

March 20, 1985

SUMMARY AND OUTLOOK

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

March 20, 1985

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					
	2/6/85	3/20/85	2/6/85	3/20/85	2/6/85	3/20/85	2/6/85	3/20/85	2/6/85	3/20/85		
Annual changes:												
1983	<1>	7.7	7.7	3.7	3.7	3.8	3.8	4.6	4.6	9.6	9.6	
1984	<1>	10.8	10.9	6.8	6.9	4.0	4.0	4.3	4.3	7.5	7.5	
1985		7.2	7.1	3.6	3.6	3.7	3.5	4.3	4.1	6.9	7.0	
1986		6.7	6.4	3.0	2.8	3.9	3.8	4.3	4.1	6.6	6.7	
Quarterly changes:												
1984	Q1	14.9	14.9	10.1	10.1	4.2	4.2	3.4	3.4	7.9	7.9	
	Q2	10.7	10.7	7.1	7.1	4.1	4.1	5.4	5.4	7.5	7.5	
	Q3	5.6	5.6	1.6	1.6	4.0	4.0	4.9	4.9	7.4	7.4	
	Q4	6.4	7.8	3.9	4.9	3.3	3.2	3.8	3.8	7.2	7.2	
1985	Q1	8.1	7.4	3.8	3.1	3.7	3.1	4.4	3.7	7.2	7.3	
	Q2	7.4	6.4	3.6	3.5	3.7	3.5	4.3	4.3	6.9	7.1	
	Q3	6.8	6.5	3.5	3.3	3.8	3.5	4.1	3.8	6.8	6.9	
	Q4	6.6	6.7	3.3	3.3	3.8	3.7	4.1	3.8	6.7	6.8	
I'	Q1	6.7	6.2	2.8	2.4	3.8	3.9	4.2	4.1	6.7	6.8	
	Q2	6.4	5.9	2.4	2.4	4.0	3.9	4.4	4.1	6.7	6.8	
	Q3	6.7	6.6	2.7	2.8	4.3	4.1	4.5	4.4	6.6	6.7	
	Q4	7.0	6.8	2.8	2.6	4.5	4.3	4.5	4.4	6.6	6.7	
Two-quarter changes: <2>												
1984	Q2	12.8	12.8	8.6	8.6	4.2	4.2	4.4	4.4	-1.0	-1.0	
	Q4	<1>	6.0	6.7	2.7	3.2	3.7	3.7	4.4	4.3	-.3	-.3
1985	Q2	7.8	6.9	3.7	3.3	3.7	3.3	4.3	4.0	-.3	-.1	
	Q4	6.7	6.6	3.4	3.3	3.8	3.6	4.1	3.8	-.2	-.3	
1986	Q2	6.6	6.0	2.6	2.4	3.9	3.9	4.3	4.1	.0	.0	
	Q4	6.9	6.7	2.8	2.7	4.4	4.2	4.5	4.4	-.1	-.1	
Four-quarter changes: <3>												
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	<1>	9.3	9.7	5.6	5.9	4.0	4.0	4.4	4.4	-1.3	-1.3
1985	Q4		7.2	6.8	3.6	3.3	3.8	3.4	4.2	3.9	-.5	-.4
1986	Q4		6.7	6.4	2.2	2.9	4.2	4.0	4.4	4.3	-.1	-.1

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

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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.)

	1983				1984			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3173.8	3267.0	3346.6	3431.7	3553.3	3644.7	3694.6	3764.2
Final sales	3216.8	3286.4	3350.9	3419.0	3479.5	3594.1	3622.8	3728.9
Private	2538.0	2604.2	2661.1	2727.6	2775.1	2850.4	2861.8	2947.2
Domestic final purchases	2518.4	2610.7	2677.5	2757.4	2826.6	2909.1	2952.4	2996.4
Personal consumption expenditures	2070.4	2141.6	2181.4	2230.2	2276.5	2332.7	2361.4	2397.4
Goods	1034.6	1073.0	1095.8	1122.8	1152.2	1179.0	1178.6	1191.3
Services	1035.8	1068.6	1085.7	1107.5	1124.4	1153.7	1182.8	1206.1
Gross private domestic investment	405.0	449.6	491.9	540.0	623.8	627.0	662.8	634.3
Residential structures	113.3	129.8	142.3	143.4	151.2	155.6	155.3	153.1
Business fixed investment	334.6	339.3	353.9	383.9	398.8	420.8	435.7	445.9
Change in business inventories	-42.9	-19.4	-4.3	12.7	73.8	50.6	71.8	35.3
Nonfarm	-32.6	-5.4	11.6	14.1	60.6	47.0	63.7	25.9
Net exports of goods and services <1>	19.6	-6.5	-16.4	-29.8	-51.5	-58.7	-90.6	-49.2
Exports	328.5	328.1	342.0	346.1	358.9	362.4	368.6	369.4
Imports	308.9	334.5	358.4	375.9	410.4	421.1	459.3	418.5
Gov't. purchases of goods and services	678.8	682.2	689.8	691.4	704.4	743.7	761.0	781.7
Federal <2>	273.0	270.5	269.2	266.3	267.6	296.4	302.0	316.3
State and local	405.8	411.6	420.6	425.1	436.8	447.4	458.9	465.4
Gross national product in constant (1972) dollars	1491.0	1524.8	1550.2	1572.7	1610.9	1638.8	1645.2	1664.8
Personal income	2662.8	2714.4	2763.3	2836.5	2920.5	2984.6	3047.3	3098.9
Wage and salary disbursements	1608.1	1642.1	1671.3	1715.4	1755.7	1793.1	1819.5	1847.3
Disposable personal income	2261.4	2302.9	2367.4	2428.6	2502.2	2554.3	2606.4	2647.8
Saving rate (percent)	5.7	4.2	5.0	5.3	6.1	5.7	6.3	6.3
Corporate profits with I.V.A. and C.C. Adj.	179.1	216.7	243.0	260.0	277.4	291.1	282.8	297.3
Corporate profits before tax	161.7	198.2	227.4	225.3	243.3	246.0	224.8	235.8
Federal government surplus or deficit (-) (N.I.A. basis)	-185.7	-167.3	-180.9	-180.5	-161.3	-163.7	-180.6	-195.3
High employment surplus or deficit (-) <3>	-80.9	-74.2	-102.5	-113.1	-113.3	-129.6	-146.1	-168.2
State and local government surplus or deficit(-) (N.I.A. basis)	34.1	43.9	47.4	51.2	53.9	54.3	47.6	55.2
Excluding social insurance funds	-1.9	7.0	9.3	12.0	13.4	12.6	4.3	10.7
Civilian labor force (millions)	110.7	111.2	112.1	112.1	112.7	113.5	113.8	114.2
Unemployment rate (percent)	10.4	10.1	9.3	8.3	7.9	7.5	7.4	7.2
Nonfarm payroll employment	88.8	89.6	90.4	91.7	92.8	93.8	94.6	95.4
Manufacturing	18.1	18.3	18.6	19.0	19.4	19.6	19.7	19.7
Industrial production (1967=100)	138.5	144.3	151.8	155.5	159.8	163.1	165.6	164.7
Capacity utilization all manufacturing (percent)	70.7	73.9	77.4	78.9	80.7	81.8	82.5	81.6
Materials (percent)	70.1	73.3	77.5	79.6	81.6	82.8	82.9	80.8
Housing starts, private (million units, A.R.)	1.64	1.69	1.78	1.70	1.95	1.86	1.66	1.59
New auto sales (millions, A.R.)	8.44	9.10	9.22	9.94	10.52	10.60	10.30	10.29
Domestic models	6.06	6.81	6.92	7.28	6.22	8.23	7.94	7.50
Foreign models	2.44	2.29	2.37	2.63	2.30	2.38	2.36	2.79

<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

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March 20, 1985

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

	1983				1984			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	3.3	9.4	6.8	5.9	10.1	7.1	1.6	4.9
Final sales	1.1	6.4	4.9	4.2	3.6	10.3	-1.0	8.5
Private	3.5	8.6	6.2	6.3	4.2	8.5	-2.4	9.1
Domestic final purchases	4.0	12.1	6.9	9.7	7.6	9.5	2.3	3.6
Personal consumption expenditures	2.6	10.0	3.8	6.8	4.6	7.9	.7	3.6
Goods	3.5	12.6	5.4	9.5	7.8	10.7	-1.9	3.5
Services	1.5	7.3	2.1	3.8	1.2	4.6	3.8	3.8
Gross private domestic investment	34.0	52.5	38.4	37.0	71.6	-2.2	24.9	-14.3
Residential structures	64.4	78.5	31.6	4.0	21.3	1.2	-4.6	-5.3
Business fixed investment	.2	9.3	18.7	30.6	20.6	21.3	13.7	6.3
Gov't. purchases of goods and services	-8.1	-2.6	-.5	-4.3	1.0	18.6	5.4	6.3
Federal	-17.3	-5.9	-5.3	-8.7	-2.8	45.2	6.2	15.3
National defense	7.0	7.4	-1.9	9.3	3.8	12.0	-2.2	15.7
State and local	-1.1	-.2	2.7	-1.4	3.5	3.7	4.8	.4
Disposable personal income	2.1	3.4	7.7	8.2	8.6	6.3	3.9	3.8
<u>Current Dollars</u>								
Gross national product	8.5	12.3	10.1	10.6	14.9	10.7	5.6	7.8
Final sales	5.9	8.9	8.1	8.4	7.3	13.8	3.2	12.2
Private	8.0	10.9	9.0	10.4	7.2	11.3	1.6	12.5
Domestic final purchases	5.7	15.5	10.6	12.5	10.4	12.2	6.1	6.1
Personal consumption expenditures	4.8	14.5	7.6	9.2	8.6	10.2	5.0	6.2
Goods	3.6	15.7	8.8	10.2	10.9	9.6	-.1	4.4
Services	6.1	13.3	6.6	8.3	6.2	10.9	10.5	8.1
Gross private domestic investment	34.3	52.0	43.2	45.3	78.0	2.0	24.9	-16.1
Residential structures	79.3	71.9	44.4	3.3	23.6	12.1	-.6	-5.7
Business fixed investment	-5.5	5.7	18.5	38.4	16.5	23.9	14.9	9.8
Gov't. purchases of goods and services	-1.3	2.0	4.5	.9	7.8	24.3	9.6	11.3
Federal	-8.9	-3.6	-2.0	-4.3	2.0	50.5	7.8	20.3
National defense	8.0	9.8	3.3	13.1	12.3	14.7	-.8	21.4
State and local	4.2	5.8	9.0	4.4	11.5	10.0	10.7	5.7
Disposable personal income	4.3	7.5	11.7	10.7	12.7	8.6	8.4	6.5
Personal income	3.6	8.0	7.4	11.0	12.4	9.1	8.7	6.9
Wage and salary disbursements	5.6	8.7	7.3	11.0	9.7	8.8	6.0	6.3
Corporate profits with I.V.A. and C.C.Adj.	93.9	114.4	63.4	26.8	29.6	21.5	-11.1	22.0
Corporate profits before tax	15.4	125.8	73.3	-3.1	35.3	5.0	-30.6	21.2
Nonfarm payroll employment	.5	3.4	3.7	5.8	4.8	4.5	3.3	3.8
Manufacturing	-.9	5.0	7.0	9.1	7.5	4.5	2.1	1.1
Nonfarm business sector								
Output per hour	4.4	8.1	2.1	1.0	2.9	5.5	-1.1	2.9
Compensation per hour	5.7	3.5	2.2	4.1	6.1	3.7	3.6	3.7
Unit labor costs	1.3	-4.2	.1	3.0	3.1	-1.7	4.7	.8
GDP implicit deflator <1>	5.0	2.6	3.1	4.4	4.4	3.3	3.9	2.8
Gross domestic business product	2.7	3.9	4.5	3.5	4.2	4.1	4.0	3.2
fixed-weighted price index <2>	4.9	3.5	3.4	3.8	3.4	5.4	4.9	3.8
Excluding food and energy	.4	4.3	4.2	4.2	5.2	3.7	3.7	3.6
Consumer price index (all urban)								
Industrial production	10.1	18.4	21.8	10.2	11.5	8.6	6.3	-2.2

<1> Excluding the federal pay increase, the rate of change in 1983-Q4 was 4.4 percent.

<2> Uses expenditures in 1972 as weights.

CONFIDENTIAL - FR
CLASS II FOMC

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

	Projected							
	1985				1986			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3832.4	3892.3	3953.8	4018.6	4079.2	4138.4	4205.1	4275.3
Final sales	3793.0	3855.3	3918.0	3981.8	4044.9	4105.6	4172.8	4243.0
Private	2995.4	3043.8	3092.5	3142.0	3192.0	3241.3	3296.6	3353.1
Domestic final purchases	3059.7	3118.0	3173.8	3228.1	3280.1	3331.5	3388.2	3443.9
Personal consumption expenditures	2448.0	2489.9	2530.6	2572.7	2613.8	2655.9	2699.3	2741.9
Goods	1213.9	1230.7	1247.1	1264.1	1280.5	1297.2	1314.3	1330.3
Services	1234.1	1259.2	1283.5	1308.6	1333.3	1358.7	1385.0	1411.6
Gross private domestic investment	651.1	665.1	679.0	692.3	700.5	708.4	721.2	734.3
Residential structures	155.4	161.2	166.8	169.7	171.2	171.8	176.3	180.8
Business fixed investment	456.3	466.9	476.4	485.8	495.0	503.8	512.6	521.2
Change in business inventories	39.4	37.0	35.8	36.8	34.3	32.8	32.3	32.3
Nonfarm	32.4	32.0	33.8	36.3	34.3	32.8	32.3	32.3
Net exports of goods and services <1>	-64.3	-74.1	-81.2	-86.1	-88.1	-90.2	-91.6	-90.8
Exports	366.3	366.9	368.8	372.9	378.9	385.4	394.5	404.3
Imports	430.6	441.0	450.0	459.0	467.0	475.6	486.1	495.1
Gov't. purchases of goods and services	797.6	811.5	825.5	839.8	852.9	864.2	876.3	890.0
Federal <2>	325.3	330.3	336.1	342.1	347.5	351.0	355.2	360.8
State and local	472.3	481.1	489.4	497.7	505.4	513.2	521.1	529.2
Gross national product in constant (1972) dollars	1677.6	1691.9	1705.6	1719.6	1729.7	1739.8	1752.0	1763.4
Personal income	3150.2	3204.8	3260.3	3320.6	3374.1	3428.9	3485.1	3542.2
Wage and salary disbursements	1880.9	1913.9	1945.5	1977.7	2010.5	2041.3	2071.9	2103.6
Disposable personal income	2692.7	2737.9	2782.4	2831.0	2882.9	2928.4	2975.5	3022.3
Saving rate (percent)	5.9	5.8	5.7	5.8	6.0	5.9	5.9	5.8
Corporate profits with I.V.A. and C.C. Adj.	305.3	303.9	304.7	302.3	296.4	295.4	298.8	303.8
Corporate profits before tax	239.0	234.1	232.9	227.0	217.1	213.9	214.0	217.5
Federal government surplus or deficit (-) (N.I.A. basis)	-193.2	-195.3	-193.6	-190.6	-188.3	-190.0	-191.4	-191.7
High employment surplus or deficit (-) <3>	-167.5	-173.1	-174.4	-174.3	-171.4	-172.5	-174.9	-175.4
State and local government surplus or deficit(-) (N.I.A. basis)	58.7	58.9	57.0	53.8	52.1	52.0	52.6	53.3
Excluding social insurance funds	13.4	12.8	10.1	6.1	3.6	2.7	2.5	2.4
Civilian labor force (millions)	115.1	115.4	115.8	116.3	116.8	117.3	117.7	118.1
Unemployment rate (percent)	7.3	7.1	6.9	6.8	6.8	6.8	6.7	6.7
Nonfarm payroll employment	96.2	96.7	97.4	98.0	98.5	98.9	99.4	99.8
Manufacturing	19.8	19.9	20.0	20.1	20.2	20.2	20.3	20.4
Industrial production (1967=100)	165.1	166.4	167.9	169.5	170.8	172.0	173.3	174.7
Capacity utilization all manufacturing (percent)	81.2	81.0	81.0	81.0	81.0	81.0	81.0	81.0
Materials (percent)	80.3	80.3	80.4	80.4	80.5	80.4	80.5	80.5
Housing starts, private (million units, A.R.)	1.71	1.80	1.75	1.75	1.75	1.75	1.80	1.80
New auto sales (millions, A.R.)	10.98	10.85	11.00	11.05	10.95	10.90	10.80	10.70
Domestic models	8.53	8.30	8.25	8.20	8.15	8.06	7.90	7.70
Foreign models	2.45	2.53	2.75	2.85	2.80	2.90	2.90	3.00

<1> Balance of payments data and details underlying those 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.

March 20, 1985

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

	Projected							
	1985				1986			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Constant (1972) Dollars								
Gross national product	3.1	3.5	3.3	3.3	2.4	2.4	2.8	2.6
Final sales	2.5	3.8	3.5	3.4	2.7	2.6	2.9	2.7
Private	2.7	4.0	3.6	3.4	2.9	2.8	3.2	2.9
Domestic final purchases	6.2	4.9	4.3	3.7	3.0	2.7	3.0	2.6
Personal consumption expenditures	6.2	4.1	3.5	3.2	2.8	2.7	2.5	2.1
Goods	7.0	4.6	3.8	3.4	2.9	2.7	2.5	2.0
Services	5.3	3.5	3.2	3.0	2.6	2.6	2.5	2.3
Gross private domestic investment	9.4	5.9	5.9	5.2	2.0	1.7	3.9	3.9
Residential structures	3.0	12.0	11.1	3.6	.0	-2.3	6.6	6.4
Business fixed investment	6.9	7.5	6.5	6.0	5.3	4.6	4.2	3.9
Gov't. purchases of goods and services	1.9	3.2	3.0	3.3	2.1	1.7	1.7	1.8
Federal	2.6	3.5	3.8	4.6	2.2	1.4	1.5	1.5
National defense	6.8	7.1	5.6	4.2	1.8	1.1	2.4	4.1
State and local	1.4	2.9	2.4	2.4	2.0	1.9	1.9	1.9
Disposable personal income	4.5	3.9	3.5	3.5	3.7	2.5	2.4	2.1
Current Dollars								
Gross national product	7.4	6.4	6.5	6.7	6.2	5.9	6.6	6.8
Final sales	7.1	6.7	6.7	6.7	6.5	6.1	6.7	6.9
Private	6.7	6.6	6.6	6.6	6.5	6.3	7.0	7.0
Domestic final purchases	8.7	7.8	7.4	7.0	6.6	6.4	7.0	6.7
Personal consumption expenditures	8.7	7.0	6.7	6.8	6.6	6.6	6.7	6.5
Goods	7.8	5.6	5.4	5.6	5.3	5.3	5.4	5.0
Services	9.6	8.4	7.9	8.1	7.8	7.8	8.0	7.9
Gross private domestic investment	11.0	8.9	8.6	8.1	4.9	4.6	7.4	7.4
Residential structures	6.1	15.8	14.6	7.1	3.6	1.4	10.9	10.6
Business fixed investment	9.7	9.6	8.4	8.1	7.9	7.3	7.2	6.8
Gov't. purchases of goods and services	8.4	7.1	7.1	7.1	6.4	5.4	5.7	6.4
Federal	11.8	6.3	7.2	7.4	6.4	4.2	4.8	6.4
National defense	14.7	10.1	9.4	7.5	6.3	4.8	6.4	8.2
State and local	6.1	7.7	7.1	6.9	6.4	6.3	6.3	6.4
Disposable personal income	7.0	6.9	6.7	7.2	7.5	6.5	6.6	6.4
Personal income	6.8	7.1	7.1	7.6	6.6	6.7	6.7	6.7
Wage and salary disbursements	7.5	7.2	6.8	6.8	6.8	6.3	6.1	6.3
Corporate profits with I.V.A. and C.C.Adj.	11.3	-1.8	1.0	-3.1	-7.6	-1.4	4.8	6.9
Corporate profits before tax	5.7	-7.9	-2.1	-9.7	-16.3	-5.8	.3	6.7
Nonfarm payroll employment	3.0	2.5	2.6	2.6	1.9	1.8	2.0	1.7
Manufacturing	.6	2.0	2.0	2.0	1.8	1.8	1.6	1.4
Nonfarm business sector								
Output per hour	1.8	1.1	1.2	1.2	.8	.8	1.2	1.4
Compensation per hour	4.3	4.2	4.3	4.3	4.8	4.4	4.5	4.6
Unit labor costs	2.5	3.1	3.1	3.1	4.0	3.6	3.3	3.2
GDP implicit deflator <1>	4.2	2.8	3.1	3.3	3.7	3.5	3.7	4.1
Gross domestic business product	3.1	3.5	3.5	3.7	3.9	3.9	4.1	4.3
fixed-weighted price index <2>	3.7	4.3	3.8	3.8	4.1	4.1	4.4	4.4
Excluding food and energy	3.1	3.3	3.5	3.6	4.0	4.0	4.2	4.4
Consumer price index (all urban)								
Industrial production	1.0	3.2	3.7	3.7	3.1	2.9	3.2	3.3

<1> Excluding Federal pay increase, the rate of change in 1985-Q1 is 3.8 percent and in 1986-Q1 is 3.6 percent.
<2> Uses expenditures in 1972 as weights.

March 20, 1985

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

	1979	1980	1981	1982	1983	1984	Projected 1985	Projected 1986
Gross national product	2417.8	2631.7	2957.7	3069.2	3304.8	3664.2	3924.3	4174.5
Final sales	2403.5	2641.4	2931.7	3095.4	3318.3	3606.3	3887.0	4141.6
Private	1929.2	2103.7	2335.2	2444.9	2632.7	2858.6	3068.5	3270.7
Domestic final purchases	1915.9	2079.7	2307.2	2425.9	2641.0	2921.1	3144.9	3360.9
Personal consumption expenditures	1507.1	1668.0	1849.1	1984.9	2155.9	2342.0	2510.3	2677.7
Goods	813.4	883.5	966.1	1002.6	1081.5	1175.3	1238.9	1305.6
Services	693.7	784.5	883.0	982.2	1074.4	1166.7	1271.4	1372.2
Gross private domestic investment	423.0	401.9	484.2	414.9	471.6	637.0	671.9	716.1
Residential construction	118.5	102.9	104.3	91.3	132.2	153.8	163.3	175.0
Business fixed investment	290.2	308.8	353.9	349.6	352.9	425.3	471.3	508.1
Change in business inventories	14.3	-9.8	26.0	-26.1	-13.5	57.9	37.3	32.9
Nonfarm	8.6	-4.5	18.2	-23.9	-3.1	49.3	33.6	32.9
Net exports of goods and services <1>	13.2	23.9	28.0	19.0	-8.3	-62.5	-76.4	-90.2
Exports	281.3	338.8	369.9	348.4	336.2	364.8	368.7	390.8
Imports	268.1	314.8	341.9	329.4	344.4	427.3	445.1	481.0
Gov't. purchases of goods and services	474.4	537.8	596.5	650.5	685.5	747.7	818.6	870.8
Federal <2>	168.3	197.0	228.9	258.9	269.7	295.6	333.4	353.6
State and local	306.0	340.8	367.6	391.5	415.8	452.1	485.1	517.2
Gross national product in constant (1972) dollars	1479.4	1475.0	1512.1	1480.0	1534.7	1639.9	1698.7	1746.2
Personal income	1951.1	2165.3	2429.4	2584.6	2744.3	3012.8	3233.9	3457.6
Wage and salary disbursements	1237.6	1356.7	1493.1	1568.7	1659.2	1803.9	1929.5	2056.8
Disposable personal income	1650.2	1828.9	2041.7	2180.5	2340.1	2577.7	2761.0	2952.3
Saving rate (percent)	5.9	6.0	6.7	6.2	5.0	6.1	5.8	5.9
Corporate profits with I.V.A. and C.C.Adj.	194.8	175.4	190.0	159.2	225.2	287.1	304.0	298.6
Corporate profits before tax	252.7	234.6	221.3	165.6	203.2	237.5	233.2	215.6
Federal government surplus or deficit (-) (N.I.A. basis)	-16.1	-61.3	-64.2	-148.2	-178.6	-175.2	-193.1	-190.4
High employment surplus or deficit (-)	-20.8	-36.4	-31.3	-61.6	-92.7	-139.3	-172.3	-173.5
State and local government surplus or deficit (-) (N.I.A. basis)	30.6	30.6	37.6	32.9	44.1	52.8	57.1	52.5
Excluding social insurance funds	6.8	3.5	7.8	-.8	6.6	10.3	10.6	2.8
Civilian labor force (millions)	105.0	106.9	108.7	110.2	111.6	113.5	115.6	117.5
Unemployment rate (percent)	5.8	7.1	7.6	9.7	9.6	7.5	7.0	6.7
Nonfarm payroll employment (millions)	89.8	90.4	91.2	89.6	90.1	94.2	97.1	99.1
Manufacturing	21.0	20.3	20.2	18.8	18.5	19.6	19.9	20.3
Industrial production (1967=100)	152.5	147.0	150.9	138.6	147.6	163.3	167.2	172.7
Capacity utilization: all manufacturing (percent)	86.0	79.6	79.4	71.1	75.2	81.7	81.1	81.0
Materials (percent)	87.6	80.4	80.7	70.1	75.2	82.0	80.4	80.5
Housing starts, private (million units, A.R.)	1.72	1.30	1.10	1.06	1.70	1.76	1.75	1.77
New auto sales (millions, A.R.)	10.68	9.04	8.56	8.00	9.18	10.39	10.97	10.84
Domestic models	8.36	6.62	6.24	5.77	6.77	7.95	8.32	7.94
Foreign models	2.32	2.42	2.32	2.23	2.41	2.44	2.65	2.90

<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.

March 20, 1985

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

	1979	1980	1981	1982	1983	1984	Projected 1985	1986
Constant (1972) Dollars								
Gross national product	2.8	-.3	2.5	-2.1	3.7	6.9	3.6	2.8
Final sales	3.5	.5	1.5	-.7	3.2	5.0	4.1	3.0
Private	4.0	.1	1.6	-1.3	4.1	5.3	4.0	3.2
Domestic final purchases	2.9	-1.0	2.2	-.2	5.6	7.6	4.8	3.3
Personal consumption expenditures	2.7	.5	2.0	1.3	4.8	5.3	4.2	2.9
Goods	1.9	-1.4	1.7	.4	6.0	7.1	4.3	3.1
Services	3.7	2.7	2.3	2.5	3.4	3.3	4.0	2.7
Gross private domestic investment	-.2	-11.8	10.7	-15.9	13.7	31.0	4.2	3.6
Residential structures	-5.3	-20.3	-5.5	-14.8	41.7	12.2	3.0	3.5
Business fixed investment	7.3	-2.4	5.5	-4.6	2.5	19.6	8.4	5.3
Gov't. purchases of goods and services	1.3	2.2	.9	2.0	-.3	3.5	4.6	2.4
Federal	1.8	4.2	3.7	6.1	-.6	5.4	8.0	2.6
National defense	2.6	3.9	5.0	7.6	7.1	5.7	7.3	3.1
State and local	1.1	1.0	-.6	-.6	.0	2.2	2.2	2.2
Disposable personal income	2.7	.6	2.7	.9	3.5	6.7	4.1	3.2
Current Dollars								
Gross national product	11.7	8.8	12.4	3.8	7.7	10.9	7.1	6.4
Final sales	12.4	9.9	11.0	5.6	7.2	8.7	7.8	6.5
Private	13.1	9.0	11.0	4.7	7.7	8.6	7.3	6.6
Domestic final purchases	12.3	8.5	10.9	5.1	8.9	10.6	7.7	6.9
Personal consumption expenditures	11.9	10.7	10.9	7.3	8.6	8.6	7.2	6.7
Goods	11.7	8.6	9.3	3.8	7.9	8.7	5.4	5.4
Services	12.2	13.1	12.6	11.2	9.4	8.6	9.0	7.9
Gross private domestic investment	9.4	-5.0	20.5	-14.3	13.7	35.1	5.5	6.6
Residential structures	6.6	-13.2	1.3	-12.4	44.7	16.3	6.2	7.2
Business fixed investment	16.6	6.4	14.6	-1.2	.9	20.5	10.8	7.8
Gov't. purchases of goods and services	9.8	13.4	10.9	9.0	5.4	9.1	9.5	6.4
Federal	9.6	17.1	16.2	13.1	4.2	9.6	12.8	6.1
National defense	11.5	17.3	17.2	16.8	11.7	10.4	11.8	7.0
State and local	9.9	11.4	7.9	6.5	6.2	8.7	7.3	6.6
Disposable personal income	12.0	10.8	11.6	6.8	7.3	10.2	7.1	6.9
Personal income	12.6	11.0	12.2	6.4	6.2	9.8	7.3	6.9
Wage and salary disbursements	11.9	9.6	10.1	5.1	5.8	8.7	7.0	6.6
Corporate profits with I.V.A. and C.G.Adj.	1.2	-9.9	8.3	-16.2	41.3	27.5	5.9	-1.8
Corporate profits before tax	10.3	-7.1	-5.7	-25.2	22.8	16.9	-1.8	-7.6
Nonfarm payroll employment	3.6	.6	.8	-1.7	.6	4.5	3.1	2.1
Manufacturing	2.6	-3.6	-.6	-6.9	-1.3	5.9	1.7	1.8
Nonfarm business sector								
Output per hour	-1.5	-.7	1.5	.2	3.5	2.7	1.6	1.0
Compensation per hour	9.0	10.3	9.6	8.8	4.9	4.1	4.0	4.5
Unit labor costs	10.7	11.1	8.0	7.7	1.4	1.4	2.4	3.4
GDP implicit deflator	8.6	9.2	9.6	6.0	3.8	3.7	3.4	3.3
Gross domestic business product								
fixed-weighted price index <1>	9.9	10.0	9.6	6.0	3.8	4.0	3.5	3.0
Excluding food and energy	8.6	8.5	9.4	7.0	4.0	4.3	4.1	4.1
Consumer price index (all urban)	11.3	13.3	10.3	6.1	3.2	4.3	3.4	3.9
Industrial production	4.4	-3.6	2.6	-8.1	6.4	10.7	2.4	3.3

<1> Uses expenditures in 1972 as weights.

March 20, 1985

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

Fiscal Year	FRB staff estimates														
	FY1985* / 2 /			FY1986* / 2 /			CY1985* /			Calendar quarters; not seasonally adjusted					
	Admin.	FRB Staff	CY 1984*	FRB Staff	1984	IV*	I	II	III	IV	I	II	III		
Unified budget receipts	646	737	735	794	789	683	744	166	177	206	186	175	184	230	199
Unified budget outlays	842	947	941	972	975	867	950	239	234	233	236	247	241	243	243
Surplus/deficit(-), unified budget	-173	-210	-206	-178	-186	-184	-206	-73	-57	-27	-50	-72	-57	-13	-44
Surplus/deficit(-), off-budget agencies ³	-10	-12	-12	-2	-5	-10	-14	1	-4	-5	-5	-1	-1	-2	-1
Combined deficit to be financed	-183	-220	-218	-180	-191	-195	-220	-72	-61	-32	-55	-73	-58	-15	-45
Means of financing combined deficit:															
Net borrowing from public	171	210	200	181	186	199	199	64	40	45	51	64	58	15	50
Decrease in cash operating balance	7	10	10	0	0	-5	8	13	8	-8	-3	10	-5	0	-5
Other ⁴	8	1	8	-1	5	2	13	-6	12	-4	6	0	5	0	0
Cash operating balance, end of period	30	20	20	20	20	17	10	18	10	18	20	10	15	15	20
Total: Sponsored agency borrowing ⁵	30	42	14	46	20	32	16	3	2	4	5	5	5	5	5
<u>IIA Budget</u>															
Inceipts	688	758	751	827	810	705	768	722	748	760	775	790	804	816	829
Expenditures	860	948	945	992	1000	880	961	917	941	955	968	980	993	1006	1020
Purchases	283	327	327	355	349	296	333	316	325	330	336	342	347	351	355
Defense	215	242	242	272	261	221	248	231	239	245	251	255	259	262	266
Nondefense	68	85	85	83	88	74	86	85	86	85	85	87	88	89	89
All other expenditures	577	621	618	637	651	584	628	601	616	625	632	638	646	655	665
Surplus/deficit(-)	-172	-190	-194	-166	-190	-175	-193	-195	-193	-195	-194	-191	-188	-190	-191
High employment surplus/deficit(-) evaluated at 6 percent unemployment	-126	n.a.	-171	n.a.	-173	-139	-172	-168	-168	-173	-174	-174	-171	-173	-175

a—actual

e—estimated

n.a.—not available

- Budget of the United States Government, Fiscal Year 1986 (February 1985).
- The CBO baseline budget estimates show revenues of \$735 billion and \$788 billion, unified outlays of \$938 billion and \$995 billion, and deficits of \$203 billion and \$206 billion in fiscal years 1985 and 1986, respectively. Off-budget outlays are projected to be \$11 billion in fiscal 1985 and \$9 billion in fiscal 1986.
(The Economic Outlook, February 1985.)

Note: Details may not add to totals due to rounding.

- Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank and Strategic Petroleum Reserve.
- Checks issued less checks paid, accrued items and other transactions.
- Sponsored agency borrowing includes net debt issuance by Federal Home Loan Banks, FHLBC (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. The Administration's definition of borrowing by these agencies is somewhat broader.

MARCH 19, 1985

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

	ANNUAL			1984		1985				1986			
	1984	1985-P	1986-P	Q3	Q4	Q1-P	Q2-P	Q3-P	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
1. GNP EXPORTS AND IMPORTS 1/													
CURRENT \$, NET	-62.5	-76.5	-90.3	-90.6	-49.2	-64.4	-74.2	-81.3	-86.2	-88.2	-90.3	-91.7	-90.9
EXPORTS OF G+S	364.8	368.7	390.8	368.6	369.4	366.3	366.9	368.8	372.9	378.9	385.4	394.5	404.3
IMPORTS OF G+S	427.3	445.1	481.0	459.3	418.5	430.6	441.0	450.0	459.0	467.0	475.6	486.1	495.1
CONSTANT 72 \$, NET	-14.2	-25.9	-29.1	-27.0	-10.2	-21.8	-25.1	-27.7	-28.9	-29.7	-29.7	-29.1	-28.1
EXPORTS OF G+S	146.3	146.2	149.2	147.4	148.2	146.2	146.0	146.0	146.6	147.3	148.1	149.9	151.6
IMPORTS OF G+S	160.5	172.1	178.4	174.4	158.4	168.0	171.1	173.7	175.5	177.0	177.8	179.0	179.7
2. U.S. MERCHANDISE TRADE BALANCE 2/	-107.4	-113.1	-127.9	-131.8	-91.5	-101.3	-110.9	-117.7	-122.6	-124.8	-127.7	-130.2	-128.9
EXPORTS	220.3	224.2	233.8	222.5	225.0	225.4	224.2	223.2	223.9	226.8	230.3	235.2	242.8
AGRICULTURAL	38.4	34.0	36.3	36.3	38.7	35.0	34.0	33.4	33.6	35.0	35.8	36.7	37.8
NONAGRICULTURAL	181.9	190.2	197.4	186.2	186.3	190.4	190.2	189.8	190.3	191.8	194.5	198.5	204.9
IMPORTS	327.8	337.3	361.7	354.2	316.6	326.7	335.1	340.9	346.5	351.6	358.0	365.3	371.7
PETROLEUM AND PRODUCTS	57.3	52.6	50.4	57.8	56.4	46.4	55.4	55.6	53.2	50.1	49.8	50.9	50.8
NONPETROLEUM	270.5	284.7	311.3	296.4	260.2	280.4	279.7	285.3	293.3	301.5	308.2	314.4	321.0
3. U.S. CURRENT ACCOUNT BALANCE	-101.7	-114.4	-131.0	-134.4	-94.7	-99.9	-110.9	-119.4	-127.3	-126.4	-130.0	-132.9	-134.5
OF WHICH: NET INVESTMENT INCOME	18.1	13.7	10.9	11.5	16.2	15.0	13.9	13.2	12.7	11.6	11.2	11.1	9.6
4. FOREIGN OUTLOOK 3/													
REAL GNP--TEN INDUSTRIAL 4/	2.9	3.0	2.9	4.0	3.9	2.5	3.2	3.0	3.0	2.9	2.8	2.7	2.7
REAL GNP--NONOPEC LDC 5/	4.2	4.4	4.6	4.8	4.5	4.3	4.3	4.3	4.3	4.4	4.7	5.1	5.5
CONSUMER PRICES--TEN IND. 4/	4.9	4.2	3.9	2.5	4.8	4.9	3.9	3.7	4.0	3.9	3.9	3.7	3.9

1/ ECONOMIC ACTIVITY 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; PRICES ARE NOT SEASONALLY ADJUSTED.

5/ WEIGHTED BY SHARE IN NONOPEC LDC GNP.

P/ PROJECTED

March 20, 1985

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)

	Year	1984		1985			Mar. ^f
		Q3	Q4	Q1 ^f	Jan.P	Feb.P	
Corporate securities - total ¹	9.88	11.00	13.19	11.85	12.23	8.62	14.70
Public offerings in U.S.	8.00	8.77	10.40	8.78	7.15	6.00	13.20
Stocks--total ²	1.89	1.64	1.79	1.93	1.40	2.20	2.20
Nonfinancial	1.08	.84	1.11	--	.90	1.30	--
Utility	.22	.17	.20	--	.30	.50	--
Industrial	.86	.66	.90	--	.60	.80	--
Financial	.81	.80	.69	--	.50	.90	--
Bonds--total ¹	6.11	7.13	8.61	6.85	5.75	3.80	11.00
By industry							
Nonfinancial	2.80	3.30	4.48	--	2.45	2.50	--
Utility	.87	.88	1.51	--	1.00	.50	--
Industrial	1.93	2.42	2.97	--	1.45	2.00	--
Financial	3.31	3.83	4.13	--	3.30	1.30	--
By quality ³							
Aaa and Aa	1.85	2.23	3.01	--	1.50	.20	--
A and Baa	2.11	2.79	2.63	--	3.50	2.40	--
Less than Baa	1.06	1.19	1.71	--	.45	.40	--
No rating (or unknown)	.28	.32	.28	--	.20	.15	--
Memo items:							
Equity based bonds ⁴	.62	.57	1.30	--	.60	.15	--
Mortgage-backed bonds	.81	.60	.98	--	.10	.65	--
Variable rate notes	.72	1.29	.51	--	.35	.08	--
Bonds sold abroad - total	1.88	2.23	2.79	3.07	5.08	2.62	1.50
Nonfinancial	.84	.97	1.08	--	1.86	.97	--
Financial	1.04	1.26	1.71	--	3.22	1.66	--

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	1985			
	Q4	Jan.	Feb. ^P	Mar. ^f	Q1 ^f
<u>Treasury financing</u>					
Combined surplus/deficit(-)	-71.5	-8.0	-24.7	-27.6	-60.3
Means of financing deficit:					
Net cash borrowing from the public	64.2	12.7	16.3	10.8	39.8
Marketable borrowings/ repayments(-)	60.2	11.9	15.1	9.8	36.8
Bills	17.6	.1	2.2	2.5	4.8
Coupons	42.6	11.8	12.9	7.3	32.0
Nonmarketable	4.0	.8	1.2	1.0	3.0
Decrease in the cash balance	12.8	-8.9	9.3	7.7	8.1
Memo: Cash balance at end of period	17.6	26.5	17.2	9.5	9.5
Other ²	-5.5	4.2	-.9	9.1	12.4
<u>Federally sponsored credit agencies, net cash borrowing³</u>					
	3.4	-.4	.5	2.0	2.1
FHLB	-.1	-.8	.1	1.2	.5
FNMA	3.6	.9	1.0	1.0	2.9
Farm Credit Banks	-1.9	-.6	-.6	-.7	-1.9
FHLMC	1.3	-.1	.1	.4	.4
SLMA	.5	.2	-.1	.1	.2

f--staff forecast. p--preliminary.

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 TAX-EXEMPT SECURITIES
 (Monthly totals or monthly averages; billions of dollars)

	1983	1984	1984		1985		
			Q3	Q4 ^e	Jan. ^e	Feb. ^e	March ^f
----- Seasonally adjusted -----							
Total	10.39	10.45	11.87	14.09	7.60	10.40	7.60
Long-term	7.20	8.75	10.00	12.83	6.70	9.50	6.80
Short-term ¹	3.19	1.70	1.87	1.26	.90	.90	.80
----- Not seasonally adjusted -----							
Total	10.39	10.45	11.03	15.18	6.20	8.10	7.70
Long-term	7.20	8.75	9.08	14.06	5.50	7.40	7.00
Refundings ²	1.17	1.01	.78	1.29	.70	1.87	--
Single-family housing ³	.92	1.08	2.69	1.25	.07	.03	--
Short-term ¹	3.19	1.70	1.95	1.12	.70	.70	.70

e--estimate. f--staff forecast.

1. These figures do not include tax-exempt commercial paper.

2. Includes all refunding bonds, not just advance refundings.

3. Data from the Department of Housing and Urban Development.

On the demand side, households and mutual funds have continued to be the major investors in tax-exempt bonds. There is some evidence of increased participation by commercial banks, primarily in shorter-term markets, but property/casualty companies, once heavy participants in the municipal market, have remained inactive, given record underwriting losses. Individuals' demand for municipal securities has been supported by the increasing use of guarantees of various types. In 1984, about 21 percent of long-term municipal securities was protected with private insurance, compared with 15 percent in 1983, and less than 4 percent as recently as 1980. Until 1983, AMBAC Indemnity Corporation and the Municipal Bond Insurance Association provided most of the insurance for tax-exempt bonds, but more recently two new firms have entered the market.

CONFIDENTIAL (FR)
CLASS III - FOMC

March 22, 1985

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

**Prepared for the
Federal Open Market Committee**

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

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SUPPLEMENTAL NOTES

THE DOMESTIC NONFINANCIAL ECONOMY

New Orders and Shipments

New orders for nondefense capital goods rose 29.6 percent in February, after a 13.1 percent decline in January. As a result, the average level of new orders in January and February exceeded the fourth-quarter figure by about 1 percent. Much of the February increase stemmed from a 158 percent jump in orders for office and computing equipment; this surge followed two months of extremely weak orders during December and January. A sharp rise in orders for aircraft and parts also contributed to the February increase. In the remaining categories of equipment, new orders rose about 2 percent in February.

Shipments of nondefense capital goods increased 2.4 percent in February, after dropping 10.6 percent in January. For January and February combined, shipments averaged about 5-1/2 percent below their level in the fourth quarter of 1984. In February, shipments increased for most types of equipment, led by a 12.5 percent gain in aircraft and parts. For the remaining categories of equipment, shipments rose 1.1 percent.

Consumer Price Index

The consumer price index rose 0.3 percent in February as sharp declines in prices of petroleum products offset a pickup in price increases for food and other commodities. Food prices were up 0.5 percent, reflecting the weather-related shortages of many fresh fruits and vegetables. Excluding food and energy items, the index advanced 0.6 percent with large increases in the prices of new and used cars, as well as apparel and housefurnishings.

Price increases for commodities other than food and energy averaged more than 0.6 percent per month in January and February, after showing little change in the fourth quarter. In contrast, service prices, excluding energy, rose 0.4 percent for the third consecutive month.

Errata

Page II-16 of the Greenbook indicates that the merchandise trade deficit in January was \$21 billion at an annual rate. The correct figure is \$121 billion at an annual rate.

BUSINESS CAPITAL SPENDING INDICATORS
(Percentage change from preceding comparable period;
based on seasonally adjusted data)

	1984				1985	
	Q3	Q4	Nov.	Dec.	Jan.	Feb.
<u>Producers' durable equipment</u>						
Nondefense capital goods						
Shipments	2.7	3.6	2.8	5.1	-10.6	2.4
Orders	-1.1	-3.5	6.9	-1.9	-13.1	29.6
Unfilled orders	1.7	-2.5	-.1	-1.5	-1.9	2.8
Imports of capital goods excluding autos	23.1	-17.9	1.0	-3.9	22.1	n.a.
Exports of capital goods excluding autos	1.4	2.3	-8.5	12.1	.0	n.a.
Sales of heavy-weight trucks (thousands of units, A.R.)	252	316	345	348	299	316
<u>Nonresidential structures</u>						
Nonresidential construction	1.3	4.9	1.3	2.5	2.7	n.a.
Commercial building	1.9	10.9	2.1	3.9	5.0	n.a.

RECENT CHANGES IN CONSUMER PRICES
(Percentage change; based on seasonally adjusted data)¹

	Relative Importance Dec. 1984	1983	1984	1984			1985	
				H1	Q3	Q4	Jan.	Feb.
—Annual rate—							--Monthly rate--	
All items ²	100.0	3.8	4.0	4.3	4.5	3.0	.3	.3
Food	18.7	2.6	3.8	3.8	3.9	3.7	.4	.5
Energy	11.5	-.5	.2	.8	.1	-.7	-.2	-1.4
All items less food and energy ³	69.8	4.9	4.7	5.0	5.3	3.5	.3	.6
Commodities ³	26.3	5.0	3.1	3.8	3.8	.9	.2	.8
Services ³	43.5	4.8	5.6	5.6	6.2	5.0	.4	.4
Memorandum:								
CPI-W ⁴	100.0	3.3	3.5	2.6	7.5	1.6	.3	.4

1. Changes are from final month of preceding period to final month of period indicated.
2. Official index for all urban consumers, based on a rental equivalence measure for owner-occupied housing after December 1982.
3. Data not strictly comparable. Before 1983, they are based on unofficial series that exclude the major components of homeownership; beginning in 1983, data include a rental equivalence measure of homeowners costs.
4. Index for urban wage earners and clerical workers, based on a rental equivalence measure for owner-occupied housing after December 1984.

MONETARY AGGREGATES
(Based on seasonally adjusted data unless otherwise noted)¹

March 22, 1985

	1984						Growth from Q4 1984 to Feb. 1985
	Q2	Q3	Q4	Dec.	Jan.	Feb.	
----- Percentage change at annual rates -----							
1. M1	6.5	4.5	3.2	10.2	9.0	14.1	11.4
2. M2	7.1	6.8	9.0	13.1	13.6	10.5	12.6
3. M3	10.5	9.5	11.0	14.4	10.1	7.9	10.8
Levels in billions of dollars Feb. 1985							
<u>Selected components</u>							
4. Currency	7.5	7.3	5.1	6.1	5.3	9.0	160.6
5. Demand deposits	3.3	0.3	-1.0	8.8	2.4	12.5	251.7
6. Other checkable deposits	11.3	9.0	8.5	16.7	24.7	22.6	151.7
7. M2 minus M1 ²	7.2	7.6	10.8	14.1	15.1	9.4	1850.1
8. Overnight RPs and Eurodollars, NSA ³	0.7	2.8	2.1	-10.3	106.2	126.3	69.3
9. General purpose and broker/dealer money market mutual fund shares, NSA	15.5	10.9	28.3	42.2	32.2	22.3	175.4
10. Commercial banks	9.0	4.9	8.6	17.7	15.0	9.2	792.4
11. Savings deposits, SA, plus MMDAs, NSA ⁴	5.1	-3.6	10.6	28.0	38.2	25.7	410.7
12. Small time deposits	13.1	13.4	6.9	7.8	-8.1	-8.4	381.7
13. Thrift institutions	8.7	4.7	7.3	9.4	7.4	6.5	821.4
14. Savings deposits, SA, plus MMDAs, NSA ⁴	2.3	-12.5	-4.1	6.5	23.7	25.9	327.1
15. Small time deposits	13.4	17.0	14.8	11.4	-3.1	-6.0	494.3
16. M3 minus M2 ⁵	24.9	20.3	18.9	18.8	-3.1	-2.5	620.9
17. Large time deposits	30.4	25.7	18.8	16.3	1.4	6.6	419.6
18. At commercial banks, net ⁶	21.8	19.3	12.2	3.6	-9.5	9.1	264.3
19. At thrift institutions	48.1	38.1	31.3	39.0	20.5	2.3	155.3
20. Institution-only money market mutual fund shares, NSA	8.1	9.7	97.4	90.6	44.0	-51.7	62.2
21. Term RPs, NSA	54.2	33.4	39.6	-17.0	-82.6	16.6	65.8
22. Term Eurodollars, NSA	7.1	-22.1	-23.0	19.0	-27.4	7.4	81.8
-- Average monthly change in billions of dollars --							
<u>MEMORANDA:</u>							
23. Managed liabilities at commercial banks (24+25)	7.1	4.2	4.2	-0.6	-7.4	11.9	438.9
24. Large time deposits, gross	6.9	1.8	3.5	2.8	-1.0	0.5	325.3
25. Nondeposit funds	0.2	2.4	0.7	-3.4	-6.4	11.4	113.6
26. Net due to related foreign institutions, NSA	1.0	-0.4	1.0	1.1	-4.5	3.4	-33.1
27. Other ⁷	-0.9	2.8	-0.4	-4.5	-1.8	8.0	146.7
28. U.S. government deposits at commercial banks ⁸	-0.7	0.6	0.0	-1.2	-1.4	-1.7	13.0

1. Quarterly growth rates are computed on a quarterly average basis. Dollar amounts shown under memoranda for quarterly changes are calculated on an end-month-of-quarter basis.

2. Nontransactions M2 is seasonally adjusted as a whole.

3. Overnight and continuing contract RPs issued to the nonbank public by commercial banks plus overnight Eurodollar deposits issued by branches of U.S. banks to U.S. nonbank customers, both net of amounts held by money market mutual funds. Excludes retail RPs, which are in the small time deposit component.

4. Growth rates are for savings deposits, seasonally adjusted, plus money market deposit accounts (MMDAs), not seasonally adjusted. Commercial bank savings deposits excluding MMDAs declined during January and February 1985 at rates of 9.8 and 2.0 percent respectively. At thrift institutions, savings deposits excluding MMDAs increased in January and February 1985 at rates of 7.2 and 8.6 percent respectively.

5. The non-M2 component of M3 is seasonally adjusted as a whole.

6. Net of large-denomination time deposits held by money market mutual funds and thrift institutions.

7. Consists of borrowings from other than commercial banks in the form of federal funds purchased, securities sold under agreements to repurchase, and other liabilities for borrowed money (including borrowings from the Federal Reserve and unaffiliated foreign banks, loan RPs and other minor items). Data are partially estimated.

8. Consists of Treasury demand deposits at commercial banks and Treasury note balances.

COMMERCIAL BANK CREDIT AND SHORT- AND INTERMEDIATE-TERM BUSINESS CREDIT
 (Percentage changes at annual rates, based on seasonally adjusted data)¹

	1984					1985		Levels in bil. of dollars Feb.
	Q2	Q3	Q4	Dec.	Jan.	Feb.		
Commercial Bank Credit								
1. Total loans and securities at banks	9.2	9.5	9.8	9.6	6.2	13.0	1742.0	
2. Securities	-9.8	6.6	0.5	-1.2	6.3	12.8	406.8	
3. U.S. government securities	-11.2	6.8	3.4	3.7	-1.4	26.3	265.6	
4. Other securities	-7.3	6.3	-4.8	-10.2	20.5	-11.8	141.2	
5. Total loans	15.7	10.5	12.7	12.9	6.0	13.1	1335.2	
6. Business loans	18.5	7.5	7.7	2.3	1.5	13.3	474.1	
7. Security loans	-13.6	4.2	36.1	47.7	19.1	-11.3	31.6	
8. Real estate loans	13.8	11.4	11.6	11.6	7.7	13.3	381.8	
9. Consumer loans	21.5	14.2	16.2	20.9	16.7	16.5	258.1	
Short- and Intermediate-Term Business Credit								
10. Business loans net of bankers acceptances	18.4	7.9	7.8	4.1	2.1	10.3	469.7	
11. Loans at foreign branches ²	21.5	8.2	26.0	40.8	45.1	-86.9	20.5	
12. Sum of lines 10 & 11	18.7	7.8	8.7	5.7	3.9	5.9	490.2	
13. Commercial paper issued by nonfinancial firms ³	64.8	46.8	51.2	23.4	-41.0	37.3	72.9	
14. Sums of lines 12 & 13	23.3	12.2	13.7	8.0	-1.9	9.9	563.1	
15. Total bankers acceptances outstanding ⁴	47.0	-16.1	-32.0	-28.2	-49.8	n.a.	71.6 (Jan.)	
16. Line 14 plus total bankers acceptances outstanding	26.4	8.3	7.7	3.6	-7.6	n.a.	630.1 (Jan.)	
17. Finance company loans to business ^{4,5}	15.2	9.8	23.2	25.8	32.5	n.a.	136.5 (Jan.)	
18. Total short- and intermediate-term business credit (sum of lines 16 & 17)	24.5	8.5	10.3	7.4	-0.6	n.a.	766.6 (Jan.)	

n.a.—not available. p—preliminary.

1. Average of Wednesdays for domestically chartered banks and average of current and preceding ends of months for foreign-related institutions.

2. Loans at foreign branches are loans made to U.S. firms by foreign branches of domestically chartered banks.

3. Average of Wednesdays.

4. Based on average of current and preceding ends of month.

5. Reporting panel change in January, 1985 increased reported acceptances \$2.1 billion. Growth rates have been adjusted to eliminate this break in series.

SELECTED FINANCIAL MARKET QUOTATIONS¹
(Percent)

	<u>1982/1983</u>		<u>1984</u>		<u>1985</u>		<u>Change from:</u>		
	Cyclical low	Highs	FOMC Dec. 18	FOMC Feb. 13	Mar. 21		1984 highs	FOMC Feb. 13	
Short-term rates									
Federal funds ²	8.46	11.63	8.34	8.52	8.58		-3.05	.06	
Treasury bills									
3-month	7.08	10.67	7.81	8.24	8.44		-2.23	.20	
6-month	7.62	10.77	7.98	8.30	8.84		-1.93	.54	
1-year	7.73	11.13	8.30	8.49	9.03		-2.10	.54	
Commercial paper									
1-month	8.00	11.42	8.06	8.47	8.64		-2.78	.17	
3-month	7.97	11.35	8.13	8.56	8.78		-2.57	.22	
Large negotiable CDs ³									
1-month	8.08	11.52	8.18	8.51	8.64		-2.88	.13	
3-month	8.13	11.79	8.29	8.70	8.88		-2.91	.18	
6-month	8.20	12.30	8.47	9.05	9.41		-2.89	.36	
Eurodollar deposits ⁴									
1-month	8.68	11.89	8.53	8.60	8.89		-3.00	.29	
3-month	8.71	12.20	8.79	9.04	9.33		-2.87	.29	
Bank prime rate	10.50	13.00	11.25	10.50	10.50		-2.50	--	
Treasury bill futures									
June 1985 contract	10.11	12.82	8.66	8.77	9.05		-3.77	.28	
Dec. 1985 contract	10.86	13.20	9.43	9.64	9.82		-3.38	.18	
Intermediate- and long-term rates									
U.S. Treasury (constant maturity)									
3-year	9.33	13.49	10.24	10.44	11.02		-2.47	.58	
10-year	10.12	13.99	11.29	11.39	11.82		-2.17	.43	
30-year	10.27	13.94	11.35	11.31	11.77		-2.17	.46	
Municipal revenue (Bond Buyer index)	9.21	11.44	10.44 ⁵	9.96 ⁵	10.24		-1.20	.28	
Corporate--A utility Recently offered	11.64	15.30	12.80e	12.65e	13.24e		-2.06	.59	
Home mortgage rates									
S&L fixed-rate	12.55	14.68	13.18 ⁶	12.90	13.20 ⁶		-1.48	.30	
S&L ARM, 1-yr.	n.a.	12.31	11.07 ⁶	10.59	10.87 ⁶		-1.44	.28	
	<u>1982</u>	<u>1983</u>	<u>1984</u>		<u>1985</u>		<u>Percent change from:</u>		
	Lows	Highs	FOMC Dec. 18	FOMC Feb. 13	Mar. 21		FOMC Dec. 18	FOMC Feb. 13	
Stock prices									
Dow-Jones Industrial	776.92	1287.20	1211.57	1297.92	1268.22		4.7	-2.3	
NYSE Composite	58.80	99.63	96.78	106.08	103.85		7.3	-2.1	
AMEX Composite	118.65	249.03	204.00	231.22	224.89		10.2	-2.7	
NASDAQ (OTC)	159.14	328.91	243.44	288.32	279.03		14.6	-3.2	

1. One-day quotes except as noted.

2. Averages for two-week reserve maintenance period closest to date shown. Last observation is for maintenance period ended March 13, 1985.

3. Secondary market.

4. Averages for statement week closest to date shown.

5. One-day quotes for preceding Thursday.

6. One-day quotes for preceding Friday.

e--estimated.