

June 28, 1995

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## **SUMMARY AND OUTLOOK**

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

rise of spending on plant and equipment. Growth should pick up abroad, generating a brisk demand for U.S. exports, although our propensity to import will inhibit any meaningful improvement in our current account. The government sector will remain a drag on demand, but the lift to final sales from these other sectors should be sufficient to accommodate the further adjustment of inventories without another quarter of declining GDP. And a few months from now, once that inventory adjustment is behind us, the momentum of expansion should be restored.

SUMMARY OF STAFF REAL GDP PROJECTION  
(Percent change, at annual rates)

	1995				1996
	Q1	Q2	Q3	Q4	
Real GDP	2.7	-.5	1.1	3.4	2.2
<i>Previous</i>	2.8	.9	1.9	2.8	2.4
Final sales	2.5	1.3	3.0	2.3	2.2
<i>Previous</i>	1.8	2.1	3.4	2.4	2.5
Personal consumption expenditures	1.8	1.6	2.1	2.0	2.1
<i>Previous</i>	1.4	2.3	3.0	2.1	2.1
Business fixed investment	20.7	9.8	7.2	2.9	4.8
<i>Previous</i>	19.3	10.4	9.7	6.1	5.3
Residential investment	-2.6	-18.6	-.4	8.7	3.6
<i>Previous</i>	-6.6	-17.9	-.6	3.8	2.8
Government purchases	-1.2	-.9	1.1	-.6	-1.3
<i>Previous</i>	-1.6	.9	-.2	-1.2	-.1

Personal consumption expenditures. We might be more confident about the projection for PCE were we able to pinpoint more clearly why spending has fallen short of expectations thus far this year. The list of possible culprits is by now familiar: the exhaustion of pent-up demands, the secondary effects of the decline in homebuilding, the perceived run-up in the price of motor vehicles, the first-quarter delay in tax refunds and the second-quarter surge in tax payments, higher consumer loan rates, rising household debt

labor productivity probably will decline only a little, on net, in the middle quarters of 1995.

The recent level of initial claims appears consistent with rather slow growth in employment, but we think that the five-week period between surveys may boost the reported June payroll gain to 150,000 or so. After that, we are projecting that the increases will average only around 85,000 per month during the third quarter. Hiring should then pick up some, although employers' first response to the acceleration of activity later this year should be to restore productivity, limiting the need for additional labor. In 1996, monthly changes in payroll jobs are projected to average just over 100,000 per month--less than half the 1994 pace.

#### STAFF LABOR MARKET PROJECTIONS

	1995				
	Q1	Q2	Q3	Q4	1996
Unemployment rate <sup>1</sup>	5.5	5.8	6.0	6.0	6.1
<i>Previous</i>	...	5.7	5.7	5.8	5.8
Change in payroll employment <sup>2</sup>	2.6	.7	.7	1.5	1.0
<i>Previous</i>	2.8	1.4	1.5	1.2	1.3
Nonfarm business productivity <sup>2</sup>	2.7	.3	-.5	2.1	1.3
<i>Previous</i>	.7	-.7	1.0	2.1	1.5

1. Percent.

2. Percent change; annual rate.

A less robust labor market in the near term likely will tend to damp the rise in labor force participation, which still appears to be below trend. Nonetheless, we expect that the unemployment rate will spurt to 6 percent this summer and then generally hover just above that mark in 1996.

Prices and wages. With unemployment rising and with factory utilization retreating to around its long-term average, the odds of a significant rise in inflation have dwindled. In fact, we expect that the acceleration in the CPI excluding food and energy observed

thus far this year will reverse and that the core rate will edge back below 3 percent through 1996. Some higher costs of materials are probably still passing through the pipeline to the finished goods level, but that process should be abating soon. Moreover, the recent decline in crude oil prices is expected to keep domestic energy prices rising only slowly into the fall. With the anticipated stability of the dollar, the pressures associated with rising non-oil import prices also should be easing in coming months.

**STAFF INFLATION PROJECTIONS**  
(Percent change, annual rate)

	1994	1995			1996
		Q1	Q2	H2	
Consumer price index	2.6	3.2	3.5	2.9	2.9
<i>Previous</i>	...	...	3.6	3.0	3.0
Excluding food and energy	2.8	3.3	3.6	3.0	2.9
<i>Previous</i>	...	...	3.6	3.0	3.1
ECI for compensation of private industry workers	3.1	2.3	3.4	3.2	3.2
<i>Previous</i>	...	...	3.4	3.3	3.4

In 1996, both the total CPI and the index excluding food and energy are projected to rise 2.9 percent. Consumer energy prices are anticipated to increase slightly faster than core inflation as the price of crude oil moves back up from its recent lows and stabilizes at the higher level now assumed for next year. But food price inflation is still expected to remain relatively moderate; grain prices may well rise this year as a result of weather-related crop losses, but the increases are not large enough to override other factors--such as labor costs--that are working to produce a quite moderate increase in retail food prices.

Contributing to the likelihood of a slowing in price inflation is the favorable behavior of trend unit labor costs. As noted earlier, wage inflation has remained in check thus far, even as the

about 1/4 percentage point by the end of the year. Under that scenario, however, less progress is made in restoring a downward trend in the CPI less food and energy. The results for the higher funds rate path are symmetrical.

ALTERNATIVE FEDERAL FUNDS RATE ASSUMPTIONS  
(Percent change, Q4 to Q4, unless otherwise noted)

	1994	1995	1996
Real GDP			
Baseline	4.1	1.7	2.2
Higher funds rate	...	1.7	1.7
Lower funds rate	...	1.7	2.7
Civilian unemployment rate <sup>1</sup>			
Baseline	5.6	6.0	6.1
Higher funds rate	...	6.0	6.3
Lower funds rate	...	6.0	5.9
CPI excluding food and energy			
Baseline	2.8	3.2	2.9
Higher funds rate	...	3.2	2.8
Lower funds rate	...	3.2	3.0

1. Average for the fourth quarter.

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index <sup>1</sup>		Unemployment rate (level except as noted)	
	5/17/95	6/28/95	5/17/95	6/28/95	5/17/95	6/28/95	5/17/95	6/28/95	5/17/95	6/28/95
<b>ANNUAL</b>										
1992 <sup>2</sup>	5.2	5.2	2.3	2.3	3.2	3.2	3.0	3.0	7.4	7.4
1993 <sup>2</sup>	5.4	5.4	3.1	3.1	3.0	3.0	3.0	3.0	6.8	6.8
1994 <sup>2</sup>	6.2	6.2	4.1	4.1	2.7	2.7	2.6	2.6	6.1	6.1
1995	5.2	4.8	3.0	2.6	3.0	2.9	3.1	3.1	5.7	5.8
1996	4.8	4.5	2.3	2.1	2.9	2.8	3.0	2.9	5.8	6.1
<b>QUARTERLY</b>										
1993 Q1 <sup>2</sup>	4.4	4.4	1.2	1.2	4.2	4.2	3.1	3.1	7.0	7.0
Q2 <sup>2</sup>	4.2	4.2	2.4	2.4	2.4	2.4	2.8	2.8	7.0	7.0
Q3 <sup>2</sup>	3.8	3.8	2.7	2.7	2.0	2.0	1.7	1.7	6.7	6.7
Q4 <sup>2</sup>	7.7	7.7	6.3	6.3	2.4	2.4	3.4	3.4	6.5	6.5
1994 Q1 <sup>2</sup>	6.1	6.1	3.3	3.3	3.1	3.1	2.2	2.2	6.6	6.6
Q2 <sup>2</sup>	7.2	7.2	4.1	4.1	2.9	2.9	2.5	2.5	6.2	6.2
Q3 <sup>2</sup>	6.2	6.2	4.0	4.0	3.0	3.0	3.6	3.6	6.0	6.0
Q4 <sup>2</sup>	6.4	6.4	5.1	5.1	2.6	2.6	2.2	2.2	5.6	5.6
1995 Q1 <sup>2</sup>	5.1	4.9	2.8	2.7	3.1	3.3	3.2	3.2	5.5	5.5
Q2	3.5	1.7	9	-5	2.9	2.7	3.6	3.5	5.7	5.8
Q3	4.5	3.9	1.9	1.1	3.0	3.1	3.2	2.8	5.7	6.0
Q4	5.3	5.8	2.8	3.4	2.9	2.8	2.8	2.9	5.8	6.0
1996 Q1	4.8	4.6	2.1	2.1	3.2	3.0	2.9	3.1	5.8	6.0
Q2	4.8	4.4	2.4	2.1	2.8	2.7	3.0	2.9	5.8	6.1
Q3	4.9	4.5	2.5	2.3	2.8	2.7	3.0	2.8	5.8	6.1
Q4	4.8	4.6	2.4	2.4	2.8	2.7	3.0	2.8	5.8	6.1
<b>TWO-QUARTER<sup>3</sup></b>										
1993 Q2 <sup>2</sup>	4.3	4.3	1.8	1.8	3.3	3.3	3.0	3.0	-3	-3
Q4 <sup>2</sup>	5.7	5.7	4.5	4.5	2.2	2.2	2.5	2.5	-5	-5
1994 Q2 <sup>2</sup>	6.6	6.6	3.7	3.7	3.0	3.0	2.3	2.3	-3	-3
Q4 <sup>2</sup>	6.3	6.3	4.6	4.6	2.8	2.8	2.9	2.9	-6	-6
1995 Q2	4.3	3.3	1.8	1.1	3.0	2.9	3.3	3.3	1	2
Q4	4.9	4.8	2.3	2.2	2.9	2.9	3.0	2.8	1	2
1996 Q2	4.8	4.5	2.3	2.1	3.0	2.8	2.9	3.0	0	.1
Q4	4.8	4.6	2.5	2.3	2.8	2.7	3.0	2.8	0	0
<b>FOUR-QUARTER<sup>4</sup></b>										
1992 Q4 <sup>2</sup>	6.4	6.4	3.7	3.7	3.2	3.2	3.1	3.1	3	3
1993 Q4 <sup>2</sup>	5.0	5.0	3.1	3.1	2.8	2.8	2.7	2.7	-.8	-.8
1994 Q4 <sup>2</sup>	6.5	6.5	4.1	4.1	2.9	2.9	2.6	2.6	-.9	-.9
1995 Q4	4.6	4.1	2.1	1.7	3.0	2.9	3.1	3.0	2	.4
1996 Q4	4.8	4.5	2.4	2.2	2.9	2.8	3.0	2.9	0	.1

<sup>1</sup> For all urban consumers<sup>2</sup> Actual<sup>3</sup> Percent change from two quarters earlier; for unemployment rate, change in percentage points<sup>4</sup> Percent change from four quarters earlier; for unemployment rate, change in percentage points.

Item	Unit <sup>1</sup>									Projected	
		1988	1989	1990	1991	1992	1993	1994	1995	1996	
<b>EXPENDITURES</b>											
Nominal GDP	Bill \$	4900.4	5250.8	5546.1	5724.8	6020.2	6343.3	6738.4	7060.7	7379.1	
Real GDP	Bill \$ <sup>75</sup>	4718.6	4838.0	4897.3	4867.6	4979.3	5134.5	5344.0	5403.7	5599.8	
Real GDP	% change	3.3	1.6	2	3	3.7	3.1	4.1	1.7	2.2	
Gross domestic purchases		2.5	.9	-4	-1	4.1	3.9	4.5	1.7	2.1	
Final sales		4.2	1.5	1.2	-4	3.8	3.0	3.4	2.2	2.2	
Private dom. final purch.		4.2	5	-1	-8	5.1	5.0	4.9	2.9	2.6	
Personal cons. expend		4.2	1.2	7	0	4.2	3.0	3.5	1.9	2.1	
Durables		8.5	-5	-8	-1.3	9.6	9.0	8.6	-3	2.0	
Nondurables		3.2	1.2	-1	-1.6	3.2	1.3	3.1	1.7	1.8	
Services		3.7	1.7	1.7	1.2	3.5	2.5	2.4	2.7	2.3	
Business fixed invest		5.5	-4	7	-6.2	6.7	16.0	12.9	10.0	4.8	
Producers' dur. equip		9.1	-1.7	2.9	-3.2	11.0	21.3	15.5	10.3	5.1	
Nonres. structures		-1.2	2.3	-3.9	-12.4	-3.4	1.6	4.6	8.6	4.0	
Res. structures		.9	-7.7	-15.2	7	17.0	8.1	3.1	-3.7	3.6	
Exports		13.5	11.3	6.7	8.1	5.0	5.8	11.6	4.8	9.1	
Imports		3.6	2.6	4	4.0	8.6	12.4	13.8	5.0	6.8	
Government purchases		2	2.0	3.3	-.8	7	-1.0	-1.0	-4	-1.3	
Federal		-3.4	-6	2.8	-3.2	8	-6.9	-5.9	-4.0	-6.4	
Defense		-3.2	-1.5	1.5	-7.0	-1.3	-9.0	-8.2	-4.4	-4.5	
State and local		2.9	4.0	3.6	8	6	3.0	2.0	1.6	1.4	
Change in bus. invent	Bill. \$ <sup>75</sup>	19.9	29.8	5.7	-1.1	2.5	15.3	47.8	25.7	24.9	
Nonfarm		26.9	29.9	3.2	-1.3	-2.0	18.5	40.7	25.2	21.9	
Net exports		-104.0	-73.7	-54.7	-19.5	-32.3	-73.9	-110.0	-118.3	-111.3	
Nominal GDP	% change	7.7	6.0	4.7	3.5	6.4	5.0	6.5	4.1	4.5	
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employ.	Millions	105.2	107.9	109.4	108.3	108.6	110.7	114.0	116.4	117.7	
Unemployment rate	%	5.5	5.3	5.5	6.7	7.4	6.8	6.1	5.8	6.1	
Industrial prod. index	% change	3.2	-1	.2	.2	4.0	3.6	6.0	1.0	3.0	
Capacity util., rate-mfg.	%	83.6	83.2	81.3	78.0	79.2	80.9	83.4	82.9	81.4	
Housing starts	Millions	1.49	1.38	1.19	1.01	1.20	1.29	1.46	1.31	1.40	
Light Motor Vehicle Sales		15.43	14.53	13.85	12.31	12.80	13.89	15.07	14.59	14.61	
Auto sales in U.S.		10.63	9.91	9.50	8.39	8.35	8.72	9.24	8.76	8.69	
North American prod.		7.54	7.08	6.90	6.14	6.26	6.75	7.28	7.06	7.06	
Other		3.10	2.83	2.60	2.25	2.10	1.97	1.96	1.69	1.63	
<b>INCOME AND SAVING</b>											
Nominal GNP	Bill \$	4908.2	5266.8	5567.8	5740.8	6025.8	6347.8	6726.9	7033.0	7344.1	
Nominal GNP	% change	7.8	6.1	4.9	3.2	6.1	5.0	6.1	4.0	4.5	
Nominal personal income		7.1	6.5	6.5	3.7	8.1	2.8	6.8	5.0	4.5	
Real disposable income		3.2	1.1	1.1	9	5.0	5	4.4	2.1	1.8	
Personal saving rate	%	4.4	4.0	4.2	5.0	5.5	4.1	4.1	4.7	4.5	
Corp. profits, IVACCAdj	% change	10.2	-6.3	2.3	8.8	9.6	23.4	4.9	-.6	5.8	
Profit share of GNP	%	7.4	6.9	6.8	6.8	6.7	7.7	8.1	7.9	7.9	
Federal surpl./def	Bill \$	-136.6	-122.3	-163.5	-202.9	-282.7	-241.4	-159.1	-160.6	-150.1	
State/local surpl./def		38.4	44.8	25.1	17.0	24.8	26.3	26.2	25.0	25.6	
Ex. social ins. funds		-18.4	-17.5	-35.6	-46.5	-41.6	-40.0	-39.3	-39.7	-38.5	
<b>PRICES AND COSTS</b>											
GDP implicit deflator	% change	4.2	4.4	4.5	3.3	2.6	1.8	2.3	2.4	2.2	
GDP fixed-wt price index		4.2	4.4	4.6	3.6	3.2	2.8	2.9	2.9	2.8	
Gross domestic purchases fixed-wt price index		4.1	4.4	5.2	2.9	3.2	2.5	2.9	2.9	2.8	
CPI		4.3	4.6	6.3	3.0	3.1	2.7	2.6	3.0	2.9	
Ex. food and energy		4.5	4.4	5.3	4.4	3.5	3.1	2.8	3.2	2.9	
ECI, hourly compensation <sup>2</sup>		4.8	4.8	4.6	4.4	3.5	3.6	3.1	3.0	3.2	
Nonfarm business sector		5	-1.4	4	2.3	3.1	1.3	1.8	1.1	1.3	
Output per hour		3.8	3.1	6.2	4.7	5.1	1.9	3.2	3.3	3.3	
Compensation per hour		3.3	4.6	5.7	2.3	1.9	5	1.4	2.1	2.0	
Unit labor cost											

1 Percent changes are from fourth quarter to fourth quarter.

2 Private-industry workers

Item	Unit	1992				1993				1994	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>EXPENDITURES</b>											
Nominal GDP	Bill. \$	5896.8	5971.3	6043.6	6169.3	6235.9	6299.9	6359.2	6478.1	6574.7	6689.9
Real GDP	Bill. \$7s	4918.5	4947.5	4990.5	5060.7	5075.3	5105.4	5139.4	5218.0	5261.1	5314.1
Real GDP	% change	3.1	2.4	3.5	5.7	1.2	2.4	2.7	6.3	3.3	4.1
Gross domestic purchases		3.2	3.7	3.9	5.7	2.7	3.3	4.0	5.8	5.0	4.6
Final sales		4.8	1.5	3.5	5.6	2	2.4	3.2	6.4	2.2	1.5
Private dom. final purch		5.7	4.2	3.9	6.7	3.5	3.7	5.3	7.4	5.8	2.7
Personal cons. expend		5.8	1.7	3.9	5.6	1.6	2.6	3.9	4.0	4.7	1.3
Durables		15.5	.4	10.0	13.2	3.2	9.8	7.7	15.5	8.8	4
Nondurables		4.2	-7	2.7	6.9	-1.6	1.6	2.8	2.4	3.8	2.2
Services		4.5	3.4	3.2	3.0	3.1	1.4	3.6	2.0	4.0	1.1
Business fixed invest		-1	15.0	5.0	7.5	15.1	15.6	12.2	21.1	10.9	9.2
Producers' dur. equip.		-1.3	22.7	11.0	12.9	20.0	21.6	16.2	27.5	18.6	6.1
Nonres. structures		2.9	-1.6	8.9	-5.5	2.5	3	5	3.3	-11.8	20.6
Res. structures		22.4	22.7	8	23.8	5.3	-7.6	9.4	28.2	10.0	7.0
Exports		6.1	1.5	5.3	7.2	-1.0	7.7	-3.2	21.7	-3.5	16.6
Imports		6.6	13.0	8.4	6.5	11.6	14.9	7.4	16.0	9.5	18.9
Government purchases		1.5	-3.0	3.4	9	-5.9	1.2	1.1	-1	-4.9	-1.2
Federal		-1.3	-4.8	8.6	1.1	-15.4	3.6	-3.0	-5.0	-10.3	-7.9
Defense		-7.2	-5.1	11.5	-3.3	-20.0	-2.2	-9.2	-3.6	-16.0	-4.1
State and local		3.3	-1.8	1	.8	9	4.4	3.7	2.9	-1.4	2.9
Change in bus. invent	Bill. \$7s	-6.3	4.2	5.2	6.6	18.5	18.9	13.0	10.8	25.4	59.2
Nonfarm		-14.3	-1.9	1.8	6.3	19.7	22.8	20.9	10.7	22.1	51.7
Net exports		-17.9	-34.1	-38.9	-38.5	-57.6	-69.3	-86.3	-82.2	-104.0	-111.8
Nominal GDP	% change	7.1	5.2	4.9	8.6	4.4	4.2	3.8	7.7	6.1	7.2
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employ.	Millions	108.1	108.4	108.7	109.1	109.7	110.4	111.0	111.8	112.7	113.6
Unemployment rate <sup>1</sup>	%	7.3	7.5	7.5	7.3	7.0	7.0	6.7	6.5	6.6	6.2
Industrial prod. index	% change	9	5.8	3.4	6.2	5.1	7	3.3	5.3	7.1	6.0
Capacity util. rate-mfg. <sup>1</sup>	%	78.4	79.1	79.4	80.1	80.8	80.6	80.7	81.4	82.3	83.1
Housing starts	Millions	1.24	1.15	1.18	1.23	1.16	1.25	1.31	1.47	1.36	1.44
Light Motor Vehicle Sales		12.46	12.81	12.71	13.22	13.23	14.11	13.69	14.53	15.45	14.76
Auto sales in U.S.		8.33	8.41	8.24	8.43	8.32	8.93	8.65	8.97	9.45	9.15
North American prod.		6.12	6.25	6.25	6.40	6.36	6.87	6.68	7.08	7.44	7.16
Other		2.21	2.16	1.99	2.03	1.96	2.07	1.97	1.89	2.00	1.99
INCOME AND SAVING											
Nominal GNP	Bill. \$	5907.7	5979.1	6049.4	6167.0	6243.9	6303.3	6367.8	6476.2	6574.0	6682.5
Nominal GNP	% change	6.8	4.9	4.8	8.0	5.1	3.9	4.2	7.0	6.2	6.8
Nominal personal income		8.2	5.6	3.7	15.3	-5.8	8.6	2.4	6.7	5.3	7.7
Real disposable income		5.9	2.1	1.7	10.6	-7.4	4.7	8	4.3	3.4	3.5
Personal saving rate <sup>1</sup>	%	5.3	5.5	5.0	6.2	4.0	4.6	3.9	4.0	3.6	4.1
Corp. profits, IV&CCAdj	% change	18.6	5	-40.0	101.1	9.6	30.7	18.4	37.0	-17.9	33.6
Profit share of GNP <sup>1</sup>	%	7.0	6.9	6.0	7.0	7.1	7.5	7.7	8.2	7.7	8.2
Federal govt. surpl./def	Bill. \$	-279.9	-284.8	-293.9	-272.1	-283.5	-237.0	-224.9	-220.1	-176.2	-145.1
State/local surpl./def		19.9	25.9	20.4	33.1	21.6	25.3	23.9	34.5	25.2	27.0
Ex social ins. funds		-45.7	-40.5	-46.3	-33.8	-44.7	-41.1	-42.4	-31.7	-40.7	-38.9
PRICES AND COSTS											
GDP implicit deflator	% change	3.8	2.7	1.3	2.7	3.3	1.6	1.0	1.3	2.9	2.9
GDP fixed-wt. price index		3.9	3.3	2.7	2.8	4.2	2.4	2.0	2.4	3.1	2.9
Gross domestic purchases		3.6	3.4	3.2	2.5	3.3	2.6	1.6	2.4	2.5	3.2
fixed-wt. price index		2.9	2.9	3.2	3.5	3.1	2.8	1.7	3.4	2.2	2.5
CPI		3.7	3.3	3.3	3.6	3.5	3.5	2.4	2.9	2.9	2.9
Ex food and energy											
ECI, hourly compensation <sup>2</sup>		4.0	2.9	2.8	3.9	4.2	3.5	3.4	3.4	3.0	3.4
Nonfarm business sector		4.0	2.3	2.4	3.9	-2.2	4	2.9	4.2	1.7	-1.4
Output per hour		5.5	5.0	5.3	4.6	1.9	2.4	1.5	1.6	4.9	1.4
Compensation per hour		1.4	2.7	2.9	6	4.1	2.0	-1.3	2.5	3.1	2.8
Unit labor cost											

1 Not at an annual rate

2 Private-industry workers

Item	Units	Projected											
		1994		1995				1996					
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>EXPENDITURES</b>													
Nominal GDP	Bill. \$	6791.7	6897.2	6979.7	7009.8	7076.9	7176.7	7258.1	7336.9	7418.8	7502.8		
Real GDP	Bill. 87\$	5367.0	5433.8	5470.0	5463.1	5477.6	5524.0	5553.4	5583.0	5614.6	5648.2		
Real CDP	% change	4.0	5.1	2.7	-5	1.1	3.4	2.1	2.1	2.3	2.4		
Gross domestic purchases		4.4	4.2	3.6	-3	7	3.1	2.2	2.0	2.1	1.9		
Final sales		4.3	5.7	2.5	1.3	3.0	2.3	1.7	2.1	2.2	2.7		
Private dom. final purch.		4.1	6.8	4.4	1.8	2.8	2.5	2.6	2.7	2.6	2.6		
Personal cons. expend		3.1	5.1	1.8	1.6	2.1	2.0	2.0	2.2	2.1	2.0		
Durables		5.8	20.4	4.0	-3	2.1	1.2	1.2	2.7	2.2	2.0		
Nondurables		3.3	3.1	2.6	-2	2.5	1.8	2.0	1.8	1.8	1.8		
Services		2.2	2.3	3.1	3.3	1.9	2.4	2.3	2.3	2.3	2.2		
Business fixed invest.		14.1	17.6	20.7	9.8	7.2	2.9	4.4	4.9	5.0	5.2		
Producers' dur. equip		18.1	19.6	22.5	10.0	7.5	2.4	4.5	5.1	5.2	5.5		
Nonres. structures		1.6	11.0	14.3	9.3	6.3	4.9	4.0	4.0	4.0	4.0		
Res. structures		-6.0	2.3	-2.6	-18.6	-4	8.7	5.7	4.2	2.5	1.9		
Exports		14.8	20.2	2.5	4.2	1.6	11.3	6.7	11.7	5.6	12.3		
Imports		15.6	11.4	8.8	4.6	-9	7.7	6.5	9.4	4.0	7.6		
Government purchases		6.7	-4.1	-1.2	-9	1.1	-6	-2.3	-2.2	-1.0	.2		
Federal		10.9	-14.4	-4.2	-6.6	-1.4	-4.0	-8.0	-8.9	-6.3	-2.4		
Defense		12.8	-21.8	-7.3	-7.2	-1.5	-1.5	-4.7	-5.3	-4.2	-3.7		
State and local		4.3	2.3	5	2.3	2.4	1.3	8	1.5	1.7	1.5		
Change in bus. invent.	Bill. 87\$	57.1	49.4	52.3	28.5	3.3	18.6	24.4	25.5	26.5	23.0		
Nonfarm		47.4	41.7	49.8	29.5	4.1	17.6	21.9	22.0	22.5	21.0		
Net exports		-117.0	-107.1	-120.0	-122.1	-117.4	-113.6	-115.0	-113.6	-111.6	-105.2		
Nominal GDP	% change	6.2	6.4	4.9	1.7	3.9	5.8	4.6	4.4	4.5	4.6		
<b>EMPLOYMENT AND PRODUCTION</b>													
Nonfarm payroll employ.	Millions	114.5	115.3	116.1	116.3	116.5	116.9	117.2	117.5	117.8	118.1		
Unemployment rate <sup>1</sup>	%	6.0	5.6	5.5	5.8	6.0	6.0	6.0	6.1	6.1	6.1		
Industrial prod. index	% change	4.9	5.9	5.0	-3.5	-.5	3.2	3.1	2.9	2.8	3.1		
Capacity util. rate-mfg <sup>1</sup>	%	83.6	84.5	84.7	83.0	82.0	81.9	81.7	81.5	81.3	81.1		
Housing starts	Millions	1.47	1.51	1.31	1.25	1.33	1.36	1.39	1.40	1.41	1.41		
Light Motor Vehicle Sales		14.65	15.44	14.90	14.34	14.66	14.47	14.51	14.62	14.65	14.65		
Auto sales in U.S.		9.09	9.25	8.84	8.66	8.88	8.65	8.64	8.71	8.71	8.70		
North American prod.		7.09	7.42	7.03	6.87	7.32	7.03	7.03	7.07	7.07	7.06		
Other		2.01	1.83	1.81	1.79	1.55	1.62	1.61	1.64	1.64	1.64		
INCOME AND SAVING													
Nominal GNP	Bill. \$	6779.6	6871.3	6957.9	6978.9	7049.6	7145.7	7226.3	7299.4	7385.3	7465.4		
Nominal GNP	% change	5.9	5.5	5.1	1.2	4.1	5.6	4.6	4.1	4.8	4.4		
Nominal personal income		5.4	8.8	7.5	2.9	4.4	5.3	5.1	4.0	4.1	4.6		
Real disposable income		3.1	7.5	4.5	-1.3	2.9	2.5	2.9	0	2.6	1.7		
Personal saving rate <sup>1</sup>	%	4.1	4.6	5.1	4.4	4.6	4.7	4.9	4.4	4.5	4.4		
Corp. profits, IVA&CCAdj	% change	7.2	3.1	6.2	-11.0	-1.9	10.4	5.6	3.7	9.3	4.5		
Profit share of GNP <sup>1</sup>	%	8.2	8.2	8.2	7.9	7.8	7.9	7.9	8.0	8.0	8.0		
Federal govt. surpl./def.	Bill. \$	-154.0	-161.1	-150.3	-151.5	-167.2	-173.5	-163.6	-137.2	-144.8	-154.8		
State/local surpl./def.		23.9	28.8	29.7	23.3	24.3	23.0	20.5	23.6	27.5	30.8		
Ex. social ins. funds		-41.4	-36.4	-35.4	-41.6	-40.3	-41.3	-43.7	-40.5	-36.5	-33.2		
PRICES AND COSTS													
GDP implicit deflator	% change	1.9	1.3	2.2	2.2	2.8	2.3	2.4	2.2	2.2	2.1		
GDP fixed-wt. price index		3.0	2.6	3.3	2.7	3.1	2.8	3.0	2.7	2.7	2.7		
Gross domestic purchases		3.5	2.6	3.0	3.0	2.8	2.7	3.0	2.7	2.7	2.7		
fixed-wt. price index		3.6	2.2	3.2	3.5	2.8	2.9	3.1	2.9	2.8	2.8		
CPI		3.1	2.3	3.3	3.6	3.0	2.9	2.9	2.9	2.9	2.9		
Ex. food and energy													
ECI, hourly compensation <sup>2</sup>		3.3	2.6	2.3	3.4	3.2	3.2	3.2	3.2	3.2	3.2		
Nonfarm business sector		2.7	4.3	2.7	.3	-5	2.1	1.4	1.4	1.3	1.3		
Output per hour		2.7	3.8	4.3	2.5	3.2	3.2	3.7	2.9	3.3	3.3		
Compensation per hour		0	-4	1.6	2.2	3.7	1.1	2.3	1.6	2.0	2.0		
Unit labor cost													

1 Not at an annual rate

2 Private-industry workers

Strictly Confidential (FR)  
Class II FOMC

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

June 28, 1995

Item	1992				1993				1994		1991	1992	1993	1994
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
Real GDP	37.7	29.0	43.0	70.2	14.6	30.1	34.0	78.6	43.1	53.0	13.6	179.9	157.3	215.8
Gross domestic purchases	38.8	45.1	47.9	69.6	33.7	41.8	51.1	74.4	64.9	60.7	-6.4	201.6	201.0	240.7
Final sales private dom. final purch.	57.5	18.4	42.1	68.8	2.7	29.7	40.0	80.7	28.5	19.2	-20.7	186.8	153.1	177.2
Personal cons. expend	46.1	14.0	32.2	45.8	13.8	22.0	33.0	34.0	40.1	11.5	-6	138.1	102.8	123.4
Durables	15.7	4	10.7	14.3	3.7	11.2	9.0	18.1	10.9	5	-5.5	41.1	42.0	44.0
Nondurables	10.7	-1.8	7.1	17.8	-4.2	4.3	7.4	6.3	10.3	6.0	-17.1	33.8	13.8	33.9
Services	19.7	15.3	14.4	13.7	14.4	6.4	16.6	9.6	18.9	5.1	22.1	63.1	47.0	45.5
Business fixed invest.	-1	18.0	6.4	9.7	19.4	20.7	16.9	29.3	16.4	14.3	-33.3	34.0	86.3	81.0
Producers' dur. equip	-1.2	18.6	9.9	11.6	18.4	20.7	16.6	28.2	20.9	7.5	-11.9	39.1	83.9	74.1
Nonres. structures	1.1	-6	-3.5	-2.1	9	1	2	1.2	-4.6	6.9	-21.4	-5.1	2.4	6.9
Res. structures	9.2	9.8	4	10.8	2.7	-4.1	4.7	13.5	5.4	3.9	1.2	30.2	16.8	7.0
Change in bus. invent.	-19.8	10.5	1.0	1.4	11.9	4	-5.9	-2.2	14.6	33.8	34.4	-6.9	4.2	38.6
Nonfarm	-28.9	12.4	3.7	4.5	13.4	3.1	-1.9	-10.2	11.4	29.6	33.3	-8.3	4.4	31.0
Farm	9.1	-1.8	-2.8	-3.1	-1.5	-2.7	-4.0	8.0	3.2	4.2	1.0	1.4	-2	7.6
Net exports	-1.0	-16.2	-4.8	4	-19.1	-11.7	-17.0	4.1	-21.8	-7.8	19.9	-21.6	-43.7	-24.9
Exports	8.4	2.1	7.4	10.2	-1.5	11.0	-4.9	29.9	-5.6	24.3	42.2	28.1	34.5	72.7
Imports	9.4	18.3	12.3	9.9	17.5	22.8	12.0	25.8	16.2	32.0	22.2	49.9	78.1	97.6
Government purchases	3.4	-7.1	7.8	2.1	-14.1	2.8	2.5	-3	-11.6	-2.8	-8.0	6.2	-9.1	-9.3
Federal	-1.2	-4.6	7.7	1.0	-15.4	-3.3	-2.7	-4.5	-9.4	-7.0	-12.4	2.9	-25.9	-20.7
Defense	-4.9	-3.4	7.1	-2.2	-14.2	-1.4	-5.9	-2.2	-10.2	-2.4	-19.9	-3.4	-23.7	-19.6
Nondefense	3.8	-1.2	6	3.2	-1.3	-1.8	3.2	-2.3	8	-4.5	7.4	6.4	-2.2	-1.1
State and local	4.5	-2.5	1	1.1	1.3	6.1	5.2	4.2	-2.1	4.1	4.6	3.2	16.8	11.4

1 Annual changes are from Q4 to Q4.

Strictly Confidential (FR)  
Class II FOMC

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

June 28, 1995

Item	Projected										Projected			
	1994		1995				1996				1993	1994	1995	1996
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP	52.9	66.8	36.2	-6.9	14.5	46.4	29.4	29.6	31.6	33.6	157.3	215.8	90.2	124.2
Gross domestic purchases	58.2	56.9	49.1	-4.8	9.9	42.6	30.8	28.2	29.6	27.2	201.0	240.7	96.8	115.8
Final sales	55.1	74.4	33.3	16.9	39.7	31.1	23.6	28.5	30.5	37.1	153.1	177.2	121.0	119.8
Private dom final purch.	45.4	74.3	49.0	21.0	32.6	28.7	30.2	32.1	30.9	30.3	205.9	211.4	131.4	123.5
Personal cons expend	26.9	44.9	16.5	14.9	19.4	18.5	18.7	20.3	19.8	19.0	102.8	123.4	69.4	77.9
Durables	7.4	25.2	-5.7	-4	2.8	1.6	1.6	3.7	3.1	2.9	42.0	44.0	-1.7	11.3
Nondurables	9.1	8.5	7.1	-5	7.1	5.1	5.7	5.1	5.1	5.0	13.8	33.9	18.8	20.9
Services	10.4	11.1	15.1	15.8	9.5	11.9	11.4	11.5	11.6	11.1	47.0	45.5	52.3	45.6
Business fixed invest.	22.1	28.2	34.1	17.6	13.3	5.6	8.4	9.4	9.7	10.2	86.3	81.0	70.6	37.7
Producers' dur equip.	21.5	24.2	28.8	14.0	10.8	3.6	6.7	7.7	8.0	8.5	83.9	74.1	57.2	31.0
Nonres structures	6	4.0	5.3	3.6	2.5	2.0	1.7	1.7	1.7	1.7	2.4	6.9	13.4	6.7
Res structures	-3.6	1.3	-1.5	-11.6	-2	4.6	3.1	2.4	1.4	1.1	16.8	7.0	-8.7	7.9
Change in bus. invent.	-2.1	-7.7	2.9	-23.8	-25.2	15.3	5.8	1.1	1.0	-3.5	4.2	38.6	30.8	4.4
Nonfarm	-4.3	-5.7	8.1	-20.3	-25.4	13.5	4.3	1	5	-1.5	4.4	31.0	-24.1	3.4
Farm	2.2	-2.0	-5.2	-3.5	3	1.8	1.5	1.0	5	-2.0	-2	7.6	-6.7	1.0
Net exports	-5.2	9.9	-12.9	-2.1	4.7	3.8	-1.3	1.4	1.9	6.4	-43.7	-24.9	-6.5	8.4
Exports	22.6	31.4	4.3	7.3	2.8	19.3	12.0	20.9	10.6	22.8	34.5	72.7	33.8	66.2
Imports	27.9	21.5	17.2	9.4	-1.8	15.5	13.4	19.4	8.6	16.4	78.1	97.6	40.3	57.8
Government purchases	14.9	-9.8	-2.8	-2.1	2.5	-1.4	-5.3	-5.0	-2.3	4	-9.1	-9.3	-3.8	-12.2
Federal	8.8	-13.1	-3.5	-5.5	-1.1	-3.3	-6.5	-7.2	-4.9	-1.8	-25.9	-20.7	-13.4	-20.4
Defense	6.9	-13.9	-4.1	-4.0	-8	-8	-2.5	-2.8	-2.2	-1.9	-23.7	-19.6	-9.7	-9.4
Nondefense	1.8	8	5	-1.4	-3	-2.5	-4.0	-4.4	-2.7	1	-2.2	-1.1	-3.7	-11.0
state and local	6.1	3.3	7	3.4	3.6	1.9	1.2	2.2	2.6	2.2	16.8	11.4	9.6	8.2

1 Annual changes are from Q4 to Q4.

Strictly Confidential (FR)  
Class II FOMC

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

June 28, 1995

Item	Fiscal year				1994				1995				1996			
	1993 <sup>a</sup>	1994 <sup>a</sup>	1995	1996	Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>b</sup>	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>UNIFIED BUDGET</b>																
Receipts <sup>1</sup>	1153	1257	1359	1381	289	363	318	308	307	414	329	317	294	424	346	333
Outlays <sup>1</sup>	1409	1461	1517	1574	348	363	371	380	378	379	380	395	395	391	393	405
Surplus/deficit <sup>1</sup>	-255	-203	-159	-194	-59	0	-53	-73	-71	35	-51	-78	-101	33	-47	-72
On-budget	-301	-259	-228	-253	-66	-33	-55	-87	-83	-2	-56	-86	-108	-8	-51	-77
Off-budget	46	56	68	60	8	33	2	14	12	37	5	8	6	41	4	5
Surplus excluding deposit insurance <sup>2</sup>	-283	-211	-177	-201	-65	3	-57	-77	-77	33	-55	-78	-104	33	-51	-72
<i>Means of financing</i>																
Borrowing	249	185	162	216	51	8	37	60	66	22	15	72	80	13	52	50
Cash decrease	6	17	-8	-17	5	-6	15	9	8	-44	19	8	20	-45	0	25
Other <sup>3</sup>	0	1	6	-6	2	-2	1	5	-3	-13	17	-2	2	-1	-4	-3
Cash operating balance, end of period	53	36	43	60	45	51	36	27	18	62	43	35	15	60	60	35
<b>NIPA FEDERAL SECTOR</b>																
Receipts	1242	1355	1437	1491	1338	1381	1389	1409	1437	1452	1451	1469	1478	1508	1509	1526
Expenditures	1497	1529	1595	1646	1514	1526	1543	1570	1587	1603	1618	1642	1642	1646	1654	1681
Purchases	447	439	431	421	438	435	444	432	434	429	429	427	425	418	414	413
Defense	307	296	283	281	292	292	301	285	284	281	282	282	283	281	280	279
Nondefense	140	144	148	139	146	144	144	147	150	148	148	145	142	137	134	134
Other expenditures	1049	1090	1164	1225	1076	1091	1099	1138	1154	1175	1189	1215	1217	1228	1240	1267
Surplus/deficit	-254	-174	-157	-155	-176	-145	-154	-161	-150	-151	-167	-173	-164	-137	-145	-155
<b>FISCAL INDICATORS<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-211	-164	-175	-161	-158	-140	-161	-184	-178	-166	-173	-182	-170	-142	-149	-158
Change in HEB, percent of potential GDP	-1	-7	.2	-2	-6	-3	3	3	-1	-2	1	1	-2	-4	1	1
Fiscal imetus (FI), percent, cal year	-4.1	-7.3	-6.5	-10.8	-4.2	-4.3	3.4	-3.8	-1.8	-2.8	3	-2.4	-5.7	-3	-7	-1.9

1 OMB's February 1995 deficit estimates are \$193 billion in FY95 and \$197 billion in FY96 CBO's March 1995 deficit estimates are \$175 billion in FY95 and \$210 billion in FY96 Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) categories The OASDI surplus is excluded from the on-budget deficit and shown separately as off-budget, as classified under current law The Postal Service deficit is included in off-budget outlays beginning in FY90

2 OMB's February 1995 deficit estimates, excluding deposit insurance spending, are \$205 billion in FY95 and \$203 billion in FY96 CBO's March 1995 deficit estimates, excluding deposit insurance spending, are \$191 billion in FY95 and \$218 billion in FY96

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

4 HEB is the NIPA measure in current dollars, with cyclically sensitive receipts and outlays adjusted to the level of potential output generated by 2.4 percent real growth and an associated unemployment rate of 6 percent Quarterly figures for change in HEB and FI are not at annual rates Change in HEB, as a percent of nominal potential GDP, is reversed in sign FI is the weighted difference of discretionary changes in federal spending and taxes (in 1987 dollars), scaled by real federal purchases For change in HEB and FI, negative values indicate restraint

a--Actual

b--Preliminary

Confidential FR Class II  
June 28, 1995

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

	-----Nonfederal-----										-----MEMO-----	
			-----Households-----					State and local govt.		Private financial assets	Nominal GDP	
	Total <sup>2</sup>	Federal govt.	Total	Total	Home mtg.	Cons. credit	Business					
<b>Year</b>												
1982	9.8	19.7	7.4	5.5	4.7	4.4	8.8	9.3	10.1	3.2		
1983	11.9	18.9	10.1	11.8	10.8	12.6	8.7	9.7	12.5	11.0		
1984	14.6	16.9	13.9	13.0	11.7	18.7	15.6	9.1	12.8	9.1		
1985	15.5	16.5	15.2	15.3	13.2	15.8	12.1	31.6	12.4	7.0		
1986	12.3	13.6	11.9	12.0	14.3	9.6	12.2	9.8	7.3	4.7		
1987	9.4	8.0	9.8	11.4	14.9	5.0	7.9	12.1	8.1	8.0		
1988	8.9	8.0	9.2	10.5	12.7	7.2	8.7	6.0	8.6	7.7		
1989	7.8	7.0	8.1	9.2	10.8	6.2	6.9	9.3	5.8	6.0		
1990	6.3	11.0	5.0	6.5	7.9	2.0	3.4	5.7	4.7	4.7		
1991	4.4	11.1	2.4	4.7	6.5	-1.8	-1.0	7.4	-1.0	3.5		
1992	4.8	10.9	2.8	5.8	6.7	0.7	-0.1	1.8	0.7	6.4		
1993	5.3	8.3	4.2	7.1	6.4	7.8	0.5	6.8	-0.4	5.0		
1994	4.8	4.7	4.9	8.2	6.4	13.6	3.6	-4.9	5.0	6.5		
1995	4.9	5.0	4.8	6.3	5.8	8.7	5.9	-7.0	1.3	4.1		
1996	4.5	5.3	4.2	5.9	5.8	6.6	4.2	-5.2	1.0	4.5		
<b>Quarter (seasonally adjusted annual rates)</b>												
1994:1	5.1	6.3	4.7	7.2	6.5	8.4	3.4	-1.4	6.2	6.1		
2	4.2	3.6	4.5	7.0	5.2	13.8	3.8	-4.5	5.3	7.2		
3	4.6	3.9	4.8	8.6	7.0	13.8	3.5	-7.2	2.0	6.2		
4	5.0	4.5	5.1	9.0	6.2	15.8	3.6	-6.8	6.0	6.4		
1995:1	6.3	7.8	5.7	6.6	6.2	8.5	7.8	-6.7	2.8	4.9		
2	5.1	5.0	5.1	6.2	5.4	9.4	6.4	-5.7	0.6	1.7		
3	3.3	1.2	4.1	5.9	5.5	8.3	4.7	-8.3	0.7	3.9		
4	4.4	5.6	4.0	6.0	5.7	7.7	4.2	-7.9	1.0	5.8		
1996:1	5.4	9.0	4.1	6.0	5.7	7.1	4.1	-6.8	1.0	4.6		
2	4.2	3.8	4.4	5.9	5.7	6.7	4.1	-3.4	1.0	4.4		
3	4.3	4.9	4.1	5.6	5.7	6.2	4.1	-5.3	1.0	4.5		
4	3.8	3.1	4.0	5.6	5.7	5.8	4.1	-5.8	1.0	4.6		

1. Data after 1995:1 are staff projections. Changes are measured from end of the preceding period to end of period indicated except annual nominal GDP growth, which is Q4 to Q4.
2. On a quarterly average basis, total debt growth is projected to be 4.8 in 1995 and 4.5 in 1996. Federal debt rises 4.4 percent in 1995 and 5.5 percent in 1996. Nonfederal debt is projected to increase 4.9 percent in 1995 and 4.2 percent in 1996.

2.6.3 FOF

Confidential FR Class II  
June 28, 1995

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

	Calendar year											
	1994	1995	1996	-1994-	Q4	-----	1995	-----	Q4	-----	1996	-----
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
-----Seasonally Adjusted Annual Rates-----												
Net funds raised by domestic nonfinancial sectors												
1 Total	554.1	583.8	586.1	532.4	769.2	622.2	389.6	554.0	701.9	556.4	578.4	507.9
2 Net equity issuance	-40.9	-46.2	-25.0	-102.0	-46.8	-48.0	-52.0	-38.0	-34.0	-24.0	-22.0	-20.0
3 Net debt issuance	595.0	630.0	611.1	634.4	816.0	670.2	441.6	592.0	735.9	580.4	600.4	527.9
Borrowing sectors												
Nonfinancial business												
4 Financing gap <sup>2</sup>	48.5	110.0	85.3	91.7	126.1	107.1	113.9	92.7	86.8	87.5	87.2	79.9
5 Net equity issuance	-40.9	-46.2	-25.0	-102.0	-46.8	-48.0	-52.0	-38.0	-34.0	-24.0	-22.0	-20.0
6 Credit market borrowing	135.8	228.6	171.4	137.5	302.7	252.2	189.9	169.6	169.5	170.4	172.1	173.5
Households												
7 Net borrowing, of which:	351.6	293.0	290.7	407.0	304.7	293.3	283.7	290.4	294.0	295.8	286.5	286.4
8 Home mortgages	190.1	184.5	194.7	194.5	195.0	175.0	180.0	188.0	191.0	193.0	196.0	199.0
9 Consumer credit	117.5	86.0	70.8	149.4	83.4	94.2	85.2	81.2	76.0	73.0	69.0	65.0
10 Debt/DPI (percent) <sup>3</sup>	90.1	91.1	92.3	90.1	90.2	91.3	91.4	91.6	91.7	92.4	92.5	92.8
State and local governments												
11 Net borrowing	-48.2	-65.7	-45.7	-65.1	-63.1	-53.2	-75.7	-70.7	-59.2	-29.2	-45.2	-49.2
12 Current surplus <sup>4</sup>	-46.8	-55.5	-56.7	-32.9	-47.1	-58.0	-57.5	-59.3	-61.8	-58.7	-54.8	-51.5
U.S. government												
13 Net borrowing	155.9	174.0	194.8	155.0	271.8	177.9	43.8	202.8	331.6	143.4	186.9	117.2
14 Net borrowing; quarterly, nsa	155.9	174.0	194.8	59.7	65.6	21.6	15.2	71.6	79.5	13.1	51.8	50.4
15 Unified deficit; quarterly, nsa	184.5	164.5	188.0	72.7	71.3	-35.4	50.7	77.9	101.2	-33.1	47.5	72.3
Funds supplied by depository institutions	197.2	233.1	207.2	196.5	373.2	214.1	176.6	168.5	199.7	209.7	206.7	212.7
MEMO: (percent of GDP)												
17 Dom. nonfinancial debt <sup>3</sup>	188.0	188.1	188.4	186.8	187.2	189.1	189.2	188.4	188.6	188.8	188.7	188.5
18 Dom. nonfinancial borrowing	8.8	8.9	8.3	9.2	11.7	9.6	6.2	8.2	10.1	7.9	8.1	7.0
19 U.S. government <sup>5</sup>	2.3	2.5	2.6	2.2	3.9	2.5	0.6	2.8	4.6	2.0	2.5	1.6
20 Private	6.5	6.5	5.6	7.0	7.8	7.0	5.6	5.4	5.6	6.0	5.6	5.5

1. Data after 1995:1 are staff projections.

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

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

4. NIPA surplus, net of retirement funds.

5. Excludes government-insured mortgage pool securities.

points for the first half of 1995 and about 1/4 percentage point for the balance of the forecast period, with these downward revisions concentrated in Canada and Japan. As indicated in the table below, these revisions move our projections for Japan and Canada below those of the most recent Consensus, OECD, and IMF forecasts. Our outlook for Europe is about in line with the outside forecasts.

Average Annual Rate of Real GDP Growth for 1995 and 1996<sup>1</sup>  
(Percent)

	Japan	Canada	Europe <sup>2</sup>	United States
FRB (June Greenbook)	1.1	2.4	3.0	2.4
Consensus (June) <sup>3</sup>	1.3	2.7	2.9	2.7
OECD (June)	1.8	3.7	3.0	2.8
IMF (May)	2.7	3.5	3.1	2.7

1. Averages of the year/year growth rates for the two years.
2. France, Germany, Italy, and the United Kingdom, weighted by shares in U.S. nonagricultural exports.
3. The Consensus forecasts survey some 200 private forecasting firms, including roughly 20 to 30 forecasters for each country.

Our projected pattern of GDP growth in Canada in the near term looks much the same as that for the United States, but only partly because of the importance to the Canadian economy of trade with the United States. The build-up of Canadian inventories in the first quarter and the weakness of labor market indicators through May point to a downturn in real output in the second quarter. A weak recovery is anticipated for the third quarter and a stronger bounceback in the fourth quarter. For 1996, we project real GDP to grow only slightly faster than its potential rate despite a still sizable output gap, largely because of the restraining influence of Canadian fiscal policy.

In Japan, economic activity so far this year has been a good deal weaker than we had anticipated. The depressing effects of the appreciation of the yen on Japanese net exports should continue for some time, and uncertainties related to weakness in the labor market and recent further declines in household wealth are likely to weigh on the

QUANTITIES OF GOODS AND SERVICES  
(Percent change from end of previous period, SAAR)

	-----Projection-----				
	Q1	Q2	Q3	Q4	<u>1996</u>
Exports of G&S	2.5	4.2	1.6	11.3	9.0
Services	-3.4	2.9	4.6	6.2	4.7
Computers	20.2	19.6	23.9	26.3	26.3
Other goods <sup>1</sup>	1.5	2.1	-2.5	8.3	6.4
Imports of G&S	8.8	4.6	-0.9	7.7	6.8
Services	13.9	-4.6	-0.1	2.8	2.8
Oil	-4.8	5.1	37.4	-4.7	0.8
Computers	3.5	27.2	23.9	21.6	20.4
Other goods <sup>2</sup>	10.7	1.5	-10.3	6.6	4.4

Note.

NIPA basis, 1987 dollars.

1. Nonagricultural exports of goods excluding computers.

2. Non-oil imports of goods excluding computers.

The growth of real imports of goods and services should slow significantly in the second quarter and especially in the third quarter. We project non-oil imports excluding computers to decline substantially in the third quarter, with weakness of domestic demand and the rise in the relative price of imports associated with the depreciation of the dollar contributing to this decline. In addition, part of the projected decline in the third quarter reflects seasonal fluctuation not captured in BEA's adjustment factors. Thereafter, these imports should resume expanding, helped along by a seasonal boost and a bounceback in domestic demand in the fourth quarter. During 1996, we expect these imports to grow about twice as fast as GDP, in line with historical trends. We expect oil imports to continue on a moderate uptrend, though with a substantial seasonal increase in the third quarter. Continued rapid growth in real imports of computers raises the projected growth of total imports of goods and services to nearly 7 percent next year.

Oil prices. We are assuming that WTI spot oil prices will remain little changed from current levels of about \$18 per barrel in the near term, rise somewhat around the turn of the year, and level off at \$19.50 per barrel by mid-1996. The price next year is \$1.00 per barrel greater than in our previous forecast, largely because we now assume that Iraq will not return to the world oil export market during 1996.

Prices of non-oil imports and exports. Prices of U.S. non-oil imports other than computers are expected to continue to decelerate from a 6 percent rate of increase during the second quarter as the effects of the past depreciation of the dollar diminish, and to increase at only about a 2 percent rate during 1996. A substantial deceleration of commodity prices, reflecting in part somewhat lower world economic growth, contributes to this trajectory of import prices. Prices of nonagricultural exports other than computers are also projected to decelerate over the forecast period, in line with a slowing of U.S. producer prices increases, especially of materials for durable and nondurable manufacturing.

SELECTED PRICE INDICATORS  
(Percent change from end of previous period except as noted, AR)

	-----Projection-----				1996
	1995	Q1	Q2	Q3	Q4
U.S. PPI <sup>1</sup>	5.7	4.8	2.5	2.6	2.1
Nonag.exports <sup>2</sup>	9.6	4.9	2.7	3.0	2.1
Non-oil imports <sup>2</sup>	3.2	6.0	3.8	2.1	2.0
Oil imports (Q4 level, \$bl.)	16.01	17.13	15.34	15.60	17.00

1. Selected categories (excluding computers) weighted by U.S. exports.  
2. Excluding computers.

Nominal trade and current account balances. The nominal trade deficit on goods and services is expected to have peaked in the second quarter; our projection shows a gradual narrowing over the period ahead.

STRICTLY CONFIDENTIAL - FR  
CLASS II FOMC

June 28, 1995

REAL GDP AND CONSUMER PRICES, SELECTED COUNTRIES, 1993-96  
(Percent; quarterly change at an annual rate except as noted)

Measure and country	Projected											
	Projected				1994			1995				
	1993	1994	1995	1996	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>REAL GDP</b>												
Canada	3.1	5.4	1.2	2.6	5.9	5.7	4.6	0.7	-0.9	1.4	3.5	
France	-1.0	4.0	2.9	3.1	5.5	3.6	3.2	2.9	2.8	2.9	3.0	
Germany	-0.1	4.0	2.4	2.8	4.2	4.4	4.0	1.9	2.0	2.7	2.8	
W. Germany	-0.5	3.3	1.8	2.2	3.6	4.2	3.0	0.9	1.7	2.2	2.3	
Italy	-0.2	2.7	3.4	3.0	4.0	5.4	0.1	2.8	3.3	3.8	3.8	
Japan	-0.5	0.8	1.2	2.0	0.7	3.5	-3.9	0.3	0.8	1.7	1.8	
United Kingdom	2.6	4.3	2.8	2.7	6.1	3.7	2.8	2.7	2.5	3.0	3.0	
Average, weighted by 1987-89 GDP	0.3	2.9	2.1	2.6	3.6	4.1	0.6	1.6	1.7	2.5	2.7	
Average, weighted by share of U.S. nonagricultural exports												
Total foreign	2.7	4.4	2.3	3.4	NA	NA	NA	NA	NA	NA	NA	
Foreign G-7	1.6	4.0	1.7	2.6	4.6	4.7	2.3	1.2	0.5	2.0	3.0	
Developing countries	5.2	5.7	3.1	4.9	NA	NA	NA	NA	NA	NA	NA	
<b>CONSUMER PRICES(1)</b>												
Canada	1.8	0.0	3.1	2.2	-1.4	2.2	1.3	4.2	3.4	2.4	2.2	
France	2.1	1.6	1.9	2.2	2.5	0.6	1.7	2.2	2.3	1.3	1.7	
Western Germany	3.7	2.8	2.4	2.6	2.7	1.4	1.3	3.8	2.7	1.4	1.7	
Italy	4.1	3.8	6.0	5.0	3.4	3.0	4.7	6.3	8.0	4.2	5.5	
Japan	1.2	0.8	-0.5	-0.9	1.3	-0.9	2.1	-2.3	0.7	0.0	-0.1	
United Kingdom	1.6	2.6	3.4	3.9	7.4	0.1	2.6	3.6	7.2	0.8	2.0	
Average, weighted by 1987-89 GDP	2.2	1.8	2.1	1.9	2.6	0.6	2.3	1.9	3.4	1.3	1.7	
Average, weighted by share of U.S. non-oil imports	1.9	1.1	1.7	1.3	1.1	0.7	1.9	1.5	2.7	1.3	1.3	

Note. Annual values are measured from Q4 to Q4.

1. Not seasonally adjusted.

Strictly Confidential (FR) Class II-FOMC

U.S. INTERNATIONAL TRANSACTIONS IN GOODS, SERVICES, AND THE CURRENT ACCOUNT

(Billions of dollars, seasonally adjusted annual rates)

	1992				1993				1994		ANNUAL		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1991	1992	1993
NIPA Real Net Exports of Goods & Services (87\$)	-17.9	-34.1	-38.9	-38.5	-57.6	-69.3	-86.3	-82.2	-104.0	-111.8	-19.5	-32.3	-73.9
Exports of G&S Goods	571.0	573.1	580.5	590.7	589.2	600.2	595.3	625.2	619.6	643.9	542.6	578.8	602.5
Agricultural	416.0	421.5	427.4	441.1	433.9	443.3	438.5	468.1	464.4	484.6	397.1	426.5	445.9
Computers	38.9	38.4	40.5	41.3	39.1	39.3	36.9	39.1	36.6	37.5	35.5	39.8	38.6
Other Goods	47.1	52.3	56.2	60.1	60.9	62.9	68.5	74.0	76.9	79.3	41.4	53.9	66.6
Services	330.0	330.8	330.7	339.8	333.9	341.1	333.1	355.1	350.9	367.8	320.2	332.8	340.8
	154.9	151.6	153.1	149.6	155.3	156.9	156.7	157.1	155.2	159.2	145.5	152.3	156.5
Imports of G&S Goods	588.8	607.1	619.4	629.3	646.8	669.6	681.6	707.4	723.6	755.6	562.1	611.1	676.3
Oil	489.5	509.7	521.7	530.2	546.6	567.4	577.1	599.9	615.2	648.3	464.4	512.8	572.8
Computers	47.2	51.6	53.1	52.8	53.4	57.7	56.7	58.1	56.5	60.3	49.2	51.2	56.5
Other Goods	51.2	57.5	64.7	68.4	73.3	80.0	87.8	94.6	99.7	106.9	41.6	60.5	83.9
Services	391.1	400.6	403.9	409.0	419.9	429.7	432.6	447.2	458.9	481.0	373.7	401.2	432.4
	99.3	97.4	97.7	99.0	100.1	102.2	104.5	107.6	108.5	107.4	97.7	98.3	103.6
Memo: (Percent change 1/)													
Exports of G&S	6.1	1.5	5.3	7.2	-1.0	7.7	-3.2	21.7	-3.5	16.6	8.1	5.0	5.8
Agricultural	13.4	-5.0	23.7	8.1	-19.7	2.1	-22.3	26.1	-23.2	10.2	10.9	9.5	-5.3
Computers	24.4	52.0	33.3	30.8	5.4	13.8	40.7	36.2	16.6	13.1	26.7	34.8	23.1
Other Goods	3.1	1.0	-0.1	11.5	-6.8	8.9	-9.1	29.2	-4.6	20.7	7.2	3.8	4.5
Services	5.9	-8.3	4.0	-8.8	16.1	4.2	-0.5	1.0	-4.8	10.7	4.7	-2.0	5.0
Imports of G&S	6.6	13.0	8.4	6.5	11.6	14.9	7.4	16.0	9.5	18.9	4.0	8.6	12.4
Oil	0.9	42.8	12.1	-2.2	4.6	36.3	-6.8	10.2	-10.6	29.7	8.3	12.1	10.0
Computers	53.5	59.1	60.3	24.9	31.9	41.9	45.1	34.8	23.4	32.2	45.6	48.7	38.3
Other Goods	2.4	10.1	3.3	5.1	11.1	9.7	2.7	14.2	10.9	20.7	2.9	5.2	9.3
Services	7.2	-7.4	1.2	5.4	4.5	8.7	9.3	12.4	3.4	-4.0	-6.2	1.4	8.7
Current Account Balance	-28.0	-62.1	-67.2	-89.0	-69.5	-97.4	-108.1	-124.7	-121.1	-151.9	-7.4	-61.5	-99.9
Goods & Serv (BOP), net	-15.9	-41.1	-47.5	-53.5	-54.3	-75.2	-88.0	-82.0	-92.1	-107.7	-29.4	-39.5	-74.8
Goods (BOP), net	-71.8	-97.0	-109.2	-106.5	-115.8	-134.4	-146.4	-133.9	-146.0	-166.0	-74.1	-96.1	-132.6
Services (BOP), net	55.9	56.0	61.7	53.0	61.5	59.2	58.5	51.9	53.9	58.3	44.7	56.6	57.8
Investment Income, net	15.5	10.0	8.5	6.4	14.8	8.3	12.8	0.1	0.5	-9.1	15.1	10.1	9.0
Direct, net	56.6	53.6	50.1	46.1	61.1	55.3	59.2	49.7	46.2	43.9	55.6	51.6	56.3
Portfolio, net	-41.1	-43.6	-41.6	-39.7	-46.2	-47.0	-46.5	-49.6	-45.7	-53.0	-40.5	-41.5	-47.3
Unilateral Transfers, net	-27.5	-31.0	-28.1	-42.0	-30.1	-30.4	-32.9	-42.9	-29.5	-35.1	6.9	-32.1	-34.1

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

Strictly Confidential (FR) Class II-FOMC

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS IN GOODS, SERVICES, AND THE CURRENT ACCOUNT

(Billions of dollars, seasonally adjusted annual rates)

	Projection												Projection		
	1994				1995				1996				ANNUAL		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1994	1995	1996		
NIPA Real Net Exports of Goods & Services (87\$)	-117.0	-107.1	-120.0	-122.1	-117.4	-113.6	-115.0	-113.6	-111.6	-105.2	-110.0	-118.3	-111.3		
Exports of G&S Goods	666.5	697.9	702.2	709.5	712.4	731.7	743.7	764.6	775.1	797.9	657.0	713.9	770.3		
Agricultural	505.1	533.6	539.3	545.5	546.5	563.3	573.5	592.3	601.2	621.6	496.9	548.6	597.1		
Computers	40.7	45.9	45.7	45.2	43.0	45.3	45.3	45.3	47.3	47.3	40.2	44.8	46.3		
Other Goods	85.9	95.8	100.3	104.9	110.7	117.3	124.3	131.8	139.7	148.1	84.5	108.3	136.0		
Services	378.5	391.8	393.3	395.4	392.8	400.7	403.9	415.2	414.3	426.2	372.2	395.6	414.9		
Imports of G&S Goods	783.5	805.0	822.2	831.6	829.8	845.3	858.7	878.1	886.8	903.1	766.9	832.2	881.7		
Oil	674.6	695.9	709.5	720.2	718.4	733.2	745.8	764.6	772.5	787.9	658.5	720.3	767.7		
Computers	64.3	57.1	56.4	57.1	61.8	61.1	61.3	63.3	64.3	61.5	59.6	59.1	62.6		
Other Goods	115.4	128.9	130.0	138.1	145.7	153.0	160.6	168.7	176.3	184.2	112.7	141.7	172.4		
Services	494.9	510.0	523.1	525.0	511.0	519.2	523.9	532.6	532.0	542.2	486.2	519.6	532.7		
Memo:(Percent change 1/)	108.9	109.1	112.7	111.4	111.3	112.1	112.9	113.5	114.2	115.2	108.5	111.9	114.0		
Exports of G&S	14.8	20.2	2.5	4.2	1.6	11.3	6.7	11.7	5.6	12.3	11.6	4.8	9.1		
Agricultural	38.8	61.8	-1.7	-4.0	-18.6	23.2	0.0	0.0	18.9	0.0	17.4	-1.4	4.4		
Computers	37.7	54.7	20.2	19.6	23.9	26.3	26.3	26.3	26.3	26.3	29.5	22.4	26.3		
Other Goods	12.2	14.8	1.5	2.1	-2.5	8.3	3.2	11.7	-0.9	12.1	10.3	2.3	6.4		
Services	5.4	7.6	-3.4	2.9	4.6	6.2	4.4	5.0	3.7	5.7	4.6	2.5	4.7		
Imports of G&S	15.6	11.4	8.8	4.6	-0.9	7.7	6.5	9.4	4.0	7.6	13.8	5.0	6.8		
Oil	29.3	-37.8	-4.8	5.1	37.4	-4.7	1.2	14.2	6.2	-16.1	-1.7	7.0	0.8		
Computers	35.8	55.7	3.5	27.2	23.9	21.6	21.6	21.6	19.3	19.3	36.3	18.7	20.4		
Other Goods	12.1	12.8	10.7	1.5	-10.3	6.6	3.7	6.8	-0.5	7.9	14.0	1.8	4.4		
Services	5.7	0.7	13.9	-4.6	-0.1	2.8	2.7	2.3	2.6	3.4	1.4	2.8	2.7		
Current Account Balance	-158.9	-173.1	-162.0	-177.8	-160.0	-167.7	-161.1	-165.2	-158.2	-165.1	-151.2	-166.9	-162.4		
Goods & Serv (BOP), net	-115.2	-109.9	-120.1	-125.9	-111.7	-105.3	-107.9	-106.2	-103.3	-95.7	-106.2	-115.8	-103.3		
Goods (BOP), net	-178.5	-174.0	-180.2	-188.1	-176.5	-172.5	-177.2	-177.8	-176.7	-171.9	-166.1	-179.3	-175.9		
Services (BOP), net	63.3	64.1	60.1	62.1	64.8	67.3	69.4	71.5	73.5	76.1	59.9	63.6	72.6		
Investment Income, net	-10.1	-18.3	-10.8	-19.8	-16.2	-20.0	-20.8	-26.5	-22.5	-26.3	-9.3	-16.7	-24.0		
Direct, net	44.6	45.7	54.7	54.2	57.0	61.6	61.9	62.0	63.2	65.8	45.1	56.9	63.2		
Portfolio, net	-54.7	-64.0	-65.5	-74.0	-73.2	-81.6	-82.7	-88.5	-85.7	-92.2	-54.4	-73.6	-87.3		
Unilateral Transfers, net	-33.5	-45.0	-31.1	-32.0	-32.0	-42.5	-32.5	-32.5	-32.5	-43.0	-35.8	-34.4	-35.1		

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

June 28, 1995

## **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

measure of output used by BLS to calculate productivity has been rising faster than the product-based measure.<sup>5</sup>

#### Industrial Production

Industrial production slid another 0.2 percent in May and has declined nearly 1.0 percent from its peak in February. Weekly production data received so far in June (covering about 17 percent of total IP) indicate further weakening in IP this month.

Manufacturing output registered its fourth consecutive decline in May as the production of motor vehicles and parts moved down sharply and production in most other industries remained sluggish. The factory operating rate fell to 83.0 percent in May, 2.2 percentage points below its beginning-of-year high but still 1.7 percentage points above the 1967-94 average.

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

	1995					
	Apr.	May	June	Q1	Q2	Q3
	Planned					
U.S. production	12.1	11.5	11.9	12.9	11.8	12.1
Autos	6.5	6.1	6.2	7.1	6.3	6.3
Trucks	5.6	5.4	5.7	5.7	5.6	5.9
Days' supply						
Autos	84.4	74.4		72.3		
Light Trucks	73.6	68.4		62.9		

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

The output of motor vehicles and parts dropped 8.0 percent from March to May, directly accounting for about one-half of the decline in total IP over that two-month period; perhaps another quarter of

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5. This divergence is reflected as a sharp decline in the value of the statistical discrepancy in the national income and product accounts--from \$25.5 billion in the first quarter of 1993 to -\$60.4 billion in the first quarter of 1995. BLS plans to convert its productivity series to a product-side concept (by adding the statistical discrepancy) in late 1995 or early 1996.

**ADJUSTED<sup>1</sup> FEDERAL GOVERNMENT OUTLAYS AND RECEIPTS**  
 (Unified basis; billions of dollars, except where otherwise noted)

	April and May		Fiscal year to date			
	1994	1995	FY1994	FY1995	Dollar change	Percent change
<b>Outlays</b>	<b>239.5</b>	<b>250.9</b>	<b>966.0</b>	<b>1009.3</b>	<b>43.3</b>	<b>4.5</b>
Deposit insurance (DI)	1.7	-1.8	-5.1	-12.4	-7.3	144.9
<b>Outlays excluding DI</b>	<b>237.8</b>	<b>252.7</b>	<b>971.1</b>	<b>1021.7</b>	<b>50.6</b>	<b>5.2</b>
National defense	44.0	42.6	183.7	176.7	-7.0	-3.8
Net interest	34.8	40.3	133.9	153.8	19.9	14.9
Social security	53.2	56.0	209.1	219.7	10.5	5.0
Medicare and health	40.2	45.1	163.7	178.5	14.9	9.1
Income security	36.8	41.4	149.8	153.8	3.9	2.6
Other	29.0	27.3	130.8	139.3	8.4	6.4
<b>Receipts</b>	<b>224.9</b>	<b>255.8</b>	<b>801.3</b>	<b>870.2</b>	<b>68.9</b>	<b>8.6</b>
Personal income	84.4	106.2	346.4	381.0	34.6	10.0
Withheld	70.7	75.9	311.0	339.5	28.6	9.2
Nonwithheld	52.6	73.7	105.8	118.4	12.6	11.9
Refunds	38.9	43.3	70.3	77.5	7.2	10.2
Social insurance	96.9	102.0	306.3	326.9	20.7	6.7
Corporate	23.4	25.7	77.1	82.7	5.6	7.3
Other	20.2	21.9	71.6	80.0	8.4	11.7
<b>Deficit(+)</b>	<b>14.6</b>	<b>-4.9</b>	<b>164.7</b>	<b>139.1</b>	<b>-25.6</b>	<b>-15.5</b>
Excluding DI	12.9	-3.1	169.8	151.5	-18.3	-10.8
<b>Memo:</b>						
Unadjusted deficit(+)	14.6	-10.8	164.7	133.2	-31.5	-19.1
Excluding DI	12.9	-9.0	169.8	145.6	-24.2	-14.2
Refunds + EITC	41.0	49.7	80.9	91.8	10.9	13.5

1. 1995 outlay numbers for defense, income security, and the other category are adjusted up to account for shifting of official outlays from April 1995 to March 1995 and from October 1994 to September 1994.

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

## CONFERENCE AGREEMENT DEFICITS COMPARED TO CBO BASELINE

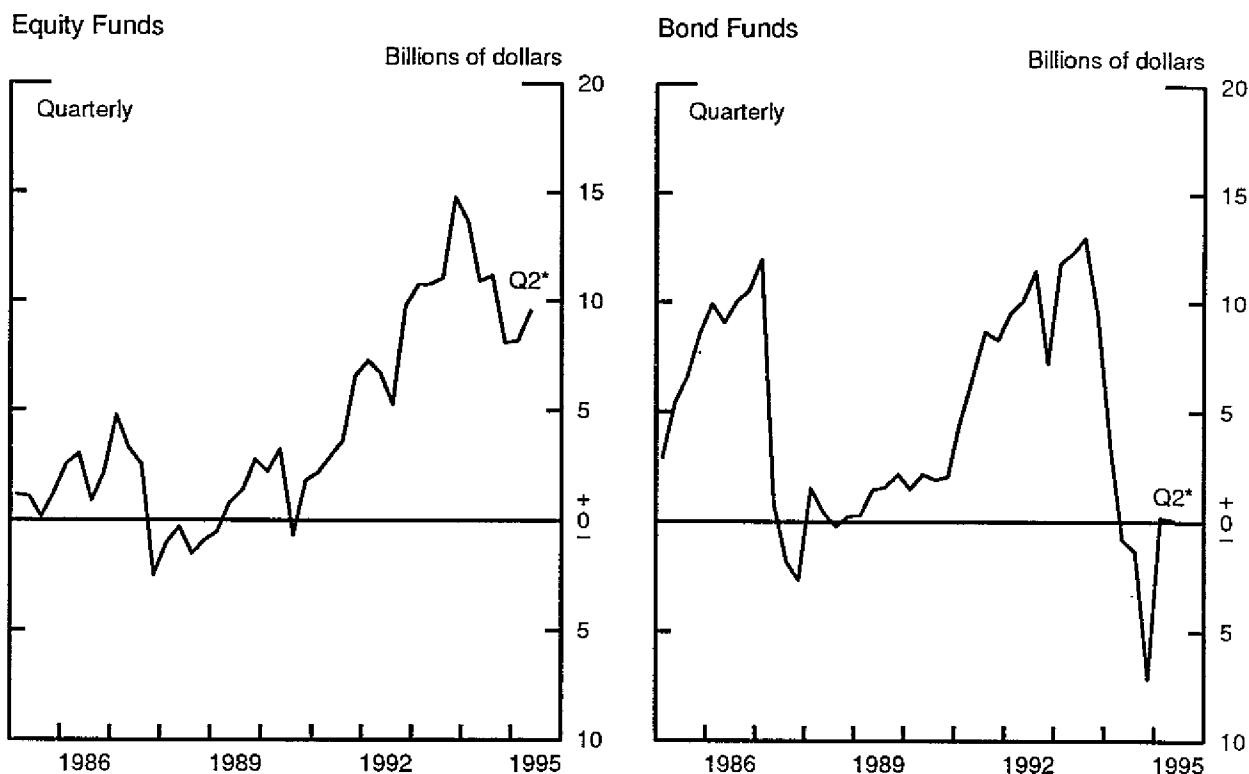
	1996	1997	1998	1999	2000	2001	2002	1996-2002
CBO Baseline Deficit	210	230	232	266	299	316	349	1902
<u>Changes:</u>								
Discretionary	-18	-29	-40	-59	-75	-99	-121	-441
Mandatory	-20	-45	-66	-90	-117	-139	-168	-645
Health	-11	-25	-42	-62	-82	-104	-125	-451
Other	-9	-20	-24	-28	-35	-35	-43	-194
Debt Service	-1	-6	-12	-20	-32	-47	-67	-185
Deficit (reduction from baseline)	-39	-80	-118	-169	-224	-285	-356	-1271
<u>Memo:</u>								
Maximum Tax Cut	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	50	245
<u>Financing:</u>								
Fiscal Dividend	3	7	14	23	32	41	50	170
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	75

Note. The conference agreement assumes the fiscal dividend will occur if the spending reductions are enacted. The fiscal dividend is based on CBO's April 1995 document *An Analysis of the President's Budgetary Proposals for Fiscal Year 1996*.

n.a. Not applicable.

## Net Sales of Equity and Bond Mutual Funds

(Monthly rate, not seasonally adjusted)



\* Value for 1995:Q2 is a staff estimate.

### NET SALES OF MUTUAL FUNDS CLASSIFIED BY TYPE

(Billions of dollars, monthly rate, not seasonally adjusted)

	1994		1995			Memo: May Assets
	Q4	Q1	Q2 <sup>e</sup>	May	Jun. <sup>e</sup>	
Total stock	8.1	8.2	9.5	9.0	8.6	1,025.4
International	2.0	.4	1.3	1.3	.5	175.0
Domestic	6.1	7.8	8.2	7.7	8.1	850.4
Total bond	-7.1	.2	.0	2.4	-2.8	743.9
GNMA	-1.2	-.7	-.1	-.1	-.3	54.7
Government	-2.0	-.6	-.6	-.5	-.6	87.7
High-yield	.0	1.0	.5	.9	-.3	52.9
Tax-exempt	-3.2	.3	-.6	.9	-1.9	246.1
Income	.2	.8	.8	1.2	.5	241.1
Other	-.9	-.6	.0	.0	-.2	61.4
Total money fund	9.8	7.7	16.6	20.0	26.7	675.8
Taxable	9.4	6.7	16.3	17.8	25.3	556.9
Tax-exempt	.4	1.0	.3	2.2	1.4	118.9

e Staff estimate

Source. Investment Company Institute.

TREASURY FINANCING  
(Billions of dollars; total for period)

Item	1995				
	Q1	Q2 <sup>P</sup>	Apr.	May	June <sup>P</sup>
Total surplus/deficit (-)	-71.3	35.4	49.7	-39.0	24.7
<b>Means of financing deficit</b>					
Net cash borrowing and repayments (-)	65.7	21.6	-27.6	44.7	4.5
Nonmarketable	-8.8	-1.5	.7	-0.7	-1.5
Marketable	74.4	23.2	-28.3	45.4	6.0
Bills	22.6	-13.6	-21.3	15.4	-7.8
Coupons	51.8	36.8	-7.0	30.0	13.8
Decrease in cash balance	8.5	-44.1	-20.0	11.8	-36.0
Other <sup>1</sup>	-2.8	-13.0	-2.1	-17.6	6.8
<b>Memo:</b>					
Cash balance, end of period	18.1	62.2	38.1	26.2	62.2

Note. Data reported on a payment basis. Details may not sum to totals because of rounding.

p Projected.

e Estimate.

1. Accrued items, checks issued less checks paid, and other transactions.

**NET CASH BORROWING OF GOVERNMENT-SPONSORED ENTERPRISES**  
(Billions of dollars)

Agency	1995				
	Q1	Feb.	Mar.	Apr.	May
FHLBs	4.5	-2.1	4.5	1.9	6.5
FHLMC	8.4	6.4	0.3	4.8	1.3
FNMA	1.4	5.3	2.9	-0.5	4.8
Farm Credit Banks	0.8	-1.7	0.1	-0.3	0.4
SLMA	1.2	1.1	1.0	n.a.	n.a.

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

n.a. Not available.