

## **Part 1**

June 21, 2000

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Summary and Outlook**

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

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

Measure	2000:Q1			2000:Q2	
	May GB	BEA <sup>1</sup>	June GB	May GB	June GB
<b>Real GDP</b>	<b>4.9</b>	<b>5.4</b>	<b>5.5</b>	<b>5.3</b>	<b>4.1</b>
Private domestic final purchases	10.0	9.9	10.0	4.7	4.2
Personal consumption expenditures	7.6	7.5	7.5	4.0	3.2
Residential investment	6.3	5.2	6.5	-2.2	-2.9
Business fixed investment	24.8	25.2	25.8	10.6	12.7
Government outlays for consumption and investment	-1.4	-1.2	-1.4	3.9	3.8
<b>MEMO</b>					
Real GDP adjusted for defense spending anomaly	5.8	6.3	6.4	4.8	3.6
	Change, billions of chained (1996) dollars				
Inventory investment	-45.3	-36.2	-38.8	32.9	14.8
Net exports	-34.1	-28.8	-24.9	-21.0	-21.7

1. Preliminary release, published May 25.

The housing market provides the clearest evidence of a slowing in the growth of aggregate demand. The decline in single-family starts to 1.25 million units in May suggests that higher mortgage rates are beginning to bind more tightly for some buyers. Nonetheless, the deceleration of activity to date has been relatively small, as past increases in employment and wealth have supported housing demand. On net, we are projecting a decline of 3 percent in real residential outlays this quarter.

In the business sector, huge increases in technology investment have continued to boost orders and shipments of nondefense capital goods. Following a strike-related slowdown in the first quarter, a catch-up in jet deliveries by Boeing is adding to equipment outlays this quarter. On the structures side as well, construction figures point to very large increases. Overall, we think it likely that real business fixed investment will post a rise of 12-3/4 percent at an annual rate; although this figure represents a strong increase, it is roughly half the growth pace of the first quarter, when firms took delivery of computing and communications equipment for which purchases had been deferred because of the century date change. Inventory accumulation fell

**Projections of Real GDP**  
(Percent change, Q4 to Q4, except as noted)

Measure	2000		2001
	H1	H2	
<b>Real GDP</b>	<b>4.8</b>	<b>3.8</b>	<b>3.5</b>
Previous	5.1	4.0	3.6
Final sales	5.3	3.7	3.7
Previous	5.3	4.1	3.8
PCE	5.3	3.8	3.2
Previous	5.8	4.1	3.3
Residential investment	1.7	-5.8	-5.5
Previous	1.9	-4.9	-3.6
BFI	19.1	11.3	10.1
Previous	17.5	12.4	10.0
Government purchases	1.2	3.1	3.5
Previous	1.2	3.2	3.5
Exports	8.7	6.9	8.5
Previous	5.5	6.7	8.4
Imports	13.5	9.5	8.0
Previous	12.2	9.6	8.1
MEMO			
Real GDP adjusted for defense spending anomaly	5.0	3.8	3.5
	Change, billions of chained (1996) dollars		
Inventory change	-12.0	3.3	-13.1
Previous	-6.2	-.6	-12.5
Net exports	-23.3	-15.9	-27.4
Previous	-27.5	-17.4	-31.7

**Household demand.** After increasing 5-1/4 percent in the first half of the year, real consumer spending is anticipated to grow at a pace of about 3-3/4 percent in the second half of this year and about 3-1/4 percent next year. These rates are down just a bit from the May Greenbook. For the most part, the deceleration reflects the waning of the wealth effects that had continued to spur consumer spending last year. Given our rule of thumb, the impetus to consumption

section provides a more detailed discussion of the outlook for the external sector.)

### Prospects for the Supply Side of the Economy and Inflation

We continue to estimate that potential GDP growth currently is running at 4-1/4 percent. Even at that rate, however, the slowdown in demand that we are projecting is insufficient to eliminate the pressures arising from very high levels of resource utilization in the economy. We expect those pressures to become more visible in the inflation numbers during the projection period, as the favorable factors that have helped to damp inflation in recent years wane.

**Labor markets.** We expect labor productivity in the nonfarm business sector to increase at an annual rate of about 3-1/2 percent in the second quarter on a published basis. Although output growth has been revised down, the increase in hours also is smaller than in the May Greenbook, and our second-quarter figure for productivity growth is about the same as in the last projection. Of course, the return of federal spending to a level that is no longer distorted by the defense anomaly pushes up the second-quarter productivity figure; adjusting for that implies an increase in output per hour of 2-3/4 percent.

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

Measure	1999	2000	2001
Output per hour, nonfarm business	3.7	2.8	2.6
Previous	3.7	2.8	2.7
Nonfarm payroll employment	2.2	2.0	1.4
Previous	2.2	2.1	1.4
Household employment survey	1.5	1.4	.9
Previous	1.5	1.7	1.0
Labor force participation rate <sup>1</sup>	67.0	67.3	67.3
Previous	67.0	67.4	67.4
Civilian unemployment rate <sup>1</sup>	4.1	3.9	4.1
Previous	4.1	3.8	4.0
MEMO			
Output per hour, nonfarm business, adjusted for defense spending anomaly	3.6	2.9	2.6

1. Percent, average for the fourth quarter.

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

Measure	1999	2000	2001
PCE chain-weighted price index	2.0	2.6	2.0
Previous	2.0	2.4	2.2
Excluding food and energy	1.5	2.1	2.3
Previous	1.5	2.2	2.4
Consumer price index	2.6	3.2	2.2
Previous	2.6	3.0	2.4
Food	1.9	2.6	2.7
Previous	1.9	2.8	2.7
Energy	11.2	11.5	-4.9
Previous	11.2	6.4	-3.2
Excluding food and energy	2.1	2.6	2.8
Previous	2.1	2.7	2.9
GDP chain-weighted price index	1.6	2.3	1.9
Previous	1.6	2.3	2.0
ECI for compensation of private industry workers <sup>1</sup>	3.4	4.4	4.6
Previous	3.4	4.4	4.6
NFB compensation per hour	4.3	4.7	5.4
Previous	4.3	4.9	5.5
Prices of core non-oil merchandise imports	.2	1.8	3.0
Previous	.2	1.8	3.0

1. December to December.

inflation.<sup>1</sup> All things considered, we expect core price inflation to remain on an uptrend over the forecast period.

Except for some minor tweaks, our compensation forecast is little changed from that in the last Greenbook. Both the ECI and the productivity and cost (P&C) measures of hourly compensation are expected to accelerate more than

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1. As we have noted before, the difficulties in the definition and measurement of hourly compensation these days have led us to downweight the direct quantitative link between any of the compensation measures and our price projection.

**Alternative Simulations**  
(Percent change, Q4 to Q4, except as noted)

Measure	2000	2001
<i>Real GDP</i>		
Baseline	4.3	3.5
Flat funds rate	4.4	4.2
Tighter policy	4.2	2.8
Stock market correction	4.2	2.9
Continued stock market gains	4.3	3.8
<i>Civilian unemployment rate<sup>1</sup></i>		
Baseline	3.9	4.1
Flat funds rate	3.9	3.8
Tighter policy	3.9	4.4
Stock market correction	3.9	4.3
Continued stock market gains	3.9	4.0
<i>PCE prices excluding food and energy</i>		
Baseline	2.1	2.3
Flat funds rate	2.1	2.6
Tighter policy	2.1	2.0
Stock market correction	2.1	2.3
Continued stock market gains	2.1	2.3

1. Average for the fourth quarter.

correction, with the Wilshire 5000 (which closed today at 13,862) dropping in the latter part of the third quarter to a level of 11,000 and remaining at that level through the end of 2001. In the fourth scenario, the market trends upward, with the Wilshire reaching 16,000 by the end of next year.

With no change in the nominal federal funds rate over the projection period, the FRB/US model projects that real GDP will rise at a pace of 4.2 percent next year, well above the baseline rate. With the additional growth, the unemployment rate edges down next year, and core PCE inflation picks up to a 2.6 percent pace next year. Under this scenario, inflation would step up rapidly beyond the forecast horizon.

In the "tighter policy" scenario, real GDP growth slows to 2.8 percent next year, and the unemployment rate rises to 4.4 percent by the end of 2001. Under this scenario, the model projects that inflation would edge down rather than picking up as in the baseline projection. Besides the lower level of resource utilization in this scenario, the favorable inflation performance also reflects the influence

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

June 21, 2000

Interval	Nominal GDP		Real GDP		GDP chain-weighted price index		Consumer price index <sup>1</sup>		Unemployment rate <sup>2</sup>	
	5/11/00	6/21/00	5/11/00	6/21/00	5/11/00	6/21/00	5/11/00	6/21/00	5/11/00	6/21/00
<b>ANNUAL</b>										
1997	6.2	6.2	4.2	4.2	1.9	1.9	2.3	2.3	4.9	4.9
1998	5.5	5.5	4.3	4.3	1.2	1.2	1.6	1.6	4.5	4.5
1999	5.7	5.7	4.1	4.1	1.4	1.4	2.2	2.2	4.2	4.2
2000	7.3	7.3	5.1	5.0	2.1	2.2	3.1	3.3	3.9	4.0
2001	5.9	5.7	3.8	3.7	2.0	2.0	2.4	2.3	3.9	4.1
<b>QUARTERLY</b>										
1998 Q1	7.7	7.7	6.9	6.9	0.9	0.9	1.0	1.0	4.7	4.7
Q2	3.4	3.4	2.2	2.2	1.1	1.1	1.7	1.7	4.4	4.4
Q3	5.4	5.4	3.8	3.8	1.3	1.3	1.7	1.7	4.5	4.5
Q4	7.0	7.0	5.9	5.9	0.8	0.8	1.7	1.7	4.4	4.4
1999 Q1	5.7	5.7	3.7	3.7	2.0	2.0	1.7	1.7	4.3	4.3
Q2	3.3	3.3	1.9	1.9	1.3	1.3	3.2	3.2	4.3	4.3
Q3	6.8	6.8	5.7	5.7	1.1	1.1	2.4	2.4	4.2	4.2
Q4	9.4	9.4	7.3	7.3	2.0	2.0	2.9	2.9	4.1	4.1
2000 Q1	7.7	8.4	4.9	5.5	2.6	2.7	4.1	4.1	4.1	4.1
Q2	7.9	6.8	5.3	4.1	2.7	2.6	3.5	3.6	3.9	4.0
Q3	6.1	6.2	4.1	3.8	1.9	2.3	2.1	3.7	3.8	3.9
Q4	5.9	5.6	4.0	3.8	1.8	1.7	2.3	1.6	3.8	3.9
2001 Q1	5.8	5.6	3.6	3.5	2.1	2.0	2.2	1.9	3.9	4.0
Q2	5.6	5.5	3.6	3.5	1.9	1.8	2.5	2.3	3.9	4.0
Q3	5.6	5.4	3.6	3.5	2.0	1.8	2.4	2.3	3.9	4.1
Q4	5.7	5.5	3.6	3.5	2.0	1.9	2.6	2.5	4.0	4.1
<b>TWO-QUARTER<sup>3</sup></b>										
1998 Q2	5.5	5.5	4.5	4.5	1.0	1.0	1.3	1.3	-0.3	-0.3
Q4	6.2	6.2	4.9	4.9	1.1	1.1	1.7	1.7	0.0	0.0
1999 Q2	4.5	4.5	2.8	2.8	1.7	1.7	2.5	2.5	-0.1	-0.1
Q4	8.1	8.1	6.5	6.5	1.5	1.5	2.7	2.7	-0.2	-0.2
2000 Q2	7.8	7.6	5.1	4.8	2.7	2.7	3.7	3.8	-0.2	-0.1
Q4	6.0	5.9	4.0	3.8	1.9	2.0	2.2	2.6	-0.1	-0.1
2001 Q2	5.7	5.5	3.6	3.5	2.0	1.9	2.3	2.1	0.1	0.1
Q4	5.7	5.5	3.6	3.5	2.0	1.9	2.5	2.4	0.1	0.1
<b>FOUR-QUARTER<sup>4</sup></b>										
1997 Q4	5.9	5.9	4.1	4.1	1.8	1.8	1.9	1.9	-0.6	-0.6
1998 Q4	5.9	5.9	4.7	4.7	1.0	1.0	1.5	1.5	-0.3	-0.3
1999 Q4	6.3	6.3	4.6	4.6	1.6	1.6	2.6	2.6	-0.3	-0.3
2000 Q4	6.9	6.7	4.5	4.3	2.3	2.3	3.0	3.2	-0.3	-0.2
2001 Q4	5.7	5.5	3.6	3.5	2.0	1.9	2.4	2.2	0.1	0.2

1. For all urban consumers.

2. Level, except as noted.

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

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



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

June 21, 2000

		-- Projected --								
Item	Units <sup>1</sup>	1993	1994	1995	1996	1997	1998	1999	2000	2001
EXPENDITURES										
Nominal GDP	Bill. \$	6642.3	7054.3	7400.5	7813.2	8300.8	8759.9	9256.1	9930.5	10495.0
Real GDP	Bill. Ch. \$	7062.6	7347.7	7543.8	7813.2	8144.8	8495.7	8848.2	9294.1	9634.9
Real GDP	% change	2.5	4.1	2.2	4.1	4.1	4.7	4.6	4.3	3.5
Gross domestic purchases		3.1	4.3	1.7	4.3	4.7	5.7	5.6	4.9	3.6
Final sales		2.6	3.2	2.9	3.9	3.6	4.7	4.6	4.5	3.7
Priv. dom. final purchases		4.2	4.3	3.2	4.4	4.7	6.6	5.7	5.7	3.8
Personal cons. expenditures		3.4	3.6	2.8	3.1	3.9	5.1	5.6	4.5	3.2
Durables		9.3	6.4	3.7	5.0	8.4	13.0	10.5	6.8	2.9
Nondurables		2.6	4.1	2.5	3.2	2.4	5.0	5.8	3.3	2.4
Services		2.6	2.7	2.7	2.7	3.8	3.7	4.5	4.7	3.6
Business fixed investment		8.7	9.2	7.5	12.1	9.6	13.1	7.1	15.1	10.1
Equipment & Software		11.5	12.0	8.9	11.8	11.3	16.8	10.8	17.0	12.7
Nonres. structures		1.2	1.1	3.3	12.8	4.7	2.9	-3.9	8.9	1.3
Residential structures		7.8	4.0	-1.5	5.6	3.7	11.3	3.9	-2.2	-5.5
Exports		4.8	10.5	9.7	9.8	9.2	2.0	4.8	7.8	8.5
Imports		10.5	12.2	5.0	11.2	14.2	10.8	12.6	11.5	8.0
Gov't. cons. & investment		-0.8	0.2	-0.8	2.7	2.2	2.3	5.0	2.1	3.5
Federal		-5.3	-3.7	-5.3	2.0	0.2	0.6	5.0	-2.0	1.4
Defense		-6.4	-5.9	-4.7	0.8	-1.3	-1.1	5.1	-4.3	0.9
State & local		2.5	2.8	2.1	3.0	3.3	3.2	5.0	4.4	4.7
Change in bus. inventories	Bill. Ch. \$	20.0	66.8	30.4	30.0	69.1	74.3	42.2	44.5	44.0
Nonfarm		28.6	53.6	42.6	22.1	66.2	73.2	42.4	48.7	43.6
Net exports		-59.1	-86.5	-78.4	-89.0	-112.2	-217.6	-323.0	-400.0	-448.3
Nominal GDP	% change	5.0	6.2	4.3	6.0	5.9	5.9	6.3	6.7	5.5
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employment	Millions	110.7	114.1	117.2	119.6	122.7	125.8	128.8	131.7	133.5
Unemployment rate	%	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.1
Industrial prod. index	% change	3.4	6.4	3.5	5.3	6.8	2.9	4.2	5.2	3.9
Capacity util. rate - mfg.	%	80.5	82.5	82.6	81.5	82.4	80.9	79.8	81.0	81.2
Housing starts	Millions	1.29	1.46	1.35	1.48	1.47	1.62	1.67	1.63	1.53
Light motor vehicle sales		13.87	15.01	14.77	15.05	15.05	15.45	16.76	17.32	16.53
North Amer. produced		11.72	12.88	12.87	13.35	13.12	13.43	14.28	14.56	14.01
Other		2.15	2.13	1.90	1.70	1.94	2.02	2.48	2.76	2.52
INCOME AND SAVING										
Nominal GNP	Bill. \$	6666.7	7071.1	7420.9	7831.2	8305.0	8750.0	9236.2	9901.7	10449.1
Nominal GNP	% change	4.9	6.2	4.4	5.9	5.7	5.6	6.1	6.8	5.3
Nominal personal income		3.7	5.1	4.3	5.9	6.4	6.0	5.9	6.3	6.0
Real disposable income		1.3	2.9	1.7	2.6	3.9	4.3	3.7	3.3	4.0
Personal saving rate	%	7.1	6.1	5.6	4.8	4.5	3.7	2.4	0.7	1.2
Corp. profits, IVA & CCAdj.	% change	18.0	12.3	11.3	11.4	10.1	-1.8	9.6	10.0	0.8
Profit share of GNP	%	7.7	8.1	9.0	9.6	10.1	9.7	9.7	10.0	9.7
Excluding FR Banks		7.4	7.9	8.7	9.4	9.8	9.4	9.4	9.8	9.5
Federal surpl./deficit	Bill. \$	-274.1	-212.3	-192.0	-136.8	-48.8	46.9	115.4	187.5	213.8
State & local surpl./def.		1.5	8.6	15.3	21.4	27.5	41.7	51.0	53.4	49.9
Ex. social ins. funds		-2.7	4.0	11.4	18.7	26.4	40.8	50.2	52.1	48.5
Gross natl. saving rate	%	15.6	16.3	16.9	17.2	18.3	18.8	18.7	18.3	18.7
Net natl. saving rate		3.8	4.3	5.1	5.7	7.1	7.5	7.3	7.0	7.4
PRICES AND COSTS										
GDP chn.-wt. price index	% change	2.4	2.1	2.1	1.9	1.8	1.0	1.6	2.3	1.9
Gross Domestic Purchases										
chn.-wt. price index		2.2	2.1	2.1	1.9	1.3	0.7	1.9	2.4	1.8
PCE chn.-wt. price index		2.1	2.1	2.1	2.3	1.6	0.9	2.0	2.6	2.0
Ex. food and energy		2.4	2.3	2.3	1.8	1.7	1.3	1.5	2.1	2.3
CPI		2.7	2.6	2.7	3.1	1.9	1.5	2.6	3.2	2.2
Ex. food and energy		3.1	2.8	3.0	2.6	2.2	2.4	2.1	2.6	2.8
ECI, hourly compensation <sup>2</sup>		3.6	3.1	2.6	3.1	3.4	3.5	3.4	4.4	4.6
Nonfarm business sector										
Output per hour		-0.2	1.1	1.1	2.3	1.9	3.3	3.7	2.8	2.6
Compensation per Hour		1.3	2.2	2.7	3.2	4.3	5.4	4.3	4.7	5.4
Unit labor cost		1.6	1.0	1.5	0.9	2.3	2.0	0.6	1.9	2.8

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

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

June 21, 2000

Item	Units	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2
<b>EXPENDITURES</b>											
Nominal GDP	Bill. \$	8125.9	8259.5	8364.5	8453.0	8610.6	8683.7	8797.9	8947.6	9072.7	9146.2
Real GDP	Bill. Ch. \$	8018.7	8115.4	8192.2	8253.2	8391.1	8436.3	8515.7	8639.5	8717.6	8758.3
Real GDP	% change	4.5	4.9	3.8	3.0	6.9	2.2	3.8	5.9	3.7	1.9
Gross domestic purchases		5.4	5.4	4.6	3.4	8.8	4.2	4.6	5.5	5.8	3.2
Final sales		3.5	2.9	5.6	2.4	5.2	5.1	2.4	6.3	4.6	3.4
Priv. dom. final purchases		5.0	2.8	7.4	3.4	9.0	7.4	3.6	6.4	7.0	5.4
Personal cons. expenditures		4.4	1.5	6.4	3.3	5.8	6.1	4.0	4.6	6.5	5.1
Durables		10.9	-1.5	20.2	5.0	16.9	11.2	4.1	20.4	12.4	9.1
Nondurables		3.8	-0.2	5.7	0.3	5.8	6.7	2.4	5.0	8.9	3.3
Services		3.4	3.0	4.2	4.5	3.7	4.9	4.7	1.5	4.2	5.2
Business fixed investment		9.6	9.9	16.0	3.2	26.7	12.1	0.0	15.3	7.8	7.0
Equipment & Software		10.1	15.2	17.7	2.8	34.7	13.8	2.4	18.6	12.5	11.2
Monres. structures		8.0	-4.0	11.2	4.3	5.7	7.1	-6.6	5.8	-5.8	-5.3
Residential structures		3.0	4.7	0.6	6.6	14.0	13.6	8.0	9.8	12.9	5.5
Exports		8.3	15.9	11.3	1.7	-1.5	-3.9	-1.6	16.3	-5.5	4.0
Imports		15.5	19.1	17.6	5.2	14.4	13.0	5.2	10.8	12.5	14.4
Gov't. cons. & investment		1.5	5.6	1.6	-0.1	-1.0	6.0	1.3	2.9	5.1	1.3
Federal		-2.9	9.8	-1.4	-4.2	-9.8	11.9	-2.3	3.9	-0.5	2.1
Defense		-11.3	9.6	-0.2	-2.4	-17.0	11.1	7.0	-2.9	-4.0	-2.6
State & local		4.1	3.3	3.4	2.3	4.1	3.0	3.3	2.4	8.2	0.9
Change in bus. inventories	Bill. Ch. \$	51.5	93.1	59.2	72.7	107.3	43.1	76.1	70.7	50.1	14.0
Nonfarm		56.7	85.7	52.6	69.7	103.8	53.2	77.5	58.2	43.1	13.1
Net exports		-92.6	-103.2	-121.3	-131.5	-174.5	-221.0	-240.3	-234.4	-286.6	-321.1
Nominal GDP	% change	7.4	6.7	5.2	4.3	7.7	3.4	5.4	7.0	5.7	3.3
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employment	Millions	121.4	122.3	123.0	124.0	124.7	125.5	126.2	127.0	127.8	128.4
Unemployment rate	%	5.3	5.0	4.8	4.7	4.7	4.4	4.5	4.4	4.3	4.3
Industrial prod. index	% change	6.5	6.7	6.9	6.9	2.4	3.0	2.9	3.3	2.0	4.7
Capacity util. rate - mfg.	%	81.9	82.2	82.5	82.7	82.0	81.0	80.3	80.2	79.6	79.6
Housing starts	Millions	1.43	1.48	1.46	1.53	1.56	1.57	1.63	1.72	1.76	1.59
Light motor vehicle sales		15.35	14.54	15.26	15.06	15.18	16.09	14.52	16.01	16.24	16.74
North Amer. produced		13.43	12.68	13.25	13.11	13.21	14.10	12.52	13.88	13.98	14.32
Other		1.92	1.86	2.01	1.96	1.97	1.99	2.00	2.13	2.26	2.42
<b>INCOME AND SAVING</b>											
Nominal GNP	Bill. \$	8131.1	8269.1	8366.5	8453.3	8613.7	8683.7	8772.2	8930.5	9058.2	9131.9
Nominal GNP	% change	6.8	7.0	4.8	4.2	7.8	3.3	4.1	7.4	5.8	3.3
Nominal personal income		8.0	5.6	5.5	6.4	5.3	5.8	6.6	6.5	5.4	5.5
Real disposable income		3.9	3.9	3.4	4.3	4.2	3.8	4.5	4.8	4.1	3.2
Personal saving rate	%	4.5	5.0	4.2	4.4	4.0	3.5	3.6	3.5	3.0	2.5
Corp. profits, IVA & CCAdj.	% change	15.6	14.4	15.9	-4.1	1.9	-4.1	-1.2	-3.6	24.9	-2.9
Profit share of GNP	%	9.9	10.1	10.3	10.1	10.0	9.8	9.7	9.4	9.8	9.6
Excluding FR Banks	%	9.6	9.8	10.0	9.8	9.7	9.5	9.4	9.1	9.5	9.4
Federal surpl./deficit	Bill. \$	-87.4	-63.2	-27.9	-16.8	24.9	43.5	59.6	59.7	97.6	118.1
State & local surpl./def.		25.9	23.7	30.9	29.7	32.0	30.9	49.9	54.2	48.7	37.6
Ex. social ins. funds		24.3	22.4	29.9	28.9	31.1	29.9	48.9	53.4	48.2	36.8
Gross natl. saving rate	%	17.7	18.4	18.5	18.6	18.8	18.6	19.0	18.9	19.1	18.7
Net natl. saving rate		6.4	7.2	7.3	7.4	7.6	7.2	7.6	7.6	7.8	7.3
<b>PRICES AND COSTS</b>											
GDP chn.-wt. price index	% change	2.8	1.8	1.3	1.3	0.9	1.1	1.3	0.8	2.0	1.3
Gross Domestic Purchases		2.3	0.8	1.2	1.2	-0.1	0.8	1.0	0.9	1.6	1.9
chn.-wt. price index											
PCE chn.-wt. price index		2.6	1.1	1.3	1.2	0.3	1.1	1.1	1.1	1.5	2.2
Ex. food and energy		2.5	2.3	1.0	1.1	1.1	1.6	1.3	1.3	1.5	1.3
CPI		2.5	1.3	1.8	2.0	1.0	1.7	1.7	1.7	1.7	3.2
Ex. food and energy		2.2	2.6	1.7	2.1	2.8	2.3	2.3	2.1	1.8	2.1
ECI, hourly compensation <sup>1</sup>		2.8	3.4	3.0	4.6	3.0	3.3	4.4	2.6	1.7	4.3
Nonfarm business sector											
Output per hour		0.3	3.0	3.2	1.1	4.7	1.0	3.2	4.1	2.7	0.5
Compensation per hour		3.6	2.6	4.4	6.4	4.9	5.6	6.2	4.6	4.2	4.7
Unit labor cost		3.3	-0.3	1.2	5.2	0.2	4.5	3.0	0.4	1.5	4.2

1. Private-industry workers.

Strictly Confidential <PR>  
Class II FOMC

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

June 21, 2000

Item	Units	----- Projected -----									
		1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4
EXPENDITURES											
Nominal GDP	Bill. \$	9297.8	9507.9	9700.8	9861.3	10011.7	10148.1	10286.8	10424.3	10562.9	10706.1
Real GDP	Bill. Ch. \$	8879.8	9037.2	9158.7	9251.6	9338.8	9427.3	9509.5	9592.6	9676.5	9761.0
Real GDP	% change	5.7	7.3	5.5	4.1	3.8	3.8	3.5	3.5	3.5	3.5
Gross domestic purchases		6.2	7.2	6.3	4.8	4.7	3.9	4.0	3.9	3.5	3.2
Final sales		4.5	6.0	7.2	3.5	3.2	4.2	3.6	3.6	3.7	3.8
Priv. dom. final purchases		5.3	5.3	10.0	4.2	4.3	4.5	4.1	4.0	3.7	3.5
Personal cons. expenditures		4.9	5.9	7.5	3.2	4.0	3.6	3.6	3.3	3.0	2.7
Durables		7.7	13.0	22.4	-2.3	5.5	3.2	3.9	2.5	2.6	2.5
Nondurables		3.6	7.6	5.6	1.9	2.6	3.1	3.0	2.6	2.1	1.9
Services		5.0	3.7	5.6	5.0	4.3	3.9	3.9	3.8	3.6	3.1
Business fixed investment		10.9	2.9	25.8	12.7	10.3	12.2	10.5	10.5	10.0	9.3
Equipment & Software		15.7	4.0	27.0	14.1	12.4	15.2	13.1	13.2	12.7	11.9
Nonres. structures		-3.8	-0.5	22.0	8.1	3.9	2.8	2.0	1.7	1.1	0.5
Residential structures		-3.8	1.8	6.5	-2.9	-6.8	-4.9	-7.8	-5.1	-5.3	-3.6
Exports		11.5	10.1	5.8	11.7	4.6	9.3	4.7	8.5	8.8	12.2
Imports		14.9	8.7	11.8	15.1	10.9	8.1	7.4	9.5	7.5	7.5
Gov't. cons. & investment		4.5	9.3	-1.4	3.8	3.1	3.1	3.5	3.5	3.6	3.6
Federal		4.1	14.7	-15.1	8.7	0.2	-0.2	1.1	1.3	1.5	1.5
Defense		11.2	17.2	-22.3	5.9	1.6	0.5	0.5	0.8	1.1	1.1
State & local		4.8	6.4	6.7	1.4	4.7	4.8	4.7	4.6	4.7	4.7
Change in bus. inventories	Bill. Ch. \$	38.0	66.7	27.9	42.7	57.9	49.4	48.7	47.3	43.4	36.4
Nonfarm		41.2	72.3	34.1	48.0	61.4	51.3	49.7	47.4	42.6	34.7
Net exports		-340.4	-344.1	-369.0	-390.7	-417.8	-422.6	-437.7	-450.5	-454.9	-450.0
Nominal GDP	% change	6.8	9.4	8.4	6.8	6.2	5.6	5.6	5.5	5.4	5.5
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	129.1	129.8	130.6	131.7	131.9	132.4	132.8	133.3	133.7	134.2
Unemployment rate	%	4.2	4.1	4.1	4.0	3.9	3.9	4.0	4.0	4.1	4.1
Industrial prod. index	% change	4.8	5.3	6.6	6.6	3.7	3.8	3.5	4.1	4.0	3.9
Capacity util. rate - mfg.	%	79.7	80.3	80.8	81.2	81.1	81.0	81.0	81.1	81.3	81.4
Housing starts	Millions	1.66	1.69	1.73	1.61	1.61	1.59	1.56	1.54	1.52	1.51
Light motor vehicle sales		17.16	16.89	18.13	17.30	17.04	16.81	16.68	16.56	16.49	16.38
North Amer. produced		14.71	14.09	15.28	14.46	14.30	14.21	14.11	14.04	14.00	13.90
Other		2.45	2.80	2.85	2.84	2.74	2.60	2.57	2.52	2.49	2.48
INCOME AND SAVING											
Nominal GNP	Bill. \$	9282.3	9472.3	9671.4	9835.1	9985.6	10114.8	10248.0	10379.7	10515.2	10653.4
Nominal GNP	% change	6.8	8.4	8.7	6.9	6.3	5.3	5.4	5.2	5.3	5.4
Nominal personal income		5.2	7.4	6.1	7.0	6.9	5.1	7.1	5.7	5.6	5.7
Real disposable income		2.9	4.7	2.2	4.3	3.5	3.3	6.4	3.3	3.1	3.1
Personal saving rate	%	2.1	1.8	0.6	0.8	0.7	0.6	1.2	1.2	1.2	1.3
Corp. profits, IVA & CCAdj.	% change	1.6	17.0	19.8	13.3	6.5	1.3	-1.3	1.3	2.0	1.3
Profit share of GNP	%	9.5	9.7	9.9	10.1	10.1	10.0	9.8	9.7	9.7	9.6
Excluding FR Banks		9.2	9.4	9.7	9.8	9.8	9.7	9.6	9.5	9.4	9.3
Federal surpl./deficit	Bill. \$	133.8	112.2	186.7	177.9	180.7	204.7	184.3	204.4	228.0	238.7
State & local surpl./def.		48.9	68.8	57.0	51.3	51.8	53.6	55.1	52.9	47.4	44.1
Ex. social ins. funds		48.1	67.7	55.7	50.0	50.4	52.2	53.7	51.5	46.0	42.7
Gross natl. saving rate	%	18.7	18.3	18.2	18.4	18.3	18.4	18.5	18.6	18.7	18.8
Net natl. saving rate		7.1	6.9	6.8	7.0	7.0	7.1	7.2	7.3	7.4	7.5
PRICES AND COSTS											
GDP chn.-wt. price index	% change	1.1	2.0	2.7	2.6	2.3	1.7	2.0	1.8	1.8	1.9
Gross Domestic Purchases											
chn.-wt. price index		1.7	2.3	3.2	2.4	2.5	1.4	1.9	1.7	1.7	1.8
PCE chn.-wt. price index		1.8	2.5	3.1	2.6	3.0	1.6	1.8	2.0	2.1	2.2
Ex. food and energy		1.2	2.0	1.8	2.1	2.1	2.3	2.3	2.4	2.3	2.4
CPI		2.4	2.9	4.1	3.6	3.7	1.6	1.9	2.3	2.3	2.5
Ex. food and energy		2.1	2.3	2.3	2.8	2.4	2.8	2.7	3.0	2.8	2.9
ECI, hourly compensation <sup>1</sup>		3.7	4.0	5.9	3.5	3.9	4.3	4.5	4.5	4.5	4.7
Nonfarm business sector											
Output per hour		5.0	6.9	2.9	3.4	2.3	2.7	2.7	2.7	2.6	2.6
Compensation per hour		4.6	3.8	4.1	4.6	4.8	5.2	5.5	5.3	5.3	5.5
Unit labor cost		-0.3	-2.9	1.2	1.3	2.5	2.5	2.9	2.6	2.6	2.9

1. Private-industry workers.

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS

June 21, 2000

Item	1997 Q3	1997 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	97Q4/ 96Q4	98Q4/ 97Q4	99Q4/ 98Q4
Real GDP	3.8	3.0	6.9	2.2	3.8	5.9	3.7	1.9	5.7	4.1	4.7	4.6
Gross dom. purchases	4.7	3.5	8.9	4.2	4.7	5.6	5.9	3.3	6.4	4.7	5.8	5.7
Final sales	5.5	2.3	5.2	5.1	2.4	6.2	4.5	3.4	4.5	3.6	4.7	4.6
Priv. dom. final purchases	6.1	2.8	7.4	6.1	3.0	5.3	5.9	4.5	4.5	3.8	5.4	4.8
Personal cons. expenditures	4.2	2.2	3.9	4.0	2.7	3.1	4.3	3.4	3.3	2.6	3.4	3.7
Durables	1.4	0.4	1.2	0.8	0.3	1.5	1.0	0.7	0.6	0.6	1.0	0.8
Nondurables	1.1	0.1	1.2	1.3	0.5	1.0	1.7	0.6	0.7	0.5	1.0	1.1
Services	1.6	1.7	1.5	1.9	1.9	0.7	1.6	2.0	2.0	1.5	1.5	1.8
Business fixed investment	1.8	0.4	2.9	1.4	0.0	1.8	1.0	0.9	1.3	1.1	1.5	0.9
Equipment & Software	1.5	0.2	2.7	1.2	0.2	1.6	1.1	1.0	1.4	1.0	1.5	1.0
Nonres. structures	0.3	0.1	0.2	0.2	-0.2	0.2	-0.2	-0.2	-0.1	0.1	0.1	-0.1
Residential structures	0.0	0.3	0.3	0.5	0.3	0.4	0.5	0.2	-0.2	0.1	0.5	0.2
Net exports	-0.8	-0.5	-1.9	-2.0	-0.8	0.3	-2.1	-1.4	-0.7	-0.7	-1.1	-1.1
Exports	1.3	0.2	-0.2	-0.5	-0.2	1.7	-0.6	0.4	1.2	1.0	0.2	0.5
Imports	-2.1	-0.7	-1.8	-1.6	-0.7	-1.3	-1.5	-1.8	-1.9	-1.7	-1.3	-1.6
Government cons. & invest.	0.3	-0.0	-0.2	1.0	0.2	0.5	0.9	0.2	0.8	0.4	0.4	0.9
Federal	-0.1	-0.3	-0.6	0.7	-0.1	0.2	-0.0	0.1	0.3	0.0	0.0	0.3
Defense	-0.0	-0.1	-0.8	0.4	0.3	-0.1	-0.2	-0.1	0.4	-0.1	-0.0	0.2
Nondefense	-0.1	-0.2	0.1	0.3	-0.4	0.4	0.1	0.2	-0.2	0.1	0.1	0.1
State and local	0.4	0.3	0.5	0.3	0.4	0.3	0.9	0.1	0.6	0.4	0.4	0.6
Change in bus. inventories	-1.6	0.7	1.6	-2.8	1.4	-0.3	-0.9	-1.5	1.1	0.5	-0.0	-0.0
Nonfarm	-1.6	0.8	1.6	-2.3	1.1	-0.8	-0.6	-1.2	1.3	0.5	-0.1	0.2
Farm	-0.0	-0.1	0.0	-0.5	0.3	0.6	-0.2	-0.2	-0.2	-0.0	0.1	-0.2

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

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS

June 21, 2000

Item	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	99Q4/ 98Q4	00Q4/ 99Q4	01Q4/ 00Q4
Real GDP	7.3	5.5	4.1	3.8	3.8	3.5	3.5	3.5	3.5	4.6	4.3	3.5
Gross dom. purchases	7.4	6.5	5.0	4.9	4.0	4.1	4.0	3.7	3.3	5.7	5.1	3.8
Final sales	6.0	7.1	3.5	3.2	4.2	3.6	3.6	3.7	3.8	4.6	4.5	3.7
Priv. dom. final purchases	4.5	8.4	3.6	3.7	3.8	3.5	3.4	3.2	3.0	4.8	4.9	3.3
Personal cons. expenditures	4.1	5.0	2.2	2.7	2.4	2.5	2.3	2.1	1.8	3.7	3.1	2.2
Durables	1.0	1.7	-0.2	0.4	0.3	0.3	0.2	0.2	0.2	0.8	0.6	0.2
Nondurables	1.5	1.1	0.4	0.5	0.6	0.6	0.5	0.4	0.4	1.1	0.7	0.5
Services	1.5	2.2	2.0	1.7	1.5	1.5	1.5	1.4	1.3	1.8	1.9	1.5
Business fixed investment	0.4	3.0	1.6	1.3	1.6	1.4	1.4	1.3	1.3	0.9	1.9	1.3
Equipment & Software	0.4	2.4	1.3	1.2	1.5	1.3	1.3	1.3	1.2	1.0	1.6	1.3
Nonres. structures	-0.0	0.6	0.2	0.1	0.1	0.1	0.1	0.0	0.0	-0.1	0.3	0.0
Residential structures	0.1	0.3	-0.1	-0.3	-0.2	-0.3	-0.2	-0.2	-0.1	0.2	-0.1	-0.2
Net exports	-0.1	-1.0	-0.8	-1.0	-0.2	-0.6	-0.5	-0.1	0.2	-1.1	-0.7	-0.2
Exports	1.1	0.6	1.2	0.5	1.0	0.5	0.9	1.0	1.3	0.5	0.9	0.9
Imports	-1.2	-1.6	-2.1	-1.5	-1.2	-1.1	-1.4	-1.1	-1.1	-1.6	-1.6	-1.2
Government cons. & invest.	1.6	-0.3	0.7	0.5	0.5	0.6	0.6	0.6	0.6	0.9	0.4	0.6
Federal	0.9	-1.0	0.5	0.0	-0.0	0.1	0.1	0.1	0.1	0.3	-0.1	0.1
Defense	0.7	-1.0	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.2	-0.2	0.0
Nondefense	0.2	-0.0	0.3	-0.0	-0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
State and local	0.8	0.8	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.5
Change in bus. inventories	1.2	-1.7	0.6	0.6	-0.3	-0.0	-0.1	-0.1	-0.3	-0.0	-0.2	-0.1
Nonfarm	1.4	-1.6	0.6	0.5	-0.4	-0.1	-0.1	-0.2	-0.3	0.2	-0.2	-0.2
Farm	-0.1	-0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	-0.2	0.0	0.0

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

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

Item	Fiscal year <sup>1</sup>				1999				2000				2001			
	1998 <sup>a</sup>	1999 <sup>a</sup>	2000	2001	Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>p</sup>	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Unified budget</b>					Not seasonally adjusted											
Receipts <sup>2</sup>	1722	1827	2020	2113	402	564	449	444	434	661	482	477	468	656	512	515
Outlays <sup>2</sup>	1653	1703	1787	1843	396	421	419	464	449	442	433	460	471	464	448	480
Surplus/deficit <sup>2</sup>	69	125	233	270	6	143	30	-21	-15	219	50	16	-2	192	64	35
On-budget	-30	1	83	105	-49	88	21	-64	-45	158	34	-30	-30	121	45	-16
Off-budget	99	124	150	165	55	55	9	43	30	61	16	47	27	71	19	50
Surplus excluding deposit insurance	65	119	230	268	5	142	29	-20	-18	218	49	16	-3	191	63	34
<b>Means of financing</b>																
Borrowing	-51	-88	-235	-277	7	-108	-20	48	-27	-190	-66	-37	-10	-159	-71	-62
Cash decrease	5	-18	11	0	-4	-31	-3	-27	39	-31	30	20	5	-30	5	20
Other <sup>3</sup>	-23	-19	-9	8	-9	-4	-7	-0	4	1	-14	1	7	-3	2	8
Cash operating balance, end of period	39	56	45	45	22	53	56	83	45	76	45	25	20	50	45	25
<b>NIPA federal sector</b>					Seasonally adjusted annual rates											
Receipts	1722	1839	1985	2096	1827	1853	1883	1922	1977	2003	2037	2065	2075	2106	2137	2168
Expenditures	1694	1737	1820	1890	1729	1735	1749	1810	1791	1825	1856	1860	1891	1901	1909	1930
Consumption expenditures	452	467	493	510	467	465	475	492	483	497	499	499	511	514	516	519
Defense	300	305	318	328	305	301	312	326	311	317	320	322	328	330	331	332
Nondefense	153	162	174	182	162	164	163	167	173	180	178	177	183	184	185	187
Other spending	1242	1270	1328	1380	1262	1270	1274	1318	1307	1328	1357	1361	1380	1388	1393	1411
Current account surplus	28	102	164	205	98	118	134	112	186	178	181	205	184	204	228	239
Gross investment	84	92	99	102	90	96	95	102	97	98	100	101	102	103	104	105
Current and capital account surplus	-56	10	65	103	7	22	39	11	90	80	81	104	82	102	124	134
<b>Fiscal indicators<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-139	-91	-73	-40	-94	-74	-69	-116	-47	-63	-67	-44	-60	-40	-14	-3
Change in HEB, percent of potential GDP	-9	-6	-2	-4	-4	-2	-1	.5	-8	.2	0	-.2	.2	-.2	-.3	-.1
Fiscal impetus (FI) percent, calendar year	0	5	3	5	2	-.4	2	4	-4	3	.7	.9	2	.5	.4	.8

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

2. OMB's February 2000 surplus estimates (assuming the enactment of the President's proposals) are \$167 billion in FY2000 and \$184 billion in FY2001. CBO's March 2000 baseline surplus estimates, assuming discretionary spending grows with inflation beginning in FY 2001, are \$179 billion in FY2000 and \$181 billion in FY2001. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) categories. The OASDI surplus is excluded from the on-budget surplus and shown separately as off-budget, as classified under current law. The Postal Service deficit is included in off-budget outlays beginning in FY1990.

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

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

a--Actual p--Preliminary

Strictly Confidential (FR)  
Class II FOMC

Change in Debt of the Domestic Nonfinancial Sectors  
(Percent)

June 21, 2000

Period <sup>1</sup>	Total <sup>2</sup>	Federal government <sup>3</sup>	Nonfederal						Memo: Nominal GDP
			Total <sup>4</sup>	Households			Business	State and local governments	
				Total	Home mortgages	Consumer credit			
<i>Year</i>									
1991	4.3	11.1	2.2	4.5	6.1	-1.3	-1.6	8.6	4.0
1992	4.6	10.9	2.6	4.5	5.3	0.8	0.8	2.2	6.4
1993	4.9	8.3	3.7	5.3	4.4	7.3	1.4	6.0	5.0
1994	4.6	4.7	4.5	7.6	5.9	14.5	3.8	-4.0	6.2
1995	5.5	4.1	6.0	7.9	5.7	14.1	6.8	-4.6	4.3
1996	5.3	4.0	5.8	7.3	7.2	7.9	5.8	-0.6	6.0
1997	5.6	0.6	7.3	6.5	6.8	4.3	8.7	5.3	5.9
1998	6.8	-1.4	9.5	8.8	9.9	5.4	10.9	7.2	5.9
1999	6.9	-1.9	9.5	9.2	10.1	7.1	11.0	4.4	6.3
2000	4.6	-8.7	8.1	7.7	7.8	8.3	10.0	1.3	6.7
2001	4.5	-9.0	7.6	7.0	7.8	5.3	9.4	0.9	5.5
<i>Quarter</i>									
1999:3	7.0	-2.2	9.6	9.7	11.0	5.5	10.6	4.6	6.8
4	6.5	-0.4	8.4	8.1	8.6	7.8	10.0	2.5	9.3
2000:1	5.5	-5.5	8.4	7.8	7.0	10.0	10.6	1.2	8.4
2	4.2	-12.0	8.4	7.6	8.1	7.9	11.4	-2.6	6.8
3	4.3	-7.9	7.3	7.5	7.7	7.6	7.7	4.6	6.2
4	3.9	-10.6	7.4	7.0	7.6	6.6	8.8	2.1	5.6
2001:1	5.3	-4.0	7.4	7.0	7.6	6.2	9.1	0.9	5.6
2	4.4	-9.4	7.4	6.8	7.5	5.5	9.2	0.9	5.5
3	4.5	-9.2	7.3	6.7	7.6	4.9	9.1	0.9	5.4
4	3.6	-14.6	7.3	6.6	7.6	4.3	9.1	0.9	5.5

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 2000:Q1 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

2. On a monthly average basis, total debt is projected to grow 4.9 percent in 2000 and 4.6 percent in 2001.

3. On a monthly average basis, federal debt is projected to grow -7.4 percent in 2000 and -8.6 percent in 2001.

4. On a monthly average basis, nonfederal debt is projected to grow 8.3 percent in 2000 and 7.6 percent in 2001.

Category					Seasonally adjusted annual rates									
	Calendar year				1999		2000				2001			
	1998	1999	2000	2001	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Net funds raised by domestic nonfinancial sectors</i>														
1 Total	771.1	976.9	712.2	749.6	1052.5	1068.7	1019.4	532.4	678.5	618.4	899.9	736.3	759.2	602.8
2 Net equity issuance	-267.0	-143.5	-84.3	-74.0	-128.4	-55.0	62.8	-216.0	-92.0	-92.0	-74.0	-74.0	-74.0	-74.0
3 Net debt issuance	1038.1	1120.4	796.5	823.6	1180.9	1123.7	956.6	748.4	770.5	710.4	973.9	810.3	833.2	676.8
<i>Borrowing sectors</i>														
<i>Nonfinancial business</i>														
4 Financing gap <sup>1</sup>	134.2	152.2	211.2	290.1	164.6	174.3	169.7	204.5	226.9	243.6	266.0	284.9	297.7	311.6
5 Net equity issuance	-267.0	-143.5	-84.3	-74.0	-128.4	-55.0	62.8	-216.0	-92.0	-92.0	-74.0	-74.0	-74.0	-74.0
6 Credit market borrowing	533.5	595.9	604.1	628.7	606.2	591.5	643.5	711.2	490.2	571.2	608.2	625.2	636.2	645.2
<i>Households</i>														
7 Net borrowing <sup>2</sup>	476.9	542.9	496.2	486.1	600.9	515.5	502.5	504.1	501.1	477.1	488.1	485.1	486.1	485.1
8 Home mortgages	364.8	411.0	350.9	376.5	469.7	376.2	314.2	367.2	360.2	362.2	369.2	371.2	379.2	386.2
9 Consumer credit	67.6	94.4	118.3	82.5	76.2	109.5	143.1	115.0	114.0	101.0	96.0	86.0	78.0	70.0
10 Debt/DPI (percent) <sup>3</sup>	90.4	93.3	95.3	96.2	93.8	94.3	94.9	95.1	95.3	95.9	95.7	96.1	96.4	96.8
<i>State and local governments</i>														
11 Net borrowing	80.3	52.8	16.6	11.4	57.0	31.0	14.6	-32.6	58.0	26.5	11.4	11.4	11.4	11.4
12 Current surplus <sup>4</sup>	140.5	156.2	166.5	171.4	154.8	176.9	167.0	163.4	165.9	169.8	173.4	173.3	170.0	168.8
<i>Federal government</i>														
13 Net borrowing	-52.6	-71.2	-320.3	-302.6	-83.1	-14.3	-204.0	-434.3	-278.8	-364.3	-133.8	-311.4	-300.5	-464.8
14 Net borrowing (quarterly, n.s.a.)	-52.6	-71.2	-320.3	-302.6	-19.0	48.3	-27.5	-189.7	-65.9	-37.3	-10.0	-159.0	-71.3	-62.4
15 Unified deficit (quarterly, n.s.a.)	-54.4	-158.3	-270.2	-287.9	-30.1	20.6	15.0	-219.0	-49.8	-16.4	2.4	-191.8	-63.8	-34.6
<i>Depository institutions</i>														
16 Funds supplied	360.5	404.4	471.9	390.5	526.0	628.9	466.3	520.4	465.9	434.9	394.4	392.9	381.9	392.9
<i>Memo (percentage of GDP)</i>														
17 Domestic nonfinancial debt <sup>5</sup>	180.1	182.3	179.8	177.8	182.9	182.1	181.2	180.4	179.6	179.0	178.6	178.4	178.0	177.4
18 Domestic nonfinancial borrowing	11.8	12.1	8.0	7.8	12.7	11.8	9.9	7.6	7.7	7.0	9.5	7.8	7.9	6.3
19 Federal government <sup>6</sup>	-0.6	-0.8	-3.2	-2.9	-0.9	-0.2	-2.1	-4.4	-2.8	-3.6	-1.3	-3.0	-2.8	-4.3
20 Nonfederal	12.5	12.9	11.2	10.7	13.6	12.0	12.0	12.0	10.5	10.6	10.8	10.8	10.7	10.7

Note. Data after 2000:Q1 are staff projections.

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

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

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

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

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

6. Excludes government-insured mortgage pool securities.



## International Developments

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### Overview

Evidence that has emerged since the May Greenbook paints a generally favorable picture of the foreign outlook. Growth abroad is now estimated to have averaged 5-1/4 percent during the first half of the year, about 1/2 percentage point stronger than projected in the May Greenbook. While the expansion of activity has been particularly rapid in the Asian developing countries, strong growth appears to have been recorded in all major regions of the world. Even the beleaguered Japanese economy has rebounded. Moving forward, we expect total foreign growth to settle in at around 4 percent, a projection unchanged from that in the previous Greenbook, as growth in Japan fades once again and as central banks continue to tighten monetary policy. The upward revision to our first half estimate, coupled with the unchanged forecast for the pace of growth going forward, translates into a slightly higher level of foreign activity throughout the forecast period than was the case in the May Greenbook.

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

Measure	1999	Projection		
		2000		2001
		H1	H2	
Foreign output	4.4	5.2	4.1	3.9
<i>May GB</i>	4.4	4.7	4.1	3.9
Foreign CPI	2.6	1.7	3.7	3.3
<i>May GB</i>	2.6	2.3	3.6	3.4

NOTE. Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2.

Spot WTI prices have recently moved above \$30 per barrel. The latest increase appears to have been triggered by rising demand for oil, as inventories remain low, and by uncertainty about OPEC's production plans. We expect these pressures on oil prices to attenuate, allowing the price of WTI to ease to \$23.50 per barrel by the end of 2001. The projected path of oil prices about tracks that in futures markets but is \$2 to \$4 a barrel higher than in the previous forecast.

Notwithstanding the high level of oil prices and the strong pace of foreign activity, inflation abroad has remained muted. Indeed, we have marked down our estimate of foreign inflation for the first half of the year, mainly in response

**Selected Trade Prices**

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

Trade category	1999 Q4	2000 Q1	Projection		
			2000		2001
			Q2	H2	
<i>Exports</i>					
Nonagricultural (core)	3.0	3.5	1.9	0.8	0.8
Agricultural	0.9	-2.7	8.2	2.6	5.1
<i>Imports</i>					
Non-oil (core)	1.3	1.3	1.0	2.5	3.0
Oil (level, dollars per barrel)	22.08	26.01	25.93	25.17	21.25

NOTE. Prices for nonagricultural exports and non-oil imports of goods, both excluding computers and semiconductors, are on a NIPA chain-weighted basis. The price of imported oil for multi-quarter periods is the price for the final quarter of the period. Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2; and for quarters, from previous quarter.

cartel's ability to reach agreements to increase output. Based on this outlook for supply and demand, along with information obtained from futures markets, we project that the price of imported oil will peak in the third quarter of this year at nearly \$28 per barrel and will then decline to around \$25 per barrel in the fourth quarter and to around \$21 per barrel by the end of 2001. OPEC met today, June 21, to review its production targets. The outcome of these deliberations, an increase in targets of 0.7 million barrels per day, was about in line with the Greenbook projection of 0.5 million barrels per day.

Prices of core imports should flatten out in the second quarter and then rise, driven largely by the projected movements of the dollar. Prices of core export goods are expected to decelerate as the run-up in prices of industrial supplies (which include petroleum products and petrochemicals) slows.

**U.S. international transactions.** The growth of real exports of goods and services slowed in the first quarter, but the resolution of the Boeing strike should contribute to a sharp rebound in the current quarter. Looking ahead, our forecast calls for export growth to remain strong. Core export growth should continue to firm, sustained by the strong pace of foreign activity. In addition, relative prices are expected to shift from imparting slight restraint on the growth of core exports during the first half of this year to stimulating their growth at rising rates over the forecast period. A projected acceleration of service exports also should contribute to the strengthening of total export growth next year.

Real imports of goods and services are projected to decelerate over the forecast period from about 13 percent growth in 1999 and the first half of 2000 to 8 percent growth in 2001. This pattern reflects the slower expected growth of imports of non-oil core goods and of services. The projected slowing of U.S. real GDP growth partly accounts for the deceleration. In addition, we expect that relative prices here and abroad, which have been strongly boosting the growth of non-oil imports in recent quarters, will continue to do so only in the near term and will change to a slightly restraining factor next year. The quantity of imported oil should expand strongly in the near term, as stocks are replenished, but more moderately in 2001.

Given our expectation of upward trending export growth, coupled with the projected deceleration of imports, the arithmetic contribution of net exports to U.S. growth should steadily contract from a negative 1.1 percentage points last year to a negative 0.9 percentage point in the first half of this year and to zero in the second half of 2001.

The U.S. current account deficit is projected to rise from 3.6 percent of GDP in 1999 to 4.4 percent this year and to 4.7 percent (or about \$500 billion) in 2001. Much of the projected change is in goods and services, but the net outflow of investment income also increases notably. Net investment income payments are projected to rise significantly, as these large current account deficits translate into an increase in the U.S. net liability position.

**Summary of Staff Projections for Goods and Services**  
(Percent change, seasonally adjusted annual rate)

Measure	1999	Projection		
		2000		2001
		H1	H2	
Real exports	4.8	8.7	6.9	8.5
<i>May GB</i>	4.8	5.5	6.7	8.4
Real imports	12.6	13.5	9.5	8.0
<i>May GB</i>	12.6	12.2	9.7	8.1

NOTE. Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2.

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

Measure and country	Projected								
	1993	1994	1995	1996	1997	1998	1999	2000	2001
REAL GDP (1)									
-----									
Total foreign	3.2	5.1	2.3	4.3	4.1	1.0	4.4	4.6	3.9
Industrial Countries	1.9	3.9	1.9	2.9	3.5	1.9	3.5	3.8	3.1
of which:									
Canada	2.9	5.5	1.4	2.4	4.8	3.2	4.9	4.2	3.4
Japan	0.5	0.9	2.5	5.2	-0.5	-3.1	-0.2	3.9	1.1
United Kingdom	3.2	4.6	1.9	2.9	3.4	1.5	3.0	2.4	2.7
Euro-11	0.1	3.0	1.6	1.8	3.0	2.0	3.0	3.6	3.5
Germany	-0.3	2.9	1.1	1.4	1.5	1.1	2.3	3.6	3.6
Developing Countries	5.1	6.8	3.0	6.3	5.0	-0.3	5.9	5.8	5.2
Asia	7.9	8.8	7.3	6.8	4.6	-1.8	8.3	7.1	6.5
Korea	7.2	9.2	7.4	6.1	3.1	-4.6	14.0	7.3	6.5
China	6.1	16.3	12.6	9.2	8.2	9.5	6.2	7.6	8.0
Latin America	2.6	5.4	-3.9	6.3	6.1	1.0	3.9	5.0	4.3
Mexico	1.9	5.2	-7.1	7.1	6.7	2.6	5.2	5.8	4.7
Brazil	4.5	9.8	-1.9	5.5	2.2	-1.6	3.8	3.6	3.2
CONSUMER PRICES (2)									
-----									
Industrial Countries	2.1	1.1	1.3	1.4	1.6	1.0	1.1	1.3	1.4
of which:									
Canada	1.8	-0.0	2.1	2.0	1.0	1.1	2.4	2.1	2.1
Japan	1.2	0.8	-0.8	0.1	2.0	0.8	-1.3	-0.5	-0.4
United Kingdom (3)	2.7	2.2	2.9	3.2	2.7	2.5	2.2	2.2	2.4
Euro-11 (4)	NA	NA	NA	2.0	1.5	0.8	1.5	1.8	1.6
Germany	4.2	2.6	1.5	1.4	2.0	0.4	0.9	1.4	1.5
Developing Countries	24.7	22.7	17.0	11.0	6.9	9.0	4.7	4.7	6.0
Asia	7.7	10.5	6.4	4.7	2.9	4.4	0.3	2.3	4.3
Korea	5.5	5.8	4.4	5.0	5.0	5.9	1.3	1.6	4.3
China	17.3	26.9	11.0	6.8	0.9	-1.2	-0.9	1.1	4.2
Latin America	73.9	54.0	42.1	25.9	15.6	15.5	12.6	9.0	9.1
Mexico	8.6	7.0	48.9	28.2	17.2	17.5	13.6	9.5	9.7
Brazil	2272.4	1196.9	21.5	9.6	4.7	1.6	8.3	4.9	5.1

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

June 21, 2000

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

Measure and country	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
REAL GDP (1)	----- Quarterly changes at an annual rate -----											
Total foreign	3.9	5.0	4.5	4.4	6.7	3.7	4.1	4.0	3.9	3.9	3.9	3.9
Industrial Countries	3.8	3.3	3.9	2.9	4.8	3.8	3.5	3.2	3.1	3.1	3.1	3.0
of which:												
Canada	4.8	3.3	6.5	5.1	4.9	4.5	3.8	3.6	3.5	3.5	3.4	3.3
Japan	6.3	3.9	-3.9	-6.4	10.0	2.8	2.6	0.6	0.9	1.0	1.3	1.3
United Kingdom	1.6	3.0	4.1	3.1	2.2	2.0	2.8	2.7	2.8	2.6	2.7	-2.6
Euro-11	2.5	2.5	3.7	3.3	3.1	3.9	3.8	3.8	3.6	3.6	3.5	3.4
Germany	2.8	0.5	3.1	2.9	2.7	4.0	3.8	3.8	3.8	3.8	3.5	3.5
Developing Countries	4.1	7.6	5.4	6.4	9.6	3.6	4.9	5.3	5.2	5.2	5.2	5.2
Asia	7.3	11.1	5.8	9.2	11.8	3.7	6.3	6.8	6.4	6.4	6.7	6.7
Korea	13.0	17.5	14.0	11.7	7.3	7.5	7.5	7.0	6.5	6.5	6.5	6.5
China	2.2	1.1	11.4	10.6	9.6	2.0	9.0	10.0	7.0	7.0	9.0	9.0
Latin America	1.4	4.8	5.7	3.8	8.9	3.4	3.8	4.2	4.4	4.4	4.2	4.2
Mexico	2.5	7.6	8.9	2.2	11.1	3.4	4.1	4.7	4.9	4.9	4.7	4.5
Brazil	8.2	1.7	-3.7	9.4	5.0	3.2	3.0	3.0	3.0	3.0	3.0	3.7
CONSUMER PRICES (2)	----- Four-quarter changes -----											
Industrial Countries	0.7	0.9	1.3	1.1	1.5	1.3	1.3	1.3	1.3	1.3	1.3	1.4
of which:												
Canada	0.8	1.6	2.2	2.4	2.7	2.3	2.2	2.1	2.0	1.9	2.0	2.1
Japan	-0.2	-0.4	0.1	-1.3	-0.8	-0.9	-0.7	-0.5	-0.5	-0.4	-0.4	-0.4
United Kingdom (3)	2.6	2.3	2.2	2.2	2.1	2.1	2.1	2.2	2.2	2.3	2.3	2.4
Euro-11 (4)	0.8	1.0	1.1	1.5	2.1	1.8	1.8	1.8	1.7	1.7	1.6	1.6
Germany	0.3	0.5	0.6	0.9	1.8	1.4	1.4	1.4	1.5	1.5	1.5	1.5
Developing Countries	8.2	7.0	6.0	4.7	3.9	3.7	4.1	4.7	5.6	6.4	6.2	6.0
Asia	2.6	0.9	0.2	0.3	0.5	0.8	1.6	2.3	3.2	4.5	4.5	4.3
Korea	0.7	0.6	0.7	1.3	1.5	1.3	1.9	1.6	3.5	4.4	4.3	4.3
China	-1.5	-2.1	-1.1	-0.9	0.1	0.1	0.2	2.1	1.8	4.2	4.4	4.2
Latin America	16.4	15.8	14.7	12.6	10.0	9.1	8.9	9.0	9.8	9.9	9.4	9.1
Mexico	18.6	18.0	16.5	13.6	10.6	9.5	9.3	9.5	10.4	10.4	9.9	9.7
Brazil	2.0	3.4	5.7	8.3	7.8	6.8	6.3	4.9	5.6	6.5	5.9	5.1

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

June 21, 2000

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1993	1994	1995	1996	1997	1998	1999	Projected 2000	Projected 2001
<b>NIPA REAL EXPORTS and IMPORTS</b>									
Percentage point contribution to GDP growth, Q4/Q4									
Net Goods & Services	-0.6	-0.3	0.4	-0.2	-0.7	-1.1	-1.1	-0.7	-0.2
Exports of G&S	0.5	1.0	1.0	1.1	1.0	0.2	0.5	0.9	0.9
Imports of G&S	-1.1	-1.3	-0.6	-1.3	-1.7	-1.3	-1.6	-1.6	-1.2
Percentage change, Q4/Q4									
Exports of G&S	4.8	10.5	9.7	9.8	9.2	2.0	4.8	7.8	8.5
Services	6.0	8.2	8.8	8.9	2.3	2.6	3.7	3.5	4.7
Agricultural Goods	-5.4	16.3	-4.0	3.8	3.3	0.3	-1.7	3.2	2.6
Computers	16.9	27.4	39.1	21.6	26.2	7.1	12.1	40.2	36.1
Semiconductors	31.1	66.9	79.6	44.6	21.0	9.3	33.4	36.9	41.3
Other Goods 1/	3.5	6.9	5.7	7.8	11.4	1.1	3.5	5.6	5.1
Imports of G&S	10.5	12.2	5.0	11.2	14.2	10.8	12.6	11.5	8.0
Services	6.7	1.8	5.5	5.3	13.6	8.5	6.9	7.5	2.6
Oil	10.1	-0.2	2.4	7.8	4.0	4.0	-3.3	13.5	2.6
Computers	30.5	39.0	35.0	17.8	32.3	26.9	26.1	29.3	36.1
Semiconductors	33.6	54.5	92.4	56.7	32.8	-7.4	35.4	34.4	42.5
Other Goods 2/	9.4	12.3	-1.2	10.5	12.7	11.3	13.4	9.6	5.5
Billions of chained 1996 dollars									
Net Goods & Services	-59.1	-86.5	-78.4	-89.0	-112.2	-217.6	-323.0	-400.1	-448.5
Exports of G&S	672.7	732.8	808.2	874.2	983.1	1004.6	1042.3	1129.4	1216.0
Imports of G&S	731.8	819.4	886.6	963.1	1095.2	1222.1	1365.4	1529.5	1664.5
Billions of dollars									
US CURRENT ACCOUNT BALANCE	-82.7	-118.6	-109.5	-123.3	-140.5	-217.1	-331.5	-438.0	-496.2
Current Acct as Percent of GDP	-1.2	-1.7	-1.5	-1.6	-1.7	-2.5	-3.6	-4.4	-4.7
Net Goods & Services (BOP)	-68.9	-97.0	-95.9	-102.1	-105.9	-166.9	-265.0	-370.9	-411.4
Investment Income, Net	27.6	21.1	25.0	23.4	11.1	-1.0	-13.1	-10.6	-27.8
Direct, Net	59.3	55.2	64.9	69.4	71.9	67.7	62.7	81.7	99.1
Portfolio, Net	-31.7	-34.1	-39.9	-46.0	-60.9	-68.8	-75.8	-92.3	-126.9
Other Income & Transfers, Net	-41.3	-42.7	-38.6	-44.6	-45.7	-49.2	-53.4	-56.6	-57.0

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1996				1997				1998			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
Percentage point contribution to GDP growth												
Net Goods & Services	-1.0	-0.8	-1.3	2.1	-0.9	-0.5	-0.8	-0.5	-1.9	-2.0	-0.8	0.3
Exports of G&S	0.3	0.7	0.4	2.9	0.9	1.7	1.3	0.2	-0.2	-0.4	-0.2	1.7
Imports of G&S	-1.3	-1.6	-1.7	-0.8	-1.8	-2.2	-2.1	-0.7	-1.7	-1.6	-0.6	-1.3
Percentage change from previous period, s.a.a.r.												
Exports of G&S	2.3	6.7	3.3	28.7	8.3	15.9	11.3	1.7	-1.5	-3.9	-1.6	16.3
Services	-4.0	12.9	-7.4	39.8	-4.9	10.4	7.2	-2.7	1.6	9.0	-8.5	9.2
Agricultural Goods	15.2	-25.5	-4.1	40.9	-18.2	3.3	4.5	28.8	-10.9	-16.4	-16.4	62.7
Computers	41.0	4.8	17.3	26.1	56.2	46.4	28.7	-13.7	-13.0	11.1	19.1	14.2
Semiconductors	24.2	35.2	24.2	110.0	46.2	24.5	26.2	-6.7	1.3	-13.1	25.3	29.4
Other Goods 1/	-0.5	7.1	7.8	17.7	13.6	17.2	11.7	3.5	-1.2	-9.2	0.6	15.7
Imports of G&S	10.8	13.3	14.4	6.3	15.5	19.1	17.6	5.2	14.4	13.0	5.2	10.8
Services	5.6	4.1	11.8	0.0	20.6	8.6	20.7	5.3	16.7	9.7	6.4	1.6
Oil	-10.0	68.2	4.9	-15.0	-7.6	36.6	6.1	-12.7	6.4	41.8	2.4	-24.2
Computers	11.0	21.1	18.8	20.8	45.0	47.9	34.5	6.2	35.6	23.2	11.5	39.4
Semiconductors	30.0	18.9	58.4	146.3	77.6	28.1	28.8	6.1	1.3	-20.1	-3.0	-6.4
Other Goods 2/	13.5	10.2	13.8	4.6	11.9	16.6	15.6	6.9	13.5	12.9	4.9	14.2
Billions of chained 1996 dollars, s.a.a.r.												
Net Goods & Services	-75.0	-90.4	-115.9	-74.6	-92.6	-103.2	-121.3	-131.5	-174.5	-221.0	-240.3	-234.4
Exports of G&S	846.1	860.1	867.0	923.5	942.1	977.6	1004.2	1008.4	1004.5	994.5	990.6	1028.7
Imports of G&S	921.1	950.4	982.9	998.1	1034.7	1080.8	1125.5	1139.9	1179.0	1215.6	1231.0	1263.1
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-101.1	-119.5	-146.6	-126.1	-137.5	-119.9	-133.6	-171.1	-169.6	-205.9	-245.2	-247.9
Current Account as % of GDP	-1.3	-1.5	-1.9	-1.6	-1.7	-1.5	-1.6	-2.0	-2.0	-2.4	-2.8	-2.8
Net Goods & Services (BOP)	-87.0	-103.2	-123.1	-95.2	-108.2	-94.3	-101.1	-120.1	-134.5	-166.4	-185.3	-181.4
Investment Income, Net	32.2	23.2	16.8	21.5	11.5	16.3	10.7	5.7	9.1	6.0	-12.1	-7.3
Direct, Net	70.4	66.2	65.3	75.8	68.9	76.6	74.1	68.1	74.9	72.4	59.0	64.7
Portfolio, Net	-38.2	-43.0	-48.5	-54.3	-57.4	-60.3	-63.4	-62.4	-65.7	-66.4	-71.1	-71.9
Other Inc. & Transfers, Net	-46.4	-39.5	-40.3	-52.4	-40.8	-41.9	-43.2	-56.7	-44.3	-45.5	-47.8	-59.2

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1999				2000				Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
Percentage point contribution to GDP growth												
Net Goods & Services	-2.1	-1.4	-0.7	-0.1	-1.0	-0.8	-1.0	-0.2	-0.6	-0.5	-0.1	0.2
Exports of G&S	-0.6	0.4	1.2	1.1	0.6	1.2	0.5	1.0	0.5	0.9	1.0	1.3
Imports of G&S	-1.5	-1.8	-1.9	-1.2	-1.6	-2.1	-1.5	-1.2	-1.1	-1.4	-1.1	-1.1
Percentage change from previous period, s.a.a.r.												
Exports of G&S	-5.5	4.0	11.5	10.1	5.8	11.7	4.6	9.3	4.7	8.4	8.8	12.2
Services	4.1	3.2	0.0	7.6	6.7	2.7	1.1	3.5	4.8	4.8	4.6	4.4
Agricultural Goods	-37.9	28.7	27.4	-8.3	24.8	-14.4	9.3	-2.7	0.9	3.0	3.4	3.1
Computers	-3.0	32.1	27.8	-3.5	39.6	46.5	38.7	36.1	36.1	36.1	36.1	36.1
Semiconductors	36.3	40.8	47.8	11.7	18.0	43.9	43.9	43.9	41.3	41.3	41.3	41.3
Other Goods 1/	-9.3	-2.0	12.8	14.4	0.5	14.1	0.2	8.2	-1.1	5.0	5.4	11.4
Imports of G&S	12.5	14.4	14.9	8.7	11.8	15.1	10.9	8.1	7.4	9.5	7.5	7.5
Services	11.9	8.9	3.6	3.4	13.7	8.1	5.2	3.2	2.1	2.5	2.8	2.9
Oil	7.1	25.5	-11.6	-26.3	29.1	19.8	16.9	-8.0	-6.6	26.5	-2.4	-3.8
Computers	28.7	52.3	20.0	7.4	3.0	41.3	38.7	38.7	36.1	36.1	36.1	36.1
Semiconductors	18.4	63.5	19.0	45.9	20.5	31.1	43.8	43.8	43.8	43.8	41.2	41.2
Other Goods 2/	11.3	10.3	19.7	12.6	10.2	13.4	8.0	7.1	6.1	5.5	5.3	5.2
Billions of chained 1996 dollars, s.a.a.r.												
Net Goods & Services	-286.6	-321.1	-340.4	-344.1	-369.0	-390.7	-417.9	-422.7	-437.8	-450.7	-455.2	-450.4
Exports of G&S	1014.3	1024.3	1052.6	1078.2	1093.6	1124.3	1137.1	1162.7	1176.2	1200.3	1225.9	1261.6
Imports of G&S	1300.9	1345.4	1393.0	1422.3	1462.6	1515.1	1554.9	1585.4	1614.0	1651.0	1681.2	1712.0
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-266.5	-315.9	-358.6	-384.9	-409.2	-420.8	-453.1	-469.0	-479.1	-494.9	-501.1	-509.8
Current Account as % of GDP	-2.9	-3.5	-3.9	-4.0	-4.2	-4.3	-4.5	-4.6	-4.7	-4.8	-4.7	-4.8
Net Goods & Services (BOP)	-210.7	-253.2	-290.9	-305.1	-344.7	-358.8	-390.7	-389.3	-403.9	-413.9	-417.0	-410.8
Investment Income, Net	-7.1	-11.3	-16.8	-17.3	-11.3	-8.0	-7.9	-15.2	-20.7	-26.5	-29.5	-34.5
Direct, Net	64.1	58.8	62.8	65.1	70.7	80.2	87.1	88.8	91.7	94.8	102.0	107.7
Portfolio, Net	-71.2	-70.0	-79.6	-82.4	-82.0	-88.3	-95.0	-104.0	-112.4	-121.3	-131.5	-142.2
Other Inc. & Transfers, Net	-48.7	-51.5	-51.0	-62.5	-53.2	-54.0	-54.5	-64.5	-54.5	-54.5	-54.5	-64.5

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



## **Part 2**

June 21, 2000

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Recent Developments**

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

June 21, 2000

## **Recent Developments**

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

### Production of Domestic Autos and Trucks

(Millions of units at an annual rate except as noted; FRB seasonal basis)

Item	2000					
	Q1	Q2 <sup>1</sup>	Q3 <sup>1</sup>	May <sup>1</sup>	June <sup>1</sup>	July <sup>1</sup>
U.S. production	13.1	13.4	13.7	13.3	13.4	13.6
Autos	5.6	5.7	5.8	5.7	5.6	5.8
Trucks	7.5	7.6	8.0	7.5	7.8	7.9
Days' supply						
Autos	50.1	n.a.	n.a.	52.2	n.a.	n.a.
Light trucks <sup>2</sup>	63.7	n.a.	n.a.	73.5	n.a.	n.a.

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

1. Production rates reflect actual May data and manufacturers' schedules for June, July, Q2, and Q3.

2. Excludes medium and heavy (classes 3-8) trucks.

n.a. Not available.

Motor vehicle production has increased in the current quarter. Assemblies in April and May averaged 13.3 million units (annual rate), up from the 13.1 million pace recorded in the first quarter. The increase in production has occurred as sales of cars and light trucks have eased, allowing inventories to be rebuilt after reaching unusually low levels in the first quarter: Days' supply for light vehicles overall, which had fallen to 54 in February, was at the comfortable level of 63 in May. Looking ahead, assembly schedules for the third quarter call for production of 13.7 million units, but substantial underbuilds are likely because of the large number of new models being introduced during the model changeovers this summer.<sup>6</sup> In addition, although inventories are generally in good shape, there are a few pockets of imbalances and some production cuts have been announced.

Measured output growth in the high-tech sector has stepped down in recent months but is still rapid. The output of semiconductor manufacturers, the stellar performers in the industrial sector so far this year, zoomed in February and March, increasing about 10 percent each month in response to exceptionally heavy demand. The rate of increase tapered off somewhat in April and May as fabrication plants started to hit capacity constraints--estimated capacity utilization is running above 100 percent. These supply constraints are placing upward pressure on prices for semiconductors and have also led to shortages for certain types of chips. However, as of yet, there are only a few reports of chip

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6. On an FRB basis, if the underbuilds were to materialize, assemblies likely would show a decline, but the BEA estimates, which are produced with a considerably different set of seasonal factors, could well show an increase.

FEDERAL GOVERNMENT OUTLAYS AND RECEIPTS  
(Unified basis; billions of dollars)

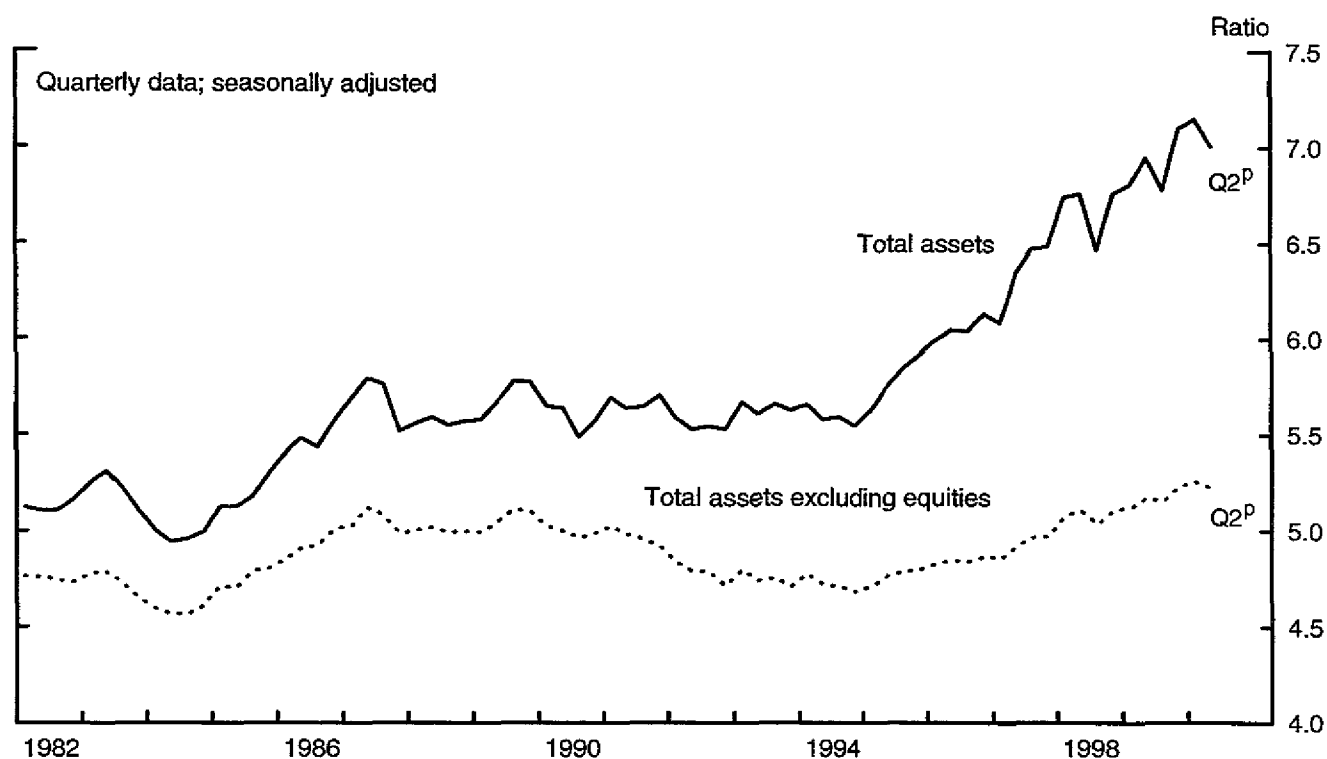
	Apr.-May			12 months ending in May		
	1999	2000	Percent change	1999	2000	Percent change
Outlays	275.4	285.3	3.6	1685.5	1762.7	4.6
Deposit insurance	-1.0	-0.6	...	-5.6	-4.0	...
Spectrum auction	-0.2	0.0	...	-2.8	-0.8	...
Sale of major assets	0.0	0.0	...	0.0	0.0	...
Other	276.7	285.9	3.3	1693.8	1767.5	4.4
Receipts	364.9	441.2	20.9	1779.5	1966.7	10.5
Surplus	89.5	155.9	...	94.0	204.0	117.0
Outlays excluding deposit insurance, spectrum auction, and sale of major assets are adjusted for payment timing shifts <sup>1</sup>						
Outlays	276.4	296.8	7.4	1693.1	1767.6	4.4
National defense	44.4	47.4	6.7	272.2	287.9	5.7
Net interest	40.2	40.7	1.4	234.5	229.0	-2.4
Social security	64.6	69.1	7.0	387.2	401.4	3.7
Medicare	31.8	34.2	7.8	188.9	195.2	3.3
Medicaid	17.8	19.1	7.2	104.9	114.0	8.7
Other health	5.2	5.9	14.3	31.6	35.2	11.6
Income security	37.5	39.5	5.4	236.1	243.1	2.9
Agriculture	1.2	1.8	57.1	24.1	33.0	36.8
Other	33.9	39.1	15.0	213.5	228.8	7.1
Receipts	364.9	441.2	20.9	1779.5	1966.7	10.5
Individual income and payroll taxes	300.8	361.4	20.2	1420.9	1571.5	10.6
Withheld + FICA	197.2	220.1	11.6	1207.3	1327.6	10.0
Nonwithheld + SECA	164.2	194.2	18.3	334.8	377.5	12.8
Refunds (-)	60.7	53.0	-12.8	121.1	133.5	10.2
Corporate	25.6	33.5	30.5	180.2	200.2	11.1
Gross	32.3	37.7	16.7	211.5	228.0	7.8
Refunds (-)	6.6	4.2	-36.6	31.3	27.8	-11.3
Other	38.5	46.3	20.2	178.3	194.9	9.3
Surplus	88.4	144.4	...	86.4	199.1	130.5

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

1. A shift in payment timing occurs when the first of the month falls on a weekend or holiday, or when the first three days of a month are nonworking days. Outlays for defense, social security, Medicare, income security, and "other" have been adjusted to account for these shifts.

... Not applicable.

## Household Assets Relative to Disposable Income



p. Staff projection.

### Net Flows into Long-Term Mutual Funds

(Excluding reinvested dividends; billions of dollars, monthly rates.)

	1997	1998	1999		2000	2000	2000	Assets
			H1	H2	Q1	Apr.	May. <sup>e</sup>	Apr.
<b>Total long-term funds</b>	<b>22.7</b>	<b>20.2</b>	<b>18.3</b>	<b>10.2</b>	<b>29.2</b>	<b>25.3</b>	<b>14.6</b>	<b>5,391</b>
<b>Equity funds</b>	<b>19.0</b>	<b>13.2</b>	<b>15.2</b>	<b>16.2</b>	<b>44.5</b>	<b>33.8</b>	<b>20.1</b>	<b>4,251</b>
Domestic	15.8	12.6	15.7	14.0	32.3	29.5	16.1	3,636
Capital appreciation	7.9	7.1	12.1	14.8	46.5	28.2	18.4	2,341
Total return	7.9	5.5	3.6	-0.8	-14.2	1.3	-2.3	1,295
International	3.1	0.6	-0.4	2.2	12.1	4.3	4.0	615
<b>Hybrid funds</b>	<b>1.4</b>	<b>0.9</b>	<b>-0.4</b>	<b>-1.6</b>	<b>-5.9</b>	<b>-1.7</b>	<b>-1.8</b>	<b>359</b>
<b>Bond funds</b>	<b>2.4</b>	<b>6.2</b>	<b>3.4</b>	<b>-4.3</b>	<b>-9.4</b>	<b>-6.8</b>	<b>-3.6</b>	<b>781</b>
International	-0.1	-0.1	-0.1	-0.3	-0.2	-0.4	-0.2	22
High-yield	1.4	1.1	0.3	-0.8	-1.7	-1.2	-1.2	107
Other taxable	1.0	3.9	2.5	-0.6	-4.5	-2.1	-0.8	389
Municipals	0.1	1.3	0.7	-2.7	-3.0	-3.0	-1.3	264

e. Staff estimates based on confidential ICI weekly data.

Source. Investment Company Institute (ICI).

## Treasury and Agency Finance

### Treasury Financing (Billions of dollars)

Item	1999	2000				
	Q4	Q1	Q2 <sup>e</sup>	Apr.	May	June <sup>e</sup>
<b>Total surplus, deficit (-)</b>	<b>-20.6</b>	<b>-15.0</b>	<b>n.a.</b>	<b>159.5</b>	<b>-3.6</b>	<b>n.a.</b>
Means of financing deficit						
Net borrowing	47.6	-27.1	n.a.	-112.7	-53.8	n.a.
Nonmarketable	1.0	-6.4	n.a.	2.1	1.5	n.a.
Marketable	46.6	-20.7	-193.6	-114.7	-55.3	-21.8
Bills	83.6	16.0	-124.3	-102.2	-14.8	-6.8
Coupons <sup>1</sup>	-37.0	-34.7	-58.3	-10.5	-33.5	-13.0
Debt buybacks	.0	-2.0	-11.0	-2.0	-7.0	-2.0
Decrease in cash balance	-26.9	38.6	n.a.	-47.8	69.5	n.a.
Other <sup>2</sup>	-.2	3.5	n.a.	1.0	-12.1	n.a.
MEMO						
Cash balance, end of period	83.3	44.8	n.a.	92.6	23.1	n.a.

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

1. Does not include Treasury debt buybacks.

2. Direct loan financing, accrued items, checks issued less checks paid, and other transactions.

e Estimated.

n.a. Not available.

### Net Cash Borrowing of Government-Sponsored Enterprises (Billions of dollars)

Agency	1999		2000			
	Q3	Q4	Q1	Mar.	Apr.	May
FHLBs	44.5	47.4	6.3	7.4	6.4	n.a.
Freddie Mac	26.7	19.6	17.3	-2.7	10.3	n.a.
Fannie Mae	25.0	22.7	9.9	10.4	4.2	n.a.
Farm Credit Banks	.2	.9	-1.7	-2.0	1.9	2.1
Sallie Mae	4.0	.1	-3.9	-4.6	n.a.	n.a.
MEMO						
<i>Outstanding noncallable notes and bonds</i>						
Fannie Mae benchmark	93.9	106.4	128.1	128.1	134.1	139.1
Freddie Mac reference	58.5	69.5	85.5	85.5	88.5	93.5

NOTE. Excludes mortgage pass-through securities issued by Fannie Mae and Freddie Mac.

n.a. Not available.

**Non-oil imports.** Prices of imported non-oil goods, as well as prices of core goods (which exclude computers, semiconductors, and oil), declined slightly in May following three months of increases. Among the major trade categories, only the price of imported automotive products rose in May. For April-May combined, prices of non-oil imports rose 1 percent at an annual rate compared with increases of nearly 2 percent in the last two quarters. This lower rate of increase in April-May reflected slower rises in the price of imported non-oil industrial supplies and slightly faster rates of decline in prices of imported consumer goods and foods. The price of imported machinery excluding computers and semiconductors declined only slightly in April-May, and the price of imported automotive products rose. Prices of core goods rose 1-1/2 percent at an annual rate in April-May, somewhat less than in the last two quarters.

**Exports.** Prices of total goods exports rose slightly in May. For April-May combined, the increase was 2 percent at an annual rate, a somewhat smaller rise than in the last two quarters. The increases were largely in agricultural products and industrial supplies. Prices of exported core goods (which exclude computers, semiconductors, and agricultural products) rose 1½ percent at an annual rate in April-May following two quarters of stronger increases; most of the slowing was from smaller increases in prices of industrial supplies.

**U.S. Current Account**  
(Billions of dollars, seasonally adjusted annual rate)

Period	Goods and services, net	Investment income, net	Other income and transfers, net	Current account balance
<i>Annual</i>				
1998	-166.9	-6.2	-44.0	-217.1
1999	-265.0	-18.5	-48.0	-331.5
<i>Quarterly</i>				
1999:Q2	-253.2	-16.6	-46.1	-315.9
Q3	-290.9	-22.1	-45.6	-358.6
Q4	-305.1	-22.7	-57.0	-384.9
2000:Q1	-344.7	-16.8	-47.7	-409.2
<i>Change</i>				
Q2-Q1	-42.5	-4.1	-2.8	-49.4
Q3-Q2	-37.7	-5.5	0.5	-42.7
Q4-Q3	-14.2	-0.6	-11.4	-26.3
Q1-Q4	-39.6	5.9	9.3	-24.3

Source: U.S. Department of Commerce, Bureau of Economic Analysis.