

July 1, 1981

## **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				Gross domestic business product fixed-weighted price index				Unemployment rate (percent)		
Nominal GNP		Real GNP		Total		Excluding food and energy		5/13/81	7/1/81	
5/13/81	7/1/81	5/13/81	7/1/81	5/13/81	7/1/81	5/13/81	7/1/81	5/13/81	7/1/81	
<b>Annual changes:</b>										
1979 1/	12.0	12.0	3.2	3.2	9.7	9.7	8.4	8.4	5.8	5.8
1980 1/	8.8	8.8	-.2	-.2	9.8	9.8	8.7	8.7	7.1	7.1
1981	11.2	11.6	2.3	2.6	9.5	9.3	8.4	8.7	7.4	7.6
1982	8.6	8.3	.8	.8	8.2	8.0	7.7	7.1	7.9	8.2
<b>Quarterly changes:</b>										
1980-Q1 1/	12.6	12.6	3.1	3.1	10.1	10.1	7.4	7.4	6.2	6.2
1980-Q2 1/	-1.1	-1.1	-9.9	-9.9	9.8	9.8	9.5	9.5	7.3	7.3
1980-Q3 1/	11.8	11.8	2.4	2.4	9.6	9.6	9.3	9.3	7.5	7.5
1980-Q4 1/	14.9	14.9	3.8	3.8	9.3	9.3	8.2	8.2	7.5	7.5
1981-Q1 1/	14.9	19.2	6.5	8.6	10.2	10.5	7.5	8.1	7.4	7.3
1981-Q2	9.2	6.5	1.0	.2	9.3	8.4	9.2	10.0	7.3	7.5
1981-Q3	8.4	7.5	.3	.3	8.9	8.3	8.3	8.4	7.4	7.7
1981-Q4	10.0	10.3	1.5	1.1	8.6	8.5	7.7	7.8	7.5	7.8
1982-Q1	7.8	7.6	.2	.4	8.1	8.1	7.6	7.4	7.7	8.0
1982-Q2	7.7	7.3	.4	.2	7.8	7.8	7.2	7.3	7.9	8.2
1982-Q3	8.7	8.8	1.5	2.0	7.6	7.6	7.1	7.2	8.0	8.3
1982-Q4	9.4	9.8	1.5	2.3	7.3	7.3	7.0	7.1	8.1	8.3
<u>2/</u>										
<b>Two-quarter changes:</b>										
1980-Q2 1/	5.6	5.6	-3.6	-3.6	9.9	9.9	8.4	8.4	1.4	1.4
1980-Q4 1/	13.3	13.3	3.1	3.1	9.5	9.5	8.8	8.8	.2	.2
1981-Q2	12.0	12.6	3.7	4.3	9.6	9.4	8.4	9.1	-.2	.0
1981-Q4	9.2	8.9	.9	.7	8.7	8.4	8.0	8.1	.2	.3
1982-Q2	7.7	7.4	.3	.3	7.9	7.9	7.4	7.3	.4	.4
1982-Q4	9.0	9.3	1.5	2.2	7.5	7.4	7.0	7.1	.2	.1
<u>3/</u>										
<b>Four-quarter changes:</b>										
1979-Q4 1/	9.9	9.9	1.7	1.7	10.3	9.7	8.2	8.2	.1	.1
1980-Q4 1/	9.4	9.4	-.3	-.3	9.7	9.7	8.6	8.6	1.6	1.6
1981-Q4	10.6	10.8	2.3	2.5	9.2	8.9	8.2	8.6	.0	.3
1982-Q4	8.4	8.4	.9	1.2	7.7	7.7	7.2	7.2	.6	.5

1/ Actual.

2/ Percent change from two quarters earlier.

3/ 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.)

	1979				1980			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	2340.6	2374.6	2444.1	2496.3	2571.7	2564.8	2637.3	2730.6
Final purchases	2316.2	2341.5	2430.8	2497.1	2569.1	2557.4	2653.4	2748.0
Private	1858.0	1876.4	1955.4	2000.7	2052.3	2027.4	2119.9	2189.4
Excluding net exports	1838.1	1868.2	1937.5	1993.1	2044.1	2010.3	2075.4	2166.1
Personal consumption expenditures	1454.1	1478.0	1529.1	1582.3	1631.0	1626.8	1682.2	1751.0
Goods	784.3	793.8	824.8	855.3	882.0	858.4	883.0	926.8
Services	669.9	684.2	704.3	727.0	749.0	768.4	799.2	824.2
Gross private domestic investment	408.3	423.2	421.7	410.0	415.6	390.9	377.1	397.7
Residential construction	116.7	117.2	119.8	120.6	115.2	93.6	99.2	113.0
Business fixed investment	267.3	272.9	288.5	290.2	297.8	289.8	294.0	302.1
Change in business inventories	24.3	33.1	13.3	-.8	2.5	7.4	-16.0	-17.4
Nonfarm	20.8	29.2	7.8	-4.4	1.5	6.1	-12.3	-14.0
Net exports of goods and services 1/	19.9	8.2	17.9	7.6	8.2	17.1	44.5	23.3
Exports	259.1	266.8	293.1	306.3	337.3	333.3	342.4	346.1
Imports	239.2	258.6	275.2	298.7	329.1	316.2	297.9	322.7
Gov't. purchases of goods and services	458.2	465.1	475.4	496.4	516.8	530.0	533.5	558.6
Federal 2/	164.8	163.6	165.1	178.1	190.0	198.7	194.9	212.0
State and local	293.4	301.6	310.4	318.3	326.8	331.3	338.6	346.6
Gross national product in constant (1972) dollar	1479.9	1473.4	1488.2	1490.6	1501.9	1463.3	1471.9	1485.6
Personal income	1864.6	1906.3	1972.3	2032.0	2088.2	2114.5	2182.1	2256.2
Wage and salary disbursements	1194.8	1218.6	1248.6	1282.2	1314.7	1320.4	1341.8	1397.8
Disposable personal income	1580.2	1612.8	1663.8	1710.1	1765.1	1784.1	1840.6	1897.0
Saving rate (percent)	5.3	5.6	5.4	4.7	4.9	6.2	6.1	5.1
Corporate profits with I.V.A. and C.C. Adj	201.9	196.6	199.5	189.4	200.2	169.3	177.9	183.3
Corporate profits before tax	253.1	250.9	262.0	255.4	277.1	217.9	237.6	249.5
Federal government surplus or deficit (-) (N.I.A. basis)	-11.5	-8.1	-15.2	-24.5	-36.3	-66.5	-74.2	-67.9
High employment surplus or deficit (-)	-4.6	5.1	-2.3	-7.1	-17.1	-21.5	-21.2	-13.4
State and local government surplus or deficit (-) (N.I.A. basis)	29.5	21.9	26.5	28.9	26.6	23.9	28.6	37.1
Excluding social insurance funds	7.1	-1.7	2.1	4.0	1.3	-1.7	.9	8.1
Civilian labor force (millions)	102.3	102.4	103.2	103.7	104.2	104.7	105.0	105.2
Unemployment rate (percent)	5.8	5.7	5.8	5.9	6.2	7.3	7.5	7.5
Nonfarm payroll employment (millions)	89.1	89.7	90.2	90.6	91.1	90.5	90.1	90.9
Manufacturing	21.1	21.1	21.1	21.0	21.0	20.3	19.9	20.3
Industrial production (1967=100)	152.7	152.3	152.6	152.5	152.5	144.6	142.1	149.1
Capacity utilization: all mfg. (percent)	86.9	85.9	85.3	84.4	83.4	77.9	75.7	79.2
Materials (percent)	88.4	87.5	87.2	86.3	85.5	78.7	74.9	80.0
Housing starts, private (million units, A.R.)	1.64	1.84	1.79	1.59	1.23	1.06	1.39	1.54
New autos sales, (millions, A.R.)	11.56	10.65	10.79	9.80	10.65	7.68	8.80	9.04
Domestic models	9.30	8.16	8.63	7.43	7.87	5.53	6.51	6.57
Foreign models	2.25	2.49	2.16	2.37	2.77	2.14	2.29	2.47

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.

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

	1979				1980		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<u>Constant (1972) dollars</u>							
Gross national product	3.9	-1.7	4.1	.6	3.1	-9.9	2.4
Final purchases	2.5	-2.5	7.2	2.9	3.1	-10.4	4.1
Private	3.0	-3.0	8.7	2.2	2.2	-13.3	6.5
Excluding net exports	1.1	-1.6	5.5	1.9	-.4	-14.4	4.6
Personal consumption expenditures	.9	-1.2	4.7	3.6	.8	-9.8	5.1
Goods	-2.7	-4.6	6.0	4.2	-.3	-17.7	4.0
Services	5.5	3.0	3.1	2.8	2.1	.0	6.4
Gross private domestic investment	10.6	-1.7	-9.9	-17.8	-5.6	-28.9	-10.0
Residential structures	-6.5	-10.8	-3.6	-3.1	-24.2	-60.2	16.0
Business fixed investment	5.2	-.4	13.4	-5.4	2.2	-19.9	-1.5
Gov't. purchases of goods and services	.7	-.5	1.2	6.1	6.9	2.5	-5.0
Federal	8.0	-7.9	-3.6	13.1	18.9	11.9	-13.1
State and local	-3.3	4.0	3.9	2.4	.6	-2.8	.3
Disposable personal income	3.1	.5	3.5	.8	1.3	-4.9	4.1
<u>Current dollars</u>							
Gross national product	12.7	5.9	12.2	8.8	12.6	-1.1	11.8
Final purchases	11.5	4.4	16.1	11.4	12.0	-1.8	15.9
Private	12.8	4.0	17.9	9.6	10.7	-4.8	19.5
Excluding net exports	10.8	6.7	15.7	12.0	10.6	-6.5	13.6
Personal consumption expenditures	11.0	6.7	14.6	14.7	12.9	-1.0	14.3
Goods	8.5	4.9	16.6	15.6	13.1	-10.3	12.0
Services	14.2	8.8	12.2	13.5	12.7	10.8	17.0
Gross private domestic investment	17.0	15.4	-1.5	-10.6	5.6	-21.8	-13.3
Residential structures	1.8	1.8	9.1	2.8	-16.7	-56.4	25.7
Business fixed investment	13.9	8.6	25.0	2.3	11.0	-10.4	6.0
Gov't. purchases of goods and services	6.3	6.2	9.2	18.8	17.5	10.6	2.6
Federal	10.7	-2.9	3.7	35.4	29.5	19.8	-7.5
State and local	3.9	11.6	12.2	10.6	11.2	5.6	9.1
Disposable personal income	13.5	8.5	13.3	11.6	13.5	4.4	13.3
Personal income	12.8	9.3	14.6	12.7	11.5	5.1	13.4
Wage and salary disbursements	13.5	8.2	10.2	11.2	10.5	1.8	6.6
Corporate profits with IVA & C.C. Adj.	-1.6	-10.1	6.0	-18.8	24.8	-48.9	21.9
Corporate profits before tax	8.3	-3.4	18.9	-9.7	38.6	-61.8	41.4
Nonfarm payroll employment	4.3	2.4	2.3	1.7	2.5	-2.7	-1.6
Manufacturing	4.6	.6	-.6	-1.7	-.8	-11.7	-7.2
Nonfarm business sector							
Output per hour	-.9	-1.9	-1.4	-.3	.0	-3.0	3.8
Compensation per hour	10.9	10.0	8.1	9.6	9.9	11.2	9.3
Unit labor costs	11.9	12.1	9.7	9.9	9.9	14.6	5.3
GNP implicit deflator 1/	8.4	7.8	7.8	8.1	9.3	9.8	9.2
Gross domestic business product							
fixed-weighted price index 2/	9.7	9.7	9.5	10.0	10.1	9.8	9.6
Excluding food and energy	7.5	7.2	6.9	11.1	7.4	9.5	9.3
Consumer price index (all urban)	10.2	12.5	14.0	14.3	16.5	13.1	7.7
Industrial production	5.4	-1.0	.8	-.3	.0	-19.2	-6.7
							21.2

1/ Excluding Federal pay increases, rates of change were: 1979-Q1, 8.3 percent; 1979-Q4, 7.5 percent; 1980-Q1, 9.2 percent; 1980-Q4, 9.7 percent.

2/ Uses expenditures in 1972 as weights.

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

	1981				1982			
	Q1	Q2	Q3	Q4	Projected	Q1	Q2	Q3
Gross national product	2853.0	2898.1	2951.3	3024.6	3080.7	3135.2	3201.7	3277.5
Final purchases	2848.5	2875.9	2930.0	3004.3	3060.9	3115.9	3187.2	3261.0
Private	2272.0	2297.7	2340.2	2397.4	2442.2	2486.5	2546.9	2602.2
Excluding net exports	2242.8	2272.6	2319.4	2377.1	2428.0	2478.7	2547.0	2607.1
Personal consumption expenditures	1810.1	1839.2	1884.2	1936.3	1980.8	2024.1	2082.8	2132.5
Goods	964.3	965.1	987.2	1015.4	1037.9	1059.2	1093.9	1122.2
Services	845.8	874.1	897.0	920.9	942.9	964.9	988.9	1010.3
Gross private domestic investment	437.1	455.6	456.5	461.1	467.0	473.9	478.7	491.1
Residential construction	116.7	110.7	106.2	107.7	110.2	113.2	118.0	123.3
Business fixed investment	315.9	322.7	329.0	333.1	337.0	341.4	346.2	351.3
Change in business inventories	4.5	22.2	21.3	20.3	19.8	19.3	14.5	16.5
Nonfarm	6.8	20.2	21.3	20.3	19.8	19.3	14.5	16.5
Net exports of goods and services <u>1/</u>	29.2	25.1	20.8	20.3	14.2	7.8	-.1	-4.9
Exports	367.4	373.6	380.4	388.1	393.0	398.0	401.7	407.3
Imports	338.2	348.6	359.7	367.7	378.8	390.2	401.8	412.2
Gov't. purchases of goods and services	576.5	578.2	589.8	606.9	618.7	629.4	640.3	658.8
Federal <u>2/</u>	221.6	218.3	223.8	234.9	240.8	245.7	250.8	263.5
State and local	354.9	359.9	366.0	372.0	377.9	383.7	389.5	395.3
Gross national product in constant (1972) dollars	1516.4	1517.1	1518.1	1522.3	1523.7	1524.6	1532.3	1541.0
Personal income	2319.8	2366.4	2433.3	2493.4	2541.1	2590.8	2654.3	2714.2
Wage and salary disbursements	1442.9	1467.0	1494.4	1527.4	1554.1	1580.1	1608.5	1647.1
Disposable personal income	1947.8	1984.1	2037.7	2104.1	2144.3	2182.6	2266.2	2312.9
Saving rate (percent)	4.6	4.8	5.0	5.5	5.1	4.8	5.6	5.3
Corporate profits with I.V.A. and C.C. Adj.	203.0	196.1	189.1	197.8	191.5	187.5	192.2	197.6
Corporate profits before tax	259.1	233.7	227.9	234.4	211.8	204.7	206.4	208.8
Federal government surplus or deficit (-) (N.I.A. basis)	-43.3	-41.0	-54.7	-77.8	-80.3	-79.6	-119.8	-121.3
High employment surplus or deficit (-) <u>3/</u>	3.6	9.6	3.4	-13.3	-6.7	1.9	-36.8	-34.3
State and local government surplus or deficit (-) (N.I.A. basis)	37.0	32.1	31.3	30.5	29.0	29.0	30.9	32.4
Excluding social insurance funds	6.7	1.1	-.3	-1.7	-4.0	-4.7	-3.6	-2.9
Civilian labor force (millions)	105.8	107.2	107.5	107.8	108.1	108.4	108.7	109.0
Unemployment rate (percent)	7.3	7.5	7.7	7.8	8.0	8.2	8.3	8.3
Nonfarm payroll employment (millions)	91.6	91.5	91.6	91.7	91.7	91.7	91.8	92.0
Manufacturing	20.4	20.4	20.5	20.4	20.4	20.4	20.4	20.5
Industrial production (1967=100)	151.8	152.7	153.0	153.5	153.7	153.7	155.1	157.0
Capacity utilization: all mfg. (percent)	79.9	80.1	79.6	79.3	78.9	78.4	78.6	79.2
Materials (percent)	81.7	81.1	80.7	80.6	79.9	79.4	79.5	80.0
Housing starts, private (million units, A.R.)	1.39	1.21	1.15	1.15	1.20	1.25	1.30	1.35
New autos sales, (millions, A.R.)	9.96	7.90	8.70	8.90	8.40	8.80	9.10	8.85
Domestic models	7.31	5.70	6.40	6.50	6.30	6.50	6.70	6.45
Foreign models	2.66	2.20	2.30	2.40	2.10	2.30	2.40	2.40

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

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 5.1 percent high employment unemployment rate. Evaluated at a 6.1 percent unemployment rate, the high employment budget would show a deficit of \$37.8 billion in 1980-Q4 and a deficit of \$40.8 billion in 1981-Q4, and a deficit of \$62.9 billion in 1982-Q4.

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

	1981				1982			
	Q1	Q2	Q3	Q4	Projected	Q1	Q2	Q3
<u>Constant (1972) dollars</u>								
Gross national product	8.6	.2	.3	1.1	.4	.2	2.0	2.3
Final purchases	6.9	-3.1	.4	1.2	.4	.3	2.7	2.0
Private	7.3	-2.8	.2	1.7	.3	.4	3.3	2.3
Excluding net exports	6.7	-2.6	1.3	2.5	1.2	1.2	4.2	2.8
Personal consumption expenditures	5.8	-1.1	2.5	3.3	1.7	1.5	4.8	3.1
Goods	12.5	-.7	1.3	1.1	-.0	.1	2.7	3.0
Services	1.4	3.7	1.7	3.1	2.0	1.5	2.2	2.0
Gross private domestic investment	24.2	15.2	-5.0	-2.5	-1.7	-1.0	-3.4	3.5
Residential structures	3.6	-25.8	-21.6	-2.1	1.3	2.9	9.1	10.2
Business fixed investment	13.3	-3.0	1.1	-1.5	-2.1	-1.5	-1.1	-.8
Gov't. purchases of goods and services	5.4	-4.0	1.0	-.7	1.2	-.0	.3	.9
Federal	14.8	-6.4	4.9	.3	5.3	2.2	3.1	4.8
State and local	.2	-2.5	-1.3	-1.3	-1.2	-1.4	-1.4	-1.5
Disposable personal income	3.0	-.1	3.6	5.3	.2	-.1	8.7	1.8
<u>Current dollars</u>								
Gross national product	19.2	6.5	7.5	10.3	7.6	7.3	8.8	9.8
Final purchases	15.5	3.9	7.7	10.5	7.7	7.4	9.5	9.6
Private	16.0	4.6	7.6	10.2	7.7	7.5	10.1	9.0
Excluding net exports	14.9	5.4	8.5	10.3	8.8	8.6	11.5	9.8
Personal consumption expenditures	14.2	6.6	10.2	11.5	9.5	9.0	12.1	9.9
Goods	17.2	.3	9.5	11.9	9.2	8.5	13.8	10.8
Services	10.9	14.1	10.9	11.1	9.9	9.7	10.3	8.9
Gross private domestic investment	45.9	18.0	.8	4.1	5.2	6.0	4.1	10.8
Residential structures	14.0	-19.1	-15.3	5.8	9.6	11.3	18.1	19.2
Business fixed investment	19.6	8.8	8.0	5.1	4.8	5.3	5.7	6.0
Gov't. purchases of goods and services	13.5	1.2	8.3	12.1	8.0	7.1	7.1	12.1
Federal	19.3	-5.8	10.5	21.4	10.4	8.4	8.6	21.8
State and local	10.0	5.8	7.0	6.7	6.5	6.3	6.2	6.1
Disposable personal income	11.2	7.7	11.3	13.7	7.9	7.3	16.2	8.5
Personal income	11.8	8.3	11.8	10.2	7.9	8.1	10.2	9.3
Wage and salary disbursements	13.5	6.8	7.7	9.1	7.2	6.9	7.4	9.9
Corporate profits with IVA & C.C. Adj.	50.4	-12.9	-13.5	19.7	-12.1	-8.1	10.4	11.7
Corporate profits before tax	16.3	-33.9	-9.5	11.9	-33.3	-12.8	3.4	4.6
Nonfarm payroll employment	3.0	-.4	.3	.3	.3	.1	.4	.7
Manufacturing	2.4	3.1	.6	-.7	-1.0	-.8	1.7	2.9
Nonfarm business sector								
Output per hour	4.0	-.4	-.4	.7	-.1	.2	1.9	1.7
Compensation per hour	11.4	9.0	9.2	8.5	8.9	8.0	7.9	7.9
Unit labor costs	7.2	9.4	9.7	7.7	9.0	7.7	5.9	6.1
GNP implicit deflator 1/	9.8	6.3	7.3	9.1	7.2	7.0	6.6	7.3
Gross domestic business product								
fixed-weighted price index 2/	10.5	8.4	8.3	8.5	8.1	7.8	7.6	7.3
excluding food and energy	8.1	10.0	8.4	7.8	7.4	7.3	7.2	7.0
Consumer price index (all urban)	10.8	7.6	10.0	10.4	8.8	7.9	7.4	7.0
Industrial production	7.4	2.4	.8	1.3	.5	.0	3.7	5.0

1/ Excluding Federal pay increases, the rates of change are: 1981-Q1, 9.7 percent; 1981-Q4, 8.2 percent; 1982-Q1, 7.2 percent; 1982-Q4, 6.4 percent.

2/ Uses expenditures in 1972 as weights.

July 1, 1981

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

	1975	1976	1977	1978	1979	1980	Projected 1981	1982
Gross national product	1549.2	1718.0	1918.0	2156.1	2413.9	2626.1	2931.7	3173.8
Final purchases	1556.1	1706.2	1897.0	2133.9	2396.4	2632.0	2914.7	3156.3
Private	1216.2	1344.1	1502.5	1701.3	1922.6	2097.3	2326.8	2519.5
Excluding net exports	1189.4	1330.4	1506.7	1701.9	1909.2	2074.0	2303.0	2515.2
Personal consumption expenditures	976.4	1084.3	1205.5	1348.7	1510.9	1672.8	1867.5	2055.0
Goods	539.5	598.5	657.8	729.1	814.5	887.6	983.0	1078.3
Services	437.0	485.7	547.7	619.6	696.3	785.2	884.5	976.7
Gross private domestic investment	206.1	257.9	322.3	375.3	415.8	395.3	452.6	477.7
Residential construction	55.3	72.0	95.8	111.3	118.6	105.3	110.3	116.2
Business fixed investment	157.7	174.1	205.5	242.0	279.7	296.0	325.2	344.0
Change in business inventories	-6.9	11.8	21.0	22.2	17.5	-5.9	17.1	17.5
Nonfarm	-10.5	13.9	20.2	21.8	13.4	-4.7	17.2	17.5
Net exports of goods and services 1/	26.8	13.7	-4.2	-.6	13.4	23.3	23.8	4.3
Exports	154.9	170.9	183.3	219.8	281.3	339.8	377.4	400.0
Imports	128.1	157.1	187.5	220.4	267.9	316.5	353.5	395.7
Gov't. purchases of goods and services	339.9	362.1	394.5	432.6	473.8	534.7	587.8	636.8
Federal 2/	122.7	129.2	143.9	153.4	167.9	198.9	224.6	250.2
State and local	217.2	232.9	250.6	279.2	305.9	335.8	363.2	386.6
Gross national product in constant (1972) dollars	1233.9	1300.4	1371.7	1436.9	1483.0	1480.7	1518.5	1530.4
Personal income	1265.0	1391.2	1538.0	1721.8	1943.8	2160.2	2403.2	2625.1
Wage and salary disbursements	806.4	889.9	983.8	1105.2	1236.1	1343.7	1482.9	1597.4
Disposable personal income	1096.1	1194.4	1311.5	1462.9	1641.7	1821.7	2018.4	2226.5
Saving rate (percent)	8.6	6.9	5.6	5.2	5.2	5.6	5.0	5.2
Corporate profits with I.V.A. and C.C. Adj.	110.5	138.1	164.7	185.5	196.°	182.7	196.5	192.2
Corporate profits before tax	132.1	166.3	192.6	223.3	255.4	245.5	238.8	207.9
Federal government surplus or deficit (N.I.A. basis)	-69.3	-53.1	-46.4	-29.2	-14.8	-61.2	-54.2	-100.2
High employment surplus or deficit (-)	-29.2	-20.1	-23.0	-15.7	-2.2	-18.3	.8	-19.0
State and local government surplus or deficit (-) (N.I.A. basis)	5.5	16.6	28.1	29.0	26.7	29.1	32.7	30.3
Excluding social insurance funds	-7.6	.9	10.1	9.0	2.9	2.1	1.4	-3.8
Civilian labor force (millions)	92.6	94.8	97.4	100.4	102.9	104.7	107.1	108.5
Unemployment rate (percent)	8.5	7.7	7.0	6.0	5.8	7.1	7.6	8.2
Nonfarm payroll employment (millions)	77.0	79.4	82.5	86.7	89.9	90.7	91.6	91.8
Manufacturing	18.3	19.0	19.7	20.5	21.1	20.4	20.4	20.4
Industrial production (1967=100)	117.8	130.5	138.1	146.1	152.5	147.1	152.7	154.9
Capacity utilization: all manufacturing (percent)	72.9	79.5	81.9	84.4	85.6	79.1	79.7	78.8
Materials (percent)	73.4	81.1	82.7	85.6	87.4	79.8	81.0	79.7
Housing starts, private (million units, A.R.)	1.16	1.54	1.99	2.02	1.75	1.29	1.22	1.27
New auto sales, (millions, A.R.)	8.66	10.12	11.13	11.28	10.70	9.04	8.87	8.79
Domestic models	7.08	8.63	9.07	9.29	8.38	6.62	6.48	6.49
Foreign models	1.58	1.50	2.06	1.99	2.32	2.42	2.39	2.30

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.

July 1, 1981

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

	1975	1976	1977	1978	1979	1980	Projected 1981	Projected 1982
<u>Constant (1972) dollars</u>								
Gross national product	-1.1	5.4	5.5	4.8	3.2	-.2	2.6	.8
Final purchases	.3	4.2	5.2	4.7	3.5	.7	1.8	.7
Private	-.1	5.3	6.0	15.4	4.0	.2	2.1	.9
Excluding net exports	-.6	6.2	6.5	5.2	2.9	-1.0	2.6	1.7
Personal consumption expenditures	2.2	5.6	4.9	4.7	2.9	.5	3.0	2.4
Goods	1.3	6.7	5.2	4.2	1.9	-1.4	3.1	.9
Services	3.3	4.3	4.5	5.4	4.1	2.6	2.9	2.2
Gross private domestic investment	-20.8	19.2	15.7	7.6	1.3	-12.5	5.9	-1.1
Residential structures	-12.5	21.3	18.5	2.9	-5.2	-18.6	-2.8	-2.8
Business fixed investment	-12.1	5.3	11.9	9.1	6.5	-3.0	1.7	-1.3
Gov't. purchases of goods and services	2.1	.0	2.1	2.0	1.5	2.9	.6	.1
Federal	.8	-.7	4.1	-.9	1.9	6.3	2.1	2.6
State and local	2.9	.5	.9	3.7	1.2	1.0	-.4	-1.4
Disposable personal income	2.0	3.6	3.6	4.4	3.1	.7	2.2	2.6
<u>Current dollars</u>								
Gross national product	8.0	10.9	11.6	12.4	12.0	8.8	11.6	8.3
Final purchases	9.6	9.6	11.2	12.5	12.3	9.8	10.7	8.3
Private	9.0	10.5	11.8	13.2	13.0	9.1	10.9	8.3
Excluding net exports	7.9	11.8	13.3	12.9	12.2	8.6	11.0	9.2
Personal consumption expenditures	9.9	11.1	11.2	11.9	12.0	10.7	11.6	10.0
Goods	9.0	10.9	9.9	10.8	11.7	9.0	10.8	9.7
Services	11.1	11.2	12.7	13.1	12.4	12.8	12.6	10.4
Gross private domestic investment	-9.9	25.1	25.0	16.5	10.8	-4.9	14.5	5.5
Residential structures	-4.7	30.2	33.1	16.1	6.6	-11.3	4.8	5.3
Business fixed investment	.8	10.3	18.1	17.7	15.6	5.8	9.9	5.8
Gov't. purchases of goods and services	11.8	6.5	8.9	9.7	9.5	12.9	9.9	8.3
Federal	10.6	5.3	11.4	6.6	9.5	18.5	12.9	11.4
State and local	12.5	7.3	7.6	11.4	9.6	9.8	8.2	6.4
Disposable personal income	9.8	9.0	9.8	11.5	12.2	11.0	10.8	10.3
Personal income	8.2	10.0	10.6	12.0	12.9	11.1	11.2	9.2
Wage and salary disbursements	5.3	10.4	10.6	12.3	11.8	8.7	10.4	7.7
Corporate profits with IVA & C.C. Adj.	16.5	25.0	19.3	12.6	6.1	-7.2	7.6	-2.2
Corporate profits before tax	-3.3	25.9	15.8	15.9	14.4	-3.9	-2.7	-12.9
Nonfarm payroll employment	-1.7	3.2	3.9	5.1	3.7	.9	1.0	.3
Manufacturing	-8.8	3.7	3.6	4.2	2.8	-3.4	.3	.0
Nonfarm business sector								
Output per hour	2.1	3.2	2.0	-.2	-.8	-.4	1.1	.4
Compensation per hour	9.6	8.1	7.6	8.5	9.6	9.8	9.9	8.5
Unit labor costs	7.4	4.7	5.5	8.7	10.4	10.3	8.7	8.0
GNP implicit deflator	9.6	5.2	5.8	7.3	8.5	9.0	8.8	7.4
Gross domestic business product								
fixed-weighted price index 1/	9.2	5.5	6.3	7.8	9.7	9.8	9.3	8.0
Excluding food and energy	9.2	6.0	6.5	7.5	8.4	8.7	8.7	7.7
Consumer price index (all urban)	9.1	5.8	6.5	7.7	11.3	13.5	10.1	8.7
Industrial production	-8.9	10.8	5.8	5.8	4.4	-3.5	3.9	1.4

1/ Uses expenditures in 1972 weights.

July 1, 1981

FEDERAL SECTOR ACCOUNTS  
(billions of dollars)

	Fiscal Year 1980*	FY 1981 e/ Admin. 1/ Board				FY 1982 e/ Admin. 1/ Board				CY 1980*	CY 1981 e/ F.R. Board	FRB Staff Estimates						
						Calendar quarters; unadjusted data												
		1980		1981		1982		I*	II	III	IV	I	II	III				
Unified budget receipts	520.0	600.3	602.8	650.3	646.1	533.0	620.4	127.0	135.2	182.7	157.9	144.9	146.8	195.5	158.9			
Unified budget outlays	579.6	655.2	663.1	695.3	724.8	601.1	687.1	160.6	167.3	165.9	169.3	184.6	165.5	185.5	189.2			
Surplus(+) / deficit(-), unified budget	-59.6	-54.9	-60.3	-45.0	-78.7	-68.1	-66.7	-33.6	-32.1	16.8	-11.4	-39.7	-18.7	10.0	-30.3			
Surplus(+) / deficit(-), off-budget agencies <sup>2/</sup>	-14.2	-23.6	-22.8	-16.7	-17.5	-15.3	-22.0	-2.2	-6.4	-6.8	-7.5	-1.3	-4.7	-5.4	-6.2			
Combined deficit to be financed	-73.8	-78.5	-83.1	-61.7	-96.2	-83.4	-88.7	-35.8	-38.5	10.0	-18.9	-41.0	-23.4	4.6	-36.5			
Means of financing combined deficits:																		
Net borrowing from public	70.5	71.0	74.8	60.0	93.9	79.3	79.0	27.7	35.8	-3.0	14.4	31.5	23.9	1.4	37.0			
Decrease in cash operating balance	3.2	6.0	6.0	0.0	0.0	3.6	0.3	8.7	1.6	-6.3	2.0	3.0	4.0	-4.0	-3.0			
Other <sup>3/</sup>	0.1	1.5	2.3	1.7	2.3	0.5	9.4	-0.6	1.1	-0.7	2.5	6.5	-4.5	-2.0	2.5			
Cash operating balance, end of period	21.0	15.0	15.0	15.0	15.0	12.3	12.0	12.3	10.7	17.0	15.0	12.0	8.0	12.0	15.0			
Memo: Sponsored agency borrowing <sup>4/</sup>	21.4	18.2	27.8	24.9	23.2	24.3	25.3	9.0	3.6	9.5	5.7	6.5	5.7	5.5	5.5			
<u>NIA Budget</u>																		
Receipts	527.3	609.5	615.5	665.0	645.4	540.8	631.6	573.3	620.7	626.0	642.2	637.5	645.8	657.3	641.0			
Expenditures	578.2	663.1	667.7	707.1	735.4	602.0	686.5	641.1	664.0	668.2	697.7	716.0	726.8	737.4	761.3			
Purchases	190.2	216.6	218.9	244.7	243.0	198.9	224.7	212.1	221.6	218.3	223.8	234.9	240.8	245.7	250.8			
Defense	126.1	148.2	146.6	172.9	168.9	131.7	151.7	141.6	145.2	147.9	151.9	161.6	166.5	171.5	176.2			
Nondefense	64.1	68.4	72.3	71.8	74.1	67.2	73.0	70.4	76.4	70.4	71.9	73.3	74.3	74.2	74.6			
All other expenditures	388.0	446.5	448.8	426.4	492.4	403.1	461.8	429.1	442.4	449.9	473.9	481.1	486.0	491.7	510.5			
Surplus(+) / deficit(-)	-50.9	-53.6	-52.2	-42.1	-90.0	-61.2	-54.9	-67.9	-43.3	-42.2	-55.5	-78.5	-81.0	-80.1	-120.3			
High Employment (H.E.) surplus(+) / deficit(-) evaluated at H.E. unemployment rate of:																		
5.1 percent	-16.7	n.a.	0.8	n.a.	-13.8	-18.3	0.8	-13.4	3.6	9.6	3.4	-13.3	-6.7	1.9	-36.8			
6.1 percent	-39.5	n.a.	-25.0	n.a.	-41.7	-41.7	-25.7	-37.8	-21.8	-16.6	-23.7	-40.8	-34.8	-26.6	-64.7			

\*--actual

e--estimated

n.a.--not available

1. Fiscal Year 1982 Budget Revisions, March 1982. In its report on the First Concurrent Resolution for FY 1982, the Congress recommended receipts of \$657.8 billion and outlays of \$695.5 billion. The revised Budget Resolution for FY1981 recommended receipts of \$603.3 billion and outlays of \$661.4 billion.
2. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, and Rural Telephone Bank.
3. Checks issued less checks paid, accrued items and other transactions.
4. FRB staff estimates include Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives marketable debt on an offerings basis.

CONFIDENTIAL (FR)  
CLASS II FOMC

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

July 1, 1981

	1980 ANN.	1981 ANN.	1982 ANN.	1981 Q I	1981 Q II	1981 Q III	1981 Q IV	1982 Q I	1982 Q II	1982 Q III	1982 Q IV
<hr/>											
1. GNP NET EXPORTS											
CURRENT \$, NET EXPORTS OF G&S	23.3	23.8	4.3	29.2	25.1	20.8	20.3	14.2	7.8	-.1	-4.9
IMPORTS OF G&S	339.8	377.4	400.0	367.4	373.6	380.4	388.1	393.0	398.0	401.7	407.3
CONSTANT 72 \$, NET EXPORTS OF G&S	52.0	48.1	39.2	50.9	49.8	46.9	44.9	42.3	40.1	37.8	36.4
IMPORTS OF G&S	161.1	165.0	165.1	162.5	164.3	166.2	167.1	166.4	165.7	164.5	163.7
TERMS OF TRADE (1972=100) 1/	109.1	116.9	125.9	111.6	114.5	119.4	122.2	124.1	125.6	126.7	127.3
72.7	75.6	77.1	74.6	74.7	75.9	77.1	77.4	77.3	77.0	76.8	
2. U.S. MERCHANDISE TRADE BALANCE 2/	-25.3	-27.4	-52.1	-18.4	-25.2	-31.5	-34.4	-41.9	-48.2	-56.2	-61.9
EXPORTS (EXCL. MILITARY)	224.0	243.8	244.7	244.5	244.0	243.0	243.8	243.2	243.8	244.7	247.3
AGRICULTURAL	42.2	47.5	51.0	50.9	46.0	46.0	47.1	49.1	50.4	51.5	52.9
NONAGRICULTURAL	181.7	196.3	193.8	193.5	198.0	197.0	196.6	194.2	193.4	193.3	194.4
IMPORTS	249.3	271.2	296.8	262.9	269.2	274.5	278.2	285.1	292.0	301.0	309.2
PETROLEUM AND PRODUCTS	78.9	83.0	81.8	83.3	84.2	83.5	81.0	80.3	81.2	82.7	83.2
NONPETROLEUM	170.4	188.2	215.0	179.6	185.0	191.0	197.2	204.8	210.8	218.2	226.0
3. U.S. CURRENT ACCOUNT BALANCE	3.7	1.8	-25.0	12.3	3.8	-2.9	-6.1	-13.5	-20.8	-29.8	-35.7
OF WHICH: NET INVESTMENT INCOME	32.8	34.8	33.4	35.5	34.5	34.5	34.6	34.8	33.6	32.7	32.7
4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/											
REAL GNP, % CHANGE, ANNUAL RATES	.3	1.1	2.5	1.5	.4	1.0	1.7	2.2	2.4	2.7	2.8
CONSUMER PRICES, 4/, % CHANGE, ANNUAL RATES	10.3	9.1	7.5	10.7	10.4	7.9	7.6	7.9	7.9	7.1	7.2

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

2/ INTERNATIONAL ACCOUNTS BASIS.

3/ GEOMETRIC WEIGHTS USED TO AGGREGATE FOREIGN REAL GNP AND CONSUMER PRICES -- PERCENT SHARE IN TEN-COUNTRY TOTAL MULTILATERAL TRADE. CANADA (9.1%), JAPAN (13.6%), UNITED KINGDOM (11.9%), GERMANY (20.8%), FRANCE (13.1%), ITALY (9.0%), BELGIUM (6.4%), THE NETHERLANDS (8.3%), SWITZERLAND (3.6%), SWEDEN (4.2%).

4/ WHOLESALE PRICES FOR JAPAN.

P/ PROJECTED.

July 1, 1981

## **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

Investment surveys also point toward sluggish real capital spending over the remainder of the year. The Commerce Department May survey of fixed capital spending anticipations indicated that businesses plan to increase spending an average of 8.4 percent in nominal terms this year--almost 2 percentage points less than the plans reported in the February survey. Given the 18 percent annual rate rise in outlays in the first quarter, this seems to leave little room for further advances over the remainder of the year.

#### Inventory Investment

Manufacturers' inventory investment remained moderate in May. The book value of manufacturers' stocks rose at an annual rate of \$17 billion, about the same as in April. These recent increases were considerably below those recorded earlier in the year when producers rebuilt stocks drawn down during the second half of 1980. Manufacturers' shipments rose 0.7 percent in May, and the stock/sales ratio remained at 1.57.

Retail and wholesale trade inventories rose at a \$5.1 billion annual rate in constant dollars in April, after five months of liquidation. The April rise largely was due to the beginning of the second quarter buildup of automotive stocks. Inventories at merchant wholesalers rose at a \$1.3 billion rate, as runups in auto products, machinery, and building materials were partially offset by some liquidation in nondurable merchandise.

#### Government Sector

The federal government unified budget deficit for May was \$16 billion, significantly more than had been anticipated by the Administration. The underestimation of the deficit mainly was a result of personal income and social security withholdings falling short of projections.

Outlays apparently were consistent with the Administration's expectations, although the distribution was different; continued shortfalls in defense expenditures and declines in unemployment compensation outlays were offset by accelerated spending for the strategic petroleum reserve, lower-than-anticipated repayments of Commodity Credit Corporation loans, and limited sales of financial assets.

The First Concurrent Resolution on the fiscal 1982 budget was passed by the Congress in mid-May. The resolution is in general agreement with the Administration's budget proposals and recommends outlays of \$695 billion and receipts of \$658 billion in FY1982, resulting in a deficit of about \$38 billion. Reconciliation instructions included in the resolution require that the authorizing committees of Congress reduce the cost of existing programs by about \$36 billion. The Senate and House have approved reconciliation bills that are consistent with this target.

The budget resolution allows for tax cuts of \$9 billion in fiscal year 1981 and \$51 billion in fiscal year 1982, sufficient to accommodate the Administration's original tax cut proposals. Subsequently, the Administration has scaled back its recommended tax reductions to \$2 billion in FY1981 and \$38 billion in FY1982. The Senate Finance Committee has reported a bill that is in general agreement with the Administration's revised program. Meanwhile, deliberations by the House Ways and Means Committee on tax reduction continue.

State and local governments have curtailed their spending in recent months, partly in response to reductions in federal grants-in-aid. Employment fell 40,000 in May and has decreased 80,000 over the past six months. In large part, this decline reflects the ongoing elimination

of federally funded public service jobs. CETA enrollments have fallen 180,000 since December; a Labor Department survey suggests that fewer than half of the laid-off CETA workers have been transferred to regular payrolls. The value of new construction activity dropped a record 12 percent in April, with declines recorded for all major State and local government categories. This drop follows a very strong gain in the first quarter, however, and the value of new construction in real terms in the first four months of 1981 was almost 5 percent above that in the fourth quarter of 1980.

#### Prices and Labor Costs

Declining food and gasoline prices continued to hold down increases in broad measures of inflation in May, and the inflation rate for some other consumer commodities has been running below last year's rate. However, homeownership costs accelerated in May, and prices for capital equipment continued to advance at the double-digit pace evident since early 1980.

Consumer food prices, which were little changed over the first four months of 1981, edged lower in May. Price declines were widespread in May, but meat prices rose slightly, after falling for four months. In addition, farm prices for livestock--especially live hogs--increased sharply in June, amid signs that pork production is trending lower.

Retail energy prices have risen only slightly on average since March, as decreases for petroleum products largely offset higher natural gas and electricity rates. Gasoline prices fell about 1-1/2 percent per month in April and May, and industry sources indicate that these prices