

Part 1

November 8, 2000

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

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

Measure	2000:Q3			2000:Q4	
	Sept. GB	BEA ¹	Nov. GB	Sept. GB	Nov. GB
Real GDP	3.0	2.7	2.6	3.7	3.5
Private domestic final purchases	4.9	4.1	4.2	4.2	3.9
Personal consumption expenditures	4.7	4.5	4.5	3.8	3.6
Residential investment	-12.4	-9.2	-9.7	-4.3	-5.3
Business fixed investment	11.9	6.9	7.4	9.1	8.7
Government outlays for consumption and investment	-1.6	-3.6	-2.0	3.9	3.9
	Contribution to growth, percentage points				
Inventory investment	-.5	.1	-.5	-.5	-.6
Net exports	-.5	-.3	-.2	-.1	.1

1. Advance release, published on October 27.

Sales of light vehicles weakened in October despite continued high levels of incentives. In addition, sales reports from major retailers have been on the soft side, and consumer sentiment has ebbed a bit, albeit from historically high levels. The decline in mortgage rates over the summer has given a small boost to construction activity, and we expect housing starts to edge up to 1.56 million units in the current quarter.

In the business sector, investment in equipment and software slowed sharply in the third quarter and is likely to grow only a bit more rapidly in the current quarter. Investment in computers continued to be quite robust through September, but growth in shipments of communications equipment slowed markedly in the third quarter despite a sizable backlog of orders. Taken together, we expect investment in high-tech equipment to grow at more moderate rates than in the first half of the year. Outside the high-tech area, sales of heavy trucks plummeted in September, and shipments of aircraft to domestic carriers are down from high levels. But orders for other types of capital equipment have picked up a bit, and a resumption of growth is likely in this category in the current quarter. Nonresidential construction activity increased at almost a double-digit pace in the third quarter, with large gains in office and industrial building and in drilling and mining, and we are anticipating further solid gains in the fourth quarter.

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

Measure	2000		2001	2002
	H1	H2		
Real GDP	5.2	3.1	3.7	4.0
Previous	5.0	3.3	4.0	4.3
Final sales	5.3	3.6	3.8	4.0
Previous	5.2	3.8	4.1	4.3
PCE	5.3	4.0	3.4	3.2
Previous	5.2	4.2	3.5	3.4
Residential investment	2.2	-7.5	-1.6	-2.8
Previous	2.1	-8.5	-3.6	-2.1
BFI	17.7	8.1	10.1	10.1
Previous	17.7	10.5	11.3	11.3
Government purchases	1.8	0.9	3.7	3.6
Previous	1.8	1.1	3.7	3.6
Exports	10.2	13.2	7.3	10.6
Previous	10.2	8.7	7.9	10.5
Imports	15.2	10.1	8.9	8.9
Previous	15.2	8.6	8.3	9.3
Contribution to growth, percentage points				
Inventory change	.0	-.5	-.1	.1
Previous	-.1	-.5	-.1	.1
Net exports	-1.0	-.0	-.5	-.1
Previous	-1.0	-.3	-.4	-.2

fiscal stimulus push spending growth back up in 2002, but only at the end of the projection period does growth of aggregate demand approach that of supply. As noted above, our GDP projection is weaker than that in the September Greenbook, with somewhat less favorable financial conditions restraining household and business spending.

Household spending. Favorable fundamentals—including sizable real income gains and steady, albeit moderate, increases in employment—propel solid demand in the household sector. The diminishing influence of past equity market gains is the primary restraint that pulls household spending growth

Decomposition of Structural Labor Productivity

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

Measure	1998	1999	2000	2001	2002
Structural labor productivity	2.9	3.2	3.4	3.5	3.5
Previous	2.9	3.2	3.5	3.6	3.7
<i>Contributions¹</i>					
Capital deepening	1.3	1.5	1.6	1.7	1.7
Previous	1.4	1.6	1.8	1.9	2.0
Multifactor productivity	1.3	1.4	1.5	1.5	1.5
Previous	1.2	1.3	1.4	1.4	1.4
Labor quality	.3	.3	.3	.3	.3

1. Percentage points.

Productivity, the labor market, and wages. We expect the downshift in the pace of economic expansion to restrain actual productivity growth over the next two years. Output per hour in the nonfarm business sector is projected to increase about 3 percent during 2001 before picking back up to its long-run pace of 3-1/2 percent by the end of 2002. With output growth below potential, the unemployment rate drifts up gradually. Nevertheless, with the unemployment rate standing at 4.6 percent at the end of 2002, labor markets remain tight throughout the projection period.

Our projection of hourly compensation is little changed from the September Greenbook. Labor market tightness and the outlook for inflation are, as before, the two primary influences on our compensation projection. The reversal of the energy price surge lowers overall consumer price inflation, easing pressures for cost-of-living adjustments, but tight labor markets continue to exert upward pressure on wages. We expect the ECI to increase about 4-3/4 percent in both 2001 and 2002, a touch above the rate projected for this year. Underlying this nearly constant rate of increase is a modest slowing in benefits growth relative to 2000 and a corresponding pickup in the growth of wages and salaries.

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	3.4	2.9	3.4
Previous	4.1	3.3	3.1	3.7
Nonfarm payroll employment	2.2	1.7	1.2	1.3
Previous	2.2	1.7	1.4	1.3
Household employment survey	1.5	1.1	0.8	0.8
Previous	1.5	0.9	1.0	0.9
Labor force participation rate ¹	67.0	67.1	67.1	67.1
Previous	67.0	67.1	67.1	67.1
Civilian unemployment rate ¹	4.1	4.0	4.4	4.6
Previous	4.1	4.1	4.3	4.5

1. Percent, average for the fourth quarter.

Prices. As in the September Greenbook, the contour of the top-line inflation forecast is dominated by swings in energy prices. After having posted double-digit increases in both 1999 and 2000, PCE energy prices are expected to fall 4-1/2 percent during 2001 and another 2-1/2 percent in 2002 in large part because of the effects of lower crude oil prices on gasoline and fuel oil costs. We project that the PCE chain-weighted price index will increase about 2 percent in 2001 and 2002, below this year's 2-1/2 percent pace. The deceleration in the CPI is even more pronounced, with inflation expected to average 2-1/4 percent over the next two years after a 3-1/2 percent increase this year.

Although energy prices are the dominant factor influencing top-line inflation, faster increases in non-oil import prices and continuing tightness in labor markets maintain the upward tilt to core inflation. The PCE chain-weighted price index excluding food and energy is projected to rise 2.1 percent in 2001, up from an expected increase of 1.8 percent this year and a 1.5 percent rise in 1999. The indirect effect of declining energy prices relieves some of the upward pressure on prices in 2002, and core inflation is expected to edge up only a tenth of a percentage point, to 2.2 percent, that year. The basic pattern for our projection of core CPI prices is the same, with increases of 2.7 percent and 2.8 percent in 2001 and 2002, respectively, after a rise of 2.6 percent in 2000 and 2.1 percent in 1999.

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

Measure	1999	2000	2001	2002
PCE chain-weighted price index	2.0	2.5	1.9	2.1
Previous	2.0	2.5	2.0	2.1
Excluding food and energy	1.5	1.8	2.1	2.2
Previous	1.5	1.9	2.1	2.2
Consumer price index	2.6	3.4	2.2	2.4
Previous	2.6	3.3	2.4	2.4
Food	1.9	2.5	2.7	2.7
Previous	1.9	2.5	2.6	2.7
Energy	11.2	14.7	-3.5	-2.4
Previous	11.2	13.9	-1.5	-2.5
Excluding food and energy	2.1	2.6	2.7	2.8
Previous	2.1	2.6	2.7	2.8
GDP chain-weighted price index	1.6	2.5	1.9	1.9
Previous	1.6	2.4	1.9	1.9
ECI for compensation of private industry workers ¹	3.4	4.7	4.8	4.8
Previous	3.4	4.7	4.9	4.9
NFB compensation per hour	4.8	5.4	5.7	5.7
Previous	4.8	4.8	5.6	5.8
Prices of core non-oil merchandise imports	0.4	1.4	2.5	2.9
Previous	0.4	2.0	3.0	2.5

1. December to December.

Financial Flows and Conditions

Debt of the domestic nonfinancial sector is estimated to have decelerated in the third quarter. We anticipate that it will weaken a bit further in the current quarter largely because of paydowns of federal government debt. Debt growth of private borrowers appears to have slowed in the second half of this year, most notably in the business sector, as greater stock price volatility, elevated credit spreads on lower-rated bonds, and firmer standards and terms on loans at commercial banks have raised financing costs. Growth of nonfederal debt is expected to level out at an annual rate of about 7-1/2 percent over the next two years, down a couple of percentage points from the pace of the past few years. Even so, the expansion of nonfederal debt is projected to outstrip growth of nominal GDP.

staff FRB macroeconomic model explore this possibility; in both simulations we assume that the nominal federal funds rate follows the Greenbook baseline path.

High-tech slowdown. In the first “domestic investment slowdown” simulation, the sharp deceleration in equipment and software spending in the third quarter of 2000 is assumed to represent the beginning of a pronounced slowdown. Equipment and software outlays increase at an annual rate of 7 percent through the end of 2002, about 5 percentage points slower than in the Greenbook baseline projection. Any number of factors—such as difficulties in arranging financing, lower-than-expected returns on new investment, or higher perceived risks associated with new investment—individually or together might underlie such a pullback in the growth of capital outlays.

The effects of the less robust investment path are the mirror images of those of an investment-led productivity acceleration. Both aggregate supply and demand are affected. In the case of supply, the falloff in the pace of capital spending damps structural productivity growth and depresses the rate of advance of potential output by 0.1 percentage point in 2001 and 0.4 percentage point in 2002. The reduction in investment spending and associated multiplier effects also depress aggregate demand. In addition, the reductions in permanent income and wealth resulting from the slower growth in potential output restrain household and business spending.

Alternative Simulations:

Weaker Outlook for High-Tech Investment

(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>						
Baseline	5.2	3.1	3.6	3.8	4.0	4.1
Domestic investment slowdown	5.2	3.1	3.0	2.8	2.8	2.6
Global high-tech slowdown	5.2	3.1	2.8	2.5	2.7	2.8
<i>Civilian unemployment rate¹</i>						
Baseline	4.0	4.0	4.2	4.4	4.5	4.6
Domestic investment slowdown	4.0	4.0	4.3	4.6	4.9	5.2
Global high-tech slowdown	4.0	4.0	4.3	4.7	5.0	5.3
<i>PCE prices excluding food and energy</i>						
Baseline	1.8	1.9	2.1	2.1	2.2	2.3
Domestic investment slowdown	1.8	1.9	2.1	2.1	2.3	2.4
Global high-tech slowdown	1.8	1.9	2.3	2.5	2.6	2.5

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

Alternative Simulations:
Productivity, the NAIRU, and 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>						
Baseline	5.2	3.1	3.6	3.8	4.0	4.1
Lower structural productivity	5.2	2.8	2.8	3.0	3.5	3.8
Lower NAIRU	5.2	3.1	3.7	3.8	4.0	3.9
Flat funds rate	5.2	3.1	3.6	3.8	4.1	4.4
Tighter policy	5.2	3.1	3.5	3.4	3.6	3.8
Stock market correction	5.2	3.1	3.2	3.3	3.4	3.6
Continued stock market gains	5.2	3.1	3.6	3.9	4.2	4.3
<i>Civilian unemployment rate¹</i>						
Baseline	4.0	4.0	4.2	4.4	4.5	4.6
Lower structural productivity	4.0	4.0	4.2	4.5	4.6	4.7
Lower NAIRU	4.0	4.0	4.2	4.3	4.4	4.5
Flat funds rate	4.0	4.0	4.2	4.4	4.5	4.5
Tighter policy	4.0	4.0	4.2	4.5	4.7	4.9
Stock market correction	4.0	4.0	4.2	4.5	4.7	4.9
Continued stock market gains	4.0	4.0	4.2	4.4	4.5	4.5
<i>PCE prices excluding food and energy</i>						
Baseline	1.8	1.9	2.1	2.1	2.2	2.3
Lower structural productivity	1.8	1.9	2.2	2.3	2.5	2.6
Lower NAIRU	1.8	1.8	1.8	1.7	1.4	1.3
Flat funds rate	1.8	1.9	2.1	2.1	2.2	2.4
Tighter policy	1.8	1.9	2.1	2.0	2.0	2.0
Stock market correction	1.8	1.9	2.1	2.1	2.2	2.2
Continued stock market gains	1.8	1.9	2.1	2.1	2.2	2.3

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

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

November 8, 2000

	Nominal GDP		Real GDP		GDP chain-weighted price index		Consumer price index ¹		Unemployment rate ²		
Interval	09/27/00	11/08/00	09/27/00	11/08/00	09/27/00	11/08/00	09/27/00	11/08/00	09/27/00	11/08/00	
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	7.5	7.4	5.2	5.2	2.2	2.2	3.3	3.4	4.1	4.0	
2001	5.9	5.7	3.8	3.6	2.0	2.0	2.6	2.5	4.2	4.2	
2002	6.2	5.8	4.2	3.9	1.9	1.9	2.4	2.4	4.4	4.5	
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	4.3	4.1	4.1
	Q2	8.2	8.2	5.2	5.6	2.6	2.4	3.6	3.6	4.0	4.0
	Q3	4.8	4.6	3.0	2.6	1.8	2.0	3.0	3.1	4.1	4.0
	Q4	5.7	5.9	3.7	3.5	2.0	2.2	2.7	2.8	4.1	4.0
2001	Q1	6.2	6.0	3.8	3.6	2.3	2.4	2.4	2.2	4.1	4.1
	Q2	5.7	5.4	3.9	3.6	1.8	1.7	2.5	2.1	4.1	4.2
	Q3	5.8	5.4	4.0	3.7	1.8	1.7	2.4	2.3	4.2	4.3
	Q4	6.1	5.7	4.2	3.9	1.8	1.8	2.4	2.3	4.3	4.4
2002	Q1	6.6	6.1	4.3	3.9	2.2	2.1	2.4	2.4	4.3	4.4
	Q2	6.2	5.9	4.3	4.0	1.8	1.8	2.4	2.4	4.4	4.5
	Q3	6.2	5.9	4.3	4.1	1.8	1.8	2.5	2.5	4.4	4.5
	Q4	6.2	6.0	4.4	4.2	1.8	1.8	2.5	2.5	4.5	4.6
TWO-QUARTER ³											
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	8.3	8.2	5.0	5.2	3.0	2.8	3.8	4.0	-0.1	-0.1
	Q4	5.3	5.3	3.3	3.1	1.9	2.1	2.8	2.9	0.1	0.0
2001	Q2	6.0	5.7	3.8	3.6	2.0	2.0	2.4	2.2	0.0	0.2
	Q4	6.0	5.6	4.1	3.8	1.8	1.7	2.4	2.3	0.2	0.2
2002	Q2	6.4	6.0	4.3	4.0	2.0	2.0	2.4	2.4	0.1	0.1
	Q4	6.2	6.0	4.3	4.1	1.8	1.8	2.5	2.5	0.1	0.1
FOUR-QUARTER ⁴											
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	6.8	6.7	4.2	4.1	2.4	2.5	3.3	3.4	-0.0	-0.1
2001	Q4	6.0	5.6	4.0	3.7	1.9	1.9	2.4	2.2	0.2	0.4
2002	Q4	6.3	6.0	4.3	4.0	1.9	1.9	2.4	2.4	0.2	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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REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, ANNUAL VALUES
(Seasonally adjusted annual rate)

November 8, 2000

Item	Units ¹	-----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	9990.5	10564.3	11181.8
Real GDP	Bill. Ch. \$	7347.7	7543.8	7813.2	8159.5	8515.7	8875.8	9337.4	9674.9	10054.3
Real GDP	% change	4.1	2.2	4.1	4.3	4.6	5.0	4.1	3.7	4.0
Gross domestic purchases		4.3	1.7	4.3	5.0	5.7	5.9	4.5	4.1	4.0
Final sales		3.2	2.9	3.9	3.9	4.6	4.8	4.5	3.8	4.0
Priv. dom. final purchases		4.3	3.2	4.4	5.1	6.4	6.1	5.5	4.3	4.1
Personal cons. expenditures		3.6	2.8	3.1	4.1	5.0	5.6	4.7	3.4	3.2
Durables		6.4	3.7	5.0	8.8	12.6	11.1	6.4	4.4	3.8
Nondurables		4.1	2.5	3.2	2.5	5.0	5.9	4.4	3.1	3.0
Services		2.7	2.7	2.7	3.9	3.4	4.2	4.5	3.4	3.2
Business fixed investment		9.2	7.5	12.1	11.8	12.9	10.1	12.8	10.1	10.1
Equipment & Software		12.0	8.9	11.8	13.7	15.8	14.1	13.3	11.8	12.0
Nonres. structures		1.1	3.3	12.8	6.5	4.9	-1.7	11.0	4.8	4.1
Residential structures		4.0	-1.5	5.6	3.5	10.3	2.8	-2.8	-1.6	-2.8
Exports		10.5	9.7	9.8	8.5	2.2	4.3	11.7	7.3	10.6
Imports		12.2	5.0	11.2	14.3	11.2	12.0	12.6	8.9	8.9
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	-1.7	2.6	2.5
Defense		-5.9	-4.7	0.8	-1.4	-1.0	4.6	-3.9	2.1	2.0
State & local		2.8	-2.1	3.0	3.7	3.6	4.2	3.0	4.2	4.2
Change in bus. inventories	Bill. Ch. \$	66.8	30.4	30.0	63.8	80.2	45.3	57.8	54.3	48.2
Nonfarm		53.6	42.6	22.1	60.6	78.7	44.9	52.8	51.4	46.8
Net exports		-86.5	-78.4	-89.0	-113.3	-221.0	-322.4	-399.2	-452.8	-483.7
Nominal GDP	% change	6.2	4.3	6.0	6.2	5.9	6.5	6.7	5.6	6.0
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employment	Millions	114.1	117.2	119.6	122.7	125.8	128.8	131.5	133.0	134.7
Unemployment rate	%	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.2	4.5
Industrial prod. index	% change	6.4	3.5	5.3	6.8	2.9	4.2	4.8	3.7	4.4
Capacity util. rate - mfg.	%	82.5	82.6	81.5	82.4	80.9	79.8	81.1	80.8	80.9
Housing starts	Millions	1.46	1.35	1.48	1.47	1.62	1.67	1.61	1.57	1.54
Light motor vehicle sales		15.01	14.77	15.05	15.06	15.45	16.76	17.36	16.41	16.28
North Amer. produced		12.88	12.87	13.34	13.12	13.43	14.28	14.55	13.90	13.83
Other		2.13	1.90	1.70	1.93	2.02	2.48	2.81	2.52	2.45
INCOME AND SAVING										
Nominal GNP	Bill. \$	7071.1	7420.9	7831.2	8325.4	8786.7	9288.2	9979.9	10538.9	11138.2
Nominal GNP	% change	6.2	4.4	5.9	6.0	5.7	6.5	6.7	5.5	5.8
Nominal personal income		5.1	4.3	5.9	6.3	6.3	5.6	6.0	6.1	6.0
Real disposable income		2.9	1.7	2.6	3.8	4.6	3.1	2.7	4.2	4.5
Personal saving rate	%	6.1	5.6	4.8	4.2	4.2	2.2	-0.1	0.3	1.5
Corp. profits, IVA & CCAdj.	% change	12.3	11.3	11.4	9.9	-5.8	11.2	9.0	-0.0	0.9
Profit share of GNP	%	8.1	9.0	9.6	10.0	9.3	9.2	9.6	9.2	8.7
Excluding FR Banks		7.9	8.7	9.4	9.7	9.0	8.9	9.4	9.0	8.5
Federal surpl./deficit	Bill. \$	-212.3	-192.0	-136.8	-53.3	49.0	124.4	254.3	291.2	291.7
State & local surpl./def.		8.6	15.3	21.4	31.0	41.7	50.0	59.1	57.3	52.0
Ex. social ins. funds		4.0	11.4	18.7	29.9	41.3	50.4	59.6	57.4	51.8
Gross natl. saving rate	%	16.3	16.9	17.2	18.0	18.8	18.5	18.4	18.7	19.2
Net natl. saving rate		4.3	5.1	5.7	6.7	7.5	6.8	6.7	6.8	7.2
PRICES AND COSTS										
GDP chn.-wt. price index	% change	2.1	2.1	1.9	1.8	1.2	1.6	2.5	1.9	1.9
Gross Domestic Purchases		2.1	2.1	1.9	1.4	0.8	1.9	2.6	1.7	1.9
chn.-wt. price index										
PCE chn.-wt. price index		2.1	2.1	2.3	1.5	1.1	2.0	2.5	1.9	2.1
Ex. food and energy		2.3	2.3	1.8	1.7	1.6	1.5	1.8	2.1	2.2
CPI		2.6	2.7	3.1	1.9	1.5	2.6	3.4	2.2	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 ²		3.1	2.6	3.1	3.4	3.5	3.4	4.7	4.8	4.8
Nonfarm business sector										
Output per hour		1.1	1.1	2.3	2.1	2.9	4.1	3.4	2.9	3.4
Compensation per Hour		2.2	2.7	3.1	3.2	5.3	4.8	5.4	5.7	5.7
Unit labor cost		1.0	1.5	0.8	1.1	2.3	0.7	2.0	2.8	2.4

1. Changes are from fourth quarter to fourth quarter.

2. Private-industry workers.

Strictly Confidential <FR>
Class II FOMC

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

November 8, 2000

Item	Units	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2
EXPENDITURES											
Nominal GDP	Bill. \$	8634.7	8722.0	8829.1	8974.9	9104.5	9191.5	9340.9	9559.7	9752.7	9945.7
Real GDP	Bill. Ch. \$	8404.9	8465.6	8537.6	8654.5	8730.0	8783.2	8905.8	9084.1	9191.8	9318.9
Real GDP	% change	6.5	2.9	3.4	5.6	3.5	2.5	5.7	8.3	4.8	5.6
Gross domestic purchases		8.1	4.8	4.4	5.4	4.9	3.8	6.6	8.4	5.6	6.5
Final sales		4.1	5.6	2.9	5.9	4.5	4.0	4.5	6.4	6.7	3.9
Priv. dom. final purchases		7.2	7.5	4.4	6.3	6.4	6.2	5.6	6.2	9.3	4.7
Personal cons. expenditures		4.8	5.8	4.3	4.9	5.7	5.6	5.0	5.9	7.6	3.1
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	3.6
Services		4.0	4.3	4.3	1.3	4.1	4.6	4.5	3.8	5.2	4.6
Business fixed investment		20.1	15.6	3.5	13.2	9.5	9.6	11.8	9.5	21.0	14.6
Equipment & Software		24.6	16.1	6.5	16.7	14.1	15.2	18.0	9.5	20.6	17.9
Nonres. structures		7.9	14.1	-4.7	3.3	-3.4	-6.2	-6.2	9.7	22.3	4.4
Residential structures		9.6	12.6	10.3	8.9	8.2	5.9	-3.1	0.5	3.2	1.3
Exports		1.0	-3.0	-3.2	15.1	-7.9	5.8	10.2	10.3	6.3	14.3
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	4.8
Federal		-9.1	12.9	-3.2	3.7	-2.2	2.0	6.9	13.2	-14.2	17.2
Defense		-17.7	13.1	5.8	-2.4	-3.1	-2.3	12.3	12.6	-19.8	16.9
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	78.6
Nonfarm		109.7	62.5	79.2	63.5	49.2	14.1	43.5	73.0	33.0	72.3
Net exports		-175.3	-219.8	-244.1	-244.9	-279.8	-314.6	-342.6	-352.5	-376.8	-403.4
Nominal GDP	% change	7.6	4.1	5.0	6.8	5.9	3.9	6.7	9.7	8.3	8.2
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	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	8.2
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	Millions	1.56	1.57	1.63	1.72	1.76	1.59	1.66	1.69	1.73	1.61
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
INCOME AND SAVING											
Nominal GNP	Bill. \$	8640.3	8725.0	8814.9	8966.6	9097.2	9181.8	9327.3	9546.3	9745.0	9937.4
Nominal GNP	% change	7.8	4.0	4.2	7.1	6.0	3.8	6.5	9.7	8.6	8.1
Nominal personal income		7.7	6.2	5.9	5.7	4.3	5.4	5.2	7.6	6.9	6.9
Real disposable income		6.6	4.5	3.6	3.6	2.9	2.8	2.2	4.5	1.9	3.7
Personal saving rate	%	4.6	4.3	4.1	3.8	3.1	2.5	1.8	1.5	0.2	0.3
Corp. profits, IVA & CCAdj.	% change	-12.6	-5.0	2.0	-7.8	26.5	-6.9	2.5	26.6	20.7	12.2
Profit share of GNP	%	9.5	9.3	9.3	9.0	9.4	9.1	9.0	9.4	9.6	9.7
Excluding FR Banks		9.3	9.0	9.0	8.7	9.1	8.8	8.8	9.1	9.3	9.4
Federal surpl./deficit	Bill. \$	25.9	41.9	71.9	56.4	89.7	117.5	147.3	143.3	235.8	240.9
State & local surpl./def.		38.1	33.4	37.5	57.7	47.9	38.0	47.4	66.6	52.0	60.1
Ex. social ins. funds		37.5	32.9	37.2	57.6	48.1	38.3	47.9	67.2	52.5	60.6
Gross natl. saving rate	%	18.9	18.7	19.0	18.7	18.9	18.4	18.4	18.3	18.2	18.6
Net natl. saving rate		7.7	7.4	7.6	7.2	7.3	6.7	6.5	6.6	6.6	6.9
PRICES AND COSTS											
GDP chn.-wt. price index	% change	1.0	1.1	1.5	1.1	2.2	1.4	1.1	1.6	3.3	2.4
Gross Domestic Purchases											
chn.-wt. price index		0.1	0.8	1.1	1.2	1.9	2.0	1.7	1.9	3.8	2.1
PCE chn.-wt. price index		0.4	1.2	1.4	1.5	1.7	2.3	1.9	2.2	3.5	2.1
Ex. food and energy		1.2	1.8	1.8	1.7	1.8	1.3	1.3	1.7	2.2	1.4
CPI		1.0	1.7	1.7	1.7	1.7	3.2	2.4	2.9	4.3	3.6
Ex. food and energy		2.8	2.3	2.3	2.1	1.8	2.1	2.1	2.3	2.5	2.9
ECI, hourly compensation ¹		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	6.1
Compensation per hour		6.1	5.3	5.2	4.5	4.5	5.0	5.5	4.2	3.9	5.9
Unit labor cost		1.5	3.6	3.3	0.8	1.8	4.3	0.3	-3.5	1.9	-0.2

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)

November 8, 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. \$	10059.1	10204.4	10355.0	10491.0	10631.0	10779.9	10940.9	11099.0	11260.5	11426.8
Real GDP	Bill. Ch. \$	9378.5	9460.4	9544.1	9628.9	9716.7	9810.0	9904.1	10002.7	10103.1	10207.0
Real GDP	% change	2.6	3.5	3.6	3.6	3.7	3.9	3.9	4.0	4.1	4.2
Gross domestic purchases		2.7	3.3	4.3	4.3	4.1	3.5	4.2	4.2	4.1	3.6
Final sales		3.1	4.2	3.3	3.5	3.9	4.7	3.8	3.8	3.9	4.6
Priv. dom. final purchases		4.2	3.9	4.1	4.3	4.4	4.3	4.2	4.1	4.0	4.1
Personal cons. expenditures		4.5	3.6	3.6	3.4	3.4	3.3	3.2	3.2	3.2	3.2
Durables		7.5	1.4	4.5	4.1	4.8	4.0	4.1	3.9	3.7	3.8
Nondurables		4.9	3.2	3.2	3.1	3.1	3.1	3.0	3.0	3.0	3.0
Services		3.8	4.2	3.7	3.5	3.2	3.2	3.2	3.2	3.2	3.2
Business fixed investment		7.4	8.7	9.1	9.9	10.9	10.5	10.2	10.0	10.0	10.1
Equipment & Software		6.7	8.8	10.3	11.5	12.9	12.4	12.1	11.9	11.8	12.1
Nonres. structures		9.5	8.6	5.3	4.8	4.6	4.6	4.3	4.2	3.9	3.7
Residential structures		-9.7	-5.3	-5.0	0.6	-1.0	-0.8	-1.7	-3.1	-3.4	-3.0
Exports		16.1	10.4	3.3	6.9	7.6	11.6	6.7	10.4	11.0	14.6
Imports		13.4	6.9	8.2	11.3	9.1	7.1	8.1	10.1	9.3	8.1
Gov't. cons. & investment		-2.0	3.9	3.4	3.5	3.5	4.3	3.6	3.6	3.7	3.5
Federal		-10.1	3.2	1.8	2.2	2.0	4.5	2.5	2.4	2.7	2.3
Defense		-10.2	1.3	1.7	2.2	2.0	2.8	1.9	1.9	2.1	2.1
State & local		2.5	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.1
Change in bus. inventories	Bill. Ch. \$	66.6	49.2	58.0	62.0	58.2	39.2	43.1	50.5	54.5	44.7
Nonfarm		61.6	44.3	54.0	58.8	55.5	37.2	41.4	48.8	53.3	43.5
Net exports		-409.5	-406.9	-429.0	-452.9	-467.3	-462.2	-475.5	-486.2	-492.0	-481.1
Nominal GDP	% change	4.6	5.9	6.0	5.4	5.4	5.7	6.1	5.9	5.9	6.0
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	131.6	132.0	132.4	132.8	133.2	133.6	134.0	134.4	134.9	135.3
Unemployment rate	%	4.0	4.0	4.1	4.2	4.3	4.4	4.4	4.5	4.5	4.6
Industrial prod. index	% change	2.8	2.1	3.1	3.9	3.8	4.1	4.2	4.5	4.3	4.4
Capacity util. rate - mfg.	%	81.3	80.9	80.7	80.7	80.8	80.8	80.9	80.9	81.0	81.0
Housing starts	Millions	1.53	1.56	1.57	1.57	1.57	1.57	1.55	1.54	1.53	1.52
Light motor vehicle sales		17.37	16.61	16.42	16.37	16.45	16.41	16.32	16.31	16.24	16.23
North Amer. produced		14.54	13.97	13.85	13.85	13.96	13.93	13.85	13.85	13.80	13.80
Other		2.83	2.64	2.57	2.52	2.49	2.48	2.47	2.46	2.44	2.43
INCOME AND SAVING											
Nominal GNP	Bill. \$	10048.5	10188.6	10334.0	10467.7	10604.6	10749.2	10904.5	11057.9	11213.9	11376.4
Nominal GNP	% change	4.5	5.7	5.8	5.3	5.3	5.6	5.9	5.7	5.8	5.9
Nominal personal income		5.4	5.0	7.3	5.9	5.6	5.7	6.5	5.8	5.7	5.8
Real disposable income		2.4	2.8	6.4	3.7	3.4	3.4	8.4	3.3	3.2	3.2
Personal saving rate	%	-0.3	-0.5	0.2	0.3	0.3	0.3	1.5	1.5	1.5	1.5
Corp. profits, IVA & CCAdj.	% change	4.0	0.1	-0.9	-1.5	-0.1	2.5	-1.6	1.0	1.4	2.7
Profit share of GNP	%	9.7	9.6	9.4	9.2	9.1	9.1	8.9	8.8	8.7	8.6
Excluding FR Banks		9.4	9.3	9.1	9.0	8.9	8.8	8.6	8.5	8.5	8.4
Federal surpl./deficit	Bill. \$	266.9	273.6	264.5	283.0	306.2	311.2	253.4	280.1	307.6	325.8
State & local surpl./def.		60.7	63.7	59.6	58.2	54.8	56.7	56.9	53.1	50.5	47.7
Ex. social ins. funds		61.1	64.0	59.8	58.3	54.8	56.6	56.7	52.8	50.2	47.4
Gross natl. saving rate	%	18.5	18.4	18.6	18.7	18.8	18.8	19.0	19.2	19.3	19.4
Net natl. saving rate		6.7	6.5	6.7	6.8	6.9	6.9	7.0	7.2	7.3	7.4
PRICES AND COSTS											
GDP chn.-wt. price index	% change	2.0	2.2	2.4	1.7	1.7	1.8	2.1	1.8	1.8	1.8
Gross Domestic Purchases											
chn.-wt. price index		2.4	2.3	2.0	1.5	1.6	1.7	2.1	1.8	1.8	1.8
PCE chn.-wt. price index		2.2	2.3	1.8	1.8	1.9	2.0	2.0	2.1	2.1	2.2
Ex. food and energy		1.5	2.2	2.1	2.1	2.1	2.2	2.2	2.2	2.3	2.3
CPI		3.1	2.8	2.2	2.1	2.3	2.3	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 ¹		4.1	4.2	4.7	4.8	4.8	4.7	4.9	4.9	4.8	4.8
Nonfarm business sector											
Output per hour		3.7	1.7	2.6	2.7	3.0	3.2	3.2	3.4	3.4	3.4
Compensation per hour		6.4	5.3	5.9	5.7	5.6	5.5	6.0	5.7	5.7	5.6
Unit labor cost		2.7	3.6	3.3	2.9	2.6	2.3	2.7	2.4	2.3	2.2

1. Private-industry workers.

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS

November 8, 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	5.6	2.6	4.6	5.0	4.1
Gross dom. purchases	4.5	5.5	5.0	3.8	6.8	8.6	5.8	6.7	2.8	5.8	6.0	4.6
Final sales	2.9	5.8	4.4	3.9	4.5	6.5	6.6	3.9	3.0	4.6	4.8	4.4
Priv. dom. final purchases	3.7	5.3	5.3	5.2	4.7	5.2	7.9	4.0	3.6	5.3	5.1	4.7
Personal cons. expenditures	2.8	3.3	3.7	3.7	3.4	4.1	5.0	2.1	3.0	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	0.5
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	1.8	1.3	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	1.0	1.5	1.3	1.7
Equipment & Software	0.6	1.5	1.3	1.4	1.7	0.9	1.9	1.7	0.7	1.4	1.3	1.3
Nonres. structures	-0.2	0.1	-0.1	-0.2	-0.2	0.3	0.6	0.1	0.3	0.2	-0.1	0.3
Residential structures	0.4	0.4	0.3	0.3	-0.1	0.0	0.1	0.1	-0.4	0.4	0.1	-0.1
Net exports	-1.0	0.1	-1.4	-1.4	-1.1	-0.4	-0.9	-1.0	-0.2	-1.1	-1.1	-0.5
Exports	-0.4	1.5	-0.9	0.6	1.1	1.1	0.7	1.5	1.7	0.3	0.5	1.3
Imports	-0.7	-1.5	-0.6	-2.0	-2.1	-1.5	-1.6	-2.5	-1.9	-1.4	-1.5	-1.8
Government cons. & invest.	0.3	0.5	0.6	0.1	0.8	1.5	-0.2	0.9	-0.4	0.5	0.8	0.2
Federal	-0.2	0.2	-0.1	0.1	0.4	0.8	-0.9	1.0	-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	0.3
Change in bus. inventories	0.6	-0.2	-0.9	-1.4	1.2	1.8	-1.8	1.7	-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	-0.4	0.0	0.1	-0.3
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

November 8, 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	3.5	3.6	3.6	3.7	3.9	3.9	4.0	4.1	4.2	4.1	3.7	4.0
Gross dom. purchases	3.4	4.4	4.5	4.2	3.7	4.4	4.4	4.3	3.8	4.6	4.2	4.2
Final sales	4.2	3.2	3.4	3.8	4.6	3.7	3.8	3.9	4.5	4.4	3.8	4.0
Priv. dom. final purchases	3.4	3.5	3.7	3.8	3.7	3.6	3.5	3.4	3.5	4.7	3.7	3.5
Personal cons. expenditures	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	3.2	2.3	2.2
Durables	0.1	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.5	0.3	0.3
Nondurables	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.9	0.6	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	1.2	1.3	1.5	1.5	1.4	1.4	1.4	1.4	1.7	1.4	1.4
Equipment & Software	0.9	1.1	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.3
Nonres. structures	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.3	0.2	0.1
Residential structures	-0.2	-0.2	0.0	-0.0	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Net exports	0.1	-0.8	-0.9	-0.5	0.2	-0.5	-0.4	-0.2	0.4	-0.5	-0.5	-0.1
Exports	1.1	0.4	0.8	0.8	1.3	0.8	1.2	1.2	1.7	1.3	0.8	1.2
Imports	-1.0	-1.2	-1.6	-1.4	-1.1	-1.2	-1.5	-1.4	-1.3	-1.8	-1.3	-1.4
Government cons. & invest.	0.7	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.2	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	0.0	0.1	0.1	0.1	0.1	0.1	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	0.3	0.5	0.5
Change in bus. inventories	-0.6	0.3	0.2	-0.1	-0.7	0.1	0.3	0.2	-0.4	-0.3	-0.1	0.1
Nonfarm	-0.7	0.4	0.2	-0.1	-0.7	0.2	0.3	0.2	-0.4	-0.3	-0.1	0.1
Farm	0.1	-0.0	-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)

November 8, 2000

Item	Fiscal year ¹				2000				2001				2002			
	1999 ^a	2000 ^a	2001	2002	Q1 ^a	Q2 ^a	Q3 ^p	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget					Not seasonally adjusted											
Receipts ²	1827	2025	2132	2232	434	656	492	480	476	659	517	518	485	681	547	533
Outlays ²	1703	1788	1848	1903	449	444	431	462	474	464	447	483	475	476	469	494
Surplus/deficit ²	125	237	283	329	-15	212	60	18	2	194	69	35	10	205	79	39
On-budget	1	87	119	143	-45	147	50	-29	-26	124	50	-15	-22	127	53	-16
Off-budget	124	150	165	187	30	65	10	47	28	71	19	50	32	79	26	54
Surplus excluding deposit insurance	119	234	282	328	-18	211	60	18	1	194	69	35	9	205	78	38
Means of financing																
Borrowing	-89	-223	-266	-338	-27	-190	-54	-34	9	-167	-74	-60	-24	-158	-96	-62
Cash decrease	-18	4	8	0	39	-13	5	21	2	-21	5	20	5	-40	15	20
Other ³	-18	-18	-25	9	4	-10	-12	-5	-13	-7	0	5	9	-7	2	3
Cash operating balance, end of period	56	53	45	45	45	57	53	32	29	50	45	25	20	60	45	25
NIPA federal sector					Seasonally adjusted annual rates											
Receipts	1837	2025	2153	2230	2012	2055	2093	2114	2136	2165	2196	2229	2196	2229	2264	2300
Expenditures	1735	1803	1871	1942	1776	1814	1826	1841	1871	1882	1890	1918	1942	1949	1957	1974
Consumption expenditures	464	488	506	535	479	499	486	494	506	510	514	521	535	540	545	549
Defense	306	320	330	345	311	326	317	322	330	332	335	337	345	348	350	353
Nondefense	158	168	176	190	168	173	169	172	177	178	179	184	190	192	194	196
Other spending	1270	1316	1365	1406	1297	1315	1340	1347	1365	1372	1376	1397	1407	1409	1412	1425
Current account surplus	103	222	282	288	236	241	267	274	264	283	306	311	253	280	308	326
Gross investment	94	105	110	115	101	106	107	108	109	111	112	113	114	116	117	118
Current and capital account surplus	9	117	172	173	134	136	160	166	155	172	194	198	139	165	191	208
Fiscal indicators⁴																
High-employment (HEB) surplus/deficit	-68	10	77	101	31	20	48	60	57	82	109	117	66	95	125	144
Change in HEB, percent of potential GDP	-.8	-.9	-.7	-.2	-1	.1	-.3	-.1	0	-.2	-.3	-.1	.5	-.3	-.3	-.2
Fiscal impetus (FI) percent, calendar year	5	2	3	9	-4	5	-2	2	.6	.6	.4	2	7	.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 baseline surplus estimates are \$224 billion in FY2000, \$239 billion in FY2001, 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 FY2000, \$268 billion in FY2001, and \$312 billion in FY 2002. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) categories. The OASDI surplus is excluded from the on-budget surplus and shown separately as off-budget, as classified under current law.

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

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

a--Actual p--Preliminary

Strictly Confidential (FR)
Class II FOMC

Change in Debt of the Domestic Nonfinancial Sectors
(Percent)

November 8, 2000

Period ¹	Total ²	Federal government ³	Nonfederal						Memo: Nominal GDP
			Total ⁴	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	5.1	-8.3	8.7	8.9	9.1	8.2	10.0	1.5	6.7
2001	4.5	-8.6	7.5	7.6	8.6	4.6	8.6	1.4	5.6
2002	4.4	-11.0	7.3	6.8	8.1	3.1	8.9	1.3	6.0
<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	5.1	-6.2	7.9	8.4	9.0	6.8	8.6	1.7	4.6
4	3.9	-10.7	7.4	8.1	8.6	6.0	7.6	2.1	5.9
2001:1	5.5	-2.0	7.2	7.5	8.5	5.4	7.9	1.4	6.0
2	4.1	-9.6	7.1	7.4	8.4	4.6	7.9	1.4	5.4
3	4.6	-9.2	7.5	7.3	8.3	4.3	8.9	1.4	5.4
4	3.7	-14.8	7.4	7.2	8.2	3.9	8.8	1.4	5.7

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 5.5 percent in 2000, 4.5 percent in 2001 and 4.4 percent in 2002.

3. On a monthly average basis, federal debt is projected to grow -6.8 percent in 2000, -8.3 percent in 2001 and -10.8 percent in 2002.

4. On a monthly average basis, nonfederal debt is projected to grow 8.8 percent in 2000, 7.5 percent in 2001 and 7.4 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	783.4	771.0	794.5	1042.3	1040.5	1010.1	746.4	827.6	549.6	943.8	697.0	803.7	639.6
2 Net equity issuance	-143.5	-109.0	-60.0	-44.0	-128.4	-55.0	62.8	-248.0	-90.8	-160.0	-60.0	-60.0	-60.0	-60.0
3 Net debt issuance	1121.0	892.4	831.0	838.5	1170.7	1095.5	947.3	994.4	918.4	709.6	1003.8	757.0	863.7	699.6
<i>Borrowing sectors</i>														
<i>Nonfinancial business</i>														
4 Financing gap ¹	171.3	210.4	276.2	347.5	177.9	206.3	190.4	223.1	212.0	215.9	247.7	272.4	290.7	294.0
5 Net equity issuance	-143.5	-109.0	-60.0	-44.0	-128.4	-55.0	62.8	-248.0	-90.8	-160.0	-60.0	-60.0	-60.0	-60.0
6 Credit market borrowing	596.5	605.0	572.3	644.0	601.3	583.7	627.7	747.9	546.8	497.4	523.6	532.6	612.6	620.2
<i>Households</i>														
7 Net borrowing ²	543.4	573.2	533.4	516.8	588.5	509.6	531.4	635.4	569.3	556.7	531.7	528.8	535.6	537.6
8 Home mortgages	411.2	409.0	420.2	428.2	458.5	377.3	322.6	477.1	422.2	414.2	414.2	418.2	422.2	426.2
9 Consumer credit	94.4	116.8	71.3	50.8	76.2	109.5	143.1	131.8	101.8	90.6	82.6	72.7	67.5	62.5
10 Debt/DPI (percent) ³	93.4	96.5	98.5	98.9	94.1	94.5	95.2	95.9	97.0	97.8	97.7	98.2	98.7	99.2
<i>State and local governments</i>														
11 Net borrowing	52.3	19.3	17.4	17.4	52.5	33.6	3.8	25.0	21.3	27.2	17.4	17.4	17.4	17.4
12 Current surplus ⁴	156.8	176.2	184.0	188.3	155.1	176.5	164.7	175.7	179.7	184.8	182.9	183.7	182.7	186.9
<i>Federal government</i>														
13 Net borrowing	-71.2	-305.0	-292.0	-339.7	-71.4	-31.5	-215.5	-414.0	-219.0	-371.7	-68.9	-321.8	-301.9	-475.6
14 Net borrowing (quarterly, n.s.a.)	-71.2	-305.0	-292.0	-339.7	-19.0	48.3	-27.5	-189.6	-55.0	-34.3	9.2	-166.5	-74.4	-60.3
15 Unified deficit (quarterly, n.s.a.)	-158.3	-275.4	-300.7	-332.4	-30.1	20.6	15.0	-211.8	-60.5	-18.1	-1.8	-194.5	-69.1	-35.2
<i>Depository institutions</i>														
16 Funds supplied	404.3	498.6	303.3	295.9	535.0	587.6	467.2	598.3	480.2	448.9	304.3	300.8	301.8	306.4
<i>Memo (percentage of GDP)</i>														
17 Domestic nonfinancial debt ⁵	181.4	179.1	177.5	175.2	182.1	181.1	180.1	179.0	179.4	178.8	178.3	178.1	177.7	177.0
18 Domestic nonfinancial borrowing	12.1	8.9	7.9	7.5	12.5	11.5	9.7	10.0	9.1	7.0	9.7	7.2	8.1	6.5
19 Federal government ⁶	-0.8	-3.1	-2.8	-3.0	-0.8	-0.3	-2.2	-4.2	-2.2	-3.6	-0.7	-3.1	-2.8	-4.4
20 Nonfederal	12.8	12.0	10.6	10.5	13.3	11.8	11.9	14.2	11.3	10.6	10.4	10.3	11.0	10.9

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

Despite renewed volatility in global energy and equity markets during the intermeeting period, the outlook abroad remains generally favorable. Foreign economic growth appears to have eased somewhat from the unusually strong pace posted in the first half of this year, particularly in developing Asia, Mexico, and Japan. Nevertheless, growth is projected to stabilize at still solid rates in most regions. The primary exception to this benign outlook remains Japan, where we expect very slow growth over the forecast period.

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

	1999	Projection			
		2000		2001	2002
		H1	H2		
Foreign output	4.5	5.7	4.1	4.0	3.9
<i>September GB</i>	4.5	5.7	4.1	4.0	3.9
Foreign CPI	2.6	1.9	4.0	3.4	3.2
<i>September GB</i>	2.6	1.9	4.0	3.4	3.3

The spot price of West Texas intermediate crude oil has fluctuated between \$30 and \$36 per barrel since the last FOMC meeting. We project that the spot price of WTI crude will decline from around \$33 in the current quarter to about \$26 by the end of 2001 and \$23 by the end of 2002, roughly in line with futures prices. There are risks on both sides of this path. Upside risks arise from the potential for a Middle East supply disruption, low levels of observed inventories, and strong demand in the run-up to the winter heating season. A downside risk derives from the possibility that strong petroleum product demand reflects stockbuilding by wholesalers, retailers, and end-users that could quickly abate. Our forecast for the WTI spot price at the end of 2002 is about \$1.50 per barrel below that of the September Greenbook.

The rise in energy prices is boosting headline inflation around the world in the second half of this year. Next year, with the expected easing of oil prices, inflation should decline. We assume a modest further monetary tightening in some countries next year, which we believe will be sufficient to stabilize foreign inflation at a 3¼ percent rate through the end of the forecast period.

Since the October FOMC meeting, the dollar has appreciated about 1½ percent against the currencies of a broad group of our trading partners. We project that, starting from this higher level in the current quarter, the broad real exchange

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

	1999	Projection			
		2000		2001	2002
		H1	H2		
<i>Exports</i>					
Nonagricultural (core)	1.7	2.8	1.2	0.6	0.9
Agricultural	-5.0	0.6	-2.1	6.1	3.8
<i>Imports</i>					
Non-oil (core)	0.4	1.6	1.1	2.5	2.9
Oil (level, dollars per barrel)	22.08	26.15	30.50	24.60	21.28

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 multi-quarter periods is the price for the final quarter of the period.

Prices of internationally traded goods. Consistent with futures markets, we continue to project that oil prices will gradually decline as increases in production outpace the growth in demand over the forecast period. However, with inventories apparently relatively low, the volatile situation in the Middle East and the possibility of a severe winter pose risks that could spike oil prices over the next few months. Alternatively, if much of the current strength in demand is being driven by stockbuilding, demand pressures could ease as inventories are restored, perhaps leading to lower oil prices than we project.

Core import price inflation is projected to rise from around 1 percent during the second half of this year to an average rate of 2¾ percent in 2001 and 2002, largely reflecting the outlook for the dollar. Prices of exported core goods are expected to decelerate in the second half of this year and into the first half of next year as the run-up in prices of industrial supplies (which include petroleum products and petrochemicals) slows; price increases are projected to move up toward a 1 percent rate by 2002.

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

	1999	Projection			
		2000		2001	2002
		H1	H2		
Real Exports	4.3	10.2	13.2	7.3	10.6
<i>September GB</i>	4.3	10.2	8.6	7.9	10.5
Real Imports	12.0	15.2	10.1	8.9	8.9
<i>September GB</i>	12.0	15.2	8.6	8.3	9.3

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

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 a 13¼ percent pace in the second half of the year. This is a sharp increase over the second-half growth rate of 8½ percent that was projected in the September Greenbook, and it is due to surprisingly strong growth of core exports during July and August. Given the higher year-end level of exports and the little-changed growth rates of exports in 2001 and 2002 relative to our previous forecast, the projected path for exports lies above that in the September Greenbook, reflecting our judgment that the recent strength in exports will persist despite the stronger dollar. As in our previous forecast, the growth rate of exports is projected to ease somewhat next year and pick up in 2002 in response to the path of the dollar.

Growth of real imports of goods and services is estimated to have slowed sharply this year, from an annual rate of 15 percent in the first half to a 10 percent pace in the second half. Import growth is projected to decline further to a rate of about 9 percent in 2001 and 2002. This slowdown largely reflects the projected path of U.S. GDP. 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 expected depreciation. The quantity of imported oil should expand moderately over the forecast period.

We project that the contribution of exports to U.S. GDP growth will fall slightly in 2001 to ¾ percentage point at an annual rate before rising to 1¼ percentage points in 2002. Imports are expected to expand at a relatively steady pace, making a negative contribution of just under 1½ percentage points in 2001 and 2002. Overall, the negative arithmetic contribution of the foreign sector to GDP

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

	2001		2002	
	H1	H2	H1	H2
<i>U.S. real GDP</i>				
Baseline	3.6	3.8	4.0	4.1
Latin American risk premium	3.6	3.8	3.9	4.0
<i>U.S. PCE prices excl. food and energy</i>				
Baseline	2.1	2.1	2.2	2.3
Latin American risk premium	2.1	2.1	2.2	2.3

NOTE. H1 is Q2/Q4; H2 is Q4/Q2. All simulations assume federal funds rate unchanged from baseline.

November 8, 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	2.0	3.6	3.9	3.1	3.1
of which:									
Canada	5.5	1.4	2.4	4.8	3.2	4.9	4.4	3.6	3.5
Japan	0.9	2.5	5.2	-0.5	-3.1	-0.2	3.6	1.1	1.5
United Kingdom	4.6	1.9	2.9	3.5	2.0	2.9	2.9	2.6	2.7
Euro-11	3.0	1.7	1.7	3.1	2.0	3.2	3.3	3.3	3.1
Germany	2.9	1.1	1.3	1.6	0.9	2.4	3.5	3.2	3.3
Developing Countries	6.8	3.0	6.2	5.1	-0.3	5.9	6.4	5.1	5.0
Asia	8.8	7.2	6.8	4.8	-1.9	8.3	7.2	6.0	5.7
Korea	9.2	7.4	6.1	3.1	-4.6	14.0	5.7	5.0	5.5
China	16.3	12.6	9.2	8.2	9.5	6.2	8.1	8.0	8.0
Latin America	5.4	-3.7	6.2	6.1	1.1	3.9	5.9	4.5	4.6
Mexico	5.2	-7.1	7.2	6.8	2.7	5.3	7.2	5.1	5.0
Brazil	10.0	-0.6	4.6	2.0	-1.4	3.5	3.4	3.2	4.1
CONSUMER PRICES (2)									

Industrial Countries	1.1	1.3	1.4	1.5	1.0	1.1	1.8	1.3	1.4
of which:									
Canada	-0.0	2.1	2.0	1.0	1.1	2.4	2.8	1.9	2.0
Japan	0.8	-0.8	0.1	2.0	0.8	-1.3	-0.8	-0.4	0.0
United Kingdom (3)	2.2	2.9	3.2	2.7	2.5	2.2	2.3	2.5	2.5
Euro-11 (4)	NA	NA	NA	1.5	0.8	1.5	2.5	1.9	1.7
Germany	2.7	1.4	1.3	1.5	0.3	1.1	2.2	1.5	1.3
Developing Countries	22.9	16.9	11.1	6.8	9.1	4.7	4.6	6.3	5.8
Asia	10.7	6.3	4.8	2.8	4.5	0.2	2.2	4.5	4.5
Korea	5.8	4.4	5.0	5.0	5.9	1.3	3.3	4.1	4.2
China	26.9	11.0	6.8	0.9	-1.2	-0.9	1.0	4.8	5.4
Latin America	54.0	42.1	25.9	15.6	15.5	12.6	8.7	9.4	7.9
Mexico	7.0	48.9	28.2	17.2	17.5	13.6	9.1	9.9	8.2
Brazil	1196.9	21.5	9.6	4.7	1.6	8.3	6.4	5.3	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	4.2	4.0	4.0	3.9	4.0	4.0	3.8	3.8	3.9	3.9
Industrial Countries	5.2	3.9	3.3	3.1	3.2	3.2	3.1	3.1	3.0	3.1	3.0	3.1
of which:												
Canada	5.1	4.7	4.1	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.5	3.5
Japan	10.3	4.2	0.1	0.3	0.8	1.0	1.3	1.3	1.4	1.5	1.6	1.6
United Kingdom	2.1	3.8	2.8	2.8	2.7	2.6	2.6	2.6	2.6	2.8	2.7	2.7
Euro-11	3.7	3.0	3.2	3.2	3.3	3.3	3.3	3.3	3.1	3.1	3.1	3.1
Germany	3.1	4.7	3.2	3.0	3.1	3.2	3.2	3.3	3.2	3.3	3.2	3.4
Developing Countries	10.4	4.5	5.4	5.3	5.1	5.1	5.2	5.2	5.0	4.9	5.0	5.1
Asia	12.5	4.2	5.7	6.5	5.9	5.9	6.1	6.1	5.7	5.6	5.8	5.8
Korea	7.2	4.6	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.5	5.5	6.0
China	9.5	1.9	11.0	10.0	7.0	7.0	9.0	9.0	7.0	7.0	9.0	9.0
Latin America	9.2	4.5	5.4	4.5	4.5	4.5	4.5	4.6	4.6	4.6	4.6	4.6
Mexico	12.0	5.4	6.6	5.1	5.1	5.1	5.1	5.1	5.0	5.0	5.0	5.0
Brazil	5.6	2.1	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	1.6	1.8	1.7	1.7	1.4	1.3	1.3	1.4	1.4	1.4
of which:												
Canada	2.7	2.4	2.7	2.8	2.9	2.7	1.9	1.9	1.8	1.8	2.0	2.0
Japan	-0.8	-1.0	-1.1	-0.8	-0.8	-0.4	-0.4	-0.4	-0.2	0.0	0.0	0.0
United Kingdom (3)	2.1	2.1	2.1	2.3	2.3	2.4	2.4	2.5	2.5	2.5	2.5	2.5
Euro-11 (4)	2.1	2.1	2.5	2.5	2.2	2.1	2.0	1.9	1.8	1.7	1.7	1.7
Germany	2.0	1.7	2.2	2.2	1.9	1.8	1.7	1.5	1.4	1.4	1.3	1.3
Developing Countries	3.9	3.8	4.0	4.6	5.6	6.4	6.5	6.3	6.1	5.9	5.8	5.8
Asia	0.5	0.8	1.4	2.2	3.3	4.6	4.8	4.5	4.3	4.3	4.3	4.5
Korea	1.5	1.4	3.2	3.3	5.4	6.1	4.6	4.1	3.8	3.7	3.9	4.2
China	0.1	0.1	0.3	1.0	1.9	4.4	4.7	4.8	4.7	4.8	5.0	5.4
Latin America	10.0	9.1	8.7	8.7	9.4	9.5	9.4	9.4	9.1	8.7	8.3	7.9
Mexico	10.6	9.6	9.0	9.1	9.9	9.9	9.9	9.9	9.6	9.1	8.6	8.2
Brazil	7.8	6.6	7.6	6.4	7.0	8.3	6.1	5.3	5.0	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.

November 8, 2000

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1994	1995	1996	1997	1998	1999	----- 2000	Projected 2001	----- 2002
NIPA REAL EXPORTS and IMPORTS									
Percentage point contribution to GDP growth, Q4/Q4									
Net Goods & Services	-0.3	0.4	-0.2	-0.8	-1.1	-1.1	-0.5	-0.5	-0.1
Exports of G&S	1.0	1.0	1.1	1.0	0.3	0.5	1.3	0.8	1.2
Imports of G&S	-1.3	-0.6	-1.3	-1.7	-1.4	-1.5	-1.8	-1.3	-1.4
Percentage change, Q4/Q4									
Exports of G&S	10.5	9.7	9.8	8.5	2.2	4.3	11.7	7.3	10.6
Services	8.2	8.8	8.9	1.4	2.8	0.2	4.8	5.0	7.2
Agricultural Goods	16.3	-4.0	3.8	1.0	-0.3	-0.5	13.0	-6.4	3.5
Computers	27.4	39.1	21.6	25.8	7.0	13.3	43.3	37.3	36.0
Semiconductors	66.9	79.6	44.6	21.3	9.3	34.4	39.8	41.2	41.2
Other Goods 1/	6.9	5.7	7.8	10.9	1.3	4.1	10.3	3.3	6.0
Imports of G&S	12.2	5.0	11.2	14.3	11.2	12.0	12.6	8.9	8.9
Services	1.8	5.5	5.3	14.0	9.5	2.1	11.7	4.3	4.9
Oil	-0.2	2.4	7.8	3.9	4.6	-3.9	11.1	4.4	3.3
Computers	39.0	35.0	17.8	33.0	26.7	25.0	30.0	30.5	29.9
Semiconductors	54.5	92.4	56.7	32.9	-7.3	34.0	41.6	41.2	41.2
Other Goods 2/	12.3	-1.2	10.5	12.7	11.6	13.9	10.4	6.7	6.0
Billions of chained 1996 dollars									
Net Goods & Services	-86.5	-78.4	-89.0	-113.3	-221.0	-322.4	-399.2	-452.8	-483.7
Exports of G&S	732.8	808.2	874.2	981.5	1003.6	1033.0	1141.2	1238.7	1355.8
Imports of G&S	819.4	886.6	963.1	1094.8	1224.6	1355.3	1540.4	1691.5	1839.6
Billions of dollars									
US CURRENT ACCOUNT BALANCE	-118.6	-109.5	-123.3	-140.5	-217.1	-331.4	-432.2	-494.2	-541.9
Current Acct as Percent of GDP	-1.7	-1.5	-1.6	-1.7	-2.5	-3.6	-4.3	-4.7	-4.8
Net Goods & Services (BOP)	-97.0	-96.0	-102.1	-105.9	-166.9	-265.0	-359.9	-405.8	-434.2
Investment Income, Net	21.1	25.0	23.4	11.1	-1.0	-13.1	-14.9	-29.7	-47.9
Direct, Net	55.2	64.9	69.4	71.9	67.7	62.7	72.5	72.7	78.4
Portfolio, Net	-34.1	-39.9	-46.0	-60.9	-68.8	-75.8	-87.4	-102.4	-126.4
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	1.5	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	-0.2	0.1	-0.8	-0.9	-0.5	0.2	-0.5	-0.4	-0.2	0.4
Exports of G&S	0.7	1.5	1.7	1.1	0.4	0.8	0.8	1.3	0.8	1.2	1.2	1.7
Imports of G&S	-1.6	-2.5	-1.9	-1.0	-1.2	-1.6	-1.4	-1.1	-1.2	-1.5	-1.4	-1.3
Percentage change from previous period, s.a.a.r.												
Exports of G&S	6.3	14.3	16.1	10.4	3.3	6.9	7.6	11.6	6.7	10.4	11.0	14.6
Services	6.9	3.5	5.0	3.9	2.5	4.2	6.0	7.4	7.2	7.2	7.2	7.2
Agricultural Goods	25.3	-2.0	43.0	-7.0	-5.5	0.4	-7.7	-12.2	3.7	3.5	3.5	3.6
Computers	44.6	44.9	41.1	42.4	38.6	38.6	36.0	36.0	36.0	36.0	36.0	36.0
Semiconductors	20.7	71.2	33.5	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	16.2	10.0	-2.0	2.4	3.4	9.8	-0.4	5.7	6.4	12.8
Imports of G&S	12.0	18.6	13.4	6.9	8.2	11.3	9.1	7.1	8.1	10.1	9.3	8.1
Services	16.6	10.6	16.1	3.9	4.8	4.3	3.7	4.2	4.8	4.9	4.8	4.9
Oil	30.3	35.3	-3.4	-10.7	-9.5	36.0	13.0	-14.5	-5.1	25.8	9.2	-12.8
Computers	2.8	44.5	38.7	38.6	31.1	31.1	29.9	29.9	29.9	29.9	29.9	29.9
Semiconductors	20.7	33.5	63.1	52.9	41.2	41.2	41.2	41.2	41.2	41.2	41.2	41.2
Other Goods 2/	9.7	15.8	11.0	5.3	7.6	6.9	6.2	6.0	6.0	5.9	6.0	6.1
Billions of chained 1996 dollars, s.a.a.r.												
Net Goods & Services	-376.8	-403.4	-409.5	-406.9	-429.0	-452.9	-467.3	-462.2	-475.5	-486.2	-492.0	-481.1
Exports of G&S	1084.8	1121.8	1164.6	1193.7	1203.5	1223.8	1246.4	1281.0	1302.0	1334.6	1369.7	1417.1
Imports of G&S	1461.7	1525.2	1574.1	1600.6	1632.5	1676.6	1713.7	1743.2	1777.5	1820.8	1861.7	1898.3
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-406.0	-424.6	-440.1	-458.0	-466.6	-489.5	-505.9	-514.7	-522.6	-538.1	-550.3	-556.5
Current Account as % of GDP	-4.2	-4.3	-4.4	-4.5	-4.5	-4.7	-4.8	-4.8	-4.8	-4.8	-4.9	-4.9
Net Goods & Services (BOP)	-340.5	-357.1	-370.1	-371.8	-385.7	-405.7	-419.2	-412.6	-425.2	-435.6	-442.3	-433.7
Investment Income, Net	-11.9	-12.6	-14.8	-20.1	-25.3	-27.6	-30.7	-35.0	-40.7	-45.4	-50.9	-54.7
Direct, Net	68.3	73.7	75.4	72.8	70.0	71.8	74.0	75.2	75.4	77.4	79.0	81.9
Portfolio, Net	-80.2	-86.3	-90.3	-92.8	-95.3	-99.4	-104.7	-110.2	-116.1	-122.8	-129.9	-136.6
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

November 8, 2000

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

November 8, 2000

Recent Developments

Prepared for the Federal Open Market Committee
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shutdowns at several plants in late October and November in order to reduce inventories. It does not appear that the latest schedules reflect the effects of these closings, which are expected to cut this month's assemblies nearly 0.3 million units at an annual rate.

Production of Domestic Autos and Trucks

(Millions of units at an annual rate except as noted; FRB seasonal basis)

Item	2000						
	Q2	Q3	Q4 ¹	Sept	Oct ¹	Nov ¹	Dec ¹
U.S. production	13.4	12.7	12.6	13.1	12.2	12.4	13.1
Autos	5.8	5.7	5.3	5.8	5.2	5.2	5.5
Trucks	7.6	7.0	7.2	7.2	7.0	7.2	7.6
Days' supply ²							
Autos	53.1	55.8	n.a.	55.8	58.2 ⁴	n.a.	n.a.
Light trucks ³	76.4	74.9	n.a.	72.2	78.7 ⁴	n.a.	n.a.

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

1. Production rates reflect actual September data, staff estimates based on weekly data for October, and manufacturers' schedules for November and December.

2. Quarterly average calculated using end-of-period stocks and average reported sales.

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

4. Staff estimate.

n.a. Not available.

Other indicators of activity in the industrial sector are showing some weakness. Real adjusted new orders for durable goods (Census M3 data) rose in both August and September, but not enough to offset a large July decline. Outside of high-tech equipment and electronic components, real adjusted new orders have declined, on balance, for the last two quarters, and they posted a significant decrease in September. Purchasing managers indicated that new orders fell again in October and that new export orders fell for the first time since January 1999. Other components of the purchasing managers' index also have deteriorated from earlier in the year.

Consumer Spending and Income

Real consumer spending increased at an annual rate of 4-1/2 percent in the third quarter after having risen at a 3 percent pace in the second quarter.

Expenditures picked up for the major components of goods, though the largest single contribution came from a bounceback in the pace of motor vehicle purchases, which had fallen off significantly in the second quarter from the very high pace of early this year. Outlays on services rose at an annual rate

FEDERAL GOVERNMENT OUTLAYS AND RECEIPTS
(Unified basis; billions of dollars)

	September			12 months ending in Sep.		
	1999	2000	Percent change	1999	2000	Percent change
Outlays	142.4	153.6	7.9	1702.9	1788.0	5.0
Deposit insurance	-0.5	-0.2	...	-5.3	-3.1	...
Spectrum auction	-0.8	0.0	...	-1.8	-0.2	...
Sale of major assets	0.0	0.0	...	0.0	0.0	...
Other	143.6	153.8	7.1	1710.0	1791.3	4.8
Receipts	200.4	219.5	9.5	1827.3	2025.0	10.8
Surplus	58.0	65.8	...	124.4	237.0	90.6
Outlays excluding deposit insurance, spectrum auction, and sale of major assets are adjusted for payment timing shifts ¹						
Outlays	143.6	147.2	2.5	1710.7	1784.4	4.3
National defense	24.3	25.8	6.1	276.3	292.1	5.7
Net interest	15.3	12.6	-17.5	230.3	223.4	-3.0
Social security	32.6	34.8	6.9	390.6	409.4	4.8
Medicare	16.1	15.5	-3.4	191.0	196.9	3.1
Medicaid	10.1	10.5	3.8	108.0	117.9	9.1
Other health	2.9	3.1	5.0	32.8	36.3	10.8
Income security	16.9	17.7	4.6	237.2	245.0	3.3
Agriculture	1.2	6.8	495.0	24.3	38.5	58.2
Other	24.3	20.4	-16.2	220.3	224.8	2.1
Receipts	200.4	219.5	9.5	1827.3	2025.0	10.8
Individual income and payroll taxes	143.7	159.7	11.2	1455.8	1620.1	11.3
Withheld + FICA	98.1	109.3	11.4	1238.1	1361.5	10.0
Nonwithheld + SECA	48.6	54.0	11.1	340.4	392.7	15.4
Refunds (-)	3.1	3.6	17.0	122.7	134.0	9.2
Corporate	40.2	43.4	8.0	184.7	207.3	12.2
Gross	42.6	46.2	8.5	216.3	235.7	8.9
Refunds (-)	2.3	2.7	17.6	31.6	28.4	-10.4
Other	16.5	16.3	-1.0	186.8	197.6	5.8
Surplus	56.8	72.3	...	116.6	240.7	106.4

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

1. A shift in payment timing occurs when the first of the month falls on a weekend or holiday, or when the first three days of a month are nonworking days. Outlays for defense, social security, Medicare, income security, and "other" have been adjusted to account for these shifts.

... Not applicable.