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March 23, 1983

SUMMARY AND OUTLOOK

Prepared for the Federal Open Market Committee

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

DOMESTIC NONFINANCIAL DEVELOPMENTS

Recent developments. Incoming data confirm that the economy has begun to recover from the prolonged contraction. Although the weather buffeted the monthly readings, production and employment showed moderate gains on balance between December and February. Consumer spending was well maintained, and residential construction was surprisingly strong. Inflation rates remain low and have been held down, in part, by the decline in the price of imported oil.

The index of industrial production rose for the third consecutive month in February and has recovered 1-3/4 percent since its November trough; this rate of increase is moderate when compared with the typical initial production rebounds in previous postwar cycles. An upswing in the production of consumer durable goods, particularly autos, has contributed significantly to the turnaround. Producers of materials and construction supplies also have begun to post gains while defense production has continued to rise. In contrast, output of business equipment declined in both January and February with particularly sharp cutbacks in oil and gas-well drilling. The decline in drilling activity is likely to continue to be a drag on production in March. In addition, auto assemblies this month are scheduled to drop 10 percent below the February pace of 6.3 million units (annual rate). Several other industries, such as steel, have reported increases in production in March.

Nonfarm payroll employment showed a net gain of 150,000 between December and February. The number of jobs in the manufacturing sector, which probably was little affected by weather-related distortions, increased 90,000 over the two-month span; the rise largely reflected

rehiring in the auto and related metals industries. The civilian unemployment rate stood at 10.4 percent in both January and February, down from the high of 10.7 percent in December. The drop in joblessness, however, was due to an unusually sharp contraction in the labor force rather than a surge in the household survey measure of employment.

Consumer spending continued to move up in early 1983, although at a slower rate than in the fourth quarter of last year. Sales of domestic autos, which have been supported by interest-rate subsidies, boosted spending last quarter, but remained at the December rate of just over 6 million units through early March. Outlays for other consumer goods (excluding gasoline), however, continued to increase moderately in nominal terms in both January and February; sales at general merchandise, apparel, and furniture and appliance stores in February were 2-1/2 percent above the fourth-quarter average.

Housing starts strengthened considerably from 1.3 million units (annual rate) in December to 1.7 million units in January. And, despite some unfavorable weather, starts edged higher in February with a particularly large gain in starts of multi-family units. However, it seems likely that starts will drop off a bit in the near term; although inventories of new unsold units remain lean in most parts of the country, real borrowing costs are still relatively high.

In the business sector, near-term indicators of spending remain weak. Shipments of nondefense capital goods edged down again in February, and new orders in this category also fell sharply, although most of the decline occurred in the aircraft industry in which bookings are often

volatile. In contrast, outlays for nonresidential construction rose in January, but some of that surge may have been related to favorable weather. Spending for office buildings remained weak, which is consistent with the continued rise in national office vacancy rates. In addition, with oil prices falling, petroleum drilling activity dropped dramatically during February to the lowest level since mid-1979.

Business inventories were liquidated at a \$23 billion rate in constant-dollar terms during January, continuing the rapid rate of decumulation seen in the fourth quarter of 1982. In particular, several durable manufacturing industries made further progress in reducing inventory overhangs. Stocks in the retail sector were little changed and, outside of the automotive sector, edged down relative to sales. In February, dealers' stocks of domestic autos rose a little, but at the present selling rate, they represent a relatively comfortable 61-days' supply.

Wage increases for production workers have averaged 4-1/2 percent at an annual rate in the past three months, down from a 6-1/2 percent rate during much of 1982. Several recent union settlements appear to reflect a recognition of the need to cut labor costs as well as a more general decline in inflation expectations. The wage concessions negotiated last month in steel should provide some relief to that beleaguered industry and should set a precedent for moderation in other metals and container industries.

The recent sharp drop in crude petroleum prices has further damped overall inflation rates. The consumer price index was unchanged between December and February, and producer prices for finished goods fell

nearly 1 percent over the same period. These favorable inflation readings reflect the fact that the weakness in world petroleum markets already had begun to pull down the cost of imported oil before the recent price decline was announced by OPEC. As a result, the CPI measure of gasoline prices dropped 3-1/4 percent in January and another 6-3/4 percent in February. As usual, firming in economic activity has been reflected in a rebound in the prices of industrial commodities from their depressed levels of last year. But these items exert little direct inflationary pressure because they constitute only a very small share of the cost of final products.

Outlook. The staff now estimates that real GNP will rise at a 4 percent annual rate during the first quarter. The gain, in large part, reflects an anticipated sharp reduction in the rate of inventory liquidation. Real final sales are expected to grow at a 2 percent annual rate compared with a 5-1/2 percent gain in the final quarter of 1982; much of this deceleration was the result of a marked slowdown in federal CCC purchases. A moderate rise in consumer spending and substantially higher outlays for residential construction are anticipated to contribute to the rise in real spending, more than offsetting declines in business fixed investment. With the further slide in oil prices, inflation, as measured by the gross domestic business product fixed-weighted index, is estimated to drop to 2-3/4 percent at an annual rate in the first quarter; however, with shifts in the composition of expenditures, the GNP implicit price deflator is expected to show a rise of almost 4 percent.

The monetary policy assumptions underlying the staff projection are little changed from the last Greenbook. From its February-March base, M2 is assumed to grow somewhat above the mid-point of the FOMC's 7 to 10 percent range through 1983, assuming only modest further shifts into money market deposit accounts from outside M2, and at about an 8 percent rate in 1984. Interest rates are expected to remain near current levels or to decline somewhat--especially in long-term markets--as the rate of price increase stays low and inflation expectations continue to improve.

The principal change in the staff's fiscal policy assumptions is the addition of a "jobs bill", costing about \$4-1/2 billion; outlays under this authority are expected to be spread over three years, and are largely offset by minor revisions in other categories of spending, especially unemployment compensation. On balance, the unified budget deficit is estimated at around \$200 billion for both fiscal years 1983 and 1984.

Real GNP is projected to continue to grow at about a 4 percent annual rate during 1983, and then, as the recovery in economic activity becomes more broadly-based, to rise a bit faster in 1984. The drawdown of business inventories is anticipated to end in the second quarter of 1983, and subsequent restocking is expected to be cautious. But demand in other sectors should then provide more support to economic growth. Consumer spending will receive a boost this year from lower energy costs and the final stage of the 1981 tax cut, and during 1984 is projected to about keep pace with the 3-1/4 percent rise in real

disposable income. Housing starts are expected to drop back a bit from their current level of 1-3/4 million units (annual rate), but the trend in outlays for residential construction should be generally upward over the projection period; starts are expected to average 1.6 million units in 1983 and 1.8 million units in 1984. In addition, by late this year, two sectors that currently are a drag on economic activity--business investment and exports--are projected to begin to show improvement. Rising production should halt the slide in capital spending in late 1983, but the subsequent recovery in business investment is expected to occur almost entirely in outlays for equipment. An improvement in foreign economic activity, is anticipated to begin to boost exports in the second half of this year; a projected decline in the exchange rate should further support export volume in 1984.

Labor demand is projected to continue to expand only gradually, in line with the moderate economic recovery projected, and the civilian labor force is expected to rebound after its unusual decline in the first quarter of 1983. As a result, the civilian jobless rate is projected to hover near 10-1/2 percent through the middle of this year and then to decline slowly, remaining above 9 percent at the end of 1984.

The wide margins of slack in labor and product markets that recede only slowly throughout the projection period are the most important factor in our expectation of further improvement in wage and price inflation this year. In addition, consistent with the price reduction announced by OPEC, the staff now assumes that the unit value of imported oil--which

includes both crude and refined products--will move down an additional \$1 per barrel to \$28 by the second quarter of 1983 from \$31 per barrel in the fourth quarter of 1982. The weakness in world oil prices already has lowered domestic inflation and should spill over into smaller increases in wages and other costs of production this year. The depreciation of the dollar, however, is expected to generate upward pressure on domestic prices, particularly in 1984. On balance, the gross domestic business product fixed-weighted price index is projected to rise at a 3-3/4 percent annual rate over the four quarters of 1983 and to remain at that rate in 1984.

Detailed data for these projections are shown in the tables that follow.

March 23, 1983

STAFF GNP PROJECTIONS

| Percent changes, annual rate | | | | | | | | | | |
|--|-------------|---------|----------|---------|--|-----|---------------------------|-----|-----------------------------|---------|
| | Nominal GNP | | Real GNP | | Gross domestic business product fixed-weighted price index | | | | Unemployment rate (percent) | |
| | 2/2/83 | 3/23/83 | 2/2/83 | 3/23/83 | Total | | Excluding food and energy | | 2/2/83 | 3/23/83 |
| Annual changes: | | | | | | | | | | |
| 1981 <1> | 11.6 | 11.6 | 1.9 | 1.9 | 9.6 | 9.6 | 9.4 | 9.4 | 7.6 | 7.6 |
| 1982 <1> | 4.1 | 4.1 | -1.8 | -1.7 | 5.9 | 5.9 | 6.9 | 6.9 | 9.7 | 9.7 |
| 1983 | 6.1 | 6.6 | 1.8 | 2.5 | 4.3 | 3.9 | 4.8 | 4.6 | 10.8 | 10.3 |
| 1984 | 7.8 | 8.0 | 4.1 | 4.4 | 3.9 | 3.8 | 3.8 | 3.7 | 9.9 | 9.5 |
| Quarterly changes: | | | | | | | | | | |
| 1982 Q1 <1> | -1.0 | -1.0 | -5.1 | -5.1 | 4.4 | 4.4 | 5.3 | 5.3 | 8.8 | 8.8 |
| Q2 <1> | 6.8 | 6.8 | 2.1 | 2.1 | 3.8 | 3.8 | 5.9 | 5.9 | 9.4 | 9.4 |
| Q3 <1> | 5.8 | 5.8 | .7 | .7 | 5.9 | 5.9 | 5.2 | 5.2 | 10.0 | 10.0 |
| Q4 <1> | 1.7 | 2.6 | -2.5 | -1.1 | 4.7 | 4.3 | 5.0 | 4.7 | 10.7 | 10.7 |
| 1983 Q1 | 8.2 | 8.1 | 3.5 | 4.1 | 3.3 | 2.7 | 4.9 | 4.5 | 10.9 | 10.4 |
| Q2 | 6.3 | 8.2 | 2.6 | 3.5 | 4.2 | 3.7 | 4.5 | 4.9 | 10.9 | 10.5 |
| Q3 | 7.8 | 7.6 | 3.9 | 4.5 | 4.2 | 4.0 | 4.0 | 3.9 | 10.8 | 10.3 |
| Q4 | 7.6 | 7.8 | 3.9 | 4.4 | 3.9 | 3.9 | 3.7 | 3.6 | 10.6 | 10.2 |
| 1984 Q1 | 7.8 | 8.0 | 4.2 | 4.4 | 3.8 | 3.8 | 3.7 | 3.6 | 10.4 | 9.9 |
| Q2 | 7.8 | 7.9 | 4.1 | 4.3 | 3.8 | 3.7 | 3.8 | 3.6 | 10.1 | 9.6 |
| Q3 | 8.4 | 8.4 | 4.4 | 4.8 | 3.9 | 3.7 | 3.9 | 3.6 | 9.8 | 9.4 |
| Q4 | 9.0 | 8.9 | 4.6 | 5.0 | 3.9 | 3.6 | 3.7 | 3.5 | 9.5 | 9.1 |
| Two-quarter changes: <2> | | | | | | | | | | |
| 1982 Q2 <1> | 2.8 | 2.8 | -1.6 | -1.6 | 4.2 | 4.2 | 5.6 | 5.6 | 1.1 | 1.1 |
| Q4 <1> | 3.7 | 4.2 | -.9 | -.2 | 5.3 | 5.1 | 5.1 | 5.0 | 1.3 | 1.3 |
| 1983 Q2 | 7.2 | 8.2 | 3.0 | 3.8 | 3.8 | 3.2 | 4.7 | 4.7 | .2 | -.2 |
| Q4 | 7.7 | 7.7 | 3.9 | 4.5 | 4.1 | 3.9 | 3.8 | 3.7 | -.3 | -.3 |
| 1984 Q2 | 7.8 | 7.9 | 4.2 | 4.4 | 3.8 | 3.7 | 3.8 | 3.6 | -.5 | -.6 |
| Q4 | 8.7 | 8.6 | 4.5 | 4.9 | 3.9 | 3.6 | 3.8 | 3.6 | -.6 | -.5 |
| Four-quarter changes: <3> | | | | | | | | | | |
| 1981 Q4 <1> | 9.6 | 9.6 | .7 | .7 | 8.9 | 8.9 | 9.3 | 9.3 | .9 | .9 |
| 1982 Q4 <1> | 3.3 | 3.5 | -1.2 | -.9 | 4.8 | 4.7 | 5.4 | 5.3 | 2.4 | 2.4 |
| 1983 Q4 | 7.5 | 7.9 | 3.5 | 4.1 | 3.9 | 3.6 | 4.3 | 4.2 | -.1 | -.5 |
| 1984 Q4 | 8.3 | 8.3 | 4.4 | 4.6 | 3.8 | 3.7 | 3.8 | 3.6 | -1.1 | -1.1 |

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

March 23, 1983

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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 | 2864.9 | 2901.8 | 2980.9 | 3003.2 | 2995.5 | 3045.2 | 3088.2 | 3108.2 |
| Final purchases | 2852.7 | 2877.2 | 2949.1 | 2989.9 | 3031.1 | 3061.4 | 3083.5 | 3156.5 |
| Private | 2274.6 | 2294.0 | 2348.9 | 2363.6 | 2401.0 | 2430.5 | 2431.8 | 2479.7 |
| Excluding net exports | 2243.4 | 2270.3 | 2323.0 | 2340.1 | 2369.7 | 2395.6 | 2424.9 | 2470.6 |
| Personal consumption expenditures | 1799.9 | 1819.4 | 1868.8 | 1884.5 | 1919.4 | 1947.8 | 1986.3 | 2030.8 |
| Goods | 957.5 | 960.0 | 982.5 | 976.1 | 987.0 | 995.7 | 1008.7 | 1027.5 |
| Services | 842.4 | 859.4 | 886.3 | 908.3 | 932.4 | 952.1 | 977.6 | 1003.3 |
| Gross private domestic investment | 455.7 | 475.5 | 486.0 | 468.9 | 414.8 | 431.5 | 443.3 | 391.5 |
| Residential structures | 113.6 | 109.5 | 101.2 | 95.5 | 93.4 | 95.5 | 94.3 | 101.4 |
| Business fixed investment | 330.0 | 341.3 | 353.0 | 360.2 | 357.0 | 352.2 | 344.2 | 338.4 |
| Change in business inventories | 12.2 | 24.6 | 31.8 | 13.2 | -35.6 | -16.2 | 4.7 | -48.3 |
| Nonfarm | 10.0 | 19.3 | 24.6 | 6.0 | -36.0 | -15.0 | 3.7 | -50.0 |
| Net exports of goods and services <1> | 31.2 | 23.7 | 25.9 | 23.5 | 31.3 | 34.9 | 6.9 | 9.1 |
| Exports | 365.4 | 368.9 | 367.2 | 367.9 | 359.9 | 365.8 | 349.5 | 328.1 |
| Imports | 334.2 | 345.1 | 341.3 | 344.4 | 328.6 | 330.9 | 342.5 | 319.1 |
| Gov't. purchases of goods and services | 578.1 | 583.2 | 600.2 | 626.3 | 630.1 | 630.9 | 651.7 | 676.8 |
| Federal <2> | 217.0 | 218.2 | 230.0 | 250.5 | 249.7 | 244.3 | 259.0 | 278.7 |
| State and local | 361.1 | 365.0 | 370.1 | 375.7 | 380.4 | 386.6 | 392.7 | 398.0 |
| Gross national product in constant (1972) dollars | 1507.8 | 1502.2 | 1510.4 | 1490.1 | 1470.7 | 1478.4 | 1481.1 | 1477.2 |
| Personal income | 2330.0 | 2380.6 | 2458.2 | 2494.6 | 2510.5 | 2552.7 | 2592.5 | 2624.0 |
| Wage and salary disbursements | 1452.8 | 1479.4 | 1512.3 | 1531.2 | 1541.6 | 1556.6 | 1570.0 | 1574.5 |
| Disposable personal income | 1958.7 | 1996.5 | 2060.0 | 2101.4 | 2117.1 | 2151.5 | 2198.1 | 2224.3 |
| Saving rate (percent) | 5.4 | 6.1 | 6.5 | 7.5 | 6.6 | 6.7 | 6.9 | 6.0 |
| Corporate profits with I.V.A. and C.C. Adj. | 200.3 | 185.1 | 193.1 | 183.9 | 157.1 | 155.4 | 166.2 | 167.5 |
| Corporate profits before tax | 253.1 | 225.4 | 233.3 | 216.5 | 171.6 | 171.7 | 180.3 | 178.8 |
| Federal government surplus or deficit (-) (N.I.A. basis) | -39.7 | -40.5 | -58.0 | -101.7 | -118.4 | -119.6 | -156.0 | -203.1 |
| High employment surplus or deficit (-) <3> | 10.4 | 21.9 | 6.0 | -20.4 | -15.7 | -6.2 | -32.7 | -63.2 |
| State and local government surplus or deficit(-) (N.I.A. basis) | 31.3 | 32.9 | 33.5 | 29.1 | 27.7 | 32.1 | 32.3 | 36.6 |
| Excluding social insurance funds | 1.1 | 1.7 | 1.2 | -4.2 | -6.8 | -3.6 | -4.5 | -1.4 |
| 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) | 90.9 | 91.2 | 91.4 | 91.0 | 90.4 | 90.0 | 89.4 | 88.7 |
| Manufacturing | 20.2 | 20.3 | 20.3 | 19.9 | 19.4 | 19.1 | 18.7 | 18.2 |
| Industrial production (1967=100) | 151.8 | 152.5 | 153.0 | 146.3 | 141.7 | 139.4 | 138.2 | 135.3 |
| Capacity utilization: all manufacturing (percent) | 79.9 | 79.8 | 79.2 | 74.8 | 71.6 | 70.3 | 69.7 | 67.6 |
| Materials (percent) | 82.2 | 81.2 | 81.2 | 75.2 | 72.0 | 69.6 | 68.1 | 65.8 |
| Housing starts, private (million units, A.R.) | 1.40 | 1.17 | .96 | .87 | .92 | .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 |

<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.

<3> Estimates in table are evaluated at a 5.1 percent high employment unemployment rate. Evaluated at a 6.1 percent unemployment rate, the high employment budget would show a deficit of \$43.5 billion in 1981-Q4, and a deficit of \$88.3 billion in 1982-Q4.

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CLASS II 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 | 7.9 | -1.5 | 2.2 | -5.3 | -5.1 | 2.1 | .7 | -1.1 |
| Final purchases | 5.4 | -4.0 | 1.0 | -2.3 | .2 | -9 | -1.3 | 5.4 |
| Private | 5.5 | -4.0 | .4 | -4.4 | 1.0 | .2 | -3.5 | 3.9 |
| Excluding net exports | 4.7 | -2.8 | 2.2 | -3.6 | .9 | .6 | -9 | 4.1 |
| Personal consumption expenditures | 4.4 | -2.7 | 2.9 | -3.3 | 2.5 | 2.5 | .6 | 4.5 |
| Goods | 6.9 | -5.1 | 4.0 | -6.2 | 2.0 | 2.5 | -.4 | 6.6 |
| Services | 1.5 | .1 | 1.7 | .0 | 3.0 | 2.4 | 1.7 | 2.3 |
| Gross private domestic investment | 25.0 | 14.9 | 6.9 | -22.6 | -36.5 | 15.0 | 7.9 | -37.3 |
| Residential structures | 1.0 | -17.4 | -31.9 | -25.3 | -10.2 | 12.9 | -5.3 | 39.3 |
| Business fixed investment | 8.0 | 1.1 | 9.3 | .6 | -5.0 | -11.8 | -7.6 | -6.0 |
| Gov't. purchases of goods and services | 5.2 | -4.1 | 3.6 | 7.0 | -2.9 | -5.3 | 8.4 | 12.0 |
| Federal | 12.2 | -3.2 | 14.8 | 20.4 | -5.5 | -13.5 | 23.1 | 32.8 |
| National defense | 8.0 | 11.5 | 7.6 | 10.1 | -7.9 | 21.4 | 13.0 | 2.0 |
| State and local | 1.3 | -4.6 | -2.7 | -.8 | -1.1 | .4 | -.2 | -.4 |
| Disposable personal income | 3.7 | .6 | 4.8 | 1.2 | -1.9 | 3.1 | 1.3 | .3 |
| <u>Current Dollars</u> | | | | | | | | |
| Gross national product | 19.6 | 5.3 | 11.4 | 3.0 | -1.0 | 6.8 | 5.8 | 2.6 |
| Final purchases | 14.6 | 3.5 | 10.4 | 5.7 | 5.6 | 4.1 | 2.9 | 9.8 |
| Private | 14.8 | 3.5 | 9.9 | 2.5 | 6.5 | 5.0 | .2 | 8.1 |
| Excluding net exports | 13.4 | 4.9 | 9.6 | 3.0 | 5.2 | 4.4 | 5.0 | 7.8 |
| Personal consumption expenditures | 13.0 | 4.4 | 11.3 | 3.4 | 7.6 | 6.1 | 8.1 | 9.3 |
| Goods | 14.7 | 1.0 | 9.7 | -2.6 | 4.5 | 3.6 | 5.3 | 7.7 |
| Services | 11.1 | 8.3 | 13.2 | 10.3 | 11.0 | 8.7 | 11.2 | 11.0 |
| Gross private domestic investment | 52.2 | 18.5 | 9.2 | -13.3 | -38.8 | 17.2 | 11.4 | -39.1 |
| Residential structures | 11.5 | -13.4 | -27.0 | -20.8 | -8.4 | 9.4 | -4.9 | 33.6 |
| Business fixed investment | 16.7 | 14.5 | 14.3 | 8.4 | -3.5 | -5.3 | -8.7 | -6.6 |
| Gov't. purchases of goods and services | 13.7 | 3.6 | 12.2 | 18.6 | 2.4 | .6 | 13.8 | 16.3 |
| Federal | 20.9 | 2.2 | 23.5 | 40.7 | -1.4 | -8.3 | 26.3 | 34.2 |
| National defense | 15.4 | 22.1 | 10.8 | 36.7 | -1.8 | 26.4 | 15.6 | 15.4 |
| State and local | 9.7 | 4.4 | 5.7 | 6.2 | 5.0 | 6.7 | 6.5 | 5.5 |
| Disposable personal income | 12.3 | 7.9 | 13.4 | 8.3 | 3.0 | 6.7 | 8.9 | 4.9 |
| Personal income | 13.0 | 9.0 | 13.7 | 6.1 | 2.6 | 6.9 | 6.4 | 4.9 |
| Wage and salary disbursements | 12.0 | 7.5 | 9.2 | 5.1 | 2.7 | 3.9 | 3.5 | 1.2 |
| Corporate profits with I.V.A. and C.C. Adj. | 49.3 | -27.1 | 18.4 | -17.7 | -46.7 | -4.3 | 30.8 | 3.2 |
| Corporate profits before tax | 12.2 | -37.1 | 14.8 | -25.8 | -60.5 | .2 | 21.6 | -3.3 |
| Nonfarm payroll employment | 1.8 | 1.0 | .8 | -1.8 | -2.4 | -1.7 | -2.9 | -2.8 |
| Manufacturing | 1.3 | 2.8 | .1 | -8.1 | -9.0 | -7.2 | -7.8 | -9.8 |
| Nonfarm business sector | | | | | | | | |
| Output per hour | 4.9 | -1.3 | -.3 | -3.5 | .6 | .8 | 3.5 | 2.0 |
| Compensation per hour | 11.8 | 7.1 | 9.0 | 7.3 | 7.7 | 6.1 | 6.6 | 5.6 |
| Unit labor costs | 6.6 | 8.6 | 9.3 | 11.2 | 7.1 | 5.2 | 3.1 | 3.5 |
| GNP implicit deflator <1> | 10.9 | 6.8 | 9.0 | 8.8 | 4.3 | 4.6 | 5.0 | 3.7 |
| Gross domestic business product | | | | | | | | |
| fixed-weighted price index <2> | 10.4 | 8.6 | 9.3 | 7.4 | 4.4 | 3.8 | 5.9 | 4.3 |
| Excluding food and energy | 8.4 | 9.4 | 11.0 | 8.6 | 5.3 | 5.9 | 5.2 | 4.7 |
| 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 |

<1> Excluding Federal pay increases, rates of change were: 1981-Q1, 10.8 percent; 1981-Q4, 7.8 percent; 1982-Q1, 4.2 percent; 1982-Q4, 3.3 percent.

<2> Uses expenditures in 1972 as weights.

March 23, 1982

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

| | -----Projected----- | | | | | | | |
|---|---------------------|--------|--------|--------|--------|--------|--------|--------|
| | 1983 | | | | 1984 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Gross national product | 3169.4 | 3232.4 | 3291.9 | 3354.2 | 3419.2 | 3484.6 | 3555.3 | 3631.8 |
| Final purchases | 3203.9 | 3233.9 | 3281.9 | 3337.2 | 3394.2 | 3454.6 | 3521.3 | 3593.8 |
| Private | 2520.6 | 2547.0 | 2580.9 | 2621.2 | 2668.8 | 2719.6 | 2775.9 | 2832.6 |
| Excluding net exports | 2507.0 | 2549.1 | 2598.2 | 2646.8 | 2699.2 | 2749.8 | 2801.7 | 2855.1 |
| Personal consumption expenditures | 2053.5 | 2084.9 | 2128.0 | 2169.5 | 2209.5 | 2248.0 | 2287.0 | 2327.0 |
| Goods | 1033.2 | 1043.2 | 1064.0 | 1083.5 | 1101.5 | 1119.0 | 1136.0 | 1154.0 |
| Services | 1020.3 | 1041.7 | 1064.0 | 1086.0 | 1108.0 | 1129.0 | 1151.0 | 1173.0 |
| Gross private domestic investment | 419.0 | 462.7 | 480.2 | 494.3 | 514.7 | 531.8 | 548.7 | 566.1 |
| Residential structures | 118.4 | 127.9 | 132.4 | 136.9 | 142.9 | 147.9 | 151.9 | 154.9 |
| Business fixed investment | 335.1 | 336.3 | 337.8 | 340.4 | 346.8 | 353.9 | 362.8 | 373.2 |
| Change in business inventories | -34.5 | -1.5 | 10.0 | 17.0 | 25.0 | 30.0 | 34.0 | 38.0 |
| Nonfarm | -34.5 | -1.5 | 10.0 | 17.0 | 25.0 | 30.0 | 34.0 | 38.0 |
| Net exports of goods and services <1> | 13.6 | -2.1 | -17.3 | -25.6 | -30.4 | -30.2 | -25.8 | -22.5 |
| Exports | 328.8 | 326.0 | 333.0 | 343.5 | 353.9 | 368.5 | 386.1 | 404.9 |
| Imports | 315.2 | 328.1 | 350.3 | 369.0 | 384.3 | 398.7 | 411.9 | 427.4 |
| Gov't. purchases of goods and services | 683.3 | 686.9 | 701.0 | 716.0 | 725.4 | 735.0 | 745.4 | 761.2 |
| Federal <2> | 279.5 | 276.9 | 285.7 | 295.0 | 298.4 | 302.4 | 307.2 | 317.4 |
| State and local | 403.8 | 410.0 | 415.3 | 421.0 | 427.0 | 432.6 | 438.2 | 443.8 |
| Gross national product in constant (1972) dollars | 1492.2 | 1505.2 | 1521.7 | 1538.3 | 1555.0 | 1571.5 | 1589.9 | 1609.6 |
| Personal income | 2646.0 | 2692.1 | 2739.6 | 2785.8 | 2833.2 | 2881.4 | 2932.5 | 2991.2 |
| Wage and salary disbursements | 1597.7 | 1622.5 | 1650.9 | 1681.6 | 1711.7 | 1743.2 | 1774.8 | 1813.1 |
| Disposable personal income | 2244.9 | 2285.3 | 2338.5 | 2377.1 | 2417.8 | 2458.3 | 2501.0 | 2550.6 |
| Saving rate (percent) | 5.8 | 6.1 | 6.3 | 6.0 | 5.9 | 5.9 | 5.9 | 6.1 |
| Corporate profits with I.V.A. and C.C. Adj. | 183.0 | 196.1 | 204.7 | 212.4 | 213.6 | 221.7 | 235.5 | 246.5 |
| Corporate profits before tax | 173.3 | 185.9 | 191.3 | 192.1 | 189.3 | 193.4 | 203.4 | 210.7 |
| Federal government surplus or deficit (-) (N.I.A. basis) | -184.4 | -177.5 | -199.5 | -204.9 | -197.0 | -192.6 | -189.6 | -193.3 |
| High employment surplus or deficit (-) <3> | -41.1 | -31.3 | -55.4 | -61.9 | -53.4 | -51.1 | -52.2 | -59.3 |
| State and local government surplus or deficit (-) (N.I.A. basis) | 38.7 | 41.0 | 44.7 | 47.5 | 48.6 | 50.4 | 52.5 | 55.1 |
| Excluding social insurance funds | -.5 | .4 | 2.6 | 3.9 | 3.3 | 3.6 | 4.1 | 5.1 |
| Civilian labor force (millions) | 110.6 | 111.2 | 111.6 | 112.1 | 112.6 | 113.1 | 113.6 | 114.1 |
| Unemployment rate (percent) | 10.4 | 10.5 | 10.3 | 10.2 | 9.9 | 9.6 | 9.4 | 9.1 |
| Nonfarm payroll employment (millions) | 88.8 | 89.3 | 89.8 | 90.5 | 91.2 | 91.9 | 92.6 | 93.4 |
| Manufacturing | 18.2 | 18.5 | 18.8 | 19.0 | 19.3 | 19.7 | 20.0 | 20.3 |
| Industrial production (1967=100) | 137.4 | 139.9 | 142.5 | 145.4 | 147.8 | 150.3 | 153.0 | 156.0 |
| Capacity utilization: all manufacturing (percent) | 68.5 | 69.4 | 70.3 | 71.4 | 72.0 | 72.8 | 73.7 | 74.7 |
| Materials (percent) | 67.1 | 68.5 | 70.2 | 71.9 | 73.1 | 74.3 | 75.6 | 77.1 |
| Housing starts, private (million units, A.R.) | 1.65 | 1.55 | 1.60 | 1.65 | 1.70 | 1.75 | 1.80 | 1.85 |
| New auto sales (millions, A.R.) | 8.60 | 8.40 | 8.90 | 9.30 | 9.30 | 9.20 | 9.50 | 9.70 |
| Domestic models | 6.20 | 6.20 | 6.60 | 6.90 | 7.00 | 7.10 | 7.20 | 7.30 |
| Foreign models | 2.40 | 2.20 | 2.30 | 2.40 | 2.30 | 2.10 | 2.30 | 2.40 |

<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.

> Estimates in table are evaluated at a 5.1 percent high employment unemployment rate. Evaluated at a 6.1 percent unemployment rate, the high employment budget would show a deficit of \$89.3 billion in 1983-Q4, and a deficit of \$91.0 billion in 1984-Q4.

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

| | -----Projected----- | | | | | | | |
|---|---------------------|------|------|------|------|------|------|------|
| | 1983 | | | | 1984 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| <u>Constant (1972) Dollars</u> | | | | | | | | |
| Gross national product | 4.1 | 3.5 | 4.5 | 4.4 | 4.4 | 4.3 | 4.8 | 5.0 |
| Final purchases | 1.9 | .4 | 3.0 | 3.6 | 3.4 | 3.8 | 4.3 | 4.6 |
| Private | 3.2 | 1.3 | 2.9 | 3.6 | 4.0 | 4.2 | 4.9 | 5.1 |
| Excluding net exports | 3.3 | 3.3 | 3.8 | 3.5 | 4.0 | 3.8 | 3.7 | 4.0 |
| Personal consumption expenditures | 1.9 | 2.7 | 4.1 | 3.6 | 3.3 | 3.2 | 3.0 | 3.2 |
| Goods | 3.0 | 2.3 | 4.7 | 3.6 | 3.4 | 3.3 | 2.8 | 3.1 |
| Services | .7 | 3.1 | 3.6 | 3.6 | 3.2 | 3.2 | 3.2 | 3.2 |
| Gross private domestic investment | 31.5 | 33.0 | 12.7 | 9.2 | 13.9 | 10.6 | 10.0 | 10.8 |
| Residential structures | 79.9 | 31.3 | 10.5 | 10.0 | 14.0 | 10.1 | 6.5 | 3.6 |
| Business fixed investment | -4.7 | -1.2 | -.4 | .8 | 4.8 | 5.5 | 7.4 | 9.7 |
| Gov't. purchases of goods and services | -3.3 | -3.4 | 3.7 | 3.4 | 1.1 | 1.8 | 2.1 | 2.5 |
| Federal | -8.7 | -9.6 | 8.8 | 6.9 | .4 | 2.3 | 3.0 | 4.1 |
| National defense | 7.6 | 12.7 | 11.7 | 7.8 | 6.8 | 6.2 | 4.7 | 5.3 |
| State and local | .6 | 1.1 | .5 | 1.1 | 1.7 | 1.4 | 1.4 | 1.4 |
| Disposable personal income | 1.1 | 3.8 | 5.2 | 2.4 | 2.8 | 3.0 | 3.0 | 4.1 |
| <u>Current Dollars</u> | | | | | | | | |
| Gross national product | 8.1 | 8.2 | 7.6 | 7.8 | 8.0 | 7.9 | 8.4 | 8.9 |
| Final purchases | 6.1 | 3.8 | 6.1 | 6.9 | 7.0 | 7.3 | 7.9 | 8.5 |
| Private | 6.8 | 4.2 | 5.4 | 6.4 | 7.5 | 7.8 | 8.5 | 8.4 |
| Excluding net exports | 6.0 | 6.9 | 7.9 | 7.7 | 8.2 | 7.7 | 7.8 | 7.8 |
| Personal consumption expenditures | 4.5 | 6.3 | 8.5 | 8.0 | 7.6 | 7.2 | 7.1 | 7.2 |
| Goods | 2.2 | 3.9 | 8.2 | 7.5 | 6.8 | 6.5 | 6.2 | 6.5 |
| Services | 7.0 | 8.7 | 8.8 | 8.5 | 8.4 | 7.8 | 8.0 | 7.9 |
| Gross private domestic investment | 31.2 | 48.7 | 16.0 | 12.3 | 17.6 | 14.0 | 13.3 | 13.3 |
| Residential structures | 85.7 | 36.2 | 14.8 | 14.3 | 18.7 | 14.7 | 11.3 | 8.1 |
| Business fixed investment | -3.9 | 1.4 | 1.8 | 3.1 | 7.7 | 8.4 | 10.4 | 12.0 |
| Gov't. purchases of goods and services | 3.9 | 2.1 | 8.5 | 8.8 | 5.4 | 5.4 | 5.8 | 8.8 |
| Federal | 1.1 | -3.7 | 13.3 | 13.7 | 4.7 | 5.5 | 6.5 | 14.0 |
| National defense | 10.3 | 17.1 | 17.0 | 15.5 | 11.3 | 9.3 | 8.7 | 15.6 |
| State and local | 5.9 | 6.3 | 5.3 | 5.6 | 5.8 | 5.3 | 5.3 | 5.2 |
| Disposable personal income | 3.8 | 7.4 | 9.6 | 6.8 | 7.0 | 6.9 | 7.1 | 8.2 |
| Personal income | 3.4 | 7.2 | 7.3 | 6.9 | 7.0 | 7.0 | 7.3 | 8.2 |
| Wage and salary disbursements | 6.0 | 6.4 | 7.2 | 7.6 | 7.4 | 7.6 | 7.5 | 8.9 |
| Corporate profits with I.V.A. and C.C. Adj. | 42.4 | 31.8 | 18.8 | 15.9 | 2.2 | 16.1 | 27.3 | 20.0 |
| Corporate profits before tax | -11.6 | 32.4 | 12.2 | 1.7 | -5.8 | 9.0 | 22.4 | 15.1 |
| Nonfarm payroll employment | .5 | 1.9 | 2.6 | 2.8 | 3.2 | 3.2 | 3.3 | 3.5 |
| Manufacturing | .6 | 5.4 | 6.2 | 6.3 | 6.5 | 6.8 | 6.9 | 7.0 |
| Nonfarm business sector | | | | | | | | |
| Output per hour | 4.9 | 3.0 | 2.7 | 1.8 | 1.5 | 1.2 | 1.1 | 1.4 |
| Compensation per hour | 5.6 | 4.5 | 4.3 | 4.1 | 6.0 | 4.0 | 4.1 | 4.2 |
| Unit labor costs | .7 | 1.5 | 1.6 | 2.3 | 4.4 | 2.8 | 3.0 | 2.8 |
| GNP implicit deflator <1> | 3.8 | 4.5 | 3.0 | 3.2 | 3.4 | 3.4 | 3.4 | 3.7 |
| Gross domestic business product | | | | | | | | |
| fixed-weighted price index <2> | 2.7 | 3.7 | 4.0 | 3.9 | 3.8 | 3.7 | 3.7 | 3.6 |
| Excluding food and energy | 4.5 | 4.9 | 3.9 | 3.6 | 3.6 | 3.6 | 3.6 | 3.5 |
| Consumer price index (all urban) | .2 | 4.1 | 4.5 | 4.3 | 4.2 | 4.0 | 3.9 | 3.8 |
| Industrial production | 6.4 | 7.5 | 7.6 | 8.4 | 6.8 | 6.9 | 7.4 | 8.1 |

<1> Excluding Federal pay increases, the rates of change are: 1983-Q1, 3.8 percent; 1983-Q4, 2.9 percent; 1984-Q1, 3.4 percent; 1984-Q4 3.1 percent.

<2> Uses expenditures in 1972 as weights.

March 23, 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 | 2633.1 | 2937.7 | 3059.3 | 3262.0 | 3522.7 |
| Final purchases | 1895.3 | 2137.4 | 2403.5 | 2643.1 | 2917.3 | 3083.1 | 3264.2 | 3491.0 |
| Private | 1501.5 | 1705.5 | 1929.1 | 2104.7 | 2320.4 | 2435.7 | 2567.4 | 2749.2 |
| Excluding net exports | 1505.5 | 1706.6 | 1915.9 | 2079.5 | 2294.3 | 2415.2 | 2575.3 | 2776.4 |
| Personal consumption expenditures | 1204.4 | 1346.5 | 1507.2 | 1667.2 | 1843.2 | 1971.1 | 2109.0 | 2267.9 |
| Goods | 657.0 | 728.5 | 813.5 | 884.7 | 969.1 | 1004.8 | 1055.9 | 1127.6 |
| Services | 547.4 | 618.0 | 693.7 | 782.5 | 874.1 | 966.3 | 1053.0 | 1140.2 |
| Gross private domestic investment | 324.1 | 386.6 | 423.0 | 402.3 | 471.5 | 420.3 | 464.0 | 540.3 |
| Residential construction | 95.8 | 111.2 | 118.6 | 103.2 | 104.9 | 96.2 | 128.9 | 149.4 |
| Business fixed investment | 205.2 | 248.9 | 290.2 | 309.2 | 346.1 | 348.0 | 337.4 | 359.2 |
| Change in business inventories | 23.0 | 26.5 | 14.3 | -10.0 | 20.5 | -23.8 | -2.2 | 31.8 |
| Nonfarm | 21.9 | 25.4 | 8.6 | -5.7 | 15.0 | -24.3 | -2.2 | 31.8 |
| Net exports of goods and services <1> | -4.0 | -1.1 | 13.2 | 25.2 | 26.1 | 20.5 | -7.8 | -27.2 |
| Exports | 182.7 | 218.7 | 281.4 | 339.2 | 367.3 | 350.8 | 332.8 | 378.4 |
| Imports | 186.7 | 219.8 | 268.1 | 314.0 | 341.3 | 330.3 | 340.7 | 405.6 |
| Gov't. purchases of goods and services | 393.8 | 431.9 | 474.4 | 538.4 | 596.9 | 647.4 | 696.8 | 741.7 |
| Federal <2> | 143.4 | 153.6 | 168.3 | 197.2 | 228.9 | 257.9 | 284.3 | 306.3 |
| State and local | 250.4 | 278.3 | 306.0 | 341.2 | 368.0 | 389.4 | 412.5 | 435.4 |
| Gross national product in constant (1972) dollars | 1369.7 | 1438.6 | 1479.4 | 1474.0 | 1502.6 | 1476.9 | 1514.4 | 1581.5 |
| Personal income | 1540.4 | 1732.7 | 1951.2 | 2160.4 | 2415.8 | 2569.9 | 2715.9 | 2909.6 |
| Wage and salary disbursements | 983.2 | 1106.3 | 1237.6 | 1356.1 | 1493.9 | 1560.7 | 1638.2 | 1760.7 |
| Disposable personal income | 1314.0 | 1474.0 | 1650.2 | 1824.1 | 2029.1 | 2172.7 | 2311.4 | 2481.9 |
| Saving rate (percent) | 5.9 | 6.1 | 5.9 | 5.8 | 6.4 | 6.5 | 6.1 | 6.0 |
| Corporate profits with I.V.A. and C.C.Adj. | 167.3 | 192.4 | 194.8 | 181.6 | 190.6 | 161.5 | 199.0 | 229.3 |
| Corporate profits before tax | 194.7 | 229.1 | 252.7 | 242.4 | 232.1 | 175.6 | 185.6 | 199.2 |
| Federal government surplus or deficit(-) (N.I.A. basis) | -45.9 | -29.5 | -16.1 | -61.4 | -60.0 | -149.3 | -191.6 | -193.1 |
| High employment surplus or deficit(-) | -20.5 | -16.0 | -2.0 | -17.2 | 4.5 | -29.4 | -47.4 | -54.0 |
| State and local government surplus or deficit (-) (N.I.A. basis) | 28.0 | 30.3 | 30.4 | 28.1 | 31.7 | 32.2 | 43.0 | 51.6 |
| Excluding social insurance funds | 10.1 | 10.0 | 6.6 | .9 | -.1 | -4.1 | 1.6 | 4.0 |
| Civilian labor force (millions) | 99.0 | 102.3 | 105.0 | 106.9 | 108.7 | 110.2 | 111.4 | 113.3 |
| Unemployment rate (percent) | 7.1 | 6.1 | 5.8 | 7.1 | 7.6 | 9.7 | 10.4 | 9.5 |
| Nonfarm payroll employment (millions) | 82.5 | 86.7 | 89.8 | 90.4 | 91.1 | 89.6 | 89.6 | 92.3 |
| Manufacturing | 19.7 | 20.5 | 21.0 | 20.3 | 20.2 | 18.8 | 18.6 | 19.8 |
| Industrial production (1967=100) | 138.1 | 146.1 | 152.5 | 147.0 | 150.9 | 138.6 | 141.3 | 151.8 |
| Capacity utilization: all manufacturing (percent) | 81.9 | 84.4 | 85.6 | 79.1 | 78.4 | 69.8 | 69.9 | 73.3 |
| Materials (percent) | 82.7 | 85.6 | 87.4 | 80.0 | 79.9 | 68.9 | 69.4 | 75.0 |
| Housing starts, private (million units, A.R.) | 1.96 | 2.00 | 1.72 | 1.30 | 1.10 | 1.06 | 1.61 | 1.77 |
| New auto sales (millions, A.R.) | 11.13 | 11.29 | 10.68 | 9.04 | 8.56 | 8.00 | 8.80 | 9.42 |
| Domestic models | 9.07 | 9.29 | 8.36 | 6.62 | 6.24 | 5.77 | 6.47 | 7.15 |
| Foreign models | 2.06 | 2.00 | 2.32 | 2.42 | 2.32 | 2.23 | 2.32 | 2.27 |

<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.

CONFIDENTIAL - FR
CLASS II FOMC

PERCENT 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 | -.4 | 1.9 | -1.7 | 2.5 | 4.4 |
| Final purchases | 5.1 | 4.9 | 3.5 | .5 | 1.0 | -.5 | 1.9 | 3.5 |
| Private | 6.0 | 5.6 | 4.0 | .0 | 1.0 | -1.0 | 1.9 | 3.8 |
| Excluding net exports | 6.5 | 5.5 | 2.9 | -1.1 | 1.8 | -.1 | 2.8 | 3.8 |
| Personal consumption expenditures | 5.0 | 4.5 | 2.7 | .3 | 1.8 | 1.0 | 2.8 | 3.4 |
| Goods | 5.1 | 4.2 | 1.9 | -1.5 | 1.9 | .3 | 3.3 | 3.4 |
| Services | 4.9 | 4.8 | 3.7 | 2.4 | 1.7 | 1.8 | 2.2 | 3.3 |
| Gross private domestic investment | 16.1 | 10.5 | -.2 | -11.8 | 8.3 | -12.8 | 7.6 | 12.6 |
| Residential structures | 18.6 | 2.8 | -5.3 | -20.1 | -4.9 | -10.2 | 32.2 | 11.4 |
| Business fixed investment | 11.7 | 12.8 | 7.3 | -2.2 | 3.6 | -3.7 | -4.3 | 3.8 |
| Gov't. purchases of goods and services | 1.5 | 2.0 | 1.3 | 2.3 | .9 | 1.5 | 2.0 | 1.9 |
| Federal | 3.7 | -.1 | 1.8 | 4.3 | 3.7 | 5.4 | 4.3 | 2.8 |
| National defense | .8 | .4 | 2.6 | 4.0 | 4.9 | 6.9 | 9.4 | 7.4 |
| State and local | .2 | 3.3 | 1.1 | 1.1 | -.8 | -1.0 | .4 | 1.3 |
| Disposable personal income | 4.0 | 4.9 | 2.7 | .2 | 2.5 | 1.1 | 2.2 | 3.2 |
| <u>Current Dollars</u> | | | | | | | | |
| Gross national product | 11.7 | 12.8 | 11.7 | 8.9 | 11.6 | 4.1 | 6.6 | 8.0 |
| Final purchases | 11.1 | 12.8 | 12.4 | 10.0 | 10.4 | 5.7 | 5.9 | 6.9 |
| Private | 11.7 | 13.6 | 13.1 | 9.1 | 10.2 | 5.0 | 5.4 | 7.1 |
| Excluding net exports | 13.2 | 13.4 | 12.3 | 8.5 | 10.3 | 5.3 | 6.6 | 7.8 |
| Personal consumption expenditures | 11.1 | 11.8 | 11.9 | 10.6 | 10.6 | 6.9 | 7.0 | 7.5 |
| Goods | 9.8 | 10.9 | 11.7 | 8.8 | 9.5 | 3.7 | 5.1 | 6.8 |
| Services | 12.7 | 12.9 | 12.2 | 12.8 | 11.7 | 10.5 | 9.0 | 8.3 |
| Gross private domestic investment | 25.7 | 19.3 | 9.4 | -4.9 | 17.2 | -10.9 | 10.4 | 16.4 |
| Residential structures | 33.1 | 16.1 | 6.6 | -13.0 | 1.7 | -8.3 | 34.0 | 15.9 |
| Business fixed investment | 17.9 | 21.3 | 16.6 | 6.5 | 12.0 | .5 | -3.0 | 6.5 |
| Gov't. purchases of goods and services | 8.8 | 9.7 | 9.8 | 13.5 | 10.9 | 8.5 | 7.6 | 6.5 |
| Federal | 11.0 | 7.1 | 9.6 | 17.1 | 16.1 | 12.6 | 10.2 | 7.8 |
| National defense | 8.0 | 8.0 | 11.5 | 17.5 | 17.0 | 16.1 | 15.2 | 12.6 |
| State and local | 7.5 | 11.2 | 9.9 | 11.5 | 7.9 | 5.8 | 5.9 | 5.6 |
| Disposable personal income | 10.0 | 12.2 | 12.0 | 10.5 | 11.2 | 7.1 | 6.4 | 7.4 |
| Personal income | 10.7 | 12.5 | 12.6 | 10.7 | 11.8 | 6.4 | 5.7 | 7.1 |
| Wage and salary disbursements | 10.5 | 12.5 | 11.9 | 9.6 | 10.2 | 4.5 | 5.0 | 7.5 |
| Corporate profits with I.V.A. and C.C.Adj. | 21.1 | 15.0 | 1.3 | -6.8 | 5.0 | -15.3 | 23.2 | 15.2 |
| Corporate profits before tax | 17.1 | 17.7 | 10.3 | -4.0 | -4.3 | -24.3 | 5.7 | 7.3 |
| Nonfarm payroll employment | 3.9 | 5.1 | 3.6 | .6 | .8 | -1.6 | .0 | 3.0 |
| Manufacturing | 3.6 | 4.2 | 2.6 | -3.6 | -.6 | -6.6 | -1.2 | 6.5 |
| Nonfarm business sector | | | | | | | | |
| Output per hour | 2.2 | .6 | -1.3 | -.9 | 1.4 | .1 | 3.0 | 1.7 |
| Compensation per hour | 7.5 | 8.6 | 9.3 | 10.2 | 9.7 | 7.2 | 5.2 | 4.6 |
| Unit labor costs | 5.2 | 8.0 | 10.7 | 11.2 | 8.1 | 7.1 | 2.2 | 2.9 |
| GNP implicit deflator | 5.8 | 7.4 | 8.6 | 9.3 | 9.4 | 6.0 | 4.0 | 3.4 |
| Gross domestic business product | | | | | | | | |
| fixed-weighted price index <1> | 6.1 | 8.0 | 9.9 | 10.1 | 9.6 | 5.9 | 3.9 | 3.8 |
| Excluding food and energy | 6.3 | 7.8 | 8.6 | 8.6 | 9.4 | 6.9 | 4.6 | 3.7 |
| Consumer price index (all urban) | 6.5 | 7.7 | 11.3 | 13.5 | 10.3 | 6.2 | 3.3 | 4.1 |
| Industrial production | 5.9 | 5.8 | 4.4 | -3.6 | 2.6 | -8.1 | 1.9 | 7.4 |

<1> Uses expenditures in 1972 as weights.

FEDERAL SECTOR ACCOUNTS

| | Fiscal Year 1982* | FY1983e | | FY1984e | | CY1983e/ 1982* | | FRB Staff Estimates Calendar quarters; unadjusted data | | | | | | | | | |
|--|-------------------------|--------------|---------------|--------------|---------------|-------------------|---------------|---|--------|--------|--------|--------|--------|--------|--------|--------|--|
| | | Admin. 1/ | F.R. Board | Admin. 1/ | F.R. Board | CY 1982* | F.R. Board | 1982 | | 1983 | | | | 1984 | | | |
| | | | | | | | | III* | IV* | I | II | III | IV | I | II | III | |
| Unified budget receipts | 617.8 | 597.5 | 599.4 | 659.7 | 650.6 | 608.8 | 604.9 | 149.3 | 137.0 | 139.7 | 170.9 | 151.8 | 142.5 | 151.9 | 187.8 | 168.4 | |
| Unified budget outlays | 728.4 | 805.2 | 800.8 | 848.5 | 849.1 | 739.5 | 807.7 | 185.5 | 205.3 | 197.9 | 196.9 | 200.7 | 212.2 | 210.6 | 222.9 | 203.3 | |
| Surplus/deficit(-), unified budget | -110.6 | -207.7 | -201.4 | -188.8 | -198.5 | -130.7 | -202.8 | -36.2 | -68.3 | -58.2 | -26.0 | -48.9 | -69.7 | -58.7 | -35.1 | -34.9 | |
| Surplus/deficit(-), off-budget agencies ² | -17.3 | -17.0 | -16.0 | -14.0 | -15.1 | -14.9 | -17.3 | -6.0 | -1.1 | -2.7 | -5.7 | -6.5 | -2.4 | -3.3 | -4.3 | -5.0 | |
| Combined deficit to be financed | -127.9 | -224.8 | -217.4 | -202.8 | -213.6 | -145.6 | -220.1 | -42.3 | -69.4 | -60.9 | -31.7 | -55.4 | -72.1 | -62.0 | -39.4 | -39.9 | |
| Means of financing combined deficit: | | | | | | | | | | | | | | | | | |
| Net borrowing from public | 134.9 | 215.0 | 210.6 | 203.0 | 212.2 | 161.3 | 208.6 | 57.5 | 62.0 | 53.8 | 38.6 | 56.2 | 60.0 | 62.7 | 48.6 | 40.9 | |
| Decrease in cash operating balance | -10.7 | 9.4 | 11.3 | 0.0 | -2.4 | -7.8 | 7.3 | -18.4 | 9.6 | 5.3 | -7.6 | 4.0 | 5.6 | 2.5 | -5.3 | -5.2 | |
| Other ³ | 3.8 | 0.4 | -4.5 | -0.2 | 3.8 | -7.9 | 4.2 | 3.2 | -2.2 | 1.8 | 0.7 | -4.8 | 6.5 | -3.1 | -3.8 | 4.2 | |
| Cash operating balance, end of period | 29.4 | 20.0 | 18.1 | 20.0 | 20.5 | 19.8 | 12.5 | 29.4 | 19.8 | 14.5 | 22.1 | 18.1 | 12.5 | 10.0 | 15.3 | 20.5 | |
| Memo: Sponsored agency borrowing ⁴ | 20.3 | 18.2 | 5.5 | 21.2 | 20.2 | 16.9 | 10.1 | 5.8 | -0.4 | -2.8 | 4.1 | 4.6 | 4.2 | 4.0 | 6.0 | 6.0 | |
| NIA Budget | | | | | | | | | | | | | | | | | |
| | | | | | | | | Seasonally adjusted annual rates | | | | | | | | | |
| Receipts | 618.2 | 627.9 | 633.2 | 685.6 | 682.5 | 614.2 | 642.2 | 613.7 | 616.1 | 629.8 | 644.8 | 642.1 | 652.3 | 677.9 | 691.9 | 707.8 | |
| Expenditures | 739.7 | 829.0 | 824.3 | 877.3 | 878.5 | 763.4 | 833.8 | 769.7 | 819.2 | 814.2 | 822.3 | 841.6 | 857.2 | 874.9 | 884.4 | 897.4 | |
| Purchases | 250.1 | 279.0 | 280.2 | 302.5 | 300.8 | 257.9 | 284.3 | 259.0 | 278.7 | 279.5 | 276.9 | 285.7 | 295.0 | 298.4 | 302.4 | 307.2 | |
| Defense | 173.0 | 199.4 | 198.8 | 229.0 | 225.7 | 178.6 | 205.8 | 182.7 | 189.3 | 194.0 | 201.8 | 209.9 | 217.6 | 223.5 | 228.5 | 233.3 | |
| Nondefense | 77.1 | 79.6 | 81.4 | 73.5 | 75.0 | 79.3 | 78.5 | 76.3 | 89.4 | 85.5 | 75.1 | 75.8 | 77.4 | 74.9 | 73.9 | 73.9 | |
| All other expenditures | 489.6 | 550.0 | 544.1 | 574.8 | 577.7 | 505.5 | 549.5 | 510.7 | 540.5 | 534.7 | 545.4 | 555.9 | 562.2 | 576.5 | 582.0 | 590.2 | |
| Surplus/deficit(-) | -121.5 | -201.1 | -191.1 | -191.7 | -196.0 | -149.3 | -191.6 | -156.0 | -203.1 | -184.4 | -177.5 | -199.5 | -204.9 | -197.0 | -192.6 | -189.6 | |
| High Employment (H.E.) surplus/deficit(-) evaluated at H.E. unemployment rate of: | | | | | | | | | | | | | | | | | |
| 5.1 percent | -18.8 | n.a. | -47.7 | n.a. | -50.6 | -29.4 | -47.4 | -32.7 | -63.2 | -41.1 | -31.3 | -55.4 | -61.9 | -53.4 | -51.1 | -52.2 | |
| 6.1 percent | -43.0 | n.a. | -73.6 | n.a. | -83.6 | -54.2 | -73.9 | -57.5 | -88.3 | -66.7 | -57.5 | -82.0 | -89.3 | -82.0 | -80.6 | -82.7 | |
| | *--actual | | | e--estimated | | | | n.a.--not available | | | | | | | | | |

1. The Budget of the United States Government, Fiscal Year 1984, January 1983.
 2. Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank and (beginning in FY1982) the Strategic Petroleum Reserve.
 3. Checks issued less checks paid, accrued items and other transactions.

4. 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. FRB and Administration estimates are not strictly comparable.

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

DOMESTIC FINANCIAL DEVELOPMENTS

Recent developments. Growth in the monetary aggregates remained strong in February and, for M1 and M2, was also apparently substantial in March. The new money market deposit accounts (MMDAs) and super NOW accounts continued to rise rapidly but, in both cases, some deceleration has occurred, partly in response to the decline in offering rates to levels closer to market rates. Growth of narrow money in February was at a 21-1/4 percent annual rate; M2 grew at a 23-3/4 percent annual rate, down moderately from the January pace. The velocities of both M1 and M2 appear to have declined in the first quarter at rates unusual under prevailing economic circumstances.

Despite sizable runoffs in large time deposits and institution-only money market mutual funds, M3 grew at a 13-1/4 percent annual rate in February. It is likely, however, that this growth slowed substantially in March. For the banking sector, growth of core deposits remained large through February as the surge of MMDAs and growth in transaction deposits substantially outweighed the runoff of savings and small time deposits. For the period November to February, which embraces the introduction of the new accounts, the difference between core deposit growth and the draw-down of savings and small time deposits was composed, in about equal proportions, of a reduction in large time deposits, on the one hand, and increases in bank holdings of Treasury securities and advances of funds to foreign branches, on the other. Similarly, thrift institutions reduced their managed liabilities and increased their liquid assets.

The strengthening of economic activity in the first quarter appears to have boosted business profits, while funding needs were curtailed by

continued inventory liquidation and anemic fixed investment spending. External financing by nonfinancial firms seems to have remained close to the reduced pace of the fourth quarter of 1982. The composition of long-term financing shifted as gross issuance of corporate bonds fell well below the large volume of late last year, while firms took advantage of the rise in stock prices to increase issuance of equities. Short-term business credit expanded a bit in February as commercial paper and commercial bank loans rose slightly but, for the quarter as a whole, short-term borrowing probably remained weak.

Credit flows to the household sector picked up substantially around the turn of the year but it is difficult to assess the extent to which that strength has been sustained. Consumer installment credit outstanding accelerated in January but in February bank loans to consumers were flat, and there is currently little sign of any pickup in March. In the mortgage market, new loan commitments at savings and loan associations appear to be remaining near the higher rate achieved at the end of last year. Some of this activity reflects refinancing of existing mortgages, as average interest rates have declined further, but the rise in housing starts and sales is associated with an upturn in net new mortgage lending as well.

Nevertheless, with the pace of economic activity still near recession lows, public sector demands for credit remain the dominant factor in credit markets. The Treasury has raised a massive amount of new funds in the first quarter, with marketable borrowing from the public totaling almost \$55 billion. Although state and local sector borrowing in the bond market receded from the fourth quarter pace, issuance in the first quarter has remained strong.

Despite the rapid growth of the monetary aggregates and the large borrowing needs by the public sector, credit markets rallied early in the intermeeting period in response to the Humphrey-Hawkins report. The commercial bank prime rate was lowered by another one-half point. Declines in key short-term market rates were erased later in the intermeeting period as market participants became concerned once again that growth in the aggregates would, at the least, forestall further easing by the System. However, long-term rates, on balance, remain below their levels at the time of the last FOMC meeting, reflecting the oil price declines and other favorable inflation developments.

Outlook. It is likely that the pattern of financing requirements that emerged during the first quarter of the year will continue to prevail through midyear with governmental borrowing looming large in aggregate credit flows. Net borrowing by the nonfinancial business sector is likely to rise somewhat as inventory liquidation ends, but rising profits should hold down external financing requirements. In the household sector, the more rapid pace of new housing construction and house sales will bolster the demand for mortgage credit, while a shift from "creative financing" to more conventional mortgage financing patterns can be expected to expand activity by traditional mortgage lending institutions. Near-term growth in consumer credit, however, is likely to be small owing to the sluggish recovery in spending for consumer durables.

In contrast, the Treasury is expected to borrow about \$40 billion in credit markets in the second quarter--a sharp divergence from its usual seasonal pattern as spring tax collections are reduced by last year's reduction in tax rates and other provisions of the 1981 tax bill. The

pace of borrowing in the municipal bond market will probably also continue strong in coming months.

On balance, credit demands and supplies seem consistent with general stability of short-term interest rates near their present levels, although some transitory movements can be expected as attention remains focused on growth in the monetary aggregates. The intermediate- and longer-term sectors of debt markets should be buoyed by continued good news on inflation and improvements in inflation expectations. Likely slow progress by the Congress in resolving major budget issues may, however, impose limits on these security price gains.

Recent developments. Since the February FOMC meeting the dollar's weighted average exchange value has shown a slight appreciation, on balance. It declined marginally early in the period, then turned around after mid-February as a series of oil price cuts and a protracted, disorderly negotiation within OPEC raised fears about the worsening debt situation of oil-producing LDCs. Late in the period actual and expected increases in short-term dollar interest rates, together with declines in official rates in several European countries, helped to strengthen the dollar further.

Much of the focus of exchange market participants during the period was not on dollar exchange rates, but on cross-rates among EMS member currencies. After the early March elections in Germany and France, speculation on an EMS realignment intensified, culminating in the March 21 announcement of a 5-1/2 percent revaluation of the mark, a 2-1/2 percent devaluation of the French franc, and a 1-1/2 percent revaluation of the Belgian franc. (All other EMS currencies' parities were also changed.)

. The Bank of France had operated in the Euro-French franc deposit market to drive very short-term rates to astronomical heights, while the Belgians had raised official lending rates by 2-1/2 percentage points and imposed new exchange controls. On the other hand, Germany announced on March 17 a 1 percentage point reduction in its official lending rates. The Netherlands, Switzerland, and Austria followed with reductions of central

bank lending rates of 1/2, 1/2, and 1 percentage points, respectively. (The last two countries are not EMS members, but are closely linked to Germany.) After the EMS realignment Belgium lowered its official rates by 3 percentage points and Denmark lowered its rates by 1-1/2 percentage point.

Early 1983 data indicate that recovery may be underway in several major foreign economies. Industrial production rose by 4 percent in January in Germany; new orders also rose sharply in January, following strong November and December increases; and businessmen appear more optimistic in opinion surveys. U.K. industrial production increased in December and January, and housing starts in November - January were 1/3 higher than a year earlier. Final domestic demand in Canada increased in the fourth quarter after five consecutive quarterly declines; unemployment in January - February was 12.5 percent, down from 12.75 percent in October - December. Signs of an upturn are not as evident for Japan and France, where activity had not declined but remains sluggish, or for Italy where industrial production continued to decline in January.

Price performance continues to improve in Germany, the United Kingdom and Japan, with some price indices showing actual declines in some recent months. Inflation has dropped dramatically in Canada, running in the seven months through January at only 1/3 the pace of the first half of 1982. Only Italy and France have failed to achieve significant reductions in their rates of inflation.

The U.S. merchandise trade deficit in January declined marginally from December's rate. The two months combined showed a 30 percent lower rate of deficit than did the second half of 1982, but probably should not

be viewed as establishing a new trend. Both exports and imports increased in January, but much of the increase in exports was concentrated in wheat, civilian aircraft, and petroleum products, all of which were affected by special, temporary factors. Oil imports fell in January to 4.4 million barrels per day, considerably below the 5.5 mbd in the fourth quarter of 1982, and the lowest rate since last May. Oil import prices declined to an average \$30.48 per barrel, but largely did not reflect price declines since early 1983. Imports of manufactured goods were sharply higher in January, but these tend to be quite erratic on a monthly basis and for December - January combined were lower than during much of 1982.

In the U.S. international capital accounts there continued to be net outflows of banking funds through early March. U.S. banking offices added to their net advances to foreign offices, in part reflecting the effects of inflows of funds into MMDAs at U.S. banking offices, discussed in the last Greenbook. Foreign net purchases of U.S. corporate stocks were sizable in December and January, totaling about \$2 billion for the two months combined. Public issues of bonds by U.S. corporations in foreign and international markets remained strong in February and March.

Foreign lending by U.S.-chartered banks slowed dramatically further in the second half of 1982. Claims, mainly interbank, on G-10 countries and offshore banking centers actually declined by \$2 billion in the second half after increasing by \$7 billion in the first. Claims on non-OPEC developing countries increased by only \$3 billion in the second half, with those on Latin America rising by only \$1 billion. (There was an actual decline in claims on Latin America in the fourth quarter.)

Recently signed loans for Mexico, Brazil, and Argentina will tend to raise bank claims on Latin America in 1983, but banks are likely to try to reduce exposures in that area wherever feasible.

Outlook. After declining somewhat in 1982, fourth quarter to fourth quarter, economic activity in major foreign industrial economies as a group seems to be picking up, and we have revised upward slightly our 1983 growth rate projection, to just over 2 percent. The staff's inflation forecast for foreign countries now is for a significant further improvement in 1983 and 1984. With growth in major foreign countries projected at substantially less than in the United States, with many developing countries tightly constrained by their external financing difficulties, and reflecting the past (and continuing) strength of the dollar, we are projecting 1983 U.S. trade and current account deficits of about \$65 and \$35 billion, respectively, which we expect will widen substantially in 1984. These are essentially unchanged from the last Greenbook -- the influence of slightly lower oil prices is about offset by the effects of a higher projected path for the dollar's exchange value. The current exchange rate forecast alters the timing of the dollar's projected depreciation, in light of the strength of the dollar during the first quarter, the somewhat lower U.S. current account deficit now expected in the first half of this year, and the relative firmness of dollar interest rates. Most of the dollar's projected decline is now expected to occur in the second half of 1983 and into 1984.

MARCH 23, 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-P Q1 | 1983-P Q2 | 1983-P Q3 | 1983-P Q4 | 1984-P Q1 | 1984-P Q2 | 1984-P Q3 | 1984-P Q4 |
|---|--------------|----------------|----------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1. GNP NET EXPORTS | | | | | | | | | | | | | |
| CURRENT \$, NET | 20.5 | -7.8 | -27.2 | 7.0 | 9.0 | 13.6 | -2.1 | -17.3 | -25.6 | -30.4 | -30.2 | -25.8 | -22.5 |
| EXPORTS OF G+S | 350.8 | 332.8 | 378.4 | 349.5 | 328.1 | 328.8 | 326.0 | 333.0 | 343.5 | 353.9 | 368.5 | 386.1 | 404.9 |
| IMPORTS OF G+S | 330.3 | 340.7 | 405.6 | 342.5 | 319.1 | 315.2 | 328.1 | 350.3 | 369.0 | 384.3 | 398.7 | 412.0 | 427.4 |
| CONSTANT 72 \$, NET | 31.8 | 21.9 | 23.7 | 27.5 | 27.2 | 27.2 | 21.7 | 19.1 | 19.6 | 19.9 | 21.3 | 24.9 | 28.5 |
| EXPORTS OF G+S | 148.1 | 138.1 | 149.3 | 147.5 | 138.8 | 138.3 | 136.1 | 137.7 | 140.3 | 142.7 | 146.5 | 151.4 | 156.5 |
| IMPORTS OF G+S | 116.3 | 116.2 | 125.6 | 120.0 | 111.6 | 111.1 | 114.4 | 118.5 | 120.7 | 122.8 | 125.2 | 126.5 | 128.0 |
| TERMS OF TRADE (1972=100) 1/ | 83.4 | 82.3 | 78.5 | 83.0 | 82.7 | 83.8 | 83.5 | 81.9 | 80.1 | 79.3 | 79.0 | 78.3 | 77.5 |
| 2. U.S. MERCHANDISE TRADE BALANCE 2/ | | | | | | | | | | | | | |
| | -36.3 | -63.8 | -88.9 | -50.0 | -48.5 | -43.1 | -56.5 | -72.8 | -82.9 | -88.3 | -88.8 | -89.1 | -89.3 |
| EXPORTS (EXCL. MILITARY) | 211.0 | 193.3 | 219.8 | 209.3 | 192.3 | 192.9 | 190.4 | 192.4 | 197.4 | 204.0 | 213.2 | 224.3 | 237.7 |
| AGRICULTURAL | 37.4 | 35.8 | 38.5 | 33.6 | 32.3 | 34.4 | 35.7 | 36.2 | 36.8 | 37.4 | 38.2 | 38.9 | 39.7 |
| NONAGRICULTURAL | 173.6 | 157.5 | 181.3 | 175.8 | 160.0 | 158.5 | 154.7 | 156.3 | 160.6 | 166.6 | 175.0 | 185.4 | 198.0 |
| IMPORTS | 247.3 | 257.1 | 308.7 | 259.3 | 240.8 | 235.9 | 246.8 | 265.3 | 280.4 | 292.3 | 302.0 | 313.4 | 327.0 |
| PETROLEUM AND PRODUCTS | 61.2 | 58.8 | 69.9 | 65.8 | 62.8 | 53.5 | 54.1 | 61.2 | 66.4 | 68.1 | 68.5 | 70.0 | 73.2 |
| NONPETROLEUM | 186.1 | 198.3 | 238.7 | 193.5 | 178.0 | 182.4 | 192.8 | 204.1 | 213.9 | 224.1 | 233.6 | 243.4 | 253.8 |
| 3. U.S. CURRENT ACCOUNT BALANCE | | | | | | | | | | | | | |
| | -8.1 | -35.9 | -59.4 | -20.9 | -24.4 | -15.8 | -29.2 | -44.7 | -54.0 | -61.1 | -62.2 | -58.3 | -56.0 |
| OF WHICH: NET INVESTMENT INCOME | 28.7 | 28.7 | 31.4 | 28.3 | 28.3 | 28.7 | 27.4 | 28.7 | 30.0 | 28.9 | 28.5 | 32.7 | 35.3 |
| 4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/ | | | | | | | | | | | | | |
| REAL GNP, % CHANGE, ANNUAL RATES | 0 | 1.4 | 2.8 | -2.1 | 1.4 | 2.2 | 2.1 | 1.7 | 2.8 | 3.2 | 3.0 | 3.0 | 3.5 |
| CONSUMER PRICES, % CHANGE, ANNUAL RATES | 8.1 | 6.1 | 5.7 | 6.0 | 6.0 | 5.9 | 6.0 | 5.8 | 5.8 | 5.7 | 5.6 | 5.4 | 5.3 |

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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