

March 22, 1995

SUMMARY AND OUTLOOK

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

3 percent at an annual rate on a quarterly average basis. In addition, the average unemployment rate in January and February turned out to be just a little below its level last fall--suggesting the likelihood of output growth in the vicinity of our estimated potential rate of approximately 2-1/2 percent.

SUMMARY OF THE NEAR-TERM OUTLOOK
(Percent change, at annual rates, unless otherwise noted)

	1994:Q4	1995:Q1
Real GDP <i>Previous</i>	4.6 5.0	2.5 3.2
Final sales <i>Previous</i>	5.3 4.7	1.9 4.0
Unemployment rate (level, percent) <i>Previous</i>	5.6 5.6	5.5 5.3

As noted above, a marked slowing has occurred in most of the major components of final demand. Consumer spending is expected to rise 2-3/4 percent at an annual rate this quarter, which would be 3/4 of 1 percentage point below the average pace of growth over 1994. It would also be well under the pace we predicted in the last Greenbook, in which we expected a reversal of the unexplained jump in the personal saving rate in the fourth quarter. A sharp drop-off in sales of motor vehicles accounts for most of the deceleration in consumption.² However, the most recent data on retail sales also contained signs of broader spending cutbacks by consumers, especially for non-auto durable goods. We suspect that delays in federal tax refunds have temporarily delayed discretionary purchases

2. The drop-off in motor vehicle sales is slightly less pronounced with FRB seasonals. Using BEA seasonals, sales fell from 15.4 million units (annual rate) in the fourth quarter to 14.8 million units, on average, in January and February. With FRB seasonals, the decline was from 15.3 million units to 14.9 million units.

The Longer-Run Outlook for the Economy

We think that real GDP growth likely will slow further in the second quarter, perhaps to around 1-3/4 percent at an annual rate. Final demand may firm somewhat in the near term, as spending on consumer goods and computing equipment bounces back from below trend in the current quarter, but we are looking for a considerable drag from inventory investment this spring. The inventory correction in the motor vehicle sector is a major factor: The projected drop in the production of cars and light trucks will chop more than 1 percentage point off GDP growth in the second quarter.

SUMMARY OF STAFF PROJECTIONS
(Percent change at annual rates)

	1994	1995		1996
		Q1	Q2	
Real GDP <i>Previous</i>	4.0 4.1	2.5 3.2	1.7 2.0	2.2 1.7
Real PCE <i>Previous</i>	3.5 3.4	2.7 4.0	3.7 2.8	2.1 2.2
Real BFI <i>Previous</i>	12.5 13.9	8.7 11.6	14.3 13.1	7.1 7.2
Real residential investment <i>Previous</i>	2.7 2.4	-5.1 4.6	-9.0 -1.2	.2 -2.7

We are projecting that after midyear, real GDP growth will average about 2-1/4 percent at an annual rate over the ensuing six quarters. The overall pace of growth over this span is little changed from that forecast in the January Greenbook, despite the higher path of short-term interest rates built into this projection. Basically, more of the negative effects of the rise in interest rates are now expected to come in the first part of this year, and as noted in the overview, the earlier-than-expected stock and bond rallies and dollar depreciation should help buoy activity as time passes. Admittedly, the steep decline in bond yields has in part

cost of laying off personnel when business slows even temporarily. Payroll growth is projected to slow to a pace of only about 130,000 jobs per month over the second half of 1995 and to 110,000 jobs per month in 1996.

Commensurate with our view of the likely timing of the employment adjustments, productivity growth is projected to slow sharply in the first half of this year and then to grow at about its trend rate of 1-1/2 percent annually thereafter.

STAFF LABOR MARKET PROJECTIONS
(Percent change, Q4 to Q4, unless otherwise noted)

	1994	1995	1996
Output per hour, nonfarm business	1.4	.8	1.4
<i>Previous</i>	1.1	.7	1.5
Nonfarm payroll employment	3.1	1.8	1.1
<i>Previous</i>	3.0	2.2	1.2
Civilian unemployment rate ¹	5.6	5.7	5.8
<i>Previous</i>	5.6	5.4	5.5

1. Average for the fourth quarter.

The continued favorable labor market conditions of recent months apparently are finally drawing new entrants into the labor force. The aggregate participation rate rose to 66.8 percent in January and February, and we expect that the job gains projected for coming months will continue to boost participation into the second quarter. Over the remainder of the projection period, we expect that increases in the participation rate will moderate somewhat, reflecting the downward adjustments to hiring.

Wages and prices. Despite a step-up in price increases at the consumer level in recent months, a broad acceleration of wages and prices is still not in evidence. Nonetheless, with prices of goods at earlier stages of processing still rising rapidly, and with the unemployment rate low and factory utilization high, we expect that

consumer prices will experience a more general inflation in coming months. Later this year and in 1996, with the strains on domestic resources easing a little and import prices no longer under pressure from a declining dollar, we see inflation generally contained, albeit around 3-1/4 percent for the core CPI.

STAFF INFLATION PROJECTIONS
(Percent change, Q4 to Q4, unless otherwise noted)

	1994	1995	1996
Consumer price index	2.6	3.1	3.0
<i>Previous</i>	2.7	2.9	3.1
Excluding food and energy	2.8	3.2	3.2
<i>Previous</i>	2.8	3.2	3.3
ECI for compensation of private industry workers ¹	3.1	3.4	3.7
<i>Previous</i>	3.3	3.7	4.0
Non-oil import prices	3.8	5.5	2.4
<i>Previous</i>	3.7	3.6	2.1

1. December to December.

With regard to labor costs, data available after the January Greenbook was published came in below our expectations, leading us to revise down our estimate of the trend in compensation. The employment cost index for the fourth quarter of 1994 posted an especially small increase, and the most recent readings on average hourly earnings have continued at their 1994 trends. To some extent, the better-than-expected performance in overall labor costs reflects relatively slow benefit growth--particularly for health insurance premiums and workers' compensation. In making our projections, we have assumed that benefit growth will continue to be restrained; however, given that some of the recent slowing reflects one-time adjustments, we do not expect to see a further deceleration

ALTERNATIVE FEDERAL FUNDS RATE SIMULATIONS
(Percent change, Q4 to Q4, unless otherwise noted)

	1994	1995	1996
Real GDP			
Baseline	4.0	2.1	2.3
Higher funds rate	...	1.9	1.5
Lower funds rate	...	2.3	3.1
Civilian unemployment rate ¹			
Baseline	5.6	5.7	5.8
Higher funds rate	...	5.8	6.1
Lower funds rate	...	5.6	5.4
CPI excluding food and energy			
Baseline	2.8	3.2	3.2
Higher funds rate	...	3.1	2.9
Lower funds rate	...	3.3	3.5

1. Average for the fourth quarter.

Given the recent volatility of the dollar on foreign exchange markets, two alternative simulations for the exchange rate were also run with the staff's macroeconomic models. These simulations alternatively assumed a 10 percent higher and lower exchange value of the dollar in terms of the currencies of the other G-10 countries, using multilateral trade weights, by the third quarter, with the federal funds rate held unchanged.⁸ Under the assumption of a stronger dollar, the slowing in GDP growth is more pronounced as real net exports deteriorate through 1996, leading to a larger rise in the unemployment rate and a significant reduction in the inflation rate, relative to the baseline. In the case of a weaker dollar, real GDP is boosted by the improvement in real net exports, but inflation moves higher.

8. In essence, these simulations assume that an exogenous shift in portfolio preferences generates the exchange rate movement rather than a change in U.S. policy.

ALTERNATIVE EXCHANGE RATE SIMULATIONS
(Percent change, Q4 to Q4, unless otherwise noted)

	1994	1995	1996
Real GDP			
Baseline	4.0	2.1	2.3
Stronger dollar	...	1.8	1.6
Weaker dollar	...	2.4	3.1
Civilian unemployment rate ¹			
Baseline	5.6	5.7	5.8
Stronger dollar	...	5.8	6.2
Weaker dollar	...	5.6	5.4
CPI			
Baseline	2.6	3.2	3.2
Stronger dollar	...	2.7	2.6
Weaker dollar	...	3.7	3.9

1. Average for the fourth quarter.

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ERRATUM

The attached table replaces the table on page I-21 of the Greenbook Part 1 labeled: "Alternative Exchange Rate Simulations." In the revised table, the third panel correctly reads, "CPI excluding food and energy "

Interval					GDP fixed-weight price index		Consumer price index ¹		Unemployment rate (level except as noted)	
	Nominal GDP		Real GDP		1/25/95	3/22/95	1/25/95	3/22/95	1/25/95	3/22/95
	1/25/95	3/22/95	1/25/95	3/22/95						
ANNUAL										
1992 ²	5.2	5.2	2.3	2.3	3.2	3.2	3.0	3.0	7.4	7.4
1993 ²	5.4	5.4	3.1	3.1	3.0	3.0	3.0	3.0	6.8	6.8
1994 ²	6.3	6.2	4.1	4.0	2.7	2.7	2.6	2.6	6.1	6.1
1995	5.7	5.4	3.2	2.9	3.0	3.0	3.0	3.1	5.4	5.6
1996	4.6	4.7	2.2	2.3	2.9	2.9	3.0	3.0	5.5	5.7
QUARTERLY										
1993 Q1 ²	4.4	4.4	1.2	1.2	4.2	4.2	2.8	3.1	7.0	7.0
Q2 ²	4.2	4.2	2.4	2.4	2.4	2.4	3.1	2.8	7.0	7.0
Q3 ²	3.8	3.8	2.7	2.7	2.0	2.0	2.0	1.7	6.7	6.7
Q4 ²	7.7	7.7	6.3	6.3	2.4	2.4	3.1	3.4	6.5	6.5
1994 Q1 ²	6.1	6.1	3.3	3.3	3.1	3.1	1.9	2.2	6.6	6.6
Q2 ²	7.2	7.2	4.1	4.1	2.9	2.9	2.8	2.5	6.2	6.2
Q3 ²	6.2	6.2	4.0	4.0	3.0	3.0	3.6	3.6	6.0	6.0
Q4 ²	6.8	5.8	5.0	4.6	2.5	2.6	2.4	2.2	5.6	5.6
1995 Q1	6.4	5.8	3.2	2.5	3.5	3.5	2.9	3.2	5.3	5.5
Q2	4.5	4.1	2.0	1.7	2.9	2.7	2.9	3.1	5.3	5.5
Q3	4.1	4.4	1.7	2.1	2.8	2.7	3.0	3.1	5.4	5.6
Q4	4.0	4.6	1.7	2.3	2.8	2.7	3.0	3.0	5.4	5.7
1996 Q1	4.7	4.9	2.0	2.3	3.1	3.1	3.0	3.0	5.5	5.7
Q2	5.0	4.8	2.5	2.4	2.9	2.8	3.1	3.0	5.5	5.7
Q3	5.2	4.8	2.6	2.3	3.0	2.8	3.1	3.0	5.5	5.7
Q4	5.2	4.7	2.6	2.2	3.0	2.9	3.2	3.0	5.5	5.8
TWO-QUARTER³										
1993 Q2 ²	4.3	4.3	1.8	1.8	3.3	3.3	3.1	3.0	-.3	-.3
Q4 ²	5.7	5.7	4.5	4.5	2.2	2.2	2.4	2.5	-.5	-.5
1994 Q2 ²	6.6	6.6	3.7	3.7	3.0	3.0	2.4	2.3	-.3	-.3
Q4 ²	6.5	6.0	4.5	4.3	2.7	2.6	2.9	2.9	-.6	-.6
1995 Q2	5.4	4.9	2.6	2.1	3.2	3.1	2.9	3.1	-.3	-.1
Q4	4.1	4.5	1.7	2.2	2.8	2.7	3.0	3.0	.1	.2
1996 Q2	4.9	4.9	2.3	2.4	3.0	3.0	3.1	3.0	.1	.0
Q4	5.2	4.7	2.6	2.2	3.0	2.9	3.1	3.0	.0	.1
FOUR-QUARTER⁴										
1992 Q4 ²	6.4	6.4	3.7	3.7	3.2	3.2	3.1	3.1	.3	.3
1993 Q4 ²	5.0	5.0	3.1	3.1	2.8	2.8	2.7	2.7	-.8	-.8
1994 Q4 ²	6.6	6.3	4.1	4.0	2.8	2.9	2.7	2.6	-.9	-.9
1995 Q4	4.8	4.7	2.2	2.1	3.0	2.9	2.9	3.1	-.2	.1
1996 Q4	5.0	4.8	2.5	2.3	3.0	2.9	3.1	3.0	.1	.1

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									Projected	
		1988	1989	1990	1991	1992	1993	1994	1995	1996	
EXPENDITURES											
Nominal GDP	Bill. \$	4900.4	5250.8	5546.1	5724.8	6020.2	6343.3	6736.1	7096.7	7428.9	
Real GDP	Bill. 87\$	4718.6	4838.0	4897.3	4867.6	4979.3	5134.5	5342.4	5499.8	5623.6	
Real GDP	% change	3.3	1.6	.2	.3	3.7	3.1	4.0	2.1	2.3	
Gross domestic purchases		2.5	.9	-.4	-.1	4.1	3.9	4.5	2.2	2.0	
Final sales		4.2	1.5	1.2	-.4	3.8	3.0	3.3	2.7	2.3	
Private dom. final purch.		4.2	.5	-.1	-.8	5.1	5.0	4.8	3.4	2.4	
Personal cons. expend.		4.2	1.2	.7	.0	4.2	3.0	3.5	2.7	2.0	
Durables		8.5	-.5	-.8	-1.3	9.6	9.0	8.6	1.3	1.2	
Nondurables		3.2	1.2	-.1	-1.6	3.2	1.3	3.2	3.0	2.0	
Services		3.7	1.7	1.7	1.2	3.5	2.5	2.3	2.9	2.2	
Business fixed invest.		5.5	-.4	.7	-6.2	6.7	16.0	12.5	9.2	4.9	
Producers' dur. equip.		9.1	-1.7	2.9	-3.2	11.0	21.3	15.1	9.2	4.6	
Nonres. structures		-1.2	2.3	-3.9	-12.4	-3.4	1.6	4.2	9.4	6.0	
Res. structures		.9	-7.7	-15.2	.7	17.0	8.1	2.7	-3.5	1.1	
Exports		13.5	11.3	6.7	8.1	5.0	5.8	11.6	6.7	9.2	
Imports		3.6	2.6	.4	4.0	8.6	12.4	14.1	6.5	6.3	
Government purchases		.2	2.0	3.3	-.8	.7	-1.0	-.9	-.2	.0	
Federal		-3.4	-.6	2.8	-3.2	.8	-6.9	-5.7	-4.5	-4.4	
Defense		-3.2	-.5	1.5	-7.0	-1.3	-9.0	-8.3	-4.4	-4.5	
State and local		2.9	4.0	3.6	.6	.6	3.0	2.0	2.2	2.3	
Change in bus. invent.	Bill. 87\$	19.9	29.8	5.7	-1.1	2.5	15.3	47.4	31.3	19.3	
Nonfarm		26.9	29.9	3.2	-1.3	-2.0	18.5	40.4	28.6	17.8	
Net exports		-104.0	-73.7	-54.7	-19.5	-32.3	-73.9	-110.6	-120.2	-106.4	
Nominal GDP	% change	7.7	6.0	4.7	3.5	6.4	5.0	6.3	4.7	4.8	
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	105.2	107.9	109.4	108.3	108.6	110.5	113.4	116.3	117.7	
Unemployment rate	%	5.5	5.3	5.5	6.7	7.4	6.8	6.1	5.6	5.7	
Industrial prod. index	% change	3.2	-.1	-.2	.2	4.0	3.6	6.0	3.2	2.9	
Capacity util. rate-mfg.	%	83.6	83.2	81.3	78.0	79.2	80.9	83.4	84.4	83.3	
Housing starts	Millions	1.49	1.38	1.19	1.01	1.20	1.29	1.46	1.37	1.40	
Light Motor Vehicle Sales		15.43	14.53	13.85	12.31	12.80	13.89	15.07	14.96	15.01	
Auto sales in U.S.		10.63	9.91	9.50	8.39	8.35	8.72	9.24	9.03	9.01	
North American prod.		7.54	7.08	6.90	6.14	6.26	6.75	7.28	7.26	7.28	
Other		3.10	2.83	2.60	2.25	2.10	1.97	1.96	1.77	1.73	
INCOME AND SAVING											
Nominal GNP	Bill. \$	4908.2	5266.8	5567.8	5740.8	6025.8	6347.8	6724.6	7066.5	7386.5	
Nominal GNP	% change	7.8	6.1	4.9	3.2	6.1	5.0	6.0	4.6	4.7	
Nominal personal income		7.1	6.5	6.5	3.7	8.1	2.8	6.8	5.4	4.9	
Real disposable income		3.2	1.1	1.1	.9	5.0	.5	4.4	2.2	2.0	
Personal saving rate	%	4.4	4.0	4.2	5.0	5.5	4.1	4.1	4.3	4.2	
Corp. profits, IVA&CCAdj	% change	10.2	-6.3	2.3	8.8	9.6	23.4	6.6	-.3	1.6	
Profit share of GNP	%	7.4	6.9	6.8	6.8	6.7	7.7	8.1	8.0	7.8	
Federal surpl./def.	Bill. \$	-136.6	-122.3	-163.5	-202.9	-282.7	-241.4	-157.5	-140.3	-142.2	
State/local surpl./def.		38.4	44.8	25.1	17.0	24.8	26.3	26.0	33.3	37.4	
Ex. social ins. funds		-18.4	-17.5	-35.6	-46.5	-41.6	-40.0	-39.5	-31.2	-26.6	
PRICES AND COSTS											
GDP implicit deflator	% change	4.2	4.4	4.5	3.3	2.6	1.8	2.3	2.5	2.4	
GDP fixed-wt. price index		4.2	4.4	4.6	3.6	3.2	2.8	2.9	2.9	2.9	
Cross domestic purchases		4.1	4.4	5.2	2.9	3.2	2.5	2.9	3.1	2.9	
fixed-wt. price index		4.3	4.6	6.3	3.0	3.1	2.7	2.6	3.1	3.0	
CPI		4.5	4.4	5.3	4.4	3.5	3.1	2.8	3.2	3.2	
Ex. food and energy		4.8	4.8	4.6	4.4	3.5	3.1	2.8	3.2	3.2	
ECI, hourly compensation ²		4.8	4.8	4.6	4.4	3.5	3.6	3.1	3.4	3.7	
Nonfarm business sector		.5	-1.4	.4	2.3	3.2	1.8	1.4	.8	1.4	
Output per hour		3.8	3.1	6.2	4.7	5.1	2.4	3.3	3.6	3.8	
Compensation per hour		3.3	4.6	5.7	2.3	1.9	.6	1.9	2.8	2.4	
Unit labor cost											

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

2. Private-industry workers.

Item	Unit	1992				1993				1994	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GDP	Bill. \$	5896.8	5971.3	6043.6	6169.3	6235.9	6299.9	6359.2	6478.1	6574.7	6689.9
Real GDP	Bill. 87\$	4918.5	4947.5	4990.5	5060.7	5075.3	5105.4	5139.4	5218.0	5261.1	5314.1
Real GDP	% change	3.1	2.4	3.5	5.7	1.2	2.4	2.7	6.3	3.3	4.1
Gross domestic purchases		3.2	3.7	3.9	5.7	2.7	3.3	4.0	5.8	5.0	4.6
Final sales		4.8	1.5	3.5	5.6	.2	2.4	3.2	6.4	2.2	1.5
Private dom. final purch.		5.7	4.2	3.9	6.7	3.5	3.7	5.3	7.4	5.8	2.7
Personal cons. expend.		5.8	1.7	3.9	5.6	1.6	2.6	3.9	4.0	4.7	1.3
Durables		15.5	.4	10.0	13.2	3.2	9.8	7.7	15.5	8.8	.4
Nondurables		4.2	-.7	2.7	6.9	-1.6	1.6	2.8	2.4	3.8	2.2
Services		4.5	3.4	3.2	3.0	3.1	1.4	3.6	2.0	4.0	1.1
Business fixed invest.		-.1	15.0	5.0	7.5	15.1	15.6	12.2	21.1	10.9	9.2
Producers' dur. equip.		-1.3	22.7	11.0	12.9	20.0	21.6	16.2	27.5	18.6	6.1
Nonres. structures		2.9	-1.6	-8.9	-5.5	2.5	.3	.5	3.3	-11.8	20.6
Res. structures		22.4	22.7	.8	23.8	5.3	-7.6	9.4	28.2	10.0	7.0
Exports		6.1	1.5	5.3	7.2	-1.0	7.7	-3.2	21.7	-3.5	16.6
Imports		6.6	13.0	8.4	6.5	11.6	14.9	7.4	16.0	9.5	18.9
Government purchases		1.5	-3.0	3.4	.9	-5.9	1.2	1.1	-.1	-4.9	-1.2
Federal		-1.3	-4.8	8.6	1.1	-15.4	-3.6	-3.0	-5.0	-10.3	-7.9
Defense		-7.2	-5.1	11.5	-3.3	-20.0	-2.2	-9.2	-3.6	-16.0	-4.1
State and local		3.3	-1.8	.1	.8	.9	4.4	3.7	2.9	-1.4	2.9
Change in bus. invent.	Bill. 87\$	-6.3	4.2	5.2	6.6	18.5	18.9	13.0	10.8	25.4	59.2
Nonfarm		-14.3	-1.9	1.8	6.3	19.7	22.8	20.9	10.7	22.1	51.7
Net exports		-17.9	-34.1	-38.9	-38.5	-57.6	-69.3	-86.3	-82.2	-104.0	-111.8
Nominal GDP	% change	7.1	5.2	4.9	8.6	4.4	4.2	3.8	7.7	6.1	7.2
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	108.1	108.4	108.7	109.1	109.7	110.3	110.8	111.4	112.0	113.0
Unemployment rate ¹	%	7.3	7.5	7.5	7.3	7.0	7.0	6.7	6.5	6.6	6.2
Industrial prod. index	% change	.9	5.8	3.4	5.2	5.1	.7	3.3	5.3	7.1	6.0
Capacity util. rate-mfg. ¹	%	78.4	79.1	79.4	80.1	80.8	80.6	80.7	81.4	82.3	83.1
Housing starts	Millions	1.24	1.15	1.18	1.23	1.16	1.25	1.31	1.47	1.36	1.44
Light Motor Vehicle Sales		12.46	12.81	12.71	13.22	13.23	14.11	13.69	14.53	15.45	14.76
Auto sales in U.S.		8.33	8.41	8.24	8.43	8.32	8.93	8.65	8.97	9.45	9.15
North American prod.		6.12	6.25	6.25	6.40	6.36	6.87	6.68	7.08	7.44	7.16
Other		2.21	2.16	1.99	2.03	1.96	2.07	1.97	1.89	2.00	1.99
INCOME AND SAVING											
Nominal GNP	Bill. \$	5907.7	5979.1	6049.4	6167.0	6243.9	6303.3	6367.8	6476.2	6574.0	6682.5
Nominal GNP	% change	6.8	4.9	4.8	8.0	5.1	3.9	4.2	7.0	6.2	6.8
Nominal personal income		8.2	5.6	3.7	15.3	-5.8	8.6	2.4	6.7	5.3	7.7
Real disposable income		5.9	2.1	1.7	10.6	-7.4	4.7	.8	4.3	3.4	3.5
Personal saving rate ¹	%	5.3	5.5	5.0	6.2	4.0	4.6	3.9	4.0	3.6	4.1
Corp. profits, IVA&CCAdj	% change	18.8	.5	-40.0	101.1	9.6	30.7	18.4	37.0	-17.9	33.6
Profit share of GNP ¹	%	7.0	6.9	6.0	7.0	7.1	7.5	7.7	8.2	7.7	8.2
Federal govt. surpl./def.	Bill. \$	-279.9	-284.8	-293.9	-272.1	-283.5	-237.0	-224.9	-220.1	-176.2	-145.1
State/local surpl./def.		19.9	25.9	20.4	33.1	21.6	25.3	23.9	34.5	25.2	27.0
Ex. social ins. funds		-45.7	-40.5	-46.3	-33.8	-44.7	-41.1	-42.4	-31.7	-40.7	-38.9
PRICES AND COSTS											
GDP implicit deflator	% change	3.8	2.7	1.3	2.7	3.3	1.6	1.0	1.3	2.9	2.9
GDP fixed-wt. price index		3.9	3.3	2.7	2.8	4.2	2.4	2.0	2.4	3.1	2.9
Gross domestic purchases fixed-wt. price index		3.6	3.4	3.2	2.5	3.3	2.6	1.6	2.4	2.5	3.2
CPI		2.9	2.9	3.2	3.5	3.1	2.8	1.7	3.4	2.2	2.5
Ex. food and energy		3.7	3.3	3.3	3.6	3.5	3.5	2.4	2.9	2.9	2.9
ECI, hourly compensation ²		4.0	2.9	2.8	3.9	4.2	3.5	3.4	3.4	3.0	3.4
Nonfarm business sector		4.2	1.9	2.8	3.8	-2.0	.4	4.0	4.9	2.9	-2.1
Output per hour		5.7	4.6	5.8	4.5	2.1	2.4	2.8	2.4	6.1	.7
Compensation per hour		1.4	2.6	2.9	.6	4.1	2.0	-1.2	-2.4	3.1	2.9

1. Not at an annual rate.

2. Private-industry workers.

Item	Units	Projected									
		1994		1995					1996		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GDP	Bill. \$	6791.7	6888.1	6985.9	7056.5	7132.4	7212.2	7299.6	7386.0	7472.4	7557.8
Real GDP	Bill. \$7s	5367.0	5427.2	5460.3	5483.2	5512.0	5543.4	5575.1	5608.3	5640.2	5670.8
Real GDP	% change	4.0	4.6	2.5	1.7	2.1	2.3	2.3	2.4	2.3	2.2
Gross domestic purchases		4.4	3.9	3.2	2.0	1.8	1.9	1.9	2.1	2.0	1.9
Final sales		4.3	5.3	1.9	3.7	2.8	2.4	2.3	2.4	2.4	2.2
Private dom. final purch.		4.1	6.4	3.2	4.7	3.0	2.6	2.5	2.5	2.4	2.2
Personal cons. expend.		3.1	5.0	2.7	3.7	2.1	2.1	1.8	2.0	2.1	1.9
Durables		5.8	20.3	-1.0	5.0	.3	1.0	-.5	1.5	2.4	1.7
Nondurables		3.3	3.3	4.1	3.1	2.6	2.2	2.2	2.0	1.9	1.8
Services		2.2	2.1	3.0	3.8	2.4	2.3	2.3	2.2	2.2	2.0
Business fixed invest.		14.1	16.1	8.7	14.3	8.0	6.1	6.2	5.1	4.2	4.1
Producers' dur. equip.		18.1	18.2	7.0	16.5	8.0	5.5	5.4	4.6	4.2	4.1
Nonres. structures		1.6	9.3	14.9	6.9	7.9	8.3	8.9	6.7	4.2	4.1
Res. structures		-6.0	.7	-5.1	-9.0	.1	-.4	.7	1.2	1.1	1.4
Exports		14.8	20.1	3.3	7.3	7.8	8.6	8.7	9.2	9.3	9.5
Imports		15.6	12.8	8.1	8.6	4.8	4.8	5.3	6.4	6.7	7.0
Government purchases		6.7	-3.8	-.3	.7	-.1	-1.2	-1.0	.2	.5	.3
Federal		10.9	-13.6	-4.9	-2.4	-4.8	-6.0	-7.0	-3.9	-3.2	-3.4
Defense		12.8	-22.0	-4.5	-3.3	-6.7	-3.0	-4.7	-5.3	-4.2	-3.7
State and local		4.3	2.3	2.2	2.5	1.5	2.2	2.3	2.4	2.2	2.2
Change in bus. invent.	Bill. \$7s	57.1	48.1	56.3	29.3	20.6	18.8	19.4	19.6	18.8	19.2
Nonfarm		47.4	40.4	52.3	26.3	18.6	17.3	17.9	18.1	17.3	17.7
Net exports		-117.0	-109.6	-119.8	-124.5	-120.8	-115.5	-111.0	-107.8	-104.8	-101.8
Nominal GDP	% change	6.2	5.8	5.8	4.1	4.4	4.6	4.9	4.8	4.8	4.7
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	113.9	114.8	115.6	116.1	116.5	116.9	117.2	117.6	117.9	118.2
Unemployment rate ¹	%	6.0	5.6	5.5	5.5	5.6	5.7	5.7	5.7	5.7	5.8
Industrial prod. index	% change	4.9	5.9	6.7	1.2	2.1	2.8	3.1	3.0	2.9	2.8
Capacity util. rate-mfg ¹	%	83.6	84.5	85.1	84.5	84.1	83.8	83.6	83.4	83.2	82.9
Housing starts	Millions	1.47	1.51	1.34	1.37	1.38	1.38	1.39	1.39	1.40	1.40
Light Motor Vehicle Sales		14.65	15.44	14.94	15.14	14.88	14.67	14.82	14.92	15.10	15.18
Auto sales in U.S.		9.09	9.25	8.88	9.20	9.05	8.98	8.95	8.98	9.05	9.05
North American prod.		7.09	7.42	7.09	7.38	7.30	7.25	7.25	7.25	7.30	7.30
Other		2.01	1.83	1.79	1.82	1.75	1.73	1.70	1.73	1.75	1.75
INCOME AND SAVING											
Nominal GNP	Bill. \$	6779.6	6862.1	6961.0	7026.0	7103.8	7175.4	7262.1	7343.3	7431.6	7509.1
Nominal GNP	% change	5.9	5.0	5.9	3.8	4.5	4.1	4.9	4.5	4.9	4.2
Nominal personal income		5.4	8.9	7.5	4.9	4.0	5.3	5.1	4.9	4.1	5.3
Real disposable income		3.1	7.7	4.0	-.2	2.4	2.4	2.9	.4	2.4	2.3
Personal saving rate ¹	%	4.1	4.6	4.9	4.1	4.1	4.2	4.4	4.1	4.1	4.2
Corp. profits, IV&CCAdj	% change	7.2	9.6	-1.6	-2.5	4.9	-1.9	.2	-.1	12.3	-5.3
Profit share of GNP ¹	%	8.2	8.3	8.1	8.0	8.0	7.9	7.8	7.7	7.9	7.7
Federal govt. surpl./def.	Bill. \$	-154.0	-154.8	-145.5	-129.1	-138.0	-148.7	-150.0	-130.5	-137.3	-150.8
State/local surpl./def.		23.9	27.9	31.0	34.3	36.1	31.8	33.7	35.8	40.3	39.9
Ex. social ins. funds		-41.4	-37.2	-33.9	-30.3	-28.2	-32.4	-30.4	-28.2	-23.7	-24.1
PRICES AND COSTS											
GDP implicit deflator	% change	1.9	1.3	3.3	2.4	2.2	2.2	2.6	2.4	2.4	2.4
GDP fixed-wt. price index		3.0	2.6	3.5	2.7	2.7	2.7	3.1	2.8	2.8	2.9
Gross domestic purchases fixed-wt. price index		3.5	2.5	3.5	3.0	2.9	2.8	3.1	2.8	2.8	2.8
CPI		3.6	2.2	3.2	3.1	3.1	3.0	3.0	3.0	3.0	3.0
Ex. food and energy		3.1	2.3	3.5	3.2	3.1	3.1	3.2	3.2	3.2	3.2
ECI, hourly compensation ²		3.3	2.6	3.5	3.1	3.4	3.4	3.6	3.6	3.7	3.7
Nonfarm business sector		3.2	1.7	.3	.5	1.2	1.2	1.4	1.5	1.4	1.3
Output per hour		3.1	3.4	4.2	3.1	3.6	3.6	4.1	3.7	3.8	3.8
Compensation per hour		-.1	1.7	3.9	2.6	2.4	2.4	2.6	2.1	2.3	2.4

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)

March 22, 1995

Item	1992				1993				1994		1991	1992	1993	1994
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
Real GDP	37.7	29.0	43.0	70.2	14.6	30.1	34.0	78.6	43.1	53.0	13.6	179.9	157.3	209.2
Gross domestic purchases	38.8	45.1	47.9	69.8	33.7	41.8	51.1	74.4	64.9	60.7	-6.4	201.6	201.0	236.6
Final sales	57.5	18.4	42.1	68.8	2.7	29.7	40.0	80.7	28.5	19.2	-20.7	186.8	153.1	171.9
Private dom. final purch.	55.1	41.7	39.1	66.3	35.9	38.6	54.5	76.9	61.9	29.8	-32.6	202.2	205.9	207.8
Personal cons. expend.	46.1	14.0	32.2	45.8	13.8	22.0	33.0	34.0	40.1	11.5	-.6	138.1	102.8	122.9
Durables	15.7	.4	10.7	14.3	3.7	11.2	9.0	18.1	10.9	.5	-5.5	41.1	42.0	43.8
Nondurables	10.7	-1.8	7.1	17.8	-4.2	4.3	7.4	6.3	10.3	6.0	-17.1	33.8	13.8	34.4
Services	19.7	15.3	14.4	13.7	14.4	6.4	16.6	9.6	18.9	5.1	22.1	63.1	47.0	44.7
Business fixed invest.	-.1	18.0	6.4	9.7	19.4	20.7	16.9	29.3	16.4	14.3	-33.3	34.0	86.3	78.7
Producers' dur. equip.	-1.2	18.6	9.9	11.8	18.4	20.7	16.6	28.2	20.9	7.5	-11.9	39.1	83.9	72.4
Nonres. structures	1.1	-.6	-3.5	-2.1	.9	.1	.2	1.2	-4.6	6.9	-21.4	-5.1	2.4	6.3
Res. structures	9.2	9.8	.4	10.8	2.7	-4.1	4.7	13.5	5.4	3.9	1.2	30.2	16.8	6.1
Change in bus. invent.	-19.8	10.5	1.0	1.4	11.9	.4	-5.9	-2.2	14.6	33.8	34.4	-6.9	4.2	37.3
Nonfarm	-28.9	12.4	3.7	4.5	13.4	3.1	-1.9	-10.2	11.4	29.6	33.3	-8.3	4.4	29.7
Farm	9.1	-1.8	-2.8	-3.1	-1.5	-2.7	-4.0	8.0	3.2	4.2	1.0	1.4	-.2	7.6
Net exports	-1.0	-16.2	-4.8	.4	-19.1	-11.7	-17.0	4.1	-21.8	-7.8	19.9	-21.6	-43.7	-27.4
Exports	8.4	2.1	7.4	10.2	-1.5	11.0	-4.9	29.9	-5.6	24.3	42.2	28.1	34.5	72.6
Imports	9.4	18.3	12.3	9.9	17.5	22.8	12.0	25.8	16.2	32.0	22.2	49.9	78.1	100.0
Government purchases	3.4	-7.1	7.8	2.1	-14.1	2.8	2.5	-.3	-11.6	-2.8	-8.0	6.2	-9.1	-8.5
Federal	-1.2	-4.6	7.7	1.0	-15.4	-3.3	-2.7	-4.5	-9.4	-7.0	-12.4	2.9	-25.9	-19.9
Defense	-4.9	-3.4	7.1	-2.2	-14.2	-1.4	-5.9	-2.2	-10.2	-2.4	-19.9	-3.4	-23.7	-19.7
Nondefense	3.8	-1.2	.6	3.2	-1.3	-1.0	3.2	-2.3	.8	-4.5	7.4	6.4	-2.2	-.1
State and local	4.5	-2.5	.1	1.1	1.3	6.1	5.2	4.2	-2.1	4.1	4.6	3.2	16.8	11.4

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)

March 22, 1995

Item	Projected										Projected			
	1994		1995				1996				1993	1994	1995	1996
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP	52.9	60.2	33.1	22.9	28.8	31.4	31.7	33.2	31.9	30.6	157.3	209.2	116.2	127.4
Gross domestic purchases	58.2	52.8	43.3	27.6	25.1	26.1	27.2	29.9	29.0	27.6	201.0	236.6	122.2	113.6
Final sales	55.1	69.1	24.9	49.9	37.5	33.2	31.1	33.0	32.8	30.2	153.1	171.9	145.5	127.0
Private dom. final purch.	45.4	70.7	35.9	52.9	34.1	30.7	29.0	29.3	28.7	26.5	205.9	207.8	153.5	113.5
Personal cons. expend.	26.9	44.4	24.1	33.7	19.6	19.1	17.0	18.9	19.9	17.6	102.8	122.9	96.5	73.3
Durables	7.4	25.0	-1.4	6.8	.4	1.5	-.8	2.1	3.3	2.4	42.0	43.8	7.3	7.0
Nondurables	9.1	9.0	11.2	8.6	7.3	6.2	6.3	5.8	5.6	5.2	13.8	34.4	33.4	22.9
Services	10.4	10.3	14.3	18.3	11.8	11.4	11.5	11.0	11.0	10.0	47.0	44.7	55.8	43.4
Business fixed invest.	22.1	25.9	14.9	24.5	14.5	11.3	11.6	9.8	8.2	8.1	86.3	78.7	65.2	37.7
Producers' dur. equip.	21.5	22.5	9.4	21.8	11.4	8.0	8.0	6.9	6.4	6.3	83.9	72.4	50.5	27.6
Nonres. structures	.6	3.4	5.5	2.7	3.1	3.3	3.7	2.8	1.8	1.8	2.4	6.3	14.6	10.1
Res. structures	-3.6	.4	-3.0	-5.3	.0	.2	.4	.7	.6	.8	16.8	6.1	-8.0	2.4
Change in bus. invent.	-2.1	-9.0	8.2	-27.0	-8.7	-1.8	.6	.2	-.8	.4	4.2	37.3	-29.3	.3
Nonfarm	-4.3	-7.0	11.9	-26.0	-7.7	-1.3	.6	.2	-.8	.4	4.4	29.7	-23.1	.3
Farm	2.2	-2.0	-3.7	-1.0	-1.0	-.5	.0	.0	.0	.0	-.2	7.6	-6.2	.0
Net exports	-5.2	7.4	-10.2	-4.7	3.7	5.3	4.5	3.3	3.0	3.0	-43.7	-27.4	-5.9	13.7
Exports	22.6	31.3	5.7	12.5	13.5	15.2	15.7	16.8	17.4	18.3	34.5	72.6	46.9	68.3
Imports	27.9	23.9	15.9	17.2	9.8	9.9	11.2	13.6	14.4	15.3	78.1	100.0	52.9	54.5
Government purchases	14.9	-9.0	-.8	1.7	-.3	-2.7	-2.4	.4	1.1	.7	-9.1	-8.5	-2.1	-.2
Federal	8.8	-12.3	-4.1	-2.0	-4.0	-4.9	-5.7	-3.1	-2.5	-2.6	-25.9	-19.9	-15.0	-13.9
Defense	6.9	-14.0	-2.5	-1.8	-3.7	-1.6	-2.5	-2.8	-2.2	-1.9	+23.7	-19.7	-9.6	-9.4
Nondefense	1.8	1.8	-1.7	-.2	-.3	-3.3	-3.2	-.3	-.3	-.7	-2.2	-.1	-5.5	-4.5
State and local	6.1	3.3	3.3	3.7	3.7	2.2	3.3	3.5	3.6	3.3	16.8	11.4	12.9	13.7

1. Annual changes are from Q4 to Q4.

Strictly Confidential (FR)
Class II FOMC

STAFF PROJECTIONS OF FEDERAL SECTOR ACCOUNTS AND RELATED ITEMS
(Billions of dollars except as noted)

March 22, 1995

Item	Fiscal year				1994				1995				1996			
	1993 ^a	1994 ^a	1995	1996	Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UNIFIED BUDGET																
Receipts ¹	1153	1257	1357	1405	289	363	318	308	306	407	337	320	302	429	354	333
Outlays ¹	1409	1461	1526	1586	348	363	371	380	374	385	387	394	401	395	396	412
Surplus/deficit ¹	-255	-203	-169	-181	-59	0	-53	-73	-68	22	-50	-74	-99	34	-42	-79
On-budget	-301	-259	-237	-242	-66	-33	-55	-86	-79	-17	-56	-81	-106	-6	-48	-63
Off-budget	46	56	69	60	8	33	2	13	11	39	6	6	7	40	6	4
Surplus excluding deposit insurance ²	-283	-211	-188	-193	-65	3	-57	-77	-74	19	-56	-76	-103	33	-47	-78
Means of financing																
Borrowing	249	185	186	184	51	8	37	60	63	7	57	54	75	14	41	57
Cash decrease	6	17	-24	0	5	-6	15	9	12	-30	-16	25	20	-45	0	25
Other ³	0	1	8	-3	2	-2	1	5	-7	1	9	-5	4	-4	1	-3
Cash operating balance, end of period	53	36	60	60	45	51	36	27	14	44	60	35	15	60	60	35
NIPA FEDERAL SECTOR																
Receipts	1242	1355	1461	1526	1338	1381	1389	1413	1456	1489	1487	1502	1509	1544	1548	1562
Expenditures	1497	1529	1603	1667	1514	1526	1543	1568	1601	1618	1625	1650	1658	1675	1685	1712
Purchases	447	439	434	425	438	435	444	432	436	435	432	427	426	424	423	421
Defense	307	296	286	282	292	292	301	285	288	287	284	283	284	282	280	279
Nondefense	140	144	148	143	146	144	144	147	148	148	148	144	142	142	142	142
Other expenditures	1049	1090	1169	1242	1076	1091	1099	1136	1164	1183	1193	1223	1232	1251	1262	1291
Surplus/deficit	-254	-174	-142	-141	-176	-145	-154	-155	-145	-129	-138	-148	-150	-130	-137	-150
FISCAL INDICATORS⁴																
High-employment (HEB) surplus/deficit	-211	-164	-165	-162	-158	-140	-161	-176	-170	-153	-160	-170	-170	-151	-157	-169
Change in HEB, percent of potential GDP	-.1	-.7	0	0	-.6	-.3	.3	.2	-.1	-.2	.1	.1	0	-.3	.1	.2
Fiscal impetus (FI), percent, cal. year	-4.1	-7.3	-6.3	-9.3	-4.2	-4.3	3.4	-3.9	-2.1	-1.4	-.5	-2.7	-5.1	-1.8	.1	-2.3

1. OMB's February 1995 deficit estimates are \$193 billion in FY95 and \$197 billion in FY96. CBO's March 1995 deficit estimates are \$175 billion in FY95 and \$210 billion in FY96. 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 February 1995 deficit estimates, excluding deposit insurance spending, are \$205 billion in FY95 and \$203 billion in FY96. CBO's March 1995 deficit estimates, excluding deposit insurance spending, are \$191 billion in FY95 and \$218 billion in FY96.

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 2.4 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--Preliminary.

Confidential FR Class II
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CHANGE IN DEBT OF THE DOMESTIC NONFINANCIAL SECTORS¹
(Percent)

Year	Nonfederal								MEMO	
	Total ²	Federal govt.	Total	Total	Home mtg.	Cons. credit	Business	State and local govt.	Private financial assets	Nominal GDP
Year										
1982	9.8	19.7	7.4	5.5	4.7	4.4	8.8	9.3	10.1	3.2
1983	11.9	18.9	10.1	11.8	10.8	12.6	8.7	9.7	12.5	11.0
1984	14.6	16.9	13.9	13.0	11.7	18.7	15.6	9.1	12.8	9.1
1985	15.5	16.5	15.2	15.3	13.2	15.8	12.1	31.6	12.4	7.0
1986	12.3	13.6	11.9	12.0	14.3	9.6	12.2	9.8	7.3	4.7
1987	9.4	8.0	9.8	11.4	14.9	5.0	7.9	12.1	8.1	8.0
1988	8.9	8.0	9.2	10.5	12.7	7.2	8.7	6.0	8.6	7.7
1989	7.8	7.0	8.1	9.2	10.8	6.2	6.9	9.3	5.8	6.0
1990	6.3	11.0	5.0	6.5	7.9	2.0	3.4	5.7	4.7	4.7
1991	4.4	11.1	2.4	4.7	6.5	-1.8	-1.0	7.4	-1.0	3.5
1992	4.8	10.9	2.8	5.8	6.7	0.7	-0.1	1.8	0.7	6.4
1993	5.4	8.3	4.3	7.1	6.4	7.8	0.6	7.1	-0.3	5.0
1994	5.0	4.7	5.2	8.2	6.3	13.6	3.8	-2.9	5.7	6.3
1995	5.0	5.2	5.0	6.3	5.7	9.4	5.5	-3.8	1.0	4.7
1996	4.8	5.1	4.7	5.8	5.8	7.0	4.8	-1.6	1.0	4.8
Quarter (seasonally adjusted annual rates)										
1994:1	5.3	6.3	4.9	7.1	6.2	8.4	3.6	0.7	7.6	6.1
2	4.4	3.6	4.7	7.2	5.5	13.8	3.7	-2.8	6.0	7.2
3	4.9	3.9	5.3	8.7	7.2	13.8	3.9	-4.9	2.0	6.2
4	5.1	4.5	5.4	8.8	5.8	15.8	3.9	-4.8	6.7	5.8
1995:1	5.8	7.4	5.2	6.3	5.5	10.2	6.2	-4.4	1.5	5.8
2	4.5	3.3	4.9	6.4	5.6	9.3	5.5	-4.6	0.6	4.1
3	5.0	5.9	4.7	6.1	5.6	8.7	5.0	-3.5	0.7	4.4
4	4.4	3.7	4.7	6.0	5.6	8.2	5.0	-2.9	1.0	4.6
1996:1	5.8	8.5	4.7	5.9	5.6	7.5	4.9	-2.3	1.0	4.9
2	4.5	4.0	4.7	5.8	5.7	7.1	4.8	-1.9	1.0	4.8
3	4.4	3.8	4.6	5.6	5.7	6.6	4.7	-1.4	1.0	4.8
4	4.4	3.8	4.6	5.5	5.7	6.2	4.6	-0.8	1.0	4.7

1. Data after 1994:4 are staff projections. Changes are measured from end of the preceding period to end of period indicated except annual nominal GDP growth, which is Q4 to Q4.
 2. On a quarterly average basis, total debt growth is projected to be 5.0 in 1995 and 4.8 in 1996. Federal debt rises 4.9 percent in 1995 and 5.1 percent in 1996. Nonfederal debt is projected to increase 5.1 percent in 1995 and 4.7 percent in 1996.
- 2.6.3 FOF

Confidential FR Class II
March 22, 1995

FLOW OF FUNDS PROJECTIONS: HIGHLIGHTS¹
(Billions of dollars)

	Calendar year			-1994-				1995				1996				
	1994	1995	1996	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
-----Seasonally Adjusted Annual Rates-----																
Net funds raised by domestic nonfinancial sectors																
1 Total	580.4	615.2	645.2	554.7	706.0	547.0	635.3	572.6	769.8	603.9	600.2	606.9				
2 Net equity issuance	-40.9	-38.4	-13.0	-102.0	-46.5	-45.0	-37.0	-25.0	-16.0	-14.0	-12.0	-10.0				
3 Net debt issuance	621.3	653.6	658.2	656.7	752.5	592.0	672.3	597.6	785.8	617.9	612.2	616.9				
Borrowing sectors																
Nonfinancial business																
4 Financing gap ²	55.2	117.8	120.4	77.5	118.3	116.3	108.1	128.7	118.8	121.0	118.1	123.6				
5 Net equity issuance	-40.9	-38.4	-13.0	-102.0	-46.5	-45.0	-37.0	-25.0	-16.0	-14.0	-12.0	-10.0				
6 Credit market borrowing	143.3	214.8	197.9	150.7	239.9	215.8	201.9	201.4	202.4	197.4	196.4	195.4				
Households																
7 Net borrowing, of which:	351.4	294.3	287.6	397.7	294.8	301.4	291.2	289.6	291.4	289.4	285.4	284.4				
8 Home mortgages	187.7	180.3	193.1	180.5	173.7	180.8	182.1	184.6	188.6	191.6	194.6	197.6				
9 Consumer credit	117.5	92.6	75.8	149.4	100.0	94.2	90.2	86.2	81.0	78.0	74.0	70.0				
10 Debt/DPI (percent) ³	90.1	90.9	91.9	91.0	91.0	91.7	91.9	92.0	92.1	92.6	92.7	92.8				
State and local governments																
11 Net borrowing	-29.3	-36.3	-14.7	-46.6	-42.2	-43.7	-32.7	-26.7	-21.2	-17.2	-13.2	-7.2				
12 Current surplus ⁴	-62.5	-48.2	-44.9	-69.3	-49.8	-47.0	-45.7	-50.5	-48.6	-46.5	-42.0	-42.4				
U.S. government																
13 Net borrowing	155.9	180.9	187.4	155.0	260.0	118.4	211.9	133.3	313.2	148.3	143.6	144.3				
14 Net borrowing; quarterly, nsa	155.9	180.9	187.4	59.7	62.7	6.8	57.2	54.2	74.9	14.3	41.0	57.2				
15 Unified deficit; quarterly, nsa	186.1	170.1	185.7	74.0	68.0	-22.1	50.0	74.3	98.8	-34.2	42.2	78.8				
Funds supplied by depository institutions																
16	197.7	201.4	212.4	197.4	238.4	189.1	187.6	190.5	207.7	211.7	212.7	217.7				
MEMO: (percent of GDP)																
17 Dom. nonfinancial debt ³	188.1	187.6	188.0	188.5	188.6	188.8	189.1	189.1	189.5	189.4	189.3	189.2				
18 Dom. nonfinancial borrowing	9.2	9.2	8.9	9.5	10.8	8.4	9.4	8.3	10.8	8.4	8.2	8.2				
19 U.S. government ⁵	2.3	2.5	2.5	2.2	3.7	1.7	3.0	1.8	4.3	2.0	1.9	1.9				
20 Private	6.9	6.7	6.3	7.3	7.1	6.7	6.5	6.4	6.5	6.4	6.3	6.3				

1. Data after 1994:4 are staff projections.

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.

American trading partners to decline 1 percent over this year but to rebound 3-1/2 percent next year.

We project that growth in our major Asian developing-country trading partners will average above 6-1/2 percent this year and next. This forecast implies some slowing from the 1994 average growth of 7-3/4 percent, a result of increases in domestic interest rates in some of these countries that will slow domestic demand and some weakening of growth in China and the United States that will reduce external demand.

U.S. real net exports. Real net exports of goods and services are projected to deteriorate slightly further during 1995 as exports and imports grow at nearly the same rate, with imports starting from a larger base. This deterioration is more than accounted for by developments in the first half of the year, due primarily to the change in our trade balance with Mexico. In 1996, however, export growth is projected to rise and to significantly exceed that of imports. As a result, real net exports improve sufficiently over 1996 to lead to a slight narrowing of the deficit over the forecast period as a whole.

QUANTITIES OF GOODS AND SERVICES*
(percent change from end of previous period, saar)

	1994	-Projection-				1996	
		1995		H2			
		Q1	Q2				
Exports of G&S	11.6	3.3	7.3	8.2		9.2	
of which:							
Services	4.8	-2.6	7.1	6.2		5.3	
Computers	29.3	31.2	31.1	26.4		26.3	
Other goods ¹	10.2	0.8	3.7	4.9		6.4	
Imports of G&S	14.1	8.1	8.6	4.8		6.3	
of which:							
Services	3.3	10.0	1.7	0.3		2.5	
Oil	-1.7	-12.9	40.7	4.4		1.3	
Computers	36.0	26.3	33.6	23.2		21.6	
Other goods ²	14.2	6.0	1.2	0.8		3.0	

* NIPA basis, 1987 dollars.

1. Nonagricultural exports of goods excluding computers
2. Non-oil imports of goods excluding computers

Exports of goods and services are projected to decelerate

end of the second quarter, the oil import unit value is projected to rise to \$16.00 per barrel and remain at that level through 1996. We continue to assume that Iraq will not return to the world oil market until 1996; U.N. sanctions against Iraqi oil exports remained in place following this month's periodic sanction review.

Prices of non-oil imports and exports. On average, prices of U.S. non-oil imports other than computers are expected to continue to rise at around the recent rate of 6 percent during 1995 and then to slow in 1996. These prices are boosted in the near term by the lower value of the dollar. Increases in world commodity prices are projected to be much lower than in 1994, and they contribute to the expected slowing of non-oil import prices. Prices of non-agricultural exports other than computers are projected to decelerate over the forecast period, in line with the slowing in U.S. producer prices.

SELECTED PRICE INDICATORS
(percent change from end of previous period except as noted, ar)

	<u>1994</u>	<u>-----Projection-----</u>			<u>1996</u>
		<u>Q1</u>	<u>Q2</u>	<u>H2</u>	
US PPI ¹	3.6	7.6	4.9	2.9	2.4
Nonag.exports ²	4.9	5.3	4.5	3.0	2.1
Non-oil imports ²	4.0	5.3	8.1	4.9	2.6
Oil imports (Q4 level, \$b1.)	15.40	15.66	15.79	16.00	16.00

1. Selected categories (ex computers) weighted by U.S. exports.
2. Excluding computers.

Nominal trade and current account balances. The nominal trade deficit on goods and services is expected to widen some during 1995 but then to improve by a greater amount in 1996, resulting in a small net improvement by the end of the forecast period. The deficit on net investment income is projected to increase. As a consequence, the current account deficit will increase this year to nearly \$190 billion and will remain at about that rate next year, approximately 2-1/2 percent of GDP.

STRICTLY CONFIDENTIAL - FR
CLASS II FOMC

March 22, 1995

REAL GDP AND CONSUMER PRICES, SELECTED COUNTRIES, 1993-96
(Percent; quarterly change at an annual rate except as noted)

Measure and country	Projected											
	Projected				1994			1995				
	1993	1994	1995	1996	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
REAL GDP												
Canada	3.2	5.6	3.1	2.6	6.6	5.6	5.9	4.0	3.1	2.6	2.6	-
France	-0.6	3.6	3.3	3.7	5.1	3.3	2.4	3.0	3.3	3.4	3.6	-
Germany	-0.1	4.0	2.5	2.8	4.2	4.4	4.0	1.3	3.2	2.7	2.8	-
W. Germany	-0.5	3.3	1.9	2.3	3.6	4.2	3.0	0.2	3.0	2.2	2.3	-
Italy	0.4	2.9	3.8	3.6	4.6	4.0	2.0	2.8	3.8	4.2	4.5	-
Japan	-0.5	0.9	2.0	3.2	0.7	3.5	-3.4	0.8	2.2	2.4	2.6	-
United Kingdom	2.7	3.9	3.1	2.8	5.4	3.1	3.1	3.2	3.2	3.0	3.0	-
Average, weighted by 1987-89 GDP	0.4	2.9	2.8	3.1	3.6	3.8	1.1	2.1	3.0	2.9	3.1	-
Average, weighted by share of U.S. nonagricultural exports												
Total foreign	2.9	4.3	3.0	3.6	NA	NA	NA	NA	NA	NA	NA	-
Foreign G-7	1.7	4.0	2.8	2.9	4.8	4.5	3.0	2.9	3.0	2.7	2.8	-
Developing countries	6.2	5.6	3.4	5.3	NA	NA	NA	NA	NA	NA	NA	-
CONSUMER PRICES(1)												
Canada	1.8	0.0	2.9	2.5	-1.4	2.2	1.3	3.0	3.4	2.6	2.4	-
France	2.1	1.6	1.6	1.5	2.5	0.6	1.7	1.8	1.5	1.5	1.4	-
Western Germany	3.7	2.8	2.2	2.4	2.7	1.4	1.3	4.2	2.0	1.4	1.3	-
Italy	4.1	3.8	6.4	6.3	3.4	3.0	4.7	6.1	8.2	5.7	5.8	-
Japan	1.2	0.8	-0.5	-0.5	1.3	-0.9	2.1	-1.2	-0.5	0.0	-0.1	-
United Kingdom	1.6	2.6	3.5	3.9	7.4	0.1	2.6	3.5	7.5	0.8	2.6	-
Average, weighted by 1987-89 GDP	2.2	1.8	2.1	2.1	2.6	0.6	2.3	2.1	2.8	1.6	1.7	-
Average, weighted by share of U.S. non-oil imports	1.9	1.1	1.6	1.5	1.1	0.7	1.9	1.6	2.1	1.4	1.4	-

Note. Annual values are measured from Q4 to Q4.

1. Not seasonally adjusted.

Strictly Confidential (FR) Class II-FOMC

U.S. INTERNATIONAL TRANSACTIONS IN GOODS, SERVICES, AND THE CURRENT ACCOUNT

(Billions of dollars, seasonally adjusted annual rates)

	1992				1993				1994		ANNUAL		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1991	1992	1993
NIPA Real Net Exports of Goods & Services (87\$)	-17.9	-34.1	-38.9	-38.5	-57.6	-69.3	-86.3	-82.2	-104.0	-111.8	-19.5	-32.3	-73.9
Exports of G&S Goods	571.0	573.1	580.5	590.7	589.2	600.2	595.3	625.2	619.6	643.9	542.6	578.8	602.5
Agricultural	416.0	421.5	427.4	441.1	433.9	443.3	438.5	468.1	464.4	484.6	397.1	426.5	445.9
Computers	38.9	38.4	40.5	41.3	39.1	39.3	36.9	39.1	36.6	37.5	35.5	39.8	38.6
Other Goods	47.1	52.3	56.2	60.1	60.9	62.9	68.5	74.0	76.9	79.3	41.4	53.9	66.6
Services	330.0	330.8	330.7	339.8	333.9	341.1	333.1	355.1	350.9	367.8	320.2	332.8	340.8
	154.9	151.6	153.1	149.6	155.3	156.9	156.7	157.1	155.2	159.2	145.5	152.3	156.5
Imports of G&S Goods	588.8	607.1	619.4	629.3	646.8	669.6	681.6	707.4	723.6	755.6	562.1	611.1	676.3
Oil	489.5	509.7	521.7	530.2	546.6	567.4	577.1	599.9	615.2	648.3	464.4	512.8	572.8
Computers	47.2	51.6	53.1	52.8	53.4	57.7	56.7	58.1	56.5	60.3	49.2	51.2	56.5
Other Goods	51.2	57.5	64.7	68.4	73.3	80.0	87.8	94.6	99.7	106.9	41.6	60.5	83.9
Services	391.1	400.6	403.9	409.0	419.9	429.7	432.5	447.2	458.9	481.0	373.7	401.2	432.4
	99.3	97.4	97.7	99.0	100.1	102.2	104.5	107.6	108.5	107.4	97.7	98.3	103.6
Memo: (Percent change 1/)													
Exports of G&S	6.1	1.5	5.3	7.2	-1.0	7.7	-3.2	21.7	-3.5	16.6	8.1	5.0	5.8
Agricultural	13.4	-5.0	23.7	8.1	-19.7	2.1	-22.3	26.1	-23.2	10.2	10.9	9.5	-5.3
Computers	24.4	52.0	33.3	30.8	5.4	13.8	40.7	36.2	16.6	13.1	26.7	34.8	23.1
Other Goods	3.1	1.0	-0.1	11.5	-6.8	8.9	-9.1	29.2	-4.6	20.7	7.2	3.8	4.5
Services	5.9	-8.3	4.0	-8.8	16.1	4.2	-0.5	1.0	-4.8	10.7	4.7	-2.0	5.0
Imports of G&S	6.6	13.0	8.4	6.5	11.6	14.9	7.4	16.0	9.5	18.9	4.0	8.6	12.4
Oil	0.9	42.8	12.1	-2.2	4.6	36.3	-6.8	10.2	-10.6	29.7	8.3	12.1	10.0
Computers	53.5	59.1	60.3	24.9	31.9	41.9	45.1	34.8	23.4	32.2	45.6	48.7	38.3
Other Goods	2.4	10.1	3.3	5.1	11.1	9.7	2.7	14.2	10.9	20.7	2.9	5.2	9.3
Services	7.2	-7.4	1.2	5.4	4.5	8.7	9.3	12.4	3.4	-4.0	-6.2	1.4	8.7
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Current Account Balance	-33.4	-66.1	-74.4	-97.5	-79.4	-102.4	-111.4	-122.3	-128.9	-151.3	-6.9	-67.9	-103.9
Goods & Serv (BOP), net	-15.5	-41.5	-51.1	-53.4	-57.7	-76.3	-89.0	-79.9	-97.3	-106.5	-28.5	-40.4	-75.7
Goods (BOP), net	-72.3	-97.3	-109.4	-105.3	-116.8	-134.9	-145.9	-132.7	-148.2	-166.9	-74.1	-96.1	-132.6
Services (BOP), net	56.7	55.8	58.3	52.0	59.1	58.6	56.9	52.8	50.9	60.3	45.6	55.7	56.8
Investment Income, net	9.7	6.5	4.9	-2.9	7.4	2.7	8.1	-2.4	-3.3	-11.3	14.8	4.5	4.0
Direct, net	50.8	51.0	47.1	42.0	54.6	50.8	55.9	48.4	45.8	43.4	55.4	47.7	52.4
Portfolio, net	-41.1	-44.5	-42.2	-44.9	-47.2	-48.1	-47.8	-50.8	-49.1	-54.7	-40.5	-43.2	-48.5
Unilateral Transfers, net	-27.7	-31.1	-28.2	-41.2	-29.1	-28.8	-30.5	-40.1	-28.4	-33.5	6.7	-32.0	-32.1

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

Strictly Confidential (FR) Class II-FOMC

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS IN GOODS, SERVICES, AND THE CURRENT ACCOUNT
 (Billions of dollars, seasonally adjusted annual rates)

	Projection												Projection		
	1994				1995				1996				ANNUAL		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1994	1995	1996		
NIPA Real Net Exports of Goods & Services (87\$)	-117.0	-109.6	-119.8	-124.5	-120.8	-115.5	-111.0	-107.8	-104.8	-101.8	-110.6	-120.2	-106.4		
Exports of G&S Goods	666.5	697.8	703.5	716.0	729.5	744.7	760.4	777.3	794.7	813.0	656.9	723.4	786.3		
Agricultural	505.1	533.1	539.9	549.6	560.6	573.1	586.6	601.2	616.3	632.3	496.8	555.8	609.1		
Computers	40.7	46.1	45.4	44.3	44.1	44.9	45.1	45.4	45.6	45.9	40.2	44.7	45.5		
Other Goods	85.9	95.7	102.4	109.6	116.2	123.2	130.5	138.4	146.7	155.5	84.5	112.8	142.8		
Services	378.5	391.3	392.0	395.6	400.3	405.1	410.9	417.4	424.0	430.9	372.1	398.3	420.8		
Imports of G&S Goods	161.3	164.7	163.6	166.5	169.0	171.6	173.8	176.1	178.4	180.7	160.1	167.7	177.2		
Oil	783.5	807.4	823.3	840.5	850.3	860.3	871.5	885.0	899.5	914.8	767.5	843.6	892.7		
Computers	674.6	696.2	709.5	726.1	735.9	745.6	756.2	769.2	782.8	797.3	658.6	729.3	776.4		
Other Goods	64.3	57.1	55.2	60.1	61.7	61.4	61.2	62.2	62.2	62.2	59.6	59.6	61.9		
Services	115.4	128.7	136.4	146.7	154.7	162.8	170.9	179.5	188.5	197.9	112.7	150.2	184.2		
Memo:(Percent change 1/)	494.9	510.5	518.0	519.5	519.6	521.6	524.2	527.6	532.2	537.4	486.3	519.7	530.4		
Exports of G&S Goods	108.9	111.2	113.9	114.4	114.4	114.6	115.2	115.9	116.7	117.5	109.0	114.3	116.3		
Agricultural	14.8	20.1	3.3	7.3	7.8	8.6	8.7	9.2	9.3	9.5	11.6	6.7	9.2		
Computers	38.8	64.6	-5.7	-9.2	-2.0	7.0	2.3	2.3	2.3	2.3	17.9	-2.7	2.3		
Other Goods	37.7	54.1	31.2	31.1	26.3	26.3	26.3	26.3	26.3	26.3	29.3	28.7	26.3		
Services	12.2	14.2	0.8	3.7	4.8	4.9	5.9	6.5	6.5	6.7	10.2	3.5	6.4		
Imports of G&S Goods	5.4	8.7	-2.6	7.1	6.2	6.5	5.2	5.3	5.2	5.2	4.8	4.2	5.3		
Oil	15.6	12.8	8.1	8.6	4.8	4.8	5.3	6.4	6.7	7.0	14.1	6.5	6.3		
Computers	29.3	-37.8	-12.9	40.7	11.3	-2.2	-0.9	6.2	0.5	-0.4	-1.7	7.5	1.3		
Other Goods	35.8	54.7	26.3	33.6	23.9	22.5	21.6	21.6	21.6	21.6	36.0	26.5	21.6		
Services	12.1	13.2	6.0	1.2	0.1	1.5	2.0	2.7	3.5	3.9	14.2	2.2	3.0		
Current Account Balance	5.7	8.7	10.0	1.7	0.1	0.8	2.1	2.3	2.7	2.9	3.3	3.1	2.5		
Goods & Serv (BOP), net	-115.0	-106.7	-118.3	-125.8	-124.4	-119.4	-114.1	-110.0	-105.8	-101.4	-106.4	-122.0	-107.8		
Goods (BOP), net	-178.5	-171.9	-181.3	-191.9	-193.2	-191.2	-186.4	-186.7	-185.1	-183.2	-166.4	-189.4	-185.8		
Services (BOP), net	63.5	65.2	63.0	66.1	68.8	71.8	74.3	76.8	79.2	81.8	60.0	67.4	78.0		
Investment Income, net	-16.1	-30.0	-28.9	-34.5	-32.6	-40.9	-41.4	-46.7	-44.8	-52.7	-15.2	-34.2	-46.4		
Direct, net	40.7	35.6	38.5	40.2	41.3	41.4	42.2	43.5	44.5	44.7	41.4	40.3	43.7		
Portfolio, net	-56.9	-65.7	-67.4	-74.7	-73.9	-82.3	-83.7	-90.2	-89.3	-97.5	-56.6	-74.6	-90.2		
Unilateral Transfers, net	-32.3	-42.3	-32.0	-32.0	-32.0	-42.5	-32.5	-32.5	-32.5	-43.0	-34.1	-34.6	-35.1		

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

March 22, 1995

RECENT DEVELOPMENTS

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

Growth in output of motor vehicles and parts moderated last month. Assemblies of vehicles moved up just a touch, to an annual rate of 13.0 million units. Industry schedules for March show production holding at the February level, with available weekly output figures running close to schedules. A sizable reduction in assemblies currently is scheduled for the second quarter, owing to inventory problems and retooling.

PRODUCTION OF DOMESTIC AUTOS AND TRUCKS
(Millions of units at an annual rate; FRB seasonal basis)¹

	1995				
	Jan.	Feb.	Mar.	Q1	Q2
-----scheduled-----					
U.S. production	12.9	13.0	13.0	13.0	12.0
Autos	7.2	7.1	7.4	7.2	6.5
Trucks	5.7	5.9	5.6	5.8	5.4
 Days' supply					
Autos	64.0	73.9
Light trucks	64.2	65.3

1. Components may not sum to totals because of rounding.

Throughout 1994, market groups such as consumer durables and construction supplies, which typically exhibit strong cyclical patterns, continued to rise quite rapidly, seemingly little affected by the consequences of last year's rise in interest rates. However, production gains for these items slowed appreciably in February. Output of consumer durable goods was up 0.1 percent last month, as a small gain in consumer automotive parts, coming mainly from light trucks and replacement parts, was nearly offset by a decline in output of other durable goods such as household appliances and furniture. Output of construction supplies also was up just 0.1 percent in February, after a rise of 0.6 percent in January and even stronger increases, on average, during 1994. With housing starts down sharply in the past couple of months and motor vehicle assemblies scheduled to drop back in the second quarter, renewed

FEDERAL GOVERNMENT OUTLAYS AND RECEIPTS
 (Unified basis, billions of dollars, except where otherwise noted)

	Fiscal year to date (February)				Percent change	
	FY1994	FY1995 Actual	FY1995 Adjusted		Actual	Adjusted
Outlays	601.1	615.9	621.6		2.9	3.4
Deposit insurance (DI)	-5.9	-9.7	-9.7			
Outlays excluding DI	607.0	625.6	631.3	3.1	4.0	
National defense	115.3	107.5	110.1	-6.7	-4.5	
Net interest	82.5	93.8	93.8	13.7	13.7	
Social security	129.5	135.9	135.9	5.0	5.0	
Medicare and health	99.9	107.4	107.4	7.5	7.5	
Income security	92.5	87.7	89.4	-5.3	-3.4	
Other	87.4	93.3	94.7	6.8	8.4	
Receipts	483.3	521.9	521.9	8.0	8.0	
Personal income taxes	232.1	248.0	248.0	6.9	6.9	
Social insurance taxes	172.4	185.5	185.5	7.6	7.6	
Corporate income taxes	38.1	42.2	42.2	10.7	10.7	
Other	40.8	46.6	46.6	14.3	14.3	
Deficit(+) Excluding DI	117.8	94.1	99.8	-20.2	-15.3	
	123.7	103.7	109.4	-16.2	-11.6	

Note. Actual outlays and receipts are reported in the Monthly Treasury Statement. Adjusted outlays include the military active duty pay, veterans benefits, and supplemental security income payments scheduled for October 1, 1994 but accelerated into September because October 1st fell on a Saturday. This adjustment makes the FY1994 and FY1995 fiscal-year-to-date totals more comparable.

Components may not sum due to rounding.

ADMINISTRATION BUDGET PROJECTIONS

	Fiscal years					
	1995	1996	1997	1998	1999	2000
-----Billions of dollars-----						
Baseline deficit ¹	193	201	218	209	221	229
President's proposals (net)	0	-5	-5	-13	-24	-35
Deficit including President's proposals	193	197	213	196	197	194
-----Percent of GDP -----						
Baseline deficit	2.7	2.7	2.8	2.5	2.5	2.5
Deficit including President's proposals	2.7	2.7	2.7	2.4	2.3	2.1

ADMINISTRATION ECONOMIC ASSUMPTIONS

	Calendar years					
	1995	1996	1997	1998	1999	2000
-----Percent change, Q4 over Q4-----						
Real GDP	2.4	2.5	2.5	2.5	2.5	2.5
GDP deflator	2.9	2.9	3.0	3.0	3.0	2.9
CPI-U	3.1	3.2	3.2	3.2	3.1	3.1
-----Percent, annual average-----						
Civilian unemployment rate	5.8	5.9	5.8	5.8	5.8	5.8
Interest rates						
3-month Treasury bills	5.9	5.5	5.5	5.5	5.5	5.5
10-year Treasury notes	7.9	7.2	7.0	7.0	7.0	7.0

1. The baseline assumes that revenues and outlays for major benefit programs evolve according to laws in effect at the time the projections are made, and that appropriations for other programs are consistent with the discretionary spending caps through FY98 and rise at the rate of inflation thereafter. The projections include social security and the Postal Service, which are off-budget.

Source. Office of Management and Budget, The Budget of the United States Government: Fiscal Year 1996, February 1995.

CBO BUDGET PROJECTIONS

	1995	1996	1997	1998	1999	2000
Fiscal years Billions of dollars						
Baseline deficit ¹	175	210	230	232	266	299
President's proposals(net)	2	1	2	-1	-11	-23
Deficit including President's proposals	177	211	232	231	256	276
Percent of GDP						
Baseline deficit	2.5	2.9	3.0	2.8	3.1	3.3
Deficit including President's proposals	2.5	2.9	3.0	2.8	3.0	3.1

CBO ECONOMIC ASSUMPTIONS

	1995	1996	1997	1998	1999	2000
Calendar years						
Real GDP	3.1	1.8	2.4	2.3	2.3	2.3
GDP deflator	2.6	2.8	2.8	2.8	2.8	2.8
CPI-U	3.1	3.4	3.4	3.4	3.4	3.4
Percent change, year over year						
Civilian unemployment rate	5.5	5.7	5.8	5.9	6.0	6.0
Interest rates						
Treasury bills	6.2	5.7	5.3	5.1	5.1	5.1
Treasury notes	7.7	7.0	6.7	6.7	6.7	6.7
Percent, annual average						

1. The baseline assumes that revenues and outlays for major benefit programs evolve according to laws in effect at the time the projections are made, and that appropriations for other programs are consistent with the discretionary spending caps through FY98 and rise at the rate of inflation thereafter. The projections include social security and the Postal Service, which are off-budget.

Source. Congressional Budget Office, Preliminary Analysis of The President's Budget Proposals For Fiscal Year 1996, March 1995.

TREASURY FINANCING¹
(Total for period; billions of dollars)

Item	1994		1995					
	Q4	p	Q1	Jan.	p	Feb.	p	Mar.
Total surplus/deficit (-)	-74.0		-68.0	16.6	-38.0		-46.6	
Means of financing deficit:								
Net cash borrowing/repayments (-)	59.7		62.7	13.3	39.0		10.3	
Nonmarketable	-2.9		-7.0	-7.1	0.3		-0.2	
Marketable	62.5		69.7	20.4	38.7		10.6	
Bills	36.4		18.8	8.0	14.6		-3.7	
Coupons	26.1		50.9	12.5	24.1		14.3	
Decrease in the cash balance	9.4		12.4	-23.3	14.0		21.7	
Other ²	4.9		-7.1	-6.7	15.0		14.6	
Memo:								
Cash balance, end of period	26.6		14.1	49.8	35.8		14.1	

Note: Details may not add to totals because of rounding.

1. Data reported on a payment basis.

2. Includes checks issued less checks paid, accrued items, and other transactions.

p Projected.

NET CASH BORROWING OF GOVERNMENT-SPONSORED ENTERPRISES¹
(Billions of dollars)

Agency	1994		1995	
	Q3	Q4	Nov.	Dec.
FHLBs	13.6	34.5	8.0	15.0
FHLMC	10.6	9.3	2.0	2.6
FNMA	11.4	17.9	5.2	9.5
Farm Credit Banks	.6	-1.2	1.2	-1.6
SLMA	1.8	.3	...	1.3

1. Excludes mortgage pass-through securities issued by FNMA and FHLMC.

CONFIDENTIAL (FR)
CLASS II FOMC

March 24, 1995

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

Manufacturers' inventory investment in January was revised down \$3.2 billion at an annual rate to \$45.7 billion.

Projection for 1995:Q1

The new information on shipments and orders of nondefense capital goods would lead us to raise our projection of real outlays for producers' durable equipment by \$5 billion. (This would increase the growth rate for PDE from 7 percent to 10-3/4 percent, at an annual rate. The change for computing equipment would go from -7 percent to +5-3/4 percent.) But, given the relatively high levels of inventory investment we penciled in for February and March, we would be inclined to offset the bulk of the additional PDE by reducing the projected accumulation of nonfarm stocks.