

## **Part 1**

November 10, 1999

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## **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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### **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 rate except as noted)

Measure	1999:Q3			1999:Q4	
	Sept. GB	BEA <sup>1</sup>	Nov. GB	Sept. GB	Nov. GB
<b>Real GDP</b>	<b>4.4</b>	<b>4.8</b>	<b>5.4</b>	<b>4.5</b>	<b>4.1</b>
Private domestic final purchases	4.9	5.2	5.3	3.7	3.7
Personal consumption expenditures	3.9	4.3	4.3	4.3	4.1
Residential investment	-3.9	-6.3	-3.0	1.2	-2.1
Business fixed investment	15.2	14.9	13.6	1.2	3.2
Government outlays for consumption and investment	2.6	3.3	4.1	2.9	1.9
	Change, billions of chained (1996) dollars				
Inventory investment	21.0	14.1	22.2	23.6	25.1
Net exports	-31.1	-24.0	-23.7	-7.9	-11.6

1. Advance release, published on October 28.

spending on computers and a sharp jump in purchases of transportation equipment. In contrast, we are projecting that growth of E&S expenditures will be only moderate in the fourth quarter. For computers, a sharp slowing is already evident in the declining August and September shipments by U.S. manufacturers, and there are more recent anecdotal reports of weakening sales--especially for mainframes and high-end servers--because of the Y2K "lock-down" phenomenon. We anticipate a drop-off in fleet sales of light vehicles from the elevated third-quarter level, and Boeing's deliveries of new aircraft should be down. Apart from these categories, trends in equipment orders have been quite positive, on balance, and suggest considerable growth in investment. In contrast, incoming data point to a further decline in spending on nonresidential structures.

Government purchases are projected to rise less than 2 percent this quarter, following an increase in the third quarter that now seems likely to have exceeded 4 percent. On the federal side, the slowing is largely a timing matter: Defense outlays jumped sharply in the third quarter, and we expect most of this increase to be retraced in the fourth quarter. In contrast, state and local spending is projected to rise at a pace of more than 3-1/2 percent this quarter; recent construction outlays have been quite robust, and employment gains in the sector were strong again in October.

**Projections of Real GDP**  
 (Percent change, compound annual rate)

Measure	1999:H2	2000:H1	2000:H2	2001
<b>Real GDP</b>	<b>4.8</b>	<b>3.2</b>	<b>3.7</b>	<b>3.5</b>
Previous	4.5	2.7	3.0	2.8
Final sales	3.6	3.3	3.8	3.6
Previous	3.4	2.8	3.2	2.9
PCE	4.2	3.8	3.7	3.3
Previous	4.1	3.1	3.1	2.8
Residential investment	-2.6	-6.5	-5.0	-2.9
Previous	-1.4	-5.1	-4.6	-4.0
BFI	8.3	7.9	9.3	9.9
Previous	8.0	7.3	8.8	8.2
Government purchases	3.0	4.2	2.6	2.7
Previous	2.8	4.3	2.1	2.5
Exports	9.9	5.1	9.9	9.2
Previous	8.6	4.8	10.1	9.2
Imports	13.1	9.2	8.5	9.0
Previous	12.5	8.5	8.6	8.4
Change, billions of chained (1996) dollars				
Inventory change	23.6	-1.4	-1.8	-9.3
Previous	22.3	-2.2	-3.3	-13.8
Net exports	-17.6	-18.8	-4.4	-32.4
Previous	-19.5	-17.2	-4.7	-26.1

reclassification of software as a final product and the improved measures of real banking services. On top of this, however, a preliminary analysis of the pattern of GDP and productivity changes now evident in the data for recent years has led us to alter our assumed path of trend output growth looking forward. In particular, we have now built an accelerating trend into our productivity assumptions, with growth rates that are roughly 0.2 percentage point higher over 2000-2001 than those in the past two years. As a result, we now assume that potential GDP grew 3.6 percent per year in 1998 and 1999 and will rise 3.8 percent per year in 2000 and 2001. This assumption appears consistent with the staff's very preliminary estimates of capital stock growth that include

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

Measure	1998	1999	2000	2001
Output per hour, nonfarm business	3.1	2.5	2.8	2.7
Previous	2.6	2.2	2.2	2.1
Nonfarm payroll employment	2.4	2.1	1.5	1.3
Previous	2.4	2.1	1.4	1.2
Household employment survey	1.3	1.4	1.3	1.0
Previous	1.3	1.6	1.2	.9
Labor force participation rate <sup>1</sup>	67.1	67.0	67.1	67.1
Previous	67.1	67.1	67.2	67.2
Civilian unemployment rate <sup>1</sup>	4.4	4.1	4.0	4.2
Previous	4.4	4.1	4.1	4.2

1. Percent, average for the fourth quarter.

inputs, which is mirrored in a further noticeable moderation of growth in private payrolls to roughly 120,000 per month in 2001.

In the current environment, we see little reason to expect any significant increase in the labor force participation rate. Strong real wage growth and the low unemployment rate have led us to build in a small uptick in the participation rate in the near term. However, the slowing pace of hiring activity damps any further impetus, and the participation rate is projected to hold at 67.1 percent in each of the next two years. This combination of supply and demand influences implies a gradual rise over time in the unemployment rate. In particular, after edging down to 4 percent early in 2000, the jobless rate is forecast to drift up to 4-1/4 percent by the end of 2001.

**Wages and prices.** We have trimmed a bit from our projection of compensation and price inflation. Incoming wage data generally have remained favorable, and the higher productivity path suggests somewhat more moderate increases in unit labor costs than in the last Greenbook, which reduces the upward pressure on prices a bit.

Nonetheless, our forecast still shows an accelerating trend in wages and core prices. In particular, we continue to believe that the moderation in the pace of compensation increases since last year is to an important degree a reflection of the lagged effects of last year's drop in price inflation; a deceleration in commissions and bonuses in the finance and real estate sectors and the absence

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

Measure	1998	1999	2000	2001
Consumer price index	1.5	2.6	2.3	2.4
Previous	1.5	2.7	2.3	2.6
Food	2.2	1.9	2.2	2.4
Previous	2.2	2.0	2.4	2.6
Energy	-9.2	10.6	-0.7	-0.7
Previous	-9.2	12.2	-2.3	-0.7
Excluding food and energy	2.4	2.1	2.5	2.7
Previous	2.4	2.1	2.7	2.9
PCE chain-weighted price index	1.0	2.0	1.8	2.0
Previous	.7	1.9	1.9	2.2
Excluding food and energy	1.4	1.6	1.9	2.1
Previous	1.2	1.4	2.1	2.3
GDP chain-weighted price index	1.1	1.5	1.8	1.9
Previous	.9	1.4	2.0	2.1
ECI for compensation of private industry workers <sup>1</sup>	3.5	3.3	3.7	4.0
Previous	3.5	3.3	3.9	4.1
Prices of core non-oil merchandise imports	-1.9	.5	2.7	2.1
Previous	-2.1	.6	2.3	2.1
Percentage points				
MEMO: <i>Adjustments for technical changes to the CPI<sup>2</sup></i>				
Core CPI	-.2	.0	.0	.0

1. December to December.

2. Adjustments are calculated relative to the current methodological structure of the CPI.

of new minimum wage hikes also have played a role. However, some of these forces are reversing in the period ahead: Consumer prices have risen much more rapidly in 1999, and we are assuming that the Congress will enact an increase in the minimum wage in this projection--albeit smaller and later than we had previously assumed. Moreover, all indications are that employers are experiencing a jump in health insurance costs, only a portion of which is likely to be passed onto workers in the short run. All told, the employment cost index

**Alternative Federal Funds Rate  
and Stock Market Assumptions**  
(Percent change, Q4 to Q4, except as noted)

Measure	1999	2000	2001
<i>Real GDP</i>			
Baseline	3.8	3.5	3.5
Faster productivity growth	3.8	4.2	5.6
Slower productivity growth	3.8	2.8	1.6
Flat funds rate	3.8	3.6	4.1
Tighter policy	3.8	3.2	2.7
15,000 Wilshire	3.8	3.7	4.1
20 percent stock price decline	3.8	2.4	2.4
<i>Civilian unemployment rate<sup>1</sup></i>			
Baseline	4.1	4.0	4.2
Faster productivity growth	4.1	3.9	3.8
Slower productivity growth	4.1	4.1	4.6
Flat funds rate	4.1	3.9	3.9
Tighter policy	4.1	4.1	4.6
15,000 Wilshire	4.1	3.9	3.9
20 percent stock price decline	4.1	4.3	4.9
<i>CPI excluding food and energy</i>			
Baseline	2.1	2.5	2.7
Faster productivity growth	2.1	2.4	2.4
Slower productivity growth	2.1	2.6	3.0
Flat funds rate	2.1	2.5	3.0
Tighter policy	2.1	2.4	2.4
15,000 Wilshire	2.1	2.5	2.8
20 percent stock price decline	2.1	2.5	2.4

1. Average for the fourth quarter.

demand enough to reduce the unemployment rate to 3-3/4 percent by the end of 2001. Despite the lower unemployment rate, faster productivity growth results in lesser growth in unit labor costs and lower inflation. Core inflation is trimmed 0.1 percentage point relative to the baseline next year and 0.3 percentage point in 2001; given our baseline projection, this scenario would show inflation rising to a bit below 2-1/2 percent in both 2000 and 2001.

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Class II FOMCSTAFF PROJECTIONS OF CHANGES IN GDP, PRICES, AND UNEMPLOYMENT  
(Percent, annual rate)

November 10, 1999

Interval	Nominal GDP		Real GDP		GDP chain-weighted price index		Consumer price index <sup>1</sup>		Unemployment rate <sup>2</sup>	
	9/29/99	11/10/99	9/29/99	11/10/99	9/29/99	11/10/99	9/29/99	11/10/99	9/29/99	11/10/99
<b>ANNUAL</b>										
1997	5.9	6.2	3.9	4.5	1.9	1.7	2.3	2.3	4.9	4.9
1998	4.9	5.5	3.9	4.3	1.0	1.2	1.6	1.6	4.5	4.5
1999	5.2	5.4	3.9	3.9	1.3	1.4	2.2	2.2	4.2	4.2
2000	5.0	5.3	3.1	3.6	1.8	1.7	2.6	2.5	4.1	4.1
2001	5.1	5.5	3.0	3.6	2.0	1.8	2.5	2.4	4.2	4.1
<b>QUARTERLY</b>										
1998	Q1	6.4	7.7	5.5	6.7	0.9	1.0	1.0	4.6	4.6
	Q2	2.7	3.4	1.8	2.1	0.9	1.1	1.7	4.4	4.4
	Q3	4.7	5.4	3.7	3.8	1.0	1.4	1.7	4.5	4.5
	Q4	6.9	7.0	6.0	5.9	0.8	0.9	1.7	4.4	4.4
1999	Q1	6.0	5.7	4.3	3.7	1.6	2.0	1.5	4.3	4.3
	Q2	3.3	3.3	1.8	1.9	1.6	1.3	3.4	4.3	4.3
	Q3	5.5	6.3	4.4	5.4	1.1	1.0	2.5	4.2	4.2
	Q4	6.1	5.9	4.5	4.1	1.4	1.7	3.3	4.1	4.1
2000	Q1	3.2	3.6	0.9	1.5	2.3	2.1	2.3	4.0	4.1
	Q2	6.4	6.8	4.5	5.0	1.9	1.7	2.2	4.0	4.0
	Q3	5.2	5.6	3.2	3.8	1.9	1.7	2.3	4.1	4.0
	Q4	4.8	5.3	2.9	3.6	1.9	1.7	2.5	4.1	4.0
2001	Q1	5.2	5.7	2.8	3.5	2.3	2.1	2.5	4.1	4.1
	Q2	4.8	5.3	2.8	3.5	2.0	1.8	2.6	4.2	4.1
	Q3	4.9	5.3	2.8	3.5	2.0	1.8	2.6	4.2	4.2
	Q4	4.9	5.4	2.8	3.5	2.0	1.8	2.6	4.2	4.2
<b>TWO-QUARTER<sup>3</sup></b>										
1998	Q2	4.6	5.5	3.7	4.4	0.9	1.1	1.4	1.4	-0.3
	Q4	5.8	6.2	4.8	4.8	0.9	1.1	1.7	1.7	0.0
1999	Q2	4.7	4.5	3.0	2.8	1.6	1.7	2.5	2.5	-0.1
	Q4	5.8	6.1	4.5	4.8	1.3	1.4	2.9	2.8	-0.2
2000	Q2	4.8	5.2	2.7	3.2	2.1	1.9	2.3	2.2	-0.1
	Q4	5.0	5.5	3.0	3.7	1.9	1.7	2.4	2.3	0.1
2001	Q2	5.0	5.5	2.8	3.5	2.2	1.9	2.6	2.4	0.1
	Q4	4.9	5.4	2.8	3.5	2.0	1.8	2.6	2.5	0.1
<b>FOUR-QUARTER<sup>4</sup></b>										
1997	Q4	5.6	5.9	3.8	4.3	1.7	1.6	1.9	1.9	-0.6
1998	Q4	5.2	5.9	4.3	4.6	0.9	1.1	1.5	1.5	-0.3
1999	Q4	5.2	5.3	3.7	3.8	1.4	1.5	2.7	2.6	-0.3
2000	Q4	4.9	5.3	2.9	3.5	2.0	1.8	2.3	2.3	-0.1
2001	Q4	4.9	5.4	2.8	3.5	2.1	1.9	2.6	2.4	0.2

1. For all urban consumers.

2. Level, except as noted.

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

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

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Class II FOMCREAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, ANNUAL VALUES  
(Seasonally adjusted annual rate)

November 10, 1999

Item	Units <sup>1</sup>	Projected									
		1993	1994	1995	1996	1997	1998	1999	2000	2001	
<b>EXPENDITURES</b>											
Nominal GDP	Bill. \$	6642.3	7054.3	7400.5	7813.2	8300.8	8759.9	9231.9	9721.6	10259.4	
Real GDP	Bill. Ch. \$	7054.1	7337.8	7537.1	7813.2	8165.1	8516.3	8849.6	9165.7	9498.4	
Real GDP	% change	2.2	4.2	2.2	4.2	4.3	4.6	3.8	3.5	3.5	
Gross domestic purchases		2.8	4.4	1.7	4.4	4.9	5.7	4.9	3.8	3.6	
Final sales		2.3	3.3	3.0	4.0	3.8	4.7	3.8	3.5	3.6	
Priv. dom. final purchases		3.9	4.4	3.2	4.6	4.9	6.5	5.3	4.0	3.9	
Personal cons. expenditures		2.9	3.6	2.8	3.3	4.2	5.1	5.0	3.7	3.3	
Durables		9.3	6.4	3.7	5.0	8.4	13.0	7.8	4.3	4.1	
Nondurables		2.6	4.1	2.5	3.2	2.4	5.0	5.2	2.6	2.2	
Services		1.9	2.9	2.8	3.0	4.2	3.6	4.3	4.2	3.6	
Business fixed investment		8.7	9.2	7.5	12.1	9.6	13.1	7.8	8.6	9.9	
Equipment & Software		11.5	12.0	8.9	11.8	11.3	16.8	11.8	11.4	12.3	
Nonres. structures		1.2	1.1	3.2	12.8	4.8	2.9	-4.0	-0.6	1.2	
Residential structures		7.8	4.0	-1.5	5.6	3.7	11.3	3.1	-5.8	-2.9	
Exports		4.5	10.6	9.7	9.9	9.4	1.9	4.4	7.5	9.2	
Imports		10.5	12.1	5.0	11.2	14.2	10.8	13.3	8.8	9.0	
Gov't. cons. & investment		-0.9	0.2	-0.8	2.7	2.2	2.2	3.1	3.4	2.7	
Federal		-5.3	-3.7	-5.3	2.0	0.2	0.6	0.9	2.1	0.5	
Defense		-6.4	-5.9	-4.7	0.8	-1.3	-1.1	-0.8	0.6	0.7	
State & local		2.3	2.8	2.1	3.1	3.4	3.2	4.3	4.1	3.8	
Change in bus. inventories	Bill. Ch. \$	20.0	66.8	30.4	30.0	69.1	74.3	40.4	54.6	52.8	
Nonfarm		28.6	53.6	42.6	22.2	66.2	73.2	40.4	53.9	51.5	
Net exports		-59.9	-87.6	-79.2	-89.0	-109.8	-215.1	-325.1	-391.1	-427.5	
Nominal GDP	% change	5.0	6.2	4.3	6.0	5.9	5.9	5.3	5.3	5.4	
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employment	Millions	110.7	114.1	117.2	119.6	122.7	125.8	128.6	130.8	132.5	
Unemployment rate	%	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.1	4.1	
Industrial prod. index	% change	3.3	6.5	3.5	5.3	6.6	1.9	3.3	2.5	3.4	
Capacity util. rate - mfg.	%	80.5	82.5	82.7	81.4	82.0	80.8	79.6	79.5	80.2	
Housing starts	Millions	1.29	1.46	1.35	1.48	1.47	1.62	1.67	1.56	1.51	
Light motor vehicle sales		13.86	15.01	14.72	15.05	15.02	15.50	16.62	16.11	15.74	
North Amer. produced		11.71	12.88	12.82	13.35	13.09	13.47	14.20	13.96	13.65	
Other		2.15	2.13	1.90	1.70	1.92	2.04	2.42	2.15	2.09	
<b>INCOME AND SAVING</b>											
Nominal GNP	Bill. \$	6666.7	7071.1	7420.9	7831.2	8305.0	8750.0	9216.8	9702.0	10233.0	
Nominal GNP	% change	4.9	6.2	4.4	5.9	5.7	5.6	5.3	5.3	5.3	
Nominal personal income		3.7	5.1	4.3	5.9	6.4	6.0	5.7	5.3	5.6	
Real disposable income		0.9	3.0	1.7	2.8	4.1	4.2	3.4	3.4	3.6	
Personal saving rate	%	7.1	6.1	5.6	4.8	4.5	3.7	2.4	1.9	2.1	
Corp. profits, IVA & CCAdj.	% change	18.0	12.5	11.2	11.2	10.2	-2.2	10.3	3.8	2.9	
Profit share of GNP	%	7.6	8.1	9.0	9.6	10.1	9.7	9.7	9.6	9.5	
Excluding FR Banks		7.4	7.8	8.7	9.3	9.8	9.4	9.4	9.3	9.2	
Federal surpl./deficit	Bill. \$	-274.1	-212.3	-192.0	-136.8	-48.8	46.9	126.6	158.3	206.2	
State & local surpl./def.		1.5	8.6	15.3	21.4	27.5	41.7	46.1	52.9	47.3	
Ex. social ins. funds		-2.7	4.0	11.4	18.7	26.4	40.8	45.4	52.1	46.5	
Gross natl. saving rate	%	15.6	16.3	16.9	17.2	18.3	18.8	18.9	18.8	19.1	
Net natl. saving rate		3.7	4.2	5.1	5.7	7.1	7.5	7.5	7.4	7.8	
<b>PRICES AND COSTS</b>											
GDP chn.-wt. price index	% change	2.7	2.0	2.1	1.7	1.6	1.1	1.5	1.8	1.9	
Gross Domestic Purchases chn.-wt. price index		2.5	2.1	2.0	1.7	1.1	0.7	1.8	1.6	1.7	
CPI		2.7	2.6	2.7	3.1	1.9	1.5	2.6	2.3	2.4	
Ex. food and energy		3.1	2.8	3.1	2.6	2.2	2.4	2.1	2.5	2.7	
ECI, hourly compensation <sup>2</sup>		3.6	3.1	2.6	3.1	3.4	3.5	3.3	3.7	4.0	
Nonfarm business sector <sup>3</sup>		-0.7	1.2	1.2	2.5	2.2	3.1	2.5	2.8	2.7	
Output per hour		1.4	2.1	2.7	3.3	3.9	5.1	4.3	4.5	4.7	
Compensation per Hour		2.2	0.8	1.4	0.7	1.7	1.9	1.8	1.7	1.9	
Unit labor cost											

1. Changes are from fourth quarter to fourth quarter.

2. Private-industry workers.

3. Staff estimates.

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

November 10, 1999

Item	Units	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2
<b>EXPENDITURES</b>											
Nominal GDP	Bill. \$	8125.9	8259.5	8364.5	8453.0	8610.6	8683.7	8797.9	8947.6	9072.7	9146.2
Real GDP	Bill. Ch. \$	8033.4	8134.8	8214.8	8277.3	8412.7	8457.2	8536.0	8659.2	8737.9	8778.6
Real GDP	% change	4.9	5.1	4.0	3.1	6.7	2.1	3.8	5.9	3.7	1.9
Gross domestic purchases		5.7	5.6	4.8	3.5	8.6	4.1	4.6	5.5	5.8	3.2
Final sales		4.0	3.1	5.8	2.4	5.1	5.1	2.4	6.2	4.6	3.4
Priv. dom. final purchases		5.5	3.0	7.6	3.5	8.8	7.3	3.5	6.4	7.1	5.4
Personal cons. expenditures		4.9	1.8	6.6	3.4	5.6	6.1	3.9	4.6	6.5	5.1
Durables		10.9	-1.5	20.2	5.0	16.9	11.2	4.1	20.4	12.4	9.1
Nondurables		3.8	-0.2	5.7	0.3	5.8	6.7	2.4	5.0	8.9	3.3
Services		4.3	3.5	4.5	4.6	3.3	4.8	4.7	1.5	4.2	5.2
Business fixed investment		9.6	9.9	16.0	3.2	26.7	12.1	0.0	15.3	7.8	7.0
Equipment & Software		10.1	15.2	17.7	2.8	34.7	13.8	2.4	18.6	12.5	11.2
Nonres. structures		8.0	-4.0	11.2	4.3	5.7	7.1	-6.6	5.8	-5.8	-5.3
Residential structures		3.0	4.7	0.6	6.6	14.0	13.6	8.0	9.8	12.9	5.5
Exports		8.8	16.2	11.5	1.8	-1.5	-4.0	-1.7	16.1	-5.5	4.0
Imports		15.5	19.1	17.6	5.2	14.4	13.0	5.2	10.8	12.5	14.4
Gov't. cons. & investment		1.7	5.7	1.7	-0.1	-1.0	6.0	1.3	2.9	5.1	1.3
Federal		-2.8	9.9	-1.3	-4.2	-9.8	11.9	-2.3	3.9	-0.5	2.1
Defense		-11.3	9.6	-0.2	-2.4	-17.0	11.1	7.0	-2.9	-4.0	-2.6
State & local		4.4	3.4	3.5	2.4	4.1	3.0	3.3	2.3	8.2	0.9
Change in bus. inventories	Bill. Ch. \$	51.5	93.1	59.2	72.7	107.3	43.1	76.1	70.7	50.1	14.0
Nonfarm		56.7	85.7	52.6	69.7	103.8	53.2	77.5	58.2	43.1	13.1
Net exports		-90.8	-100.9	-118.7	-128.7	-171.7	-218.4	-237.9	-232.3	-284.5	-319.0
Nominal GDP	% change	7.4	6.7	5.2	4.3	7.7	3.4	5.4	7.0	5.7	3.3
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employment	Millions	121.4	122.3	123.0	123.9	124.8	125.5	126.1	126.9	127.6	128.2
Unemployment rate	%	5.2	5.0	4.9	4.7	4.6	4.4	4.5	4.4	4.3	4.3
Industrial prod. index	% change	6.6	6.0	7.2	6.6	1.6	2.8	0.9	2.2	1.3	3.8
Capacity util. rate - mfg.	%	81.6	81.7	82.1	82.5	81.8	81.2	80.2	80.1	79.5	79.5
Housing starts	Millions	1.46	1.47	1.46	1.52	1.59	1.57	1.64	1.70	1.77	1.62
Light motor vehicle sales		15.32	14.54	15.19	15.02	15.08	16.07	14.55	16.31	16.22	16.73
North Amer. produced		13.41	12.68	13.20	13.08	13.13	14.07	12.54	14.11	13.95	14.31
Other		1.92	1.86	1.99	1.94	1.95	1.99	2.01	2.20	2.27	2.42
<b>INCOME AND SAVING</b>											
Nominal GNP	Bill. \$	8131.1	8269.1	8366.5	8453.3	8613.7	8683.7	8772.2	8930.5	9058.2	9131.9
Nominal GNP	% change	6.8	7.0	4.8	4.2	7.8	3.3	4.1	7.4	5.8	3.3
Nominal personal income		8.0	5.6	5.5	6.4	5.3	5.8	6.6	6.5	5.4	5.5
Real disposable income		4.4	4.2	3.6	4.3	4.0	3.8	4.5	4.8	4.1	3.2
Personal saving rate	%	4.5	5.0	4.2	4.4	4.0	3.5	3.6	3.5	3.0	2.5
Corp. profits, IVA & CCAdj.	% change	15.9	14.7	15.9	-4.2	2.3	-4.8	-1.9	-4.4	24.9	-2.9
Profit share of GNP	%	9.9	10.1	10.3	10.1	10.0	9.8	9.6	9.3	9.7	9.6
Excluding FR Banks		9.6	9.8	10.0	9.8	9.7	9.5	9.3	9.1	9.5	9.3
Federal surpl./deficit	Bill. \$	-87.4	-63.2	-27.9	-16.8	24.9	43.5	59.6	59.7	97.6	118.1
State & local surpl./def.		25.9	23.7	30.9	29.7	32.0	30.9	49.9	54.2	48.7	37.6
Ex. social ins. funds		24.3	22.4	29.9	28.9	31.1	29.9	48.9	53.4	48.2	36.8
Gross natl. saving rate	%	17.7	18.4	18.5	18.6	18.8	18.6	19.0	18.9	19.1	18.7
Net natl. saving rate		6.4	7.2	7.3	7.4	7.6	7.2	7.6	7.5	7.8	7.3
<b>PRICES AND COSTS</b>											
GDP chn.-wt. price index	% change	2.4	1.5	1.2	1.3	1.0	1.1	1.4	0.9	2.0	1.3
Gross Domestic Purchases chn.-wt. price index		1.9	0.6	1.0	1.1	0.1	0.8	1.1	1.0	1.6	1.9
CPI		2.5	1.3	1.8	2.0	1.0	1.7	1.7	1.7	1.5	3.4
Ex. food and energy		2.2	2.9	1.4	2.4	2.4	2.6	2.3	2.1	1.6	2.5
ECI, hourly compensation <sup>1</sup>		2.5	3.7	3.4	4.3	3.0	3.6	4.1	2.9	1.4	4.6
Nonfarm business sector <sup>2</sup>		1.0	3.4	3.4	1.2	4.6	1.0	3.2	4.2	2.7	0.6
Output per hour		3.2	2.5	4.2	5.8	4.6	5.6	5.9	4.5	4.3	4.6
Compensation per hour		2.1	-0.7	0.6	4.9	-0.0	4.6	2.8	0.4	1.5	4.0
Unit labor cost											

1. Private-industry workers.  
2. Staff estimates.

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

November 10, 1999

Item	Units	Projected									
		1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4
<b>EXPENDITURES</b>											
Nominal GDP	Bill. \$	9287.0	9421.8	9504.8	9662.5	9795.5	9923.6	10061.1	10191.3	10324.4	10460.7
Real GDP	Bill. Ch. \$	8895.6	8986.2	9018.6	9130.0	9216.3	9297.7	9377.2	9457.2	9537.9	9621.3
Real GDP	% change	5.4	4.1	1.5	5.0	3.8	3.6	3.5	3.5	3.5	3.5
Gross domestic purchases		6.2	4.4	2.0	5.7	4.1	3.3	3.8	3.8	3.6	3.3
Final sales		4.2	3.0	2.3	4.3	3.6	3.9	3.5	3.4	3.6	3.9
Priv. dom. final purchases		5.3	3.7	2.4	5.3	4.1	4.0	4.1	3.9	4.0	3.8
Personal cons. expenditures		4.3	4.1	2.5	5.1	3.8	3.6	3.5	3.3	3.2	3.1
Durables		7.0	3.0	5.0	5.0	3.5	3.7	3.8	4.3	4.3	4.3
Nondurables		3.6	5.2	-1.0	5.7	3.2	2.6	2.5	2.1	2.1	2.1
Services		4.1	3.9	3.8	4.9	4.1	4.0	3.9	3.6	3.6	3.3
Business fixed investment		13.6	3.2	5.2	10.7	9.2	9.5	9.8	9.6	10.0	10.0
Equipment & Software		18.8	5.0	7.4	14.3	11.9	12.2	12.4	12.1	12.5	12.5
Nonres. structures		-2.2	-2.6	-1.9	-1.0	0.0	0.5	1.0	1.1	1.3	1.3
Residential structures		-3.0	-2.1	-6.4	-6.6	-5.2	-4.9	-3.4	-2.8	-2.8	-2.7
Exports		13.1	6.9	1.7	8.6	8.2	11.6	6.0	9.3	9.3	12.5
Imports		17.7	8.6	5.6	13.0	8.9	8.0	8.1	10.2	9.1	8.5
Gov't. cons. & investment		4.1	1.9	4.6	3.8	2.9	2.2	2.9	2.7	2.7	2.5
Federal		3.1	-1.3	5.8	3.4	0.8	-1.3	0.8	0.5	0.5	0.3
Defense		9.9	-5.9	0.8	-0.6	1.4	0.8	1.1	0.6	0.6	0.4
State & local		4.7	3.6	4.0	4.0	4.1	4.1	3.9	3.9	3.8	3.7
Change in bus. inventories	Bill. Ch. \$	36.2	61.3	41.6	58.4	63.5	54.9	54.9	56.9	53.9	45.6
Nonfarm		40.3	65.0	43.0	57.0	62.0	53.5	53.5	55.5	52.5	44.3
Net exports		-342.7	-354.3	-369.4	-392.0	-402.4	-400.7	-414.4	-426.9	-435.6	-433.1
Nominal GDP	% change	6.3	5.9	3.6	6.8	5.6	5.3	5.7	5.3	5.3	5.4
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employment	Millions	128.9	129.5	130.0	130.8	131.1	131.5	131.9	132.3	132.8	133.2
Unemployment rate	%	4.2	4.1	4.1	4.0	4.0	4.0	4.1	4.1	4.2	4.2
Industrial prod. index	% change	3.7	4.5	-1.1	4.0	3.7	3.6	3.3	3.5	3.5	3.4
Capacity util. rate - mfg.	%	79.5	79.9	79.1	79.4	79.6	79.8	80.0	80.1	80.3	80.5
Housing starts	Millions	1.66	1.64	1.59	1.57	1.55	1.54	1.53	1.51	1.50	1.49
Light motor vehicle sales		17.15	16.37	16.32	16.23	16.03	15.87	15.76	15.73	15.73	15.73
North Amer. produced		14.71	13.83	14.09	14.07	13.91	13.78	13.67	13.64	13.64	13.64
Other		2.44	2.54	2.23	2.16	2.12	2.09	2.09	2.09	2.09	2.09
<b>INCOME AND SAVING</b>											
Nominal GNP	Bill. \$	9271.7	9405.6	9484.5	9643.7	9774.9	9904.8	10037.3	10164.9	10298.1	10431.6
Nominal GNP	% change	6.3	5.9	3.4	6.9	5.6	5.4	5.5	5.2	5.3	5.3
Nominal personal income		5.1	6.9	4.5	6.3	5.3	5.4	6.1	5.4	5.3	5.5
Real disposable income		2.8	3.5	3.4	4.1	3.0	3.2	5.2	3.0	2.9	3.2
Personal saving rate	%	2.2	2.0	2.2	2.0	1.8	1.7	2.2	2.1	2.0	2.0
Corp. profits, IVA & CCAdj.	% change	12.9	8.2	-10.4	12.1	7.3	7.5	-0.5	2.9	4.7	4.7
Profit share of GNP	%	9.7	9.8	9.4	9.6	9.6	9.6	9.5	9.4	9.4	9.4
Excluding FR Banks		9.5	9.5	9.2	9.3	9.3	9.4	9.3	9.2	9.2	9.2
Federal surpl./deficit	Bill. \$	143.5	147.2	130.4	149.4	171.7	181.6	180.6	199.4	220.8	224.0
State & local surpl./def.		47.4	50.8	50.1	54.0	55.5	51.8	48.2	47.3	46.5	47.3
Ex. social ins. funds		46.6	50.0	49.3	53.2	54.7	51.0	47.4	46.5	45.7	46.5
Gross natl. saving rate	%	19.0	18.8	18.7	18.8	18.9	18.9	19.0	19.1	19.2	19.2
Net natl. saving rate		7.5	7.4	7.2	7.4	7.5	7.5	7.7	7.8	7.9	7.9
<b>PRICES AND COSTS</b>											
GDP chn.-wt. price index	% change	1.0	1.7	2.1	1.7	1.7	1.7	2.1	1.8	1.8	1.8
Gross Domestic Purchases chn.-wt. price index		1.7	2.1	2.0	1.5	1.5	1.5	2.0	1.6	1.6	1.6
CPI		2.7	3.0	2.0	2.4	2.2	2.4	2.3	2.6	2.4	2.5
Ex. food and energy		1.6	2.7	2.2	2.7	2.5	2.7	2.6	2.9	2.6	2.8
ECI, hourly compensation <sup>1</sup>		3.4	3.6	3.5	3.8	3.7	3.7	4.1	3.9	3.9	4.0
Nonfarm business sector		4.2	2.5	0.8	4.4	3.2	3.0	2.6	2.7	2.7	2.9
Output per hour		4.4	4.0	4.3	4.7	4.6	4.6	4.9	4.7	4.7	4.6
Compensation per hour		0.2	1.5	3.5	0.3	1.4	1.6	2.2	1.9	1.9	1.7

1. Private-industry workers.

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Class II FOMC

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS

November 10, 1999

Item	1997 Q3	1997 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	97Q4/ 96Q4	98Q4/ 97Q4	99Q4/ 98Q4
<b>Real GDP</b>	4.0	3.1	6.7	2.1	3.8	5.9	3.7	1.9	5.4	4.3	4.6	3.8
<b>Gross dom. purchases</b>	4.8	3.5	8.7	4.2	4.6	5.6	5.9	3.3	6.4	4.9	5.7	5.0
<b>Final sales</b>	5.7	2.4	5.1	5.0	2.3	6.2	4.6	3.4	4.2	3.8	4.6	3.8
<b>Priv. dom. final purchases</b>	6.2	2.9	7.2	6.0	3.0	5.3	5.9	4.5	4.5	4.0	5.4	4.5
<b>Personal cons. expenditures</b>	4.3	2.2	3.7	4.0	2.6	3.1	4.3	3.4	2.9	2.8	3.4	3.4
<b>Durables</b>	1.4	0.4	1.2	0.8	0.3	1.5	1.0	0.7	0.6	0.6	1.0	0.6
<b>Nondurables</b>	1.1	0.1	1.1	1.3	0.5	1.0	1.7	0.6	0.7	0.5	1.0	1.0
<b>Services</b>	1.7	1.8	1.3	1.8	1.8	0.6	1.6	2.0	1.6	1.7	1.4	1.7
<b>Business fixed investment</b>	1.8	0.4	2.9	1.4	0.0	1.8	0.9	0.9	1.6	1.1	1.5	1.0
<b>Equipment &amp; Software</b>	1.5	0.3	2.7	1.2	0.2	1.6	1.1	1.0	1.7	1.0	1.5	1.1
<b>Nonres. structures</b>	0.3	0.1	0.2	0.2	-0.2	0.2	-0.2	-0.2	-0.1	0.1	0.1	-0.1
<b>Residential structures</b>	0.0	0.3	0.5	0.5	0.3	0.4	0.5	0.2	-0.1	0.1	0.5	0.1
<b>Net exports</b>	-0.8	-0.5	-1.9	-2.0	-0.8	0.3	-2.1	-1.4	-0.9	-0.7	-1.1	-1.2
<b>Exports</b>	1.3	0.2	-0.2	-0.5	-0.2	1.6	-0.6	0.4	1.3	1.1	0.2	0.5
<b>Imports</b>	-2.1	-0.7	-1.7	-1.6	-0.6	-1.3	-1.5	-1.6	-2.3	-1.7	-1.3	-1.7
<b>Government cons. &amp; invest.</b>	0.3	-0.0	-0.2	1.0	0.2	0.5	0.9	0.2	0.7	0.4	0.4	0.5
<b>Federal</b>	-0.1	-0.3	-0.6	0.7	-0.1	0.2	-0.0	0.1	0.2	0.0	0.0	0.1
<b>Defense</b>	-0.0	-0.1	-0.8	0.4	0.3	-0.1	-0.2	-0.1	0.4	-0.1	-0.0	-0.0
<b>Nondefense</b>	-0.1	-0.2	0.1	0.3	-0.4	0.4	0.1	0.2	-0.2	0.1	0.1	0.1
<b>State and local</b>	0.4	0.3	0.5	0.3	0.4	0.3	0.9	0.1	0.5	0.4	0.4	0.5
<b>Change in bus. inventories</b>	-1.6	0.6	1.6	-2.8	1.5	-0.2	-0.9	-1.8	1.1	0.5	-0.0	-0.1
<b>Nonfarm</b>	-1.6	0.8	1.6	-2.3	1.1	-0.8	-0.6	-1.3	1.2	0.5	-0.1	0.1
<b>Farm</b>	-0.0	-0.1	-0.0	-0.1	0.3	0.6	-0.3	-0.5	-0.1	-0.0	0.1	-0.2

I-24

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

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Class II FOMC

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS

November 10, 1999

Item	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	99Q4 / 98Q4	00Q4 / 99Q4	01Q4 / 00Q4
<b>Real GDP</b>	<b>4.1</b>	<b>1.5</b>	<b>5.0</b>	<b>3.8</b>	<b>3.6</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.8</b>	<b>3.5</b>	<b>3.5</b>
Gross dom. purchases	4.5	2.1	5.9	4.2	3.5	4.0	3.9	3.7	3.4	5.0	3.9	3.7
Final sales	3.0	2.2	4.3	3.6	3.9	3.4	3.3	3.5	3.8	3.8	3.5	3.5
Priv. dom. final purchases	3.1	2.1	4.5	3.5	3.4	3.5	3.3	3.4	3.3	4.5	3.4	3.4
Personal cons. expenditures	2.8	1.7	3.5	2.6	2.4	2.4	2.2	2.2	2.1	3.4	2.5	2.2
Durables	0.2	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.6	0.3	0.3
Nondurables	1.0	-0.2	1.1	0.6	0.5	0.5	0.4	0.4	0.4	1.0	0.5	0.4
Services	1.5	1.5	1.9	1.6	1.6	1.4	1.4	1.3	1.7	1.7	1.5	1.5
Business fixed investment	0.4	0.6	1.3	1.1	1.2	1.2	1.2	1.3	1.3	1.0	1.1	1.3
Equipment & Software	0.5	0.7	1.3	1.1	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.2
Nonres. structures	-0.1	-0.1	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.0	0.0
Residential structures	-0.1	-0.3	-0.3	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	0.1	-0.3	-0.1
Net exports	-0.4	-0.6	-0.9	-0.4	0.1	-0.5	-0.4	-0.3	0.1	-1.2	-0.4	-0.3
Exports	0.7	0.2	0.9	0.9	1.2	0.7	1.0	1.0	1.4	0.5	0.8	1.0
Imports	-1.2	-0.8	-1.8	-1.3	-1.1	-1.2	-1.4	-1.3	-1.2	-1.7	-1.2	-1.3
Government cons. & invest.	0.3	0.8	0.7	0.5	0.4	0.5	0.5	0.5	0.4	0.5	0.6	0.5
Federal	-0.1	0.3	0.2	0.0	-0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Defense	-0.2	0.0	-0.0	0.1	0.0	0.0	0.0	0.0	0.0	-0.0	0.0	0.0
Nondefense	0.2	0.3	0.2	-0.0	-0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0
State and local	0.4	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.4
Change in bus. inventories	1.1	-0.8	0.7	0.2	-0.3	-0.0	0.1	-0.1	-0.3	-0.1	-0.1	-0.1
Nonfarm	1.0	-0.9	0.6	0.2	-0.3	0.0	0.1	-0.1	-0.3	0.1	-0.1	-0.1
Farm	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.1	0.0

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

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

Item	Fiscal year <sup>1</sup>				1999				2000				2001			
	1998 <sup>a</sup>	1999 <sup>a</sup>	2000	2001	Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>p</sup>	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Unified budget</b>																
Receipts <sup>2</sup>	1722	1827	1934	2040	402	564	449	441	425	605	464	454	456	636	493	485
Outlays <sup>2</sup>	1653	1705	1775	1826	396	421	420	454	449	439	433	459	466	456	445	468
Surplus/deficit <sup>2</sup>	69	123	159	214	6	143	28	-13	-25	166	31	-5	-10	180	48	17
On-budget	-30	-1	9	48	-49	88	19	-54	-51	102	13	-49	-40	111	27	-30
Off-budget	99	124	150	165	55	55	9	41	26	64	18	45	30	69	21	47
Surplus excluding deposit insurance	65	118	155	210	5	142	28	14	-26	165	30	-5	-11	179	47	17
Means of financing																
Borrowing	-51	-88	-174	-210	7	-108	-20	24	-37	-128	-33	-4	-6	-149	-52	-12
Cash decrease	5	-18	16	0	-4	-31	-3	-14	56	-31	5	10	10	-25	5	10
Other <sup>3</sup>	-23	-17	-1	-3	-9	-4	-5	3	6	-7	-3	-2	6	-6	-9	-15
Cash operating balance, end of period	39	56	40	40	22	53	56	70	14	45	40	30	20	45	40	30
NIPA federal sector																
Receipts	1722	1840	1950	2048	1827	1853	1888	1925	1925	1959	1990	2018	2030	2057	2087	2116
Expenditures	1694	1735	1800	1853	1729	1735	1744	1778	1795	1809	1819	1837	1850	1858	1866	1892
Consumption expenditures	452	466	493	510	467	465	473	475	494	500	501	499	512	513	515	516
Defense	300	305	314	325	305	301	311	307	316	316	317	318	326	327	329	330
Nondefense	153	161	179	185	162	164	162	167	178	185	184	181	185	186	186	186
Other expenditures	1242	1269	1308	1343	1262	1270	1270	1303	1301	1309	1317	1337	1338	1345	1351	1376
Current account surplus	28	105	150	196	98	118	144	147	130	149	172	182	181	199	221	224
Gross investment	84	92	94	97	90	96	94	92	94	94	96	97	97	97	98	98
Current and capital account surplus	-56	13	56	98	7	22	50	55	36	56	76	85	84	102	123	126
Fiscal indicators <sup>4</sup>																
High-employment (HEB) surplus/deficit	-152	-113	-88	-55	-118	-100	-86	-89	-99	-90	73	-67	-69	-51	-31	-30
Change in HEB, percent of potential GDP	-.8	-.5	-.3	-.4	-.3	-.2	-.2	0	.1	-.1	-.2	-.1	0	-.2	-.2	0
Fiscal impetus (FI) percent, calendar year	0	4	4	.3	2	-.4	2	2	1	1	.5	-.6	-.2	.2	.2	.4

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

2. OMB's June 1999 surplus estimates (assuming the enactment of the President's proposals) are \$99 billion in FY1999 and \$143 billion in FY2000. CBO's July 1999 baseline surplus estimates are \$120 billion in FY1999 and \$161 billion in FY2000. 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 FY1990.

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

4. HEB is the NIPA current and capital account surplus in current dollars, with cyclically sensitive receipts and outlays adjusted to the level of potential output associated with an unemployment rate of 6 percent. Real potential GDP growth is assumed to be 3.6 percent beginning 2000:Q1. Quarterly figures for change in HEB and FI are not at annual rates. The sign on Change in HEB, as a percent of nominal potential GDP, is reversed. FI is the weighted difference of discretionary changes in federal spending and taxes in chained (1996) dollars, scaled by real federal consumption plus investment. For change in HEB and FI, negative values indicate restraint.

a--Actual p--Preliminary

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Change in Debt of the Domestic Nonfinancial Sectors  
(Percent)

November 10, 1999

Period <sup>1</sup>	Total <sup>2</sup>	Federal government <sup>3</sup>	Total <sup>4</sup>	Nonfederal					Memo: Nominal GDP	
				Households			Business	State and local governments		
				Total	Home mortgages	Consumer credit				
<i>Year</i>										
1991	4.3	11.1	2.2	4.5	6.1	-1.3	-1.6	8.6	4.0	
1992	4.6	10.9	2.6	4.5	5.3	0.8	0.8	2.2	6.4	
1993	4.9	8.3	3.8	5.4	4.5	7.3	1.4	6.0	5.0	
1994	4.6	4.7	4.6	7.7	6.0	14.5	3.9	-4.0	6.2	
1995	5.5	4.1	6.0	7.9	5.7	14.1	7.0	-4.6	4.3	
1996	5.4	4.0	5.9	7.4	7.3	7.9	6.0	-0.6	6.0	
1997	5.4	0.6	7.1	6.4	6.6	4.3	8.4	5.3	5.9	
1998	6.7	-1.4	9.4	8.7	9.7	5.4	10.7	7.2	5.9	
1999	6.1	-2.5	8.6	8.8	9.8	6.4	9.5	4.1	5.3	
2000	4.9	-5.5	7.7	7.7	8.5	5.0	8.9	2.9	5.3	
2001	4.5	-6.3	7.1	7.0	8.0	4.1	8.0	2.7	5.4	
<i>Quarter</i>										
1999:1	7.7	-2.0	10.6	9.4	10.0	9.5	12.6	7.3	5.7	
2	5.2	-3.0	7.6	8.5	10.0	3.9	7.7	2.9	3.3	
3	6.1	-2.2	8.5	8.5	9.1	6.4	9.5	4.3	6.3	
4	4.7	-3.0	6.8	7.7	8.9	5.4	7.0	1.6	5.9	
2000:1	4.7	-6.6	7.8	7.7	8.7	5.1	8.9	3.4	3.6	
2	4.9	-5.2	7.5	7.7	8.5	5.3	8.3	2.7	6.8	
3	5.2	-4.2	7.5	7.3	8.1	4.7	8.7	2.7	5.6	
4	4.6	-6.5	7.3	7.1	7.9	4.6	8.4	2.7	5.3	
2001:H1	4.7	-5.6	7.1	7.0	8.0	4.2	8.1	2.7	5.5	
H2	4.2	-7.3	6.8	6.8	7.8	3.9	7.6	2.6	5.4	

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 1999:Q2 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

2. On a monthly average basis, total debt is projected to grow 6.3 percent in 1999, 4.9 percent in 2000, and 4.6 percent in 2001.

3. On a monthly average basis, federal debt is projected to grow -2.5 percent in 1999, -5.1 percent in 2000, and -6.2 percent in 2001.

4. On a monthly average basis, nonfederal debt is projected to grow 8.9 percent in 1999, 7.7 percent in 2000, and 7.1 percent in 2001.

2.6.3 FOF

Category	Seasonally adjusted annual rates													
	Calendar year				1999				2000				2001	
	1998	1999	2000	2001	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	H1	H2
<i>Net funds raised by domestic nonfinancial sectors</i>														
1 Total	755.5	805.7	727.6	744.3	1182.4	511.6	880.2	648.4	655.3	726.1	808.9	720.1	773.7	714.8
2 Net equity issuance	-267.0	-181.8	-125.0	-74.0	-65.7	-354.0	-153.6	-154.0	-164.0	-132.0	-108.0	-96.0	-76.0	-72.0
3 Net debt issuance	1022.5	987.5	852.6	818.3	1248.1	865.6	1033.8	802.4	819.3	858.1	916.9	816.1	849.7	786.8
<i>Borrowing sectors</i>														
Nonfinancial business														
4 Financing gap <sup>1</sup>	132.7	149.0	186.0	223.9	112.9	161.3	144.0	178.0	175.9	188.8	193.8	185.6	214.0	233.7
5 Net equity issuance	-267.0	-181.8	-125.0	-74.0	-65.7	-354.0	-153.6	-154.0	-164.0	-132.0	-108.0	-96.0	-76.0	-72.0
6 Credit market borrowing	524.5	515.5	526.6	516.9	682.6	431.1	539.6	408.8	528.1	505.1	542.1	531.1	525.1	508.6
Households														
7 Net borrowing <sup>2</sup>	470.3	518.5	491.6	485.9	553.3	511.0	524.2	485.7	491.9	506.9	487.9	479.9	483.9	487.9
8 Home mortgages	358.2	398.4	380.0	387.2	405.2	414.5	386.6	387.2	385.2	384.2	377.2	373.2	384.2	390.2
9 Consumer credit	67.6	85.9	71.0	61.0	126.6	53.2	87.6	76.0	72.0	76.0	68.0	68.0	62.0	60.0
10 Debt/DPI (percent) <sup>3</sup>	90.2	92.9	95.3	96.7	91.8	92.6	93.5	93.9	94.5	94.9	95.6	96.1	96.3	97.2
State and local governments														
11 Net borrowing	80.3	48.9	36.4	34.4	87.4	35.7	53.2	19.3	42.4	34.4	34.4	34.4	34.4	34.4
12 Current surplus <sup>4</sup>	140.5	151.2	164.9	166.6	151.0	142.0	153.3	158.4	159.5	165.2	168.5	166.6	165.2	168.0
Federal government														
13 Net borrowing	-52.6	-95.5	-202.0	-218.8	-75.2	-112.2	-83.1	-111.3	-243.1	-188.2	-147.4	-229.2	-193.6	-244.0
14 Net borrowing (quarterly, n.s.a.)	-52.6	-95.5	-202.0	-218.8	7.5	-108.0	-19.0	24.0	-37.3	-128.2	-33.0	-3.5	-154.4	-64.4
15 Unified deficit (quarterly, n.s.a.)	-54.4	-164.4	-167.3	-235.4	-5.8	-143.1	-28.5	12.9	24.8	-165.8	-30.9	4.5	-169.8	-65.6
Depository institutions														
16 Funds supplied	360.5	329.3	310.9	278.9	209.3	258.5	457.8	391.4	311.9	315.9	307.9	307.9	280.4	277.4
Memo (percentage of GDP)														
17 Domestic nonfinancial debt <sup>5</sup>	180.1	181.7	182.1	180.7	181.2	182.7	182.4	182.3	182.8	182.0	181.8	181.6	181.1	180.4
18 Domestic nonfinancial borrowing	11.7	10.7	8.8	8.0	13.8	9.5	11.1	8.5	8.6	8.9	9.4	8.2	8.4	7.6
19 Federal government <sup>6</sup>	-0.6	-1.0	-2.1	-2.1	-0.8	-1.2	-0.9	-1.2	-2.6	-1.9	-1.5	-2.3	-1.9	-2.3
20 Nonfederal	12.3	11.7	10.8	10.1	14.6	10.7	12.0	9.7	11.2	10.8	10.9	10.5	10.3	9.9

Note. Data after 1999:Q2 are staff projections.

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

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

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

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

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

6. Excludes government-insured mortgage pool securities.

### Summary of Staff Projections

(Percent change, seasonally adjusted annual rate)

Measure	1998	Projection				
		1999			2000	2001
		H1	Q3	Q4		
Foreign output	0.8	4.0	4.0	4.0	3.3	3.5
<i>September GB</i>	0.9	4.0	3.0	3.6	3.1	3.6
Real exports	1.9	-0.9	13.1	6.9	7.5	9.2
<i>September GB</i>	1.1	-0.5	10.2	7.7	7.4	9.2
Real imports	10.8	13.5	17.7	8.6	8.8	9.0
<i>September GB</i>	9.7	13.9	18.0	8.0	8.5	8.4

NOTE. Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2; and for quarters, from previous quarter. In this table, foreign aggregates in the current forecast and September Greenbook forecast are calculated using recently revised weights.

**The dollar.** During the forecast period the nominal exchange rate of the dollar against the major international currencies is projected to depreciate moderately from its current level. We continue to assume that the steep appreciation of the dollar against the euro that has occurred this year will be reversed in response to both stronger growth in Europe and market concerns about the growing U.S. current account deficit. The dollar is expected to depreciate somewhat against the Canadian dollar, as firmer commodity prices contribute to an improvement in Canada's current account balance. We project the dollar will depreciate slightly against the yen over the forecast period, as concerns about whether the Japanese recovery can be sustained without massive government stimulus efforts are balanced against worries about persistent large current account imbalances.

The real exchange value of the dollar against the currencies of a wider group of U.S. trading partners, as measured by the staff's broad index, is projected to depreciate about 5 percent over the forecast period. The dollar's nominal decline against the currencies of the major industrial countries is offset somewhat in real terms by higher U.S. consumer price inflation relative to inflation in most of the industrial countries. The dollar is projected to depreciate moderately in real terms against the currencies of the ASEAN group and more noticeably against the Korean won and Indonesian rupiah. Based on improved prospects for growth in China, and in contrast to the September Greenbook's projection of a moderate nominal depreciation in 2000, we are now assuming that the dollar value of the renminbi will be constant through the forecast period. In contrast, we expect the dollar to appreciate in real terms against all major Latin American currencies.

**Oil prices.** The outlook for the U.S. oil import price is largely unchanged from the previous Greenbook, except for the current quarter, which is now a bit lower. While the stronger outlook for world economic activity is likely to boost oil demand, this increase is expected to be more than fully offset by higher oil supply. We anticipate that OPEC will hold production near current levels for the rest of this year as inventories are drawn down, but will then increase output in an attempt to retain market share in the face of potential and actual supply increases from non-OPEC producers. The price of imported oil is expected to increase to around \$21 per barrel in the fourth quarter of this year and then to decline gradually to around \$17.50 per barrel by the end of 2000 and to near \$16 per barrel by the end of 2001.

**Selected Trade Prices**  
(Percent change except as noted; seasonally adjusted annual rate)

Trade category	1998				Projection	
		1999			2000	2001
		H1	Q3	Q4		
<i>Exports</i>						
Nonagricultural (core)		-1.9	0.8	2.1	2.5	1.5
Agricultural		-10.2	-8.9	-2.9	0.5	2.4
<i>Imports</i>						
Non-oil (core)		-1.9	-0.7	1.1	2.4	2.7
Oil (level, dollars per barrel)		11.40	14.70	18.58	21.00	17.69
						15.83

NOTE. Prices for exports and non-oil imports of goods, excluding computers and semiconductors, are on a NIPA chain-weighted basis.

Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2; and for quarters, from previous quarter.

The price of imported oil for multi-quarter periods is the price for the final quarter of the period.

**Prices of non-oil imports and non-agricultural exports.** After ticking up to an annual rate of about 1 percent in the third quarter, core import price inflation is projected to rise further to an average of just under 2-1/2 percent over the forecast period. This step-up in inflation reflects both the projected decline in the dollar and expected mild increases in commodity prices following several years of declines. Core export prices are projected to rise at a rate of about 1-1/2 percent during the forecast period, slightly higher in the near term than projected in September.

**Impact of Alternative Assumptions**  
 (Percent change, Q4 to Q4)

Measure	1999	2000	2001
<i>U.S. real GDP</i>			
Baseline	3.8	3.5	3.5
Stronger foreign GDP growth <sup>1</sup>	3.8	3.8	4.2
Weaker dollar <sup>2</sup>	3.8	3.6	4.3
<i>U.S. CPI excluding food and energy</i>			
Baseline	2.1	2.5	2.7
Stronger foreign GDP growth <sup>1</sup>	2.1	2.6	3.1
Weaker dollar <sup>2</sup>	2.1	2.6	3.1

NOTE. All simulations assume federal funds rate unchanged from baseline.

1. Assumes foreign GDP growth is 1 percentage point higher than baseline starting in 2000:Q1.

2. Assumes dollar path falls an additional 10 percent below baseline by 2001:Q4.

Strictly Confidential (FR)  
Class II FOMC

November 10, 1999

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

Measure and country	-----Projected-----								
	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>REAL GDP (1)</b>									
Total foreign	3.1	5.2	2.3	4.3	4.1	0.8	4.0	3.3	3.5
Industrial Countries	1.9	4.0	1.8	2.9	3.3	1.7	3.5	2.5	2.5
of which:									
Canada	2.9	5.5	1.4	2.4	4.4	2.8	4.2	2.9	2.7
Japan	0.5	0.9	2.5	5.1	-0.8	-3.0	3.1	1.0	1.2
United Kingdom	3.2	4.6	1.9	2.9	3.4	1.6	2.7	2.4	2.5
Euro-11	0.1	2.9	1.5	1.6	2.9	1.9	2.8	2.6	2.7
Germany	-0.2	2.8	1.0	1.3	1.4	1.2	2.6	2.6	2.7
Developing Countries	5.0	7.0	2.9	6.4	5.3	-0.3	4.9	4.4	4.8
Asia	7.6	8.9	7.2	6.9	4.9	-1.7	7.7	5.3	6.5
Korea	6.3	9.4	7.2	6.8	3.7	-5.3	10.9	5.9	7.0
China	6.1	16.3	12.6	9.2	8.2	9.5	5.3	6.9	7.4
Latin America	2.7	5.5	-4.1	6.4	6.3	1.0	3.2	3.8	3.9
Mexico	1.9	5.1	-7.3	7.5	7.2	2.9	4.6	4.5	4.3
Brazil	4.5	9.8	-1.9	5.5	2.2	-1.6	2.8	2.2	3.0
<b>CONSUMER PRICES (2)</b>									
Industrial Countries	2.1	1.1	1.3	1.5	1.6	1.0	1.2	1.4	1.5
of which:									
Canada	1.8	-0.0	2.1	2.0	1.0	1.1	2.4	2.1	2.3
Japan	1.2	0.8	-0.8	0.1	2.1	0.7	-0.9	-0.1	0.0
United Kingdom (3)	2.7	2.2	2.9	3.2	2.8	2.6	2.2	2.3	2.5
Euro-11 (4)	NA	NA	NA	2.0	1.4	0.9	1.7	1.5	1.6
Germany	4.2	2.6	1.5	1.5	2.1	0.4	1.0	1.3	1.6
Developing Countries	24.7	23.0	17.0	11.2	6.9	9.1	5.3	6.2	6.3
Asia	7.7	10.7	6.4	4.8	2.8	4.5	0.8	3.2	3.8
Korea	5.5	5.8	4.4	5.1	5.1	6.0	1.9	3.7	4.9
China	17.1	26.9	11.1	7.0	1.0	-1.1	-0.1	2.4	3.8
Latin America	74.2	54.3	42.2	26.0	15.8	15.6	13.4	11.7	10.5
Mexico	8.6	6.9	48.8	28.1	17.2	17.6	14.6	12.5	11.2
Brazil	2287.6	1216.3	23.1	10.8	5.3	1.8	7.9	8.3	6.3

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

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

Measure and country	1999				Projected				2001			
					2000							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>REAL GDP (1)</b>	<b>Quarterly changes at an annual rate</b>											
Total foreign	3.4	4.6	4.0	4.0	1.8	4.1	3.7	3.6	3.5	3.5	3.5	3.4
Industrial Countries of which:	3.6	2.7	3.9	3.6	0.7	3.9	2.9	2.6	2.6	2.5	2.5	2.5
Canada	4.2	3.3	5.0	4.3	1.0	4.4	3.4	2.8	2.7	2.7	2.7	2.7
Japan	8.1	0.4	2.5	1.4	-0.2	1.9	1.0	1.2	1.2	1.2	1.2	1.2
United Kingdom	0.9	2.6	3.7	3.9	0.6	3.8	2.6	2.5	2.5	2.5	2.5	2.4
Euro-11	1.7	2.1	3.8	3.7	0.6	4.0	3.1	2.8	2.7	2.7	2.7	2.7
Germany	1.8	0.2	4.5	3.8	0.5	4.1	3.0	2.8	2.7	2.7	2.7	2.7
Developing Countries	3.3	7.5	4.3	4.6	3.6	4.4	4.9	5.0	5.0	4.9	4.8	4.7
Asia	6.3	12.1	6.4	6.0	3.1	5.6	6.0	6.4	6.4	6.5	6.6	6.6
Korea	14.7	15.4	7.5	6.2	4.0	6.7	6.0	7.0	7.0	7.0	7.0	7.0
China	2.2	1.1	11.4	6.7	4.8	6.9	8.0	7.8	7.5	7.3	7.3	7.3
Latin America	1.0	4.6	3.6	3.7	2.9	4.2	4.0	4.0	4.0	4.0	3.8	3.8
Mexico	1.3	7.7	5.1	4.5	4.0	4.9	4.5	4.5	4.5	4.5	4.1	4.1
Brazil	3.1	3.8	1.2	3.1	0.6	2.8	2.7	2.8	2.7	3.0	3.2	3.2
<b>CONSUMER PRICES (2)</b>	<b>Four-quarter changes</b>											
Industrial Countries of which:	0.6	0.9	1.3	1.2	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.5
Canada	0.8	1.6	2.2	2.4	2.2	2.2	2.1	2.1	2.1	2.2	2.2	2.3
Japan	-0.2	-0.4	0.0	-0.9	-0.4	-0.3	-0.2	-0.1	0.0	0.0	0.0	0.0
United Kingdom (3)	2.6	2.3	2.2	2.2	2.2	2.2	2.3	2.3	2.4	2.4	2.5	2.5
Euro-11 (4)	0.9	1.0	1.2	1.7	1.7	1.6	1.6	1.5	1.5	1.5	1.6	1.6
Germany	0.3	0.5	0.6	1.0	1.4	1.3	1.2	1.3	1.4	1.5	1.6	1.6
Developing Countries	8.2	6.9	6.0	5.3	5.4	5.7	6.0	6.2	6.1	6.3	6.4	6.3
Asia	2.6	0.8	0.3	0.8	1.5	2.4	3.0	3.2	3.2	3.4	3.7	3.8
Korea	0.7	0.6	0.7	1.9	2.8	3.4	4.4	3.7	3.8	4.1	4.4	4.9
China	-1.4	-2.2	-1.2	-0.1	0.8	1.6	2.1	2.4	3.0	3.6	3.8	3.8
Latin America	16.4	15.7	14.7	13.4	12.2	11.4	11.3	11.7	11.5	11.5	11.3	10.5
Mexico	18.6	17.9	16.5	14.6	13.2	12.3	12.0	12.5	12.3	12.3	12.0	11.2
Brazil	2.3	3.3	5.5	7.9	8.1	8.1	8.3	8.3	7.8	7.3	6.8	6.3

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

Strictly Confidential (FR)  
Class II FOMC

November 10, 1999

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1993	1994	1995	1996	1997	1998	----- 1999	Projected 2000	----- 2001
<b>NIPA REAL EXPORTS and IMPORTS</b>									
Percentage point contribution to GDP growth, Q4/Q4									
Net Goods & Services	-0.6	-0.3	0.4	-0.2	-0.7	-1.1	-1.2	-0.4	-0.3
Exports of G&S	0.4	1.1	1.0	1.1	1.1	0.2	0.5	0.8	1.0
Imports of G&S	-1.1	-1.3	-0.6	-1.3	-1.7	-1.3	-1.7	-1.2	-1.3
Percentage change, Q4/Q4									
Exports of G&S	4.5	10.6	9.7	9.9	9.4	1.9	4.4	7.5	9.2
Services	4.9	8.5	9.0	9.4	3.0	2.3	3.8	4.7	4.1
Agricultural Goods	-5.3	16.3	-4.0	3.7	3.3	0.3	-2.2	2.0	2.0
Computers	17.3	27.2	39.1	21.6	26.1	7.1	18.9	37.9	36.0
Semiconductors	31.1	66.9	79.6	44.6	21.0	9.3	33.9	41.8	43.8
Other Goods 1/	3.5	6.9	5.7	7.8	11.4	1.1	2.2	4.0	6.4
Imports of G&S	10.5	12.1	5.0	11.2	14.2	10.8	13.3	8.8	9.0
Services	6.7	1.8	5.5	5.3	13.6	8.4	6.4	3.7	3.9
Oil	10.1	-0.3	2.4	7.8	4.0	4.1	3.5	6.9	2.5
Computers	30.7	38.9	35.0	17.7	32.4	26.9	35.0	37.9	36.1
Semiconductors	33.6	54.5	92.4	56.7	32.8	-7.4	28.3	43.7	46.4
Other Goods 2/	9.4	12.3	-1.2	10.4	12.7	11.3	13.3	6.2	6.1
Billions of chained 1996 dollars									
Net Goods & Services	-59.9	-87.5	-79.1	-88.9	-109.8	-215.1	-325.1	-391.1	-427.5
Exports of G&S	671.9	731.8	807.5	874.2	985.5	1007.1	1044.4	1116.4	1215.9
Imports of G&S	731.8	819.4	886.6	963.1	1095.2	1222.2	1369.5	1507.5	1643.4
Billions of dollars									
US CURRENT ACCOUNT BALANCE	-85.3	-121.7	-113.6	-129.3	-143.5	-220.6	-335.6	-412.0	-438.3
Current Acct as Percent of GDP	-1.3	-1.7	-1.5	-1.7	-1.7	-2.5	-3.6	-4.2	-4.3
Net Goods & Services (BOP)	-69.9	-98.4	-97.5	-104.3	-104.7	-164.3	-270.5	-341.3	-360.9
Investment Income, Net	26.9	20.3	23.9	21.8	8.2	-7.0	-12.7	-17.3	-24.1
Direct, Net	58.6	54.4	63.8	67.7	69.2	59.4	61.7	74.4	91.2
Portfolio, Net	-31.7	-34.1	-39.9	-46.0	-61.0	-66.4	-74.4	-91.7	-115.3
Other Income & Transfers, Net	-42.2	-43.6	-39.9	-46.7	-46.9	-49.3	-52.4	-53.3	-53.3

143

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

Strictly Confidential (FR)  
Class II FOMC

November 10, 1999

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1996				1997				1998			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>NIPA REAL EXPORTS and IMPORTS</b>												
Percentage point contribution to GDP growth												
Net Goods & Services      -1.0    -0.8    -1.3    2.1    -0.8    -0.5    -0.8    -0.5    -1.9    -2.0    -0.8    0.3 Exports of G&S            0.3    0.8    0.4    2.9    1.0    1.8    1.3    0.2    -0.2    -0.5    -0.2    1.6 Imports of G&S           -1.3   -1.6   -1.7   -0.8   -1.8   -2.2   -2.1   -0.7   -1.7   -1.6   -0.6   -1.3												
Percentage change from previous period, SAAR												
Exports of G&S            2.3    6.9    3.4    29.1    8.8    16.2    11.4    1.8    -1.5    -4.0    -1.7    16.1 Services                   -4.0   13.5   -6.7   41.2   -3.6   11.1   7.7   -2.5   1.7    8.8    -8.9    8.7 Agricultural Goods        15.0   -25.3   -4.6   41.3   -18.5   3.3    4.6   29.2   -11.0   -16.3   -16.5   62.7 Computers                  40.4   4.9    17.1   26.9   56.1   46.2   28.4   -13.6   -12.9   11.0    19.0    14.5 Semiconductors            24.2   35.2   24.2   110.0   46.2   24.5   26.2   -6.7    1.3    -13.1   25.3    29.4 Other Goods 1/           -0.4    7.0    7.8    17.7   13.6   17.2   11.7   3.5    -1.2    -9.2    0.6    15.6												
Imports of G&S           10.8   13.3   14.4   6.3    15.5   19.0   17.6    5.2    14.4   13.0    5.2    10.8 Services                   5.7    4.0    11.7   0.0    20.8    8.5    20.7    5.3    16.9    9.6    6.5    1.5 Oil                        -9.6   67.4    5.4   -15.3   -7.4   36.4    6.3   -13.0    6.5    42.1    2.4   -24.3 Computers                10.4   21.0   19.2   20.5   45.0   48.5   34.3    6.2    35.7   23.0   11.4   39.4 Semiconductors           30.0   18.9   58.4   146.3   77.6   28.1   28.8    6.1    1.3    -20.1   -3.0   -6.4 Other Goods 2/           13.5   10.2   13.7    4.6    11.9   16.5   15.6    6.9    13.5   12.9    4.9    14.1												
Billions of chained 1996 dollars, SAAR												
Net Goods & Services    -75.5   -90.6   -115.8   -73.9   -90.8   -100.9   -118.7   -128.7   -171.7   -218.4   -238.0   -232.3 Exports of G&S           845.6   859.8   867.1   924.2   943.9   979.9   1006.8   1011.2   1007.3   997.2   993.0   1030.8 Imports of G&S           921.1   950.4   982.9   998.1   1034.7   1080.8   1125.5   1139.9   1179.0   1215.6   1231.0   1263.1												
Billions of dollars, SAAR												
US CURRENT ACCOUNT BALANCE   -107.0   -125.8   -153.3   -131.1   -139.6   -125.9   -142.5   -165.9   -172.1   -209.6   -253.9   -246.7 Current Account as % of GDP   -1.4    -1.6    -2.0    -1.6    -1.7    -1.5    -1.7    -2.0    -2.0    -2.4    -2.9    -2.8												
Net Goods & Services (BOP)   -89.4   -105.9   -125.9   -96.1   -106.4   -96.8   -102.9   -112.8   -133.4   -167.8   -182.9   -173.1												
Investment Income, Net      30.4    21.3    15.1    20.2    9.0    13.7    5.8    4.2    6.1    2.9    -22.5   -14.3 Direct, Net                  68.5    64.3    63.6    74.5   66.4   74.7   69.2   66.6   67.3   64.7   47.3   58.2 Portfolio, Net             -38.2   -43.0   -48.5   -54.3   -57.4   -60.9   -63.4   -62.4   -61.3   -61.8   -69.9   -72.5												
Other Inc. & Transfers, Net   -48.0   -41.2   -42.5   -55.2   -42.1   -42.9   -45.4   -57.3   -44.8   -44.7   -48.5   -59.3												

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1999				Projected				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>NIPA REAL EXPORTS and IMPORTS</b>												
Percentage point contribution to GDP growth												
Net Goods & Services      -2.1    -1.4    -0.9    -0.4    -0.6    -0.9    -0.4    0.1    -0.5    -0.4    -0.3    0.1 Exports of G&S            -0.6    0.4    1.3    0.7    0.2    0.9    0.9    1.2    0.7    1.0    1.0    1.4 Imports of G&S           -1.5    -1.8    -2.3    -1.2    -0.8    -1.8    -1.3    -1.1    -1.2    -1.4    -1.3    -1.2												
Percentage change from previous period, SAAR												
Exports of G&S           -5.5    4.0    13.1    6.9    1.7    8.6    8.2    11.6    6.0    9.3    9.3    12.5 Services                    4.1    3.2    3.8    4.2    3.0    6.1    4.9    4.7    4.3    4.2    3.8    3.9 Agricultural Goods      -38.1    29.3    20.2    -4.8    2.0    2.0    2.0    2.0    2.0    2.0    2.0    2.0 Computers                -3.1    32.0    28.8    21.5    33.5    46.4    36.0    36.0    36.0    36.0    36.0    36.0 Semiconductors          36.3    40.8    45.9    14.8    33.5    46.4    43.8    43.8    43.8    43.8    43.8    43.8 Other Goods 1/           -9.3    -2.0    14.0    7.6    -3.9    4.5    5.0    11.1    0.9    6.6    6.5    11.9												
Imports of G&S          12.5    14.4    17.7    8.6    5.6    13.0    8.9    8.0    8.1    10.2    9.1    8.5 Services                  12.1    8.9    1.6    3.4    1.4    5.7    4.2    3.7    3.9    3.8    4.0    4.0 Oil                        7.3    25.4    -9.2    -6.1    7.8    24.3    3.9    -6.1    -8.2    31.2    3.2    -11.3 Computers                28.7    52.5    36.5    23.9    33.6    46.4    36.1    36.1    36.1    36.1    36.1    36.1 Semiconductors          18.4    63.5    24.4    12.6    36.0    46.4    46.4    46.4    46.4    46.4    46.4    46.4 Other Goods 2/           11.3    10.3    22.3    9.8    2.8    9.6    6.5    6.0    6.0    6.0    6.1    6.1												
Billions of chained 1996 dollars, SAAR												
Net Goods & Services   -284.5   -319.0   -342.7   -354.3   -369.4   -392.0   -402.4   -400.7   -414.4   -426.9   -435.6   -433.1 Exports of G&S          1016.4   1026.4   1058.5   1076.2   1080.7   1103.2   1125.1   1156.4   1173.4   1199.9   1226.9   1263.4 Imports of G&S          1300.9   1345.4   1401.2   1430.5   1450.1   1495.2   1527.5   1557.1   1587.8   1626.8   1662.5   1696.5												
Billions of dollars, SAAR												
US CURRENT ACCOUNT BALANCE   -274.6   -321.8   -357.9   -388.1   -395.4   -411.6   -418.5   -422.3   -426.1   -437.3   -441.0   -449.0 Current Account as % of GDP   -3.0    -3.5    -3.9    -4.1    -4.2    -4.3    -4.3    -4.3    -4.2    -4.3    -4.3    -4.3												
Net Goods & Services (BOP)   -215.9   -259.1   -294.3   -312.6   -326.8   -344.5   -349.7   -344.2   -354.0   -362.6   -366.4   -360.6												
Investment Income, Net      -11.8    -12.0    -13.0    -14.0    -18.0    -16.5    -18.3    -16.5    -21.5    -24.2    -24.0    -26.8 Direct, Net                59.3    56.4    64.0    66.9    66.2    72.1    75.7    83.6    84.5    87.8    94.3    98.2 Portfolio, Net           -71.1    -68.5    -77.0    -80.9    -84.3    -88.6    -93.9    -100.1    -106.0    -111.9    -118.4    -125.0												
Other Inc. & Transfers, Net   -46.9    -50.6    -50.6    -61.6    -50.6    -50.6    -50.6    -61.6    -50.6    -50.6    -50.6    -61.6												

1. Merchandise exports excluding agricultural products, computers, and semiconductors.

2. Merchandise imports excluding oil, computers, and semiconductors.

## **Part 2**

November 10, 1999

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## **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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### **Recent Developments**

Confidential (FR) Class III FOMC

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November 10, 1999

## **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

## Treasury and Agency Finance

### Treasury Financing (Billions of dollars)

Item	1999					
	Q1	Q2	Q3	Sept.	Oct.	Nov. <sup>e</sup>
<b>Total surplus, deficit (-)</b>	<b>5.8</b>	<b>143.1</b>	<b>28.5</b>	<b>56.4</b>	<b>-29.7</b>	<b>n.a.</b>
Means of financing deficit						
Net borrowing	7.5	-108.0	-20.1	-47.7	4.8	n.a.
Nonmarketable	2.2	6.3	-2.7	1.0	-1.9	n.a.
Marketable	5.2	-114.3	-17.4	-48.7	6.8	18.2
Bills	34.0	-78.0	4.7	-37.2	9.7	45.6
Coupons	-28.7	-36.3	-22.0	-11.5	-3.0	-27.3
Decrease in cash balance	-4.1	-31.5	-3.4	-20.1	8.9	n.a.
Other <sup>1</sup>	-9.1	-3.6	-5.1	11.4	11.9	n.a.
MEMO						
Cash balance, end of period	21.6	53.1	56.5	56.5	47.6	n.a.

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

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

e Estimated.

n.a. Not available.

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

Agency	1999					
	Q1	Q2	Q3	Aug.	Sept.	Oct.
FHLBs	20.2	34.7	44.5	13.5	23.3	n.a.
Freddie Mac	11.8	15.2	26.7	6.4	0.2	n.a.
Fannie Mae	15.1	24.5	25.0	14.5	7.7	n.a.
Farm Credit Banks	3.0	1.2	.2	.3	.7	n.a.
Sallie Mae	1.4	1.2	4.0	-0.5	1.6	n.a.
MEMO						
<i>Outstandings</i>						
Fannie Mae benchmark notes	61.5	82.7	96.0	95.1	96.0	96.0
Freddie Mac reference notes	30.0	45.5	55.8	57.8	55.8	60.8

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

n.a. Not available.

November 15, 1999

## CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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### **Supplemental Notes**

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

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

	1999 Mar.	1999 Apr.	1999 May	1999 June	1999 July	1999 Aug.	1999 Sept.	1999 Oct.	1999 (p) Nov
<b>Indexes of consumer sentiment (Feb. 1966=100)</b>									
Composite of current and expected conditions	105.7	104.6	106.8	107.3	106.0	104.5	107.2	103.2	107.7
Current conditions	116.3	115.9	121.1	118.9	116.5	114.1	115.9	112.7	118.5
Expected conditions	99.0	97.4	97.6	99.8	99.2	98.4	101.5	97.1	100.7
<hr/>									
<b>Personal financial situation</b>									
Now compared with 12 months ago*	130	134	133	133	132	132	132	127	142
Expected in 12 months*	134	136	135	133	135	139	135	133	140
<b>Expected business conditions</b>									
Next 12 months*	141	141	144	147	147	140	150	140	147
Next 5 years*	123	115	114	122	118	118	124	118	120
<b>Appraisal of buying conditions</b>									
Cars	152	150	151	150	153	148	145	146	148
Large household appliances*	172	167	182	176	171	165	169	166	166
Houses	167	168	171	168	167	153	149	149	153
<b>Willingness to use credit</b>									
Willingness to use savings	51	49	52	53	49	50	47	48	50
Willingness to use credit	80	73	75	88	73	65	62	59	67
<b>Expected unemployment change - next 12 months</b>									
Prob. household will lose a job - next 5 years	113	109	110	102	109	113	110	112	114
<b>Expected inflation - next 12 months</b>									
Mean	3.1	3.0	3.2	3.1	3.0	3.2	3.2	3.5	3.1
Median	2.7	2.7	2.8	2.5	2.7	2.8	2.7	2.9	2.7
<b>Expected inflation - next 5 to 10 years</b>									
Mean	3.0	3.0	3.5	3.3	3.3	3.3	3.5	3.2	3.3
Median	2.7	2.8	2.9	2.8	2.9	2.8	2.9	2.8	2.8

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

(p) -- Preliminary

(f) -- Final

Note: Figures on financial, business, and buying conditions are the percent reporting 'good times' (or 'better') minus the percent reporting 'bad times' (or 'worse'), plus 100. Expected change in unemployment is the fraction expecting unemployment to rise minus the fraction expecting unemployment to fall, plus 100.