

CONFIDENTIAL (FR)

February 22, 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)	
	1/11/78	2/22/78	1/11/78	2/22/78	1/11/78	2/22/78	1/11/78	2/22/78
1974 ^{1/}	8.1	8.1	-1.4	-1.4	10.4	10.4	5.6	5.6
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/}	10.8	10.8	5.0	4.9	6.0	6.0	7.1	7.0
1978	11.6	11.1	4.9	4.6	6.2	6.2	6.4	6.2
1977-III ^{1/}	10.2	10.2	5.1	5.1	5.0	5.0	7.0	6.9
1977-IV ^{1/}	11.6	10.4	4.5	4.0	6.0	5.5	6.8	6.6
1978-I	12.5	11.8	5.4	4.4	6.6	6.8	6.5	6.3
1978-II	11.0	11.0	4.5	4.6	6.3	6.4	6.4	6.2
1978-III	10.9	10.4	4.4	4.2	6.6	6.2	6.4	6.2
1978-IV	12.3	11.8	5.1	4.8	6.3	6.2	6.3	6.1
1979-I	11.9	11.9	5.1	5.0	6.6	6.7	6.1	6.0
1979-II	10.8	10.8	4.5	4.5	6.4	6.4	6.0	5.9
Change:								
76-IV to 77IV ^{1/}	12.2	11.9	5.8	5.7	6.3	6.2	-1.1	-1.2
77-II to 78-II	11.3	10.8	4.9	4.5	5.9	5.9	-.6	-.9
77-IV to 78-IV	11.7	11.3	4.8	4.5	6.5	6.4	-.5	-.5
78-II to 79-II	11.5	11.2	4.8	4.6	6.5	6.4	-.4	-.3

^{1/} Actual.

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CLASS II FOMCGROSS 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				1979	
	III	IV	I	II	Projected		I	II
Gross National Product	1915.9	1963.7	2019.3	2072.7	2124.5	2184.7	2246.8	2305.4
Final purchases	1892.2	1953.0	2004.6	2051.9	2101.7	2159.9	2217.3	2274.1
Private	1491.3	1539.6	1581.8	1619.6	1659.4	1704.8	1751.8	1798.0
Excluding net exports	1498.8	1554.7	1589.6	1631.1	1671.9	1717.3	1763.5	1809.0
Personal consumption expenditures	1218.9	1260.2	1285.3	1317.6	1350.7	1388.7	1427.1	1464.4
Goods	659.4	686.3	694.4	712.7	730.8	752.7	772.4	791.7
Services	559.5	573.9	590.9	604.9	619.9	636.0	654.7	672.7
Gross private domestic investment	303.6	305.2	319.0	334.3	344.0	353.4	365.9	375.9
Residential construction	92.5	99.6	104.1	107.1	108.6	109.6	110.6	111.6
Business fixed investment	187.5	194.9	200.2	206.4	212.6	219.0	225.8	233.0
Change in business inventories	23.6	10.7	14.7	20.8	22.8	24.8	29.5	31.3
Nonfarm	23.1	6.2	10.7	17.3	19.8	21.8	26.5	28.3
Net exports of goods and services ^{1/}	-7.5	-15.1	-7.8	-11.5	-12.5	-12.5	-11.7	-11.0
Exports	179.9	173.6	187.9	193.6	201.0	208.0	215.7	222.0
Imports	187.4	188.7	195.7	205.1	213.5	220.5	227.4	233.0
Gov't. purchases of goods and services	400.9	413.4	422.8	432.3	442.3	455.1	465.5	476.1
Federal ^{2/}	148.1	153.8	156.2	158.7	161.7	167.2	170.5	174.1
State and local	252.9	259.6	266.6	273.6	280.6	287.9	295.0	302.0
Gross national product in constant (1972) dollars	1347.4	1360.7	1375.4	1390.9	1405.2	1421.9	1439.4	1455.2
Personal income	1549.8	1602.8	1641.6	1683.2	1732.0	1779.0	1822.8	1867.0
Wage and salary disbursements	998.9	1028.5	1053.8	1078.2	1103.9	1133.5	1164.2	1191.3
Disposable income	1323.8	1368.2	1403.0	1436.6	1475.5	1529.1	1568.8	1604.6
Saving rate (per cent)	5.5	5.5	6.0	5.8	6.0	6.8	6.6	6.3
Corporate profits with I.V.A. and C.C. Adj.	149.0	143.6	148.3	153.7	153.1	161.9	161.3	165.1
Corporate profits before tax	172.8	177.1	184.3	190.2	190.2	199.7	199.6	203.9
Federal government surplus or deficit (-) (N.I.A. basis)	-58.9	-61.5	-56.1	-52.5	-49.8	-64.9	-56.2	-48.8
High employment surplus or deficit (-)	-20.4	-21.9	-18.6	-16.0	-11.6	-30.7	-22.0	-15.6
State and local government surplus or deficit (-) (N.I.A. basis)	32.9	31.6	29.1	28.8	26.3	25.3	22.9	20.6
Excluding social insurance funds	17.6	15.9	11.6	10.8	7.8	6.3	3.4	.6
Civilian labor force (millions)	97.6	98.6	99.2	99.8	100.4	101.0	101.6	102.1
Unemployment rate (per cent)	6.9	6.6	6.3	6.2	6.2	6.1	6.0	5.9
Nonfarm payroll employment (millions)	82.5	83.2	83.9	84.5	85.1	85.8	86.5	87.1
Manufacturing	19.6	19.8	20.0	20.2	20.4	20.6	20.9	21.1
Industrial production (1967=100)	138.4	139.3	139.8	142.8	145.2	147.9	150.8	153.3
Capacity utilization: all manufacturing (per cent)	83.0	82.9	82.3	83.3	83.9	84.5	85.2	85.7
Materials (per cent)	82.3	82.2	81.5	82.8	83.6	84.4	85.6	86.0
Housing starts, private (millions, A.R.)	2.04	2.14	1.85	2.05	1.90	1.80	1.80	1.80
Sales new autos, (millions, A.R.)	10.92	10.75	10.60	10.85	10.90	11.05	11.10	10.95
Domestic models	8.88	8.77	8.50	8.75	8.90	9.10	9.15	9.10
Foreign models	2.04	1.98	2.10	2.10	2.00	1.95	1.95	1.85

^{1/} Balance of payments data and projection underlying these estimates are shown in the International Development 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.

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1977		1978				1979	
	III	IV	I	II	III	IV	I	II
	----- Billions of dollars -----							
Gross National Product	46.0	47.8	55.6	53.4	51.8	60.2	62.1	58.6
Inventory change	1.9	-12.9	4.0	6.1	2.0	2.0	4.7	1.8
Final purchases	44.0	60.8	51.6	47.3	49.8	58.2	57.4	56.8
Private	33.7	48.3	42.4	37.8	39.8	45.4	47.0	46.2
Net exports	2.2	-7.6	7.3	-3.7	-1.0	-.0	.8	.7
Excluding net exports	31.5	55.9	34.9	41.5	40.8	45.4	46.2	45.5
Personal consumption expenditures	24.9	41.3	25.1	32.3	33.1	38.0	38.4	37.3
Goods	6.4	26.9	8.1	18.3	18.1	21.9	19.7	19.3
Services	18.4	14.4	17.0	14.0	15.0	16.1	18.7	18.0
Residential fixed investment	1.7	7.1	4.5	3.0	1.5	1.0	1.0	1.0
Business fixed investment	5.1	7.4	5.3	6.2	6.2	6.4	6.8	7.2
Government	10.3	12.5	9.4	9.5	10.0	12.8	10.4	10.6
Federal	4.5	5.7	2.4	2.5	3.0	5.5	3.3	3.6
State and local	5.9	6.7	7.0	7.0	7.0	7.3	7.1	7.0
GNP in constant (1972) dollars	16.7	13.3	14.7	15.5	14.4	16.7	17.4	15.8
Final purchases	14.3	22.0	12.4	11.7	13.0	15.6	14.7	14.7
Private	10.3	19.3	10.0	9.3	10.8	13.7	12.4	12.2
	----- In Per Cent Per Year ^{1/} -----							
Gross National Product	10.2	10.4	11.8	11.0	10.4	11.8	11.9	10.8
Final purchases	9.9	13.5	11.0	9.8	10.1	11.5	11.1	10.6
Private	9.6	13.6	11.4	9.9	10.2	11.4	11.5	11.0
Personal consumption expenditures	8.6	14.3	8.2	10.4	10.4	11.7	11.5	10.9
Goods	4.0	17.3	4.8	11.0	10.6	12.5	10.9	10.4
Services	14.3	10.7	12.4	9.8	10.3	10.8	12.3	11.5
Gross private domestic investment	12.4	2.1	19.4	20.6	12.1	11.4	14.9	11.4
Residential structures	7.7	34.6	19.3	12.0	5.7	3.7	3.7	3.7
Business fixed investment	11.6	16.6	11.3	13.0	12.6	12.6	13.0	13.4
Gov't. purchases of goods and services	11.0	13.1	9.4	9.3	9.6	12.1	9.5	9.4
Federal	12.9	16.4	6.4	6.6	7.8	14.3	8.1	8.7
State and local	9.9	11.2	11.2	10.9	10.6	10.8	10.2	9.8
GNP in constant (1972) dollars	5.1	4.0	4.4	4.6	4.2	4.8	5.0	4.5
Final purchases	4.4	6.8	3.7	3.5	3.8	4.6	4.3	4.2
Private	4.0	7.5	3.8	3.5	4.0	5.0	4.5	4.4
GNP implicit deflator ^{2/}	4.8	6.1	7.1	6.1	5.9	6.7	6.5	6.1
Gross business product fixed-weighted price index ^{3/}	5.0	5.5	6.8	6.4	6.2	6.2	6.7	6.4
Personal income	8.9	14.4	10.0	10.5	12.1	11.3	10.2	10.1
Wage and salary disbursements	7.5	12.4	10.2	9.6	9.9	11.2	11.3	9.6
Disposable income	10.0	14.1	10.6	9.9	11.3	15.3	10.8	9.5
Corporate profits before tax	-2.7	10.2	17.2	13.5	.1	21.5	-.2	8.8
Nonfarm payroll employment	3.3	3.2	3.6	2.6	2.6	3.3	3.5	2.8
Manufacturing	1.3	2.7	5.1	4.1	4.4	4.2	4.5	4.2
Nonfarm business sector								
Output per hour	3.8	1.2	2.7	2.3	2.2	2.4	2.5	2.1
Compensation per hour	7.5	7.5	11.9	7.5	7.8	7.9	11.3	8.0
Unit labor costs	3.5	6.1	9.2	5.2	5.6	5.5	8.8	5.9
Industrial production	4.2	2.6	1.4	8.9	6.9	7.6	8.1	6.8
Housing starts, private	22.1	21.6	-44.5	50.8	-26.2	-19.4	.0	.0
Sales new autos	-24.1	-6.2	-5.5	9.8	1.9	5.6	1.8	-5.3
Domestic models	-18.4	-4.8	-11.9	12.3	7.0	9.3	2.2	-2.2
Foreign models	-43.9	-12.3	27.3	.0	-17.7	-9.6	.0	-19.0

^{1/} Percentage rates are annual rates compounded quarterly.

^{2/} Excluding Federal pay increases rates of change are: 1977-IV, 5.4 per cent; 1978-I, 7.1 per cent; 1978-IV, 6.0 per cent; 1979-I, 6.5 per cent.

^{3/} Using expenditures in 1972 as weights.

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

	1971	1972	1973	1974	1975	1976	1977	Projected 1978
Gross National Product	1063.4	1171.1	1306.6	1412.9	1528.8	1706.5	1890.1	2100.3
Final purchases	1057.1	1161.7	1288.6	1404.0	1540.3	1693.1	1872.6	2079.5
Private	823.4	908.6	1019.1	1101.3	1201.4	1331.7	1477.7	1641.4
Excluding net exports	821.8	911.9	1012.0	1095.3	1181.0	1323.9	1487.8	1652.5
Personal consumption expenditures	668.2	733.0	809.9	889.6	980.4	1094.0	1211.4	1335.6
Goods	374.8	410.5	457.5	498.3	542.2	601.6	660.6	722.6
Services	293.4	322.4	352.3	391.3	438.2	492.3	550.8	612.9
Gross private domestic investment	160.0	188.3	220.0	214.6	189.1	243.3	293.9	337.7
Residential construction	49.6	62.0	66.1	55.1	51.5	68.0	91.0	107.3
Business fixed investment	104.1	116.8	136.0	150.6	149.1	161.9	185.5	209.5
Change in business inventories	6.4	9.4	17.9	8.9	-11.5	13.3	17.4	20.8
Nonfarm	5.1	8.8	14.7	10.8	-15.1	14.9	16.4	17.4
Net exports of goods and services	1.6	-3.3	7.1	6.0	20.4	7.8	-10.1	-11.1
Exports	65.6	72.7	101.6	137.9	147.3	162.9	175.5	197.6
Imports	64.0	75.9	94.4	131.9	126.9	155.1	185.6	208.7
Gov't. purchases of goods and services	233.7	253.1	269.5	302.7	338.9	361.4	394.9	438.1
Federal	96.2	102.1	102.2	111.1	123.3	130.1	145.5	160.9
State and local	137.5	151.0	167.3	191.5	215.6	231.2	249.5	277.2
Gross national product in constant (1972) dollars	1107.5	1171.1	1235.0	1217.8	1202.1	1274.7	1337.5	1398.4
Personal income	859.1	942.5	1052.4	1154.9	1253.4	1382.7	1536.7	1708.9
Wage and salary disbursements	579.4	633.8	701.3	764.6	805.7	891.8	989.9	1092.3
Disposable income	742.8	801.3	901.7	984.6	1084.4	1185.8	1309.2	1461.0
Saving rate (per cent)	7.7	6.2	7.8	7.3	7.4	5.6	5.1	6.2
Corporate profits with I.V.A. and C.C. Adj.	77.2	92.1	99.1	83.6	99.3	128.1	139.3	154.2
Corporate profits before tax	82.0	96.2	115.8	126.9	123.5	156.9	171.2	191.1
Federal government surplus or deficit (-) (N.I.A. basis)	-22.0	-17.3	-6.7	-10.7	-70.2	-54.0	-49.9	-55.8
High employment surplus or deficit (-)	-5.3	-5.9	-7	17.1	-20.3	-10.4	-8.6	-19.2
State and local government surplus or deficit (-) (N.I.A. basis)	3.7	13.7	13.0	7.5	5.9	18.4	29.3	27.4
Excluding social insurance funds	-3.8	5.6	4.1	-2.9	-6.2	3.9	13.7	9.1
Civilian labor force (millions)	84.1	86.5	88.7	91.0	92.6	94.8	97.4	100.1
Unemployment rate (per cent)	5.9	5.6	4.9	5.6	8.5	7.7	7.0	6.2
Nonfarm payroll employment (millions)	71.2	73.7	76.9	78.4	77.1	79.4	82.1	84.8
Manufacturing	18.6	19.1	20.1	20.0	18.3	19.0	19.6	20.3
Industrial production (1967=100)	109.6	119.7	129.8	129.3	117.8	129.8	137.0	143.9
Capacity utilization: all manufacturing (per cent)	78.0	83.1	87.5	84.2	73.6	80.2	82.4	83.5
Materials (per cent)	83.1	88.0	92.4	87.7	73.6	80.4	81.9	83.1
Housing starts, private (millions, A.R.)	2.05	2.36	2.05	1.34	1.16	1.54	1.99	1.90
Sales new autos (millions, A.R.)	10.24	10.93	11.42	8.91	8.66	10.12	11.13	10.85
Domestic models	8.68	9.32	9.65	7.49	7.08	8.63	9.07	8.81
Foreign models	1.56	1.61	1.77	1.42	1.58	1.50	2.06	2.04

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CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1971	1972	1973	1974	1975	1976	1977	Projected 1978
----- Billions of Dollars -----								
Gross National Product	81.0	107.7	135.5	106.3	115.9	177.7	183.6	210.2
Inventory change	2.6	3.0	8.5	-9.0	-20.4	24.8	4.1	3.4
Final purchases	78.5	104.6	126.9	115.4	136.3	152.8	179.5	206.9
Private	63.7	85.2	110.5	82.2	100.1	130.3	146.0	163.7
Net exports	-2.3	-4.9	10.4	-1.1	14.4	-12.6	-17.9	-1.0
Excluding net exports	66.0	90.1	100.1	83.3	85.7	142.9	163.9	164.7
Personal consumption expenditures	49.4	64.8	76.9	79.7	90.8	113.6	117.4	124.2
Goods	25.2	35.7	47.0	40.8	43.9	59.4	59.0	62.0
Services	24.3	29.0	29.9	39.0	46.9	54.1	58.5	62.1
Residential fixed investment	13.0	12.4	4.1	-11.0	-3.6	16.5	23.0	16.3
Business fixed investment	3.6	12.7	19.2	14.6	-1.5	12.8	23.6	24.0
Government	14.8	19.4	16.4	33.2	36.2	22.5	33.5	43.2
Federal	.6	5.9	.1	8.9	12.2	6.8	15.4	15.4
State and local	14.3	13.5	16.3	24.2	24.1	15.6	18.3	27.7
GNP in constant (1972) dollars	32.2	63.6	63.9	-17.2	-15.7	72.6	62.8	60.9
Final purchases	29.9	60.8	56.8	-8.6	2.1	54.2	59.9	59.3
Private	30.7	57.1	57.4	-13.8	-3.2	52.8	53.3	48.0
----- In Per Cent Per Year -----								
Gross National Product	8.2	10.1	11.6	8.1	8.2	11.6	10.8	11.1
Final purchases	8.0	9.9	10.9	8.9	9.7	9.9	10.6	11.0
Private	8.4	10.3	12.2	8.1	9.1	10.8	11.0	11.1
Personal consumption expenditures	8.0	9.7	10.5	9.8	10.2	11.6	10.7	10.3
Goods	7.2	9.5	11.4	8.9	8.8	11.0	9.8	9.4
Services	9.0	9.9	9.3	11.1	12.0	12.4	11.9	11.3
Gross private domestic investment	13.6	17.7	16.8	-2.5	-11.9	28.7	20.8	14.9
Residential structures	35.5	25.1	6.6	-16.7	-6.5	32.2	33.7	17.9
Business fixed investment	3.6	12.3	16.4	10.8	-1.0	8.6	14.5	12.9
Gov't. purchases of goods and services	6.8	8.3	6.5	12.3	12.0	6.6	9.3	10.9
Federal	.6	6.1	.1	8.7	11.0	5.5	11.8	10.6
State and local	11.6	9.8	10.8	14.5	12.6	7.2	7.9	11.1
GNP in constant (1972) dollars	3.0	5.7	5.5	-1.4	-1.3	6.0	4.9	4.6
Final purchases	2.8	5.5	4.9	-.7	.2	4.5	4.7	4.5
Private	3.7	6.7	6.3	-1.4	-.3	5.6	5.3	4.5
GNP implicit deflator	5.1	4.1	5.8	9.7	9.6	5.3	5.6	6.3
Gross business product fixed-weighted index ^{1/}	4.4	3.3	5.7	10.4	9.5	5.4	6.0	6.2
Personal income	7.2	9.7	11.7	9.7	8.5	10.3	11.1	11.2
Wage and salary disbursements	6.0	9.4	10.7	9.0	5.4	10.7	11.0	10.3
Disposable income	8.3	7.9	12.5	9.2	10.1	9.4	10.4	11.6
Corporate profits before tax	14.7	17.3	20.4	9.6	-2.7	27.0	9.1	11.6
Nonfarm payroll employment	.4	3.5	4.3	2.0	-1.7	3.1	3.4	3.2
Manufacturing	-4.0	2.8	5.1	-.1	-8.5	3.3	3.2	3.9
Nonfarm business sector								
Output per hour	2.9	3.0	1.7	-2.9	1.6	4.1	2.0	2.5
Compensation per hour	6.6	5.8	7.8	9.4	9.6	8.7	8.5	8.8
Unit labor costs	3.5	2.7	6.0	12.7	7.9	4.5	6.4	6.3
Industrial production	1.7	9.2	8.4	-.4	-8.9	10.2	5.5	5.0
Housing starts	43.1	14.9	-13.2	-34.6	-13.3	32.5	29.2	-4.4
Sales new autos	21.9	6.8	-4.7	-14.5	-2.8	16.9	9.9	-2.5
Domestic models	21.9	7.4	3.5	-22.4	-5.5	21.9	5.1	-2.9
Foreign models	21.8	3.1	9.7	-19.9	11.4	-5.1	37.2	-.8

Using expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS
(billions of dollars)

February 22, 1978

	Fiscal Year 1977*	FY 1978 ^{e/}			CY 1977* F.R. Board	CY 1978 ^{e/} F.R. Board	Calendar quarters; unadjusted data							
		Admin. est. 1/	F.R. Board	Cong. est. 2/			1977				F.R. staff estimates 1978			
							I*	II*	III*	IV*	I	II	III	IV
Unified budget receipts	356.9	400.4	398.2	397.0	365.2	406.7	79.0	110.5	91.3	84.5	84.2	123.1	106.4	93.0
Unified budget outlays	401.9	462.2	458.5	458.3	416.1	467.1	97.6	101.8	103.4	113.3	111.4	114.4	119.3	122.0
Surplus (+)/Deficit(-), unified budget	-45.0	-61.8	-60.3	-61.3	-50.9	-60.4	-18.7	8.6	-12.2	-28.8	-27.2	8.7	-12.9	-29.0
Surplus(+)/Deficit(-), off-budget agencies <u>3/</u>	-8.7	-11.5	-10.5	n.a.	-10.4	-10.9	-4.3	0.1	-4.9	-1.3	-3.7	-1.1	-4.4	-1.7
Means of financing combined deficits:														
Net borrowing from public	53.5	66.0	59.3	n.a.	56.8	67.7	17.6	-1.1	19.6 ^{8/}	20.7 ^{8/}	23.7	0.9	14.0	29.1
Decrease in cash operating balance	-1.7	n.a.	7.1	n.a.	-0.6	0.3	2.6	-7.2	-2.8 ^{8/}	6.8 ^{8/}	4.3	-8.0	4.0	0
Other <u>4/</u>	1.9	n.a.	4.3	n.a.	5.3	3.3	2.7	-0.4	0.4	2.6	2.9	-0.5	-0.7	1.6
Cash operating balance, end of period	19.1	n.a.	12.0	n.a.	12.3	12.0	9.0	16.3	19.1 ^{8/}	12.3	8.0	16.0	12.0	12.0
Memo: Sponsored agency borrowing <u>5/</u>	5.2	n.a.	18.0	n.a.	6.8	20.9	0.7	3.0	1.1	2.0	4.7	5.4	5.9	4.9
<u>NIA Budget</u>														
							Seasonally adjusted annual rates							
Receipts	361.9 ^{6/}	410.8	404.1 ^{6/}	n.a.	373.7	416.6	364.9	371.2	373.2	385.3	398.3	410.4	429.0	428.7
Outlays	411.9	463.6	460.8	n.a.	423.5	472.5	403.7	411.5	432.1	446.7	454.4	463.3	478.8	493.6
Purchases (total)	140.6	158.4	157.6	n.a.	145.5	161.0	136.3	143.6	148.1	153.8	156.2	158.7	161.7	167.2
Defense	91.8	99.8	99.7	n.a.	94.3	101.2	89.7	93.4	95.6	98.5	99.4	100.0	100.9	104.3
Non-defense	48.8	58.6	57.9	n.a.	51.2	59.8	46.7	50.2	52.5	55.3	56.8	58.7	60.8	62.9
All other outlays	271.4 ^{6/}	305.2	303.2 ^{6/}	n.a.	278.0	311.5	267.4	267.9	284.0	292.9	298.2	304.6	317.1	326.4
Surplus(+)/Deficit (-)	-50.0 ^{6/}	-52.8	-56.7 ^{6/}	n.a.	-49.8	-55.9	-38.8	-40.3	-58.9	-61.4	-56.1	-52.9	-49.8	-64.9
High Employment Surplus(+)/Deficit (-) (NIA basis) <u>7/</u>	-5.0	n.a.	-17.0	n.a.	-8.6	-19.2	7.5	0.2	-20.4	-21.9	-18.6	-16.0	-11.6	-30.7
*actual	e--estimated	r--revised	n.e.--not estimated			n.a.--not available				p--preliminary				

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1/ The Budget of the United States Government, Fiscal Year 1979, January 1978.

2/ Congress' Second Concurrent Resolution on the Budget (September 15, 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 (until October 1977), 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 \$1.6 billion for FY 1977 and by \$1.7 billion for FY 1978 due to spreading of wage base effect over calendar year.

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.

	1976	1977 ^P	1978 ^P	1977				1978 ^P				1979 ^P	
				I	II	III	IV ^P	I	II	III	IV	I	II
1. <u>GNP NET EXPORTS</u> - Intl Acct. data	7.7	-9.0	-8.5	-7.6	-9.1	-6.9	-12.5	-5.2	-8.9	-9.9	-9.9	-9.1	-8.4
2. (GNP net exports - GNP Acct. data) 1/	(7.8)	(-10.1*)	(-11.1)	(-8.2*)	(-9.7*)	(-7.5*)	(-15.1*)	(-7.8)	(-11.5)	(-12.5)	(12.5)	(-11.7)	(-11.0)
3. a) Merchandise Trade Balance	-9.3	-31.4*	-33.2	-28.6	-31.2	-30.2	-35.5*	-29.1	-33.2	-35.1	-35.7	-36.0	-35.7
4. Exports (excl. military)	114.7	120.4	135.1	117.8	122.4	123.5	118.0*	129.0	132.2	137.2	142.1	147.1	152.0
5. Agricultural	23.4	24.3	23.0	24.4	26.7	24.0	22.2*	23.1	22.8	23.0	23.2	23.4	23.6
6. Nonagricultural	91.3	96.1	112.1	93.4	95.6	99.4	95.8*	105.9	109.4	114.2	118.9	123.7	128.4
7. Imports	124.0	151.8	168.3	146.4	153.6	153.7	153.5*	158.1	165.4	172.3	177.8	183.1	187.7
8. Petroleum and petrol. products	34.6	44.8	46.1	44.1	47.7	45.8	41.5*	42.1	45.2	47.9	49.4	50.9	51.2
9. Nonpetroleum	89.4	107.0	122.2	102.4	105.9	107.9	112.0*	116.0	120.2	124.4	128.4	132.2	136.5
10. b) Military transactions, net 2/	--	1.6	2.0	1.7	.8	1.9	1.8	2.0	2.0	2.0	2.0	2.0	2.0
11. c) Investment income, net 3/	14.3	18.5	20.2	17.9	19.1	18.4	18.5	19.6	19.9	20.5	20.8	21.8	22.2
12. d) Other services, net 4/	2.7	2.3	2.6	1.4	2.1	3.1	2.7	2.3	2.4	2.7	3.0	3.1	3.1
13. <u>U.S. CURRENT ACCOUNT BALANCE</u>	-1.4	-19.1	-21.0	-16.9	-18.6	-17.4	-23.5	-17.2	-21.5	-22.6	-23.0	-23.0	-22.5
14. a) GNP net exports (line 1.)	7.7	-9.0	-9.5	-7.6	-9.1	-6.9	-12.5	-5.2	-8.9	-9.9	-9.9	-9.1	-8.4
15. b) U.S. Govt & private transfers 5/	-9.1	-10.1	-11.5	-9.3	-9.5	-10.5	-11.0	-12.0	-12.6	-12.7	-13.1	-13.9	-14.1
<u>Constant (1972) dollars</u>													
16. Merchandise exports (excl. military)	66.7	66.9	71.9	66.1	67.6	68.7	65.0	70.6	71.0	72.4	73.7	75.0	76.3
17. (% change, annual rates)	(3.4)	(0.2)	(7.5)	(-7.4)	(9.5)	(6.1)	(-22.9)	(39.1)	(2.0)	(8.2)	(7.4)	(7.4)	(7.0)
18. Merchandise imports	62.8	71.1	74.5	70.3	72.0	71.2	70.8	71.7	73.8	75.5	72.0	77.9	78.5
19. (% change, annual rates)	(22.5)	(13.2)	(4.8)	(28.2)	(10.0)	(-4.5)	(-2.0)	(4.9)	(12.1)	(10.0)	(7.8)	(4.9)	(2.8)
<u>Foreign Outlook - Major Industrial Countries 6/</u>													
20. Real GNP, % change, annual rates	5.2	2.8	3.8	5.7	0.4	1.2	4.1	4.9	4.9	4.1	4.5	4.5	4.5
21. Wholesale Prices, % change, A.R. 7/	9.4	8.7	5.1	10.4	7.4	3.7	3.3	5.3	6.1	6.1	6.1	5.7	5.7

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, remittances and pensions, and exports to Israel financed by U.S. military assistance grants.

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)

February 22, 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)

	1977				1978		
	H1	QIII	QIV ^{e/}	Dec. ^{e/}	Jan. ^{e/}	Feb. ^{f/}	Mar. ^{f/}
		<u>Gross offerings</u>					
Corporate securities--total	4,148	3,767	4,310	4,100	3,200	2,700	3,500
Publicly offered bonds	2,018	2,122	1,963	1,600	1,200	1,300	1,700
By quality ^{1/}							
Aaa and Aa	1,152	1,075	1,017	725	625	--	--
Less than Aa ^{2/}	866	1,047	946	875	575	--	--
By type of borrower							
Utility	753	588	660	375	565	--	--
Industrial ^{3/}	678	930	495	350	485	--	--
Financial	587	604	808	875	150	--	--
Privately placed bonds	1,215	1,019	1,236	1,800	800	800	1,000
Stocks	915	626	1,111	700	600	600	800
Foreign securities--total	629	744	488	534	434	--	--
Publicly offered ^{4/}	443	520	342	300	325	75	300
Privately placed	186	224	146	234	109	--	--
State and local govt. securities--total	6,450	5,436	4,719	4,600	4,900	4,300	4,700
Long-term	4,157	3,719	3,500	3,400	3,200	2,800	3,200
Short-term	2,293	1,717	1,219	1,200	1,700	1,500	1,500
		<u>Net offerings</u>					
U.S. Treasury	1,383	3,800	7,167	3,630	1,500	11,400	7,900
Sponsored Federal agencies	701	448	554	525	1,764	1,827	2,009

^{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.

Table 1

Selected Measures of the Federal Budget
for Recent Fiscal Years
(\$ billions)

	1976 ^{1/}	1977 ^{1/}	1978 ^{2/}	1979 ^{2/}
<u>Unified Budget</u>				
Receipts	299.2	356.9	400.4	439.6
Outlays	<u>356.6</u>	<u>401.9</u>	<u>462.2</u>	<u>500.2</u>
Deficit (-)	-66.4	-45.9	-61.8	-60.6
 <u>Off-Budget Outlays</u>	 7.2	 8.7	 11.5	 12.5
 <u>Combined Federal Deficit (-)</u>	 -73.6	 -54.6	 -73.3	 -73.1
 <u>NIA Budget</u> ^{3/}				
Receipts	314.1	364.0	410.8	451.4
Expenditures	<u>372.3</u>	<u>411.8</u>	<u>463.6</u>	<u>504.0</u>
Deficit (-)	-58.2	-47.8	-52.8	-52.6
 <u>Full-employment Budget</u> ^{4/}				
Receipts	350.7	400.9	439.9	402.4
Expenditures	<u>366.4</u>	<u>405.9</u>	<u>456.9</u>	<u>501.4</u>
Surplus/Deficit (-)	-15.7	-5.0	-17.0	-18.9
 <u>Memo:</u>				
Per cent Increase in ^{1/}				
Unified Budget Receipts	6.5	19.3	12.2	9.8
Unified Budget Outlays	9.4	12.7	15.0	8.2
 NIA Budget Receipts	10.8	15.9	12.9	9.9
NIA Budget Outlays	13.3	10.6	12.6	8.7

^{1/} Calculations ignore the transition quarter.

^{2/} Estimated.

^{3/} Federal budget measured by the National Income Accounts basis.

^{4/} Unified Budget receipts and outlays estimated for the economy at an unemployment rate of 4.9 per cent.

Table 2

Net Fiscal Impact of Scheduled Tax Increases and
Administration Tax Proposals ^{1/}
(calendar years; billions of dollars; NIA basis)

	<u>1978</u>	<u>1979</u>
<u>Total Tax Increases</u>	<u>13.2</u>	<u>30.4</u>
Social Security ^{2/}	3.5	11.7
Unemployment Insurance	2.0	2.1
Revenue Drag ^{3/}	8.0	16.5
 <u>Total Tax Reductions (-)</u>	 <u>-7.3</u>	 <u>-27.3</u>
Proposed Changes		
Individual ^{4/}	-4.0	-19.6
Business	-3.3	-5.7
Unemployment and Excise	--	-2.0
 Net Changes in Federal Revenues	 +6.1	 +3.0

^{1/} Entries are differences in tax levels above those that would prevail under 1977 tax rates.

^{2/} Social Security rate increases of 0.4 per cent in 1978 and 0.5 per cent in 1979. The Social Security tax increases do not include the automatic base increases required to maintain constant effective Social Security tax rates.

^{3/} Reflects the impact of tax progressivity and income growth in Federal revenues.

^{4/} The amount of tax reduction for individuals shown here differs from the amount estimated by the Treasury on a liability basis. The principal reason for this is that the tax reduction provisions of the proposal would take effect on October 1, 1978, while the reform provisions would not take effect until January 1, 1979. Since withholding schedules would be adjusted in October 1978 to reflect the amount of net tax reductions, refunds would be required in 1979 to compensate for overwithholding in 1978.

Table 3
The Full-Employment Budget
for Fiscal Years 1977-1979
(\$ Billions, NIA basis)

	Fiscal Years			Quarters ^{1/} Fiscal Year 1978				Fiscal Year 1979			
	<u>1977^{2/}</u>	<u>1978</u>	<u>1979</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Receipts	400.9	439.9	482.4	420.3	432.0	443.7	463.5	459.5 ^{3/}	474.3	487.5	508.4
Expenditures	405.9	456.9	501.4	442.2	450.6	459.7	475.1	490.2	496.4	503.1	515.9
^{1/} Surplus (+) or Deficit (-)	-5.0	-17.0	-18.9	-21.9	-18.6	-16.0	-11.6	-30.7 ^{3/}	-22.0	-15.6	-7.5

^{1/} Annual levels.

^{2/} Figures exclude the transition quarter.

^{3/} The change from the previous quarter results from implementation of the President's proposed tax package.

Table 4
Effect of President's Tax Proposals on Tax Liabilities*
(calendar year; billions of dollars)

	<u>1978</u>	<u>1979</u>
<u>Individual</u>	<u>-6.1</u>	<u>-16.7</u>
Personal Tax Rate Cut and \$240 Credit	-6.1	-23.5
Limit Itemized Deductions	--	5.8
Restrict Tax Shelters	--	1.0
 <u>Corporate</u>	 <u>-2.3</u>	 <u>-5.7</u>
Corporate Tax Rate Cut	-1.3	-6.0
Liberalization of Investment Credit	-1.2	-2.3
Curtail Business Tax Preferences	.2	1.1
Business Entertainment Expenses	<u>--</u>	<u>1.5</u>
 Tax Reductions and Reform: Total	 -8.4	 -22.4
Repeal Telephone Excise Tax	-.4	-1.2
Unemployment Payroll Rate Reduction	<u>--</u>	<u>-.9</u>
Grand Total President's Tax Package	-8.8	-24.5

* Excludes energy proposals.

Table 5
Comparative Changes in Federal Outlays,
Fiscal Years 1969-1979

<u>Fiscal Year</u>	<u>Unified Budget Outlays (\$ billions)</u>	<u>Change in Outlays from Previous Fiscal Year (\$ bil.)</u>	<u>Per Cent</u>	<u>Unified Budget Outlays as a Per Cent of GNP</u>
1969	184.5	5.7	3.2	20.4
1970	196.6	12.1	6.6	20.5
1971	211.4	14.8	7.5	20.7
1972	232.0	20.6	9.7	20.9
1973	247.1	15.1	6.5	20.0
1974	269.6	22.5	9.1	19.8
1975	326.1	56.5	21.0	22.4
1976	365.6	39.5	12.1	22.5
1977	401.9	36.3	9.0	21.9
1978 ^{1/}	462.2	60.3	15.0	22.6
1979 ^{1/}	500.2	38.0	8.2	22.0

^{1/} Estimated.

Table 6
Budget Outlays by Function,
Fiscal Years 1977-1979
(\$ billions)

Functional Category	1977	1978 ^{1/}	1979 ^{1/}	Change from Fiscal 1978	
				(\$ bil.)	Per Cent
Total	401.9	462.2	500.2	38.0	8.2
Categories Increasing, 1978-1979					
Income Security (Social Security)	137.0 (83.9)	147.6 (93.0)	160.0 ^{2/} (103.2)	12.4 ^{2/} (10.2)	8.4 (11.0)
National Defense	97.5	107.6	117.8	10.2	9.5
Health (Medicare and Medicaid)	38.8 (31.4)	44.3 (36.5)	49.7 (41.5)	5.4 (5.0)	12.2 (13.7)
Net Interest	38.1	43.8	49.0	5.2	11.9
Education and Employment	21.0	27.5	30.4	2.9	10.5
Energy	4.2	7.8	9.6 ^{3/}	1.8 ^{3/}	23.1
Transportation	14.6	16.3	17.4	1.1	6.7
International Affairs	4.8	6.7	7.7	0.9	14.9
5 Other Categories ^{4/}	<u>39.7</u>	<u>43.9</u>	<u>45.1</u>	<u>1.2</u>	<u>2.7</u>
Total	395.5	445.5	486.7	41.1	9.2

^{1/} Estimated.

^{2/} Includes \$1.6 billion in proposed energy tax refunds to persons with no Federal income tax liability.

^{3/} Excludes \$1.6 billion in proposed energy tax refunds to persons with no Federal income tax liability.

^{4/} Includes general science, space, and technology; natural resources; veterans benefits; justice; general government outlays; and allowances.

Table 6 continued

Functional Category	1977	1978 ^{1/}	1979 ^{1/}	Change from	
				Fiscal 1978	
				(\$ bil.)	Per Cent
				<u>Categories Decreasing, 1978-1979</u>	
Agriculture	5.5	9.1	5.4	-3.7	-40.7
Community and regional development	6.3	9.7	8.7	-1.0	-10.3
Commerce and housing credit	*	3.5	3.0	-0.5	-14.3
General purpose fiscal assistance	<u>9.5</u>	<u>9.9</u>	<u>9.6</u>	<u>-0.3</u>	<u>-3.0</u>
Total	21.3	32.2	26.7	-5.5	-17.1
Undistributed off-setting receipts	-15.1	-15.6	-16.0	-0.4	2.6
				<u>Miscellaneous Category</u>	
Allowances ^{2/}	--	--	2.8	--	--

^{1/} Estimated.

^{2/} Includes \$1.1 billion for Federal pay increases and \$1.7 billion for spending above expectations in programs with relatively uncontrollable outlays.

* Less than -\$500 million.