

# Part 1

September 14, 1977

## CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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### **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

	Per cent changes, annual rate							
	Nominal GNP		Real GNP		Gross business product fixed weighted price index		Unemployment rate (per cent)	
	8/10/77	9/14/77	8/10/77	9/14/77	8/10/77	9/14/77	8/10/77	9/14/77
1974 <sup>1/</sup>	8.1	8.1	-1.4	-1.4	10.4	10.4	5.6	5.6
1975 <sup>1/</sup>	8.2	8.2	-1.3	-1.3	9.5	9.5	8.5	8.5
1976 <sup>1/</sup>	11.6	11.6	6.0	6.0	5.4	5.4	7.7	7.7
1977	11.1	10.9	5.1	4.9	5.9	6.0	7.0	7.1
1978	11.7	11.4	5.3	4.9	6.2	6.3	6.4	6.7
1977-I <sup>1/</sup>	13.2	13.2	7.5	7.5	6.8	6.8	7.4	7.4
1977-II	13.5	13.7	6.4	6.1	7.0	7.5	7.0	7.0
1977-III	12.0	10.3	5.3	4.4	5.9	5.5	6.8	7.1
1977-IV	12.4	12.0	5.6	5.1	5.9	5.9	6.7	7.0
1978-I	11.7	11.6	5.4	5.0	6.4	6.6	6.6	6.8
1978-II	10.7	10.9	5.0	4.8	6.2	6.3	6.5	6.7
1978-III	11.0	10.6	4.7	4.5	6.2	6.2	6.4	6.6
1978-IV	11.6	11.5	4.5	4.5	6.4	6.3	6.3	6.6
Change:								
76-II to 77-II	10.5	10.5	4.7	4.6	6.0	6.1	-.4	-.4
76-IV to 77-IV	12.8	12.3	6.2	5.8	6.4	6.4	-1.2	-.9
77-II to 78-II	11.7	11.2	5.3	4.8	6.1	6.1	-.5	-.3
77-IV to 78-IV	11.3	11.1	4.9	4.7	6.3	6.3	-.4	-.4

<sup>1/</sup> Actual

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

	1977				1978			
	I	II	III	IV	Projected I	II	III	IV
Gross National Product	1810.8	1869.7	1916.1	1971.3	2026.0	2079.0	2132.0	2190.9
Final purchases	1797.0	1848.0	1899.1	1948.5	2007.7	2054.0	2105.8	2162.7
Private	1422.1	1457.4	1493.6	1530.7	1579.3	1615.2	1655.6	1699.5
Excluding net exports	1430.3	1467.2	1501.9	1541.2	1585.3	1627.8	1671.3	1716.2
Personal consumption expenditures	1172.4	1194.0	1217.5	1245.5	1278.3	1311.2	1345.4	1381.3
Goods	643.6	653.0	664.0	678.0	696.8	715.7	735.4	756.1
Services	528.8	541.1	553.5	567.5	581.5	595.5	610.0	625.2
Gross private domestic investment	271.8	294.9	301.4	318.5	325.3	341.6	352.1	363.1
Residential construction	81.0	90.8	97.3	102.8	107.8	110.8	113.3	115.3
Business fixed investment	177.0	182.4	187.1	192.9	199.2	205.8	212.6	219.6
Change in business inventories	13.8	21.7	17.0	22.8	18.3	25.0	26.2	28.2
Nonfarm	14.1	22.4	17.5	22.5	18.3	25.0	26.2	28.2
Net exports of goods and services <sup>1/</sup>	-8.2	-9.8	-8.3	-10.5	-6.0	-12.6	-15.7	-16.7
Exports	170.4	178.0	179.8	185.4	192.6	198.3	203.0	209.0
Imports	178.6	187.8	188.1	195.9	198.6	210.9	218.7	225.7
Gov't. purchases of goods and services	374.9	390.6	405.5	417.8	428.4	438.8	450.2	463.2
Federal <sup>2/</sup>	136.3	143.6	150.9	155.5	158.3	161.0	164.8	170.4
State and local	238.5	247.0	254.6	262.3	270.1	277.8	285.4	292.8
Gross national product in constant (1972) dollars	1311.0	1330.6	1345.1	1362.1	1378.7	1395.1	1410.5	1425.9
Real income	1476.8	1517.2	1549.2	1594.6	1636.3	1678.6	1725.2	1774.5
Wage and salary disbursements	951.3	980.9	999.0	1027.3	1056.3	1082.3	1108.8	1139.2
Disposable income	1252.4	1292.5	1323.2	1360.5	1401.8	1435.6	1467.9	1506.8
Saving rate (per cent)	4.1	5.3	5.7	6.1	6.5	6.3	6.0	6.0
Corporate profits with I.V.A. and C.C. Adj.	125.4	139.7	153.2	159.9	155.4	161.0	164.3	169.6
Corporate profits before tax	161.7	173.4	185.4	191.9	187.7	193.5	196.8	202.1
Federal government surplus or deficit (-) (N.I.A. basis)	-38.8	-40.6	-52.4	-54.2	-53.2	-48.1	-41.9	-38.4
High employment surplus or deficit (-)	9.4	-5	-12.0	-16.2	-13.2	-9.5	-4.1	-2.1
State and local government surplus or deficit (-) (N.I.A. basis)	27.3	25.4	26.6	27.6	27.5	26.7	25.6	24.1
Excluding social insurance funds	11.9	9.9	10.1	10.5	10.0	8.7	7.1	5.1
Civilian labor force (millions)	96.1	97.2	97.6	98.2	98.7	99.3	99.9	100.4
Unemployment rate (per cent)	7.4	7.0	7.1	7.0	6.8	6.7	6.6	6.6
Nonfarm payroll employment (millions)	80.9	81.9	82.5	83.1	83.8	84.4	85.0	85.6
Manufacturing	19.3	19.6	19.6	19.8	20.0	20.3	20.5	20.7
Industrial production (1967=100)	133.5	137.3	138.8	141.4	143.9	146.5	149.0	151.6
Capacity utilization: all manufacturing (per cent)	81.0	82.9	82.8	83.8	84.6	85.5	86.3	87.2
Materials (per cent)	80.3	82.6	82.4	83.4	84.3	85.2	85.8	86.6
Housing starts, private (millions, A.R.)	1.76	1.91	2.00	2.05	2.05	2.00	1.95	1.90
Sales new autos, (millions, A.R.)	11.12	11.70	11.40	11.70	11.65	11.75	11.75	11.75
Domestic models	9.28	9.34	9.30	9.70	9.75	9.85	9.85	9.85
Foreign models	1.84	2.36	2.10	2.00	1.90	1.90	1.90	1.90

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

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

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CLASS II FOMC

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1977				1978			
					Projected			
	I	II	III	IV	I	II	III	IV
	----- Billions of dollars -----							
Gross National Product	55.4	58.9	46.4	55.2	54.7	53.0	53.0	58.9
Inventory change	14.7	7.9	-4.7	5.8	-4.5	6.7	1.2	2.0
Final purchases	40.7	51.0	51.1	49.4	59.2	46.3	51.8	56.9
Private	35.8	35.3	36.2	37.1	48.6	35.9	40.4	43.9
Net exports	-11.2	-1.6	1.5	-2.2	4.5	-6.6	-3.1	-1.0
Excluding net exports	47.0	36.9	34.7	39.3	44.1	42.5	43.5	44.9
Personal consumption expenditures	33.4	21.6	23.5	28.0	32.8	32.9	34.2	35.9
Goods	18.5	9.4	11.0	14.0	18.8	18.9	19.7	20.7
Services	14.9	12.3	12.4	14.0	14.0	14.0	14.5	15.2
Residential fixed investment	4.3	9.8	6.5	5.5	5.0	3.0	2.5	2.0
Business fixed investment	9.4	5.4	4.7	5.8	6.3	6.6	6.8	7.0
Government	4.9	15.7	14.9	12.3	10.6	10.4	11.4	13.0
Federal	2.1	7.3	7.3	4.6	2.8	2.7	3.8	5.6
State and local	2.7	8.5	7.6	7.7	7.8	7.7	7.6	7.4
GNP in constant (1972) dollars	23.6	19.6	14.5	17.0	16.6	16.4	15.4	15.5
Final purchases	12.0	16.2	17.5	13.3	17.7	12.5	15.0	14.2
Private	13.3	9.5	10.8	11.2	14.9	9.6	11.8	12.4
	----- In Per Cent per Year <sup>1/</sup> -----							
Gross National Product	13.2	13.7	10.3	12.0	11.6	10.9	10.6	11.5
Final purchases	9.6	11.8	11.5	10.8	12.7	9.5	10.5	11.3
Private	10.7	10.3	10.3	10.3	13.3	9.4	10.4	11.0
Personal consumption expenditures	12.2	7.6	8.1	9.5	11.0	10.7	10.8	11.1
Goods	12.4	6.0	6.9	8.7	11.6	11.3	11.5	11.7
Services	12.0	9.6	9.5	10.5	10.2	10.0	10.1	10.3
Gross private domestic investment	55.5	38.6	9.1	24.7	8.8	21.6	12.9	13.1
Residential structures	24.2	57.9	31.9	24.6	20.9	11.6	9.3	7.2
Business fixed investment	24.5	12.8	10.7	13.0	13.7	13.9	13.9	13.8
Gov't. purchases of goods and services	5.4	17.9	16.2	12.7	10.5	10.1	10.3	12.1
Federal	6.6	23.3	21.9	12.8	7.4	7.0	9.8	14.3
State and local	4.7	14.9	12.9	12.7	12.4	11.9	11.4	10.8
GNP in constant (1972) dollars	7.5	6.1	4.4	5.1	5.0	4.8	4.5	4.5
Final purchases	3.8	5.1	5.4	4.1	5.4	3.7	4.4	4.1
Private	5.3	3.7	4.3	4.3	5.7	3.6	4.4	4.6
GNP implicit deflator <sup>2/</sup>	5.3	7.1	5.6	6.5	6.3	5.8	5.8	6.8
Gross business product fixed-weighted price index <sup>3/</sup>	6.8	7.5	5.5	5.9	6.6	6.3	6.2	6.3
Personal income	13.1	11.4	8.7	12.2	10.9	10.8	11.6	11.9
Wage and salary disbursements	12.7	13.0	7.6	11.8	11.8	10.2	10.2	11.4
Disposable income	10.1	13.4	9.9	11.8	12.7	10.0	9.3	11.0
Corporate profits before tax	19.1	32.2	30.7	14.7	-8.5	12.9	7.0	11.4
Nonfarm payroll employment	4.3	4.9	2.9	3.2	3.1	2.9	2.9	2.9
Manufacturing	5.3	6.4	1.0	4.8	4.4	4.7	4.0	4.2
Nonfarm business sector								
Output per hour	5.0	.4	3.7	2.0	2.2	2.2	2.0	2.0
Compensation per hour	11.7	7.4	6.8	7.7	11.2	7.8	7.9	7.9
Unit labor costs	6.3	6.9	3.1	5.7	9.0	5.6	5.9	5.9
Industrial production	5.6	11.9	4.4	7.7	7.3	7.4	7.0	7.2
Housing starts, private	-2.6	38.9	20.5	10.4	.0	-9.4	-9.6	-9.9
Sales new autos	53.4	22.5	-10.0	10.9	-1.7	3.5	.0	.0
Domestic models	55.1	2.6	-1.8	18.3	2.1	4.2	.0	.0
Foreign models	45.2	170.5	-37.4	-17.7	-18.5	.0	.0	.0

<sup>1/</sup> Percentage rates are annual rates compounded quarterly.

including Federal pay increases rates of change are: 1977-I, 5.3 per cent; 1977-IV, 5.8 per cent; 1978-I, 6.2 per cent; 1978-IV, 6.1 per cent.

<sup>3/</sup> Using expenditures in 1972 as weights.

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I FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS  
(Expenditures and income figures are billions of dollars)

	1971	1972	1973	1974	1975	1976	1977	1978
Gross National Product	1063.4	1171.1	1306.6	1412.9	1528.8	1706.5	1892.0	2107.0
Final purchases	1057.1	1161.7	1288.6	1404.0	1540.3	1693.1	1873.2	2082.5
Private	823.4	908.6	1019.1	1101.3	1201.4	1331.7	1476.0	1637.4
Excluding net exports	821.8	911.9	1012.0	1095.3	1181.0	1323.9	1485.2	1650.1
Personal consumption expenditures	668.2	733.0	809.9	889.6	980.4	1093.9	1207.4	1329.0
Goods	374.8	410.5	457.5	498.3	542.2	601.6	659.6	726.0
Services	293.4	322.4	352.3	391.3	438.2	492.3	547.7	603.0
Gross private domestic investment	160.0	188.3	220.0	214.6	189.1	243.3	296.7	345.5
Residential construction	49.6	62.0	66.1	55.1	51.5	68.0	93.0	111.8
Business fixed investment	104.1	116.8	136.0	150.6	149.1	161.9	184.9	209.3
Change in business inventories	6.4	9.4	17.9	8.9	-11.5	13.3	18.8	24.4
Nonfarm	5.1	8.8	14.7	10.8	-15.1	14.9	19.1	24.4
Net exports of goods and services	1.6	-3.3	7.1	6.0	20.4	7.8	-9.2	-12.7
Exports	65.6	72.7	101.6	137.9	147.3	162.9	178.4	200.7
Imports	64.0	75.9	94.4	131.9	126.9	155.1	187.6	213.5
Gov't. purchases of goods and services	233.7	253.1	269.5	302.7	338.9	361.4	397.2	445.1
Federal	96.2	102.1	102.2	111.1	123.3	130.1	146.6	163.6
State and local	137.5	151.0	167.3	191.5	215.6	231.2	250.6	281.5
Gross national product in constant (1972) dollars	1107.5	1171.1	1235.0	1217.8	1202.1	1274.7	1337.2	1402.5
Personal income	859.1	942.5	1052.4	1154.9	1253.4	1382.7	1534.5	1703.6
and salary disbursements	579.4	633.8	701.3	764.6	805.7	891.8	989.6	1096.6
Disposable income	742.8	801.3	901.7	984.6	1084.4	1185.8	1307.2	1453.0
Saving rate (per cent)	7.7	6.2	7.8	7.3	7.4	5.6	5.3	6.2
Corporate profits with I.V.A. and C.C. Adj.	77.2	92.1	99.1	83.6	99.3	128.1	144.6	162.6
Corporate profits before tax	82.0	96.2	115.8	126.9	123.5	156.9	178.1	195.0
Federal government surplus or deficit (-) (N.I.A. basis)	-22.0	-17.3	-6.7	-10.7	-70.2	-54.0	-46.5	-45.4
High employment surplus or deficit (-)	-5.3	-5.9	-.7	17.1	-20.3	-10.4	-4.8	-7.2
State and local government surplus or deficit (-) (N.I.A. basis)	3.7	13.7	13.0	7.5	5.9	18.4	26.7	26.0
Excluding social insurance funds	-3.8	5.6	4.1	-2.9	-6.2	3.9	10.6	7.7
Civilian labor force (millions)	84.1	86.5	88.7	91.0	92.6	94.8	97.3	99.6
Unemployment rate (per cent)	6.0	5.6	4.9	5.6	8.5	7.7	7.1	6.7
Nonfarm payroll employment (millions)	71.2	73.7	76.9	78.4	77.1	79.4	82.1	84.7
Manufacturing	18.6	19.1	20.1	20.0	18.3	19.0	19.6	20.4
Industrial production (1967=100)	109.6	119.7	129.8	129.3	117.8	129.8	137.8	147.8
Capacity utilization: all manufacturing (per cent)	78.0	83.1	87.5	84.2	73.6	80.1	82.6	85.9
Materials (per cent)	83.1	88.0	92.4	87.7	73.6	80.3	82.2	85.5
Housing starts, private (millions, A.R.)	2.05	2.36	2.05	1.34	1.16	1.54	1.93	1.97
Sales new autos (millions, A.R.)	10.24	10.93	11.42	8.91	8.66	10.12	11.48	11.72
Domestic models	8.68	9.32	9.65	7.49	7.08	8.63	9.41	9.82
Foreign models	1.56	1.61	1.77	1.42	1.58	1.50	2.08	1.90

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 II FOMC

CHANGES IN GROSS NATIONAL PRODUCT  
 AND RELATED ITEMS

	1971	1972	1973	1974	1975	1976	1977	1978
-----Billions of Dollars-----								
Gross National Product	81.0	107.7	135.5	106.3	115.9	177.7	185.5	214.9
Inventory change	2.6	3.0	8.5	-9.0	-20.4	24.8	5.5	5.6
Final purchases	78.5	104.6	126.9	115.4	136.3	152.8	180.1	209.3
Private	63.7	85.2	110.5	82.2	100.1	130.3	144.3	161.4
Net exports	-2.3	-4.9	10.4	-1.1	14.4	-12.6	-17.0	-3.5
Excluding net exports	66.0	90.1	100.1	83.3	85.7	142.9	161.3	164.9
Personal consumption expenditures	49.4	64.8	76.9	79.7	90.8	113.5	113.5	121.7
Foods	25.2	35.7	47.0	40.8	43.9	59.4	58.0	66.4
Services	24.3	29.0	29.9	39.0	46.9	54.1	55.4	55.3
Residential fixed investment	13.0	12.4	4.1	-11.0	-3.6	16.5	25.0	18.8
Business fixed investment	2.6	12.7	19.2	14.6	-1.5	12.8	23.0	24.4
Government	14.8	19.4	16.4	33.2	36.2	22.5	35.8	48.0
Federal	.6	5.9	.1	8.9	12.2	6.8	16.5	17.0
State and local	14.3	13.5	16.3	24.2	24.1	15.6	19.4	30.9
GNP in constant (1972) dollars	32.2	63.6	63.9	-17.2	-15.7	72.6	62.5	65.4
Final purchases	29.9	60.8	56.8	-8.6	2.1	54.2	59.2	60.8
Private	30.7	57.1	57.4	-13.8	-3.2	52.8	51.4	47.2
-----In Per Cent Per Year-----								
Gross National Product	8.2	10.1	11.6	8.1	8.2	11.6	10.9	11.4
Final purchases	8.0	9.9	10.9	8.9	9.7	9.9	10.6	11.2
Private	8.4	10.3	12.2	8.1	9.1	10.8	10.8	10.9
Personal consumption expenditures	8.0	9.7	10.5	9.8	10.2	11.6	10.4	10.1
Foods	7.2	9.5	11.4	8.9	8.8	11.0	9.6	10.1
Services	9.0	9.9	9.3	11.1	12.0	12.4	11.3	10.1
Gross private domestic investment	13.6	17.7	16.8	-2.5	-11.9	28.7	21.9	16.5
Residential structures	35.5	25.1	6.6	-16.7	-6.5	32.2	36.8	20.2
Business fixed investment	3.6	12.3	16.4	10.8	-1.0	8.6	14.2	13.2
Gov't. purchases of goods and services	6.8	8.3	6.5	12.3	12.0	6.6	9.9	12.1
Federal	.6	6.1	.1	8.7	11.0	5.5	12.7	11.6
State and local	11.6	9.8	10.8	14.5	12.6	7.2	8.4	12.3
GNP in constant (1972) dollars	3.0	5.7	5.5	-1.4	-1.3	6.0	4.9	4.9
Final purchases	2.8	5.5	4.9	-.7	.2	4.5	4.7	4.6
Private	3.7	6.7	6.3	-1.4	-.3	5.6	5.1	4.5
GNP implicit deflator	5.1	4.1	5.8	9.7	9.6	5.3	5.7	6.2
Gross business product fixed-weighted price index <sup>1/</sup>	4.4	3.3	5.7	10.4	9.5	5.4	6.4	6.3
Personal income	7.2	9.7	11.7	9.7	8.5	10.3	11.0	11.0
Wage and salary disbursements	6.0	9.4	10.7	9.0	5.4	10.7	11.0	10.8
Disposable income	8.3	7.9	12.5	9.2	10.1	9.4	10.2	11.2
Corporate profits before tax	14.7	17.3	20.4	9.6	-2.7	27.0	13.5	9.5
Nonfarm payroll employment	.4	3.5	4.3	2.0	-1.7	3.1	3.4	3.1
Manufacturing	-4.0	2.8	5.1	-.1	-8.5	3.3	3.3	4.1
Nonfarm business sector								
Output per hour	2.9	3.0	1.7	-2.9	1.6	4.1	2.1	2.1
Compensation per hour	6.6	5.8	7.8	9.4	9.6	8.7	8.6	8.5
Unit labor costs	3.5	2.7	6.0	12.7	7.9	4.5	6.3	6.3
Industrial production	1.7	9.2	8.4	-.4	-8.9	10.2	6.2	7.3
Housing starts	43.1	14.9	-13.2	-34.6	-13.3	32.6	25.4	2.1
Sales of new autos	21.9	6.8	-4.7	-14.5	-2.8	16.9	13.4	2.1
Passenger models	21.9	7.4	3.5	-22.4	-5.5	21.9	9.0	4.4
Light trucks	21.8	3.1	9.7	-19.9	11.4	-5.1	38.6	-8.5

<sup>1/</sup> Using expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS  
(billions of dollars)

	Fiscal Year	FY 1977 e/		FY 1978 e/			CY 1976	F.R.B. staff estimates CY 1977 e/Calendar quarters; unadjusted data										
	1976*	Admin. est. 1/	F.R. Board	Admin. est. 1/	F.R. Board	Cong. est. 2/	*	F.R. Board	1977			1978						
									I*	II*	III	IV	I	II	III			
Unified budget receipts	299.2	358.3	357.5	401.4	397.8	397.0	317.6	367.1	79.0	110.5	91.9	85.8	86.5	120.6	105.0			
Unified budget outlays	365.7	406.4	402.3	462.9	455.5	458.3	374.2	411.1	97.6	101.8	103.8	107.9	109.3	116.3	122.0			
Surplus(+)/Deficit(-), unified budget	-66.5	-48.1	-44.8	-61.5	-57.7	-61.3	-56.6	-44.0	-18.7	8.6	-11.9	-22.1	-22.8	4.3	-17.0			
Surplus(+)/Deficit(-), off-budget agencies 3/	-7.3	-10.1	-9.5	-7.7	-9.5	n.a.	-5.7	-9.4	-4.3	.1	-5.7	.5	-4.2	-.1	-5.6			
Means of financing combined deficits:																		
Net borrowing from public	82.9	n.a.	49.7	n.a.	63.0	n.a.	69.0	49.2	17.6	-1.1	15.8	16.9	25.5	-2.7	23.3			
Decrease in cash operating balance	-7.2	n.a.	2.0	n.a.	4.4	n.a.	-3.2	.7	2.6	-7.2	.9	4.4	0	0	0			
Other 4/	-1.9	n.a.	2.5	n.a.	-.5	n.a.	-3.5	3.5	2.7	-.4	1.0	.2	1.5	-1.5	-.7			
Cash operating balance, end of period	14.8	n.a.	15.4	n.a.	11.0	n.a.	11.7	11.0	9.0	16.3	15.4	11.0	11.0	11.0	11.0			
Memo: Sponsored agency borrowing 5/	3.4	n.a.	5.7	n.a.	n.e.	n.a.	2.9	5.9	.7	2.9	1.6	.5	2.4	n.e.	n.e.			
NIA Budget																		
									Seasonally adjusted annual rates									
Receipts	312.5	365.4	363.6 <sup>6/</sup>	415.3	411.7 <sup>6/</sup>	n.a.	332.3	376.3	364.9	370.9	378.5	390.9	404.9	418.4	436.8			
Outlays	373.1	417.2	411.7	469.3	462.1	n.a.	386.3	422.8	403.7	411.5	430.9	445.1	458.1	466.5	478.7			
Purchases (total)	127.0	143.6	141.3	163.5	159.3	n.a.	130.1	145.3	136.3	143.3	147.7	154.0	157.2	160.9	164.9			
Defense	85.9	92.8	92.0	105.2	103.8	n.a.	86.8	95.4	89.7	94.2	96.7	100.8	103.0	104.7	106.5			
Non-defense	41.2	50.8	49.3	58.3	55.5	n.a.	43.3	50.0	46.7	49.1	51.0	53.2	54.2	56.2	58.4			
All other outlays	246.1	273.6	270.4	305.8	302.9	n.a.	256.2	277.5	267.4	268.2	283.2	291.1	300.9	305.6	313.8			
Surplus(+)/Deficit(-)	-60.6	-51.8	-48.1 <sup>6/</sup>	-54.0	-50.4 <sup>6/</sup>	n.a.	-54.0	-46.5	-38.8	-40.6	-52.4	-54.2	-53.2	-48.1	-41.9			
High Employment Surplus(+)/Deficit(-) (NIA basis) 7/	-15.7	n.a.	-2.6	n.a.	-10.8	n.a.	-10.4	-4.7	9.4	-.5	-12.0	-16.2	-13.2	-9.5	-4.1			
	*actual	e--estimated	r--revised	n.e.--not estimated			n.a.--not available			p--preliminary								

1/ OMB Mid-Session Review of the 1978 Budget, (July 1, 1977).

2/ Conference Report on the Second Concurrent Resolution (September 13, 1977).

3/ Includes Federal Financing Bank, Postal Service, U.S. Railway Association, Rural Electrification and Telephone Revolving fund, Housing for the Elderly or Handicapped Fund, and Pension Benefit Guaranty Corporation.

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

5/ Includes Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives.

6/ Quarterly average exceeds fiscal year total by \$1.1 billion for FY 1977 due to spreading of wage base effect over calendar year.

7/ Estimated by F.R.B. staff. The high employment budget forecast incorporates the Department of Commerce's July 1977 GNP revisions.

	1976	1977 <sup>P</sup>	1978 <sup>P</sup>	1976		1 9 7 7				1 9 7 8 <sup>P</sup>				
				III	IV	I	II <sup>P</sup>	III <sup>P</sup>	IV <sup>P</sup>	I	II	III	IV	
<u>Billions of dollars</u>														
1. GNP NET EXPORTS - Intl Acct. data	7.8	-10.7	-14.8	7.8	2.9	-8.2	-11.8	-10.3	-12.5	-8.0	-14.6	-17.7	-18.7	
2. (GNP net exports - GNP Acct. data) <u>1/</u>	(7.8)	(-9.2)	(-12.7)	(7.9)	(3.0)	(-8.2)	(-9.8)*	(-8.3)	(-10.5)	(-6.0)	(-12.6)	(-15.7)	(-16.7)	
3. a) Merchandise Trade Balance	-9.2	-31.1	-38.2	-11.1	-14.3	-27.9	-31.7*	-31.2	-33.6	-30.4	-37.8	-41.6	-43.0	
4. Exports (excl. military)	114.7	121.6	135.7	118.4	118.8	117.9	121.6*	121.6	125.2	129.5	133.6	137.2	142.4	
5. Agricultural	23.4	24.6	22.6	25.0	23.6	24.5	26.6*	24.0	23.2	23.0	22.6	22.0	22.6	
6. Nonagricultural	91.3	97.0	113.1	93.5	95.3	93.4	94.9*	97.6	102.0	106.5	111.0	115.2	119.8	
7. Imports	123.9	152.7	173.9	129.5	133.2	145.8	153.3*	152.8	158.8	159.9	171.4	178.8	185.4	
8. Petroleum and petrol. products	34.6	44.2	46.3	37.6	37.4	44.3	47.7*	41.4	43.4	40.1	46.1	48.6	50.4	
9. Nonpetroleum	89.3	108.5	127.6	91.9	95.8	101.5	105.5*	111.4	115.4	119.8	125.3	130.2	135.0	
10. b) Military transactions, net <u>2/</u>	--	.8	1.4	.5	.4	-.1	.7	1.3	1.2	1.4	1.4	1.4	1.4	
11. c) Investment income, net <u>3/</u>	14.3	17.8	20.5	15.3	14.4	17.6	17.3	17.9	18.3	19.4	20.3	21.0	21.4	
12. d) Other services, net <u>4/</u>	2.7	1.8	1.5	3.1	2.4	2.2	1.9	1.7	1.6	1.6	1.5	1.5	1.5	
13. U.S. CURRENT ACCOUNT BALANCE <u>2/</u>	-.9	-20.4	-26.9	-1.5	-5.9	-17.1	-21.1	-20.1	-23.0	-19.6	-26.7	-29.8	-31.1	
14. a) GNP net exports (line 1.)	7.8	-10.7	-14.8	7.8	2.9	-8.2	-11.8	-10.3	-12.5	-8.0	-14.6	-17.7	-18.7	
15. b) U.S. Govt & private transfers <u>5/</u>	-8.7	-9.7	-12.1	-9.3	-8.8	-8.9	-9.3	-9.8	-10.5	-11.6	-12.1	-12.1	-12.4	
<u>Constant (1972) dollars</u>														
16. Merchandise exports (excl. military)	66.7	67.3	71.4	68.4	67.3	66.2	67.2	67.3	68.5	69.6	70.8	72.0	73.2	
17. (% change, annual rates)	(3.4)	(0.9)	(6.1)	(13.0)	(-6.6)	(-6.6)	(6.1)	(0.4)	(7.4)	(6.6)	(7.0)	(7.0)	(7.0)	
18. Merchandise imports	62.8	71.2	76.6	64.9	66.1	70.0	71.9	70.5	72.4	72.0	76.1	78.2	80.1	
19. (% change, annual rates)	(22.5)	(13.4)	(7.6)	(29.1)	(7.4)	(25.8)	(11.2)	(-7.8)	(11.2)	(-2.4)	(24.8)	(11.7)	(10.0)	
<u>Foreign Outlook - Major Industrial Countries <u>6/</u></u>														
20. Real GNP, % change, annual rates	5.1	3.1	4.6	1.6	3.2	5.3	0.0	3.7	4.9	4.9	5.3	5.3	4.5	
21. Wholesale Prices, % change, annual rates <u>7/</u>	9.5	8.9	6.0	11.7	8.7	10.4	7.4	4.1	6.1	6.1	6.1	6.6	7.0	

1/ Lags Intl. Acct. data (line 1) in the inclusion of revisions and new data.

2/ Excludes grants to Israel under military assistance acts and exports financed by those grants.

3/ Excludes U.S. Govt. interest payments to foreigners, which are included in line 15.

4/ Includes travel, transportation, fees and royalties, and miscellaneous other service transactions.

5/ Includes U.S. Govt grants, U.S. Govt interest payments to foreigners, and remittances and pensions.

6/ Weighted by the shares of Canada, France, Germany, Italy, Japan and the United Kingdom in the sum of the real GNP of the six countries in dollar terms.

7/ Data are largely manufactured goods prices.

P/ Projected.

E/ Estimated.

\* Published data.



CONFIDENTIAL (FR)

September 14, 1977

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

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

	1976	1977					
	Year	QI	QII <sup>e/</sup>	July <sup>e/</sup>	Aug. <sup>e/</sup>	Sept. <sup>f/</sup>	Oct. <sup>f/</sup>
<u>Gross offerings</u>							
Corporate securities--total	4,445	4,064	3,863	4,000	3,400	3,200	3,600
Publicly offered bonds	2,204	2,166	1,854	2,400	1,900	1,700	2,000
By quality <sup>1/</sup>							
Aaa and Aa	1,040	1,230	1,065	1,550	625	--	--
Less than Aa <sup>2/</sup>	1,154	936	789	850	1,275	--	--
By type of borrower							
Utility	675	734	772	450	385	--	--
Industrial	874	709	462	1,200	750	--	--
Other	655	723	620	750	765	--	--
Privately placed bonds	1,317	1,026	1,096	1,000	900	900	1,000
Stocks	924	872	913	600	600	600	600
By type of issue							
Common	692	622	721	350	400	--	--
Preferred	232	250	192	250	200	--	--
Foreign securities--total	852	443	748	1,151	250	--	--
Publicly offered <sup>3/</sup>	520	286	600	935	150	450	300
Privately placed	332	157	148	216	100	--	--
State and local gov't. securities--total	4,756	5,152	7,518	4,617	5,300	5,600	5,100
Long-term	2,932	3,565	4,522	3,200	4,000	3,800	3,800
Short-term	1,824	1,587	2,996	1,417	1,300	1,800	1,300
<u>Net offerings</u>							
U.S. Treasury	4,850	4,703	-1,717	685	10,200	2,900	2,900
Sponsored Federal agencies	361	734	561	-263	-275	2,122	107

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

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

<sup>3/</sup> Classified by original offering date.

<sup>e/</sup> Estimated.

<sup>f/</sup> Forecast.

and accounted for most of this increase. It is likely that the bulge will be reallocated from July to earlier months.

Increased exports of industrial supplies and aircraft were almost offset by small declines in most other commodity groups. The value of machinery exports remained at about the rate in the first half of 1977, mirroring the relatively slow rate of economic advance abroad.

Imports in July were \$150.9 billion at an annual rate, down 6 per cent from the June rate, mainly reflecting a sharp drop in petroleum imports. The volume of petroleum imports fell to 8.9 million barrels per day (mbd) in July from 10.5 mbd in June as the deliveries of oil ordered in anticipation of the July 1 Saudi price rise tapered off. The average price of a barrel of imported oil fell to \$13.39 in July from \$13.36 in June amid reports of price discounting by some oil exporters.

Petroleum and Products  
(millions of barrels per day unless otherwise indicated)

	1974	1975	1976	1 9 7 7				
				1Q	2Q	June	July	August
Imports	6.6	6.5	7.8	9.3	9.8	10.5	8.9	n.a.
U.S. Production	11.0	10.5	10.3	10.2	10.1 <sup>1/</sup>	n.a.	n.a.	n.a.
U.S. Stocks <sup>2/</sup>	893.9	941.6	948.0	915.5	1005.8	1005.8	1028.6	1045.1

<sup>1/</sup> Forecast    n.a. = not available

<sup>2/</sup> Millions of barrels, end of period. After 1975 these data include crude oil in pipelines between ports and refineries, raising the stocks level by about 13-18 million barrels.

<sup>3/</sup> August stocks include API estimates of about 11 million barrels for the Alaskan pipeline and terminal.