

August 18, 1982

SUMMARY AND OUTLOOK

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

August 18, 1982

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 | | 6/23/82 | | 8/18/82 | |
| 6/23/82 | 8/18/82 | 6/23/82 | 8/18/82 | 6/23/82 | 8/18/82 | 6/23/82 | 8/18/82 | 6/23/82 | 8/18/82 | 6/23/82 | 8/18/82 |
| Annual changes: | | | | | | | | | | | |
| 1980 <1> | 8.8 | 8.9 | -.2 | -.4 | 9.8 | 10.1 | 8.2 | 8.6 | 7.1 | 7.1 | |
| 1981 <1> | 11.4 | 11.6 | 2.0 | 1.9 | 9.4 | 9.6 | 9.2 | 9.4 | 7.6 | 7.6 | |
| 1982 | 5.4 | 4.7 | -1.1 | -1.6 | 6.2 | 6.1 | 7.0 | 7.1 | 9.3 | 9.5 | |
| 1983 | 7.5 | 7.4 | 2.5 | 2.4 | 5.2 | 5.1 | 4.9 | 5.0 | 9.4 | 9.7 | |
| Quarterly changes: | | | | | | | | | | | |
| 1981 Q1 <1> | 19.2 | 19.6 | 8.6 | 7.9 | 10.5 | 10.4 | 8.4 | 8.4 | 7.4 | 7.4 | |
| Q2 <1> | 4.7 | 5.3 | -1.6 | -1.5 | 8.2 | 8.6 | 9.6 | 9.4 | 7.4 | 7.4 | |
| Q3 <1> | 11.4 | 11.4 | 1.4 | 2.2 | 9.9 | 9.3 | 11.5 | 11.0 | 7.4 | 7.4 | |
| Q4 <1> | 4.6 | 3.0 | -4.5 | -5.3 | 7.5 | 7.4 | 8.2 | 8.6 | 8.3 | 8.3 | |
| 1982 Q1 <1> | .0 | -1.0 | -3.7 | -5.1 | 4.7 | 4.4 | 5.2 | 5.3 | 8.8 | 8.8 | |
| Q2 <1> | 6.9 | 7.1 | .7 | 1.7 | 3.8 | 4.3 | 6.3 | 6.7 | 9.5 | 9.5 | |
| Q3 | 8.3 | 7.5 | 2.5 | 1.0 | 6.6 | 6.5 | 5.8 | 5.7 | 9.6 | 10.0 | |
| Q4 | 8.4 | 7.6 | 2.9 | 2.3 | 5.7 | 5.2 | 5.3 | 5.0 | 9.5 | 9.9 | |
| 1983 Q1 | 6.6 | 7.5 | 1.9 | 2.5 | 5.1 | 5.4 | 5.0 | 5.6 | 9.5 | 9.8 | |
| Q2 | 6.5 | 6.1 | 2.0 | 1.9 | 4.9 | 4.6 | 4.6 | 4.2 | 9.5 | 9.8 | |
| Q3 | 8.1 | 8.1 | 4.1 | 4.2 | 4.5 | 4.4 | 4.0 | 3.9 | 9.3 | 9.7 | |
| Q4 | 8.6 | 8.2 | 4.0 | 3.8 | 4.3 | 4.2 | 3.7 | 3.7 | 9.1 | 9.5 | |
| Two-quarter changes: <2> | | | | | | | | | | | |
| 1981 Q2 <1> | 11.7 | 12.2 | 3.4 | 3.1 | 9.2 | 9.5 | 9.0 | 8.9 | -.1 | -.1 | |
| Q4 <1> | 7.9 | 7.1 | -1.6 | -1.6 | 8.7 | 8.3 | 9.8 | 9.8 | .9 | .9 | |
| 1982 Q2 <1> | 3.4 | 3.0 | -1.5 | -1.8 | 4.2 | 4.4 | 5.6 | 6.0 | 1.2 | 1.2 | |
| Q4 | 8.4 | 7.5 | 2.7 | 1.6 | 6.1 | 5.8 | 5.5 | 5.4 | .0 | .4 | |
| 1983 Q2 | 6.6 | 6.8 | 1.9 | 2.2 | 5.0 | 5.0 | 4.8 | 4.9 | .0 | -.1 | |
| Q4 | 8.4 | 8.1 | 4.1 | 4.0 | 4.4 | 4.3 | 3.8 | 3.8 | -.4 | -.3 | |
| Four-quarter changes: <3> | | | | | | | | | | | |
| 1980 Q4 <1> | 9.4 | 9.4 | -.3 | -.7 | 9.7 | 10.3 | 8.6 | 9.4 | 1.5 | 1.5 | |
| 1981 Q4 <1> | 9.8 | 9.6 | .9 | .7 | 9.0 | 8.9 | 9.4 | 9.3 | .8 | .8 | |
| 1982 Q4 | 5.8 | 5.2 | .6 | -.1 | 5.2 | 5.1 | 5.6 | 5.7 | 1.2 | 1.6 | |
| 1983 Q4 | 7.5 | 7.5 | 3.0 | 3.1 | 4.7 | 4.6 | 4.3 | 4.4 | -.4 | -.4 | |

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

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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.)

| | 1980 | | | | 1981 | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Gross national product | 2575.9 | 2573.4 | 2643.7 | 2739.4 | 2864.9 | 2901.8 | 2980.9 | 3003.2 |
| Final purchases | 2576.6 | 2573.9 | 2664.8 | 2757.1 | 2852.7 | 2877.2 | 2949.1 | 2989.9 |
| Private | 2057.4 | 2037.9 | 2126.3 | 2197.3 | 2274.6 | 2294.0 | 2348.9 | 2363.6 |
| Excluding net exports | 2043.4 | 2013.7 | 2087.3 | 2173.8 | 2243.4 | 2270.3 | 2323.0 | 2340.1 |
| Personal consumption expenditures | 1618.7 | 1622.2 | 1682.0 | 1745.8 | 1799.9 | 1819.4 | 1868.8 | 1884.5 |
| Goods | 871.4 | 855.7 | 886.4 | 925.2 | 957.5 | 960.0 | 982.5 | 976.1 |
| Services | 747.3 | 766.6 | 795.6 | 820.6 | 842.4 | 859.4 | 886.3 | 908.3 |
| Gross private domestic investment | 424.0 | 391.0 | 384.1 | 410.3 | 455.7 | 475.5 | 486.0 | 468.9 |
| Residential structures | 113.5 | 91.2 | 97.6 | 110.5 | 113.6 | 109.5 | 101.2 | 95.5 |
| Business fixed investment | 311.2 | 300.2 | 307.8 | 317.5 | 330.0 | 341.3 | 353.0 | 360.2 |
| Change in business inventories | -7.7 | -6.4 | -21.2 | -17.7 | 12.2 | 24.6 | 31.8 | 13.2 |
| Nonfarm | .7 | 4.0 | -15.4 | -12.3 | 10.0 | 19.3 | 24.6 | 6.0 |
| Net exports of goods and services <1> | 14.0 | 24.2 | 39.0 | 23.5 | 31.2 | 23.7 | 25.9 | 23.5 |
| Exports | 335.7 | 337.3 | 337.2 | 346.7 | 365.4 | 368.9 | 367.2 | 367.9 |
| Imports | 321.7 | 313.1 | 298.2 | 323.2 | 334.2 | 345.1 | 341.3 | 344.4 |
| Gov't. purchases of goods and services | 519.2 | 536.0 | 538.5 | 559.8 | 578.1 | 583.2 | 600.2 | 626.3 |
| Federal <2> | 189.6 | 198.8 | 193.3 | 207.0 | 217.0 | 218.2 | 230.0 | 250.5 |
| State and local | 329.6 | 337.2 | 345.2 | 352.8 | 361.1 | 365.0 | 370.1 | 375.7 |
| Gross national product in constant (1972) dollars | 1494.9 | 1457.8 | 1463.8 | 1479.4 | 1507.8 | 1502.2 | 1510.4 | 1490.1 |
| Personal income | 2086.8 | 2109.6 | 2185.3 | 2260.0 | 2330.0 | 2380.6 | 2458.2 | 2494.6 |
| Wage and salary disbursements | 1319.7 | 1332.1 | 1360.5 | 1412.2 | 1452.8 | 1479.4 | 1512.3 | 1531.2 |
| Disposable personal income | 1766.9 | 1781.0 | 1845.5 | 1902.9 | 1958.7 | 1996.5 | 2060.0 | 2101.4 |
| Saving rate (percent) | 5.5 | 6.1 | 6.1 | 5.5 | 5.4 | 6.1 | 6.5 | 7.5 |
| Corporate profits with I.V.A. and G.C. Adj. | 195.3 | 172.2 | 177.8 | 181.2 | 200.3 | 185.1 | 193.1 | 183.9 |
| Corporate profits before tax | 268.2 | 217.6 | 238.1 | 245.9 | 253.1 | 225.4 | 233.3 | 216.5 |
| Federal government surplus or deficit (-) (N.I.A. basis) | -39.7 | -67.5 | -73.1 | -65.2 | -39.7 | -40.5 | -58.0 | -101.7 |
| High employment surplus or deficit (-) <3> | -18.3 | -20.0 | -19.0 | -10.5 | 10.8 | 22.4 | 5.3 | -21.2 |
| State and local government surplus or deficit(-) (N.I.A. basis) | 29.1 | 23.3 | 27.1 | 33.0 | 31.3 | 32.9 | 33.5 | 29.1 |
| Excluding social insurance funds | 3.3 | -2.8 | -1.0 | 3.9 | 1.1 | 1.7 | 1.2 | -4.2 |
| Civilian labor force (millions) | 106.5 | 106.8 | 107.2 | 107.5 | 108.1 | 108.8 | 108.7 | 109.2 |
| Unemployment rate (percent) | 6.3 | 7.3 | 7.6 | 7.5 | 7.4 | 7.4 | 7.4 | 8.3 |
| Nonfarm payroll employment (millions) | 90.9 | 90.3 | 89.9 | 90.5 | 90.9 | 91.2 | 91.4 | 91.0 |
| Manufacturing | 20.9 | 20.3 | 19.9 | 20.1 | 20.2 | 20.3 | 20.3 | 19.9 |
| Industrial production (1967=100) | 152.7 | 144.5 | 142.3 | 148.8 | 151.8 | 152.5 | 153.0 | 146.3 |
| Capacity utilization: all manufacturing (percent) | 83.4 | 77.9 | 75.9 | 79.1 | 79.9 | 79.8 | 79.2 | 74.8 |
| Materials (percent) | 85.8 | 78.9 | 75.2 | 80.1 | 82.2 | 81.2 | 81.2 | 75.2 |
| Housing starts, private (million units, A.R.) | 1.25 | 1.06 | 1.39 | 1.50 | 1.40 | 1.17 | .96 | .87 |
| New auto sales (millions, A.R.) | 10.65 | 7.68 | 8.80 | 9.04 | 9.96 | 7.89 | 9.04 | 7.36 |
| Domestic models | 7.87 | 5.53 | 6.31 | 6.57 | 7.31 | 5.63 | 6.90 | 5.13 |
| Foreign models | 2.77 | 2.14 | 2.29 | 2.47 | 2.66 | 2.25 | 2.14 | 2.23 |

<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 \$30.7 billion in 1980-Q4, and a deficit of \$43.8 billion in 1981-Q4.

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

| | 1980 | | | | 1981 | | | |
|---|--------------------------------|-------|-------|------|------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | <u>Constant (1972) Dollars</u> | | | | | | | |
| Gross national product | 1.5 | -9.6 | 1.6 | 4.3 | 7.9 | -1.5 | 2.2 | -5.3 |
| Final purchases | 1.6 | -9.6 | 3.3 | 3.7 | 5.4 | -4.0 | 1.0 | -2.3 |
| Private | .8 | -12.4 | 5.4 | 4.7 | 5.5 | -4.0 | .4 | -4.4 |
| Excluding net exports | -1.3 | -13.7 | 5.7 | 7.6 | 4.7 | -2.8 | 2.2 | -3.6 |
| Personal consumption expenditures | -.7 | -8.7 | 5.4 | 5.7 | 4.4 | -2.7 | 2.9 | -3.3 |
| Goods | -2.3 | -16.1 | 5.7 | 8.6 | 6.9 | -5.1 | 4.0 | -6.2 |
| Services | 1.2 | .4 | 5.1 | 2.6 | 1.5 | .1 | 1.7 | .0 |
| Gross private domestic investment | -4.5 | -32.5 | -5.1 | 22.6 | 25.0 | 14.9 | 6.9 | -22.6 |
| Residential structures | -21.6 | -61.7 | 20.4 | 59.8 | 1.0 | -17.4 | -31.9 | -25.3 |
| Business fixed investment | 2.5 | -20.4 | 3.5 | 6.6 | 8.0 | 1.1 | 9.3 | .6 |
| Gov't. purchases of goods and services | 5.2 | 3.1 | -4.7 | -.3 | 5.2 | -4.1 | 3.6 | 7.0 |
| Federal | 12.3 | 10.5 | -12.5 | -2.6 | 12.2 | -3.2 | 14.8 | 20.4 |
| National defense | 13.2 | .5 | -2.5 | -2.1 | 8.0 | 11.5 | 7.6 | 10.1 |
| State and local | 1.2 | -1.1 | .3 | 1.0 | 1.3 | -4.6 | -2.7 | -.8 |
| Disposable personal income | 1.1 | -6.6 | 5.2 | 3.0 | 3.7 | .6 | 4.8 | 1.2 |
| <u>Current Dollars</u> | | | | | | | | |
| Gross national product | 12.2 | -.4 | 11.4 | 15.3 | 19.6 | 5.3 | 11.4 | 3.0 |
| Final purchases | 11.8 | -.4 | 14.9 | 14.6 | 14.6 | 3.5 | 10.4 | 5.7 |
| Private | 10.2 | -3.7 | 18.5 | 14.0 | 14.8 | 3.5 | 9.9 | 2.5 |
| Excluding net exports | 9.5 | -5.7 | 15.4 | 17.6 | 13.4 | 4.9 | 9.6 | 3.0 |
| Personal consumption expenditures | 10.7 | .9 | 15.6 | 16.1 | 13.0 | 4.4 | 11.3 | 3.4 |
| Goods | 9.4 | -7.0 | 15.1 | 18.7 | 14.7 | 1.0 | 9.7 | -2.6 |
| Services | 12.3 | 10.7 | 16.0 | 13.2 | 11.1 | 8.3 | 13.2 | 10.3 |
| Gross private domestic investment | 7.1 | -27.6 | -6.8 | 30.1 | 52.2 | 18.5 | 9.2 | -13.3 |
| Residential structures | -14.0 | -58.2 | 31.0 | 64.5 | 11.5 | -13.4 | -27.0 | -20.8 |
| Business fixed investment | 13.3 | -13.3 | 10.4 | 13.3 | 16.7 | 14.5 | 14.3 | 8.4 |
| Gov't. purchases of goods and services | 18.5 | 13.6 | 1.9 | 16.8 | 13.7 | 3.6 | 12.2 | 18.6 |
| Federal | 29.5 | 20.8 | -10.5 | 31.3 | 20.9 | 2.2 | 23.5 | 40.7 |
| National defense | 28.8 | 10.4 | 1.7 | 25.3 | 15.4 | 22.1 | 10.8 | 36.7 |
| State and local | 12.7 | 9.6 | 9.8 | 9.2 | 9.7 | 4.4 | 5.7 | 6.2 |
| Disposable personal income | 12.7 | 3.2 | 15.3 | 13.0 | 12.3 | 7.9 | 13.4 | 8.3 |
| Personal income | 10.7 | 4.4 | 15.1 | 14.6 | 13.0 | 9.0 | 13.7 | 6.1 |
| Wage and salary disbursements | 11.4 | 3.8 | 8.8 | 16.1 | 12.0 | 7.5 | 9.2 | 5.1 |
| Corporate profits with I.V.A. and C.C. Adj. | 29.4 | -39.6 | 13.7 | 7.9 | 49.3 | -27.1 | 18.4 | -17.7 |
| Corporate profits before tax | 34.2 | -56.7 | 43.4 | 13.8 | 12.2 | -37.1 | 14.8 | -25.8 |
| Nonfarm payroll employment | 1.8 | -2.3 | -1.8 | 2.7 | 1.8 | 1.0 | .8 | -1.8 |
| Manufacturing | -1.2 | -10.4 | -7.5 | 4.2 | 1.3 | 2.8 | .1 | -8.1 |
| Nonfarm business sector | | | | | | | | |
| Output per hour | -.4 | -4.6 | 3.4 | 3.1 | 4.9 | -1.3 | -.3 | -3.5 |
| Compensation per hour | 11.9 | 10.2 | 10.4 | 9.8 | 11.8 | 7.1 | 9.0 | 7.3 |
| Unit labor costs | 12.4 | 15.5 | 6.8 | 6.5 | 6.6 | 8.6 | 9.3 | 11.2 |
| GDP implicit deflator <1> | 10.5 | 10.1 | 9.6 | 10.5 | 10.9 | 6.8 | 9.0 | 8.8 |
| Gross domestic business product | | | | | | | | |
| fixed-weighted price index <2> | 11.0 | 10.4 | 9.9 | 10.0 | 10.4 | 8.6 | 9.3 | 7.4 |
| Excluding food and energy | 8.7 | 9.6 | 9.7 | 9.7 | 8.4 | 9.4 | 11.0 | 8.6 |
| Consumer price index (all urban) | 16.5 | 13.5 | 7.7 | 12.8 | 11.0 | 7.8 | 11.8 | 7.7 |
| Industrial production | .4 | -19.8 | -5.8 | 19.3 | 8.4 | 1.9 | 1.4 | -16.6 |

<1> Excluding Federal pay increases, rates of change were: 1980-Q1, 10.5 percent; 1980-Q4, 9.4 percent; 1981-Q1, 10.8 percent; 1981-Q4, 7.8 percent.

<2> Uses expenditures in 1972 as weights.

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

| | Projected | | | | | | | |
|--|-----------|--------|--------|--------|--------|--------|--------|--------|
| | 1982 | | | | 1983 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Gross national product | 2995.5 | 3047.4 | 3102.8 | 3160.2 | 3218.2 | 3266.5 | 3330.7 | 3396.6 |
| Final purchases | 3031.1 | 3067.0 | 3109.8 | 3164.7 | 3216.2 | 3261.5 | 3321.7 | 3384.6 |
| Private | 2401.0 | 2435.1 | 2468.9 | 2506.4 | 2547.9 | 2581.9 | 2630.0 | 2678.0 |
| Excluding net exports | 2369.7 | 2399.5 | 2442.6 | 2493.0 | 2544.9 | 2584.1 | 2635.4 | 2687.3 |
| Personal consumption expenditures | 1919.4 | 1950.8 | 1998.8 | 2044.2 | 2086.1 | 2119.1 | 2163.6 | 2206.6 |
| Goods | 987.0 | 999.1 | 1020.5 | 1041.6 | 1059.6 | 1072.1 | 1091.6 | 1113.1 |
| Services | 932.4 | 951.6 | 978.3 | 1002.6 | 1026.5 | 1047.0 | 1072.0 | 1093.5 |
| Gross private domestic investment | 414.8 | 429.1 | 436.8 | 444.3 | 460.8 | 470.0 | 480.8 | 492.7 |
| Residential structures | 93.4 | 94.7 | 98.7 | 104.0 | 112.0 | 116.7 | 119.2 | 121.2 |
| Business fixed investment | 357.0 | 354.0 | 345.1 | 344.8 | 346.8 | 348.3 | 352.6 | 359.5 |
| Change in business inventories | -35.6 | -19.7 | -7.0 | -4.5 | 2.0 | 5.0 | 9.0 | 12.0 |
| Nonfarm | -36.0 | -19.2 | -7.0 | -4.5 | 2.0 | 5.0 | 9.0 | 12.0 |
| Net exports of goods and services <1> | 31.3 | 35.6 | 26.3 | 13.4 | 3.0 | -2.2 | -5.4 | -9.3 |
| Exports | 359.9 | 360.9 | 350.4 | 342.6 | 343.2 | 351.6 | 364.7 | 378.6 |
| Imports | 328.6 | 325.3 | 324.1 | 329.2 | 340.2 | 353.8 | 370.1 | 387.9 |
| Gov't. purchases of goods and services | 630.1 | 631.9 | 640.9 | 658.3 | 668.3 | 679.6 | 691.7 | 706.6 |
| Federal <2> | 249.7 | 244.1 | 248.4 | 261.2 | 266.6 | 273.6 | 281.2 | 292.1 |
| State and local | 380.4 | 387.8 | 392.5 | 397.1 | 401.7 | 406.0 | 410.5 | 414.5 |
| Gross national product in constant (1972) dollars | 1470.7 | 1476.8 | 1480.4 | 1488.8 | 1498.0 | 1505.2 | 1520.6 | 1534.9 |
| Personal income | 2510.5 | 2549.5 | 2597.9 | 2645.8 | 2693.3 | 2739.0 | 2790.3 | 2837.9 |
| Wage and salary disbursements | 1541.6 | 1555.9 | 1573.9 | 1603.9 | 1629.8 | 1653.8 | 1681.1 | 1714.8 |
| Disposable personal income | 2117.1 | 2151.9 | 2211.2 | 2251.6 | 2291.1 | 2326.4 | 2396.2 | 2433.2 |
| Saving rate (percent) | 6.6 | 6.6 | 6.9 | 6.5 | 6.3 | 6.2 | 7.1 | 6.7 |
| Corporate profits with I.V.A. and C.C. Adj. | 157.1 | 167.0 | 180.5 | 185.3 | 187.2 | 189.4 | 203.0 | 210.8 |
| Corporate profits before tax | 171.6 | 179.2 | 193.4 | 192.1 | 188.1 | 183.2 | 189.1 | 187.3 |
| Federal government surplus or deficit (-) | -119.3 | -116.6 | -147.5 | -157.4 | -148.9 | -157.3 | -196.1 | -199.9 |
| (N.I.A. basis) | -21.2 | -8.5 | -32.6 | -36.0 | -18.4 | -21.4 | -64.9 | -68.9 |
| High employment surplus or deficit (-) <3> | | | | | | | | |
| State and local government surplus or deficit (-) (N.I.A. basis) | 27.7 | 29.4 | 33.1 | 34.6 | 36.4 | 37.7 | 40.7 | 44.1 |
| Excluding social insurance funds | -6.8 | -6.3 | -3.8 | -3.5 | -2.9 | -2.8 | -1.0 | 1.2 |
| Civilian labor force (millions) | 109.1 | 110.2 | 110.6 | 110.8 | 111.1 | 111.3 | 111.6 | 112.0 |
| Unemployment rate (percent) | 8.8 | 9.5 | 10.0 | 9.9 | 9.8 | 9.8 | 9.7 | 9.5 |
| Nonfarm payroll employment (millions) | 90.4 | 90.0 | 89.8 | 90.0 | 90.3 | 90.5 | 90.8 | 91.3 |
| Manufacturing | 19.4 | 19.1 | 18.8 | 19.0 | 19.2 | 19.4 | 19.6 | 19.8 |
| Industrial production (1967=100) | 141.7 | 139.2 | 138.4 | 140.6 | 142.3 | 144.3 | 147.9 | 150.4 |
| Capacity utilization: all manufacturing (percent) | 71.6 | 70.2 | 69.4 | 70.3 | 70.8 | 71.4 | 73.0 | 73.8 |
| Materials (percent) | 72.0 | 69.6 | 68.8 | 70.0 | 70.9 | 71.9 | 74.1 | 75.5 |
| Housing starts, private (million units, A.R.) | .92 | .95 | 1.15 | 1.15 | 1.20 | 1.20 | 1.20 | 1.20 |
| New auto sales (millions, A.R.) | 8.12 | 7.53 | 7.90 | 8.40 | 8.60 | 8.80 | 9.20 | 9.20 |
| Domestic models | 5.90 | 5.53 | 5.60 | 6.10 | 6.30 | 6.50 | 6.80 | 6.80 |
| Foreign models | 2.22 | 1.99 | 2.30 | 2.30 | 2.30 | 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 \$58.7 billion in 1982-Q4, and a deficit of \$93.3 billion in 1983-Q4.

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

| | Projected | | | | | | | |
|---|-----------|-------|-------|------|------|-------|------|------|
| | 1982 | | | | 1983 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Constant (1972) Dollars | | | | | | | | |
| Gross national product | -5.1 | 1.7 | 1.0 | 2.3 | 2.5 | 1.9 | 4.2 | 3.8 |
| Final purchases | .2 | -.6 | -.1 | 2.0 | 1.8 | 1.6 | 3.7 | 3.5 |
| Private | 1.0 | .8 | -.2 | 1.9 | 1.9 | 1.5 | 4.0 | 3.9 |
| Excluding net exports | .9 | 1.2 | .8 | 3.3 | 3.1 | 1.7 | 3.7 | 3.8 |
| Personal consumption expenditures | 2.5 | 3.0 | 3.3 | 4.1 | 2.9 | 1.8 | 4.0 | 3.7 |
| Goods | 2.0 | 4.1 | 2.4 | 4.5 | 2.7 | 1.1 | 3.8 | 4.3 |
| Services | 3.0 | 1.9 | 4.3 | 3.6 | 3.1 | 2.5 | 4.2 | 3.0 |
| Gross private domestic investment | -36.5 | 10.9 | -3.1 | 2.0 | 10.2 | 3.9 | 5.9 | 6.5 |
| Residential structures | -10.2 | 3.3 | 13.4 | 18.5 | 28.7 | 12.8 | 4.3 | 2.6 |
| Business fixed investment | -5.0 | -8.5 | -15.3 | -4.5 | -1.4 | -1.6 | 2.1 | 4.5 |
| Gov't. purchases of goods and services | -2.9 | -6.4 | .3 | 2.2 | 1.1 | 2.0 | 2.5 | 1.6 |
| Federal | -5.5 | -16.1 | 3.5 | 8.0 | 4.8 | 6.9 | 7.3 | 5.3 |
| National defense | -7.9 | 7.1 | 6.7 | 4.6 | 6.4 | 11.2 | 12.1 | 9.4 |
| State and local | -1.1 | .4 | -1.7 | -1.3 | -1.2 | -1.2 | -.7 | -.9 |
| Disposable personal income | -1.9 | 3.1 | 4.5 | 2.3 | 1.7 | 1.6 | 7.7 | 1.9 |
| Current Dollars | | | | | | | | |
| Gross national product | -1.0 | 7.1 | 7.5 | 7.6 | 7.5 | 6.1 | 8.1 | 8.2 |
| Final purchases | 5.6 | 4.8 | 5.7 | 7.3 | 6.7 | 5.8 | 7.6 | 7.8 |
| Private | 6.5 | 5.8 | 5.7 | 6.2 | 6.8 | 5.4 | 7.7 | 7.5 |
| Excluding net exports | 5.2 | 5.1 | 7.4 | 8.5 | 8.6 | 6.3 | 8.2 | 8.1 |
| Personal consumption expenditures | 7.6 | 6.7 | 10.2 | 9.4 | 8.5 | 6.5 | 8.7 | 8.2 |
| Goods | 4.5 | 5.0 | 8.8 | 8.5 | 7.1 | 4.8 | 7.5 | 8.1 |
| Services | 11.0 | 8.5 | 11.7 | 10.3 | 9.9 | 8.2 | 9.9 | 8.3 |
| Gross private domestic investment | -38.8 | 14.5 | 7.4 | 7.0 | 15.7 | 8.2 | 9.5 | 10.3 |
| Residential structures | -8.4 | 5.7 | 17.9 | 23.3 | 34.5 | 17.9 | 8.8 | 6.9 |
| Business fixed investment | -3.5 | -3.2 | -9.7 | -.3 | 2.3 | 1.7 | 5.0 | 8.1 |
| Gov't. purchases of goods and services | 2.4 | 1.2 | 5.8 | 11.3 | 6.2 | 6.9 | 7.3 | 8.9 |
| Federal | -1.4 | -8.6 | 7.2 | 22.3 | 8.5 | 10.9 | 11.6 | 16.4 |
| National defense | -1.8 | 15.4 | 13.1 | 19.3 | 11.2 | 15.7 | 17.2 | 21.6 |
| State and local | 5.0 | 8.0 | 4.9 | 4.8 | 4.7 | 4.4 | 4.5 | 4.0 |
| Disposable personal income | 3.0 | 6.8 | 11.5 | 7.5 | 7.2 | 6.3 | 12.6 | 6.3 |
| Personal income | 2.6 | 6.4 | 7.8 | 7.6 | 7.4 | 7.0 | 7.7 | 7.0 |
| Wage and salary disbursements | 2.7 | 3.8 | 4.7 | 7.8 | 6.6 | 6.0 | 6.8 | 8.3 |
| Corporate profits with I.V.A. and C.C. Adj. | -46.7 | 27.7 | 36.5 | 11.0 | 4.3 | 4.7 | 32.0 | 16.2 |
| Corporate profits before tax | -60.5 | 18.9 | 35.7 | -2.7 | -7.9 | -10.1 | 13.5 | -3.8 |
| Nonfarm payroll employment | -2.4 | -1.6 | -1.0 | .7 | 1.3 | 1.0 | 1.6 | 2.1 |
| Manufacturing | -9.0 | -7.2 | -5.1 | 3.7 | 4.9 | 3.8 | 4.3 | 4.6 |
| Nonfarm business sector | | | | | | | | |
| Output per hour | 2.6 | 2.3 | 1.0 | 1.5 | 2.0 | .9 | 2.3 | 1.5 |
| Compensation per hour | 10.1 | 6.2 | 6.1 | 5.9 | 6.4 | 5.5 | 5.5 | 5.4 |
| Unit labor costs | 7.4 | 3.8 | 5.0 | 4.3 | 4.3 | 4.6 | 3.1 | 3.8 |
| GNP implicit deflator <1> | 4.3 | 5.3 | 6.4 | 5.2 | 4.9 | 4.1 | 3.8 | 4.2 |
| Gross domestic business product | | | | | | | | |
| fixed-weighted price index <2> | 4.4 | 4.3 | 6.5 | 5.2 | 5.4 | 4.6 | 4.4 | 4.2 |
| Excluding food and energy | 5.3 | 6.7 | 5.7 | 5.0 | 5.6 | 4.2 | 3.9 | 3.7 |
| Consumer price index (all urban) | 3.2 | 4.6 | 8.2 | 4.3 | 5.5 | 4.8 | 4.8 | 4.6 |
| Industrial production | -11.8 | -6.9 | -2.3 | 6.5 | 4.9 | 5.7 | 10.4 | 6.9 |

<1> Excluding Federal pay increases, the rates of change are: 1982-Q1, 4.2 percent; 1982-Q4, 4.6 percent; 1983-Q1, 4.9 percent; 1983-Q4, 3.6 percent.

<2> Uses expenditures in 1972 as weights.

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

| | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | Projected 1982 | 1983 |
|--|--------|--------|--------|--------|--------|--------|-------------------|--------|
| Gross national product | 1718.0 | 1918.3 | 2163.9 | 2417.8 | 2633.1 | 2937.7 | 3076.5 | 3303.0 |
| Final purchases | 1706.2 | 1895.3 | 2137.4 | 2403.5 | 2643.1 | 2917.3 | 3093.1 | 3296.0 |
| Private | 1344.1 | 1501.5 | 1705.5 | 1929.1 | 2104.7 | 2320.4 | 2452.8 | 2609.4 |
| Excluding net exports | 1330.3 | 1505.5 | 1706.6 | 1915.9 | 2079.5 | 2294.3 | 2426.2 | 2612.9 |
| Personal consumption expenditures | 1084.3 | 1204.4 | 1346.5 | 1507.2 | 1667.2 | 1843.2 | 1978.3 | 2143.8 |
| Goods | 598.5 | 657.0 | 728.5 | 813.5 | 884.7 | 969.1 | 1012.0 | 1084.1 |
| Services | 485.7 | 547.4 | 618.0 | 693.7 | 782.5 | 874.1 | 966.2 | 1059.7 |
| Gross private domestic investment | 257.9 | 324.1 | 386.6 | 423.0 | 402.3 | 471.5 | 431.2 | 476.1 |
| Residential construction | 72.0 | 95.8 | 111.2 | 118.6 | 103.2 | 104.9 | 97.7 | 117.3 |
| Business fixed investment | 174.1 | 205.2 | 248.9 | 290.2 | 309.2 | 346.1 | 350.2 | 351.8 |
| Change in business inventories | 11.8 | 23.0 | 26.5 | 14.3 | -10.0 | 20.5 | -16.7 | 7.0 |
| Nonfarm | 13.9 | 21.9 | 25.4 | 8.6 | -5.7 | 15.0 | -16.7 | 7.0 |
| Net exports of goods and services <1> | 13.8 | -4.0 | -1.1 | 13.2 | 25.2 | 26.1 | 26.6 | -3.5 |
| Exports | 170.9 | 182.7 | 218.7 | 281.4 | 339.2 | 367.3 | 353.4 | 359.5 |
| Imports | 157.1 | 186.7 | 219.8 | 268.1 | 314.0 | 341.3 | 326.8 | 363.0 |
| Gov't. purchases of goods and services | 362.1 | 393.8 | 431.9 | 474.4 | 538.4 | 596.9 | 640.3 | 686.5 |
| Federal <2> | 129.2 | 143.4 | 153.6 | 168.3 | 197.2 | 228.9 | 250.8 | 278.4 |
| State and local | 232.9 | 250.4 | 278.3 | 306.0 | 341.2 | 368.0 | 389.4 | 408.2 |
| Gross national product in constant (1972) dollars | 1298.2 | 1369.7 | 1438.6 | 1479.4 | 1474.0 | 1502.6 | 1479.2 | 1514.7 |
| Personal income | 1391.2 | 1540.4 | 1732.7 | 1951.2 | 2160.4 | 2415.8 | 2575.9 | 2765.1 |
| Wage and salary disbursements | 889.9 | 983.2 | 1106.3 | 1237.6 | 1356.1 | 1493.9 | 1568.8 | 1669.9 |
| Disposable personal income | 1194.4 | 1314.0 | 1474.0 | 1650.2 | 1824.1 | 2029.1 | 2182.9 | 2361.7 |
| Saving rate (percent) | 6.9 | 5.9 | 6.1 | 5.9 | 5.8 | 6.4 | 6.6 | 6.6 |
| Corporate profits with I.V.A. and C.C.Adj. | 138.1 | 167.3 | 192.4 | 194.8 | 181.6 | 190.6 | 172.5 | 197.6 |
| Corporate profits before tax | 166.3 | 194.7 | 229.1 | 252.7 | 242.4 | 232.1 | 184.1 | 186.9 |
| Federal government surplus or deficit(-) (M.I.A. basis) | -53.1 | -45.9 | -29.5 | -16.1 | -61.4 | -60.0 | -135.2 | -175.6 |
| High employment surplus or deficit(-) | -17.4 | -20.6 | -16.0 | -1.8 | -17.0 | 4.3 | -24.6 | -43.4 |
| State and local government surplus or deficit (-) (M.I.A. basis) | 16.6 | 28.0 | 30.3 | 30.4 | 28.1 | 31.7 | 31.2 | 39.7 |
| Excluding social insurance funds | .9 | 10.1 | 10.0 | 6.6 | .9 | -.1 | -5.1 | -1.4 |
| Civilian labor force (millions) | 96.2 | 99.0 | 102.3 | 105.0 | 106.9 | 108.7 | 110.2 | 111.5 |
| Unemployment rate (percent) | 7.7 | 7.1 | 6.1 | 5.8 | 7.1 | 7.6 | 9.5 | 9.7 |
| Nonfarm payroll employment (millions) | 79.4 | 82.5 | 86.7 | 89.8 | 90.4 | 91.1 | 90.1 | 90.7 |
| Manufacturing | 19.0 | 19.7 | 20.5 | 21.0 | 20.3 | 20.2 | 19.1 | 19.5 |
| Industrial production (1967=100) | 130.4 | 138.1 | 146.1 | 152.5 | 147.0 | 150.9 | 140.0 | 146.2 |
| Capacity utilization: all manufacturing (percent) | 79.5 | 81.9 | 84.4 | 85.6 | 79.1 | 78.4 | 70.4 | 72.3 |
| Materials (percent) | 81.1 | 82.7 | 85.6 | 87.4 | 80.0 | 79.9 | 70.1 | 73.1 |
| Housing starts, private (million units, A.R.) | 1.54 | 1.96 | 2.00 | 1.72 | 1.30 | 1.10 | 1.04 | 1.20 |
| New auto sales (millions, A.R.) | 10.54 | 10.69 | 10.92 | 9.91 | 8.34 | 7.98 | 8.02 | 8.95 |
| Domestic models | 8.63 | 9.07 | 9.29 | 8.36 | 6.62 | 6.24 | 5.78 | 6.60 |
| Foreign models | 1.92 | 1.62 | 1.63 | 1.55 | 1.72 | 1.74 | 2.24 | 2.35 |

<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.

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

| | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | —Projected— | |
|--|------|------|------|------|-------|------|-------------|------|
| | | | | | | | 1982 | 1983 |
| Constant (1972) Dollars | | | | | | | | |
| Gross national product | 5.4 | 5.5 | 5.0 | 2.8 | -.4 | 1.9 | -1.6 | 2.4 |
| Final purchases | 4.2 | 5.1 | 4.9 | 3.5 | .5 | 1.0 | -.5 | 1.7 |
| Private | 5.3 | 6.0 | 5.6 | 4.0 | .0 | 1.0 | -.6 | 1.9 |
| Excluding net exports | 6.2 | 6.5 | 5.5 | 2.9 | -1.1 | 1.8 | .1 | 2.6 |
| Personal consumption expenditures | 5.6 | 5.0 | 4.5 | 2.7 | .3 | 1.8 | 1.4 | 3.1 |
| Goods | 6.7 | 5.1 | 4.2 | 1.9 | -1.5 | 1.9 | .8 | 3.0 |
| Services | 4.3 | 4.9 | 4.8 | 3.7 | 2.4 | 1.7 | 2.1 | 3.3 |
| Gross private domestic investment | 19.2 | 16.1 | 10.5 | -.2 | -11.8 | 8.3 | -12.0 | 5.0 |
| Residential structures | 21.3 | 18.6 | 2.8 | -5.3 | -20.1 | -4.9 | -10.5 | 15.2 |
| Business fixed investment | 5.3 | 11.7 | 12.8 | 7.3 | -2.2 | 3.6 | -3.9 | -3.6 |
| Gov't. purchases of goods and services | .0 | 1.5 | 2.0 | 1.3 | 2.3 | .9 | -.3 | 1.1 |
| Federal | -.6 | 3.7 | -.1 | 1.8 | 4.3 | 3.7 | 1.2 | 4.5 |
| National defense | -2.3 | .8 | .4 | 2.6 | 4.0 | 4.9 | 3.8 | 8.0 |
| State and local | .4 | .2 | 3.3 | 1.1 | 1.1 | -.8 | -1.3 | -1.1 |
| Disposable personal income | 3.6 | 4.0 | 4.9 | 2.7 | .2 | 2.5 | 1.6 | 3.0 |
| Current Dollars | | | | | | | | |
| Gross national product | 10.9 | 11.7 | 12.8 | 11.7 | 8.9 | 11.6 | 4.7 | 7.4 |
| Final purchases | 9.6 | 11.1 | 12.8 | 12.4 | 10.0 | 10.4 | 6.0 | 6.6 |
| Private | 10.5 | 11.7 | 13.6 | 13.1 | 9.1 | 10.2 | 5.7 | 6.4 |
| Excluding net exports | 11.8 | 13.2 | 13.4 | 12.3 | 8.5 | 10.3 | 5.7 | 7.7 |
| Personal consumption expenditures | 11.0 | 11.1 | 11.8 | 11.9 | 10.6 | 10.6 | 7.3 | 8.4 |
| Goods | 10.9 | 9.8 | 10.9 | 11.7 | 8.8 | 9.5 | 4.4 | 7.1 |
| Services | 11.2 | 12.7 | 12.9 | 12.2 | 12.8 | 11.7 | 10.5 | 9.7 |
| Gross private domestic investment | 25.1 | 25.7 | 19.3 | 9.4 | -4.9 | 17.2 | -8.5 | 10.4 |
| Residential structures | 30.2 | 33.1 | 16.1 | 6.6 | -13.0 | 1.7 | -6.9 | 20.0 |
| Business fixed investment | 10.4 | 17.9 | 21.3 | 16.6 | 6.5 | 12.0 | 1.2 | .4 |
| Gov't. purchases of goods and services | 6.5 | 8.8 | 9.7 | 9.8 | 13.5 | 10.9 | 7.3 | 7.2 |
| Federal | 5.3 | 11.0 | 7.1 | 9.6 | 17.1 | 16.1 | 9.6 | 11.0 |
| National defense | 3.6 | 8.0 | 8.0 | 11.5 | 17.5 | 17.0 | 14.1 | 15.4 |
| State and local | 7.2 | 7.5 | 11.2 | 9.9 | 11.5 | 7.9 | 5.8 | 4.8 |
| Disposable personal income | 9.0 | 10.0 | 12.2 | 12.0 | 10.5 | 11.2 | 7.6 | 8.2 |
| Personal income | 10.0 | 10.7 | 12.5 | 12.6 | 10.7 | 11.8 | 6.6 | 7.3 |
| Wage and salary disbursements | 10.4 | 10.5 | 12.5 | 11.9 | 9.6 | 10.2 | 5.0 | 6.4 |
| Corporate profits with I.V.A. and C.C.Adj. | 25.0 | 21.1 | 15.0 | 1.3 | -6.8 | 5.0 | -9.5 | 14.5 |
| Corporate profits before tax | 25.9 | 17.1 | 17.7 | 10.3 | -4.0 | -4.3 | -20.7 | 1.5 |
| Nonfarm payroll employment | 3.2 | 3.9 | 5.1 | 3.6 | .7 | .8 | -1.2 | .7 |
| Manufacturing | 3.7 | 3.6 | 4.2 | 2.6 | -3.6 | -.6 | -5.4 | 2.3 |
| Nonfarm business sector | | | | | | | | |
| Output per hour | 3.2 | 2.2 | .6 | -1.3 | -.9 | 1.4 | .5 | 1.6 |
| Compensation per hour | 8.1 | 7.5 | 8.6 | 9.3 | 10.2 | 9.7 | 7.7 | 5.9 |
| Unit labor costs | 4.7 | 5.2 | 8.0 | 10.7 | 11.2 | 8.1 | 7.2 | 4.2 |
| GDP implicit deflator | 5.2 | 5.8 | 7.4 | 8.6 | 9.3 | 9.4 | 6.4 | 4.8 |
| Gross domestic business product | | | | | | | | |
| fixed-weighted price index <1> | 5.5 | 6.1 | 8.0 | 9.9 | 10.1 | 9.6 | 6.1 | 5.1 |
| Excluding food and energy | 6.1 | 6.3 | 7.8 | 8.6 | 8.6 | 9.4 | 7.1 | 5.0 |
| Consumer price index (all urban) | 5.7 | 6.5 | 7.7 | 11.3 | 13.5 | 10.3 | 6.3 | 5.3 |
| Industrial production | 10.7 | 5.9 | 5.8 | 4.4 | -3.6 | 2.6 | -7.2 | 4.5 |

<1> Uses expenditures in 1972 as weights.

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FEDERAL SECTOR ACCOUNTS

| | Fiscal Year 1981* | FY1982e/ 1/ | | | | FY1983e/2/ 1/ | | | | CY1982e/ CY 1981* | | | | FRB Staff Estimates Calendar quarters; unadjusted data | | | | | |
|--|----------------------|----------------|---------------|-------------|---------------|------------------|--------|--------------------|--------|-------------------------|--------|--------|--------|---|--------|--|--|--|--|
| | | Admin. | F.R. Board | Admin. | F.R. Board | 1981 1982 | I* | II* | III* | IV | I | II | III | | | | | | |
| | | | | | | 1981 | 1982 | 1982 | 1982 | 1983 | | | | | | | | | |
| Unified budget receipts | 599.3 | 622.1 | 618.1 | 646.5 | 630.0 | 619.1 | 615.3 | 146.0 | 143.6 | 178.9 | 149.7 | 143.2 | 143.9 | 189.8 | 153.1 | | | | |
| Unified budget outlays | 657.2 | 731.0 | 730.5 | 761.5 | 789.0 | 691.6 | 730.1 | 194.2 | 167.3 | 181.4 | 187.7 | 193.8 | 197.2 | 194.2 | 203.9 | | | | |
| Surplus/deficit(-), unified budget agencies ³ | -57.9 | -108.9 | -112.4 | -115.0 | -159.0 | -72.5 | -114.8 | -48.2 | -23.7 | -2.5 | -38.0 | -50.6 | -53.3 | -4.4 | -50.8 | | | | |
| Surplus/deficit(-), off-budget agencies ³ | -21.0 | -19.3 | -17.9 | -14.9 | -17.3 | -22.4 | -18.1 | -3.6 | -2.0 | -5.8 | -6.7 | -3.8 | -5.3 | -4.1 | -4.2 | | | | |
| Combined deficit to be financed | -78.9 | -128.2 | -130.3 | -129.9 | -176.3 | -94.9 | -132.9 | -51.8 | -25.7 | -8.3 | -44.7 | -54.4 | -58.6 | -8.5 | -54.9 | | | | |
| Means of financing combined deficit: | | | | | | | | | | | | | | | | | | | |
| Net borrowing from public | 79.4 | 126.7 | 125.9 | 126.0 | 180.4 | 87.3 | 144.5 | 35.6 | 32.8 | 8.9 | 48.6 | 54.2 | 54.9 | 15.8 | 55.5 | | | | |
| Decrease in cash operating balance | 2.3 | | 1.4 | | -2.1 | 0.3 | -3.0 | 6.7 | -1.0 | 2.0 | -6.3 | 2.3 | 2.8 | -4.2 | -3.0 | | | | |
| Other ⁴ | -2.8 | (1.4) | 3.0 | (3.9) | -2.1 | 7.3 | -8.6 | 9.5 | -6.1 | -2.7 | 2.3 | -2.1 | 0.8 | -3.1 | 2.3 | | | | |
| Cash operating balance, end of period | 18.7 | n.a. | 17.3 | n.a. | 19.4 | 12.0 | 15.0 | 12.0 | 13.0 | 11.0 | 17.3 | 15.0 | 12.2 | 16.4 | 19.4 | | | | |
| Memo: Sponsored agency borrowing ⁵ | 35.7 | 46.6 | 21.1 | 50.1 | 26.8 | 30.0 | 23.7 | 4.0 | 1.6 | 9.1 | 6.4 | 6.6 | 5.8 | 7.3 | 7.1 | | | | |
| NIA Budget | | | | | | | | | | | | | | | | | | | |
| Receipts | 615.5 | n.a. | 615.4 | n.a. | 640.3 | 628.2 | 613.6 | 625.7 | 609.0 | 616.4 | 610.3 | 618.8 | 645.4 | 655.8 | 641.2 | | | | |
| Expenditures | 666.3 | n.a. | 736.7 | n.a. | 805.3 | 688.2 | 749.0 | 727.4 | 728.3 | 733.0 | 758.1 | 776.4 | 794.4 | 813.1 | 837.3 | | | | |
| Purchases | 218.1 | n.a. | 248.2 | n.a. | 270.6 | 228.9 | 250.9 | 250.5 | 249.7 | 244.1 | 248.4 | 261.2 | 266.6 | 273.6 | 281.2 | | | | |
| Defense | 146.5 | n.a. | 170.7 | n.a. | 194.9 | 153.7 | 175.4 | 166.9 | 166.2 | 172.2 | 177.6 | 185.6 | 190.6 | 197.7 | 205.7 | | | | |
| Nondefense | 71.3 | n.a. | 77.4 | n.a. | 75.8 | 75.2 | 75.5 | 83.6 | 83.5 | 71.9 | 70.8 | 75.6 | 76.0 | 75.9 | 75.5 | | | | |
| All other expenditures | 448.2 | n.a. | 488.5 | n.a. | 534.7 | 459.3 | 498.1 | 476.9 | 478.6 | 488.9 | 509.7 | 515.2 | 527.8 | 539.5 | 556.1 | | | | |
| Surplus/deficit(-) | -50.9 | n.a. | -121.3 | n.a. | -165.0 | -60.0 | -135.3 | -101.7 | -119.3 | -116.6 | -147.8 | -157.6 | -149.0 | -157.3 | -196.1 | | | | |
| *—actual | | | | e—estimated | | | | n.a.—not available | | | | | | | | | | | |

High Employment (H.E.) surplus/deficit(-)
evaluated at H.E. unemployment rate of:

| | | | | | | | | | | | | | | | |
|-------------|-------|------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 5.1 percent | 7.0 | n.a. | -20.9 | n.a. | -35.2 | 4.3 | -24.6 | -21.2 | -21.2 | -8.5 | -32.6 | -36.0 | -18.4 | -21.4 | -64.9 |
| 6.1 percent | -14.7 | n.a. | -43.3 | n.a. | -58.8 | -18.0 | -47.1 | -43.8 | -43.6 | -31.2 | -54.8 | -58.7 | -42.0 | -45.5 | -88.8 |

NOTE: Quarterly figures may not add to yearly totals due to rounding.

1. OMB Mid-Session Review of the 1983 Budget, July 1982.

2. In the First Concurrent Resolution on the Budget — Fiscal Year 1983, the Congress recommended revenues of \$665.9 billion and outlays of \$769.8 billion.

3. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank and (beginning in FY1982) the Strategic Petroleum Reserve.

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

5. FRB staff estimates include Federal Home Loan Banks, FHLMC (excluding participation certificates), FNMA (excluding mortgage backed securities), Federal Land Banks, Federal Intermediate Credit Banks for Cooperatives, and Student Loan Marketing Association marketable debt on a payment basis. FRB and Administration estimates are not strictly comparable.

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CONFIDENTIAL (PR)
CLASS II POMCOUTLOOK FOR U.S. NET EXPORTS AND RELATED ITEMS
(BILLIONS OF DOLLARS, SEASONALLY ADJUSTED ANNUAL RATES)

| | 1981 ANN. | 1982 ^f ANN. | 1983 ^f ANN. | 1982 Q I | 1982 Q II | 1982 ^f Q III | 1982 ^f Q IV | 1983 ^f Q I | 1983 ^f Q II | 1983 ^f Q III | 1983 ^f Q IV |
|---|--------------|---------------------------|---------------------------|-------------|-------------------|----------------------------|---------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| <hr/> | | | | | | | | | | | |
| 1. GNP NET EXPORTS | | | | | | | | | | | |
| CURRENT \$, NET | 26.4 | 26.6 | -3.5 | 30.3 | 35.6 | 26.3 | 13.4 | 2.9 | -2.1 | -5.4 | -9.3 |
| EXPORTS OF G&S | 367.4 | 353.5 | 359.5 | 359.9 | 360.9 | 350.4 | 342.6 | 343.2 | 351.6 | 364.7 | 378.6 |
| IMPORTS OF G&S | 341.3 | 326.8 | 363.0 | 328.6 | 325.3 | 324.1 | 329.2 | 340.2 | 353.8 | 370.1 | 387.9 |
| CONSTANT 72 \$, NET | 42.0 | 33.5 | 25.8 | 37.0 | 35.5 | 32.7 | 28.9 | 25.5 | 25.0 | 26.1 | 26.8 |
| EXPORTS OF G&S | 158.4 | 149.3 | 146.8 | 151.7 | 152.3 | 148.7 | 144.5 | 142.7 | 144.5 | 148.1 | 151.7 |
| IMPORTS OF G&S | 116.4 | 115.8 | 120.9 | 114.7 | 116.8 | 116.0 | 115.6 | 117.3 | 119.5 | 122.1 | 124.9 |
| TERMS OF TRADE (1972=100) 1/ | 79.0 | 83.9 | 81.6 | 82.9 | 85.4 | 84.3 | 83.3 | 82.9 | 82.2 | 81.2 | 80.4 |
| <hr/> | | | | | | | | | | | |
| 2. U.S. MERCHANDISE TRADE BALANCE 2/ | -27.9 | -30.0 | -65.3 | -24.2 | -20.5 | -31.4 | -43.8 | -53.7 | -61.8 | -69.7 | -76.1 |
| EXPORTS (EXCL. MILITARY) | 236.3 | 214.9 | 208.5 | 222.4 | 222.5 | 210.3 | 204.4 | 204.0 | 205.2 | 209.4 | 215.6 |
| AGRICULTURAL | 44.3 | 42.0 | 46.3 | 42.0 | 42.4 | 48.4 | 42.4 | 44.4 | 45.4 | 47.2 | 48.6 |
| NONAGRICULTURAL | 192.0 | 172.9 | 162.2 | 180.4 | 180.1 | 169.2 | 162.0 | 159.9 | 159.7 | 162.2 | 167.0 |
| IMPORTS | 264.1 | 244.9 | 273.9 | 246.7 | 242.9 | 241.7 | 248.2 | 257.7 | 267.0 | 279.0 | 291.7 |
| PETROLEUM AND PRODUCTS | 77.6 | 56.2 | 63.5 | 62.6 | 53.7 | 53.0 | 55.5 | 59.4 | 61.9 | 65.0 | 67.7 |
| NONPETROLEUM | 186.6 | 188.7 | 210.4 | 184.1 | 189.3 | 188.8 | 192.7 | 198.7 | 205.1 | 214.0 | 223.9 |
| <hr/> | | | | | | | | | | | |
| 3. U.S. CURRENT ACCOUNT BALANCE | 4.5 | -.7 | -33.3 | 4.7 | 7.8 ^f | -1.7 | -13.4 | -23.7 | -30.3 | -36.4 | -42.0 |
| OF WHICH: NET INVESTMENT INCOME | 33.0 | 28.9 | 32.4 | 27.9 | 28.4 ^f | 29.6 | 29.8 | 29.0 | 30.8 | 34.1 | 35.6 |
| <hr/> | | | | | | | | | | | |
| 4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/ | | | | | | | | | | | |
| REAL GNP, % CHANGE, ANNUAL RATES | .5 | .7 | 2.3 | .4 | .5 | 1.4 | 2.6 | 2.8 | 2.5 | 2.6 | 3.0 |
| CONSUMER PRICES, % CHANGE, ANNUAL RATES | 9.7 | 8.4 | 7.4 | 7.9 | 9.0 | 7.2 | 7.7 | 7.8 | 6.9 | 6.7 | 6.7 |

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

2/ INTERNATIONAL ACCOUNTS BASIS.

3/ GEOMETRIC WEIGHTS USED TO AGGREGATE FOREIGN REAL GNP AND CONSUMER PRICES -- PERCENT SHARE IN TEN-COUNTRY TOTAL MULTILATERAL TRADE. GERMANY (20.8%), JAPAN (13.6%), FRANCE (13.1%), UNITED KINGDOM (10.9%), CANADA (9.1%), ITALY (9.0%), THE NETHERLANDS (8.3%), BELGIUM (6.4%), SWEDEN (4.2%), SWITZERLAND (3.6%).

P/ PROJECTED.

I-23

August 18, 1982

RECENT DEVELOPMENTS

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

Table 1

BUDGET REDUCTION INITIATIVES
 (unified budget; fiscal year; billions of dollars)

| | 1983 | |
|--|----------------|-------------|
| | Administration | Congress |
| Defense (excluding pay and retirement) | -- | 7.8 |
| Federal pay | 1.4 | 5.1 |
| Discretionary appropriated programs | 11.5 | 5.9 |
| Entitlements | 12.8 | 6.6 |
| Management initiatives | 13.4 | 13.7 |
| User fees (offsetting receipts) | 1.2 | 1.1 |
| Other | <u>--</u> | <u>1.2</u> |
| Subtotal | 40.3 | 41.4 |
| Interest | <u>2.7</u> | <u>14.5</u> |
| Total Outlay Reductions | 43.0 | 55.9 |
| Revenue Increases | <u>12.8</u> | <u>20.9</u> |
| TOTAL DEFICIT REDUCING MEASURES | 55.8 | 76.8 |

Table 2

REVISIONS OF THE ADMINISTRATION'S BUDGET ESTIMATES
(fiscal years, billions of dollars)

| | 1982 | 1983 |
|--|--------------|--------------|
| <u>Outlays</u> | | |
| February Estimate | 725.3 | 757.6 |
| Technical re-estimates and minor program changes ¹ | +4.7 | +10.5 |
| Economic assumptions | | |
| Unemployment compensation | +0.7 | +1.7 |
| Net interest | +0.2 | -2.5 |
| Social security (lower inflation) | -0.4 | -1.0 |
| Other | <u>+0.4</u> | <u>-0.7</u> |
| Subtotal, economic assumptions | <u>+0.9</u> | <u>-2.5</u> |
| Adjustment for Budget Resolution ² | -- | -4.1 |
| <u>Mid-Session Review Estimate</u> | 731.0 | 761.5 |
| <u>Receipts</u> | | |
| February Estimate | 626.8 | 666.1 |
| Technical re-estimates and minor program changes | +6.3 | -0- |
| Economic assumptions | -11.0 | -27.6 |
| Adjustment for Budget Resolution | -- | <u>+8.1</u> |
| <u>Mid-Session Review Estimate</u> | 622.1 | 646.5 |
| <u>Deficit</u> | | |
| February Estimate | 98.5 | 91.5 |
| <u>Mid-Session Review Estimate</u> | 108.9 | 115.0 |

1. The largest component is upward revisions of Commodity Credit Corporation outlays.

2. Includes effect on interest outlays of larger deficit reducing measures.

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

Table 3

**CBO REVISIONS OF DEFICIT ESTIMATES
(fiscal years; billions of dollars)**

| | 1982 | 1983 |
|---|--------------|-------------------|
| Congressional Resolution target | -105.7 | -103.9 |
| Technical re-estimates ¹ | -8.1 | -12.5 |
| Economic assumptions ² | <u>--</u> | <u>-25 to -35</u> |
| Current CBO Deficit Estimate ³ | -109 to -114 | -141 to -151 |

1. Re-estimates by CBO of those parts of the Congressional budget resolution not based on CBO estimating techniques. These re-estimates do not reflect new information received by CBO in conjunction with the Administration's Mid-Session Review; that information is currently being evaluated by CBO.

2. Reflects a preliminary CBO forecast made in July and subject to revision and updating for subsequent data.

3. The deficit range for 1982 reflects CBO's assessment of data available through mid-June on actual receipts and outlays for the year to date.

TREASURY AND AGENCY FINANCING¹
(Total for period; billions of dollars)

| | 1982 | | | | |
|---|------|-------|------|--------|--------|
| | Q2 | Q3 e | June | July e | Aug. f |
| <u>Treasury financing</u> | | | | | |
| Combined surplus/deficit(-) | -8.2 | -44.6 | 4.5 | -20.7 | -17.5 |
| Means of financing deficit: | | | | | |
| (1) Net cash borrowing from the public | 8.9 | 48.6 | 3.2 | 14.5 | 21.2 |
| Marketable borrowings/ repayments(-) | 11.0 | 50.5 | 4.2 | 15.4 | 21.7 |
| Bills | -.4 | 24.0 | -.3 | 6.2 | 11.4 |
| Coupons | 11.4 | 26.5 | 4.5 | 9.2 | 10.3 |
| Nonmarketable | -2.1 | -1.9 | -1.0 | -.9 | -.5 |
| (2) Decrease in the cash balance | 2.0 | -6.3 | -3.1 | .6 | .7 |
| Memo: Cash balance at end of period | 11.0 | 17.3 | 11.0 | 10.4 | 9.7 |
| (3) Other ² | -2.7 | 2.3 | -4.6 | 5.6 | -4.4 |
| <u>Federally sponsored credit agencies net cash borrowing³</u> | 9.1 | 6.4 | 2.9 | 4.1 | -.2 |
| FHLB | 3.0 | 1.8 | 1.1 | .6 | -.3 |
| FNMA | 3.4 | 2.6 | .7 | 2.9 | -1.0 |
| Farm Credit Banks | 2.1 | 1.7 | 1.2 | .6 | .4 |
| Other | .6 | .3 | -.1 | -- | .1 |

e--estimated.

f--forecast.

1. Numbers reported on a not seasonally adjusted, payment basis.
2. Includes checks issued less checks paid, accrued items and other transactions.
3. Includes debt of Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, the Federal Farm Credit Bank System, and the Student Loan Marketing Association. Excludes mortgage pass-through securities issued by FNMA and FHLBC.

large 80 percent of the total volume. Mortgage revenue bonds--proceeds from which are primarily intended to finance single-family housing--totaled about \$2.5 billion in July, the largest monthly volume since December 1980.¹

STATE & LOCAL GOVERNMENT SECURITY OFFERINGS
(Monthly totals or monthly averages, billions of dollars)

| Year | 1981 | | 1982 | | |
|-------------------------------------|------|------|-------------------|---------------------|------|
| | Q1 | Q2 | July ^e | August ^f | |
| ----- Seasonally adjusted ----- | | | | | |
| Total | 6.80 | 8.45 | 9.35 | 8.70 | 9.40 |
| Long-term | 4.00 | 5.25 | 5.20 | 5.60 | 5.40 |
| Short-term | 2.80 | 3.20 | 4.15 | 3.10 | 4.00 |
| ----- Not seasonally adjusted ----- | | | | | |
| Total | 6.80 | 7.05 | 10.15 | 8.40 | 9.00 |
| Long-term | 4.00 | 4.40 | 5.90 | 5.40 | 5.20 |
| Mortgage revenue bonds | .60 | .30 | .95 | 2.35 | 2.00 |
| Short-term | 2.80 | 2.65 | 4.25 | 3.00 | 3.80 |

e--estimate. f--forecast.

Demand for long-term municipal bonds by institutional investors has remained relatively weak. Individuals have been the major purchasers of new municipal bonds, partly through investments in shares of unit investment trusts (UITs), and of municipal notes through tax-exempt money market funds. Sales of UITs in July were at a record \$1.1 billion, and UIT assets have increased 25 percent thus far in 1982 to about \$31 billion at the end of

1. Issuance of mortgage bonds likely was stimulated in part by falling interest rates which increase the attractiveness of mortgages provided through these programs. In addition, volume probably was boosted by a Treasury ruling that in effect increased the arbitrage income bond issuers can earn, as well as by an IRS announcement that removed the uncertainty about the maximum amount of such bonds that can be issued in each state this year under existing law.

CONFIDENTIAL (FR)
CLASS II - FOMC

August 20, 1982

**SUPPLEMENT
CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

**Prepared for the
Federal Open Market Committee**

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

EFFECTS OF 1982 DEFICIT REDUCTION MEASURES
(- raises the deficit, fiscal years, billions of dollars)

| | 1983 | 1984 | 1985 | FY83-85 Total |
|--|-------------|-------------|-------------|------------------|
| Outlay Reductions¹ | | | | |
| Reconciliation Act of 1982 | 3.2 | 4.7 | 5.2 | 13.1 |
| Tax Equity and Fiscal Responsibility Act (TEFRA) | | | | |
| a. Unemployment compensation (net) | -1.0 | 0.7 | 0.6 | 0.3 |
| b. Other outlays | 3.6 | 5.7 | 7.5 | 16.8 |
| Revenue Increases (TEFRA)² | | | | |
| Individual income tax increases and pension provisions | 0.5 | 3.9 | 3.9 | 8.3 |
| Corporate tax increases and acceleration | 5.4 | 13.3 | 16.5 | 35.2 |
| Life insurance and annuity provisions | 1.9 | 2.1 | 2.9 | 6.9 |
| Excise tax increases | 2.8 | 4.0 | 4.7 | 11.5 |
| Employment tax increases | 1.9 | 3.1 | 3.6 | 8.6 |
| Compliance and misc. provisions | 3.3 | 8.8 | 8.6 | 20.7 |
| Increased revenue from more IRS agents | <u>2.1</u> | <u>2.4</u> | <u>2.4</u> | <u>6.9</u> |
| TOTAL REVENUE INCREASES | 18.0 | 37.7 | 42.7 | 98.4 |

1. Estimates by the Congressional Budget Office as reported by the Senate Budget Committee.

2. Estimates by the Joint Committee on Taxation in the Conference Report to accompany H.R. 4961.