

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

CLASS I FOMC

Office Correspondence

Date July 7, 1980

To Board of Governors

Subject: Reserve Bank Economic Forecasts

From James L. Kichline

for Humphrey-Hawkins Report

Attached is a listing of the economic forecasts submitted by the Reserve Bank Presidents for the discussion of the Humphrey-Hawkins Report. FOMC membership has been indicated, since it could be determined that only the projections of persons involved in the monetary aggregate decision are relevant for this purpose. Two versions are supplied--one assuming no tax cut, the other assuming a \$25 to \$30 billion cut for early 1981. For your convenience, also attached are summary tables showing ranges for the various items, as well as the staff forecast and, where possible, confidence intervals generated from the Board quarterly model.

Attachments

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ECONOMIC FORECASTS
ASSUMING NO TAX CUT

		1980					1981				
		Nominal GNP	Real GNP	GNP Defl.	U	CPI	Nominal GNP	Real GNP	GNP Defl.	U	CPI
		9.0	-0.5	9.5	8.5	14.6	11.3	3.2	7.5	8.3	14.8
M		7.4	-2.1	9.5	8.7	9.0	9.1	1.4	7.7	9.2	8.0
		6.5	-3.5	10.0	9.5	9.5	8.0	-1.0	9.0	9.5	8.5
		6.0	-3.5	10.0	9.0	8.5	10.0	1.0	9.0	10.0	8.0
M		5.9	-3.3	9.5	9.0	6.0	10.4	1.6	8.6	9.2	8.0
		5.8	-4.0	9.8	8.7	8.0	10.5	1.5	9.0	8.0	9.0
		5.7	-3.8	9.4	8.7	8.8	10.1	1.1	8.8	8.7	8.4
		5.5	-4.0	10.0	9.0	9.0	9.5	0.5	9.0	9.5	9.0
M		5.3	-3.8	9.3	8.6	n.a.	10.3	1.5	8.1	9.3	n.a.
M		5.2	-3.9	9.5	8.5	8.5	8.5	0.5	8.0	9.0	8.5
M		4.9	-3.9	9.2	8.9	7.5	11.0	1.8	8.9	9.0	9.1
		3.5	-4.4	8.5	9.3	6.5	10.3	5.0	5.3	7.8	6.3

Medians:

All FRBs	5.8	-3.8	9.5	8.8	8.5	10.2	1.5	8.7	9.1	8.5
FOMC Members	5.3	-3.8	9.5	8.7	8.0	10.3	1.5	8.1	9.2	8.3

M - Member

CLASS I FOMC

ECONOMIC FORECASTS
ASSUMING A TAX CUT

		1980					1981				
		Nominal GNP	Real GNP	GNP Defl.	U	CPI	Nominal GNP	Real GNP	GNP Defl.	U	CPI
		9.0	-0.5	9.5	8.5	14.6	11.3	3.2	7.5	8.3	14.8
M		7.4	-2.1	9.5	8.7	9.0	9.1	1.4	7.7	9.2	8.0
		6.5	-3.5	10.0	9.5	9.5	9.0	-0.5	9.5	9.0	9.0
		6.0	-3.5	10.0	9.0	8.5	12.0	3.0	9.0	9.0	9.0
M		5.9	-3.3	9.5	9.0	6.0	11.9	2.6	9.1	8.7	8.2
		5.8	-4.0	9.8	8.7	8.1	11.5	2.0	9.5	7.5	9.5
		5.7	-3.8	9.4	8.7	8.8	11.2	2.0	9.0	8.3	8.8
		5.5	-4.0	10.0	9.0	9.0	9.5	0.5	9.0	9.5	9.0
M		5.3	-3.8	9.3	8.6	n.a.	10.7	1.9	8.1	9.2	n.a.
M		5.2	-3.9	9.5	8.5	8.5	10.1	1.8	8.2	8.5	8.8
M		4.9	-3.9	9.2	8.9	7.5	12.1	2.8	9.0	8.7	9.3
		3.5	-4.4	8.5	9.3	6.5	11.5	6.0	5.5	7.5	6.5

Medians:

All FRBs	5.8	-3.8	9.5	8.8	8.5	11.3	2.0	9.0	8.7	9.0
FOMC Members	5.3	-3.8	9.5	8.7	8.0	10.7	1.9	8.2	8.7	8.5

M - Member

CLASS I FOMC

FORECAST SUMMARY--ASSUMING NO TAX CUT

	1980				1981		
	<u>FOMC Member Banks^{1/}</u>	<u>Board Staff^{2/}</u>	<u>Board February Report</u>	<u>CEA Mid- Year^{3/}</u>	<u>FOMC Member Banks^{1/}</u>	<u>Board Staff^{2/}</u>	<u>CEA Mid- Year^{3/}</u>
Change, Q⁴/Q⁴, percent							
Nominal GNP	4.9 to 7.4 (5.3)	5.1 (3.7 to 6.3)	7-1/2 to 11	6.7	8.5 to 11.0 (10.3)	10.0	13.7
Real GNP	-3.9 to -2.1 (-3.8)	-4.0 (-4.9 to -3.0)	-2-1/2 to 1/2	-3.1	0.5 to 1.8 (1.5)	1.1	3.7
GNP deflator	9.2 to 9.5 (9.5)	9.4 (8.7 to 10.2)	9 to 11	10.1	7.7 to 8.9 (8.1)	8.7	9.7
Level or rate of change, Q⁴, percent							
Unemployment rate	8.5 to 9.0 (8.7)	8.9 (8.4 to 9.5)	6-3/4 to 8	8.5	9.0 to 9.3 (9.2)	9.3	8.1
CPI	6.0 to 9.0 (8.0)	7.8 (n.a.)	8-3/4 to 12	9.4	8.0 to 9.1 (8.3)	n.a.	9.0

^{1/} Numbers in parentheses are medians.

^{2/} Numbers in parentheses are 70% confidence intervals derived through stochastic simulations with the Board quarterly econometric model.

^{3/} CEA forecast assumes a tax cut.

CLASS I FOMC

FORECAST SUMMARY--ASSUMING A TAX CUT

	1980				1981		
	<u>FOMC Member Banks^{1/}</u>	<u>Board Staff^{2/}</u>	<u>Board February Report</u>	<u>CEA Mid- Year</u>	<u>FOMC Member Banks^{1/}</u>	<u>Board Staff^{2/}</u>	<u>CEA Mid- Year</u>
Change, Q4/Q4, percent							
Nominal GNP	4.9 to 7.4 (5.9)	5.1 (3.7 to 6.3)	7-1/2 to 11	6.7	9.1 to 12.1 (10.7)	11.4 (9.3 to 11.5)	13.7
Real GNP	-3.9 to -2.1 (-3.5)	-4.0 (-4.9 to -3.0)	-2-1/2 to 1/2	-3.1	1.4 to 2.8 (1.9)	2.5 (0.5 to 3.9)	3.7
GNP deflator	9.2 to 9.5 (9.5)	9.4 (8.7 to 10.2)	9 to 11	10.1	7.7 to 9.1 (8.2)	8.8 (7.6 to 10.3)	9.7
Level or rate of change, Q4, percent							
Unemployment rate	8.5 to 9.0 (8.9)	8.9 (8.4 to 9.5)	6-3/4 to 8	8.5	8.5 to 9.2 (8.7)	8.7 (7.7 to 9.8)	8.1
CPI	6.0 to 9.0 (8.0)	7.8 (n.a.)	8-3/4 to 12	9.4	8.0 to 9.3 (8.5)	9.5 (n.a.)	9.0

^{1/} Numbers in parentheses are medians.

^{2/} Numbers in parentheses are 70% confidence intervals derived through stochastic simulations with the Board quarterly econometric model.