

December 14, 1983

## **SUMMARY AND OUTLOOK**

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Prepared for the Federal Open Market Committee

By the staff of the Board of Governors of the Federal Reserve System

December 14, 1983

## STAFF GNP PROJECTIONS

Percent changes, annual rate										
Nominal GNP		Real GNP		Gross domestic business product fixed-weighted price index				Unemployment rate (percent)		
				Total		Excluding food and energy				
11/9/83	12/14/83	11/9/83	12/14/83	11/9/83	12/14/83	11/9/83	12/14/83	11/9/83	12/14/83	
Annual changes:										
1981 <1>	12.2	12.2	2.6	2.6	9.5	9.5	9.3	9.3	7.6	7.6
1982 <1>	4.0	4.0	-1.9	-1.9	6.0	6.0	6.9	6.9	9.7	9.7
1983	7.9	7.9	3.5	3.4	4.2	4.2	5.0	5.0	9.6	9.6
1984	10.1	10.2	5.5	5.5	4.7	4.6	4.6	4.6	8.3	8.0
Quarterly changes:										
1982 Q1 <1>	-1.4	-1.4	-5.5	-5.5	4.9	4.9	5.8	5.8	8.8	8.8
Q2 <1>	6.6	6.6	1.0	1.0	4.5	4.5	6.4	6.4	9.4	9.4
Q3 <1>	2.7	2.7	-1.0	-1.0	5.8	5.8	5.4	5.4	10.0	10.0
Q4 <1>	2.5	2.5	-1.3	-1.3	3.8	3.8	3.9	3.9	10.7	10.7
1983 Q1 <1>	8.2	8.2	2.6	2.6	3.6	3.6	6.7	6.7	10.3	10.3
Q2 <1>	13.3	13.3	9.7	9.7	4.1	4.1	3.5	3.5	10.1	10.1
Q3 <1>	11.6	11.2	7.9	7.7	4.1	4.4	4.8	5.1	9.4	9.4
Q4	11.2	11.6	6.3	6.3	4.8	4.5	4.7	4.6	8.7	8.5
1984 Q1	9.8	10.0	4.8	4.8	4.7	4.8	4.7	4.7	8.6	8.1
Q2	8.9	8.7	4.2	4.1	4.8	4.8	4.7	4.7	8.4	8.0
Q3	8.8	8.8	4.2	4.2	4.9	4.8	4.7	4.5	8.2	7.9
Q4	9.0	8.9	4.2	4.1	5.0	4.9	4.9	4.8	8.0	7.8
Two-quarter changes: <2>										
1982 Q2 <1>	2.5	2.5	-2.3	-2.3	4.7	4.7	6.1	6.1	1.1	1.1
Q4 <1>	2.6	2.6	-1.2	-1.2	4.7	4.7	4.6	4.6	1.3	1.3
1983 Q2 <1>	10.7	10.7	6.1	6.1	3.9	3.9	5.1	5.1	-6	-6
Q4	11.4	11.4	7.1	7.0	4.5	4.4	4.8	4.9	-1.4	-1.6
1984 Q2	9.4	9.3	4.5	4.4	4.8	4.8	4.7	4.7	-3	-5
Q4	8.9	8.9	4.2	4.1	5.0	4.9	4.8	4.7	-4	-2
Four-quarter changes: <3>										
1981 Q4 <1>	10.8	10.8	2.0	2.0	8.7	8.7	9.2	9.2	.9	.9
1982 Q4 <1>	2.6	2.6	-1.7	-1.7	4.7	4.7	5.4	5.4	2.4	2.4
1983 Q4	11.1	11.1	6.6	6.5	4.2	4.2	4.9	5.0	-2.0	-2.2
1984 Q4	9.1	9.1	4.3	4.3	4.9	4.8	4.7	4.7	-7	-7

&lt;1&gt; Actual.

&lt;2&gt; Percent change from two quarters earlier.

&lt;3&gt; Percent change from four quarters earlier.

December 14, 1983

CONFIDENTIAL - FR  
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS  
(Quarterly figures are seasonally adjusted. Expenditures and income  
figures are billions of current dollars at annual rates.)

	1981				1982			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	2866.6	2912.5	3004.9	3032.2	3021.4	3070.2	3090.7	3109.6
Final sales	2855.7	2897.5	2971.4	3017.9	3047.1	3081.4	3095.6	3165.9
Private	2279.4	2314.0	2371.1	2395.1	2417.3	2449.8	2439.9	2486.2
Domestic final purchases	2247.5	2292.9	2348.3	2365.9	2387.4	2416.5	2439.0	2480.6
Personal consumption expenditures	1802.8	1835.8	1886.1	1904.1	1938.9	1972.8	2008.8	2046.9
Goods	953.2	964.0	984.6	978.5	989.1	997.6	1010.0	1025.1
Services	849.6	871.8	901.5	925.6	949.7	975.2	998.9	1021.8
Gross private domestic investment	455.5	472.1	495.8	476.2	422.9	432.5	425.3	377.4
Residential structures	111.6	109.5	101.7	94.3	87.3	91.0	87.9	96.8
Business fixed investment	333.1	347.6	360.6	367.6	361.3	352.7	342.3	337.0
Change in business inventories	10.9	15.0	33.6	14.3	-25.7	-11.2	-4.9	-56.4
Nonfarm	8.1	5.0	24.1	6.2	-27.6	-8.8	-2.3	-53.7
Net exports of goods and services <1>	31.9	21.1	22.8	29.2	29.9	33.3	.9	5.6
Exports	367.3	369.2	367.5	371.0	358.4	364.5	346.0	321.6
Imports	335.4	348.1	344.7	341.7	328.5	331.2	345.0	316.1
Gov't. purchases of goods and services	576.3	583.5	600.3	622.8	629.8	631.6	655.7	679.7
Federal <2>	215.7	220.4	232.4	248.5	249.7	244.1	261.7	279.2
State and local	360.5	363.2	367.9	374.3	380.0	387.5	394.0	400.5
Gross national product in constant (1972) dollars	1510.1	1512.5	1525.8	1506.9	1485.8	1489.3	1485.7	1480.7
Personal income	2338.3	2394.2	2490.9	2516.6	2528.1	2563.2	2591.3	2632.0
Wage and salary disbursements	1451.7	1478.1	1512.3	1530.6	1542.8	1563.8	1579.8	1586.0
Disposable personal income	1967.6	2010.4	2092.0	2120.5	2127.9	2159.0	2191.5	2227.8
Saving rate (percent)	5.7	6.0	7.2	7.5	6.1	5.9	5.6	5.4
Corporate profits with I.V.A. and C.C. Adj.	194.7	185.0	197.6	192.0	162.0	166.8	168.5	161.9
Corporate profits before tax	243.9	219.0	227.7	217.2	173.2	178.8	177.3	167.5
Federal government surplus or deficit (-) (N.I.A. basis)	-43.4	-47.3	-62.4	-95.8	-108.5	-113.2	-158.3	-208.2
High employment surplus or deficit (-) <3>	-15.4	-12.3	-29.7	-46.4	-38.1	-32.7	-64.9	-99.6
State and local government surplus or deficit(-) (N.I.A. basis)	35.3	36.7	37.3	32.0	28.8	32.0	31.3	32.9
Excluding social insurance funds	5.4	6.1	5.9	.2	-3.5	-.8	-2.1	-1.2
Civilian labor force (millions)	108.2	108.8	108.6	109.1	109.3	110.1	110.6	111.0
Unemployment rate (percent)	7.4	7.4	7.4	8.3	8.8	9.4	10.0	10.7
Nonfarm payroll employment (millions)	91.0	91.2	91.4	91.0	90.3	89.9	89.3	88.8
Manufacturing	20.2	20.3	20.3	19.9	19.4	19.1	18.7	18.3
Industrial production (1967=100)	151.8	152.5	153.0	146.3	141.7	139.4	138.2	135.2
Capacity utilization: all manufacturing (percent)	80.6	80.8	80.3	75.9	72.9	71.6	71.1	69.0
Materials (percent)	82.7	81.9	82.0	76.2	73.0	70.7	69.4	67.2
Housing starts, private (million units, A.R.)	1.39	1.18	.96	.87	.90	.95	1.12	1.26
New auto sales (millions, A.R.)	9.96	7.89	9.04	7.36	8.12	7.53	7.78	8.57
Domestic models	7.31	5.63	6.90	5.13	5.90	5.53	5.56	6.08
Foreign models	2.66	2.25	2.14	2.23	2.22	1.99	2.22	2.49

&lt;1&gt; Balance of payments data and details underlying these estimates are shown in the International Developments section of this part of the Greenbook.

&lt;2&gt; Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

&lt;3&gt; Estimates in table are evaluated at a 6.0 percent high employment unemployment rate.

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CONFIDENTIAL - FR  
CLASS 11 FOMCPERCENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS  
(Annual rates compounded quarterly)

	1981				1982			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	9.0	.7	3.6	-4.9	-5.5	1.0	-1.0	-1.3
Final sales	6.8	-.9	1.6	-2.3	-1.3	-.8	-1.5	4.5
Private	7.3	-.6	1.1	-3.7	-1.6	.1	-4.0	3.0
Domestic final purchases	6.6	.8	2.6	-3.9	.0	.8	-.9	3.4
Personal consumption expenditures	5.9	.5	3.5	-3.0	2.4	3.1	.9	3.6
Goods	8.3	-1.6	3.5	-6.8	2.0	1.5	-.1	5.1
Services	3.3	2.8	3.6	1.4	2.9	4.7	2.1	1.9
Gross private domestic investment	26.3	12.9	12.3	-22.4	-34.1	3.4	-5.8	-34.6
Residential structures	-2.3	-11.7	-30.7	-30.2	-28.5	17.9	-13.0	53.2
Business fixed investment	13.2	6.0	8.7	-1.6	-5.9	-14.3	-8.8	-6.6
Gov't. purchases of goods and services	4.5	-2.0	3.8	3.9	-.2	-5.0	9.4	10.6
Federal	12.5	2.2	15.2	10.0	.2	-14.0	26.3	28.3
National defense	6.7	13.4	6.3	7.5	-1.3	13.0	14.0	5.1
State and local	.1	-4.6	-2.7	.2	-.5	1.3	-.4	-.1
Disposable personal income	4.4	1.9	8.9	-1.4	-3.4	1.9	-.3	2.6
<u>Current Dollars</u>								
Gross national product	20.5	6.6	13.3	3.7	-1.4	6.6	2.7	2.5
Final sales	16.1	6.0	10.6	6.4	3.9	4.6	1.9	9.4
Private	16.9	6.2	10.2	4.1	3.8	5.5	-1.6	7.8
Domestic final purchases	15.3	8.3	10.0	3.0	3.7	5.0	3.8	7.0
Personal consumption expenditures	14.7	7.5	11.4	3.9	7.5	7.2	7.5	7.8
Goods	16.6	4.6	8.8	-2.5	4.4	3.5	5.1	6.1
Services	12.7	10.9	14.3	11.1	10.8	11.2	10.1	9.5
Gross private domestic investment	49.9	15.4	21.6	-14.9	-37.8	9.5	-6.5	-38.0
Residential structures	7.9	-7.5	-25.6	-26.0	-26.5	18.2	-13.0	46.9
Business fixed investment	21.4	18.7	15.8	8.0	-6.7	-9.1	-11.3	-6.0
Gov't. purchases of goods and services	12.9	5.1	12.0	15.9	4.6	1.2	16.1	15.5
Federal	18.8	8.9	23.6	30.7	2.1	-8.7	32.1	29.5
National defense	12.9	23.8	10.2	33.9	3.5	18.0	20.8	16.5
State and local	9.6	2.9	5.3	7.2	6.2	8.1	6.8	6.8
Disposable personal income	13.1	9.0	17.2	5.6	1.4	6.0	6.1	6.8
Personal income	13.6	9.9	17.2	4.2	1.8	5.7	4.5	6.4
Wage and salary disbursements	11.7	7.5	9.6	4.9	3.2	5.6	4.2	1.6
Corporate profits with I.V.A. and C.C. Adj.	51.1	-18.5	30.2	-10.9	-49.3	12.4	4.1	-14.8
Corporate profits before tax	17.2	-35.0	16.9	-17.2	-59.6	13.6	-3.3	-20.3
Nonfarm payroll employment	1.7	.9	1.1	-1.8	-3.0	-1.8	-2.7	-2.3
Manufacturing	.8	2.4	.1	-7.2	-9.5	-7.5	-7.7	-8.6
Nonfarm business sector								
Output per hour	5.2	.4	3.8	-4.4	.1	-.4	2.3	1.3
Compensation per hour	11.5	7.3	9.6	7.6	10.0	5.8	7.2	5.8
Unit labor costs	6.0	6.9	5.6	12.6	9.9	6.2	4.7	4.4
GNP implicit deflator <1>	10.6	5.9	9.4	9.0	4.3	5.6	3.7	3.8
Gross domestic business product								
fixed-weighted price index <2>	10.6	8.1	9.2	7.2	4.9	4.5	5.8	3.8
Excluding food and energy	9.0	8.9	10.6	8.2	5.8	6.4	5.4	3.9
Consumer price index (all urban)	10.5	8.5	12.1	7.1	3.0	5.3	7.7	1.9
Industrial production	8.4	1.9	1.4	-16.6	-11.8	-6.5	-3.4	-8.2

&lt;1&gt; Excluding Federal pay increases, rates of change were: 1981-Q1, 10.5 percent; 1981-Q4, 8.1 percent; 1982-Q1, 4.2 percent; 1982-Q4, 3.5 percent.

&lt;2&gt; Uses expenditures in 1972 as weights.

December 14, 1983

CONFIDENTIAL - FR  
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS  
(Quarterly figures are seasonally adjusted. Expenditures and income  
figures are billions of current dollars at annual rates.)

	1983				Projected 1984			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross national product	3171.5	3272.0	3360.3	3453.6	3536.6	3611.1	3688.5	3768.0
Final sales	3210.9	3286.6	3351.7	3418.3	3487.1	3578.8	3657.2	3735.5
Private	2533.5	2603.2	2652.3	2714.4	2767.6	2825.9	2883.4	2943.3
Domestic final purchases	2516.5	2611.7	2672.5	2747.5	2815.3	2882.1	2945.2	3006.3
Personal consumption expenditures	2073.0	2147.0	2182.9	2246.6	2298.3	2348.2	2394.3	2441.0
Goods	1035.6	1077.3	1099.3	1131.6	1158.5	1183.6	1205.4	1226.6
Services	1037.4	1069.7	1083.6	1115.0	1139.8	1164.6	1188.9	1214.4
Gross private domestic investment	404.1	450.1	498.2	536.2	566.5	566.2	582.2	597.8
Residential structures	111.3	128.4	139.9	139.9	144.4	148.9	152.9	153.9
Business fixed investment	332.1	336.3	349.6	361.0	372.6	385.0	398.0	411.4
Change in business inventories	-39.4	-14.5	8.7	35.3	49.5	32.3	31.3	32.5
Nonfarm	-39.0	-10.3	18.8	36.9	45.5	36.3	30.3	31.5
Net exports of goods and services <1>	17.0	-8.5	-20.2	-33.1	-47.7	-56.2	-61.8	-63.0
Exports	326.9	327.1	341.1	346.3	351.9	361.5	371.3	382.5
Imports	309.9	335.6	361.3	379.4	399.6	417.7	433.1	445.5
Gov't. purchases of goods and services	677.4	683.4	699.4	703.9	719.5	752.9	773.8	792.2
Federal <2>	273.5	273.7	278.9	272.9	278.9	303.0	314.3	323.1
State and local	404.0	409.7	420.6	431.0	440.6	449.9	459.5	469.1
Gross national product in constant (1972) dollars	1490.1	1525.1	1553.6	1577.6	1596.3	1612.3	1628.8	1645.1
Personal income	2657.7	2713.6	2763.2	2847.6	2916.1	2968.6	3028.8	3090.9
Wage and salary disbursements	1610.7	1648.4	1682.0	1723.9	1762.1	1798.0	1834.0	1871.2
Disposable personal income	2255.9	2301.0	2363.1	2432.3	2487.5	2532.6	2582.6	2634.4
Saving rate (percent)	5.4	4.0	4.9	4.9	4.9	4.6	4.6	4.7
Corporate profits with I.V.A. and C.C. Adj.	181.8	218.2	246.2	260.0	265.4	261.4	272.6	282.7
Corporate profits before tax	169.7	203.3	227.2	235.6	236.0	227.0	234.2	240.3
Federal government surplus or deficit (-) (N.I.A. basis)	-183.3	-166.1	-188.5	-186.5	-180.2	-182.9	-186.0	-187.7
High employment surplus or deficit (-) <3>	-72.4	-65.2	-103.1	-111.0	-110.0	-118.2	-126.4	-132.2
State and local government surplus or deficit (-) (N.I.A. basis)	40.4	51.7	55.3	59.5	59.8	56.9	55.1	53.9
Excluding social insurance funds	5.5	16.1	18.7	22.3	22.0	18.5	16.0	14.1
Civilian labor force (millions)	110.5	111.2	112.2	112.1	112.8	113.3	113.8	114.3
Unemployment rate (percent)	10.3	10.1	9.4	8.5	8.1	8.0	7.9	7.8
Nonfarm payroll employment (millions)	88.8	89.5	90.3	91.4	92.2	92.9	93.6	94.3
Manufacturing	18.3	18.5	18.8	19.1	19.5	19.8	20.1	20.4
Industrial production (1967=100)	138.5	144.5	151.8	156.2	158.7	161.0	163.3	165.5
Capacity utilization: all manufacturing (percent)	70.7	73.9	77.4	79.2	80.1	81.0	81.8	82.5
Materials (percent)	70.1	73.5	77.5	79.6	81.0	82.1	83.3	84.3
Housing starts, private (million units, A.R.)	1.69	1.68	1.79	1.65	1.70	1.70	1.73	1.73
New auto sales (millions, A.R.)	8.46	9.10	9.22	9.70	9.75	10.00	10.15	10.25
Domestic models	6.06	6.81	6.92	7.15	7.40	7.50	7.60	7.70
Foreign models	2.40	2.28	2.31	2.55	2.35	2.50	2.55	2.55

&lt;1&gt; Balance of payments data and details underlying these estimates are shown in the International Developments section of this part of the Greenbook.

&lt;2&gt; Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

&lt;3&gt; Estimates in table are evaluated at a 6.0 percent high employment unemployment rate.

CONFIDENTIAL - FR  
CLASS II FOMC

PERCENT CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS  
(Annual rates compounded quarterly)

	1983				Projected 1984			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Constant (1972) Dollars</u>								
Gross national product	2.6	9.7	7.7	6.3	4.8	4.1	4.2	4.1
Final sales	.6	6.8	5.1	3.1	2.9	6.5	4.3	4.0
Private	3.0	8.8	5.1	4.9	3.4	4.4	3.8	3.9
Domestic final purchases	3.9	11.9	5.8	7.5	5.4	4.7	3.6	3.2
Personal consumption expenditures	2.9	10.0	3.0	7.5	4.4	3.6	2.4	2.4
Goods	4.4	13.5	4.4	8.3	5.1	3.9	2.2	2.1
Services	1.4	6.4	1.5	6.7	3.6	3.3	2.6	2.7
Gross private domestic investment	28.7	49.8	41.9	31.8	22.5	-5.4	7.7	6.9
Residential structures	57.3	79.5	30.1	-4.3	8.4	7.9	5.8	-2.6
Business fixed investment	-1.5	7.9	16.3	11.6	10.5	10.2	9.9	9.7
Gov't. purchases of goods and services	-8.8	-1.1	5.3	-4.6	1.1	16.2	6.6	4.6
Federal	-18.0	-2.8	6.0	-16.4	-2.1	39.9	12.1	7.4
National defense	6.5	7.4	1.8	14.4	9.6	9.2	7.3	5.9
State and local	-1.8	.0	4.7	4.0	3.2	2.9	2.9	2.7
Disposable personal income	2.9	3.5	7.2	7.6	4.2	2.2	2.4	2.6
<u>Current Dollars</u>								
Gross national product	8.2	13.3	11.2	11.6	10.0	8.7	8.8	8.9
Final sales	5.8	9.8	8.2	8.2	8.3	10.9	9.0	8.8
Private	7.8	11.5	7.8	9.7	8.1	8.7	8.4	8.6
Domestic final purchases	5.9	16.0	9.6	11.7	10.2	9.8	9.0	8.6
Personal consumption expenditures	5.2	15.1	6.9	12.2	9.5	9.0	8.1	8.0
Goods	4.2	17.1	8.4	12.3	9.9	9.0	7.6	7.2
Services	6.3	13.0	5.3	12.1	9.2	9.0	8.6	8.9
Gross private domestic investment	31.4	53.9	50.1	34.2	24.6	-2	11.8	11.2
Residential structures	75.3	76.7	41.1	.0	13.5	13.1	11.2	2.6
Business fixed investment	-5.7	5.1	16.9	13.7	13.5	14.0	14.2	14.2
Gov't. purchases of goods and services	-1.3	3.6	9.7	2.6	9.2	19.9	11.6	9.9
Federal	-8.0	.3	7.7	-8.3	9.1	39.3	15.8	11.7
National defense	7.8	10.7	5.1	19.7	19.7	14.9	12.6	11.3
State and local	3.5	5.8	11.0	10.3	9.2	8.7	8.8	8.6
Disposable personal income	5.1	8.2	11.2	12.2	9.4	7.5	8.1	8.3
Personal income	4.0	8.7	7.5	12.8	10.0	7.4	8.4	8.5
Wage and salary disbursements	6.4	9.7	8.4	10.3	9.2	8.4	8.3	8.4
Corporate profits with I.V.A. and C.C. Adj.	59.0	107.5	62.1	24.3	8.6	-5.8	18.1	15.7
Corporate profits before tax	5.4	106.0	56.0	15.5	.8	-14.3	13.1	10.9
Nonfarm payroll employment	.1	2.9	3.6	5.2	3.4	3.2	3.0	3.1
Manufacturing	-.1	5.2	7.0	7.7	6.9	6.3	6.2	6.0
Nonfarm business sector								
Output per hour	3.7	6.6	3.1	3.0	1.3	.6	.9	1.1
Compensation per hour	6.8	4.3	4.2	4.5	6.8	5.2	5.3	5.4
Unit labor costs	3.0	-2.1	1.1	1.4	5.4	4.6	4.4	4.2
GNP implicit deflator <1>	5.5	3.3	3.3	4.9	4.9	4.4	4.5	4.6
Gross domestic business product								
fixed-weighted price index <2>	3.6	4.1	4.4	4.5	4.8	4.8	4.8	4.9
Excluding food and energy	6.7	3.5	5.1	4.6	4.7	4.7	4.5	4.8
Consumer price index (all urban)	-.4	4.3	4.7	5.4	5.2	5.2	5.4	5.3
Industrial production	10.1	18.4	21.4	12.1	6.6	5.9	5.8	5.5

<1> Excluding Federal pay increase, the rate of change in 1984-Q1 is 4.5 percent.  
<2> Uses expenditures in 1972 as weights.

December 14, 1983

CONFIDENTIAL - FR  
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS  
(Expenditures and income figures are billions of current dollars.)

	1977	1978	1979	1980	1981	1982	---Projected---	
							1983	1984
Gross national product	1918.3	2163.9	2417.8	2631.7	2954.1	3073.0	3314.4	3651.0
Final sales	1895.3	2137.4	2403.5	2641.5	2935.6	3097.5	3316.9	3614.6
Private	1501.5	1705.5	1929.1	2103.7	2339.9	2421.3	2625.9	2855.0
Domestic final purchases	1505.5	1706.6	1915.9	2079.7	2313.6	2433.9	2637.0	2912.2
Personal consumption expenditures	1204.4	1346.5	1507.2	1668.1	1857.2	1991.9	2162.4	2370.4
Goods	657.0	728.5	813.5	883.5	970.0	1005.5	1085.9	1193.5
Services	547.4	618.0	693.7	784.5	887.1	986.4	1076.4	1176.9
Gross private domestic investment	324.1	386.6	423.0	401.9	474.9	414.5	472.1	578.2
Residential construction	95.8	111.2	118.6	102.9	104.3	90.8	129.9	150.0
Business fixed investment	205.2	248.9	290.2	308.8	352.2	348.3	344.7	391.7
Change in business inventories	23.0	26.5	14.3	-9.8	18.5	-24.5	-2.5	36.4
Nonfarm	21.9	25.4	8.6	-4.5	10.9	-23.1	1.6	35.9
Net exports of goods and services <1>	-4.0	-1.1	13.2	23.9	26.3	17.4	-11.2	-57.2
Exports	182.7	218.7	281.4	338.8	368.8	347.6	335.4	366.8
Imports	186.7	219.8	268.1	314.8	342.5	330.2	346.5	424.0
Gov't. purchases of goods and services	393.8	431.9	474.4	537.8	595.7	649.2	691.0	759.6
Federal <2>	143.4	153.6	168.3	197.0	229.2	258.7	274.7	304.8
State and local	250.4	278.3	306.0	340.8	366.5	390.5	416.3	454.8
Gross national product in constant (1972) dollars	1369.7	1438.6	1479.4	1475.0	1513.8	1485.4	1536.6	1620.6
Personal income	1540.4	1732.7	1951.2	2165.3	2435.0	2578.6	2745.5	3001.1
Wage and salary disbursements	983.2	1106.3	1237.6	1356.7	1493.2	1568.1	1666.2	1816.3
Disposable personal income	1314.0	1474.0	1650.2	1828.9	2047.6	2176.5	2338.1	2559.2
Saving rate (percent)	5.9	6.1	5.9	6.0	6.6	5.8	4.8	4.7
Corporate profits with I.V.A. and C.C.Adj.	167.3	192.4	194.8	175.4	192.3	164.8	226.5	270.5
Corporate profits before tax	194.7	229.1	252.7	234.6	227.0	174.2	208.9	234.4
Federal government surplus or deficit(-) (N.I.A. basis)	-45.9	-29.5	-16.1	-61.2	-62.2	-147.1	-181.1	-184.2
High employment surplus or deficit(-)	-30.6	-29.2	-18.6	-36.0	-25.9	-58.8	-87.9	-121.7
State and local government surplus or deficit (-) (N.I.A. basis)	28.0	30.3	30.4	30.6	35.3	31.3	51.7	56.4
Excluding social insurance funds	10.1	10.0	6.6	3.5	4.4	-1.9	15.6	17.6
Civilian labor force (millions)	99.0	102.3	105.0	106.9	108.7	110.2	111.5	113.6
Unemployment rate (percent)	7.1	6.1	5.8	7.1	7.6	9.7	9.6	8.0
Nonfarm payroll employment (millions)	82.5	86.7	89.8	90.4	91.2	89.6	90.0	93.2
Manufacturing	19.7	20.5	21.0	20.3	20.2	18.9	18.7	19.9
Industrial production (1967=100)	138.1	146.1	152.5	147.0	150.9	138.6	147.7	162.1
Capacity utilization: all manufacturing (percent)	82.2	84.7	86.0	79.6	79.4	71.1	75.3	81.3
Materials (percent)	82.6	85.6	87.6	80.4	80.7	70.1	75.2	82.7
Housing starts, private (million units, A.R.)	1.96	2.00	1.72	1.30	1.10	1.06	1.71	1.72
New auto sales (millions, A.R.)	11.13	11.29	10.68	9.04	8.56	8.00	9.12	10.04
Domestic models	9.07	9.29	8.36	6.62	6.24	5.77	6.74	7.55
Foreign models	2.06	2.00	2.32	2.42	2.32	2.23	2.38	2.49

&lt;1&gt; Balance of payments data underlying these estimates are shown in the International Developments section of this part of the Greenbook.

&lt;2&gt; Components of purchases and total receipts and total expenditures are shown in the Federal Sector Accounts table which follows.

December 14, 1983

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

	1977	1978	1979	1980	1981	1982	--Projected--	
							1983	1984
<u>Constant (1972) Dollars</u>								
Gross national product	5.5	5.0	2.8	-.3	2.6	-1.9	3.4	5.5
Final sales	5.1	4.9	3.5	.5	1.8	-.7	2.8	4.4
Private	6.0	5.6	4.0	.1	2.0	-1.3	3.4	4.5
Domestic final purchases	6.5	5.5	2.9	-1.0	2.7	-.1	4.9	5.7
Personal consumption expenditures	5.0	4.5	2.7	.5	2.7	1.4	4.4	4.6
Goods	5.1	4.2	1.9	-1.4	2.1	.1	5.7	5.3
Services	4.9	4.8	3.7	2.7	3.3	2.9	3.0	3.8
Gross private domestic investment	16.1	10.5	-.2	-11.8	9.2	-14.5	12.5	18.5
Residential structures	18.6	2.8	-5.3	-20.3	-5.1	-15.4	38.8	10.2
Business fixed investment	11.7	12.8	7.3	-2.4	5.2	-4.8	.3	11.0
Gov't. purchases of goods and services	1.5	2.0	1.3	2.2	.8	1.8	.5	3.9
Federal	3.7	-.1	1.8	4.2	3.8	5.6	.6	5.1
National defense	.8	.4	2.6	3.9	5.2	7.1	7.5	8.7
State and local	.2	3.3	1.1	1.0	-1.0	-.5	.4	3.2
Disposable personal income	4.0	4.9	2.7	.6	3.2	.5	3.3	4.4
<u>Current Dollars</u>								
Gross national product	11.7	12.8	11.7	8.8	12.2	4.0	7.9	10.2
Final sales	11.1	12.8	12.4	9.9	11.1	5.5	7.1	9.0
Private	11.7	13.6	13.1	9.0	11.2	4.6	7.3	8.7
Domestic final purchases	13.2	13.4	12.3	8.5	11.2	5.1	8.5	10.4
Personal consumption expenditures	11.1	11.8	11.9	10.7	11.3	7.3	8.6	9.6
Goods	9.8	10.9	11.7	8.6	9.8	3.7	8.0	9.9
Services	12.7	12.9	12.2	13.1	13.1	11.2	9.1	9.3
Gross private domestic investment	25.7	19.3	9.4	-5.0	18.2	-12.7	13.9	22.5
Residential structures	33.1	16.1	6.6	-13.2	1.4	-13.0	43.1	15.5
Business fixed investment	17.9	21.3	16.6	6.4	14.1	-1.1	-1.0	13.6
Gov't. purchases of goods and services	8.8	9.7	9.8	13.4	10.8	9.0	6.4	9.9
Federal	11.0	7.1	9.6	17.1	16.3	12.9	6.2	10.9
National defense	8.0	8.0	11.5	17.3	17.4	16.5	12.4	14.9
State and local	7.5	11.2	9.9	11.4	7.5	6.6	6.6	9.2
Disposable personal income	10.0	12.2	12.0	10.8	12.0	6.3	7.4	9.5
Personal income	10.7	12.5	12.6	11.0	12.5	5.9	6.5	9.3
Wage and salary disbursements	10.5	12.5	11.9	9.6	10.1	5.0	6.3	9.0
Corporate profits with I.V.A. and C.C.Adj.	21.1	15.0	1.3	-9.9	9.6	-14.3	37.5	19.4
Corporate profits before tax	17.1	17.7	10.3	-7.1	-3.3	-23.2	19.9	12.2
Nonfarm payroll employment	3.9	5.1	3.6	.6	.8	-1.7	.4	3.6
Manufacturing	3.6	4.2	2.6	-3.6	-.6	-6.5	-1.0	6.7
Nonfarm business sector								
Output per hour	2.2	.6	-1.5	-.7	1.9	-.1	3.3	2.0
Compensation per hour	7.5	8.6	9.0	10.4	9.8	7.8	5.7	5.3
Unit labor costs	5.2	8.0	10.7	11.1	7.7	7.9	2.3	3.3
GNP implicit deflator	5.8	7.4	8.6	9.2	9.4	6.0	4.2	4.5
Gross domestic business product								
fixed-weighted price index <1>	6.1	8.0	9.9	10.0	9.5	6.0	4.2	4.6
Excluding food and energy	6.3	7.8	8.6	8.5	9.3	6.9	5.0	4.6
Consumer price index (all urban)	6.5	7.6	11.3	13.5	10.3	6.2	3.3	5.1
Industrial production	5.9	5.8	4.4	-3.6	2.6	-8.1	6.6	9.8

&lt;1&gt; Uses expenditures in 1972 as weights.



FEDERAL SECTOR ACCOUNTS  
(Billions of dollars)

	Fiscal Year 1982*	Fiscal Year 1983*	FY1984e 2/		CY 1982*	FY1983e/ F.R. Board	FRB Staff Estimates Calendar quarters: not seasonally adjusted								
			Admin. 1/	F.R. Board			1982			1983			1984		
							IV*	I*	II*	III*	IV	I	II	III	
Unified budget receipts	618	601	668	667	609	612	137	140	167	157	148	158	186	174	
Unified budget outlays	728	796	848	856	740	802	205	201	196	194	211	213	217	215	
Surplus/deficit(-), unified budget	-111	-195	-180	-189	-131	-190	-68	-61	-29	-37	-63	-55	-31	-41	
Surplus/deficit(-), off-budget agencies <sup>3</sup>	-17	-12	-14	-12	-15	-11	-1	-2	-4	-5	0	-3	-5	-5	
Combined deficit to be financed	-128	-208	-194	-202	-146	-202	-69	-63	-34	-42	-63	-58	-35	-45	
Means of financing combined deficit:															
Net borrowing from public	135	212	194	181	161	186	62	56	47	48	36	53	49	43	
Decrease in cash operating balance	-11	-8	0	17	-8	11	10	4	-13	-9	28	-1	-10	0	
Other <sup>4</sup>	4	3	0	3	-8	5	-2	3	-1	4	-0	6	-4	2	
Cash operating balance, end of period	29	37	20	20	20	9	20	15	28	37	9	10	20	20	
Memo: Sponsored agency borrowing <sup>5</sup>	20	-3	n.a.	14	17	1	-2	-3	0	1	2	4	4	4	
NIA Budget															
							Seasonally adjusted annual rates								
Receipts	628	634	701	700	617	647	613	623	653	646	667	698	709	727	
Expenditures	740	820	873	884	764	828	821	807	819	834	853	878	892	913	
Purchases	251	276	300	292	259	275	279	274	274	279	273	279	303	314	
Defense	173	197	227	224	179	202	191	194	199	202	211	221	229	236	
Nondefense	78	80	73	68	79	73	89	79	74	77	62	58	74	79	
All other expenditures	489	544	573	592	506	553	542	533	545	555	580	599	589	599	
Surplus/deficit(-)	-112	-187	-172	-184	-147	-181	-208	-183	-166	-189	-186	-180	-183	-186	
High Employment (N.R.) surplus/deficit(-) evaluated at the unemployment rate of 6 percent	-46	-85	-83	-116	-59	-88	-100	-72	-65	-103	-111	-110	-118	-126	
	*—actual		e—estimated				n.a.—not available								

1. Mid-Session Review of the 1984 Budget, July 1983.

2. The August CBO estimate of the First Concurrent Resolution on the Budget -- Fiscal Year 1984 indicated revenues of \$677 billion and outlays of \$860 billion. The lack of Congressional action on revenue measures led CBO to reestimate FY1984 receipts to be \$666 billion and outlays to be \$858 billion.

3. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank and (beginning in FY1982) the Strategic Petroleum Reserve.

4. Checks issued less checks paid, accrued items and other transactions.

5. FRB staff estimates and actuals include Federal Home Loan Banks, FHLMC (excluding participation certificates), FNMA (excluding mortgage-backed securities), Federal Land Banks, Federal Intermediate Credit Banks for Cooperatives, and Student Loan Marketing Association marketable debt on a payment basis.

NOTE: Quarterly figures may not add to yearly totals due to rounding.

DECEMBER 14, 1983

OUTLOOK FOR U.S. NET EXPORTS AND RELATED ITEMS  
(BILLIONS OF DOLLARS, SEASONALLY ADJUSTED ANNUAL RATES)

	1982 ANN.	1983-P ANN.	1984-P ANN.	1982 Q3	1982 Q4	1983 Q1	1983 Q2	1983 Q3	1983-P Q4	1984-P Q1	1984-P Q2	1984-P Q3	1984-P Q4
<b>1. GNP NET EXPORTS</b>													
CURRENT \$, NET	17.4	-11.2	-57.2	1.0	5.5	17.0	-8.5	-20.2	-33.1	-47.7	-56.2	-61.8	-63.0
EXPORTS OF G+S	347.6	335.4	366.8	346.0	321.6	326.9	327.1	341.1	346.3	351.9	361.5	371.3	382.5
IMPORTS OF G+S	330.2	346.5	424.0	345.0	316.1	309.9	335.6	361.3	379.4	399.7	417.7	433.1	445.5
CONSTANT 72 \$, NET	28.9	11.5	-3.0	24.0	23.0	20.5	12.3	10.4	2.9	-3.2	-4.2	-3.5	-1.3
EXPORTS OF G+S	147.3	138.7	144.0	146.4	136.5	137.3	136.2	140.6	140.7	140.7	142.8	144.9	147.8
IMPORTS OF G+S	118.4	127.2	147.1	122.4	113.5	116.8	123.9	130.2	137.8	143.9	147.0	148.4	149.1
TERMS OF TRADE (1972=100) 1/	84.6	88.8	88.4	83.9	84.6	89.7	88.7	87.4	89.4	90.0	89.1	87.8	86.6
<b>2. U.S. MERCHANDISE TRADE BALANCE 2/</b>													
EXPORTS (EXCL. MILITARY)	211.2	200.3	212.5	209.0	193.4	198.0	195.7	203.1	205.3	207.0	209.4	213.4	220.2
AGRICULTURAL	37.2	37.0	39.4	33.8	33.1	36.0	35.3	37.8	38.7	38.9	39.3	39.4	40.0
NONAGRICULTURAL	174.0	163.4	173.1	175.2	160.3	162.0	160.3	165.3	166.6	168.0	170.0	174.1	180.2
IMPORTS	247.6	263.2	324.2	261.3	238.8	233.3	254.3	274.6	290.3	306.5	319.6	330.5	340.1
PETROLEUM AND PRODUCTS	61.2	55.7	65.8	68.9	60.5	42.0	52.1	66.3	62.6	63.6	65.7	66.6	67.2
NONPETROLEUM	186.4	207.5	258.4	192.3	178.3	191.3	202.2	208.3	227.7	242.9	253.9	263.9	272.6
<b>3. U.S. CURRENT ACCOUNT BALANCE</b>													
OF WHICH: NET INVESTMENT INCOME	-11.2	-40.3	-88.7	-26.4	-26.5	-14.3	-38.8	-47.0 <sup>P</sup>	-61.2	-77.2	-87.0	-94.1	-96.6
	27.3	26.3	26.5	27.3	24.0	20.4	23.7	30.9 <sup>P</sup>	30.0	27.4	26.9	26.0	25.6
<b>4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/</b>													
REAL GNP, % CHANGE, ANNUAL RATES	0.0	1.2	2.3	-1.5	0.7	2.3	1.4	2.4	2.1	2.4	2.4	2.5	2.8
CONSUMER PRICES, % CHANGE, ANNUAL RATES	8.1	5.7	5.4	6.0	6.0	4.5	6.0	5.3	5.8	5.4	5.4	5.2	5.1

1/ GNP EXPORT IMPLICIT DEFLATOR DIVIDED BY GNP IMPORT IMPLICIT DEFLATOR

2/ INTERNATIONAL ACCOUNTS BASIS

3/ GEOMETRIC WEIGHTS USED TO AGGREGATE FOREIGN REAL GNP AND CONSUMER PRICES -- PERCENT SHARE IN TEN-COUNTRY TOTAL MULTILATERAL TRADE.

GERMANY (20.8%), JAPAN (13.6%), FRANCE (13.1%), UNITED KINGDOM (11.8%), CANADA (9.1%), ITALY (9.0%), THE NETHERLANDS (8.3%), BELGIUM (6.4%), SWEDEN (4.2%), SWITZERLAND (3.6%)

P/ PROJECTED

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date December 19, 1983

To FOMC

Subject: Greenbook Correction

From Normand Bernard NB

The growth in commercial paper issued by nonfinancial firms in November should read 5.2%, not 15.2%, in (1) the table entitled "commerical bank credit and short-and intermediate-term business credit" on p. III-6 in the greenbook and (2) in the same table in the greenbook supplement.

December 14, 1983

## **RECENT DEVELOPMENTS**

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Prepared for the Federal Open Market Committee

By the staff of the Board of Governors of the Federal Reserve System

GROSS OFFERINGS OF SECURITIES BY U.S. CORPORATIONS  
(Monthly totals or monthly averages, millions of dollars)

	1982	1983				
	Year	H1	Q3	Oct. <sup>p</sup>	Nov. <sup>p</sup>	Dec. <sup>f</sup>
----- Seasonally adjusted -----						
Corporate securities--total	8,773	11,937	9,141	8,410	9,400	7,100
Securities sold in U.S.	7,637	11,152	8,511	7,700	8,000	6,300
Publicly offered bonds <sup>1</sup>	3,653	4,798	2,649	3,100	4,300	3,000
Privately placed bonds	1,437	1,467	1,760 <sup>e</sup>	1,500 <sup>e</sup>	1,500 <sup>e</sup>	1,500
Stocks <sup>2</sup>	2,547	4,887	4,102	3,100	2,200	1,800
Securities sold abroad <sup>3</sup>	1,136	785	630	710	1,400	800
--- Domestic offerings, not seasonally adjusted ---						
Publicly offered bonds--total <sup>1</sup>	3,653	4,833	2,654	3,100	4,100	3,000
By industry						
Utility	976	1,185	871	560	1,020	--
Industrial	1,236	1,796	527	350	45	--
Financial	1,441	1,852	1,256	2,190	3,035	--
Mortgage-backed	82	161	322	920	1,293	--
By quality <sup>4</sup>						
Aaa and Aa	1,370	1,478	889	1,115	2,655	--
A and Baa	1,505	2,051	1,141	765	1,110	--
Less than Baa	286	694	242	225	165	--
No rating (or unknown)	492	610	382	995	170	--
Memo items:						
Equity based bonds <sup>5</sup>	302	1,068	693	360	113	--
Original discount bonds						
Par value	952	302	117	200	129	--
Gross proceeds	281	250	100	171	113	--
Stocks--total <sup>2</sup>	2,547	4,842	3,674	3,100	2,300	2,300
By industry						
Utility	871	948	479	900	685	--
Industrial	1,119	2,606	2,147	1,600	1,240	--
Financial	557	1,288	1,048	600	375	--

1. Total reflects gross proceeds rather than par value of original discount bonds.

2. Includes equity issues associated with debt/equity swaps.

3. Notes and bonds, not seasonally adjusted.

4. Bonds categorized according to Moody's bond ratings.

5. Includes bonds convertible into equity and bonds with warrants attached where the warrants entitle the holder to purchase equity in the future.

p--preliminary. f--staff forecast. e--estimate.

TREASURY AND AGENCY FINANCING<sup>1</sup>  
(Total for period; billions of dollars)

	1983				1984
	FY83	Nov. <sup>p</sup>	Dec. <sup>f</sup>	04 <sup>f</sup>	01 <sup>f</sup>
<u>Treasury financing</u>					
Combined surplus/deficit(-)	-207.7	-23.8	-15.8	-63.2	-57.8
Means of financing deficit:					
Net cash borrowing from the public	212.3	8.7	15.1	35.5	53.0
Marketable borrowings/ repayments(-)	200.5	9.0	14.4	34.6	51.8
Bills	62.8	-4.7	8.2	2.7	11.4
Coupons	137.7	13.7	6.2	31.9	40.4
Nonmarketable	11.8	-.3	.7	.9	1.2
Decrease in the cash balance	-7.7	21.9	-4.1	27.8	-.7
Memo: Cash balance at end of period	37.1	5.2	9.3	9.3	10.0
Other <sup>2</sup>	3.1	-6.8	4.8	-.1	5.5
<u>Federally sponsored credit agencies net cash borrowing<sup>3</sup></u>					
FHLB	-8.6	-.7	-.5	-.5	1.0
FNMA	3.9	1.0	.3	2.0	2.1
Farm Credit Banks	-.8	0	-.1	-.2	0
FHLMC	1.2	.1	.1	.7	.4
SLMA	1.6	0	.2	.1	.2

1. Data reported on a not seasonally adjusted, payment basis.

2. Includes checks issued less checks paid, accrued items and other transactions.

3. Includes debt of Federal Home Loan Banks, the Federal National Mortgage Association, the Federal Farm Credit Bank System, the Federal Home Loan Mortgage Corporation, and the Student Loan Marketing Association. Excludes mortgage pass-through securities issued by FNMA and FHLMC.

p--preliminary. f--staff forecast.

funds, in the aggregate, in November. FNMA issued about \$1 billion, net of debentures in that month to finance portfolio purchases of mortgages thus remaining the major borrower in the agency market. The FHLBs paid down about \$700 million of debt, reflecting a similar reduction in advances.

State and local sector. Gross offerings of long-term tax-exempt bonds totaled \$4.6 billion (seasonally adjusted) in November, somewhat below the October volume. The lower volume of offerings resulted in part from a falloff in refunding issues in November, reflecting the unavailability for much of the month of nonmarketable Treasury state and local government securities, which are used by the issuing entities as temporary investments until the securities being refunded mature. Sales of tax-exempt mortgage revenue bonds also dropped below October's pace, but

GROSS OFFERINGS OF SECURITIES BY STATE AND LOCAL GOVERNMENTS  
(Monthly totals or monthly averages; billions of dollars)

	Q1	Q2	Q3	Oct. <sup>e</sup>	Nov. <sup>e</sup>	Dec. <sup>f</sup>
-----Seasonally adjusted-----						
Total	10.32	11.11	9.17	10.30	6.50	11.50
Long-term	7.23	8.22	5.86	6.40	4.60	8.70
Short-term <sup>1</sup>	3.09	2.89	3.31	3.90	1.90	2.80
-----Not seasonally adjusted-----						
Total	8.66	13.36	8.73	9.70	7.00	11.00
Long-term	6.24	9.36	5.43	6.40	5.20	9.00
Refundings	.94	2.02	.89	.94	.41	--
Mortgage revenue <sup>2</sup>	1.07	1.28	1.58	2.16	1.03	--
Short-term <sup>1</sup>	2.42	4.00	3.30	3.30	1.80	2.00

1. These figures do not include tax-exempt commercial paper.

2. Includes mortgages for home ownership as well as multifamily rental structures.

e--estimate. f--staff forecast.

NOTE: Figures may not add due to rounding.