

CONFIDENTIAL (FR)

September 12, 1979

SUMMARY AND OUTLOOK

By the Staff  
Board of Governors  
of the Federal Reserve System

## STAFF GNP PROJECTIONS

	Percent changes, annual rate				Gross business product fixed-weight price index		Unemployment rate (percent)	
	Nominal GNP		Real GNP		8/8/79	9/12/79	8/8/79	9/12/79
	8/8/79	9/12/79	8/8/79	9/12/79			8/8/79	9/12/79
1976 I/	11.3	11.3	5.9	5.9	5.3	5.3	7.7	7.7
1977 I/	11.6	11.6	5.3	5.3	6.2	6.2	7.0	7.0
1978 I/	12.0	12.0	4.4	4.4	7.6	7.6	6.0	6.0
1979	10.5	10.8	1.3	1.7	9.8	9.6	6.1	6.1
1980	8.8	8.5	-.5	-.7	9.6	9.5	7.6	7.8
1978-III I/	10.9	10.9	3.5	3.5	8.8	8.8	6.0	6.0
1978-IV I/	14.8	14.8	5.6	5.6	8.7	8.7	5.8	5.8
1979-I I/	10.6	10.6	1.1	1.1	10.0	10.0	5.7	5.7
1979-II I/	6.3	6.7	-3.3	-2.4	10.5	9.8	5.7	5.7
1979-III	6.9	9.5	-1.8	.7	10.2	10.0	6.1	6.0
1979-IV	8.5	7.3	-1.6	-2.7	10.0	9.8	6.8	6.9
1980-I	9.4	8.5	-.2	-.9	9.7	9.7	7.3	7.4
1980-II	9.2	8.7	.2	-.4	9.5	9.5	7.5	7.7
1980-III	10.0	9.4	1.5	.9	8.8	8.7	7.7	7.9
1980-IV	10.4	9.9	1.5	1.1	8.6	8.5	7.9	8.1
Change:								
77-IV to 78-IV I/	13.4	13.4	4.8	4.8	8.6	8.6	-.8	-.8
78-IV to 79-IV	8.0	8.5	-1.4	-.8	10.2	9.9	1.0	1.1
79-IV to 80-IV	9.8	9.1	.7	.2	9.1	9.1	1.1	1.2
Memo:								
Growth Over Annual Policy Period:								
78-IV to 79 IV	8.0	8.5	-1.4	-.8	10.2	9.9	1.0	1.1

I/ Actual.

September 12, 1979

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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			
	I	II	III	IV	I	II	III	IV
Gross national product	2292.1	2329.4	2382.7	2425.2	2475.2	2527.2	2584.7	2646.5
Final purchases	2272.9	2294.7	2356.7	2414.7	2470.7	2527.7	2583.7	2643.5
Private	1812.8	1828.6	1878.6	1920.8	1967.0	2014.3	2060.4	2106.9
Excluding net exports	1808.8	1836.2	1889.4	1922.6	1957.6	1998.3	2042.3	2089.0
Personal consumption expenditures	1454.2	1475.2	1518.3	1551.8	1586.7	1623.6	1659.8	1697.8
Goods	784.9	788.9	813.0	828.0	843.5	860.5	877.1	894.8
Services	669.3	686.2	705.3	723.8	743.2	763.1	782.7	803.0
Gross private domestic investment	373.8	395.7	397.1	381.3	375.4	374.2	383.5	394.2
Residential construction	111.2	113.5	116.0	114.5	113.0	112.5	114.8	117.6
Business fixed investment	243.4	247.6	255.1	256.3	257.9	262.2	267.7	273.6
Change in business inventories	19.1	34.6	26.0	10.5	4.5	-.5	1.0	3.0
Nonfarm	18.8	33.8	26.0	10.5	4.5	-.5	1.0	3.0
Net exports of goods and services <u>1/</u>	4.0	-7.6	-10.8	-.1.8	9.4	16.0	18.1	17.9
Exports	238.5	244.0	261.1	271.7	282.5	292.7	299.1	305.8
Imports	234.4	251.6	271.9	273.5	273.1	276.7	281.0	287.9
Gov't. purchases of goods and services	460.1	466.1	478.1	493.9	503.7	513.4	523.3	536.6
Federal <u>2/</u>	163.6	161.5	164.4	173.5	176.7	179.8	182.7	188.9
State and local	296.5	304.6	313.7	320.4	327.0	333.6	340.6	347.7
Gross national product in constant (1972) dollars	1430.6	1422.1	1424.7	1415.2	1412.0	1410.7	1414.0	1417.9
Personal income	1852.6	1892.8	1946.6	1988.3	2028.2	2074.0	2133.6	2186.7
Wage and salary disbursements	1189.3	1212.1	1234.0	1252.9	1272.9	1295.5	1323.0	1353.5
Disposable personal income	1572.2	1602.1	1646.0	1680.3	1713.7	1750.8	1800.0	1841.8
Saving rate (percent)	5.0	5.4	5.2	5.1	4.8	4.6	5.2	5.2
Corporate profits with I.V.A. and C.C. Adj	178.9	175.5	181.2	178.6	180.4	181.6	182.4	185.0
Corporate profits before tax	233.3	226.9	233.0	228.4	227.2	226.9	226.4	228.8
Federal government surplus or deficit (-) (N.I.A. basis)	-11.7	-7.5	-17.4	-28.6	-28.7	-29.3	-36.2	-35.6
High employment surplus or deficit (-)	7.9	20.2	12.1	14.4	25.5	33.2	32.2	37.9
State and local government surplus or deficit (-) (N.I.A. basis)	27.6	19.9	20.2	19.9	19.9	19.6	19.1	18.9
Excluding social insurance funds	2.6	-6.1	-6.4	-7.3	-7.9	-8.8	-9.8	-10.6
Civilian labor force (millions)	102.5	102.3	103.2	103.9	104.3	104.7	105.0	105.4
Unemployment rate (percent)	5.7	5.7	6.0	6.9	7.4	7.7	7.9	8.1
Nonfarm payroll employment (millions)	87.9	88.5	88.8	88.3	88.2	88.2	88.3	88.4
Manufacturing	20.9	20.9	20.7	20.3	20.0	19.9	19.8	19.8
Industrial production (1967=100)	152.2	151.8	150.5	148.1	146.8	146.2	146.6	147.2
Capacity utilization: all mfg. (percent)	86.7	85.9	84.4	82.1	80.6	79.5	78.9	78.5
Materials (percent)	88.0	87.2	87.4	84.6	82.9	81.8	81.3	81.0
Housing starts, private (million units, A.R.)	1.62	1.84	1.70	1.55	1.50	1.50	1.55	1.55
New autos sales, (millions, A.R.)	11.55	10.66	10.70	9.90	9.90	9.70	9.80	9.90
Domestic models	9.13	8.00	8.40	7.70	7.80	7.80	7.90	8.00
Foreign models	2.42	2.66	2.30	2.20	2.10	1.90	1.90	1.90

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.

September 12, 1979

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

	1979				1980			
					Projected			
	I	II	III	IV	I	II	III	IV
<u>Constant (1972) dollars</u>								
Gross national product	1.1	-2.4	.7	-2.7	-.9	-.4	.9	1.1
Final purchases	1.1	-4.1	2.2	-.4	.0	.6	.7	.8
Private	1.8	-4.3	2.1	-1.2	-.2	.3	.6	.8
Excluding net exports	.4	-3.1	1.3	-2.5	-1.5	-.4	.4	.9
Personal consumption expenditures	.6	-3.0	1.1	-1.1	.0	.4	.6	.9
Goods	-4.4	-7.6	.3	-3.9	-1.7	-.9	-.4	-.1
Services	7.1	2.7	2.0	2.1	2.0	1.9	1.7	1.9
Gross private domestic investment	-.5	8.4	-6.8	-21.2	-13.5	-9.3	1.5	3.1
Residential structures	-14.3	-3.6	-2.4	-14.5	-14.5	-11.5	-1.4	1.0
Business fixed investment	4.8	-3.4	3.9	-6.1	-5.6	-1.6	.3	.9
Gov't. purchases of goods and services	-1.8	-3.4	2.4	2.8	.9	.7	1.1	1.0
Federal	7.2	-11.0	.4	7.0	1.6	1.1	.9	.5
State and local	-6.6	1.2	3.5	.5	.5	.5	1.2	1.2
Disposable personal income	2.1	-1.2	.4	-1.6	-1.0	-.2	2.9	1.0
<u>Current dollars</u>								
Gross national product	10.6	6.7	9.5	7.3	8.5	8.7	9.4	9.9
Final purchases	11.0	3.9	11.2	10.2	9.6	9.6	9.2	9.6
Private	12.4	3.5	11.4	9.3	10.0	10.0	9.5	9.3
Excluding net exports	10.3	6.2	12.1	7.2	7.5	8.6	9.1	9.5
Personal consumption expenditures	11.4	5.9	12.2	9.1	9.3	9.6	9.2	9.5
Goods	7.9	2.1	12.8	7.6	7.7	8.3	7.9	8.3
Services	15.8	10.5	11.6	10.9	11.2	11.1	10.7	10.8
Gross private domestic investment	3.6	25.7	1.4	-15.0	-6.0	-1.3	10.3	11.6
Residential structures	-8.5	8.4	9.1	-5.1	-5.1	-1.8	8.4	10.1
Business fixed investment	12.9	7.1	12.7	1.9	2.5	6.8	8.7	9.1
Gov't. purchases of goods and services	5.6	5.3	10.7	13.9	8.2	7.9	7.9	10.6
Federal	12.1	-5.0	7.4	24.0	7.6	7.2	6.6	14.3
State and local	2.3	11.3	12.5	8.8	8.5	8.3	8.7	8.6
Disposable personal income	13.0	7.8	11.4	8.6	8.2	8.9	11.7	9.6
Personal income	11.4	9.0	11.9	8.9	8.3	9.4	12.0	10.3
Wage and salary disbursements	12.7	7.9	7.4	6.3	6.5	7.3	8.8	9.5
Corporate profits with IVA & C.C. Adj.	-12.2	-7.4	13.6	-5.6	4.1	2.7	1.8	5.8
Corporate profits before tax	10.8	-10.5	11.2	-7.6	-2.1	-.6	-.8	4.3
Nonfarm payroll employment	4.2	3.0	1.1	-1.9	-.6	-.2	-.4	-.4
Manufacturing	6.1	.2	-3.3	-8.0	-5.9	-2.5	-1.3	-1.0
Nonfarm business sector								
Output per hour	-3.0	-4.3	.8	.7	1.4	.7	1.2	1.4
Compensation per hour	10.7	7.8	8.5	9.6	10.6	9.6	9.7	9.4
Unit labor costs	14.1	12.7	7.6	8.8	9.1	8.8	8.4	7.9
GNP implicit deflator 1/	9.3	9.2	8.7	10.3	9.5	9.1	8.4	8.7
Gross business product fixed-weight price index 2/	10.0	9.8	10.0	9.8	9.7	9.5	8.7	8.5
Industrial production	4.0	-1.0	-3.4	-6.2	-3.5	-1.5	1.2	1.7

1/ Excluding Federal pay increases, the rates of change are: 1979 QI, 9.3 percent; 1979 QIV, 9.6 percent; 1980 QI, 9.5 percent; 1980 QIV, 8.1 percent.

2/ Uses expenditures in 1972 as weights.

September 12, 1979

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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.)

	1977				1978			
	I	II	III	IV	I	II	III	IV
Gross national product	1820.2	1876.0	1930.5	1971.3	2011.3	2104.2	2159.6	2235.2
Final purchases	1800.9	1853.6	1902.9	1952.9	1988.5	2078.4	2139.5	2214.5
Private	1420.9	1462.0	1502.4	1540.1	1569.1	1650.1	1698.6	1760.7
Excluding net exports	1430.1	1468.0	1508.7	1558.2	1591.3	1657.7	1705.4	1765.2
Personal consumption expenditures	1169.1	1190.5	1220.6	1259.7	1287.2	1331.2	1369.3	1415.4
Goods	642.0	651.2	661.9	685.6	691.2	722.1	740.2	770.2
Services	527.1	539.3	558.7	574.1	596.0	609.1	629.1	645.1
Gross private domestic investment	280.4	300.0	315.7	316.9	327.0	352.3	356.2	370.5
Residential construction	81.3	91.4	95.0	99.9	100.5	107.7	110.2	113.7
Business fixed investment	179.8	186.1	193.2	198.6	203.7	218.8	225.9	236.1
Change in business inventories	19.3	22.5	27.5	18.5	22.8	25.8	20.0	20.6
Nonfarm	20.1	21.5	25.6	15.7	22.0	25.3	18.5	19.3
Net exports of goods and services <u>1/</u>	-9.2	-6.0	-6.3	-18.1	-22.2	-7.6	-6.8	-4.5
Exports	170.5	178.6	180.1	174.2	184.4	205.7	213.8	224.9
Imports	179.8	184.7	186.4	192.3	206.6	213.3	220.6	229.4
Gov't. purchases of goods and services	380.0	391.6	400.5	412.8	419.4	428.3	440.9	453.8
Federal <u>2/</u>	138.2	142.6	145.6	151.2	150.9	148.2	152.3	159.0
State and local	241.8	249.0	254.9	261.6	268.5	280.1	288.6	294.8
Gross national product in constant (1972) dollar	1315.7	1331.2	1353.9	1361.3	1367.8	1395.2	1407.3	1426.6
Personal income	1472.5	1509.0	1548.5	1596.4	1634.8	1689.3	1742.5	1803.1
Wage and salary disbursements	945.8	971.8	995.0	1023.4	1052.0	1090.0	1116.8	1154.3
Disposable personal income	1250.1	1286.0	1323.2	1361.2	1395.0	1437.3	1476.5	1524.8
Saving rate (percent)	4.2	5.1	5.4	5.1	5.3	5.0	4.8	4.7
Corporate profits with I.V.A. and C.C. Adj.	137.1	148.9	160.8	153.0	141.2	169.4	175.2	184.8
Corporate profits before tax	168.4	176.2	180.9	183.0	177.5	207.2	212.0	227.4
Federal government surplus or deficit (-) (N.I.A. basis)	-37.2	-40.9	-53.6	-53.6	-49.4	-24.6	-20.4	-16.3
High employment surplus or deficit (-)	-5.5	-12.4	-29.8	-28.3	-20.4	-4.7	-1.0	-.8
State and local government surplus or deficit (-) (N.I.A. basis)	24.2	24.2	30.1	28.8	30.2	29.6	22.7	27.1
Excluding social insurance funds	6.3	5.4	10.0	7.4	7.9	6.5	-.9	3.3
Civilian labor force (millions)	96.2	97.1	97.6	98.5	99.3	100.1	100.8	101.5
Unemployment rate (percent)	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)	134.8	138.0	139.3	140.3	140.8	145.1	147.9	150.7
Capacity utilization: all mfg. (percent)	80.7	82.1	82.4	82.6	82.0	83.9	85.2	86.4
Materials (percent)	81.7	83.2	82.8	83.0	32.6	85.0	86.4	88.2
Housing starts, private (million units, A.R.)	1.81	1.93	2.02	2.09	1.01	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.

September 12, 1979

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

	1977				1978			
	I	II	III	IV	I	II	III	IV
<b><u>Constant (1972) dollars</u></b>								
Gross national product	8.9	4.8	7.0	2.2	1.9	8.3	3.5	5.6
Final purchases	5.5	4.2	6.0	3.9	.4	8.7	4.6	5.7
Private	6.2	4.0	6.6	4.4	.8	10.7	4.4	6.3
Excluding net exports	7.2	4.1	5.7	7.4	1.0	7.9	4.1	6.9
Personal consumption expenditures	6.2	1.9	5.0	8.2	.8	5.6	4.8	6.8
Goods	7.8	1.3	3.6	10.7	-4.7	9.2	4.2	9.9
Services	4.4	2.6	6.8	5.3	7.9	1.4	5.5	3.2
Gross private domestic investment	39.6	19.2	15.0	-6.9	12.3	15.7	-5.0	6.6
Residential structures	11.1	37.6	10.2	5.3	-4.7	11.0	-4.9	-1.1
Business fixed investment	12.6	6.8	7.8	2.7	4.6	23.2	3.9	11.3
Gov't. purchases of goods and services	2.8	4.8	4.2	1.8	-1.2	.9	5.0	1.8
Federal	5.4	7.9	6.2	-1	-7.4	-12.3	8.2	3.2
State and local	1.3	3.0	3.0	3.0	2.7	9.3	3.3	1.0
Disposable personal income	2.1	6.1	6.6	6.8	2.0	4.0	4.2	6.4
<b><u>Current dollars</u></b>								
Gross national product	15.4	12.8	12.1	8.7	8.4	19.8	10.9	14.8
Final purchases	11.0	12.2	11.1	10.9	7.5	19.3	12.3	14.8
Private	11.0	12.1	11.5	10.4	7.7	22.3	12.3	15.4
Excluding net exports	15.0	11.0	11.6	13.8	8.8	17.8	12.0	14.8
Personal consumption expenditures	13.8	7.5	10.5	13.5	9.0	14.4	11.9	14.2
Goods	14.2	5.9	6.7	15.1	3.3	19.1	10.4	17.2
Services	13.2	9.6	15.2	11.6	16.1	9.1	13.8	10.6
Gross private domestic investment	56.5	31.0	22.7	1.6	13.3	34.8	4.5	17.1
Residential structures	25.7	59.1	16.8	22.3	2.4	32.0	9.5	13.5
Business fixed investment	18.8	15.0	16.1	11.6	10.6	33.3	13.7	19.3
Gov't. purchases of goods and services	10.9	12.8	9.4	12.9	6.5	8.8	12.3	12.2
Federal	11.0	13.3	8.7	16.5	-.9	-7.0	11.7	18.7
State and local	10.8	12.5	9.8	10.8	11.1	18.5	12.6	8.9
Disposable personal income	9.3	12.0	12.1	12.0	10.3	12.7	11.4	13.8
Personal income	11.8	10.3	10.9	13.0	10.0	14.0	13.2	14.7
Wage and salary disbursements	11.4	11.5	9.9	11.9	11.7	15.3	10.2	14.1
Corporate profits with IVA & C.C. Adj.	46.6	39.1	36.0	-18.0	-27.5	107.2	14.4	23.8
Corporate profits before tax	35.4	19.9	11.1	4.7	-11.5	85.7	9.6	32.4
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	5.1	-1.5	3.8	-.8	-.2	2.4	2.9	1.3
Compensation per hour	8.7	6.9	8.5	7.9	12.3	8.0	9.1	9.4
Unit labor costs	3.4	8.5	4.5	8.7	12.5	5.5	6.0	8.0
GNP implicit deflator <u>1/</u>	6.0	7.7	4.8	6.4	6.3	10.6	7.2	8.7
Gross business product fixed-weight price index <u>2/</u>	6.9	7.1	5.2	6.5	6.6	10.5	8.8	8.7
Industrial production	7.1	9.8	3.8	2.9	1.4	12.8	7.9	7.8

1/ Excluding Federal pay increases, rates of change were: 1977:Q1, 5.9 percent; 1977:QIV, 5.6 percent; 1978:Q1, 6.3 percent; 1978:QIV, 8.1 percent.

2/ Uses expenditures in 1972 as weights.

September 12, 1979

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~~CLASS II FOMC~~GROSS 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	1702.2	1899.5	2127.6	2357.3	2558.4
Final purchases	1288.6	1404.0	1539.6	1692.1	1877.6	2105.2	2334.8	2556.4
Private	1019.1	1101.3	1201.2	1330.8	1481.4	1669.6	1860.2	2037.1
Excluding net exports	1012.0	1095.3	1180.8	1322.8	1491.3	1679.9	1864.3	2021.8
Personal consumption expenditures	809.9	889.6	979.1	1089.9	1210.0	1350.8	1499.9	1642.0
Goods	457.5	498.3	541.5	601.3	660.1	730.9	803.7	869.0
Services	352.3	391.3	437.5	488.5	549.8	619.8	696.2	773.0
Gross private domestic investment	220.0	214.6	190.9	243.0	303.3	351.5	387.0	381.8
Residential construction	66.1	55.1	51.5	68.1	91.9	108.0	113.8	114.5
Business fixed investment	136.0	150.6	150.2	164.9	189.4	221.1	250.6	265.3
Change in business inventories	17.9	8.9	-10.7	10.0	21.9	22.3	22.6	2.0
Nonfarm	14.7	10.8	-14.3	12.1	20.7	21.3	22.3	2.0
Net exports of goods and services 1/	7.1	6.0	20.4	8.0	-9.9	-10.3	-4.0	15.3
Exports	101.6	137.9	147.3	163.3	175.9	207.2	253.8	295.0
Imports	94.4	131.9	126.9	155.4	185.8	217.5	257.9	279.7
Gov't. purchases of goods and services	269.5	302.7	338.4	361.3	396.2	435.6	474.5	519.2
Federal 2/	102.2	111.1	123.1	129.7	144.4	152.6	165.7	182.0
State and local	167.3	191.5	215.4	231.6	251.8	283.0	308.8	337.2
Gross national product in constant (1972) dollars	1235.0	1217.8	1202.3	1273.0	1340.5	1399.2	1423.2	1413.7
Personal income	1052.4	1154.9	1255.5	1381.6	1531.6	1717.4	1920.1	2105.6
Wage and salary disbursements	701.3	764.6	805.9	890.0	984.0	1103.3	1222.1	1311.2
Disposable personal income	901.7	984.6	1086.7	1184.5	1305.1	1458.4	1625.2	1776.6
Saving rate (percent)	7.8	7.3	7.7	5.8	5.0	4.9	5.2	5.0
Corporate profits with I.V.A. and C.C. Adj.	99.1	83.6	95.9	126.8	150.0	167.7	178.6	182.4
Corporate profits before tax	115.8	126.9	120.4	156.0	177.1	206.0	230.4	227.3
Federal government surplus or deficit (N.I.A. basis)	-6.7	-10.7	-70.6	-53.6	-46.3	-27.7	-16.3	-32.5
High employment surplus or deficit (-)	-1.3	14.9	-27.4	-20.2	-19.0	-6.7	13.7	32.2
State and local government surplus or deficit (-) (N.I.A. basis)	13.0	7.6	6.2	17.9	26.8	27.4	21.9	19.4
Excluding social insurance funds	4.1	-2.9	-6.2	2.3	7.3	4.2	-4.3	-9.3
Civilian labor force (millions)	88.7	91.0	92.6	94.8	97.4	100.4	103.0	104.8
Unemployment rate (percent)	4.9	5.6	8.5	7.7	7.0	6.0	6.1	7.8
Nonfarm payroll employment (millions)	76.8	78.3	76.9	79.4	82.3	85.8	88.4	88.3
Manufacturing	20.2	20.1	18.3	19.0	19.6	20.3	20.7	19.9
Industrial production (1967=100)	129.8	129.3	117.8	130.5	138.2	146.1	150.7	146.7
Capacity utilization: all manufacturing (percent)	87.6	83.8	72.9	79.5	81.9	84.4	84.8	79.4
Materials (percent)	91.8	87.1	73.4	81.1	82.7	85.6	86.8	81.8
Housing starts, private (million units, A.R.)	2.05	1.34	1.16	1.54	1.99	2.02	1.68	1.52
New auto sales, (millions, A.R.)	11.42	8.91	8.66	10.12	11.13	11.29	10.70	9.82
Domestic models	9.65	7.49	7.08	8.63	9.07	9.27	8.31	7.87
Foreign models	1.77	1.42	1.58	1.50	2.06	2.02	2.39	1.95

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.

September 12, 1979

~~CONFIDENTIAL - FR  
ASS II FOMC~~PERCENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1973	1974	1975	1976	1977	1978	1979	1980
<u>Constant (1972) dollars</u>								
Gross national product	5.5	-1.4	-1.3	5.9	5.3	4.4	1.7	-.7
Final purchases	4.9	-.7	.2	4.5	4.8	4.4	1.8	.1
Private	6.3	-1.4	-.3	5.6	5.6	5.0	2.2	-.1
Excluding net exports	5.1	-2.3	-1.0	6.5	6.2	5.0	1.7	-.9
Personal consumption expenditures	4.7	-.9	1.8	5.9	5.0	4.5	1.8	-.1
Goods	5.0	-3.4	.7	6.9	5.1	4.1	.0	-1.9
Services	4.4	2.3	3.2	4.8	4.9	5.1	4.0	2.0
Gross private domestic investment	10.0	-11.4	-22.3	21.6	15.4	7.1	.5	-9.5
Residential structures	-3.7	-24.6	-13.9	23.3	20.7	4.2	-5.8	-9.3
Business fixed investment	12.2	-.3	-13.0	4.8	8.6	8.4	4.4	-2.5
Gov't. purchases of goods and services	-.2	2.1	1.9	.2	2.0	1.8	.4	1.1
Federal	-5.4	-.8	.7	-.2	4.4	-2.0	.8	1.3
State and local	3.2	3.8	2.6	.5	.6	4.0	.1	1.0
Disposable personal income	6.7	-1.5	2.1	3.7	4.2	4.6	2.2	-.2
<u>Current dollars</u>								
Gross national product	11.6	8.1	8.2	11.3	11.6	12.0	10.8	8.5
Final purchases	10.9	8.9	9.7	9.9	11.0	12.1	10.9	9.5
Private	12.2	8.1	9.1	10.8	11.3	12.7	11.4	9.5
Excluding net exports	11.0	8.2	7.8	12.0	12.7	12.6	11.0	8.5
Personal consumption expenditures	10.5	9.8	10.1	11.3	11.0	11.6	11.0	9.5
Goods	11.4	8.9	8.7	11.0	9.8	10.7	10.0	8.1
Services	9.3	11.1	11.8	11.7	12.5	12.7	12.3	11.0
Gross private domestic investment	16.8	-2.5	-11.0	27.3	24.8	15.9	10.1	-1.3
Residential structures	6.6	-16.7	-6.5	32.3	35.0	17.5	5.4	.6
Business fixed investment	16.4	10.8	-.3	9.8	14.9	16.7	13.3	5.9
Gov't. purchases of goods and services	6.5	12.3	11.8	6.8	9.7	9.9	8.9	9.4
Federal	.1	8.7	10.7	5.4	11.3	5.7	8.6	9.8
State and local	10.8	14.5	12.5	7.5	8.7	12.4	9.1	9.2
Disposable personal income	12.5	9.2	10.4	9.0	10.2	11.7	11.4	9.3
Personal income	11.7	9.7	8.7	10.0	10.9	12.1	11.8	9.7
Wage and salary disbursements	10.6	9.0	5.4	10.4	10.6	12.1	10.8	7.3
Corporate profits with IVA & C.C. Adj.	7.6	-15.6	14.7	32.2	18.3	11.8	6.5	2.1
Corporate profits before tax	20.4	9.6	-5.1	29.6	13.5	16.3	11.8	-1.3
Nonfarm payroll employment	4.3	1.9	-1.7	3.2	3.6	4.3	3.1	-.1
Manufacturing	5.2	-.4	-8.7	3.7	3.4	3.5	1.9	-4.1
Nonfarm business sector								
Output per hour	1.7	-2.9	1.9	3.5	1.8	1.1	-.7	.7
Compensation per hour	7.8	9.4	9.9	8.3	8.2	9.3	9.2	9.6
Unit labor costs	6.0	12.7	7.8	4.7	6.3	8.1	10.0	8.9
GNP implicit deflator	5.9	9.7	9.6	5.2	6.0	7.3	9.0	9.2
Gross business product fixed-weighted price index <sup>1/</sup>	5.7	10.4	9.4	5.3	6.2	7.6	9.6	9.5
Industrial production	8.4	-.4	-8.9	10.8	5.9	5.7	3.1	-2.6

<sup>1/</sup> Uses expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS  
(billions of dollars)

September 12, 1979

	Fiscal Year 1978*	FRB Staff Estimates													
		FY 1979 e/2/		FY 1980 e/2/		CY 1978* 1/	CY79e/ F.R. Board	Calendar quarters; unadjusted data							
		Admin.	F.R. Board	Admin.	F.R. Board			IV*	I*	II*	III	IV	I	II	III
Unified budget receipts	402.0	466.5	466.6	513.8	507.6	416.9	478.3	99.5	102.1	144.4	120.6	111.1	111.0	150.5	135.0
Unified budget outlays	450.8	496.2	493.0	542.4	543.7	460.6	504.9	123.2	122.6	123.0	124.2	135.1	133.2	136.8	138.6
Surplus(+)/Deficit(-), unified budget	-48.8	-29.7	-26.4	-28.7	-36.1	-43.7	-26.6	-23.7	-20.5	21.4	-3.6	-24.0	-22.2	13.7	-3.6
Surplus(+)/Deficit(-), off-budget agencies 3/	-10.3	-12.4	-12.5	-11.6 <sup>9/</sup>	-11.2	-9.1	-13.9 <sup>1/</sup>	-0.1	-3.0	-5.1	-4.2	-1.6	-3.4	-3.5	-2.7
Combined deficit to be financed	-59.1	-42.1	-38.9	-40.3	-47.3	-52.8	-40.5 <sup>1/</sup>	-23.8	-23.5	16.3	-7.8	-25.6	-25.6	10.2	-6.3
Means of financing combined deficits:															
Net borrowing from public	59.1	29.8	33.4	38.3	38.4	53.6	31.6	15.3	10.6	-4.6	12.1	13.5	18.6	-0.2	6.5
Decrease in cash operating balance	-3.3	7.4	0.2	0.0	7.2	-4.0	4.3	6.1	8.6	-9.8	-4.7	10.2	4.0	-8.0	1.0
Other 4/	3.2	4.9	5.3	2.0	1.8	3.2	4.8	2.5	4.2	-1.9	0.5	2.0	3.0	-2.0	-1.2
Cash operating balance, end of period	22.4	15.0	22.2	15.0	15.0	16.3	12.0	16.3	7.7	17.5	22.2	12.0	8.0	16.0	15.0
Memo: Sponsored agency borrowing 5/	19.1	n.a.	22.1	n.a.	19.2	22.0	21.9	4.9	6.4	6.0	4.8	4.7	5.5	4.5	4.5
NIA Budget 6/								Seasonally adjusted annual rates							
Receipts	414.9	480.6	476.7	525.3	519.8	432.1	489.6	463.5	475.0	485.4	496.1	502.0	512.8	523.2	535.7
Expenditures	449.5	496.4	493.4	546.9	549.3	459.8	506.3	479.7	486.8	492.8	514.2	531.3	541.5	552.5	571.9
Purchases (total)	150.6	164.5	162.1	178.7	178.2	152.6	165.8	159.0	163.6	161.5	164.4	173.5	176.7	179.8	182.7
Defense	97.8	105.6	104.8	116.0	115.7	99.0	107.6	101.2	103.4	106.0	108.5	112.6	114.6	116.8	118.9
Non-defense	52.8	58.9	57.3	62.7	62.4	53.6	58.1	57.8	60.2	55.5	55.9	60.9	62.1	63.0	63.8
All other expenditures	298.9	331.9	331.3	368.2	371.1	307.2	340.5	320.7	323.2	331.3	349.8	357.8	364.8	372.7	389.2
Surplus(+)/Deficit(-) 7/	-34.6	-15.8	-16.7	-21.6	-29.5	-27.7	-16.7	-16.3	-11.7	-7.4	-18.1	-29.3	-28.7	-29.3	-36.2
High Employment Surplus(+)/Deficit(-) (NIA basis) 8/	-13.6	n.a.	9.9	n.a.	26.3	-6.7	13.7	-0.8	7.9	20.2	12.1	14.4	25.5	33.2	32.2

\*\*--actual

e--estimated

r--revised

n.a.--not available

1/ OMB Mid-Session Review of the 1980 Budget, July 12, 1979.

2/ In the First Concurrent Resolution on the Budget Fiscal Year 1980, May 21, 1979, Congress expects FY 1979 receipts of \$461.0 billion and outlays of \$494.5 billion; and FY 1980 receipts of \$509.0 billion and outlays of \$532.0 billion.

3/ Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, 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 marketable debt on an offerings basis.

6/ All NIA data incorporate the Department of Commerce's July 1979 GNP revisions.

7/ The fiscal year totals are translations of the OMB Mid-Session Review of the 1980 Budget, July 1979; the translations 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.

8/ FRB staff estimates are consistent with the Council's new potential GNP series as reported in the Economic Report of the President, January 1979.

9/ Reflects recent re-estimate by OMB of Federal Financing Bank loan activity.

September 12, 1979

	1978	1979P	1980P	1978 IV	1979				1980P			
					I	II	III P	IV P	I	II	III	IV
<b>1. GNP Net Exports</b>												
Current \$, Net	-10.3	-4.0	-15.3	-4.5	4.0	-7.6	-10.8	-1.8	9.4	16.0	18.1	17.9
Exports of G&S	207.2	233.8	295.0	224.9	238.5	244.0	261.1	271.7	282.3	292.7	299.1	305.8
Imports of G&S	217.5	257.9	279.7	229.4	234.4	251.6	271.9	273.5	273.1	276.7	281.0	287.9
Constant 72 \$, Net	11.0	16.4	24.8	12.9	17.0	13.4	15.8	19.5	23.1	25.1	25.7	25.4
Exports of G&S	108.9	117.5	121.7	113.8	117.0	116.2	118.0	118.7	120.3	121.7	122.1	122.5
Imports of G&S	97.9	101.0	96.8	101.0	100.0	102.2	99.2	97.2	96.6	96.4	97.1	
Terms of trade (1972=100) 2/	85.7	84.6	84.0	87.0	87.0	85.8	83.2	83.0	83.6	84.0	84.1	84.2
<b>2. U.S. Merchandise Trade Balance 1/</b>	-34.2	-30.0	-17.3	-25.5	-24.4	-30.1	-35.9	-29.6	-20.8	-16.0	-15.6	-16.8
Exports (excl. military)	141.9	178.6	207.2	157.3	165.4	171.5	185.4	192.0	199.3	206.1	209.5	213.8
Agricultural	29.9	34.1	38.2	31.3	30.6	30.8	37.7	37.4	38.9	39.3	37.7	36.9
Nonagricultural	112.0	144.5	169.0	126.0	134.8	140.7	147.7	154.6	160.4	166.8	171.8	176.9
Imports	176.1	208.6	224.5	182.7	189.8	201.6	221.3	221.6	220.1	222.1	225.1	230.6
Petroleum and Products	42.3	57.3	66.5	43.2	46.6	51.6	65.6	65.4	65.5	66.1	66.6	67.8
Nonpetroleum	133.8	151.3	158.0	139.5	143.2	150.0	155.7	156.2	154.6	156.0	158.5	162.8
<b>3. U.S. Current Account Balance</b>	-13.9	-5.4	13.5	-1.3	0.6	-7.6P	-11.1	-3.4	7.4	14.4	16.2	15.8
of which: Net Investment Income	21.6	26.0	29.7	26.4	27.1	24.5	25.7	26.6	28.1	29.5	30.2	31.0
<b>4. Foreign Outlook - Ten Industrial Countries 3/</b>												
Real GNP, % change, annual rates	3.2	3.3	2.4	4.6	2.2	3.8P	3.2	2.7	1.8	1.9	2.2	2.2
Consumer Prices, 4/, % change, annual rates	5.0	10.0	7.5	4.2	8.7	10.1P	11.9	9.3	8.2	7.8	7.3	6.8

1/ International accounts basis.

2/ GNP export implicit deflator + GNP import implicit deflator.

3/ Geometric weights used to aggregate foreign real GNP and consumer prices -- per cent share in ten-country total multilateral trade.  
Canada (9.1%), Japan (13.6%), United Kingdom (11.9%), Germany (20.8%), France (13.1%), Italy (9.0%), Belgium (6.4%), the Netherlands (8.3%), Switzerland (3.6%), Sweden (4.2%).

4/ Wholesale prices for Japan.

P/ Projected.

M-24

CONFIDENTIAL (FR)

September 12, 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)**

	<u>1978</u> Year	<u>1979</u>					
		QI	QII <sup>p/</sup>	July <sup>p/</sup>	Aug. <sup>p/</sup>	Sept. <sup>f/</sup>	Oct. <sup>f/</sup>
<u>Seasonally adjusted</u>							
Corporate securities--total	3,936	3,720	4,280	3,600	4,400	3,900	4,000
Publicly offered bonds	1,651	1,360	2,680	1,800	2,400	2,300	2,300
Privately placed bonds	1,422	1,670	1,150	1,000	1,000	1,000	1,000
Stocks	863	690	450	800	1,000	600	700
<u>Not seasonally adjusted</u>							
Publicly offered bonds	1,651	1,473	2,833	1,950	1,900	2,000	2,500
By quality <u>1/</u>							
Aaa and Aa	853	950	1,475	1,450	1,325	--	--
Less than Aa <u>2/</u>	798	523	1,358	500	575	--	--
By type of borrower							
Utility	610	605	783	100	500	--	--
Industrial <u>3/</u>	526	378	842	700	750	--	--
Financial	515	490	1,208	1,150	650	--	--
Foreign securities--total <u>4/</u>	504	513	274	348	200	750	300

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

2/ Includes issues not rated by Moody's.

3/ Includes equipment trust certificates.

4/ Includes both publicly offered and privately placed issues.

p/ Preliminary.

f/ Forecast.

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

	1978		1979				
	Year	QI	QII	July <sup>e/</sup>	Aug. <sup>e/</sup>	Sept. <sup>f/</sup>	Oct. <sup>f/</sup>
<u>Seasonally adjusted</u>							
<b>State and local government securities, gross offerings</b>							
Total	5,851	4,930	5,089	5,317	5,600	6,200	4,850
Long-term	4,042	3,219	3,360	3,378	4,000	4,300	3,450
Short-term	1,809	1,711	1,729	1,939	1,600	1,900	1,400
<b>U.S. government securities, net offerings</b>							
U.S. Treasury <sup>1/</sup>	2,337	1,732	4,824	2,535	3,495	-980	350
Sponsored agencies	1,930	2,608	1,779	2,182	-146	1,187	1,834
<u>Not seasonally adjusted</u>							
<b>State and local government securities, gross offerings</b>							
Total	5,851	4,847	5,876	4,834	5,200	6,100	4,400
Long-term	4,042	3,352	3,608	3,287	3,900	3,700	3,400
Short-term	1,809	1,495	2,268	1,547	1,300	2,400	1,000
<b>U.S. government securities, net offerings</b>							
U.S. Treasury <sup>1/</sup>	2,337	2,998	933	950	6,940	-1,400	2,500
Sponsored agencies	1,930	2,120	2,009	2,516	288	2,148	1,861

1/ Marketable issues only.

e/ Estimated.

f/ Forecasted.