

March 20, 1991

SUMMARY AND OUTLOOK

Prepared for the Federal Open Market Committee

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

output gains firmly established, businesses are expected to begin to accumulate inventories--albeit cautiously. In 1992, growth of real GNP is anticipated to slow a bit, but to remain above our estimate of its potential rate.

STAFF PROJECTIONS
(Percent change from end of preceding comparable period;
annual rate)

	1991			1992	
	Q1	Q2	H2	H1	H2
Real GNP	-2.4	1.9	3.9	3.0	2.6
(previous)	-1.5	2.8	3.1	2.7	2.5
Real PCE	-3.5	3.6	2.8	2.6	2.5
(previous)	-1.5	2.5	1.9	2.2	2.2
Real disposable personal income	1.4	3.2	2.1	2.4	2.3
(previous)	2.5	2.2	1.5	2.1	1.8
Civilian unemployment rate					
(percent; end of period)	6.5	6.8	6.3	6.2	6.0
(previous)	6.4	6.4	6.1	6.1	6.0

We continue to anticipate that growth in aggregate demand will be subject to several important moderating influences. The adjustment under way in commercial construction is expected to be a drag on real activity for some time. Federal purchases are also anticipated to decline steadily after the current quarter, under established budgetary restrictions. The availability of credit at depository institutions likely will continue to be restrained by banks' attempts to enhance their capital positions, although the constraint on credit supplies may be a shade less at this juncture than anticipated in the last Greenbook; bond investors have shared in the renewed optimism about the economic outlook, resulting in a narrowing of risk

Because of the quick conclusion of the Gulf war, the incremental increase in defense spending is now estimated to total around \$45 billion rather than the \$60 billion assumed in the January Greenbook. The current estimate approximates the supplemental budget authority that has been approved by the House and the Senate. Although less overall, the additional defense spending is projected to be slightly greater in the current fiscal year (\$23 billion) than previously thought, with spending in FY92 (\$15 billion) and beyond (\$7 billion) expected to be less.¹ Contributions by allies are anticipated to more than cover the incremental budget costs. However, because these contributions are expected to be paid fully in the current fiscal year, Desert Shield/Storm on net is projected to reduce the unified FY91 budget deficit \$27 billion and to raise the FY92 deficit \$15 billion. The change in the unified deficit from FY91 to FY92 is further

UNIFIED BUDGET DEFICIT
(Billions of dollars)

	FY90	FY91	FY92
Total	220	257	291
(previous)		283	266
Desert Shield/Storm	1	-27	15
(previous)		0	0
Deposit insurance	58	94	101
(previous)		91	94
Excl. Desert Shield/Storm and deposit ins.	161	190	176
(previous)		191	171

1. In the January Greenbook the additional Desert Shield/Storm spending was distributed as follows: \$20 billion in FY91, \$20 billion in FY92, and \$20 billion in subsequent years.

of countercyclical fiscal action, and the unusual constraints on financial intermediaries.

GROWTH OF REAL GNP IN EXPANSIONS
(Percent change; average annual rate)

Trough	Expansion		
	1st qtr.	1st 3 qtrs.	1st 7 qtrs.
1954:Q2	4.9	6.6	4.6
1958:Q2	9.8	8.2	5.8
1961:Q1	5.0	6.7	4.7
1970:Q4	11.2	4.3	4.8
1975:Q1	4.1	5.6	4.6
1980:Q3	5.2	3.9	.5
1982:Q4	3.5	6.3	6.4
	-----projection-----		
1991:Q1	1.9	3.2	2.9

Over the last six quarters of the forecast, real personal consumption expenditures are projected to rise at almost a 2-3/4 percent annual rate. Supported by a recovery in household wealth, spending increases slightly faster, on average, than does real disposable income. The personal saving rate is expected to drift a bit below its average of 5 percent in 1990 prior to the Iraqi invasion. Also, growth in exports of goods and services is projected to remain robust, though the growth of nonagricultural exports begins to moderate in late 1992 as the lagged effects of the 1990 dollar depreciation wane.

Elsewhere, business spending for equipment is forecast to accelerate in the second half of 1991, as production and sales show solid gains, and to grow more than 7 percent during 1992. Initially, higher outlays for motor vehicles and computers are anticipated to account for the pickup; by 1992, spending for industrial machinery is expected to firm. Some recovery in

to remain well short of our estimate of potential, and manufacturing capacity utilization is expected to edge up to just 80 percent, noticeably below its longer-run average. These factors should sustain the disinflationary process even as the economy expands at an appreciable clip.

After decelerating sharply during the first half of this year, the consumer price index is projected to rise at around a 4 percent rate in the second half. The pickup in the overall CPI occurs because the price of crude oil is assumed to stop falling by midyear, and domestic energy prices firm a bit. Excluding energy, the CPI is anticipated to rise at about a 4 percent rate, nearly a percentage point below the pace in the first half of this year. In 1992, the consumer price index is expected to slow a bit further, as the effects of slowing labor costs and the projected margin of slack shows through in underlying price trends.

STAFF PROJECTIONS OF PRICE INFLATION
(Percent change from end of preceding comparable period;
annual rate)

	1991				1992	
	Q1	Q2	Q3	Q4	H1	H2
Consumer price index	3.7	2.7	4.2	4.0	4.0	3.5
(previous)	3.4	3.8	4.3	4.1	4.1	3.8
Energy	-22.4	-10.8	5.6	4.4	3.7	3.6
(previous)	-15.5	-2.2	2.1	3.1	3.5	3.6
Excluding energy	6.3	3.9	4.1	4.0	4.0	3.5
(previous)	5.2	4.4	4.5	4.2	4.1	3.8

The ECI for compensation in private industry is projected to rise 4 percent in 1991 and 3.7 percent in 1992--after running at around 4-3/4 percent in each of the past three years. The improvement is

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STAFF GNP PROJECTIONS

Percent changes, annual rate

		Nominal GNP		Real GNP		GNP fixed-weight price index		Consumer Price Index <1>		Unemployment rate (percent)	
		1/30/91	3/20/91	1/30/91	3/20/91	1/30/91	3/20/91	1/30/91	3/20/91	1/30/91	3/20/91
Annual changes:											
1988	<2>	7.9	7.9	4.5	4.5	4.2	4.2	4.1	4.1	5.5	5.5
1989	<2>	6.7	6.7	2.5	2.5	4.5	4.5	4.8	4.8	5.3	5.3
1990	<2>	5.0	5.1	.9	.9	4.5	4.6	5.4	5.4	5.5	5.5
1991		4.4	4.1	.5	.3	4.2	4.1	4.7	4.6	6.3	6.5
1992		6.5	6.5	2.8	3.1	3.9	3.6	4.0	3.9	6.0	6.1
Quarterly changes:											
1989	Q1 <2>	7.5	7.5	3.6	3.6	4.9	4.9	5.4	5.1	5.2	5.2
	Q2 <2>	5.8	5.8	1.6	1.6	4.6	4.6	6.0	6.0	5.3	5.3
	Q3 <2>	5.1	5.1	1.7	1.7	3.1	3.1	2.9	3.3	5.3	5.3
	Q4 <2>	3.9	3.9	.3	.3	3.8	3.8	3.9	3.9	5.3	5.3
1990	Q1 <2>	6.7	6.7	1.7	1.7	6.6	6.6	8.2	7.5	5.3	5.3
	Q2 <2>	5.1	5.1	.4	.4	3.9	3.9	3.8	3.8	5.3	5.3
	Q3 <2>	5.3	5.3	1.4	1.4	4.2	4.2	6.3	7.0	5.6	5.6
	Q4 <2>	.3	.5	-2.1	-2.0	4.1	4.7	6.9	6.9	5.9	5.9
1991	Q1	3.3	2.1	-1.5	-2.4	5.0	4.7	3.4	3.7	6.4	6.5
	Q2	6.7	5.7	2.8	1.9	3.7	3.5	3.8	2.7	6.4	6.8
	Q3	6.8	7.6	3.1	3.9	4.0	3.7	4.3	4.2	6.2	6.5
	Q4	6.7	7.2	3.1	3.8	3.7	3.5	4.1	4.0	6.1	6.3
1992	Q1	6.8	6.7	2.8	3.0	4.3	4.0	4.1	4.2	6.1	6.2
	Q2	6.0	6.0	2.6	2.9	3.7	3.4	4.0	3.8	6.1	6.2
	Q3	6.0	5.6	2.5	2.6	3.7	3.3	3.8	3.5	6.0	6.1
	Q4	5.9	5.5	2.4	2.6	3.6	3.2	3.7	3.5	6.0	6.0
Two-quarter changes: <3>											
1989	Q2 <2>	6.7	6.7	2.6	2.6	4.7	4.7	5.7	5.6	.0	.0
	Q4 <2>	4.5	4.5	1.0	1.0	3.4	3.4	3.4	3.6	.0	.0
1990	Q2 <2>	5.9	5.9	1.1	1.1	5.3	5.3	5.9	5.6	.0	.0
	Q4 <2>	2.8	2.9	-.4	-.3	4.2	4.4	6.6	6.9	.6	.6
1991	Q2	5.0	3.9	.7	-.2	4.4	4.1	3.6	3.2	.5	.9
	Q4	6.8	7.4	3.1	3.9	3.8	3.6	4.2	4.1	-.3	-.5
1992	Q2	6.4	6.3	2.7	3.0	4.0	3.7	4.1	4.0	.0	-.1
	Q4	5.9	5.6	2.5	2.6	3.6	3.2	3.8	3.5	-.1	-.2
Four-quarter changes: <4>											
1988	Q4 <2>	7.8	7.8	3.5	3.5	4.6	4.6	4.3	4.3	-.5	-.5
1989	Q4 <2>	5.6	5.6	1.8	1.8	4.0	4.0	4.6	4.6	.0	.0
1990	Q4 <2>	4.3	4.4	.3	.4	4.7	4.8	6.3	6.3	.6	.6
1991	Q4	5.9	5.6	1.9	1.8	4.1	3.9	3.9	3.7	.2	.4
1992	Q4	6.2	5.9	2.6	2.8	3.8	3.5	3.9	3.7	-.1	-.3

<1> For all urban consumers.

<2> Actual.

<3> Percent change from two quarters earlier.

<4> Percent change from four quarters earlier.

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CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS
(Seasonally adjusted; annual rate)

		Projection								
	Units	1984	1985	1986	1987	1988	1989	1990	1991	1992
EXPENDITURES										
Nominal GNP	Billions of \$	3772.2	4014.9	4231.6	4515.6	4873.7	5200.8	5463.6	5685.5	6054.4
Real GNP	Billions of 82\$	3501.4	3618.7	3717.9	3845.3	4016.9	4117.7	4156.3	4169.3	4299.1
Real GNP	Percent change*	5.1	3.6	1.9	5.0	3.5	1.8	.4	1.8	2.8
Gross domestic purchases		6.4	4.3	2.1	4.2	2.6	1.1	-.3	1.4	2.6
Final sales		4.7	4.6	2.7	3.1	4.5	1.7	1.4	.9	2.5
Private dom. final purchases		5.6	4.6	2.9	2.5	4.0	1.2	.0	.7	3.1
Personal consumption expend.		4.1	4.6	3.8	2.3	4.1	1.2	.3	1.4	2.6
Durables		10.8	7.0	11.5	-1.2	9.3	-1.4	-1.3	.5	2.7
Nondurables		2.3	3.3	2.9	1.3	2.4	.6	-2.2	.0	1.7
Services		3.5	5.0	2.1	4.1	3.7	2.4	2.5	2.6	3.0
Business fixed investment		13.8	3.7	-5.5	6.1	5.3	4.5	1.8	-2.3	4.5
Producers' durable equipment		14.9	4.6	.4	8.2	8.2	5.4	4.1	-.6	7.3
Nonresidential structures		11.8	1.9	-17.7	.8	-2.7	1.7	-5.4	-8.1	-5.8
Residential structures		6.1	5.8	11.6	-2.2	-.1	-7.1	-9.6	-.7	7.9
Exports		5.9	-2.4	10.6	19.8	14.0	10.1	4.9	4.9	8.1
Imports		17.4	4.5	10.0	10.4	5.5	4.5	.1	2.6	6.7
Government purchases		7.9	8.6	3.1	2.0	1.1	.3	3.6	-.2	-.8
Federal		13.0	13.3	.5	1.5	-1.6	-2.8	4.7	.2	-4.1
Defense		6.5	7.1	6.0	4.0	-1.8	-2.1	3.1	-1.9	-6.8
State and local		4.4	4.9	5.2	2.3	3.1	2.6	2.9	-.4	1.5
Change in business inventories	Billions of 82\$	62.3	9.1	5.6	22.8	23.6	23.8	-2.5	-8.5	23.0
Nonfarm	Billions of 82\$	57.8	13.4	8.0	28.7	26.5	18.7	-4.0	-9.9	21.0
Net exports	Billions of 82\$	-84.0	-104.3	-129.7	-118.5	-75.9	-54.1	-36.2	-3.4	2.3
Nominal GNP	Percent change*	8.6	6.6	4.6	8.2	7.8	5.6	4.4	5.6	5.9
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employment	Millions	94.5	97.5	99.5	102.2	105.5	108.4	110.3	110.0	112.0
Unemployment rate	Percent	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.5	6.1
Industrial production index	Percent change*	4.7	1.9	1.4	6.5	4.5	1.1	.3	1.3	4.1
Capacity utilization rate-mfg.	Percent	80.4	79.5	79.0	81.4	83.9	83.9	82.3	78.5	79.9
Housing starts	Millions	1.77	1.74	1.81	1.62	1.49	1.38	1.19	1.05	1.18
Auto sales	Millions	10.35	11.03	11.44	10.23	10.65	9.89	9.51	8.80	9.48
Domestic	Millions	7.92	8.22	8.22	7.06	7.55	7.06	6.90	6.42	6.85
Foreign	Millions	2.43	2.82	3.22	3.18	3.10	2.83	2.60	2.38	2.63
INCOME AND SAVING										
Nominal personal income	Percent change*	8.4	6.6	5.8	8.1	7.6	6.8	5.5	6.0	6.7
Real disposable income	Percent change*	4.3	2.7	3.3	2.7	4.3	1.7	-.4	2.2	2.3
Personal saving rate	Percent	6.1	4.4	4.1	2.9	4.2	4.6	4.5	4.9	4.7
Corp. profits with IVA & CCAdj	Percent change*	7.4	9.2	-5.6	17.4	8.2	-16.8	-.1	4.2	1.0
Profit share of GNP	Percent	7.1	7.0	6.7	6.8	6.9	6.0	5.5	5.0	5.1
Federal govt. surplus/deficit	Billions of \$	-169.6	-196.9	-206.9	-158.2	-141.7	-134.3	-163.9	-146.4	-160.0
State and local govt. surplus		64.6	65.1	62.8	51.0	46.5	46.4	36.3	41.1	71.9
Exc. social insurance funds		19.8	13.8	5.6	-8.3	-16.4	-19.9	-33.1	-31.6	-4.4
PRICES AND COSTS										
GNP implicit deflator	Percent change*	3.4	2.9	2.6	3.0	4.1	3.7	4.0	3.7	3.1
GNP fixed-weight price index		3.7	3.3	2.6	3.8	4.6	4.0	4.8	3.9	3.5
Cons. & fixed invest. prices		3.3	3.4	2.5	4.5	4.3	4.3	5.3	3.5	3.5
CPI		4.2	3.5	1.3	4.5	4.3	4.6	6.3	3.7	3.7
Exc. food and energy		5.0	4.3	3.9	4.3	4.5	4.3	5.3	4.8	3.8
ECI hourly compensation		4.9	3.9	3.2	3.3	4.8	4.8	4.6	4.0	3.7
Nonfarm business sector										
Output per hour		1.5	1.6	1.3	2.3	1.8	-1.6	.0	1.6	1.4
Compensation per hour		4.1	4.6	4.9	3.7	4.2	2.2	4.4	4.1	3.7
Unit labor costs		2.6	3.0	3.6	1.4	2.3	3.9	4.4	2.5	2.3

* Percent changes are from fourth quarter to fourth quarter.

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CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS
(Seasonally adjusted; annual rate)

	Units	1988				1989				1990	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GNP	Billions of \$	4735.8	4831.4	4917.9	5009.8	5101.3	5174.0	5238.6	5289.3	5375.4	5443.3
Real GNP	Billions of \$2\$	3970.2	4005.8	4032.1	4059.3	4095.7	4112.2	4129.7	4133.2	4150.6	4155.1
Real GNP	Percent Change	5.1	3.6	2.7	2.7	3.6	1.6	1.7	.3	1.7	.4
Gross domestic purchases		1.6	3.0	3.2	2.4	1.2	1.8	2.8	-1.2	.5	1.3
Final sales		7.1	5.1	1.1	4.6	2.4	1.7	1.8	.9	3.8	-7
Private dom. final purchases		6.7	4.8	3.0	1.7	.8	1.4	4.1	-1.5	2.4	-1.2
Personal consumption expend.		6.9	2.7	3.5	3.5	-.3	1.3	4.6	-.8	1.1	.2
Durables		21.8	3.7	-1.1	14.1	-6.0	5.6	9.6	-13.0	14.4	-9.5
Nondurables		2.6	2.0	-4.1	1.2	.6	-1.7	3.9	-.2	-3.2	-1.9
Services		5.6	2.9	4.5	1.9	.9	2.1	3.5	3.1	.1	5.1
Business fixed investment		11.4	15.7	1.6	-6.3	8.9	6.9	6.3	-3.8	5.0	-4.7
Producers' durable equipment		20.3	17.9	2.2	-5.5	9.5	12.2	6.1	-5.2	5.7	-3.3
Nonresidential structures		-10.5	9.9	-.3	-8.7	7.5	-8.2	7.1	1.3	2.3	-9.0
Residential structures		-6.8	6.8	.4	-.4	-3.6	-11.3	-7.6	-5.5	15.1	-11.2
Exports		31.7	4.4	5.4	16.7	15.8	12.4	-.5	13.5	11.2	-5.0
Imports		.5	.3	9.2	12.4	-2.3	12.8	6.4	1.7	2.5	.7
Government purchases		-9.2	3.3	-3.8	15.7	-3.3	4.0	-2.4	3.0	2.9	6.2
Federal		-24.1	3.5	-10.4	33.6	-9.1	7.0	-7.9	-.4	.4	16.4
Defense		-5.6	-1.4	-5.0	4.9	-10.9	3.2	7.2	-7.0	-1.7	3.3
State and local		3.9	3.2	1.2	4.3	1.3	1.8	1.8	5.6	4.8	-.6
Change in business inventories	Billions of \$2\$	31.0	16.9	32.6	14.0	26.1	25.5	24.6	18.9	-2.2	9.5
Nonfarm	Billions of \$2\$	28.8	19.2	31.0	27.2	16.4	21.5	21.7	15.3	-8.2	11.6
Net exports	Billions of \$2\$	-77.3	-72.2	-78.5	-75.7	-51.1	-53.3	-64.1	-47.9	-35.4	-44.6
Nominal GNP	Percent change	7.8	8.3	7.4	7.7	7.5	5.8	5.1	3.9	6.7	5.1
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	104.3	105.1	105.9	106.8	107.6	108.2	108.7	109.2	109.9	110.5
Unemployment rate	Percent*	5.7	5.5	5.5	5.3	5.2	5.3	5.3	5.3	5.3	5.3
Industrial production index	Percent change	5.0	4.2	5.9	2.8	2.7	2.8	-1.2	.2	.6	4.2
Capacity utilization rate-mfg.	Percent*	83.1	83.6	84.3	84.6	84.7	84.5	83.7	82.9	82.7	82.8
Housing starts	Millions	1.43	1.49	1.48	1.55	1.46	1.36	1.35	1.35	1.43	1.20
Auto sales	Millions	10.91	10.67	10.15	10.88	10.03	10.26	10.20	9.09	10.01	9.53
Domestic	Millions	7.60	7.50	7.20	7.89	7.08	7.26	7.36	6.56	7.11	6.78
Foreign	Millions	3.30	3.17	2.95	2.99	2.95	3.00	2.84	2.53	2.90	2.75
INCOME AND SAVING											
Nominal personal income	Percent change	6.4	8.6	8.1	7.4	11.6	5.8	3.7	6.2	8.6	5.3
Real disposable income	Percent change	7.3	2.7	4.9	2.3	4.2	-1.2	2.7	1.2	2.5	.3
Personal saving rate	Percent*	4.0	4.1	4.5	4.1	5.2	4.6	4.1	4.6	4.9	5.0
Corp. profits with IVA & CCAdj	Percent change	9.5	6.6	-1.7	19.5	-23.2	-7.0	-17.1	-19.1	8.4	13.9
Profit share of GNP	Percent*	7.0	7.0	6.8	7.0	6.4	6.2	5.9	5.5	5.5	5.6
Federal govt. surplus/deficit	Billions of \$	-153.7	-136.9	-120.1	-156.3	-132.6	-122.7	-131.7	-150.1	-168.3	-166.0
State and local govt. surplus		45.5	48.3	46.8	45.2	48.9	50.3	48.1	38.5	38.1	38.6
Exc. social insurance funds		-15.6	-14.1	-17.0	-19.0	-16.2	-15.6	-18.7	-29.1	-30.2	-30.4
PRICES AND COSTS											
GNP implicit deflator	Percent change	2.7	4.4	4.7	4.7	3.9	3.9	3.2	3.8	4.8	4.7
GNP fixed-weight price index		3.9	4.7	5.5	4.4	4.9	4.6	3.1	3.8	6.6	3.9
Cons. & fixed invest. prices		2.9	4.9	4.5	5.0	5.0	5.3	2.3	4.6	6.8	2.6
CPI		3.2	4.5	5.2	4.4	5.1	6.0	3.3	3.9	7.5	3.8
Exc. food and energy		4.1	4.7	4.6	4.6	4.9	4.2	3.8	4.7	5.9	4.9
ECI hourly compensation**		5.2	5.2	3.8	5.1	4.2	4.9	5.3	4.4	5.6	5.1
Nonfarm business sector											
Output per hour		4.7	-.5	2.8	.2	-2.7	-.3	-1.0	-2.5	-1.3	.3
Compensation per hour		2.4	5.1	5.3	3.8	3.3	1.7	1.6	2.3	3.9	5.0
Unit labor costs		-2.2	5.7	2.5	3.6	6.1	2.0	2.6	5.0	5.3	4.7

* Not at an annual rate.

** Private industry workers

March 20, 1991

CONFIDENTIAL - FR
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS
(Seasonally adjusted; annual rate)

	Units	Projection									
		1990		1991				1992			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GNP	Billions of \$	5514.6	5521.3	5550.2	5628.2	5731.7	5832.1	5927.8	6014.3	6096.5	6178.9
Real GNP	Billions of 82\$	4170.0	4149.5	4124.6	4144.5	4184.5	4223.7	4255.5	4285.6	4313.6	4341.6
Real GNP	Percent Change	1.4	-2.0	-2.4	1.9	3.9	3.8	3.0	2.9	2.6	2.6
Gross domestic purchases		1.6	-4.5	-3.8	2.0	3.9	3.9	2.8	2.6	2.5	2.5
Final sales		1.9	.6	-2.4	2.0	2.1	2.0	2.5	2.6	2.6	2.4
Private dom. final purchases		2.3	-3.5	-5.4	2.7	3.0	2.8	3.0	3.1	3.2	3.2
Personal consumption expend.		2.7	-2.9	-3.5	3.6	3.0	2.6	2.6	2.6	2.5	2.5
Durables		2.6	-10.7	-14.7	9.6	5.9	3.0	3.2	2.5	2.6	2.5
Nondurables		2.3	-5.9	-5.5	2.3	1.8	1.6	1.6	1.8	1.8	1.8
Services		3.0	1.8	1.6	2.7	2.9	3.2	3.1	3.1	3.0	3.0
Business fixed investment		8.9	-1.3	-10.5	-1.4	1.3	1.9	3.1	4.3	5.2	5.5
Producers' durable equipment		10.2	4.2	-10.8	.6	3.9	4.6	6.0	7.2	8.0	8.0
Nonresidential structures		5.1	-17.9	-9.3	-8.3	-7.4	-7.4	-7.1	-6.2	-5.3	-4.5
Residential structures		-19.8	-18.5	-19.1	.6	10.3	8.5	8.9	7.4	8.1	7.0
Exports		6.9	7.1	-3.5	7.7	7.3	8.6	8.9	8.0	7.7	7.7
Imports		7.6	-9.7	-12.2	7.7	7.4	9.0	7.0	6.1	6.7	7.1
Government purchases		1.2	4.2	2.7	-.6	-1.7	-1.0	-.7	-.9	-.7	-1.1
Federal		.1	2.8	9.2	-.6	-3.9	-3.6	-3.1	-4.1	-3.9	-5.3
Defense		2.7	8.3	11.4	-4.6	-7.4	-5.7	-5.6	-6.6	-6.5	-8.3
State and local		2.0	5.3	-1.8	-.6	-.1	.9	1.1	1.5	1.7	1.8
Change in business inventories	Billions of 82\$	4.7	-22.2	-21.9	-22.7	-4.0	14.6	20.0	23.0	23.5	25.5
Nonfarm	Billions of 82\$	4.7	-24.0	-22.1	-23.6	-6.0	12.3	18.1	21.0	21.5	23.5
Net exports	Billions of 82\$	-46.5	-18.5	-3.1	-3.2	-3.4	-4.0	-1.1	1.9	3.6	4.7
Nominal GNP	Percent change	5.3	.5	2.1	5.7	7.6	7.2	6.7	6.0	5.6	5.5
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	110.7	110.2	109.6	109.4	110.1	110.8	111.3	111.7	112.2	112.7
Unemployment rate	Percent*	5.6	5.9	6.5	6.8	6.5	6.3	6.2	6.2	6.1	6.0
Industrial production index	Percent change	3.9	-7.1	-9.2	1.9	7.0	6.5	4.5	4.2	3.9	3.9
Capacity utilization rate-mfg.	Percent*	82.9	80.8	78.1	77.9	78.7	79.3	79.6	79.8	80.0	80.1
Housing starts	Millions	1.13	1.04	.95	1.04	1.09	1.11	1.15	1.17	1.20	1.22
Auto sales	Millions	9.68	8.97	8.13	8.73	9.10	9.25	9.40	9.45	9.50	9.55
Domestic	Millions	7.21	6.59	6.00	6.38	6.60	6.70	6.80	6.83	6.86	6.90
Foreign	Millions	2.47	2.38	2.12	2.35	2.50	2.55	2.60	2.62	2.64	2.65
INCOME AND SAVING											
Nominal personal income	Percent change	5.0	3.3	4.7	6.3	5.9	6.9	7.9	6.2	6.1	6.5
Real disposable income	Percent change	-.7	-3.7	1.4	3.3	1.5	2.6	2.8	2.0	2.1	2.5
Personal saving rate	Percent*	4.2	4.0	5.2	5.1	4.8	4.8	4.8	4.7	4.6	4.6
Corp. profits with IVA & CCAdj	Percent change	-7.5	-12.8	-27.2	-.7	32.3	23.2	9.6	.7	-7.2	1.6
Profit share of GNP	Percent*	5.5	5.3	4.8	4.8	5.0	5.2	5.2	5.2	5.0	5.0
Federal govt. surplus/deficit	Billions of \$	-145.7	-175.7	-126.2	-124.6	-160.4	-174.4	-173.6	-162.3	-152.7	-151.5
State and local govt. surplus		39.3	28.8	28.1	35.0	45.6	55.7	63.5	69.5	74.7	79.7
Exc. social insurance funds		-30.5	-41.7	-43.2	-37.2	-27.5	-18.3	-11.4	-6.3	-2.0	2.1
PRICES AND COSTS											
GNP implicit deflator	Percent change	3.7	2.8	4.5	3.7	3.5	3.3	3.6	3.0	2.9	2.8
GNP fixed-weight price index		4.2	4.7	4.7	3.5	3.7	3.5	4.0	3.4	3.3	3.2
Cons. & fixed invest. prices		5.4	6.4	3.3	3.0	3.9	3.7	3.8	3.5	3.4	3.3
CPI		7.0	6.9	3.7	2.7	4.2	4.0	4.2	3.8	3.5	3.5
Exc. food and energy		6.1	4.2	7.0	3.9	4.2	4.1	4.3	3.8	3.5	3.5
ECI hourly compensation**		4.3	3.8	4.4	4.2	3.8	3.7	4.1	3.6	3.6	3.5
Nonfarm business sector											
Output per hour		.6	.3	1.4	1.3	1.7	1.9	1.7	1.7	1.2	1.1
Compensation per hour		4.7	4.0	4.5	4.3	3.9	3.9	4.1	3.6	3.6	3.6
Unit labor costs		4.1	3.7	3.1	3.0	2.2	2.0	2.4	1.9	2.4	2.5

* Not at an annual rate.

** Private industry workers

CONFIDENTIAL - FR
CLASS II FOMC

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Net changes, billions of 1982 dollars)

March 20, 1991

	1988				1989				1990		1987	1988	1989	1990
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
Real GNP	49.5	35.6	26.3	27.2	36.4	16.5	17.5	3.5	17.4	4.5	187.1	138.6	73.9	16.3
Gross domestic purchases	15.5	30.5	32.6	24.4	11.8	18.7	28.3	-12.7	4.9	13.7	163.0	103.0	46.1	-13.1
Final sales	66.9	49.7	10.6	45.7	24.4	17.0	18.5	9.3	38.4	-7.2	117.9	172.9	69.2	57.3
Private dom. final purchases	51.8	38.3	24.4	14.2	6.5	11.4	34.1	-12.9	20.2	-10.3	78.5	128.7	39.1	-1.2
Personal consumption expend.	42.6	17.3	22.3	22.4	-2.1	8.6	30.0	-5.4	7.4	1.5	56.4	104.6	31.1	7.0
Durables	19.8	3.8	-1.1	13.9	-6.6	5.8	9.9	-15.0	14.5	-10.8	-4.9	36.4	-5.9	-5.6
Nondurables	5.7	4.4	9.1	2.7	1.4	-3.9	8.8	-.4	-7.4	-4.4	11.7	21.9	5.9	-20.4
Services	17.1	9.1	14.2	6.0	3.0	6.7	11.3	10.0	.4	16.6	49.6	46.4	31.0	33.0
Business fixed investment	12.7	17.6	2.0	-8.0	10.5	8.4	7.8	-4.9	6.2	-6.2	26.6	24.3	21.8	9.2
Producers' durable equipment	16.0	14.9	2.0	-5.2	8.4	10.9	5.7	-5.2	5.4	-3.3	25.6	27.7	19.8	15.7
Nonresidential structures	-3.4	2.9	-.1	-2.8	2.2	-2.6	2.1	.4	.7	-2.9	1.0	-3.4	2.1	-6.6
Residential structures	-3.4	3.2	.2	-.2	-1.8	-5.7	-3.7	-2.6	6.5	-5.5	-4.5	-.2	-13.8	-17.4
Change in business inventories	-17.4	-14.1	15.7	-18.6	12.1	-.6	-.9	-5.7	-21.1	11.7	69.2	-34.4	4.9	-41.1
Nonfarm	-26.6	-9.6	11.8	-3.8	-10.8	5.1	.2	-6.4	-23.5	19.8	66.3	-28.2	-11.9	-39.3
Farm	9.1	-4.5	3.9	-14.8	22.9	-5.7	-1.1	.7	2.4	-8.1	3.0	-6.3	16.8	-1.7
Net exports	34.0	5.1	-6.3	2.8	24.6	-2.2	-10.8	16.2	12.5	-9.2	24.1	35.6	27.8	29.4
Exports	34.7	5.6	7.0	21.0	20.8	17.1	-.7	19.1	16.5	-8.0	80.5	68.3	56.3	29.8
Imports	.7	.5	13.3	18.2	-3.7	19.2	10.1	2.8	4.1	1.2	56.4	32.7	28.4	.5
Government purchases	-18.9	6.3	-7.5	28.7	-6.7	7.8	-4.8	6.0	5.7	12.3	15.3	8.6	2.3	29.1
Federal	-23.2	2.8	-8.9	23.9	-8.1	5.7	-6.9	-.3	.3	12.9	5.3	-5.4	-9.6	15.7
Defense	-3.8	-.9	-3.3	3.1	-7.4	2.0	4.5	-4.7	-1.1	2.1	10.2	-4.9	-5.6	7.9
Nondefense	-19.4	3.7	-5.6	20.8	-.8	3.8	-11.4	4.4	1.4	10.8	-4.9	-.5	-4.0	7.7
State and local	4.3	3.5	1.3	4.8	1.5	2.1	2.1	6.3	5.5	-.7	10.0	13.9	12.0	13.4

CONFIDENTIAL - FR
CLASS II FOMC

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Net changes, billions of 1982 dollars)

March 20, 1991

	Projection										Projection			
	1990		1991				1992				1989	1990	1991	1992
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	(fourth quarter to fourth quarter, net change)			
Real GNP	14.9	-20.5	-24.9	19.9	40.0	39.2	31.8	30.1	28.0	28.0	73.9	16.3	74.2	117.8
Gross domestic purchases	16.8	-48.5	-40.3	20.0	40.2	39.8	28.9	27.0	26.3	26.9	46.1	-13.1	59.7	109.2
Final sales	19.7	6.4	-25.2	20.7	21.3	20.6	26.4	27.1	27.5	26.0	69.2	57.3	37.4	106.9
Private dom. final purchases	19.1	-30.2	-46.1	22.0	25.1	23.3	25.0	25.8	27.2	27.3	39.1	-1.2	24.2	105.3
Personal consumption expend.	18.0	-19.9	-23.5	23.6	19.6	17.6	17.6	17.4	17.3	17.3	31.1	7.0	37.3	69.6
Durables	2.7	-12.0	-16.3	9.3	5.9	3.1	3.3	2.6	2.7	2.7	-5.9	-5.6	2.1	11.3
Nondurables	5.2	-13.8	-12.6	5.2	4.0	3.6	3.6	4.1	4.1	4.1	5.9	-20.4	.2	15.8
Services	10.0	6.0	5.4	9.1	9.7	10.9	10.7	10.7	10.5	10.6	31.0	33.0	35.1	42.5
Business fixed investment	10.9	-1.7	-14.1	-1.8	1.6	2.4	3.9	5.4	6.6	7.0	21.8	9.2	-12.0	22.9
Producers' durable equipment	9.5	4.1	-11.3	.6	3.7	4.5	5.9	7.1	8.0	8.2	19.8	15.7	-2.5	29.1
Nonresidential structures	1.5	-5.9	-2.8	-2.4	-2.1	-2.1	-1.9	-1.7	-1.4	-1.2	2.1	-6.6	-9.4	-6.2
Residential structures	-9.8	-8.6	-8.5	.2	3.9	3.3	3.5	3.0	3.3	3.0	-13.8	-17.4	-1.1	12.8
Change in business inventories	-4.8	-26.9	.3	-.8	18.7	18.6	5.4	3.0	.5	2.0	4.9	-41.1	36.8	10.9
Nonfarm	-6.9	-28.7	1.9	-1.5	17.6	18.3	5.8	2.9	.5	2.0	-11.9	-39.3	36.3	11.2
Farm	2.1	1.9	-1.7	.7	1.1	.3	-.4	.1	.0	.0	16.8	-1.7	.4	-.3
Net exports	-1.9	28.0	15.4	-.1	-.2	-.6	2.8	3.0	1.7	1.1	27.8	29.4	14.5	8.6
Exports	10.4	10.9	-5.6	11.9	11.6	13.7	14.4	13.3	13.1	13.3	56.3	29.8	31.5	54.2
Imports	12.3	-17.1	-21.0	12.0	11.7	14.4	11.6	10.3	11.5	12.2	28.4	.5	17.0	45.6
Government purchases	2.5	8.6	5.5	-1.2	-3.6	-2.1	-1.4	-1.8	-1.4	-2.4	2.3	29.1	-1.3	-7.0
Federal	.1	2.4	7.7	-.5	-3.5	-3.2	-2.7	-3.6	-3.4	-4.6	-9.6	15.7	.6	-14.3
Defense	1.7	5.2	7.2	-3.2	-5.1	-3.8	-3.7	-4.3	-4.2	-5.3	-5.6	7.9	-4.9	-17.5
Nondefense	-1.6	-2.9	.6	2.7	1.6	.6	1.0	.7	.8	.7	-4.0	7.7	5.6	3.2
State and local	2.4	6.2	-2.2	-.7	-.1	1.1	1.3	1.8	2.0	2.2	12.0	13.4	-1.9	7.3

FEDERAL SECTOR ACCOUNTS¹
(Billions of dollars)

	Fiscal years				1990				1991				1992			
	1989a	1990a	1991	1992	Ia	Ia	IIIa	IVa	I	II	III	IV	I	II	III	IV
BUDGET					Not seasonally adjusted											
Budget receipts ²	991	1031	1148	1174	230	319	254	254	265	350	280	258	270	354	292	273
Budget outlays ²	1144	1252	1405	1465	310	331	312	340	335	369	361	375	367	360	363	374
Surplus/deficit (-) ²	-153	-220	-257	-291	-80	-12	-58	-86	-70	-19	-82	-117	-97	-6	-71	-101
(On-budget)	-206	-277	-323	-364	-94	-41	-65	-96	-88	-48	-91	-128	-111	-43	-82	-112
(Off-budget)	53	57	66	73	14	29	7	10	18	29	9	11	14	37	11	11
Surplus excluding deposit insurance ³	-131	-162	-163	-190	-74	17	-41	-71	-54	15	-52	-89	-69	16	-48	-88
Means of financing:																
Borrowing	140	263	285	276	90	41	69	99	60	24	102	107	73	34	62	102
Cash decrease	3	1	0	5	8	-16	-6	8	5	4	-17	15	5	-20	5	10
Other ⁴	10	-44	-28	10	-18	-13	-6	-20	5	-9	-3	-5	19	-8	4	-11
Cash operating balance, end of period	41	40	40	35	18	35	40	32	27	23	40	25	20	40	35	25
NIPA FEDERAL SECTOR					Seasonally adjusted annual rates											
Receipts	1038	1092	1161	1257	1081	1106	1126	1136	1152	1164	1192	1218	1252	1271	1287	1309
Expenditures	1174	1249	1308	1423	1249	1272	1272	1311	1278	1289	1353	1392	1425	1433	1440	1460
Purchases	400	415	446	446	411	422	426	436	450	451	448	446	449	447	444	440
Defense	301	307	329	319	307	310	313	322	335	332	327	323	322	318	314	308
Nondefense	99	107	117	127	103	112	113	114	115	119	122	124	127	129	130	132
Other expend.	774	835	861	976	838	850	846	876	828	837	904	946	976	987	996	1021
Surplus/deficit	-136	-158	-147	-166	-168	-166	-146	-176	-126	-125	-160	-174	-174	-162	-153	-152
FISCAL INDICATORS ⁵																
High-employment (HEB) surplus/deficit (-)	-149	-150	-86	-111	-166	-154	-127	-137	-61	-53	-95	-116	-118	-109	-101	-103
Change in HEB, percent of potential GNP	0	0	-1.2	.4	.3	-.2	-.5	.2	-1.3	-.1	.7	.3	0	-.1	-.1	0
Fiscal impetus measure (FI), percent	-3.5 *	-3.4 *	-2.3 *	-4.8 *	-2.3	1.2	-.8	1.3	-2.5	0	-1.2	-.9	-2.2	-.9	-.9	-.1

a---actual

*--calendar year

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

- Staff projections. CBO's January deficit estimates are \$298 billion in FY1991 and \$284 billion in FY1992. OMB's February deficit estimates are \$318 billion in FY1991 and \$281 billion in FY1992.
- Budget receipts, outlays, and surplus/deficit include social security (OASDI) receipts, outlays and surplus, respectively. 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 FY1990.
- CBO's January deficit estimates, excluding deposit insurance spending, are \$194 billion in FY1991 and \$186 billion in FY1992. OMB's February deficit estimates, excluding deposit insurance spending, are \$207 billion in FY1991 and \$193 billion in FY1992.
- Other means of financing are checks issued less checks paid, accrued items, and changes in other financial assets and liabilities.
- HEB is the NIPA measure in current dollars with cyclically-sensitive receipts and outlays adjusted to a 6 percent unemployment rate and 2.3% potential output growth in the forecast period. Quarterly figures for change in HEB and FI are not at annual rates. Change in HEB, as a percent of nominal potential GNP, is reversed in sign. FI is the weighted difference of discretionary federal spending and tax changes (in 1982 dollars), scaled by real federal purchases. For change in HEB and FI, (-) indicates restraint.

GROWTH RATE OF DEBT BY SECTOR¹
(Period-end to period-end)

-----Domestic Nonfinancial Sectors-----								-----Memo-----	
-----Households-----									
Total ²	U.S. govt. ²	Non- federal	Total	Home mtgs.	Cons. credit	Business	State & local govts.	Private financial assets ³	Nominal GNP ⁴
Annual (percent)									
1982	9.3	19.4	6.9	5.4	4.5	4.4	7.8	9.1	3.1
1983	11.5	18.8	9.6	11.4	11.0	12.6	8.3	7.1	10.4
1984	14.4	16.9	13.7	12.9	11.7	18.7	15.6	7.9	8.6
1985	14.2	16.2	13.6	14.1	11.9	15.9	11.4	23.7	6.6
1986	12.3	13.4	12.0	12.8	14.9	9.6	12.0	7.6	4.6
1987	9.0	8.0	9.3	11.6	14.0	5.1	7.0	9.6	8.2
1988	9.1	8.0	9.5	10.9	12.2	7.2	8.2	8.2	7.8
1989	7.5	7.2	7.5	8.9	10.5	5.3	6.7	4.9	5.6
1990	6.8	12.0	5.2	7.4	9.2	2.3	3.4	2.3	4.4
1991	6.3	11.4	4.7	5.5	7.1	1.2	4.4	1.7	5.6
1992	6.5	9.5	5.5	6.3	7.7	2.9	5.1	2.1	5.9
Quarterly (percent-SAAR)									
1989 -- Q1	8.2	7.0	8.6	9.2	10.6	5.1	8.4	6.6	7.5
Q2	7.2	4.6	7.9	8.0	9.7	4.9	8.3	5.4	5.8
Q3	7.2	8.0	6.9	8.7	10.2	4.8	5.6	4.6	5.1
Q4	6.4	8.3	5.9	8.5	9.6	5.7	3.8	2.6	3.9
1990 -- Q1	8.0	10.9	7.2	9.6	11.7	1.9	5.8	1.4	6.7
Q2	6.0	9.7	4.9	7.4	9.2	1.3	2.8	2.8	5.1
Q3	6.7	11.8	5.1	6.6	7.1	3.3	3.6	4.5	5.3
Q4	5.4	13.2	2.9	5.0	7.1	2.7	1.1	0.5	0.5
1991 -- Q1	5.1	8.6	4.0	4.8	6.7	-0.7	3.8	1.0	2.1
Q2	5.0	6.3	4.6	5.3	6.9	1.3	4.3	1.9	5.7
Q3	7.6	15.8	5.0	5.6	7.0	2.1	4.7	2.2	7.6
Q4	7.0	13.1	4.9	5.7	7.0	2.0	4.7	1.7	7.2
1992 -- Q1	6.2	9.3	5.2	5.9	7.2	2.5	4.9	1.9	6.7
Q2	5.8	7.3	5.3	6.1	7.4	2.8	4.9	1.9	6.0
Q3	6.3	8.8	5.4	6.3	7.6	3.1	5.1	2.3	5.6
Q4	7.0	11.3	5.5	6.4	7.8	3.1	5.1	2.2	5.5

1. Published data through 1990:4; projections for other periods

2. RTC activity adds roughly .8 and .6 percentage points to total debt growth in 1991 and 1992, respectively; comparable figures for federal debt growth are 3.1 and 2.3 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 HIGHLIGHTS¹
(Billions of dollars, seasonally adjusted annual rates)

	1989	Calendar year			1990		1991		1992		1993	
		1990	1991	1992	Q3	Q4	Q1	Q2	Q3	Q4	H1	H2
Net funds raised by domestic												
1 nonfinancial sectors	554.0	599.1	619.1	684.3	613.2	500.0	506.4	463.0	782.1	725.0	634.5	734.1
2 Net equity issuance	-124.2	-63.0	-50.3	-45.0	-74.0	-61.0	-38.0	-73.0	-45.0	-45.0	-45.0	-45.0
3 Net debt issuance	678.2	662.1	669.4	729.3	687.2	561.0	544.4	536.0	827.1	770.0	679.5	779.1
Borrowing sectors												
Nonfinancial business												
4 Financing gap ²	33.9	32.3	37.3	56.9	52.7	30.0	31.7	27.6	39.2	50.6	52.6	61.2
5 Net equity issuance	-124.2	-63.0	-50.3	-45.0	-74.0	-61.0	-38.0	-73.0	-45.0	-45.0	-45.0	-45.0
6 Credit market borrowing	211.9	114.9	156.3	188.1	125.6	40.4	134.0	152.0	169.6	169.5	182.5	193.7
Households												
7 Net borrowing, of which:	285.0	260.1	209.5	256.0	246.8	189.0	183.7	205.4	221.4	227.3	245.6	266.5
8 Home mortgages	221.6	217.0	187.1	218.1	179.8	183.8	177.5	184.2	191.1	195.9	209.2	227.0
9 Consumer credit	39.1	18.4	9.4	23.8	26.6	21.6	-5.9	10.8	16.8	16.1	21.8	25.8
10 Debt/DPI (percent) ³	89.8	93.0	95.1	94.9	95.4	95.8	95.8	95.5	95.6	95.5	94.7	95.0
State and local governments												
11 Net borrowing	29.6	14.6	11.1	13.7	28.7	3.1	6.8	12.5	14.2	10.9	12.5	14.9
12 Current surplus ⁴	-25.7	-41.9	-22.2	3.2	-41.7	-51.9	-33.2	-27.6	-18.4	-9.7	-0.8	7.1
U.S. government												
13 Net borrowing from public	151.6	272.5	292.6	271.5	286.1	328.4	220.0	166.1	421.9	362.3	239.0	304.1
14 Net borrowing from public ⁵	151.6	272.5	292.6	271.5	68.4	98.7	59.6	24.0	102.2	106.7	107.2	164.4
15 Unified budget deficit ⁵	155.0	236.1	287.6	275.6	57.8	86.3	69.9	18.7	82.0	117.0	103.2	172.5
Funds supplied by												
16 depository institutions	92.8	-17.5	-46.2	-19.9	-57.4	-77.5	-27.9	-50.6	-53.9	-52.3	-27.8	-11.9
Memoranda: As percent of GNP:												
17 Dom. nonfinancial debt ³	181.7	186.6	192.0	191.8	189.3	191.6	193.1	192.8	192.9	192.9	191.2	192.0
18 Dom. nonfinancial borrowing	13.0	12.1	11.8	12.0	12.5	10.2	9.8	9.5	14.4	13.2	11.4	12.7
19 U.S. government ⁶	2.9	5.0	5.1	4.5	5.2	5.9	4.0	3.0	7.4	6.2	4.0	5.0
20 Private	10.1	7.1	6.6	7.6	7.3	4.2	5.8	6.6	7.1	7.0	7.4	7.7

1. Published data through 1990:4; projections for other periods.
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 annual GNP.
4. NIPA surplus, net of retirement funds.
5. Quarterly data at quarterly rates, nsa.
6. Excludes gov't-insured mortgage pool securities.

activity beginning in the second quarter, with some additional boost from the higher path assumed for the dollar.

TRADE QUANTITIES*
(Percent change from end of preceding comparable period, annual rate)

		----- Projection -----			
	<u>1990</u>	<u>1991</u>			<u>1992</u>
		<u>Q1</u>	<u>Q2</u>	<u>H2</u>	
Nonagricultural exports	8.6	2.1	13.0	12.3	10.5
Agricultural exports	-5.9	47.6	-3.7	-5.6	1.5
Non-oil imports	1.6	-8.3	3.6	9.1	7.9
Oil imports	-12.7	-7.9	61.8	16.1	7.1

* GNP basis, 1982 dollars.

Oil Prices. In the last Greenbook, the staff assumed that at the conclusion of the war OPEC would reduce production levels in order to bring prices to their July 1990 target of \$21 per barrel (roughly a \$23 per barrel price for West Texas Intermediate). The informal accord reached at the March 11-12 Monitoring Committee meeting indicates that key members of OPEC (Saudi Arabia, the United Arab Emirates, and Venezuela) are unwilling, at least through the second quarter, to reduce production to rates consistent with the \$21 per barrel target price. Rather, agreed-upon rates are likely to keep prices at current levels, consistent with an import price of about \$18 per barrel. Beyond the second quarter, the staff assumption is that Saudi Arabia, Venezuela, and the United Arab Emirates will show only slight restraint, allowing the restoration of production from Iraq and Kuwait to offset the seasonal, second-half increase in world oil demand, leaving oil prices at \$18 per barrel through year end. We assume that prices in 1992 will remain at \$18 per barrel, as further increases in production from Iraq and Kuwait are offset by reductions in production by other OPEC members.

Prices could easily deviate from this assumed path. The speed with which oil production is restored in Iraq and Kuwait is highly uncertain. Whenever this production is restored, it may be the case that other OPEC members will only reduce production after observing a fall in prices to a level well below \$18 per barrel. On the other hand, a sharper than expected decline in exports from the Soviet Union (currently assumed to fall in 1991 about 1 mb/d below their peak 1988 rates), coupled with slow progress in Iraq and Kuwait, could allow OPEC easily to reach and perhaps surpass its \$21 per barrel target.

Prices of Exports and Non-oil Imports. BLS monthly price data for nonagricultural exports and non-oil imports show little change in January from December levels. The fixed-weight price index for nonagricultural exports is projected to continue about unchanged during the first half of 1991, to rise at about a 2-1/2 percent rate in the second half, and then ease to about 2 percent in 1992; this outlook is in line with the projected

SELECTED PRICE INDICATORS
(Percent change from the end of preceding comparable period, annual rate)

	1990	----- Projection -----			
		1991			1992
		Q1	Q2	H2	
PPI (export-share wts.)	4.8	-2.4	-0.9	2.3	2.3
Nonagric exports (Fx-Wt)	4.0	-0.5	-1.3	2.6	2.2
Non-oil imports (Fx-Wt)	2.9	4.0	3.9	3.8	3.7
Oil imports (\$/barrel)	20.54	20.82	17.51	18.00	18.00

rate of increase in domestic producer prices, weighted by export shares. The fixed-weight price index of non-oil imports is expected to rise at about a 4 percent rate in the current quarter and then to decelerate slightly over the forecast period. This outlook is somewhat lower for both export prices

March 19, 1991

Outlook for U.S. Net Exports and Related Items
 (Billions of Dollars, Seasonally Adjusted Annual Rates)

	ANNUAL			1990		1991				1992			
	1990	1991-P	1992-P	-Q3	-Q4	Q1-P	-Q2-P	-Q3-P	-Q4-P	Q1-P	-Q2-P	-Q3-P	-Q4-P
1. <u>GNP Exports and Imports 1/</u>													
Current \$, Net	-34.6	0.7	10.9	-41.3	-42.3	-8.6	3.0	4.4	4.1	7.2	10.7	12.4	13.2
Exports of G+S	670.8	705.1	775.8	672.7	689.4	681.3	695.5	712.7	731.1	750.0	767.3	784.4	801.6
Imports of G+S	705.4	704.4	764.9	714.1	731.7	689.9	692.5	708.2	727.0	742.7	756.5	771.9	788.4
Constant 82 \$, Net	-36.2	-3.4	2.3	-46.5	-18.5	-3.1	-3.2	-3.4	-4.0	-1.1	1.9	3.6	4.7
Exports of G+S	630.0	653.9	707.3	630.5	641.4	635.8	647.6	659.2	672.9	687.4	700.7	713.9	727.2
Imports of G+S	666.3	657.3	705.0	677.0	659.9	638.9	650.8	662.6	676.9	688.5	698.8	710.3	722.5
2. <u>Merchandise Trade Balance 2/</u>	-108.7	-74.6	-73.5	-119.1	-115.4	-80.1	-71.5	-72.8	-74.2	-74.1	-73.5	-73.3	-73.0
Exports	389.3	424.3	475.7	384.6	401.8	405.5	417.0	430.3	444.5	457.9	470.1	481.7	493.1
Agricultural	40.4	41.1	44.0	38.9	37.5	40.2	40.8	41.4	41.8	42.7	43.5	44.4	45.4
Non-Agricultural	348.9	383.3	431.7	345.7	364.3	365.4	376.2	388.9	402.6	415.2	426.6	437.2	447.6
Imports	498.0	499.0	549.2	503.8	517.3	485.6	488.6	503.1	518.6	532.1	543.6	555.0	566.1
Petroleum and Products	62.1	54.8	60.0	62.6	74.8	54.6	51.8	55.2	57.4	58.4	59.4	60.5	61.5
Non-Petroleum	435.9	444.2	489.2	441.2	442.4	431.0	436.8	447.9	461.2	473.7	484.1	494.6	504.6
3. <u>Other Current Account Trans.</u>													
D.I. Capital Gains + Losses	3.0	0.0	0.0	7.3	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other D.I. Income, Net	46.4	44.4	44.2	45.3	55.2	44.4	44.7	44.5	43.9	44.2	44.7	44.4	43.4
Portfolio Income, Net	-41.8	-41.4	-40.9	-43.6	-37.9	-42.6	-41.9	-40.5	-40.5	-40.5	-40.6	-41.0	-41.5
Other Current Acct, Net 3/	1.9	63.3	25.0	4.2	-12.6	95.5	98.1	40.4	18.9	24.0	25.6	26.7	23.7
4. <u>U.S. Current Account Balance 3/</u>													
Including Capital G/L	-99.3	-8.4	-45.2	-105.9	-111.0	17.3	29.4	-28.3	-51.8	-46.4	-43.8	-43.2	-47.4
Excluding Capital G/L	-102.3	-8.4	-45.2	-113.3	-110.7	17.3	29.4	-28.3	-51.8	-46.4	-43.8	-43.2	-47.4
5. <u>Foreign Outlook 4/</u>													
Real GNP--Ten Industrial 5/	3.0	1.7	2.6	2.9	0.4	1.2	2.3	2.5	2.7	2.6	2.6	2.7	2.7
Real GNP--LDC 6/	2.6	2.6	4.2	2.3	2.2	2.2	2.7	3.3	3.8	4.3	4.6	4.8	5.0
Consumer Prices--Ten Ind. 5/	4.6	4.6	3.8	3.8	5.4	4.9	4.4	3.9	3.9	3.4	4.0	3.3	4.1

1/ National Income and Product Account data.

2/ International accounts basis.

3/ Includes cash grants from foreign governments to support the Desert Shield/Storm effort: 1990-Q4 \$17.2 billion AR, 1991-Q1 \$80.0 billion AR, 1991-Q2 \$80.0 billion AR, and 1991-Q3 \$20.0 billion AR.

4/ Percent change, annual rates.

5/ Weighted by multilateral trade-weights of G-10 countries plus Switzerland; prices are not seasonally adjusted.

6/ Weighted by share in LDC GNP.

P/ Projected

March 20, 1991

RECENT DEVELOPMENTS

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

FEDERAL GOVERNMENT RECEIPTS AND OUTLAYS
(Billions of dollars)

	Jan. 1990	Jan. 1991	Fiscal year to date		Percent change
			FY1990	FY1991	
Receipts	99.5	101.8	328.3	355.6	8.3
Nonwithheld income taxes	22.4	21.8	30.3	29.9	-1.2
Withheld income and social security taxes	64.4	65.7	238.7	255.9	7.2
Corporate income taxes	3.1	3.8	25.1	29.3	16.5
Defense cooperation account	0	1.1	0	5.3	
Other taxes	9.7	9.4	34.2	35.2	2.9
Outlays	91.3	100.0	390.6	440.1	12.7
Deposit insurance	-1.3	-.5	5.7	13.7	138.3
Defense	22.0	21.9	95.7	102.8	7.4
Other	70.5	78.7	289.2	323.7	11.9
Surplus/Deficit (-)	8.3	1.8	-62.3	-84.5	35.7

Details may not add to totals because of rounding.

OPERATION DESERT STORM--BUDGET AUTHORITY
(Billions of dollars)

	FY1990 Supplemental	FY1991 Supplemental	
		Administration	Congress
Desert Storm budget authority	3	65 ¹	43
Sources of financing:			
Allied financial contributions	1	50 ¹	n.a. ²
U.S. Treasury financing	2	15	n.a. ³
Memo:			
Allied in-kind contributions:	0	3	n.a.
Total allied contributions	1	53	n.a.

1. Assumes that all \$51 billion, which includes the \$1 billion authorized in the FY1990 supplemental, in pledged financial contributions are received from the allies. A shortfall in these receipts would reduce the amount of new budget authority available.

2. Authority to spend up to \$43 billion of allied financial contributions.

3. Treasury financing will total \$43 billion less the amount contributed by the allies, up to a maximum of \$15 billion.

CASH AND IN-KIND CONTRIBUTIONS FOR OPERATION DESERT SHIELD/STORM
(Billions of dollars)

Country	Commitments	Received			Future receipts
		Cash ²	In-kind ¹	Total	
Saudi Arabia	16.8	4.6	1.6	6.0	10.8
Kuwait	16.0	4.5	.0	4.5	11.5
Japan	10.7	.9	.5	1.3	9.4
Germany	6.6	2.4	.5	3.0	3.6
United Arab Emirates	3.0	.9	.1	1.0	2.0
Korea	.4	.1	.0	.3	
Total	53.5	13.2	2.7	15.9	37.6

1. Through January 31, 1991.

2. Through February 28, 1991.

TREASURY AND AGENCY FINANCING¹
(Total for period; billions of dollars)

	1990		1991			
	Q3	Q4	Q1 ^P	Jan.	Feb. ^P	Mar. ^P
<u>Treasury financing</u>						
Total surplus/deficit (-)	-57.8	-86.9	-69.9	1.8	-31.4	-40.2
Means of financing deficit:						
Net cash borrowing from the public	69.0	98.8	59.6	31.8	36.3	-8.4
Marketable borrowings/ repayments (-)	64.5	83.9	52.9	26.0	35.4	-8.5
Bills	29.0	45.0	5.9	10.0	4.4	-8.5
Coupons	35.6	38.9	47.0	16.0	31.0	0.0
Nonmarketable ²	4.5	15.0	6.7	5.7	0.9	0.1
Decrease in the cash balance	-5.5	7.9	5.2	-30.6	2.4	33.4
Memo: Cash balance at end of period	40.2	32.2	27.0	62.8	60.5	27.0
³ Other	-5.6	-19.9	5.0	-2.9	-7.3	15.2
<u>Federally sponsored credit agencies, net cash borrowing⁴</u>						
	-1.9	14.1	--	--	--	--
FHLBs	-6.7	1.6	--	-2.5	--	--
FHLMC	-3.1	3.0	--	--	--	--
FNMA	.9	4.6	--	2.4	--	--
Farm Credit Banks	.9	-.8	--	-.1	--	--
FAC	.1	.0	.0	.0	.0	.0
SLMA	1.0	.8	--	--	--	--
REFCORP	5.0	5.0	6.9	6.9	.0	.0

1. Data reported on a not seasonally adjusted, payment basis.

2. Includes proceeds from securities issued by federal agencies under special financing authorities and the face value of zero-coupon bonds issued to REFCORP (the discount from face value is offset in other means of finance).

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

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

p--projected.

e--estimated.

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