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September 26, 1997

SUPPLEMENT
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

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SUPPLEMENTAL NOTES

THE DOMESTIC NONFINANCIAL ECONOMY

Real GDP and Corporate Profits

According to BEA's final estimate, real GDP increased 3.3 percent at an annual rate in the second quarter of 1997. Final sales rose 2-1/2 percent, with rapid growth in business fixed investment partly offset by a lull in consumer spending and a further decline in net exports. Inventories accumulated at a pace well above that of the first quarter, contributing about 3/4 percentage point to second-quarter growth.

The final estimate of real GDP growth was 0.3 percentage point below the 3.6 percent pace reported in BEA's preliminary release. The August Greenbook forecast anticipated essentially no revision to GDP growth. Exports of goods and services did not grow as much as we had anticipated mainly because of a sharp downward revision to agricultural exports. The final estimates of growth in PCE services and producers' durable equipment also came in a little below our expectations.

The estimates of corporate profits for 1997:Q2 were little changed. Corporate profits (with inventory valuation adjustment and capital consumption adjustments) are now reported to have risen \$15-1/2 billion from the first-quarter level, and the profit share of GNP (excluding Federal Reserve banks) stayed at 9.6 percent, the same as in the first quarter.

Taking account of the final second-quarter estimates, together with the other data that have become available since Wednesday (reported below), we would be inclined to leave our forecast for growth of real GDP in the current quarter close to where it was in the Greenbook--about 2-3/4 percent at an annual rate.

Manufacturers' Orders, Shipments, and Inventories

New orders for total durable goods rose 2.7 percent in August. The staff's constructed series on real adjusted durable goods--which strips out nondefense aircraft, defense capital goods, and industries for which reported orders actually equal shipments--increased 2.8 percent. The increase was driven by a marked turnaround in bookings for electronic components, which jumped 78 percent in August after having declined almost 23 percent in July. This big swing may have been the result of pre-announced price cuts on computer components that became effective in August. Excluding electronic components, real adjusted durable goods orders dropped 3.3 percent in August reversing July's 2.9 percent increase.

New orders for nondefense capital goods excluding aircraft and parts fell 5.4 percent in August after having risen almost 10 percent during the preceding two months. The August drop was due in large part to the reversal of July's outsized increase in bookings for search and navigation equipment; excluding this category, new orders were down 0.7 percent.

Shipments of nondefense capital goods excluding aircraft and parts fell 2.4 percent in August. Shipments of communications equipment posted another large increase, but shipments of computing and office equipment declined and shipments of other nondefense capital goods (excluding aircraft) dropped back 2.3 percent.

Revised data on manufacturers' inventories for July now indicate a somewhat smaller accumulation in July, \$18.7 billion (annual rate), than the \$25.7 billion increase shown earlier.

Sales of Existing Homes

Sales of existing homes rose 3.3 percent in August to a record rate of 4.32 million units; the July sales rate was revised down slightly to 4.18 million units. The average level of sales during the first two months of the current quarter was up 2-1/4 percent from the second-quarter average. Among regions, sales rose in the Midwest, the South, and the West, but declined in the Northeast.

The median price of existing homes sold rose 4.3 percent during the twelve months ended in August while the average price increased 6.1 percent. Cutting through the monthly volatility, twelve-month percent changes in average prices for existing homes have accelerated so far this year. However, these price changes are not adjusted for the characteristics of the homes sold. The repeat-sales index, which is compiled by Freddie Mac and Fannie Mae and which attempts to control for quality change by looking at sales of the same units over time, was up 3.6 percent in the second quarter from its reading a year earlier. The four-quarter percent changes in the repeat sales index have been trending down since early 1996.

Consumer Sentiment

The final tabulation of the results of the Michigan SRC survey of consumer sentiment for September shows a slightly lower level of the overall index than reported earlier; nonetheless, the September reading remains second only to July's record high. Households' assessments of current conditions are now reported to have picked up in September to a shade above July's high; consumers' views about their personal financial situation in the year ahead and their

appraisal of buying conditions for large household appliances became more positive. The index of expected conditions is now reported to be little changed in September, albeit at a relatively high level. In response to questions not included in the overall index, consumers remained optimistic about labor market prospects, and their opinions about buying conditions for houses improved markedly to a level just below its previous high in early 1994.

Both mean and median expected inflation for the coming year rose 0.2 percentage point in September to 3.5 percent and 2.9 percent, respectively. Regarding the inflation outlook for the next five to ten years, the mean expectation edged down in September to 3.7 percent while the median moved up to 3.2 percent.

THE INTERNATIONAL ECONOMY

Attached are updated copies of pages I-38, 39, and 40 (Greensheets following the *International Developments* section of Part 1). They include corrected data for the percentage point contributions of real net exports of goods and services to the growth of real GDP.

Real Gross Domestic Product and Related Items

(Percent change from previous period at compound annual rates;
based on seasonally adjusted data, chain-type indexes)

	1995:Q4 to 1996:Q4	1997:Q1 Final	1997:Q2	
			Preliminary	Final
1. Gross domestic product	3.2	4.9	3.6	3.3
2. Final sales	3.1	3.0	2.8	2.5
3. Consumer spending	2.7	5.3	1.0	.9
4. Durables	3.9	14.1	-5.4	-5.4
5. Nondurables	1.8	4.7	-2.3	-2.1
6. Services	2.8	3.9	4.0	3.9
7. Business fixed investment	11.7	4.1	15.4	14.6
8. Producers' durable equipment	12.2	6.7	23.8	23.0
9. Nonresidential structures	10.3	-2.1	-3.9	-4.7
10. Residential investment	3.9	3.3	7.1	7.4
11. Federal government consumption expenditures and investment	1.5	-5.8	6.8	6.6
12. Defense	1.1	-11.8	7.6	7.5
13. Nondefense	2.5	8.0	5.3	4.9
14. State and local government consumption expenditures and investment	2.2	2.7	1.0	1.2
15. Exports of goods and services	9.3	9.9	19.7	18.4
16. Imports of goods and services	11.8	17.9	19.9	20.5
<hr style="border-top: 1px dashed black;"/>				
<i>ADDENDA:</i>				
17. Nonfarm inventory investment ¹	22.5 ²	58.3	70.4	70.1
18. Motor vehicles ¹	-5.3 ²	1.8	3.6	2.1
19. Excl. motor vehicles ¹	27.8 ²	56.6	66.8	68.0
20. Farm inventory investment ¹	2.6 ²	5.3	7.4	7.5
21. Net exports of goods and services ¹	-114.4 ²	-126.3	-132.7	-136.6
22. Nominal GDP	5.6	7.4	5.2	5.2
23. GDP price index	2.3	2.4	1.5	1.8
24. Profit share ³	9.6 ²	9.8	9.9	9.9
25. (Excluding FR banks)	9.3 ²	9.6	9.6	9.6
26. Personal saving rate (percent)	4.3 ²	3.7	4.2	4.2

1. Level, billions of chain (1992) dollars.

2. Annual average.

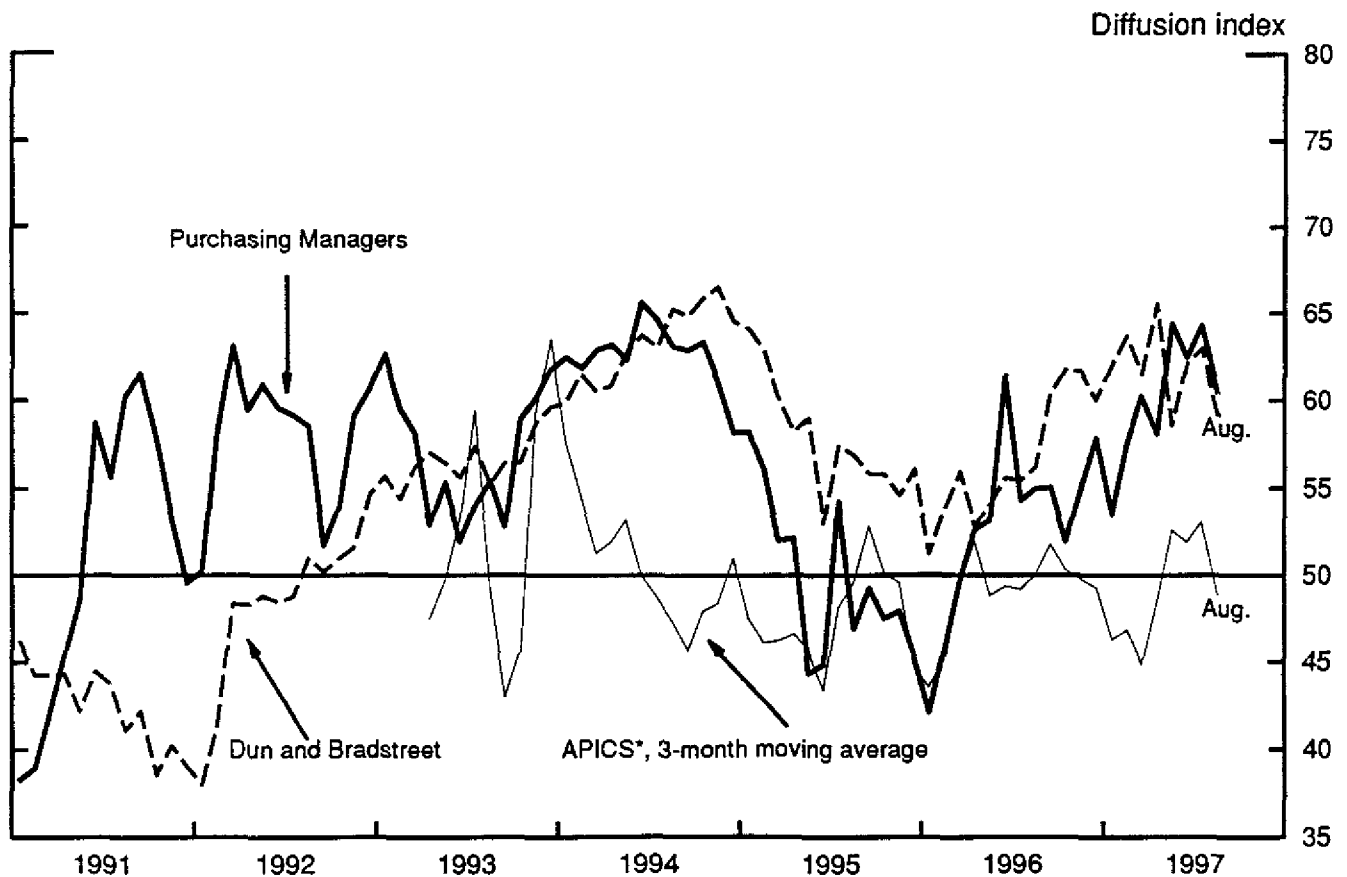
3. Economic profits as a share of nominal GNP.

NEW ORDERS FOR DURABLE GOODS
(percent change from preceding period, seasonally adjusted)

	Share 1997 H1	1997 Q1	1997 Q2	1997 Jun	1997 Jul	1997 Aug	Jul-Aug/ 1997-Q2
Total durable goods	100.0	1.9	1.2	2.9	0.1	2.7	3.2
Industries with orders data	82.0	2.0	1.3	2.6	-1.1	4.0	2.7
Adjusted durable goods orders ¹	69.0	4.5	1.5	0.7	0.5	2.6	2.5
Office & computing machines	5.0	0.1	0.2	1.7	6.4	-1.3	7.4
Electronic components	7.0	4.8	1.3	-12.7	-22.6	77.9	5.7
Nondefense capital goods excluding aircraft and computers	17.0	7.2	0.4	3.5	6.6	-6.6	5.1
All other categories ²	41.0	3.9	2.2	1.9	0.9	-2.1	0.2
Chain weighted version of real adjusted orders ³		4.7	2.1	0.8	0.8	2.8	3.1

1. Orders excluding defense capital goods, nondefense aircraft, and motor vehicle parts.
2. Includes primary metals, most fabricated metals, most stone, clay, and glass products, electronic components, household appliances, scientific instruments, and miscellaneous durable goods.
3. Nominal adjusted durable goods orders were deflated with a PPI for durable goods excluding transportation equipment and the BEA deflator for office, computing and accounting machinery.

Indicators of Future Production: New Orders Indexes



Note. Indexes above 50 indicate orders are increasing, and indexes below 50 indicate orders are decreasing.

* APICS data from the American Production and Inventory Control Society

BUSINESS CAPITAL SPENDING INDICATORS
(Percent change from preceding comparable period;
based on seasonally adjusted data, in current dollars)

	1996	1997		1997		
	Q4	Q1	Q2	June	July	Aug.
<u>Producers' durable equipment</u>						
Shipments of nondefense capital goods	1.5	1.4	5.5	2.6	2.7	-2.4
Excluding aircraft and parts	.8	.8	4.1	3.8	1.1	-1.2
Office and computing	-.7	2.6	2.3	5.9	1.4	-1.1
Communications equipment	4.1	-1.0	6.2	2.1	2.9	3.0
All other categories	.5	.6	4.3	3.5	.5	-2.3
Shipments of complete aircraft ¹	21.1	n.a.	n.a.	-23.1	52.5	n.a.
Sales of heavy trucks	-5.5	7.3	-1.8	-11.9	18.8	-8.0
Orders of nondefense capital goods	.2	2.5	-.5	6.8	.4	.9
Excluding aircraft and parts	-.8	5.5	.3	3.1	6.6	-5.4
Office and computing	-.6	.1	.2	1.7	6.4	-1.3
Communications equipment	3.7	12.4	4.6	13.9	-16.1	5.9
All other categories	-1.9	5.9	-.7	.7	13.6	-9.4
<u>Nonresidential structures</u>						
Construction put in place, buildings	5.2	1.8	-1.4	1.1	1.2	n.a.
Office	2.2	4.1	-3.0	7.1	-.3	n.a.
Other commercial	5.6	2.7	-5.3	-2.4	-.8	n.a.
Institutional	7.5	4.6	4.8	-2.1	-.4	n.a.
Industrial	4.6	-4.2	-2.8	4.5	6.8	n.a.
Lodging and miscellaneous	6.8	2.7	4.8	.2	1.3	n.a.
Rotary drilling rigs in use ²	-1.6	16.2	11.9	2.2	-4.0	-1.5
Memo:						
Business fixed investment	5.9	4.1	15.4	n.a.	n.a.	n.a.
Producers' durable equipment	2.6	6.7	23.8	n.a.	n.a.	n.a.
Office and computing	31.0	27.9	46.0	n.a.	n.a.	n.a.
Communications equipment	-5.6	10.3	7.5	n.a.	n.a.	n.a.
Other equipment ³	-2.8	6.0	19.2	n.a.	n.a.	n.a.
Nonresidential structures	15.3	-2.1	-3.9	n.a.	n.a.	n.a.

1. From the Current Industrial Report "Civil Aircraft and Aircraft Engines." Monthly data are seasonally adjusted using FRB seasonal factors constrained to BEA quarterly seasonal factors. Quarterly data are seasonally adjusted using BEA seasonal factors.

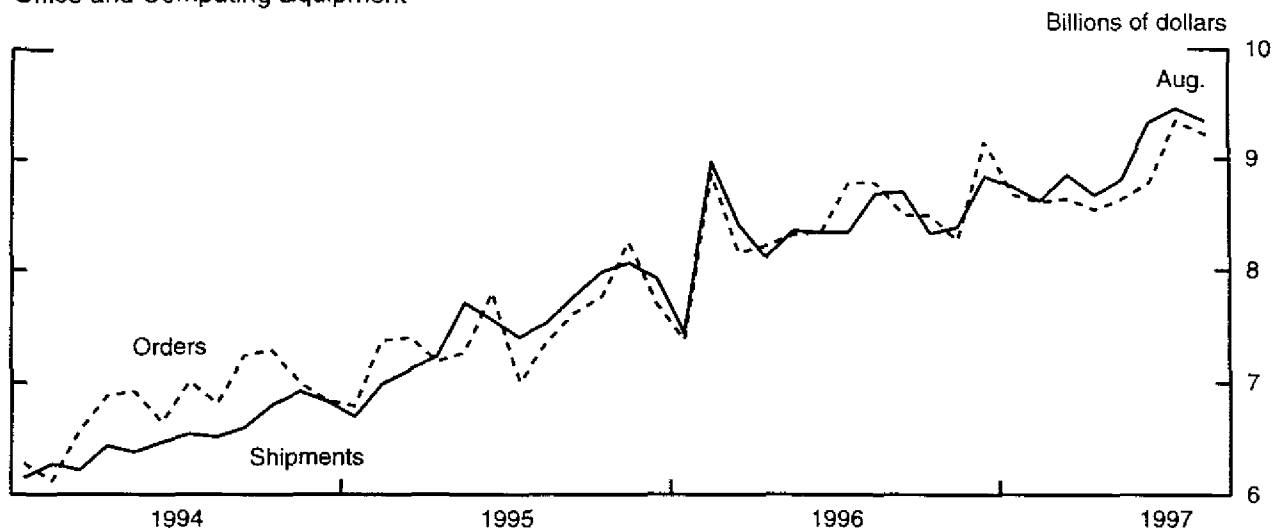
2. Percent change of number of rigs in use, seasonally adjusted.

3. Producers' durable equipment excluding office and computing, communications, motor vehicles, and aircraft and parts.

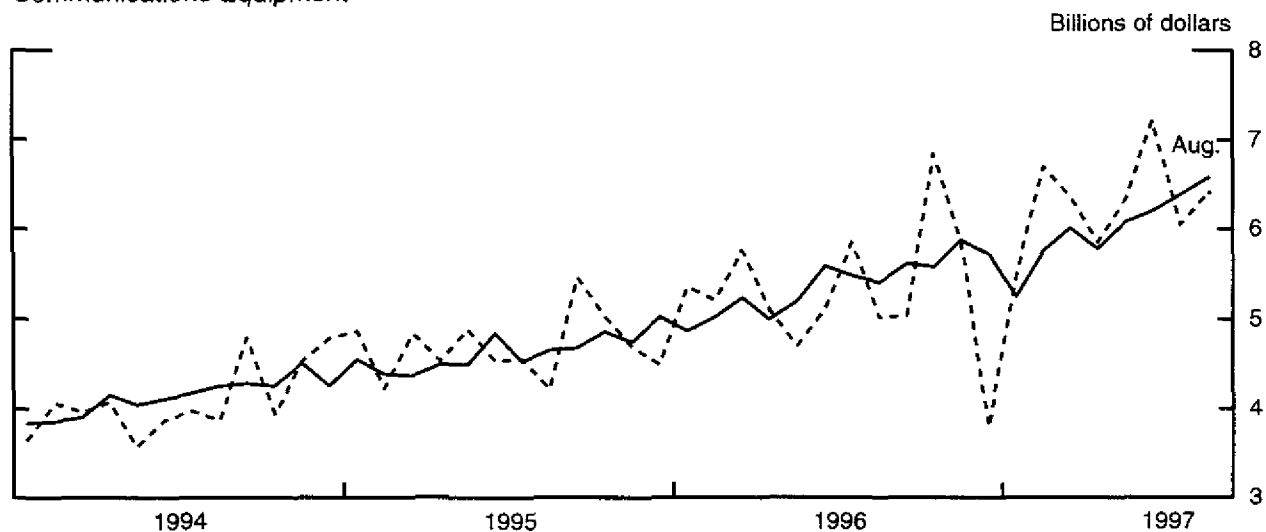
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Orders and Shipments of Nondefense Capital Goods

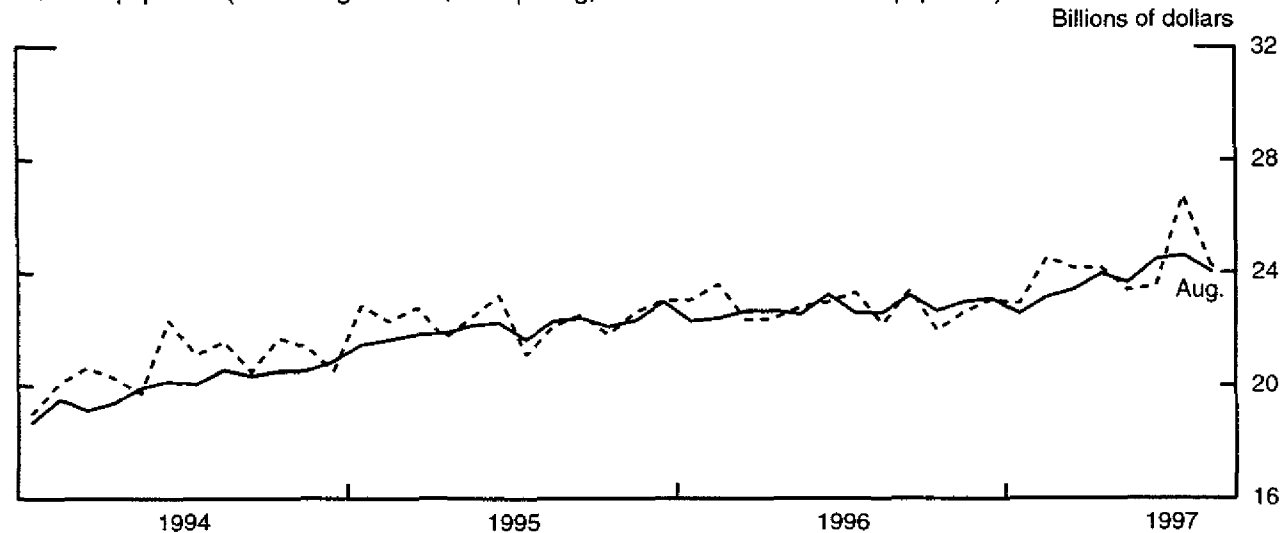
Office and Computing Equipment



Communications Equipment



Other Equipment (Excluding Aircraft, Computing, and Communications Equipment)



CHANGES IN MANUFACTURING AND TRADE INVENTORIES
(Billions of dollars at annual rate;
based on seasonally adjusted data)

	1996	1997		1997		
	Q4	Q1	Q2	May	June	July
<u>Book value basis</u>						
Total	16.0	35.8	51.5	22.5	86.8	15.3
Excluding wholesale and retail motor vehicles	22.2	30.9	48.9	35.1	64.8	18.8
Manufacturing	7.0	16.5	25.1	23.4	16.4	18.7
Excluding aircraft	2.5	9.1	19.8	22.0	8.0	15.1
Wholesale	4.1	14.3	19.1	11.8	61.5	-20.4
Excluding motor vehicles	6.0	11.5	14.3	6.4	44.7	-13.0
Retail	4.9	5.0	7.4	-12.7	8.9	17.0
Auto dealers	-4.3	2.1	-2.1	-18.0	5.2	3.9
Excluding auto dealers	9.1	2.8	9.6	5.3	3.7	13.1

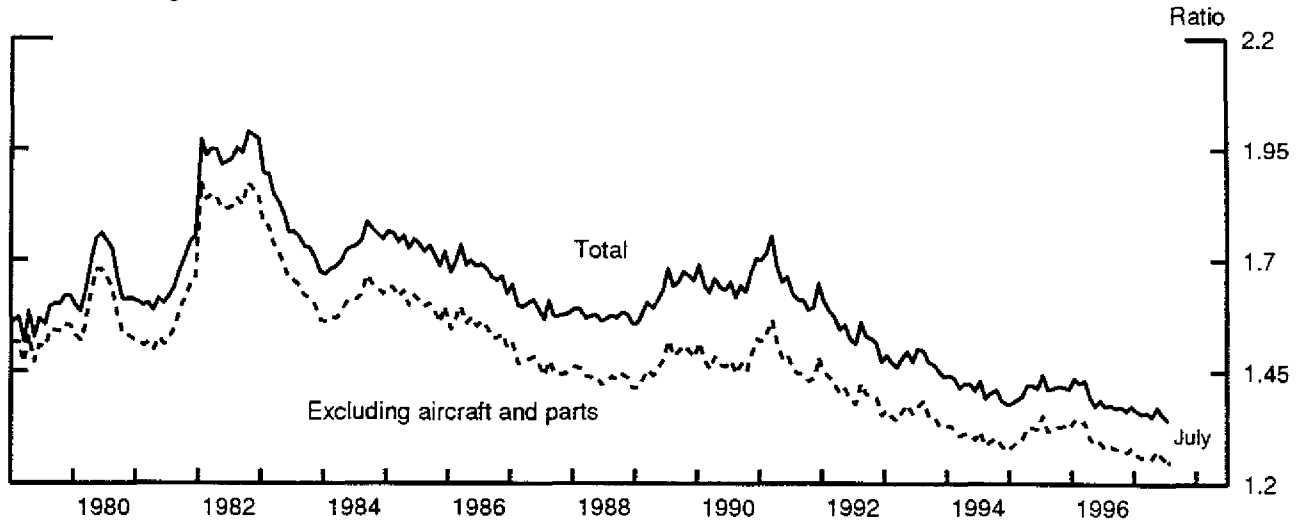
SELECTED INVENTORY-SALES RATIOS
(Months' supply, based on Census book-value data, seasonally adjusted)

	Cyclical reference points		Range over preceding 12 months		July 1997
	1990-91	1995-96	High	Low	
	High	Low	High	Low	
Manufacturing and trade	1.58	1.37	1.39	1.35	1.36
Less wholesale and retail motor vehicles	1.55	1.34	1.35	1.32	1.33
Manufacturing	1.75	1.36	1.38	1.35	1.34
Primary metals	2.08	1.49	1.70	1.60	1.59
Nonelectrical machinery	2.48	1.80	1.89	1.74	1.72
Electrical machinery	2.08	1.41	1.48	1.33	1.37
Transportation equipment	2.93	1.48	1.61	1.49	1.52
Motor vehicles	.97	.56	.62	.57	.56
Aircraft	5.84	4.15	4.88	4.09	4.10
Nondefense capital goods	3.09	2.31	2.39	2.27	2.23
Textile	1.71	1.44	1.54	1.47	1.48
Petroleum	.94	.75	.84	.75	.81
Home goods & apparel	1.96	1.67	1.72	1.65	1.71
Merchant wholesalers	1.36	1.24	1.27	1.22	1.24
Less motor vehicles	1.31	1.22	1.24	1.20	1.21
Durable goods	1.83	1.53	1.57	1.50	1.50
Nondurable goods	.96	.93	.96	.92	.94
Retail trade	1.61	1.50	1.53	1.48	1.50
Less automotive dealers	1.48	1.43	1.45	1.41	1.43
Automotive dealers	2.21	1.68	1.80	1.68	1.71
General merchandise	2.43	2.21	2.26	2.12	2.10
Apparel	2.56	2.42	2.56	2.43	2.49
GAF	2.44	2.23	2.28	2.16	2.14

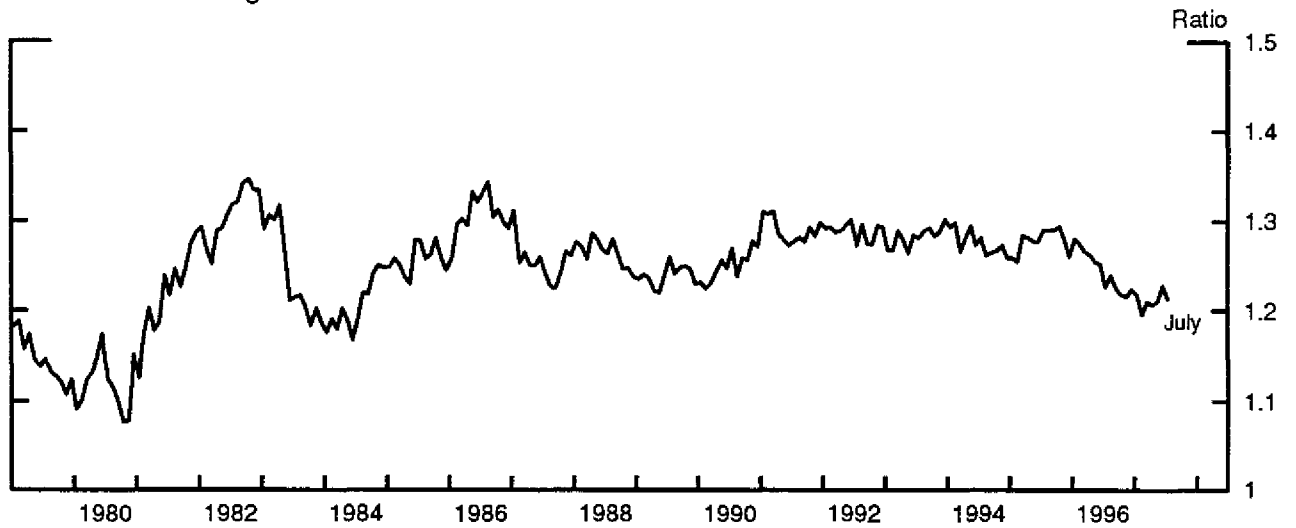
Inventory-Sales Ratios, by Major Sector

(Book value)

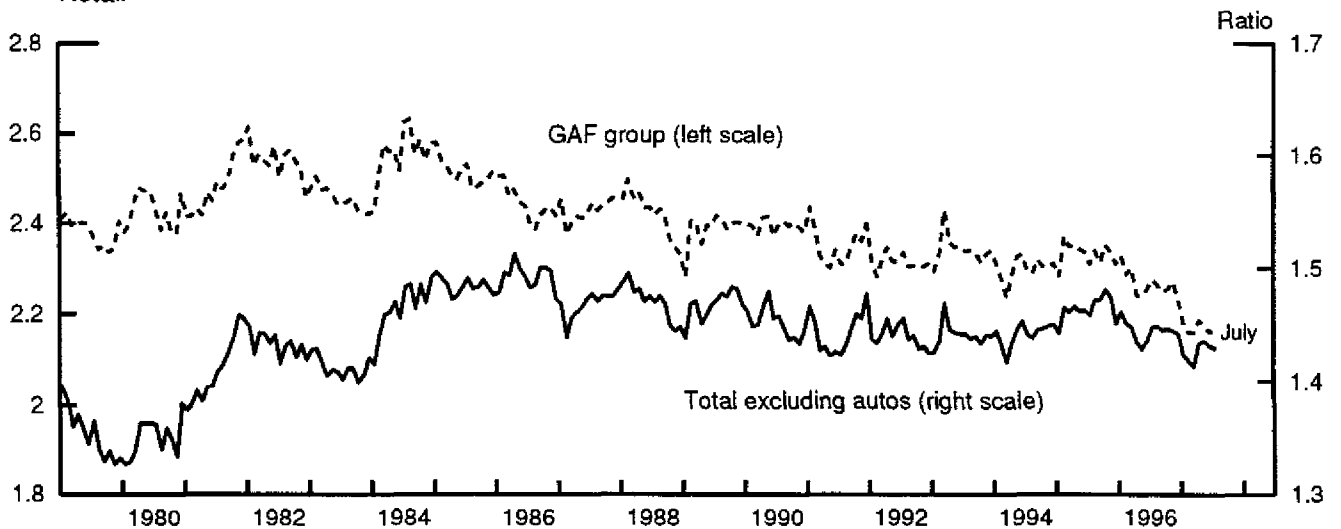
Manufacturing



Wholesale Excluding Motor Vehicles



Retail



September 26, 1997

UNIVERSITY OF MICHIGAN SURVEY RESEARCH CENTER: SURVEY OF CONSUMER ATTITUDES
(Not seasonally adjusted)

	1997 Jan	1997 Feb	1997 Mar	1997 Apr	1997 May	1997 Jun	1997 Jul	1997 Aug	1997 Sep (f)
Indexes of consumer sentiment (Feb. 1966=100)									
Composite of current and expected conditions	97.4	99.7	100.0	101.4	103.2	104.5	107.1	104.4	106.0
Current conditions	106.8	107.2	109.8	115.2	113.5	113.2	114.0	110.7	114.1
Expected conditions	91.3	94.9	93.6	92.5	96.6	98.9	102.6	100.3	100.7

Personal financial situation									
Now compared with 12 months ago*	116	114	119	132	122	126	130	121	127
Expected in 12 months*	128	134	134	130	138	131	133	138	138
Expected business conditions									
Next 12 months*	136	135	138	130	142	147	151	150	149
Next 5 years*	103	113	105	113	109	121	130	116	119
Appraisal of buying conditions									
Cars	141	130	135	136	150	154	136	139	143
Large household appliances*	160	164	166	167	173	168	166	167	170
Houses	162	166	155	153	160	160	165	166	173
Willingness to use credit	45	39	37	41	49	43	49	48	50
Willingness to use savings	71	67	66	68	71	73	68	70	57
Expected unemployment change - next 12 months	114	107	112	113	109	108	104	107	103
Expected inflation - next 12 months									
Mean	4.1	3.8	3.5	3.7	3.7	3.5	3.4	3.3	3.5
Median	3.0	3.0	2.8	3.0	2.9	2.8	2.7	2.7	2.9
Expected inflation - next 5 to 10 years									
Mean	4.0	3.7	3.6	3.6	3.8	3.9	3.4	3.8	3.7
Median	3.1	3.1	3.0	2.9	3.0	3.1	2.9	3.0	3.2

* -- Indicates the question is one of the five equally-weighted components of the index of sentiment.

(p) -- Preliminary

(f) -- Final

Note: Figures on financial, business, and buying conditions are the percent reporting 'good times' (or 'better') minus the percent reporting 'bad times' (or 'worse'), plus 100. Expected change in unemployment is the fraction expecting unemployment to rise minus the fraction expecting unemployment to fall, plus 100.

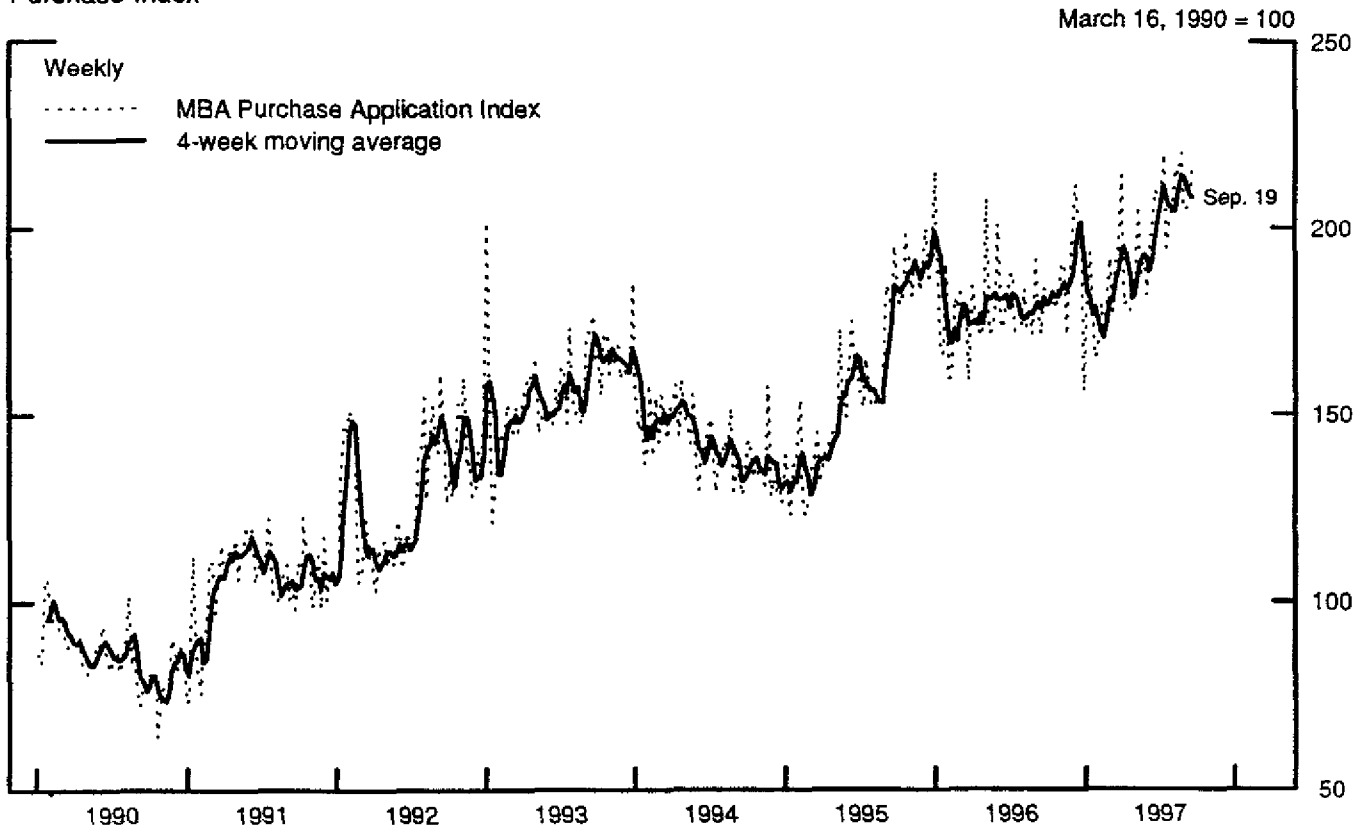
Private Housing Activity
(Millions of units; seasonally adjusted annual rate)

	1996		1997				
	1996	Q4	Q1	Q2 ^r	June ^r	July ^r	Aug. ^P
<i>All units</i>							
Starts	1.48	1.42	1.47	1.46	1.50	1.43	1.36
Permits	1.43	1.38	1.43	1.43	1.40	1.41	1.39
<i>Single-family units</i>							
Starts	1.16	1.09	1.17	1.12	1.13	1.13	1.07
Permits	1.07	1.01	1.05	1.05	1.05	1.03	1.03
New home sales	.76	.76	.82	.78	.81	.82	n.a.
Existing home sales	4.09	4.00	4.10	4.15	4.15	4.18	4.32
<i>Multifamily units</i>							
Starts	.32	.33	.30	.34	.37	.30	.29
Permits	.36	.38	.38	.37	.35	.38	.36
<i>Mobile homes</i>							
Shipments	.36	.35	.35	.36	.36	.36	n.a.

Note. p Preliminary. r Revised. n.a. Not available.

MBA Indexes of Mortgage Loan Applications
(Seasonally adjusted by Federal Reserve Board staff)

Purchase Index



Selected Financial Market Quotations¹
(Percent except as noted)

Instrument	1997				Change to Sep. 25, from:			
	Jan. 2	Mar. low	FOMC * Aug. 19	Sep. 25	Jan. 2	Mar. low	FOMC * Aug. 19	
	Short-term rates							
Federal funds ²	5.79	5.27	5.58	5.51	-0.28	0.24	-0.07	
Treasury bills ³								
3-month	5.05	5.04	5.13	4.80	-0.25	-0.24	-0.33	
6-month	5.14	5.17	5.15	4.97	-0.17	-0.20	-0.18	
1-year	5.28	5.37	5.21	5.20	-0.08	-0.17	-0.01	
Commercial paper ⁴								
1-month	5.48	5.40	5.54	5.49	0.01	0.09	-0.05	
3-month	5.47	5.45	5.56	5.46	-0.01	0.01	-0.10	
Large negotiable CDs ³								
1-month	5.39	5.32	5.53	5.58	0.19	0.26	0.05	
3-month	5.42	5.42	5.58	5.59	0.17	0.17	0.01	
6-month	5.50	5.58	5.68	5.70	0.20	0.12	0.02	
Eurodollar deposits ⁵								
1-month	5.38	5.31	5.50	5.56	0.18	0.25	0.06	
3-month	5.44	5.44	5.56	5.56	0.12	0.12	0.00	
Bank prime rate	8.25	8.25	8.50	8.50	0.25	0.25	0.00	
Intermediate- and long-term rates								
U.S. Treasury (constant maturity)								
3-year	6.13	6.25	5.94	5.93	-0.20	-0.32	-0.01	
10-year	6.54	6.56	6.21	6.13	-0.41	-0.43	-0.08	
30-year	6.75	6.83	6.53	6.40	-0.35	-0.43	-0.13	
U.S. Treasury 10-year indexed note	n.a.	3.36	3.53	3.58	n.a.	0.22	0.05	
Municipal revenue (Bond Buyer) ⁶	5.96	5.97	5.71	5.63	-0.33	-0.34	-0.08	
Corporate-A utility, recently offered	7.64	7.97	7.64	7.45	-0.19	-0.52	-0.19	
High-yield corporate ⁷	9.72	9.49	9.15	9.03	-0.69	-0.46	-0.12	
Home mortgages ⁸								
FHLMC 30-yr fixed rate	7.64	7.84	7.54	7.28	-0.36	-0.56	-0.26	
FHLMC 1-yr adjustable rate	5.57	5.54	5.56	5.53	-0.04	-0.01	-0.03	
Stock exchange index								
	Record high		1997			Percentage change to Sep. 25, from:		
	Level	Date	Jan. 2	FOMC * Aug. 19	Sep. 25	Record high	Jan. 2	FOMC * Aug. 19
Dow-Jones Industrial	8259.31	8/6/97	6441.49	7803.36	7848.01	-4.98	21.84	0.57
S&P 500 Composite	960.32	8/6/97	736.01	912.49	937.91	-2.33	27.43	2.79
NASDAQ (OTC)	1697.36	9/23/97	1279.70	1569.52	1678.89	-1.09	31.19	6.97
Russell 2000	449.42	9/23/97	357.96	408.73	447.92	-0.33	25.13	9.59
Wilshire	9222.33	9/22/97	7146.80	8708.58	9097.46	-1.35	27.29	4.47

1. One-day quotes except as noted.
 2. Average for two-week reserve maintenance period closest to date shown. Last observation is the average for maintenance period ending September 24, 1997.
 3. Secondary market.
 4. As of September 2, 1997, commercial paper rates are those collected by the Depository Trust Company; prior rates are averages of offering rates at several large dealers.
 5. Bid rates for Eurodollar deposits at 11 a.m. London time.
 6. Most recent observation based on one-day Thursday quote and futures market index changes.
 7. Merrill Lynch Master II high-yield bond index composite.
 8. Quotes for week ending Friday previous to date shown.
- * Figures cited are as of the close on August 18, 1997.

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1991	1992	1993	1994	1995	1996	----- 1997	Projected 1998	----- 1999
NIPA REAL EXPORTS and IMPORTS									
Percentage point contribution to GDP growth, Q4/Q4									
Net Goods & Services	0.4	-0.4	-0.6	-0.4	0.4	-0.4	-0.4	-0.3	-0.2
Exports of G&S	0.8	0.4	0.5	1.0	1.1	1.0	1.4	0.9	0.8
Imports of G&S	-0.4	-0.8	-1.1	-1.4	-0.7	-1.4	-1.8	-1.2	-1.0
Percentage change, Q4/Q4									
Exports of G&S	8.6	4.1	4.6	10.0	10.3	9.3	12.3	7.6	6.1
Services	7.1	-0.9	4.1	6.0	9.0	4.7	2.5	2.6	3.5
Agricultural Goods	10.1	10.4	-5.5	16.6	-3.4	5.7	2.4	0.0	1.9
Computers	21.7	25.2	23.7	32.0	55.7	33.8	67.1	45.8	43.1
Semiconductors	41.8	64.8	32.9	66.9	80.4	45.9	34.3	41.2	41.2
Other Goods 1/	7.0	2.3	3.6	6.9	5.7	7.6	13.2	5.2	1.5
Imports of G&S	4.1	7.4	10.2	12.3	5.6	11.8	14.9	9.2	7.0
Services	-2.7	1.4	3.2	1.4	7.3	5.0	11.0	3.5	2.0
Oil	8.1	12.1	10.1	-0.2	1.5	8.3	0.5	3.2	1.8
Computers	35.9	45.1	39.3	44.8	46.2	23.6	55.0	40.0	39.5
Semiconductors	55.3	42.0	34.2	54.5	92.7	57.9	45.0	41.8	40.6
Other Goods 2/	2.5	5.4	9.5	12.2	-1.2	10.5	12.7	6.7	3.7
Billions of chained 1992 dollars									
Net Goods & Services	-22.3	-29.5	-70.2	-104.6	-98.8	-114.4	-139.3	-165.1	-194.8
Exports of G&S	599.9	639.4	658.2	712.4	791.2	857.0	969.5	1061.5	1124.3
Imports of G&S	622.2	669.0	728.4	817.0	890.1	971.5	1108.8	1226.6	1319.1
Billions of dollars									
US CURRENT ACCOUNT BALANCE	-4.5	-55.4	-90.5	-133.5	-129.1	-148.2	-167.4	-183.5	-214.0
Net Goods & Services (BOP)	-29.9	-38.3	-72.0	-104.4	-101.9	-111.0	-112.0	-114.6	-138.7
Exports of G&S (BOP)	580.7	617.7	643.0	699.7	794.6	848.8	933.1	1010.0	1068.9
Imports of G&S (BOP)	610.6	655.9	715.0	804.1	896.5	959.9	1045.2	1124.5	1207.6
Net Investment Income	20.3	18.0	19.7	9.7	6.8	2.8	-15.4	-27.2	-33.6
Direct, Net	55.6	51.6	55.7	50.8	60.0	66.8	68.3	69.2	78.4
Portfolio, Net	-35.4	-33.6	-36.0	-41.0	-53.2	-63.9	-83.7	-96.4	-112.0
Net Transfers	5.1	-35.2	-38.1	-38.8	-34.0	-40.0	-40.0	-41.8	-41.8

1. Merchandise exports excluding agricultural products, computers, and semiconductors.
2. Merchandise imports excluding oil, computers, and semiconductors.

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1994				1995				1996			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
	Percentage point contribution to GDP growth											
Net Goods & Services	-1.0	-0.3	-0.4	0.3	-0.4	0.1	1.1	1.0	-1.3	-0.6	-1.4	1.8
Exports of G&S	-0.2	1.7	1.0	1.4	0.7	1.0	1.4	1.2	0.2	1.1	0.2	2.7
Imports of G&S	-0.8	-2.0	-1.4	-1.1	-1.1	-0.9	-0.2	-0.3	-1.5	-1.7	-1.6	-0.8
	Percentage change from previous period, SAAR											
Exports of G&S	-1.8	17.7	10.6	14.7	7.2	9.3	13.5	11.5	1.7	9.6	1.9	25.5
Services	2.4	12.9	2.0	6.9	6.0	3.8	20.3	6.6	-3.8	9.7	0.3	13.5
Agricultural Goods	-25.2	8.1	45.3	57.2	-1.3	-17.5	19.7	-10.7	12.5	-34.3	13.1	49.2
Computers	21.4	24.3	35.5	48.4	34.9	41.0	89.6	63.1	46.2	31.8	29.2	28.7
Semiconductors	111.8	23.4	65.9	79.1	72.0	97.0	100.3	56.2	19.9	28.3	37.6	113.8
Other Goods 1/	-6.8	20.3	7.4	8.6	2.9	8.2	1.0	11.0	-1.2	13.2	-3.1	23.9
Imports of G&S	7.6	19.0	13.1	9.9	10.0	7.7	2.3	2.4	13.1	14.1	13.2	6.8
Services	2.7	4.1	-0.4	-0.9	24.4	-4.0	8.4	2.2	14.6	2.7	1.2	2.1
Oil	-8.6	27.2	33.5	-36.2	-8.1	12.5	28.0	-19.7	-7.6	67.2	10.6	-19.6
Computers	32.9	48.3	42.3	57.0	8.1	57.3	65.8	61.8	6.4	30.7	26.9	32.0
Semiconductors	60.7	23.7	74.4	64.3	29.6	108.0	157.1	98.8	30.4	10.3	75.5	146.4
Other Goods 2/	6.9	19.6	10.3	12.5	7.3	2.2	-10.0	-3.6	14.5	11.0	12.2	4.3
	Billions of chained 1992 dollars											
Net Goods & Services	-97.6	-103.9	-111.1	-105.9	-113.5	-112.8	-92.9	-76.1	-100.8	-112.6	-138.9	-105.6
Exports of G&S	676.0	704.1	722.1	747.3	760.4	777.4	802.4	824.6	828.2	847.4	851.4	901.1
Imports of G&S	773.6	808.0	833.2	853.2	873.9	890.3	895.4	900.7	929.0	960.0	990.2	1006.6
	Billions of dollars											
US CURRENT ACCOUNT BALANCE	-104.6	-128.0	-145.5	-156.1	-138.8	-142.8	-132.5	-102.2	-131.5	-142.3	-171.3	-147.5
Net Goods & Services (BOP)	-90.6	-101.5	-114.0	-111.6	-113.2	-123.2	-95.5	-75.5	-98.2	-111.1	-130.1	-104.8
Exports of G&S (BOP)	662.5	688.4	710.9	736.8	761.5	785.9	806.4	824.6	828.4	848.6	840.3	878.0
Imports of G&S (BOP)	753.1	789.9	824.9	848.4	874.7	909.1	901.9	900.1	926.6	959.7	970.4	982.8
Net Investment Income	17.9	10.6	7.2	3.3	8.2	12.9	-1.6	7.8	8.2	3.5	-5.5	5.0
Direct, Net	51.7	48.9	51.0	51.5	57.6	64.1	53.9	64.5	66.2	64.2	60.3	76.4
Portfolio, Net	-33.8	-38.3	-43.8	-48.2	-49.4	-51.3	-55.5	-56.7	-57.9	-60.7	-65.7	-71.4
Net Transfers	-31.9	-37.1	-38.7	-47.7	-33.8	-32.5	-35.4	-34.5	-41.6	-34.8	-35.8	-47.7

1. Merchandise exports excluding agricultural products, computers, and semiconductors.
2. Merchandise imports excluding oil, computers, and semiconductors.

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	----- Projected -----											
	1997				1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
	Percentage point contribution to GDP growth											
Net Goods & Services	-1.0	-0.3	-0.9	0.4	0.1	-0.7	-0.9	0.3	-0.5	-0.1	-0.6	0.4
Exports of G&S	1.1	2.2	0.6	1.7	1.3	0.8	0.3	1.2	0.4	1.0	0.3	1.3
Imports of G&S	-2.1	-2.4	-1.5	-1.2	-1.2	-1.4	-1.2	-0.9	-0.9	-1.1	-1.0	-0.9
	Percentage change from previous period, SAAR											
Exports of G&S	9.9	20.2	4.9	14.7	11.4	6.5	2.4	10.1	3.4	8.2	2.5	10.7
Services	3.7	3.5	1.4	1.4	2.0	2.7	2.7	3.0	3.5	3.5	3.5	3.6
Agricultural Goods	-27.6	20.9	7.2	17.0	-7.2	-3.7	3.8	7.8	2.0	-5.6	3.9	7.8
Computers	72.3	85.5	60.8	51.8	49.1	46.4	43.8	43.8	43.8	43.3	42.7	42.7
Semiconductors	39.0	15.3	41.2	43.8	41.2	41.2	41.2	41.2	41.2	41.2	41.2	41.2
Other Goods 1/	12.4	25.1	0.2	16.5	13.2	3.9	-3.9	8.5	-2.9	6.0	-5.0	8.5
Imports of G&S	17.9	20.5	12.0	9.6	9.7	11.4	9.1	6.7	6.5	8.3	7.0	6.3
Services	24.2	9.5	5.7	5.6	5.1	3.7	2.7	2.5	2.2	2.0	1.9	1.9
Oil	-10.8	44.6	-6.3	-15.6	-9.4	33.3	10.9	-15.5	-11.3	26.5	2.7	-6.8
Computers	51.3	71.6	51.8	46.4	40.7	39.7	39.8	40.0	39.5	39.5	39.6	39.4
Semiconductors	71.2	19.1	50.7	43.8	42.7	42.2	41.1	41.4	40.6	40.6	40.8	40.4
Other Goods 2/	15.3	17.0	10.5	8.3	8.3	7.6	6.1	4.9	4.2	3.7	3.5	3.3
	Billions of chained 1992 dollars											
Net Goods & Services	-126.3	-132.9	-152.9	-145.0	-144.5	-160.2	-180.6	-175.0	-186.0	-190.1	-205.7	-197.4
Exports of G&S	922.7	966.0	977.7	1011.7	1039.4	1056.0	1062.4	1088.3	1097.3	1119.2	1126.0	1154.9
Imports of G&S	1048.9	1098.9	1130.6	1156.7	1183.9	1216.2	1243.0	1263.2	1283.3	1309.3	1331.7	1352.3
	Billions of dollars											
US CURRENT ACCOUNT BALANCE	-159.9	-156.9	-175.5	-177.4	-163.1	-175.3	-195.3	-200.3	-200.4	-205.2	-222.7	-227.7
Net Goods & Services (BOP)	-117.2	-106.6	-118.8	-105.6	-99.9	-110.4	-127.6	-120.3	-131.0	-134.6	-148.9	-140.2
Exports of G&S (BOP)	897.0	936.2	935.1	964.1	989.7	1004.9	1010.4	1034.9	1043.4	1064.5	1070.3	1097.6
Imports of G&S (BOP)	1014.2	1042.8	1053.9	1069.8	1089.6	1115.3	1138.0	1155.1	1174.4	1199.0	1219.2	1237.7
Net Investment Income	-8.0	-14.1	-17.7	-21.7	-24.2	-25.9	-28.7	-30.1	-30.3	-31.7	-34.8	-37.6
Direct, Net	69.3	69.5	67.7	66.7	66.9	68.0	69.5	72.6	74.5	77.6	79.6	81.9
Portfolio, Net	-77.3	-83.6	-85.3	-88.4	-91.1	-93.9	-98.1	-102.6	-104.9	-109.3	-114.4	-119.4
Net Transfers	-34.7	-36.3	-39.0	-50.0	-39.0	-39.0	-39.0	-50.0	-39.0	-39.0	-39.0	-50.0

1. Merchandise exports excluding agricultural products, computers, and semiconductors.
2. Merchandise imports excluding oil, computers, and semiconductors.