

CONFIDENTIAL (FR)

July 12, 1978

SUMMARY AND OUTLOOK

By the Staff
Board of Governors
of the Federal Reserve System

SUMMARY AND OUTLOOK

STAFF GNP PROJECTIONS

	Per cent changes, annual rate							
	Nominal GNP		Real GNP		Gross business product fixed-weighted price index		Unemployment rate (per cent)	
	6/14/78	7/11/78	6/14/78	7/11/78	6/14/78	7/11/78	6/14/78	7/11/78
1975 ^{1/}	8.2	8.2	-1.3	-1.3	9.5	9.5	8.5	8.5
1976 ^{1/}	11.6	11.6	6.0	6.0	5.4	5.4	7.7	7.7
1977 ^{1/}	10.7	10.7	4.9	4.9	6.0	6.0	7.0	7.0
1978	11.0	11.2	3.9	4.0	6.7	6.6	6.1	5.9
1979		11.4		3.9		7.4		5.8
1978-I ^{1/}	6.6	7.0	-4	.0	6.5	6.2	6.2	6.2
1978-II	18.1	18.8	8.8	8.8	9.3	9.7	6.1	5.9
1978-III	10.8	10.5	3.7	3.5	7.0	7.1	6.0	5.8
1978-IV	10.7	10.8	3.2	3.4	7.0	6.7	6.0	5.8
1979-I	12.0	11.7	4.5	4.2	7.7	7.9	5.9	5.7
1979-II	10.8	10.9	3.9	3.7	7.3	7.5	5.9	5.7
1979-III		10.2		3.2		6.8		5.8
1979-IV		10.1		2.7		6.9		5.9
Change:								
77-II to 78-II	11.1	11.4	4.3	4.4	6.5	6.4	-1.0	-1.2
77-IV to 78-IV	11.5	11.7	3.8	3.9	7.4	7.3	-.6	-.8
78-II to 79-II	11.1	11.0	3.8	3.7	7.3	7.3	-.2	-.2
78-IV to 79-IV		10.7		3.5		7.2		.1
Memo:								
Growth Over Annual Policy Period:								
78-II to 79-II	11.1	11.0	3.8	3.7	7.3	7.3	-.2	-.2

^{1/} Actual.

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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.)

	1978				1979			
	I	II	III	IV	Projected I	II	III	IV
Gross national product	1995.3	2082.9	2135.7	2191.4	2253.0	2311.9	2368.6	2426.3
Final purchases	1974.3	2059.5	2110.6	2165.3	2225.1	2283.2	2339.4	2396.6
Private	1557.7	1632.9	1672.0	1712.5	1762.1	1809.6	1854.7	1899.5
Excluding net exports	1581.4	1645.3	1683.3	1721.6	1772.5	1818.9	1861.1	1903.5
Personal consumption expenditures	1282.4	1330.6	1361.8	1393.9	1438.1	1477.5	1512.3	1547.0
Goods	687.8	719.5	734.4	751.5	776.5	797.1	813.7	830.4
Services	594.6	611.1	627.4	642.4	661.6	680.4	698.6	716.6
Gross private domestic investment	320.0	338.1	346.6	353.8	362.3	370.1	378.0	386.2
Residential construction	100.1	105.1	105.6	105.6	105.6	105.6	106.1	107.1
Business fixed investment	198.8	209.6	215.9	222.1	228.8	235.8	242.7	249.4
Change in business inventories	21.1	23.4	25.1	26.1	27.9	28.7	29.2	29.7
Nonfarm	20.3	23.4	25.1	26.1	27.9	28.7	29.2	29.7
Net exports of goods and services ^{1/}	-23.7	-12.4	-11.3	-9.1	-10.4	-9.3	-6.4	-4.0
Exports	180.5	198.7	203.6	214.3	224.2	233.2	241.5	249.9
Imports	204.2	211.1	214.9	223.4	234.6	242.5	247.9	253.9
Gov't. purchases of goods and services	416.6	426.6	438.6	452.8	463.0	473.6	484.7	497.1
Federal ^{2/}	152.7	150.0	155.2	162.7	166.0	169.7	173.7	178.8
State and local	263.8	276.6	283.4	290.1	297.0	303.9	311.0	318.3
Gross national product in constant (1972) dollars	1360.3	1389.3	1401.4	1413.4	1428.0	1441.2	1452.6	1462.2
Personal income	1638.8	1693.3	1738.2	1782.0	1827.7	1873.6	1923.9	1970.9
Wage and salary disbursements	1058.7	1099.7	1122.0	1149.3	1183.0	1211.4	1239.3	1270.6
Disposable personal income	1402.1	1445.2	1478.2	1513.4	1565.0	1602.7	1644.9	1638.1
Saving rate (per cent)	6.1	5.5	5.4	5.4	5.7	5.4	5.6	5.6
Corporate profits with I.V.A. and C.C. Adj.	126.5	147.3	154.9	160.8	156.6	162.3	165.7	168.6
Corporate profits before tax	171.9	193.4	197.6	203.2	199.5	205.7	209.6	213.0
Federal government surplus or deficit (-) (N.I.A. basis)	-55.8	-35.4	-36.3	-35.7	-38.0	-34.2	-35.8	-34.4
High employment surplus or deficit (-)	-9.9	1.7	1.7	5.9	3.0	7.4	8.1	14.4
State and local government surplus or deficit (-) (N.I.A. basis)	34.1	29.8	28.2	25.5	23.7	22.2	19.9	18.6
Excluding social insurance funds	18.1	13.3	11.2	8.0	5.7	3.7	.9	-9
Civilian labor force (millions)	99.2	100.2	101.0	101.5	102.0	102.6	103.2	103.7
Unemployment rate (per cent)	6.2	5.9	5.8	5.8	5.7	5.7	5.8	5.9
Nonfarm payroll employment (millions)	84.1	85.5	85.9	86.2	86.8	87.3	87.8	88.3
Manufacturing	20.1	20.2	20.3	20.4	20.6	20.8	20.9	21.0
Industrial production (1967=100)	139.6	143.6	145.2	147.4	150.0	152.0	153.6	154.9
Capacity utilization: all mfg. (per cent)	82.1	83.5	83.7	84.2	84.9	85.2	85.3	85.2
Materials (per cent)	81.7	83.8	84.1	84.8	85.7	86.3	86.5	86.7
Housing starts, private (million units, A.R.)	1.72	2.05	1.85	1.80	1.75	1.70	1.70	1.70
New autos sales, (millions, A.R.)	10.73	2.10	11.25	10.80	10.95	10.75	10.65	10.55
Domestic models	8.77	10.00	9.25	8.90	9.00	8.90	8.85	8.80
Foreign models	1.96	2.10	2.00	1.90	1.95	1.85	1.80	1.75

- ^{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.

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S 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
<u>Constant (1972) dollars</u>								
Gross national product	.0	8.8	3.5	3.4	4.2	3.7	3.2	2.7
Final purchases	-1.7	8.3	3.2	3.3	3.9	3.5	3.2	2.6
Private	-1.2	9.6	2.5	3.1	4.3	3.6	3.2	2.8
Excluding net exports	-.5	7.5	2.3	2.6	4.2	3.3	2.7	2.5
Personal consumption expenditures	-.9	6.2	2.6	3.0	4.9	3.8	3.0	2.7
Goods	-7.2	9.1	2.2	3.4	5.6	3.7	2.4	2.1
Services	7.3	2.8	3.2	2.5	4.2	4.0	3.7	3.3
Gross private domestic investment	14.3	16.6	3.7	1.5	3.4	2.7	1.7	2.0
Residential structures	-3.9	12.0	-6.1	-7.8	-7.8	-7.8	-6.1	-4.3
Business fixed investment	4.1	14.5	4.4	4.6	5.1	5.0	4.5	3.9
Gov't. purchases of goods and services	-3.8	3.4	5.6	4.2	2.4	3.2	3.2	1.8
Federal	-9.1	-10.6	10.5	6.8	2.2	4.4	4.0	.1
State and local	-.4	12.5	2.9	2.8	2.6	2.4	2.8	2.7
Disposable personal income	1.7	3.4	2.4	3.1	5.9	2.5	4.1	2.8
<u>Current dollars</u>								
Gross national product	7.0	18.8	10.5	10.8	11.7	10.9	10.2	10.1
Final purchases	5.5	18.4	10.3	10.8	11.5	10.9	10.2	10.1
Private	6.2	20.8	9.9	10.0	12.1	11.2	10.3	10.0
Excluding net exports	7.6	17.2	9.6	9.4	12.4	10.9	9.6	9.4
Personal consumption expenditures	7.5	15.9	9.7	9.8	13.3	11.4	9.8	9.5
Goods	1.1	19.7	8.5	9.6	14.0	11.0	8.6	8.5
Services	15.4	11.6	11.1	9.9	12.5	11.9	11.1	10.7
Gross private domestic investment	18.6	24.6	10.4	8.6	10.0	8.9	8.8	9.0
Residential structures	1.8	21.5	1.9	.0	.0	.0	1.9	3.8
Business fixed investment	11.5	23.5	12.6	12.0	12.6	12.8	12.2	11.5
Gov't. purchases of goods and services	2.8	10.0	11.7	13.6	9.3	9.5	9.7	10.6
Federal	-2.6	-7.0	14.6	20.8	8.4	9.2	9.8	12.3
State and local	6.1	20.8	10.2	9.8	9.9	9.6	9.7	9.7
Disposable personal income	10.3	12.9	9.5	9.9	14.4	10.0	11.0	9.6
Personal income	9.2	14.0	11.0	10.5	10.7	10.4	11.2	10.1
Wage and salary disbursements	12.0	16.4	8.4	10.1	12.3	10.0	9.5	10.5
Corporate profits with IVA & C.C. Adj.	-41.8	83.8	22.3	16.1	-10.0	15.4	8.6	7.2
Corporate profits before tax	-13.6	60.1	9.1	11.8	-7.1	13.1	7.9	6.6
Nonfarm payroll employment	4.5	6.6	1.9	1.7	2.6	2.3	2.4	2.3
Manufacturing	6.6	3.5	1.2	2.5	4.7	3.4	1.8	1.5
Nonfarm business sector								
Output per hour	-2.7	1.7	3.3	2.2	2.0	1.9	1.7	1.5
Compensation per hour	13.6	8.7	7.9	8.0	12.4	8.7	8.8	8.8
Unit labor costs	16.8	7.1	4.4	5.7	10.2	6.7	7.0	7.2
GWP implicit deflator 1/	7.0	9.2	6.8	7.2	7.2	6.9	6.7	7.3
Gross business product fixed-weighted price index 2/	6.2	9.7	7.1	6.7	7.9	7.5	6.8	6.9
Industrial production	.9	12.0	4.6	6.2	7.2	5.6	4.2	3.6

Excluding Federal pay increases rates of change are: 1978 Q1, 6.9 per cent; 1978 QIV, 6.6 per cent; 1979 Q1, 7.2 per cent; 1979 QIV, 6.7 per cent.
Using expenditures in 1972 as weights.

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LASS 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	1706.5	1889.6	2101.3	2339.9
Final purchases	1161.7	1288.6	1404.0	1540.3	1693.1	1871.4	2077.4	2311.1
Private	908.6	1019.1	1101.3	1201.4	1331.7	1476.4	1643.8	1831.5
Excluding net exports	911.9	1012.0	1095.3	1181.0	1323.9	1487.3	1657.9	1839.0
Personal consumption expenditures	733.0	809.9	889.6	980.4	1094.0	1211.2	1342.2	1493.7
Goods	410.5	457.5	498.3	542.2	601.6	660.5	723.3	804.4
Services	322.4	352.3	391.3	438.2	492.3	550.7	618.9	689.3
Gross private domestic investment	188.3	220.0	214.6	189.1	243.3	294.2	339.6	374.1
Residential construction	62.0	66.1	55.1	51.5	68.0	91.0	104.1	106.1
Business fixed investment	116.8	136.0	150.6	149.1	161.9	185.1	211.6	239.2
Change in business inventories	9.4	17.9	8.9	-11.5	13.3	18.2	23.9	28.9
Nonfarm	8.8	14.7	10.8	-15.1	14.9	17.1	23.7	28.9
Net exports of goods and services ^{1/}	-3.3	7.1	6.0	20.4	7.8	-10.9	-14.1	-7.5
Exports	72.7	101.6	137.9	147.3	162.9	174.7	199.3	237.2
Imports	75.9	94.4	131.9	126.9	155.1	185.6	213.4	244.7
Gov't. purchases of goods and services	253.1	269.5	302.7	338.9	361.4	395.0	433.6	479.6
Federal ^{2/}	102.1	102.2	111.1	123.3	130.1	145.4	155.2	172.0
State and local	151.0	167.3	191.5	215.6	231.2	249.6	278.5	307.5
Gross national product in constant (1972) dollars	1171.1	1235.0	1217.8	1202.1	1274.7	1337.3	1391.1	1446.0
Personal income	942.5	1052.4	1154.9	1253.4	1382.7	1536.7	1713.1	1899.0
Wage and salary disbursements	633.8	701.3	764.6	805.7	891.8	990.0	1107.4	1226.1
Disposable personal income	801.3	901.7	984.6	1084.4	1185.8	1309.2	1459.7	1623.9
Saving rate (per cent)	6.2	7.8	7.3	7.4	5.6	5.1	5.6	5.6
Corporate profits with I.V.A. and C.C. Adj.	92.1	99.1	83.6	99.3	128.1	139.9	147.4	163.3
Corporate profits before tax	96.2	115.8	126.9	123.5	156.9	171.7	191.5	207.0
Federal government surplus or deficit (N.I.A. basis)	-17.3	-6.7	-10.7	-70.2	-54.0	-49.5	-40.8	-35.6
High employment surplus or deficit (-)	-5.9	-.7	17.1	-20.3	-10.4	-8.7	-.2	8.2
State and local government surplus or deficit (-) (N.I.A. basis)	13.7	13.0	7.5	5.9	18.4	29.2	29.4	21.1
Excluding social insurance funds	5.6	4.1	-2.9	-6.2	3.9	13.7	12.7	2.3
Civilian labor force (millions)	86.5	88.7	91.0	92.6	94.8	97.4	100.5	102.9
Unemployment rate (per cent)	5.6	4.9	5.6	8.5	7.7	7.0	5.9	5.8
Nonfarm payroll employment (millions)	73.7	76.9	78.4	77.1	79.4	82.1	85.4	87.6
Manufacturing	19.1	20.1	20.0	18.3	19.0	19.6	20.3	20.9
Industrial production (1967=100)	119.7	129.8	129.3	117.8	129.8	137.1	144.0	152.6
Capacity utilization: all manufacturing (per cent)	83.1	87.5	84.2	73.6	80.2	82.4	83.4	85.2
Materials (per cent)	88.0	92.4	87.7	73.6	80.4	81.9	83.6	86.3
Housing starts, private (million units, A.R.)	2.36	2.05	1.34	1.16	1.54	1.99	1.85	1.71
New auto sales, (millions, A.R.)	10.93	11.42	8.91	8.66	10.12	11.13	11.22	10.72
Domestic models	9.32	9.65	7.49	7.08	8.63	9.07	9.23	8.89
Foreign models	1.61	1.77	1.42	1.58	1.50	2.06	1.99	1.84

^{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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CLASS II FOMCPER CENT CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

July 12, 1978

	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	6.0	4.9	4.0	3.9
Final purchases	5.5	4.9	-.7	.2	4.5	4.7	3.7	3.7
Private	6.7	6.3	-1.4	-.3	5.6	5.3	3.9	3.8
Excluding net exports	7.0	5.1	-2.3	-1.0	6.4	6.0	4.0	3.4
Personal consumption expenditures	5.9	4.7	-.9	1.9	6.0	4.9	3.6	3.8
Goods	6.5	5.0	-3.4	.9	6.9	5.1	2.9	4.0
Services	5.3	4.4	2.3	3.0	4.9	4.6	4.5	3.5
Gross private domestic investment	12.9	10.0	-11.4	-22.9	22.2	13.0	8.1	3.4
Residential structures	18.8	-3.7	-24.6	-13.8	22.9	19.3	5.1	-6.0
Business fixed investment	8.1	12.2	-.3	-13.7	3.6	8.6	6.2	5.3
Gov't. purchases of goods and services	1.5	-.2	2.1	2.1	.5	2.5	2.8	3.4
Federal	-1.7	-5.4	-.8	.9	-.2	5.1	-.1	3.7
State and local	3.8	3.2	3.8	2.8	1.0	1.1	4.5	3.3
Disposable personal income	4.2	6.7	-1.5	1.8	3.8	4.6	4.3	3.7
<u>Current dollars</u>								
Gross national product	10.1	11.6	8.1	8.2	11.6	10.7	11.2	11.4
Final purchases	9.9	10.9	8.9	9.7	9.9	10.5	11.0	11.2
Private	10.3	12.2	8.0	9.1	10.8	10.9	11.3	11.4
Excluding net exports	11.0	11.0	8.2	7.8	12.1	12.3	11.5	10.9
Personal consumption expenditures	9.7	10.5	9.8	10.2	11.6	10.7	10.8	11.3
Goods	9.5	11.4	8.9	8.8	11.0	9.8	9.5	11.2
Services	9.9	9.3	11.1	12.0	12.3	11.9	12.4	11.4
Gross private domestic investment	17.7	16.8	-2.5	-11.9	28.7	20.9	15.4	10.2
Residential structures	25.0	6.6	-16.6	-6.5	32.0	33.8	14.4	1.9
Business fixed investment	12.2	16.4	10.7	-1.0	8.6	14.3	14.3	13.0
Gov't. purchases of goods and services	8.3	6.5	12.3	12.0	6.6	9.3	9.8	10.6
Federal	6.1	.1	8.7	11.0	5.5	11.8	6.7	10.9
State and local	9.8	10.8	14.5	12.6	7.2	8.0	11.6	10.4
Disposable personal income	7.9	12.5	9.2	10.1	9.4	10.4	11.5	11.3
Personal income	9.7	11.7	9.7	8.5	10.3	11.1	11.5	10.9
Wage and salary disbursements	9.4	10.6	9.0	5.4	10.7	11.0	11.9	10.7
Corporate profits with IVA & C.C. Adj.	19.3	7.6	-15.6	18.8	29.0	9.1	5.4	10.8
Corporate profits before tax	17.3	20.4	9.6	-2.7	27.0	9.4	11.5	8.1
Nonfarm payroll employment	3.5	4.3	2.0	-1.7	3.1	3.4	4.0	2.5
Manufacturing	2.8	5.1	-.1	-8.5	3.3	3.2	3.6	2.9
Nonfarm business sector								
Output per hour	3.0	1.7	-2.9	1.6	4.1	2.2	1.1	2.1
Compensation per hour	5.8	7.8	9.4	9.6	8.7	8.8	9.4	9.4
Unit labor costs	2.7	6.0	12.7	7.9	4.5	6.4	8.2	7.2
GNP implicit deflator	4.1	5.9	9.7	9.6	5.3	5.5	6.9	7.1
Gross business product fixed-weighted price index ^{1/}	3.3	5.7	10.3	9.5	5.5	5.9	6.6	7.4
Industrial production	9.2	8.4	-.4	-8.9	10.2	5.6	5.0	6.0

^{1/} Using expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS
(billions of dollars)

July 12, 1978

		F.R. staff estimates																
	Fiscal	FY78e/		FY79e/			CY	CY78e/	Calendar quarters; unadjusted data									
	Year	Admin.	F.R.	Admin.	F.R.	Cong.		F.R.	1977			1978			1979			
	1977*	1/	Board	1/	Board	2/	1977*	Board	IV*	I*	II	III	IV	I	II	III		
Unified budget receipts 3/	357.8	401.2	400.0	448.2	448.4	447.9	366.1	412.8	84.5	85.4	124.2	105.9	97.3	98.3	136.3	116.5		
Unified budget outlays 3/	402.8	452.3	449.7	496.6	495.0	498.8	417.0	458.4	113.3	111.2	110.6	114.6	122.0	120.5	123.7	128.8		
Surplus(+)/Deficit(-), unified budget	-45.0	-51.1	-49.7	-48.5	-46.6	-50.9	-50.9	-45.6	-28.8	-25.8	13.6	-8.7	-24.7	-22.2	12.6	-12.3		
Surplus(+)/Deficit(-), off-budget agencies 4/	-8.7	-11.0	-10.9	-12.9	-12.7	n.a.	-10.4	-10.6	-1.3	-3.6	-2.4	-3.6	-1.0	-3.9	-3.2	-4.6		
Means of financing combined deficits:																		
Net borrowing from public	53.5	54.9	53.3	62.0	59.3	n.a.	56.8	54.7	20.7 ^{8/}	20.8	2.5	9.3	22.1	25.1	-7.5	19.6		
Decrease in cash operating balance	-1.7	4.0	5.1	0	2.0	n.a.	-0.6	0.3	6.8 ^{8/}	5.9	-11.1	3.5	2.0	0	0	0		
Other 5/	1.9	3.2	2.2	-0.6	-2.0	n.a.	5.3	1.2	2.6	2.8	-2.7	-0.5	1.6	1.0	-1.9	-2.7		
Cash operating balance, end of period	19.1	15.1	14.0	15.1	12.0	n.a.	12.3	12.0	12.3	6.4	17.5	14.0	12.0	12.0	12.0	12.0		
Memo: Sponsored agency borrowing 6/	5.2	n.a.	18.9	n.a.	12.3	n.a.	6.8	20.2	2.0	4.5	6.2	6.2	3.0	1.0	3.5	4.5		
NIA Budget									Seasonally adjusted annual rates									
Receipts	361.9 ^{9/}	n.a.	406.3 ^{9/}	n.a.	460.3	n.a.	373.9	423.2	386.3	395.3	417.4	433.4	446.6	453.8	467.7	480.6		
Expenditures	411.9	n.a.	455.0	n.a.	498.1	n.a.	423.4	464.0	446.3	451.1	452.8	469.7	482.3	491.8	501.9	516.4		
Purchases (total)	140.6	n.a.	152.9	n.a.	168.0	n.a.	145.5	155.2	153.8	152.7	150.0	155.2	162.7	166.0	169.7	173.7		
Defense	91.8	n.a.	100.0	n.a.	107.2	n.a.	94.3	101.6	98.5	99.5	100.6	101.6	104.6	105.6	108.1	110.5		
Non-defense	48.8	n.a.	52.9	n.a.	60.8	n.a.	51.2	53.6	55.3	53.2	49.4	53.6	58.1	60.4	61.6	63.2		
All other expenditures	271.4 ^{9/}	n.a.	302.1 ^{9/}	n.a.	330.1	n.a.	278.0	308.8	292.5	298.4	302.8	314.5	319.6	325.8	332.2	342.7		
Surplus(+)/Deficit(-)	-50.0 ^{9/}	n.a.	-48.7 ^{9/}	n.a.	-37.8	n.a.	-49.5	-40.8	-60.0	-55.8	-35.4	-36.3	-35.7	-38.0	-34.2	-35.8		
High Employment Surplus(+)/Deficit(-) (NIA basis) 7/	-5.0	n.a.	-7.2	n.a.	6.1	n.a.	-8.7	-0.2	-22.1	-9.9	1.7	1.7	5.9	3.0	7.4	8.1		
	*actual	e--estimated		r--revised			n.a.--not available						p--preliminary					

1/ OMB Mid-Session Review of the 1979 Budget, (July 6, 1978).

2/ Congress' First Concurrent Resolution on the Budget, (May 17, 1978).

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, U.S. Railway Association, Rural Electrification and Telephone Revolving fund, Housing for the Elderly or 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/ Estimated by F. R. B. staff.

8/ Includes \$2.5 billion of borrowing from the Federal Reserve on September 30 which was repaid October 4.

9/ Quarterly average exceeds fiscal year total by \$1.7 billion for FY 1977, by \$1.8 billion for FY 1978 and by \$1.9 billion for FY 1979 due to spreading of wage base effect over calendar year.

July 12, 1978

	1977 ^r	1978 ^p	1979 ^p	1978				1979 ^p			
				I	II ^p	III ^p	IV ^p	I	II	III	IV
1. <u>GNP NET EXPORTS</u> - Intl Acct. data	-11.1	-14.5	-7.7	-24.0	-12.7	-11.6	-9.4	-10.7	-9.6	-6.7	-4.3
2. (GNP net exports - GNP Acct. data) <u>1/</u>	(-10.9)	(-14.1)	(-7.5)	(-23.7)	(-12.4)	(-11.3)	(-9.1)	(-10.4)	(-9.3)	(-6.4)	(-4.0)
3. a) Merchandise Trade Balance	-31.1	-37.3	-34.9	-44.8	-35.1	-35.2	-33.8	-36.7	-36.5	-34.3	-32.5
4. Exports (excl. military)	120.6	136.9	164.3	122.7	137.6	139.8	147.5	153.8	160.9	167.6	174.7
5. Agricultural	24.4	28.2	29.3	26.1	31.6	27.0	28.3	28.5	29.0	29.5	30.0
6. Nonagricultural	96.2	108.7	135.0	96.6	106.0	112.8	119.2	125.3	131.9	138.1	144.7
7. Imports	151.6	174.2	199.2	167.5	172.7	175.0	181.3	190.5	197.4	201.9	207.2
8. Petroleum and petrol. products	45.0	43.7	50.2	39.8	42.7	44.4	47.8	49.2	50.7	50.2	50.9
9. Nonpetroleum	106.7	130.5	149.0	127.7	130.0	130.6	133.5	141.3	146.7	151.7	156.3
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	3.7
11. c) Investment income, net <u>3/</u>	17.3	19.5	21.7	18.2	19.2	20.1	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	1.7	1.8	1.9	2.1	2.4	2.5	2.6
13. <u>U.S. CURRENT ACCOUNT BALANCE</u>	-15.2	-21.5	-18.3	-27.8	-20.2	-19.4	-18.6	-21.1	-20.2	-17.3	-14.8
14. a) GNP net exports (line 1.)	-11.1	-14.5	-7.7	-24.0	-12.7	-11.6	-9.4	-10.7	-9.6	-6.7	-4.3
15. b) U.S. Govt & private transfers <u>5/</u>	-4.1	-7.0	-10.6	-3.8	-7.5	-7.8	-9.2	-10.4	-10.6	-10.6	-10.5
<u>Constant (1972) dollars</u>											
16. Merchandise exports (excl. military)	67.0	69.5	76.7	65.7	69.9	70.0	72.4	74.2	76.0	77.5	79.1
17. (% change, annual rates)	(0.3)	(3.7)	(10.3)	(4.1)	(28.2)	(0.4)	(14.8)	(10.0)	(10.4)	(8.2)	(8.2)
18. Merchandise imports	71.0	75.5	79.9	74.5	75.7	75.2	76.5	78.3	79.7	80.3	81.3
19. (% change, annual rates)	(13.0)	(6.3)	(5.8)	(7.4)	(6.1)	(-2.4)	(7.0)	(10.0)	(7.0)	(3.3)	(5.3)
<u>Foreign Outlook - Major Industrial Countries <u>6/</u></u>											
20. Real GNP, % change, annual rates	3.0	3.7	4.5	4.9	4.4	4.0	4.1	5.0	4.7	4.6	4.9
21. Wholesale Prices, % change, A.R. <u>7/</u>	8.7	5.2	6.3	5.3	6.9	6.1	6.1	6.0	6.0	7.0	7.3

- 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)

July 12, 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)
Not seasonally adjusted

	1977	1978					
	Year	QI ^{e/}	QII ^{e/}	May ^{e/}	June ^{e/}	July ^{f/}	Aug. ^{f/}
		<u>Gross offerings</u>					
Corporate securities--total	4,518	3,371	3,566	3,200	4,200	3,200	3,000
Publicly offered bonds	2,016	1,583	1,833	1,700	1,800	2,000	1,600
By quality <u>1/</u>							
Aaa and Aa	1,089	765	883	825	700	--	--
Less than Aa <u>2/</u>	927	817	950	875	1,100	--	--
By type of borrower							
Utility	692	475	575	500	800	--	--
Industrial <u>3/</u>	700	546	633	700	525	--	--
Financial	624	561	625	500	475	--	--
Privately placed bonds	1,501	1,128	933	800	1,200	800	800
Stocks	1,001	660	800	700	1,200	400	600
Foreign securities--total	621	537	630	792	501	--	--
Publicly offered	437	425	507	650	320	300	300
Privately placed	184	112	123	142	181	--	--
State and local govt. securities--total	5,771	5,172	7,060	6,305	6,100	4,700	5,000
Long-term	3,891	3,594	4,391	5,300	4,100	3,200	3,500
Short-term	1,880	1,578	2,669	1,005	2,000	1,500	1,500
		<u>Net offerings</u>					
U.S. Treasury	3,433	7,180	-2,417	659	3,381	600	5,200
Sponsored Federal agencies	604	1,804	2,127	3,737	1,833	1,248	2,975

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

July 14, 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

Durable wholesale inventories rose at an annual rate of \$2.2 billion in May, well below the April pace of \$10.0 billion. The large increase in stocks at wholesalers of motor vehicles, primarily importers of foreign cars, was offset by a substantial reduction in merchants' stocks of machinery. Nondurable inventories declined at an annual rate of \$3.4 billion following the strong April accumulation of \$13.8 billion. While the book value of stocks at wholesale groceries increased, merchants of raw farm products reported a sharp decline after 9 months of accumulation.

The Domestic Financial Economy

No textual addendums to the Greenbook were required, but the usual updating of the interest rate developments and monetary aggregates tables are contained on pages 5 and 6, respectively.

CORRECTIONS

Part III - Page III-14, lines 4-5 "third quarter of 1974" should read "second quarter of 1977."

Part IV - Page IV-8, line 3 of table, final column, ".0" should be "+0.8." Page IV-12, line 18, "industry exports" should be "industry experts." Page IV-13, lines 1-3 should read: "Foreign official assets in the United States (excluding OPEC holdings) rose by \$0.6 billion in May, after having fallen by \$2.8 billion in April. Exchange-" Page IV-24, 3-Month Rates for Switzerland in final column, "4.25" should be "1.62."