

CONFIDENTIAL (FR)

November 14, 1979

SUMMARY AND OUTLOOK

By the Staff  
Board of Governors  
of the Federal Reserve System

## STAFF GNP PROJECTIONS

Percent changes, annual rate								
	Nominal GNP		Real GNP		Gross business product fixed-weight price index		Unemployment rate (percent)	
	10/12/79	11/14/79	10/12/79	11/14/79	10/12/79	11/14/79	10/12/79	11/14/79
1976 <u>1/</u>	11.3	11.3	5.9	5.9	5.3	5.3	7.7	7.7
1977 <u>1/</u>	11.6	11.6	5.3	5.3	6.2	6.2	7.0	7.0
1978 <u>1/</u>	12.0	12.0	4.4	4.4	7.6	7.6	6.0	6.0
1979 <u>1/</u>	10.9	11.0	1.7	1.9	9.7	9.7	5.9	5.9
1980	8.0	7.5	-1.2	-1.7	9.6	9.9	7.9	7.9
1978-III <u>1/</u>	10.9	10.9	3.5	3.5	8.8	8.8	6.0	6.0
1978-IV <u>1/</u>	14.8	14.8	5.6	5.6	8.7	8.7	5.8	5.8
1979-I <u>1/</u>	10.6	10.6	1.1	1.1	10.0	10.0	5.7	5.7
1979-II <u>1/</u>	6.7	6.7	-2.3	-2.3	10.1	10.1	5.7	5.7
1979-III <u>1/</u>	10.6	11.0	1.6	2.4	10.3	10.0	5.8	5.8
1979-IV	5.8	7.0	-4.0	-2.7	10.1	10.0	6.7	6.3
1980-I	7.5	5.7	-1.9	-3.8	9.8	10.2	7.4	7.1
1980-II	8.0	6.7	-1.0	-2.5	9.4	10.1	7.9	7.9
1980-III	9.1	8.8	.6	.0	8.6	9.0	8.1	8.2
1980-IV	9.7	10.1	.9	.8	8.4	8.9	8.3	8.4
Change:								
79-II to								
79-IV	8.2	9.0	-1.2	-.2	10.2	10.0	1.0	.6
79-IV to								
80-II	7.8	6.2	-1.5	-3.1	9.6	10.1	1.2	1.6
80-II to								
80-IV	9.4	9.4	.7	.4	8.5	8.9	.4	.5
Change:								
77-IV to								
78-IV <u>1/</u>	13.4	13.4	4.8	4.8	8.6	8.6	-.8	-.8
78-IV to								
79-IV	8.4	8.8	-.9	-.4	10.1	10.0	.9	.5
79-IV to								
80-IV	8.6	7.8	-.4	-1.4	9.0	9.5	1.6	2.1

1/ Actual.

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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.)

	1979				1980			
	I	II	III	IV	Projected			
Gross national product	2292.1	2329.8	2391.5	2432.3	2466.0	2506.2	2559.8	2621.9
Final purchases	2272.9	2296.4	2371.5	2422.3	2463.0	2508.2	2560.3	2620.9
Private	1812.8	1829.8	1895.3	1927.7	1957.7	1992.4	2033.9	2080.4
Excluding net exports	1808.8	1837.9	1900.6	1932.2	1954.3	1982.8	2021.7	2067.1
Personal consumption expenditures	1454.2	1475.9	1528.6	1559.9	1585.9	1616.1	1648.5	1683.8
Goods	784.9	789.9	816.2	832.1	840.6	852.3	866.1	882.4
Services	669.3	686.0	712.4	727.8	745.3	763.8	782.4	801.4
Gross private domestic investment	373.8	395.4	392.1	382.3	371.4	364.7	372.7	384.3
Residential construction	111.2	112.9	114.9	113.4	107.9	103.4	105.9	111.4
Business fixed investment	243.4	249.1	257.2	258.9	260.5	263.3	267.3	271.9
Change in business inventories	19.1	33.4	20.0	10.0	3.0	-2.0	-5.5	1.0
Nonfarm	18.8	32.6	19.2	10.0	3.0	-2.0	-5.5	1.0
Net exports of goods and services <sup>1/</sup>	4.0	-8.1	-5.3	-4.5	3.4	9.6	12.2	13.3
Exports	238.5	243.7	266.4	275.4	287.6	293.3	298.1	304.8
Imports	234.4	251.9	271.7	279.9	284.3	283.7	285.9	291.5
Gov't. purchases of goods and services	460.1	466.6	476.2	494.6	505.3	515.8	526.4	540.5
Federal <sup>2/</sup>	163.6	161.7	162.5	173.1	176.9	180.4	183.7	190.2
State and local	296.5	304.9	313.7	321.5	328.4	335.4	342.7	350.3
Gross national product in constant (1972) dollars	1430.6	1422.3	1430.8	1421.2	1407.6	1398.6	1398.5	1401.2
Personal income	1852.6	1892.5	1943.4	1992.1	2026.5	2066.4	2120.7	2170.0
Wage and salary disbursements	1189.3	1212.4	1237.1	1259.8	1273.7	1291.6	1315.1	1343.9
Disposable personal income	1572.2	1601.7	1636.9	1676.6	1709.2	1741.1	1785.7	1824.0
Saving rate (percent)	5.0	5.4	4.1	4.4	4.6	4.5	5.0	5.0
Corporate profits with I.V.A. and C.C. Adj.	178.9	176.6	189.5	181.4	174.4	169.9	172.7	178.3
Corporate profits before tax	233.3	227.9	247.9	238.0	227.6	221.6	223.1	228.5
Federal government surplus or deficit (-) (N.I.A. basis)	-11.7	-7.0	-8.3	-21.8	-31.3	-35.4	-43.1	-42.2
High employment surplus or deficit (-)	7.9	20.2	19.1	24.6	32.4	43.5	44.1	51.3
State and local government surplus or deficit (-) (N.I.A. basis)	27.6	19.7	25.9	22.3	19.7	18.0	16.4	16.1
Excluding social insurance funds	2.6	-6.3	-1.1	-5.3	-8.5	-10.8	-12.9	-13.8
Civilian labor force (millions)	102.5	102.3	103.2	103.8	104.2	104.6	105.0	105.3
Unemployment rate (percent)	5.7	5.7	5.8	6.3	7.1	7.9	8.2	8.4
Nonfarm payroll employment (millions)	88.7	89.4	89.8	90.1	89.6	89.1	89.0	89.1
Manufacturing	21.0	21.1	21.0	20.8	20.4	20.1	20.0	19.9
Industrial production (1967=100)	152.2	151.9	152.2	152.2	150.4	149.2	149.1	149.1
Capacity utilization: all mfg. (percent)	86.7	85.9	85.3	84.1	82.2	80.7	79.9	79.1
Materials (percent)	88.0	87.3	87.0	87.0	84.5	82.6	81.6	81.0
Housing starts, private (million units, A.R.)	1.62	1.83	1.82	1.50	1.30	1.35	1.45	1.55
New autos sales, (millions, A.R.)	11.55	10.66	10.77	9.50	9.50	9.50	9.55	9.60
Domestic models	9.13	8.00	8.49	7.30	7.40	7.55	7.65	7.70
Foreign models	2.42	2.66	2.28	2.20	2.10	1.95	1.90	1.90

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

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

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

	1979				1980			
	I	II	III	IV	Projected			
	I	II	III	IV	I	II	III	IV
<u>Constant (1972) dollars</u>								
Gross national product	1.1	-2.3	2.4	-2.7	-3.8	-2.5	.0	.8
Final purchases	1.1	-3.9	4.8	-1.3	-2.8	-1.8	-.2	.6
Private	1.8	-4.1	6.0	-2.6	-3.6	-2.5	-.6	.4
Excluding net exports	.4	-2.9	3.7	-3.1	-5.1	-3.4	-.7	.4
Personal consumption expenditures	.6	-2.9	4.3	-2.0	-3.7	-2.1	-.6	.0
Goods	-4.4	-7.3	3.9	-3.3	-7.1	-4.6	-1.9	-.9
Services	7.1	2.5	4.9	-.5	.2	.8	.9	1.0
Gross private domestic investment	-.5	8.5	-12.9	-16.4	-17.3	-13.8	.2	3.7
Residential structures	-14.3	-7.2	-4.7	-14.5	-26.2	-23.7	.0	12.3
Business fixed investment	4.8	-.8	3.6	-5.5	-5.7	-3.8	-1.8	-1.1
Gov't. purchases of goods and services	-1.8	-3.3	.2	4.4	.4	.7	1.3	1.3
Federal	7.2	-11.3	-2.0	10.4	1.3	1.4	1.5	1.2
State and local	-6.6	1.6	1.5	1.1	.0	.4	1.1	1.4
Disposable personal income	2.1	-1.4	-1.1	-.6	-2.6	-2.2	1.6	.0
<u>Current dollars</u>								
Gross national product	10.6	6.7	11.0	7.0	5.7	6.7	8.8	10.1
Final purchases	11.0	4.2	13.8	8.8	6.9	7.6	8.6	9.8
Private	12.4	3.8	15.1	7.0	6.4	7.3	8.6	9.5
Excluding net exports	10.3	6.6	14.4	6.8	4.7	6.0	8.1	9.3
Personal consumption expenditures	11.4	6.1	15.1	8.4	6.8	7.8	8.3	8.8
Goods	7.9	2.6	14.0	8.0	4.1	5.7	6.6	7.7
Services	15.8	10.4	16.3	8.9	10.0	10.3	10.1	10.1
Gross private domestic investment	3.6	25.2	-3.3	-9.6	-10.9	-7.0	9.1	13.0
Residential structures	-8.5	6.1	7.5	-5.1	-18.0	-15.7	10.0	22.4
Business fixed investment	12.9	9.6	13.7	2.7	2.5	4.4	6.2	7.1
Gov't. purchases of goods and services	5.6	5.8	8.5	16.4	8.9	8.6	8.5	11.2
Federal	12.1	-4.6	1.9	28.8	9.1	8.2	7.5	14.9
State and local	2.3	11.9	12.1	10.3	8.9	8.8	9.0	9.2
Disposable personal income	13.0	7.7	9.1	10.1	8.0	7.7	10.6	8.9
Personal income	11.4	8.9	11.2	10.4	7.1	8.1	10.9	9.6
Wage and salary disbursements	12.7	8.0	8.4	7.5	4.5	5.7	7.5	9.1
Corporate profits with IVA & C.C. Adj.	-12.2	-5.0	32.6	-16.0	-14.6	-9.9	6.8	13.6
Corporate profits before tax	10.8	-8.9	40.2	-15.1	-16.3	-10.2	2.8	10.0
Nonfarm payroll employment	4.3	2.9	1.9	1.2	-2.1	-2.0	-.5	.3
Manufacturing	5.0	.8	-1.2	-3.2	-7.7	-5.8	-1.9	-1.5
Nonfarm business sector								
Output per hour	-3.2	-4.1	.2	-.9	.0	.4	1.0	.9
Compensation per hour	10.4	7.9	8.2	9.3	10.6	9.6	9.7	9.4
Unit labor costs	14.0	12.5	7.9	10.3	10.6	9.2	8.7	8.4
GNP implicit deflator <sup>1/</sup>	9.3	9.3	8.4	9.9	9.8	9.4	8.9	9.2
Gross business product fixed-weight price index <sup>2/</sup>	10.0	10.1	10.0	10.0	10.2	10.1	9.0	8.9
Consumer price index (all urban)	11.1	13.6	12.9	13.0	13.8	10.1	9.0	9.0
Industrial production	4.0	-.8	.8	.0	-4.7	-3.1	-.3	.1

<sup>1/</sup> Excluding Federal pay increases, the rates of change are: 1979 QI, 9.3 percent; 1979 QIV, 9.2 percent; 1980 QI, 9.8 percent; 1980 QIV, 8.6 percent.<sup>2/</sup> 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.)

	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 <sup>1/</sup>	-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 <sup>2/</sup>	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	-0.9	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

<sup>1/</sup> Balance of payments data and details underlying these estimates are shown in the International Developments section of this part of the Greenbook.<sup>2/</sup> Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

CONFIDENTIAL - FR  
CLASS 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	1.8	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	-1.8	3.1	-1.5	-.9	1.9	2.7	.8
Compensation per hour	8.7	6.4	7.7	7.0	11.4	7.5	8.8	8.8
Unit labor costs	3.4	8.4	4.5	8.6	12.4	5.4	6.0	8.0
GNP implicit deflator <sup>1/</sup>	6.0	7.7	4.8	6.4	6.3	10.6	7.2	8.7
Gross business product fixed-weight price index <sup>2/</sup>	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

<sup>1/</sup> 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.

<sup>2/</sup> Uses expenditures in 1972 as weights.

November 14, 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	2361.4	2538.5
Final purchases	1288.6	1404.0	1539.6	1692.1	1877.6	2105.2	2340.8	2538.1
Private	1019.1	1101.3	1201.2	1330.8	1481.4	1669.6	1866.4	2016.1
Excluding net exports	1012.0	1095.3	1180.8	1322.8	1491.3	1679.9	1869.9	2006.5
Personal consumption expenditures	809.9	889.6	979.1	1089.9	1210.0	1350.8	1504.6	1633.6
Goods	457.5	498.3	541.5	601.3	660.1	730.9	805.8	860.3
Services	352.3	391.3	437.5	488.5	549.8	619.8	698.9	773.2
Gross private domestic investment	220.0	214.6	190.9	243.0	303.3	351.5	385.9	373.3
Residential construction	66.1	55.1	51.5	68.1	91.9	108.0	113.1	107.1
Business fixed investment	136.0	150.6	150.2	164.9	189.4	221.1	252.2	265.7
Change in business inventories	17.9	8.9	-10.7	10.0	21.9	22.3	20.6	.4
Nonfarm	14.7	10.8	-14.3	12.1	20.7	21.3	20.1	.4
Net exports of goods and services <sup>1/</sup>	7.1	6.0	20.4	8.0	-9.9	-10.3	-3.5	9.6
Exports	101.6	137.9	147.3	163.3	175.9	207.2	256.0	296.0
Imports	94.4	131.9	126.9	155.4	185.8	217.5	259.5	286.3
Gov't. purchases of goods and services	269.5	302.7	338.4	361.3	396.2	435.6	474.4	522.0
Federal <sup>2/</sup>	102.2	111.1	123.1	129.7	144.4	152.6	165.2	182.8
State and local	167.3	191.5	215.4	231.6	251.8	283.0	309.1	339.2
Gross national product in constant (1972) dollars	1235.0	1217.8	1202.3	1273.0	1340.5	1399.2	1426.2	1401.5
Personal income	1052.4	1154.9	1255.5	1381.6	1531.6	1717.4	1920.2	2095.9
Wage and salary disbursements	701.3	764.6	825.9	890.0	984.0	1103.3	1224.6	1306.1
Disposable personal income	901.7	984.6	1086.7	1184.5	1305.1	1458.4	1621.9	1765.0
Saving rate (percent)	7.8	7.3	7.7	5.8	5.0	4.9	4.7	4.8
Corporate profits with I.V.A. and C.C. Adj.	99.1	83.6	95.9	126.8	150.0	167.7	181.6	173.8
Corporate profits before tax	115.8	126.9	120.4	156.0	177.1	206.0	236.8	225.2
Federal government surplus or deficit (N.I.A. basis)	-6.7	-10.7	-70.6	-53.6	-46.3	-27.7	-12.2	-38.0
High employment surplus or deficit (-)	-1.3	14.9	-27.4	-20.2	-19.0	-6.7	17.9	42.8
State and local government surplus or deficit (-) (N.I.A. basis)	13.0	7.6	6.2	17.9	26.8	27.4	23.9	17.6
Excluding social insurance funds	4.1	-2.9	-6.2	2.3	7.3	4.2	-2.5	-11.5
Civilian labor force (millions)	88.7	91.0	92.6	94.8	97.4	100.4	102.9	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	89.5	89.2
Manufacturing	20.2	20.1	18.3	19.0	19.7	20.5	21.0	20.1
Industrial production (1967=100)	129.8	129.3	117.8	130.5	138.2	146.1	152.1	149.4
Capacity utilization: all manufacturing (percent)	87.6	83.8	72.9	79.5	81.9	84.4	85.5	80.5
Materials (percent)	91.8	87.1	73.4	81.1	82.7	85.6	87.3	82.4
Housing starts, private (million units, A.R.)	2.05	1.34	1.16	1.54	1.99	2.02	1.69	1.41
New auto sales, (millions, A.R.)	11.42	8.91	8.66	10.12	11.13	11.29	10.62	9.54
Domestic models	9.65	7.49	7.08	8.63	9.07	9.27	8.23	7.57
Foreign models	1.77	1.42	1.58	1.50	2.06	2.02	2.39	1.96

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

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

November 14, 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	1.9	-1.7
Final purchases	4.9	-.7	.2	4.5	4.8	4.4	2.2	-1.0
Private	6.3	-1.4	-.3	5.6	5.6	5.0	2.6	-1.5
Excluding net exports	5.1	-2.3	-1.0	6.5	6.2	5.0	2.1	-2.3
Personal consumption expenditures	4.7	-.9	1.8	5.9	5.0	4.5	2.2	-1.4
Goods	5.0	-3.4	.7	6.9	5.1	4.1	.5	-3.6
Services	4.4	2.3	3.2	4.8	4.9	5.1	4.2	1.0
Gross private domestic investment	10.0	-11.4	-22.3	21.6	15.4	7.1	.1	-11.2
Residential structures	-3.7	-24.6	-13.9	23.3	20.7	4.2	-6.7	-14.7
Business fixed investment	12.2	-.3	-13.0	4.8	8.6	8.4	5.0	-3.1
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	.6	1.7
State and local	3.2	3.8	2.6	.5	.6	4.0	.0	.8
Disposable personal income	6.7	-1.5	2.1	3.7	4.2	4.6	2.0	-1.2
<u>Current dollars</u>								
Gross national product	11.6	8.1	8.2	11.3	11.6	12.0	11.0	7.5
Final purchases	10.9	8.9	9.7	9.9	11.0	12.1	11.2	8.4
Private	12.2	8.1	9.1	10.8	11.3	12.7	11.8	8.0
Excluding net exports	11.0	8.2	7.8	12.0	12.7	12.6	11.3	7.3
Personal consumption expenditures	10.5	9.8	10.1	11.3	11.0	11.6	11.4	8.6
Goods	11.4	8.9	8.7	11.0	.8	10.7	10.2	6.8
Services	9.3	11.1	11.8	11.7	12.5	12.7	12.8	10.6
Gross private domestic investment	16.8	-2.5	-11.0	27.3	24.8	15.9	9.8	-3.3
Residential structures	6.6	-16.7	-6.5	32.3	35.0	17.5	4.7	-5.3
Business fixed investment	16.4	10.8	-.3	9.8	14.9	16.7	14.1	5.4
Gov't. purchases of goods and services	6.5	12.3	11.8	6.8	9.7	9.9	8.9	10.0
Federal	.1	8.7	10.7	5.4	11.3	5.7	8.3	10.6
State and local	10.8	14.5	12.5	7.5	8.7	12.4	9.2	9.7
Disposable personal income	12.5	9.2	10.4	9.0	10.2	11.7	11.2	8.8
Personal income	11.7	9.7	8.7	10.0	10.9	12.1	11.8	9.2
Wage and salary disbursements	10.6	9.0	5.4	10.4	10.6	12.1	11.0	6.6
Corporate profits with IVA & C.C. Adj.	7.6	-15.6	14.7	32.2	18.3	11.8	8.3	-4.3
Corporate profits before tax	20.4	9.6	-5.1	29.6	13.5	16.3	15.0	-4.9
Nonfarm payroll employment	4.2	2.0	-1.7	3.1	3.8	4.9	3.5	-.3
Manufacturing	5.2	-.4	-8.7	3.7	3.6	4.0	2.4	-4.1
Nonfarm business sector								
Output per hour	1.7	-2.9	1.9	3.5	1.8	.5	-1.0	-.1
Compensation per hour	7.8	9.4	9.9	8.3	8.0	8.6	8.9	9.5
Unit labor costs	6.0	12.7	7.8	4.7	6.3	8.0	10.0	9.7
GNP implicit deflator	5.9	9.7	9.6	5.2	6.0	7.3	8.9	9.4
Gross business product fixed-weighted price index <sup>1/</sup>	5.7	10.4	9.4	5.3	6.2	7.6	9.7	9.9
Consumer price index (all urban)	6.2	11.0	9.1	5.8	6.5	7.7	11.2	11.9
Industrial production	8.4	-.4	-8.9	10.8	5.9	5.7	4.1	-1.8

<sup>1/</sup> Uses expenditures in 1972 weights.



FEDERAL SECTOR ACCOUNTS  
(billions of dollars)

November 14, 1979

	Fiscal Year 1979*	FY 1980 e/3/ Admin, 1/2/	F.R. Board	CY 1978*	CY79e/ F.R. Board	Calendar quarters; unadjusted data								FRB Staff Estimates		
						1978				1979				1980		
						IV*	I*	II*	III*	IV	I	II	III			
Unified budget receipts	465.9	513.9	504.9	416.9	478.1	99.5	102.1	144.4	119.9	111.6	111.4	149.0	132.8			
Unified budget outlays	493.2 <sup>4/</sup>	547.1	546.7	460.6	507.8	123.2	122.6	123.1	124.4	137.8	134.0	135.6	139.3			
Surplus(+)/Deficit(-), unified budget	-27.3	-33.2	-41.8	-43.7	-29.7	-23.7	-20.5	21.4	-4.5	-26.2	-22.6	13.4	-6.5			
Surplus(+)/Deficit(-), off-budget agencies <sup>7/</sup>	-12.4	-20.0 <sup>5/</sup>	-18.0	-9.1	-14.1	-0.1	-3.0	-5.1	-4.1	-1.8	-5.9	-5.8	-4.4			
Combined deficit to be financed	-39.7	-53.2	-59.8	-52.8	-43.8	-23.8	-23.5	16.3	-8.6	-28.0	-28.5	7.6	-10.9			
Means of financing combined deficits:																
Net borrowing from public	33.7	42.0 <sup>6/</sup>	48.1	53.6	32.4	15.3	10.6	-4.6	12.4	14.0	21.6	1.7	10.9			
Decrease in cash operating balance	-1.8	9.2 <sup>6/</sup>	9.2	-4.0	4.3	6.1	8.6	-9.8	-6.7	12.2	4.0	-8.0	1.0			
Other <sup>8/</sup>	7.7	2.0 <sup>6/</sup>	2.5	3.2	7.0	2.5	4.2	-1.9	2.9	1.8	3.0	-1.3	-1.0			
Cash operating balance, end of period	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 <sup>9/</sup>	22.1 <sup>e/</sup>	n.a.	26.0	22.0	25.2	4.9	6.4	6.0	4.8	8.0	6.0	6.0	6.0			
NIA Budget <sup>10/</sup>						Seasonally adjusted annual rates										
Receipts	480.0	525.3	521.1	432.1	495.2	463.5	475.0	485.8	507.1	512.8	513.7	520.2	531.9			
Expenditures	493.7	546.9	552.5	459.8	507.4	479.7	486.8	492.9	515.3	534.6	545.0	555.6	575.0			
Purchases (total)	161.7	178.7	178.5	152.6	165.2	159.0	163.6	161.7	162.5	173.1	176.9	180.4	183.7			
Defense	104.8	116.0	116.4	99.0	107.8	101.2	103.4	106.0	108.5	113.2	115.2	117.5	119.6			
Non-defense	56.9	62.7	62.1	53.6	57.5	57.8	60.2	55.7	54.0	59.9	61.7	62.9	64.1			
All other expenditures	332.0	368.2	374.0	307.2	342.2	320.7	323.2	331.2	352.8	361.5	368.1	375.2	391.3			
Surplus(+)/Deficit(-) <sup>11/</sup>	-13.7	-21.6	-31.4	-27.7	-12.2	-16.3	-11.7	-7.1	-8.2	-21.8	-31.3	-35.4	-43.1			
High Employment Surplus(+)/ Deficit(-) (NIA basis) <sup>12/</sup>	11.6	n.a.	36.1	-6.7	17.9	-0.8	7.9	20.2	19.1	24.6	32.4	43.5	44.1			
	*--actual		e--estimated			n.a.--not available										

<sup>1/</sup> Administration estimates as of October 11, 1979, except as noted.

<sup>2/</sup> Administration NIA estimates are from OMB Mid-Session Review of the 1980 Budget, July 12, 1979.

<sup>3/</sup> In the Conference Committee Report on the Second Concurrent Budget Resolution, Fiscal Year 1980, Congress expects receipts of \$517.8 billion and outlays of \$547.6 billion.

<sup>4/</sup> Excludes \$0.4 billion of outlays for the Exchange Stabilization Fund in order to be consistent with all historical data and Treasury reporting practices.

<sup>5/</sup> Confidential Administration estimate as of September 4, 1979.

<sup>6/</sup> Estimate from OMB Mid-Session Review of the 1980 Budget, July 12, 1979.

<sup>7/</sup> Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, and Pension Benefit Guaranty Corporation.

<sup>8/</sup> Checks issued less checks paid, accrued items and other transactions.

<sup>9/</sup> Includes Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives marketable debt on an offerings basis.

<sup>10/</sup> All NIA data incorporate the Department of Commerce's July 1979 GNP revisions.

<sup>11/</sup> 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.

<sup>12/</sup> FRB staff estimates are consistent with the Council's new potential GNP series as reported in the Economic Report of the President, January 1979.

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	1978	1979 <sup>P</sup>	1980 <sup>P</sup>	1 9 7 9				1 9 8 0 <sup>P</sup>			
				I	II	III	IV <sup>P</sup>	I	II	III	IV
1. <u>GNP Net Exports</u>											
Current \$, Net	-10.3	-3.5	9.6	4.0	-8.1	-5.3	-4.5	3.4	9.6	12.2	13.3
Exports of G&S	207.2	256.0	296.0	238.5	243.7	266.4	275.4	287.6	293.3	298.1	304.8
Imports of G&S	217.5	259.5	286.3	234.4	251.9	271.7	279.9	284.3	283.7	285.9	291.5
Constant 72 \$, Net	11.0	17.5	26.8	17.0	13.1	19.4	20.7	24.9	27.3	27.5	27.6
Exports of G&S	108.9	119.4	122.5	117.0	116.0	122.5	121.9	123.1	122.7	121.9	122.3
Imports of G&S	97.9	101.8	95.7	100.0	102.9	103.1	101.3	98.2	95.4	94.4	94.7
Terms of trade (1972=100) <u>2/</u>	85.7	84.2	80.7	86.9	85.8	82.5	81.7	80.7	80.4	80.7	81.0
2. <u>U.S. Merchandise Trade Balance</u> <u>1/</u>	-34.2	-27.9	-18.4	-24.5	-30.9	-27.8	-28.2	-23.6	-17.6	-16.8	-15.5
Exports (excl. military)	141.9	180.4	209.0	165.4	171.2	190.3	194.9	201.9	207.6	210.4	215.9
Agricultural	29.9	34.5	37.6	30.6	30.9	38.4	38.0	38.1	38.2	36.4	37.5
Nonagricultural	112.0	146.0	171.4	134.8	140.2	151.9	156.9	163.8	169.4	174.0	178.4
Imports	176.1	208.3	227.3	189.9	202.0	218.2	223.1	225.5	225.2	227.2	231.4
Petroleum and Products	42.3	58.6	73.9	46.6	51.6	66.5	69.7	73.1	73.6	74.0	74.8
Nonpetroleum	133.8	149.7	153.4	143.3	150.4	151.7	153.4	152.5	151.6	153.2	156.6
3. <u>U.S. Current Account Balance</u>	-13.9	0.3	14.4	1.7	-3.9	1.7 <sup>P</sup>	1.7	7.1	14.5	17.4	18.7
of which: Net Investment Income	21.6	29.7	32.4	27.5	29.6	30.9 <sup>P</sup>	31.0	31.4	31.8	33.2	33.1
4. <u>Foreign Outlook - Ten Industrial Countries</u> <u>3/</u>											
Real GNP, % change, annual rates	3.3	3.4	2.2	2.1	4.1	2.6 <sup>P</sup>	3.3	1.8	1.3	1.7	2.0
Consumer Prices, <u>4/</u> , % change, annual rates	5.4	7.8	9.2	8.7	10.1	11.7 <sup>P</sup>	9.5	9.2	8.4	8.0	7.5

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 (5.4.2%).

4/ Wholesale prices for Japan.

P/ Projected.

CONFIDENTIAL (FR)

November 14, 1979

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

PLANT AND EQUIPMENT EXPENDITURES  
(Percent change from prior year)

	Anticipated for 1979 <u>1/</u> Commerce Department August Survey	Anticipated for 1980 McGraw-Hill Fall Survey
All business	13.2	9.6
Manufacturing	14.6	13.5
Durables	18.5	12.6
Nondurables	11.2	14.4
Nonmanufacturing	12.0	6.3

1/ Results are adjusted for systematic bias. Without this adjustment, the August Commerce survey showed a 15.2 percent increase.

PAST REPORTS OF PLANT AND EQUIPMENT SURVEYS  
(Percent change from prior year)

Year	Actual	McGraw-Hill Fall Survey	<u>1/</u> Merrill Lynch Fall Survey
1957	6.2	11.0	9
1958	-15.9	-6.7	-8
1960	9.5	10.0	8
1961	-2.3	-2.7	-5
1970	5.5	7.8	10
1974	12.7	13.6	12
1975	0.3	11.8	10
1976	6.8	8.8	3
1977	12.7	13.0	14
1978	13.3	11.1	10

1/ Prior to 1976 this survey was taken by Lionel D. Edie and Company, Incorporated.

GROSS OFFERINGS OF CORPORATE AND FOREIGN SECURITIES  
(Monthly totals or monthly averages, in millions of dollars)

	<u>1978</u> Year	<u>1979</u>					
		HI	QIII	Sept. <sup>p/</sup>	Oct. <sup>p/</sup>	Nov. <sup>f/</sup>	Dec. <sup>f/</sup>
<u>Seasonally adjusted</u>							
Corporate securities--total	3,936	4,335	4,250	4,000	4,075	3,250	3,600
Publicly offered bonds	1,651	2,125	2,325	2,300	2,450	1,450	2,000
Privately placed bonds	1,422	1,555	900	1,000	1,000	1,000	1,000
Stocks	863	655	1,025	700	625	800	600
<u>Not seasonally adjusted</u>							
Publicly offered bonds--total	1,651	2,280	2,025	2,000	2,650	1,500	1,700
By quality <sup>1/</sup>							
Aaa and Aa	853	1,225	1,250	1,025	1,550	--	--
Less than Aa <sup>2/</sup>	798	1,055	800	975	1,100	--	--
By type of borrower							
Utility	610	700	575	750	1,265	--	--
Industrial <sup>3/</sup>	526	635	825	950	1,310	--	--
Financial	515	945	550	300	75	--	--
Foreign securities--total <sup>4/</sup>	504	408	491	890	275	300	300

<sup>1/</sup> Bonds categorized according to Moody's bond ratings.

<sup>2/</sup> Includes issues not rated by Moody's.

<sup>3/</sup> Includes equipment trust certificates.

<sup>4/</sup> Includes both publicly offered and privately placed issues.

<sup>p/</sup> Preliminary.

<sup>f/</sup> Forecast.

<sup>1/</sup> Bonds categorized according to Moody's bond ratings.

<sup>2/</sup> Includes issues not rated by Moody's.

<sup>3/</sup> Includes equipment trust certificates.

<sup>4/</sup> Includes both publicly offered and privately placed issues.

<sup>p/</sup> Preliminary.

<sup>f/</sup> Forecast.

GOVERNMENT SECURITY OFFERINGS  
(Monthly totals or monthly averages, in millions of dollars)

	<u>1978</u>	<u>1979</u>					
	<u>Year</u>	<u>H1</u>	<u>QIII<sup>e/</sup></u>	<u>Sept.<sup>e/</sup></u>	<u>Oct.<sup>e/</sup></u>	<u>Nov.<sup>f/</sup></u>	<u>Dec.<sup>f/</sup></u>
<u>Seasonally adjusted</u>							
State and local government securities, gross offerings							
Total	5,851	5,087	5,478	5,185	4,670	5,100	4,700
Long-term	4,042	3,367	3,566	3,150	4,250	3,400	3,200
Short-term	1,809	1,720	1,912	2,035	420	1,700	1,500
U.S. government securities, net offerings							
U.S. Treasury <sup>1/</sup>	2,337	3,278	1,688	-979	1,372	8,245	-1,488
Sponsored agencies	1,930	2,219	734	130	3,184	2,886	2,661
<u>Not seasonally adjusted</u>							
State and local government securities, gross offerings							
Total	5,851	5,409	5,246	5,250	4,500	5,000	3,800
Long-term	4,042	3,527	3,362	2,700	4,200	3,400	2,600
Short-term	1,809	1,882	1,884	2,550	300	1,600	1,200
U.S. government securities, net offerings							
U.S. Treasury <sup>1/</sup>	2,337	1,966	2,168	-1,400	3,520	10,200	700
Sponsored agencies	1,930	2,090	1,308	1,091	3,474	2,500	2,100

<sup>1/</sup> Marketable issues only.  
<sup>e/</sup> Estimated.  
<sup>f/</sup> Forecasted.