



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

October 12, 1979

CONFIDENTIAL (FR)
CLASS II - FOMC

TO: Federal Open Market Committee
FROM: Murray Altmann

Attached for your information is a brief review of recent and prospective economic and financial developments and of the latest GNP projections, prepared by the staff of the Board.

Attachment

CONFIDENTIAL (FR)

October 12, 1979

CURRENT AND PROSPECTIVE ECONOMIC
AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

**SELECTED DOMESTIC NONFINANCIAL DATA
AVAILABLE SINCE PRECEDING GREENBOOK
(Seasonally adjusted)**

| | Latest Data | | Percent Change from | | | |
|--|-------------|--------------|---------------------|------------------|-----------------------|--------------|
| | Period | Release Date | Data | Preceding Period | Three Periods Earlier | Year earlier |
| (At annual rate) | | | | | | |
| Civilian labor force | Sept. | 10-5-79 | 103.5 | 5.2 | 3.8 | 2.5 |
| Unemployment rate (%) <u>1/</u> | Sept. | 10-5-79 | 5.8 | 6.0 | 5.6 | 5.9 |
| Insured unemployment rate (%) <u>1/</u> | Sept. | 10-5-79 | 3.0 | 3.1 | 2.8 | 3.4 |
| Nonfarm employment, payroll (mil.) | Sept. | 10-5-79 | 89.9 | 1.8 | 1.0 | 3.2 |
| Manufacturing | Sept. | 10-5-79 | 21.0 | 1.4 | -1.5 | 2.3 |
| Nonmanufacturing | Sept. | 10-5-79 | 68.9 | 1.9 | 1.8 | 3.5 |
| Private nonfarm: | | | | | | |
| Average weekly hours (hr.) <u>1/</u> | Sept. | 10-5-79 | 35.6 | 35.6 | 35.6 | 35.8 |
| Hourly earnings (\$) <u>1/</u> | Sept. | 10-5-79 | 6.25 | 6.22 | 6.13 | 5.78 |
| Manufacturing: | | | | | | |
| Average weekly hours (hr.) <u>1/</u> | Sept. | 10-5-79 | 40.0 | 40.1 | 40.1 | 40.5 |
| Unit labor cost (1967=100) | Aug. | 9-28-79 | 176.5 | 8.9 | 7.4 | 8.2 |
| Industrial production (1967=100) | Aug. | 9-14-79 | 150.9 | -13.4 | -3.9 | 2.0 |
| Consumer goods | Aug. | 9-14-79 | 147.7 | -25.4 | -11.3 | -1.9 |
| Business equipment | Aug. | 9-14-79 | 170.3 | -9.1 | -2.6 | 4.2 |
| Defense & space equipment | Aug. | 9-14-79 | 92.9 | 6.5 | 1.7 | 5.7 |
| Materials | Aug. | 9-14-79 | 155.3 | -12.2 | -1.0 | 3.4 |
| Consumer prices all items (1967=100) | Aug. | 9-25-79 | 220.7 | 12.6 | 12.1 | 11.7 |
| All items, excluding food & energy | Aug. | 9-25-79 | 209.4 | 12.2 | 10.4 | 9.9 |
| Food | Aug. | 9-25-79 | 235.0 | .0 | 1.2 | 9.5 |
| Producer prices: (1967=100) | | | | | | |
| Finished goods | Sept. | 10-4-79 | 221.0 | 17.1 | 14.8 | 11.8 |
| Intermediate materials, nonfood | Sept. | 10-4-79 | 251.5 | 18.4 | 18.5 | 14.8 |
| Crude foodstuffs & feedstuffs | Sept. | 10-4-79 | 249.9 | 17.5 | 13.2 | 13.8 |
| Personal income (\$ bil.) <u>2/</u> | Aug. | 9-18-79 | 1938.1 | 5.2 | 9.8 | 11.3 |
| (Not at annual rates) | | | | | | |
| Mfrs. new orders dur. goods (\$ bil.) | Aug. | 10-3-79 | 74.6 | 2.9 | -3.2 | 5.6 |
| Capital goods industries | Aug. | 10-3-79 | 24.5 | 8.6 | -.4 | 13.5 |
| Nondefense | Aug. | 10-3-79 | 21.5 | 6.1 | 2.4 | 16.9 |
| Defense | Aug. | 10-3-79 | 3.0 | 30.8 | -16.7 | -6.3 |
| Inventories to sales ratio: <u>1/</u> | | | | | | |
| Manufacturing and trade, total | July | 10-3-79 | 1.44 | 1.43 | 1.44 | 1.44 |
| Manufacturing | Aug. | 10-3-79 | 1.54 | 1.54 | 1.48 | 1.51 |
| Trade | July | 10-3-79 | 1.34 | 1.33 | 1.33 | 1.33 |
| Ratio: Mfrs.' durable goods inventories to unfilled orders <u>1/</u> | Aug. | 10-3-79 | .563 | .557 | .546 | .600 |
| Retail sales, total (\$ bil.) | Aug. | 9-10-79 | 72.8 | .7 | 1.2 | 8.1 |
| GAF <u>3/</u> | Aug. | 9-10-79 | 16.1 | .7 | 2.7 | 9.0 |
| Auto sales, total (mil. units.) <u>2/</u> | Sept. | 10-3-79 | 10.7 | -2.4 | 12.3 | .9 |
| Domestic models | Sept. | 10-3-79 | 8.5 | -2.6 | 19.2 | -1.9 |
| Foreign models | Sept. | 10-3-79 | 2.2 | -1.7 | -8.3 | 13.7 |
| Housing starts, private (thous.) <u>2/</u> | Aug. | 9-19-79 | 1,783 | -.4 | -2.8 | -11.0 |
| Leading indicators (1967=100) | Aug. | 9-28-79 | 139.1 | .0 | -.5 | -2.0 |

1/ Actual data used in lieu of percent changes for earlier periods.

2/ At annual rate.

3/ Excludes mail order houses.

STAFF GNP PROJECTIONS

| | Percent changes, annual rate | | | | Gross business product fixed-weight price index | | Unemployment rate (percent) | |
|-----------------------------------|------------------------------|----------|----------|----------|---|----------|-----------------------------|----------|
| | Nominal GNP | | Real GNP | | 9/12/79 | 10/12/79 | 9/12/79 | 10/12/79 |
| | 9/12/79 | 10/12/79 | 9/12/79 | 10/12/79 | | | | |
| 1976 1/ | 11.3 | 11.3 | 5.9 | 5.9 | 5.3 | 5.3 | 7.7 | 7.7 |
| 1977 1/ | 11.6 | 11.6 | 5.3 | 5.3 | 6.2 | 6.2 | 7.0 | 7.0 |
| 1978 1/ | 12.0 | 12.0 | 4.4 | 4.4 | 7.6 | 7.6 | 6.0 | 6.0 |
| 1979 | 10.8 | 10.9 | 1.7 | 1.7 | 9.6 | 9.7 | 6.1 | 5.9 |
| 1980 | 8.5 | 8.0 | -.7 | -1.2 | 9.5 | 9.6 | 7.8 | 7.9 |
| 1978-III 1/ | 10.9 | 10.9 | 3.5 | 3.5 | 8.8 | 8.8 | 6.0 | 6.0 |
| 1978-IV 1/ | 14.8 | 14.8 | -5.6 | 5.6 | 8.7 | 8.7 | 5.8 | 5.8 |
| 1979-I 1/ | 10.6 | 10.6 | 1.1 | 1.1 | 10.0 | 10.0 | 5.7 | 5.7 |
| 1979-II 1/ | 6.7 | 6.7 | -2.4 | -2.3 | 9.8 | 10.1 | 5.7 | 5.7 |
| 1979-III | 9.5 | 10.6 | .7 | 1.6 | 10.0 | 10.3 | 6.0 | 5.8 |
| 79-IV | 7.3 | 5.8 | -2.7 | -4.0 | 9.8 | 10.1 | 6.9 | 6.7 |
| 1980-I | 8.5 | 7.5 | -.9 | -1.9 | 9.7 | 9.8 | 7.4 | 7.4 |
| 1980-II | 8.7 | 8.0 | -.4 | -1.0 | 9.5 | 9.4 | 7.7 | 7.9 |
| 1980-III | 9.4 | 9.1 | .9 | .6 | 8.7 | 8.6 | 7.9 | 8.1 |
| 1980-IV | 9.9 | 9.7 | 1.1 | .9 | 8.5 | 8.4 | 8.1 | 8.3 |
| Change: | | | | | | | | |
| 77-IV to 78-IV 1/ | 13.4 | 13.4 | 4.8 | 4.8 | 8.6 | 8.6 | -.8 | -.8 |
| 78-IV to 79-IV | 8.5 | 8.4 | -.8 | -.9 | 9.9 | 10.1 | 1.1 | .9 |
| 79-IV to 80-IV | 9.1 | 8.6 | .2 | -.4 | 9.1 | 9.0 | 1.2 | 1.6 |
| Memo: | | | | | | | | |
| Growth Over Annual Policy Period: | | | | | | | | |
| 78-IV to 79 IV | 8.5 | 8.4 | -.8 | -.9 | 9.9 | 10.1 | 1.1 | .9 |

1/ Actual.

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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 | 2329.8 | 2389.1 | 2422.9 | 2467.3 | 2515.5 | 2570.7 | 2631.1 |
| Final purchases | 2272.9 | 2296.4 | 2366.6 | 2414.4 | 2465.9 | 2516.5 | 2570.9 | 2629.3 |
| Private | 1812.8 | 1829.8 | 1890.5 | 1921.6 | 1963.0 | 2003.8 | 2048.0 | 2092.9 |
| Excluding net exports | 1808.8 | 1837.9 | 1896.3 | 1924.4 | 1953.6 | 1986.8 | 2028.1 | 2073.0 |
| Personal consumption expenditures | 1454.2 | 1475.9 | 1522.9 | 1550.5 | 1580.7 | 1613.0 | 1647.1 | 1682.8 |
| Goods | 784.9 | 789.9 | 815.6 | 828.8 | 843.5 | 856.8 | 872.3 | 889.0 |
| Services | 669.3 | 686.0 | 707.3 | 721.7 | 737.2 | 756.2 | 774.8 | 793.8 |
| Gross private domestic investment | 373.8 | 395.4 | 395.9 | 382.4 | 374.3 | 372.8 | 380.8 | 392.0 |
| Residential construction | 111.2 | 112.9 | 115.9 | 115.4 | 113.4 | 110.9 | 113.4 | 117.4 |
| Business fixed investment | 243.4 | 249.1 | 257.5 | 258.5 | 259.5 | 262.9 | 267.6 | 272.8 |
| Change in business inventories | 19.1 | 33.4 | 22.5 | 8.5 | 1.4 | -1.0 | -.2 | 1.8 |
| Nonfarm | 18.8 | 32.6 | 22.5 | 8.5 | 1.4 | -1.0 | -.2 | 1.8 |
| Net exports of goods and services <u>1/</u> | 4.0 | -8.1 | -5.8 | -2.8 | 9.4 | 17.0 | 19.9 | 19.9 |
| Exports | 238.5 | 243.7 | 263.6 | 270.4 | 280.5 | 289.3 | 295.6 | 301.9 |
| Imports | 234.4 | 251.9 | 269.5 | 273.3 | 271.2 | 272.4 | 275.8 | 282.1 |
| Gov't. purchases of goods and services | 460.1 | 466.6 | 476.1 | 492.8 | 502.9 | 512.7 | 522.9 | 536.4 |
| Federal <u>2/</u> | 163.6 | 161.7 | 163.0 | 173.0 | 176.7 | 180.1 | 183.3 | 189.7 |
| State and local | 296.5 | 304.9 | 313.1 | 319.8 | 326.2 | 332.6 | 339.6 | 346.7 |
| Gross national product in constant (1972) dollars | 1430.6 | 1422.3 | 1427.9 | 1413.5 | 1406.6 | 1403.1 | 1405.2 | 1408.3 |
| Personal income | 1852.6 | 1892.5 | 1943.3 | 1984.8 | 2021.1 | 2065.1 | 2121.1 | 2170.4 |
| Wage and salary disbursements | 1189.3 | 1212.4 | 1236.2 | 1252.4 | 1269.6 | 1290.9 | 1316.2 | 1345.4 |
| Disposable personal income | 1572.2 | 1601.7 | 1639.8 | 1674.0 | 1708.3 | 1743.6 | 1789.8 | 1828.2 |
| Saving rate (percent) | 5.0 | 5.4 | 4.6 | 4.8 | 4.9 | 4.9 | 5.3 | 5.3 |
| Corporate profits with I.V.A. and C.C. Adj | 178.9 | 176.6 | 187.7 | 181.8 | 181.8 | 181.3 | 183.4 | 186.6 |
| Corporate profits before tax | 233.3 | 227.9 | 243.0 | 232.9 | 229.9 | 227.9 | 229.7 | 232.7 |
| Federal government surplus or deficit (-) (N.I.A. basis) | -11.7 | -7.0 | -9.5 | -25.3 | -29.9 | -31.6 | -39.5 | -38.4 |
| High employment surplus or deficit (-) | 7.9 | 20.1 | 9.9 | 10.4 | 23.2 | 32.0 | 31.2 | 38.7 |
| State and local government surplus or deficit (-) (N.I.A. basis) | 27.6 | 19.7 | 21.7 | 19.4 | 18.1 | 17.6 | 17.4 | 17.1 |
| Excluding social insurance funds | 2.6 | -6.3 | -4.9 | -7.8 | -9.7 | -10.8 | -11.5 | -12.4 |
| Civilian labor force (millions) | 102.5 | 102.3 | 103.2 | 103.9 | 104.3 | 104.6 | 105.0 | 105.3 |
| Unemployment rate (percent) | 5.7 | 5.7 | 5.8 | 6.7 | 7.4 | 7.9 | 8.1 | 8.3 |
| Nonfarm payroll employment (millions) | 88.7 | 89.4 | 89.8 | 89.1 | 88.7 | 88.6 | 88.6 | 88.7 |
| Manufacturing | 21.0 | 21.1 | 21.0 | 20.6 | 20.1 | 19.9 | 19.9 | 19.8 |
| Industrial production (1967=100) | 152.2 | 151.9 | 150.5 | 147.7 | 145.7 | 145.1 | 145.2 | 145.5 |
| Capacity utilization: all mfg. (percent) | 86.7 | 85.9 | 84.4 | 82.0 | 80.1 | 79.0 | 78.2 | 77.6 |
| Materials (percent) | 88.0 | 87.2 | 87.4 | 84.4 | 82.4 | 81.1 | 80.5 | 80.0 |
| Housing starts, private (million units, A.R.) | 1.62 | 1.83 | 1.76 | 1.55 | 1.40 | 1.45 | 1.55 | 1.60 |
| New autos sales, (millions, A.R.) | 11.55 | 10.66 | 10.77 | 9.70 | 9.80 | 9.60 | 9.70 | 9.80 |
| Domestic models | 9.13 | 8.00 | 8.49 | 7.50 | 7.70 | 7.70 | 7.80 | 7.90 |
| Foreign models | 2.42 | 2.66 | 2.28 | 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.

October 12, 1979

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

| | 1979 | | | | 1980 | | | |
|--|-------|-------|------|-------|-----------|-------|------|------|
| | I | II | III | IV | Projected | | III | IV |
| <u>Constant (1972) dollars</u> | | | | | | | | |
| Gross national product | 1.1 | -2.3 | 1.6 | -4.0 | -1.9 | -1.0 | .6 | .9 |
| Final purchases | 1.1 | -3.9 | 3.4 | -2.0 | -.9 | -.6 | .5 | .6 |
| Private | 1.8 | -4.1 | 4.1 | -3.2 | -1.3 | -1.0 | .2 | .4 |
| Excluding net exports | .4 | -2.9 | 2.4 | -3.8 | -2.8 | -1.8 | .0 | .5 |
| Personal consumption expenditures | .6 | -2.9 | 2.2 | -2.8 | -1.3 | -.7 | .1 | .4 |
| Goods | -4.4 | -7.3 | 2.0 | -5.1 | -2.4 | -2.5 | -1.0 | -.4 |
| Services | 7.1 | 2.5 | 2.5 | -.2 | -.1 | 1.5 | 1.3 | 1.4 |
| Gross private domestic investment | -.5 | 8.5 | -8.1 | -19.6 | -15.5 | -9.3 | .1 | 3.5 |
| Residential structures | -14.3 | -7.2 | -1.3 | -11.5 | -16.0 | -17.4 | -.6 | 5.4 |
| Business fixed investment | 4.8 | -.9 | 4.9 | -6.4 | -6.4 | -2.8 | -.8 | -.2 |
| Gov't. purchases of goods and services | -1.8 | -3.3 | .4 | 3.6 | .9 | .8 | 1.3 | 1.2 |
| Federal | 7.2 | -11.3 | -3.0 | 9.3 | 2.2 | 1.8 | 1.5 | 1.2 |
| State and local | -6.6 | 1.6 | 2.3 | .5 | .2 | .3 | 1.2 | 1.2 |
| Disposable personal income | 2.1 | -1.4 | -1.0 | -1.8 | -.9 | -.6 | 2.2 | .3 |
| <u>Current dollars</u> | | | | | | | | |
| Gross national product | 10.6 | 6.7 | 10.6 | 5.8 | 7.5 | 8.0 | 9.1 | 9.7 |
| Final purchases | 11.0 | 4.2 | 12.8 | 8.3 | 8.8 | 8.5 | 8.9 | 9.4 |
| Private | 12.4 | 3.8 | 13.9 | 6.7 | 8.9 | 8.6 | 9.1 | 9.1 |
| Excluding net exports | 10.3 | 6.6 | 13.3 | 6.1 | 6.2 | 7.0 | 8.6 | 9.2 |
| Personal consumption expenditures | 11.4 | 6.1 | 13.4 | 7.4 | 8.0 | 8.4 | 8.7 | 9.0 |
| Goods | 7.9 | 2.6 | 13.7 | 6.6 | 7.3 | 6.5 | 7.4 | 7.9 |
| Services | 15.8 | 10.4 | 13.0 | 8.4 | 8.9 | 10.7 | 10.2 | 10.2 |
| Gross private domestic investment | 3.6 | 25.2 | .5 | -13.0 | -8.2 | -1.6 | 8.9 | 12.3 |
| Residential structures | -8.5 | 6.1 | 11.1 | -1.7 | -6.8 | -8.5 | 9.3 | 14.9 |
| Business fixed investment | 12.9 | 9.6 | 14.2 | 1.6 | 1.6 | 5.3 | 7.3 | 8.0 |
| Gov't. purchases of goods and services | 5.6 | 5.8 | 8.4 | 14.8 | 8.5 | 8.0 | 8.2 | 10.7 |
| Federal | 12.1 | -4.6 | 3.3 | 26.9 | 8.8 | 7.9 | 7.3 | 14.7 |
| State and local | 2.3 | 11.7 | 11.2 | 8.8 | 8.2 | 8.1 | 8.7 | 8.6 |
| Disposable personal income | 13.0 | 7.7 | 9.9 | 8.6 | 8.5 | 8.5 | 11.0 | 8.9 |
| Personal income | 11.4 | 8.9 | 11.2 | 8.8 | 7.5 | 9.0 | 11.3 | 9.6 |
| Wage and salary disbursements | 12.7 | 8.0 | 8.1 | 5.3 | 5.6 | 6.9 | 8.1 | 9.2 |
| Corporate profits with IVA & C.C. Adj. | -12.2 | -5.0 | 27.6 | -12.0 | .0 | -1.1 | 4.7 | 7.2 |
| Corporate profits before tax | 10.8 | -8.9 | 29.3 | -15.7 | -5.0 | -3.4 | 3.2 | 5.4 |
| Nonfarm payroll employment | 4.3 | 2.9 | 1.8 | -3.0 | -1.5 | -.7 | .2 | .3 |
| Manufacturing | 5.0 | .8 | -1.0 | -8.2 | -7.9 | -3.8 | -2.0 | -.6 |
| Nonfarm business sector | | | | | | | | |
| Output per hour | -3.0 | -4.3 | -.2 | -.4 | 1.2 | .6 | 1.0 | 1.3 |
| Compensation per hour | 10.7 | 7.8 | 9.0 | 9.6 | 10.6 | 9.6 | 9.7 | 9.4 |
| Unit labor costs | 14.1 | 12.7 | 9.2 | 10.0 | 9.3 | 8.9 | 8.6 | 8.0 |
| GNP implicit deflator 1/ | 9.3 | 9.3 | 8.9 | 10.2 | 9.6 | 9.1 | 8.4 | 8.8 |
| Gross business product fixed-weight price index 2/ | 10.0 | 10.1 | 10.3 | 10.1 | 9.8 | 9.4 | 8.6 | 8.4 |
| Consumer price index (all urban) | 11.1 | 13.6 | 13.0 | 12.4 | 10.9 | 9.9 | 8.9 | 8.9 |
| Industrial production | 4.0 | -.8 | -3.6 | -7.1 | -5.4 | -1.6 | .2 | .9 |

1/ Excluding Federal pay increases, the rates of change are: 1979 QI, 9.3 percent; 1979 QIV, 9.4 percent; 1980

QI, 9.6 percent; 1980 QIV, 8.2 percent.

2/ Uses expenditures in 1972 as weights.

October 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) | 80.9 | 82.0 | 82.9 | 83.9 | 84.8 | 86.3 | 86.9 | 87.8 |
| Manufacturing | 19.4 | 19.6 | 19.8 | 19.9 | 20.2 | 20.4 | 20.5 | 20.8 |
| 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 | 82.6 | 85.0 | 86.4 | 88.2 |
| Housing starts, private (million units, A.R.) | 1.81 | 1.93 | 2.02 | 2.09 | 1.81 | 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.

October 12, 1979

DENTIAL - FR
II FOMC

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

| | 1977 | | | | 1978 | | | |
|--|------|------|------|-------|-------|-------|------|------|
| | I | II | III | IV | I | II | III | IV |
| <u>Constant (1972) dollars</u> | | | | | | | | |
| 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 | 6.7 |
| 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 | 5.6 | 6.6 | 2.0 | 4.0 | 4.2 | 6.4 |
| <u>Current dollars</u> | | | | | | | | |
| 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 | 4.0 | 5.7 | 4.6 | 4.6 | 4.6 | 7.1 | 2.8 | 4.4 |
| Manufacturing | 4.9 | 6.3 | 2.8 | 3.3 | 5.8 | 3.8 | 1.3 | 5.5 |
| 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 1/ | 6.0 | 7.7 | 4.8 | 6.4 | 6.3 | 10.6 | 7.2 | 8.7 |
| Gross business product fixed-weight price index 2/ | 6.9 | 7.1 | 5.2 | 6.5 | 6.6 | 10.5 | 8.8 | 8.7 |
| Consumer price index (all urban) | 8.1 | 8.1 | 5.2 | 5.4 | 7.8 | 10.2 | 8.8 | 9.1 |
| Industrial production | 7.1 | 9.8 | 3.8 | 2.9 | 1.4 | 12.8 | 7.9 | 7.8 |

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.

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

| | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | Projected 1979 | Projected 1980 |
|--|--------|--------|--------|--------|--------|--------|-------------------|-------------------|
| Gross national product | 1306.6 | 1412.9 | 1528.8 | 1702.2 | 1899.5 | 2127.6 | 2358.4 | 2546.1 |
| Final purchases | 1288.6 | 1404.0 | 1539.6 | 1692.1 | 1877.6 | 2105.2 | 2337.6 | 2545.6 |
| Private | 1019.1 | 1101.3 | 1201.2 | 1330.8 | 1481.4 | 1669.6 | 1863.7 | 2026.9 |
| Excluding net exports | 1012.0 | 1095.3 | 1180.8 | 1322.8 | 1491.3 | 1679.9 | 1866.9 | 2010.4 |
| Personal consumption expenditures | 809.9 | 889.6 | 979.1 | 1089.9 | 1210.0 | 1350.8 | 1500.9 | 1630.9 |
| Goods | 457.5 | 498.3 | 541.5 | 601.3 | 660.1 | 730.9 | 804.8 | 865.4 |
| Services | 352.3 | 391.3 | 437.5 | 488.5 | 549.8 | 619.8 | 696.1 | 765.5 |
| Gross private domestic investment | 220.0 | 214.6 | 190.9 | 243.0 | 303.3 | 351.5 | 386.9 | 380.0 |
| Residential construction | 66.1 | 55.1 | 51.5 | 68.1 | 91.9 | 108.0 | 113.9 | 113.8 |
| Business fixed investment | 136.0 | 150.6 | 150.2 | 164.9 | 189.4 | 221.1 | 252.1 | 265.7 |
| Change in business inventories | 17.9 | 8.9 | -10.7 | 10.0 | 21.9 | 22.3 | 20.9 | .5 |
| Nonfarm | 14.7 | 10.8 | -14.3 | 12.1 | 20.7 | 21.3 | 20.6 | .5 |
| Net exports of goods and services <u>1/</u> | 7.1 | 6.0 | 20.4 | 8.0 | -9.9 | -10.3 | -3.2 | 16.5 |
| Exports | 101.6 | 137.9 | 147.3 | 163.3 | 175.9 | 207.2 | 254.1 | 291.9 |
| Imports | 94.4 | 131.9 | 126.9 | 155.4 | 185.8 | 217.5 | 257.3 | 275.4 |
| Gov't. purchases of goods and services | 269.5 | 302.7 | 338.4 | 361.3 | 396.2 | 435.6 | 473.9 | 518.7 |
| Federal <u>2/</u> | 102.2 | 111.1 | 123.1 | 129.7 | 144.4 | 152.6 | 165.3 | 182.4 |
| State and local | 167.3 | 191.5 | 215.4 | 231.6 | 251.8 | 283.0 | 308.6 | 336.3 |
| Gross national product in constant (1972) dollars | 1235.0 | 1217.8 | 1202.3 | 1273.0 | 1340.5 | 1399.2 | 1423.6 | 1405.8 |
| Personal income | 1052.4 | 1154.9 | 1255.5 | 1381.6 | 1531.6 | 1717.4 | 1918.3 | 2094.4 |
| Wage and salary disbursements | 701.3 | 764.6 | 805.9 | 890.0 | 984.0 | 1103.3 | 1222.6 | 1305.5 |
| Disposable personal income | 901.7 | 984.6 | 1086.7 | 1184.5 | 1305.1 | 1458.4 | 1621.9 | 1767.5 |
| Saving rate (percent) | 7.8 | 7.3 | 7.7 | 5.8 | 5.0 | 4.9 | 5.0 | 5.1 |
| Corporate profits with I.V.A. and C.C. Adj. | 99.1 | 83.6 | 95.9 | 126.8 | 150.0 | 167.7 | 181.3 | 183.3 |
| Corporate profits before tax | 115.8 | 126.9 | 120.4 | 156.0 | 177.1 | 206.0 | 234.3 | 230.1 |
| Federal government surplus or deficit (N.I.A. basis) | -6.7 | -10.7 | -70.6 | -53.6 | -46.3 | -27.7 | -13.4 | -34.8 |
| High employment surplus or deficit (-) | -1.3 | 14.9 | -27.4 | -20.2 | -19.0 | -6.7 | 12.1 | 31.3 |
| State and local government surplus or deficit (-) (N.I.A. basis) | 13.0 | 7.6 | 6.2 | 17.9 | 26.8 | 27.4 | 22.1 | 17.6 |
| Excluding social insurance funds | 4.1 | -2.9 | -6.2 | 2.3 | 7.3 | 4.2 | -4.1 | -11.1 |
| 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 | 5.9 | 7.9 |
| Nonfarm payroll employment (millions) | 76.8 | 78.3 | 77.0 | 79.4 | 82.4 | 86.4 | 89.2 | 88.7 |
| Manufacturing | 20.2 | 20.1 | 18.3 | 19.0 | 19.7 | 20.5 | 20.9 | 19.9 |
| Industrial production (1967=100) | 129.8 | 129.3 | 117.8 | 130.5 | 138.2 | 146.1 | 150.6 | 145.4 |
| Capacity utilization: all manufacturing (percent) | 87.6 | 83.8 | 72.9 | 79.5 | 81.9 | 84.4 | 84.7 | 78.7 |
| Materials (percent) | 91.8 | 87.1 | 73.4 | 81.1 | 82.7 | 85.6 | 86.8 | 81.0 |
| Housing starts, private (million units, A.R.) | 2.05 | 1.34 | 1.16 | 1.54 | 1.99 | 2.02 | 1.69 | 1.50 |
| New auto sales, (millions, A.R.) | 11.42 | 8.91 | 8.66 | 10.12 | 11.13 | 11.29 | 10.67 | 9.72 |
| Domestic models | 9.65 | 7.49 | 7.08 | 8.63 | 9.07 | 9.27 | 8.28 | 7.77 |
| 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.

October 12, 1979

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

| | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | Projected 1979 | 1980 |
|--|------|-------|-------|------|------|------|-------------------|-------|
| <u>Constant (1972) dollars</u> | | | | | | | | |
| Gross national product | 5.5 | -1.4 | -1.3 | 5.9 | 5.3 | 4.4 | 1.7 | -1.2 |
| Final purchases | .9 | -7 | .2 | 4.5 | 4.8 | 4.4 | 1.9 | -.4 |
| Private | 6.3 | -1.4 | -.3 | 5.6 | 5.6 | 5.0 | 2.4 | -.8 |
| Excluding net exports | 5.1 | -2.3 | -1.0 | 6.5 | 6.2 | 5.0 | 1.8 | -1.6 |
| Personal consumption expenditures | 4.7 | -.9 | 1.8 | 5.9 | 5.0 | 4.5 | 1.9 | -.9 |
| Goods | 5.0 | -3.4 | .7 | 6.9 | 5.1 | 4.1 | .2 | -2.4 |
| Services | 4.4 | 2.3 | 3.2 | 4.8 | 4.9 | 5.1 | 4.0 | .9 |
| Gross private domestic investment | 10.0 | -11.4 | -22.3 | 21.6 | 15.4 | 7.1 | .5 | -10.0 |
| Residential structures | -3.7 | -24.6 | -13.9 | 23.3 | 20.7 | 4.2 | -6.2 | -10.0 |
| Business fixed investment | 12.2 | -.3 | -13.0 | 4.8 | 8.6 | 8.4 | 5.1 | -3.0 |
| Gov't. purchases of goods and services | -.2 | 2.1 | 1.9 | .2 | 2.0 | 1.8 | .2 | 1.1 |
| Federal | -5.4 | -.8 | .7 | -.2 | 4.4 | -2.0 | .4 | 1.7 |
| State and local | 3.2 | 3.8 | 2.6 | .5 | .6 | 4.0 | .1 | .8 |
| Disposable personal income | 6.7 | -1.5 | 2.1 | 3.7 | 4.2 | 4.6 | 2.0 | -.6 |
| <u>Current dollars</u> | | | | | | | | |
| Gross national product | 11.6 | 8.1 | 8.2 | 11.3 | 11.6 | 12.0 | 10.8 | 8.0 |
| Final purchases | 10.9 | 8.9 | 9.7 | 9.9 | 11.0 | 12.1 | 11.0 | 8.9 |
| Private | 12.2 | 8.1 | 9.1 | 10.8 | 11.3 | 12.7 | 11.6 | 8.8 |
| Excluding net exports | 11.0 | 8.2 | 7.8 | 12.0 | 12.7 | 12.6 | 11.1 | 7.7 |
| Personal consumption expenditures | 10.5 | 9.8 | 10.1 | 11.3 | 11.0 | 11.6 | 11.1 | 8.7 |
| Goods | 11.4 | 8.9 | 8.7 | 11.0 | 9.8 | 10.7 | 10.1 | 7.5 |
| Services | 9.3 | 11.1 | 11.8 | 11.7 | 12.5 | 12.7 | 12.3 | 10.0 |
| Gross private domestic investment | 16.8 | -2.5 | -11.0 | 27.3 | 24.8 | 15.9 | 10.1 | -1.8 |
| Residential structures | 6.6 | -16.7 | -6.5 | 32.3 | 35.0 | 17.5 | 5.5 | -.1 |
| Business fixed investment | 16.4 | 10.8 | -.3 | 9.8 | 14.9 | 16.7 | 14.0 | 5.4 |
| Gov't. purchases of goods and services | 6.5 | 12.3 | 11.8 | 6.8 | 9.7 | 9.9 | 8.8 | 9.5 |
| Federal | .1 | 8.7 | 10.7 | 5.4 | 11.3 | 5.7 | 8.3 | 10.4 |
| State and local | 10.8 | 14.5 | 12.5 | 7.5 | 8.7 | 12.4 | 9.0 | 9.0 |
| Disposable personal income | 12.5 | 9.2 | 10.4 | 9.0 | 10.2 | 11.7 | 11.2 | 9.0 |
| Personal income | 11.7 | 9.7 | 8.7 | 10.0 | 10.9 | 12.1 | 11.7 | 9.2 |
| Wage and salary disbursements | 10.6 | 9.0 | 5.4 | 10.4 | 10.6 | 12.1 | 10.8 | 6.8 |
| Corporate profits with IVA & C.C. Adj. | 7.6 | -15.6 | 14.7 | 32.2 | 18.3 | 11.8 | 8.1 | 1.1 |
| Corporate profits before tax | 20.4 | 9.6 | -5.1 | 29.6 | 13.5 | 16.3 | 13.7 | -1.8 |
| Nonfarm payroll employment | 4.2 | 2.0 | -1.7 | 3.1 | 3.8 | 4.9 | 3.2 | -.6 |
| Manufacturing | 5.2 | -.4 | -8.7 | 3.7 | 3.6 | 4.0 | 2.1 | -4.7 |
| Nonfarm business sector | | | | | | | | |
| Output per hour | 1.7 | -2.9 | 1.9 | 3.5 | 1.8 | 1.1 | -.8 | .3 |
| Compensation per hour | 7.8 | 9.4 | 9.9 | 8.3 | 8.2 | 9.3 | 9.2 | 9.7 |
| Unit labor costs | 6.0 | 12.7 | 7.8 | 4.7 | 6.3 | 8.1 | 10.3 | 9.4 |
| GNP implicit deflator | 5.9 | 9.7 | 9.6 | 5.2 | 6.0 | 7.3 | 9.0 | 9.3 |
| Gross business product fixed-weighted price index 1/ | 5.7 | 10.4 | 9.4 | 5.3 | 6.2 | 7.6 | 9.7 | 9.6 |
| Consumer price index (all urban) | 6.2 | 11.0 | 9.1 | 5.8 | 6.5 | 7.7 | 11.2 | 11.0 |
| Industrial production | 8.4 | -.4 | -8.9 | 10.8 | 5.9 | 5.7 | 3.1 | -3.5 |

1/ Uses expenditures in 1972 weights.

FEDERAL SECTOR ACCOUNTS
(billions of dollars)

October 12, 1979

| | Fiscal Year 1978* | FRB Staff Estimates | | | | | | | | | | | | | |
|---|----------------------|---------------------|--------------|---------------------|------------|---------|---------------------|-------|-------|-------------------------|-------|------------------------------------|-------|-------|-------|
| | | FY 1979 | | e/2/ | | FY 1980 | | e/2/ | | CY79e/ F.R. Board | | Calendar quarters; unadjusted data | | | |
| | | 1/ | Admin. | F.R. | Board | 1/ | Admin. | F.R. | Board | IV* | I* | II* | III | IV | I |
| Unified budget receipts | 402.0 | 466.5 | 466.2 | 513.8 | 505.2 | 416.9 | 478.0 | 99.5 | 102.1 | 144.4 | 120.1 | 111.3 | 110.7 | 149.7 | 133.5 |
| Unified budget outlays | 450.8 | 496.2 | 494.0 | 542.4 | 544.5 | 460.6 | 506.7 | 123.2 | 122.6 | 123.1 | 125.2 | 136.0 | 133.9 | 136.4 | 138.3 |
| Surplus(+)/Deficit(-), unified budget | -48.8 | -29.7 | -27.8 | -28.7 | -39.3 | -43.7 | -28.7 | -23.7 | -20.5 | 21.4 | -5.1 | -24.7 | -23.2 | 13.3 | -4.8 |
| Surplus(+)/Deficit(-), off-budget agencies ^{3/} | -10.3 | -12.4 | -12.0 | -11.6 ^{9/} | -18.0 | -9.1 | -13.9 | -0.1 | -3.0 | -5.1 | -3.7 | -2.0 | -5.8 | -5.8 | -4.4 |
| Combined deficit to be financed | -59.1 | -42.1 | -39.8 | -40.3 | -57.3 | -52.8 | -42.6 | -23.8 | -23.5 | 16.3 | -8.8 | -26.7 | -29.0 | 7.5 | -9.2 |
| Means of financing combined deficits: | | | | | | | | | | | | | | | |
| Net borrowing from public | 59.1 | 29.8 | 33.6 | 29.1 | 45.6 | 53.6 | 30.6 | 15.3 | 10.6 | -4.6 | 12.3 | 12.3 | 22.0 | 2.2 | 9.2 |
| Decrease in cash operating balance | -3.3 | 7.4 | -1.8 | 9.2 | 9.2 | -4.0 | 4.3 | 6.1 | 8.6 | -9.8 | -6.7 | 12.2 | 4.0 | -8.0 | 1.0 |
| Other ^{4/} | 3.2 | 4.9 | 8.0 | 2.0 | 2.5 | 3.2 | 7.7 | 2.5 | 4.2 | -1.9 | 3.2 | 2.2 | 3.0 | -1.7 | -1.0 |
| Cash operating balance, end of period | 22.4 | 15.0 | 24.2 | 15.0 | 15.0 | 16.3 | 12.0 | 16.3 | 7.7 | 17.5 | 24.2 | 12.0 | 8.0 | 16.0 | 15.0 |
| Memo: Sponsored agency borrowing ^{5/} | 19.1 | n.a. | 22.1 | n.a. | 24.0 | 22.0 | 23.2 | 4.9 | 6.4 | 6.0 | 4.8 | 6.0 | 6.0 | 6.0 | 6.0 |
| NIA Budget ^{6/} | | | | | | | | | | | | | | | |
| Receipts | 414.9 | 480.6 | 478.8 | 525.3 | 519.9 | 432.1 | 493.0 | 463.5 | 475.0 | 485.8 | 504.0 | 507.2 | 511.8 | 521.3 | 533.7 |
| Expenditures | 449.5 | 496.4 | 493.2 | 546.9 | 550.1 | 459.8 | 506.4 | 479.7 | 486.8 | 492.9 | 513.5 | 532.5 | 541.7 | 552.9 | 573.2 |
| Purchases (total) | 150.6 | 164.5 | 161.8 | 178.7 | 178.3 | 152.6 | 165.3 | 159.0 | 163.6 | 161.7 | 163.0 | 173.0 | 176.7 | 180.1 | 183.3 |
| Defense | 97.8 | 105.6 | 104.8 | 116.0 | 116.2 | 99.0 | 107.7 | 101.2 | 103.4 | 106.0 | 108.5 | 113.0 | 115.0 | 117.3 | 119.4 |
| Non-defense | 52.8 | 58.9 | 57.0 | 62.7 | 62.1 | 53.6 | 57.6 | 57.8 | 60.2 | 55.7 | 54.5 | 60.0 | 61.7 | 62.8 | 63.9 |
| All other expenditures | 298.9 | 331.9 | 331.4 | 368.2 | 371.8 | 307.2 | 341.1 | 320.7 | 323.2 | 331.2 | 350.5 | 359.5 | 365.0 | 372.8 | 389.9 |
| Surplus(+)/Deficit(-) ^{7/} | -34.6 | -15.8 | -14.4 | -21.6 | -30.2 | -27.7 | -13.4 | -16.3 | -11.7 | -7.0 | -9.5 | -25.3 | -29.9 | -31.6 | -39.5 |
| High Employment Surplus(+)/ Deficit(-) (NIA basis) ^{8/} | -13.6 | n.a. | 9.3 | n.a. | 24.2 | -6.7 | 12.1 | -0.8 | 7.9 | 20.1 | 9.9 | 10.4 | 23.2 | 32.0 | 31.2 |
| | *--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.

CONFIDENTIAL (FR)
CLASS II FOMC

Outlook for U.S. Net Exports and Related Items
(billions of dollars, seasonally adjusted annual rates)

October 12, 1979

| | 1978 | 1979P | 1980P | 1978 | 1979 | | | | 1980P | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | IV | I | II | III P | IV P | I | II | III | IV |
| 1. GNP Net Exports | | | | | | | | | | | | |
| Current \$, Net | -10.3 | -3.2 | 16.5 | -4.5 | 4.0 | -8.1 | -5.8 | -2.8 | 9.4 | 17.0 | 19.9 | 19.9 |
| Exports of G&S | 207.2 | 254.1 | 291.9 | 224.9 | 238.5 | 243.7 | 263.6 | 270.4 | 280.5 | 289.3 | 295.6 | 301.9 |
| Imports of G&S | 217.5 | 257.3 | 275.4 | 229.4 | 234.4 | 251.9 | 269.5 | 273.3 | 271.2 | 272.4 | 275.8 | 282.1 |
| Constant 72 \$, Net | 11.0 | 16.9 | 25.5 | 12.9 | 17.0 | 13.2 | 18.1 | 19.4 | 23.5 | 25.7 | 26.5 | 26.2 |
| Exports of G&S | 108.9 | 117.6 | 120.2 | 113.8 | 117.0 | 116.0 | 119.3 | 118.0 | 119.2 | 120.2 | 120.5 | 120.9 |
| Imports of G&S | 97.9 | 100.6 | 94.7 | 101.0 | 100.0 | 102.9 | 101.2 | 98.5 | 95.8 | 94.5 | 94.1 | 94.6 |
| Terms of trade (1972=100) <u>2/</u> | 85.7 | 84.5 | 83.5 | 87.0 | 86.9 | 85.8 | 83.0 | 82.6 | 83.1 | 83.5 | 83.6 | 83.8 |
| 2. U.S. Merchandise Trade Balance <u>1/</u> | -34.2 | -28.7 | -12.4 | -25.5 | -24.5 | -30.9 | -31.2 | -28.4 | -17.9 | -11.5 | -9.8 | -10.5 |
| Exports (excl. military) | 141.9 | 179.6 | 208.4 | 157.3 | 165.4 | 171.2 | 188.5 | 193.5 | 200.8 | 207.0 | 210.8 | 215.0 |
| Agricultural | 29.9 | 34.1 | 37.9 | 31.3 | 30.6 | 30.9 | 37.4 | 37.4 | 38.5 | 38.8 | 37.6 | 36.8 |
| Nonagricultural | 112.0 | 145.6 | 170.5 | 126.0 | 134.8 | 140.2 | 151.0 | 156.2 | 162.3 | 168.2 | 173.3 | 178.2 |
| Imports | 176.1 | 208.4 | 220.8 | 182.7 | 189.9 | 202.0 | 219.6 | 222.0 | 218.7 | 218.5 | 220.6 | 225.5 |
| Petroleum and Products | 42.3 | 57.3 | 67.3 | 43.2 | 46.6 | 51.6 | 64.7 | 66.4 | 66.6 | 67.0 | 67.3 | 68.4 |
| Nonpetroleum | 133.8 | 151.1 | 153.5 | 139.5 | 143.3 | 150.4 | 154.9 | 155.6 | 152.1 | 151.5 | 153.3 | 157.1 |
| 3. U.S. Current Account Balance | -13.9 | -1.2 | 19.6 | -1.3 | 1.7 | -3.9 | -3.1 | .2 | 12.0 | 20.1 | 23.3 | 23.0 |
| of which: Net Investment Income | 21.6 | 29.1 | 31.5 | 26.4 | 27.5 | 29.6 | 29.4 | 29.8 | 30.6 | 31.3 | 31.9 | 32.2 |
| 4. Foreign Outlook - Ten Industrial Countries <u>3/</u> | | | | | | | | | | | | |
| Real GNP, % change, annual rates | 3.3 | 3.3 | 2.4 | 4.6 | 2.1 | 3.7 | 3.6 | 2.6 | 1.9 | 1.9 | 2.2 | 2.2 |
| Consumer Prices, <u>4/</u> , % change, annual rates | 5.4 | 7.8 | 8.6 | 4.2 | 8.7 | 10.1 | 11.6 | 9.1 | 8.2 | 7.9 | 7.2 | 6.9 |

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.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

October 16, 1979

CONFIDENTIAL (FR)
CLASS II - FOMC

TO: Federal Open Market Committee
FROM: Murray Altmann.

The attached note shows corrections made in "Current and Prospective Economic and Financial Conditions," prepared by the staff of the Board. The document was dated October 12, 1979, and was transmitted to you on the same day.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 15, 1979

Murray Altmann

Subject: Erratum to October 12 Memo

From Helmut Wendel

to FOMC

| Page I - 10 | 1979 | | 1980 | | | |
|-----------------------|-------|-------|-------|-------|-------|-------|
| | QIII | QIV | QI | QII | QIII | QIV |
| Industrial Production | 151.7 | 148.9 | 146.9 | 146.2 | 146.4 | 146.7 |
| Capacity Utilization | | | | | | |
| All Mfg. (percent) | 85.1 | 82.7 | 80.8 | 79.7 | 78.9 | 78.3 |
| Materials (percent) | 86.7 | 83.7 | 81.7 | 80.4 | 79.8 | 79.3 |

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Industrial Production
Change at annual rate -0.8

(No Change)

NOTE: The corrected figures do not reflect information that has become available since Friday morning. Industrial production was stronger for the third quarter of 1979 than indicated above. The first column now appears as follows:

| | 1979 |
|---------------------------------|-------|
| | QIII |
| Industrial Production | 152.2 |
| Capacity Utilization | |
| All Mfg. (percent) | 85.3 |
| Materials (percent) | 87.0 |
| Change in Industrial Production | +0.8 |