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November 7, 1990

SUMMARY AND OUTLOOK

Prepared for the Federal Open Market Committee
By the staff of the Board of Governors of the Federal Reserve System

Overview

Economic activity appears to be declining in the current quarter, probably somewhat faster than was projected in the last Greenbook. Businesses evidently are reducing output and employment promptly in response to perceived weakness in demand and pressures on profit margins. Movements in oil prices over the past few weeks have been broadly in line with the path assumed in the September Greenbook, and the run-up in energy costs still appears to us to be the primary cause of the contraction in economic activity. However, tightening credit supply conditions also are a contributing factor, and indeed, the tensions appear more severe at this juncture than we had anticipated. These financial stresses are assumed to be a larger and more persistent drag on economic activity in this forecast than in the last.

The uncertainties attending the economic outlook remain enormous. The situation in the Persian Gulf presents a vast range of possibilities, and the difficulties facing financial intermediaries are another imponderable. That said, the staff continues to believe that it is reasonable to project only a mild recession in economic activity, with growth expected to resume by next spring, aided by the assumed decline in crude oil prices in early 1991. As real incomes recover early next year, consumer spending is expected to pick up. In addition, the external sector is anticipated to make a significant contribution to the growth of real GNP. Foreign economic activity is projected to register healthy gains in 1991, and the increased competitiveness of U.S. goods, reflecting the depreciation of the dollar over the past year, is projected to stimulate merchandise exports and to restrain imports. With sales prospects brightening and inventories having been held in check, orders and production are expected to pick up promptly. An improved outlook also should stimulate spending on new equipment in the second half of next year. Nonetheless, on the assumption that monetary policy provides no additional stimulus, aggregate demand grows only moderately and real GNP increases at about a 2-1/2 percent average annual rate over the second half of 1991 and in 1992.

STAFF GREENBOOK PROJECTIONS
(Percent change, fourth quarter to fourth quarter)

	1990	1991	1992
Real GNP			
November	.4	1.2	2.5
September	.6	1.6	2.5
Consumer prices			
November	6.5	4.4	4.0
September	6.3	4.7	4.4
Unemployment rate[1]			
November	5.9	6.8	6.8
September	6.0	6.5	6.5

1. Level in the fourth quarter.

In the near term, there is still more bad news ahead on the price front, as higher crude oil costs, the depreciation of the dollar, and increases in federal excise taxes are passed through to the retail level. But the projection of inflation over the longer run has been reduced from the last Greenbook. The level of output is lower throughout this forecast than in the September Greenbook, and the unemployment rate now is projected to rise to 6-3/4 percent next summer and to remain there through 1992. This greater slack, together with more favorable incoming data on employment costs, is responsible for the downward revisions to the ECI compensation projection of 1/4 percentage point in 1991 and almost 1/2 percentage point in 1992. Moreover, the CPI slows from a peak 8 percent annual rate in the fourth quarter of 1990 to 4-1/4 percent by the end of 1991 and to less than 4 percent by the end of 1992.

Key Assumptions

The path of oil prices in this projection is essentially unchanged from the September Greenbook. The spot price of West Texas Intermediate (WTI) is assumed to average something less than $35 per barrel in the fourth quarter and the import price for crude oil and refined products about $33. The staff assumes that total OPEC production in 1991 will average somewhat above the rates stipulated in the July OPEC accord and that precautionary stockbuilding will gradually come to an end. As we have noted previously, such an outcome could be consistent either with an easing of tensions and a restoration of Iraqi and Kuwaiti production, or with a prolonged standoff in the Gulf and offsetting increases in production by other crude oil producers. Reflecting these assumptions, the oil import price is projected to fall to $23 per barrel by the middle of next year; this price would be consistent with a WTI spot price of $24-$25 per barrel. Thereafter, crude oil prices remain constant, as an assumed tendency for the nominal price to rise with general inflation is offset by a further narrowing of the uncertainty premium.

The magnitude of the recently enacted deficit-reduction package is close to what had been assumed for FY1991-1992, but the mix of the package is more oriented toward personal income, excise, and medicare payroll tax hikes and less toward outlay cuts than we had anticipated. After incorporating the package as well as revised baseline projections of RTC outlays and weaker economic assumptions, the staff now projects the budget deficit to be $252 billion in FY1991[1] and $234 billion in FY1992.

As regards monetary policy, the staff has adopted the baseline assumption that there will be no significant change in the federal funds rate over the coming year. Treasury bond and mortgage interest rates are expected to decline somewhat further over the next few months, however, in response to the assumed decline in crude oil prices and the generally weak economic environment. Depending on other aspects of the financial environment, short-term interest rates may have to ease somewhat in 1992 to support continued moderate growth of output, as the underlying rate of inflation falls.

Credit supply conditions appear to be tightening further in response to weakness in the economy and the continuing problems of the financial services industry. To date, the fallout from these developments seems to be focused on the construction sector, but a sufficiently broad range of businesses appears to be affected that some constraint probably is being imposed on inventory and equipment outlays. There is no evidence thus far of a significant lessening of credit availability to the household sector, although the highly publicized turmoil in the financial sector may be contributing to the deterioration in consumer confidence. The forecast assumes that more stringent lending standards and further reductions in credit availability to businesses will damp growth in aggregate demand

1. Assuming no hostilities, Operation Desert Shield is expected to add about $4 billion to outlays in FY1991.

through much of 1991. Credit supply conditions are assumed to at least stabilize by 1992, effectively giving a small boost to economic growth at that time; if there were to be a substantial reversal of the credit tightening, which seems unlikely in the projected economic environment, it would tend to obviate any easing of interest rates.

M2 is expected to finish 1990 centered in the lower half of its annual target range, while M3 is projected to be just above the lower end of its range. In 1991, M2 is expected to grow in the middle portion of its tentative target range of 2-1/2 to 6-1/2 percent. The expansion of M3 is projected to pick up very little from the sluggish pace of 1990, as intermediation continues to be damped by the thrift resolution process, cautious lending behavior, and the effects of higher capital requirements and elevated costs of funds for depositories. Some strengthening in the growth rates of both aggregates is expected in 1992, with annual growth in nominal income a little faster and perhaps some easing in interest rates or credit supply conditions.

The trade-weighted foreign exchange value of the dollar is expected to remain close to its recent low--a downward revision of around 5 percent from the September Greenbook. The staff's projections for economic activity in the other major industrial countries are slightly lower than in the last Greenbook. Growth in the other G-10 countries is projected to run a bit below 2 percent in the second half of this year and to pick up to nearly 3 percent in 1991 and 1992. (For further details, see the International Developments section.)

Recent Developments and the Near-Term Outlook

On balance, real GNP is projected to decline at a 2 percent annual rate in the fourth quarter and at a 1 percent annual pace in the first quarter of 1991. The industrial sector of the economy is expected to be especially weak, with IP dropping at an average annual rate of more than 4 percent over these two quarters. Reflecting the contraction in output, the unemployment rate is projected to reach 6-1/2 percent by the end of the first quarter.

The labor market was quite weak in October. Private payroll employment dropped almost 100,000, as a result of further heavy job losses in the goods-producing sector and relatively slow growth in service-producing industries. Aggregate hours of production or nonsupervisory workers plummeted 1.6 percent, reflecting an unusually sharp 1/2 hour drop in the average workweek. Experience suggests that so large a one-month decline in the workweek is probably an overstatement of underlying trends; nonetheless, a substantial decline in aggregate hours seems almost certain for the fourth quarter as a whole. Although the unemployment rate remained steady last month, household employment fell 187,000 and the number of persons working part time for economic reasons increased. In addition, since the mid-October survey date, initial claims for unemployment insurance have jumped, suggesting that labor demand has deteriorated further, depressing income growth.

Spending indicators for the fourth quarter are limited to sales of motor vehicles in October. Despite the plunge in consumer confidence following the Iraqi invasion and the rise in gasoline prices, sales of cars and light trucks in October were fairly well maintained at an annual pace of 13-1/2 million units. Nonetheless, carmakers have become more pessimistic about the near-term outlook and have cut back assembly plans substantially. The staff anticipates that auto output (on a BEA basis) will average only a 6-1/4 million unit annual rate in the fourth quarter (compared with 7 million units in the third quarter) before falling to a 6 million unit annual pace in the first quarter. The direct effect of these cutbacks is to reduce real GNP growth 3/4 percentage point in the fourth quarter and about 1/4 percentage point in the first quarter.

Consumer spending is expected to weaken over the next two quarters, as households bring their expenditures more into line with income. Over the past two months, consumers evidently maintained their outlays despite the drop in real disposable income. This contributed to the one percentage point decline in the personal saving rate between July and September; the September level was 3-1/2 percent, the lowest since January 1988. However, the longer energy prices remain high, the more likely it is that they will induce an adjustment in expenditure patterns. As a consequence, the saving rate is expected to move back to around 4 percent early next year. The largest cutbacks in spending are projected to be on motor vehicles, but consumers also are expected to reduce their spending on other "discretionary" items.

The upcoming rise in federal excise taxes is likely to cause some shifting in the timing of consumer spending around the end of this year. The new taxes on luxury goods--especially cars over $30,000 in value--and higher excise taxes on alcoholic beverages and cigarettes are assumed (perhaps conservatively) to raise the growth rate of real PCE by 1-1/4 percentage points (at an annual rate) in the fourth quarter and reduce growth by a similar amount in the first quarter.[2] Real GNP is projected to be unaffected by these fluctuations as inventories are drawn down to satisfy this temporary spurt in demand.

In the third quarter, business fixed investment was lifted by a number of transitory factors that are not likely to persist. A spurt in the delivery of aircraft to domestic airlines boosted equipment spending. In addition, there was a surprising increase in nonresidential structures, which is likely to be quickly reversed in light of the severe problems in this sector. New orders for nondefense capital goods excluding aircraft have stagnated, and contracts and permits for nonresidential construction have been trending down. Reflecting these data and the general economic and financial circumstances, real BFI is projected to decline at a 7-1/2 percent annual rate in the fourth quarter and at a 6-1/2 percent annual pace in the first quarter of next year.

Residential construction activity weakened further in the third quarter and is projected to continue to contract in the near term. Real incomes are falling; and because of the uncertain economic outlook, fewer households consider it a good time to buy a home. Softer home prices have made homeownership more affordable for many families, but that softness also has weakened the investment motive. In the multifamily market segment, rental vacancy rates remain at high levels, and builders continue to find credit hard to get.

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2. Sales of approximately 35,000 luxury cars (compared with a 1989 total of 550,000 units) are assumed to be moved forward into 1990. The increased purchases of alcoholic beverages and tobacco products are assumed to total less than one week's worth of consumption; annual real expenditures on these items were $55 billion in 1989.

One bright spot in the present economic environment is the behavior of inventories. Businesses have been cautious for some time, and at this point, inventories generally seem to be aligned with sales. Over the next two quarters, inventory investment is expected to be reduced as output contracts and oil imports fall. As a consequence, we do not foresee the emergence of an overhang of stocks that might impede a pickup in production once final demand firms.

The performance of the external sector is expected to be an important stabilizing factor on the economy in the near term. Nonagricultural merchandise exports are projected to accelerate over the next few quarters; this movement reflects a pickup, on average, in growth abroad and the improved competitive position of U.S. products as a result of the depreciation of the dollar that has occurred since late 1989. The lower dollar also is expected to restrain non-oil merchandise imports, as will the overall softness in U.S. economic activity.

Turning to wage and price developments, the increase in the employment cost index in the third quarter was lower than expected, and we now think that the underlying trend in compensation may be something under 5 percent per annum, a quarter percentage point or so less than in the September Greenbook. Over the next few quarters, greater slack in labor markets should act to restrain the growth in compensation, but this is partly offset in the projection by the influence of higher price inflation on cost-of-living adjustments and other wage actions. In addition, increases in the tax bases for social security and medicare are expected to add 0.6 percentage point (at an annual rate) to the growth in compensation in the first quarter of 1991, and another increase in the minimum wage adds

0.4 percentage point in the second quarter. Thus, after a 4-3/4 percent rise (annual rate) in the fourth quarter, marginally below the average pace of the past year, these special factors cause an acceleration in the ECI to a 5-1/4 percent annual pace in the first half of next year.

Despite the moderation in the growth of labor costs, the near-term outlook for inflation is bleak. Consumer energy prices are expected to rise throughout the fourth quarter, as the major oil companies move to restore falling profit margins on their retail business and the price of natural gas begins to respond to higher crude oil prices. The retail prices of transportation services already have responded to the increase in fuel costs, and the higher production and distribution costs are starting to be passed through to the retail prices of other goods and services. The depreciation of the dollar also has begun to boost the prices of imported goods, although discounting during a weak holiday season is likely to offset some of the dollar's impact. Finally, a variety of excise taxes and user fees will be raised beginning in the fourth quarter; at their peak in the first quarter of 1991, they are expected to add about 3/4 percentage point (at an annual rate) to the increase in the CPI.

Longer-Term Outlook

Economic growth is expected to resume in the second quarter of next year, as the assumed decline in energy prices raises real disposable income and the stabilization of the situation in the Persian Gulf bolsters consumer and business confidence. Nonetheless, the pace of the recovery is projected to be relatively slow, given the assumed economic policy environment. Reflecting these influences, real GNP is expected to grow at about a 2-1/4 percent annual rate in the second half of next year and 2-1/2 percent in 1992. Over this period, domestic demand is expected to become the primary source of growth, while the stimulus from the external sector is projected to wane as the effect of the past depreciation of the dollar fades. With growth remaining below potential until early 1992, the unemployment rate rises to 6-3/4 percent by mid-1991 and remains at that level for the remainder of the forecast period. This increased margin of slack pays a significant dividend in the form of disinflation; after rising 6-1/2 percent over the four quarters of 1990, the CPI is projected to decelerate to about a 4 percent pace in 1992.

With the upturn in real disposable income, consumer spending is expected to pick up in the second quarter of 1991. Purchases deferred during the downturn, such as cars and other durable goods, are projected to post gains, and some acceleration in the consumption of services also is likely. However, in the wake of the contraction in economic activity, consumers are expected to be cautious, and their spending is expected to closely track the growth in real disposable income.[3] Consequently, real PCE grows about 1-3/4 percent in 1992--a relatively slow pace by historical standards.

Improving sales prospects are projected to lead to a bottoming out of business fixed investment in the second half of next year. All of the firming is expected to occur in equipment spending. Purchases of computers and other machinery that can be purchased essentially "off the shelf" respond first to the increase in aggregate demand, while spending on

3. Real disposable income grows 3/4 percentage point less than real GNP in 1992. About half of the difference is accounted for by increases in personal taxes at the federal, state, and local levels. The remainder reflects more rapid increases in PCE prices than in the GNP deflator.

equipment with longer lead times does not revive until early 1992. In contrast, investment in nonresidential structures is expected to post significant declines over the entire forecast period. This reflects past overbuilding in the office and other commercial sectors and the expectation that lenders will not soon recover their enthusiasm for financing new speculative projects.

Mortgage interest rates are expected to edge lower over coming quarters, which together with the pickup in the growth of real income, provides a boost to residential construction activity. Housing starts begin to revive in the second quarter of 1991, led mainly by gains in the single-family market. The recovery in multifamily building appears to be some way off, given financial constraints and the still-sizable overhang of unoccupied units in many locales. Housing starts are projected to approach 1-1/4 million units in 1992--still far from a robust level.

Government purchases are not expected to make a significant contribution to real GNP growth over the forecast horizon. Real federal purchases are projected to decline 2 percent in 1991 and 2-1/4 percent in 1992; all of the cutbacks are in defense spending, while nondefense expenditures increase about 3 percent per year. In the state and local sector, budgetary tensions are expected to restrain spending over the next two years. In light of projected operating and capital account deficits of almost $30 billion in 1990 and 1991, growth in real purchases is projected to slow to 1-1/4 percent in 1991. However, as overall economic activity and tax receipts pick up in 1992, spending increases 2 percent.

With the unemployment rate expected to remain high and with industrial capacity utilization down, inflation is projected to slow noticeably.

Growth in ECI hourly compensation declines from 5 percent this year to 4 percent in 1992. Together with the stability of the foreign exchange value of the dollar, this deceleration in labor costs contributes to a significant decline in the underlying rate of consumer price inflation. After reaching 5-1/2 percent in 1990, the increase in the CPI excluding food and energy is expected to slow to less than 4 percent by late 1992. In the absence of adverse shocks, consumer price inflation would, if the same level of slack were to be maintained in 1993, continue to slow noticeably.

November 7, 1990

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STAFF GNP PROJECTIONS

Percent changes, annual rate

		Nominal GNP		Real GNP		GNP fixed-weight price index		Consumer Price Index <1>		Unemployment rate (percent)	
		09/26/90	11/7/90	09/26/90	11/7/90	09/26/90	11/7/90	09/26/90	11/7/90	09/26/90	11/7/90
Annual changes:											
1988	<2>	7.9	7.9	4.5	4.5	4.2	4.2	4.1	4.1	5.5	5.5
1989	<2>	6.7	6.7	2.5	2.5	4.5	4.5	4.8	4.8	5.3	5.3
1990		5.2	5.1	1.0	1.0	4.5	4.6	5.4	5.5	5.5	5.5
1991		5.4	4.7	.7	.3	4.8	4.7	5.3	5.3	6.4	6.7
1992		6.9	6.2	2.4	2.4	4.4	4.0	4.6	4.1	6.5	6.8
Quarterly changes:											
1989	Q1 <2>	7.5	7.5	3.6	3.6	4.9	4.9	5.4	5.4	5.2	5.2
	Q2 <2>	5.8	5.8	1.6	1.6	4.6	4.6	6.0	6.0	5.3	5.3
	Q3 <2>	5.1	5.1	1.7	1.7	3.1	3.1	2.9	2.9	5.3	5.3
	Q4 <2>	3.9	3.9	.3	.3	3.8	3.8	3.9	3.9	5.3	5.3
1990	Q1 <2>	6.7	6.7	1.7	1.7	6.6	6.6	8.2	8.2	5.2	5.2
	Q2 <2>	5.1	5.1	.4	.4	3.9	3.9	3.8	3.8	5.3	5.3
	Q3 <2>	5.7	5.3	1.4	1.8	4.2	4.1	6.4	6.3	5.6	5.6
	Q4	2.6	1.3	-1.0	-2.1	4.4	4.7	7.1	8.0	6.0	5.9
1991	Q1	5.1	4.5	-.4	-1.1	5.8	5.7	5.4	5.0	6.3	6.4
	Q2	7.1	6.1	2.0	1.4	4.8	4.5	4.1	4.2	6.4	6.7
	Q3	6.9	6.4	2.3	2.2	4.5	4.0	4.4	3.9	6.5	6.8
	Q4	7.1	6.0	2.4	2.4	4.2	3.8	4.7	4.3	6.5	6.8
1992	Q1	7.2	6.5	2.5	2.5	5.0	4.3	5.1	4.2	6.5	6.8
	Q2	6.7	6.2	2.5	2.5	4.1	3.8	4.4	4.1	6.5	6.8
	Q3	6.4	6.2	2.5	2.5	4.0	3.7	4.2	3.9	6.5	6.8
	Q4	6.5	6.0	2.5	2.5	4.0	3.6	4.1	3.8	6.5	6.8
Two-quarter changes: <3>											
1989	Q2 <2>	6.7	6.7	2.6	2.6	4.7	4.7	5.7	5.7	.0	.0
	Q4 <2>	4.5	4.5	1.0	1.0	3.4	3.4	3.4	3.4	.0	.0
1990	Q2 <2>	5.9	5.9	1.1	1.1	5.3	5.3	5.9	5.9	.0	.0
	Q4	4.1	3.3	.2	-.2	4.3	4.4	6.8	7.2	.7	.6
1991	Q2	6.1	5.3	.8	.1	5.3	5.1	4.8	4.6	.4	.8
	Q4	7.0	6.2	2.4	2.3	4.3	3.9	4.6	4.1	.1	.1
1992	Q2	7.0	6.4	2.5	2.5	4.6	4.1	4.7	4.2	.0	.0
	Q4	6.5	6.1	2.5	2.5	4.0	3.7	4.1	3.9	.0	.0
Four-quarter changes: <4>											
1988	Q4 <2>	7.8	7.8	3.5	3.5	4.6	4.6	4.3	4.3	-.5	-.5
1989	Q4 <2>	5.6	5.6	1.8	1.8	4.0	4.0	4.6	4.6	.0	.0
1990	Q4	5.0	4.6	.6	.4	4.8	4.8	6.3	6.5	.7	.6
1991	Q4	6.6	5.7	1.6	1.2	4.8	4.5	4.7	4.4	.5	.9
992	Q4	6.7	6.2	2.5	2.5	4.3	3.9	4.4	4.0	.0	.0

<1> For all urban consumers.
<2> Actual.
<3> Percent change from two quarters earlier.
<4> Percent change from four quarters earlier.

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GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Seasonally adjusted; annual rate)

November 7, 1990

	Units	1984	1985	1986	1987	1988	1989	Projection 1990	1991	1992
EXPENDITURES										
Nominal GNP	Billions of $	3772.2	4014.9	4231.6	4515.6	4873.7	5200.8	5466.4	5720.7	6077.7
Real GNP	Billions of 82$	3501.4	3618.7	3717.9	3845.3	4016.9	4117.7	4157.7	4168.1	4266.4
Real GNP	Percent change*	5.1	3.6	1.9	5.0	3.5	1.8	.4	1.2	2.5
Gross domestic purchases		6.4	4.3	2.1	4.2	2.6	1.1	.2	.1	2.1
Final sales		4.7	4.6	2.7	3.1	4.5	1.7	.7	1.2	2.1
Private dom. final purchases		5.6	4.6	2.9	2.5	4.0	1.2	.2	.2	2.0
Personal consumption expend.		4.1	4.6	3.8	2.3	4.1	1.2	.8	.7	1.7
Durables		10.8	7.0	11.5	-1.2	9.3	-1.4	-.8	-.5	2.0
Nondurables		2.3	3.3	2.9	1.3	2.4	.6	-1.4	-.5	.5
Services		3.5	5.0	2.1	4.1	3.7	2.4	2.8	1.9	2.3
Business fixed investment		13.8	3.7	-5.5	6.1	5.3	4.5	-.1	-2.8	2.6
Producers' durable equipment		14.9	4.6	.4	8.2	8.2	5.4	.9	-1.3	5.2
Nonresidential structures		11.8	1.9	-17.7	.8	-2.7	1.7	-3.4	-7.5	-6.7
Residential structures		6.1	5.8	11.6	-2.2	-.1	-7.1	-7.5	1.1	6.6
Exports		5.9	-2.4	10.6	19.8	14.0	10.1	3.6	6.7	7.7
Imports		17.4	4.5	10.0	10.4	5.5	4.5	1.7	-.4	5.5
Government purchases		7.9	8.6	3.1	2.0	1.1	.3	1.6	-.1	.3
Federal		13.0	13.3	.5	1.5	-1.6	-2.8	1.1	-1.9	-2.3
Defense		6.5	7.1	6.0	4.0	-1.8	-2.1	-2.9	-3.7	-4.4
State and local		4.4	4.9	5.2	2.3	3.1	2.6	2.0	1.2	2.0
Change in business inventories	Billions of 82$	62.3	9.1	5.6	22.8	23.6	23.8	5.4	-1.0	14.3
Nonfarm	Billions of 82$	57.8	13.4	8.0	28.7	26.5	18.7	4.5	-2.6	12.1
Net exports	Billions of 82$	-84.0	-104.3	-129.7	-118.5	-75.9	-54.1	-42.4	-4.1	20.0
Nominal GNP	Percent change*	8.6	6.6	4.6	8.2	7.8	5.6	4.6	5.7	6.2
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employment	Millions	94.5	97.5	99.5	102.2	105.5	108.4	110.4	110.3	111.6
Unemployment rate	Percent	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.7	6.8
Industrial production index	Percent change*	4.7	1.9	1.4	6.5	4.5	1.1	1.0	1.0	3.5
Capacity utilization rate-mfg.	Percent	80.4	79.5	79.0	81.4	83.9	83.9	82.4	79.8	80.3
Housing starts	Millions	1.77	1.74	1.81	1.62	1.49	1.38	1.21	1.14	1.27
Auto sales	Millions	10.35	11.03	11.44	10.23	10.65	9.89	9.58	8.73	9.15
Domestic	Millions	7.92	8.22	8.22	7.06	7.55	7.06	6.92	6.39	6.64
Foreign	Millions	2.43	2.82	3.22	3.18	3.10	2.83	2.66	2.35	2.51
INCOME AND SAVING										
Nominal personal income	Percent change*	8.4	6.6	5.8	8.1	7.6	6.8	5.9	6.3	6.6
Real disposable income	Percent change*	4.3	2.7	3.3	2.7	4.3	1.7	-.4	1.2	1.8
Personal saving rate	Percent	6.1	4.4	4.1	2.9	4.2	4.6	4.4	4.1	4.2
Corp. profits with IVA & CCAdj	Percent change*	7.4	9.2	-5.6	17.4	8.2	-16.8	-7.2	-6.3	3.4
Profit share of GNP	Percent	7.1	7.0	6.7	6.8	6.9	6.0	5.4	4.4	4.2
Federal govt. surplus/deficit	Billions of $	-169.6	-196.9	-206.9	-158.2	-141.7	-134.3	-153.6	-143.3	-115.1
State and local govt. surplus		64.6	65.1	62.8	51.0	46.5	46.4	39.6	44.2	62.2
Exc. social insurance funds		19.8	13.8	5.6	-8.3	-16.4	-19.9	-29.9	-28.7	-14.4
PRICES AND COSTS										
GNP implicit deflator	Percent change*	3.4	2.9	2.6	3.0	4.1	3.7	4.1	4.5	3.7
GNP fixed-weight price index		3.7	3.3	2.6	3.8	4.6	4.0	4.8	4.5	3.9
Cons. & fixed invest. prices		3.3	3.4	2.5	4.5	4.3	4.3	5.6	4.2	3.8
CPI		4.2	3.5	1.3	4.5	4.3	4.6	6.5	4.4	4.0
Exc. food and energy		5.0	4.3	3.9	4.3	4.5	4.3	5.5	5.2	4.1
ECI hourly compensation		4.9	3.9	3.2	3.3	4.8	4.8	5.0	4.7	4.0
Nonfarm business sector										
Output per hour		1.5	1.6	1.3	2.3	1.8	-1.6	.1	1.1	1.3
Compensation per hour		4.1	4.6	4.9	3.7	4.2	2.2	4.6	4.6	4.1
Unit labor costs		2.6	3.0	3.6	1.4	2.3	3.9	4.5	3.5	2.8

* Percent changes are from fourth quarter to fourth quarter.

CONFIDENTIAL - FR
CLASS II FOMC

November 7, 1990

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Seasonally adjusted; annual rate)

		1988				1989				1990	
	Units	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GNP	Billions of $	4735.8	4831.4	4917.9	5009.8	5101.3	5174.0	5238.6	5289.3	5375.4	5443.3
Real GNP	Billions of 82$	3970.2	4005.8	4032.1	4059.3	4095.7	4112.2	4129.7	4133.2	4150.6	4155.1
Real GNP	Percent Change	5.1	3.6	2.7	2.7	3.6	1.6	1.7	.3	1.7	.4
Gross domestic purchases		1.6	3.0	3.2	2.4	1.2	1.8	2.8	-1.2	.5	1.3
Final sales		7.1	5.1	1.1	4.6	2.4	1.7	1.8	.9	3.8	-.7
Private dom. final purchases		6.7	4.8	3.0	1.7	.8	1.4	4.1	-1.5	2.4	-1.2
Personal consumption expend.		6.9	2.7	3.5	3.5	-.3	1.3	4.6	-.8	1.1	.2
Durables		21.8	3.7	-1.1	14.1	-6.0	5.6	9.6	-13.0	14.4	-9.5
Nondurables		2.6	2.0	4.1	1.2	.6	-1.7	3.9	-.2	-3.2	-1.9
Services		5.6	2.9	4.5	1.9	.9	2.1	3.5	3.1	.1	5.1
Business fixed investment		11.4	15.7	1.6	-6.3	8.9	6.9	6.3	-3.8	5.0	-4.7
Producers' durable equipment		20.3	17.9	2.2	-5.5	9.5	12.2	6.1	-5.2	5.7	-3.3
Nonresidential structures		-10.5	9.9	-.3	-8.7	7.5	-8.2	7.1	1.3	2.3	-9.0
Residential structures		-6.8	6.8	.4	-.4	-3.6	-11.3	-7.6	-5.5	15.1	-11.2
Exports		31.7	4.4	5.4	16.7	15.8	12.4	-.5	13.5	11.2	-5.0
Imports		.5	.3	9.2	12.4	-2.3	12.8	6.4	1.7	2.5	.7
Government purchases		-9.2	3.3	-3.8	15.7	-3.3	4.0	-2.4	3.0	2.9	6.2
Federal		-24.1	3.5	-10.4	33.6	-9.1	7.0	-7.9	-.4	.4	16.4
Defense		-5.6	-1.4	-5.0	4.9	-10.9	3.2	7.2	-7.0	-1.7	3.3
State and local		3.9	3.2	1.2	4.3	1.3	1.8	1.8	5.6	4.8	-.6
Change in business inventories	Billions of 82$	31.0	16.9	32.6	14.0	26.1	25.5	24.6	18.9	-2.2	9.5
Nonfarm	Billions of 82$	28.8	19.2	31.0	27.2	16.4	21.5	21.7	15.3	-8.2	11.6
Net exports	Billions of 82$	-77.3	-72.2	-78.5	-75.7	-51.1	-53.3	-64.1	-47.9	-35.4	-44.6
Nominal GNP	Percent change	7.8	8.3	7.4	7.7	7.5	5.8	5.1	3.9	6.7	5.1
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	104.3	105.1	105.9	106.8	107.6	108.2	108.7	109.2	109.9	110.5
Unemployment rate	Percent*	5.7	5.5	5.5	5.3	5.2	5.3	5.3	5.3	5.2	5.3
Industrial production index	Percent change	5.0	4.2	5.9	2.8	2.7	2.8	-1.2	.2	.6	4.2
Capacity utilization rate-mfg.	Percent*	83.1	83.6	84.3	84.6	84.7	84.5	83.7	82.9	82.6	82.8
Housing starts	Millions	1.46	1.49	1.47	1.54	1.51	1.35	1.34	1.35	1.45	1.20
Auto sales	Millions	10.91	10.67	10.15	10.88	10.03	10.26	10.20	9.09	10.01	9.53
Domestic	Millions	7.60	7.50	7.20	7.89	7.08	7.26	7.36	6.56	7.11	6.78
Foreign	Millions	3.30	3.17	2.95	2.99	2.95	3.00	2.84	2.53	2.90	2.75
INCOME AND SAVING											
Nominal personal income	Percent change	6.4	8.6	8.1	7.4	11.6	5.8	3.7	6.2	8.6	5.3
Real disposable income	Percent change	7.3	2.7	4.9	2.3	4.2	-1.2	2.7	1.2	2.5	.3
Personal saving rate	Percent*	4.0	4.1	4.5	4.1	5.2	4.6	4.1	4.6	4.9	5.0
Corp. profits with IVA & CCAdj	Percent change	9.5	6.6	-1.7	19.5	-23.2	-7.0	-17.1	-19.1	8.4	13.9
Profit share of GNP	Percent*	7.0	7.0	6.8	7.0	6.4	6.2	5.9	5.5	5.5	5.6
Federal govt. surplus/deficit	Billions of $	-153.7	-136.9	-120.1	-156.3	-132.6	-122.7	-131.7	-150.1	-168.3	-166.0
State and local govt. surplus		45.5	48.3	46.8	45.2	48.9	50.3	48.1	38.5	38.1	38.6
Exc. social insurance funds		-15.6	-14.1	-17.0	-19.0	-16.2	-15.6	-18.7	-29.1	-30.2	-30.4
PRICES AND COSTS											
GNP implicit deflator	Percent change	2.7	4.4	4.7	4.7	3.9	3.9	3.2	3.8	4.8	4.7
GNP fixed-weight price index		3.9	4.7	5.5	4.4	4.9	4.6	3.1	3.8	6.6	3.9
Cons. & fixed invest. prices		2.9	4.9	4.5	5.0	5.0	5.3	2.3	4.6	6.8	2.6
CPI		3.5	4.2	5.2	4.1	5.4	6.0	2.9	3.9	8.2	3.8
Exc. food and energy		4.4	4.7	4.6	4.6	5.2	4.1	3.8	4.4	6.2	4.9
ECI hourly compensation**		5.2	5.2	3.8	4.6	4.6	4.9	4.9	4.8	5.6	5.5
Nonfarm business sector											
Output per hour		4.7	-.5	2.8	.2	-2.7	-.3	-1.0	-2.5	-1.3	.3
Compensation per hour		2.4	5.1	5.3	3.8	3.3	1.7	1.6	2.3	3.9	5.0
Unit labor costs		-2.2	5.7	2.5	3.6	6.1	2.0	2.6	5.0	5.3	4.7

* Not at an annual rate.
** Private industry workers

November 7, 1990

CONFIDENTIAL - FR
CLASS II FOMC

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Seasonally adjusted; annual rate)

		Projection									
		1990		1991				1992			
	Units	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GNP	Billions of $	5514.4	5532.6	5593.4	5676.5	5764.5	5848.5	5941.5	6032.1	6123.5	6213.6
Real GNP	Billions of 82$	4173.6	4151.4	4140.1	4154.4	4176.6	4201.1	4226.8	4253.3	4279.3	4306.2
Real GNP	Percent Change	1.8	-2.1	-1.1	1.4	2.2	2.4	2.5	2.5	2.5	2.5
Gross domestic purchases		2.5	-3.5	-2.9	.3	1.7	1.4	1.8	2.1	2.4	2.3
Final sales		2.0	-2.0	.0	1.4	1.4	2.1	2.3	2.2	1.8	1.9
Private dom. final purchases		3.1	-3.3	-2.6	.6	1.3	1.6	1.9	2.1	2.1	2.1
Personal consumption expend.		3.6	-1.7	-1.5	1.5	1.4	1.5	1.6	1.7	1.6	1.6
Durables		3.0	-9.3	-7.8	3.0	2.1	1.3	2.0	2.4	1.9	1.7
Nondurables		1.7	-2.1	-3.1	.5	.2	.4	.5	.5	.5	.5
Services		5.1	1.0	1.6	1.7	2.0	2.3	2.3	2.3	2.3	2.3
Business fixed investment		7.4	-7.4	-6.6	-3.6	-.9	.3	1.5	2.4	3.3	3.2
Producers' durable equipment		8.2	-6.4	-6.0	-2.5	1.0	2.5	4.0	5.0	6.0	6.0
Nonresidential structures		5.1	-10.7	-8.9	-7.0	-7.2	-7.0	-6.9	-6.6	-6.4	-6.8
Residential structures		-15.4	-15.2	-7.4	-.9	6.4	7.0	6.5	7.5	6.7	5.8
Exports		1.2	7.7	3.1	7.0	8.1	8.8	8.4	7.7	7.3	7.5
Imports		6.0	-2.2	-8.7	-.1	5.0	2.8	4.1	4.9	6.8	6.2
Government purchases		1.3	-3.6	1.2	-.7	-.6	-.4	.5	.2	.1	.3
Federal		-.3	-10.3	1.1	-3.0	-2.8	-2.9	-1.6	-2.5	-2.7	-2.5
Defense		.5	-13.0	.3	-5.5	-4.7	-4.9	-3.3	-4.6	-4.9	-4.8
State and local		2.5	1.4	1.3	.9	1.0	1.4	1.9	2.0	2.1	2.1
Change in business inventories	Billions of 82$	7.8	6.3	-5.3	-5.6	2.3	4.6	6.7	10.3	16.9	23.2
Nonfarm	Billions of 82$	8.2	6.2	-6.5	-7.0	.5	2.8	4.7	8.1	14.7	20.9
Net exports	Billions of 82$	-52.5	-37.1	-17.1	-6.1	-1.4	8.2	15.2	20.1	21.2	23.7
Nominal GNP	Percent change	5.3	1.3	4.5	6.1	6.4	6.0	6.5	6.2	6.2	6.0
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	110.6	110.4	110.2	110.0	110.3	110.6	111.0	111.4	111.8	112.2
Unemployment rate	Percent*	5.6	5.9	6.4	6.7	6.8	6.8	6.8	6.8	6.8	6.8
Industrial production index	Percent change	3.8	-4.2	-4.4	1.7	3.3	3.6	3.3	3.5	3.5	3.7
Capacity utilization rate-mfg.	Percent*	82.8	81.3	79.8	79.6	79.7	79.9	80.1	80.2	80.4	80.6
Housing starts	Millions	1.14	1.10	1.09	1.11	1.14	1.17	1.20	1.22	1.24	1.26
Auto sales	Millions	9.68	9.10	8.48	8.70	8.85	8.90	9.00	9.15	9.20	9.25
Domestic	Millions	7.21	6.57	6.25	6.35	6.45	6.50	6.55	6.65	6.65	6.70
Foreign	Millions	2.47	2.53	2.23	2.35	2.40	2.40	2.45	2.50	2.55	2.55
INCOME AND SAVING											
Nominal personal income	Percent change	4.9	4.9	6.7	5.9	5.6	6.8	7.8	6.3	5.9	6.4
Real disposable income	Percent change	-.6	-3.5	.8	1.1	1.1	2.0	2.4	1.5	1.3	1.9
Personal saving rate	Percent*	4.0	3.6	4.1	4.0	4.0	4.1	4.2	4.2	4.1	4.2
Corp. profits with IVA & CCAdj	Percent change	-7.4	-35.1	-29.8	.0	11.2	-1.5	2.2	-2.9	5.3	9.5
Profit share of GNP	Percent*	5.5	4.9	4.4	4.4	4.4	4.3	4.3	4.2	4.2	4.2
Federal govt. surplus/deficit	Billions of $	-137.3	-142.9	-161.5	-145.4	-132.7	-133.6	-132.0	-119.5	-105.5	-103.2
State and local govt. surplus		41.7	39.9	37.3	42.1	45.9	51.5	56.1	59.8	64.1	68.9
Exc. social insurance funds		-28.1	-30.8	-34.3	-30.4	-27.5	-22.8	-19.1	-16.3	-12.9	-9.0
PRICES AND COSTS											
GNP implicit deflator	Percent change	3.4	3.6	5.6	4.6	4.1	3.5	4.0	3.6	3.6	3.4
GNP fixed-weight price index		4.1	4.7	5.7	4.5	4.0	3.8	4.3	3.8	3.7	3.6
Cons. & fixed invest. prices		5.4	7.8	5.2	3.9	3.8	4.0	4.0	3.9	3.8	3.6
CPI		6.3	8.0	5.0	4.2	3.9	4.3	4.2	4.1	3.9	3.8
Exc. food and energy		5.8	5.0	5.8	5.6	4.9	4.5	4.4	4.2	4.0	3.9
ECI hourly compensation**		4.2	4.7	5.3	5.0	4.4	4.1	4.4	4.1	3.8	3.6
Nonfarm business sector											
Output per hour		1.6	-.4	-1.3	2.4	1.8	1.4	1.4	1.3	1.3	1.2
Compensation per hour		4.5	4.9	5.1	4.8	4.3	4.2	4.6	4.2	3.9	3.9
Unit labor costs		2.8	5.3	6.5	2.3	2.5	2.8	3.2	2.9	2.6	2.7

* Not at an annual rate.
** Private industry workers

CONFIDENTIAL - FR
CLASS II FOMC

November 7, 1990

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Net changes, billions of 1982 dollars)

	1988				1989				1990		1987	1988	1989	Projection 1990
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	(fourth quarter to fourth quarter, net change)			
Real GNP	49.5	35.6	26.3	27.2	36.4	16.5	17.5	3.5	17.4	4.5	187.1	138.6	73.9	18.2
Gross domestic purchases	15.5	30.5	32.6	24.4	11.8	18.7	28.3	-12.7	4.9	13.7	163.0	103.0	46.1	7.4
Final sales	66.9	49.7	10.6	45.7	24.4	17.0	18.5	9.3	38.4	-7.2	117.9	172.9	69.2	30.7
Private dom. final purchases	51.8	38.3	24.4	14.2	6.5	11.4	34.1	-12.9	20.2	-10.3	78.5	128.7	39.1	6.8
Personal consumption expend.	42.6	17.3	22.3	22.4	-2.1	8.6	30.0	-5.4	7.4	1.5	56.4	104.6	31.1	21.1
Durables	19.8	3.8	-1.1	13.9	-6.6	5.8	9.9	-15.0	14.5	-10.8	-4.9	36.4	-5.9	-3.5
Nondurables	5.7	4.4	9.1	2.7	1.4	-3.9	8.8	-.4	-7.4	-4.4	11.7	21.9	5.9	-12.8
Services	17.1	9.1	14.2	6.0	3.0	6.7	11.3	10.0	.4	16.6	49.6	46.4	31.0	37.5
Business fixed investment	12.7	17.6	2.0	-8.0	10.5	8.4	7.8	-4.9	6.2	-6.2	26.6	24.3	21.8	-.7
Producers' durable equipment	16.0	14.9	2.0	-5.2	8.4	10.9	5.7	-5.2	5.4	-3.3	25.6	27.7	19.8	3.3
Nonresidential structures	-3.4	2.9	-.1	-2.8	2.2	-2.6	2.1	.4	.7	-2.9	1.0	-3.4	2.1	-4.1
Residential structures	-3.4	3.2	.2	-.2	-1.8	-5.7	-3.7	-2.6	6.5	-5.5	-4.5	-.2	-13.8	-13.6
Change in business inventories	-17.4	-14.1	15.7	-18.6	12.1	-.6	-.9	-5.7	-21.1	11.7	69.2	-34.4	4.9	-12.6
Nonfarm	-26.6	-9.6	11.8	-3.8	-10.8	5.1	.2	-6.4	-23.5	19.8	66.3	-28.2	-11.9	-9.1
Farm	9.1	-4.5	3.9	-14.8	22.9	-5.7	-1.1	.7	2.4	-8.1	3.0	-6.3	16.8	-3.5
Net exports	34.0	5.1	-6.3	2.8	24.6	-2.2	-10.8	16.2	12.5	-9.2	24.1	35.6	27.8	10.8
Exports	34.7	5.6	7.0	21.0	20.8	17.1	-.7	19.1	16.5	-8.0	80.5	68.3	56.3	22.0
Imports	.7	.5	13.3	18.2	-3.7	19.2	10.1	2.8	4.1	1.2	56.4	32.7	28.4	11.3
Government purchases	-18.9	6.3	-7.5	28.7	-6.7	7.8	-4.8	6.0	5.7	12.3	15.3	8.6	2.3	13.1
Federal	-23.2	2.8	-8.9	23.9	-8.1	5.7	-6.9	-.3	.3	12.9	5.3	-5.4	-9.6	3.7
Defense	-3.8	-.9	-3.3	3.1	-7.4	2.0	4.5	-4.7	-1.1	2.1	10.2	-4.9	-5.6	-7.5
Nondefense	-19.4	3.7	-5.6	20.8	-.8	3.8	-11.4	4.4	1.4	10.8	-4.9	-.5	-4.0	11.2
State and local	4.3	3.5	1.3	4.8	1.5	2.1	2.1	6.3	5.5	-.7	10.0	13.9	12.0	9.4

CONFIDENTIAL - FR
CLASS II FOMC

November 7, 1990

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Net changes, billions of 1982 dollars)

	Projection											Projection		
	1990		1991				1992				1989	1990	1991	1992
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	(fourth quarter to fourth quarter, net change)			
Real GNP	18.5	-22.2	-11.2	14.3	22.2	24.5	25.7	26.5	26.0	26.9	73.9	18.2	49.7	105.1
Gross domestic purchases	26.4	-37.6	-31.2	3.3	17.5	14.8	18.7	21.7	24.9	24.4	46.1	7.4	4.4	89.6
Final sales	20.2	-20.7	.4	14.6	14.3	22.2	23.6	22.9	19.4	20.6	69.2	30.7	51.4	86.5
Private dom. final purchases	25.5	-28.6	-22.1	5.0	10.8	13.3	15.6	17.7	18.0	17.6	39.1	6.8	7.0	69.0
Personal consumption expend.	23.9	-11.7	-10.2	9.9	9.4	10.1	11.1	11.6	11.1	11.0	31.1	21.1	19.1	44.9
Durables	3.2	-10.4	-8.4	3.0	2.1	1.3	2.0	2.5	2.0	1.8	-5.9	-3.5	-2.0	8.4
Nondurables	3.8	-4.8	-7.1	1.1	.5	.9	1.1	1.1	1.1	1.1	5.9	-12.8	-4.7	4.5
Services	16.9	3.6	5.3	5.8	6.8	7.9	7.9	8.0	8.0	8.0	31.0	37.5	25.8	31.9
Business fixed investment	9.2	-9.9	-8.6	-4.5	-1.2	.3	1.8	2.9	4.0	4.0	21.8	-.7	-14.0	12.8
Producers' durable equipment	7.7	-6.5	-5.9	-2.4	.9	2.4	3.8	4.8	5.8	5.8	19.8	3.3	-5.0	20.1
Nonresidential structures	1.5	-3.4	-2.7	-2.1	-2.1	-2.0	-1.9	-1.8	-1.7	-1.8	2.1	-4.1	-9.0	-7.3
Residential structures	-7.5	-7.1	-3.2	-.4	2.6	2.9	2.7	3.2	2.9	2.5	-13.8	-13.6	1.8	11.3
Change in business inventories	-1.7	-1.5	-11.6	-.3	7.9	2.3	2.1	3.6	6.6	6.3	4.9	-12.6	-1.7	18.6
Nonfarm	-3.4	-2.0	-12.7	-.5	7.5	2.3	1.9	3.4	6.6	6.2	-11.9	-9.1	-3.4	18.1
Farm	1.7	.5	1.1	.2	.4	.0	.2	.2	.0	.1	16.8	-3.5	1.7	.5
Net exports	-7.9	15.4	20.0	11.0	4.7	9.6	7.0	4.9	1.1	2.5	27.8	10.8	45.3	15.5
Exports	1.9	11.6	4.9	10.8	12.7	14.2	13.7	13.0	12.5	13.0	56.3	22.0	42.6	52.3
Imports	9.8	-3.8	-15.1	-.2	8.0	4.6	6.8	8.1	11.4	10.5	28.4	11.3	-2.7	36.8
Government purchases	2.6	-7.5	2.5	-1.4	-1.2	-.7	.9	.3	.3	.5	2.3	13.1	-.9	2.1
Federal	-.3	-9.2	.9	-2.5	-2.4	-2.4	-1.4	-2.1	-2.2	-2.1	-9.6	3.7	-6.5	-7.7
Defense	.3	-8.8	.2	-3.5	-2.9	-3.0	-2.0	-2.8	-2.9	-2.8	-5.6	-7.5	-9.2	-10.5
Nondefense	-.6	-.4	.7	1.0	.5	.6	.6	.7	.7	.7	-4.0	11.2	2.7	2.8
State and local	2.9	1.7	1.6	1.1	1.2	1.7	2.3	2.4	2.5	2.6	12.0	9.4	5.6	9.8

FEDERAL SECTOR ACCOUNTS[1]
(Billions of dollars)

	Fiscal years				1990				1991				1992			
	1989a	1990a	1991	1992	Ia	IIa	IIIa	IV	I	II	III	IV	I	II	III	IV
BUDGET					Not seasonally adjusted											
Budget receipts[2]	991	1031	1111	1179	230	319	254	245	253	335	277	259	271	355	293	272
Budget outlays[2]	1144	1252	1363	1413	310	331	312	348	335	341	338	357	348	352	356	353
Surplus/deficit(-)[2]	-153	-220	-252	-234	-80	-12	-58	-103	-82	-6	-61	-98	-77	4	-63	-81
(On-budget)	-206	-277	-318	-309	-94	-41	-65	-110	-101	-31	-77	-107	-99	-23	-80	-92
(Off-budget)	53	57	67	75	14	29	7	7	19	24	16	8	22	27	18	11
Surplus excluding deposit insurance[3]	-131	-162	-158	-149	-74	17	-41	-82	-61	19	-34	-74	-55	24	-45	-69
Means of financing:																
Borrowing	140	263	241	226	90	41	69	85	65	40	51	87	59	25	54	73
Cash decrease	3	1	5	0	8	-16	-6	15	5	-25	10	10	5	-20	5	10
Other[4]	10	-44	6	9	-18	-13	-6	3	12	-9	0	1	13	-9	4	-2
Cash operating balance, end of period	41	40	35	35	18	35	40	25	20	45	35	25	20	40	35	25
NIPA FEDERAL SECTOR					Seasonally adjusted annual rates											
Receipts	1038	1094	1167	1251	1081	1106	1134	1143	1157	1174	1194	1212	1245	1264	1283	1306
Expenditures	1174	1249	1312	1374	1249	1272	1271	1286	1318	1319	1327	1346	1377	1384	1389	1410
Purchases	400	414	426	431	411	422	425	420	429	428	427	427	433	433	432	432
Defense	301	307	306	303	307	310	311	304	310	307	305	303	305	303	301	299
Nondefense	99	108	120	128	103	112	114	116	119	121	123	124	128	129	131	133
Other expend.	774	835	886	943	838	850	846	866	889	891	899	919	944	951	957	978
Surplus/deficit	-136	-155	-146	-123	-168	-166	-137	-143	-161	-145	-133	-134	-132	-120	-106	-103
FISCAL INDICATORS[5]																
High-employment (HEB) surplus/deficit(-)	-162	-164	-102	-61	-182	-171	-137	-120	-118	-93	-76	-75	-70	-57	-42	-39
Change in HEB, percent of potential GNP	.1	0	-1.1	-.7	.3	-.2	-.6	-.3	0	-.4	-.3	0	-.1	-.2	-.2	0
Fiscal impetus measure (FI), percent	-3.5 *	-4.3 *	-6.9 *	-4 *	-2.3	1.2	-.7	-2.5	-3.9	-.8	-1	-.8	-1.9	-.6	-.6	-.5

a--actual *--calendar year

Note: Details may not add to totals due to rounding.

1. Staff projections. OMB's FY1991 and FY1992 deficit estimates made for the Budget Summit *(September 1990)* are *$254 billion and $229 billion*, respectively. These estimates incorporate approximately $40 billion of cuts from the adjusted Gramm-Rudman-Hollings baseline in FY1991 and $76 billion in FY1992. CBO's FY1991 and FY1992 baseline deficit estimates (July 1990) are $232 billion and $239 billion, respectively.
2. Budget receipts, outlays, and surplus/deficit include social security (OASDI) receipts, outlays and surplus, respectively. The OASDI surplus is excluded from the "on-budget" deficit and shown separately as "off-budget", as classified under current law. The Postal Service deficit is included in off-budget outlays beginning in FY1990.
3. The Administration's deficit projections, excluding deposit insurance spending, for FY1991 and FY1992, were $156 billion and $151 billion, respectively. CBO's July deficit estimates, excluding deposit insurance spending, for FY1991 and FY1992, were $155 billion and $168 billion, respectively.
4. Other means of financing are checks issued less checks paid, accrued items; and changes in other financial assets and liabilities.
5. HEB is the NIPA measure in current dollars with cyclically-sensitive receipts and outlays adjusted to a 6 percent unemployment rate and 2.5% potential output growth. Quarterly figures for change in HEB and FI are not at annual rates. Change in HEB, as a percent of nominal potential GNP, is reversed in sign. FI is the weighted difference of discretionary federal spending and tax changes (in 1982 dollars), scaled by real federal purchases. For change in HEB and FI, (-) indicates restraint.

Recent Developments

Interest rates generally have declined 10 to 30 basis points since the last FOMC meeting. The resolution of the budget impasse and subsequent slight easing by the Federal Reserve exerted some downward pressure on rates, as did signs of a weakening economy. However, mounting real estate problems and difficulties of highly leveraged borrowers have heightened anxiety about the health of commercial banks, and have contributed to growing concerns about other segments of the financial system, thus limiting rate declines for borrowers of less than prime quality. Quality spreads on debt instruments have widened further, and stock prices have continued to fall, with declines for financial institutions especially large.

Financial strains are increasingly evident at banks, and are now showing up at other financial institutions and some local governments. Provisions for losses on commercial real estate loans depressed earnings for many banks in the third quarter, and problems in portfolios of highly leveraged transactions also afflicted some banks. A few banking organizations have cut dividends, and market participants anticipate reductions by other institutions. Stock prices of money center and regional banks declined about 3 percent over the intermeeting period and are down about 40 percent for the year, while yield spreads on debt obligations of bank holding companies have widened dramatically in some instances. Only one bank has issued equity or bonds since August, and commercial paper of lower-rated banks has continued to run off. Eroding capital positions and impending stiffer capital requirements are prompting many banks to shrink their balance sheets by selling off assets and tightening lending practices.

Meanwhile, announcements by two insurance companies of sizable loss provisions and of writedowns on their mortgage and real estate portfolios have heightened concerns about that industry. Investor wariness also has affected securities firms, which have suffered from a slowdown in merger activity and an overhang of junk bonds and bridge loans, and finance companies, some of which hold large portfolios of commercial real estate loans.

The monetary aggregates weakened in October. M1 contracted, as a sharp reduction in transaction balances more than offset another month of robust expansion in currency. The decline in M1, along with continued weakness in M2-level retail deposits, held M2 growth to a 1 percent rate in October, leaving this aggregate below the midpoint of its 1990 target range. Inflows into money funds, though remaining an element of strength in M2, slackened, as the flight from stocks and bonds into safer, more liquid assets appeared to abate. M3 was about unchanged, restrained in part by large quarter-end effects that reflected both sizable resolutions by RTC and the apparent efforts of many depository institutions to shrink their balance sheets in an environment of concern about capital adequacy.

Bank credit has shown virtually no growth since August. Security loans, which had boosted bank credit during the summer and partly masked weakness in other components, ran off in September and October. Business loans declined in both months, and real estate loans grew only sluggishly despite transfers of thrift mortgage assets to commercial banks as a result of RTC resolutions. An October survey of bank lending officers showed significant tightening of terms on business and real estate loans. Growth in consumer loans was also weak, partly because of heavy securitization.

Net borrowing by nonfinancial businesses remained relatively light in October. The decline in bank loans that had emerged in September continued in October, and commercial paper grew less rapidly than on average in the preceding two months. Reports indicate growing investor resistance to medium-grade (A2/P2) paper, especially in maturities beyond the year-end statement date, and a number of issuers have tapped backup lines at banks to pay down maturing paper. Some of the slack from these sources of funding may have been taken up by finance companies, whose lending to businesses was growing quite briskly through September. Bond issuance by investment-grade borrowers picked up a little in October, as some issuers who had been waiting on the sidelines evidently saw rates becoming more attractive.

In the household sector, borrowing may have recovered a bit in the third quarter, but it remained quite subdued relative to previous trends. Although data for recent months are fragmentary, mortgage borrowing since early spring likely has tended to mirror the slow sales pace of new and existing homes. Consumer credit rebounded during the third quarter to a moderate rate of expansion; revolving credit remained the strongest category, with lenders continuing to market credit cards actively. In October, some major retailers report that consumers sharply reduced their outstanding balances, suggesting that revolving credit may show less strength in the current quarter.

The federal government is borrowing heavily in the fourth quarter to finance a deficit that exceeds $100 billion. Even with a substantial drawdown of the cash balance, net borrowing from the public is expected to total a record $85 billion, of which $24 billion is RTC-related.

Tax-exempt borrowing fell sharply in October, after a flood of mortgage revenue bonds had swollen the September total. That issuance had been timed to beat the scheduled September 30 expiration of tax-exempt status for such bonds (now postponed to the end of 1991). Issues for refunding purposes were virtually nonexistent in October. Yield spreads reportedly have widened in the tax-exempt market in response to a worsening of revenue prospects attributable to weaker regional economies and real estate markets.

Outlook

As has been noted, the staff's baseline economic projection assumes no substantial change in short-term rates through 1991, but possibly some easing in 1992. Long-term rates should decline somewhat as oil prices come down and concerns about inflation diminish. The rate projection--and the economic forecast--incorporate an assumption that the difficulties of financial institutions and wariness of individual investors will lead to some further widening of quality spreads and tightening on nonrate loan terms. It is also assumed, however, that these adjustments in credit supply conditions will have been completed within the next year, and that, at worst, they will no longer be depressing the growth of aggregate demand in 1992.

Borrowing by the nonfinancial sectors should continue to be relatively moderate over the next several quarters. Growth in nonfederal debt is expected to slip below a 5 percent rate through next year, then to edge higher in 1992 as a slowly recovering economy begins to spur private credit demands. Federal borrowing, enlarged by the RTC's need for working capital, is expected to remain heavy next year, and to recede later in the forecast period as the deficit reduction program takes effect and RTC borrowing needs abate. Total nonfinancial debt is likely to grow about 6-3/4 percent this year and to average near 6 percent over the next two years; excluding RTC borrowing, debt growth would be near 5 percent in 1991 and 5-3/4 percent in 1992, rates that fall a little below those projected for nominal GNP in these years.

Nonfinancial business debt is expected to expand at a relatively subdued pace over the projection period. In the near term, firms with less than top ratings probably will experience increasing difficulty and higher costs in obtaining credit, given the market's resistance to lower-rated investments and many banks' preoccupation with shrinking their balance sheets. Next year corporate borrowing should be relatively restrained, despite weak internal funds, as firms reduce capital outlays and as restructuring activity remains well below that of recent years. However, late in the projection period, a modest pickup in capital spending should nudge the pace of borrowing up a bit.

Growth Rates of Domestic Nonfinancial Debt by Sector
(Percent, year-end to year-end)

	1988	1989	1990	1991	1992
			----projected----		
Total	9.1	7.4	6.8	5.9	6.1
U.S. government	8.0	7.1	11.3	9.6	7.6
Nonfederal	9.5	7.5	5.5	4.7	5.6
Households	10.9	8.9	6.3	5.1	5.7
Nonfinancial business	8.2	6.7	5.3	5.0	5.9
State and local government	8.2	4.9	1.7	0.9	3.2
Memo: Nominal GNP (Q4/Q4)	7.8	5.6	4.6	5.7	6.2

Household borrowing is expected to stay sluggish over the forecast period. With depository institutions facing constraints, their ability to hold mortgage-related assets is limited. Thus, an expansion of mortgage credit flows is likely to require a material increase in the volume of mortgage pool securities. But with the capacity of the government-sponsored agencies to guarantee such securities being stretched, the tensions in the market may lead to a widening of the spreads between rates on mortgages and mortgage-backed securities and those on Treasuries. In this environment, the growth in home mortgage debt thus is expected to remain relatively low for several quarters, and to pick up only moderately in 1992--with comparatively little "excess" mortgage debt formation relative to residential investment. Growth in consumer credit is expected to bottom out next year and to pick up only modestly in 1992, in line with the projected sluggishness of big-ticket spending.

The outstanding debt of state and local governments is projected to grow little before 1992, when there is a small increase. Retirements of earlier advance refunding issues are retarding debt expansion. In addition, though, fiscal difficulties should constrain the new borrowing of many of these entities, and their borrowing costs may encompass higher risk premia. Still, notwithstanding the well-publicized woes of Philadelphia and New York City, the likely scale of financial troubles does not portend any widespread loss of market access for state and local governments.

Recent Developments

The weighted average value of the dollar in terms of the other G-10 currencies has declined more than 4 percent since the October FOMC meeting. The weakness has been broadly based, including declines of nearly 7 percent against the yen and more than 4 percent against most European currencies; the dollar has strengthened slightly against the Canadian dollar. Negative sentiment about the dollar during the intermeeting period focused on perceptions of disarray in the budget negotiations, further signs of weakness in the U.S. economy and in the U.S. financial system, and the slight easing in U.S. monetary policy. Nevertheless, the dollar has continued to derive some safe-haven support from developments and rumors of developments in the Middle East.

Monetary conditions in Germany have firmed slightly; three-month interest rates are up 20 basis points since the October FOMC meeting. The Bundesbank raised its Lombard rate from 8 percent to 8-1/2 percent late in the period in order to move the Lombard rate above the overnight rate and to provide room for upward movement of market rates. Long-term rates in Germany edged off slightly over the intermeeting period. The Japanese bond market rallied with some easing in oil prices and a pause in monetary tightening by the Bank of Japan; however, by the end of the period the Bank of Japan had nudged the call money rate up 25 basis points. The United Kingdom joined the Exchange Rate Mechanism of the EMS in early October, with the pound allowed to deviate 6 percent from its central rate with other EMS currencies. At the same time, U.K. official interest rates were reduced 1 percentage point; sterling strengthened initially within the EMS, but subsequently has weakened.

Economic performance has been mixed in the foreign industrial countries. Activity has remained robust in Western Germany, buoyed in part by strong demand from Eastern Germany; output in Eastern Germany has continued to slump, however. Japanese activity also was strong in the third quarter, although the latest monthly data indicate some slowing. Growth in France appears to have picked up, after weak performance in the second quarter. In contrast, the latest data for Canada and the United Kingdom tend to confirm that both countries have entered recessions. In Canada, most indicators of activity have fallen in recent months, suggesting that domestic demand will decline in the third quarter, as it did in the second quarter. Measures of consumer price inflation have picked up for almost all major industrial countries 1/4 to 1/2 percentage point, according to the latest data. This development reflects mainly the effects of increases in energy prices, although in some countries--notably Japan--these increases have been partly offset by the strength of local currencies against the dollar.

The U.S. merchandise trade deficit widened slightly to $9.3 billion (seasonally adjusted, Census basis) from a downward revised deficit in July of $9.1 billion. The value of oil imports rose substantially in August, as a sharp increase in prices was only partly offset by a decline in the quantity of oil imported. Other imports did not change from strong July levels, and exports rose somewhat. In July-August combined, non-oil imports grew fairly strongly, after having been roughly flat in the second quarter.

These movements in non-oil imports reflect the pattern of domestic demand in the second and third quarters. Exports picked up moderately in August, but remained within the relatively narrow range in which they have fluctuated over the past six months.

Import prices rose nearly 18 percent (annual rate, fixed-weight price) in the third quarter, led by the jump in oil prices. Prices of non-oil imports rose at a 3-1/2 percent rate; increases were widespread across commodity categories and reflected in part the effects of the decline in the foreign exchange value of the dollar. Export prices rose less than 2 percent, as significant increases in the prices of U.S. petroleum-dependent exports were largely offset by declines in the prices of agricultural exports.

Outlook

The current forecast incorporates a lower foreign exchange value of the dollar than that in the September Greenbook. In addition, growth abroad, while still projected to be fairly robust, has been revised down slightly. The lower dollar results in a faster rate of increase in real net exports over the next two years (which is partly offset by the effects of the slightly lower growth abroad), and a somewhat greater increase in non-oil import prices in the near term. The nominal trade and current account deficits are still expected to widen significantly over the next several months because of high oil prices, to narrow substantially during 1991 as oil prices fall, and to level off during the last half of 1992.

The Dollar. The foreign exchange value of the dollar in terms of the other G-10 currencies is projected to remain unchanged over the forecast period at near its recent low, down about 5 percent from its level in the last Greenbook. The risks to the dollar in this forecast still appear to be tilted toward the downside. If the downturn in the U.S. economy and weakness in the financial system turn out to be more severe than projected, the dollar could continue under downward pressure, even without further easing by the Federal Reserve. The forecast for the CPI-adjusted value of the dollar against the currencies of eight major developing countries also was revised down somewhat; the dollar is now expected to depreciate slightly (in real terms) against these currencies over the forecast horizon.

Foreign Industrial Countries. The outlook for GNP growth and inflation in foreign industrial countries in the near term is little changed from the September Greenbook. Growth in the foreign G-10 countries still is projected to average about 1-1/2 percent at an annual rate in the second half of 1990, down from 3-1/2 percent in the first half. Consumer price inflation is projected to pick up to a rate of more than 6 percent in the fourth quarter from a 4-1/2 percent rate over the first three quarters.

Looking beyond the near term, GNP growth in foreign industrial countries on average is expected to recover during 1991 and to continue fairly strong in 1992. The projected decline in oil prices and the expected recovery from recessions in the United Kingdom and Canada contribute to the pickup next year. However, the overall pattern of growth in the United Kingdom and Canada is now expected to be somewhat weaker than in the last forecast, and the average rate of growth abroad over the next two years has been revised down slightly, to just below 3 percent per year. Inflation in the foreign G-10 countries on average is still expected to decelerate to about 4 percent in 1991 and 1992 as oil prices fall. This forecast assumes some further monetary restraint on the part of foreign authorities.

Among individual countries, rates of economic activity in both Japan and Germany are projected to remain robust, although growth will slow somewhat by 1992 to annual rates in the range of 3-1/2 to 3-3/4 percent. German short-term interest rates are expected rise another 1/2 percentage point in coming quarters to blunt inflationary pressures arising from higher oil prices, potential increases in wage pressures, and strong demand related in part to German unification. Japanese short-term rates are projected to peak about 1/4 percentage point above their recent levels by the end of this year. Canada now is expected to show negative growth of about 1/4 percent this year, positive growth of only 3/4 percent in 1991, and further strengthening in 1992. Conditions in the domestic economy will allow Canadian interest rates to ease significantly by the end of the forecast period. U.K. growth also is expected to be very weak in the remainder of this year and early 1991, but to rebound thereafter. The desire by U.K. authorities to support sterling's value within the Exchange Rate Mechanism of the EMS and to continue to restrain inflation will limit the scope for declines in U.K. short-term interest rates. Nevertheless, progress in reducing U.K. inflation is expected eventually to lead to a significant decline in U.K. interest rates.

Developing Countries. Growth in the developing countries on average is expected to be about 2-3/4 percent (year over year) in 1990 and then to rebound to an average rate of about 4 percent in 1991 and 1992, about the same as in the September Greenbook. Increases in growth in oil-exporting countries, along with expected recovery of activity in Brazil and Argentina, account for most of the rebound.

U.S. Merchandise Trade Quantities. Growth in the quantity of U.S. nonagricultural exports through the fourth quarter this year is expected to remain below the pace recorded in 1989 and early 1990. Export growth is projected to pick up in 1991 in response to the decline in the dollar over the past year and the projected strengthening of growth abroad, and then to edge off during 1992 as the stimulative effects of the recent decline in the dollar play out. The projected level of real nonagricultural exports at the end of 1992 is nearly 2 percent above that in the September Greenbook, largely as a result of the lower dollar forecast.

Agricultural exports are expected to increase sharply in the fourth quarter of this year as shipments rebound from their depressed levels of recent months. As in the September forecast, however, little further growth in agricultural exports is expected over the projection period, because the outlook for demand in the major U.S. agricultural export markets remains sluggish.

The quantity of non-oil imports is projected to decline moderately over the next two quarters, as U.S. domestic demand falls; imports are expected to resume expanding in the second half of 1991, following the recovery in U.S. economic activity. At the same time, the growth of imports over the next two years has been revised down somewhat from the September Greenbook forecast, in response to lower domestic economic activity and the lower level of the dollar.

TRADE QUANTITIES*
(Percent change, annual rate)

		--------- Projection	------------	
	1990-Q2 / 1989-Q4	1990-Q3 / 1990-Q2	1990-Q4 / 1990-Q3	1992-Q4 / 1990-Q4
Nonagricultural exports	7.9	3.2	3.9	11.2
Agricultural exports	-4.4	3.0	23.7	1.4
Non-oil imports	-0.5	13.7	-2.4	3.4
Oil imports	4.0	2.5	1.0	4.0

* GNP basis, 1982 dollars.

Compared with that in the September Greenbook, the projected quantity of oil imports in the fourth quarter has been revised up because of lower anticipated near-term gains in U.S. oil production. Beyond the fourth quarter, the outlook for oil imports is little changed. These imports are still projected to decline early next year as economic activity weakens further and oil stocks are run down. Oil imports are expected to expand thereafter as domestic demand recovers and domestic production of crude oil continues to trend down.

On balance, total real net exports of merchandise appear to have weakened somewhat in the third quarter, but they are still projected to improve significantly through early 1992 and to begin to level off thereafter. The improvement in real net exports of goods and services between the third quarter this year and the end of 1992 is now projected to be about $75 billion (annual rate), nearly $15 billion greater than in the September forecast.

Merchandise Trade Prices. The fixed-weight price index for nonagricultural exports is projected to show a large increase in the fourth quarter, reflecting the expected sharp pickup in domestic producer prices in areas that are particularly sensitive to oil prices. Thereafter, export prices are expected to increase at a much more moderate rate, in line with the projected rate of increase in domestic producer prices (weighted by export shares) shown in the table below; these price increases are

SELECTED PRICE INDICATORS
(Percent change, annual rate)

			----- Projection ------	
	1990-Q2 / 1989-Q4	1990-Q3 / 1990-Q2	1990-Q4 / 1990-Q3	1992-Q4 / 1990-Q4
PPI (export-share weighted)	2.4	4.8	9.2	1.9
Nonagric. exports (Fx-Wt)	1.9	4.9	8.8	2.2
Non-oil imports (Fx-Wt)	1.4	3.6	8.6	5.1
Oil imports (Fx-Wt)	-19.6	164.7	674.6	-16.5

marginally stronger than in the last Greenbook. The projected rate of increase in prices of non-oil imports was raised somewhat in response to the revision to the outlook for the dollar. The average price of oil imports is expected to peak in the fourth quarter, to decline through the middle of next year, and to remain unchanged thereafter, as discussed in the section on domestic nonfinancial developments.

Nominal Balances: Trade and Services. The increase in oil import prices is expected to raise the merchandise trade deficit to an annual rate of about $150 billion in the fourth quarter. This bulge in the trade deficit in the months ahead is expected to be reversed during 1991 as oil prices recede; the deficit is then projected to decline further, to roughly $80 billion by the end of 1992.

Net portfolio payments to foreigners are expected to rise significantly over the next two years because of rising U.S. international indebtedness; this deterioration does not differ significantly from that projected in the September forecast. These rising net payments are expected to be more than fully offset by increased receipts on net direct investment income and other net services and transfers. This outlook incorporates estimated sales of $5 billion of military equipment to Saudi Arabia to be delivered by the end of next year, and an estimate for cash grants received from foreign governments associated with Operation Desert Shield. As a result of these developments in nontrade items, the current account balance is projected to improve somewhat more than the trade balance over the forecast period, and to be about $55 billion in 1992.

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Outlook for U.S. Net Exports and Related Items
(Billions of Dollars, Seasonally Adjusted Annual Rates)

	ANNUAL			1990		1991				1992			
	1990-P	1991-P	1992-P	-Q3	-Q4-P	Q1-P	-Q2-P	-Q3-P	-Q4-P	Q1-P	-Q2-P	-Q3-P	-Q4-P
1. GNP Exports and Imports 1/													
Current $, Net	-44.9	-27.1	2.6	-49.2	-75.4	-51.0	-29.3	-18.1	-9.9	-3.3	1.8	4.2	7.6
Exports of G+S	667.2	718.4	787.1	662.6	685.0	694.9	709.3	725.7	743.8	761.9	778.8	795.3	812.6
Imports of G+S	712.0	745.5	784.6	711.8	760.4	745.9	738.5	743.8	753.7	765.2	776.9	791.1	805.0
Constant 82 $, Net	-42.4	-4.1	20.0	-52.5	-37.1	-17.1	-6.1	-1.4	8.2	15.2	20.1	21.2	23.7
Exports of G+S	626.0	656.6	709.2	622.0	633.6	638.6	649.4	662.1	676.3	690.0	703.0	715.5	728.5
Imports of G+S	668.4	660.7	689.2	674.5	670.7	655.7	655.5	663.5	668.0	674.8	682.9	694.3	704.8
2. Merchandise Trade Balance 2/	-115.7	-105.6	-83.1	-115.9	-151.3	-127.2	-107.1	-97.3	-90.9	-86.6	-83.4	-82.0	-80.5
Exports	388.9	425.2	478.7	386.3	397.1	406.4	418.0	431.3	445.3	459.1	472.5	485.5	497.6
Agricultural	41.2	42.3	44.9	38.8	40.7	41.4	42.0	42.6	43.1	43.6	44.4	45.2	46.3
Non-Agricultural	347.7	383.0	433.8	347.5	356.4	365.0	376.0	388.7	402.2	415.5	428.2	440.3	451.4
Imports	504.5	530.9	561.8	502.2	548.4	533.7	525.1	528.6	536.2	545.7	556.0	567.6	578.1
Petroleum and Products	69.3	77.1	75.9	62.2	104.2	88.1	75.7	72.3	72.2	73.2	74.6	77.5	78.4
Non-Petroleum	435.2	453.8	485.9	440.0	444.2	445.6	449.4	456.3	463.9	472.5	481.3	490.1	499.7
3. Other Current Account Transactions													
Capital Gains and Losses 3/	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other D.I. Income, Net	44.8	50.4	52.3	43.9	47.6	49.6	50.3	50.7	51.0	51.5	52.3	52.5	52.9
Portfolio Income, Net	-44.8	-49.0	-51.6	-45.0	-47.1	-47.7	-48.5	-49.5	-50.3	-50.9	-51.4	-51.9	-52.2
Other Current Account, Net	12.1	23.4	26.5	10.6	22.0	24.2	25.5	22.8	21.3	25.9	26.9	27.4	25.7
4. U.S. Current Account Balance													
Including Capital G/L	-102.3	-80.8	-56.0	-106.5	-128.8	-101.2	-79.8	-73.3	-68.8	-60.0	-55.6	-54.0	-54.2
Excluding Capital G/L	-103.6	-80.8	-56.0	-106.5	-128.8	-101.2	-79.8	-73.3	-68.8	-60.0	-55.6	-54.0	-54.2
5. Foreign Outlook 4/													
Real GNP--Ten Industrial 5/	3.0	2.2	3.0	1.7	1.4	2.3	3.0	3.3	3.2	2.9	2.8	2.8	2.8
Real GNP--LDC 6/	2.7	3.7	4.3	3.1	3.5	3.9	4.0	4.0	4.0	4.1	4.4	4.8	5.1
Consumer Prices--Ten Ind. 5/	4.6	4.8	3.9	3.7	6.5	4.9	4.9	3.2	4.0	3.6	4.3	3.5	4.1

1/ National Income and Product Account data.
2/ International accounts basis.
3/ The net of gains (+) or losses (-) on foreign-currency denominated assets due to their revaluation at current exchange rates and other valuation adjustments.
4/ Percent change, annual rates.
5/ Weighted by multilateral trade-weights of G-10 countries plus Switzerland; prices are not seasonally adjusted.
6/ Weighted by share in LDC GNP.
P/ Projected