

## **Part 1**

May 11, 2000

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## **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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### **Summary and Outlook**

May 11, 2000

## **Summary and Outlook**

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

Measure	1999:Q4	2000:Q1		2000:Q2	
		Mar. GB	May GB	Mar. GB	May GB
<b>Real GDP</b>		<b>7.3</b>	<b>4.3</b>	<b>4.9</b>	<b>4.9</b>
Private domestic final purchases		5.3	7.5	10.0	5.4
Personal consumption expenditures		5.9	6.1	7.6	4.1
Residential investment		1.8	8.2	6.3	-1.4
Business fixed investment		2.9	14.8	24.8	15.1
Government outlays for consumption and investment		9.3	.1	-1.4	5.4
Memo:					3.9
Real GDP adjusted for defense spending anomaly		6.8	5.2	5.8	4.4
		Change, billions of chained (1996) dollars			
Inventory investment		28.7	-7.8	-45.3	-4.0
Net exports		-3.7	-41.2	-34.1	-12.8
					32.9
					-21.0

On the expenditure side, although April's downdraft in the stock market appears to have scarcely dented consumer sentiment, the reports on retail sales and unit sales of new motor vehicles for the month point to some moderation in household spending after a phenomenal first quarter. The April softening in purchases could prove to be merely another head-fake, perhaps caused partly by an unusually late onset of spring weather. Still, the "fundamentals" driving increases in consumer demand, including the impetus from the earlier rise in stock market, probably have crested. The pattern of housing starts through the winter indicates that residential construction will decline a bit this quarter. Orders for nondefense capital goods suggest that business equipment investment will post another substantial gain, but one short of the huge first-quarter increase. In addition, private nonresidential and state and local construction probably were boosted by favorable weather during the winter, pulling forward some activity from this quarter. In sum, we expect a substantial falloff in the growth of domestic final purchases this quarter; however, that deceleration will likely be offset by a pickup in inventory investment and a somewhat less sizable drop in net exports.

Beyond the current quarter, we expect that the balance of these domestic and international influences will gradually tilt in the direction of slower GDP growth. Central to this projection is the damping of consumption and housing demand by rising interest rates and a cessation of the bull market in equities.

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

Measure	1998	1999	2000	2001
<b>Real GDP</b>	<b>4.7</b>	<b>4.6</b>	<b>4.5</b>	<b>3.6</b>
Previous	4.6	4.5	4.2	3.7
Final sales	4.7	4.6	4.7	3.8
Previous	4.7	4.5	4.3	3.7
PCE	5.1	5.6	4.9	3.3
Previous	5.1	5.6	4.6	3.4
Residential investment	11.3	3.9	-1.5	-3.6
Previous	11.3	3.8	-2.0	-4.4
BFI	13.1	7.1	14.9	10.0
Previous	13.1	6.9	12.4	9.8
Government purchases	2.3	5.0	2.2	3.5
Previous	2.2	5.0	2.9	3.4
Exports	2.0	4.8	6.1	8.4
Previous	1.9	4.5	7.2	8.7
Imports	10.8	12.6	10.9	8.1
Previous	10.8	13.0	11.3	8.5
<b>Memo:</b>				
Real GDP adjusted for defense spending anomaly <sup>1</sup>	4.7	4.5	4.7	3.6
Change, billions of chained (1996) dollars				
Inventory change	-2.0	-3.9	-13.5	-12.5
Previous	-2.0	-3.5	-9.4	-3.3
Net exports	-102.9	-109.7	-89.8	-31.7
Previous	-103.6	-117.4	-82.7	-34.2

1. The estimated GDP growth rate adjustment for the defense spending anomaly is -0.12 percentage point in 1999 and +0.12 percentage point in 2000. The apparent lack of symmetry in the growth rates shown in the table is due to rounding.

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

Measure	1998	1999	2000	2001
Output per hour, nonfarm business	3.3	3.7	2.8	2.7
Previous	3.1	3.7	3.0	2.8
Nonfarm payroll employment	2.4	2.2	2.1	1.4
Previous	2.4	2.2	1.8	1.4
Household employment survey	1.3	1.5	1.7	1.0
Previous	1.3	1.5	1.3	.9
Labor force participation rate <sup>1</sup>	67.1	67.0	67.4	67.4
Previous	67.1	67.0	67.3	67.3
Civilian unemployment rate <sup>1</sup>	4.4	4.1	3.8	4.0
Previous	4.4	4.1	4.0	4.2
Memo:				
Output per hour, nonfarm business, adjusted for defense spending anomaly	3.3	3.6	2.9	2.7

1. Percent, average for the fourth quarter.

retail establishments, and reports of strain and greater quality problems are heard from businesses in other sectors as well.

On this interpretation, we have not materially altered our view of productivity trends. Based on high levels of capital investment and continuing opportunities for operational improvements that firms seem to be pursuing quite aggressively, we are assuming that the pace of structural improvement in NFB labor productivity has stepped up to 3-1/4 percent per year. However, the appreciable moderation in output growth that we project should generate some cyclical drag on productivity, as severely short-staffed firms fill some of the many job vacancies they have been reporting. On balance, we are projecting that actual output per hour will rise a little less than 3 percent this year and next.

The expansion of supply has also been abetted by a considerable increase in the labor force since last fall. The latest labor market reports have shown participation rates remaining around the 67-1/2 percent level—pretty much in line with our March Greenbook expectation. The usual noise in the data and the unknown effects from temporary Census hiring make it difficult to judge the significance of the big jump in participation that has been recorded, but we

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

Measure	1998	1999	2000	2001
PCE chain-weighted price index	.9	2.0	2.4	2.2
Previous	1.0	2.0	2.3	1.9
Excluding food and energy	1.3	1.5	2.2	2.4
Previous	1.4	1.5	2.0	2.2
Consumer price index	1.5	2.6	3.0	2.4
Previous	1.5	2.6	2.8	2.3
Food	2.3	1.9	2.8	2.7
Previous	2.3	1.9	2.3	2.7
Energy	-9.2	11.2	6.4	-3.2
Previous	-9.2	11.2	6.1	-4.8
Excluding food and energy	2.4	2.1	2.7	2.9
Previous	2.4	2.1	2.5	2.8
GDP chain-weighted price index	1.0	1.6	2.3	2.0
Previous	1.1	1.6	2.2	1.9
ECI for compensation of private industry workers <sup>1</sup>	3.5	3.4	4.4	4.6
Previous	3.5	3.4	3.9	4.4
NFB compensation per hour	5.4	4.3	4.9	5.5
Previous	5.3	4.3	4.9	5.3
Prices of core non-oil merchandise imports	-1.9	.2	1.8	3.0
Previous	-1.9	.2	2.0	2.4
Percentage points				
<b>MEMO: Adjustments for technical changes to the CPI<sup>2</sup></b>				
Core CPI	-.2	.0	.0	.0

1. December to December.

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

packages are not unheard of, firms are said to be having difficulty attracting talent because workers prefer to chase the megabucks of the venture capital and dot-com enterprises. Yet, because pay increases in FIRE tend to be volatile and may have been boosted by big commissions and bonus payments related to

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

Measure	2000	2001
<i>Real GDP</i>		
Baseline	4.5	3.6
Flat funds rate	4.7	4.8
Tighter policy	4.4	3.2
Stock market correction	4.2	3.0
Continued stock market gains	4.6	4.0
<i>Civilian unemployment rate<sup>1</sup></i>		
Baseline	3.8	4.0
Flat funds rate	3.7	3.4
Tighter policy	3.8	4.3
Stock market correction	3.9	4.2
Continued stock market gains	3.8	3.9
<i>PCE prices excluding food and energy</i>		
Baseline	2.2	2.4
Flat funds rate	2.2	3.0
Tighter policy	2.2	2.1
Stock market correction	2.2	2.3
Continued stock market gains	2.2	2.4

1. Average for the fourth quarter.

In contrast, the “tighter policy” scenario shows real GDP growth slowing to 3-1/4 percent next year. The greater deceleration in activity adds only a few tenths to the baseline unemployment rate by the end of 2001, so that the labor market remains unsustainably taut. However, a significant short-run disinflationary effect is predicted, as the increase in the core PCE price index edges down a hair in 2001, rather than rising as in the baseline. According to the model, the more aggressive monetary policy tightening damps inflation fairly quickly through its effects both on the exchange rate and on expectations about the future level of slack and, consequently, the long-run level of inflation.

A further stock market correction would raise the cost of equity finance and pare the household wealth-income ratio to a greater degree than in our baseline forecast. Operating through these channels, the drop in equity prices in the simulation--bringing the Wilshire 5000 down about 20 percent from its first-quarter average--would reduce GDP growth to 4-1/4 percent this year and to

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

May 11, 2000

Interval	Nominal GDP		Real GDP		GDP chain-weighted price index		Consumer price index <sup>1</sup>		Unemployment rate <sup>2</sup>	
	3/15/00	5/11/00	3/15/00	5/11/00	3/15/00	5/11/00	3/15/00	5/11/00	3/15/00	5/11/00
<b>ANNUAL</b>										
1997	6.2	6.2	4.5	4.2	1.7	1.9	2.3	2.3	4.9	4.9
1998	5.5	5.5	4.3	4.3	1.2	1.2	1.6	1.6	4.5	4.5
1999	5.6	5.7	4.1	4.1	1.4	1.4	2.2	2.2	4.2	4.2
2000	7.0	7.3	4.8	5.1	2.1	2.1	3.1	3.1	4.0	3.9
2001	5.7	5.9	3.8	3.8	1.9	2.0	2.1	2.4	4.1	3.9
<b>QUARTERLY</b>										
1998	Q1	7.7	7.7	6.7	6.9	1.0	0.9	1.0	4.7	4.7
	Q2	3.4	3.4	2.1	2.2	1.1	1.1	1.7	4.4	4.4
	Q3	5.4	5.4	3.8	3.8	1.4	1.3	1.7	4.5	4.5
	Q4	7.0	7.0	5.9	5.9	0.9	0.8	1.7	4.4	4.4
1999	Q1	5.7	5.7	3.7	3.7	2.0	2.0	1.7	4.3	4.3
	Q2	3.3	3.3	1.9	1.9	1.3	1.3	3.2	4.3	4.3
	Q3	6.8	6.8	5.7	5.7	1.1	1.1	2.4	4.2	4.2
	Q4	9.1	9.4	7.0	7.3	2.0	2.0	2.9	4.1	4.1
2000	Q1	7.3	7.7	4.3	4.9	2.9	2.6	3.9	4.0	4.1
	Q2	7.6	7.9	4.9	5.3	2.6	2.7	4.4	3.5	3.9
	Q3	5.4	6.1	3.8	4.1	1.6	1.9	1.1	4.0	3.8
	Q4	5.5	5.9	3.8	4.0	1.7	1.8	1.7	4.0	3.8
2001	Q1	5.7	5.8	3.7	3.6	2.0	2.1	1.9	2.2	4.1
	Q2	5.4	5.6	3.6	3.6	1.8	1.9	2.3	2.5	3.9
	Q3	5.7	5.6	3.7	3.6	1.9	2.0	2.3	2.4	4.1
	Q4	5.8	5.7	3.7	3.6	1.9	2.0	2.5	2.6	4.0
<b>TWO-QUARTER<sup>3</sup></b>										
1998	Q2	5.5	5.5	4.4	4.5	1.1	1.0	1.3	-0.3	-0.3
	Q4	6.2	6.2	4.8	4.9	1.1	1.1	1.7	0.0	0.0
1999	Q2	4.5	4.5	2.8	2.8	1.7	1.7	2.5	-0.1	-0.1
	Q4	7.9	8.1	6.3	6.5	1.5	1.5	2.7	-0.2	-0.2
2000	Q2	7.4	7.8	4.6	5.1	2.8	2.7	4.1	-0.1	-0.2
	Q4	5.5	6.0	3.8	4.0	1.6	1.9	1.4	2.2	0.0
2001	Q2	5.6	5.7	3.6	3.6	1.9	2.0	2.1	2.3	0.1
	Q4	5.7	5.7	3.7	3.6	1.9	2.0	2.4	2.5	0.1
<b>FOUR-QUARTER<sup>4</sup></b>										
1997	Q4	5.9	5.9	4.3	4.1	1.6	1.8	1.9	-0.6	-0.6
1998	Q4	5.9	5.9	4.6	4.7	1.1	1.0	1.5	-0.3	-0.3
1999	Q4	6.2	6.3	4.5	4.6	1.6	1.6	2.6	-0.3	-0.3
2000	Q4	6.4	6.9	4.2	4.5	2.2	2.3	2.8	-0.1	-0.3
2001	Q4	5.6	5.7	3.7	3.6	1.9	2.0	2.3	0.2	0.1

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)

May 11, 2000

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	9256.1	9935.1	10523.5	
Real GDP	Bill. Ch. \$	7062.6	7347.7	7543.8	7813.2	8144.8	8495.7	8848.2	9302.9	9660.8	
Real GDP	% change	2.5	4.1	2.2	4.1	4.1	4.7	4.6	4.5	3.6	
Gross domestic purchases		3.1	4.3	1.7	4.3	4.7	5.7	5.6	5.2	3.7	
Final sales		2.6	3.2	2.9	3.9	3.6	4.7	4.6	4.7	3.8	
Priv. dom. final purchases		4.2	4.3	3.2	4.4	4.7	6.6	5.7	6.1	4.0	
Personal cons. expenditures		3.4	3.6	2.8	3.1	3.9	5.1	5.6	4.9	3.3	
Durables		9.3	6.4	3.7	5.0	8.4	13.0	10.5	7.4	2.9	
Nondurables		2.6	4.1	2.5	3.2	2.4	5.0	5.8	4.5	2.5	
Services		2.6	2.7	2.7	3.8	3.7	4.5	4.7	3.7		
Business fixed investment		8.7	9.2	7.5	12.1	9.6	13.1	7.1	14.9	10.0	
Equipment & Software		11.5	12.0	8.9	11.8	11.3	16.8	10.8	17.3	12.5	
Nonres. structures		1.2	1.1	3.3	12.8	4.7	2.9	-3.9	7.1	1.3	
Residential structures		7.8	4.0	-1.5	5.6	3.7	11.3	3.9	-1.5	-3.6	
Exports		4.8	10.5	9.7	9.8	9.2	2.0	4.8	6.1	8.4	
Imports		10.5	12.2	5.0	11.2	14.2	10.8	12.6	10.9	8.1	
Gov't. cons. & investment		-0.8	0.2	-0.8	2.7	2.2	2.3	5.0	2.2	3.5	
Federal		-5.3	-3.7	-5.3	2.0	0.2	0.6	5.0	-2.0	1.3	
Defense		-6.4	-5.9	-4.7	0.8	-1.3	-1.1	5.1	-4.2	0.8	
State & local		2.5	2.8	2.1	3.0	3.3	3.2	5.0	4.4	4.7	
Change in bus. inventories	Bill. Ch. \$	20.0	66.8	30.4	30.0	69.1	74.3	42.2	47.1	44.5	
Nonfarm		28.6	53.6	42.6	22.1	66.2	73.2	42.4	52.8	45.0	
Net exports		-59.1	-86.5	-78.4	-89.0	-112.1	-217.6	-323.0	-409.7	-461.7	
Nominal GDP	% change	5.0	6.2	4.3	6.0	5.9	5.9	6.3	6.9	5.7	
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employment	Millions	110.7	114.1	117.2	119.6	122.7	125.8	128.6	131.5	133.6	
Unemployment rate	%	6.9	6.1	5.6	5.4	4.9	4.5	4.2	3.9	3.9	
Industrial prod. index	% change	3.4	6.4	3.5	5.3	6.8	2.9	4.2	5.7	4.0	
Capacity util. rate - mfg.	%	80.5	82.5	82.6	81.5	82.4	80.9	79.8	81.3	82.0	
Housing starts	Millions	1.29	1.46	1.35	1.48	1.47	1.62	1.67	1.66	1.57	
Light motor vehicle sales		13.87	15.01	14.77	15.05	15.05	15.45	16.76	17.35	16.53	
North Amer. produced		11.72	12.88	12.87	13.35	13.12	13.43	14.28	14.63	14.07	
Other		2.15	2.13	1.90	1.70	1.94	2.02	2.48	2.72	2.47	
<b>INCOME AND SAVING</b>											
Nominal GNP	Bill. \$	6666.7	7071.1	7420.9	7831.2	8305.0	8750.0	9236.2	9899.0	10474.6	
Nominal GNP	% change	4.9	6.2	4.4	5.9	5.7	5.6	6.1	6.9	5.6	
Nominal personal income		3.7	5.1	4.3	5.9	6.4	6.0	5.9	6.8	6.1	
Real disposable income		1.3	2.9	1.7	2.6	3.9	4.3	3.7	3.8	3.9	
Personal saving rate	%	7.1	6.1	5.6	4.8	4.5	3.7	2.4	0.7	1.2	
Corp. profits, IVA & CCAdj.	% change	18.0	12.3	11.3	11.4	10.1	-1.8	9.6	9.5	0.9	
Profit share of GNP	%	7.7	8.1	9.0	9.6	10.1	9.7	9.7	10.1	9.6	
Excluding FR Banks		7.4	7.9	8.7	9.4	9.8	9.4	9.4	9.8	9.4	
Federal surpl./deficit	Bill. \$	-274.1	-212.3	-192.0	-136.8	-48.8	46.9	115.4	205.6	233.9	
State & local surpl./def.		1.5	8.6	15.3	21.4	27.5	41.7	51.0	56.1	52.4	
Ex. social ins. funds		-2.7	4.0	11.4	18.7	26.4	40.8	50.2	54.7	51.0	
Gross natl. saving rate	%	15.6	16.3	16.9	17.2	18.3	18.8	18.7	18.6	18.8	
Net natl. saving rate		3.8	4.3	5.1	5.7	7.1	7.5	7.3	7.3	7.5	
<b>PRICES AND COSTS</b>											
GDP chn.-wt. price index	% change	2.4	2.1	2.1	1.9	1.8	1.0	1.6	2.3	2.0	
Gross Domestic Purchases chn.-wt. price index		2.2	2.1	2.1	1.9	1.3	0.7	1.9	2.2	1.9	
PCE chn.-wt. price index		2.1	2.1	2.1	2.3	1.6	0.9	2.0	2.4	2.2	
Ex. food and energy		2.4	2.3	2.3	1.8	1.7	1.3	1.5	2.2	2.4	
CPI		2.7	2.6	2.7	3.1	1.9	1.5	2.6	3.0	2.4	
Ex. food and energy		3.1	2.8	3.0	2.6	2.2	2.4	2.1	2.7	2.9	
ECI, hourly compensation <sup>2</sup>		3.6	3.1	2.6	3.1	3.4	3.5	3.4	4.4	4.6	
Nonfarm business sector		-0.2	1.1	1.1	2.3	1.9	3.3	3.7	2.8	2.7	
Output per hour		1.3	2.2	2.7	3.2	4.3	5.4	4.3	4.9	5.5	
Compensation per Hour		1.6	1.0	1.5	0.9	2.3	2.0	0.6	2.1	2.8	
Unit labor cost											

1. Changes are from fourth quarter to fourth quarter.

2. Private-industry workers.

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

May 11, 2000

Item	Units	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2
<b>EXPENDITURES</b>											
Nominal GDP	Bill. \$	8125.9	8259.5	8364.5	8453.0	8610.6	8683.7	8797.9	8947.6	9072.7	9146.2
Real GDP	Bill. Ch. \$	8018.7	8115.4	8192.2	8253.2	8391.1	8436.3	8515.7	8639.5	8717.6	8758.3
Real GDP	% change	4.5	4.9	3.8	3.0	6.9	2.2	3.8	5.9	3.7	1.9
Gross domestic purchases		5.4	5.4	4.6	3.4	8.8	4.2	4.6	5.5	5.8	3.2
Final sales		3.5	2.9	5.6	2.4	5.2	5.1	2.4	6.3	4.6	3.4
Priv. dom. final purchases		5.0	2.8	7.4	3.4	9.0	7.4	3.6	6.4	7.0	5.4
Personal cons. expenditures		4.6	1.5	6.4	3.3	5.8	6.1	4.0	4.6	6.5	5.1
Durables		10.9	-1.5	20.2	5.0	16.9	11.2	4.1	20.4	12.4	9.1
Nondurables		3.8	-0.2	5.7	0.3	5.8	6.7	2.4	5.0	8.9	3.3
Services		3.4	3.0	4.2	4.5	3.7	4.9	4.7	1.5	4.2	5.2
Business fixed investment		9.6	5.9	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		8.3	15.9	11.3	1.7	-1.5	-3.9	-1.6	16.3	-5.5	4.0
Imports		15.5	19.1	17.6	5.2	14.4	13.0	5.2	10.8	12.5	14.4
Gov't. cons. & investment		1.5	5.6	1.6	-0.1	-1.0	6.0	1.3	2.9	5.1	1.3
Federal		-2.9	9.8	-1.4	-4.2	-9.8	11.9	-2.3	3.9	-0.5	2.1
Defense		-11.3	9.6	-0.2	-2.4	-17.0	11.1	7.0	-2.9	-4.0	-2.6
State & local		4.1	3.3	3.4	2.3	4.1	3.0	3.3	2.4	8.2	0.9
Change in bus. inventories	Bill. Ch. \$	51.5	93.1	59.2	72.7	107.3	43.1	76.1	70.7	50.1	14.0
Nonfarm		56.7	85.7	52.6	69.7	103.8	53.2	77.5	58.2	43.1	13.1
Net exports		-92.6	-103.2	-121.3	-131.5	-174.5	-221.0	-240.3	-234.4	-286.6	-321.1
Nominal GDP	% change	7.4	6.7	5.2	4.3	7.7	3.4	5.4	7.0	5.7	3.3
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employment	Millions	121.4	122.3	123.0	123.9	124.8	125.5	126.1	126.9	127.6	128.2
Unemployment rate	%	5.3	5.0	4.8	4.7	4.7	4.4	4.5	4.4	4.3	4.3
Industrial prod. index	% change	6.5	6.7	6.9	6.9	2.4	3.0	2.9	3.3	2.0	4.7
Capacity util. rate - mfg.	%	81.9	82.2	82.5	82.7	82.0	81.0	80.3	80.2	79.6	79.6
Housing starts	Millions	1.43	1.48	1.46	1.53	1.56	1.57	1.63	1.72	1.76	1.59
Light motor vehicle sales		15.35	14.54	15.26	15.06	15.18	16.09	14.52	16.01	15.24	16.74
North Amer. produced		13.43	12.68	13.25	13.11	13.21	14.10	12.52	13.88	13.98	14.32
Other		1.92	1.86	2.01	1.96	1.97	1.99	2.00	2.13	2.26	2.42
<b>INCOME AND SAVING</b>											
Nominal GNP	Bill. \$	8131.1	8269.1	8366.5	8453.3	8613.7	8683.7	8772.2	8930.5	9058.2	9131.9
Nominal GNP	% change	6.8	7.0	4.8	4.2	7.8	3.3	4.1	7.4	5.8	3.3
Nominal personal income		8.0	5.6	5.5	6.4	5.3	5.8	6.6	6.5	5.4	5.5
Real disposable income		3.9	3.9	3.4	4.3	4.2	3.8	4.5	4.8	4.1	3.2
Personal saving rate	%	4.5	5.0	4.2	4.4	4.0	3.5	3.6	3.5	3.0	2.5
Corp. profits, IVA & CCAdj.	% change	15.6	14.4	15.9	-4.1	1.9	-4.1	-1.2	-3.6	24.9	-2.9
Profit share of GNP	%	9.9	10.1	10.3	10.1	10.0	9.8	9.7	9.4	9.8	9.6
Excluding FR Banks		9.6	9.8	10.0	9.8	9.7	9.5	9.4	9.1	9.5	9.4
Federal surpl./deficit	Bill. \$	-87.4	-63.2	-27.9	-16.8	24.9	43.5	59.6	59.7	97.6	118.1
State & local surpl./def.		25.9	23.7	30.9	29.7	32.0	30.9	49.9	54.2	48.7	37.6
Ex. social ins. funds		24.3	22.4	29.9	28.9	31.1	29.9	48.9	53.4	48.2	36.8
Gross natl. saving rate	%	17.7	18.4	18.5	18.6	18.8	18.6	19.0	18.9	19.1	18.7
Net natl. saving rate		6.4	7.2	7.3	7.4	7.6	7.2	7.6	7.6	7.8	7.3
<b>PRICES AND COSTS</b>											
GDP chn.-wt. price index	% change	2.8	1.8	1.3	1.3	0.9	1.1	1.3	0.8	2.0	1.3
Gross Domestic Purchases chn.-wt. price index		2.3	0.8	1.2	1.2	-0.1	0.8	1.0	0.9	1.6	1.9
PCE chn.-wt. price index		2.6	1.1	1.3	1.2	0.3	1.1	1.1	1.1	1.5	2.2
Ex. food and energy		2.5	2.3	1.0	1.1	1.1	1.6	1.3	1.3	1.5	1.3
CPI		2.5	1.3	1.8	2.0	1.0	1.7	1.7	1.7	1.7	3.2
Ex. food and energy		2.2	2.6	1.7	2.1	2.8	2.3	2.3	2.1	1.8	2.1
ECI, hourly compensation <sup>1</sup>		2.8	3.4	3.0	4.6	3.0	3.3	4.4	2.6	1.7	4.3
Nonfarm business sector		0.3	3.0	3.2	1.1	4.7	1.0	3.2	4.1	2.7	0.5
Output per hour		3.6	2.6	4.4	6.4	4.9	5.6	6.2	4.6	4.2	4.7
Compensation per hour		3.3	-0.3	1.2	5.2	0.2	4.5	3.0	0.4	1.5	4.2
Unit labor cost											

1. Private-industry workers.

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

May 11, 2000

Item	Units	Projected											
		1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2001 Q3	2001 Q4
<b>EXPENDITURES</b>													
Nominal GDP	Bill. \$	9297.8	9507.9	9685.7	9872.6	10018.8	10163.5	10307.3	10449.7	10594.0	10742.9		
Real GDP	Bill. Ch. \$	8879.8	9037.2	9145.0	9262.9	9355.5	9448.1	9532.2	9617.6	9703.3	9790.2		
Real GDP	% change	5.7	7.3	4.9	5.3	4.1	4.0	3.6	3.6	3.6	3.6	3.6	3.6
Gross domestic purchases		6.2	7.2	6.1	5.9	5.0	4.1	4.0	4.0	4.0	3.7	3.7	3.3
Final sales		4.5	6.0	6.7	3.9	3.9	4.3	3.9	3.7	3.7	3.7	3.7	3.8
Priv. dom. final purchases		5.3	5.3	10.0	4.7	5.1	4.7	4.4	4.2	3.8	3.8	3.6	3.4
Personal cons. expenditures		4.9	5.9	7.6	4.0	4.4	3.8	3.9	3.5	3.0	2.5		
Durables		7.7	13.0	22.2	-0.7	5.4	4.2	3.2	2.7	3.1	2.8		
Nondurables		3.6	7.6	6.2	4.5	4.0	3.3	3.3	2.7	2.0	1.8		
Services		5.0	3.7	5.4	4.8	4.4	4.0	4.4	4.1	3.6	2.9		
Business fixed investment		10.9	2.9	24.8	10.6	12.2	12.6	9.9	10.1	10.2	9.7		
Equipment & Software		15.7	4.0	29.1	10.6	14.7	15.6	12.3	12.6	12.9	12.4		
Structures		-3.8	-0.5	16.5	5.7	3.9	2.8	2.0	1.7	1.1	0.5		
Residential structures		-3.8	1.8	6.3	-2.2	-4.8	-5.0	-5.1	-3.2	-3.5	-2.6		
Exports		11.5	10.1	0.2	11.0	4.0	9.4	4.5	8.3	8.7	12.0		
Imports		14.9	8.7	10.1	14.3	10.7	8.6	7.0	9.8	8.2	7.4		
Gov't. cons. & investment		4.5	9.3	-1.4	3.9	3.5	2.8	3.5	3.5	3.6	3.6		
Federal		4.1	14.7	-15.5	8.7	1.2	-0.8	1.3	1.3	1.4	1.4		
Defense		11.2	17.2	-23.2	8.0	0.7	0.8	0.8	0.8	0.9	0.9		
State & local		4.8	6.4	7.0	1.4	4.7	4.7	4.7	4.6	4.7	4.7		
Change in bus. inventories	Bill. Ch. \$	38.0	66.7	21.4	54.3	59.6	53.2	47.5	45.7	44.3	40.7		
Nonfarm		41.2	72.3	29.2	61.3	64.6	56.2	49.5	46.7	44.3	39.7		
Net exports		-340.4	-344.1	-378.2	-399.2	-427.3	-433.9	-448.0	-462.7	-470.4	-465.7		
Nominal GDP	% change	6.8	9.4	7.7	7.9	6.1	5.9	5.8	5.6	5.6	5.7		
<b>EMPLOYMENT AND PRODUCTION</b>													
Nonfarm payroll employment	Millions	128.9	129.6	130.5	131.5	131.9	132.4	132.9	133.4	133.9	134.3		
Unemployment rate	%	4.2	4.1	4.1	3.9	3.8	3.8	3.9	3.9	3.9	4.0		
Industrial prod. index	% change	4.8	5.3	6.4	7.2	5.6	3.6	4.2	4.0	4.9	3.0		
Capacity util. rate - mfg.	%	79.7	80.3	80.7	81.3	81.5	81.7	81.8	81.9	82.0	82.1		
Housing starts	Millions	1.66	1.69	1.72	1.65	1.64	1.61	1.60	1.58	1.56	1.56		
Light motor vehicle sales		17.16	16.89	18.13	17.32	17.09	16.87	16.63	16.51	16.50	16.49		
North Amer. produced		14.71	14.09	15.28	14.55	14.40	14.28	14.11	14.04	14.06	14.06		
Other		2.45	2.80	2.85	2.77	2.69	2.59	2.52	2.47	2.44	2.43		
<b>INCOME AND SAVING</b>													
Nominal GNP	Bill. \$	9282.3	9472.3	9653.4	9838.5	9982.0	10122.1	10261.7	10400.8	10544.9	10690.9		
Nominal GNP	% change	6.8	8.4	7.9	7.9	6.0	5.7	5.6	5.5	5.7	5.7		
Nominal personal income		5.2	7.4	6.3	8.2	6.3	6.3	7.0	5.9	5.6	5.7		
Real disposable income		2.9	4.7	2.0	5.4	4.1	3.8	6.1	3.4	3.1	3.1		
Personal saving rate	%	2.1	1.8	0.5	0.9	0.8	0.7	1.2	1.2	1.2	1.3		
Corp. profits, IVA & CCAdj.	% change	1.6	17.0	31.9	2.4	4.0	2.3	-2.5	0.1	2.6	3.4		
Profit share of GNP	%	9.5	9.7	10.2	10.1	10.0	9.9	9.7	9.6	9.5	9.5		
Excluding FR Banks		9.2	9.4	9.9	9.8	9.8	9.7	9.5	9.4	9.3	9.3		
Federal surpl./deficit	Bill. \$	133.8	112.2	198.4	193.9	212.2	217.7	204.4	223.9	248.4	258.9		
State & local surpl./def.		48.9	68.8	56.3	57.3	53.8	56.9	58.8	55.7	49.8	45.2		
Ex. social ins. funds		48.1	67.7	55.0	56.0	52.4	55.5	57.4	54.3	48.4	43.8		
Gross natl. saving rate	%	18.7	18.3	18.5	18.6	18.6	18.6	18.7	18.7	18.8	18.9		
Net natl. saving rate	%	7.1	6.9	7.1	7.3	7.3	7.3	7.4	7.4	7.5	7.7		
<b>PRICES AND COSTS</b>													
GDP chn.-wt. price index	% change	1.1	2.0	2.6	2.7	1.9	1.8	2.1	1.9	2.0	2.0		
Gross Domestic Purchases chn.-wt. price index		1.7	2.3	3.2	2.3	1.7	1.8	2.1	1.8	1.8	1.9		
PCE chn.-wt. price index		1.8	2.5	3.2	2.6	1.8	2.1	2.0	2.2	2.2	2.3		
Ex. food and energy		1.2	2.0	1.8	2.4	2.2	2.3	2.3	2.4	2.4	2.5		
CPI		2.4	2.9	4.1	3.5	2.1	2.3	2.2	2.5	2.4	2.6		
Ex. food and energy		2.1	2.3	2.3	3.2	2.6	2.7	2.6	3.0	2.9	3.0		
DCI, hourly compensation <sup>1</sup>		3.7	4.0	5.9	3.5	3.9	4.3	4.5	4.5	4.5	4.7		
Nonfarm business sector		5.0	6.9	1.5	3.5	3.1	3.1	2.6	2.6	2.6	2.9		
Output per hour		4.6	3.8	4.2	5.0	5.0	5.3	5.6	5.3	5.3	5.6		
Compensation per hour		-0.3	-2.9	2.7	1.5	1.9	2.3	3.0	2.7	2.7	2.8		
Unit labor cost													

1. Private-industry workers.

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS

May 11, 2000

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

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

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS

May 11, 2000

Item	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	99Q4/ 98Q4	00Q4/ 99Q4	01Q4/ 00Q4
Real GDP	7.3	4.9	5.3	4.1	4.0	3.6	3.6	3.6	3.6	4.6	4.5	3.6
Gross dom. purchases	7.4	6.3	6.1	5.2	4.2	4.1	4.2	3.9	3.4	5.7	5.4	3.9
Final sales	6.0	6.7	3.9	3.8	4.3	3.8	3.7	3.7	3.8	4.6	4.7	3.7
Priv. dom. final purchases	4.5	8.4	4.0	4.3	4.0	3.7	3.6	3.3	2.9	4.8	5.1	3.4
Personal cons. expenditures	4.1	5.1	2.7	3.0	2.6	2.7	2.4	2.1	1.7	3.7	3.4	2.2
Durables	1.0	1.7	-0.1	0.4	0.3	0.3	0.2	0.2	0.2	0.8	0.6	0.2
Nondurables	1.5	1.2	0.9	0.8	0.7	0.7	0.5	0.4	0.4	1.1	0.9	0.5
Services	1.5	2.1	1.9	1.7	1.6	1.7	1.6	1.4	1.1	1.8	1.8	1.5
Business fixed investment	0.4	3.0	1.3	1.5	1.6	1.3	1.3	1.3	1.3	0.9	1.8	1.3
Equipment & Software	0.4	2.6	1.0	1.4	1.5	1.2	1.3	1.3	1.3	1.0	1.6	1.3
Nonres. structures	-0.0	0.5	0.2	0.1	0.1	0.1	0.1	0.0	0.0	-0.1	0.2	0.0
Residential structures	0.1	0.3	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	0.2	-0.1	-0.2
Net exports	-0.1	-1.4	-0.8	-1.1	-0.2	-0.5	-0.5	-0.2	0.2	-1.1	-0.9	-0.3
Exports	1.1	0.0	1.1	0.4	1.0	0.5	0.9	0.9	1.3	0.5	0.7	0.9
Imports	-1.2	-1.4	-1.9	-1.5	-1.2	-1.0	-1.4	-1.2	-1.1	-1.6	-1.5	-1.2
Government cons. & invest.	1.6	-0.2	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.9	0.4	0.6
Federal	0.9	-1.0	0.5	0.1	-0.0	0.1	0.1	0.1	0.1	0.3	-0.1	0.1
Defense	0.7	-1.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.2	-0.2	0.0
Nondefense	0.2	-0.0	0.2	0.0	-0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0
State and local	0.8	0.8	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.5
Change in bus. inventories	1.2	-1.9	1.4	0.2	-0.3	-0.2	-0.1	-0.1	-0.1	-0.0	-0.1	-0.1
Nonfarm	1.4	-1.8	1.3	0.1	-0.3	-0.3	-0.1	-0.1	-0.2	0.2	-0.2	-0.2
Farm	-0.1	-0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	-0.2	0.0	0.0

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

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

Item	Fiscal year <sup>1</sup>				1999				2000				2001			
	1998 <sup>a</sup>	1999 <sup>a</sup>	2000	2001	Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1P	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Unified budget</b>																
Receipts <sup>2</sup>	1722	1827	2010	2113	402	564	449	444	434	650	483	478	468	656	510	513
Outlays <sup>2</sup>	1653	1703	1786	1844	396	421	419	464	449	440	433	461	471	464	448	480
Surplus/deficit <sup>2</sup>	69	125	225	269	6	143	30	-21	-15	210	50	17	-2	192	62	32
On-budget	-30	1	72	99	-49	88	21	-64	-45	146	33	-30	-31	119	41	-20
Off-budget	99	124	153	170	55	55	9	43	30	64	17	48	29	73	21	52
Surplus excluding deposit insurance	65	119	221	267	5	142	29	-20	-18	209	50	17	-3	192	62	32
<b>Means of financing</b>																
Borrowing	-51	-88	-230	-267	7	-108	-20	48	-27	-192	-58	-36	-9	-157	-67	-58
Cash decrease	5	-18	12	-0	-4	-31	-3	-27	39	-12	12	20	5	-30	5	20
Other <sup>3</sup>	-23	-19	-7	-1	-9	-4	-7	-0	4	-6	-4	-1	6	-5	-0	6
Cash operating balance, end of period	39	56	45	45	22	53	56	83	45	57	45	25	20	50	45	25
<b>NIPA federal sector</b>																
Receipts	1722	1839	1993	2112	1827	1853	1883	1922	1986	2017	2048	2080	2091	2122	2154	2187
Expenditures	1694	1737	1814	1888	1729	1735	1749	1810	1787	1823	1836	1863	1887	1898	1905	1928
Consumption expenditures	452	467	492	509	467	465	475	492	482	496	499	498	510	513	515	518
Defense	300	305	318	327	305	301	312	326	310	317	319	321	327	329	330	331
Nondefense	153	162	174	182	162	164	163	167	173	179	180	177	183	184	185	187
Other expenditures	1242	1270	1322	1379	1262	1270	1274	1318	1304	1327	1337	1365	1377	1385	1390	1410
Current account surplus	28	102	179	224	98	118	134	112	199	194	212	218	204	224	248	259
Gross investment	84	92	99	103	90	96	95	102	97	98	100	101	102	103	104	105
Current and capital account surplus	-56	10	80	121	7	22	39	11	102	96	113	117	102	121	144	154
<b>Fiscal Indicators<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-139	-91	-60	-31	-94	-74	-69	-116	-31	-52	-41	-39	-50	-31	-6	5
Change in HEB, percent of potential GDP	-.9	-.6	-.4	-.3	-.4	-.2	-.1	.5	-.9	.2	-.1	-0	.1	-.2	-.2	-.1
Fiscal impetus (FI) percent, calendar year	0	5	3	5	2	-.4	2	4	-5	4	.9	.8	2	.5	.4	.7

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

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

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

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

a--Actual p--Preliminary

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Change in Debt of the Domestic Nonfinancial Sectors  
(Percent)

May 11, 2000

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	3.7	5.4	4.5	7.3	1.4	6.0	5.0	
1994	4.6	4.7	4.5	7.7	6.0	14.5	3.7	-4.0	6.2	
1995	5.5	4.1	6.0	7.9	5.8	14.1	6.8	-4.6	4.3	
1996	5.4	4.0	5.9	7.4	7.4	7.9	5.7	-0.6	6.0	
1997	5.4	0.6	7.0	6.4	6.7	4.3	8.2	5.3	5.9	
1998	6.6	-1.4	9.3	8.7	9.7	5.4	10.5	7.2	5.9	
1999	6.8	-1.9	9.4	9.4	10.4	7.3	10.6	4.4	6.3	
2000	4.8	-8.5	8.4	8.9	9.1	9.3	9.1	2.5	6.9	
2001	4.8	-8.6	7.8	7.5	8.3	5.4	9.2	2.5	5.7	
<i>Quarter</i>										
1999:3	7.0	-2.2	9.6	9.9	11.3	5.6	10.2	4.6	6.8	
4	6.5	-0.5	8.4	8.4	8.8	8.3	9.6	2.5	9.3	
2000:1	5.7	-5.5	8.8	9.6	9.2	10.9	9.3	1.7	7.7	
2	4.0	-12.2	8.2	8.7	9.0	9.1	8.7	2.7	7.9	
3	5.0	-7.1	7.9	8.5	8.7	8.6	8.4	2.7	6.1	
4	4.3	-10.3	7.7	7.8	8.4	7.3	8.6	2.8	5.9	
2001:1	5.6	-3.8	7.7	7.7	8.3	6.5	8.8	2.8	5.8	
2	4.7	-9.0	7.7	7.4	8.1	5.6	9.0	2.5	5.6	
3	4.8	-8.7	7.6	7.3	7.9	4.9	8.9	2.4	5.6	
4	3.8	-14.1	7.4	6.9	7.8	4.3	8.8	2.3	5.7	

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 1999:Q4 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 5.2 percent in 2000 and 4.8 percent in 2001.

3. On a monthly average basis, federal debt is projected to grow -7.2 percent in 2000 and -8.2 percent in 2001.

4. On a monthly average basis, nonfederal debt is projected to grow 8.5 percent in 2000 and 7.9 percent in 2001.

2.6.3 FOF

Category	Seasonally adjusted annual rates													
	Calendar year				1999		2000				2001			
	1998	1999	2000	2001	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Net funds raised by domestic nonfinancial sectors</i>														
1 Total	744.3	963.3	767.8	809.0	1029.6	1065.8	1062.1	516.5	805.3	687.1	957.2	800.0	827.6	651.3
2 Net equity issuance	-267.0	-142.7	-71.3	-62.0	-138.6	-41.6	62.8	-188.0	-80.0	-80.0	-62.0	-62.0	-62.0	-62.0
3 Net debt issuance	1011.3	1105.9	839.1	871.0	1168.2	1107.4	999.3	704.5	885.3	767.1	1019.2	862.0	889.6	713.3
<i>Borrowing sectors</i>														
Nonfinancial business														
4 Financing gap <sup>1</sup>	134.4	159.2	177.5	262.1	174.5	182.8	122.2	173.9	197.1	217.0	227.7	250.8	274.1	295.7
5 Net equity issuance	-267.0	-142.7	-71.3	-62.0	-138.6	-41.6	62.8	-188.0	-80.0	-80.0	-62.0	-62.0	-62.0	-62.0
6 Credit market borrowing	511.7	568.5	543.2	599.5	579.7	559.8	558.1	535.2	527.2	552.2	573.2	601.2	609.2	614.2
Households														
7 Net borrowing <sup>2</sup>	471.9	556.6	577.9	529.3	614.6	533.8	623.4	579.1	572.1	537.1	539.1	530.1	531.1	517.1
8 Home mortgages	359.8	421.7	408.5	404.2	482.4	385.9	411.2	413.2	407.2	402.2	404.2	404.2	404.2	404.2
9 Consumer credit	67.6	96.8	132.5	85.0	77.3	115.9	155.2	134.0	129.0	112.0	102.0	89.0	79.0	70.0
10 Debt/DPI (percent) <sup>3</sup>	90.3	93.2	95.7	97.3	93.8	94.3	95.2	95.5	96.1	96.6	96.6	97.0	97.5	98.0
State and local governments														
11 Net borrowing	80.3	52.7	31.2	32.4	57.0	30.7	21.8	33.4	34.4	35.4	35.4	32.4	31.4	30.4
12 Current surplus <sup>4</sup>	140.5	156.2	169.0	173.7	154.8	176.9	166.2	169.2	167.8	172.9	177.0	176.0	172.2	169.8
Federal government														
13 Net borrowing	-52.6	-71.8	-313.3	-290.1	-83.1	-16.9	-204.0	-443.2	-248.3	-357.6	-128.5	-301.7	-282.1	-448.3
14 Net borrowing (quarterly, n.s.a.)	-52.6	-71.8	-313.3	-290.1	-19.0	47.7	-27.5	-191.9	-58.3	-35.6	-8.6	-156.5	-66.7	-58.3
15 Unified deficit (quarterly, n.s.a.)	-54.4	-158.3	-262.4	-283.8	-30.1	20.6	15.0	-210.1	-50.1	-17.2	2.3	-192.0	-61.9	-32.3
Depository institutions														
16 Funds supplied	360.5	407.9	446.0	357.5	533.0	636.0	593.8	428.4	396.9	364.9	348.4	358.9	356.9	365.9
Memo (percentage of GDP)														
17 Domestic nonfinancial debt <sup>5</sup>	179.7	181.7	179.2	177.3	182.3	181.4	180.8	179.5	178.9	178.4	178.0	177.9	177.5	176.9
18 Domestic nonfinancial borrowing	11.5	11.9	8.4	8.3	12.6	11.6	10.3	7.1	8.8	7.5	9.9	8.2	8.4	6.6
19 Federal government <sup>6</sup>	-0.6	-0.8	-3.2	-2.8	-0.9	-0.2	-2.1	-4.5	-2.5	-3.5	-1.2	-2.9	-2.7	-4.2
20 Nonfederal	12.1	12.7	11.6	11.0	13.5	11.8	12.4	11.6	11.3	11.1	11.1	11.1	11.1	10.8

Note. Data after 1999:Q4 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.

path for the yen/dollar exchange rate, continued deflation in Japan, and an increase in core U.S. inflation.

We continue to project a slight depreciation of the dollar in real terms against the currencies of our other important trading partners, led by a decline against the currencies of emerging Asian economies. In contrast, the real value of the dollar is expected to hold roughly constant against the Mexican peso and major Latin American currencies.

**Foreign economic activity and prices.** Total foreign real output growth (weighted by U.S. bilateral export shares) is projected to strengthen noticeably in the first half of this year. Despite slowing in the second half and somewhat more in 2001, growth during these six quarters is projected to average about 4 percent. The level of GDP at the end of the forecast period is more than 1/2 percent higher than projected in the March Greenbook. Aggregate foreign inflation is expected to rise modestly over the forecast period, to slightly below 3-1/2 percent next year. Many key countries (including Japan and some developing countries) still have substantial economic slack, and monetary tightening is expected to blunt inflationary pressure in countries in more advanced stages of economic recovery and expansion.

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

	Projection				
	1999 H1	1999 H2	2000 H1	2000 H2	2001
Foreign output	4.5	4.3	4.7	4.1	3.9
<i>March GB</i>	4.4	4.0	3.9	3.9	3.8
Foreign CPI	2.3	2.9	2.3	3.6	3.4
<i>March GB</i>	2.7	2.5	3.3	3.0	3.4

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

**Industrial countries.** Export-weighted real GDP growth in the foreign industrial countries is projected to remain at about 3-1/2 percent in 2000, before slowing to 3 percent in 2001. This forecast is about 1/2 percentage point stronger for 2000 and nearly 1/4 percentage point stronger for 2001 than in the March Greenbook. It includes upward revisions to growth in Japan, the euro

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

Trade category	Projection				
	1999 Q4	2000 Q1	2000 Q2	2000 H2	2001
<i>Exports</i>					
Nonagricultural (core)	2.9	3.3	1.8	0.7	0.8
Agricultural	1.0	-3.6	11.8	3.7	3.5
<i>Imports</i>					
Non-oil (core)	1.3	1.4	0.6	2.6	3.0
Oil (level, dollars per barrel)	22.00	26.00	25.50	23.10	19.30

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

Prices of core imports are projected to flatten out in the second quarter, but to rise thereafter, largely reflecting the projected path of the dollar. Prices of core goods exports are expected to decelerate as the run-up in prices of industrial supplies (which includes petroleum products and petrochemicals) slows from the rapid pace of last year.

**U.S. International Transactions.** Real exports of goods and services have slowed in the opening months of this year from their rapid pace during the second half of 1999, but they should strengthen in the second half and somewhat more next year. Over the four quarters of 2000, exports are projected to grow 6 percent, somewhat more than last year, and to accelerate to 8-1/2 percent in 2001. Robust real output growth abroad should help sustain the expansion of core exports throughout the forecast period. The firming of core export growth over the course of the forecast also reflects the boost to competitiveness of U.S. products implied by our projection for the exchange value of the dollar and prices here and abroad. Relative prices should shift from imparting slight restraint on the growth of core exports during the first half of this year to stimulating their growth at rising rates over the forecast period.

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

Measure			Projection		
	1999 H1	1999 H2	2000 H1	2000 H2	2001
Real exports	-0.9	10.8	5.5	6.7	8.4
<i>March GB</i>	<i>-0.9</i>	<i>10.1</i>	<i>7.5</i>	<i>7.0</i>	<i>8.7</i>
Real imports	13.5	11.8	12.2	9.7	8.1
<i>March GB</i>	<i>13.5</i>	<i>12.5</i>	<i>13.5</i>	<i>9.0</i>	<i>8.5</i>

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

Real imports of goods and services are projected to decelerate over the forecast period from about 12 percent growth at an annual rate during the second half of 1999 and first half of 2000 to 8 percent growth in 2001. This pattern reflects the slower expected growth of imports of non-oil core goods and of services. The projected slowing of U.S. real GDP growth partly accounts for the deceleration. In addition, we expect that relative prices here and abroad, which have been strongly boosting growth of non-oil imports in recent quarters, will continue to do so only in the near term and will change to a slightly restraining factor next year. The quantity of imported oil is forecast to expand strongly in the near term, as stocks are replenished, but more moderately in 2001.

With regard to impacts on U.S. GDP growth, we expect exports to contribute 0.7 percentage point this year and 0.9 percentage point in 2001, after contributing 0.5 percentage point in 1999. We expect that imports will satisfy a sizable, though diminishing, part of the growth of domestic demand over the forecast period, subtracting 1.5 percentage points from real GDP growth in 2000 and 1.2 percentage points in 2001. As a result, the contribution of net exports to GDP growth will move from negative 1.1 percentage point in 1999 to negative 0.9 percentage point this year and negative 0.3 percentage point in 2001.

The U.S. current account deficit is projected to rise from 3.7 percent of GDP in 1999 to 4.6 percent this year and 4.9 percent in 2001. Much of the projected change is in goods and services, but the net outflow of investment income also increases notably. Net investment income payments are projected to increase significantly as the U.S. net liability position increases in tandem with the large current account deficit.

### Risks to the Foreign Outlook

**Weaker U.S. dollar.** Because of the uncertainties surrounding the outlook for the dollar, in the scenario below we have considered the effects of an additional across-the-board 10 percent nominal depreciation of the dollar that occurs in the current quarter. In this scenario, the federal funds rate is assumed to remain unchanged from its baseline path, and the dollar stays about 10 percent below baseline over the remaining six quarters of the forecast period. The additional dollar depreciation raises U.S. GDP growth about 1/4 percentage point relative to baseline in 2000, and slightly over 1 percentage point in 2001. Inflation in core PCE prices (which exclude food and energy) is increased 1/4 percentage point in 2000 relative to baseline and slightly more than 1/2 percentage point in 2001.

#### **Impact of a Weaker Dollar<sup>1</sup>**

(Percent change, Q4 to Q4)

Measure	2000	2001
<i>U.S. real GDP</i>		
Baseline	4.6	3.6
Weaker dollar	4.8	4.7
<i>U.S. PCE prices ex. food and energy</i>		
Baseline	2.2	2.4
Weaker dollar	2.4	3.0

1. The dollar depreciates 10 percent below baseline in 2000:Q2 and remains at this lower level through 2001:Q4. Simulations assume the federal funds rate is unchanged from baseline.

Strictly Confidential (FR)  
Class II FOMC

May 11, 2000

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	3.2	5.1	2.3	4.3	4.1	0.8	4.4	4.4	3.9
Industrial Countries	1.9	3.9	1.9	2.9	3.3	1.7	3.4	3.6	3.0
of which:									
Canada	2.9	5.5	1.4	2.4	4.4	2.8	4.7	3.9	3.4
Japan	0.5	0.9	2.5	5.2	-0.5	-3.1	0.0	2.8	0.8
United Kingdom	3.2	4.6	1.9	2.9	3.4	1.5	3.0	2.6	2.5
Euro-11	0.1	3.0	1.6	1.8	3.0	2.0	3.0	3.8	3.6
Germany	-0.3	2.8	1.1	1.4	1.5	1.2	2.3	3.7	3.7
Developing Countries	5.1	6.9	3.0	6.4	5.1	-0.3	5.8	5.5	5.1
Asia	7.8	8.9	7.2	7.0	4.7	-1.9	8.2	6.9	6.6
Korea	6.3	9.4	7.2	6.8	3.7	-5.5	14.0	8.0	7.0
China	6.1	16.3	12.6	9.2	8.2	9.5	6.2	8.0	8.0
Latin America	2.6	5.4	-3.9	6.3	6.1	1.0	3.8	4.5	4.2
Mexico	1.9	5.2	-7.1	7.1	6.7	2.6	5.2	5.0	4.5
Brazil	4.5	9.8	-1.9	5.5	2.2	-1.6	3.2	3.1	3.4
<b>CONSUMER PRICES (2)</b>									
Industrial Countries	2.1	1.1	1.3	1.4	1.6	1.0	1.1	1.3	1.4
of which:									
Canada	1.8	-0.0	2.1	2.0	1.0	1.1	2.4	2.3	2.3
Japan	1.2	0.8	-0.8	0.1	2.0	0.8	-1.3	-0.7	-0.4
United Kingdom (3)	2.7	2.2	2.9	3.2	2.7	2.5	2.2	2.4	2.5
Euro-11 (4)	NA	NA	NA	2.0	1.5	0.8	1.5	1.5	1.6
Germany	4.2	2.6	1.5	1.4	2.0	0.4	0.9	1.1	1.5
Developing Countries	24.7	22.7	17.0	11.0	6.9	9.0	4.7	5.3	6.1
Asia	7.7	10.5	6.4	4.7	2.9	4.4	0.3	3.1	4.4
Korea	5.5	5.8	4.3	5.1	5.1	6.0	1.3	2.1	4.9
China	17.3	26.9	11.0	6.8	0.9	-1.2	-0.9	3.2	4.2
Latin America	73.9	54.0	42.1	25.9	15.6	15.5	12.6	9.1	9.2
Mexico	8.6	7.0	48.9	28.2	17.2	17.5	13.6	9.6	9.7
Brazil	2272.4	1196.9	21.5	9.6	4.7	1.6	8.3	5.8	5.1

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

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

Measure and country	1999				2000				Projected			
					2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>REAL GDP (1)</b>												
Total foreign	3.8	5.1	4.3	4.2	5.0	4.3	4.1	4.0	4.0	3.9	3.8	3.8
Industrial Countries of which:	4.0	3.4	3.5	2.8	4.4	3.5	3.3	3.2	3.1	3.1	3.0	2.9
Canada	5.1	3.6	5.5	4.6	4.5	4.2	3.6	3.5	3.5	3.5	3.4	3.3
Japan	6.3	3.9	-3.9	-5.5	8.6	1.1	1.1	0.6	0.5	0.7	0.9	1.1
United Kingdom	1.6	3.0	4.1	3.1	1.9	3.0	2.8	2.6	2.5	2.4	2.5	2.4
Euro-11	2.5	2.4	3.8	3.2	3.5	3.5	4.1	4.0	3.7	3.7	3.5	3.5
Germany	2.7	0.3	3.5	2.7	3.1	3.2	4.5	4.2	4.0	3.8	3.5	3.5
Developing Countries	3.7	7.8	5.4	6.3	6.0	5.4	5.3	5.3	5.3	5.2	5.0	5.0
Asia	7.0	11.5	5.3	9.3	7.4	7.0	6.6	6.7	6.6	6.6	6.6	6.6
Korea	13.0	17.5	14.0	11.7	7.0	9.0	8.0	8.0	7.0	7.0	7.0	7.0
China	2.2	1.1	11.4	10.6	9.6	7.5	7.5	7.5	8.0	8.0	8.0	8.0
Latin America	0.7	5.0	6.1	3.4	5.1	4.2	4.3	4.3	4.3	4.3	4.1	4.1
Mexico	2.5	7.6	8.9	2.2	6.1	4.7	4.7	4.7	4.7	4.7	4.3	4.3
Brazil	3.8	3.4	0.1	5.8	3.2	3.0	3.0	3.2	3.2	3.3	3.5	3.7
<b>CONSUMER PRICES (2)</b>												
Industrial Countries	Four-quarter changes											
of which:	0.7	0.9	1.3	1.1	1.5	1.4	1.3	1.3	1.4	1.4	1.4	1.4
Canada	0.8	1.6	2.2	2.4	2.7	2.5	2.4	2.3	2.3	2.3	2.3	2.3
Japan	-0.2	-0.4	0.1	-1.3	-0.8	-0.6	-0.9	-0.7	-0.6	-0.5	-0.5	-0.4
United Kingdom (3)	2.6	2.3	2.2	2.2	2.1	2.4	2.4	2.4	2.4	2.4	2.5	2.5
Euro-11 (4)	0.9	1.0	1.1	1.5	2.1	1.8	1.5	1.5	1.5	1.5	1.6	1.6
Germany	0.3	0.5	0.6	0.9	1.8	1.4	1.1	1.1	1.3	1.3	1.4	1.5
Developing Countries	8.2	7.0	5.9	4.7	3.9	4.2	4.6	5.3	6.2	6.6	6.4	6.1
Asia	2.6	0.9	0.2	0.3	0.5	1.6	2.5	3.1	4.1	4.6	4.5	4.4
Korea	0.7	0.6	0.7	1.3	1.6	1.8	2.9	2.1	3.7	4.9	4.8	4.9
China	-1.5	-2.1	-1.1	-0.9	0.1	1.9	2.3	3.2	3.9	4.4	4.4	4.2
Latin America	16.4	15.8	14.7	12.6	10.0	9.0	8.6	9.1	10.0	10.2	9.9	9.2
Mexico	18.6	18.0	16.5	13.6	10.6	9.3	8.9	9.6	10.6	10.7	10.5	9.7
Brazil	2.0	3.4	5.7	8.3	7.8	7.4	7.1	5.8	6.4	6.7	5.9	5.1

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

Strictly Confidential (FR)  
Class II FOMC

May 11, 2000

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1993	1994	1995	1996	1997	1998	1999	Projected 2000	Projected 2001
<b>NIPA REAL EXPORTS and IMPORTS</b>									
Percentage point contribution to GDP growth, Q4/Q4									
Net Goods & Services	-0.6	-0.3	0.4	-0.2	-0.7	-1.1	-1.1	-0.9	-0.3
Exports of G&S	0.5	1.0	1.0	1.1	1.0	0.2	0.5	0.7	0.9
Imports of G&S	-1.1	-1.3	-0.6	-1.3	-1.7	-1.3	-1.6	-1.5	-1.2
Percentage change, Q4/Q4									
Exports of G&S	4.8	10.5	9.7	9.8	9.2	2.0	4.8	6.1	8.4
Services	6.0	8.2	8.8	8.9	2.3	2.6	3.7	1.8	4.6
Agricultural Goods	-5.3	16.3	-4.0	3.7	3.3	0.3	-1.7	1.3	1.6
Computers	17.3	27.2	39.1	21.6	26.1	7.1	12.0	35.4	36.0
Semiconductors	31.1	66.9	79.6	44.6	21.0	9.3	33.4	35.1	41.1
Other Goods 1/	3.5	6.9	5.7	7.8	11.4	1.1	3.5	4.1	5.0
Imports of G&S	10.5	12.1	5.0	11.2	14.2	10.8	12.6	10.9	8.1
Services	6.7	1.8	5.5	5.3	13.6	8.4	6.9	5.9	2.8
Oil	10.1	-0.3	2.4	7.8	4.0	4.1	-3.3	13.4	0.4
Computers	30.7	38.9	35.0	17.7	32.4	26.9	26.1	30.6	36.1
Semiconductors	33.6	54.5	92.4	56.7	32.8	-7.4	35.4	38.5	42.4
Other Goods 2/	9.4	12.3	-1.2	10.4	12.7	11.3	13.4	8.9	5.6
Billions of chained 1996 dollars									
Net Goods & Services	-59.1	-86.5	-78.4	-88.9	-112.1	-217.6	-323.1	-409.7	-461.7
Exports of G&S	672.7	732.8	808.2	874.2	983.1	1004.6	1042.4	1111.9	1195.0
Imports of G&S	731.8	819.4	886.6	963.1	1095.2	1222.2	1365.4	1521.6	1656.7
Billions of dollars									
US CURRENT ACCOUNT BALANCE	-85.3	-121.7	-113.6	-129.3	-143.5	-220.6	-339.0	-458.8	-513.2
Current Acct as Percent of GDP	-1.3	-1.7	-1.5	-1.7	-1.7	-2.5	-3.7	-4.6	-4.9
Net Goods & Services (BOP)	-69.9	-98.4	-97.5	-104.3	-104.7	-164.3	-267.6	-369.1	-410.7
Investment Income, Net	26.9	20.3	23.9	21.8	8.2	-7.0	-19.2	-36.4	-49.2
Direct, Net	58.6	54.4	63.8	67.7	69.2	59.4	58.4	65.3	81.6
Portfolio, Net	-31.7	-34.1	-39.9	-46.0	-61.0	-66.4	-77.6	-101.7	-130.7
Other Income & Transfers, Net	-42.2	-43.6	-39.9	-46.7	-46.9	-49.3	-52.2	-53.3	-53.3

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

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1996				1997				1998			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>NIPA REAL EXPORTS and IMPORTS</b>												
Percentage point contribution to GDP growth												
Net Goods & Services	-1.0	-0.8	-1.3	2.1	-0.9	-0.5	-0.8	-0.5	-1.9	-2.0	-0.8	0.3
Exports of G&S	0.3	0.7	0.4	2.9	0.9	1.7	1.3	0.2	-0.2	-0.4	-0.2	1.7
Imports of G&S	-1.3	-1.6	-1.7	-0.8	-1.8	-2.2	-2.1	-0.7	-1.7	-1.6	-0.6	-1.3
Percentage change from previous period, s.a.a.r.												
Exports of G&S	2.3	6.8	3.2	28.7	8.3	15.9	11.3	1.7	-1.5	-3.9	-1.6	16.3
Services	-3.9	12.9	-7.3	39.7	-4.9	10.4	7.2	-2.7	1.7	8.9	-8.4	9.2
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	14.2
Billions of chained 1996 dollars, s.a.a.r.												
Net Goods & Services	-75.0	-90.3	-115.9	-74.6	-92.6	-103.2	-121.3	-131.5	-174.5	-221.1	-240.4	-234.4
Exports of G&S	846.1	860.1	867.0	923.5	942.1	977.6	1004.2	1008.4	1004.5	994.5	990.6	1028.7
Imports of G&S	921.1	950.4	982.9	998.1	1034.7	1080.8	1125.5	1139.9	1179.0	1215.6	1231.0	1263.1
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-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				2000				Projected				2001			
	Q1	Q2	Q3	Q4	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      -0.7      -0.1      -1.4      -0.8      -1.1      -0.2      -0.5      -0.5      -0.5      -0.2      0.2 Exports of G&S            -0.6      0.4      1.2      1.1      0.0      1.1      0.4      1.0      0.5      0.5      0.9      0.9      1.3 Imports of G&S           -1.5      -1.8      -1.9      -1.2      -1.4      -1.9      -1.5      -1.2      -1.0      -1.4      -1.2      -1.2      -1.1																
Percentage change from previous period, s.a.a.r.																
Exports of G&S           -5.5      4.0      11.5      10.1      0.2      11.0      4.0      9.4      4.5      8.3      8.7      12.0 Services                    4.1      3.1      0.1      7.5      0.1      2.0      1.4      3.5      4.6      4.8      4.5      4.3 Agricultural Goods       -38.1      29.3      27.3      -8.1      16.9      -7.1      -2.2      -0.9      -1.2      1.4      3.2      3.0 Computers                  -3.1      32.0      28.2      -3.9      24.2      43.7      38.6      36.0      36.0      36.0      36.0      36.0 Semiconductors           36.3      40.8      47.8      11.7      12.1      43.7      43.7      43.7      41.1      41.1      41.1      41.1 Other Goods 1/           -9.3      -2.0      12.7      14.4      -3.8      12.6      -0.0      8.2      -1.0      4.9      5.3      11.2																
Imports of G&S           12.5      14.4      14.9      8.7      10.1      14.3      10.7      8.6      7.0      9.8      8.2      7.4 Services                   12.1      8.9      3.6      3.4      6.0      8.5      5.7      3.5      2.2      2.7      3.1      3.3 Oil                         7.3      25.4      -11.6      -26.4      36.3      24.4      4.6      -6.8      -14.9      32.7      2.8      -12.6 Computers                  28.7      52.5      20.0      7.2      9.1      38.6      38.6      38.6      36.1      36.1      36.1      36.1 Semiconductors           18.4      63.5      19.0      45.9      24.1      43.7      43.7      43.7      43.7      43.7      41.1      41.1 Other Goods 2/           11.3      10.3      19.7      12.6      8.1      11.3      8.8      7.3      6.1      5.5      5.4      5.4																
Billions of chained 1996 dollars, s.a.a.r.																
Net Goods & Services    -286.6    -321.1    -340.4    -344.1    -378.2    -399.2    -427.3    -433.9    -448.0    -462.7    -470.4    -465.7 Exports of G&S           1014.3    1024.3    1052.6    1078.2    1078.7    1107.3    1118.1    1143.6    1156.3    1179.7    1204.6    1239.3 Imports of G&S           1300.9    1345.4    1393.0    1422.3    1456.9    1506.5    1545.4    1577.5    1604.3    1642.4    1674.9    1704.9																
Billions of dollars, s.a.a.r.																
US CURRENT ACCOUNT BALANCE    -275.6    -324.6    -356.3    -399.2    -432.2    -445.0    -468.5    -489.6    -497.3    -512.7    -518.0    -524.9 Current Account as % of GDP   -3.0      -3.5      -3.8      -4.2      -4.5      -4.5      -4.7      -4.8      -4.8      -4.9      -4.9      -4.9																
Net Goods & Services (BOP)   -216.7    -261.2    -290.4    -302.1    -349.1    -360.1    -380.9    -386.4    -400.9    -412.9    -418.1    -411.0																
Investment Income, Net      -12.1      -13.2      -15.5      -35.9      -32.5      -34.3      -37.0      -41.7      -45.9      -49.1      -49.3      -52.3 Direct, Net                   59.0      55.7      66.2      52.9      60.9      63.4      66.9      70.1      72.9      76.9      85.3      91.1 Portfolio, Net              -71.1      -68.9      -81.7      -88.7      -93.4      -97.8      -103.9      -111.8      -118.8      -126.1      -134.6      -143.4																
Other Inc. & Transfers, Net   -46.8      -50.2      -50.4      -61.3      -50.6      -50.6      -50.6      -61.6      -50.6      -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**

May 11, 2000

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## **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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### **Recent Developments**

Confidential (FR) Class III FOMC

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May 11, 2000

## **Recent Developments**

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

## Gross Issuance Of Securities By U.S. Corporations

(Billions of dollars; monthly rates, not seasonally adjusted)

Type of security	1998	1999	1999 Q4	Q1	Feb.	2000	
						Mar.	Apr.
All U.S. corporations	94.0	89.4	64.8	84.5	85.7	112.1	61.3
Stocks	10.6	11.0	14.6	16.9	22.3	16.8	20.7
Bonds	83.5	78.4	50.2	67.6	63.4	95.3	40.6
<i>Nonfinancial corporations</i>							
Stocks <sup>1</sup>	6.2	9.2	13.7	15.5	21.8	15.6	16.4
Initial public offerings	2.2	4.2	7.9	4.7	6.9	6.3	13.3
Seasoned offerings	4.0	5.0	5.8	10.8	14.9	9.3	3.2
Bonds <sup>2</sup>	25.7	24.5	17.6	23.1	26.6	28.1	7.7
Investment grade <sup>3</sup>	14.1	13.9	8.8	11.6	12.1	17.3	5.5
Speculative grade <sup>3</sup>	10.2	7.5	6.6	7.5	10.4	7.0	1.5
Other (Sold Abroad/Unrated)	1.3	3.1	2.2	4.0	4.0	3.8	.8
<i>Financial corporations</i>							
Stocks <sup>1</sup>	4.4	1.8	.9	1.3	.5	1.3	4.3
Bonds	57.8	53.9	32.6	44.5	36.8	67.2	32.9
<i>Memo</i>							
Net issuance of commercial paper, nonfinancial corporations <sup>4</sup>	2.3	3.6	4.2	3.0	9.5	-2.2	15.2
Change in C&I loans at commercial banks <sup>4</sup>	7.1	4.6	7.4	8.4	5.9	4.3	12.9

Note. Components may not sum to totals because of rounding. These data include speculative-grade bonds issued privately under Rule 144A. All other private placements are excluded. Total reflects gross proceeds rather than par value of original discount bonds.

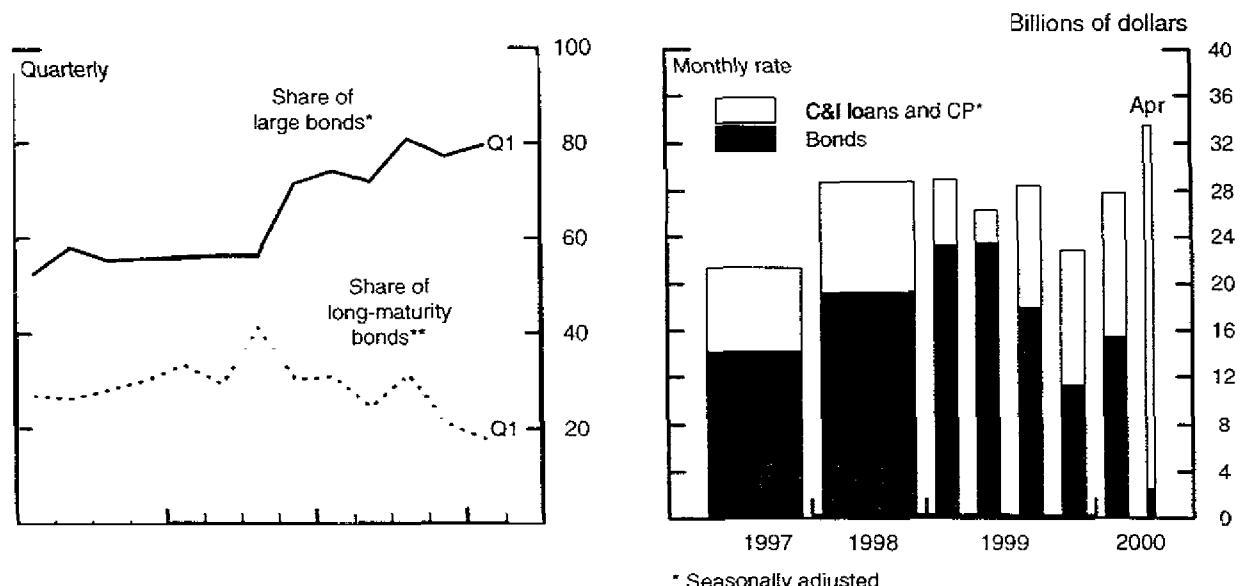
1. Excludes equity issues associated with equity-for-equity swaps that have occurred in restructurings.

2. Excludes mortgage-backed and asset-backed bonds.

3. Bonds sold in U.S. categorized according to Moody's bond ratings, or to Standard Poor's if unrated by Moody's.

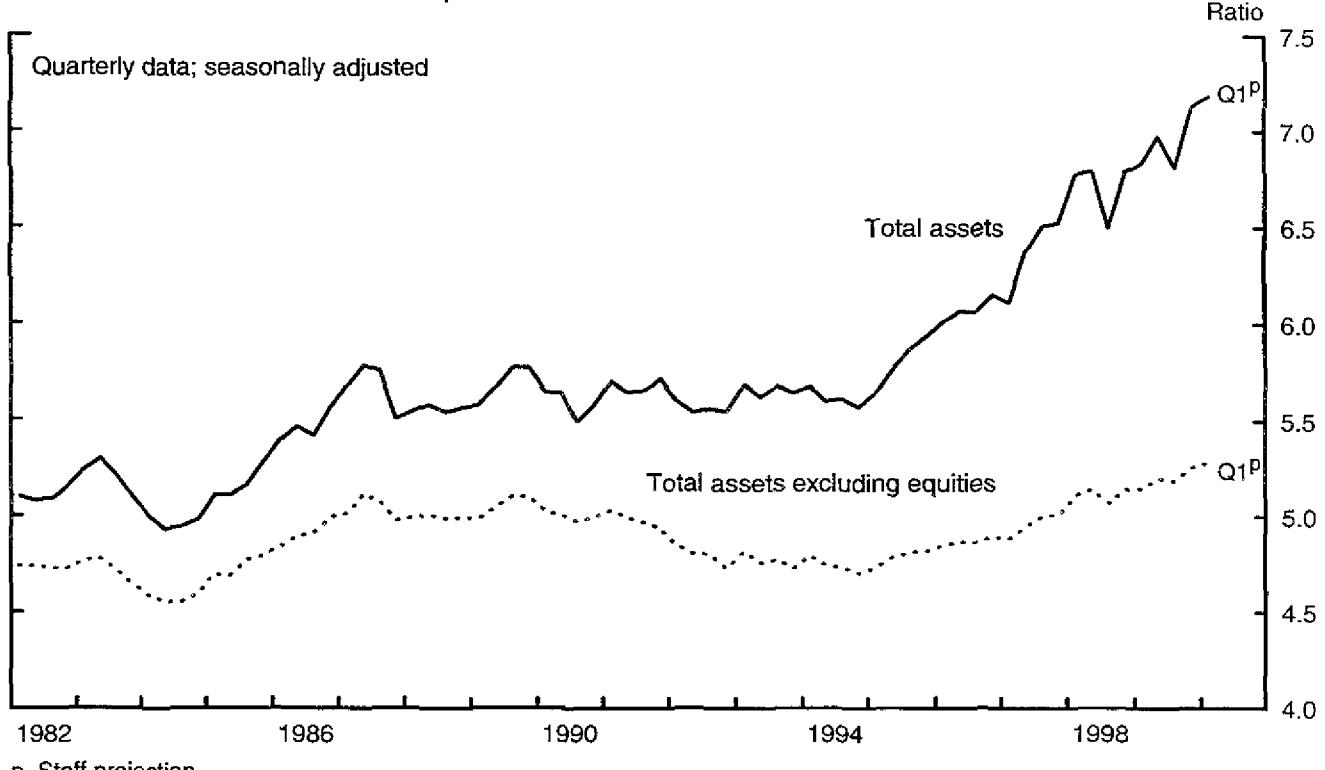
4. End-of-period basis, seasonally adjusted.

## Sources of Net Debt Financing



## Household Assets

### Household Assets Relative to Disposable Income



### Net Flows into Long-Term Mutual Funds

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

	1997	1998	H1	1999	Q3	Q4	2000	Apr. e	Assets Mar.
<b>Total long-term funds</b>	<b>22.7</b>	<b>20.2</b>	<b>18.3</b>	<b>8.6</b>	<b>11.8</b>	<b>27.8</b>	<b>26.9</b>	<b>5,597</b>	
<b>Equity funds</b>	<b>19.0</b>	<b>13.2</b>	<b>15.2</b>	<b>10.7</b>	<b>21.7</b>	<b>43.2</b>	<b>34.5</b>	<b>4,432</b>	
Capital appreciation	7.9	7.1	12.1	8.6	21.1	45.2	29.0	2,460	
Aggressive growth	2.7	1.0	0.6	1.9	8.5	20.7	10.2	767	
Growth	4.3	5.5	10.1	5.6	6.7	12.0	14.3	1,421	
Sector	0.8	0.6	1.4	1.1	5.8	12.4	4.5	271	
Total return	7.9	5.5	3.6	2.4	-4.1	-14.2	-1.4	1,321	
International	3.1	0.6	-0.4	-0.3	4.7	12.2	6.8	651	
<b>Hybrid funds</b>	<b>1.4</b>	<b>0.9</b>	<b>-0.4</b>	<b>-0.7</b>	<b>-2.6</b>	<b>-5.9</b>	<b>-2.2</b>	<b>372</b>	
<b>Bond funds</b>	<b>2.4</b>	<b>6.2</b>	<b>3.4</b>	<b>-1.4</b>	<b>-7.3</b>	<b>-9.5</b>	<b>-5.3</b>	<b>793</b>	
International	-0.1	-0.1	-0.1	-0.2	-0.4	-0.2	-0.1	23	
High-yield	1.4	1.1	0.3	-0.8	-0.8	-1.7	-1.2	109	
Other taxable	1.0	3.9	2.5	1.0	-2.1	-4.6	-1.5	392	
Municipals	0.1	1.3	0.7	-1.4	-4.0	-3.0	-2.5	269	

e. Staff estimates based on confidential ICI weekly data.

Source. Investment Company Institute (ICI).

## Treasury and Agency Finance

### Treasury Financing (Billions of dollars)

Item	1999		2000			
	Q3	Q4	Q1	Feb.	Mar.	Apr.
<b>Total surplus, deficit (-)</b>	<b>30.1</b>	<b>-20.6</b>	<b>-15.0</b>	<b>-41.7</b>	<b>-35.4</b>	n.a.
Means of financing deficit						
Net borrowing	-20.1	47.6	-27.1	17.1	39.7	-113.2
Nonmarketable	-2.7	1.0	-6.4	-1.6	-2.4	1.5
Marketable	-17.4	46.6	-20.7	18.8	42.1	-114.7
Bills	4.7	83.6	16.0	25.8	57.3	-102.2
Coupons <sup>1</sup>	-22.0	-37.0	-34.7	-7.1	-13.2	-10.5
Debt buybacks	.0	.0	-2.0	.0	-2.0	-2.0
Decrease in cash balance	-3.4	-26.9	38.6	40.8	-22.8	-47.8
Other <sup>2</sup>	-6.7	-.2	3.5	-16.2	18.4	n.a.
MEMO						
Cash balance, end of period	56.5	83.3	44.8	22.0	44.8	92.6

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

1. Does not include Treasury debt buybacks.

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

e Estimated.

n.a. Not available.

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

Agency	1999		2000			
	Q3	Q4	Q1	Feb.	Mar.	Apr.
FHLBs	44.5	47.4	6.3	5.1	7.4	n.a.
Freddie Mac	26.7	19.6	17.3	8.1	-2.7	n.a.
Fannie Mae	25.0	22.7	9.9	2.7	10.4	4.2
Farm Credit Banks	0.2	0.9	-1.7	0.1	-2.0	n.a.
Sallie Mae	4.0	0.1	-3.9	-1.0	-4.6	n.a.
MEMO						
<i>Outstanding noncallable notes and bonds</i>						
Fannie Mae benchmark	93.9	106.4	128.1	124.1	128.1	134.1
Freddie Mac reference	58.5	69.5	85.5	80.5	85.5	88.5

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

n.a. Not available.

## State and Local Finance

### Gross Offerings of Municipal Securities

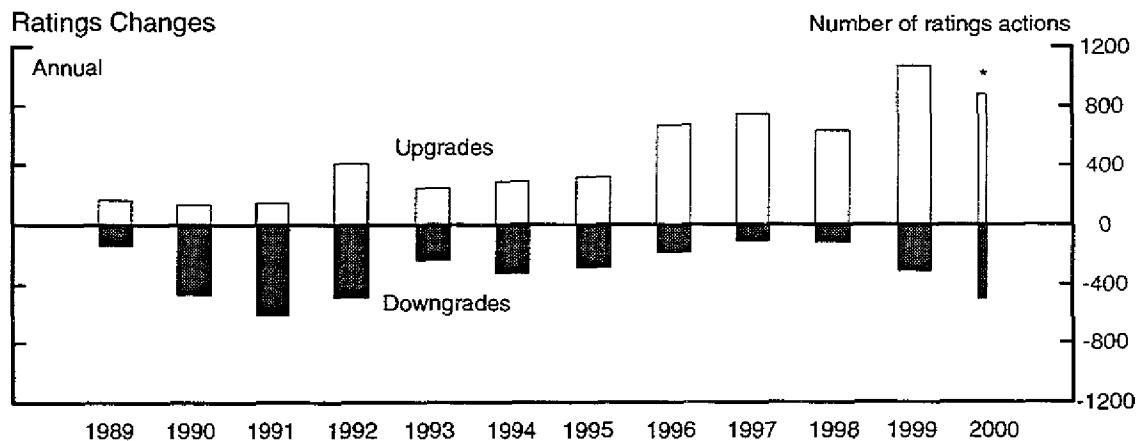
(Billions of dollars; monthly rates, not seasonally adjusted)

	1998	1999	1999 Q4	2000 Q1	Feb.	Mar.	Apr.
Long-term	21.9	18.0	16.6	12.2	10.9	16.8	14.2
Refundings <sup>1</sup>	8.5	4.5	3.1	1.9	1.5	3.3	2.2
New capital	13.4	13.5	13.5	10.3	9.4	13.5	12.0
Short-term	2.4	2.7	2.2	1.6	1.3	1.8	1.0
Total tax-exempt	24.3	20.6	18.8	13.8	12.2	18.5	15.2
Total taxable	1.1	1.1	1.1	0.6	0.6	0.7	0.6

Note. Includes issues for public and private purposes.

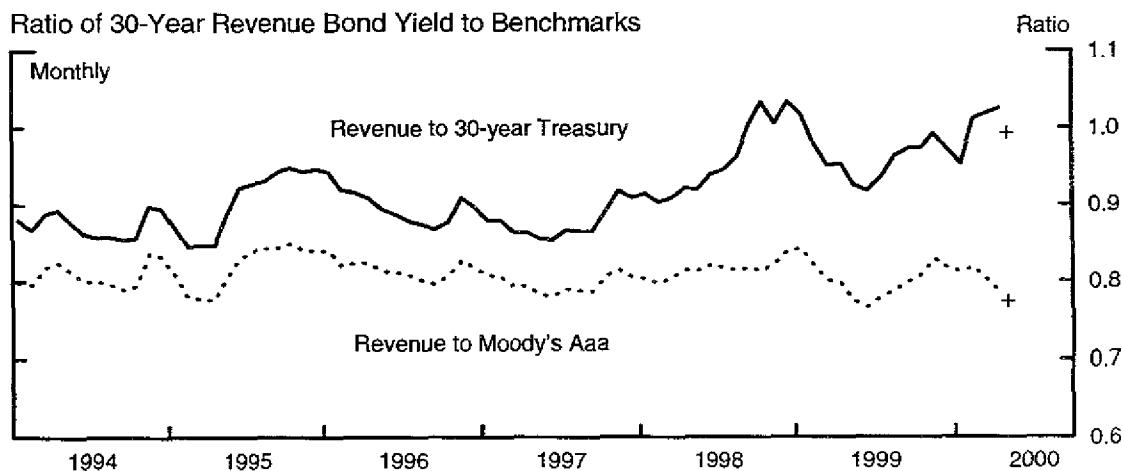
1. All issues that include any refunding bonds.

### Ratings Changes



\* Data through Apr. 27, 2000, at an annual rate.

### Ratio of 30-Year Revenue Bond Yield to Benchmarks



Note. Average of weekly data. + indicates latest observation (May 4).

May 12, 2000

## 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

May 12, 2000

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

	1999 Sept.	1999 Oct.	1999 Nov.	1999 Dec.	2000 Jan.	2000 Feb.	2000 Mar.	2000 Apr.	2000 May (p)
<b>Indexes of consumer sentiment (Feb. 1966=100)</b>									
Composite of current and expected conditions	107.2	103.2	107.2	105.4	112.0	111.3	107.1	109.2	110.9
Current conditions	115.9	112.7	116.8	112.2	117.3	116.8	115.4	117.8	120.6
Expected conditions	101.5	97.1	101.0	101.1	108.6	107.8	101.7	103.7	104.7
<hr/>									
<b>Personal financial situation</b>									
Now compared with 12 months ago*	132	127	138	133	135	132	135	130	139
Expected in 12 months*	135	133	138	132	141	138	136	137	137
<b>Expected business conditions</b>									
Next 12 months*	150	140	146	150	165	161	146	152	154
Next 5 years*	124	118	123	125	133	136	128	130	131
<b>Appraisal of buying conditions</b>									
Cars	145	146	148	141	144	153	134	148	149
Large household appliances*	169	166	166	158	169	172	165	176	175
Houses	149	149	156	154	152	153	150	151	141
<b>Willingness to use credit</b>									
Willingness to use savings	47	48	50	50	51	48	52	54	45
Willingness to use savings	62	59	68	70	85	75	67	70	70
<b>Expected unemployment change - next 12 months</b>									
Prob. household will lose a job - next 5 years	110	112	111	105	104	106	109	109	103
<b>Expected inflation - next 12 months</b>									
Mean	3.2	3.5	3.3	3.6	3.5	3.5	3.8	3.5	3.4
Median	2.7	2.9	2.9	3.0	3.0	2.9	3.2	3.2	2.9
<b>Expected inflation - next 5 to 10 years</b>									
Mean	3.5	3.2	3.5	3.2	3.5	3.3	3.8	3.2	3.1
Median	2.9	2.8	2.9	2.9	3.0	2.9	3.1	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.