

September 30, 1981

SUMMARY AND OUTLOOK

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

STAFF GNP PROJECTIONS

Percent changes, annual rate											
						Gross domestic business product fixed-weighted price index				Unemployment rate (percent)	
Nominal GNP		Real GNP		Total		Excluding food and energy					
8/12/81	9/30/81	8/12/81	9/30/81	8/12/81	9/30/81	8/12/81	9/30/81	8/12/81	9/30/81	8/12/81	9/30/81
<u>Annual changes:</u>											
1979 1/	12.0	12.0	3.2	3.2	9.7	9.7	8.4	8.4	5.8	5.8	5.8
1980 1/	8.8	8.8	-.2	-.2	9.8	9.8	8.7	8.2	7.1	7.1	7.1
1981	11.1	11.1	2.1	1.9	9.1	9.2	8.8	9.0	7.3	7.4	7.4
1982	7.9	7.5	.6	.1	7.6	7.6	7.4	7.6	8.0	8.1	8.1
<u>Quarterly changes:</u>											
1980-Q1 1/	12.6	12.6	3.1	3.1	10.1	10.1	7.4	7.4	6.2	6.2	6.2
1980-Q2 1/	-1.1	-1.1	-9.9	-9.9	9.8	9.8	9.5	9.5	7.3	7.3	7.3
1980-Q3 1/	11.8	11.8	2.4	2.4	9.6	9.6	9.3	9.3	7.5	7.5	7.5
1980-Q4 1/	14.9	14.9	3.8	3.8	9.3	9.3	8.2	8.2	7.5	7.5	7.5
1981-Q1 1/	19.2	19.2	8.6	8.6	10.5	10.5	8.1	8.1	7.4	7.4	7.4
1981-Q2 1/	4.0	4.7	-1.9	-1.6	7.8	8.2	9.8	9.7	7.4	7.4	7.4
1981-Q3	7.1	7.7	-.2	-.6	8.0	8.5	9.0	10.0	7.1	7.2	7.2
1981-Q4	10.3	6.9	1.0	-1.8	8.2	8.1	7.5	8.2	7.5	7.7	7.7
1982-Q1	6.9	6.9	.3	.2	7.5	7.4	6.8	6.8	7.7	7.7	7.9
1982-Q2	7.1	7.2	.3	.3	7.4	7.2	6.8	6.7	7.9	8.1	8.1
1982-Q3	8.8	9.5	2.2	2.9	7.4	7.2	6.8	6.7	8.1	8.2	8.2
1982-Q4	10.2	10.4	2.8	3.2	7.0	6.8	6.6	6.5	8.2	8.2	8.2
<u>Two-quarter changes:</u>											
1980-Q2 1/	5.6	5.6	-3.6	-3.6	9.9	9.9	8.4	8.4	1.4	1.4	1.4
1980-Q4 1/	13.3	13.3	3.1	3.1	9.5	9.5	8.8	8.8	.2	.2	.2
1981-Q2 1/	11.3	11.7	3.2	3.4	9.1	9.2	9.0	9.0	-.1	-.1	-.1
1981-Q4	8.7	7.3	.4	-1.2	8.1	8.3	8.2	9.2	.1	.3	.3
1982-Q2	7.0	7.1	.3	.2	7.4	7.3	6.9	6.7	.4	.4	.4
1982-Q4	9.5	10.0	2.5	3.0	7.2	7.0	6.6	6.6	.3	.1	.1
<u>Four-quarter changes:</u>											
1979-Q4 1/	9.9	9.9	1.7	1.7	9.7	9.7	8.2	8.2	.1	.1	.1
1980-Q4 1/	9.4	9.4	-.3	-.3	9.7	9.7	8.6	8.6	1.6	1.6	1.6
1981-Q4	10.0	9.5	-1.8	1.1	8.6	8.8	8.6	9.1	.0	.2	.2
1982-Q4	8.2	8.5	1.4	1.6	7.3	7.1	6.7	6.7	.7	.5	.5

1/ Actual.

2/ Percent change from two quarters earlier.

3/ Percent change from four quarters earlier.

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

	1979				1980			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	2340.6	2374.6	2444.1	2496.3	2571.7	2564.8	2637.3	2730.6
Final purchases	2316.2	2341.5	2430.8	2497.1	2569.1	2557.4	2653.4	2748.0
Private	1858.0	1876.4	1955.4	2000.7	2052.3	2027.4	2119.9	2189.4
Excluding net exports	1838.1	1868.2	1937.5	1993.1	2044.1	2010.3	2075.4	2166.1
Personal consumption expenditures	1454.1	1478.0	1529.1	1582.3	1631.0	1626.8	1682.2	1751.0
Goods	784.3	793.8	824.8	855.3	882.0	858.4	883.0	926.8
Services	669.9	684.2	704.3	727.0	749.0	768.4	799.2	824.2
Gross private domestic investment	408.3	423.2	421.7	410.0	415.6	390.9	377.1	397.7
Residential construction	116.7	117.2	119.8	120.6	115.2	93.6	99.2	113.0
Business fixed investment	267.3	272.9	288.5	290.2	297.8	289.8	294.0	302.1
Change in business inventories	24.3	33.1	13.3	-.8	2.5	7.4	-16.0	-17.4
Nonfarm	20.8	29.2	7.8	-4.4	1.5	6.1	-12.3	-14.0
Net exports of goods and services <u>1/</u>	19.9	8.2	17.9	7.6	8.2	17.1	44.5	23.3
Exports	259.1	266.8	293.1	306.3	337.3	333.3	342.4	346.1
Imports	239.2	258.6	275.2	298.7	329.1	316.2	297.9	322.7
Gov't. purchases of goods and services	458.2	465.1	475.4	496.4	516.8	530.0	533.5	558.6
Federal <u>2/</u>	164.8	163.6	165.1	178.1	190.0	198.7	194.9	212.0
State and local	293.4	301.6	310.4	318.3	326.8	331.3	338.6	346.6
Gross national product in constant (1972) dollar	1479.9	1473.4	1488.2	1490.6	1501.9	1463.3	1471.9	1485.6
Personal income	1864.6	1906.3	1972.3	2032.0	2088.2	2114.5	2182.1	2256.2
Wage and salary disbursements	1194.8	1218.6	1248.6	1282.2	1314.7	1320.4	1341.8	1397.8
Disposable personal income	1580.2	1612.8	1663.8	1710.1	1765.1	1784.1	1840.6	1897.0
Saving rate (percent)	5.3	5.6	5.4	4.7	4.9	6.2	6.1	5.1
Corporate profits with I.V.A. and C.C. Adj	201.9	196.6	199.5	189.4	200.2	169.3	177.9	183.3
Corporate profits before tax	253.1	250.9	262.0	255.4	277.1	217.9	237.6	249.5
Federal government surplus or deficit (-) (N.I.A. basis)	-11.5	-8.1	-15.2	-24.5	-36.3	-66.5	-74.2	-67.9
High employment surplus or deficit (-)	-4.7	5.1	-2.3	-7.1	-17.1	-21.5	-21.1	-13.3
State and local government surplus or deficit (-) (N.I.A. basis)	29.5	21.9	26.5	28.9	26.6	23.9	28.6	37.1
Excluding social insurance funds	7.1	-1.7	2.1	4.0	1.3	-1.7	.9	8.1
Civilian labor force (millions)	102.3	102.4	103.2	103.7	104.2	104.7	105.0	105.2
Unemployment rate (percent)	5.8	5.7	5.8	5.9	6.2	7.3	7.5	7.5
Nonfarm payroll employment (millions)	89.0	89.7	90.2	90.5	90.8	90.5	90.2	90.8
Manufacturing	21.0	21.1	21.1	20.9	20.8	20.3	20.0	20.2
Industrial production (1967=100)	152.7	152.3	152.6	152.5	152.6	144.5	142.3	148.7
Capacity utilization: all mfg. (percent)	86.9	85.9	85.3	84.4	83.4	77.9	75.9	79.1
Materials (percent)	88.4	87.5	87.2	86.3	85.8	78.8	75.2	80.1
Housing starts, private (million units, A.R.)	1.64	1.84	1.79	1.59	1.23	1.06	1.39	1.54
New autos sales, (millions, A.R.)	11.56	10.65	10.79	9.80	10.65	7.68	8.80	9.04
Domestic models	9.30	8.16	8.63	7.43	7.87	5.53	6.51	6.57
Foreign models	2.25	2.49	2.16	2.37	2.77	2.14	2.29	2.47

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

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

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

	1979				1980			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) dollars</u>								
Gross national product	3.9	-1.7	4.1	.6	3.1	-9.9	2.4	3.8
Final purchases	2.5	-2.5	7.2	2.9	3.1	-10.4	4.1	4.4
Private	3.0	-3.0	8.7	2.2	2.2	-13.3	6.5	4.9
Excluding net exports	1.1	-1.6	5.5	1.9	-.4	-14.4	4.6	8.5
Personal consumption expenditures	.9	-1.2	4.7	3.6	.8	-9.8	5.1	7.0
Goods	-2.7	-4.6	6.0	4.2	-.3	-17.7	4.0	10.2
Services	5.5	3.0	3.1	2.8	2.1	.0	6.4	3.7
Gross private domestic investment	10.6	1.7	-9.9	-17.8	-5.6	-28.9	-10.0	11.1
Residential structures	-6.5	-10.8	-3.6	-3.1	-24.2	-60.2	16.0	64.2
Business fixed investment	5.2	-.4	13.4	-5.4	2.2	-19.9	-1.5	4.0
Gov't. purchases of goods and services	.7	-.5	1.2	6.1	6.9	2.5	-5.0	2.2
Federal	8.0	-7.9	-3.6	13.1	18.9	11.9	-13.1	2.0
State and local	-3.3	4.0	3.9	2.4	.6	-2.8	.3	2.3
Disposable personal income	3.1	.5	3.5	.8	1.3	-4.9	4.1	2.9
<u>Current dollars</u>								
Gross national product	12.7	5.9	12.2	8.8	12.6	-1.1	11.8	14.9
Final purchases	11.5	4.4	16.1	11.4	12.0	-1.8	15.9	15.0
Private	12.8	4.0	17.9	9.6	10.7	-4.8	19.5	13.8
Excluding net exports	10.8	6.7	15.7	12.0	10.6	-6.5	13.6	18.7
Personal consumption expenditures	11.0	6.7	14.6	14.7	12.9	-1.0	14.3	17.4
Goods	8.5	4.9	16.6	15.6	13.1	-10.3	12.0	21.4
Services	14.2	8.8	12.2	13.5	12.7	10.8	17.0	13.1
Gross private domestic investment	17.0	15.4	-1.5	-10.6	5.6	-21.8	-13.3	23.7
Residential structures	1.8	1.8	9.1	2.8	-16.7	-56.4	25.7	68.5
Business fixed investment	13.9	8.6	25.0	2.3	11.0	-10.4	6.0	11.5
Gov't. purchases of goods and services	6.3	6.2	9.2	18.8	17.5	10.6	2.6	20.2
Federal	10.7	-2.9	3.7	35.4	29.5	19.8	-7.5	40.2
State and local	3.9	11.6	12.2	10.6	11.2	5.6	9.1	9.7
Disposable personal income	13.5	8.5	13.3	11.6	13.5	4.4	13.3	12.8
Personal income	12.8	9.3	14.6	12.7	11.5	5.1	13.4	14.3
Wage and salary disbursements	13.5	8.2	10.2	11.2	10.5	1.8	6.6	17.8
Corporate profits with IVA & C.C. Adj.	-1.6	-10.1	6.0	-18.8	24.8	-48.9	21.9	12.7
Corporate profits before tax	8.3	-3.4	18.9	-9.7	38.6	-61.8	41.4	21.6
Nonfarm payroll employment	3.7	3.1	2.4	1.2	1.5	-1.6	-1.0	2.7
Manufacturing	3.5	2.1	-.1	-3.6	-2.4	-9.7	-5.9	3.7
Nonfarm business sector								
Output per hour	-.9	-1.6	-1.1	-.2	.3	-2.9	3.6	-.2
Compensation per hour	10.9	10.4	8.6	9.7	10.2	11.3	9.0	9.8
Unit labor costs	11.9	12.1	9.7	9.9	9.9	14.6	5.3	10.1
GNP implicit deflator <u>1/</u>	8.4	7.8	7.8	8.1	9.3	9.8	9.2	10.7
Gross domestic business product								
fixed-weighted price index <u>2/</u>	9.7	9.7	9.5	10.0	10.1	9.8	9.6	9.3
Excluding food and energy	7.5	7.2	6.9	11.1	7.4	9.5	9.3	8.2
Consumer price index (all urban)	10.2	12.5	14.0	14.3	16.5	13.1	7.7	12.9
Industrial production	5.4	-1.0	.8	-.3	.3	-19.6	-6.2	19.2

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

2/ Uses expenditures in 1972 as weights.

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

	1981				1982			
	Q1	Q2	Q3	Q4	Projected	Q1	Q2	Q3
Gross national product	2853.0	2885.8	2939.9	2989.2	3039.5	3092.8	3164.1	3243.4
Final purchases	2848.5	2862.5	2919.6	2975.7	3028.5	3084.3	3160.6	3237.9
Private	2272.0	2285.1	2330.4	2370.3	2412.4	2454.2	2517.8	2576.2
Excluding net exports	2242.8	2264.3	2310.7	2350.8	2401.2	2451.8	2518.4	2579.4
Personal consumption expenditures	1810.1	1829.1	1880.5	1922.2	1967.7	2009.9	2066.7	2115.4
Goods	964.3	962.6	986.4	1001.7	1024.2	1045.4	1079.2	1108.5
Services	845.8	866.5	894.1	920.5	943.5	964.5	987.5	1006.9
Gross private domestic investment	437.1	458.6	450.5	442.1	444.5	450.4	455.2	469.5
Residential construction	116.7	110.7	101.2	94.7	95.7	99.7	104.7	110.7
Business fixed investment	315.9	324.6	329.0	333.9	337.8	342.2	347.0	353.3
Change in business inventories	4.5	23.3	20.3	13.5	11.0	8.5	3.5	5.5
Nonfarm	6.8	21.5	16.5	13.5	11.0	8.5	3.5	5.5
Net exports of goods and services <u>1/</u>	29.2	20.8	19.7	19.5	11.2	2.4	-.6	-3.2
Exports	367.4	368.2	368.5	370.2	366.4	367.6	375.2	382.1
Imports	338.2	347.5	348.8	350.7	355.2	365.2	375.8	385.3
Gov't. purchases of goods and services	576.5	577.4	589.2	605.4	616.1	630.1	642.8	661.7
Federal <u>2/</u>	221.6	219.5	226.6	236.5	241.1	249.0	255.4	268.0
State and local	354.9	357.9	362.6	368.9	375.0	381.1	387.4	393.7
Gross national product in constant (1972) dollars	1516.4	1510.4	1508.1	1501.2	1501.9	1503.1	1513.8	1525.8
Personal income	2319.8	2368.5	2442.6	2491.3	2535.8	2578.8	2643.8	2699.9
Wage and salary disbursements	1442.9	1467.0	1497.9	1522.0	1545.9	1570.5	1599.9	1638.3
Disposable personal income	1947.8	1985.6	2044.8	2097.3	2136.2	2170.6	2258.8	2303.7
Saving rate (percent)	4.6	5.4	5.5	5.8	5.4	4.9	6.0	5.7
Corporate profits with I.V.A. and C.C. Adj.	203.0	190.3	177.7	178.3	175.0	176.6	186.0	194.5
Corporate profits before tax	257.0	229.0	216.6	217.9	211.2	207.0	214.0	217.9
Federal government surplus or deficit (-) (N.I.A. basis)	-46.6	-47.2	-65.7	-90.2	-97.6	-102.3	-147.4	-148.4
High employment surplus or deficit (-) <u>3/</u>	.5	6.8	-4.0	-17.0	-14.3	-10.6	-56.5	-55.0
State and local government surplus or deficit (-) (N.I.A. basis)	36.9	36.1	36.5	33.3	33.0	32.1	33.5	35.5
Excluding social insurance funds	6.6	4.3	4.2	.4	-.7	-2.3	-1.7	-.5
Civilian labor force (millions)	105.8	106.8	106.6	106.9	107.3	107.6	107.9	108.2
Unemployment rate (percent)	7.4	7.4	7.2	7.7	7.9	8.1	8.2	8.2
Nonfarm payroll employment (millions)	91.2	91.5	92.0	91.8	91.7	91.7	91.9	92.2
Manufacturing	20.2	20.4	20.5	20.3	20.2	20.2	20.3	20.5
Industrial production (1967=100)	151.8	152.5	152.5	150.5	150.6	150.7	152.5	154.6
Capacity utilization: all mfg. (percent)	79.9	79.8	79.4	78.1	77.8	77.7	77.7	78.2
Materials (percent)	82.2	81.2	81.1	79.4	79.1	79.0	79.0	79.7
Housing starts, private (million units, A.R.)	1.39	1.18	.96	.87	.95	1.00	1.10	1.15
New autos sales, (millions, A.R.)	9.96	7.89	9.20	8.10	8.40	8.80	9.10	8.95
Domestic models	7.31	5.63	7.00	5.80	6.30	6.50	6.70	6.55
Foreign models	2.66	2.25	2.20	2.30	2.10	2.30	2.40	2.40

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

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

3/ Estimates in table are evaluated at a 5.1 percent high employment unemployment rate. Evaluated at a 6.1 percent unemployment rate, the high employment budget would show a deficit of \$37.6 billion in 1980-Q4 and a deficit of \$43.9 billion in 1981-Q4, and a deficit of \$83.4 billion in 1982-Q4.

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

	1981				1982			
	Q1	Q2	Q3	Q4	Projected	Q1	Q2	Q3
<u>Constant (1972) dollars</u>								
Gross national product	8.6	-1.6	-.6	-1.8	.2	.3	2.9	3.2
Final purchases	6.9	-4.7	-.5	-.9	.5	.7	3.6	2.9
Private	7.3	-4.5	-.5	-1.2	.6	.4	4.1	3.1
Excluding net exports	6.7	-3.2	.8	-.4	1.7	1.6	4.4	3.5
Personal consumption expenditures	5.8	-2.1	3.2	1.1	2.4	1.8	4.9	3.4
Goods	9.8	-5.3	3.5	-.9	2.3	2.2	7.7	5.2
Services	1.4	1.6	2.8	3.4	2.5	1.3	1.9	1.4
Gross private domestic investment	24.2	16.1	-10.3	-12.8	-4.0	-1.5	-3.0	6.0
Residential structures	3.6	-23.4	-34.3	-28.3	-2.5	10.1	13.7	16.8
Business fixed investment	13.3	-2.1	-1.1	-.9	-1.5	-1.2	-.9	.8
Gov't. purchases of goods and services	5.4	-5.6	-.4	.2	.2	1.7	1.6	2.1
Federal	14.8	-8.4	3.6	1.9	1.8	5.9	5.0	6.5
State and local	.2	-3.8	-2.8	-.8	-.8	-.9	-.6	-.7
Disposable personal income	3.0	1.4	3.9	2.5	.4	-.4	10.1	1.9
<u>Current dollars</u>								
Gross national product	19.2	4.7	7.7	6.9	6.9	7.2	9.5	10.4
Final purchases	15.5	2.0	8.2	7.9	7.3	7.6	10.3	10.1
Private	16.0	2.3	8.2	7.0	7.3	7.1	10.8	9.6
Excluding net exports	14.9	3.9	8.4	7.1	8.9	8.7	11.3	10.0
Personal consumption expenditures	14.2	4.3	11.7	9.2	9.8	8.9	11.8	9.8
Goods	17.2	-.7	10.3	6.3	9.3	8.5	13.6	11.3
Services	10.9	10.1	13.4	12.3	10.4	9.2	9.9	8.1
Gross private domestic investment	45.9	21.1	-6.9	-7.3	2.2	5.4	4.3	13.2
Residential structures	14.0	-19.2	-30.2	-23.3	4.3	17.8	21.6	25.0
Business fixed investment	19.6	11.4	5.5	6.1	4.8	5.3	5.7	7.5
Gov't. purchases of goods and services	13.5	.6	8.4	11.5	7.3	9.4	8.3	12.3
Federal	19.3	-3.7	13.6	18.7	8.0	13.8	10.7	21.2
State and local	10.0	3.3	5.4	7.1	6.8	6.7	6.8	6.7
Disposable personal income	11.2	8.0	12.5	10.7	7.6	6.6	17.3	8.2
Personal income	11.8	8.7	13.1	8.2	7.3	7.0	10.5	8.8
Wage and salary disbursements	13.5	6.9	8.7	6.6	6.4	6.5	7.7	10.0
Corporate profits with IVA & C.C. Adj.	50.4	-22.8	-24.0	1.4	-7.2	3.7	23.1	19.6
Corporate profits before tax	12.6	-37.0	-20.0	2.6	-11.8	-7.8	14.2	7.5
Nonfarm payroll employment	1.8	1.4	2.1	-1.1	-.2	.0	.7	1.3
Manufacturing	.5	4.2	2.6	-5.1	-1.5	.0	2.3	3.5
Nonfarm business sector								
Output per hour	4.3	.7	-2.4	.1	1.2	1.0	2.1	2.0
Compensation per hour	11.6	9.6						
Unit labor costs hour	7.0	8.8	11.8	8.5	7.6	7.0	5.7	5.8
GNP implicit deflator 1/	9.8	6.4	8.4	8.8	6.7	6.9	6.5	7.0
Gross domestic business product								
fixed-weighted price index 2/	10.5	8.2	8.5	8.1	7.4	7.2	7.2	6.8
Excluding food and energy	8.1	9.7	10.0	8.2	6.8	6.7	6.7	6.5
Consumer price index (all urban)	10.8	7.5	12.0	10.6	10.5	8.1	6.4	6.5
Industrial production	8.3	1.9	.0	-5.1	.3	.3	4.9	5.6

1/ Excluding Federal pay increases, the rates of change are: 1981-Q1, 9.7 percent; 1981-Q4, 7.8 percent; 1982-Q1, 6.7 percent; 1982-Q4, 6.1 percent.

2/ Uses expenditures in 1972 as weights.

September 30, 1981

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

	1975	1976	1977	1978	1979	1980	Projected 1981	Projected 1982
Gross national product	1549.2	1718.0	1918.0	2156.1	2413.9	2626.1	2917.0	3134.9
Final purchases	1556.1	1706.2	1897.0	2133.9	2396.4	2632.0	2901.6	3127.8
Private	1216.2	1344.1	1502.5	1701.3	1922.6	2097.3	2314.5	2490.1
Excluding net exports	1189.4	1330.4	1506.7	1701.9	1909.2	2074.0	2292.2	2487.7
Personal consumption expenditures	976.4	1084.3	1205.5	1348.7	1510.9	1672.8	1860.5	2039.9
Goods	539.5	598.5	657.8	729.1	814.5	887.6	978.8	1064.3
Services	437.0	485.7	547.7	619.6	696.3	785.2	881.7	975.6
Gross private domestic investment	206.1	257.9	322.3	375.3	415.8	395.3	447.1	454.9
Residential construction	55.3	72.0	95.8	111.3	118.6	105.3	105.8	102.7
Business fixed investment	157.7	174.1	205.5	242.0	279.7	296.0	325.9	345.1
Change in business inventories	-6.9	11.8	21.0	22.2	17.5	-5.9	15.4	7.1
Nonfarm	-10.5	13.9	20.2	21.8	13.4	-4.7	14.6	7.1
Net exports of goods and services <u>1/</u>	26.8	13.7	-4.2	-.6	13.4	23.3	22.3	2.5
Exports	154.9	170.9	183.3	219.8	281.3	339.8	368.6	372.8
Imports	128.1	157.1	187.5	220.4	267.9	316.5	346.3	370.4
Gov't. purchases of goods and services	339.9	362.1	394.5	432.6	473.8	534.7	587.1	637.7
Federal <u>2/</u>	122.7	129.2	143.9	153.4	167.9	198.9	226.0	253.4
State and local	217.2	232.9	250.6	279.2	305.9	335.8	361.1	384.3
Gross national product in constant (1972) dollars	1233.9	1300.4	1371.7	1436.9	1483.0	1480.7	1509.0	1511.1
Personal income	1265.0	1391.2	1538.0	1721.8	1943.8	2160.2	2405.6	2614.6
Wage and salary disbursements	806.4	889.9	983.8	1105.2	1236.1	1343.7	1482.4	1588.6
Disposable personal income	1096.1	1194.4	1311.5	1462.9	1641.7	1821.7	2018.9	2217.3
Saving rate (percent)	8.6	6.9	5.6	5.2	5.2	5.6	5.3	5.5
Corporate profits with I.V.A. and C.C. Adj.	110.5	138.1	164.7	185.5	196.8	182.7	187.3	183.0
Corporate profits before tax	132.1	166.3	192.6	223.3	255.4	245.5	230.1	212.5
Federal government surplus or deficit (N.I.A. basis)	-69.3	-53.1	-46.4	-29.2	-14.8	-61.2	-62.4	-123.9
High employment surplus or deficit (-)	-29.2	-20.1	-23.0	-15.7	-2.2	-18.2	-3.4	-34.2
State and local government surplus or deficit (-) (N.I.A. basis)	5.5	16.6	28.1	29.0	26.7	29.1	35.7	33.5
Excluding social insurance funds	-7.6	.9	10.1	9.0	2.9	2.1	3.9	-1.3
Civilian labor force (millions)	92.6	94.8	97.4	100.4	102.9	104.7	106.5	107.7
Unemployment rate (percent)	8.5	7.7	7.0	6.0	5.8	7.1	7.4	8.1
Nonfarm payroll employment (millions)	76.9	79.4	82.5	86.7	89.8	90.6	91.6	91.9
Manufacturing	18.3	19.0	19.7	20.5	21.0	20.3	20.3	20.3
Industrial production (1967=100)	117.8	130.5	138.1	146.1	152.5	147.0	151.8	152.1
Capacity utilization: all manufacturing (percent)	72.9	79.5	81.9	84.4	85.6	79.1	79.3	77.9
Materials (percent)	73.4	81.1	82.7	85.6	87.4	80.0	80.9	79.2
Housing starts, private (million units, A.R.)	1.16	1.54	1.99	2.02	1.75	1.29	1.10	1.05
New auto sales, (millions, A.R.)	8.66	10.12	11.13	11.28	10.70	9.04	8.79	8.81
Domestic models	7.08	8.63	9.07	9.29	8.38	6.62	6.44	6.51
Foreign models	1.58	1.50	2.06	1.99	2.32	2.42	2.35	2.30

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

September 30, 1981

CONFIDENTIAL - FR
CLASS II FOMC

PERCENT CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1975	1976	1977	1978	1979	1980	Projected 1981	Projected 1982
<u>Constant (1972) dollars</u>								
Gross national product	-1.1	5.4	5.5	4.8	3.2	-.2	1.9	.1
Final purchases	.3	4.2	5.2	4.7	3.5	.7	1.3	.3
Private	-.1	5.3	6.0	15.4	4.0	.2	1.5	.3
Excluding net exports	-.6	6.2	6.5	5.2	2.9	-1.0	2.2	1.3
Personal consumption expenditures	2.2	5.6	4.9	4.7	2.9	.5	2.8	2.2
Goods	1.3	6.7	5.2	4.2	1.9	-1.4	2.8	2.2
Services	3.3	4.3	4.5	5.4	4.1	2.6	2.7	2.3
Gross private domestic investment	-20.8	19.2	15.7	7.6	1.3	-12.5	4.6	-4.2
Residential structures	-12.5	21.3	18.5	2.9	-5.2	-18.6	-5.8	-9.3
Business fixed investment	-12.1	5.3	11.9	9.1	6.5	-3.0	1.6	-1.1
Gov't. purchases of goods and services	2.1	.0	2.1	2.0	1.5	2.9	.1	.3
Federal	.8	-.7	4.1	-.9	1.9	6.3	1.7	2.8
State and local	2.9	.5	.9	3.7	1.2	1.0	-.8	-1.2
Disposable personal income	2.0	3.6	3.6	4.4	3.1	.7	2.4	2.4
<u>Current dollars</u>								
Gross national product	8.0	10.9	11.6	12.4	12.0	8.8	11.1	7.5
Final purchases	9.6	9.6	11.2	12.5	12.3	9.8	10.2	7.8
Private	9.0	10.5	11.8	13.2	13.0	9.1	10.4	7.6
Excluding net exports	7.9	11.8	13.3	12.9	12.2	8.6	10.5	8.5
Personal consumption expenditures	9.9	11.1	11.2	11.9	12.0	10.7	11.2	9.6
Goods	9.0	10.9	9.9	10.8	11.7	9.0	10.3	8.7
Services	11.1	11.2	12.7	13.1	12.4	12.8	12.3	10.6
Gross private domestic investment	-9.9	25.1	25.0	16.5	10.8	-4.9	13.1	1.7
Residential structures	-4.7	30.2	33.1	16.1	6.6	-11.3	.6	-3.0
Business fixed investment	.8	10.3	18.1	17.7	15.6	5.8	10.1	5.9
Gov't. purchases of goods and services	11.8	6.5	8.9	9.7	9.5	12.9	9.8	8.6
Federal	10.6	5.3	11.4	6.6	9.5	18.5	13.6	12.1
State and local	12.5	7.3	7.6	11.4	9.6	9.8	7.5	6.4
Disposable personal income	9.8	9.0	9.8	11.5	12.2	11.0	10.8	9.8
Personal income	8.2	10.0	10.6	12.0	12.9	11.1	11.4	8.7
Wage and salary disbursements	5.3	10.4	10.6	12.3	11.8	8.7	10.3	7.2
Corporate profits with IVA & C.C. Adj.	16.5	25.0	19.3	12.6	6.1	-7.2	2.5	-2.3
Corporate profits before tax	-3.3	25.9	15.8	15.9	14.4	-3.9	-6.3	-7.6
Nonfarm payroll employment	-1.7	3.2	3.9	5.1	3.6	.8	1.2	.3
Manufacturing	-8.8	3.7	3.6	4.2	2.6	-3.5	.2	-.3
Nonfarm business sector								
Output per hour	2.1	3.2	2.0	-.2	-.7	-.3	1.1	.6
Compensation per hour	9.4	9.6	8.1	7.6	9.7	10.0	10.0	8.6
Unit labor costs	7.4	4.7	5.5	8.7	10.4	10.3	8.8	7.9
GNP implicit deflator	9.6	5.2	5.8	7.3	8.5	9.0	9.0	7.3
Gross domestic business product								
fixed-weighted price index 1/	9.2	5.5	6.3	7.8	9.7	9.8	9.2	7.6
Excluding food and energy	9.2	6.0	6.5	7.5	8.4	8.2	9.0	7.6
Consumer price index (all urban)	9.1	5.8	6.5	7.7	11.3	13.5	10.4	9.2
Industrial production	-8.9	10.8	5.8	5.8	4.4	-3.5	3.2	.2

1/ Uses expenditures in 1972 weights.

September 30, 1981

FEDERAL SECTOR ACCOUNTS
(billions of dollars)

	Fiscal Year 1980*	FY 1981 e/ 1/			FY 1982 e/ 1/			CY * 1980	CY 1981 e/ F.R. Board	FRB Staff Estimates Calendar quarters; unadjusted data						
		Admin.	F.R. Board	Admin.	F.R. Board	1980	1981	1982		I*	II*	III	IV	I	II	III
Unified budget receipts	520.0	605.6	603.6	662.4	639.3	533.0	616.9	127.0	135.2	183.7	157.7	140.2	148.0	194.5	156.5	
Unified budget outlays	579.6	661.2	662.8	704.8	726.9	600.9	690.6	160.6	167.3	167.4	167.6	188.3	164.3	185.5	188.7	
Surplus(+) / deficit(-), unified budget	-59.6	-55.6	-59.2	-42.5	-87.6	-67.9	-73.7	-33.6	-32.1	16.3	-9.9	-48.1	-16.3	9.0	-32.2	
Surplus(+) / deficit(-), off-budget agencies ²	-14.2	-24.0	-20.8	-18.2	-18.2	-15.3	-21.1	-2.2	-6.4	-5.5	-6.7	-2.4	-4.8	-5.7	-5.2	
Combined deficit to be financed	-73.8	-79.6	-80.0	-60.7	-103.8	-83.2	-94.8	-35.8	-38.5	10.8	-16.6	-50.5	-21.1	3.3	-37.4	
Means of financing combined deficits:																
Net borrowing from public	70.5	71.0	77.6	59.0	91.0	79.3	84.0	27.7	35.8	-2.6	16.7	34.1	28.6	0.0	34.3	
Decrease in cash operating balance	3.2	6.0	3.2	0.0	8.8	3.6	3.5	8.7	1.6	-5.7	-1.4	9.0	-3.0	-3.3	3.1	
Other ³	0.1	2.6	-0.7	1.7	3.9	0.3	7.3	-0.6	1.1	-2.5	1.3	7.4	-4.5	0.0	0.0	
Cash operating balance, end of period	21.0	15.0	17.8	15.0	12.0	12.3	8.8	12.3	10.7	16.4	17.8	8.8	11.8	15.1	12.0	
Memo: Sponsored agency borrowing ⁴	21.4	n.a.	37.6	n.a.	37.0	24.3	39.6	9.0	3.6	9.7	15.3	11.0	8.6	9.4	8.0	
<u>NIA Budget</u>																
Receipts	527.3	620.8	610.4	678.3	631.4	540.8	623.9	573.2	617.4	621.0	630.1	627.3	634.5	643.2	624.4	
Expenditures	578.2	667.3	667.3	719.3	741.7	602.0	686.4	641.1	664.0	668.2	695.8	717.5	732.1	745.5	771.8	
Purchases	190.2	219.3	219.9	247.4	243.5	198.9	226.1	212.0	221.6	219.5	226.6	236.5	241.1	249.0	255.4	
Defense	126.1	147.0	147.4	171.7	170.3	131.7	152.9	141.6	145.2	148.2	154.6	163.4	167.8	172.8	177.2	
Nondefense	64.1	72.3	72.5	75.7	75.2	67.2	73.2	70.4	76.4	71.3	72.0	73.1	73.3	76.2	78.2	
All other expenditures	388.0	448.0	447.4	471.9	498.2	403.1	460.3	429.1	442.4	448.7	469.2	481.0	491.0	496.5	516.4	
Surplus(+) / deficit(-)	-50.9	-46.5	-56.9	-41.0	-100.4	-61.2	-62.5	-67.9	-46.6	-47.2	-63.7	-90.2	-97.6	-102.3	-147.4	
High Employment (H.E.) surplus(+) / deficit(-) evaluated at H.E. unemployment rate of:																
5.1 percent	-16.7	n.a.	-2.5	n.a.	-24.6	-18.2	-3.4	-13.3	0.5	6.8	-4.0	-17.0	-14.3	-10.6	-56.5	
6.1 percent	-39.5	n.a.	-28.1	n.a.	-52.1	-41.6	-29.7	-37.6	-24.9	-19.2	-30.8	-43.9	-41.9	-38.7	-83.8	

*--actual

e--estimated

n.a.--not available.

1. OMB Mid-Session Review of the 1982 Budget, July 1981. On September 24, 1981, the Administration presented revised estimates of unified budget receipts and outlays for FY1982. The Fall Budget Program Fact Sheet estimates receipts of \$666.2 billion and outlays of \$709.3 billion for a deficit of \$43.1 billion.

2. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, and Rural Telephone Bank.

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

4. FRB staff estimates include Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives marketable debt on an offering basis.

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

CONFIDENTIAL (PR)
CLASS II FOMC

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

SEPTEMBER 30, 1981

	1980 ANN.	1981 ANN. ^f	1982 ANN. ^s	1981 Q I	1981 Q II	1981 Q III ^f	1981 Q IV	1982 Q I ^f	1982 Q II ^f	1982 Q III ^f	1982 Q IV ^f
<hr/>											
1. GNP NET EXPORTS											
CURRENT \$, NET EXPORTS OF G&S	23.3	22.3	2.5	29.2	20.7	19.7	19.5	11.2	2.4	-7	-3.1
IMPORTS OF G&S	339.8	368.6	372.8	367.4	368.2	368.5	370.2	366.4	367.6	375.2	382.1
CONSTANT 72 \$, NET EXPORTS OF G&S	52.0	44.9	33.7	50.9	46.1	42.4	40.0	36.9	33.3	32.7	31.9
IMPORTS OF G&S	161.1	160.9	152.9	162.5	161.5	160.7	158.9	154.5	152.2	152.4	152.6
TERMS OF TRADE (1972=100) 1/	109.1	116.1	119.2	111.6	115.4	118.3	118.9	117.6	118.8	119.7	120.7
	72.7	76.7	78.5	74.6	75.7	77.8	79.0	78.5	78.6	78.4	78.4
<hr/>											
2. U.S. MERCHANDISE TRADE BALANCE 2/											
EXPORTS (EXCL. MILITARY)	-25.3	-26.1	-44.5	-18.7	-27.7	-29.3	-28.8	-34.9	-41.4	-48.7	-53.2
AGRICULTURAL	224.0	239.9	236.2	244.4	241.9	236.0	237.2	235.5	235.1	236.2	237.9
NONAGRICULTURAL	42.2	45.2	48.2	50.9	44.3	41.0	44.7	46.2	47.3	49.1	50.3
181.7	194.6	188.0	193.5	197.6	195.0	192.4	189.3	187.8	187.1	187.6	
IMPORTS	249.3	266.0	280.7	263.1	269.6	265.3	265.9	270.4	276.5	284.9	291.1
PETROLEUM AND PRODUCTS	78.9	78.6	74.6	83.3	84.8	74.3	71.9	73.5	74.2	75.4	75.4
NONPETROLEUM	170.4	187.4	206.1	179.8	184.8	191.0	194.0	196.9	202.3	209.4	215.6
3. U.S. CURRENT ACCOUNT BALANCE	3.7	2.8	-20.9	13.1	4.3	-2.6	-3.6	-11.5	-20.3	-24.0	-28.0
OF WHICH: NET INVESTMENT INCOME	32.8	33.9	30.2	36.2	34.6	32.8	31.8	30.2	27.7	31.2	31.6
<hr/>											
4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/											
REAL GNP, % CHANGE, ANNUAL RATES	1.8	.5	1.9	1.1	.4	.6	1.5	2.2	2.4	2.7	2.8
CONSUMER PRICES, 4/, % CHANGE, ANNUAL RATES	10.5	9.6	8.4	10.7	10.7	8.2	8.2	8.6	8.4	7.5	7.3

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

2/ INTERNATIONAL ACCOUNTS BASIS.

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

f/ PROJECTED.

September 30, 1981

RECENT DEVELOPMENTS

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

SEPTEMBER BUDGET PROPOSALS
(Billions of Dollars)

	<u>Fiscal years</u>		
	1982	1983	1984
Outlay saving proposals:			
12% across-the-board cut in FY1982 appropriations	8.4	5.3	3.8
Defense cuts	2.0	5.0	6.0
Entitlement reforms	<u>2.6</u>	<u>10.0</u>	<u>15.0</u>
Outlay total	13.0	20.3	24.8
Revenue increase	<u>3.0</u>	<u>8.0</u>	<u>11.0</u>
Total effect of proposals on deficit	16.0	28.3	35.8

FEDERAL GOVERNMENT AND SPONSORED AGENCY FINANCING¹
 (Total for period; billions of dollars)

	Aug.	Sept. ^e	FY81 ^e	Q4 ^f
<u>Treasury financing</u>				
Combined surplus/deficit(-)	-6.1	2.8	-79.9	50.5
Net marketable borrowings/ repayments(-)	7.4	8.3	87.7	37.2
Bills	2.3	3.1	22.6	20.0
Coupons	5.1	5.2	65.1	17.2
Nonmarketable borrowings/ repayments(-)	-.9	-1.5	-10.1	-3.1
Other means of finance ²	-6.0	2.7	-.7	7.4
Change in cash balance	-5.6	12.3	-3.0	-9.0
<u>Federally sponsored credit</u> ³ <u>agencies net cash borrowing</u>	5.4	5.3	38.0	11.0

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, and the Federal Farm Credit Bank System.

--estimated.

--forecast.

rose to new highs in early September--and returned to those, or higher, levels after President Reagan's budget-cut speech. Moreover, Treasury bill futures quotes indicate that market participants' current expectations for short-term rates are currently higher and decline less than in mid-August.

**TREASURY BILL FUTURES RATES
(Percent)**

Delivery month	FOMC	Sept. 29	Change
	Aug. 18		
December 1981	14.16	14.64	+.48
September 1982	12.87	14.08	+1.21

As a result of recent rate movements, the Treasury yield curve has flattened significantly (see chart on page III-12). The difference in yield between the curve's current peak at two years and its lowest point at 30 years is about 140 basis points compared with nearly 350 basis points in mid-August.

Yields on tax-exempt securities also posted new record highs during the intermeeting period. Quality spreads widened somewhat as well, but they are not especially large by historical standards. Despite the overall increase in tax-exempt yields, the volume of both short- and longer-term municipal financings has remained sizable in recent months, especially revenue issues--such as those of municipal electric authorities--which typically are less sensitive to interest rate movements.

Institutional investors that traditionally purchase intermediate- and long-term tax-exempt securities--mainly property/casualty insurers and banks--have pared their acquisitions in recent months. This cutback, together with the recently enacted tax legislation that reduced the

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**SUPPLEMENT
CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

**Prepared for the
Federal Open Market Committee**

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

liquidated at a \$4.6 billion annual rate; stocks of petroleum and coal products were reduced at a \$5.5 billion rate and were at the lowest level since last January. Work in process of all manufacturers rose at a \$7.1 billion annual rate and stocks of finished goods increased at a \$11.2 billion rate; inventories of materials and supplies were reduced. The ratio of inventories to shipments for all manufacturers rose to 1.62 in August from 1.60 in July, and was the highest since last September; quite large increases occurred from most major types of durable goods producers except transportation equipment. The inventory-shipments ratio for non-durable goods producers edged down slightly, mainly because of the reduction in stocks of petroleum and coal products.

Corrigendum:

Part I, page I-11, Table on Percent Changes in Gross National

Product and Related Items:

Compensation per hour in the private nonfarm business sector is projected to change in annual rate percentage terms as follows. 1981: Q1, 11.6, Q2 9.6, Q3 9.1, Q4 8.6; 1982: Q1 8.9, Q2 8.1, Q3 7.9, Q4 7.9.

Part II, page III-14: Footnote 1, second line:

"to facilitate sales by buyers" should read "to facilitate sales by builders ..."