion in 1981-Q4, and a deficit of -\$87.0 billion in 1982-Q4.

August 12, 1981

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

	1981				1982			
	Q1	Q2	Q3	Q4	Projected	Q1	Q2	Q3
<u>Constant (1972) dollars</u>								
Gross national product	8.6	-1.9	-.2	1.0	.3	.3	2.2	2.8
Final purchases	6.9	-4.8	.6	1.0	.4	.6	2.9	2.5
Private	7.3	-4.8	.4	1.3	.2	.2	3.3	2.8
Excluding net exports	6.7	-3.4	.1	2.1	1.8	1.5	4.4	3.3
Personal consumption expenditures	5.8	-1.9	2.4	3.9	1.8	1.3	4.8	3.2
Goods	9.8	-6.2	2.7	4.2	1.8	1.7	7.2	4.8
Services	1.4	3.2	2.0	3.5	1.8	.9	2.2	1.4
Gross private domestic investment	24.2	11.4	-14.2	-6.1	.8	.0	-2.7	5.5
Residential structures	3.6	-20.6	-33.9	-20.7	13.2	14.2	15.1	17.6
Business fixed investment	13.3	-6.1	-1.6	-1.6	-1.2	-.9	-.6	-.2
Gov't. purchases of goods and services	5.4	-4.7	1.4	-.4	1.1	2.2	1.6	1.6
Federal	14.8	-6.4	5.1	.1	4.2	7.3	5.2	5.4
State and local	.2	-3.7	-.8	-.8	-.8	-.9	-.7	-.8
Disposable personal income	3.0	1.3	3.7	3.3	.5	.0	9.7	1.5
<u>Current dollars</u>								
Gross national product	19.2	4.0	7.1	10.3	6.9	7.1	8.8	10.2
Final purchases	15.5	1.7	8.1	10.4	7.0	7.4	9.6	9.9
Private	16.0	2.0	8.2	9.9	6.9	6.8	9.7	9.2
Excluding net exports	14.9	3.8	7.0	9.6	9.2	8.8	11.5	10.0
Personal consumption expenditures	14.2	4.5	9.4	11.9	9.4	8.6	11.8	9.8
Goods	17.2	-2.0	7.6	12.3	9.3	8.5	13.5	11.3
Services	10.9	12.4	11.3	11.4	9.5	8.8	9.9	8.1
Gross private domestic investment	45.9	16.1	-8.0	-.2	7.5	7.0	4.7	12.7
Residential structures	14.0	-16.9	-28.6	-14.7	21.9	23.0	23.9	26.7
Business fixed investment	19.6	7.9	7.8	5.1	4.8	5.3	5.8	6.0
Gov't. purchases of goods and services	13.5	.7	7.5	12.5	7.7	10.1	9.2	12.7
Federal	19.3	-3.7	8.5	22.0	9.1	15.6	13.1	22.3
State and local	10.0	3.6	7.0	7.0	6.8	6.6	6.8	6.6
Disposable personal income	11.2	7.9	10.8	11.2	8.0	7.2	17.0	8.0
Personal income	11.8	8.5	11.3	8.8	7.6	7.2	10.3	8.8
Wage and salary disbursements	13.5	6.5	7.5	8.4	6.8	6.7	7.4	9.6
Corporate profits with IVA & C.G. Adj.	50.4	-41.9	-9.8	43.4	-7.2	5.1	14.1	22.3
Corporate profits before tax	16.3	-47.8	-17.3	39.2	-24.7	-2.0	5.6	12.8
Nonfarm payroll employment	1.8	1.3	2.1	-.4	.0	.0	.4	.9
Manufacturing	.5	4.2	3.8	-1.9	-.6	-.6	.5	2.1
Nonfarm business sector								
Output per hour	4.3	-.9	-2.4	1.8	.7	.7	2.3	2.2
Compensation per hour	11.6	9.6	8.9	8.5	8.9	8.1	7.9	7.9
Unit labor costs hour	7.0	10.6	11.6	6.6	8.1	7.3	5.5	5.6
GNP implicit deflator 1/	9.8	6.0	7.2	9.3	6.6	6.8	6.5	7.2
Gross domestic business product								
fixed-weighted price index 2/	10.5	7.8	8.0	8.2	7.5	7.4	7.4	7.0
Excluding food and energy	8.1	9.8	9.0	7.5	6.8	6.8	6.8	6.6
Consumer price index (all urban)	10.8	7.5	10.2	10.3	9.8	7.1	7.0	6.4
Industrial production	7.4	2.1	-.3	1.6	.5	.8	4.0	3.9

1/ Excluding Federal pay increases, the rates of change are: 1981-Q1, 9.7 percent; 1981-Q4, 8.3 percent; 1982-Q1, 6.6 percent; 1982-Q4, 6.3 percent.

2/ Uses expenditures in 1972 as weights.

August 12, 1981

CONFIDENTIAL - FR  
CLASS II FOMC

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

	1975	1976	1977	1978	1979	1980	Projected 1981	Projected 1982
Gross national product	1549.2	1718.0	1918.0	2156.1	2413.9	2626.1	2917.0	3146.1
Final purchases	1556.1	1706.2	1897.0	2133.9	2396.4	2632.0	2903.9	3137.2
Private	1216.2	1344.1	1502.5	1701.3	1922.6	2097.3	2316.9	2496.9
Excluding net exports	1189.4	1330.4	1506.7	1701.9	1909.2	2074.0	2291.0	2495.3
Personal consumption expenditures	976.4	1084.3	1205.5	1348.7	1510.9	1672.8	1859.3	2040.0
Goods	539.5	598.5	657.8	729.1	814.5	887.6	976.7	1068.6
Services	437.0	485.7	547.7	619.6	696.3	785.2	882.6	971.3
Gross private domestic investment	206.1	257.9	322.3	375.3	415.8	395.3	444.9	464.2
Residential construction	55.3	72.0	95.8	111.3	118.6	105.3	107.2	112.3
Business fixed investment	157.7	174.1	205.5	242.0	279.7	296.0	324.6	343.1
Change in business inventories	-6.9	11.8	21.0	22.2	17.5	-5.9	13.1	8.9
Nonfarm	-10.5	13.9	20.2	21.8	13.4	-4.7	13.5	8.9
Net exports of goods and services 1/	26.8	13.7	-4.2	-6	13.4	23.3	25.9	1.5
Exports	154.9	170.9	183.3	219.8	281.3	339.8	373.6	386.5
Imports	128.1	157.1	187.5	220.4	267.9	316.5	347.7	384.9
Gov't. purchases of goods and services	339.9	362.1	394.5	432.6	473.8	534.7	587.0	640.3
Federal 2/	122.7	129.2	143.9	153.4	167.9	198.9	225.1	254.5
State and local	217.2	232.9	250.6	279.2	305.9	335.8	361.9	385.8
Gross national product in constant (1972) dollars	1233.9	1300.4	1371.7	1436.9	1483.0	1480.7	1511.5	1520.6
Personal income	1265.0	1391.2	1538.0	1721.8	1943.8	2160.2	2401.0	2609.5
Wage and salary disbursements	806.4	889.9	983.8	1105.2	1236.1	1343.7	1481.2	1590.6
Disposable personal income	1096.1	1194.4	1311.5	1462.9	1641.7	1821.7	2015.8	2215.4
Saving rate (percent)	8.6	6.9	5.6	5.2	5.2	5.6	5.3	5.5
Corporate profits with I.V.A. and C.C. Adj.	110.5	138.1	164.7	185.5	196.8	182.7	185.5	192.9
Corporate profits before tax	132.1	166.3	192.6	223.3	255.4	245.5	229.5	214.9
Federal government surplus or deficit (N.I.A. basis)	-69.3	-53.1	-46.4	-29.2	-14.8	-61.2	-60.9	-122.4
High employment surplus or deficit (-)	-29.2	-20.1	-23.0	-15.7	-2.2	-18.3	-2.3	-37.3
State and local government surplus or deficit (-) (N.I.A. basis)	5.5	16.6	28.1	29.0	26.7	29.1	33.9	31.2
Excluding social insurance funds	-7.6	.9	10.1	9.0	2.9	2.1	2.3	-3.3
Civilian labor force (millions)	92.6	94.8	97.4	100.4	102.9	104.7	106.5	107.7
Unemployment rate (percent)	8.5	7.7	7.0	6.0	5.8	7.1	7.3	8.0
Nonfarm payroll employment (millions)	76.9	79.4	82.5	86.7	89.8	90.6	91.7	92.0
Manufacturing	18.3	19.0	19.7	20.5	21.0	20.3	20.4	20.5
Industrial production (1967=100)	117.8	130.5	138.1	146.1	152.5	147.1	152.5	154.6
Capacity utilization: all manufacturing (percent)	72.9	79.5	81.9	84.4	85.6	79.1	79.5	78.3
Materials (percent)	73.4	81.1	82.7	85.6	87.4	79.8	81.0	80.1
Housing starts, private (million units, A.R.)	1.16	1.54	1.99	2.02	1.75	1.29	1.14	1.25
New auto sales, (millions, A.R.)	8.66	10.12	11.13	11.28	10.70	9.04	8.81	8.79
Domestic models	7.08	8.63	9.07	9.29	8.38	6.62	6.41	6.49
Foreign models	1.58	1.50	2.06	1.99	2.32	2.42	2.41	2.30

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 FOMCPERCENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1975	1976	1977	1978	1979	1980	Projected 1981	Projected 1982
<u>Constant (1972) dollars</u>								
Gross national product	-1.1	5.4	5.5	4.8	3.2	-.2	2.1	.6
Final purchases	.3	4.2	5.2	4.7	3.5	.7	1.5	.7
Private	-.1	5.3	6.0	15.4	4.0	.2	1.8	.7
Excluding net exports	-.6	6.2	6.5	5.2	2.9	-1.0	2.3	1.7
Personal consumption expenditures	2.2	5.6	4.9	4.7	2.9	.5	2.9	2.4
Goods	1.3	6.7	5.2	4.2	1.9	-1.4	2.8	2.7
Services	3.3	4.3	4.5	5.4	4.1	2.6	2.9	2.1
Gross private domestic investment	-20.8	19.2	15.7	7.6	1.3	-12.5	3.6	-2.2
Residential structures	-12.5	21.3	18.5	2.9	-5.2	-18.6	-4.6	-2.8
Business fixed investment	-12.1	5.3	11.9	9.1	6.5	-3.0	.8	-1.4
Gov't. purchases of goods and services	2.1	.0	2.1	2.0	1.5	2.9	.5	.8
Federal	.8	-.7	4.1	-.9	1.9	6.3	2.1	3.6
State and local	2.9	.5	.9	3.7	1.2	1.0	-.5	-1.0
Disposable personal income	2.0	3.6	3.6	4.4	3.1	.7	2.4	2.6
<u>Current dollars</u>								
Gross national product	8.0	10.9	11.6	12.4	12.0	8.8	11.1	7.9
Final purchases	9.6	9.6	11.2	12.5	12.3	9.8	10.3	8.0
Private	9.0	10.5	11.8	13.2	13.0	9.1	10.5	7.8
Excluding net exports	7.9	11.8	13.3	12.9	12.2	8.6	10.5	8.9
Personal consumption expenditures	9.9	11.1	11.2	11.9	12.0	10.7	11.2	9.7
Goods	9.0	10.9	9.9	10.8	11.7	9.0	10.0	9.4
Services	11.1	11.2	12.7	13.1	12.4	12.8	12.4	10.1
Gross private domestic investment	-9.9	25.1	25.0	16.5	10.8	-4.9	12.5	4.4
Residential structures	-4.7	30.2	33.1	16.1	6.6	-11.3	1.9	4.7
Business fixed investment	.8	10.3	18.1	17.7	15.6	5.8	9.7	5.7
Gov't. purchases of goods and services	11.8	6.5	8.9	9.7	9.5	12.9	9.8	9.1
Federal	10.6	5.3	11.4	6.6	9.5	18.5	13.2	13.0
State and local	12.5	7.3	7.6	11.4	9.6	9.8	7.8	6.6
Disposable personal income	9.8	9.0	9.8	11.5	12.2	11.0	10.7	9.9
Personal income	8.2	10.0	10.6	12.0	12.9	11.1	11.1	8.7
Wage and salary disbursements	5.3	10.4	10.6	12.3	11.8	8.7	10.2	7.4
Corporate profits with IVA & C.C. Adj.	16.5	25.0	19.3	12.6	6.1	-7.2	1.5	4.0
Corporate profits before tax	-3.3	25.9	15.8	15.9	14.4	-3.9	-6.5	-6.4
Nonfarm payroll employment	-1.7	3.2	3.9	5.1	3.6	.8	1.2	.4
Manufacturing	-8.8	3.7	3.6	4.2	2.6	-3.5	.5	.3
Nonfarm business sector								
Output per hour	2.1	3.2	2.0	-.2	-.7	-.3	.9	.7
Compensation per hour	9.4	9.6	8.1	7.6	9.7	9.9	10.0	8.5
Unit labor costs	7.4	4.7	5.5	8.7	10.4	10.3	9.0	7.7
GNP implicit deflator	9.6	5.2	5.8	7.3	8.5	9.0	8.8	7.2
Gross domestic business product								
fixed-weighted price index 1/	9.2	5.5	6.3	7.8	9.7	9.8	9.1	7.6
Excluding food and energy	9.2	6.0	6.5	7.5	8.4	8.7	8.6	6.8
Consumer price index (all urban)	9.1	5.8	6.5	7.7	11.3	13.5	9.7	7.6
Industrial production	-8.9	10.8	5.8	5.8	4.4	-3.5	3.7	1.4

1/ Uses expenditures in 1972 weights.

August 12, 1981

FEDERAL SECTOR ACCOUNTS  
(billions of dollars)

	Fiscal Year*	FRB Staff Estimates													
		FY 1981e/			FY 1982e/			CY 1980*	F.R. Board	Calendar quarters, unadjusted data			1982		
		1/	Admin.	F.R.	1/	Admin.	F.R.			IV*	I*	II*	III	IV	I
Unified budget receipts	520.0	605.6	603.7	662.4	642.0	533.0	621.0	127.0	135.2	183.7	157.8	144.4	147.2	193.8	156.7
Unified budget outlays	579.6	661.2	663.1	704.8	729.9	601.1	692.0	160.6	167.3	167.4	167.8	189.4	165.2	187.1	188.1
Surplus(+) / deficit(-), unified budget	-59.6	-55.6	-59.4	-42.5	-87.9	-68.1	-71.0	-33.6	-32.1	16.3	-10.0	-45.0	-18.0	6.7	-31.4
Surplus(+) / deficit(-), off-budget agencies 2/	-14.2	-24.0	-22.5	-18.2	-18.0	-15.3	-22.6	-2.2	-6.4	-5.5	-8.4	-2.4	-4.7	-5.7	-5.2
Combined deficit to be financed	-73.8	-79.6	-81.9	-60.7	-105.9	-83.4	-93.6	-35.8	-38.5	10.8	-18.4	-47.4	-22.7	1.0	-36.6
Means of financing combined deficits:															
Net borrowing from public	70.5	71.0	74.6	59.0	100.9	79.3	81.5	27.7	35.8	-2.6	13.7	34.6	24.2	5.0	37.1
Decrease in cash operating balance	3.2	6.0	4.6	0.0	1.4	3.6	1.3	8.7	1.6	-5.7	0.0	5.4	3.0	-4.0	-3.0
Other 3/	0.1	2.6	2.7	1.7	3.4	0.5	10.7	-0.6	1.1	-2.5	4.7	7.4	-4.5	-2.0	2.5
Cash operating balance, end of period	21.0	15.0	16.4	15.0	15.0	12.3	11.0	12.3	10.7	16.4	16.4	11.0	8.0	12.0	15.0
Memo: Sponsored agency borrowing 4/	21.4	18.2	33.8	24.9	27.1	24.3	33.9	9.0	3.6	9.7	11.5	9.1	6.0	6.0	6.0
<b>NIA Budget</b>															
Receipts	527.3	620.8	610.2	678.3	634.8	540.8	624.5	573.2	620.7	619.5	627.3	630.6	637.0	645.7	625.9
Expenditures	578.2	667.3	667.2	719.3	760.8	602.0	685.3	641.1	664.0	669.4	694.3	713.3	729.3	746.2	774.2
Purchases	190.2	219.3	219.3	247.4	245.7	198.9	225.1	212.0	221.6	219.5	224.0	235.4	240.6	249.5	257.3
Defense	126.1	147.0	146.8	171.7	170.9	131.7	152.1	141.6	145.2	148.1	152.3	162.7	167.7	173.8	179.5
Nondefense	64.1	72.3	72.5	75.7	74.8	67.2	73.1	70.4	76.4	71.4	71.7	72.7	72.9	75.7	77.8
All other expenditures	388.0	448.0	447.9	471.9	495.1	403.1	460.2	429.1	442.4	449.9	470.3	477.9	488.7	496.7	516.9
Surplus(+) / deficit(-)	-50.9	-46.5	-57.0	-41.0	-106.0	-61.2	-60.7	-67.9	-43.3	-49.9	-67.0	-82.7	-92.4	-100.5	-148.3
High Employment (H.E.) surplus(+) / deficit(-) evaluated at H.E. unemployment rate of:															
5.1 percent	-16.7	n.a.	-2.1	n.a.	-26.1	-18.3	-2.3	-13.3	3.9	4.7	-3.9	-13.8	-13.8	-14.8	-62.0
6.1 percent	-39.5	n.a.	-27.9	n.a.	-54.3	-41.7	-28.9	-37.7	-21.6	-21.3	-31.0	-41.7	-42.1	-43.4	-89.8

\*--actual

e--estimated

n.a.--not available.

1. OMB Mid-Session Review of the 1982 Budget, July 1981. In its report on the First Concurrent Resolution for FY 1982; the Congress recommended receipts of \$657.8 billion and outlays of \$693.5 billion. The revised Budget Resolution for FY 1981 recommended receipts of \$603.3 billion and outlays of \$661.4 billion.

2. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, and Rural Telephone Bank.

3. Checks issued less checks paid, accrued items and other transactions.

4. FRB staff estimates includes Federal Home Loan Banks, FHLB, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives marketable debt on an offerings basis.

NOTE: Quarterly totals may not add to yearly totals due to rounding.

**CONFIDENTIAL (FR)  
CLASS II FOMC**

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

August 12, 1981

August 12, 1981

## **RECENT DEVELOPMENTS**

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

FEDERAL GOVERNMENT AND SPONSORED AGENCY FINANCING<sup>1</sup>

(Total for period; billions of dollars)

	Q2	Q3 <sup>f</sup>	June <sup>e</sup>	July	Aug. <sup>f</sup>
<u>Treasury financing</u>					
Combined surplus/deficit(-)	10.8	-18.4	13.9	-12.7	-8.5
Net marketable borrowings/ repayments (-)	-0.4	16.9	2.2	5.2	5.9
Bills	-16.5	2.4	-5.7	-1.7	2.0
Coupons	16.1	14.5	7.9	6.9	3.9
Nonmarketable borrowings/ repayments (-)	-2.1	-3.2	-1.6	-2.1	-0.6
Other means of finance <sup>2</sup>	-2.5	4.7	-3.8	4.5	-1.0
Change in cash balance	5.7	0.0	10.7	-5.1	-4.2
<u>Federally sponsored credit agencies net cash borrow- ings<sup>3</sup></u>					
	9.7	11.5	3.5	4.7	3.1

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

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

3. Includes debt of Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and the Federal Farm Credit Bank System.

f--forecast.

e--estimated.

above Treasury issues of comparable maturities, apparently due in part to investor uneasiness about FNMA's current and prospective earnings.

STATE AND LOCAL GOVERNMENT SECURITY OFFERINGS  
(Monthly averages, billions of dollars, s.a.)

	1980		1981				
	Q4	Q1	Q2 <sup>e</sup>	May	June	July <sup>e</sup>	Aug. <sup>f</sup>
Total	6.05	5.63	7.40	8.84	7.20	5.70	5.20
Long-term	3.60	3.40	4.00	3.15	3.50	3.30	3.00
Short-term	2.45	2.23	3.40	5.69	3.70	2.40	2.20

e--estimate. f--forecast.

Yields in the long-term tax-exempt securities market have risen to record levels since the last FOMC meeting, maintaining a roughly stable relationship to corporate bond rates. Despite the high rates, municipal bond volume totaled \$3.3 billion (seasonally adjusted) in July--down \$200 million from the amount sold in June but considerably above the 1979-80 pace of offerings exclusive of mortgage revenue bond issues. The supply of municipal issues has been sustained in part because some states have removed or increased their statutory interest rate ceilings that had thwarted previous attempts to sell securities. In addition, issues of revenue bonds, which currently account for about 70 percent of tax-exempt volume, typically are less sensitive to high interest costs, especially in the case of utilities faced with rigid annual funding needs and scheduled payments for construction that is underway. In July, postponements of municipal bonds of all types totaled about \$525 million, slightly above the monthly average for all of 1981 but less than half the amount postponed when municipal bond interest rates peaked in December 1980.