

Strictly Confidential (FR) Class II FOMC

June 26, 1991

SUMMARY AND OUTLOOK

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

quarters and the anticipated return to more normal profit levels in the second quarter. Gross domestic product (GDP) excludes such transactions and is a measure of the pace of domestic activity; our forecast shows GDP rising about 1-1/2 percent in the current quarter--up from a forecast of no change in the May Greenbook.

PROJECTIONS OF NEAR-TERM OUTPUT
(Percent change from preceding quarter; annual rate)

	<u>1990</u>		<u>1991</u>		
	Q4	Q1*	Q2	Q3	
Real GNP <i>(May Greenbook)</i>	-1.6	-2.8	.2	4.8	
	-1.6	-2.8	-.2	4.1	
Real GDP <i>(May Greenbook)</i>	-2.1	-3.0	1.6	4.7	
	-2.1	-2.9	0	4.1	

*The first-quarter figures on this and subsequent text tables incorporate the final NIPA estimates released today.

Recent labor market indicators point to a turnaround in the economy. In May, aggregate hours worked rebounded nearly 1 percent, reflecting both a small increase in private employment--the first in nearly a year--and a lengthening in the average workweek. Moreover, after smoothing through the gyrations in the latest monthly figures, the unemployment rate has been essentially flat since March. Data on unemployment insurance and other information suggest a continuation of the firmer labor market conditions in June.

As in the May Greenbook, the pickup in motor vehicle production from its first-quarter low is expected to have added about 1 percentage point to second-quarter real GNP growth. In the terms of GNP expenditure categories, some of the additional output is reflected in increased purchases of cars

PROJECTIONS OF REAL GNP AND FINAL SALES
(Percent change from end of preceding comparable period; annual rate)

	1991				1992	
	Q1	Q2	Q3	Q4	H1	H2
Real GNP	-2.8	.2	4.8	4.1	3.0	2.5
Final sales	-2.9	.9	2.7	1.7	2.2	2.6

In the motor vehicles sector, where stocks of new cars have dropped to their lowest levels in many years, automakers have scheduled a hefty increase in assemblies in the third quarter. Although experience suggests that discounting these plans somewhat is prudent, we still expect output of motor vehicles to rise enough to add 1-1/2 percentage points to real GNP growth in the third quarter. We have also built in a marked slowing in the run-off of nonauto inventories, and this contributes another 1-1/2 percentage points to real growth in the third quarter.

Real GNP growth is expected remain at 4 percent in the fourth quarter but to taper off thereafter, averaging about 2-3/4 percent for 1992 as a whole. This upturn would be rather subdued by historical standards, but its dynamics would be similar in many respects to those of other postwar expansions. Inventory liquidation ceases and is followed by a resumption of stock building; this process generates jobs and income that should support growth in household spending. Lower interest rates and continued income gains stimulate housing demand and homebuilding. Business investment strengthens in response to improving sales trends.

The forecast continues to anticipate an appreciable slowing in wage and price inflation over the next year and a half. Rising productivity should

account for a good part of the increased output in the near term, and the unemployment rate is likely to fall only to the vicinity of 6-1/2 percent by the end of 1991. With real output growing only somewhat faster than its longer-run potential in 1992, the jobless rate should remain above 6-1/4 percent. As a result of this slack and further reductions in inflation expectations, increases in hourly compensation are expected to slow steadily. Consumer price inflation is anticipated to hover around 4 percent in the second half of 1991 and to slow over the course of 1992, to about 3-1/2 percent in the second half.

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

	1991				1992	
	Q1	Q2	Q3	Q4	H1	H2
Consumer price index	3.6	2.2	4.0	3.8	3.9	3.5
CPI ex. food and energy	6.8	3.2	4.1	4.1	4.0	3.5
ECI hourly compensation	4.6	4.2	3.9	3.8	3.7	3.6
Civilian unemployment rate (percent)	6.5	6.8	6.8	6.6	6.4*	6.3*

*Final quarter of period.

Consumer spending and income. Real consumer expenditures are expected to rise less than 2-1/2 percent at an annual rate in the second half of 1991 and to pick up only a little next year. The projection of a mild increase in consumption largely reflects our assumption that growth in real disposable income will be quite moderate. The saving rate has fallen since mid-1990, and, even if it were to be revised upward at some point--as has happened frequently in the past--it probably would still be low by

fourth quarter of 1990 and the first quarter of 1991, measured in 1987 prices. The implications for the seven quarters of the forecast, however, appear to be small because growth is expected to be relatively well-balanced across sectors. Thus, although revisions could complicate the picture, the rebasing of the data should not itself significantly distort comparisons of the Committee's July Humphrey-Hawkins projections with the actual outcome to be discussed next February.

Details of the staff projection are shown on the green sheets, pages I-15 to I-21. The 1991:Q1 figures shown on these tables do not incorporate the revised NIPA data released today. To assist the Committee's Humphrey-Hawkins discussions, the table below shows four-quarter projections that incorporate today's NIPA data. For the most part, the effects of the revisions are microscopic and disappear in rounding.

GNP AND RELATED ITEMS
(Percent change; fourth quarter to fourth quarter)

	1991	1992
Nominal GNP	5.3	6.1
Real GNP (1982 dollars)	1.5	2.8
Real GNP (1987 dollars)	1.6	2.7
Implicit deflator (1982 dollars)	3.7	3.2
Fixed weight GNP price index (1982 dollars)	3.9	3.5

June 26, 1991

CONFIDENTIAL - FR
CLASS II FOMC

STAFF GNP PROJECTIONS

Percent changes, annual rate

	Nominal GNP	Real GNP	GNP fixed-weight price index		Consumer price Index <1>		Unemployment rate (percent)			
	5/8/91	6/26/91	5/8/91	6/26/91	5/8/91	6/26/91	5/8/91	6/26/91	5/8/91	6/26/91
Annual changes:										
1988	<2> 7.9	7.9	4.5	4.5	4.2	4.2	4.1	4.1	5.5	5.5
1989	<2> 6.7	6.7	2.5	2.5	4.5	4.5	4.8	4.8	5.3	5.3
1990	<2> 5.1	5.1	1.0	1.0	4.6	4.6	5.4	5.4	5.5	5.5
1991	3.7	3.9	-.1	.1	4.2	4.2	4.5	4.4	6.7	6.7
1992	6.4	6.6	3.2	3.2	3.4	3.6	3.5	3.7	6.3	6.4
Quarterly changes:										
1989 Q1	<2> 7.5	7.5	3.6	3.6	4.9	4.9	5.1	5.1	5.2	5.2
Q2	<2> 5.8	5.8	1.6	1.6	4.6	4.6	6.0	6.0	5.3	5.3
Q3	<2> 5.1	5.1	1.7	1.7	3.1	3.1	3.3	3.3	5.3	5.3
Q4	<2> 3.9	3.9	.3	.3	3.8	3.8	3.9	3.9	5.3	5.3
'90 Q1	<2> 6.7	6.7	1.7	1.7	6.6	6.6	7.5	7.5	5.3	5.3
Q2	<2> 5.1	5.1	.4	.4	3.9	3.9	3.8	3.8	5.3	5.3
Q3	<2> 5.3	5.3	1.4	1.4	4.2	4.2	7.0	7.0	5.6	5.6
Q4	<2> .9	.9	-1.6	-1.6	4.7	4.7	6.9	6.9	5.9	5.9
1991 Q1	<2> 2.6	2.5	-2.8	-2.6	5.1	5.1	3.6	3.6	6.5	6.5
Q2	3.0	3.3	-.2	.2	3.1	3.1	2.7	2.2	6.8	6.8
Q3	7.5	8.1	4.1	4.8	3.5	3.6	4.0	4.0	6.8	6.8
Q4	7.4	7.6	4.0	4.1	3.5	3.5	3.6	3.8	6.6	6.6
1992 Q1	7.2	7.3	3.5	3.3	4.0	4.1	3.8	4.1	6.4	6.5
Q2	6.0	6.0	3.1	2.7	3.3	3.5	3.5	3.6	6.3	6.4
Q3	5.4	5.6	2.8	2.6	3.0	3.3	3.1	3.5	6.3	6.4
Q4	5.1	5.5	2.6	2.5	2.9	3.3	3.1	3.5	6.2	6.3
Two-quarter changes: <3>										
1989 Q2	<2> 6.7	6.7	2.6	2.6	4.7	4.7	5.6	5.6	.0	.0
Q4	<2> 4.5	4.5	1.0	1.0	3.4	3.4	3.6	3.6	.0	.0
1990 Q2	<2> 5.9	5.9	1.1	1.1	5.3	5.3	5.6	5.6	.0	.0
Q4	<2> 3.1	3.1	-.1	-.1	4.4	4.4	6.9	6.9	.6	.6
1991 Q2	2.8	2.9	-1.5	-1.2	4.2	4.2	3.1	2.9	.9	.9
Q4	7.4	7.8	4.0	4.4	3.5	3.5	3.8	3.9	-.2	-.2
1992 Q2	6.6	6.6	3.3	3.0	3.6	3.8	3.7	3.8	-.3	-.2
Q4	5.3	5.6	2.7	2.5	3.0	3.3	3.1	3.5	-.1	-.1
Four-quarter changes: <4>										
1988 Q4	<2> 7.8	7.8	3.5	3.5	4.6	4.6	4.3	4.3	-.5	-.5
1989 Q4	<2> 5.6	5.6	1.8	1.8	4.0	4.0	4.6	4.6	.0	.0
1990 Q4	<2> 4.5	4.5	.5	.5	4.8	4.8	6.3	6.3	.6	.6
'91 Q4	5.1	5.3	1.2	1.6	3.8	3.9	3.5	3.4	.7	.7
'92 Q4	5.9	6.1	3.0	2.8	3.3	3.5	3.4	3.7	-.4	-.3

<1> For all urban consumers.

<2> Actual.

<3> Percent change from two quarters earlier.

<4> Percent change from four quarters earlier.

June 26, 1991

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

	Units	1984	1985	1986	1987	1988	1989	1990	1991	1992	Projection
EXPENDITURES											
Nominal GNP	Billions of \$	3772.2	4014.9	4231.6	4515.6	4873.7	5200.8	5465.1	5677.0	6052.4	
Real GNP	Billions of 1982\$	3501.4	3618.7	3717.9	3845.3	4016.9	4117.7	4157.3	4163.1	4296.0	
Real GNP	Percent change*	.5.1	3.6	1.9	5.0	3.5	1.8	.5	1.6	2.8	
Gross domestic purchases		6.4	4.3	2.1	4.2	2.6	1.1	-.5	1.5	3.0	
Final sales		4.7	4.6	2.7	3.1	4.5	1.7	1.6	1.6	2.4	
Private dom. final purchases		5.6	4.6	2.9	2.5	4.0	1.2	-.1	.7	3.5	
Personal consumption expend.		4.1	4.6	3.8	2.3	4.1	1.2	.1	1.7	2.8	
Durables		10.8	7.0	11.5	-1.2	9.3	-1.4	-1.8	.9	4.1	
Nondurables		2.3	3.3	2.9	1.3	2.4	.6	-2.4	.2	2.0	
Services		3.5	5.0	2.1	4.1	3.7	2.4	2.5	2.9	2.8	
Business fixed investment		13.8	3.7	-5.5	6.1	5.3	4.5	2.2	-3.7	5.9	
Producers' durable equipment		14.9	4.6	.4	8.2	8.2	5.4	4.6	-2.7	8.6	
Nonresidential structures		11.8	1.9	-17.7	.8	-2.7	1.7	-5.4	-7.2	-4.0	
Residential structures		6.1	5.8	11.6	-2.2	-.1	-7.1	-10.2	-.8	8.8	
Exports		5.9	-2.4	10.6	19.8	14.0	10.1	5.8	2.7	6.0	
Imports		17.4	4.5	10.0	10.4	5.5	4.5	-.5	1.9	7.6	
Government purchases		7.9	8.6	3.1	2.0	1.1	.3	3.8	-.5	-1.0	
Federal		13.0	13.3	.5	1.5	-1.6	-2.8	5.2	-.7	-4.5	
Defense		6.5	7.1	6.0	4.0	-1.8	-2.1	4.0	-2.8	-7.7	
State and local		4.4	4.9	5.2	2.3	3.1	2.6	2.7	-.3	1.6	
Change in business inventories	Billions of 1982\$	62.3	9.1	5.6	22.8	23.6	23.8	-3.6	-12.2	30.4	
Nonfarm	Billions of 1982\$	57.8	13.4	8.0	28.7	26.5	18.7	-5.1	-14.3	28.1	
Net exports	Billions of 1982\$	-84.0	-104.3	-129.7	-118.5	-75.9	-54.1	-33.8	-1.2	-10.7	
Nominal GNP	Percent change*	8.6	6.6	4.6	8.2	7.8	5.6	4.5	5.3	6.1	
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	94.5	97.5	99.5	102.2	105.5	108.4	110.3	109.2	110.9	
Unemployment rate	Percent	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.7	6.4	
Industrial production index	Percent change*	4.7	1.9	1.4	6.5	4.5	1.1	.3	.6	4.3	
Capacity utilization rate-mfg.	Percent	80.4	79.5	79.0	81.4	83.9	83.9	82.3	78.1	79.3	
Housing starts	Millions	1.77	1.74	1.81	1.62	1.49	1.38	1.19	1.01	1.15	
Auto sales	Millions	10.35	11.03	11.44	10.23	10.65	9.89	9.53	8.69	9.43	
Domestic	Millions	7.92	8.22	8.22	7.06	7.55	7.06	6.92	6.31	6.85	
Foreign	Millions	2.43	2.82	3.22	3.18	3.10	2.83	2.61	2.38	2.58	
INCOME AND SAVING											
Nominal personal income	Percent change*	8.4	6.6	5.8	8.1	7.6	6.8	5.6	4.6	6.8	
Real disposable income	Percent change*	4.3	2.7	3.3	2.7	4.3	1.7	-.4	1.2	2.8	
Personal saving rate	Percent	6.1	4.4	4.1	2.9	4.2	4.6	4.6	3.9	4.0	
Corp. profits with IVA & CCAdj	Percent change*	7.4	9.2	-5.6	17.4	8.2	-16.8	-.7	16.4	4.1	
Profit share of GNP	Percent	7.1	7.0	6.7	6.8	6.9	6.0	5.5	5.4	5.7	
Federal govt. surplus/deficit	Billions of \$	-169.6	-196.9	-206.9	-158.2	-141.7	-134.3	-166.0	-144.5	-149.7	
State and local govt. surplus		64.6	65.1	62.8	51.0	46.5	46.4	35.4	41.0	70.0	
Exc. social insurance funds		19.8	13.8	5.6	-8.3	-16.4	-19.9	-34.0	-31.5	-6.1	
PRICES AND COSTS											
GNP implicit deflator	Percent change*	3.4	2.9	2.6	3.0	4.1	3.7	4.0	3.7	3.2	
GNP fixed-weight price index		3.7	3.3	2.6	3.8	4.6	4.0	4.8	3.9	3.5	
Cons. & fixed invest. prices		3.3	3.4	2.5	4.5	4.3	4.3	5.3	3.2	3.4	
CPI		4.2	3.5	1.3	4.5	4.3	4.6	6.3	3.4	3.7	
Exc. food and energy		5.0	4.3	3.9	4.3	4.5	4.3	5.3	4.6	3.7	
ECI hourly compensation		4.9	3.9	3.2	3.3	4.8	4.8	4.6	4.1	3.7	
Nonfarm business sector		1.5	1.6	1.3	2.3	1.8	-1.6	-.3	2.6	1.6	
Output per hour		4.1	4.6	4.9	3.7	4.2	2.2	4.4	4.2	3.8	
Compensation per hour		2.6	3.0	3.6	1.4	2.3	3.9	4.7	1.5	2.2	
Unit labor costs											

* Percent changes are from fourth quarter to fourth quarter.

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

June 26, 1991

	Units	1988				1989				1990	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GNP	Billions of \$	4735.8	4831.4	4917.9	5009.6	5101.3	5174.0	5238.6	5289.3	5375.4	5443.3
Real GNP	Billions of 82\$	3970.2	4005.8	4032.1	4059.3	4095.7	4112.2	4129.7	4133.2	4150.6	4155.1
Real GNP	Percent Change	5.1	3.6	2.7	2.7	3.6	1.6	1.7	.3	1.7	.4
Gross domestic purchases		1.6	3.0	3.2	2.4	1.2	1.8	2.8	-1.2	.5	1.3
Final sales		7.1	5.1	1.1	4.6	2.4	1.7	1.8	.9	3.8	.7
Private dom. final purchases		6.7	4.8	3.0	1.7	.8	1.4	4.1	-1.5	2.4	-1.2
Personal consumption expend.		6.9	2.7	3.5	3.5	-.3	1.3	4.6	-.8	1.1	.2
Durables		21.8	3.7	-1.1	14.1	-6.0	5.6	9.6	-13.0	14.4	-9.5
Nondurables		2.6	2.0	4.1	1.2	.6	-1.7	3.9	-.2	-3.2	-1.9
Services		5.6	2.9	4.5	1.9	.9	2.1	3.5	3.1	.1	5.1
Business fixed investment		11.4	15.7	1.6	-6.3	8.9	6.9	6.3	-3.8	5.0	-4.7
Producers' durable equipment		20.3	17.9	2.2	-5.5	9.5	12.2	6.1	-5.2	5.7	-3.3
Nonresidential structures		-10.5	9.9	-.3	-8.7	7.5	-8.2	7.1	1.3	2.3	-9.0
Residential structures		-6.8	6.8	.4	-.4	-3.6	-11.3	-7.6	-5.5	15.1	-11.2
Exports		31.7	4.4	5.4	16.7	15.8	12.4	-.5	13.5	11.2	-5.0
Imports		.5	.3	9.2	12.4	-2.3	12.8	6.4	1.7	2.5	.7
Government purchases		-9.2	3.3	-3.8	15.7	-3.3	4.0	-2.4	3.0	2.9	6.2
Federal		-24.1	3.5	-10.4	33.6	-9.1	7.0	-7.9	-.4	.4	16.4
Defense		-5.6	-1.4	-5.0	4.9	-10.9	3.2	7.2	-7.0	-1.7	3.3
State and local		3.9	3.2	1.2	4.3	1.3	1.8	1.8	5.6	4.8	-.6
Change in business inventories	Billions of 82\$	31.0	16.9	32.6	14.0	26.1	25.5	24.6	18.9	-2.2	9.5
Nonfarm	Billions of 82\$	28.8	19.2	31.0	27.2	16.4	21.5	21.7	15.3	-8.2	11.6
Net exports	Billions of 82\$	-77.3	-72.2	-78.5	-75.7	-51.1	-53.3	-64.1	-47.9	-35.4	-44.6
Nominal GNP	Percent change	7.8	8.3	7.4	7.7	7.5	5.8	5.1	3.9	6.7	5.1
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	104.3	105.1	105.9	106.8	107.6	108.1	108.5	109.0	109.7	110.2
Unemployment rate	Percent*	5.7	5.5	5.5	5.3	5.2	5.3	5.3	5.3	5.3	5.3
Industrial production index	Percent change	5.0	4.2	5.9	2.8	2.7	2.8	-1.2	.2	.6	4.2
Capacity utilization rate-mfg.	Percent*	83.1	83.6	84.3	84.6	84.7	84.5	83.7	82.9	82.7	82.8
Housing starts	Millions	1.43	1.49	1.48	1.55	1.46	1.36	1.35	1.35	1.43	1.20
Auto sales	Millions	10.91	10.67	10.15	10.88	10.03	10.26	10.20	9.09	10.01	9.53
Domestic	Millions	7.60	7.50	7.20	7.89	7.08	7.26	7.36	6.56	7.11	6.78
Foreign	Millions	3.30	3.17	2.95	2.99	2.95	3.00	2.84	2.53	2.90	2.75
INCOME AND SAVING											
Nominal personal income	Percent change	6.4	8.6	8.1	7.4	11.6	5.8	3.7	6.2	8.6	5.3
Real disposable income	Percent change	7.3	2.7	4.9	2.3	4.2	-1.2	2.7	1.2	2.5	.3
Personal saving rate	Percent*	4.0	4.1	4.5	4.1	5.2	4.6	4.1	4.6	4.9	5.0
Corp. profits with IVA & CCAdj	Percent change	9.5	6.6	-1.7	19.5	-23.2	-7.0	-17.1	-19.1	8.4	13.9
Profit share of GNP	Percent*	7.0	7.0	6.8	7.0	6.4	6.2	5.9	5.5	5.5	5.6
Federal govt. surplus/deficit	Billions of \$	-153.7	-136.9	-120.1	-156.3	-132.6	-122.7	-131.7	-150.1	-168.3	-166.0
State and local govt. surplus		45.5	48.3	46.8	45.2	48.9	50.3	48.1	38.5	38.1	38.6
Exc. social insurance funds		-15.6	-14.1	-17.0	-19.0	-16.2	-15.6	-18.7	-29.1	-30.2	-30.4
PRICES AND COSTS											
GNP implicit deflator	Percent change	2.7	4.4	4.7	4.7	3.9	3.9	3.2	3.8	4.8	4.7
GNP fixed-weight price index		3.9	4.7	5.5	4.4	4.9	4.6	3.1	3.8	6.6	3.9
Cons. & fixed invest. prices		2.9	4.9	4.5	5.0	5.0	5.3	2.3	4.6	6.8	2.6
CPI		3.2	4.5	5.2	4.4	5.1	6.0	3.3	3.9	7.5	3.8
Exc. food and energy		4.1	4.7	4.6	4.6	4.9	4.2	3.8	4.7	5.9	4.9
PCI hourly compensation**		5.2	5.2	3.8	5.1	4.2	4.9	5.3	4.4	5.6	5.1
Infarm business sector		4.7	-.5	2.8	.2	-2.7	-.3	-1.0	-2.5	-1.3	.3
Output per hour		2.4	5.1	5.3	3.8	3.3	1.7	1.6	2.3	3.9	5.0
Compensation per hour		-2.2	5.7	2.5	3.6	6.1	2.0	2.6	5.0	5.3	4.7
Unit labor costs											

* Not at an annual rate.

** Private industry workers

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

June 26, 1991

	Units	Projection									
		1990				1991				1992	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GNP	Billions of \$	5514.6	5527.3	5561.7	5606.6	5717.2	5822.3	5925.1	6011.9	6095.1	6177.6
Real GNP	Billions of 1985 \$	4170.0	4153.4	4126.5	4128.9	4177.3	4219.7	4254.0	4282.9	4310.4	4336.9
Real GNP	Percent Change	1.4	-1.6	-2.6	.2	4.8	4.1	3.3	2.7	2.6	2.5
Gross domestic purchases		1.6	-5.1	-4.0	1.6	4.1	4.4	3.6	3.1	2.6	2.8
Final sales		1.9	1.4	-2.8	.9	2.7	1.7	2.1	2.3	2.7	2.4
Private dom. final purchases		2.3	-3.8	-4.9	2.4	2.6	2.9	3.4	3.5	3.6	3.5
Personal consumption expend.		2.7	-3.4	-1.3	3.3	2.2	2.5	3.0	2.8	2.7	2.7
Durables		2.6	-12.3	-13.1	7.8	5.2	5.1	6.6	3.5	3.4	3.1
Nondurables		2.3	-6.5	-1.9	.3	1.2	1.2	1.8	2.2	2.1	2.1
Services		3.0	1.6	3.0	4.1	2.0	2.5	2.7	2.9	2.9	2.9
Business fixed investment		8.9	.1	-15.9	-2.8	1.5	3.5	4.4	5.9	6.5	6.8
Producers' durable equipment		10.2	6.3	-18.2	-1.8	4.6	6.5	7.6	8.8	9.0	9.0
Nonresidential structures		5.1	-18.2	-8.0	-6.1	-8.3	-6.5	-6.6	-4.7	-3.0	-1.9
Residential structures		-19.8	-20.6	-24.1	3.9	12.1	9.5	8.2	9.1	9.5	8.3
Exports		6.9	11.0	-2.6	-.9	6.4	8.3	6.4	6.1	5.8	5.9
Imports		7.6	-11.8	-11.3	8.0	1.9	10.5	8.6	8.2	5.9	7.6
Government purchases		1.2	4.7	-1.5	1.5	-.4	-1.4	-1.4	-1.1	-.9	-.7
Federal		.1	4.6	-1.3	4.1	-.8	-4.6	-4.7	-4.6	-4.4	-4.5
Defense		2.7	12.1	1.7	-1.3	-3.7	-7.5	-7.8	-7.7	-7.5	-7.7
State and local		2.0	4.9	-1.7	-.4	-.1	.9	1.1	1.5	1.7	2.0
Change in business inventories	Billions of 1985 \$	4.7	-26.4	-23.7	-30.5	-9.5	14.8	26.9	31.8	31.0	31.7
Nonfarm	Billions of 1985 \$	4.7	-28.5	-26.8	-32.6	-10.6	12.9	24.6	29.5	28.7	29.4
Exports	Billions of 1985 \$	-46.5	-8.8	6.4	-7.3	-.3	-3.6	-7.1	-10.6	-10.9	-14.1
Final GNP	Percent change	5.3	.9	2.5	3.3	8.1	7.6	7.3	6.0	5.6	5.5
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	110.2	109.8	109.2	108.8	109.1	109.7	110.2	110.7	111.1	111.5
Unemployment rate	Percent*	5.6	5.9	6.5	6.8	6.8	6.6	6.5	6.4	6.4	6.3
Industrial production index	Percent change	3.9	-7.0	-9.6	.0	7.2	5.7	5.1	4.8	3.8	3.7
Capacity utilization rate-mfg.	Percent*	82.9	80.8	78.0	77.4	78.2	78.7	79.0	79.3	79.4	79.5
Housing starts	Millions	1.13	1.04	.92	.99	1.05	1.07	1.11	1.13	1.16	1.19
Auto sales	Millions	9.68	8.93	8.25	8.43	8.96	9.15	9.35	9.40	9.45	9.50
Domestic	Millions	7.21	6.59	6.00	6.06	6.55	6.65	6.80	6.83	6.86	6.90
Foreign	Millions	2.47	2.34	2.25	2.37	2.41	2.50	2.55	2.57	2.59	2.60
INCOME AND SAVING											
Nominal personal income	Percent change	5.0	3.5	1.6	4.2	5.4	7.3	8.4	6.3	6.2	6.5
Real disposable income	Percent change	-.7	-3.5	-1.8	2.2	1.3	3.2	3.9	2.4	2.4	2.6
Personal saving rate	Percent*	4.2	4.2	4.1	3.9	3.7	3.9	4.1	4.0	4.0	4.0
Corp. profits with IVA & CCAdj	Percent change	-7.5	-14.8	-1.2	-5.2	58.7	23.6	12.3	.2	-1.3	5.8
Profit share of GNP	Percent*	5.5	5.2	5.2	5.1	5.6	5.8	5.8	5.7	5.7	5.7
Federal govt. surplus/deficit	Billions of \$	-145.7	-184.3	-118.0	-150.1	-143.3	-166.4	-164.0	-152.6	-141.1	-140.9
State and local govt. surplus		39.3	25.7	30.4	34.3	44.9	54.3	62.0	67.6	72.8	77.6
Exc. social insurance funds		-30.5	-44.8	-40.7	-37.7	-28.0	-19.5	-12.7	-8.0	-3.7	.2
PRICES AND COSTS											
GNP implicit deflator	Percent change	3.7	2.8	5.0	3.0	3.2	3.3	3.8	3.2	3.0	3.0
GNP fixed-weight price index		4.2	4.7	5.1	3.1	3.6	3.5	4.1	3.5	3.3	3.3
Cons. & fixed invest. prices		5.4	6.4	3.1	2.6	3.8	3.5	3.5	3.4	3.3	3.3
CPI		7.0	6.9	3.6	2.2	4.0	3.8	4.1	3.6	3.5	3.5
Exc. food and energy		6.1	4.2	6.8	3.2	4.1	4.1	4.3	3.7	3.5	3.5
ECI hourly compensation**		4.3	3.8	4.6	4.2	3.9	3.8	3.8	3.7	3.7	3.6
in business sector		.6	-.7	.3	3.5	4.4	2.3	1.8	1.6	1.5	1.4
out per hour		4.7	3.9	4.0	4.5	4.2	3.9	4.3	3.7	3.6	3.6
compensation per hour		4.1	4.7	3.7	1.0	-.2	1.6	2.5	2.1	2.1	2.2

* Not at an annual rate.

** Private industry workers

CONFIDENTIAL - FR
CLASS II FOMC

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

June 26, 1991

	1988				1989				1990		1987	1988	1989	1990
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	(fourth quarter to fourth quarter, net change)			
Real GNP	49.5	35.6	26.3	27.2	36.4	16.5	17.5	3.5	17.4	4.5	187.1	138.6	73.9	20.2
Gross domestic purchases	15.5	30.5	32.6	24.4	11.8	18.7	28.3	-12.7	4.9	13.7	163.0	103.0	46.1	-18.9
Final sales	66.9	49.7	10.6	45.7	24.4	17.0	18.5	9.3	38.4	-7.2	117.9	172.9	69.2	65.4
Private dom. final purchases	51.8	38.3	24.4	14.2	6.5	11.4	34.1	-12.9	20.2	-10.3	78.5	128.7	39.1	-3.8
Personal consumption expend.	42.6	17.3	22.3	22.4	-2.1	8.6	30.0	-5.4	7.4	1.5	56.4	104.6	31.1	3.7
Durables	19.8	3.8	-1.1	13.9	-6.6	5.8	9.9	-15.0	14.5	-10.8	-4.9	36.4	-5.9	-7.5
Nondurables	5.7	4.4	9.1	2.7	1.4	-3.9	8.8	-4	-7.4	-4.4	11.7	21.9	5.9	-21.8
Services	17.1	9.1	14.2	6.0	3.0	6.7	11.3	10.0	.4	16.6	49.6	46.4	31.0	32.9
Business fixed investment	12.7	17.6	2.0	-8.0	10.5	8.4	7.8	-4.9	6.2	-6.2	26.6	24.3	21.8	11.0
Producers' durable equipment	16.0	14.9	2.0	-5.2	8.4	10.9	5.7	-5.2	5.4	-3.3	25.6	27.7	19.8	17.7
Nonresidential structures	-3.4	2.9	-.1	-2.8	2.2	-2.6	2.1	.4	.7	-2.9	1.0	-3.4	2.1	-6.7
Residential structures	-3.4	3.2	.2	-.2	-1.8	-5.7	-3.7	-2.6	6.5	-5.5	-4.5	-.2	-13.8	-18.5
Change in business inventories	-17.4	-14.1	15.7	-18.6	12.1	-.6	-.9	-5.7	-21.1	11.7	69.2	-34.4	4.9	-45.3
Nonfarm	-26.6	-9.6	11.8	-3.8	-10.8	5.1	.2	-6.4	-23.5	19.8	66.3	-28.2	-11.9	-43.8
Farm	9.1	-4.5	3.9	-14.8	22.9	-5.7	-1.1	.7	2.4	-8.1	3.0	-6.3	16.8	-1.5
Net exports	34.0	5.1	-6.3	2.8	24.6	-2.2	-10.8	16.2	12.5	-9.2	24.1	35.6	27.8	39.1
Exports	34.7	5.6	7.0	21.0	20.8	17.1	-.7	19.1	16.5	-8.0	80.5	68.3	56.3	35.6
Imports	.7	.5	13.3	18.2	-3.7	19.2	10.1	2.8	4.1	1.2	56.4	32.7	28.4	-3.4
Government purchases	-18.9	6.3	-7.5	28.7	-6.7	7.8	-4.8	6.0	5.7	12.3	15.3	8.6	2.3	30.1
Federal	-23.2	2.8	-8.9	23.9	-8.1	5.7	-6.9	-.3	-.3	12.9	5.3	-5.4	-9.6	17.2
Defense	-3.8	-.9	-3.3	3.1	-7.4	2.0	4.5	-4.7	-1.1	2.1	10.2	-4.9	-5.6	10.2
Nondefense	-19.4	3.7	-5.6	20.8	-.8	3.8	-11.4	4.4	1.4	10.8	-4.9	-.5	-4.0	7.0
State and local	4.3	3.5	1.3	4.8	1.5	2.1	2.1	6.3	5.5	-.7	10.0	13.9	12.0	12.9

CONFIDENTIAL - FR
CLASS II FOMC

June 26, 1991

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

	Projection										Projection			
	1990		1991				1992				1989	1990	1991	1992
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	(fourth quarter to fourth quarter, net change)			
Real GNP	14.9	-16.6	-26.9	2.4	48.4	42.4	34.3	28.9	27.5	26.5	73.9	20.2	66.3	117.2
Gross domestic purchases	16.8	-54.3	-42.1	16.1	41.3	45.7	37.9	32.3	27.9	29.6	46.1	-18.9	61.0	127.7
Final sales	19.7	14.5	-29.6	9.2	27.4	18.1	22.2	24.0	28.3	25.8	69.2	65.4	25.1	100.3
Private dom. final purchases	19.1	-32.8	-41.6	19.9	21.1	24.4	28.7	29.6	30.5	30.3	39.1	-3.8	23.8	119.1
Personal consumption expend.	18.0	-23.2	-8.7	21.9	14.8	16.4	20.1	18.7	18.5	18.3	31.1	3.7	44.4	75.6
Durables	2.7	-13.9	-14.3	7.6	5.3	5.1	6.7	3.7	3.6	3.3	-5.9	-7.5	3.7	17.3
Nondurables	5.2	-15.2	-4.4	.7	2.7	2.7	4.0	4.9	4.7	4.8	5.9	-21.8	1.6	18.5
Services	10.0	5.9	10.0	13.8	6.9	8.6	9.3	10.1	10.2	10.2	31.0	32.9	39.2	39.8
Business fixed investment	10.9	.1	-22.0	-3.5	1.9	4.3	5.4	7.3	8.1	8.6	21.8	11.0	-19.3	29.4
Producers' durable equipment	9.5	6.1	-19.7	-1.7	4.3	6.1	7.2	8.5	8.9	9.1	19.8	17.7	-11.0	33.7
Nonresidential structures	1.5	-6.0	-2.4	-1.8	-2.4	-1.8	-1.8	-1.3	-.8	-.5	2.1	-6.7	-8.4	-4.4
Residential structures	-9.8	-9.7	-10.9	1.5	4.5	3.7	3.2	3.6	3.9	3.5	-13.8	-18.5	-1.3	14.2
Change in business inventories	-4.8	-31.1	2.7	-6.8	21.0	24.3	12.1	4.9	-.8	.7	4.9	-45.3	41.2	16.9
Nonfarm	-6.9	-33.2	1.7	-5.8	22.0	23.5	11.7	4.9	-.8	.7	-11.9	-43.8	41.4	16.5
Farm	2.1	2.1	1.0	-1.0	-1.0	.8	.4	.0	.0	.0	16.8	-1.5	-.2	.4
Net exports	-1.9	37.7	15.2	-13.7	7.0	-3.3	-3.6	-3.4	-.3	-3.2	27.8	39.1	5.2	-10.5
Exports	10.4	16.7	-4.2	-1.4	10.1	13.1	10.3	10.1	9.7	9.9	56.3	35.6	17.6	40.1
Imports	12.3	-21.0	-19.4	12.3	3.1	16.4	13.9	13.5	10.0	13.1	28.4	-3.4	12.4	50.6
Government purchases	2.5	9.6	-3.2	3.0	-.8	-3.0	-2.9	-2.2	-1.8	-1.4	2.3	30.1	-4.0	-8.3
Federal	.1	3.9	-1.1	3.5	-.7	-4.1	-4.2	-4.0	-3.8	-3.8	-9.6	17.2	-2.4	-15.8
Defense	1.7	7.5	1.1	-.9	-2.5	-5.1	-5.2	-5.0	-4.8	-4.8	-5.6	10.2	-7.4	-19.8
Nondefense	-1.6	-3.6	-2.1	4.3	1.8	1.0	1.0	1.0	1.0	1.0	-4.0	7.0	5.0	4.0
State and local	2.4	5.7	-2.1	-.5	-.1	1.1	1.3	1.8	2.0	2.4	12.0	12.9	-1.6	7.5

I-20

FEDERAL SECTOR ACCOUNTS¹
(Billions of dollars)

	Fiscal years				1990				1991				1992			
	1989a	1990a	1991	1992	Ia	IIa	IIIa	IVa	Ia	II	III	IV	I	II	III	IV
BUDGET																
Budget receipts ²	991	1031	1076	1169	229	319	254	249	233	319	274	261	261	355	292	283
Budget outlays ²	1144	1252	1331	1473	310	331	312	336	299	336	361	379	364	369	362	378
Surplus/deficit (-) ² (On-budget)	-153	-220	-255	-304	-80	-12	-58	-86	-66	-17	-86	-117	-104	-13	-70	-95
(Off-budget)	-206	-277	-314	-372	-94	-41	-65	-96	-80	-42	-95	-130	-117	-46	-79	-108
Surplus excluding deposit insurance ³	53	57	59	67	14	29	7	10	15	26	9	12	13	33	9	13
Means of financing:																
Borrowing	140	263	297	291	90	41	69	99	56	42	99	98	91	30	71	87
Cash decrease	3	1	-11	12	8	-16	-6	8	0	-13	-6	22	10	-15	-5	10
Other ⁴	10	-44	-30	2	-18	-13	-6	-21	9	-12	-6	-2	3	-2	4	-2
Cash operating balance, end of period	41	40	52	40	18	35	40	32	32	45	52	30	20	35	40	30
NIPA FEDERAL SECTOR																
Receipts																
Expenditures	1038	1092	1154	1258	1081	1106	1126	1127	1139	1159	1190	1218	1252	1271	1289	1311
Purchases	1174	1249	1302	1414	1249	1272	1272	1311	1257	1309	1333	1385	1416	1424	1430	1452
Defense	400	415	444	445	411	422	426	438	444	448	448	444	447	445	442	439
Nondefense	301	307	329	319	307	310	313	325	331	331	328	323	322	317	312	307
Other expend.	99	107	115	126	103	112	113	113	113	117	119	121	125	128	130	132
Surplus/deficit	774	835	858	969	838	850	846	873	813	862	885	940	969	979	988	1013
FISCAL INDICATORS⁵																
High-employment (HEB) surplus/deficit (-)	-149	-150	-87	-98	-166	-154	-127	-147	-55	-73	-74	-104	-105	-96	-86	-87
Change in HEB, percent of potential GNP	0	0	-1.2	.2	.3	-.2	-.5	.4	-1.6	.3	0	.5	0	-.2	-.2	0
Fiscal impetus measure (FI), percent	-3.5 *	-3.3 *	-2.8 *	-5.1 *	-2.3	1.2	-.8	1.8	-4	.6	-.5	-1.3	-2.6	-1	-1	-.9

a--actual

*--calendar year

I-21

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

1. Staff projections. CBO's March deficit estimates are \$309 billion in FY1991 and \$294 billion in FY1992. OMB's February deficit estimates are \$318 billion in FY1991 and \$281 billion in FY1992.
2. Budget receipts, outlays, and surplus/deficit include social security (OASDI) receipts, outlays and surplus, respectively. The OASDI surplus is excluded from the "on-budget" deficit and shown separately as "off-budget", as classified under current law. The Postal Service deficit is included in off-budget outlays beginning in FY1990.
3. CBO's March deficit estimates, excluding deposit insurance spending, are \$205 billion in FY1991 and \$196 billion in FY1992. OMB's February deficit estimates, excluding deposit insurance spending, are \$207 billion in FY1991 and \$193 billion in FY1992.
4. Other means of financing are checks issued less checks paid, accrued items; and changes in other financial assets and liabilities.
5. HEB is the NIPA measure in current dollars with cyclically-sensitive receipts and outlays adjusted to a 6 percent unemployment rate and 2.3% potential output growth in the forecast period. Quarterly figures for change in HEB and FI are not at annual rates. Change in HEB, as a percent of nominal potential GNP, is reversed in sign. FI is the weighted difference of discretionary federal spending and tax changes (in 1982 dollars), scaled by real federal purchases. For change in HEB and FI, (-) indicates restraint.

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

	Domestic Nonfinancial Sectors							Memo	
				Households				State & local govts.	Private financial assets ³
	Total ²	U.S. govt. ²	Non-federal	Home mtgs.	Cons. credit	Business			
Annual (percent)									
1982	9.3	19.4	6.9	5.4	4.5	4.4	7.8	9.1	10.3
1983	11.5	18.8	9.6	11.4	11.0	12.6	8.3	7.1	11.8
1984	14.4	16.9	13.7	12.9	11.7	18.7	15.6	7.9	13.4
1985	14.2	16.2	13.6	14.1	11.9	15.9	11.4	23.7	12.0
1986	12.3	13.4	12.0	12.8	14.9	9.6	12.0	7.6	9.1
1987	9.0	8.0	9.3	11.6	14.0	5.1	7.0	9.6	7.8
1988	9.1	8.0	9.5	10.9	12.2	7.2	8.2	8.2	8.7
1989	7.5	7.2	7.5	8.9	10.5	5.3	6.7	4.9	7.4
1990	6.5	12.0	4.9	7.3	9.1	1.8	2.9	2.3	4.4
1991	6.0	11.5	4.2	5.8	7.5	0.1	2.6	3.0	5.5
1992	6.5	9.8	5.4	6.6	7.9	2.9	4.4	3.1	4.7
Quarterly (percent-SAAR)									
1989 -- Q1	8.2	7.0	8.6	9.2	10.6	5.1	8.4	6.6	7.5
Q2	7.2	4.6	7.9	8.0	9.7	4.9	8.3	5.4	8.0
Q3	7.2	8.0	6.9	8.7	10.2	4.8	5.6	4.6	8.4
Q4	6.4	8.3	5.9	8.5	9.6	5.7	3.8	2.6	4.6
1990 -- Q1	8.2	10.9	7.5	10.4	12.1	3.8	5.5	1.4	7.4
Q2	6.1	9.7	5.0	7.4	9.4	0.4	2.9	2.8	5.1
Q3	6.4	11.8	4.7	5.9	7.1	2.6	3.4	4.5	3.7
Q4	4.6	13.2	1.9	4.2	5.8	0.3	-0.2	0.5	1.0
1991 -- Q1	4.5	8.0	3.4	5.0	7.1	-2.9	2.0	1.1	5.8
Q2	5.2	9.2	3.9	5.7	7.3	0.4	1.8	4.2	4.4
Q3	7.1	15.2	4.4	5.9	7.4	1.1	2.9	3.3	6.0
Q4	6.5	11.8	4.8	6.0	7.5	1.7	3.7	3.2	5.3
1992 -- Q1	6.8	11.9	5.1	6.2	7.4	2.6	4.1	3.1	5.9
Q2	5.5	6.6	5.1	6.3	7.6	2.8	4.2	3.1	3.6
Q3	6.5	9.9	5.3	6.5	7.7	3.1	4.4	3.0	4.7
Q4	6.5	9.3	5.4	6.6	7.9	3.1	4.5	3.0	4.3

I-29

1. Published data through 1991:1; projections for other periods.

2. RTC activity adds roughly .6 and .7 percentage points to total debt growth in 1991 and 1992, respectively; it adds about 2.2 and 2.6 percentage points to federal debt growth in 1991 and 1992, respectively.

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

4. Annual figures are Q4 to Q4.

2.6.3 FOF

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

	1989	Calendar year 1990	1991	1992	1990		1991				1992	
					Q3	Q4	Q1	Q2	Q3	Q4	H1	H2
Net funds raised by domestic												
1 nonfinancial sectors	554.0	578.2	616.2	690.3	581.7	421.6	457.7	555.9	766.0	685.1	659.7	720.8
2 Net equity issuance	-124.2	-63.0	-12.5	-35.0	-74.0	-61.0	-17.0	2.0	0.0	-35.0	-35.0	-35.0
3 Net debt issuance	678.2	641.2	628.7	725.3	655.7	482.6	474.7	553.9	766.0	720.1	694.7	755.8
Borrowing sectors												
Nonfinancial business												
4 Financing gap ²	33.9	37.1	13.3	71.6	50.9	33.1	-17.5	8.7	19.8	42.3	63.1	80.1
5 Net equity issuance	-124.2	-63.0	-12.5	-35.0	-74.0	-61.0	-17.0	2.0	0.0	-35.0	-35.0	-35.0
6 Credit market borrowing	211.9	99.8	92.4	157.3	119.4	-8.3	70.3	64.3	101.9	133.1	149.8	164.7
Households												
7 Net borrowing, of which:	285.0	254.3	222.0	267.6	221.7	159.4	192.6	222.5	234.2	238.7	256.6	278.6
8 Home mortgages	221.6	214.1	200.1	226.0	183.7	150.9	189.3	197.5	204.4	209.2	217.0	235.0
9 Consumer credit	39.1	14.3	0.5	23.8	21.3	2.5	-23.6	3.0	8.7	13.8	21.8	25.8
10 Debt/DPI (percent) ³	89.8	93.1	96.6	96.4	95.9	96.1	96.9	97.2	97.3	97.1	96.2	96.5
State and local governments												
11 Net borrowing	29.6	14.6	19.3	20.7	28.5	3.1	7.1	27.2	22.0	20.9	20.7	20.7
12 Current surplus ⁴	-25.7	-30.9	-23.3	6.8	-35.7	-36.8	-37.9	-28.4	-19.1	-7.8	2.1	11.5
U.S. government												
13 Net borrowing from public ⁵	151.6	272.5	295.0	279.7	286.1	328.4	204.7	239.9	408.0	327.4	267.6	291.8
14 Net borrowing from public ⁵	151.6	272.5	295.0	279.7	68.4	98.7	55.8	42.5	98.7	98.0	121.5	158.3
15 Unified budget deficit ⁵	155.0	236.1	285.9	281.9	57.9	86.2	65.6	16.7	86.5	117.2	117.2	164.7
Funds supplied by												
16 depository institutions	92.8	-22.1	-42.8	-19.5	-60.6	-92.8	-10.0	-81.7	-38.2	-41.3	-32.7	-6.3
Memoranda: As percent of GNP:												
17 Dom. nonfinancial debt ³	181.7	186.3	191.6	190.9	189.3	191.1	192.0	192.9	192.6	192.2	190.4	191.1
18 Dom. nonfinancial borrowing	13.0	11.7	11.1	12.0	11.9	8.7	8.5	9.9	13.4	12.4	11.6	12.3
19 U.S. government ⁶	2.9	5.0	5.2	4.6	5.2	5.9	3.7	4.3	7.1	5.6	4.5	4.8
20 Private	10.1	6.7	5.9	7.4	6.7	2.8	4.9	5.6	6.3	6.7	7.2	7.6

I-30

- Published data through 1991:1; projections for other periods.
- For corporations: excess of capital expenditures over U.S. internal funds.
- Annuals are average debt levels in the year (computed as the average of year-end debt positions) divided by annual GNP.
- NIPA surplus, net of retirement funds.
- Quarterly data at quarterly rates, nsa.
- Excludes gov't-insured mortgage pool securities.

in growth at home than abroad. The trajectory of net exports is more negative in the current forecast than in the previous one, primarily because of the higher projected value of the dollar.

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

	<u>1990</u>	----- Projection -----			<u>1992</u>
		<u>Q1</u>	<u>Q2</u>	<u>H2</u>	
Nonagricultural exports	8.6	6.5	11.4	9.4	8.7
Agricultural exports	-6.1	13.1	2.1	1.5	0.6
Non-oil imports	1.4	-10.2	5.4	9.4	9.2
Oil imports	-12.3	21.2	45.0	4.9	9.9

* GNP basis, 1982 dollars.

The growth of real exports of goods is projected to increase to more than 9 percent at an annual rate during the second half of this year as growth abroad recovers. Export growth is then projected to decline to about a 7 percent rate in the second half of 1992 as the negative effects of the recent rise in the dollar begin to outweigh the positive effects of the earlier decline in the dollar. Because of the stronger dollar, the export growth rate over the next year and a half is more than 1 percentage point below the previous forecast. The quantity of computer exports is expected to continue to expand rapidly, adding nearly 2 percentage points to the growth rate for total export volume over the projection period.

Agricultural exports are expected to pick up somewhat in the near term, largely because of the recent provision of credit guarantees to the Soviet Union, but to remain sluggish over the rest of the forecast period.

The quantity of non-oil imports of goods is projected to rise at about a 5 percent rate in the second quarter and then to expand at an average annual rate of 9-1/4 percent over the next six quarters. The U.S. economic recovery and recent declines in the relative price of imports associated

with the rise in the dollar are expected to stimulate demand for imports. Constant-dollar imports of computers are expected to grow especially rapidly, as in the case of exports, and will add several percentage points to the growth rate for total non-oil imports. Oil imports are expected to jump in the current quarter as stocks are rebuilt and to expand steadily thereafter, in line with growing domestic consumption and gradually receding domestic production.

Oil Prices. The outlook for oil prices in the near term has been lowered somewhat since the May forecast, reflecting the market's response to OPEC's agreement in early June not to cut its production quotas, and to continued strong increases in petroleum stocks. We now assume that oil import prices will remain under \$18 per barrel through the summer, before returning to a flat \$18 per barrel path by the end of the year (a level consistent with a posted price of \$19.25 per barrel for West Texas Intermediate crude).

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

	<u>1990</u>	----- Projection -----		
		<u>Q1</u>	<u>1991</u>	<u>1992</u>
PPI (export-share wts.)	4.8	-2.0	-2.5	1.8
Nonagric exports (Fx-Wt)	4.0	-1.0	-1.6	0.5
Non-oil imports (Fx-Wt)	2.9	4.0	0.3	1.5
Oil imports (\$/barrel)	20.57	20.33	17.68	17.92
				18.00

Prices of Exports and Non-oil Imports. The fixed-weight price index for U.S. nonagricultural exports is projected to decline further in the second quarter, owing primarily to recent declines in domestic producer prices (particularly among industrial supplies and materials). The rise in the dollar may restrain U.S. exporters from raising their prices as well.

Moderate growth in export prices should resume by the end of this year with the projected turnaround in domestic materials prices. Non-oil import prices are projected to remain about unchanged in the current quarter, and to rise only slowly through the end of the forecast period; the recent rise in the dollar is expected to depress import prices for much of this year.

Nominal Trade and Current Account Balances. The merchandise trade deficit is projected to narrow further in the second quarter, to less than \$70 billion (annual rate), as a result of sluggish imports and expanding exports. Thereafter, the deficit is projected to widen gradually, returning to a level of close to \$80 billion next year. Excluding the effects of transfer payments associated with the Gulf War, the current account deficit this year is projected to be roughly \$45 billion, or about \$25 billion less than the trade deficit. Next year, the widening of the trade deficit is expected to be only slightly offset by net improvements in the non-trade portions of the current account (other than transfers), resulting in a current account deficit approaching \$50 billion.

NOMINAL EXTERNAL BALANCES
(Billions of dollars, SAAR)

	<u>1990</u>	----- Projection -----			<u>1992</u>
		<u>Q1</u>	<u>Q2</u>	<u>H2</u>	
Trade Balance	-108.1	-73.5	-67.0	-69.5	-80.3
Current Account excl.					
Gulf War Cash Grants	-87.8	-49.9	-48.7	-42.8	-47.7
Gulf War Cash Grants	4.3	90.8	48.0	16.0	0.0
Current Account	-92.1	40.9	-0.7	-26.8	-47.7

Within the non-trade portions of the current account, net service receipts are expected to expand steadily in the near term; this growth will be depressed somewhat over time by the effects of the higher dollar. Net

June 26, 1991

STRICTLY CONFIDENTIAL - FR
CLASS II FOMC**REAL GNP AND CONSUMER PRICES, SELECTED COUNTRIES, 1988-92**
(Percent change from fourth quarter to fourth quarter)

Measure and country	1988	1989	1990	1991	1992	Projection
REAL GNP						
<hr/>						
Canada	3.1	2.9	-1.6	-0.2	2.7	
France	4.0	3.9	2.1	1.2	2.4	
Western Germany	3.5	3.2	5.3	2.8	2.9	
Italy	3.7	2.9	1.1	1.9	2.8	
Japan	5.6	4.8	4.8	3.6	3.6	
United Kingdom	3.3	1.5	-1.3	0.3	2.0	
Average, weighted by 1987-89 GNP	4.2	3.5	2.5	2.1	2.9	
Average, weighted by share of U.S. nonagricultural exports						
Total foreign	4.1	3.7	1.8	2.2	3.4	
G-6	3.8	3.2	0.7	1.1	2.8	
Developing countries	5.3	5.0	4.7	5.6	5.6	
CONSUMER PRICES						
<hr/>						
Canada	4.1	5.2	4.9	5.3	3.4	
France	3.0	3.6	3.6	2.6	2.9	
Western Germany	1.6	3.1	3.0	3.8	2.8	
Italy	5.2	6.6	6.3	6.2	5.2	
Japan	1.5	2.9	3.5	3.1	3.0	
United Kingdom	6.5	7.6	10.0	4.7	4.6	
Average, weighted by 1987-89 GNP	3.2	4.4	4.9	4.0	3.5	
Average, weighted by share of U.S. non-oil imports	3.0	4.2	4.5	4.1	3.3	

Strictly Confidential (FR) Class II-FOMC

June 26, 1991

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

	ANNUAL			1990				1991				1992
	1990	1991-P	1992-P	Q1	Q2	Q3	Q4	Q1	Q2-P	Q3-P	Q4-P	Q4-P
	-33.8	-1.2	-10.7	-35.4	-44.6	-46.5	-8.8	6.4	-7.3	-0.3	-3.6	-14.1
1. GNP Real Net Exports (82\$)												
a. Exports of G+S Merchandise Services	631.5	650.3	690.1	628.1	620.1	630.5	647.2	643.0	641.6	651.7	664.8	704.9
	423.9	457.0	496.1	422.4	418.4	421.0	433.8	441.3	452.5	462.5	471.8	509.7
	207.6	193.3	194.0	205.7	201.7	209.5	213.4	201.7	189.1	189.2	193.1	195.2
b. Imports of G+S Merchandise Oil Non-oil Services	665.3	651.5	700.7	663.5	664.7	677.0	656.0	636.6	648.9	652.0	668.4	719.0
	517.0	518.8	569.2	517.8	515.2	526.5	508.4	501.2	515.2	522.0	536.7	586.7
	95.5	94.2	104.3	100.8	96.9	100.9	83.3	87.4	95.9	95.5	98.2	107.9
	421.5	424.5	464.9	417.1	418.3	425.5	425.1	413.8	419.3	426.5	438.6	478.8
	148.3	132.7	131.6	145.6	149.4	150.5	147.6	135.4	133.7	130.0	131.7	132.3
Memo:												
Percent Changes (AR) 1/												
Exports G+S	5.8	2.7	6.0	11.2	-5.0	6.9	11.0	-2.6	-0.9	6.4	8.3	5.9
of which: Merchandise	7.1	8.8	8.0	18.1	-3.7	2.5	12.7	7.1	10.6	9.2	8.2	7.0
Imports G+S	-0.5	1.9	7.6	2.5	0.7	7.6	-11.8	-11.3	8.0	1.9	10.5	7.6
of which: Non-oil Merch.	1.4	3.2	9.2	-2.1	1.2	7.1	-0.4	-10.2	5.4	7.1	11.8	7.9
2. U.S. Current Account Balance	-92.1	-3.3	-47.7	-90.7	-88.7	-95.5	-93.6	40.9	-0.7	-8.2	-45.3	-52.4
a. Merchandise Trade, net	-108.1	-69.8	-80.3	-110.1	-96.4	-115.0	-110.9	-73.5	-67.0	-66.1	-72.9	-83.6
Exports	389.5	416.9	453.4	381.0	388.4	386.6	402.3	403.4	412.9	421.5	429.9	466.3
Agricultural	40.2	40.3	41.8	43.0	40.8	39.3	37.8	39.7	40.4	40.9	40.1	42.8
Nonagricultural	349.3	376.7	411.6	338.0	347.5	347.3	364.5	363.7	372.5	380.7	389.8	423.5
Imports	497.7	486.8	533.7	491.1	484.7	501.6	513.2	476.9	479.8	487.7	502.7	549.9
Oil	62.1	52.6	57.6	63.2	51.3	61.8	72.1	52.6	51.7	52.0	54.0	59.7
Non-oil	435.6	434.2	476.1	427.9	433.4	439.8	441.1	424.3	428.1	435.7	448.7	490.2
b. Other Current Account	16.0	66.5	32.7	19.5	7.6	19.5	17.3	114.3	66.3	57.9	27.6	31.2
Investment Income, net	11.9	8.7	5.6	12.0	0.0	11.2	24.5	18.6	3.3	6.5	6.5	4.1
Direct, net	52.7	48.7	43.0	51.9	43.6	53.5	61.7	60.6	45.8	43.9	44.6	42.7
Portfolio, net	-40.7	-40.0	-37.4	-39.8	-43.6	-42.3	-37.2	-42.0	-42.5	-37.4	-38.1	-38.6
of which: Gov't Payments	37.9	36.5	35.9	36.8	37.4	38.1	39.1	38.5	36.5	35.7	35.2	36.5
Military Transactions, net	-7.2	-5.6	-2.1	-6.9	-6.2	-6.7	-9.0	-8.7	-6.8	-4.8	-2.0	-1.2
Other Services, net	33.6	40.0	46.9	30.5	32.6	32.3	38.9	36.7	38.8	41.2	43.1	48.4
Unilateral Transfers, net	-22.3	23.4	-17.8	-16.1	-18.8	-17.3	-37.1	67.8	31.0	15.0	-20.0	-20.0

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

Confidential (FR) Class III FOMC

June 26, 1991

RECENT DEVELOPMENTS

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

domestic makers have scheduled motor vehicle assemblies in June at a 9.2 million unit annual rate. However, in the first three weeks of June, auto production was running about 4 percent short of the scheduled assembly rate; truck production was about on schedule. If that pace continues for the remainder of the month, domestic motor vehicle production for June would likely be up slightly from the May level (table).

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

	<u>1990</u>		<u>1991</u>		<u>1991</u>	
	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Apr.</u>	<u>May</u>	<u>June¹</u>
Domestic production:						
Autos	6.9	5.6	5.1	5.1	5.3	5.3
Trucks	4.1	3.2	2.6	3.3	3.4	3.6

1. The estimate of domestic auto and truck production in June is based on actual assemblies through the week ended June 21, as seasonally adjusted by FRB staff.

Output of construction supplies, which dropped sharply late last year and early this year, turned up in April and May, consistent with the pickup in housing starts in recent months. In addition, part of the rebound in output of consumer durables excluding motor vehicles (for example, appliances, carpeting, and furniture) probably is attributable to a firming in the housing sector.

Output of business equipment has continued to decline in recent months, owing in part to weakness in production of office and computing machines and industrial equipment. Although output in this sector continued to weaken through May, production of capital goods typically continues to decline in the initial months following a trough in the total index.

U.S. AGRICULTURAL PRODUCTION AND INVENTORIES¹CROP PRODUCTION

	Millions of bushels						USDA Projection for 1991	
	1980 to 1990			1988	1989	1990	as of	as of
	High	Low	Ave.				May 9	June 11
Wheat	2785	1812	2342	1812	2037	2739	2071	2024
Corn	8875	4174	7153	4929	7525	7933	8275	8275
Soybeans	2190	1549	1893	1549	1924	1922	1875	1875
Cotton (millions of bales)	15.6	7.8	12.5	15.4	12.2	15.5	16.0	16.0
Memo: World Grain Production ²	1766	1466	1598	1562	1682	1766	1731	1725

CROP INVENTORIES

	Months' supply at end of marketing year						USDA Projection for 1991	
	1980 to 1990			Marketing year beginning			as of	as of
	High	Low	Avg.	1988	1989	1990	May 9	June 11
Wheat	11.69	2.89	6.24	3.52	2.89	4.19	3.39	3.31
Corn	7.93	1.80	4.21	3.19	1.99	2.13	2.41	2.41
Soybeans	3.42	1.17	2.02	1.31	1.53	2.36	2.23	2.23
Cotton ³	8.89	2.19	4.46	6.11	2.19	1.61	2.32	2.17
Memo: World Grain	3.36	2.12	2.63	2.26	2.12	2.25	2.27	2.25

LIVESTOCK PRODUCTION

	Percent change from previous year						USDA Projection for 1991	
							as of	as of
	1985	1986	1987	1988	1989	1990	May 9	June 11
Red meats and poultry	1.7	1.7	2.0	3.7	1.8	1.3	3.5	3.1
Beef	.6	2.8	-3.3	.1	-2.2	-1.5	1.9	1.5
Pork	.1	-5.0	2.3	9.1	.9	-3.0	3.3	3.3
Poultry	4.9	6.3	9.5	4.2	7.1	7.3	5.1	4.4
Milk	5.7	.7	-.7	2.1	-.8	3.0	1.2	.8

1. Derived from data in USDA's World Agricultural Supply and Demand Estimates, June 11,

2. Production, consumption, and stocks are measured on a "marketing year" basis, which differs from crop to crop.

3. Million metric tons.

3. The figures for cotton exclude 1985. A pre-announced change in USDA price support policy at the end of that marketing year caused some consumption to be delayed into 1986 and raised the stocks-to-use ratio to an artificially high level of 13.42 months.

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

	1988	1989	1990	-1990-	1991			
			Q4	Q1 ^P	Apr ^P	May ^P	June ^e	
Corporate securities - total ¹	22.41	19.87	19.84	22.23	27.65	31.45	33.54	27.00
Public offerings in U.S.	20.39	17.80	17.70	20.79	25.48	27.91	30.22	25.00
Stocks--total ²	3.54	2.69	1.95	1.33	2.22	5.31	7.22	4.50
Nonfinancial	1.15	1.08	1.03	.56	1.29	3.80	4.50	2.90
Utility	.24	.29	.35	.36	.47	.49	.65	.70
Industrial	.91	.79	.68	.20	.82	3.32	3.85	2.20
Financial	2.39	1.60	.92	.77	.93	1.51	2.71	1.60
Bonds	16.85	15.12	15.75	19.46	23.26	22.60	23.00	20.50
Nonfinancial	6.19	6.30	5.63	7.79	8.81	11.40	9.50	8.00
Utility	1.79	1.78	1.95	2.84	2.21	3.40	3.50	3.30
Industrial	4.41	4.52	3.67	4.95	6.60	8.00	6.00	4.70
Financial	10.66	8.81	10.12	11.67	14.45	11.20	13.50	12.50
By quality ³								
Aaa and Aa	2.77	3.17	3.42	4.85	4.74	4.15	3.30	4.00
A and Baa	5.50	5.83	6.39	7.62	12.22	11.71	10.71	9.50
Less than Baa	2.56	2.39	.15	.11	.41	2.36	.83	1.00
No rating (or unknown)	.05	.05	.04	.01	.03	.01	.00	.00
Memo items:								
Equity-based bonds ⁴	.28	.52	.38	.26	.77	.61	.71	
Mortgage-backed bonds	4.72	1.68	2.41	2.27	2.06	3.33	1.50	2
Other asset-backed	1.26	2.02	3.35	4.62	3.84	1.05	6.65	4.00
Variable-rate notes	1.19	1.03	.82	1.13	.76	.18	.61	.50
Bonds sold abroad - total	1.93	1.90	1.92	1.42	2.01	2.50	2.50	2.00
Nonfinancial	.73	.48	.46	.17	1.04	.80	1.60	1.20
Financial	1.20	1.43	1.46	1.25	.97	1.70	.90	.80
Stocks sold abroad - total	.09	.16	.22	.02	.17	1.03	.83	.00
Nonfinancial	.08	.12	.10	.02	.05	.93	.77	.00
Financial	.02	.04	.12	.01	.11	.10	.06	.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				
	Q1	Q2 ^P	Apr.	May	June ^P
<u>Treasury financing</u>					
Total surplus/deficit (-)	-65.6	-16.7	30.1	-53.3	6.5
Means of financing deficit:					
Net cash borrowing from the public	56.5	42.5	-9.4	41.8	10.2
Marketable borrowings/ repayments (-)	52.9	38.5	-11.0	40.9	8.5
Bills	5.9	-11.8	-28.9	8.5	8.5
Coupons	47.0	50.3	17.9	32.4	0.0
Nonmarketable ²	3.5	4.0	1.5	0.9	1.6
Decrease in the cash balance	.2	-13.4	-16.2	20.4	-17.6
Memo: Cash balance at end of period	32.0	45.4	48.2	27.9	45.4
Other ³	8.9	-12.3	-4.5	-8.8	0.9
<u>Federally sponsored credit agencies, net cash borrowing⁴</u>					
	3.2	--	--	--	--
FHLBs	-5.6	--	-1.6	--	--
FHLMC	.5	--	-1.7	--	--
FNMA	1.5	--	-.7	--	--
Farm Credit Banks	-1.7	--	.2	-.6	--
SLMA	1.6	--	--	--	--
REFCORP	6.9	--	.0	.0	.0

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

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

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

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

p--projected.

e--estimated.

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

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

	<u>1989</u>	<u>1990</u>	<u>1990</u>	<u>1991</u>			
	Year	Year	Q4	Q1	Apr.	May	June ^P
Total offerings ¹	11.90	13.10	12.33	11.39	13.08	15.15	--
Total tax-exempt	11.65	12.85	11.96	11.25	12.91	14.54	19.00
Long-term	9.47	10.03	10.24	9.81	10.92	13.38	12.00
Refundings ²	2.47	1.45	1.01	.79	.76	.54	--
New capital	7.01	8.60	9.23	9.02	10.16	12.84	--
Short-term	2.17	2.82	1.72	1.44	1.99	1.16	7.00
Total taxable	.25	.25	.37	.14	.17	.61	--

1. Includes issues for public and private purposes; also includes taxable issues.

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

p--preliminary.

on Bridgeport's \$77.7 million of outstanding uninsured debt to CCC from BBB, and Moody's dropped the city's ratings to B from Baa. Both agencies retained triple-A ratings on the city's \$100 million of insured debt. In any event, none of Bridgeport's bonds are likely to default soon, if ever, because the city's financial control board makes debt service payments before turning over tax receipts to the city. Funds for the next debt service, due in August, already have been placed in escrow.

Budget problems continue to plague states, as well as municipalities. Over the intermeeting period, one state rated AAA by S&P, Maine, was downgraded, and four of the remaining eight were listed as troubled, owing to declines in key financial indicators and continued softness in local economies.

After a considerable delay, the New York State budget finally was passed by the legislature and signed by Governor Cuomo, incorporating nearly

CONFIDENTIAL (FR)
CLASS III - FOMC

June 28, 1991

SUPPLEMENT
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

June 28, 1991

CONFIDENTIAL - FR
CLASS II FOMC

STAFF GNP PROJECTIONS

Percent changes, annual rate

	Nominal GNP		Real GNP		GNP fixed-weight price index		Consumer Price Index <1>		Unemployment rate (percent)			
	5/8/91	6/28/91	5/8/91	6/28/91	5/8/91	6/28/91	5/8/91	6/28/91	5/8/91	6/28/91		
Annual changes:												
1988	<2>	7.9	7.9	4.5	4.5	4.2	4.2	4.1	4.1	5.5	5.5	
1989	<2>	6.7	6.7	2.5	2.5	4.5	4.5	4.8	4.8	5.3	5.3	
1990	<2>	5.1	5.1	1.0	1.0	4.6	4.6	5.4	5.5	5.5	5.5	
1991	3.7	3.8	-.1	.1	4.1	4.1	4.5	4.4	6.7	6.7	6.7	
1992	6.4	6.6	3.2	3.2	3.4	3.6	3.5	3.7	6.3	6.4	6.4	
Quarterly changes:												
1989	Q1	<2>	7.5	7.5	3.6	3.6	4.9	4.9	5.1	5.1	5.2	5.2
	Q2	<2>	5.8	5.8	1.6	1.6	4.6	4.6	6.0	6.0	5.3	5.3
	Q3	<2>	5.1	5.1	1.7	1.7	3.1	3.1	3.3	3.3	5.3	5.3
	Q4	<2>	3.9	3.9	.3	.3	3.8	3.8	3.9	3.9	5.3	5.3
90	Q1	<2>	6.7	6.7	1.7	1.7	6.6	6.6	7.5	7.5	5.3	5.3
	Q2	<2>	5.1	5.1	.4	.4	3.9	3.9	3.8	3.8	5.3	5.3
	Q3	<2>	5.3	5.3	1.4	1.4	4.2	4.2	7.0	7.0	5.6	5.6
	Q4	<2>	.9	.9	-1.6	-1.6	4.7	4.7	6.9	6.9	5.9	5.9
1991	Q1	<2>	2.6	2.2	-2.8	-2.8	5.1	5.2	3.6	3.6	6.5	6.5
	Q2		3.0	3.3	-.2	.2	3.1	3.1	2.7	2.2	6.8	6.8
	Q3		7.5	8.1	4.1	4.8	3.5	3.6	4.0	4.0	6.8	6.8
	Q4		7.4	7.5	4.0	4.1	3.5	3.5	3.6	3.8	6.6	6.6
1992	Q1		7.2	7.3	3.5	3.3	4.0	4.1	3.8	4.1	6.4	6.5
	Q2		6.0	6.0	3.1	2.7	3.3	3.5	3.5	3.6	6.3	6.4
	Q3		5.4	5.6	2.8	2.6	3.0	3.3	3.1	3.5	6.3	6.4
	Q4		5.1	5.5	2.6	2.5	2.9	3.3	3.1	3.5	6.2	6.3
Two-quarter changes: <3>												
1989	Q2	<2>	6.7	6.7	2.6	2.6	4.7	4.7	5.6	5.6	.0	.0
	Q4	<2>	4.5	4.5	1.0	1.0	3.4	3.4	3.6	3.6	.0	.0
1990	Q2	<2>	5.9	5.9	1.1	1.1	5.3	5.3	5.6	5.6	.0	.0
	Q4	<2>	3.1	3.1	-.1	-.1	4.4	4.4	6.9	6.9	.6	.6
1991	Q2		2.8	2.8	-1.5	-1.3	4.2	4.2	3.1	2.9	.9	.9
	Q4		7.4	7.8	4.0	4.4	3.5	3.5	3.8	3.9	-.2	-.2
1992	Q2		6.6	6.6	3.3	3.0	3.6	3.8	3.7	3.8	-.3	-.2
	Q4		5.3	5.6	2.7	2.5	3.0	3.3	3.1	3.5	-.1	-.1
Four-quarter changes: <4>												
1988	Q4	<2>	7.8	7.8	3.5	3.5	4.6	4.6	4.3	4.3	-.5	-.5
1989	Q4	<2>	5.6	5.6	1.8	1.8	4.0	4.0	4.6	4.6	.0	.0
~90	Q4	<2>	4.5	4.5	.5	.5	4.8	4.8	6.3	6.3	.6	.6
1	Q4		5.1	5.3	1.2	1.5	3.8	3.9	3.5	3.4	.7	.7
2	Q4		5.9	6.1	3.0	2.8	3.3	3.5	3.4	3.7	-.4	-.3

<1> For all urban consumers.

<2> Actual.

<3> Percent change from two quarters earlier.

<4> Percent change from four quarters earlier.

	Units	1984	1985	1986	1987	1988	1989	1990	1991	Projection 1992
EXPENDITURES										
Nominal GNP	Billions of \$	3772.2	4014.9	4231.6	4515.6	4873.7	5200.8	5465.1	5673.0	6048.3
Real GNP	Billions of 82\$	3501.4	3618.7	3717.9	3845.3	4016.9	4117.7	4157.3	4160.6	4293.5
Real GNP	Percent change*	5.1	3.6	1.9	5.0	3.5	1.8	.5	1.5	2.8
Gross domestic purchases		6.4	4.3	2.1	4.2	2.6	1.1	-.5	1.4	3.0
Final sales		4.7	4.6	2.7	3.1	4.5	1.7	1.6	.6	2.4
Private dom. final purchases		5.6	4.6	2.9	2.5	4.0	1.2	-.1	.6	3.5
Personal consumption expend.		4.1	4.6	3.8	2.3	4.1	1.2	.1	1.6	2.8
Durables		10.8	7.0	11.5	-1.2	9.3	-1.4	-1.8	1.3	4.1
Nondurables		2.3	3.3	2.9	1.3	2.4	.6	-2.4	.2	2.0
Services		3.5	5.0	2.1	4.1	3.7	2.4	2.5	2.7	2.9
Business fixed investment		13.8	3.7	-5.5	6.1	5.3	4.5	2.2	-3.8	5.9
Producers' durable equipment		14.9	4.6	.4	8.2	8.2	5.4	4.6	-2.8	8.6
Nonresidential structures		11.8	1.9	-17.7	.8	-2.7	1.7	-5.4	-7.5	-4.0
Residential structures		6.1	5.8	11.6	-2.2	-.1	-7.1	-10.2	-1.2	8.8
Exports		5.9	-2.4	10.6	19.8	14.0	10.1	5.8	3.5	6.0
Imports		17.4	4.5	10.0	10.4	5.5	4.5	-.5	2.5	7.5
Government purchases		7.9	8.6	3.1	2.0	1.1	.3	3.8	-.4	-1.0
Federal		13.0	13.3	.5	1.5	-1.6	-2.8	5.2	-.5	-4.5
Defense		6.5	7.1	6.0	4.0	-1.8	-2.1	4.0	-2.5	-7.6
State and local		4.4	4.9	5.2	2.3	3.1	2.6	2.7	-.4	1.6
Change in business inventories	Billions of 82\$	62.3	9.1	5.6	22.8	23.6	23.8	-3.6	-13.5	29.1
Nonfarm	Billions of 82\$	57.8	13.4	8.0	28.7	26.5	18.7	-5.1	-15.6	26.8
Net exports	Billions of 82\$	-84.0	-104.3	-129.7	-118.5	-75.9	-54.1	-33.8	-.6	-10.1
Nominal GNP	Percent change*	8.6	6.6	4.6	8.2	7.8	5.6	4.5	5.3	6.1
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employment	Millions	94.5	97.5	99.5	102.2	105.5	108.4	110.3	109.2	110.9
Unemployment rate	Percent	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.7	6.4
Industrial production index	Percent change*	4.7	1.9	1.4	6.5	4.5	1.1	.3	.6	4.3
Capacity utilization rate-mfg.	Percent	80.4	79.5	79.0	81.4	83.9	83.9	82.3	78.1	79.3
Housing starts	Millions	1.77	1.74	1.81	1.62	1.49	1.38	1.19	1.01	1.15
Auto sales	Millions	10.35	11.03	11.44	10.23	10.65	9.89	9.53	8.69	9.43
Domestic	Millions	7.92	8.22	8.22	7.06	7.55	7.06	6.92	6.31	6.85
Foreign	Millions	2.43	2.82	3.22	3.18	3.10	2.83	2.61	2.38	2.58
INCOME AND SAVING										
Nominal personal income	Percent change*	8.4	6.6	5.8	8.1	7.6	6.8	5.6	4.6	6.8
Real disposable income	Percent change*	4.3	2.7	3.3	2.7	4.3	1.7	-.4	1.2	2.8
Personal saving rate	Percent	6.1	4.4	4.1	2.9	4.2	4.6	4.6	3.9	4.0
Corp. profits with IVA & CCAdj	Percent change*	7.4	9.2	-5.6	17.4	8.2	-16.8	-.7	15.7	4.2
Profit share of GNP	Percent	7.1	7.0	6.7	6.8	6.9	6.0	5.5	5.4	5.7
Federal govt. surplus/deficit	Billions of \$	-169.6	-196.9	-206.9	-158.2	-141.7	-134.3	-166.0	-150.5	-154.8
State and local govt. surplus		64.6	65.1	62.8	51.0	46.5	46.4	35.4	40.4	69.3
Exc. social insurance funds		19.8	13.8	5.6	-8.3	-16.4	-19.9	-34.0	-32.1	-6.8
PRICES AND COSTS										
GNP implicit deflator	Percent change*	3.4	2.9	2.6	3.0	4.1	3.7	4.0	3.7	3.2
GNP fixed-weight price index		3.7	3.3	2.6	3.8	4.6	4.0	4.8	3.9	3.5
Cons. & fixed invest. prices		3.3	3.4	2.5	4.5	4.3	4.3	5.3	3.3	3.4
CPI		4.2	3.5	1.3	4.5	4.3	4.6	6.3	3.4	3.7
Exc. food and energy		5.0	4.3	3.9	4.3	4.5	4.3	5.3	4.6	3.7
ECI hourly compensation		4.7	4.0	3.1	3.4	4.8	4.7	4.7	4.1	3.7
Nonfarm business sector										
Output per hour		1.5	1.6	1.3	2.3	1.8	-1.6	-.3	2.6	1.6
Compensation per hour		4.2	4.6	4.9	3.7	4.2	2.2	4.4	4.2	3.8
Unit labor costs		2.6	3.0	3.6	1.4	2.3	3.9	4.7	1.5	2.2

* Percent changes are from fourth quarter to fourth quarter.

June 28, 1991

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

	Units	1988				1989				1990	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GNP	Billions of \$	4735.8	4831.4	4917.9	5009.8	5101.3	5174.0	5238.6	5289.3	5375.4	5443.3
Real GNP	Billions of 82\$	3970.2	4005.8	4032.1	4059.3	4095.7	4112.2	4129.7	4133.2	4150.6	4155.1
Real GNP	Percent Change	5.1	3.6	2.7	2.7	3.6	1.6	1.7	.3	1.7	.4
Gross domestic purchases		1.6	3.0	3.2	2.4	1.2	1.8	2.8	-1.2	.5	1.3
Final sales		7.1	5.1	1.1	4.6	2.4	1.7	1.8	.9	3.8	.7
Private dom. final purchases		6.7	4.8	3.0	1.7	.8	1.4	4.1	-1.5	2.4	-1.2
Personal consumption expend.		6.9	2.7	3.5	3.5	-.3	1.3	4.6	-.8	1.1	.2
Durables		21.8	3.7	-1.1	14.1	-6.0	5.6	9.6	-13.0	14.4	-9.5
Nondurables		2.6	2.0	4.1	1.2	.6	-1.7	3.9	-.2	-3.2	-1.9
Services		5.6	2.9	4.5	1.9	.9	2.1	3.5	3.1	.1	5.1
Business fixed investment		11.4	15.7	1.6	-6.3	8.9	6.9	6.3	-3.8	5.0	-4.7
Producers' durable equipment		20.3	17.9	2.2	-5.5	9.5	12.2	6.1	-5.2	5.7	-3.3
Nonresidential structures		-10.5	9.9	-.3	-8.7	7.5	-8.2	7.1	1.3	2.3	-9.0
Residential structures		-6.8	6.8	.4	-.4	-3.6	-11.3	-7.6	-5.5	15.1	-11.2
Exports		31.7	4.4	5.4	16.7	15.8	12.4	-.5	13.5	11.2	-5.0
Imports		.5	.3	9.2	12.4	-2.3	12.8	6.4	1.7	2.5	.7
Government purchases		-9.2	3.3	-3.8	15.7	-3.3	4.0	-2.4	3.0	2.9	6.2
Federal		-24.1	3.5	-10.4	33.6	-9.1	7.0	-7.9	-.4	.4	16.4
Defense		-5.6	-1.4	-5.0	4.9	-10.9	3.2	7.2	-7.0	-1.7	3.3
State and local		3.9	3.2	1.2	4.3	1.3	1.8	1.8	5.6	4.8	-.6
Change in business inventories	Billions of 82\$	31.0	16.9	32.6	14.0	26.1	25.5	24.6	18.9	-2.2	9.5
Nonfarm	Billions of 82\$	28.8	19.2	31.0	27.2	16.4	21.5	21.7	15.3	-8.2	11.6
Net exports	Billions of 82\$	-77.3	-72.2	-78.5	-75.7	-51.1	-53.3	-64.1	-47.9	-35.4	-44.6
Nominal GNP	Percent change	7.8	8.3	7.4	7.7	7.5	5.8	5.1	3.9	6.7	5.1
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	104.3	105.1	105.9	106.8	107.6	108.1	108.5	109.0	109.7	110.2
Unemployment rate	Percent*	5.7	5.5	5.5	5.3	5.2	5.3	5.3	5.3	5.3	5.3
Industrial production index	Percent change	5.0	4.2	5.9	2.8	2.7	2.8	-1.2	.2	.6	4.2
Capacity utilization rate-mfg.	Percent*	83.1	83.6	84.3	84.6	84.7	84.5	83.7	82.9	82.7	82.8
Housing starts	Millions	1.43	1.49	1.48	1.55	1.46	1.36	1.35	1.35	1.43	1.20
Auto sales	Millions	10.91	10.67	10.15	10.88	10.03	10.26	10.20	9.09	10.01	9.53
Domestic	Millions	7.60	7.50	7.20	7.89	7.08	7.26	7.36	6.56	7.11	6.78
Foreign	Millions	3.30	3.17	2.95	2.99	2.95	3.00	2.84	2.53	2.90	2.75
INCOME AND SAVING											
Nominal personal income	Percent change	6.4	8.6	8.1	7.4	11.6	5.8	3.7	6.2	8.6	5.3
Real disposable income	Percent change	7.3	2.7	4.9	2.3	4.2	-1.2	2.7	1.2	2.5	.3
Personal saving rate	Percent*	4.0	4.1	4.5	4.1	5.2	4.6	4.1	4.6	4.9	5.0
Corp. profits with IVA & CCAdj	Percent change	9.5	6.6	-1.7	19.5	-23.2	-7.0	-17.1	-19.1	8.4	13.9
Profit share of GNP	Percent*	7.0	7.0	6.8	7.0	6.4	6.2	5.9	5.5	5.5	5.6
Federal govt. surplus/deficit	Billions of \$	-153.7	-136.9	-120.1	-156.3	-132.6	-122.7	-131.7	-150.1	-168.3	-166.0
State and local govt. surplus		45.5	48.3	46.8	45.2	48.9	50.3	48.1	38.5	38.1	38.6
Exc. social insurance funds		-15.6	-14.1	-17.0	-19.0	-16.2	-15.6	-18.7	-29.1	-30.2	-30.4
PRICES AND COSTS											
GNP implicit deflator	Percent change	2.7	4.4	4.7	4.7	3.9	3.9	3.2	3.8	4.8	4.7
GNP fixed-weight price index		3.9	4.7	5.5	4.4	4.9	4.6	3.1	3.8	6.6	3.9
Cons. & fixed invest. prices		2.9	4.9	4.5	5.0	5.0	5.3	2.3	4.6	6.8	2.6
CPI		3.2	4.5	5.2	4.4	5.1	6.0	3.3	3.9	7.5	3.8
Exc. food and energy		4.1	4.7	4.6	4.6	4.9	4.2	3.8	4.7	5.9	4.9
CI hourly compensation**		5.2	5.2	3.8	5.1	4.2	4.9	5.3	4.4	5.6	5.1
Nonfarm business sector		4.7	-.5	2.8	.2	-2.7	-.3	-1.0	-2.5	-1.3	.3
Output per hour		2.4	5.1	5.3	3.8	3.3	1.7	1.6	2.3	3.9	5.0
Compensation per hour		-2.2	5.7	2.5	3.6	6.1	2.0	2.6	5.0	5.3	4.7
Unit labor costs											

* Not at an annual rate.

** Private industry workers

June 28, 1991

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

	Units	Projection									
		1990				1991				1992	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GNP	Billions of \$	5514.6	5527.3	5557.7	5603.3	5713.2	5817.9	5920.9	6007.8	6090.9	6173.4
Real GNP	Billions of 1929	4170.0	4153.4	4124.1	4126.5	4174.8	4217.2	4251.5	4280.3	4307.8	4334.3
Real GNP	Percent Change	1.4	-1.6	-2.8	.2	4.8	4.1	3.3	2.7	2.6	2.5
Gross domestic purchases		1.6	-5.1	-4.3	1.6	4.1	4.4	3.6	3.1	2.6	2.8
Final sales		1.9	1.4	-2.9	.9	2.7	1.7	2.1	2.3	2.7	2.4
Private dom. final purchases		2.3	-3.8	-5.1	2.4	2.6	2.9	3.4	3.5	3.6	3.5
Personal consumption expend.		2.7	-3.4	-1.5	3.4	2.2	2.5	3.0	2.8	2.7	2.7
Durables		2.6	-12.3	-11.7	7.7	5.2	5.0	6.5	3.5	3.4	3.0
Nondurables		2.3	-6.5	-1.8	.3	1.2	1.2	1.8	2.2	2.1	2.1
Services		3.0	1.8	2.1	4.1	2.0	2.5	2.7	2.9	2.9	2.9
Business fixed investment		8.9	.1	-16.3	-2.8	1.5	3.5	4.4	5.9	6.5	6.8
Producers' durable equipment		10.2	6.3	-18.4	-1.8	4.6	6.5	7.6	8.8	9.0	9.0
Nonresidential structures		5.1	-18.2	-9.0	-6.1	-8.3	-6.5	-6.6	-4.7	-3.0	-1.9
Residential structures		-19.8	-20.6	-25.3	3.7	12.1	9.6	8.2	9.1	9.6	8.3
Exports		6.9	11.0	.5	-1.0	6.4	8.2	6.3	6.1	5.7	5.8
Imports		7.6	-11.8	-8.8	7.7	1.9	10.4	8.5	8.1	5.9	7.6
Government purchases		1.2	4.7	-1.3	1.5	-.4	-1.4	-1.4	-1.1	-.9	-.7
Federal		.1	4.6	-.5	4.2	-.8	-4.6	-4.7	-4.6	-4.4	-4.5
Defense		2.7	12.1	2.7	-1.3	-3.7	-7.5	-7.6	-7.7	-7.5	-7.6
State and local		2.0	4.9	-1.9	-.4	-.1	.9	1.1	1.5	1.7	2.0
Change in business inventories	Billions of 1929	4.7	-26.4	-25.0	-31.8	-10.8	13.5	25.6	30.5	29.7	30.4
Nonfarm	Billions of 1929	4.7	-28.5	-28.1	-33.9	-11.9	11.6	23.3	28.2	27.4	28.1
Net exports	Billions of 1929	-46.5	-8.8	7.1	-6.7	.3	-3.0	-6.6	-10.0	-10.3	-13.5
Nominal GNP	Percent change	5.3	.9	2.2	3.3	8.1	7.5	7.3	6.0	5.6	5.5
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	110.2	109.8	109.2	108.8	109.1	109.7	110.2	110.7	111.1	111.5
Unemployment rate	Percent*	5.6	5.9	6.5	6.8	6.8	6.6	6.5	6.4	6.4	6.3
Industrial production index	Percent change	3.9	-7.0	-9.6	.0	7.2	5.7	5.1	4.8	3.8	3.7
Capacity utilization rate-mfg.	Percent*	82.9	80.8	78.0	77.4	78.2	78.7	79.0	79.3	79.4	79.5
Housing starts	Millions	1.13	1.04	.92	.99	1.05	1.07	1.11	1.13	1.16	1.19
Auto sales	Millions	9.68	8.93	8.25	8.43	8.96	9.15	9.35	9.40	9.45	9.50
Domestic	Millions	7.21	6.59	6.00	6.06	6.55	6.65	6.80	6.83	6.86	6.90
Foreign	Millions	2.47	2.34	2.25	2.37	2.41	2.50	2.55	2.57	2.59	2.60
INCOME AND SAVING											
Nominal personal income	Percent change	5.0	3.5	1.5	4.2	5.4	7.3	8.4	6.3	6.2	6.5
Real disposable income	Percent change	-.7	-3.5	-1.5	1.8	1.3	3.2	3.9	2.4	2.4	2.6
Personal saving rate	Percent*	4.2	4.2	4.2	3.9	3.7	3.9	4.1	4.0	4.0	4.0
Corp. profits with IVA & CCAdj	Percent change	-7.5	-14.8	-3.7	-4.2	57.4	23.3	12.5	.3	-1.4	5.8
Profit share of GNP	Percent*	5.5	5.2	5.1	5.1	5.6	5.7	5.8	5.7	5.6	5.6
Federal govt. surplus/deficit	Billions of \$	-145.7	-184.3	-126.9	-155.2	-148.4	-171.5	-169.1	-157.8	-146.3	-146.0
State and local govt. surplus	Billions of \$	39.3	25.7	30.0	33.6	44.2	53.7	61.3	66.9	72.1	76.9
Exc. social insurance funds	Billions of \$	-30.5	-44.8	-41.0	-38.4	-28.7	-20.1	-13.4	-8.7	-4.4	-.5
PRICES AND COSTS											
GNP implicit deflator	Percent change	3.7	2.8	5.2	3.0	3.2	3.3	3.8	3.2	3.0	3.0
GNP fixed-weight price index		4.2	4.7	5.2	3.1	3.6	3.5	4.1	3.5	3.3	3.3
Cons. & fixed invest. prices		5.4	6.4	3.1	2.6	3.8	3.5	3.5	3.4	3.3	3.3
CPI		7.0	6.9	3.6	2.2	4.0	3.8	4.1	3.6	3.5	3.5
Exc. food and energy		6.1	4.2	6.8	3.2	4.1	4.1	4.3	3.7	3.5	3.5
ECI hourly compensation**		4.3	3.8	4.6	4.2	3.9	3.8	3.8	3.7	3.7	3.6
Infarm business sector		.6	-.7	.3	3.5	4.4	2.3	1.8	1.6	1.5	1.4
Output per hour		4.7	3.9	4.0	4.5	4.2	3.9	4.3	3.7	3.6	3.6
Compensation per hour		4.1	4.7	3.7	1.0	-.2	1.6	2.5	2.1	2.1	2.2

* Not at an annual rate.

** Private industry workers

CONFIDENTIAL - FR
CLASS II FOMC

June 28, 1991

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

	1988										1987		1988		1989		1990	
	1988				1989				1990		1987		1988		1989		1990	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1987	1988	1989	1990	(fourth quarter to fourth quarter, net change)			
Real GNP	49.5	35.6	26.3	27.2	36.4	16.5	17.5	3.5	17.4	4.5	107.1	138.6	73.9	20.2				
Gross domestic purchases	15.5	30.5	32.6	24.4	11.8	18.7	28.3	-12.7	4.9	13.7	163.0	103.0	46.1	-18.9				
Final sales	66.9	49.7	10.6	45.7	24.4	17.0	18.5	9.3	38.4	-7.2	117.9	172.9	69.2	65.4				
Private dom. final purchases	51.8	38.3	24.4	14.2	6.5	11.4	34.1	-12.9	20.2	-10.3	78.5	128.7	39.1	-3.8				
Personal consumption expend.	42.6	17.3	22.3	22.4	-2.1	8.6	30.0	-5.4	7.4	1.5	56.4	104.6	31.1	3.7				
Durables	19.8	3.8	-1.1	13.9	-6.6	5.8	9.9	-15.0	14.5	-10.8	-4.9	36.4	-5.9	-7.5				
Nondurables	5.7	4.4	9.1	2.7	1.4	-3.9	8.8	-4	-7.4	-4.4	11.7	21.9	5.9	-21.8				
Services	17.1	9.1	14.2	6.0	3.0	6.7	11.3	10.0	.4	16.6	49.6	46.4	31.0	32.9				
Business fixed investment	12.7	17.6	2.0	-8.0	10.5	8.4	7.8	-4.9	6.2	-6.2	26.6	24.3	21.8	11.0				
Producers' durable equipment	16.0	14.9	2.0	-5.2	8.4	10.9	5.7	-5.2	5.4	-3.3	25.6	27.7	19.8	17.7				
Nonresidential structures	-3.4	2.9	-.1	-2.8	2.2	-2.6	2.1	.4	.7	-2.9	1.0	-3.4	2.1	-6.7				
Residential structures	-3.4	3.2	.2	-.2	-1.8	-5.7	-3.7	-2.6	6.5	-5.5	-4.5	-.2	-13.8	-18.5				
Change in business inventories	-17.4	-14.1	15.7	-18.6	12.1	-.6	-.9	-5.7	-21.1	11.7	69.2	-34.4	4.9	-45.3				
Nonfarm	-26.6	-9.6	11.8	-3.8	-10.8	5.1	.2	-6.4	-23.5	19.8	66.3	-28.2	-11.9	-43.8				
Farm	9.1	-4.5	3.9	-14.8	22.9	-5.7	-1.1	.7	2.4	-8.1	3.0	-6.3	16.8	-1.5				
Net exports	34.0	5.1	-6.3	2.8	24.6	-2.2	-10.8	16.2	12.5	-9.2	24.1	35.6	27.8	39.1				
Exports	34.7	5.6	7.0	21.0	20.8	17.1	-.7	19.1	16.5	-8.0	80.5	68.3	56.3	35.6				
Imports	.7	.5	13.3	18.2	-3.7	19.2	10.1	2.8	4.1	1.2	56.4	32.7	28.4	-3.4				
Government purchases	-18.9	6.3	-7.5	28.7	-6.7	7.8	-4.8	6.0	5.7	12.3	15.3	8.6	2.3	30.1				
Federal	-23.2	2.8	-8.9	23.9	-8.1	5.7	-6.9	-.3	.3	12.9	5.3	-5.4	-9.6	17.2				
Defense	-3.8	-.9	-3.3	3.1	-7.4	2.0	4.5	-4.7	-1.1	2.1	10.2	-4.9	-5.6	10.2				
Nondefense	-19.4	3.7	-5.6	20.8	-.8	3.8	-11.4	4.4	1.4	10.8	-4.9	-.5	-4.0	7.0				
State and local	4.3	3.5	1.3	4.8	1.5	2.1	2.1	6.3	5.5	-.7	10.0	13.9	12.0	12.9				

101

CONFIDENTIAL - FR
CLASS II FOMC

June 28, 1991

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

	Projection										Projection			
	1990		1991				1992				1989	1990	1991	1992
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	(fourth quarter to fourth quarter, net change)			
Real GNP	14.9	-16.6	-29.3	2.4	48.3	42.3	34.3	28.9	27.5	26.4	73.9	20.2	63.8	117.1
Gross domestic purchases	16.8	-54.3	-45.2	16.1	41.3	45.7	37.9	32.3	27.9	29.6	46.1	-18.9	57.9	127.7
Final sales	19.7	14.5	-30.8	9.3	27.3	18.0	22.2	24.0	28.3	25.7	69.2	65.4	23.9	100.2
Private dom. final purchases	19.1	-32.8	-44.0	20.0	21.1	24.4	28.7	29.6	30.5	30.3	39.1	-3.8	21.5	119.1
Personal consumption expend.	18.0	-23.2	-9.9	22.0	14.8	16.4	20.1	18.7	18.5	18.3	31.1	3.7	43.3	75.6
Durables	2.7	-13.9	-12.7	7.6	5.3	5.1	6.7	3.7	3.6	3.3	-5.9	-7.5	5.3	17.3
Nondurables	5.2	-15.2	-4.1	.7	2.7	2.7	4.0	4.9	4.7	4.8	5.9	-21.8	1.9	18.5
Services	10.0	5.9	7.0	13.8	6.9	8.6	9.3	10.1	10.2	10.2	31.0	32.9	36.2	39.8
Business fixed investment	10.9	.1	-22.6	-3.5	1.9	4.3	5.4	7.3	8.1	8.6	21.8	11.0	-19.9	29.4
Producers' durable equipment	9.5	6.1	-20.0	-1.7	4.3	6.1	7.2	8.5	8.9	9.1	19.8	17.7	-11.3	33.7
Nonresidential structures	1.5	-6.0	-2.7	-1.8	-2.4	-1.8	-1.8	-1.3	-.8	-.5	2.1	-6.7	-8.7	-4.4
Residential structures	-9.8	-9.7	-11.5	1.4	4.5	3.6	3.2	3.6	3.9	3.5	-13.8	-18.5	-2.0	14.2
Change in business inventories	-4.8	-31.1	1.4	-6.8	21.0	24.3	12.1	4.9	-.8	.7	4.9	-45.3	39.9	16.9
Nonfarm	-6.9	-33.2	.4	-5.8	22.0	23.5	11.7	4.9	-.8	.7	-11.9	-43.8	40.1	16.5
Farm	2.1	2.1	1.0	-1.0	-1.0	.8	.4	.0	.0	.0	16.8	-1.5	-.2	.4
Net exports	-1.9	37.7	15.9	-13.8	7.0	-3.3	-3.6	-3.4	-.4	-3.2	27.8	39.1	5.8	-10.5
Exports	10.4	16.7	.8	-1.6	10.1	13.1	10.3	10.1	9.7	9.9	56.3	35.6	22.3	39.9
Imports	12.3	-21.0	-15.0	12.1	3.1	16.4	13.8	13.5	10.0	13.1	28.4	-3.4	16.5	50.5
Government purchases	2.5	9.6	-2.7	3.1	-.8	-3.0	-2.9	-2.2	-1.8	-1.4	2.3	30.1	-3.4	-8.3
Federal	.1	3.9	-.4	3.6	-.7	-4.1	-4.2	-4.0	-3.8	-3.8	-9.6	17.2	-1.6	-15.8
Defense	1.7	7.5	1.8	-.9	-2.5	-5.1	-5.2	-5.0	-4.8	-4.8	-5.6	10.2	-5.7	-19.8
Nondefense	-1.6	-3.6	-2.2	4.5	1.8	1.0	1.0	1.0	1.0	1.0	-4.0	7.0	5.1	4.0
State and local	2.4	5.7	-2.3	-.5	-.1	1.1	1.3	1.8	2.0	2.4	12.0	12.9	-1.8	7.5