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CONFIDENTIAL (FR)

August 8, 1979

SUMMARY AND OUTLOOK

By the Staff
Board of Governors
of the Federal Reserve System

SUMMARY AND OUTLOOK

DOMESTIC NONFINANCIAL DEVELOPMENTS

Summary of Recent Developments. Available information suggests that economic activity declined further during the past month. In recent months, moreover, a generalized weakness in final sales led to a substantial buildup of manufacturing and car dealer inventories, which suggests the likelihood of additional output curtailments in the near term. Inflation has continued rapid, with consumer prices rising in June at the 13 percent annual rate over the first five months of the year.

Employment at nonfarm establishments rose little in July (about 45,000), with job losses in manufacturing for the fourth month in a row and in retail trade for the second month. Employment gains occurred in services and contract construction. Both the labor force and total employment (household survey) rose strongly, and the unemployment rate was about unchanged at 5.7 percent.

Industrial production appears to have declined a little again in July, judging from limited physical product data, information on hours worked, and other reports. Automobile assembly schedules for July were adjusted down somewhat but production remained close to the pace in the first half of the year. In light of declining sales, however, assembly schedules for August and September have been cut sharply, to rates of 7.3 and 8.1 million units, respectively, and additional layoffs have been announced.

Real personal income slipped further in June, for the fifth time in the last six months. Throughout the second quarter, weaker labor demand

resulted in a slowing of nominal income growth while inflation remained rapid. At the same time, consumer spending was cut back sharply, especially for domestic autos. With the deterioration in purchases of larger-size models, stocks of many standard and intermediate models reached record levels. In July, there was some rebound in sales of larger cars, in part attributable to price concessions on less fuel-efficient models and better availability of gasoline. Total domestic sales rose to an 8.1 million unit annual rate, and sales of foreign cars were little changed at a 2.4 million unit rate.

The book value of manufacturers' inventories rose at a \$37-1/2 billion annual rate in June. Some of this large buildup, particularly in the food processing industry, may have been caused by disruptions to shipments due to fuel shortages and protests by independent truckers. Among durable goods industries, there were sizable inventory buildups in nonelectrical machinery and fabricated metals. Total manufacturers' shipments declined 2 percent in June (not at an annual rate), and while the inventory-shipments ratio rose, it remained close to the low of recent years.

Shipments of nondefense capital goods declined slightly in nominal terms during the second quarter. Over the same period, however, nonresidential construction expenditures recovered from the weather-depressed levels earlier in the year. The outlook for business spending over the near term remains mixed. New orders for nondefense capital goods

rose 5-3/4 percent in June, but their level remained short of the March peak, even in nominal terms. In addition, nonresidential building commitments turned down in the second quarter.

Housing starts rose almost 6 percent in June to a 1.9 million unit annual rate. There was particular strength in multifamily construction in recent months, apparently reflecting not only the building of federally subsidized units, but also demand pressures for apartments and condominiums. In contrast, sales of new single-family homes weakened in the spring, and the inventory of unsold homes edged up further.

Food price increases at retail stores slowed in May and June, mainly reflecting declines in meat prices. The overall consumer inflation rate remained at about 13 percent, however, due to a further acceleration in energy prices and continued rapid advances in homeownership costs. Energy prices advanced at an annual rate of 45 percent over the first half of 1979, and are expected to continue rising rapidly over the balance of the year.

Outlook. The staff is currently projecting that real GNP will decline in the third quarter at an annual rate of about 2 percent, a little less than the 3.3 percent rate of decline in the second quarter. Real final sales are expected to be about unchanged, however, following their almost 5 percent rate reduction in the second quarter; inventory accumulation should slow considerably from its high rate in the second quarter. It is anticipated that consumer outlays and housing expenditures in real terms will continue to recede. But a rebound is projected in business

fixed investment as the second quarter's strike-associated decline in capital equipment shipments is partially made up and the marked decline in truck and automobile purchases slows. Both government purchases and net exports are expected to moderate somewhat the decline in real output.

The overall reduction in real GNP should entail some downward adjustments in employment and an increase in the unemployment rate. The rate of inflation, especially in the energy sector, is expected to remain rapid in the third quarter, and gross business product prices on a fixed-weighted basis are estimated to rise at a 10-1/4 percent annual rate, about the same as in the first half.

The policy assumptions underlying the staff projection are essentially the same as a month ago. In the monetary area, M1 is assumed to increase at about a 6 percent rate during both 1979 and 1980, after adjustment for the downward effect of ATS. Market interest rates are projected to edge lower by early 1980 and to increase somewhat as the economy recovers. Although the fiscal policy assumptions also remain unchanged, the federal deficit for FY 1980 is now projected at \$35 billion, slightly larger than a month ago. The staff continues to assume an average contract price of OPEC crude oil (including surcharges) of about \$21 per barrel for the balance of 1979; during 1980 the OPEC price is assumed to rise by an additional \$2 per barrel.

In the staff's projection, the pattern of economic activity through the end of 1980 remains similar to that shown in the Greenbook

last month, with declines in real GNP persisting until early 1980. The level of housing starts falls until about year-end as high interest rates and declining real disposable income limit demands. The reduction in aggregate demands already seen this year and the cutbacks anticipated in the third quarter are expected to result in reduced inventory investment in the last half of the year and to curtailed business real capital spending by late 1979. Real consumption spending also is projected to edge off through the fourth quarter of 1979, mainly reflecting reductions in real disposable income. The pace of activity begins to pick up in the spring of next year as housing starts firm in response to underlying demands and household spending picks up as inflation moderates and real income growth resumes. Nevertheless, the rate of recovery in real GNP during 1980 is projected to be less than 1 percent.

The unemployment rate is still expected to rise to almost 8 percent by the end of 1980. Average hourly compensation increases during the projection period are likely to remain in the 9 to 10 percent range. Prices as measured by the gross business product fixed-weighted index are projected to be rising at about a 9 percent rate during 1980. This is less rapid than the rise of 10-1/4 percent expected for 1979, a slowing that reflects a moderation of energy price increases as well as the resumption of productivity growth projected for next year.

Details of the staff projection are shown in the tables that follow.

STAFF GNP PROJECTIONS

	Percent changes, annual rate							
	Nominal GNP		Real GNP		Gross business product fixed-weight price index		Unemployment rate (percent)	
	7/3/79	8/8/79	7/3/79	8/8/79	7/3/79	8/8/79	7/3/79	8/8/79
1976 <u>1/</u>	11.2	11.3	5.7	5.9	5.4	5.3	7.7	7.7
1977 <u>I/</u>	11.0	11.6	4.9	5.3	6.2	6.2	7.0	7.0
1978 <u>I/</u>	11.7	12.0	4.0	4.4	7.7	7.6	6.0	6.0
1979	10.6	10.5	1.6	1.3	9.7	9.8	6.2	6.1
1980	9.0	8.8	-5	-5	9.7	9.6	7.6	7.6
1978-III <u>1/</u>	9.6	10.9	2.6	3.5	8.0	8.8	6.0	6.0
1978-IV <u>I/</u>	15.6	14.8	6.9	5.6	8.0	8.7	5.8	5.8
1979-I <u>1/</u>	9.8	10.6	.8	1.1	9.9	10.0	5.7	5.7
1979-III <u>I/</u>	7.9	6.3	-1.5	-3.3	10.9	10.5	5.8	5.7
1979-III	6.3	6.9	-2.4	-1.8	10.6	10.2	6.3	6.1
1979-IV	8.6	8.5	-2.0	-1.6	10.1	10.0	6.9	6.8
1980-I	9.8	9.4	-.1	-.2	9.7	9.7	7.3	7.3
1980-II	9.3	9.2	.2	.2	9.5	9.5	7.5	7.5
1980-III	9.9	10.0	1.5	1.5	8.8	8.8	7.7	7.7
1980-IV	10.2	10.4	1.5	1.5	8.7	8.6	7.9	7.9
Change:								
77-IV to								
78-IV <u>1/</u>	13.1	13.4	4.4	4.8	8.7	8.6	-.8	-.8
78-IV to								
79-IV	8.2	8.0	-1.3	-1.4	10.4	10.2	1.1	1.0
79-IV to								
80-IV	9.8	9.8	.8	.7	9.2	9.1	1.0	1.1
Memo:								
Growth Over Annual Policy Period:								
78-IV to								
79 IV	8.2	8.0	-1.3	-1.4	10.4	10.2	1.1	1.0

1/ Actual.

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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.)

	1979				1980			
	I	II	III	IV	Projected I	II	III	IV
Gross national product	2292.1	2327.2	2366.6	2415.1	2469.7	2524.8	2585.9	2650.7
Final purchases	2272.9	2295.8	2350.5	2408.3	2467.5	2525.9	2584.4	2647.0
Private	1812.8	1827.1	1870.0	1915.4	1965.2	2014.1	2062.7	2112.0
Excluding net exports	1808.8	1834.1	1878.5	1914.9	1952.2	1995.7	2042.8	2092.1
Personal consumption expenditures	1454.2	1474.2	1511.4	1547.6	1584.7	1622.8	1661.3	1701.6
Goods	784.9	786.0	805.6	823.3	840.4	858.3	876.9	896.1
Services	669.3	688.2	705.8	724.3	744.3	764.5	784.4	805.5
Gross private domestic investment	373.8	391.3	383.2	374.1	369.7	371.8	383.0	394.2
Residential construction	111.2	112.9	113.4	111.7	110.1	110.8	113.3	116.1
Business fixed investment	243.4	247.1	253.7	255.6	257.4	262.1	268.2	274.4
Change in business inventories	19.1	31.4	16.1	6.8	2.2	-1.1	1.5	3.7
Nonfarm	18.8	31.5	16.1	6.8	2.2	-1.1	1.5	3.7
Net exports of goods and services ^{1/}	4.0	-7.0	-8.5	.5	13.0	18.4	19.9	19.9
Exports	238.5	242.5	257.2	270.6	282.0	292.1	298.6	305.3
Imports	234.4	249.5	265.7	270.1	269.0	273.7	278.7	285.4
Gov't. purchases of goods and services	460.1	468.7	480.5	492.9	502.3	511.8	521.7	535.0
Federal ^{2/}	163.6	162.9	167.4	173.4	176.3	179.3	182.1	188.2
State and local	296.5	305.8	313.1	319.5	326.0	332.5	339.6	346.8
Gross national product in constant (1972) dollars	1430.6	1418.8	1412.3	1406.7	1405.9	1406.5	1411.6	1416.9
Personal income	1852.6	1892.6	1945.3	1988.0	2028.3	2074.3	2134.9	2188.5
Wage and salary disbursements	1189.3	1211.7	1232.5	1252.0	1272.8	1296.3	1323.9	1354.6
Disposable personal income	1572.2	1601.7	1644.9	1680.0	1713.7	1750.8	1800.9	1843.1
Saving rate (percent)	5.0	5.4	5.6	5.3	4.9	4.7	5.1	5.0
Corporate profits with I.V.A. and C.C. Adj	178.9	172.6	166.6	169.2	174.7	178.0	182.1	187.1
Corporate profits before tax	233.3	223.7	213.4	214.0	219.2	222.3	224.4	230.2
Federal government surplus or deficit (-) (N.I.A. basis)	-11.7	-10.3	-27.3	-32.9	-29.8	-28.2	-34.5	-32.1
High employment surplus or deficit (-)	7.9	21.5	10.1	14.8	26.6	35.2	34.0	40.3
State and local government surplus or deficit (-) (N.I.A. basis)	27.6	18.6	18.3	18.0	18.4	18.5	18.4	18.4
Excluding social insurance funds	2.6	-7.4	-8.3	-9.2	-9.4	-9.9	-10.5	-11.1
Civilian labor force (millions)	102.5	102.3	103.5	104.1	104.5	104.8	105.2	105.6
Unemployment rate (percent)	5.7	5.7	6.1	6.8	7.3	7.5	7.7	7.9
Nonfarm payroll employment (millions)	87.9	88.5	88.7	88.4	88.3	88.3	88.4	88.6
Manufacturing	20.9	20.9	20.7	20.4	20.1	20.0	20.0	20.0
Industrial production (1967=100)	151.5	151.1	150.5	148.8	147.7	147.5	148.2	149.0
Capacity utilization: all mfg. (percent)	86.1	85.0	83.9	82.1	80.7	79.8	79.4	79.0
Materials (percent)	87.4	86.6	85.9	83.9	82.4	81.5	81.3	81.0
Housing starts, private (million units, A.R.)	1.62	1.84	1.62	1.50	1.50	1.55	1.60	1.60
New autos sales, (millions, A.R.)	11.55	10.66	10.30	9.90	9.90	9.70	9.80	9.90
Domestic models	9.13	8.00	7.90	7.75	7.80	7.80	7.90	8.00
Foreign models	2.42	2.66	2.40	2.15	2.10	1.90	1.90	1.90

^{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.

August 8, 1979

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

	1979				1980			
	I	II	III	IV	Projected I	II	III	IV
<u>Constant (1972) dollars</u>								
Gross national product	1.1	-3.3	-1.8	-1.6	-.2	.2	1.5	1.5
Final purchases	1.1	-4.5	.4	-1.1	.5	.7	1.1	1.2
Private	1.8	-5.2	.0	-1.4	.5	.6	1.1	1.2
Excluding net exports	.4	-3.8	-.9	-1.9	-1.1	.0	1.0	1.3
Personal consumption expenditures	.6	-3.6	-.8	-.4	.5	.7	1.0	1.3
Goods	-4.4	-9.1	-2.4	-2.6	-1.1	-.6	.3	.3
Services	7.1	3.3	1.1	2.1	2.3	2.0	1.9	2.3
Gross private domestic investment	-.5	3.5	-15.0	-16.6	-12.5	-6.4	3.7	3.7
Residential structures	-14.3	-5.6	-8.9	-15.2	-15.0	-7.6	-.6	1.2
Business fixed investment	4.8	-4.9	1.8	-5.6	-5.4	-1.1	1.2	1.2
Gov't. purchases of goods and services	-1.8	-1.9	2.3	.9	.6	.8	1.1	1.0
Federal	7.2	-9.7	4.4	1.7	.9	1.1	.6	.4
State and local	-6.6	2.9	1.2	.5	.5	.7	1.4	1.4
Disposable personal income	2.1	-1.6	-.1	-1.4	-1.0	-.3	3.0	1.0
<u>Current dollars</u>								
Gross national product	10.6	6.3	6.9	8.5	9.4	9.2	10.0	10.4
Final purchases	11.0	4.1	9.9	10.2	10.2	9.8	9.6	10.0
Private	12.4	3.2	9.7	10.1	10.8	10.3	10.0	9.9
Excluding net exports	10.3	5.7	10.0	8.0	8.0	9.2	9.8	10.0
Personal consumption expenditures	11.4	5.6	10.5	9.9	9.9	10.0	9.8	10.1
Goods	7.9	.6	10.4	9.1	8.6	8.8	9.0	9.0
Services	15.8	11.8	10.6	10.9	11.5	11.3	10.8	11.2
Gross private domestic investment	3.6	20.2	-8.1	-9.2	-4.6	2.3	12.6	12.2
Residential structures	-8.5	6.3	1.8	-5.9	-5.6	2.6	9.3	10.3
Business fixed investment	12.9	6.2	11.2	3.0	2.8	7.5	9.6	9.6
Gov't. purchases of goods and services	5.6	7.7	10.5	10.7	7.8	7.8	8.0	10.6
Federal	12.1	-1.8	11.5	15.1	6.9	7.0	6.4	14.1
State and local	2.3	13.2	9.9	8.4	8.4	8.2	8.8	8.8
Disposable personal income	13.0	7.7	11.2	8.8	8.3	8.9	11.9	9.7
Personal income	11.4	8.9	11.6	9.1	8.4	9.4	12.2	10.4
Wage and salary disbursements	12.7	7.7	7.0	6.5	6.8	7.6	8.8	9.6
Corporate profits with IVA & C.C. Adj.	-12.2	-13.4	-13.2	6.4	13.7	7.8	9.5	11.4
Corporate profits before tax	10.8	-15.5	-17.2	1.1	10.1	5.8	3.7	10.8
Nonfarm payroll employment	4.2	2.9	.7	-1.3	-.5	.0	.7	.7
Manufacturing	6.1	.3	-3.3	-6.7	-5.0	-1.9	.3	.0
Nonfarm business sector-								
Output per hour	-3.0	-5.7	-1.8	1.3	1.7	1.0	1.3	1.5
Compensation per hour	10.7	7.8	8.5	9.6	10.7	9.6	9.7	9.4
Unit labor costs	14.1	14.3	10.5	8.2	8.8	8.5	8.3	7.8
GNP implicit deflator <u>1/</u>	9.3	9.9	8.9	10.2	9.6	9.0	8.4	8.8
Gross business product fixed-weight price index <u>2/</u>	10.0	10.5	10.2	10.0	9.7	9.5	8.8	8.6
Industrial production	4.9	-1.1	-1.6	-4.4	-2.9	-.8	2.0	2.1

1/ Excluding Federal pay increases, the rates of change are: 1979 QI, 9.3 percent; 1979 QIV, 9.6 percent; 1980 QI, 9.6 percent; 1980 QIV, 8.3 percent.

2/ Uses expenditures in 1972 as weights.

CONFIDENTIAL - FR
CLASS II FOMC

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

	1977				1978			
	I	II	III	IV	I	II	III	IV
Gross national product	1820.2	1876.0	1930.5	1971.3	2011.3	2104.2	2159.6	2235.2
Final purchases	1800.9	1853.6	1902.9	1952.9	1988.5	2078.4	2139.5	2214.5
Private	1420.9	1462.0	1502.4	1540.1	1569.1	1650.1	1698.6	1760.7
Excluding net exports	1430.1	1468.0	1508.7	1558.2	1591.3	1657.7	1705.4	1765.2
Personal consumption expenditures	1169.1	1190.5	1220.6	1259.7	1287.2	1331.2	1369.3	1415.4
Goods	642.0	651.2	661.9	685.6	691.2	722.1	740.2	770.2
Services	527.1	539.3	558.7	574.1	596.0	609.1	629.1	645.1
Gross private domestic investment	280.4	300.0	315.7	316.9	327.0	352.3	356.2	370.5
Residential construction	81.3	91.4	95.0	99.9	100.5	107.7	110.2	113.7
Business fixed investment	179.8	186.1	193.2	198.6	203.7	218.8	225.9	236.1
Change in business inventories	19.3	22.5	27.5	18.5	22.8	25.8	20.0	20.6
Nonfarm	20.1	21.5	25.6	15.7	22.0	25.3	18.5	19.3
Net exports of goods and services ^{1/}	-9.2	-6.0	-6.3	-18.1	-22.2	-7.6	-6.8	-4.5
Exports	170.5	178.6	180.1	174.2	184.4	205.7	213.8	224.9
Imports	179.8	184.7	186.4	192.3	206.6	213.3	220.6	229.4
Gov't. purchases of goods and services	380.0	391.6	400.5	412.8	419.4	428.3	440.9	453.8
Federal ^{2/}	138.2	142.6	145.6	151.2	150.9	148.2	152.3	159.0
State and local	241.8	249.0	254.9	261.6	268.5	280.1	288.6	294.8
Gross national product in constant (1972) dollar	1315.7	1331.2	1353.9	1361.3	1367.8	1395.2	1407.3	1426.6
Personal income	1472.5	1509.0	1548.5	1596.4	1634.8	1689.3	1742.5	1803.1
Wage and salary disbursements	945.8	971.8	995.0	1023.4	1052.0	1090.0	1116.8	1154.3
posable personal income	1250.1	1286.0	1323.2	1361.2	1395.0	1437.3	1476.5	1524.8
aving rate (percent)	4.2	5.1	5.4	5.1	5.3	5.0	4.8	4.7
Corporate profits with I.V.A. and C.C. Adj.	137.1	148.9	160.8	153.0	141.2	169.4	175.2	184.8
Corporate profits before tax	168.4	176.2	180.9	183.0	177.5	207.2	212.0	227.4
Federal government surplus or deficit (-) (N.I.A. basis)	-37.2	-40.9	-53.6	-53.6	-49.4	-24.6	-20.4	-16.3
High employment surplus or deficit (-)	-5.5	-12.4	-29.8	-28.3	-20.4	-4.7	-1.0	-0.8
State and local government surplus or deficit (-) (N.I.A. basis)	24.2	24.2	30.1	28.8	30.2	29.6	22.7	27.1
Excluding social insurance funds	6.3	5.4	10.0	7.4	7.9	6.5	-0.9	3.3
Civilian labor force (millions)	96.2	97.1	97.6	98.5	99.3	100.1	100.8	101.5
Unemployment rate (percent)	7.4	7.2	6.9	6.6	6.2	6.0	6.0	5.8
Nonfarm payroll employment (millions)	80.8	82.0	82.7	83.5	84.3	85.7	86.1	87.0
Manufacturing	19.4	19.6	19.7	19.9	20.1	20.3	20.3	20.6
Industrial production (1967=100)	133.6	137.0	138.4	139.3	139.6	144.0	147.0	149.7
Capacity utilization: all mfg. (percent)	81.2	82.7	83.0	82.9	82.1	84.0	85.0	85.9
Materials (percent)	80.4	82.6	82.3	82.2	81.7	84.5	86.0	87.6
Housing starts, private (million units, A.R.)	1.81	1.93	2.02	2.09	1.81	2.10	2.04	2.08
New autos sales, (millions, A.R.)	11.12	11.70	10.92	10.75	10.80	12.12	11.16	11.07
Domestic models	9.28	9.34	8.88	8.77	8.80	10.01	9.19	9.06
Foreign models	1.84	2.36	2.04	1.98	2.00	2.11	1.98	2.00

^{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.

CONFIDENTIAL - FR
CLASS II FOMC

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

	1977				1978			
	I	II	III	IV	I	II	III	IV
<u>Constant (1972) dollars</u>								
Gross national product	8.9	4.8	7.0	2.2	1.9	8.3	3.5	5.6
Final purchases	5.5	4.2	6.0	3.9	.4	8.7	4.6	5.7
Private	6.2	4.0	6.6	4.4	.8	10.7	4.4	6.7
Excluding net exports	7.2	4.1	5.7	7.4	1.0	7.9	4.1	6.9
Personal consumption expenditures	6.2	1.9	5.0	8.2	.8	5.6	4.8	6.8
Goods	7.8	1.3	3.6	10.7	-4.7	9.2	4.2	9.9
Services	4.4	2.6	6.8	5.3	7.9	1.4	5.5	3.2
Gross private domestic investment	39.6	19.2	15.0	-6.9	12.3	15.7	-5.0	6.6
Residential structures	11.1	37.6	10.2	5.3	-4.7	11.0	-4.9	-1.1
Business fixed investment	12.6	6.8	7.8	2.7	4.6	23.2	3.9	11.3
Gov't. purchases of goods and services	2.8	4.8	4.2	1.8	-1.2	.9	5.0	1.8
Federal	5.4	7.9	6.2	-1	-7.4	-12.3	8.2	3.2
State and local	1.3	3.0	3.0	3.0	2.7	9.3	3.3	1.0
Disposable personal income	2.1	6.1	5.6	6.8	2.0	4.0	4.2	6.4
<u>Current dollars</u>								
Gross national product	15.4	12.8	12.1	8.7	8.4	19.8	10.9	14.8
Final purchases	11.0	12.2	11.1	10.9	7.5	19.3	12.3	14.8
Private	11.0	12.1	11.5	10.4	7.7	22.3	12.3	15.4
Excluding net exports	15.0	11.0	11.6	13.8	8.8	17.8	12.0	14.8
Personal consumption expenditures	13.8	7.5	10.5	13.5	9.0	14.4	11.9	14.2
Goods	14.2	5.9	6.7	15.1	3.3	19.1	10.4	17.2
Services	13.2	9.6	15.2	11.6	16.1	9.1	13.8	10.6
Gross private domestic investment	56.5	31.0	22.7	1.6	13.3	34.8	4.5	17.1
Residential structures	25.7	59.1	16.8	22.3	2.4	32.0	9.5	13.5
Business fixed investment	18.8	15.0	16.1	11.6	10.6	33.3	13.7	19.3
Gov't. purchases of goods and services	10.9	12.8	9.4	12.9	6.5	8.8	12.3	12.2
Federal	11.0	13.3	8.7	16.5	-9	-7.0	11.7	18.7
State and local	10.8	12.5	9.8	10.8	11.1	18.5	12.6	8.9
Disposable personal income	9.3	12.0	12.1	12.0	10.3	12.7	11.4	13.8
Personal income	11.8	10.3	10.9	13.0	10.0	14.0	13.2	14.7
Wage and salary disbursements	11.4	11.5	9.9	11.9	11.7	15.3	10.2	14.1
Corporate profits with IVA & C.C. Adj.	46.6	39.1	36.0	-18.0	-27.5	107.2	14.4	23.8
Corporate profits before tax	35.4	19.9	11.1	4.7	-11.5	85.7	9.6	32.4
Nonfarm payroll employment	3.9	5.6	3.6	4.0	3.8	6.9	2.1	4.0
Manufacturing	5.2	5.7	1.5	3.2	5.7	3.1	-2	6.0
Nonfarm business sector								
Output per hour	5.1	-1.5	3.8	-8	-2	2.4	2.9	1.3
Compensation per hour	8.7	6.9	8.5	7.9	12.3	8.0	9.1	9.4
Unit labor costs	3.4	8.5	4.5	8.7	12.5	5.5	6.0	8.0
GNP implicit deflator <u>1/</u>	6.0	7.7	4.8	6.4	6.3	10.6	7.2	8.7
Gross business product fixed-weight price index <u>2/</u>	6.9	7.1	5.2	6.5	6.6	10.5	8.8	8.7
Industrial production	6.2	10.6	4.2	2.6	.9	13.2	8.6	7.6

1/ Excluding Federal pay increases, rates of change were: 1977:Q1, 5.9 percent; 1977:QIV, 5.6 percent; 1978:Q1, 6.3 percent; 1978:QIV, 8.1 percent.

2/ Uses expenditures in 1972 as weights.

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FIDENTIAL - FR
CLASS II FOMC

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Expenditures and income figures are billions of current dollars.)

	1973	1974	1975	1976	1977	1978	Projected	
							1979	1980
Gross national product	1306.6	1412.9	1528.8	1702.2	1899.5	2127.6	2350.2	2537.8
Final purchases	1288.6	1404.0	1539.6	1692.1	1877.6	2105.2	2331.9	2556.2
Private	1019.1	1101.3	1201.2	1330.8	1481.4	1669.6	1856.3	2038.5
Excluding net exports	1012.0	1095.3	1180.8	1322.8	1491.3	1679.9	1859.1	2020.7
Personal consumption expenditures	809.9	889.6	979.1	1089.9	1210.0	1350.8	1496.8	1642.6
Goods	457.5	498.3	541.5	601.3	660.1	730.9	799.9	867.9
Services	352.3	391.3	437.5	488.5	549.8	619.8	696.9	774.7
Gross private domestic investment	220.0	214.6	190.9	243.0	303.3	351.5	380.6	379.7
Residential construction	66.1	55.1	51.5	68.1	91.9	108.0	112.3	112.6
Business fixed investment	136.0	150.6	150.2	164.9	189.4	221.1	250.0	265.5
Change in business inventories	17.9	8.9	-10.7	10.0	21.9	22.3	18.4	1.6
Nonfarm	14.7	10.8	-14.3	12.1	20.7	21.3	18.3	1.6
Net exports of goods and services ^{1/}	7.1	6.0	20.4	8.0	-9.9	-10.3	-2.7	17.8
Exports	101.6	137.9	147.3	163.3	175.9	207.2	252.2	294.5
Imports	94.4	131.9	126.9	155.4	185.8	217.5	254.9	276.7
Gov't. purchases of goods and services	269.5	302.7	338.4	361.3	396.2	435.6	475.5	517.7
Federal ^{2/}	102.2	111.1	123.1	129.7	144.4	152.6	166.8	181.5
State and local	167.3	191.5	215.4	231.6	251.8	283.0	308.7	336.2
Gross national product in constant (1972) dollars	1235.0	1217.8	1202.3	1273.0	1340.5	1399.2	1417.1	1410.3
Personal income	1052.4	1154.9	1255.5	1381.6	1531.6	1717.4	1919.6	2106.5
Wage and salary disbursements	701.3	764.6	805.9	890.0	984.0	1103.3	1221.4	1311.9
Possible personal income	901.7	984.6	1086.7	1184.5	1305.1	1458.4	1624.7	1777.1
Saving rate (per cent)	7.8	7.3	7.7	5.8	5.0	4.9	5.3	4.9
Corporate profits with I.V.A. and C.C. Adj.	99.1	83.6	95.9	126.8	150.0	167.7	171.8	180.5
Corporate profits before tax	115.8	126.9	120.4	156.0	177.1	206.0	221.1	224.0
Federal government surplus or deficit (N.I.A. basis)	-6.7	-10.7	-70.6	-53.6	-46.3	-27.7	-20.6	-31.1
High employment surplus or deficit (-)	-1.3	14.9	-27.4	-20.2	-19.0	-6.7	13.6	34.0
State and local government surplus or deficit (-) (N.I.A. basis)	13.0	7.6	6.2	17.9	26.8	27.4	20.6	18.4
Excluding social insurance funds	4.1	-2.9	-6.2	2.3	7.3	4.2	-5.6	-10.2
Civilian labor force (millions)	88.7	91.0	92.6	94.8	97.4	100.4	103.1	105.0
Unemployment rate (per cent)	4.9	5.6	8.5	7.7	7.0	6.0	6.1	7.6
Nonfarm payroll employment (millions)	76.8	78.3	76.9	79.4	82.3	85.8	88.3	88.4
Manufacturing	20.2	20.1	18.3	19.0	19.6	20.3	20.7	20.1
Industrial production (1967=100)	129.8	129.3	117.8	129.8	137.1	145.2	150.5	148.1
Capacity utilization: all manufacturing (per cent)	87.5	84.2	73.6	80.2	82.5	84.3	84.3	79.7
Materials (percent)	92.4	87.7	73.6	80.4	81.9	85.0	85.9	81.5
Housing starts, private (million units, A.R.)	2.05	1.34	1.16	1.54	1.99	2.02	1.64	1.56
New auto sales, (millions, A.R.)	11.42	8.91	8.66	10.12	11.13	11.29	10.60	9.82
Domestic models	9.65	7.49	7.08	8.63	9.07	9.27	8.20	7.87
Foreign models	1.77	1.42	1.58	1.50	2.06	2.02	2.41	1.95

^{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.

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CLASS II FOMCPERCENT CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1973	1974	1975	1976	1977	1978	Projected	
							1979	1980
<u>Constant (1972) dollars</u>								
Gross national product	5.5	-1.4	-1.3	5.9	5.3	4.4	-1.3	-.5
Final purchases	4.9	-.7	.2	4.5	4.8	4.4	1.6	.2
Private	6.3	-1.4	-.3	5.6	5.6	5.0	1.8	.0
Excluding net exports	5.1	-2.3	-1.0	6.5	6.2	5.0	1.4	-.8
Personal consumption expenditures	4.7	-.9	1.8	5.9	5.0	4.5	1.5	.1
Goods	5.0	-3.4	.7	6.9	5.1	4.1	-.6	-1.7
Services	4.4	2.3	3.2	4.8	4.9	5.1	4.0	2.1
Gross private domestic investment	10.0	-11.4	-22.3	21.6	15.4	7.1	-1.1	-8.8
Residential structures	-3.7	-24.6	-13.9	23.3	20.7	4.2	-7.0	-9.7
Business fixed investment	12.2	-.3	-13.0	4.8	8.6	8.4	4.0	-2.5
Gov't. purchases of goods and services	-.2	2.1	1.9	.2	2.0	1.8	.5	.9
Federal	-5.4	-.8	.7	-.2	4.4	-2.0	1.2	.7
State and local	3.2	3.8	2.6	.5	.6	4.0	.2	.9
Disposable personal income	6.7	-1.5	2.1	3.7	4.2	4.6	2.1	-.3
<u>Current dollars</u>								
Gross national product	11.6	8.1	8.2	11.3	11.6	12.0	10.5	8.8
Final purchases	10.9	8.9	9.7	9.9	11.0	12.1	10.8	9.6
Private	12.2	8.1	9.1	10.8	11.3	12.7	11.2	9.8
Excluding net exports	11.0	8.2	7.8	12.0	12.7	12.6	10.7	8.7
Personal consumption expenditures	10.5	9.8	10.1	11.3	11.0	11.6	10.8	9.7
Goods	11.4	8.9	8.7	11.0	9.8	10.7	9.4	8.5
Services	9.3	11.1	11.8	11.7	12.5	12.7	12.4	11.2
Gross private domestic investment	16.8	-2.5	-11.0	27.3	24.8	15.9	8.3	-.2
Residential structures	6.6	-16.7	-6.5	32.3	35.0	17.5	4.0	.2
Business fixed investment	16.4	10.8	-.3	9.8	14.9	16.7	13.1	6.2
Gov't. purchases of goods and services	6.5	12.3	11.8	6.8	9.7	9.9	9.2	8.9
Federal	.1	8.7	10.7	5.4	11.3	5.7	9.3	8.8
State and local	10.8	14.5	12.5	7.5	8.7	12.4	9.1	8.9
Disposable personal income	12.5	9.2	10.4	9.0	10.2	11.7	11.4	9.4
Personal income	11.7	9.7	8.7	10.0	10.9	12.1	11.8	9.7
Wage and salary disbursements	10.6	9.0	5.4	10.4	10.6	12.1	10.7	7.4
Corporate profits with IVA & C.C. Adj.	7.6	-15.6	14.7	32.2	18.3	11.8	2.4	5.1
Corporate profits before tax	20.4	9.6	-5.1	29.6	13.5	16.3	7.3	1.3
Nonfarm payroll employment	4.3	1.9	-1.7	3.2	3.6	4.3	3.0	.0
Manufacturing	5.2	-.4	-8.7	3.7	3.4	3.5	2.0	-3.3
Nonfarm business sector								
Output per hour	1.7	-2.9	1.9	3.5	1.8	1.1	-1.2	.5
Compensation per hour	7.8	9.4	9.9	8.3	8.2	9.3	9.1	9.6
Unit labor costs	6.0	12.7	7.8	4.7	6.3	8.1	10.5	9.0
GNP implicit deflator	5.9	9.7	9.6	5.2	6.0	7.3	9.1	9.3
Gross business product fixed-weighted price index ^{1/}	5.7	10.4	9.4	5.3	6.2	7.6	9.8	9.6
Industrial production	8.4	-.4	-8.9	10.2	5.6	5.9	3.7	-1.6

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

FEDERAL SECTOR ACCOUNTS
(billions of dollars)

August 8, 1979

	Fiscal Year 1978*	FY 1979 e/ 2/		FY 1980 e/ 2/		CY 1978*	CY79e/ F.R. Board	FRB Staff Estimates								
		Admin. 1/	F.R. Board	Admin. 1/	F.R. Board			Calendar quarters; unadjusted data			1979			1980		
								1978 IV*	I*	II*	III	IV	I	II	III	
Unified budget receipts	402.0	466.5	467.0	513.8	506.6	416.9	478.3	99.5	102.1	144.4	121.0	110.8	111.6	149.8	134.5	
Unified budget outlays	450.8	496.2	493.6	542.4	542.0	460.6	504.8	123.2	122.6	123.0	124.8	134.4	133.0	136.3	138.2	
Surplus(+)/Deficit(-), unified budget	-48.8	-29.7	-26.6	-28.7	-35.4	-43.7	-26.5	-23.7	-20.5	21.4	-3.8	-23.6	-21.4	13.5	-3.7	
Surplus(+)/Deficit(-), off-budget agencies 3/	-10.3	-12.4	-13.1	-11.6 ^{9/}	-11.2	-9.1	-14.5	-0.1	-3.0	-5.1	-4.8	-1.6	-3.4	-3.5	-2.7	
Combined deficit to be financed	-59.1	-42.1	-39.7	-40.3	-46.6	-52.8	-41.0	-23.8	-23.5	16.3	-8.6	-25.2	-24.8	10.0	-6.4	
Means of financing combined deficits:																
Net borrowing from public	59.1	29.8	28.8	38.3	42.6	53.6	31.3	15.3	10.6	-4.6	7.5	17.8	18.2	0.0	6.6	
Decrease in cash operating balance	-3.3	7.4	4.9	0.0	2.5	-4.0	4.3	6.1	8.6	-9.8	0.0	5.5	4.0	-8.0	1.0	
Other 4/	3.2	4.9	5.9	2.0	1.4	3.2	5.4	2.5	4.2	-1.9	1.1	2.0	2.6	-2.0	-1.2	
Cash operating balance, end of period	22.4	15.0	17.5	15.0	15.0	16.3	12.0	16.3	7.7	17.5	17.5	12.0	8.0	16.0	15.0	
Memo: Sponsored agency borrowing 5/	19.1	n.a.	23.5	n.a.	15.6	22.0	21.9	4.9	6.4	6.0	6.2	3.3	3.4	4.4	4.5	
NIA Budget 6/								Seasonally adjusted annual rates								
Receipts 7/	414.9	480.6	474.7	525.3	517.8	432.1	486.5	463.5	475.0	484.0	489.4	497.6	510.2	522.2	535.7	
Expenditures	449.5	496.4	494.4	546.9	547.8	459.8	507.1	479.7	486.8	494.4	516.7	530.5	540.0	550.4	570.2	
Purchases (total)	150.6	164.5	163.2	178.7	177.8	152.6	166.8	159.0	163.6	162.9	167.4	173.4	176.3	179.3	182.1	
Defense	97.8	105.6	104.8	116.0	115.1	99.0	107.5	101.2	103.4	106.0	108.5	112.0	114.0	116.2	118.3	
Non-defense	52.8	58.9	58.4	62.7	62.7	53.6	59.3	57.8	60.2	56.9	58.9	61.4	62.3	63.1	63.8	
All other expenditures	298.9	331.9	331.2	368.2	370.0	307.2	340.3	320.7	323.2	331.5	349.3	357.1	363.7	371.1	388.1	
Surplus(+)/Deficit(-) 7/	-34.6	-15.8	-19.7	-21.6	-30.0	-27.7	-20.6	-16.3	-11.7	-10.3	-27.3	-32.9	-29.8	-28.2	-34.5	
High Employment Surplus(+)/ Deficit(-) (NIA basis) 8/	-13.6	n.a.	9.7	n.a.	27.6	-6.7	13.6	-0.8	7.9	21.5	10.1	14.8	26.6	35.2	34.0	
		*--actual	e--estimated			r--revised		n.a.--not available								

1/ OMB Mid-Session Review of the 1980 Budget, July 12, 1979.

2/ In the First Concurrent Resolution on the Budget Fiscal Year 1980, May 21, 1979, Congress expects FY 1979 receipts of \$461.0 billion and outlays of \$494.5 billion; and FY 1980 receipts of \$509.0 billion and outlays of \$532.0 billion.

3/ Includes Federal Financing Bank, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, and Pension Benefit Guaranty Corporation.

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

5/ Includes Federal Home Loan Banks, FNMA, Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives marketable debt on an offerings basis.

6/ All NIA data incorporate the Department of Commerce's July 1979 GNP revisions.

7/ The fiscal year totals are translations of the OMB Mid-Session Review of the 1980 Budget, July 1979; the translations are based on unadjusted data and do not conform to the average of four seasonally adjusted quarters. The FRB staff estimates, therefore, have been adjusted in order to make the BEA and staff estimates comparable.

8/ FRB staff estimates are consistent with the Council's new potential GNP series as reported in the Economic Report of the President, January 1979.

9/ Reflects recent re-estimate by OMB of Federal Financing Bank loan activity.

DOMESTIC FINANCIAL DEVELOPMENTS

Summary. The Federal Reserve's tightening actions in late July involved a hike in the discount rate to a record 10 percent and an increase in the federal funds rate from about 10-1/4 percent into the 10-5/8 percent area. Most money market rates rose only 15 to 30 basis points over the intermeeting period, and bond yields increased by considerably less, as further evidence of a weakening economy apparently muted market response.

The major monetary aggregates extended the pattern of brisk expansion evident on balance over the preceding three months. M-1 grew at a 10-3/4 percent annual rate, somewhat below the June pace, with inflows to ATS and New York NOWs restraining growth by only an estimated 1-1/4 percent. M-2 growth diminished slightly to 13 percent, despite some pick-up in the expansion of its interest-bearing component. Flows of large-denomination time deposits included in M-2 turned up following four months of substantial declines, more than offsetting the diminished, although still sizable, advance of small-denomination time deposits. Savings deposits increased more rapidly in July than in June, after recording an almost uninterrupted decline over the preceding eight months. This recent strength in commercial bank demand and savings deposits, together with similar behavior of savings deposits at thrifts in June, recent increases of noncompetitive tenders for Treasury bills, and enlarged inflows to money market mutual funds may reflect precautionary acquisition of liquid assets by households associated with growing uncertainty about employment and income prospects.

Recent data on overall credit flows to nonfinancial sectors indicate little change on balance, as an apparent reduction of credit extended to businesses and households contrasts with a substantial pick-up of Treasury

borrowing. Gross public offerings of corporate bonds by utility and industrial firms fell to one-third of the advanced pace of the previous month, which had partly reflected an acceleration of offerings associated with the June bond market rally. Growth of business loans at banks in July proceeded at about the reduced June rate, which was somewhat below the average advance earlier this year. Issuance of nonfinancial commercial paper exceeded the rapid second-quarter pace; the difficulties experienced by Chrysler Financial Corporation following the loss of its commercial paper rating at the end of July have had no apparent spillover effects on the rest of the commercial paper market.

For households, the monthly growth of consumer installment credit decelerated further in June--along with auto sales--to the lowest monthly rate of change since February of last year. Available evidence suggests that mortgage lending likely declined in July following the strong second quarter rebound, as bank real estate loans grew more slowly and outstanding commitments at S&Ls had edged down further in the preceding month. The average interest rate on commitments for new conventional home loans slipped a bit over the intermeeting period--despite a slowing of deposit growth at thrifts in July--perhaps suggesting some slackening in demand, as noted by field reports in a number of areas.

In the government sector, the Treasury has completed its net marketable borrowing for the current quarter, having raised about \$6 billion through coupon offerings. In addition, it has sold \$1.3 billion of non-marketable issues, primarily special issues to foreign official accounts. Federally sponsored credit agencies in July are estimated to have matched their average monthly borrowing in the second quarter. A July pick-up in

issuance of short-term securities by state and local governments was more than offset by declines in offerings of tax-exempt bonds.

Commercial bank credit grew at a 12-1/2 percent annual rate last month, slightly below the rate of advance in the first half of the year. As had been the case since January, bank portfolios of U.S. government securities registered sizable increases. Some large banks have used such securities as collateral to satisfy increased customer demands for security RPs.

Outlook. Little change appears in prospect for the very near term with respect to the overall pace of borrowing or interest rates. As corporations reduce inventory accumulation, the financing gap--the difference between capital spending and internal funds--is likely to narrow somewhat from its second quarter high, and their credit demands are likely to abate further. However, given the apparent reluctance of corporations to borrow in long-term markets at prevailing interest rates, business borrowing from short- and intermediate-term credit sources may show only a moderate diminution.

The Treasury's need for funds until the fourth quarter is limited to a short-dated cash management bill to bridge the September tax date. In October it will begin to borrow substantial amounts. However, this pattern has likely been already discounted by the market, and no significant pressures on short- and long-term Treasury rates is foreseen, barring substantial foreign official purchases or sales of Treasury securities.

Households are likely to continue to reduce their demands for consumer installment and mortgage credit, given their uncertainty regarding the economic outlook and rising repayment burdens relative to income. Furthermore, the historically wide spread of primary mortgage rates at S&Ls over

yields on high grade corporate bonds may narrow somewhat further, as diversified investors continue to switch lendable funds to mortgages and as issuance of mortgage-backed securities remains active.

Some downward pressure on market rates is likely to emerge in the latter part of the year as continuing weakness of economic activity further restrains private demands for money and credit. In addition, if inflation begins to abate late in the year, as projected, the inflation premium built into market interest rates could be slightly reduced. A reduction of such credit demands and the resulting declines in market yields would help to relieve balance sheet pressures at banks and enhance deposit flows at thrift institutions, which would regain a larger share of MFC flows with the reemergence of their rate advantage.

INTERNATIONAL DEVELOPMENTS

Summary. The trade-weighted value of the dollar continued to decline in July, but subsequently recovered most of the decline. The movement of the exchange value of the dollar over the five-week period since the last green book was mainly influenced by market reactions to political developments in the United States and their possible implications for U.S. economic policy.

The pound was especially variable over this period, appreciating by nearly 6 percent in the first four weeks in July, before backing off by nearly 5 percent during the past week. The initial spurt of the exchange value of the pound reflected continued favorable market reaction to expected U.K. benefits from North Sea oil and the economic policies of the Thatcher government. The pound's subsequent decline was triggered by an announcement that Nigeria was nationalizing U.K. interests in a Nigerian oil company operation and the announcement of a sharp rise in U.K. wholesale prices in July.

. Over the past five weeks, the Desk made net sales of foreign currencies equivalent to \$2.3 billion. This intervention consisted almost entirely of sales of German marks, financed about equally by drawings on the System's swap line with the Bundesbank and Treasury balances of DM.

The U.S. merchandise trade deficit in the second quarter was \$30.6 billion (on an international accounts basis at an annual rate), about \$6 billion more than the rate of the previous quarter. A 3 percent increase in nonagricultural exports in the second quarter was more than offset by a 6 percent rise in imports. Oil imports reached nearly \$52 billion (annual rate) in the second quarter, about \$5 billion higher than in the first quarter. While the volume of oil imports decreased to 8.7 mbd from a 9.3 mbd rate in the previous quarter, the average price per barrel increased by 17 percent to \$16.31.

. OPEC holdings of U.S. securities and bank liabilities fell by \$1.1 billion in June. For the second quarter, OPEC holdings in the United States increased by only \$100 million. Preliminary data for July indicate a rise of OPEC holdings at the FRBNY of about \$400 million.

Bank-reported private capital transactions recorded a net private capital outflow of \$2.4 billion in June, resulting in a \$5.5 billion net inflow for the full second quarter.

With high inflation rates continuing to plague most foreign economies, several monetary authorities have taken further measures to tighten monetary conditions. Short-term interest rates in most major foreign financial centers have risen considerably in the course of the year, with rates in most cases currently at their year high. Money growth rates remain high in most foreign countries, however.

Outlook. The staff's latest projection for the U.S. trade and current account through 1980 is essentially unchanged from last month's projection. The staff projects a trade deficit of \$30 billion this year (compared with a \$34 billion deficit recorded in 1978) and a current-account deficit of \$5 billion (compared with a deficit of about \$14 billion last year). For 1980, the staff foresees a further reduction in the trade deficit to about \$16 billion and a current-account surplus of about \$15 billion. The reduction in the deficits reflects a weak U.S. economy, resulting in a considerable moderation of U.S. demand for nonpetroleum imports, and a projected average growth of real GNP in major foreign countries that is expected to be stronger than in the United States over the projection period, sustaining U.S. exports through mid-1980.

The staff expects that the weighted average foreign exchange value of the dollar in the second half of 1980 will be essentially unchanged from the average level recorded in recent weeks.

OUTLOOK FOR U.S. NET EXPORTS AND RELATED ITEMS
(billions of dollars, seasonally adjusted annual rates)

August 8, 1979

	1978	1979 ^P	1980 ^P	1978		1979				1980 ^P			
				III	IV	I	II ^p	III ^p	IV ^p	I	II	III	IV
1. <u>U.S. Current Account Balance</u>	-13.9	-5.0	14.8	-12.9	-1.3	0.6	-8.1	-10.0	-2.2	9.9	15.7	16.9	16.7
2. <u>GNP Net Exports of Goods & Services 1/</u>	-10.3	-2.3	18.4	-6.8	-4.5	4.0	-6.5	-8.0	1.1	13.6	19.0	20.5	20.5
3. (using GNP account data) 2/	(-10.3)	(-2.7)	(17.8)	(-6.8)	(-4.5)	(4.0)	(-7.0*)	(-8.5)	(0.5)	(13.0)	(18.4)	(19.9)	(19.9)
4. a) <u>Merchandise Trade Balance</u>	-34.2	-29.6	-16.0	-32.0	-25.5	-24.4	-30.6*	-34.7	-28.4	-18.3	-14.7	-14.9	-15.9
5. Exports (excl. military)	141.9	177.7	207.7	146.0	157.3	165.4	171.0*	182.5	191.9	199.8	206.5	210.0	214.3
6. Agricultural	29.9	33.2	36.9	31.7	31.3	30.6	30.7*	35.2	36.6	37.8	37.8	36.3	35.7
7. Nonagricultural	112.0	144.4	170.7	114.2	126.0	134.8	140.3*	147.3	155.3	162.0	168.7	173.7	178.6
8. Imports	176.1	207.2	223.6	178.0	182.7	189.8	201.6*	217.2	220.3	218.1	221.2	224.9	230.2
9. Petroleum and petrol. products	42.3	56.0	65.7	43.5	43.2	46.6	51.6*	61.5	64.2	64.4	65.2	65.9	67.2
10. Nonpetroleum	133.8	151.3	157.9	134.5	139.5	143.2	150.0*	155.7	156.1	153.7	156.0	159.0	163.0
11. b) <u>Other Transactions, net</u>	23.9	27.3	34.4	25.2	21.0	28.4	24.1	26.7	29.5	31.9	33.7	35.4	36.4
12. Selected Invest. Income, net 3/	20.6	24.7	27.9	20.7	21.2	24.2	24.1	24.6	25.5	26.4	27.5	28.4	29.4
13. Other, net 4/	3.3	2.6	6.5	4.5	-.2	4.2	0	2.1	4.0	5.5	6.2	7.0	7.0
<u>Merchandise Trade in 1972 \$</u>													
14. Merchandise exports (excl. military)	73.6	82.1	85.9	75.0	78.3	80.4	80.5	83.0	84.4	85.4	86.1	86.0	86.1
15. (% change, annual rates)	(8.8)	(11.6)	(4.7)	(2.8)	(18.8)	(11.2)	(0.4)	(13.0)	(7.0)	(5.3)	(3.2)	(-0.8)	(0.8)
16. Merchandise imports	75.9	76.8	73.1	76.3	76.7	77.2	77.9	77.0	75.1	73.1	72.8	72.9	73.4
17. (% change, annual rates)	(7.0)	(1.2)	(-4.8)	(10.0)	(2.4)	(2.0)	(4.1)	(-4.9)	(-10.4)	(-10.9)	(-1.2)	(0.4)	(3.2)
<u>Foreign Outlook - Ten Industrial Countries 5/</u>													
18. Real GNP, % change, annual rates	3.2	3.4	2.6	2.5	4.4	2.2	4.1	3.4	2.9	2.2	2.2	2.3	2.3
19. Consumer Prices, 6/ % change, A.R.	5.4	7.8	8.5	4.2	4.2	8.7	10.4	11.1	9.0	8.0	7.7	7.3	7.1

1/ Using data from the international accounts.

2/ Lines 2 and 3 are defined identically but, data in line 3 differ from Int'l. Acct. data (line 2) in that they usually lag the Int'l Acct. data in publication of revisions and new information.

3/ Excluding U.S. Govt. interest payments to foreigners, and reinvested earnings of incorporated affiliates.

4/ Includes travel, transportation, fees and royalties, miscellaneous other service transactions, and military transactions and various adjustments to GNP net exports.

5/ Geometric weights used to aggregate foreign real GNP and consumer prices = percent share in ten-country total multilateral trade. Canada (9.1%), Japan (13.6%), United Kingdom (11.9%), Germany (20.8%), France (13.1%), Italy (9.0%), Belgium (6.4%), the Netherlands (8.3%), Switzerland (3.6%), Sweden (4.2%).

6/ Wholesale prices for Japan.

p/ Projected.

e/ Estimated.

*/ Published data.