

December 12, 1990

SUMMARY AND OUTLOOK

Prepared for the Federal Open Market Committee

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

cutback appears to reflect an exceptionally prompt pruning of inventories. Because stocks are projected to be even leaner at year-end than we had expected, part of the production adjustment previously seen for early 1991 already has taken place. Second, monetary policy has eased, thus providing an additional spur to aggregate demand that was not assumed in the November Greenbook.

STAFF GREENBOOK PROJECTIONS
(Percent change, fourth quarter to fourth quarter)

Variable and month of forecast	1990	1991	1992
Real GNP			
December	.2	1.8	2.4
November	.4	1.2	2.5
Consumer price index			
December	6.3	4.1	3.8
November	6.5	4.4	4.0
Unemployment rate ¹			
December	5.9	6.5	6.5
November	5.9	6.8	6.8

1. Level in the fourth quarter.

The staff now projects that real GNP will rebound at more than a 3 percent rate in the second quarter, as production picks up to meet a firming of final demand. Over the second half of next year, we expect more moderate growth, with gains averaging just under 2-1/2 percent at an annual rate. All major components of private domestic demand, except for nonresidential construction, are projected to expand in the second half. The foreign sector also is projected to make a major contribution to real GNP growth next year. In 1992, with monetary policy imposing a degree of restraint on aggregate demand, real GNP growth is expected to remain a shade

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STAFF GNP PROJECTIONS

Percent changes, annual rate

		Nominal GNP		Real GNP		GNP fixed-weight price index		Consumer Price Index <1>		Unemployment rate (percent)	
		11/7/90	12/12/90	11/7/90	12/12/90	11/7/90	12/12/90	11/7/90	12/12/90	11/7/90	12/12/90
Annual changes:											
1988	<2>	7.9	7.9	4.5	4.5	4.2	4.2	4.1	4.1	5.5	5.5
1989	<2>	6.7	6.7	2.5	2.5	4.5	4.5	4.8	4.8	5.3	5.3
1990		5.1	5.1	1.0	.9	4.6	4.6	5.5	5.4	5.5	5.5
1991		4.7	4.8	.3	.5	4.7	4.4	5.3	4.9	6.7	6.5
1992		6.2	6.1	2.4	2.5	4.0	3.8	4.1	4.0	6.8	6.5
Quarterly changes:											
1989	Q1 <2>	7.5	7.5	3.6	3.6	4.9	4.9	5.4	5.4	5.2	5.2
	Q2 <2>	5.8	5.8	1.6	1.6	4.6	4.6	6.0	6.0	5.3	5.3
	Q3 <2>	5.1	5.1	1.7	1.7	3.1	3.1	2.9	2.9	5.3	5.3
	Q4 <2>	3.9	3.9	.3	.3	3.8	3.8	3.9	3.9	5.3	5.3
1990	Q1 <2>	6.7	6.7	1.7	1.7	6.6	6.6	8.2	8.2	5.2	5.2
	Q2 <2>	5.1	5.1	.4	.4	3.9	3.9	3.8	3.8	5.3	5.3
	Q3 <2>	5.3	5.8	1.8	1.7	4.1	4.2	6.3	6.3	5.6	5.6
	Q4	1.3	.9	-2.1	-3.1	4.7	4.5	8.0	7.2	5.9	5.9
1991	Q1	4.5	4.3	-1.1	-.9	5.7	5.5	5.0	4.2	6.4	6.4
	Q2	6.1	7.4	1.4	3.2	4.5	4.0	4.2	4.0	6.7	6.4
	Q3	6.4	6.1	2.2	2.5	4.0	3.8	3.9	4.1	6.8	6.5
	Q4	6.0	5.8	2.4	2.3	3.8	3.7	4.3	4.0	6.8	6.5
1992	Q1	6.5	6.2	2.5	2.4	4.3	4.2	4.2	4.0	6.8	6.5
	Q2	6.2	6.0	2.5	2.4	3.8	3.7	4.1	4.0	6.8	6.5
	Q3	6.2	5.9	2.5	2.4	3.7	3.6	3.9	3.7	6.8	6.5
	Q4	6.0	5.8	2.5	2.4	3.6	3.6	3.8	3.7	6.8	6.5
Two-quarter changes: <3>											
1989	Q2 <2>	6.7	6.7	2.6	2.6	4.7	4.7	5.7	5.7	.0	.0
	Q4 <2>	4.5	4.5	1.0	1.0	3.4	3.4	3.4	3.4	.0	.0
1990	Q2 <2>	5.9	5.9	1.1	1.1	5.3	5.3	5.9	5.9	.0	.0
	Q4	3.3	3.3	-.2	-.7	4.4	4.3	7.2	6.8	.6	.6
1991	Q2	5.3	5.8	.1	1.2	5.1	4.8	4.6	4.1	.8	.5
	Q4	6.2	6.0	2.3	2.4	3.9	3.7	4.1	4.1	.1	.1
1992	Q2	6.4	6.1	2.5	2.4	4.1	4.0	4.2	4.0	.0	.0
	Q4	6.1	5.8	2.5	2.4	3.7	3.6	3.9	3.7	.0	.0
Four-quarter changes: <4>											
1988	Q4 <2>	7.8	7.8	3.5	3.5	4.6	4.6	4.3	4.3	-.5	-.5
1989	Q4 <2>	5.6	5.6	1.8	1.8	4.0	4.0	4.6	4.6	.0	.0
1990	Q4	4.6	4.6	.4	.2	4.8	4.8	6.5	6.3	.6	.6
1991	Q4	5.7	5.9	1.2	1.8	4.5	4.3	4.4	4.1	.9	.6
1992	Q4	6.2	6.0	2.5	2.4	3.9	3.8	4.0	3.8	.0	.0

For all urban consumers.

> Actual.

<3> Percent change from two quarters earlier.

<4> Percent change from four quarters earlier.

CONFIDENTIAL - FR
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS
(Seasonally adjusted; annual rate)

December 12, 1990

	Units	1984	1985	1986	1987	1988	1989	Projection		
								1990	1991	1992
EXPENDITURES										
Nominal GNP	Billions of \$	3772.2	4014.9	4231.6	4515.6	4873.7	5200.8	5468.1	5729.7	6078.0
Real GNP	Billions of 82\$	3501.4	3618.7	3717.9	3845.3	4016.9	4117.7	4154.9	4175.6	4278.6
Real GNP	Percent change*	5.1	3.6	1.9	5.0	3.5	1.8	.2	1.8	2.4
Gross domestic purchases		6.4	4.3	2.1	4.2	2.6	1.1	-1.6	1.1	2.0
Final sales		4.7	4.6	2.7	3.1	4.5	1.7	1.2	.9	2.2
Private dom. final purchases		5.6	4.6	2.9	2.5	4.0	1.2	-1.1	.4	2.2
Personal consumption expend.		4.1	4.6	3.8	2.3	4.1	1.2	.5	.9	1.8
Durables		10.8	7.0	11.5	-1.2	9.3	-1.4	-1.9	.3	2.3
Nondurables		2.3	3.3	2.9	1.3	2.4	.6	-2.0	-.6	.6
Services		3.5	5.0	2.1	4.1	3.7	2.4	2.6	2.1	2.4
Business fixed investment		13.8	3.7	-5.5	6.1	5.3	4.5	.3	-2.2	2.7
Producers' durable equipment		14.9	4.6	.4	8.2	8.2	5.4	1.8	-.7	5.2
Nonresidential structures		11.8	1.9	-17.7	.8	-2.7	1.7	-4.5	-7.2	-6.4
Residential structures		6.1	5.8	11.6	-2.2	-.1	-7.1	-9.2	.6	6.9
Exports		5.9	-2.4	10.6	19.8	14.0	10.1	3.1	7.0	8.5
Imports		17.4	4.5	10.0	10.4	5.5	4.5	-2.0	2.6	6.1
Government purchases		7.9	8.6	3.1	2.0	1.1	.3	2.3	-.8	.3
Federal		13.0	13.3	.5	1.5	-1.6	-2.8	2.5	-3.4	-2.3
Defense		6.5	7.1	6.0	4.0	-1.8	-2.1	-.6	-5.6	-4.3
State and local		4.4	4.9	5.2	2.3	3.1	2.6	2.2	1.0	2.1
Change in business inventories	Billions of 82\$	62.3	9.1	5.6	22.8	23.6	23.8	-2.4	.7	22.4
Nonfarm	Billions of 82\$	57.8	13.4	8.0	28.7	26.5	18.7	-3.9	-.9	20.2
Net exports	Billions of 82\$	-84.0	-104.3	-129.7	-118.5	-75.9	-54.1	-35.1	5.6	25.0
Nominal GNP	Percent change*	8.6	6.6	4.6	8.2	7.8	5.6	4.6	5.9	6.0
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employment	Millions	94.5	97.5	99.5	102.2	105.5	108.4	110.3	110.2	111.7
Unemployment rate	Percent	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.5	6.5
Industrial production index	Percent change*	4.7	1.9	1.4	6.5	4.5	1.1	-.1	1.9	3.4
Capacity utilization rate-mfg.	Percent	80.4	79.5	79.0	81.4	83.9	83.9	82.1	79.1	80.0
Housing starts	Millions	1.77	1.74	1.81	1.62	1.49	1.38	1.19	1.10	1.21
Auto sales	Millions	10.35	11.03	11.44	10.23	10.65	9.89	9.52	8.76	9.28
Domestic	Millions	7.92	8.22	8.22	7.06	7.55	7.06	6.90	6.41	6.74
Foreign	Millions	2.43	2.82	3.22	3.18	3.10	2.83	2.62	2.35	2.55
INCOME AND SAVING										
Nominal personal income	Percent change*	8.4	6.6	5.8	8.1	7.6	6.8	5.6	6.1	6.5
Real disposable income	Percent change*	4.3	2.7	3.3	2.7	4.3	1.7	-.5	1.4	1.9
Personal saving rate	Percent	6.1	4.4	4.1	2.9	4.2	4.6	4.4	4.2	4.4
Corp. profits with IVA & CCAdj	Percent change*	7.4	9.2	-5.6	17.4	8.2	-16.8	-3.9	2.8	-1.1
Profit share of GNP	Percent	7.1	7.0	6.7	6.8	6.9	6.0	5.4	4.9	4.6
Federal govt. surplus/deficit	Billions of \$	-169.6	-196.9	-206.9	-158.2	-141.7	-134.3	-153.6	-141.3	-116.5
State and local govt. surplus		64.6	65.1	62.8	51.0	46.5	46.5	38.0	41.6	59.6
Exc. social insurance funds		19.8	13.8	5.6	-8.3	-16.4	-19.9	-31.5	-31.3	-16.9
PRICES AND COSTS										
GNP implicit deflator	Percent change*	3.4	2.9	2.6	3.0	4.1	3.7	4.4	4.0	3.5
GNP fixed-weight price index		3.7	3.3	2.6	3.8	4.6	4.0	4.8	4.3	3.8
Cons. & fixed invest. prices		3.3	3.4	2.5	4.5	4.3	4.3	5.4	4.0	3.7
CPI		4.2	3.5	1.3	4.5	4.3	4.6	6.3	4.1	3.8
Exc. food and energy		5.0	4.3	3.9	4.3	4.5	4.3	5.3	4.8	3.9
ECI hourly compensation		4.9	3.9	3.2	3.3	4.8	4.8	5.0	4.5	3.9
Nonfarm business sector										
Output per hour		1.5	1.6	1.3	2.3	1.8	-1.6	-.1	1.5	1.2
Compensation per hour		4.1	4.6	4.9	3.7	4.2	2.2	4.4	4.4	4.0
Unit labor costs		2.6	3.0	3.6	1.4	2.3	3.9	4.6	2.9	2.7

* Percent changes are from fourth quarter to fourth quarter.

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CONFIDENTIAL - FR
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS
(Seasonally adjusted; annual rate)

		1988				1989				1990	
	Units	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GNP	Billions of \$	4735.8	4831.4	4917.9	5009.8	5101.3	5174.0	5238.6	5289.3	5375.4	5443.3
Real GNP	Billions of \$2\$	3970.2	4005.8	4032.1	4059.3	4095.7	4112.2	4129.7	4133.2	4150.6	4155.1
Real GNP	Percent Change	5.1	3.6	2.7	2.7	3.6	1.6	1.7	.3	1.7	.4
Gross domestic purchases		1.6	3.0	3.2	2.4	1.2	1.8	2.8	-1.2	.5	1.3
Final sales		7.1	5.1	1.1	4.6	2.4	1.7	1.8	.9	3.8	-.7
Private dom. final purchases		6.7	4.8	3.0	1.7	.8	1.4	4.1	-1.5	2.4	-1.2
Personal consumption expend.		6.9	2.7	3.5	3.5	-.3	1.3	4.6	-.8	1.1	.2
Durables		21.8	3.7	-1.1	14.1	-6.0	5.6	9.6	-13.0	14.4	-9.5
Nondurables		2.6	2.0	4.1	1.2	.6	-1.7	3.9	-.2	-3.2	-1.9
Services		5.6	2.9	4.5	1.9	.9	2.1	3.5	3.1	.1	5.1
Business fixed investment		11.4	15.7	1.6	-6.3	8.9	6.9	6.3	-3.8	5.0	-4.7
Producers' durable equipment		20.3	17.9	2.2	-5.5	9.5	12.2	6.1	-5.2	5.7	-3.3
Nonresidential structures		-10.5	9.9	-.3	-8.7	7.5	-8.2	7.1	1.3	2.3	-9.0
Residential structures		-6.8	6.8	.4	-.4	-3.6	-11.3	-7.6	-5.5	15.1	-11.2
Exports		31.7	4.4	5.4	16.7	15.8	12.4	-.5	13.5	11.2	-5.0
Imports		.5	.3	9.2	12.4	-2.3	12.8	6.4	1.7	2.5	.7
Government purchases		-9.2	3.3	-3.8	15.7	-3.3	4.0	-2.4	3.0	2.9	6.2
Federal		-24.1	3.5	-10.4	33.6	-9.1	7.0	-7.9	-.4	.4	16.4
Defense		-5.6	-1.4	-5.0	4.9	-10.9	3.2	7.2	-7.0	-1.7	3.3
State and local		3.9	3.2	1.2	4.3	1.3	1.8	1.8	5.6	4.8	-.6
Change in business inventories	Billions of \$2\$	31.0	16.9	32.6	14.0	26.1	25.5	24.6	18.9	-2.2	9.5
Nonfarm	Billions of \$2\$	28.8	19.2	31.0	27.2	16.4	21.5	21.7	15.3	-8.2	11.6
at exports	Billions of \$2\$	-77.3	-72.2	-78.5	-75.7	-51.1	-53.3	-64.1	-47.9	-35.4	-44.6
Nominal GNP	Percent change	7.8	8.3	7.4	7.7	7.5	5.8	5.1	3.9	6.7	5.1
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	104.3	105.1	105.9	106.8	107.6	108.2	108.7	109.2	109.9	110.5
Unemployment rate	Percent*	5.7	5.5	5.5	5.3	5.2	5.3	5.3	5.3	5.2	5.3
Industrial production index	Percent change	5.0	4.2	5.9	2.8	2.7	2.8	-1.2	.2	.6	4.2
Capacity utilization rate-mfg.	Percent*	83.1	83.6	84.3	84.6	84.7	84.5	83.7	82.9	82.6	82.8
Housing starts	Millions	1.46	1.49	1.47	1.54	1.51	1.35	1.34	1.35	1.45	1.20
Auto sales	Millions	10.91	10.67	10.15	10.88	10.03	10.26	10.20	9.09	10.01	9.53
Domestic	Millions	7.60	7.50	7.20	7.89	7.08	7.26	7.36	6.56	7.11	6.78
Foreign	Millions	3.30	3.17	2.95	2.99	2.95	3.00	2.84	2.53	2.90	2.75
INCOME AND SAVING											
Nominal personal income	Percent change	6.4	8.6	8.1	7.4	11.6	5.8	3.7	6.2	8.6	5.3
Real disposable income	Percent change	7.3	2.7	4.9	2.3	4.2	-1.2	2.7	1.2	2.5	.3
Personal saving rate	Percent*	4.0	4.1	4.5	4.1	5.2	4.6	4.1	4.6	4.9	5.0
Corp. profits with IVA & CCAdj	Percent change	9.5	6.6	-1.7	19.5	-23.2	-7.0	-17.1	-19.1	8.4	13.9
Profit share of GNP	Percent*	7.0	7.0	6.8	7.0	6.4	6.2	5.9	5.5	5.5	5.6
Federal govt. surplus/deficit	Billions of \$	-153.7	-136.9	-120.1	-156.3	-132.6	-122.7	-131.7	-150.1	-168.3	-166.0
State and local govt. surplus		45.5	48.3	46.8	45.2	48.9	50.3	48.1	38.5	38.1	38.6
Exc. social insurance funds		-15.6	-14.1	-17.0	-19.0	-16.2	-15.6	-18.7	-29.1	-30.2	-30.4
PRICES AND COSTS											
GNP implicit deflator	Percent change	2.7	4.4	4.7	4.7	3.9	3.9	3.2	3.8	4.8	4.7
GNP fixed-weight price index		3.9	4.7	5.5	4.4	4.9	4.6	3.1	3.8	6.6	3.9
Cons. & fixed invest. prices		2.9	4.9	4.5	5.0	5.0	5.3	2.3	4.6	6.8	2.6
CPI		3.5	4.2	5.2	4.1	5.4	6.0	2.9	3.9	8.2	3.8
Exc. food and energy		4.4	4.7	4.6	4.6	5.2	4.1	3.8	4.4	6.2	4.9
ECI hourly compensation**		5.2	5.2	3.8	4.6	4.6	4.9	4.9	4.8	5.6	5.5
Nonfarm business sector											
Output per hour		4.7	-.5	2.8	.2	-2.7	-.3	-1.0	-2.5	-1.3	.3
Compensation per hour		2.4	5.1	5.3	3.8	3.3	1.7	1.6	2.3	3.9	5.0
Unit labor costs		-2.2	5.7	2.5	3.6	6.1	2.0	2.6	5.0	5.3	4.7

* Not at an annual rate.

** Private industry workers

December 12, 1990

CONFIDENTIAL - FR
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS
(Seasonally adjusted; annual rate)

	Units	Projection									
		1990		1991				1992			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GNP	Billions of \$	5520.6	5533.2	5591.1	5691.9	5777.1	5858.8	5947.8	6034.7	6121.4	6208.0
Real GNP	Billions of \$25	4173.1	4140.7	4131.8	4164.8	4190.9	4214.8	4240.4	4265.7	4291.3	4317.0
Real GNP	Percent Change	1.7	-3.1	-.9	3.2	2.5	2.3	2.4	2.4	2.4	2.4
Gross domestic purchases		1.8	-5.8	-2.2	2.6	2.4	1.7	1.7	2.0	2.3	2.2
Final sales		2.2	-.5	-.9	1.6	.8	1.9	2.4	2.1	2.1	2.1
Private dom. final purchases		2.6	-4.0	-2.7	1.6	1.3	1.6	1.9	2.1	2.4	2.3
Personal consumption expend.		3.2	-2.5	-1.6	2.5	1.4	1.5	1.7	1.8	1.8	1.8
Durables		2.3	-8.8	-7.4	5.7	1.7	1.5	2.1	2.4	2.6	2.2
Nondurables		3.2	-5.7	-4.5	1.8	.2	.4	.5	.6	.6	.6
Services		3.5	1.7	2.2	2.0	2.0	2.3	2.3	2.4	2.4	2.4
Business fixed investment		8.2	-6.5	-6.2	-2.7	-.3	.4	1.6	2.5	3.3	3.4
Producers' durable equipment		10.1	-4.6	-5.2	-1.5	1.5	2.5	4.0	5.0	6.0	6.0
Nonresidential structures		2.7	-13.0	-9.4	-6.5	-6.4	-6.5	-6.6	-6.4	-6.4	-6.2
Residential structures		-19.2	-17.6	-9.2	1.2	5.2	5.8	6.0	6.4	8.4	7.0
Exports		4.3	2.5	3.7	8.2	8.1	8.3	8.8	8.6	8.3	8.1
Imports		4.3	-14.5	-5.1	3.9	7.4	4.5	3.9	6.0	7.7	6.9
Government purchases		.6	-.4	-.3	-1.5	-1.6	.2	.6	.0	.2	.4
Federal		-1.5	-4.1	-1.9	-4.8	-5.2	-1.6	-1.5	-2.8	-2.6	-2.3
Defense		.0	-4.0	-3.6	-7.7	-7.9	-3.1	-3.3	-4.6	-4.8	-4.4
State and local		2.2	2.3	.9	.8	.9	1.4	2.0	2.0	2.1	2.1
Change in business inventories	Billions of \$25	5.1	-21.8	-21.3	-5.2	12.5	16.9	17.6	20.5	24.1	27.3
Nonfarm	Billions of \$25	5.0	-24.1	-22.6	-6.6	10.7	14.8	15.4	18.2	21.9	25.1
Net exports	Billions of \$25	-45.1	-15.5	-1.4	5.2	6.3	12.3	20.3	24.8	26.3	28.7
Nominal GNP	Percent change	5.8	.9	4.3	7.4	6.1	5.8	6.2	6.0	5.9	5.8
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	110.7	110.2	109.8	110.0	110.4	110.7	111.1	111.5	111.9	112.4
Unemployment rate	Percent*	5.6	5.9	6.4	6.4	6.5	6.5	6.5	6.5	6.5	6.5
Industrial production index	Percent change	3.7	-8.5	-6.0	5.2	4.7	4.2	3.3	3.3	3.5	3.5
Capacity utilization rate-mfg.	Percent*	82.8	80.3	78.5	79.0	79.4	79.7	79.8	79.9	80.1	80.2
Housing starts	Millions	1.13	1.02	1.04	1.08	1.11	1.14	1.18	1.20	1.22	1.24
Auto sales	Millions	9.68	8.89	8.42	8.77	8.88	8.96	9.09	9.23	9.36	9.45
Domestic	Millions	7.21	6.50	6.22	6.40	6.47	6.54	6.62	6.70	6.78	6.85
Foreign	Millions	2.47	2.38	2.20	2.37	2.41	2.42	2.47	2.53	2.58	2.60
INCOME AND SAVING											
Nominal personal income	Percent change	5.1	3.4	5.9	6.3	5.7	6.5	7.9	5.9	6.2	6.1
Real disposable income	Percent change	-.5	-4.3	.7	2.0	1.1	2.0	2.7	1.4	1.8	1.7
Personal saving rate	Percent*	4.1	3.7	4.3	4.2	4.1	4.2	4.4	4.3	4.3	4.3
Corp. profits with IVA & CCAdj	Percent change	-14.4	-19.4	-13.8	19.3	5.1	3.5	-5.0	-1.4	-4.8	7.1
Profit share of GNP	Percent*	5.3	5.0	4.8	4.9	4.9	4.9	4.8	4.7	4.6	4.6
Federal govt. surplus/deficit	Billions of \$	-142.9	-137.3	-158.6	-146.9	-128.6	-131.0	-131.5	-119.7	-107.8	-106.8
State and local govt. surplus		39.1	35.9	33.9	39.8	43.7	49.1	53.7	57.8	61.0	65.9
Exc. social insurance funds		-30.7	-34.8	-37.7	-32.7	-29.7	-25.2	-21.5	-18.3	-16.0	-12.0
PRICES AND COSTS											
GNP implicit deflator	Percent change	4.0	4.1	5.2	4.0	3.5	3.4	3.7	3.5	3.4	3.3
GNP fixed-weight price index		4.2	4.5	5.5	4.0	3.8	3.7	4.2	3.7	3.6	3.6
Cons. & fixed invest. prices		5.4	6.8	4.4	3.9	3.9	3.8	3.8	3.8	3.6	3.6
CPI		6.3	7.2	4.2	4.0	4.1	4.0	4.0	4.0	3.7	3.7
Exc. food and energy		5.8	4.2	5.4	5.0	4.6	4.2	4.1	4.1	3.8	3.8
ECI hourly compensation**		4.2	4.5	5.1	4.8	4.2	4.0	4.4	3.8	3.7	3.5
Nonfarm business sector											
Output per hour		.2	.3	-.4	3.2	1.8	1.4	1.3	1.3	1.2	1.2
Compensation per hour		4.6	4.3	4.9	4.6	4.1	4.1	4.5	3.9	3.7	3.6
Unit labor costs		4.4	4.0	5.3	1.4	2.3	2.7	3.2	2.6	2.5	2.4

* Not at an annual rate.

** Private industry workers

CONFIDENTIAL - FR
CLASS II FOMC

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Net changes, billions of 1982 dollars)

December 12, 1990

											Projection			
	1988				1989				1990		1987	1988	1989	1990
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	(fourth quarter to fourth quarter, net change)			
Real GNP	49.5	35.6	26.3	27.2	36.4	16.5	17.5	3.5	17.4	4.5	187.1	138.6	73.9	7.5
Gross domestic purchases	15.5	30.3	32.6	24.4	11.8	18.7	28.3	-12.7	4.9	13.7	163.0	103.0	46.1	-24.9
Final sales	66.9	49.7	10.6	45.7	24.4	17.0	18.5	9.3	38.4	-7.2	117.9	172.9	69.2	48.1
Private dom. final purchases	51.8	38.3	24.4	14.2	6.5	11.4	34.1	-12.9	20.2	-10.3	78.5	128.7	39.1	-2.7
Personal consumption expend.	42.6	17.3	22.3	22.4	-2.1	8.6	30.0	-5.4	7.4	1.5	56.4	104.6	31.1	12.5
Durables	19.8	3.8	-1.1	13.9	-6.6	5.8	9.9	-15.0	14.5	-10.8	-4.9	36.4	-5.9	-3.6
Nondurables	5.7	4.4	9.1	2.7	1.4	-3.9	8.8	-4	-7.4	-4.4	11.7	21.9	5.9	-18.1
Services	17.1	9.1	14.2	6.0	3.0	6.7	11.3	10.0	.4	16.6	49.6	46.4	31.0	34.2
Business fixed investment	12.7	17.6	2.0	-8.0	10.5	8.4	7.8	-4.9	6.2	-6.2	26.6	24.3	21.8	1.4
Producers' durable equipment	16.0	14.9	2.0	-5.2	8.4	10.9	5.7	-5.2	5.4	-3.3	25.6	27.7	19.8	6.9
Nonresidential structures	-3.4	2.9	-1	-2.8	2.2	-2.6	2.1	.4	.7	-2.9	1.0	-3.4	2.1	-5.6
Residential structures	-3.4	3.2	.2	-2	-1.8	-5.7	-3.7	-2.6	6.5	-5.5	-4.5	-.2	-13.8	-16.7
Change in business inventories	-17.4	-14.1	15.7	-18.6	12.1	-.6	-.9	-5.7	-21.1	11.7	69.2	-34.4	4.9	-40.7
Nonfarm	-26.6	-9.6	11.8	-3.8	-10.8	5.1	.2	-6.4	-23.5	19.8	66.3	-28.2	-11.9	-39.4
Farm	9.1	-4.5	3.9	-14.8	22.9	-5.7	-1.1	.7	2.4	-8.1	3.0	-6.3	16.8	-1.3
Net exports	34.0	5.1	-6.3	2.8	24.6	-2.2	-10.8	16.2	12.5	-9.2	24.1	35.6	27.8	32.4
Exports	34.7	5.6	7.0	21.0	20.8	17.1	-.7	19.1	16.5	-8.0	80.5	68.3	56.3	19.0
Imports	.7	.5	13.3	18.2	-3.7	19.2	10.1	2.8	4.1	1.2	56.4	32.7	28.4	-13.3
Government purchases	-18.9	6.3	-7.5	28.7	-6.7	7.8	-4.8	6.0	5.7	12.3	15.3	8.6	2.3	18.4
Federal	-23.2	2.8	-8.9	23.9	-8.1	5.7	-6.9	-.3	.3	12.9	5.3	-5.4	-9.6	8.3
Defense	-3.8	-.9	-3.3	3.1	-7.4	2.0	4.5	-4.7	-1.1	2.1	10.2	-4.9	-5.6	-1.6
Nondefense	-19.4	3.7	-5.6	20.8	-.8	3.8	-11.4	4.4	1.4	10.8	-4.9	-.5	-4.0	9.9
State and local	4.3	3.5	1.3	4.8	1.5	2.1	2.1	6.3	5.5	-.7	10.0	13.9	12.0	10.1

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Net changes, billions of 1982 dollars)

December 12, 1990

	Projection										Projection			
	1990		1991				1992				1989	1990	1991	1992
											(fourth quarter to fourth quarter, net change)			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GNP	18.0	-32.4	-8.9	33.0	26.1	23.9	25.5	25.4	25.5	25.7	73.9	7.5	74.1	102.2
Gross domestic purchases	18.5	-62.0	-23.0	26.4	25.0	17.9	17.5	20.9	24.1	23.3	46.1	-24.9	46.4	85.7
Final sales	22.4	-5.5	-9.4	16.9	8.4	19.5	24.8	22.5	21.9	22.5	69.2	48.1	35.4	91.8
Private dom. final purchases	21.6	-34.2	-22.9	13.5	10.7	13.1	15.7	17.9	20.0	19.4	39.1	-2.7	14.3	72.9
Personal consumption expend.	20.9	-17.3	-10.9	16.4	9.0	10.3	11.2	12.2	12.5	12.1	31.1	12.5	24.8	48.0
Durables	2.4	-9.7	-7.9	5.8	1.8	1.5	2.2	2.5	2.8	2.3	-5.9	-3.6	1.1	9.9
Nondurables	7.1	-13.4	-10.4	4.0	.4	.9	1.1	1.3	1.4	1.4	5.9	-18.1	-5.0	5.2
Services	11.5	5.7	7.4	6.6	6.8	7.9	7.9	8.3	8.3	8.4	31.0	34.2	28.7	32.9
Business fixed investment	10.1	-8.7	-8.1	-3.4	-.4	.5	2.0	3.1	4.1	4.3	21.8	1.4	-11.4	13.4
Producers' durable equipment	9.4	-4.6	-5.2	-1.5	1.4	2.4	3.8	4.8	5.8	5.9	19.8	6.9	-2.9	20.4
Nonresidential structures	.8	-4.2	-2.9	-1.9	-1.9	-1.8	-1.8	-1.8	-1.7	-1.6	2.1	-5.6	-8.5	-7.0
Residential structures	-9.5	-8.2	-3.9	.5	2.1	2.3	2.4	2.6	3.5	3.0	-13.8	-16.7	.9	11.5
Change in business inventories	-4.4	-26.9	.5	16.1	17.7	4.4	.7	2.9	3.6	3.2	4.9	-40.7	38.7	10.4
Nonfarm	-6.6	-29.1	1.5	16.0	17.3	4.1	.6	2.8	3.7	3.2	-11.9	-39.4	38.9	10.3
Farm	2.2	2.2	-1.0	.1	.4	.3	.1	.1	-.1	.0	16.8	-1.3	-.2	.1
Net exports	-.5	29.6	14.1	6.6	1.1	6.0	8.1	4.5	1.4	2.4	27.8	32.4	27.7	16.4
Exports	6.6	3.9	5.8	12.7	12.7	13.3	14.4	14.4	14.2	14.1	56.3	19.0	44.4	57.1
Imports	7.1	-25.7	-8.3	6.1	11.6	7.3	6.4	9.9	12.7	11.7	28.4	-13.3	16.7	40.7
Government purchases	1.3	-.9	-.5	-3.1	-3.4	.4	1.1	.1	.4	.7	2.3	18.4	-6.6	2.4
Federal	-1.3	-3.6	-1.6	-4.1	-4.5	-1.3	-1.3	-2.3	-2.2	-1.9	-9.6	8.3	-11.5	-7.6
Defense	.0	-2.6	-2.3	-5.0	-5.0	-1.9	-2.0	-2.8	-2.9	-2.6	-5.6	-1.6	-14.2	-10.3
Nondefense	-1.4	-.9	.7	.9	.5	.6	.7	.5	.7	.7	-4.0	9.9	2.7	2.7
State and local	2.6	2.7	1.1	1.0	1.1	1.7	2.4	2.4	2.6	2.6	12.0	10.1	4.9	10.0

FEDERAL SECTOR ACCOUNTS¹
(Billions of dollars)

	Fiscal years				1990				1991				1992			
	1989a	1990a	1991	1992	Ia	IIa	IIIa	IV	I	II	III	IV	I	II	III	IV
BUDGET					Not seasonally adjusted											
Budget receipts ²	991	1031	1114	1174	230	319	254	248	254	334	278	261	269	351	293	273
Budget outlays ²	1144	1252	1372	1415	310	331	312	345	338	346	343	362	348	351	353	353
Surplus/deficit (-) ²	-153	-220	-258	-241	-80	-12	-58	-96	-84	-12	-65	-101	-79	0	-60	-80
(On-budget)	-206	-277	-319	-311	-94	-41	-65	-102	-101	-36	-80	-109	-99	-26	-77	-90
(Off-budget)	53	57	61	70	14	29	7	6	17	23	15	7	20	26	16	10
Surplus excluding deposit insurance ³	-131	-162	-164	-156	-74	17	-41	-74	-61	11	-40	-77	-57	20	-43	-68
Means of financing:																
Borrowing	140	263	267	231	90	41	69	91	72	47	57	90	60	29	52	74
Cash decrease	3	1	5	0	8	-16	-6	20	0	-26	10	10	5	-20	5	10
Other ⁴	10	-44	-14	10	-18	-13	-6	-15	12	-9	-2	1	14	-9	4	-3
Cash operating balance, end of period	41	40	35	35	18	35	40	20	19	45	35	25	20	40	35	25
NIPA FEDERAL SECTOR					Seasonally adjusted annual rates											
Receipts	1038	1092	1168	1254	1081	1106	1125	1136	1158	1179	1198	1217	1248	1266	1284	1306
Expenditures	1174	1249	1311	1376	1249	1272	1268	1274	1316	1326	1327	1348	1380	1386	1391	1413
Purchases	400	414	428	430	411	422	425	425	432	429	425	426	432	432	431	431
Defense	301	307	310	304	307	310	311	311	314	310	305	304	306	304	302	301
Nondefense	99	107	118	126	103	112	113	114	118	119	121	122	126	127	129	131
Other expend.	774	834	883	946	838	850	843	849	884	897	901	922	948	954	960	981
Surplus/deficit	-136	-157	-143	-123	-168	-166	-143	-137	-159	-147	-129	-131	-131	-120	-108	-107
FISCAL INDICATORS⁵																
High-employment (HEB) surplus/deficit (-)	-162	-165	-101	-70	-182	-171	-143	-111	-112	-101	-81	-81	-79	-66	-53	-51
Change in HEB, percent of potential GNP	.1	.1	-1.2	-.5	.3	-.2	-.5	-.6	0	-.2	-.3	0	0	-.2	-.2	0
Fiscal impetus measure (FI), percent	-3.5 *	-4.2 *	-7 *	-4.1 *	-2.3	1.2	-1.2	-.9	-4.5	-1.2	-1.5	-.5	-1.9	-.6	-.6	-.4

a--actual

*--calendar year

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

- Staff projections. OMB's baseline deficit estimates made for the Budget Summit (September 1990), in combination with their preliminary estimates of the savings in the recent budget agreement, imply deficits of \$255 billion in FY1991 and \$233 billion in FY1992. CBO's December deficit estimates are \$253 billion in FY1991 and \$262 billion in FY1992.
- Budget receipts, outlays, and surplus/deficit include social security (OASDI) receipts, outlays and surplus, respectively. The OASDI surplus is excluded from the "on-budget" deficit and shown separately as "off-budget", as classified under current law. The Postal Service deficit is included in off-budget outlays beginning in FY1990.
- The Administration's deficit projections, excluding deposit insurance spending, for FY1991 and FY1992, are \$158 billion and \$153 billion, respectively. CBO's December deficit estimates, excluding deposit insurance spending, for FY1991 and FY1992, are \$162 billion and \$155 billion, respectively.
- Other means of financing are checks issued less checks paid, accrued items, and changes in other financial assets and liabilities.
- HEB is the NIPA measure in current dollars with cyclically-sensitive receipts and outlays adjusted to a 6 percent unemployment rate and 2.5% potential output growth. Quarterly figures for change in HEB and FI are not at annual rates. Change in HEB, as a percent of nominal potential GNP, is reversed in sign. FI is the weighted difference of discretionary federal spending and tax changes (in 1982 dollars), scaled by real federal purchases. For change in HEB and FI, (-) indicates restraint.

flows, the need to repair capital positions, and the need to work through a sizable property overhang in order to firm up asset values.

The growth rate of domestic nonfinancial sector debt is projected to slow from an estimated 7 percent this year to around 6 percent over the next two years, roughly the same pace expected for nominal GNP. Much of the anticipated slowing reflects lower federal sector demands; reduced net outlays for RTC, coupled with the effects of the deficit reduction program, should translate into a downtrend in Treasury borrowing from the elevated levels seen this year.

Growth Rates of Domestic Nonfinancial Debt by Sector
(Percent, debt measured period-end to period-end)

	1990 (annual rate)			1990	1991	1992
	H1	Q3	Q4			
	-----projected-----					
Total	7.2	7.0	6.4	7.0	6.1	6.1
U.S. government	10.8	11.9	11.9	11.7	10.4	7.6
Nonfederal	6.1	5.4	4.6	5.6	4.7	5.5
Households	8.3	7.8	4.9	7.4	5.0	5.8
Nonfinancial business	4.7	3.4	5.0	4.5	5.0	5.7
State and local govt	1.9	3.2	0.9	2.0	1.0	3.2
Memo: Nominal GNP	5.9	5.8	0.9	4.6	5.9	6.0

Among nonfederal sectors, borrowing by nonfinancial businesses likely will show a jump in the first quarter, if, as expected, the AT&T takeover of NCR is concluded after year-end; however, the underlying trend in business debt growth is expected to remain subdued next year. Holding down corporate borrowing will be weak capital outlays and, after the first quarter, a reduced pace of leveraged restructuring activity. On balance, business debt is expected to expand at about 5 percent in 1991 and to pick up only slightly in 1992 as capital expenditures strengthen.

U.S. Merchandise Trade Quantities. Growth in the quantity of U.S. nonagricultural exports is expected to continue at a moderate pace through the first quarter next year and to return to double-digit rates thereafter. This outlook reflects the anticipated effects of the 15 percent decline in the weighted-average foreign exchange value of the dollar over the past year and the projected pickup in growth abroad.

The near-term pattern of agricultural exports has been revised somewhat. An anticipated rebound in shipments to the Soviet Union has not yet materialized in preliminary weekly data on shipments through November, and these exports are now assumed to resume in the first quarter. Agricultural exports are still projected to show little further growth beyond the first quarter of next year, because demand for imported grains and soybeans in the major U.S. export markets is expected to remain sluggish.

TRADE QUANTITIES*
(Percent change, annual rate)

	<u>1990-Q3</u> 1990-Q2	<u>1990-Q4</u> 1990-Q3	----- Projection ----- <u>1991-Q4</u> 1990-Q4	<u>1992-Q4</u> 1991-Q4
Nonagricultural exports	3.5	2.9	10.5	11.4
Agricultural exports	-12.4	0.4	8.3	1.4
Non-oil imports	6.9	-6.7	1.8	6.7
Oil imports	17.6	-45.3	17.4	7.5

* GNP basis, 1982 dollars.

The quantity of non-oil imports is projected to decline significantly in the fourth quarter. This near-term drop in imports is greater than in the November forecast, reflecting the weaker outlook for domestic demand in the current quarter. Customs collections and other preliminary indicators suggest that non-oil imports in October will have recorded only a partial

period, is not significantly changed from the last Greenbook forecast.

SELECTED PRICE INDICATORS
(Percent change, annual rate)

	<u>1990-Q3</u>	<u>1990-Q4</u>	<u>1991-Q4</u>	<u>1992-Q4</u>
	1990-Q2	1990-Q3	1990-Q4	1991-Q4
PPI (export-share weighted)	4.8	9.4	1.4	2.4
Nonagric. exports (Fx-Wt)	3.1	8.3	2.0	2.3
Non-oil imports (Fx-Wt)	3.9	5.9	5.4	3.0
Oil imports (Fx-Wt)	135.2	456.6	-22.0	0.0

Oil Import Price. The quarterly average price of oil imports is expected to have peaked in the current quarter at just under \$30 per barrel, somewhat less than in the previous projection. The anticipated decline in oil import prices now comes sooner, but the level of those prices is still assumed to remain flat at \$23 per barrel from mid-1991 on. This price path assumes a peaceful resolution of the Gulf crisis, leaving long-term production capacity in the major oil producers intact. The price of \$23 per barrel is consistent with production in Iraq and Kuwait reaching July Accord rates by mid-1991, a scaling back of Saudi Arabian production to a level roughly 1 million barrels per day above Accord rates, and some reduction in non-OPEC production from recent high rates. Even under the assumption of a peaceful resolution, there is tremendous uncertainty regarding production capability in both Kuwait and Iraq in the short term and the response of other OPEC producers to a resumption of production in Iraq and Kuwait. Moreover, there is considerable risk that prices will move in an erratic pattern, depending upon the timing of shifts in production by major oil

Outlook for U.S. Net Exports and Related Items
(Billions of Dollars, Seasonally Adjusted Annual Rates)

	ANNUAL			1990		1991				1992			
	1990-P	1991-P	1992-P	-Q3	-Q4-P	Q1-P	-Q2-P	-Q3-P	-Q4-P	Q1-P	-Q2-P	-Q3-P	-Q4-P
1. GNP Exports and Imports 1/													
Current \$, Net	-33.4	0.0	23.2	-39.3	-39.2	-12.0	1.4	2.6	8.1	16.0	21.9	25.4	29.6
Exports of G+S	667.5	718.5	792.9	667.7	681.4	691.2	709.7	727.7	745.3	764.5	783.5	802.4	821.3
Imports of G+S	700.8	718.4	769.6	706.9	720.5	703.1	708.1	725.0	737.2	748.4	761.5	777.0	791.6
Constant 82 \$, Net	-35.1	5.6	25.0	-45.1	-15.5	-1.4	5.2	6.3	12.3	20.3	24.8	26.3	28.7
Exports of G+S	626.4	655.5	710.8	626.7	630.6	636.3	649.0	661.7	675.0	689.4	703.8	718.0	732.1
Imports of G+S	661.5	650.0	685.8	671.8	646.1	637.7	643.9	655.5	662.7	669.1	679.0	691.7	703.4
2. Merchandise Trade Balance 2/	-110.9	-95.4	-80.6	-119.0	-127.0	-102.2	-94.2	-94.8	-90.2	-84.5	-81.2	-79.6	-77.2
Exports	387.6	424.7	479.2	384.6	393.6	404.9	417.4	431.3	445.2	459.2	472.9	486.1	498.7
Agricultural	40.6	43.1	46.1	38.9	38.2	41.9	42.8	43.6	44.0	44.7	45.5	46.5	47.6
Non-Agricultural	347.0	381.6	433.2	345.7	355.4	362.9	374.6	387.7	401.1	414.6	427.3	439.7	451.1
Imports	498.5	520.0	559.8	503.6	520.6	507.0	511.6	526.2	535.4	543.7	554.0	565.7	575.9
Petroleum and Products	64.2	73.3	78.5	62.8	82.9	70.7	71.4	75.4	75.9	75.2	77.2	80.1	81.6
Non-Petroleum	434.3	446.7	481.3	440.9	437.6	436.3	440.2	450.8	459.5	468.4	476.8	485.6	494.3
3. Other Current Account Transactions													
Capital Gains and Losses 3/	2.6	0.0	0.0	5.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other D.I. Income, Net	45.3	49.7	51.0	47.7	48.5	49.2	49.6	50.1	50.1	50.5	51.0	51.1	51.2
Portfolio Income, Net	-43.8	-46.6	-49.2	-43.5	-46.0	-45.9	-46.1	-46.8	-47.6	-48.3	-48.9	-49.6	-50.1
Other Current Account, Net	14.3	25.3	29.7	6.8	33.5	28.5	23.7	25.4	23.5	28.0	29.8	31.3	29.8
4. U.S. Current Account Balance													
Including Capital G/L	-92.5	-66.9	-49.1	-102.3	-91.0	-70.3	-66.9	-66.1	-64.3	-54.2	-49.2	-46.7	-46.3
Excluding Capital G/L	-95.1	-66.9	-49.1	-107.9	-91.0	-70.3	-66.9	-66.1	-64.3	-54.2	-49.2	-46.7	-46.3
5. Foreign Outlook 4/													
Real GNP--Ten Industrial 5/	3.1	2.2	2.8	2.9	1.4	1.9	2.7	2.8	2.9	2.9	2.8	2.8	2.7
Real GNP--LDC 6/	2.5	3.7	4.1	3.0	3.6	4.1	4.1	4.0	3.9	3.8	4.1	4.5	4.9
Consumer Prices--Ten Ind. 5/	4.6	4.7	3.7	3.7	6.3	4.9	4.8	2.9	3.7	3.5	4.1	3.5	4.0

1/ National Income and Product Account data.

2/ International accounts basis.

3/ The net of gains (+) or losses (-) on foreign-currency denominated assets due to their revaluation at current exchange rates and other valuation adjustments.

4/ Percent change, annual rates.

5/ Weighted by multilateral trade-weights of G-10 countries plus Switzerland; prices are not seasonally adjusted.

6/ Weighted by share in LDC GNP.

P/ Projected

December 12, 1990

RECENT DEVELOPMENTS

Prepared for the Federal Open Market Committee

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

CBO BUDGET ESTIMATES¹
(Billions of dollars)

	Fiscal years					
	1990	1991	1992	1993	1994	1995
Outlays	1252	1363	1447	1428	1400	1458
Receipts	1031	1110	1185	1258	1344	1429
Deficit	220	253	262	170	56	29
Memo:						
Deposit insurance outlays	58	91	107	28	-44	-29
Deficit ex. deposit insurance	162	162	155	143	100	58

CBO ECONOMIC ASSUMPTIONS

	Calendar years					
	1990	1991	1992	1993	1994	1995
	-----Percent change, year-to-year-----					
Real GNP	1.0	0.6	3.0	3.0	3.0	3.0
Implicit GNP deflator	4.3	4.6	3.8	3.8	3.8	3.8
CPI-U	5.4	5.3	3.8	3.8	3.8	3.8
	-----Percent, annual average-----					
Civilian unemployment rate	5.5	6.4	6.4	6.1	5.7	5.5
Interest rates						
Treasury bills	7.5	6.8	6.6	6.2	5.6	5.2
Treasury notes	8.6	8.0	7.6	7.2	6.8	6.5

1. The projections assume that revenues and outlays for major benefit programs evolve according to laws in effect at the time the projections are made, and that appropriations for other programs are consistent with the new discretionary spending caps. The projections include Social Security and the Postal Service, which are off-budget.

SPILLOVER EFFECTS OF HIGHER ENERGY PRICES
(Percent change; based on seasonally adjusted)

	Relative importance ¹ Dec. 1989	Dec. 1989 to July 1990	Aug.	Sep.	Oct.
-----Average monthly change-----					
<u>CPI</u>					
Airfares ²	.9	1.2	.1	1.9	2.7
Other intercity transportation ²	.2	.4	.3	1.9	-.3
Housekeeping services ²	1.5	.3	-.1	.6	.6
Home maintenance and repair services ²	.1	.2	-1.2	4.7	-.8
<u>PPI finished goods</u>					
Cosmetics and other	1.3	-.2	.2	.5	.7
Tires, tubes, etc.	.4	-.1	-.5	.7	.5
<u>PPI intermediate materials</u>					
Industrial chemicals	4.6	-.2	.1	4.3	3.0
Plastic products ²	3.6	.0	.1	.3	.5
Plastic resins and materials	1.7	-.4	.7	1.2	1.3
Synthetic rubber	.3	.2	.0	.3	2.1
Paving mixtures and blocks	.3	-.1	.1	1.2	1.8
Asphalt felt and coatings	.2	-.3	-.4	1.9	2.4

1. Weights refer to the respective totals for the CPI, PPI finished goods, and PPI intermediate materials.

2. Not seasonally adjusted.

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

	1990					
	Q2	Q3	Q4 ^P	Oct.	Nov. ^e	Dec. ^P
<u>Treasury financing</u>						
Total surplus/deficit (-)	-12.0	-57.8	-96.3	-31.5	-44.9	-20.0
Means of financing deficit:						
Net cash borrowing from the public	41.0	69.0	90.6	32.3	46.5	11.8
Marketable borrowings/repayments (-)	32.7	64.5	84.4	27.8	44.2	12.4
Bills	.5	29.0	45.7	18.2	28.1	-0.6
Coupons	32.2	35.6	38.7	9.6	16.1	13.1
Nonmarketable ²	8.3	4.5	6.2	4.5	2.3	- .6
Decrease in the cash balance	-16.2	-5.5	20.5	4.7	12.6	3.2
Memo: Cash balance at end of period	34.6	40.2	19.6	35.4	22.9	19.6
Other ³	-12.8	-5.6	-14.8	-5.5	-14.2	4.9
<u>Federally sponsored credit agencies, net cash borrowing</u>						
	2.5	-1.9	--	--	--	--
FHLBs	-8.5	-6.7	--	.8	--	--
FHLMC	4.9	-3.1	--	--	--	--
FNMA	1.1	.9	--	.9	--	--
Farm Credit Banks	-.3	.9	--	2.4	--	--
FAC	.3	.1	--	.0	.0	--
SLMA	1.4	1.0	--	--	--	--
FICO	.0	.0	--	.0	.0	--
REFCORP	3.5	5.0	--	5.0	.0	--

1. Data reported on a not seasonally adjusted, payment basis.

2. Includes proceeds from securities issued by federal agencies under special financing authorities and the face value of zero-coupon bonds issued to REFCORP (the discount from face value is offset in other means of finance).

3. Includes checks issued less checks paid, accrued items and other transactions.

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

e--staff estimate.

p--projected.

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

III-A-2

THE GROWTH AND FLOW OF MONETARY AND CREDIT AGGREGATES
(Q4 to Q4 averages, seasonally adjusted unless otherwise noted)

						Memo: 1990 levels (billions of dollars) ¹
Growth rates or flows	1986	1987	1988	1989	1990 ¹	
<u>Growth rates (percent)</u>						
M1	15.5	6.3	4.3	0.6	4.0	822.8
M2	9.3	4.3	5.2	4.6	3.7	3319.0
M3	9.1	5.8	6.3	3.3	1.3	4085.2
Domestic nonfinancial debt	13.2	9.7	9.2	7.7	6.9	10357.6
Bank credit	9.8	8.0	7.8	7.2	5.2	2717.3
Thrift credit	10.3	8.2	7.4	-2.5	-7.9	1648.0
<u>Flows (billions of dollars)</u>						
<u>M1</u>						
Currency	12.4	15.6	15.7	10.0	24.0	244.8
Demand deposits	30.6	-2.7	-3.8	-8.1	-2.4	277.1
Other checkable deposits	51.8	31.5	19.9	2.7	9.3	292.4
<u>M2</u>						
Nontransaction M2	142.0	74.4	118.1	135.3	85.4	2496.2
MMDAs	58.7	-40.2	-24.4	-24.9	27.3	507.2
Savings deposits	61.9	54.7	12.1	-20.6	5.8	413.5
Small time deposits	-20.3	42.1	118.0	117.3	13.7	1152.6
General purpose and broker/dealer money market mutual fund assets	30.8	12.2	17.0	70.6	35.3	343.3
Overnight RPs, net (NSA)	7.5	6.9	0.1	-7.5	-0.8	61.5
Overnight Eurodollars, net (NSA)	4.0	-1.1	-4.5	0.4	3.8	17.7
<u>M3</u>						
Non-M2 component	50.8	81.6	80.3	-10.6	-63.3	766.2
Institution-only money market mutual fund assets	20.7	2.5	-0.5	14.8	18.6	120.1
Large time deposits	7.7	41.1	55.8	22.6	-55.1	505.6
Term RPs, net (NSA)	19.1	28.8	15.8	-18.1	-14.0	91.1
Term Eurodollars, net (NSA)	3.3	11.4	10.3	22.5	-13.0	67.2

1. For monetary aggregates and bank credit, through November; for domestic nonfinancial debt, through October; for thrift credit, through July.