

Strictly Confidential (FR) Class II FOMC

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December 11, 1991

## **SUMMARY AND OUTLOOK**

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

level for the remainder of the projection period. Growth in the foreign industrialized countries now looks to be a little weaker in the near term than previously expected. However, the staff continues to project that growth abroad will increase to more than 2-1/2 percent at an annual rate beginning by the second half of 1992. Prices for crude oil recently have been lower than expected, partly because global demand has been weaker and partly because OPEC production has remained at a high level. The staff expects that prices of crude oil will not change materially through 1993.

Recent Developments and the Outlook through the First Quarter of 1992

The revised NIPA data produced little change in growth trends and recent cyclical movements. The trend rate of increase in real GDP was lowered slightly by the rebasing to 1987 dollars, and the new figures continue to show a distinct slackening in growth beginning in early 1989. The 1990-91 contraction is now estimated to have been somewhat deeper, again principally because of the rebasing. Over the second and third quarters of this year, real GDP grew at a 1.6 percent annual rate; however, that growth reflected almost entirely a less rapid rate of inventory liquidation, and final sales have increased little on balance.

GROWTH OF REAL GDP AND FINAL SALES  
(Percent change: annual rate)

	1989:Q1 to 1990	1990:Q3 to 1991:Q1	1991:Q1 to 1991:Q3	1991:Q3 to 1992:Q1
-projection-				
Real GDP	2.3	1.3	-3.2	1.6
Previous	(2.5)	(1.5)	(-2.6)	(1.4)
Final sales	2.4	1.8	-1.3	.2
				.3

The incoming monthly data suggest that the weakness in final demand has persisted in the current quarter, and the staff expects

confidence; as the year unfolds, both households and businesses will have made significant progress in adjusting their balance sheets and should be better positioned to step up spending.

PROJECTIONS OF REAL GDP AND RELATED ITEMS  
(Percent change; annual rate)

	1992					1993
	Q1	Q2	Q3	Q4		
Real GDP	-.8	2.6	2.6	3.2	3.5 <sup>1</sup>	
Final sales	.3	1.2	1.8	2.8	3.3 <sup>1</sup>	
Memo:						
Change in nonfarm business inventories (billions of 1987 dollars)	-18.5	-1.3	9.0	14.2	20.5 <sup>2</sup>	

1. Percent change, fourth quarter to fourth quarter.

2. 1993 average.

On balance, the pace of real activity over the final three quarters of 1992 is about 3/4 percentage point below the growth rate projected for that period in the October Greenbook. As a result, the civilian unemployment rate is projected to peak at around 7-1/4 percent in the second quarter of next year and then to decline gradually to around 6-3/4 percent by the end of 1993. The factory utilization rate is projected to drop below 77 percent early next year; the subsequent expansion in industrial production should bring the operating rate back to just under 80 percent by the end of 1993.

RECENT AND PROJECTED INFLATION  
(Percent change; fourth quarter to fourth quarter)

	1990	1991	1992	1993
Consumer price index	6.3	3.0	3.5	2.9
Excluding food and energy	5.3	4.4	3.4	2.9
ECI hourly compensation	4.6	4.5	3.8	3.4
Memo:				
Civilian unemployment rate <sup>1</sup>	5.9	6.9	7.1	6.7

1. Level in the fourth quarter.

Strictly Confidential (FR)  
Class II FOMCSTAFF PROJECTIONS OF CHANGES IN GDP, PRICES, AND UNEMPLOYMENT  
(Percent, annual rate)

December 11, 1991

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index <sup>1</sup>		Unemployment rate (level except as noted)	
	10/30/91	12/11/91	10/30/91	12/11/91	10/30/91	12/11/91	10/30/91	12/11/91	10/30/91	12/11/91
<b>ANNUAL</b>										
1989 <sup>2</sup>	6.7	7.0	2.5	2.5	4.5	n.a.	4.8	4.8	5.3	5.3
1990 <sup>2</sup>	5.1	5.1	1.0	1.0	4.6	n.a.	5.4	5.4	5.5	5.5
1991	3.2	2.9	-.5	-.8	4.0	n.a.	4.3	4.2	6.7	6.7
1992	5.2	4.2	2.2	1.1	3.4	n.a.	3.7	3.4	6.9	7.2
1993	6.3	6.1	3.5	3.3	3.2	n.a.	3.4	3.1	6.5	6.9
<b>QUARTERLY</b>										
1990 Q1 <sup>2</sup>	6.7	6.3	1.7	1.7	6.6	n.a.	7.5	7.5	5.3	5.3
Q2 <sup>2</sup>	5.1	6.2	.4	1.6	3.9	n.a.	3.8	3.8	5.3	5.3
Q3 <sup>2</sup>	5.3	4.9	1.4	.2	4.2	n.a.	7.0	7.0	5.6	5.6
Q4 <sup>2</sup>	.9	-.9	-1.6	-3.9	4.7	n.a.	6.9	6.9	5.9	5.9
1991 Q1 <sup>2</sup>	2.2	2.3	-2.8	-2.5	5.2	n.a.	3.6	3.6	6.5	6.5
Q2 <sup>2</sup>	4.0	4.6	-.5	1.4	3.1	n.a.	2.1	2.1	6.8	6.8
Q3 <sup>2</sup>	4.2	3.9	2.4	1.7	2.1	n.a.	3.0	3.0	6.8	6.8
Q4	3.5	2.7	1.2	-.2	3.2	n.a.	3.8	3.4	6.9	6.9
1992 Q1	5.6	3.2	1.8	-.8	4.3	n.a.	4.5	4.0	7.0	7.1
Q2	6.0	5.7	3.0	2.6	3.5	n.a.	3.6	3.5	7.0	7.2
Q3	6.6	5.4	3.8	2.6	3.2	n.a.	3.3	3.3	6.9	7.2
Q4	6.6	5.9	3.9	3.2	3.1	n.a.	3.5	3.2	6.7	7.1
1993 Q1	6.8	6.7	3.5	3.4	3.7	n.a.	3.4	3.2	6.6	7.0
Q2	5.9	6.0	3.2	3.4	3.0	n.a.	3.3	2.9	6.5	6.9
Q3	5.9	6.0	3.3	3.5	2.9	n.a.	3.2	2.8	6.4	6.8
Q4	5.6	6.0	3.0	3.5	2.9	n.a.	3.2	2.8	6.3	6.7
<b>TWO-QUARTER<sup>3</sup></b>										
1990 Q2 <sup>2</sup>	5.9	6.2	1.1	1.7	5.3	n.a.	5.6	5.6	.0	.0
Q4 <sup>2</sup>	3.1	1.9	-.1	-1.8	4.4	n.a.	6.9	6.9	.6	.6
1991 Q2 <sup>2</sup>	3.1	3.5	-1.7	-.6	4.3	n.a.	2.8	2.8	.9	.9
Q4	3.8	3.3	1.8	.8	2.6	n.a.	3.4	3.2	.1	.1
1992 Q2	5.8	4.4	2.4	.9	3.9	n.a.	4.1	3.7	.1	.3
Q4	6.6	5.7	3.9	2.9	3.1	n.a.	3.4	3.2	-.3	-.1
1993 Q2	6.3	6.3	3.4	3.4	3.4	n.a.	3.4	3.0	-.2	-.2
Q4	5.8	6.0	3.2	3.5	2.9	n.a.	3.2	2.8	-.2	-.2
<b>FOUR-QUARTER<sup>4</sup></b>										
1989 Q4 <sup>2</sup>	5.6	5.9	1.8	1.7	4.0	n.a.	4.6	4.6	.0	.0
1990 Q4 <sup>2</sup>	4.5	4.1	.5	-.1	4.8	n.a.	6.3	6.3	.6	.6
1991 Q4	3.5	3.4	.0	.1	3.4	n.a.	3.1	3.0	1.0	1.0
1992 Q4	6.2	5.0	3.1	1.9	3.5	n.a.	3.7	3.5	-.2	.2
1993 Q4	6.1	6.2	3.3	3.5	3.1	n.a.	3.3	2.9	-.4	-.4

1. For all urban consumers.

2. Actual.

3. Percent change from two quarters earlier; first difference for the unemployment rate.

4. Percent change from four quarters earlier; first difference for the unemployment rate.

Note: The October projections are based on the NIPA data that preceded the December benchmark revisions:  
Real GDP is expressed in 1982 dollars and the fixed-weight price data refer to the GNP price index.

Strictly Confidential (FR)  
Class II FOMCREAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, ANNUAL VALUES  
(seasonally adjusted, annual rate)

December 11, 1991

Item	Unit <sup>1</sup>	Projected								
		1985	1986	1987	1988	1989	1990	1991	1992	1993
<b>EXPENDITURES</b>										
Nominal GDP	Bill. \$	4038.7	4268.6	4539.9	4900.4	5244.0	5513.8	5673.6	5911.7	6269.5
Real GDP	Bill. 87\$	4279.8	4404.5	4540.0	4718.6	4836.9	4884.9	4846.2	4898.5	5058.0
Real GDP	% change	3.3	2.2	4.5	3.3	1.7	-1	.1	1.9	3.5
Gross domestic purchases		3.8	2.1	3.9	2.5	1.0	-.9	-.2	1.7	3.3
Final sales		3.8	3.3	2.7	4.2	1.5	1.2	-.5	1.5	3.3
Private dom. final purch.		3.9	3.0	1.9	4.2	.6	-.3	-.8	2.0	3.9
Personal cons. expend.		4.0	4.0	2.1	4.2	1.2	.3	.3	2.1	3.6
Durables		6.3	12.5	-2.6	8.5	-.8	-2.7	-3.7	5.7	7.3
Nondurables		2.7	3.3	1.4	3.2	.8	-1.0	-.2	.9	2.5
Services		4.2	2.5	3.7	3.7	2.0	1.9	1.6	1.9	3.3
Business fixed invest.		3.1	-5.7	3.0	5.5	.5	.6	-7.4	-1.0	4.5
Producers' dur. equip.		2.2	-.7	2.4	9.1	-.1	3.1	-3.5	2.0	6.8
Nonres. structures		4.6	-14.1	4.4	-1.2	1.7	-4.6	-16.0	-8.5	-1.9
Res. structures		4.3	11.1	-3.1	.9	-7.7	-11.8	-1.4	8.2	9.2
Exports		-.3	9.9	12.6	13.5	10.9	7.6	5.9	6.4	7.8
Imports		5.2	6.7	4.7	3.6	2.7	-.4	3.4	4.3	6.7
Government purchases		5.9	4.1	3.3	.2	1.6	3.2	-.3	-1.6	-.2
Federal		6.4	3.8	3.7	-3.4	-1.2	2.3	-.2	-3.3	-2.8
Defense		7.0	3.7	4.5	-3.2	-2.0	.8	-2.3	-6.5	-5.5
State and local		5.4	4.4	2.9	2.9	3.6	3.8	-.3	-.5	1.5
Change in bus. invent.	Bill. 87\$	22.1	8.5	26.3	19.9	32.6	.2	-16.8	1.5	22.1
Nonfarm		19.8	10.6	32.7	26.9	33.3	-1.5	-17.4	.8	20.5
Net exports		-145.3	-155.1	-143.0	-104.0	-75.7	-51.3	-20.7	-10.9	-4.5
Nominal GDP	% change	7.0	4.7	8.0	7.7	5.9	4.1	3.4	5.0	6.2
<b>EMPLOYMENT AND PRODUCTION</b>										
Nonfarm payroll employ.	Millions	97.5	99.5	102.2	105.5	108.3	110.0	109.0	108.9	110.7
Unemployment rate	%	7.2	7.0	6.2	5.5	5.3	5.5	6.7	7.2	6.9
Industrial prod. index	% change	1.9	1.4	6.5	4.5	1.1	.3	-.7	3.4	5.1
Capacity util. rate-mfg.	%	79.5	79.2	81.4	83.9	83.9	82.3	78.2	77.6	79.2
Housing starts	Millions	1.74	1.81	1.62	1.49	1.38	1.19	1.01	1.18	1.34
Auto sales		11.04	11.45	10.24	10.63	9.91	9.51	8.40	8.65	9.37
Domestic		8.20	8.22	7.07	7.54	7.09	6.90	6.13	6.38	6.94
Foreign		2.84	3.24	3.18	3.09	2.83	2.60	2.27	2.27	2.43
<b>INCOME AND SAVING</b>										
Nominal GNP	Bill. \$	4053.6	4277.8	4544.5	4908.2	5248.2	5524.6	5688.2	5929.9	6289.8
Nominal GNP	% change	6.8	4.4	8.1	7.8	5.9	4.3	3.2	5.1	6.2
Nominal personal income		6.6	5.5	7.4	7.1	6.7	6.5	2.9	5.3	6.5
Real disposable income		1.9	2.8	2.1	3.2	1.4	1.0	.3	1.3	3.6
Personal saving rate	%	6.5	6.0	4.3	4.4	4.4	5.1	5.2	4.6	4.9
Corp. profits, IVA&CCAdj	% change	9.0	-7.1	29.7	10.2	-11.5	-11.5	4.7	13.2	12.5
Profit share of GNP	%	6.9	6.4	7.0	7.4	6.7	5.8	5.4	5.8	6.0
Federal surpl./def.	Bill. \$	-181.4	-201.1	-151.8	-136.6	-124.2	-165.3	-200.1	-235.1	-236.2
State/local surpl./def.		56.1	54.3	40.1	38.4	41.1	25.7	28.3	47.4	72.4
Ex. social ins. funds		9.2	1.5	-14.7	-18.4	-19.2	-38.1	-37.4	-21.4	.1
<b>PRICES AND COSTS</b>										
GDP implicit deflator	% change	3.6	2.6	3.3	4.2	4.2	4.2	3.3	3.1	2.6
GDP fixed-wt. price index		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CPI		3.5	1.3	4.5	4.3	4.6	6.3	3.0	3.5	2.9
Ex. food and energy		4.3	3.9	4.3	4.5	4.3	5.3	4.4	3.4	2.9
ECI, hourly compensation <sup>2</sup>		3.9	3.2	3.3	4.8	4.8	4.6	4.5	3.8	3.4
Nonfarm business sector		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.9	1.7
Output per hour		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.8	3.5
Compensation per hour		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.8	3.5
Unit labor cost		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.9	1.8

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)

December 11, 1991

Item	Unit	1989				1990				1991	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>EXPENDITURES</b>											
Nominal GDP	Bill. \$	5139.9	5218.5	5277.3	5340.4	5422.4	5504.7	5570.5	5557.5	5589.0	5652.6
Real GDP	Bill. '87\$	4809.8	4832.4	4845.6	4859.7	4880.8	4900.3	4903.3	4855.1	4824.0	4840.7
Real GDP	% change	2.5	1.9	1.1	1.2	1.7	1.6	.2	-3.9	-2.5	1.4
Gross domestic purchases		.7	1.1	1.7	.3	.6	1.3	1.3	-6.5	-3.5	.9
Final sales		.8	2.1	2.7	.4	4.6	-.5	.9	-.3	-2.4	1.2
Private dom. final purch.		-.4	.4	3.1	-.7	2.7	-1.5	2.5	-4.7	-4.8	.8
Personal cons. expend.		-.2	1.0	4.1	.1	2.1	.0	2.8	-3.5	-1.3	1.4
Durables		-5.0	5.9	13.8	-15.5	16.7	-11.8	1.5	-14.0	-11.9	-1.8
Nondurables		.1	-1.4	3.1	1.5	-.3	-1.5	1.3	-3.4	-.3	.9
Services		.8	1.2	2.3	3.6	.3	4.1	4.1	-.9	.7	2.5
Business fixed invest.		.9	2.7	-.8	-2.5	7.1	-4.6	8.5	-7.7	-17.4	-3.3
Producers' dur. equip.		-1.0	7.3	-2.5	-3.9	6.4	-3.2	11.5	-1.6	-18.1	.0
Nonres. structures		4.9	-6.2	8.0	.4	8.5	-7.3	2.5	-19.7	-15.7	-10.3
Res. structures		-5.9	-11.9	-5.6	-7.3	.6	-15.7	-16.2	-15.0	-24.8	3.1
Exports		12.4	17.2	.9	13.7	8.8	4.8	-.4	17.7	-7.4	19.4
Imports		-6.1	6.9	6.8	4.0	-2.5	1.7	9.6	-9.3	-15.4	13.3
Government purchases		-3.4	5.2	4.1	.7	6.4	2.2	-.3	4.6	2.8	-.1
Federal		-9.5	7.9	5.1	-7.2	5.9	4.3	-5.0	4.5	9.9	1.0
Defense		-12.8	5.6	10.1	-9.2	2.3	3.3	-7.9	5.9	10.9	-3.3
State and local		1.3	3.4	3.3	6.6	6.7	.8	3.2	4.6	-1.9	-.7
Change in bus. invent.	Bill. '87\$	41.2	38.9	20.2	30.0	-4.0	22.1	13.9	-31.2	-32.8	-30.4
Nonfarm		35.8	33.4	25.9	38.1	-5.5	15.5	9.9	-25.7	-31.1	-30.8
Net exports		-81.2	-71.9	-79.8	-70.0	-56.0	-52.5	-65.7	-31.2	-18.6	-12.3
Nominal GDP	% change	7.8	6.3	4.6	4.9	6.3	6.2	4.9	-.9	2.3	4.6
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employ.	Millions	107.6	108.1	108.5	109.0	109.7	110.2	110.2	109.8	109.2	108.8
Unemployment rate <sup>1</sup>	%	5.2	5.3	5.3	5.3	5.3	5.3	5.6	5.9	6.5	6.8
Industrial prod. index	% change	2.7	2.8	-1.2	.2	.6	4.2	3.9	-7.0	-9.7	2.6
Capacity util. rate-mfg. <sup>1</sup>	%	84.7	84.5	83.7	82.9	82.7	82.8	82.9	80.8	78.0	77.9
Housing starts	Millions	1.46	1.36	1.35	1.35	1.43	1.20	1.13	1.04	.92	1.00
Auto sales		10.03	10.26	10.20	9.09	10.01	9.53	9.68	8.93	8.25	8.46
Domestic		7.08	7.26	7.36	6.56	7.11	6.78	7.21	6.59	6.00	6.10
Foreign		2.95	3.00	2.84	2.53	2.90	2.75	2.47	2.34	2.25	2.36
<b>INCOME AND SAVING</b>											
Nominal GNP	Bill. \$	5144.3	5217.7	5279.8	5350.9	5432.7	5505.5	5576.8	5583.2	5611.7	5660.6
Nominal GNP	% change	7.3	5.8	4.8	5.5	6.3	5.5	5.3	.5	2.1	3.5
Nominal personal income		10.8	4.5	3.7	7.8	9.8	6.6	5.7	3.9	.3	4.5
Real disposable income		3.6	-2.6	1.9	3.0	4.5	1.6	.2	-2.0	-1.7	2.6
Personal saving rate <sup>1</sup>	%	5.2	4.3	3.7	4.4	5.0	5.4	4.8	5.2	5.1	5.5
Corp. profits, IVA&CCAdj	% change	-12.2	-5.6	-16.6	-11.4	6.7	-.5	-39.4	-4.8	8.4	1.9
Profit share of GNP <sup>1</sup>	%	7.1	6.9	6.5	6.3	6.3	6.2	5.4	5.3	5.4	5.4
Federal govt. surpl./def.	Bill. \$	-114.5	-110.5	-128.4	-143.3	-160.8	-156.9	-149.7	-193.6	-146.4	-206.7
State/local surpl./def.		42.4	45.1	42.6	34.4	30.3	28.5	26.1	18.0	20.4	27.6
Ex. social ins. funds		-16.4	-14.8	-18.3	-27.4	-32.2	-34.9	-38.2	-46.9	-44.7	-38.0
<b>PRICES AND COSTS</b>											
GDP implicit deflator	% change	5.4	4.2	3.4	3.7	4.4	4.4	4.7	3.2	5.0	3.1
GDP fixed-wt. price index		n.a.									
CPI		5.1	6.0	3.3	3.9	7.5	3.8	7.0	6.9	3.6	2.1
Ex. food and energy		4.9	4.2	3.8	4.7	5.9	4.9	6.1	4.2	6.8	3.5
ECI, hourly compensation <sup>2</sup>		4.2	4.9	5.3	4.4	5.6	5.1	4.3	3.8	4.6	4.9
Nonfarm business sector		n.a.									
Output per hour		n.a.									
Compensation per hour		n.a.									
Unit labor cost		n.a.									

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)

December 11, 1991

Item	Units	Projected											
		1991		1992				1993					
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>EXPENDITURES</b>													
Nominal GDP	Bill. \$	5707.4	5745.4	5791.2	5871.4	5949.2	6035.0	6132.9	6223.1	6314.8	6407.1		
Real GDP	Bill. \$7\$	4861.0	4859.1	4849.0	4880.7	4912.6	4951.7	4993.7	5035.8	5079.2	5123.3		
Real GDP	% change	1.7	-.2	-.8	2.6	2.6	3.2	3.4	3.4	3.5	3.5		
Gross domestic purchases		3.4	-1.2	-1.3	2.4	2.7	3.0	3.2	3.3	3.4	3.4		
Final sales		-.9	.2	.3	1.2	1.8	2.8	3.1	3.2	3.3	3.5		
Private dom. final purch.		1.9	-1.0	.1	1.7	2.7	3.5	3.8	3.9	4.0	4.0		
Personal cons. expend.		2.3	-1.0	.8	1.9	2.6	3.1	3.5	3.6	3.6	3.6		
Durables		9.4	-9.1	.4	4.8	7.7	10.0	8.8	7.6	6.4	6.4		
Nondurables		.7	-2.0	.1	.8	1.2	1.6	2.1	2.5	2.7	2.7		
Services		1.6	1.6	1.3	1.8	2.2	2.5	3.0	3.3	3.4	3.4		
Business fixed invest.		-3.5	-4.6	-6.4	-1.1	1.0	3.0	3.6	4.2	4.9	5.2		
Producers' dur. equip.		6.6	-.5	-4.1	2.0	4.5	6.0	6.5	6.5	7.0	7.0		
Nonres. structures		-23.3	-14.0	-12.0	-8.9	-8.0	-5.0	-4.2	-2.1	-1.2	.0		
Res. structures		11.9	9.0	6.0	6.8	9.0	11.0	10.0	9.0	9.0	9.0		
Exports		6.4	6.9	5.7	6.3	6.5	7.3	7.5	7.8	7.9	7.8		
Imports		22.4	-2.5	1.0	4.5	6.6	5.3	5.6	7.1	7.4	6.7		
Government purchases		-3.8	.0	-1.7	-1.7	-1.8	-1.3	-1.0	-.3	.1	.3		
Federal		-8.5	-2.3	-2.8	-3.0	-3.8	-3.7	-3.6	-2.8	-2.5	-2.2		
Defense		-9.4	-6.3	-6.0	-6.3	-6.9	-6.8	-6.7	-5.6	-5.0	-4.6		
State and local		-.5	1.8	-.9	-.8	-.5	.3	.8	1.3	1.8	2.0		
Change in bus. invent.	Bill. \$7\$	.4	-4.3	-17.6	-.8	9.7	14.8	19.0	21.5	23.7	24.1		
Nonfarm		-2.5	-5.2	-18.5	-1.3	9.0	14.2	17.2	19.9	22.1	22.7		
Net exports		-32.3	-19.4	-13.1	-10.9	-11.2	-8.5	-5.9	-5.0	-4.4	-2.8		
Nominal GDP	% change	3.9	2.7	3.2	5.7	5.4	5.9	6.7	6.0	6.0	6.0		
<b>EMPLOYMENT AND PRODUCTION</b>													
Nonfarm payroll employ.	Millions	109.0	108.9	108.6	108.7	109.0	109.4	109.9	110.4	111.0	111.5		
Unemployment rate <sup>1</sup>	%	6.8	6.9	7.1	7.2	7.2	7.1	7.0	6.9	6.8	6.7		
Industrial prod. index	% change	6.4	-1.2	-2.8	5.6	5.0	5.9	5.4	5.2	5.0	5.0		
Capacity util. rate-mfg. <sup>1</sup>	%	78.7	78.0	76.9	77.4	77.7	78.2	78.6	79.0	79.3	79.7		
Housing starts	Millions	1.04	1.08	1.10	1.15	1.20	1.25	1.30	1.33	1.35	1.38		
Auto sales		8.72	8.20	8.17	8.49	8.79	9.15	9.27	9.35	9.41	9.46		
Domestic		6.43	6.00	5.97	6.25	6.50	6.80	6.87	6.93	6.96	7.00		
Foreign		2.28	2.20	2.20	2.24	2.29	2.35	2.40	2.42	2.45	2.46		
<b>INCOME AND SAVING</b>													
Nominal GNP	Bill. \$	5720.5	5760.1	5808.7	5889.9	5968.7	6052.3	6152.1	6243.2	6337.0	6427.0		
Nominal GNP	% change	4.3	2.8	3.4	5.7	5.5	5.7	6.8	6.1	6.1	5.8		
Nominal personal income		2.8	4.2	3.5	4.5	5.7	7.4	7.6	6.1	6.0	6.3		
Real disposable income		.2	.1	-1.2	.5	2.0	4.0	5.4	3.1	2.6	3.4		
Personal saving rate <sup>1</sup>	%	5.0	5.3	4.9	4.6	4.5	4.7	5.1	5.0	4.8	4.8		
Corp. profits, IVA&CCAdj	% change	.5	8.4	18.2	37.4	1.7	-.6	20.7	7.2	9.4	13.4		
Profit share of GNP <sup>1</sup>	%	5.3	5.4	5.6	5.9	5.9	5.8	6.0	6.0	6.0	6.1		
Federal govt. surpl./def.	Bill. \$	-212.6	-234.5	-249.6	-236.4	-226.7	-227.6	-249.0	-241.1	-228.3	-226.3		
State/local surpl./def.		32.3	32.7	36.5	43.2	52.9	56.9	63.8	69.2	76.8	79.9		
Ex. social ins. funds		-33.3	-33.8	-30.9	-25.1	-16.3	-13.2	-7.2	-2.7	4.0	6.2		
<b>PRICES AND COSTS</b>													
GDP implicit deflator	% change	2.1	2.9	4.1	2.9	2.7	2.6	3.1	2.5	2.4	2.4		
GDP fixed-wt. price index		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
CPI		3.0	3.4	4.0	3.5	3.3	3.2	3.2	2.9	2.8	2.8		
Ex. food and energy		4.0	3.4	3.9	3.5	3.3	3.2	3.2	2.9	2.8	2.7		
ECI, hourly compensation <sup>2</sup>		4.4	4.2	4.1	3.8	3.7	3.6	3.5	3.5	3.4	3.3		
Nonfarm business sector													
Output per hour		n.a.	.2	.3	3.4	2.1	1.8	1.8	1.7	1.6	1.6		
Compensation per hour		n.a.	3.0	4.4	3.6	3.6	3.6	3.8	3.5	3.4	3.3		
Unit labor cost		n.a.	2.8	4.1	.2	1.5	1.8	2.0	1.8	1.8	1.7		

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 ITEMS<sup>1</sup>  
(Billions of 1987 dollars)

December 11, 1991

Item	1989				1990				1991		Proj.			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1988	1989	1990	1991
Real GDP	30.1	22.6	13.2	14.1	21.1	19.5	3.0	-48.2	-31.1	16.7	154.2	80.0	-4.6	4.0
Gross domestic purchases	8.6	13.3	21.1	4.3	7.1	16.0	16.2	-82.7	-43.7	10.4	120.9	47.3	-43.4	-7.8
Final sales	9.8	25.0	31.9	4.3	55.1	-6.7	11.3	-3.1	-29.5	14.4	193.1	71.0	56.6	-22.9
Private dom. final purch.	-4.1	4.3	30.7	-7.0	27.0	-15.3	25.1	-48.0	-48.7	8.3	158.3	23.9	-11.2	-32.1
Personal cons. expend.	-2.0	7.7	32.5	.5	17.2	-.2	22.6	-29.4	-10.7	11.3	128.2	38.7	10.2	10.7
Durables	-5.6	6.3	14.4	-18.7	17.1	-14.0	1.6	-16.3	-13.2	-1.9	34.5	-3.6	-11.6	-15.7
Nondurables	.3	-3.8	8.1	3.9	-.9	-4.1	3.4	-9.0	-.8	2.3	32.2	8.5	-10.6	-1.9
Services	3.4	5.1	10.0	15.3	1.1	17.8	17.7	-4.2	3.2	10.9	61.4	33.8	32.4	28.3
Business fixed invest.	1.2	3.6	1.1	-3.4	9.4	-6.4	11.2	-11.0	-25.4	-4.3	28.2	2.5	3.2	-40.3
Producers' dur. equip.	-.9	6.4	-2.3	-3.6	5.7	-3.0	10.1	-1.5	-18.2	.0	30.4	-.4	11.3	-13.0
Nonres. structures	2.1	-2.8	3.4	.2	3.7	-3.4	1.1	-9.6	-7.1	-4.4	-2.2	2.9	-8.2	-27.2
Res. structures	-3.4	-6.9	-3.1	-4.0	.3	-8.7	-8.6	-7.6	-12.6	1.3	2.0	-17.4	-24.6	-2.5
Change in bus. invent.	20.3	-2.3	-18.7	9.8	-34.0	26.1	-8.2	-45.1	-1.6	2.4	-39.0	9.1	-61.2	26.9
Nonfarm	5.3	-2.4	-7.5	12.2	-43.6	21.0	-5.6	-35.6	-5.4	.3	-31.6	7.6	-63.8	20.5
Farm	15.1	.0	-11.2	-2.4	9.6	5.2	-2.7	-9.5	3.8	2.1	-7.4	1.5	2.6	6.4
Net exports	21.5	9.3	-7.9	9.8	14.0	3.5	-13.2	34.5	12.6	6.3	33.3	32.7	38.8	11.8
Exports	13.0	18.3	1.0	15.3	10.4	5.9	-.5	20.9	-10.0	23.2	52.1	47.6	36.7	30.8
Imports	-8.5	8.9	9.0	5.4	-3.5	2.3	12.9	-13.7	-22.6	16.9	18.8	14.8	-2.0	19.0
Government purchases	-7.6	11.4	9.1	1.5	14.1	5.1	-.6	10.4	6.6	-.2	1.5	14.4	29.0	-2.6
Federal	-9.3	7.1	4.7	-7.0	5.4	4.0	-4.9	4.2	9.1	1.0	-13.2	-4.5	8.7	-.7
Defense	-9.6	3.8	6.8	-6.8	1.6	2.3	-5.8	4.0	7.4	-2.4	-9.3	-5.8	2.1	-6.5
Nondefense	.3	3.3	-2.1	-.2	3.7	1.8	.9	.2	1.7	3.4	-3.9	1.3	6.6	5.8
State and local	1.7	4.3	4.3	8.5	8.8	1.1	4.3	6.2	-2.6	-1.0	14.7	18.8	20.4	-1.9

1. Annual changes are from Q4 to Q4.

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Strictly Confidential (FR)  
Class II FOMC

NET CHANGES IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS<sup>1</sup>  
(Billions of 1987 dollars)

December 11, 1991

Item	Projected										Projected			
	1991		1992				1993				1990	1991	1992	1993
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP	20.3	-1.9	-10.0	31.6	31.9	39.1	42.1	42.0	43.4	44.1	-4.6	4.0	92.6	171.6
Gross domestic purchases	40.3	-14.8	-16.3	29.4	32.2	36.4	39.5	41.1	42.8	42.5	-43.4	-7.8	81.7	165.9
Final sales	-10.6	2.8	3.2	14.8	21.4	34.0	37.9	39.5	41.2	43.7	.56.6	-22.9	73.5	162.3
Private dom. final purch.	18.5	-10.2	.9	16.6	26.0	34.4	37.6	39.4	40.4	41.3	-11.2	-32.1	78.0	158.7
Personal cons. expend.	18.2	-8.1	6.5	15.0	20.8	25.7	28.4	29.8	29.9	30.1	10.2	10.7	68.0	118.3
Durables	9.3	-9.9	.4	4.8	7.7	10.2	9.2	8.1	7.0	7.1	-11.6	-15.7	23.1	31.5
Nondurables	1.9	-5.3	.3	2.1	3.1	4.2	5.5	6.6	7.1	7.2	-10.6	-1.9	9.6	26.3
Services	7.1	7.1	5.9	8.1	10.0	11.4	13.7	15.2	15.7	15.9	32.4	28.3	35.3	60.5
Business fixed invest.	-4.6	-6.0	-8.2	-1.4	1.2	3.6	4.4	5.2	6.1	6.6	3.2	-40.3	-4.8	22.4
Producers' dur. equip.	5.7	-.5	-3.7	1.8	4.0	5.3	5.8	5.9	6.5	6.6	11.3	-13.0	7.4	24.9
Nonres. structures	-10.2	-5.5	-4.5	-3.2	-2.8	-1.7	-1.4	-.7	-.4	.0	-8.2	-27.2	-12.2	-2.5
Res. structures	4.9	3.9	2.7	3.0	4.1	5.0	4.7	4.4	4.5	4.5	-24.6	-2.5	14.8	18.1
Change in bus. invent.	30.8	-4.7	-13.3	16.8	10.5	5.1	4.2	2.5	2.2	.4	-61.2	26.9	19.1	9.3
Nonfarm	28.3	-2.7	-13.3	17.2	10.3	5.2	3.0	2.7	2.2	.6	-63.8	20.5	19.4	8.5
Farm	2.5	-2.0	.0	-.4	.2	-.1	1.2	-.2	.0	-.2	.2.6	6.4	-.3	.8
Net exports	-20.0	12.9	6.3	2.2	-.3	2.7	2.6	.9	.6	1.6	38.8	11.8	10.9	5.7
Exports	8.4	9.2	7.7	8.6	9.0	10.3	10.8	11.4	11.7	11.8	36.7	30.8	35.6	45.7
Imports	28.4	-3.7	1.4	6.4	9.3	7.6	8.2	10.5	11.1	10.2	-2.0	19.0	24.7	40.0
Government purchases	-9.1	.1	-4.0	-4.0	-4.3	-3.1	-2.3	-.8	.2	.8	29.0	-2.6	-15.4	-2.1
Federal	-8.6	-2.2	-2.7	-2.9	-3.6	-3.5	-3.4	-2.6	-2.3	-2.0	8.7	-.7	-12.7	-10.3
Defense	-7.0	-4.5	-4.2	-4.4	-4.7	-4.6	-4.4	-3.6	-3.2	-2.9	2.1	-6.5	-17.9	-14.1
Nondefense	-1.5	2.2	1.5	1.5	1.1	1.1	1.0	1.0	.9	.9	6.6	5.8	5.2	3.8
State and local	-.7	2.4	-1.3	-1.1	-.7	.4	1.1	1.8	2.5	2.8	20.4	-1.9	-2.7	8.2

1. Annual changes are from Q4 to Q4.

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Item	Fiscal year				1991				1992				1993			
	1990 <sup>a</sup>	1991 <sup>a</sup>	1992	1993	Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>UNIFIED BUDGET</b>																
Receipts <sup>1</sup>	1031	1054	1106	1180	233	307	264	248	247	336	275	267	259	356	297	279
Outlays <sup>1</sup>	1252	1323	1491	1521	299	333	356	353	376	384	378	397	378	376	370	394
Surplus/deficit <sup>1</sup>	-220	-269	-385	-341	-66	-26	-91	-105	-129	-47	-103	-130	-119	-20	-72	-115
On-budget	-277	-321	-444	-404	-80	-50	-94	-117	-139	-79	-110	-142	-128	-54	-80	-129
Off-budget	57	52	60	64	15	24	3	11	11	31	7	12	10	35	8	14
Surplus excluding deposit insurance <sup>2</sup>	-162	-202	-282	-268	-63	-12	-55	-101	-99	-13	-70	-104	-101	-3	-60	-106
Means of financing																
Borrowing	263	293	372	339	56	43	95	83	111	76	102	122	107	40	71	108
Cash decrease	1	-1	1	0	0	-12	2	15	16	-24	-5	10	10	-15	-5	10
Other <sup>3</sup>	-44	-23	11	1	9	-6	-6	7	2	-5	6	-2	2	-5	6	-2
Cash operating balance, end of period	40	41	40	40	32	44	41	27	11	35	40	30	20	35	40	30
<b>NIPA FEDERAL SECTOR</b>																
Receipts	1093	1117	1189	1267	1115	1114	1127	1147	1162	1206	1222	1240	1257	1275	1296	1317
Expenditures	1246	1307	1426	1504	1262	1321	1339	1382	1432	1442	1448	1467	1506	1516	1524	1544
Purchases	417	446	447	447	452	452	445	444	449	448	446	444	449	448	447	446
Defense	309	326	316	305	332	328	322	318	319	315	311	307	308	305	302	299
Nondefense	109	120	131	142	119	124	123	126	130	133	135	137	141	143	145	147
Other expenditures	827	856	979	1057	803	862	895	938	983	994	1002	1024	1057	1068	1078	1098
Surplus/deficit	-153	-190	-237	-236	-146	-207	-213	-235	-250	-236	-227	-228	-249	-241	-228	-226
<b>FISCAL INDICATORS<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-177	-158	-169	-177	-112	-166	-168	-178	-177	-164	-155	-160	-187	-185	-179	-184
Change in HEB, percent of potential GDP	.4	-.4	.2	.1	-1.3	.9	0	.2	0	-.2	-.1	.1	.4	0	-.1	.1
Fiscal impetus (FI), percent, cal. year	-3.4	-3.6	-4.8	-3.5	-2.6	.5	-1.9	-.8	-2.5	-.6	-.8	-.7	-1.7	-.6	-.5	-.4

1. OMB's July deficit estimates are \$348 billion in FY92 and \$246 billion in FY93. CBO's August deficit estimates are \$362 billion in FY92 and \$278 billion in FY93. 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 July deficit estimates, excluding deposit insurance spending, are \$230 billion in FY92 and \$197 billion in FY93. CBO's August deficit estimates, excluding deposit insurance spending, are \$248 billion in FY92 and \$220 billion in FY93.

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 2.1 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.

--Actual.

GROWTH RATES OF DEBT BY SECTOR<sup>1</sup>  
(Percent, period-end to period-end)

	Domestic Nonfinancial Sectors							Memo		
	Households									
	Total <sup>2</sup>	U.S. govt. <sup>2</sup>	Non- federal	Total	Home mtgs.	Cons. credit	Business	State & local govts.	Private financial assets <sup>3</sup>	Nominal GDP <sup>4</sup>
1982	9.3	19.4	6.9	5.4	4.5	4.4	7.8	9.1	10.3	3.2
1983	11.5	18.8	9.6	11.4	11.0	12.6	8.3	7.1	11.7	11.0
1984	14.4	16.9	13.7	12.9	11.7	18.7	15.6	7.9	13.3	9.1
1985	14.2	16.2	13.6	14.1	11.9	15.9	11.4	23.7	11.9	7.0
1986	12.3	13.4	12.0	12.8	14.9	9.6	12.0	7.6	9.1	4.7
1987	9.0	8.0	9.3	11.6	14.0	5.1	7.0	9.6	7.9	8.0
1988	9.1	8.0	9.4	10.9	12.2	7.2	8.2	8.2	8.7	7.7
1989	7.5	7.2	7.5	8.9	10.5	5.3	6.7	4.9	7.4	5.9
1990	6.5	12.0	4.9	7.2	9.1	1.8	2.8	2.7	4.7	4.1
1991	4.9	10.8	3.0	4.7	5.9	-1.9	0.9	3.9	1.6	3.4
1992	6.2	14.4	3.4	5.2	6.3	0.3	1.2	3.6	4.2	5.0
1993	6.0	10.0	4.5	5.9	6.7	2.1	3.0	3.4	3.1	6.2
Seasonally adjusted, annual rates										
1990 -- Q1	8.2	10.9	7.4	10.8	12.8	3.8	4.8	2.5	7.3	6.3
Q2	5.9	9.7	4.7	7.0	8.8	0.3	2.7	2.7	4.7	6.2
Q3	6.4	11.8	4.7	5.9	7.0	2.7	3.4	4.4	4.2	4.9
Q4	4.8	13.2	2.2	3.9	5.6	0.3	0.4	1.2	2.5	-0.9
1991 -- Q1	4.5	8.0	3.4	4.8	6.1	-2.9	2.0	3.0	5.1	2.3
Q2	4.3	9.2	2.7	4.6	5.9	-2.5	0.5	2.9	-0.3	4.6
Q3	5.8	14.8	2.8	4.7	5.4	-1.8	0.2	5.6	2.5	3.9
Q4	4.6	9.7	2.9	4.3	5.6	-0.3	1.0	4.0	-1.1	2.7
1992 -- Q1	5.6	14.7	2.5	4.6	5.7	-0.9	-0.2	3.7	3.7	3.2
Q2	5.5	12.8	3.0	4.8	5.9	-0.1	0.7	3.6	3.4	5.7
Q3	6.3	13.8	3.6	5.3	6.4	0.8	1.6	3.6	4.4	5.4
Q4	6.8	13.5	4.3	5.7	6.6	1.3	2.6	3.5	4.9	5.9
1993 -- H1	5.7	9.7	4.2	5.7	6.5	1.9	2.5	3.5	3.2	6.3
H2	6.1	9.8	4.7	6.0	6.8	2.2	3.4	3.4	3.0	6.0

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1. Estimates for recent years are tentative and will be revised to reflect NIPA revisions.

2. Deposit insurance activity raises total debt growth .5, 1, and .3 percentage points in 1991, 1992, and 1993 respectively; the corresponding figures for federal debt growth are 1.9, 3.8, and 1 percentage points.

3. Sometimes referred to as the "Kaufman debt proxy"; includes liquid assets and credit market instruments.

4. Annual figures are Q4 to Q4.

**FLOW OF FUNDS PROJECTION HIGHLIGHTS<sup>1</sup>**  
(Billions of dollars, seasonally adjusted annual rates)

	Calendar year				1991				1992			
	1990	1991	1992	1993	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Net funds raised by domestic nonfinancial sectors:</b>												
1 Total	575.4	533.6	713.0	732.8	469.2	472.7	643.8	548.9	647.7	649.1	745.6	809.7
2 Net equity issuance	-63.0	15.0	23.0	23.0	-12.0	11.0	17.0	44.0	23.0	23.0	23.0	23.0
3 Net debt issuance	638.4	518.6	690.0	709.8	481.2	461.7	626.8	504.9	624.7	626.1	722.6	786.7
<b>Borrowing sectors:</b>												
Nonfinancial business												
4 Financing gap <sup>2</sup>	77.7	20.1	25.4	33.5	13.6	14.7	28.0	24.0	20.0	22.0	25.7	33.7
5 Net equity issuance	-63.0	15.0	23.0	23.0	-12.0	11.0	17.0	44.0	23.0	23.0	23.0	23.0
6 Credit market borrowing	96.8	33.0	41.8	105.4	69.9	18.3	8.1	35.5	-7.7	25.7	56.1	93.1
Households												
7 Net borrowing, of which:	251.9	182.1	212.5	255.3	186.9	182.4	186.3	172.9	188.5	197.0	221.5	243.0
8 Home mortgages	213.2	159.8	180.6	206.0	166.3	162.1	151.0	159.7	163.7	171.7	188.5	198.5
9 Consumer credit	14.3	-15.1	2.0	16.5	-23.5	-20.3	-14.4	-2.0	-7.0	-1.0	6.0	10.0
10 Debt/DPI (percent) <sup>3</sup>	91.2	94.6	95.5	94.6	95.1	94.9	95.3	95.4	95.9	96.1	96.1	95.8
State and local governments												
11 Net borrowing	17.2	25.6	24.6	24.1	19.7	19.2	36.7	26.9	24.8	24.7	24.5	24.4
12 Current surplus <sup>4</sup>	-40.2	-28.4	-3.9	10.0	-38.8	-30.1	-23.5	-21.4	-13.5	-6.8	2.9	1.9
U.S. government												
13 Net borrowing	272.5	277.9	411.1	325.0	204.7	241.8	395.7	269.6	419.1	378.7	420.5	426.2
14 Net borrowing; quarterly, nsa	272.5	277.9	411.1	325.0	55.8	43.0	95.7	83.5	111.1	76.0	101.8	122.2
15 Unified deficit; quarterly, nsa	236.1	288.0	409.1	326.1	65.6	25.7	91.3	105.4	128.7	47.5	103.0	129.9
Funds supplied by depository institutions												
16	-34.8	-65.4	28.1	167.8	-25.3	-127.4	-100.4	-8.6	-57.4	5.1	83.1	81.5
Memoranda: As percent of GDP:												
17 Dom. nonfinancial debt <sup>3</sup>	185.1	191.6	194.1	194.2	192.0	191.9	192.8	193.7	194.9	194.9	195.4	195.9
18 Dom. nonfinancial borrowing	11.6	9.1	11.7	11.3	8.6	8.2	11.0	8.8	10.8	10.7	12.1	13.0
19 U.S. government <sup>5</sup>	4.9	4.9	7.0	5.2	3.7	4.3	6.9	4.7	7.2	6.4	7.1	7.1
20 Private	6.6	4.2	4.7	6.1	4.9	3.9	4.0	4.1	3.6	4.2	5.1	6.0

1. Estimates for recent years are tentative and will be revised to reflect NIPA revisions.

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.

U.S. Real Net Exports of Goods and Services. We project real net exports, after having worsened during the second and third quarters of 1991, to improve significantly in the current quarter and the first quarter of 1992. Only small further improvements are expected thereafter through 1993.

**TRADE QUANTITIES\***  
(Percent change from preceding period shown, annual rate)

	1991				----- Projection -----	
	Q1	Q2	Q3	Q4	1992 Q4	1993 Q4
Nonag. exports	-0.1	21.6	2.6	8.2	8.6	9.1
Agric. exports	7.2	-15.1	36.2	3.6	-1.2	2.1
Non-oil imports	-17.2	9.3	25.7	-2.0	3.6	6.5
Oil imports	16.7	73.3	3.9	-12.0	11.7	9.5

\* NIPA basis, 1987 dollars.

Real non-oil imports are projected to decline slightly during the current quarter and in the first quarter of 1992, after their unexpectedly rapid growth in the third quarter of 1991. The slowing of imports in the near term reflects both the expected weakness in U.S. final demand and the anticipated working off of inventories of imported goods that were built up in the third quarter. Imports should expand again as the economy recovers later next year and in 1993. The projected growth of real non-oil imports is significantly lower than in the October Greenbook, largely because of the lower path of U.S. GDP. In addition, the outlook for continued rapid growth of real imports of computers contributes less to overall import growth in 1987 dollars than it had in 1982 dollars.

The quantity of oil imports is also projected to decline in the current quarter with the slowing of the U.S. economy and some anticipated rundown of domestic stocks. We expect oil imports to

NOMINAL EXTERNAL BALANCES  
(Billions of dollars, SAAR)

	1991				Projection	
					1992	1993
	Q1	Q2	Q3	Q4	Q4	Q4
Trade balance	-73.6	-61.6	-81.9	-75.9	-70.0	-69.9
Current acct. ex. gulf war grants	-48.8	-33.6	-60.2	-46.2	-33.3	-23.9
Gulf war grants	90.8	46.4	18.4	16.0	0.0	0.0
Current account	42.0	12.8	-41.8	-30.2	-33.3	-23.9

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**U.S. Current Account Summary**  
**(In Billions of Dollars, Seasonally Adjusted Annual Rates)**

Trade Balance	Invest. Income, Net		Services, Net	Transfers, Net */	Current Account Balance */
	Direct Invest.	Portfolio			
<b>YEARS</b>					
1975	8.9	14.4	-1.6	3.5	18.1
1976	-9.5	15.9	0.1	3.4	4.2
1977	-31.1	16.8	1.1	3.8	-14.5
1978	-33.9	21.2	-1.1	4.2	-15.4
1979	-27.5	31.8	-1.7	3.0	-1.0
1980	-25.5	28.5	0.3	6.1	1.1
1981	-28.0	25.7	5.7	11.9	6.9
1982	-36.4	21.6	6.7	12.1	-5.9
1983	-67.1	21.2	6.2	9.5	-40.1
1984	-112.5	20.8	2.6	2.7	-99.0
1985	-122.1	22.2	-6.1	-0.9	-122.3
1986	-145.1	25.5	-14.6	4.7	-145.4
1987	-159.5	33.4	-25.8	6.3	-160.2
1988	-127.0	36.8	-31.5	10.3	-126.2
1989	-115.9	42.5	-39.8	22.4	-106.3
1990	-108.1	52.7	-40.7	26.4	-92.1
1991-P	-73.2	53.7	-41.5	35.6	-4.5
1992-P	-68.9	50.5	-37.1	43.7	-30.5
1993-P	-69.7	51.9	-36.4	49.6	-23.2
<b>QUARTERS</b>					
1990-Q1	-110.1	51.9	-39.8	23.6	-90.7
-Q2	-96.4	43.6	-43.6	26.4	-88.7
-Q3	-115.0	53.5	-42.3	25.6	-95.5
-Q4	-110.9	61.7	-37.2	29.9	-93.6
1991-Q1	-73.6	61.3	-41.8	28.3	42.0
-Q2	-61.6	52.2	-42.8	35.8	12.1
-Q3	-81.9	51.1	-41.1	37.8	-41.8
-Q4-P	-75.9	50.2	-40.2	40.7	-30.2
1992-Q1-P	-67.6	50.1	-37.3	42.5	-30.2
-Q2-P	-67.3	50.9	-37.1	42.8	-28.8
-Q3-P	-70.6	50.8	-36.1	44.1	-29.8
-Q4-P	-70.0	50.2	-37.8	45.4	-33.3
1993-Q1-P	-68.9	50.1	-35.7	47.4	-25.1
-Q2-P	-69.6	52.6	-37.3	48.9	-23.4
-Q3-P	-70.3	52.8	-35.3	50.3	-20.5
-Q4-P	-69.9	52.1	-37.1	51.9	-23.9

P/ Projected; \*/ Includes cash grants from foreign governments to support the Desert Shield/Storm effort: 1990-Q4 \$17.2 billion AR; 1991 year = \$42.9 billion when the quarters at annual rates are: Q1=90.8, Q2=46.4, Q3=18.4, Q4=16.0.

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December 11, 1991

**GDP Real Net Exports of Goods and Services**  
**Billions of 1987 dollars, SAAR**

	Exports of Goods & Services			Imports of Goods & Services			Net
	Merchandise	Services	G&S	Merchandise	Services	G&S	G&S
<b>Years:</b>							
1989	343.8	125.4	469.2	450.4	94.5	544.9	-75.7
1990	369.4	136.2	505.7	458.5	98.5	557.0	-51.3
1991-p	396.2	140.2	536.4	458.4	98.6	557.0	-20.6
1992-p	427.3	147.2	574.5	482.3	103.2	585.5	-10.9
1993-p	463.1	154.0	617.0	512.9	108.6	621.6	-4.6
<b>Quarters:</b>							
1990-1	364.9	131.3	496.2	455.9	96.3	552.2	-56.0
2	368.0	134.1	502.1	457.2	97.4	554.5	-52.5
3	365.1	136.5	501.6	467.9	99.5	567.4	-65.7
4	379.4	143.1	522.5	453.0	100.7	553.7	-31.2
1991-1	379.9	132.6	512.5	435.9	95.3	531.1	-18.6
2	395.8	139.9	535.7	451.2	96.8	548.0	-12.3
3	400.8	143.3	544.1	475.2	101.2	576.4	-32.3
4-p	408.4	144.9	553.3	471.5	101.2	572.7	-19.4
1992-1-p	415.3	145.7	561.0	472.5	101.6	574.1	-13.0
2-p	423.1	146.5	569.6	477.9	102.6	580.5	-10.9
3-p	431.0	147.5	578.5	486.1	103.6	589.8	-11.2
4-p	439.9	149.0	588.9	492.7	104.8	597.4	-8.6
1993-1-p	448.9	150.8	599.7	499.4	106.1	605.6	-5.9
2-p	458.2	152.9	611.1	508.4	107.7	616.1	-5.1
3-p	467.8	155.0	622.8	517.7	109.5	627.2	-4.4
4-p	477.3	157.2	634.5	526.2	111.2	637.4	-2.9
<b>Percent Change from Preceding Quarter, Annual Rate:</b>							
1991-1	0.5	-26.3	-7.4	-14.3	-19.8	-15.4	
2	17.8	23.9	19.4	14.8	6.4	13.3	
3	5.1	10.1	6.4	23.0	19.5	22.4	
4-p	7.8	4.5	6.9	-3.1	0.0	-2.6	
1992-1-p	6.9	2.4	5.7	0.9	1.6	1.0	
2-p	7.8	2.0	6.2	4.7	4.1	4.6	
3-p	7.7	2.8	6.4	7.1	4.1	6.5	
4-p	8.4	4.1	7.3	5.5	4.5	5.3	
1993-1-p	8.5	4.9	7.6	5.6	5.3	5.6	
2-p	8.5	5.7	7.8	7.4	6.1	7.2	
3-p	8.6	5.7	7.9	7.5	6.6	7.4	
4-p	8.4	5.7	7.8	6.7	6.6	6.7	
<b>Percent Change Q4/Q4:</b>							
1990/89	6.9	9.2	7.6	-1.3	4.0	-0.4	
1991/90-p	7.6	1.2	5.9	4.1	0.5	3.4	
1992/91-p	7.7	2.8	6.4	4.5	3.5	4.3	
1993/92-p	8.5	5.5	7.8	6.8	6.1	6.7	

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**STRICTLY CONFIDENTIAL - FR**  
**CLASS II FOMC**

**REAL GNP AND CONSUMER PRICES, SELECTED COUNTRIES, 1989-93**  
**(Percent change from fourth quarter to fourth quarter)**

<b>Measure and country</b>	<b>Projection</b>				
	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>
<b>REAL GNP</b>					
<b>-----</b>					
Canada	2.1	-1.1	0.6	2.0	3.7
France	3.9	1.9	2.1	2.3	2.6
Western Germany	3.2	5.3	2.0	2.7	3.0
Italy	2.9	1.3	1.1	1.9	2.6
Japan	4.9	4.7	3.3	2.9	3.8
United Kingdom	1.6	-1.1	-1.0	1.9	2.2
Average, weighted by 1987-89 GNP	3.5	2.5	1.7	2.4	3.1
<b>Average, weighted by share of U.S. nonagricultural exports</b>					
Total foreign	3.5	2.1	2.3	3.3	3.9
G-6	2.9	0.9	1.2	2.2	3.3
Developing countries	5.0	4.9	5.9	5.6	6.2
<b>CONSUMER PRICES</b>					
<b>-----</b>					
Canada	5.2	4.9	4.4	3.1	2.7
France	3.6	3.6	2.5	3.0	3.0
Western Germany	3.0	3.0	4.0	3.4	3.0
Italy	6.6	6.3	6.2	5.4	5.0
Japan	2.9	3.2	3.3	3.1	2.8
United Kingdom	7.6	10.0	4.0	4.1	4.4
Average, weighted by 1987-89 GNP	4.4	4.8	3.9	3.6	3.4
<b>Average, weighted by share of U.S. non-oil imports</b>					
<b>-----</b>					
	4.2	4.4	3.9	3.3	3.0

Confidential (FR) Class III FOMC

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December 11, 1991

## **RECENT DEVELOPMENTS**

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

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

	1991			1992			1991		
	Q2	Q3	Q4	Q1 <sup>1</sup>	Oct.	Nov.	Dec. <sup>1</sup>		
Domestic production	8.7	9.4	9.7	9.2	10.0	9.5	9.6		
Autos	5.2	5.8	5.7	5.6	5.9	5.7	5.7		
Trucks	3.4	3.6	3.9	3.6	4.1	3.8	3.9		

1. Figures beyond November are based on current manufacturers' schedules.

Production restraint in the auto sector now appears likely to persist into the early months of 1992. In late November, motor vehicle manufacturers slashed the output of domestic cars and trucks planned for December and the first quarter of next year; the cuts likely were a response to the weak pace of sales, the plunge in consumer confidence, and slow ordering by dealers. The level of car and truck assemblies now planned for December is just a touch above the November level; assembly plans for the first quarter of next year are, on average, a little below the November pace.

Production has slackened in other industries as well, especially those for durable goods. In October, production of consumer durable goods other than autos and light trucks dropped for the first time since February, and production of durable materials contracted. Output of construction supplies has been falling since mid-year, after strong growth during the spring. Cutbacks in defense and space production have proceeded almost without interruption for more than a year now.

The production of business equipment other than motor vehicles has shown little improvement since its low in March as production of office and computing machinery and industrial equipment has remained weak. The early indicators for November provide no hint of a significant upturn. The strike at Caterpillar reduced output of

GROSS OFFERINGS OF SECURITIES BY U.S. CORPORATIONS  
(Monthly rates, not seasonally adjusted, billions of dollars)

	1991						
	1989	1990	Q2	Q3 <sup>P</sup>	Sept <sup>P</sup>	Oct <sup>P</sup>	Nov <sup>P</sup>
Corporate securities - total <sup>1</sup>	19.85	19.88	35.16	30.65	31.94	35.67	33.32
Public offerings in U.S.	17.78	17.75	31.32	28.31	29.42	32.86	31.05
Stocks--total <sup>2</sup>	2.69	1.95	6.12	4.94	5.42	8.86	9.05
Nonfinancial	1.08	1.03	4.01	3.50	2.76	6.22	6.47
Utility	0.29	0.35	0.70	0.16	0.06	0.52	0.26
Industrial	0.79	0.68	3.31	3.34	2.70	5.70	6.21
Financial	1.60	0.92	2.11	1.44	2.67	2.62	2.58
Bonds	15.10	15.79	25.21	23.37	24.00	24.00	22.00
Nonfinancial	6.29	5.65	10.26	9.40	8.50	9.00	10.50
Utility	1.78	1.97	3.71	2.87	2.20	3.10	3.50
Industrial	4.50	3.69	6.55	6.54	6.30	5.90	7.00
Financial	8.81	10.14	14.94	13.97	15.50	15.00	11.50
By quality <sup>3</sup> >							
Aaa and Aa	3.15	3.43	3.78	2.78	2.65	2.60	2.30
A and Baa	5.83	6.41	12.93	11.02	8.86	11.33	12.16
Less than Baa	2.39	0.15	1.33	0.47	0.45	0.80	1.87
No rating (or unknown)	0.05	0.04	0.01	0.01	0.00	0.00	0.00
Memo items:							
Equity-based bonds <sup>4</sup>	0.52	0.40	0.78	0.41	0.31	1.00	0.29
Mortgage-backed bonds	1.68	2.43	3.31	3.66	3.26	4.52	2.35
Other asset-backed	2.02	3.35	3.86	5.44	8.78	4.75	3.33
Variable-rate notes	1.03	0.82	0.82	0.89	0.72	0.61	0.97
Bds sold abroad - total	1.90	1.92	3.04	1.97	2.50	2.30	1.50
Nonfinancial	0.48	0.46	1.60	1.01	1.50	0.80	0.40
Financial	1.43	1.46	1.44	0.97	1.00	1.50	1.10
Stocks sold abroad - total	0.16	0.22	0.80	0.36	0.02	0.50	0.77
Nonfinancial	0.12	0.10	0.75	0.29	0.02	0.47	0.63
Financial	0.04	0.12	0.05	0.07	0.00	0.03	0.14

1. Securities issued in the private placement market are not included. Total reflects gross proceeds rather than par value of original discount bonds.

2. Excludes equity issues associated with equity-for-equity swaps that have occurred in restructurings. Such swaps totaled \$9.4 billion in 1990.

3. Bonds categorized according to Moody's bond ratings, or to Standard and Poor's if unrated by Moody's. Excludes mortgage-backed and asset-backed bonds.

4. Includes bonds convertible into equity and bonds with warrants that entitle the holder to purchase equity in the future.

p--preliminary.

TREASURY AND AGENCY FINANCING<sup>1</sup>  
(Total for period; billions of dollars)

	1991					
	Q2	Q3	Q4 <sup>P</sup>	Oct.	Nov. <sup>P</sup>	Dec. <sup>P</sup>
<u>Treasury financing</u>						
Total surplus/deficit (-)	-25.7	-91.3	-105.4	-36.0	-48.3	-21.1
Means of financing deficit:						
Net cash borrowing from the public	43.1	95.0	83.5	40.7	24.2	18.6
Marketable borrowings/ repayments (-)	38.6	103.5	80.1	38.6	22.8	18.8
Bills	-11.7	43.0	25.4	21.3	3.8	.2
Coupons	50.3	60.4	54.7	17.2	18.9	18.6
Nonmarketable	4.5	-8.5	3.4	2.1	1.5	-.2
Decrease in the cash balance	-11.6	2.1	14.5	-11.2	28.2	-2.4
Memo: Cash balance at end of period	43.6	41.5	26.9	52.7	24.5	26.9
2 Other	-5.8	-5.8	7.3	6.6	-4.1	4.9
<u>Federally sponsored credit agencies, net cash borrowing</u>						
	-7.1	5.1	--	--	--	--
FHLBs	-6.5	.7	--	-.6	--	--
FHLMC	-2.6	2.7	--	--	--	--
FNMA	1.7	.9	--	1.1	--	--
Farm Credit Banks	-.2	.3	--	.5	--	--
SLMA	.5	.6	--	--	--	--

1. Data reported on a not seasonally adjusted, payment basis.  
 2. Includes checks issued less checks paid, accrued items and other transactions.  
 3. Excludes mortgage pass-through securities issued by FNMA and FHLMC.  
 p--projected.

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

though, as the tendency of yields at auctions to come in a bit higher than usual in the months following the squeeze in the May two-year note auction has abated recently.

None of the bills that would stiffen the regulation of government-sponsored enterprises passed the Congress before it adjourned for the year.

#### Municipal Securities

Gross issuance of long-term municipal securities surged to more than \$15 billion in November, the highest monthly pace in five years. There were strong increases in offerings for both new capital and refundings. Despite a slight increase in rates on long-term municipals, yields remained low enough to make cost effective the refunding of some of the bonds issued in 1985, the market's heaviest year of issuance. Some refundings, however, reflected budgetary distress and were motivated by a desire to reduce current debt service costs by extending the maturity of debt.

GROSS OFFERINGS OF MUNICIPAL SECURITIES  
(Monthly rates, not seasonally adjusted, billions of dollars)

	1989	1990	1991						P	Nov. <sup>f</sup>
			Q1	Q2	Q3	Sept.	Oct.			
Total offerings <sup>1</sup>	11.90	13.10	11.39	17.51	18.92	15.35	13.80		16.15	
Total tax-exempt	11.65	12.85	11.25	17.20	18.16	15.20	13.54		16.07	
Long-term	9.47	10.03	9.81	13.16	13.21	12.27	11.36		15.50	
Refundings <sup>2</sup>	2.86	1.68	1.98	3.92	3.12	3.65	2.39		4.85	
New capital	6.61	8.35	7.83	9.24	10.09	8.62	8.97		10.65	
Short-term	2.17	2.82	1.44	4.04	4.95	2.93	2.18		.57	
Total taxable	.25	.25	.14	.31	.76	.15	.26		.08	

p--preliminary f--forecast.

1. Includes issues for public and private purposes.

2. Includes all refunding bonds, not just advance refundings.

The mid-November announcement of the increase in New York State's 1993 budget deficit coincided with New York City's scheduled sale of \$1.2 billion in refunding bonds. The city had planned to