

January 30, 1992

SUMMARY AND OUTLOOK

Prepared for the Federal Open Market Committee

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

Recent Developments and the Outlook for the First Half of 1992

Real GDP is estimated by the Commerce Department to have risen 0.3 percent at an annual rate in the final quarter of 1991. If this advance estimate holds up, growth of real GDP will have been positive for three consecutive quarters, but more sluggish by far than in the comparable stage of any previous postwar expansion.

Consumer spending for goods was a notable area of weakness in the economy in the latter part of 1991, and it is an area that is important to the economic pickup that we are projecting in the spring (see below). After turning down in midsummer of last year, real consumer outlays for goods declined steadily over the last few months of the year; the rate of contraction for the fourth quarter as a whole was about 5 percent at an annual rate. Our forecast assumes that these outlays will turn up in the first half of 1992, as income growth picks up and consumer confidence firms. Sales of

GROSS DOMESTIC PRODUCT AND ITS COMPONENTS
(Net change from previous period, billions of 1987 dollars)

	1991		1992	
	Q3	Q4	Q1	Q2
	--- projected ---			
1. Real GDP	22.0	3.6	5.1	23.2
2. PCE goods	9.3	-19.3	-.8	9.6
3. Nonfarm inventory change	28.0	6.4	-13.2	5.1
4. Merchandise imports	24.5	-3.7	.5	10.1
5. Business equipment	5.8	.5	2.1	4.5
6. Merchandise exports	4.5	17.0	2.8	7.3
7. Residential construction	4.5	4.5	6.4	5.4
8. PCE services	9.6	10.3	9.5	8.2
9. Nonres. construction	-10.5	-3.6	-4.5	-3.7
10. Government purchases	-8.2	-14.2	2.5	-2.2
11. Other*	3.6	-1.8	1.0	-.9

*Net exports of services and farm inventory change.

The increase in this measure over all of 1991 was 4.4 percent; the 12-month change in the measure has dropped about 3/4 of a percentage point since peaking in the first half of 1990. The rate of increase in the ECI for wages and salaries slowed to 3.7 percent last year; the rise in the cost of employee benefits also slowed a little but remained above 6 percent for the fourth year in a row. We expect to see a gradual deceleration of compensation in the first half of 1992, owing to the continued restraining effects of labor market slack and lower price inflation.

The Longer-Term Outlook for the Economy

Although many uncertainties still are present, we see the next two years shaping up as a period in which the economy will start to move beyond the problems that have inhibited recovery thus far. The 3 to 3-1/2 percent growth rates that we are projecting for the second half of 1992 and for 1993, while distinctly subpar by the

MAJOR INDICATORS OF ECONOMIC PERFORMANCE
(Percent change, fourth quarter to fourth quarter)

	1989	1990	1991	1992	1993
				- projected -	
Real GDP	1.7	-.1	.2	2.1	3.5
Consumer price index	4.6	6.3	2.9	3.4	2.8
Exc. food and energy	4.3	5.3	4.4	3.4	2.8
ECI hourly compensation	4.8	4.6	4.4	3.7	3.3
Memo:					
Civilian unemployment rate ¹	5.4	6.0	6.9	7.2	6.7

1. Average in the fourth quarter.

standards of past cyclical upswings, are well above the sluggish pace that has prevailed since early 1989. Those rates of expansion should be large enough to tilt the unemployment rate downward; the projection has the unemployment rate falling back to 6-3/4 percent

reaction to the ending of the investment tax credit starts to feed through to the economy.

In an alternative simulation, growth in M2 is held to the baseline assumed in the Greenbook. In order to hold growth of the M2 aggregate to the baseline path in the face of considerable fiscal stimulus, the model requires gradual increases in the federal funds rate that would cumulate to more than 150 basis points over the next year. Under this assumption, the stimulus to activity and the increment to inflation in 1992 and 1993 are muted considerably relative to the simulation that holds short-term interest rates constant. Moreover, by 1994, the lagged effects of the past rise in interest rates results in a slump in activity and necessitates a sharp reversal in interest rates.

STAFF SIMULATIONS OF THE EFFECTS OF FISCAL ACTION ON THE ECONOMY
(Percentage change, fourth quarter to fourth quarter)

	1992	1993
----- Simulation with fixed short-term interest rates -----		
1. Growth of real GDP (Baseline)	3.4 (2.1)	4.7 (3.5)
2. Consumer price index (Baseline)	3.6 (3.4)	3.4 (2.8)
3. Civilian unemployment rate ¹ (Baseline)	6.8 (7.2)	5.7 (6.7)
----- Simulation with fixed money growth -----		
4. Growth of real GDP (Baseline)	3.1 (2.1)	2.8 (3.5)
5. Consumer price index (Baseline)	3.6 (3.4)	3.1 (2.8)
6. Civilian unemployment rate ¹ (Baseline)	6.9 (7.2)	6.5 (6.7)
1. Average in the fourth quarter.		

Strictly Confidential (FR)
Class II FOMC

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

January 30, 1992

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index ¹		Unemployment rate (level except as noted)	
	12/11/91	1/30/92	12/11/91	1/30/92	12/11/91	1/30/92	12/11/91	1/30/92	12/11/91	1/30/92
ANNUAL										
1989 ²	7.0	7.0	2.5	2.5	n.a.	n.a.	4.8	4.8	5.3	5.3
1990 ²	5.1	5.1	1.0	1.0	n.a.	n.a.	5.4	5.4	5.5	5.5
1991 ²	2.9	2.9	-.8	-.7	n.a.	n.a.	4.2	4.2	6.7	6.7
1992 ²	4.2	4.2	1.1	1.4	n.a.	n.a.	3.4	3.2	7.2	7.2
1993	6.1	5.9	3.3	3.3	n.a.	n.a.	3.1	3.1	6.9	6.9
QUARTERLY										
1990 Q1 ²	6.3	6.3	1.7	1.7	n.a.	n.a.	7.5	7.5	5.3	5.2
Q2 ²	6.2	6.2	1.6	1.6	n.a.	n.a.	3.8	3.8	5.3	5.3
Q3 ²	4.9	4.9	.2	.2	n.a.	n.a.	7.0	7.0	5.6	5.6
Q4 ²	-.9	-.9	-3.9	-3.9	n.a.	n.a.	6.9	6.9	5.9	6.0
1991 Q1 ²	2.3	2.3	-2.5	-2.5	n.a.	n.a.	3.6	3.6	6.5	6.5
Q2 ²	4.6	4.6	1.4	1.4	n.a.	n.a.	2.1	2.1	6.8	6.7
Q3 ²	3.9	4.1	1.7	1.8	n.a.	n.a.	3.0	3.0	6.8	6.8
Q4 ²	2.7	1.9	-.2	.3	n.a.	n.a.	3.4	3.0	6.9	6.9
1992 Q1	3.2	4.3	-.8	.4	n.a.	n.a.	4.0	3.5	7.1	7.1
Q2	5.7	4.9	2.6	1.9	n.a.	n.a.	3.5	3.5	7.2	7.3
Q3	5.4	5.5	2.6	2.9	n.a.	n.a.	3.3	3.4	7.2	7.3
Q4	5.9	5.7	3.2	3.3	n.a.	n.a.	3.2	3.2	7.1	7.2
1993 Q1	6.7	6.7	3.4	3.7	n.a.	n.a.	3.2	3.1	7.0	7.1
Q2	6.0	5.9	3.4	3.5	n.a.	n.a.	2.9	2.8	6.9	7.0
Q3	6.0	5.7	3.5	3.4	n.a.	n.a.	2.8	2.8	6.8	6.8
Q4	6.0	5.6	3.5	3.2	n.a.	n.a.	2.8	2.7	6.7	6.7
TWO-QUARTER³										
1990 Q2 ²	6.2	6.2	1.7	1.7	n.a.	n.a.	5.6	5.6	.0	-.1
Q4 ²	1.9	1.9	-1.8	-1.8	n.a.	n.a.	6.9	6.9	.6	.7
1991 Q2 ²	3.5	3.5	-.6	-.6	n.a.	n.a.	2.8	2.8	.9	.7
Q4 ²	3.3	3.0	.8	1.1	n.a.	n.a.	3.2	3.1	.1	.2
1992 Q2	4.4	4.6	.9	1.2	n.a.	n.a.	3.7	3.5	.3	.4
Q4	5.7	5.6	2.9	3.1	n.a.	n.a.	3.2	3.3	-.1	-.1
1993 Q2	6.3	6.3	3.4	3.6	n.a.	n.a.	3.0	2.9	-.2	-.2
Q4	6.0	5.7	3.5	3.3	n.a.	n.a.	2.8	2.8	-.2	-.3
FOUR-QUARTER⁴										
1989 Q4 ²	5.9	5.9	1.7	1.7	n.a.	n.a.	4.6	4.6	.0	.1
1990 Q4 ²	4.1	4.1	-.1	-.1	n.a.	n.a.	6.3	6.3	.6	.6
1991 Q4 ²	3.4	3.2	.1	.2	n.a.	n.a.	3.0	2.9	1.0	.9
1992 Q4	5.0	5.1	1.9	2.1	n.a.	n.a.	3.5	3.5	.2	.3
1993 Q4	6.2	6.0	3.5	3.5	n.a.	n.a.	2.9	2.8	-.4	-.5

1. For all urban consumers.

2. Actual.

3. Percent change from two quarters earlier, including unemployment rate.

4. Percent change from four quarters earlier, including unemployment rate.

Strictly Confidential (FR)
Class II FOMC

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

January 30, 1992

Item	Unit ¹	Projected								
		1985	1986	1987	1988	1989	1990	1991	1992	1993
EXPENDITURES										
Nominal GDP	Bill. \$	4038.7	4268.6	4539.9	4900.4	5244.0	5513.8	5671.9	5908.8	6257.7
Real GDP	Bill. 87\$	4279.8	4404.5	4540.0	4718.6	4836.9	4884.9	4848.4	4916.7	5080.4
Real GDP	% change	3.3	2.2	4.5	3.3	1.7	-1.1	.2	2.1	3.5
Gross domestic purchases		3.8	2.1	3.9	2.5	1.0	-0.9	-0.2	2.1	3.3
Final sales		3.8	3.3	2.7	4.2	1.5	1.2	-0.5	2.1	3.2
Private dom. final purch.		3.9	3.0	1.9	4.2	.6	-0.3	-0.7	2.7	3.8
Personal cons. expend.		4.0	4.0	2.1	4.2	1.2	.3	.3	2.4	3.5
Durables		6.3	12.5	-2.6	8.5	-0.8	-2.7	-2.8	6.5	8.1
Nondurables		2.7	3.3	1.4	3.2	.8	-1.0	-1.1	1.0	2.3
Services		4.2	2.5	3.7	3.7	2.0	1.9	1.9	2.2	3.2
Business fixed invest.		3.1	-5.7	3.0	5.5	.3	.6	-6.9	1.1	4.0
Producers' dur. equip.		2.2	-0.7	2.4	9.1	-0.1	3.1	-3.2	5.5	6.8
Nonres. structures		4.6	-14.1	4.4	-1.2	1.7	-4.6	-15.0	-9.7	-4.2
Res. structures		4.3	11.1	-3.1	.9	-7.7	-11.8	-1.3	13.8	8.4
Exports		-0.3	9.9	12.6	13.5	10.9	7.6	8.2	4.9	7.1
Imports		5.2	6.7	4.7	3.6	2.7	-0.4	3.6	4.9	6.0
Government purchases		5.9	4.1	3.3	.2	1.6	3.2	-1.7	-0.8	-0.3
Federal		6.4	3.8	3.7	-3.4	-1.2	2.3	-3.2	-1.3	-2.9
Defense		7.0	3.7	4.5	-3.2	-2.0	.8	-4.6	-5.2	-5.7
State and local		5.4	4.4	2.9	2.9	3.6	3.8	-0.6	-0.5	1.5
Change in bus. invent.	Bill. 87\$	22.1	8.6	26.3	19.9	32.6	.2	-15.1	-1.4	15.8
Nonfarm		19.8	10.6	32.7	26.9	33.3	-1.5	-15.3	-1.6	15.2
Net exports		-145.3	-155.1	-143.0	-104.0	-75.7	-51.4	-17.6	-8.8	-4.7
Nominal GDP	% change	7.0	4.7	8.0	7.7	5.9	4.1	3.2	5.1	6.0
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employ.	Millions	97.5	99.5	102.2	105.5	108.3	110.0	109.0	108.9	110.7
Unemployment rate	%	7.2	7.0	6.2	5.5	5.3	5.5	6.7	7.2	6.9
Industrial prod. index	% change	1.9	1.4	6.5	4.5	1.1	.3	-0.4	3.3	4.7
Capacity util. rate-mfg.	%	79.5	79.0	81.4	83.9	83.9	82.3	78.2	77.9	79.1
Housing starts	Millions	1.74	1.81	1.62	1.49	1.38	1.19	1.01	1.22	1.38
Auto sales		11.04	11.45	10.24	10.63	9.91	9.51	8.39	8.66	9.61
Domestic		8.20	8.22	7.07	7.54	7.09	6.90	6.14	6.38	6.97
Foreign		2.84	3.24	3.18	3.09	2.83	2.60	2.25	2.28	2.64
INCOME AND SAVING										
Nominal GNP	Bill. \$	4053.6	4277.8	4544.5	4908.2	5248.2	5524.6	5685.4	5926.2	6278.1
Nominal GNP	% change	4.8	4.4	8.1	7.8	5.9	4.3	3.2	5.1	6.0
Nominal personal income		6.6	5.5	7.4	7.1	6.7	6.5	2.7	5.3	6.5
Real disposable income		1.9	2.8	2.1	3.2	1.4	1.0	.4	2.3	3.3
Personal saving rate	%	6.5	6.0	4.3	4.4	4.4	5.1	5.3	5.4	5.2
Corp. profits, IVA&CC&adj	% change	9.0	-7.1	29.7	10.2	-11.5	-11.5	6.5	17.1	10.1
Profit share of GNP	%	6.9	6.4	7.0	7.4	6.7	5.8	5.4	6.0	6.3
Federal surpl./def.	Bill. \$	-181.4	-201.1	-151.8	-136.6	-124.2	-165.3	-198.4	-262.2	-250.9
State/local surpl./def.		56.1	54.3	40.1	38.4	41.1	25.7	29.8	48.2	68.3
Ex. social ins. funds		9.2	1.5	-14.7	-18.4	-19.2	-38.1	-35.6	-19.2	-2.8
PRICES AND COSTS										
GDP implicit deflator	% change	3.6	2.6	3.3	4.2	4.2	4.2	3.0	2.9	2.4
GDP fixed-wt. price index		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CPI		3.3	1.9	4.5	4.3	4.6	6.3	2.9	3.5	2.8
Ex. food and energy		4.3	3.9	4.3	4.5	4.3	5.3	4.4	3.4	2.8
ECI, hourly compensation ²		3.9	3.2	3.3	4.8	4.8	4.6	4.4	3.7	3.3
Nonfarm business sector ³										
Output per hour		.7	1.2	1.8	.5	-1.6	.0	-0.5	2.7	4.2
Compensation per hour		4.7	4.6	3.8	3.7	2.9	6.0	3.1	3.7	3.4
Unit labor cost		3.9	3.4	1.9	3.3	4.5	6.0	2.6	1.5	1.5

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

2. Private-industry workers.

3. Data for 1991 are staff estimates.

Strictly Confidential (FR)
Class II FOMC

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

January 30, 1992

Item	Unit	1989				1990				1991	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GDP	Bill. \$	5139.9	5218.5	5277.3	5340.4	5422.4	5504.7	5570.5	5557.5	5589.0	5652.6
Real GDP	Bill. 87¢	4809.8	4832.4	4845.6	4859.7	4880.8	4900.3	4903.3	4855.1	4824.0	4840.7
Real GDP	% change	2.5	1.9	1.1	1.2	1.7	1.6	.2	-3.9	-2.5	1.4
Gross domestic purchases		.7	1.1	1.7	.3	.6	1.3	1.3	-6.5	-3.5	.9
Final sales		.8	2.1	2.7	.4	4.6	-.5	.9	-.3	-2.4	1.2
Private dom. final purch.		-.4	.4	3.1	-.7	2.7	-1.5	2.5	-4.7	-4.8	.8
Personal cons. expend.		-.2	1.0	4.1	.1	2.1	.0	2.8	-3.5	-1.3	1.4
Durables		-5.0	5.9	13.8	-15.5	16.7	-11.8	1.5	-14.0	-11.9	-1.8
Nondurables		.1	-1.4	3.1	1.5	-.3	-1.5	1.3	-3.4	-.3	.9
Services		.8	1.2	2.3	3.6	.3	4.1	4.1	-.9	.7	2.5
Business fixed invest.		.9	2.7	.8	-2.5	7.1	-4.6	8.5	-7.7	-17.4	-3.3
Producers' dur. equip.		-1.0	7.3	-2.5	-3.9	6.4	-3.2	11.5	-1.6	-18.1	.0
Nonres. structures		4.9	-6.2	8.0	.4	8.5	-7.3	2.5	-19.7	-15.7	-10.3
Res. structures		-5.9	-11.9	-5.6	-7.3	.6	-15.7	-16.2	-15.0	-24.8	3.1
Exports		12.4	17.2	.9	13.7	8.8	4.8	-.4	17.7	-7.4	19.4
Imports		-6.1	6.9	6.8	4.0	-2.5	1.7	9.6	-9.3	-15.4	13.3
Government purchases		-3.4	5.2	4.1	.7	6.4	2.2	-.3	4.6	2.8	-.1
Federal		-9.5	7.9	5.1	-7.2	5.9	4.3	-5.0	4.5	9.9	1.0
Defense		-12.8	5.6	10.1	-9.2	2.3	3.3	-7.9	5.9	10.9	-3.3
State and local		1.3	3.4	3.3	6.6	6.7	.8	3.2	4.6	-1.9	-.7
Change in bus. invent.	Bill. 87¢	41.2	38.9	20.2	30.0	-4.0	22.1	13.9	-31.2	-32.8	-30.4
Nonfarm		35.8	33.4	25.9	38.1	-5.5	15.5	9.9	-25.7	-31.1	-30.8
Net exports		-81.2	-71.9	-79.8	-70.0	-56.0	-52.5	-65.7	-31.2	-18.6	-12.3
Nominal GDP	% change	7.8	6.3	4.6	4.9	6.3	6.2	4.9	-.9	2.3	4.6
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	107.6	108.1	108.5	109.0	109.7	110.2	110.2	109.8	109.2	108.8
Unemployment rate ¹	%	5.2	5.2	5.3	5.4	5.2	5.3	5.6	6.0	6.5	6.7
Industrial prod. index	% change	2.7	2.8	-1.2	.2	.6	4.2	3.9	-7.0	-9.7	2.6
Capacity util. rate-mfg. ¹	%	84.7	84.5	83.7	82.9	82.7	82.8	82.9	80.8	78.0	77.9
Housing starts	Millions	1.46	1.36	1.35	1.35	1.43	1.20	1.13	1.04	.92	1.00
Auto sales		10.03	10.26	10.20	9.09	9.92	9.53	9.60	9.00	8.33	8.43
Domestic		7.08	7.26	7.36	6.56	7.12	6.82	7.08	6.60	6.09	6.11
Foreign		2.95	3.00	2.84	2.53	2.80	2.71	2.51	2.39	2.25	2.32
INCOME AND SAVING											
Nominal GNP	Bill. \$	5144.3	5217.7	5279.8	5350.9	5432.7	5505.5	5576.8	5583.2	5611.7	5660.6
Nominal GNP	% change	7.3	5.8	4.8	5.5	6.3	5.5	5.3	.5	2.1	3.5
Nominal personal income		10.8	4.5	3.7	7.8	9.8	6.6	5.7	3.9	.3	4.5
Real disposable income		3.6	-2.6	1.9	3.0	4.5	1.6	.2	-2.0	-1.7	2.6
Personal saving rate ¹	%	5.2	4.3	3.7	4.4	5.0	5.4	4.8	5.2	5.1	5.5
Corp. profits, IVASOCAdj	% change	-12.2	-5.6	-16.6	-11.4	6.7	-.5	-39.4	-4.8	8.4	1.9
Profit share of GNP ¹	%	7.1	6.9	6.5	6.3	6.3	6.2	5.4	5.3	5.4	5.4
Federal govt. surpl./def.	Bill. \$	-114.5	-110.5	-128.4	-143.3	-160.8	-156.9	-149.7	-193.6	-146.4	-206.7
State/local surpl./def.		42.4	45.1	42.6	34.4	39.3	28.5	26.1	18.0	20.4	27.6
Ex. social ins. funds		-16.4	-14.8	-18.3	-27.4	-32.2	-34.9	-38.2	-46.9	-44.7	-38.0
PRICES AND COSTS											
GDP implicit deflator	% change	5.4	4.2	3.4	3.7	4.4	4.4	4.7	3.2	5.0	3.1
GDP fixed-wt. price index		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CPI		5.1	6.0	3.3	3.9	7.5	3.8	7.0	6.9	3.6	2.1
Ex. food and energy		4.9	4.2	3.8	4.7	3.9	4.9	6.1	4.2	6.8	3.5
ECI, hourly compensation ²		4.2	4.9	5.3	4.4	5.6	5.1	4.3	3.8	4.6	4.9
Nonfarm business sector											
Output per hour		-2.8	-2.0	-1.3	-.3	1.0	2.1	-2.5	-.3	.1	1.9
Compensation per hour		3.4	1.1	2.5	4.5	6.0	8.1	5.6	4.4	2.7	4.6
Unit labor cost		6.4	3.2	3.8	4.8	5.0	5.9	8.4	4.7	2.7	2.6

1. Not at an annual rate.

2. Private-industry workers.

Strictly Confidential (FR)
Class II FOMC

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

January 30, 1992

Item	Units	Projected									
		1991		1992				1993			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GDP	Bill. \$	5709.2	5736.6	5797.0	5866.2	5944.8	6027.3	6125.8	6214.8	6302.0	6388.0
Real GDP	Bill. \$75	4862.7	4866.3	4871.4	4894.7	4930.3	4970.5	5016.4	5059.7	5102.3	5143.2
Real GDP	% change	1.8	.3	.4	1.9	2.9	3.3	3.7	3.5	3.4	3.2
Gross domestic purchases		3.4	-1.6	.3	2.2	2.9	3.2	3.5	3.5	3.3	3.1
Final sales		-7	.1	1.4	1.5	2.4	2.9	3.4	3.2	3.2	3.1
Private dom. final purch.		1.9	-8	1.3	2.4	3.5	3.8	4.1	3.9	3.8	3.6
Personal cons. expend.		2.3	-1.1	1.1	2.2	2.9	3.3	3.8	3.7	3.4	3.3
Durables		9.5	-5.8	-.3	7.3	8.7	10.8	9.7	8.4	7.3	7.1
Nondurables		.0	-4.9	-.2	.9	1.6	1.8	2.3	2.5	2.3	2.2
Services		2.2	2.3	2.1	1.8	2.4	2.5	3.3	3.2	3.1	3.0
Business fixed invest.		-3.7	-2.4	-1.9	.7	2.6	3.3	3.8	4.0	4.0	4.1
Producers' dur. equip.		6.7	.6	2.3	5.0	7.1	7.6	7.6	7.1	6.5	6.0
Nonres. structures		-23.9	-9.4	-11.8	-10.1	-8.8	-8.0	-6.6	-4.7	-3.7	-1.9
Res. structures		10.9	10.6	14.9	12.0	15.0	13.3	9.2	8.0	9.6	6.7
Exports		7.3	13.4	2.1	5.6	5.8	6.2	6.9	7.2	7.1	7.2
Imports		22.3	-2.0	.7	8.2	5.7	5.2	4.8	6.8	6.2	6.2
Government purchases		-3.4	-5.9	1.1	-.9	-1.9	-1.4	-1.0	-.4	.0	.3
Federal		-8.1	-14.1	4.1	-1.2	-3.9	-3.8	-3.8	-2.9	-2.8	-2.2
Defense		-8.9	-15.4	-3.4	-3.3	-7.1	-7.0	-6.9	-5.8	-5.4	-4.7
State and local		-.1	.1	-.9	-.8	-.5	.3	.8	1.3	1.8	2.0
Change in bus. invent.	Bill. \$75	.1	2.7	-9.4	-4.3	1.8	6.3	11.0	15.1	17.7	19.6
Nonfarm		-2.8	3.6	-9.6	-4.5	1.6	6.1	10.2	14.5	17.1	19.2
Net exports		-31.1	-8.3	-6.3	-10.0	-10.1	-8.8	-6.0	-5.5	-4.3	-3.0
Nominal GDP	% change	4.1	1.9	4.3	4.9	5.5	5.7	6.7	5.9	5.7	5.6
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	109.0	108.9	108.7	108.6	108.9	109.3	109.8	110.4	111.0	111.5
Unemployment rate ¹	%	6.8	6.9	7.1	7.3	7.3	7.2	7.1	7.0	6.8	6.7
Industrial prod. index	% change	6.6	-.5	-.8	4.0	5.0	5.0	4.7	4.7	4.7	4.7
Capacity util. rate-mfg ¹	%	78.7	78.3	77.5	77.7	78.0	78.4	78.7	79.0	79.3	79.6
Housing starts	Millions	1.04	1.09	1.14	1.20	1.25	1.30	1.34	1.37	1.39	1.41
Auto sales		8.60	8.19	8.08	8.48	8.84	9.25	9.40	9.55	9.68	9.80
Domestic		6.31	6.06	5.97	6.25	6.50	6.80	6.88	6.95	7.00	7.05
Foreign		2.29	2.13	2.11	2.23	2.34	2.45	2.52	2.60	2.68	2.75
INCOME AND SAVING											
Nominal GNP	Bill. \$	5720.1	5749.0	5812.9	5883.7	5963.7	6044.4	6145.0	6234.9	6324.3	6408.0
Nominal GNP	% change	4.3	2.0	4.5	5.0	5.6	5.5	6.8	6.0	5.9	5.4
Nominal personal income		2.7	3.3	4.4	4.6	5.4	6.7	7.5	6.1	6.0	6.3
Real disposable income		.3	.5	.3	2.9	2.2	4.0	3.4	3.3	2.9	3.5
Personal saving rate ²	%	5.0	5.4	5.3	5.4	5.3	5.4	5.3	5.2	5.1	5.2
Corp. profits, IVAS(CCA) ³	% change	3.5	12.4	30.6	20.8	9.1	9.1	18.8	9.9	4.2	8.2
Profit share of GNP ³	%	5.4	5.5	5.8	6.0	6.1	6.1	6.3	6.3	6.3	6.3
Federal govt. surpl./def.	Bill. \$	-210.2	-230.1	-252.3	-269.4	-261.6	-265.6	-261.2	-254.0	-243.6	-244.9
State/local surpl./def.		31.8	39.2	39.5	44.2	53.2	55.9	63.1	65.3	71.3	73.4
Ex. social ins. funds		-33.8	-26.0	-26.6	-22.8	-14.7	-12.9	-6.6	-5.3	-.2	1.0
PRICES AND COSTS											
GDP implicit deflator	% change	2.1	1.7	3.8	2.9	2.5	2.3	2.9	2.4	2.2	2.3
GDP fixed-wt. price index		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CPI		3.0	3.0	3.5	3.5	3.4	3.2	3.1	2.8	2.8	2.7
Ex. food and energy		4.0	3.7	4.1	3.4	3.2	3.0	3.1	2.8	2.7	2.6
ECI, hourly compensation ²		4.1	4.0	4.0	3.8	3.7	3.5	3.4	3.4	3.3	3.2
Nonfarm business sector ³											
Output per hour		.9	-.5	1.6	2.3	2.5	2.4	2.2	2.0	1.7	1.6
Compensation per hour		2.7	2.5	4.3	3.6	3.6	3.5	3.7	3.4	3.3	3.2
Unit labor cost		1.9	3.0	2.7	1.3	1.1	1.1	1.5	1.4	1.6	1.6

1. Not at an annual rate. 2. Private-industry workers.
3. Data for 1991:Q4 are staff estimates.

Strictly Confidential (FR)
Class II FOMC

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

January 30, 1992

Item	1989				1990				1991					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1988	1989	1990	1991
Real GDP	30.1	22.6	13.2	14.1	21.1	19.5	3.0	-48.2	-31.1	16.7	154.2	80.0	-4.6	11.2
Gross domestic purchases	8.6	13.3	21.1	4.3	7.1	16.0	16.2	-82.7	-43.7	10.4	120.9	47.3	-43.4	-11.7
Final sales	9.8	25.0	31.9	4.3	55.1	-6.7	11.3	-3.1	-29.5	14.4	193.1	71.0	56.6	-22.6
Private dom. final purch.	-4.1	4.3	30.7	-7.0	27.0	-15.3	25.1	-48.0	-48.7	8.3	158.3	23.9	-11.2	-29.5
Personal cons. expend.	-2.0	7.7	32.5	.5	17.2	-.2	22.6	-29.4	-10.7	11.3	128.2	38.7	10.2	10.4
Durables	-5.6	6.3	14.4	-18.7	17.1	-14.0	1.6	-16.3	-13.2	-1.9	34.5	-3.6	-11.6	-11.9
Nondurables	.3	-3.8	8.1	3.9	-.9	-4.1	3.4	-9.0	-.8	2.3	32.2	8.5	-10.6	-11.7
Services	3.4	5.1	10.0	15.3	1.1	17.8	17.7	-4.2	3.2	10.9	61.4	33.8	32.4	34.0
Business fixed invest.	1.2	3.6	1.1	-3.4	9.4	-6.4	11.2	-11.0	-25.4	-4.3	28.2	2.5	3.2	-37.6
Producers' dur. equip.	-.9	6.4	-2.3	-3.6	5.7	-3.0	10.1	-1.5	-18.2	.0	30.4	-.4	11.3	-11.9
Nonres. structures	2.1	-2.8	3.4	.2	3.7	-3.4	1.1	-9.6	-7.1	-4.4	-2.2	2.9	-8.2	-25.6
Res. structures	-3.4	-6.9	-3.1	-4.0	.3	-8.7	-8.6	-7.6	-12.6	1.3	2.0	-17.4	-24.6	-2.3
Change in bus. invent.	20.3	-2.3	-18.7	9.8	-34.0	26.1	-8.2	-45.1	-1.6	2.4	-39.0	9.1	-61.2	33.9
Nonfarm	5.3	-2.4	-7.5	12.2	-43.6	21.0	-5.6	-35.6	-5.4	.3	-31.6	7.6	-63.8	29.3
Farm	15.1	.0	-11.2	-2.4	9.6	5.2	-2.7	-9.5	3.8	2.1	-7.4	1.5	2.6	4.5
Net exports	21.5	9.3	-7.9	9.8	14.0	3.5	-13.2	34.5	12.6	6.3	33.3	32.7	38.8	22.9
Exports	13.0	18.3	1.0	15.3	10.4	5.9	-.5	20.9	-10.0	23.2	52.1	47.6	36.7	42.6
Imports	-8.5	8.9	9.0	5.4	-3.5	2.3	12.9	-13.7	-22.6	16.9	18.8	14.8	-2.0	19.7
Government purchases	-7.6	11.4	9.1	1.5	14.1	5.1	-.6	10.4	6.6	-.2	1.5	14.4	29.0	-16.0
Federal	-9.3	7.1	4.7	-7.0	5.4	4.0	-4.9	4.2	9.1	1.0	-13.2	-4.5	8.7	-12.4
Defense	-9.6	3.8	6.8	-6.8	1.6	2.3	-5.8	4.0	7.4	-2.4	-9.3	-5.8	2.1	-13.1
Nondefense	.3	3.3	-2.1	-.2	3.7	1.8	.9	.2	1.7	3.4	-3.9	1.3	6.6	.7
State and local	1.7	4.3	4.3	8.5	8.8	1.1	4.3	6.2	-2.6	-1.0	14.7	18.8	20.4	-3.6

1. Annual changes are from Q4 to Q4.

Strictly Confidential (FR)
Class II FOMC

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

January 30, 1992

Item	Projected										Projected			
	1991		1992				1993							
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1990	1991	1992	1993
Real GDP	22.0	3.6	5.1	23.2	35.6	40.2	45.9	43.3	42.6	40.9	-4.6	11.2	104.2	172.6
Gross domestic purchases	40.8	-19.2	3.1	26.9	35.7	39.0	43.0	42.9	41.4	39.5	-43.4	-11.7	104.7	166.8
Final sales	-8.6	1.1	17.1	18.1	29.5	35.7	41.2	39.2	40.0	39.0	56.6	-22.6	100.5	159.4
Private dom. final purch.	18.4	-7.5	12.6	24.0	34.0	37.7	40.7	39.7	38.8	36.9	-11.2	-29.5	108.3	156.1
Personal cons. expend.	18.8	-9.0	8.6	17.8	23.9	27.2	31.4	30.4	28.7	28.0	10.2	10.4	77.5	118.4
Durables	9.4	-6.2	-3	7.3	8.9	11.1	10.3	9.1	8.2	8.1	-11.6	-11.9	27.0	35.6
Nondurables	-1	-13.1	-5	2.3	4.1	4.6	6.0	6.5	6.0	5.8	-10.6	-11.7	10.6	24.3
Services	9.6	10.3	9.5	8.2	10.9	11.4	15.1	14.8	14.5	14.1	32.4	34.0	40.0	58.5
Business fixed invest.	-4.8	-3.1	-2.4	.8	3.2	4.1	4.8	5.2	5.1	5.3	3.2	-37.6	5.8	20.4
Producers' dur. equip.	5.8	.5	2.1	4.5	6.3	6.9	7.0	6.7	6.3	5.9	11.3	-11.9	19.8	26.0
Nonres. structures	-10.5	-3.6	-4.5	-3.7	-3.1	-2.7	-2.2	-1.5	-1.2	-.6	-8.2	-25.6	-14.0	-5.5
Res. structures	4.5	4.5	6.4	5.4	6.9	6.3	4.6	4.1	5.0	3.6	-24.6	-2.3	25.0	17.3
Change in bus. invent.	30.5	2.6	-12.1	5.1	6.1	4.5	4.7	4.1	2.6	1.9	-61.2	33.9	3.6	13.3
Nonfarm	28.0	6.4	-13.2	5.1	6.1	4.5	4.1	4.3	2.6	2.1	-63.8	29.3	2.5	13.1
Farm	2.5	-3.9	1.2	.0	.0	.0	.6	-.2	.0	-.2	2.6	4.5	1.2	.2
Net exports	-18.8	22.8	2.0	-3.6	-.1	1.2	2.9	.4	1.2	1.4	38.8	22.9	-.5	5.9
Exports	9.5	19.9	3.0	7.8	8.1	8.9	10.0	10.6	10.6	10.9	36.7	42.6	27.8	42.1
Imports	28.3	-2.9	1.0	11.5	8.2	7.6	7.1	10.2	9.4	9.5	-2.0	19.7	28.3	36.2
Government purchases	-8.2	-14.2	2.5	-2.2	-4.4	-3.2	-2.4	-.9	.0	.7	29.0	-16.0	-7.3	-2.6
Federal	-8.2	-14.3	3.7	-1.1	-3.7	-3.6	-3.5	-2.7	-2.5	-2.0	8.7	-12.4	-4.7	-10.7
Defense	-6.6	-11.5	-2.3	-2.2	-4.8	-4.7	-4.5	-3.7	-3.4	-2.9	2.1	-13.1	-14.0	-14.5
Nondefense	-1.6	-2.8	6.0	1.1	1.1	1.1	1.0	1.0	.9	.9	6.6	.7	9.3	3.8
State and local	-.1	.1	-1.2	-1.1	-.7	.4	1.1	1.8	2.5	2.7	20.4	-3.6	-2.6	8.1

1. Annual changes are from Q4 to Q4.

Item	Fiscal year				1991				1992				1993			
	1990 ^a	1991 ^a	1992	1993	Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^a	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UNIFIED BUDGET																
					Not seasonally adjusted											
Receipts ¹	1031	1054	1094	1171	233	307	264	255	242	328	269	262	260	359	290	273
Outlays ¹	1252	1323	1466	1523	299	333	356	339	369	381	378	397	378	377	371	406
Surplus/deficit ¹	-220	-269	-372	-351	-66	-26	-91	-84	-127	-54	-108	-135	-118	-17	-80	-133
On-budget	-277	-321	-427	-402	-80	-50	-94	-98	-135	-83	-110	-144	-125	-49	-85	-143
Off-budget	57	52	54	51	15	24	3	14	8	30	2	9	6	31	4	10
Surplus excluding deposit insurance ²	-162	-202	-296	-280	-63	-12	-55	-89	-105	-23	-80	-110	-101	-1	-69	-114
Means of financing																
Borrowing	263	293	362	351	56	43	95	89	82	76	115	129	103	37	82	127
Cash decrease	1	-1	1	0	0	-12	2	-7	37	-18	-10	10	10	-15	-5	10
Other ³	-44	-23	9	0	9	-6	-6	2	8	-4	3	-4	5	-5	4	-4
Cash operating balance, end of period	40	41	40	40	32	44	41	49	12	30	40	30	20	35	40	30
NIPA FEDERAL SECTOR																
					Seasonally adjusted, annual rate											
Receipts	1093	1116	1161	1241	1115	1114	1125	1132	1168	1165	1180	1196	1239	1256	1274	1292
Expenditures	1246	1305	1415	1497	1262	1321	1335	1362	1420	1434	1442	1462	1500	1510	1518	1536
Purchases	417	446	441	443	452	452	445	432	444	445	442	440	446	444	443	442
Defense	309	326	311	302	332	328	322	311	314	312	308	304	305	302	298	296
Nondefense	109	120	130	141	119	124	123	121	130	132	134	136	141	143	145	146
Other expenditures	828	860	974	1054	810	869	890	930	976	990	1000	1022	1054	1066	1075	1095
Surplus/deficit	-153	-189	-253	-256	-146	-207	-210	-230	-252	-269	-262	-266	-261	-254	-244	-245
FISCAL INDICATORS ⁴																
High-employment (HEB) surplus/deficit	-176	-157	-191	-205	-113	-166	-167	-176	-188	-202	-197	-205	-207	-206	-203	-210
Change in HEB, percent of potential GDP	.4	-.4	.6	.2	-1.3	.9	0	.2	.2	.2	-.1	.1	0	0	-.1	.1
Fiscal impetus (FI), percent, cal. year	-3.3	-4.1	-5.3	-3.5	-2.5	.5	-2.1	-2.5	-2.1	0	-.8	-.7	-1.7	-.6	-.6	-.4

1. CBO's January deficit estimates are \$352 billion in FY92 and \$327 billion in FY93. OMB's January deficit estimates are \$399 billion in FY92 and \$352 billion in FY93. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) categories. The OASDI surplus is excluded from the on-budget deficit and shown separately as off-budget, as classified under current law. The Postal Service deficit is included in off-budget outlays beginning in FY90.

2. CBO's January deficit estimates, excluding deposit insurance spending, are \$285 billion in FY92 and \$258 billion in FY93. OMB's January deficit estimates, excluding deposit insurance spending, are \$319 billion in FY92 and \$276 billion in FY93.

3. Other means of financing are checks issued less checks paid, accrued items, and changes in other financial assets and liabilities.

4. HEB is the NIPA measure in current dollars, with cyclically sensitive receipts and outlays adjusted to the level of potential output generated by 2.1 percent real growth and an associated unemployment rate of 6 percent. Quarterly figures for change in HEB and FI are not at annual rates. Change in HEB, as a percent of nominal potential GDP, is reversed in sign. FI is the weighted difference of discretionary changes in federal spending and taxes (in 1987 dollars), scaled by real federal purchases. For change in HEB and FI, negative values indicate restraint.

a--Actual.

Confidential FR Class II
January 30, 1992

GROWTH RATES OF DEBT BY SECTOR¹
(Percent, period-end to period-end)

-----Domestic Nonfinancial Sectors-----								-----Memo-----		
-----Households-----										
	Total ²	U.S. govt. ²	Non- federal	Total	Home mtgs.	Cons. credit	Business	State & local govts.	Private financial assets ³	Nominal GDP ⁴
1982	9.3	19.6	6.9	5.4	4.5	4.4	7.8	9.3	10.5	3.2
1983	11.7	18.8	9.8	11.0	10.4	12.6	8.7	9.7	12.4	11.0
1984	14.5	16.9	13.8	12.9	11.6	18.7	15.6	9.1	12.8	9.1
1985	14.9	16.5	14.5	14.0	11.8	15.9	11.6	31.4	12.3	7.0
1986	12.5	13.6	12.2	12.6	14.9	9.6	12.2	10.6	8.7	4.7
1987	9.3	8.0	9.7	11.7	14.0	5.1	7.1	13.4	8.4	8.0
1988	9.0	8.0	9.4	11.0	12.2	7.3	8.4	7.0	8.5	7.7
1989	7.7	7.0	8.0	9.0	10.3	5.8	6.8	8.4	7.0	5.9
1990	6.3	11.0	4.9	7.1	8.8	1.8	2.7	5.0	3.8	4.1
1991	4.7	11.1	2.7	4.7	5.6	-1.7	0.4	2.9	0.7	3.2
1992	5.8	14.4	2.9	5.1	6.2	0.4	0.4	2.7	3.3	5.1
1993	6.3	11.0	4.7	7.1	7.3	5.4	2.3	2.4	3.3	6.0
Seasonally adjusted, annual rates										
1990 -- Q1	7.8	10.4	7.0	9.4	10.8	4.2	4.2	8.7	7.6	6.3
Q2	6.5	10.4	5.3	7.3	8.7	1.8	3.1	5.6	5.0	6.2
Q3	5.6	10.2	4.2	5.8	7.2	1.7	2.7	3.9	1.9	4.9
Q4	4.5	11.2	2.6	4.3	6.2	-0.5	0.9	1.4	0.5	-0.9
1991 -- Q1	4.0	8.0	2.7	4.3	5.5	-2.6	1.0	2.8	3.0	2.3
Q2	4.7	10.6	2.9	4.8	5.8	-0.9	0.9	2.8	0.5	4.6
Q3	5.1	14.0	2.4	4.2	4.9	-3.3	0.1	3.0	-1.0	4.1
Q4	4.5	10.2	2.7	5.3	5.7	-0.3	-0.4	2.9	0.3	1.9
1992 -- Q1	4.4	11.5	2.1	4.5	5.5	-0.9	-0.8	2.8	1.9	4.3
Q2	5.5	14.4	2.5	4.6	5.8	-0.1	-0.0	2.8	3.1	4.9
Q3	6.2	14.8	3.2	5.3	6.2	1.0	1.0	2.5	3.7	5.5
Q4	6.5	14.2	3.8	5.9	6.6	1.8	1.6	2.5	4.4	5.7
1993 -- H1	5.9	10.5	4.3	6.8	7.2	4.1	1.7	2.4	3.5	6.3
H2	6.6	10.8	5.0	7.2	7.2	6.6	2.8	2.4	2.9	5.7

1. Data through 1991 Q3 reflect revisions that will be published later this week; 1991 Q4 and later are projected.

2. Deposit insurance activity raises total debt growth .4, .9, and .4 percentage points in 1991, 1992, and 1993 respectively; the corresponding figures for federal debt growth are 1.6, 3.3, and 1.3 percentage points.

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

4. Annual figures are Q4 to Q4.

FLOW OF FUNDS PROJECTION HIGHLIGHTS¹
(Billions of dollars, seasonally adjusted annual rates)

	1988	Calendar year 1989	1990	1991	1992	1993	----1991----- Q3 Q4	-----1992----- Q1 Q2 Q3 Q4
Net funds raised by domestic nonfinancial sectors:								
1 Total	637.8	590.6	567.1	520.2	694.6	780.7	582.6 556.5	559.3 667.6 753.0 798.5
2 Net equity issuance	-129.5	-124.2	-63.0	17.5	43.3	23.0	17.0 54.0	61.0 44.0 37.0 31.0
3 Net debt issuance	767.3	714.7	630.1	502.7	651.3	757.7	565.6 502.5	498.3 623.6 716.0 767.5
Borrowing sectors:								
Nonfinancial business								
4 Financing gap ²	10.0	51.9	64.9	29.6	14.3	26.2	52.0 28.4	14.2 10.3 16.4 16.4
5 Net equity issuance	-129.5	-124.2	-63.0	17.5	43.3	23.0	17.0 54.0	61.0 44.0 37.0 31.0
6 Credit market borrowing	247.4	217.9	93.4	14.4	15.8	80.8	3.5 -15.0	-29.7 -0.3 35.6 57.7
Households								
7 Net borrowing, of which:	315.8	287.3	247.3	184.2	210.0	305.9	169.0 213.5	182.1 188.1 219.9 250.0
8 Home mortgages	230.4	219.2	208.2	151.4	177.2	223.5	136.4 159.7	158.3 168.5 183.7 198.1
9 Consumer credit	50.3	43.1	14.2	-14.1	3.5	43.5	-26.3 -2.0	-7.0 -1.0 8.0 14.0
10 Debt/DPI (percent) ³	85.5	88.3	91.2	94.6	95.0	95.0	95.1 95.5	95.7 95.3 95.4 95.2
State and local governments								
11 Net borrowing	48.9	63.2	42.6	26.4	24.6	23.1	27.5 26.9	25.8 25.7 23.5 23.4
12 Current surplus ⁴	-24.8	-29.7	-43.9	-26.8	-11.5	3.3	-23.4 -14.9	-22.3 -12.9 -4.2 -6.6
U.S. government								
13 Net borrowing	155.1	146.4	246.9	277.7	400.9	348.0	365.5 277.1	320.1 410.1 437.0 436.4
14 Net borrowing; quarterly, nsa	155.1	146.4	246.9	277.7	400.9	348.0	95.3 89.1	81.9 75.7 115.0 128.9
15 Unified deficit; quarterly, nsa	141.9	155.0	236.1	266.7	423.6	349.1	91.3 84.1	126.6 53.5 108.3 135.2
Funds supplied by								
16 depository institutions	275.0	86.1	-32.3	-62.6	-2.3	108.3	-106.6 49.0	-71.8 -21.2 46.0 37.9
Memoranda: As percent of GDP:								
17 Dom. nonfinancial debt ⁵	180.9	183.8	188.9	194.9	196.8	197.1	195.8 197.1	197.2 197.5 197.9 198.4
18 Dom. nonfinancial borrowing	15.7	13.6	11.4	8.9	11.0	12.1	9.9 8.8	8.6 10.6 12.0 12.7
19 U.S. government ⁵	3.2	2.8	4.5	4.9	6.8	5.6	6.4 4.8	5.5 7.0 7.4 7.2
20 Private	12.5	10.8	6.9	4.0	4.2	6.5	3.5 3.9	3.1 3.6 4.7 5.5

1. Data through 1991 Q3 reflect revisions that will be published later this week; 1991 Q4 and later are projected.
2. For corporations: excess of capital expenditures over U.S. internal funds.
3. Annuals are average debt levels in the year (computed as the average of year-end debt positions) divided by nominal GDP.
4. NIPA surplus, net of retirement funds.
5. Excludes government-insured mortgage pool securities.

NOMINAL EXTERNAL BALANCES
(Billions of dollars, SAAR)

	-----Projection-----					
	1991		1992		1992	1993
	Q3	Q4	Q1	Q2	Q4	Q4
Trade balance	-81.9	-64.5	-59.6	-63.4	-67.6	-66.6
Current acct. ex.						
gulf war grants	-60.2	-34.4	-24.1	-26.1	-28.2	-17.8
Gulf war grants	18.4	14.8	5.2	0.0	0.0	0.0
Current account	-41.8	-19.6	-18.9	-26.1	-28.2	-17.8

Strictly Confidential (FR) Class II-FOMC

January 29, 1992

U.S. Current Account Summary

(In Billions of Dollars, Seasonally Adjusted Annual Rates)

	Trade Balance	Invest. Income, Net		Services, Net	Transfers, Net %/	Current Account Balance %/
		Direct Invest.	Portfolio			
YEARS						
1975	8.9	14.4	-1.6	3.5	-7.1	18.1
1976	-9.5	15.9	0.1	3.4	-5.7	4.2
1977	-31.1	16.8	1.1	3.8	-5.2	-14.5
1978	-33.9	21.2	-1.1	4.2	-5.8	-15.4
1979	-27.5	31.8	-1.7	3.0	-6.6	-1.0
1980	-25.5	28.5	0.3	6.1	-8.3	1.1
1981	-28.0	25.7	5.7	11.9	-8.3	6.9
1982	-36.4	21.6	6.7	12.1	-9.8	-5.9
1983	-67.1	21.2	6.2	9.5	-10.0	-40.1
1984	-112.5	20.8	2.6	2.7	-12.6	-99.0
1985	-122.1	22.2	-6.1	-0.9	-15.5	-122.3
1986	-145.1	25.5	-14.6	4.7	-16.0	-145.4
1987	-159.5	33.4	-25.8	6.3	-14.7	-160.2
1988	-127.0	36.8	-31.5	10.3	-14.9	-126.2
1989	-115.9	42.5	-39.8	22.4	-15.5	-106.3
1990	-108.1	52.7	-40.7	26.4	-22.3	-92.1
1991-P	-70.4	53.6	-41.4	35.8	20.6	-1.8
1992-P	-64.2	50.0	-35.3	43.4	-18.7	-24.9
1993-P	-66.9	51.8	-34.2	49.2	-20.0	-20.1
QUARTERS						
1990-Q1	-110.1	51.9	-39.8	23.6	-16.1	-90.7
-Q2	-96.4	43.6	-43.6	26.4	-18.8	-88.7
-Q3	-115.0	53.5	-42.3	25.6	-17.3	-95.5
-Q4	-110.9	61.7	-37.2	29.9	-37.1	-93.6
1991-Q1	-73.6	61.3	-41.8	28.3	67.8	42.0
-Q2	-61.6	52.2	-42.8	35.8	28.5	12.1
-Q3	-81.9	51.1	-41.1	37.8	-7.7	-41.8
-Q4-P	-64.5	49.7	-39.9	41.1	-6.0	-19.6
1992-Q1-P	-59.6	49.4	-36.1	42.3	-14.8	-18.9
-Q2-P	-63.4	50.2	-35.4	42.4	-20.0	-26.1
-Q3-P	-66.2	50.3	-34.0	43.7	-20.0	-26.1
-Q4-P	-67.6	50.0	-35.6	45.0	-20.0	-28.2
1993-Q1-P	-66.5	50.0	-33.5	46.9	-20.0	-23.2
-Q2-P	-67.4	52.4	-35.2	48.5	-20.0	-21.7
-Q3-P	-67.1	52.8	-33.2	49.9	-20.0	-17.7
-Q4-P	-66.6	52.2	-35.0	51.6	-20.0	-17.8

P/ Projected; %/ Includes cash grants from foreign governments to support the Desert Shield/Storm effort; 1990-Q4 \$17.2 billion AR; 1991 year = \$42.6 billion when the quarters at annual rates are: Q1=90.8, Q2=46.4, Q3=18.4, Q4=14.8; 1992-Q1 = \$5.2 billion AR.

Strictly Confidential (FR) Class II FOMC

January 30, 1992

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

	Exports of Goods & Services			Imports of Goods & Services			Net
	Merchandise	Services	G&S	Merchandise	Services	G&S	G&S
Years:							
1989	343.8	125.4	469.2	450.4	94.5	544.9	-75.7
1990	369.4	136.2	505.7	458.5	98.5	557.0	-51.3
1991	398.3	141.3	539.6	458.7	98.6	557.2	-17.6
1992-p	431.2	149.1	580.2	485.6	103.4	589.0	-8.8
1993-p	464.5	154.3	618.9	515.9	107.7	623.6	-4.7
Quarters:							
1990-1	364.9	131.3	496.2	455.9	96.3	552.2	-56.0
2	368.0	134.1	502.1	457.2	97.4	554.5	-52.5
3	365.1	136.5	501.6	467.9	99.5	567.4	-65.7
4	379.4	143.1	522.5	453.0	100.7	553.7	-31.2
1991-1	379.9	132.6	512.5	435.9	95.3	531.1	-18.6
2	395.8	139.9	535.7	451.2	96.8	548.0	-12.3
3	400.3	144.8	545.2	475.7	100.6	576.3	-31.1
4	417.3	147.8	565.1	472.0	101.5	573.4	-8.3
1992-1-p	420.1	148.0	568.1	472.5	101.9	574.4	-6.3
2-p	427.4	148.5	575.9	482.6	103.3	585.9	-10.0
3-p	434.7	149.3	584.0	490.2	103.8	594.1	-10.1
4-p	442.5	150.4	592.9	497.0	104.7	601.7	-8.8
1993-1-p	451.1	151.8	602.9	503.3	105.6	608.9	-6.0
2-p	460.0	153.5	613.5	512.0	107.0	619.0	-5.5
3-p	469.0	155.1	624.1	520.0	108.4	628.4	-4.3
4-p	478.1	156.9	635.0	528.1	109.8	637.9	-3.0
Percent Change from Preceding Quarter, Annual Rate:							
1991-1	0.5	-26.3	-7.4	-14.3	-19.8	-15.4	
2	17.8	23.9	19.4	14.8	6.4	13.3	
3	4.6	14.8	7.3	23.6	16.7	22.3	
4	18.1	8.5	15.4	-3.1	3.6	-2.0	
1992-1-p	2.7	0.5	2.1	0.4	1.6	0.7	
2-p	7.1	1.4	5.6	8.8	5.6	8.3	
3-p	7.0	2.2	5.7	6.5	2.1	5.7	
4-p	7.4	3.0	6.2	5.6	3.4	5.2	
1993-1-p	8.0	3.8	6.9	5.2	3.5	4.9	
2-p	8.1	4.6	7.2	7.1	5.4	6.8	
3-p	8.1	4.2	7.1	6.4	5.3	6.2	
4-p	7.9	4.7	7.1	6.4	5.3	6.2	
Percent Change Q4/Q4:							
1990/89	6.9	9.2	7.6	-1.3	4.0	-0.4	
1991/90	10.0	3.3	8.2	4.2	0.8	3.6	
1992/91-p	6.0	1.8	4.9	5.3	3.2	4.9	
1993/92-p	8.0	4.3	7.1	6.3	4.9	6.0	

January 30, 1992

STRICTLY CONFIDENTIAL - FR
CLASS II FOMCREAL GNP AND CONSUMER PRICES, SELECTED COUNTRIES, 1989-93
(Percent change from fourth quarter to fourth quarter)

Measure and country	1989	1990	Projection		
			1991	1992	1993
REAL GNP					
Canada	2.1	-1.1	0.4	2.2	3.8
France	3.8	1.8	2.1	2.1	2.6
Western Germany	3.2	5.3	1.3	2.7	3.0
Italy	2.9	0.9	1.5	1.9	2.6
Japan	4.9	4.7	3.3	2.6	3.6
United Kingdom	1.6	-0.7	-1.5	1.8	2.1
Average, weighted by 1987-89 GNP	3.5	2.5	1.6	2.3	3.0
Average, weighted by share of					
U.S. nonagricultural exports					
Total foreign	3.5	2.1	2.1	3.0	3.2
G-6	2.9	0.9	1.0	2.3	3.3
Developing countries	5.0	4.9	5.7	5.6	6.3
CONSUMER PRICES					
Canada	5.2	4.9	4.1	3.0	2.7
France	3.6	3.6	2.9	3.0	3.0
Western Germany	3.0	3.0	3.9	3.2	3.0
Italy	6.6	6.3	6.1	5.1	5.0
Japan	2.9	3.2	3.2	3.0	2.8
United Kingdom	7.6	10.0	4.2	3.9	4.4
Average, weighted by 1987-89 GNP	4.4	4.8	3.9	3.5	3.4
Average, weighted by share of					
U.S. non-oil imports	4.2	4.4	3.8	3.2	3.0

January 30, 1992

RECENT DEVELOPMENTS

Prepared for the Federal Open Market Committee

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

FEDERAL GOVERNMENT OUTLAYS AND RECEIPTS
(Unified basis, billions of dollars, not seasonally adjusted,
except where otherwise noted)

	<u>October-December</u>		<u>Dollar</u>	<u>Percent</u>
	<u>1990</u>	<u>1991</u>	<u>change</u>	<u>change</u>
Outlays	335.6	338.1	2.5	.7
Deposit insurance (DI)	14.2	-5.0	-19.1	-135.0
Defense cooperation account (DCA) contributions (-)	-4.3	-3.8	.5	-12.5
Outlays excluding DI and DCA	325.8	346.8	21.1	6.5
National defense excluding DCA	80.9	77.5	-3.4	-4.2
Net interest	46.2	49.8	3.6	7.8
Social Security	63.4	68.5	5.1	8.1
Medicare and health	40.2	50.9	10.7	26.5
Income security	40.5	44.9	4.4	10.8
Other	54.6	55.3	.7	1.3
Receipts	249.4	254.9	5.5	2.2
Personal income taxes	114.3	113.0	-1.3	-1.1
Social insurance taxes	85.8	90.9	5.1	6.0
Corporate income taxes	25.4	24.4	-1.0	-4.0
Other	23.8	26.6	2.7	11.4
Deficit	86.2	83.1	-3.1	-3.6
Deficit excluding DI and DCA	76.4	91.9	15.5	20.3

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

CBO BUDGET ESTIMATES¹
(Billions of dollars)

	<u>Fiscal years</u>					
	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Outlays	1454	1505	1523	1536	1593	1718
Receipts	1102	1179	1263	1342	1415	1492
Deficit	352	327	260	194	178	226
Deficit excluding deposit insurance and Desert Storm contributions	290	258	227	210	220	254
Memo:						
Deposit insurance	67	68	33	-16	-44	-28
Desert Storm contributions(-)	5	0	0	0	0	0

Multifamily housing starts dropped to 155,000 units at an annual rate in December, a level just above the series low set last May. Multifamily starts averaged 173,000 units for the year, the lowest since the 1950s. Multifamily housing production continues to be hampered by the persistence of very high vacancy rates on apartment units and the resulting restraint on rents. After accounting for seasonal patterns, the multifamily vacancy rate continued to edge up in the fourth quarter of 1991.

Federal Sector

In the fourth quarter of 1991, the unified budget deficit totaled \$83 billion (not at an annual rate), a bit less than its level of a year earlier. That figure is deceptive, however: If outlays for deposit insurance (DI) and contributions to the defense cooperation account (DCA) are excluded, the fourth-quarter deficit was up \$15.5 billion from its year-ago level. (With the recent approval of a \$25 billion appropriation for the RTC, which is projected to satisfy RTC needs through the end of March, outlays for deposit insurance are expected to rise substantially in the current quarter.) Outlays were boosted in the fourth quarter by continued sizable growth in spending on social security, income security, and medicare and health. Revenues were up only about 2 percent relative to a year earlier, as increases in social insurance and excise taxes (boosted by legislation enacted in late 1990) were offset by weakness in personal and corporate income taxes associated with the weakness in economic activity.

The CBO released its economic and budget outlook on January 23. CBO's baseline estimates show the federal budget deficit rising \$83 billion to \$352 billion in FY1992, and then declining steadily through FY1995 as economic activity strengthens, outlays for deposit insurance decline, and spending reductions mandated by the 1990 Budget Enforcement Act take effect. After FY1995, the deficit is

REVISIONS TO CBO'S BUDGET ESTIMATES FOR FY1992 AND FY1993
(Billions of dollars)

	<u>Actual</u>	<u>January forecast</u>	<u>Change from</u>	<u>August forecast</u>
	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1992</u> <u>1993</u>
Total revenues	1054	1102	1179	-39 -45
Total outlays	1323	1454	1505	-49 4
Deposit Insurance (DI)	66	67	68	-48 10
Contributions to Defense				
Cooperation Account (DCA)	-43	-5	0	-5 0
Deficit	269	352	327	-11 49
Deficit excluding DI and DCA	246	290	258	42 38

CBO ECONOMIC ASSUMPTIONS

	<u>Calendar years</u>					
	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>19</u>
	-----Percent change, year over year-----					
Real GDP	1.6	3.6	2.7	2.5	2.6	2.6
Implicit GDP deflator	2.9	3.2	3.2	3.2	3.2	3.2
CPI-U	3.3	3.6	3.6	3.6	3.6	3.6
	-----Percent, annual average-----					
Civilian unemployment rate	6.9	6.4	6.2	6.0	5.9	5.7
Interest rates						
Treasury bills	4.4	5.1	5.2	5.4	5.5	5.6
Treasury notes	7.1	7.1	7.1	7.1	7.1	7.1

Source: CBO, The Economic and Budget Outlook, January 1992.

ADMINISTRATION POLICY BUDGET PROJECTIONS
(Billions of dollars)

	Fiscal years					
	1992	1993	1994	1995	1996	1997
Outlays	1475	1516	1475	1536	1608	1684
Receipts	1076	1165	1263	1344	1428	1502
Deficit	399	352	211	192	180	182
Deficit ex deposit insurance and Desert Storm contributions	324	276	236	219	202	214
Memo:						
Deposit insurance	80	76	-25	-27	-22	-32
Desert Storm contributions(-)	5	0	0	0	0	0
Deficit ex policy changes	394	356	228	212	--	--
Deficit ex policy changes, deposit insurance, and Desert Storm contributions	319	280	253	239	--	--

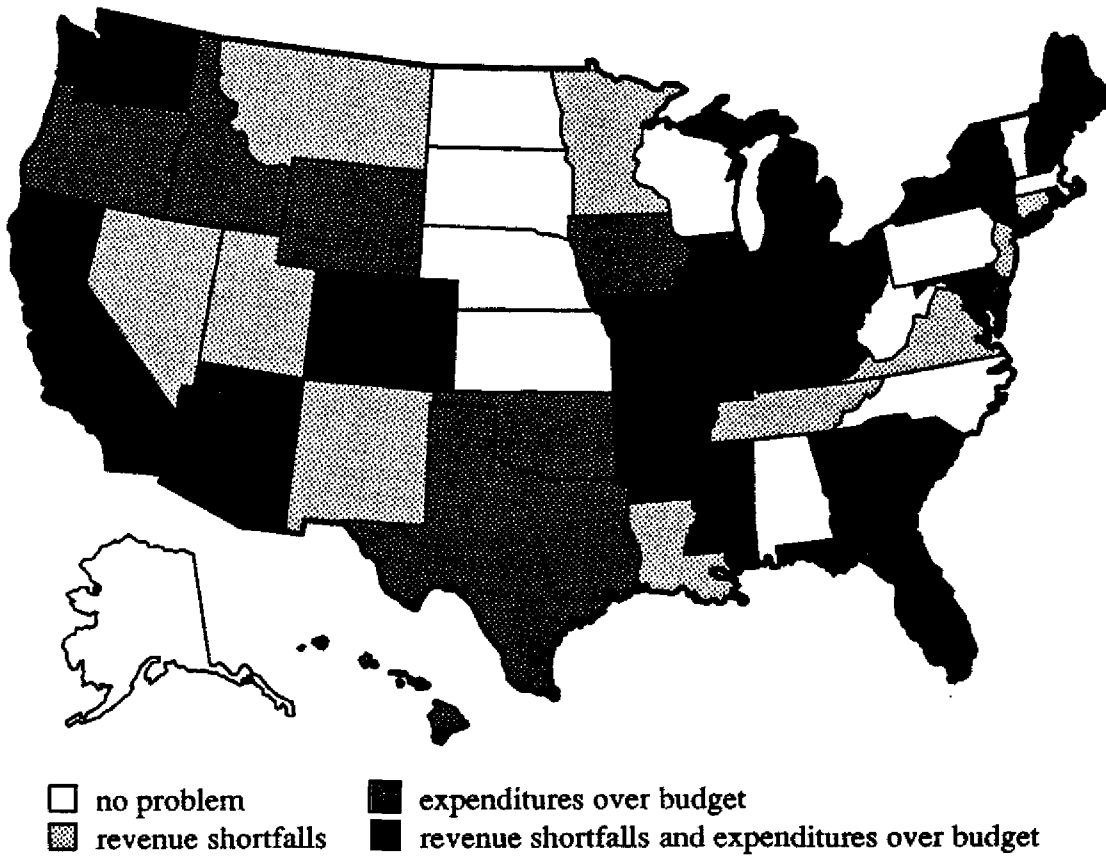
ADMINISTRATION ECONOMIC ASSUMPTIONS

	Calendar years					
	1992	1993	1994	1995	1996	1997
-----Percent change, Q4 over Q4-----						
Real GDP	2.2	3.0	3.0	3.0	2.9	2.8
GDP deflator	3.2	3.4	3.3	3.3	3.2	3.2
Consumer Price Index (CPI-W)	3.1	3.3	3.2	3.2	3.2	3.1
-----Percent, annual average-----						
Civilian unemployment rate	6.9	6.5	6.1	5.8	5.4	5.3
Interest rates						
Treasury bills	4.1	4.9	5.3	5.3	5.2	5.1
Treasury notes	7.0	6.9	6.7	6.6	6.6	6.6

Source: OMB, Budget of the United States Government, Fiscal Year 1993, January 1992.

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STATES EXPECTING FISCAL YEAR 1992 BUDGET GAPS
(As of Mid-December, 1991)



Source: *State Fiscal Outlook for 1992*, National Conference of State Legislatures, Jan. 1992.

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

	1990	1991 ^p	-----1991-----				-1992-
			Q3	Q4 ^p	Nov. ^p	Dec. ^p	Jan. ^e
Corporate securities - total ¹	19.88	31.77	30.72	32.96	34.32	28.77	39.25
Public offerings in U.S.	17.75	29.05	28.26	30.65	31.55	27.52	35.50
Stocks--total ²	1.95	5.44	4.94	8.48	9.05	7.52	5.50
Nonfinancial	1.03	3.72	3.50	6.07	6.47	5.51	3.30
Utility	0.35	0.42	0.16	0.36	0.26	0.29	0.30
Industrial	0.68	3.30	3.34	5.72	6.21	5.22	3.00
Financial	0.92	1.72	1.44	2.41	2.58	2.01	2.20
Bonds	15.79	23.61	23.31	22.17	22.50	20.00	30.00
Nonfinancial	5.65	9.61	9.27	9.67	9.80	10.50	16.00
Utility	1.97	2.98	2.73	3.37	3.40	3.50	8.00
Industrial	3.69	6.61	6.54	6.23	6.40	6.80	8.00
Financial	10.14	14.02	14.05	12.57	12.70	9.70	14.00
By quality ³							
Aaa and Aa	3.43	3.59	2.80	2.90	2.50	3.70	5.00
A and Baa	6.49	11.91	11.16	10.96	12.46	8.99	16.51
Less than Baa	0.15	1.03	0.47	1.91	2.54	2.38	1.50
No rating (or unknown)	0.04	0.01	0.01	0.00	0.00	0.00	0.14
Memo items:							
Equity-based bonds ⁴	0.40	0.63	0.41	0.46	0.29	0.10	0.87
Mortgage-backed bonds	2.43	2.99	3.66	2.97	2.35	2.03	5.00
Other asset-backed	3.27	4.08	5.21	3.43	2.66	2.90	1.85
Variable-rate notes	0.82	0.81	0.89	0.81	0.97	0.84	0.00
Bonds sold abroad - total	1.92	2.26	2.11	1.81	2.00	1.00	3.50
Nonfinancial	0.46	1.05	1.04	0.50	0.50	0.30	1.80
Financial	1.46	1.22	1.06	1.30	1.50	0.70	1.70
Stocks sold abroad - total	0.22	0.46	0.36	0.51	0.77	0.25	0.25
Nonfinancial	0.10	0.38	0.29	0.43	0.63	0.21	0.25
Financial	0.12	0.08	0.07	0.07	0.14	0.04	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 FINANCING¹
(Total for period; billions of dollars)

	1991		1992			
	Q3	Q4	Q1 ^P	Jan. ^P	Feb. ^P	Mar. ^P
<u>Treasury financing</u>						
Total surplus/deficit (-)	-91.3	-84.1	-126.6	-13.7	-50.6	-62.2
Means of financing deficit:						
Net cash borrowing from the public	95.0	89.1	81.9	11.0	21.8	49.1
Marketable borrowings/ repayments (-)	103.5	81.0	83.3	14.3	21.6	47.5
Bills	43.0	25.8	24.3	-3.7	1.9	26.1
Coupons	60.4	55.2	59.1	18.0	19.6	21.4
Nonmarketable	-8.5	8.2	-1.4	-3.3	.2	1.6
Decrease in the cash balance	2.1	-7.3	36.9	-2.3	32.4	6.8
Memo: Cash balance at end of period	41.5	48.8	11.9	51.1	18.7	11.9
² Other	-5.8	2.3	7.8	5.0	-3.6	6.3
<u>Federally sponsored credit agencies, net cash</u>						
<u>borrowing</u> ³	5.1	3.6	--	--	--	--
FHLBs ⁴	.7	.8	--	--	--	--
FHLMC	2.7	-1.2	--	--	--	--
FNMA ⁴	.9	2.7	--	--	--	--
Farm Credit Banks	.3	-.2	--	--	--	--
SLMA	.6	1.5	--	--	--	--

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.

4. Borrowing reflects October and November only.

p--projected.

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

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

	1990	1991	1991				1992
			Q3	Q4	Nov.	Dec. ^p	Jan. ^f
Total offerings ¹	13.10	16.99	21.04	16.88	18.41	18.39	--
Total tax-exempt	12.85	16.57	20.23	16.50	18.25	17.65	--
Long-term	10.03	12.87	13.54	14.95	17.74	15.77	11.00
Refundings ²	1.68	3.09	3.12	3.34	4.24	3.40	--
New capital	8.35	9.78	10.42	11.61	13.50	12.37	--
Short-term	2.82	3.70	6.69	1.55	.51	1.88	--
Total taxable	.25	.42	.81	.38	.16	.74	--

p--preliminary f--forecast.

1. Includes issues for public and private purposes.

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

in line with the near-term cyclical financial difficulties of issuers. Based on preliminary figures, a total of \$53 billion of municipal debt was downgraded by Standard & Poor's, compared with \$8 billion upgraded. Downgrades by Standard & Poor's exceeded upgrades by a more than 4-to-1 margin. General obligation issues bore the brunt of Standard & Poor's downgrades. Ratings on more than \$33 billion of general obligation debt were lowered in 1991, including that of eight states.² Analysts at Standard & Poor's emphasize that although credit quality eroded in 1991, it remains relatively high for the sector as a whole. For example, of the forty-one states rated by Standard & Poor's, twenty-six are rated AA or better and only one is rated lower than A-.

Standard & Poor's largest downgrade occurred in mid-December, when it cut the rating of the State of California to AA from AAA, affecting approximately \$15 billion of state debt. The credit agency cited two consecutive years of operating deficits as the primary cause of the downgrade. The deficits resulted from rising

2. California, Illinois, Connecticut, New Jersey, Maine, New Hampshire, Rhode Island, and Vermont were downgraded during the year.

CONFIDENTIAL (FR)
CLASS III - FOMC

January 31, 1992

SUPPLEMENT
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

Corrigenda

Two tables in the nonfinancial portion of Part 1 of the Greenbook had incorrect numbers for the consumer price index in 1992. The corrected tables are shown below.

MAJOR INDICATORS OF ECONOMIC PERFORMANCE
(Percent change, fourth quarter to fourth quarter)

	1989	1990	1991	1992	1993
				- projected -	
Real GDP	1.7	-.1	.2	2.1	3.5
Consumer price index	4.6	6.3	2.9	3.5	2.8
Exc. food and energy	4.3	5.3	4.4	3.4	2.8
ECI hourly compensation	4.8	4.6	4.4	3.7	3.3
Memo:					
Civilian unemployment rate ¹	5.4	6.0	6.9	7.2	6.7

1. Average in the fourth quarter.

STAFF SIMULATIONS OF THE EFFECTS OF FISCAL ACTION ON THE ECONOMY
(Percentage change, fourth quarter to fourth quarter)

	1992	1993
----- Simulation with fixed short-term interest rates -----		
1. Growth of real GDP (Baseline)	3.4 (2.1)	4.7 (3.5)
2. Consumer price index (Baseline)	3.7 (3.5)	3.4 (2.8)
3. Civilian unemployment rate ¹ (Baseline)	6.8 (7.2)	5.7 (6.7)
----- Simulation with fixed money growth -----		
4. Growth of real GDP (Baseline)	3.1 (2.1)	2.8 (3.5)
5. Consumer price index (Baseline)	3.7 (3.5)	3.1 (2.8)
6. Civilian unemployment rate ¹ (Baseline)	6.9 (7.2)	6.5 (6.7)

1. Average in the fourth quarter.