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January 27, 1993

SUMMARY AND OUTLOOK

Prepared for the Federal Open Market Committee

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

Overview

The Commerce Department's first estimate of GDP for the fourth quarter of 1992 will be released tomorrow. At this point, output growth appears to have been somewhere in the vicinity of the 3.4 percent annual rate registered in the third quarter--about as we had projected in the last Greenbook. If so, the rise in activity over the second half of last year would constitute the biggest two-quarter gain since 1988. Meanwhile, recent wage and price data suggest that inflation is trending gradually lower, also consistent with our projection.

With information received since the last meeting in line with our expectations, the forecast for 1993-94 has not changed materially. We continue to project that real GDP growth will average a shade less than 3 percent over the forecast period, in the absence of new stimulus from monetary or fiscal policy. Even without further cuts in the federal funds rate, however, long-term interest rates are projected to move lower; in addition, the hesitancy that banks and other intermediaries have shown in their lending to private borrowers is expected to diminish gradually.

Although corporate downsizing and other efforts to boost efficiency are anticipated to continue, the projected GDP growth exceeds what we believe is likely to be achieved through productivity gains alone. Thus, we foresee employment gains exceeding labor force growth by a small margin, causing the unemployment rate, currently at 7-1/4 percent, to drift down to around 6-1/2 percent by the end of 1994. With joblessness in this range, and with a fair amount of plant capacity remaining unutilized, we project a gradual deceleration of labor compensation

and prices, with "core" CPI inflation slowing to a little under 2-1/2 percent in 1994--about a percentage point less than in 1992.

As suggested above, we have maintained the assumption of recent Greenbooks that there will be no discretionary shift in fiscal policy. Statements by administration officials indicate that, while they may be proposing some modest stimulative measures, particularly in the area of business and infrastructure investment, the package they will put forward is also likely to contain some "sacrifices" over time in the form of higher taxes and reduced outlays. From a macroeconomic standpoint, the net effect of such a package may not be far from our assumed path for fiscal policy. Thus, with no specifics to go on, we felt it wise to await further information before incorporating a new fiscal assumption into our forecast.

Recent Developments and the Near-term Outlook

Despite a sharp drop in the average workweek last month--which may be, in part, an artifact of the survey-week storms along the eastern seaboard--aggregate hours rose at an annual rate of 1.7 percent in the fourth quarter. This gain was the largest quarterly increase in this series during the current expansion, and barring a significant weakening of productivity gains from recent trends, it points to a sizable increase in real GDP.

Spending indicators for the fourth quarter, while incomplete, generally support the impression provided by the labor market data. Unit sales of light motor vehicles advanced strongly in the fourth quarter, and so did retail sales at outlets other than auto dealers. By all indications, residential construction also moved up smartly last quarter; single-family starts increased in December for the fifth consecutive month, reaching the highest level in nearly three years. Among other components of spending, business fixed investment likely posted a sizable gain in the fourth quarter.

reflecting higher spending for both equipment and nonresidential structures. As a partial offset to the stronger outlays for consumption and private fixed investment, we believe that defense spending tumbled last quarter and that the pace of inventory accumulation slowed; net exports appear to have been about unchanged. Overall, the spending data, in combination with the labor market figures, point to fourth-quarter growth in real GDP at an annual rate of 3-1/2 percent or so.

Direct information on first-quarter activity is limited to a couple of weeks' data on unemployment insurance claims and on developments in the motor vehicle sector. Claims have remained below the 400,000 mark and, based on recent patterns, appear consistent with further slow gains in payroll employment. In addition, motor vehicle production during the first three weeks of the month increased roughly 7 percent from the already high December rate, as the stronger sales in recent months have caused automakers to stick closely to their ambitious assembly schedule.¹

These data, along with relatively upbeat anecdotal reports, suggest that the economy has retained considerable forward momentum. Nonetheless, we continue to expect that the growth of real GDP will slow somewhat this quarter, to about a 2-3/4 percent annual rate.² We expect consumer spending to decelerate in the current

1. Although we expect some shortfall from the announced schedules, the projected rise in motor vehicle production still contributes about 3/4 percentage point to real GDP growth in the current quarter, a contribution similar to that in the fourth quarter.

2. From a production-side perspective, about half of the projected slowing in GDP growth between the fourth quarter of last year and the current quarter stems from the widely anticipated drop-off in agricultural output during the 1993 growing season. Rather than try to guess how BEA might wedge in the production decline over the current year, we simply adjusted down the level of agricultural output in each quarter; with this approach, the full negative impact on GDP growth occurs in the current quarter. In our forecast, this negative effect shows up mainly as a slowdown in the rate of farm inventory investment.

quarter. Signs point to only a little near-term improvement in the labor market, which implies that gains in labor income likely will remain moderate. And, despite the more bullish tone of sentiment indicators, we doubt that households will continue to push spending up as aggressively relative to income as they apparently did in the second half of 1992. Accordingly, growth in real PCE is anticipated to drop back to roughly a 2-1/2 percent annual rate this quarter.

Regarding other sectors, the continued uptrend in single-family housing starts, as well as optimistic attitudes expressed by both households and builders, bodes well for another double-digit rise in real residential investment this quarter. The tenor of information on business fixed investment points to continued strong gains in equipment spending and little change in nonresidential construction. Government purchases are likely to be dragged down again by falling defense spending, and the indications are that the external sector will contribute negatively as well, given the relative weakness of other industrial economies and the appreciation of the dollar since last summer.

The recent data on prices and labor costs generally support the view that disinflationary trends remain in place. The CPI rose only 0.1 percent in December, as did the index excluding food and energy. Although the price declines recorded last month for apparel and some other commodities suggest that holiday discounts may have been deeper than usual, anecdotal reports do not indicate this phenomenon was widespread. Accordingly, we interpret the December report as a signal of ongoing deceleration in retail prices. With regard to labor costs, the fourth-quarter rise in the ECI for hourly compensation--at an annual rate of 3-1/2 percent--was slightly higher than that during the previous six months. Nonetheless, the increase in the ECI over 1992 as a whole was nearly 1 percentage

point less than the rise over 1991. Given the continuing efforts to improve labor productivity, the recent ECI data suggest that the increases in unit labor costs remain quite small.

The Longer-Term Outlook

Key assumptions. The staff projection is predicated on the assumption that the federal funds rate will be little changed over the next two years--in contrast to what appears still to be a prevailing market expectation of a substantial increase in the rate over that span. With the projected slowing of inflation, the path for the nominal funds rate implies a small rise in the real rate. But mitigating--if not offsetting fully--the potential effects on expenditure of this seeming tightening of financial conditions is an anticipated easing of the constraints on loans supply. The improving health of financial intermediaries and a reduction in the perceived risks of lending are expected to lead to an alleviation of the "credit crunch."

Long-term interest rates in recent weeks have continued to reverse the run-up that occurred before the election; the downdrift since the December FOMC meeting reflects a combination of factors, including reassuring statements by the Clinton Administration on deficit reduction and market anticipation of a shift in Treasury financing toward shorter-term debt. We continue to project that long-term rates will ease further over the forecast period, mainly reflecting an ongoing downward adjustment of inflation expectations. We have assumed some fiscal restraint over the intermediate term, but the adoption of a dramatic deficit-reduction program could well lead to sharper declines in long-term rates than we have projected.

The staff's fiscal policy assumptions remain the same as in the December Greenbook. Summary gauges of policy thrust, such as the

structural deficit or the staff's fiscal impetus measure, point to a modestly restrictive stance, largely because of declining defense outlays. Our projection for the unified budget deficit has been reduced roughly \$20 billion in both FY1993 and FY1994. The revisions for both years reflect a lower estimate of outlays for deposit insurance; the adjustment in FY1993 also results from stronger-than-anticipated income tax receipts in recent months. With these revisions, we now project a deficit of \$295 billion during the current fiscal year and \$307 billion during FY1994, compared with the \$290 billion deficit recorded during FY1992.

Despite the faster growth in nominal GDP during the second half of the year, the monetary aggregates have remained quite sluggish; both M2 and M3 finished 1992 somewhat below their respective target ranges. The resulting acceleration in velocity for both aggregates last year was highly unusual, given the concurrent reduction in short-term interest rates. The factors that boosted velocity in 1992--the extreme steepness of the yield curve, the limited demand by depositories for loanable funds, and deleveraging by households and businesses--are expected to abate somewhat in 1993 and 1994. Nonetheless, over the forecast period, broad money growth will be restrained by the lingering effects of these factors and by a resumption of RTC resolutions; therefore, we expect considerable further increases in M2 and M3 velocity.

Our forecast for economic activity abroad is virtually unchanged from that in the previous Greenbook. GDP growth in the other major industrial countries, estimated to have been less than 1 percent over 1992 on an export-weighted basis, is expected to pick up over the course of the year and to rise to 3 percent in 1994. Growth in developing countries also is expected to accelerate over the forecast period. The trade-weighted value of the dollar is

expected to drift up over the next two years, following about the same path as that in the December Greenbook.

Crude oil prices have weakened further on balance in recent weeks, consistent with our expectation in the December Greenbook. The price decline reflects soft world demand and OPEC's inability to enforce agreed-upon output quotas. We continue to expect that the posted price of West Texas Intermediate crude oil will average about \$18.30 per barrel in the current quarter, down from the \$21 per barrel price that prevailed last summer and early last fall. With the projected pickup in worldwide economic growth and some additional production restraint by OPEC, we expect the WTI posted price to stabilize at \$19 per barrel in the second half of this year.

Summary of the forecast. As can be seen in the table below, the staff's outlook for GDP growth through 1994 has changed little from that in the December Greenbook. The major impetus to output growth comes from domestic demand, especially in the near term; later, an acceleration of activity abroad begins to counteract the adverse effect on our external balance of the net appreciation of the dollar over the past few quarters. Domestically, the expansion is largely investment driven, with solid gains projected for both business and residential fixed investment; in the near term, growth also is boosted by a step-up in the pace of inventory accumulation, as businesses align their stocks with the stronger trend of sales. Militating against a more vibrant expansion are the budgetary pressures facing governmental units at all levels, a continuing overhang of unoccupied real estate, and the effects of corporate downsizing on the growth of labor income. Given the moderate pace of expansion, considerable slack remains in the economy even at the

end of 1994, making it likely that the disinflationary trend will be sustained into 1995.

STAFF ECONOMIC PROJECTIONS
(Percent change, annual rate, from final quarter of preceding period
to final quarter of period shown, except as noted)

	1992	1993		1994
	H2	H1	H2	
Real GDP	3.5	2.8	2.9	3.0
<i>Previous</i>	3.6	2.7	2.7	2.9
Civilian unemployment rate ¹	7.3	7.2	7.0	6.6
<i>Previous</i>	7.3	7.2	7.0	6.6
CPI excluding food and energy	3.0	2.9	2.7	2.4
<i>Previous</i>	3.1	2.9	2.7	2.4

1. Average for the final quarter of period shown.

Consumer spending. The growth in real consumer outlays over the forecast period is expected to average a little more than 3 percent at an annual rate. The projected growth of PCE this year is slightly faster than that anticipated for disposable income, reflecting our belief that households have made substantial progress in reducing debt service burdens and that fears about job security will continue to recede. Recent gains in financial asset values are favorable to consumption, and although price-earnings multiples look very high by historical standards, the projected combination of profit increases and declining bond yields should buoy stock valuations.

We expect spending on motor vehicles and other durable goods to be the fastest growing component of PCE over the forecast period. Real outlays for consumer durables are projected to rise at an average annual rate of roughly 7 percent over 1993-94, after increasing an estimated 8-1/4 percent last year.³ We believe

3. With this projection, a broad measure of personal saving that encompasses investment in consumer durables has an upward tilt through 1994.

that significant pent-up demand exists for motor vehicles, given that purchases have been relatively low for several years. Moreover, the rising pace of housing activity implies increases in demand for household furnishings and appliances. In contrast, expenditures on consumer nondurables and services are projected to advance at about a 2-1/2 percent annual rate over the forecast period.

The recent improvement in consumer sentiment seems to have resulted, in large part, from the perception that job prospects have improved considerably with the change of administration. Our projection, however, envisions only a slow rise in hiring, which may not provide the environment in which confidence is maintained at the higher levels of recent months. The potential for households to be disappointed prevented us from writing down a stronger PCE forecast than we have and, indeed, may imply an element of downside risk to the current forecast.

Housing. Boosted by a recovery in the single-family market, real residential investment rose an estimated 14 percent over 1992. We expect further gains in housing activity over the forecast period, though the rate of increase is likely to be slower than that recorded last year. Single-family starts--which already have moved up from a low of 730,000 units (annual rate) in the first quarter of 1991 to 1.10 million units last quarter--are projected to rise to nearly a 1-1/4 million unit pace by the end of 1994. The anticipated increase results from gains in household income, further projected declines in mortgage rates, and a strengthening of the investment motive for homeownership brought about by some firming in house prices.

On the multifamily side, we expect activity to pick up moderately, as the general improvement in economic conditions spurs

the absorption of vacant apartments and a resulting increase in real rents. Still, the anticipated rise in multifamily starts from an annual rate of 150,000 in the fourth quarter of 1992 to 240,000 at the end of 1994 leaves the level of activity extremely low by historical standards.

Business fixed investment. During 1992, capital spending moved up at a robust clip, largely because of increased purchases of computing equipment, as companies attempted to improve the efficiency of their operations. Looking ahead, we expect the growth in real BFI during 1993 and 1994 to be similar to the estimated 7-1/2 percent rise recorded last year. Equipment spending is projected to be the focus of investment activity, with real outlays anticipated to rise at about a 10 percent average annual pace over the forecast period. In contrast to the pattern during 1992, we expect the increase in equipment outlays to be spread over a broad range of capital goods. Typically, companies delay purchases of longer-lived machinery until they are confident of a sustained pickup in sales, and we believe that this point--if not already reached--is close at hand. At the same time, real purchases of computers are likely to remain robust, driven in part by the introduction this year of a new generation of microprocessors.

Investment in nonresidential structures, which was little changed on net over 1992, is projected to rise about 2 percent this year and 3-1/2 percent in 1994. Spending by public utilities is expected to be the strongest component of nonresidential construction, spurred both by an expansion of capacity and by the retrofitting of existing plants to meet the requirements of the Clean Air Act. With some reduction expected in the amount of unused factory and retail space, we also project moderate growth in the construction of industrial plants and commercial buildings other

than offices. Although the bulk of the contraction in office construction is over, vacancy rates remain high, property prices likely are still declining, and no recovery in construction is on the horizon.

Business inventories. Currently, stocks appear to be on the lean side in a number of sectors. Despite the ongoing trend toward economizing on inventories, we expect the pace of investment to rise over the next few quarters, as businesses move to ensure that they have adequate stocks on hand to avoid losses of sales or disruptions to production. The pickup in the rate of real nonfarm inventory investment is projected to contribute almost 1/2 percentage point to the growth of GDP in 1993, with the bulk of the contribution in the current quarter. Next year, inventory accumulation is expected to make no net contribution to GDP growth. Our projected path for inventory investment implies a slight decline in the inventory-sales ratio through the end of 1994.

Government purchases. Real federal purchases are expected to decline 5-3/4 percent over 1993 and 4 percent over 1994, with the declines due entirely to shrinking defense outlays. Nondefense purchases are projected to edge up about 1 percent in each year.

At the state and local level, continuing fiscal problems are expected to keep expenditures on the path of weak growth that has prevailed over the past few years. We expect real state and local purchases to rise 1 percent this year and 2 percent in 1994, with most of the increase representing higher construction outlays. In addition, many jurisdictions are expected to enact another round of tax increases during the current legislative session; these increases generally would go into effect this summer. This fiscal restraint, along with the beneficial effect of economic growth, is expected to reduce the state and local deficit on operating and

capital accounts from \$48 billion (annual rate) in the third quarter of last year to less than \$10 billion by the end of 1994.

Net exports. Real exports of goods and services are expected to advance at an average annual rate of around 6 percent through the end of 1994, up from the 3-3/4 percent rise estimated for 1992. This pickup results from the improved economic performance abroad. At the same time, real imports are projected to increase about 10 percent in 1993 and 7-1/2 percent next year. Given these trends, the deficit on real net exports is expected to widen about \$40 billion over the next two years. (A detailed discussion of these projections is contained in the International Developments section.)

Labor markets. Thus far in the expansion, labor demand has been damped by widespread downsizing efforts aimed at improving productivity and profits. Although these efforts surely will continue--witness the recent announcements of layoffs by IBM, Sears, and other large corporations--we believe much of the structural adjustment is now behind us and that the pace of hiring will pick up gradually over coming quarters. Nonetheless, by the standards of previous expansions, employment gains are likely to remain small. This continued caution on the part of employers, together with the likelihood that improved economic conditions will boost labor supply, points to a slow decline in the unemployment rate. We expect the jobless rate, currently at 7.3 percent, to fall to 7 percent by the end of this year and to 6.6 percent by the end of 1994.

STAFF LABOR MARKET PROJECTIONS
(Percent change, Q4 to Q4, except as noted)

	1991	1992	1993	1994
Output per hour, nonfarm business sector	1.3	2.7	1.8	1.3
Nonfarm payroll employment	-1.0	.4	1.6	2.0
Civilian unemployment rate ¹	7.0	7.3	7.0	6.6

1. Average for the fourth quarter.

Wages and prices. With considerable economic slack projected to persist during the forecast period, we expect the trend toward lower wage and price inflation to continue through 1994. The ECI for hourly compensation is projected to decelerate a bit more than 1/2 percentage point over the forecast period to a 2.9 percent increase over the four quarters of 1994. This slowing of labor-cost increases, together with continued appreciable gains in productivity and relatively stable import prices, suggests that consumer price inflation will moderate further. The CPI excluding food and energy is projected to decelerate to a 2.8 percent increase this year and a 2.4 percent increase over 1994. The rate of slowing projected for this price index, however, is less than that achieved between 1990

STAFF INFLATION PROJECTIONS
(Percent change, Q4 to Q4, except as noted)

	1991	1992	1993	1994
Consumer price index	3.0	3.0	2.6	2.4
<i>Previous</i>		3.1	2.6	2.4
Excluding food and energy	4.5	3.4	2.8	2.4
<i>Previous</i>		3.5	2.8	2.4
ECI for compensation private industry workers ¹	4.4	3.5	3.2	2.9
<i>Previous</i>		3.3	3.1	2.8

1. December to December.

and 1992 because of the narrowing margin of slack. A risk also exists that prices will be boosted by tax increases on energy and other goods or by new federal mandates that raise companies' costs in such areas as health insurance and job training.

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STAFF PROJECTIONS OF CHANGES IN GDP, PRICES, AND UNEMPLOYMENT
(Percent, annual rate)

January 27, 1993

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index ¹		Unemployment rate (level except as noted)	
	12/16/92	1/27/93	12/16/92	1/27/93	12/16/92	1/27/93	12/16/92	1/27/93	12/16/92	1/27/93
ANNUAL										
1990 ²	5.2	5.2	.8	.8	4.5	4.5	5.4	5.4	5.5	5.5
1991 ²	2.8	2.8	-1.2	-1.2	4.0	4.0	4.2	4.2	6.7	6.7
1992	4.8	4.8	2.1	2.0	3.0	3.0	3.0	3.0	7.4	7.4
1993	5.5	5.6	2.9	3.0	2.8	2.8	2.9	2.8	7.1	7.1
1994	5.0	5.1	2.7	2.9	2.4	2.4	2.6	2.5	6.8	6.8
QUARTERLY										
1991 Q1 ²	1.8	1.8	-3.0	-3.0	4.7	4.7	3.3	3.3	6.5	6.5
Q2 ²	5.2	5.2	1.7	1.7	3.5	3.5	2.4	2.4	6.7	6.7
Q3 ²	4.0	4.0	1.2	1.2	3.0	3.0	2.7	2.7	6.8	6.7
Q4 ²	2.8	2.8	.6	.6	2.4	2.4	3.6	3.6	6.9	7.0
1992 Q1 ²	6.2	6.2	2.9	2.9	3.6	3.6	2.9	2.9	7.2	7.3
Q2 ²	4.3	4.3	1.5	1.5	2.9	2.9	3.5	3.5	7.5	7.5
Q3 ²	5.6	5.3	3.9	3.4	2.2	2.1	2.6	2.6	7.6	7.5
Q4	6.2	6.5	3.3	3.6	3.3	3.2	3.5	3.3	7.3	7.3
1993 Q1	6.0	6.2	2.7	2.7	3.3	3.4	2.4	2.4	7.3	7.2
Q2	5.0	5.1	2.7	2.9	2.5	2.4	3.0	2.8	7.2	7.2
Q3	5.1	5.1	2.7	2.9	2.5	2.5	2.9	2.7	7.1	7.1
Q4	4.9	5.1	2.6	2.9	2.4	2.4	2.6	2.6	7.0	7.0
1994 Q1	5.3	5.2	2.7	2.9	2.8	2.6	2.5	2.5	6.9	6.9
Q2	4.9	5.0	2.7	3.0	2.2	2.2	2.4	2.4	6.8	6.8
Q3	4.9	4.9	3.0	3.0	2.2	2.1	2.3	2.3	6.7	6.7
Q4	4.9	4.8	3.0	3.1	2.1	2.0	2.2	2.2	6.6	6.6
TWO-QUARTER³										
1991 Q2 ²	3.5	3.5	-.7	-.7	4.2	4.2	2.9	2.9	.7	.7
Q4 ²	3.4	3.4	.9	.9	2.7	2.7	3.1	3.1	.2	.3
1992 Q2 ²	5.2	5.2	2.2	2.2	3.4	3.4	3.1	3.1	.6	.5
Q4	5.9	5.9	3.6	3.5	2.8	2.6	3.0	3.0	-.2	-.2
1993 Q2	5.5	5.7	2.7	2.8	2.9	2.9	2.7	2.6	-.1	-.1
Q4	5.0	5.1	2.6	2.9	2.4	2.4	2.7	2.6	-.2	-.2
1994 Q2	5.1	5.1	2.7	2.9	2.5	2.4	2.5	2.5	-.2	-.2
Q4	4.9	4.9	3.0	3.0	2.1	2.1	2.3	2.3	-.2	-.2
FOUR-QUARTER⁴										
1990 Q4 ²	4.1	4.1	-.5	-.5	4.7	4.7	6.3	6.3	.6	.6
1991 Q4 ²	3.5	3.5	.1	.1	3.5	3.5	3.0	3.0	.9	1.0
1992 Q4	5.6	5.6	2.9	2.9	3.1	3.0	3.1	3.0	.4	.3
1993 Q4	5.2	5.4	2.7	2.8	2.7	2.7	2.7	2.6	-.3	-.3
1994 Q4	5.0	5.0	2.9	3.0	2.3	2.3	2.4	2.4	-.4	-.4

1. For all urban consumers.

2. Actual.

3. Percent change from two quarters earlier; for unemployment rate, change in percentage points.

4. Percent change from four quarters earlier; for unemployment rate, change in percentage points.

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REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, ANNUAL VALUES
(Seasonally adjusted, annual rate)

January 27, 1993

Item	Unit ¹	1986	1987	1988	1989	1990	1991	Projected		
								1992	1993	1994
EXPENDITURES										
Nominal GDP	Bill. \$	4268.6	4539.9	4900.4	5250.8	5522.2	5677.5	5948.6	6282.7	6600.7
Real GDP	Bill. 87\$	4404.5	4540.0	4718.6	4838.0	4877.5	4821.0	4919.4	5065.3	5213.6
Real GDP	% change	2.2	4.5	3.3	1.6	-.5	.1	2.9	2.8	3.0
Gross domestic purchases		2.1	3.9	2.5	.9	-1.2	-.2	3.5	3.4	3.2
Final sales		3.3	2.7	4.2	1.5	.6	-.6	2.9	2.5	3.0
Private dom. final purch.		3.0	1.9	4.2	.5	-.8	-.9	4.3	4.0	4.0
Personal cons. expend.		4.0	2.1	4.2	1.2	.2	.0	3.3	3.1	3.3
Durables		12.5	-2.6	8.5	-.5	-2.3	-2.5	8.3	6.7	8.0
Nondurables		3.3	1.4	3.2	1.2	-.7	-1.5	2.9	2.0	2.3
Services		2.5	3.7	3.7	1.7	1.3	1.6	2.4	2.8	2.7
Business fixed invest.		-5.7	3.0	5.5	-.4	-1.4	-7.0	7.4	8.5	7.8
Producers' dur. equip.		-.7	2.4	9.1	-1.7	-.2	-3.5	10.8	11.1	9.3
Nonres. structures		-14.1	4.4	-1.2	2.3	-3.7	-14.3	-.3	1.8	3.4
Res. structures		11.1	-3.1	.9	-7.7	-14.7	-.1	14.0	8.4	4.7
Exports		9.9	12.6	13.5	11.3	7.2	7.4	3.8	6.1	6.1
Imports		6.7	4.7	3.6	2.6	.1	4.8	9.3	9.8	7.3
Government purchases		4.1	3.3	.2	2.0	2.8	-.6	.5	-1.7	-.3
Federal		3.8	3.7	-3.4	-.6	3.0	-2.3	-1.4	-5.8	-4.1
Defense		3.7	4.5	-3.2	-1.5	1.5	-5.2	-3.9	-8.9	-6.6
State and local		4.4	2.9	2.9	4.0	2.7	.7	1.7	1.1	2.0
Change in bus. invent.	Bill. 87\$	8.6	26.3	19.9	29.8	6.2	-9.3	4.1	24.5	25.3
Nonfarm		10.6	32.7	26.9	29.9	3.7	-9.6	2.0	25.1	26.4
Net exports		-155.1	-143.0	-104.0	-73.7	-51.8	-21.8	-42.7	-73.7	-89.1
Nominal GDP	% change	4.7	8.0	7.7	6.0	4.1	3.5	5.6	5.4	5.0
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employ.	Millions	99.5	102.2	105.5	108.3	109.8	108.3	108.4	109.6	111.7
Unemployment rate	%	7.0	6.2	5.5	5.3	5.5	6.7	7.4	7.1	6.8
Industrial prod. index	% change	1.4	6.5	4.5	1.1	.3	-.5	2.0	4.4	3.8
Capacity util. rate-mfg.	%	79.0	81.4	83.9	83.9	82.3	78.2	77.8	79.3	79.8
Housing starts	Millions	1.81	1.62	1.49	1.38	1.19	1.01	1.20	1.34	1.44
Auto sales in U.S.		11.45	10.24	10.63	9.91	9.51	8.39	8.35	8.84	9.54
North American produced		8.22	7.07	7.54	7.08	6.91	6.14	6.25	6.67	7.16
Other		3.24	3.18	3.10	2.83	2.60	2.25	2.10	2.17	2.38
INCOME AND SAVING										
Nominal GNP	Bill. \$	4277.8	4544.5	4908.2	5266.8	5542.9	5694.9	5960.1	6289.7	6606.1
Nominal GNP	% change	4.4	8.1	7.8	6.1	4.2	3.1	5.5	5.4	4.9
Nominal personal income		5.5	7.4	7.1	6.5	6.3	3.3	5.0	5.9	5.8
Real disposable income		2.8	2.1	3.2	1.1	.9	.5	2.2	2.8	3.3
Personal saving rate	%	6.0	4.3	4.4	4.0	4.3	4.7	4.8	4.3	4.3
Corp. profits, IVA&CCAdj	% change	-7.1	29.7	10.2	-6.3	-3.0	.9	20.9	10.5	4.4
Profit share of GNP	%	6.4	7.0	7.4	6.9	6.5	6.1	6.6	7.2	7.2
Federal surpl./def.	Bill. \$	-201.1	-151.8	-136.6	-122.3	-166.2	-210.4	-295.6	-257.2	-239.3
State/local surpl./def.		54.3	40.1	38.4	44.8	30.1	17.1	15.2	29.1	45.1
Ex. social ins. funds		1.5	-14.7	-18.4	-17.5	-32.9	-43.1	-42.5	-27.9	-11.5
PRICES AND COSTS										
GDP implicit deflator	% change	2.6	3.3	4.2	4.4	4.5	3.4	2.6	2.5	2.0
GDP fixed-wt. price index		2.6	3.4	4.2	4.3	4.7	3.5	3.0	2.7	2.3
Gross domestic purchases fixed-wt. price index		2.3	3.9	4.1	4.3	5.3	2.8	3.0	2.5	2.2
CPI		1.3	4.5	4.3	4.6	6.3	3.0	3.0	2.6	2.4
Ex. food and energy		3.9	4.3	4.5	4.4	5.3	4.5	3.4	2.8	2.4
ECI, hourly compensation ²		3.2	3.3	4.8	4.8	4.6	4.4	3.5	3.2	2.9
Nonfarm business sector										
Output per hour		1.2	1.8	.5	-1.4	.1	1.3	2.7	1.8	1.3
Compensation per hour		4.6	3.8	3.8	3.1	6.3	4.2	3.4	3.3	3.0
Unit labor cost		3.4	1.9	3.3	4.6	6.2	2.8	.6	1.4	1.7

1. Percent changes are from fourth quarter to fourth quarter.

2. Private-industry workers.

Strictly Confidential (FR)
Class II FOMCREAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, QUARTERLY VALUES
(Seasonally adjusted, annual rate except as noted)

January 27, 1993

Item	Unit	1990				1991				1992	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GDP	Bill. \$	5445.2	5522.6	5559.6	5561.3	5585.8	5657.6	5713.1	5753.3	5840.2	5902.2
Real GDP	Bill. 87\$	4890.8	4902.7	4882.6	4833.8	4796.7	4817.1	4831.8	4838.5	4873.7	4892.4
Real GDP	% change	2.8	1.0	-1.6	-3.9	-3.0	1.7	1.2	.6	2.9	1.5
Gross domestic purchases		2.1	.9	-1.4	-6.0	-4.2	1.7	2.4	-.4	3.0	3.4
Final sales		4.3	-1.1	.1	-.9	-3.2	1.3	-.5	.0	4.7	-.1
Private dom. final purch.		2.9	-1.7	.8	-5.0	-6.0	1.5	1.4	-.4	5.5	2.4
Personal cons. expend.		2.2	.1	1.7	-3.1	-3.0	2.0	1.5	-.3	5.1	-.1
Durables		16.2	-12.0	-1.4	-9.8	-13.0	-.7	8.1	-3.1	16.5	-2.1
Nondurables		-.2	-.5	.8	-2.8	-3.2	1.3	-.6	-3.5	5.5	-1.5
Services		.3	3.7	3.1	-1.6	-.3	3.0	1.2	2.3	2.2	1.2
Business fixed invest.		6.2	-6.6	5.6	-9.6	-15.8	-3.1	-3.4	-5.2	3.0	16.1
Producers' dur. equip.		6.8	-7.8	7.2	-6.1	-16.7	.7	6.0	-2.4	3.2	24.1
Nonres. structures		5.0	-4.1	2.5	-16.5	-14.0	-10.6	-20.8	-11.5	2.7	-.8
Res. structures		5.3	-15.9	-22.9	-22.4	-26.9	7.0	14.4	11.3	20.1	12.6
Exports		10.7	7.0	-.2	11.6	-5.0	16.6	6.2	13.3	2.9	-1.4
Imports		2.6	5.1	1.5	-8.5	-14.6	15.6	17.1	4.2	3.5	14.7
Government purchases		6.4	1.1	-2.0	6.1	2.8	.2	-2.3	-3.0	1.7	-1.2
Federal		8.0	2.1	-7.2	9.9	7.2	-.3	-6.5	-9.0	-3.0	-2.7
Defense		4.9	.3	-10.5	12.8	8.7	-5.6	-9.4	-13.0	-7.7	-5.2
State and local		5.2	.4	1.9	3.5	-.1	.6	.9	1.4	5.1	-.2
Change in bus. invent.	Bill. 87\$	7.5	32.8	11.2	-26.8	-25.1	-20.4	.6	7.5	-12.6	7.8
Nonfarm		5.9	27.9	6.6	-25.6	-24.7	-24.5	-1.0	11.8	-10.7	6.0
Net exports		-58.4	-56.9	-59.3	-32.7	-17.9	-17.4	-31.6	-20.5	-21.5	-43.9
Nominal GDP	% change	7.7	5.8	2.7	.1	1.8	5.2	4.0	2.8	6.2	4.3
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	109.8	110.2	109.9	109.3	108.6	108.2	108.3	108.2	108.1	108.4
Unemployment rate ¹	%	5.3	5.3	5.6	6.0	6.5	6.7	6.7	7.0	7.3	7.5
Industrial prod. index	% change	.6	4.2	3.9	-7.0	-9.7	2.6	6.6	-.7	-2.9	5.2
Capacity util. rate-mfg. ¹	%	82.7	82.8	82.9	80.8	78.0	77.9	78.7	78.2	77.3	77.9
Housing starts	Millions	1.46	1.20	1.13	1.03	.92	1.00	1.04	1.10	1.26	1.14
Auto sales in U.S.		9.95	9.52	9.56	9.02	8.36	8.43	8.56	8.21	8.31	8.50
North American produced		7.16	6.80	7.05	6.61	6.13	6.10	6.28	6.06	6.07	6.32
Other		2.79	2.71	2.51	2.41	2.23	2.33	2.28	2.15	2.24	2.19
INCOME AND SAVING											
Nominal GNP	Bill. \$	5464.1	5537.0	5577.8	5592.7	5614.9	5674.3	5726.4	5764.1	5859.8	5909.3
Nominal GNP	% change	7.6	5.4	3.0	1.1	1.6	4.3	3.7	2.7	6.8	3.4
Nominal personal income		9.5	6.2	4.6	5.2	.1	4.6	3.3	5.1	6.1	3.9
Real disposable income		4.2	.8	-1.2	-.2	-2.6	1.9	.7	2.2	4.0	1.2
Personal saving rate ¹	%	4.4	4.6	3.9	4.6	4.7	4.7	4.5	5.1	4.9	5.3
Corp. profits, IVA&CCAdj	% change	15.6	19.1	-29.9	-8.2	6.7	-2.6	-6.8	7.1	49.8	4.7
Profit share of GNP ¹	%	6.7	6.9	6.3	6.2	6.2	6.1	6.0	6.0	6.6	6.6
Federal govt. surpl./def.	Bill. \$	-167.8	-156.9	-145.6	-194.6	-149.9	-212.2	-221.0	-258.7	-289.2	-302.9
State/local surpl./def.		36.1	33.8	30.3	20.2	14.6	16.5	15.4	22.0	16.6	17.7
Ex. social ins. funds		-27.3	-29.4	-32.5	-42.2	-46.6	-44.1	-44.5	-37.3	-41.8	-40.3
PRICES AND COSTS											
GDP implicit deflator	% change	4.4	4.8	4.7	3.9	5.3	3.5	2.4	2.4	3.1	2.7
GDP fixed-wt. price index		5.4	4.6	4.7	4.1	4.7	3.5	3.0	2.4	3.6	2.9
Gross domestic purchases		5.9	3.7	5.6	5.8	3.1	2.5	2.9	2.5	3.1	3.2
fixed-wt. price index		7.2	4.1	7.0	6.9	3.3	2.4	2.7	3.6	2.9	3.5
Ex. food and energy		5.6	5.5	5.8	4.2	6.5	3.8	4.0	3.7	3.9	3.9
ECL, hourly compensation ²		5.6	5.1	4.3	3.8	4.6	4.9	4.4	3.7	4.0	2.9
Nonfarm business sector											
Output per hour		-.5	2.5	-1.7	.1	-.7	1.7	1.9	2.5	3.7	1.7
Compensation per hour		5.0	7.8	6.4	5.9	3.8	5.8	3.9	3.1	3.8	2.4
Unit labor cost		5.6	5.1	8.2	5.8	4.6	4.0	2.0	.6	.1	.8

1. Not at an annual rate.

2. Private-industry workers.

Strictly Confidential (FR)
Class II FOMCREAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, QUARTERLY VALUES
(Seasonally adjusted, annual rate except as noted)

January 27, 1993

Item	Units	Projected									
		1992		1993				1994			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GDP	Bill. \$	5978.5	6073.3	6165.6	6243.2	6321.7	6400.1	6482.0	6561.5	6640.0	6719.1
Real GDP	Bill. 87\$	4933.7	4978.0	5011.0	5047.0	5083.2	5119.8	5156.2	5193.9	5232.2	5272.1
Real GDP	% change	3.4	3.6	2.7	2.9	2.9	2.9	2.9	3.0	3.0	3.1
Gross domestic purchases		4.1	3.6	3.5	3.6	3.3	2.9	2.9	3.5	3.2	3.1
Final sales		2.8	4.4	1.6	2.4	2.6	3.2	3.0	2.8	2.9	3.3
Private dom. final purch.		3.5	6.0	3.6	4.4	4.1	4.1	3.9	4.2	3.9	4.0
Personal cons. expend.		3.7	4.7	2.6	3.3	3.1	3.3	3.1	3.5	3.2	3.3
Durables		9.4	10.2	3.2	8.5	7.3	8.0	7.6	9.2	7.7	7.4
Nondurables		2.5	5.1	2.1	2.0	2.0	2.0	2.3	2.3	2.2	2.3
Services		3.1	3.1	2.8	2.8	2.8	2.8	2.5	2.8	2.7	2.8
Business fixed invest.		3.1	7.9	6.4	9.7	9.2	8.7	7.7	7.8	7.8	7.8
Producers' dur. equip.		9.5	7.4	8.5	13.1	11.9	11.0	9.4	9.4	9.3	9.3
Nonres. structures		-11.3	9.3	1.2	1.2	2.1	2.6	3.2	3.3	3.4	3.6
Res. structures		.2	24.5	12.8	8.0	6.5	6.3	5.4	5.0	4.4	4.1
Exports		9.2	4.9	4.7	6.0	6.6	7.1	6.2	6.2	6.0	5.9
Imports		14.8	4.6	11.2	11.7	9.6	6.9	6.4	10.1	7.4	5.4
Government purchases		3.8	-2.3	-2.5	-1.9	-1.4	-.8	-.6	-.3	-.2	-.1
Federal		7.5	-6.7	-7.1	-5.9	-5.4	-5.0	-4.5	-4.0	-4.0	-4.1
Defense		8.3	-10.2	-10.8	-8.9	-8.3	-7.7	-7.1	-6.4	-6.5	-6.6
State and local		1.4	.7	.6	.8	1.2	1.8	1.9	2.0	2.1	2.2
Change in bus. invent.	Bill. 87\$	15.0	6.2	19.2	25.0	28.5	25.2	24.0	26.0	26.7	24.7
Nonfarm		9.6	2.9	19.9	25.0	28.8	26.6	25.3	27.2	27.7	25.5
Net exports		-52.7	-52.9	-63.2	-72.8	-78.8	-79.9	-81.3	-89.0	-92.9	-93.3
Nominal GDP	% change	5.3	6.5	6.2	5.1	5.1	5.1	5.2	5.0	4.9	4.8
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	108.5	108.6	109.0	109.4	109.9	110.3	110.8	111.4	111.9	112.5
Unemployment rate ¹	%	7.5	7.3	7.2	7.2	7.1	7.0	6.9	6.8	6.7	6.6
Industrial prod. index	% change	2.3	3.7	5.9	5.1	3.3	3.4	4.0	3.8	3.7	3.8
Capacity util. rate-mfg ¹	%	77.8	78.2	78.9	79.3	79.4	79.5	79.6	79.8	79.9	80.0
Housing starts	Millions	1.19	1.25	1.30	1.33	1.36	1.39	1.41	1.43	1.45	1.47
Auto sales in U.S.		8.21	8.37	8.51	8.80	8.95	9.10	9.20	9.45	9.65	9.85
North American produced		6.24	6.38	6.42	6.65	6.75	6.85	6.90	7.10	7.25	7.40
Other		1.97	2.00	2.09	2.15	2.20	2.25	2.30	2.35	2.40	2.45
INCOME AND SAVING											
Nominal GNP	Bill. \$	5992.0	6079.2	6173.0	6249.3	6330.3	6406.1	6489.0	6566.1	6646.9	6722.2
Nominal GNP	% change	5.7	5.9	6.3	5.0	5.3	4.9	5.3	4.8	5.0	4.6
Nominal personal income		2.7	7.4	6.4	5.7	5.6	6.0	6.4	5.5	5.6	5.7
Real disposable income		.5	3.2	2.7	2.8	2.3	3.3	4.0	3.0	3.0	3.4
Personal saving rate ¹	%	4.6	4.4	4.4	4.3	4.2	4.2	4.4	4.3	4.2	4.2
Corp. profits, IVA&CCAdj	% change	-13.9	58.5	24.4	8.0	2.0	8.6	4.9	6.7	-1.4	7.6
Profit share of GNP ¹	%	6.2	6.9	7.2	7.2	7.2	7.2	7.2	7.3	7.2	7.2
Federal govt. surpl./def.	Bill. \$	-304.4	-285.8	-272.8	-262.7	-246.0	-247.4	-252.0	-243.7	-230.0	-231.5
State/local surpl./def.		9.2	17.2	21.9	23.9	33.6	37.0	40.3	43.1	48.0	49.1
Ex. social ins. funds		-48.0	-40.0	-35.2	-33.1	-23.3	-19.8	-16.4	-13.5	-8.6	-7.6
PRICES AND COSTS											
GDP implicit deflator	% change	1.8	2.8	3.4	2.2	2.2	2.1	2.3	2.0	1.8	1.7
GDP fixed-wt. price index		2.1	3.2	3.4	2.4	2.5	2.4	2.6	2.2	2.1	2.0
Gross domestic purchases											
fixed-wt. price index		2.5	3.0	2.8	2.5	2.4	2.3	2.6	2.2	2.1	2.0
Q1		2.6	3.3	2.4	2.8	2.7	2.6	2.5	2.4	2.3	2.2
Ex. food and energy		2.5	3.5	2.9	2.8	2.8	2.7	2.5	2.4	2.3	2.2
ECI, hourly compensation ²		3.2	3.5	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8
Nonfarm business sector											
Output per hour		3.0	2.6	2.1	2.3	1.5	1.5	1.4	1.3	1.3	1.3
Compensation per hour		3.5	3.6	3.7	3.2	3.1	3.1	3.4	3.0	2.9	2.8
Unit labor cost		.6	1.0	1.6	.9	1.6	1.6	2.0	1.7	1.6	1.5

1. Not at an annual rate.

2. Private-industry workers.

Strictly Confidential (FR)
Class II FOMC

NET CHANGES IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS¹
(Billions of 1987 dollars)

January 27, 1993

Item	1990				1991				1992		Proj.			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1989	1990	1991	1992
Real GDP	34.1	11.9	-20.1	-48.8	-37.1	20.4	14.7	6.7	35.2	18.7	77.0	-22.9	4.7	139.5
Gross domestic purchases	25.1	10.4	-17.7	-75.4	-51.9	19.9	28.9	-4.4	36.2	41.1	41.7	-57.6	-7.5	171.9
Final sales	51.5	-13.3	1.4	-10.8	-38.8	15.6	-6.2	-.3	55.4	-1.7	73.1	28.8	-29.7	140.8
Private dom. final purch.	28.3	-17.4	8.4	-51.1	-60.2	14.6	13.4	-4.3	52.5	23.5	19.7	-31.8	-36.5	168.8
Personal cons. expend.	17.5	.6	13.8	-25.9	-24.5	15.8	11.9	-2.2	40.3	-.8	39.1	6.0	1.0	107.4
Durables	16.7	-14.3	-1.5	-11.1	-14.6	-.7	8.1	-3.3	16.2	-2.3	-2.4	-10.2	-10.5	34.5
Nondurables	-.6	-1.2	2.0	-7.5	-8.6	3.3	-1.5	-9.2	14.0	-4.0	12.1	-7.3	-16.0	29.6
Services	1.4	16.0	13.4	-7.3	-1.3	13.3	5.2	10.4	9.9	5.6	29.4	23.5	27.6	43.2
Business fixed invest.	8.1	-9.2	7.3	-13.6	-22.3	-4.0	-4.3	-6.6	3.7	18.9	-2.1	-7.4	-37.2	36.6
Producers' dur. equip.	5.9	-7.3	6.2	-5.6	-15.9	.6	5.0	-2.1	2.7	19.2	-6.2	-.8	-12.4	37.0
Nonres. structures	2.2	-1.9	1.1	-8.0	-6.4	-4.6	-9.2	-4.6	1.0	-.3	4.1	-6.6	-24.8	-.4
Res. structures	2.7	-8.9	-12.7	-11.6	-13.4	2.8	5.7	4.7	8.3	5.6	-17.3	-30.5	-.2	24.8
Change in bus. invent.	-17.4	25.3	-21.6	-38.0	1.7	4.7	21.0	6.9	-20.1	20.4	4.0	-51.7	34.3	-1.3
Nonfarm	-25.3	22.0	-21.3	-32.2	.9	.2	23.5	12.8	-22.5	16.7	.7	-56.8	37.4	-8.9
Farm	7.9	3.2	-.2	-5.8	.8	4.5	-2.5	-5.8	2.3	3.7	3.3	5.1	-3.0	7.5
Net exports	9.0	1.5	-2.4	26.6	14.8	.5	-14.2	11.1	-1.0	-22.4	35.3	34.7	12.2	-32.4
Exports	12.5	8.5	-.3	14.2	-6.7	20.2	8.1	17.2	4.0	-2.0	49.5	34.9	38.8	21.5
Imports	3.6	7.0	2.1	-12.4	-21.5	19.7	22.3	6.0	5.0	20.5	14.1	.3	26.5	54.0
Government purchases	14.2	2.6	-4.6	13.7	6.6	.5	-5.4	-7.1	3.9	-2.8	18.1	25.9	-5.4	4.4
Federal	7.3	2.0	-7.1	9.0	6.8	-.3	-6.6	-9.0	-2.9	-2.6	-2.3	11.2	-9.1	-5.2
Defense	3.4	.2	-7.8	8.5	6.0	-4.2	-7.0	-9.6	-5.4	-3.5	-4.2	4.3	-14.8	-10.7
Nondefense	3.8	1.8	.7	.5	.7	4.0	.4	.6	2.5	.9	2.0	6.8	5.7	5.5
State and local	6.9	.6	2.5	4.7	-.2	.8	1.2	1.9	6.9	-.3	20.4	14.7	3.7	9.6

1. Annual changes are from Q4 to Q4.

Strictly Confidential (FR)
Class II FOMC

NET CHANGES IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS¹
(Billions of 1987 dollars)

January 27, 1993

Item	Projected										Projected			
	1992		1993				1994				1991	Projected		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		1992	1993	1994
Real GDP	41.3	44.3	33.0	36.0	36.2	36.6	36.4	37.7	38.2	40.0	4.7	139.5	141.8	152.3
Gross domestic purchases	50.1	44.5	43.4	45.6	42.2	37.6	37.9	45.5	42.0	40.4	-7.5	171.9	168.8	165.8
Final sales	34.1	53.0	20.1	30.2	32.7	39.8	37.7	35.7	37.5	41.9	-29.7	140.8	122.9	152.8
Private dom. final purch.	34.1	58.7	36.3	44.2	42.0	42.7	40.4	44.1	41.9	42.7	-36.5	168.8	165.3	169.1
Personal cons. expend.	29.9	38.0	21.8	27.6	26.5	27.6	26.8	30.3	28.2	28.9	1.0	107.4	103.4	114.2
Durables	9.8	10.8	3.5	9.4	8.2	9.2	8.9	10.9	9.4	9.2	-10.5	34.5	30.3	38.4
Nondurables	6.4	13.2	5.5	5.3	5.3	5.4	6.2	6.2	6.0	6.3	-16.0	29.6	21.6	24.7
Services	13.7	14.0	12.8	12.8	12.9	13.0	11.7	13.2	12.8	13.4	27.6	43.2	51.5	51.1
Business fixed invest.	4.0	10.0	8.3	12.6	12.2	11.8	10.7	11.1	11.2	11.5	-37.2	36.6	45.0	44.6
Producers' dur. equip.	8.4	6.7	7.8	12.2	11.4	10.9	9.6	9.8	9.9	10.2	-12.4	37.0	42.4	39.5
Nonres. structures	-4.4	3.3	.4	.5	.8	1.0	1.2	1.2	1.3	1.4	-24.8	-.4	2.6	5.1
Res. structures	.1	10.8	6.2	4.0	3.4	3.3	2.9	2.7	2.4	2.3	-.2	24.8	16.9	10.3
Change in bus. invent.	7.2	-8.8	13.0	5.8	3.5	-3.3	-1.2	2.0	.7	-1.9	34.3	-1.3	19.0	-.5
Nonfarm	3.6	-6.7	17.0	5.1	3.8	-2.2	-1.3	1.9	.5	-2.1	37.4	-8.9	23.7	-1.1
Farm	3.5	-2.0	-4.0	.7	-.3	-1.1	.1	.1	.2	.2	-3.0	7.5	-4.7	.6
Net exports	-8.8	-.2	-10.3	-9.6	-6.0	-1.0	-1.4	-7.8	-3.8	-.5	12.2	-32.4	-27.0	-13.5
Exports	12.5	7.0	6.7	8.7	9.6	10.5	9.4	9.5	9.3	9.3	38.8	21.5	35.5	37.5
Imports	21.3	7.2	17.0	18.3	15.6	11.5	10.9	17.2	13.1	9.8	26.5	54.0	62.4	51.0
Government purchases	8.8	-5.5	-5.9	-4.4	-3.3	-1.9	-1.3	-.7	-.5	-.3	-5.4	4.4	-15.5	-2.8
Federal	6.8	-6.5	-6.8	-5.5	-5.0	-4.5	-4.0	-3.5	-3.5	-3.5	-9.1	-5.2	-21.8	-14.5
Defense	5.3	-7.1	-7.3	-5.8	-5.3	-4.8	-4.3	-3.8	-3.8	-3.8	-14.8	-10.7	-23.2	-15.7
Nondefense	1.5	.6	.5	.3	.3	.3	.3	.3	.3	.3	5.7	5.5	1.4	1.2
State and local	2.0	1.0	.9	1.1	1.7	2.6	2.7	2.8	3.0	3.2	3.7	9.6	6.3	11.7

1. Annual changes are from Q4 to Q4.

Item	Fiscal year				1992				1993				1994			
	1991 ^a	1992 ^a	1993	1994	Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UNIFIED BUDGET																
Not seasonally adjusted																
Receipts ¹	1054	1092	1167	1215	239	322	276	265	259	350	293	270	270	375	300	282
Outlays ¹	1324	1382	1463	1522	355	350	338	386	334	370	373	383	376	383	380	397
Surplus/deficit ¹	-269	-290	-295	-307	-116	-28	-62	-121	-76	-20	-79	-113	-106	-8	-80	-115
On-budget	-322	-340	-354	-364	-121	-60	-62	-108	-109	-53	-85	-123	-114	-43	-83	-129
Off-budget	52	50	59	57	6	31	-1	-13	33	33	6	10	8	35	3	14
Surplus excluding deposit insurance ²	-203	-287	-284	-287	-105	-25	-69	-128	-79	-11	-66	-106	-103	-1	-76	-110
Means of financing																
Borrowing	293	311	269	331	83	62	77	81	75	21	91	111	101	38	82	107
Cash decrease	-1	-17	19	0	29	-27	-12	29	0	0	-10	10	10	-20	0	10
Other ³	-23	-4	8	-24	4	-7	-3	10	0	-1	-1	-8	-4	-10	-2	-2
Cash operating balance, end of period	41	59	40	40	20	47	59	30	30	30	40	30	20	40	40	30
Seasonally adjusted, annual rate																
Receipts	1118	1144	1237	1312	1143	1150	1155	1196	1235	1251	1267	1285	1304	1322	1337	1357
Expenditures	1313	1433	1504	1555	1433	1453	1460	1482	1508	1514	1513	1532	1556	1566	1567	1588
Purchases	447	446	447	439	445	445	455	450	450	446	442	439	441	439	436	433
Defense	326	315	307	293	314	312	320	313	311	305	300	296	295	292	288	285
Nondefense	121	132	140	146	131	133	136	136	140	141	142	143	146	147	148	148
Other expenditures	866	987	1057	1117	988	1008	1005	1032	1057	1068	1070	1093	1115	1127	1131	1155
Surplus/deficit	-194	-289	-267	-243	-289	-303	-304	-286	-273	-263	-246	-247	-252	-244	-230	-232
FISCAL INDICATORS⁴																
High-employment (HEB) surplus/deficit	-153	-222	-211	-205	-224	-233	-237	-225	-214	-208	-196	-202	-211	-208	-200	-208
Change in HEB, percent of potential GDP	-.4	1.2	-.2	-.1	.5	.2	.1	-.2	-.2	-.1	-.2	.1	.1	0	-.1	.1
Fiscal impetus (FI), percent, cal. year	-3.8	-3.9	-4.4	-3.9	-2.6	-.1	1.3	-1.4	-2.4	-1.3	-1.3	-1.1	-.7	-.9	-.9	-.9

1. OMB's January deficit estimates are \$327 billion in FY93 and \$292 billion in FY94. CBO's January deficit estimates are \$310 billion in FY93 and \$291 billion in FY94. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) categories. 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 FY90.

2. OMB's January deficit estimates, excluding deposit insurance spending, are \$312 billion in FY93 and \$276 billion in FY94. CBO's January deficit estimates, excluding deposit insurance spending, are \$307 billion in FY93 and \$282 billion in FY94.

3. Other means of financing are checks issued less checks paid, accrued items, and changes in other financial assets and liabilities.

4. HEB is the NIPA measure in current dollars, with cyclically sensitive receipts and outlays adjusted to the level of potential output generated by 2.0 percent real growth and an associated unemployment rate of 6 percent. Quarterly figures for change in HEB and FI are not at annual rates. Change in HEB, as a percent of nominal potential GDP, is reversed in sign. FI is the weighted difference of discretionary changes in federal spending and taxes (in 1987 dollars), scaled by real federal purchases. For change in HEB and FI, negative values indicate restraint.

a--Actual.

b--Unified data are actuals, NIPA data are staff projections.

Recent Developments

Interest rates have fallen across a broad front since the last FOMC meeting. Most short-term rates are down about 25 basis points, in part because investors now see little chance of a near-term tightening in policy. The passing of the year-end, and the associated pressures in money markets, also contributed to the downward movement very short-term, private rates. Long-term yields have declined 5 to 20 basis points, responding to signs that the Clinton administration is committed to deficit reduction and also is likely to cut back on bond issuance.

Movements in major stock price indexes have been mixed over the intermeeting period. The NASDAQ index has soared 7 percent, the NYSE composite index is essentially unchanged, and the Dow Jones Industrial index is off nearly 3/4 percent. The weakness in the latter two partly reflects the poor performance of troubled giants, most notably IBM. Meanwhile, better-than-expected earnings reports have fueled the recent advance in the NASDAQ index, along with the widely held view that high-tech and emerging growth companies will be favored by the policies of the new Administration.

M2 inched lower in December, placing its growth from the fourth quarter of 1991 to the fourth quarter of 1992 at 2 percent. M3 fell at an estimated 3-1/4 percent rate in December and was up only 1/2 percent last year. Early indications point toward decreases in the two aggregates in January.

The December weakness in M2, coming after four consecutive months of moderate growth, resulted primarily from a slowdown in the growth of demand deposits and household liquid accounts (OCDs, MMDAs, savings deposits, and money fund shares). A reduced volume of home mortgage refinancings helped trim demand deposit growth last

month, while the increase in opportunity costs in October and November damped growth in liquid accounts. Also in December, depository institutions continued to experience sizable outflows of small time deposits, although the pace was down from that in previous months. Net inflows to stock and bond funds in December reportedly slowed slightly from the heavy pace in November.

M3 contracted in December despite an advance in bank credit. The divergence between the two partly reflected the increased reliance by banks upon non-M3 sources of funds, including subordinated debt and equity. In addition, M3 was dragged down by a sharp drop in institution-only money fund shares.

Bank credit grew in December at an estimated 3-3/4 percent rate, the lowest rate since July; partial data suggest that bank credit slowed further in January. Although December's slowdown occurred both in loans and securities, the most pronounced change was a sharp reversal in business loans, which fell at a 5-1/4 percent annual rate after posting a 5-1/4 percent gain in the previous month. Some slowing in bank loans was to be expected, as most of the increase in November came from a one-time shift by a large firm from the commercial paper market to its bank lines. The weakness in December also may have been related to the heavy volume of retail sales during the holiday season, which probably trimmed businesses' needs for inventory financing. On the supply side, senior loan officers in late January reported no change in underwriting standards or terms on business loans, which might suggest some slight loosening of supply constraints given the apparent bias in the survey against reporting easier standards.

Other indicators similarly point to subdued borrowing by nonfinancial corporations in December. Outstanding commercial paper dropped sharply, partly reflecting the step-up in retail sales. In

addition, some of the large increases in commercial paper in October and November likely came at the expense of issuance in December, as corporations borrowed early in anticipation of the year-end crunch. Although gross public bond issuance picked up some in December, most of the proceeds continued to be for refinancing outstanding debt. Such refinancings figured significantly last year in the overall lowering of corporate interest expenses and in the strengthening of corporate profits and cash flow. New issuance has accelerated further in January to a near-record level, as corporations have rushed once again to take advantage of lower interest rates.

In the household sector, consumer installment credit grew at a 2 percent annual pace in November and, based upon incoming data, likely posted another gain in December. As a consequence, installment credit should show its first quarterly increase since the fourth quarter of 1991. Total real estate loans at banks grew at a reduced rate in December and appear to be declining in January although some of the January weakness may reflect greater-than-normal write downs of real estate debt at year-end. However, with a nearly 30 basis point decrease in mortgage rates since early December, mortgage bankers report a pickup of late in loan applications for new home purchases. Reports also indicate that refinancing applications have risen in recent weeks, but the volume is considerably below the peaks reached last January and July.

The declines in municipal bond rates in November and December sparked a surge in refunding issuance last month by state and local governments. Although the pace of refundings appears to have slackened in January, a significant volume of outstanding bonds issued during the late 1980s reportedly is attractive for refunding at current interest rates and the forward calendar has begun to build. The dollar amount of municipal bonds downgraded last year

once again exceeded that of upgrades, but by a narrower margin than in 1991. Some state and local governments, especially those in the Northeast, have recently experienced higher-than-expected revenue growth, prompting some analysts to suggest that the erosion of credit quality might be nearing an end.

Although the staff expects the federal deficit to be considerably smaller in the first quarter of 1993, marketable borrowing by the Treasury is likely to total \$74 billion, near the level recorded in the fourth quarter when the Treasury drew heavily on its cash balance.

Outlook

The staff projection of economic activity assumes that short-term interest rates remain near current levels through next year. In an environment of slowing inflation, long-term interest rates are expected to move downward.

The projection also envisions that restraints on the supply of credit will ease somewhat, providing support to the economic expansion. Banks have made substantial progress in shoring up their balance sheets and in boosting profitability. A good portion of the industry now is in a position to step up asset expansion--an assessment that is supported by the vast majority of senior loan officers responding to the January survey, who characterized their banks' capital positions as comfortable. Although banks are expected to maintain relatively stringent credit standards, they are likely to become more aggressive in seeking out creditworthy borrowers, and consequently rate spreads on loans may narrow somewhat. Most finance companies also appear capable of meeting enlarged consumer and business credit demands; furthermore, for those under stress, asset securitization is a viable financing alternative. Life insurance companies will continue to concentrate

on investment-grade corporate bonds and mortgage-backed securities in the near term and only gradually will resume private placement lending to the below-investment-grade, medium-sized companies for which they have been a traditional source of longer-term financing.

The staff projects the debt of the domestic nonfinancial sectors will grow at a 5-1/4 percent rate in 1993, up from an estimated 4-1/2 percent rate in 1992, and about the same as GDP. Debt growth will likely move up further in 1994 to around 6 percent, faster than the rise in nominal GDP.

The step-up in debt growth over the next two years occurs in the nonfederal sectors. Private debt is expected to grow 4 percent in 1993, compared to 3 percent in 1992, and growth is projected to strengthen further in 1994 to 4-1/2 percent. The pickup in debt expansion reflects higher expected borrowing by both the household and nonfinancial business sectors.

On the whole, households have made some progress in reducing debt servicing payments and should now be less concerned about paying down debt. Thus, we expect the growth projected for consumer expenditures--especially on durables--to be associated with further moderate expansion in consumer installment credit. Growth in home mortgage loans rises gradually over the projection period along with the expansion in housing activity. With long-term interest rates expected to decline further, refinancing activity should be appreciable. The refinancings should add some to mortgage debt growth, as some "cashing out" of equity is likely to occur.

Debt growth in the nonfinancial business sector is expected to increase over the projection period, as the gap between corporate capital expenditures and internal funds turns positive in 1993 for the first time in two years and then widens further in 1994. Net equity issuance is projected to provide a small and diminishing

proportion of the external finance. Many corporations have already raised equity to strengthen balance sheets, and corporations generally are likely to issue shares at a slower pace than in the past two years. Given the expected movement in interest rates, the bond market is expected to supply the majority of the external funds. Nonetheless, bank loans and other shorter-term instruments provide a growing share of the supply of funds, partly reflecting increased inventory investment.

In the state and local government sector, debt growth should slow in 1993 and 1994, in part because the budget positions of many governmental units should improve as the economy expands, thereby eliminating some of the borrowing undertaken in the past two years effectively to fund budget gaps. In addition, a heavy volume of bonds that had been refunded well in advance of their call dates reach those dates over the next two years and will be redeemed. By themselves, these redemptions reduce the outstanding stock of municipal bonds, because the bonds issued to fund the retirements were sold in earlier years. The damping effect of these two influences on state and local debt growth, however, will be partly offset by a continuation of advance refundings, brought on by declining long-term interest rates.

Federal sector debt is projected to grow rapidly over the next two years, although at rates that are slightly below that in 1992. We anticipate that thrift resolution activity will be back in full swing in the last half of this year. Borrowing to fund these resolutions, as well as that for banks, is expected to add 1/2 percentage point to federal debt growth in 1993 and less in 1994. This also translates into roughly 1/4 percentage point of additional growth in the total debt of all domestic nonfinancial sectors in each year.

Confidential FR Class II
January 27, 1993

GROWTH RATES OF DEBT BY SECTOR¹
(Percent, period-end to period-end)

-----Domestic Nonfinancial Sectors-----										Memo-----	
-----Households-----											
	Total ²	U.S. govt.	Non- federal	Total	Home mtgs.	Cons. credit	Business	State & local govts.	Private financial assets	Nominal GDP ¹	
1983	11.7	18.9	9.9	11.6	11.3	12.6	8.3	9.7	11.7	11.0	
1984	14.5	16.9	13.8	13.2	12.0	18.7	15.4	9.1	13.0	9.1	
1985	15.0	16.5	14.5	14.3	12.2	15.8	11.5	31.4	13.1	7.0	
1986	12.9	13.6	12.7	14.1	17.3	9.6	11.9	10.5	9.1	4.7	
1987	9.2	8.0	9.6	11.5	13.7	5.0	7.1	13.4	8.4	8.0	
1988	9.1	8.0	9.4	11.1	12.5	7.2	8.3	7.0	8.4	7.7	
1989	8.0	6.9	8.2	9.6	11.3	5.6	6.9	8.4	7.1	6.0	
1990	6.6	11.0	5.3	7.2	9.0	2.2	3.3	5.9	4.5	4.1	
1991	4.2	11.1	2.1	4.2	5.3	-1.6	-0.6	4.5	0.7	3.5	
1992	4.9	10.9	2.9	4.6	5.9	0.0	0.5	5.4	0.1	5.6	
1993	5.3	9.4	3.9	5.1	5.9	2.6	2.5	4.2	0.4	5.4	
1994	5.9	9.7	4.4	5.7	6.5	4.6	3.0	4.3	1.5	5.0	
Seasonally adjusted, annual rates											
1992 --	Q1	6.0	13.3	3.5	5.5	7.4	0.4	1.0	5.1	5.2	6.2
	Q2	4.7	12.3	2.2	3.6	4.1	-1.6	-0.6	6.9	-1.2	4.3
	Q3	3.3	6.5	2.2	3.7	5.0	0.0	-0.3	5.4	-4.0	5.3
	Q4	5.4	10.0	3.8	5.4	6.6	1.1	1.9	3.9	0.4	6.5
1993 --	Q1	5.5	10.9	3.5	4.7	5.5	1.8	2.2	3.6	0.1	6.2
	Q2	4.1	5.1	3.7	4.8	5.7	2.2	2.3	4.2	-0.6	5.1
	Q3	4.9	7.7	4.0	5.0	5.8	2.9	2.7	4.1	0.4	5.1
	Q4	6.5	12.8	4.2	5.3	5.9	3.5	2.8	4.5	1.5	5.1
1994 --	Q1	6.6	13.0	4.2	5.4	6.1	3.9	2.8	4.0	1.9	5.2
	Q2	5.2	7.2	4.4	5.6	6.2	4.4	3.0	4.4	1.0	5.0
	Q3	4.9	6.2	4.4	5.8	6.5	4.8	3.0	3.9	0.7	4.9
	Q4	6.4	11.3	4.5	5.7	6.5	5.0	3.0	4.5	2.3	4.8

1. Published data through 1992 Q3. Annual GDP growth rates are Q4 to Q4.

2. Deposit insurance activity raised total debt growth roughly 0.5 percentage point in 1991 and is expected to raise growth by 1/4 percentage points in both 1993 and 1994; there was no effect on debt growth in 1992. On a quarterly average basis, total debt growth is projected to be 5.2 percent and 5.9 percent in 1993 and 1994, respectively.

FLOW OF FUNDS PROJECTION HIGHLIGHTS¹
(Billions of dollars, seasonally adjusted annual rates)

	Calendar year				-----1992-----				-----1993-----			
	1991	1992	1993	1994	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net funds raised by domestic nonfinancial sectors:												
1 Total	470.9	578.3	641.8	733.5	713.5	571.1	390.6	638.1	662.3	499.8	605.6	799.6
2 Net equity issuance	18.3	26.8	13.0	5.0	46.0	36.0	11.0	14.0	20.0	14.0	10.0	8.0
3 Net debt issuance	452.7	551.6	628.8	728.5	667.5	535.1	379.6	624.1	642.3	485.8	595.6	791.6
Borrowing sectors:												
Nonfinancial business												
4 Financing gap ²	-4.4	-27.6	15.5	51.1	-43.1	-14.8	-37.7	-14.9	-0.9	10.5	22.7	29.7
5 Net equity issuance	18.3	26.8	13.0	5.0	46.0	36.0	11.0	14.0	20.0	14.0	10.0	8.0
6 Credit market borrowing	-22.1	17.0	90.1	110.3	35.4	-23.4	-11.7	67.5	78.1	83.7	97.6	101.1
Households												
7 Net borrowing, of which:	158.0	181.8	208.5	248.1	217.1	143.3	147.9	218.8	194.2	199.2	212.6	228.0
8 Home mortgages	137.1	160.9	170.2	198.0	202.2	114.2	139.7	187.5	159.4	167.9	174.2	179.4
9 Consumer credit	-12.6	0.0	20.8	37.6	3.1	-12.4	0.3	9.0	14.0	18.0	23.0	28.0
10 Debt/DPI (percent) ³	91.7	91.0	90.6	90.3	91.6	91.3	91.7	91.4	91.3	91.1	91.1	91.0
State and local governments												
11 Net borrowing	38.5	49.0	39.5	42.2	46.1	63.4	50.0	36.4	34.4	40.2	39.3	44.2
12 Current surplus ⁴	-39.6	-44.0	-32.9	-21.3	-49.8	-38.2	-46.8	-41.3	-37.0	-34.3	-32.3	-27.9
U.S. government												
13 Net borrowing	278.2	303.9	290.7	328.0	368.9	351.9	193.4	301.4	335.6	162.7	246.1	418.3
14 Net borrowing; quarterly, nsa	278.2	303.9	290.7	328.0	83.4	63.6	75.5	81.4	75.1	16.3	88.7	110.6
15 Unified deficit; quarterly, nsa	266.8	326.9	287.1	309.2	115.6	28.4	62.4	120.5	83.2	11.8	79.5	112.6
Funds supplied by												
16 depository institutions	-61.0	40.4	105.8	122.3	-14.4	-23.2	79.8	119.4	61.8	113.6	114.1	133.8
Memoranda: As percent of GDP:												
17 Dom. nonfinancial debt ³	193.5	193.1	192.2	193.2	194.8	195.0	194.1	193.7	193.4	192.9	192.9	193.6
18 Dom. nonfinancial borrowing	8.0	9.3	10.0	11.0	11.4	9.1	6.3	10.3	10.4	7.8	9.4	12.4
19 U.S. government ⁵	4.9	5.1	4.6	5.0	6.3	6.0	3.2	5.0	5.4	2.6	3.9	6.5
20 Private	3.1	4.2	5.4	6.1	5.1	3.1	3.1	5.3	5.0	5.2	5.5	5.8

1. Published data through 1992 Q3.
2. For corporations: Excess of capital expenditures over U.S. internal funds.
3. Annuals are average debt levels in the year (computed as the average of year-end debt positions) divided by nominal GDP.
4. NIPA surplus, net of retirement funds.
5. Excludes government-insured mortgage pool securities.

Recent Developments

The weighted-average foreign-exchange value of the dollar in terms of other G-10 currencies is little changed on balance since the December FOMC meeting. The dollar appreciated against the mark and the yen through early January in the wake of declines in German and Japanese interest rates and expectations of further easing by the Bundesbank and the Bank of Japan. Those appreciations have since been reversed, partly because expectations of near-term easing in Germany have diminished somewhat; the dollar has fallen also because of market perceptions that any U.S. fiscal stimulus package by the new Administration would be small, that the Administration intends to reduce the budget deficit, and that the Federal Reserve is less likely to tighten in the near term.

The German three-month interbank rate has declined 50 basis points, to 8.45 percent, over the intermeeting period, and rates in most other European countries have fallen by similar amounts. In the United Kingdom, short-term rates have fallen 125 basis points as the Bank of England lowered its official lending rates. Short-term interest rates in France have remained elevated, however, even after downward pressure on the franc eased in early January, when the Bundesbank cut its RP rate 15 basis points. Three-month rates in Japan have fallen about 25 basis points in anticipation of a near-term discount rate cut. Bellwether bond rates in Germany and Japan have moved down 10 and 20 basis points respectively.

. The desk
did not intervene.

Economic activity in the major foreign industrial countries appears to have remained weak in the fourth quarter, and inflation pressures were relatively subdued for the most part. In western Germany, industrial production fell significantly in October and November, pointing to a third consecutive quarter of decline in real output, and the December unemployment rate reached 7.2 percent. Twelve-month CPI inflation edged up in December, to about 3-3/4 percent, but recent wage settlements in Germany have been fairly modest. Elsewhere in Europe, activity appears to have remained sluggish; industrial production declined in France and the United Kingdom in November. The domestic price effects of recent currency depreciations in the United Kingdom and Italy have been muted to date by slack in those economies.

In Japan, industrial production fell in November and December, and retail sales continued to decline. The Japanese unemployment rate edged up in November, and other indicators confirmed weakness in labor market conditions. Underlying inflation was running in the vicinity of 2 percent through December. Japan's trade surplus widened to \$107 billion for the year 1992, reflecting sluggish import demand and continued growth of exports.

The nominal U.S. merchandise trade deficit narrowed slightly in October-November relative to its rate in the third quarter but remained in the neighborhood of \$105 billion at an annual rate. The expansion of exports slowed a bit from the fairly strong third-quarter pace, with most of the growth still taking place in shipments to major developing economies in Asia. Shipments of agricultural commodities continued at about the same strong rate in October-November as in the third quarter.

Outlook

Overall, the outlook for the foreign sector of the U.S. economy is little changed from that in the December projection. We continue to expect that moderate recovery of real GDP growth abroad will take hold during the next several quarters and that the pickup in foreign growth will slow the rate of decline in U.S. real net exports of goods and services. The projected decline in net exports over the next two years cumulates to a little over \$40 billion.

The dollar. As in the December Greenbook, we project that the foreign exchange value of the dollar in terms of the other G-10 currencies will drift up from current levels through the end of 1994. This outlook is consistent with the assumption that European interest rates will continue to decline relative to comparable U.S. interest rates. Against the currencies of key developing countries, the CPI-adjusted value of the dollar is expected to show a moderate depreciation on average through the forecast period.

Foreign industrial countries. Data released in recent weeks have tended to confirm our view that average growth of real GDP in the G-6 industrial countries (weighted by shares in U.S. exports) was marginally above zero during the fourth quarter of 1992. As in the December forecast, we project growth in these countries on average to continue to be weak during the first quarter, to recover gradually to 3 percent by the end of 1993, and to remain in that vicinity in 1994. GDP growth in Canada is expected to be at the upper end of the range because the Canadian economy will benefit the most from continuing U.S. economic expansion.

The primary factors underlying our expectation of economic recovery abroad are the stimulative effects of recent easing, and anticipated further easing, of monetary policy in each of the major countries, the ongoing improvement of private-sector balance sheets

in several countries, and the effects of expansionary fiscal measures adopted in Japan in recent months. We expect German short-term interest rates to fall about 250 basis points from current levels over the year ahead. Rates in France, which are well above German rates, are projected to fall substantially more, while those in other major European countries should fall somewhat less. Rates in the United Kingdom are already well below German rates, while those in Italy are expected to be maintained well in excess of German levels. We expect Japanese short-term rates to fall moderately further, to the vicinity of 3 percent by mid-year. Long-term interest rates in the major foreign countries on average should decline more than 75 basis points over the forecast period.

We project consumer-price inflation in the major foreign industrial countries to average about 3 percent in 1993 and 2-1/2 percent in 1994, roughly the same as was projected in December.

Developing countries. Real GDP growth in key foreign developing countries on average slowed to about 4 percent in 1992, as weak import demand in industrial countries and tight macroeconomic policies in a number of developing countries restrained growth. Some relaxation of contractionary policies and a pickup in demand in industrial countries should support higher growth in 1993-94 than in 1992. We expect real GDP in Mexico to expand at an annual rate of 3 to 3-1/2 percent over the next two years. Growth in the key U.S. export markets among developing countries in Asia should be in the range of 6 to 7 percent on average, supported in part by continued rapid growth in China.

U.S. real net exports of goods and services. We project real net exports of goods and services to decline over the four quarters of 1993 by an amount equal to a little over 1/2 percent of real GDP.

a decline somewhat less than that estimated for 1992 and twice that projected for 1994.

Real merchandise exports are projected to increase about 5 percent at an annual rate in the current quarter--roughly the same as in the fourth quarter--and then to expand at an average rate of 6 to 7 percent over the rest of the forecast period. Shipments of agricultural commodities are expected to remain little changed on average from the high levels attained recently. Exports of computers should continue to expand rapidly over the forecast period and to accelerate during the second half of 1993 after the next generation of microprocessors is introduced. We expect the growth of other exports to average a little over 5 percent in 1993 and to slow to 4 percent in 1994 as the depressing effects of the recent and projected further appreciation of the dollar more than offset the stimulative effects of the gradual pickup in GDP growth abroad.

TRADE QUANTITIES*
(Percent change from preceding period, A.R.)

	1992		Projection				1994 Q4
	Q3	Q4	Q1	Q2	Q3	Q4	
Exports							
Agricultural	58.7	10.8	-17.3	0.3	1.3	8.4	1.3
Computers	35.4	17.2	21.6	21.5	27.3	27.3	24.4
Other nonag.	5.1	3.2	6.1	5.2	4.8	4.6	4.0
Imports:							
Oil	13.2	2.3	-0.6	26.1	15.1	-5.6	8.4
Computers	81.2	24.8	26.3	26.2	23.9	23.9	19.3
Other non-oil	8.3	3.0	10.7	9.4	8.0	6.4	5.9

* GDP basis, 1987 dollars.

This outlook does not rest on the outcome of the Uruguay Round of GATT negotiations. A successful completion of negotiations would be unlikely to have appreciable positive effects on U.S. international transactions until after the end of the current forecast period. Similarly, while a failure of the Uruguay Round

would be likely to have negative effects on international trade, those effects would not be felt until after the projection period. In any case, the long-term effects, either positive or negative, would be potentially significant.

We expect total merchandise imports in real terms to expand 11 percent in 1993 and about 8 percent in 1994. Declines in the relative price of imports (associated in part with the appreciation of the dollar) and rapid growth in imports of computers contribute importantly to the projected strong growth of imports. Even so, the growth of computer imports is expected to slow from the exceptionally rapid rate of about 50 percent during 1992.

The time-pattern of oil imports is expected to be influenced significantly by seasonal fluctuations in domestic stocks over the next two years. Cutting through these quarter-to-quarter fluctuations, we project that imports will continue on an upward trend, though at somewhat lower levels than projected previously. In light of recent data, the projected path of U.S. domestic oil production has been revised up somewhat, but it is expected to continue on a downward trend over the forecast period.

Oil prices. In recent days, spot prices of West Texas Intermediate crude have risen above \$19.60 per barrel on market perceptions of an agreement between Saudi Arabia and Iran on the need for production cuts. However, we have assumed that at the February 13 OPEC meeting these two countries will agree to adopt only relatively minor production cuts, which would move spot prices a bit lower--to \$19.50 per barrel for WTI. We also assume that prices will remain at about that level over the next two years. This spot price level would be consistent with an import unit value of \$17.00 per barrel, \$0.50 per barrel below the longer-term projection in the December Greenbook.

In the previous forecast, we assumed that Iraq would begin exporting roughly 0.6 mb/d in July 1993. A date of early 1994 would now appear to be more reasonable, with production in Saudi Arabia and Iran offsetting the Iraqi shortfall in 1993. A quicker return of Iraq to the world oil market could put downward pressure on oil prices.

Prices of non-oil imports and exports. The appreciation of the dollar in recent months is expected to result in slight declines in U.S. non-oil import prices during the first half of 1993. We expect these import prices to continue rising less rapidly than domestic prices abroad after mid-1993 because of the projected further appreciation of the dollar. The increase in prices of U.S. nonagricultural exports (excluding computers) should roughly keep pace with increases in U.S. producer prices. The prices of agricultural exports are projected to rise moderately over the forecast period, along a somewhat higher path than projected previously in light of recent increases in the prices of soybeans, wheat, and cotton.

SELECTED PRICE INDICATORS
(Percent change from preceding period except as noted, A.R.)

	1992		Projection				1994
	Q3	Q4	Q1	Q2	Q3	Q4	Q4
PPI (exp. wts.)	3.5	-0.9	0.1	2.6	1.8	1.5	1.3
Nonag. exports*	3.2	0.5	0.0	1.8	1.3	1.5	1.3
Non-oil imports*	4.7	-0.1	-0.3	0.4	1.2	1.6	1.7
Oil imports (level, \$/b1)	18.56	18.20	15.80	16.90	17.00	17.00	17.00

* Excluding computers.

Nominal trade and current account balances. The merchandise trade deficit is projected to widen, from an annual rate of \$106 billion in the second half of 1992 to about \$125 billion in the

second half of 1993 and about \$140 billion by the end of 1994. Throughout the forecast period, the projected level of the deficit is somewhat less than in the previous forecast. The improvement largely reflects a combination of somewhat lower oil imports and somewhat higher agricultural exports than previously projected.

We expect that the current account deficit widened in the fourth quarter of 1992, to about \$80 billion at an annual rate, and that it will widen further by 1994, to \$100 billion (or roughly 1-1/2 percent of nominal GDP). We expect the strong positive trend in net service receipts observed in recent years to continue over the forecast period and to offset some of the widening of the trade deficit. Net investment income receipts should fall somewhat below the level recorded in 1992 as payments on foreign direct investment holdings in the United States begin to recover from very depressed levels.

OUTLOOK FOR U.S. CURRENT ACCOUNT AND REAL NET EXPORTS

(Billions of dollars, seasonally adjusted annual rates)

	Projection								Projection				
	1992		1993				1994				ANNUAL		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1992	1993	1994
GDP Net Exports of Goods and Services (874)	-52.7	-52.9	-63.2	-72.8	-78.8	-79.9	-81.3	-89.0	-92.9	-93.3	-42.7	-73.7	-89.1
Exports of G+S	575.9	582.9	589.6	598.2	607.9	618.3	627.7	637.2	646.5	655.9	571.9	603.5	641.8
Merchandise	420.4	426.2	431.7	438.8	446.7	455.4	463.0	470.9	478.4	486.0	415.7	443.1	474.6
Services	155.5	156.7	157.8	159.4	161.2	163.0	164.7	166.4	168.1	169.8	156.2	160.4	167.2
Imports of G+S	628.6	635.8	652.8	671.1	686.7	698.2	709.0	726.3	739.4	749.2	614.6	677.2	731.0
Merchandise	526.4	533.5	548.2	565.3	580.0	590.6	600.6	617.0	629.4	638.4	513.9	571.0	621.3
Oil	52.5	52.8	52.7	55.9	57.9	57.0	56.3	61.5	63.3	61.8	50.7	55.9	60.7
Non-oil	473.9	480.7	495.4	509.4	522.1	533.5	544.3	555.4	566.1	576.6	463.2	515.1	560.6
Services	102.2	102.3	104.6	105.8	106.7	107.6	108.5	109.3	110.0	110.8	100.7	106.2	109.6
Memo: (Percent changes 1/)													
Exports of G+S	9.2	4.9	4.7	6.0	6.6	7.1	6.2	6.2	6.0	5.9	3.8	6.1	6.1
of which: Goods	12.7	5.6	5.3	6.7	7.3	8.0	6.9	6.9	6.6	6.5	4.6	6.8	6.7
Imports of G+S	14.8	4.6	11.2	11.7	9.6	6.9	6.4	10.1	7.4	5.4	9.3	9.8	7.3
of which: Non-oil Goods	15.8	5.8	12.9	11.8	10.3	9.0	8.3	8.4	7.9	7.6	10.3	11.0	8.1
Current Account Balance	-56.9	-79.3	-75.7	-86.2	-88.6	-93.0	-90.3	-99.9	-101.1	-107.5	-57.8	-85.9	-99.7
Merchandise Trade, net	-106.2	-105.9	-106.0	-117.0	-123.8	-125.1	-127.4	-136.2	-141.3	-143.3	-94.8	-118.0	-137.1
Exports	443.2	451.3	451.4	458.3	465.6	474.1	481.3	488.4	495.0	501.4	439.0	462.3	491.5
Agricultural	46.4	46.6	44.9	45.4	45.9	47.4	48.2	48.9	49.5	50.1	44.5	45.9	49.2
Nonagricultural	396.8	404.7	406.5	412.9	419.7	426.6	433.1	439.5	445.5	451.3	394.5	416.4	442.4
Imports	549.4	557.2	557.4	575.2	589.4	599.1	608.7	624.6	636.3	644.6	533.8	580.3	628.6
Oil	56.9	56.0	48.5	55.0	57.4	56.6	55.8	61.0	62.8	61.3	51.5	54.4	60.2
Non-oil	492.5	501.2	508.9	520.3	532.0	542.6	552.9	563.6	573.6	583.3	482.3	525.9	568.3
Other Current Account	35.0	20.1	22.2	23.9	25.9	25.5	29.4	31.0	32.7	32.0	25.4	24.4	31.3
Invest. Income, net	14.2	6.6	8.1	6.9	9.2	6.7	7.7	5.4	7.5	3.8	11.6	7.7	6.1
Direct, net	51.8	44.8	42.2	42.0	42.2	42.4	42.4	42.5	42.6	42.9	50.0	42.2	42.6
Portfolio, net	-37.6	-38.2	-34.1	-35.2	-33.0	-35.8	-34.7	-37.2	-35.1	-39.1	-38.4	-34.5	-36.5
Military, net	-2.2	-1.6	-2.0	-1.6	-1.0	-0.6	-0.2	0.2	0.6	1.0	-2.2	-1.3	0.4
Other Services, net	64.7	55.3	55.6	56.9	58.3	59.7	60.8	62.0	63.3	64.6	57.7	57.6	62.7
Transfers, net	-27.5	-33.6	-31.4	-31.4	-31.4	-33.6	-31.2	-31.2	-31.2	-33.6	-30.1	-31.9	-31.8

1/ Percent change (AR) from previous period; percent changes for annual data are calculated Q4/Q4.

U.S. CURRENT ACCOUNT AND REAL NET EXPORTS
 (Billions of dollars, seasonally adjusted annual rates)

	1990				1991				1992		ANNUAL		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1989	1990	1991
GDP Net Exports of Goods and Services (87#)	-58.4	-56.9	-59.3	-32.7	-17.9	-17.4	-31.6	-20.5	-21.5	-43.9	-73.7	-51.8	-21.8
Exports of G+S	500.2	508.7	508.4	522.6	515.9	536.1	544.2	561.4	565.4	563.4	471.8	510.0	539.4
Merchandise	363.5	368.7	366.7	375.3	377.4	390.1	395.2	407.3	408.1	408.0	343.8	368.5	392.5
Services	136.7	140.0	141.7	147.3	138.5	146.1	149.0	154.0	157.3	155.4	127.9	141.4	146.9
Imports of G+S	558.6	565.6	567.7	555.3	533.8	553.5	575.8	581.8	586.8	607.3	545.4	561.8	561.2
Merchandise	458.3	464.5	465.7	452.7	438.9	454.9	477.9	482.2	488.0	507.8	450.4	460.3	463.5
Oil	55.9	55.6	53.3	43.5	44.2	51.5	52.4	46.5	46.7	50.9	51.3	52.1	48.6
Non-oil	402.4	408.9	412.4	409.1	394.7	403.4	425.5	435.7	441.3	456.8	399.0	408.2	414.8
Services	100.3	101.2	102.0	102.6	94.9	98.5	97.9	99.6	98.8	99.5	95.0	101.5	97.7
Memo:(Percent changes 1/)													
Exports of G+S	10.7	7.0	-0.2	11.6	-5.0	16.6	6.2	13.3	2.9	-1.4	11.3	7.2	7.4
of which: Goods	10.2	5.8	-2.2	9.7	2.3	14.2	5.3	12.8	0.8	-0.1	10.2	5.8	8.5
Imports of G+S	2.6	5.1	1.5	-8.5	-14.6	15.6	17.1	4.2	3.5	14.7	2.6	0.1	4.8
of which: Non-oil													
Goods	-4.4	6.6	3.5	-3.2	-13.4	9.1	23.8	9.9	5.2	14.8	3.1	0.5	6.5
Current Account Balance	-89.5	-85.3	-95.9	-91.0	48.8	9.7	-44.3	-28.9	-23.6	-71.2	-101.1	-90.4	-3.7
Merchandise Trade, net	-109.5	-99.2	-115.6	-111.1	-73.3	-65.6	-80.7	-74.2	-68.9	-98.2	-115.7	-108.9	-73.4
Exports	379.9	386.6	386.2	402.1	402.5	413.3	416.6	431.4	431.8	429.9	361.7	388.7	416.0
Agricultural	43.0	40.5	39.4	37.9	39.2	37.5	40.7	43.2	43.3	41.9	42.2	40.2	40.1
Nonagricultural	337.0	346.1	346.8	364.2	363.3	375.8	375.9	388.2	388.5	388.0	319.5	348.5	375.8
Imports	489.4	485.8	501.7	513.2	475.8	478.9	497.3	505.6	500.7	528.1	477.4	497.6	489.4
Oil	63.2	51.3	61.8	72.9	51.7	51.7	52.5	48.8	41.5	51.7	50.9	62.3	51.2
Non-oil	426.3	434.5	439.9	440.3	424.2	427.1	444.8	456.8	459.2	476.4	426.4	435.3	438.2
Other Current Account	2.7	1.1	2.8	-10.0	94.2	59.6	24.0	35.5	27.4	19.3	0.2	-0.9	53.3
Invest. Income, net	17.3	12.8	16.9	30.1	27.9	15.7	12.3	9.8	17.9	7.7	14.4	19.3	16.4
Direct, net	52.1	51.5	54.0	59.7	61.7	53.0	48.3	48.5	55.3	48.0	47.8	54.3	52.9
Portfolio, net	-34.8	-38.7	-37.1	-29.6	-33.9	-37.3	-36.0	-38.7	-37.4	-40.3	-33.5	-35.1	-36.5
Military, net	-7.5	-6.5	-6.8	-10.5	-10.3	-5.7	-4.0	-2.2	-2.5	-2.5	-6.8	-7.8	-5.5
Other Services, net	36.3	37.2	38.3	47.6	47.7	48.8	52.1	54.7	57.9	53.0	32.6	39.9	50.8
Transfers, net	-26.2	-29.6	-28.8	-47.1	56.8	16.5	-24.0	-17.1	-28.0	-31.2	-25.6	-32.9	8.0

1/ Percent change (AR) from previous period; percent changes for annual data are calculated Q4/Q4.

January 27, 1993

STRICTLY CONFIDENTIAL - FR
CLASS II FOMCREAL GDP AND CONSUMER PRICES, SELECTED COUNTRIES, 1990-94
(Percent change from fourth quarter to fourth quarter)

Measure and country	1990	1991	Projection		
			1992	1993	1994
REAL GDP					
Canada	-2.0	-0.0	1.2	2.7	3.2
France	1.5	1.7	1.5	1.9	3.0
Western Germany	5.8	2.0	0.9	1.4	2.4
Italy	1.6	1.7	0.7	1.1	2.0
Japan	4.7	3.0	0.5	1.8	3.2
United Kingdom	-1.0	-1.6	-0.7	1.5	2.4
Average, weighted by 1987-89 GDP	2.6	1.5	0.6	1.7	2.8
Average, weighted by share of U.S. nonagricultural exports					
Total foreign	1.8	1.6	1.6	2.7	3.4
G-6	0.6	0.8	0.8	2.1	3.0
Developing countries	5.1	4.9	3.9	4.9	5.2
CONSUMER PRICES					
Canada	4.9	4.1	1.9	2.0	1.8
France	3.6	2.9	2.3	2.4	2.1
Western Germany	3.0	3.9	3.7	3.3	2.3
Italy	6.3	6.1	5.1	5.6	3.9
Japan	3.2	3.2	1.2	2.2	1.6
United Kingdom	10.0	4.2	3.1	2.7	3.0
Average, weighted by 1987-89 GDP	4.8	3.9	2.6	2.9	2.3
Average, weighted by share of U.S. non-oil imports					
	4.4	3.8	2.0	2.5	2.0

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF RESEARCH AND STATISTICS

DATE: February 1, 1993
TO: Recipients of part 1 of the Greenbook
FROM: Michael J. Prell
SUBJECT: Revised Greensheets

Attached are revised Greensheets, which reflect the data on fourth quarter GDP that were released last week.

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index ¹		Unemployment rate (level except as noted)	
	1/27/93	1/29/93	1/27/93	1/29/93	1/27/93	1/29/93	1/27/93	1/29/93	1/27/93	1/29/93
ANNUAL										
1990 ²	5.2	5.2	.8	.8	4.5	4.5	5.4	5.4	5.5	5.5
1991 ²	2.8	2.8	-1.2	-1.2	4.0	4.0	4.2	4.2	6.7	6.7
1992 ²	4.8	4.7	2.0	2.1	3.0	3.0	3.0	3.0	7.4	7.4
1993	5.6	5.5	3.0	3.0	2.8	2.8	2.8	2.8	7.1	7.1
1994	5.1	5.1	2.9	2.9	2.4	2.4	2.5	2.5	6.8	6.8
QUARTERLY										
1991 Q1 ²	1.8	1.8	-3.0	-3.0	4.7	4.7	3.3	3.3	6.5	6.5
Q2 ²	5.2	5.2	1.7	1.7	3.5	3.5	2.4	2.4	6.7	6.7
Q3 ²	4.0	4.0	1.2	1.2	3.0	3.0	2.7	2.7	6.7	6.7
Q4 ²	2.8	2.8	.6	.6	2.4	2.4	3.6	3.6	7.0	7.0
1992 Q1 ²	6.2	6.2	2.9	2.9	3.6	3.6	2.9	2.9	7.3	7.3
Q2 ²	4.3	4.3	1.5	1.5	2.9	2.9	3.5	3.5	7.5	7.5
Q3 ²	5.3	5.3	3.4	3.4	2.1	2.1	2.6	2.6	7.5	7.5
Q4 ²	6.5	5.7	3.6	3.8	3.2	3.2	3.3	3.2	7.3	7.3
1993 Q1	6.2	6.2	2.7	2.7	3.4	3.4	2.4	2.4	7.2	7.2
Q2	5.1	5.1	2.9	2.9	2.4	2.4	2.8	2.8	7.2	7.2
Q3	5.1	5.1	2.9	2.9	2.5	2.5	2.7	2.7	7.1	7.1
Q4	5.1	5.0	2.9	2.9	2.4	2.4	2.6	2.6	7.0	7.0
1994 Q1	5.2	5.2	2.9	2.9	2.6	2.6	2.5	2.5	6.9	6.9
Q2	5.0	5.0	3.0	3.0	2.2	2.2	2.4	2.4	6.8	6.8
Q3	4.9	4.9	3.0	3.0	2.1	2.1	2.3	2.3	6.7	6.7
Q4	4.8	4.8	3.1	3.1	2.0	2.0	2.2	2.2	6.6	6.6
TWO-QUARTER³										
1991 Q2 ²	3.5	3.5	-.7	-.7	4.2	4.2	2.9	2.9	.7	.7
Q4 ²	3.4	3.4	.9	.9	2.7	2.7	3.1	3.1	.3	.3
1992 Q2 ²	5.2	5.2	2.2	2.2	3.4	3.4	3.1	3.1	.5	.5
Q4 ²	5.9	5.5	3.5	3.6	2.6	2.7	3.0	3.0	-.2	-.2
1993 Q2	5.7	5.7	2.8	2.8	2.9	2.9	2.6	2.6	-.1	-.1
Q4	5.1	5.1	2.9	2.9	2.4	2.4	2.6	2.6	-.2	-.2
1994 Q2	5.1	5.1	2.9	2.9	2.4	2.4	2.5	2.5	-.2	-.2
Q4	4.9	4.9	3.0	3.0	2.1	2.1	2.3	2.3	-.2	-.2
FOUR-QUARTER⁴										
1990 Q4 ²	4.1	4.1	-.5	-.5	4.7	4.7	6.3	6.3	.6	.6
1991 Q4 ²	3.5	3.5	.1	.1	3.5	3.5	3.0	3.0	1.0	1.0
1992 Q4 ²	5.6	5.4	2.9	2.9	3.0	3.0	3.0	3.0	.3	.3
1993 Q4	5.4	5.4	2.8	2.8	2.7	2.7	2.6	2.6	-.3	-.3
1994 Q4	5.0	5.0	3.0	3.0	2.3	2.3	2.4	2.4	-.4	-.4

1. For all urban consumers.
2. Actual.
3. Percent change from two quarters earlier; for unemployment rate, change in percentage points.
4. Percent change from four quarters earlier; for unemployment rate, change in percentage points.

Item	Unit ¹	1986	1987	1988	1989	1990	1991	1992	Projected	
									1993	1994
EXPENDITURES										
Nominal GDP	Bill. \$	4268.6	4539.9	4900.4	5250.8	5522.2	5677.5	5945.7	6270.4	6587.8
Real GDP	Bill. 87\$	4404.5	4540.0	4718.6	4838.0	4877.5	4821.0	4919.9	5067.1	5215.5
Real GDP	% change	2.2	4.5	3.3	1.6	-.5	.1	2.9	2.8	3.0
Gross domestic purchases		2.1	3.9	2.5	.9	-1.2	-2	3.6	3.4	3.2
Final sales		3.3	2.7	4.2	1.5	.6	-.6	2.9	2.5	3.0
Private dom. final purch.		3.0	1.9	4.2	.5	-.8	-.9	4.3	4.0	4.0
Personal cons. expend.		4.0	2.1	4.2	1.2	.2	.0	3.2	3.1	3.3
Durables		12.5	-2.6	8.5	-.5	-2.3	-2.5	8.9	6.7	7.9
Nondurables		3.3	1.4	3.2	1.2	-.7	-1.5	2.9	2.0	2.3
Services		2.5	3.7	3.7	1.7	1.3	1.6	2.1	2.8	2.7
Business fixed invest.		-5.7	3.0	5.5	-.4	-1.4	-7.0	7.9	8.5	7.7
Producers' dur. equip.		-.7	2.4	9.1	-1.7	-.2	-3.5	11.9	11.0	9.3
Nonres. structures		-14.1	4.4	-1.2	2.3	-3.7	-14.3	-1.4	1.8	3.4
Res. structures		11.1	-3.1	.9	-7.7	-14.7	-.1	15.0	8.3	4.7
Exports		9.9	12.6	13.5	11.3	7.2	7.4	3.5	6.1	6.1
Imports		6.7	4.7	3.6	2.6	.1	4.8	9.3	9.8	7.3
Government purchases		4.1	3.3	.2	2.0	2.8	-.6	.6	-1.7	-.3
Federal		3.8	3.7	-3.4	-.6	3.0	-2.3	-.5	-5.8	-4.1
Defense		3.7	4.5	-3.2	-1.5	1.5	-5.2	-2.0	-8.7	-6.5
State and local		4.4	2.9	2.9	4.0	2.7	.7	1.4	1.1	2.1
Change in bus. invent.	Bill. 87\$	8.6	26.3	19.9	29.8	6.2	-9.3	4.4	25.5	26.4
Nonfarm		10.6	32.7	26.9	29.9	3.7	-9.6	2.0	25.1	26.4
Net exports		-155.1	-143.0	-104.0	-73.7	-51.8	-21.8	-43.2	-75.4	-90.6
Nominal GDP	% change	4.7	8.0	7.7	6.0	4.1	3.5	5.4	5.4	5.0
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employ.	Millions	99.5	102.2	105.5	108.3	109.8	108.3	108.4	109.6	111.7
Unemployment rate	%	7.0	6.2	5.5	5.3	5.5	6.7	7.4	7.1	6.8
Industrial prod. index	% change	1.4	6.5	4.5	1.1	.3	-.5	2.0	4.4	3.8
Capacity util. rate-mfg.	%	79.0	81.4	83.9	83.9	82.3	78.2	77.8	79.3	79.8
Housing starts	Millions	1.81	1.62	1.49	1.38	1.19	1.01	1.20	1.34	1.44
Auto sales in U.S.		11.45	10.24	10.63	9.91	9.51	8.39	8.35	8.84	9.54
North American produced		8.22	7.07	7.54	7.08	6.91	6.14	6.25	6.67	7.16
Other		3.24	3.18	3.10	2.83	2.60	2.25	2.10	2.17	2.38
INCOME AND SAVING										
Nominal GNP	Bill. \$	4277.8	4544.5	4908.2	5266.8	5542.9	5694.9	5957.2	6277.5	6593.2
Nominal GNP	% change	4.4	8.1	7.8	6.1	4.2	3.1	5.3	5.4	4.9
Nominal personal income		5.5	7.4	7.1	6.5	6.3	3.3	5.1	5.9	5.8
Real disposable income		2.8	2.1	3.2	1.1	.9	.5	2.4	2.7	3.3
Personal saving rate	%	6.0	4.3	4.4	4.0	4.3	4.7	4.8	4.4	4.4
Corp. profits, IVA&CCAdj	% change	-7.1	29.7	10.2	-6.3	-3.0	.9	21.7	9.0	4.3
Profit share of GNP	%	6.4	7.0	7.4	6.9	6.5	6.1	6.6	7.2	7.2
Federal surpl./def.	Bill. \$	-201.1	-151.8	-136.6	-122.3	-166.2	-210.4	-295.3	-257.0	-239.3
State/local surpl./def.		54.3	40.1	38.4	44.8	30.1	17.1	14.2	27.1	43.0
Ex. social ins. funds		1.5	-14.7	-18.4	-17.5	-32.9	-43.1	-43.3	-29.3	-13.2
PRICES AND COSTS										
GDP implicit deflator	% change	2.6	3.3	4.2	4.4	4.5	3.4	2.4	2.5	2.0
GDP fixed-wt. price index		2.6	3.4	4.2	4.3	4.7	3.5	3.0	2.7	2.3
Gross domestic purchases fixed-wt. price index		2.3	3.9	4.1	4.3	5.3	2.8	2.9	2.5	2.2
CPI		1.3	4.5	4.3	4.6	6.3	3.0	3.0	2.6	2.4
Ex. food and energy		3.9	4.3	4.5	4.4	5.3	4.5	3.4	2.8	2.4
ECI, hourly compensation ²		3.2	3.3	4.8	4.8	4.6	4.4	3.5	3.2	2.9
Nonfarm business sector										
Output per hour		1.2	1.8	.5	-1.4	.1	1.3	3.0	1.8	1.3
Compensation per hour		4.6	3.8	3.8	3.1	6.3	4.2	3.5	3.3	3.0
Unit labor cost		3.4	1.9	3.3	4.6	6.2	2.8	.5	1.4	1.7

1. Percent changes are from fourth quarter to fourth quarter.

2. Private-industry workers.

Item	Unit	1990				1991				1992	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GDP	Bill. \$	5445.2	5522.6	5559.6	5561.3	5585.8	5657.6	5713.1	5753.3	5840.2	5902.2
Real GDP	Bill. 87¢	4890.8	4902.7	4882.6	4833.8	4796.7	4817.1	4831.8	4838.5	4873.7	4892.4
Real GDP	% change	2.8	1.0	-1.6	-3.9	-3.0	1.7	1.2	.6	2.9	1.5
Gross domestic purchases		2.1	.9	-1.4	-6.0	-4.2	1.7	2.4	-.4	3.0	3.4
Final sales		4.3	-1.1	.1	-.9	-3.2	1.3	-.5	.0	4.7	-1
Private dom. final purch.		2.9	-1.7	.8	-5.0	-6.0	1.5	1.4	-.4	5.5	2.4
Personal cons. expend.		2.2	.1	1.7	-3.1	-3.0	2.0	1.5	-.3	5.1	-1.1
Durables		16.2	-12.0	-1.4	-9.8	-13.0	-.7	8.1	-3.1	16.5	-2.1
Nondurables		-.2	-.5	.8	-2.8	-3.2	1.3	-.6	-3.5	5.5	-1.5
Services		.3	3.7	3.1	-1.6	-.3	3.0	1.2	2.3	2.2	1.2
Business fixed invest.		6.2	-6.6	5.6	-9.6	-15.8	-3.1	-3.4	-5.2	3.0	16.1
Producers' dur. equip.		6.8	-7.8	7.2	-6.1	-16.7	.7	6.0	-2.4	3.2	24.1
Nonres. structures		5.0	-4.1	2.5	-16.5	-14.0	-10.6	-20.8	-11.5	2.7	-.8
Res. structures		5.3	-15.9	-22.9	-22.4	-26.9	7.0	14.4	11.3	20.1	12.6
Exports		10.7	7.0	-.2	11.6	-5.0	16.6	6.2	13.3	2.9	-1.4
Imports		2.6	5.1	1.5	-8.5	-14.6	15.6	17.1	4.2	3.5	14.7
Government purchases		6.4	1.1	-2.0	6.1	2.8	.2	-2.3	-3.0	1.7	-1.2
Federal		8.0	2.1	-7.2	9.9	7.2	-.3	-6.5	-9.0	-3.0	-2.7
Defense		4.9	.3	-10.5	12.8	8.7	-5.6	-9.4	-13.0	-7.7	-5.2
State and local		5.2	.4	1.9	3.5	-.1	.6	.9	1.4	5.1	-.2
Change in bus. invent.	Bill. 87¢	7.5	32.8	11.2	-26.8	-25.1	-20.4	.6	7.5	-12.6	7.8
Nonfarm		5.9	27.9	6.6	-25.6	-24.7	-24.5	-1.0	11.8	-10.7	6.0
Net exports		-58.4	-56.9	-59.3	-32.7	-17.9	-17.4	-31.6	-20.5	-21.5	-43.9
Nominal GDP	% change	7.7	5.8	2.7	.1	1.8	5.2	4.0	2.8	6.2	4.3
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	109.8	110.2	109.9	109.3	108.6	108.2	108.3	108.2	108.1	108.4
Unemployment rate ¹	%	5.3	5.3	5.6	6.0	6.5	6.7	6.7	7.0	7.3	7.5
Industrial prod. index	% change	.6	4.2	3.9	-7.0	-9.7	2.6	6.6	-.7	-2.9	5.2
Capacity util. rate-mfg. ¹	%	82.7	82.8	82.9	80.8	78.0	77.9	78.7	78.2	77.3	77.9
Housing starts	Millions	1.46	1.20	1.13	1.03	.92	1.00	1.04	1.10	1.26	1.14
Auto sales in U.S.		9.95	9.52	9.56	9.02	8.36	8.43	8.56	8.21	8.31	8.50
North American produced		7.16	6.80	7.05	6.61	6.13	6.10	6.28	6.06	6.07	6.32
Other		2.79	2.71	2.51	2.41	2.23	2.33	2.28	2.15	2.24	2.19
INCOME AND SAVING											
Nominal GNP	Bill. \$	5464.1	5537.0	5577.8	5592.7	5614.9	5674.3	5726.4	5764.1	5859.8	5909.3
Nominal GNP	% change	7.6	5.4	3.0	1.1	1.6	4.3	3.7	2.7	6.8	3.4
Nominal personal income		9.5	6.2	4.6	5.2	.1	4.6	3.3	5.1	6.1	3.9
Real disposable income		4.2	.8	-1.2	-.2	-2.6	1.9	.7	2.2	4.0	1.2
Personal saving rate ¹	%	4.4	4.6	3.9	4.6	4.7	4.7	4.5	5.1	4.9	5.3
Corp. profits, IVA&CCADj	% change	15.6	19.1	-29.9	-8.2	6.7	-2.6	-6.8	7.1	49.8	4.7
Profit share of GNP ¹	%	6.7	6.9	6.3	6.2	6.2	6.1	6.0	6.0	6.6	6.6
Federal govt. surpl./def.	Bill. \$	-167.8	-156.9	-145.6	-194.6	-149.9	-212.2	-221.0	-258.7	-289.2	-302.9
State/local surpl./def.		36.1	33.8	30.3	20.2	14.6	16.5	15.4	22.0	16.6	17.7
Ex. social ins. funds		-27.3	-29.4	-32.5	-42.2	-46.6	-44.1	-44.5	-37.3	-41.8	-40.3
PRICES AND COSTS											
GDP implicit deflator	% change	4.4	4.8	4.7	3.9	5.3	3.5	2.4	2.4	3.1	2.7
GDP fixed-wt. price index		5.4	4.6	4.7	4.1	4.7	3.5	3.0	2.4	3.6	2.9
Gross domestic purchases											
fixed-wt. price index		5.9	3.7	5.6	5.8	3.1	2.5	2.9	2.5	3.1	3.2
I		7.2	4.1	7.0	6.9	3.3	2.4	2.7	3.6	2.9	3.5
Ex. food and energy		5.6	5.5	5.8	4.2	6.5	3.8	4.0	3.7	3.9	3.9
ECI, hourly compensation ²		5.6	5.1	4.3	3.8	4.6	4.9	4.4	3.7	4.0	2.9
Nonfarm business sector											
Output per hour		-.5	2.5	-1.7	.1	-.7	1.7	1.9	2.5	3.7	1.7
Compensation per hour		5.0	7.8	6.4	5.9	3.8	5.8	3.9	3.1	3.8	2.4
Unit labor cost		5.6	5.1	8.2	5.8	4.6	4.0	2.0	.6	.1	.8

1. Not at an annual rate.

2. Private-industry workers.

Item	Units	Projected									
		1992		1993				1994			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GDP	Bill. \$	5978.5	6061.9	6153.7	6231.0	6309.4	6387.6	6469.4	6548.6	6627.1	6706.0
Real GDP	Bill. 87\$	4933.7	4979.8	5012.9	5048.8	5085.1	5121.6	5158.1	5195.8	5234.1	5274.1
Real GDP	% change	3.4	3.8	2.7	2.9	2.9	2.9	2.9	3.0	3.0	3.1
Gross domestic purchases		4.1	3.9	3.5	3.6	3.3	2.9	2.9	3.5	3.2	3.1
Final sales		2.8	4.5	1.6	2.4	2.6	3.2	3.0	2.8	2.9	3.3
Private dom. final purch.		3.5	6.1	3.6	4.4	4.1	4.1	3.9	4.2	3.9	4.0
Personal cons. expend.		3.7	4.3	2.6	3.3	3.1	3.3	3.1	3.5	3.2	3.3
Durables		9.4	12.9	3.2	8.5	7.2	8.0	7.5	9.2	7.7	7.4
Nondurables		2.5	5.2	2.1	2.0	2.0	2.0	2.3	2.3	2.2	2.3
Services		3.1	1.9	2.8	2.8	2.8	2.8	2.5	2.8	2.7	2.8
Business fixed invest.		3.1	9.7	6.4	9.7	9.2	8.7	7.7	7.8	7.7	7.8
Producers' dur. equip.		9.5	11.7	8.4	13.0	11.8	10.9	9.3	9.3	9.2	9.2
Nonres. structures		-11.3	4.5	1.2	1.2	2.1	2.6	3.2	3.3	3.5	3.6
Res. structures		.2	29.1	12.7	7.9	6.4	6.3	5.3	5.0	4.3	4.0
Exports		9.2	3.7	4.7	6.0	6.6	7.1	6.2	6.2	6.0	5.9
Imports		14.8	4.7	11.2	11.7	9.6	6.8	6.3	10.0	7.4	5.4
Government purchases		3.8	-1.7	-2.5	-1.9	-1.4	-.8	-.6	-.3	-.2	-.1
Federal		7.5	-3.3	-7.1	-5.9	-5.4	-5.0	-4.5	-4.0	-4.0	-4.0
Defense		8.3	-2.7	-10.5	-8.7	-8.1	-7.5	-6.9	-6.2	-6.3	-6.4
State and local		1.4	-.6	.6	.8	1.2	1.8	1.9	2.0	2.1	2.2
Change in bus. invent.	Bill. 87\$	15.0	7.2	20.3	26.1	29.5	26.3	25.0	27.0	27.7	-25.8
Nonfarm		9.6	3.0	20.0	25.1	28.8	26.7	25.3	27.2	27.7	25.6
Net exports		-52.7	-54.6	-65.0	-74.6	-80.5	-81.5	-82.9	-90.5	-94.3	-94.7
Nominal GDP	% change	5.3	5.7	6.2	5.1	5.1	5.0	5.2	5.0	4.9	4.8
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	108.5	108.6	109.0	109.4	109.9	110.3	110.8	111.4	111.9	112.5
Unemployment rate ¹	%	7.5	7.3	7.2	7.2	7.1	7.0	6.9	6.8	6.7	6.6
Industrial prod. index	% change	2.3	3.7	5.9	5.1	3.3	3.4	4.0	3.8	3.7	3.8
Capacity util. rate-mfg ¹	%	77.8	78.2	78.9	79.3	79.4	79.5	79.6	79.8	79.9	80.0
Housing starts	Millions	1.19	1.25	1.30	1.33	1.36	1.39	1.41	1.43	1.45	1.47
Auto sales in U.S.		8.21	8.38	8.51	8.80	8.95	9.10	9.20	9.45	9.65	9.85
North American produced		6.24	6.37	6.42	6.65	6.75	6.85	6.90	7.10	7.25	7.40
Other		1.97	2.01	2.09	2.15	2.20	2.25	2.30	2.35	2.40	2.45
INCOME AND SAVING											
Nominal GNP	Bill. \$	5992.0	6067.8	6161.2	6237.2	6317.9	6393.5	6476.4	6553.3	6633.9	6709.1
Nominal GNP	% change	5.7	5.2	6.3	5.0	5.3	4.9	5.3	4.8	5.0	4.6
Nominal personal income		2.7	7.6	6.3	5.7	5.6	6.0	6.4	5.5	5.6	5.7
Real disposable income		.5	3.8	2.5	2.8	2.3	3.3	4.0	3.0	3.0	3.4
Personal saving rate ¹	%	4.6	4.5	4.6	4.5	4.3	4.3	4.5	4.4	4.3	4.3
Corp. profits, IVA&CCAdj	% change	-13.9	62.5	18.4	7.8	1.9	8.6	4.8	6.6	-1.5	7.5
Profit share of GNP ¹	%	6.2	7.0	7.2	7.2	7.1	7.2	7.2	7.2	7.1	7.2
Federal govt. surpl./def.	Bill. \$	-304.4	-287.4	-272.4	-262.4	-245.8	-247.3	-251.9	-243.7	-230.0	-231.6
State/local surpl./def.		9.2	12.3	20.0	21.9	31.6	34.9	38.2	40.9	45.8	46.9
Ex. social ins. funds		-48.0	-44.4	-36.6	-34.6	-24.8	-21.4	-18.0	-15.2	-10.3	-9.3
PRICES AND COSTS											
GDP implicit deflator	% change	1.8	1.8	3.4	2.2	2.2	2.1	2.3	2.0	1.8	1.7
GDP fixed-wt. price index		2.1	3.2	3.4	2.4	2.5	2.4	2.6	2.2	2.1	2.0
Gross domestic purchases											
fixed-wt. price index		2.5	2.8	2.8	2.5	2.4	2.3	2.6	2.2	2.1	2.0
Ex. food and energy		2.6	3.2	2.4	2.8	2.7	2.6	2.5	2.4	2.3	2.2
Ex. food and energy		2.5	3.6	2.9	2.9	2.8	2.7	2.5	2.4	2.3	2.2
ECI, hourly compensation ²		3.2	3.5	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8
Nonfarm business sector											
Output per hour		3.0	3.8	2.1	2.3	1.5	1.5	1.4	1.3	1.3	1.3
Compensation per hour		3.5	4.4	3.7	3.2	3.1	3.1	3.4	3.0	2.9	2.8
Unit labor cost		.6	.6	1.6	.9	1.6	1.6	2.0	1.7	1.6	1.5

1. Not at an annual rate.

2. Private-industry workers.

Strictly Confidential (FR)
Class II FOMC

NET CHANGES IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS¹
(Billions of 1987 dollars)

January 29, 1993

Item	1990				1991				1992		1989	1990	1991	1992
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
Real GDP	34.1	11.9	-20.1	-48.8	-37.1	20.4	14.7	6.7	35.2	18.7	77.0	-22.9	4.7	141.3
Gross domestic purchases	25.1	10.4	-17.7	-75.4	-51.9	19.9	28.9	-4.4	36.2	41.1	41.7	-57.6	-7.5	175.5
Final sales	51.5	-13.3	1.4	-10.8	-38.8	15.6	-6.2	-.3	55.4	-1.7	73.1	28.8	-29.7	141.7
Private dom. final purch.	28.3	-17.4	8.4	-51.1	-60.2	14.6	13.4	-4.3	52.5	23.5	19.7	-31.8	-36.5	170.0
Personal cons. expend.	17.5	.6	13.8	-25.9	-24.5	15.8	11.9	-2.2	40.3	-.8	39.1	6.0	1.0	104.6
Durables	16.7	-14.3	-1.5	-11.1	-14.6	-.7	8.1	-3.3	16.2	-2.3	-2.4	-10.2	-10.5	37.2
Nondurables	-.6	-1.2	2.0	-7.5	-8.6	3.3	-1.5	-9.2	14.0	-4.0	12.1	-7.3	-16.0	29.7
Services	1.4	16.0	13.4	-7.3	-1.3	13.3	5.2	10.4	9.9	5.6	29.4	23.5	27.6	37.7
Business fixed invest.	8.1	-9.2	7.3	-13.6	-22.3	-4.0	-4.3	-6.6	3.7	18.9	-2.1	-7.4	-37.2	38.7
Producers' dur. equip.	5.9	-7.3	6.2	-5.6	-15.9	.6	5.0	-2.1	2.7	19.2	-6.2	-.8	-12.4	40.8
Nonres. structures	2.2	-1.9	1.1	-8.0	-6.4	-4.6	-9.2	-4.6	1.0	-.3	4.1	-6.6	-24.8	-2.1
Res. structures	2.7	-8.9	-12.7	-11.6	-13.4	2.8	5.7	4.7	8.3	5.6	-17.3	-30.5	-.2	26.6
Change in bus. invent.	-17.4	25.3	-21.6	-38.0	1.7	4.7	21.0	6.9	-20.1	20.4	4.0	-51.7	34.3	-.3
Nonfarm	-25.3	22.0	-21.3	-32.2	.9	.2	23.5	12.8	-22.5	16.7	.7	-56.8	37.4	-8.8
Farm	7.9	3.2	-.2	-5.8	.8	4.5	-2.5	-5.8	2.3	3.7	3.3	5.1	-3.0	8.5
Net exports	9.0	1.5	-2.4	26.6	14.8	.5	-14.2	11.1	-1.0	-22.4	35.3	34.7	12.2	-34.1
Exports	12.5	8.5	-.3	14.2	-6.7	20.2	8.1	17.2	4.0	-2.0	49.5	34.9	38.8	19.8
Imports	3.6	7.0	2.1	-12.4	-21.5	19.7	22.3	6.0	5.0	20.5	14.1	.3	26.5	54.0
Government purchases	14.2	2.6	-4.6	13.7	6.6	.5	-5.4	-7.1	3.9	-2.8	18.1	25.9	-5.4	5.8
Federal	7.3	2.0	-7.1	9.0	6.8	-.3	-6.6	-9.0	-2.9	-2.6	-2.3	11.2	-9.1	-1.9
Defense	3.4	.2	-7.8	8.5	6.0	-4.2	-7.0	-9.6	-5.4	-3.5	-4.2	4.3	-14.8	-5.4
Nondefense	3.8	1.8	.7	.5	.7	4.0	.4	.6	2.5	.9	2.0	6.8	5.7	3.5
State and local	6.9	.6	2.5	4.7	-.2	.8	1.2	1.9	6.9	-.3	20.4	14.7	3.7	7.7

1. Annual changes are from Q4 to Q4.

Strictly Confidential (FR)
Class II FOMC

NET CHANGES IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS¹
(Billions of 1987 dollars)

January 29, 1993

Item	Projected										Projected			
	1992		1993				1994				1991	1992	1993	1994
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP	41.3	46.1	33.1	36.0	36.2	36.6	36.4	37.8	38.3	40.0	4.7	141.3	141.8	152.5
Gross domestic purchases	50.1	48.0	43.5	45.6	42.2	37.5	37.8	45.4	42.0	40.4	-7.5	175.5	168.7	165.7
Final sales	34.1	53.9	20.0	30.2	32.8	39.9	37.7	35.8	37.6	41.9	-29.7	141.7	122.8	152.9
Private dom. final purch.	34.1	59.9	36.4	44.2	42.0	42.7	40.4	44.1	41.8	42.7	-36.5	170.0	165.4	169.1
Personal cons. expend.	29.9	35.2	21.9	27.6	26.5	27.6	26.8	30.3	28.2	28.9	1.0	104.6	103.5	114.2
Durables	9.8	13.5	3.5	9.4	8.2	9.2	8.9	10.9	9.4	9.2	-10.5	37.2	30.3	38.4
Nondurables	6.4	13.3	5.5	5.3	5.3	5.4	6.2	6.2	6.0	6.3	-16.0	29.7	21.6	24.7
Services	13.7	8.5	12.8	12.8	12.9	13.0	11.7	13.2	12.8	-13.4	27.6	37.7	51.5	51.1
Business fixed invest.	4.0	12.1	8.3	12.6	12.2	11.8	10.7	11.1	11.2	11.5	-37.2	38.7	45.0	44.6
Producers' dur. equip.	8.4	10.5	7.8	12.2	11.4	10.9	9.6	9.8	9.9	10.2	-12.4	40.8	42.4	39.5
Nonres. structures	-4.4	1.6	.4	.5	.8	1.0	1.2	1.2	1.3	1.4	-24.8	-2.1	2.6	5.1
Res. structures	.1	12.6	6.2	4.0	3.4	3.3	2.9	2.7	2.4	2.3	-.2	26.6	16.9	10.3
Change in bus. invent.	7.2	-7.8	13.1	5.8	3.5	-3.3	-1.2	2.0	.7	-1.9	34.3	-.3	19.1	-.5
Nonfarm	3.6	-6.6	17.0	5.1	3.8	-2.2	-1.3	1.9	.5	-2.1	37.4	-8.8	23.7	-1.1
Farm	3.5	-1.0	-4.0	.7	-.3	-1.1	.1	.1	.2	.2	-3.0	8.5	-4.7	.6
Net exports	-8.8	-1.9	-10.4	-9.6	-5.9	-1.0	-1.4	-7.7	-3.7	-.4	12.2	-34.1	-26.9	-13.2
Exports	12.5	5.3	6.7	8.7	9.6	10.5	9.4	9.5	9.3	9.3	38.8	19.8	35.4	37.6
Imports	21.3	7.2	17.1	18.3	15.6	11.4	10.8	17.2	13.0	9.8	26.5	54.0	62.3	50.8
Government purchases	8.8	-4.1	-6.0	-4.4	-3.3	-1.9	-1.3	-.7	-.5	-.3	-5.4	5.8	-15.7	-2.9
Federal	6.8	-3.2	-6.9	-5.5	-5.0	-4.5	-4.0	-3.5	-3.5	-3.5	-9.1	-1.9	-22.0	-14.6
Defense	5.3	-1.8	-7.3	-5.8	-5.3	-4.8	-4.3	-3.8	-3.8	-3.8	-14.8	-5.4	-23.2	-15.7
Nondefense	1.5	-1.4	.4	.3	.3	.3	.3	.3	.3	.3	5.7	3.5	1.2	1.1
State and local	2.0	-.9	.9	1.1	1.7	2.6	2.7	2.8	3.0	3.2	3.7	7.7	6.3	11.7

1. Annual changes are from Q4 to Q4.

Strictly Confidential (FR)
Class II FOMC

REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, LEVELS
(Billions of 1987 dollars)

January 29, 1993

Items	1990				1991				1992		1989	1990	1991	1992
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
Real GDP	4890.8	4902.7	4882.6	4833.8	4796.7	4817.1	4831.8	4838.5	4873.7	4892.4	4838.0	4877.5	4821.0	4919.9
Gross domestic purchases	4949.2	4959.6	4941.9	4866.5	4814.6	4834.4	4863.4	4858.9	4895.2	4936.3	4911.7	4929.3	4842.8	4963.1
Final sales	4883.3	4870.0	4871.4	4860.6	4821.8	4837.4	4831.2	4830.9	4886.3	4884.6	4808.3	4871.3	4830.3	4915.5
Private dom. final purch.	4014.9	3997.5	4005.9	3954.8	3894.6	3909.2	3922.6	3918.3	3970.8	3994.3	3977.6	3993.2	3911.1	4020.4
Personal consumption expend.	3259.5	3260.1	3273.9	3248.0	3223.5	3239.3	3251.2	3249.0	3289.3	3288.5	3223.3	3260.4	3240.8	3312.4
Durables	453.5	439.2	437.7	426.6	412.0	411.3	419.4	416.1	432.3	430.0	440.7	439.3	414.7	438.9
Nondurables	1058.3	1057.1	1059.1	1051.6	1043.0	1046.3	1044.8	1035.6	1049.6	1045.6	1051.6	1056.5	1042.4	1053.1
Services	1747.7	1763.7	1777.1	1769.8	1768.5	1781.8	1787.0	1797.4	1807.3	1812.9	1731.0	1764.6	1783.7	1820.5
Business fixed invest.	544.8	535.6	542.9	529.3	507.0	503.0	498.7	492.1	495.8	514.7	540.0	538.1	500.2	515.0
Producers' dur. equip.	362.8	355.5	361.7	356.1	340.2	340.8	345.8	343.7	346.4	365.6	362.5	359.0	342.6	367.6
Nonres. structures	182.0	180.1	181.2	173.2	166.8	162.2	153.0	148.4	149.4	149.1	177.6	179.1	157.6	147.4
Res. structures	210.7	201.8	189.1	177.5	164.1	166.9	172.6	177.3	185.6	191.2	214.2	194.8	170.2	193.0
Change in bus. invent.	7.5	32.8	11.2	-26.8	-25.1	-20.4	.6	7.5	-12.6	7.8	29.8	6.2	-9.3	4.4
Nonfarm	5.9	27.9	6.6	-25.6	-24.7	-24.5	-1.0	11.8	-10.7	6.0	29.9	3.7	-9.6	2.0
Farm	1.6	4.8	4.6	-1.2	-.4	4.1	1.6	-4.2	-1.9	1.8	-.1	2.5	.3	2.4
Net exports	-58.4	-56.9	-59.3	-32.7	-17.9	-17.4	-31.6	-20.5	-21.5	-43.9	-73.7	-51.8	-21.8	-43.2
Exports	500.2	508.7	508.4	522.6	515.9	536.1	544.2	561.4	565.4	563.4	471.8	510.0	539.4	571.5
Imports	558.6	565.6	567.7	555.3	533.8	553.5	575.8	581.8	586.8	607.3	545.4	561.8	561.2	614.6
Government purchases	926.8	929.4	924.8	938.5	945.1	945.6	940.2	933.1	937.0	934.2	904.4	929.9	941.0	938.3
Federal	383.4	385.4	378.3	387.3	394.1	393.8	387.2	378.2	375.3	372.7	376.1	383.6	388.3	375.9
Defense	284.9	285.1	277.3	285.8	291.8	287.6	280.6	271.0	265.6	262.1	281.4	283.3	282.8	265.2
Nondefense	98.5	100.3	101.0	101.5	102.2	106.2	106.6	107.2	109.7	110.6	94.8	100.3	105.5	110.8
State and local	543.4	544.0	546.5	551.2	551.0	551.8	553.0	554.9	561.8	561.5	528.3	546.3	552.7	562.3
MEMO														
GDP deflator (1987 = 100)	111.3	112.6	113.9	115.1	116.5	117.4	118.2	118.9	119.8	120.6	108.5	113.2	117.8	120.9

Strictly Confidential (FR)
Class II FOMC

REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, LEVELS
(Billions of 1987 dollars)

January 29, 1993

Items	Projected										Projected			
	1992		1993				1994				Projected			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1991	1992	1993	1994
Real GDP	4933.7	4979.8	5012.9	5048.8	5085.1	5121.6	5158.1	5195.8	5234.1	5274.1	4821.0	4919.9	5067.1	5215.5
Gross domestic purchases	4986.4	5034.4	5077.9	5123.4	5165.6	5203.1	5241.0	5286.4	5328.4	5368.8	4842.8	4963.1	5142.5	5306.1
Final sales	4918.7	4972.6	4992.6	5022.8	5055.5	5095.4	5133.1	5168.8	5206.4	5248.3	4830.3	4915.5	5041.6	5189.2
Private dom. final purch.	4028.4	4088.3	4124.7	4168.9	4211.0	4253.7	4294.1	4338.2	4380.1	4422.8	3911.1	4020.4	4189.6	4358.8
Personal consumption expend.	3318.4	3353.6	3375.5	3403.1	3429.5	3457.1	3483.9	3514.2	3542.4	3571.3	3240.8	3312.4	3416.3	3528.0
Durables	439.8	453.3	456.8	466.2	474.4	483.6	492.5	503.4	512.8	522.0	414.7	438.9	470.3	507.7
Nondurables	1052.0	1065.3	1070.8	1076.2	1081.5	1086.9	1093.1	1099.3	1105.3	1111.6	1042.4	1053.1	1078.8	1102.3
Services	1826.6	1835.1	1847.9	1860.7	1873.6	1886.6	1898.4	1911.5	1924.4	1937.7	1783.7	1820.5	1867.2	1918.0
Business fixed investment	518.7	530.8	539.1	551.7	563.9	575.8	586.5	597.6	608.8	620.4	500.2	515.0	557.6	603.3
Producers' dur. equip.	374.0	384.5	392.3	404.5	416.0	426.9	436.4	446.3	456.2	466.4	342.6	367.6	409.9	451.3
Nonres. structures	144.7	146.3	146.7	147.2	148.0	148.9	150.1	151.3	152.6	154.0	157.6	147.4	147.7	152.0
Res. structures	191.3	203.9	210.1	214.1	217.5	220.8	223.7	226.4	228.8	231.1	170.2	193.0	215.6	227.5
Change in bus. invent.	15.0	7.2	20.3	26.1	29.5	26.3	25.0	27.0	27.7	25.8	-9.3	4.4	25.5	26.4
Nonfarm	9.6	3.0	20.0	25.1	28.8	26.7	25.3	27.2	27.7	25.6	-9.6	2.0	25.1	26.4
Farm	5.3	4.3	.3	1.0	.7	-.4	-.3	-.2	.0	.2	.3	2.4	.4	-.1
Net exports	-52.7	-54.6	-65.0	-74.6	-80.5	-81.5	-82.9	-90.5	-94.3	-94.7	-21.8	-43.2	-75.4	-90.6
Exports	575.9	581.2	587.9	596.5	606.1	616.6	626.0	635.5	644.8	654.2	539.4	571.5	601.8	640.1
Imports	628.6	635.8	652.9	671.1	686.7	698.1	708.9	726.1	739.1	748.9	561.2	614.6	677.2	730.7
Government purchases	943.0	938.9	932.9	928.5	925.1	923.2	921.9	921.1	920.6	920.3	941.0	938.3	927.4	921.0
Federal	379.5	376.3	369.4	363.9	358.8	354.3	350.3	346.7	343.2	339.7	388.3	375.9	361.6	345.0
Defense	267.4	265.6	258.3	252.5	247.2	242.4	238.1	234.3	230.5	226.7	282.8	265.2	250.1	232.4
Nondefense	112.1	110.7	111.1	111.4	111.6	111.9	112.2	112.4	112.7	113.0	105.5	110.8	111.5	112.6
State and local	563.5	562.6	563.5	564.6	566.3	568.9	571.6	574.4	577.4	580.6	552.7	562.4	565.8	576.0
MEMO														
GDP deflator (1987 = 100)	121.2	121.7	122.8	123.4	124.1	124.7	125.4	126.0	126.6	127.1	117.8	120.9	123.7	126.3