

## **Part 1**

September 27, 2000

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Summary and Outlook**

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

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

Measure	2000:Q2			2000:Q3	
	Aug. GB	BEA <sup>1</sup>	Sept. GB	Aug. GB	Sept. GB
<b>Real GDP</b>	<b>4.9</b>	<b>5.3</b>	<b>5.2</b>	<b>3.2</b>	<b>3.0</b>
Private domestic final purchases	4.7	4.5	4.6	4.6	4.9
Personal consumption expenditures	2.9	2.9	2.9	4.2	4.7
Residential investment	1.1	-0	1.1	-16.1	-12.4
Business fixed investment	15.1	14.6	14.5	14.3	11.9
Government outlays for consumption and investment	5.4	4.9	4.7	.3	-1.6
MEMO					
Real GDP adjusted for defense spending anomaly	4.4	4.8	4.7	3.2	3.0
	Contribution to growth, percentage points				
Inventory investment	1.5	1.8	1.5	-.3	-.5
Net exports	-1.5	-1.2	-1.0	-.6	-.5

1 Preliminary release, published August 25.

construction supplies and non-high-tech materials has dropped back. Private sector hiring moderated noticeably over the July-August period, and the average workweek moved down in a number of industries; we are expecting aggregate hours in the nonfarm business sector to be flat this quarter.

On the spending side, private domestic final sales appear to be rising less rapidly this quarter than over the first half of the year. The most pronounced slowdown has been in expenditures for residential construction, which are expected to have declined sharply this quarter after having posted modest gains during the first half. Single-family starts dropped from an annual rate of 1.34 million units in the first quarter to an average of about 1.24 million units during July and August. However, the recent data on starts in August and on sales of new and existing homes suggest that demand may be getting enough support from the drop in mortgage interest rates in recent months to offset the less favorable trends in income and wealth that households have been experiencing. Thus, we now expect that single-family starts will average 1.24 million units through year-end, a bit higher pace than in our previous projection but well below that seen earlier in the year.

### The Longer-Term Outlook for Aggregate Demand

Our projection for real economic activity between the current quarter and the end of 2001 is much the same as in the August Greenbook and shows real GDP rising at an annual rate of nearly 4 percent. As before, we anticipate that the waning wealth effect on household demand and, more generally, the cumulative effects of previous increases in interest rates should keep aggregate demand on this more moderate growth path despite a diminished drag from the external sector and the additional fiscal stimulus that we have incorporated.

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

Measure	2000		2001	2002
	H1	H2		
<b>Real GDP</b>	<b>5.0</b>	<b>3.3</b>	<b>4.0</b>	<b>4.3</b>
Previous	4.8	3.5	4.1	--
Final sales	5.2	3.8	4.1	4.3
Previous	5.0	3.9	4.2	--
PCE	5.2	4.2	3.5	3.4
Previous	5.2	4.0	3.5	--
Residential investment	2.1	-8.5	-3.6	-2.1
Previous	2.1	-12.8	-5.4	--
BFI	17.7	10.5	11.3	11.3
Previous	18.0	12.9	11.7	--
Government purchases	1.8	1.1	3.7	3.6
Previous	2.1	1.8	3.3	--
Exports	10.2	8.7	7.9	10.5
Previous	6.9	7.6	8.3	--
Imports	15.2	8.6	8.3	9.3
Previous	14.6	7.9	8.0	--
Contribution to growth, percentage points				
Inventory change	-1	-5	-1	1
Previous	-1	-4	-1	--
Net exports	-1.0	-3	-4	-2
Previous	-1.2	-3	-3	--

**Decomposition of Structural Labor Productivity**

(Percent change, Q4 to Q4, except as noted)

Measure	1998	1999	2000	2001	2002
<b>Structural labor productivity</b>	<b>2.9</b>	<b>3.2</b>	<b>3.5</b>	<b>3.6</b>	<b>3.7</b>
Previous	--	3.2	3.5	3.7	--
<i>Contributions<sup>1</sup></i>					
Capital deepening	1.4	1.6	1.8	1.9	2.0
Previous	1.6	1.8	2.0	2.2	--
Multifactor productivity	1.2	1.3	1.4	1.4	1.4
Previous	1.0	1.1	1.2	1.2	--
Labor quality	.3	.3	.3	.3	.3

1. Percentage points.

more slowly than has been the case in recent years as a result of the somewhat more moderate gains in business investment that we are projecting. We have also allowed for higher relative energy prices to have some effect on productive efficiency over the forecast period; those effects are small, shaving just 0.1 percentage point from our assumed contribution of multifactor productivity in 2001 and 2002.<sup>2</sup>

On balance, our assumed path for structural productivity is little changed and continues to show a gradual step-up in the rate of increase through the forecast period. Structural productivity is estimated to have risen 3.2 percent in 1999 and 3.5 percent this year and then to accelerate to 3.6 percent in 2001 and 3.7 percent in 2002. Accordingly, with the contribution of labor input assumed to be advancing at a steady rate, our projections for the rate of expansion in potential output move up from 4.3 percent last year and 4.6 percent this year to 4.7 percent next year and 4.8 percent in 2002.

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2. An increase in the relative price of energy encourages firms to adopt production techniques that economize on the use of energy and employ relatively more capital and labor resources per unit of output. At the margin, the increased labor requirements reduce the level of labor productivity on the newest vintages of capital equipment, and over time the entire capital stock adjusts to the new factor intensities as pre-energy-shock equipment is replaced. In addition, the higher price of energy boosts operating costs and causes more energy-intensive factories and machines to be scrapped earlier than originally anticipated. The increased obsolescence also reduces the level of labor productivity because it reduces the quantity of capital inputs. The resulting lower levels of labor productivity are reflected in lower rates of structural productivity growth during the period of adjustment to the energy price shock, which, given the service lives of capital assets, could last as long as a decade.

**Productivity, the labor market, and wages.** As real GDP slows, labor productivity is expected to increase below our assumed trend for a while. After having slowed to 3 percent over the four quarters of 2001, output per hour in the nonfarm business sector is projected to increase 3-3/4 percent during 2002. With real GDP rising at a rate below our estimate of potential over the forecast period, the civilian unemployment rate edges up to 4-1/4 percent at the end of next year and to 4-1/2 percent by late 2002. On balance, the cumulative rise in joblessness over the forecast period is modest and gradual, and labor market conditions are assumed to remain tight throughout.

The persistence of tight labor markets and the faster growth in structural labor productivity underlie our forecast that wages should tend to accelerate somewhat over the forecast period. However, the pattern of wage inflation is also influenced importantly by the projected fluctuations in consumer price inflation: This year's bulge in consumer price inflation is likely to add to wage inflation next year, and the slowdown in consumer prices next year should ease pressures on wages in 2002. All told, we expect that wages, as measured by the ECI, will pick up from 4-1/4 percent over the four quarters of this year to 4-3/4 percent in 2001 and will remain at that rate in 2002.<sup>3</sup> Given the incoming information on health insurance costs, we have also included sizable increases in employer costs for these benefits in both 2001 and 2002. However, we do not

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

Measure	1999	2000	2001	2002
Output per hour, nonfarm business	4.1	3.3	3.1	3.7
Previous	4.1	3.1	3.2	--
Nonfarm payroll employment	2.2	1.7	1.4	1.3
Previous	2.2	1.7	1.4	--
Household employment survey	1.5	.9	1.0	.9
Previous	1.5	1.0	.9	--
Labor force participation rate <sup>1</sup>	67.0	67.1	67.1	67.1
Previous	67.0	67.1	67.1	--
Civilian unemployment rate <sup>1</sup>	4.1	4.1	4.3	4.5
Previous	4.1	4.0	4.3	--

1. Percent, average for the fourth quarter.

3. In this Greenbook, we have shifted our assumed two-stage increase in the federal minimum wage from the fourth quarters of this year and next to the first quarters of 2001 and 2002. Those adjustments are assumed to raise the federal minimum from \$5.15 per hour to \$6.15 per hour in two equal steps.

**Inflation Projections**

(Percent change, Q4 to Q4, except as noted)

Measure	1999	2000	2001	2002
PCE chain-weighted price index	2.0	2.5	2.0	2.1
Previous	2.0	2.3	1.9	--
Excluding food and energy	1.5	1.9	2.1	2.2
Previous	1.5	1.8	2.1	--
Consumer price index	2.6	3.3	2.4	2.4
Previous	2.6	3.1	2.3	--
Food	1.9	2.5	2.6	2.7
Previous	1.9	2.5	2.5	--
Energy	11.2	13.9	-1.5	-2.5
Previous	11.2	9.9	-2.1	--
Excluding food and energy	2.1	2.6	2.7	2.8
Previous	2.1	2.5	2.6	--
GDP chain-weighted price index	1.6	2.4	1.9	1.9
Previous	1.6	2.2	1.9	--
ECI for compensation of private industry workers <sup>1</sup>	3.4	4.7	4.9	4.9
Previous	3.4	4.7	4.8	--
NFB compensation per hour	4.8	4.8	5.6	5.8
Previous	4.8	4.9	5.5	--
Prices of core non-oil merchandise imports	.4	2.0	3.0	2.5
Previous	.4	2.2	3.1	--

1. December to December.

**Financial Flows and Conditions**

Domestic nonfinancial debt appears to have increased at an annual rate of about 5 percent in the third quarter. Debt growth has continued to be restrained by the paydown of federal debt and the minimal net borrowing by state and local governments. Elsewhere, however, borrowing has remained hefty. We estimate that household debt expanded at a rate of nearly 9 percent in the third quarter, similar to the first-half pace. Although business borrowing appears to have ebbed somewhat, we estimate that debt in this sector still increased at a pace of more than 8 percent in the third quarter.

**Alternative Simulations:  
Productivity, the NAIRU, and Fiscal Policy**

(Percent change, annual rate, from end of preceding period, except as noted)

Measure	2000		2001		2002	
	H1	H2	H1	H2	H1	H2
<i>Real GDP</i>						
<b>Baseline</b>	<b>5.0</b>	<b>3.3</b>	<b>3.8</b>	<b>4.2</b>	<b>4.3</b>	<b>4.3</b>
Productivity surprise	5.0	3.4	4.1	4.5	4.7	4.7
Lower structural productivity	5.0	2.5	3.0	3.2	3.5	3.5
Lower NAIRU	5.0	3.5	4.0	4.2	4.3	4.2
Greater fiscal stimulus	5.0	3.3	3.8	4.4	4.5	4.2
<i>Civilian unemployment rate<sup>1</sup></i>						
<b>Baseline</b>	<b>4.0</b>	<b>4.1</b>	<b>4.1</b>	<b>4.3</b>	<b>4.4</b>	<b>4.5</b>
Productivity surprise	4.0	4.1	4.1	4.2	4.2	4.2
Lower structural productivity	4.0	4.1	4.2	4.4	4.5	4.7
Lower NAIRU	4.0	4.1	4.1	4.2	4.2	4.3
Greater fiscal stimulus	4.0	4.1	4.1	4.2	4.3	4.4
<i>PCE prices excluding food and energy</i>						
<b>Baseline</b>	<b>1.9</b>	<b>1.8</b>	<b>2.1</b>	<b>2.2</b>	<b>2.2</b>	<b>2.3</b>
Productivity surprise	1.9	1.8	2.1	2.2	2.2	2.3
Lower structural productivity	1.9	1.9	2.4	2.6	2.7	2.8
Lower NAIRU	1.9	1.6	1.7	1.5	1.4	1.3
Greater fiscal stimulus	1.9	1.8	2.1	2.1	2.2	2.3

1. Average for the final quarter of the half-year period.

The second productivity simulation assesses the implications for the economic outlook of a significantly lower rate of structural productivity growth. In the “lower structural productivity” scenario, trend productivity is assumed to have increased at a constant 3 percent pace since 1998 — a pace similar to that embodied in many outside forecasts. The simulation extends that lower trend rate for productivity through 2002. By contrast, the public is initially assumed to expect that output per hour is accelerating along the lines incorporated in the baseline — that annual increases in structural productivity step up to 3-3/4 percent by 2002. However, over time the public is disappointed by actual productivity developments and gradually revises down its estimate of trend productivity growth.

Under these assumptions and using the same path for the nominal federal funds rate as in the Greenbook forecast, both the stock market’s and households’ assessments of future income prospects are noticeably weaker, tempering the

**Alternative Simulations:  
Financial Assumptions**

(Percent change, annual rate, from end of preceding period, except as noted)

Measure	2000		2001		2002	
	H1	H2	H1	H2	H1	H2
<i>Real GDP</i>						
<b>Baseline</b>	<b>5.0</b>	<b>3.3</b>	<b>3.8</b>	<b>4.2</b>	<b>4.3</b>	<b>4.3</b>
Flat funds rate	5.0	3.3	3.8	4.3	4.7	5.1
Tighter policy	5.0	3.3	3.6	3.7	3.8	4.1
Stock market correction	5.0	3.3	3.3	3.5	3.7	3.9
Continued stock market gains	5.0	3.3	3.9	4.3	4.5	4.7
<i>Civilian unemployment rate<sup>1</sup></i>						
<b>Baseline</b>	<b>4.0</b>	<b>4.1</b>	<b>4.1</b>	<b>4.3</b>	<b>4.4</b>	<b>4.5</b>
Flat funds rate	4.0	4.1	4.1	4.2	4.3	4.2
Tighter policy	4.0	4.1	4.2	4.4	4.6	4.7
Stock market correction	4.0	4.1	4.2	4.4	4.6	4.8
Continued stock market gains	4.0	4.1	4.1	4.2	4.3	4.3
<i>PCE prices excluding food and energy</i>						
<b>Baseline</b>	<b>1.9</b>	<b>1.8</b>	<b>2.1</b>	<b>2.2</b>	<b>2.2</b>	<b>2.3</b>
Flat funds rate	1.9	1.8	2.1	2.2	2.3	2.5
Tighter policy	1.9	1.8	2.1	2.0	2.0	2.0
Stock market correction	1.9	1.8	2.1	2.1	2.1	2.1
Continued stock market gains	1.9	1.8	2.1	2.2	2.2	2.3

1. Average for the final quarter of the half-year period.

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Class II FOMC

STAFF PROJECTIONS OF CHANGES IN GDP, PRICES, AND UNEMPLOYMENT  
(Percent, annual rate)

September 27, 2000

	Nominal GDP		Real GDP		GDP chain-weighted price index		Consumer price index <sup>1</sup>		Unemployment rate <sup>2</sup>		
Interval	08/16/00	09/27/00	08/16/00	09/27/00	08/16/00	09/27/00	08/16/00	09/27/00	08/16/00	09/27/00	
ANNUAL											
1998	5.7	5.7	4.4	4.4	1.3	1.3	1.6	1.6	4.5	4.5	
1999	5.8	5.8	4.2	4.2	1.5	1.5	2.2	2.2	4.2	4.2	
2000	7.3	7.5	5.1	5.2	2.1	2.2	3.2	3.3	4.0	4.1	
2001	5.8	5.9	3.9	3.8	1.8	2.0	2.3	2.6	4.2	4.2	
2002		6.2		4.2		1.9		2.4		4.4	
QUARTERLY											
1999	Q1	5.9	5.9	3.5	3.5	2.2	2.2	1.7	1.7	4.3	4.3
	Q2	3.9	3.9	2.5	2.5	1.4	1.4	3.2	3.2	4.3	4.3
	Q3	6.7	6.7	5.7	5.7	1.1	1.1	2.4	2.4	4.2	4.2
	Q4	9.7	9.7	8.3	8.3	1.6	1.6	2.9	2.9	4.1	4.1
2000	Q1	8.3	8.3	4.8	4.8	3.3	3.3	4.1	4.1	4.1	4.1
	Q2	7.7	8.2	4.9	5.2	2.5	2.6	3.6	3.6	4.0	4.0
	Q3	4.8	4.8	3.2	3.0	1.5	1.8	2.6	3.0	4.0	4.1
	Q4	5.4	5.7	3.8	3.7	1.6	2.0	2.0	2.7	4.0	4.1
2001	Q1	6.1	6.2	3.9	3.8	2.2	2.3	2.2	2.4	4.1	4.1
	Q2	5.8	5.7	4.0	3.9	1.7	1.8	2.2	2.5	4.1	4.1
	Q3	6.0	5.8	4.1	4.0	1.8	1.8	2.3	2.4	4.2	4.2
	Q4	6.1	6.1	4.2	4.2	1.8	1.8	2.4	2.4	4.3	4.3
2002	Q1		6.6		4.3		2.2		2.4		4.3
	Q2		6.2		4.3		1.8		2.4		4.4
	Q3		6.2		4.3		1.8		2.5		4.4
	Q4		6.2		4.4		1.8		2.5		4.5
TWO-QUARTER <sup>3</sup>											
1999	Q2	4.9	4.9	3.0	3.0	1.8	1.8	2.5	2.5	-0.1	-0.1
	Q4	8.2	8.2	7.0	7.0	1.3	1.3	2.7	2.7	-0.2	-0.2
2000	Q2	8.0	8.3	4.8	5.0	2.9	3.0	3.8	3.8	-0.1	-0.1
	Q4	5.1	5.3	3.5	3.3	1.5	1.9	2.3	2.8	0.0	0.1
2001	Q2	6.0	6.0	3.9	3.8	1.9	2.0	2.2	2.4	0.1	0.0
	Q4	6.0	6.0	4.2	4.1	1.8	1.8	2.3	2.4	0.2	0.2
2002	Q2		6.4		4.3		2.0		2.4		0.1
	Q4		6.2		4.3		1.8		2.5		0.1
FOUR-QUARTER <sup>4</sup>											
1998	Q4	5.9	5.9	4.6	4.6	1.2	1.2	1.5	1.5	-0.3	-0.3
1999	Q4	6.5	6.5	5.0	5.0	1.6	1.6	2.6	2.6	-0.3	-0.3
2000	Q4	6.6	6.8	4.2	4.2	2.2	2.4	3.1	3.3	-0.1	-0.0
2001	Q4	6.0	6.0	4.1	4.0	1.9	1.9	2.3	2.4	0.2	0.2
2002	Q4		6.3		4.3		1.9		2.4		0.2

1. For all urban consumers.

2. Level, except as noted.

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

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

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

September 27, 2000

Item	Units <sup>1</sup>	-----Projected-----								
		1994	1995	1996	1997	1998	1999	2000	2001	2002
EXPENDITURES										
Nominal GDP	Bill. \$	7054.3	7400.5	7813.2	8318.4	8790.2	9299.2	9992.5	10583.2	11239.6
Real GDP	Bill. Ch. \$	7347.7	7543.8	7813.2	8159.5	8515.7	8875.8	9335.8	9692.5	10102.3
Real GDP	% change	4.1	2.2	4.1	4.3	4.6	5.0	4.2	4.0	4.3
Gross domestic purchases		4.3	1.7	4.3	5.0	5.7	5.9	4.7	4.2	4.4
Final sales		3.2	2.9	3.9	3.9	4.6	4.8	4.5	4.1	4.3
Priv. dom. final purchases		4.3	3.2	4.4	5.1	6.4	6.1	5.7	4.4	4.5
Personal cons. expenditures		3.6	2.8	3.1	4.1	5.0	5.6	4.7	3.5	3.4
Durables		6.4	3.7	5.0	8.8	12.6	11.1	7.1	4.2	4.3
Nondurables		4.1	2.5	3.2	2.5	5.0	5.9	4.5	3.3	3.2
Services		2.7	2.7	2.7	3.9	3.4	4.2	4.4	3.4	3.3
Business fixed investment		9.2	7.5	12.1	11.8	12.9	10.1	14.1	11.3	11.3
Equipment & Software		12.0	8.9	11.8	13.7	15.8	14.1	16.1	13.4	13.3
Nonres. structures		1.1	3.3	12.8	6.5	4.9	-1.7	7.6	4.2	4.1
Residential structures		4.0	-1.5	5.6	3.5	10.3	2.8	-3.3	-3.6	-2.1
Exports		10.5	9.7	9.8	8.5	2.2	4.3	9.4	7.9	10.5
Imports		12.2	5.0	11.2	14.3	11.2	12.0	11.9	8.3	9.3
Gov't. cons. & investment		0.2	-0.8	2.7	2.4	2.6	4.4	1.4	3.7	3.6
Federal		-3.7	-5.3	2.0	0.1	0.8	4.8	-1.6	2.7	2.4
Defense		-5.9	-4.7	0.8	-1.4	-1.0	4.6	-3.9	2.2	1.8
State & local		2.8	2.1	3.0	3.7	3.6	4.2	3.1	4.2	4.2
Change in bus. inventories	Bill. Ch. \$	66.8	30.4	30.0	63.8	80.2	45.3	59.4	54.6	58.4
Nonfarm		53.6	42.6	22.1	60.6	78.7	44.9	53.8	51.8	57.3
Net exports		-86.5	-78.4	-89.0	-113.3	-221.0	-322.4	-404.5	-454.9	-487.3
Nominal GDP	% change	6.2	4.3	6.0	6.2	5.9	6.5	6.8	6.0	6.3
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employment	Millions	114.1	117.2	119.6	122.7	125.8	128.8	131.5	133.2	135.0
Unemployment rate	%	6.1	5.6	5.4	4.9	4.5	4.2	4.1	4.2	4.4
Industrial prod. index	% change	6.4	3.5	5.3	6.8	2.9	4.2	5.5	4.5	4.9
Capacity util. rate - mfg.	%	82.5	82.6	81.5	82.4	80.9	79.8	81.3	81.5	81.6
Housing starts	Millions	1.46	1.35	1.48	1.47	1.62	1.67	1.61	1.55	1.51
Light motor vehicle sales		15.01	14.77	15.05	15.06	15.45	16.76	17.37	16.55	16.34
North Amer. produced		12.88	12.87	13.34	13.12	13.43	14.28	14.59	14.04	13.89
Other		2.13	1.90	1.70	1.93	2.02	2.48	2.78	2.52	2.45
INCOME AND SAVING										
Nominal GNP	Bill. \$	7071.1	7420.9	7831.2	8325.4	8786.7	9288.2	9980.4	10556.4	11191.0
Real GNP	% change	6.2	4.4	5.9	6.0	5.7	6.5	6.7	5.8	6.1
Nominal personal income		5.1	4.3	5.9	6.3	6.3	5.6	6.0	6.3	6.1
Real disposable income		2.9	1.7	2.6	3.8	4.6	3.1	2.9	4.3	4.3
Personal saving rate	%	6.1	5.6	4.8	4.2	4.2	2.2	-0.0	0.4	1.3
Corp. profits, IVA & CCAdj.	% change	12.3	11.3	11.4	9.9	-5.8	11.2	9.1	2.2	2.2
Profit share of GNP	%	8.1	9.0	9.6	10.0	9.3	9.2	9.7	9.3	9.0
Excluding FR Banks		7.9	8.7	9.4	9.7	9.0	8.9	9.4	9.1	8.8
Federal surpl./deficit	Bill. \$	-212.3	-192.0	-136.8	-53.3	49.0	124.4	247.8	274.9	306.4
State & local surpl./def.		8.6	15.3	21.4	31.0	41.7	50.0	51.6	51.0	45.9
Ex. social ins. funds		4.0	11.4	18.7	29.9	41.3	50.4	51.9	51.0	45.5
Gross natl. saving rate	%	16.3	16.9	17.2	18.0	18.8	18.5	18.3	18.6	19.2
Net natl. saving rate		4.3	5.1	5.7	6.7	7.5	6.8	6.6	6.7	7.3
PRICES AND COSTS										
GDP chn.-wt. price index	% change	2.1	2.1	1.9	1.8	1.2	1.6	2.4	1.9	1.9
Gross Domestic Purchases		2.1	2.1	1.9	1.4	0.8	1.9	2.6	1.8	1.9
chn.-wt. price index		2.1	2.1	1.9	1.4	0.8	1.9	2.6	1.8	1.9
PCE chn.-wt. price index		2.1	2.1	2.3	1.5	1.1	2.0	2.5	2.0	2.1
Ex. food and energy		2.3	2.3	1.8	1.7	1.6	1.5	1.9	2.1	2.2
CPI		2.6	2.7	3.1	1.9	1.5	2.6	3.3	2.4	2.4
Ex. food and energy		2.8	3.0	2.6	2.2	2.4	2.1	2.6	2.7	2.8
ECI, hourly compensation <sup>2</sup>		3.1	2.6	3.1	3.4	3.5	3.4	4.7	4.9	4.9
Nonfarm business sector										
Output per hour		1.1	1.1	2.3	2.1	2.9	4.1	3.3	3.1	3.7
Compensation per Hour		2.2	2.7	3.1	3.2	5.3	4.8	4.8	5.6	5.8
Unit labor cost		1.0	1.5	0.8	1.1	2.3	0.7	1.5	2.5	2.1

1. Changes are from fourth quarter to fourth quarter.  
 2. Private-industry workers.

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

September 27, 2000

Item	Units	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2
<b>EXPENDITURES</b>											
Nominal GDP	Bill. \$	8634.7	8722.0	8829.1	8974.9	9104.5	9191.5	9340.9	9559.7	9752.7	9947.3
Real GDP	Bill. Ch.	8404.9	8465.6	8537.6	8654.5	8730.0	8783.2	8905.8	9084.1	9191.8	9310.0
Real GDP	% change	6.5	2.9	3.4	5.6	3.5	2.5	5.7	8.3	4.8	5.2
Gross domestic purchases		8.1	4.8	4.4	5.4	4.9	3.8	6.6	8.4	5.6	6.1
Final sales		4.1	5.6	2.9	5.9	4.5	4.0	4.5	6.4	6.7	3.7
Priv. dom. final purchases		7.2	7.5	4.4	6.3	6.4	6.2	5.6	6.2	9.3	4.6
Personal cons. expenditures		4.8	5.8	4.3	4.9	5.7	5.6	5.0	5.9	7.6	2.9
Durables		9.4	13.9	4.1	23.9	8.6	15.0	8.0	13.0	23.6	-5.0
Nondurables		4.7	5.8	4.3	5.2	7.8	3.8	4.9	7.4	6.0	3.5
Services		4.0	4.3	4.3	1.3	4.1	4.6	4.5	3.8	5.2	4.4
Business fixed investment		20.1	15.6	3.5	13.2	9.5	9.6	11.8	9.5	21.0	14.5
Equipment & Software		24.6	16.1	6.5	16.7	14.1	15.2	18.0	9.5	20.6	17.7
Nonres. structures		7.9	14.1	-4.7	3.3	-3.4	-6.2	-6.2	9.7	22.3	4.7
Residential structures		9.6	12.6	10.3	8.9	8.2	5.9	-3.1	0.5	3.2	1.1
Exports		1.0	-3.0	-3.2	15.1	-7.9	5.8	10.2	10.3	6.3	14.2
Imports		14.2	13.1	5.5	12.2	4.5	16.2	16.9	10.7	12.0	18.6
Gov't. cons. & investment		-1.0	7.3	1.4	2.8	3.7	0.8	4.8	8.5	-1.1	4.7
Federal		-9.1	12.9	-3.2	3.7	-2.2	2.0	6.9	13.2	-14.2	16.7
Defense		-17.7	13.1	5.8	-2.4	-3.1	-2.3	12.3	12.6	-19.8	16.3
State & local		3.8	4.4	4.0	2.3	7.0	0.1	3.7	6.1	6.6	-1.1
Change in bus. inventories	Bill. Ch.	117.3	60.9	73.1	69.4	48.1	13.1	39.1	80.9	36.6	78.9
Nonfarm		109.7	62.5	79.2	63.5	49.2	14.1	43.5	73.0	33.0	72.6
Net exports		-175.3	-219.8	-244.1	-244.9	-279.8	-314.6	-342.6	-352.5	-376.8	-403.9
Nominal GDP	% change	7.6	4.1	5.0	6.8	5.9	3.9	6.7	9.7	8.3	8.2
<b>EMPLOYMENT AND PRODUCTION</b>											
Nonfarm payroll employment	Billions	124.7	125.5	126.2	127.0	127.8	128.4	129.1	129.8	130.6	131.6
Unemployment rate	%	4.7	4.4	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0
Industrial prod. index	% change	2.4	3.0	2.9	3.3	2.0	4.7	4.8	5.3	6.5	8.0
Capacity util. rate - mfg.	%	82.0	81.0	80.3	80.2	79.6	79.6	79.7	80.3	80.8	81.5
Housing starts	Billions	1.56	1.57	1.63	1.72	1.76	1.59	1.66	1.69	1.73	1.60
Light motor vehicle sales		15.00	16.01	14.55	16.24	16.18	16.79	17.08	17.00	18.20	17.24
North Amer. produced		13.07	14.04	12.53	14.07	13.87	14.34	14.61	14.31	15.32	14.36
Other		1.93	1.97	2.02	2.17	2.31	2.45	2.47	2.69	2.88	2.88
<b>INCOME AND SAVING</b>											
Nominal GNP	Bill. \$	8640.3	8725.0	8814.9	8966.6	9097.2	9181.8	9327.3	9546.3	9745.0	9939.3
Nominal GNP	% change	7.8	4.0	4.2	7.1	6.0	3.8	6.5	9.7	8.6	8.2
Nominal personal income		7.7	6.2	5.9	5.7	4.3	5.4	5.2	7.6	6.9	6.3
Real disposable income		6.6	4.5	3.6	3.6	2.9	2.8	2.2	4.5	1.9	3.1
Personal saving rate	%	4.6	4.3	4.1	3.8	3.1	2.5	1.8	1.5	0.2	0.2
Corp. profits, IVA & CCAdj.	% change	-12.6	-5.0	2.0	-7.0	26.5	-6.9	2.5	26.6	20.7	17.1
Profit share of GNP	%	9.5	9.3	9.3	9.0	9.4	9.1	9.0	9.4	9.6	9.8
Excluding FR Banks		9.3	9.0	9.0	8.7	9.1	8.8	8.8	9.1	9.3	9.5
Federal surpl./deficit	Bill. \$	25.9	41.9	71.9	56.4	89.7	117.5	147.3	143.3	235.8	238.9
State & local surpl./def.		38.1	33.4	37.5	57.7	47.9	38.0	47.4	66.6	52.0	54.2
Ex. social ins. funds		37.5	32.9	37.2	57.6	48.1	38.3	47.9	67.2	52.5	54.6
Gross natl. saving rate	%	18.9	18.7	19.0	18.7	18.9	18.4	18.4	18.3	18.2	18.5
Net natl. saving rate		7.7	7.4	7.6	7.2	7.3	6.7	6.5	6.6	6.6	6.8
<b>PRICES AND COSTS</b>											
GDP chn.-wt. price index	% change	1.0	1.1	1.5	1.1	2.2	1.4	1.1	1.6	3.3	2.6
Gross Domestic Purchases		0.1	0.8	1.1	1.2	1.9	2.0	1.7	1.9	3.8	2.3
chn.-wt. price index											
PCE chn.-wt. price index		0.4	1.2	1.4	1.5	1.7	2.3	1.9	2.2	3.5	2.3
Ex. food and energy		1.2	1.8	1.8	1.7	1.8	1.3	1.3	1.7	2.2	1.7
CPI		1.0	1.7	1.7	1.7	1.7	3.2	2.4	2.9	4.1	3.6
Ex. food and energy		2.8	2.3	2.3	2.1	1.8	2.1	2.1	2.3	2.3	2.8
ECI, hourly compensation <sup>1</sup>		3.0	3.3	4.4	2.6	1.7	4.3	3.7	4.0	5.9	4.4
Nonfarm business sector											
Output per hour		4.5	1.6	1.8	3.6	2.6	0.6	5.2	8.0	1.9	5.7
Compensation per hour		6.1	5.3	5.2	4.5	4.5	5.0	5.5	4.2	3.9	5.3
Unit labor cost		1.5	3.6	3.3	0.8	1.8	4.3	0.3	-3.5	1.9	-0.4

1. Private-industry workers.

Strictly Confidential <PR>  
Class II FOMC

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

September 27, 2000

Item	Units	----- Projected -----									
		2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Q4
EXPENDITURES											
Nominal GDP	Bill. \$	10064.5	10205.3	10359.5	10504.9	10655.1	10813.4	10987.8	11154.1	11322.3	11494.3
Real GDP	Bill. Ch. \$	9378.1	9463.2	9551.4	9642.4	9737.8	9838.5	9942.8	10048.2	10154.5	10263.6
Real GDP	% change	3.0	3.7	3.8	3.9	4.0	4.2	4.3	4.3	4.3	4.4
Gross domestic purchases		3.3	3.7	4.3	4.4	4.2	3.8	4.7	4.6	4.4	3.9
Final sales		3.4	4.2	3.8	3.8	4.0	4.8	3.9	4.1	4.3	4.9
Priv. dom. final purchases		4.9	4.2	4.5	4.4	4.3	4.4	4.5	4.5	4.5	4.5
Personal cons. expenditures		4.7	3.8	3.6	3.5	3.4	3.4	3.4	3.4	3.4	3.4
Durables		7.9	3.6	4.5	3.7	4.0	4.5	4.1	4.3	4.3	4.4
Nondurables		5.1	3.3	3.4	3.3	3.3	3.2	3.2	3.2	3.3	3.3
Services		3.8	4.0	3.5	3.5	3.3	3.3	3.3	3.3	3.3	3.3
Business fixed investment		11.9	9.1	11.7	11.1	11.2	11.1	11.4	11.3	11.2	11.2
Equipment & Software		15.1	11.1	14.2	13.2	13.1	13.0	13.4	13.3	13.2	13.3
Nonres. structures		1.9	2.6	3.5	4.0	4.5	4.6	4.4	4.3	4.0	3.8
Residential structures		-12.4	-4.3	-5.1	-1.9	-4.1	-3.2	-2.3	-1.7	-2.3	-2.0
Exports		9.1	8.1	4.3	7.5	8.2	11.9	6.7	10.3	10.8	14.3
Imports		10.2	7.0	7.7	10.0	8.5	7.1	8.6	10.6	9.5	8.5
Gov't. cons. & investment		-1.6	3.9	3.5	3.5	3.5	4.3	3.5	3.6	3.6	3.5
Federal		-9.6	3.3	2.0	2.1	2.1	4.4	2.1	2.4	2.7	2.3
Defense		-11.1	3.0	1.9	2.1	2.0	2.7	1.3	1.9	2.1	2.1
State & local		2.8	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.1	4.1
Change in bus. inventories	Bill. Ch. \$	66.8	55.1	55.3	57.8	59.9	45.4	55.8	62.4	63.7	51.5
Nonfarm		60.7	49.0	51.3	54.9	57.5	43.5	54.5	61.1	62.9	50.7
Net exports		-416.6	-420.7	-437.9	-455.5	-466.0	-460.3	-475.9	-488.9	-496.2	-488.1
Nominal GDP	% change	4.8	5.7	6.2	5.7	5.8	6.1	6.6	6.2	6.2	6.2
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	131.6	132.0	132.5	133.0	133.5	133.9	134.4	134.8	135.3	135.7
Unemployment rate	%	4.1	4.1	4.1	4.1	4.2	4.3	4.3	4.4	4.4	4.5
Industrial prod. index	% change	3.5	4.2	4.5	4.5	4.3	4.6	4.8	5.1	4.8	4.9
Capacity util. rate - mfg.	%	81.3	81.4	81.5	81.5	81.6	81.6	81.6	81.7	81.6	81.6
Housing starts	Millions	1.55	1.57	1.57	1.55	1.54	1.53	1.52	1.51	1.50	1.49
Light motor vehicle sales		17.20	16.83	16.68	16.56	16.49	16.48	16.42	16.37	16.31	16.26
North Amer. produced		14.45	14.23	14.11	14.04	14.00	14.00	13.95	13.91	13.87	13.83
Other		2.75	2.60	2.57	2.52	2.49	2.48	2.47	2.46	2.44	2.43
INCOME AND SAVING											
Nominal GNP	Bill. \$	10051.2	10186.3	10337.8	10480.5	10627.0	10780.2	10947.8	11108.6	11270.7	11436.9
Nominal GNP	% change	4.6	5.5	6.1	5.6	5.7	5.9	6.4	6.0	6.0	6.0
Nominal personal income		5.6	5.1	7.3	6.1	5.9	5.9	6.7	6.0	5.9	6.0
Real disposable income		3.5	2.9	6.3	3.7	3.5	3.6	7.3	3.5	3.3	3.4
Personal saving rate	%	-0.1	-0.3	0.3	0.3	0.4	0.4	1.3	1.3	1.3	1.3
Corp. profits, IVA & CCAdj.	% change	1.7	-1.5	1.6	0.6	2.1	4.5	1.4	2.5	2.1	2.6
Profit share of GNP	%	9.7	9.6	9.5	9.3	9.3	9.2	9.1	9.1	9.0	8.9
Excluding FR Banks		9.5	9.3	9.2	9.1	9.0	9.0	8.9	8.8	8.7	8.7
Federal surpl./deficit	Bill. \$	254.6	262.0	245.3	266.1	290.9	297.3	265.1	293.6	323.5	343.4
State & local surpl./def.		46.2	53.9	54.0	52.1	48.5	49.4	50.5	47.4	44.4	41.2
Ex. social ins. funds		46.5	54.1	54.1	52.1	48.4	49.2	50.1	47.0	44.1	40.9
Gross natl. saving rate	%	18.3	18.2	18.4	18.5	18.7	18.7	19.0	19.1	19.3	19.4
Net natl. saving rate		6.5	6.4	6.6	6.7	6.8	6.8	7.1	7.2	7.4	7.4
PRICES AND COSTS											
GDP chn.-wt. price index	% change	1.8	2.0	2.3	1.8	1.8	1.8	2.2	1.8	1.8	1.8
Gross Domestic Purchases											
chn.-wt. price index		2.1	2.1	2.1	1.7	1.7	1.7	2.1	1.8	1.8	1.8
PCE chn.-wt. price index		2.0	2.2	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.1
Ex. food and energy		1.4	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.3	2.3
CPI		3.0	2.7	2.4	2.5	2.4	2.4	2.4	2.4	2.5	2.5
Ex. food and energy		2.5	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.9	2.9
ECI, hourly compensation <sup>1</sup>		4.1	4.2	4.8	4.9	4.9	4.8	5.0	5.0	4.9	4.9
Nonfarm business sector											
Output per hour		3.5	1.9	2.7	2.8	3.2	3.5	3.7	3.7	3.7	3.7
Compensation per hour		4.8	5.0	5.7	5.5	5.5	5.5	6.0	5.8	5.7	5.7
Unit labor cost		1.4	3.1	3.0	2.7	2.3	2.0	2.3	2.1	2.1	2.0

1. Private-industry workers.

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS

September 27, 2000

Item	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	98Q4/ 97Q4	99Q4/ 98Q4	00Q4/ 99Q4
Real GDP	3.4	5.6	3.5	2.5	5.7	8.3	4.8	5.2	3.0	4.6	5.0	4.2
Gross dom. purchases	4.5	5.5	5.0	3.8	6.8	8.6	5.8	6.3	3.4	5.8	6.0	4.8
Final sales	2.9	5.8	4.4	3.9	4.5	6.5	6.6	3.7	3.4	4.6	4.8	4.5
Priv. dom. final purchases	3.7	5.3	5.3	5.2	4.7	5.2	7.9	3.9	4.2	5.3	5.1	4.9
Personal cons. expenditures	2.8	3.3	3.7	3.7	3.4	4.1	5.0	2.0	3.2	3.3	3.7	3.2
Durables	0.3	1.7	0.7	1.1	0.6	1.0	1.8	-0.4	0.6	1.0	0.9	0.6
Nondurables	0.8	1.0	1.5	0.8	1.0	1.5	1.2	0.7	1.0	1.0	1.2	0.9
Services	1.7	0.5	1.6	1.8	1.8	1.6	2.0	1.7	1.5	1.4	1.7	1.7
Business fixed investment	0.4	1.6	1.2	1.2	1.5	1.2	2.5	1.9	1.6	1.5	1.3	1.8
Equipment & Software	0.6	1.5	1.3	1.4	1.7	0.9	1.9	1.7	1.5	1.4	1.3	1.6
Nonres. structures	-0.2	0.1	-0.1	-0.2	-0.2	0.3	0.6	0.1	0.1	0.2	-0.1	0.2
Residential structures	0.4	0.4	0.3	0.3	-0.1	0.0	0.1	0.0	-0.6	0.4	0.1	-0.1
Net exports	-1.0	0.1	-1.4	-1.4	-1.1	-0.4	-0.9	-1.0	-0.5	-1.1	-1.1	-0.6
Exports	-0.4	1.5	-0.9	0.6	1.1	1.1	0.7	1.5	1.0	0.3	0.5	1.0
Imports	-0.7	-1.5	-0.6	-2.0	-2.1	-1.5	-1.6	-2.5	-1.4	-1.4	-1.5	-1.7
Government cons. & invest.	0.3	0.5	0.6	0.1	0.8	1.5	-0.2	0.8	-0.3	0.5	0.8	0.3
Federal	-0.2	0.2	-0.1	0.1	0.4	0.8	-0.9	0.9	-0.6	0.0	0.3	-0.1
Defense	0.2	-0.1	-0.1	-0.1	0.5	0.5	-0.9	0.6	-0.4	-0.0	0.2	-0.2
Nondefense	-0.4	0.3	-0.0	0.2	-0.1	0.3	-0.1	0.4	-0.2	0.1	0.1	0.1
State and local	0.5	0.3	0.8	0.0	0.4	0.7	0.8	-0.1	0.3	0.4	0.5	0.4
Change in bus. inventories	0.6	-0.2	-0.9	-1.4	1.2	1.8	-1.8	1.5	-0.5	0.0	0.2	-0.3
Nonfarm	0.8	-0.7	-0.6	-1.4	1.3	1.3	-1.6	1.6	-0.5	0.0	0.1	-0.2
Farm	-0.2	0.5	-0.3	0.0	-0.1	0.5	-0.2	-0.1	0.0	0.0	0.1	-0.0

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

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS

September 27, 2000

Item	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Q4	00Q4/ 99Q4	01Q4/ 00Q4	02Q4/ 01Q4
Real GDP	3.7	3.8	3.9	4.0	4.2	4.3	4.3	4.3	4.4	4.2	4.0	4.3
Gross dom. purchases	3.8	4.4	4.5	4.4	4.0	4.9	4.8	4.5	4.1	4.8	4.3	4.5
Final sales	4.1	3.8	3.8	3.9	4.8	3.9	4.1	4.3	4.8	4.5	4.1	4.3
Priv. dom. final purchases	3.6	3.8	3.8	3.7	3.8	3.8	3.9	3.8	3.9	4.9	3.8	3.9
Personal cons. expenditures	2.5	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3	3.2	2.4	2.3
Durables	0.3	0.4	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.6	0.3	0.3
Nondurables	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.9	0.7	0.6
Services	1.6	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.7	1.4	1.3
Business fixed investment	1.2	1.6	1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.8	1.6	1.6
Equipment & Software	1.1	1.5	1.4	1.4	1.4	1.5	1.5	1.5	1.5	1.6	1.4	1.5
Nonres. structures	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Residential structures	-0.2	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Net exports	-0.1	-0.6	-0.6	-0.4	0.2	-0.5	-0.4	-0.2	0.3	-0.6	-0.4	-0.2
Exports	0.9	0.5	0.8	0.9	1.3	0.7	1.1	1.2	1.6	1.0	0.9	1.2
Imports	-1.0	-1.1	-1.5	-1.3	-1.1	-1.3	-1.6	-1.4	-1.3	-1.7	-1.2	-1.4
Government cons. & invest.	0.7	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.3	0.6	0.6
Federal	0.2	0.1	0.1	0.1	0.3	0.1	0.1	0.2	0.1	-0.1	0.2	0.1
Defense	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	-0.2	0.1	0.1
Nondefense	0.1	0.0	0.0	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
State and local	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.5	0.5
Change in bus. inventories	-0.5	0.0	0.1	0.1	-0.6	0.4	0.3	0.0	-0.5	-0.3	-0.1	0.1
Nonfarm	-0.5	0.1	0.1	0.1	-0.5	0.4	0.2	0.1	-0.4	-0.2	-0.1	0.1
Farm	-0.0	-0.1	-0.0	-0.0	-0.0	-0.0	0.0	-0.0	-0.0	-0.0	-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					2000				2001				2002			
	1999 <sup>a</sup>	2000	2001	2002	Q1 <sup>a</sup>	Q2 <sup>p</sup>	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Unified budget</b>					Not seasonally adjusted											
Receipts <sup>2</sup>	1827	2023	2123	2239	434	656	489	479	473	658	513	517	487	685	550	537
Outlays <sup>2</sup>	1703	1788	1849	1905	449	444	431	463	474	464	447	484	476	476	469	494
Surplus/deficit <sup>2</sup>	125	234	274	333	-15	212	58	16	-1	193	65	33	11	208	81	43
On-budget	1	77	109	147	-45	147	38	-31	-29	122	46	-18	-21	130	55	-12
Off-budget	124	157	166	186	30	65	20	47	28	71	19	50	32	78	26	55
Surplus excluding deposit insurance	119	231	273	332	-18	211	58	16	-1	193	65	32	10	208	81	42
Means of financing																
Borrowing	-89	-224	-251	-342	-27	-190	-55	9	-25	-164	-70	-58	-24	-161	-99	-66
Cash decrease	-18	6	5	0	39	-13	7	-17	40	-22	5	20	5	-40	15	20
Other <sup>3</sup>	-18	-16	-29	9	4	-10	-10	-8	-14	-7	-0	5	9	-7	2	3
Cash operating balance, end of period	56	50	45	45	45	57	50	68	28	50	45	25	20	60	45	25
<b>NIPA federal sector</b>					Seasonally adjusted annual rates											
Receipts	1837	2023	2138	2238	2012	2055	2086	2105	2118	2149	2183	2218	2210	2245	2281	
Expenditures	1735	1805	1875	1946	1776	1816	1832	1844	1875	1886	1894	1923	1947	1953	1960	
Consumption expenditures	464	489	507	536	479	499	491	494	507	511	515	522	536	541	545	
Defense	306	320	331	346	311	326	320	323	331	333	336	339	347	349	351	
Nondefense	158	169	176	190	168	174	172	171	176	178	179	183	190	192	194	
Other spending	1270	1316	1368	1410	1297	1317	1341	1350	1368	1375	1379	1401	1410	1413	1415	1427
Current account surplus	103	218	264	293	236	239	254	260	243	264	288	295	263	292	321	341
Gross investment	94	103	108	113	101	105	102	106	108	109	110	111	112	113	115	116
Current and capital account surplus	9	115	156	180	134	134	152	154	135	155	179	184	151	178	206	225
<b>Fiscal indicators<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-68	8	61	102	31	20	42	51	39	64	91	99	72	102	133	154
Change in HEB, percent of potential GDP	-.8	-.9	-.5	-.3	-.1	.1	-.2	-.1	.1	-.2	-.3	-.1	.3	-.3	-.3	-.2
Fiscal impetus (FI) percent, calendar year	5	2	5	7	-4	5	-2	2	2	.6	.4	2	5	.5	.6	.5

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 Mid-Session Review discretionary spending grows with inflation beginning in FY 2001 are \$224 billion in FY 2000, \$239 billion in FY 2001, and \$279 billion in FY 2002. CBO's July 2000 baseline surplus estimates, assuming discretionary spending grows with inflation beginning in FY 2001 are \$232 billion in FY 2000, \$268 billion in FY 2001, and \$312 billion in FY 2002. Budget receipts, outlays, and surplus/deficit include corresponding social security changes in other financial assets and liabilities.  
3. Other means of financing are changes in other financial assets and liabilities.  
4. HEB is the NIPA current and capital account surplus in current dollars, with changes in federal spending and tax revenue in chained (1996) dollars, scaled by real federal consumption plus investment. For FI and the change in HEB, negative values indicate aggregate demand restraint.

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Strictly Confidential (FR)  
Class II FOMC

Change in Debt of the Domestic Nonfinancial Sectors  
(Percent)

September 27, 2000

Period <sup>1</sup>	Total <sup>2</sup>	Federal government <sup>3</sup>	Nonfederal						Memo: Nominal GDP
			Total <sup>4</sup>	Households			Business	State and local governments	
				Total	Home mortgages	Consumer credit			
<i>Year</i>									
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	5.3	4.4	7.3	1.4	6.0	5.0
1994	4.5	4.7	4.4	7.6	5.9	14.5	3.6	-4.0	6.2
1995	5.5	4.1	6.0	7.9	5.7	14.1	6.8	-4.6	4.3
1996	5.3	4.0	5.8	7.3	7.2	7.9	5.8	-0.6	6.0
1997	5.6	0.6	7.3	6.5	6.9	4.3	8.7	5.3	6.2
1998	6.8	-1.4	9.6	8.8	10.0	5.4	11.0	7.2	5.9
1999	6.9	-1.9	9.5	9.2	10.1	7.1	11.0	4.4	6.5
2000	5.5	-7.1	8.8	9.0	9.2	8.8	10.3	1.2	6.8
2001	4.7	-9.3	7.9	7.6	8.6	5.3	9.6	1.1	6.0
2002	4.5	-11.3	7.5	6.8	7.8	3.8	9.4	1.0	6.3
<i>Quarter</i>									
1999:3	6.9	-1.9	9.5	9.5	10.7	5.5	10.5	4.3	6.7
4	6.4	-0.9	8.4	8.0	8.6	7.8	9.9	2.7	9.7
2000:1	5.4	-5.9	8.4	8.2	7.2	10.0	10.4	0.3	8.3
2	5.6	-11.4	10.0	9.6	10.5	9.0	12.1	2.0	8.2
3	5.0	-6.4	7.8	8.7	9.1	8.1	8.4	0.4	4.8
4	5.3	-5.7	7.9	8.2	8.9	6.9	8.8	2.2	5.7
2001:1	5.1	-6.0	7.7	7.9	8.7	6.3	8.6	1.1	6.2
2	4.8	-9.3	7.9	7.6	8.4	5.5	9.5	1.1	5.7
3	4.9	-8.7	7.7	7.2	8.2	4.8	9.5	1.1	5.8
4	3.9	-14.5	7.6	7.0	8.0	4.4	9.4	1.0	6.1

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 2000:Q2 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

2. On a monthly average basis, total debt is projected to grow 5.7 percent in 2000, 4.9 percent in 2001 and 4.5 percent in 2002.

3. On a monthly average basis, federal debt is projected to grow -6.1 percent in 2000, -8.4 percent in 2001 and -11.0 percent in 2002.

4. On a monthly average basis, nonfederal debt is projected to grow 8.8 percent in 2000, 8.0 percent in 2001 and 7.6 percent in 2002.

2.6.3 FOF

Category					Seasonally adjusted annual rates									
	Calendar year				1999		2000				2001			
	1999	2000	2001	2002	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Net funds raised by domestic nonfinancial sectors</i>														
1 Total	977.5	870.3	792.3	813.9	1042.3	1040.5	1010.1	746.4	841.2	883.5	856.5	807.8	844.0	660.9
2 Net equity issuance	-143.5	-83.3	-80.0	-48.0	-128.4	-55.0	62.8	-248.0	-64.0	-84.0	-84.0	-84.0	-76.0	-76.0
3 Net debt issuance	1121.0	953.6	872.3	861.9	1170.7	1095.5	947.3	994.4	905.2	967.5	940.5	891.8	920.0	736.9
<i>Borrowing sectors</i>														
<i>Nonfinancial business</i>														
4 Financing gap <sup>1</sup>	171.3	216.3	289.6	377.3	177.9	206.3	190.4	211.0	230.5	233.3	258.2	282.6	305.0	312.4
5 Net equity issuance	-143.5	-83.3	-80.0	-48.0	-128.4	-55.0	62.8	-248.0	-64.0	-84.0	-84.0	-84.0	-76.0	-76.0
6 Credit market borrowing	596.5	620.5	637.8	682.7	601.3	583.7	627.7	747.9	534.0	572.4	573.6	646.6	661.6	669.2
<i>Households</i>														
7 Net borrowing <sup>2</sup>	543.4	580.8	538.8	516.4	588.5	509.6	531.4	635.4	591.3	565.2	560.3	545.0	530.3	519.9
8 Home mortgages	411.2	413.0	420.2	416.2	458.5	377.3	322.6	477.1	426.2	426.2	424.2	422.2	418.2	416.2
9 Consumer credit	94.4	125.3	82.8	62.3	76.2	109.5	143.1	131.8	121.2	105.1	97.2	85.9	77.2	70.8
10 Debt/DPI (percent) <sup>3</sup>	93.4	96.5	98.3	98.9	94.1	94.5	95.2	96.0	96.9	97.7	97.7	98.2	98.6	99.0
<i>State and local governments</i>														
11 Net borrowing	52.3	15.3	13.4	13.4	52.5	33.6	3.8	25.0	4.5	27.9	13.4	13.4	13.4	13.4
12 Current surplus <sup>4</sup>	156.8	168.1	176.5	180.9	155.1	176.5	164.7	169.9	164.0	173.8	176.1	176.5	175.2	178.4
<i>Federal government</i>														
13 Net borrowing	-71.2	-263.0	-317.7	-350.6	-71.4	-31.5	-215.5	-414.0	-224.6	-198.0	-206.7	-313.2	-285.3	-465.6
14 Net borrowing (quarterly, n.s.a.)	-71.2	-263.0	-317.7	-350.6	-19.0	48.3	-27.5	-189.6	-55.0	9.1	-25.3	-164.4	-70.2	-57.8
15 Unified deficit (quarterly, n.s.a.)	-158.3	-270.9	-290.7	-343.3	-30.1	20.6	15.0	-211.8	-58.0	-16.1	1.0	-193.5	-65.5	-32.8
<i>Depository institutions</i>														
16 Funds supplied	404.3	554.2	363.3	324.9	535.0	587.6	467.2	598.3	569.5	581.9	374.3	365.8	356.8	356.4
<i>Memo (percentage of GDP)</i>														
17 Domestic nonfinancial debt <sup>5</sup>	181.4	179.4	178.0	175.3	182.1	181.1	180.1	179.0	179.3	179.1	178.7	178.4	178.1	177.4
18 Domestic nonfinancial borrowing	12.1	9.5	8.2	7.7	12.5	11.5	9.7	10.0	9.0	9.5	9.1	8.5	8.6	6.8
19 Federal government <sup>6</sup>	-0.8	-2.6	-3.0	-3.1	-0.8	-0.3	-2.2	-4.2	-2.2	-1.9	-2.0	-3.0	-2.7	-4.3
20 Nonfederal	12.8	12.2	11.2	10.8	13.3	11.8	11.9	14.2	11.2	11.4	11.1	11.5	11.3	11.1

Note. Data after 2000:Q2 are staff projections.

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

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

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

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

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

6. Excludes government-insured mortgage pool securities.

## International Developments

### Overview

Foreign economic activity continues to flourish, although the pace of expansion appears to have cooled somewhat from the torrid rates observed earlier this year. The emerging Asian economies are still posting the most rapid rates of growth, but economic expansion appears to be spreading in Latin America and consolidating in Europe and Canada. Japan remains an exception: Although first-half growth was the fastest in several years, indicators point to a sharp slowing in the second half of 2000. Over the next two years we expect overall foreign economic growth to remain near its current rate of 4 percent.

The run-up in oil prices since the August Greenbook has cast a shadow on the generally upbeat economic outlook for the world economy. However, the direct effects of an increase in oil prices—at least an increase of the size recorded to date—are likely to be fairly small in light of the reduced dependence on oil compared with the 1970s. Moreover, important, but not easily quantified, confidence effects on consumption and investment are less likely to have much of an impact in the current environment of strong global growth and contained inflation expectations. A serious supply disruption is not part of this forecast, but of course it cannot be ruled out in this politically charged market. Later in this Greenbook, we report the results of an alternative simulation in which a supply shock causes the price of oil to jump up sharply and stay at the elevated level through the end of 2002.

**Summary of Staff Projections**  
(Percent change from end of previous period)

Measure	1999	Projection			
		2000		2001	2002
		H1	H2		
Foreign output	4.5	5.7	4.1	4.0	3.9
<i>August GB</i>	4.5	5.7	4.1	4.0	<i>n.a.</i>
Foreign CPI	2.6	1.9	4.0	3.4	3.3
<i>August GB</i>	2.6	2.0	3.8	3.3	<i>n.a.</i>

Higher energy prices have had a noticeable effect on headline inflation around the world. Although OPEC began to step up production last spring and agreed at its September 10 meeting to increase output by a further 800,000 barrels per day, robust growth in global demand continues to put upward pressure on prices. In an environment in which inventories appear to be lean, the possibility of exaggerated price movements remains high. We have steered a middle course between the price outcomes that could emerge should supply become disrupted or should demand for inventories abate. On net, our projection for oil prices is \$2-3 per barrel higher than last time. We expect a decline from the current level

**Selected Trade Prices**  
(Percent change from end of previous period  
except as noted; seasonally adjusted)

Trade category	1999	Projection			
		2000		2001	2002
		H1	H2		
<i>Exports</i>					
Nonagricultural (core)	1.7	2.8	1.4	0.8	0.8
Agricultural	-5.0	0.5	0.5	7.4	1.7
<i>Imports</i>					
Non-oil (core)	0.4	1.6	2.4	3.0	2.5
Oil (level, dollars per barrel)	22.08	26.15	30.11	25.70	22.85

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

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

**U.S. international transactions.** Real exports of goods and services, which grew at an average annual rate of 10 percent in the first half of this year, are projected to expand at an 8½ percent pace in the second half of the year. Looking ahead, growth of core goods exports should pick up later in the forecast period as the dollar's projected depreciation causes relative prices to shift from being a slight restraining factor during this year and the first half of next year to a source of stimulus thereafter. A projected acceleration of service exports also should contribute to the strengthening of total export growth.

Growth of real imports of goods and services is projected to slow sharply this year, from an estimated 15 percent annual rate increase in the first half to 8½ percent through the end of 2001, and then to pick up somewhat in 2002. The contour of the forecast largely reflects the pattern of projected U.S. real GDP growth. Relative prices, which have been boosting growth of core imports in recent quarters, will change to a slightly restraining factor as a result of the dollar's projected depreciation. The quantity of imported oil should expand moderately over the forecast period.

### Summary of Staff Projections for Goods and Services

(Percent change from end of previous period  
except as noted; seasonally adjusted)

Measure	1999	Projection			
		2000		2001	2002
		H1	H2		
Real Exports	4.3	10.2	8.6	7.9	10.5
<i>August GB</i>	4.3	6.9	7.6	8.3	<i>n.a.</i>
Real Imports	12.0	15.2	8.6	8.3	9.3
<i>August GB</i>	12.0	14.6	7.9	8.0	<i>n.a.</i>

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

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

Given the outlook for trade, export growth is anticipated to make a rising contribution to U.S. growth. With imports expanding at a relatively steady pace, the arithmetic contribution of the foreign sector to GDP growth diminishes over the forecast period, reaching minus 0.2 percentage point in 2002.

The U.S. current account deficit is projected to be a steadily rising share of GDP, moving from 4.4 percent this year to 4.8 percent next year and 5.0 percent (or about \$565 billion) in 2002. Much of the projected change is in goods and services, but the net outflow of investment income also increases notably as these large current account deficits translate into increases in the U.S. net liability position.

#### Alternative Simulations

We have used the FRB Global model to assess the effect of different outcomes in several key areas of risk to our forecast. The first alternative simulation assumes that the price of oil rises to \$40 per barrel in the fourth quarter and remains there over the forecast period to give a sense of the vulnerability of the global economy to a prolonged disruption of supply. While it is difficult to envisage such a disruption lasting so long, this scenario illustrates the key international mechanisms through which the effects of an oil shock are transmitted to the U.S. economy.

Because the response of monetary policy has an important influence on the outcome, for the oil price scenario we have simulated the model under two different policy assumptions. In the first, the federal funds rate remains at the

**Effect of Alternative Assumptions**  
(Percent change from previous period, annual rate)

Measure	2000		2001		2002	
	H1	H2	H1	H2	H1	H2
<i>U.S. real GDP</i>						
Baseline	5.0	3.3	3.8	4.2	4.3	4.3
Higher Oil Prices						
Baseline federal funds rate	5.0	3.3	3.6	4.3	4.2	4.3
Taylor rule monetary policy in U.S.	5.0	3.3	3.3	3.8	3.9	4.1
Stronger Dollar	5.0	3.3	3.8	4.2	4.2	4.0
"New Economy" abroad	5.0	3.3	3.9	4.4	4.6	4.7
<i>U.S. PCE prices excl. food and energy</i>						
Baseline	1.9	1.8	2.1	2.2	2.2	2.3
Higher Oil Prices						
Baseline federal funds rate	1.9	1.8	2.2	2.3	2.4	2.6
Taylor rule monetary policy in U.S.	1.9	1.8	2.1	2.2	2.2	2.3
Stronger Dollar	1.9	1.8	2.1	2.1	2.1	2.1
"New Economy" abroad	1.9	1.8	2.1	2.2	2.3	2.4

NOTE. H1 is Q2/Q4; H2 is Q4/Q2. Except as noted, all simulations assume federal funds rate unchanged from baseline path.

The final simulation attempts to put an upper limit on the possibility that the seeds of the new economy have already been planted abroad and will bear fruit in the form of dramatically higher potential growth in Canada and Europe over the next two years. We have made the extreme assumption that by the beginning of next year productivity growth in these countries will have risen to a rate close to that in the United States. Under these assumptions, annual potential growth in these areas is roughly 1¼ percentage points higher over the forecast period than in the baseline simulation. We have again assumed that the U.S. federal funds rate follows the baseline path and that monetary authorities in foreign industrial countries each follow a Taylor rule.

As foreign demand is boosted by higher expected income growth, foreign real GDP growth, weighted by shares in U.S. exports, picks up nearly 1 percentage point by the end of 2002. In the United States, real GDP growth rises about ½ percentage point by the end of 2002, while inflation is up a tad by the end of the forecast period.

September 27, 2000

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

Measure and country	-----Projected-----								
	1994	1995	1996	1997	1998	1999	2000	2001	2002
REAL GDP (1)									
-----									
Total foreign	5.1	2.3	4.2	4.2	1.0	4.5	4.9	4.0	3.9
Industrial Countries	4.0	1.9	2.9	3.5	1.9	3.6	3.9	3.1	3.1
of which:									
Canada	5.5	1.4	2.4	4.8	3.2	4.9	4.3	3.6	3.6
Japan	0.9	2.5	5.2	-0.5	-3.1	-0.2	3.9	1.1	1.5
United Kingdom	4.6	1.9	2.9	3.5	2.0	2.8	2.8	2.7	2.7
Euro-11	3.0	1.7	1.6	3.1	1.9	3.1	3.7	3.4	3.1
Germany	2.9	1.1	1.3	1.6	0.9	2.4	3.7	3.2	3.2
Developing Countries	6.8	3.0	6.3	5.1	-0.3	5.9	6.3	5.3	5.1
Asia	8.8	7.2	6.8	4.8	-1.9	8.3	7.1	6.3	5.9
Korea	9.2	7.4	6.1	3.1	-4.6	14.0	6.2	6.0	6.0
China	16.3	12.6	9.2	8.2	9.5	6.2	7.6	8.0	8.0
Latin America	5.3	-3.8	6.3	6.1	1.0	3.9	5.8	4.7	4.6
Mexico	5.2	-7.1	7.2	6.8	2.7	5.3	7.1	5.3	5.0
Brazil	9.7	-1.5	5.1	2.0	-2.0	3.8	3.0	3.2	4.1
CONSUMER PRICES (2)									
-----									
Industrial Countries	1.1	1.3	1.4	1.5	1.0	1.1	1.7	1.4	1.6
of which:									
Canada	-0.0	2.1	2.0	1.0	1.1	2.4	2.7	2.1	2.5
Japan	0.8	-0.8	0.1	2.0	0.8	-1.3	-0.6	-0.4	0.0
United Kingdom (3)	2.2	2.9	3.2	2.7	2.5	2.2	2.2	2.4	2.5
Euro-11 (4)	NA	NA	NA	1.5	0.8	1.5	2.4	1.8	1.7
Germany	2.7	1.4	1.3	1.5	0.3	1.1	1.9	1.3	1.3
Developing Countries	22.9	16.9	11.1	6.8	9.1	4.7	4.7	6.2	5.8
Asia	10.7	6.3	4.8	2.8	4.5	0.2	2.3	4.4	4.5
Korea	5.8	4.4	5.0	5.0	5.9	1.3	2.8	3.8	4.2
China	26.9	11.0	6.8	0.9	-1.2	-0.9	1.7	4.8	5.4
Latin America	54.0	42.1	25.9	15.6	15.5	12.6	8.5	9.3	7.9
Mexico	7.0	48.9	28.2	17.2	17.5	13.6	8.9	9.9	8.2
Brazil	1196.9	21.5	9.6	4.7	1.6	8.3	6.4	5.6	4.9

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	2000				Projected 2001				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
REAL GDP (1)	----- Quarterly changes at an annual rate -----											
Total foreign	7.3	4.1	4.0	4.1	4.0	4.0	4.1	4.1	3.9	3.9	3.9	3.9
Industrial Countries	5.2	4.1	3.2	3.3	3.1	3.1	3.2	3.2	3.1	3.1	3.1	3.1
of which:												
Canada	5.1	4.7	3.7	3.6	3.5	3.5	3.7	3.7	3.6	3.6	3.6	3.6
Japan	10.3	4.2	1.3	0.3	0.8	1.0	1.3	1.3	1.4	1.5	1.6	1.6
United Kingdom	2.0	3.6	1.8	3.8	2.5	2.6	2.8	2.8	2.5	2.8	2.7	2.7
Euro-11	4.0	3.3	3.7	3.7	3.5	3.5	3.3	3.3	3.2	3.2	3.0	3.0
Germany	3.1	4.7	3.6	3.4	3.3	3.4	3.1	3.2	3.1	3.2	3.2	3.2
Developing Countries	10.4	4.3	5.1	5.4	5.3	5.3	5.4	5.4	5.1	5.0	5.1	5.2
Asia	12.5	4.2	5.6	6.4	6.2	6.2	6.4	6.4	6.0	5.8	6.0	5.9
Korea	7.2	4.6	7.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
China	9.5	1.9	9.0	10.0	7.0	7.0	9.0	9.0	7.0	7.0	9.0	9.0
Latin America	9.2	4.2	4.8	4.9	4.7	4.7	4.7	4.8	4.7	4.6	4.6	4.6
Mexico	12.0	5.4	5.5	5.5	5.3	5.3	5.3	5.3	5.0	5.0	5.0	5.0
Brazil	5.0	0.9	3.0	3.0	3.0	3.0	3.0	3.7	4.3	4.0	4.0	4.0
CONSUMER PRICES (2)	----- Four-quarter changes -----											
Industrial Countries	1.5	1.4	1.7	1.7	1.6	1.6	1.4	1.4	1.4	1.5	1.5	1.6
of which:												
Canada	2.7	2.4	2.7	2.7	2.6	2.5	2.1	2.1	2.2	2.3	2.4	2.5
Japan	-0.8	-1.0	-1.0	-0.6	-0.6	-0.5	-0.5	-0.4	-0.3	-0.2	-0.1	0.0
United Kingdom (3)	2.1	2.1	2.2	2.2	2.2	2.3	2.3	2.4	2.5	2.5	2.5	2.5
Euro-11 (4)	2.1	2.1	2.5	2.4	2.1	2.0	1.8	1.8	1.7	1.7	1.7	1.7
Germany	2.0	1.7	2.0	1.9	1.6	1.6	1.3	1.3	1.3	1.3	1.3	1.3
Developing Countries	3.9	3.8	4.1	4.7	5.6	6.4	6.4	6.2	6.1	6.0	5.9	5.8
Asia	0.5	0.8	1.4	2.3	3.3	4.7	4.8	4.4	4.3	4.3	4.4	4.5
Korea	1.5	1.4	2.8	2.8	4.6	5.2	4.2	3.8	3.8	3.9	4.1	4.2
China	0.1	0.1	0.5	1.7	2.6	5.1	5.2	4.8	4.7	4.8	5.0	5.4
Latin America	10.0	9.1	8.7	8.5	9.2	9.3	9.2	9.3	9.1	8.7	8.3	7.9
Mexico	10.6	9.6	9.0	8.9	9.6	9.6	9.6	9.9	9.6	9.1	8.6	8.2
Brazil	7.8	6.6	7.5	6.4	7.3	8.7	6.6	5.6	5.2	4.9	4.9	4.9

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.

September 27, 2000

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1994	1995	1996	1997	1998	1999	----- 2000	Projected 2001	----- 2002
<b>NIPA REAL EXPORTS and IMPORTS</b>									
Percentage point contribution to GDP growth, Q4/Q4									
Net Goods & Services	-0.3	0.4	-0.2	-0.8	-1.1	-1.1	-0.6	-0.4	-0.2
Exports of G&S	1.0	1.0	1.1	1.0	0.3	0.5	1.0	0.9	1.2
Imports of G&S	-1.3	-0.6	-1.3	-1.7	-1.4	-1.5	-1.7	-1.2	-1.4
Percentage change, Q4/Q4									
Exports of G&S	10.5	9.7	9.8	8.5	2.2	4.3	9.4	7.9	10.5
Services	8.2	8.8	8.9	1.4	2.8	0.2	4.2	5.9	7.2
Agricultural Goods	16.3	-4.0	3.8	1.0	-0.3	-0.5	4.3	-2.2	3.3
Computers	27.4	39.1	21.6	25.8	7.0	13.3	38.4	36.0	36.0
Semiconductors	66.9	79.6	44.6	21.3	9.3	34.4	40.6	41.2	41.2
Other Goods 1/	6.9	5.7	7.8	10.9	1.3	4.1	7.6	3.9	5.9
Imports of G&S	12.2	5.0	11.2	14.3	11.2	12.0	11.9	8.3	9.3
Services	1.8	5.5	5.3	14.0	9.5	2.1	11.3	4.4	5.3
Oil	-0.2	2.4	7.8	3.9	4.6	-3.9	12.4	2.3	4.1
Computers	39.0	35.0	17.8	33.0	26.7	25.0	25.9	29.9	29.9
Semiconductors	54.5	92.4	56.7	32.9	-7.3	34.0	34.8	41.2	41.2
Other Goods 2/	12.3	-1.2	10.5	12.7	11.6	13.9	9.8	6.3	6.7
Billions of chained 1996 dollars									
Net Goods & Services	-86.5	-78.4	-89.0	-113.3	-221.0	-322.4	-404.5	-454.9	-487.3
Exports of G&S	732.8	808.2	874.2	981.5	1003.6	1033.0	1130.3	1218.0	1334.4
Imports of G&S	819.4	886.6	963.1	1094.8	1224.6	1355.3	1534.8	1672.9	1821.7
Billions of dollars									
US CURRENT ACCOUNT BALANCE	-118.6	-109.5	-123.3	-140.5	-217.1	-331.4	-441.7	-511.0	-564.3
Current Acct as Percent of GDP	-1.7	-1.5	-1.6	-1.7	-2.5	-3.6	-4.4	-4.8	-5.0
Net Goods & Services (BOP)	-97.0	-96.0	-102.1	-105.9	-166.9	-265.0	-367.8	-420.9	-451.4
Investment Income, Net	21.1	25.0	23.4	11.1	-1.0	-13.1	-16.5	-31.4	-53.2
Direct, Net	55.2	64.9	69.4	71.9	67.7	62.7	72.8	79.9	88.1
Portfolio, Net	-34.1	-39.9	-46.0	-60.9	-68.8	-75.8	-89.3	-111.2	-141.2
Other Income & Transfers, Net	-42.7	-38.6	-44.6	-45.7	-49.2	-53.4	-57.4	-58.7	-59.7

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1997				1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
Percentage point contribution to GDP growth												
Net Goods & Services	-1.0	-0.3	-0.9	-0.9	-1.6	-1.9	-1.0	0.1	-1.4	-1.4	-1.1	-0.4
Exports of G&S	0.8	1.9	1.2	-0.1	0.1	-0.3	-0.4	1.5	-0.9	0.6	1.0	1.1
Imports of G&S	-1.8	-2.2	-2.1	-0.8	-1.7	-1.6	-0.7	-1.5	-0.6	-2.0	-2.1	-1.4
Percentage change from previous period, s.a.a.r.												
Exports of G&S	7.5	17.6	10.6	-0.8	1.0	-3.0	-3.2	15.1	-7.9	5.8	10.2	10.3
Services	-5.8	9.4	6.0	-3.3	5.2	6.4	-10.0	10.8	-3.8	2.8	-2.5	4.6
Agricultural Goods	-19.4	6.7	12.0	7.9	-2.7	-13.8	-12.5	34.7	-33.4	33.1	38.0	-19.9
Computers	60.0	44.5	25.7	-14.0	-7.5	7.6	14.7	14.7	5.2	26.7	22.2	1.2
Semiconductors	50.3	22.1	19.6	-1.4	2.1	-13.6	18.9	35.9	38.7	39.1	37.8	22.5
Other Goods 1/	12.2	20.6	10.8	0.9	0.0	-6.6	-1.2	14.3	-11.1	1.4	11.9	16.3
Imports of G&S	15.3	18.8	17.3	6.4	14.2	13.1	5.5	12.2	4.5	16.2	16.9	10.7
Services	20.0	5.6	23.1	8.3	20.0	6.7	9.8	2.2	-7.7	2.5	6.3	8.2
Oil	-7.5	36.8	5.7	-12.9	6.4	41.2	2.1	-22.0	2.4	29.4	-5.8	-31.5
Computers	46.6	45.8	32.4	10.5	32.5	22.6	10.6	43.2	28.8	48.5	14.8	11.2
Semiconductors	78.1	26.0	31.6	5.6	2.0	-22.9	0.1	-6.1	17.8	53.8	24.1	43.3
Other Goods 2/	11.6	17.2	14.8	7.5	12.6	14.0	4.5	15.6	5.0	14.6	21.5	14.9
Billions of chained 1996 dollars, s.a.a.r.												
Net Goods & Services	-94.0	-100.6	-119.6	-139.2	-175.3	-219.7	-244.1	-244.9	-279.8	-314.6	-342.6	-352.5
Exports of G&S	940.3	979.2	1004.2	1002.1	1004.5	996.8	988.8	1024.1	1003.3	1017.6	1042.6	1068.4
Imports of G&S	1034.3	1079.8	1123.8	1141.2	1179.8	1216.6	1232.9	1269.0	1283.1	1332.2	1385.2	1420.9
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-137.5	-119.9	-133.6	-171.1	-169.6	-205.9	-245.2	-247.7	-266.5	-315.9	-358.6	-384.9
Current Account as % of GDP	-1.7	-1.4	-1.6	-2.0	-2.0	-2.4	-2.8	-2.8	-2.9	-3.4	-3.8	-4.0
Net Goods & Services (BOP)	-108.2	-94.3	-101.1	-120.1	-134.5	-166.4	-185.3	-181.4	-210.7	-253.2	-290.9	-305.1
Investment Income, Net	11.5	16.3	10.7	5.7	9.1	6.0	-12.1	-7.3	-7.1	-11.3	-16.8	-17.3
Direct, Net	68.9	76.6	74.1	68.1	74.9	72.4	59.0	64.7	64.1	58.8	62.8	65.1
Portfolio, Net	-57.4	-60.3	-63.4	-62.4	-65.7	-66.4	-71.1	-71.9	-71.2	-70.0	-79.6	-82.4
Other Inc. & Transfers, Net	-40.8	-41.9	-43.2	-56.7	-44.3	-45.5	-47.8	-59.1	-48.7	-51.4	-50.9	-62.5

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2000				Projected 2001				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
Percentage point contribution to GDP growth												
Net Goods & Services	-0.9	-1.0	-0.5	-0.1	-0.6	-0.6	-0.4	0.2	-0.5	-0.4	-0.2	0.3
Exports of G&S	0.7	1.5	1.0	0.9	0.5	0.8	0.9	1.3	0.7	1.1	1.2	1.6
Imports of G&S	-1.6	-2.5	-1.4	-1.0	-1.1	-1.5	-1.3	-1.1	-1.3	-1.6	-1.4	-1.3
Percentage change from previous period, s.a.a.r.												
Exports of G&S	6.3	14.2	9.1	8.1	4.3	7.5	8.2	11.9	6.7	10.3	10.8	14.3
Services	6.9	3.6	3.5	2.8	3.7	5.5	6.8	7.5	7.2	7.2	7.2	7.2
Agricultural Goods	25.3	-2.0	8.4	-11.1	1.7	1.9	-4.2	-7.9	3.5	3.3	3.1	3.0
Computers	44.6	45.0	31.1	33.5	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Semiconductors	20.7	68.6	38.6	38.6	41.2	41.2	41.2	41.2	41.2	41.2	41.2	41.2
Other Goods 1/	0.7	14.9	7.7	7.7	-1.2	3.0	3.8	10.1	-0.3	5.7	6.3	12.5
Imports of G&S	12.0	18.6	10.2	7.0	7.7	10.0	8.5	7.1	8.6	10.6	9.5	8.5
Services	16.6	11.0	12.8	5.1	4.4	4.0	4.3	4.9	5.4	5.3	5.1	5.2
Oil	30.3	35.8	0.5	-10.2	-5.6	27.1	6.8	-14.4	-1.6	26.1	6.6	-11.2
Computers	2.8	43.6	31.1	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Semiconductors	20.7	33.5	45.1	41.2	41.2	41.2	41.2	41.2	41.2	41.2	41.2	41.2
Other Goods 2/	9.7	15.8	7.7	6.4	6.6	6.2	6.1	6.2	6.6	6.7	6.7	6.8
Billions of chained 1996 dollars, s.a.a.r.												
Net Goods & Services	-376.8	-403.9	-416.6	-420.7	-437.9	-455.5	-466.0	-460.3	-475.9	-488.9	-496.2	-488.1
Exports of G&S	1084.8	1121.5	1146.2	1168.8	1181.2	1202.7	1226.6	1261.6	1282.1	1313.9	1347.9	1393.8
Imports of G&S	1461.7	1525.4	1562.8	1589.5	1619.1	1658.2	1692.6	1721.9	1758.0	1802.8	1844.0	1881.9
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-406.0	-424.6	-455.6	-480.7	-486.7	-506.8	-520.6	-529.9	-540.6	-559.1	-573.5	-584.0
Current Account as % of GDP	-4.2	-4.3	-4.5	-4.7	-4.7	-4.8	-4.9	-4.9	-4.9	-5.0	-5.1	-5.1
Net Goods & Services (BOP)	-340.5	-357.1	-382.7	-391.0	-404.8	-421.8	-431.9	-425.1	-439.6	-451.9	-460.2	-454.0
Investment Income, Net	-11.9	-12.6	-17.9	-23.6	-26.2	-28.9	-32.7	-37.6	-44.5	-50.1	-56.1	-61.9
Direct, Net	68.3	73.7	75.3	74.1	75.8	78.5	81.5	83.7	84.4	86.9	89.3	91.6
Portfolio, Net	-80.2	-86.3	-93.1	-97.7	-102.0	-107.4	-114.1	-121.3	-128.9	-137.0	-145.4	-153.5
Other Inc. & Transfers, Net	-53.6	-55.0	-55.1	-66.1	-55.6	-56.1	-56.1	-67.1	-56.6	-57.1	-57.1	-68.1

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

## **Part 2**

September 27, 2000

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Recent Developments**

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

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**Production of Domestic Autos and Trucks**  
(Millions of units at an annual rate except as noted; FRB seasonal basis)

Item	2000						
	Q2	Q3 <sup>1</sup>	Q4 <sup>1</sup>	July	Aug	Sept <sup>1</sup>	Oct <sup>1</sup>
U.S. production	13.4	12.7	12.7	12.4	12.8	12.8	12.4
Autos	5.8	5.7	5.5	5.5	5.7	5.7	5.4
Trucks	7.6	7.0	7.2	6.9	7.1	7.1	7.1
Days' supply							
Autos	53.9	n.a.	n.a.	54.3	54.8	n.a.	n.a.
Light trucks <sup>2</sup>	78.0	n.a.	n.a.	81.5	75.4	n.a.	n.a.

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

1. Production rates reflect actual August data and manufacturers' schedules for September, October, and Q4.

2. Excludes medium and heavy (classes 3-8) trucks.

n.a. Not available.

For the third quarter as a whole, total production is scheduled at 12.7 million units, down from the 13.4 million unit pace in the second quarter. Schedules for the fourth quarter also point to a 12.7 million unit production rate, suggesting that automakers do not expect sales to weaken dramatically in the near term. Regarding medium and heavy trucks, domestic production dropped to an annual rate of 390,000 units in August—the lowest rate posted so far this year. Both Navistar and DaimlerChrysler's Freightliner unit recently announced layoffs and further production cuts to deal with slower demand.

### Consumer Spending and Income

The pace of real consumer spending appears to have picked up in July and August, following a second-quarter increase in real PCE of just 2.9 percent at an annual rate.<sup>6</sup> That said, available data suggest that the third-quarter increase in real consumption will be less than the pace over the past couple of years.

Nominal retail sales in the control category of stores rose 0.4 percent in August after an upward-revised gain of 0.8 percent in July. In August, outlays at durable goods stores rose briskly; spending also increased at outlets selling apparel, food, general merchandise, and "other nondurable goods." In contrast, nominal purchases at gasoline stations fell 1-1/4 percent in August, reflecting

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6. Unless otherwise indicated, the discussion of second-quarter real GDP figures in this section of the Greenbook incorporates our expected revisions to GDP.

## Gross Issuance of Securities by U.S. Corporations

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

Type of security	1998	1999	Q1	Q2	2000 July	Aug.	Sept. <sup>e</sup>
<b>All U.S. corporations</b>	94.0	89.4	84.8	75.2	63.3	81.5	81.2
Stocks <sup>1</sup>	10.6	11.0	16.9	11.2	7.6	11.4	5.2
Bonds	83.5	78.4	67.9	64.0	55.6	70.1	76.0
<i>Nonfinancial corporations</i>							
Stocks <sup>1</sup>	6.2	9.2	15.6	9.3	7.4	7.7	5.1
Initial public offerings	2.2	4.2	4.8	6.6	4.2	5.0	3.4
Seasoned offerings	4.0	5.0	10.8	2.6	3.2	2.7	1.7
Bonds <sup>2</sup>	25.7	24.5	23.1	19.4	15.9	19.5	26.0
Investment grade <sup>3</sup>	14.1	13.9	11.6	11.4	7.8	11.5	17.0
Speculative grade <sup>3</sup>	10.2	7.5	7.5	3.2	3.8	4.0	6.8
Other (Sold abroad/unrated)	1.3	3.1	4.0	4.8	4.3	4.1	2.2
<i>Financial corporations</i>							
Stocks <sup>1</sup>	4.4	1.8	1.3	1.9	.3	3.8	.1
Bonds	57.8	53.9	44.8	44.5	39.7	50.6	50.0
<i>Memo</i>							
Net issuance of commercial paper, nonfinancial corporations <sup>4</sup>	2.3	3.6	3.0	9.7	15.0	4.8	-8.6
Change in C&I loans at commercial banks <sup>4</sup>	7.0	4.7	8.8	13.3	10.8	5.5	2.1

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.

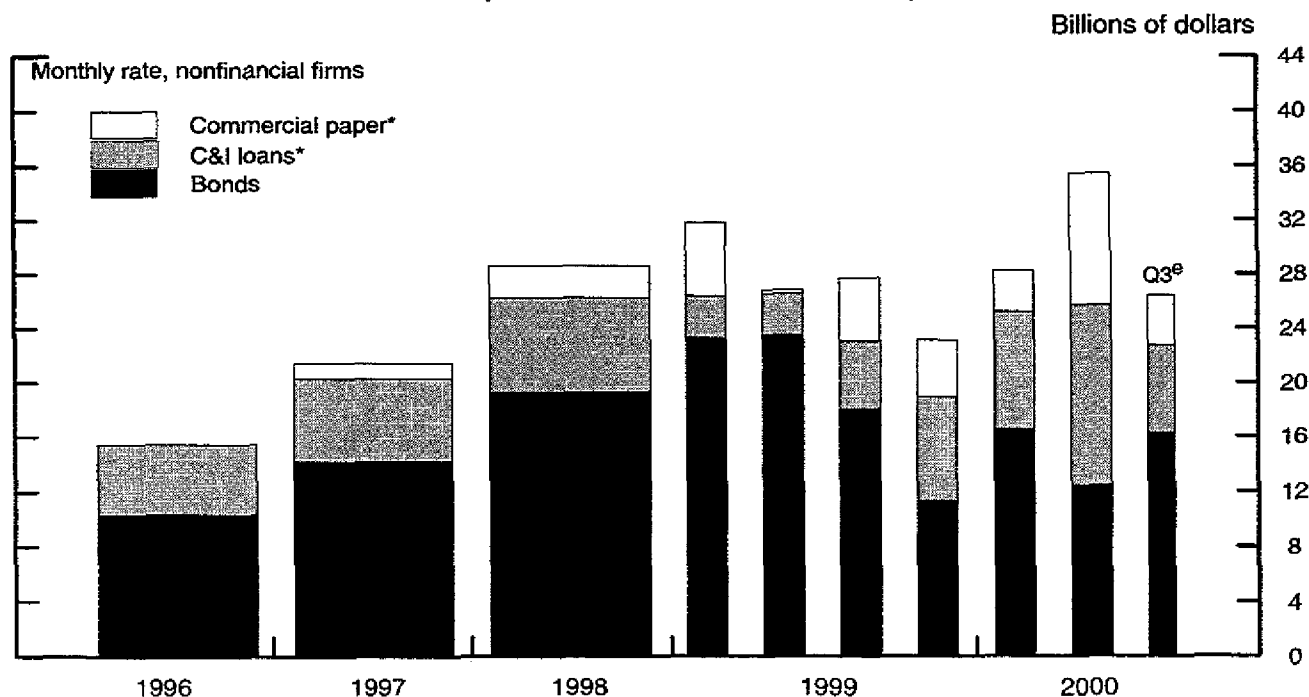
2. Excludes mortgage-backed and asset-backed bonds.

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.

e Staff estimate.

## Components of Net Debt Financing



\* Seasonally adjusted

e Staff estimate.

## Treasury and Agency Finance

### Treasury Financing

(Billions of dollars)

Item	1999	2000				
	Q4	Q1	Q2	July	Aug.	Sept. (e)
<b>Total surplus, deficit (-)</b>	<b>-20.6</b>	<b>-15.0</b>	<b>211.8</b>	<b>4.8</b>	<b>-10.4</b>	<b>n.a.</b>
Means of financing deficit						
Net borrowing	47.6	-27.1	-189.6	-31.3	10.0	n.a.
Nonmarketable	1.0	-6.4	2.2	-6.3	0.3	n.a.
Marketable	46.6	-20.7	-191.7	-25.0	9.7	-32.7
Bills	83.6	16.0	-123.7	-9.5	26.6	-31.2
Coupons <sup>1</sup>	-37.0	-34.7	-57.1	-11.0	-14.7	0.0
Debt buybacks	0.0	-2.0	-11.0	-4.5	-2.2	-1.5
Decrease in cash balance	-26.9	38.6	-12.7	23.4	20.9	n.a.
Other <sup>2</sup>	-0.2	3.5	-9.6	3.2	-20.4	n.a.
MEMO						
Cash balance, end of period	83.3	44.8	57.4	34.1	13.2	n.a.

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 Borrowing of Government-Sponsored Enterprises

(Billions of dollars)

Agency	1999	2000				
	Q4	Q1	Q2	July	Aug.	Sept.
FHLBs	47.4	6.3	33.2	-3.4	7.8	n.a.
Freddie Mac	19.6	17.3	6.3	15.1	n.a.	n.a.
Fannie Mae	22.7	9.9	21.0	0.9	15.7	n.a.
Farm Credit Banks	0.9	-1.7	2.4	0.2	0.4	n.a.
Sallie Mae	0.1	-3.9	-0.8	n.a.	n.a.	n.a.
MEMO						
<i>Outstanding noncallable notes and bonds</i>						
Fannie Mae benchmark	106.4	128.1	142.1	147.6	159.1	163.6
Freddie Mac reference	69.5	85.5	96.5	100.5	104.5	110.5

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)

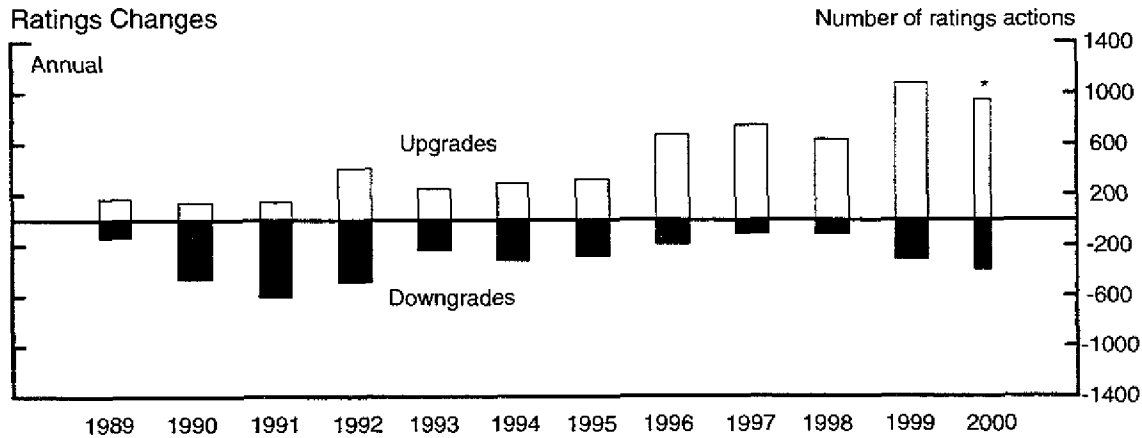
	1998	1999	2000				
			Q1	Q2	July	Aug.	Sept. <sup>e</sup>
Long-term <sup>1</sup>	21.9	18.0	12.2	16.2	12.8	15.3	15.0
Refundings <sup>2</sup>	8.5	4.5	1.9	2.4	1.5	2.9	2.0
New capital	13.4	13.5	10.3	13.8	11.3	12.4	13.0
Short-term	2.4	2.7	1.6	3.6	2.6	6.2	1.2
Total tax-exempt	24.3	20.6	13.8	19.8	15.4	21.5	16.2
Total taxable	1.1	1.1	0.6	0.6	0.7	1.1	0.7

1. Includes issues for public and private purposes.

2. All issues that include any refunding bonds.

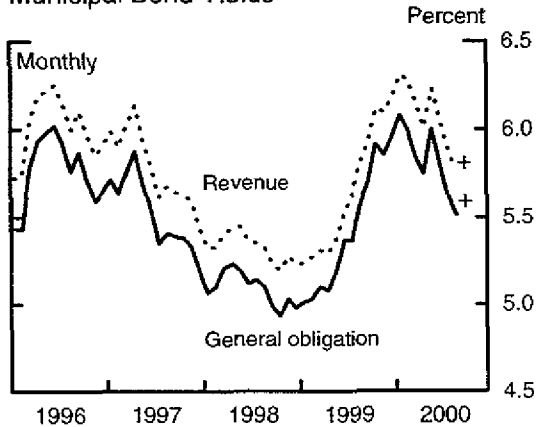
e. Staff estimate.

### Ratings Changes



\* Data through Sept. 14, 2000, at an annual rate.

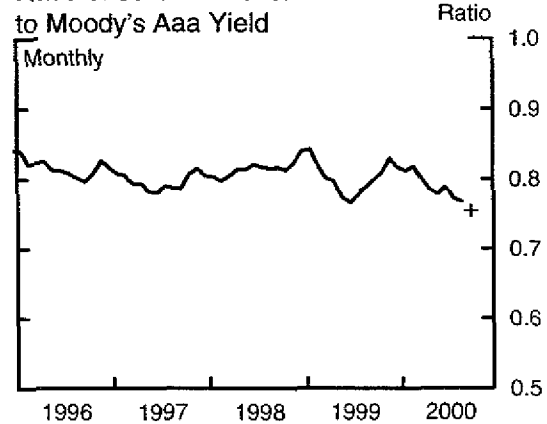
### Municipal Bond Yields



Note. Average of weekly data.

+ indicates latest observation (Sept. 21).

### Ratio of 30-Year Revenue Bond Yield to Moody's Aaa Yield



Note. Average of weekly data.

+ indicates latest observation (Sept. 21).

since March, although it remains at a high level. Euro-area purchasing managers surveys for August indicate that manufacturing activity eased somewhat from the high levels recorded earlier this year. In Germany, industrial production increased 3.7 percent in July, largely reversing a decline in June, and the volume of German industry orders rose 0.2 percent in July. However, the German Ifo Business Climate index ticked down for the third consecutive month in August.

### Euro-Area Current Indicators

(Percent change from previous period except as noted, s.a.)

Indicator	2000			2000			
	Q1	Q2	Q3	June	July	Aug	Sept
<i>Industrial production<sup>1</sup></i>							
Euro-area	1.1	1.6	n.a.	-.4	n.a.	n.a.	n.a.
Germany	.9	2.5	n.a.	-3.1	3.7	n.a.	n.a.
France	.7	.1	n.a.	-.6	n.a.	n.a.	n.a.
Italy	.6	1.3	n.a.	-.9	-.9	n.a.	n.a.
<i>Unemployment rate<sup>2</sup></i>							
Euro-area	9.5	9.2	n.a.	9.1	9.1	n.a.	n.a.
Germany	10.1	9.6	n.a.	9.6	9.5	9.5	n.a.
France	10.2	9.8	n.a.	9.6	9.7	n.a.	n.a.
Italy	11.1	10.7	10.5	...	...	...	...
<i>Consumer prices<sup>3</sup></i>							
Euro-area <sup>4</sup>	2.1	2.1	n.a.	2.4	2.4	2.3	n.a.
Germany	1.8	1.6	2.0	1.9	1.9	1.8	2.4
France	1.5	1.4	n.a.	1.6	1.8	1.8	n.a.
Italy	2.3	2.4	2.4	2.7	2.6	2.3	2.3

1. Indexes exclude construction.

2. Euro-area standardized to ILO definition. Includes Eurostat estimates in some cases.

Country figures are based on national definitions.

3. Percent change from year earlier.

4. Eurostat harmonized definition.

n.a. Not available. ... Not applicable.

September 29, 2000

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### **Supplemental Notes**

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

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

	2000 Jan.	2000 Feb.	2000 Mar.	2000 Apr.	2000 May	2000 June	2000 July	2000 Aug.	2000 Sept. (f)
<hr/>									
Indexes of consumer sentiment (Feb. 1966=100)									
Composite of current and expected conditions	112.0	111.3	107.1	109.2	110.7	106.4	108.3	107.3	106.8
Current conditions	117.3	116.8	115.4	117.8	119.9	115.1	114.2	112.4	112.0
Expected conditions	108.6	107.8	101.7	103.7	104.8	100.8	104.5	104.0	103.4
<hr/>									
Personal financial situation									
Now compared with 12 months ago*	135	132	135	130	138	129	130	126	124
Expected in 12 months*	141	138	136	137	137	137	139	139	132
Expected business conditions									
Next 12 months*	165	161	146	152	153	146	148	151	149
Next 5 years*	133	136	128	130	133	123	135	130	136
Appraisal of buying conditions									
Cars	144	153	134	148	145	138	141	147	145
Large household appliances*	169	172	165	176	173	170	167	166	167
Houses	152	153	150	151	136	128	136	138	144
Willingness to use credit	51	48	52	54	45	49	44	47	41
Willingness to use savings	85	75	67	70	65	79	70	71	70
Expected unemployment change - next 12 months	104	106	109	109	104	112	111	108	111
Prob. household will lose a job - next 5 years	19	21	20	19	18	21	23	21	21
Expected inflation - next 12 months									
Mean	3.5	3.5	3.8	3.5	3.5	3.4	3.7	3.5	3.7
Median	3.0	2.9	3.2	3.2	3.0	2.9	3.0	2.7	2.9
Expected inflation - next 5 to 10 years									
Mean	3.5	3.3	3.8	3.2	3.4	3.3	3.2	3.5	3.6
Median	3.0	2.9	3.1	2.8	2.9	2.8	2.8	2.9	3.0

\* -- 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.