

August 14, 1985

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 PROJECTIONS

Percent changes, annual rate										Unemployment rate (percent)	
Nominal GNP				Real GNP		Gross domestic business product fixed-weighted price index					
Total		Excluding food and energy									
7/3/85	8/14/85	7/3/85	8/14/85	7/3/85	8/14/85	7/3/85	8/14/85	7/3/85	8/14/85	7/3/85	8/14/85
Annual changes:											
1983	<1>	7.7	7.7	3.7	3.7	3.7	3.7	4.6	4.6	9.6	9.6
1984	<1>	10.8	10.8	6.8	6.8	4.0	4.0	4.3	4.3	7.5	7.5
1985		6.2	6.1	2.5	2.4	3.7	3.6	4.3	4.2	7.2	7.3
1986		6.2	6.2	2.7	2.6	3.7	3.7	4.1	4.1	7.1	7.1
Quarterly changes:											
1984	Q1	<1>	14.9	14.9	10.1	10.1	4.2	4.2	3.4	3.4	7.9
	Q2	<1>	10.7	10.7	7.1	7.1	4.1	4.1	5.4	5.4	7.5
	Q3	<1>	5.6	5.6	1.6	1.6	4.0	4.0	4.9	4.9	7.4
	Q4	<1>	7.1	7.1	4.3	4.3	3.5	3.5	3.9	3.9	7.2
1985	Q1	<1>	5.6	5.6	.3	.3	3.6	3.6	4.6	4.6	7.3
	Q2	<1>	5.0	4.6	2.1	1.7	3.7	3.5	3.9	3.3	7.3
	Q3		6.4	5.9	3.5	3.0	3.2	3.3	3.8	3.9	7.2
	Q4		6.3	6.4	3.0	3.2	3.4	3.5	3.9	3.9	7.1
1986	Q1		6.4	6.3	2.7	2.5	3.7	3.8	4.0	4.1	7.1
	Q2		6.0	6.3	2.3	2.5	3.9	3.9	4.2	4.2	7.1
	Q3		6.2	6.2	2.3	2.4	4.1	4.1	4.4	4.4	7.1
	Q4		6.7	6.9	2.5	2.6	4.3	4.3	4.5	4.5	7.1
Two-quarter changes: <2>											
1984	Q2	<1>	12.8	12.8	8.6	8.6	4.2	4.2	4.4	4.4	-1.0
	Q4	<1>	6.4	6.4	2.9	2.9	3.8	3.8	4.4	4.4	-.3
1985	Q2	<1>	5.3	5.1	1.2	1.0	3.7	3.5	4.3	4.0	.1
	Q4		6.3	6.1	3.3	3.1	3.3	3.4	3.8	3.9	-.2
1986	Q2		6.2	6.3	2.5	2.5	3.8	3.8	4.1	4.1	.0
	Q4		6.5	6.5	2.4	2.5	4.2	4.2	4.4	4.5	.0
Four-quarter changes: <3>											
1983	Q4	<1>	10.4	10.4	6.3	6.3	3.7	3.7	4.4	4.4	-2.1
1984	Q4	<1>	9.5	9.5	5.7	5.7	4.0	4.0	4.4	4.4	-1.3
1985	Q4		5.8	5.6	2.2	2.0	3.5	3.5	4.0	3.9	-.1
1986	Q4		6.3	6.4	2.5	2.5	4.0	4.0	4.3	4.3	.0

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

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

	1983				1984			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3173.8	3267.0	3346.6	3431.7	3553.3	3644.7	3694.6	3758.7
Gross domestic purchases	3154.2	3273.4	3363.0	3461.5	3604.8	3703.4	3785.2	3814.8
Final sales	3216.8	3286.4	3350.9	3419.0	3479.5	3594.1	3622.8	3722.1
Private	2538.0	2604.2	2661.1	2727.6	2775.1	2850.4	2861.8	2941.6
Domestic final purchases	2518.4	2610.7	2677.5	2757.4	2826.6	2909.1	2952.4	2997.6
Personal consumption expenditures	2070.4	2141.6	2181.4	2230.2	2276.5	2332.7	2361.4	2396.5
Goods	1034.6	1073.0	1095.8	1122.8	1152.2	1179.0	1178.6	1192.8
Services	1035.8	1068.6	1085.7	1107.5	1124.4	1153.7	1182.8	1203.8
Gross private domestic investment	405.0	449.6	491.9	540.0	623.8	627.0	662.8	637.8
Residential structures	113.3	129.8	142.3	143.4	151.2	155.6	155.3	153.5
Business fixed investment	334.6	339.3	353.9	383.9	398.8	420.8	435.7	447.7
Change in business inventories	-42.9	-19.4	-4.3	12.7	73.8	50.6	71.8	36.6
Nonfarm	-32.6	-5.4	11.6	14.1	60.6	47.0	63.7	27.2
Net exports of goods and services <1>	19.6	-6.5	-16.4	-29.8	-51.5	-58.7	-90.6	-56.0
Exports	328.5	328.1	342.0	346.1	358.9	362.4	368.6	367.2
Imports	308.9	334.5	358.4	375.9	410.4	421.1	459.3	423.2
Gov't. purchases of goods and services	678.8	682.2	689.8	691.4	704.4	743.7	761.0	780.5
Federal <2>	273.0	270.5	269.2	266.3	267.6	296.4	302.0	315.7
State and local	405.8	411.6	420.6	425.1	436.8	447.4	458.9	464.8
Gross national product in constant (1972) dollars	1491.0	1524.8	1550.2	1572.7	1610.9	1638.8	1645.2	1662.4
Personal income	2662.8	2714.4	2763.3	2836.5	2920.5	2984.6	3047.3	3096.2
Wage and salary disbursements	1608.1	1642.1	1671.3	1715.4	1755.7	1793.1	1819.5	1847.6
Disposable personal income	2261.4	2302.9	2367.4	2428.6	2502.2	2554.3	2606.4	2644.5
Saving rate (percent)	5.7	4.2	5.0	5.3	6.1	5.7	6.3	6.2
Corporate profits with I.V.A. and C.C. Adj.	179.1	216.7	245.0	260.0	277.4	291.1	282.8	291.6
Corporate profits before tax	161.7	198.2	227.4	225.5	243.3	246.0	224.8	228.7
Federal government surplus or deficit (-) (N.I.A. basis)	-185.7	-167.3	-180.9	-180.5	-161.3	-163.7	-180.6	-197.8
High employment surplus or deficit (-) <3>	-80.9	-74.2	-102.3	-113.1	-113.3	-129.6	-146.1	-169.3
State and local government surplus or deficit(-) (N.I.A. basis)	34.1	43.9	47.4	51.2	53.9	54.5	47.6	55.6
Excluding social insurance funds	-1.9	7.0	9.5	12.0	13.4	12.6	4.3	11.1
Civilian labor force (millions)	110.7	111.2	112.1	112.1	112.7	113.5	113.8	114.2
Unemployment rate (percent)	10.4	10.1	9.3	8.5	7.9	7.5	7.4	7.2
Nonfarm payroll employment:	88.8	89.6	90.5	91.8	93.0	94.0	94.9	95.8
Manufacturing	18.1	18.3	18.5	18.9	19.2	19.4	19.5	19.6
Industrial production (1977=100)	103.3	106.8	111.7	114.9	119.3	121.5	123.4	123.1
Capacity utilization: all manufacturing (percent)	70.2	72.5	75.8	77.4	79.8	80.8	81.6	81.0
Materials (percent)	71.4	73.6	77.0	79.3	82.0	82.6	83.0	81.4
Housing starts, private (million units, A.R.)	1.64	1.67	1.79	1.72	1.95	1.86	1.66	1.60
New auto sales (millions, A.R.)	8.46	9.10	9.22	9.94	10.52	10.60	10.30	10.29
Domestic models	6.06	6.81	6.92	7.29	8.22	8.23	7.94	7.50
Foreign models	2.40	2.28	2.31	2.63	2.30	2.38	2.36	2.79

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

> 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)

	1983				1984			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Constant (1972) Dollars								
Gross national product	3.3	9.4	6.8	5.9	10.1	7.1	1.6	4.3
Gross domestic purchases	3.7	12.3	7.4	8.7	12.9	7.9	5.4	.9
Final sales	1.1	6.4	4.9	4.2	3.6	10.3	-1.0	7.9
Private	3.5	8.6	6.2	6.3	4.2	8.5	-2.4	8.4
Domestic final purchases	4.0	12.1	6.9	9.7	7.6	9.5	2.3	4.0
Personal consumption expenditures	2.6	10.0	3.8	6.8	4.6	7.9	.7	3.6
Goods	3.5	12.6	5.4	9.5	7.8	10.7	-1.9	3.8
Services	1.5	7.3	2.1	3.8	1.2	4.6	3.8	3.3
Gross private domestic investment	34.1	52.5	38.4	37.0	71.6	-2.2	24.9	-13.1
Residential structures	64.5	78.1	31.6	4.0	21.3	1.2	-4.6	-5.5
Business fixed investment	.0	9.6	18.7	30.6	20.6	21.3	13.7	8.5
Gov't. purchases of goods and services	-8.2	-2.6	-.5	-4.3	1.0	18.6	5.4	5.9
Federal	-17.4	-5.9	-5.3	-8.7	-2.8	45.2	6.2	15.2
National defense	6.8	7.6	-1.9	9.2	3.4	12.2	-2.3	17.5
State and local	-1.2	-.2	2.7	-1.4	3.5	3.7	4.8	-.2
Disposable personal income	2.1	3.3	7.7	8.2	8.6	6.3	3.9	3.5
Current Dollars								
Gross national product	8.5	12.3	10.1	10.6	14.9	10.7	5.6	7.1
Gross domestic purchases	6.7	16.0	11.4	12.2	17.6	11.4	9.1	3.2
Final sales	5.9	8.9	8.1	8.4	7.3	13.8	3.2	11.4
Personal consumption expenditures	4.8	14.5	7.6	9.2	8.6	10.2	5.0	6.1
Goods	3.6	15.7	8.8	10.2	10.9	9.6	-.1	4.9
Services	6.1	13.3	6.6	8.3	6.2	10.9	10.5	7.3
Gross private domestic investment	34.3	52.0	43.2	45.3	78.0	2.0	24.9	-14.3
Residential structures	79.3	71.9	44.4	3.3	23.6	12.1	-.6	-4.7
Business fixed investment	-5.5	5.7	18.5	38.4	16.5	23.9	14.9	11.5
Gov't. purchases of goods and services	-1.3	2.0	4.5	.9	7.8	24.3	9.6	10.7
Federal	-8.9	-3.6	-2.0	-4.3	2.0	50.5	7.8	19.4
National defense	7.9	9.8	3.3	13.2	12.5	14.7	-.8	22.1
State and local	4.2	5.8	9.0	4.4	11.5	10.0	10.7	5.2
Disposable personal income	4.3	7.5	11.7	10.7	12.7	8.6	8.4	6.0
Personal income	3.6	8.0	7.3	11.0	12.4	9.1	8.6	6.7
Wage and salary disbursements	5.6	8.7	7.3	11.0	9.7	8.8	5.9	6.5
Corporate profits with I.V.A. and C.C.M.B.	94.8	114.3	63.4	26.8	29.6	21.3	-10.9	13.0
Corporate profits before tax	16.0	125.7	73.3	-3.3	35.5	4.5	-30.3	7.1
Nonfarm payroll employment:	.5	3.4	4.2	5.8	5.5	4.3	3.9	4.0
Manufacturing	-1.2	4.4	6.2	7.8	6.4	4.5	2.4	1.1
Nonfarm business sector								
Output per hour	4.4	8.1	2.1	1.0	2.9	5.5	-1.1	2.2
Compensation per hour	5.7	3.5	2.2	4.1	6.1	3.7	3.6	3.7
Unit labor costs	1.3	-4.2	.1	3.0	3.1	-1.7	4.7	1.4
GNP implicit deflator <1>	5.0	2.6	3.1	4.4	4.4	3.3	3.9	2.8
Gross domestic business product								
fixed-weighted price index <2>	2.7	3.9	4.5	3.5	4.2	4.1	4.0	3.5
Excluding food and energy	4.9	3.5	5.4	3.8	3.4	5.4	4.9	3.9
Consumer price index (all urban)	.4	4.3	4.2	4.2	5.2	3.7	3.7	3.6
Industrial production	11.5	14.0	19.8	12.0	16.0	7.6	6.4	-.7

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

<2> Uses expenditures in 1972 as weights.

August 14, 1985

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.)

	Projected							
	1985				1986			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	3810.6	3853.5	3908.9	3969.6	4030.9	4093.2	4155.5	4225.1
Gross domestic purchases	3885.2	3944.6	4009.8	4078.9	4143.8	4206.0	4269.8	4335.6
Final sales	3770.0	3840.9	3889.7	3944.2	4001.3	4061.1	4122.1	4191.1
Private	2978.1	3031.1	3063.1	3105.3	3150.8	3199.6	3249.1	3305.1
Domestic final purchases	3052.6	3122.2	3164.0	3214.6	3263.7	3312.4	3363.3	3415.6
Personal consumption expenditures	2446.5	2496.1	2526.5	2562.4	2599.9	2638.5	2678.8	2720.0
Goods	1212.1	1235.4	1241.4	1255.0	1269.3	1283.7	1298.6	1313.7
Services	1234.4	1260.7	1285.1	1307.4	1330.6	1354.8	1380.1	1406.2
Gross private domestic investment	646.8	638.7	656.7	677.6	693.4	706.0	717.9	729.6
Residential structures	155.2	159.6	165.6	174.7	179.7	182.4	185.7	189.3
Business fixed investment	450.9	466.5	471.9	477.5	484.1	491.5	498.8	506.3
Change in business inventories	40.7	12.6	19.2	25.4	29.6	32.1	33.4	34.0
Nonfarm	34.1	8.8	18.2	25.4	29.6	32.1	33.4	34.0
Net exports of goods and services <1>	-74.5	-91.1	-100.9	-109.2	-112.9	-112.9	-114.2	-110.5
Exports	360.7	349.5	354.6	357.7	362.1	372.0	381.6	395.6
Imports	435.2	440.7	455.5	466.9	475.0	484.9	495.8	506.1
Gov't. purchases of goods and services	791.9	809.8	826.6	838.9	850.5	861.5	873.1	886.0
Federal <2>	319.9	325.2	333.4	337.3	341.4	345.2	349.4	354.2
State and local	472.0	484.6	493.2	501.6	509.1	516.3	523.7	531.8
Gross national product in constant (1972) dollars	1663.5	1670.7	1683.2	1696.3	1706.9	1717.7	1727.7	1739.0
Personal income	3143.8	3181.6	3235.4	3293.8	3346.4	3399.0	3449.9	3506.1
Wage and salary disbursements	1882.7	1911.2	1938.0	1968.0	1997.8	2026.7	2055.0	2085.1
Disposable personal income	2654.8	2734.6	2757.0	2804.3	2857.5	2898.9	2939.2	2983.6
Saving rate (percent)	4.5	5.3	4.9	5.1	5.5	5.4	5.2	5.2
Corporate profits with I.V.A. and C.C. Adj.	292.3	290.3	287.5	286.9	286.4	290.0	293.1	299.3
Corporate profits before tax	222.3	213.8	207.4	206.3	205.8	208.9	211.0	215.7
Federal government surplus or deficit (-)	-165.1	-216.0	-198.2	-200.1	-203.8	-200.5	-196.9	-197.2
(N.I.A. basis)	-129.4	-179.7	-161.6	-164.8	-168.4	-164.3	-159.4	-159.6
State and local government surplus or deficit(-) (N.I.A. basis)	53.7	52.1	48.5	49.4	49.2	50.5	51.4	52.2
Excluding social insurance funds	8.3	6.0	1.5	1.6	.6	1.1	1.2	1.0
Civilian labor force (millions)	115.2	115.2	115.7	116.2	116.7	117.2	117.7	118.1
Unemployment rate (percent)	7.3	7.3	7.3	7.2	7.1	7.1	7.1	7.1
Nonfarm payroll employment	96.6	97.3	97.9	98.5	99.0	99.5	100.0	100.4
Manufacturing	19.6	19.4	19.5	19.5	19.6	19.6	19.7	19.7
Industrial production (1977=100)	123.8	124.4	125.1	126.0	126.9	127.7	128.5	129.3
Capacity utilization: all manufacturing (percent)	80.5	80.4	80.3	80.3	80.3	80.3	80.2	80.1
Materials (percent)	81.5	80.4	80.2	80.2	80.2	80.2	80.1	80.1
Housing starts, private (million units, A.R.)	1.80	1.77	1.85	1.90	1.90	1.85	1.85	1.85
New auto sales (millions, A.R.)	10.84	10.91	10.60	10.80	10.80	10.70	10.70	10.60
Domestic models	8.45	8.23	7.70	7.80	7.80	7.70	7.60	7.50
Foreign models	2.39	2.67	2.90	3.00	3.00	3.00	3.10	3.10

<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.

	1985				Projected 1986			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	<u>Constant (1972) Dollars</u>							
Gross national product	.3	1.7	3.0	3.2	2.5	2.5	2.4	2.6
Gross domestic purchases	3.9	3.0	3.0	3.3	2.6	2.1	2.1	2.0
Final sales	-.3	5.1	2.4	2.5	2.1	2.3	2.3	2.6
Private	-.4	5.4	2.0	2.7	2.4	2.6	2.4	2.8
Domestic final purchases	4.1	6.9	1.9	2.9	2.5	2.1	2.1	2.0
Personal consumption expenditures	5.2	5.2	1.3	2.0	2.0	1.9	1.8	1.7
Goods	5.4	6.6	.1	2.0	1.9	1.7	1.5	1.5
Services	5.0	3.7	2.7	2.1	2.2	2.1	2.2	2.0
Gross private domestic investment	3.1	-5.8	8.1	9.9	6.2	4.0	3.3	3.0
Residential structures	5.3	14.3	12.9	19.3	7.9	2.2	3.2	3.7
Business fixed investment	-1.6	13.6	2.2	2.7	3.0	3.2	2.9	2.9
Gov't. purchases of goods and services	.3	3.9	4.3	1.8	1.2	1.3	1.7	2.1
Federal	.7	2.5	7.0	.8	.1	.7	1.6	2.3
National defense	-.2	9.7	6.5	1.3	.8	1.2	2.5	3.3
State and local	.0	4.9	2.4	2.4	2.0	1.7	1.7	1.9
Disposable personal income	-1.6	9.3	-.3	3.2	3.8	1.7	1.3	1.6
<u>Current Dollars</u>								
Gross national product	5.6	4.6	5.9	6.4	6.3	6.3	6.2	6.9
Gross domestic purchases	7.6	6.3	6.8	7.1	6.5	6.1	6.2	6.3
Final sales	5.2	7.7	5.2	5.7	5.9	6.1	6.1	6.9
Personal consumption expenditures	8.6	8.4	5.0	5.8	6.0	6.1	6.2	6.3
Goods	6.6	7.9	2.0	4.5	4.6	4.6	4.7	4.7
Services	10.6	8.8	8.0	7.1	7.3	7.5	7.7	7.8
Gross private domestic investment	5.8	-4.9	11.7	13.4	9.7	7.4	6.9	6.7
Residential structures	4.6	11.8	15.9	23.9	11.9	6.1	7.4	8.0
Business fixed investment	3.0	14.5	4.7	4.9	5.7	6.2	6.1	6.1
Gov't. purchases of goods and services	5.9	9.4	8.6	6.1	5.7	5.3	5.5	6.1
Federal	5.4	6.8	10.5	4.8	5.0	4.5	5.0	5.6
National defense	4.0	12.5	12.1	5.8	5.5	5.6	6.5	7.2
State and local	6.3	11.1	7.3	6.9	6.1	5.8	5.8	6.4
Disposable personal income	1.6	12.6	3.3	7.0	7.8	5.9	5.7	6.2
Personal income	6.3	4.9	6.9	7.4	6.5	6.4	6.1	6.7
Wage and salary disbursements	7.8	6.2	5.7	6.3	6.2	5.9	5.7	6.0
Corporate profits with I.V.A. and C.C.Adj.	1.0	-2.7	-3.9	-.8	-.7	5.1	4.4	8.7
Corporate profits before tax	-10.7	-14.4	-11.4	-2.1	-1.0	6.2	4.1	9.2
Nonfarm payroll employment	3.3	2.9	2.5	2.4	2.3	2.0	1.8	1.8
Manufacturing	.0	-2.7	.4	1.4	1.0	1.0	.8	.8
Nonfarm business sector								
Output per hour	-3.1	.5	1.2	1.5	.8	.9	1.0	1.2
Compensation per hour	5.0	3.4	3.9	4.2	4.7	4.3	4.4	4.5
Unit labor costs	8.4	2.9	2.7	2.7	3.9	3.4	3.4	3.3
GNP implicit deflator <1>	5.4	2.8	2.8	3.1	3.7	3.7	3.8	4.1
Gross domestic business product								
fixed-weighted price index <2>	3.6	3.5	3.3	3.5	3.8	3.9	4.1	4.3
Excluding food and energy	4.6	3.3	3.9	3.9	4.1	4.2	4.4	4.5
Consumer price index (all urban)	3.2	4.2	3.3	3.6	4.0	4.1	4.3	4.5
Industrial production	2.1	2.0	2.3	3.0	2.8	2.6	2.5	2.6

<1> Excluding Federal pay increase, the rate of change in 1985-Q1 is 5.0 percent and in 1986-Q1 is 3.6 percent.
<2> Uses expenditures in 1972 as weights.

August 14, 1985

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

	1979	1980	1981	1982	1983	1984	Projected 1985	Projected 1986
Gross national product	2417.8	2631.7	2957.7	3069.2	3304.8	3662.8	3885.7	4126.2
Gross domestic purchases	2404.5	2607.7	2929.8	3050.2	3313.0	3727.0	3979.6	4238.8
Final sales	2403.5	2641.4	2931.7	3095.4	3318.3	3604.6	3861.2	4093.9
Private	1929.2	2103.7	2335.2	2444.9	2632.7	2857.2	3044.4	3226.1
Domestic final purchases	1915.9	2079.7	2307.2	2425.9	2641.0	2921.4	3138.3	3338.7
Personal consumption expenditures	1507.1	1668.0	1849.1	1984.9	2155.9	2341.8	2507.9	2659.3
Goods	813.4	883.5	966.1	1002.6	1081.5	1175.7	1236.0	1291.3
Services	693.7	784.5	883.0	982.2	1074.4	1166.1	1271.9	1367.9
Gross private domestic investment	423.0	401.9	484.2	414.9	471.6	637.8	654.9	711.7
Residential construction	118.5	102.9	104.3	91.3	132.2	153.9	163.8	184.3
Business fixed investment	290.2	308.8	353.9	349.6	352.9	425.7	466.7	495.2
Change in business inventories	14.3	-9.8	26.0	-26.1	-13.5	58.2	24.5	32.3
Nonfarm	8.6	-4.5	18.2	-23.9	-3.1	49.6	21.6	32.3
Net exports of goods and services <1>	13.2	23.9	28.0	19.0	-8.3	-64.2	-93.9	-112.6
Exports	281.3	338.8	369.9	348.4	336.2	364.3	355.6	377.8
Imports	268.1	314.8	341.9	329.4	344.4	428.5	449.6	490.5
Gov't. purchases of goods and services	474.4	537.8	596.5	650.5	685.5	747.4	816.8	867.8
Federal <2>	168.3	197.0	228.9	258.9	269.7	295.4	328.9	347.6
State and local	306.0	340.8	367.6	391.5	415.8	452.0	487.9	520.2
Gross national product in constant (1972) dollars	1479.4	1475.0	1512.1	1480.0	1534.7	1639.3	1678.4	1722.8
Personal income	1951.1	2165.3	2429.4	2584.6	2744.3	3012.1	3213.7	3425.3
Wage and salary disbursements	1237.6	1356.7	1493.1	1568.7	1659.2	1804.0	1925.0	2041.1
Disposable personal income	1650.2	1828.9	2041.7	2180.5	2340.1	2576.8	2737.7	2919.8
Saving rate (percent)	5.9	6.0	6.7	6.2	5.0	6.1	4.9	5.3
Corporate profits with I.V.A. and C.C.Adj.	194.8	175.4	190.0	159.2	225.2	285.7	289.2	292.2
Corporate profits before tax	252.7	234.6	221.3	165.6	203.2	235.7	212.4	210.3
Federal government surplus or deficit (-) (N.I.A. basis)	-16.1	-61.3	-64.2	-148.2	-178.6	-175.8	-194.9	-199.6
High employment surplus or deficit (-)	-20.8	-36.4	-31.3	-61.6	-92.7	-139.6	-158.9	-162.9
State and local government surplus or deficit (-) (N.I.A. basis)	30.6	30.6	37.6	32.9	44.1	52.9	50.9	50.8
Excluding social insurance funds	6.8	3.5	7.8	-.8	6.6	10.4	4.3	1.0
Civilian labor force (millions)	105.0	106.9	108.7	110.2	111.6	113.5	115.5	117.4
Unemployment rate (percent)	5.8	7.1	7.6	9.7	9.6	7.5	7.3	7.1
Nonfarm payroll employment (millions)	89.8	90.4	91.2	89.6	90.2	94.5	97.6	99.7
Manufacturing	21.0	20.3	20.2	18.8	18.4	19.4	19.5	19.6
Industrial production (1977=100)	110.7	108.6	111.0	103.1	109.2	121.8	124.8	128.1
Capacity utilization: all manufacturing (percent)	84.6	79.3	78.3	70.3	74.0	80.8	80.4	80.2
Materials (percent)	87.1	81.1	81.1	71.7	75.3	82.3	80.6	80.2
Housing starts, private (million units, A.R.)	1.72	1.30	1.10	1.06	1.70	1.77	1.83	1.86
New auto sales (millions, A.R.)	10.68	9.04	8.56	8.00	9.18	10.39	10.79	10.70
Domestic models	8.36	6.62	6.24	5.77	6.77	7.95	8.05	7.65
Foreign models	2.32	2.42	2.32	2.23	2.41	2.44	2.74	3.05

<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.

August 14, 1985

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

	1979	1980	1981	1982	1983	1984	1985	Projected 1986
Constant (1972) Dollars								
Gross national product	2.8	-.3	2.5	-2.1	3.7	6.8	2.4	2.6
Gross domestic purchases	2.0	-1.2	3.1	-1.2	4.9	8.7	3.4	2.6
Final sales	3.5	.5	1.5	-.7	3.2	5.0	3.3	2.5
Private	4.0	.1	1.6	-1.3	4.1	5.3	3.0	2.6
Domestic final purchases	2.9	-1.0	2.2	-.2	5.6	7.6	4.3	2.6
Personal consumption expenditures	2.7	.5	2.0	1.3	4.8	5.3	3.8	2.1
Goods	1.9	-1.4	1.7	.4	6.0	7.1	3.8	1.9
Services	3.7	2.7	2.3	2.5	3.4	3.2	3.8	2.3
Gross private domestic investment	-.2	-11.8	10.7	-15.9	13.7	31.2	1.2	5.3
Residential structures	-5.3	-20.3	-5.5	-14.8	41.7	12.2	5.0	8.9
Business fixed investment	7.3	-2.4	5.5	-4.6	2.5	19.8	7.0	3.5
Gov't. purchases of goods and services	1.3	2.2	.9	2.0	-.3	3.5	4.3	2.0
Federal	1.8	4.2	3.7	6.1	-.7	5.4	7.4	1.7
National defense	2.6	3.9	5.0	7.6	7.1	5.8	6.1	2.5
State and local	1.1	1.0	-.6	-.6	.0	2.2	2.1	2.2
Disposable personal income	2.7	.6	2.7	.9	3.5	6.7	3.0	2.7
Current Dollars								
Gross national product	11.7	8.8	12.4	3.8	7.7	10.8	6.1	6.2
Gross domestic purchases	11.1	8.5	12.3	4.1	8.6	12.5	6.8	6.5
Final sales	12.4	9.9	11.0	5.6	7.2	8.6	7.1	6.0
Personal consumption expenditures	11.9	10.7	10.9	7.3	8.6	8.6	7.1	6.0
Goods	11.7	8.6	9.3	3.8	7.9	8.7	5.1	4.5
Services	12.2	13.1	12.6	11.2	9.4	8.5	9.1	7.5
Gross private domestic investment	9.4	-5.0	20.5	-14.3	13.7	35.2	2.7	8.7
Residential structures	6.6	-13.2	1.3	-12.4	44.7	16.4	6.4	12.5
Business fixed investment	16.6	6.4	14.6	-1.2	.9	20.6	9.6	6.1
Gov't. purchases of goods and services	9.8	13.4	10.9	9.0	5.4	9.0	9.3	6.2
Federal	9.6	17.1	16.2	13.1	4.2	9.5	11.3	5.7
National defense	11.5	17.3	17.2	16.8	11.7	10.5	9.9	7.0
State and local	9.9	11.4	7.9	6.5	6.2	8.7	7.9	6.6
Disposable personal income	12.0	10.8	11.6	6.8	7.3	10.1	6.2	6.7
Personal income	12.6	11.0	12.2	6.4	6.2	9.8	6.7	6.6
Wage and salary disbursements	11.9	9.6	10.1	5.1	5.8	8.7	6.7	6.0
Corporate profits with I.V.A. and C.C.Adj.	1.2	-9.9	8.3	-16.2	41.5	26.9	1.2	1.0
Corporate profits before tax	10.3	-7.1	-5.7	-25.2	22.8	16.0	-9.9	-1.0
Nonfarm payroll employment	3.6	.6	.8	-1.7	.7	4.7	3.3	2.2
Manufacturing	2.6	-3.6	-.6	-6.9	-1.8	5.3	.4	.8
Nonfarm business sector								
Output per hour	-1.5	-.7	1.5	.2	3.5	2.7	.2	1.0
Compensation per hour	9.0	10.3	9.6	8.0	4.9	4.1	4.0	4.3
Unit labor costs	10.7	11.1	8.0	7.7	1.4	1.4	3.9	3.2
GNP implicit deflator	8.6	9.2	9.6	6.0	3.8	3.8	3.6	3.5
Gross domestic business product	9.9	9.9	9.7	5.9	3.7	4.0	3.6	3.7
fixed-weighted price index <1>	8.6	8.5	9.4	7.0	4.6	4.3	4.2	4.1
Excluding food and energy	11.3	13.5	10.3	6.1	3.2	4.3	3.6	3.9
Consumer price index (all urban)	3.9	-1.9	2.2	-7.1	5.9	11.6	2.5	2.6

<1> Uses expenditures in 1972 as weights.

August 14, 1985

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

	Fiscal Year 1984*	FRB staff estimates														
		FY1985* ^{a/}		FY1986* ^{a/}		CY1985 ^{b/}		Calendar quarters; not seasonally adjusted								
		Congress	FRB Staff	Congress	FRB Staff	CY 1984*	FRB Staff	1984	IV*	I*	II*	III	IV	1986	I	II
Unified budget receipts	966	737	736	796	781	683	746	166	174	207	189	176	182	224	199	
Unified budget outlays	842	935	936	963	968	868	941	239	230	234	233	244	240	241	242	
Surplus/deficit(-), unified budget	-175	-199	-200	-167	-186	-184	-195	-72	-56	-27	-44	-68	-59	-17	-43	
Surplus/deficit(-), off-budget agencies ³	-10	-11	-11	-5	-5	-10	-13	1	-3	-5	-5	-1	-1	-2	-1	
Combined deficit to be financed	-185	-210	-211	-172	-191	-195	-209	-71	-59	-32	-49	-69	-59	-19	-44	
Means of financing combined deficit:																
Net borrowing from public	171	n.a.	205	n.a.	184	199	201	64	42	45	54	60	50	32	42	
Decrease in cash operating balance	7	n.a.	4	n.a.	2	-6	1	13	4	-10	-3	10	2	-10	0	
Other ⁴	8	n.a.	2	n.a.	5	2	7	-6	13	-3	-2	-1	8	-3	2	
Cash operating balance, end of period	30	n.a.	27	n.a.	25	18	17	18	14	24	27	17	15	25	25	
Memo: Sponsored agency borrowing ⁵	30	n.a.	21	n.a.	20	32	23	3	4	8	6	5	5	5	5	
NIA Budget																
Receipts	688	n.a.	746	n.a.	793	705	760	722	771	730	762	776	784	799	814	
Expenditures	860	n.a.	941	n.a.	994	881	955	920	937	946	960	976	988	1000	1010	
Purchases	283	n.a.	324	n.a.	343	295	329	316	320	325	333	337	341	345	349	
Defense	215	n.a.	239	n.a.	257	222	244	232	234	241	248	251	255	258	262	
Nondefense	68	n.a.	85	n.a.	87	74	85	84	86	86	86	87	87	87	87	
All other expenditures	577	n.a.	617	n.a.	651	586	626	604	617	621	627	639	647	655	661	
Surplus/deficit(-)	-172	n.a.	-194	n.a.	-200	-176	-195	-198	-165	-216	-198	-200	-204	-201	-197	
High employment surplus/deficit(-) evaluated at 6 percent unemployment	-126	n.a.	-160	n.a.	-164	-140	-159	-169	-129	-180	-162	-165	-168	-164	-159	

^a---actual^b---estimated

n.a.---not available

1. Congressional Budget Resolution passed August 1, 1985; the unified and off-budget split is an F.R. staff estimate. Publication of the Administration's Mid-session Review budget estimates are anticipated around Labor Day.
2. The latest CBO budget estimates, which incorporate the Budget Resolution policy assumptions and the August 1985 CBO economic forecast, show revenues of \$737 billion and \$790 billion, combined unified and off-budget outlays of \$946 billion and \$965 billion, and total deficits of \$210 billion and \$175 billion in fiscal years 1985 and 1986, respectively.
- Note: Details may not add to totals due to rounding.
3. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank and Strategic Petroleum Reserve.
4. Checks issued less checks paid, accrued items and other transactions.
5. Sponsored agency borrowing includes net debt issuance by Federal Home Loan Banks, FHLBC (excluding participation certificates), FNMA (excluding mortgage-backed securities), Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, and Student Loan Marketing Association marketable debt on a payment basis. The Administration's definition of borrowing by these agencies is somewhat broader.

AUGUST 13, 1985

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

1. GNP EXPORTS AND IMPORTS 1/	ANNUAL				1984				1985				1986			
	1984-	1985-P	1986-P	Q3-	Q4-	Q1-	Q2-P	Q3-P	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P	1986	Q3-P	Q4-P
CURRENT \$, NET	-66.2	-93.9	-112.5	-90.6	-56.0	-74.5	-91.1	-100.8	-109.1	-112.8	-112.8	-114.1	-110.4			
EXPORTS OF G+S	364.3	355.6	377.8	368.6	367.2	360.7	349.5	354.6	357.7	362.1	372.0	381.6	395.6			
IMPORTS OF G+S	428.5	449.6	490.5	459.3	423.2	435.2	440.7	455.5	466.9	475.0	484.9	495.8	506.1			
CONSTANT 72 \$, NET	-15.0	-32.7	-32.8	-27.0	-13.4	-28.4	-33.8	-33.8	-34.6	-35.1	-33.7	-32.6	-30.0			
EXPORTS OF G+S	146.0	141.4	145.5	147.4	147.1	143.7	139.0	141.0	141.7	141.9	144.1	146.2	149.7			
IMPORTS OF G+S	161.1	173.9	178.2	174.4	160.5	172.1	172.7	174.7	176.2	176.9	177.6	178.7	179.6			
2. U.S. MERCHANDISE TRADE BALANCE 2/	-108.3	-137.7	-158.1	-130.0	-98.2	-118.2	-133.7	-146.0	-152.8	-155.8	-158.0	-159.9	-158.8			
EXPORTS	220.3	215.8	227.8	222.1	225.4	222.8	211.6	213.3	215.6	218.7	224.0	230.1	238.4			
AGRICULTURAL	38.4	29.8	29.9	36.9	38.3	33.5	28.4	28.2	29.1	29.3	29.9	30.0	30.3			
NONAGRICULTURAL	181.9	186.0	197.9	185.3	187.2	189.3	183.2	185.1	186.5	189.4	194.1	200.1	208.2			
IMPORTS	328.6	353.5	385.9	352.1	323.6	341.0	345.3	359.3	368.4	374.5	382.0	390.0	397.2			
PETROLEUM AND PRODUCTS	57.5	50.3	47.3	57.8	56.8	45.2	52.8	53.2	50.2	47.4	46.7	47.6	47.4			
NONPETROLEUM	271.1	303.2	338.7	294.4	266.9	295.8	292.5	306.1	318.2	327.1	335.3	342.4	349.9			
3. U.S. CURRENT ACCOUNT BALANCE	-101.5	-132.5	-149.3	-130.0	-101.9	-120.5	-128.4	-134.7	-146.3	-148.2	-148.5	-150.4	-150.1			
OF WHICH: NET INVESTMENT INCOME	19.1	20.1	21.8	13.0	16.0	10.5	20.2	25.9	23.8	22.6	22.3	21.5	20.7			
4. FOREIGN OUTLOOK 3/																
REAL GNP--TEN INDUSTRIAL 4/	3.1	2.8	2.8	4.9	3.6	0.6	4.2	3.2	2.7	2.7	2.6	2.6	2.6			
REAL GNP--NONOPEC LDC 5/	4.1	4.0	3.9	4.5	4.1	3.8	3.7	3.7	3.6	3.7	4.0	4.3	4.6			
CONSUMER PRICES--TEN IND. 4/	4.9	4.5	3.9	2.6	4.8	5.4	5.7	2.9	3.6	4.3	4.3	3.3	3.7			

1/ ECONOMIC ACTIVITY AND PRODUCT ACCOUNT DATA.

2/ INTERNATIONAL ACCOUNTS BASIS.

3/ PERCENT CHANGE, ANNUAL RATES.

4/ WEIGHTED BY MULTILATERAL TRADE-WEIGHTS OF G-10 COUNTRIES PLUS SWITZERLAND; PRICES ARE NOT SEASONALLY ADJUSTED.

5/ WEIGHTED BY SHARE IN NONOPEC LDC GNP.

P/ PROJECTED

August 14, 1985

RECENT DEVELOPMENTS

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

FY1986 CONGRESSIONAL BUDGET PLAN¹
(Fiscal years, billions of dollars)

	1986	1987	1988	Total 1986-88
Revenues:				
Baseline	793	864	953	2610
Tax increases	3	5	8	16
Budget resolution	<u>796</u>	<u>869</u>	<u>960</u>	<u>2625</u>
Total outlays²:				
Baseline	1020	1109	1196	3325
Defense cuts	-28	-45	-65	-137
Nondefense program cuts	-22	-31	-41	-94
Debt service savings	-3	-9	-18	-30
Budget resolution	<u>968</u>	<u>1024</u>	<u>1073</u>	<u>3065</u>
Total deficit:				
Baseline	227	245	244	716
Total deficit reduction	-55	-90	-132	-277
Budget resolution	<u>172</u>	<u>155</u>	<u>113</u>	<u>440</u>

- 1/ The baseline used by the Senate is shown. The House baseline deficit is larger by \$2 billion in 1986 and by lesser amounts in 1987 and 1988 because some impacts of FY1985 supplemental appropriations were included in House baseline spending estimates.
- 2/ Both the administration and the Congress have presented their budget plans on a total budget basis, which includes the outlays of off-budget entities such as the Federal Financing Bank, in this year's budget deliberations.

NOTE: Detail may not add to totals because of rounding.

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

	1985				
	Q2	Q3 ^e	June	July ^p	August ^e
<u>Treasury financing</u>					
Combined surplus/deficit(-)	-32.0	-48.8	-1.4	-24.5	-23.5
<u>Means of financing deficit:</u>					
Net cash borrowing from the public	45.2	53.8	11.9	23.9	14.5
Marketable borrowings/ repayments(-)	38.5	47.4	8.6	20.6	12.5
Bills	2.4	6.2	.6	2.6	2.3
Coupons	36.1	41.2	8.0	18.0	10.2
Nonmarketable	6.7	6.4	3.3	3.3	2.0
Decrease in the cash balance	-10.1	-2.8	-12.9	-.1	11.8
Memo: Cash balance at end of period	24.0	26.8	24.0	24.1	12.3
Other ²	-3.1	-2.2	2.4	.7	-2.8
<u>Federally sponsored credit agencies, net cash borrowing³</u>					
FHLBs	4.2	3.7	2.1	.7	1.5
FNMA	3.2	3.0	1.3	.3	1.0
Farm Credit Banks	-.7	-1.6	-.3	-.8	-.4
FHLMC	.5	.6	.2	.2	.2
SLMA	.7	.6	.2	.2	.1

e--staff estimate. p--preliminary.

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

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

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



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

TO: Federal Open Market Committee DATE: August 19, 1985
FROM: Normand Bernard SUBJECT: Greenbook Supplement
Correction

A portion of the last paragraph in the Greenbook supplement was inadvertently omitted from your first copy. The attached contains the omitted material, and for convenience of reference the rest of the original material and related table on the revised CBO budget projections.

Attachment

CONGRESSIONAL BUDGET OFFICE ECONOMIC ASSUMPTIONS
 (Calendar year, percent)

	1985	1986	1987	1988	1989	1990
Nominal GNP (yr/yr)	6.6	8.0	7.9	7.9	7.8	7.9
Real GNP (yr/yr)	2.6	3.6	3.4	3.5	3.5	3.5
CPI-U (yr/yr)	3.7	4.5	4.4	4.2	4.2	4.2
Civilian unemployment rate (CY ave.)	7.2	7.0	6.8	6.6	6.5	6.3
Three-month Treasury bill rate (CY ave.)	7.6	7.4	7.2	7.2	7.2	7.2

CONGRESSIONAL BUDGET OFFICE BASELINE BUDGET ESTIMATES¹
 (Fiscal years, billions of dollars)

	1985	1986	1987	1988	1989	1990
Revenues	737	787	853	931	1002	1083
Outlays	946	1000	1082	1174	1266	1368
Deficit	210	212	229	243	264	285

1. Estimates are shown on a total budget basis, which includes the outlays of off-budget entities.

**CONGRESSIONAL BUDGET OFFICE BUDGET ESTIMATES WITH POLICIES OF THE
 FY1986 BUDGET RESOLUTION¹**
 (Fiscal years, billions of dollars)

	1985	1986	1987	1988	1989 ²	1990 ²
Revenues	737	790	858	939	1013	1094
Outlays	946	965	1021	1082	1145	1214
Deficit	210	175	163	143	132	120
Memo: Budget Resolution deficit	210	172	155	113	n.a.	n.a.

1. Estimates are shown on a total budget basis, which includes the outlays of off-budget entities.

2. CBO extrapolations.