

May 14, 1992

SUMMARY AND OUTLOOK

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

effective personal tax rates forward through FY1993. That shortfall, however, is partly offset by the additional receipts associated with this projection's higher level of corporate profits. On net, we now expect that the FY1992 unified budget deficit will be \$342 billion and that the deficit for FY1993 will rise to \$373 billion. Excluding deposit insurance, the projected deficit narrows from \$307 billion this fiscal year to \$297 billion in FY1993.

THE UNIFIED BUDGET DEFICIT
(Billions of dollars)

	FY1991	FY1992	FY1993
	-Actual-	-Projections-	
<u>March Greenbook</u>	269	362	362
<i>Effect on the deficit:</i>			
Outlays:			
Deposit insurance	--	-23	5
Defense	--	-2	1
Receipts:			
Lower personal taxes	--	10	12
Higher corporate taxes	--	-6	-4
Other	--	2	-2
<u>May Greenbook</u>	269	342	373
<i>Memo:</i>			
Deficit excluding deposit insurance and Defense Cooperation Account (previous)	246 (246)	307 (305)	297 (291)

The foreign exchange value of the dollar has fallen below its level at the time of the March Greenbook, in part because of expectations of a near-term easing by the Federal Reserve. Because such easing is not built into our forecast, we project the dollar to recover from its recent lows and then to remain unchanged at about its level at the time of the March FOMC meeting. Our outlook for growth abroad, on average, also has not changed substantially.

Foreign GDP (including developing countries) is projected to be

Consumer prices for a broad range of goods and services rose faster in March than we had previously anticipated. In April, the increase in the CPI excluding food and energy came back down to 0.3 percent, a pace that we project will prevail, on average, into the summer months. Nonetheless, on a quarterly average basis, the increase in the CPI excluding food and energy this quarter is expected to exceed our earlier forecast by about 1/2 percentage point. The projected rise in the overall CPI this quarter has been raised only 1/4 percentage point, to 3.8 percent, because of the favorable news on food prices.

The Outlook for the Economy: 1992:H2 and 1993

Growth of real GDP is projected to average just under 3 percent at an annual rate over the next six quarters. Over this period, the broad contours of the forecast are much the same as in the March Greenbook. As before, we expect that lower bond yields, some easing of restraints on credit supplies, and the restructuring of household and business balance sheets will help to provide the financial groundwork for sustained growth in spending. The major contributors to growth in final demand will be a rise in consumer spending, increases in business outlays for equipment, and a gradual expansion of homebuilding. A projected pickup in business inventory investment adds substantial support to production in the second half of this year, but much less in 1993. The ongoing contraction in defense spending remains a significant negative throughout; and net

STAFF PROJECTION OF REAL GDP
(Percent change; annual rate)

	1992		1993	
	Q2	H2	H1	H2
Real GDP	2.0	3.1	2.9	2.8
Final sales	1.5	2.2	2.5	2.6

trading partners and continued strong demand from developing countries, growth in U.S. nonagricultural merchandise exports is expected to pick up to an annual rate of a little more than 7 percent. But the rise in non-oil merchandise imports is expected to be somewhat larger than that in exports. A detailed discussion of these projections is contained in the International Developments section of the Greenbook.

Labor markets. The staff expects that employment will increase only modestly through year-end. Over the second half, businesses should be taking up slack in their operations and raising productivity at about a 2 percent annual rate. We anticipate that hiring will pick up a bit further next year, but we continue to believe that the pace of employment growth will be restrained by the desire to control costs. As a result, growth in output per hour is projected to remain a little faster than our assumed cyclically adjusted trend of just over 1 percent. The unemployment rate is expected to stay near its recent level of 7.2 percent into this summer but then to gradually move lower, reaching just over 6-1/2 percent by the end of 1993.

STAFF INFLATION PROJECTION
(Percent change; annual rate)

	<u>1992</u>		<u>1993</u>	
	<u>Q2</u>	<u>H2</u>	<u>H1</u>	<u>H2</u>
Consumer price index (previous)	3.8 3.6	3.6 3.4	3.3 3.1	3.1 2.8
Excluding food and energy (previous)	4.3 3.8	3.5 3.2	3.2 3.0	3.1 2.8
Employment cost index (previous)	3.8 3.7	3.7 3.6	3.6 3.4	3.5 3.3
Memo:				
Civilian unemployment rate (quarterly; end of period)		7.2	7.0	6.8
				6.6

strictly Confidential (FR)
Ass II FOMCSTAFF PROJECTIONS OF CHANGES IN GDP, PRICES, AND UNEMPLOYMENT
(Percent, annual rate)

May 14, 1992

Interval					GDP fixed-weight price index		Consumer price index ¹		Unemployment rate (level except as noted)	
	3/25/92	5/14/92	3/25/92	5/14/92	3/25/92	5/14/92	3/25/92	5/14/92	3/25/92	5/14/92
ANNUAL										
1989 ²	7.0	7.0	2.5	2.5	4.3	4.3	4.8	4.8	5.3	5.3
1990 ²	5.1	5.1	1.0	1.0	4.3	4.3	5.4	5.4	5.5	5.5
1991 ²	2.9	2.9	-.7	-.7	4.0	4.0	4.2	4.2	6.7	6.7
1992	4.6	4.5	2.0	1.9	2.7	2.8	3.1	3.3	7.2	7.1
1993	5.7	5.7	3.0	2.9	3.0	3.1	3.3	3.3	6.9	6.8
QUARTERLY										
1990 Q1 ²	6.3	6.3	1.7	1.7	5.0	5.0	7.2	7.2	5.2	5.2
Q2 ²	6.2	6.2	1.6	1.6	4.6	4.6	4.1	4.1	5.3	5.3
Q3 ²	4.9	4.9	.2	.2	4.8	4.8	7.0	7.0	5.6	5.6
Q4 ²	-.9	-.9	-3.9	-3.9	3.2	3.2	6.9	6.9	6.0	6.0
1991 Q1 ²	2.3	2.3	-2.5	-2.5	5.4	5.4	3.3	3.3	6.5	6.5
Q2 ²	4.6	4.6	1.4	1.4	3.3	3.3	2.4	2.4	6.7	6.7
Q3 ²	4.1	4.1	1.8	1.8	2.6	2.6	2.7	2.7	6.8	6.8
Q4 ²	2.7	2.2	.8	.4	2.2	2.1	3.6	3.6	6.9	6.9
1992 Q1 ²	4.7	4.9	1.6	2.0	2.9	3.1	2.6	2.9	7.2	7.2
Q2	5.6	4.9	2.9	2.0	2.9	2.9	3.6	3.8	7.3	7.2
Q3	5.8	6.0	3.1	3.1	2.9	3.0	3.4	3.7	7.2	7.1
Q4	5.9	5.9	3.2	3.1	2.8	3.0	3.3	3.4	7.1	7.0
93 Q1	6.1	6.0	3.0	2.9	3.2	3.4	3.2	3.3	7.1	6.9
Q2	5.3	5.5	2.9	2.9	2.6	2.8	2.9	3.2	7.0	6.8
Q3	5.2	5.3	2.8	2.8	2.6	2.7	2.8	3.1	6.8	6.7
Q4	5.0	5.2	2.7	2.8	2.5	2.7	2.7	3.1	6.7	6.6
TWO-QUARTER³										
1990 Q2 ²	6.2	6.2	1.7	1.7	4.8	4.8	5.6	5.6	-.1	-.1
Q4 ²	1.9	1.9	-1.8	-1.8	3.9	3.9	7.0	7.0	.7	.7
1991 Q2 ²	3.5	3.5	-.6	-.6	4.4	4.4	2.9	2.9	.7	.7
Q4 ²	3.4	3.1	1.3	1.1	2.2	2.4	3.1	3.1	.2	.2
1992 Q2	5.2	4.9	2.2	2.0	2.9	3.0	3.1	3.3	.4	.3
Q4	5.8	6.0	3.2	3.1	2.9	3.0	3.4	3.6	-.2	-.2
1993 Q2	5.7	5.7	2.9	2.9	2.9	3.1	3.0	3.2	-.1	-.2
Q4	5.1	5.2	2.8	2.8	2.6	2.7	2.8	3.1	-.3	-.2
FOUR-QUARTER⁴										
1989 Q4 ²	5.9	5.9	1.7	1.7	4.2	4.2	4.6	4.6	.1	.1
1990 Q4 ²	4.1	4.1	-.1	-.1	4.4	4.4	6.3	6.3	.6	.6
1991 Q4 ²	3.4	3.3	.4	.3	3.3	3.4	3.0	3.0	.9	.9
1992 Q4	5.5	5.4	2.7	2.6	2.9	3.0	3.2	3.4	.2	.1
1993 Q4	5.4	5.5	2.8	2.8	2.7	2.9	2.9	3.2	-.4	-.4

1. For all urban consumers.

2. Actual.

3. Percent change from two quarters earlier, for unemployment rate, change in percentage points.

4. Percent change from four quarters earlier, for unemployment rate, change in percentage points.

Strictly Confidential (FR)
Class II POMCREAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, ANNUAL VALUES
(Seasonally adjusted, annual rate)

May 14, 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	5672.6	5926.9	5263.3
Real GDP	Bill. 87\$	4279.8	4404.5	4540.0	4718.6	4836.9	4884.9	4848.8	4938.7	5081.3
Real GDP	% change	3.3	2.2	4.5	3.3	1.7	-1.1	.3	2.6	2.8
Gross domestic purchases		3.8	2.1	3.9	2.5	1.0	-.9	.1	2.7	3.0
Final sales		3.8	3.3	2.7	4.2	1.5	1.2	-.5	2.7	2.6
Private dom. final purch.		3.9	3.0	1.9	4.2	.6	-.3	-.5	3.6	3.5
Personal cons. expend.		4.0	4.0	2.1	4.2	1.2	-.3	.6	3.4	2.9
Durables		6.3	12.5	-2.6	8.5	-.8	-2.7	-2.8	8.5	5.9
Nondurables		2.7	3.3	1.4	3.2	.8	-1.0	-.9	2.4	2.0
Services		4.2	2.5	3.7	3.7	2.0	1.9	2.2	2.8	2.8
Business fixed invest.		3.1	-5.7	3.0	5.5	.5	.6	-7.1	3.6	5.0
Producers' dur. equip.		2.2	-.7	2.4	9.1	-.1	3.1	+3.7	7.0	6.9
Nonres. structures		4.6	-14.1	4.4	-1.2	1.7	-4.6	-14.7	-4.8	-.1
Res. structures		4.3	11.1	-3.1	.9	-7.7	-11.8	-.9	7.4	9.4
Exports		-.3	9.9	12.6	13.5	10.9	7.6	6.8	4.0	5.7
Imports		5.2	6.7	4.7	3.6	2.7	-.4	4.6	5.5	6.7
Government purchases		5.9	4.1	3.3	.2	1.6	3.2	-1.6	-.4	-.9
Federal		6.4	3.8	3.7	-3.4	-1.2	2.3	+3.1	-1.2	-4.5
Defense		7.0	3.7	4.5	-3.2	-2.0	.8	-4.7	-4.3	-7.7
State and local		5.4	4.4	2.9	2.9	3.6	3.8	-.5	.0	1.4
Change in bus. invent.	Bill. 87\$	22.1	8.6	26.3	19.9	32.6	.2	-13.9	-12.2	12.9
Nonfarm		19.8	10.6	32.7	26.9	33.3	-1.5	-13.9	-12.8	11.9
Net exports		-145.3	-155.1	-143.0	-104.0	-75.7	-51.4	-20.9	-25.7	-36.2
Nominal GDP	% change	7.0	4.7	8.0	7.7	5.9	4.1	3.3	5.4	5.5
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employ.	Millions	97.5	99.5	102.2	105.5	108.3	110.0	109.0	109.3	111.1
Unemployment rate	%	7.2	7.0	6.2	5.5	5.3	5.5	6.7	7.1	6.8
Industrial prod. index	% change	1.9	1.4	6.5	4.5	1.1	.3	-.5	2.9	4.0
Capacity util. rate-mfg.	%	79.5	79.0	81.4	83.9	83.9	82.3	78.2	77.9	79.4
Housing starts	Millions	1.74	1.81	1.62	1.49	1.38	1.19	1.01	1.25	1.38
Auto sales in U.S.		11.04	11.45	10.24	10.63	9.91	9.51	8.39	8.56	9.29
North American produced		8.20	8.22	7.07	7.54	7.09	6.90	6.14	6.27	6.89
Other		2.84	3.24	3.18	3.09	2.83	2.60	2.25	2.29	2.40
INCOME AND SAVING										
Nominal GNP	Bill. \$	4053.6	4277.8	4544.5	4908.2	5248.2	5524.6	5685.8	5943.2	6281.2
Nominal GNP	% change	6.8	4.4	8.1	7.8	5.9	4.3	3.0	5.5	5.5
Nominal personal income		6.6	5.5	7.4	7.1	6.7	6.5	2.7	5.5	6.2
Real disposable income		1.9	2.8	2.1	3.2	1.4	1.0	-.5	2.6	3.1
Personal saving rate	%	6.5	6.0	4.3	4.4	4.4	5.1	5.2	4.7	4.7
Corp. profits, IVA&CCAdj	% change	9.0	-7.1	29.7	10.2	-11.5	-11.5	6.6	25.3	3.5
Profit share of GNP	%	6.9	6.4	7.0	7.4	6.7	5.8	5.4	6.3	6.4
Federal surpl./def.	Bill. \$	-181.4	-201.1	-151.8	-136.6	-124.2	-165.3	-201.6	-270.3	-251.2
State/local surpl./def.		56.1	54.3	40.1	38.4	41.1	25.7	30.0	52.3	65.9
Ex. social ins. funds		9.2	1.5	-14.7	-18.4	-19.2	-38.1	-35.3	-13.6	-1.8
PRICES AND COSTS										
GDP implicit deflator	% change	3.6	2.6	3.3	4.2	4.2	4.2	3.0	2.8	2.6
GDP fixed-wt. price index		3.6	2.5	3.4	4.2	4.2	4.4	3.4	3.0	2.9
Gross domestic purchases		3.5	2.3	3.9	4.1	4.2	5.1	2.6	3.0	2.9
fixed-wt. price index		3.5	1.3	4.5	4.3	4.6	6.3	3.0	3.4	3.2
CPI		4.3	3.9	4.3	4.5	4.4	5.3	4.5	3.8	3.2
Ex. food and energy										
1. hourly compensation ²		3.9	3.2	3.3	4.8	4.8	4.6	4.4	3.8	3.5
Nonfarm business sector										
Output per hour		.7	1.2	1.8	.5	-1.6	.0	1.1	2.4	1.3
Compensation per hour		4.7	4.6	3.8	3.7	2.9	6.0	3.2	3.5	3.5
Unit labor cost		3.9	3.4	1.9	3.3	4.5	6.0	2.0	1.1	2.2

1. Percent changes are from fourth quarter to fourth quarter. 2. Private-industry workers.

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
DEPLOYMENT 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	1.49	1.36	1.35	1.34	1.46	1.20	1.13	1.03	.92	1.00
Auto sales in U.S.		10.03	10.26	10.20	9.09	9.92	9.53	9.60	9.00	8.33	8.43
North American produced		7.08	7.26	7.36	6.56	7.12	6.82	7.08	6.60	6.09	6.11
Other		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	4.9	5.4	4.8	5.2	5.1	5.4
Corp. profits, IVA&CCAdj	% 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	30.3	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		4.8	4.5	3.5	3.7	5.0	4.6	4.8	3.2	5.4	3.3
Gross domestic purchases fixed-wt. price index		5.3	4.6	2.8	4.0	6.1	3.5	5.0	5.8	3.2	2.4
CPI		4.7	6.4	3.3	3.9	7.2	4.1	7.0	6.9	3.3	2.4
Ex. food and energy		4.9	4.2	3.8	4.7	5.6	5.5	5.8	4.2	6.5	3.8
.. hourly compensation ²		4.6	4.1	5.3	4.8	5.6	4.7	4.7	3.8	4.9	4.5
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.

Item	Units	Projected									
		1991		1992				1993			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GDP	Bill. \$	5709.2	5739.7	5809.3	5879.7	5966.2	6052.3	6141.4	6223.6	6304.0	6384.3
Real GDP	Bill. 87\$	4862.7	4868.0	4891.9	4916.6	4954.0	4992.3	5028.0	5064.1	5099.0	5134.1
Real GDP	% change	1.8	.4	2.0	2.0	3.1	3.1	2.9	2.9	2.8	2.8
Gross domestic purchases		3.4	-.4	1.7	2.7	3.3	3.3	3.1	3.0	2.9	2.9
Final sales		-.7	-.2	4.8	1.5	1.9	2.4	2.4	2.6	2.6	2.6
Private dom. final purch.		1.9	.1	4.9	2.5	3.4	3.7	3.7	3.6	3.5	3.4
Personal cons. expend.		2.3	.0	5.3	1.9	3.1	3.4	3.2	3.0	2.8	2.7
Durables		9.5	-5.7	18.3	-.8	8.0	9.5	6.3	6.1	5.5	5.7
Nondurables		.0	-3.9	4.6	.6	2.5	2.1	2.1	2.0	1.9	1.9
Services		2.2	3.7	2.9	3.3	2.3	2.7	3.0	2.9	2.7	2.5
Business fixed invest.		-3.7	-3.4	-1.5	5.4	5.4	5.2	5.2	4.8	5.2	4.9
Producers' dur. equip.		6.7	-1.6	1.6	8.9	9.1	8.5	8.0	7.0	6.5	6.0
Nonres. structures		-23.9	-7.8	-8.5	-3.2	-4.1	-3.2	-2.4	-1.2	1.5	1.8
Res. structures		10.9	12.3	15.8	5.1	3.3	5.8	8.3	9.2	9.9	10.4
Exports		7.3	9.7	1.0	4.1	5.4	5.3	5.6	5.6	5.9	5.9
Imports		22.3	2.1	-1.5	9.6	7.4	6.7	7.1	6.7	6.7	6.4
Government purchases		-3.4	-5.4	2.8	.6	-2.9	-2.2	-1.8	-1.0	-.6	-.4
Federal		-8.1	-13.6	2.3	4.4	-5.6	-5.3	-4.9	-4.6	-4.3	-4.1
Defense		-8.9	-15.7	-1.6	2.9	-9.2	-8.8	-8.3	-7.9	-7.4	-7.2
State and local		-.1	.8	3.2	-1.9	-1.0	-.1	.4	1.3	1.9	2.1
Change in bus. invent.	Bill. 87\$.1	7.6	-26.1	-19.7	-5.8	2.7	8.1	12.3	14.6	16.6
Nonfarm		-2.8	9.2	-26.0	-20.2	-6.8	1.7	7.1	11.3	13.6	15.6
Net exports		-31.1	-21.3	-17.8	-25.4	-28.6	-30.9	-33.5	-35.5	-37.3	-38.6
Nominal GDP	% change	4.1	2.2	4.9	4.9	6.0	5.9	6.0	5.5	5.3	5.2
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	109.0	108.9	108.8	109.1	109.4	109.9	110.3	110.8	111.3	111.8
Unemployment rate ¹	%	6.8	6.9	7.2	7.2	7.1	7.0	6.9	6.8	6.7	6.6
Industrial prod. index	% change	6.6	-.7	-4.1	5.4	5.5	5.1	4.7	4.2	3.7	3.5
Capacity util. rate-mfg ¹	%	78.7	78.2	77.0	77.6	78.2	78.7	79.1	79.4	79.5	79.5
Housing starts	Millions	1.04	1.10	1.28	1.21	1.25	1.28	1.33	1.36	1.40	1.43
Auto sales in U.S.		8.60	8.19	8.28	8.31	8.65	9.00	9.10	9.22	9.35	9.50
North American produced		6.31	6.06	6.03	6.06	6.35	6.65	6.70	6.82	6.95	7.10
Other		2.29	2.13	2.25	2.25	2.30	2.35	2.40	2.40	2.40	2.40
INCOME AND SAVING											
Nominal GNP	Bill. \$	5720.1	5750.7	5824.3	5895.6	5983.9	6068.8	6159.7	6241.5	6322.6	6401.2
Nominal GNP	% change	4.3	2.2	5.2	5.0	6.1	5.8	6.1	5.4	5.3	5.1
Nominal personal income		2.7	3.5	5.1	5.0	5.4	6.6	7.6	6.0	5.5	6.0
Real disposable income		.3	.9	3.0	2.4	1.8	3.4	3.8	3.0	2.6	3.1
Personal saving rate ¹	%	5.0	5.2	4.7	4.9	4.6	4.6	4.8	4.7	4.7	4.8
Corp. profits, IV&CCAdj	% change	3.5	13.0	70.8	9.1	13.2	16.9	.7	6.3	-.7	7.9
Profit share of GNP ¹	%	5.4	5.5	6.2	6.3	6.4	6.5	6.4	6.4	6.4	6.4
Federal govt. surpl./def.	Bill. \$	-210.2	-243.1	-273.0	-284.0	-263.7	-260.6	-262.0	-255.5	-244.0	-243.6
State/local surpl./def.		31.8	40.3	43.7	49.0	56.8	59.9	64.4	65.2	66.8	67.0
Ex. social ins. funds		-33.8	-24.8	-21.5	-16.8	-9.4	-6.7	-2.6	-2.2	-1.1	-1.5
PRICES AND COSTS											
GDP implicit deflator	% change	2.1	1.7	3.1	2.7	2.8	2.7	3.0	2.5	2.4	2.3
GDP fixed-wt. price index		2.6	2.1	3.1	2.9	3.0	3.0	3.4	2.8	2.7	2.7
Gross domestic purchases		2.5	2.2	2.7	3.3	3.1	3.0	3.4	2.8	2.7	2.7
fixed-wt. price index		2.7	3.6	2.9	3.8	3.7	3.4	3.3	3.2	3.1	3.1
CPI		4.0	3.7	3.9	4.3	3.6	3.3	3.3	3.1	3.1	3.1
Ex. food and energy		4.1	4.0	4.0	3.8	3.7	3.7	3.6	3.5	3.5	3.4
, hourly compensation ²											
4.1											
Nonfarm business sector ³		.9	1.7	4.4	1.1	2.1	2.0	1.5	1.3	1.2	1.1
Output per hour		2.6	2.7	2.6	4.1	3.6	3.6	3.9	3.5	3.4	3.4
Compensation per hour											
Unit labor cost		1.8	.9	-1.7	3.0	1.5	1.6	2.4	2.2	2.2	2.3

1. Not at an annual rate.

2. Private-industry workers.

3. Data for 1992:Q1 are staff estimates.

Strictly Confidential (FR)
Class II FOMC

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

May 14, 1992

Item	1989				1990				1991		1988	1989	1990	1991
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
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	12.9
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	3.0
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	-26.0
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	-21.3
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	19.3
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	-11.8
Nondurables	.3	-3.8	8.1	3.9	-.9	-4.1	3.4	-9.0	-.8	2.3	32.2	8.5	-10.6	-8.9
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	40.0
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	-38.9
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	-13.9
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	-25.0
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	-1.6
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	38.8
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	34.9
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	3.9
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	9.9
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	35.5
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	25.6
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	-14.6
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	-11.9
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	-13.3
Nondefense	.3	3.3	-2.1	-.2	3.7	1.8	.9	.2	1.7	3.4	-3.9	1.3	6.6	1.4
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	-2.6

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)

May 14, 1992

Item	Projected										Projected			
	1991		1992				1993				1990	1991	Projected	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			1992	1993
Real GDP	22.0	5.3	23.9	24.7	37.5	38.3	35.7	36.1	34.9	35.2	-4.6	12.9	124.3	141.8
Gross domestic purchases	40.8	-4.5	20.4	32.3	40.6	40.6	38.2	38.1	36.7	36.4	-43.4	3.0	133.9	149.5
Final sales	-8.6	-2.3	57.7	18.3	23.6	29.8	30.3	31.9	32.6	33.2	56.6	-26.0	129.3	127.9
Private dom. final purch.	18.4	.7	47.7	24.4	33.5	37.3	36.9	36.3	35.7	35.2	-11.2	-21.3	142.9	144.2
Personal cons. expend.	18.8	-.1	42.7	15.4	25.3	27.9	26.4	25.6	24.0	23.4	10.2	19.3	111.3	99.4
Durables	9.4	-6.1	17.7	-.9	8.4	10.0	6.9	6.8	6.2	6.5	-11.6	-11.8	35.2	26.4
Nondurables	-.1	+10.3	11.8	1.4	6.4	5.5	5.5	5.3	5.1	5.1	-10.6	-8.9	25.1	21.0
Services	9.6	16.3	13.2	14.9	10.5	12.4	13.9	13.5	12.7	11.9	32.4	40.0	51.0	52.0
Business fixed invest.	-4.8	-4.4	-1.9	6.6	6.7	6.7	6.6	6.3	6.9	6.6	3.2	-38.9	18.1	26.4
Producers' dur. equip.	5.8	-1.5	1.4	7.8	8.2	7.8	7.5	6.7	6.3	6.0	11.3	-13.9	25.1	26.5
Nonres. structures	-10.5	-3.0	-3.2	-1.2	-1.5	-1.1	-.8	-.4	.5	.6	-8.2	-25.0	-7.0	-.1
Res. structures	4.5	5.2	6.8	2.3	1.5	2.7	3.9	4.4	4.9	5.2	-24.6	-1.6	13.4	18.4
Change in bus. invent.	30.5	7.5	-33.7	6.4	13.9	8.5	5.4	4.2	2.3	2.0	-61.2	38.8	-4.9	13.9
Nonfarm	28.0	12.0	-35.2	5.8	13.4	8.5	5.4	4.2	2.3	2.0	-63.8	34.9	-7.5	13.9
Farm	2.5	-4.5	1.5	.6	.5	.0	.0	.0	.0	.0	2.6	3.9	2.6	.0
Net exports	-18.8	9.8	3.5	-7.6	-3.1	-2.3	-2.6	-2.0	-1.8	-1.3	38.8	9.9	-9.6	-7.7
Exports	9.5	12.8	1.4	5.7	7.5	7.5	8.0	8.1	8.6	8.7	36.7	35.5	22.1	33.3
Imports	28.3	3.0	-2.2	13.4	10.6	9.8	10.5	10.1	10.4	10.0	-2.0	25.6	31.7	41.0
Government purchases	-8.2	-12.8	6.5	1.5	-6.8	-5.2	-4.1	-2.4	-1.3	-.8	29.0	-14.6	-4.0	-8.6
Federal	-8.2	-13.8	2.1	4.0	-5.4	-5.0	-4.6	-4.2	-3.9	-3.7	8.7	-11.9	-4.3	-16.4
Defense	-6.6	-11.7	-1.1	1.9	-6.4	-6.0	-5.5	-5.1	-4.7	-4.5	2.1	-13.3	-11.6	-19.8
Nondefense	-.1	-2.1	3.2	2.1	1.0	1.0	.9	.9	.8	.8	6.6	1.4	7.3	3.4
State and local	-.1	1.1	4.4	-2.6	-1.4	-.2	.5	1.8	2.6	2.9	20.4	-2.6	.2	7.8

1. Annual changes are from Q4 to Q4.

strictly confidential (FR)
Class II FOMC

STAFF PROJECTIONS OF FEDERAL
OR ACCOUNTS AND RELATED ITEMS
(Billions of dollars except as noted)

May 14, 1992

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																
Receipts ¹	1031	1054	1081	1153	233	307	264	255	239	317	271	262	253	348	290	271
Outlays ¹	1252	1324	1423	1526	299	333	356	338	353	358	374	391	378	381	377	394
Surplus/deficit ¹	-220	-269	-342	-373	-66	-26	-91	-83	-114	-42	-104	-129	-125	-32	-87	-123
On-budget	-277	-322	-397	-431	-81	-50	-94	-97	-121	-73	-106	-138	-133	-66	-93	-134
Off-budget	57	52	55	58	15	24	3	14	7	31	3	10	8	34	6	11
Surplus excluding deposit insurance ²	-162	-203	-303	-297	-63	-12	-55	-88	-103	-32	-79	-106	-108	-13	-70	-107
Means of financing																
Borrowing	263	293	324	390	56	43	95	89	83	56	96	138	114	55	83	116
Cash decrease	1	-1	17	-16	0	-12	2	-7	29	-9	4	-6	10	-20	0	10
Other ³	-44	-23	1	-1	9	-6	-6	1	2	-6	3	-3	1	-2	4	-3
Cash operating balance, end of period	40	41	24	40	32	44	41	49	20	29	24	30	20	40	40	30
NIPA FEDERAL SECTOR																
Receipts	1093	1116	1153	1232	1115	1114	1125	1126	1152	1157	1176	1197	1228	1245	1259	1277
Expenditures	1245	1305	1418	1488	1262	1321	1335	1369	1422	1441	1439	1458	1490	1501	1503	1520
Purchases	417	446	442	442	452	452	445	432	442	449	445	441	445	442	439	436
Defense	309	326	314	303	332	328	322	311	315	318	312	307	306	301	297	292
Nondefense	109	120	128	139	119	124	123	121	127	131	133	135	139	141	142	144
Other expenditures	828	860	976	1046	810	869	890	937	980	992	994	1016	1045	1059	1064	1084
Surplus/deficit	-153	-189	-265	-255	-146	-207	-210	-243	-270	-284	-264	-261	-262	-255	-244	-244
FISCAL INDICATORS⁴																
High-employment (HEB) surplus/deficit	-177	-158	-211	-211	-114	-167	-168	-191	-216	-226	-210	-211	-215	-213	-205	-209
Change in HEB, percent of potential GDP	.4	-.4	.9	0	-1.3	.9	0	.4	.4	.2	-.3	0	.1	0	-.1	.1
Fiscal impetus (FI), percent, cal. year	-3.3	-4	-4.2	-4.7	-2.6	.5	-1.8	-2.4	-1.5	.9	-1.3	-1.1	-2	-1	-1	-.9

1. OMB's February deficit estimates are \$400 billion in FY92 and \$350 billion in FY93. CBO's March deficit estimates are \$368 billion in FY92 and \$337 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. OMB's February deficit estimates, excluding deposit insurance spending, are \$320 billion in FY92 and \$274 billion in FY93. CBO's March deficit estimates, excluding deposit insurance spending, are \$302 billion in FY92 and \$267 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.

--Actual.

Confidential FR Class II
May 14, 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	19.7	6.9	5.4	4.5	4.4	7.8	9.3	10.4	3.2
1983	11.7	18.9	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	12.9	9.1
1985	14.9	16.5	14.5	14.0	11.8	15.9	11.6	31.4	12.5	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	8.6	8.0
1988	9.0	8.0	9.4	11.0	12.2	7.3	8.4	7.0	8.6	7.7
1989	7.7	7.0	8.0	9.0	10.3	5.8	6.8	8.4	7.0	5.9
1990	6.5	11.0	5.1	7.4	9.3	1.8	2.8	5.2	4.1	4.1
1991	4.3	11.1	2.3	4.1	5.1	-2.0	0.1	2.8	0.7	3.3
1992	5.8	13.4	3.4	5.5	6.7	0.7	1.0	3.0	2.4	5.4
1993	6.4	11.7	4.6	6.7	7.8	4.0	2.5	2.5	4.2	5.5
Seasonally adjusted, annual rates										
1991 -- Q1	4.0	8.0	2.8	4.4	5.5	-2.6	1.1	3.0	3.5	2.3
Q2	5.0	10.6	3.2	4.7	5.8	-0.9	1.6	3.2	0.6	4.6
Q3	4.3	14.0	1.3	2.7	3.8	-3.3	-0.5	2.3	-1.4	4.1
Q4	3.7	10.3	1.6	4.4	5.1	-1.4	-1.8	2.7	0.2	2.2
1992 -- Q1	5.0	11.4	2.8	4.6	6.0	-0.2	0.7	2.9	1.3	4.9
Q2	5.1	11.4	3.0	5.0	6.4	-0.2	0.6	3.1	1.8	4.9
Q3	6.0	13.3	3.6	5.8	6.8	1.3	1.0	3.2	2.3	6.0
Q4	6.8	15.2	3.9	6.1	7.0	2.0	1.5	2.6	4.0	5.9
1993 -- Q1	6.8	13.9	4.3	6.3	7.4	2.9	2.2	2.5	4.2	6.0
Q2	5.8	9.8	4.4	6.6	7.6	3.6	2.1	2.6	3.9	5.5
Q3	6.1	10.2	4.6	6.6	7.6	4.3	2.7	2.4	4.5	5.3
Q4	6.4	10.9	4.7	6.7	7.6	5.0	2.7	2.5	4.0	5.2

I-28

1. Published data through 1991 Q4.

2. Deposit insurance activity raises total debt growth .4, .5, and .5 percentage points in 1991, 1992, and 1993 respectively; the corresponding figures for federal debt growth are 1.6, 1.9, and 1.6 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.

Confident FR Class II
May 14,

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

	1988	1989	1990	1991	1992	1993	-----1991-----		-----1992-----			
							Q3	Q4	Q1	Q2	Q3	Q4
Net funds raised by domestic nonfinancial sectors:												
1 Total	637.7	590.6	581.5	483.4	692.9	778.9	493.1	468.1	604.6	617.6	730.0	819.4
2 Net equity issuance	-129.5	-124.2	-63.0	17.5	36.3	12.5	17.0	54.0	48.2	37.0	35.0	25.0
3 Net debt issuance	767.2	714.7	644.5	465.9	656.6	766.4	476.1	414.1	556.4	580.6	695.0	794.4
Borrowing sectors:												
Nonfinancial business												
4 Financing gap ²	11.9	53.5	61.2	28.2	2.3	37.3	46.3	44.8	-5.1	-7.9	6.7	15.4
5 Net equity issuance	-129.5	-124.2	-63.0	17.5	36.3	12.5	17.0	54.0	48.2	37.0	35.0	25.0
6 Credit market borrowing	247.4	217.9	97.3	3.1	33.6	87.4	-17.9	-64.4	25.9	20.2	35.6	52.7
Households												
7 Net borrowing, of which:	315.8	287.3	257.8	160.3	223.4	287.5	108.3	176.1	187.6	206.8	241.0	258.1
8 Home mortgages	230.4	219.2	218.7	139.5	191.5	236.7	105.6	143.1	170.8	186.5	198.7	210.1
9 Consumer credit	50.3	43.1	14.2	-16.5	5.7	32.0	-26.3	-11.3	-1.5	-1.5	10.0	16.0
10 Debt/DPI (percent) ³	85.5	88.3	91.2	94.3	94.1	94.1	94.8	95.0	94.7	94.4	94.6	94.5
State and local governments												
11 Net borrowing	48.9	63.2	42.6	24.4	26.4	23.1	20.2	23.8	25.8	27.7	28.5	23.4
12 Current surplus ⁴	-26.6	-31.0	-40.2	-27.3	-7.4	0.9	-23.2	-19.7	-18.2	-8.1	-0.6	-2.6
U.S. government												
13 Net borrowing	155.1	146.4	246.9	278.1	373.3	368.4	365.5	278.7	317.1	325.9	389.9	460.2
14 Net borrowing; quarterly, nsa	155.1	146.4	246.9	278.1	373.3	368.4	95.3	89.0	82.5	56.4	95.8	137.5
15 Unified deficit; quarterly, nsa	141.9	155.0	236.1	265.5	387.6	367.4	91.3	82.9	113.8	41.6	103.6	128.7
Funds supplied by depository institutions												
16	275.0	86.1	-32.2	-64.6	31.8	107.2	-128.2	43.1	-53.5	106.8	57.0	16.9
Memoranda: As percent of GDP:												
17 Dom. nonfinancial debt ³	180.9	183.3	188.1	193.8	195.0	195.9	194.9	195.6	195.7	195.8	195.9	196.4
18 Dom. nonfinancial borrowing	15.7	13.6	11.7	8.2	11.1	12.2	8.3	7.2	9.6	9.9	11.6	13.1
19 U.S. government ⁵	3.2	2.8	4.5	4.9	6.3	5.9	6.4	4.9	5.5	5.5	6.5	7.6
20 Private	12.5	10.8	7.2	3.3	4.8	6.4	1.9	2.4	4.1	4.3	5.1	5.5

1. Published data through 1991 Q4.

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.

effects of the net depreciation of the dollar over the past year diminish..

We project the quantity of nonagricultural exports to grow about 6 percent this year (fourth-quarter to fourth-quarter) and 7 percent in 1993. The key factors underlying this export projection are the expected increase in income growth in major U.S. export markets on average, continued rapid growth in trade in computers in real terms, and some residual stimulus from the past depreciation of the dollar.

TRADE QUANTITIES*

(Percent change from preceding period shown, except as noted, A.R.)

	1990:Q4	Projection -----				1993 Q4
		to 1991:Q4	Q1	Q2	Q3	
Nonag. exports	8.8	0.3	7.7	7.3	7.4	7.2
Agric. exports	11.3	21.4	-19.1	-0.1	-3.2	0.6
Non-oil imports	5.1	-2.8	6.6	8.6	8.5	7.3
Oil imports	6.5	-0.9	57.5	9.6	0.4	9.6

* GDP basis, 1987 dollars.

Agricultural exports are expected to decline in the second quarter from the high level reached in the first quarter this year when shipments to the former Soviet republics surged. We assume that agricultural exports will be about flat over the forecast period, partly because prospects for output in the former Soviet Union have improved.

We project the quantity of non-oil imports excluding computers to grow more than 4 percent this year and more than 6 percent in 1993 as U.S. domestic demand recovers. Continued rapid growth of trade in computers should add another percentage point to the growth rates of total real non-oil imports. (Net exports of computers, however, are projected to remain about unchanged through the forecast period.)

are expected to remain in the neighborhood of 2-1/2 percent at an annual rate over the forecast period.

SELECTED PRICE INDICATORS
(Percent change from preceding period shown, except as noted, A.R.)

	1990:Q4 ----- Projection -----				1993 Q4	
	to 1991:Q4	1992				
		Q1	Q2	Q3		
PPI (exp. wts.)	-0.8	-0.2	3.2	2.0	1.9	
Nonag. exports	-0.4	-0.7	2.6	1.3	1.2	
Non-oil imports	0.2	2.5	2.4	2.6	2.5	
Oil imports (\$/bl)	18.04	15.46	17.66	18.13	18.00	
					18.00	

Nominal Trade and Current Account Balances. The merchandise trade deficit is estimated to have narrowed from an annual rate of about \$75 billion in the fourth quarter (and for the year 1991) to less than \$65 billion in the first quarter. We project the deficit to widen steadily to about \$100 billion by the end of 1993. The current account deficit is projected to widen from about \$30 billion in the first quarter to \$60 billion by the end of 1993. The nontrade portions of the current account should continue to improve moderately on balance, as U.S. net sales of a wide range of services expand further.

May 13, 1992

STRICTLY CONFIDENTIAL - FR
CLASS II FOMC

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
REAL GNP					

Canada	2.1	-1.1	-0.2	2.1	3.4
France	4.0	1.6	1.8	2.1	2.6
Western Germany	3.3	5.3	0.9	2.4	2.6
Italy	2.8	1.6	1.5	1.8	2.3
Japan	4.9	4.7	3.2	1.6	2.9
United Kingdom	1.6	-0.7	-1.7	1.9	2.6
Average, weighted by 1987-89 GNP	3.5	2.6	1.4	1.9	2.7
Average, weighted by share of U.S. nonagricultural exports					
Total foreign	3.6	2.0	1.7	2.9	3.7
G-6	2.9	1.0	0.6	2.0	3.0
Developing countries	5.2	4.9	5.3	5.6	6.1
CONSUMER PRICES					

Canada	5.2	4.9	4.1	3.0	2.6
France	3.6	3.6	2.9	2.8	2.8
Western Germany	3.0	3.0	3.9	3.3	3.4
Italy	6.6	6.3	6.1	4.7	4.8
Japan	2.9	3.2	3.2	2.3	1.9
United Kingdom	7.6	10.0	4.2	3.6	3.0
Average, weighted by 1987-89 GNP	4.4	4.8	3.9	3.1	2.9
Average, weighted by share of U.S. non-oil imports					

	4.2	4.4	3.8	2.9	2.5

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
GDP Net Exports of Goods and Services (87\$)	-81.2	-71.9	-79.8	-70.0	-56.0	-52.5	-65.7	-31.2	-18.6	-12.3	-104.0	-75.7	-51.3
Exports of G+S Merchandise Services	451.2	469.5	470.5	485.8	496.2	502.1	501.6	522.5	512.5	535.7	421.6	469.2	505.6
Imports of G+S Merchandise	330.3	347.0	343.1	354.8	364.9	368.0	365.1	379.4	379.9	395.8	307.4	343.8	369.3
Oil	120.9	122.5	127.4	131.0	131.3	134.1	136.5	143.1	132.6	139.9	114.2	125.4	136.2
Non-oil Services	532.4	541.3	550.3	555.7	552.2	554.5	567.4	553.7	531.1	548.0	525.7	544.9	556.9
Imports of G+S Merchandise	439.9	447.5	455.4	458.9	455.9	457.2	467.9	453.0	435.9	451.2	431.3	450.4	458.5
Oil	49.2	51.0	53.7	51.7	55.2	53.0	54.7	43.1	44.8	51.4	47.5	51.4	51.5
Non-oil Services	390.6	396.5	401.8	407.2	400.8	404.2	413.1	409.9	391.0	399.8	383.8	399.0	407.0
GDP Net Exports of Goods and Services (87\$)	92.5	93.8	94.9	96.8	96.3	97.4	99.5	100.7	95.3	96.8	94.3	94.5	98.5
Memo:(Percent changes 1/)													
Exports of G+S of which: Goods	12.4	17.2	0.9	13.7	8.8	4.8	-0.4	17.7	-7.4	19.4	13.5	10.9	7.6
Imports of G+S of which: Non-oil Goods	10.7	21.8	-4.4	14.4	11.9	3.4	-3.1	16.6	0.5	17.8	15.8	10.2	6.9
Current Account Balance	-6.1	6.9	6.8	4.0	-2.5	1.7	9.6	-9.3	-15.4	13.3	3.6	2.7	-0.4
Merchandise Trade, net	-4.0	6.2	5.5	5.5	-6.1	3.4	9.1	-3.1	-17.2	9.3	3.3	3.2	0.7
Exports Agricultural Nonagricultural	348.8	366.4	360.6	370.0	381.0	388.4	386.6	402.3	402.2	415.6	320.3	361.5	389.5
Imports Oil	42.9	43.1	40.6	42.2	43.0	40.8	39.3	37.8	39.3	37.7	38.2	42.2	40.2
Non-oil	306.0	323.3	320.0	327.8	338.0	347.5	347.3	364.5	362.9	377.8	282.1	319.3	349.3
Other Current Account	466.5	481.2	477.3	484.4	491.1	484.7	501.6	513.2	476.3	477.7	447.3	477.4	497.7
Invest. Income, net	44.2	54.2	52.2	53.1	63.2	51.3	61.8	72.1	52.9	51.7	39.6	50.9	62.1
Direct, net	42.4	36.1	41.2	50.2	51.9	43.6	53.5	61.7	61.4	52.3	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	-5.9	-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	37.7	41.8	16.1	28.6	33.6
Transfers, net	-14.2	-12.4	-15.2	-20.2	-16.1	-18.8	-17.3	-37.1	67.7	28.4	-14.9	-15.5	-22.3

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

Strictly Confidential (FR) Class II-FOMC

May 13, 1992 1:36

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				
GDP Net Exports of Goods and Services (87\$)	-31.1	-21.3	-17.8	-25.5	-28.7	-31.0	-33.6	-35.6	-37.4	-38.7	-20.8	-25.8	-36.3				
Exports of G+S Merchandise Services	545.2	558.0	559.4	565.1	572.6	580.1	588.0	596.1	604.7	613.4	537.9	569.3	600.6				
	400.3	413.7	415.8	420.7	427.5	434.2	441.2	448.2	455.6	462.9	397.4	424.5	452.0				
	144.8	144.3	143.6	144.4	145.1	145.9	146.9	147.9	149.1	150.5	140.4	144.7	148.6				
Imports of G+S Merchandise	576.3	579.3	577.1	590.5	601.1	611.0	621.5	631.6	642.0	652.0	558.7	594.9	636.8				
	475.7	476.6	473.5	485.9	496.2	505.3	515.2	524.6	534.3	543.2	459.8	490.2	529.3				
	51.9	45.9	45.8	51.3	52.5	52.6	53.6	55.1	56.9	57.6	48.5	50.5	55.8				
	423.8	430.7	427.7	434.6	443.7	452.8	461.6	469.5	477.3	485.6	411.3	439.7	473.5				
	100.6	102.8	103.6	104.6	105.0	105.7	106.3	107.0	107.7	108.8	98.9	104.7	107.5				
Memo: (Percent changes 1/)																	
Exports of G+S of which: Goods	7.3	9.7	1.0	4.1	5.4	5.3	5.6	5.6	5.9	5.9	6.8	4.0	5.7				
	4.6	14.1	2.0	4.8	6.6	6.4	6.6	6.5	6.8	6.5	9.0	4.9	6.6				
Imports of G+S of which: Non-oil Goods	22.3	2.1	-1.5	9.6	7.4	6.7	7.1	6.7	6.7	6.4	4.6	5.5	6.7				
	26.3	6.7	-2.8	6.6	8.6	8.5	8.0	7.0	6.9	7.1	5.1	5.1	7.3				
Current Account Balance	-46.5	-41.1	-30.9	-42.6	-48.6	-54.0	-52.2	-54.4	-54.9	-60.0	-8.6	-44.0	-55.4				
Merchandise Trade, net	-83.4	-74.6	-63.2	-77.8	-83.8	-87.3	-90.9	-94.1	-97.0	-99.8	-73.6	-78.0	-95.4				
Exports	416.1	432.2	433.4	441.0	449.4	457.6	466.5	475.3	484.7	493.5	416.5	445.3	480.0				
Agricultural	40.2	43.3	44.2	42.5	42.9	42.9	43.9	44.5	45.5	45.8	40.1	43.1	44.9				
Nonagricultural	375.9	389.0	389.2	398.5	406.5	414.6	422.6	430.8	439.2	447.7	376.4	402.2	435.1				
Imports	499.5	506.9	496.6	518.7	533.3	544.8	557.4	569.4	581.7	593.3	490.1	523.4	575.4				
Oil	52.4	48.8	41.5	53.8	56.4	56.1	57.2	58.8	60.7	61.4	51.4	51.9	59.6				
Non-oil	447.1	458.0	455.1	465.0	476.8	488.7	500.2	510.6	521.0	531.8	438.7	471.4	515.9				
Other Current Account	29.5	32.6	24.0	26.0	24.3	23.6	27.1	28.6	30.2	29.7	55.6	24.5	28.9				
Invest. Income, net	7.5	0.9	8.3	9.2	11.0	9.7	11.5	11.1	11.9	10.1	9.4	9.6	11.1				
Direct, net	48.2	43.7	46.2	46.7	46.9	46.8	47.2	47.7	47.9	47.9	51.4	46.6	47.7				
Portfolio, net	-40.8	-42.7	-37.8	-37.5	-35.9	-37.1	-35.7	-36.6	-36.0	-37.7	-42.0	-37.1	-36.5				
Military, net	-3.5	-2.3	-2.3	-2.4	-1.7	-1.4	-1.2	-1.2	-1.2	-1.2	-5.3	-1.9	-1.2				
Other Services, net	44.5	40.7	42.5	43.2	44.0	45.0	46.3	47.8	49.4	50.9	41.2	43.7	48.6				
Transfers, net	-11.5	-5.7	-16.2	-14.8	-18.0	-20.0	-18.0	-18.0	-18.0	-20.0	19.7	-17.2	-18.5				

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

May 13, 1992

RECENT DEVELOPMENTS

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

orders and motor vehicle production schedules bode well for further gains in the near term.

Motor vehicle assemblies rose from a 9.1 million unit annual rate in March to a 9.8 million unit pace in April, contributing 0.2 percentage point to the growth rate for total IP. Schedules call for increases in output of both autos and trucks in May. While another rise in auto assemblies seems plausible, the planned increase in total truck production is less certain: Inventories of light trucks stood at a relatively high 84-days' supply at the end of April.

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

	1991	1992	1992			
	Q4	Q1	Mar.	Apr.	May	June
U.S. production	9.6	8.8	9.1	9.8	10.3	10.1
Autos	5.7	5.2	5.2	5.9	6.1	6.1
Trucks	3.9	3.6	3.9	3.9	4.2	3.9

Outside of motor vehicles, increases in April appear likely in industries such as fabricated metals and rubber and plastic products, in which higher output may be related to the rise in motor vehicle production. Elsewhere, the limited available physical product data were mixed: Output of paper and paperboard, as well as petroleum refining, strengthened somewhat, but electricity generation was little changed, and production of home appliances and steel dipped. The return of striking workers at Caterpillar in the latter half of April had virtually no effect on last month's data.

Taking a somewhat longer perspective, the gains in total industrial production since its recent low in January have been moderate, on balance, and have retraced only part of the drop over the preceding three months. Much of the rebound has been attributable to increased production of motor vehicles and parts and to the return of utilities output to more normal levels after a

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

	1992				
	Q1	Q2 ^p	Apr. ^p	May ^p	June ^p
<u>Treasury financing</u>					
Total surplus/deficit (-)	-113.8	-41.6	20.5	-56.1	-6.0
Means of financing deficit:					
Net cash borrowing from the public	82.5	56.4	5.3	30.9	20.2
Marketable borrowings/ repayments (-)	80.7	51.2	1.9	30.6	18.6
Bills	25.4	1.1	-17.4	21.2	-2.6
Coupons	55.2	50.0	19.3	9.4	21.2
Nonmarketable	1.9	5.3	3.4	.3	1.6
Decrease in the cash balance	28.9	-8.8	-21.3	26.5	-14.0
Memo: Cash balance at end of period	19.8	28.7	41.1	14.6	28.7
²					
Other	2.3	-6.0	-4.6	-1.2	-.2
<u>Federally sponsored credit agencies, net cash borrowing³</u>					
FHLBs	-1.0	--	--	--	--
FHLMC	-5.1	--	--	--	--
FNMA	7.4	--	--	--	--
Farm Credit Banks	.5	--	--	--	--
SLMA	.9	--	--	--	--

-
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.

CONFIDENTIAL (FR)
CLASS III - FOMC

May 15, 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

May 15, 1992

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

	1991 Sep	1991 Oct	1991 Nov	1991 Dec	1992 Jan	1992 Feb	1992 Mar	1992 Apr	1992 May (p)
Indexes of consumer sentiment (Feb. 1966=100)									
Composite of current and expected conditions	83.0	78.3	69.1	68.2	67.5	68.8	76.0	77.2	79.7
Current conditions	93.2	90.4	80.3	78.7	80.5	79.7	84.9	87.7	91.0
Expected conditions	76.4	70.5	61.9	61.5	59.1	61.8	70.3	70.5	72.5
<hr/>									
Personal financial situation									
Now compared with 12 months ago*	104	101	88	88	90	91	93	97	96
Expected in 12 months*	122	125	119	115	119	123	113	129	123
<hr/>									
Expected business conditions									
Next 12 months*	99	87	66	67	53	60	90	87	92
Next 5 years*	86	70	61	64	63	63	77	66	75
<hr/>									
Appraisal of buying conditions									
Cars	123	123	124	113	123	126	125	131	144
Large household appliances*	137	133	119	114	117	114	126	130	139
Houses	152	146	143	141	155	163	153	162	165
<hr/>									
Willingness to use credit	43	31	33	36	37	39	39	31	47
Willingness to use savings	64	50	52	50	46	47	53	54	62
<hr/>									
Average expected increase in prices during the next 12 months	3.7	4.7	4.6	4.0	3.5	3.5	3.3	3.7	3.1
<hr/>									
Average expected increase in prices (per year) over the next 5 to 10 years	4.7	5.1	5.3	4.8	5.4	4.5	4.6	4.9	5.2

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

(p) -- Preliminary

(f) -- Final

Note: Figures on financial, business, and buying conditions are the percent reporting 'good times' (or 'better') minus the percent reporting 'bad times' (or 'worse'), plus 100. Asterisk (*) indicates the question is one of the five equally-weighted components of the index of sentiment.

THE INTERNATIONAL ECONOMY

Developments in Foreign Industrial Countries

In Japan, the unemployment rate (s.a.) increased slightly to 2.1 percent in March, while the job offers to applicants ratio (s.a.) declined an additional 0.1 percent, falling 15.6 percent below its year-earlier level.

Errata

The following are corrections to some of the calculations made in section IV of Greenbook Part 2:

Page IV-12, first paragraph, last sentence should read "However, the Nikkei index recovered from its earlier losses and declined 3-1/2 percent, on balance, during the intermeeting period."

Page IV-12, second complete paragraph, first sentence should read "In Canada, from March 31, 1992, through May 13, 1992, the call money rate declined 50 basis points, the three-month rate declined 75 basis points, and the yield on the bellwether bond declined 25 basis points."

Page IV-13, first paragraph, last sentence should read "During the intermeeting period sterling rose 4-3/4 percent against the dollar and 3 percent against the mark, stock prices in the United Kingdom rose 12 percent, and the yield on the bellwether bond declined 80 basis points."

Page IV-18, third full paragraph, first and second sentences should be replaced with "Equity prices dropped sharply during April, but later rebounded, and declined, on balance, by 3-1/2 percent from March 31 through May 13."