

November 10, 1993

SUMMARY AND OUTLOOK

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

losses) but then to decelerate next year. Growth over the four quarters of 1994, at 2-1/2 percent, is projected to be about the same as in 1993. In broad terms, the major differences between the two years in the patterns of expenditure growth are smaller increases in consumer spending and outlays for business equipment next year, a lesser decline in net exports, and a faster pace of business inventory investment.

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

	1993			1993	1994
	H1	Q3	Q4		
Real GDP	1.3	2.8	4.0	2.4	2.5
<i>Previous</i>	1.3	1.2	3.4	1.8	2.5
Excluding crop losses		3.4	3.6		
<i>Previous</i>		1.8	3.0		
Civilian unemployment rate ¹	7.0	6.7	6.8	6.8	6.7
<i>Previous</i>	7.0	6.8	6.7	6.7	6.7
CPI inflation	3.3	1.4	3.2	2.8	3.1
<i>Previous</i>	3.3	1.5	3.6	3.0	3.1

1 Averages for final quarter of period shown.

Consumer spending. Real consumer spending is expected to post a gain of 2-1/2 percent (annual rate) in the fourth quarter. Even allowing for some moderation in light vehicle sales from the strong October pace, spending on new cars and light trucks is projected to rise at a double-digit annual rate in the current quarter. Expenditures on other types of consumer goods are likely to register another healthy gain, led by strong sales of appliances, home furnishings, and electronic equipment. In contrast, growth in outlays for services is projected to slow, on the assumption that consumer energy use returns to normal after hitting unusually high levels during the summer.

the almost 1 percentage point drag projected for 1993. (A detailed discussion of these developments is contained in the International Developments section.)

Labor markets. Labor productivity is projected to increase around 1 percent in both 1993 and 1994. At this stage of the business cycle, the most rapid productivity gains likely are behind us, and we expect growth in output per hour to average less than the estimated trend (of almost 1-1/2 percent) over the forecast period. Under these circumstances, future increases in output generate further steady growth in employment, with monthly payroll gains of about 150,000 per month in 1994. With labor force participation projected to inch upward, these gains in jobs are expected to suffice only to hold the unemployment rate at its recent level

STAFF LABOR MARKET PROJECTIONS
(Percent change, Q4 TO Q4, except as noted)

	1992	1993	1994
Output per hour, nonfarm business	3.7	1.1	1.1
<i>Previous</i>	3.7	.0	1.4
Nonfarm payroll employment	.7	1.7	1.6
<i>Previous</i>	.7	1.6	1.5
Civilian unemployment rate ¹	7.3	6.8	6.7
<i>Previous</i>	7.3	6.7	6.7

1 Average for the fourth quarter

Labor costs. Although the various data series on labor costs paint a far from uniform picture, we are interpreting them as generally indicating an essentially flat trend of increases in hourly compensation over the past year or so--in the face of unemployment averaging about 7 percent Structural changes in the economy (such as the downsizing of the defense industry) may be raising the "natural rate" of unemployment, but the prevailing slack in labor markets--and the widespread concern about job

that the prices of gasoline and heating oil declined in early November; however we expect these prices to firm in the next few months because of the passthrough of the higher crude oil costs that we have built into the projection. In addition, we have made an allowance for a repetition in the first quarter of 1994 of the seasonal adjustment problems that overstated increases in the CPI excluding food and energy earlier this year ⁴

Looking at 1994 as a whole, we anticipate some further progress in reducing core inflation. Although increases in hourly compensation flatten out, businesses remain intent on cutting costs and improving efficiency. These actions will hold down the rate of increase in unit labor costs over the projection period and--with an abatement of the cyclical rise in the markup--should lead to a further deceleration of prices. However, owing to the adverse movements in food and energy prices noted above, the overall CPI is expected to accelerate from a 2-3/4 percent rise this year to just over 3 percent in 1994.

STAFF INFLATION PROJECTIONS
(Percent change, Q4 TO Q4, except as noted)

	1992	1993	1994
Consumer price index	3.1	2.8	3.1
<i>Previous</i>	3.1	3.0	3.1
Excluding food and energy	3.4	3.1	2.9
<i>Previous</i>	3.4	3.1	2.9
ECI for compensation of private industry workers ¹	3.5	3.6	3.5
<i>Previous</i>	3.5	3.6	3.4

1 December to December

4. The BLS has yet not decided whether it will change its seasonal adjustment methodology to smooth out these seasonal problems in the first quarter.

Strictly Confidential (FR)
Class II FOMCSTAFF PROJECTIONS OF CHANGES IN GDP, PRICES, AND UNEMPLOYMENT
(Percent, annual rate)

November 10, 1993

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index ¹		Unemployment rate (level except as noted)	
	9/15/93	11/10/93	9/15/93	11/10/93	9/15/93	11/10/93	9/15/93	11/10/93	9/15/93	11/10/93
ANNUAL										
1991 ²	3.2	3.2	-.7	-.7	4.0	4.1	4.2	4.2	6.7	6.7
1992 ²	5.5	5.5	2.6	2.6	3.3	3.3	3.0	3.0	7.4	7.4
1993	5.3	5.5	2.6	2.8	3.1	3.2	3.0	3.0	6.9	6.9
1994	4.9	5.1	2.5	2.8	2.7	2.8	3.1	3.0	6.7	6.7
1995		4.6		2.5		2.6		2.8		6.6
QUARTERLY										
1992 Q1 ²	7.4	7.4	3.5	3.5	4.2	4.2	3.5	3.5	7.3	7.3
Q2 ²	5.7	5.7	2.8	2.8	3.4	3.4	2.9	2.9	7.5	7.5
Q3 ²	4.6	4.6	3.4	3.4	2.5	2.5	2.9	2.9	7.5	7.5
Q4 ²	9.2	9.2	5.7	5.7	3.1	3.1	3.2	3.2	7.3	7.3
1993 Q1 ²	4.4	4.4	.8	.8	4.3	4.3	3.7	3.7	7.0	7.0
Q2 ²	4.2	4.3	1.8	1.9	2.8	2.8	2.8	2.8	7.0	7.0
Q3 ²	3.5	4.4	1.2	2.8	2.1	2.1	1.5	1.4	6.8	6.7
Q4	5.8	6.6	3.4	4.0	3.0	3.1	3.6	3.2	6.7	6.8
1994 Q1	5.4	5.3	3.0	2.7	2.8	3.1	3.8	3.6	6.7	6.7
Q2	4.7	4.8	2.3	2.3	2.7	2.8	3.0	3.1	6.7	6.7
Q3	4.6	4.6	2.4	2.4	2.5	2.6	2.8	2.9	6.7	6.7
Q4	4.5	4.5	2.4	2.4	2.5	2.5	2.7	2.8	6.7	6.7
1995 Q1		4.9		2.5		2.9		3.0		6.7
Q2		4.5		2.5		2.5		2.7		6.7
Q3		4.4		2.5		2.4		2.6		6.6
Q4		4.4		2.5		2.5		2.6		6.6
TWO-QUARTER³										
1992 Q2 ²	6.6	6.6	3.2	3.2	3.9	3.9	3.2	3.2	.5	.5
Q4 ²	6.9	6.9	4.6	4.6	2.8	2.8	2.9	2.9	-.2	-.2
1993 Q2 ²	4.3	4.3	1.3	1.3	3.4	3.4	3.4	3.4	-.3	-.3
Q4	4.7	5.5	2.3	3.4	2.5	2.7	2.6	2.2	-.3	-.2
1994 Q2	5.0	5.1	2.7	2.5	2.7	3.0	3.4	3.4	.0	-.1
Q4	4.5	4.5	2.4	2.4	2.5	2.5	2.8	2.8	.0	.0
1995 Q2		4.7		2.5		2.7		2.9		.0
Q4		4.4		2.5		2.5		2.6		-.1
FOUR-QUARTER⁴										
1991 Q4 ²	3.7	3.7	.3	.3	3.6	3.6	3.0	3.0	1.0	1.0
1992 Q4 ²	6.7	6.7	3.9	3.9	3.3	3.3	3.1	3.1	.3	.3
1993 Q4	4.5	4.9	1.8	2.4	3.0	3.1	3.0	2.8	-.6	-.5
1994 Q4	4.8	4.8	2.5	2.5	2.6	2.7	3.1	3.1	.0	-.1
1995 Q4		4.6		2.5		2.6		2.8		-.1

1. For all urban consumers.

2. Actual.

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.

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

November 10, 1993

Item	Unit ¹	Projected								
		1987	1988	1989	1990	1991	1992	1993	1994	1995
EXPENDITURES										
Nominal GDP	Bill. \$	4539.9	4900.4	5250.8	5546.1	5722.9	6038.5	6371.3	6699.1	7008.1
Real GDP	Bill. 87\$	4540.0	4718.6	4838.0	4897.3	4861.4	4986.3	5126.7	5269.1	5398.8
Real GDP	% change	4.5	3.3	1.6	.2	.3	3.9	2.4	2.5	2.5
Gross domestic purchases		3.9	2.5	.9	-.4	-.2	4.3	3.3	3.0	2.6
Final sales		2.7	4.2	1.5	1.2	-.3	3.8	2.3	2.1	2.5
Private dom. final purch.		1.9	4.2	.5	-.1	-.7	5.0	4.2	3.2	3.0
Personal cons. expend.		2.1	4.2	1.2	.7	.0	4.0	2.7	2.0	2.1
Durables		-2.6	8.5	-.5	-.8	-.4	9.7	6.2	3.2	2.7
Nondurables		1.4	3.2	1.2	-.1	-1.3	3.6	1.3	1.2	1.6
Services		3.7	3.7	1.7	1.7	.9	2.8	2.6	2.1	2.1
Business fixed invest.		3.0	5.5	-.4	.7	-6.3	7.4	13.0	8.7	8.3
Producers' dur. equip.		2.4	9.1	-1.7	2.9	-3.3	11.4	16.8	9.9	8.9
Nonres. structures		4.4	-1.2	2.3	-3.9	-12.6	-2.0	3.1	4.9	6.4
Res. structures		-3.1	.9	-7.7	-15.2	1.6	17.6	4.8	7.5	1.8
Exports		12.6	13.5	11.3	6.7	8.4	4.9	2.4	5.6	8.1
Imports		4.7	3.6	2.6	.4	4.2	8.5	9.7	9.3	7.7
Government purchases		3.3	.2	2.0	3.3	-.7	1.1	-1.2	-.2	.5
Federal		3.7	-3.4	-.6	2.8	-3.7	.4	-6.3	-3.8	-2.6
Defense		4.5	-3.2	-1.5	1.5	-7.3	-1.4	-9.3	-6.0	-4.4
State and local		2.9	2.9	4.0	3.6	1.5	1.6	2.2	1.9	2.2
Change in bus. invent.	Bill. 87\$	26.3	19.9	29.8	5.7	-8.4	6.5	15.8	29.0	35.3
Nonfarm		32.7	26.9	29.9	3.2	-8.6	2.7	21.0	30.4	34.5
Net exports		-143.0	-104.0	-73.7	-54.7	-19.1	-33.6	-75.2	-106.5	-119.6
Nominal GDP	% change	8.0	7.7	6.0	4.7	3.7	6.7	4.9	4.8	4.6
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employ.	Millions	102.0	105.2	107.9	109.4	108.3	108.5	110.2	112.0	113.7
Unemployment rate	%	6.2	5.5	5.3	5.5	6.7	7.4	6.9	6.7	6.6
Industrial prod. index	% change	6.3	3.2	-.1	-.2	-.3	3.2	3.8	3.4	3.2
Capacity util. rate-mfg.	%	81.6	83.6	83.1	81.1	77.8	78.8	80.9	82.1	82.8
Housing starts	Millions	1.62	1.49	1.38	1.19	1.01	1.20	1.26	1.39	1.43
Auto sales in U.S.		10.24	10.63	9.91	9.50	8.39	8.38	8.68	8.89	9.05
North American produced		7.07	7.54	7.08	6.90	6.14	6.28	6.70	6.96	7.15
Other		3.18	3.10	2.83	2.60	2.25	2.11	1.98	1.93	1.90
INCOME AND SAVING										
Nominal GNP	Bill. \$	4544.5	4908.2	5266.8	5567.8	5737.1	6045.8	6368.7	6693.1	7000.3
Nominal GNP	% change	8.1	7.8	6.1	4.9	3.3	6.5	4.8	4.8	4.5
Nominal personal income		7.4	7.1	6.5	6.5	3.5	8.1	3.3	5.1	5.2
Real disposable income		2.1	3.2	1.1	1.1	.7	4.9	.6	1.9	2.1
Personal saving rate	%	4.3	4.4	4.0	4.2	4.8	5.3	4.0	4.0	4.1
Corp. profits, IVA&CCAdj	% change	29.7	10.2	-6.3	2.3	4.4	16.0	6.1	2.5	2.1
Profit share of GNP	%	7.0	7.4	6.9	6.8	6.4	6.7	7.1	7.1	7.0
Federal surpl./def.	Bill. \$	-151.8	-136.6	-122.3	-163.5	-203.4	-276.3	-220.2	-158.8	-151.5
State/local surpl./def.		40.1	38.4	44.8	25.1	7.3	7.2	.5	4.5	10.1
Ex. social ins. funds		-14.7	-18.4	-17.5	-35.6	-51.2	-52.2	-58.2	-53.5	-47.1
PRICES AND COSTS										
GDP implicit deflator	% change	3.4	4.2	4.3	4.5	3.4	2.8	2.5	2.3	2.0
GDP fixed-wt. price index		3.4	4.2	4.4	4.6	3.6	3.3	3.1	2.7	2.6
Gross domestic purchases		3.9	4.1	4.4	5.2	3.1	3.3	2.8	2.7	2.6
fixed-wt. price index		4.5	4.3	4.6	6.2	3.0	3.1	2.8	3.1	2.8
CPI		4.3	4.5	4.4	5.2	4.5	3.4	3.1	2.9	2.7
Ex. food and energy										
ECI, hourly compensation ²		3.3	4.8	4.8	4.6	4.4	3.5	3.6	3.5	3.4
Nonfarm business sector										
Output per hour		1.9	.5	-1.4	.4	2.2	3.6	1.1	1.1	1.3
Compensation per hour		3.9	3.8	3.1	6.2	4.7	5.2	3.0	3.5	3.5
Unit labor cost		1.9	3.3	4.6	5.7	2.5	1.5	1.8	2.4	2.1

1. Percent changes are from fourth quarter to fourth quarter.

2. Private-industry workers.

Item	Unit	1991				1992				1993	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EXPENDITURES											
Nominal GDP	Bill. \$	5631.7	5697.7	5758.6	5803.7	5908.7	5991.4	6059.5	6194.4	6261.6	6327.6
Real GDP	Bill. 87\$	4837.8	4855.6	4872.6	4879.6	4922.0	4956.5	4998.2	5068.3	5078.2	5102.1
Real GDP	% change	-2.4	1.5	1.4	.6	3.5	2.8	3.4	5.7	.8	1.9
Gross domestic purchases		-3.6	.8	2.4	-.1	3.4	4.7	3.8	5.4	2.5	3.1
Final sales		-2.7	1.9	-.4	-.1	4.5	1.4	3.7	5.8	-.8	3.2
Private dom. final purch.		-5.4	1.1	1.2	.2	4.8	4.3	4.0	7.1	2.5	4.4
Personal cons. expend.		-2.8	1.8	1.3	.0	4.3	1.8	4.2	5.6	.8	3.4
Durables		-11.4	1.6	10.4	-1.0	14.7	.8	10.7	13.2	-1.3	10.8
Nondurables		-3.5	1.1	-.7	-2.0	3.1	1.1	3.0	7.3	-2.1	2.7
Services		-.2	2.2	.3	1.5	2.6	2.4	3.3	2.9	3.1	2.1
Business fixed invest.		-13.2	-2.7	-3.8	-5.1	3.5	15.1	3.8	7.6	14.4	16.6
Producers' dur. equip.		-15.3	.1	5.3	-2.2	2.8	22.0	10.2	11.5	19.9	19.8
Nonres. structures		-8.5	-8.7	-21.3	-11.3	4.9	.3	-10.3	-2.1	.5	8.1
Res. structures		-25.5	1.2	17.3	20.3	16.8	21.8	1.2	32.8	1.5	-9.5
Exports		-.8	19.4	3.0	13.3	4.9	-.6	6.5	8.8	-2.4	3.6
Imports		-11.1	11.7	11.8	6.3	3.8	15.9	9.2	5.6	11.6	13.3
Government purchases		2.8	1.4	-2.0	-4.7	3.0	-1.0	4.1	-1.4	-6.4	4.3
Federal		7.8	-.2	-6.9	-14.2	.0	-3.1	8.7	-3.5	-16.2	2.0
Defense		9.1	-4.4	-12.3	-19.2	-5.5	-5.0	10.5	-4.6	-21.4	.7
State and local		-.5	2.6	1.7	2.2	5.0	.4	1.2	.0	.3	5.6
Change in bus. invent.	Bill. 87\$	-17.4	-22.3	-.9	7.1	-5.0	12.6	9.6	8.7	29.3	13.0
Nonfarm		-18.7	-26.2	.0	10.3	-9.6	7.0	5.8	7.5	29.3	17.1
Net exports		-21.6	-13.3	-25.0	-16.4	-15.2	-38.0	-42.5	-38.8	-59.9	-75.2
Nominal GDP	% change	2.4	4.8	4.3	3.2	7.4	5.7	4.6	9.2	4.4	4.3
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	108.6	108.2	108.2	108.1	108.1	108.4	108.6	108.9	109.4	110.0
Unemployment rate ¹	%	6.5	6.7	6.7	7.0	7.3	7.5	7.5	7.3	7.0	7.0
Industrial prod. index	% change	-7.2	.3	5.5	.3	.8	4.7	.8	6.7	5.5	2.3
Capacity util. rate-mfg. ¹	%	77.5	77.4	78.2	78.1	78.1	78.8	78.7	79.6	80.5	80.8
Housing starts	Millions	.90	1.01	1.04	1.09	1.26	1.14	1.18	1.25	1.16	1.23
Auto sales in U.S.		8.39	8.35	8.55	8.25	8.40	8.45	8.24	8.45	8.35	8.95
North American produced		6.16	6.05	6.25	6.09	6.15	6.29	6.24	6.43	6.38	6.90
Other		2.24	2.30	2.31	2.16	2.25	2.16	2.00	2.02	1.97	2.06
INCOME AND SAVING											
Nominal GNP	Bill. \$	5656.1	5710.6	5766.2	5815.5	5927.6	5996.3	6067.3	6191.9	6262.1	6327.1
Nominal GNP	% change	1.9	3.9	4.0	3.5	7.9	4.7	4.8	8.5	4.6	4.2
Nominal personal income		2.1	4.2	2.1	5.8	7.5	6.2	3.7	15.5	-5.4	9.3
Real disposable income		-.4	1.9	-.9	2.2	4.2	3.1	1.9	10.6	-7.8	5.8
Personal saving rate ¹	%	4.8	4.9	4.4	4.9	5.0	5.3	4.9	6.0	3.9	4.4
Corp. profits, IVA&CCAdj	% change	7.4	1.6	-12.1	24.0	37.1	1.8	-36.5	104.6	-6.6	26.3
Profit share of GNP ¹	%	6.5	6.5	6.2	6.5	6.9	6.9	6.1	7.1	6.9	7.2
Federal govt. surpl./def.	Bill. \$	-145.2	-206.2	-217.7	-244.7	-270.2	-279.9	-290.7	-264.2	-263.5	-222.6
State/local surpl./def.		6.1	5.5	5.5	12.1	6.1	7.8	1.2	13.5	.8	1.1
Ex. social ins. funds		-52.5	-53.1	-52.9	-46.5	-52.8	-51.8	-58.3	-46.0	-58.2	-57.8
PRICES AND COSTS											
GDP implicit deflator	% change	5.0	3.2	2.9	2.6	3.8	2.8	1.2	3.3	3.6	2.3
GDP fixed-wt. price index		5.1	3.4	3.4	2.7	4.2	3.4	2.5	3.1	4.3	2.8
Gross domestic purchases		3.6	2.5	3.1	3.0	3.9	3.3	3.0	2.8	3.5	2.9
fixed-wt. price index		3.6	2.1	2.7	3.3	3.5	2.9	2.9	3.2	3.7	2.8
CPI		6.5	3.8	4.0	3.7	4.2	3.3	2.7	3.6	4.1	3.5
Ex. food and energy		4.6	4.9	4.4	3.7	4.0	2.9	3.2	3.5	4.2	3.5
ECI, hourly compensation ²		4.6	4.9	4.4	3.7	4.0	2.9	3.2	3.5	4.2	3.5
Nonfarm business sector		1.9	2.7	.8	3.4	3.8	2.8	3.6	4.2	-1.8	-.4
Output per hour		4.4	4.9	4.6	4.9	5.6	4.7	5.9	4.6	2.9	1.9
Compensation per hour		2.5	2.2	3.7	1.5	1.7	1.8	2.2	.4	4.8	2.3
Unit labor cost											

1. Not at an annual rate.

2. Private-industry workers.

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

November 10, 1993

Item	Units	Projected									
		1993		1994				1995			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GDP	Bill. \$	6396.3	6499.5	6584.5	6662.6	6737.7	6811.6	6893.2	6970.1	7046.3	7122.9
Real GDP	Bill. '87\$	5138.0	5188.5	5223.2	5253.1	5284.2	5315.8	5348.7	5382.0	5415.4	5449.1
Real GDP	% change	2.8	4.0	2.7	2.3	2.4	2.4	2.5	2.5	2.5	2.5
Gross domestic purchases		3.2	4.4	3.5	2.9	2.8	2.8	2.5	2.7	2.6	2.5
Final sales		3.3	3.5	2.0	1.9	2.2	2.2	2.5	2.3	2.5	2.6
Private dom. final purch.		4.8	4.9	3.4	3.0	3.3	3.1	3.0	2.9	3.1	3.0
Personal cons. expend.		4.2	2.5	1.8	1.7	2.3	2.1	2.0	2.0	2.2	2.2
Durables		7.5	8.0	3.5	2.6	3.9	2.8	2.5	2.3	3.0	3.0
Nondurables		3.4	1.4	.8	.8	1.7	1.7	1.6	1.6	1.7	1.7
Services		3.7	1.7	1.9	2.0	2.2	2.2	2.1	2.1	2.2	2.2
Business fixed invest.		6.3	15.1	9.5	8.9	8.1	8.2	8.3	8.4	8.3	8.4
Producers' dur. equip.		9.0	18.8	11.1	10.2	9.2	9.1	9.0	9.0	8.9	8.9
Nonres. structures		-.8	4.7	4.6	4.8	4.9	5.3	6.0	6.3	6.5	6.8
Res. structures		10.1	19.1	13.7	7.6	5.1	4.0	3.2	2.0	1.3	.5
Exports		-1.1	10.0	5.3	5.3	5.5	6.5	7.1	7.7	8.5	9.1
Imports		1.9	12.4	11.1	9.2	8.1	8.7	6.4	8.0	8.1	8.1
Government purchases		-1.1	-1.0	-.2	-.4	-.3	-.1	.3	.5	.5	.6
Federal		-6.1	-4.2	-3.7	-4.1	-3.8	-3.7	-2.8	-2.6	-2.5	-2.3
Defense		-8.3	-6.5	-5.9	-6.2	-6.0	-6.0	-4.8	-4.5	-4.3	-4.0
State and local		2.1	1.0	2.0	1.8	1.8	2.0	2.2	2.2	2.2	2.3
Change in bus. invent.	Bill. '87\$	7.3	13.7	22.7	28.6	30.6	33.9	33.9	36.3	36.1	35.0
Nonfarm		17.9	19.7	26.2	30.4	31.1	33.8	33.4	35.6	35.2	34.0
Net exports		-80.1	-85.6	-96.2	-104.1	-110.1	-115.7	-116.5	-119.2	-121.0	-121.8
Nominal GDP	% change	4.4	6.6	5.3	4.8	4.6	4.5	4.9	4.5	4.4	4.4
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	110.4	110.8	111.3	111.8	112.2	112.6	113.0	113.5	113.9	114.3
Unemployment rate ¹	%	6.7	6.8	6.7	6.7	6.7	6.7	6.7	6.7	6.6	6.6
Industrial prod. index	% change	1.8	5.4	4.0	3.0	3.2	3.5	3.2	3.2	3.2	3.2
Capacity util. rate-mfg ¹	%	80.7	81.6	82.0	82.0	82.2	82.4	82.6	82.7	82.9	83.0
Housing starts	Millions	1.30	1.36	1.37	1.39	1.39	1.41	1.41	1.43	1.43	1.43
Auto sales in U.S.		8.60	8.82	8.80	8.84	8.93	8.97	9.01	9.03	9.07	9.10
North American produced		6.63	6.90	6.87	6.90	7.00	7.05	7.10	7.13	7.17	7.20
Other		1.97	1.92	1.93	1.94	1.93	1.92	1.91	1.90	1.90	1.90
INCOME AND SAVING											
Nominal GNP	Bill. \$	6394.3	6491.1	6580.8	6654.4	6733.0	6804.2	6888.7	6961.2	7040.0	7111.3
Nominal GNP	% change	4.3	6.2	5.6	4.5	4.8	4.3	5.1	4.3	4.6	4.1
Nominal personal income		2.7	7.3	5.4	4.8	4.6	5.5	6.4	4.7	4.5	5.3
Real disposable income		1.1	4.0	1.4	.9	2.9	2.5	2.7	1.7	1.5	2.4
Personal saving rate ¹	%	3.7	4.1	4.0	3.8	4.0	4.1	4.2	4.1	4.0	4.0
Corp. profits, IVA&CCAdj	% change	3.8	3.5	9.5	.7	.3	-.4	5.9	1.5	.2	1.0
Profit share of GNP ¹	%	7.2	7.2	7.3	7.2	7.1	7.0	7.0	7.0	6.9	6.9
Federal govt. surpl./def.	Bill. \$	-197.3	-197.4	-172.6	-150.3	-152.4	-159.8	-157.7	-152.0	-142.2	-154.2
State/local surpl./def.		-2.9	3.2	4.4	2.3	5.2	6.1	6.8	7.6	11.9	14.1
Ex. social ins. funds		-61.5	-55.3	-53.9	-55.8	-52.7	-51.6	-50.7	-49.7	-45.2	-42.8
PRICES AND COSTS											
GDP implicit deflator	% change	1.5	2.5	2.6	2.5	2.1	2.0	2.3	2.0	1.9	1.9
GDP fixed-wt. price index		2.1	3.1	3.1	2.8	2.6	2.5	2.9	2.5	2.4	2.5
Gross domestic purchases		1.8	3.0	3.1	2.7	2.6	2.5	2.9	2.5	2.5	2.4
fixed-wt. price index		1.4	3.2	3.6	3.1	2.9	2.8	3.0	2.7	2.6	2.6
CPI		1.9	2.8	3.2	2.8	2.8	2.8	3.1	2.7	2.6	2.6
Ex. food and energy											
ECI, hourly compensation ²		3.4	3.5	3.5	3.5	3.5	3.5	3.4	3.4	3.4	3.4
Nonfarm business sector											
Output per hour		3.9	2.9	1.0	1.0	1.2	1.2	1.3	1.4	1.3	1.3
Compensation per hour		3.5	3.7	3.8	3.4	3.4	3.4	3.7	3.4	3.4	3.4
Unit labor cost		-.4	.7	2.7	2.4	2.2	2.2	2.4	2.0	2.1	2.1

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 10, 1993

Item	1991				1992				1993		Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1990	1991	1992	1993
Real GDP	-29.4	17.8	17.0	7.0	42.4	34.5	41.7	70.1	9.9	23.9	10.5	12.4	188.7	120.2
Gross domestic purchases	-44.6	9.6	28.6	-1.6	41.1	57.4	46.2	66.4	31.0	39.3	-20.1	-8.0	211.1	167.0
Final sales	-32.8	22.8	-4.5	-1.0	54.4	16.9	44.8	71.0	-10.7	40.2	56.2	-15.5	187.1	115.2
Private dom. final purch.	-54.5	11.1	11.9	1.8	46.3	42.1	39.8	70.6	26.0	45.7	-4.2	-29.7	198.8	172.9
Personal cons. expend.	-23.2	14.2	10.2	.4	34.8	14.5	34.1	46.3	6.6	28.9	23.9	1.6	129.7	92.0
Durables	-12.9	1.7	10.6	-1.1	15.1	.9	11.5	14.4	-1.5	12.3	-3.6	-1.7	41.9	29.1
Nondurables	-9.3	2.9	-1.8	-5.3	8.0	3.0	7.9	18.9	-5.8	7.1	-1.4	-13.5	37.8	14.2
Services	-1.0	9.6	1.4	6.8	11.7	10.6	14.7	13.0	13.9	9.5	28.9	16.8	50.0	48.7
Business fixed invest.	-18.8	-3.6	-5.0	-6.7	4.4	18.3	5.0	9.9	18.6	22.0	3.5	-34.1	37.6	70.9
Producers' dur. equip.	-14.9	.1	4.6	-2.0	2.5	18.2	9.2	10.6	18.4	19.1	10.5	-12.2	40.5	66.3
Nonres. structures	-3.8	-3.8	-9.6	-4.6	1.8	.1	-4.1	-.8	.2	2.9	-7.0	-21.8	-3.0	4.5
Res. structures	-12.5	.5	6.7	8.1	7.1	9.4	.6	14.4	.8	-5.2	-31.7	2.8	31.5	10.0
Change in bus. invent.	3.5	-4.9	21.4	8.0	-12.1	17.6	-3.0	-.9	20.6	-16.3	-45.8	28.0	1.6	5.0
Nonfarm	.0	-7.5	26.2	10.3	-19.9	16.6	-1.2	1.7	21.8	-12.2	-49.9	29.0	-2.8	12.2
Farm	3.4	2.5	-4.7	-2.3	7.8	1.0	-1.8	-2.6	-1.2	-4.1	4.2	-1.1	4.4	-7.2
Net exports	15.2	8.3	-11.7	8.6	1.2	-22.8	-4.5	3.7	-21.1	-15.3	30.6	20.4	-22.4	-46.8
Exports	-1.0	23.5	4.0	17.3	6.8	-.8	9.1	12.3	-3.6	5.2	32.7	43.8	27.4	14.2
Imports	-16.2	15.2	15.7	8.8	5.5	22.0	13.6	8.5	17.6	20.5	2.2	23.5	49.6	61.1
Government purchases	6.5	3.4	-4.7	-11.4	6.9	-2.4	9.5	-3.3	-15.6	9.8	29.8	-6.2	10.7	-10.9
Federal	7.3	-.2	-7.0	-14.5	.0	-2.9	7.8	-3.3	-16.1	1.8	10.4	-14.4	1.6	-23.7
Defense	6.3	-3.3	-9.3	-14.5	-3.7	-3.3	6.5	-3.1	-15.3	.4	4.2	-20.8	-3.6	-24.2
Nondefense	1.0	3.1	2.3	.0	3.7	.4	1.2	-.1	-.9	1.5	6.1	6.4	5.2	.5
State and local	-.7	3.6	2.3	3.1	6.9	.5	1.7	.0	.5	7.9	19.3	8.3	9.1	12.8

1. Annual changes are from Q4 to Q4.

1993

Item	Projected										Projected			
	1993		1994				1995				1992	1993	1994	1995
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP	35.9	50.5	34.7	29.9	31.1	31.6	32.9	33.3	33.3	33.8	188.7	120.2	127.3	133.3
Gross domestic purchases	40.7	56.0	45.3	37.8	37.1	37.3	33.6	36.0	35.2	34.6	211.1	167.0	157.5	139.4
Final sales	41.7	44.0	25.7	24.0	29.1	28.2	32.9	30.9	33.6	34.9	187.1	115.2	107.1	132.3
Private dom. final purch.	49.3	51.9	36.7	32.8	35.7	34.1	32.9	32.5	34.2	34.1	198.8	172.9	139.3	133.8
Personal cons. expend.	35.2	21.3	15.4	15.1	20.2	18.8	17.6	17.5	19.4	19.4	129.7	92.0	69.5	73.9
Durables	8.8	9.5	4.3	3.2	4.9	3.6	3.2	3.0	3.9	4.0	41.9	29.1	16.1	14.1
Nondurables	9.2	3.7	2.2	2.2	4.6	4.7	4.4	4.4	4.7	4.7	37.8	14.2	13.7	18.3
Services	17.2	8.1	8.9	9.7	10.7	10.6	10.0	10.1	10.7	10.7	50.0	48.7	39.8	41.5
Business fixed invest.	9.0	21.3	14.1	13.5	12.6	13.0	13.4	13.8	14.1	14.4	37.6	70.9	53.2	55.7
Producers' dur. equip.	9.4	19.4	12.3	11.7	10.8	10.9	11.1	11.3	11.4	11.7	40.5	66.3	45.7	45.4
Nonres. structures	-.3	1.7	1.7	1.8	1.9	2.1	2.3	2.5	2.6	2.8	-3.0	4.5	7.5	10.2
Res. structures	5.0	9.4	7.2	4.2	2.9	2.3	1.9	1.2	.8	.3	31.5	10.0	16.6	4.2
Change in bus. invent.	-5.7	6.4	9.0	5.9	2.0	3.4	.0	2.4	-.2	-1.1	1.6	5.0	20.3	1.0
Nonfarm	.8	1.8	6.5	4.2	.7	2.8	-.4	2.2	-.4	-1.2	-2.8	12.2	14.2	.1
Farm	-6.5	4.6	2.5	1.7	1.3	.6	.4	.2	.2	.1	4.4	-7.2	6.1	.9
Net exports	-4.9	-5.5	-10.6	-7.9	-6.0	-5.7	-.8	-2.7	-1.8	-.8	-22.4	-46.8	-30.1	-6.1
Exports	-1.7	14.3	7.8	7.9	8.3	9.9	11.1	12.1	13.6	14.9	27.4	14.2	34.0	51.8
Imports	3.1	19.9	18.4	15.8	14.3	15.6	11.8	14.8	15.4	15.7	49.6	61.1	64.2	57.8
Government purchases	-2.7	-2.4	-.4	-.9	-.6	-.2	.8	1.1	1.2	1.5	10.7	-10.9	-2.1	4.6
Federal	-5.6	-3.8	-3.3	-3.6	-3.3	-3.2	-2.4	-2.2	-2.1	-1.9	1.6	-23.7	-13.4	-8.6
Defense	-5.3	-4.0	-3.6	-3.7	-3.5	-3.5	-2.7	-2.5	-2.4	-2.2	-3.6	-24.2	-14.3	-9.8
Nondefense	-.4	.3	.3	.1	.2	.3	.3	.3	.3	.3	5.2	.5	.9	1.2
State and local	3.0	1.4	2.9	2.7	2.7	3.0	3.2	3.3	3.3	3.4	9.1	12.8	11.3	13.2

H
I
II
9

1. Annual changes are from Q4 to Q4.

Item	Fiscal year				1993				1994				1995			
	1992 ^a	1993 ^b	1994	1995	Q1 ^a	Q2 ^a	Q3 ^b	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UNIFIED BUDGET																
Receipts ¹	1090	1153	1238	1307	262	331	295	277	276	371	313	292	287	404	323	305
Outlays ¹	1381	1408	1480	1525	324	349	349	371	368	367	374	380	386	378	381	396
Surplus/deficit ¹	-290	-255	-242	-218	-62	-18	-54	-94	-92	4	-61	-88	-99	26	-57	-91
On-budget	-340	-301	-304	-286	-89	-49	-54	-107	-101	-33	-64	-102	-109	-13	-62	-107
Off-budget	50	46	61	68	27	31	0	13	9	37	3	14	10	39	4	15
Surplus excluding deposit insurance ²	-287	-282	-238	-224	-68	-25	-61	-95	-91	9	-60	-88	-102	26	-60	-93
Means of financing																
Borrowing	311	249	240	239	60	61	46	88	78	28	46	84	93	11	51	83
Cash decrease	-17	6	13	-10	8	-39	8	16	13	-26	10	10	10	-30	0	20
Other ³	-4	0	-10	-11	-6	-4	0	-10	1	-6	4	-6	-4	-7	6	-12
Cash operating balance, end of period	59	53	40	50	22	61	53	36	24	50	40	30	20	50	50	30
NIPA FEDERAL SECTOR																
Receipts	1163	1248	1349	1420	1218	1268	1283	1308	1349	1371	1369	1384	1416	1432	1447	1463
Expenditures	1435	1485	1518	1573	1482	1491	1480	1506	1522	1522	1522	1544	1574	1584	1589	1617
Purchases	445	446	438	438	443	448	442	440	440	438	436	434	439	439	438	438
Defense	313	308	295	289	305	308	302	299	297	294	291	288	290	289	287	286
Nondefense	132	139	143	149	138	140	140	141	143	144	145	146	149	150	151	152
Other expenditures	990	1038	1079	1135	1039	1043	1038	1066	1081	1084	1086	1110	1135	1145	1151	1180
Surplus/deficit	-271	-237	-168	-153	-264	-223	-197	-197	-173	-150	-152	-160	-158	-152	-142	-154
FISCAL INDICATORS⁴																
High-employment (HEB) surplus/deficit	-212	-189	-127	-112	-215	-172	-150	-154	-131	-109	-112	-119	-116	-111	-101	-114
Change in HEB, percent of potential GDP	.9	-.4	-1	-.2	0	-.7	-.4	.1	-.3	-.3	0	.1	0	-.1	-.1	.2
Fiscal impetus (FI), percent, cal. year	-4.4	-4.8	-7.5	-4.9	-4.9	1.3	-1.4	-1	-4.3	-2.6	-.2	-1.2	-2.4	-.7	-.6	-.5

1. OMB's September deficit estimates are \$285 billion in FY93, \$259 billion in FY94, and \$200 billion in FY95. CBO's September deficit estimates of the budget are \$266 billion in FY93, \$253 billion in FY94, and \$196 billion in FY95. 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 September deficit estimates, excluding deposit insurance spending, are \$311 billion in FY93, \$250 billion in FY94, and \$209 billion in FY95. CBO's September deficit estimates, excluding deposit insurance spending, are \$292 billion in FY93, \$240 billion in FY94, and \$260 billion in FY95.

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--Unified and N.I.P.A. data are actuals except for N.I.P.A. corporate profit taxes which is a staff projection.

Confidential FP Class II
November 10, 1993

CHANGE IN DEBT OF THE DOMESTIC NONFINANCIAL SECTORS¹
(Percent)

	-----Nonfederal-----							-----MEMO-----	
	Total ²	Federal govt.	Households			State and local govt.	Private financial assets	Nominal GDP	
Year		Total	Total	Home mtg.	Cons. credit	Business			
1981	9.7	11.6	9.3	7.5	7.0	4.8	11.9	5.2	10.3
1982	9.8	19.7	7.4	5.5	4.7	4.4	8.8	9.3	9.6
1983	11.9	18.9	10.1	11.1	10.8	12.6	9.3	9.7	12.4
1984	14.5	16.9	13.8	12.8	11.7	18.7	15.6	9.1	12.6
1985	15.5	16.5	15.2	15.3	13.2	15.8	12.1	31.3	12.1
1986	12.3	13.6	11.9	12.0	14.3	9.6	12.2	10.5	7.3
1987	9.5	8.0	9.9	12.4	14.9	5.0	7.1	13.4	8.4
1988	8.8	8.0	9.0	10.8	11.8	7.2	7.9	7.0	8.0
1989	7.8	7.0	8.0	9.0	10.2	6.7	7.0	8.4	7.7
1990	6.3	11.0	4.9	6.2	7.7	1.7	3.4	6.7	4.3
1991	4.4	11.1	2.4	4.7	6.7	-1.6	-0.9	7.2	-0.6
1992	5.2	10.9	3.3	5.7	6.6	1.2	0.1	6.4	0.7
1993	4.6	8.3	3.4	5.3	5.4	5.4	0.5	6.0	-1.2
1994	4.9	7.1	4.1	6.1	6.2	7.6	1.7	4.6	0.3
1995	5.0	6.7	4.4	6.1	6.5	6.3	2.4	4.4	0.8
									4.6
Quarter (seasonally adjusted annual rates)									
1992:1	5.4	11.7	3.3	5.4	8.2	-1.2	0.4	6.7	3.5
2	5.2	12.3	2.7	4.6	4.0	-1.8	-0.3	7.1	0.1
3	5.3	10.2	3.7	5.6	7.5	1.7	0.6	7.6	-0.8
4	4.5	7.9	3.3	6.8	6.2	6.1	-0.4	3.6	9.2
1993:1	3.4	7.5	2.0	3.5	4.4	2.5	-1.1	7.1	-6.1
2	5.6	11.1	3.7	5.4	5.4	3.8	1.1	6.2	1.8
3	4.2	5.5	3.7	5.9	5.4	7.4	0.9	5.0	-0.9
4	5.0	8.0	3.9	6.1	5.9	7.4	1.2	5.0	6.6
1994:1	5.3	9.1	3.8	6.0	6.0	7.4	1.2	4.5	0.5
2	4.7	6.4	4.0	6.1	6.1	7.4	1.5	4.8	0.2
3	4.3	5.1	4.1	6.0	6.0	7.3	1.8	4.3	-0.3
4	5.0	7.0	4.2	5.9	6.1	7.3	2.2	4.5	0.7
									4.5

I-26

1. Data after 1993:2 are staff projections. Year-to-year changes in nominal GDP are measured from the fourth quarter of the preceding year to the fourth quarter of the year indicated; other changes are measured from end of preceding period to end of period indicated.

2. On a quarterly average basis, total debt growth is projected to be 4.6 in 1993, 4.9 in 1994, and 5.1 in 1995.

Confiden
NovemberFR Class II
1993FLOW OF FUNDS PROJECTIONS: HIGHLIGHTS¹
(Billions of dollars)

	1992	Calendar year 1993	1994	1995	- - - - - 1993 Q1 Q2 Q3 Q4	- - - - - 1994 Q1 Q2 Q3 Q4				
-----Seasonally Adjusted Annual Rates-----										
Net funds raised by domestic nonfinancial sectors										
1 Total	608.2	572.9	625.2	659.5	427.2	699.2	529.1	636.2	673.1	605.5
2 Net equity issuance	26.8	28.0	22.5	10.0	27.0	32.0	28.0	25.0	25.0	23.0
3 Net debt issuance	581.5	544.9	602.7	649.5	400.2	667.2	501.1	611.2	648.1	582.5
Borrowing sectors										
Nonfinancial business										
4 Financing gap ²	-26.4	30.1	72.5	95.8	34.0	25.5	22.3	38.4	54.0	70.0
5 Net equity issuance	26.8	28.0	22.5	10.0	27.0	32.0	28.0	25.0	25.0	23.0
6 Credit market borrowing	2.2	19.1	62.7	91.3	-39.9	39.5	34.1	42.7	45.6	57.4
Households										
7 Net borrowing, of which:	215.9	212.1	256.1	271.1	139.7	216.8	238.6	253.3	251.2	257.4
8 Home mortgages	170.9	147.7	179.0	200.2	120.7	149.8	151.1	169.3	173.4	178.5
9 Consumer credit	9.3	43.4	64.4	58.0	20.0	30.7	60.9	62.0	63.0	64.0
10 Debt/DPI (percent) ³	86.0	86.8	87.2	88.1	87.2	86.6	87.3	87.1	87.4	87.9
State and local governments										
11 Net borrowing	59.4	59.3	48.3	48.5	70.9	62.7	51.3	52.2	47.6	50.6
12 Current surplus ⁴	-51.0	-51.5	-51.9	-51.0	-50.6	-50.7	-53.2	-51.7	-50.9	-53.9
U.S. government										
13 Net borrowing	304.0	254.4	235.6	238.6	229.6	348.2	177.0	263.0	303.7	217.1
14 Net borrowing; quarterly, nsa	304.0	254.4	235.6	238.6	59.8	61.1	46.0	87.5	78.2	27.5
15 Unified deficit; quarterly, nsa	326.8	228.4	236.0	221.7	62.4	17.8	54.4	93.9	92.0	-4.3
Funds supplied by depository institutions										
16 Dom. nonfinancial debt ³	34.9	110.0	157.2	172.0	59.3	162.9	109.8	108.2	158.2	143.9
MEMO: (percent of GDP)										
17 Dom. nonfinancial debt ³	189.6	188.6	187.9	188.6	189.1	189.8	189.7	189.0	189.1	189.0
18 Dom. nonfinancial borrowing	9.6	8.6	9.0	9.3	6.4	10.5	7.8	9.4	9.8	8.7
19 U.S. government ⁵	5.0	4.0	3.5	3.4	3.7	5.5	2.8	4.0	4.6	3.3
20 Private	4.6	4.6	5.5	5.9	2.7	5.0	5.1	5.4	5.2	5.5

1. Data after 1993:2 are staff projections.

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

3. Annuals are average debt levels in the year (computed as the average of year-end debt positions) divided by nominal GDP.

4. NIPA surplus, net of retirement funds.

5. Excludes government-insured mortgage pool securities.

substantially in 1994 as investment--both domestic and from abroad--is depressed.² These adverse effects could be mitigated through such measures as fiscal stimulus, unilateral removal of barriers to foreign direct investment, and devaluation of the peso.

U.S. real net exports. We project that real net exports of goods and services will decline almost \$6 billion at an annual rate in the current quarter and another \$30 billion during 1994. The projected decline during 1994 is about \$10 billion more than that in the September Greenbook because of both stronger growth of imports and slightly weaker growth of exports.

TRADE QUANTITIES*
(Percent change from preceding period shown, s.a.a.r.)

	1992 Q4	1993				Projection	
		Q1	Q2	Q3	Q4	1994 Q4	1995 Q4
Exports							
Total	6.5	-6.3	4.1	-0.8	12.8	6.4	9.2
Agricultural	8.7	-21.4	1.0	-20.8	24.2	-1.9	2.7
Computers	26.7	-3.5	8.1	40.9	26.2	29.3	34.8
Other nonag.	3.4	-4.7	3.7	-4.4	9.3	2.9	3.7
Imports							
Total	10.1	12.3	15.3	2.1	13.7	10.4	8.6
Oil	12.1	4.6	37.3	-11.9	-6.5	8.7	4.8
Computers	46.7	32.0	36.4	37.2	35.1	30.2	27.7
Other non-oil	5.5	10.1	9.4	-1.7	12.6	6.5	4.1

* GDP basis, 1987 dollars.

The quantity of merchandise exports is projected to rebound strongly in the fourth quarter from temporarily depressed levels in the third quarter. We anticipate that aircraft shipments will recover from the unusually low levels in July-August, and that automotive transactions with Canada will rebound with the pickup in U.S. production. In the agricultural sector, we expect shipments

2. If, for example, Mexican growth fell to zero in 1994, U.S. exports probably would be reduced by no more than \$1 billion over the year ahead.

We continue to expect that oil prices will firm a bit over the next couple months as OPEC abides by its production accord. Nevertheless, we have revised down the assumed path of oil prices \$1.00 per barrel in line with a reduction in projected oil consumption. We now assume that the WTI spot price will reach \$18.50 by year-end, consistent with an import unit value of \$16.00 per barrel. Prices should remain around those levels through 1994 as output capacity will be more than sufficient to meet the expansion of demand associated with faster GDP growth abroad. Our judgment remains that Iraq will not reenter the world oil market during 1994.

SELECTED PRICE INDICATORS
(Percent change from preceding period shown, except as noted, a.r.)

	1992 Q4	1993				----- Projection -----	
		Q1	Q2	Q3	Q4	1994 Q4	1995 Q4
PPI (Exp. wts.)*	1.6	1.8	2.4	-0.2	0.7	1.8	1.7
Nonag. exports*	1.4	0.8	3.4	-1.1	0.4	1.7	1.7
Non-oil imports*	2.3	-2.7	3.5	1.6	-0.1	2.1	2.4
Oil imports (level, \$/bl)	17.89	16.44	17.07	15.27	15.40	16.00	16.00

* Excluding computers.

Prices of non-oil imports and exports. The somewhat higher path for the dollar in the near term has led us to revise down the projected rate of increase in non-oil import prices over the next several quarters. We expect these prices (excluding computers) to be little changed in the fourth quarter and to rise 2 percent during 1994. The increase in prices of U.S. nonagricultural exports should move over time in line with increases in U.S. producer prices.

Nominal trade and current account balances. The merchandise trade deficit is projected to remain in the vicinity of \$135 billion through the current quarter and then to rise to nearly \$170 billion by the end of 1994. We expect that net service receipts will

November 10, 1993

STRICTLY CONFIDENTIAL - FR
CLASS II FOMC

REAL GDP AND CONSUMER PRICES, SELECTED COUNTRIES, 1991-95
 (Percent change from fourth quarter to fourth quarter)

Measure and country	Projection				
	1991	1992	1993	1994	1995
REAL GDP					

Canada	-0.1	0.8	2.8	3.2	3.5
France	1.3	0.6	-0.4	1.3	2.3
Western Germany	2.7	0.0	-1.5	1.1	2.0
Italy	1.7	-0.3	0.8	1.5	2.1
Japan	3.0	0.0	0.4	1.6	3.2
United Kingdom	-1.6	0.3	2.2	2.3	2.8
Average, weighted by 1987-89 GDP	1.6	0.2	0.5	1.7	2.7
Average, weighted by share of U.S. nonagricultural exports					
Total foreign	1.7	1.2	1.9	2.8	3.5
G-6	0.8	0.4	1.5	2.4	3.1
Developing countries	5.0	3.8	3.9	4.5	5.1
CONSUMER PRICES					

Canada	4.1	1.8	1.7	1.5	1.4
France	2.9	1.8	2.5	2.0	1.8
Western Germany	3.9	3.7	3.4	2.4	2.2
Italy	6.1	4.8	4.4	4.1	3.1
Japan	3.2	0.9	1.8	1.2	1.2
United Kingdom	4.2	3.1	2.0	3.8	4.0
Average, weighted by 1987-89 GDP	3.9	2.4	2.5	2.3	2.1
Average, weighted by share of U.S. non-oil imports	3.8	1.9	2.1	1.8	1.7

Strictly Confidential (FR) Class II-FOMC

U.S. CURRENT ACCOUNT AND REAL NET EXPORTS
(Billions of dollars, seasonally adjusted annual rates)

	1991				1992				1993		ANNUAL		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1990	1991	1992
GDP Net Exports of Goods and Services (87\$)	-21.6	-13.3	-25.0	-16.4	-15.2	-38.0	-42.5	-38.8	-59.9	-75.2	-54.7	-19.1	-33.6
Exports of G+S Merchandise Services	519.4	542.9	546.9	564.2	571.0	570.2	579.3	591.6	588.0	593.2	510.5	543.4	578.0
	381.6	396.1	398.2	410.7	414.4	415.9	423.0	437.3	430.2	434.5	368.9	396.7	422.7
	137.8	146.8	148.7	153.5	156.6	154.2	156.3	154.3	157.8	158.6	141.6	146.7	155.4
Imports of G+S Merchandise Oil Non-oil Services	541.0	556.2	571.9	580.7	586.2	608.2	621.8	630.3	647.9	668.4	565.1	562.4	611.6
	442.1	457.2	474.6	481.7	486.8	509.0	521.6	530.3	545.9	565.7	461.4	463.9	511.9
	44.7	52.0	52.9	47.1	47.3	51.6	53.1	52.8	53.4	57.8	52.1	49.2	51.2
	397.5	405.2	421.7	434.7	439.6	457.4	468.5	477.6	492.5	507.9	409.3	414.8	460.8
	98.9	99.1	97.3	98.9	99.3	99.2	100.1	100.0	102.0	102.7	103.7	98.5	99.6
Memo: (Percent change 1/)													
Exports of G+S of which: Goods	-0.8	19.4	3.0	13.3	4.9	-0.6	6.5	8.8	-2.4	3.6	6.8	8.7	4.9
	7.7	16.1	2.1	13.2	3.7	1.5	7.0	14.2	-6.3	4.1	5.8	9.8	6.6
Imports of G+S of which: Non-oil Goods	-11.1	11.7	11.8	6.3	3.8	15.9	9.2	5.6	11.6	13.3	0.6	4.7	8.6
	-11.3	8.0	17.3	12.9	4.6	17.2	10.1	8.0	13.1	13.1	0.8	6.7	10.0
I-38													
Current Account Balance	37.6	7.1	-47.4	-30.6	-26.7	-73.0	-71.1	-94.7	-89.2	-107.7	-91.9	-8.3	-66.4
Merchandise Trade, net	-75.2	-65.3	-78.6	-76.2	-71.1	-99.2	-110.4	-103.8	-117.2	-137.5	-109.0	-73.8	-96.1
Exports Agricultural Nonagricultural	405.3	416.8	415.1	430.5	433.4	433.2	438.0	456.0	446.1	452.5	389.3	416.9	440.1
	39.5	38.5	39.7	42.8	43.3	42.6	44.7	45.5	43.4	43.2	40.2	40.1	44.0
	365.8	378.3	375.4	387.7	390.0	390.6	393.3	410.4	402.7	409.4	349.1	376.8	396.1
Imports Oil Non-oil	480.5	482.1	493.6	506.7	504.4	532.4	548.4	559.8	563.4	590.1	498.3	490.7	536.3
	52.4	52.3	53.0	49.4	41.9	52.4	57.2	54.9	51.0	57.2	62.3	51.8	51.6
	428.1	429.8	440.7	457.4	462.5	480.0	491.2	505.0	512.3	532.8	436.0	439.0	484.7
Other Current Account	89.7	60.7	24.6	34.8	26.6	22.6	32.5	12.3	28.2	30.9	-3.2	52.5	23.5
Invest. Income, net Direct, net Portfolio, net	23.1	11.6	6.5	10.9	17.7	3.6	6.8	-3.2	-0.2	-1.1	20.3	13.0	6.2
	60.3	52.8	45.1	52.8	57.6	47.6	47.1	40.8	45.2	44.6	56.2	52.8	48.3
	-37.2	-41.1	-38.6	-42.0	-39.9	-44.0	-40.3	-44.0	-45.3	-45.7	-35.9	-39.7	-42.0
Military, net Other Services, net Transfers, net	-10.1	-5.6	-4.7	-3.0	-2.3	-2.9	-2.5	-3.3	-0.6	0.1	-7.8	-5.9	-2.8
	43.4	50.8	55.6	57.2	58.5	57.5	63.6	57.1	59.1	59.1	38.5	51.7	59.2
	56.4	15.5	-26.3	-19.4	-29.6	-32.0	-28.6	-41.4	-30.3	-28.3	-33.8	6.6	-32.9

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

Strictly Confidential (FR) Class II-FOMC

OUTLOOK FOR U.S. CURRENT ACCOUNT AND REAL NET EXPORTS

(Billions of dollars, seasonally adjusted annual rates)

	Projection												Projection				
	1993		1994				1995				ANNUAL						
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1993	1994	1995				
GDP Net Exports of Goods and Services (87\$)	-80.1	-85.7	-96.3	-104.2	-110.2	-115.8	-116.6	-119.3	-121.1	-121.9	-75.2	-106.6	-119.7				
Exports of G+S Merchandise Services	591.5	605.8	613.6	621.6	629.9	639.8	650.9	663.0	676.7	691.6	594.6	626.2	670.5				
Imports of G+S Merchandise Oil Non-oil Services	433.6	446.9	453.9	460.5	467.3	475.4	484.6	494.7	506.2	519.0	436.3	464.3	501.1				
	157.9	158.9	159.8	161.0	162.6	164.4	166.3	168.4	170.4	172.6	158.3	162.0	169.4				
Memo: (Percent change 1/)																	
Exports of G+S of which: Goods	-1.1	10.0	5.3	5.3	5.5	6.5	7.1	7.7	8.5	9.1	2.5	5.6	8.1				
Imports of G+S of which: Non-oil Goods	-0.8	12.8	6.4	6.0	6.0	7.1	8.0	8.6	9.7	10.5	2.4	6.4	9.2				
	1.9	12.4	11.1	9.2	8.1	8.7	6.4	8.0	8.1	8.1	9.8	9.3	7.7				
	3.8	16.1	13.2	11.2	9.1	9.1	8.8	8.8	9.0	9.2	11.5	10.6	8.9				
Current Account Balance	-109.6	-123.0	-122.4	-133.3	-135.3	-148.6	-142.2	-148.8	-147.5	-157.6	-107.4	-134.9	-149.0				
Merchandise Trade, net	-136.4	-137.8	-147.3	-154.9	-162.1	-169.9	-172.7	-177.2	-180.8	-183.1	-132.3	-158.5	-178.4				
Exports Agricultural Nonagricultural	447.7	456.0	459.7	464.9	469.5	475.3	481.7	488.7	496.5	505.0	450.6	467.4	493.0				
	42.1	44.5	44.9	44.9	44.0	44.3	44.8	45.4	45.9	46.5	43.3	44.5	45.6				
	405.7	411.5	414.8	420.0	425.5	431.0	436.9	443.3	450.6	458.5	407.3	422.8	447.3				
Imports Oil Non-oil	584.2	593.8	607.0	619.8	631.6	645.2	654.4	665.8	677.3	688.1	582.8	625.9	671.4				
	48.5	48.1	50.7	51.1	52.4	54.5	53.4	54.8	56.2	57.2	51.2	52.2	55.4				
	535.6	545.7	556.2	568.7	579.3	590.7	601.0	611.1	621.1	631.0	531.6	573.7	616.0				
Other Current Account	27.9	23.9	29.3	30.5	32.2	29.3	35.8	38.0	40.3	37.8	27.7	30.3	38.0				
Invest. Income, net Direct, net Portfolio, net	-1.0	-9.1	-4.4	-8.9	-5.4	-8.1	-5.3	-9.7	-7.0	-12.3	-2.8	-6.7	-8.6				
	42.0	38.4	40.4	40.0	40.9	42.5	42.1	42.0	42.1	42.3	42.5	40.9	42.1				
	-43.0	-47.5	-44.8	-48.9	-46.3	-50.6	-47.4	-51.7	-49.1	-54.6	-45.4	-47.7	-50.7				
Military, net Other Services, net Transfers, net	-1.0	-0.6	-0.4	-0.2	0.2	0.6	1.0	1.4	1.8	2.2	-0.5	0.0	1.6				
	59.1	59.5	60.1	61.1	62.4	63.9	65.8	67.6	69.5	71.6	59.2	61.9	68.6				
	-30.2	-35.0	-30.4	-30.4	-30.4	-35.2	-31.0	-31.0	-31.0	-36.0	-31.0	-31.6	-32.2				

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

November 10, 1993

RECENT DEVELOPMENTS

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

days' supply of inventories on dealers' lots declined for both autos and trucks.

PRODUCTION OF DOMESTIC AUTOS AND TRUCKS
(Millions of units at an annual rate; FRB seasonal basis)¹

	1993				
	Aug.	Sep.	Oct.	Nov.	Dec.
U.S. production					-scheduled--
Autos	9.6	10.1	11.0	12.0	12.1
Trucks	5.1	5.3	5.9	6.6	6.6
	4.5	4.8	5.2	5.4	5.5
Days' supply ²					
Autos	58.9	61.6	56.0	n.a.	n.a.
Light trucks	63.7	69.2	58.2	n.a.	n.a.

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

2. End of month. October supply figures are staff estimates.

Supporting the rise in factory production more generally has been a run of several months of solid growth in orders. Real adjusted new orders for durable goods (a measure that excludes both those orders data that are just shipments and those industries that have long lead times) increased sharply again in September, and advanced 4.2 percent (not at an annual rate) for the third quarter as a whole. Gains in new orders and production also have been reported in the purchasing managers' index, which rose to 53.8 percent in October from 49.7 percent in September.

NEW ORDERS FOR DURABLE GOODS
(Percent change from preceding period; seasonally adjusted)

	Share					
	1993	1993			1993	
	H1	Q2	Q3	July	Aug.	Sep.
Total durable goods	100	-1.7	1.1	-2.8	2.5	.7
Adjusted durable goods ¹	65	-1.0	3.6	1.8	.4	1.5
Office and computing	5	-.7	5.1	6.3	1.1	-.5
Nondefense capital goods ²	16	1.9	2.9	-1.6	1.8	3.8
Other	44	-2.0	3.7	2.6	-.2	.8
Memo:						
Real adjusted durable goods		-.8	4.2	2.2	.6	1.4

1. Orders excluding defense capital goods, nondefense aircraft, motor vehicle parts, and those not reporting unfilled orders.

2. Excludes aircraft and computers.

FEDERAL GOVERNMENT OUTLAYS AND RECEIPTS
 (Unified basis, billions of dollars, except where otherwise noted)

	August and September		Fiscal years			
	FY1992	FY1993	FY1992	FY1993	Dollar change	Percent change
Outlays	215.7	229.0	1380.8	1408.0	27.2	2.0
Deposit insurance (DI)	-6.1	-3.7	2.9	-27.6	-30.5	n.m.
Defense Cooperation account (DCA)	.0	.0	.0	.0	.0	n.m.
Outlays excluding DI and DCA	221.8	232.7	1377.9	1435.6	57.7	4.2
National defense	47.1	46.2	298.2	290.9	-7.3	-2.5
Net interest	32.8	32.9	199.4	198.9	-.5	-.3
Social security	48.2	51.1	287.5	304.6	17.0	5.9
Medicare and health	36.2	39.7	208.6	229.8	21.2	10.2
Income security	29.2	30.6	197.3	208.9	11.5	5.8
Other	28.1	32.2	186.8	202.6	15.8	8.5
Receipts	196.3	214.2	1090.5	1153.2	62.7	5.8
Personal income and Social insurance taxes	156.7	169.5	889.7	938.0	48.3	5.4
Corporate income taxes	21.5	26.5	100.3	117.5	17.2	17.2
Other	18.1	18.2	100.5	97.7	-2.9	-2.8
Deficit(+) Excluding DI and DCA	19.4	14.8	290.3	254.8	-35.5	-12.2
	25.5	18.4	287.4	282.4	-5.0	-1.7

Details may not add to totals because of rounding.
 n.m. not meaningful

TREASURY FINANCING¹
 (Total for period; billions of dollars)

	1993				
	Q3	Q4 ^P	Oct. ^P	Nov. ^P	Dec. ^P
<u>Treasury financing</u>					
Total surplus/deficit (-)	-54.5	-93.9	-42.9	-44.2	-6.8
Means of financing deficit:					
Net cash borrowing from the public	46.0	87.5	4.3	69.5	13.7
Marketable borrowings/ repayments (-)	44.5	85.3	3.3	68.1	13.9
Bills	-.9	58.6	10.3	40.2	8.1
Coupons	45.4	26.7	-7.0	27.9	5.8
Nonmarketable	1.6	2.3	1.0	1.5	-.2
Decrease in the cash balance	8.1	16.2	33.6	-8.5	-9.0
Memo: Cash balance at end of period	52.5	36.3	18.9	27.4	36.3
² Other	.4	-9.8	5.0	-16.8	2.1

1. Data reported on a not seasonally adjusted, payment basis.
 2. Includes checks issued less checks paid, accrued items and other transactions.

p Projected.

NOTE: Details may not total due to rounding.

FEDERALLY SPONSORED CREDIT AGENCIES

Net Cash Borrowing¹
 (Billions of dollars)

	1993					
	Q1	Q2	Q3	July	Aug.	Sept.
FHLBs	.5	12.0	5.3	-1.8	4.4	2.8
FHLMC	11.6	-5.6	17.1	6.7	13.1	-2.7
FNMA	-.5	10.7	19.3	4.2	4.2	10.9
Farm Credit Banks	.3	.1	.0	.0	-.2	.2
SLMA	-.9	.1	-.1	-1.1	.6	.4
FAMC ²	.0	.0	.0	.0	.0	.0

1. Excludes mortgage pass-through securities issued by FNMA and FHLMC.
 2. Federal Agricultural Mortgage Corporation.