



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

October 12, 1979

CONFIDENTIAL (FR)
CLASS II - FOMC

TO: Federal Open Market Committee
FROM: Murray Altmann

Attached for your information is a brief review of recent and prospective economic and financial developments and of the latest GNP projections, prepared by the staff of the Board.

Attachment

CONFIDENTIAL (FR)

October 12, 1979

**CURRENT AND PROSPECTIVE ECONOMIC
AND FINANCIAL CONDITIONS**

**By the Staff
Board of Governors
of the Federal Reserve System**

SELECTED DOMESTIC NONFINANCIAL DATA
AVAILABLE SINCE PRECEDING GREENBOOK
(Seasonally adjusted)

	Latest Data			Percent Change from		
	Period	Release Date	Data	Preceding Period	Three Periods Earlier	Year earlier
(At annual rate)						
Civilian labor force	Sept.	10-5-79	103.5	5.2	3.8	2.5
Unemployment rate (%) <u>1/</u>	Sept.	10-5-79	5.8	6.0	5.6	5.9
Insured unemployment rate (%) <u>1/</u>	Sept.	10-5-79	3.0	3.1	2.8	3.4
Nonfarm employment, payroll (mil.)	Sept.	10-5-79	89.9	1.8	1.0	3.2
Manufacturing	Sept.	10-5-79	21.0	1.4	-1.5	2.3
Nonmanufacturing	Sept.	10-5-79	68.9	1.9	1.8	3.5
Private nonfarm:						
Average weekly hours (hr.) <u>1/</u>	Sept.	10-5-79	35.6	35.6	35.6	35.8
Hourly earnings (\$) <u>1/</u>	Sept.	10-5-79	6.25	6.22	6.13	5.78
Manufacturing:						
Average weekly hours (hr.) <u>1/</u>	Sept.	10-5-79	40.0	40.1	40.1	40.5
Unit labor cost (1967=100)	Aug.	9-28-79	176.5	8.9	7.4	8.2
Industrial production (1967=100)	Aug.	9-14-79	150.9	-13.4	-3.9	2.0
Consumer goods	Aug.	9-14-79	147.7	-25.4	-11.3	-1.9
Business equipment	Aug.	9-14-79	170.3	-9.1	-2.6	4.2
Defense & space equipment	Aug.	9-14-79	92.9	6.5	1.7	5.7
Materials	Aug.	9-14-79	155.3	-12.2	-1.0	3.4
Consumer prices all items (1967=100)	Aug.	9-25-79	220.7	12.6	12.1	11.7
All items, excluding food & energy	Aug.	9-25-79	209.4	12.2	10.4	9.9
Food	Aug.	9-25-79	235.0	.0	1.2	9.5
Producer prices: (1967=100)						
Finished goods	Sept.	10-4-79	221.0	17.1	14.8	11.8
Intermediate materials, nonfood	Sept.	10-4-79	251.5	18.4	18.5	14.8
Crude foodstuffs & feedstuffs	Sept.	10-4-79	249.9	17.5	13.2	13.8
Personal income (\$ bil.) <u>2/</u>	Aug.	9-18-79	1938.1	5.2	9.8	11.3
(Not at annual rates)						
Mfrs. new orders dur. goods (\$ bil.)	Aug.	10-3-79	74.6	2.9	-3.2	5.6
Capital goods industries	Aug.	10-3-79	24.5	8.6	-.4	13.5
Nondefense	Aug.	10-3-79	21.5	6.1	2.4	16.9
Defense	Aug.	10-3-79	3.0	30.8	-16.7	-6.3
Inventories to sales ratio: <u>1/</u>						
Manufacturing and trade, total	July	10-3-79	1.44	1.43	1.44	1.44
Manufacturing	Aug.	10-3-79	1.54	1.54	1.48	1.51
Trade	July	10-3-79	1.34	1.33	1.33	1.33
Ratio: Mfrs.' durable goods inventories to unfilled orders <u>1/</u>	Aug.	10-3-79	.563	.557	.546	.600
Retail sales, total (\$ bil.)	Aug.	9-10-79	72.8	.7	1.2	8.1
GAF <u>3/</u>	Aug.	9-10-79	16.1	.7	2.7	9.0
Auto sales, total (mil. units.) <u>2/</u>	Sept.	10-3-79	10.7	-2.4	12.3	.9
Domestic models	Sept.	10-3-79	8.5	-2.6	19.2	-1.9
Foreign models	Sept.	10-3-79	2.2	-1.7	-8.3	13.7
Housing starts, private (thous.) <u>2/</u>	Aug.	9-19-79	1,783	-.4	-2.8	-11.0
Leading indicators (1967=100)	Aug.	9-28-79	139.1	.0	-.5	-2.0

1/ Actual data used in lieu of percent changes for earlier periods.

2/ At annual rate.

3/ Excludes mail order houses.

STAFF GNP PROJECTIONS

Percent changes, annual rate								
	Nominal GNP		Real GNP		Gross business product fixed-weight price index		Unemployment rate (percent)	
	9/12/79	10/12/79	9/12/79	10/12/79	9/12/79	10/12/79	9/12/79	10/12/79
1976 1/	11.3	11.3	5.9	5.9	5.3	5.3	7.7	7.7
1977 1/	11.6	11.6	5.3	5.3	6.2	6.2	7.0	7.0
1978 1/	12.0	12.0	4.4	4.4	7.6	7.6	6.0	6.0
1979	10.8	10.9	1.7	1.7	9.6	9.7	6.1	5.9
1980	8.5	8.0	-7	-1.2	9.5	9.6	7.8	7.9
1978-III 1/	10.9	10.9	3.5	3.5	8.8	8.8	6.0	6.0
1978-IV 1/	14.8	14.8	5.6	5.6	8.7	8.7	5.8	5.8
1979-I 1/	10.6	10.6	1.1	1.1	10.0	10.0	5.7	5.7
1979-II 1/	6.7	6.7	-2.4	-2.3	9.8	10.1	5.7	5.7
1979-III	9.5	10.6	.7	1.6	10.0	10.3	6.0	5.8
79-IV	7.3	5.8	-2.7	-4.0	9.8	10.1	6.9	6.7
1980-I	8.5	7.5	-9	-1.9	9.7	9.8	7.4	7.4
1980-II	8.7	8.0	-4	-1.0	9.5	9.4	7.7	7.9
1980-III	9.4	9.1	.9	.6	8.7	8.6	7.9	8.1
1980-IV	9.9	9.7	1.1	.9	8.5	8.4	8.1	8.3
Change:								
77-IV to								
78-IV 1/	13.4	13.4	4.8	4.8	8.6	8.6	-8	-8
78-IV to								
79-IV	8.5	8.4	-8	-9	9.9	10.1	1.1	.9
79-IV to								
80-IV	9.1	8.6	.2	-4	9.1	9.0	1.2	1.6
Memo:								
Growth Over Annual Policy Period:								
78-IV to								
79 IV	8.5	8.4	-8	-9	9.9	10.1	1.1	.9

1/ Actual.

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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			
	I	II	III	IV	Projected I	Projected II	Projected III	Projected IV
Gross national product	2292.1	2329.8	2389.1	2422.9	2467.3	2515.5	2570.7	2631.1
Final purchases	2272.9	2296.4	2366.6	2414.4	2465.9	2516.5	2570.9	2629.3
Private	1812.8	1829.8	1890.5	1921.6	1963.0	2003.8	2048.0	2092.9
Excluding net exports	1808.8	1837.9	1896.3	1924.4	1953.6	1986.8	2028.1	2073.0
Personal consumption expenditures	1454.2	1475.9	1522.9	1550.5	1580.7	1613.0	1647.1	1682.8
Goods	784.9	789.9	815.6	828.8	843.5	856.8	872.3	889.0
Services	669.3	686.0	707.3	721.7	737.2	756.2	774.8	793.8
Gross private domestic investment	373.8	395.4	395.9	382.4	374.3	372.8	380.8	392.0
Residential construction	111.2	112.9	115.9	115.4	113.4	110.9	113.4	117.4
Business fixed investment	243.4	249.1	257.5	258.5	259.5	262.9	267.6	272.8
Change in business inventories	19.1	33.4	22.5	8.5	1.4	-1.0	-.2	1.8
Nonfarm	18.8	32.6	22.5	8.5	1.4	-1.0	-.2	1.8
Net exports of goods and services ^{1/}	4.0	-8.1	-5.8	-2.8	9.4	17.0	19.9	19.9
Exports	238.5	243.7	263.6	270.4	280.5	289.3	295.6	301.9
Imports	234.4	251.9	269.5	273.3	271.2	272.4	275.8	282.1
Gov't. purchases of goods and services	460.1	466.6	476.1	492.8	502.9	512.7	522.9	536.4
Federal ^{2/}	163.6	161.7	163.0	173.0	176.7	180.1	183.3	189.7
State and local	296.5	304.9	313.1	319.8	326.2	332.6	339.6	346.7
Gross national product in constant (1972) dollars	1430.6	1422.3	1427.9	1413.5	1406.6	1403.1	1405.2	1408.3
Personal income	1852.6	1892.5	1943.3	1984.8	2021.1	2065.1	2121.1	2170.4
Wage and salary disbursements	1189.3	1212.4	1236.2	1252.4	1269.6	1290.9	1316.2	1345.4
Disposable personal income	1572.2	1601.7	1639.8	1674.0	1708.3	1743.6	1789.8	1828.2
Saving rate (percent)	5.0	5.4	4.6	4.8	4.9	4.9	5.3	5.3
Corporate profits with I.V.A. and C.C. Adj	178.9	176.6	187.7	181.8	181.8	181.3	183.4	186.6
Corporate profits before tax	233.3	227.9	243.0	232.9	229.9	227.9	229.7	232.7
Federal government surplus or deficit (-) (N.I.A. basis)	-11.7	-7.0	-9.5	-25.3	-29.9	-31.6	-39.5	-38.4
High employment surplus or deficit (-)	7.9	20.1	9.9	10.4	23.2	32.0	31.2	38.7
State and local government surplus or deficit (-) (N.I.A. basis)	27.6	19.7	21.7	19.4	18.1	17.6	17.4	17.1
Excluding social insurance funds	2.6	-6.3	-4.9	-7.8	-9.7	-10.8	-11.5	-12.4
Civilian labor force (millions)	102.5	102.3	103.2	103.9	104.3	104.6	105.0	105.3
Unemployment rate (percent)	5.7	5.7	5.8	6.7	7.4	7.9	8.1	8.3
Nonfarm payroll employment (millions)	88.7	89.4	89.8	89.1	88.7	88.6	88.6	88.7
Manufacturing	21.0	21.1	21.0	20.6	20.1	19.9	19.9	19.8
Industrial production (1967=100)	152.2	151.9	150.5	147.7	145.7	145.1	145.2	145.5
Capacity utilization: all mfg. (percent)	86.7	85.9	84.4	82.0	80.1	79.0	78.2	77.6
Materials (percent)	88.0	87.2	87.4	84.4	82.4	81.1	80.5	80.0
Housing starts, private (million units, A.R.)	1.62	1.83	1.76	1.55	1.40	1.45	1.55	1.60
New autos sales, (millions, A.R.)	11.55	10.66	10.77	9.70	9.80	9.60	9.70	9.80
Domestic models	9.13	8.00	8.49	7.50	7.70	7.70	7.80	7.90
Foreign models	2.42	2.66	2.28	2.20	2.10	1.90	1.90	1.90

^{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.

October 12, 1979

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

	1979				1980			
	I	II	III	IV	Projected		III	IV
	I	II	III	IV	I	II	III	IV
<u>Constant (1972) dollars</u>								
Gross national product	1.1	-2.3	1.6	-4.0	-1.9	-1.0	.6	.9
Final purchases	1.1	-3.9	3.4	-2.0	-.9	-.6	.5	.6
Private	1.8	-4.1	4.1	-3.2	-1.3	-1.0	.2	.4
Excluding net exports	.4	-2.9	2.4	-3.8	-2.8	-1.8	.0	.5
Personal consumption expenditures	.6	-2.9	2.2	-2.8	-1.3	-.7	.1	.4
Goods	-4.4	-7.3	2.0	-5.1	-2.4	-2.5	-1.0	-.4
Services	7.1	2.5	2.5	-.2	-.1	1.5	1.3	1.4
Gross private domestic investment	-.5	8.5	-8.1	-19.6	-15.5	-9.3	.1	3.5
Residential structures	-14.3	-7.2	-1.3	-11.5	-16.0	-17.4	-.6	5.4
Business fixed investment	4.8	-.9	4.9	-6.4	-6.4	-2.8	-.8	-.2
Gov't. purchases of goods and services	-1.8	-3.3	.4	3.6	.9	.8	1.3	1.2
Federal	7.2	-11.3	-3.0	9.3	2.2	1.8	1.5	1.2
State and local	-6.6	1.6	2.3	.5	.2	.3	1.2	1.2
Disposable personal income	2.1	-1.4	-1.0	-1.8	-.9	-.6	2.2	.3
<u>Current dollars</u>								
Gross national product	10.6	6.7	10.6	5.8	7.5	8.0	9.1	9.7
Final purchases	11.0	4.2	12.8	8.3	8.8	8.5	8.9	9.4
Private	12.4	3.8	13.9	6.7	8.9	8.6	9.1	9.1
Excluding net exports	10.3	6.6	13.3	6.1	6.2	7.0	8.6	9.2
Personal consumption expenditures	11.4	6.1	13.4	7.4	8.0	8.4	8.7	9.0
Goods	7.9	2.6	13.7	6.6	7.3	6.5	7.4	7.9
Services	15.8	10.4	13.0	8.4	8.9	10.7	10.2	10.2
Gross private domestic investment	3.6	25.2	.5	-13.0	-8.2	-1.6	8.9	12.3
Residential structures	-8.5	6.1	11.1	-1.7	-6.8	-8.5	9.3	14.9
Business fixed investment	12.9	9.6	14.2	1.6	1.6	5.3	7.3	8.0
Gov't. purchases of goods and services	5.6	5.8	8.4	14.8	8.5	8.0	8.2	10.7
Federal	12.1	-4.6	3.3	26.9	8.8	7.9	7.3	14.7
State and local	2.3	11.7	11.2	8.8	8.2	8.1	8.7	8.6
Disposable personal income	13.0	7.7	9.9	8.6	8.5	8.5	11.0	8.9
Personal income	11.4	8.9	11.2	8.8	7.5	9.0	11.3	9.6
Wage and salary disbursements	12.7	8.0	8.1	5.3	5.6	6.9	8.1	9.2
Corporate profits with IVA & C.C. Adj.	-12.2	-5.0	27.6	-12.0	.0	-1.1	4.7	7.2
Corporate profits before tax	10.8	-8.9	29.3	-15.7	-5.0	-3.4	3.2	5.4
Nonfarm payroll employment	4.3	2.9	1.8	-3.0	-1.5	-.7	.2	.3
Manufacturing	5.0	.8	-1.0	-8.2	-7.9	-3.8	-2.0	-1.6
Nonfarm business sector								
Output per hour	-3.0	-4.3	-.2	-.4	1.2	.6	1.0	1.3
Compensation per hour	10.7	7.8	9.0	9.6	10.6	9.6	9.7	9.4
Unit labor costs	14.1	12.7	9.2	10.0	9.3	8.9	8.6	8.0
GNP implicit deflator <u>1/</u>	9.3	9.3	8.9	10.2	9.6	9.1	8.4	8.8
Gross business product fixed-weight price index <u>2/</u>	10.0	10.1	10.3	10.1	9.8	9.4	8.6	8.4
Consumer price index (all urban)	11.1	13.6	13.0	12.4	10.9	9.9	8.9	8.9
Industrial production	4.0	-.8	-3.6	-7.1	-5.4	-1.6	.2	.9

^{1/} Excluding Federal pay increases, the rates of change are: 1979 QI, 9.3 percent; 1979 QIV, 9.4 percent; 1980 QI, 9.6 percent; 1980 QIV, 8.2 percent.

^{2/} Uses expenditures in 1972 as weights.

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.)

	1977				1978			
	I	II	III	IV	I	II	III	IV
Gross national product	1820.2	1876.0	1930.5	1971.3	2011.3	2104.2	2159.6	2235.2
Final purchases	1800.9	1853.6	1902.9	1952.9	1988.5	2078.4	2139.5	2214.5
Private	1420.9	1462.0	1502.4	1540.1	1569.1	1650.1	1698.6	1760.7
Excluding net exports	1430.1	1468.0	1508.7	1558.2	1591.3	1657.7	1705.4	1765.2
Personal consumption expenditures	1169.1	1190.5	1220.6	1259.7	1287.2	1331.2	1369.3	1415.4
Goods	642.0	651.2	661.9	685.6	691.2	722.1	740.2	770.2
Services	527.1	539.3	558.7	574.1	596.0	609.1	629.1	645.1
Gross private domestic investment	280.4	300.0	315.7	316.9	327.0	352.3	356.2	370.5
Residential construction	81.3	91.4	95.0	99.9	100.5	107.7	110.2	113.7
Business fixed investment	179.8	186.1	193.2	198.6	203.7	218.8	225.9	236.1
Change in business inventories	19.3	22.5	27.5	18.5	22.8	25.8	20.0	20.6
Nonfarm	20.1	21.5	25.6	15.7	22.0	25.3	18.5	19.3
Net exports of goods and services ^{1/}	-9.2	-6.0	-6.3	-18.1	-22.2	-7.6	-6.8	-4.5
Exports	170.5	178.6	180.1	174.2	184.4	205.7	213.8	224.9
Imports	179.8	184.7	186.4	192.3	206.6	213.3	220.6	229.4
Gov't. purchases of goods and services	380.0	391.6	400.5	412.8	419.4	428.3	440.9	453.8
Federal ^{2/}	138.2	142.6	145.6	151.2	150.9	148.2	152.3	159.0
State and local	241.8	249.0	254.9	261.6	268.5	280.1	288.6	294.8
Gross national product in constant (1972) dollar	1315.7	1331.2	1353.9	1361.3	1367.8	1395.2	1407.3	1426.6
Personal income	1472.5	1509.0	1548.5	1596.4	1634.8	1689.3	1742.5	1803.1
Wage and salary disbursements	945.8	971.8	995.0	1023.4	1052.0	1090.0	1116.8	1154.3
Disposable personal income	1250.1	1286.0	1323.2	1361.2	1395.0	1437.3	1476.5	1524.8
Saving rate (percent)	4.2	5.1	5.4	5.1	5.3	5.0	4.8	4.7
Corporate profits with I.V.A. and C.C. Adj.	137.1	148.9	160.8	153.0	141.2	169.4	175.2	184.8
Corporate profits before tax	168.4	176.2	180.9	183.0	177.5	207.2	212.0	227.4
Federal government surplus or deficit (-) (N.I.A. basis)	-37.2	-40.9	-53.6	-53.6	-49.4	-24.6	-20.4	-16.3
High employment surplus or deficit (-)	-5.5	-12.4	-29.8	-28.3	-20.4	-4.7	-1.0	-1.8
State and local government surplus or deficit (-) (N.I.A. basis)	24.2	24.2	30.1	28.8	30.2	29.6	22.7	27.1
Excluding social insurance funds	6.3	5.4	10.0	7.4	7.9	6.5	-9	3.3
Civilian labor force (millions)	96.2	97.1	97.6	98.5	99.3	100.1	100.8	101.5
Unemployment rate (percent)	7.4	7.2	6.9	6.6	6.2	6.0	6.0	5.8
Nonfarm payroll employment (millions)	80.9	82.0	82.9	83.9	84.8	86.3	86.9	87.8
Manufacturing	19.4	19.6	19.8	19.9	20.2	20.4	20.5	20.8
Industrial production (1967=100)	134.8	138.0	139.3	140.3	140.8	145.1	147.9	150.7
Capacity utilization: all mfg. (percent)	80.7	82.1	82.4	82.6	82.0	83.9	85.2	86.4
Materials (percent)	81.7	83.2	82.8	83.0	82.6	85.0	86.4	88.2
Housing starts, private (million units, A.R.)	1.81	1.93	2.02	2.09	1.81	2.10	2.04	2.08
New autos sales, (millions, A.R.)	11.12	11.70	10.92	10.75	10.80	12.12	11.16	11.07
Domestic models	9.28	9.34	8.88	8.77	8.80	10.01	9.19	9.06
Foreign models	1.84	2.36	2.04	1.98	2.00	2.11	1.98	2.00

^{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.

DENTIAL - FR
II FOMC

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

	1977				1978			
	I	II	III	IV	I	II	III	IV
<u>Constant (1972) dollars</u>								
Gross national product	8.9	4.8	7.0	2.2	1.9	8.3	3.5	5.6
Final purchases	5.5	4.2	6.0	3.9	.4	8.7	4.6	5.7
Private	6.2	4.0	6.6	4.4	.8	10.7	4.4	6.7
Excluding net exports	7.2	4.1	5.7	7.4	1.0	7.9	4.1	6.9
Personal consumption expenditures	6.2	1.9	5.0	8.2	.8	5.6	4.8	6.8
Goods	7.8	1.3	3.6	10.7	-4.7	9.2	4.2	9.9
Services	4.4	2.6	6.8	5.3	7.9	1.4	5.5	3.2
Gross private domestic investment	39.6	19.2	15.0	-6.9	12.3	15.7	-5.0	6.6
Residential structures	11.1	37.6	10.2	5.3	-4.7	11.0	-4.9	-1.1
Business fixed investment	12.6	6.8	7.8	2.7	4.6	23.2	3.9	11.3
Gov't. purchases of goods and services	2.8	4.8	4.2	1.8	-1.2	.9	5.0	1.8
Federal	5.4	7.9	6.2	-1	-7.4	-12.3	8.2	3.2
State and local	1.3	3.0	3.0	3.0	2.7	9.3	3.3	1.0
Disposable personal income	2.1	6.1	5.6	6.6	2.0	4.0	4.2	6.4
<u>Current dollars</u>								
Gross national product	15.4	12.8	12.1	8.7	8.4	19.8	10.9	14.8
Final purchases	11.0	12.2	11.1	10.9	7.5	19.3	12.3	14.8
Private	11.0	12.1	11.5	10.4	7.7	22.3	12.3	15.4
Excluding net exports	15.0	11.0	11.6	13.8	8.8	17.8	12.0	14.8
Personal consumption expenditures	13.8	7.5	10.5	13.5	9.0	14.4	11.9	14.2
Goods	14.2	5.9	6.7	15.1	3.3	19.1	10.4	17.2
Services	13.2	9.6	15.2	11.6	16.1	9.1	13.8	10.6
Gross private domestic investment	56.5	31.0	22.7	1.6	13.3	34.8	4.5	17.1
Residential structures	25.7	59.1	16.8	22.3	2.4	32.0	9.5	13.5
Business fixed investment	18.8	15.0	16.1	11.6	10.6	33.3	13.7	19.3
Gov't. purchases of goods and services	10.9	12.8	9.4	12.9	6.5	8.8	12.3	12.2
Federal	11.0	13.3	8.7	16.5	-9	-7.0	11.7	18.7
State and local	10.8	12.5	9.8	10.8	11.1	18.5	12.6	8.9
Disposable personal income	9.3	12.0	12.1	12.0	10.3	12.7	11.4	13.8
Personal income	11.8	10.3	10.9	13.0	10.0	14.0	13.2	14.7
Wage and salary disbursements	11.4	11.5	9.9	11.9	11.7	15.3	10.2	14.1
Corporate profits with IVA & C.C. Adj.	46.6	39.1	36.0	-18.0	-27.5	107.2	14.4	23.8
Corporate profits before tax	35.4	19.9	11.1	4.7	-11.5	85.7	9.6	32.4
Nonfarm payroll employment	4.0	5.7	4.6	4.6	4.6	7.1	2.8	4.4
Manufacturing	4.9	6.3	2.8	3.3	5.8	3.8	1.3	5.5
Nonfarm business sector								
Output per hour	5.1	-1.5	3.8	-8	-2	2.4	2.9	1.3
Compensation per hour	8.7	6.9	8.5	7.9	12.3	8.0	9.1	9.4
Unit labor costs	3.4	8.5	4.5	8.7	12.5	5.5	6.0	8.0
GNP implicit deflator <u>1/</u>	6.0	7.7	4.8	6.4	6.3	10.6	7.2	8.7
Gross business product fixed-weight price index <u>2/</u>	6.9	7.1	5.2	6.5	6.6	10.5	8.8	8.7
Consumer price index (all urban)	8.1	8.1	5.2	5.4	7.8	10.2	8.8	9.1
Industrial production	7.1	9.8	3.8	2.9	1.4	12.8	7.9	7.8

1/ Excluding Federal pay increases, rates of change were: 1977:QI, 5.9 percent; 1977:QIV, 5.6 percent; 1978:QI, 6.3 percent; 1978:QIV, 8.1 percent.

2/ Uses expenditures in 1972 as weights.

October 12, 1979

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

	1973	1974	1975	1976	1977	1978	Projected	
							1979	1980
Gross national product	1306.6	1412.9	1528.8	1702.2	1899.5	2127.6	2358.4	2546.1
Final purchases	1288.6	1404.0	1539.6	1692.1	1877.6	2105.2	2337.6	2545.6
Private	1019.1	1101.3	1201.2	1330.8	1481.4	1669.6	1863.7	2026.9
Excluding net exports	1012.0	1095.3	1180.8	1322.8	1491.3	1679.9	1866.9	2010.4
Personal consumption expenditures	809.9	889.6	979.1	1089.9	1210.0	1350.8	1500.9	1630.9
Goods	457.5	498.3	541.5	601.3	660.1	730.9	804.8	865.4
Services	352.3	391.3	437.5	488.5	549.8	619.8	696.1	765.5
Gross private domestic investment	220.0	214.6	190.9	243.0	303.3	351.5	386.9	380.0
Residential construction	66.1	55.1	51.5	68.1	91.9	108.0	113.9	113.8
Business fixed investment	136.0	150.6	150.2	164.9	189.4	221.1	252.1	265.7
Change in business inventories	17.9	8.9	-10.7	10.0	21.9	22.3	20.9	.5
Nonfarm	14.7	10.8	-14.3	12.1	20.7	21.3	20.6	.5
Net exports of goods and services ^{1/}	7.1	6.0	20.4	8.0	-9.9	-10.3	-3.2	16.5
Exports	101.6	137.9	147.3	163.3	175.9	207.2	254.1	291.9
Imports	94.4	131.9	126.9	155.4	185.8	217.5	257.3	275.4
Gov't. purchases of goods and services	269.5	302.7	338.4	361.3	396.2	435.6	473.9	518.7
Federal 2/	102.2	111.1	123.1	129.7	144.4	152.6	165.3	182.4
State and local	167.3	191.5	215.4	231.6	251.8	283.0	308.6	336.3
Gross national product in constant (1972) dollars	1235.0	1217.8	1202.3	1273.0	1340.5	1399.2	1423.6	1405.8
Personal income	1052.4	1154.9	1255.5	1381.6	1531.6	1717.4	1918.3	2094.4
Wage and salary disbursements	701.3	764.6	805.9	890.0	984.0	1103.3	1222.6	1305.5
Disposable personal income	901.7	984.6	1086.7	1184.5	1305.1	1458.4	1621.9	1767.5
Saving rate (percent)	7.8	7.3	7.7	5.8	5.0	4.9	5.0	5.1
Corporate profits with I.V.A. and C.C. Adj.	99.1	83.6	95.9	126.8	150.0	167.7	181.3	183.3
Corporate profits before tax	115.8	126.9	120.4	156.0	177.1	206.0	234.3	230.1
Federal government surplus or deficit (N.I.A. basis)	-6.7	-10.7	-70.6	-53.6	-46.3	-27.7	-13.4	-34.8
High employment surplus or deficit (-)	-1.3	14.9	-27.4	-20.2	-19.0	-6.7	12.1	31.3
State and local government surplus or deficit (-) (N.I.A. basis)	13.0	7.6	6.2	17.9	26.8	27.4	22.1	17.6
Excluding social insurance funds	4.1	-2.9	-6.2	2.3	7.3	4.2	-4.1	-11.1
Civilian labor force (millions)	88.7	91.0	92.6	94.8	97.4	100.4	103.0	104.8
Unemployment rate (percent)	4.9	5.6	8.5	7.7	7.0	6.0	5.9	7.9
Nonfarm payroll employment (millions)	76.8	78.3	77.0	79.4	82.4	86.4	89.2	88.7
Manufacturing	20.2	20.1	18.3	19.0	19.7	20.5	20.9	19.9
Industrial production (1967=100)	129.8	129.3	117.8	130.5	138.2	146.1	150.6	145.4
Capacity utilization: all manufacturing (percent)	87.6	83.8	72.9	79.5	81.9	84.4	84.7	78.7
Materials (percent)	91.8	87.1	73.4	81.1	82.7	85.6	86.8	81.0
Housing starts, private (million units, A.R.)	2.05	1.34	1.16	1.54	1.99	2.02	1.69	1.50
New auto sales, (millions, A.R.)	11.42	8.91	8.66	10.12	11.13	11.29	10.67	9.72
Domestic models	9.65	7.49	7.08	8.63	9.07	9.27	8.28	7.77
Foreign models	1.77	1.42	1.58	1.50	2.06	2.02	2.39	1.95

^{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.

October 12, 1979

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

	1973	1974	1975	1976	1977	1978	Projected	
							1979	1980
<u>Constant (1972) dollars</u>								
Gross national product	5.5	-1.4	-1.3	5.9	5.3	4.4	1.7	-1.2
Final purchases	..9	-.7	.2	4.5	4.8	4.4	1.9	-.4
Private	6.3	-1.4	-.3	5.6	5.6	5.0	2.4	-.8
Excluding net exports	5.1	-2.3	-1.0	6.5	6.2	5.0	1.8	-1.6
Personal consumption expenditures	4.7	-.9	1.8	5.9	5.0	4.5	1.9	-.9
Goods	5.0	-3.4	.7	6.9	5.1	4.1	.2	-2.4
Services	4.4	2.3	3.2	4.8	4.9	5.1	4.0	.9
Gross private domestic investment	10.0	-11.4	-22.3	21.6	15.4	7.1	.5	-10.0
Residential structures	-3.7	-24.6	-13.9	23.3	20.7	4.2	-6.2	-10.0
Business fixed investment	12.2	-.3	-13.0	4.8	8.6	8.4	5.1	-3.0
Gov't. purchases of goods and services	-.2	2.1	1.9	.2	2.0	1.8	.2	1.1
Federal	-5.4	-.8	.7	-.2	4.4	-2.0	.4	1.7
State and local	3.2	3.8	2.6	.5	.6	4.0	.1	.8
Disposable personal income	6.7	-1.5	2.1	3.7	4.2	4.6	2.0	-.6
<u>Current dollars</u>								
Gross national product	11.6	8.1	8.2	11.3	11.6	12.0	10.8	8.0
Final purchases	10.9	8.9	9.7	9.9	11.0	12.1	11.0	8.9
Private	12.2	8.1	9.1	10.8	11.3	12.7	11.6	8.8
Excluding net exports	11.0	8.2	7.8	12.0	12.7	12.6	11.1	7.7
Personal consumption expenditures	10.5	9.8	10.1	11.3	11.0	11.6	11.1	8.7
Goods	11.4	8.9	8.7	11.0	9.8	10.7	10.1	7.5
Services	9.3	11.1	11.8	11.7	12.5	12.7	12.3	10.0
Gross private domestic investment	16.8	-2.5	-11.0	27.3	24.8	15.9	10.1	-1.8
Residential structures	6.6	-16.7	-6.5	32.3	35.0	17.5	5.5	-.1
Business fixed investment	16.4	10.8	-.3	9.8	14.9	16.7	14.0	5.4
Gov't. purchases of goods and services	6.5	12.3	11.8	6.8	9.7	9.9	8.8	9.5
Federal	.1	8.7	10.7	5.4	11.3	5.7	8.3	10.4
State and local	10.8	14.5	12.5	7.5	8.7	12.4	9.0	9.0
Disposable personal income	12.5	9.2	10.4	9.0	10.2	11.7	11.2	9.0
Personal income	11.7	9.7	8.7	10.0	10.9	12.1	11.7	9.2
Wage and salary disbursements	10.6	9.0	5.4	10.4	10.6	12.1	10.8	6.8
Corporate profits with IVA & C.C. Adj.	7.6	-15.6	14.7	32.2	18.3	11.8	8.1	1.1
Corporate profits before tax	20.4	9.6	-5.1	29.6	13.5	16.3	13.7	-1.8
Nonfarm payroll employment	4.2	2.0	-1.7	3.1	3.8	4.9	3.2	-.6
Manufacturing	5.2	-.4	-8.7	3.7	3.6	4.0	2.1	-4.7
Nonfarm business sector								
Output per hour	1.7	-2.9	1.9	3.5	1.8	1.1	-.8	.3
Compensation per hour	7.8	9.4	9.9	8.3	8.2	9.3	9.2	9.7
Unit labor costs	6.0	12.7	7.8	4.7	6.3	8.1	10.3	9.4
GNP implicit deflator	5.9	9.7	9.6	5.2	6.0	7.3	9.0	9.3
Gross business product fixed-weighted price index ^{1/}	5.7	10.4	9.4	5.3	6.2	7.6	9.7	9.6
Consumer price index (all urban)	6.2	11.0	9.1	5.8	6.5	7.7	11.2	11.0
Industrial production	8.4	-.4	-8.9	10.8	5.9	5.7	3.1	-3.5

^{1/} Uses expenditures in 1972 weights.

FEDERAL SECTOR ACCOUNTS
(billions of dollars)

October 12, 1979

	Fiscal Year 1978*	FY 1979 Admin. 1/	e/2/ F.R. Board	FY 1980 Admin. 1/	e/2/ F.R. Board	CY 1978*	CY79e/ F.R. Board	FRB Staff Estimates Calendar quarters; unadjusted data								
								1978 IV*	1979 I*	1979 II*	1979 III	1979 IV	1980 I	1980 II	1980 III	
Unified budget receipts	402.0	466.5	466.2	513.8	505.2	416.9	478.0	99.5	102.1	144.4	120.1	111.3	110.7	149.7	133.5	
Unified budget outlays	450.8	496.2	494.0	542.4	544.5	460.6	506.7	123.2	122.6	123.1	125.2	136.0	133.9	136.4	138.3	
Surplus(+)/Deficit(-), unified budget	-48.8	-29.7	-27.8	-28.7	-39.3	-43.7	-28.7	-23.7	-20.5	21.4	-5.1	-24.7	-23.2	13.3	-4.8	
Surplus(+)/Deficit(-), off-budget agencies 3/	-10.3	-12.4	-12.0	-11.6 ^{9/}	-18.0	-9.1	-13.9	-0.1	-3.0	-5.1	-3.7	-2.0	-5.8	-5.8	-4.4	
Combined deficit to be financed	-59.1	-42.1	-39.8	-40.3	-57.3	-52.8	-42.6	-23.8	-23.5	16.3	-8.8	-26.7	-29.0	7.5	-9.2	
Means of financing combined deficits:																
Net borrowing from public	59.1	29.8	33.6	29.1	45.6	53.6	30.6	15.3	10.6	-4.6	12.3	12.3	22.0	2.2	9.2	
Decrease in cash operating balance	-3.3	7.4	-1.8	9.2	9.2	-4.0	4.3	6.1	8.6	-9.8	-6.7	12.2	4.0	-8.0	1.0	
Other 4/	3.2	4.9	8.0	2.0	2.5	3.2	7.7	2.5	4.2	-1.9	3.2	2.2	3.0	-1.7	-1.0	
Cash operating balance, end of period	22.4	15.0	24.2	15.0	15.0	16.3	12.0	16.3	7.7	17.5	24.2	12.0	8.0	16.0	15.0	
Memo: Sponsored agency borrowing 5/	19.1	n.a.	22.1	n.a.	24.0	22.0	23.2	4.9	6.4	6.0	4.8	6.0	6.0	6.0	6.0	
NIA Budget 6/								Seasonally adjusted annual rates								
Receipts	414.9	480.6	478.8	525.3	519.9	432.1	493.0	463.5	475.0	485.8	504.0	507.2	511.8	521.3	533.7	
Expenditures	449.5	496.4	493.2	546.9	550.1	459.8	506.4	479.7	486.8	492.9	513.5	532.5	541.7	552.9	573.2	
Purchases (total)	150.6	164.5	161.8	178.7	178.3	152.6	165.3	159.0	163.6	161.7	163.0	173.0	176.7	180.1	183.3	
Defense	97.8	105.6	104.8	116.0	116.2	99.0	107.7	101.2	103.4	106.0	108.5	113.0	115.0	117.3	119.4	
Non-defense	52.8	58.9	57.0	62.7	62.1	53.6	57.6	57.8	60.2	55.7	54.5	60.0	61.7	62.8	63.9	
All other expenditures	298.9	331.9	331.4	368.2	371.8	307.2	341.1	320.7	323.2	331.2	350.5	359.5	365.0	372.8	389.9	
Surplus(+)/Deficit(-) 7/	-34.6	-15.8	-14.4	-21.6	-30.2	-27.7	-13.4	-16.3	-11.7	-7.0	-9.5	-25.3	-29.9	-31.6	-39.5	
High Employment Surplus(+)/ Deficit(-) (NIA basis) 8/	-13.6	n.a.	9.3	n.a.	24.2	-6.7	12.1	-0.8	7.9	20.1	9.9	10.4	23.2	32.0	31.2	
	*--actual	e--estimated				r--revised		n.a.--not available								

1/ OMB Mid-Session Review of the 1980 Budget, July 12, 1979.

2/ In the First Concurrent Resolution on the Budget Fiscal Year 1980, May 21, 1979, Congress expects FY 1979 receipts of \$461.0 billion and outlays of \$494.5 billion; and FY 1980 receipts of \$509.0 billion and outlays of \$532.0 billion.

3/ Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, and Pension Benefit Guaranty Corporation.

4/ Checks issued less checks paid, accrued items and other transactions.

5/ Includes Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives marketable debt on an offerings basis.

6/ All NIA data incorporate the Department of Commerce's July 1979 GNP revisions.

7/ The fiscal year totals are translations of the OMB Mid-Session Review of the 1980 Budget, July 1979; the translations are based on unadjusted data and do not conform to the average of four seasonally adjusted quarters. The FRB staff estimates, therefore, have been adjusted in order to make the BEA and staff estimates comparable.

8/ FRB staff estimates are consistent with the Council's new potential GNP series as reported in the Economic Report of the President, January 1979.

9/ Reflects recent re-estimate by OMB of Federal Financing Bank loan activity.

October 12, 1979

	1978	1979 ^P	1980 ^P	1978 IV	1979				1980 ^P			
					I	II	III ^P	IV ^P	I	II	III	IV
1. <u>GNP Net Exports</u>												
Current \$, Net	-10.3	-3.2	16.5	-4.5	4.0	-8.1	-5.8	-2.8	9.4	17.0	19.9	19.9
Exports of G&S	207.2	254.1	291.9	224.9	238.5	243.7	263.6	270.4	280.5	289.3	295.6	301.9
Imports of G&S	217.5	257.3	275.4	229.4	234.4	251.9	269.5	273.3	271.2	272.4	275.8	282.1
Constant 72 \$, Net	11.0	16.9	25.5	12.9	17.0	13.2	18.1	19.4	23.5	25.7	26.5	26.2
Exports of G&S	108.9	117.6	120.2	113.8	117.0	116.0	119.3	118.0	119.2	120.2	120.5	120.9
Imports of G&S	97.9	100.6	94.7	101.0	100.0	102.9	101.2	98.5	95.8	94.5	94.1	94.6
Terms of trade (1972=100) ^{2/}	85.7	84.5	83.5	87.0	86.9	85.8	83.0	82.6	83.1	83.5	83.6	83.8
2. <u>U.S. Merchandise Trade Balance</u> ^{1/}	-34.2	-28.7	-12.4	-25.5	-24.5	-30.9	-31.2	-28.4	-17.9	-11.5	-9.8	-10.5
Exports (excl. military)	141.9	179.6	208.4	157.3	165.4	171.2	188.5	193.5	200.8	207.0	210.8	215.0
Agricultural	29.9	34.1	37.9	31.3	30.6	30.9	37.4	37.4	38.5	38.8	37.6	36.8
Nonagricultural	112.0	145.6	170.5	126.0	134.8	140.2	151.0	156.2	162.3	168.2	173.3	178.2
Imports	176.1	208.4	220.8	182.7	189.9	202.0	219.6	222.0	218.7	218.5	220.6	225.5
Petroleum and Products	42.3	57.3	67.3	43.2	46.6	51.6	64.7	66.4	66.6	67.0	67.3	68.4
Nonpetroleum	133.8	151.1	153.5	139.5	143.3	150.4	154.9	155.6	152.1	151.5	153.3	157.1
3. <u>U.S. Current Account Balance</u>	-13.9	-1.2	19.6	-1.3	1.7	-3.9	-3.1	.2	12.0	20.1	23.3	23.0
of which: Net Investment Income	21.6	29.1	31.5	26.4	27.5	29.6	29.4	29.8	30.6	31.3	31.9	32.2
4. <u>Foreign Outlook - Ten Industrial Countries</u> ^{3/}												
Real GNP, % change, annual rates	3.3	3.3	2.4	4.6	2.1	3.7	3.6	2.6	1.9	1.9	2.2	2.2
Consumer Prices, ^{4/} , % change, annual rates	5.4	7.8	8.6	4.2	8.7	10.1	11.6	9.1	8.2	7.9	7.2	6.9

^{1/} International accounts basis.

^{2/} GNP export implicit deflator ÷ GNP import implicit deflator.

^{3/} Geometric weights used to aggregate foreign real GNP and consumer prices -- per cent 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.



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

October 16, 1979

CONFIDENTIAL (FR)
CLASS II - FOMC

TO: Federal Open Market Committee

FROM: Murray Altmann.

The attached note shows corrections made in "Current and Prospective Economic and Financial Conditions," prepared by the staff of the Board. The document was dated October 12, 1979, and was transmitted to you on the same day.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 15, 1979

Murray Altmann

Subject: Erratum to October 12 Memo

From Helmut Wendel

to FOMC

Page I - 10

	1979		1980			
	QIII	QIV	QI	QII	QIII	QIV
Industrial Production	151.7	148.9	146.9	146.2	146.4	146.7
Capacity Utilization						
All Mfg. (percent)	85.1	82.7	80.8	79.7	78.9	78.3
Materials (percent)	86.7	83.7	81.7	80.4	79.8	79.3

Page I - 11

Industrial Production

Change at annual rate -0.8

(No Change)

NOTE: The corrected figures do not reflect information that has become available since Friday morning. Industrial production was stronger for the third quarter of 1979 than indicated above. The first column now appears as follows:

	1979
	QIII
Industrial Production	152.2
Capacity Utilization	
All Mfg. (percent)	85.3
Materials (percent)	87.0
Change in Industrial Production	+0.8