

June 23, 1982

## **SUMMARY AND OUTLOOK**

Prepared for the Federal Open Market Committee

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

## STAFF GNP PROJECTION

Percent changes, annual rate										
Nominal GNP		Real GNP		Total		Excluding food and energy		Unemployment rate (percent)		
5/12/82	6/23/82	5/12/82	6/23/82	5/12/82	6/23/82	5/12/82	6/23/82	5/12/82	6/23/82	
<b>Annual changes:</b>										
1980 1/	8.8	8.8	- .2	- .2	9.8	9.8	8.2	8.2	7.1	7.1
1981 1/	11.4	11.4	2.0	2.0	9.4	9.4	9.2	9.2	7.6	7.6
1982	5.4	5.3	-1.0	-1.1	6.5	6.2	7.4	7.0	9.4	9.3
1983	8.0	7.5	2.9	2.5	5.2	5.2	4.9	4.9	9.2	9.4
<b>Quarterly changes:</b>										
1981-Q1 1/	19.2	19.2	8.6	8.6	10.5	10.5	8.4	8.4	7.4	7.4
1981-Q2 1/	4.7	4.7	-1.6	-1.6	8.2	8.2	9.6	9.6	7.4	7.4
1981-Q3 1/	11.4	11.4	1.4	1.4	9.9	9.9	11.5	11.5	7.4	7.4
1981-Q4 1/	4.6	4.6	-4.5	-4.5	7.5	7.5	8.2	8.2	8.3	8.3
1982-Q1 1/	-4	-9	-3.9	-4.3	5.4	4.7	6.2	5.2	8.8	8.8
1982-Q2	6.4	6.9	.4	.7	5.0	3.8	6.8	6.0	9.5	9.5
1982-Q3	9.6	8.3	3.9	2.5	6.0	6.6	5.9	5.8	9.6	9.6
1982-Q4	9.0	8.4	3.1	2.9	5.5	5.7	5.2	5.3	9.5	9.5
1983-Q1	7.1	6.6	2.3	1.9	5.2	5.1	4.7	5.0	9.4	9.5
1983-Q2	7.3	6.5	2.5	2.0	4.9	4.9	4.4	4.6	9.3	9.5
1983-Q3	8.7	8.1	4.6	4.1	4.4	4.5	4.2	4.0	9.1	9.3
1983-Q4	8.6	8.6	3.5	4.0	4.4	4.3	4.1	3.7	8.8	9.1
<b>Two-quarter changes: &lt;2&gt;</b>										
1981-Q2 1/	11.7	11.7	3.4	3.4	9.2	9.2	9.0	9.0	-1	-1
1981-Q4 1/	7.9	7.9	-1.6	-1.6	8.7	8.7	9.8	9.8	.9	.9
1982-Q2	2.9	3.4	-1.8	-1.5	5.3	4.2	6.5	5.6	1.2	1.2
1982-Q4	9.3	8.4	3.5	2.7	5.8	6.1	5.5	5.5	.0	.0
1983-Q2	7.2	6.6	2.4	1.9	5.1	5.0	4.6	4.8	-2	.0
1983-Q4	8.7	8.4	4.1	4.1	4.4	4.4	4.1	3.8	-5	-4
<b>Four-quarter changes: &lt;3&gt;</b>										
1980-Q4 1/	9.4	9.4	- .3	- .3	9.7	9.7	8.6	8.6	1.5	1.5
1981-Q4 1/	9.8	9.8	.9	.9	9.0	9.0	9.4	9.4	.8	.8
1982-Q4	6.1	5.8	.8	.6	5.5	5.2	6.0	5.6	1.2	1.2
1983-Q4	7.9	7.5	3.2	3.0	4.8	4.7	4.4	4.3	-7	-4

&lt;1&gt; Actual.

&lt;2&gt; Percent change from two quarters earlier.

&lt;3&gt; Percent change from four quarters earlier.

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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.)

	1980				1981			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	2571.7	2564.8	2637.3	2730.6	2853.0	2885.8	2965.0	2998.3
Final purchases	2569.1	2557.4	2653.4	2748.0	2848.5	2862.5	2937.6	2989.0
Private	2052.3	2027.4	2119.9	2189.4	2272.0	2285.1	2348.7	2367.0
Excluding net exports	2044.1	2010.3	2075.4	2166.1	2242.8	2264.3	2319.4	2342.3
Personal consumption expenditures	1631.0	1626.8	1682.2	1751.0	1810.1	1829.1	1883.9	1908.3
Goods	882.0	858.4	883.0	926.8	964.3	962.6	987.5	986.7
Services	749.0	768.4	799.2	824.2	845.8	866.5	896.4	921.5
Gross private domestic investment	415.6	390.9	377.1	397.7	437.1	458.6	463.0	443.3
Residential structures	115.2	93.6	99.2	113.0	116.7	110.7	100.5	94.2
Business fixed investment	297.8	289.8	294.0	302.1	315.9	324.6	335.1	339.8
Change in business inventories	2.5	7.4	-16.0	-17.4	4.5	23.3	27.5	9.4
Nonfarm	1.5	6.1	-12.3	-14.0	6.8	21.5	23.1	3.7
Net exports of goods and services <1>	8.2	17.1	44.5	23.3	29.2	20.8	29.3	24.7
Exports	337.3	333.3	342.4	346.1	367.4	368.2	368.0	365.6
Imports	329.1	316.2	297.9	322.7	338.2	347.5	338.7	341.0
Gov't purchases of goods and services	516.8	530.0	533.5	558.6	576.5	577.4	588.9	622.0
Federal <2>	190.0	198.7	194.9	212.0	221.6	219.5	226.4	253.3
State and local	326.8	331.3	338.6	346.6	354.9	357.9	362.5	368.7
Gross national product in constant (1972) dollars	1501.9	1463.3	1471.9	1485.6	1516.4	1510.4	1515.8	1498.4
Personal income	2088.2	2114.5	2182.1	2256.2	2319.8	2368.5	2441.7	2486.5
Wage and salary disbursements	1314.7	1320.4	1341.8	1397.8	1442.9	1467.0	1498.5	1522.5
Disposable personal income	1765.1	1784.1	1840.6	1897.0	1947.8	1985.6	2042.0	2088.5
Saving rate (percent)	4.9	6.2	6.1	5.1	4.6	5.4	5.2	6.1
Corporate profits with I.V.A. and C.C.Adj.	200.2	169.3	177.9	183.3	203.0	190.3	195.7	177.6
Corporate profits before tax	277.1	217.9	237.6	249.5	257.0	229.0	234.4	212.8
Federal government surplus or deficit (-) (N.I.A. basis)	-36.3	-66.5	-74.2	-67.9	-46.6	-47.2	-55.7	-100.0
High employment surplus or deficit(-) <3>	-18.3	-21.7	-24.2	-16.8	-1.3	10.6	4.3	-24.8
State and local government surplus or deficit(-) (N.I.A. basis)	26.6	23.9	28.6	37.1	36.9	36.1	37.8	35.9
Excluding social insurance funds	1.3	-1.7	.9	8.1	6.6	4.3	5.1	2.2
Civilian labor force (millions)	106.5	106.8	107.2	107.5	108.1	108.8	108.7	109.2
Unemployment rate (percent)	6.3	7.3	7.7	7.5	7.4	7.4	7.4	8.4
Nonfarm payroll employment (millions)	90.9	90.3	89.9	90.5	91.0	91.2	91.4	91.0
Manufacturing	20.9	20.3	19.9	20.1	20.2	20.3	20.3	19.9
Industrial production (1967=100)	152.7	144.5	142.3	148.8	151.8	152.5	153.0	146.3
Capacity utilization: all manufacturing (percent)	83.4	77.9	75.9	79.1	79.9	79.8	79.2	74.8
Materials (percent)	85.8	78.9	75.2	80.1	82.2	81.2	81.2	75.2
Housing starts, private (million units, A.R.)	1.25	1.06	1.39	1.50	1.40	1.17	.96	.87
New auto sales (millions, A.R.)	10.65	7.68	8.80	9.04	9.96	7.89	9.04	7.36
Domestic models	7.87	5.53	6.51	6.57	7.31	5.63	6.90	5.13
Foreign models	2.77	2.14	2.29	2.47	2.66	2.25	2.14	2.23

&lt;1&gt; Balance of payments data and details underlying these estimates are shown in the International Developments section in this part of the Greenbook.

&lt;2&gt; Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

&lt;3&gt; Estimates in table are evaluated at a 5.1 percent high employment unemployment rate. Evaluated at a 6.1 percent unemployment rate, the high employment budget would show a deficit of \$36.9 billion in 1980-Q4, and a deficit of \$47.2 billion in 1981-Q4.

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

	1980				1981			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	3.1	-9.9	2.4	3.8	8.6	-1.6	1.4	-4.5
Final purchases	3.1	-10.4	4.1	4.4	6.9	-4.7	.3	-1.8
Private	2.2	-13.3	6.5	4.9	7.3	-4.5	.8	-4.5
Excluding net exports	-.4	-14.4	4.6	8.5	6.7	-3.2	1.9	-3.3
Personal consumption expenditures	.8	-9.8	5.1	7.0	5.8	-2.1	3.3	-2.2
Goods	-.3	-17.7	4.0	10.2	9.8	-5.3	3.8	-5.5
Services	2.1	.0	6.4	3.7	1.4	1.6	2.6	1.7
Gross private domestic investment	-5.6	-28.9	-10.0	11.1	24.2	16.1	3.3	-24.7
Residential structures	-24.2	-60.2	16.0	64.2	3.6	-23.4	-36.2	-27.1
Business fixed investment	2.2	-19.9	-1.5	4.0	13.3	-2.1	6.9	-2.9
Gov't purchases of goods and services	6.9	2.5	-5.0	2.2	5.4	-5.6	-1.5	10.2
Federal	18.9	11.9	-13.1	2.0	14.8	-8.4	3.1	28.2
National defense	9.8	6.2	-.1	5.9	1.1	2.6	7.9	16.3
State and local	.6	-2.8	.3	2.3	.2	-3.8	-4.2	.1
Disposable personal income	1.3	-4.9	4.1	2.9	3.0	1.4	2.6	1.6
<u>Current Dollars</u>								
Gross national product	12.6	-1.1	11.8	14.9	19.2	4.7	11.4	4.6
Final purchases	12.0	-1.8	15.9	15.0	15.5	2.0	10.9	7.2
Private	10.7	-4.8	19.5	13.8	16.0	2.3	11.6	3.2
Excluding net exports	10.6	-6.5	13.6	18.7	14.9	3.9	10.1	4.0
Personal consumption expenditures	12.9	-1.0	14.3	17.4	14.2	4.3	12.5	5.3
Goods	13.1	-10.3	12.0	21.4	17.2	-.7	10.8	-.3
Services	12.7	10.8	17.0	13.1	10.9	10.1	14.6	11.7
Gross private domestic investment	5.6	-21.8	-13.3	23.7	45.9	21.1	3.9	-16.0
Residential structures	-16.7	-56.4	25.7	68.5	14.0	-19.2	-32.1	-22.9
Business fixed investment	11.0	-10.4	6.0	11.5	19.6	11.4	13.6	5.8
Gov't purchases of goods and services	17.5	10.6	2.6	20.2	13.5	.6	8.2	24.5
Federal	29.5	19.8	-7.5	40.2	19.3	-3.7	13.1	56.7
National defense	23.2	12.4	8.4	35.0	10.4	8.7	16.9	47.0
State and local	11.2	5.6	9.1	9.7	10.0	3.3	5.3	7.1
Disposable personal income	13.5	4.4	13.3	12.8	11.2	8.0	11.8	9.4
Personal income	11.5	5.1	13.4	14.3	11.8	8.7	13.0	7.5
Wage and salary disbursements	10.5	1.8	6.6	17.8	13.5	6.9	8.9	6.6
Corporate profits with I.V.A. and C.C.Adj.	24.8	-48.9	21.9	12.7	50.4	-22.8	11.8	-32.2
Corporate profits before tax	38.6	-61.8	41.4	21.6	12.6	-37.0	9.8	-32.1
Nonfarm payroll employment	1.9	-2.3	-1.8	2.7	1.8	1.0	.8	-1.8
Manufacturing	-1.2	-10.4	-7.5	4.3	1.3	2.8	.1	-8.1
Nonfarm business sector								
Output per hour	.3	-2.9	3.6	-.2	4.4	1.4	-1.7	-6.9
Compensation per hour	10.3	11.3	9.0	9.8	11.7	9.6	9.5	6.3
Unit labor cost	9.9	14.6	5.3	10.1	7.0	8.1	11.5	14.1
GNP implicit deflator <1>	9.3	9.8	9.2	10.7	9.8	6.4	9.9	9.5
Gross domestic business product								
fixed-weighted price index <2>	10.1	9.8	9.6	9.3	10.5	8.2	9.9	7.5
Excluding food and energy	7.4	9.5	9.3	8.2	8.4	9.6	11.5	8.2
Consumer price index (all urban)	16.5	13.5	7.7	12.8	11.0	7.8	11.8	7.7
Industrial production	.4	-19.8	-5.8	19.3	8.4	1.9	1.4	-16.6

<1> Excluding Federal pay increases, rates of change were: 1980-Q1, 9.2 percent; 1981-Q1, 9.7 percent; 1981-Q4, 7.4 percent.

<2> Uses expenditures in 1972 as weights.

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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.)

	1982				Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	2998.4	3048.7	3110.0	3173.4	3224.6	3276.0	3340.3	3410.3
Final purchases	3035.3	3068.2	3116.0	3170.9	3219.1	3269.5	3335.8	3405.3
Private	2408.9	2440.4	2481.1	2524.4	2563.7	2603.2	2658.2	2712.6
Excluding net exports	2377.4	2395.6	2444.5	2498.4	2545.4	2589.4	2649.1	2705.1
Personal consumption expenditures	1946.7	1971.1	2025.0	2071.6	2107.6	2143.6	2193.6	2237.4
Goods	999.8	1002.2	1029.6	1052.2	1066.2	1080.2	1105.2	1126.0
Services	946.9	968.9	995.4	1019.4	1041.4	1063.4	1088.4	1111.4
Gross private domestic investment	393.8	405.0	413.5	429.3	443.3	452.3	460.0	472.7
Residential structures	92.2	92.2	96.2	101.7	109.2	112.7	116.7	122.2
Business fixed investment	338.4	332.3	323.3	325.1	328.6	333.1	338.8	345.5
Change in business inventories	-36.8	-19.5	-6.0	2.5	5.5	6.5	4.5	5.0
Nonfarm	-35.7	-19.5	-6.0	2.5	5.5	6.5	4.5	5.0
Net exports of goods and services <1>	31.5	44.8	36.6	26.0	18.3	13.8	9.1	7.5
Exports	356.9	356.4	357.8	359.0	363.3	370.1	380.1	393.2
Imports	325.4	311.6	321.2	333.0	345.0	356.3	371.0	385.7
Gov't purchases of goods and services	626.4	627.7	634.8	646.5	655.4	666.3	677.6	692.7
Federal <2>	253.6	250.0	252.3	259.3	263.7	270.1	276.9	287.5
State and local	372.8	377.7	382.5	387.2	391.7	396.2	400.7	405.2
Gross national product in constant (1972) dollars	1484.5	1487.1	1496.2	1506.8	1513.9	1521.2	1536.7	1551.9
Personal income	2511.4	2548.1	2601.7	2650.4	2698.6	2743.6	2799.8	2853.2
Wage and salary disbursements	1538.6	1548.1	1570.6	1599.3	1623.1	1647.0	1675.7	1711.3
Disposable personal income	2113.3	2146.5	2217.8	2259.1	2298.4	2332.7	2405.8	2447.2
Saving rate (percent)	5.4	5.7	6.3	5.9	5.9	5.7	6.4	6.2
Corporate profits with I.V.A. and C.C.Adj.	152.2	168.9	178.9	188.5	189.7	195.6	206.3	215.3
Corporate profits before tax	171.8	185.2	195.5	196.9	192.1	190.9	193.7	193.3
Federal government surplus or deficit (-) (N.I.A. basis)	-123.5	-132.2	-165.4	-170.6	-165.7	-172.0	-211.4	-215.2
High employment surplus or deficit (-) <3>	-33.4	-29.4	-58.8	-58.9	-45.0	-46.7	-91.4	-96.4
State and local government surplus or deficit (-) (N.I.A. basis)	36.3	40.6	43.6	44.1	42.9	43.5	46.4	49.0
Excluding social insurance funds	1.5	4.4	5.9	4.9	2.2	1.3	2.7	3.8
Civilian labor force (millions)	109.1	110.0	110.2	110.5	110.8	111.1	111.4	111.6
Unemployment rate (percent)	8.8	9.5	9.6	9.5	9.5	9.5	9.3	9.1
Nonfarm payroll employment (millions)	90.4	90.0	89.9	90.1	90.3	90.5	90.8	91.4
Manufacturing	19.4	19.2	19.2	19.3	19.4	19.6	19.8	20.0
Industrial production (1967=100)	141.8	140.3	141.5	143.6	144.8	146.0	149.0	151.2
Capacity utilization: all manufacturing (percent)	71.7	70.8	71.1	71.7	71.8	71.9	73.0	73.7
Materials (percent)	72.0	70.0	70.6	71.9	72.4	72.8	74.5	75.6
Housing starts, private (million units, A.R.)	0.92	1.00	1.10	1.15	1.20	1.20	1.25	1.25
New auto sales (millions, A.R.)	8.12	7.90	8.70	8.80	8.90	8.90	9.30	9.30
Domestic models	5.90	5.90	6.40	6.50	6.60	6.60	6.90	6.90
Foreign models	2.22	2.00	2.30	2.30	2.30	2.30	2.40	2.40

<1> Balance of payments data and details underlying these estimates are shown in the International Developments section of this part of the Greenbook.

> Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

<3> Estimates in table are evaluated at a 5.1 percent high employment unemployment rate. Evaluated at a 6.1 percent unemployment rate, the high employment budget would show a deficit of \$81.7 billion in 1982-Q4, and a deficit of \$120.6 billion in 1983-Q4.

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CLASS II FOMC

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

	-----Projected-----							
	1982				1983			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	-3.7	.7	2.5	2.9	1.9	2.0	4.1	4.0
Final purchases	2.0	-1.3	.7	1.7	1.5	1.8	4.4	4.0
Private	2.5	.0	1.0	2.3	1.7	1.8	5.0	4.5
Excluding net exports	2.5	-1.0	2.0	3.6	2.6	2.2	5.1	4.5
Personal consumption expenditures	3.4	1.4	4.6	4.0	2.0	2.1	5.1	4.0
Goods	3.4	.5	5.2	4.4	1.4	1.4	5.9	4.2
Services	3.2	2.5	3.9	3.5	2.8	3.0	4.3	3.7
Gross private domestic investment	-36.2	2.1	3.3	11.4	8.6	3.7	2.4	7.4
Residential structures	-10.0	-3.9	12.9	18.8	26.6	8.1	10.1	15.4
Business fixed investment	.9	-13.8	-15.4	-2.3	.0	1.2	3.0	4.5
Gov't purchases of goods and services	.0	-6.4	-.6	-.7	.7	2.1	2.2	1.5
Federal	3.8	-13.5	.5	-.7	3.1	6.2	6.2	4.8
National defense	-2.9	9.9	5.7	1.3	6.3	11.1	12.2	9.2
State and local	-2.4	-1.5	-1.2	-.7	-.7	-.6	-.5	-.6
Disposable personal income	.0	2.7	7.0	2.2	2.0	1.3	8.5	2.8
<u>Current Dollars</u>								
Gross national product	.0	6.9	8.3	8.4	6.6	6.5	8.1	8.7
Final purchases	6.3	4.4	6.4	7.2	6.2	6.4	8.4	8.6
Private	7.3	5.3	6.8	7.2	6.4	6.3	8.7	8.4
Excluding net exports	6.1	3.1	8.4	9.1	7.7	7.1	9.6	8.7
Personal consumption expenditures	8.3	5.1	11.4	9.5	7.1	7.0	9.7	8.2
Goods	5.4	1.0	11.4	9.1	5.4	5.4	9.6	7.7
Services	11.5	9.6	11.4	10.0	8.9	8.7	9.7	8.7
Gross private domestic investment	-37.7	11.9	8.7	16.1	13.7	8.4	7.0	11.5
Residential structures	-8.2	.0	18.5	24.7	32.9	13.5	15.0	20.2
Business fixed investment	-1.6	-7.0	-10.4	2.3	4.4	5.6	7.0	8.2
Gov't purchases of goods and services	2.9	.8	4.6	7.6	5.6	6.8	7.0	9.2
Federal	.5	-5.5	3.7	11.6	7.0	10.1	10.5	16.2
National defense	-.1	14.3	10.7	15.2	11.2	15.7	17.1	21.5
State and local	4.5	5.4	5.2	5.0	4.7	4.7	4.6	4.6
Disposable personal income	4.8	6.4	14.0	7.7	7.1	6.1	13.2	7.1
Personal income	4.1	6.0	8.7	7.7	7.5	6.8	8.5	7.9
Wage and salary disbursements	4.3	2.5	5.9	7.5	6.1	6.0	7.2	8.8
Corporate profits with I.V.A. and C.C.Adj.	-46.1	51.8	25.8	23.2	2.7	13.1	23.7	18.6
Corporate profits before tax	-57.5	35.2	24.1	2.8	-9.3	-2.4	5.9	-.9
Nonfarm payroll employment	-2.4	-1.9	-.1	.6	1.0	.7	1.6	2.3
Manufacturing	-9.0	-5.5	.0	2.9	2.8	3.7	4.2	4.2
Nonfarm business sector								
Output per hour	.5	3.3	2.6	2.2	.9	.9	2.7	1.7
Compensation per hour	7.9	6.7	6.5	6.3	6.6	5.9	5.8	5.6
Unit labor cost	7.3	3.3	3.8	4.0	5.7	4.9	3.1	3.8
GNP implicit deflator	3.8	6.1	5.7	5.4	4.6	4.5	3.8	4.5
Gross domestic business product								
fixed-weighted price index <1>	4.7	3.8	6.6	5.7	5.1	4.9	4.5	4.3
Excluding food and energy	5.2	6.3	5.8	5.3	5.0	4.6	4.0	3.7
Consumer price index (all urban)	3.2	4.5	6.6	5.5	5.1	4.9	4.7	4.5
Industrial production	-11.7	-4.2	3.5	6.1	3.4	3.4	8.5	6.0

<1> Excluding Federal pay increases, the rates of change are: 1982-Q1, 3.7 percent; 1982-Q4, 4.8 percent; 1983-Q1, 4.6 percent; 1983-Q4, 3.8 percent.

CONFIDENTIAL - FR  
CLASS II FOMC

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

	1976	1977	1978	1979	1980	1981	-----Projected----- 1982	1983
Gross national product	1718.0	1918.0	2156.1	2413.9	2626.1	2925.5	3082.6	3312.8
Final purchases	1706.2	1897.0	2133.9	2396.4	2632.0	2909.4	3097.6	3307.5
Private	1344.1	1502.5	1701.3	1922.6	2097.3	2318.2	2463.7	2634.4
Excluding net exports	1330.3	1506.8	1701.9	1909.2	2074.0	2292.2	2429.0	2622.3
Personal consumption expenditures	1084.3	1205.5	1348.7	1510.9	1672.8	1857.8	2003.6	2170.6
Goods	598.6	657.8	729.1	814.6	887.6	975.2	1021.0	1094.4
Services	485.7	547.7	619.6	696.3	785.2	882.6	982.6	1076.2
Gross private domestic investment	257.9	322.3	375.3	415.8	395.3	450.5	410.4	457.1
Residential construction	72.0	95.8	111.2	118.6	105.3	105.5	95.6	115.2
Business fixed investment	174.1	205.5	242.0	279.7	296.0	328.9	329.8	336.5
Change in business inventories	11.8	21.0	22.2	17.5	-5.9	16.2	-15.0	5.4
Nonfarm	13.9	20.2	21.8	13.4	-4.7	13.8	-14.7	5.4
Net exports of goods and services <1>	13.8	-4.2	-0.6	13.4	23.3	26.0	34.7	12.2
Exports	170.9	183.3	219.8	281.3	339.8	367.3	357.5	376.7
Imports	157.1	187.5	220.4	267.9	316.5	341.3	322.8	364.5
Gov't purchases of goods and services	362.1	394.5	432.6	473.8	534.7	591.2	633.9	673.0
Federal <2>	129.2	143.9	153.4	167.9	198.9	230.2	253.8	274.6
State and local	232.9	250.6	279.2	305.9	335.8	361.0	380.1	398.5
Gross national product in constant (1972) dollars	1300.4	1371.7	1436.9	1483.0	1480.7	1510.3	1493.7	1530.9
Personal income	1391.2	1538.0	1721.8	1943.8	2160.2	2404.1	2577.9	2773.8
Wage and salary disbursements	889.9	983.8	1105.2	1236.1	1343.7	1482.7	1564.2	1664.3
Disposable personal income	1194.4	1311.5	1462.9	1641.7	1821.7	2016.0	2184.2	2371.0
Saving rate (percent)	6.9	5.7	5.2	5.3	5.6	5.3	5.8	6.1
Corporate profits with I.V.A. and C.C.Adj.	138.1	164.7	185.5	196.8	182.7	191.7	172.1	201.7
Corporate profits before tax	166.3	192.6	223.3	255.4	245.5	233.3	187.4	192.5
Federal government surplus or deficit(-) (N.I.A. basis)	-53.1	-46.4	-29.2	-14.8	-61.2	-62.4	-147.9	-191.1
High employment surplus or deficit(-)	-17.4	-21.7	-15.1	-2.1	-20.3	-2.8	-45.1	-69.9
State and local government surplus or deficit (-) (N.I.A. basis)	16.6	28.1	29.0	26.7	29.1	36.7	41.2	45.5
Excluding social insurance funds	.9	10.1	9.0	2.9	2.1	4.6	4.2	2.5
Civilian labor force (millions)	96.2	99.0	102.2	105.0	107.0	108.7	110.0	111.2
Unemployment rate (percent)	7.7	7.1	6.1	5.9	7.2	7.6	9.3	9.4
Nonfarm payroll employment (millions)	79.4	82.5	86.7	89.8	90.4	91.1	90.1	90.7
Manufacturing	19.0	19.7	20.5	21.0	20.3	20.2	19.3	19.7
Industrial production (1967=100)	130.4	138.1	146.1	152.5	147.1	150.9	141.8	147.8
Capacity utilization: all manufacturing (percent)	79.5	81.9	84.4	85.6	79.1	78.4	71.3	72.6
Materials (percent)	81.1	82.7	85.6	87.4	80.0	79.9	71.1	73.8
Housing starts, private (million units, A.R.)	1.54	1.96	2.00	1.72	1.30	1.10	1.04	1.23
New auto sales (millions, A.R.)	10.12	11.13	11.29	10.68	9.04	8.56	8.42	9.10
Domestic models	8.63	9.07	9.29	8.36	6.62	6.24	6.19	6.75
Foreign models	1.49	2.06	2.00	2.32	2.42	2.32	2.22	2.35

<1> Balance of payments data underlying these estimates are shown in the International Developments section of this part of the Greenbook.

<2> Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

CONFIDENTIAL - FR  
CLASS II FOMC

PERCENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1976	1977	1978	1979	1980	1981	--Projected--	
							1982	1983
CONSTANT (1972) DOLLARS								
Gross national product	5.4	5.5	4.8	3.2	-.2	2.0	-1.1	2.5
Final purchases	4.2	5.2	4.7	3.5	.7	1.3	-.2	1.8
Private	5.3	6.0	5.4	4.0	.2	1.5	-.2	2.2
Excluding net exports	6.2	6.5	5.2	2.9	-1.0	2.2	.3	2.8
Personal consumption expenditures	5.6	4.9	4.7	2.9	.5	2.6	1.8	3.2
Goods	6.7	5.2	4.2	1.9	-1.4	2.5	.9	3.1
Services	4.3	4.5	5.4	4.1	2.6	2.6	2.7	3.3
Gross private domestic investment	19.2	15.7	7.6	1.3	-12.5	5.5	-12.9	6.2
Residential structures	21.3	18.4	3.0	-5.3	-18.6	-6.0	-13.4	15.0
Business fixed investment	5.3	11.9	9.1	6.5	-3.0	2.5	-4.5	-2.6
Gov't purchases of goods and services	.0	2.1	2.0	1.4	2.9	.6	-.1	-.3
Federal	-.6	4.0	-.9	1.9	6.3	3.2	2.8	2.0
National defense	-2.3	.7	.0	2.6	5.7	4.2	5.9	7.3
State and local	.4	.9	3.7	1.2	.4	-.4	-1.8	-.8
Disposable personal income	3.6	3.6	4.4	3.1	.7	2.2	2.2	3.4
CURRENT DOLLARS								
Gross national product	10.9	11.6	12.4	12.0	8.8	11.4	5.4	7.5
Final purchases	9.7	11.2	12.5	12.3	9.8	10.5	6.5	6.8
Private	10.5	11.8	13.2	13.0	9.1	10.5	6.3	6.9
Excluding net exports	11.9	13.3	13.0	12.2	8.6	10.5	6.0	8.0
Personal consumption expenditures	11.0	11.2	11.9	12.0	10.7	11.1	7.9	8.3
Goods	10.9	9.9	10.8	11.7	9.0	9.9	4.7	7.2
Services	11.2	12.8	13.1	12.4	12.8	12.4	11.3	9.5
Gross private domestic investment	25.1	25.0	16.5	10.8	-4.9	14.0	-8.9	11.4
Residential construction	30.2	33.1	16.1	6.6	-11.2	.2	-9.4	20.5
Business fixed investment	10.4	18.1	17.7	15.6	5.8	11.1	.3	2.0
Gov't purchases of goods and services	6.5	8.9	9.7	9.5	12.9	10.6	7.2	6.2
Federal	5.3	11.4	6.6	9.5	18.5	15.7	10.3	8.2
National defense	3.6	8.5	7.1	11.2	18.4	17.2	15.3	14.3
State and local	7.3	7.6	11.4	9.6	9.8	7.5	5.3	4.8
Disposable personal income	9.0	9.8	11.5	12.2	11.0	10.7	8.3	8.6
Personal income	10.0	10.6	12.0	12.9	11.1	11.3	7.2	7.6
Wage and salary disbursements	10.4	10.6	12.3	11.9	8.7	10.3	5.5	6.4
Corporate profits with I.V.A. and C.C.Adj.	25.0	19.3	12.6	6.1	-7.2	4.9	-10.2	17.2
Corporate profits before tax	25.9	15.8	16.0	14.4	-3.9	-5.0	-19.7	2.8
Nonfarm payroll employment	3.2	3.9	5.1	3.6	.7	.8	-1.1	.7
Manufacturing	3.7	3.6	4.2	2.6	-3.6	-.6	-4.5	2.4
Nonfarm business sector								
Output per hour	3.2	2.1	-.1	-.7	-.3	.9	-.3	1.8
Compensation per hour	8.1	7.6	8.6	9.7	10.0	10.0	7.4	6.2
Unit labor cost	4.7	5.5	8.7	10.5	10.3	9.0	7.6	4.4
GNP implicit deflator	5.2	5.8	7.3	8.5	9.0	9.2	6.5	4.9
Gross domestic business product								
fixed-weighted price index <1>	5.5	6.3	7.8	9.8	9.8	9.4	6.2	5.2
Excluding food and energy	6.0	6.5	7.5	8.4	8.2	9.2	7.0	4.9
Consumer price index (all urban)	5.7	6.5	7.7	11.3	13.5	10.3	6.2	5.2
Industrial production	10.7	5.9	5.8	4.4	-3.6	2.6	-6.0	4.2

<1> Uses expenditures in 1972 as weights.



## FEDERAL SECTOR ACCOUNTS

June 23, 1982

	Fiscal Year 1981*	FY1982e/		FY1983e/2/		CY1982e/		FRB Staff Estimates Calendar quarters; unadjusted data								
		Admin. 1/	F.R. Board	Admin. 1/	F.R. Board	CY 1981*	F.R. Board	1982								
								1981				1982				
								1981 IV*	I*	II	III	IV	I	II	III	1983
Unified budget receipts	599.3	628.4	622.2	665.1	622.3	619.1	617.7	146.0	143.6	183.7	148.9	141.5	140.9	186.8	153.1	
Unified budget outlays	657.2	728.9	734.9	767.0	788.3	691.6	734.4	194.2	167.3	185.2	188.2	193.7	196.0	196.4	202.2	
Surplus/deficit(-), unified budget	-57.9	-100.5	-112.7	-101.9	-166.1	-72.5	-116.7	-48.2	-23.7	-1.5	-39.3	-52.2	-55.1	-9.7	-49.1	
Surplus/deficit(-), off-budget agencies <sup>3</sup>	-21.0	-20.9	-18.7	-15.8	-18.2	-22.4	-19.3	-3.6	-2.0	-5.5	-7.6	-4.1	-5.5	-4.3	-4.3	
Combined deficit to be financed	-78.9	-121.4	-131.4	-117.7	-184.3	-94.9	-135.9	-51.8	-25.7	-7.0	-46.9	-56.3	-60.6	-14.0	-53.4	
Means of financing combined deficit:																
Net borrowing from public	79.4	118.5	127.4	118.5	188.4	87.3	144.0	35.6	32.8	8.5	50.5	52.2	59.4	21.1	55.7	
Decrease in cash operating balance	2.3		0.5		-2.0	0.3	0.0	6.7	-1.0	-0.5	-4.7	6.2	0.4	-4.0	-4.6	
Other <sup>4</sup>	-2.8	(2.9	3.5	(-0.8	-2.1	7.3	-8.1	9.5	-6.1	-1.0	1.1	-2.1	0.8	-3.1	2.3	
Cash operating balance, end of period	18.7	n.a.	18.2	n.a.	20.2	12.0	12.0	12.0	13.0	13.5	18.2	12.0	11.6	15.6	20.2	
Memo: Sponsored agency borrowing <sup>5</sup>	35.7	46.6	21.6	50.1	28.5	30.0	25.1	4.0	1.6	8.7	7.3	7.5	7.0	7.0	7.0	
NIA Budget																
								Seasonally adjusted annual rates								
Receipts	612.5	637.1	614.0	685.3	630.7	626.0	610.2	627.2	609.9	615.6	603.4	612.1	634.1	645.3	631.2	
Expenditures	667.4	744.0	744.3	794.1	810.6	688.4	760.0	727.2	733.4	747.7	768.8	782.7	799.8	817.3	842.6	
Purchases	217.8	252.4	252.3	278.4	267.5	230.2	256.4	253.3	253.6	250.0	252.3	259.3	263.7	270.1	276.9	
Defense	147.1	174.2	173.7	203.5	195.8	154.3	179.3	169.7	169.7	175.5	180.0	186.5	191.5	198.6	206.6	
Nondefense	70.7	78.2	78.5	74.9	71.7	75.9	77.1	83.5	83.9	74.5	72.3	72.8	72.2	71.5	70.3	
All other expenditures	449.6	491.6	492.0	515.7	543.1	458.2	503.6	473.9	479.8	497.7	516.5	523.4	536.1	547.2	565.7	
Surplus/deficit(-)	-54.9	-106.9	-130.3	-108.8	-179.9	-62.4	-147.9	-100.0	-123.5	-132.2	-165.4	-170.6	-165.7	-172.0	-211.4	
High Employment (H.E.) surplus/deficit(-)																
evaluated at H.E. unemployment rate of:																
5.1 percent	-0.8	n.a.	-36.6	n.a.	-60.5	-2.8	-45.1	-24.8	-33.4	-29.4	-58.8	-58.9	-45.0	-46.7	-91.4	
6.1 percent	-22.4	n.a.	-58.8	n.a.	-84.0	-25.0	-67.4	-47.2	-55.4	-51.6	-81.0	-81.7	-68.6	-70.7	-115.1	
	*—actual					e—estimated								n.a.—not available		

1. OMB Current Budget Estimates, April 1982 and BEA NIA translations, April 1982.

2. In the First Concurrent Resolution on the Budget — Fiscal Year 1983, the Congress recommended revenues of \$665.9 billion and outlays of \$769.8 billion.

3. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank and (beginning in FY1982) the Strategic Petroleum Reserve.

4. Checks issued less checks paid, accrued items and other transactions.  
5. FRB staff estimates include Federal Home Loan Banks, FHLMC (excluding participation certificates), FNMA (excluding mortgage backed securities), Federal Land Banks, Federal Intermediate Credit Banks for Cooperatives, and Student Loan Marketing Association marketable debt on a payment basis. FRB and Administration estimates are not strictly comparable.

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

I-14

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

June 23, 1982

	1981 ANN.	1982 <sup>P</sup> ANN.	1983 <sup>P</sup> ANN.	1982 Q I	1982 <sup>P</sup> Q II	1982 <sup>P</sup> Q III	1982 <sup>P</sup> Q IV	1983 <sup>P</sup> Q I	1983 <sup>P</sup> Q II	1983 <sup>P</sup> Q III	1983 <sup>P</sup> Q IV
<b>1. GNP NET EXPORTS</b>											
CURRENT \$, NET	26.0	34.7	12.2	31.5	44.8	36.6	25.9	18.2	13.8	9.1	7.5
EXPORTS OF G&S	367.3	357.5	376.7	356.9	356.4	357.8	359.0	363.3	370.1	380.1	393.2
IMPORTS OF G&S	341.4	322.8	364.5	325.4	311.6	321.2	333.0	345.0	356.3	371.0	385.7
CONSTANT 72 \$, NET	44.9	39.3	32.9	39.3	42.4	39.6	35.9	33.5	32.4	32.5	33.1
EXPORTS OF G&S	160.4	151.9	153.0	152.1	152.5	152.2	150.9	150.6	151.4	153.6	156.5
IMPORTS OF G&S	115.5	112.6	120.2	112.8	110.1	112.7	114.9	117.1	119.0	121.1	123.5
TERMS OF TRADE (1972=100) 1/	77.5	82.1	81.2	81.4	82.6	82.5	82.1	81.9	81.7	80.8	80.4
<b>2. U.S. MERCHANDISE TRADE BALANCE 2/</b>	-27.9	-23.4	-54.4	-24.2	-11.8	-22.1	-35.3	-45.3	-51.6	-58.5	-62.1
EXPORTS (EXCL. MILITARY)	236.3	215.1	216.9	222.4	216.2	212.1	209.8	210.7	213.1	218.0	225.7
AGRICULTURAL	44.3	42.4	47.9	42.0	42.0	41.9	43.6	45.3	46.7	48.5	50.9
NONAGRICULTURAL	192.0	172.8	169.0	180.4	174.2	170.2	166.3	165.4	166.3	169.4	174.8
IMPORTS	264.1	238.5	271.3	246.7	228.0	234.1	245.2	256.1	264.7	276.5	287.8
PETROLEUM AND PRODUCTS	77.6	56.4	64.2	62.6	52.3	54.1	56.8	60.2	62.5	65.9	68.3
NONPETROLEUM	186.6	182.1	207.0	184.1	175.7	180.0	188.4	195.9	202.2	210.6	219.5
<b>3. U.S. CURRENT ACCOUNT BALANCE</b>	4.5	6.3	-23.3	4.7	17.1	8.0	-4.7	-13.3	-20.2	-28.0	-31.6
OF WHICH: NET INVESTMENT INCOME	33.0	30.5	33.4	27.9	29.2	31.8	33.2	33.9	33.5	33.0	33.1
<b>4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/</b>											
REAL GNP, % CHANGE, ANNUAL RATES	.6	.7	2.4	.2	.6	1.5	2.1	2.8	2.6	2.8	3.1
CONSUMER PRICES, 4/, % CHANGE, ANNUAL RATES	9.7	8.5	7.5	7.9	9.1	7.7	7.6	7.8	7.1	6.9	6.9

1/ GNP EXPORT IMPLICIT DEFLATOR DIVIDED BY GNP IMPORT IMPLICIT DEFLATOR.

2/ INTERNATIONAL ACCOUNTS BASIS.

3/ GEOMETRIC WEIGHTS USED TO AGGREGATE FOREIGN REAL GNP AND CONSUMER PRICES -- PERCENT 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%).

P/ PROJECTED.

June 23, 1982

## **RECENT DEVELOPMENTS**

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Prepared for the Federal Open Market Committee

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

DEFICIT REDUCING MEASURES IN THE FIRST BUDGET RESOLUTION FOR FY1983  
(Billions of dollars)

	Conference Committee Report
Congressional Budget Office	
Baseline deficit	-182.0
Re-estimates	<u>1.3</u>
Revised Baseline Deficit	-180.7
Deficit Reducing Measures	
Revenue Increases	
Unspecified tax increases	20.0
User fees	<u>0.9</u>
Subtotal revenue increases <sup>1</sup>	20.9
Spending Reductions	
Defense (excluding pay and retirement)	7.8
Federal pay limitations	5.1
Entitlements (including COLA caps)	6.6
Other non-defense program savings	<u>8.2</u>
Subtotal reductions requiring legislation actions <sup>1</sup>	27.7
Management initiatives	13.7
Lower interest costs	<u>14.5</u>
Total Deficit Reduction	76.8
FY1981 Deficit Target	-103.9

1. Reconciliation instructions require Senate and House authorizing committees to report legislation that will increase FY1983 revenues by \$20.9 billion and change program authorizations (primarily in entitlements) to save about \$7 billion. The remaining outlay reductions that require legislative action, about \$21 billion, would be achieved in the appropriations process.

GROSS OFFERINGS OF CORPORATE SECURITIES IN DOMESTIC MARKETS  
(Monthly totals or monthly averages, millions of dollars)

	1981		1982			
	Year	Q4	Q1	Apr.	May <sup>p</sup>	June <sup>f</sup>
----- Seasonally adjusted -----						
Corporate securities--total	5,774	7,613	4,525	4,650	5,600	2,550
Publicly offered bonds <sup>1</sup>	3,138	5,673	2,088	1,659	3,500	900
Privately placed bonds	582	235	725	274	500	500
Stocks	2,054	1,705	1,712	2,717	1,600	1,150
----- Not seasonally adjusted -----						
Publicly offered bonds--total <sup>1</sup>	3,138	4,239	1,873	2,100	3,500	1,800
By industry						
Utility	1,079	958	693	792	1,160	--
Industrial	1,192	1,750	464	446	1,060	--
Financial	867	1,531	716	862	1,280	--
By quality <sup>2</sup>						
Aaa and Aa	1,182	1,882	528	1,055	870	--
A and Baa	1,448	1,772	928	765	2,000	--
Less than Baa <sup>3</sup>	508	585	417	280	630	--
Memo items:						
Convertible bonds	357	349	48	0	358	--
Original discount bonds						
Par value	808	1,478	910	910	2,355	--
Gross proceeds	358	677	297	288	794	--
Stocks--total	2,054	1,777	1,672	2,032	1,800	1,400
By industry						
Utility	667	565	642	749	700	--
Industrial	1,023	775	798	889	400	--
Financial	364	437	232	394	700	--

p--preliminary. f--forecast.

1. Total reflects gross proceeds rather than par value of original discount bonds.

2. Bonds categorized according to Moody's bond ratings.

3. Includes issues not rated by Moody's.

market, however, and the ratio of tax-exempt to taxable yields declined somewhat. A strong demand for tax-exempt securities by property/casualty insurance companies has been reported; if this is so, it may not be sustained because underwriting losses are still quite large for this industry.

STATE & LOCAL GOVERNMENT SECURITY OFFERINGS  
(Monthly totals or monthly averages, billions of dollars)

	1981	1982			
	Year	Q1 <sup>e</sup>	April <sup>e</sup>	May <sup>e</sup>	June <sup>f</sup>
-----Seasonally adjusted -----					
Total	6.80	8.30	7.30	12.50	8.80
Long-term	4.00	5.00	6.00	5.10	5.00
Short-term	2.80	3.30	1.30	7.40	3.80
----- Not seasonally adjusted -----					
Total	6.80	6.90	9.50	11.30	9.90
Long-term	4.00	4.20	6.50	5.30	6.20
Housing bonds	.40	.30	.90	1.25	1.40
Short-term	2.80	2.70	3.00	6.00	3.70

e--estimate. f--forecast.

Gross issuance of tax-exempt bonds totaled about \$5 billion in both May and June, somewhat less than the record volume sold in April, but still equal to the relatively high first-quarter monthly average. Local housing authorities stepped up their offerings of mortgage revenue bonds in the second quarter, evidently to assure that they would capture some share of their state's quota for such bonds.<sup>1</sup> In the short-term market, gross sales

1. Each state is limited by the Mortgage Subsidy Bond Tax Act of 1980 in the aggregate principal amount of single-family mortgage revenue bonds that it and its political subdivisions can issue annually through 1983, after which the issuance of tax-exempt bonds for such a purpose will be prohibited. Much of the recent mortgage revenue bond issuance was in states where there are no programs to determine how the annual quota of such bonds is to be allocated among localities, and it appears that local housing authorities are rushing to issue debt before the quotas are reached.

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SUPPLEMENT  
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

Corrigendum

In part II, page IV-24, line 9, change 2.8 to read 0.4.