

May 16, 1984

SUMMARY AND OUTLOOK

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

May 16, 1984

STAFF GNP PROJECTIONS

Percent changes, annual rate											
Nominal GNP		Real GNP		Gross domestic business product fixed-weighted price index				Excluding food and energy		Unemployment rate (percent)	
3/21/84	5/16/84	3/21/84	5/16/84	Total				3/21/84	5/16/84	3/21/84	5/16/84
				3/21/84	5/16/84			3/21/84	5/16/84	3/21/84	5/16/84
Annual changes:											
1982 <1>	4.0	4.0	-1.9	-1.9	6.0	6.0	6.9	6.9	9.7	9.7	
1983 <1>	7.7	7.7	3.4	3.4	4.2	4.2	5.1	5.1	9.6	9.6	
1984	10.8	10.6	6.3	6.3	4.7	4.4	4.8	4.5	7.2	7.5	
1985	8.7	8.6	3.3	3.3	5.5	5.4	5.7	5.5	6.6	7.0	
Quarterly changes:											
1983 Q1 <1>	8.2	8.2	2.6	2.6	3.6	3.6	6.7	6.7	10.4	10.4	
Q2 <1>	13.3	13.3	9.7	9.7	4.1	4.1	3.5	3.5	10.1	10.1	
Q3 <1>	11.5	11.5	7.6	7.6	4.7	4.7	5.6	5.6	9.4	9.4	
Q4 <1>	9.1	9.1	5.0	5.0	4.1	4.1	4.4	4.4	8.5	8.5	
1984 Q1 <1>	13.1	12.8	8.0	8.3	4.8	4.1	4.6	3.8	7.8	7.9	
Q2	10.3	9.5	6.0	5.0	4.8	4.3	4.9	4.5	7.2	7.6	
Q3	8.9	9.8	4.0	4.9	5.1	5.0	5.0	4.9	6.9	7.3	
Q4	8.4	8.0	3.1	3.1	5.3	5.2	5.3	5.1	6.8	7.2	
1985 Q1	8.7	8.3	3.1	2.7	5.4	5.4	5.7	5.5	6.7	7.1	
Q2	8.1	8.3	2.7	2.9	5.6	5.5	5.9	5.8	6.6	7.0	
Q3	8.8	8.7	2.9	2.9	5.9	5.8	6.2	6.1	6.5	6.9	
Q4	8.9	8.8	2.8	2.8	6.1	6.0	6.4	6.4	6.5	6.8	
Two-quarter changes: <2>											
1983 Q2 <1>	10.7	10.7	6.1	6.1	3.9	3.9	5.1	5.1	-.5	-.5	
Q4 <1>	10.3	10.3	6.3	6.3	4.4	4.4	5.0	5.0	-1.6	-1.6	
1984 Q2	11.7	11.1	7.0	6.6	4.8	4.2	4.7	4.2	-1.3	-.9	
Q4	8.6	8.9	3.6	4.0	5.2	5.1	5.2	5.0	-.4	-.4	
1985 Q2	8.4	8.3	2.9	2.8	5.5	5.5	5.8	5.7	-.2	-.2	
Q4	8.8	8.8	2.9	2.8	6.0	5.9	6.3	6.3	-.1	-.2	
Four-quarter changes: <3>											
1982 Q4 <1>	2.6	2.6	-1.7	-1.7	4.7	4.7	5.4	5.4	2.4	2.4	
1983 Q4 <1>	10.5	10.5	6.2	6.2	4.2	4.2	5.1	5.1	-2.1	-2.1	
1984 Q4	10.2	10.0	5.3	5.3	5.0	4.7	5.0	4.6	-1.7	-1.3	
1985 Q4	8.6	8.5	2.9	2.8	5.8	5.7	6.1	6.0	-.3	-.4	

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

May 16, 1984

CONFIDENTIAL - FR
CLASS II FOMC

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

	1982				1983			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	3021.4	3070.2	3090.7	3109.6	3171.5	3272.0	3362.2	3436.2
Final sales	3047.1	3081.4	3095.6	3165.9	3210.9	3286.6	3353.7	3416.6
Private	2417.3	2449.8	2439.9	2486.2	2533.5	2603.2	2655.4	2717.6
Domestic final purchases	2387.4	2416.5	2439.0	2480.6	2516.5	2611.7	2673.7	2743.7
Personal consumption expenditures	1938.9	1972.8	2008.8	2046.9	2073.0	2147.0	2181.1	2230.9
Goods	989.1	997.6	1010.0	1025.1	1035.6	1077.3	1097.6	1123.6
Services	949.7	975.2	998.9	1021.8	1037.4	1069.7	1083.5	1107.3
Gross private domestic investment	422.9	432.5	425.3	377.4	404.1	450.1	501.1	532.5
Residential structures	87.3	91.0	87.9	96.8	111.3	128.4	141.5	138.8
Business fixed investment	361.3	352.7	342.3	337.0	332.1	336.3	351.0	374.0
Change in business inventories	-25.7	-11.2	-4.9	-56.4	-39.4	-14.5	8.5	19.6
Nonfarm	-27.6	-8.8	-2.3	-53.7	-39.0	-10.3	18.4	-19.7
Net exports of goods and services <1>	29.9	33.3	.9	5.6	17.0	-8.5	-18.3	-26.1
Exports	358.4	364.5	346.0	321.6	326.9	327.1	341.1	346.5
Imports	328.5	331.2	345.0	316.1	309.9	335.6	359.4	372.6
Gov't. purchases of goods and services	629.8	631.6	655.7	679.7	677.4	683.4	698.3	699.0
Federal <2>	249.7	244.1	261.7	279.2	273.5	273.7	278.1	274.1
State and local	380.0	387.5	394.0	400.5	404.0	409.7	420.2	424.9
Gross national product in constant (1972) dollars	1485.8	1489.3	1485.7	1480.7	1490.1	1525.1	1553.4	1572.5
Personal income	2528.1	2563.2	2591.3	2632.0	2657.7	2713.6	2761.9	2835.2
Wage and salary disbursements	1542.8	1563.8	1579.8	1586.0	1610.7	1648.4	1681.9	1717.3
Disposable personal income	2127.9	2159.0	2191.5	2227.8	2255.9	2301.0	2361.7	2423.9
Saving rate (percent)	6.1	5.9	5.6	5.4	5.4	4.0	4.9	5.2
Corporate profits with I.V.A. and C.C. Adj.	162.0	166.8	168.5	161.9	181.8	218.2	248.4	268.2
Corporate profits before tax	173.2	178.8	177.3	167.5	169.7	203.3	229.1	228.2
Federal government surplus or deficit (-) (N.I.A. basis)	-108.5	-113.2	-158.3	-208.2	-183.3	-166.1	-187.3	-189.9
High employment surplus or deficit (-) <3>	-38.1	-32.7	-64.9	-99.7	-72.3	-65.1	-101.7	-110.9
State and local government surplus or deficit(-) (N.I.A. basis)	28.8	32.0	31.3	32.9	40.4	51.7	55.5	58.1
Excluding social insurance funds	-3.5	-.8	-2.1	-1.2	5.5	16.1	18.9	20.8
Civilian labor force (millions)	109.4	110.2	110.5	110.8	110.7	111.3	112.1	112.0
Unemployment rate (percent)	8.8	9.4	10.0	10.6	10.4	10.1	9.4	8.5
Nonfarm payroll employment (millions)	90.3	89.9	89.3	88.8	88.8	89.5	90.3	91.3
Manufacturing	19.4	19.1	18.7	18.3	18.3	18.5	18.8	19.2
Industrial production (1967=100)	141.7	139.4	138.2	135.2	138.5	144.5	151.8	155.5
Capacity utilization: all manufacturing (percent)	72.9	71.6	71.1	69.0	70.7	73.9	77.4	78.9
Materials (percent)	73.0	70.7	69.4	67.2	70.1	73.5	77.5	79.6
Housing starts, private (million units, A.R.)	.88	.96	1.12	1.27	1.64	1.69	1.78	1.70
New auto sales (millions, A.R.)	8.12	7.53	7.78	8.57	8.46	9.10	9.22	9.94
Domestic models	5.90	5.53	5.56	6.08	6.06	6.81	6.92	7.29
Foreign models	2.22	1.99	2.22	2.49	2.40	2.28	2.31	2.65

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

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

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

CONFIDENTIAL - PR
CLASS II FOMCI-9
PERCENT CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS
(Annual rates compounded quarterly)

	1982				1983			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Constant (1972) Dollars								
Gross national product	-5.5	1.0	-1.0	-1.3	2.6	9.7	7.6	5.0
Final sales	-1.3	-.8	-1.5	4.5	.6	6.8	5.1	3.7
Private	-1.6	.1	-4.0	3.0	3.0	8.8	5.3	5.5
Domestic final purchases	.0	.8	-.9	3.4	3.9	11.9	5.7	8.5
Personal consumption expenditures	2.4	3.1	.9	3.6	2.9	10.0	2.2	6.5
Goods	2.0	1.5	-.1	5.1	4.4	13.5	3.7	9.0
Services	2.9	4.7	2.1	1.9	1.4	6.4	.6	3.7
Gross private domestic investment	-34.1	3.4	-5.8	-34.6	28.6	49.8	45.1	27.6
Residential structures	-28.5	17.9	-13.0	53.2	57.3	79.5	35.9	-6.9
Business fixed investment	-5.9	-14.3	-8.8	-6.6	-1.5	7.9	18.7	27.2
Gov't. purchases of goods and services	-.2	-5.0	9.4	10.6	-8.8	-1.1	4.4	-3.9
Federal	.2	-14.0	26.3	28.3	-18.0	-2.8	4.6	-8.4
National defense	-1.3	13.0	14.0	5.1	6.5	7.4	.0	7.8
State and local	-.5	1.3	-.4	-.1	-1.8	.0	4.3	-.8
Disposable personal income	-3.4	1.9	-.3	2.6	2.9	3.5	6.5	8.0
Current Dollars								
Gross national product	-1.4	6.6	2.7	2.5	8.2	13.3	11.5	9.1
Final sales	3.9	4.6	1.9	9.4	5.8	9.8	8.4	7.7
Private	3.8	5.5	-1.6	7.8	7.8	11.5	8.3	9.7
Domestic final purchases	3.7	5.0	3.8	7.0	5.9	16.0	9.8	10.9
Personal consumption expenditures	7.5	7.2	7.5	7.8	5.2	15.1	6.5	9.4
Goods	4.4	3.5	5.1	6.1	4.2	17.1	7.8	9.8
Services	10.8	11.2	10.1	9.5	6.3	13.0	5.3	9.1
Gross private domestic investment	-37.8	9.5	-6.5	-38.0	31.5	53.9	53.6	27.5
Residential structures	-26.5	18.2	-13.0	46.9	75.3	76.7	47.5	-7.3
Business fixed investment	-6.7	-9.1	-11.3	-6.0	-5.7	5.1	18.8	28.8
Gov't. purchases of goods and services	4.6	1.2	16.1	15.5	-1.3	3.6	9.0	.4
Federal	2.1	-8.7	32.1	29.5	-8.0	.3	6.6	-5.6
National defense	3.5	18.0	20.8	16.5	7.8	10.7	3.6	10.5
State and local	6.2	8.1	6.8	6.8	3.5	5.8	10.7	4.6
Disposable personal income	1.4	6.0	6.1	6.8	5.1	8.2	11.0	10.9
Personal income	1.8	5.7	4.5	6.4	4.0	8.7	7.3	11.0
Wage and salary disbursements	3.2	5.6	4.2	1.6	6.4	9.7	8.4	8.7
Corporate profits with I.V.A. and C.C. Adj.	-49.3	12.4	4.1	-14.8	59.0	107.5	68.0	35.9
Corporate profits before tax	-59.6	13.6	-3.3	-20.3	5.4	106.0	61.3	-1.6
Nonfarm payroll employment	-3.0	-1.8	-2.7	-2.3	.1	2.9	3.6	4.9
Manufacturing	-9.5	-7.5	-7.7	-8.6	-.1	5.2	7.0	8.2
Nonfarm business sector								
Output per hour	.1	-.4	2.3	1.3	3.7	7.1	2.3	.9
Compensation per hour	10.0	5.8	7.2	5.8	6.8	4.3	3.8	4.4
Unit labor costs	9.9	6.2	4.7	4.4	3.0	-2.6	1.5	3.5
GNP implicit deflator <1>	4.3	5.6	3.7	3.8	5.5	3.3	3.6	3.9
Gross domestic business product								
fixed-weighted price index <2>	4.9	4.5	5.8	3.8	3.6	4.1	4.7	4.1
Excluding food and energy	5.8	6.4	5.4	3.9	6.7	3.5	5.6	4.4
Consumer price index (all urban)	3.8	5.5	7.3	1.5	.3	4.4	4.1	4.5
Industrial production	-11.8	-6.5	-3.4	-8.2	10.1	18.4	21.8	10.2

<1> Excluding the Federal pay increase, the rate of change in 1982-Q4 was 3.5 percent.
<2> Uses expenditures in 1972 as weights.

May 16, 1984

CONFIDENTIAL - FR
CLASS II FOMC

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

	Projected							
	1984				1985			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	3541.2	3622.2	3707.8	3779.8	3855.7	3933.3	4016.3	4102.2
Final sales	3479.0	3578.2	3659.8	3735.8	3817.7	3898.3	3982.3	4069.2
Private	2768.4	2833.1	2894.2	2949.7	3009.5	3072.5	3137.9	3206.4
Domestic final purchases	2813.6	2883.9	2949.4	3012.3	3073.1	3134.8	3198.7	3263.5
Personal consumption expenditures	2280.5	2330.5	2380.0	2432.2	2480.5	2528.0	2577.5	2628.5
Goods	1154.7	1180.0	1203.0	1226.0	1246.0	1265.5	1285.0	1305.0
Services	1125.8	1150.5	1177.0	1206.2	1234.5	1262.5	1292.5	1323.5
Gross private domestic investment	595.3	597.4	617.4	624.1	630.6	641.8	655.2	668.0
Residential structures	148.9	154.9	156.4	152.9	151.9	152.9	154.9	156.9
Business fixed investment	384.2	398.5	413.0	427.2	440.7	453.9	466.3	478.1
Change in business inventories	62.2	44.0	48.0	44.0	38.0	35.0	34.0	33.0
Nonfarm	41.1	35.0	42.0	41.0	38.0	35.0	34.0	33.0
Net exports of goods and services <1>	-45.2	-50.8	-55.2	-62.6	-63.7	-62.3	-60.8	-57.1
Exports	357.7	365.0	378.4	386.6	400.0	413.7	428.4	445.5
Imports	402.9	415.8	433.6	449.2	463.7	475.9	489.2	502.7
Gov't. purchases of goods and services	710.6	745.1	765.6	786.2	808.2	825.8	844.4	862.8
Federal <2>	275.0	299.5	310.0	320.7	333.0	340.6	349.1	357.3
State and local	435.6	445.6	455.6	465.5	475.2	485.2	495.3	505.5
Gross national product in constant (1972) dollars	1604.3	1623.9	1643.5	1636.3	1667.4	1679.4	1691.5	1703.1
Personal income	2924.6	2980.7	3046.4	3112.5	3185.4	3247.2	3313.5	3377.7
Wage and salary disbursements	1756.2	1798.4	1838.7	1875.4	1916.0	1955.0	1994.1	2033.1
Disposable personal income	2503.3	2346.1	2600.6	2635.4	2717.4	2767.1	2821.3	2873.3
Saving rate (percent)	6.1	5.7	5.7	5.6	5.9	5.8	5.9	5.7
Corporate profits with I.V.A. and C.C. Adj.	275.5	271.1	283.6	287.0	282.0	286.4	296.8	308.7
Corporate profits before tax	239.2	231.8	241.3	241.7	232.7	233.1	239.5	245.4
Federal government surplus or deficit (-) (N.I.A. basis)	-173.5	-169.4	-170.7	-180.5	-190.5	-188.5	-189.8	-188.7
High employment surplus or deficit (-) <3>	-121.6	-125.4	-135.0	-147.5	-158.6	-157.8	-160.3	-159.7
State and local government surplus or deficit (-) (N.I.A. basis)	57.6	58.5	58.8	56.9	55.0	53.3	51.4	50.4
Excluding social insurance funds	19.6	19.8	19.4	16.9	14.3	12.0	9.4	7.7
Civilian labor force (millions)	112.6	113.4	114.0	114.6	115.1	113.6	116.1	116.6
Unemployment rate (percent)	7.9	7.6	7.3	7.2	7.1	7.0	6.9	6.8
Nonfarm payroll employment (millions)	92.3	93.2	94.2	94.9	95.6	96.2	96.8	97.4
Manufacturing	19.5	19.7	20.0	20.3	20.4	20.5	20.6	20.7
Industrial production (1967=100)	159.8	164.1	166.8	168.6	170.2	171.8	173.5	175.0
Capacity utilization: all manufacturing (percent)	80.8	82.6	83.6	84.0	84.1	84.4	84.6	84.7
Materials (percent)	81.6	83.7	84.6	85.1	85.3	85.7	86.0	86.3
Housing starts, private (million units, A.R.)	1.95	1.85	1.75	1.70	1.65	1.65	1.65	1.65
New auto sales (millions, A.R.)	10.52	10.60	10.85	11.00	10.95	11.15	11.15	11.15
Domestic models	8.22	8.25	8.30	8.40	8.50	8.60	8.50	8.40
Foreign models	2.30	2.35	2.55	2.60	2.45	2.55	2.65	2.75

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

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

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

May 16, 1984

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

	Projected							
	1984				1985			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Constant (1972) Dollars								
Gross national product	8.3	5.0	4.9	3.1	2.7	2.9	2.9	2.8
Final sales	3.6	7.3	4.6	3.6	3.4	3.3	3.1	2.9
Private	4.7	5.7	4.4	3.2	3.1	3.2	3.0	2.8
Domestic final purchases	7.8	5.8	4.1	3.1	2.9	2.8	2.6	2.3
Personal consumption expenditures	5.8	4.3	3.0	2.9	2.5	2.2	2.1	2.0
Goods	9.2	5.1	2.9	2.4	2.0	1.8	1.5	1.5
Services	2.0	3.4	3.3	3.5	3.0	2.7	2.8	2.6
Gross private domestic investment	51.9	-1.3	10.0	.9	.7	2.7	3.4	2.4
Residential structures	31.3	12.6	-.5	-13.2	-7.6	-2.9	-6	-1.0
Business fixed investment	12.1	12.9	11.3	9.5	8.5	7.4	5.9	4.6
Gov't. purchases of goods and services	-.8	14.3	5.5	5.6	4.7	3.5	3.6	3.3
Federal	-6.6	33.5	9.3	9.6	7.7	4.5	4.9	4.2
National defense	9.7	9.5	10.1	8.5	6.9	5.9	6.6	5.5
State and local	3.2	3.1	2.9	2.9	2.7	2.7	2.7	2.6
Disposable personal income	10.2	2.3	3.1	2.6	3.9	1.9	2.1	1.5
Current Dollars								
Gross national product	12.8	9.5	9.8	8.0	8.3	8.3	8.7	8.8
Final sales	7.5	11.9	9.4	8.6	9.1	8.7	8.9	9.0
Private	7.7	9.7	8.9	7.9	8.4	8.6	8.8	9.0
Domestic final purchases	10.6	10.4	9.4	8.8	8.3	8.3	8.4	8.4
Personal consumption expenditures	9.2	9.1	8.8	9.1	8.2	7.9	8.1	8.2
Goods	11.5	9.1	8.0	7.9	6.7	6.4	6.3	6.4
Services	6.9	9.1	9.5	10.3	9.7	9.4	9.8	9.9
Gross private domestic investment	56.2	1.4	14.0	4.4	4.3	7.3	8.6	8.1
Residential structures	32.6	17.1	3.9	-8.7	-2.6	2.7	5.3	5.3
Business fixed investment	11.4	15.8	15.3	14.5	13.3	12.5	11.4	10.5
Gov't. purchases of goods and services	6.8	20.9	11.5	11.2	11.7	9.0	9.3	9.0
Federal	1.3	40.7	14.8	14.5	16.2	9.4	10.4	9.7
National defense	20.7	14.6	15.9	14.3	16.4	11.4	12.8	11.5
State and local	10.5	9.5	9.3	9.0	8.6	8.7	8.6	8.5
Disposable personal income	13.8	7.0	8.8	8.7	9.7	7.5	8.1	7.6
Personal income	13.2	7.9	9.1	9.0	9.7	8.0	8.4	8.0
Wage and salary disbursements	9.4	10.0	9.3	8.2	8.9	8.4	8.3	8.0
Corporate profits with I.V.A. and C.C. Adj.	11.4	-6.3	19.8	4.8	-6.8	6.3	15.4	17.0
Corporate profits before tax	12.8	-5.7	17.5	.6	-14.1	.6	11.5	10.1
Nonfarm payroll employment	4.1	4.2	4.1	3.0	2.9	2.8	2.5	2.4
Manufacturing	6.6	5.6	5.8	4.7	3.2	2.2	1.4	.9
Nonfarm business sector								
Output per hour	2.6	.5	1.0	.3	.1	.5	.9	.8
Compensation per hour	6.1	5.4	5.7	5.7	6.4	6.1	6.3	6.4
Unit labor costs	3.4	4.9	4.6	5.4	6.3	5.6	5.4	5.6
GNP implicit deflator <1>	4.1	4.3	4.6	4.7	5.4	5.2	5.6	5.9
Gross domestic business product								
fixed-weighted price index <2>	4.1	4.3	5.0	5.2	5.4	5.5	5.8	6.0
Excluding food and energy	3.8	4.5	4.9	5.1	5.5	5.8	6.1	6.4
Consumer price index (all urban)	5.0	4.4	5.4	5.6	5.6	5.6	5.8	6.0
Industrial production	11.5	11.2	6.7	4.4	3.9	3.8	4.0	3.5

<1> Excluding Federal pay increase, the rate of change in 1984-Q1 is 3.7 percent and in 1985-Q1 is 5.0 percent.

<2> Uses expenditures in 1972 as weights.

May 16, 1984

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

	1978	1979	1980	1981	1982	1983	—Projected—	1984	1985
Gross national product	2163.9	2417.8	2631.7	2954.1	3073.0	3310.5	3662.8	3976.9	
Final sales	2137.4	2403.5	2641.5	2935.6	3097.5	3316.9	3613.2	3941.9	
Private	1705.5	1929.1	2103.7	2339.9	2448.3	2627.4	2861.3	3106.6	
Domestic final purchases	1706.6	1915.9	2079.7	2313.6	2430.9	2636.4	2914.8	3167.6	
Personal consumption expenditures	1346.5	1507.2	1668.1	1857.2	1991.9	2158.0	2355.8	2553.6	
Goods	728.5	813.5	883.5	970.0	1005.5	1083.5	1190.9	1275.4	
Services	618.0	693.7	784.5	887.1	986.4	1074.5	1164.9	1278.3	
Gross private domestic investment	386.6	423.0	401.9	474.9	414.5	471.9	608.5	648.9	
Residential construction	111.2	118.6	102.9	104.3	90.8	130.0	153.3	154.1	
Business fixed investment	248.9	290.2	308.8	352.2	348.3	348.4	405.7	459.8	
Change in business inventories	26.5	14.3	-9.8	18.5	-24.5	-6.4	49.5	35.0	
Nonfarm	25.4	8.6	-4.5	10.9	-23.1	-2.8	39.8	35.0	
Net exports of goods and services <1>	-1.1	13.2	23.9	26.3	17.4	-9.0	-53.4	-61.0	
Exports	218.7	281.4	338.8	368.8	347.6	335.4	371.9	421.9	
Imports	219.8	268.1	314.8	342.5	330.2	344.4	425.4	482.9	
Gov't. purchases of goods and services	431.9	474.4	537.8	595.7	649.2	689.5	751.9	835.3	
Federal <2>	153.6	168.3	197.0	229.2	258.7	274.8	301.3	345.0	
State and local	278.3	306.0	340.8	366.5	390.5	414.7	450.6	490.3	
Gross national product in constant (1972) dollars	1438.6	1479.4	1475.0	1513.8	1485.4	1535.3	1632.0	1685.4	
Personal income	1732.7	1951.2	2165.3	2435.0	2578.6	2742.1	3016.1	3280.9	
Wage and salary disbursements	1106.3	1237.6	1356.7	1493.2	1568.1	1664.6	1817.2	1974.5	
Disposable personal income	1474.0	1650.2	1828.9	2047.6	2176.5	2335.6	2576.4	2794.7	
Saving rate (percent)	6.1	5.9	6.0	6.6	5.8	4.9	5.8	5.8	
Corporate profits with I.V.A. and C.C.Adj.	192.4	194.8	175.4	192.3	164.8	229.1	279.3	293.5	
Corporate profits before tax	229.1	252.7	234.6	227.0	174.2	207.5	237.5	237.7	
Federal government surplus or deficit(<->)	-29.3	-16.1	-61.2	-62.2	-147.1	-181.6	-173.5	-189.3	
(W.I.A. basis)	-33.9	-20.8	-36.4	-30.2	-65.0	-96.3	-132.4	-159.1	
State and local government surplus or deficit (<->) (W.I.A. basis)	30.3	30.4	30.6	35.3	31.3	51.4	58.0	52.5	
Excluding social insurance funds	10.0	6.6	3.5	4.4	-1.9	15.3	18.9	10.8	
Civilian labor force (millions)	102.3	105.0	106.9	108.7	110.2	111.5	113.6	115.9	
Unemployment rate (percent)	6.1	5.8	7.1	7.6	9.7	9.6	7.5	7.0	
Nonfarm payroll employment (millions)	86.7	89.8	90.4	91.2	89.6	90.0	93.6	96.5	
Manufacturing	20.5	21.0	20.3	20.2	18.9	18.7	19.9	20.6	
Industrial production (1967=100)	146.1	152.5	147.0	150.9	138.6	147.6	164.8	172.6	
Capacity utilization: all manufacturing (percent)	84.7	86.0	79.6	79.4	71.1	75.2	82.7	84.4	
Materials (percent)	85.6	87.6	80.4	80.7	70.1	75.2	83.8	85.8	
Housing starts, private (million units, A.R.)	2.00	1.72	1.30	1.10	1.06	1.70	1.81	1.65	
New auto sales (millions, A.R.)	11.29	10.68	9.04	8.56	8.00	9.18	10.74	11.10	
Domestic models	9.29	8.36	6.62	6.24	5.77	6.77	8.29	8.50	
Foreign models	2.00	2.32	2.42	2.32	2.23	2.41	2.45	2.60	

<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.

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

	1978	1979	1980	1981	1982	1983	—Projected—	
							1984	1985
Constant (1972) Dollars								
Gross national product	5.0	2.8	-.3	2.6	-1.9	3.4	6.3	3.3
Final sales	4.9	3.5	.5	1.8	-.7	2.8	4.8	3.7
Private	5.6	4.0	.1	2.0	-1.3	3.4	5.2	3.4
Domestic final purchases	5.5	2.9	-1.0	2.7	-.1	5.0	6.7	3.1
Personal consumption expenditures	4.5	2.7	.5	2.7	1.4	4.2	4.9	2.6
Goods	4.2	1.9	-1.4	2.1	.1	5.6	6.7	2.2
Services	4.8	3.7	2.7	3.3	2.9	2.7	2.9	3.0
Gross private domestic investment	10.5	-.2	-11.8	9.2	-14.5	12.6	25.6	2.5
Residential structures	2.8	-5.3	-20.3	-5.1	-15.4	39.4	14.8	-4.5
Business fixed investment	12.8	7.3	-2.4	5.2	-4.8	1.4	15.2	8.5
Gov't. purchases of goods and services	2.0	1.3	2.2	.8	1.8	.4	3.1	5.1
Federal	-.1	1.8	4.2	3.8	5.6	1.0	4.4	8.4
National defense	.4	2.6	3.9	5.2	7.1	6.9	7.8	7.4
State and local	3.3	1.1	1.0	-1.0	-.5	.1	2.3	2.8
Disposable personal income	4.9	2.7	.6	3.2	.5	3.2	6.0	2.7
Current Dollars								
Gross national product	12.8	11.7	8.8	12.2	4.0	7.7	10.6	8.6
Final sales	12.8	12.4	9.9	11.1	5.5	7.1	8.9	9.1
Private	13.6	13.1	9.0	11.2	4.6	7.3	8.9	8.6
Domestic final purchases	13.4	12.3	8.5	11.2	5.1	8.5	10.6	8.7
Personal consumption expenditures	11.8	11.9	10.7	11.3	7.3	8.3	9.2	8.4
Goods	10.9	11.7	8.6	9.8	3.7	7.8	9.9	7.1
Services	12.9	12.2	13.1	13.1	11.2	8.9	8.4	9.7
Gross private domestic investment	19.3	9.4	-5.0	18.2	-12.7	13.8	29.0	6.6
Residential structures	16.1	6.6	-13.2	1.4	-13.0	43.3	17.9	.6
Business fixed investment	21.3	16.6	6.4	14.1	-1.1	.0	16.5	13.3
Gov't. purchases of goods and services	9.7	9.8	13.4	10.8	9.0	6.2	9.0	11.1
Federal	7.1	9.6	17.1	16.3	12.9	6.2	9.6	14.5
National defense	8.0	11.5	17.3	17.4	16.5	11.6	13.8	14.1
State and local	11.2	9.9	11.4	7.5	6.6	6.2	8.7	8.8
Disposable personal income	12.2	12.0	10.8	12.0	6.3	7.3	10.3	8.5
Personal income	12.5	12.6	11.0	12.5	5.9	6.3	10.0	8.8
Wage and salary disbursements	12.5	11.9	9.6	10.1	5.0	6.2	9.2	8.7
Corporate profits with I.V.A. and C.C.Adj.	15.0	1.3	-9.9	9.6	-14.3	39.0	21.9	5.1
Corporate profits before tax	17.7	10.3	-7.1	-3.3	-23.2	19.1	14.5	.1
Nonfarm payroll employment	5.1	3.6	.6	.8	-1.7	.4	4.0	3.1
Manufacturing	4.2	2.6	-3.6	-.6	-6.5	-.9	6.4	3.4
Nonfarm business sector								
Output per hour	.6	-1.5	-.7	1.9	-.1	6.4	2.1	.5
Compensation per hour	8.6	9.0	10.4	9.8	7.8	11.2	5.1	6.0
Unit labor costs	8.0	10.7	11.1	7.7	7.9	4.6	3.0	5.5
GNP implicit deflator	7.4	8.6	9.2	9.4	6.0	4.2	4.1	5.1
Gross domestic business product								
fixed-weighted price index (1)	8.0	9.9	10.0	9.5	6.0	4.2	4.4	5.4
Excluding food and energy	7.8	8.6	8.5	9.3	6.9	5.1	4.5	5.5
Consumer price index (all urban)	7.6	11.3	13.5	10.3	6.1	3.2	4.7	5.6
Industrial production	5.8	4.4	-3.6	2.6	-8.1	6.4	11.7	4.7

<1> Uses expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

	Fiscal Year 1983*	FY1984e/2/				FY1985e/2/				CY1984e 1983*	FRB staff estimates Calendar quarters; not seasonally adjusted									
		Admin.		FRB Staff		Admin.		FRB Staff			1983			1984			1985			
		1/		1/		1/		1/			IV*	I*	II	III	IV	I	II	III		
Unified budget receipts	601	673	673	753	749	613	692	149	155	191	178	168	172	212	212	196				
Unified budget outlays	796	851	850	932	939	803	875	213	209	213	215	237	231	235	235					
Surplus/deficit(-), unified budget	-195	-178	-177	-179	-190	-190	-182	-63	-55	-22	-37	-68	-59	-23	-39					
Surplus/deficit(-), off-budget agencies ³	-12	-15	-12	-15	-15	-10	-15	1	-2	-5	-5	-3	-3	-5	-5					
Combined deficit to be financed	-208	-193	-189	-194	-205	-201	-198	-62	-57	-27	-43	-71	-62	-28	-44					
Means of financing combined deficit:																				
Net borrowing from public	212	176	168	192	199	187	197	36	49	37	45	65	54	39	41					
Decrease in cash operating balance	-8	17	15	0	4	8	-3	25	-2	-3	-5	7	5	-8	1					
Other ⁴	3	0	7	2	2	6	4	1	10	-7	3	-2	4	-3	3					
Cash operating balance, end of period	37	20	22	20	17	12	14	12	14	17	22	14	10	18	17					
Memo: Sponsored agency borrowing ⁵	-3	38	17	41	18	1	17	3	5	5	4	4	4	5	5					
<u>NIA Budget</u>																				
Receipts	631	694	695	785	771	645	716	658	687	707	727	743	762	779	798					
Expenditures	816	871	870	954	958	826	890	847	861	876	898	924	953	967	988					
Purchases	275	291	290	342	336	275	301	274	275	299	310	321	333	341	349					
Defense	197	224	220	257	252	200	228	206	216	224	232	240	249	256	264					
Nondefense	78	67	70	85	84	75	73	68	59	76	78	81	84	84	85					
All other expenditures	541	581	581	612	622	551	588	573	586	577	588	603	620	627	639					
Surplus/deficit(-)	-186	-177	-176	-169	-187	-182	-174	-190	-173	-169	-171	-181	-190	-188	-190					
High employment surplus/deficit(-) evaluated at 6 percent unemployment	-93	n.a.	-126	n.a.	-156	-96	-132	-122	-122	-125	-135	-148	-159	-158	-160					

*--actual

e--estimated

n.a.--not available

1. OMB Current Budget Estimates, April 1984 and BEA's NIA translations, April 1984.
2. The CBO baseline budget estimates show revenues of \$663 billion and \$733 billion, outlays of \$852 billion and \$930 billion and deficits of \$189 billion and \$197 billion in fiscal years 1984 and 1985 respectively (An Analysis of the President's Budgetary Proposals, February 1984).

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

3. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank and Strategic Petroleum Reserve.
4. Checks issued less checks paid, accrued items and other transactions.
5. FRB staff estimates and actuals include Federal Home Loan Banks, FHLBC (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.

MAY 15, 19

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

	1983 ANN.	1984-P ANN.	1985-P ANN.	1983 Q3	1983 Q4	1984 Q1	1984-P Q2	1984-P Q3	1984-P Q4	1985-P Q1	1985-P Q2	1985-P Q3	1985-P Q4
1. GNP NET EXPORTS													
CURRENT \$, NET EXPORTS OF G+S	-9.0	-53.4	-61.0	-18.3	-26.1	-45.2	-50.8	-55.2	-62.6	-63.7	-62.3	-60.8	-57.1
IMPORTS OF G+S	335.4	371.9	421.9	341.1	346.5	357.7	365.0	378.4	386.6	400.0	413.7	428.4	445.5
CONSTANT '72 \$, NET EXPORTS OF G+S	11.8	-6.2	-2.8	11.5	2.8	-6.5	-6.9	-5.8	-5.6	-5.0	-3.5	-2.3	-0.4
IMPORTS OF G+S	138.7	146.9	156.3	140.7	140.6	143.9	145.2	148.6	149.9	152.3	154.8	157.5	160.7
TERMS OF TRADE (1972=100) 1/	89.2	91.2	88.9	87.2	91.2	92.8	92.0	90.7	89.3	89.1	88.9	88.8	88.9.
2. U.S. MERCHANDISE TRADE BALANCE 2/													
EXPORTS (EXCL. MILITARY)	-61.1	-112.2	-123.7	-70.0	-77.7	-103.1	-107.5	-114.8	-123.3	-125.0	-124.7	-123.6	-121.3
AGRICULTURAL	200.2	220.3	245.5	201.8	207.2	216.5	218.1	222.0	224.7	231.7	239.9	249.4	260.9
NONAGRICULTURAL	36.6	39.0	41.0	37.2	39.2	41.0	38.2	38.7	37.8	39.3	40.4	41.4	42.9
IMPORTS	163.6	181.4	204.5	164.5	168.0	175.4	179.9	183.2	186.8	192.4	199.5	208.0	218.0
PETROLEUM AND PRODUCTS	261.3	332.5	369.1	271.7	284.9	319.6	325.6	336.7	348.0	356.7	364.6	373.0	382.3
NONPETROLEUM	53.8	60.7	66.9	63.7	57.1	55.2	59.5	63.1	65.1	65.6	66.0	67.0	68.8
OF WHICH: NET INVESTMENT INCOME	207.5	271.7	302.3	208.1	227.8	264.3	266.0	273.6	282.9	291.1	298.5	306.0	313.5
3. U.S. CURRENT ACCOUNT BALANCE													
-41.3	-94.4	-107.9	-45.6	-63.6	-83.8 ^P	-91.3	-96.8	-105.5	-108.1	-108.4	-108.6	-106.5	
	23.6	21.8	16.6	27.5	24.1	24.7 ^P	20.4	21.4	20.6	18.9	17.4	15.4	14.5
4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/													
REAL GNP, % CHANGE, ANNUAL RATES	1.4	2.7	2.6	2.0	3.8	2.6	2.5	2.6	2.7	2.6	2.6	2.5	2.8
CONSUMER PRICES, % CHANGE, ANNUAL RATES	5.7	5.3	5.0	5.3	5.5	5.3	5.4	4.9	5.0	5.1	5.2	4.8	5.0

1/ GNP EXPORT IMPLICIT DEFULATOR DIVIDED BY GNP IMPORT IMPLICIT DEFULATOR

2/ INTERNATIONAL ACCOUNTS BASIS

3/ GEOMETRIC WEIGHTS USED TO AGGREGATE FOREIGN REAL GNP AND CONSUMER PRICES -- PERCENT SHARE IN TEN-COUNTRY TOTAL MULTILATERAL TRADE.

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

P/ PROJECTED

May 16, 1984

RECENT DEVELOPMENTS

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

RECENT DEFICIT REDUCTION PLANS
(Unified basis, billions of dollars)

	-----Fiscal year-----		
	1985	1986	1987
1. Receipts: CBO baseline	733	795	863
Proposed increases:			
Senate/administration	10	15	20
House resolution	10	18	22
2. Defense outlays: Admin. budget ¹	272	311	349
Proposed cuts:			
Senate/administration	6	16	19
House resolution	16	35	45
3. Nondefense outlays: CBO baseline ²	668	719	784
Proposed cuts: ³			
Senate/administration	10	20	33
House resolution	6	11	21
4. Total reductions			
Senate/administration	26	51	72
House resolution	31	63	88
5. Baseline deficit ⁴	207	235	270
6. Resulting deficits ⁴			
Senate/administration	181	184	198
House resolution	175	172	182

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

1. As shown in the April update of the FY1985 budget.
2. February 1984 nondefense baseline revised up for interest outlays to allow for faster growth of debt associated with inserting administration defense proposals.
3. Includes savings on debt service from lower deficit.
4. The baseline and resulting deficits are calculated from the CBO baseline receipts and nondefense outlay projections with the administration's defense requests. The deficits published by the Senate Republicans differ from those shown above because they use a baseline with different technical and economic assumptions. The deficits published by the Senate are \$169 billion, \$150 billion, and \$143 billion in FY1985, FY1986, and FY1987, respectively.

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

	1983			1984			
	Year	Q3	Q4	Q1P	Mar.P	Apr.P	MayF
----- Seasonally adjusted -----							
Corporate securities--total	10.54	9.14	9.12	9.74	8.35	9.05	7.10
Securities sold in U.S.	9.84	8.51	8.54	8.30	6.60	7.30	6.30
Publicly offered bonds ¹	3.94	2.65	3.50	4.80	3.30	4.30	3.10
Privately placed bonds	1.55e	1.76e	1.50e	1.50e	1.50e	1.50e	1.50e
Stocks ²	4.35	4.10	3.54	2.00	1.80	1.50	1.70
Securities sold abroad ³	.70	.63	.58	1.44	1.75	1.75	.80
--- Domestic offerings, not seasonally adjusted ---							
Publicly offered bonds--total ¹	3.94	2.65	3.43	4.75	3.40	4.20	3.00
By industry							
Utility	.96	.87	.60	.65	.90	.55	--
Industrial	1.13	.53	.38	.85	.35	1.80	--
Financial	1.85	1.25	2.45	3.25	2.15	1.85	--
By quality ⁴							
Aaa and Aa	1.13	.70	1.95	.93	.76	1.29	--
A and Baa	1.57	1.11	.96	1.57	1.53	1.25	--
Less than Baa	.48	.19	.39	.61	.57	1.23	--
No rating (or unknown)	.34	.30	.26	.34	.27	.05	--
Memo items:							
Equity based bonds ⁵	.75	.60	.32	.28	.17	.76	--
Mortgage-backed bonds	.38	.31	.87	1.24	.10	.27	--
Stocks--total ²	4.30	3.67	3.84	2.10	1.80	1.30	2.00
By industry							
Utility	.80	.48	.81	.25	.30	.30	--
Industrial	2.27	2.14	1.73	.95	1.00	.70	--
Financial	1.23	1.05	1.30	.90	.50	.30	--

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

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

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

3. Notes and bonds, not seasonally adjusted.

4. Bonds categorized according to Moody's bond ratings. Excludes mortgage-backed bonds.

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

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

	1984				
	Q1	Q2 ^e	Mar.	Apr. ^p	May ^e
<u>Treasury financing</u>					
Combined surplus/deficit(-)	-56.6	-27.5	-30.2	8.7	-32.6
Means of financing deficit:					
Net cash borrowing from the public	49.3	37.1	7.5	17.2	10.4
Marketable borrowings/ repayments(-)	47.6	35.7	6.6	16.4	9.9
Bills	6.5	-1.2	.8	-3.4	-.4
Coupons	41.1	36.7	5.8	19.8	10.6
Nonmarketable	1.7	1.8	.9	.8	.5
Decrease in the cash balance	-2.3	-2.6	9.7	-24.1	28.2
Memo: Cash balance at end of period	14.1	16.7	14.1	38.2	10.0
Other ²	9.6	-7.0	13.0	-1.8	-6.0
<u>Federally sponsored credit agencies, net cash borrowing³</u>					
FHLB	5.4	4.9	3.3	.5	2.2
FNMA	-1.1	1.2	-.4	.3	.4
FNMA	3.4	1.7	2.1	.1	.8
Farm Credit Banks	.8	.8	.3	-.1	.5
FHLBC	1.8	.7	1.1	.0	.4
SLMA	.5	.5	.2	.2	.1

p--preliminary. e--estimate.

1. Data reported on a not seasonally adjusted, payment basis.

2. Includes checks issued less checks paid, accrued items and other transactions.

3. Excludes mortgage pass-through securities issued by FNMA and FHLBC.

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

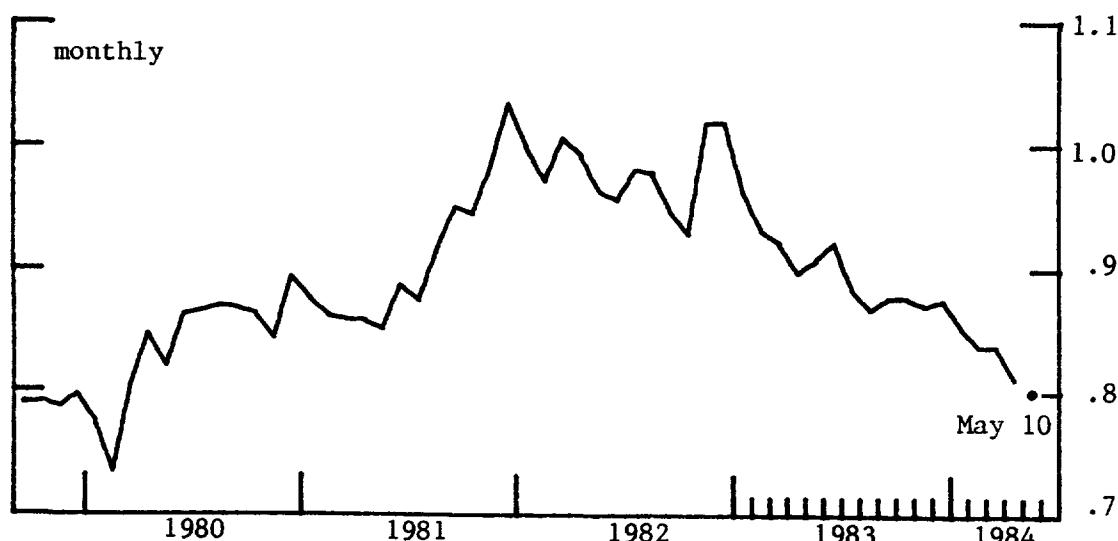
	1982 Year	1983 Year	1983 Q3	1983 Q4	1984 Q1 ^e	1984 April ^e	1984 May ^f
----- Seasonally adjusted -----							
Total	10.29	10.28	9.33	10.52	8.78	7.10	8.20
Long-term	6.58	7.09	6.01	6.77	5.62	3.90	5.40
Short-term ¹	3.71	3.19	3.32	3.75	3.16	3.20	2.80
----- Not seasonally adjusted -----							
Total	10.29	10.28	8.89	10.11	7.27	11.26	7.70
Long-term	6.58	7.09	5.57	7.11	4.77	4.76	5.50
Refundings	.36	1.16	.91	.79	.68	.77	--
Total housing ²	1.24	1.45	1.62	1.79	.38	.15	--
Short-term ¹	3.71	3.19	3.32	3.00	2.50	6.50	2.20

e--estimate. f--staff forecast.

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

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

RATIO OF TAX-EXEMPT TO TAXABLE BOND YIELDS*



*Bond Buyer 30-year Revenue Bond Index to 30-year Treasury bond yields.

CONFIDENTIAL (FR)
CLASS II - FOMC

May 18, 1984

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

**Prepared for the
Federal Open Market Committee**

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

May 18, 1984

REAL GROSS NATIONAL PRODUCT AND RELATED ITEMS IN 1984-Q1
 (Percent change from previous period at compound annual rates;
 based on seasonally adjusted data)

	"Flash"	Preliminary	Revised
1. Gross national product	7.2	8.3	8.8
2. Final sales	3.9	3.6	3.2
a. Private	5.0	4.7	4.4
b. Excluding net exports	7.2	7.8	8.8
3. Personal consumption expenditures	5.6	5.8	6.9
4. Business fixed investment	13.7	12.1	14.6
5. Residential investment	16.7	31.3	25.7
6. Government purchases	.0	-.8	-2.2
7. Exports	12.2	9.7	7.4
8. Imports	34.9	41.7	53.7

ADDENDA:

9. Change in total business inventories ¹	21.4	26.6	30.1
a. Nonfarm ¹	11.1	18.0	21.5
b. Farm ¹	10.4	8.6	8.6
10. Net exports ¹	-3.8	-6.5	-10.3
11. Nominal GNP	12.0	12.8	12.8
12. GNP implicit price deflator	4.4	4.1	3.7
13. Gross domestic business product fixed-weighted price index	4.5	4.1	4.1
14. Saving rate (percent)	5.8	6.1	5.8

1. Level, billions of constant dollars.

SUPPLEMENTAL NOTES

THE DOMESTIC NONFINANCIAL ECONOMY

Congressional Budget Plans

The Senate approved a spending reduction plan on May 17 to accompany the tax measure passed earlier. Together, the Senate actions would reduce deficits about \$142 billion over the fiscal 1985-1987 period. The House budget resolution passed earlier would lower deficits \$182 billion over the same period. The House and Senate plans include similar size increases in taxes, but on the spending side there are major differences in the limits proposed for defense and domestic outlays. These differences need to be considered by a conference committee probably after the Memorial day recess. In addition, some specific spending reductions need to be implemented later in the summer through the appropriation process.

PROJECTED DEFICITS UNDER HOUSE
AND SENATE PLANS

(Unified basis, billions of dollars)

	Fiscal Year		
	1985	1986	1987
House	175	172	182
Senate	182	186	204