

March 21, 1984

## **SUMMARY AND OUTLOOK**

Prepared for the Federal Open Market Committee

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

March 21, 1984

## STAFF GNP PROJECTIONS

Percent changes, annual rate										
Nominal GNP		Real GNP		Gross domestic business product fixed-weighted price index				Unemployment rate (percent)		
				Total		Excluding food and energy				
1/25/84	3/21/84	1/25/84	3/21/84	1/25/84	3/21/84	1/25/84	3/21/84	1/25/84	3/21/84	
Annual changes:										
1982 <1>	4.0	4.0	-1.9	-1.9	6.0	6.0	6.9	6.9	9.7	9.7
1983 <1>	7.7	7.7	3.3	3.4	4.3	4.2	5.1	5.1	9.6	9.6
1984	9.7	10.8	5.1	6.3	4.7	4.7	4.8	4.8	7.7	7.2
1985	8.6	8.7	3.6	3.3	5.1	5.5	5.2	5.7	7.2	6.6
Quarterly changes:										
1983 Q1 <1>	8.2	8.2	2.6	2.6	3.6	3.6	6.7	6.7	10.4	10.4
Q2 <1>	13.3	13.3	9.7	9.7	4.1	4.1	3.5	3.5	10.1	10.1
Q3 <1>	11.5	11.5	7.6	7.6	4.7	4.7	5.6	5.6	9.4	9.4
Q4 <1>	8.6	9.1	4.5	5.0	4.5	4.1	5.0	4.4	8.5	8.5
1984 Q1	10.1	13.1	4.7	8.0	4.8	4.8	4.6	4.6	8.0	7.8
Q2	8.8	10.3	4.4	6.0	4.8	4.8	4.9	4.9	7.8	7.2
Q3	8.8	8.9	4.3	4.0	4.8	5.1	4.6	5.0	7.6	6.9
Q4	8.6	8.4	3.8	3.1	4.9	5.3	4.8	5.3	7.5	6.8
1985 Q1	8.8	8.7	3.4	3.1	5.0	5.4	5.2	5.7	7.4	6.7
Q2	8.4	8.1	3.4	2.7	5.2	5.6	5.3	5.9	7.3	6.6
Q3	8.4	8.8	3.1	2.9	5.3	5.9	5.6	6.2	7.1	6.5
Q4	8.4	8.9	2.9	2.8	5.4	6.1	5.9	6.4	7.0	6.5
Two-quarter changes: <2>										
1983 Q2 <1>	10.7	10.7	6.1	6.1	3.9	3.9	5.1	5.1	-1.5	-1.5
Q4 <1>	10.0	10.3	6.0	6.3	4.6	4.4	5.3	5.0	-1.6	-1.6
1984 Q2	9.4	11.7	4.6	7.0	4.8	4.8	4.7	4.7	-1.7	-1.3
Q4	8.7	8.6	4.0	3.6	4.9	5.2	4.7	5.2	-1.3	-1.4
1985 Q2	8.6	8.4	3.4	2.9	5.1	5.5	5.3	5.8	-1.2	-1.2
Q4	8.4	8.8	3.0	2.9	5.4	6.0	5.7	6.3	-1.3	-1.1
Four-quarter changes: <3>										
1982 Q4 <1>	2.6	2.6	-1.7	-1.7	4.7	4.7	5.4	5.4	2.4	2.4
1983 Q4 <1>	10.4	10.5	6.1	6.2	4.3	4.2	5.2	5.1	-2.1	-2.1
1984 Q4	9.1	10.2	4.3	5.3	4.8	5.0	4.7	5.0	-1.0	-1.7
1985 Q4	8.5	8.6	3.2	2.9	5.2	5.8	5.5	6.1	-1.5	-1.3

&lt;1&gt; Actual.

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

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

March 21, 1984

CONFIDENTIAL - FR  
CLASS II FOMC

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

	1982				1983			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	3021.4	3070.2	3090.7	3109.6	3171.5	3272.0	3362.2	3436.2
Final sales	3047.1	3081.4	3095.6	3165.9	3210.9	3286.6	3353.7	3416.6
Private	2417.3	2449.8	2439.9	2486.2	2533.5	2603.2	2655.4	2717.6
Domestic final purchases	2387.4	2416.5	2439.0	2480.6	2516.5	2611.7	2673.7	2743.7
Personal consumption expenditures	1938.9	1972.8	2008.8	2046.9	2073.0	2147.0	2181.1	2230.9
Goods	989.1	997.6	1010.0	1025.1	1035.6	1077.3	1097.6	1123.6
Services	949.7	975.2	998.9	1021.8	1037.4	1069.7	1083.5	1107.3
Gross private domestic investment	422.9	432.5	425.3	377.4	404.1	450.1	501.1	532.5
Residential structures	87.3	91.0	87.9	96.8	111.3	128.4	141.5	138.8
Business fixed investment	361.3	352.7	342.3	337.0	332.1	336.3	351.0	374.0
Change in business inventories	-25.7	-11.2	-4.9	-56.4	-39.4	-14.5	8.5	19.6
Nonfarm	-27.6	-8.8	-2.3	-53.7	-39.0	-10.3	18.4	19.7
Net exports of goods and services <1>	29.9	33.3	.9	5.6	17.0	-8.5	-18.3	-26.1
Exports	358.4	364.5	346.0	321.6	326.9	327.1	341.1	346.5
Imports	328.5	331.2	345.0	316.1	309.9	335.6	359.4	372.6
Gov't. purchases of goods and services	629.8	631.6	655.7	679.7	677.4	683.4	698.3	699.0
Federal <2>	249.7	244.1	261.7	279.2	273.5	273.7	278.1	274.1
State and local	380.0	387.5	394.0	400.5	404.0	409.7	420.2	424.9
Gross national product in constant (1972) dollars	1485.8	1489.3	1485.7	1480.7	1490.1	1525.1	1553.4	1572.5
Personal income	2528.1	2563.2	2591.3	2632.0	2657.7	2713.6	2761.9	2835.2
Wage and salary disbursements	1542.8	1563.8	1579.8	1586.0	1610.7	1648.4	1681.9	1717.3
Disposable personal income	2127.9	2159.0	2191.5	2227.8	2255.9	2301.0	2361.7	2423.9
Saving rate (percent)	6.1	5.9	5.6	5.4	5.4	4.0	4.9	5.2
Corporate profits with I.V.A. and C.C. Adj.	162.0	166.8	168.5	161.9	181.8	218.2	248.4	268.1
Corporate profits before tax	173.2	178.8	177.3	167.5	169.7	203.3	229.1	228.1
Federal government surplus or deficit (-) (N.I.A. basis)	-108.5	-113.2	-158.3	-208.2	-183.3	-166.1	-187.3	-189.9
High employment surplus or deficit (-) <3>	-38.1	-32.7	-64.9	-99.7	-72.3	-65.1	-101.7	-110.9
State and local government surplus or deficit(-) (N.I.A. basis)	28.8	32.0	31.3	32.9	40.4	51.7	55.5	58.1
Excluding social insurance funds	-3.5	-.8	-2.1	-1.2	5.5	16.1	18.9	20.8
Civilian labor force (millions)	109.4	110.2	110.5	110.8	110.7	111.3	112.1	112.0
Unemployment rate (percent)	8.8	9.4	10.0	10.6	10.4	10.1	9.4	8.5
Nonfarm payroll employment (millions)	90.3	89.9	89.3	88.8	88.8	89.5	90.3	91.3
Manufacturing	19.4	19.1	18.7	18.3	18.3	18.5	18.8	19.2
Industrial production (1967=100)	141.7	139.4	138.2	135.2	138.5	144.5	151.8	155.4
Capacity utilization: all manufacturing (percent)	72.9	71.6	71.1	69.0	70.7	73.9	77.4	78.9
Materials (percent)	73.0	70.7	69.4	67.2	70.1	73.5	77.5	79.6
Housing starts, private (million units, A.R.)	.88	.96	1.12	1.27	1.64	1.69	1.78	1.70
New auto sales (millions, A.R.)	8.12	7.53	7.78	8.57	8.46	9.10	9.22	9.94
Domestic models	5.90	5.53	5.56	6.08	6.06	6.81	6.92	7.29
Foreign models	2.22	1.99	2.22	2.49	2.40	2.28	2.31	2.65

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

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

<3> Estimates in table are evaluated at a 6.0 percent high employment unemployment rate.

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CLASS II FOMC

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

	1982				1983			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	-5.5	1.0	-1.0	-1.3	2.6	9.7	7.6	5.0
Final sales	-1.3	-2.8	-1.5	4.5	.6	6.8	5.1	3.7
Private	-1.6	.1	-4.0	3.0	3.0	8.8	5.3	5.5
Domestic final purchases	.0	.8	-.9	3.4	3.9	11.9	5.7	8.5
Personal consumption expenditures	2.4	3.1	.9	3.6	2.9	10.0	2.2	6.5
Goods	2.0	1.5	-.1	5.1	4.4	13.5	3.7	9.0
Services	2.9	4.7	2.1	1.9	1.4	6.4	.6	3.7
Gross private domestic investment	-34.1	3.4	-5.8	-34.6	28.6	49.8	45.1	27.6
Residential structures	-28.5	17.9	-13.0	53.2	57.3	79.5	35.9	-6.9
Business fixed investment	-5.9	-14.3	-8.8	-6.6	-1.5	7.9	18.7	27.2
Gov't. purchases of goods and services	-.2	-5.0	9.4	10.6	-8.8	-1.1	4.4	-3.9
Federal	.2	-14.0	26.3	28.3	-18.0	-2.8	4.6	-8.4
National defense	-1.3	13.0	14.0	5.1	6.5	7.4	.0	7.8
State and local	-.5	1.3	-.4	-.1	-1.8	.0	4.3	-.8
Disposable personal income	-3.4	1.9	-.3	2.6	2.9	3.5	6.5	8.0
<u>Current Dollars</u>								
Gross national product	-1.4	6.6	2.7	2.5	8.2	13.3	11.5	9.1
Final sales	3.9	4.6	1.9	9.4	5.8	9.8	8.4	7.7
Private	3.8	5.5	-1.6	7.8	7.8	11.5	8.3	9.7
Domestic final purchases	3.7	5.0	3.8	7.0	5.9	16.0	9.8	10.9
Personal consumption expenditures	7.5	7.2	7.5	7.8	5.2	15.1	6.5	9.4
Goods	4.4	3.5	5.1	6.1	4.2	17.1	7.8	9.8
Services	10.8	11.2	10.1	9.5	6.3	13.0	5.3	9.1
Gross private domestic investment	-37.8	9.5	-6.5	-38.0	31.5	53.9	53.6	27.5
Residential structures	-26.5	18.2	-13.0	46.9	75.3	76.7	47.5	-7.3
Business fixed investment	-6.7	-9.1	-11.3	-6.0	-5.7	5.1	18.8	28.8
Gov't. purchases of goods and services	4.6	1.2	16.1	15.5	-1.3	3.6	9.0	.4
Federal	2.1	-8.7	32.1	29.5	-8.0	.3	6.6	-5.6
National defense	3.5	18.0	20.8	16.5	7.8	10.7	3.6	10.5
State and local	6.2	8.1	6.8	6.8	3.5	5.8	10.7	4.6
Disposable personal income	1.4	6.0	6.1	6.8	5.1	8.2	11.0	10.9
Personal income	1.8	5.7	4.5	6.4	4.0	8.7	7.3	11.0
Wage and salary disbursements	3.2	5.6	4.2	1.6	6.4	9.7	8.4	8.7
Corporate profits with I.V.A. and C.C. Adj.	-49.3	12.4	4.1	-14.8	59.0	107.5	68.0	35.7
Corporate profits before tax	-59.6	13.6	-3.3	-20.3	5.4	106.0	61.3	-1.7
Nonfarm payroll employment	-3.0	-1.8	-2.7	-2.3	.1	2.9	3.6	4.9
Manufacturing	-9.5	-7.5	-7.7	-8.6	-.1	5.2	7.0	8.2
Nonfarm business sector								
Output per hour	.1	-.4	2.3	1.3	3.7	7.1	2.3	.9
Compensation per hour	10.0	5.8	7.2	5.8	6.8	4.3	3.8	4.4
Unit labor costs	9.9	6.2	4.7	4.4	3.0	-2.6	1.5	3.5
GNP implicit deflator <1>	4.3	5.6	3.7	3.8	5.5	3.3	3.6	3.9
Gross domestic business product								
fixed-weighted price index <2>	4.9	4.5	5.8	3.8	3.6	4.1	4.7	4.1
Excluding food and energy	5.8	6.4	5.4	3.9	6.7	3.5	5.6	4.4
Consumer price index (all urban)	3.8	5.5	7.3	1.5	.3	4.4	4.1	4.5
Industrial production	-11.8	-6.5	-3.4	-8.2	10.1	18.4	21.8	10.0

<1> Excluding the Federal pay increase, the rate of change in 1982-Q4 was 3.5 percent.

<2> Uses expenditures in 1972 as weights.

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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.)

	1984				Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	3543.7	3631.7	3710.1	3785.5	3865.2	3941.4	4025.1	4111.5
Final sales	3496.7	3585.4	3659.8	3740.5	3823.2	3902.4	3987.1	4073.5
Private	2785.3	2842.4	2896.9	2956.4	3017.0	3078.3	3144.1	3211.9
Domestic final purchases	2820.8	2893.8	2957.3	3020.9	3082.6	3143.2	3207.5	3271.9
Personal consumption expenditures	2284.5	2335.8	2384.8	2436.5	2484.0	2532.0	2582.0	2634.0
Goods	1157.7	1182.0	1203.0	1226.5	1246.5	1266.5	1286.5	1307.5
Services	1126.8	1153.8	1181.8	1210.0	1237.5	1265.5	1295.5	1326.5
Gross private domestic investment	583.3	604.3	622.8	629.4	640.6	650.2	663.5	675.9
Residential structures	149.5	158.2	159.3	157.7	158.7	158.5	160.6	161.3
Business fixed investment	386.8	399.8	413.2	426.7	439.9	452.7	464.9	476.6
Change in business inventories	47.0	46.3	50.3	45.0	42.0	39.0	38.0	38.0
Nonfarm	26.0	37.3	46.3	45.0	42.0	39.0	38.0	38.0
Net exports of goods and services <1>	-35.5	-51.4	-60.4	-64.5	-65.6	-64.9	-63.4	-60.0
Exports	360.1	371.0	380.7	393.7	408.7	422.6	438.6	456.6
Imports	395.6	422.4	441.1	458.2	474.3	487.5	502.0	516.6
Gov't. purchases of goods and services	711.4	743.0	762.9	784.1	806.2	824.1	843.0	861.6
Federal <2>	277.6	299.5	309.9	321.1	333.4	341.0	349.5	357.7
State and local	433.8	443.5	453.0	463.0	472.8	483.1	493.5	503.9
Gross national product in constant (1972) dollars	1602.9	1626.3	1642.4	1655.2	1667.8	1678.7	1690.8	1702.5
Personal income	2922.6	2977.4	3041.2	3107.8	3185.4	3248.4	3316.2	3381.8
Wage and salary disbursements	1759.4	1803.0	1844.9	1884.7	1926.3	1965.2	2004.4	2043.5
Disposable personal income	2498.2	2541.1	2594.1	2649.2	2715.9	2767.4	2823.2	2877.0
Saving rate (percent)	5.7	5.3	5.3	5.2	5.8	5.7	5.8	5.7
Corporate profits with I.V.A. and C.C. Adj.	278.2	281.1	285.0	288.2	283.6	286.7	297.1	309.1
Corporate profits before tax	240.5	242.4	243.3	243.5	234.9	234.0	240.4	247.4
Federal government surplus or deficit (-) (N.I.A. basis)	-174.8	-166.7	-167.0	-174.0	-184.0	-182.0	-182.5	-180.0
High employment surplus or deficit (-) <3>	-110.7	-113.0	-119.4	-129.1	-141.6	-140.2	-141.2	-138.0
State and local government surplus or deficit (-) (N.I.A. basis)	62.9	63.4	62.9	61.2	58.5	55.7	52.8	50.8
Excluding social insurance funds	24.5	24.5	23.3	20.9	17.6	14.2	10.7	8.0
Civilian labor force (millions)	112.6	113.2	113.8	114.4	114.9	115.4	115.9	116.4
Unemployment rate (percent)	7.8	7.2	6.9	6.8	6.7	6.6	6.5	6.5
Nonfarm payroll employment	92.2	93.3	94.3	95.0	95.8	96.4	97.0	97.6
Manufacturing	19.5	19.8	20.1	20.3	20.5	20.6	20.7	20.7
Industrial production (1967=100)	159.9	164.0	166.9	169.3	171.2	172.8	174.2	175.0
Capacity utilization: all manufacturing (percent)	80.9	82.6	83.6	84.3	84.8	85.0	85.2	85.2
Materials (percent)	81.6	83.5	84.8	85.9	86.5	86.9	87.2	87.4
Housing starts, private (million units, A.R.)	2.06	1.85	1.80	1.75	1.75	1.70	1.70	1.70
New auto sales (millions, A.R.)	10.75	10.70	10.75	11.10	11.05	11.25	11.45	11.60
Domestic models	8.45	8.30	8.20	8.50	8.60	8.70	8.80	8.90
Foreign models	2.30	2.40	2.55	2.60	2.45	2.55	2.65	2.70

&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 Accounts table which follows.

&lt;3&gt; Estimates in table are evaluated at a 6.0 percent high employment unemployment rate.

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

	1984				Projected 1985			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	8.0	6.0	4.0	3.1	3.1	2.7	2.9	2.8
Final sales	4.7	6.6	3.7	3.8	3.5	3.0	3.1	2.9
Private	5.9	5.0	3.3	3.3	3.2	2.9	2.9	2.8
Domestic final purchases	7.9	5.5	3.3	3.1	3.0	2.5	2.5	2.2
Personal consumption expenditures	5.4	3.7	2.5	2.8	2.4	2.2	2.1	2.1
Goods	8.5	4.0	2.1	2.8	2.0	1.8	1.6	1.6
Services	2.0	3.4	3.1	2.9	2.7	2.6	2.6	2.5
Gross private domestic investment	42.5	8.6	8.2	.3	2.9	1.7	3.2	2.2
Residential structures	30.6	19.6	-2.4	-9.1	-2.9	-6.0	-.7	-4.3
Business fixed investment	15.6	11.0	9.6	8.6	8.0	6.9	5.7	4.5
Gov't. purchases of goods and services	-.2	13.8	5.5	6.0	4.8	3.6	3.7	3.3
Federal	-4.1	31.4	9.3	10.3	7.6	4.4	4.9	4.1
National defense	11.5	10.9	9.3	8.4	6.8	5.7	6.5	5.4
State and local	2.5	3.3	2.9	3.1	2.8	3.0	2.9	2.7
Disposable personal income	8.2	1.6	2.5	2.7	4.6	2.0	2.3	1.6
<u>Current Dollars</u>								
Gross national product	13.1	10.3	8.9	8.4	8.7	8.1	8.8	8.9
Final sales	9.7	10.5	8.6	9.1	9.1	8.5	9.0	9.0
Private	10.3	8.5	7.9	8.5	8.5	8.4	8.8	8.9
Domestic final purchases	11.7	10.8	9.1	8.9	8.4	8.1	8.4	8.3
Personal consumption expenditures	10.0	9.3	8.7	9.0	8.0	8.0	8.1	8.3
Goods	12.7	8.7	7.3	8.0	6.7	6.6	6.5	6.7
Services	7.2	9.9	10.1	9.9	9.4	9.4	9.8	9.9
Gross private domestic investment	44.0	15.2	12.8	4.3	7.3	6.1	8.4	7.7
Residential structures	34.5	25.4	2.8	-4.0	2.6	-.5	5.4	1.8
Business fixed investment	14.4	14.1	14.1	13.7	13.0	12.2	11.2	10.5
Gov't. purchases of goods and services	7.3	19.0	11.2	11.6	11.8	9.2	9.5	9.1
Federal	5.2	35.5	14.6	15.3	16.2	9.4	10.3	9.7
National defense	23.3	13.7	15.0	14.3	16.4	11.3	12.7	11.5
State and local	8.6	9.2	8.8	9.1	8.7	9.0	8.9	8.7
Disposable personal income	12.9	7.0	8.6	8.8	10.4	7.8	8.3	7.8
Personal income	12.9	7.7	8.8	9.1	10.4	8.2	8.6	8.2
Wage and salary disbursements	10.2	10.3	9.6	8.9	9.1	8.3	8.2	8.0
Corporate profits with I.V.A. and C.C. Adj.	-92.7	4.3	5.7	4.5	-6.2	4.4	15.3	17.1
Corporate profits before tax	23.6	3.2	1.5	.3	-13.4	-1.5	11.4	12.1
Nonfarm payroll employment	4.0	4.8	4.2	3.2	3.1	2.6	2.5	2.3
Manufacturing	6.8	6.9	5.8	4.7	3.2	2.2	1.4	.9
Nonfarm business sector								
Output per hour	1.8	1.4	.6	.1	.5	.3	.9	.8
Compensation per hour	6.1	5.5	5.8	5.9	6.5	6.2	6.4	6.5
Unit labor costs	4.3	4.0	5.2	5.8	6.0	5.9	5.5	5.7
GDP implicit deflator <1>	4.8	4.1	4.7	5.1	5.4	5.3	5.7	5.9
Gross domestic business product								
fixed-weighted price index <2>	4.8	4.8	5.1	5.3	5.4	5.6	5.9	6.1
Excluding food and energy	4.6	4.9	5.0	5.3	5.7	5.9	6.2	6.4
Consumer price index (all urban)	5.3	5.1	5.6	5.6	5.6	5.7	5.9	6.0
Industrial production	11.8	10.7	7.3	5.9	4.6	3.8	3.3	1.8

<1> Excluding Federal pay increases, the rate of change in 1984-Q1 is 4.4 percent and in 1985-Q1 is 5.1 percent.  
 <2> Uses expenditures in 1972 as weights.

March 21, 1984

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

	1978	1979	1980	1981	1982	1983	—Projected—	
							1984	1985
Gross national product	2163.9	2417.8	2631.7	2954.1	3073.0	3310.5	3667.7	3985.8
Final sales	2137.4	2403.5	2641.5	2935.6	3097.5	3316.9	3620.6	3946.5
Private	1705.5	1929.1	2103.7	2339.9	2448.3	2627.4	2870.2	3112.8
Domestic final purchases	1706.6	1915.9	2079.7	2313.6	2430.9	2636.4	2923.2	3176.3
Personal consumption expenditures	1346.5	1507.2	1668.1	1857.2	1991.9	2158.0	2360.4	2558.0
Goods	728.5	813.5	883.5	970.0	1005.5	1083.5	1192.3	1276.7
Services	618.0	693.7	784.5	887.1	986.4	1074.5	1168.1	1281.2
Gross private domestic investment	386.6	423.0	401.9	474.9	414.5	471.9	609.9	657.5
Residential construction	111.2	118.6	102.9	104.3	90.8	130.0	156.2	159.8
Business fixed investment	248.9	290.2	308.8	352.2	348.3	348.4	406.6	458.5
Change in business inventories	26.5	14.3	-9.8	18.5	-24.5	-6.4	47.1	39.3
Nonfarm	25.4	8.6	-4.5	10.9	-23.1	-2.8	38.6	39.3
Net exports of goods and services <1>	-1.1	13.2	23.9	26.3	17.4	-9.0	-52.9	-63.5
Exports	218.7	281.4	338.8	368.8	347.6	335.4	376.4	431.6
Imports	219.8	268.1	314.8	342.5	330.2	344.4	429.3	495.1
Gov't. purchases of goods and services	431.9	474.4	537.8	595.7	649.2	689.5	750.3	833.7
Federal <2>	153.6	168.3	197.0	229.2	258.7	274.8	302.0	345.4
State and local	278.3	306.0	340.8	366.5	390.5	414.7	448.3	488.3
Gross national product in constant (1972) dollars	1438.6	1479.4	1475.0	1513.8	1485.4	1535.3	1631.7	1685.0
Personal income	1732.7	1951.2	2165.3	2435.0	2578.6	2742.1	3012.2	3282.9
Wage and salary disbursements	1106.3	1237.6	1356.7	1493.2	1568.1	1664.6	1823.0	1984.8
Disposable personal income	1474.0	1650.2	1828.9	2047.6	2176.5	2335.6	2570.6	2795.9
Saving rate (percent)	6.1	5.9	6.0	6.6	5.8	4.9	5.4	5.7
Corporate profits with I.V.A. and C.C.Adj.	192.4	194.8	175.4	192.3	164.8	229.1	283.1	294.1
Corporate profits before tax	229.1	252.7	234.6	227.0	174.2	207.5	242.4	239.2
Federal government surplus or deficit(-) (N.I.A. basis)	-29.5	-16.1	-61.2	-62.2	-147.1	-181.6	-170.6	-182.2
High employment surplus or deficit(-)	-29.2	-18.6	-36.0	-26.0	-58.8	-87.5	-118.0	-140.2
State and local government surplus or deficit (-) (N.I.A. basis)	30.3	30.4	30.6	35.3	31.3	51.4	62.6	54.4
Excluding social insurance funds	10.0	6.6	3.5	4.4	-1.9	15.3	23.3	12.6
Civilian labor force (millions)	102.3	105.0	106.9	108.7	110.2	111.5	113.5	115.7
Unemployment rate (percent)	6.1	5.8	7.1	7.6	9.7	9.6	7.2	6.6
Nonfarm payroll employment (millions)	86.7	89.8	90.4	91.2	89.6	90.0	93.7	96.7
Manufacturing	20.5	21.0	20.3	20.2	18.9	18.7	19.9	20.6
Industrial production (1967=100)	146.1	152.5	147.0	150.9	138.6	147.6	165.0	173.3
Capacity utilization: all manufacturing (percent)	84.7	86.0	79.6	79.4	71.1	75.2	82.9	85.1
Materials (percent)	85.6	87.6	80.4	80.7	70.1	75.2	83.9	87.0
Housing starts, private (million units, A.R.)	2.00	1.72	1.30	1.10	1.06	1.70	1.87	1.71
New auto sales (millions, A.R.)	11.29	10.68	9.04	8.56	8.00	9.18	10.83	11.34
Domestic models	9.29	8.36	6.62	6.24	5.77	6.77	8.36	8.75
Foreign models	2.00	2.32	2.42	2.32	2.23	2.41	2.46	2.59

&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.

March 21, 1984

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

	1978	1979	1980	1981	1982	1983	—Projected—	
							1984	1985
<u>Constant (1972) Dollars</u>								
Gross national product	5.0	2.8	-.3	2.6	-1.9	3.4	6.3	3.3
Final sales	4.9	3.5	.5	1.8	-.7	2.8	4.9	3.6
Private	5.6	4.0	.1	2.0	-1.3	3.4	5.3	3.2
Domestic final purchases	5.5	2.9	-1.0	2.7	-.1	5.0	6.6	3.0
Personal consumption expenditures	4.5	2.7	.5	2.7	1.4	4.2	4.6	2.5
Goods	4.2	1.9	-1.4	2.1	.1	5.6	6.2	2.2
Services	4.8	3.7	2.7	3.3	2.9	2.7	2.9	2.8
Gross private domestic investment	10.5	-.2	-11.8	9.2	-14.5	12.6	25.5	3.2
Residential structures	2.8	-5.3	-20.3	-5.1	-15.4	39.4	16.0	-3.2
Business fixed investment	12.8	7.3	-2.4	5.2	-4.8	1.4	15.4	7.8
Gov't. purchases of goods and services	2.0	1.3	2.2	.8	1.8	.4	3.2	5.2
Federal	-.1	1.8	4.2	3.8	5.6	1.0	4.8	8.4
National defense	.4	2.6	3.9	5.2	7.1	6.9	8.4	7.3
State and local	3.3	1.1	1.0	-1.0	-.5	.1	2.1	3.0
Disposable personal income	4.9	2.7	.6	3.2	.5	3.2	5.3	2.8
<u>Current Dollars</u>								
Gross national product	12.8	11.7	8.8	12.2	4.0	7.7	10.8	8.7
Final sales	12.8	12.4	9.9	11.1	5.5	7.1	9.2	9.0
Private	13.6	13.1	9.0	11.2	4.6	7.3	9.2	8.5
Domestic final purchases	13.4	12.3	8.5	11.2	5.1	8.5	10.9	8.7
Personal consumption expenditures	11.8	11.9	10.7	11.3	7.3	8.3	9.4	8.4
Goods	10.9	11.7	8.6	9.8	3.7	7.8	10.0	7.1
Services	12.9	12.2	13.1	13.1	11.2	8.9	8.7	9.7
Gross private domestic investment	19.3	9.4	-5.0	18.2	-12.7	13.8	29.3	7.8
Residential structures	16.1	6.6	-13.2	1.4	-13.0	43.3	20.1	2.3
Business fixed investment	21.3	16.6	6.4	14.1	-1.1	.0	16.7	12.8
Gov't. purchases of goods and services	9.7	9.8	13.4	10.8	9.0	6.2	8.8	11.1
Federal	7.1	9.6	17.1	16.3	12.9	6.2	9.9	14.4
National defense	8.0	11.5	17.3	17.4	16.5	11.6	14.2	13.9
State and local	11.2	9.9	11.4	7.5	6.6	6.2	8.1	8.9
Disposable personal income	12.2	12.0	10.8	12.0	6.3	7.3	10.1	8.8
Personal income	12.5	12.6	11.0	12.5	5.9	6.3	9.9	9.0
Wage and salary disbursements	12.5	11.9	9.6	10.1	5.0	6.2	9.5	8.9
Corporate profits with I.V.A. and C.C.Adj.	15.0	1.3	-9.9	9.6	-14.3	39.0	23.6	3.9
Corporate profits before tax	17.7	10.3	-7.1	-3.3	-23.2	19.1	16.8	-1.4
Nonfarm payroll employment	5.1	3.6	.6	.8	-1.7	.4	4.2	3.1
Manufacturing	4.2	2.6	-3.6	-.6	-6.5	-.9	6.7	3.4
Nonfarm business sector								
Output per hour	.6	-1.5	-.7	1.9	-.1	6.3	1.7	.5
Compensation per hour	8.6	9.0	10.4	9.8	7.8	11.3	5.2	6.2
Unit labor costs	8.0	10.7	11.1	7.7	7.9	4.8	3.5	5.6
GDP implicit deflator	7.4	8.6	9.2	9.4	6.0	4.2	4.2	5.2
Gross domestic business product								
fixed-weighted price index (1)	8.0	9.9	10.0	9.5	6.0	4.2	4.7	5.5
Excluding food and energy	7.8	8.6	8.5	9.3	6.9	5.1	4.8	5.7
Consumer price index (all urban)	7.6	11.3	13.5	10.3	6.1	3.2	5.0	5.7
Industrial production	5.8	4.4	-3.6	2.6	-8.1	6.4	11.8	5.0

(1) Uses expenditures in 1972 as weights.



March 21, 1984

FEDERAL SECTOR ACCOUNTS  
(Billions of dollars)

	Fiscal Year 1983 <sup>a</sup>	FY1984 <sup>a</sup> /2/		FY1985 <sup>a</sup> /2/		CY1984 <sup>a</sup>		FRB staff estimates									
		Admin. 1/	FRB Staff	Admin. 1/	FRB Staff	CY 1983 <sup>a</sup>	FRB Staff	Calendar quarters; not seasonally adjusted									
								1983			1984				1985		
								IV <sup>a</sup>	I	II	III	IV	I	II	III		
Unified budget receipts	601	670	673	745	750	613	693	149	161	186	177	169	171	214	196		
Unified budget outlays	796	834	851	925	936	803	873	213	210	214	215	235	231	236	234		
Surplus/deficit(-), unified budget	-195	-164	-178	-180	-186	-190	-181	-63	-49	-28	-38	-66	-60	-21	-38		
Surplus/deficit(-), off-budget agencies <sup>3</sup>	-12	-16	-12	-15	-15	-10	-16	1	-3	-5	-5	-3	-3	-5	-5		
Combined deficit to be financed	-208	-200	-190	-195	-201	-201	-196	-62	-52	-33	-43	-68	-62	-26	-43		
Means of financing combined deficits:																	
Net borrowing from public	212	183	171	193	199	187	200	36	49	40	46	65	54	39	41		
Decrease in cash operating balance	-8	17	17	0	0	8	-3	25	-4	1	-5	5	5	-10	0		
Other <sup>4</sup>	3	0	2	2	2	6	-1	1	7	-8	2	-2	4	-3	3		
Cash operating balance, end of period	37	20	20	20	20	12	15	12	16	15	20	15	10	20	20		
Memo: Sponsored agency borrowing <sup>5</sup>	-3	38	15	41	18	1	15	3	3	5	4	4	4	5	5		
<b>NIA Budget</b>																	
								Seasonally adjusted annual rates									
Receipts	631	691	699	779	776	645	721	658	692	715	731	748	768	785	804		
Expenditures	816	876	873	948	957	826	892	847	867	880	898	922	952	967	987		
Purchases	275	293	290	340	336	275	302	274	278	299	310	321	333	341	349		
Defense	197	224	220	257	253	200	229	206	217	225	233	240	250	257	264		
Nondefense	78	69	70	83	84	75	73	68	60	75	77	81	84	85	85		
All other expenditures	541	583	583	608	621	551	590	573	590	580	588	601	619	626	637		
Surplus/deficit(-)	-186	-184	-175	-169	-181	-182	-171	-190	-175	-167	-167	-174	-184	-182	-183		
High Employment (H.E.) surplus/deficit(-) evaluated as the unemployment rate of 6 percent	-85	n.a.	-113	n.a.	-138	-88	-118	-111	-111	-113	-119	-129	-142	-140	-141		
	*--actual	e--estimated				n.a.--not available											

1. Budget of the United States Government, Fiscal Year 1985 (February 1984).
2. The CBO baseline budget estimates show revenues of \$663 billion and \$733 billion, outlays of \$832 billion and \$930 billion and deficits of \$169 billion and \$197 billion in fiscal years 1984 and 1985 respectively (*An Analysis of the President's Budgetary Proposals*, February 1984).

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. FRB staff estimates and actuals include Federal Home Loan Banks, FHLMC (excluding participation certificates), FIRIA (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.

MARCH 20, 1984

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

	1983 ANN.	1984-P ANN.	1985-P ANN.	1983 Q3	1983 Q4	1984-P Q1	1984-P Q2	1984-P Q3	1984-P Q4	1985-P Q1	1985-P Q2	1985-P Q3	1985-P Q4
<b>1. GNP NET EXPORTS</b>													
CURRENT \$, NET	-9.0	-53.0	-63.5	-18.3	-26.1	-35.5	-51.4	-60.4	-64.6	-65.6	-64.9	-63.4	-60.0
EXPORTS OF G+S	335.4	376.4	431.6	341.1	346.5	360.1	371.0	380.7	393.7	408.7	422.6	438.6	456.6
IMPORTS OF G+S	344.4	429.3	495.1	359.4	372.6	395.6	422.4	441.1	458.2	474.3	487.5	502.0	516.6
CONSTANT 72 \$, NET	11.8	-3.9	-1.1	11.5	2.8	-3.0	-4.4	-4.4	-3.9	-3.1	-2.0	-0.6	1.4
EXPORTS OF G+S	138.7	147.8	159.2	140.7	140.6	143.8	146.7	148.8	152.0	155.0	157.5	160.5	164.0
IMPORTS OF G+S	126.9	151.8	160.3	129.2	137.8	146.9	151.1	153.2	155.9	158.1	159.4	161.1	162.6
TERMS OF TRADE (1972=100) 1/	89.2	90.1	87.8	87.2	91.2	93.0	90.5	88.9	88.1	87.9	87.8	87.7	87.6
<b>2. U.S. MERCHANDISE TRADE BALANCE 2/</b>													
EXPORTS (EXCL. MILITARY)	200.2	221.9	252.2	201.7	206.7	216.2	219.6	223.0	228.8	237.4	246.1	256.6	268.5
AGRICULTURAL	36.6	39.7	42.4	37.4	38.7	40.3	40.0	39.2	39.1	40.4	41.5	43.0	44.6
NONAGRICULTURAL	163.6	182.2	209.8	164.4	168.0	175.9	179.5	183.8	189.7	196.9	204.6	213.6	223.9
IMPORTS	260.8	327.6	372.4	274.4	281.9	303.0	322.9	336.5	348.1	358.4	367.2	377.0	387.2
PETROLEUM AND PRODUCTS	53.8	60.3	65.7	65.8	56.3	52.6	60.7	63.6	64.2	65.0	64.9	65.8	67.2
NONPETROLEUM	206.9	267.3	306.7	208.6	225.7	250.3	262.2	272.9	283.9	293.4	302.3	311.2	320.0
<b>3. U.S. CURRENT ACCOUNT BALANCE</b>													
OF WHICH: NET INVESTMENT INCOME	23.6	28.3	25.2	27.5	24.1	28.2	28.9	28.1	27.8	26.6	25.3	24.4	24.5
<b>4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/</b>													
REAL GNP, % CHANGE, ANNUAL RATES	1.4	2.7	2.6	2.3	3.8	2.6	2.5	2.5	2.6	2.7	2.6	2.5	2.7
CONSUMER PRICES, % CHANGE, ANNUAL RATES	5.7	5.3	5.0	5.3	5.5	5.2	5.3	5.0	5.1	5.0	5.1	4.8	4.9

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.

GERMANY (20.8%), JAPAN (13.6%), FRANCE (13.1%), UNITED KINGDOM (11.8%), CANADA (9.1%), ITALY (9.0%), THE NETHERLANDS (8.3%), BELGIUM (6.4%), SWEDEN (4.2%), SWITZERLAND (3.6%)

8/ PROJECTED

March 21, 1984

## **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

GROSS OFFERINGS OF SECURITIES BY U.S. CORPORATIONS  
(Monthly totals or monthly averages, billions of dollars)

	1983			1984			
	Year	Q3	Q4	Q1 <sup>f</sup>	Jan.P	Feb.P	Mar. <sup>f</sup>
	----- Seasonally adjusted -----						
Corporate securities--total	10.54	9.14	9.12	9.49	11.01	8.56	8.90
Securities sold in U.S.	9.84	8.51	8.54	7.97	9.40	7.60	6.90
Publicly offered bonds <sup>1</sup>	3.94	2.65	3.50	4.97	6.10	4.90	3.90
Privately placed bonds	1.55 <sup>e</sup>	1.76 <sup>e</sup>	1.50 <sup>e</sup>	1.50 <sup>e</sup>	1.50 <sup>e</sup>	1.50 <sup>e</sup>	1.50 <sup>e</sup>
Stocks <sup>2</sup>	4.35	4.10	3.54	1.50	1.80	1.20	1.50
Securities sold abroad <sup>3</sup>	.70	.63	.58	1.52	1.61	.96	2.00
	---- Domestic offerings, not seasonally adjusted ----						
Publicly offered bonds--total <sup>1</sup>	3.94	2.65	3.43	4.93	5.80	5.00	4.00
By industry							
Utility	.96	.87	.60	--	.60	.46	--
Industrial	1.13	.53	.38	--	1.20	1.10	--
Financial	1.85	1.26	2.45	--	4.00	3.44	--
By quality <sup>4</sup>							
Aaa and Aa	1.36	.89	1.59	--	2.85	2.15	--
A and Baa	1.55	1.14	.96	--	2.30	.86	--
Less than Baa	.53	.24	.49	--	.25	.80	--
No rating (or unknown)	.50	.38	.39	--	.40	1.19	--
Memo items:							
Equity based bonds <sup>5</sup>	.75	.60	.32	--	.36	.31	--
Original discount bonds							
Par value	.38	.15	.53	--	.27	1.48	--
Gross proceeds	.31	.13	.41	--	.20	1.04	--
Stocks--total <sup>2</sup>	4.30	3.67	3.84	1.53	1.80	1.30	1.50
By industry							
Utility	.80	.48	.81	--	.40	.10	--
Industrial	2.27	2.15	1.73	--	1.00	.50	--
Financial	1.23	1.05	1.31	--	.40	.70	--

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

2. Includes equity issues associated with debt/equity swaps.

3. Notes and bonds, not seasonally adjusted.

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

5. Includes bonds convertible into equity and bonds with warrants attached where the warrants entitle the holder to purchase equity in the future.

p--preliminary. f--staff forecast. e--estimate.

TREASURY AND AGENCY FINANCING<sup>1</sup>  
(Total for period; billions of dollars)

	1983		1984		
	Q4	Q1 <sup>e</sup>	Jan.	Feb. <sup>p</sup>	Mar. <sup>e</sup>
<u>Treasury financing</u>					
Combined surplus/deficit(-)	-62.5	-51.8	-5.8	-22.4	-23.6
Means of financing deficit:					
Net cash borrowing from the public	36.2	49.3	23.6	18.2	7.5
Marketable borrowings/ repayments(-)	34.9	47.8	22.8	18.2	6.8
Bills	3.0	6.5	3.1	2.6	.8
Coupons	31.9	41.3	19.7	15.6	6.0
Nonmarketable	1.3	1.5	.8	.0	.7
Decrease in the cash balance	25.3	-4.2	-16.7	4.7	7.8
Memo: Cash balance at end of period	11.8	16.0	28.5	23.8	16.0
Other <sup>2</sup>	1.0	6.7	-1.1	-.5	8.3
<u>Federally sponsored credit agencies net cash borrowing<sup>3</sup></u>	2.9	2.6	.8	1.3	.5
FHLB	-.4	-1.2	-.6	-.2	-.4
FNMA	3.3	1.8	.1	1.2	.5
Farm Credit Banks	-.6	1.1	.6	.2	.3
FHLMC	.7	.5	.5	.0	.0
SLMA	-.1	.4	.2	.1	.1

p--preliminary. e--estimate.

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.

The reduction in long-term municipal offerings so far this year can be attributed to the near cessation in issuance of industrial development bonds and mortgage revenue bonds for single-family housing. Issuance of these and other types of private-purpose bonds has been stalled by congressional inaction on legislation intended to reduce the extent of tax-exempt financing for private use.

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

	1983 Year	1983 Q3	1983 Q4	1984 Q1 <sup>f</sup>	1984 Jan. <sup>e</sup>	1984 Feb. <sup>e</sup>	1984 Mar. <sup>f</sup>
----- Seasonally adjusted -----							
Total	10.28	9.33	10.52	7.83	8.20	7.70	7.60
Long-term	7.09	6.01	6.77	4.83	5.40	5.00	4.10
Short-term <sup>1</sup>	3.19	3.32	3.75	3.00	2.80	2.70	3.50
----- Not seasonally adjusted -----							
Total	10.28	9.33	9.77	6.50	6.70	5.80	7.00
Long-term	7.09	6.01	6.77	4.17	4.50	3.80	4.20
Refundings	1.16	.91	.79	--	.76	.72	--
Total housing <sup>2</sup>	1.45	1.62	1.79	--	.19	.18	--
Short-term <sup>1</sup>	3.19	3.32	3.00	2.33	2.20	2.00	2.80

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

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

e--estimate. f--staff forecast.

Note--figures may not add due to rounding.

Partly offsetting the reduction in offerings of private-purpose bonds in the tax-exempt market has been an increase in the volume of electric utility revenue-bond issues to finance continued construction of both coal-fired and nuclear power plants. The recent utility offerings appear to have been well received by the market, in spite of the WPPSS default last summer and publicized problems of nuclear projects under construction.

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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

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SUPPLEMENTAL NOTES

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## THE DOMESTIC NONFINANCIAL ECONOMY

Erratum

On page I-11 of part 1 of the Greenbook the projection for industrial production in 1985-Q4 was incorrectly printed as 1.8 percent; the correct figure should be 3.0 percent. Similarly, on page I-13 the correct annual figure for industrial production in 1985 should be 5.1 percent instead of 5.0 percent.