

## **Part 1**

December 15, 1999

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Summary and Outlook**

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

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**Summary of the Near-Term Outlook**  
(Percent change at annual rate except as noted)

Measure	1999:Q4		2000:Q1	
	Nov. GB	Dec. GB	Nov. GB	Dec. GB
<b>Real GDP</b>	<b>4.1</b>	<b>4.8</b>	<b>1.5</b>	<b>3.2</b>
Private domestic final purchases	3.7	4.8	2.4	3.2
Personal consumption expenditures	4.1	5.1	2.5	2.8
Residential investment	-2.1	-2.3	-6.4	-6.1
Business fixed investment	3.2	5.6	5.2	9.6
Government outlays for consumption and investment	1.9	3.0	4.6	5.1
MEMO: GDP excluding Y2K effects	3.9	4.7	3.7	4.3
	Change, billions of chained (1996) dollars			
Inventory investment	25.1	11.0	-19.6	12.5
Net exports	-11.6	-9.3	-15.1	-24.6

decline in starts this summer and a modest falloff in building in the multifamily sector, total residential investment is expected to be a small negative for growth.

Business fixed investment is projected to decelerate from an annualized growth rate of 12-1/2 percent in the third quarter to a 5-1/2 percent pace in the current quarter. After surging last summer, spending for transportation equipment is expected to flatten as increased shipments of medium and heavy trucks and a pickup in deliveries of aircraft to domestic air carriers are offset by a sharp drop in business fleet sales and consumer leases of motor vehicles. Computer shipments surged in October, and we are projecting that outlays will rise at an annual rate of about 30 percent this quarter; presumably reflecting Y2K influences, this gain is down from the 40 to 50 percent rates of increase observed in recent quarters, but it is much more than we had built into our previous forecast. Orders data point to a moderate gain in spending for equipment other than transportation equipment and computers this quarter. In contrast, the incoming indicators of construction activity point to a further drop in spending for nonresidential structures.

Real government purchases are projected to increase at an annual rate of 3 percent, down from a 4-1/4 percent rise in the third quarter. The slower

**Projections of Real GDP**  
(Percent change, compound annual rate)

Measure	1999:H2	2000:H1	2000:H2	2001
<b>Real GDP</b>	<b>5.2</b>	<b>3.7</b>	<b>3.8</b>	<b>3.8</b>
Previous	4.8	3.2	3.7	3.5
Final sales	4.2	3.4	4.0	3.8
Previous	3.6	3.3	3.8	3.6
PCE	4.8	4.0	3.9	3.4
Previous	4.2	3.8	3.7	3.3
Residential investment	-3.7	-5.6	-4.9	-2.8
Previous	-2.6	-6.5	-5.0	-2.9
BFI	9.0	8.8	9.4	9.9
Previous	8.3	7.9	9.3	9.9
Government purchases	3.7	4.5	2.5	2.8
Previous	3.0	4.2	2.6	2.7
Exports	9.0	4.6	9.5	9.1
Previous	9.9	5.1	9.9	9.2
Imports	11.6	9.9	8.1	8.3
Previous	13.1	9.2	8.5	9.0
Change, billions of chained (1996) dollars				
Inventory change	17.7	6.0	-5.7	-3.3
Previous	23.6	-1.4	-1.8	-9.3
Net exports	-15.1	-22.3	-4.1	-24.0
Previous	-17.7	-18.8	-4.4	-32.4

utilization in that sector should edge upward. Factoring in the dollar and other influences, the outlook generally has an inflationary tilt.

**Consumer spending.** Real PCE growth is projected to move down from a 5-1/4 percent pace in 1999 to about 4 percent in 2000 and 3-1/2 percent in 2001. The impetus to spending from earlier increases in wealth should run its course as we move through next year; after that, the drag from the projected decline in the ratio of wealth to income should dominate. Consequently, after boosting real PCE about 1 percentage point in 1998 and 1999, direct wealth effects may add

**The Outlook for the Labor Market**  
(Percent change, Q4 to Q4, except as noted)

Measure	1998	1999	2000	2001
Output per hour, nonfarm business	3.1	2.9	2.8	2.8
Previous	3.1	2.5	2.8	2.7
Nonfarm payroll employment	2.4	2.1	1.8	1.5
Previous	2.4	2.1	1.5	1.3
Household employment survey	1.3	1.4	1.2	1.0
Previous	1.3	1.4	1.3	1.0
Labor force participation rate <sup>1</sup>	67.1	67.0	67.1	67.1
Previous	67.1	67.0	67.1	67.1
Civilian unemployment rate <sup>1</sup>	4.4	4.1	4.0	4.1
Previous	4.4	4.1	4.0	4.2

1. Percent, average for the fourth quarter.

forecast, the jobless rate is not expected to move significantly from the recent level.

**Wages and prices.** The general contours of the wage and price forecasts are little changed from the November Greenbook, with both compensation and core consumer price inflation projected to move up over the next couple of years. Given the higher path we have assumed for crude oil prices, overall consumer price inflation measures are likely to remain elevated through the early part of next year; but they are projected, in due course, to slow somewhat from this year's pace.<sup>4</sup>

An important element in our forecast is the assumption that the beneficial influences of earlier declines in inflation are now behind us. In light of this consideration, increases in nominal pay rates seem likely to be larger in the period ahead. The ECI is projected to accelerate considerably, with private industry compensation rising 3-3/4 percent in 2000 and 4 percent in 2001, versus 3-1/4 percent this year. The pickup occurs in both wages and benefits, the latter reflecting in part the influence of bigger increases in the cost of health

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4. As a rough rule of thumb, a permanent increase of \$5 per barrel in the price of oil would increase consumer inflation roughly 1/4 percentage point in both the first and the second years after the price rise. (This rule of thumb is based on a simulation of the FRB/US model, assuming no change in the nominal federal funds rate.)

**Inflation Projections**  
(Percent change, Q4 to Q4, except as noted)

Measure	1998	1999	2000	2001
Consumer price index	1.5	2.6	2.3	2.5
Previous	1.5	2.6	2.3	2.4
Food	2.2	1.9	2.3	2.6
Previous	2.2	1.9	2.2	2.4
Energy	-9.2	11.3	-0.6	-1.3
Previous	-9.2	10.6	-0.7	-0.7
Excluding food and energy	2.4	2.1	2.5	2.8
Previous	2.4	2.1	2.5	2.7
PCE chain-weighted price index	1.0	2.0	1.9	2.1
Previous	1.0	2.0	1.8	2.0
Excluding food and energy	1.4	1.5	1.9	2.2
Previous	1.4	1.6	1.9	2.1
GDP chain-weighted price index	1.1	1.5	1.8	1.9
Previous	1.1	1.5	1.8	1.9
ECI for compensation of private industry workers <sup>1</sup>	3.5	3.3	3.7	4.1
Previous	3.5	3.3	3.7	4.0
NFB compensation per hour	5.3	4.5	4.7	4.9
Previous	5.1	4.3	4.5	4.7
Prices of core non-oil merchandise imports	-1.9	.6	2.6	2.3
Previous	-1.9	.5	2.7	2.1
	Percentage points			
MEMO: <i>Adjustments for technical changes to the CPI</i> <sup>2</sup>				
Core CPI	-.2	.0	.0	.0

1. December to December.

2. Adjustments are calculated relative to the current methodological structure of the CPI.

**Alternative Federal Funds Rate  
and Stock Market Assumptions**  
(Percent change, Q4 to Q4, except as noted)

Measure	2000	2001
<i>Real GDP</i>		
Baseline	3.8	3.8
Flat funds rate	4.0	4.7
Tighter policy	3.3	2.7
16,000 Wilshire	4.0	4.6
20 percent stock price decline	2.8	2.8
<i>Civilian unemployment rate<sup>1</sup></i>		
Baseline	4.0	4.1
Flat funds rate	3.9	3.7
Tighter policy	4.2	4.7
16,000 Wilshire	3.9	3.8
20 percent stock price decline	4.2	4.7
<i>CPI excluding food and energy</i>		
Baseline	2.5	2.8
Flat funds rate	2.6	3.2
Tighter policy	2.4	2.2
16,000 Wilshire	2.5	2.9
20 percent stock price decline	2.5	2.6

1. Average for the fourth quarter.

Given the uptilt of inflation in our forecast, a flat nominal federal funds rate puts real short-term interest rates on a downward path throughout the projection period. Furthermore, according to the relationships embodied in the FRB/US model, other financial conditions--notably real long-term interest rates, equity values, and the real exchange value of the dollar--also are more stimulative than in the baseline. As a result, output growth in this scenario runs above potential, and the unemployment rate falls well below 4 percent; core CPI inflation rises to above 3 percent in 2001 and would increase even more if the simulation were run out further.

In contrast, in the tighter policy scenario, the higher short-term interest rates and the endogenous response of other financial variables push the unemployment rate up to 4.7 percent by the end of 2001. Even though the unemployment rate

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

December 15, 1999

Interval	Nominal GDP		Real GDP		GDP chain-weighted price index		Consumer price index <sup>1</sup>		Unemployment rate <sup>2</sup>	
	11/10/99	12/15/99	11/10/99	12/15/99	11/10/99	12/15/99	11/10/99	12/15/99	11/10/99	12/15/99
<b>ANNUAL</b>										
1997	6.2	6.2	4.5	4.5	1.7	1.7	2.3	2.3	4.9	4.9
1998	5.5	5.5	4.3	4.3	1.2	1.2	1.6	1.6	4.5	4.5
1999	5.4	5.5	3.9	4.0	1.4	1.4	2.2	2.2	4.2	4.2
2000	5.3	5.7	3.6	4.0	1.7	1.7	2.5	2.6	4.1	4.0
2001	5.5	5.6	3.6	3.8	1.8	1.8	2.4	2.3	4.1	4.1
<b>QUARTERLY</b>										
1998 Q1	7.7	7.7	6.7	6.7	1.0	1.0	1.0	1.0	4.6	4.6
1998 Q2	3.4	3.4	2.1	2.1	1.1	1.1	1.7	1.7	4.4	4.4
1998 Q3	5.4	5.4	3.8	3.8	1.4	1.4	1.7	1.7	4.5	4.5
1998 Q4	7.0	7.0	5.9	5.9	0.9	0.9	1.7	1.7	4.4	4.4
1999 Q1	5.7	5.7	3.7	3.7	2.0	2.0	1.5	1.5	4.3	4.3
1999 Q2	3.3	3.3	1.9	1.9	1.3	1.3	3.4	3.4	4.3	4.3
1999 Q3	6.3	6.6	5.4	5.6	1.0	1.2	2.7	2.7	4.2	4.2
1999 Q4	5.9	6.4	4.1	4.8	1.7	1.7	3.0	2.9	4.1	4.1
2000 Q1	3.6	5.4	1.5	3.2	2.1	2.1	2.0	2.6	4.1	4.1
2000 Q2	6.8	5.9	5.0	4.3	1.7	1.6	2.4	2.3	4.0	4.0
2000 Q3	5.6	5.5	3.8	3.8	1.7	1.7	2.2	1.9	4.0	4.0
2000 Q4	5.3	5.4	3.6	3.8	1.7	1.6	2.4	2.2	4.0	4.0
2001 Q1	5.7	5.9	3.5	3.8	2.1	2.1	2.3	2.3	4.1	4.1
2001 Q2	5.3	5.6	3.5	3.8	1.8	1.8	2.6	2.6	4.1	4.1
2001 Q3	5.3	5.6	3.5	3.8	1.8	1.9	2.4	2.5	4.2	4.1
2001 Q4	5.4	5.7	3.5	3.8	1.8	1.8	2.5	2.6	4.2	4.1
<b>TWO-QUARTER<sup>3</sup></b>										
1998 Q2	5.5	5.5	4.4	4.4	1.1	1.1	1.4	1.4	-0.3	-0.3
1998 Q4	6.2	6.2	4.8	4.8	1.1	1.1	1.7	1.7	0.0	0.0
1999 Q2	4.5	4.5	2.8	2.8	1.7	1.7	2.5	2.5	-0.1	-0.1
1999 Q4	6.1	6.5	4.8	5.2	1.4	1.4	2.8	2.8	-0.2	-0.2
2000 Q2	5.2	5.7	3.2	3.7	1.9	1.9	2.2	2.5	-0.1	-0.1
2000 Q4	5.5	5.4	3.7	3.8	1.7	1.7	2.3	2.1	0.0	0.0
2001 Q2	5.5	5.7	3.5	3.8	1.9	1.9	2.4	2.4	0.1	0.1
2001 Q4	5.4	5.7	3.5	3.8	1.8	1.8	2.5	2.6	0.1	0.0
<b>FOUR-QUARTER<sup>4</sup></b>										
1997 Q4	5.9	5.9	4.3	4.3	1.6	1.6	1.9	1.9	-0.6	-0.6
1998 Q4	5.9	5.9	4.6	4.6	1.1	1.1	1.5	1.5	-0.3	-0.3
1999 Q4	5.3	5.5	3.8	4.0	1.5	1.5	2.6	2.6	-0.3	-0.3
2000 Q4	5.3	5.6	3.5	3.8	1.8	1.8	2.3	2.3	-0.1	-0.1
2001 Q4	5.4	5.7	3.5	3.8	1.9	1.9	2.4	2.5	0.2	0.0

1. For all urban consumers.

2. Level, except as noted.

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.



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REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, ANNUAL VALUES  
(Seasonally adjusted annual rate)

December 15, 1999

		----- Projected -----								
Item	Units <sup>1</sup>	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>EXPENDITURES</b>										
Nominal GDP	Bill. \$	6642.3	7054.3	7400.5	7813.2	8300.8	8759.9	9237.9	9767.1	10317.4
Real GDP	Bill. Ch. \$	7054.1	7337.8	7537.1	7813.2	8165.1	8516.3	8854.5	9209.4	9559.7
Real GDP	% change	2.2	4.2	2.2	4.2	4.3	4.6	4.0	3.8	3.8
Gross domestic purchases		2.8	4.4	1.7	4.4	4.9	5.7	5.0	4.1	3.8
Final sales		2.3	3.3	3.0	4.0	3.8	4.7	4.1	3.7	3.8
Priv. dom. final purchases		3.8	4.3	3.3	4.6	4.8	6.4	5.6	4.3	4.1
Personal cons. expenditures		2.9	3.6	2.8	3.3	4.2	5.1	5.3	4.0	3.4
Durables		9.3	6.4	3.7	5.0	8.4	13.0	9.1	4.7	3.7
Nondurables		2.6	4.1	2.5	3.2	2.4	5.0	5.5	2.8	2.3
Services		1.9	2.9	2.8	3.0	4.2	3.6	4.5	4.4	3.8
Business fixed investment		8.7	9.2	7.5	12.1	9.6	13.1	8.2	9.1	9.9
Equipment & Software		11.5	12.0	8.9	11.8	11.3	16.8	12.4	12.0	12.4
Nonres. structures		1.2	1.1	3.2	12.8	4.8	2.9	-4.5	-0.7	1.2
Residential structures		7.8	4.0	-1.5	5.6	3.7	11.3	2.5	-5.2	-2.8
Exports		4.5	10.6	9.7	9.9	9.4	1.9	4.0	7.0	9.1
Imports		10.5	12.1	5.0	11.2	14.2	10.8	12.5	9.0	8.3
Gov't. cons. & investment		-0.9	0.2	-0.8	2.7	2.2	2.2	3.4	3.5	2.8
Federal		-5.3	-3.7	-5.3	2.0	0.2	0.6	1.7	2.2	0.5
Defense		-6.4	-5.9	-4.7	0.8	-1.3	-1.1	0.2	0.2	0.6
State & local		2.3	2.8	2.1	3.1	3.4	3.2	4.3	4.2	4.0
Change in bus. inventories	Bill. Ch. \$	20.0	66.8	30.4	30.0	69.1	74.3	38.0	58.2	51.7
Nonfarm		28.6	53.6	42.6	22.2	66.2	73.2	37.6	57.5	50.4
Net exports		-59.9	-87.6	-79.2	-89.0	-109.8	-215.1	-323.2	-393.3	-422.7
Nominal GDP	% change	5.0	6.2	4.3	6.0	5.9	5.9	5.5	5.6	5.7
<b>EMPLOYMENT AND PRODUCTION</b>										
Nonfarm payroll employment	Millions	110.7	114.1	117.2	119.6	122.7	125.8	128.6	131.1	133.1
Unemployment rate	%	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.1
Industrial prod. index	% change	3.4	6.4	3.5	5.3	6.8	2.9	4.2	3.5	3.7
Capacity util. rate - mfg.	%	80.5	82.5	82.6	81.5	82.4	80.9	79.7	80.3	81.2
Housing starts	Millions	1.29	1.46	1.35	1.48	1.47	1.62	1.67	1.56	1.51
Light motor vehicle sales		13.86	15.01	14.72	15.05	15.02	15.50	16.74	16.57	15.86
North Amer. produced		11.71	12.88	12.82	13.35	13.09	13.47	14.24	14.03	13.69
Other		2.15	2.13	1.90	1.70	1.92	2.04	2.50	2.53	2.17
<b>INCOME AND SAVING</b>										
Nominal GNP	Bill. \$	6666.7	7071.1	7420.9	7831.2	8305.0	8750.0	9223.3	9748.3	10290.3
Nominal GNP	% change	4.9	6.2	4.4	5.9	5.7	5.6	5.5	5.5	5.6
Nominal personal income		3.7	5.1	4.3	5.9	6.4	6.0	5.9	5.4	5.8
Real disposable income		0.9	3.0	1.7	2.8	4.1	4.2	3.6	3.5	3.7
Personal saving rate	%	7.1	6.1	5.6	4.8	4.5	3.7	2.4	1.7	1.9
Corp. profits, IVA & CCAdj.	% change	18.0	12.5	11.2	11.2	10.2	-2.2	9.4	3.8	3.9
Profit share of GNP	%	7.6	8.1	9.0	9.6	10.1	9.7	9.6	9.5	9.4
Excluding FR Banks		7.4	7.8	8.7	9.3	9.8	9.4	9.4	9.3	9.1
Federal surpl./deficit	Bill. \$	-274.1	-212.3	-192.0	-136.8	-48.8	46.9	119.4	148.5	199.7
State & local surpl./def.		1.5	8.6	15.3	21.4	27.5	41.7	46.8	60.5	55.9
Ex. social ins. funds		-2.7	4.0	11.4	18.7	26.4	40.8	46.0	59.7	55.1
Gross natl. saving rate	%	15.6	16.3	16.9	17.2	18.3	18.8	18.8	18.5	18.8
Net natl. saving rate		3.7	4.2	5.1	5.7	7.1	7.5	7.3	7.1	7.5
<b>PRICES AND COSTS</b>										
GDP chn.-wt. price index	% change	2.7	2.0	2.1	1.7	1.6	1.1	1.5	1.8	1.9
Gross Domestic Purchases		2.5	2.1	2.0	1.7	1.1	0.7	1.9	1.6	1.8
chn.-wt. price index		2.7	2.6	2.7	3.1	1.9	1.5	2.6	2.3	2.5
CPI		3.1	2.8	3.1	2.6	2.2	2.4	2.1	2.5	2.8
Ex. food and energy										
ECI, hourly compensation <sup>2</sup>		3.6	3.1	2.6	3.1	3.4	3.5	3.3	3.7	4.1
Nonfarm business sector <sup>3</sup>										
Output per hour		-0.7	1.2	1.2	2.5	2.2	3.1	2.9	2.8	2.8
Compensation per Hour		1.3	2.2	2.7	3.2	4.2	5.3	4.5	4.7	4.9
Unit labor cost		2.0	0.9	1.5	0.7	2.0	2.1	1.6	1.9	2.1

1. Changes are from fourth quarter to fourth quarter.

2. Private-industry workers.

3. Staff estimates.

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REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, QUARTERLY VALUES  
(Seasonally adjusted, annual rate except as noted)

December 15, 1999

Item	Units	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2
<b>EXPENDITURES</b>											
Nominal GDP	Bill. \$	8125.9	8259.5	8364.5	8453.0	8610.6	8683.7	8797.9	8947.6	9072.7	9146.2
Real GDP	Bill. Ch. \$	8033.4	8134.8	8214.8	8277.3	8412.7	8457.2	8536.0	8659.2	8737.9	8778.6
Real GDP	% change	4.9	5.1	4.0	3.1	6.7	2.1	3.8	5.9	3.7	1.9
Gross domestic purchases		5.7	5.6	4.8	3.5	8.6	4.1	4.6	5.5	5.8	3.2
Final sales		4.0	3.1	5.8	2.4	5.1	5.1	2.4	6.2	4.6	3.4
Priv. dom. final purchases		5.6	3.2	7.3	3.4	8.7	6.9	4.0	6.0	7.2	5.4
Personal cons. expenditures		4.9	1.8	6.6	3.4	5.6	6.1	3.9	4.6	6.5	5.1
Durables		10.9	-1.5	20.2	5.0	16.9	11.2	4.1	20.4	12.4	9.1
Nondurables		3.8	-0.2	5.7	0.3	5.8	6.7	2.4	5.0	8.9	3.3
Services		4.3	3.5	4.5	4.6	3.3	4.8	4.7	1.5	4.2	5.2
Business fixed investment		9.6	9.9	16.0	3.2	26.7	12.1	0.0	15.3	7.8	7.0
Equipment & Software		10.1	15.2	17.7	2.8	34.7	13.8	2.4	18.6	12.5	11.2
Nonres. structures		8.0	-4.0	11.2	4.3	5.7	7.1	-6.6	5.8	-5.8	-5.3
Residential structures		3.0	4.8	0.6	6.6	13.9	13.6	8.1	9.8	12.8	5.6
Exports		8.8	16.2	11.5	1.8	-1.5	-4.0	-1.7	16.1	-5.5	4.0
Imports		15.5	19.1	17.6	5.2	14.4	13.0	5.2	10.8	12.5	14.4
Gov't. cons. & investment		1.7	5.7	1.7	-0.1	-1.0	6.0	1.3	2.9	5.1	1.3
Federal		-2.8	9.9	-1.3	-4.2	-9.8	11.9	-2.3	3.9	-0.5	2.1
Defense		-11.3	9.6	-0.2	-2.4	-17.0	11.1	7.0	-2.9	-4.0	-2.6
State & local		4.4	3.4	3.5	2.4	4.1	3.0	3.3	2.3	8.2	0.9
Change in bus. inventories	Bill. Ch. \$	51.5	93.1	59.2	72.7	107.3	43.1	76.1	70.7	50.1	14.0
Nonfarm		56.7	85.7	52.6	69.7	103.8	53.2	77.5	58.2	43.1	13.1
Net exports		-90.8	-100.9	-118.7	-128.7	-171.7	-218.4	-237.9	-232.3	-284.5	-319.0
Nominal GDP	% change	7.4	6.7	5.2	4.3	7.7	3.4	5.4	7.0	5.7	3.3
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employment	Millions	121.4	122.3	123.0	123.9	124.8	125.5	126.1	126.9	127.6	128.2
Unemployment rate	%	5.2	5.0	4.9	4.7	4.6	4.4	4.5	4.4	4.3	4.3
Industrial prod. index	% change	6.5	6.7	6.9	6.9	2.4	3.0	2.9	3.3	2.0	4.7
Capacity util. rate - mfg.	%	81.9	82.2	82.5	82.7	82.0	81.0	80.3	80.2	79.6	79.6
Housing starts	Millions	1.46	1.47	1.46	1.52	1.59	1.57	1.64	1.70	1.77	1.62
Light motor vehicle sales		15.32	14.54	15.19	15.02	15.08	16.07	14.55	16.31	16.21	16.74
North Amer. produced		13.41	12.68	13.20	13.08	13.13	14.07	12.54	14.11	13.95	14.31
Other		1.92	1.86	1.99	1.94	1.95	1.99	2.01	2.20	2.26	2.43
<b>INCOME AND SAVING</b>											
Nominal GNP	Bill. \$	8131.1	8269.1	8366.5	8453.3	8613.7	8683.7	8772.2	8930.5	9058.2	9131.9
Nominal GNP	% change	6.8	7.0	4.8	4.2	7.8	3.3	4.1	7.4	5.8	3.3
Nominal personal income		8.0	5.6	5.5	6.4	5.3	5.8	6.6	6.5	5.4	5.5
Real disposable income		4.4	4.2	3.6	4.3	4.0	3.8	4.5	4.8	4.1	3.2
Personal saving rate	%	4.5	5.0	4.2	4.4	4.0	3.5	3.6	3.5	3.0	2.5
Corp. profits, IVA & CCAdj.	% change	15.9	14.7	15.9	-4.2	2.3	-4.8	-1.9	-4.4	24.9	-2.9
Profit share of GNP	%	9.9	10.1	10.3	10.1	10.0	9.8	9.6	9.3	9.7	9.6
Excluding FR Banks		9.6	9.8	10.0	9.8	9.7	9.5	9.3	9.1	9.5	9.3
Federal surpl./deficit	Bill. \$	-87.4	-63.2	-27.9	-16.8	24.9	43.5	59.6	59.7	97.6	118.1
State & local surpl./def.		25.9	23.7	30.9	29.7	32.0	30.9	49.9	54.2	48.7	37.6
Ex. social ins. funds		24.3	22.4	29.9	28.9	31.1	29.9	48.9	53.4	48.2	36.8
Gross natl. saving rate	%	17.7	18.4	18.5	18.6	18.8	18.6	19.0	18.9	19.1	18.7
Net natl. saving rate		6.4	7.2	7.3	7.4	7.6	7.2	7.6	7.5	7.8	7.3
<b>PRICES AND COSTS</b>											
GDP chn.-wt. price index	% change	2.4	1.5	1.2	1.3	1.0	1.1	1.4	0.9	2.0	1.3
Gross Domestic Purchases		1.9	0.6	1.0	1.1	0.1	0.8	1.1	1.0	1.6	1.9
chn.-wt. price index		2.5	1.3	1.8	2.0	1.0	1.7	1.7	1.7	1.5	3.4
CPI		2.2	2.9	1.4	2.4	2.4	2.6	2.3	2.1	1.6	2.5
Ex. food and energy											
ECI, hourly compensation <sup>1</sup>		2.5	3.7	3.4	4.3	3.0	3.6	4.1	2.9	1.4	4.6
Nonfarm business sector <sup>2</sup>											
Output per hour		0.9	3.3	3.3	1.2	4.4	0.9	3.1	4.1	2.7	0.6
Compensation per hour		3.6	2.6	4.4	6.4	4.8	5.6	6.2	4.6	4.2	4.8
Unit labor cost		2.7	-0.6	1.0	5.1	0.4	4.6	3.0	0.5	1.4	4.2

1. Private-industry workers.  
2. Staff estimates.

Strictly Confidential <FR>  
Class II POMC

REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, QUARTERLY VALUES  
(Seasonally adjusted, annual rate except as noted)

December 15, 1999

nm	Units	----- Projected -----									
		1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4
EXPENDITURES											
Nominal GDP	Bill. \$	9293.5	9439.3	9564.7	9703.8	9835.2	9964.6	10107.5	10245.0	10386.2	10531.0
Real GDP	Bill. Ch. \$	8898.5	9002.8	9073.6	9168.6	9254.4	9340.8	9427.5	9515.1	9603.3	9692.9
Real GDP	% change	5.6	4.8	3.2	4.3	3.8	3.8	3.8	3.8	3.8	3.8
Gross domestic purchases		6.2	4.9	4.1	4.9	4.0	3.6	4.0	4.0	3.8	3.5
Final sales		4.2	4.2	2.6	4.3	3.9	4.1	3.8	3.5	3.7	4.1
Priv. dom. final purchases		5.1	4.8	3.2	5.2	4.4	4.3	4.3	4.1	4.1	4.0
Personal cons. expenditures		4.5	5.1	2.8	5.2	4.0	3.8	3.5	3.3	3.3	3.3
Durables		7.5	7.6	5.7	5.6	4.6	2.8	3.2	3.3	3.3	4.9
Nondurables		3.5	6.3	0.4	5.0	3.1	2.9	2.5	2.3	2.3	2.1
Services		4.5	4.0	3.5	5.3	4.4	4.4	4.1	3.8	3.7	3.6
Business fixed investment		12.4	5.6	9.6	7.9	9.1	9.6	10.0	9.6	10.1	10.0
Equipment & Software		17.0	9.0	13.4	10.6	11.8	12.3	12.5	12.1	12.6	12.4
Nonres. structures		-1.6	-5.1	-2.6	-0.8	0.0	0.5	1.2	1.2	1.3	1.3
Residential structures		-5.0	-2.3	-6.1	-5.1	-4.8	-4.9	-3.4	-2.7	-2.7	-2.6
Exports		10.8	7.3	1.6	7.6	7.8	11.3	5.8	9.2	9.1	12.2
Imports		14.9	8.3	8.4	11.5	8.5	7.8	7.0	9.6	8.5	7.9
Gov't. cons. & investment		4.3	3.0	5.1	3.9	3.0	2.0	2.9	2.8	2.8	2.7
Federal		3.9	1.4	6.8	3.4	0.8	-2.0	0.8	0.5	0.5	0.2
Defense		11.4	-3.3	-0.1	-0.6	1.5	0.3	1.1	0.6	0.7	0.2
State & local		4.4	3.9	4.1	4.2	4.2	4.2	4.1	4.0	4.0	3.9
Change in bus. inventories	Bill. Ch. \$	38.5	49.5	62.0	61.5	58.9	50.2	49.9	54.9	55.0	47.0
Nonfarm		41.7	52.5	63.4	60.2	57.6	49.0	48.6	53.6	53.7	45.7
Net exports		-339.9	-349.2	-373.8	-393.7	-403.5	-402.0	-412.2	-422.9	-429.8	-426.0
Nominal GDP	% change	6.6	6.4	5.4	5.9	5.5	5.4	5.9	5.6	5.6	5.7
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	128.9	129.5	130.2	131.0	131.4	131.8	132.3	132.8	133.3	133.8
Unemployment rate	%	4.2	4.1	4.1	4.0	4.0	4.0	4.1	4.1	4.1	4.1
Industrial prod. index	% change	4.7	5.6	2.6	4.1	3.7	3.8	3.6	4.2	3.6	3.6
Capacity util. rate - mfg.	%	79.6	80.1	80.0	80.1	80.3	80.6	80.9	81.1	81.4	81.6
Housing starts	Millions	1.65	1.62	1.59	1.57	1.55	1.54	1.53	1.51	1.50	1.49
Light motor vehicle sales		17.15	16.85	16.81	16.68	16.52	16.26	16.08	15.89	15.73	15.73
North Amer. produced		14.70	14.00	14.13	14.10	14.02	13.88	13.79	13.70	13.64	13.64
Other		2.45	2.85	2.67	2.58	2.50	2.38	2.29	2.19	2.09	2.09
INCOME AND SAVING											
Nominal GNP	Bill. \$	9278.3	9424.9	9547.6	9686.0	9814.3	9945.3	10083.2	10217.4	10358.4	10502.0
Nominal GNP	% change	6.6	6.5	5.3	5.9	5.4	5.4	5.7	5.4	5.6	5.7
Nominal personal income		5.0	7.8	4.7	5.8	5.5	5.6	6.5	5.6	5.5	5.8
Real disposable income		2.7	4.3	3.1	3.7	3.5	3.6	5.5	3.1	3.0	3.3
Personal saving rate	%	2.1	1.9	2.0	1.6	1.5	1.5	1.9	1.9	1.8	1.8
Corp. profits, IVA & CCAdj.	% change	4.1	13.4	-0.5	5.6	4.2	5.8	-0.6	3.8	5.8	6.5
Profit share of GNP	%	9.5	9.7	9.5	9.5	9.5	9.5	9.4	9.3	9.3	9.4
Excluding FR Banks		9.3	9.4	9.3	9.3	9.2	9.3	9.1	9.1	9.1	9.1
Federal surpl./deficit	Bill. \$	135.0	126.9	123.6	139.2	160.1	171.1	170.4	191.4	215.5	221.6
State & local surpl./def.		48.5	52.3	57.9	61.3	63.1	59.7	56.0	55.7	55.2	56.6
Ex. social ins. funds		47.7	51.5	57.1	60.5	62.3	58.9	55.2	54.9	54.4	55.8
Gross natl. saving rate	%	18.8	18.5	18.5	18.4	18.5	18.6	18.7	18.8	18.9	19.0
Net natl. saving rate		7.1	7.1	7.1	7.0	7.1	7.2	7.4	7.5	7.7	7.7
PRICES AND COSTS											
GDP chn.-wt. price index	% change	1.2	1.7	2.1	1.6	1.7	1.6	2.1	1.8	1.9	1.8
Gross Domestic Purchases		1.8	2.1	2.4	1.4	1.3	1.4	2.0	1.7	1.7	1.7
chn.-wt. price index		2.7	2.9	2.6	2.3	1.9	2.2	2.3	2.6	2.5	2.6
CPI		1.6	2.6	2.2	2.8	2.5	2.7	2.7	3.0	2.8	2.9
Ex. food and energy											
ECI, hourly compensation <sup>1</sup>		3.4	3.6	3.5	3.8	3.8	3.8	4.1	4.0	4.0	4.1
Nonfarm business sector											
Output per hour		5.0	3.3	2.6	3.0	2.8	2.8	2.7	2.8	2.8	2.9
Compensation per hour		4.7	4.3	4.8	4.7	4.6	4.6	5.1	4.8	4.8	4.8
Unit labor cost		-0.3	1.0	2.2	1.7	1.8	1.8	2.4	2.0	2.0	1.9

1. Private-industry workers.

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS

December 15, 1999

Item	1997 Q3	1997 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	97Q4/ 96Q4	98Q4/ 97Q4	99Q4/ 98Q4
Real GDP	4.0	3.1	6.7	2.1	3.8	5.9	3.7	1.9	5.6	4.3	4.6	4.0
Gross dom. purchases	4.8	3.5	8.7	4.2	4.6	5.6	5.9	3.3	6.4	4.9	5.7	5.1
Final sales	5.7	2.4	5.1	5.0	2.3	6.2	4.6	3.4	4.2	3.8	4.6	4.1
Priv. dom. final purchases	5.9	2.8	7.2	5.7	3.3	5.0	6.0	4.5	4.3	4.0	5.3	4.7
Personal cons. expenditures	4.3	2.2	3.7	4.0	2.6	3.1	4.3	3.4	3.1	2.8	3.4	3.6
Durables	1.4	0.4	1.2	0.8	0.3	1.5	1.0	0.7	0.6	0.6	1.0	0.7
Nondurables	1.1	0.1	1.1	1.3	0.5	1.0	1.7	0.6	0.7	0.5	1.0	1.1
Services	1.7	1.8	1.3	1.8	1.8	0.6	1.6	2.0	1.8	1.7	1.4	1.8
Business fixed investment	1.8	0.4	2.9	1.4	0.0	1.8	0.9	0.9	1.5	1.1	1.5	1.0
Equipment & Software	1.5	0.3	2.7	1.2	0.2	1.6	1.1	1.0	1.5	1.0	1.5	1.1
Nonres. structures	0.3	0.1	0.2	0.2	-0.2	0.2	-0.2	-0.2	-0.0	0.1	0.1	-0.1
Residential structures	0.0	0.3	0.5	0.5	0.3	0.4	0.5	0.2	-0.2	0.1	0.5	0.1
Net exports	-0.8	-0.5	-1.9	-2.0	-0.8	0.3	-2.1	-1.4	-0.8	-0.7	-1.1	-1.2
Exports	1.3	0.2	-0.2	-0.5	-0.2	1.6	-0.6	0.4	1.1	1.1	0.2	0.4
Imports	-2.1	-0.7	-1.7	-1.6	-0.6	-1.3	-1.5	-1.8	-1.9	-1.7	-1.3	-1.6
Government cons. & invest.	0.3	-0.0	-0.2	1.0	0.2	0.5	0.9	0.2	0.7	0.4	0.4	0.6
Federal	-0.1	-0.3	-0.6	0.7	-0.1	0.2	-0.0	0.1	0.2	0.0	0.0	0.1
Defense	-0.0	-0.1	-0.8	0.4	0.3	-0.1	-0.2	-0.1	0.4	-0.1	-0.0	0.0
Nondefense	-0.1	-0.2	0.1	0.3	-0.4	0.4	0.1	0.2	-0.2	0.1	0.1	0.1
State and local	0.4	0.3	0.5	0.3	0.4	0.3	0.9	0.1	0.5	0.4	0.4	0.5
Change in bus. inventories	-1.6	0.6	1.6	-2.8	1.5	-0.2	-0.9	-1.8	1.3	0.5	-0.0	-0.2
Nonfarm	-1.6	0.8	1.6	-2.3	1.1	-0.8	-0.6	-1.3	1.2	0.5	-0.1	-0.1
Farm	-0.0	-0.1	-0.0	-0.1	0.3	0.6	-0.3	-1.0	-0.5	-0.0	0.1	-0.2

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

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS

December 15, 1999

Item	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	99Q4/ 98Q4	00Q4/ 99Q4	01Q4/ 00Q4
Real GDP	4.8	3.2	4.3	3.8	3.8	3.8	3.8	3.8	3.8	4.0	3.8	3.8
Gross dom. purchases	5.1	4.2	5.1	4.2	3.7	4.1	4.1	4.0	3.6	5.1	4.3	4.0
Final sales	4.2	2.6	4.2	3.9	4.1	3.7	3.5	3.7	4.1	4.1	3.7	3.8
Priv. dom. final purchases	4.1	2.8	4.4	3.7	3.7	3.6	3.4	3.5	3.4	4.7	3.6	3.5
Personal cons. expenditures	3.4	1.9	3.5	2.7	2.6	2.4	2.3	2.2	2.3	3.6	2.7	2.3
Durables	0.6	0.5	0.4	0.4	0.2	0.3	0.3	0.3	0.4	0.7	0.4	0.3
Nondurables	1.2	0.1	1.0	0.6	0.6	0.5	0.5	0.4	0.4	1.1	0.6	0.5
Services	1.6	1.4	2.1	1.7	1.8	1.6	1.5	1.5	1.5	1.8	1.8	1.5
Business fixed investment	0.7	1.2	1.0	1.1	1.2	1.2	1.2	1.3	1.3	1.0	1.1	1.3
Equipment & Software	0.9	1.3	1.0	1.1	1.2	1.2	1.2	1.2	1.2	1.1	1.2	1.2
Nonres. structures	-0.2	-0.1	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.0	0.0
Residential structures	-0.1	-0.3	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	0.1	-0.2	-0.1
Net exports	-0.4	-1.0	-0.8	-0.4	0.1	-0.4	-0.4	-0.2	0.2	-1.2	-0.5	-0.2
Exports	0.8	0.2	0.8	0.8	1.2	0.6	1.0	1.0	1.3	0.4	0.8	1.0
Imports	-1.1	-1.2	-1.6	-1.2	-1.1	-1.0	-1.4	-1.2	-1.1	-1.6	-1.3	-1.2
Government cons. & invest.	0.5	0.9	0.7	0.5	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.5
Federal	0.1	0.4	0.2	0.0	-0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Defense	-0.1	-0.0	-0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nondefense	0.2	0.4	0.2	-0.0	-0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0
State and local	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Change in bus. inventories	0.5	0.5	-0.0	-0.1	-0.3	-0.0	0.2	0.0	-0.3	-0.2	0.0	-0.0
Nonfarm	0.5	0.5	-0.1	-0.1	-0.3	-0.0	0.2	0.0	-0.3	-0.1	-0.0	-0.0
Farm	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	0.0

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

Staff Projections of Federal Sector Accounts and Related Items  
(Billions of dollars except as noted)

Item	Fiscal year <sup>1</sup>				1999				2000				2001			
	1998 <sup>a</sup>	1999 <sup>a</sup>	2000	2001	Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>p</sup>	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Unified budget</b>					Not seasonally adjusted											
Receipts <sup>2</sup>	1722	1827	1935	2050	402	564	449	431	429	610	466	454	459	641	496	487
Outlays <sup>2</sup>	1653	1704	1775	1840	396	421	419	453	452	442	428	465	468	459	447	470
Surplus/deficit <sup>2</sup>	69	124	160	210	6	143	29	-23	-23	168	38	-11	-9	182	48	17
On-budget	-30	-0	7	42	-49	88	20	-67	-49	104	19	-56	-40	112	26	-31
Off-budget	99	124	154	168	55	55	9	44	27	64	19	45	31	70	22	48
Surplus excluding deposit insurance	65	118	157	207	5	142	28	-23	-24	167	37	-12	-10	181	47	16
<b>Means of financing</b>																
Borrowing	-51	-88	-172	-209	7	-108	-20	39	-39	-132	-41	-8	-2	-146	-53	-22
Cash decrease	5	-18	11	0	-4	-31	-3	-20	57	-30	5	20	5	-30	5	20
Other <sup>3</sup>	-23	-18	.4	-.9	-9	-4	-6	4	5	-6	-2	-1	6	-5	-.2	-15
Cash operating balance, end of period	39	56	45	45	22	53	56	77	20	50	45	25	20	50	45	25
<b>NIPA federal sector</b>					Seasonally adjusted annual rates											
Receipts	1722	1839	1953	2054	1827	1853	1883	1925	1932	1962	1993	2021	2035	2064	2096	2128
Expenditures	1694	1736	1816	1867	1729	1735	1748	1798	1809	1823	1833	1850	1864	1872	1881	1906
Consumption expenditures	452	467	499	515	467	465	475	480	501	507	508	505	517	519	520	521
Defense	300	305	317	328	305	301	312	311	319	319	320	321	329	330	331	332
Nondefense	153	161	182	188	162	164	162	169	182	188	188	184	188	189	189	189
Other expenditures	1242	1270	1317	1352	1262	1270	1274	1318	1308	1316	1325	1345	1347	1354	1360	1385
Current account surplus	28	103	137	187	98	118	135	127	124	139	160	171	170	191	215	222
Gross investment	84	92	94	97	90	96	95	93	94	94	96	96	97	97	97	97
Current and capital account surplus	-56	10	43	90	7	22	40	34	29	45	65	75	74	95	118	124
<b>Fiscal indicators<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-151	-109	-100	-68	-113	-93	-87	-103	-110	-101	-86	-79	-83	-65	-45	-43
Change in HEB, percent of potential GDP	-.8	-.6	-.2	-.4	-.4	-.2	-.1	.2	.1	-.1	-.2	-.1	0	-.2	-.2	-0
Fiscal impetus (FI) percent, calendar year	0	4	5	.1	2	-.4	2	1	2	1	.5	-.7	-.2	.2	.2	.4

1. Fiscal year data for the unified budget come from OMB; quarterly data come from the Monthly Treasury Statement and may not sum to OMB fiscal year totals.

2. OMB's June 1999 surplus estimates (assuming the enactment of the President's proposals) are \$99 billion in FY1999 and \$143 billion in FY2000. CBO's July 1999 baseline surplus estimates are \$120 billion in FY1999 and \$161 billion in FY2000. 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 FY1990.

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 current and capital account surplus in current dollars, with cyclically sensitive receipts and outlays adjusted to the level of potential output associated with an unemployment rate of 6 percent. Real potential GDP growth is assumed to be 3.6 percent beginning 1998:Q1. Quarterly figures for change in HEB and FI are not at annual rates. The sign on Change in HEB, as a percent of nominal potential GDP, is reversed. FI is the weighted difference of discretionary changes in federal spending and taxes in chained (1996) dollars, scaled by real federal consumption plus investment. For change in HEB and FI, negative values indicate restraint.

a--Actual p--Preliminary

Strictly Confidential (FR)  
Class II FOMC

Change in Debt of the Domestic Nonfinancial Sectors  
(Percent)

December 15, 1999

Period <sup>1</sup>	Total <sup>2</sup>	Federal government <sup>3</sup>	Nonfederal						Memo: Nominal GDP
			Total <sup>4</sup>	Households			Business	State and local governments	
				Total	Home mortgages	Consumer credit			
<i>Year</i>									
1991	4.3	11.1	2.2	4.5	6.1	-1.3	-1.6	8.6	4.0
1992	4.6	10.9	2.6	4.5	5.3	0.8	0.8	2.2	6.4
1993	4.9	8.3	3.8	5.4	4.5	7.3	1.4	6.0	5.0
1994	4.6	4.7	4.6	7.7	6.0	14.5	3.9	-4.0	6.2
1995	5.5	4.1	6.1	7.9	5.8	14.1	7.0	-4.6	4.3
1996	5.4	4.0	5.9	7.4	7.4	7.9	6.0	-0.6	6.0
1997	5.4	0.6	7.1	6.4	6.7	4.3	8.4	5.3	5.9
1998	6.7	-1.4	9.4	8.7	9.7	5.4	10.7	7.2	5.9
1999	6.7	-2.1	9.3	9.2	10.3	6.3	10.6	4.1	5.5
2000	5.1	-6.0	8.1	8.0	9.0	4.9	9.3	2.9	5.6
2001	4.6	-6.5	7.2	7.0	8.0	3.6	8.3	2.7	5.7
<i>Quarter</i>									
1999:1	7.9	-2.0	10.9	9.4	10.0	9.7	13.3	7.3	5.7
2	5.3	-3.0	7.8	8.5	9.9	4.4	7.9	2.9	3.3
3	6.7	-2.2	9.2	9.2	10.0	5.5	10.4	4.3	6.6
4	6.1	-1.4	8.1	8.3	9.6	5.2	9.3	1.6	6.4
2000:1	5.0	-6.8	8.2	8.2	9.1	5.4	9.1	3.4	5.4
2	5.3	-5.6	8.1	8.0	8.9	5.0	9.3	2.7	5.9
3	5.2	-5.0	7.8	7.7	8.6	4.7	8.9	2.7	5.5
4	4.7	-7.0	7.5	7.2	8.3	4.1	8.7	2.7	5.4
2001:H1	4.9	-5.2	7.2	6.9	7.9	3.6	8.5	2.7	5.7
H2	4.3	-7.9	7.0	6.9	7.9	3.6	7.9	2.6	5.7

Note. Quarterly data are at seasonally adjusted annual rates.

1 Data after 1999:Q3 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

2. On a monthly average basis, total debt is projected to grow 6.6 percent in 1999, 5.3 percent in 2000, and 4.7 percent in 2001.

3. On a monthly average basis, federal debt is projected to grow -2.6 percent in 1999, -5.2 percent in 2000, and -6.2 percent in 2001.

4. On a monthly average basis, nonfederal debt is projected to grow 9.4 percent in 1999, 8.2 percent in 2000, and 7.3 percent in 2001.

Category	Calendar year				Seasonally adjusted annual rates									
					1999				2000				2001	
	1998	1999	2000	2001	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	H1	H2
<i>Net funds raised by domestic nonfinancial sectors</i>														
1 Total	757.1	923.3	776.7	779.0	1222.4	512.6	977.9	980.1	723.7	763.7	851.5	768.0	822.3	735.8
2 Net equity issuance	-267.0	-163.7	-118.0	-68.0	-65.7	-374.0	-153.0	-62.0	-148.0	-168.0	-84.0	-72.0	-68.0	-68.0
3 Net debt issuance	1024.1	1086.9	894.7	847.0	1288.1	886.6	1130.9	1042.1	871.7	931.7	935.5	840.0	890.3	803.8
<i>Borrowing sectors</i>														
<i>Nonfinancial business</i>														
4 Financing gap <sup>1</sup>	134.4	161.0	193.3	232.3	114.8	165.5	176.7	187.2	193.1	191.2	193.7	195.0	220.2	244.3
5 Net equity issuance	-267.0	-163.7	-118.0	-68.0	-65.7	-374.0	-153.0	-62.0	-148.0	-168.0	-84.0	-72.0	-68.0	-68.0
6 Credit market borrowing	524.5	577.3	560.4	546.9	719.5	445.9	595.3	548.7	546.1	572.1	562.1	561.1	555.1	538.6
<i>Households</i>														
7 Net borrowing <sup>2</sup>	471.9	541.2	517.4	489.1	556.4	517.1	566.0	525.3	531.9	527.9	517.9	491.9	481.9	496.4
8 Home mortgages	359.8	415.9	404.7	392.7	405.7	413.1	425.7	419.2	409.2	408.2	403.2	398.2	387.2	398.2
9 Consumer credit	67.6	84.2	69.0	54.0	129.2	60.1	75.4	72.0	76.0	72.0	68.0	60.0	54.0	54.0
10 Debt/DPI (percent) <sup>3</sup>	90.3	93.1	95.7	97.1	91.9	92.7	93.7	94.1	94.8	95.4	96.1	96.6	96.7	97.5
<i>State and local governments</i>														
11 Net borrowing	80.3	48.8	36.4	34.4	87.4	35.7	52.8	19.3	42.4	34.4	34.4	34.4	34.4	34.4
12 Current surplus <sup>4</sup>	140.5	151.9	172.7	175.3	151.1	142.0	154.5	160.0	167.4	172.6	176.2	174.6	173.5	177.2
<i>Federal government</i>														
13 Net borrowing	-52.6	-80.4	-219.4	-223.3	-75.2	-112.2	-83.1	-51.1	-248.7	-202.6	-178.8	-247.3	-181.0	-265.6
14 Net borrowing (quarterly, n.s.a.)	-52.6	-80.4	-219.4	-223.3	7.5	-108.0	-19.0	39.1	-38.7	-131.8	-40.9	-8.0	-148.1	-75.1
15 Unified deficit (quarterly, n.s.a.)	-54.4	-155.6	-172.1	-237.6	-5.8	-143.1	-29.4	22.6	23.0	-167.9	-38.0	10.8	-172.7	-64.9
<i>Depository institutions</i>														
16 Funds supplied	360.5	364.3	361.4	302.1	206.3	256.2	534.8	459.9	384.9	364.9	351.9	343.9	301.4	302.9
<i>Memo (percentage of GDP)</i>														
17 Domestic nonfinancial debt <sup>5</sup>	180.1	182.2	182.5	181.2	181.3	182.9	182.7	182.7	182.8	182.5	182.5	182.3	181.8	180.9
18 Domestic nonfinancial borrowing	11.7	11.8	9.2	8.2	14.2	9.7	12.2	11.0	9.1	9.6	9.5	8.4	8.7	7.7
19 Federal government <sup>6</sup>	-0.6	-0.9	-2.2	-2.2	-0.8	-1.2	-0.9	-0.5	-2.6	-2.1	-1.8	-2.5	-1.8	-2.5
20 Nonfederal	12.3	12.6	11.4	10.4	15.0	10.9	13.1	11.6	11.7	11.7	11.3	10.9	10.5	10.2

Note. Data after 1999:Q3 are staff projections.

1. For corporations; Excess of capital expenditures over U.S. internal funds.

2. Includes change in liabilities not shown in lines 8 and 9.

3. Average debt levels in the period (computed as the average of period-end debt positions) divided by disposable personal income.

4. NIPA surplus less changes in retirement fund assets plus consumption of fixed capital.

5. Average debt levels in the period (computed as the average of period-end debt positions) divided by nominal GDP.

6. Excludes government-insured mortgage pool securities.



**Summary of Staff Projections**  
(Percent change, seasonally adjusted annual rate)

Measure	1998	Projection				
		1999			2000	2001
		H1	Q3	Q4		
Foreign output	0.9	4.1	3.5	4.1	3.5	3.5
<i>November GB</i>	<i>0.8</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>3.3</i>	<i>3.5</i>
Real exports	1.9	-0.9	10.8	7.3	7.0	9.1
<i>November GB</i>	<i>1.9</i>	<i>-0.9</i>	<i>13.1</i>	<i>6.9</i>	<i>7.5</i>	<i>9.2</i>
Real imports	10.8	13.5	14.9	8.3	9.0	8.3
<i>November GB</i>	<i>10.8</i>	<i>13.5</i>	<i>17.7</i>	<i>8.6</i>	<i>8.8</i>	<i>9.0</i>

NOTE. Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2; and for quarters, from previous quarter.

**The dollar.** The real trade-weighted value of the dollar relative to the currencies of a broad group of important U.S. trading partners is forecast to depreciate at a moderate rate, declining by a total of 5 percent over the projection period. Most of the broad dollar's expected decline is due to the forecast of a real depreciation of the dollar vis-a-vis the major foreign currencies, especially the euro. The recent strength of the dollar against the euro is expected to be reversed, partly as a result of relatively robust European growth and partly in response to market concerns about the large and growing U.S. current account deficit. Against the yen, the real value of the dollar is expected to be little changed over the forecast period, following the sharp decline in recent months. The real exchange value of the dollar relative to the currencies of developing countries is projected to decline slightly over the forecast period, as the anticipated further depreciation of the dollar against the currencies of the developing Asian economies is only partially offset by slight real appreciation in terms of major Latin American currencies.

**Activity in foreign industrial countries.** Export-weighted real GDP growth in the foreign industrial countries is projected to average about 2-3/4 percent over the next two years, moderating somewhat from the estimated 3-1/4 percent pace of this year. In response to unexpectedly weak incoming data, we have revised down our near-term assessment of economic activity in Japan. Thereafter, Japanese growth is projected to remain weak because fiscal stimulus is expected to be smaller than in recent years and the boost to the external sector from recovery in developing Asia should be largely offset by the ongoing effect of the yen's appreciation. Japanese private domestic demand is expected to grow

reductions in supply or increases in demand could cause oil prices to move markedly higher than we project.

### Selected Trade Prices

(Percent change except as noted; seasonally adjusted annual rate)

Trade category	1998	Projection				
		1999			2000	2001
		H1	Q3	Q4		
<i>Exports</i>						
Nonagricultural (core)	-1.9	0.8	2.5	4.1	0.9	1.0
Agricultural	-10.2	-8.9	-2.6	-0.2	2.4	2.5
<i>Imports</i>						
Non-oil (core)	-1.9	-0.7	1.0	2.7	2.6	2.3
Oil (level, dollars per barrel)	11.40	14.70	18.60	22.20	18.90	16.50

NOTE. Prices for exports and non-oil imports of goods, excluding computers and semiconductors, are on a NIPA chain-weighted basis.

Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2; and for quarters, from previous quarter.

The price of imported oil for multiquarter periods is the price for the final quarter of the period.

**Prices of non-oil imports and non-agricultural exports.** After turning positive in the third quarter, core import price inflation is projected to step up to a 2-3/4 percent rate through the first half of next year and then ease slightly over the remainder of the forecast period. The reappearance of positive core import price inflation reflects increases in commodity prices and the path of the dollar. Core export prices rose at a 2-1/2 percent rate in the third quarter and are projected to rise further in the fourth quarter in response to rising prices of industrial supplies (including oil). Over the longer run, core export prices are expected to rise more slowly, as the projected decline in oil prices provides a damping influence.

OUTLOOK FOR FOREIGN REAL GDP AND CONSUMER PRICES: SELECTED COUNTRIES  
(Percent, Q4 to Q4)

Measure and country	1993	1994	1995	1996	1997	1998	-----Projected-----		
							1999	2000	2001
REAL GDP (1)									
-----									
Total foreign	3.1	5.1	2.3	4.3	4.1	0.9	4.0	3.5	3.5
Industrial Countries	1.9	4.0	1.8	2.9	3.3	1.7	3.3	2.8	2.7
of which:									
Canada	2.9	5.5	1.4	2.4	4.4	2.8	4.0	3.1	2.9
Japan	0.5	0.9	2.5	5.2	-0.5	-3.1	1.7	0.8	1.2
United Kingdom	3.2	4.6	1.9	2.9	3.4	1.6	2.7	2.6	2.5
Euro-11	0.1	2.9	1.5	1.6	2.9	1.9	2.9	3.0	2.9
Germany	-0.2	2.8	1.0	1.3	1.4	1.2	2.4	3.0	2.8
Developing Countries	5.0	6.9	2.9	6.3	5.3	-0.3	5.1	4.5	4.7
Asia	7.6	8.8	7.2	6.9	4.8	-1.7	7.5	5.5	6.3
Korea	6.3	9.4	7.2	6.8	3.7	-5.3	13.0	5.9	7.0
China	6.1	16.3	12.6	9.2	8.2	9.5	5.3	6.9	7.5
Latin America	2.7	5.5	-4.0	6.4	6.4	1.0	3.7	3.7	3.9
Mexico	1.9	5.1	-7.3	7.5	7.2	2.9	5.6	4.3	4.3
Brazil	4.5	9.8	-1.9	5.5	2.2	-1.6	2.8	2.2	3.0
CONSUMER PRICES (2)									
-----									
Industrial Countries	2.1	1.1	1.3	1.5	1.6	1.0	1.2	1.5	1.6
of which:									
Canada	1.8	-0.0	2.1	2.0	1.0	1.1	2.5	2.2	2.4
Japan	1.2	0.8	-0.8	0.1	2.1	0.7	-0.9	0.0	0.0
United Kingdom (3)	2.7	2.2	2.9	3.2	2.8	2.6	2.2	2.4	2.5
Euro-11 (4)	NA	NA	NA	2.0	1.4	0.9	1.7	1.6	1.6
Germany	4.2	2.6	1.5	1.5	2.1	0.4	1.0	1.5	1.5
Developing Countries	24.7	23.0	17.0	11.2	6.9	9.1	5.0	6.5	6.5
Asia	7.7	10.7	6.4	4.8	2.8	4.5	0.6	3.6	4.1
Korea	5.5	5.8	4.4	5.1	5.1	6.0	1.5	4.3	5.5
China	17.1	26.9	11.1	7.0	1.0	-1.1	-0.3	2.8	3.8
Latin America	74.2	54.3	42.2	26.0	15.8	15.6	12.9	11.4	10.4
Mexico	8.6	6.9	48.8	28.1	17.2	17.6	14.0	12.2	11.2
Brazil	2287.6	1216.3	23.1	10.8	5.3	1.8	8.3	8.3	6.3

1. Foreign GDP aggregates calculated using shares of U.S. non-agricultural exports.
2. Foreign CPI aggregates calculated using shares of U.S. non-oil imports.
3. CPI excluding mortgage interest payments, which is the targeted inflation rate.
4. Harmonized CPI's, weighted by shares in final consumption of households converted to a common currency using estimated PPP exchange rates.

December 15,

OUTLOOK FOR FOREIGN REAL GDP AND CONSUMER PRICES: SELECTED COUNTRIES  
(Percent changes)

Measure and country	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
REAL GDP (1)	----- Quarterly changes at an annual rate -----											
Total foreign	3.4	4.9	3.5	4.1	2.3	4.1	3.8	3.7	3.6	3.6	3.5	3.4
Industrial Countries	3.4	3.2	2.9	3.5	1.7	3.5	3.0	2.8	2.7	2.7	2.6	2.6
of which:												
Canada	4.1	3.1	4.7	4.3	2.1	4.0	3.4	3.0	2.9	2.9	2.9	2.9
Japan	6.3	3.9	-3.8	0.8	-0.4	1.4	1.0	1.2	1.2	1.2	1.2	1.2
United Kingdom	0.9	2.6	3.6	3.9	2.0	3.4	2.5	2.5	2.5	2.4	2.5	2.4
Euro-11	1.9	2.4	3.6	3.7	2.0	3.7	3.2	3.1	2.9	2.9	2.8	2.8
Germany	2.6	0.4	2.9	3.8	2.3	3.9	3.0	3.0	2.8	2.8	2.8	2.8
Developing Countries	3.5	7.4	4.4	5.0	3.2	4.9	4.9	5.0	5.0	4.9	4.6	4.5
Asia	6.5	12.2	4.2	7.0	3.6	5.9	6.2	6.4	6.3	6.3	6.2	6.3
Korea	13.9	16.5	13.9	8.0	4.0	6.7	6.0	7.0	7.0	7.0	7.0	7.0
China	2.2	1.1	11.4	6.7	4.8	6.8	8.0	8.0	7.7	7.5	7.5	7.5
Latin America	1.2	4.3	5.5	3.7	2.9	4.2	3.8	3.9	4.0	4.0	3.7	3.8
Mexico	1.3	7.7	8.7	5.1	3.9	4.9	4.2	4.3	4.4	4.5	4.0	4.1
Brazil	7.2	4.0	-0.7	1.0	0.6	2.8	2.7	2.8	2.7	3.0	3.2	3.2
CONSUMER PRICES (2)	----- Four-quarter changes -----											
Industrial Countries	0.6	0.9	1.3	1.2	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.6
of which:												
Canada	0.8	1.6	2.2	2.5	2.7	2.5	2.4	2.2	2.2	2.2	2.3	2.4
Japan	-0.2	-0.4	0.0	-0.9	-0.3	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0
United Kingdom (3)	2.6	2.3	2.2	2.2	2.3	2.3	2.4	2.4	2.4	2.4	2.5	2.5
Euro-11 (4)	0.9	1.0	1.2	1.7	2.0	1.8	1.7	1.6	1.6	1.6	1.6	1.6
Germany	0.3	0.5	0.6	1.0	1.6	1.5	1.4	1.5	1.5	1.5	1.5	1.5
Developing Countries	8.2	6.9	5.9	5.0	5.3	5.7	6.0	6.5	6.4	6.5	6.6	6.5
Asia	2.5	0.8	0.2	0.6	1.7	2.6	3.2	3.6	3.6	3.8	3.9	4.1
Korea	0.7	0.6	0.7	1.5	2.3	3.1	4.4	4.3	4.7	4.9	5.2	5.5
China	-1.4	-2.2	-1.2	-0.3	1.1	2.0	2.5	2.8	3.1	3.6	3.8	3.8
Latin America	16.4	15.7	14.7	12.9	11.5	10.7	10.6	11.4	11.5	11.4	11.2	10.4
Mexico	18.6	17.9	16.5	14.0	12.4	11.4	11.2	12.2	12.3	12.3	12.0	11.2
Brazil	2.3	3.3	5.5	8.3	8.5	8.6	8.8	8.3	7.8	7.3	6.8	6.3

1. Foreign GDP aggregates calculated using shares of U.S. non-agricultural exports.
2. Foreign CPI aggregates calculated using shares of U.S. non-oil imports.
3. CPI excluding mortgage interest payments, which is the targeted inflation rate.
4. Harmonized CPI's, weighted by shares in final consumption of households converted to a common currency using estimated PPP exchange rates.

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1993	1994	1995	1996	1997	1998	----- 1999	Projected 2000	----- 2001
<b>NIPA REAL EXPORTS and IMPORTS</b>									
Percentage point contribution to GDP growth, Q4/Q4									
Net Goods & Services	-0.6	-0.3	0.4	-0.2	-0.7	-1.1	-1.2	-0.5	-0.2
Exports of G&S	0.4	1.1	1.0	1.1	1.1	0.2	0.4	0.8	1.0
Imports of G&S	-1.1	-1.3	-0.6	-1.3	-1.7	-1.3	-1.6	-1.3	-1.2
Percentage change, Q4/Q4									
Exports of G&S	4.5	10.6	9.7	9.9	9.4	1.9	4.0	7.0	9.1
Services	4.9	8.5	9.0	9.4	3.0	2.3	2.9	4.2	4.3
Agricultural Goods	-5.3	16.3	-4.0	3.7	3.3	0.3	-1.1	2.0	2.0
Computers	17.3	27.2	39.1	21.6	26.1	7.1	18.5	37.9	36.0
Semiconductors	31.1	66.9	79.6	44.6	21.0	9.3	30.5	40.5	41.2
Other Goods 1/	3.5	6.9	5.7	7.8	11.4	1.1	2.1	3.7	6.3
Imports of G&S	10.5	12.1	5.0	11.2	14.2	10.8	12.5	9.0	8.3
Services	6.7	1.8	5.5	5.3	13.6	8.4	7.3	3.4	3.2
Oil	10.1	-0.3	2.4	7.8	4.0	4.1	1.2	10.5	0.8
Computers	30.7	38.9	35.0	17.7	32.4	26.9	28.7	38.6	36.1
Semiconductors	33.6	54.5	92.4	56.7	32.8	-7.4	24.6	42.4	42.5
Other Goods 2/	9.4	12.3	-1.2	10.4	12.7	11.3	12.9	6.3	5.8
Billions of chained 1996 dollars									
Net Goods & Services	-59.9	-87.5	-79.1	-88.9	-109.8	-215.1	-323.2	-393.3	-422.7
Exports of G&S	671.9	731.8	807.5	874.2	985.5	1007.1	1041.9	1109.0	1204.9
Imports of G&S	731.8	819.4	886.6	963.1	1095.2	1222.2	1365.1	1502.3	1627.6
Billions of dollars									
US CURRENT ACCOUNT BALANCE	-85.3	-121.7	-113.6	-129.3	-143.5	-220.6	-336.8	-427.1	-448.8
Current Acct as Percent of GDP	-1.3	-1.7	-1.5	-1.7	-1.7	-2.5	-3.6	-4.4	-4.3
Net Goods & Services (BOP)	-69.9	-98.4	-97.5	-104.3	-104.7	-164.3	-271.5	-356.1	-369.4
Investment Income, Net	26.9	20.3	23.9	21.8	8.2	-7.0	-13.0	-17.7	-26.1
Direct, Net	58.6	54.4	63.8	67.7	69.2	59.4	61.5	75.9	93.4
Portfolio, Net	-31.7	-34.1	-39.9	-46.0	-61.0	-66.4	-74.6	-93.6	-119.5
Other Income & Transfers, Net	-42.2	-43.6	-39.9	-46.7	-46.9	-49.3	-52.3	-53.3	-53.3

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1996				1997				1998			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
Percentage point contribution to GDP growth												
Net Goods & Services	-1.0	-0.8	-1.3	2.1	-0.8	-0.5	-0.8	-0.5	-1.9	-2.0	-0.8	0.3
Exports of G&S	0.3	0.8	0.4	2.9	1.0	1.8	1.3	0.2	-0.2	-0.5	-0.2	1.6
Imports of G&S	-1.3	-1.6	-1.7	-0.8	-1.8	-2.2	-2.1	-0.7	-1.7	-1.6	-0.6	-1.3
Percentage change from previous period, SAAR												
Exports of G&S	2.3	6.9	3.4	29.1	8.8	16.2	11.4	1.8	-1.5	-4.0	-1.7	16.1
Services	-4.0	13.5	-6.7	41.2	-3.6	11.1	7.7	-2.5	1.7	8.8	-8.9	8.7
Agricultural Goods	15.0	-25.3	-4.6	41.3	-18.5	3.3	4.6	29.2	-11.0	-16.3	-16.5	62.7
Computers	40.4	4.9	17.1	26.9	56.1	46.2	28.4	-13.6	-12.9	11.0	19.0	14.5
Semiconductors	24.2	35.2	24.2	110.0	46.2	24.5	26.2	-6.7	1.3	-13.1	25.3	29.4
Other Goods 1/	-0.4	7.0	7.8	17.7	13.6	17.2	11.7	3.5	-1.2	-9.2	0.6	15.6
Imports of G&S	10.8	13.3	14.4	6.3	15.5	19.0	17.6	5.2	14.4	13.0	5.2	10.8
Services	5.7	4.0	11.7	0.0	20.8	8.5	20.7	5.3	16.9	9.6	6.5	1.5
Oil	-9.6	67.4	5.4	-15.3	-7.4	36.4	6.3	-13.0	6.5	42.1	2.4	-24.3
Computers	10.4	21.0	19.2	20.5	45.0	48.5	34.3	6.2	35.7	23.0	11.4	39.4
Semiconductors	30.0	18.9	58.4	146.3	77.6	28.1	28.8	6.1	1.3	-20.1	-3.0	-6.4
Other Goods 2/	13.5	10.2	13.7	4.6	11.9	16.5	15.6	6.9	13.5	12.9	4.9	14.1
Billions of chained 1996 dollars, SAAR												
Net Goods & Services	-75.5	-90.6	-115.8	-73.9	-90.8	-100.9	-118.7	-128.7	-171.7	-218.4	-238.0	-232.3
Exports of G&S	845.6	859.8	867.1	924.2	943.9	979.9	1006.8	1011.2	1007.3	997.2	993.0	1030.8
Imports of G&S	921.1	950.4	982.9	998.1	1034.7	1080.8	1125.5	1139.9	1179.0	1215.6	1231.0	1263.1
Billions of dollars, SAAR												
US CURRENT ACCOUNT BALANCE	-107.0	-125.8	-153.3	-131.1	-139.6	-125.9	-142.5	-165.9	-172.1	-209.6	-253.9	-246.7
Current Account as % of GDP	-1.4	-1.6	-2.0	-1.6	-1.7	-1.5	-1.7	-2.0	-2.0	-2.4	-2.9	-2.8
Net Goods & Services (BOP)	-89.4	-105.9	-125.9	-96.1	-106.4	-96.8	-102.9	-112.8	-133.4	-167.8	-182.9	-173.1
Investment Income, Net	30.4	21.3	15.1	20.2	9.0	13.7	5.8	4.2	6.1	2.9	-22.5	-14.3
Direct, Net	68.5	64.3	63.6	74.5	66.4	74.7	69.2	66.6	67.3	64.7	47.3	58.2
Portfolio, Net	-38.2	-43.0	-48.5	-54.3	-57.4	-60.9	-63.4	-62.4	-61.3	-61.8	-69.9	-72.5
Other Inc. & Transfers, Net	-48.0	-41.2	-42.5	-55.2	-42.1	-42.9	-45.4	-57.3	-44.8	-44.7	-48.5	-59.3

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1999				2000				2001			
	-----				-----				-----			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>NIPA REAL EXPORTS and IMPORTS</b>												
Percentage point contribution to GDP growth												
Net Goods & Services	-2.1	-1.4	-0.8	-0.4	-1.0	-0.8	-0.4	0.1	-0.4	-0.4	-0.2	0.2
Exports of G&S	-0.6	0.4	1.1	0.8	0.2	0.8	0.8	1.2	0.6	1.0	1.0	1.3
Imports of G&S	-1.5	-1.8	-1.9	-1.1	-1.2	-1.6	-1.2	-1.1	-1.0	-1.4	-1.2	-1.1
Percentage change from previous period, SAAR												
Exports of G&S	-5.5	4.0	10.8	7.3	1.6	7.6	7.8	11.3	5.8	9.2	9.1	12.2
Services	4.1	3.2	0.2	4.0	2.6	4.9	4.5	4.7	4.7	4.5	3.9	3.9
Agricultural Goods	-38.1	29.3	27.1	-6.0	2.0	2.1	2.0	2.0	2.0	2.0	2.0	2.0
Computers	-3.1	32.0	26.9	21.5	33.5	43.7	38.6	36.0	36.0	36.0	36.0	36.0
Semiconductors	36.3	40.8	46.9	3.0	31.1	43.8	43.8	43.8	41.2	41.2	41.2	41.2
Other Goods 1/	-9.3	-2.0	11.5	9.6	-3.6	3.9	4.5	10.6	0.7	6.5	6.5	11.8
Imports of G&S	12.5	14.4	14.9	8.3	8.4	11.5	8.5	7.8	7.0	9.6	8.5	7.9
Services	12.1	8.9	3.6	4.7	3.2	4.2	3.4	3.0	2.9	2.9	3.5	3.5
Oil	7.3	25.4	-11.0	-12.3	14.9	24.7	7.0	-2.9	-14.1	31.2	3.2	-11.3
Computers	28.7	52.5	19.6	17.0	33.6	43.8	38.6	38.6	36.1	36.1	36.1	36.1
Semiconductors	18.4	63.5	19.6	4.1	33.5	46.4	46.4	43.8	43.8	43.8	41.2	41.2
Other Goods 2/	11.3	10.3	19.7	10.7	5.9	7.9	5.7	5.7	5.6	5.6	5.9	6.0
Billions of chained 1996 dollars, SAAR												
Net Goods & Services	-284.5	-319.0	-339.9	-349.2	-373.8	-393.7	-403.5	-402.0	-412.2	-422.9	-429.8	-426.0
Exports of G&S	1016.4	1026.4	1053.2	1071.8	1076.0	1096.0	1116.8	1147.1	1163.5	1189.4	1215.7	1251.1
Imports of G&S	1300.9	1345.4	1393.1	1421.0	1449.8	1489.7	1520.3	1549.1	1575.6	1612.2	1645.5	1677.2
Billions of dollars, SAAR												
US CURRENT ACCOUNT BALANCE	-274.6	-323.6	-359.8	-389.2	-413.0	-428.2	-432.0	-435.3	-436.8	-448.2	-451.9	-458.3
Current Account as % of GDP	-3.0	-3.5	-3.9	-4.1	-4.3	-4.4	-4.4	-4.4	-4.3	-4.4	-4.4	-4.4
Net Goods & Services (BOP)	-215.9	-260.3	-295.3	-314.3	-346.4	-360.9	-361.6	-355.5	-363.1	-371.1	-374.5	-368.8
Investment Income, Net	-11.8	-12.9	-14.1	-13.3	-16.0	-16.8	-19.8	-18.2	-23.2	-26.5	-26.8	-27.9
Direct, Net	59.3	56.0	62.6	68.3	69.7	73.1	76.3	84.5	86.2	89.7	96.0	101.7
Portfolio, Net	-71.1	-68.9	-76.7	-81.6	-85.7	-89.9	-96.1	-102.7	-109.3	-116.2	-122.9	-129.6
Other Inc. & Transfers, Net	-46.9	-50.4	-50.4	-61.6	-50.6	-50.6	-50.6	-61.6	-50.6	-50.6	-50.6	-61.6

1. Merchandise exports excluding agricultural products, computers, and semiconductors.

2. Merchandise imports excluding oil, computers, and semiconductors.

## **Part 2**

December 15, 1999

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Recent Developments**

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



December 15, 1999

## **Recent Developments**

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Prepared for the Federal Open Market Committee  
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**GROWTH OF THE MONETARY AND CREDIT AGGREGATES**  
**(Q4 to Q4 averages, seasonally adjusted)**

	1995	1996	1997	1998	1999 <sup>1</sup>	<b>Memo: Recent 1999 levels (billions of dollars)<sup>1</sup></b>
<b>Growth rates (percent)</b>						
Domestic nonfinancial debt - total	5.5	5.4	5.2	6.7	6.7	17,164.4
Federal	4.4	3.8	0.8	-1.1	-2.3	3,680.1
Nonfederal	5.9	6.0	6.7	9.3	9.5	13,484.3
Depository credit	5.7	4.4	6.5	8.6	6.1	5,906.8
Bank credit <sup>2</sup>	7.2	4.6	8.5	10.2	5.2	4,621.1
Thrift credit	1.6	3.6	0.7	3.3	9.3	1,378.5
M1	-1.6	-4.5	-1.2	1.8	1.9	1,107.8
Sweep-adjusted M1 <sup>3</sup>	1.6	5.5	6.1	6.2	5.2	1,474.0
M2	3.9	4.6	5.7	8.5	6.0	4,626.5
M3	6.1	6.8	8.8	10.9	7.6	6,384.5
Memo: Nominal gross domestic product	4.3	6.0	5.9	5.9	5.2	9,295.3

1. For debt aggregates, the rate reported is for 1998 Q4 through October at an annual rate; for the monetary and credit aggregates, the rate reported is for 1998 Q4 through November at an annual rate; for nominal gross domestic product the rate is for 1998 Q4 to 1999 Q3 at an annual rate; depository and thrift credit data are partially projected.

2. Adjusted for the estimated effects of mark-to-market accounting rules.

3. Sweep figures used to adjust this series are the estimated national total of transaction account balances initially swept into MMDAs by new sweep programs, on the basis of monthly averages of daily data.