

CONFIDENTIAL (FR)

August 9, 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)	
	7/11/78	8/9/78	7/11/78	8/9/78	7/11/78	8/9/78	7/11/78	8/9/78
1975 ^{1/}	8.2	8.2	-1.3	-1.3	9.5	9.4	8.5	8.5
1976 ^{1/}	11.6	11.2	6.0	5.7	5.4	5.4	7.7	7.7
1977 ^{1/}	10.7	11.0	4.9	4.9	6.0	6.2	7.0	7.0
1978	11.2	11.1	4.0	3.6	6.6	7.4	5.9	6.0
1979	11.4	11.5	3.9	3.8	7.4	7.6	5.8	5.9
1978-I ^{1/}	7.0	7.1	.0	-.1	6.2	6.7	6.2	6.2
1978-II ^{1/}	18.8	18.2	8.8	7.4	9.7	11.2	5.9	5.9
1978-III	10.5	11.0	3.5	3.3	7.1	7.5	5.8	6.0
1978-IV	10.8	11.0	3.4	3.4	6.7	6.8	5.8	5.9
1979-I	11.7	12.1	4.2	4.2	7.9	7.9	5.7	5.8
1979-II	10.9	11.0	3.7	3.7	7.5	7.5	5.7	5.8
1979-III	10.2	10.3	3.2	3.2	6.8	6.8	5.8	5.9
1979-IV	10.1	10.2	2.7	2.7	6.9	6.9	5.9	6.0
Change:								
77-II to 78-II ^{1/}	11.4	11.2	4.4	4.0	6.4	7.3	-1.2	-1.2
77-IV to 78-IV	11.7	11.7	3.9	3.5	7.3	8.1	-.8	-.7
78-II to 79-II	11.0	11.3	3.7	3.6	7.3	7.4	-.2	-.1
78-IV to 79-IV	10.7	10.9	3.5	3.5	7.2	7.2	.1	.1
Memo:								
Growth Over Annual Policy Period:								
78-II to 79-II	11.0	11.3	3.7	3.6	7.3	7.4	-.2	-.1
^{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	Projected II	Projected III	Projected IV
Gross national product	1992.0	2076.9	2131.7	2188.1	2251.4	2310.7	2368.2	2426.4
Final purchases	1975.3	2056.2	2109.2	2164.6	2226.1	2284.6	2341.6	2399.3
Private	1558.6	1631.6	1672.3	1713.6	1764.5	1812.7	1858.2	1903.0
Excluding net exports	1582.7	1645.5	1685.2	1724.3	1775.4	1822.0	1864.3	1906.9
Personal consumption expenditures	1276.7	1324.0	1356.5	1388.7	1432.9	1472.3	1507.1	1541.6
Goods	684.9	715.9	731.4	748.5	773.5	794.1	810.7	827.2
Services	591.8	608.1	625.1	640.2	659.4	678.2	696.4	714.4
Gross private domestic investment	322.7	342.2	351.2	359.1	367.8	375.8	383.8	392.4
Residential construction	100.3	104.8	105.8	106.3	106.3	106.3	106.8	107.8
Business fixed investment	205.6	216.7	222.9	229.3	236.2	243.4	250.4	257.5
Change in business inventories	16.7	20.7	22.5	23.5	25.3	26.1	26.6	27.1
Nonfarm	16.9	22.7	22.5	23.5	25.3	26.1	26.6	27.1
Net exports of goods and services ^{1/}	-24.1	-13.9	-12.9	-10.7	-10.9	-9.3	-6.1	-3.9
Exports	181.7	199.4	204.7	215.4	224.9	234.1	242.5	250.8
Imports	205.8	213.3	217.6	226.1	235.8	243.4	248.6	254.7
Gov't. purchases of goods and services	416.7	424.6	436.9	451.0	461.6	471.9	483.4	496.3
Federal ^{2/}	151.5	147.4	152.4	159.6	163.3	166.6	171.1	177.0
State and local	265.2	277.2	284.5	291.4	298.3	305.3	312.3	319.3
Gross national product in constant (1972) dollars	1354.2	1378.6	1389.8	1401.4	1415.9	1428.7	1440.1	1449.8
Personal income	1628.9	1682.5	1732.5	1778.1	1823.2	1870.5	1922.2	1969.4
Wage and salary disbursements	1050.8	1088.6	1112.7	1140.0	1173.7	1202.1	1230.5	1261.8
Disposable personal income	1391.6	1433.7	1471.0	1507.6	1558.6	1597.1	1640.0	1677.8
Saving rate (per cent)	5.9	5.3	5.4	5.5	5.7	5.4	5.7	5.7
Corporate profits with I.V.A. and C.C. Adj.	132.6	154.3	160.9	167.7	165.4	170.8	173.8	177.5
Corporate profits before tax	172.1	195.8	199.1	205.8	204.2	210.2	213.8	218.1
Federal government surplus or deficit (-) (N.I.A. basis)	-52.6	-32.7	-33.7	-34.6	-37.0	-33.1	-35.2	-34.4
High employment surplus or deficit (-)	-3.0	11.8	10.3	13.2	10.8	15.8	16.0	21.6
State and local government surplus or deficit (-) (N.I.A. basis)	31.5	27.8	25.9	23.2	22.9	21.7	19.8	18.9
Excluding social insurance funds	11.5	7.3	4.9	1.7	.9	-.8	-3.2	-4.6
Civilian labor force (millions)	99.2	100.2	100.8	101.3	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	20.7	20.8	20.9	21.0
Industrial production (1967=100)	139.6	143.7	145.5	147.7	150.1	152.1	153.6	154.9
Capacity utilization: all mfg. (per cent)	82.1	83.8	84.2	84.7	85.3	85.6	85.6	85.6
Materials (per cent)	81.7	84.1	84.6	85.3	86.1	86.6	86.8	87.0
Housing starts, private (million units, A.R.)	1.72	2.12	1.90	1.80	1.75	1.70	1.70	1.70
New autos sales, (millions, A.R.)	10.80	12.12	11.15	10.80	10.95	10.75	10.65	10.55
Domestic models	8.80	10.01	9.25	8.90	9.00	8.90	8.85	8.80
Foreign models	2.00	2.11	1.90	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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PER CENT CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS
(Annual rates compounded quarterly)

	1978				1979			
	I	II	III	IV	Projected			
<u>Constant (1972) dollars</u>								
Gross national product	-1	7.4	3.3	3.4	4.2	3.7	3.2	2.7
Final purchases	-1.6	7.2	2.9	3.3	4.1	3.6	3.3	2.7
Private	-1.1	9.0	2.1	3.0	4.4	3.7	3.2	2.8
Excluding net exports	-1.0	7.1	2.1	2.5	4.3	3.4	2.7	2.5
Personal consumption expenditures	-1.4	6.1	2.5	2.9	5.0	3.9	3.1	2.6
Goods	-8.1	8.5	1.8	3.5	5.6	3.8	2.4	2.1
Services	7.0	3.4	3.4	2.2	4.2	4.0	3.7	3.3
Gross private domestic investment	11.3	12.4	3.4	1.7	2.2	2.0	.7	2.1
Residential structures	-5.2	3.6	-5.6	-7.4	-7.8	-7.8	-6.1	-4.3
Business fixed investment	4.2	15.1	3.2	4.6	5.0	4.9	4.2	4.0
Gov't. purchases of goods and services	-3.5	.6	5.9	4.3	2.9	2.9	3.7	2.0
Federal	-8.9	-14.5	10.2	7.1	3.5	3.9	5.9	1.5
State and local	-1	10.4	3.6	2.8	2.5	2.4	2.4	2.3
Disposable personal income	1.1	3.4	3.0	3.3	5.8	2.7	4.4	2.7
<u>Current dollars</u>								
Gross national product	7.1	18.2	11.0	11.0	12.1	11.0	10.3	10.2
Final purchases	6.4	17.4	10.7	10.9	11.9	10.9	10.4	10.2
Private	7.0	20.1	10.4	10.3	12.4	11.4	10.4	10.0
Excluding net exports	7.1	16.8	10.0	9.6	12.4	10.9	9.6	9.5
Personal consumption expenditures	7.0	15.6	10.2	9.8	13.4	11.5	9.8	9.5
Goods	.5	19.4	8.9	9.7	14.0	11.1	8.6	8.4
Services	15.3	11.5	11.7	10.0	12.5	11.9	11.2	10.7
Gross private domestic investment	12.2	26.4	10.9	9.3	10.0	9.0	8.8	9.3
Residential structures	.5	19.1	3.9	1.9	.0	.0	1.9	3.8
Business fixed investment	11.1	23.4	11.9	12.0	12.6	12.8	12.0	11.8
Gov't. purchases of goods and services	4.1	7.8	12.1	13.5	9.7	9.2	10.1	11.1
Federal	-2.0	-10.3	14.3	20.3	9.6	8.3	11.2	14.5
State and local	7.8	19.4	11.0	10.1	9.8	9.7	9.5	9.3
Disposable personal income	9.8	12.7	10.8	10.3	14.2	10.2	11.2	9.6
Personal income	9.3	13.8	12.3	11.0	10.5	10.8	11.5	10.2
Wage and salary disbursements	12.1	15.2	9.2	10.2	12.4	10.0	9.8	10.6
Corporate profits with IVA & C.C. Adj.	-35.9	83.4	18.2	18.0	-5.4	13.7	7.2	8.8
Corporate profits before tax	-13.2	67.5	6.7	14.1	-3.1	12.5	7.0	8.2
Nonfarm payroll employment	4.5	6.7	3.0	1.5	2.6	2.3	2.4	2.3
Manufacturing	6.6	3.7	1.5	2.3	4.3	3.1	1.6	1.3
Nonfarm business sector								
Output per hour	-3.2	.6	1.6	2.5	2.2	1.9	1.7	1.5
Compensation per hour	12.0	8.1	8.2	8.4	12.5	8.8	8.9	8.9
Unit labor costs	15.8	7.4	6.5	5.7	10.1	6.8	7.1	7.3
GNP implicit deflator 1/	7.2	10.0	7.4	7.4	7.6	7.0	6.9	7.3
Gross business product fixed-weighted price index 2/	6.7	11.2	7.5	6.8	7.9	7.5	6.8	6.9
Industrial production	.9	12.3	5.1	6.2	6.7	5.4	4.0	3.4

Excluding Federal pay increase rates of change are: 1978 QI, 7.2 per cent; 1978 QIV, 6.8 per cent; 1979 QI, 7.5 per cent; 1979 QIV, 6.8 per cent.

^{2/} Using expenditures in 1972 as weights.

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GROSS 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	2097.2	2339.2
Final purchases	1161.7	1288.6	1404.0	1539.6	1689.9	1871.6	2076.3	2312.9
Private	908.6	1019.1	1101.3	1201.2	1330.4	1477.6	1644.0	1834.6
Excluding net exports	911.9	1012.0	1095.3	1180.8	1323.0	1488.7	1659.4	1842.1
Personal consumption expenditures	733.0	809.9	889.6	979.1	1090.2	1206.5	1336.5	1488.5
Goods	410.5	457.5	498.3	541.5	599.2	657.4	720.2	801.4
Services	322.4	352.3	391.3	437.5	491.0	549.2	616.3	687.1
Gross private domestic investment	188.3	220.0	214.6	190.9	243.0	297.8	343.8	379.9
Residential construction	62.0	66.1	55.1	51.5	68.2	91.9	104.3	106.8
Business fixed investment	116.8	136.0	150.6	150.2	164.6	190.4	218.6	246.9
Change in business inventories	9.4	17.9	8.9	-10.7	10.2	15.6	20.8	26.3
Nonfarm	8.8	14.7	10.8	-14.3	12.2	15.0	21.4	26.3
Net exports of goods and services ^{1/}	-3.3	7.1	6.0	20.4	7.4	-11.1	-15.4	-7.5
Exports	72.7	101.6	137.9	147.3	163.2	175.5	200.3	238.1
Imports	75.9	94.4	131.9	126.9	155.7	186.6	215.7	245.6
Gov't. purchases of goods and services	253.1	269.5	302.7	338.4	359.5	394.0	432.3	478.3
Federal ^{2/}	102.1	102.2	111.1	123.1	129.9	145.1	152.7	169.5
State and local	151.0	167.3	191.5	215.4	229.6	248.9	279.6	308.8
Gross national product in constant (1972) dollars	1171.1	1235.0	1217.8	1202.3	1271.0	1332.7	1381.0	1433.6
Personal income	942.5	1052.4	1154.9	1255.5	1380.9	1529.0	1705.8	1896.3
Wage and salary disbursements	633.8	701.3	764.6	805.9	890.1	983.6	1098.0	1217.0
Disposable personal income	801.3	901.7	984.6	1086.7	1184.4	1303.0	1451.2	1618.4
Saving rate (per cent)	6.2	7.8	7.3	7.7	5.7	5.1	5.5	5.6
Corporate profits with I.V.A. and C.C. Adj.	92.1	99.1	83.6	95.9	127.0	144.2	153.9	171.9
Corporate profits before tax	96.2	115.8	126.9	120.4	155.9	173.9	193.2	211.6
Federal government surplus or deficit (N.I.A. basis)	-17.3	-6.7	-10.7	-70.6	-53.8	-48.1	-38.4	-34.9
High employment surplus or deficit (-)	-5.9	-7	17.1	-19.4	-9.3	-4.6	8.1	16.1
State and local government surplus or deficit (-) (N.I.A. basis)	13.7	13.0	7.6	6.2	20.7	29.6	27.1	20.9
Excluding social insurance funds	5.6	4.1	-2.9	-6.2	5.5	11.5	6.4	-1.9
Civilian labor force (millions)	86.5	88.7	91.0	92.6	94.8	97.4	100.4	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	87.7
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	144.1	152.7
Capacity utilization: all manufacturing (per cent)	83.1	87.5	84.2	73.6	80.2	82.4	83.7	85.5
Materials (per cent)	88.0	92.4	87.7	73.6	80.4	81.9	83.9	86.6
Housing starts, private (million units, A.R.)	2.36	2.05	1.34	1.16	1.54	1.99	1.88	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	9.24	8.89
Foreign models	1.61	1.77	1.42	1.58	1.50	2.06	1.98	1.84

^{1/} Balance of payments data 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.

August 9, 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	3.6	3.8
Final purchases	5.5	4.9	-.7	.2	4.3	4.7	3.3	3.7
Private	6.7	6.3	-1.4	-.3	5.5	5.3	3.6	3.8
Excluding net exports	7.0	5.1	-2.3	-1.0	6.4	6.0	3.8	3.4
Personal consumption expenditures	5.9	4.7	-.9	1.8	5.8	4.7	3.5	3.7
Goods	6.5	5.0	-3.4	.7	6.4	5.0	2.6	3.9
Services	5.3	4.4	2.3	3.2	5.0	4.4	4.5	3.5
Gross private domestic investment	12.9	10.0	-11.4	-22.3	21.6	13.2	7.7	2.6
Residential structures	18.8	-3.7	-24.6	-13.9	23.4	20.5	2.7	-6.3
Business fixed investment	8.1	12.2	-.3	-13.0	4.7	9.1	6.6	5.1
Gov't. purchases of goods and services	1.5	-.2	2.1	1.9	.1	2.4	2.2	3.4
Federal	-1.7	-5.4	-.8	.7	.1	5.2	-1.7	4.0
State and local	3.8	3.2	3.8	2.6	.1	.8	4.5	3.1
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	11.1	11.5
Final purchases	9.9	10.9	8.9	9.7	9.8	10.8	10.9	11.4
Private	10.3	12.2	8.1	9.1	10.8	11.1	11.3	11.6
Excluding net exports	11.0	11.0	8.2	7.8	12.0	12.5	11.5	11.0
Personal consumption expenditures	9.7	10.5	9.8	10.1	11.4	10.7	10.8	11.4
Goods	9.5	11.4	8.9	8.7	10.7	9.7	9.6	11.3
Services	9.9	9.3	11.1	11.8	12.2	11.8	12.2	11.5
Gross private domestic investment	17.7	16.8	-2.5	-11.0	27.3	22.6	15.4	10.5
Residential structures	25.0	6.6	-16.7	-6.5	32.5	34.8	13.5	2.4
Business fixed investment	12.2	16.4	10.8	-.3	9.6	15.7	14.8	12.9
Gov't. purchases of goods and services	8.3	6.5	12.3	11.8	6.2	9.6	9.7	10.6
Federal	6.1	.1	8.7	10.7	5.5	11.7	5.3	11.0
State and local	9.8	10.8	14.5	12.5	6.6	8.4	12.3	10.5
Disposable personal income	7.9	12.5	9.2	10.4	9.0	10.0	11.4	11.5
Personal income	9.7	11.7	9.7	8.7	10.0	10.7	11.6	11.2
Wage and salary disbursements	9.4	10.6	9.0	5.4	10.4	10.5	11.6	10.8
Corporate profits with IVA & C.C. Adj.	19.3	7.6	-15.6	14.7	32.4	13.5	6.7	11.7
Corporate profits before tax	17.3	20.4	9.6	-5.1	29.5	11.5	11.1	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	3.8	2.8
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	9.1	9.5
Unit labor costs	2.7	6.0	12.7	7.9	4.7	6.7	8.7	7.5
GNP implicit deflator	4.1	5.9	9.7	9.6	5.2	5.9	7.2	7.5
Gross business product fixed-weighted price index ^{1/}	3.3	5.7	10.4	9.4	5.4	6.2	7.4	7.6
Industrial production	9.2	8.4	-.4	-8.9	10.2	5.6	5.1	5.9

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

FEDERAL SECTOR ACCOUNTS
(billions of dollars)

August 9, 1978

	Fiscal Year 1977*	FY 1978 ^{e/}		FY 1979 ^{e/}			CY 1977*	CY 1978 ^{e/}		Calendar quarters; unadjusted data						
		Admin. 1/	F.R. Board	Admin. 1/	F.R. Board	Cong. 2/		F.R. Board		F.R. staff estimates						
										1978						
										I*	II*	III	IV	I	II	III
Unified budget receipts 3/	357.8	401.2	401.2	448.2	447.7	447.9	366.1	413.9	85.4	125.3	106.0	97.3	98.0	136.3	116.0	
Unified budget outlays 3/	402.8	452.3	450.2	496.6	494.7	498.8	417.0	458.9	111.2	111.3	111.4	122.0	120.5	123.7	128.5	
Surplus(+)/Deficit(-), unified budget	-45.0	-51.1	-49.0	-48.5	-47.0	-50.9	-50.9	-45.0	-25.8	14.0	-8.4	-24.7	-22.5	12.6	-12.5	
Surplus(+)/Deficit(-), off-budget agencies 4/	-8.7	-11.0	-10.4	-12.9	-12.7	n.a.	-10.4	-10.1	-3.6	-2.3	-3.2	-1.0	-3.9	-3.2	-4.6	
Means of financing combined deficits:																
Net borrowing from public	53.5	54.9	55.5	62.0	56.3	n.a.	56.8	54.8	20.8	2.5	11.5	20.0	24.8	-8.2	19.8	
Decrease in cash operating balance	-1.7	4.0	1.7	0	5.4	n.a.	-0.6	0.3	5.9	-11.1	0.1	5.4	0	0	0	
Other 5/	1.9	3.2	2.1	-0.6	-2.0	n.a.	5.3	-0.2	2.8	-3.2	-0.1	0.3	1.6	-1.2	-2.7	
Cash operating balance, end of period	19.1	15.1	17.4	15.1	12.0	n.a.	12.3	12.0	6.4	17.5	17.4	12.0	12.0	12.0	12.0	
Memo: Sponsored agency borrowing 6/	5.2	n.a.	18.7	n.a.	12.4	n.a.	6.8	20.1	4.5	6.5	5.7	3.4	1.0	3.5	4.5	
NIA Budget 8/																
Receipts	362.0 ^{7/}	411.4	406.2 ^{7/}	457.7	460.1 ^{7/}	n.a.	374.5	423.2	Seasonally adjusted annual rates							
Expenditures	411.9	454.7	452.4	499.7	496.8	n.a.	422.6	461.6	396.2	417.5	432.9	446.3	453.6	467.3	480.8	
Purchases (total)	140.7	153.5	150.9	169.0	165.3	n.a.	145.1	152.7	448.8	450.2	466.6	480.7	490.3	500.3	515.7	
Defense	92.3	98.5	98.5	105.5	105.3	n.a.	94.3	100.0	151.5	147.4	152.4	159.6	163.3	166.6	171.5	
Nondefense	48.4	55.0	52.4	63.5	59.9	n.a.	50.8	52.8	97.9	98.9	100.0	103.0	104.0	106.1	108.2	
All other expenditures	271.2 ^{7/}	301.2	301.5 ^{7/}	330.7	331.5 ^{7/}	n.a.	277.5	308.9	53.6	48.5	52.4	56.6	59.3	60.5	63.3	
Surplus(+)/Deficit(-)	-49.9 ^{7/}	-43.3	-46.2 ^{7/}	-42.0	-36.7 ^{7/}	n.a.	-48.1	-38.4	297.3	302.8	314.2	321.1	327.0	333.7	344.2	
									-52.6	-32.7	-33.7	-34.4	-36.7	-33.0	-34.9	
High Employment Surplus(+)/Deficit(-)																
(NIA basis) 9/	-3.0	n.a.	0.7	n.a.	14.0	n.a.	-4.6	8.1	-3.0	11.8	10.3	13.2	10.8	15.8	16.0	
	*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 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/ 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.

8/ All NIA data incorporate the Department of Commerce's July 1978 GNP revisions.

9/ Estimated by F.R.B. staff.

	1977 ^F	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	-12.6	-3.7	-24.1	-10.1	-9.1	-6.9	-7.1	-5.5	-2.3	-.1
2. (GNP net exports - GNP Acct. data) <u>1/</u>	(-10.9)	(-15.4)	(-7.6)	(-24.1)	(-13.9*)	(-12.9)	(-10.7)	(-10.9)	(-9.3)	(-6.1)	(-3.9)
3. a) Merchandise Trade Balance	-31.1	-35.1	-30.9	-44.8	-31.9*	-32.7	-31.3	-33.1	-32.4	-29.9	-28.3
4. Exports (excl. military)	120.6	138.3	165.6	122.7	140.1*	141.3	149.0	154.9	162.2	169.9	176.0
5. Agricultural	24.4	29.1	30.3	26.1	32.0*	28.5	29.8	29.5	30.0	30.5	31.0
6. Nonagricultural	96.2	109.2	135.3	96.6	108.0*	112.8	119.2	125.4	132.2	138.5	145.0
7. Imports	151.6	173.4	196.5	167.5	171.9*	174.0	180.3	188.0	194.6	198.9	204.3
8. Petroleum and petrol. products	45.0	43.2	48.9	39.8	43.2*	43.2	46.6	47.9	49.3	48.8	49.5
9. Nonpetroleum	106.7	130.2	147.6	127.7	128.7*	130.8	133.7	140.1	145.3	150.1	154.8
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	19.3	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	-19.4	-14.3	-27.8	-17.1	-16.9	-16.1	-17.5	-16.1	-12.9	-10.6
14. a) GNP net exports (line 1.)	-11.1	-12.6	-3.7	-24.1	-10.1	-9.1	-6.9	-7.1	-5.5	-2.3	-.1
15. b) U.S. Govt & private transfers <u>5/</u>	-4.1	-6.8	-10.6	-3.7	-7.0	-7.8	-9.2	-10.4	-10.6	-10.6	-10.5
<u>Constant (1972) dollars</u>											
16. Merchandise exports (excl. military)	67.0	71.1	78.1	65.7	72.8*	71.8	74.3	75.5	77.4	78.9	80.6
17. (% change, annual rates)	(0.3)	(6.3)	(9.8)	(4.5)	(50.7*)	(-6.1)	(14.3)	(7.0)	(10.4)	(8.2)	(8.2)
18. Merchandise imports	71.0	74.9	78.7	74.5	75.3	74.3	75.5	77.1	78.4	79.1	80.2
19. (% change, annual rates)	(13.0)	(5.5)	(5.1)	(7.0)	(4.9)	(-5.3)	(7.8)	(8.2)	(6.6)	(3.2)	(6.1)
<u>Foreign Outlook - Major Industrial Countries <u>6/</u></u>											
20. Real GNP, % change, annual rates	2.9	3.6	4.2	5.7	3.6	3.8	4.0	4.6	4.3	4.2	4.5
21. Wholesale Prices, % change, A.R. <u>7/</u>	8.7	5.0	6.3	5.4	6.3	6.1	6.2	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)

August 9, 1978

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

III - 12
SECURITY OFFERINGS

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

	1977	1978					
	Year	QI	QII ^{e/}	June ^{e/}	July ^{e/}	Aug. ^{f/}	Sept. ^{f/}
Corporate securities--total	4,518	3,371	3,661	4,200	3,300	2,800	3,300
Publicly offered bonds	2,016	1,583	1,819	1,800	2,100	1,400	1,500
By quality <u>1/</u>							
Aaa and Aa	1,089	765	883	700	1,025	--	--
Less than Aa <u>2/</u>	927	817	950	1,100	1,075	--	--
By type of borrower							
Utility	692	475	575	800	885	--	--
Industrial <u>3/</u>	700	546	633	525	390	--	--
Financial	624	561	625	475	825	--	--
Privately placed bonds	1,501	1,128	1,051	1,200	800	800	1,200
Stocks	1,001	660	791	1,200	400	600	600
Foreign securities--total	621	537	722	557	343	--	--
Publicly offered <u>4/</u>	437	425	507	320	100	125	300
Privately placed	184	112	215	237	243	--	--
State and local gov't. securities--total	5,771	5,172	7,094	6,078	5,200	6,400	4,500
Long-term	3,891	3,594	4,455	4,186	3,700	5,200	3,000
Short-term	1,880	1,578	2,639	1,892	1,500	1,200	1,500
<u>Net Offerings</u>							
U.S. Treasury	3,433	7,180	-2,417	3,381	1,652	5,750	900
Sponsored Federal agencies	604	1,804	2,219	2,109	743	2,556	1,625

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

August 11, 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

Estimated Money Market Certificate Inflows

	June Inflows <u>1/</u> (\$ billions)	July Inflows <u>2/</u> (\$ billions)	Money Market Certificates Outstanding as of the End of July:	
			\$ billions	Per cent of total deposits outstanding <u>3/</u>
Commercial Banks	2.1	3.4	5.5	1.4
S&Ls	4.9	6.1	11.0	2.7
MSBs	1.6	1.9	3.5	2.6
All Institutions	8.6	11.4	20.0	2.1

1/ Commercial bank and MSB certificate inflow through June 28. S&L certificate inflow through June 30.

2/ Commercial bank and MSB certificate inflow through July 26. S&L certificate inflow through July 31.

3/ Per cent of small-denomination time and savings deposits for commercial banks.

ERRATUM:

Part II

Page II-6: The revised chart with corrected scale on bottom panel should be substituted for chart shown.

Page III-11, lines 4-5: "the past three years" should read the past two years". Also, see revised chart for page III-10.