

CONFIDENTIAL (FR)

September 13, 1978

SUMMARY AND OUTLOOK

By the Staff  
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)	
	8/9/78	9/13/78	8/9/78	9/13/78	8/9/78	9/13/78	8/9/78	9/13/78
1975 <sup>1/</sup>	8.2	8.2	-1.3	-1.3	9.4	9.4	8.5	8.5
1976 <sup>1/</sup>	11.2	11.2	5.7	5.7	5.4	5.4	7.7	7.7
1977 <sup>1/</sup>	11.0	11.0	4.9	4.9	6.2	6.2	7.0	7.0
1978	11.1	11.2	3.6	3.7	7.4	7.4	6.0	6.0
1979	11.5	11.4	3.8	3.8	7.6	7.5	5.9	5.9
1978-I <sup>1/</sup>	7.1	7.1	-.1	-.1	6.7	6.7	6.2	6.2
1978-II <sup>1/</sup>	18.2	19.6	7.4	8.0	11.2	12.0	5.9	5.9
1978-III	11.0	10.1	3.3	2.9	7.5	6.3	6.0	6.0
1978-IV	11.0	10.8	3.4	3.3	6.8	6.7	5.9	5.9
1979-I	12.1	12.2	4.2	4.2	7.9	7.9	5.8	5.8
1979-II	11.0	10.5	3.7	3.5	7.5	7.7	5.8	5.8
1979-III	10.3	10.1	3.2	3.2	6.8	6.9	5.9	5.9
1979-IV	10.2	10.2	2.7	2.7	6.9	7.0	6.0	6.0
Change:								
77-II to 78-II <sup>1/</sup>	11.2	11.6	4.0	4.1	7.3	7.5	-1.2	-1.2
77-IV to 78-IV	11.7	11.8	3.5	3.5	8.1	8.0	-.7	-.7
78-II to 79-II	11.3	10.9	3.6	3.5	7.4	7.1	-.1	-.1
78-IV to 79-IV	10.9	10.7	3.5	3.4	7.2	7.4	.1	.1
Memo:								
Growth Over Annual Policy Period:								
78-II to 79-II	11.3	10.9	3.6	3.5	7.4	7.1	-.1	-.1
<sup>1/</sup> Actual.								

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.)

	1978				1979			
	I	II	III	IV	Projected I	Projected II	Projected III	Projected IV
Gross national product	1992.0	2083.2	2133.7	2189.1	2253.2	2310.3	2366.4	2424.4
Final purchases	1975.3	2064.3	2113.3	2167.5	2230.6	2286.7	2342.3	2399.8
Private	1558.6	1639.8	1674.2	1713.6	1768.0	1814.2	1857.9	1902.5
Excluding net exports	1582.7	1650.0	1684.8	1723.8	1775.1	1821.9	1863.8	1905.9
Personal consumption expenditures	1276.7	1324.9	1351.4	1383.6	1427.5	1466.9	1501.7	1536.2
Goods	684.9	717.8	726.8	742.9	767.6	788.2	804.8	821.3
Services	591.8	607.1	624.6	640.7	659.9	678.7	696.9	714.9
Gross private domestic investment	322.7	344.0	353.8	361.8	370.2	378.6	386.2	394.3
Residential construction	100.3	105.3	107.3	107.8	108.3	108.3	108.3	108.8
Business fixed investment	205.6	219.8	226.1	232.4	239.3	246.7	253.8	260.9
Change in business inventories	16.7	18.9	20.4	21.6	22.6	23.6	24.1	24.6
Nonfarm	16.9	20.9	20.4	21.6	22.6	23.6	24.1	24.6
Net exports of goods and services <sup>1/</sup>	-24.1	-10.2	-10.6	-10.2	-7.1	-7.7	-5.9	-3.4
Exports	181.7	200.9	206.2	214.6	224.6	233.3	241.3	249.8
Imports	205.8	211.1	216.8	224.8	231.7	241.0	247.2	253.2
Gov't. purchases of goods and services	416.7	424.5	439.1	453.9	462.6	472.5	484.4	497.3
Federal <sup>2/</sup>	151.5	147.2	153.8	161.7	163.5	166.4	171.2	177.1
State and local	265.2	277.3	285.3	292.2	299.1	306.1	313.2	320.2
Gross national product in constant (1972) dollars	1354.2	1380.5	1390.2	1401.6	1416.3	1428.4	1439.8	1449.4
Personal income	1628.9	1682.2	1730.5	1774.5	1819.6	1866.8	1917.8	1964.9
Wage and salary disbursements	1050.8	1089.9	1113.0	1139.8	1173.5	1201.9	1230.3	1261.6
Disposable personal income	1391.6	1433.3	1469.6	1504.6	1556.1	1594.6	1636.7	1674.4
Saving rate (per cent)	5.9	5.2	5.7	5.7	5.9	5.6	5.9	5.9
Corporate profits with I.V.A. and C.C. Adj.	132.6	159.5	166.7	171.9	170.3	174.8	178.6	184.1
Corporate profits before tax	172.1	201.6	201.2	208.7	207.4	212.2	216.3	222.1
Federal government surplus or deficit (-) (N.I.A. basis)	-52.6	-25.2	-31.8	-34.7	-38.2	-35.7	-39.2	-40.5
High employment surplus or deficit (-)	-2.9	14.1	10.8	10.4	9.8	14.8	14.1	15.0
State and local government surplus or deficit (-) (N.I.A. basis)	31.5	29.8	22.5	23.4	23.3	22.2	21.2	22.4
Excluding social insurance funds	11.5	9.3	1.4	1.7	1.0	-7	-2.3	-1.7
Civilian labor force (millions)	99.2	100.2	100.7	101.2	101.9	102.5	103.1	103.6
Unemployment rate (per cent)	6.2	5.9	6.0	5.9	5.8	5.8	5.9	6.0
Nonfarm payroll employment (millions)	84.1	85.5	86.1	86.4	87.0	87.5	88.0	88.5
Manufacturing	20.1	20.3	20.3	20.4	20.6	20.8	20.9	20.9
Industrial production (1967=100)	139.6	143.9	146.4	148.4	150.9	152.9	154.5	155.9
Capacity utilization: all mfg. (per cent)	82.1	83.8	84.5	84.8	85.5	85.8	85.9	85.9
Materials (per cent)	81.7	84.5	85.3	85.8	86.7	87.2	87.5	87.7
Housing starts, private (million units, A.R.)	1.72	2.11	2.00	1.90	1.85	1.80	1.75	1.75
New autos sales, (millions, A.R.)	10.80	12.12	11.25	10.90	10.95	10.75	10.65	10.55
Domestic models	8.80	10.01	9.25	9.00	9.00	8.90	8.85	8.80
Foreign models	2.00	2.11	2.00	1.90	1.95	1.85	1.80	1.75

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

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

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

	1978				1979			
	I	II	III	IV	Projected			
	I	II	III	IV	I	II	III	IV
<u>Constant (1972) dollars</u>								
Gross national product	-1.1	8.0	2.9	3.3	4.2	3.5	3.2	2.7
Final purchases	-1.6	8.2	2.6	3.1	4.1	3.3	3.2	2.6
Private	-1.1	10.4	1.4	2.7	4.8	3.5	3.0	2.8
Excluding net exports	-1.0	8.1	1.3	2.6	4.4	3.4	2.7	2.4
Personal consumption expenditures	-1.4	6.5	1.2	3.0	5.0	3.9	3.1	2.7
Goods	-8.1	10.0	-1.0	3.1	5.7	3.8	2.7	2.1
Services	7.0	2.5	3.8	2.8	4.2	4.0	3.7	3.3
Gross private domestic investment	11.3	13.9	3.6	2.0	2.7	2.4	1.3	1.6
Residential structures	-5.2	3.8	-2.0	-7.4	-6.1	-7.8	-7.8	-6.1
Business fixed investment	4.2	21.1	3.3	4.1	5.0	5.0	4.2	4.0
Gov't. purchases of goods and services	-3.5	-3	7.4	4.9	1.3	2.6	4.0	2.0
Federal	-8.9	-15.2	13.4	8.8	-8	2.9	6.6	1.5
State and local	-1	9.4	4.1	2.7	2.5	2.5	2.5	2.3
Disposable personal income	1.1	3.3	3.3	3.0	6.0	2.7	4.2	2.7
<u>Current dollars</u>								
Gross national product	7.1	19.6	10.1	10.8	12.2	10.5	10.1	10.2
Final purchases	6.4	19.3	9.8	10.7	12.2	10.4	10.1	10.2
Private	7.0	22.5	8.7	9.8	13.3	10.9	10.0	10.0
Excluding net exports	7.1	18.1	8.7	9.6	12.5	11.0	9.5	9.4
Personal consumption expenditures	7.0	16.0	8.2	9.9	13.3	11.5	9.8	9.5
Goods	.5	20.6	5.1	9.2	14.0	11.2	8.7	8.5
Services	15.3	10.8	12.0	10.7	12.5	11.9	11.2	10.7
Gross private domestic investment	12.2	29.2	11.9	9.4	9.7	9.3	8.2	8.8
Residential structures	.5	21.2	7.8	1.9	1.9	.0	.0	1.9
Business fixed investment	11.1	30.6	12.0	11.6	12.5	12.8	12.0	11.8
Gov't. purchases of goods and services	4.1	7.7	14.5	14.2	7.9	8.8	10.5	11.1
Federal	-2.0	-10.9	19.2	22.2	4.5	7.3	12.0	14.5
State and local	7.8	19.5	12.0	10.0	9.8	9.7	9.6	9.2
Disposable personal income	9.8	12.5	10.5	9.9	14.4	10.3	11.0	9.6
Personal income	9.3	13.7	12.0	10.6	10.5	10.8	11.4	10.2
Wage and salary disbursements	12.1	15.7	8.8	10.0	12.4	10.0	9.8	10.6
Corporate profits with IVA & C.C. Adj.	-35.9	109.3	19.3	13.1	-3.7	11.0	9.0	12.9
Corporate profits before tax	-13.2	88.3	-8	15.9	-2.4	9.4	8.1	11.0
Nonfarm payroll employment	4.5	6.8	2.8	1.5	2.6	2.3	2.3	2.3
Manufacturing	6.6	3.7	.7	2.3	4.3	3.1	1.6	1.3
Nonfarm business sector								
Output per hour	-3.3	1.2	1.1	2.5	2.2	1.8	1.7	1.5
Compensation per hour	12.0	8.1	7.7	8.4	12.5	8.8	8.9	8.9
Unit labor costs	15.8	6.9	6.5	5.7	10.1	6.8	7.1	7.3
GNP implicit deflator <sup>1/</sup>	7.2	10.7	7.0	7.2	7.7	6.8	6.6	7.3
Gross business product <sup>2/</sup> fixed-weighted price index	6.7	12.0	6.3	6.7	7.9	7.7	6.9	7.0
Industrial production	.9	12.9	7.1	5.5	6.9	5.4	4.3	3.7

<sup>1/</sup> Excluding Federal pay increase rates of change are: 1978 QI, 7.2 per cent; 1978 QIV, 6.7 per cent; 1979 QI, 7.6 per cent; 1979 QIV, 6.8 per cent.

<sup>2/</sup> Using 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.)

	1972	1973	1974	1975	1976	1977	Projected	
							1978	1979
Gross national product	1171.1	1306.6	1412.9	1528.8	1700.1	1887.2	2099.5	2338.6
Final purchases	1161.7	1288.6	1404.0	1539.6	1689.9	1871.6	2080.1	2314.9
Private	908.6	1019.1	1101.3	1201.2	1330.4	1477.6	1646.5	1835.7
Excluding net exports	911.9	1012.0	1095.3	1180.8	1323.0	1488.7	1660.3	1841.7
Personal consumption expenditures	733.0	809.9	889.6	979.1	1090.2	1206.5	1334.1	1483.1
Goods	410.5	457.5	498.3	541.5	599.2	657.4	718.1	795.5
Services	322.4	352.3	391.3	437.5	491.0	549.2	616.0	687.6
Gross private domestic investment	188.3	220.0	214.6	190.9	243.0	297.8	345.6	382.3
Residential construction	62.0	66.1	55.1	51.5	68.2	91.9	105.2	108.4
Business fixed investment	116.8	136.0	150.6	150.2	164.6	190.4	221.0	250.2
Change in business inventories	9.4	17.9	8.9	-10.7	10.2	15.6	19.4	23.7
Nonfarm	8.8	14.7	10.8	-14.3	12.2	15.0	19.9	23.7
Net exports of goods and services <sup>1/</sup>	-3.3	7.1	6.0	20.4	7.4	-11.1	-13.8	-6.0
Exports	72.7	101.6	137.9	147.3	163.2	175.5	200.8	237.2
Imports	75.9	94.4	131.9	126.9	155.7	186.6	214.6	243.3
Gov't. purchases of goods and services	253.1	269.5	302.7	338.4	359.5	394.0	433.5	479.2
Federal <sup>2/</sup>	102.1	102.2	111.1	123.1	129.9	145.1	153.5	169.5
State and local	151.0	167.3	191.5	215.4	229.6	248.9	280.0	309.6
Gross national product in constant (1972) dollars	1171.1	1235.0	1217.8	1202.3	1271.0	1332.7	1381.6	1433.5
Personal income	942.5	1052.4	1154.9	1255.5	1380.9	1529.0	1704.0	1892.3
Wage and salary disbursements	633.8	701.3	764.6	805.9	890.1	983.6	1098.4	1216.8
Disposable personal income	801.3	901.7	984.6	1086.7	1184.4	1303.0	1449.7	1615.4
Saving rate (per cent)	6.2	7.8	7.3	7.7	5.7	5.1	5.6	5.8
Corporate profits with I.V.A. and C.C. Adj.	92.1	99.1	83.6	95.9	127.0	144.2	157.7	176.9
Corporate profits before tax	96.2	115.8	126.9	120.4	155.9	173.9	195.9	214.5
Federal government surplus or deficit (N.I.A. basis)	-17.3	-6.7	-10.7	-70.6	-53.8	-48.1	-36.1	38.4
High employment surplus or deficit (-)	-5.9	-7	17.1	-19.4	-9.3	-4.6	8.1	13.4
State and local government surplus or deficit (-) (N.I.A. basis)	13.7	13.0	7.6	6.2	20.7	29.6	26.8	22.3
Excluding social insurance funds	5.6	4.1	-2.9	-6.2	5.5	11.5	6.0	-9
Civilian labor force (millions)	86.5	88.7	91.0	92.6	94.8	97.4	100.3	102.8
Unemployment rate (per cent)	5.6	4.9	5.6	8.5	7.7	7.0	6.0	5.9
Nonfarm payroll employment (millions)	73.7	76.9	78.4	77.1	79.4	82.1	85.5	87.8
Manufacturing	19.1	20.1	20.0	18.3	19.0	19.6	20.3	20.8
Industrial production (1967=100)	119.7	129.8	129.3	117.8	129.8	137.1	144.6	153.5
Capacity utilization: all manufacturing (per cent)	83.1	87.5	84.2	73.6	80.2	82.4	83.8	85.7
Materials (per cent)	88.0	92.4	87.7	73.6	80.4	81.9	84.3	87.2
Housing starts, private (million units, A.R.)	2.36	2.05	1.34	1.16	1.54	1.99	1.93	1.79
New auto sales, (millions, A.R.)	10.93	11.42	8.91	8.66	10.12	11.13	11.27	10.72
Domestic models	9.32	9.65	7.49	7.08	8.63	9.07	9.27	8.89
Foreign models	1.61	1.77	1.42	1.58	1.50	2.06	2.00	1.84

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

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

September 13, 1978

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

	1972	1973	1974	1975	1976	1977	Projected	
							1978	1979
<u>Constant (1972) dollars</u>								
Gross national product	5.7	5.5	-1.4	-1.3	5.7	4.9	3.7	3.8
Final purchases	5.5	4.9	-.7	.2	4.3	4.7	3.4	3.6
Private	6.7	6.3	-1.4	-.3	5.5	5.3	3.7	3.7
Excluding net exports	7.0	5.1	-2.3	-1.0	6.4	6.0	3.9	3.3
Personal consumption expenditures	5.9	4.7	-.9	1.8	5.8	4.7	3.4	3.6
Goods	6.5	5.0	-3.4	.7	6.4	5.0	2.5	3.6
Services	5.3	4.4	2.3	3.2	5.0	4.4	4.4	3.6
Gross private domestic investment	12.9	10.0	-11.4	-22.3	21.6	13.2	8.0	3.0
Residential structures	18.8	-3.7	-24.6	-13.9	23.4	20.5	3.1	-5.8
Business fixed investment	8.1	12.2	-.3	-13.0	4.7	9.1	7.6	5.3
Gov't. purchases of goods and services	1.5	-.2	2.1	1.9	.1	2.4	2.2	3.2
Federal	-1.7	-5.4	-.8	.7	.1	5.2	-1.3	3.4
State and local	3.8	3.2	3.8	2.6	.1	.8	4.4	3.2
Disposable personal income	4.2	6.7	-1.5	2.1	3.5	4.1	4.0	3.9
<u>Current dollars</u>								
Gross national product	10.1	11.6	8.1	8.2	11.2	11.0	11.2	11.4
Final purchases	9.9	10.9	8.9	9.7	9.8	10.8	11.1	11.3
Private	10.3	12.2	8.1	9.1	10.8	11.1	11.4	11.5
Excluding net exports	11.0	11.0	8.2	7.8	12.0	12.5	11.5	10.9
Personal consumption expenditures	9.7	10.5	9.8	10.1	11.4	10.7	10.6	11.2
Goods	9.5	11.4	8.9	8.7	10.7	9.7	9.2	10.8
Services	9.9	9.3	11.1	11.8	12.2	11.8	12.2	11.6
Gross private domestic investment	17.7	16.8	-2.5	-11.0	27.3	22.6	16.1	10.6
Residential structures	25.0	6.6	-16.7	-6.5	32.5	34.8	14.5	3.1
Business fixed investment	12.2	16.4	10.8	-.3	9.6	15.7	16.1	13.2
Gov't. purchases of goods and services	8.3	6.5	12.3	11.8	6.2	9.6	10.0	10.5
Federal	6.1	.1	8.7	10.7	5.5	11.7	5.8	10.4
State and local	9.8	10.8	14.5	12.5	6.6	8.4	12.5	10.6
Disposable personal income	7.9	12.5	9.2	10.4	9.0	10.0	11.3	11.4
Personal income	9.7	11.7	9.7	8.7	10.0	10.7	11.4	11.0
Wage and salary disbursements	9.4	10.6	9.0	5.4	10.4	10.5	11.7	10.8
Corporate profits with IVA & C.C. Adj.	19.3	7.6	-15.6	14.7	32.4	13.5	9.4	12.2
Corporate profits before tax	17.3	20.4	9.6	-5.1	29.5	11.5	12.7	9.5
Nonfarm payroll employment	3.5	4.3	2.0	-1.7	3.1	3.4	4.1	2.6
Manufacturing	2.8	5.1	-.1	-8.5	3.3	3.2	3.6	2.7
Nonfarm business sector								
Output per hour	3.0	1.7	-2.9	1.9	3.6	1.5	.3	1.9
Compensation per hour	5.8	7.8	9.4	9.9	8.5	8.3	9.0	9.5
Unit labor costs	2.7	6.0	12.7	7.9	4.7	6.7	8.6	7.5
GNP implicit deflator	4.1	5.9	9.7	9.6	5.2	5.9	7.3	7.4
Gross business product fixed-weighted price index <u>1/</u>	3.3	5.7	10.4	9.4	5.4	6.2	7.4	7.5
Industrial production	9.2	8.4	-.4	-8.9	10.2	5.6	5.5	6.2

1/ Using expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS  
(billions of dollars)

September 13, 1978

	F.R. Staff Estimates																
	Fiscal Year 1977*	FY 1978 e/ Admin. F.R. 1/ Board		FY 1979 e/ Admin. F.R. 1/ Board		Cong. 2/	CY 1977*	CY78e/ F.R. Board	Calendar quarters; unadjusted data								
									1977 IV*	1978 I* II* III	IV	1979 I II III					
Unified budget receipts <u>3/</u>	357.8	401.2	401.3	448.2	449.1	447.2	366.1	414.1	84.5	85.4	125.3	106.1	97.4	98.6	136.9	116.2	
Unified budget outlays <u>3/</u>	402.8	452.3	449.5	496.6	494.3	489.5	417.0	459.2	113.3	111.2	111.3	113.7	123.0	121.5	123.5	126.3	
Surplus(+)/Deficit(-), unified budget	-45.0	-51.1	-48.2	-48.5	-45.2	-42.3	-50.9	-45.1	-28.8	-25.8	14.0	-7.6	-25.6	-22.9	13.4	-10.1	
Surplus(+)/Deficit(-), off-budget agencies <u>4/</u>	-8.7	-11.0	-10.1	-12.9	-12.8	n.a.	-10.4	-10.0	-1.3	-3.6	-2.3	-2.9	-1.3	-3.6	-4.5	-3.5	
Means of financing combined deficits:																	
Net borrowing from public	53.5	54.9	59.0	62.0	51.6	n.a.	56.8	56.5	20.7 <sup>9/</sup>	20.8	2.5	15.0	18.2	22.8	-7.4	18.0	
Decrease in cash operating balance	-1.7	4.0	-1.3	0	8.4	n.a.	-0.6	0.3	6.8 <sup>9/</sup>	5.9	-11.1	-2.9	8.4	0	0	0	
Other <u>5/</u>	1.9	3.2	0.4	-0.6	-2.0	n.a.	5.3	-1.9	2.6	2.8	-3.2	-1.8	0.3	3.7	-1.5	-4.5	
Cash operating balance, end of period	19.1	15.1	20.4	15.1	12.0	n.a.	12.3	12.0	12.3	6.4	17.5	20.4	12.0	12.0	12.0	12.0	
Memo: Sponsored agency borrowing <u>6/</u>	5.2	n.a.	18.9	n.a.	15.4	n.a.	6.8	20.5	2.0	4.5	6.5	5.9	3.6	2.6	4.2	5.0	
NIA Budget <u>7/</u>									Seasonally adjusted annual rates								
Receipts	362.7 <sup>10/</sup>	411.4 <sup>11/</sup>	409.6 <sup>10/</sup>	457.7 <sup>11/</sup>	458.6 <sup>10/</sup>	n.a.	374.5	425.4	385.5	396.2	423.4	434.6	447.5	452.3	464.7	477.5	
Expenditures	411.9	454.7	452.0	499.7	497.4	n.a.	422.6	461.5	444.1	448.8	448.6	466.4	482.2	490.5	500.4	516.7	
Purchases (total)	140.7	153.5	151.2	169.0	165.7	n.a.	145.1	153.6	152.2	151.5	147.2	153.8	161.7	163.5	166.4	171.2	
Defense	92.3	98.5	98.3	105.5	105.0	n.a.	94.3	99.7	97.1	97.9	98.6	99.7	102.7	103.7	105.8	107.9	
Nondefense	48.4	55.0	52.8	63.5	60.7	n.a.	50.8	53.8	55.1	53.6	48.6	54.1	59.0	59.8	60.6	63.3	
All other expenditures	271.2	301.2	300.8	330.7	331.7	n.a.	277.5	307.9	291.9	297.3	301.4	312.6	320.5	327.0	334.0	345.5	
Surplus(+)/Deficit(-)	-49.2 <sup>10/</sup>	-43.3	-42.4 <sup>10/</sup>	-42.0	-38.8 <sup>10/</sup>	n.a.	-48.1	-36.1	-58.6	-52.6	-25.2	-31.8	-34.7	-38.2	-35.7	-39.2	
High Employment Surplus(+)/																	
Deficit(-) (NIA basis) <u>8/</u>	-3.0	n.a.	1.4	n.a.	12.3	n.a.	-4.6	8.1	-16.2	-2.9	14.1	10.8	10.4	9.8	14.8	14.1	
	*actual	e--estimated			r--revised			n.a.--not available			p--preliminary						

- 1/ OMB Mid-Session Review of the 1979 Budget, (July 6, 1978) and the Department of Commerce, Survey of Current Business, July 1978.
- 2/ Senate Budget Resolution (September 6, 1978). The House estimates of receipts and outlays are \$450.0 and \$489.8 billion, respectively.
- 3/ Adjusted for accounting change in earned income credit payments--formerly treated as income tax refunds and now classified as outlays.
- 4/ Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Housing for the Elderly and Handicapped Fund (until October 1977), and Pension Benefit Guaranty Corporation.
- 5/ Checks issued less checks paid, accrued items and other transactions.
- 6/ Includes Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives.
- 7/ All NIA data incorporate the Department of Commerce's July 1978 GNP revisions.
- 8/ FRB staff estimates.
- 9/ Includes \$2.5 billion of borrowing from the Federal Reserve on September 30, 1977 which was repaid October 4, 1977.
- 10/ Quarterly average exceeds fiscal year total by \$1.0 billion for fiscal year 1977, by \$1.0 billion for fiscal year 1978, and by \$3.5 billion for fiscal year 1979, due to spreading of wage base effect over calendar year.
- 11/ The fiscal year totals as published in the July 1978 Survey of Current Business are based on unadjusted data and do not conform to the average of four seasonally adjusted quarters. The FRB staff estimates, therefore, have been adjusted in order to make the Commerce Department and the staff's estimates comparable.

	1977 <sup>r</sup>	1978 <sup>P</sup>	1979 <sup>P</sup>	1 9 7 8				1 9 7 9 <sup>P</sup>			
				I	II <sup>P</sup>	III <sup>P</sup>	IV <sup>P</sup>	I	II	III	IV
1. <u>GNP NET EXPORTS</u> - Intl Acct. data	-11.1	-13.8	-6.0	-24.1	-10.2	-10.6	-10.2	-7.1	-7.7	-5.9	-3.4
2. (GNP net exports - GNP Acct. data) <u>1/</u>	(-10.9)	(-13.8)	(-6.0)	(-24.1)	(-10.2*)	(-10.6)	(-10.2)	(-7.1)	(-7.7)	(-5.9)	(-3.4)
3. a) Merchandise Trade Balance	-31.1	-35.9	-32.5	-44.8	-31.3*	-33.5	-33.9	-32.4	-33.9	-32.8	-30.9
4. Exports (excl. military)	120.6	138.2	163.9	122.7	140.6*	142.0	147.4	153.8	160.6	167.0	174.2
5. Agricultural	24.4	28.8	28.3	26.0	32.0*	29.0	28.0	28.1	28.1	28.2	28.9
6. Nonagricultural	96.2	109.4	135.6	96.6	108.7*	113.0	119.4	125.7	132.5	138.8	145.3
7. Imports	151.6	174.1	196.4	167.5	172.0*	175.5	181.3	186.3	194.5	199.8	205.1
8. Petroleum and petrol. products	45.0	42.9	48.1	39.8	43.2*	42.7	46.0	44.6	48.3	49.2	50.1
9. Nonpetroleum	106.7	131.2	148.4	127.7	128.8*	132.8	135.3	141.6	146.2	150.6	155.0
10. b) Military transactions, net <u>2/</u>	.9	1.5	3.1	.8	1.4	1.8	2.1	2.5	2.9	3.3	2.7
11. c) Investment income, net <u>3/</u>	17.3	19.3	21.7	18.2	18.4	20.0	20.4	21.4	21.6	21.8	21.9
12. d) Other services, net <u>4/</u>	1.7	1.8	2.4	1.7	1.9	1.9	1.9	2.1	2.4	2.5	2.6
13. <u>U.S. CURRENT ACCOUNT BALANCE</u>	-15.2	-20.2	-15.9	-27.8	-16.5	-17.7	-18.7	-16.8	-17.6	-15.8	-13.2
14. a) GNP net exports (line 1.)	-11.1	-13.8	-6.0	-24.1	-10.2	-10.6	-10.2	-7.1	-7.7	-5.9	-3.4
15. b) U.S. Govt & private transfers <u>5/</u>	-4.1	-6.4	-9.9	-3.7	-6.3	-7.1	-8.5	-9.7	-9.9	-9.9	-9.8
<u>Constant (1972) dollars</u>											
16. Merchandise exports (excl. military)	67.0	71.5	78.2	65.7	72.9	73.1	74.2	75.9	77.6	78.9	80.8
17. (% change, annual rates)	(0.3)	(6.5)	(9.3)	(4.5)	(51.3)	(1.2)	(6.6)	(9.1)	(9.1)	(7.4)	(9.5)
18. Merchandise imports	71.0	74.9	78.6	74.0	74.9	74.8	76.1	76.7	78.3	79.1	80.2
19. (% change, annual rates)	(13.0)	(5.5)	(4.8)	(6.6)	(4.9)	(-3.2)	(7.0)	(3.2)	(8.7)	(4.5)	(5.7)
<u>Foreign Outlook - Major Industrial Countries <u>6/</u></u>											
20. Real GNP, % change, annual rates	2.9	3.5	4.2	5.7	2.8	4.1	4.1	4.5	4.5	4.1	4.5
21. Wholesale Prices, % change, A.R. <u>7/</u>	8.7	4.9	6.2	5.3	6.1	5.7	5.7	5.7	6.1	7.0	7.4

1/ Differs from 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, and reinvested earnings of incorporated affiliates 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, remittances and pensions, and exports to Israel financed by U.S. military assistance grants, and reinvested earnings of incorporated affiliates.

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.

NOTE: The current account now includes reinvested earnings of incorporated affiliates.

CONFIDENTIAL (FR)

September 13, 1978

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)

	<u>1977</u>	<u>1978</u>					
	<u>Year</u>	<u>QI</u>	<u>QII<sup>e/</sup></u>	<u>July<sup>e/</sup></u>	<u>Aug.<sup>e/</sup></u>	<u>Sept.<sup>f/</sup></u>	<u>Oct.<sup>f/</sup></u>
<u>Gross Offerings</u>							
Corporate securities--total	4,518	3,370	3,998	3,400	2,900	3,400	3,700
Publicly offered bonds	2,016	1,582	1,819	2,100	1,500	1,500	1,800
By quality <u>1/</u>							
Aaa and Aa	1,089	765	883	1,025	1,025	--	--
Less than Aa <u>2/</u>	927	817	936	1,075	475	--	--
By type of borrower							
Utility	692	475	575	885	825	--	--
Industrial <u>3/</u>	700	546	619	390	450	--	--
Financial	624	561	625	825	225	--	--
Privately placed bonds	1,501	1,128	1,387	800	800	1,200	1,000
Stocks	1,001	660	791	500	600	700	900
Foreign securities--total	621	537	743	334	125	--	--
Publicly offered <u>4/</u>	437	425	507	100	125	100	100
Privately placed	184	112	236	234	--	--	--
State and local gov't. securities--total	5,771	5,176	7,132	5,344	7,600	5,500	4,500
Long-term	3,891	3,598	4,486	3,716	6,100	3,000	3,000
Short-term	1,880	1,578	2,646	1,628	1,500	2,500	1,500
<u>Net Offerings</u>							

U.S. Treasury  
Sponsored Federal agencies

- 
- 1/ Bonds categorized according to Moody's bond ratings.  
2/ Includes issues not rated by Moody's.  
3/ Includes equipment trust certificates.  
4/ Classified by original offering date.  
e/ Estimated.  
f/ Forecast.

CONFIDENTIAL (FR)  
CLASS II - FOMC

September 15, 1978

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

As expected, inflows in August were substantially weaker than in July, an important reinvestment period at these institutions.

No additional information is available concerning the proportion of money market certificate flows representing new money. However, judging from August deposit flow data, it seems clear that the new certificate did indeed have a significant positive impact on thrift institution deposit growth in August. MSB and S&L combined deposit growth continued at about the same pace as in July measured on an end-of-month basis. This 13.8 per cent seasonally adjusted annual rate of growth is the highest rate experienced since September of last year.

Judging from latest available survey data, roughly 68 per cent of commercial banks, 90 per cent of S&Ls and 70-75 per cent of MSBs are offering the six-month money market certificate.

ERRATUM:

Part II:

Page III-13: Table has been corrected to include omitted figures for U.S. Treasury and sponsored Federal agencies.