

September 26, 1984

SUMMARY AND OUTLOOK

Prepared for the Federal Open Market Committee

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

September 26, 1984

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			
		8/15/84	9/26/84	8/15/84	9/26/84	8/15/84	9/26/84	8/15/84	9/26/84	8/15/84	9/26/84
Annual changes:											
1982	<1>	3.8	3.8	-2.1	-2.1	6.0	6.0	7.0	7.0	9.7	9.7
1983	<1>	7.7	7.7	3.7	3.7	3.8	3.8	4.6	4.6	9.6	9.6
1984		11.3	11.0	7.3	7.0	3.8	4.0	4.1	4.3	7.4	7.5
1985		8.2	7.8	3.8	3.5	4.5	4.4	4.9	4.7	6.6	6.9
Quarterly changes:											
1983	Q1 <1>	8.5	8.5	3.3	3.3	2.7	2.7	4.9	4.9	10.4	10.4
	Q2 <1>	12.3	12.3	9.4	9.4	3.9	3.9	3.5	3.5	10.1	10.1
	Q3 <1>	10.1	10.1	6.8	6.8	4.5	4.5	5.4	5.4	9.4	9.4
	Q4 <1>	10.6	10.6	5.9	5.9	3.5	3.5	3.8	3.8	8.5	8.5
	Q1 <1>	14.9	14.9	10.1	10.1	4.2	4.2	3.4	3.4	7.9	7.9
	Q2 <1>	10.9	10.7	7.5	7.1	3.3	4.1	4.2	5.4	7.5	7.5
	Q3	8.4	6.3	5.0	2.7	3.6	3.6	4.3	4.2	7.2	7.5
	Q4	8.1	8.8	4.0	4.3	4.4	4.4	4.7	4.6	6.9	7.2
1985	Q1	8.0	8.1	3.4	3.2	4.6	4.5	4.7	4.6	6.8	7.0
	Q2	7.4	7.1	3.1	2.9	4.7	4.5	4.9	4.6	6.7	6.9
	Q3	8.1	7.3	3.1	2.8	5.3	4.7	5.7	4.9	6.6	6.8
	Q4	8.4	7.7	3.0	3.0	5.6	5.0	5.9	5.3	6.5	6.7
Two-quarter changes: <2>											
1983	Q2 <1>	10.4	10.4	6.3	6.3	3.3	3.3	4.2	4.2	-1.5	-1.5
	Q4 <1>	10.3	10.3	6.4	6.4	4.0	4.0	4.6	4.6	-1.6	-1.6
1984	Q2 <1>	12.9	12.8	8.8	8.6	3.7	4.2	3.8	4.4	-1.0	-1.0
	Q4	8.2	7.5	4.5	3.5	4.0	4.0	4.5	4.4	-1.5	-1.3
1985	Q2	7.7	7.6	3.3	3.0	4.6	4.5	4.8	4.6	-1.3	-1.3
	Q4	8.2	7.5	3.0	2.9	5.4	4.9	5.8	5.1	-1.2	-1.2
Four-quarter changes: <3>											
1982	Q4 <1>	2.7	2.7	-1.5	-1.5	4.7	4.7	5.3	5.3	2.4	2.4
1983	Q4 <1>	10.4	10.4	6.3	6.3	3.7	3.7	4.4	4.4	-2.1	-2.1
1984	Q4	10.5	10.1	6.6	6.0	3.9	4.1	4.2	4.4	-1.5	-1.3
1985	Q4	8.0	7.5	3.2	3.0	5.0	4.7	5.3	4.9	-1.5	-1.5

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

September 26, 1984

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

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

<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.

I-9
PERCENT CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS
(Annual rates compounded quarterly)

September 26, 1984

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

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

<2> Uses expenditures in 1972 as weights.

CONFIDENTIAL - FR
CLASS II FOMC

I-10
GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Quarterly figures are seasonally adjusted. Expenditures and income
figures are billions of current dollars at annual rates.)

CORRECTED
September 26, 1984

	1984				Projected 1985			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3553.3	3644.7	3700.4	3778.8	3853.5	3919.8	3989.0	4063.8
Final sales	3479.5	3594.1	3634.6	3725.0	3808.2	3877.5	3950.7	4029.6
Private	2775.1	2850.4	2872.0	2944.4	3006.7	3059.1	3115.6	3177.2
Domestic final purchases	2826.6	2909.1	2947.1	3018.1	3082.5	3144.1	3207.8	3272.5
Personal consumption expenditures	2276.5	2332.7	2360.4	2414.9	2462.6	2510.1	2558.9	2607.3
Goods	1152.2	1179.0	1179.3	1206.4	1227.4	1247.5	1268.4	1288.2
Services	1124.4	1153.7	1181.1	1208.5	1235.2	1262.6	1290.5	1319.1
Gross private domestic investment	623.8	627.0	652.5	657.0	665.2	676.3	687.2	699.4
Residential structures	151.2	155.6	153.6	154.1	155.6	155.1	155.6	157.6
Business fixed investment	398.8	420.8	433.1	449.1	464.3	478.9	493.3	507.6
Change in business inventories	73.8	50.6	65.8	53.8	45.3	42.3	38.3	34.2
Nonfarm	60.6	47.0	56.8	47.8	44.3	41.3	38.3	34.2
Net exports of goods and services <1>	-51.5	-58.7	-75.1	-73.7	-75.7	-85.0	-92.2	-95.3
Exports	358.9	362.4	371.5	380.6	390.8	398.9	407.4	417.7
Imports	410.4	421.1	446.6	454.3	466.5	483.9	499.5	513.0
Gov't. purchases of goods and services	704.4	743.7	762.6	780.6	801.5	818.4	835.1	852.4
Federal <2>	267.6	296.4	304.4	312.8	324.3	332.2	339.8	347.9
State and local	436.8	447.4	458.2	467.8	477.2	486.2	495.3	504.5
Gross national product in constant (1972) dollars	1610.9	1638.8	1649.9	1667.3	1680.5	1692.5	1704.3	1716.7
Personal income	2920.5	2984.5	3045.0	3110.6	3180.7	3243.0	3302.2	3371.5
Wage and salary disbursements	1755.7	1793.1	1817.5	1852.7	1890.9	1925.3	1959.4	1994.5
Disposable personal income	2502.2	2554.3	2600.9	2654.4	2714.3	2764.4	2811.6	2868.3
Saving rate (percent)	6.1	5.7	6.1	5.9	6.1	6.0	5.8	5.9
Corporate profits with I.V.A. and C.C. Adj.	277.4	291.2	285.6	297.3	297.8	297.3	299.7	305.2
Corporate profits before tax	243.3	246.2	233.2	245.2	242.7	239.7	238.6	240.6
Federal government surplus or deficit (-) (N.I.A. basis)	-161.3	-163.9	-168.9	-172.3	-183.1	-185.5	-184.8	-189.9
High employment surplus or deficit (-) <3>	-113.4	-130.1	-136.7	-146.8	-161.1	-165.0	-165.3	-172.0
State and local government surplus or deficit(-) (N.I.A. basis)	54.0	54.3	49.6	50.4	49.4	48.2	47.9	47.2
Excluding social insurance funds	13.5	12.4	7.0	7.1	5.4	3.6	2.7	1.4
Civilian labor force (millions)	112.6	113.6	113.8	114.4	114.9	115.4	115.9	116.4
Unemployment rate (percent)	7.9	7.5	7.5	7.2	7.0	6.9	6.8	6.7
Nonfarm payroll employment	92.8	93.8	94.5	95.3	96.1	96.8	97.4	98.0
Manufacturing	19.4	19.6	19.7	19.9	20.1	20.2	20.3	20.4
Industrial production (1967=100)	159.8	163.1	165.9	167.8	169.6	171.2	172.9	174.5
Capacity utilization: all manufacturing (percent)	80.7	81.8	82.6	83.1	83.3	83.3	83.4	83.4
Materials (percent)	81.6	82.8	83.5	84.1	84.4	84.6	84.7	84.9
Housing starts, private (million units, A.R.)	1.97	1.90	1.67	1.75	1.70	1.65	1.65	1.65
New auto sales (millions, A.R.)	10.46	10.68	10.40	10.75	10.85	11.05	11.25	11.20
Domestic models	8.16	8.26	8.00	8.10	8.40	8.50	8.60	8.45
Foreign models	2.30	2.42	2.40	2.65	2.45	2.55	2.65	2.75

- <1> Balance of payments data and details underlying these estimates are shown in the International Developments section of this part of the Greenbook.
 <2> Components of purchases and total receipts and total expenditures are shown in the Federal Sector Account table which follows.
 <3> Estimates in table are evaluated at a 6 percent high employment unemployment rate.

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

	1984				Projected 1985			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Constant (1972) Dollars								
Gross national product	10.1	7.1	2.7	4.3	3.2	2.9	2.8	3.0
Final sales	3.6	10.3	.4	5.9	4.3	3.3	3.3	3.4
Private	4.2	8.5	-8	6.3	4.3	3.1	3.3	3.5
Domestic final purchases	7.6	9.5	1.7	5.9	4.4	3.4	3.3	3.0
Personal consumption expenditures	4.6	7.9	.8	5.2	3.5	2.9	2.8	2.4
Goods	7.8	10.7	-1.3	6.3	3.7	2.8	2.7	2.1
Services	1.2	4.6	3.5	3.8	3.4	3.1	2.9	2.7
Gross private domestic investment	71.5	-2.2	19.3	-.1	1.4	3.0	2.4	2.6
Residential structures	20.8	1.3	-4.5	-1.6	.0	-5.7	-3.2	.6
Business fixed investment	20.5	21.4	8.1	12.0	10.3	8.7	7.8	6.8
Gov't. purchases of goods and services	1.0	18.6	5.9	3.9	4.3	3.9	3.5	3.4
Federal	-2.8	45.4	8.2	5.4	6.8	5.9	4.9	4.8
National defense	3.8	12.0	8.8	6.3	7.8	6.8	6.2	6.3
State and local	3.5	3.7	4.3	2.8	2.6	2.6	2.6	2.4
Disposable personal income	8.6	6.3	3.4	4.1	4.7	2.6	1.9	2.9
Current Dollars								
Gross national product	14.9	10.7	6.3	8.8	8.1	7.1	7.3	7.7
Final sales	7.3	13.8	4.6	10.3	9.2	7.5	7.8	8.2
Private	7.1	11.3	3.1	10.5	8.7	7.2	7.6	8.1
Domestic final purchases	10.4	12.2	5.3	10.0	8.8	8.2	8.4	8.3
Personal consumption expenditures	8.6	10.2	4.8	9.6	8.1	7.9	8.0	7.8
Goods	10.9	9.6	.1	9.5	7.1	6.7	6.9	6.4
Services	6.2	10.8	9.8	9.6	9.1	9.2	9.1	9.2
Gross private domestic investment	78.1	2.1	17.3	2.8	5.0	6.9	6.6	7.3
Residential structures	23.6	12.2	-5.0	1.3	4.0	-1.3	1.3	5.2
Business fixed investment	16.5	24.0	12.2	15.7	14.2	13.2	12.6	12.1
Gov't. purchases of goods and services	7.7	24.3	10.6	9.8	11.1	8.7	8.4	8.6
Federal	2.0	50.5	11.2	11.5	15.5	10.1	9.5	9.9
National defense	12.5	14.6	10.5	12.4	17.1	11.5	11.4	11.9
State and local	11.5	10.1	10.0	8.6	8.2	7.8	7.7	7.7
Disposable personal income	12.7	8.6	7.5	8.5	9.3	7.6	7.0	8.3
Personal income	12.4	9.1	8.4	8.9	9.3	8.1	7.5	8.7
Wage and salary disbursements	9.7	8.8	5.6	8.0	8.5	7.5	7.3	7.4
Corporate profits with I.V.A. and C.C.Adj.	29.8	21.4	-7.4	17.3	.7	-.7	3.3	7.6
Corporate profits before tax	35.5	4.9	-19.5	22.1	-4.0	-4.8	-1.8	3.4
Nonfarm payroll employment	4.8	4.5	3.2	3.5	3.4	2.8	2.5	2.6
Manufacturing	7.5	4.5	3.5	3.7	3.0	2.6	2.4	2.0
Nonfarm business sector								
Output per hour	2.9	4.7	-.2	1.0	.4	.4	.6	.8
Compensation per hour	6.1	3.7	3.4	4.0	5.0	4.7	4.9	5.2
Unit labor costs	3.1	-.9	3.6	3.0	4.6	4.3	4.3	4.4
GNP implicit deflator <1>	4.4	3.3	3.4	4.3	4.8	4.1	4.3	4.6
Gross domestic business product								
fixed-weighted price index <2>	4.2	4.1	3.6	4.4	4.5	4.5	4.7	5.0
Excluding food and energy	3.4	5.4	4.2	4.6	4.6	4.6	4.9	5.3
Consumer price index (all urban)	5.0	3.7	3.7	4.6	4.7	4.8	5.0	5.1
Industrial production	11.5	8.5	7.0	4.7	4.4	4.0	4.0	3.6

<1> Excluding Federal pay increase, the rate of change in 1984-Q1 is 4.0 percent and in 1985-Q1 is 4.4 percent.
 <2> Uses expenditures in 1972 as weights.

CONFIDENTIAL - FR
CLASS II FOMC

I-12
GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Expenditures and income figures are billions of current dollars.)

CORRECTED
September 26, 1984

	1978	1979	1980	1981	1982	1983	---Projected---	
							1984	1985
Gross national product	2163.9	2417.8	2631.7	2957.8	3069.3	3304.8	3669.3	3956.5
Final sales	2137.4	2403.5	2641.5	2931.7	3095.4	3318.3	3608.3	3916.5
Private	1705.5	1929.1	2103.7	2335.2	2444.9	2632.7	2860.5	3089.7
Domestic final purchases	1706.6	1915.9	2079.7	2307.2	2425.9	2641.0	2925.2	3176.7
Personal consumption expenditures	1346.5	1507.2	1668.1	1849.1	1984.9	2155.9	2346.1	2534.7
Goods	728.5	813.5	883.5	966.1	1002.7	1081.5	1179.2	1257.9
Services	618.0	693.7	784.5	883.0	982.2	1074.4	1166.9	1276.8
Gross private domestic investment	386.6	423.0	401.9	484.2	414.9	471.6	640.1	682.0
Residential construction	111.2	118.6	102.9	104.3	91.4	132.2	153.6	156.0
Business fixed investment	248.9	290.2	308.8	353.9	349.6	352.9	425.5	486.0
Change in business inventories	26.5	14.3	-9.8	26.0	-26.1	-13.5	61.0	40.0
Nonfarm	25.4	8.6	-4.5	18.2	-24.0	-3.1	53.0	39.5
Net exports of goods and services <1>	-1.1	13.2	23.9	28.0	19.0	-8.3	-64.8	-87.0
Exports	218.7	281.4	338.8	369.9	348.4	336.2	368.3	403.7
Imports	219.8	268.1	314.8	341.9	329.4	344.4	433.1	490.7
Gov't. purchases of goods and services	431.9	474.4	537.8	596.5	650.5	685.5	747.8	826.8
Federal <2>	153.6	168.3	197.0	228.9	258.9	269.7	295.3	336.1
State and local	278.3	306.0	340.8	367.6	391.5	415.8	452.6	490.8
Gross national product in constant (1972) dollars	1438.6	1479.4	1475.0	1512.2	1480.0	1534.7	1641.7	1698.5
Personal income	1732.7	1951.2	2165.3	2429.5	2584.6	2744.3	3015.2	3274.4
Wage and salary disbursements	1106.3	1237.6	1356.7	1493.1	1568.7	1659.2	1804.8	1942.6
Disposable personal income	1474.0	1650.2	1828.9	2041.7	2180.5	2340.1	2577.9	2789.7
Saving rate (percent)	6.1	5.9	6.0	6.7	6.2	5.0	6.0	5.9
Corporate profits with I.V.A. and C.C.Adj.	192.4	194.8	175.4	189.9	159.1	225.1	287.9	300.0
Corporate profits before tax	229.1	252.7	234.6	221.2	165.5	203.1	242.0	240.4
Federal government surplus or deficit (-) (N.I.A. basis)	-29.5	-16.1	-61.2	-64.3	-148.2	-178.6	-166.6	-185.8
High employment surplus or deficit (-)	-33.9	-20.8	-36.4	-31.3	-61.6	-92.7	-131.7	-165.9
State and local government surplus or deficit (-) (N.I.A. basis)	30.3	30.4	30.6	37.6	32.9	44.1	52.1	48.2
Excluding social insurance funds	10.0	6.6	3.5	7.8	-8	6.6	10.0	3.3
Civilian labor force (millions)	102.3	105.0	106.9	108.7	110.2	111.5	113.6	115.7
Unemployment rate (percent)	6.1	5.8	7.1	7.6	9.7	9.6	7.5	6.9
Nonfarm payroll employment (millions)	86.7	89.8	90.4	91.2	89.6	90.1	94.1	97.1
Manufacturing	20.5	21.0	20.3	20.2	18.8	18.5	19.7	20.3
Industrial production (1967=100)	146.1	152.5	147.0	150.9	138.6	147.6	164.1	172.0
Capacity utilization: all manufacturing (percent)	84.7	86.0	79.6	79.4	71.1	75.2	82.0	83.3
Materials (percent)	85.6	87.6	80.4	80.7	70.1	75.2	83.0	84.6
Housing starts, private (million units, A.R.)	2.00	1.72	1.30	1.10	1.06	1.70	1.82	1.66
New auto sales (millions, A.R.)	11.29	10.68	9.04	8.56	8.00	9.18	10.57	11.09
Domestic models	9.29	8.36	6.62	6.24	5.77	6.79	8.13	8.49
Foreign models	2.00	2.32	2.42	2.32	2.23	2.39	2.44	2.60

- <1> Balance of payments data underlying these estimates are shown in the International Developments section of this part of the Greenbook.
<2> Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

September 26, 1984

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

	1978	1979	1980	1981	1982	1983	---Projected---	
							1984	1985
Constant (1972) Dollars								
Gross national product	5.0	2.8	-.3	2.5	-2.1	3.7	7.0	3.5
Final sales	4.9	3.5	.5	1.5	-.7	3.2	5.0	4.1
Private	5.6	4.0	.1	1.6	-1.3	4.1	5.4	3.9
Domestic final purchases	5.5	2.9	-1.0	2.2	-.2	5.6	7.6	4.2
Personal consumption expenditures	4.5	2.7	.5	2.0	1.3	4.8	5.4	3.5
Goods	4.2	1.9	-1.4	1.7	.4	6.0	7.3	3.6
Services	4.8	3.7	2.7	2.3	2.5	3.4	3.2	3.4
Gross private domestic investment	10.5	-.2	-11.8	10.7	-15.9	13.7	31.5	3.4
Residential structures	2.8	-5.3	-20.3	-5.5	-14.8	41.6	12.5	-2.3
Business fixed investment	12.8	7.3	-2.4	5.5	-4.6	2.5	19.3	10.1
Gov't. purchases of goods and services	2.0	1.3	2.2	.9	2.0	-.3	3.4	5.0
Federal	-.1	1.8	4.2	3.7	6.1	-.7	5.1	8.1
National defense	.5	2.6	3.9	5.0	7.6	7.1	6.6	7.4
State and local	3.3	1.1	1.0	-.6	-.6	.0	2.3	2.9
Disposable personal income	4.9	2.7	.6	2.7	.9	3.5	6.7	3.7
Current Dollars								
Gross national product	12.8	11.7	8.8	12.4	3.8	7.7	11.0	7.8
Final sales	12.8	12.4	9.9	11.0	5.6	7.2	8.7	8.5
Private	13.6	13.1	9.0	11.0	4.7	7.7	8.7	8.0
Domestic final purchases	13.4	12.3	8.5	10.9	5.1	8.9	10.8	8.6
Personal consumption expenditures	11.8	11.9	10.7	10.9	7.3	8.6	8.8	8.0
Goods	10.9	11.7	8.6	9.3	3.8	7.9	9.0	6.7
Services	12.9	12.2	13.1	12.6	11.2	9.4	8.6	9.4
Gross private domestic investment	19.3	9.4	-5.0	20.5	-14.3	13.7	35.7	6.5
Residential structures	16.1	6.6	-13.2	1.3	-12.4	44.7	16.2	1.5
Business fixed investment	21.3	16.6	6.4	14.6	-1.2	.9	20.6	14.2
Gov't. purchases of goods and services	9.7	9.8	13.4	10.9	9.0	5.4	9.1	10.6
Federal	7.1	9.6	17.1	16.2	13.1	4.2	9.5	13.8
National defense	8.0	11.5	17.3	17.2	16.8	11.7	11.4	13.1
State and local	11.2	9.9	11.4	7.9	6.5	6.2	8.8	8.5
Disposable personal income	12.2	12.0	10.8	11.6	6.8	7.3	10.2	8.2
Personal income	12.5	12.6	11.0	12.2	6.4	6.2	9.9	8.6
Wage and salary disbursements	12.5	11.9	9.6	10.1	5.1	5.8	8.8	7.6
Corporate profits with I.V.A. and C.C.Adj.	15.0	1.2	-9.9	8.3	-16.2	41.5	27.9	4.2
Corporate profits before tax	17.7	10.3	-7.1	-5.7	-25.2	22.7	19.1	-.7
Nonfarm payroll employment	5.1	3.6	.6	.8	-1.7	.6	4.4	3.2
Manufacturing	4.2	2.6	-3.6	-.6	-6.9	-1.5	6.3	3.1
Nonfarm business sector								
Output per hour	.6	-1.5	-.7	1.5	.2	3.5	2.6	.7
Compensation per hour	8.6	9.0	10.3	9.6	8.0	4.9	4.2	4.5
Unit labor costs	8.0	10.7	11.1	8.0	7.7	1.4	1.6	3.7
GNP implicit deflator	7.4	8.6	9.2	9.6	6.0	3.8	3.8	4.2
Gross domestic business product								
fixed-weighted price index <1>	8.0	9.9	10.0	9.6	6.0	3.8	4.0	4.4
Excluding food and energy	7.8	8.6	8.5	9.4	7.0	4.6	4.3	4.7
Consumer price index (all urban)	7.6	11.3	13.5	10.3	6.1	3.2	4.3	4.6
Industrial production	5.8	4.4	-3.6	2.6	-8.1	6.4	11.2	4.8

<1> Uses expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

September 26, 1984

	Fiscal Year 1983*	FY1984 ^{a/2/}		FY1985 ^{a/2/}		CY 1983*	CY1984 ^a FRB	FRB staff estimates								
		Admin. 1/	FRB Staff	Admin. 1/	FRB Staff			Calendar quarters; not seasonally adjusted								
								1983			1984			1985		
								IV ^a	I ^a	II ^a	III	IV	I	II	III	
Unified budget receipts	601	671	670	764	750	613	688	149	155	187	179	168	173	215	195	
Unified budget outlays	796	845	843	931	929	803	865	213	209	211	210	235	229	233	231	
Surplus/deficit(-), unified budget	-195	-174	-173	-167	-179	-190	-177	-63	-54	-24	-31	-67	-56	-18	-36	
Surplus/deficit(-), off-budget agencies ³	-12	-13	-11	-13	-14	-10	-14	1	-2	-4	-6	-2	-3	-4	-5	
Combined deficit to be financed	-208	-187	-184	-180	-193	-200	-191	-62	-57	-28	-37	-69	-59	-22	-41	
Means of financing combined deficit:																
Net borrowing from public	212	161	170	178	185	187	191	36	49	31	54	57	56	34	38	
Decrease in cash operating balance	-8	17	6	0	6	8	-3	25	-2	1	-17	16	-1	-10	0	
Other ⁴	3	0	8	2	2	6	4	1	10	-3	1	-3	4	-2	3	
Cash operating balance, end of period	37	20	31	20	25	12	14	12	14	14	31	14	15	25	25	
Memo: Sponsored agency borrowing ⁵	-3	n.a.	32	n.a.	23	1	36	3	6	9	14	7	6	5	5	
NIA Budget																
								Seasonally adjusted annual rates								
Receipts	629	694	691	788	762	641	711	655	686	704	717	737	754	770	786	
Expenditures	816	863	859	952	943	820	878	835	848	868	885	909	938	955	971	
Purchases	273	288	284	337	327	270	295	266	268	296	304	313	324	332	340	
Defense	196	219	217	252	245	201	223	207	213	221	226	233	243	249	256	
Nondefense	77	69	67	84	82	69	72	59	54	76	78	80	82	83	84	
All other expenditures	543	575	576	615	616	550	582	569	580	572	581	596	614	623	631	
Surplus/deficit(-)	-186	-169	-169	-164	-181	-179	-167	-180	-161	-164	-169	-172	-183	-185	-185	
High employment surplus/deficit(-) evaluated at 6 percent unemployment	-91	n.a.	-123	n.a.	-160	-93	-132	-113	-113	-130	-137	-147	-161	-165	-165	
	a--actual				e--estimated			n.a.--not available								

- OMB Mid-Session Review of the 1985 Budget, August 1984.
- The CBO baseline budget estimates show revenues of \$673 billion and \$751 billion, outlays of \$845 billion and \$929 billion and deficits of \$172 billion and \$178 billion in fiscal years 1984 and 1985 respectively (The Economic and Budget Outlook: An Update, August 1984).

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, FHLNC (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.

SEPTEMBER 25, 1984

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

	ANNUAL			1983		1984				1985			
	1983	1984-P	1985-P	Q3	Q4	Q1	Q2	Q3-P	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
1. <u>GNP EXPORTS AND IMPORTS</u> 1/													
CURRENT \$, NET	-8.2	-64.7	-87.0	-16.4	-29.8	-51.5	-58.4	-75.1	-73.7	-75.7	-85.0	-92.2	-95.3
EXPORTS OF G+S	336.2	368.3	403.7	342.0	346.1	358.9	362.4	371.5	380.6	390.8	398.9	407.4	417.7
IMPORTS OF G+S	344.4	433.0	490.7	358.4	375.9	410.4	420.8	446.6	454.3	466.5	483.9	499.5	513.0
CONSTANT 72 \$, NET	12.6	-14.5	-19.9	11.9	1.9	-8.3	-11.4	-19.7	-18.7	-19.2	-20.4	-20.7	-19.4
EXPORTS OF G+S	139.5	147.0	154.0	141.6	141.0	144.9	144.7	148.0	150.3	152.3	153.3	154.4	156.2
IMPORTS OF G+S	126.9	161.5	174.0	129.7	139.1	153.2	156.1	167.8	169.0	171.5	173.7	175.1	175.6
2. <u>U.S. MERCHANDISE TRADE BALANCE</u> 2/	-61.1	-108.8	-126.1	-70.0	-77.6	-103.4	-102.9	-115.4	-113.2	-115.4	-124.2	-130.6	-134.2
EXPORTS	280.3	221.8	239.0	201.7	207.3	215.7	218.4	224.3	228.8	233.2	236.6	240.4	245.8
AGRICULTURAL	36.6	38.0	37.4	37.2	39.2	41.2	37.1	36.8	36.9	37.5	37.4	37.3	37.3
NONAGRICULTURAL	163.6	183.8	201.6	164.5	168.1	174.5	181.3	187.5	192.0	195.7	199.2	203.1	208.5
IMPORTS	261.3	330.6	365.1	271.8	284.9	319.2	321.3	339.8	342.0	348.6	360.7	371.0	380.0
PETROLEUM AND PRODUCTS	53.8	59.5	69.0	63.7	57.1	55.4	59.6	57.4	65.4	65.2	67.9	70.7	72.3
NONPETROLEUM	207.5	271.1	296.1	208.1	227.8	263.8	261.7	282.4	276.6	283.4	292.8	300.4	307.7
3. <u>U.S. CURRENT ACCOUNT BALANCE</u>	-41.6	-95.8	-118.9	-47.4	-68.8	-78.7	-97.6	-103.5	-103.4	-106.2	-116.4	-124.6	-128.6
OF WHICH: NET INVESTMENT INCOME	23.5	20.4	12.9	28.7	20.5	31.0	14.6	19.8	16.3	15.1	13.5	11.7	11.1
4. <u>FOREIGN OUTLOOK</u> 3/													
REAL GNP--TEN INDUSTRIAL 4/	1.5	2.9	2.6	2.2	4.2	4.5	-0.5	4.2	3.0	2.6	2.5	2.4	2.5
REAL GNP--NONOPEC LDC 5/	0.4	2.7	3.7	0.9	1.3	4.2	3.4	3.5	3.7	3.8	3.8	3.8	3.8
CONSUMER PRICES--TEN IND. 4/	5.7	5.0	4.6	5.3	5.5	5.3	4.8	2.9	5.1	4.6	4.9	4.5	4.9

I-23

1/ NATIONAL INCOME AND PRODUCT ACCOUNT DATA.

2/ INTERNATIONAL ACCOUNTS BASIS.

3/ PERCENT CHANGE, ANNUAL RATES.

4/ WEIGHTED BY MULTILATERAL TRADE-WEIGHTS OF G-10 COUNTRIES PLUS SWITZERLAND.

5/ WEIGHTED BY SHARE IN NONOPEC LDC GNP.

P/ PROJECTED

September 26, 1984

RECENT DEVELOPMENTS

Prepared for the Federal Open Market Committee

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

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

	1984				
	Q2	Q3 ^f	July	Aug. P	Sept. ^f
<u>Treasury financing</u>					
Combined surplus/deficit(-)	-28.3	-37.5	-18.1	-36.4	17.0
Means of financing deficit:					
Net cash borrowing from the public	31.2	53.7	24.2	25.8	3.7
Marketable borrowings/ repayments(-)	29.7	51.3	23.4	25.1	2.8
Bills	-7.0	13.4	4.1	13.0	-3.7
Coupons	36.7	37.9	19.3	12.1	6.5
Nonmarketable	1.5	2.4	.8	.7	.9
Decrease in the cash balance	.5	-17.2	-2.7	5.0	-19.5
Memo: Cash balance at end of period	13.6	30.8	16.3	11.3	30.8
Other ²	-3.4	1.0	-3.4	5.6	-1.2
<u>Federally sponsored credit agencies, net cash borrowing³</u>	9.2	14.1	4.6	5.0	4.5
FHLB	6.2	9.7	3.2	3.5	3.0
FNMA	1.9	3.7	0.8	1.5	1.4
Farm Credit Banks	-.1	-.1	0.2	-.2	-.1
FHLMC	.5	.2	.0	.1	.1
SLMA	.7	.6	.4	.1	.1

p--preliminary. f--staff forecast.

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

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

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

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

	1983	1984				
		Q1	Q2	July ^e	Aug. ^e	Sept. ^f
----- Seasonally adjusted -----						
Total	10.39	9.43	9.02	9.80	10.60	9.90
Long-term	7.20	5.85	5.78	7.60	8.70	7.70
Short-term ¹	3.19	3.58	3.24	2.20	1.90 ³	2.20 ³
----- Not seasonally adjusted -----						
Total	10.39	7.83	10.60	8.83	10.10	9.50
Long-term	7.20	5.05	6.41	6.63	8.00	7.20
Refundings	1.17	.80	.95	.89	.91	--
Total housing ²	1.48	.48	.70	2.78	2.80	--
Short-term ¹	3.19	2.78	4.19	2.20	2.10 ³	2.30 ³

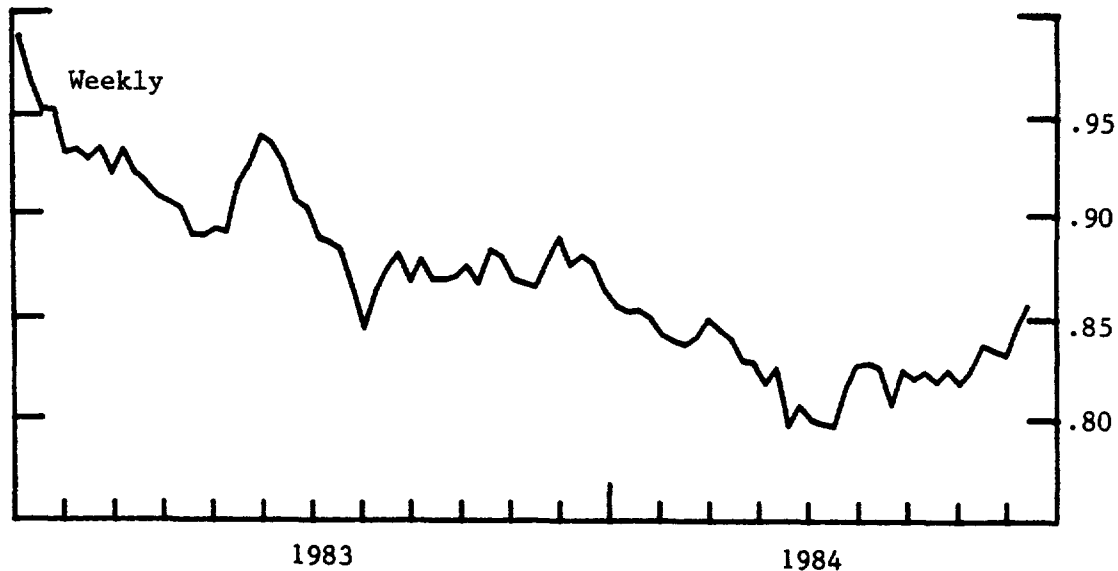
e--estimate. f--forecast.

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

2. Primarily mortgage revenue bonds for home ownership and multifamily rental structures.

3. Excludes HUD cancellations.

RATIO OF TAX-EXEMPT TO TAXABLE BOND YIELDS*



*Bond Buyer 30-year revenue bond index to 30-year Treasury bond yield.

CONFIDENTIAL (FR)
CLASS III - FOMC

September 28, 1984

SUPPLEMENT
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

CONFERENCE AGREEMENT ON FY1985
BUDGET RESOLUTION
(Billions of dollars, unified budget)

	Fiscal Year		
	1985	1986	1987
Receipts	751	811	881
Outlays	932	1,004	1,088
Deficit	181	193	207