

Part 1

September 20, 1995

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Summary and Outlook

Prepared for the Federal Open Market Committee

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

manufacturing sectors, orders trends have flattened recently, and our industry contacts report a variety of soft spots. As a result, we are projecting that IP will decline some in the near term. Even with the August bulge, manufacturing output should increase only at a 2 percent annual pace on a quarterly average basis in the current period.

SUMMARY OF THE NEAR-TERM OUTLOOK
(Percent change, at annual rates, unless otherwise noted)

	1995		
	Q2	Q3	Q4
Real GDP	1.1	2.2	2.5
<i>Previous</i>	0.5	2.2	2.9
Final sales	2.5	3.4	2.8
<i>Previous</i>	2.1	3.3	2.4
Civilian unemployment rate ¹	5.7	5.7	5.8
<i>Previous</i>	5.7	5.8	5.8
CPI inflation	3.2	2.0	2.8
<i>Previous</i>	3.2	2.0	2.8

1. Percent.

Real consumer spending is expected to rise at a fairly hefty 3-1/4 percent annual rate this quarter, in part reflecting the arithmetic effects of the high level in June. Consumer purchases of motor vehicles fluctuated considerably in July and August but are running only a little above the average level of the second quarter, bolstered, in part, by incentive programs. Outside of motor vehicles, retail sales reportedly have flattened out after substantial gains in late spring; the demand for home electronic equipment apparently remains robust, but sales of apparel have continued to languish. On the service side, hefty air-conditioning bills have boosted expenditures.

Housing demand has strengthened in recent months in response to lower mortgage rates. Single-family housing starts rose sharply in

The Outlook for the Economy

As was noted above in the overview, we are forecasting that real GDP growth will run around 2-1/4 percent through 1996. Our output path is obviously far smoother than can reasonably be expected to materialize, but at this point we have no basis for predicting significant twists and turns. Broadly characterized, the forecast involves a sequence of balancing impulses. Near term, the recent decline in the cost of capital and the ample availability of credit are expected to sustain above-trend growth of domestic final demand, but overall production is constrained by efforts to curb the rate of inventory accumulation. During 1996, the effects of this year's financial market rally begin to wane--and monetary policy remains rather restrictive, as gauged by the relatively high level of real short-term rates. In addition, fiscal policy exerts a greater restraint on demand in 1996, offsetting the lessening of the drag on activity coming from the external sector.

SUMMARY OF STAFF REAL GDP PROJECTION FOR 1995-1996
(Percent change, at annual rates)

	1994	1995		1996
		H1	H2	
Real GDP	4.1	1.9	2.3	2.2
<i>Previous</i>	4.1	1.6	2.5	2.3
Final sales	3.4	2.5	3.1	2.2
<i>Previous</i>	3.4	2.3	2.9	2.1
Gross domestic purchases	4.5	2.6	2.6	2.2
<i>Previous</i>	4.5	2.2	2.4	2.1

Overall, the picture is one of output growth averaging something less than potential and of a resultant slight easing of pressures on labor and capital resources. In this environment, the risks of inflation picking up materially would seem quite limited;

Net exports. The restraint on domestic production coming from the external sector is expected to diminish over the projection period. Stimulated by faster growth abroad and the still relatively low level of the dollar, real exports are forecast to increase 9-1/4 percent in 1996 after an increase of 6-1/2 percent in 1995. Real imports are projected to expand a hefty 8-1/2 percent in 1996, despite the slower pace of output growth; this reflects this country's overall high propensity to import as well as exchange rate effects and continued large increases in purchases of computers and electronic components from abroad. (More detail on these projections is contained in the International Developments section.)

STAFF LABOR MARKET PROJECTIONS
(Percent change, Q4 to Q4, unless otherwise noted)

	1994	1995	1996
Output per hour, nonfarm business	1.8	1.8	1.0
<i>Previous</i>	1.8	1.5	1.3
Nonfarm payroll employment	3.1	1.7	1.1
<i>Previous</i>	3.1	1.7	1.1
Civilian unemployment rate ¹	5.6	5.8	6.0
<i>Previous</i>	5.6	5.8	5.9

1. Average for the fourth quarter.

Labor markets. Reported productivity growth during the first half of this year was remarkably high, for a period in which output was decelerating markedly. This raises some question about our assumption that the cyclically adjusted uptrend of output per hour in the nonfarm business sector is about 1-1/2 percent per annum (in 1987 dollars). While it could be that the trend is somewhat steeper, a couple of considerations lead us to retain our prior assumption for the time being. First, the surge in productivity in the second quarter appears to reflect importantly a fluke decline in self-employed workers, and we anticipate a reversal of that drop in

overall CPI is projected to rise 2.9 percent in 1996, with the core component increasing a bit less than that, at 2.8 percent.

We are anticipating that the employment cost index for hourly compensation will accelerate slightly in coming quarters. Employers have thus far captured a disproportionate share of the recent gains associated with savings on medical insurance and other benefits costs, and some partial catch-up by workers would not be surprising. In addition, it seems unlikely that benefit cost savings will be as easy to come by now that many companies have already shifted to managed care schemes.⁴ But compensation gains are projected only to inch up: Although labor markets remain relatively tight--reports persist of "shortages" of qualified job applicants--workers still seem sufficiently concerned about preserving their jobs and benefits that they are not putting much pressure on employers to raise pay.

STAFF INFLATION PROJECTIONS
(Percent change, Q4 to Q4, unless otherwise noted)

	1994	1995	1996
Consumer price index	2.6	2.8	2.9
<i>Previous</i>	2.6	2.8	3.0
Excluding food and energy	2.8	3.1	2.8
<i>Previous</i>	2.8	3.1	2.9
ECI for compensation of private industry workers ¹	3.1	2.8	3.1
<i>Previous</i>	3.1	2.8	3.1

1. December to December.

Even if hourly compensation and unit labor cost increases do grow somewhat, the effects on prices should be minor. Prices have been rising considerably faster than labor costs for some time, leading to a widening of profit margins. This situation suggests

4. Current discussions of cuts in Medicare/Medicaid outlays suggest a further upside risk to benefit costs: "cost-shifting" by medical care providers squeezed by government price constraints. At this point, however, we have not incorporated such specific programmatic changes into our fiscal assumptions.

Alternative Simulations

We have run an alternative set of forecast simulations with the Board's econometric model in which the federal funds rate is assumed to be raised or lowered relative to the baseline path by 100 basis points--implemented in four equal installments beginning in the fourth quarter of 1995. Given the lags in the model, neither policy action has any appreciable effect on 1995. Thereafter, under the lower funds rate assumption, real GDP growth is raised almost 1/2 percentage point in 1996 and 3/4 percentage point in 1997. The unemployment rate is 1/2 percentage point lower by the end of 1997, and core inflation is 0.1 percentage point higher in 1996 and almost 1/2 percentage point higher in 1997. The results for the tighter monetary policy simulations are symmetrical.

ALTERNATIVE FEDERAL FUNDS RATE ASSUMPTIONS
(Percent change, Q4 to Q4, except as noted)

	1995	1996	1997
Real GDP			
Baseline	2.1	2.2	2.0
Lower funds rate	2.1	2.6	2.8
Higher funds rate	2.1	1.8	1.2
Civilian unemployment rate ¹			
Baseline	5.8	6.0	6.2
Lower funds rate	5.8	5.9	5.7
Higher funds rate	5.8	6.1	6.7
CPI excluding food and energy			
Baseline	3.1	2.8	2.7
Lower funds rate	3.1	2.9	3.1
Higher funds rate	3.1	2.7	2.3

1. Average for the fourth quarter.

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

September 20, 1995

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index ¹		Unemployment rate (level except as noted)	
	08/16/95	09/20/95	08/16/95	09/20/95	08/16/95	09/20/95	08/16/95	09/20/95	08/16/95	09/20/95
ANNUAL										
1993 ²	5.4	5.4	3.1	3.1	3.0	3.0	3.0	3.0	6.8	6.8
1994 ²	6.2	6.2	4.1	4.1	2.7	2.7	2.6	2.6	6.1	6.1
1995	4.9	5.1	2.9	3.0	2.9	2.9	2.9	2.9	5.7	5.7
1996	4.5	4.6	2.3	2.2	2.9	2.9	2.9	2.9	5.9	5.9
1997		4.0		2.1		2.7		2.7		6.1
QUARTERLY										
1994 Q1 ²	6.1	6.1	3.3	3.3	3.1	3.1	2.2	2.2	6.6	6.6
Q2 ²	7.2	7.2	4.1	4.1	2.9	2.9	2.5	2.5	6.2	6.2
Q3 ²	6.2	6.2	4.0	4.0	3.0	3.0	3.6	3.6	6.0	6.0
Q4 ²	6.4	6.4	5.1	5.1	2.6	2.6	2.2	2.2	5.6	5.6
1995 Q1 ²	4.7	4.7	2.7	2.7	3.3	3.3	3.2	3.2	5.5	5.5
Q2 ²	2.0	2.8	.5	1.1	2.7	2.8	3.2	3.2	5.7	5.7
Q3	4.6	5.1	2.2	2.2	2.8	2.8	2.0	2.0	5.8	5.7
Q4	5.4	5.1	2.9	2.5	2.9	3.1	2.8	2.8	5.8	5.8
1996 Q1	4.7	5.1	2.3	2.3	3.1	3.4	3.3	3.0	5.8	5.8
Q2	4.3	4.3	2.3	2.2	2.7	2.7	3.1	3.1	5.9	5.9
Q3	4.4	4.1	2.3	2.2	2.8	2.6	2.9	2.9	5.9	5.9
Q4	4.3	4.1	2.3	2.1	2.8	2.6	2.8	2.7	5.9	6.0
1997 Q1		4.1		2.0		2.9		2.7		6.0
Q2		3.9		2.0		2.6		2.7		6.1
Q3		3.9		2.0		2.6		2.7		6.1
Q4		3.8		2.0		2.6		2.7		6.2
TWO-QUARTER³										
1994 Q2 ²	6.6	6.6	3.7	3.7	3.0	3.0	2.3	2.3	-.3	-.3
Q4 ²	6.3	6.3	4.6	4.6	2.8	2.8	2.9	2.9	-.6	-.6
1995 Q2 ²	3.4	3.7	1.6	1.9	2.9	2.9	3.2	3.2	.1	.1
Q4	5.0	5.1	2.5	2.3	2.8	3.0	2.4	2.4	.1	.1
1996 Q2	4.5	4.7	2.3	2.2	2.9	3.0	3.2	3.1	.1	.1
Q4	4.4	4.1	2.3	2.1	2.8	2.6	2.9	2.8	.0	.1
1997 Q2		4.0		2.0		2.7		2.7		.1
Q4		3.8		2.0		2.6		2.7		.1
FOUR-QUARTER⁴										
1993 Q4 ²	5.0	5.0	3.1	3.1	2.8	2.8	2.7	2.7	-.8	-.8
1994 Q4 ²	6.5	6.5	4.1	4.1	2.9	2.9	2.6	2.6	-.9	-.9
1995 Q4	4.2	4.4	2.1	2.1	2.9	3.0	2.8	2.8	.2	.2
1996 Q4	4.4	4.4	2.3	2.2	2.8	2.8	3.0	2.9	.1	.2
1997 Q4		3.9		2.0		2.7		2.7		.2

1. For all urban consumers.

2. Actual.

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

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

Item	Unit ¹	1989	1990	1991	1992	1993	1994	Projected		
								1995	1996	1997
EXPENDITURES										
Nominal GDP	Bill. \$	5250.8	5546.1	5724.8	6020.2	6343.3	6738.4	7078.7	7403.0	7699.4
Real GDP	Bill. 87\$	4838.0	4897.3	4867.6	4979.3	5134.5	5344.0	5504.8	5624.8	5740.2
Real GDP	% change	1.6	.2	.3	3.7	3.1	4.1	2.1	2.2	2.0
Gross domestic purchases		.9	-.4	-.1	4.1	3.9	4.5	2.6	2.2	1.9
Final sales		1.5	1.2	-.4	3.8	3.0	3.4	2.8	2.2	2.0
Private dom. final purch.		.5	-.1	-.8	5.1	5.0	4.9	4.0	2.9	2.3
Personal cons. expend.		1.2	.7	.0	4.2	3.0	3.5	2.6	2.1	1.9
Durables		-.5	-.8	-1.3	9.6	9.0	8.6	2.9	3.6	3.8
Nondurables		1.2	-.1	-1.6	3.2	1.3	3.1	1.8	1.2	1.2
Services		1.7	1.7	1.2	3.5	2.5	2.4	2.9	2.2	1.7
Business fixed invest.		-.4	.7	-6.2	6.7	16.0	12.9	12.7	6.0	5.1
Producers' dur. equip.		-1.7	2.9	-3.2	11.0	21.3	15.5	13.3	6.7	6.3
Nonres. structures		2.3	-3.9	-12.4	-3.4	1.6	4.6	10.7	3.9	.9
Res. structures		-7.7	-15.2	.7	17.0	8.1	3.1	-.3	4.1	-.4
Exports		11.3	6.7	8.1	5.0	5.8	11.6	6.4	9.3	9.4
Imports		2.6	.4	4.0	8.6	12.4	13.8	9.0	8.6	7.9
Government purchases		2.0	3.3	-.8	.7	-1.0	-1.0	-.4	-1.1	-.4
Federal		-.6	2.8	-3.2	.8	-6.9	-5.9	-4.6	-5.8	-4.5
Defense		-1.5	1.5	-7.0	-1.3	-9.0	-8.2	-4.1	-3.7	-4.3
State and local		4.0	3.6	.8	.6	3.0	2.0	1.9	1.4	1.5
Change in bus. invent.	Bill. 87\$	29.8	5.7	-1.1	2.5	15.3	47.8	28.3	16.0	15.4
Nonfarm		29.9	3.2	-1.3	-2.0	18.5	40.7	28.4	16.0	14.4
Net exports		-73.7	-54.7	-19.5	-32.3	-73.9	-110.0	-128.5	-141.9	-141.7
Nominal GDP	% change	6.0	4.7	3.5	6.4	5.0	6.5	4.4	4.4	3.9
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employ.	Millions	107.9	109.4	108.3	108.6	110.7	114.0	116.6	118.1	119.1
Unemployment rate	%	5.3	5.5	6.7	7.4	6.8	6.1	5.7	5.9	6.1
Industrial prod. index	% change	-.1	-.2	.2	4.0	3.6	6.0	2.1	2.7	2.4
Capacity util. rate-mfg.	%	83.2	81.3	78.0	79.2	80.9	83.4	83.3	82.0	81.5
Housing starts	Millions	1.38	1.19	1.01	1.20	1.29	1.46	1.35	1.46	1.48
Light Motor Vehicle Sales		14.53	13.85	12.31	12.80	13.89	15.07	14.67	14.50	14.50
Auto sales in U.S.		9.91	9.50	8.39	8.35	8.72	9.24	8.84	8.61	8.61
North American prod.		7.08	6.90	6.14	6.26	6.75	7.28	7.10	7.00	7.00
Other		2.83	2.60	2.25	2.10	1.97	1.96	1.74	1.61	1.61
INCOME AND SAVING										
Nominal GNP	Bill. \$	5266.8	5567.8	5740.8	6025.8	6347.8	6726.9	7061.3	7382.1	7675.8
Nominal GNP	% change	6.1	4.9	3.2	6.1	5.0	6.1	4.5	4.3	3.9
Nominal personal income		6.5	6.5	3.7	8.1	2.8	6.8	5.3	4.5	4.4
Real disposable income		1.1	1.1	.9	5.0	.5	4.4	2.5	2.0	1.9
Personal saving rate	%	4.0	4.2	5.0	5.5	4.1	4.1	4.4	4.2	4.3
Corp. profits, IVA&CCAdj	% change	-6.3	2.3	8.8	9.6	23.4	4.9	4.5	2.6	1.9
Profit share of GNP	%	6.9	6.8	6.8	6.7	7.7	8.1	8.3	8.1	7.9
Federal surpl./def.	Bill. \$	-122.3	-163.5	-202.9	-282.7	-241.4	-159.1	-143.1	-133.8	-148.1
State/local surpl./def.		44.8	25.1	17.0	24.8	26.3	26.2	26.7	29.8	41.1
Ex. social ins. funds		-17.5	-35.6	-46.5	-41.6	-40.0	-39.3	-38.0	-34.3	-22.6
PRICES AND COSTS										
GDP implicit deflator	% change	4.4	4.5	3.3	2.6	1.8	2.3	2.3	2.1	1.9
GDP fixed-wt. price index		4.4	4.6	3.6	3.2	2.8	2.9	3.0	2.8	2.7
Gross domestic purchases										
fixed-wt. price index		4.4	5.2	2.9	3.2	2.5	2.9	2.8	2.7	2.6
CPI		4.6	6.3	3.0	3.1	2.7	2.6	2.8	2.9	2.7
Ex. food and energy		4.4	5.3	4.4	3.5	3.1	2.8	3.1	2.8	2.7
ECI, hourly compensation ²		4.8	4.6	4.4	3.5	3.6	3.1	2.8	3.1	3.0
Nonfarm business sector										
Output per hour		-1.4	.4	2.3	3.1	1.3	1.8	1.8	1.0	1.4
Compensation per hour		3.1	6.2	4.7	5.1	1.9	3.2	3.7	3.3	3.2
Unit labor cost		4.6	5.7	2.3	1.9	.5	1.4	1.8	2.3	1.8

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

2. Private-industry workers.

Item	Unit	1993				1994				1995	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GDP	Bill. \$	6235.9	6299.9	6359.2	6478.1	6574.7	6689.9	6791.7	6897.2	6977.4	7024.9
Real GDP	Bill. 87\$	5075.3	5105.4	5139.4	5218.0	5261.1	5314.1	5367.0	5433.8	5470.1	5485.2
Real GDP	% change	1.2	2.4	2.7	6.3	3.3	4.1	4.0	5.1	2.7	1.1
Gross domestic purchases		2.7	3.3	4.0	5.8	5.0	4.6	4.4	4.2	3.5	1.7
Final sales		.2	2.4	3.2	6.4	2.2	1.5	4.3	5.7	2.6	2.5
Private dom. final purch.		3.5	3.7	5.3	7.4	5.8	2.7	4.1	6.8	4.2	3.8
Personal cons. expend.		1.6	2.6	3.9	4.0	4.7	1.3	3.1	5.1	1.6	3.4
Durables		3.2	9.8	7.7	15.5	8.8	.4	5.8	20.4	-3.4	2.9
Nondurables		-1.6	1.6	2.8	2.4	3.8	2.2	3.3	3.1	2.3	2.0
Services		3.1	1.4	3.6	2.0	4.0	1.1	2.2	2.3	2.6	4.3
Business fixed invest.		15.1	15.6	12.2	21.1	10.9	9.2	14.1	17.6	21.5	11.8
Producers' dur. equip.		20.0	21.6	16.2	27.5	18.6	6.1	18.1	19.6	24.5	12.3
Nonres. structures		2.5	.3	.5	3.3	-11.8	20.6	1.6	11.0	11.5	10.1
Res. structures		5.3	-7.6	9.4	28.2	10.0	7.0	-6.0	2.3	-3.4	-13.2
Exports		-1.0	7.7	-3.2	21.7	-3.5	16.6	14.8	20.2	4.8	6.1
Imports		11.6	14.9	7.4	16.0	9.5	18.9	15.6	11.4	10.1	9.5
Government purchases		-5.9	1.2	1.1	-.1	-4.9	-1.2	6.7	-4.1	-.7	-.8
Federal		-15.4	-3.6	-3.0	-5.0	-10.3	-7.9	10.9	-14.4	-3.8	-4.9
Defense		-20.0	-2.2	-9.2	-3.6	-16.0	-4.1	12.8	-21.8	-7.5	-2.9
State and local		.9	4.4	3.7	2.9	-1.4	2.9	4.3	2.3	1.0	1.6
Change in bus. invent.	Bill. 87\$	18.5	18.9	13.0	10.8	25.4	59.2	57.1	49.4	51.1	32.7
Nonfarm		19.7	22.8	20.9	10.7	22.1	51.7	47.4	41.7	49.1	31.9
Net exports		-57.6	-69.3	-86.3	-82.2	-104.0	-111.8	-117.0	-107.1	-118.5	-126.8
Nominal GDP	% change	4.4	4.2	3.8	7.7	6.1	7.2	6.2	6.4	4.7	2.8
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	109.7	110.4	111.0	111.8	112.7	113.6	114.5	115.3	116.1	116.4
Unemployment rate ¹	%	7.0	7.0	6.7	6.5	6.6	6.2	6.0	5.6	5.5	5.7
Industrial prod. index	% change	5.1	.7	3.3	5.3	7.1	6.0	4.9	5.9	5.2	-2.4
Capacity util. rate-mfg. ¹	%	80.8	80.6	80.7	81.4	82.3	83.1	83.6	84.5	84.7	83.1
Housing starts	Millions	1.16	1.25	1.31	1.47	1.36	1.44	1.47	1.51	1.31	1.28
Light Motor Vehicle Sales		13.23	14.11	13.69	14.53	15.45	14.76	14.65	15.44	14.90	14.35
Auto sales in U.S.		8.32	8.93	8.65	8.97	9.45	9.15	9.09	9.25	8.84	8.72
North American prod.		6.36	6.87	6.68	7.08	7.44	7.16	7.09	7.42	7.03	6.91
Other		1.96	2.07	1.97	1.89	2.00	1.99	2.01	1.83	1.81	1.82
INCOME AND SAVING											
Nominal GNP	Bill. \$	6243.9	6303.3	6367.8	6476.2	6574.0	6682.5	6779.6	6871.3	6959.5	7005.8
Nominal GNP	% change	5.1	3.9	4.2	7.0	6.2	6.8	5.9	5.5	5.2	2.7
Nominal personal income		-5.8	8.6	2.4	6.7	5.3	7.7	5.4	8.8	7.4	2.9
Real disposable income		-7.4	4.7	.8	4.3	3.4	3.5	3.1	7.5	4.1	-1.1
Personal saving rate ¹	%	4.0	4.6	3.9	4.0	3.6	4.1	4.1	4.6	5.1	4.0
Corp. profits, IVA&CCAdj	% change	9.6	30.7	18.4	37.0	-17.9	33.6	7.2	3.1	6.9	11.3
Profit share of GNP ¹	%	7.1	7.5	7.7	8.2	7.7	8.2	8.2	8.2	8.2	8.4
Federal govt. surpl./def.	Bill. \$	-283.5	-237.0	-224.9	-220.1	-176.2	-145.1	-154.0	-161.1	-148.6	-127.8
State/local surpl./def.		21.6	25.3	23.9	34.5	25.2	27.0	23.9	28.8	28.2	26.1
Ex. social ins. funds		-44.7	-41.1	-42.4	-31.7	-40.7	-38.9	-41.4	-36.4	-36.9	-38.7
PRICES AND COSTS											
GDP implicit deflator	% change	3.3	1.6	1.0	1.3	2.9	2.9	1.9	1.3	2.2	1.6
GDP fixed-wt. price index		4.2	2.4	2.0	2.4	3.1	2.9	3.0	2.6	3.3	2.8
Gross domestic purchases											
fixed-wt. price index		3.3	2.6	1.6	2.4	2.5	3.2	3.5	2.6	3.0	3.0
CPI		3.1	2.8	1.7	3.4	2.2	2.5	3.6	2.2	3.2	3.2
Ex. food and energy		3.5	3.5	2.4	2.9	2.9	2.9	3.1	2.3	3.3	3.6
ECI, hourly compensation ²		4.2	3.5	3.4	3.4	3.0	3.4	3.3	2.6	2.3	2.9
Nonfarm business sector											
Output per hour		-2.2	.4	2.9	4.2	1.7	-1.4	2.7	4.3	2.5	4.8
Compensation per hour		1.9	2.4	1.5	1.6	4.9	1.4	2.7	3.8	4.1	3.5
Unit labor cost		4.1	2.0	-1.3	-2.5	3.1	2.8	.0	-.4	1.6	-1.2

1. Not at an annual rate.

2. Private-industry workers.

Item	Units	Projected									
		1995		1996				1997			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GDP	Bill. \$	7112.0	7200.5	7290.3	7366.6	7440.4	7514.7	7590.5	7662.9	7735.7	7808.5
Real GDP	Bill. 87\$	5515.3	5548.8	5579.9	5609.7	5640.1	5669.4	5697.6	5725.5	5754.3	5783.4
Real GDP	% change	2.2	2.5	2.3	2.2	2.2	2.1	2.0	2.0	2.0	2.0
Gross domestic purchases		2.7	2.4	2.5	2.2	2.6	1.6	1.9	1.9	2.4	1.6
Final sales		3.4	2.8	2.1	2.2	1.7	2.7	2.1	2.0	1.6	2.2
Private dom. final purch.		4.4	3.6	3.2	2.9	2.8	2.7	2.5	2.3	2.3	2.3
Personal cons. expend.		3.2	2.2	2.2	2.1	2.1	2.0	2.0	1.8	1.8	1.8
Durables		8.7	3.8	3.5	3.7	3.6	3.6	4.9	3.5	3.5	3.5
Nondurables		.9	1.9	1.2	1.2	1.3	1.2	1.1	1.2	1.2	1.2
Services		3.0	1.8	2.4	2.2	2.1	2.0	1.7	1.7	1.7	1.7
Business fixed invest.		10.0	7.9	6.3	6.0	5.9	5.9	5.4	5.1	5.1	5.0
Producers' dur. equip.		9.1	8.0	6.9	6.6	6.6	6.6	6.3	6.3	6.2	6.3
Nonres. structures		13.6	7.8	4.3	3.8	3.6	3.6	2.0	.7	.7	.3
Res. structures		4.4	13.1	8.2	4.4	2.6	1.5	-.4	-.5	-.4	-.3
Exports		2.9	12.1	7.6	11.8	4.3	13.6	7.6	12.4	5.1	12.6
Imports		6.0	10.4	8.6	10.5	6.9	8.4	6.2	10.4	6.7	8.3
Government purchases		1.3	-1.4	-1.7	-1.3	-.9	-.6	-.7	-.1	-.1	-.9
Federal		-3.3	-6.2	-6.3	-6.5	-5.9	-4.6	-4.9	-3.6	-3.5	-5.9
Defense		-4.4	-1.5	-2.3	-4.0	-4.6	-4.0	-4.3	-4.3	-4.2	-4.2
State and local		3.9	1.2	.8	1.5	1.7	1.5	1.4	1.6	1.6	1.6
Change in bus. invent.	Bill. 87\$	17.1	12.4	14.8	14.6	21.3	13.5	12.7	12.9	19.4	16.5
Nonfarm		18.1	14.4	15.9	14.3	20.8	12.9	11.9	11.9	18.4	15.4
Net exports		-134.1	-134.6	-139.1	-140.3	-147.4	-141.0	-140.4	-140.2	-145.8	-140.1
Nominal GDP	% change	5.1	5.1	5.1	4.3	4.1	4.1	4.1	3.9	3.9	3.8
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	116.8	117.3	117.6	118.0	118.3	118.5	118.8	119.0	119.2	119.4
Unemployment rate ¹	%	5.7	5.8	5.8	5.9	5.9	6.0	6.0	6.1	6.1	6.2
Industrial prod. index	% change	3.8	1.9	3.0	2.6	2.7	2.4	2.4	2.3	2.4	2.6
Capacity util. rate-mfg ¹	%	82.7	82.4	82.3	82.1	82.0	81.7	81.6	81.5	81.4	81.4
Housing starts	Millions	1.40	1.43	1.45	1.46	1.46	1.46	1.47	1.47	1.48	1.48
Light Motor Vehicle Sales		14.74	14.69	14.49	14.50	14.50	14.50	14.50	14.50	14.50	14.50
Auto sales in U.S.		9.06	8.72	8.61	8.61	8.61	8.61	8.61	8.61	8.61	8.61
North American prod.		7.35	7.10	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Other		1.71	1.62	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61
INCOME AND SAVING											
Nominal GNP	Bill. \$	7098.2	7181.8	7271.6	7344.3	7421.9	7490.5	7569.7	7637.6	7715.0	7780.7
Nominal GNP	% change	5.4	4.8	5.1	4.1	4.3	3.7	4.3	3.6	4.1	3.5
Nominal personal income		5.1	5.8	5.0	4.4	4.0	4.7	5.0	4.2	3.9	4.3
Real disposable income		4.0	3.3	3.2	.4	2.4	2.0	3.1	1.6	1.1	1.7
Personal saving rate ¹	%	4.1	4.3	4.5	4.1	4.2	4.2	4.4	4.4	4.2	4.2
Corp. profits, IVA&CCAdj	% change	4.4	-3.8	6.1	-.4	4.0	.8	4.7	-4.6	6.2	1.8
Profit share of GNP ¹	%	8.3	8.2	8.2	8.1	8.1	8.0	8.0	7.9	7.9	7.9
Federal govt. surpl./def.	Bill. \$	-139.1	-157.0	-145.7	-120.6	-128.5	-140.5	-148.7	-146.5	-141.8	-155.4
State/local surpl./def.		24.4	28.0	25.8	28.3	31.2	33.8	37.3	39.2	44.3	43.5
Ex. social ins. funds		-40.2	-36.3	-38.4	-35.8	-32.8	-30.1	-26.5	-24.5	-19.3	-20.0
PRICES AND COSTS											
GDP implicit deflator	% change	2.7	2.6	2.8	2.1	1.8	1.9	2.1	1.9	1.8	1.7
GDP fixed-wt. price index		2.8	3.1	3.4	2.7	2.6	2.6	2.9	2.6	2.6	2.6
Gross domestic purchases											
fixed-wt. price index		2.3	2.6	3.0	2.7	2.6	2.6	2.8	2.6	2.6	2.6
CPI		2.0	2.8	3.0	3.1	2.9	2.7	2.7	2.7	2.7	2.7
Ex. food and energy		2.6	2.9	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7
ECI, hourly compensation ²		3.0	3.0	3.1	3.1	3.1	3.1	3.0	3.0	3.0	3.0
Nonfarm business sector											
Output per hour		-.8	.7	.9	1.0	1.1	1.1	1.3	1.3	1.4	1.5
Compensation per hour		3.5	3.5	3.6	3.2	3.2	3.2	3.5	3.1	3.1	3.1
Unit labor cost		4.3	2.8	2.7	2.2	2.1	2.1	2.2	1.8	1.7	1.6

1. Not at an annual rate.

2. Private-industry workers.

Strictly Confidential (FR)
Class II FOMC

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

September 20, 1995

Item	1993				1994				1995		Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1992	1993	1994	1995
Real GDP	14.6	30.1	34.0	78.6	43.1	53.0	52.9	66.8	36.3	15.1	179.9	157.3	215.8	115.0
Gross domestic purchases	33.7	41.8	51.1	74.4	64.9	60.7	58.2	56.9	47.7	23.4	201.6	201.0	240.7	142.4
Final sales	2.7	29.7	40.0	80.7	28.5	19.2	55.1	74.4	34.6	33.5	186.8	153.1	177.2	152.0
Private dom. final purch.	35.9	38.6	54.5	76.9	61.9	29.8	45.4	74.3	47.7	43.6	202.2	205.9	211.4	183.2
Personal cons. expend.	13.8	22.0	33.0	34.0	40.1	11.5	26.9	44.9	14.3	30.4	138.1	102.8	123.4	93.7
Durables	3.7	11.2	9.0	18.1	10.9	.5	7.4	25.2	-4.8	3.9	41.1	42.0	44.0	16.1
Nondurables	-4.2	4.3	7.4	6.3	10.3	6.0	9.1	8.5	6.3	5.7	33.8	13.8	33.9	20.1
Services	14.4	6.4	16.6	9.6	18.9	5.1	10.4	11.1	12.8	20.7	63.1	47.0	45.5	57.4
Business fixed invest.	19.4	20.7	16.9	29.3	16.4	14.3	22.1	28.2	35.4	21.1	34.0	86.3	81.0	90.1
Producers' dur. equip.	18.4	20.7	16.6	28.2	20.9	7.5	21.5	24.2	31.1	17.2	39.1	83.9	74.1	73.4
Nonres. structures	.9	.1	.2	1.2	-4.6	6.9	.6	4.0	4.3	3.9	-5.1	2.4	6.9	16.7
Res. structures	2.7	-4.1	4.7	13.5	5.4	3.9	-3.6	1.3	-2.0	-8.0	30.2	16.8	7.0	-.6
Change in bus. invent.	11.9	.4	-5.9	-2.2	14.6	33.8	-2.1	-7.7	1.7	-18.4	-6.9	4.2	38.6	-37.0
Nonfarm	13.4	3.1	-1.9	-10.2	11.4	29.6	-4.3	-5.7	7.4	-17.2	-8.3	4.4	31.0	-27.3
Farm	-1.5	-2.7	-4.0	8.0	3.2	4.2	2.2	-2.0	-5.7	-1.1	1.4	-.2	7.6	-9.7
Net exports	-19.1	-11.7	-17.0	4.1	-21.8	-7.8	-5.2	9.9	-11.4	-8.3	-21.6	-43.7	-24.9	-27.5
Exports	-1.5	11.0	-4.9	29.9	-5.6	24.3	22.6	31.4	8.3	10.6	28.1	34.5	72.7	44.8
Imports	17.5	22.8	12.0	25.8	16.2	32.0	27.9	21.5	19.6	19.0	49.9	78.1	97.6	72.3
Government purchases	-14.1	2.8	2.5	-.3	-11.6	-2.8	14.9	-9.8	-1.7	-1.8	6.2	-9.1	-9.3	-3.8
Federal	-15.4	-3.3	-2.7	-4.5	-9.4	-7.0	8.8	-13.1	-3.2	-4.1	2.9	-25.9	-20.7	-15.1
Defense	-14.2	-1.4	-5.9	-2.2	-10.2	-2.4	6.9	-13.9	-4.2	-1.6	-3.4	-23.7	-19.6	-9.0
Nondefense	-1.3	-1.8	3.2	-2.3	.8	-4.5	1.8	.8	1.0	-2.5	6.4	-2.2	-1.1	-6.1
State and local	1.3	6.1	5.2	4.2	-2.1	4.1	6.1	3.3	1.5	2.3	3.2	16.8	11.4	11.3

1. Annual changes are from Q4 to Q4.

Strictly Confidential (FR)
Class II FOMC

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

September 20, 1995

Item	Projected										Projected			
	1995		1996				1997				1994	1995	1996	1997
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP	30.1	33.5	31.2	29.8	30.4	29.3	28.2	27.9	28.8	29.1	215.8	115.0	120.7	114.0
Gross domestic purchases	37.4	33.9	35.7	31.0	37.5	22.9	27.6	27.7	34.4	23.4	240.7	142.4	127.1	113.1
Final sales	45.6	38.2	28.8	29.9	23.7	37.1	29.0	27.7	22.3	32.0	177.2	152.0	119.6	111.0
Private dom. final purch.	49.9	41.9	37.3	34.1	32.9	32.0	30.0	27.8	28.1	28.2	211.4	183.2	136.2	114.1
Personal cons. expend.	29.1	19.8	20.3	19.7	19.4	18.9	19.1	17.4	17.5	17.6	123.4	93.7	78.4	71.6
Durables	11.7	5.3	4.9	5.3	5.1	5.2	7.0	5.2	5.2	5.3	44.0	16.1	20.5	22.7
Nondurables	2.7	5.5	3.4	3.4	3.7	3.4	3.2	3.5	3.5	3.5	33.9	20.1	14.0	13.6
Services	14.9	9.1	12.0	11.0	10.6	10.3	8.9	8.8	8.8	8.8	45.5	57.4	43.9	35.3
Business fixed invest.	18.5	15.1	12.3	11.9	12.0	12.1	11.1	10.7	10.8	10.8	81.0	90.1	48.3	43.5
Producers' dur. equip.	13.2	11.9	10.5	10.2	10.4	10.5	10.2	10.4	10.5	10.7	74.1	73.4	41.6	41.8
Nonres. structures	5.3	3.2	1.8	1.6	1.6	1.6	.9	.3	.3	.1	6.9	16.7	6.6	1.7
Res. structures	2.4	7.0	4.6	2.5	1.5	.9	-.2	-.3	-.2	-.2	7.0	-.6	9.6	-.9
Change in bus. invent.	-15.6	-4.7	2.4	-.2	6.6	-7.8	-.8	.2	6.5	-2.9	38.6	-37.0	1.1	3.0
Nonfarm	-13.8	-3.7	1.5	-1.6	6.4	-7.9	-1.0	.0	6.5	-3.0	31.0	-27.3	-1.5	2.5
Farm	-1.9	-1.0	.9	1.4	.2	.1	.2	.2	.0	.1	7.6	-9.7	2.6	.5
Net exports	-7.3	-.5	-4.5	-1.2	-7.1	6.5	.5	.2	-5.6	5.7	-24.9	-27.5	-6.4	.8
Exports	5.1	20.9	13.7	21.4	8.3	25.4	15.0	24.5	10.6	25.9	72.7	44.8	68.8	75.9
Imports	12.4	21.3	18.3	22.6	15.4	19.0	14.5	24.3	16.1	20.2	97.6	72.3	75.3	75.1
Government purchases	3.0	-3.3	-3.9	-3.0	-2.0	-1.3	-1.5	-.3	-.2	-2.0	-9.3	-3.8	-10.2	-4.0
Federal	-2.7	-5.1	-5.1	-5.2	-4.6	-3.5	-3.7	-2.7	-2.6	-4.4	-20.7	-15.1	-18.4	-13.4
Defense	-2.4	-.8	-1.2	-2.1	-2.4	-2.1	-2.2	-2.2	-2.1	-2.1	-19.6	-9.0	-7.8	-8.6
Nondefense	-.3	-4.3	-3.9	-3.1	-2.2	-1.4	-1.5	-.5	-.5	-2.3	-1.1	-6.1	-10.6	-4.8
State and local	5.7	1.8	1.2	2.2	2.6	2.2	2.2	2.4	2.4	2.4	11.4	11.3	8.2	9.4

1. Annual changes are from Q4 to Q4.

Strictly Confidential (FR)
Class II FOMC

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

September 20, 1995

Item	Fiscal year				1995				1996				1997			
	1994 ^a	1995	1996	1997	Q1 ^a	Q2 ^b	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UNIFIED BUDGET																
Not seasonally adjusted																
Receipts ¹	1257	1356	1395	1451	307	404	338	323	291	429	353	338	310	438	365	346
Outlays ¹	1461	1517	1571	1624	380	381	376	391	395	391	394	410	414	398	402	421
Surplus/deficit ¹	-203	-162	-176	-173	-73	23	-38	-68	-105	38	-41	-72	-104	40	-37	-76
On-budget	-259	-227	-238	-230	-85	-11	-44	-77	-111	-5	-45	-77	-110	0	-42	-80
Off-budget	56	66	62	57	12	34	6	9	7	42	4	5	6	40	5	4
Surplus excluding deposit insurance ²	-211	-179	-183	-176	-79	18	-39	-71	-107	38	-44	-71	-106	40	-39	-75
Means of financing																
Borrowing	185	168	203	173	66	26	17	61	88	8	46	50	75	6	42	54
Cash decrease	17	-3	-21	0	8	-42	22	9	15	-45	0	25	20	45	0	25
Other ³	1	-3	-5	0	-1	-6	-1	-1	2	-1	-4	-3	9	-1	-5	-3
Cash operating balance, end of period	36	39	60	60	18	61	39	30	15	60	60	35	15	60	60	35
NIPA FEDERAL SECTOR																
Seasonally adjusted, annual rate																
Receipts	1355	1451	1513	1562	1441	1475	1480	1493	1500	1530	1531	1546	1555	1565	1583	1597
Expenditures	1529	1595	1651	1707	1590	1603	1619	1650	1645	1651	1659	1687	1704	1712	1725	1753
Purchases	439	433	423	415	434	433	431	427	426	422	418	415	416	415	413	410
Defense	296	284	284	281	284	285	283	284	285	284	283	281	282	281	280	279
Nondefense	144	148	139	134	151	148	148	143	141	137	135	134	134	134	134	131
Other expenditures	1090	1163	1228	1292	1155	1170	1187	1223	1219	1229	1242	1271	1287	1297	1311	1343
Surplus/deficit	-174	-144	-138	-144	-149	-128	-139	-157	-146	-121	-129	-141	-149	-147	-142	-155
FISCAL INDICATORS ⁴																
High-employment (HEB) surplus/deficit	-164	-168	-157	-155	-176	-151	-161	-178	-165	-139	-145	-155	-160	-155	-148	-159
Change in HEB, percent of potential GDP	- 7	1	- 2	0	- 1	- 4	1	2	- 2	- 4	1	1	1	- 1	- 1	1
Fiscal impetus (FI), percent, cal year	-7.3	-5.9	-11.3	-5.9	-1.7	-1.6	- 8	-1.5	-6.7	-2.5	6	-3.1	-1.2	- 7	- 7	-2.9

1 OMB's July 1995 deficit estimates are \$160 billion in FY95, \$163 billion in FY96 and \$179 billion in FY97. CBO's August 1995 deficit estimates are \$161 billion in FY95, \$189 billion in FY96 and \$218 billion in FY97. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) categories. The OASDI surplus is excluded from the on-budget deficit and shown separately as off-budget, as classified under current law. The Postal Service deficit is included in off-budget outlays beginning in FY90.

2 OMB's July 1995 deficit estimates, excluding deposit insurance spending, are \$177 billion in FY95, \$170 billion in FY96 and \$182 billion in FY97. CBO's August 1995 deficit estimates, excluding deposit insurance spending, are \$177 billion in FY95, \$197 billion in FY96 and \$222 billion in FY97.

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

4 HEB is the NIPA measure in current dollars, with cyclically sensitive receipts and outlays adjusted to the level of potential output generated by 2.4 percent real growth and an associated unemployment rate of 6 percent. Quarterly figures for change in HEB and FI are not at annual rates. Change in HEB, as a percent of nominal potential GDP, is reversed in sign. FI is the weighted difference of discretionary changes in federal spending and taxes (in 1987 dollars), scaled by real federal purchases. For change in HEB and FI, negative values indicate restraint.

a--Actual

b--Preliminary

Confidential FR Class II
September 20, 1995

CHANGE IN DEBT OF THE DOMESTIC NONFINANCIAL SECTORS¹
(Percent)

Year	-----Nonfederal-----								-----MEMO-----	
	Total	Federal govt.	-----Households-----					State and local govt.	Private financial assets	Nominal GDP
	Total		Total	Total	Home mtg.	Cons. credit	Business			
1983	11.9	18.9	10.1	11.8	10.8	12.6	8.7	9.7	12.5	11.0
1984	14.6	16.9	13.9	13.0	11.7	18.7	15.6	9.1	12.8	9.1
1985	15.5	16.5	15.2	15.3	13.2	15.8	12.1	31.6	12.4	7.0
1986	12.3	13.6	11.9	12.0	14.3	9.6	12.2	9.8	7.3	4.7
1987	9.4	8.0	9.8	11.4	14.9	5.0	7.9	12.1	8.1	8.0
1988	8.9	8.0	9.2	10.5	12.7	7.2	8.7	6.0	8.6	7.7
1989	7.8	7.0	8.1	9.2	10.8	6.2	6.9	9.3	5.8	6.0
1990	6.3	11.0	5.0	6.5	7.9	2.0	3.4	5.7	4.7	4.7
1991	4.5	11.1	2.4	4.7	6.5	-1.8	-0.9	7.4	-1.0	3.5
1992	4.8	10.9	2.8	5.7	6.7	0.9	0.0	2.4	0.7	6.4
1993	5.3	8.3	4.2	7.0	6.4	7.3	0.5	6.8	-0.1	5.0
1994	4.9	4.7	4.9	8.2	6.4	14.0	3.7	-4.4	4.9	6.5
1995	5.2	4.8	5.3	6.8	5.7	11.8	6.5	-7.2	2.1	4.4
1996	4.8	5.2	4.6	6.0	5.9	7.6	4.9	-5.2	1.0	4.4
1997	4.5	4.6	4.5	5.8	6.0	5.9	4.5	-3.9	1.0	3.9
Quarter (seasonally adjusted annual rates)										
1994:1	5.3	6.3	4.9	7.2	6.4	8.0	3.6	-0.3	6.1	6.1
2	4.2	3.6	4.4	7.1	5.2	13.9	3.8	-4.7	4.8	7.2
3	4.8	3.9	5.1	8.8	7.0	14.4	3.5	-5.4	2.4	6.2
4	4.9	4.5	5.0	9.0	6.2	17.1	3.5	-7.5	5.9	6.4
1995:1	6.5	7.8	6.0	7.0	6.4	10.2	7.8	-5.9	2.6	4.7
2	6.2	5.4	6.5	6.9	4.6	14.6	8.3	-2.9	4.2	2.8
3	3.2	1.4	3.9	6.5	5.7	10.5	4.4	-11.6	0.7	5.1
4	4.3	4.4	4.3	6.3	5.8	10.0	4.9	-9.2	1.0	5.1
1996:1	6.3	10.0	4.9	6.2	5.8	8.8	5.7	-6.7	1.0	5.1
2	4.3	3.3	4.6	6.1	5.8	7.7	4.6	-3.4	1.0	4.3
3	4.3	4.3	4.3	5.7	5.8	6.7	4.4	-5.3	1.0	4.1
4	3.9	3.0	4.2	5.6	5.8	6.2	4.4	-5.8	1.0	4.1

1. Data after 1995:q2 are staff projections. Changes are measured from end of the preceding period to end of period indicated except annual nominal GDP growth, which is Q4 to Q4. On a quarterly average basis, total debt grows 5.2 percent in 1995, 4.7 percent in 1996, and 4.6 percent in 1997. Federal debt rises 4.6 percent in 1995, 5.1 percent in 1996, and 4.9 percent in 1997. Nonfederal debt is projected to increase 5.4 percent in 1995, 4.5 percent in 1996, and 4.5 percent in 1997.

Confidential FR Class II
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FLOW OF FUNDS PROJECTIONS: HIGHLIGHTS¹
(Billions of dollars)

	1994	Calendar year 1995	1996	1997	-----1995-----				----1996----		----1997----	
					Q1	Q2	Q3	Q4	H1	H2	H1	H2
-----Seasonally Adjusted Annual Rates-----												
Net funds raised by domestic nonfinancial sectors												
1 Total	557.5	601.7	589.4	624.9	774.0	746.4	359.6	526.6	651.3	527.6	656.4	593.3
2 Net equity issuance	-44.9	-67.4	-58.5	-20.0	-68.4	-73.2	-72.0	-56.0	-72.0	-45.0	-24.0	-16.0
3 Net debt issuance	602.4	669.1	647.9	644.9	842.4	819.6	431.6	582.6	723.3	572.6	680.4	609.3
Borrowing sectors												
Nonfinancial business												
4 Financing gap ²	48.5	101.2	82.6	94.8	124.8	86.2	108.2	85.6	81.1	84.2	89.1	100.4
5 Net equity issuance	-44.9	-67.4	-58.5	-20.0	-68.4	-73.2	-72.0	-56.0	-72.0	-45.0	-24.0	-16.0
6 Credit market borrowing	137.1	252.0	201.9	193.9	302.4	328.8	176.6	200.2	214.5	189.4	191.8	196.0
Households												
7 Net borrowing, of which:	353.5	316.7	299.6	307.4	324.4	324.7	311.2	306.4	307.6	291.7	307.4	307.4
8 Home mortgages	189.1	180.7	197.7	213.5	200.9	146.9	185.0	190.0	195.0	200.5	211.0	216.0
9 Consumer credit	121.2	116.3	83.5	70.0	100.3	147.9	109.7	107.2	92.2	74.7	70.0	70.0
10 Debt/DPI (percent) ³	90.0	91.4	92.7	93.9	90.3	91.6	91.8	91.9	92.4	93.1	93.5	94.3
State and local governments												
11 Net borrowing	-44.0	-68.5	-45.7	-33.0	-56.2	-27.5	-107.6	-82.8	-44.2	-47.2	-33.0	-33.0
12 Current surplus ⁴	-46.8	-72.3	-52.5	-41.2	-111.6	-65.8	-57.4	-54.3	-55.2	-49.8	-44.1	-38.4
U.S. government												
13 Net borrowing	155.9	168.9	192.1	176.6	271.8	193.6	51.4	158.9	245.5	138.7	214.3	138.9
14 Net borrowing;quarterly, nsa	155.9	168.9	192.1	176.6	65.6	25.6	17.1	60.6	96.6	95.5	81.0	95.6
15 Unified deficit;quarterly, nsa	184.5	154.7	180.0	176.4	71.3	-23.0	38.0	68.3	67.1	112.9	63.8	112.6
Funds supplied by												
16 depository institutions	196.9	257.6	213.7	202.2	388.9	298.2	170.6	172.5	213.7	213.7	203.7	200.7
MEMO: (percent of GDP)												
17 Dom. nonfinancial debt ³	188.0	188.0	188.6	189.8	187.4	189.1	189.0	188.4	188.6	189.2	189.6	190.2
18 Dom. nonfinancial borrowing	8.9	9.5	8.8	8.4	12.1	11.7	6.1	8.1	9.9	7.7	8.9	7.8
19 U.S. government ⁵	2.3	2.4	2.6	2.3	3.9	2.8	0.7	2.2	3.3	1.9	2.8	1.8
20 Private	6.6	7.1	6.2	6.1	8.2	8.9	5.3	5.9	6.5	5.8	6.1	6.1

1. Data after 1995:q2 are staff projections.

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

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

4. NIPA surplus, net of retirement funds.

5. Excludes government-insured mortgage pool securities.

rate of 8 percent during the second half of this year to 8-1/2 percent in 1996 before slowing a bit in 1997. As a consequence, given the larger base of the current level of imports, real net exports will deteriorate some in the second half of this year and weaken slightly further in 1996. Notwithstanding that the dollar moved down this year through April and remained fairly weak through July, previous staff forecasts did not extrapolate the full extent of that dollar weakness into the forecast path. As a consequence, the current forecast for the dollar (to remain at recent levels) is only 2-1/2 percent higher than the forecast in the Greenbooks since March. This upward revision to the dollar results in projected real net exports that are about \$10 billion (1987 prices) weaker by the end of 1996, all else the same.

QUANTITIES OF GOODS AND SERVICES
(Percent change from end of previous period, SAAR)

	-----Projection-----				
		1995		1996	1997
	H1	Q3	Q4		
Exports of G&S	5.5	2.9	12.1	9.3	9.4
Services	-2.3	3.2	3.2	4.8	5.0
Computers	26.6	29.6	30.0	31.0	31.0
Other goods ¹	6.0	-4.5	12.7	4.9	3.4
Imports of G&S	9.8	6.0	10.4	8.6	7.9
Services	6.0	0.3	4.9	3.2	2.7
Oil	-2.8	15.2	5.2	2.2	4.4
Computers	21.5	28.5	28.5	22.4	21.5
Other goods ²	9.2	0.8	7.3	6.3	4.7

Note. NIPA basis, 1987 dollars.

1. Nonagricultural exports of goods excluding computers.

2. Non-oil imports of goods excluding computers.

Real nonagricultural exports of goods other than computers are projected to increase at an annual rate of 4 percent during the final two quarters of this year. Growth of these exports is expected to strengthen somewhat, to 5 percent, in 1996 as foreign output growth recovers and then to slow somewhat in 1997 as the lagged effects of the stronger dollar are felt. Continued strong growth of the quantity of computer

rise 1-1/2 percent during 1997 as commodity prices begin to increase. Prices of nonagricultural exports excluding computers, which rose sharply during the first half of the year, are projected to increase at an annual rate of 3-1/2 percent during the second half of 1995 and then to decelerate somewhat further over the remainder of the forecast period. These prices tend to move with comparable U.S. producer prices.

SELECTED PRICE INDICATORS
(Percent change from end of previous period except as noted, AR)

	-----Projection-----				
	1995			1996	1997
	H1	Q3	Q4		
U.S. PPI ¹	5.7	1.2	3.4	2.3	1.8
Nonag.exports ²	8.0	3.5	3.4	2.4	1.8
Non-oil imports ²	4.4	0.4	-2.7	0.5	1.6
Oil imports (Q4 level, \$bl.)	17.55	16.12	16.01	17.00	17.00

1. Selected categories (excluding computers) weighted by U.S. exports.
2. Excluding computers.

Nominal trade and current account balances. The nominal U.S. trade deficit on goods and services reached a peak in the second quarter of about \$135 billion (annual rate) and is projected to decline on balance through the end of 1996 and to remain about unchanged in 1997. U.S. investment income is projected to fluctuate narrowly during the remainder of this year and to deteriorate somewhat in 1996 and 1997. The current account deficit is expected to remain about unchanged at 2-1/4 percent of GDP over the forecast period.

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REAL GDP AND CONSUMER PRICES, SELECTED COUNTRIES, 1993-96
 (Percent; quarterly change at an annual rate except as noted)

Measure and country	1994	1995	Projected		1995			Projected			
			1996	1997	Q2	Q3	Q4	1996			
								Q1	Q2	Q3	Q4
REAL GDP											
Canada	5.4	1.0	2.4	2.5	-1.0	1.4	2.6	2.3	2.4	2.4	2.4
France	4.1	1.8	2.8	2.9	1.4	1.2	2.0	2.6	2.8	2.9	2.9
Germany	3.7	2.6	2.9	2.7	4.3	2.4	2.9	3.1	2.9	2.7	2.7
W. Germany	3.1	2.2	2.4	2.1	3.8	2.0	2.3	2.4	2.3	2.3	2.4
Italy	2.9	4.0	3.0	2.4	2.6	3.8	3.8	3.5	3.0	2.8	2.6
Japan	0.8	1.1	2.5	2.2	3.1	-0.3	1.6	1.8	2.5	3.3	2.4
United Kingdom	4.0	2.1	2.5	2.3	1.9	1.4	2.2	2.5	2.5	2.5	2.5
Average, weighted by 1987-89 GDP	2.9	2.0	2.7	2.5	2.4	1.3	2.3	2.5	2.7	2.9	2.6
Average, weighted by share of											
U.S. nonagricultural exports											
Total foreign	4.4	1.9	3.4	3.4	NA	NA	NA	NA	NA	NA	NA
Foreign G-7	3.9	1.4	2.5	2.5	1.0	1.2	2.4	2.4	2.5	2.7	2.5
Developing countries	5.7	2.2	5.2	5.3	NA	NA	NA	NA	NA	NA	NA
CONSUMER PRICES(1)											
Canada	0.0	2.5	2.0	2.5	3.1	1.2	1.6	1.8	2.0	2.0	2.0
France	1.6	2.8	1.7	1.9	2.1	4.0	2.8	1.6	1.6	1.6	1.8
Western Germany	2.5	1.8	2.1	2.3	2.2	1.8	0.4	3.9	2.5	1.8	0.3
Italy	3.8	6.0	5.0	4.5	8.0	4.2	5.5	6.1	6.6	2.6	4.7
Japan	0.8	-0.5	-0.9	-0.5	0.7	-0.0	-0.1	-0.4	-0.8	-1.0	-1.4
United Kingdom	2.6	3.3	3.8	3.6	7.5	0.7	1.6	4.0	7.6	1.0	2.5
Average, weighted by 1987-89 GDP	1.8	2.0	1.7	1.8	3.3	1.6	1.5	2.3	2.5	0.8	1.0
Average, weighted by share of											
U.S. non-oil imports	1.0	1.5	1.1	1.4	2.5	1.0	1.0	1.5	1.5	0.7	0.6

Note. Annual values are measured from Q4 to Q4.
 1. Not seasonally adjusted.

U.S. INTERNATIONAL TRANSACTIONS IN GOODS, SERVICES, AND THE CURRENT ACCOUNT

(Billions of dollars, seasonally adjusted annual rates)

	1993				1994				1995		ANNUAL		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1992	1993	1994
NIPA Real Net Exports of Goods & Services (87\$)	-57.6	-69.3	-86.3	-82.2	-104.0	-111.8	-117.0	-107.1	-118.5	-126.8	-32.3	-73.9	-110.0
Exports of G&S	589.2	600.2	595.3	625.2	619.6	643.9	666.5	697.9	706.2	716.8	578.8	602.5	657.0
Goods	433.9	443.3	438.5	468.2	464.4	484.6	505.1	533.5	543.2	554.5	426.5	446.0	496.9
Agricultural	39.1	39.3	36.9	39.1	36.6	37.5	40.7	45.9	45.9	43.3	39.8	38.6	40.2
Computers	60.9	62.9	68.5	74.0	76.9	79.3	85.9	95.8	102.0	107.8	53.9	66.6	84.5
Other Goods	333.9	341.1	333.1	355.1	350.9	367.8	378.5	391.8	395.3	403.4	332.8	340.8	372.2
Services	155.3	156.9	156.7	157.1	155.2	159.2	161.3	164.3	163.0	162.4	152.3	156.5	160.0
Imports of G&S	646.8	669.6	681.6	707.4	723.6	755.6	783.5	805.0	824.6	843.6	611.1	676.3	766.9
Goods	546.6	567.4	577.1	599.9	615.2	648.3	674.6	695.9	711.5	731.4	512.8	572.8	658.5
Oil	53.4	57.7	56.7	58.1	56.5	60.3	64.3	57.1	55.4	56.3	51.2	56.5	59.6
Computers	73.3	80.0	87.8	94.6	99.7	106.9	115.4	128.9	133.0	142.1	60.5	83.9	112.7
Other Goods	419.9	429.7	432.6	447.2	458.9	481.0	494.9	510.0	523.1	533.0	401.2	432.4	486.2
Services	100.1	102.2	104.5	107.6	108.5	107.4	108.9	109.1	113.2	112.3	98.3	103.6	108.5
Memo: (Percent change 1/)													
Exports of G&S	-1.0	7.7	-3.2	21.7	-3.5	16.6	14.8	20.2	4.8	6.1	5.0	5.8	11.6
Agricultural	-19.7	2.1	-22.3	26.1	-23.2	10.2	38.8	61.8	0.0	-20.8	9.5	-5.3	17.4
Computers	5.4	13.8	40.7	36.2	16.6	13.1	37.7	54.7	28.5	24.8	34.8	23.1	29.5
Other Goods	-6.8	8.9	-9.1	29.2	-4.6	20.7	12.2	14.8	3.6	8.5	3.8	4.5	10.3
Services	16.1	4.2	-0.5	1.0	-4.8	10.7	5.4	7.6	-3.1	-1.5	-2.0	5.0	4.6
Imports of G&S	11.6	14.9	7.4	16.0	9.5	18.9	15.6	11.4	10.1	9.5	8.6	12.4	13.8
Oil	4.6	36.3	-6.8	10.2	-10.6	29.7	29.3	-37.8	-11.4	6.7	12.1	10.0	-1.7
Computers	31.9	41.9	45.1	34.8	23.4	32.2	35.8	55.7	13.3	30.3	48.7	38.3	36.3
Other Goods	11.1	9.7	2.7	14.2	10.9	20.7	12.1	12.8	10.7	7.8	5.2	9.3	14.0
Services	4.5	8.7	9.3	12.4	3.4	-4.0	5.7	0.7	15.9	-3.1	1.4	8.7	1.4
Current Account Balance	-69.5	-97.4	-108.1	-124.7	-121.1	-151.9	-158.9	-173.1	-156.1	-174.5	-61.5	-99.9	-151.2
Goods & Serv (BOP), net	-54.3	-75.2	-88.0	-82.0	-92.1	-107.7	-115.2	-109.9	-117.8	-133.5	-39.5	-74.8	-106.2
Goods (BOP), net	-115.8	-134.4	-146.4	-133.9	-146.0	-166.0	-178.5	-174.0	-180.2	-196.2	-96.1	-132.6	-166.1
Services (BOP), net	61.5	59.2	58.5	51.9	53.9	58.3	63.3	64.1	62.4	62.7	56.6	57.8	59.9
Investment Income, net	14.8	8.3	12.8	0.1	0.5	-9.1	-10.1	-18.3	-7.8	-11.5	10.1	9.0	-9.3
Direct, net	61.1	55.3	59.2	49.7	46.2	43.9	44.6	45.7	57.2	59.6	51.6	56.3	45.1
Portfolio, net	-46.2	-47.0	-46.5	-49.6	-45.7	-53.0	-54.7	-64.0	-65.1	-71.1	-41.5	-47.3	-54.4
Unilateral Transfers, net	-30.1	-30.4	-32.9	-42.9	-29.5	-35.1	-33.5	-45.0	-30.5	-29.5	-32.1	-34.1	-35.8

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS IN GOODS, SERVICES, AND THE CURRENT ACCOUNT

(Billions of dollars, seasonally adjusted annual rates)

	Projection										Projection		
	1995		1996				1997				ANNUAL		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1995	1996	1997
NIPA Real Net Exports of Goods & Services (87\$)	-134.1	-134.6	-139.1	-140.3	-147.4	-141.0	-140.4	-140.2	-145.8	-140.1	-128.5	-141.9	-141.7
Exports of G&S	721.9	742.7	756.5	777.9	786.2	811.6	826.6	851.1	861.6	887.5	721.9	783.0	856.7
Goods	558.3	577.9	590.5	609.6	616.0	638.7	651.7	673.6	682.3	705.9	558.5	613.7	678.4
Agricultural	44.5	44.2	44.9	45.5	46.1	46.8	47.4	48.1	48.8	49.4	44.5	45.8	48.4
Computers	115.0	122.8	131.4	140.6	150.4	160.9	172.2	184.2	197.1	210.9	111.9	145.8	191.1
Other Goods	398.8	410.9	414.2	423.5	419.4	431.0	432.0	441.3	436.5	445.6	402.1	422.0	438.9
Services	163.7	165.0	166.1	168.3	170.3	173.0	175.1	177.5	179.4	181.7	163.5	169.4	178.4
Imports of G&S	856.0	877.3	895.6	918.1	933.6	952.6	967.1	991.3	1007.4	1027.6	850.4	925.0	998.4
Goods	743.7	763.7	781.0	802.6	817.1	835.2	849.0	872.5	887.9	907.1	737.6	809.0	879.1
Oil	58.3	59.1	59.9	62.3	63.3	60.4	59.8	64.2	66.2	63.0	57.3	61.5	63.3
Computers	151.3	161.1	169.9	178.5	187.6	197.1	207.0	217.3	228.1	239.5	146.9	183.3	223.0
Other Goods	534.0	543.5	551.2	561.7	566.1	577.7	582.3	591.0	593.5	604.6	533.4	564.2	592.9
Services	112.4	113.7	114.6	115.7	116.6	117.4	118.1	119.0	119.7	120.6	112.9	116.1	119.3
Memo: (Percent change 1/)													
Exports of G&S	2.9	12.1	7.6	11.8	4.3	13.6	7.6	12.4	5.1	12.6	6.4	9.3	9.4
Agricultural	11.3	-2.5	6.2	6.0	5.4	5.7	5.8	5.7	5.7	5.6	-3.7	5.8	5.7
Computers	29.6	30.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0	28.2	31.0	31.0
Other Goods	-4.5	12.7	3.3	9.3	-3.8	11.5	1.0	8.9	-4.3	8.6	4.9	4.9	3.4
Services	3.2	3.2	2.7	5.5	4.7	6.5	4.9	5.8	4.3	5.2	0.4	4.8	5.0
Imports of G&S	6.0	10.4	8.6	10.5	6.9	8.4	6.2	10.4	6.7	8.3	9.0	8.6	7.9
Oil	15.2	5.2	5.8	17.1	6.6	-17.4	-3.8	32.6	13.6	-18.0	3.5	2.2	4.4
Computers	28.5	28.5	23.8	21.9	21.9	21.9	21.5	21.5	21.5	21.5	25.0	22.4	21.5
Other Goods	0.8	7.3	5.8	7.8	3.2	8.4	3.2	6.1	1.7	7.7	6.6	6.3	4.7
Services	0.3	4.9	3.2	3.6	3.3	2.9	2.3	2.9	2.5	3.1	4.3	3.2	2.7
Current Account Balance	-162.7	-167.8	-154.0	-158.8	-165.1	-173.3	-159.4	-163.4	-166.3	-178.3	-165.3	-162.8	-166.8
Goods & Serv (BOP), net	-125.5	-113.7	-109.9	-111.2	-121.2	-113.2	-113.2	-112.7	-120.2	-114.6	-122.6	-113.9	-115.2
Goods (BOP), net	-189.3	-178.2	-175.3	-178.3	-189.9	-184.8	-187.2	-189.3	-198.9	-195.9	-186.0	-182.1	-192.8
Services (BOP), net	63.8	64.5	65.4	67.1	68.6	71.6	74.0	76.5	78.7	81.3	63.4	68.2	77.6
Investment Income, net	-6.2	-11.0	-11.1	-14.7	-10.9	-16.6	-13.2	-17.6	-13.1	-20.2	-9.2	-13.3	-16.0
Direct, net	64.2	65.5	63.8	64.9	67.6	68.7	70.3	71.2	73.8	73.7	61.6	66.3	72.3
Portfolio, net	-70.5	-76.5	-74.9	-79.6	-78.5	-85.3	-83.4	-88.9	-86.9	-93.9	-70.8	-79.6	-88.3
Unilateral Transfers, net	-31.0	-43.0	-33.0	-33.0	-33.0	-43.5	-33.0	-33.0	-33.0	-43.5	-33.5	-35.6	-35.6

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

Part 2

September 20, 1995

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Recent Developments

Prepared for the Federal Open Market Committee

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

Spot prices for industrial materials have softened a bit in September.

Motor Vehicles

Sales of automobiles and light trucks jumped to an annual rate of 16.0 million units in August, well above the 14.2 million unit rate in July. Part of the August rise in sales consisted of a surge (3/4 million units at an annual rate) in General Motors' shipments to fleet customers. (Information on retail and fleet sales is based on confidential data from industry sources.) Although industry sources expect General Motors to continue to rely on fleet customers to purchase stocks now held in inventory, the high August pace of these shipments looks unsustainable. Sales in August may also have received a boost from buyers who were rushing to beat the early-September expiration of heavy incentives offered by Japanese transplant firms. In addition, a source at Toyota says that their August sales figures included some purchases that occurred over the September Labor Day weekend. We estimate that the misreporting artificially boosted August sales 1/4 million units.

Measured against automakers' perceptions of the underlying rate of sales, which currently center on 14-3/4 million units, stocks of light vehicles at the end of August were still above desired levels.

PRODUCTION OF DOMESTIC AUTOS AND TRUCKS
(Millions of units at an annual rate; FRB seasonal basis)¹

	1995				
	July	Aug.	Sept.	Q3	Q4
	---actual---		-----scheduled-----		
U.S. production	11.2	11.9	12.0	11.7	11.5
Autos	6.1	6.1	6.2	6.1	6.0
Trucks	5.1	5.8	5.8	5.6	5.5
Days' supply					
Autos	76.8	60.7			
Light trucks	69.2	66.1			

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

CBO BUDGET AND ECONOMIC PROJECTIONS

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Budget projections (Billions of dollars; fiscal years)											
Outlays	1518	1602	1686	1766	1873	1982	2087	2211	2341	2480	2637
Receipts	1357	1413	1468	1537	1612	1694	1779	1870	1966	2066	2175
Deficit	161	189	218	229	261	288	308	340	375	414	462

Memorandum April baseline deficit	175	210	230	232	266	299	316	349	384	422	472
Economic assumptions (Calendar years)											
-----Percentage change, year over year-----											
Real GDP	2.6	1.9	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
GDP deflator	2.1	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
CPI-U	3.1	3.4	3.4	3.3	3.2	3.2	3.2	3.2	3.2	3.2	3.2
-----Percent, annual average-----											
Unemployment rate	5.7	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Yield on selected Treasuries											
Three-month	5.4	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Ten-year	6.5	6.4	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7

Note. The projections assume that revenues and outlays for major benefit programs evolve according to laws in effect at the time the projections are made, and that appropriations for other programs are consistent with discretionary spending caps through fiscal year 1998 and rise at the rate of inflation thereafter. The projections include social security and the Postal Service, which are off-budget.

Source. The Economic and Budget Outlook: An Update, Congressional Budget Office, August, 1995.

GROSS OFFERINGS OF SECURITIES BY U.S. CORPORATIONS¹
(Billions of dollars; monthly rates, not seasonally adjusted)

Type of security	1993	1994	1995				
			Q1	Q2 ^p	June ^p	July ^p	Aug. ^p
All U.S. corporations	52.89	40.61	39.91	45.98	55.67	36.92	39.28
Stocks ²	9.12	5.50	3.83	5.77	7.34	4.36	5.69
Bonds	43.77	35.11	36.08	40.21	48.34	32.56	33.59
<u>Nonfinancial corporations</u>							
Stocks ²	5.04	3.14	2.78	3.97	5.08	3.28	3.56
Sold in U.S.	4.64	2.92	2.51	3.75	4.84	3.11	3.33
Utility	1.05	.37	.38	.24	.18	.19	.17
Industrial	3.82	2.55	2.13	3.50	4.66	2.92	3.16
Sold abroad	.40	.22	.27	.22	.24	.18	.23
Bonds	16.19	7.35	6.63	11.91	16.18	8.14	7.93
Sold in U.S.	15.55	6.44	5.33	10.92	15.72	7.20	5.77
Utility	7.34	2.19	1.31	3.83	5.17	2.07	2.06
Industrial	8.21	4.26	4.02	7.09	10.55	5.13	3.72
Sold abroad	.64	.90	1.30	.99	.46	.94	2.16
By quality ³							
Aaa and Aa	2.56	.58	.69	1.69	2.59	.00	.92
A and Baa	8.70	3.82	3.37	6.96	10.19	5.11	2.86
Less than Baa	4.17	2.01	1.24	2.26	2.94	.85	1.97
Unrated or rating unknown	.09	.01	.02	.00	.00	.14	.02
<u>Financial corporations</u>							
Stocks ²	4.08	2.36	1.05	1.80	2.26	1.07	2.13
Sold in U.S.	3.83	2.11	1.04	1.79	2.26	1.07	2.13
Sold abroad	.25	.25	.01	.00	.00	.00	.00
Bonds	27.58	27.76	29.45	28.40	32.16	24.43	25.66
Sold in U.S.	25.02	23.98	23.47	24.87	28.07	20.89	20.69
Sold abroad	2.56	3.78	5.98	3.53	4.08	3.53	4.97
By quality ³							
Aaa and Aa	1.78	3.72	4.29	3.93	3.85	3.32	3.32
A and Baa	9.01	9.02	10.81	11.19	11.58	8.39	8.37
Less than Baa	.49	.31	.04	.13	.26	.10	.25
Unrated or rating unknown	.08	.10	.07	.30	.00	.80	.07

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.

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

p Preliminary.

TREASURY FINANCING
(Billions of dollars; total for period)

Item	1995				
	Q2 ^e	Q3 ^p	July ^e	Aug. ^e	Sept. ^p
Total surplus/deficit (-)	23.0	-38.0	-13.6	-30.6	6.2
Means of financing deficit					
Net cash borrowing and repayments (-)	25.6	17.1	10.6	16.4	-9.9
Nonmarketable	-2.7	-5.9	-7.7	1.2	0.7
Marketable	28.3	23.0	18.3	15.2	-10.5
Bills	-8.3	-8.7	11.0	-9.2	-10.5
Coupons	36.6	31.7	7.3	24.4	0.0
Decrease in cash balance	-42.4	21.6	11.6	30.8	-20.8
Other ¹	-6.1	-0.7	-8.7	-16.5	24.5
Memo:					
Cash balance, end of period	60.5	39.0	48.9	18.1	39.0

Note. Data reported on a payment basis. Details may not sum to totals because of rounding.

p Projection.

e Estimate.

1. Accrued items, checks issued less checks paid, and other transactions.

NET CASH BORROWING OF GOVERNMENT-SPONSORED ENTERPRISES
(Billions of dollars)

Agency	1995				
	Q1	Q2	May	June	July
FHLBs	4.4	12.9	6.2	5.0	0.0
FHLMC	8.4	6.8	1.3	0.8	2.9
FNMA	1.4	12.3	4.8	7.9	-2.5
Farm Credit Banks	0.8	0.0	0.4	-0.1	0.7
SLMA	1.2	-0.3	-0.8	1.3	0.0

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

n.a. Not available.