

July 3, 1985

## **SUMMARY AND OUTLOOK**

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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

|  | Nominal GNP |        | Real GNP |        | Gross domestic<br>business product<br>fixed-weighted<br>price index |        |                              |        | Unemployment<br>rate<br>(percent) |        |
|--|-------------|--------|----------|--------|---|--------|------------------------------|--------|-----------------------------------|--------|
|  |             |        |          |        | Total   |        | Excluding food<br>and energy |        |                                   |        |
|  | 5/15/85     | 7/3/85 | 5/15/85  | 7/3/85 | 5/15/85   | 7/3/85 | 5/15/85                      | 7/3/85 | 5/15/85                           | 7/3/85 |
| <b>Annual changes:</b>                 |             |        |          |        |   |        |                              |        |                                   |        |
| 1983                                   | <1>         | 7.7    | 7.7      | 3.7    | 3.7   | 3.7    | 3.7                          | 4.6    | 4.6                               | 9.6    |
| 1984                                   | <1>         | 10.8   | 10.8     | 6.8    | 6.8   | 4.0    | 4.0                          | 4.3    | 4.3                               | 7.5    |
| 1985                                   |             | 6.5    | 6.2      | 2.8    | 2.5   | 3.7    | 3.7                          | 4.3    | 4.3                               | 7.2    |
| 1986                                   |             | 6.3    | 6.2      | 2.7    | 2.7   | 3.7    | 3.7                          | 4.0    | 4.1                               | 7.0    |
| <b>Quarterly changes:</b>              |             |        |          |        |   |        |                              |        |                                   |        |
| 1984                                   | Q1          | 14.9   | 14.9     | 10.1   | 10.1  | 4.2    | 4.2                          | 3.4    | 3.4                               | 7.9    |
|  | Q2          | 10.7   | 10.7     | 7.1    | 7.1   | 4.1    | 4.1                          | 5.4    | 5.4                               | 7.5    |
|  | Q3          | 5.6    | 5.6      | 1.6    | 1.6   | 4.0    | 4.0                          | 4.9    | 4.9                               | 7.4    |
|  | Q4          | 7.1    | 7.1      | 4.3    | 4.3   | 3.5    | 3.5                          | 3.9    | 3.9                               | 7.2    |
|  | Q1          | 6.7    | 5.6      | 1.3    | .3  | 3.7    | 3.6                          | 5.1    | 4.6                               | 7.3    |
|  | Q2          | 5.3    | 5.0      | 2.3    | 2.1   | 3.5    | 3.7                          | 3.7    | 3.9                               | 7.3    |
|  | Q3          | 6.3    | 6.4      | 3.5    | 3.5   | 3.3    | 3.2                          | 3.6    | 3.8                               | 7.2    |
|  | Q4          | 6.3    | 6.3      | 3.0    | 3.0   | 3.5    | 3.4                          | 3.7    | 3.9                               | 7.1    |
| 1986                                   | Q1          | 6.5    | 6.4      | 2.6    | 2.7   | 3.8    | 3.7                          | 4.0    | 4.0                               | 7.0    |
|  | Q2          | 6.0    | 6.0      | 2.5    | 2.3   | 3.9    | 3.9                          | 4.1    | 4.2                               | 7.0    |
|  | Q3          | 6.3    | 6.2      | 2.5    | 2.3   | 4.1    | 4.1                          | 4.4    | 4.4                               | 7.0    |
|  | Q4          | 6.8    | 6.7      | 2.5    | 2.5   | 4.3    | 4.3                          | 4.4    | 4.5                               | 7.0    |
| <b>Two-quarter changes: &lt;2&gt;</b>  |             |        |          |        |   |        |                              |        |                                   |        |
| 1984                                   | Q2          | <1>    | 12.8     | 12.8   | 8.6   | 8.6    | 4.2                          | 4.4    | 4.4                               | -1.0   |
|  | Q4          | <1>    | 6.4      | 6.4    | 2.9   | 2.9    | 3.8                          | 4.4    | 4.4                               | -.3    |
| 1985                                   | Q2          |        | 6.0      | 5.3    | 1.8   | 1.2    | 3.6                          | 3.7    | 4.4                               | .1     |
|  | Q4          |        | 6.3      | 6.3    | 3.3   | 3.3    | 3.4                          | 3.6    | 3.8                               | -.2    |
| 1986                                   | Q2          |        | 6.3      | 6.2    | 2.6   | 2.5    | 3.8                          | 3.8    | 4.1                               | -.1    |
|  | Q4          |        | 6.5      | 6.5    | 2.5   | 2.4    | 4.2                          | 4.2    | 4.4                               | .0     |
| <b>Four-quarter changes: &lt;3&gt;</b> |             |        |          |        |   |        |                              |        |                                   |        |
| 1983                                   | Q4          | <1>    | 10.4     | 10.4   | 6.3   | 6.3    | 3.7                          | 3.7    | 4.4                               | -2.1   |
| 1984                                   | Q4          | <1>    | 9.5      | 9.5    | 5.7   | 5.7    | 4.0                          | 4.0    | 4.4                               | -1.3   |
| 1985                                   | Q4          |        | 6.1      | 5.8    | 2.5   | 2.2    | 3.5                          | 3.5    | 4.0                               | -.1    |
| 1986                                   | Q4          |        | 6.4      | 6.3    | 2.5   | 2.5    | 4.0                          | 4.0    | 4.3                               | -.1    |

&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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**GROSS 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     |
| <b>Gross National Product</b>  | 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 |
| <b>Personal consumption expenditures</b>                               | 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 |
| <b>Gross private domestic investment</b>                               | 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   |
| <b>Net exports of goods and services &lt;1&gt;</b>                     | 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  |
| <b>Gov't. purchases of goods and services</b>                          | 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  |
| <b>Gross national product in constant (1972) dollars</b>               | 1491.0 | 1524.8 | 1550.2 | 1572.7 | 1610.9 | 1638.8 | 1645.2 | 1662.4 |
| <b>Personal income</b>   | 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    |
| <b>Corporate profits with I.V.A. and C.C. Adj.</b>                     | 179.1  | 216.7  | 245.0  | 260.0  | 277.4  | 291.1  | 282.8  | 291.6  |
| <b>Corporate profits before tax</b>                                    | 161.7  | 198.2  | 227.4  | 225.5  | 243.3  | 246.0  | 224.8  | 228.7  |
| <b>Federal government surplus or deficit (-) (N.I.A. basis)</b>        | -185.7 | -167.3 | -180.9 | -180.5 | -161.3 | -163.7 | -180.6 | -197.8 |
| <b>High employment surplus or deficit (-) &lt;3&gt;</b>                | -80.9  | -74.2  | -102.5 | -113.1 | -113.3 | -129.6 | -146.1 | -169.3 |
| <b>State and local government surplus or deficit(-) (N.I.A. basis)</b> | 34.1   | 43.9   | 47.4   | 51.2   | 53.9   | 54.5   | 47.6   | 55.6   |
| <b>Excluding social insurance funds</b>                                | -1.9   | 7.0    | 9.5    | 12.0   | 13.4   | 12.6   | 4.3    | 11.1   |
| <b>Civilian labor force (millions)</b>                                 | 110.7  | 111.2  | 112.1  | 112.1  | 112.7  | 113.5  | 113.8  | 114.2  |
| <b>Unemployment rate (percent)</b>                                     | 10.4   | 10.1   | 9.3    | 8.5    | 7.9    | 7.5    | 7.4    | 7.2    |
| <b>Nonfarm payroll employment</b>                                      | 88.8   | 89.6   | 90.5   | 91.8   | 93.0   | 94.0   | 94.9   | 95.8   |
| <b>Manufacturing</b>   | 18.1   | 18.3   | 18.5   | 18.9   | 19.2   | 19.4   | 19.5   | 19.6   |
| <b>Industrial production (1967=100)</b>                                | 138.5  | 144.5  | 151.8  | 155.5  | 159.8  | 163.1  | 165.6  | 164.7  |
| Capacity utilization: all manufacturing (percent)                      | 70.7   | 73.8   | 77.4   | 78.9   | 80.7   | 81.8   | 82.5   | 81.6   |
| Materials (percent)  | 70.1   | 73.5   | 77.5   | 79.6   | 81.6   | 82.7   | 82.9   | 80.7   |
| <b>Housing starts, private (million units, A.R.)</b>                   | 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   | 2.65   | 2.30   | 2.38   | 2.36   | 2.79   |

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

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

<3> Estimates in table are evaluated at a 6 percent high employment unemployment rate.

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

|  | 1983  |       |      |      | 1984 |      |       |       |
|--|-------|-------|------|------|------|------|-------|-------|
|  | Q1    | Q2    | Q3   | Q4   | Q1   | Q2   | Q3    | Q4    |
| <b>Constant (1972) Dollars</b>             |       |       |      |      |      |      |       |       |
| 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   |
| <b>Current Dollars</b>                     |       |       |      |      |      |      |       |       |
| 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.Adj. | 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                              | -.9   | 5.0   | 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                      | 10.1  | 18.4  | 21.8 | 10.2 | 11.5 | 8.6  | 6.3   | -2.3  |

&lt;1&gt; Excluding the federal pay increase, the rate of change in 1983-Q4 was 4.4 percent.

&lt;2&gt; Uses expenditures in 1972 as weights.

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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.)

|   | Projected |        |        |        |        |        |        |        |
|---|-----------|--------|--------|--------|--------|--------|--------|--------|
|   | 1985      |        |        |        | 1986   |        |        |        |
|   | Q1        | Q2     | Q3     | Q4     | Q1     | Q2     | Q3     | Q4     |
| Gross National Product  | 3810.6    | 3857.7 | 3917.7 | 3978.1 | 4040.5 | 4099.5 | 4161.6 | 4229.7 |
| Gross domestic purchases  | 3885.1    | 3951.8 | 4018.2 | 4082.8 | 4143.5 | 4204.2 | 4267.7 | 4332.6 |
| Final sales   | 3770.0    | 3829.0 | 3886.3 | 3945.1 | 4006.2 | 4064.9 | 4127.7 | 4196.0 |
| Private   | 2978.1    | 3022.2 | 3061.8 | 3108.0 | 3156.0 | 3203.2 | 3253.6 | 3308.3 |
| Domestic final purchases  | 3052.6    | 3116.4 | 3162.2 | 3212.7 | 3259.1 | 3307.9 | 3359.7 | 3411.2 |
| Personal consumption expenditures                               | 2446.5    | 2493.5 | 2524.8 | 2559.8 | 2595.5 | 2634.3 | 2675.7 | 2716.7 |
| Goods   | 1212.1    | 1235.3 | 1245.8 | 1258.5 | 1272.0 | 1287.0 | 1302.9 | 1318.0 |
| Services  | 1234.4    | 1258.2 | 1279.0 | 1301.3 | 1323.5 | 1347.3 | 1372.8 | 1398.7 |
| Gross private domestic investment                               | 646.8     | 651.6  | 668.8  | 685.9  | 697.9  | 708.2  | 718.0  | 728.2  |
| Residential structures  | 155.2     | 160.0  | 168.0  | 176.5  | 180.0  | 183.0  | 186.0  | 189.0  |
| Business fixed investment                                       | 450.9     | 462.9  | 469.4  | 476.4  | 483.6  | 490.6  | 498.1  | 505.5  |
| Change in business inventories                                  | 40.7      | 28.7   | 31.4   | 33.0   | 34.3   | 34.6   | 33.9   | 33.7   |
| Nonfarm   | 34.1      | 22.9   | 29.0   | 31.0   | 33.3   | 33.6   | 32.9   | 32.7   |
| Net exports of goods and services <1>                           | -74.5     | -94.2  | -100.5 | -104.7 | -103.0 | -104.7 | -106.2 | -102.9 |
| Exports   | 360.7     | 351.3  | 355.5  | 360.3  | 366.2  | 374.1  | 383.2  | 395.7  |
| Imports   | 435.2     | 445.5  | 456.0  | 465.0  | 469.3  | 478.8  | 489.3  | 498.6  |
| Gov't. purchases of goods and services                          | 791.9     | 806.7  | 824.5  | 837.1  | 850.1  | 861.7  | 874.1  | 887.7  |
| Federal <2>   | 319.9     | 325.0  | 334.4  | 338.7  | 343.9  | 347.7  | 352.2  | 357.7  |
| State and local   | 472.0     | 481.7  | 490.1  | 498.4  | 506.2  | 514.0  | 521.9  | 530.0  |
| Gross national product in constant (1972) dollars               | 1663.5    | 1672.1 | 1686.6 | 1699.3 | 1710.7 | 1720.5 | 1730.4 | 1741.2 |
| Personal income   | 3143.8    | 3179.2 | 3237.8 | 3293.8 | 3345.3 | 3398.7 | 3451.1 | 3508.0 |
| Wage and salary disbursements                                   | 1882.7    | 1908.3 | 1939.0 | 1968.9 | 1998.0 | 2027.4 | 2056.4 | 2086.6 |
| Disposable personal income                                      | 2654.8    | 2732.7 | 2760.0 | 2803.3 | 2855.2 | 2897.4 | 2938.8 | 2983.5 |
| Saving rate (percent)   | 4.5       | 5.3    | 5.0    | 5.2    | 5.6    | 5.5    | 5.3    | 5.3    |
| Corporate profits with I.V.A. and C.C. Adj.                     | 292.3     | 293.0  | 292.4  | 293.8  | 291.0  | 290.7  | 292.2  | 296.5  |
| Corporate profits before tax                                    | 222.3     | 220.0  | 215.9  | 213.3  | 207.0  | 204.2  | 202.7  | 204.5  |
| Federal government surplus or deficit (-)<br>(N.I.A. basis)     | -165.1    | -210.5 | -197.8 | -194.8 | -192.3 | -191.3 | -190.2 | -191.2 |
| High employment surplus or deficit (-) <3>                      | -129.4    | -175.3 | -164.2 | -162.0 | -159.3 | -157.2 | -154.8 | -155.0 |
| State and local government surplus or deficit(-) (N.I.A. basis) | 53.7      | 54.2   | 52.3   | 51.5   | 50.3   | 49.8   | 50.4   | 51.3   |
| Excluding social insurance funds                                | 8.3       | 8.0    | 5.3    | 3.7    | 1.7    | .4     | .2     | .3     |
| Civilian labor force (millions)                                 | 115.2     | 115.4  | 115.9  | 116.3  | 116.8  | 117.2  | 117.7  | 118.2  |
| Unemployment rate (percent)                                     | 7.3       | 7.3    | 7.2    | 7.1    | 7.1    | 7.1    | 7.1    | 7.1    |
| Nonfarm payroll employment                                      | 96.6      | 97.4   | 98.0   | 98.6   | 99.1   | 99.5   | 100.0  | 100.4  |
| Manufacturing   | 19.6      | 19.5   | 19.5   | 19.6   | 19.7   | 19.7   | 19.8   | 19.8   |
| Industrial production (1967=100)                                | 165.5     | 165.5  | 166.4  | 167.6  | 168.7  | 169.7  | 170.9  | 172.0  |
| Capacity utilization: all manufacturing (percent)               | 81.1      | 80.4   | 80.2   | 80.0   | 79.9   | 79.8   | 79.7   | 79.7   |
| Materials (percent)   | 80.7      | 79.8   | 79.6   | 79.5   | 79.4   | 79.3   | 79.3   | 79.2   |
| Housing starts, private (million units, A.R.)                   | 1.80      | 1.80   | 1.90   | 1.90   | 1.90   | 1.85   | 1.85   | 1.85   |
| New auto sales (millions, A.R.)                                 | 10.87     | 11.10  | 11.00  | 10.80  | 10.80  | 10.70  | 10.70  | 10.60  |
| Domestic models   | 8.46      | 8.40   | 8.10   | 7.80   | 7.80   | 7.70   | 7.60   | 7.50   |
| Foreign models  | 2.42      | 2.70   | 2.90   | 3.00   | 3.00   | 3.00   | 3.10   | 3.10   |

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

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

&lt;3&gt; 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)

|  | Projected |      |      |      |       |      |      |     |
|--|-----------|------|------|------|-------|------|------|-----|
|  | 1985      |      |      |      | 1986  |      |      |     |
|  | Q1        | Q2   | Q3   | Q4   | Q1    | Q2   | Q3   | Q4  |
| <b>Constant (1972) Dollars</b>             |           |      |      |      |       |      |      |     |
| Gross national product                     | .3        | 2.1  | 3.5  | 3.0  | 2.7   | 2.3  | 2.3  | 2.5 |
| Gross domestic purchases                   | 3.9       | 3.1  | 3.6  | 3.0  | 2.4   | 2.0  | 2.0  | 2.0 |
| Final sales                                | -3.3      | 3.8  | 3.3  | 2.9  | 2.6   | 2.4  | 2.4  | 2.6 |
| Private                                    | -4.4      | 3.9  | 3.1  | 3.1  | 2.8   | 2.6  | 2.5  | 2.7 |
| Domestic final purchases                   | 4.1       | 5.2  | 3.2  | 3.1  | 2.5   | 2.2  | 2.2  | 2.0 |
| Personal consumption expenditures          | 5.2       | 4.2  | 2.2  | 2.1  | 2.1   | 2.0  | 2.0  | 1.8 |
| Goods                                      | 5.4       | 5.7  | 2.2  | 2.2  | 2.2   | 2.0  | 1.9  | 1.6 |
| Services                                   | 5.0       | 2.4  | 2.2  | 2.1  | 2.1   | 2.1  | 2.1  | 2.0 |
| Gross private domestic investment          | 3.1       | -1.1 | 8.2  | 7.6  | 4.1   | 2.8  | 2.2  | 2.4 |
| Residential structures                     | 5.3       | 10.4 | 17.9 | 17.5 | 4.5   | 2.9  | 2.5  | 2.5 |
| Business fixed investment                  | -1.6      | 9.0  | 4.1  | 4.1  | 3.8   | 3.1  | 3.1  | 3.0 |
| Gov't. purchases of goods and services     | .3        | 3.6  | 4.3  | 2.0  | 1.8   | 1.3  | 1.9  | 2.3 |
| Federal                                    | .7        | 3.9  | 6.8  | 1.3  | 1.6   | .5   | 1.9  | 2.9 |
| National defense                           | -2.2      | 8.5  | 9.2  | 2.1  | 1.7   | .8   | 2.5  | 4.1 |
| State and local                            | .0        | 3.4  | 2.4  | 2.4  | 2.0   | 2.0  | 1.9  | 1.9 |
| Disposable personal income                 | -1.6      | 8.3  | 1.2  | 2.9  | 4.0   | 2.0  | 1.4  | 1.7 |
| <b>Current Dollars</b>                     |           |      |      |      |       |      |      |     |
| Gross national product                     | 5.6       | 5.0  | 6.4  | 6.3  | 6.4   | 6.0  | 6.2  | 6.7 |
| Gross domestic purchases                   | 7.6       | 7.0  | 6.9  | 6.6  | 6.1   | 6.0  | 6.2  | 6.2 |
| Final sales                                | 5.2       | 6.4  | 6.1  | 6.2  | 6.3   | 6.0  | 6.3  | 6.8 |
| Personal consumption expenditures          | 8.6       | 7.9  | 5.1  | 5.7  | 5.7   | 6.1  | 6.4  | 6.3 |
| Goods                                      | 6.6       | 7.9  | 3.4  | 4.1  | 4.4   | 4.8  | 5.0  | 4.7 |
| Services                                   | 10.6      | 7.9  | 6.8  | 7.2  | 7.0   | 7.4  | 7.8  | 7.8 |
| Gross private domestic investment          | 5.8       | 3.0  | 11.0 | 10.6 | 7.2   | 6.0  | 5.6  | 5.8 |
| Residential structures                     | 4.6       | 12.9 | 21.6 | 21.8 | 8.2   | 6.8  | 6.7  | 6.6 |
| Business fixed investment                  | 3.0       | 11.1 | 5.7  | 6.0  | 6.2   | 5.9  | 6.2  | 6.1 |
| Gov't. purchases of goods and services     | 5.9       | 7.7  | 9.1  | 6.2  | 6.3   | 5.6  | 5.9  | 6.4 |
| Federal                                    | 5.4       | 6.5  | 12.1 | 5.2  | 6.3   | 4.5  | 5.3  | 6.4 |
| National defense                           | 4.0       | 11.0 | 15.5 | 6.8  | 6.3   | 5.2  | 6.6  | 8.1 |
| State and local                            | 6.3       | 8.5  | 7.2  | 6.9  | 6.4   | 6.3  | 6.3  | 6.4 |
| Disposable personal income                 | 1.6       | 12.3 | 4.1  | 6.4  | 7.6   | 6.1  | 5.8  | 6.2 |
| Personal income                            | 6.3       | 4.6  | 7.6  | 7.1  | 6.4   | 6.5  | 6.3  | 6.8 |
| Wage and salary disbursements              | 7.8       | 5.6  | 6.6  | 6.3  | 6.0   | 6.0  | 5.9  | 6.0 |
| Corporate profits with I.V.A. and C.C.Adj. | 1.0       | 1.0  | -.9  | 2.0  | -3.8  | -.4  | 2.0  | 6.0 |
| Corporate profits before tax               | -10.7     | -4.1 | -7.3 | -4.6 | -11.4 | -5.2 | -3.0 | 3.5 |
| Nonfarm payroll employment                 | 3.3       | 3.2  | 2.6  | 2.2  | 2.0   | 1.9  | 1.8  | 1.8 |
| Manufacturing                              | .0        | -2.0 | 1.7  | 1.6  | 1.2   | 1.0  | 1.0  | .8  |
| Nonfarm business sector                    |           |      |      |      |       |      |      |     |
| Output per hour                            | -2.5      | -.4  | 1.6  | 1.3  | 1.3   | .6   | .9   | 1.0 |
| Compensation per hour                      | 5.4       | 4.2  | 4.3  | 4.3  | 4.7   | 4.3  | 4.4  | 4.5 |
| Unit labor costs                           | 8.1       | 4.6  | 2.7  | 3.0  | 3.4   | 3.7  | 3.5  | 3.5 |
| GNP implicit deflator <1>                  | 5.4       | 2.9  | 2.8  | 3.2  | 3.6   | 3.6  | 3.8  | 4.1 |
| Gross domestic business product            |           |      |      |      |       |      |      |     |
| fixed-weighted price index <2>             | 3.6       | 3.7  | 3.2  | 3.4  | 3.7   | 3.9  | 4.1  | 4.3 |
| Excluding food and energy                  | 4.6       | 3.9  | 3.8  | 3.9  | 4.0   | 4.2  | 4.4  | 4.5 |
| Consumer price index (all urban)           | 3.2       | 4.1  | 3.3  | 3.4  | 3.8   | 4.0  | 4.2  | 4.4 |
| Industrial production                      | 2.0       | .0   | 2.3  | 2.9  | 2.6   | 2.6  | 2.6  | 2.8 |

<1> Excluding Federal pay increase, the rate of change in 1985-Q1 is 5.0 percent and in 1986-Q1 is 3.5 percent.  
<2> Uses expenditures in 1972 as weights.

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   | 1985   | Projected<br>1986 |
|--|--------|--------|--------|--------|--------|--------|--------|-------------------|
| Gross national product   | 2417.8 | 2631.7 | 2957.7 | 3069.2 | 3304.8 | 3662.8 | 3891.0 | 4132.8            |
| Gross domestic purchases   | 2404.5 | 2607.7 | 2929.8 | 3050.2 | 3313.0 | 3727.1 | 3984.5 | 4237.0            |
| Final sales  | 2403.5 | 2641.4 | 2931.7 | 3095.4 | 3318.3 | 3604.6 | 3857.6 | 4098.7            |
| Private  | 1929.2 | 2103.7 | 2335.2 | 2444.9 | 2632.7 | 2857.2 | 3042.5 | 3230.3            |
| Domestic final purchases   | 1915.9 | 2079.7 | 2307.2 | 2425.9 | 2641.0 | 2921.4 | 3136.0 | 3334.5            |
| Personal consumption expenditures                                | 1507.1 | 1668.0 | 1849.1 | 1984.9 | 2155.9 | 2341.8 | 2506.1 | 2655.6            |
| Goods  | 813.4  | 883.5  | 966.1  | 1002.6 | 1081.5 | 1175.6 | 1237.9 | 1295.0            |
| Services   | 693.7  | 784.5  | 883.0  | 982.2  | 1074.4 | 1166.2 | 1268.2 | 1360.6            |
| Gross private domestic investment                                | 423.0  | 401.9  | 484.2  | 414.9  | 471.6  | 637.9  | 663.3  | 713.0             |
| Residential construction   | 118.5  | 102.9  | 104.3  | 91.3   | 132.2  | 153.9  | 164.9  | 184.5             |
| Business fixed investment  | 290.2  | 308.8  | 353.9  | 349.6  | 352.9  | 425.8  | 464.9  | 494.4             |
| Change in business inventories                                   | 14.3   | -9.8   | 26.0   | -26.1  | -13.5  | 58.2   | 33.4   | 34.1              |
| Nonfarm  | 8.6    | -4.5   | 18.2   | -23.9  | -3.1   | 49.6   | 29.3   | 33.1              |
| Net exports of goods and services <1>                            | 13.2   | 23.9   | 28.0   | 19.0   | -8.3   | -64.2  | -93.5  | -104.2            |
| Exports  | 281.3  | 338.8  | 369.9  | 348.4  | 336.2  | 364.3  | 357.0  | 379.8             |
| Imports  | 268.1  | 314.8  | 341.9  | 329.4  | 344.4  | 428.5  | 450.4  | 484.0             |
| Gov't. purchases of goods and services                           | 474.4  | 537.8  | 596.5  | 650.5  | 685.5  | 747.4  | 815.1  | 868.4             |
| Federal <2>  | 168.3  | 197.0  | 228.9  | 258.9  | 269.7  | 295.4  | 329.5  | 350.4             |
| State and local  | 306.0  | 340.8  | 367.6  | 391.5  | 415.8  | 452.0  | 485.6  | 518.0             |
| Gross national product in constant (1972) dollars                | 1479.4 | 1475.0 | 1512.1 | 1480.0 | 1534.7 | 1639.3 | 1680.4 | 1725.7            |
| Personal income  | 1951.1 | 2165.3 | 2429.4 | 2584.6 | 2744.3 | 3012.1 | 3213.6 | 3425.8            |
| Wage and salary disbursements                                    | 1237.6 | 1356.7 | 1493.1 | 1568.7 | 1659.2 | 1804.0 | 1924.7 | 2042.1            |
| Disposable personal income                                       | 1650.2 | 1828.9 | 2041.7 | 2180.5 | 2340.1 | 2576.8 | 2737.7 | 2918.7            |
| Saving rate (percent)  | 5.9    | 6.0    | 6.7    | 6.2    | 5.0    | 6.1    | 5.0    | 5.4               |
| Corporate profits with I.V.A. and C.C.Adj.                       | 194.8  | 175.4  | 190.0  | 159.2  | 225.1  | 285.8  | 292.9  | 292.6             |
| Corporate profits before tax                                     | 252.7  | 234.6  | 221.3  | 165.6  | 203.1  | 235.7  | 217.9  | 204.6             |
| Federal government surplus or deficit (-)<br>(N.I.A. basis)      | -16.1  | -61.3  | -64.2  | -148.2 | -178.6 | -175.9 | -192.0 | -191.3            |
| High employment surplus or deficit (-)                           | -20.8  | -36.4  | -31.3  | -61.6  | -92.7  | -139.6 | -157.7 | -156.6            |
| State and local government surplus or deficit (-) (N.I.A. basis) | 30.6   | 30.6   | 37.6   | 32.9   | 44.1   | 52.9   | 52.9   | 50.4              |
| Excluding social insurance funds                                 | 6.8    | 3.5    | 7.8    | -.8    | 6.6    | 10.4   | 6.3    | .6                |
| Civilian labor force (millions)                                  | 105.0  | 106.9  | 108.7  | 110.2  | 111.6  | 113.5  | 115.7  | 117.5             |
| Unemployment rate (percent)                                      | 5.8    | 7.1    | 7.6    | 9.7    | 9.6    | 7.5    | 7.2    | 7.1               |
| Nonfarm payroll employment (millions)                            | 89.8   | 90.4   | 91.2   | 89.6   | 90.2   | 94.5   | 97.7   | 99.7              |
| Manufacturing  | 21.0   | 20.3   | 20.2   | 18.8   | 18.4   | 19.4   | 19.5   | 19.8              |
| Industrial production (1967=100)                                 | 152.5  | 147.0  | 150.9  | 138.6  | 147.6  | 163.3  | 166.2  | 170.3             |
| Capacity utilization: all manufacturing (percent)                | 86.0   | 79.6   | 79.4   | 71.1   | 75.2   | 81.6   | 80.4   | 79.8              |
| Materials (percent)  | 87.6   | 80.4   | 80.7   | 70.1   | 75.2   | 82.0   | 79.9   | 79.3              |
| Housing starts, private (million units, A.R.)                    | 1.72   | 1.30   | 1.10   | 1.06   | 1.70   | 1.77   | 1.85   | 1.86              |
| New auto sales (millions, A.R.)                                  | 10.68  | 9.04   | 8.56   | 8.00   | 9.18   | 10.39  | 10.94  | 10.70             |
| Domestic models  | 8.36   | 6.62   | 6.24   | 5.77   | 6.77   | 7.95   | 8.19   | 7.65              |
| Foreign models   | 2.32   | 2.42   | 2.32   | 2.23   | 2.41   | 2.44   | 2.75   | 3.05              |

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

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

|  | 1979 | 1980  | 1981 | 1982  | 1983 | 1984 | <u>Projected</u> |      |
|--|------|-------|------|-------|------|------|------------------|------|
|  |      |       |      |       |      |      | 1985             | 1986 |
| <b>Constant (1972) Dollars</b>             |      |       |      |       |      |      |                  |      |
| Gross national product                     | 2.8  | -.3   | 2.5  | -2.1  | 3.7  | 6.8  | 2.5              | 2.7  |
| Gross domestic purchases                   | 2.0  | -1.2  | 3.1  | -1.2  | 4.9  | 8.7  | 3.5              | 2.6  |
| Final sales                                | 3.5  | .5    | 1.5  | -.7   | 3.2  | 5.0  | 3.2              | 2.8  |
| Private                                    | 4.0  | .1    | 1.6  | -1.3  | 4.1  | 5.3  | 2.9              | 2.9  |
| Domestic final purchases                   | 2.9  | -1.0  | 2.2  | -.2   | 5.6  | 7.6  | 4.2              | 2.7  |
| Personal consumption expenditures          | 2.7  | .5    | 2.0  | 1.3   | 4.8  | 5.3  | 3.7              | 2.2  |
| Goods                                      | 1.9  | -1.4  | 1.7  | .4    | 6.0  | 7.1  | 4.0              | 2.3  |
| Services                                   | 3.7  | 2.7   | 2.3  | 2.5   | 3.4  | 3.2  | 3.4              | 2.1  |
| Gross private domestic investment          | -.2  | -11.8 | 10.7 | -15.9 | 13.7 | 31.2 | 2.0              | 4.3  |
| Residential structures                     | -5.3 | -20.3 | -5.5 | -14.8 | 41.7 | 12.1 | 4.8              | 8.0  |
| Business fixed investment                  | 7.3  | -2.4  | 5.5  | -4.6  | 2.5  | 19.8 | 6.5              | 3.9  |
| Gov't. purchases of goods and services     | 1.3  | 2.2   | .9   | 2.0   | -.3  | 3.5  | 4.2              | 2.2  |
| Federal                                    | 1.8  | 4.2   | 3.7  | 6.1   | -.7  | 5.4  | 7.7              | 2.2  |
| National defense                           | 2.6  | 3.9   | 5.0  | 7.6   | 7.1  | 5.8  | 6.3              | 3.1  |
| State and local                            | 1.1  | 1.0   | -.6  | -.6   | .0   | 2.2  | 1.8              | 2.2  |
| Disposable personal income                 | 2.7  | .6    | 2.7  | .9    | 3.5  | 6.7  | 3.0              | 2.8  |
| <b>Current Dollars</b>                     |      |       |      |       |      |      |                  |      |
| Gross national product                     | 11.7 | 8.8   | 12.4 | 3.8   | 7.7  | 10.8 | 6.2              | 6.2  |
| Gross domestic purchases                   | 11.1 | 8.5   | 12.3 | 4.1   | 8.6  | 12.5 | 6.9              | 6.3  |
| Final sales                                | 12.4 | 9.9   | 11.0 | 5.6   | 7.2  | 8.6  | 7.0              | 6.2  |
| Personal consumption expenditures          | 11.9 | 10.7  | 10.9 | 7.3   | 8.6  | 8.6  | 7.0              | 6.0  |
| Goods                                      | 11.7 | 8.6   | 9.3  | 3.8   | 7.9  | 8.7  | 5.3              | 4.6  |
| Services                                   | 12.2 | 13.1  | 12.6 | 11.2  | 9.4  | 8.5  | 8.8              | 7.3  |
| Gross private domestic investment          | 9.4  | -5.0  | 20.5 | -14.3 | 13.7 | 35.2 | 4.0              | 7.5  |
| Residential structures                     | 6.6  | -13.2 | 1.3  | -12.4 | 44.7 | 16.4 | 7.2              | 11.9 |
| Business fixed investment                  | 16.6 | 6.4   | 14.6 | -1.2  | .9   | 20.6 | 9.2              | 6.3  |
| Gov't. purchases of goods and services     | 9.8  | 13.4  | 10.9 | 9.0   | 5.4  | 9.0  | 9.1              | 6.5  |
| Federal                                    | 9.6  | 17.1  | 16.2 | 13.1  | 4.2  | 9.5  | 11.5             | 6.3  |
| National defense                           | 11.5 | 17.3  | 17.2 | 16.8  | 11.7 | 10.5 | 10.1             | 7.7  |
| State and local                            | 9.9  | 11.4  | 7.9  | 6.5   | 6.2  | 8.7  | 7.4              | 6.7  |
| Disposable personal income                 | 12.0 | 10.8  | 11.6 | 6.8   | 7.3  | 10.1 | 6.2              | 6.6  |
| 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              | 6.1  |
| Corporate profits with I.V.A. and C.C.Adj. | 1.2  | -9.9  | 8.3  | -16.2 | 41.5 | 26.9 | 2.5              | -.1  |
| Corporate profits before tax               | 10.3 | -7.1  | -5.7 | -25.2 | 22.8 | 16.0 | -7.6             | -6.1 |
| Nonfarm payroll employment                 | 3.6  | .6    | .8   | -1.7  | .7   | 4.7  | 3.4              | 2.1  |
| Manufacturing                              | 2.6  | -3.6  | -.6  | -6.9  | -1.8 | 5.3  | .7               | 1.1  |
| 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  | 4.3              | 4.4  |
| Unit labor costs                           | 10.7 | 11.1  | 8.0  | 7.7   | 1.4  | 1.4  | 4.2              | 3.4  |
| GNP implicit deflator                      | 8.6  | 9.2   | 9.6  | 6.0   | 3.8  | 3.8  | 3.6              | 3.4  |
| Gross domestic business product            |      |       |      |       |      |      |                  |      |
| fixed-weighted price index <1>             | 9.9  | 9.9   | 9.7  | 5.9   | 3.7  | 4.0  | 3.7              | 3.7  |
| Excluding food and energy                  | 8.6  | 8.5   | 9.4  | 7.0   | 4.6  | 4.3  | 4.3              | 4.1  |
| Consumer price index (all urban)           | 11.3 | 13.5  | 10.3 | 6.1   | 3.2  | 4.3  | 3.6              | 3.8  |
| Industrial production                      | 4.4  | -3.6  | 2.6  | -8.1  | 6.4  | 10.7 | 1.8              | 2.5  |

&lt;1&gt; Uses expenditures in 1972 as weights.

July 3, 1985

FEDERAL SECTOR ACCOUNTS  
(Billions of dollars)

|  | Fiscal Year 1984* | FRB staff estimates                  |      |                                      |      |                 |      |  |      |      |      |      |      |      |      |
|--|-------------------|--------------------------------------|------|--------------------------------------|------|-----------------|------|--|------|------|------|------|------|------|------|
|  |                   | FY1985e/2/<br>1/ Admin.<br>PRB Staff |      | FY1986e/2/<br>1/ Admin.<br>PRB Staff |      | CY1985<br>1984* |      | Calendar quarters; not seasonally adjusted |      |      |      |      |      |      |      |
|  |                   | IV*                                  | I*   | II                                   | III  | IV              | I    | II   | III  |      |      |      |      |      |      |
| Unified budget receipts  | 666               | 741                                  | 732  | 794                                  | 784  | 683             | 740  | 166  | 174  | 206  | 187  | 174  | 184  | 229  | 197  |
| Unified budget outlays   | 842               | 944                                  | 940  | 971                                  | 969  | 868             | 948  | 239  | 230  | 237  | 235  | 246  | 241  | 241  | 242  |
| Surplus/deficit(-), unified budget                                     | -175              | -203                                 | -208 | -177                                 | -185 | -184            | -207 | -72  | -56  | -31  | -48  | -72  | -57  | -12  | -44  |
| Surplus/deficit(-), off-budget agencies <sup>3</sup>                   | -10               | -10                                  | -11  | -1                                   | -5   | -10             | -13  | 1  | -3   | -5   | -4   | -1   | -1   | -2   | -1   |
| Combined deficit to be financed  | -185              | -213                                 | -219 | -177                                 | -189 | -195            | -220 | -71  | -59  | -36  | -53  | -73  | -57  | -13  | -46  |
| Means of financing combined deficit:                                   |                   |                                      |      |                                      |      |                 |      |  |      |      |      |      |      |      |      |
| Net borrowing from public  | 171               | 201                                  | 202  | 179                                  | 187  | 199             | 202  | 64   | 42   | 45   | 51   | 64   | 55   | 21   | 48   |
| Decrease in cash operating balance                                     | 7                 | 10                                   | 9    | 0                                    | 1    | -5              | 8    | 13   | 4    | -10  | 3    | 11   | -5   | -5   | 0    |
| Other <sup>4</sup>   | 8                 | 2                                    | 7    | -1                                   | 2    | 2               | 11   | -6   | 13   | 1    | -1   | -2   | 8    | -2   | -2   |
| Cash operating balance, end of period                                  | 30                | 20                                   | 21   | 20                                   | 20   | 18              | 10   | 18   | 14   | 24   | 21   | 10   | 15   | 20   | 20   |
| Memo: Sponsored agency borrowing <sup>5</sup>                          | 30                | 42                                   | 19   | 46                                   | 20   | 32              | 21   | 3  | 4    | 6    | 6    | 5    | 5    | 5    | 5    |
| <u>NIA Budget</u>  |                   |                                      |      |                                      |      |                 |      | <u>Seasonally adjusted annual rates</u>    |      |      |      |      |      |      |      |
| Receipts   | 688               | 762                                  | 751  | 825                                  | 806  | 705             | 767  | 722  | 771  | 734  | 766  | 782  | 795  | 809  | 822  |
| Expenditures   | 860               | 945                                  | 941  | 990                                  | 994  | 881             | 955  | 920  | 937  | 944  | 963  | 976  | 987  | 1000 | 1012 |
| Purchases  | 283               | 327                                  | 324  | 355                                  | 346  | 295             | 330  | 316  | 320  | 325  | 334  | 339  | 344  | 348  | 352  |
| Defense  | 215               | 242                                  | 239  | 272                                  | 259  | 222             | 244  | 232  | 234  | 240  | 249  | 253  | 257  | 260  | 264  |
| Nondefense   | 68                | 85                                   | 85   | 83                                   | 87   | 74              | 86   | 84   | 86   | 85   | 86   | 86   | 87   | 88   | 88   |
| All other expenditures   | 577               | 618                                  | 617  | 635                                  | 648  | 586             | 625  | 604  | 617  | 619  | 629  | 637  | 643  | 652  | 660  |
| Surplus/deficit(-)   | -172              | -183                                 | -194 | -165                                 | -193 | -176            | -193 | -198                                       | -165 | -211 | -198 | -195 | -192 | -191 | -190 |
| High employment surplus/deficit(-) evaluated at 6 percent unemployment | -126              | n.a.                                 | -160 | n.a.                                 | -158 | -140            | -158 | -169                                       | -129 | -175 | -164 | -162 | -159 | -157 | -155 |

\*--actual

e--estimated

n.a.--not available

1-13

1. O.M.B., Current Budget Estimates (April 1985) and B.E.A. translations to an NIA basis.

2. The CBO baseline budget estimates show revenues of \$735 billion and \$788 billion, unified outlays of \$938 billion and \$995 billion, and deficits of \$203 billion and \$206 billion in fiscal years 1985 and 1986, respectively. Off-budget outlays are projected to be \$11 billion in fiscal 1985 and \$9 billion in fiscal 1986.

(The Economic Outlook, February 1985.)

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

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, FHLMC (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.

STRICTLY CONFIDENTIAL (FR)  
CLASS II FOMC

JULY 2, 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   |  |  |
| CURRENT \$, NET                      | -64.2  | -93.5  | -104.2 |  | -90.6  | -56.0  | -74.5  | -94.2  | -100.5 | -104.7 | -103.0 | -104.7 | -106.2 | -102.9 |  |  |
| EXPORTS OF G+S                       | 364.3  | 357.0  | 379.8  |  | 368.6  | 367.2  | 360.7  | 351.3  | 355.5  | 360.3  | 366.2  | 374.1  | 383.2  | 395.7  |  |  |
| IMPORTS OF G+S                       | 428.5  | 450.4  | 484.0  |  | 459.3  | 423.2  | 435.2  | 445.5  | 456.0  | 465.0  | 469.3  | 478.8  | 489.3  | 498.6  |  |  |
| CONSTANT 72 \$, NET                  | -15.0  | -32.1  | -30.7  |  | -27.0  | -13.4  | -28.4  | -32.9  | -33.4  | -33.6  | -32.6  | -31.5  | -30.4  | -28.3  |  |  |
| EXPORTS OF G+S                       | 146.0  | 141.7  | 145.7  |  | 147.4  | 147.1  | 143.7  | 139.9  | 141.0  | 142.1  | 142.9  | 144.4  | 146.4  | 149.3  |  |  |
| IMPORTS OF G+S                       | 161.1  | 173.7  | 176.4  |  | 174.4  | 160.5  | 172.1  | 172.8  | 174.4  | 175.7  | 175.4  | 175.9  | 176.9  | 177.6  |  |  |
| 2. U.S. MERCHANDISE TRADE BALANCE 2/ | -108.3 | -135.9 | -146.3 |  | -130.0 | -98.2  | -117.8 | -136.9 | -142.6 | -146.4 | -144.6 | -146.8 | -148.3 | -145.4 |  |  |
| EXPORTS                              | 220.3  | 218.4  | 233.0  |  | 222.1  | 225.4  | 223.2  | 213.1  | 217.4  | 220.0  | 224.1  | 229.0  | 235.0  | 244.0  |  |  |
| AGRICULTURAL                         | 38.4   | 30.4   | 31.3   |  | 36.9   | 38.3   | 34.0   | 28.6   | 29.1   | 29.8   | 30.6   | 31.2   | 31.3   | 32.1   |  |  |
| NONAGRICULTURAL                      | 181.9  | 188.1  | 201.7  |  | 185.3  | 187.2  | 189.3  | 184.5  | 188.3  | 190.2  | 193.5  | 197.8  | 203.7  | 211.8  |  |  |
| IMPORTS                              | 328.6  | 354.4  | 379.3  |  | 352.1  | 323.7  | 341.0  | 349.9  | 360.0  | 366.5  | 368.7  | 375.8  | 383.3  | 389.4  |  |  |
| PETROLEUM AND PRODUCTS               | 57.5   | 49.6   | 46.1   |  | 57.8   | 56.8   | 45.2   | 52.7   | 51.2   | 49.2   | 44.7   | 45.6   | 47.1   | 47.0   |  |  |
| NONPETROLEUM                         | 271.1  | 304.8  | 333.2  |  | 294.4  | 266.9  | 295.8  | 297.2  | 308.9  | 317.3  | 324.0  | 330.2  | 336.1  | 342.4  |  |  |
| 3. U.S. CURRENT ACCOUNT BALANCE      | -101.5 | -131.2 | -139.4 |  | -130.0 | -101.9 | -120.0 | -130.3 | -133.7 | -140.7 | -135.9 | -139.0 | -141.8 | -141.0 |  |  |
| OF WHICH: NET INVESTMENT INCOME      | 19.1   | 20.0   | 22.4   |  | 13.0   | 16.0   | 10.5   | 20.9   | 24.3   | 24.2   | 23.2   | 22.9   | 22.0   | 21.3   |  |  |
| 4. FOREIGN OUTLOOK 3/                |        |        |        |  |        |        |        |        |        |        |        |        |        |        |  |  |
| REAL GNP--TEN INDUSTRIAL 4/          | 3.1    | 2.7    | 2.8    |  | 4.6    | 3.9    | 0.7    | 3.8    | 3.2    | 2.8    | 2.7    | 2.6    | 2.6    | 2.6    |  |  |
| REAL GNP--NONOPEC LDC 5/             | 4.1    | 4.1    | 4.2    |  | 4.5    | 4.1    | 3.9    | 3.9    | 3.9    | 4.0    | 4.0    | 4.4    | 4.7    | 5.0    |  |  |
| CONSUMER PRICES--TEN IND. 4/         | 4.9    | 4.5    | 3.9    |  | 2.6    | 4.8    | 5.4    | 5.5    | 2.8    | 3.7    | 4.4    | 4.2    | 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

July 3, 1985

## **RECENT DEVELOPMENTS**

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

**FISCAL YEAR TO DATE BUDGET TOTALS**  
**(Unified budget, billions of dollars)**

| Month    | 1984     |         |         | 1985     |         |         |
|----------|----------|---------|---------|----------|---------|---------|
|          | Receipts | Outlays | Deficit | Receipts | Outlays | Deficit |
| October  | 45.2     | 70.2    | 25.1    | 52.3     | 81.0    | 28.8    |
| November | 91.4     | 138.0   | 46.7    | 103.7    | 161.0   | 57.2    |
| December | 147.9    | 212.7   | 63.3    | 166.1    | 238.6   | 72.4    |
| January  | 210.5    | 280.8   | 68.8    | 236.6    | 315.5   | 78.9    |
| February | 258.4    | 349.0   | 89.2    | 290.6    | 390.4   | 99.8    |
| March    | 302.8    | 422.1   | 117.8   | 340.2    | 468.4   | 128.2   |
| April    | 383.0    | 490.7   | 106.3   | 434.8    | 550.7   | 115.8   |
| May      | 420.5    | 562.1   | 140.2   | 474.6    | 630.8   | 156.2   |
| FY Total | 666.5    | 841.8   | 175.3   | 740.6e   | 943.6e  | 203.0e  |

e--Administration estimate, April Budget Update.

**INDIVIDUAL ESTIMATED AND FINAL TAX RECEIPTS<sup>1</sup> SINCE JANUARY 1**  
**(Millions of dollars, not at annual rates nor seasonally adjusted)**

| Cumulative totals through: | Individual refunds |        | Estimated and final receipts |        | Net estimated and final receipts <sup>2</sup> |        |
|----------------------------|--------------------|--------|------------------------------|--------|---|--------|
|                            | 1984               | 1985   | 1984                         | 1985   | 1984  | 1985   |
| January 31                 | 128                | 270    | 14,110                       | 14,830 | 13,982  | 14,560 |
| February 28                | 2,905              | 1,341  | 15,975                       | 16,716 | 13,070  | 15,375 |
| March 31                   | 19,547             | 12,870 | 19,425                       | 20,529 | -1,222  | 7,659  |
| April 30                   | 35,080             | 31,582 | 55,811                       | 68,780 | 20,731  | 37,198 |
| May 31                     | 58,079             | 60,040 | 64,013                       | 77,968 | 5,934   | 17,928 |
| June 18                    | 58,733             | 60,772 | 69,297                       | 83,982 | 10,564  | 23,210 |

1. Includes payment of estimated Social Security taxes by self-employed individuals.

2. Estimated and final receipts less refunds.

Source: Daily Treasury Statement.