

January 28, 1994

## **SUMMARY AND OUTLOOK**

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

**SUMMARY OF THE NEAR-TERM OUTLOOK**  
 (Percent change, at annual rates, except as noted)

	1993			1994	
	H1	Q3	Q4	Q1	Q2
Real GDP	1.3	2.9	5.9	4.0	3.0
<i>Previous</i>	1.3	2.7	5.0	3.6	2.0
Civilian unemployment rate	7.0 <sup>1</sup>	6.7	6.5	7.0	6.9
<i>Previous</i>	7.0	6.7	6.6	6.5	6.5
CPI inflation	3.4	1.4	2.9	3.6	3.6
<i>Previous</i>	3.4	1.4	2.9	2.9	3.5

1. Average for 1993:Q2.

Looking beyond the near term, real GDP growth is expected to slow somewhat from the average pace of the past two years. Broadly speaking, the deceleration reflects a moderation in the expansion of domestic private final demand (that is, consumption, business fixed investment, and residential investment), which increased at an average rate of almost 5 percent during 1992-93. The slowing in GDP growth would be greater were it not for the diminishing drags from federal purchases and from net exports: together, these two components made a negative contribution of roughly 1-1/2 percentage points to GDP growth in 1993, and that deduction is projected to shrink to about 1/2 percentage point in 1995.

Consumer spending. We expect real PCE to rise at about a 2-3/4 percent annual rate in the first quarter, buoyed by solid gains in employment, ready availability of credit at relatively low interest rates, and reviving consumer confidence. Spending on household durable goods is projected to continue to grow rapidly, stimulated by the high level of home sales. The recent cold snap in the East seems unlikely to have much net effect on consumer spending for the quarter as a whole, although outsized expenditures for home heating, car batteries, and other winter items may displace some other discretionary outlays.

the deficit on real net exports is projected to widen about 2/3 percentage point during 1994 and 1/3 percentage point during 1995. (A complete discussion of these developments is contained in the International Developments section.)

Labor markets. A recent spate of corporate announcements has made it clear that companies are continuing their efforts to cut costs by trimming their work forces. We are projecting that labor productivity will rise about 1-1/4 percent in 1994 and 1995--just a bit less than in 1993. Nonetheless, given the greater confidence businesses are expressing about economic prospects and the very high level of the average workweek, hiring should hold up well. Payroll employment growth this year is projected to rise to 2.1 million and to run about 1.9 million in 1995 as output decelerates.

**STAFF LABOR MARKET PROJECTIONS**  
(Percent change, Q4 TO Q4, except as noted)

	1993	1994	1995
Output per hour, nonfarm business	1.5	1.4	1.1
<i>Previous</i>	1.4	1.1	1.4
Nonfarm payroll employment	1.8	1.9	1.7
<i>Previous</i>	1.8	1.8	1.5
Civilian unemployment rate <sup>1</sup>	6.5	6.8	6.8
<i>Previous</i>	6.6	6.4	6.4

1. Average for the fourth quarter.

Abstracting from the effects of the statistical revisions, the unemployment rate is projected to decline about 1/4 percentage point over the next few quarters. Although output growth is strongest early this year, the decline in unemployment is projected to occur gradually because we believe that the improvement in labor market conditions will stimulate higher labor force participation. With economic growth expected to run at about its potential rate in 1995, the unemployment rate is forecast to hold steady next year.

Prices and wages. We project increases in the CPI excluding food and energy to move up to almost a 3-1/2 percent annual rate in the first quarter from the 3 percent annual pace in the fourth quarter. This pickup is expected to be temporary and mainly reflects a "speed" effect associated with rapid growth of output. Some intermediate materials prices have firmed, and we expect at least a portion of those increases to be passed on to finished goods prices. The surge in demand for a variety of goods at the retail level also may prompt some firming of prices. In addition, difficulties in the seasonal adjustment of prices at the beginning of the year, when many "list" price adjustments are made, also are expected to put upward pressure on the CPI excluding food and energy. The BLS has announced that it will seasonally adjust more components of the CPI this year than in the past, which will mitigate (but not eliminate) this effect.<sup>3</sup>

**STAFF INFLATION PROJECTIONS**  
(Percent change, Q4 TO Q4, except as noted)

	1993	1994	1995
Consumer price index	2.7	3.3	3.1
Previous	2.7	3.1	2.9
Excluding food and energy	3.1	3.0	2.9
Previous	3.1	3.0	2.9
ECI for compensation of private industry workers <sup>1</sup>	3.6	3.5	3.5
Previous	3.7	3.6	3.6

1. December to December.

The total CPI is projected to rise at a 3.6 percent annual rate in the first quarter--a bit above the core inflation rate. Food price increases are expected to remain elevated as a result of last

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3. Revised seasonal factors will be released with the January CPI report on February 17. We expect that part of the acceleration in the CPI excluding food and energy that is now shown in early 1993 will be revised away by the new seasonal adjustment procedures.

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index <sup>1</sup>		Unemployment rate (level except as noted)	
	12/15/93	1/28/94	12/15/93	1/28/94	12/15/93	1/28/94	12/15/93	1/28/94	12/15/93	1/28/94
<b>ANNUAL</b>										
1991 <sup>2</sup>	3.2	3.2	-.7	-.7	4.1	4.1	4.2	4.2	6.7	6.7
1992 <sup>2</sup>	5.5	5.5	2.6	2.6	3.3	3.3	3.0	3.0	7.4	7.4
1993 <sup>2</sup>	5.5	5.6	2.9	2.9	3.2	3.1	3.0	3.1	6.8	6.8
1994	5.6	5.9	3.1	3.6	2.9	2.9	2.8	3.0	6.6	6.9
1995	4.7	4.7	2.5	2.4	2.8	2.9	3.0	3.1	6.4	6.8
<b>QUARTERLY</b>										
1992 Q1 <sup>2</sup>	7.4	7.4	3.5	3.5	4.2	4.2	3.5	3.5	7.3	7.3
Q2 <sup>2</sup>	5.7	5.7	2.8	2.8	3.4	3.4	2.9	2.9	7.5	7.5
Q3 <sup>2</sup>	4.6	4.6	3.4	3.4	2.5	2.5	2.9	2.9	7.5	7.5
Q4 <sup>2</sup>	9.2	9.2	5.7	5.7	3.1	3.1	3.2	3.2	7.3	7.3
1993 Q1 <sup>2</sup>	4.4	4.4	.8	.8	4.3	4.3	3.7	3.7	7.0	7.0
Q2 <sup>2</sup>	4.3	4.3	1.9	1.9	2.8	2.8	2.8	2.8	7.0	7.0
Q3 <sup>2</sup>	4.3	4.4	2.7	2.9	2.2	2.1	1.4	1.4	6.7	6.7
Q4 <sup>2</sup>	7.4	7.4	5.0	5.9	2.9	2.2	2.9	2.8	6.6	6.5
1994 Q1	6.5	7.2	3.6	4.0	3.1	3.7	2.9	3.6	6.5	7.0
Q2 <sup>2</sup>	4.6	5.4	2.0	3.0	3.0	3.0	3.5	3.6	6.5	6.9
Q3 <sup>2</sup>	5.0	4.8	2.5	2.5	2.8	2.7	3.2	3.0	6.4	6.9
Q4	4.7	4.6	2.5	2.5	2.6	2.7	3.0	2.8	6.4	6.8
1995 Q1	5.0	5.1	2.5	2.4	3.0	3.3	3.0	3.4	6.4	6.8
Q2 <sup>2</sup>	4.7	4.5	2.5	2.4	2.6	2.8	2.9	3.1	6.4	6.8
Q3 <sup>2</sup>	4.5	4.3	2.5	2.4	2.6	2.6	2.9	2.9	6.4	6.8
Q4	4.5	4.3	2.5	2.4	2.6	2.7	2.9	2.9	6.4	6.8
<b>TWO-QUARTER<sup>3</sup></b>										
1992 Q2 <sup>2</sup>	6.6	6.6	3.2	3.2	3.9	3.9	3.2	3.2	.5	.5
Q4 <sup>2</sup>	6.9	6.9	4.6	4.6	2.8	2.8	2.9	2.9	-.2	-.2
1993 Q2 <sup>2</sup>	4.3	4.3	1.3	1.3	3.4	3.4	3.6	3.4	-.3	-.3
Q4 <sup>2</sup>	5.8	5.9	3.8	4.4	2.6	2.2	2.0	2.0	-.4	-.5
1994 Q2 <sup>2</sup>	5.5	6.3	2.8	3.5	3.1	3.3	3.2	3.6	-.1	.4
Q4 <sup>2</sup>	4.8	4.7	2.5	2.5	2.7	2.7	3.1	2.9	-.1	-.1
1995 Q2 <sup>2</sup>	4.8	4.8	2.5	2.4	2.8	3.1	3.0	3.2	.0	.0
Q4 <sup>2</sup>	4.5	4.3	2.5	2.4	2.6	2.7	2.9	2.9	.0	.0
<b>FOUR-QUARTER<sup>4</sup></b>										
1991 Q4 <sup>2</sup>	3.7	3.7	.3	.3	3.6	3.6	3.0	3.0	1.0	1.0
1992 Q4 <sup>2</sup>	6.7	6.7	3.9	3.9	3.3	3.3	3.1	3.1	.3	.3
1993 Q4 <sup>2</sup>	5.1	5.1	2.6	2.8	3.0	2.8	2.7	2.7	-.7	-.8
1994 Q4	5.2	5.5	2.7	3.0	2.9	3.0	3.1	3.3	-.2	.3
1995 Q4	4.7	4.6	2.5	2.4	2.7	2.9	2.9	3.1	.0	.0

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.

agricultural exports to be depressed this year because of the relatively poor U.S. harvest in 1993 and to resume a more normal rate of expansion in 1995.

TRADE QUANTITIES  
(Q4/Q4 percent change)

	<u>1992</u>	<u>1993</u>	<u>--Projection--</u>	
			<u>1994</u>	<u>1995</u>
Exports				
Total	6.5	3.8	5.8	8.4
Agricultural	8.7	-8.0	-8	2.9
Computers	26.7	16.7	27.4	34.8
Other nonag.	3.4	3.2	2.6	3.0
Imports				
Total	10.1	13.7	10.6	9.5
Oil	12.1	8.7	3.6	3.0
Computers	46.7	36.7	31.7	28.7
Other non-oil	5.5	10.5	7.2	5.5

\* GDP basis, 1987 dollars.

After an unusually rapid increase in the fourth quarter of 1993, the growth of non-oil imports excluding computers also should slow in the first quarter of 1994, but by less than in the case of exports. After some pickup in the second quarter, we anticipate a moderate deceleration of these imports over the forecast period, reflecting the projected deceleration of domestic demand. Imports of computers should continue to grow rapidly, but their growth, compared with that of computer exports, is expected to slow over time as the new product cycle begins to favor U.S. production.

We expect that the quantity of oil imports will decline in the current quarter as domestic stocks are drawn down at a fairly rapid pace. Over the remainder of the forecast period, imports should resume an upward trend as U.S. oil production continues to decline in response to a relatively low and declining real price of oil.

Oil prices. While the recent cold spell in the United States put upward pressure on spot prices, the increase has been less than

expected because of weak underlying global demand and ample supplies. As a result, we have marked down the level of import prices by an average of about \$0.50 per barrel in the first and second quarters of 1994. We expect the spot price for WTI crude to average about \$15.50 per barrel through February and then to rise to \$17.50 per barrel (consistent with an import unit value of \$15 per barrel) by the second half of 1994 as global economic activity picks up.

**SELECTED PRICE INDICATORS**  
(Q4/Q4 percent change except as noted)

	1992	1993	--Projection--	
			1994	1995
PPI (export. wts.)	1.6	1.0	2.0	2.1
Nonag. exports*	1.4	.8	1.7	2.0
Non-oil imports*	2.3	1.2	.8	1.6
Oil imports (Q4 level, \$/bl.)	17.89	14.09	15.00	15.00

\* Excluding computers.

The longer-term price path remains unchanged at an import unit value of \$15.00 per barrel. This outlook is roughly in line with market expectations, although the staff assumption has oil prices rising a bit sooner and more rapidly than is currently expected by the market. We continue to assume that Iraq will return to the oil market in early 1995.<sup>4</sup>

Prices of non-oil imports and exports. We expect that the price of non-oil imports excluding computers will rise by 3/4 percent during 1994 and about 1-1/2 percent during 1995. These prices will be restrained by the recent appreciation of the dollar and by low inflation abroad. The increase in prices of U.S.

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4. When Iraq does return, we expect it to add between 0.5 and 1.5 million barrels per day to the world oil market; some of that increase is likely to be offset by reduced production elsewhere in OPEC.

January 28, 1994

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CLASS II FOMC

REAL GDP AND CONSUMER PRICES, SELECTED COUNTRIES, 1991-95  
(Percent change from fourth quarter to fourth quarter)

Measure and country	Projection				
	1991	1992	1993	1994	1995
<b>REAL GDP</b>					
<b">-----</b">					
Canada	-0.1	0.8	3.0	3.1	3.4
France	1.3	0.6	-0.3	1.0	2.3
Western Germany	2.7	0.0	-0.8	0.5	2.0
Italy	1.7	-0.2	0.3	1.6	2.1
Japan	3.6	-0.3	0.7	1.4	2.8
United Kingdom	-1.6	0.2	2.5	2.5	2.8
Average, weighted by 1987-89 GDP	1.8	0.0	0.7	1.5	2.6
Average, weighted by share of U.S. nonagricultural exports					
Total foreign	1.7	1.2	2.1	2.7	3.4
G-6	0.9	0.3	1.8	2.2	2.9
Developing countries	5.0	3.8	4.0	4.4	5.0
<b>CONSUMER PRICES</b>					
<b">-----</b">					
Canada	4.1	1.8	1.8	1.9	1.9
France	2.9	1.8	2.1	1.9	1.7
Western Germany	3.9	3.7	3.7	2.7	2.1
Italy	6.1	4.8	4.1	3.5	2.8
Japan	3.2	0.9	1.2	1.0	0.8
United Kingdom	4.2	3.1	1.6	3.3	3.5
Average, weighted by 1987-89 GDP	3.9	2.4	2.2	2.2	1.9
Average, weighted by share of U.S. non-oil imports					
	3.8	1.9	1.9	1.8	1.6



BOARD OF GOVERNORS  
OF THE  
**FEDERAL RESERVE SYSTEM**  
WASHINGTON, D. C. 20551-0001

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CLASS II - FOMC

TO: Federal Open Market Committee                    DATE: February 1, 1994  
FROM: Gary Gillum                                    SUBJECT: Greensheets

Attached are the greensheets for the January greenbook that you received yesterday. Production of the greensheets was delayed so that the staff forecast could take into account the national income accounts data released on Friday. Also note that the two tables on the last page are revised versions of tables that appear on pages I-26 and I-27 of the greenbook.

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index <sup>1</sup>		Unemployment rate (level except as noted)	
	12/15/93	1/28/94	12/15/93	1/28/94	12/15/93	1/28/94	12/15/93	1/28/94	12/15/93	1/28/94
<b>ANNUAL</b>										
1991 <sup>2</sup>	3.2	3.2	-.7	-.7	4.1	4.1	4.2	4.2	6.7	6.7
1992 <sup>2</sup>	5.5	5.5	2.6	2.6	3.3	3.3	3.0	3.0	7.4	7.4
1993 <sup>2</sup>	5.5	5.6	2.9	2.9	3.2	3.1	3.0	3.1	6.8	6.8
1994	5.6	5.8	3.1	3.6	2.9	2.9	2.8	3.0	6.4	6.9
1995	4.7	4.7	2.5	2.4	2.8	2.9	3.0	3.1	6.4	6.8
<b>QUARTERLY</b>										
1992 Q1 <sup>2</sup>	7.4	7.4	3.5	3.5	4.2	4.2	3.5	3.5	7.3	7.3
Q2 <sup>2</sup>	5.7	5.7	2.8	2.8	3.4	3.4	2.9	2.9	7.5	7.5
Q3 <sup>2</sup>	4.6	4.6	3.4	3.4	2.5	2.5	2.9	2.9	7.5	7.5
Q4 <sup>2</sup>	9.2	9.2	5.7	5.7	3.1	3.1	3.2	3.2	7.3	7.3
1993 Q1 <sup>2</sup>	4.4	4.4	.8	.8	4.3	4.3	3.7	3.7	7.0	7.0
Q2 <sup>2</sup>	4.3	4.3	1.9	1.9	2.8	2.8	2.8	2.8	7.0	7.0
Q3 <sup>2</sup>	4.3	4.4	2.7	2.9	2.2	2.1	1.4	1.4	6.7	6.7
Q4 <sup>2</sup>	7.4	7.4	5.0	5.9	2.9	2.2	2.9	2.8	6.6	6.5
1994 Q1	6.5	7.2	3.6	4.0	3.1	3.7	2.9	3.6	6.5	7.0
Q2	4.6	5.3	2.0	3.0	3.0	2.9	3.5	3.6	6.5	6.9
Q3	5.0	4.7	2.5	2.5	2.8	2.7	3.2	3.0	6.4	6.9
Q4	4.7	4.5	2.5	2.4	2.6	2.6	3.0	2.8	6.4	6.8
1995 Q1	5.0	5.1	2.5	2.4	3.0	3.3	3.0	3.4	6.4	6.8
Q2	4.7	4.6	2.5	2.4	2.6	2.8	2.9	3.1	6.4	6.8
Q3	4.5	4.5	2.5	2.5	2.6	2.7	2.9	2.9	6.4	6.8
Q4	4.5	4.4	2.5	2.5	2.6	2.7	2.9	2.9	6.4	6.8
<b>TWO-QUARTER<sup>3</sup></b>										
1992 Q2 <sup>2</sup>	6.6	6.6	3.2	3.2	3.9	3.9	3.2	3.2	-.5	-.5
Q4 <sup>2</sup>	6.9	6.9	4.6	4.6	2.8	2.8	2.9	2.9	-.2	-.2
1993 Q2 <sup>2</sup>	4.3	4.3	1.3	1.3	3.4	3.4	3.4	3.4	-.3	-.3
Q4 <sup>2</sup>	5.8	5.9	3.8	4.4	2.6	2.2	2.0	2.0	-.4	-.5
1994 Q2	5.5	6.2	2.8	3.5	3.1	3.3	3.2	3.6	-.1	-.4
Q4	4.8	4.6	2.5	2.4	2.7	2.7	3.1	2.9	-.1	-.1
1995 Q2	4.8	4.8	2.5	2.4	2.8	3.1	3.0	3.2	.0	.0
Q4	4.5	4.5	2.5	2.5	2.6	2.7	2.9	2.9	.0	.0
<b>FOUR-QUARTER<sup>4</sup></b>										
1991 Q4 <sup>2</sup>	3.7	3.7	.3	.3	3.6	3.6	3.0	3.0	1.0	1.0
1992 Q4 <sup>2</sup>	6.7	6.7	3.9	3.9	3.3	3.3	3.1	3.1	.3	.3
1993 Q4 <sup>2</sup>	5.1	5.1	2.6	2.8	3.0	2.8	2.7	2.7	-.7	-.8
1994 Q4	5.2	5.4	2.7	3.0	2.9	3.0	3.1	3.3	-.2	.3
1995 Q4	4.7	4.6	2.5	2.4	2.7	2.9	2.9	3.1	.0	.0

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 <sup>1</sup>	Projected								
		1987	1988	1989	1990	1991	1992	1993	1994	1995
<b>EXPENDITURES</b>										
Nominal GDP	Bill. \$	4539.9	4900.4	5250.8	5546.1	5722.9	6038.5	6374.0	6746.8	7065.2
Real GDP	Bill. 87\$	4540.0	4718.6	4838.0	4897.3	4861.4	4986.3	5132.7	5317.0	5447.1
Real GDP	% change	4.5	3.3	1.6	.2	.3	3.9	2.8	3.0	2.4
Gross domestic purchases		3.9	2.5	.9	-.4	-.2	4.3	3.9	3.5	2.7
Final sales		2.7	4.2	1.5	1.2	-.3	3.8	2.8	2.8	2.4
Private dom. final purch.		1.9	4.2	.5	-.1	-.7	5.0	4.9	4.0	3.1
Personal cons. expend.		2.1	4.2	1.2	.7	.0	4.0	3.1	2.4	2.3
Durables		-2.6	8.5	-.5	-.8	-.4	9.7	7.7	3.3	2.2
Nondurables		1.4	3.2	1.2	-.1	-1.3	3.6	1.7	2.2	2.1
Services		3.7	3.7	1.7	1.7	.9	2.8	2.8	2.2	2.4
Business fixed invest.		3.0	5.5	-.4	.7	-6.3	7.4	14.7	11.5	8.7
Producers' dur. equip.		2.4	9.1	-1.7	2.9	-3.3	11.4	18.4	13.0	9.5
Nonres. structures		4.4	-1.2	2.3	-3.9	-12.6	-2.0	4.8	6.8	6.3
Res. structures		-3.1	.9	-7.7	-15.2	1.6	17.6	7.9	8.8	-.5
Exports		12.6	13.5	11.3	6.7	8.4	4.9	3.5	5.5	7.7
Imports		4.7	3.6	2.6	.4	4.2	8.5	12.3	9.4	8.8
Government purchases		3.3	.2	2.0	3.3	-.7	1.1	-.7	-.3	.7
Federal		3.7	-3.4	-.6	2.8	-3.7	.4	-6.4	-4.0	-2.7
Defense		4.5	-3.2	-1.5	1.5	-7.3	-1.4	-8.8	-5.8	-4.4
State and local		2.9	2.9	4.0	3.6	1.5	1.6	3.0	2.8	2.6
Change in bus. invent.	Bill. 87\$	26.3	19.9	29.8	5.7	-8.4	6.5	15.4	17.4	23.5
Nonfarm		32.7	26.9	29.9	3.2	-8.6	2.7	21.3	19.6	23.3
Net exports		-143.0	-104.0	-73.7	-54.7	-19.1	-33.6	-79.3	-115.6	-140.7
Nominal GDP	% change	8.0	7.7	6.0	4.7	3.7	6.7	5.1	5.4	4.6
<b>EMPLOYMENT AND PRODUCTION</b>										
Nonfarm payroll employ.	Millions	102.0	105.2	107.9	109.4	108.3	108.5	110.2	112.2	114.1
Unemployment rate	%	6.2	5.5	5.3	5.5	6.7	7.4	6.8	6.9	6.8
Industrial prod. index	% change	6.3	3.2	-.1	-.2	-.3	3.2	4.5	4.0	3.0
Capacity util. rate-mfg.	%	81.6	83.6	83.1	81.1	77.8	78.8	81.1	83.2	83.7
Housing starts	Millions	1.62	1.49	1.38	1.19	1.01	1.20	1.29	1.49	1.48
Light Motor Vehicle Sales		14.84	15.43	14.53	13.86	12.30	12.83	13.90	14.58	14.71
Auto sales in U.S.		10.24	10.63	9.91	9.50	8.39	8.38	8.71	9.03	9.05
North American prod.		7.07	7.54	7.08	6.90	6.14	6.28	6.74	7.18	7.20
Other		3.18	3.10	2.83	2.60	2.25	2.11	1.97	1.85	1.85
<b>INCOME AND SAVING</b>										
Nominal GNP	Bill. \$	4544.5	4908.2	5266.8	5567.6	5737.1	6045.8	6375.1	6744.0	7058.4
Nominal GNP	% change	8.1	7.8	6.1	4.9	3.3	6.5	5.1	5.4	4.6
Nominal personal income		7.4	7.1	6.5	6.5	3.5	8.1	3.4	5.5	5.3
Real disposable income		2.1	3.2	1.1	1.1	.7	4.9	1.0	2.3	2.1
Personal saving rate	%	4.3	6.4	4.0	4.2	4.8	5.3	4.0	4.0	4.0
Corp. profits: IVA&CCAdj	% change	29.7	10.2	-6.3	2.3	4.4	16.0	10.0	6.0	3.4
Profit share of GNP	%	7.0	7.4	6.9	6.8	6.4	6.7	7.2	7.4	7.4
Federal surpl./def.	Bill. \$	-151.8	-136.6	-122.3	-163.5	-203.4	-276.3	-225.8	-147.9	-130.1
State/local surpl./def.		40.1	38.4	44.8	25.1	7.3	7.2	2.1	4.1	10.1
Ex. social ins. funds		-14.7	-18.4	-17.5	-35.6	-51.2	-52.2	-56.5	-53.1	-45.9
<b>PRICES AND COSTS</b>										
GDP implicit deflator	% change	3.4	4.2	4.3	4.5	3.4	3.8	2.2	2.4	2.1
GDP fixed-wt. price index		3.4	4.2	4.4	4.6	3.6	3.3	2.8	3.0	2.9
Gross domestic purchases		3.9	4.1	4.4	5.2	3.1	3.3	2.5	2.9	2.8
fixed-wt. price index		4.5	4.3	4.6	6.2	3.0	3.1	2.7	3.3	3.1
CPI		4.3	4.5	4.4	5.2	4.5	3.4	3.1	3.0	2.9
Ex. food and energy		3.3	4.8	4.8	4.6	4.4	3.5	3.6	3.5	3.5
ECI, hourly compensation <sup>2</sup>		3.3	4.8	4.8	4.6	4.4	3.5	3.6	3.5	3.5
Nonfarm business sector <sup>3</sup>		1.9	.5	-1.4	.4	2.2	3.6	1.6	1.4	1.2
Output per hour		3.9	3.8	3.1	6.2	4.7	5.2	2.9	3.7	3.6
Compensation per hour		1.9	3.3	4.6	5.7	2.5	1.5	1.3	2.3	2.4

1. Percent changes are from fourth quarter to fourth quarter. 2. Private-industry workers.  
 3. Productivity data for 1993 are based on staff estimates for 1993:Q4

Item	Unit	1991				1992				1993	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>EXPENDITURES</b>											
Nominal GDP	Bill. \$	5631.7	5697.7	5758.6	5803.7	5908.7	5991.4	6059.5	6194.4	6261.6	6327.6
Real GDP	Bill. '87\$	4837.8	4855.6	4872.6	4879.6	4922.0	4956.5	4998.2	5068.3	5078.2	5102.1
Real GDP	% change	-2.4	1.5	1.4	.6	3.5	2.8	3.4	5.7	.8	1.9
Gross domestic purchases		-3.6	.8	2.4	-.1	3.4	4.7	3.8	5.4	2.5	3.1
Final sales		-2.7	1.9	-.4	-.1	4.5	1.4	3.7	5.8	-.8	3.2
Private dom. final purch.		-5.4	1.1	1.2	.2	4.8	4.3	4.0	7.1	2.5	4.4
Personal cons. expend.		-2.8	1.8	1.3	.0	4.3	1.8	4.2	5.6	.8	3.4
Durables		-11.4	1.6	10.4	-1.0	14.7	.8	10.7	13.2	-1.3	10.8
Nondurables		-3.5	1.1	-.7	-2.0	3.1	1.1	3.0	7.3	-2.1	2.7
Services		-.2	2.2	-.3	1.5	2.6	2.4	3.3	2.9	3.1	2.1
Business fixed invest.		-13.2	-2.7	-3.8	-5.1	3.5	15.1	3.8	7.6	14.4	16.6
Producers' dur. equip.		-15.3	.1	5.3	-2.2	2.8	22.0	10.2	11.5	19.9	19.8
Nonres. structures		-8.5	-8.7	-21.3	-11.3	4.9	.3	-10.3	-2.1	.5	8.1
Res. structures		-25.5	1.2	17.3	20.3	16.8	21.8	1.2	32.8	1.5	-9.5
Exports		-.8	19.4	3.0	13.3	4.9	-.6	6.5	8.8	-2.4	3.6
Imports		-11.1	11.7	11.8	6.3	3.8	15.9	9.2	5.6	11.6	13.3
Government purchases		2.8	1.4	-2.0	-4.7	3.0	-1.0	4.1	-1.4	-6.4	4.3
Federal		7.8	-.2	-6.9	-14.2	.0	-3.1	8.7	-3.5	-16.2	2.0
Defense		9.1	-4.4	-12.3	-19.2	-5.5	-5.0	10.5	-4.6	-21.4	.7
State and local		-.5	2.6	1.7	2.2	5.0	.4	1.2	.0	.3	5.6
Change in bus. invent.	Bill. '87\$	-17.4	-22.3	-.9	7.1	-5.0	12.6	9.6	8.7	29.3	13.0
Nonfarm		-18.7	-26.2	.0	10.3	-9.6	7.0	5.8	7.5	29.3	17.1
Net exports		-21.6	-13.3	-25.0	-16.4	-15.2	-38.0	-42.5	-38.8	-59.9	-75.2
Nominal GDP	% change	2.4	4.8	4.3	3.2	7.4	5.7	4.6	9.2	4.4	4.3
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employ.	Millions	108.6	108.2	108.2	108.1	108.1	108.4	108.6	108.9	109.4	110.0
Unemployment rate <sup>1</sup>	%	6.5	6.7	6.7	7.0	7.3	7.5	7.5	7.3	7.0	7.0
Industrial prod. index	% change	-7.2	.3	5.5	.3	.8	4.7	.8	6.7	5.5	2.3
Capacity util. rate-mfg. <sup>1</sup>	%	77.5	77.4	78.2	78.1	78.1	78.8	78.7	79.6	80.5	80.8
Housing starts	Millions	.90	1.01	1.04	1.09	1.26	1.14	1.18	1.25	1.16	1.23
Light Motor Vehicle Sales		12.15	12.19	12.60	12.27	12.55	12.86	12.65	13.26	13.31	14.16
Auto sales in U.S.		8.39	8.35	8.55	8.25	8.40	8.45	8.24	8.45	8.35	8.95
North American prod.		6.16	6.05	6.25	6.09	6.15	6.29	6.24	6.43	6.38	6.90
Other		2.24	2.30	2.31	2.16	2.25	2.16	2.00	2.02	1.97	2.06
<b>INCOME AND SAVING</b>											
Nominal GNP	Bill. \$	5656.1	5710.6	5766.2	5815.5	5927.6	5996.3	6067.3	6191.9	6262.1	6327.1
Nominal GNP	% change	1.9	3.9	4.0	3.5	7.9	4.7	4.8	8.5	4.6	4.2
Nominal personal income		2.1	4.2	2.1	5.8	7.5	6.2	3.7	15.5	-5.4	9.3
Real disposable income		-.4	1.9	-.9	2.2	4.2	3.1	1.9	10.6	-7.8	5.8
Personal saving rate <sup>1</sup>	%	4.8	4.9	4.4	4.9	5.0	5.3	4.9	6.0	3.9	4.4
Corp. profits, IVA&CCAdj	% change	7.4	1.6	-12.1	24.0	37.1	1.8	-36.5	104.6	-6.6	26.3
Profit share of GNP <sup>1</sup>	%	6.5	6.5	6.2	6.5	6.9	6.9	6.1	7.1	6.9	7.2
Federal govt. surpl./def.	Bill. \$	-145.2	-206.2	-217.7	-244.7	-270.2	-279.9	-290.7	-264.2	-263.5	-222.6
State/local surpl./def.		6.1	5.5	5.5	12.1	6.1	7.8	1.2	13.5	.8	1.1
Ex. social ins. funds		-52.5	-53.1	-52.9	-46.5	-52.8	-51.8	-58.3	-46.0	-58.2	-57.8
<b>PRICES AND COSTS</b>											
GDP implicit deflator	% change	5.0	3.2	2.9	2.6	3.8	2.8	1.2	3.3	3.6	2.3
GDP fixed-wt. price index		5.1	3.4	3.4	2.7	4.2	3.4	2.5	3.1	4.3	2.8
Gross domestic purchases		3.6	2.5	3.1	3.0	3.9	3.3	3.0	2.8	3.5	2.9
fixed-wt. price index		3.6	2.1	2.7	3.3	3.5	2.9	2.9	3.2	3.7	2.8
CPI		6.5	3.8	4.0	3.7	4.2	3.3	2.7	3.6	4.1	3.5
Ex. food and energy		6.5	3.8	4.0	3.7	4.2	3.3	2.7	3.6	4.1	3.5
CI, hourly compensation <sup>2</sup>		4.6	4.9	4.1	4.0	3.6	3.2	3.2	3.5	3.9	3.8
Nonfarm business sector		1.9	2.7	.8	3.4	3.8	2.8	3.6	4.2	-1.8	-.4
Output per hour		4.4	4.9	4.6	4.9	5.6	4.7	5.9	4.6	2.9	1.9
Compensation per hour		2.5	2.2	3.7	1.5	1.7	1.8	2.2	.4	4.8	2.3
Unit labor cost											

1. Not at an annual rate.

2. Private-industry workers.

Item	Units	Projected											
		1993		1994				1995					
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>EXPENDITURES</b>													
Nominal GDP	Bill. \$	6395.9	6510.8	6624.5	6710.8	6788.5	6863.4	6948.6	7026.8	7104.2	7181.4		
Real GDP	Bill. 87\$	5138.3	5212.1	5264.0	5302.7	5335.0	5366.4	5397.7	5429.8	5463.5	5497.3		
Real GDP	% change	2.9	5.9	4.0	3.0	2.5	2.4	2.4	2.4	2.5	2.5		
Gross domestic purchases		3.7	6.5	4.4	3.7	3.2	2.8	2.7	2.7	2.8	2.7		
Final sales		3.4	5.4	4.2	2.5	2.3	2.2	2.2	2.4	2.5	2.6		
Private dom. final purch.		5.1	7.5	5.4	3.9	3.6	3.2	3.1	3.1	3.1	3.2		
Personal cons. expend.		4.4	4.0	2.7	1.9	2.5	2.4	2.3	2.3	2.3	2.3		
Durables		7.6	14.3	4.2	3.3	3.0	2.8	2.3	2.2	2.2	2.2		
Nondurables		3.7	2.6	2.5	1.9	2.3	2.1	2.1	2.1	2.1	2.1		
Services		3.9	2.2	2.4	1.6	2.5	2.5	2.5	2.5	2.4	2.4		
Business fixed invest.		7.4	21.0	15.1	12.1	9.9	8.9	8.6	8.6	8.7	8.9		
Producers' dur. equip.		10.0	24.6	18.0	13.5	10.9	9.9	9.5	9.5	9.5	9.5		
Nonres. structures		.3	10.7	6.7	7.8	6.8	6.0	5.9	5.8	6.2	7.3		
Res. structures		11.9	31.7	23.6	11.8	3.2	-1.7	-1.1	-1.1	-1.1	-1.5		
Exports		-.9	14.7	2.9	6.0	6.2	6.9	7.1	7.4	8.0	8.3		
Imports		6.0	18.8	5.9	11.1	11.1	9.6	9.1	8.6	9.0	8.5		
Government purchases		.3	-.7	.6	-.0	-.0	.3	-.3	-.7	-.8	.9		
Federal		-6.2	-4.3	-5.7	-3.7	-3.5	-3.2	-2.9	-2.7	-2.6	-2.4		
Defense		-9.8	-3.1	-7.2	-5.7	-5.4	-5.0	-4.7	-4.4	-4.3	-4.0		
State and local		4.5	1.6	4.4	2.2	2.1	2.3	2.2	2.6	2.7	2.7		
Change in bus. invent.	Bill. 87\$	6.5	12.7	10.9	17.2	19.6	22.0	23.8	23.5	24.1	22.6		
Nonfarm		19.4	19.4	15.2	19.9	20.9	22.5	24.0	23.4	23.8	22.2		
Net exports		-86.3	-95.6	-101.3	-111.3	-121.4	-128.2	-134.1	-138.8	-143.4	-146.6		
Nominal GDP	% change	4.4	7.4	7.2	5.3	4.7	4.5	5.1	4.6	4.5	4.4		
<b>EMPLOYMENT AND PRODUCTION</b>													
Nonfarm payroll employ.	Millions	110.4	110.9	111.4	112.0	112.4	113.0	113.5	113.9	114.4	114.8		
Unemployment rate <sup>1</sup>	%	6.7	6.5	7.0	6.9	6.9	6.8	6.8	6.8	6.8	6.8		
Industrial prod. index	% change	2.6	7.5	6.3	3.2	3.3	3.2	3.2	3.0	2.9	2.8		
Capacity util. rate-mfg <sup>1</sup>	%	80.8	82.2	83.0	83.0	83.2	83.4	83.5	83.6	83.7	83.8		
Housing starts	Millions	1.31	1.46	1.44	1.53	1.49	1.48	1.47	1.48	1.47	1.48		
Light Motor Vehicle Sales		13.57	14.55	14.56	14.51	14.59	14.67	14.68	14.69	14.72	14.75		
Auto sales in U.S.		8.60	8.95	9.14	8.97	9.00	9.03	9.03	9.03	9.05	9.07		
North American prod.		6.63	7.08	7.28	7.12	7.15	7.18	7.18	7.18	7.20	7.22		
Other		1.97	1.87	1.86	1.85	1.85	1.85	1.85	1.85	1.85	1.85		
<b>INCOME AND SAVING</b>													
Nominal GNP	Bill. \$	6402.3	6509.0	6623.8	6707.2	6787.1	6858.1	6945.4	7019.1	7098.5	7170.5		
Nominal GNP	% change	4.8	6.8	7.2	5.1	4.8	4.3	5.2	4.3	4.6	4.1		
Nominal personal income		3.0	7.4	5.9	6.0	4.6	5.6	6.8	4.7	4.7	5.2		
Real disposable income		1.6	5.2	2.0	1.9	2.8	2.6	2.7	1.7	1.7	2.4		
Personal saving rate <sup>1</sup>	%	3.8	4.1	3.9	3.9	4.0	4.0	4.1	4.0	3.9	3.9		
Corp. profits, IV&CCAdj	% change	9.4	13.4	-3.1	23.2	2.9	2.8	4.1	4.1	1.2	4.4		
Profit share of GNP <sup>1</sup>	%	7.3	7.4	7.2	7.5	7.5	7.5	7.5	7.4	7.4	7.4		
Federal govt. surpl./def.	Bill. \$	-212.7	-203.8	-170.5	+139.3	-137.5	-144.2	-139.6	-131.5	-120.4	-128.9		
State/local surpl./def.		-1.7	6.6	1.6	3.2	5.8	5.9	8.2	7.2	12.7	12.4		
Ex. social ins. funds		-60.2	-51.4	-56.1	-54.2	-51.3	-50.9	-48.3	-49.0	-43.2	-43.2		
<b>PRICES AND COSTS</b>													
GDP implicit deflator	% change	1.5	1.4	3.0	2.3	2.2	2.1	2.6	2.1	1.9	1.9		
GDP fixed-wt. price index		2.1	2.2	3.7	2.9	2.7	2.6	3.3	2.8	2.7	2.7		
Gross domestic purchases	fixed-wt. price index			1.8	2.1	3.4	3.1	2.7	2.6	2.7	2.6		
CPI		1.4	2.8	3.6	3.6	3.0	2.8	3.4	3.1	2.9	2.9		
Ex. food and energy		1.9	2.9	3.4	3.1	2.8	2.8	3.1	2.9	2.9	2.9		
CI, hourly compensation <sup>2</sup>		3.4	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5		
Nonfarm business sector <sup>3</sup>		4.3	4.3	2.7	1.2	.8	.8	.8	1.0	1.4	1.5		
Output per hour		3.7	2.9	4.1	3.6	3.6	3.6	3.9	3.5	3.5	3.5		
Compensation per hour		-.6	-1.3	1.4	2.4	2.8	2.8	3.1	2.5	2.1	2.0		
Unit labor cost													

1. Not at an annual rate. 2. Private-industry workers.  
3. Productivity data for 1993:Q4 are staff estimates.

Strictly Confidential (FR)  
Class II FOMC

NET CHANGES IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS<sup>1</sup>  
(Billions of 1987 dollars)

January 31, 1994

Item	1991				1992				1993					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
											1990	1991	1992	1993
Real GDP	-29.4	17.8	17.0	7.0	42.4	34.5	41.7	70.1	9.9	23.9	10.5	12.4	188.7	143.8
Gross domestic purchases	-44.6	9.6	28.6	-1.6	41.1	57.4	46.2	66.4	31.0	39.3	-20.1	-8.0	211.1	200.6
Final sales	-32.8	22.8	-4.5	-1.0	54.4	16.9	44.8	71.0	-10.7	40.2	56.2	-15.5	187.1	139.8
Private dom. final purch.	-54.5	11.1	11.9	1.8	46.3	42.1	39.8	70.6	26.0	45.7	-4.2	-29.7	198.8	203.4
Personal cons. expend.	-23.2	14.2	10.2	.4	34.8	14.5	34.1	46.3	6.6	28.9	23.9	1.6	129.7	106.7
Durables	-12.9	1.7	10.6	-1.1	15.1	.9	11.5	14.4	-1.5	12.3	-3.6	-1.7	41.9	36.5
Nondurables	-9.3	2.9	-1.8	-5.3	8.0	3.0	7.9	18.9	-5.8	7.1	-1.4	-13.5	37.8	18.3
Services	-1.0	9.6	1.4	6.8	11.7	10.6	14.7	13.0	13.9	9.5	28.9	16.8	50.0	51.9
Business fixed invest.	-18.8	-3.6	-5.0	-6.7	4.4	18.3	5.0	9.9	18.6	22.0	3.5	-34.1	37.6	80.1
Producers' dur. equip.	-14.9	.1	4.6	-2.0	2.5	18.2	9.2	10.6	18.4	19.1	10.5	-12.2	40.5	73.0
Nonres. structures	-3.8	-3.8	-9.6	-4.6	1.8	.1	-4.1	-.8	.2	2.9	-7.0	-21.8	-3.0	7.1
Res. structures	-12.5	.5	6.7	8.1	7.1	9.4	.6	14.4	.8	-5.2	-31.7	2.8	31.5	16.6
Change in bus. invent.	3.5	-4.9	21.4	8.0	-12.1	17.6	-3.0	-.9	20.6	-16.3	-45.8	28.0	1.6	4.0
Nonfarm	.0	-7.5	26.2	10.3	-19.9	16.6	-1.2	1.7	21.8	-12.2	-49.9	29.0	-2.8	11.9
Farm	3.4	2.5	-4.7	-2.3	7.6	1.0	-1.8	-2.6	-1.2	-4.1	4.2	-1.1	4.4	-7.9
Net exports	15.2	8.3	-11.7	8.6	1.2	-22.8	-4.5	3.7	-21.1	-15.3	30.6	20.4	-22.4	-56.8
Exports	-1.0	23.5	4.0	17.3	6.8	-.8	9.1	12.3	-3.6	5.2	32.7	43.8	27.4	20.9
Imports	-16.2	15.2	15.7	8.8	5.5	22.0	13.6	8.5	17.6	20.5	2.2	23.5	49.6	77.8
Government purchases	6.5	3.4	-4.7	-11.4	6.9	-2.4	9.5	-3.3	-15.6	9.8	29.8	-6.2	10.7	-6.8
Federal	7.3	-.2	-7.0	-14.5	.0	-2.9	7.8	-3.3	-16.1	1.8	10.4	-14.4	1.6	-23.9
Defense	6.3	-3.3	-9.3	-14.5	-3.7	-3.3	6.5	-3.1	-15.3	.4	4.2	-20.8	-3.6	-23.1
Nondefense	1.0	3.1	2.3	.0	3.7	-.4	1.2	-.1	-.9	1.5	6.1	6.4	5.2	-.8
State and local	-.7	3.6	2.3	3.1	6.9	.5	1.7	.0	.5	7.9	19.3	8.3	9.1	17.2

1. Annual changes are from Q4 to Q4.

Strictly Confidential (FR)  
Class II FOMC

NET CHANGES IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS<sup>1</sup>  
(Billions of 1987 dollars)

January 31, 1994

Item	Projected										Projected			
	1993		1994				1995				1992	1993	Projected	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			1994	1995
Real GDP	36.2	73.8	51.9	38.7	32.3	31.4	31.3	32.2	33.6	33.8	188.7	143.8	154.3	130.9
Gross domestic purchases	47.2	83.1	57.6	48.7	42.4	38.2	37.2	36.8	38.2	37.1	211.1	200.6	186.9	149.3
Final sales	42.7	67.6	53.7	32.5	29.8	29.0	29.5	32.4	33.1	35.2	187.1	139.8	145.0	130.3
Private dom. final purch.	53.2	78.5	58.0	42.3	39.8	35.0	34.6	35.4	35.8	36.3	198.8	203.4	175.2	142.1
Personal cons. expend.	36.9	34.3	23.3	16.9	22.0	21.4	20.8	20.8	20.5	20.6	129.7	106.7	83.6	82.7
Durables	8.9	16.8	5.3	4.2	3.9	3.7	2.9	2.9	3.0	2.9	41.9	36.5	17.0	11.7
Nondurables	9.9	7.1	6.7	5.2	6.3	5.8	5.9	5.9	5.9	5.9	37.8	18.3	24.1	23.6
Services	18.1	10.4	11.3	7.5	11.8	11.9	12.0	12.1	11.7	11.7	50.0	51.9	42.5	47.4
Business fixed invest.	10.5	29.0	22.3	16.7	15.8	14.7	14.5	14.7	15.3	16.0	37.6	80.1	71.6	60.5
Producers' dur. equip.	10.4	25.1	19.8	15.7	13.2	12.3	12.1	12.4	12.7	13.0	40.5	73.0	61.0	50.1
Nonres. structures	.1	3.9	2.5	3.0	2.7	2.4	2.4	2.4	2.6	3.1	-3.0	7.1	10.6	10.4
Res. structures	5.9	15.1	12.4	6.8	2.0	-1.1	-.7	-.2	-.0	-.3	31.5	16.6	20.0	-1.2
Change in bus. invent.	-6.5	6.2	-1.8	6.3	2.5	2.4	1.8	-.3	.5	-1.4	1.6	4.0	9.3	.6
Nonfarm	2.3	.0	-4.2	4.7	1.1	1.6	1.5	-.6	.3	-1.5	-2.8	11.9	3.1	-.3
Farm	-8.8	6.2	2.4	1.6	1.4	.8	.3	.3	.2	.1	4.4	-7.9	6.2	.9
Net exports	-11.1	-9.3	-5.7	-10.0	-10.1	-6.8	-5.9	-4.7	-4.6	-3.3	-22.4	-56.8	-32.6	-18.4
Exports	-1.3	20.6	4.4	9.1	9.6	10.7	11.1	11.8	13.0	13.8	27.4	20.9	33.7	49.7
Imports	9.8	29.9	10.1	19.1	19.6	17.5	17.0	16.5	17.6	17.0	49.6	77.8	66.4	68.1
Government purchases	.6	-1.6	1.4	.1	.1	.8	.8	1.7	1.9	2.2	10.7	-6.8	2.4	6.6
Federal	-5.7	-3.9	-5.1	-3.2	-3.0	-2.7	-2.5	-2.3	-2.2	-2.0	1.6	-23.9	-14.0	-9.0
Defense	-6.3	-1.9	-4.4	-3.4	-3.2	-2.9	-2.7	-2.5	-2.4	-2.2	-3.6	-23.1	-13.9	-9.8
Nondefense	.7	-2.1	-.7	.2	.2	.2	.2	.2	.2	.2	5.2	-.8	-.1	.8
State and local	6.4	2.4	6.4	3.3	3.1	3.5	3.3	4.0	4.1	4.2	9.1	17.2	16.3	15.6

1. Annual changes are from Q4 to Q4.

strictly confidential (PR)  
Class II FOMC

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

January 31, 1994

Item	Fiscal year				1993				1994				1995			
	1992 <sup>a</sup>	1993 <sup>a</sup>	1994	1995	Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>b</sup>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>UNIFIED BUDGET</b>																
Receipts <sup>1</sup>	1090	1153	1260	1324	262	331	295	287	263	375	315	295	290	409	330	311
Outlays <sup>1</sup>	1381	1408	1478	1516	324	349	349	379	362	364	372	377	384	376	379	396
Surplus/deficit <sup>1</sup>	-290	-255	-216	-192	-62	-18	-54	-92	-60	11	-57	-82	-95	34	-50	-85
On-budget	-340	-301	-281	-264	-90	-49	-54	-105	-89	-26	-61	-95	-106	-6	-57	-99
Off-budget	50	46	63	72	27	31	0	13	9	36	4	13	12	40	7	14
Surplus excluding deposit insurance <sup>2</sup>	-287	-282	-220	-201	-68	-25	-61	-92	-82	12	-58	-82	-98	33	-53	-86
Means of financing																
Borrowing	311	249	220	201	60	61	46	89	45	11	75	67	78	14	43	77
Cash decrease	-17	6	-7	0	8	-39	8	3	29	-16	-23	20	20	-40	0	20
Other <sup>3</sup>	-4	0	6	-9	-6	-4	0	0	6	-5	5	-5	-3	-7	7	-12
Cash operating balance, end of period	59	53	60	60	22	61	53	50	21	37	60	40	20	60	60	40
<b>NIPA FEDERAL SECTOR</b>																
Receipts	1163	1246	1360	1441	1218	1268	1276	1309	1355	1367	1388	1405	1436	1454	1470	1489
Expenditures	1435	1487	1522	1575	1482	1491	1489	1513	1525	1526	1525	1550	1576	1585	1590	1617
Purchases	445	447	439	438	443	448	448	440	440	439	437	435	439	438	437	437
Defense	313	308	298	292	305	308	302	300	299	297	294	292	294	292	290	289
Nondefense	132	139	141	146	138	140	142	140	141	142	142	143	145	147	147	148
Other expenditures	990	1040	1083	1138	1039	1043	1045	1073	1085	1088	1088	1114	1137	1147	1153	1180
Surplus/deficit	-273	-241	-163	-134	-264	-223	-213	-204	-171	-139	-138	-144	-140	-131	-120	-129
<b>FISCAL INDICATORS<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-212	-193	-138	-115	-215	-173	-165	-170	-164	-118	-118	-125	-120	-112	-101	-110
Change in HEB, percent of potential GDP	.9	-.3	-.9	-.3	0	-.7	-.1	.1	-.6	-.4	0	.1	-.1	-.1	-.1	.1
Fiscal impetus (FI), percent, cal. year	-4.5	-4.5	-6.8	-4.9	-4.9	1.3	-.8	-1	-3.2	-3.1	-.7	-.8	-1.8	-1.6	-.1	-.7

1. OMB's September 1993 deficit estimates are \$285 billion in FY93, \$259 billion in FY94, and \$200 billion in FY95. CBO's January 1994 deficit estimates of the budget are \$223 billion in FY94 and \$171 billion in FY95. 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 September 1993 deficit estimates, excluding deposit insurance spending, are \$311 billion in FY93, \$250 billion in FY94, and \$209 billion in FY95. CBO's January 1994 deficit estimates, excluding deposit insurance spending, are \$228 billion in FY94, and \$182 billion in FY95.

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--Unified and NIPA data are actuals except for NIPA corporate profit tax total which is a staff projection.

Confidential FR Class II  
January 31, 1994

CHANGE IN DEBT OF THE DOMESTIC NONFINANCIAL SECTORS<sup>1</sup>  
(Percent)

Year	Nonfederal								MEMO	
	Total <sup>2</sup>	Federal govt.	Households				State and local govt.	Private financial assets	Nominal GDP	
			Total	Total	Home mtg.	Cons. credit				
<b>Year</b>										
1981	9.7	11.6	9.3	7.5	7.0	4.8	11.9	5.2	10.3	9.3
1982	9.8	19.7	7.4	5.5	4.7	4.4	8.8	9.3	9.6	3.2
1983	11.9	18.9	10.1	11.1	10.8	12.6	9.3	9.7	12.4	11.0
1984	14.5	16.9	13.8	12.8	11.7	18.7	15.6	9.1	12.6	9.1
1985	15.5	16.5	15.2	15.3	13.2	15.8	12.1	31.3	12.1	7.0
1986	12.3	13.6	11.9	12.0	14.3	9.6	12.2	10.5	7.3	4.7
1987	9.5	8.0	9.9	12.4	14.9	5.0	7.1	13.4	8.4	8.0
1988	8.8	8.0	9.0	10.8	11.8	7.2	7.9	7.0	8.0	7.7
1989	7.8	7.0	8.0	9.0	10.2	6.7	7.0	8.4	5.0	6.0
1990	6.3	11.0	4.9	6.2	7.7	1.7	3.4	6.7	4.3	4.7
1991	4.4	11.1	2.4	4.7	6.7	-1.6	-0.9	7.2	-0.6	3.7
1992	5.2	10.9	3.3	5.7	6.6	1.2	0.1	6.4	1.1	6.7
1993	5.1	8.3	4.0	6.5	6.9	5.6	0.7	6.1	-1.8	5.1
1994	5.3	5.9	5.1	7.5	7.9	9.0	2.4	4.9	0.4	5.4
1995	5.1	6.0	4.8	6.8	7.2	7.2	2.6	4.1	0.8	4.6
<b>Quarter (seasonally adjusted annual rates)</b>										
1993:1	3.4	7.5	2.0	3.5	4.5	2.4	-1.1	7.2	-6.1	4.4
2	5.6	11.1	3.7	5.4	6.1	2.8	0.9	6.8	0.6	4.3
3	4.8	5.5	4.6	7.9	7.9	7.4	1.0	4.3	-1.7	4.4
4	6.2	8.2	5.5	8.6	8.5	9.5	2.1	5.5	-0.1	7.4
1994:1	5.2	5.1	5.3	7.8	8.2	9.2	2.4	4.9	0.4	7.2
2	4.9	4.5	5.1	7.4	7.8	9.0	2.5	5.1	-0.3	5.3
3	5.8	8.5	4.9	7.2	7.5	8.4	2.2	4.5	0.8	4.7
4	4.9	5.1	4.8	7.0	7.2	8.0	2.3	4.6	0.7	4.5
1995:1	5.8	8.6	4.7	6.7	7.0	7.4	2.5	4.1	0.9	5.1
2	4.7	4.6	4.8	6.7	7.0	7.2	2.6	4.3	0.7	4.6
3	4.6	4.3	4.7	6.6	7.0	6.9	2.6	3.9	0.5	4.5
4	5.0	5.9	4.7	6.5	7.0	6.7	2.7	4.0	0.9	4.4

1. Data after 1993:3 are staff projections. Year-to-year changes in nominal GDP are measured from the fourth quarter of the preceding year to the fourth quarter of the year indicated; other changes are measured from end of preceding period to end of period indicated.

2. On a quarterly average basis, total debt growth is projected to be 4.9 in 1993, 5.5 in 1994, and 5.2 in 1995.

Confidential  
January 31 1994

Class II  
FLOW OF FUNDS PROJECTIONS: HIGHLIGHTS<sup>1</sup>  
(Billions of dollars)

	Calendar year			1993				1994				1995	
	1992	1993	1994	1995	Q3	Q4	Q1	Q2	Q3	Q4	H1	H2	
-----Seasonally Adjusted Annual Rates-----													
<b>Net funds raised by domestic nonfinancial sectors</b>													
1 Total	609.1	624.1	680.1	681.5	609.6	785.2	648.5	641.1	781.0	649.8	702.5	660.5	
2 Net equity issuance	26.8	23.3	22.5	15.0	30.0	28.0	5.0	23.0	41.0	21.0	15.0	15.0	
3 Net debt issuance	582.4	600.9	657.6	666.5	579.6	757.2	643.5	618.1	740.0	628.8	687.5	645.5	
<b>Borrowing sectors</b>													
Nonfinancial business													
4 Financing gap <sup>2</sup>	-26.4	27.8	80.0	117.3	14.1	42.8	48.5	78.4	91.9	101.2	110.8	123.8	
5 Net equity issuance	26.8	23.3	22.5	15.0	30.0	28.0	5.0	23.0	41.0	21.0	15.0	15.0	
6 Credit market borrowing	4.0	27.0	89.1	100.3	36.4	76.0	90.0	94.7	84.3	87.4	98.3	102.4	
Households													
7 Net borrowing, of which:	215.0	257.6	319.7	309.7	322.4	354.9	331.8	317.9	318.0	311.3	307.8	311.5	
8 Home mortgages	170.9	190.7	232.5	228.3	223.9	245.5	240.0	235.0	230.0	225.0	224.5	232.0	
9 Consumer credit	9.3	45.5	76.5	67.5	60.8	79.0	79.0	79.0	75.0	73.0	68.5	66.5	
10 Debt/DPI (percent) <sup>3</sup>	86.0	87.3	88.5	90.1	87.8	88.0	88.7	89.2	89.6	89.9	89.7	90.6	
State and local governments													
11 Net borrowing	59.4	60.1	51.3	45.5	43.7	56.7	51.6	54.6	48.5	50.5	46.5	44.5	
12 Current surplus <sup>4</sup>	-51.0	-52.7	-50.6	-47.0	-56.8	-47.3	-52.7	-51.0	-49.1	-49.6	-46.9	-45.1	
U.S. government													
13 Net borrowing	304.0	256.1	197.5	211.0	177.2	269.6	170.1	151.0	289.1	179.7	235.0	187.1	
14 Net borrowing; quarterly, nsa	304.0	256.1	197.5	211.0	46.1	89.3	44.8	11.0	74.6	67.1	91.8	119.2	
15 Unified deficit; quarterly, nsa	327.0	226.5	207.9	195.5	54.4	92.1	79.8	-10.7	57.1	81.7	60.9	134.6	
Funds supplied by depository institutions	34.9	124.4	170.5	191.8	140.0	162.9	168.7	158.6	174.9	180.0	192.0	191.7	
MEMO: (percent of GDP)													
17 Dom. nonfinancial debt <sup>3</sup>	189.7	189.0	187.9	188.8	190.1	189.7	188.8	188.7	189.3	189.5	188.6	189.2	
18 Dom. nonfinancial borrowing	9.6	9.4	9.7	9.4	9.1	11.6	9.7	9.2	10.9	9.2	9.8	9.0	
19 U.S. government <sup>5</sup>	5.0	4.0	2.9	3.0	2.8	4.1	2.6	2.2	4.3	2.6	3.4	2.6	
20 Private	4.6	5.4	6.8	6.4	6.3	7.5	7.1	7.0	6.6	6.5	6.5	6.4	

1. Data after 1993:3 are staff projections.

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

3. Annuals are average debt levels in the year (computed as the average of year-end debt positions) divided by nominal GDP.

4. NIPA surplus, net of retirement funds.

5. Excludes government-insured mortgage pool securities.

January 28, 1994

STRICTLY CONFIDENTIAL - FR  
CLASS II FOMC

REAL GDP AND CONSUMER PRICES, SELECTED COUNTRIES, 1991-95  
(Percent change from fourth quarter to fourth quarter)

Measure and country	Projection				
	1991	1992	1993	1994	1995
<b>REAL GDP</b>					
<b">-----</b">					
Canada	-0.1	0.8	3.0	3.1	3.4
France	1.3	0.6	-0.3	1.0	2.3
Western Germany	2.7	0.0	-0.8	0.5	2.0
Italy	1.7	-0.2	0.3	1.6	2.1
Japan	3.6	-0.3	0.7	1.4	2.8
United Kingdom	-1.6	0.2	2.5	2.5	2.8
Average, weighted by 1987-89 GDP	1.8	0.0	0.7	1.5	2.6
Average, weighted by share of U.S. nonagricultural exports					
Total foreign	1.7	1.2	2.1	2.7	3.4
G-6	0.9	0.3	1.8	2.2	2.9
Developing countries	5.0	3.8	4.0	4.4	5.0
<b>CONSUMER PRICES</b>					
<b">-----</b">					
Canada	4.1	1.8	1.8	1.9	1.9
France	2.9	1.8	2.1	1.9	1.7
Western Germany	3.9	3.7	3.7	2.7	2.1
Italy	6.1	4.8	4.1	3.5	2.8
Japan	3.2	0.9	1.2	1.0	0.8
United Kingdom	4.2	3.1	1.6	3.3	3.5
Average, weighted by 1987-89 GDP	3.9	2.4	2.2	2.2	1.9
Average, weighted by share of U.S. non-oil imports	3.8	1.9	1.9	1.8	1.6

Strictly Confidential (FR) Class II-FOMC

U.S. CURRENT ACCOUNT AND REAL NET EXPORTS

(Billions of dollars, seasonally adjusted annual rates)

	1991				1992				1993		ANNUAL		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1990	1991	1992
GDP Net Exports of Goods and Services (87\$)	-21.6	-13.3	-25.0	-16.4	-15.2	-38.0	-42.5	-38.8	-59.9	-75.2	-54.7	-19.1	-33.6
Exports of G+S Merchandise Services	519.4	542.9	546.9	564.2	571.0	570.2	579.3	591.6	588.0	593.2	510.5	543.4	578.0
Imports of G+S Merchandise Oil Non-oil Services	381.6	396.1	398.2	410.7	414.4	415.9	423.0	437.3	430.2	434.5	368.9	396.7	422.7
	137.8	146.8	148.7	153.5	156.6	154.2	156.3	154.3	157.8	158.6	141.6	146.7	155.4
Memo: (Percent change 1/)													
Exports of G+S of which: Goods	-0.8	19.4	3.0	13.3	4.9	-0.6	6.5	8.8	-2.4	3.6	6.8	8.7	4.9
Imports of G+S of which: Non-oil Goods	7.7	16.1	2.1	13.2	3.7	1.5	7.0	14.2	-6.3	4.1	5.8	9.8	6.6
Current Account Balance	-11.1	11.7	11.8	6.3	3.8	15.9	9.2	5.6	11.6	13.3	0.6	4.7	8.6
Merchandise Trade, net	-11.3	8.0	17.3	12.9	4.6	17.2	10.1	8.0	13.1	13.1	0.8	6.7	10.0
Exports Agricultural Nonagricultural	405.3	416.8	415.1	430.5	433.4	433.2	438.0	456.0	446.1	452.5	389.3	416.9	440.1
Imports Oil Non-oil	39.5	38.5	39.7	42.8	43.3	42.6	44.7	45.5	43.4	43.1	40.2	40.1	44.0
	365.8	378.3	375.4	387.7	390.0	390.6	393.3	410.4	402.7	409.4	349.1	376.8	396.1
Other Current Account	480.5	482.1	493.6	506.7	504.4	532.4	548.4	559.8	563.4	590.0	498.3	490.7	536.3
Invest. Income, net	52.4	52.3	53.0	49.4	41.9	52.4	57.2	54.9	51.0	57.3	62.3	51.8	51.6
Direct, net	428.1	429.8	440.7	457.4	462.5	480.0	491.2	505.0	512.3	532.7	436.0	439.0	484.7
Military, net	-37.2	-41.1	-38.6	-42.0	-39.9	-44.0	-40.3	-44.0	-45.3	-46.6	-35.9	-39.7	-42.0
Other Services, net	-10.1	-5.6	-4.7	-3.0	-2.3	-2.9	-2.5	-3.3	-0.6	-0.9	-7.8	-5.9	-2.8
Transfers, net	43.4	50.8	55.6	57.2	58.5	57.5	63.6	57.1	59.1	58.7	38.5	51.7	59.2
	56.4	15.5	-26.3	-19.4	-29.6	-32.0	-28.6	-41.4	-30.3	-29.2	-33.8	6.6	-32.9

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

Strictly Confidential (FR) Class II-FOMC

OUTLOOK FOR U.S. CURRENT ACCOUNT AND REAL NET EXPORTS

(Billions of dollars, seasonally adjusted annual rates)

	Projection												Projection		
	1993				1994				1995				ANNUAL		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1993	1994	1995		
GDP Net Exports of Goods and Services (87\$)	-86.3	-95.6	-101.3	-111.3	-121.4	-128.2	-134.1	-138.8	-143.4	-146.6	-79.3	-115.6	-140.7		
Exports of G+S Merchandise Services	591.9	612.5	616.9	626.0	635.6	646.2	657.4	669.2	682.2	696.0	596.4	631.2	676.2		
Imports of G+S Merchandise Oil Non-oil Services	434.1	454.1	458.2	466.0	473.9	482.7	491.9	501.7	512.5	524.0	438.2	470.2	507.5		
	157.8	158.5	158.8	160.1	161.8	163.6	165.5	167.6	169.8	172.1	158.2	161.1	168.7		
Memo: (Percent change 1/)															
Exports of G+S of which: Goods	-0.9	14.7	2.9	6.0	6.2	6.9	7.1	7.4	8.0	8.3	3.7	5.5	7.7		
Imports of G+S of which: Non-oil Goods	-0.4	19.7	3.7	7.0	7.0	7.6	7.9	8.2	8.9	9.3	4.3	6.3	8.6		
Current Account Balance	-6.0	18.8	5.9	11.1	11.1	9.6	9.1	8.6	9.0	8.5	12.4	9.4	8.8		
Merchandise Trade, net	8.4	22.8	9.9	13.0	11.4	10.5	10.3	10.2	10.4	10.5	14.3	11.2	10.4		
Exports Agricultural Nonagricultural	447.6	471.3	463.2	471.1	477.5	483.9	490.5	497.2	504.1	511.2	454.4	473.9	500.7		
Imports Oil	42.4	43.3	42.8	44.0	44.3	44.7	44.8	45.0	45.6	46.2	43.0	43.9	45.4		
Non-oil	405.2	428.0	420.4	427.1	433.3	439.2	445.8	452.1	458.5	465.0	411.3	430.0	455.3		
Other Current Account	592.8	611.9	605.3	625.5	642.3	655.7	668.1	679.5	691.6	702.4	589.5	632.2	685.4		
Invest. Income, net	50.3	47.1	40.3	46.0	50.1	51.6	52.7	53.1	53.9	53.6	51.4	47.0	53.3		
Direct, net	50.8	47.2	46.2	46.4	46.6	47.4	47.6	47.8	47.9	47.9	47.5	46.7	47.8		
Portfolio, net	-43.8	-48.4	-46.3	-49.4	-47.4	-52.1	-50.2	-54.8	-53.1	-58.2	-46.0	-48.8	-54.1		
Military, net	-1.4	-0.6	-0.4	-0.2	0.2	0.6	1.0	1.4	1.8	2.2	-0.9	0.0	1.6		
Other Services, net	57.8	58.7	58.8	59.8	60.9	62.3	64.0	65.8	67.6	69.5	58.6	60.5	66.7		
Transfers, net	-30.2	-35.2	-30.4	-30.4	-30.4	-35.2	-31.0	-31.0	-31.0	-36.0	-31.2	-31.6	-32.2		

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

January 31, 1994

The following two tables are revised versions of the text tables that appear on pages I-26 and I-27 of the January Greenbook. Slight revisions to the outlook reflect the staff's assessment of new data for 1993:Q4.

TRADE QUANTITIES<sup>\*</sup>  
(Q4/Q4 percent change)

	<u>1992</u>	<u>1993</u>	<u>--Projection--</u>	
			<u>1994</u>	<u>1995</u>
Exports				
Total	6.5	3.8	6.3	8.6
Agricultural	8.7	-8.0	1.1	3.8
Computers	26.7	16.7	27.4	34.8
Other nonag.	3.4	3.2	2.9	3.0
Imports				
Total	10.1	13.7	10.4	9.8
Oil	12.1	8.7	3.0	3.7
Computers	46.7	36.7	31.7	28.6
Other non-oil	5.5	10.5	7.0	5.7

\* GDP basis, 1987 dollars.

SELECTED PRICE INDICATORS  
(Q4/Q4 percent change except as noted)

	<u>1992</u>	<u>1993</u>	<u>--Projection--</u>	
			<u>1994</u>	<u>1995</u>
PPI (export. wts.)	1.6	0.8	2.0	2.1
Nonag. exports*	1.4	0.8	1.7	2.0
Non-oil imports*	2.3	1.2	1.1	1.5
Oil imports (Q4 level, \$/bl.)	17.89	14.09	15.00	15.00

\* Excluding computers.

January 28, 1994

## **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**

Industrial Production

The industrial production index rose 0.7 percent in December and, for the fourth quarter as a whole, posted a gain of 7-1/2 percent at an annual rate. Manufacturing output also grew 0.7 percent in December, led by motor vehicles and business equipment. With the continued rise in industrial production, the operating rate in manufacturing increased to 82.7 percent.<sup>3</sup>

In December, output of motor vehicles and parts directly contributed 0.3 percentage point to the growth of industrial production: total assemblies increased 1/2 million units at an annual rate to 12.5 million units, the highest level since the first quarter of 1979. Current schedules call for assemblies to move higher in January and February and then to ease a bit. The severe

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

	1993		1994		1993		1994	
	Q3	Q4	Q1 <sup>1</sup>	Dec.	Jan. <sup>1</sup>	Feb. <sup>1</sup>		
U.S. production	9.8	11.8	13.1	12.5	12.8	13.7		
Autos	5.2	6.4	7.2	6.8	7.0	7.6		
Trucks	4.5	5.4	5.9	5.7	5.9	6.2		
Days' supply								
Autos	61.4	59.0	n.a.	59.8	n.a.	n.a.		
Light trucks	67.9	56.7	n.a.	57.3	n.a.	n.a.		

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

1. Scheduled production.

weather in mid-January disrupted production at more than half of the motor vehicle assembly plants in the United States. The staff estimates that, as a result, January assemblies were lowered 500,000

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3. Revised indexes of industrial production and rates of capacity utilization will be issued on February 4 in a special press release. The revisions to production reflect primarily the incorporation of more comprehensive monthly source data, a review of productivity relationships, and updated seasonal factors. The revisions to capacity utilization reflect the incorporation of the Census Survey of Plant Capacity for 1991 and 1992 and improved estimates of capital stocks.

**FEDERAL GOVERNMENT OUTLAYS AND RECEIPTS**  
 (Unified basis, billions of dollars, except where otherwise noted)

	Fiscal year to December			
	FY1993	FY1994	Dollar change	Percent change
Outlays	385.6	379.2	-6.4	-1.6
Deposit insurance (DI)	-7.8	-.3	7.6	-96.6
Outlays excluding DI	393.4	379.5	-13.9	-3.5
National defense	78.0	74.1	-3.9	-5.0
Net interest	49.2	49.9	.7	1.5
Social security	97.4	77.0	-20.4	-21.0
Medicare and health	54.7	62.9	8.2	15.0
Income security	50.9	53.9	3.0	5.8
Other	63.3	61.7	-1.5	-2.4
Receipts	265.1	287.2	22.1	8.3
Personal income and social insurance taxes				
Withheld	210.2	222.8	12.6	6.0
Nonwithheld	9.0	9.5	.5	5.3
Refunds	3.3	3.3	.0	1.1
Corporate income taxes	26.5	32.6	6.1	22.9
Other	22.6	25.6	3.0	13.1
Deficit(+)	120.5	92.1	-28.4	-23.6
Excluding DI	128.3	92.3	-36.0	-28.0
Memo:				
Outlays ex DI & Soc. Sec. shift	369.5	379.5	10.0	2.7
Deficit ex DI & Soc. Sec. shift	104.3	92.3	-12.0	-11.5

Details may not add to totals because of rounding.

CBO BUDGET PROJECTIONS<sup>1</sup>  
(Billions of dollars, except where noted)

	Fiscal years					
	1994	1995	1996	1997	1998	1999
Outlays	1474	1509	1577	1661	1736	1834
Receipts	1251	1338	1411	1479	1556	1630
Deficit	223	171	166	182	180	204
Deficit (percent of GDP)						
Total	3.4	2.4	2.2	2.3	2.2	2.4
Excluding deposit insurance	3.4	2.6	2.4	2.4	2.2	2.4

CBO ECONOMIC ASSUMPTIONS

	Calendar years					
	1994	1995	1996	1997	1998	1999
-----Percent change, year over year-----						
Real GDP	2.9	2.7	2.7	2.7	2.6	2.5
GDP deflator	2.7	2.7	2.6	2.5	2.5	2.5
CPI-U	2.7	3.0	3.1	3.1	3.1	3.1
-----Percent, annual average-----						
Civilian unemployment rate	6.4	6.1	5.9	5.8	5.7	5.7
Interest rates						
Treasury bills	3.5	4.3	4.6	4.6	4.7	4.7
Treasury notes	5.8	6.0	6.1	6.2	6.2	6.2

Source: CBO. The Economic and Budget Outlook, January 1994.

1. 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 through FY1998 for other programs are consistent with the discretionary spending caps. The projections include Social Security and the Postal Service, which are off-budget.

GROSS OFFERINGS OF SECURITIES BY U.S. CORPORATIONS<sup>1</sup>  
(Billions of dollars; monthly rates, not seasonally adjusted)

	1992	1993 <sup>P</sup>	Q3	Q4 <sup>P</sup>	1993	NOV <sup>P</sup>	DEC <sup>P</sup>	-1994- JAN <sup>e</sup>
All U.S. corporations	40.82	54.39	57.89	53.34	56.09	46.81	46.81	43.50
Stocks <sup>2</sup>	7.04	10.25	11.89	11.82	12.49	10.31	10.31	6.00
Bonds	33.79	44.14	46.00	41.52	43.60	36.50	36.50	37.50
<u>Nonfinancial corporations</u>								
Stocks <sup>2</sup>	4.42	5.64	6.21	6.59	7.43	6.12	6.12	4.20
Sold in U.S.	4.03	5.04	5.11	5.92	6.86	5.70	5.70	4.20
Utility	0.87	1.06	1.02	1.60	1.62	1.94	1.94	n.a.
Industrial	3.16	3.98	4.09	4.32	5.24	3.77	3.77	n.a.
Sold abroad	0.39	0.60	1.10	0.67	0.57	0.42	0.42	n.a.
Bonds	13.66	16.25	15.38	12.74	10.74	11.37	11.37	13.10
Sold in U.S.	12.81	15.53	14.45	12.40	10.50	11.00	11.00	12.50
Utility	5.33	7.37	7.66	5.39	4.10	5.50	5.50	n.a.
Industrial	7.48	8.16	6.79	7.02	6.40	5.50	5.50	n.a.
Sold abroad	0.84	0.72	0.92	0.34	0.24	0.37	0.37	0.60
By quality <sup>3</sup>								
Aaa and Aa	2.18	2.71	1.86	2.44	1.58	2.01	2.01	n.a.
A and Baa	7.74	8.64	8.74	5.88	6.13	4.33	4.33	n.a.
Less than Baa	2.85	4.15	3.62	4.36	2.74	4.41	4.41	n.a.
Unrated or rating unknown	0.09	0.11	0.14	0.16	0.06	0.25	0.25	n.a.
<u>Financial corporations</u>								
Stocks <sup>2</sup>	2.62	4.56	5.61	5.12	4.80	4.17	4.17	1.80
Sold in U.S.	2.51	4.11	4.73	4.55	4.43	3.94	3.94	1.80
Sold abroad	0.11	0.45	0.89	0.57	0.37	0.23	0.23	n.a.
Bonds	20.13	27.89	30.62	28.78	32.87	25.13	25.13	24.40
Sold in U.S.	18.67	25.14	27.76	26.54	29.50	24.00	24.00	22.50
Sold abroad	1.46	2.75	2.87	2.24	3.37	1.13	1.13	1.90
By quality <sup>3</sup>								
Aaa and Aa	1.55	2.10	3.04	1.90	1.59	1.63	1.63	n.a.
A and Baa	6.77	8.81	8.52	9.00	8.39	7.68	7.68	n.a.
Less than Baa	0.31	0.50	0.55	0.71	1.08	0.45	0.45	n.a.
Unrated or rating unknown	0.04	0.10	0.08	0.18	0.08	0.43	0.43	n.a.

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. e Staff estimate.

n.a. Not available.

contrast, bond issuance for raising new capital tumbled nearly 25 percent. For the third year running, New York City was the largest single issuer, and California issuers topped the list for the largest volume by state.

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

	<b>1993</b>						
	1992	1993	Q3	Q4	Nov <sup>p</sup>	Dec <sup>p</sup>	Jan <sup>e</sup>
Total offerings <sup>1</sup>	21.78	27.88	29.43	24.43	19.75	28.39	17.60
Total tax-exempt	21.21	27.17	28.87	23.60	19.19	27.51	17.35
Long-term	17.93	23.33	24.01	21.50	18.09	24.52	16.50
Refundings <sup>2</sup>	7.91	15.71	15.51	13.66	11.36	14.98	9.50
New capital	10.02	7.62	8.50	7.84	6.73	9.54	7.00
Short-term	3.28	3.84	4.86	2.10	1.10	2.99	.85
Total taxable	.57	.71	.56	.83	.56	.88	.25

1. Includes issues for public and private purposes.

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

p -- preliminary.

e -- estimate.

Most analysts and market participants expect the volume of long-term offerings to fall substantially in 1994 as a result of a slowing of refinancing activity: Outstanding issues can be refunded no more than twice in advance of their call; and, with the decline in interest rates over the past three years, most issues that would benefit from another refunding have already been advance-refunded to their limit.

In 1993, for the first time since 1986, S&P upgraded more tax-exempt issuers than it downgraded, albeit by a slim margin. During the fourth quarter, upgrades outpaced downgrades by a five-to-one margin. General obligation issues improved the most last year,

TREASURY FINANCING<sup>1</sup>  
(Total for period; billions of dollars)

	1993		1994		
	Q4	Q1 P	Jan. P	Feb. P	Mar. P
<u>Treasury financing</u>					
Total surplus/deficit (-)	-92.0	-79.8	8.1	-49.4	-38.6
Means of financing deficit:					
Net cash borrowing from the public	89.3	44.8	-6.6	29.1	22.2
Marketable borrowings/ repayments (-)	84.8	45.6	-2.9	28.2	20.2
Bills	56.2	-1.0	-12.4	-3.0	14.5
Coupons	28.5	46.5	9.6	31.3	5.7
Nonmarketable	4.5	-.8	-3.7	.9	2.0
Decrease in the cash balance	2.8	28.7	-8.7	28.3	9.1
Memo: Cash balance at end of period	49.7	21.0	58.4	30.1	21.0
<sup>2</sup> Other	-.1	6.4	7.1	-8.0	7.3

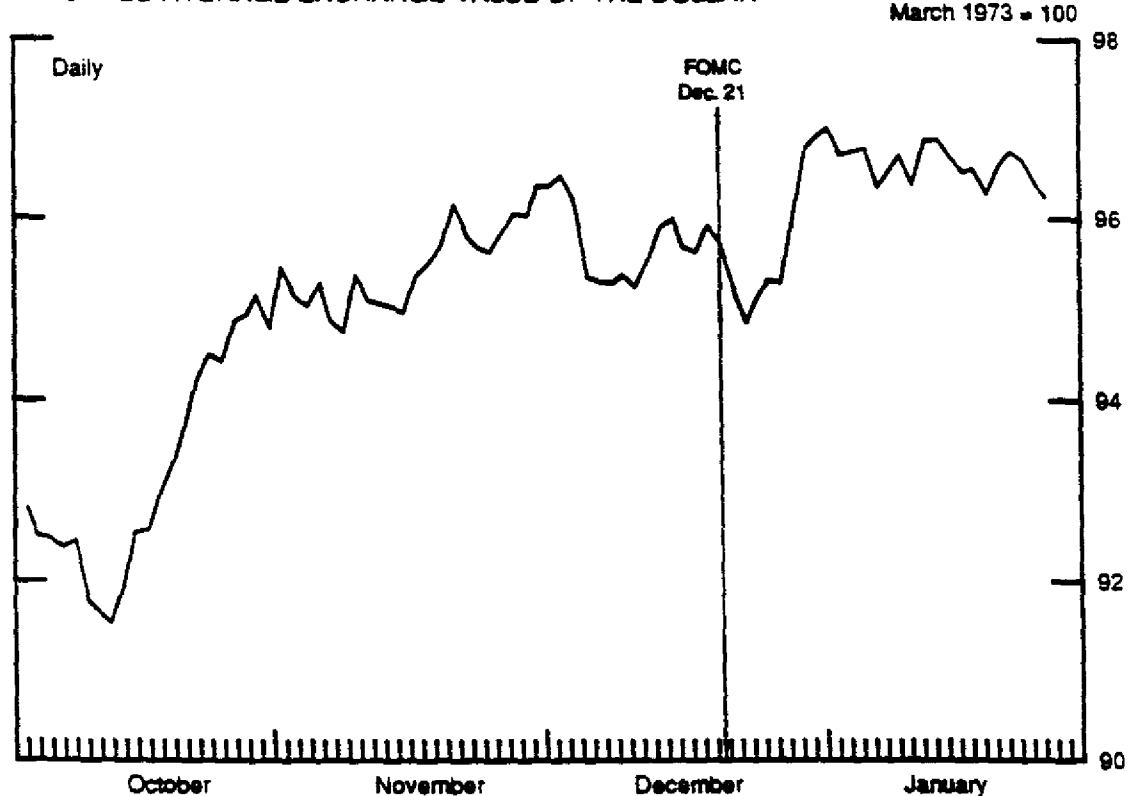
1. Data reported on a not seasonally adjusted, payment basis.  
 2. Includes checks issued less checks paid, accrued items and other transactions.  
 p-Projected.  
 NOTE: Details may not add to totals due to rounding.

FEDERALLY SPONSORED CREDIT AGENCIES  
Net Cash Borrowing<sup>1</sup>  
(billions of dollars)

	1993					
	Q2	Q3	Q4	Oct.	Nov.	Dec.
FHLBs	12.0	5.3	n.a.	0.7	n.a.	n.a.
FHLMC	-5.6	17.1	-2.7	n.a.	n.a.	n.a.
FNMA	10.7	19.3	5.3	-1.8	1.2	5.9
Farm Credit Banks	0.1	0.0	1.5	0.1	0.1	1.3
SLMA	0.1	-0.1	n.a.	n.a.	n.a.	n.a.
FAMC <sup>2</sup>	0.0	0.0	0.1	0.0	0.0	0.0

1. Excludes mortgage pass-through securities issued by FNMA and FHLMC.  
 2. Federal Agricultural Mortgage Corporation.  
 n.a. Not available.

## WEIGHTED AVERAGE EXCHANGE VALUE OF THE DOLLAR

3-MONTH SPOT AND FUTURES EURO-CURRENCY  
DEPOSIT RATES

	<u>Japan</u>			<u>Germany</u>		
	12/21/93	1/27/94	Change	12/21/93	1/27/94	Change
Spot	2.06	2.07	0.01	6.02	5.79	-0.23
March 1994	1.80	2.08	0.28	5.52	5.63	0.11
June 1994	1.58	2.03	0.35	5.01	5.18	0.17
September 1994	1.57	2.05	0.38	4.61	4.86	0.25
December 1994	1.68	2.13	0.45	4.32	4.68	0.36