

Strictly Confidential (FR) Class II FOMC

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October 30, 1991

## **SUMMARY AND OUTLOOK**

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

Consumer demand seems likely to be weak in the near term, in light of deteriorating consumer sentiment and the effects of cautious hiring on labor income. Purchases of goods (excluding motor vehicles) moved lower over the course of the third quarter; while we anticipate small increases in coming months, spending is likely to be flat for the fourth quarter as a whole. Sales of cars and light trucks dropped back in the first twenty selling days of October, and with growth in services also projected to be slow, real PCE rises only 1/2 percent at an annual rate--a downward revision of more than one percentage point from the September Greenbook. Even with this revision, the decline in the Conference Board index of consumer confidence to recession levels suggests that there may be downside risks to our consumption forecast.

CURRENT-QUARTER PROJECTIONS  
(Percent change, annual rate)

	1991		
	Q2	Q3	Q4
-Projection-			
Real GNP (September projection)	.5 (-.1)	2.4 (2.8)	1.2 (3.2)
Industrial production (September projection)	2.6 (2.6)	6.2 (7.8)	1.4 (6.4)

Recent indicators from the housing sector have been weak. Although single-family starts registered healthy growth for the third quarter as a whole, they edged down in September. Existing home sales continued to move lower in September, and new home sales plunged after some gain earlier in the summer. Builders reportedly are continuing to find it difficult to secure credit, particularly for land acquisition and development, and with considerable uncertainty about the near-term course of the economy, we expect starts to be slightly lower, on average, in the fourth quarter.

diminishing effects of the imbalances that now are restraining growth, and an improvement in consumer and business confidence, once the economy moves through the current period of uncertainty. Moreover, with prospects for final demand looking up, firms again will have some cause to add to their stocks.

PROJECTIONS OF REAL GNP AND RELATED ITEMS  
(Percent change, annual rate)

	1991			1992		
	Q2	Q3	Q4	Q1	Q2	H2
-----Projection-----						
Real GNP	.5	2.4	1.2	1.8	3.0	3.9
Real GDP	.3	2.5	1.2	1.7	3.1	4.0
Final sales excl. CCC	-.5	1.4	1.1	1.8	2.3	3.0
Memo:						
Real GDP (1987 dollars)*	1.7	2.1	.8	1.5	2.9	3.9

\* Staff estimate.

Key assumptions. Private credit demands are likely to remain very weak in the near term, placing some downward pressure on interest rates. The current projection assumes a further moderate easing of money market rates and anticipates that long-term interest rates will fall still more over the coming year, against a backdrop of moderate economic growth and an improving inflation trend. Constraints on credit supplies are assumed to have more of a depressing effect on economic activity in the near term than anticipated in the September Greenbook; however, these problems are not expected to intensify and may begin to ease before the end of next year as loan losses abate.

Over the remainder of 1991, M2 and M3 are projected to continue growing more rapidly than over the third quarter, boosted by lagged

effects of recent policy easings and a lessening of depressing effects from RTC activity. M2 is expected to end the year around the bottom of its target range of 2-1/2 to 6-1/2 percent. Similarly, we project M3 to finish 1991 close to the lower bound of its range of 1 to 5 percent. In 1992, ongoing weakness in depository credit will continue to damp the increases in both aggregates. However, shifts out of M2 assets toward the longer end of the yield curve likely will abate as stock adjustments wane. Although M2 is expected to accelerate to around the midpoint of its tentative range, growth is projected to remain below that of nominal GNP, implying a further increase in velocity. The growth in M3 is expected to increase only moderately next year as the restructuring of the thrift industry proceeds and banks continue to be cautious lenders.

PROJECTIONS OF INFLATION  
(Percent change, fourth quarter to fourth quarter)

	1990	1991	1992	1993
Consumer price index	6.3	3.1	3.7	3.3
Excl. food and energy	5.3	4.5	3.8	3.3
ECI hourly compensation	4.6	4.5	4.0	3.7
Memo:				
Civilian unemployment rate <sup>1</sup>	5.9	6.9	6.7	6.3

1. Value in the fourth quarter.

The fiscal policy assumptions are little changed from the last Greenbook. Although several new tax-cut packages have been proposed, any plan that would provide significant near-term fiscal stimulus would require a rewriting of budget rules, including a loosening of deficit-reduction targets--a task of considerable political difficulty. The projected sluggishness of the economy in the next several months may galvanize such an effort, but, for now,

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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)		
	9/25/91	10/30/91	9/25/91	10/30/91	9/25/91	10/30/91	9/25/91	10/30/91	9/25/91	10/30/91
<b>Annual changes:</b>										
1989	<2>	6.7	6.7	2.5	2.5	4.5	4.5	4.8	4.8	5.3
1990	<2>	5.1	5.1	1.0	1.0	4.6	4.6	5.4	5.4	5.5
1991		3.4	3.2	-.3	-.5	4.0	4.0	4.2	4.3	6.7
1992		6.1	5.2	3.1	2.2	3.3	3.4	3.5	3.7	6.6
1993		6.0	6.3	3.1	3.5	3.2	3.2	3.4	3.4	6.2
<b>Quarterly changes:</b>										
1990	Q1	<2>	6.7	6.7	1.7	1.7	6.6	6.6	7.5	7.5
	Q2	<2>	5.1	5.1	.4	.4	3.9	3.9	3.8	3.8
	Q3	<2>	5.3	5.3	1.4	1.4	4.2	4.2	7.0	7.0
	Q4	<2>	.9	.9	-1.6	-1.6	4.7	4.7	6.9	6.9
1991	Q1	<2>	2.2	2.2	-2.8	-2.8	5.2	5.2	3.6	3.6
	Q2	<2>	4.2	4.0	-.1	-.5	3.0	3.1	2.1	2.1
	Q3	<2>	4.5	4.2	2.8	2.4	2.1	2.1	2.8	3.0
	Q4		5.8	3.5	3.2	1.2	3.4	3.2	3.8	3.8
1992	Q1		7.2	5.6	3.6	1.8	4.1	4.3	4.1	4.5
	Q2		6.8	6.0	3.5	3.0	3.4	3.5	3.6	3.6
	Q3		6.3	6.6	3.4	3.8	3.2	3.2	3.4	3.3
	Q4		5.8	6.6	3.1	3.9	3.0	3.1	3.4	3.5
1993	Q1		6.5	6.8	3.1	3.5	3.7	3.7	3.4	3.4
	Q2		5.7	5.9	3.0	3.2	3.0	3.0	3.3	3.3
	Q3		5.7	5.9	3.2	3.3	2.9	2.9	3.2	3.2
	Q4		5.3	5.6	2.8	3.0	2.9	2.9	3.2	3.2
<b>Two-quarter changes: &lt;3&gt;</b>										
1990	Q2	<2>	5.9	5.9	1.1	1.1	5.3	5.3	5.6	5.6
	Q4	<2>	3.1	3.1	-.1	-.1	4.4	4.4	6.9	6.9
1991	Q2	<2>	3.2	3.1	-1.5	-1.7	4.1	4.3	2.8	2.8
	Q4		5.1	3.8	3.0	1.8	2.7	2.6	3.3	3.4
1992	Q2		7.0	5.8	3.6	2.4	3.8	3.9	4.1	4.1
	Q4		6.0	6.6	3.2	3.9	3.1	3.1	3.4	3.4
1993	Q2		6.1	6.3	3.1	3.4	3.4	3.4	3.3	3.4
	Q4		5.5	5.8	3.0	3.2	2.9	2.9	3.2	3.2
<b>Four-quarter changes: &lt;4&gt;</b>										
1989	Q4	<2>	5.6	5.6	1.8	1.8	4.0	4.0	4.6	4.6
1990	Q4	<2>	4.5	4.5	.5	.5	4.8	4.8	6.3	6.3
1991	Q4		4.2	3.5	.8	.0	3.4	3.4	3.1	3.1
1992	Q4		6.5	6.2	3.4	3.1	3.4	3.5	3.6	3.7
	Q4		5.8	6.1	3.0	3.3	3.1	3.1	3.3	3.3

&gt; For all urban consumers.

&lt;2&gt; Actual.

&lt;3&gt; Percent change from two quarters earlier.

&lt;4&gt; Percent change from four quarters earlier.

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

	Units	1985	1986	1987	1988	1989	1990	1991	1992	1993	Projection
<b>EXPENDITURES</b>											
Nominal GNP	Billions of \$	4014.9	4231.6	4515.6	4873.7	5200.8	5465.1	5640.1	5932.9	6308.1	
Real GNP	Billions of 1982\$	3618.7	3717.9	3845.3	4016.9	4117.7	4157.3	4135.3	4227.2	4374.4	
Real GNP	Percent change*	3.6	1.9	5.0	3.5	1.8	.5	.0	3.1	3.3	
Real GDP		3.8	2.3	5.0	3.5	1.7	.4	-.2	3.2	3.3	
Gross domestic purchases		4.3	2.1	4.2	2.6	1.1	-.5	.5	3.1	3.2	
Final sales		4.6	2.7	3.1	4.5	1.7	1.6	-.2	2.5	3.2	
Private dom. final purchases		4.6	2.9	2.5	4.0	1.2	-.1	.7	3.2	3.7	
Personal consumption expend.		4.6	3.8	2.3	4.1	1.2	-.1	1.3	2.8	3.1	
Durables		7.0	11.5	-1.2	9.3	-1.4	-1.8	-1.2	5.4	3.9	
Nondurables		3.3	2.9	1.3	2.4	.6	-2.4	.8	2.1	2.6	
Services		5.0	2.1	4.1	3.7	2.4	2.5	2.5	2.5	3.1	
Business fixed investment		3.7	-5.5	6.1	5.3	4.5	2.2	-2.4	3.3	5.3	
Producers' durable equipment		4.6	.4	8.2	8.2	5.4	4.6	1.1	5.5	6.8	
Nonresidential structures		1.9	-17.7	.8	-2.7	1.7	-5.4	-14.6	-5.6	-1.5	
Residential structures		5.6	11.6	-2.2	-.1	-7.1	-10.2	-.6	10.2	9.1	
Exports		-2.4	10.6	19.8	14.0	10.1	5.8	2.6	6.9	7.6	
Imports		4.5	10.0	10.4	5.5	4.5	-.5	5.3	6.4	7.0	
Government purchases		8.6	3.1	2.0	1.1	.3	3.8	-1.5	-.7	.5	
Federal		13.3	.5	1.5	-1.6	-2.8	5.2	-2.5	-3.5	-3.0	
Defense		7.1	6.0	4.0	-1.8	-2.1	4.0	-5.6	-6.7	-5.6	
State and local		4.9	5.2	2.3	3.1	2.6	2.7	-.7	1.3	2.9	
Change in business inventories	Billions of 1982\$	9.1	5.6	22.8	23.6	23.8	-3.6	-22.5	-4.8	12.0	
Nonfarm	Billions of 1982\$	13.4	8.0	28.7	26.5	18.7	-5.1	-20.5	-3.4	12.5	
Net exports	Billions of 1982\$	-104.3	-129.7	-118.5	-75.9	-54.1	-33.8	-16.2	-22.0	-23.2	
Nominal GNP	Percent change*	6.6	4.6	8.2	7.8	5.6	4.5	3.5	6.2	6.1	
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employment	Millions	97.5	99.5	102.2	105.5	108.3	110.0	109.0	109.6	111.5	
Unemployment rate	Percent	7.2	7.0	6.2	5.5	5.3	5.5	6.7	6.9	6.5	
Industrial production index	Percent change*	1.9	1.4	6.5	4.5	1.1	.3	-.0	5.0	4.3	
Capacity utilization rate-mfg.	Percent	79.5	79.0	81.4	83.9	83.9	82.3	78.3	79.0	80.5	
Housing starts	Millions	1.74	1.81	1.62	1.49	1.38	1.19	1.00	1.14	1.29	
Auto sales	Millions	11.03	11.44	10.23	10.65	9.89	9.53	8.46	8.95	9.52	
Domestic	Millions	8.22	8.22	7.06	7.55	7.06	6.92	6.17	6.51	6.94	
Foreign	Millions	2.82	3.22	3.18	3.10	2.83	2.61	2.29	2.44	2.58	
<b>INCOME AND SAVING</b>											
Nominal personal income	Percent change*	6.6	5.8	8.1	7.6	6.8	5.6	3.5	6.5	6.3	
Real disposable income	Percent change*	2.7	3.3	2.7	4.3	1.7	-.4	1.0	2.5	3.1	
Personal saving rate	Percent	4.4	4.1	2.9	4.2	4.6	4.6	4.0	3.9	4.1	
Corp. profits with IVA & CCAdj	Percent change*	9.2	-5.6	17.4	8.2	-16.8	-.7	-.5	16.6	13.0	
Profit share of GNP	Percent	7.0	6.7	6.8	6.9	6.0	5.5	5.1	5.4	5.7	
Federal govt. surplus/deficit	Billions of \$	-196.9	-206.9	-158.2	-141.7	-134.3	-166.0	-178.7	-223.6	-216.6	
State and local govt. surplus		65.1	62.8	51.0	46.5	46.4	35.4	39.1	63.5	80.9	
Exc. social insurance funds		13.8	5.6	-8.3	-16.4	-19.9	-34.0	-33.0	-12.0	1.9	
<b>PRICES AND COSTS</b>											
GNP implicit deflator	Percent change*	2.9	2.6	3.0	4.1	3.7	4.0	3.4	3.0	2.7	
GNP fixed-weight price index		3.3	2.6	3.8	4.6	4.0	4.8	3.4	3.5	3.1	
CPI		3.5	1.3	4.5	4.3	4.5	6.3	3.1	3.7	3.3	
Exc. food and energy		4.3	3.9	4.3	4.5	4.3	5.3	4.5	3.8	3.3	
ECI hourly compensation		3.9	3.2	3.3	4.8	4.8	4.6	4.5	4.0	3.7	
Nonfarm business sector											
Output per hour		1.6	1.3	2.3	1.8	-1.4	-.1	.8	2.0	1.7	
Compensation per hour		4.6	4.9	3.8	4.2	2.5	4.6	4.1	4.0	3.7	
Unit labor costs		3.0	3.6	1.5	2.3	4.0	4.7	3.3	2.0	2.0	

\* Percent changes are from fourth quarter to fourth quarter.

	Units	1989				1990				1991	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>EXPENDITURES</b>											
Nominal GNP	Billions of \$	5101.3	5174.0	5238.6	5289.3	5375.4	5443.3	5514.6	5527.3	5557.7	5612.4
Real GNP	Billions of '82\$	4095.7	4112.2	4129.7	4133.2	4150.6	4155.1	4170.0	4153.4	4124.1	4118.9
Real GNP	Percent Change	3.6	1.6	1.7	.3	1.7	.4	1.4	-1.6	-2.8	-.5
Real GDP		3.5	2.1	1.4	-.1	1.8	1.2	.7	-2.1	-3.0	.3
Gross domestic purchases		1.2	1.8	2.8	-1.2	.5	1.3	1.6	-5.1	-4.3	1.4
Final sales		2.4	1.7	1.8	.9	3.8	-.7	1.9	1.4	-2.9	.3
Private dom. final purchases		-.8	1.4	4.1	-1.5	2.4	-1.2	2.3	-3.8	-5.1	2.3
Personal consumption expend.		-.3	1.3	4.6	-.8	1.1	.2	2.7	-3.4	-1.5	2.5
Durables		-6.0	5.6	9.6	-13.0	14.4	-9.5	2.6	-12.3	-11.7	-1.5
Nondurables		.6	-1.7	3.9	-.2	-3.2	-1.9	2.3	-6.5	-1.8	2.3
Services		.9	2.1	3.5	3.1	.1	5.1	3.0	1.8	2.1	3.9
Business fixed investment		8.9	6.9	6.3	-3.8	5.0	-4.7	8.9	.1	-16.3	1.4
Producers' durable equipment		9.5	12.2	6.1	-5.2	5.7	-3.3	10.2	6.3	-18.4	6.3
Nonresidential structures		7.5	-8.2	7.1	1.3	2.3	-9.0	5.1	-18.2	-9.0	-14.0
Residential structures		-3.6	-11.3	-7.6	-5.5	15.1	-11.2	-19.8	-20.6	-25.3	1.6
Exports		15.8	12.4	-.5	13.5	11.2	-5.0	6.9	11.0	.5	4.5
Imports		-2.3	12.8	6.4	1.7	2.5	.7	7.6	-11.8	-8.8	17.7
Government purchases		-3.3	4.0	-2.4	3.9	2.9	6.2	1.2	4.7	-1.3	1.8
Federal		-9.1	7.0	-7.9	-.4	.4	16.4	.1	4.6	-.5	5.5
Defense		-10.9	3.2	7.2	-7.0	-1.7	3.3	2.7	12.1	2.7	-11.6
State and local		1.3	1.8	1.8	5.6	4.8	-.6	2.0	4.9	-1.9	-.8
Change in business inventories	Billions of '82\$	26.1	25.5	24.6	18.9	-2.2	9.5	4.7	-26.4	-25.0	-33.3
Nonfarm	Billions of '82\$	16.4	21.5	21.7	15.3	-8.2	11.6	4.7	-28.5	-28.1	-27.2
Net exports	Billions of '82\$	-51.1	-53.3	-64.1	-47.9	-35.4	-44.6	-46.5	-8.8	7.1	-12.6
Nominal GNP	Percent change	7.5	5.8	5.1	3.9	6.7	5.1	5.3	.9	2.2	4.0
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employment	Millions	107.6	108.1	108.5	109.0	109.7	110.2	110.2	109.8	109.2	108.8
Unemployment rate	Percent*	5.2	5.3	5.3	5.3	5.3	5.3	5.6	5.9	6.5	6.8
Industrial production index	Percent change	2.7	2.8	-1.2	.2	.6	4.2	3.9	-7.0	-9.7	2.6
Capacity utilization rate-mfg.	Percent*	84.7	84.5	83.7	82.9	82.7	82.8	82.9	80.8	78.0	77.9
Housing starts	Millions	1.46	1.36	1.35	1.35	1.43	1.20	1.13	1.04	.92	1.00
Auto sales	Millions	10.03	10.26	10.20	9.09	10.01	9.53	9.68	8.93	8.25	8.46
Domestic	Millions	7.08	7.26	7.36	6.56	7.11	6.78	7.21	6.59	6.00	6.10
Foreign	Millions	2.95	3.00	2.84	2.53	2.90	2.75	2.47	2.34	2.25	2.36
<b>INCOME AND SAVING</b>											
Nominal personal income	Percent change	11.6	5.8	3.7	6.2	8.6	5.3	5.0	3.5	1.5	4.2
Real disposable income	Percent change	4.2	-1.2	2.7	1.2	2.3	.3	-.7	-3.5	-1.5	2.3
Personal saving rate	Percent*	5.2	4.6	4.1	4.6	4.9	5.0	4.2	4.2	4.2	4.2
Corp. profits with IVA & CCAdj	Percent change	-23.2	-7.0	-17.1	-19.1	8.4	13.9	-7.5	-14.8	-3.7	-2.5
Profit share of GNP	Percent*	6.4	6.2	5.9	5.5	5.5	5.6	5.5	5.2	5.1	5.1
Federal govt. surplus/deficit	Billions of \$	-132.6	-122.7	-131.7	-150.1	-168.3	-166.0	-145.7	-184.3	-126.9	-184.6
State and local govt. surplus		48.9	50.3	48.1	38.5	38.1	38.6	39.3	25.7	30.0	38.6
Exc. social insurance funds		-16.2	-15.6	-18.7	-29.1	-30.2	-30.4	-30.5	-44.8	-41.0	-33.1
<b>PRICES AND COSTS</b>											
GNP implicit deflator	Percent change	3.9	3.9	3.2	3.8	4.8	4.7	3.7	2.8	5.2	4.5
GNP fixed-weight price index		4.9	4.6	3.1	3.8	6.6	3.9	4.2	4.7	5.2	3.1
CPI		5.1	6.0	3.3	3.9	7.5	3.8	7.0	6.9	3.6	2.1
Exc. food and energy		4.9	4.2	3.8	4.7	5.9	4.9	6.1	4.2	6.8	3.5
%CI hourly compensation**		4.2	4.9	5.3	4.4	5.6	5.1	4.3	3.8	4.6	4.9
onfarm business sector		-2.8	.1	-.7	-2.2	-1.1	1.2	.6	-.8	.0	.5
Output per hour		3.1	2.2	2.3	2.6	4.0	5.9	5.0	3.7	4.2	4.6
Compensation per hour		6.0	2.0	3.0	5.0	5.2	4.7	4.4	4.6	4.2	4.0
Unit labor costs											

\* Not at an annual rate.

\*\* Private industry workers

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

	Units	Projection									
		1991				1992				1993	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>EXPENDITURES</b>											
Nominal GNP	Billions of \$	5670.8	5719.3	5797.6	5882.8	5977.7	6073.7	6174.3	6262.9	6353.9	6441.2
Real GNP	Billions of 82\$	4143.1	4155.1	4173.9	4205.0	4244.3	4285.4	4322.5	4356.8	4392.7	4425.7
Real GNP	Percent Change	2.4	1.2	1.8	3.0	3.8	3.9	3.5	3.2	3.3	3.0
Real GDP		2.5	1.2	1.7	3.1	3.8	4.1	3.4	3.2	3.2	3.2
Gross domestic purchases		4.4	.5	1.4	2.8	3.8	4.3	3.5	3.2	3.1	3.0
Final sales		.6	1.3	1.8	2.3	2.9	3.0	3.2	3.2	3.4	3.0
Private dom. final purchases		4.9	.8	2.0	2.8	3.9	4.3	4.0	3.8	3.7	3.4
Personal consumption expend.		3.8	.6	1.7	2.5	3.3	3.7	3.3	3.1	3.0	2.9
Durables		9.3	.3	3.5	6.1	5.9	6.2	4.5	4.1	3.8	3.4
Nondurables		2.9	-.3	-.6	1.7	2.8	3.2	2.8	2.5	2.5	2.5
Services		2.7	1.2	1.8	2.0	2.8	3.3	3.2	3.2	3.1	3.1
Business fixed investment		6.6	.3	1.7	2.2	4.2	5.3	5.4	5.4	5.1	5.2
Producers' durable equipment		17.1	2.7	4.5	4.5	6.0	7.0	7.0	7.0	6.5	6.5
Nonresidential structures		-25.3	-9.1	-9.3	-7.1	-3.7	-2.1	-1.9	-1.8	-1.2	-1.1
Residential structures		20.6	6.8	8.3	9.1	12.8	10.5	11.2	10.2	9.6	5.6
Exports		.1	5.5	6.5	7.1	7.0	7.2	7.2	8.2	7.7	7.4
Imports		12.9	1.5	3.7	5.6	7.0	9.1	7.0	7.6	6.2	7.3
Government purchases		-6.6	.2	-.9	-.5	-.8	-.5	-.1	.2	.8	1.3
Federal		-14.3	.2	-3.0	-2.9	-4.1	-3.9	-3.6	-3.4	-2.8	-2.1
Defense		-7.9	-5.1	-6.2	-6.2	-7.2	-7.0	-6.5	-6.3	-5.4	-4.4
State and local		-.3	.2	.7	1.2	1.5	1.9	2.3	2.6	3.2	3.5
Change in business inventories	Billions of 82\$	-15.1	-16.6	-16.8	-9.9	-.9	8.5	11.6	12.0	11.9	12.3
Nonfarm	Billions of 82\$	-12.9	-13.9	-15.6	-8.3	.5	10.0	11.9	12.5	12.4	13.0
Net exports	Billions of 82\$	-32.8	-26.5	-22.3	-20.3	-20.8	-24.5	-24.6	-24.1	-21.9	-22.2
Nominal GNP	Percent change	4.2	3.5	5.6	6.0	6.6	6.6	6.8	5.9	5.9	5.6
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employment	Millions	108.9	108.9	109.0	109.3	109.7	110.3	110.8	111.3	111.8	112.3
Unemployment rate	Percent*	6.8	6.9	7.0	7.0	6.9	6.7	6.6	6.5	6.4	6.3
Industrial production index	Percent change	6.2	1.4	2.5	5.0	6.2	6.2	4.5	4.4	4.3	4.2
Capacity utilization rate-mfg.	Percent*	78.7	78.5	78.4	78.7	79.3	79.8	80.1	80.4	80.6	80.9
Housing starts	Millions	1.05	1.02	1.08	1.12	1.17	1.21	1.26	1.28	1.31	1.33
Auto sales	Millions	8.72	8.45	8.59	8.84	9.08	9.30	9.42	9.50	9.56	9.61
Domestic	Millions	6.44	6.15	6.22	6.43	6.62	6.78	6.87	6.93	6.96	7.00
Foreign	Millions	2.28	2.30	2.37	2.41	2.46	2.52	2.55	2.57	2.60	2.61
<b>INCOME AND SAVING</b>											
Nominal personal income	Percent change	3.4	5.2	6.5	6.0	6.3	7.1	7.9	5.9	5.6	5.9
Real disposable income	Percent change	2.0	1.1	1.7	2.0	2.8	3.7	5.3	2.5	2.2	2.4
Personal saving rate	Percent*	3.8	4.0	4.0	3.9	3.8	3.8	4.3	4.2	4.0	3.8
Corp. profits w/ IVA & CCAdj***	Percent change	10.5	-5.5	23.0	12.1	15.8	15.7	14.9	9.7	12.7	14.7
Profit share of GNP***	Percent*	5.1	5.0	5.2	5.3	5.4	5.5	5.6	5.7	5.8	5.9
Federal govt. surplus/deficit	Billions of \$	-190.3	-212.9	-237.7	-229.2	-214.5	-213.1	-228.7	-219.9	-208.5	-209.2
State and local govt. surplus		41.9	45.9	54.4	60.1	67.3	72.1	76.8	79.4	82.3	85.1
Exc. social insurance funds		-30.4	-27.3	-19.7	-14.9	-8.6	-4.7	-.9	.8	2.6	4.7
<b>PRICES AND COSTS</b>											
GNP implicit deflator	Percent change	1.8	2.2	3.7	2.9	2.7	2.6	3.2	2.6	2.5	2.5
GNP fixed-weight price index		2.1	3.2	4.3	3.5	3.2	3.1	3.7	3.0	2.9	2.9
CPI		3.0	3.8	4.5	3.6	3.3	3.5	3.4	3.3	3.2	3.2
Exc. food and energy		4.0	3.9	4.2	3.8	3.7	3.6	3.4	3.3	3.2	3.2
ECI hourly compensation**		4.4	4.3	4.3	4.0	3.9	3.9	3.8	3.8	3.7	3.7
Nonfarm business sector***		2.5	.4	1.7	1.7	2.4	2.2	1.8	1.7	1.6	1.6
Output per hour		3.6	4.2	4.5	3.9	3.8	3.8	4.1	3.7	3.6	3.6
Compensation per hour		1.0	3.8	2.8	2.2	1.4	1.6	2.3	1.9	2.0	2.0

\* Not at an annual rate.

\*\* Private industry workers.

\*\*\* Data for 1991 Q3 are staff estimates.

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

	1989										1990				1991		Proj. -----  (fourth quarter to fourth quarter, net change)
	1989				1990				1991		1988	1989	1990	1991			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2							
Real GNP	36.4	16.5	17.5	3.5	17.4	4.5	14.9	-16.6	-29.3	-5.2	138.6	73.9	20.2	1.7			
Real GDP	35.1	21.0	14.3	-.6	18.7	12.4	6.9	-22.3	-31.6	3.4	135.1	69.8	15.7	9.4			
Gross domestic purchases	11.8	18.7	28.3	-12.7	4.9	13.7	16.8	-54.3	-45.2	14.5	103.0	46.1	-18.9	19.4			
Final sales	24.4	17.0	18.5	9.3	38.4	-7.2	19.7	14.5	-30.8	3.2	172.9	69.2	65.4	-8.1			
Private dom. final purchases	6.5	11.4	34.1	-12.9	20.2	-10.3	19.1	-32.8	-44.0	19.1	128.7	39.1	-3.8	22.0			
Personal consumption expend.	-2.1	8.6	30.0	-5.4	7.4	1.5	18.0	-23.2	-9.9	16.8	104.6	31.1	3.7	35.5			
Durables	-6.6	5.8	9.9	-15.0	14.5	-10.8	2.7	-13.9	-12.7	-1.5	36.4	-5.9	-7.5	-4.9			
Nondurables	1.4	-3.9	8.8	-.4	-7.4	-4.4	5.2	-15.2	-4.1	5.1	21.9	5.9	-21.8	6.9			
Services	3.0	6.7	11.3	10.0	.4	16.6	10.0	5.9	7.0	13.2	46.4	31.0	32.9	33.6			
Business fixed investment	10.5	8.4	7.8	-4.9	6.2	-6.2	10.9	.1	-22.6	1.7	24.3	21.8	11.0	-12.6			
Producers' durable equipment	8.4	10.9	5.7	-5.2	5.4	-3.3	9.5	6.1	-20.0	5.9	27.7	19.8	17.7	4.3			
Nonresidential structures	2.2	-2.6	2.1	-.4	.7	-2.9	1.5	-6.0	-2.7	-4.2	-3.4	2.1	-6.7	-17.0			
Residential structures	-1.8	-5.7	-3.7	-2.6	6.5	-5.5	-9.8	-9.7	-11.5	.6	-.2	-13.8	-18.5	-.9			
Change in business inventories	12.1	-.6	-.9	-5.7	-21.1	11.7	-4.8	-31.1	1.4	-8.3	-34.4	4.9	-45.3	9.8			
Nonfarm	-10.8	5.1	.2	-6.4	-23.5	19.8	-6.9	-33.2	.4	.9	-28.2	-11.9	-43.8	14.6			
Farm	22.9	-5.7	-1.1	.7	2.4	-8.1	2.1	2.1	1.0	-9.2	-6.3	16.8	-1.5	-4.8			
Net exports	24.6	-2.2	-10.8	16.2	12.5	-9.2	-1.9	37.7	15.9	-19.7	35.6	27.8	39.1	-17.7			
Exports	20.8	17.1	-.7	19.1	16.5	-8.0	10.4	16.7	.8	7.1	68.3	56.3	35.6	17.0			
Imports	-3.7	19.2	10.1	2.8	4.1	1.2	12.3	-21.0	-15.0	26.6	32.7	28.4	-3.4	34.6			
Government purchases	-6.7	7.8	-4.8	6.0	5.7	12.3	2.5	9.6	-2.7	3.8	8.6	2.3	30.1	-12.4			
Federal	-8.1	5.7	-6.9	-.3	.3	12.9	.1	3.9	-.4	4.7	-5.4	-9.6	17.2	-8.9			
Defense	-7.4	2.0	4.5	-4.7	-1.1	2.1	1.7	7.5	1.8	-8.1	-4.9	-5.6	10.2	-14.9			
Nondefense	-.8	3.8	-11.4	4.4	1.4	10.8	-1.6	-3.6	-2.2	12.9	-.5	-4.0	7.0	6.0			
State and local	1.5	2.1	2.1	6.3	5.5	-.7	2.4	5.7	-2.3	-1.0	13.9	12.0	12.9	-3.5			

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

	Projection										Projection			
	1991		1992				1993				1990	1991	1992	1993
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	(fourth quarter to fourth quarter, net change)			
Real GNP	24.2	12.0	18.8	31.2	39.3	41.1	37.0	34.4	35.9	33.0	20.2	1.7	130.3	140.3
Real GDP	25.1	12.5	17.7	31.6	39.4	43.0	35.8	34.1	34.4	34.5	15.7	9.4	131.7	138.9
Gross domestic purchases	44.4	5.7	14.6	29.2	39.8	44.8	37.1	33.9	33.7	33.3	-18.9	19.4	128.4	138.0
Final sales	6.0	13.5	19.0	24.3	30.3	31.7	33.9	34.0	36.0	32.6	65.4	-8.1	105.2	136.5
Private dom. final purchases	40.2	6.7	16.6	23.4	32.5	36.4	34.2	33.1	32.2	30.3	-3.8	22.0	108.9	129.8
Personal consumption expend.	24.8	3.8	11.2	17.0	22.1	25.3	22.5	21.5	21.1	20.7	3.7	35.5	75.5	85.8
Durables	9.0	.3	3.6	6.2	6.0	6.5	4.8	4.4	4.2	3.7	-7.5	-4.9	22.3	17.1
Nondurables	6.5	-.6	1.4	3.8	6.3	7.3	6.4	5.8	5.8	5.9	-21.8	6.9	18.8	23.9
Services	9.3	4.1	6.2	6.9	9.7	11.5	11.3	11.4	11.1	11.2	32.9	33.6	34.4	44.9
Business fixed investment	8.0	.3	2.1	2.8	5.2	6.7	6.9	7.0	6.8	6.9	11.0	-12.6	16.9	27.6
Producers' durable equipment	15.7	2.7	4.5	4.6	6.1	7.2	7.3	7.5	7.1	7.2	17.7	4.3	22.4	29.0
Nonresidential structures	-7.7	-2.4	-2.4	-1.8	-.9	-.5	-.4	-.4	-.3	-.2	-6.7	-17.0	-5.5	-1.4
Residential structures	7.3	2.7	3.3	3.6	5.2	4.4	4.8	4.5	4.4	2.6	-18.5	-.9	16.5	16.3
Change in business inventories	18.2	-1.5	-.2	6.9	9.0	9.4	3.1	.4	-.1	.4	-45.3	9.8	25.1	3.8
Nonfarm	14.3	-1.0	-1.7	7.3	8.8	9.5	1.9	.6	-.1	.6	-43.8	14.6	23.9	3.0
Farm	3.9	-.5	1.5	-.4	.2	-.1	1.2	-.2	.0	-.2	-1.5	-4.8	1.2	.8
Net exports	-20.2	6.3	4.2	2.0	-.5	-3.7	-.1	.5	2.2	-.3	39.1	-17.7	2.0	2.3
Exports	.2	8.9	10.5	11.6	11.6	12.2	12.5	14.4	13.7	13.5	35.6	17.0	45.9	54.1
Imports	20.5	2.5	6.3	9.6	12.1	15.9	12.5	13.9	11.5	13.8	-3.4	34.6	44.0	51.7
Government purchases	-14.0	.5	-1.8	-1.1	-1.7	-1.0	-.2	.4	1.6	2.6	30.1	-12.4	-5.6	4.4
Federal	-13.4	.2	-2.6	-2.5	-3.5	-3.3	-3.0	-2.8	-2.3	-1.7	17.2	-8.9	-11.9	-9.8
Defense	-5.3	-3.3	-4.0	-3.9	-4.5	-4.3	-3.9	-3.7	-3.1	-2.5	10.2	-14.9	-16.7	-13.2
Nondefense	-8.3	3.6	1.4	1.4	1.0	1.0	.9	.9	.8	.8	7.0	6.0	4.8	3.4
State and local	-.4	.2	.8	1.4	1.8	2.3	2.8	3.2	3.9	4.3	12.9	-3.5	6.3	14.2

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FEDERAL SECTOR ACCOUNTS<sup>1</sup>  
(Billions of dollars)

	Fiscal years				1991				1992				1993				
	1990a	1991	1992	1993	Ia	IIa	III	IV	I	II	III	IV	I	II	III	IV	
	BUDGET																
Budget receipts <sup>2</sup>	1031	1054	1121	1202	233	307	264	254	250	339	278	273	265	362	301	285	
Budget outlays <sup>2</sup>	1252	1323	1489	1513	299	333	356	361	373	380	375	395	376	374	368	394	
Surplus/deficit (-) <sup>2</sup>	-220	-269	-368	-311	-66	-26	-91	-107	-123	-41	-97	-122	-111	-11	-66	-109	
(On-budget)	-277	-320	-428	-374	-80	-50	-93	-119	-134	-72	-104	-134	-121	-46	-74	-122	
(Off-budget)	57	51	60	64	15	24	2	11	11	31	7	12	10	35	8	14	
Surplus excluding deposit insurance <sup>3</sup>	-162	-202	-260	-241	-63	-12	-55	-96	-92	-6	-65	-97	-94	5	-55	-100	
Means of financing:																	
Borrowing	263	293	366	309	56	43	95	90	112	69	96	114	99	31	65	101	
Cash decrease	1	-1	1	0	0	-12	2	20	9	-23	-5	10	10	-15	-5	10	
Other <sup>4</sup>	-44	-23	1	1	9	-6	-6	-2	2	-5	6	-2	2	-5	6	-2	
Cash operating balance, end of period	40	41	40	40	32	44	41	22	12	35	40	30	20	35	40	30	
NIPA FEDERAL SECTOR																	
Receipts	1092	1137	1196	1282	1135	1139	1147	1162	1188	1207	1228	1251	1273	1291	1311	1332	
Expenditures	1249	1308	1420	1499	1261	1323	1337	1375	1426	1436	1443	1464	1502	1511	1519	1542	
Purchases <sup>5</sup>	415	442	441	441	444	450	437	438	443	442	440	437	444	442	441	440	
Defense	307	325	313	302	331	326	319	315	316	312	308	303	305	301	298	296	
Nondefense	107	117	128	139	113	124	118	123	127	130	132	134	139	141	143	144	
other expend.	835	866	979	1058	818	873	900	937	983	994	1003	1027	1027	1058	1069	1079	1102
Surplus/deficit	-158	-172	-224	-218	-127	-185	-190	-213	-238	-229	-215	-213	-229	-220	-208	-209	
FISCAL INDICATORS <sup>5</sup>																	
High-employment (HEB) surplus/deficit (-)	-150	-106	-134	-146	-63	-105	-110	-125	-144	-137	-128	-134	-155	-151	-145	-150	
Change in HEB, percent of potential GNP	0	-.8	.5	.2	-1.5	.7	.1	.3	.3	-.1	-.1	.1	.3	-.1	-.1	.1	
Fiscal impetus measure (FI), percent	-3.3 *	-4 *	-4.9 *	-3.8 *	-3.8	-.9	-1.3	-.6	-2.5	-.7	-.9	-.8	-1.7	-.7	-.6	-.5	

a--actual

\*\*--calendar year

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

1. Staff projections. OMB's July deficit estimates are \$348 billion in FY1992 and \$246 billion in FY1993. CBO's August deficit estimates are \$362 billion in FY1992 and \$278 billion in FY1993.
2. 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.
3. OMB's July deficit estimates, excluding deposit insurance spending, are \$230 billion in FY1992 and \$197 billion in FY1993. CBO's August deficit estimates, excluding deposit insurance spending, are \$248 billion in FY1992 and \$220 billion in FY1993.
4. Other means of financing are checks issued less checks paid, accrued items; and changes in other financial assets and liabilities.
5. 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.

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

	Domestic Nonfinancial Sectors							Memo		
	Households							State & local govts.	Private financial assets <sup>3</sup>	Nominal GNP <sup>4</sup>
	Total <sup>2</sup>	U.S. govt. <sup>2</sup>	Non-federal	Total	Home mtgs.	Cons. credit	Business			
1982	9.3	19.4	6.9	5.4	4.5	4.4	7.8	9.1	10.3	3.1
1983	11.5	18.8	9.6	11.4	11.0	12.6	8.3	7.1	11.8	10.4
1984	14.4	16.9	13.7	12.9	11.7	18.7	15.6	7.9	13.4	8.6
1985	14.2	16.2	13.6	14.1	11.9	15.9	11.4	23.7	12.0	6.6
1986	12.3	13.4	11.9	12.8	14.9	9.6	12.0	7.6	9.1	4.6
1987	9.0	8.0	9.3	11.6	14.0	5.1	7.0	9.6	7.8	8.2
1988	9.1	8.0	9.5	10.9	12.2	7.2	8.2	8.2	8.7	7.8
1989	7.5	7.2	7.5	8.9	10.5	5.3	6.7	4.9	7.4	5.6
1990	6.5	12.0	4.9	7.3	9.1	1.8	2.8	2.7	4.7	4.5
1991	5.0	11.0	3.1	5.0	6.8	-2.1	1.0	3.4	3.1	3.5
1992	6.8	13.7	4.5	6.6	8.1	1.1	2.2	3.6	4.8	6.2
1993	6.3	9.1	5.3	7.3	8.3	3.4	3.3	3.3	4.7	6.1
Seasonally adjusted, annual rates										
1990 -- Q1	8.2	10.9	7.4	10.8	12.8	3.8	4.8	2.5	7.3	6.7
Q2	5.9	9.7	4.8	7.0	8.8	0.3	2.7	2.7	4.7	5.1
Q3	6.4	11.8	4.7	6.1	7.2	2.7	3.4	4.4	4.1	5.3
Q4	4.8	13.2	2.2	4.0	5.9	0.3	0.3	1.2	2.2	0.9
1991 -- Q1	3.9	8.0	2.6	4.2	5.4	-2.9	0.9	1.9	5.0	2.2
Q2	4.3	9.2	2.7	5.1	6.5	-2.5	0.1	2.6	1.8	4.0
Q3	6.2	14.7	3.4	4.9	7.1	-1.9	1.3	5.2	3.2	4.2
Q4	5.4	10.6	3.6	5.4	7.7	-1.0	1.6	3.6	2.2	3.5
1992 -- Q1	6.8	14.8	4.0	6.2	7.7	0.0	1.5	3.6	5.0	5.6
Q2	6.2	11.8	4.2	6.4	7.9	0.8	1.9	3.6	4.2	6.0
Q3	6.8	13.0	4.5	6.6	7.9	1.6	2.2	3.5	4.6	6.6
Q4	6.9	12.5	4.9	6.6	8.0	2.1	3.0	3.5	4.9	6.6
1993 -- H1	6.1	8.7	5.1	7.0	8.1	3.2	3.2	3.4	5.0	6.3
H2	6.4	9.1	5.3	7.3	8.1	3.5	3.4	3.1	4.4	5.8

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- Published data through 1991:2; projections for other periods.
- Deposit insurance activity raises total debt growth .6, 1, and .3 percentage points in 1991, 1992, and 1993 respectively; the corresponding figures for federal debt growth are 2.2, 3.8, and 1 percentage points.
- Sometimes referred to as the "Kaufman debt proxy"; includes liquid assets and credit market instruments.
- Annual figures are Q4 to Q4.

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

	Calendar year			1991				1992				
	1990	1991	1992	1993	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Net funds raised by domestic nonfinancial sectors:</b>												
1 Total	576.3	542.0	781.3	774.9	399.4	473.6	683.1	611.7	773.7	724.8	796.5	830.2
2 Net equity issuance	-63.0	9.5	23.0	23.0	-12.0	11.0	17.0	22.0	23.0	23.0	23.0	23.0
3 Net debt issuance	639.3	532.5	758.3	751.9	411.4	462.6	666.1	589.7	750.7	701.8	773.5	807.2
<b>Borrowing sectors:</b>												
Nonfinancial business												
4 Financing gap <sup>2</sup>	39.6	-11.7	-2.6	7.8	-16.5	-11.1	-9.3	-10.0	-9.5	-8.9	-1.2	9.2
5 Net equity issuance	-63.0	9.5	23.0	23.0	-12.0	11.0	17.0	22.0	23.0	23.0	23.0	23.0
6 Credit market borrowing	95.6	34.5	76.8	119.6	32.0	4.2	46.1	55.6	53.0	65.6	79.3	109.1
Households												
7 Net borrowing, of which:	254.0	192.7	267.1	313.4	162.6	199.9	192.8	215.4	251.8	262.8	274.4	279.5
8 Home mortgages	215.2	182.3	231.2	254.2	144.9	175.5	194.0	214.6	220.0	230.0	234.8	240.0
9 Consumer credit	14.3	-16.8	9.0	26.9	-23.6	-20.4	-15.0	-8.0	0.0	6.1	12.6	17.1
10 Debt/DPI (percent) <sup>3</sup>	93.1	96.4	96.8	97.1	96.7	96.8	97.0	97.1	97.2	97.5	97.7	97.6
State and local governments												
11 Net borrowing	17.2	21.8	24.0	22.8	12.2	16.8	34.0	24.0	23.9	24.1	23.8	24.1
12 Current surplus <sup>4</sup>	-30.6	-23.3	12.2	17.5	-35.2	-29.9	-20.0	-8.2	4.4	10.1	17.3	17.1
U.S. government												
13 Net borrowing	272.5	283.6	390.5	296.1	204.7	241.8	393.2	294.7	422.0	349.3	396.0	394.5
14 Net borrowing; quarterly, nsa	272.5	283.6	390.5	296.1	55.8	43.0	95.0	89.8	111.8	68.7	95.7	114.3
15 Unified deficit; quarterly, nsa	236.1	290.0	382.8	297.3	65.6	25.7	91.3	107.4	123.1	41.0	96.8	121.9
Funds supplied by depository institutions												
16	-34.7	-73.9	-10.2	143.7	-20.6	-131.9	-144.3	1.1	-35.5	-38.5	3.0	30.2
Memoranda: As percent of GNP:												
17 Dom. nonfinancial debt <sup>3</sup>	186.3	191.9	193.3	193.8	191.8	192.0	193.0	193.9	194.5	194.7	194.8	195.1
18 Dom. nonfinancial borrowing	11.7	9.4	12.8	11.9	7.4	8.2	11.7	10.3	12.9	11.9	12.9	13.3
19 U.S. government <sup>5</sup>	5.0	5.0	6.6	4.7	3.7	4.3	6.9	5.2	7.3	5.9	6.6	6.5
20 Private	6.7	4.4	6.2	7.2	3.7	3.9	4.8	5.2	5.7	6.0	6.3	6.8

1. Published data through 1991:2; 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 nominal GNP.

4. NIPA surplus, net of retirement funds.

5. Excludes government-insured mortgage pool securities.

as the positive effects of past and prospective increases in U.S. price competitiveness diminish.

The recent weakness of nonagricultural exports and the apparent slowing of recovery abroad have led us to revise down the projected level of these exports through 1992. Nevertheless, we still expect the growth of nonagricultural exports in real terms during the next five quarters to return to near the average annual rate of about 10 percent achieved over the past several years, though the projected pickup in growth is not quite as rapid as we forecast in September. The key factor underlying this export projection remains the expected resumption of more normal rates of income growth in major U.S. export markets on average. Also contributing to the projected expansion of exports are our expectations of continued rapid growth in trade in computers (measured in constant 1982 dollars) and some additional stimulus from past and anticipated near-term depreciations of the dollar.

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

	1991				-----Projection-----		
	Q1	Q2	Q3	Q4	1992	1993	
Nonagric. exports	6.6	18.0	1.7	8.1	10.4	9.7	
Agric. exports	13.1	-24.7	30.1	3.7	-0.5	1.9	
Non-oil imports	-10.0	15.9	23.0	5.6	7.8	7.9	
Oil imports	23.4	74.4	5.3	-7.7	10.1	8.9	

\* GNP basis, 1982 dollars.

Agricultural exports rose sharply in the third quarter to slightly above their average level in 1990. We expect these exports to strengthen somewhat further in the fourth quarter, largely because of the recent provision of both credit guarantees and an export enhancement program for wheat to the Soviet Union. Weekly

Prices of Exports and Non-oil Imports. The fixed-weight price index for U.S. nonagricultural exports is projected to resume a moderate uptrend over the period ahead as U.S. producer prices (weighted by their shares in exports) begin to recover from levels depressed by the cyclical downturn. Non-oil import prices declined more in the third quarter than the staff had expected, and the projected increase in the fourth quarter has been revised down. We still expect these prices to rise next year more in line with our forecast for inflation rates abroad, especially with a slight further depreciation of the dollar projected in the near term.

**SELECTED PRICE INDICATORS**  
(Percent change from preceding period shown, annual rate)

	1991				-----Projection-----	
	Q1	Q2	Q3	Q4	1992	1993
PPI (export wts.)	-2.0	-4.2	0.5	2.2	1.7	2.0
Nonag exports	-1.0	-2.9	-0.8	1.2	1.8	1.8
Non-oil imports	4.0	-3.7	-1.7	1.1	3.5	3.0
Oil imports (\$/bbl)	20.33	17.31	17.43	20.27	18.00	18.00

Nominal Trade and Current Account Balances. The merchandise trade deficit is projected to widen to \$80 billion at an annual rate in the fourth quarter and to remain in that vicinity over the year ahead. The current account deficit (excluding Gulf war cash grants) is projected to widen to \$50 billion in the fourth quarter as the trade balance deteriorates, and to narrow by nearly \$10 billion over the next year as a result of improvements in the nontrade portions of the current account.

Within the nontrade portions of the accounts, net service receipts are expected to expand steadily over the forecast period as markets for U.S. services continue to grow relatively rapidly on average. We also expect net investment income receipts to remain

significantly positive. Net payments on U.S. portfolio debt to foreigners should ease a bit as U.S. interest rates come down. At the same time, net direct investment income receipts are likely to decline slightly during the course of 1992 as U.S. growth picks up and the earnings of foreign companies in the United States recover.

NOMINAL EXTERNAL BALANCES  
(Billions of dollars, SAAR)

	-----Projection-----					
	1991			1992		
	Q1	Q	Q3	Q4	Q4	Q4
Trade balance	-73.6	-62.5	-73.7	-82.0	-80.5	-86.1
Current account						
excl. Gulf war						
cash grants	-48.8	-34.5	-41.7	-51.9	-43.8	-41.4
Gulf war cash grant	90.8	46.4	18.4	16.0	0.0	0.0
Current account	42.0	11.9	-23.3	-35.9	-43.8	-41.4

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

Measure and country	Projection				
	1989	1990	1991	1992	1993
<b>REAL GNP</b>					
<b">-----</b">					
Canada	2.1	-1.1	0.9	2.4	4.4
France	3.9	1.9	1.7	2.4	2.6
Western Germany	3.2	5.3	2.1	2.8	3.1
Italy	2.9	1.3	1.2	2.3	2.6
Japan	4.8	4.8	3.8	3.5	3.8
United Kingdom	1.3	-0.7	-0.6	2.1	2.1
Average, weighted by 1987-89 GNP	3.4	2.6	2.0	2.8	3.2
Average, weighted by share of U.S. nonagricultural exports					
Total foreign	3.5	2.1	2.5	3.3	4.0
G-6	2.8	1.0	1.5	2.6	3.7
Developing countries	5.0	4.9	6.0	5.7	6.2
<b>CONSUMER PRICES</b>					
<b">-----</b">					
Canada	5.2	4.9	4.7	3.0	2.7
France	3.6	3.6	2.7	3.1	3.2
Western Germany	3.0	3.0	3.9	3.2	3.0
Italy	6.6	6.3	5.8	5.8	5.3
Japan	2.9	3.2	3.3	3.1	2.8
United Kingdom	7.6	10.0	3.9	4.8	4.1
Average, weighted by 1987-89 GNP	4.4	4.8	3.9	3.7	3.4
Average, weighted by share of U.S. non-oil imports					
	4.2	4.4	4.0	3.3	3.0

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**OUTLOOK FOR U.S. CURRENT ACCOUNT AND REAL NET EXPORTS**  
(Billions of dollars, seasonally adjusted annual rates)

	Projection												Projection			
	1991		1992				1993				ANNUAL					
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1991	1992	1993			
GNP Net Exports of Goods and Services (\$B\$)	-32.8	-26.5	-22.3	-20.3	-20.8	-24.5	-24.6	-24.1	-21.9	-22.2	-16.2	-22.0	-23.2			
Exports of G+S Merchandise Services	655.3	664.2	674.7	686.3	697.9	710.1	722.6	736.9	750.7	764.2	655.6	692.3	743.6			
Imports of G+S Merchandise	554.6	558.8	568.7	578.7	591.0	604.5	617.9	629.9	641.8	653.5	536.4	585.7	635.8			
Oil	102.2	100.2	102.4	104.6	107.4	110.2	112.8	115.2	117.6	120.0	97.8	106.2	116.4			
Non-oil	452.4	458.7	466.4	474.1	483.6	494.2	505.1	514.7	524.2	533.4	438.7	479.6	519.4			
Services	133.5	131.8	128.2	127.9	127.7	130.1	129.3	131.1	130.7	132.9	135.4	128.5	131.0			
Memo:(Percent changes 1/)																I-37
Exports of G+S of which: Goods	0.1	5.5	6.5	7.1	7.0	7.2	7.2	8.2	7.7	7.4	2.6	6.9	7.6			
Imports of G+S of which: Non-oil Goods	3.9	7.7	9.9	9.9	9.2	9.1	9.1	9.1	9.2	9.0	8.0	9.5	9.1			
Imports of G+S	12.9	1.5	3.7	5.6	7.0	9.1	7.0	7.6	6.2	7.3	5.3	6.4	7.0			
Current Account Balance	-23.3	-35.9	-43.3	-38.5	-35.9	-43.8	-40.7	-40.4	-37.6	-41.4	-1.3	-40.4	-40.0			
Merchandise Trade, net	-73.7	-82.0	-82.1	-78.4	-77.4	-80.5	-83.8	-85.1	-85.9	-86.1	-72.9	-79.6	-85.2			
Exports	419.8	429.3	440.8	451.4	461.5	471.7	482.1	492.8	503.7	514.6	417.3	456.3	498.3			
Agricultural	40.0	40.7	41.7	42.2	42.6	43.1	43.8	44.6	45.5	46.3	39.6	42.4	45.1			
Nonagricultural	379.8	388.7	399.1	409.1	419.0	428.6	438.3	448.1	458.1	468.3	377.7	413.9	453.2			
Imports	493.5	511.3	522.9	529.8	538.9	552.3	566.0	577.9	589.6	600.7	490.2	536.0	583.5			
Oil	52.8	60.6	63.6	60.7	58.1	59.2	60.6	62.0	63.4	64.7	54.5	60.4	62.7			
Non-oil	440.7	450.7	459.3	469.1	480.8	493.1	505.4	515.9	526.2	536.0	435.7	475.6	520.9			
Other Current Account	50.3	46.1	38.8	39.9	41.6	36.7	43.2	44.8	48.3	44.7	71.6	39.2	45.2			
Invest. Income, net	10.3	11.0	14.1	14.1	14.3	11.4	13.3	13.5	15.8	13.5	12.7	13.5	14.0			
Direct, net	49.5	50.7	51.0	51.1	50.5	49.6	49.7	51.8	52.5	52.2	53.6	50.5	51.5			
Portfolio, net	-39.3	-39.7	-37.0	-37.0	-36.2	-38.1	-36.4	-38.3	-36.7	-38.8	-40.9	-37.1	-37.5			
Military, net	-4.4	-3.2	-2.5	-2.5	-1.7	-1.3	-0.8	-1.2	-1.6	-1.6	-5.9	-2.0	-1.3			
Other Services, net	39.9	42.3	44.2	45.3	46.0	46.5	47.7	49.4	51.2	52.8	39.6	45.5	50.3			
Transfers, net	4.6	-4.0	-17.0	-17.0	-17.0	-20.0	-17.0	-17.0	-17.0	-20.0	25.2	-17.8	-17.8			

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

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	U.S. CURRENT ACCOUNT AND REAL NET EXPORTS												
	(Billions of dollars, seasonally adjusted annual rates)												
	1989				1990				1991		ANNUAL		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1988	1989	1990
GNP Net Exports of Goods and Services (82\$)	-51.1	-53.3	-64.1	-47.9	-35.4	-44.6	-46.5	-8.8	7.1	-12.6	-75.9	-54.1	-33.8
Exports of G+S Merchandise Services	576.1	593.2	592.5	611.6	628.1	620.1	630.5	647.2	648.0	655.1	534.6	593.3	631.5
	376.9	390.7	390.3	405.2	422.4	418.4	421.0	433.8	441.4	455.6	347.3	390.8	423.9
	199.2	202.5	202.2	206.4	205.7	201.7	209.5	213.4	206.7	199.4	187.4	202.6	207.6
Imports of G+S Merchandise	627.3	646.5	656.6	659.4	663.5	664.7	677.0	656.0	641.0	667.6	610.6	647.4	665.3
	480.6	492.4	509.8	514.3	517.8	515.2	526.5	508.4	501.7	530.5	469.4	499.3	517.0
	88.8	92.9	98.5	95.0	100.8	96.9	100.9	83.3	87.8	100.9	86.9	93.8	95.5
	391.8	399.5	411.4	419.3	417.1	418.3	425.5	425.1	414.0	429.6	382.5	405.5	421.5
	146.7	154.1	146.7	145.1	145.6	149.4	150.5	147.6	139.2	137.1	141.1	148.1	148.3
Memo: (Percent changes 1/)													
Exports of G+S of which: Goods	15.8	12.4	-0.5	13.5	11.2	-5.0	6.9	11.0	0.5	4.5	14.0	10.1	5.8
	18.6	15.5	-0.4	16.2	18.1	-3.7	2.5	12.7	7.2	13.5	15.0	12.2	7.1
Imports of G+S of which: Non-oil Goods	-2.3	12.8	6.4	1.7	2.5	0.7	7.6	-11.8	-8.8	17.7	5.5	4.5	-0.5
	-1.4	8.1	12.5	7.9	-2.1	1.2	7.1	-0.4	-10.0	15.9	3.4	6.6	1.4
Current Account Balance	-110.3	-111.2	-104.9	-98.8	-90.7	-88.7	-95.5	-93.6	42.0	11.9	-126.2	-106.3	-92.1
Merchandise Trade, net	-117.7	-114.8	-116.7	-114.4	-110.1	-96.4	-115.0	-110.9	-73.6	-62.5	-127.0	-115.9	-108.1
Exports Agricultural	348.8	366.4	360.6	370.0	381.0	388.4	386.6	402.3	403.6	416.4	320.3	361.5	389.5
	42.9	43.1	40.6	42.2	43.0	40.8	39.3	37.8	39.8	38.0	38.2	42.2	40.2
Nonagricultural	306.0	323.3	320.0	327.8	338.0	347.5	347.3	364.5	363.8	378.4	282.1	319.3	349.3
Imports Oil	466.5	481.2	477.3	484.4	491.1	484.7	501.6	513.2	477.2	478.9	447.3	477.4	497.7
	44.2	54.2	52.2	53.1	63.2	51.3	61.8	72.1	52.9	51.6	39.6	50.9	62.1
Non-oil	422.3	427.0	425.1	431.3	427.9	433.4	439.8	441.1	424.3	427.3	407.7	426.4	435.6
Other Current Account	7.4	3.6	11.9	15.6	19.5	7.6	19.5	17.3	115.6	74.4	0.7	9.6	16.0
Invest. Income, net	3.6	-4.7	2.0	9.9	12.0	0.0	11.2	24.5	19.5	9.9	5.4	2.7	11.9
Direct, net	42.4	36.1	41.2	50.2	51.9	43.6	53.5	61.7	61.3	52.6	36.8	42.5	52.7
Portfolio, net	-38.8	-40.9	-39.2	-40.3	-39.8	-43.6	-42.3	-37.2	-41.8	-42.8	-31.5	-39.8	-40.7
Military, net	-6.9	-6.5	-4.6	-6.8	-6.9	-6.2	-6.7	-9.0	-9.3	-6.7	-5.7	-6.2	-7.2
Other Services, net	24.8	27.3	29.7	32.7	30.5	32.6	32.3	38.9	37.6	38.6	16.1	28.6	33.6
Transfers, net	-14.2	-12.4	-15.2	-20.2	-16.1	-18.8	-17.3	-37.1	67.8	32.6	-14.9	-15.5	-22.3

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

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October 30, 1991

## **RECENT DEVELOPMENTS**

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

## **DOMESTIC NONFINANCIAL DEVELOPMENTS**

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NEGOTIATED WAGE RATE CHANGES  
UNDER MAJOR COLLECTIVE BARGAINING SETTLEMENTS<sup>1</sup>  
(Percent change)

	1991				Q3 parties under prior settlements
	1990	Q1	Q2	Q3	
<b>All industries</b>					
First-year adjustments	4.0	4.3	3.5	3.4	2.9
Average over life of contract	3.2	3.3	3.4	3.0	2.9
Workers affected (in thousands)	2004	227	649	437	---

1. Contracts covering 1,000 or more workers; estimates exclude lump-sum payments and potential gains under cost-of-living clauses.

SIZE DISTRIBUTION OF FIRST-YEAR WAGE RATE ADJUSTMENTS IN  
MAJOR COLLECTIVE BARGAINING SETTLEMENTS  
(Percent)

	1987	1988	1989	1990	1991 <sup>1</sup>
Decreases	4	2	1	0	0
No wage change	23	20	8	4	9
0 to 4 percent	50	51	45	61	57
4 to 6 percent	17	24	28	27	25
6 percent and over	5	4	18	8	9
Mean adjustment	2.2	2.5	4.0	4.0	3.8

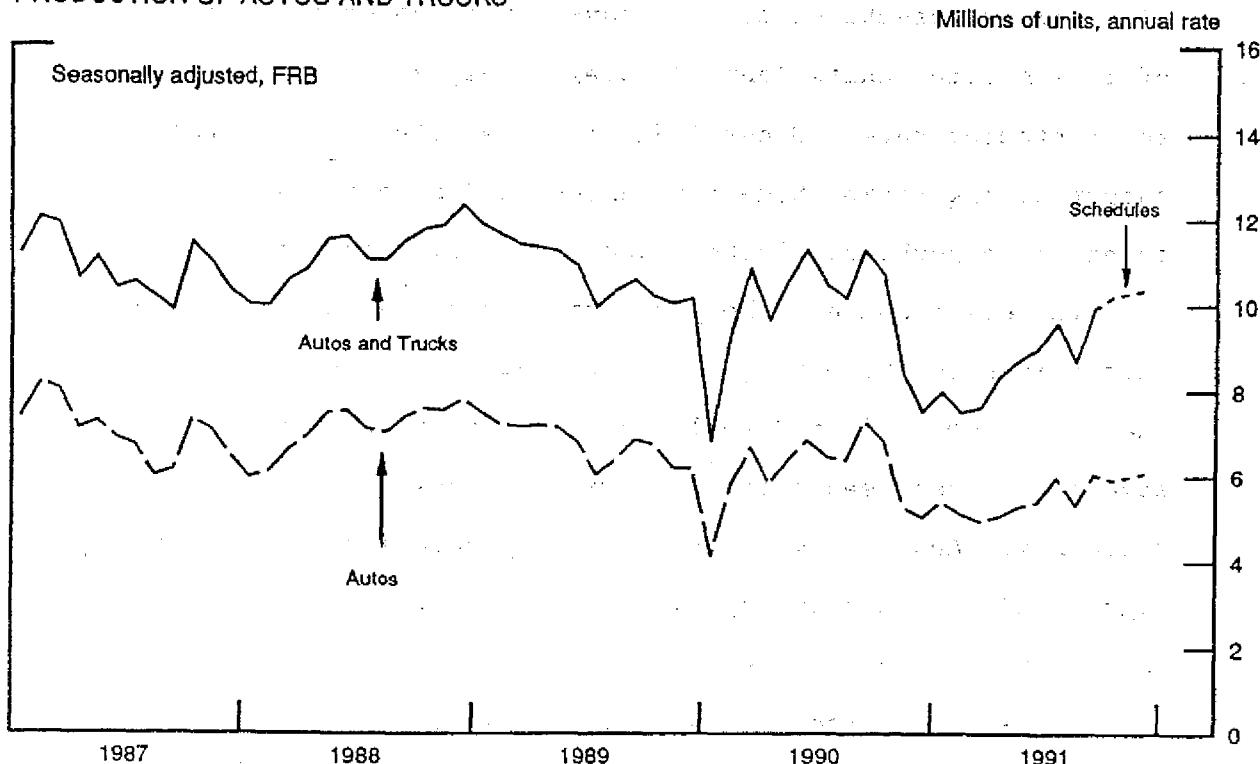
1. Based on settlements concluded over the four quarters ended 1991:Q3.

AVERAGE HOURLY EARNINGS  
(Percent change; based on seasonally adjusted data)<sup>1</sup>

	1989	1990	1991			Aug.	Sep.
			Q1	Q2	Q3		
--Annual rate--							
Total private nonfarm	4.0	3.7	2.8	5.2	1.9	.4	.2
Manufacturing	2.7	3.6	2.2	5.2	1.8	.4	-.2
Excluding overtime	3.0	3.7	2.7	3.8	1.5	.2	-.1
--Monthly rate--							

1. Changes over periods longer than one month are measured from final month of preceding period to final month of period indicated.

## PRODUCTION OF AUTOS AND TRUCKS



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

	1991				1991		
	Q1	Q2	Q3	Q4 <sup>1</sup>	Aug.	Sep.	Oct. <sup>1</sup>
Total	7.7	8.6	9.4	10.2	8.7	9.9	10.1
Autos	5.1	5.2	5.8	6.0	5.3	6.0	5.9
Trucks	2.6	3.4	3.6	4.2	3.4	3.9	4.2

1. Figures for October through the remainder of the year are based on current manufacturers' schedules.

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

					-----1991-----			
	1989	1990	Q2	Q3 <sup>p</sup>	Aug <sup>p</sup>	Sept <sup>p</sup>	Oct <sup>e</sup>	
Corporate securities - total <sup>1</sup>	19.87	19.86	35.16	30.09	34.75	31.94	30.30	
Public offerings in U.S.	17.80	17.73	31.32	27.88	32.73	29.42	28.00	
Stocks--total <sup>2</sup>	2.69	1.95	6.12	4.94	6.73	5.42	7.00	
Nonfinancial	1.08	1.03	4.01	3.50	5.43	2.76	4.00	
Utility	0.29	0.35	0.70	0.16	0.21	0.06	0.50	
Industrial	0.79	0.68	3.31	3.34	5.22	2.70	3.50	
Financial	1.60	0.92	2.11	1.44	1.30	2.67	3.00	
Bonds	15.12	15.77	25.20	22.93	26.00	24.00	21.00	
Nonfinancial	6.30	5.65	10.26	9.08	11.55	8.50	8.50	
Utility	1.78	1.97	3.71	2.77	3.30	2.20	2.50	
Industrial	4.52	3.69	6.52	6.32	8.25	6.30	6.00	
Financial	8.81	10.12	14.94	13.85	14.45	15.50	12.50	
By quality <sup>3</sup>								
Aaa and Aa	3.17	3.43	3.78	2.76	4.15	2.82	2.30	
A and Baa	5.83	6.41	12.93	10.66	12.80	8.80	10.00	
Less than Baa	2.39	0.15	1.33	0.47	0.48	0.45	0.70	
No rating (or unknown)	0.05	0.04	0.01	0.01	0.02	0.00	0.00	
Memo items:								
Equity-based bonds <sup>4</sup>	0.52	0.38	0.78	0.41	0.38	0.31	1.00	
Mortgage-backed bonds	1.68	2.43	3.31	3.59	4.91	3.15	3.50	
Other asset-backed	2.02	3.35	3.86	5.44	3.65	8.78	3.50	
Variable-rate notes	1.03	0.82	0.82	0.85	1.60	0.62	0.61	
Bonds sold abroad - total	1.90	1.92	3.04	1.85	1.50	2.50	1.80	
Nonfinancial	0.48	0.46	1.60	0.99	0.65	1.50	0.80	
Financial	1.43	1.46	1.44	0.86	0.85	1.00	1.00	
Stocks sold abroad - total	0.16	0.22	0.80	0.36	0.52	0.02	0.50	
Nonfinancial	0.12	0.10	0.75	0.29	0.47	0.02	0.50	
Financial	0.04	0.12	0.05	0.07	0.04	0.00	0.00	

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

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

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

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

p--preliminary. e--staff estimate.

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

	1991					
	Q2	Q3	Q4 <sup>P</sup>	Oct. <sup>P</sup>	Nov. <sup>P</sup>	Dec. <sup>P</sup>
<b><u>Treasury financing</u></b>						
Total surplus/deficit (-)	-25.7	-90.3	-107.4	-36.9	-51.0	-19.5
<b>Means of financing deficit:</b>						
Net cash borrowing from the public	43.1	95.0	83.8	39.6	24.2	20.0
Marketable borrowings/ repayments (-)						
Bills	38.6	103.5	80.8	38.2	24.2	18.4
Coupons	-11.7	43.0	27.1	21.1	4.8	1.2
Nonmarketable	50.3	60.4	53.7	17.1	19.4	17.2
Decrease in the cash balance	4.5	-8.4	3.1	1.4	.1	1.6
Memo: Cash balance at end of period	-11.6	2.0	26.0	-7.0	38.4	-5.4
Other <sup>2</sup>	43.5	41.5	15.5	48.5	10.1	15.5
<b>Federally sponsored credit agencies, net cash borrowing</b>	-5.8	-6.8	-2.4	4.3	-11.6	4.9
FHLBs	-7.1	5.1	--	--	--	--
FHLMC	-6.5	.7	--	--	--	--
FNMA	-2.6	2.7	--	--	--	--
Farm Credit Banks	1.7	.9	--	--	--	--
SLMA	-.2	.3	--	--	--	--
	.5	.6	--	--	--	--

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

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

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

p--projected.

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

Municipal Securities

Gross issuance of tax-exempt securities is likely to be down slightly in October from the pace in September. The only sizable short-term offering this month has been New York City's \$1.25 billion of revenue anticipation notes. The securities were priced to yield 4.90 percent, down from the 7.80 percent secondary-market rate on the city's short-term notes in June when the city faced a near-term crisis caused by the state's inability to adopt a budget. Despite the drop in yield, the interest rate on the notes is almost 70 basis points above that on high-grade notes.

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

	1989	1990	1991					Oct. f
	Year	Year	Q1	Q2	Q3 P	Aug.	Sept. P	
Total offerings	11.90	13.10	11.39	17.51	18.92	23.82	15.35	--
Total tax-exempt	11.65	12.85	11.25	17.20	18.16	22.14	15.20	14.00
Long-term	9.47	10.03	9.81	13.16	13.21	15.74	12.27	12.00
Short-term	2.17	2.82	1.44	4.04	4.95	6.40	2.93	2.00
Total taxable	.25	.25	.14	.31	.76	1.68	.15	--

p--preliminary f--forecast.

Long-term volume this month appears to be little changed from that in September, which was down from the lofty levels seen in late spring and summer. Thus far in 1991, the volume of long-term offerings has run at its strongest pace since 1986 and is up more than 20 percent over the same period in 1990. Refunding volume is substantially higher this year, reflecting the declines in long-term municipal bond rates. In addition, a significant portion of the increase owes to measures adopted by state and local governments to cope with looming revenue shortfalls. Connecticut and New York have passed legislation authorizing the issuance of bonds to finance

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CLASS III - FOMC

November 1, 1991

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

Manufacturers' Inventories

In current-cost terms, manufacturers' inventories rose in September at an annual rate of \$19.6 billion. More than half of the accumulation (\$11.7 billion) occurred at aircraft producers and appears to represent a buildup of parts and components in the defense industry; monthly changes in these stocks can be quite volatile. Food processors also reported an unusually large increase in stocks (\$6.3 billion). Elsewhere, inventory changes were relatively small.

Motor Vehicle Production

Chrysler has reduced its production plans for motor vehicles for the remainder of this year. As a result, total domestic assemblies of autos and trucks are now scheduled at a 10.0 million unit annual rate (FRB seasonal factors) in the fourth quarter--down from the 10.2 million unit rate reported last week. Production of both autos and trucks is now scheduled to change little in the next two months.

DOMESTIC PRODUCTION OF MOTOR VEHICLES  
(Millions of units at an annual rate; FRB seasonal basis)

	1991				1991			
	Q1	Q2	Q3	Q4 <sup>1</sup>	Sep.	Oct. <sup>P</sup>	Nov. <sup>1</sup>	Dec. <sup>1</sup>
Total	7.7	8.6	9.4	10.0	9.9	10.1	9.9	10.2
Autos	5.1	5.2	5.8	5.9	6.0	5.9	5.9	6.1
Trucks	2.6	3.4	3.6	4.1	3.9	4.2	4.0	4.1

1. Figures for November and December are based on manufacturers' schedules as of November 1, 1991.  
P Preliminary.