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Strictly Confidential (FR) Class II FOMC

December 12, 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

Available data indicate that economic activity has declined appreciably in recent months. In response to perceived or anticipated weakness in demand, businesses have moved to cut output and employment even more aggressively than we had expected in the last Greenbook. Real GNP is now projected to fall at about a 3 percent annual rate in the current quarter; industrial production is expected to drop at about an 8 percent pace, double the rate of decline in the November projection. This slowdown in activity is projected to extend into the first quarter of next year, raising the unemployment rate to nearly 6-1/2 percent.

We still expect this contraction to be short compared with the average of eleven months for previous postwar recessions. This view reflects our belief that the downturn in activity was caused in large measure by the jump in energy prices and the concurrent loss of business and consumer confidence. While we claim no special prescience regarding developments in the Persian Gulf, recent events are broadly consistent with our working assumption that the fears of disruption to oil supplies would ease in the near term; indeed, oil prices already have fallen to levels that we had anticipated would not be reached until well into 1991. As a result, the decline in energy prices makes an earlier and more substantial contribution to the recovery in real income than we had projected in the November Greenbook.

Two other considerations argue for a stronger rebound in activity next year than was shown in the last Greenbook. First, the current production cutback appears to reflect an exceptionally prompt pruning of inventories. Because stocks are projected to be even leaner at year-end than we had expected, part of the production adjustment previously seen for early 1991 already has taken place. Second, monetary policy has eased, thus providing an additional spur to aggregate demand that was not assumed in the November Greenbook.

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

Variable and month of forecast	1990	1991	1992
Real GNP			
December	.2	1.8	2.4
November	.4	1.2	2.5
Consumer price index			
December	6.3	4.1	3.8
November	6.5	4.4	4.0
Unemployment rate[1]			
December	5.9	6.5	6.5
November	5.9	6.8	6.8

1. Level in the fourth quarter.

The staff now projects that real GNP will rebound at more than a 3 percent rate in the second quarter, as production picks up to meet a firming of final demand. Over the second half of next year, we expect more moderate growth, with gains averaging just under 2-1/2 percent at an annual rate. All major components of private domestic demand, except for nonresidential construction, are projected to expand in the second half. The foreign sector also is projected to make a major contribution to real GNP growth next year. In 1992, with monetary policy imposing a degree of restraint on aggregate demand, real GNP growth is expected to remain a shade under 2-1/2 percent, in line with our current estimate of potential output growth.[1]

Recent wage data have been more favorable than we had anticipated, suggesting that a smaller margin of slack can achieve a significant downturn in inflation over the forecast period. Accordingly, the jobless rate is now shown to peak at 6-1/2 percent, about 1/4 percentage point below the rate anticipated in the last Greenbook. Given the greater easing of labor cost pressure--and the unexpectedly rapid decline in oil prices in recent weeks--the rate of consumer price inflation has been revised down 0.3 percentage point in 1991; the downward adjustment is a bit less in 1992. We now expect the CPI to rise 4.1 percent next year and 3.8 percent during 1992, well below the 6.3 percent rise forecast for this year.

Key Assumptions

As noted above, this projection assumes that oil prices retreat more quickly than was indicated in the November Greenbook. The spot price of West Texas Intermediate (WTI) is assumed to average about $26 per barrel in the first quarter, with the import price of crude oil and refined products somewhat lower; in the last Greenbook, both WTI and the import price had been assumed to be slightly above $30 per barrel in the first quarter. However, we have not changed the longer-term outlook: The price of imported oil is still expected to settle around $23 per barrel by the middle of next year and to stay close to that level through 1992. This flat path is the

1. This forecast is based on the assumption that potential GNP will grow at a bit less than a 2-1/2 percent rate over the projection period. However, there is some risk that the recent weakness in labor force participation and productivity growth is, at least in part, a secular phenomenon, thus lowering the growth of potential output. If so, actual growth would have to be lower to achieve the inflation result in this forecast.

result of balancing a shrinking uncertainty premium against the tendency for nominal oil prices to drift upward with general inflation.

We continue to assume that fiscal policy will be moderately restrictive over the forecast period. Our estimate of the federal budget deficit has risen slightly from the last Greenbook, owing to higher estimated costs of transfer and grant programs and a small downward adjustment to receipts. The deficit is projected to be $258 billion in FY1991 and $241 billion in FY1992; excluding outlays related to deposit insurance, we project the deficit to be $164 billion and $156 billion respectively for the two fiscal years. The recent step-up in troop commitments to Desert Shield has had only a small effect on the projected deficit, as much of the higher U.S. defense spending is expected to be offset by contributions from other countries.[2]

As noted above, near-term interest rates are somewhat lower in this projection than in the last one. We have assumed that any further easing of money market rates is modest, and that nominal rates basically remain close to their current levels through 1992. With inflation expectations easing, this assumption implies that real rates will rise slightly over time, holding the level of real output below potential and thereby promoting disinflation.

Widespread anecdotal reports suggest that credit supply conditions have continued to tighten in recent months, reflecting both heightened concerns

2. The economic forecast implies the likelihood that the Congress will be confronted with the issue of whether to relax the budget constraints established in the recent fiscal agreement. Our assumption is that the Administration and the congressional leadership will resist such a change, unless they perceive a serious risk of a deeper or more prolonged downturn than we have projected.

about the economy and the deepening problems of financial intermediaries. The effect of these supply constraints on real activity is difficult to quantify. Nonetheless, we believe that the more stringent lending terms and outright denials of credit already have crimped activity--particularly in the construction sector--and will continue to do so through much of 1991. Credit supply conditions are assumed at least to stabilize, if not relax somewhat, by 1992, effectively giving a small boost to economic growth at that time.

M2 is expected to grow in the middle portion of its tentative target range of 2-1/2 to 6-1/2 percent in 1991. The expansion of M3 is projected to roughly match 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. The growth rates of both aggregates are expected to pick up a little in 1992, influenced in part by credit supply developments.

As in the November Greenbook, the exchange value of the dollar on a trade-weighted basis is expected to remain close to its recent low. The assumptions regarding economic growth abroad are essentially the same as in the last Greenbook. We continue to expect that growth abroad, as in the United States, will pick up in coming quarters, with foreign growth outpacing that in the U.S. through 1992. (For further details, see the International Developments section.)

Recent Developments and the Near-Term Outlook

Real GNP is projected to decline at about a 3 percent annual rate in the current quarter and at a 1 percent rate in the first quarter of 1991. This two-quarter contraction is a touch deeper overall than that projected in the November Greenbook, with more of the output loss occurring in the current quarter. Industrial production is expected to fall substantially through the first quarter of next year. Reflecting the retrenchment in activity--and strong cost-cutting efforts by businesses-- the unemployment rate is projected to average 6.4 percent in the first quarter.

In large measure, the projection for the current quarter rests on the negative labor market reports for recent months. Between September and November, employment on private nonfarm payrolls fell nearly half a million. Job losses, though particularly severe in manufacturing, were widespread across sectors. The job cutbacks were accompanied by a sharp reduction in the average workweek of production or nonsupervisory workers in October, which was only partially reversed in November. The rise in the unemployment rate over the past two months, from 5.7 to 5.9 percent, probably understates the deterioration in the labor market, as bleak prospects likely discouraged many potential jobseekers. Since the mid-November survey week, initial claims for unemployment insurance have fluctuated around an elevated level of 450,000.

Within manufacturing, the largest employment decline last month was in the motor vehicles industry, where production has been cut sharply. For the fourth quarter as a whole, we estimate that the contraction in car and truck assemblies will reduce real GNP growth 2 percentage points at an annual rate. The automakers have scheduled some rise in assemblies for the first quarter, but we expect little of this increase to materialize. Given our view that sales of motor vehicles will be sluggish on balance in coming months, any significant pickup in production would cause an undesired build-up in dealers' stocks.

By all accounts, business inventories were reasonably well aligned with sales at the beginning of the fourth quarter. Census data for October and more current anecdotal reports suggest that inventories have remained under tight control, even with the weakening of final demand. In the staff forecast, the production adjustments that keep stocks lean are responsible for much of the projected decline in current-quarter GNP. Some further paring of inventories is projected to take place in the first quarter.[3] Because of the preemptive moves by businesses to avoid inventory overhangs, we expect that output will recover promptly once final demand firms.

Among the components of spending, consumer outlays are expected to decline at a 2-1/2 percent annual rate during the current quarter and at about a 1-1/2 percent pace in the first quarter of 1991, with the steepest drop in purchases of motor vehicles. This pullback in consumer spending mainly reflects the erosion of real income and consumer confidence since the Iraqi invasion of Kuwait. BEA estimates that real disposable personal income fell at a 5 percent annual rate between July and October, and we anticipate further losses before real income turns up early next year with the decline in oil prices. Although real consumer spending is currently estimated to have held up fairly well through September, it fell considerably in October, and anecdotal reports suggest that the holiday shopping season has been weak. As in the November Greenbook, we have assumed that the current-quarter decline in real PCE will be tempered by the

3. The drawdown in nonfarm inventories excluding autos in the current quarter and the first quarter of 1991 is due in part to a run-off of oil stocks. Excluding autos and oil, nonfarm inventories are projected to be pared about $5-3/4 billion at an annual rate in the current quarter and about $9 billion next quarter, after an estimated accumulation of $9 billion in the third quarter.

bunching of purchases before the January 1 rise in federal excise taxes on cigarettes, alcohol, and luxury items; we now have bits of evidence supporting such a shift in timing. Abstracting from this effect, real PCE would fall at a 3-3/4 percent annual rate this quarter and rise about 3/4 percent next quarter.

Real business fixed investment, which edged up on balance over the past four quarters, is expected to fall at about a 6-1/2 percent annual rate over the next two quarters. The steepest declines are projected for nonresidential structures. Construction contracts and permits have continued to trend down, and the pace of construction spending moved steadily lower between July and October, largely reflecting declines for office and other commercial buildings. Outlays for equipment also are expected to contract in the near term, with the decline concentrated in transportation equipment, for which third-quarter spending was boosted by a spurt of aircraft deliveries to domestic carriers and by a pickup in auto fleet sales. Apart from transportation equipment, we expect PDE spending to rise moderately this quarter, reflecting the increase in October shipments and new orders for nondefense capital goods excluding aircraft. Even with the October rise, new orders this year have been stagnant on balance; they are expected to weaken in coming months, contributing to the first-quarter decline projected for total PDE.

The slump in residential construction is expected to persist through the early part of next year, reflecting the further softening of starts, permit issuance, and home sales through October. Although tight credit conditions for builders likely have exacerbated the slowdown, the basic problem appears to be a weakening of demand, resulting in large part from slower income growth, uncertain economic prospects, and deflated expectations about home prices. Despite the sharp reductions in construction activity to date, the inventory of unsold new homes relative to recent sales remained high in October, as did the rental vacancy rate in the third quarter. In this environment, we expect real residential investment to fall at more than a 17 percent annual rate in the current quarter and at about half that pace in the first quarter.

Gains in the external sector are expected to cushion the drop in final demand this quarter and next. Real merchandise exports are projected to advance at nearly a 6 percent annual rate over these quarters, buoyed by the improvement in the competitive position of U.S. producers that has resulted from the depreciation of the dollar since late 1989. The lower dollar and the weakness in the U.S. economy are projected to restrain merchandise imports through early 1991.

The near-term outlook for inflation has improved somewhat in the past six weeks. Assuming that the oil price decline is not reversed, we now expect retail energy prices to turn down noticeably in the first quarter, holding the rise in the consumer price index at about a 4 percent annual rate, after the 7-1/4 percent jump expected for the current quarter. Several factors keep the projected slowing from being even steeper: The jump in fuel and feedstock costs earlier in the fall is raising the prices of other goods and services, although slack demand clearly is tempering the passthrough; higher excise taxes are expected to boost prices, mainly in December and January; and the depreciation of the dollar is exerting upward pressure on import prices. The effect of these factors can be seen in the

CPI excluding food and energy, which we expect to increase at about a 5-1/2 percent pace in the first quarter.

Although little hard information on labor costs has been released since the last Greenbook, our interpretation of the recent data on average hourly earnings and anecdotal reports is that wage pressures have abated somewhat. Accordingly, the projection of increases in labor costs has been shaved about 1/4 percentage point in the current quarter, with the ECI now expected to rise about 4-1/2 percent at an annual rate. Nonetheless, we still project the ECI to accelerate temporarily as a result of the increase in the tax bases for social security and medicare in the first quarter and another rise in the minimum wage in the second quarter. Excluding these actions, the ECI is projected to continue rising at about a 4-1/2 percent rate during the first half of 1991, buoyed by some catch-up with the consumer price increases of recent quarters.

Longer-Term Outlook

Early next year, the assumed decline in energy prices raises real disposable income, and the easing of war fears acts to boost consumer and business confidence. As a result, economic activity is expected to turn upward in the spring. Although this scenario is broadly similar to the one in the last Greenbook, the pickup in the second quarter now is projected to be more robust because of the recent decline in interest rates and the faster drop in oil prices. Much of the stimulus in the second quarter comes from the satisfaction of deferred consumer demand. However, the end of the inventory liquidation also contributes significantly to the rebound in real GNP. After this inventory adjustment, the pace of growth moves down to just below a 2-1/2 percent annual rate over the rest of the forecast period.

The sources of growth from mid-1991 to the end of the forecast period are much the same as those noted in the November Greenbook. Exports of goods and services are projected to be the strongest component of real final sales, increasing at about an 8 percent annual rate; although the boost from the past depreciation of the dollar gradually fades, this factor is offset in part by some quickening of growth among our major trading partners. On balance, growth in domestic final demand remains relatively subdued, in effect accommodating the further expansion of exports without materially increasing pressures on industrial capacity.

As noted above, consumer spending is expected to rebound in the second quarter. This rise in outlays is concentrated in durable goods, particularly motor vehicles. After the second quarter, the growth of real consumer spending is expected to run between 1-1/2 to 1-3/4 percent at an annual rate, about 3/4 percentage point below that of real GNP. This gap reflects the relatively slow gains projected for real disposable income. As in earlier Greenbooks, we expect real DPI to be restrained by rising tax burdens at all governmental levels and by relatively large price increases for consumer services.

Real business fixed investment is expected to bottom out in late 1991 and then to expand at about a 2-3/4 annual rate in 1992. Given improved sales prospects and a continuing desire to modernize facilities, we expect equipment spending to post sizable gains during the latter half of the forecast period. The outlook for nonresidential construction, however, looks bleak for the next several years, and spending is projected to decline at nearly a 7 percent average pace over 1991 and 1992. The chief problem is the continuing overhang of space in the office and other commercial sectors;

vacancy rates remain high even though the pace of total commercial building already has retreated some 20 percent from the peak in 1985. With more cautious lending practices now reinforcing the already adverse market conditions, we expect activity to fall off even more sharply.

The drop in mortgage interest rates that has occurred already, along with the recovery of real income, ends the slump in total residential investment by the middle of 1991. In the single-family sector, housing starts are expected to turn up by the spring and to reach almost 1 million units (annual rate) by the end of the forecast period. At the same time, we expect little recovery in the multifamily sector, given the greater financial constraints at work there. The pace of total housing starts is expected to be only 1.2 million units in 1992, as the excess stock of units continues to be absorbed.

Government purchases are expected to register no net growth over the forecast period. Real federal purchases are projected to decline 3-1/2 percent in 1991 and 2-1/4 percent in 1992, reflecting the downtrend in defense spending; outlays for nondefense programs, in contrast, are expected to rise about 3 percent in each year. In the state and local sector, we expect budgetary pressures to hold growth in real spending to 1 percent in 1991 and 2 percent in 1992. The pickup in 1992 is a lagged response to the improvement in economic conditions, which implies faster growth of tax receipts beginning around the middle of next year.

With the unemployment rate expected to hold at 6-1/2 percent after the middle of 1991, we project a substantial easing of labor-cost pressure over time; growth in the ECI for compensation is expected to decline from 5 percent this year to just below 4 percent in 1992. In addition, the capacity utilization rate in manufacturing is projected to average around 80 percent in 1991 and 1992, a below-average rate historically. Assuming the absence of further adverse price shocks, this slack in labor and product markets should reduce the rate of general price inflation. The rise in the GNP fixed-weight price index is expected to slow from 4-3/4 percent this year to 3-3/4 percent in 1992. Similarly, the CPI excluding food and energy, which is estimated to have increased about 5-1/4 percent over 1990, is projected to rise less than 4 percent in 1992.

December 12, 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)	
	11/7/90	12/12/90	11/7/90	12/12/90	11/7/90	12/12/90	11/7/90	12/12/90	11/7/90	12/12/90
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	5.1	5.1	1.0	.9	4.6	4.6	5.5	5.4	5.5	5.5
1991	4.7	4.8	.3	.5	4.7	4.4	5.3	4.9	6.7	6.5
1992	6.2	6.1	2.4	2.5	4.0	3.8	4.1	4.0	6.8	6.5
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>	5.3	5.8	1.8	1.7	4.1	4.2	6.3	6.3	5.6	5.6
Q4	1.3	.9	-2.1	-3.1	4.7	4.5	8.0	7.2	5.9	5.9
1991 Q1	4.5	4.3	-1.1	-.9	5.7	5.5	5.0	4.2	6.4	6.4
Q2	6.1	7.4	1.4	3.2	4.5	4.0	4.2	4.0	6.7	6.4
Q3	6.4	6.1	2.2	2.5	4.0	3.8	3.9	4.1	6.8	6.5
Q4	6.0	5.8	2.4	2.3	3.8	3.7	4.3	4.0	6.8	6.5
1992 Q1	6.5	6.2	2.5	2.4	4.3	4.2	4.2	4.0	6.8	6.5
Q2	6.2	6.0	2.5	2.4	3.8	3.7	4.1	4.0	6.8	6.5
Q3	6.2	5.9	2.5	2.4	3.7	3.6	3.9	3.7	6.8	6.5
Q4	6.0	5.8	2.5	2.4	3.6	3.6	3.8	3.7	6.8	6.5
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	3.3	3.3	-.2	-.7	4.4	4.3	7.2	6.8	.6	.6
1991 Q2	5.3	5.8	.1	1.2	5.1	4.8	4.6	4.1	.8	.5
Q4	6.2	6.0	2.3	2.4	3.9	3.7	4.1	4.1	.1	.1
1992 Q2	6.4	6.1	2.5	2.4	4.1	4.0	4.2	4.0	.0	.0
Q4	6.1	5.8	2.5	2.4	3.7	3.6	3.9	3.7	.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	4.6	4.6	.4	.2	4.8	4.8	6.5	6.3	.6	.6
1991 Q4	5.7	5.9	1.2	1.8	4.5	4.3	4.4	4.1	.9	.6
1992 Q4	6.2	6.0	2.5	2.4	3.9	3.8	4.0	3.8	.0	.0

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

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December 12, 1990

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

	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	5468.1	5729.7	6078.0
Real GNP	Billions of 82$	3501.4	3618.7	3717.9	3845.3	4016.9	4117.7	4154.9	4175.6	4278.6
Real GNP	Percent change*	5.1	3.6	1.9	5.0	3.5	1.8	.2	1.8	2.4
Gross domestic purchases		6.4	4.3	2.1	4.2	2.6	1.1	-.6	1.1	2.0
Final sales		4.7	4.6	2.7	3.1	4.5	1.7	1.2	.9	2.2
Private dom. final purchases		5.6	4.6	2.9	2.5	4.0	1.2	-.1	.4	2.2
Personal consumption expend.		4.1	4.6	3.8	2.3	4.1	1.2	.5	.9	1.8
Durables		10.8	7.0	11.5	-1.2	9.3	-1.4	-.9	.3	2.3
Nondurables		2.3	3.3	2.9	1.3	2.4	.6	-2.0	-.6	.6
Services		3.5	5.0	2.1	4.1	3.7	2.4	2.6	2.1	2.4
Business fixed investment		13.8	3.7	-5.5	6.1	5.3	4.5	.3	-2.2	2.7
Producers' durable equipment		14.9	4.6	.4	8.2	8.2	5.4	1.8	-.7	5.2
Nonresidential structures		11.8	1.9	-17.7	.8	-2.7	1.7	-4.5	-7.2	-6.4
Residential structures		6.1	5.8	11.6	-2.2	-.1	-7.1	-9.2	.6	6.9
Exports		5.9	-2.4	10.6	19.8	14.0	10.1	3.1	7.0	8.5
Imports		17.4	4.5	10.0	10.4	5.5	4.5	-2.0	2.6	6.1
Government purchases		7.9	8.6	3.1	2.0	1.1	.3	2.3	-.8	.3
Federal		13.0	13.3	.5	1.5	-1.6	-2.8	2.5	-3.4	-2.3
Defense		6.5	7.1	6.0	4.0	-1.8	-2.1	-.6	-5.6	-4.3
State and local		4.4	4.9	5.2	2.3	3.1	2.6	2.2	1.0	2.1
Change in business inventories	Billions of 82$	62.3	9.1	5.6	22.8	23.6	23.8	-2.4	.7	22.4
Nonfarm	Billions of 82$	57.8	13.4	8.0	28.7	26.5	18.7	-3.9	-.9	20.2
Net exports	Billions of 82$	-84.0	-104.3	-129.7	-118.5	-75.9	-54.1	-35.1	5.6	25.0
Nominal GNP	Percent change*	8.6	6.6	4.6	8.2	7.8	5.6	4.6	5.9	6.0
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employment	Millions	94.5	97.5	99.5	102.2	105.5	108.4	110.3	110.2	111.7
Unemployment rate	Percent	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.5	6.5
Industrial production index	Percent change*	4.7	1.9	1.4	6.5	4.5	1.1	-.1	1.9	3.4
Capacity utilization rate-mfg.	Percent	80.4	79.5	79.0	81.4	83.9	83.9	82.1	79.1	80.0
Housing starts	Millions	1.77	1.74	1.81	1.62	1.49	1.38	1.19	1.10	1.21
Auto sales	Millions	10.35	11.03	11.44	10.23	10.65	9.89	9.52	8.76	9.28
Domestic	Millions	7.92	8.22	8.22	7.06	7.55	7.06	6.90	6.41	6.74
Foreign	Millions	2.43	2.82	3.22	3.18	3.10	2.83	2.62	2.35	2.55
INCOME AND SAVING										
Nominal personal income	Percent change*	8.4	6.6	5.8	8.1	7.6	6.8	5.6	6.1	6.5
Real disposable income	Percent change*	4.3	2.7	3.3	2.7	4.3	1.7	-.5	1.4	1.9
Personal saving rate	Percent	6.1	4.4	4.1	2.9	4.2	4.6	4.4	4.2	4.4
Corp. profits with IVA & CCAdj	Percent change*	7.4	9.2	-5.6	17.4	8.2	-16.8	-3.9	2.8	-1.1
Profit share of GNP	Percent	7.1	7.0	6.7	6.8	6.9	6.0	5.4	4.9	4.6
Federal govt. surplus/deficit	Billions of $	-169.6	-196.9	-206.9	-158.2	-141.7	-134.3	-153.6	-141.3	-116.5
State and local govt. surplus		64.6	65.1	62.8	51.0	46.5	46.5	38.0	41.6	59.6
Exc. social insurance funds		19.8	13.8	5.6	-8.3	-16.4	-19.9	-31.5	-31.3	-16.9
PRICES AND COSTS										
GNP implicit deflator	Percent change*	3.4	2.9	2.6	3.0	4.1	3.7	4.4	4.0	3.5
GNP fixed-weight price index		3.7	3.3	2.6	3.8	4.6	4.0	4.8	4.3	3.8
Cons. & fixed invest. prices		3.3	3.4	2.5	4.5	4.3	4.3	5.4	4.0	3.7
CPI		4.2	3.5	1.3	4.5	4.3	4.6	6.3	4.1	3.8
Exc. food and energy		5.0	4.3	3.9	4.3	4.5	4.3	5.3	4.8	3.9
ECI hourly compensation		4.9	3.9	3.2	3.3	4.8	4.8	5.0	4.5	3.9
Nonfarm business sector										
Output per hour		1.5	1.6	1.3	2.3	1.8	-1.6	-.1	1.5	1.2
Compensation per hour		4.1	4.6	4.9	3.7	4.2	2.2	4.4	4.4	4.0
Unit labor costs		2.6	3.0	3.6	1.4	2.3	3.9	4.6	2.9	2.7

* Percent changes are from fourth quarter to fourth quarter.

CONFIDENTIAL - FR
CLASS II FOMC

December 12, 1990

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

	Units	1988 Q1	1988 Q2	1988 Q3	1988 Q4	1989 Q1	1989 Q2	1989 Q3	1989 Q4	1990 Q1	1990 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
et 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
onfarm 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

CONFIDENTIAL - FR
CLASS II FOMC

December 12, 1990

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

	Units	Projection									
		1990		1991				1992			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GNP	Billions of $	5520.6	5533.2	5591.1	5691.9	5777.1	5858.8	5947.8	6034.7	6121.4	6208.0
Real GNP	Billions of 82$	4173.1	4140.7	4131.8	4164.8	4190.9	4214.8	4240.4	4265.7	4291.3	4317.0
Real GNP	Percent Change	1.7	-3.1	-.9	3.2	2.5	2.3	2.4	2.4	2.4	2.4
Gross domestic purchases		1.8	-5.8	-2.2	2.6	2.4	1.7	1.7	2.0	2.3	2.2
Final sales		2.2	-.5	-.9	1.6	.8	1.9	2.4	2.1	2.1	2.1
Private dom. final purchases		2.6	-4.0	-2.7	1.6	1.3	1.6	1.9	2.1	2.4	2.3
Personal consumption expend.		3.2	-2.5	-1.6	2.5	1.4	1.5	1.7	1.8	1.8	1.8
Durables		2.3	-8.8	-7.4	5.7	1.7	1.5	2.1	2.4	2.6	2.2
Nondurables		3.2	-5.7	-4.5	1.8	.2	.4	.5	.6	.6	.6
Services		3.5	1.7	2.2	2.0	2.0	2.3	2.3	2.4	2.4	2.4
Business fixed investment		8.2	-6.5	-6.2	-2.7	-.3	.4	1.6	2.5	3.3	3.4
Producers' durable equipment		10.1	-4.6	-5.2	-1.5	1.5	2.5	4.0	5.0	6.0	6.0
Nonresidential structures		2.7	-13.0	-9.4	-6.5	-6.4	-6.5	-6.6	-6.4	-6.4	-6.2
Residential structures		-19.2	-17.6	-9.2	1.2	5.2	5.8	6.0	6.4	8.4	7.0
Exports		4.3	2.5	3.7	8.2	8.1	8.3	8.8	8.6	8.3	8.1
Imports		4.3	-14.5	-5.1	3.9	7.4	4.5	3.9	6.0	7.7	6.9
Government purchases		.6	-.4	-.3	-1.5	-1.6	.2	.6	.0	.2	.4
Federal		-1.5	-4.1	-1.9	-4.8	-5.2	-1.6	-1.5	-2.8	-2.6	-2.3
Defense		.0	-4.0	-3.6	-7.7	-7.9	-3.1	-3.3	-4.6	-4.8	-4.4
State and local		2.2	2.3	.9	.8	.9	1.4	2.0	2.0	2.1	2.1
Change in business inventories	Billions of 82$	5.1	-21.8	-21.3	-5.2	12.5	16.9	17.6	20.5	24.1	27.3
Nonfarm	Billions of 82$	5.0	-24.1	-22.6	-6.6	10.7	14.8	15.4	18.2	21.9	25.1
Net exports	Billions of 82$	-45.1	-15.5	-1.4	5.2	6.3	12.3	20.3	24.8	26.3	28.7
›minal GNP	Percent change	5.8	.9	4.3	7.4	6.1	5.8	6.2	6.0	5.9	5.8
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	110.7	110.2	109.8	110.0	110.4	110.7	111.1	111.5	111.9	112.4
Unemployment rate	Percent*	5.6	5.9	6.4	6.4	6.5	6.5	6.5	6.5	6.5	6.5
Industrial production index	Percent change	3.7	-8.5	-6.0	5.2	4.7	4.2	3.3	3.3	3.5	3.5
Capacity utilization rate-mfg.	Percent*	82.8	80.3	78.5	79.0	79.4	79.7	79.8	79.9	80.1	80.2
Housing starts	Millions	1.13	1.02	1.04	1.08	1.11	1.14	1.18	1.20	1.22	1.24
Auto sales	Millions	9.68	8.89	8.42	8.77	8.88	8.96	9.09	9.23	9.36	9.45
Domestic	Millions	7.21	6.50	6.22	6.40	6.47	6.54	6.62	6.70	6.78	6.85
Foreign	Millions	2.47	2.38	2.20	2.37	2.41	2.42	2.47	2.53	2.58	2.60
INCOME AND SAVING											
Nominal personal income	Percent change	5.1	3.4	5.9	6.3	5.7	6.5	7.9	5.9	6.2	6.1
Real disposable income	Percent change	-.5	-4.3	.7	2.0	1.1	2.0	2.7	1.4	1.8	1.7
Personal saving rate	Percent*	4.1	3.7	4.3	4.2	4.1	4.2	4.4	4.3	4.3	4.3
Corp. profits with IVA & CCAdj	Percent change	-14.4	-19.4	-13.8	19.3	5.1	3.5	-5.0	-1.4	-4.8	7.1
Profit share of GNP	Percent*	5.3	5.0	4.8	4.9	4.9	4.9	4.8	4.7	4.6	4.6
Federal govt. surplus/deficit	Billions of $	-142.9	-137.3	-158.6	-146.9	-128.6	-131.0	-131.5	-119.7	-107.8	-106.8
State and local govt. surplus		39.1	35.9	33.9	39.8	43.7	49.1	53.7	57.8	61.0	65.9
Exc. social insurance funds		-30.7	-34.8	-37.7	-32.7	-29.7	-25.2	-21.5	-18.3	-16.0	-12.0
PRICES AND COSTS											
GNP implicit deflator	Percent change	4.0	4.1	5.2	4.0	3.5	3.4	3.7	3.5	3.4	3.3
GNP fixed-weight price index		4.2	4.5	5.5	4.0	3.8	3.7	4.2	3.7	3.6	3.6
Cons. & fixed invest. prices		5.4	6.8	4.4	3.9	3.9	3.8	3.8	3.8	3.6	3.6
CPI		6.3	7.2	4.2	4.0	4.1	4.0	4.0	4.0	3.7	3.7
Exc. food and energy		5.8	4.2	5.4	5.0	4.6	4.2	4.1	4.1	3.8	3.8
ECI hourly compensation**		4.2	4.5	5.1	4.8	4.2	4.0	4.4	3.8	3.7	3.5
Nonfarm business sector											
Output per hour		.2	.3	-.4	3.2	1.8	1.4	1.3	1.3	1.2	1.2
Compensation per hour		4.6	4.3	4.9	4.6	4.1	4.1	4.5	3.9	3.7	3.6
Unit labor costs		4.4	4.0	5.3	1.4	2.3	2.7	3.2	2.6	2.5	2.4

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

December 12, 1990

CONFIDENTIAL - FR
CLASS II FOMC

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	7.5
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	-24.9
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	48.1
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	-2.7
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	12.5
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	-3.6
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	-18.1
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	34.2
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	1.4
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	6.9
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	-5.6
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	-16.7
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	-40.7
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	-39.4
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	-1.3
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	32.4
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	19.0
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	-13.3
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	18.4
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	8.3
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	-1.6
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	9.9
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	10.1

CONFIDENTIAL - FR
CLASS II FOMC

December 12, 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	18.0	-32.4	-8.9	33.0	26.1	23.9	25.5	25.4	25.5	25.7	73.9	7.5	74.1	102.2
Gross domestic purchases	18.5	-62.0	-23.0	26.4	25.0	17.9	17.5	20.9	24.1	23.3	46.1	-24.9	46.4	85.7
Final sales	22.4	-5.5	-9.4	16.9	8.4	19.5	24.8	22.5	21.9	22.5	69.2	48.1	35.4	91.8
Private dom. final purchases	21.6	-34.2	-22.9	13.5	10.7	13.1	15.7	17.9	20.0	19.4	39.1	-2.7	14.3	72.9
Personal consumption expend.	20.9	-17.3	-10.9	16.4	9.0	10.3	11.2	12.2	12.5	12.1	31.1	12.5	24.8	48.0
Durables	2.4	-9.7	-7.9	5.8	1.8	1.5	2.2	2.5	2.8	2.3	-5.9	-3.6	1.1	9.9
Nondurables	7.1	-13.4	-10.4	4.0	.4	.9	1.1	1.3	1.4	1.4	5.9	-18.1	-5.0	5.2
Services	11.5	5.7	7.4	6.6	6.8	7.9	7.9	8.3	8.3	8.4	31.0	34.2	28.7	32.9
Business fixed investment	10.1	-8.7	-8.1	-3.4	-.4	.5	2.0	3.1	4.1	4.3	21.8	1.4	-11.4	13.4
Producers' durable equipment	9.4	-4.6	-5.2	-1.5	1.4	2.4	3.8	4.8	5.8	5.9	19.8	6.9	-2.9	20.4
Nonresidential structures	.8	-4.2	-2.9	-1.9	-1.9	-1.8	-1.8	-1.8	-1.7	-1.6	2.1	-5.6	-8.5	-7.0
Residential structures	-9.5	-8.2	-3.9	.5	2.1	2.3	2.4	2.6	3.5	3.0	-13.8	-16.7	.9	11.5
Change in business inventories	-4.4	-26.9	.5	16.1	17.7	4.4	.7	2.9	3.6	3.2	4.9	-40.7	38.7	10.4
Nonfarm	-6.6	-29.1	1.5	16.0	17.3	4.1	.6	2.8	3.7	3.2	-11.9	-39.4	38.9	10.3
Farm	2.2	2.2	-1.0	.1	.4	.3	.1	.1	-.1	.0	16.8	-1.3	-.2	.1
Net exports	-.5	29.6	14.1	6.6	1.1	6.0	8.1	4.5	1.4	2.4	27.8	32.4	27.7	16.4
Exports	6.6	3.9	5.8	12.7	12.7	13.3	14.4	14.4	14.2	14.1	56.3	19.0	44.4	57.1
Imports	7.1	-25.7	-8.3	6.1	11.6	7.3	6.4	9.9	12.7	11.7	28.4	-13.3	16.7	40.7
Government purchases	1.3	-.9	-.5	-3.1	-3.4	.4	1.1	.1	.4	.7	2.3	18.4	-6.6	2.4
Federal	-1.3	-3.6	-1.6	-4.1	-4.5	-1.3	-1.3	-2.3	-2.2	-1.9	-9.6	8.3	-11.5	-7.6
Defense	.0	-2.6	-2.3	-5.0	-5.0	-1.9	-2.0	-2.8	-2.9	-2.6	-5.6	-1.6	-14.2	-10.3
Nondefense	-1.4	-.9	.7	.9	.5	.6	.7	.5	.7	.7	-4.0	9.9	2.7	2.7
State and local	2.6	2.7	1.1	1.0	1.1	1.7	2.4	2.4	2.6	2.6	12.0	10.1	4.9	10.0

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	1114	1174	230	319	254	248	254	334	278	261	269	351	293	273
Budget outlays[2]	1144	1252	1372	1415	310	331	312	345	338	346	343	362	348	351	353	353
Surplus/deficit(-)[2]	-153	-220	-258	-241	-80	-12	-58	-96	-84	-12	-65	-101	-79	0	-60	-80
(On-budget)	-206	-277	-319	-311	-94	-41	-65	-102	-101	-36	-80	-109	-99	-26	-77	-90
(Off-budget)	53	57	61	70	14	29	7	6	17	23	15	7	20	26	16	10
Surplus excluding deposit insurance[3]	-131	-162	-164	-156	-74	17	-41	-74	-61	11	-40	-77	-57	20	-43	-68
Means of financing:																
Borrowing	140	263	267	231	90	41	69	91	72	47	57	90	60	29	52	74
Cash decrease	3	1	5	0	8	-16	-6	20	0	-26	10	10	5	-20	5	10
Other[4]	10	-44	-14	10	-18	-13	-6	-15	12	-9	-2	1	14	-9	4	-3
Cash operating balance, end of period	41	40	35	35	18	35	40	20	19	45	35	25	20	40	35	25
NIPA FEDERAL SECTOR					Seasonally adjusted annual rates											
Receipts	1038	1092	1168	1254	1081	1106	1125	1136	1158	1179	1198	1217	1248	1266	1284	1306
Expenditures	1174	1249	1311	1376	1249	1272	1268	1274	1316	1326	1327	1348	1380	1386	1391	1413
Purchases	400	414	428	430	411	422	425	425	432	429	425	426	432	432	431	431
Defense	301	307	310	304	307	310	311	311	314	310	305	304	306	304	302	301
Nondefense	99	107	118	126	103	112	113	114	118	119	121	122	126	127	129	131
Other expend.	774	834	883	946	838	850	843	849	884	897	901	922	948	954	960	981
Surplus/deficit	-136	-157	-143	-123	-168	-166	-143	-137	-159	-147	-129	-131	-131	-120	-108	-107
FISCAL INDICATORS[5]																
High-employment (HEB) surplus/deficit(-)	-162	-165	-101	-70	-182	-171	-143	-111	-112	-101	-81	-81	-79	-66	-53	-51
Change in HEB, percent of potential GNP	.1	.1	-1.2	-.5	.3	-.2	-.5	-.6	0	-.2	-.3	0	0	-.2	-.2	0
Fiscal impetus measure (FI), percent	-3.5 *	-4.2 *	-7 *	-4.1 *	-2.3	1.2	-1.2	-.9	-4.5	-1.2	-1.5	-.5	-1.9	-.6	-.6	-.4

a--actual *--calendar year

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

1. Staff projections. OMB's baseline deficit estimates made for the Budget Summit (September 1990), in combination with their preliminary estimates of the savings in the recent budget agreement, imply deficits of $255 billion in FY1991 and $233 billion in FY1992. CBO's December deficit estimates are $253 billion in FY1991 and $262 billion in FY1992.
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, are $158 billion and $153 billion, respectively. CBO's December deficit estimates, excluding deposit insurance spending, for FY1991 and FY1992, are $162 billion and $155 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

The federal funds rate has fallen about 50 basis points since the November FOMC meeting as the System has eased policy against a backdrop of mounting evidence of economic slack. Treasury bill rates have moved down about 20 basis points, while rates on many private money market instruments, which had been held up by concerns about credit quality and year-end window dressing, have fallen about 40 basis points.

In late November, it appeared that year-end pressures on banks would be unusually intense. Demands for credit were being augmented by shifts from the commercial paper market at the same time investors were reluctant to extend credit to many large banks, given concerns about their asset portfolios. These pressures have diminished appreciably in December; the cut in reserve requirements, which market participants viewed as a signal of Federal Reserve intentions to provide liquidity and to be more supportive of banks during the period of stress, contributed to a marked narrowing of rate spreads between bank funding sources and Treasury bills. On news of the cut, bank stock prices rebounded from November lows and spreads between yields on bank holding company debt and Treasuries generally narrowed. The prime rate at large banks has remained at 10 percent, despite an unusually wide gap between the prime and money market rates.

In longer-term markets, Treasury rates have dropped 30 to 40 basis points since the mid-November meeting; smaller declines have been registered on municipal and corporate instruments. Broad stock price indexes, buoyed by the fall in interest rates, increased 2 to 4 percent in November and early December.

Concerns about credit quality continue to pervade financial markets. Yields on commercial paper that is rated less than prime and that matures after year-end have risen more than 50 basis points, prompting many issuers of paper to turn to their backup lines of credit at banks. Draws on credit lines, especially at branches and agencies of Japanese banks, helped boost bank loan growth in November, which overall has remained sluggish. Recent Federal Reserve survey data indicate that banks have tightened further price and nonprice terms of lending on commercial real estate and business loans. In bond markets, insurance companies reportedly are more selective in acquiring private placements, as they too seek to strengthen their investment portfolios, and virtually no new junk issues have been marketed publicly in the fourth quarter. Finance companies have filled some of the slack left by other lenders in recent months, but the growth of their business loans was less robust in September and October than in prior months.

The broad monetary aggregates declined slightly in November, despite a turnaround in M1 growth. The weakness in M2 thus far in the fourth quarter can be traced largely to nontransaction retail deposits, whose growth has slowed even though their opportunity costs have narrowed. Also adding to M2 weakness in November was a reversal, perhaps associated with the rebound in stock prices, of previous strong inflows to money market mutual funds. The decline of M3 in November, for the second consecutive month, reflected continued weak bank credit growth and the ongoing contraction of thrift industry assets.

Aggregate debt growth of the nonfederal sectors likely continued to moderate in the fourth quarter, although business borrowing seems to have firmed a bit as investment-grade firms have taken advantage of lower long-term rates to issue an increased volume of bonds. Some of the proceeds of new bond issues have been used to pay down commercial paper. Although equity prices rose over the intermeeting period, new stock offerings remain sparse. With no big M&A deals scheduled for completion in the fourth quarter, net equity retirements this quarter are expected to fall appreciably below the pace of the year's first nine months, reducing borrowing needs.

Available indicators suggest further slowing in household credit growth, as consumers apparently are becoming more cautious about borrowing to spend, in what they perceive to be a deteriorating economic environment. Total consumer credit in October expanded only marginally, and bank consumer lending continued at a snail's pace in November. The slack growth in consumer credit appears primarily demand-determined; there is little evidence to suggest that banks or finance companies have significantly tightened terms of lending for consumers. The same holds for home mortgage borrowing, which likely has remained moderate in the current quarter, judging from recent patterns of home sales and construction activity. Real estate loan growth at banks averaged about 7 percent in October and November, near the third-quarter pace, and much of that was home equity loans.

In municipal markets, the volume of new bond offerings in October and November was appreciably below the pace of prior months, in part reflecting the absence of refunding issues. An increasing number of state and local governments are facing budget problems as revenues are eroded by struggling local economies. These problems have resulted in numerous downgradings this year of tax-exempt issues, making it more costly for many entities to raise funds. A number of municipal bonds backed by letters of credit also have been downgraded as a result of problems of the banks providing the backing. Investor concerns have been reflected in some widening of risk spreads on tax-exempt debt, though to a lesser extent than on corporate debt.

The federal deficit is expected to surge from $58 billion in the third quarter to $96 billion in the fourth, largely reflecting a seasonal upswing. The bulk of the funding has come from public borrowing, with a drawdown of the Treasury's cash balance expected to provide about $20 billion.

Outlook

As noted in the nonfinancial section, the staff's economic projection is based on the assumption that the federal funds rate will not move far from its current level through 1992. The System's latest easing actions were not anticipated in the November Greenbook, and thus short-term rates are lower through 1991 than previously assumed. The same is true of Treasury bond yields, which also change little in this forecast. We anticipate, however, that the stresses associated with the weakness in the economy will result in some further widening of risk premia on private debt instruments and that loan terms demanded by banks and other intermediaries will become somewhat more stringent in coming months. While it is assumed that the tightening of credit supply conditions will begin to abate once economic recovery gets underway, the reversal of lender caution probably will not occur as quickly as it has in some other cyclical upswings, given the projected relatively moderate improvement in household and business cash flows, the need to repair capital positions, and the need to work through a sizable property overhang in order to firm up asset values.

The growth rate of domestic nonfinancial sector debt is projected to slow from an estimated 7 percent this year to around 6 percent over the next two years, roughly the same pace expected for nominal GNP. Much of the anticipated slowing reflects lower federal sector demands; reduced net outlays for RTC, coupled with the effects of the deficit reduction program, should translate into a downtrend in Treasury borrowing from the elevated levels seen this year.

Growth Rates of Domestic Nonfinancial Debt by Sector
(Percent, debt measured period-end to period-end)

	1990 (annual rate)					
	H1	Q3	Q4	1990	1991	1992
			------------	--projected--	----------	----------
Total	7.2	7.0	6.4	7.0	6.1	6.1
U.S. government	10.8	11.9	11.9	11.7	10.4	7.6
Nonfederal	6.1	5.4	4.6	5.6	4.7	5.5
Households	8.3	7.8	4.9	7.4	5.0	5.8
Nonfinancial business	4.7	3.4	5.0	4.5	5.0	5.7
State and local govt	1.9	3.2	0.9	2.0	1.0	3.2
Memo: Nominal GNP	5.9	5.8	0.9	4.6	5.9	6.0

Among nonfederal sectors, borrowing by nonfinancial businesses likely will show a jump in the first quarter, if, as expected, the AT&T takeover of NCR is concluded after year-end; however, the underlying trend in business debt growth is expected to remain subdued next year. Holding down corporate borrowing will be weak capital outlays and, after the first quarter, a reduced pace of leveraged restructuring activity. On balance, business debt is expected to expand at about 5 percent in 1991 and to pick up only slightly in 1992 as capital expenditures strengthen.

In the household sector, consumer credit growth is expected to be negligible in the near-term and to pick up only mildly through 1992. Slow growth of consumer spending, tax considerations, and already high debt burdens will act to constrain growth of this component of household borrowing. Households also will likely be rather cautious in their use of home equity lines, and lenders may encourage such behavior. Nonetheless, home mortgage debt growth should pick up somewhat over the forecast period, in line with rising housing starts and increased turnover of existing homes. Because depository institutions are likely to continue to be less active acquirers of mortgage instruments, the expansion of mortgage flows will be dependent on an elastic supply of funds from other lenders, including households, through the mortgage-backed securities market. Our expectation is that the spreads on mortgages and MBSs, which recently have widened somewhat, will be under some further pressure over the next couple of years --even if no legislative action is taken to rein in Fannie Mae and Freddie Mac, as has been proposed.

The forecast anticipates little net increase in state and local debt in 1991, followed by a resumption of modest growth in 1992. Heavy retirements of tax-exempt bonds with proceeds from earlier advance refunding issues will continue to damp growth. (The associated retirement of nonmarketable SLGS will enlarge the Treasury's borrowing requirements slightly.) Moreover, the volume of new bond financing may be restrained as governmental units cope with fiscal problems by cutting back or delaying major capital projects.

Recent Developments

The weighted-average foreign-exchange value of the dollar in terms of other G-10 currencies has changed little on balance from its level at the time of the November FOMC meeting. Appreciations of the dollar against the yen and sterling have offset depreciation against the mark, which was strong against all currencies. The dollar has fluctuated during the period as perceptions have changed regarding Middle East tensions. Around the time of the U.N. Security Council's vote authorizing the use of force against Iraq, the dollar rose sharply. It retreated when Saddam Hussein announced that he intended to release foreigners held in Iraq and Kuwait, and it declined further on the publication of U.S. employment figures for November and the further easing by the Federal Reserve.

Over the intermeeting period, German short-term interest rates have increased about 30 basis points. The Bundesbank returned to the use of a variable rate tender in its one-month RP allocations, and minimum rates on the most recent allocation were 1/2 percentage point above the prior fixed rate tender and equal to the recently raised Lombard rate. The yield on the German bellwether bond has declined only modestly despite falling oil prices which led to greater declines in long-term interest rates elsewhere. Short-term interest rates in Japan has changed little, while the yield on the Japanese bellwether bond has fallen nearly 75 basis points.

. The desk has not intervened.

GNP growth in the foreign industrial countries in the third quarter was mixed. Real growth of nearly 7 percent (s.a.a.r.) in Western Germany was supported by strength in investment and external demand, related in large part to increased shipments to Eastern Germany. GNP in Eastern Germany is estimated to have collapsed in the third quarter by nearly one third from year-earlier levels, but showed signs of steadying in September and October. Japanese growth in the third quarter continued to decelerate from its rapid pace early in the year, but still exceeded 4 percent at an annual rate, spurred by strong investment; other more recent indicators suggest that Japanese activity may be softening in the fourth quarter. In France, partial data for the third quarter indicate that real GDP growth rebounded, led by investment and inventory accumulation. Canada and the United Kingdom, which together normally account for more than one-fourth of U.S. exports, recorded negative growth in the third quarter, and most signs point to continuing declines in the fourth quarter. Activity in Eastern European remains depressed.

Consumer price inflation (measured on a 12-month change basis) in the foreign industrial countries has increased 1/2 percentage point or more in recent months, as most of the effects of higher oil prices now have been passed through to consumer prices. Special factors raised Japanese inflation still further in November to a rate of nearly 4 percent, and U.K. inflation in October remained stubbornly high at nearly 11 percent.

The U.S. merchandise trade deficit narrowed slightly to $9.4 billion (seasonally adjusted, Census basis) in September, from an upward revised deficit in August of $9.7 billion. A substantial decline in non-oil imports from strong levels in July and August was partly offset by a further sharp increase in the value of oil imports. Exports declined somewhat, led by reductions in automotive shipments to Canada and agricultural exports. For the third quarter as a whole, the trade deficit widened substantially, reversing its earlier downtrend. This reversal reflected the combined effects of higher oil prices in August and September, a surge in imports of autos and consumer goods during July and August, and weak demand in key U.S. export markets abroad. The current account deficit also widened in the third quarter, but substantially less than the trade deficit, partly because the earnings of U.S. oil companies abroad increased strongly.

Import prices rose another 3.2 percent in October, to $30 per barrel. Non-oil import prices were up 0.4 percent for the month, slightly less than the average monthly rate of increase recorded in the third quarter. Export prices rose 0.6 percent in October, as further strong increases in prices of U.S. petroleum-dependent exports were partly offset by declines in prices of agricultural exports.

Outlook

The current forecast incorporates the same flat path for the foreign exchange value of the dollar as in the November Greenbook. Growth in foreign industrial and developing countries, weighted by their importance to U.S. exports, is projected to remain above U.S. growth, picking up from about 1-1/2 percent in the second half of this year to a little over 2-1/2 percent next year and 3 percent in 1992, much the same as in the November Greenbook.

The projected quantity of U.S. imports has been revised down substantially in the near term, on the basis of preliminary indicators for the fourth quarter and in response to the weaker outlook for U.S. domestic demand. A lower assumed path for oil prices in the near term contributes further to a downward revision in the value of imports and an improvement in the outlook for the trade balance, particularly through the first quarter of next year.

Beyond the near term, the projected pattern of external adjustment is little changed from the November forecast. The external balances in both nominal terms and real terms are still expected to improve substantially through mid-1992.

The Dollar. The foreign exchange value of the dollar is projected to remain unchanged against the other G-10 currencies over the forecast period at near its recent low, the same forecast as in the November Greenbook. Two main factors pose considerable uncertainty for the dollar in the near-term. If tensions should reescalate in the Persian Gulf, the dollar could move up sharply, though probably only temporarily. On the other hand, heightened concern about the weakness in the U.S. economy and vulnerability of the financial system could engender a further decline in the dollar, even without additional easing by the Federal Reserve. The forecast for the CPI-adjusted value of the dollar against the currencies of eight major developing countries also is little changed; the dollar is projected to depreciate slightly (in real terms) against these currencies over the forecast period.

Foreign Industrial Countries. Real GNP growth in the foreign G-10 countries is expected to have been a little over 2 percent (annual rate) in the second half of this year, somewhat stronger than in the November Greenbook, mainly because of an upward revision in the expected level of German GNP. Growth is projected to pick up to 2-3/4 percent during the next two years, about the same rate as experienced over the full year 1990.

Consumer price inflation in the foreign G-10 countries on average is projected to fall from about 5-1/4 percent (Q4/Q4) this year to about 4-1/4 percent in 1991 as oil prices fall, and to slow further to 3-3/4 percent in 1992. The forecast assumes that foreign authorities will continue to resist inflationary pressures, although movements in interest rates in individual countries will vary with the cyclical positions of those countries. On average, foreign short-term interest rates are expected to rise slightly further through mid-1991, and then to decline over the rest of the forecast period. Long-term interest rates are expected to follow a similar though more damped pattern.

Among individual countries, rates of economic growth in Germany and Japan are projected to remain robust--both in the range of 3-1/2 to 4 percent over the next two years. Further increases in German short-term interest rates (by roughly 1/2 percentage point) are expected in coming months in order to blunt inflationary pressures arising from continued strong demand related to German unification and potential increases in wage demands. Japanese short-term interest rates are expected to move down next year and in 1992 as inflation slows. Canada and the United Kingdom are not expected to record positive growth rates until mid-1991; short-term interest rates in both countries probably will decline significantly over the forecast period as a result of weak economic performance and some monetary easing. Lower interest rates are expected to cause the pound to weaken within the exchange rate mechanism of the EMS, however, and concern about maintaining sterling within its 6 percent EMS boundaries may limit U.K. authorities' scope for more substantial easing.

Developing Countries. Growth in the developing countries is projected to rebound to an average annual rate of about 4 percent in 1991 and 1992, from an expected 2-1/2 percent in 1990, essentially the same outlook as in the November Greenbook. Average output in developing countries in the Western Hemisphere is projected to recover in 1991-92, due to increased growth in oil-exporting countries and an expected recovery of activity in Brazil and Argentina. Growth in Asia is expected to increase only slightly over the forecast period, as the increase in oil prices from their average levels in 1990 restrains growth.

U.S. Merchandise Trade Quantities. Growth in the quantity of U.S. nonagricultural exports is expected to continue at a moderate pace through the first quarter next year and to return to double-digit rates thereafter. This outlook reflects the anticipated effects of the 15 percent decline in the weighted-average foreign exchange value of the dollar over the past year and the projected pickup in growth abroad.

The near-term pattern of agricultural exports has been revised somewhat. An anticipated rebound in shipments to the Soviet Union has not yet materialized in preliminary weekly data on shipments through November, and these exports are now assumed to resume in the first quarter. Agricultural exports are still projected to show little further growth beyond the first quarter of next year, because demand for imported grains and soybeans in the major U.S. export markets is expected to remain sluggish.

TRADE QUANTITIES*
(Percent change, annual rate)

		---------- Projection	------------	
	1990-Q3 / 1990-Q2	1990-Q4 / 1990-Q3	1991-Q4 / 1990-Q4	1992-Q4 / 1991-Q4
Nonagricultural exports	3.5	2.9	10.5	11.4
Agricultural exports	-12.4	0.4	8.3	1.4
Non-oil imports	6.9	-6.7	1.8	6.7
Oil imports	17.6	-45.3	17.4	7.5

* GNP basis, 1982 dollars.

The quantity of non-oil imports is projected to decline significantly in the fourth quarter. This near-term drop in imports is greater than in the November forecast, reflecting the weaker outlook for domestic demand in the current quarter. Customs collections and other preliminary indicators suggest that non-oil imports in October will have recorded only a partial recovery from the very low level reached in September. These imports are projected to decline further in the first quarter and then to resume expanding with the recovery in U.S. economic activity.

Recent weekly data reported by the Department of Energy indicate that the quantity of oil imports in the fourth quarter is likely to fall well short of the rate that was projected in November. Imports slowed substantially in October and November as refiners scaled back operations to perform maintenance that previously had not been expected until early 1991. Oil imports are projected to expand steadily over the next two years--at a slightly higher rate than in the November forecast--as domestic demand recovers and as domestic production of crude oil continues to trend down.

Real Net Exports. On balance, total real net exports of merchandise are expected to increase substantially more in the fourth quarter than previously projected, largely because of the weakening outlook for imports. Net exports of goods are projected to show further steady improvement through 1992, much the same as in the November forecast. With real net exports of services still expected to show a moderately positive trend over the forecast period, net exports of goods and services are projected to improve by $30 billion at an annual rate in the fourth quarter and another $45 billion over the next eight quarters.

Merchandise Trade Prices. The fixed-weight price index for nonagricultural exports is projected to show a large increase in the fourth quarter, reflecting in part the expected sharp pickup in domestic producer prices in areas that are particularly sensitive to oil prices. Thereafter, as shown in the table below, 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). The rate of increase in prices of non-oil imports, which is expected to decline over the forecast period, is not significantly changed from the last Greenbook forecast.

SELECTED PRICE INDICATORS
(Percent change, annual rate)

		---------- Projection ----------		
	1990-Q3 / 1990-Q2	1990-Q4 / 1990-Q3	1991-Q4 / 1990-Q4	1992-Q4 / 1991-Q4
PPI (export-share weighted)	4.8	9.4	1.4	2.4
Nonagric. exports (Fx-Wt)	3.1	8.3	2.0	2.3
Non-oil imports (Fx-Wt)	3.9	5.9	5.4	3.0
Oil imports (Fx-Wt)	135.2	456.6	-22.0	0.0

Oil Import Price. The quarterly average price of oil imports is expected to have peaked in the current quarter at just under $30 per barrel, somewhat less than in the previous projection. The anticipated decline in oil import prices now comes sooner, but the level of those prices is still assumed to remain flat at $23 per barrel from mid-1991 on. This price path assumes a peaceful resolution of the Gulf crisis, leaving long-term production capacity in the major oil producers intact. The price of $23 per barrel is consistent with production in Iraq and Kuwait reaching July Accord rates by mid-1991, a scaling back of Saudi Arabian production to a level roughly 1 million barrels per day above Accord rates, and some reduction in non-OPEC production from recent high rates. Even under the assumption of a peaceful resolution, there is tremendous uncertainty regarding production capability in both Kuwait and Iraq in the short term and the response of other OPEC producers to a resumption of production in Iraq and Kuwait. Moreover, there is considerable risk that prices will move in an erratic pattern, depending upon the timing of shifts in production by major oil producers, the rate at which stocks are run down, and uncertainty surrounding the balance of power in OPEC.

Nominal Balances: Trade and Services. Much of the effect of the increase in oil import prices on the nominal trade deficit is now expected to be offset in the current quarter by a reduced quantity of imports. The deficit in the fourth quarter is projected at $127 billion (annual rate), up only moderately from the rate in the third quarter. This projection is about $25 billion less than in the November Greenbook, reflecting primarily our revised expectations about the quantity of imports and oil prices. Beyond the current quarter, further declines in oil prices and the continuing effects of the depreciation of the dollar contribute to a steady improvement in the trade deficit, to an annual rate rate of about $80 billion by mid-1992, roughly the same as in the November Greenbook.

Net portfolio payments to foreigners are expected to rise significantly over the next two years because of rising U.S. international indebtedness. These rising net payments are expected to be more than fully offset by increased receipts on net direct investment income and other net services. This outlook for net investment income and service transactions incorporates estimated sales of $6 billion of military equipment to Saudi Arabia to be delivered by the end of next year, and smaller amounts thereafter.

The outlook for the current account also includes an estimate for cash grants received from foreign governments associated with Operation Desert Shield. These grants are now estimated to amount to $5 billion (not at an annual rate) in the fourth quarter, and $2-1/2 billion in the first quarter of 1991, about double what was assumed in the November forecast. As a result, the current account balance is now projected to narrow substantially during both the fourth and first quarters, and to continue to improve at a more moderate pace thereafter, reaching an average annual rate of about $45 billion during the second half of 1992.

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	-33.4	0.0	23.2	-39.3	-39.2	-12.0	1.4	2.6	8.1	16.0	21.9	25.4	29.6
Exports of G+S	667.5	718.5	792.9	667.7	681.4	691.2	709.7	727.7	745.3	764.5	783.5	802.4	821.3
Imports of G+S	700.8	718.4	769.6	706.9	720.5	703.1	708.1	725.0	737.2	748.4	761.5	777.0	791.6
Constant 82 $, Net	-35.1	5.6	25.0	-45.1	-15.5	-1.4	5.2	6.3	12.3	20.3	24.8	26.3	28.7
Exports of G+S	626.4	655.5	710.8	626.7	630.6	636.3	649.0	661.7	675.0	689.4	703.8	718.0	732.1
Imports of G+S	661.5	650.0	685.8	671.8	646.1	637.7	643.9	655.5	662.7	669.1	679.0	691.7	703.4
2. Merchandise Trade Balance 2/	-110.9	-95.4	-80.6	-119.0	-127.0	-102.2	-94.2	-94.8	-90.2	-84.5	-81.2	-79.6	-77.2
Exports	387.6	424.7	479.2	384.6	393.6	404.9	417.4	431.3	445.2	459.2	472.9	486.1	498.7
Agricultural	40.6	43.1	46.1	38.9	38.2	41.9	42.8	43.6	44.0	44.7	45.5	46.5	47.6
Non-Agricultural	347.0	381.6	433.2	345.7	355.4	362.9	374.6	387.7	401.1	414.6	427.3	439.7	451.1
Imports	498.5	520.0	559.8	503.6	520.6	507.0	511.6	526.2	535.4	543.7	554.0	565.7	575.9
Petroleum and Products	64.2	73.3	78.5	62.8	82.9	70.7	71.4	75.4	75.9	75.2	77.2	80.1	81.6
Non-Petroleum	434.3	446.7	481.3	440.9	437.6	436.3	440.2	450.8	459.5	468.4	476.8	485.6	494.3
3. Other Current Account Transactions													
Capital Gains and Losses 3/	2.6	0.0	0.0	5.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other D.I. Income, Net	45.3	49.7	51.0	47.7	48.5	49.2	49.6	50.1	50.1	50.5	51.0	51.1	51.2
Portfolio Income, Net	-43.8	-46.6	-49.2	-43.5	-46.0	-45.9	-46.1	-46.8	-47.6	-48.3	-48.9	-49.6	-50.1
Other Current Account, Net	14.3	25.3	29.7	6.8	33.5	28.5	23.7	25.4	23.5	28.0	29.8	31.3	29.8
4. U.S. Current Account Balance													
Including Capital G/L	-92.5	-66.9	-49.1	-102.3	-91.0	-70.3	-66.9	-66.1	-64.3	-54.2	-49.2	-46.7	-46.3
Excluding Capital G/L	-95.1	-66.9	-49.1	-107.9	-91.0	-70.3	-66.9	-66.1	-64.3	-54.2	-49.2	-46.7	-46.3
5. Foreign Outlook 4/													
Real GNP--Ten Industrial 5/	3.1	2.2	2.8	2.9	1.4	1.9	2.7	2.8	2.9	2.9	2.8	2.8	2.7
Real GNP--LDC 6/	2.5	3.7	4.1	3.0	3.6	4.1	4.1	4.0	3.9	3.8	4.1	4.5	4.9
Consumer Prices--Ten Ind. 5/	4.6	4.7	3.7	3.7	6.3	4.9	4.8	2.9	3.7	3.5	4.1	3.5	4.0

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