

CONFIDENTIAL (FR)

March 15, 1978

SUMMARY AND OUTLOOK

By the Staff  
Board of Governors  
of the Federal Reserve System

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## **SUMMARY AND OUTLOOK**

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## STAFF GNP PROJECTIONS

Per cent changes, annual rate								
	Nominal GNP		Real GNP		Gross business product fixed-weighted price index		Unemployment rate (per cent)	
	2/22/78	3/15/78	2/22/78	3/15/78	2/22/78	3/15/78	2/22/78	3/15/78
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 <sup>1/</sup>	10.8	10.8	4.9	4.9	6.0	6.0	7.0	7.0
1978	11.1	11.1	4.6	4.4	6.2	6.4	6.2	6.0
1977-III <sup>1/</sup>	10.2	10.2	5.1	5.1	5.0	5.0	6.9	6.9
1977-IV <sup>1/</sup>	10.4	10.4	4.0	4.0	5.5	5.5	6.6	6.6
1978-I	11.8	11.1	4.4	3.4	6.8	7.3	6.3	6.2
1978-II	11.0	11.6	4.6	5.0	6.4	6.7	6.2	6.0
1978-III	10.4	10.6	4.2	4.5	6.2	6.2	6.2	6.0
1978-IV	11.8	11.8	4.8	4.8	6.2	6.2	6.1	5.9
1979-I	11.9	11.7	5.0	4.9	6.7	6.7	6.0	5.8
1979-II	10.8	10.8	4.5	4.4	6.4	6.4	5.9	5.7
Change:								
76-IV to 77-IV <sup>1/</sup>	11.9	11.9	5.7	5.7	6.2	6.2	-1.2	-1.2
77-II to 78-II	10.8	10.8	4.5	4.4	5.9	6.1	-.9	-1.1
77-IV to 78-IV	11.3	11.3	4.5	4.4	6.4	6.6	-.5	-.7
78-II to 79-II	11.2	11.2	4.6	4.6	6.4	6.4	-.3	-.3

<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				1979	
	III	IV	I	II	III	Projected IV	I	II
Gross National Product	1915.9	1963.7	2016.1	2072.4	2125.5	2185.5	2246.9	2305.2
Final purchases	1892.2	1953.0	1998.9	2051.7	2102.5	2160.5	2218.6	2275.8
Private	1491.3	1539.6	1577.3	1620.0	1660.6	1705.7	1753.1	1799.7
Excluding net exports	1498.8	1554.7	1587.2	1630.7	1671.9	1716.9	1763.4	1808.7
Personal consumption expenditures	1218.9	1260.2	1282.7	1315.9	1349.5	1387.6	1426.3	1462.9
Goods	659.4	686.3	690.8	710.0	728.6	750.0	769.7	788.7
Services	559.5	573.9	591.9	605.9	620.9	637.6	656.6	674.2
Gross private domestic investment	303.6	305.2	321.7	335.5	345.4	354.3	365.4	375.2
Residential construction	92.5	99.6	103.6	106.6	107.6	108.1	109.1	110.6
Business fixed investment	187.5	194.9	200.9	208.2	214.8	221.2	228.0	235.2
Change in business inventories	23.6	10.7	17.2	20.7	23.0	25.0	28.3	29.4
Nonfarm	23.1	6.2	15.2	19.7	23.0	25.0	28.3	29.4
Net exports of goods and services <sup>1/</sup>	-7.5	-15.1	-9.9	-10.7	-11.3	-11.2	-10.3	-9.0
Exports	179.9	173.6	185.4	194.0	201.9	209.3	217.7	224.5
Imports	187.4	188.7	195.3	204.7	213.2	220.5	228.0	233.5
Gov't. purchases of goods and services	400.9	413.4	421.6	431.7	441.9	454.8	465.5	476.1
Federal <sup>2/</sup>	148.1	153.8	155.9	158.3	161.3	166.9	170.5	174.1
State and local	252.9	259.6	265.7	273.4	280.6	287.9	295.0	302.0
Gross national product in constant (1972) dollars	1347.4	1360.7	1372.0	1388.9	1404.2	1420.7	1437.8	1453.4
Personal income	1549.8	1602.8	1639.8	1681.2	1729.3	1777.0	1821.1	1864.5
Wage and salary disbursements	998.9	1028.5	1053.4	1079.2	1105.2	1135.6	1166.9	1193.4
Disposable income	1323.8	1368.2	1401.5	1434.6	1472.9	1527.1	1567.2	1602.2
Saving rate (per cent)	5.5	5.5	6.0	5.8	5.9	6.7	6.6	6.3
Corporate profits with I.V.A. and C.C. Adj.	149.0	143.6	147.2	154.0	154.8	163.6	162.4	166.6
Corporate profits before tax	172.8	177.1	183.2	190.5	191.9	201.4	200.7	205.4
Federal government surplus or deficit (-) (N.I.A. basis)	-58.9	-61.5	-56.3	-49.6	-46.4	-62.8	-55.9	-49.1
High employment surplus or deficit (-)	-20.4	-21.7	-17.5	-12.2	-7.9	-28.1	-20.5	-13.8
State and local government surplus or deficit (-) (N.I.A. basis)	32.9	31.6	29.8	28.2	26.1	26.2	24.9	22.9
Excluding social insurance funds	17.4	15.9	12.3	10.2	7.6	7.2	5.4	2.9
Civilian labor force (millions)	97.6	98.6	99.1	99.7	100.3	100.9	101.5	102.0
Unemployment rate (per cent)	6.9	6.6	6.2	6.0	6.0	5.9	5.8	5.7
Nonfarm payroll employment (millions)	82.5	83.2	84.0	84.6	85.2	85.8	86.5	87.1
Manufacturing	19.6	19.8	20.1	20.3	20.5	20.7	21.0	21.2
Industrial production (1967=100)	138.4	139.3	139.4	142.6	145.4	148.0	150.7	153.0
Capacity utilization: all manufacturing (per cent)	83.0	82.9	82.1	83.3	84.2	84.9	85.6	86.1
Materials (per cent)	82.3	82.2	81.1	82.6	83.6	84.6	85.5	86.2
Housing starts, private (millions, A.R.)	2.04	2.14	1.85	2.05	1.85	1.75	1.80	1.80
Sales new autos, (millions, A.R.)	10.92	10.75	10.50	10.85	10.90	11.05	11.10	10.95
Domestic models	8.88	8.77	8.40	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

<sup>1/</sup> Balance of payments data and projection underlying these estimates are shown in the International Development 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.

CHANGES IN GROSS NATIONAL PRODUCT  
 AND RELATED ITEMS

	1977		1978				1979	
	III	IV	Projected				I	II
			I	II	III	IV		
----- Billions of dollars -----								
Gross National Product	46.0	47.8	52.4	56.3	53.1	60.0	61.4	58.3
Inventory change	1.9	-12.9	6.5	3.5	2.3	2.0	3.3	1.1
Final purchases	44.0	60.8	45.9	52.8	50.8	58.0	58.1	57.2
Private	33.7	48.3	37.7	42.7	40.6	45.1	47.4	46.6
Net exports	2.2	-7.6	5.2	-.8	-.6	.1	.9	1.3
Excluding net exports	31.5	55.9	32.5	43.5	41.2	45.0	46.5	45.3
Personal consumption expenditures	24.9	41.3	22.5	33.2	33.6	38.1	38.7	36.6
Goods	6.4	26.9	4.5	19.2	18.6	21.4	19.7	19.0
Services	18.4	14.4	18.0	14.0	15.0	16.7	19.0	17.6
Residential fixed investment	1.7	7.1	4.0	3.0	1.0	.5	1.0	1.5
Business fixed investment	5.1	7.4	6.0	7.3	6.6	6.4	6.8	7.2
Government	10.3	12.5	8.2	10.1	10.2	12.9	10.7	10.6
Federal	4.5	5.7	2.1	2.4	3.0	5.6	3.6	3.6
State and local	5.9	6.7	6.1	7.7	7.2	7.3	7.1	7.0
GNP in constant (1972) dollars	16.7	13.3	11.3	16.9	15.3	16.5	17.1	15.6
Final purchases	14.3	22.0	7.2	14.7	13.7	15.4	15.2	14.9
Private	10.3	19.3	5.8	12.0	11.1	13.5	12.7	12.3
----- In Per Cent Per Year <sup>1/</sup> -----								
Gross National Product	10.2	10.4	11.1	11.6	10.6	11.8	11.7	10.8
Final purchases	9.9	13.5	9.7	11.0	10.3	11.5	11.2	10.7
Private	9.6	13.6	10.2	11.3	10.4	11.3	11.6	11.1
Personal consumption expenditures	8.6	14.3	7.3	10.8	10.6	11.8	11.6	10.7
Goods	4.0	17.3	2.6	11.6	10.9	12.3	10.9	10.2
Services	14.3	10.7	13.1	9.8	10.3	11.2	12.5	11.2
Gross private domestic investment	12.4	2.1	23.4	18.3	12.3	10.7	13.1	11.2
Residential structures	7.7	34.6	17.1	12.1	3.8	1.9	3.8	5.6
Business fixed investment	11.6	16.6	12.9	15.3	13.3	12.5	12.9	13.2
Gov't. purchases of goods and services	11.0	13.1	8.2	9.9	9.8	12.2	9.7	9.4
Federal	12.9	16.4	5.6	6.3	7.8	14.6	8.9	8.7
State and local	9.9	11.2	9.7	12.1	11.0	10.8	10.2	9.8
GNP in constant (1972) dollars	5.1	4.0	3.4	5.0	4.5	4.8	4.9	4.4
Final purchases	4.4	6.8	2.1	4.4	4.0	4.5	4.4	4.3
Private	4.0	7.5	2.2	4.5	4.1	5.0	4.6	4.4
GNP implicit deflator <sup>2/</sup>	4.8	6.1	7.5	6.3	5.9	6.7	6.5	6.1
Gross business product fixed-weight price index <sup>3/</sup>	5.0	5.5	7.3	6.7	6.2	6.2	6.7	6.4
Personal income	8.9	14.4	9.6	10.5	11.9	11.5	10.3	9.9
Wage and salary disbursements	7.5	12.4	10.0	10.2	10.0	11.5	11.5	9.4
Disposable income	10.0	14.1	10.1	9.8	11.1	15.6	10.9	9.2
Corporate profits before tax	-2.7	10.3	14.6	16.8	2.9	21.4	-1.4	9.7
Nonfarm payroll employment	3.3	3.2	4.1	2.7	2.6	3.0	3.3	2.8
Manufacturing	1.3	2.7	6.6	4.0	4.4	4.5	4.4	4.1
Nonfarm business sector								
Output per hour	3.8	.5	2.9	2.0	2.3	2.3	2.4	2.1
Compensation per hour	7.5	7.3	11.4	7.7	7.9	7.9	11.3	8.0
Unit labor costs	3.5	6.8	8.5	5.7	5.6	5.6	8.9	5.9
Industrial production	4.2	2.6	.3	9.5	8.0	7.6	7.4	6.2
Housing starts, private	23.1	21.6	-44.5	50.8	-33.7	-19.9	11.9	.0
Sales new autos	-24.1	-6.2	-9.0	14.0	1.9	5.6	1.8	-5.3
Domestic models	-18.4	-4.8	-16.0	17.7	7.0	9.3	2.2	-2.2
Foreign models	-43.9	-12.3	27.3	.0	-17.7	-9.6	.0	-19.0

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

<sup>2/</sup> Excluding Federal pay increases rates of change are: 1977-IV, 5.4 per cent; 1978-I, 7.4 per cent; 1978-IV, 6.1 per cent; 1979-I, 6.5 per cent.

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

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U.S. 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	2099.9
Final purchases	1057.1	1161.7	1288.6	1404.0	1540.3	1693.1	1872.6	2078.4
Private	823.4	908.6	1019.1	1101.3	1201.4	1331.7	1477.7	1640.9
Excluding net exports	821.8	911.9	1012.0	1095.3	1181.0	1323.9	1487.8	1651.7
Personal consumption expenditures	668.2	733.0	809.9	889.6	980.4	1094.0	1211.4	1333.9
Goods	374.8	410.5	457.5	498.3	542.2	601.6	660.6	719.8
Services	293.4	322.4	352.3	391.3	438.2	492.3	550.8	614.1
Gross private domestic investment	160.0	188.3	220.0	214.6	189.1	243.3	293.9	339.2
Residential construction	49.6	62.0	66.1	55.1	51.5	68.0	91.0	106.5
Business fixed investment	104.1	116.8	136.0	150.6	149.1	161.9	185.5	211.3
Change in business inventories	6.4	9.4	17.9	8.9	-11.5	13.3	17.4	21.5
Nonfarm	5.1	8.8	14.7	10.8	-15.1	14.9	16.4	20.7
Net exports of goods and services	1.6	-3.3	7.1	6.0	20.4	7.8	-10.1	-10.8
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	208.4
Gov't. purchases of goods and services	233.7	253.1	269.5	302.7	338.9	361.4	394.9	437.5
Federal	96.2	102.1	102.2	111.1	123.3	130.1	145.5	160.6
State and local	137.5	151.0	167.3	191.5	215.6	231.2	249.5	276.9
s national product in constant (1972) dollars	1107.5	1171.1	1235.0	1217.8	1202.1	1274.7	1337.5	1396.5
Personal income	859.1	942.5	1052.4	1154.9	1253.4	1382.7	1536.7	1706.8
Wage and salary disbursements	579.4	633.8	701.3	764.6	805.7	891.8	989.9	1093.3
Disposable income	742.8	801.3	901.7	984.6	1084.4	1185.8	1309.2	1459.0
Saving rate (per cent)	7.7	6.2	7.8	7.3	7.4	5.6	5.1	6.1
Corporate profits with I.V.A. and C.C. Adj.	77.2	92.1	99.1	83.6	99.3	128.1	139.3	154.9
Corporate profits before tax	82.0	96.2	115.8	126.9	123.5	156.9	171.2	191.7
Federal government surplus or deficit (-) (N.I.A. basis)	-22.0	-17.3	-6.7	-10.7	-70.2	-54.0	-49.9	-53.8
High employment surplus or deficit (-)	-5.3	-5.9	-7	17.1	-20.3	-10.4	-8.6	-16.4
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	27.6
Excluding social insurance funds	-3.8	5.6	4.1	-2.9	-6.2	3.9	13.7	9.3
Civilian labor force (millions)	84.1	86.5	88.7	91.0	92.6	94.8	97.4	100.0
Unemployment rate (per cent)	5.9	5.6	4.9	5.6	8.5	7.7	7.0	6.0
Nonfarm payroll employment (millions)	71.2	73.7	76.9	78.4	77.1	79.4	82.1	84.9
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	137.0	143.8
Capacity utilization: all manufacturing (per cent)	78.0	83.1	87.5	84.2	73.6	80.2	82.4	83.6
Materials (per cent)	83.1	88.0	92.4	87.7	73.6	80.4	81.9	83.0
Housing starts, private (millions, A.R.)	2.05	2.36	2.05	1.34	1.16	1.54	1.99	1.87
Sales new autos (millions, A.R.)	10.24	10.93	11.42	8.91	8.66	10.12	11.13	10.82
Domestic models	8.68	9.32	9.65	7.49	7.08	8.63	9.07	8.79
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	209.8
Inventory change	2.6	3.0	8.5	-9.0	-20.4	24.8	4.1	4.1
Final purchases	78.5	104.6	126.9	115.4	136.3	152.8	179.5	205.8
Private	63.7	85.2	110.5	82.2	100.1	130.3	146.0	163.2
Net exports	-2.3	-4.9	10.4	-1.1	14.4	-12.6	-17.9	-7
Excluding net exports	66.0	90.1	100.1	83.3	85.7	142.9	163.9	163.9
Personal consumption expenditures	49.4	64.8	76.9	79.7	90.8	113.6	117.4	122.5
Goods	25.2	35.7	47.0	40.8	43.9	59.4	59.0	59.2
Services	24.3	29.0	29.9	39.0	46.9	54.1	58.5	63.3
Residential fixed investment	13.0	12.4	4.1	-11.0	-3.6	16.5	23.0	15.5
Business fixed investment	3.6	12.7	19.2	14.6	-1.5	12.8	23.6	25.8
Government	14.8	19.4	16.4	33.2	36.2	22.5	33.5	42.6
Federal	.6	5.9	.1	8.9	12.2	6.8	15.4	15.1
State and local	14.3	13.5	16.3	24.2	24.1	15.6	18.3	27.4
GNP in constant (1972) dollars	32.2	63.6	63.9	-17.2	-15.7	72.6	62.8	59.0
Final purchases	29.9	60.8	56.8	-8.6	2.1	54.2	59.9	56.7
Private	30.7	57.1	57.4	-13.8	-3.2	52.8	53.3	45.8
----- 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	11.0
Personal consumption expenditures	8.0	9.7	10.5	9.8	10.2	11.6	10.7	10.1
Goods	7.2	9.5	11.4	8.9	8.8	11.0	9.8	9.0
Services	9.0	9.9	9.3	11.1	12.0	12.4	11.9	11.5
Gross private domestic investment	13.6	17.7	16.8	-2.5	-11.9	28.7	20.8	15.4
Residential structures	35.5	25.1	6.6	-16.7	-6.5	32.2	33.7	17.0
Business fixed investment	3.6	12.3	16.4	10.8	-1.0	8.6	14.5	13.9
Gov't. purchases of goods and services	6.8	8.3	6.5	12.3	12.0	6.6	9.3	10.8
Federal	.6	6.1	.1	8.7	11.0	5.5	11.8	10.4
State and local	11.6	9.8	10.8	14.5	12.6	7.2	7.9	11.0
GNP in constant (1972) dollars	3.0	5.7	5.5	-1.4	-1.3	6.0	4.9	4.4
Final purchases	2.8	5.5	4.9	-.7	.2	4.5	4.7	4.3
Private	3.7	6.7	6.3	-1.4	-.3	5.6	5.3	4.3
GNP implicit deflator	5.1	4.1	5.8	9.7	9.6	5.3	5.6	6.4
Gross business product fixed-weighted index <sup>1/</sup>	4.4	3.3	5.7	10.4	9.5	5.4	6.0	6.4
Personal income	7.2	9.7	11.7	9.7	8.5	10.3	11.1	11.1
Wage and salary disbursements	6.0	9.4	10.7	9.0	5.4	10.7	11.0	10.4
Disposable income	8.3	7.9	12.5	9.2	10.1	9.4	10.4	11.4
Corporate profits before tax	14.7	17.3	20.4	9.6	-2.7	27.0	9.1	12.0
Nonfarm payroll employment	.4	3.5	4.3	2.0	-1.7	3.1	3.4	3.3
Manufacturing	-4.0	2.8	5.1	-.1	-8.5	3.3	3.2	4.3
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	8.7	8.5
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	-5.9
Sales new autos	21.9	6.8	-4.7	-14.5	-2.8	16.9	9.9	-2.8
Domestic models	21.9	7.4	3.5	-22.4	-5.5	21.9	5.1	-3.1
Foreign models	21.8	3.1	9.7	-19.9	11.4	-5.1	37.2	-.8

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

FEDERAL SECTOR ACCOUNTS  
(billions of dollars)

March 15, 1978

	FY 1977*	FY 1978 e/		FY 1979 e/		CY77* F.R. Board	CY78e/ F.R. Board	F.R. Staff Estimates								
		Admin. 1/	F.R. 2/ Board	Admin. 1/	F.R. Board			Calendar quarters; unadjusted data						1979		
								1977			1978			I	II	III
Unified budget receipts	356.9	400.5	398.7	439.8	438.5	365.2	407.5	91.3	84.5	86.1	122.5	105.7	93.2	97.0	132.7	115.6
Unified budget outlays	401.9	453.5	455.0	499.4	499.0	416.1	463.6	103.4	113.3	110.0	113.7	117.9	122.0	121.0	126.0	130.0
Surplus(+)/Deficit(-), unified budget	-45.0	-53.0	-56.3	-59.6	-60.5	-50.9	-56.1	-12.2	-28.8	-23.9	8.8	-12.2	-28.8	-24.0	6.7	-14.4
Surplus(+)/Deficit(-), off-budget agencies 3/	-8.7	-11.5	-10.4	-12.5	-11.5	-10.4	-10.7	-4.9	-1.3	-3.6	-1.1	-4.3	-1.7	-3.9	-1.3	-4.6
Means of financing combined deficits:																
Net borrowing from public	53.5	57.1	56.7	72.0	71.3	56.8	64.8	19.6 <sup>8/</sup>	20.7 <sup>8/</sup>	21.3	1.5	13.2	28.9	25.4	-3.5	20.5
Decrease in cash operating balance	-1.7	7.1	7.1	0.0	0.0	-0.6	0.3	-2.8 <sup>8/</sup>	6.8 <sup>8/</sup>	5.5	-9.2	4.0	0.0	0.0	0.0	0.0
Other 4/	1.9	0.3	2.6	0.1	0.7	5.3	1.6	0.4	2.6	0.7	0.0	-0.7	1.6	2.5	-1.9	-1.5
Cash operating balance, end of period	19.1	12.0	12.0	12.0	12.0	12.3	12.0	19.1 <sup>8/</sup>	12.3	6.8	16.0	12.0	12.0	12.0	12.0	12.0
Memo: Sponsored agency borrowing 5/	5.2	n.a.	18.4	n.a.	13.6	6.8	19.5	1.1	2.0	4.1	5.0	7.3	3.1	2.5	3.5	4.5
<b>NIA Budget</b>								<b>Seasonally adjusted annual rates</b>								
Receipts	361.9 <sup>6/</sup>	n.a.	403.4 <sup>6/</sup>	n.a.	n.e.	373.7	415.8	373.2	385.3	396.9	409.7	428.5	427.9	442.1	455.5	n.e.
Outlays	411.9	n.a.	458.5	n.a.	503.0	423.5	469.5	432.1	446.7	453.2	459.3	474.9	490.7	498.0	504.6	518.7
Purchases (total)	140.6	n.a.	157.3	n.a.	172.4	145.5	160.6	148.1	153.8	155.9	158.3	161.3	166.9	170.5	174.1	178.0
Defense	91.8	n.a.	99.5	n.a.	107.9	94.3	100.9	95.6	98.5	99.1	99.7	100.6	104.1	106.6	109.2	111.9
Non-defense	48.8	n.a.	57.8	n.a.	64.4	51.2	59.7	52.5	55.3	56.8	58.6	60.7	62.8	63.9	64.9	66.1
All other outlays	271.4 <sup>6/</sup>	n.a.	301.2 <sup>6/</sup>	n.a.	330.6	278.0	308.9	284.0	292.9	297.3	301.0	313.6	323.8	327.5	330.5	340.7
Surplus(+)/Deficit(-)	-50.0 <sup>6/</sup>	n.a.	-55.1 <sup>6/</sup>	n.a.	n.e.	-49.8	-53.7	-58.9	-61.4	-56.3	-49.6	-46.4	-62.8	-55.9	-49.1	n.e.
High Employment Surplus(+)/Deficit(-) (NEA basis) 7/	-5.0	n.a.	-14.9	n.a.	-17.2	-8.6	-16.4	-20.4	-21.7	-17.5	-12.2	-7.9	-28.1	-20.5	-13.8	-6.3
	*actual	e--estimated	r--revised	n.e.--not estimated	n.a.--not available	p--preliminary										

1/ The Budget of the United States Government, Fiscal Year 1979, January 1978 and OMB Current Budget Estimates, March 1978.

2/ The Second Concurrent Resolution on the Budget (September 15, 1977) set the Congressional receipt and outlay targets at \$397 and \$458.3 billion, respectively.

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 <sup>P</sup>	1978 <sup>P</sup>	1977				1978 <sup>P</sup>				1979 <sup>P</sup>	
				I	II	III	IV <sup>P</sup>	I	II	III	IV	I	II
1. <b>GNP NET EXPORTS</b> - Intl Acct. data	7.7	-9.0	-8.1	-7.6	-9.1	-6.9	-12.5	-7.3	-8.1	-8.7	-8.6	-7.7	-6.4
2. (GNP net exports - GNP Acct. data) <u>1/</u>	(7.8)	(-10.1)	(-10.8)	(-8.2)	(-9.7)	(-7.5)	(-15.1*)	(-9.9)	(-10.7)	(-11.3)	(-11.2)	(-10.3)	(-9.0)
3. a) <b>Merchandise Trade Balance</b>	-9.3	-31.4*	-32.9	-28.6	-31.2	-30.2	-35.5*	-31.2	-32.4	-33.9	-34.4	-34.6	-33.7
4. Exports (excl. military)	114.7	120.4*	135.2	117.8	122.4	123.5	118.0*	126.5	132.6	138.1	143.4	149.1	154.5
5. Agricultural	23.4	24.3*	23.6	24.4	26.7	24.0	22.2*	23.5	23.4	23.6	23.9	24.1	24.3
6. Nonagricultural	91.3	96.1*	111.6	93.4	95.6	99.4	95.8*	103.0	109.2	114.5	119.5	125.0	130.2
7. Imports	124.0	151.8*	168.1	146.4	153.6	153.7	153.5*	157.7	165.0	172.0	177.8	183.7	188.2
8. Petroleum and petrol. products	34.6	44.8*	45.9	44.1	47.7	45.8	41.5*	41.7	44.8	47.9	49.4	51.0	51.3
9. Nonpetroleum	89.4	107.0*	122.2	102.4	105.9	107.9	112.0*	116.0	120.2	124.1	128.4	132.7	136.9
10. b) Military transactions, net <u>2/</u>	--	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 <u>3/</u>	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 <u>4/</u>	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. <b>U.S. CURRENT ACCOUNT BALANCE</b>	-1.4	-19.0	-20.7	-16.9	-18.6	-17.4	-23.5	-19.3	-20.7	-21.4	-21.7	-21.6	-20.5
14. a) GNP net exports (line 1.)	7.7	-9.0	-8.1	-7.6	-9.1	-6.9	-12.5	-7.3	-8.1	-8.7	-8.6	-7.7	-6.4
15. b) U.S. Govt & private transfers <u>5/</u>	-9.1	-10.0	-12.6	-9.3	-9.5	-10.5	-11.0	-12.0	-12.6	-12.7	-13.1	-13.9	-14.1
<b>Constant (1972) dollars</b>													
16. Merchandise exports (excl. military)	66.7	66.9	71.7	66.1	67.6	68.7	65.1	68.9	71.1	72.7	74.2	75.9	77.3
17. (% change, annual rates)	(3.4)	(0.3)	(7.2)	(-7.4)	(9.5)	(6.1)	(-22.5)	(25.8)	(13.0)	(9.5)	(8.7)	(9.1)	(7.8)
18. Merchandise imports	62.8	71.1	73.3	70.3	72.0	71.2	70.9	70.9	72.5	74.3	75.6	76.7	77.4
19. (% change, annual rates)	(22.5)	(13.2)	(3.1)	(28.2)	(10.0)	(-4.9)	(-1.6)	(0)	(10.0)	(10.0)	(7.4)	(5.7)	(3.7)
<b>Foreign Outlook - Major Industrial Countries <u>6/</u></b>													
20. Real GNP, % change, annual rates	5.2	2.8	3.8	5.7	-0.4	1.2	3.7	4.9	4.9	4.5	4.5	4.5	4.5
21. Wholesale Prices, % change, A.R. <u>7/</u>	9.4	8.7	5.1	10.4	7.4	3.7	2.8	5.3	6.6	6.1	6.1	5.7	5.7

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, 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.

## **Part 2**

**March 15, 1978**

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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

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

	1977			1978			
	HI	QIII	QIV <sup>e/</sup>	Jan. <sup>e/</sup>	Feb. <sup>e/</sup>	Mar. <sup>f/</sup>	Apr. <sup>f/</sup>
	<u>Gross offerings</u>						
Corporate securities--total	4,148	3,767	4,417	2,600	2,550	3,700	2,800
Publicly offered bonds	2,018	2,122	2,000	1,200	1,300	1,900	1,400
By quality <sup>1/</sup>							
Aaa and Aa	1,152	1,075	1,020	625	900	--	--
Less than Aa <sup>2/</sup>	866	1,047	980	575	400	--	--
By type of borrower							
Utility	753	588	660	565	165	--	--
Industrial <sup>3/</sup>	678	930	515	485	460	--	--
Financial	587	604	825	150	675	--	--
Privately placed bonds	1,215	1,019	1,257	800	800	1,000	800
Stocks	915	626	1,160	600	450	800	600
Foreign securities--total	629	744	486	439	9	--	--
Publicly offered <sup>4/</sup>	443	520	342	325	--	750	300
Privately placed	186	224	144	114	9	--	--
State and local govt. securities--total	6,450	5,436	4,719	4,900	4,300	4,700	4,600
Long-term	4,157	3,719	3,500	3,200	2,800	3,200	2,600
Short-term	2,293	1,717	1,219	1,700	1,500	1,500	2,000
	<u>Net offerings</u>						
U.S. Treasury	1,383	3,800	7,167	1,500	7,200	9,400	-4,700
Sponsored Federal agencies	701	448	554	638	2,059	1,838	1,155

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

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

<sup>3/</sup> Includes equipment trust certificates.

<sup>4/</sup> Classified by original offering date.

<sup>e/</sup> Estimated.

<sup>f/</sup> Forecast.