

June 29, 1994

SUMMARY AND OUTLOOK

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

The Outlook for the Second Quarter

As noted above, the signals about economic growth in the second quarter are quite mixed. In the labor market, although the gain in payrolls (on a strike-adjusted basis) was modest in May, it came on the heels of sizable advances earlier; the recent behavior of initial claims for unemployment insurance suggests that healthy growth in employment has continued in June. Importantly, average workweeks were exceptionally long in April and May, so that aggregate hours of private production workers could well increase 6 percent or more, at an annual rate, in the second quarter. Obviously, this would imply another very large increase in GDP, unless there has been a decline in productivity. Such a decline, however, would not be surprising in the wake of the surge late last year.

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

	1993	1994		
	Q4	Q1	Q2	Q3
Real GDP	7.0	3.4	3.5	2.9
<i>Previous</i>	7.0	2.6	4.2	2.7
Civilian unemployment rate ¹	6.5	6.6	6.3	6.3
<i>Previous</i>	6.5	6.6	6.5	6.8
CPI inflation	3.1	1.9	2.7	3.7
<i>Previous</i>	3.1	1.9	2.7	3.5

1. Values for 1993 are from the old CPS.

Based on the currently available indicators on the spending side, real GDP would appear to be rising only moderately in the second quarter. Sales of light vehicles in April and May averaged about 1/2 million units at an annual rate below the first-quarter pace, and real consumer spending on goods other than motor vehicles flattened out in April and May, after posting large gains in the preceding two quarters. Our forecast allows for a jump in non-auto

rate in 1995. We have raised our forecast of core inflation slightly--to 3.1 percent in both 1994 and 1995--owing to the near exhaustion of slack and the passthrough of larger projected increases in oil and other import prices.¹

SUMMARY OF STAFF REAL GDP PROJECTION FOR 1994-1995
(Percent change, at annual rates, except as noted)

	1993	1994		1995
		H1	H2	
Real GDP	3.1	3.5	2.7	2.2
Previous	3.1	3.4	2.4	2.3
Gross domestic purchases	4.0	4.4	2.6	2.3
Previous	4.0	4.4	2.7	2.5

Consumer spending. We expect the growth of consumer spending to be fairly strong this summer but to slow thereafter as gains in real income moderate and higher interest rates damp demand in the household sector. Real PCE is projected to increase at a 3 percent annual rate in the third quarter, before decelerating to 2-1/4 percent in the fourth quarter and 2 percent in 1995. Given recent growth in employment and income and the relatively high levels of consumer confidence, we believe the leveling in non-auto retail sales during the spring will prove transitory. Before long, however, higher interest rates--working through higher consumer loan rates, a reduced pace of mortgage refinancing, and reductions in the value of household financial assets--should cause consumption to

1. We have simulated the staff's macroeconomic models of the U.S. and global economies to estimate what would happen if the dollar were to depreciate 10 percent further (relative to the Greenbook forecast) during the second half of 1994. If the path of the federal funds rate were held unchanged, the net stimulus to real net exports would result in an increase in the level of real GDP of about 3/4 percent by the fourth quarter of 1995. The depreciation would also raise import prices, which, along with the stimulus to domestic demand, would increase the level of the CPI by 1 percent by the fourth quarter of next year. The effects of a 10 percent dollar appreciation would be of the same magnitude in the opposite direction.

recovery in economic activity abroad. Real merchandise exports are projected to grow 4-3/4 percent this year and 8-1/2 percent in 1995. In contrast, the higher cost of imported goods and the slowdown in U.S. economic activity are projected to cause the growth of real merchandise imports to slow from the double-digit pace of the past two years to 9-1/4 percent in 1994 and 8 percent in 1995. (A complete discussion of these developments is contained in the International Developments section.)

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

	1993	1994	1995
Output per hour, nonfarm business	1.7	.9	1.1
<i>Previous</i>	2.0	.9	1.2
Nonfarm payroll employment	2.0	2.2	1.4
<i>Previous</i>	1.8	2.3	1.3
Civilian unemployment rate ¹	6.5	6.3	6.4
<i>Previous</i>	6.5	6.6	6.6

1. Average for the fourth quarter. Values for 1993 are from the old CPS.

Labor markets. Employment growth is projected to remain fairly brisk in the very near term, but to slow appreciably over the forecast period, in line with economic activity. Businesses are expected to remain focused on boosting efficiency. However, the easiest gains presumably have been made after several years of downsizing and "re-engineering," and the pool of well-qualified workers is shrinking; thus, it likely will be more difficult to match the productivity gains achieved in earlier phases of the expansion. As a result, we are projecting that labor productivity will rise about 1 percent per year in 1994 and 1995, somewhat less than the staff's estimate of the current trend in productivity growth (roughly 1-1/2 percent). We expect the average workweek to fall back in June from its extraordinary May level, but to remain on

rate inched down between January and May, extending a pattern of several years duration now of surprising sluggishness. On the continuing assumption that this is largely a cyclical phenomenon, our forecast assumes that the participation rate will begin to increase again in the second half of this year and continue moving back toward the longer-term trend during 1995.² If, instead, the weakness really is evidence of a new flatter trend, our forecast of higher participation rates poses a potentially serious downside risk to our projection of the unemployment rate--and to our assumed pace of potential output growth. At this juncture, it is our assessment that the risk of a shortfall in labor force participation may be greater than that of a sudden re-acceleration of labor productivity. However, both possibilities loom as significant risks in the outlook for labor market pressures.

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

	1993	1994	1995
Consumer price index	2.7	3.0	3.1
<i>Previous</i>	2.7	2.9	2.9
Excluding food and energy	3.1	3.1	3.1
<i>Previous</i>	3.1	2.9	2.8
ECI for compensation of private industry workers ¹	3.6	3.4	3.5
<i>Previous</i>	3.6	3.3	3.4

1. December to December.

Wages and prices. As noted above, the staff has recently conducted a review of our econometric estimates of the NAIRU. We have examined a wide range of specifications of wage and price equations as well as a number of different measures of economic slack. Our results center on a point estimate of 5.9 percent, using

2. The failure of popular perceptions of job availability to improve in step with measured employment growth may explain the shortfall in participation relative to cyclical norms.

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index ¹		Unemployment rate (level except as noted)	
	5/11/94	6/29/94	5/11/94	6/29/94	5/11/94	6/29/94	5/11/94	6/29/94	5/11/94	6/29/94
ANNUAL										
1991 ²	3.2	3.2	-.7	-.7	4.1	4.1	4.3	4.3	6.7	6.7
1992 ²	5.5	5.5	2.6	2.6	3.3	3.3	3.0	3.0	7.4	7.4
1993 ²	5.6	5.6	3.0	3.0	3.1	3.1	3.0	3.0	6.8	6.8
1994	5.7	5.9	3.7	3.7	2.6	2.7	2.6	2.7	6.6	6.4
1995	4.6	4.8	2.4	2.4	2.8	2.9	3.1	3.3	6.6	6.4
QUARTERLY										
1992 Q1 ²	7.4	7.4	3.5	3.5	4.2	4.2	2.6	2.6	7.3	7.3
Q2 ²	5.7	5.7	2.8	2.8	3.4	3.4	3.5	3.5	7.5	7.5
Q3 ²	4.6	4.6	3.4	3.4	2.5	2.5	2.9	2.9	7.5	7.5
Q4 ²	9.2	9.2	5.7	5.7	3.1	3.1	3.5	3.5	7.3	7.3
1993 Q1 ²	4.4	4.4	.8	.8	4.3	4.3	2.8	2.8	7.0	7.0
Q2 ²	4.3	4.3	1.9	1.9	2.8	2.8	3.1	3.1	7.0	7.0
Q3 ²	4.4	4.4	2.9	2.9	2.1	2.1	2.0	2.0	6.7	6.7
Q4 ²	8.4	8.4	7.0	7.0	2.3	2.3	3.1	3.1	6.5	6.5
1994 Q1 ²	5.2	5.7	2.6	3.0	2.9	3.1	1.9	1.9	6.6	6.6
Q2	6.2	5.9	4.2	3.5	2.6	2.5	2.7	2.7	6.5	6.3
Q3	5.1	5.2	2.7	2.9	2.8	2.7	3.5	3.7	6.8	6.3
Q4	4.4	4.8	2.1	2.4	2.8	3.0	3.3	3.6	6.6	6.3
1995 Q1	4.8	4.8	2.2	2.0	3.2	3.4	3.1	3.4	6.6	6.3
Q2	4.3	4.5	2.2	2.2	2.7	2.8	2.9	3.1	6.6	6.4
Q3	4.3	4.5	2.3	2.3	2.6	2.7	2.8	3.0	6.6	6.4
Q4	4.3	4.5	2.4	2.4	2.6	2.7	2.7	2.9	6.6	6.4
TWO-QUARTER³										
1992 Q2 ²	6.6	6.6	3.2	3.2	3.9	3.9	3.0	3.0	.5	.5
Q4 ²	6.9	6.9	4.6	4.6	2.8	2.8	3.2	3.2	-.2	-.2
1993 Q2 ²	4.3	4.3	1.3	1.3	3.4	3.4	3.1	3.1	-.3	-.3
Q4 ²	6.4	6.4	4.9	4.9	2.2	2.2	2.4	2.4	-.5	-.5
1994 Q2	5.7	5.8	3.4	3.2	2.7	2.8	2.4	2.4	.0	-.2
Q4	4.7	5.0	2.4	2.6	2.8	2.8	3.4	3.6	.1	.0
1995 Q2	4.5	4.7	2.2	2.1	3.0	3.1	3.0	3.3	.0	.1
Q4	4.3	4.5	2.4	2.3	2.6	2.7	2.7	3.0	.0	.0
FOUR-QUARTER⁴										
1991 Q4 ²	3.7	3.7	.3	.3	3.6	3.6	3.0	3.0	1.0	1.0
1992 Q4 ²	6.7	6.7	3.9	3.9	3.3	3.3	3.1	3.1	.3	.3
1993 Q4 ²	5.4	5.4	3.1	3.1	2.8	2.8	2.7	2.7	-.8	-.8
1994 Q4	5.2	5.4	2.9	2.9	2.8	2.8	2.9	3.0	.1	-.2
1995 Q4	4.4	4.6	2.3	2.2	2.8	2.9	2.9	3.1	.0	.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	
		1987	1988	1989	1990	1991	1992	1993	1994	1995		
EXPENDITURES												
Nominal GDP	Bill. \$	4539.9	4900.4	5250.8	5546.1	5722.9	6038.5	6377.9	6752.2	7077.0		
Real GDP	Bill. 87\$	4540.0	4718.6	4838.0	4897.3	4861.4	4986.3	5136.0	5324.9	5451.4		
Real GDP	% change	4.5	3.3	1.6	.2	.3	3.9	3.1	2.9	2.2		
Gross domestic purchases		3.9	2.5	.9	-.4	-.2	4.3	4.0	3.4	2.3		
Final sales		2.7	4.2	1.5	1.2	-.3	3.8	3.1	2.6	2.2		
Private dom. final purch.		1.9	4.2	.5	-.1	-.7	5.0	5.0	3.8	2.7		
Personal cons. expend.		2.1	4.2	1.2	.7	.0	4.0	3.2	2.9	2.0		
Durables		-2.6	8.5	-.5	-.8	-.4	9.7	7.9	2.9	.9		
Nondurables		1.4	3.2	1.2	-.1	-1.3	3.6	1.7	3.1	1.8		
Services		3.7	3.7	1.7	1.7	.9	2.8	2.9	2.8	2.4		
Business fixed invest.		3.0	5.5	-.4	.7	-6.3	7.4	15.1	10.1	7.3		
Producers' dur. equip.		2.4	9.1	-1.7	2.9	-3.3	11.4	18.8	12.0	7.7		
Nonres. structures		4.4	-1.2	2.3	-3.9	-12.6	-2.0	5.1	4.6	5.9		
Res. structures		-3.1	.9	-7.7	-15.2	1.6	17.6	7.9	.4	.6		
Exports		12.6	13.5	11.3	6.7	8.4	4.9	4.8	5.3	7.4		
Imports		4.7	3.6	2.6	.4	4.2	8.5	11.8	8.2	7.2		
Government purchases		3.3	.2	2.0	3.3	-.7	1.1	-.5	-.4	.4		
Federal		3.7	-3.4	-.6	2.8	-3.7	.4	-6.6	-3.3	-3.2		
Defense		4.5	-3.2	-1.5	1.5	-7.3	-1.4	-9.3	-6.1	-5.0		
State and local		2.9	2.9	4.0	3.6	1.5	1.6	3.4	1.2	2.4		
Change in bus. invent.	Bill. 87\$	26.3	19.9	29.8	5.7	-8.4	6.5	14.3	25.5	25.0		
Nonfarm		32.7	26.9	29.9	3.2	-8.6	2.7	19.7	25.2	22.6		
Net exports		-143.0	-104.0	-73.7	-54.7	-19.1	-33.6	-76.5	-107.0	-113.8		
Nominal GDP	% change	8.0	7.7	6.0	4.7	3.7	6.7	5.4	5.4	4.6		
EMPLOYMENT AND PRODUCTION												
Nonfarm payroll employ.	Millions	102.0	105.2	107.9	109.4	108.3	108.6	110.5	113.0	114.8		
Unemployment rate	%	6.2	5.5	5.3	5.5	6.7	7.4	6.8	6.4	6.4		
Industrial prod. index	% change	6.3	3.2	-.1	-.2	-.3	3.2	4.2	4.5	2.7		
Capacity util. rate-mfg.	%	81.6	83.6	83.1	81.1	77.8	78.6	80.6	82.7	82.4		
Housing starts	Millions	1.62	1.49	1.38	1.19	1.01	1.20	1.29	1.40	1.38		
Light Motor Vehicle Sales		14.84	15.43	14.53	13.85	12.30	12.83	13.89	15.08	15.17		
Auto sales in U.S.		10.24	10.63	9.91	9.50	8.39	8.38	8.71	9.26	9.20		
North American prod.		7.07	7.54	7.08	6.90	6.14	6.28	6.74	7.33	7.39		
Other		3.18	3.10	2.83	2.60	2.25	2.11	1.97	1.93	1.81		
INCOME AND SAVING												
Nominal GNP	Bill. \$	4544.5	4908.2	5266.8	5567.8	5737.1	6045.8	6378.1	6746.9	7064.1		
Nominal GNP	% change	8.1	7.8	6.1	4.9	3.3	6.5	5.3	5.4	4.5		
Nominal personal income		7.4	7.1	6.5	6.5	3.5	8.1	3.5	5.7	5.6		
Real disposable income		2.1	3.2	1.1	1.1	.7	4.9	1.1	2.6	2.6		
Personal saving rate	%	4.3	4.4	4.0	4.2	4.8	5.3	4.0	3.6	4.0		
Corp. profits, IVA&CCAdj	% change	29.7	10.2	-6.3	2.3	4.4	16.0	15.6	5.0	.1		
Profit share of GNP	%	7.0	7.4	6.9	6.8	6.4	6.7	7.3	7.6	7.6		
Federal surpl./def.	Bill. \$	-151.8	-136.6	-122.3	-163.5	-203.4	-276.3	-226.4	-143.8	-151.8		
State/local surpl./def.		40.1	38.4	44.8	25.1	7.3	7.2	1.8	5.5	11.7		
Ex. social ins. funds		-14.7	-18.4	-17.5	-35.6	-51.2	-52.2	-56.7	-51.1	-43.8		
PRICES AND COSTS												
GDP implicit deflator	% change	3.4	4.2	4.3	4.5	3.4	2.8	2.2	2.4	2.3		
GDP fixed-wt. price index		3.4	4.2	4.4	4.6	3.6	3.3	2.8	2.8	2.9		
Gross domestic purchases		3.9	4.1	4.4	5.2	3.1	3.3	2.6	2.9	2.9		
fixed-wt. price index		4.5	4.3	4.6	6.3	3.0	3.1	2.7	3.0	3.1		
CPI		4.3	4.5	4.4	5.3	4.4	3.5	3.1	3.1	3.1		
Ex. food and energy		4.3	4.5	4.4	5.3	4.4	3.5	3.1	3.1	3.1		
ECI, hourly compensation ²		3.3	4.8	4.8	4.6	4.4	3.5	3.6	3.4	3.5		
Nonfarm business sector		1.9	.5	-1.4	.4	2.2	3.3	1.7	.9	1.1		
Output per hour		3.9	3.8	3.1	6.2	4.7	4.8	2.5	3.5	3.6		
Compensation per hour		1.9	3.3	4.6	5.7	2.5	1.5	.8	2.6	2.5		
Unit labor cost												

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

2. Private-industry workers.

Item	Units	Projected											
		1993		1994				1995					
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
EXPENDITURES													
Nominal GDP	Bill. \$	6395.9	6526.5	6617.6	6713.8	6798.8	6878.6	6959.9	7037.5	7115.7	7194.9		
Real GDP	Bill. 87\$	5138.3	5225.6	5264.1	5309.3	5347.4	5378.9	5405.5	5435.2	5466.3	5498.6		
Real GDP	% change	2.9	7.0	3.0	3.5	2.9	2.4	2.0	2.2	2.3	2.4		
Gross domestic purchases		3.7	6.7	4.2	3.9	3.1	2.2	2.2	2.2	2.4	2.4		
Final sales		3.4	6.8	2.2	2.6	3.1	2.5	2.0	2.3	2.3	2.4		
Private dom. final purch.		5.1	8.0	4.9	3.7	3.7	2.8	2.5	2.7	2.8	2.8		
Personal cons. expend.		4.4	4.4	4.6	1.7	2.9	2.3	1.9	1.9	2.1	2.1		
Durables		7.6	15.2	10.2	-.8	1.3	1.3	.4	.7	1.1	1.4		
Nondurables		3.7	2.7	4.2	2.5	3.2	2.3	1.6	1.6	1.9	1.9		
Services		3.9	2.6	3.3	1.9	3.2	2.6	2.4	2.4	2.4	2.4		
Business fixed invest.		7.4	22.5	6.1	15.3	10.3	9.0	7.9	7.7	7.1	6.6		
Producers' dur. equip.		10.0	26.0	16.1	10.6	11.6	9.7	8.5	8.1	7.5	6.8		
Nonres. structures		.3	12.2	-20.1	32.2	6.2	6.7	5.8	6.3	5.8	5.7		
Res. structures		11.9	31.7	7.6	3.7	-2.6	-6.5	-2.3	.4	1.5	2.7		
Exports		-.9	20.4	-1.0	7.6	6.7	8.3	6.9	7.1	7.5	7.9		
Imports		6.0	16.4	8.6	10.4	7.6	6.2	7.5	6.5	7.5	7.1		
Government purchases		.3	.0	-3.6	.3	1.5	.1	.4	.4	.3	.4		
Federal		-6.2	-5.2	-4.9	-3.9	-.2	-3.9	-3.3	-3.2	-3.3	-3.1		
Defense		-9.8	-4.9	-14.5	-3.3	-.5	-5.4	-5.3	-5.0	-5.1	-4.8		
State and local		4.5	3.3	-2.9	3.0	2.5	2.5	2.6	2.5	2.4	2.4		
Change in bus. invent.	Bill. 87\$	6.5	8.5	19.1	30.0	27.3	25.6	25.6	24.6	25.0	24.9		
Nonfarm		19.4	12.9	21.1	29.9	26.1	23.7	23.5	22.2	22.4	22.2		
Net exports		-86.3	-84.5	-100.8	-107.5	-110.7	-109.2	-112.0	-112.8	-114.8	-115.7		
Nominal GDP	% change	4.4	8.4	5.7	5.9	5.2	4.8	4.8	4.5	4.5	4.5		
EMPLOYMENT AND PRODUCTION													
Nonfarm payroll employ.	Millions	110.8	111.4	112.0	112.9	113.5	113.8	114.2	114.6	115.0	115.4		
Unemployment rate ¹	%	6.7	6.5	6.6	6.3	6.3	6.3	6.3	6.4	6.4	6.4		
Industrial prod. index	% change	2.8	6.7	8.1	3.9	3.2	3.0	2.7	2.7	2.7	2.7		
Capacity util. rate-mfg ¹	%	80.3	81.5	82.5	82.8	82.8	82.8	82.7	82.5	82.4	82.2		
Housing starts	Millions	1.31	1.48	1.37	1.47	1.38	1.36	1.36	1.37	1.39	1.40		
Light Motor Vehicle Sales		13.56	14.55	15.54	14.79	14.95	15.07	15.09	15.14	15.19	15.26		
Auto sales in U.S.		8.60	8.95	9.49	9.17	9.20	9.19	9.19	9.19	9.19	9.21		
North American prod.		6.63	7.08	7.46	7.23	7.28	7.34	7.36	7.38	7.40	7.42		
Other		1.97	1.87	2.03	1.94	1.92	1.85	1.83	1.81	1.79	1.79		
INCOME AND SAVING													
Nominal GNP	Bill. \$	6402.3	6520.9	6614.6	6708.7	6794.4	6869.9	6951.2	7022.9	7103.7	7178.6		
Nominal GNP	% change	4.8	7.6	5.9	5.8	5.2	4.5	4.8	4.2	4.7	4.3		
Nominal personal income		3.0	7.6	4.7	8.1	4.2	5.7	6.5	5.2	4.7	6.0		
Real disposable income		1.6	5.4	2.6	2.7	2.6	2.4	3.4	.4	3.5	3.1		
Personal saving rate ¹	%	3.8	4.0	3.5	3.7	3.7	4.0	3.7	4.0	4.0	4.2		
Corp. profits, IVA&CCAdj	% change	9.4	38.1	-23.9	32.5	14.7	4.9	.3	-.7	1.6	-.6		
Profit share of GNP ¹	%	7.3	7.8	7.2	7.6	7.8	7.8	7.7	7.6	7.5	7.4		
Federal govt. surpl./def.	Bill. \$	-212.7	-207.0	-164.7	-123.3	-135.1	-152.1	-157.2	-134.3	-147.7	-168.1		
State/local surpl./def.		-1.7	7.2	-1.8	6.6	7.8	9.6	10.0	9.2	13.3	14.2		
Ex. social ins. funds		-60.2	-50.7	-59.0	-50.2	-48.7	-46.6	-45.9	-46.4	-42.0	-41.0		
PRICES AND COSTS													
GDP implicit deflator	% change	1.5	1.4	2.6	2.4	2.2	2.3	2.8	2.3	2.2	2.1		
GDP fixed-wt. price index		2.1	2.3	3.1	2.5	2.7	3.0	3.4	2.8	2.7	2.7		
Gross domestic purchases		1.8	2.3	2.6	2.9	3.1	3.0	3.4	2.8	2.7	2.7		
fixed-wt. price index		2.0	3.1	1.9	2.7	3.7	3.6	3.4	3.1	3.0	2.9		
CPI		2.4	2.9	2.6	3.1	3.3	3.2	3.2	3.1	3.1	3.1		
Ex. food and energy		3.4	3.4	2.7	4.0	4.2	2.7	3.5	3.5	4.2	2.7		
ECI, hourly compensation ²		3.4	3.4	2.7	4.0	4.2	2.7	3.5	3.5	4.2	2.7		
Nonfarm business sector		3.5	6.1	1.3	-1.1	2.0	1.3	.9	1.1	1.1	1.1		
Output per hour		3.1	2.5	5.3	1.8	3.5	3.5	3.9	3.5	3.5	3.5		
Compensation per hour		-.4	-3.4	3.9	2.9	1.5	2.1	3.0	2.4	2.4	2.4		
Unit labor cost													

1. Not at an annual rate.

2. Private-industry workers.

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

June 29, 1994

Item	Projected										Projected			
	1993		1994				1995				1992	1993	1994	1995
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP	36.2	87.3	38.5	45.2	38.1	31.5	26.6	29.8	31.0	32.3	188.7	157.3	153.3	119.7
Gross domestic purchases	47.2	85.4	54.9	51.9	41.3	30.0	29.4	30.6	33.0	33.1	211.1	202.9	178.1	126.2
Final sales	42.7	85.3	27.9	34.3	40.7	33.2	26.6	30.7	30.7	32.4	187.1	157.5	136.2	120.4
Private dom. final purch.	53.2	83.5	52.8	40.2	40.5	31.4	28.5	30.5	31.9	32.3	198.8	208.4	165.0	123.1
Personal cons. expend.	36.9	37.3	39.4	15.0	25.7	20.6	16.6	17.1	18.6	19.1	129.7	109.7	100.7	71.5
Durables	8.9	17.8	12.5	-1.0	1.7	1.7	.5	1.0	1.5	1.8	41.9	37.5	14.8	4.7
Nondurables	9.9	7.2	11.3	7.0	9.0	6.4	4.5	4.5	5.5	5.5	37.8	18.4	33.7	20.0
Services	18.1	12.3	15.6	9.1	15.0	12.5	11.6	11.7	11.7	11.8	50.0	53.8	52.2	46.8
Business fixed invest.	10.5	30.9	9.3	23.1	16.3	14.7	13.2	13.1	12.4	11.7	37.6	82.0	63.4	50.3
Producers' dur. equip.	10.4	26.4	17.9	12.4	13.9	12.1	10.9	10.6	10.0	9.3	40.5	74.3	56.4	40.7
Nonres. structures	.1	4.4	-8.5	10.6	2.4	2.6	2.3	2.6	2.4	2.4	-3.0	7.6	7.2	9.6
Res. structures	5.9	15.1	4.2	2.1	-1.5	-3.9	-1.3	.2	.9	1.5	31.5	16.6	.9	1.3
Change in bus. invent.	-6.5	2.0	10.6	10.9	-2.6	-1.7	-.1	-.9	.4	-.1	1.6	-.2	17.1	-.7
Nonfarm	2.3	-6.5	8.2	8.8	-3.7	-2.4	-.3	-1.2	.2	-.2	-2.8	5.4	10.8	-1.5
Farm	-8.8	8.5	2.5	2.0	1.1	.7	.2	.3	.2	.1	4.4	-5.6	6.3	.8
Net exports	-11.1	1.8	-16.3	-6.7	-3.2	1.5	-2.8	-.8	-2.0	-.8	-22.4	-45.7	-24.7	-6.5
Exports	-1.3	28.1	-1.6	11.4	10.3	12.9	11.1	11.5	12.4	13.1	27.4	28.4	33.0	48.1
Imports	9.8	26.3	14.7	18.0	13.5	11.4	13.9	12.3	14.4	14.0	49.6	74.2	57.7	54.6
Government purchases	.6	.0	-8.6	.8	3.4	.3	1.0	1.0	.8	1.0	10.7	-5.2	-4.1	3.8
Federal	-5.7	-4.7	-4.4	-3.4	-.2	-3.4	-2.8	-2.7	-2.8	-2.6	1.6	-24.7	-11.4	-10.9
Defense	-6.3	-3.0	-9.1	-1.9	-.3	-3.1	-3.0	-2.8	-2.8	-2.6	-3.6	-24.2	-14.4	-11.2
Nondefense	.7	-1.9	4.8	-1.5	.1	-.3	.2	.1	.0	.0	5.2	-.6	3.1	.3
State and local	6.4	4.8	-4.4	4.3	3.6	3.7	3.8	3.7	3.6	3.6	9.1	19.6	7.2	14.7

1. Annual changes are from Q4 to Q4.

Item	Fiscal year				1993				1994				1995			
	1992 ^a	1993 ^a	1994	1995	Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^a	Q1 ^a	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UNIFIED BUDGET	Not seasonally adjusted															
Receipts ¹	1090	1153	1262	1328	262	331	295	287	289	368	318	301	292	407	328	311
Outlays ¹	1381	1408	1467	1526	325	349	349	379	348	365	375	378	387	379	383	398
Surplus/deficit ¹	-290	-255	-205	-199	-63	-18	-54	-92	-59	3	-57	-77	-95	28	-55	-86
On-budget	-340	-301	-260	-261	-90	-49	-54	-105	-66	-30	-59	-85	-106	-10	-60	-92
Off-budget	50	46	55	62	27	31	0	13	8	33	2	8	11	38	6	6
Surplus excluding deposit insurance ²	-287	-283	-210	-208	-68	-25	-61	-92	-65	6	-58	-78	-99	28	-58	-88
Means of financing																
Borrowing	311	249	201	221	60	61	46	89	51	10	51	78	74	19	50	75
Cash decrease	-17	6	6	-14	8	-39	8	3	5	-8	6	2	24	-40	0	20
Other ³	-4	0	-3	-8	-6	-4	0	0	2	-5	0	-3	-3	-7	5	-9
Cash operating balance, end of period	59	53	46	60	22	61	53	50	45	52	46	44	20	60	60	40
NIPA FEDERAL SECTOR	Seasonally adjusted, annual rate															
Receipts	1163	1246	1362	1444	1218	1268	1276	1316	1340	1399	1394	1412	1431	1469	1463	1480
Expenditures	1435	1487	1520	1592	1482	1491	1489	1523	1505	1522	1530	1564	1588	1604	1611	1648
Purchases	445	447	441	441	443	448	444	440	442	440	441	439	443	442	440	439
Defense	313	308	294	290	305	308	302	299	293	292	293	290	291	289	287	286
Nondefense	132	139	147	152	138	140	142	141	149	148	149	149	152	152	153	153
Other expenditures	990	1040	1079	1150	1039	1043	1045	1083	1063	1082	1089	1124	1145	1162	1171	1209
Surplus/deficit	-271	-241	-157	-148	-264	-223	-213	-207	-165	-123	-135	-152	-157	-134	-148	-168
FISCAL INDICATORS⁴																
High-employment (HEB) surplus/deficit	-212	-193	-138	-136	-215	-173	-165	-177	-142	-109	-125	-142	-146	-121	-134	-154
Change in HEB, percent of potential GDP	.9	-.3	-.8	0	0	-.7	-.1	.2	-.5	-.5	.2	.3	.1	-.4	.2	.3
Fiscal impetus (FI), percent, cal. year	-4.5	-4.5	-6.6	-4.8	-4.9	1.3	-.8	-1.1	-3.2	-3.2	.1	-1	-1.9	-1.6	-.2	-.7

1. OMB's February 1994 deficit estimates are \$235 billion in FY94 and \$176 billion in FY95(excluding health reform). CBO's April 1994 deficit estimates of the budget are \$227 billion in FY94 and \$182 billion in FY95. 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 1994 deficit estimates, excluding deposit insurance spending, are \$238 billion in FY94 and \$187 billion in FY95. CBO's April 1994 deficit estimates, excluding deposit insurance spending, are \$230 billion in FY94, and \$194 billion in FY95.

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.

--Actual.

CHANGE IN DEBT OF THE DOMESTIC NONFINANCIAL SECTORS¹
(Percent)

	Nonfederal							MEMO	
	Households							Private financial assets	Nominal GDP
Total ²	Federal govt.	Total	Total	Home mtg.	Cons. credit ³	Business	State and local govt.		
Year									
1981	9.7	11.6	9.3	7.5	7.0	4.8	11.9	5.2	10.3
1982	9.8	19.7	7.4	5.5	4.7	4.4	8.8	9.3	9.6
1983	11.9	18.9	10.1	11.1	10.8	12.6	9.3	9.7	12.4
1984	14.5	16.9	13.8	12.8	11.7	18.7	15.6	9.1	12.6
1985	15.5	16.5	15.2	15.3	13.2	15.8	12.1	31.3	12.1
1986	12.3	13.6	11.9	12.0	14.3	9.6	12.2	10.5	7.3
1987	9.5	8.0	9.9	12.4	14.9	5.0	7.1	13.4	8.4
1988	8.8	8.0	9.0	10.8	11.8	7.2	7.9	7.0	8.0
1989	7.8	7.0	8.0	9.0	10.2	6.7	7.0	8.4	7.7
1990	6.3	11.0	4.9	6.2	7.7	1.7	3.4	6.7	4.3
1991	4.4	11.1	2.4	4.7	6.7	-1.6	-0.9	7.2	-0.6
1992	5.2	10.9	3.3	5.7	6.6	1.2	0.1	6.4	0.9
1993	5.0	8.3	3.9	6.2	6.6	6.1	0.6	6.6	-1.1
1994	4.9	5.7	4.6	6.6	6.7	8.1	2.2	4.8	2.6
1995	4.8	6.2	4.4	6.1	6.2	7.2	2.3	4.0	1.0
									4.6
Quarter (seasonally adjusted annual rates)									
1993:1	3.3	7.5	1.8	2.7	3.4	2.4	-0.8	7.2	-5.1
2	6.1	11.1	4.3	6.3	7.4	2.8	1.4	6.8	1.0
3	4.9	5.5	4.6	8.0	7.9	7.4	0.8	5.1	-1.9
4	5.6	8.2	4.6	7.4	7.0	11.2	1.0	6.6	1.6
1994:1	5.0	5.9	4.7	6.0	6.8	5.8	2.6	6.8	5.5
2	4.5	4.3	4.5	6.7	6.6	8.8	2.0	4.7	1.2
3	4.8	5.7	4.4	6.5	6.5	8.7	2.2	3.8	1.9
4	4.9	6.4	4.3	6.3	6.2	8.2	2.2	3.6	1.8
1995:1	5.4	8.1	4.3	6.2	6.0	7.4	2.2	4.1	1.5
2	4.6	5.2	4.3	6.0	5.9	7.2	2.3	4.2	0.6
3	4.5	5.1	4.2	6.0	6.1	6.9	2.3	3.8	0.8
4	4.6	5.7	4.2	5.9	6.2	6.6	2.4	3.7	1.1
									4.5

1. Data after 1994:1 are staff projections. Year-to-year changes in nominal GDP are measured from the fourth quarter of the preceding year to the fourth quarter of the year indicated; other changes are measured from end of preceding period to end of period indicated.
2. On a quarterly average basis, total debt growth is projected to be 5.1 in 1994 and 4.9 in 1995.
3. Upcoming revisions will raise consumer credit growth appreciably in 1993 and 1994:1. In the aggregate, household debt growth for 1993 will increase by 1/2 percentage point and total debt growth by 1/4 percentage point; annual growth rates for 1994 will be little changed by the revisions.
- 2.6.3 FOF

FLOW OF FUNDS PROJECTIONS: HIGHLIGHTS¹
(Billions of dollars)

	Calendar year			1993-				1994-----				1995-----				
	1993	1994	1995	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	615.2	612.3	635.7	712.7	622.0	572.5	619.6	635.2	703.6	605.3	602.7	631.3				
2 Net equity issuance	22.9	10.3	8.0	29.5	2.0	12.0	17.0	10.0	8.0	8.0	8.0	8.0				
3 Net debt issuance	592.3	602.1	627.7	683.2	620.0	560.5	602.6	625.2	695.6	597.3	594.7	623.3				
Borrowing sectors																
Nonfinancial business																
4 Financing gap ²	18.2	61.9	95.0	9.9	16.9	77.1	76.1	77.5	85.5	93.0	98.0	103.4				
5 Net equity issuance	22.9	10.3	8.0	29.5	2.0	12.0	17.0	10.0	8.0	8.0	8.0	8.0				
6 Credit market borrowing	23.0	83.7	89.0	38.3	96.7	74.5	81.0	82.5	85.4	87.4	88.5	94.6				
Households																
7 Net borrowing, of which:	247.8	277.5	276.7	306.5	255.2	289.3	285.7	279.8	278.5	274.8	277.2	276.1				
8 Home mortgages	181.4	196.5	194.4	200.9	200.8	198.0	196.0	191.0	187.1	189.1	197.1	204.2				
9 Consumer credit	49.0	69.6	67.0	93.3	49.5	77.0	77.0	75.0	69.0	68.0	66.0	65.0				
10 Debt/DPI (percent) ³	87.2	88.0	88.6	87.9	88.4	88.5	88.7	88.9	88.8	89.4	89.4	89.4				
State and local governments																
11 Net borrowing	65.4	51.1	44.2	68.8	72.2	50.6	41.8	39.8	45.0	47.0	42.5	42.5				
12 Current surplus ⁴	-57.4	-51.3	-47.4	-58.0	-51.9	-51.8	-51.7	-49.9	-48.3	-49.6	-46.0	-45.6				
U.S. government																
13 Net borrowing	256.1	189.8	217.8	269.6	195.9	146.1	194.1	223.1	286.6	188.1	186.5	210.2				
14 Net borrowing; quarterly, nsa	256.1	189.8	217.8	89.2	51.2	9.8	50.8	78.0	73.8	19.1	49.8	75.1				
15 Unified deficit; quarterly, nsa	226.3	190.1	207.6	92.1	58.6	-3.1	57.4	77.2	95.1	-28.3	54.6	86.2				
Funds supplied by depository institutions																
16 Dom. nonfinancial debt ³	129.9	180.3	164.1	176.2	179.7	187.6	169.0	184.9	174.7	163.2	159.8	158.6				
MEMO: (percent of GDP)																
17 Dom. nonfinancial debt ³	188.9	187.3	187.4	189.2	188.9	188.3	188.2	188.2	188.6	188.6	188.6	188.7				
18 Dom. nonfinancial borrowing	9.3	8.9	8.9	10.5	9.4	8.3	8.9	9.1	10.0	8.5	8.4	8.7				
19 U.S. governments ⁵	4.0	2.8	3.1	4.1	3.0	2.2	2.9	3.2	4.1	2.7	2.6	2.9				
20 Private	5.3	6.1	5.8	6.3	6.4	6.2	6.0	5.8	5.9	5.8	5.7	5.7				

1. Data after 1994:1 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.

somewhat further in the near term, but to bounce back at the end of the year and then to expand slowly in 1995.

TRADE QUANTITIES *
(percent change from end of previous period, saar)

	<u>1993</u>	<u>-----Projection-----</u>			<u>1995</u>
		<u>Q1</u>	<u>Q2</u>	<u>H2</u>	
Merchandise exports					
Total	5.9	-3.4	6.7	8.2	8.4
Agricultural	-4.9	-24.1	-4.1	8.5	2.0
Computers	19.9	18.3	12.5	28.5	28.5
Other nonag.	4.9	-4.7	6.8	4.2	4.5
Merchandise imports					
Total	12.9	9.8	11.1	8.0	8.0
Oil	10.0	-9.3	21.4	-2.0	8.3
Computers	34.9	18.1	24.0	28.7	24.8
Other non-oil	9.6	10.7	7.3	5.1	4.0

* GDP basis, 1987 dollars.

Growth of non-oil imports other than computers is expected to slow some during the rest of this year and to level off at about 4 percent in 1995, as the rate of GDP growth in the United States diminishes and as the effects of the lower dollar are felt. The growth of computer imports slows a bit in 1995, in line with growth of the computer component of U.S. PDE.

We expect that the quantity of oil imports has increased sharply in the current quarter as domestic stocks have been rebuilt after large drawdowns in the first quarter. Over the remainder of the forecast period, imports are projected to increase further, on balance, as U.S. oil consumption continues to increase in line with economic activity and as U.S. oil production continues to decline.

Oil prices. Since the May Greenbook, WTI oil prices have increased \$1.25 per barrel, resulting in roughly a \$5 per barrel increase since late March. OPEC's cancellation of its September meeting (seen as a reaffirmation of its commitment to current production quotas through the end of 1994), coupled with North Sea

maintenance and the fighting in Yemen, has forced prices up in light of strengthening economies in Europe. The run-up in prices over the past two months was not anticipated in the May Greenbook; accordingly, our assumption for the oil import unit value has been increased an average of \$1.30 per barrel for the second and third quarters. We expect the spot price for WTI to fall to \$18.50 per barrel by August, from current levels of \$19.15 per barrel, as maintenance in the North Sea is completed.

For the longer term, Iraq appears increasingly unlikely to export in 1995, especially given U.S. resistance to the proposed pipeline flushing in Turkey. We now expect Iraq to remain off the world oil market through 1995, perhaps resuming its exports in 1996. Increased Saudi Arabian production should replace most of the shortfall from Iraq, leaving a \$1 per barrel increase in oil prices, relative to the May Greenbook, to balance the market. Thus, from the fourth quarter of 1994 through 1995 we anticipate a WTI price of \$18.50 per barrel, consistent with an import unit value of \$16.00 per barrel.

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

	<u>1993</u>	<u>-----Projection-----</u>			<u>1995</u>
		<u>Q1</u>	<u>1994</u>	<u>H2</u>	
PPI (export. wts.)	0.8	1.3	3.7	2.7	2.4
Nonag. exports*	0.7	2.9	3.1	3.0	2.4
Non-oil imports*	1.2	1.2	3.3	4.6	2.0
Oil imports (Q4 level. \$/bl)	14.09	12.66	14.81	16.00	16.00

* Excluding computers.

Prices of non-oil imports and exports. We expect that the prices of non-oil imports excluding computers will accelerate somewhat during the second half of this year in response to the recent rise of non-oil commodity prices and the lower path for the

June 29, 1994

STRICTLY CONFIDENTIAL - FR
CLASS II FOMC

REAL GDP AND CONSUMER PRICES, SELECTED COUNTRIES, 1991-95
(Percent change from fourth quarter to fourth quarter)

Measure and country	1991	1992	1993	Projection				
				1994	1995			
REAL GDP								
<b">-----</b">								
Canada	-0.2	0.5	3.2	3.9	3.6			
France	1.3	0.6	-0.5	1.9	2.7			
Germany	2.2	0.7	-0.2	2.3	2.5			
W. Germany	2.8	0.1	-0.8	1.6	2.3			
Italy	1.7	-0.4	0.3	1.7	2.3			
Japan	3.6	-0.3	-0.1	2.1	2.8			
United Kingdom	-1.6	0.3	2.6	2.7	3.0			
Average, weighted by 1987-89 GDP	1.7	0.1	0.5	2.3	2.8			
Average, weighted by share of U.S. nonagricultural exports								
Total foreign	1.7	1.2	2.2	3.2	3.5			
G-6	0.8	0.3	1.7	3.0	3.2			
Developing countries	4.9	3.9	4.5	4.6	4.8			
CONSUMER PRICES								
<b">-----</b">								
Canada	4.1	1.8	1.8	-0.2	1.8			
France	2.9	1.8	2.1	1.7	1.5			
Western Germany	3.9	3.7	3.7	2.8	2.1			
Italy	6.1	4.8	4.1	3.4	3.0			
Japan	3.2	0.9	1.2	1.0	0.8			
United Kingdom	4.2	3.1	1.6	3.1	4.0			
Average, weighted by 1987-89 GDP	3.9	2.4	2.2	1.9	2.0			
Average, weighted by share of U.S. non-oil imports	3.8	1.9	1.9	1.1	1.6			

Strictly Confidential (FR) Class II-FOMC

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

 (Billions of dollars, seasonally adjusted annual rates)

	1991				1992				1993		ANNUAL		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1990	1991	1992
NIPA Real Net Exports of Goods & Services (87\$)	-21.6	-13.3	-25.0	-16.4	-15.2	-38.0	-42.5	-38.8	-59.9	-75.2	-54.7	-19.1	-33.6
Exports of G&S Goods	519.4	542.9	546.9	564.2	571.0	570.2	579.3	591.6	588.0	593.2	510.5	543.4	578.0
Agricultural	381.6	396.1	398.2	410.7	414.4	415.9	423.0	437.3	430.2	434.5	368.9	396.7	422.7
Computers	34.8	33.8	35.5	37.8	38.8	38.2	40.8	41.1	38.7	38.8	35.1	35.5	39.7
Other Goods	38.7	40.3	42.9	44.5	45.5	49.4	52.5	56.4	55.9	57.0	33.7	41.6	51.0
Services	308.1	322.0	319.7	328.4	330.2	328.3	329.7	339.7	335.6	338.7	300.1	319.6	332.0
Imports of G&S Goods	541.0	556.2	571.9	580.7	586.2	608.2	621.8	630.3	647.9	668.4	565.1	562.4	611.6
Oil	442.1	457.2	474.6	481.7	486.8	509.0	521.6	530.3	545.9	565.7	461.4	463.9	511.9
Computers	44.7	52.0	52.9	47.1	47.3	51.6	53.1	52.8	53.4	57.8	52.1	49.2	51.2
Other Goods	36.3	39.5	44.5	46.5	50.0	56.6	64.2	68.2	73.1	79.0	29.8	41.7	59.8
Services	361.2	365.7	377.2	388.2	389.6	400.8	404.3	409.4	419.4	428.9	379.5	373.1	401.0
Memo: (Percent change 1/)	98.9	99.1	97.3	98.9	99.3	99.2	100.1	100.0	102.0	102.7	103.7	98.5	99.6
Exports of G&S	-0.8	19.4	3.0	13.3	4.9	-0.6	6.5	8.8	-2.4	3.6	6.7	8.4	4.9
Agricultural	9.7	-11.0	21.7	28.5	11.0	-6.0	30.1	3.0	-21.4	1.0	-6.3	11.2	8.7
Computers	46.1	17.6	28.4	15.8	9.3	39.0	27.6	33.2	-3.5	8.1	16.2	26.4	26.7
Other Goods	3.6	19.3	-2.8	11.3	2.2	-2.3	1.7	12.7	-4.7	3.7	6.0	7.5	3.4
Services	-20.2	28.8	5.3	13.6	8.3	-6.0	5.6	-5.0	9.4	2.0	9.7	5.3	0.5
Imports of G&S	-11.1	11.7	11.8	6.3	3.8	15.9	9.2	5.6	11.6	13.3	0.4	4.2	8.5
Oil	11.5	83.1	7.1	-37.2	1.7	41.6	12.1	-2.2	4.6	37.3	-15.7	8.3	12.1
Computers	74.1	40.2	61.1	19.2	33.7	64.2	65.5	27.3	32.0	36.4	9.3	47.2	46.7
Other Goods	-16.6	5.1	13.2	12.2	1.5	12.0	3.5	5.1	10.1	9.4	-0.0	2.7	5.5
Services	-18.5	0.8	-7.1	6.7	1.6	-0.4	3.7	-0.4	8.2	2.8	7.9	-5.0	1.1
Current Account Balance	40.1	7.0	-46.3	-28.6	-33.4	-66.2	-74.4	-97.5	-79.4	-102.4	-91.7	-6.9	-67.9
Goods & Serv (BOP), net	-42.6	-20.7	-28.5	-22.1	-15.5	-41.5	-51.1	-53.4	-57.7	-76.3	-78.8	-28.5	-40.4
Goods (BOP), net	-75.2	-64.7	-79.0	-77.4	-72.3	-97.3	-109.4	-105.3	-116.8	-134.9	-109.0	-74.1	-96.1
Services (BOP), net	32.6	44.0	50.5	55.3	56.8	55.8	58.3	52.0	59.1	58.6	30.2	45.6	55.7
Investment Income, net	26.1	11.9	8.3	13.1	9.7	6.5	4.9	-2.9	7.4	2.7	20.7	14.8	4.5
Direct, net	63.2	53.9	48.0	56.4	50.8	51.0	47.1	42.0	54.6	50.8	55.9	55.4	47.7
Portfolio, net	-37.1	-42.0	-39.8	-43.3	-41.1	-44.5	-42.2	-44.9	-47.2	-48.1	-35.1	-40.5	-43.2
Unilateral Transfers, net	56.6	15.8	-26.1	-19.6	-27.7	-31.1	-28.2	-41.2	-29.1	-28.8	-33.7	6.7	-32.0

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

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

	Projection												Projection		
	1993				1994				1995				ANNUAL		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1993	1994	1995		
NIPA Real Net Exports of Goods & Services (\$7\$)	-86.3	-84.5	-100.8	-107.5	-110.7	-109.2	-112.0	-112.8	-114.8	-115.7	-76.5	-107.0	-113.8		
Exports of G&S Goods	591.9	620.0	618.4	629.8	640.1	653.0	664.1	675.6	688.0	701.2	598.3	635.3	682.2		
Agricultural	434.1	463.0	459.0	466.5	474.5	485.2	494.5	504.3	514.7	525.9	440.4	471.3	509.8		
Computers	37.3	39.1	36.5	36.1	35.5	37.6	37.8	37.9	38.2	38.4	38.5	36.4	38.1		
Other Goods	62.5	67.6	70.5	72.6	77.3	82.3	87.6	93.3	99.4	105.8	60.8	75.7	96.5		
Services	334.3	356.3	352.0	357.8	361.7	365.3	369.1	373.0	377.2	381.7	341.2	359.2	375.2		
Imports of G&S Goods	157.8	157.0	159.4	163.2	165.6	167.8	169.6	171.4	173.3	175.3	157.8	164.0	172.4		
Oil	678.2	704.5	719.2	737.2	750.8	762.2	776.1	788.5	802.8	816.8	674.7	742.4	796.1		
Computers	574.9	598.9	613.0	629.3	642.8	654.1	667.6	679.5	693.3	706.6	571.3	634.8	686.8		
Other Goods	56.7	58.1	56.7	59.5	59.9	58.9	61.3	61.8	63.3	63.8	56.5	58.8	62.5		
Services	85.8	92.0	95.9	101.2	107.8	114.8	121.8	128.8	136.0	143.2	82.5	104.9	132.5		
Memo: (Percent change 1/)	432.4	448.7	460.3	468.5	475.0	480.2	484.4	488.8	493.9	499.5	432.3	471.0	491.6		
Exports of G&S Agricultural	-0.9	20.4	-1.0	7.6	6.7	8.3	6.9	7.1	7.5	7.9	4.8	5.3	7.4		
Computers	-14.6	20.7	-24.1	-4.1	-6.4	25.7	1.7	1.7	2.3	2.4	-4.9	-3.8	2.0		
Other Goods	44.6	36.9	18.3	12.5	28.5	28.5	28.5	28.5	28.5	28.5	19.9	21.8	28.5		
Services	-5.1	29.0	-4.7	6.8	4.4	4.0	4.2	4.3	4.6	4.9	4.9	2.5	4.5		
Imports of G&S Oil	-2.0	-2.0	6.3	10.0	5.9	5.6	4.2	4.3	4.6	4.6	1.7	6.9	4.4		
Computers	6.0	16.4	8.6	10.4	7.6	6.2	7.5	6.5	7.5	7.1	11.8	8.2	7.2		
Other Goods	-7.4	10.2	-9.3	21.4	2.8	-6.6	16.9	3.5	10.0	3.3	10.0	1.4	8.3		
Services	39.1	32.2	18.1	24.0	28.7	28.7	26.8	24.9	24.4	23.0	34.9	24.8	24.8		
Current Account Balance	3.3	16.0	10.7	7.3	5.7	4.5	3.5	3.7	4.2	4.6	9.6	7.0	4.0		
Investment Income, net	2.4	9.2	2.3	6.8	0.2	0.5	1.4	1.7	2.3	2.3	5.6	2.4	1.9		
Unilateral Transfers, net	-111.4	-122.3	-127.6	-142.8	-153.3	-164.7	-157.7	-161.9	-159.1	-171.4	-103.9	-147.1	-162.5		
Goods & Serv (BOP), net	-89.0	-79.9	-97.1	-108.1	-119.2	-117.4	-118.5	-116.8	-116.5	-115.5	-75.7	-110.4	-116.8		
Goods (BOP), net	-145.9	-132.7	-147.9	-163.5	-177.0	-177.8	-181.2	-181.6	-183.7	-185.0	-132.6	-166.5	-182.9		
Services (BOP), net	56.9	52.8	50.8	55.4	57.8	60.5	62.7	64.8	67.1	69.5	56.8	56.1	66.0		
Investment Income, net	8.1	-2.4	-1.5	-3.7	-3.0	-7.3	-7.2	-13.1	-10.5	-14.9	4.0	-3.9	-11.5		
Direct, net	55.9	48.4	47.7	49.6	50.3	52.4	52.6	51.9	52.0	53.5	52.4	50.0	52.5		
Portfolio, net	-47.8	-50.8	-49.2	-53.2	-53.4	-59.8	-59.8	-65.0	-62.6	-68.4	-48.5	-53.9	-63.9		
Unilateral Transfers, net	-30.5	-40.1	-29.1	-31.0	-31.0	-40.0	-32.0	-32.0	-32.0	-41.0	-32.1	-32.8	-34.2		

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



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON D.C. 20551

DIVISION OF RESEARCH AND STATISTICS

June 30, 1994

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC

TO: Federal Open Market Committee
FROM: Michael J. Prell

Attached are updated versions of the detailed tables of Part I of the Greenbook. We have mechanically updated those items that were affected by the revised GDP data for the first quarter of 1994.

Enclosures

strictly Confidential (FR)
Class II FOMC

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

June 30 1994

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index ¹		Unemployment rate (level except as noted)	
	5/11/94	6/29/94	5/11/94	6/29/94	5/11/94	6/29/94	5/11/94	6/29/94	5/11/94	6/29/94
ANNUAL										
1991 ²	3.2	3.2	-7	-7	4.1	4.1	4.3	4.3	6.7	6.7
1992 ²	5.5	5.5	2.6	2.6	3.3	3.3	3.0	3.0	7.4	7.4
1993 ²	5.6	5.6	3.0	3.0	3.1	3.1	3.0	3.0	6.8	5.8
1994	5.7	6.0	3.7	3.8	2.6	2.7	2.6	2.7	6.6	5.4
1995	4.6	4.8	2.4	2.4	2.8	2.9	3.1	3.3	6.6	6.4
QUARTERLY										
1992 Q1 ²	7.4	7.4	3.5	3.5	4.2	4.2	2.6	2.6	7.3	7.3
Q2 ²	5.7	5.7	2.8	2.8	3.4	3.4	3.5	3.5	7.5	7.5
Q3 ²	4.6	4.6	3.4	3.4	2.5	2.5	2.9	2.9	7.5	7.5
Q4 ²	9.2	9.2	5.7	5.7	3.1	3.1	3.5	3.5	7.3	7.3
1993 Q1 ²	4.4	4.4	8	8	4.3	4.3	2.8	2.8	7.0	7.0
Q2 ²	4.3	4.3	1.9	1.9	2.8	2.8	3.1	3.1	7.0	7.0
Q3 ²	4.4	4.4	2.9	2.9	2.1	2.1	2.0	2.0	6.7	6.7
Q4 ²	8.4	8.4	7.0	7.0	2.3	2.3	3.1	3.1	6.5	6.5
1994 Q1 ²	5.2	6.1	2.6	3.4	2.9	3.2	1.9	1.9	6.6	6.6
Q2 ²	6.2	6.0	4.2	3.5	2.6	2.5	2.7	2.7	6.5	6.3
Q3 ²	5.1	5.2	2.7	2.9	2.8	2.7	3.5	3.7	6.8	6.3
Q4 ²	4.4	4.8	2.1	2.4	2.8	3.0	3.3	3.6	6.6	6.3
1995 Q1	4.8	4.8	2.2	2.0	3.2	3.4	3.1	3.4	6.6	6.3
Q2 ²	4.3	4.5	2.2	2.2	2.7	2.8	2.9	3.1	6.6	6.4
Q3 ²	4.3	4.5	2.3	2.3	2.6	2.7	2.8	3.0	6.6	6.4
Q4 ²	4.3	4.5	2.4	2.4	2.6	2.7	2.7	2.9	6.6	6.4
TWO-QUARTER³										
1992 Q2 ²	6.6	6.6	3.2	3.2	3.9	3.9	3.0	3.0	5	5
Q4 ²	6.9	6.9	4.6	4.6	2.8	2.8	3.2	3.2	-2	-2
1993 Q2 ²	4.3	4.3	1.3	1.3	3.4	3.4	3.1	3.1	-3	-3
Q4 ²	6.4	6.4	4.9	4.9	2.2	2.2	2.4	2.4	-5	-5
1994 Q2 ²	5.7	6.0	3.4	3.4	2.7	2.9	2.4	2.4	0	-2
Q4 ²	4.7	5.0	2.4	2.6	2.8	2.8	3.4	3.6	1	0
1995 Q2 ²	4.5	4.7	2.2	2.1	3.0	3.1	3.0	3.3	0	1
Q4 ²	4.3	4.5	2.4	2.3	2.6	2.7	2.7	3.0	0	0
FOUR-QUARTER⁴										
1991 Q4 ²	3.7	3.7	.3	.3	3.6	3.6	3.0	3.0	1.0	1.0
1992 Q4 ²	6.7	6.7	3.9	3.9	3.3	3.3	3.1	3	3	3
1993 Q4 ²	5.4	5.4	3.1	3.1	2.8	2.8	2.7	2.7	-.8	-.8
1994 Q4 ²	5.2	5.5	2.9	3.0	2.8	2.9	2.9	3.0	-.1	-.2
1995 Q4 ²	4.4	4.6	2.3	2.2	2.8	2.9	2.9	3.1	0	.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								
		1987	1988	1989	1990	1991	1992	1993	1994	1995
EXPENDITURES										
Nominal GDP	Bill. \$	4539.9	4900.4	5250.8	5546.1	5722.9	6038.5	6377.9	6758.3	7083.4
Real GDP	Bill. 87\$	4540.0	4716.6	4838.0	4897.3	4861.4	4986.3	5136.0	5330.3	5456.8
Real GDP	% change	4.5	3.3	1.6	2	3	3.9	3.1	3.0	2.2
Gross domestic purchases		3.9	2.5	9	4	-2	4.3	4.0	3.5	2.3
Final sales		2.7	4.2	1.5	1.2	-3	3.8	3.1	2.7	2.2
Private dom. final purch.		1.9	4.2	5	-1	-7	5.0	5.0	4.0	2.7
Personal cons. expend		2.1	4.2	1.2	7	0	4.0	3.2	3.0	2.0
Durables		-2.6	8.5	-5	-8	-4	9.7	7.9	2.9	9
Nondurables		1.4	3.2	1.2	-1	-1.0	3.6	1.7	3.1	1.8
Services		3.7	3.7	1.7	1.7	9	2.8	2.9	3.0	2.4
Business fixed invest		3.0	5.5	-4	7	-6.3	7.4	15.1	10.4	7.3
Producers dur. equip		2.4	9.1	-1.7	2.9	-3.3	11.4	18.8	12.1	7.7
Nonres. structures		4.4	-1.2	2.3	-3.9	-12.6	-2.0	5.1	5.3	5.9
Res. structures		-3.1	9	-7.7	15.2	1.6	17.6	7.9	6	6
Exports		12.6	13.5	11.3	6.7	8.4	4.9	4.8	4.9	7.4
Imports		4.7	3.6	2.6	4	4.2	8.5	11.8	8.4	7.2
Government purchases		3.3	2	2.0	3.3	-7	1.1	-5	.4	.4
Federal		3.7	-3.4	-6	2.8	-3.7	4	-6.6	-3.4	-3.2
Defense		4.5	3.2	-1.5	1.5	-7.3	-1.4	-9.3	-6.3	-5.0
State and local		2.9	2.9	4.0	3.6	1.5	1.6	3.4	1.3	2.4
Change in bus. invent	Bill. 87\$	26.3	19.9	29.8	5.7	-8.4	6.5	14.3	27.0	26.5
Nonfarm		32.7	26.9	29.9	3.2	-8.6	2.7	19.7	26.4	23.8
Net exports		-143.0	-104.0	-73.7	-54.7	-19.1	-33.6	76.5	-111.2	-118.1
Nominal GDP	% change	8.0	7.7	6.0	4.7	3.7	6.7	5.4	5.5	4.6
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employ	Millions	102.0	105.2	107.9	109.4	108.3	108.6	110.5	113.0	114.8
Unemployment rate	*	6.2	5.5	5.3	5.5	6.7	7.4	6.8	6.4	6.4
Industrial prod. index	% change	6.3	3.2	-1	-2	-3	3.2	4.2	4.5	2.7
Capacity util. rate-mfg	*	81.6	83.6	83.1	81.1	77.8	78.6	80.6	82.7	82.4
Housing starts	Millions	1.62	1.49	1.38	1.19	1.01	1.20	1.29	1.40	1.38
Light Motor Vehicle Sales		14.84	15.43	14.53	13.85	12.30	12.83	13.89	15.08	15.17
Auto sales in U.S.		10.24	10.63	9.91	9.50	8.39	8.38	8.71	9.26	9.20
North American prod.		7.07	7.54	7.08	6.90	6.14	6.28	6.74	7.33	7.39
Other		3.18	3.10	2.83	2.60	2.25	2.11	1.97	1.93	1.81
INCOME AND SAVING										
Nominal GNP	Bill. \$	4544.5	4908.2	5266.8	5567.8	5737.1	6045.8	6378.1	6751.3	7068.8
Nominal GNP	% change	8.1	7.8	6.1	4.9	3.3	6.5	5.3	5.4	4.5
Nominal personal income		7.4	7.1	6.5	6.5	3.5	8.1	3.5	5.8	5.6
Real disposable income		2.1	3.2	1.1	1.1	.7	4.9	1.1	2.7	2.6
Personal saving rate	*	4.3	4.4	4.0	4.2	4.8	5.3	4.0	3.6	4.0
Corp. profits, IVA&CCAdj	% change	29.7	10.2	-6.3	2.3	4.4	16.0	15.6	5.7	2
Profit share of GNP	*	7.0	7.4	6.9	6.8	6.4	6.7	7.3	7.6	7.6
Federal surpl./def.	Bill. \$	-151.8	-136.2	-122.3	-163.5	-203.4	-276.3	-226.4	-141.7	-149.3
State/local surpl./def.		40.1	38.4	44.8	25.1	7.3	7.2	1.8	5.0	11.3
Ex. social ins. funds		-14.7	-18.4	-17.5	-35.6	-51.2	-52.2	-56.7	-51.7	-44.2
PRICES AND COSTS										
GDP implicit deflator	% change	3.4	4.2	4.3	4.5	3.4	2.8	2.2	2.4	2.3
GDP fixed-wt. price index		3.4	4.2	4.4	4.6	3.6	3.3	2.8	2.9	2.9
Gross domestic purchases		3.9	4.1	4.4	5.2	3.1	3.3	2.6	2.9	2.9
fixed-wt. price index		4.5	4.3	4.6	6.3	3.0	3.1	2.7	3.0	3.1
CPI		4.3	4.5	4.4	5.3	4.4	3.5	3.1	3.1	3.1
Ex. food and energy										
ECI, hourly compensation ²		3.3	4.8	4.8	4.6	4.4	3.5	3.6	3.4	3.5
Nonfarm business sector		1.9	5	-1.4	.4	2.2	3.3	1.7	9	1.1
Output per hour		3.9	3.8	3.1	6.2	4.7	4.8	2.5	3.5	3.6
Compensation per hour		1.9	3.3	4.6	5.7	2.5	1.5	8	2.6	2.5
Unit labor cost										

1 Percent changes are from fourth quarter to fourth quarter.

2 Private-industry workers.

Item	Units	Projected									
		1993		1994				1995			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GDP	Bill. \$	6395.9	6526.5	6623.1	6720.0	6805.1	6885.0	6966.2	7043.9	7122.1	7201.4
Real GDP	Bill. \$ '87\$	5138.3	5225.6	5269.5	5314.7	5352.8	5384.3	5410.8	5440.6	5471.7	5504.0
Real GDP	% change	2.9	7.0	3.4	3.5	2.9	2.4	2.0	2.2	2.3	2.4
Gross domestic purchases		3.7	6.7	4.9	3.9	3.1	2.2	2.2	2.2	2.4	2.4
Final sales		3.4	6.8	2.5	2.6	3.1	2.5	2.0	2.3	2.3	2.4
Private dom. final purch		5.1	8.0	5.7	3.7	3.7	2.8	2.5	2.7	2.8	2.8
Personal cons. expend		4.4	4.4	5.2	1.7	2.9	2.3	1.9	1.9	2.1	2.1
Durables		7.6	15.2	10.2	-8	1.3	1.3	4	7	1.1	1.4
Nondurables		3.7	2.7	4.3	2.5	3.2	2.3	1.6	1.6	1.9	1.9
Services		3.9	2.6	4.5	1.9	3.2	2.6	2.4	2.4	2.4	2.4
Business fixed invest		7.4	22.5	7.3	15.3	10.3	9.0	7.9	7.7	7.1	5.5
Producers' dur. equip.		10.0	26.0	16.8	10.6	11.6	9.7	8.5	9.1	7.5	6.8
Nonres. structures		3	12.2	17.7	32.0	6.1	6.7	5.7	6.3	5.8	5.7
Res. structures		11.9	31.7	8.5	3.8	-2.6	6.5	-2.3	4	1.5	2
Exports		-9	20.4	-2.8	7.6	6.8	8.4	7.0	7.2	7.6	7.9
Imports		6.0	16.4	9.5	10.4	7.6	6.2	7.5	6.5	7.5	7.2
Government purchases		3	0	-3.5	3	1.5	1	4	4	4	4
Federal		-6.2	-5.2	-5.3	-4.0	-2	-3.9	3.2	-3.2	-3.3	-3.1
Defense		-9.8	-4.9	-15.2	-3.3	-5	-5.4	-5.3	-5.0	-5.1	4.8
State and local		4.5	3.3	-2.5	3.0	2.4	2.5	2.6	2.5	2.4	2.4
Change in bus. invent	Bill. \$ '87\$	6.5	8.5	20.6	31.5	28.8	27.1	27.0	26.1	26.5	26.4
Nonfarm		19.4	12.9	22.2	31.1	27.3	24.9	24.6	23.4	23.6	23.4
Net exports		-86.3	-84.5	-105.0	-111.6	-114.9	113.4	-116.2	-117.1	-119.1	-120.0
Nominal GDP	% change	4.4	8.4	6.1	6.0	5.2	4.8	4.8	4.5	4.5	4.5
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ	Millions	110.8	111.4	112.0	112.9	113.5	113.8	114.2	114.6	115.0	115.4
Unemployment rate ¹	%	6.7	6.5	6.6	6.3	6.3	6.3	6.3	6.4	6.4	6.4
Industrial prod. index	% change	2.8	6.7	8.1	3.9	3.2	3.0	2.7	2.7	2.7	2.7
Capacity util. rate-mfg ¹	%	80.3	81.5	82.5	82.8	82.8	82.8	82.7	82.5	82.4	82.2
Housing starts	Millions	1.31	1.48	1.37	1.47	1.38	1.36	1.36	1.37	1.39	1.40
Light Motor Vehicle Sales		13.56	14.55	15.54	14.79	14.95	15.07	15.09	15.14	15.19	15.26
Auto sales in U.S.		8.60	8.95	9.49	9.17	9.20	9.19	9.19	9.19	9.19	9.21
North American prod.		6.63	7.08	7.46	7.23	7.28	7.34	7.36	7.38	7.40	7.42
Other		1.97	1.87	2.03	1.94	1.92	1.85	1.83	1.81	1.79	1.79
INCOME AND SAVING											
Nominal GNP	Bill. \$	6402.3	6520.9	6618.6	6713.2	6798.9	6874.5	6955.9	7027.6	7108.5	7183.4
Nominal GNP	% change	4.8	7.6	6.1	5.8	5.2	4.5	4.8	4.2	4.7	4.3
Nominal personal income		3.0	7.6	5.2	8.1	4.2	5.7	6.5	5.2	4.7	6.0
Real disposable income		1.6	5.4	3.3	2.6	2.6	2.4	3.4	3.5	3.1	3.1
Personal saving rate ¹	%	3.8	4.0	3.5	3.7	3.6	3.7	4.0	3.6	4.0	4.2
Corp. profits, IVA&CCAdj ¹	% change	9.4	38.1	-21.5	32.3	14.6	4.9	3	-7	1.6	-6
Profit share of GNP ¹	%	7.3	7.8	7.2	7.6	7.8	7.8	7.7	7.6	7.6	7.5
Federal govt. surpl./def.	Bill. \$	-212.7	-207.0	-163.6	-120.8	-132.7	-149.6	-154.7	-131.8	-145.2	-165.6
State/local surpl./def.		-1.7	7.2	-3.2	6.3	7.5	9.3	9.7	8.9	13.0	13.9
Ex. social ins. funds		-60.2	-50.7	-60.5	-50.5	-49.0	-46.9	-46.2	-46.7	-42.3	-41.3
PRICES AND COSTS											
GDP implicit deflator	% change	1.5	1.4	2.6	2.4	2.2	2.3	2.8	2.3	2.2	2.1
GDP fixed-wt. price index		2.1	2.3	3.2	2.5	2.7	3.0	3.4	2.8	2.7	2.7
Gross domestic purchases fixed-wt. price index		1.8	2.3	2.6	2.9	3.1	3.0	3.4	2.8	2.7	2.7
CPI		2.0	3.1	1.9	2.7	3.7	3.6	3.4	3.1	3.0	2.9
Ex. food and energy		2.4	2.9	2.6	3.1	3.3	3.2	3.2	3.1	3.1	3.1
1-hourly compensation ²		3.4	3.4	2.7	4.0	4.2	2.7	3.5	3.5	4.2	2.7
Nonfarm business sector		3.5	6.1	1.3	-1.1	2.0	1.3	9	1.1	1.1	1.1
Output per hour		3.1	2.5	5.3	1.8	3.5	3.5	3.9	3.5	3.5	3.5
Compensation per hour		-4	3.4	3.9	2.9	1.5	2.1	3.0	2.4	2.4	2.4
Unit labor cost											

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)

June 30 1994

Item	Projected										Projected			
	1993		1994				1995				1992	1993	1994	1995
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP	36.2	87.3	43.9	45.2	38.1	31.5	26.6	29.8	31.1	32.3	188.7	157.3	158.7	119.7
Gross domestic purchases	47.2	85.4	64.5	51.8	41.3	30.0	29.4	30.6	33.1	33.2	211.1	202.9	187.6	126.3
Final sales	42.7	85.3	31.8	34.4	40.7	33.2	26.6	30.7	30.7	32.4	187.1	157.5	140.1	120.4
Private dom. final purch.	53.2	83.5	60.7	40.2	40.5	31.4	28.5	30.5	31.9	32.2	198.8	208.4	172.8	123.1
Personal cons. expend.	36.9	37.3	45.0	14.9	25.7	20.6	16.6	17.1	18.6	19.1	129.7	109.7	106.2	71.5
Durables	8.9	17.8	12.5	-1.0	1.7	1.7	5	1.0	1.5	1.8	41.9	37.5	14.8	4.7
Nondurables	9.9	7.2	11.6	7.0	9.0	6.4	4.5	4.5	5.5	5.5	37.8	18.4	34.0	20.0
Services	18.1	12.3	20.8	9.1	15.0	12.5	11.6	11.7	11.7	11.8	50.0	53.8	57.4	46.8
Business fixed invest.	10.5	30.9	11.1	23.1	16.3	14.7	13.2	13.1	12.4	11.7	37.6	82.0	65.2	50.3
Producers' dur. equip.	10.4	26.4	18.6	12.4	13.9	12.1	10.9	10.6	10.0	9.3	40.5	74.3	57.1	40.7
Nonres. structures	.1	4.4	-7.4	10.6	2.4	2.6	2.3	2.6	2.4	2.4	3.0	7.6	8.3	9.6
Res. structures	5.9	15.1	4.7	2.2	-1.5	-3.9	1.3	2	9	1.5	31.5	16.6	1.4	1.3
Change in bus. invent.	-6.5	2.0	12.1	10.9	-2.6	1.7	1	-9	4	1	1.6	2	18.6	7
Nonfarm	2.3	-6.5	9.3	8.9	-3.7	2.4	3	1.2	2	-2	-2.8	5.4	12.0	1.5
Farm	-8.8	8.5	2.8	2.0	1.1	7	.2	3	2	1	4.4	5.6	6.6	8
Net exports	-11.1	1.8	-20.5	-6.6	-3.2	1.5	-2.9	-8	-2.0	9	-22.4	45.7	28.9	6.6
Exports	-1.3	28.1	-4.4	11.4	10.3	12.9	11.1	11.5	12.4	13.1	27.4	28.4	30.3	48.1
Imports	9.8	26.3	16.1	18.0	13.6	11.4	13.9	12.4	14.4	14.0	49.6	74.2	59.1	54.7
Government purchases	.6	0	-8.4	8	3.4	.3	1.0	1.0	8	1.0	10.7	-5.2	3.9	3.9
Federal	-5.7	-4.7	-4.7	-3.5	-2	3.4	2.0	-2.7	2.8	-2.6	1.6	24.7	11.8	10.8
Defense	-6.3	-3.0	-9.6	-1.9	-3	-3.1	-3.0	-2.8	-2.8	2.6	3.6	24.2	-14.9	11.2
Nondefense	.7	-1.9	4.9	1.5	-1	3	2	1	0	0	5.2	6	3.2	4
State and local	6.4	4.8	-3.8	4.3	3.6	3.7	3.8	3.7	3.6	3.6	9.1	19.6	7.8	14.7

1 Annual changes are from Q4 to Q4.

June 29, 1994

RECENT DEVELOPMENTS

**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)

	1994					
	Apr.	May	June ^e	Q1	Q2 ^e	Q3 ^s
U.S. production ¹	12.2	11.5	11.4	12.9	11.7	11.8
Autos	6.7	6.3	6.0	7.1	6.3	6.2
Trucks	5.5	5.2	5.4	5.8	5.4	5.5
Days' supply						
Autos	58.4	59.9			59.8	
Light trucks	58.0	61.7			55.2	

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

e Industry estimates.

s Scheduled.

Excluding motor vehicles and parts, manufacturing output increased at an average monthly pace of 0.4 percent in April and May, similar to the rapid rate of growth in 1993 and only a bit less than the robust first-quarter pace. Ongoing strength in production of business equipment and construction supplies was moderated early in the second quarter by a slowing in the output of consumer goods.

Indicators of industrial production point to substantial near-term strength. The staff's series on real adjusted durable goods orders held at a high level in April and May, after climbing nearly 5 percent in March. Although new orders for nondefense capital goods except aircraft have retraced most of the March jump, the level of unfilled orders for these goods remains high, suggesting that strength in business equipment output will continue through June. Moreover, among other durable goods industries, orders for materials and consumer goods appear to have firmed recently. Weekly physical product data through mid-June show a surge in electricity generation, likely owing to unusually hot weather.

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

	Fiscal year to date					
	April thru May				Dollar change	Percent change
	FY1993	FY1994	FY1993	FY1994		
Outlays						
Deposit insurance (DI)	231.5	239.5	941.5	966.3	24.8	2.6
-4.9	1.7	-18.5	-5.1	13.4	-72.6	
Outlays excluding DI	236.5	237.8	960.0	971.4	11.4	1.2
National defense	47.7	44.0	193.7	183.6	-10.1	-5.2
Net interest	34.0	34.8	133.3	133.9	.5	.4
Social security	50.7	53.2	199.2	209.1	9.9	5.0
Medicare and health	38.2	40.2	148.7	163.6	14.9	10.0
Income security	36.3	36.8	145.2	149.8	4.7	3.2
Other	29.7	29.0	139.9	131.3	-8.6	-6.1
Receipts						
Personal income taxes	202.7	224.9	729.8	801.0	71.2	9.8
73.8	94.4	320.7	346.1	25.5	7.9	
Social insurance taxes	91.5	96.9	283.2	306.3	23.1	8.1
Corporate income taxes	20.2	23.4	63.4	77.1	13.7	21.6
Other	17.2	20.2	62.5	71.6	9.1	14.6
Deficit(+)	28.9	14.6	211.7	165.3	-46.4	-21.9
Excluding DI	33.8	12.9	230.2	170.4	-59.8	-26.0
Note:						
Withheld + FICA	127.6	137.8	534.1	573.4	39.3	7.4
Nonwithheld + SECA	60.9	67.9	113.9	122.4	8.5	7.5
Individual refunds	36.9	38.9	69.2	70.3	1.1	1.6

Details may not add to totals because of rounding.

GROSS OFFERINGS OF SECURITIES BY U.S. CORPORATIONS¹
(Billions of dollars; monthly rates, not seasonally adjusted)

Type of security	1992	1993	1993		1994		
			Q4	Q1 ^P	Apr ^P	May ^P	June ^e
All U.S. corporations	40.84	53.46	51.78	53.00	33.28	37.41	31.00
Stocks ²	7.04	9.60	10.89	8.35	7.48	3.91	5.00
Bonds	33.80	43.86	40.89	44.65	25.80	33.50	26.00
<u>Nonfinancial corporations</u>							
Stocks ²	4.42	5.28	6.08	4.56	5.55	2.45	3.50
Sold in U.S.	4.03	5.12	6.08	3.99	3.63	2.23	3.10
Utility	.87	1.06	1.60	.65	.18	.37	n.a.
Industrial	3.16	4.00	4.48	3.34	3.45	1.86	n.a.
Sold abroad	.39	.16	.00	.56	1.92	.22	.40
Bonds	13.67	16.20	12.41	11.20	6.77	7.47	7.50
Sold in U.S.	12.83	15.56	12.10	10.46	6.00	6.50	7.00
Utility	5.33	7.34	5.15	4.57	2.50	2.00	n.a.
Industrial	7.50	8.22	6.96	5.89	3.50	4.50	n.a.
Sold abroad	.84	.64	.31	.74	.77	.97	.50
By quality ³							
Aaa and Aa	2.18	2.56	1.78	.80	.70	1.05	n.a.
A and Baa	7.74	8.71	5.78	5.52	3.39	2.92	n.a.
Less than Baa	2.86	4.17	4.45	3.91	1.75	2.40	n.a.
Unrated or rating unknown	.09	.09	.10	.00	.00	.00	n.a.
<u>Financial corporations</u>							
Stocks ²	2.62	4.61	5.30	3.79	1.92	1.46	1.50
Sold in U.S.	2.51	4.16	4.73	3.52	1.72	1.35	1.40
Sold abroad	.11	.45	.57	.27	.21	.12	.10
Bonds	20.13	27.66	28.48	33.45	19.03	26.03	18.50
Sold in U.S.	18.67	25.10	26.05	29.08	17.00	22.00	17.00
Sold abroad	1.46	2.56	2.44	4.37	2.03	4.03	1.50
By quality ³							
Aaa and Aa	1.55	1.87	1.57	3.27	4.19	1.78	n.a.
A and Baa	6.77	8.99	8.78	11.17	5.79	8.70	n.a.
Less than Baa	.31	.49	.69	.66	.12	.10	n.a.
Unrated or rating unknown	.04	.08	.13	.02	.17	.03	n.a.

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.

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

p Preliminary. e Staff estimate.

TREASURY FINANCING¹
(Total for period: billions of dollars)

Item	1994		1994		
	Q2 ^P	Q3 ^P	Apr.	May	June ²
Total surplus/deficit (-)	3.2	-57.4	17.5	-32.1	17.7
Means of financing deficit:					
Net cash borrowing/repayments(-)	9.8	50.8	-21.8	27.7	3.9
Nonmarketable	2.2	.7	1.3	1.0	.1
Marketable	7.6	50.1	-23.1	26.7	4.1
Bills	-23.1	12.4	-15.8	-5.1	-2.2
Coupons	30.7	37.7	-7.3	31.8	6.3
Decrease in the cash balance	-7.8	6.1	-4.1	21.5	-25.3
² Other	-5.1	.4	8.5	-17.1	3.6
Memo:					
Cash balance, end of period	52.4	46.3	48.7	27.2	52.4

1. Data reported on a payment basis.
 2. Includes checks issued less checks paid, accrued items, and other transactions.

p--Projected.

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

NET CASH BORROWING OF FEDERALLY SPONSORED CREDIT AGENCIES¹
(Billions of dollars)

Agency	1993		1994		1994	
	Q3	Q4	Q1	Apr.	May	
FHLBs	5.4	8.9	5.7	6.2	--	
FHLMC	17.1	-2.7	12.9	2.7	5.7	
FNMA	19.3	5.3	15.3	2.4	--	
Farm Credit Banks	.1	1.5	.7	.2	.1	
SLMA	.1	1.0	1.3	--	--	
FAMC ²	0	0	0	0	0	

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

2. Federal Agricultural Mortgage Corporation.

CONFIDENTIAL (FR)
CLASS III FOMC

July 1 1994

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

July 1, 1994

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

	1993 Oct	1993 Nov	1993 Dec	1994 Jan	1994 Feb	1994 Mar	1994 Apr	1994 May	1994 Jun (f)
Indexes of consumer sentiment (Feb. 1966=100)									
Composite of current and expected conditions	82.7	81.2	88.2	94.3	93.2	91.5	92.6	92.8	91.2
Current conditions	98.7	98.2	102.9	106.6	108.3	101.4	108.1	106.3	104.5
Expected conditions	72.5	70.3	78.6	86.4	83.5	85.1	82.6	84.2	82.7
<hr/>									
Personal financial situation									
Now compared with 12 months ago*	104	107	113	115	114	105	116	111	111
Expected in 12 months*	119	121	122	123	127	125	124	123	127
<hr/>									
Expected business conditions									
Next 12 months*	95	83	107	126	121	121	117	119	112
Next 5 years*	76	77	87	99	88	96	91	96	93
<hr/>									
Appraisal of buying conditions									
Cars	132	139	144	148	155	147	150	143	144
Large household appliances*	151	147	153	162	167	158	164	165	160
Houses	170	172	174	174	176	176	170	167	161
<hr/>									
Willingness to use credit	43	55	50	50	52	50	58	57	50
Willingness to use savings	58	81	63	70	70	69	71	75	76
<hr/>									
Expected unemployment change - next 12 months	137	131	115	104	115	112	116	116	114
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Expected inflation - next 12 months	4.0	3.6	3.8	3.5	3.7	4.4	4.5	3.9	4.1
Expected inflation - next 5 to 10 years	4.8	4.5	4.8	4.8	4.7	5.4	5.0	4.6	4.8

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

(p) -- Preliminary

(f) -- Final

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