

Part 1

November 8, 1995

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Summary and Outlook

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

process will break down, with a stalemate on mandatory spending and taxes and with continuing resolutions used to fund discretionary programs for the remainder of the fiscal year; indeed, it is conceivable that even getting to that outcome could involve one or more brief shutdowns of government operations. But our working assumption is that major disruptions will be avoided and that agreement will be reached on a package that achieves a balanced budget by 2002 (based on the economic and technical assumptions underlying the congressional budget resolution).

STAFF DEFICIT REDUCTION PACKAGE
(Relative to CBO baseline, fiscal years, billions of dollars)

	1996	1997	1998	1996-2002 Staff	1996-2002 Congress ¹
Total	-34	-46	-73	--	--
<i>Previous</i>	-30	-55	-80	--	--
Outlays ex. interest	-32	-62	-87	-909	-1066
Discretionary	-17	-28	-37	-418	-440
Mandatory	-15	-34	-50	-491	-626
Medicare	-6	-12	-18	-199	-270
CPI adjustment	-2	-4	-7	-72	--
Other	-8	-18	-26	-220	-357
Revenues	1	-19	-21	-122	-245
Child tax credit	-4	-20	-20	-137	--
Capital gains	4	-2	-6	-34	--
CPI adjustment	1	3	5	49	--
Net interest	-1	-3	-7	--	--

1. CBO estimate of the effect of the concurrent budget resolution for fiscal year 1996.

The yearly pattern of deficit reduction (and thus the seven-year totals) in our package differs somewhat from that implied by the congressional budget resolution. We have also modified the specific provisions of the congressional plan to take the President's priorities into account. In particular, we have assumed that the reductions in discretionary spending will not be quite as

Nonetheless, in light of the projected increase in world demand, we still expect WTI to move up to around \$17.50 per barrel by the middle of 1996--\$1 per barrel lower than projected in the last Greenbook and to remain around that price through 1997.

Recent Developments and the Outlook for the Near Term

Our current estimate of third-quarter GDP growth, at 4.1 percent, is 2 percentage points above the prediction in the last Greenbook. About half of this surprise was already apparent to us in the data available before BEA published its advance estimate. The remainder of the gap appears largely related to mix-shifts that were not visible but that--owing to the use of 1987 weights--substantially elevated the GDP number. While we still are somewhat discomfited by the tension between the measured GDP growth and other economic indicators, the additional statistical information received over the past two weeks provides no basis for anticipating a significant downward revision to the BEA estimate.

REAL GDP AND SELECTED COMPONENTS IN 1995:H2
(Percent change, at annual rates, unless otherwise noted)

	1995:Q3			1995:Q4	
	Sept. GB	BEA Adv	Nov. GB	Sept. GB	Nov. GB
Real GDP	2.2	4.2	4.1	2.5	2.6
Final sales	3.4	4.2	4.6	2.8	3.5
Private domestic	4.4	4.2	4.4	3.6	5.4
Government	1.3	3.1	3.7	-1.4	-4.7
<i>Change in billions of 1987 dollars</i>					
Nonfarm inventory investment	-13.8	3.6	-2.9	-3.7	-10.5
Net exports	-7.3	.9	2.7	-.5	-3.6

In fact, the rise in final sales may well have been even larger than BEA had estimated: The September data on construction-put-in-place imply upward revisions to business fixed investment and state and local purchases. On the other hand, we have penciled in a

the past depreciation of the dollar, should help to stabilize real net exports.

SUMMARY OF STAFF PROJECTIONS¹
(Percent change at annual rates, except as noted)

	1995	1996		1997
		H1	H2	
Real GDP	2.7	2.7	2.4	2.3
Previous	2.1	2.2	2.1	2.0
Private domestic final purchases ²	4.4	3.2	2.9	2.6
Previous	4.0	3.0	2.7	2.3
Civilian unemployment rate (percent) ³	5.6	5.6	5.6	5.7
Previous	5.8	5.9	6.0	6.2
Memo:				
Chain-type real GDP	2.1	2.3	1.9	1.8

1. Percent change from final quarter of previous period to final quarter of period indicated, unless otherwise indicated.

2. Personal consumption expenditures plus business fixed investment plus residential investment.

3. Average level for the final quarter of period indicated.

We estimate that real GDP will rise just about 2 percent per year, on average, in 1996 and 1997 when measured on the chain-type basis that BEA will adopt in the upcoming benchmark revisions to the NIPAs. The chain-type projection of real GDP is about 1/2 percentage point per year lower than our "official" projection, mainly because the reweighting reduces the importance of computer outlays in real GDP. However, our procedures for estimating chain-type GDP are not yet fully developed, and these projections should be considered approximations. Be that as it may, our forecast--whether measured in 1987 dollars or on the chain basis--should be viewed as one in which output is growing at close to its potential rate and pressures on labor and capital resources are not changing much.

Consumer spending. We have made a few adjustments to the consumption projection, mainly to reflect the bigger tax cuts we are

The other major change is to the unemployment rate, which is now expected to average only 5.6 percent in the current quarter, 0.2 percentage point lower than in the last Greenbook. Given our projection that real output and labor productivity will grow at close to their trend rates over the next two years, the unemployment rate is likely to edge up only a little from current levels. In the last Greenbook, the jobless rate reached 6-1/4 percent by the end of 1997.

SUMMARY OF STAFF INFLATION PROJECTIONS
(Percent change at annual rates)

	1995	1996		1997
		H1	H2	
Employment cost index for compensation of private industry workers ¹		2.5	2.8	2.9
<i>Previous</i>	2.8	3.1	3.1	3.0
Consumer price index ²	2.6	3.3	3.0	2.9
<i>Previous</i>	2.8	3.1	2.8	2.7
Excluding food and energy	3.1	2.9	3.0	3.0
<i>Previous</i>	3.1	2.8	2.7	2.7

1. Percent change from final month of previous period to final month of period indicated.

2. Percent change from final quarter of previous period to final quarter of period indicated.

Wages and prices. Once again, the incoming data on hourly compensation have been more favorable than we had anticipated: Over the past year, the employment cost index for private industry workers has increased at only about a 2-1/2 percent annual rate, as wage increases have remained moderate and employers' payments for health insurance have been flat. Looking ahead, we still expect some pickup in the rate of increase in the ECI. Employers will continue to restructure health insurance packages to hold down costs, but we suspect that the biggest savings may have already occurred--especially if providers try to offset reductions in payments for Medicare and Medicaid recipients by raising the fees

ALTERNATIVE FEDERAL FUNDS RATE ASSUMPTIONS
(Percent change, Q4 to Q4, except as noted)

	1996	1997
Real GDP		
Baseline	2.5	2.3
Lower funds rate	2.8	3.1
Higher funds rate	2.2	1.5
Civilian unemployment rate ¹		
Baseline	5.6	5.7
Lower funds rate	5.5	5.3
Higher funds rate	5.7	6.1
CPI excluding food and energy		
Baseline	2.9	3.0
Lower funds rate	3.0	3.3
Higher funds rate	2.8	2.7

1. Average for the fourth quarter.

	Unemployment rate (level except as noted)									
	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index ¹			
Interval	9/20/95	11/8/95	9/20/95	11/8/95	9/20/95	11/8/95	9/20/95	11/8/95	9/20/95	11/8/95
ANNUAL										
1993 ²	5.4	5.4	3.1	3.1	3.0	3.0	3.0	3.0	6.8	6.8
1994 ²	6.2	6.2	4.1	4.1	2.7	2.7	2.5	2.6	6.1	6.1
1995	5.1	5.0	3.0	3.3	2.9	2.8	2.9	2.9	5.7	5.6
1996	4.6	4.7	2.2	2.7	2.9	3.0	2.9	2.9	5.9	5.6
1997	4.0	4.5	2.1	2.5	2.7	2.9	2.7	3.0	6.1	5.6
QUARTERLY										
1994 Q1 ²	6.1	6.1	3.3	3.3	3.1	3.1	2.2	2.2	6.6	6.6
Q2 ²	7.2	7.2	4.1	4.1	2.9	2.9	2.5	2.5	6.2	6.2
Q3 ²	6.2	6.2	4.0	4.0	3.0	3.0	3.6	3.6	6.0	6.0
Q4 ²	6.4	6.4	5.1	5.1	2.6	2.6	2.2	2.2	5.6	5.6
1995 Q1 ²	4.7	4.7	2.7	2.7	3.3	3.3	3.2	3.2	5.5	5.5
Q2 ²	2.8	3.0	1.1	1.3	2.8	2.8	3.2	3.2	5.7	5.7
Q3	5.1	4.6	2.2	4.1	2.8	2.1	2.0	2.1	5.7	5.6
Q4	5.1	4.8	2.5	2.6	3.1	2.7	2.8	2.1	5.8	5.6
1996 Q1	5.1	5.3	2.3	2.7	3.4	3.7	3.0	3.2	5.8	5.6
Q2	4.3	5.0	2.2	2.7	2.7	3.1	3.1	3.4	5.9	5.6
Q3	4.1	4.2	2.2	2.1	2.6	2.9	2.9	3.0	5.9	5.6
Q4	4.1	4.6	2.1	2.7	2.6	2.8	2.7	3.0	6.0	5.6
1997 Q1	4.1	4.6	2.0	2.5	2.9	3.1	2.7	2.9	6.0	5.6
Q2	3.9	4.8	2.0	2.9	2.6	2.8	2.7	2.9	6.1	5.6
Q3	3.9	3.9	2.0	1.9	2.6	2.8	2.7	2.9	6.1	5.7
Q4	3.8	3.8	2.0	2.0	2.6	2.8	2.7	2.9	6.2	5.7
TWO-QUARTER³										
1994 Q2 ²	6.6	6.6	3.7	3.7	3.0	3.0	2.3	2.3	-3	-3
Q4 ²	6.3	6.3	4.6	4.6	2.8	2.8	2.9	2.9	-6	-6
1995 Q2 ²	3.7	3.9	1.9	2.0	2.9	2.9	3.2	3.2	1	1
Q4	5.1	4.7	2.3	3.4	3.0	2.5	2.4	2.1	1	-1
1996 Q2	4.7	5.2	2.2	2.7	3.0	3.4	3.1	3.3	1	0
Q4	4.1	4.4	2.1	2.4	2.6	2.9	2.8	3.0	1	0
1997 Q2	4.0	4.7	2.0	2.7	2.7	2.9	2.7	2.9	1	0
Q4	3.8	3.9	2.0	2.0	2.6	2.8	2.7	2.9	1	1
FOUR-QUARTER⁴										
1993 Q4 ²	5.0	5.0	3.1	3.1	2.8	2.8	2.7	2.7	-8	-8
1994 Q4 ²	6.5	6.5	4.1	4.1	2.9	2.9	2.6	2.6	-9	-9
1995 Q4	4.4	4.3	2.1	2.7	3.0	2.7	2.8	2.6	2	0
1996 Q4	4.4	4.8	2.2	2.5	2.8	3.1	2.9	3.1	2	0
1997 Q4	3.9	4.3	2.0	2.3	2.7	2.9	2.7	2.9	2	1

¹ For all urban consumers² Actual³ Percent change from two quarters earlier; for unemployment rate, change in percentage points⁴ Percent change from four quarters earlier; for unemployment rate, change in percentage points

Item	Unit ¹	Projected								
		1989	1990	1991	1992	1993	1994	1995	1996	1997
EXPENDITURES										
Nominal GDP	Bill \$	5250.8	5546.1	5724.8	6020.2	6343.3	6738.4	7077.6	7413.4	7746.2
Real GDP	Bill \$ 87\$	4838.0	4897.3	4867.6	4979.3	5134.5	5344.0	5520.4	5669.6	5810.0
Real GDP	% change	1.6	2	3	3.7	3.1	4.1	2.7	2.5	2.3
Gross domestic purchases		9	-4	-1	4.1	3.9	4.5	3.0	2.5	2.2
Final sales		1.5	1.2	-4	3.8	3.0	3.4	3.3	2.6	2.4
Private dom final purch		5	1	8	5.1	5.0	4.9	4.4	3.0	2.6
Personal cons expend		1.2	7	0	4.2	3.0	3.5	2.9	2.2	2.2
Durables		-5	-8	-1.3	9.6	9.0	8.6	5.6	3.0	2.9
Nondurables		1.2	-1	-1.6	3.2	1.3	3.1	1.5	1.5	1.5
Services		1.7	1.7	1.2	3.5	2.5	2.4	2.8	2.3	2.4
Business fixed invest.		-4	7	-6.2	6.7	16.0	12.9	13.8	6.8	5.2
Producers' dur. equip.		-1.7	2.9	-3.2	11.0	21.3	15.5	15.1	7.7	6.4
Nonres structures		2.3	-3.9	-12.4	-3.4	1.6	4.6	9.2	3.2	5
Res structures		-7.7	-15.2	7	17.0	8.1	3.1	4	3.7	5
Exports		11.3	6.7	8.1	5.0	5.8	11.6	9.1	10.4	10.5
Imports		2.6	4	4.0	8.6	12.4	13.8	10.4	8.8	8.7
Government purchases		2.0	3.3	-8	7	-1.0	-1.0	-4	-4	1
Federal		-6	2.8	-3.2	8	-6.9	-5.9	-4.9	-4.7	-3.8
Defense		-1.5	1.5	-7.0	-1.3	-9.0	-8.2	-4.0	-3.0	-3.3
State and local		4.0	3.6	8	6	3.0	2.0	2.0	1.9	2.0
Change in bus invent	Bill \$ 87\$	29.8	5.7	-1.1	2.5	15.3	47.8	33.0	20.2	18.8
Nonfarm		29.9	3.2	-1.3	-2.0	18.5	40.7	33.1	20.2	17.8
Net exports		-73.7	-54.7	-19.5	-32.3	-73.9	-110.0	-124.2	-131.8	-126.6
Nominal GDP	% change	6.0	4.7	3.5	6.4	5.0	6.5	4.3	4.8	4.3
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employ	Millions	107.9	109.4	108.3	108.6	110.7	114.0	116.6	118.0	119.3
Unemployment rate	%	5.3	5.5	6.7	7.4	6.8	6.1	5.6	5.6	5.6
Industrial prod. index	% change	-1	-2	2	4.0	3.6	6.0	1.7	3.8	2.6
Capacity util rate-mfg	%	83.2	81.3	78.0	79.2	80.9	83.4	83.3	82.5	82.5
Housing starts	Millions	1.38	1.19	1.01	1.20	1.29	1.46	1.36	1.45	1.45
Light Motor Vehicle Sales		14.53	13.85	12.31	12.80	13.89	15.07	14.68	14.50	14.60
Auto sales in U S		9.91	9.50	8.39	8.35	8.72	9.24	8.85	8.61	8.67
North American prod.		7.08	6.90	6.14	6.26	6.75	7.28	7.12	7.00	7.05
Other		2.83	2.60	2.25	2.10	1.97	1.96	1.73	1.61	1.62
INCOME AND SAVING										
Nominal GNP	Bill \$	5266.8	5567.8	5740.8	6025.8	6347.8	6726.9	7057.9	7388.3	7718.1
Nominal GNP	% change	6.1	4.9	3.2	6.1	5.0	6.1	4.4	4.7	4.3
Nominal personal income		6.5	6.5	3.7	8.1	2.8	6.8	5.2	4.8	4.6
Real disposable income		1.1	1.1	9	5.0	.5	4.4	2.9	2.0	2.2
Personal saving rate	%	4.0	4.2	5.0	5.5	4.1	4.1	4.4	4.4	4.4
Corp profits, IV&CCAdj	% change	-6.3	2.3	8.8	9.6	23.4	4.9	4.1	6.1	2.5
Profit share of GNP	%	6.9	6.8	6.8	6.7	7.7	8.1	8.3	8.3	8.2
Federal surpl /def	Bill \$	-122.3	-163.5	-202.9	-282.7	-241.4	-159.1	-144.9	-130.3	-145.3
State/local surpl /def		44.8	25.1	17.0	24.8	26.3	26.2	21.7	16.5	27.5
Ex social ins funds		-17.5	-35.6	-46.5	-41.6	-40.0	-39.3	-42.9	-47.4	-36.1
PRICES AND COSTS										
GDP implicit deflator	% change	4.4	4.5	3.3	2.6	1.8	2.3	1.6	2.2	1.9
GDP fixed-wt price index		4.4	4.6	3.6	3.2	2.8	2.9	2.7	3.1	2.9
Gross domestic purchases		4.4	5.2	2.9	3.2	2.5	2.9	2.7	3.0	2.8
fixed-wt price index		4.6	6.3	3.0	3.1	2.7	2.6	2.1	3.1	2.9
CPI		4.4	5.3	4.4	3.5	3.1	2.8	3.1	2.9	3.0
Ex food and energy										
ECI, hourly compensation ²		4.8	4.6	4.4	3.5	3.6	3.1	2.5	2.8	3.0
Nonfarm business sector										
Output per hour		-1.4	4	2.3	3.1	1.3	1.8	2.5	1.5	1.4
Compensation per hour		3.1	6.2	4.7	5.1	1.9	3.2	3.6	3.4	3.4
Unit labor cost		4.6	5.7	2.3	1.9	5	1.4	1.1	1.9	2.0

1 Percent changes are from fourth quarter to fourth quarter

2. Private-industry workers

Item	Unit	1993				1994				1995	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GDP	Bill \$	6235.9	6299.9	6359.2	6478.1	6574.7	6689.9	6791.7	6897.2	6977.4	7030.0
Real GDP	Bill \$7s	5075.3	5105.4	5139.4	5218.0	5261.1	5314.1	5367.0	5433.8	5470.1	5487.8
Real GDP	% change	1.2	2.4	2.7	6.3	3.3	4.1	4.0	5.1	2.7	1.3
Gross domestic purchases		2.7	3.3	4.0	5.8	5.0	4.6	4.4	4.2	3.5	1.9
Final sales		2	2.4	3.2	6.4	2.2	1.5	4.3	5.7	2.6	2.6
Private dom final purch.		3.5	3.7	5.3	7.4	5.8	2.7	4.1	6.8	4.2	3.7
Personal cons expend.		1.6	2.6	3.9	4.0	4.7	1.3	3.1	5.1	1.6	3.4
Durables		3.2	9.8	7.7	15.5	8.8	.4	5.8	20.4	-3.4	3.5
Nondurables		-1.6	1.6	2.8	2.4	3.8	2.2	3.3	3.1	2.3	1.9
Services		3.1	1.4	3.6	2.0	4.0	1.1	2.2	2.3	2.6	4.2
Business fixed invest		15.1	15.6	12.2	21.1	10.9	9.2	14.1	17.6	21.5	11.3
Producers' dur equip.		20.0	21.6	16.2	27.5	18.6	6.1	18.1	19.6	24.5	11.9
Nonres structures		2.5	3	5	3.3	-11.8	20.6	1.6	11.0	11.5	9.0
Res structures		5.3	-7.6	9.4	28.2	10.0	7.0	-6.0	2.3	-3.4	-13.7
Exports		-1.0	7.7	-3.2	21.7	-3.5	16.6	14.8	20.2	4.8	6.6
Imports		11.6	14.9	7.4	16.0	9.5	18.9	15.6	11.4	10.1	9.9
Government purchases		-5.9	1.2	1.1	-1	-4.9	-1.2	6.7	-4.1	-7	2
Federal		-15.4	-3.6	-3.0	-5.0	-10.3	7.9	10.9	-14.4	-3.8	-2.9
Defense		-20.0	-2.2	-9.2	-3.6	-16.0	-4.1	12.8	-21.8	-7.5	2
State and local		9	4.4	3.7	2.9	-1.4	2.9	4.3	2.3	1.0	2.0
Change in bus. invent	Bill. \$7s	18.5	18.9	13.0	10.8	25.4	59.2	57.1	49.4	51.1	34.3
Nonfarm		19.7	22.8	20.9	10.7	22.1	51.7	47.4	41.7	49.1	33.2
Net exports		-57.6	-69.3	-86.3	-82.2	-104.0	-111.8	-117.0	-107.1	-118.5	-126.7
Nominal GDP	% change	4.4	4.2	3.8	7.7	6.1	7.2	6.2	6.4	4.7	3.0
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	109.7	110.4	111.0	111.8	112.7	113.6	114.5	115.3	116.1	116.4
Unemployment rate ¹	%	7.0	7.0	6.7	6.5	6.6	6.2	6.0	5.6	5.5	5.7
Industrial prod. index	% change	5.1	7	3.3	5.3	7.1	6.0	4.9	5.9	5.2	-2.3
Capacity util. rate-mfg ¹	%	80.8	80.6	80.7	81.4	82.3	83.1	83.6	84.5	84.7	83.2
Housing starts	Millions	1.16	1.25	1.31	1.47	1.36	1.44	1.47	1.51	1.31	1.28
Light Motor Vehicle Sales		13.23	14.11	13.69	14.53	15.45	14.76	14.65	15.44	14.90	14.35
Auto sales in U.S.		8.32	8.93	8.65	8.97	9.45	9.15	9.09	9.25	8.84	8.72
North American prod		6.36	6.87	6.68	7.08	7.44	7.16	7.09	7.42	7.03	6.91
Other		1.96	2.07	1.97	1.89	2.00	1.99	2.01	1.83	1.81	1.82
INCOME AND SAVING											
Nominal GNP	Bill \$	6243.9	6303.3	6367.8	6476.2	6574.0	6682.5	6779.6	6871.3	6959.5	7008.6
Nominal GNP	% change	5.1	3.9	4.2	7.0	6.2	6.8	5.9	5.5	5.2	2.9
Nominal personal income		-5.8	8.6	2.4	6.7	5.3	7.7	5.4	8.8	7.4	3.1
Real disposable income		-7.4	4.7	8	4.3	3.4	3.5	3.1	7.5	4.1	1.1
Personal saving rate ¹	%	4.0	4.6	3.9	4.0	3.6	4.1	4.1	4.6	5.1	4.0
Corp. profits, IVA&CCAdj	% change	9.6	30.7	18.4	37.0	-17.9	33.6	7.2	3.1	6.9	8.2
Profit share of GNP ¹	%	7.1	7.5	7.7	8.2	7.7	8.2	8.2	8.2	8.2	8.3
Federal govt surpl /def	Bill \$	-283.5	-237.0	-224.9	-220.1	-176.2	-145.1	-154.0	-161.1	-148.6	-129.6
State/local surpl /def		21.6	25.3	23.9	34.5	25.2	27.0	23.9	28.8	28.2	23.4
Ex social ins funds		-44.7	-41.1	-42.4	-31.7	-40.7	-38.9	-41.4	-36.4	-36.9	-41.5
PRICES AND COSTS											
GDP implicit deflator	% change	3.3	1.6	1.0	1.3	2.9	2.9	1.9	1.3	2.2	1.6
GDP fixed-wt price index		4.2	2.4	2.0	2.4	3.1	2.9	3.0	2.6	3.3	2.8
Gross domestic purchases fixed-wt. price index		3.3	2.6	1.6	2.4	2.5	3.2	3.5	2.6	3.0	3.2
CPI		3.1	2.8	1.7	3.4	2.2	2.5	3.6	2.2	3.2	3.2
Ex. food and energy		3.5	3.5	2.4	2.9	2.9	2.9	3.1	2.3	3.3	3.6
ECI, hourly compensation ²		4.2	3.5	3.4	3.4	3.0	3.4	3.3	2.6	2.3	2.9
Nonfarm business sector		-2.2	4	2.9	4.2	1.7	-1.4	2.7	4.3	2.5	4.9
Output per hour		1.9	2.4	1.5	1.6	4.9	1.4	2.7	3.8	4.1	3.7
Compensation per hour		4.1	2.0	-1.3	-2.5	3.1	2.8	0	-4	1.6	-1.2

1. Not at an annual rate

2. Private-industry workers

Item	Units	Projected											
		1995		1996				1997					
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
EXPENDITURES													
Nominal GDP	Bill \$	7109.6	7193.4	7287.0	7376.4	7453.0	7537.1	7623.2	7713.6	7787.0	7860.9		
Real GDP	Bill '87\$	5543.7	5579.9	5617.4	5654.9	5684.2	5722.0	5757.9	5799.3	5826.7	5856.1		
Real GDP	\$ change	4.1	2.6	2.7	2.7	2.1	2.7	2.5	2.9	1.9	2.0		
Gross domestic purchases		3.8	2.8	3.0	2.6	2.5	1.8	2.5	2.8	2.2	1.3		
Final sales		4.6	3.5	2.7	2.4	1.9	3.2	2.6	2.7	1.7	2.5		
Private dom. final purch		4.4	5.4	3.3	3.1	2.9	2.8	3.0	3.0	2.3	2.3		
Personal cons. expend		2.9	3.5	2.0	2.3	2.2	2.2	2.6	2.7	1.8	1.8		
Durables		11.8	11.3	.9	4.2	3.5	3.6	4.9	5.1	.9	.8		
Nondurables		1	1.9	1.9	1.4	1.4	1.4	1.7	1.7	1.3	1.3		
Services		2.2	2.3	2.4	2.3	2.3	2.3	2.5	2.5	2.3	2.3		
Business fixed invest.		9.6	13.0	8.1	6.9	6.0	6.1	5.2	5.2	5.1	5.3		
Producers' dur. equip.		10.3	14.1	9.5	7.9	6.8	6.8	6.1	6.5	6.4	6.6		
Nonres. structures		7.0	9.1	3.0	3.3	3.3	3.4	1.5	3	3	-1		
Res. structures		11.1	9.7	8.3	3.3	1.9	1.5	6	6	5	4		
Exports		12.1	13.2	8.5	12.8	5.8	14.8	8.9	13.6	6.2	13.6		
Imports		8.8	13.0	9.2	10.7	7.9	7.3	7.8	11.6	7.6	7.9		
Government purchases		3.7	-4.7	1.2	-1.7	-6	-4	4	3	4	-8		
Federal		4.8	-16.3	0	-8.1	-5.4	-5.2	-2.9	-3.0	-3.0	-6.3		
Defense		2.1	-10.1	3.4	-4.3	-4.4	-6.3	-3.3	-3.3	-3.3	-3.4		
State and local		3.1	2.1	1.8	1.8	1.9	2.1	1.9	2.1	2.1	1.8		
Change in bus. invent.	Bill '87\$	28.8	17.8	17.8	21.4	24.5	17.2	16.2	19.7	23.1	16.1		
Nonfarm		30.3	19.8	18.9	21.1	24.0	16.6	15.4	18.7	22.1	15.0		
Net exports		-124.0	-127.6	-131.8	-131.3	-137.9	-126.4	-126.5	-126.2	-131.6	-122.1		
Nominal GDP	% change	4.6	4.8	5.3	5.0	4.2	4.6	4.6	4.8	3.9	3.8		
EMPLOYMENT AND PRODUCTION													
Nonfarm payroll employ	Millions	116.8	117.1	117.5	117.9	118.2	118.5	118.9	119.2	119.5	119.8		
Unemployment rate ¹	%	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.7	5.7		
Industrial prod. index	% change	3.5	5	4.5	3.8	3.7	3.3	3.3	3.3	2.0	2.0		
Capacity util. rate-mfg ¹	%	82.8	82.3	82.6	82.6	82.6	82.5	82.5	82.6	82.4	82.3		
Housing starts	Millions	1.40	1.45	1.44	1.45	1.45	1.45	1.45	1.45	1.44	1.44		
Light Motor Vehicle Sales		14.74	14.72	14.49	14.50	14.50	14.50	14.59	14.70	14.59	14.50		
Auto sales in U.S.		9.15	8.69	8.61	8.61	8.61	8.61	8.66	8.73	8.66	8.61		
North American prod.		7.39	7.15	7.00	7.00	7.00	7.00	7.05	7.10	7.05	7.00		
Other		1.75	1.54	1.61	1.61	1.61	1.61	1.61	1.63	1.61	1.61		
INCOME AND SAVING													
Nominal GNP	Bill. \$	7092.4	7171.1	7265.2	7350.0	7429.1	7509.0	7598.1	7684.3	7761.4	7828.8		
Nominal GNP	% change	4.9	4.5	5.4	4.8	4.4	4.4	4.8	4.6	4.1	3.5		
Nominal personal income		4.7	5.8	5.8	4.4	4.3	4.7	6.0	4.2	3.9	4.3		
Real disposable income		4.4	4.5	3.5	0	2.5	1.9	4.9	1.5	9	1.5		
Personal saving rate ¹	%	4.2	4.4	4.8	4.2	4.3	4.2	4.7	4.4	4.2	4.1		
Corp. profits, IVA&CCAdj	% change	10.9	-8.4	14.0	3.3	2.9	4.6	3.0	3.1	2.5	1.2		
Profit share of GNP ¹	%	8.4	8.1	8.3	8.3	8.2	8.2	8.2	8.2	8.1	8.1		
Federal govt. surpl./def.	Bill \$	-144.3	-157.2	-152.8	-116.2	-122.1	-130.2	-154.8	-142.9	-135.9	-147.7		
State/local surpl./def.		19.9	15.3	13.9	14.6	17.9	19.6	22.8	26.2	31.1	29.8		
Ex. social ins. funds		-44.4	-48.9	-50.2	-49.4	-46.0	-44.2	-40.9	-37.4	-32.4	-33.6		
PRICES AND COSTS													
GDP implicit deflator	% change	5	2.1	2.5	2.2	2.1	1.9	2.1	1.9	1.9	1.8		
GDP fixed-wt price index		2.2	2.7	3.7	3.1	2.9	2.8	3.1	2.8	2.8	2.8		
Gross domestic purchases		1.9	2.5	3.1	3.1	2.8	2.8	3.0	2.7	2.7	2.7		
fixed-wt price index		2.1	2.1	3.2	3.4	3.0	2.9	2.9	2.9	2.9	2.9		
CPI		2.5	2.7	2.9	2.9	2.9	3.0	3.0	3.0	3.0	3.0		
Ex. food and energy													
ECI, hourly compensation ²		2.3	2.7	2.7	2.8	2.8	2.9	2.9	3.0	3.0	3.1		
Nonfarm business sector		2.0	5	2.0	1.7	8	1.6	1.5	2.0	9	1.2		
Output per hour		3.1	3.4	3.6	3.3	3.4	3.4	3.6	3.4	3.4	3.4		
Compensation per hour		1.1	2.9	1.5	1.6	2.6	1.8	2.1	1.4	2.5	2.1		
Unit labor cost													

1 Not at an annual rate

2 Private-industry workers

Strictly Confidential (FR)
Class II FOMC

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

November 8, 1995

Item	1993				1994				1995		Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1992	1993	1994	1995
Real GDP	14.6	30.1	34.0	78.6	43.1	53.0	52.9	66.8	36.3	17.7	179.9	157.3	215.8	146.1
Gross domestic purchases	33.7	41.8	51.1	74.4	64.9	60.7	58.2	56.9	47.7	25.9	201.6	201.0	240.7	166.6
Final sales	2.7	29.7	40.0	80.7	28.5	19.2	55.1	74.4	34.6	34.5	186.8	153.1	177.2	177.7
Private dom. final purch	35.9	38.6	54.5	76.9	61.9	29.8	45.4	74.3	47.7	42.2	202.2	205.9	211.4	202.1
Personal cons. expend.	13.8	22.0	33.0	34.0	40.1	11.5	26.9	44.9	14.3	30.4	138.1	102.8	123.4	103.7
Durables	3.7	11.2	9.0	18.1	10.9	.5	7.4	25.2	-4.8	4.8	41.1	42.0	44.0	31.1
Nondurables	-4.2	4.3	7.4	6.3	10.3	6.0	9.1	8.5	6.3	5.3	33.8	13.8	33.9	17.3
Services	14.4	6.4	16.6	9.6	18.9	5.1	10.4	11.1	12.8	20.3	63.1	47.0	45.5	55.4
Business fixed invest	19.4	20.7	16.9	29.3	16.4	14.3	22.1	28.2	35.4	20.1	34.0	86.3	81.0	97.5
Producers' dur equip	18.4	20.7	16.6	28.2	20.9	7.5	21.5	24.2	31.1	16.6	39.1	83.9	74.1	83.2
Nonres structures	9	.1	2	1.2	-4.6	6.9	6	4.0	4.3	3.5	-5.1	2.4	6.9	14.2
Res structures	2.7	-4.1	4.7	13.5	5.4	3.9	-3.6	1.3	-2.0	-8.3	30.2	16.8	7.0	9
Change in bus invent.	11.9	.4	-5.9	-2.2	14.6	33.8	-2.1	-7.7	1.7	-16.8	-6.9	4.2	38.6	-31.6
Nonfarm	13.4	3.1	-1.9	-10.2	11.4	29.6	-4.3	-5.7	7.4	-15.9	-8.3	4.4	31.0	-21.9
Farm	-1.5	-2.7	-4.0	8.0	3.2	4.2	2.2	-2.0	-5.7	-9	1.4	-2	7.6	-9.7
Net exports	-19.1	-11.7	-17.0	4.1	-21.8	-7.8	-5.2	9.9	-11.4	-8.2	-21.6	-43.7	-24.9	-20.5
Exports	-1.5	11.0	-4.9	29.9	-5.6	24.3	22.6	31.4	8.3	11.4	28.1	34.5	72.7	63.6
Imports	17.5	22.8	12.0	25.6	16.2	32.0	27.9	21.5	19.6	19.7	49.9	78.1	97.6	84.1
Government purchases	-14.1	2.8	2.5	-3	-11.6	-2.8	14.9	-9.8	-1.7	5	6.2	-9.1	-9.3	-4.0
Federal	-15.4	-3.3	-2.7	-4.5	-9.4	-7.0	8.8	-13.1	-3.2	-2.4	2.9	-25.9	-20.7	-16.1
Defense	-14.2	-1.4	-5.9	-2.2	-10.2	-2.4	6.9	-13.9	-4.2	.1	-3.4	-23.7	-19.6	-8.7
Nondefense	-1.3	-1.8	3.2	-2.3	8	-4.5	1.8	8	1.0	-2.5	6.4	-2.2	-1.1	-7.4
State and local	1.3	6.1	5.2	4.2	-2.1	4.1	6.1	3.3	1.5	2.9	3.2	16.8	11.4	12.1

1 Annual changes are from Q4 to Q4

Strictly Confidential (FR)
Class II FOMC

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

November 8, 1995

Item	Projected										Projected			
	1995		1996				1997				1994	1995	1996	1997
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP	55.9	36.2	37.5	37.5	29.3	37.8	35.9	41.4	27.4	29.4	215.8	146.1	142.1	134.0
Gross domestic purchases	53.2	39.8	41.7	37.0	35.9	26.3	36.0	41.1	32.7	19.8	240.7	166.6	140.9	129.7
Final sales	61.4	47.2	37.5	34.0	26.2	45.1	36.9	37.9	24.0	36.4	177.2	177.7	142.7	135.1
Private dom final purch	50.4	61.9	39.0	37.3	34.2	34.4	36.0	36.9	28.3	28.7	211.4	202.1	145.0	130.1
Personal cons expend.	26.8	32.2	18.5	21.5	20.8	20.9	24.8	25.4	17.0	17.0	123.4	103.7	81.7	84.1
Durables	15.6	15.4	1.4	6.0	5.2	5.3	7.2	7.7	1.3	1.3	44.0	31.1	17.9	17.5
Nondurables	2	5.4	5.4	4.0	4.0	4.0	4.9	4.9	3.8	3.8	33.9	17.3	17.4	17.3
Services	10.9	11.4	11.7	11.5	11.6	11.6	12.7	12.8	11.9	11.9	45.5	55.4	46.5	49.3
Business fixed invest.	17.7	24.3	15.8	13.8	12.4	12.6	10.9	11.2	11.1	11.5	81.0	97.5	54.6	44.7
Producers' dur equip.	14.9	20.6	14.6	12.5	10.9	11.1	10.2	11.1	11.0	11.5	74.1	83.2	49.1	43.8
Nonres structures	2.8	3.7	1.2	1.4	1.4	1.4	6	.1	1	0	6.9	14.2	5.5	9
Res structures	5.9	5.3	4.7	2.0	1.1	9	3	3	3	3	7.0	9	8.6	1.2
Change in bus. invent.	-5.5	-11.0	0	3.5	3.1	-7.3	-1.0	3.5	3.4	-7.0	38.6	-31.6	-6	-1.1
Nonfarm	-2.9	-10.5	-9	2.1	2.9	-7.4	-1.2	3.3	3.4	-7.1	31.0	-21.9	-3.2	-1.6
Farm	-2.6	-5	9	1.4	2	1	2	2	0	1	7.6	-9.7	2.6	5
Net exports	2.7	-3.6	-4.2	.5	-6.6	11.5	-2	3	-5.4	9.5	-24.9	-20.5	1.2	4.3
Exports	20.7	23.2	15.6	23.8	11.3	28.5	18.1	27.8	13.4	29.2	72.7	63.6	79.2	88.5
Imports	18.0	26.8	19.9	23.3	17.9	17.0	18.3	27.5	18.8	19.7	97.6	84.1	78.0	84.2
Government purchases	8.3	-11.1	2.7	-3.9	-1.4	-8	1.0	7	1.0	-1.9	-9.3	-4.0	-3.5	7
Federal	3.8	-14.3	0	-6.6	-4.2	-4.0	-2.2	-2.2	-4.7	-20.7	-16.1	-14.9	-11.4	
Defense	1.1	-5.7	1.8	-2.3	-2.3	-3.3	-1.7	-1.7	-1.7	-1.7	-19.6	-8.7	-6.2	-6.8
Nondefense	2.7	-8.6	-1.8	-4.3	-1.9	-7	-5	-5	-5	-3.0	-1.1	-7.4	-8.6	-4.6
State and local	4.5	3.2	2.7	2.7	2.8	3.2	3.2	2.9	3.2	2.8	11.4	12.1	11.4	12.1

1 Annual changes are from Q4 to Q4

Strictly Confidential (FR)
Class II FOMC

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

November 8, 1995

Item	Fiscal year				1995				1996				1997			
	1994 ^a	1995	1996	1997	Q1 ^a	Q2 ^a	Q3 ^b	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UNIFIED BUDGET																
Receipts ¹	1257	1351	1405	1450	307	404	333	322	304	425	354	340	316	431	354	350
Outlays ²	1461	1514	1571	1623	380	381	373	388	396	392	395	410	414	397	402	422
Surplus/deficit ¹	-203	-164	-165	-173	-73	23	-40	-66	-92	33	-40	-71	-98	34	-38	-72
On-budget	-259	-226	-228	-232	-85	-11	-43	-75	-102	-7	-43	-77	-109	-5	-42	-77
Off-budget	56	62	63	59	12	34	2	9	11	40	3	6	11	38	4	6
Surplus excluding deposit insurance ²	-210	-181	-172	-177	-79	18	-42	-69	-94	33	-43	-70	-101	34	40	-71
<i>Means of financing</i>																
Borrowing	185	171	203	173	66	26	20	53	100	5	45	49	69	13	42	50
Cash decrease	17	-2	-22	0	8	-42	23	12	-4	-30	0	25	20	-45	0	25
Other ³	1	-5	-15	0	-1	-6	-3	1	-4	-8	-4	-3	9	-1	-5	-3
Cash operating balance, end of period	36	38	60	60	18	61	38	26	30	60	60	35	15	60	60	35
NIPA FEDERAL SECTOR																
Receipts	1355	1449	1516	1568	1441	1476	1469	1488	1502	1536	1538	1555	1555	1572	1590	1605
Expenditures	1529	1595	1653	1709	1590	1605	1615	1645	1655	1652	1660	1686	1710	1715	1726	1753
Purchases	439	434	424	418	434	435	437	424	429	423	420	417	419	419	418	414
Defense	296	285	285	282	284	287	286	282	287	286	284	282	283	283	282	281
Nondefense	144	149	139	136	151	148	151	142	142	137	135	135	136	136	136	132
Other expenditures	1090	1160	1229	1291	1155	1170	1178	1222	1226	1229	1240	1269	1290	1296	1308	1339
Surplus/deficit	-174	-146	-137	-141	-149	-130	-146	-157	-153	-116	-122	-130	-155	-143	-136	-148
FISCAL INDICATORS⁴																
High-employment (HEB) surplus/deficit	-164	-173	-173	-181	-176	-154	-178	-191	-188	-155	-159	-169	-194	-185	-176	-186
Change in HEB, percent of potential GDP	-7	1	0	1	-1	-3	3	2	0	-5	1	1	3	-1	-1	1
Fiscal impetus (FI), percent, cal year	-7.3	-5	-10.4	-5.4	-1.7	-1.1	2.3	-5.1	-3.8	-3.7	-6	-3.2	-2	2.6	4.6	-5.2

1 OMB's July 1995 deficit estimates are \$160 billion in FY95, \$163 billion in FY96 and \$179 billion in FY97. CBO's August 1995 deficit estimates are \$161 billion in FY95, \$189 billion in FY96 and \$218 billion in FY97. 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 July 1995 deficit estimates, excluding deposit insurance spending, are \$177 billion in FY95, \$170 billion in FY96 and \$182 billion in FY97. CBO's August 1995 deficit estimates, excluding deposit insurance spending, are \$177 billion in FY95, \$197 billion in FY96 and \$222 billion in FY97.

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
November 8, 1995

CHANGE IN DEBT OF THE DOMESTIC NONFINANCIAL SECTORS¹
(Percent)

Year	-----Nonfederal-----										
	-----Households-----										State and local govt.
	Total	Federal govt.	Total	Total	Home mtg.	Cons. credit	Business	Private financial assets	Nominal GDP		
Year											
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	4.5	11.1	2.4	4.7	6.5	-1.8	-0.9	7.4	-1.0	3.5	
1992	4.8	10.9	2.8	5.7	6.7	0.9	0.0	2.4	0.7	6.4	
1993	5.3	8.3	4.2	7.0	6.4	7.3	0.5	6.8	-0.1	5.0	
1994	4.9	4.7	4.9	8.3	6.5	14.0	3.7	-4.4	4.9	6.5	
1995	5.2	4.7	5.4	7.0	6.0	11.6	6.6	-7.4	2.1	4.3	
1996	4.8	5.4	4.6	6.2	6.3	7.4	4.8	-5.8	1.0	4.8	
1997	4.4	4.5	4.3	5.9	6.2	5.9	4.2	-4.8	1.0	4.3	
Quarter (seasonally adjusted annual rates)											
1994:1	5.3	6.3	4.9	7.2	6.4	8.0	3.6	-0.3	6.1	6.1	
2	4.2	3.6	4.4	7.1	5.2	13.9	3.8	-4.7	4.8	7.2	
3	4.8	3.9	5.1	8.8	7.0	14.4	3.5	-5.4	2.4	6.2	
4	4.9	4.5	5.0	9.0	6.6	17.1	3.5	-7.5	5.9	6.4	
1995:1	6.3	7.8	5.8	6.5	5.4	10.2	7.8	-5.9	2.6	4.7	
2	6.4	5.4	6.8	7.5	5.4	14.6	8.3	-2.9	4.2	3.0	
3	3.6	1.8	4.3	7.0	6.3	10.5	4.5	-11.6	0.7	4.6	
4	4.1	3.6	4.3	6.4	6.2	9.3	5.0	-10.0	1.0	4.8	
1996:1	6.6	11.3	4.8	6.3	6.2	8.4	5.7	-7.3	1.0	5.3	
2	4.2	3.0	4.6	6.2	6.2	7.3	4.5	-4.1	1.0	5.0	
3	4.3	4.2	4.3	5.9	6.2	6.8	4.4	-6.0	1.0	4.2	
4	3.9	2.9	4.2	5.8	6.2	6.2	4.4	-6.5	1.0	4.6	

1. Data after 1995:q2 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. On a quarterly average basis, total debt grows 5.2 percent in 1995, 4.7 percent in 1996, and 4.5 percent in 1997. Federal debt rises 4.6 percent in 1995, 5.2 percent in 1996, and 4.8 percent in 1997. Nonfederal debt is projected to increase 5.5 percent in 1995, 4.6 percent in 1996, and 4.3 percent in 1997.

FLOW OF FUNDS PROJECTIONS: HIGHLIGHTS¹
(Billions of dollars)

	Calendar year				1995				1996				1997			
	1994	1995	1996	1997	Q1	Q2	Q3	Q4	H1	H2	H1	H2	H1	H2	H1	H2
-----Seasonally Adjusted Annual Rates-----																
Net funds raised by domestic nonfinancial sectors																
1 Total	557.7	604.0	587.0	597.8	751.7	773.9	394.9	495.5	652.1	521.9	625.7	569.9				
2 Net equity issuance	-44.9	-70.6	-66.5	-30.0	-68.4	-73.2	-84.8	-56.0	-84.0	-49.0	-35.0	-25.0				
3 Net debt issuance	602.6	674.6	653.5	627.8	820.1	847.1	479.7	551.5	736.1	570.9	660.7	594.9				
Borrowing sectors																
Nonfinancial business																
4 Financing gap ²	48.5	97.5	72.3	70.8	124.8	89.8	99.4	76.1	73.4	71.1	67.9	73.8				
5 Net equity issuance	-44.9	-70.6	-66.5	-30.0	-68.4	-73.2	-84.8	-56.0	-84.0	-49.0	-35.0	-25.0				
6 Credit market borrowing	137.1	255.4	199.4	181.6	302.4	328.8	187.7	202.8	212.0	186.8	178.1	185.2				
Households																
7 Net borrowing, of which:	353.7	325.3	307.3	312.1	302.1	352.1	336.4	310.6	311.8	302.9	306.6	317.6				
8 Home mortgages	191.8	189.1	212.2	220.7	169.6	174.3	206.3	206.2	209.7	214.7	213.2	228.2				
9 Consumer credit	121.2	114.5	81.0	70.0	100.3	147.9	109.7	100.2	87.2	74.7	70.0	70.0				
10 Debt/DPI (percent) ³	90.0	91.5	92.8	93.7	90.2	91.5	91.9	92.1	92.5	93.2	93.2	94.1				
State and local governments																
11 Net borrowing	-44.0	-70.5	-51.5	-40.0	-56.2	-27.5	-107.6	-90.8	-49.7	-53.2	-40.0	-40.0				
12 Current surplus ⁴	-46.8	-77.1	-65.8	-54.8	-111.6	-68.8	-60.9	-67.0	-68.0	-63.5	-57.8	-51.8				
U.S. government																
13 Net borrowing	155.9	164.4	198.3	174.1	271.8	193.6	63.2	128.9	262.0	134.5	216.1	132.2				
14 Net borrowing; quarterly, nsa	155.9	164.4	198.3	174.1	65.6	25.6	20.1	53.1	104.9	93.4	81.9	92.2				
15 Unified deficit; quarterly, nsa	184.5	154.5	169.7	173.9	71.3	-23.0	40.1	66.1	58.9	110.8	64.7	109.2				
Funds supplied by depository institutions																
16 Dom. nonfinancial debt ³	196.9	247.1	212.7	216.2	388.9	298.2	181.7	119.5	212.7	212.7	217.7	214.7				
MEMO: (percent of GDP)																
17 Dom. nonfinancial debt ³	188.0	188.0	188.5	188.6	187.4	188.9	189.1	188.7	188.6	188.9	188.6	188.9				
18 Dom. nonfinancial borrowing	8.9	9.5	8.8	8.1	11.8	12.0	6.7	7.7	10.0	7.6	8.6	7.6				
19 U.S. government ⁵	2.3	2.3	2.7	2.2	3.9	2.8	0.9	1.8	3.6	1.8	2.8	1.7				
20 Private	6.6	7.2	6.1	5.9	7.9	9.3	5.9	5.9	6.5	5.8	5.8	5.9				

1. Data after 1995:q2 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.

average about 9 percent per year, leaving net exports little changed. This outlook is a bit more positive than that of the September Greenbook, which had net exports declining slightly over the next two years.

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

	-----Projection-----					
	Year	1995	Q3	Q4	1996	1997
Exports of G&S		9.1	12.1	13.2	10.4	10.5
Services		-1.3	-2.9	0.5	4.1	5.2
Computers		45.4	98.2	41.1	31.0	31.0
Other goods ¹		6.2	0.7	12.0	6.5	4.7
Imports of G&S		10.4	8.8	13.0	8.8	8.7
Services		3.7	4.4	0.9	2.6	2.9
Oil		2.6	26.3	-7.4	2.2	3.8
Computers		39.5	68.7	51.5	22.6	21.5
Other goods ²		5.4	-4.7	7.7	6.2	5.5

Note. NIPA basis, 1987 dollars.

1. Nonagricultural exports of goods excluding computers.

2. Non-oil imports of goods excluding computers.

We expect that growth of real nonagricultural exports of goods other than computers will show a strong seasonal increase in the fourth quarter, bringing the average rate of expansion for the year to a little over 6 percent. This rate of increase was a good deal faster than we would have expected in view of the sluggishness of economic activity abroad during 1995. While we are not assuming that this unexplained component will persist, we are nevertheless projecting that exports will continue to grow strongly during 1996 because of the anticipated pickup in foreign GDP growth and the ongoing stimulus from the significant net depreciation of the dollar that has occurred since early 1994. This export expansion should slow somewhat in 1997 as the stimulative effects of the past depreciation subside. Rapid growth of the quantity of computer exports helps to boost the growth of total exports throughout the forecast period.

third quarter, are projected to increase at an annual rate of about 2-1/2 percent during 1996 and to decelerate a bit in 1997. These prices tend to move roughly in line with comparable U.S. producer prices.

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

	-----Projection-----			
	Year	1995	1996	1997
		Q3	Q4	
U.S. PPI ¹	3.2	0.6	1.0	2.5
Nonag. exports ²	3.9	-0.9	1.0	2.6
Non-oil imports ²	2.2	1.9	-1.8	0.9
Oil imports (Q4 level, \$bl.)	15.44	16.07	15.44	16.00
			16.00	16.00

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

2. Excluding computers.

Nominal trade and current account balances. The nominal U.S. trade deficit on goods and services reached a peak in the second quarter of more than \$130 billion (annual rate); it is projected to decline on balance through the end of 1996 and to remain about unchanged in 1997 at around \$105 billion. U.S. investment income is projected to fluctuate narrowly during the remainder of this year and to deteriorate somewhat in 1996 and 1997. The current account deficit is expected to remain around \$160 billion, a shade above 2 percent of GDP, through the forecast period.

STRICTLY CONFIDENTIAL ~ FR
CLASS II FOMC

November 8, 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				1995			1996				
	1994	1995	1996	1997	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
REAL GDP												
Canada	5.4	1.0	3.0	2.6	-1.0	1.6	2.5	2.9	3.1	3.0	3.0	
France	4.1	1.7	2.6	2.8	1.6	0.6	1.6	2.4	2.5	2.7	2.8	
Germany	3.7	2.0	2.8	2.7	4.3	1.1	1.9	3.5	2.7	2.6	2.5	
W. Germany	3.1	1.6	2.3	2.2	3.8	0.6	1.5	3.0	2.2	2.0	2.1	
Italy	3.1	3.2	2.8	2.4	-1.5	5.2	3.8	3.3	2.8	2.7	2.5	
Japan	0.8	1.1	2.5	2.2	3.1	-0.3	1.6	1.8	2.5	3.3	2.4	
United Kingdom	4.0	2.2	2.5	2.3	2.2	2.0	2.2	2.5	2.5	2.5	2.5	
Average, weighted by 1987-89 GDP	2.9	1.8	2.7	2.5	1.9	1.3	2.1	2.6	2.6	2.9	2.6	
Average, weighted by share of U.S. nonagricultural exports												
Total foreign	4.4	1.9	3.6	3.5	NA	NA	NA	NA	NA	NA	NA	
Foreign G-7	3.9	1.4	2.8	2.5	0.8	1.3	2.2	2.7	2.8	2.9	2.7	
Developing countries	5.8	2.5	5.5	5.6	NA	NA	NA	NA	NA	NA	NA	
CONSUMER PRICES(1)												
Canada	0.0	2.4	2.0	2.5	3.1	0.9	1.6	1.8	2.0	2.0	2.0	
France	1.6	2.8	1.7	1.9	2.1	1.2	5.7	1.6	1.6	1.6	1.8	
Western Germany	2.5	1.8	2.2	2.2	2.2	1.5	0.3	3.4	2.7	2.4	0.3	
Italy	3.8	5.6	4.6	4.1	8.0	3.9	4.2	6.1	6.7	2.6	3.2	
Japan	0.8	-0.5	-0.9	-0.5	0.7	-1.0	0.8	-0.4	-0.8	-1.0	-1.4	
United Kingdom	2.6	3.5	3.7	3.6	7.5	1.1	1.9	3.3	7.5	1.3	2.9	
Average, weighted by 1987-89 GDP	1.8	2.0	1.6	1.7	3.3	0.9	2.1	2.1	2.5	1.0	0.9	
Average, weighted by share of U.S. non-oil imports	1.0	1.5	1.1	1.4	2.5	0.4	1.5	1.4	1.6	0.8	0.6	

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)

	1993				1994				1995		ANNUAL				
	Q1		Q2		Q3		Q4		Q1		Q2		1992	1993	1994
NIPA Real Net Exports of Goods & Services (87\$)	-57.6	-69.3	-86.3	-82.2	-104.0	-111.8	-117.0	-107.1	-118.5	-126.7	-132.4	-73.9	-110.0		
Exports of G&S Goods	589.2	600.2	595.3	625.2	619.6	643.9	666.5	697.9	706.2	717.6	578.8	602.5	657.0		
Agricultural	433.9	443.3	438.5	468.2	464.4	484.6	505.1	533.5	543.2	554.5	426.5	446.0	496.9		
Computers	39.1	39.3	36.9	39.1	36.6	37.5	40.7	45.9	45.9	43.1	39.8	38.6	40.2		
Other Goods	60.9	62.9	68.5	74.0	76.9	79.3	85.9	95.8	102.0	107.7	53.9	66.6	84.5		
Services	333.9	341.1	333.1	355.1	350.9	367.8	378.5	391.8	395.3	403.7	332.8	340.8	372.3		
Imports of G&S Goods	155.3	156.9	156.7	157.1	155.2	159.2	161.3	164.3	163.0	163.1	152.3	156.5	160.0		
Oil	546.6	567.4	577.1	599.9	615.2	648.3	674.6	695.9	711.5	732.6	512.8	572.8	658.5		
Computers	53.4	57.7	56.7	58.1	56.5	60.3	64.3	57.1	55.4	56.3	51.2	56.5	59.5		
Other Goods	73.3	80.0	87.8	94.6	99.7	106.9	115.4	128.9	133.0	142.2	60.5	83.9	112.7		
Services	419.9	429.7	432.6	447.2	458.9	481.0	494.9	510.0	523.1	534.1	401.2	432.4	486.2		
Imports of G&S Services	100.1	102.2	104.5	107.6	108.5	107.4	108.9	109.1	113.2	111.7	98.4	103.6	108.5		
Memo: (Percent change 1/)															
Exports of G&S	-1.0	7.7	-3.2	21.7	-3.5	16.6	14.8	20.2	4.8	6.6	5.0	5.8	11.6		
Agricultural	-19.7	2.1	-22.3	26.1	-23.2	10.2	38.8	61.8	0.0	-22.3	9.5	-5.3	17.4		
Computers	5.4	13.8	40.7	36.2	16.6	13.1	37.7	54.7	28.5	24.3	34.8	23.1	29.5		
Other Goods	-6.8	8.9	-9.1	29.2	-4.6	20.7	12.2	14.8	3.6	8.8	3.8	4.5	10.3		
Services	16.1	4.2	-0.5	1.0	-4.8	10.7	5.4	7.6	-3.1	0.2	-2.0	5.0	4.6		
Imports of G&S Oil	11.6	14.9	7.4	16.0	9.5	18.9	15.6	11.4	10.1	9.9	8.6	12.4	13.8		
Computers	4.6	36.3	-6.8	10.2	-10.6	29.7	29.3	-37.8	-11.4	6.7	12.1	10.0	-1.7		
Other Goods	31.9	41.9	45.1	34.8	23.4	32.2	35.8	55.7	13.3	30.7	48.7	38.3	36.3		
Services	11.1	9.7	2.7	14.2	10.9	20.7	12.1	12.8	10.7	8.7	5.2	9.3	14.0		
Imports of G&S Services	4.5	8.7	9.3	12.4	3.4	-4.0	5.7	0.7	15.9	-5.2	1.4	8.7	1.4		
Current Account Balance	-69.5	-97.4	-108.1	-124.7	-121.1	-151.9	-158.9	-173.1	-154.3	-173.6	-61.5	-99.9	151.2		
Goods & Serv (BOP), net	-54.3	-75.2	-88.0	-82.0	-92.1	-107.7	-115.2	-109.9	-116.0	-132.5	-39.5	-74.8	-106.2		
Goods (BOP), net	-115.8	-134.4	-146.4	-133.9	-146.0	-166.0	-178.5	-174.0	-178.4	-195.2	-96.1	-132.6	-166.1		
Services (BOP), net	61.5	59.2	58.5	51.9	53.9	58.3	63.3	64.1	62.4	62.7	56.6	57.8	59.9		
Investment Income, net	14.8	8.3	12.8	0.1	0.5	-9.1	-10.1	-18.3	-7.9	-11.5	10.1	9.0	-9.3		
Direct, net	61.1	55.3	59.2	49.7	46.2	43.9	44.6	45.7	57.2	59.6	51.6	56.3	45.1		
Portfolio, net	-46.2	-47.0	-46.5	-49.6	-45.7	-53.0	-54.7	-64.0	-65.1	-71.1	-41.5	-47.3	-54.4		
Unilateral Transfers, net	-30.1	-30.4	-32.9	-42.9	-29.5	-35.1	-33.5	-45.0	-30.5	-29.5	-32.1	-34.1	-35.8		

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

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

 (Billions of dollars, seasonally adjusted annual rates)

	Projection												Projection			
	1995		1996				1997				ANNUAL					
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1995	1996	1997			
NIPA Real Net Exports of Goods & Services (87\$)	-123.9	-127.5	-131.7	-131.2	-137.8	-126.3	-126.4	-126.1	-131.5	-122.0	-124.1	-131.7	-126.5			
Exports of G&S Goods	738.3	761.5	777.1	801.0	812.2	840.7	858.8	886.6	900.0	929.3	730.9	807.8	893.7			
Agricultural	576.4	599.4	614.5	636.6	646.0	671.9	687.8	713.2	724.7	751.6	568.4	642.2	719.3			
Computers	44.2	44.1	44.7	45.3	45.8	46.4	47.0	47.6	48.2	48.8	44.3	45.6	47.9			
Other Goods	127.8	139.3	149.0	159.4	170.6	182.5	195.2	208.9	223.5	239.1	119.2	165.4	216.7			
Services	404.4	416.0	420.8	431.9	429.6	443.0	445.6	456.7	453.0	463.7	404.9	431.3	454.7			
Imports of G&S Goods	862.3	889.1	908.9	932.2	950.1	967.1	985.3	1012.8	1031.6	1051.3	855.1	939.6	1020.3			
Oil	749.3	775.8	795.6	818.1	835.0	850.8	868.3	894.7	912.9	931.8	742.3	824.9	901.9			
Computers	59.7	58.6	59.7	62.3	65.4	59.8	60.7	65.0	67.8	62.1	57.5	61.8	63.9			
Other Goods	162.1	179.8	190.5	200.0	210.0	220.5	231.5	243.0	255.1	267.9	154.3	205.3	249.4			
Services	527.7	537.6	545.5	555.9	559.6	570.7	576.2	586.8	590.0	601.9	530.6	557.9	588.7			
Memo:(Percent change 1/)	112.9	113.1	113.2	114.0	115.0	116.1	116.9	117.9	118.6	119.4	112.7	114.6	118.2			
Exports of G&S	12.1	13.2	8.5	12.8	5.8	14.8	8.9	13.6	6.2	13.6	9.1	10.4	10.5			
Agricultural	10.8	-1.4	5.6	5.6	5.0	5.1	5.3	5.2	5.1	5.1	-4.0	5.3	5.2			
Computers	98.2	41.1	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0	45.4	31.0	31.0			
Other Goods	0.7	12.0	4.7	10.9	-2.1	13.1	2.4	10.3	-3.2	9.8	6.2	6.5	4.7			
Services	-2.9	0.5	1.2	4.5	4.7	6.3	5.1	5.9	4.5	5.4	-1.3	4.1	5.2			
Imports of G&S Goods	8.8	13.0	9.2	10.7	7.9	7.3	7.8	11.6	7.6	7.9	10.4	8.8	8.7			
Oil	26.3	-7.4	7.8	19.1	21.3	-30.1	6.3	31.5	18.0	-29.5	2.6	2.2	3.8			
Computers	68.7	51.5	26.1	21.5	21.5	21.5	21.5	21.5	21.5	21.5	39.5	22.6	21.5			
Other Goods	-4.7	7.7	6.0	7.8	2.7	8.1	4.0	7.5	2.2	8.3	5.4	6.2	5.5			
Services	4.4	0.9	0.3	2.7	3.7	3.8	2.7	3.7	2.4	2.7	3.7	2.6	2.9			
Current Account Balance	-159.1	-163.5	-152.9	-156.7	-161.7	-164.3	-152.3	-156.3	-159.8	-168.0	-162.6	-158.9	-159.1			
Goods & Serv (BOP), net	-120.8	-108.1	-108.0	-107.2	-114.6	-102.6	-104.0	-103.8	-111.0	-102.3	-119.3	-108.1	-105.3			
Goods (BOP), net	-181.1	-172.6	-169.4	-170.1	-179.1	-169.6	-173.2	-175.2	-184.5	-178.6	-181.8	-172.0	-177.9			
Services (BOP), net	60.3	64.5	61.4	62.9	64.4	67.0	69.2	71.3	73.5	76.3	62.5	63.9	72.6			
Investment Income, net	-7.3	-12.4	-11.9	-16.5	-14.0	-18.2	-15.2	-19.4	-15.8	-22.2	-9.8	-15.2	-18.1			
Direct, net	63.2	63.9	62.9	63.1	64.6	67.3	68.9	70.5	72.5	73.3	61.0	64.5	71.3			
Portfolio, net	-70.5	-76.3	-74.8	-79.7	-78.7	-85.5	-84.1	-90.0	-88.3	-95.5	-70.7	-79.6	-89.5			
Unilateral Transfers, net	-31.0	-43.0	-33.0	-33.0	-33.0	-43.5	-33.0	-33.0	-33.0	-43.5	-33.5	-35.6	-35.6			

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

Part 2

November 8, 1995

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Recent Developments

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

manufacturers assembled motor vehicles at an 11.6 million unit rate last month--down from the 12.0 million unit assembly rate in September. Although production is scheduled to pick up from the October pace over the remainder of the year, those schedules appear slightly optimistic in light of the fact that, over the past two months, the days' supply for automobiles and for light trucks have each moved further above the ranges that the industry considers "comfortable."

PRODUCTION OF DOMESTIC AUTOS AND TRUCKS, 1995
(Millions of units, annual rate; FRB seasonal basis)

	Aug.	Sept.	Oct.	Nov.	Dec.
---scheduled---					
U.S. production	11.9	12.0	11.6	12.1	11.9
Autos	6.1	6.2	6.0	6.4	6.2
Trucks	5.8	5.8	5.6	5.7	5.7
Days' supply					
Autos	64.6	70.2	73.0	n.a.	n.a.
Light trucks	66.1	72.0	75.3	n.a.	n.a.

Outside of motor vehicles and aircraft, manufacturing activity also apparently fell in October. Production-worker hours in manufacturing (FRB seasonal basis) excluding transportation equipment (most of which is motor vehicles and aircraft) declined 0.2 percent last month; the slowdown was spread widely across industries. Producers of computing and high-technology electrical equipment were noteworthy exceptions, continuing to post gains in hours worked. Weekly information on physical output points to declines in some industries, particularly appliances, lumber, steel, meat products, and refined petroleum products.

Other recent indicators of manufacturing activity are mixed. Real new orders for goods in the adjusted durable goods category rose 1-3/4 percent in August and 2-1/2 percent in September, resulting in a growth rate of 2.9 percent (annual rate) in the third

TREASURY FINANCING
 (Billions of dollars; total for period)

Item	1995				
	Q3	P Q4	e Oct.	P Nov.	P Dec.
Total surplus/deficit (-)	-40.1	-66.1	-32.3	-37.7	3.9
Means of financing deficit					
Net cash borrowing and repayments (-)	20.1	53.1	9.8	51.9	-8.6
Nonmarketable	-5.7	-5.9	-2.0	-1.7	-2.3
Marketable	25.8	59.1	11.8	53.6	-6.3
Bills	-5.9	30.1	-7.1	43.5	-6.3
Coupons	31.7	29.0	18.9	10.1	.0
Decrease in the cash balance	22.6	12.2	16.8	-1.3	-3.2
Other ¹	-2.5	.7	5.7	-12.8	7.9
Memo:					
Cash balance, end of period	37.9	25.7	21.2	22.5	25.7

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

p Projection.

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				
	Q2	Q3	July	Aug.	Sept.
FHLBs	12.9	13.8	.0	5.2	8.6
FHLMC	6.8	3.1	2.9	.9	-.7
FNMA	12.3	6.3	-2.5	6.8	1.9
Farm Credit Banks	.0	1.9	.7	.3	.8
SLMA	-.3	.4	.1	.0	.3

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