

March 25, 1992

SUMMARY AND OUTLOOK

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

to greater weakness in the near term than we had anticipated, while the outlook for growth in the developing countries is virtually unchanged. As a result, we have shaved the forecast for overall foreign economic growth this year to 2-3/4 percent (U.S. export weights), and the level of activity in the fourth quarter of 1992 is now expected to be 1/2 percent lower than projected in the last Greenbook. Activity abroad still is projected to expand nearly 4 percent in 1993. The price of crude oil has recently been a little lower than anticipated in the last forecast, but it still is expected to move back up from a little under \$18 per barrel (WTI posted price) in the current quarter to the neighborhood of \$19 per barrel by the end of this year, and to remain at that level in 1993.

The Current Quarter

As noted above, we now estimate that real GDP has been rising at about a 1-1/2 percent annual rate in the current quarter. The recent data suggest that final sales are growing appreciably faster,

REAL GDP AND SELECTED COMPONENTS

	1991	1992	
	Q4 ^P	Q1	Q2

---Percent change, annual rate---

GDP (previous)	.8 (.3)	1.6 (.4)	2.9 (1.9)
Domestic final sales (ex. CCC)	-.9	3.7	2.2
Consumer spending	-.2	4.3	2.4
Residential structures	13.1	17.9	20.1
Business fixed investment	-4.5	2.2	.6

---Levels, billions of 1987 dollars---

Net exports	-17.6	-11.2	-18.7
Change in nonfarm inventories	12.5	-23.0	-9.8

---Percent change, annual rate---

Memo:			
Industrial production	-.7	-3.0	6.0
Manufacturing	.2	-2.2	6.0

prices and a bigger drop for energy items. Core inflation, as proxied by prices for items other than food and energy, has bounced around somewhat in recent months but has been pretty much in line with our expectations. The twelve-month change in the core CPI has continued to fall, and the February reading, at 3-3/4 percent, was the lowest in several years. The limited new information we have received on wages remains consistent with a disinflationary trend.

The Outlook for the Economy: 1992:Q2 to 1993:Q4

Real GDP growth is projected to rise about 3 percent at an annual rate in the second quarter. Consumer spending is expected to moderate after the first-quarter burst, but expenditures on residential construction are anticipated to post another large gain. In addition, the pace of nonfarm inventory liquidation is expected to slow, thereby making a significant positive contribution to real GDP growth in the second quarter--on the order of a percentage point. Net exports, however, are expected to fall back, partly because of a rebound in petroleum imports.

PROJECTIONS OF REAL GDP AND DOMESTIC FINAL SALES
(Percent change, annual rate)

	1992			1993
	Q1	Q2	H2	
Real GDP (previous)	1.6 .4	2.9 1.9	3.2 3.1	2.8 3.5
Domestic final sales (ex. CCC) (previous)	3.7 .9	2.2 1.8	2.6 2.6	2.7 3.1

Real GDP growth is expected to be a shade above 3 percent in the second half of 1992 and to drop to a bit below 3 percent in 1993. The forecast for 1993 growth is about 3/4 percentage point lower than that in the January Greenbook, with the higher dollar and the prospect of bigger cuts in defense spending accounting for much of the revision. Nonetheless, the broad contours of the forecast

above its current rate. We foresee no serious upward price pressures from abroad or from the food and energy areas. Food prices, which have been little changed in recent quarters, are expected to rise about in line with core inflation. Retail energy prices are anticipated to pick up in the second half of this year, as the projected rebound in crude oil prices feeds through to product prices; but increases thereafter are expected to be moderate. All told, CPI inflation is expected to slow to 2-3/4 percent in the second half of 1993.

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

	1992			1993	
	Q1	Q2	H2	H1	H2
Consumer price index	2.6	3.6	3.4	3.1	2.8
Ex. food and energy	3.8	3.8	3.2	3.0	2.8
ECI hourly compensation	3.8	3.7	3.6	3.4	3.3
Memo:					
Civilian unemployment rate (final quarter, percent)	7.2	7.3	7.1	7.0	6.7

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

March 25, 1992

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index ¹		Unemployment rate (level except as noted)	
	1/30/92	3/25/92	1/30/92	3/25/92	1/30/92	3/25/92	1/30/92	3/25/92	1/30/92	3/25/92
ANNUAL										
1989 ²	7.0	7.0	2.5	2.5	n.a.	4.3	4.8	4.8	5.3	5.3
1990 ²	5.1	5.1	1.0	1.0	n.a.	4.3	5.4	5.4	5.5	5.5
1991 ²	2.9	2.9	-.7	-.7	n.a.	4.0	4.2	4.2	6.7	6.7
1992	4.2	4.6	1.4	2.0	n.a.	2.7	3.2	3.1	7.2	7.2
1993	5.9	5.7	3.3	3.0	n.a.	2.9	3.2	3.1	6.9	6.9
QUARTERLY										
1990 Q1 ²	6.3	6.3	1.7	1.7	n.a.	5.0	7.5	7.2	5.2	5.2
Q2 ²	6.2	6.2	1.6	1.6	n.a.	4.6	3.8	4.1	5.3	5.3
Q3 ²	4.9	4.9	.2	.2	n.a.	4.8	7.0	7.0	5.6	5.6
Q4 ²	-.9	-.9	-3.9	-3.9	n.a.	3.2	6.9	6.9	6.0	6.0
1991 Q1 ²	2.3	2.3	-2.5	-2.5	n.a.	5.4	3.6	3.3	6.5	6.5
Q2 ²	4.6	4.6	1.4	1.4	n.a.	3.3	2.1	2.4	6.7	6.7
Q3 ²	4.1	4.1	1.8	1.8	n.a.	2.6	3.0	2.7	6.8	6.8
Q4 ²	1.9	2.7	.3	.8	n.a.	2.2	3.2	3.6	6.9	6.9
1992 Q1	4.3	4.7	.4	1.6	n.a.	2.9	3.5	2.6	7.1	7.2
Q2	4.9	5.6	1.9	2.9	n.a.	2.9	3.5	3.6	7.3	7.3
Q3	5.5	5.8	2.9	3.1	n.a.	2.9	3.4	3.4	7.3	7.2
Q4	5.7	5.9	3.3	3.2	n.a.	2.8	3.2	3.3	7.2	7.1
1993 Q1	6.7	6.1	3.7	3.0	n.a.	3.2	3.1	3.2	7.1	7.1
Q2	5.9	5.3	3.5	2.9	n.a.	2.6	2.8	2.9	7.0	7.0
Q3	5.7	5.2	3.4	2.8	n.a.	2.6	2.8	2.8	6.8	6.8
Q4	5.6	5.0	3.2	2.7	n.a.	2.5	2.7	2.7	6.7	6.7
TWO-QUARTER³										
1990 Q2 ²	6.2	6.2	1.7	1.7	n.a.	4.8	5.6	5.6	-.1	-.1
Q4 ²	1.9	1.9	-1.8	-1.8	n.a.	3.9	6.9	7.0	.7	.7
1991 Q2 ²	3.5	3.5	-.6	-.6	n.a.	4.4	2.8	2.9	.7	.7
Q4 ²	3.0	3.4	1.1	1.3	n.a.	2.2	3.1	3.1	.2	.2
1992 Q2	4.6	5.2	1.2	2.2	n.a.	2.9	3.5	3.1	.4	.4
Q4	5.6	5.8	3.1	3.2	n.a.	2.9	3.3	3.4	-.1	-.2
1993 Q2	6.3	5.7	3.6	2.9	n.a.	2.9	2.9	3.0	-.2	-.1
Q4	5.7	5.1	3.3	2.8	n.a.	2.6	2.8	2.8	-.3	-.3
FOUR-QUARTER⁴										
1989 Q4 ²	5.9	5.9	1.7	1.7	n.a.	4.2	4.6	4.6	.1	.1
1990 Q4 ²	4.1	4.1	-.1	-.1	n.a.	4.4	6.3	6.3	.6	.6
1991 Q4 ²	3.2	3.4	.2	.4	n.a.	3.3	2.9	3.0	.9	.9
1992 Q4	5.1	5.5	2.1	2.7	n.a.	2.9	3.5	3.2	.3	.2
1993 Q4	6.0	5.4	3.5	2.8	n.a.	2.7	2.8	2.9	-.5	-.4

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.

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

March 25, 1992

Item	Units ¹										Projected
		1985	1986	1987	1988	1989	1990	1991	1992	1993	
EXPENDITURES											
Nominal GDP	Bill. \$	4038.7	4268.6	4539.9	4900.4	5244.0	5513.8	5674.4	5936.5	6272.4	
Real GDP	Bill. \$7\$	4279.8	4404.5	4540.0	4718.6	4836.9	4884.9	4849.9	4947.0	5094.6	
Real GDP	% change	3.3	2.2	4.5	3.3	1.7	-1.1	.4	2.7	2.8	
Gross domestic purchases		3.8	2.1	3.9	2.5	1.0	-1.9	.1	2.8	3.0	
Final sales		3.8	3.3	2.7	4.2	1.5	1.2	-1.5	2.8	2.6	
Private dom. final purch.		3.9	3.0	1.9	4.2	.6	-1.3	-1.6	3.7	3.5	
Personal cons. expend.		4.0	4.0	2.1	4.2	1.2	.3	.5	3.4	3.0	
Durables		6.3	12.5	-2.6	8.5	-1.8	-2.7	-2.9	9.2	6.3	
Nondurables		2.7	3.3	1.4	3.2	.8	-1.0	-.7	2.5	2.0	
Services		4.2	2.5	3.7	3.7	2.0	1.9	2.1	2.5	2.8	
Business fixed invest.		3.1	-5.7	3.0	5.5	.5	.6	-7.4	2.5	4.8	
Producers' dur. equip.		2.2	-.7	2.4	9.1	-.1	3.1	-4.2	6.4	6.7	
Nonres. structures		4.6	-14.1	4.4	-1.2	1.7	-4.6	-14.3	-7.2	-.9	
Res. structures		4.3	11.1	-3.1	-.9	-7.7	-11.8	-.7	14.0	8.7	
Exports		-.3	9.9	12.6	13.5	10.9	7.6	7.6	4.2	5.7	
Imports		5.2	6.7	4.7	3.6	2.7	-.4	4.7	5.0	6.5	
Government purchases		5.9	4.1	3.3	-.2	1.6	3.2	-1.6	-.9	-1.1	
Federal		6.4	3.8	3.7	-3.4	-1.2	2.3	-3.4	-1.1	-4.9	
Defense		7.0	3.7	4.5	-3.2	-2.0	.8	-4.6	-4.9	-8.3	
State and local		5.4	4.4	2.9	2.9	3.6	3.8	-.3	-.8	1.5	
Change in bus. invent.	Bill. \$7\$	22.1	8.6	26.3	19.9	32.6	.2	-13.1	-5.7	18.3	
Nonfarm		19.8	10.6	32.7	26.9	33.3	-1.5	-13.1	-5.7	17.8	
Net exports		-145.3	-155.1	-143.0	-104.0	-75.7	-51.4	-19.9	-18.3	-27.7	
Nominal GDP	% change	7.0	4.7	8.0	7.7	5.9	4.1	3.4	5.5	3.4	
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	97.5	99.5	102.2	105.5	108.3	110.0	109.0	109.2	110.9	
Unemployment rate	%	7.2	7.0	6.2	5.5	5.3	5.5	6.7	7.2	6.9	
Industrial prod. index	% change	1.9	1.4	6.5	4.5	1.1	.3	-.5	3.3	4.0	
Capacity util. rate-mfg.	%	79.5	79.0	81.4	83.9	83.9	82.3	78.2	78.2	79.8	
Housing starts	Millions	1.74	1.81	1.62	1.49	1.38	1.19	1.01	1.29	1.43	
Auto sales in U.S.		11.04	11.45	10.24	10.63	9.91	9.51	8.39	8.78	9.39	
North American produced		8.20	8.22	7.07	7.54	7.09	6.90	6.14	6.51	7.19	
Other		2.84	3.24	3.18	3.09	2.83	2.60	2.25	2.28	2.40	
INCOME AND SAVING											
Nominal GNP	Bill. \$	4053.6	4277.8	4544.5	4908.2	5248.2	5524.6	5687.9	5953.9	6291.2	
Nominal GNP	% change	6.8	4.4	8.1	7.8	5.9	4.3	3.2	5.6	5.4	
Nominal personal income		6.6	5.5	7.4	7.1	6.7	6.5	2.8	5.7	6.1	
Real disposable income		1.9	2.6	2.1	3.2	1.4	1.0	.6	2.9	3.0	
Personal saving rate	%	6.5	6.0	4.3	4.4	4.4	5.1	5.2	5.1	4.9	
Corp. profits, IVACCAdj	% change	9.0	-7.1	29.7	10.2	-11.5	-11.5	8.7	17.9	5.2	
Profit share of GNP	%	6.9	6.4	7.0	7.4	6.7	5.8	5.4	6.0	6.3	
Federal surpl./def.	Bill. \$	-181.4	-201.1	-151.8	-136.6	-124.2	-165.3	-200.5	-278.4	-261.3	
State/local surpl./def.		56.1	54.3	40.1	38.4	41.1	25.7	29.8	52.5	69.1	
Ex. social ins. funds		9.2	1.5	-14.7	-18.4	-19.2	-38.1	-35.6	-15.0	-1.9	
PRICES AND COSTS											
GDP implicit deflator	% change	3.6	2.6	3.3	4.2	4.2	4.2	3.0	2.8	2.5	
GDP fixed-wt. price index		3.6	2.5	3.4	4.2	4.2	4.4	3.3	2.9	2.7	
CPI		3.5	1.3	4.5	4.3	4.6	6.3	3.0	3.2	2.9	
Ex. food and energy		4.3	3.9	4.3	4.5	4.4	5.3	4.5	3.5	2.9	
ECI, hourly compensation ²		3.9	3.2	3.3	4.8	4.8	4.6	4.4	3.6	3.3	
Nonfarm business sector		.7	1.2	1.8	.5	-1.6	.0	1.1	2.2	1.5	
Output per hour		4.7	4.6	3.8	3.7	2.9	6.0	3.2	3.6	3.4	
Compensation per hour		3.9	3.4	1.9	3.3	4.5	6.0	2.0	1.4	1.9	
Unit labor cost											

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

2. Private-industry workers.

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

March 25, 1992

Item	Units	1989				1990				1991	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GDP	Bill. \$	5139.9	5218.5	5277.3	5340.4	5422.4	5504.7	5570.5	5537.5	5589.0	5652.6
Real GDP	Bill. \$7\$	4809.8	4832.4	4845.6	4859.7	4880.8	4900.3	4903.3	4855.1	4826.0	4840.7
Real GDP	% change	2.5	1.9	1.1	1.2	1.7	1.6	.2	-3.9	-2.5	1.4
Gross domestic purchases		.7	1.1	1.7	.3	.6	1.3	1.3	-6.5	-3.5	.9
Final sales		.8	2.1	2.7	.4	4.6	-.5	.9	-3.3	-2.4	1.2
Private dom. final purch.		-.4	.4	3.1	-.7	2.7	-1.5	2.5	-4.7	-4.8	.8
Personal cons. expend.		-.2	1.0	1.1	.1	2.1	.0	2.8	-3.5	-1.3	1.4
Durables		-5.0	5.9	13.8	-15.5	16.7	-11.8	1.5	-14.0	-11.9	-1.8
Nondurables		.1	-1.4	3.1	1.5	-.3	-1.5	1.3	-3.4	-3.3	.9
Services		.8	1.2	2.3	3.6	.3	4.1	4.1	-.9	.7	2.5
Business fixed invest.		.9	2.7	.8	-2.5	7.1	-4.6	8.5	-7.7	-17.4	-3.3
Producers' dur. equip.		-1.0	7.3	-2.5	-3.9	6.4	-3.2	11.5	-1.6	-18.1	.0
Nonres. structures		4.9	-6.2	8.0	.4	8.5	-7.3	2.5	-19.7	-15.7	-10.3
Res. structures		-5.9	-11.9	-5.6	-7.3	.6	-15.7	-16.2	-15.0	-24.8	3.1
Exports		12.4	17.2	.9	13.7	8.8	4.8	-.4	17.7	-7.4	19.4
Imports		-6.1	6.9	6.8	4.0	-2.5	1.7	9.6	-9.3	-15.4	13.3
Government purchases		-3.4	5.2	4.1	.7	6.4	2.2	-.3	4.6	2.8	-.1
Federal		-9.5	7.9	5.1	-7.2	5.9	4.3	-5.0	4.5	9.9	1.0
Defense		-12.8	5.6	10.1	-9.2	2.3	3.3	-7.9	5.9	10.9	-3.3
State and local		1.3	3.4	3.3	6.6	6.7	.8	3.2	4.6	-1.9	-.7
Change in bus. invent.	Bill. \$7\$	41.2	38.9	20.2	30.0	-4.0	22.1	13.9	-31.2	-32.8	-30.4
Nonfarm		35.8	33.4	25.9	38.1	-5.5	15.5	9.9	-25.7	-31.1	-30.8
Net exports		-81.2	-71.9	-79.8	-70.0	-56.0	-52.5	-65.7	-31.2	-18.6	-12.3
Nominal GDP	% change	7.8	6.3	4.6	4.9	6.3	6.2	4.9	-.9	2.3	4.6
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	107.6	108.1	108.5	109.0	109.7	110.2	110.2	109.8	109.2	108.8
Unemployment rate ¹	%	5.2	5.2	5.3	5.3	5.3	5.3	5.6	6.0	6.5	6.7
Industrial prod. index	% change	2.7	2.8	-1.2	.2	.6	4.2	3.9	-7.0	-9.7	2.6
Capacity util. rate-mfg. ¹	%	84.7	84.5	83.7	82.9	82.7	82.8	82.9	80.8	78.0	77.9
Housing starts	Millions	1.49	1.36	1.35	1.34	1.46	1.20	1.13	1.03	.92	1.00
Auto sales in U.S.		10.03	10.26	10.20	9.09	9.92	9.53	9.60	9.00	8.33	8.43
North American produced		7.08	7.26	7.36	6.56	7.12	6.82	7.08	6.60	6.09	6.11
Other		2.95	3.00	2.84	2.33	2.80	2.71	2.51	2.39	2.25	2.32
INCOME AND SAVING											
Nominal GNP	Bill. \$	5144.3	5217.7	5279.8	5350.9	5432.7	5505.5	5576.8	5583.2	5611.7	5660.6
Nominal GNP	% change	7.3	5.8	4.8	5.5	6.3	5.5	5.3	-.5	2.1	3.5
Nominal personal income		10.8	4.5	3.7	7.8	9.8	6.6	5.7	3.9	.3	4.5
Real disposable income		3.6	-2.6	1.9	3.0	4.5	1.6	.2	-2.0	-1.7	2.6
Personal saving rate ¹	%	5.2	4.3	3.7	4.4	4.9	5.4	4.8	5.2	5.1	5.5
Corp. profits, IVAccmAdj	% change	-12.2	-5.6	-16.6	-11.4	6.7	-.5	-39.4	-4.8	8.4	1.9
Profit share of GNP ¹	%	7.1	6.9	6.5	6.3	6.3	6.2	5.4	5.3	5.4	5.4
Federal govt. surpl./def.	Bill. \$	-114.5	-110.5	-128.4	-143.3	-160.8	-156.9	-149.7	-193.6	-146.4	-206.7
State/local surpl./def.		42.4	45.1	42.6	34.4	30.3	28.5	26.1	18.0	20.4	27.6
Ex. social ins. funds		-16.4	-14.8	-18.3	-27.4	-32.2	-34.9	-38.2	-46.9	-44.7	-38.0
PRICES AND COSTS											
GDP implicit deflator	% change	5.4	4.2	3.4	3.7	4.4	4.4	4.7	3.2	5.0	3.1
GDP fixed-wt. price index		4.8	4.5	3.5	3.7	5.0	4.6	4.8	3.2	5.4	3.3
CPI		4.7	6.4	3.3	3.9	7.2	4.1	7.0	6.9	3.3	2.4
Ex. food and energy		4.9	4.2	3.8	4.7	5.6	5.5	5.8	4.2	6.5	3.8
ECI, hourly compensation ²		4.6	4.1	5.3	4.8	5.6	4.7	4.7	3.8	4.9	4.5
Nonfarm business sector											
Output per hour		-2.8	-2.0	-1.3	-.3	1.0	2.1	-2.5	-.3	.1	1.9
Compensation per hour		3.4	1.1	2.5	4.5	6.0	8.1	5.6	4.4	2.7	4.6
Unit labor cost		6.4	3.2	3.8	4.8	5.0	5.9	8.4	4.7	2.7	2.6

1. Not at an annual rate.

2. Private-industry workers.

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

March 25, 1992

Item	Units	Projected											
		1991		1992				1993					
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
EXPENDITURES													
Nominal GDP	Bill. \$	5709.2	5746.7	5812.9	5893.1	5977.1	6062.9	6152.7	6233.0	6312.9	6391.0		
Real GDP	Bill. \$ ¹	4862.7	4872.2	4891.8	4926.7	4964.9	5004.5	5041.6	5077.3	5112.8	5146.8		
Real GDP	% change	1.8	.8	1.6	2.9	3.1	3.2	3.0	2.9	2.8	2.7		
Gross domestic purchases		3.4	-.3	1.1	3.5	3.3	3.4	3.2	3.1	2.9	2.7		
Final sales		-.7	-.1	4.6	1.6	2.1	2.7	2.6	2.6	2.6	2.5		
Private dom. final purch.		1.9	-.2	4.6	2.9	3.4	4.0	3.8	3.7	3.5	3.2		
Personal cons. expend.		2.3	-.2	4.3	2.4	3.1	3.7	3.4	3.1	2.9	2.8		
Durables		9.5	-6.0	12.3	5.2	8.2	11.2	7.5	6.1	5.7	5.8		
Nondurables		.0	-3.2	4.5	1.6	1.9	2.2	2.1	2.1	2.0	1.9		
Services		2.2	2.9	2.5	2.2	2.6	2.8	3.1	2.9	2.7	2.5		
Business fixed invest.		-3.7	-4.5	2.2	.6	2.8	4.5	4.5	4.7	5.0	4.8		
Producers' dur. equip.		6.7	-3.7	6.9	4.3	6.5	8.0	7.5	7.0	6.5	6.0		
Nonres. structures		-23.9	-6.3	-8.9	-8.6	-6.4	-4.7	-3.5	-1.6	.6	1.1		
Res. structures		10.9	13.1	17.9	20.1	10.7	7.9	8.4	10.6	10.0	5.7		
Exports		7.3	13.1	1.3	3.9	5.8	6.1	5.8	5.3	5.7	5.9		
Imports		22.3	2.5	-3.1	9.3	7.1	7.1	7.1	6.9	6.6	5.4		
Government purchases		-3.4	-5.4	1.6	-.9	-2.4	-1.9	-1.6	-1.2	-.8	-.7		
Federal		-8.1	-14.6	7.2	-1.2	-5.0	-5.0	-5.0	-4.9	-4.8	-4.7		
Defense		-8.9	-15.4	.6	-3.1	-8.4	-8.4	-8.5	-8.4	-8.2	-8.1		
State and local		-.1	1.4	-1.9	-.8	-.6	.2	.8	1.3	1.8	2.0		
Change in bus. invent.	Bill. \$ ¹	.1	10.9	-24.7	-9.3	2.6	8.6	13.5	17.2	20.1	22.5		
Nonfarm		-2.8	12.5	-23.0	-9.8	2.1	8.1	13.0	16.7	19.6	22.0		
Net exports		-31.1	-17.6	-11.2	-18.7	-20.8	-22.6	-24.8	-27.5	-29.2	-29.0		
Nominal GDP	% change	4.1	2.7	4.7	5.6	5.8	5.9	6.1	5.3	5.2	5.0		
EMPLOYMENT AND PRODUCTION													
Nonfarm payroll employ.	Millions	109.0	108.9	108.8	109.0	109.3	109.7	110.1	110.7	111.2	111.7		
Unemployment rate ¹	%	6.8	6.9	7.2	7.3	7.2	7.1	7.1	7.0	6.8	6.7		
Industrial prod. index	% change	6.6	-.7	-3.0	6.0	5.5	5.1	4.7	4.2	3.7	3.5		
Capacity util. rate-mfg. ¹	%	78.7	78.2	77.3	77.9	78.5	79.1	79.5	79.8	79.9	79.9		
Housing starts	Millions	1.04	1.10	1.25	1.27	1.30	1.34	1.39	1.43	1.45	1.46		
Auto sales in U.S.		8.60	8.19	8.33	8.60	8.90	9.30	9.40	9.52	9.65	9.80		
North American produced		6.31	6.06	6.13	6.35	6.60	6.95	7.00	7.12	7.25	7.40		
Other		2.29	2.13	2.20	2.25	2.30	2.35	2.40	2.40	2.40	2.40		
INCOME AND SAVING													
Nominal GNP	Bill. \$	5720.1	5759.1	5829.2	5910.2	5995.8	6080.3	6171.8	6251.6	6332.3	6408.9		
Nominal GNP	% change	4.3	2.8	5.0	5.7	3.9	5.8	6.2	5.3	5.3	4.9		
Nominal personal income		2.7	3.0	5.5	4.9	5.5	6.8	7.1	5.9	5.5	5.9		
Real disposable income		.3	1.1	3.4	2.6	2.2	3.5	3.1	3.0	2.6	3.1		
Personal saving rate ¹	%	5.0	5.3	5.2	5.2	5.0	5.0	4.9	4.9	4.9	5.0		
Corp. profits, IV&CCAdj	% change	3.5	22.1	15.1	32.3	12.2	13.1	11.6	2.2	-.3	7.9		
Profit share of GNP ¹	%	5.4	5.6	5.7	6.0	6.1	6.2	6.3	6.3	6.2	6.2		
Federal govt. surpl./def.	Bill. \$	-210.2	-230.2	-278.1	-285.8	-274.8	-274.9	-271.4	-264.0	-253.8	-255.9		
State/local suppl./def.		31.8	39.4	43.8	48.4	57.2	60.5	66.4	67.6	70.9	71.6		
Ex. social ins. funds		-33.8	-25.7	-22.3	-18.6	-10.7	-8.3	-3.3	-3.0	-.6	-.8		
PRICES AND COSTS													
GDP implicit deflator	% change	2.1	1.7	3.2	2.7	2.6	2.5	3.0	2.4	2.3	2.3		
GDP fixed-wt. price index		2.6	2.2	2.9	2.9	2.9	2.8	3.2	2.6	2.6	2.5		
CPI		2.7	3.6	2.6	3.6	3.4	3.3	3.2	2.9	2.8	2.7		
Ex. food and energy		4.0	3.7	3.8	3.8	3.3	3.1	3.1	2.9	2.8	2.7		
ECI, hourly compensation ²		4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2		
Nonfarm business sector		.9	1.7	1.3	2.8	2.5	2.2	2.0	1.5	1.2	1.2		
Output per hour		2.6	2.7	4.0	3.5	3.5	3.7	3.4	3.3	3.2	3.2		
Compensation per hour		1.8	.9	2.7	.7	1.0	1.3	1.7	1.9	2.1	2.0		
Unit labor cost													

1. Not at an annual rate.

2. Private-industry workers.

Strictly Confidential (FR)
Class II FOMC

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

March 25, 1992

Item	1989				1990				1991							
	Q1		Q2		Q3		Q4		Q1		Q2		1988	1989	1990	1991
Real GDP	30.1	22.6	13.2	14.1	21.1	19.5	3.0	-48.2	-31.1	16.7	154.2	80.0	-4.6	17.1		
Gross domestic purchases	8.6	13.3	21.1	4.3	7.1	16.0	16.2	-82.7	-43.7	10.4	120.9	47.3	-43.4	3.5		
Final sales	9.8	25.0	31.9	4.3	55.1	-6.7	11.3	-3.1	-29.5	14.4	193.1	71.0	56.6	-25.0		
Private dom. final purch.	-4.1	4.3	30.7	-7.0	27.0	-15.3	25.1	-48.0	-48.7	8.3	158.3	23.9	-11.2	-23.9		
Personal cons. expend.	-2.0	7.7	32.5	.5	17.2	-.2	22.6	-29.4	-10.7	11.3	128.2	38.7	10.2	17.7		
Durables	-5.6	6.3	14.4	-18.7	17.1	-14.0	1.6	-16.3	-13.2	-1.9	34.5	-3.6	-11.6	-12.1		
Nondurables	.3	-3.8	8.1	3.9	-.9	-4.1	3.4	-9.0	-.8	2.3	32.2	8.5	-10.6	-7.0		
Services	3.4	5.1	10.0	15.3	1.1	17.8	17.7	-4.2	3.2	10.9	61.4	33.8	32.4	36.8		
Business fixed invest.	1.2	3.6	1.1	-3.4	9.4	-6.4	11.2	-11.0	-25.4	-4.3	28.2	2.5	3.2	-40.4		
Producers' dur. equip.	-.9	6.4	-2.3	-3.6	5.7	-3.0	10.1	-1.5	-18.2	.0	30.4	-.4	11.3	-15.8		
Nonres. structures	2.1	-2.8	3.4	-.2	3.7	-3.4	1.1	-9.6	-7.1	-4.4	-2.2	2.9	-8.2	-24.4		
Res. structures	-3.4	-6.9	-3.1	-4.0	.3	-8.7	-8.6	-7.6	-12.6	1.3	2.0	-17.4	-24.6	-1.3		
Change in bus. invent.	20.3	-2.3	-18.7	9.8	-34.0	26.1	-8.2	-45.1	-1.6	2.4	-39.0	9.1	-61.2	42.1		
Nonfarm	5.3	-2.4	-7.5	12.2	-43.6	21.0	-5.6	-35.6	-5.4	.3	-31.6	7.6	-63.8	38.2		
Farm	15.1	.0	-11.2	-2.4	9.6	5.2	-2.7	-9.5	3.8	2.1	-7.4	1.5	2.6	3.9		
Net exports	21.5	9.3	-7.9	9.8	14.0	3.5	-13.2	34.5	12.6	6.3	33.3	32.7	38.8	13.6		
Exports	13.0	18.3	1.0	15.3	10.4	5.9	-.5	20.9	-10.0	23.2	52.1	47.6	36.7	39.7		
Imports	-8.5	8.9	9.0	5.4	-3.5	2.3	12.9	-13.7	-22.6	16.9	18.8	14.8	-2.0	26.1		
Government purchases	-7.6	11.4	9.1	1.5	14.1	5.1	-.6	10.4	6.6	-.2	1.5	14.4	29.0	-14.7		
Federal	-9.3	7.1	4.7	-7.0	5.4	4.0	-4.9	4.2	9.1	1.0	-13.2	-4.5	8.7	-13.0		
Defense	-9.6	3.8	6.8	-6.8	1.6	2.3	-5.8	4.0	7.4	-2.4	-9.3	-5.8	2.1	-13.1		
Nondefense	.3	3.3	-2.1	-.2	3.7	1.8	-.9	.2	1.7	3.4	-3.9	1.3	6.6	.2		
State and local	1.7	4.3	4.3	8.5	8.8	1.1	4.3	6.2	-2.6	-1.0	14.7	18.8	20.4	-1.8		

1. Annual changes are from Q4 to Q4.

Strictly Confidential (FR)
Class II FOMC

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

March 25, 1992

Item	Projected										Projected			
	1991		1992				1993				1990	1991	Projected	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			1992	1993
Real GDP	22.0	9.5	19.6	34.9	38.2	39.6	37.1	35.7	35.5	34.0	-4.6	17.1	132.3	142.3
Gross domestic purchases	40.8	-4.0	13.2	42.4	40.3	41.5	39.3	38.3	37.2	33.8	-43.4	3.5	137.3	148.7
Final sales	-8.6	-1.3	55.2	19.5	26.3	33.6	32.2	32.0	32.6	31.6	56.6	-25.0	134.6	128.4
Private dom. final purch.	18.4	-1.9	45.1	29.2	34.0	39.9	38.0	37.3	36.2	32.9	-11.2	-23.9	148.1	144.5
Personal cons. expend.	18.8	-1.7	34.8	19.6	25.3	30.4	28.0	25.9	24.5	23.6	10.2	17.7	110.1	102.0
Durables	9.4	-6.4	12.1	5.4	8.5	11.8	8.2	6.8	6.5	6.7	-11.6	-12.1	37.8	28.2
Nondurables	-.1	-8.4	11.5	4.2	5.0	5.8	5.5	5.6	5.3	5.1	-10.6	-7.0	26.4	21.5
Services	9.6	13.1	11.3	10.0	11.9	12.8	14.3	13.5	12.7	11.8	32.4	36.8	45.9	52.2
Business fixed invest.	-4.8	-5.9	2.7	.7	3.6	5.6	5.8	6.1	6.5	6.3	3.2	-40.4	12.6	24.5
Producers' dur. equip.	5.8	-3.4	6.0	3.9	5.8	7.3	7.0	6.6	6.3	5.9	11.3	-15.8	23.0	25.7
Nonres. structures	-10.5	-2.4	-3.4	-3.2	-2.3	-1.6	-1.2	-.5	-.2	.4	-8.2	-24.4	-10.5	-1.2
Res. structures	4.5	5.5	7.6	8.9	5.1	3.9	4.2	5.4	5.2	3.1	-24.6	-1.3	25.5	18.0
Change in bus. invent.	30.5	10.8	-35.6	15.4	11.9	6.0	4.9	3.7	2.9	2.4	-61.2	42.1	-2.3	13.9
Nonfarm	28.0	15.3	-35.5	13.2	11.9	6.0	4.9	3.7	2.9	2.4	-63.8	38.2	-4.4	13.9
Farm	2.5	-4.5	-.1	2.2	.0	.0	.0	.0	.0	.0	2.6	3.9	2.1	.0
Net exports	-18.8	13.5	6.4	-7.5	-2.1	-1.9	-2.2	-2.6	-1.7	.2	38.8	13.6	-5.0	-6.4
Exports	9.5	17.0	1.8	5.4	8.0	8.6	8.3	7.7	8.4	8.7	36.7	39.7	23.8	33.2
Imports	28.3	3.5	-4.6	12.9	10.1	10.4	10.5	10.4	10.2	8.5	-2.0	26.1	28.9	39.6
Government purchases	-8.2	-12.9	3.7	-2.2	-5.6	-4.4	-3.6	-2.7	-1.9	-1.5	29.0	-14.7	-8.5	-9.7
Federal	-8.2	-14.9	6.5	-1.1	-4.8	-4.7	-4.7	-4.5	-4.4	-4.2	8.7	-13.0	-4.1	-17.8
Defense	-6.6	-11.5	.4	-2.1	-5.8	-5.7	-5.6	-5.4	-5.2	-5.0	2.1	-13.1	-13.2	-21.2
Nondefense	-1.6	-3.3	6.0	1.0	1.0	1.0	.9	.9	.8	.8	6.6	.2	9.0	3.4
State and local	-.1	1.9	-2.7	-1.1	-.8	.3	1.1	1.8	2.5	2.7	20.4	-1.8	-4.3	8.1

1. Annual changes are from Q4 to Q4.

strictly Confidential (FR)
Class II FOMC

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

March 25, 1992

Item	Fiscal year				1991				1992				1993			
	1990 ^a	1991 ^a	1992	1993	Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^a	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UNIFIED BUDGET																
Receipts ¹	1031	1054	1084	1157	233	307	264	255	236	325	268	261	255	353	289	270
Outlays ¹	1252	1324	1446	1519	299	333	356	338	360	371	377	393	378	377	371	391
Surplus/deficit ¹	-220	-269	-362	-362	-66	-26	-91	-83	-124	-45	-108	-133	-123	-24	-83	-122
On-budget	-277	-322	-417	-419	-81	-50	-94	-97	-130	-77	-112	-142	-131	-58	-88	-133
Off-budget	57	52	55	56	15	24	3	14	6	32	4	10	8	33	5	11
Surplus excluding deposit insurance ²	-162	-203	-299	-291	-63	-12	-55	-88	-107	-24	-80	-107	-105	-8	-71	-110
Means of financing																
Borrowing	263	293	353	363	56	43	95	89	80	87	97	126	108	50	79	115
Cash decrease	1	-1	1	0	0	-12	2	-7	37	-36	9	10	10	-20	0	10
Other ³	-44	-23	7	-1	9	-6	-6	1	8	-5	3	-3	5	-6	4	-3
Cash operating balance, end of period	40	41	40	40	32	44	41	49	12	49	40	30	20	40	40	30
NIPA FEDERAL SECTOR																
Receipts	1093	1116	1159	1239	1115	1114	1125	1134	1157	1164	1181	1200	1237	1252	1266	1282
Expenditures	1245	1305	1426	1505	1262	1321	1335	1364	1435	1450	1455	1475	1509	1516	1520	1538
Purchases	417	446	442	440	452	452	445	432	447	447	444	440	443	439	436	432
Defense	309	326	313	300	332	328	322	311	317	316	310	305	304	298	293	288
Nondefense	109	120	129	140	119	124	123	121	130	132	134	135	139	141	143	144
Other expenditures	828	860	984	1065	810	869	890	933	988	1003	1012	1035	1066	1077	1084	1106
Surplus/deficit	-153	-189	-267	-266	-146	-207	-210	-231	-278	-286	-275	-275	-271	-264	-254	-256
FISCAL INDICATORS⁴																
High-employment (HEB) surplus/deficit	-177	-158	-213	-225	-113	-167	-167	-179	-221	-230	-223	-228	-228	-224	-218	-224
Change in HEB, percent of potential GDP	.4	-.4	1	.2	-1.3	.9	0	.2	.7	.2	-.1	.1	0	-.1	-.1	.1
Fiscal impetus (FI), percent, cal. year	-3.3	-4.1	-5	-4.8	-2.5	.5	-2.1	-2.3	-1.7	0	-1.1	-1	-2	-1	-1	-1

1. OMB's February deficit estimates are \$400 billion in FY92 and \$350 billion in FY93. CBO's January deficit estimates are \$352 billion in FY92 and \$327 billion in FY93. 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 February deficit estimates, excluding deposit insurance spending, are \$320 billion in FY92 and \$274 billion in FY93. CBO's January deficit estimates, excluding deposit insurance spending, are \$285 billion in FY92 and \$258 billion in FY93.

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 2.1 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.

--Actual.

Confidential FR Class II
March 25, 1992

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

	Domestic Nonfinancial Sectors							Memo		
	Households									
	Total ²	U.S. govt. ²	Non- federal	Total	Home mtgs.	Cons. credit	Business	State & local govts.	Private financial assets ³	Nominal GDP ⁴
1982	9.3	19.7	6.9	5.4	4.5	4.4	7.8	9.3	10.4	3.2
1983	11.7	18.9	9.8	11.0	10.4	12.6	8.7	9.7	12.4	11.0
1984	14.5	16.9	13.8	12.9	11.6	18.7	15.6	9.1	12.9	9.1
1985	14.9	16.5	14.5	14.0	11.8	15.9	11.6	31.4	12.5	7.0
1986	12.5	13.6	12.2	12.6	14.9	9.6	12.2	10.6	8.7	4.7
1987	9.3	8.0	9.7	11.7	14.0	5.1	7.1	13.4	8.6	8.0
1988	9.0	8.0	9.4	11.0	12.2	7.3	8.4	7.0	8.6	7.7
1989	7.7	7.0	8.0	9.0	10.3	5.8	6.8	8.4	7.0	5.9
1990	6.5	11.0	5.1	7.4	9.3	1.8	2.8	5.2	4.1	4.1
1991	4.3	11.1	2.3	4.1	5.1	-2.0	0.1	2.8	0.7	3.4
1992	5.9	14.0	3.3	5.7	6.7	1.5	0.6	3.0	3.1	5.5
1993	5.3	11.1	4.5	6.8	7.8	4.7	2.2	2.5	3.3	5.4
Seasonally adjusted, annual rates										
1991 -- Q1	4.0	8.0	2.8	4.4	5.5	-2.6	1.1	3.0	3.5	2.3
Q2	5.0	10.6	3.2	4.7	5.8	-0.9	1.6	3.2	0.6	4.6
Q3	4.3	14.0	1.3	2.7	3.8	-3.3	-0.5	2.3	-1.4	4.1
Q4	3.7	10.3	1.6	4.4	5.1	-1.4	-1.8	2.7	0.2	2.7
1992 -- Q1	4.6	11.0	2.5	4.8	5.8	0.1	-0.4	2.9	1.7	4.7
Q2	6.2	15.7	3.1	5.4	6.4	0.9	0.3	3.1	3.7	5.6
Q3	6.0	13.2	3.5	5.9	6.8	2.0	0.7	3.2	3.0	5.8
Q4	6.5	13.5	4.0	6.2	7.0	2.8	1.6	2.6	3.8	5.9
1993 -- Q1	6.6	13.1	4.2	6.5	7.4	3.6	1.9	2.5	3.7	6.1
Q2	5.6	9.2	4.3	6.7	7.6	4.3	1.8	2.6	3.1	5.3
Q3	6.0	9.7	4.6	6.7	7.6	5.0	2.5	2.4	3.0	5.2
Q4	6.3	10.8	4.6	6.8	7.6	5.7	2.5	2.5	3.2	5.0

1-27

1. Published data through 1991 Q4.

2. Deposit insurance activity raises total debt growth .4, .8, and .4 percentage points in 1991, 1992, and 1993 respectively; the corresponding figures for federal debt growth are 1.6, 2.8, and 1.1 percentage points.

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

4. Annual figures are Q4 to Q4.

Confident R Class II
March 25, 1

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

	Calendar year						---1991---		---1992---			
	1988	1989	1990	1991	1992	1993	Q3	Q4	Q1	Q2	Q3	Q4
Net funds raised by domestic nonfinancial sectors:												
1 Total	637.7	590.6	581.5	483.4	706.1	759.0	493.1	468.1	560.7	752.5	728.5	782.9
2 Net equity issuance	-129.5	-124.2	-63.0	17.5	38.4	12.5	17.0	54.0	49.0	44.0	35.5	25.0
3 Net debt issuance	767.2	714.7	644.5	465.9	667.7	746.5	476.1	414.1	511.7	708.5	693.0	757.9
Borrowing sectors:												
Nonfinancial business												
4 Financing gap ²	10.0	51.9	64.9	25.2	11.5	32.7	42.6	38.7	-0.6	11.0	17.1	18.4
5 Net equity issuance	-129.5	-124.2	-63.0	17.5	38.4	12.5	17.0	54.0	49.0	44.0	35.5	25.0
6 Credit market borrowing	247.4	217.9	97.3	3.1	19.9	77.9	-17.9	-64.4	-14.0	11.2	24.6	57.7
Households												
7 Net borrowing, of which:	315.8	287.3	257.8	160.3	232.0	293.5	108.3	176.1	195.4	221.3	247.0	264.1
8 Home mortgages	230.4	219.2	218.7	139.5	190.2	236.7	105.6	143.1	165.3	186.5	198.7	210.1
9 Consumer credit	50.3	43.1	14.2	-16.5	11.5	38.0	-26.3	-11.3	1.0	7.0	16.0	22.0
10 Debt/DPI (percent) ³	85.5	88.3	91.2	94.3	94.2	94.4	94.8	94.9	94.7	94.6	94.7	94.6
State and local governments												
11 Net borrowing	48.9	63.2	42.6	24.4	26.4	23.1	20.2	23.8	25.8	27.7	28.5	23.4
12 Current surplus ⁴	-26.6	-31.0	-40.2	-27.5	-7.2	4.1	-23.2	-20.5	-18.0	-8.7	-0.2	-2.0
U.S. government												
13 Net borrowing	155.1	146.4	246.9	278.1	389.6	352.0	365.5	278.7	304.5	448.3	392.9	412.7
14 Net borrowing; quarterly, nsa	155.1	146.4	246.9	278.1	389.6	352.0	95.3	89.0	80.4	87.0	96.5	125.7
15 Unified deficit; quarterly, nsa	141.9	155.0	236.1	265.5	411.0	351.4	91.3	82.9	124.5	45.5	108.5	132.5
Funds supplied by depository institutions												
16	275.0	86.1	-32.2	-64.6	25.2	134.8	-128.2	43.1	-79.8	39.8	69.0	71.9
Memoranda: As percent of GDP:												
17 Dom. nonfinancial debt ³	180.9	183.3	188.1	193.8	194.8	195.6	194.9	195.4	195.4	195.7	195.9	196.2
18 Dom. nonfinancial borrowing	15.7	13.6	11.7	8.2	11.2	11.9	8.3	7.2	8.8	12.0	11.6	12.5
19 U.S. government ⁵	3.2	2.8	4.5	4.9	6.6	5.6	6.4	4.8	5.2	7.6	6.6	6.8
20 Private	12.5	10.8	7.2	3.3	4.7	6.3	1.9	2.4	3.6	4.4	5.0	5.7

1. Published data through 1991 Q4.

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.

nonagricultural exports to grow about 6 percent this year (fourth-quarter to fourth-quarter) and 7 percent in 1993. The key factor underlying this export projection remains the expected increase in income growth in major U.S. export markets on average. Also contributing to the projected expansion of exports are our expectations of continued rapid growth in trade in computers in real terms and some remaining stimulus from the past depreciation of the dollar.

TRADE QUANTITIES*

(Percent change from preceding period shown, except as noted, A.R.)

	1990Q4 to 1991Q4	Projection -----				1993 Q4
		Q1	Q2	Q3	Q4	
Nonag. exports	9.0	2.1	7.8	7.3	7.3	7.2
Agric. exports	11.9	0.5	-17.0	4.5	7.4	1.4
Non-oil imports	5.4	-3.7	7.8	8.4	8.8	7.0
Oil imports	7.0	2.8	52.0	7.7	1.9	8.9

* GDP basis, 1987 dollars.

Agricultural exports are expected to fluctuate around the higher levels reached in the latter part of 1991 when shipments to the republics of the former Soviet Union surged. Although exports in January were below fourth-quarter levels, weekly data for February suggest a rebound in shipments. We assume that agricultural exports will show a moderate upward trend next year.

The quantity of non-oil imports is expected to decline in the first quarter, following a strong build-up in the second half of 1991. We project these imports to resume expanding at an average annual rate of about 7-1/2 percent over the rest of the forecast period, somewhat faster than in the January forecast because of the stronger U.S. recovery and the higher dollar.

quarter to about 2 percent by the end of 1992, partly as a result of the recent rise in the dollar.

SELECTED PRICE INDICATORS
 (Percent change from preceding period shown, except as noted, A.R.)

	1990Q4 to 1991Q4	Projection				1993 Q4	
		1992					
		Q1	Q2	Q3	Q4		
PPI (exp. wts.)	-0.8	-0.8	2.6	2.0	2.1	1.8	
Nonag. exports	-0.4	-0.2	2.2	1.2	1.3	1.2	
Non-oil imports	0.1	3.1	2.4	2.4	2.0	2.0	
Oil imports (\$/bl)		18.04	15.72	16.72	17.39	17.95	
						18.00	

Nominal Trade and Current Account Balances. The merchandise trade deficit is projected to narrow from an annual rate of about \$75 billion in the fourth quarter and for the year 1991 to less than \$65 billion in the first quarter and then to widen steadily to about \$95 billion by the end of 1993. The current account deficit is projected to widen from \$33 billion in the first quarter to about \$50 billion next year. The nontrade portions of the current account should continue to improve moderately on balance, as U.S. net sales of a wide range of services expand further.

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STRICTLY CONFIDENTIAL - FR
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REAL GNP AND CONSUMER PRICES, SELECTED COUNTRIES, 1989-93
(Percent change from fourth quarter to fourth quarter)

Measure and country	Projection				
	1989	1990	1991	1992	1993
REAL GNP					
Canada	2.1	-1.1	-0.2	2.1	3.4
France	3.8	1.8	1.7	2.1	2.7
Western Germany	3.2	5.5	0.9	2.7	3.1
Italy	2.9	1.1	1.3	1.8	2.6
Japan	4.9	4.7	3.2	2.0	3.5
United Kingdom	1.6	-0.7	-1.7	1.1	2.6
Average, weighted by 1987-89 GNP	3.5	2.6	1.3	2.0	3.1
Average, weighted by share of U.S. nonagricultural exports					
Total foreign	3.5	2.1	1.7	2.8	3.8
G-6	2.9	1.0	0.6	2.0	3.2
Developing countries	5.1	4.9	5.4	5.5	6.2
CONSUMER PRICES					
Canada	5.2	4.9	4.1	3.0	2.6
France	3.6	3.6	2.9	2.8	2.8
Western Germany	3.0	3.0	3.9	3.1	2.9
Italy	6.6	6.3	6.1	4.9	4.8
Japan	2.9	3.2	3.2	2.5	2.0
United Kingdom	7.6	10.0	4.2	3.8	3.6
Average, weighted by 1987-89 GNP	4.4	4.8	3.9	3.2	2.9
Average, weighted by share of U.S. non-oil imports	4.2	4.4	3.8	2.9	2.6

March 24, 1992

U.S. CURRENT ACCOUNT AND REAL NET EXPORTS													
	(Billions of dollars, seasonally adjusted annual rates)												
	1989				1990				1991		ANNUAL		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1988	1989	1990
GDP Net Exports of Goods and Services (87\$)	-81.2	-71.9	-79.8	-70.0	-56.0	-52.5	-65.7	-31.2	-18.6	-12.3	-104.0	-75.7	-51.3
Exports of G+S Merchandise Services	451.2	469.5	470.5	485.8	496.2	502.1	501.6	522.5	512.5	535.7	421.6	469.2	505.6
	330.3	347.0	343.1	354.8	364.9	368.0	365.1	379.4	379.9	395.8	307.4	343.8	369.3
	120.9	122.5	127.4	131.0	131.3	134.1	136.5	143.1	132.6	139.9	114.2	125.4	136.2
Imports of G+S Merchandise	532.4	541.3	550.3	555.7	552.2	554.5	567.4	553.7	531.1	548.0	525.7	544.9	556.9
	439.9	447.5	455.4	458.9	455.9	457.2	467.9	453.0	435.9	451.2	431.3	450.4	458.5
	49.2	51.0	53.7	51.7	55.2	53.0	54.7	43.1	44.8	51.4	47.5	51.4	51.5
	390.6	396.5	401.8	407.2	400.8	404.2	413.1	409.9	391.0	399.8	383.8	399.0	407.0
	92.5	93.8	94.9	96.8	96.3	97.4	99.5	100.7	95.3	96.8	94.3	94.5	98.5
Memo: (Percent changes 1/)													
Exports of G+S of which: Goods	12.4	17.2	0.9	13.7	8.8	4.8	-0.4	17.7	-7.4	19.4	13.5	10.9	7.6
	10.7	21.8	-4.4	14.4	11.9	3.4	-3.1	16.6	0.5	17.8	15.8	10.2	6.9
Imports of G+S of which: Non-oil Goods	-6.1	6.9	6.8	4.0	-2.5	1.7	9.6	-9.3	-15.4	13.3	3.6	2.7	-0.4
	-4.0	6.2	5.5	5.5	-6.1	3.4	9.1	-3.1	-17.2	9.3	3.3	3.2	0.7
Current Account Balance	-110.3	-111.2	-104.9	-98.8	-90.7	-88.7	-95.5	-93.6	41.5	11.6	-126.2	-106.3	-92.1
Merchandise Trade, net	-117.7	-114.8	-116.7	-114.4	-110.1	-96.4	-115.0	-110.9	-74.1	-62.2	-127.0	-115.9	-108.1
Exports Agricultural	348.8	366.4	360.6	370.0	381.0	388.4	386.6	402.3	402.2	415.6	320.3	361.5	389.5
	42.9	43.1	40.6	42.2	43.0	40.8	39.3	37.8	39.3	37.7	38.2	42.2	40.2
Nonagricultural	306.0	323.3	320.0	327.8	338.0	347.5	347.3	364.5	362.9	377.8	282.1	319.3	349.3
Imports Oil	466.5	481.2	477.3	484.4	491.1	484.7	501.6	513.2	476.3	477.7	447.3	477.4	497.7
	44.2	54.2	52.2	53.1	63.2	51.3	61.8	72.1	52.9	51.7	39.6	50.9	62.1
Non-oil	422.3	427.0	425.1	431.3	427.9	433.4	439.8	441.1	423.5	426.0	407.7	426.4	435.6
Other Current Account	3.8	8.3	9.9	5.8	7.5	7.6	8.3	-7.2	96.0	64.3	-4.6	6.9	4.0
Invest. Income, net	3.6	-4.7	2.0	9.9	12.0	0.0	11.2	24.5	19.6	9.5	5.4	2.7	11.9
Direct, net	42.4	36.1	41.2	50.2	51.9	43.6	53.5	61.7	61.4	52.3	36.8	42.5	52.7
Portfolio, net	-38.8	-40.9	-39.2	-40.3	-39.8	-43.6	-42.3	-37.2	-41.8	-42.8	-31.5	-39.8	-40.7
Military, net	-6.9	-6.5	-4.6	-6.8	-6.9	-6.2	-6.7	-9.0	-9.3	-5.9	-5.7	-6.2	-7.2
Other Services, net	24.8	27.3	29.7	32.7	30.5	32.6	32.3	38.9	37.7	41.8	16.1	28.6	33.6
Transfers, net	-14.2	-12.4	-15.2	-20.2	-16.1	-18.8	-17.3	-37.1	67.7	28.4	-14.9	-15.5	-22.3

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

Strict Confidential (FR) Class II-FOMC

March 24, 1992

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

(Billions of dollars, seasonally adjusted annual rates)

	Projection												Projection				
	1991		1992				1993				ANNUAL						
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1991	1992	1993				
GDP Net Exports of Goods and Services (87\$)	-31.1	-17.6	-11.2	-18.7	-20.8	-22.6	-24.8	-27.5	-29.2	-29.0	-19.9	-18.3	-27.7				
Exports of G+S Merchandise Services	545.2	562.2	564.0	569.4	577.5	586.0	594.3	602.1	610.5	619.2	538.9	574.2	606.5				
Merchandise	400.3	414.5	416.5	421.9	429.1	436.7	444.2	451.2	458.6	465.9	397.6	426.0	455.0				
Services	144.8	147.7	147.5	147.6	148.4	149.3	150.2	150.9	151.9	153.3	141.2	148.2	151.6				
Imports of G+S Merchandise Oil Non-oil Services	576.3	579.8	575.2	588.1	598.3	608.7	619.2	629.6	639.7	648.3	558.8	592.6	634.2				
Merchandise	475.7	477.9	474.2	487.3	497.1	506.9	516.9	526.7	535.9	543.5	460.2	491.4	530.7				
Oil	51.9	46.1	46.4	51.5	52.5	52.8	53.8	55.4	56.9	57.5	48.5	50.8	55.9				
Non-oil	423.8	431.9	427.8	435.9	444.7	454.2	463.1	471.5	479.1	486.1	411.6	440.7	475.0				
Services	100.6	101.9	101.0	100.8	101.1	101.8	102.3	102.8	103.8	104.8	98.6	101.2	103.4				
Memo:(Percent changes 1/)																	
Exports of G+S of which: Goods	7.3	13.1	1.3	3.9	5.8	6.1	5.8	5.3	5.7	5.8	7.6	4.2	5.7				
Imports of G+S of which: Non-oil Goods	4.6	15.0	1.9	5.3	7.0	7.3	7.0	6.5	6.7	6.5	9.3	5.4	6.7				
Goods	22.3	2.5	-3.1	9.3	7.1	7.1	7.1	6.9	6.6	5.4	4.7	5.0	6.5				
Current Account Balance	26.3	7.9	-3.7	7.8	8.4	8.8	8.1	7.4	6.7	6.0	5.4	5.2	7.0				
Merchandise Trade, net	-46.5	-41.1	-32.5	-41.1	-46.4	-50.7	-50.2	-52.7	-52.7	-53.3	-8.6	-42.7	-52.2				
Exports	-83.4	-74.6	-63.7	-75.6	-81.1	-85.5	-88.4	-91.6	-93.6	-94.2	-73.6	-76.5	-92.0				
Agricultural	416.1	432.2	434.6	441.1	450.1	459.4	468.8	477.7	487.0	495.8	416.5	446.3	482.3				
Nonagricultural	40.2	43.3	43.2	41.0	42.1	43.2	44.4	45.2	46.4	46.8	40.1	42.4	45.7				
375.9	389.0	391.4	400.1	408.0	416.2	424.4	432.4	440.6	449.0	376.4	403.9	436.6					
Imports	499.5	506.9	498.3	516.8	531.2	545.0	557.3	569.3	580.6	590.0	490.1	522.8	574.3				
Oil	52.4	48.8	43.3	51.1	54.2	56.2	57.5	59.1	60.7	61.3	51.4	51.2	59.6				
Non-oil	447.1	458.0	455.0	465.6	477.1	488.8	499.8	510.2	519.9	528.7	438.7	471.6	514.6				
Other Current Account	29.5	32.6	22.8	25.5	24.0	25.4	27.2	28.4	29.5	31.1	55.6	24.4	29.1				
Invest. Income, net	7.5	0.9	8.4	9.1	10.7	9.4	11.1	10.5	11.4	9.8	9.4	9.4	10.7				
Direct, net	48.2	43.7	46.0	46.2	46.4	46.4	46.8	47.1	47.4	47.5	51.4	46.3	47.2				
Portfolio, net	-40.8	-42.7	-37.6	-37.2	-35.8	-37.0	-35.6	-36.6	-36.0	-37.7	-42.0	-36.9	-36.5				
Military, net	-3.5	-2.3	-2.5	-2.5	-1.7	-1.3	-0.8	-1.2	-1.6	-1.6	-5.3	-2.0	-1.3				
Other Services, net	44.5	40.7	43.3	44.8	45.7	46.7	48.0	49.6	51.1	52.7	41.2	45.1	50.4				
Transfers, net	-11.5	-5.7	-18.0	-16.8	-20.0	-20.0	-20.0	-20.0	-20.0	-20.0	19.7	-18.7	-20.0				

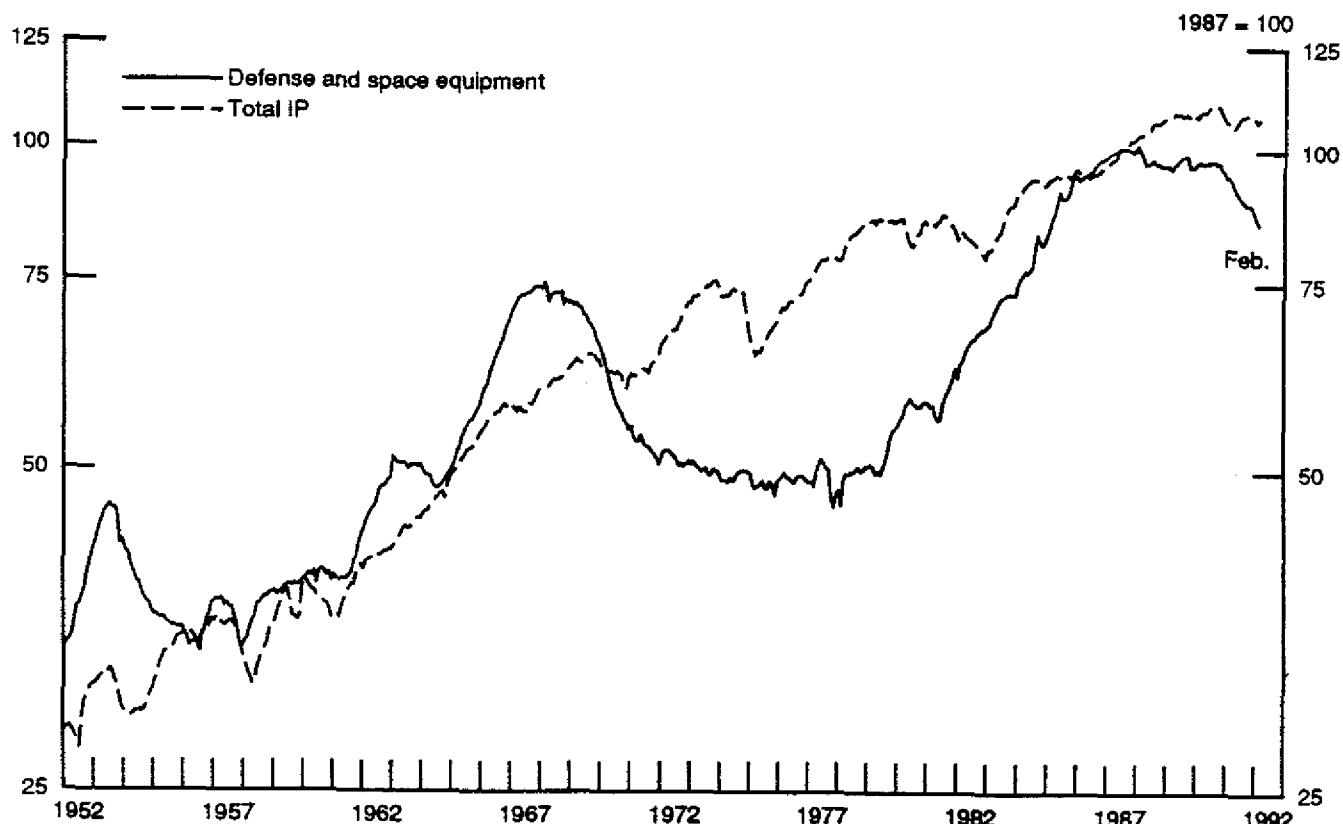
1/ Percent change (AR) from previous period; percent changes for annual data are calculated Q4/Q4.

March 25, 1992

RECENT DEVELOPMENTS

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

Industrial Production: Total and Defense and Space Equipment
 (Monthly, seasonally adjusted)



ANNUAL U.S. LIGHT VEHICLE ASSEMBLY CAPACITY¹
 (At start of model years; millions of units)

	1989	1990	1991	1992	1993	1994
Total industry						
Autos and light trucks	13.84	13.69	13.14	12.98	13.20	13.19
Autos	9.58	9.36	8.53	8.03	8.05	8.08
Light trucks	4.26	4.33	4.61	4.95	5.15	5.12
By nameplate:						
Domestic producers						
Autos and light trucks	12.31	12.05	11.34	10.94	11.09	10.84
Autos	8.18	7.87	6.94	6.37	6.31	6.09
Light trucks	4.13	4.18	4.40	4.57	4.78	4.74
Transplant producers						
Autos and light trucks	1.53	1.64	1.80	2.03	2.11	2.36
Autos	1.40	1.49	1.59	1.66	1.74	1.98
Light trucks	.13	.15	.21	.37	.37	.37

1. Assembly capacity given work agreements as of March, 1992, as compiled from industry sources by Federal Reserve staff for the industrial production and capacity utilization system.

year of 1987 (chart). The decline has directly sliced about 0.2 percentage point per year off industrial production, and if indirect effects on the demand for other materials and parts are counted as well, the restraint amounts to about 0.3 percentage point per year.¹ Defense and space output has not yet fallen as much, nor as steeply, as it did after the Korean and Vietnam Wars, and the spending cuts approved to date imply less of a decline in output than in those earlier episodes of downsizing.

Weekly measures of production were relatively flat in early March. Electricity generation increased, and production of home goods--such as appliances, televisions, and air conditioners--posted further gains. In contrast, output of steel products fell back. Through mid-March, domestic production of motor vehicles was running at about the February pace, somewhat short of schedules. In February, capacity utilization at domestic auto and light truck plants stood at 65.5 percent.

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

	1991	1992		1992		
	Q4	Jan.	Feb.	Mar.	Apr.	May
---schedules---						
U.S. production	9.6	8.2	9.1	9.4	9.6	10.0
Autos	5.7	5.0	5.4	5.5	5.7	6.0
Trucks	3.9	3.1	3.7	4.0	3.9	4.0

Looking further ahead, capacity in the domestic auto industry is expected to move slightly higher in the 1993 model year despite the well-publicized announcements of plant-closings by General Motors. Annual light vehicle assembly capacity for the U.S. motor vehicle industry is slated to increase about 200,000 units to 13.2 million units and to remain at that higher level in the 1994 model year (table). Declines in the automobile assembly capacity of

1. In 1987, defense-related industries constituted about 5-1/2 percent of industrial production on a value-added basis.

FEDERAL GOVERNMENT OUTLAYS AND RECEIPTS
 (Unified basis, billions of dollars, not seasonally adjusted,
 except where otherwise noted)

	<u>January and February</u>			<u>Fiscal year through February</u>		
	1991	1992	Percent change	1991	1992	Percent change
Outlays	192.8	230.5	19.6	528.4	568.2	7.5
Deposit insurance (DI)	-2.4	2.2	n.a.	11.8	-2.8	n.a.
Defense cooperation account (DCA) contributions	-10.0	-.5	-94.7	-14.3	-4.3	-69.9
Outlays ex DI and DCA	205.2	228.9	11.5	530.9	575.3	8.4
National defense ex DCA	47.7	50.5	6.0	128.6	128.0	-.5
Net interest	32.9	34.1	3.6	79.1	84.0	6.2
Social security	44.4	47.5	7.0	107.8	116.0	7.6
Medicare and health	27.8	32.5	16.9	68.0	83.3	22.5
Income security	29.8	36.2	21.5	70.3	80.7	14.8
Other	22.8	28.0	24.0	77.3	83.3	8.1
Receipts	168.4	166.1	-1.3	417.8	421.6	.8
Personal income and social insurance taxes	148.3	146.8	-1.0	348.4	351.1	.7
Withheld and FICA	124.5	129.8	4.3	314.7	324.9	3.3
Refunds	-6.3	-14.0	122.7	-9.9	-18.7	89.1
Other	30.1	31.0	2.9	43.6	44.9	2.2
Corporate income	6.3	4.2	-33.3	31.8	28.4	-10.0
Other	13.8	15.1	9.7	37.6	42.1	11.0
Deficit	24.4	64.4	163.5	110.6	148.0	33.0
Deficit ex DI and DCA	36.8	62.8	70.4	113.1	155.5	36.3

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

	-----1991-----				-----1992-----		
	1990	1991 ^P	Q3	Q4 ^P	Jan ^P	Feb ^P	Mar ^e
Corporate securities - total ¹	19.89	32.14	30.63	34.36	45.24	36.62	34.50
Public offerings in U.S.	17.75	29.35	28.15	31.80	40.80	33.94	31.50
Stocks--total ²	1.95	5.44	4.94	8.48	6.80	9.44	6.00
Nonfinancial	1.03	3.72	3.50	6.07	4.11	6.21	4.50
Utility	0.35	0.42	0.16	0.36	0.84	0.57	1.00
Industrial	0.68	3.30	3.34	5.72	3.27	5.64	3.50
Financial	0.92	1.72	1.44	2.41	2.69	3.23	1.50
Bonds	15.80	23.91	23.21	23.32	34.00	24.50	25.50
Nonfinancial	5.65	9.52	9.06	9.52	16.00	10.50	14.50
Utility	1.97	2.99	2.74	3.36	6.80	5.40	4.00
Industrial	3.68	6.53	6.32	6.16	9.20	5.10	10.50
Financial	10.15	14.39	14.14	13.80	18.00	14.00	11.00
By quality ³							
Aaa and Aa	3.44	3.61	2.86	3.64	6.00	3.77	3.00
A and Baa	6.50	12.18	11.00	11.34	18.88	12.66	10.57
Less than Baa	0.15	1.03	0.47	1.92	1.13	1.44	4.35
No rating (or unknown)	0.04	0.01	0.02	0.00	0.00	0.08	0.13
Memo items:							
Equity-based bonds ⁴	0.40	0.63	0.41	0.46	0.76	0.63	1.45
Mortgage-backed bonds	2.43	2.99	3.66	2.97	4.73	5.39	3.65
Other asset-backed	3.27	4.08	5.21	3.43	3.27	1.17	3.80
Variable-rate notes	0.84	0.84	0.96	0.81	0.65	1.23	0.15
Bonds sold abroad - total	1.92	2.33	2.12	2.06	3.80	1.70	2.50
Nonfinancial	0.46	1.00	1.04	0.32	1.60	0.35	1.80
Financial	1.46	1.33	1.07	1.73	2.20	1.35	0.70
Stocks sold abroad - total	0.22	0.46	0.36	0.51	0.64	0.98	0.50
Nonfinancial	0.10	0.38	0.29	0.43	0.37	0.68	0.40
Financial	0.12	0.08	0.07	0.07	0.27	0.30	0.10

1. Securities issued in the private placement market are not included. Total reflects gross proceeds rather than par value of original discount bonds.

2. Excludes equity issues associated with equity-for-equity swaps that have occurred in restructurings. Such swaps totaled \$9.4 billion in 1990.

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

4. Includes bonds convertible into equity and bonds with warrants that entitle the holder to purchase equity in the future.

p--preliminary. e--staff estimate.

TREASURY AND AGENCY FINANCING¹
(Total for period; billions of dollars)

	1991		1992			
	Q3	Q4	Q1 ^P	Jan. ^e	Feb. ^e	
Treasury financing						
Total surplus/deficit (-)	-91.4	-83.1	-124.5	-15.7	-48.8	-60.0
Means of financing deficit:						
Net cash borrowing from the public	95.0	89.1	80.4	11.4	20.9	48.0
Marketable borrowings/ repayments (-)	103.5	81.0	80.1	14.5	19.2	46.4
Bills	43.0	25.8	25.2	-3.6	4.5	24.4
Coupons	60.4	55.2	54.8	18.1	14.8	22.0
Nonmarketable	-8.5	8.2	.3	-3.0	1.7	1.6
Decrease in the cash balance	2.1	-7.3	36.5	.9	31.0	4.6
Memo: Cash balance at end of period	41.5	48.8	12.3	47.9	16.9	12.3
² Other	-5.7	1.3	7.6	3.3	-3.2	7.4
Federally sponsored credit agencies, net cash borrowing³						
FHLBs	.7	1.0	--	-2.9	--	--
FHLMC	2.7	-1.2	--	-.9	--	--
FNMA	.9	6.5	--	-4.0	4.0	--
Farm Credit Banks	.3	.2	--	-.5	--	--
SLMA	.6	1.5	--	--	--	--

1. Data reported on a not seasonally adjusted, payment basis.
 2. Includes checks issued less checks paid, accrued items and other transactions.
 3. Excludes mortgage pass-through securities issued by FNMA and FHLMC.
 p--projected.
 e--estimated.
 Note: Details may not add to totals due to rounding.

refunding during the first quarter may exceed \$16 billion--the largest volume in any quarter since early 1987. Funds from the recent refundings evidently are being used to retire callable debt issues immediately, unlike in some earlier periods when outstanding (but not-yet-callable) debt issues were often defeased through advance refundings; in the first two months of 1992, less than \$3 billion in Treasury-issued SLGS were sold to state and local governments.⁵

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

	1990	1991	1991		1992		
			Q3	Q4	Jan.	Feb ^P	Mar ^f
Total offerings ¹	13.49	16.60	19.54	16.95	13.27	15.60	--
Total tax-exempt	13.24	16.18	18.72	16.54	13.03	15.21	16.00
Long-term	10.26	12.84	13.51	14.93	12.62	12.26	14.00
Refundings ²	1.68	3.11	3.09	3.44	5.49	4.57	6.00
New capital	8.58	9.73	10.42	11.49	7.13	7.69	8.00
Short-term	2.98	3.34	5.21	1.61	.41	2.95	2.00
Total taxable	.25	.42	.82	.41	.24	.39	--

p--preliminary f--forecast.

1. Includes issues for public and private purposes.
2. Includes all refunding bonds, not just advance refundings.

Much of the investor demand for tax-exempt securities in the past year has been funneled through mutual funds. Inflows to both open-end and new closed-end tax-exempt mutual funds rose throughout 1991, with investors apparently shifting out of money market funds and other short-term instruments. Net flows to open-end municipal

5. SLGS are Treasury securities whose yields are tied to tax-exempt rates. SLGS are sold to tax-exempt issuers of advance refunding bonds to provide them with an investment instrument that does not violate arbitrage restrictions for tax-exempt sales proceeds. The proceeds from a refunding sale also can be invested in other types of securities; however, for nearly all refunding issues over \$5 million, any arbitrage profits must be rebated to the U.S. Treasury. Market observers have indicated that the strict and complicated rebate provisions currently force municipal issuers to use virtually all the proceeds from advance refunding issues to purchase SLGS.