

Part 1

March 15, 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	1999:Q4		2000:Q1	
	Jan. GB	Mar. GB	Jan. GB	Mar. GB
Real GDP	5.2	7.0	4.0	4.3
Private domestic final purchases	4.8	5.2	5.6	7.5
Personal consumption expenditures	5.2	6.0	4.8	6.1
Residential investment	2.8	1.3	0.7	8.2
Business fixed investment	3.4	2.0	11.6	14.8
Government outlays for consumption and investment	5.5	9.4	4.0	0.1
	Change, billions of chained (1996) dollars			
Inventory investment	14.0	29.2	-10.7	-7.8
Net exports	-12.2	-11.5	-25.1	-41.2

The strength of consumer demand, of course, is not limited to motor vehicles. The February retail sales report shows that outlays for other goods are also rising rapidly, and a sizable advance in outlays on services--especially on brokerage services--appears probable as well. All told, we now expect real PCE to rise at about a 6 percent annual rate this quarter, a bit above the sizzling 5-1/2 percent pace over 1999 as a whole.

Housing demand has given up little ground in the face of the appreciable increase in mortgage interest rates over the past year. Aided by continued good weather, single-family housing starts declined only a little in January after having posted a big increase in December. We expect them to remain quite high in the ensuing two months, in part because builders still have sizable backlogs of orders. Reflecting the lagged effects of the recent steep rise in starts, residential investment should increase considerably this quarter.

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

Measure	1998	1999	2000	2001
Real GDP	4.6	4.5	4.2	3.7
Previous	4.6	4.1	4.1	3.8
Final sales	4.7	4.5	4.3	3.7
Previous	4.7	4.3	4.1	3.8
PCE	5.1	5.6	4.6	3.4
Previous	5.1	5.4	4.4	3.5
Residential investment	11.3	3.8	-2.0	-4.4
Previous	11.3	4.2	-3.6	-3.6
BFI	13.1	6.9	12.4	9.8
Previous	13.1	7.2	10.1	10.5
Government purchases	2.2	5.0	2.9	3.4
Previous	2.2	4.1	3.4	3.0
Exports	1.9	4.5	7.2	8.7
Previous	1.9	3.7	6.9	8.5
Imports	10.8	13.0	11.3	8.5
Previous	10.8	12.3	10.0	8.6
Change, billions of chained (1996) dollars				
Inventory change	-2.0	-3.6	-9.4	-3.2
Previous	-2.0	-18.7	3.7	2.5
Net exports	-103.6	-117.4	-82.7	-34.2
Previous	-103.6	-118.1	-67.8	-37.7

vehicle sales to drop back in coming quarters. Given the strong start, we are projecting that 2000 sales will total 17 million units, 1/4 million units above the record pace of 1999, and then run a still hefty 16-1/4 million units in 2001. A deceleration in outlays for non-auto consumer durables also appears to be in store after the steep run-up to high levels in recent years, but ongoing price declines and design innovations should keep purchases of electronic goods growing rapidly.

Residential investment. We have raised our housing forecast for the next few quarters and now expect single-family starts to total close to 1.35 million units this year, about the same as in 1999, before falling to 1.25 million units in 2001. The sustained growth of jobs and incomes, and the sizable builder backlogs,

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

Measure	1998	1999	2000	2001
Output per hour, nonfarm business	3.1	3.7	3.0	2.8
Previous	3.1	3.1	3.1	2.8
Nonfarm payroll employment	2.4	2.2	1.8	1.4
Previous	2.4	2.1	1.8	1.6
Household employment survey	1.3	1.5	1.3	0.9
Previous	1.3	1.5	1.2	1.0
Labor force participation rate ¹	67.1	67.0	67.3	67.3
Previous	67.1	67.0	67.1	67.1
Civilian unemployment rate ¹	4.4	4.1	4.0	4.2
Previous	4.4	4.1	4.0	4.1

1. Percent, average for the fourth quarter.

recruiting efforts, which have been targeted in part at persons outside the labor force.

Wages and prices. The headline inflation numbers are likely to be bounced around by movements in energy prices, but core inflation is expected to trend higher over the next two years. Moreover, with labor still in short supply, we anticipate that the underlying inflation trend will continue to point upward beyond the forecast period.

The basic forces shaping the outlook for hourly compensation are the same as in previous Greenbooks. Reports of still big year-on-year profit growth in the next few quarters, not to mention of huge executive compensation packages, may reinforce workers' sense that they have not shared fully in the fruits of enhanced productivity; the tightness of the labor market may force employers to accede to some degree to demands for bigger real increases in pay. Moreover, nominal wage increases also will tend simply to reflect the larger price increases registered last year and, in our forecast, this year; those pressures will be intensified by assumed hikes in the federal minimum wage, which we see adding 0.1 percentage point to the increases in the ECI this year and 0.2 percentage point in 2001. Meanwhile, benefit costs are being boosted by what appears to be a continuing step-up in employer payments for health insurance. All told, we expect the increases in the ECI for hourly compensation to pick up from about 3-1/2 percent in 1998-99 to about 4 percent this year and 4-1/2 percent in 2001.

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

Measure	1998	1999	2000	2001
PCE chain-weighted price index	1.0	2.0	2.3	1.9
Previous	1.0	2.0	2.0	2.0
Excluding food and energy	1.4	1.5	2.0	2.2
Previous	1.4	1.5	1.9	2.1
Consumer price index	1.5	2.6	2.8	2.3
Previous	1.5	2.6	2.4	2.4
Food	2.3	1.9	2.3	2.7
Previous	2.2	1.9	2.4	2.6
Energy	-9.2	11.2	6.1	-4.8
Previous	-9.2	11.3	1.3	-2.2
Excluding food and energy	2.4	2.1	2.5	2.8
Previous	2.4	2.1	2.5	2.7
GDP chain-weighted price index	1.1	1.6	2.2	1.9
Previous	1.1	1.5	1.9	1.9
ECI for compensation of private industry workers ¹	3.5	3.4	3.9	4.4
Previous	3.5	3.3	3.8	4.2
NFB compensation per hour	5.3	4.3	4.9	5.3
Previous	5.3	4.5	4.9	5.1
Prices of core non-oil merchandise imports	-1.9	0.2	2.0	2.4
Previous	-1.9	0.5	2.2	2.4
	Percentage points			
MEMO: <i>Adjustments for technical changes to the CPI</i> ²				
Core CPI	-0.2	0.0	0.0	0.0

1. December to December.

2. Adjustments are calculated relative to the current methodological structure of the CPI.

Nonfarm compensation per hour as reported in the Productivity and Cost (P&C) release is now estimated to have risen about 4-1/4 percent in 1999, nearly 1 percentage point more than the ECI. As we have noted repeatedly, the two measures may diverge for several reasons, including mix shifts and coverage

Alternative Simulations (Percent change, Q4 to Q4, except as noted)		
Measure	2000	2001
<i>Real GDP</i>		
Baseline	4.2	3.7
Flat funds rate	4.4	5.0
Tighter policy	4.1	2.9
Stock market correction	3.9	3.0
Stock market boom-bust	4.3	3.9
Faster productivity growth	5.0	5.1
Higher oil price	4.2	3.7
<i>Civilian unemployment rate¹</i>		
Baseline	4.0	4.2
Flat funds rate	3.9	3.6
Tighter policy	4.0	4.6
Stock market correction	4.1	4.5
Stock market boom-bust	4.0	4.1
Faster productivity growth	4.0	3.9
Higher oil price	4.0	4.2
<i>PCE prices excluding food and energy</i>		
Baseline	2.0	2.2
Flat funds rate	2.1	2.8
Tighter policy	2.0	1.8
Stock market correction	2.0	2.1
Stock market boom-bust	2.0	2.2
Faster productivity growth	1.8	1.6
Higher oil price	2.0	2.4

1. Average for the fourth quarter.

monetary tightening, which alters private agents' views of Federal Reserve policy objectives.

In the "stock market boom-bust" scenario, we assume that momentum continues to drive the stock market for a while longer, pushing the Wilshire 5000 to 16,000 by the end of this year--roughly 20 percent above its current level. However, that increase is assumed to be more than retraced over the course of 2001, with

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

March 15, 2000

		Nominal GDP		Real GDP		GDP chain-weighted price index		Consumer price index ¹		Unemployment rate ²	
Interval		1/27/00	3/15/00	1/27/00	3/15/00	1/27/00	3/15/00	1/27/00	3/15/00	1/27/00	3/15/00
ANNUAL											
1997		6.2	6.2	4.5	4.5	1.7	1.7	2.3	2.3	4.9	4.9
1998		5.5	5.5	4.3	4.3	1.2	1.2	1.6	1.6	4.5	4.5
1999		5.5	5.6	4.0	4.1	1.4	1.4	2.2	2.2	4.2	4.2
2000		6.1	7.0	4.3	4.8	1.7	2.1	2.7	3.1	4.0	4.0
2001		5.8	5.7	3.9	3.8	1.9	1.9	2.3	2.1	4.1	4.1
QUARTERLY											
1998	Q1	7.7	7.7	6.7	6.7	1.0	1.0	1.0	1.0	4.7	4.7
	Q2	3.4	3.4	2.1	2.1	1.1	1.1	1.7	1.7	4.4	4.4
	Q3	5.4	5.4	3.8	3.8	1.4	1.4	1.7	1.7	4.5	4.5
	Q4	7.0	7.0	5.9	5.9	0.9	0.9	1.7	1.7	4.4	4.4
1999	Q1	5.7	5.7	3.7	3.7	2.0	2.0	1.5	1.7	4.3	4.3
	Q2	3.3	3.3	1.9	1.9	1.3	1.3	3.4	3.2	4.3	4.3
	Q3	6.8	6.8	5.7	5.7	1.1	1.1	2.7	2.4	4.2	4.2
	Q4	6.7	9.1	5.2	7.0	1.6	2.0	2.9	2.9	4.1	4.1
2000	Q1	6.1	7.3	4.0	4.3	2.1	2.9	2.9	3.9	4.0	4.0
	Q2	6.1	7.6	4.2	4.9	1.8	2.6	2.7	4.4	4.0	4.0
	Q3	6.1	5.4	4.1	3.8	1.9	1.6	1.9	1.1	4.0	4.0
	Q4	5.8	5.5	3.9	3.8	1.8	1.7	2.1	1.7	4.0	4.0
2001	Q1	6.0	5.7	3.8	3.7	2.1	2.0	2.2	1.9	4.1	4.1
	Q2	5.6	5.4	3.8	3.6	1.7	1.8	2.4	2.3	4.1	4.1
	Q3	5.7	5.7	3.8	3.7	1.8	1.9	2.4	2.3	4.1	4.1
	Q4	5.8	5.8	3.9	3.7	1.8	1.9	2.5	2.5	4.1	4.2
TWO-QUARTER ³											
1998	Q2	5.5	5.5	4.4	4.4	1.1	1.1	1.4	1.3	-0.3	-0.3
	Q4	6.2	6.2	4.8	4.8	1.1	1.1	1.7	1.7	0.0	0.0
1999	Q2	4.5	4.5	2.8	2.8	1.7	1.7	2.5	2.5	-0.1	-0.1
	Q4	6.7	7.9	5.4	6.3	1.4	1.5	2.7	2.7	-0.2	-0.2
2000	Q2	6.1	7.4	4.1	4.6	1.9	2.8	2.8	4.1	-0.1	-0.1
	Q4	5.9	5.5	4.0	3.8	1.8	1.6	2.0	1.4	0.0	0.0
2001	Q2	5.8	5.6	3.8	3.6	1.9	1.9	2.3	2.1	0.1	0.1
	Q4	5.8	5.7	3.9	3.7	1.8	1.9	2.4	2.4	0.0	0.1
FOUR-QUARTER ⁴											
1997	Q4	5.9	5.9	4.3	4.3	1.6	1.6	1.9	1.9	-0.6	-0.6
1998	Q4	5.9	5.9	4.6	4.6	1.1	1.1	1.5	1.5	-0.3	-0.3
1999	Q4	5.6	6.2	4.1	4.5	1.5	1.6	2.6	2.6	-0.3	-0.3
2000	Q4	6.0	6.4	4.1	4.2	1.9	2.2	2.4	2.8	-0.1	-0.1
2001	Q4	5.8	5.6	3.8	3.7	1.9	1.9	2.4	2.3	0.1	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.

Item	Units ¹	----- Projected -----								
		1993	1994	1995	1996	1997	1998	1999	2000	2001
EXPENDITURES										
Nominal GDP	Bill. \$	6642.3	7054.3	7400.5	7813.2	8300.8	8759.9	9254.8	9903.9	10468.1
Real GDP	Bill. Ch. \$	7054.1	7337.8	7537.1	7813.2	8165.1	8516.3	8867.3	9293.3	9643.5
Real GDP	% change	2.2	4.2	2.2	4.2	4.3	4.6	4.5	4.2	3.7
Gross domestic purchases		2.8	4.4	1.7	4.4	4.9	5.7	5.6	4.8	3.8
Final sales		2.3	3.3	3.0	4.0	3.8	4.7	4.5	4.3	3.7
Priv. dom. final purchases		3.9	4.4	3.2	4.6	4.9	6.5	5.7	5.4	4.0
Personal cons. expenditures		2.9	3.6	2.8	3.3	4.2	5.1	5.6	4.6	3.4
Durables		9.3	6.4	3.7	5.0	8.4	13.0	10.5	7.7	3.0
Nondurables		2.6	4.1	2.5	3.2	2.4	5.0	5.8	3.4	2.7
Services		1.9	2.9	2.8	3.0	4.2	3.6	4.5	4.6	3.8
Business fixed investment		8.7	9.2	7.5	12.1	9.6	13.1	6.9	12.4	9.8
Equipment & Software		11.5	12.0	8.9	11.8	11.3	16.8	10.8	16.0	12.7
Nonres. structures		1.2	1.1	3.3	12.8	4.7	2.9	-5.0	0.6	-0.9
Residential structures		7.8	4.0	-1.5	5.6	3.7	11.3	3.8	-2.0	-4.4
Exports		4.5	10.6	9.7	9.9	9.4	1.9	4.5	7.2	8.7
Imports		10.5	12.2	5.0	11.2	14.2	10.8	13.0	11.3	8.5
Gov't. cons. & investment		-0.9	0.2	-0.8	2.7	2.2	2.2	5.0	2.9	3.4
Federal		-5.3	-3.7	-5.3	2.0	0.2	0.6	4.9	-0.7	1.3
Defense		-6.4	-5.9	-4.7	0.8	-1.3	-1.1	5.0	-3.5	0.8
State & local		2.3	2.8	2.1	3.1	3.4	3.2	5.1	4.8	4.4
Change in bus. inventories	Bill. Ch. \$	20.0	66.8	30.4	30.0	69.1	74.3	42.3	59.0	54.9
Nonfarm		28.6	53.6	42.6	22.1	66.2	73.2	42.7	59.5	54.9
Net exports		-59.9	-87.6	-79.2	-89.0	-109.8	-215.1	-322.9	-413.8	-460.9
Nominal GDP	% change	5.0	6.2	4.3	6.0	5.9	5.9	6.2	6.4	5.6
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employment	Millions	110.7	114.1	117.2	119.6	122.7	125.8	128.6	131.3	133.1
Unemployment rate	%	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.1
Industrial prod. index	% change	3.4	6.4	3.5	5.3	6.8	2.9	4.2	5.4	4.0
Capacity util. rate - mfg.	%	80.5	82.5	82.6	81.5	82.4	80.9	79.8	81.0	81.5
Housing starts	Millions	1.29	1.46	1.35	1.48	1.47	1.62	1.67	1.66	1.55
Light motor vehicle sales		13.87	15.01	14.77	15.05	15.05	15.45	16.76	17.04	16.33
North Amer. produced		11.72	12.88	12.87	13.35	13.12	13.43	14.28	14.40	13.94
Other		2.15	2.13	1.90	1.70	1.94	2.02	2.48	2.64	2.39
INCOME AND SAVING										
Nominal GNP	Bill. \$	6666.7	7071.1	7420.9	7831.2	8305.0	8750.0	9239.8	9881.8	10432.8
Real GNP	% change	4.9	6.2	4.4	5.9	5.7	5.6	6.2	6.3	5.5
Nominal personal income		3.7	5.1	4.3	5.9	6.4	6.0	5.8	6.6	5.9
Real disposable income		0.9	3.0	1.7	2.8	4.1	4.2	3.7	4.1	3.7
Personal saving rate	%	7.1	6.1	5.6	4.8	4.5	3.7	2.3	1.2	1.5
Corp. profits, IVA & CCAdj.	% change	18.0	12.5	11.2	11.2	10.2	-2.2	13.5	5.2	2.0
Profit share of GNP	%	7.6	8.1	9.0	9.6	10.1	9.7	9.7	10.0	9.6
Excluding FR Banks		7.4	7.8	8.7	9.3	9.8	9.4	9.4	9.7	9.3
Federal surpl./deficit	Bill. \$	-274.1	-212.3	-192.0	-136.8	-48.8	46.9	115.6	169.2	224.1
State & local surpl./def.		1.5	8.6	15.3	21.4	27.5	41.7	51.3	55.5	47.0
Ex. social ins. funds		-2.7	4.0	11.4	18.7	26.4	40.8	50.5	54.5	46.0
Gross natl. saving rate	%	15.6	16.3	16.9	17.2	18.3	18.8	18.8	18.5	18.8
Net natl. saving rate		3.7	4.2	5.1	5.7	7.1	7.5	7.3	7.1	7.6
PRICES AND COSTS										
GDP chn.-wt. price index	% change	2.7	2.0	2.1	1.7	1.6	1.1	1.6	2.2	1.9
Gross Domestic Purchases										
chn.-wt. price index		2.5	2.1	2.0	1.7	1.1	0.7	1.9	2.1	1.7
PCE chn.-wt. price index		2.6	2.0	2.0	2.2	1.3	1.0	2.0	2.3	1.9
Ex. food and energy		2.9	2.1	2.2	1.6	1.4	1.4	1.5	2.0	2.2
CPI		2.7	2.6	2.7	3.1	1.9	1.5	2.6	2.8	2.3
Ex. food and energy		3.1	2.8	3.0	2.6	2.2	2.4	2.1	2.5	2.8
ECI, hourly compensation ²		3.6	3.1	2.6	3.1	3.4	3.5	3.4	3.9	4.4
Nonfarm business sector										
Output per hour		-0.7	1.2	1.2	2.5	2.2	3.1	3.7	3.0	2.8
Compensation per Hour		1.3	2.2	2.7	3.2	4.2	5.3	4.3	4.9	5.3
Unit labor cost		2.0	0.9	1.5	0.7	2.0	2.1	0.7	1.9	2.6

1. Changes are from fourth quarter to fourth quarter.

2. Private-industry workers.

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

March 15, 2000

Item	Units	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2
EXPENDITURES											
Nominal GDP	Bill. \$	8125.9	8259.5	8364.5	8453.0	8610.6	8683.7	8797.9	8947.6	9072.7	9146.2
Real GDP	Bill. Ch. \$	8033.4	8134.8	8214.8	8277.3	8412.7	8457.2	8536.0	8659.2	8737.9	8778.6
Real GDP	% change	4.9	5.1	4.0	3.1	6.7	2.1	3.8	5.9	3.7	1.9
Gross domestic purchases		5.7	5.6	4.8	3.5	8.6	4.1	4.6	5.5	5.8	3.2
Final sales		4.0	3.1	5.8	2.4	5.1	5.1	2.4	6.2	4.6	3.4
Priv. dom. final purchases		5.5	3.1	7.6	3.5	8.8	7.3	3.5	6.4	7.1	5.4
Personal cons. expenditures		4.9	1.8	6.6	3.4	5.6	6.1	3.9	4.6	6.5	5.1
Durables		10.9	-1.5	20.2	5.0	16.9	11.2	4.1	20.4	12.4	9.1
Nondurables		3.8	-0.2	5.7	0.3	5.8	6.7	2.4	5.0	8.9	3.3
Services		4.3	3.5	4.5	4.6	3.3	4.8	4.7	1.5	4.2	5.2
Business fixed investment		9.6	9.9	16.0	3.2	26.7	12.1	0.0	15.3	7.8	7.0
Equipment & Software		10.1	15.2	17.7	2.8	34.7	13.8	2.4	18.6	12.5	11.2
Nonres. structures		8.0	-4.0	11.2	4.3	5.7	7.1	-6.6	5.8	-5.8	-5.3
Residential structures		3.0	4.7	0.6	6.6	14.0	13.6	8.0	9.8	12.9	5.5
Exports		8.8	16.2	11.5	1.8	-1.5	-4.0	-1.7	16.1	-5.5	4.0
Imports		15.5	19.1	17.6	5.2	14.4	13.0	5.2	10.8	12.5	14.4
Gov't. cons. & investment		1.7	5.7	1.7	-0.1	-1.0	6.0	1.3	2.9	5.1	1.3
Federal		-2.8	9.9	-1.3	-4.2	-9.8	11.9	-2.3	3.9	-0.5	2.1
Defense		-11.3	9.6	-0.2	-2.4	-17.0	11.1	7.0	-2.9	-4.0	-2.6
State & local		4.4	3.4	3.5	2.4	4.1	3.0	3.3	2.3	8.2	0.9
Change in bus. inventories	Bill. Ch. \$	51.5	93.1	59.2	72.7	107.3	43.1	76.1	70.7	50.1	14.0
Nonfarm		56.7	85.7	52.6	69.7	103.8	53.2	77.5	58.2	43.1	13.1
Net exports		-90.8	-100.9	-118.7	-128.7	-171.7	-218.4	-237.9	-232.3	-284.5	-319.0
Nominal GDP	% change	7.4	6.7	5.2	4.3	7.7	3.4	5.4	7.0	5.7	3.3
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	121.4	122.3	123.0	123.9	124.8	125.5	126.1	126.9	127.6	128.2
Unemployment rate	%	5.3	5.0	4.8	4.7	4.7	4.4	4.5	4.4	4.3	4.3
Industrial prod. index	% change	6.5	6.7	6.9	6.9	2.4	3.0	2.9	3.3	2.0	4.7
Capacity util. rate - mfg.	%	81.9	82.2	82.5	82.7	82.0	81.0	80.3	80.2	79.6	79.6
Housing starts	Millions	1.43	1.48	1.46	1.53	1.56	1.57	1.63	1.72	1.76	1.59
Light motor vehicle sales		15.35	14.54	15.26	15.06	15.18	16.09	14.52	16.01	16.24	16.74
North Amer. produced		13.43	12.68	13.25	13.11	13.21	14.10	12.52	13.88	13.98	14.32
Other		1.92	1.86	2.01	1.96	1.97	1.99	2.00	2.13	2.26	2.42
INCOME AND SAVING											
Nominal GNP	Bill. \$	8131.1	8269.1	8366.5	8453.3	8613.7	8683.7	8772.2	8930.5	9058.2	9131.9
Nominal GNP	% change	6.8	7.0	4.8	4.2	7.8	3.3	4.1	7.4	5.8	3.3
Nominal personal income		8.0	5.6	5.5	6.4	5.3	5.8	6.6	6.5	5.4	5.5
Real disposable income		4.4	4.2	3.6	4.3	4.0	3.8	4.5	4.8	4.1	3.2
Personal saving rate	%	4.5	5.0	4.2	4.4	4.0	3.5	3.6	3.5	3.0	2.5
Corp. profits, IVA & CCAdj.	% change	15.9	14.7	15.9	-4.2	2.3	-4.8	-1.9	-4.4	24.9	-2.9
Profit share of GNP	%	9.9	10.1	10.3	10.1	10.0	9.8	9.6	9.3	9.7	9.6
Excluding FR Banks		9.6	9.8	10.0	9.8	9.7	9.5	9.3	9.1	9.5	9.3
Federal surpl./deficit	Bill. \$	-87.4	-63.2	-27.9	-16.8	24.9	43.5	59.6	59.7	97.6	118.1
State & local surpl./def.		25.9	23.7	30.9	29.7	32.0	30.9	49.9	54.2	48.7	37.6
Ex. social ins. funds		24.3	22.4	29.9	28.9	31.1	29.9	48.9	53.4	48.2	36.8
Gross natl. saving rate	%	17.7	18.4	18.5	18.6	18.8	18.6	19.0	18.9	19.1	18.7
Net natl. saving rate		6.4	7.2	7.3	7.4	7.6	7.2	7.6	7.5	7.8	7.3
PRICES AND COSTS											
GDP chn.-wt. price index	% change	2.4	1.5	1.2	1.3	1.0	1.1	1.4	0.9	2.0	1.3
Gross Domestic Purchases											
chn.-wt. price index		1.9	0.6	1.0	1.1	0.1	0.8	1.1	1.0	1.6	1.9
PCE chn.-wt. price index		2.1	0.8	1.1	1.2	0.5	1.1	1.2	1.2	1.4	2.2
Ex. food and energy		1.9	1.9	0.8	1.0	1.3	1.7	1.4	1.4	1.4	1.3
CPI		2.5	1.3	1.8	2.0	1.0	1.7	1.7	1.7	1.7	3.2
Ex. food and energy		2.2	2.6	1.7	2.1	2.8	2.3	2.3	2.1	1.8	2.1
BCI, hourly compensation ¹		2.8	3.4	3.0	4.6	2.7	3.6	4.1	2.9	1.4	4.6
Nonfarm business sector											
Output per hour		0.9	3.3	3.3	1.2	4.4	0.9	3.1	4.1	2.7	0.6
Compensation per hour		3.6	2.6	4.4	6.4	4.8	5.6	6.2	4.6	4.2	4.8
Unit labor cost		2.7	-0.6	1.0	5.1	0.4	4.6	3.0	0.5	1.4	4.2

1. 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)

March 15, 2000

Item	Units	----- Projected -----									
		1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4
EXPENDITURES											
Nominal GDP	Bill. \$	9297.8	9502.5	9671.1	9849.3	9980.2	10115.0	10256.9	10392.7	10537.1	10685.7
Real GDP	Bill. Ch. \$	8900.6	9052.0	9146.7	9256.0	9341.8	9428.9	9513.8	9597.9	9686.5	9775.8
Real GDP	% change	5.7	7.0	4.3	4.9	3.8	3.8	3.7	3.6	3.7	3.7
Gross domestic purchases		6.3	7.2	5.7	5.2	4.6	3.8	4.0	3.9	3.9	3.5
Final sales		4.5	5.6	4.7	5.1	3.4	4.1	3.8	3.7	3.7	3.8
Priv. dom. final purchases		5.3	5.2	7.5	5.4	4.4	4.3	4.3	4.2	3.9	3.6
Personal cons. expenditures		4.9	6.0	6.1	4.1	4.4	3.8	3.9	3.6	3.2	2.9
Durables		7.7	13.0	21.4	1.0	5.6	3.8	3.7	2.2	2.3	3.6
Nondurables		3.6	7.6	2.9	4.0	3.5	3.1	3.2	3.4	2.2	2.1
Services		5.0	3.8	4.8	4.8	4.6	4.2	4.4	4.0	3.9	3.1
Business fixed investment		10.9	2.0	14.8	15.1	8.4	11.5	9.8	9.9	9.6	9.7
Equipment & Software		15.7	4.2	19.0	19.5	10.9	15.0	12.8	13.0	12.5	12.5
Nonres. structures		-3.8	-4.9	1.7	1.1	0.0	-0.5	-0.8	-1.2	-1.0	-0.5
Residential structures		-3.8	1.3	8.2	-1.4	-6.2	-7.7	-5.9	-4.0	-3.8	-3.9
Exports		11.5	8.7	3.0	12.1	3.9	10.2	5.1	8.7	9.0	12.2
Imports		14.9	10.0	14.5	12.5	9.7	8.4	7.4	10.0	8.6	8.0
Gov't. cons. & investment		4.5	9.4	0.1	5.4	3.5	2.6	3.3	3.4	3.4	3.3
Federal		4.1	14.2	-13.2	11.7	1.6	-1.1	1.1	1.3	1.4	1.4
Defense		11.2	16.7	-23.8	11.8	1.5	0.3	0.5	0.9	1.0	0.9
State & local		4.8	6.8	7.9	2.2	4.5	4.6	4.5	4.4	4.5	4.4
Change in bus. inventories	Bill. Ch. \$	38.0	67.1	59.3	55.3	63.6	57.7	55.4	53.4	56.1	54.5
Nonfarm		41.2	73.5	61.3	55.3	63.6	57.7	55.4	53.4	56.1	54.5
Net exports		-338.2	-349.7	-390.9	-403.6	-428.4	-432.4	-446.6	-460.8	-469.4	-466.7
Nominal GDP	% change	6.8	9.1	7.3	7.6	5.4	5.5	5.7	5.4	5.7	5.8
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	128.9	129.6	130.4	131.2	131.5	132.0	132.4	132.9	133.4	133.8
Unemployment rate	%	4.2	4.1	4.0	4.0	4.0	4.0	4.1	4.1	4.1	4.2
Industrial prod. index	% change	4.8	5.4	7.8	5.1	4.2	4.3	3.5	4.4	4.2	3.9
Capacity util. rate - mfg.	%	79.7	80.3	80.9	81.0	81.0	81.1	81.3	81.4	81.5	81.7
Housing starts	Millions	1.66	1.68	1.74	1.68	1.63	1.60	1.58	1.56	1.54	1.52
Light motor vehicle sales		17.16	16.89	18.03	17.01	16.68	16.43	16.35	16.33	16.31	16.31
North Amer. produced		14.71	14.09	15.14	14.36	14.13	13.97	13.95	13.95	13.93	13.93
Other		2.45	2.80	2.89	2.65	2.55	2.46	2.40	2.38	2.38	2.38
INCOME AND SAVING											
Nominal GNP	Bill. \$	9282.3	9486.8	9653.4	9829.4	9955.7	10088.6	10224.4	10357.4	10501.8	10647.8
Nominal GNP	% change	6.8	9.1	7.2	7.5	5.2	5.5	5.5	5.3	5.7	5.7
Nominal personal income		5.2	7.2	7.0	7.5	5.9	6.0	6.7	5.6	5.5	5.8
Real disposable income		2.9	4.5	4.1	3.7	4.4	4.2	5.2	3.2	3.2	3.3
Personal saving rate	%	2.1	1.7	1.3	1.2	1.1	1.2	1.5	1.5	1.4	1.5
Corp. profits, IVA & CCAdj.	% change	1.7	34.4	8.3	9.0	1.3	2.4	-2.8	0.8	5.2	5.0
Profit share of GNP	%	9.5	10.0	10.0	10.0	9.9	9.9	9.7	9.6	9.6	9.5
Excluding FR Banks	%	9.2	9.7	9.7	9.8	9.7	9.6	9.4	9.3	9.3	9.3
Federal surpl./deficit	Bill. \$	133.8	113.1	166.2	155.4	170.0	185.3	193.9	213.9	238.8	249.8
State & local surpl./def.		48.9	69.8	55.0	58.8	56.8	51.2	51.9	48.5	44.6	42.8
Ex. social ins. funds		48.1	68.8	54.0	57.8	55.8	50.2	50.9	47.5	43.6	41.8
Gross natl. saving rate	%	18.7	18.6	18.6	18.4	18.5	18.5	18.7	18.7	18.9	19.0
Net natl. saving rate		7.1	7.2	7.2	7.1	7.1	7.2	7.4	7.4	7.6	7.8
PRICES AND COSTS											
GDP chn.-wt. price index	% change	1.1	2.0	2.9	2.6	1.6	1.7	2.0	1.8	1.9	1.9
Gross Domestic Purchases											
chn.-wt. price index		1.7	2.3	3.3	2.8	1.1	1.3	1.9	1.6	1.7	1.8
PCE chn.-wt. price index		1.8	2.5	3.3	3.4	1.1	1.5	1.7	1.9	2.0	2.1
Ex. food and energy		1.2	2.0	2.0	2.3	1.9	2.0	2.1	2.2	2.2	2.3
CPI		2.4	2.9	3.9	4.4	1.1	1.7	1.9	2.3	2.3	2.5
Ex. food and energy		2.1	2.3	2.2	2.8	2.5	2.7	2.6	3.0	2.8	3.0
ECI, hourly compensation ¹		3.4	4.3	3.8	3.8	3.8	4.1	4.3	4.3	4.3	4.6
Nonfarm business sector											
Output per hour		5.0	6.4	1.2	4.6	3.0	3.0	2.6	2.6	2.8	3.0
Compensation per hour		4.7	3.7	4.9	4.7	4.8	5.2	5.7	5.2	5.1	5.3
Unit labor cost		-0.3	-2.7	3.8	0.0	1.8	2.2	3.0	2.6	2.3	2.3

¹ Private-industry workers.

Item	1997 Q3	1997 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	97Q4/ 96Q4	98Q4/ 97Q4	99Q4/ 98Q4
Real GDP	4.0	3.1	6.7	2.1	3.8	5.9	3.7	1.9	5.7	4.3	4.6	4.5
Gross dom. purchases	4.8	3.5	8.7	4.2	4.6	5.6	5.9	3.3	6.4	4.9	5.7	5.7
Final sales	5.7	2.4	5.1	5.0	2.3	6.2	4.6	3.4	4.5	3.8	4.6	4.5
Priv. dom. final purchases	6.2	2.9	7.2	6.0	3.0	5.3	5.9	4.5	4.5	4.0	5.4	4.8
Personal cons. expenditures	4.3	2.2	3.8	4.0	2.6	3.1	4.3	3.4	3.3	2.8	3.4	3.8
Durables	1.4	0.4	1.2	0.8	0.3	1.5	1.0	0.7	0.6	0.6	1.0	0.8
Nondurables	1.1	0.1	1.2	1.3	0.5	1.0	1.7	0.6	0.7	0.5	1.0	1.1
Services	1.8	1.8	1.4	1.9	1.8	0.6	1.6	2.0	2.0	1.7	1.4	1.8
Business fixed investment	1.8	0.4	2.9	1.4	0.0	1.8	0.9	0.9	1.3	1.1	1.5	0.9
Equipment & Software	1.5	0.2	2.7	1.2	0.2	1.6	1.1	1.0	1.4	1.0	1.5	1.0
Nonres. structures	0.3	0.1	0.2	0.2	-0.2	0.2	-0.2	-0.2	-0.1	0.1	0.1	-0.2
Residential structures	0.0	0.3	0.5	0.5	0.3	0.4	0.5	0.2	-0.2	0.1	0.5	0.2
Net exports	-0.8	-0.4	-1.9	-2.0	-0.8	0.3	-2.1	-1.4	-0.7	-0.7	-1.1	-1.2
Exports	1.3	0.2	-0.2	-0.5	-0.2	1.7	-0.6	0.4	1.2	1.1	0.2	0.5
Imports	-2.1	-0.6	-1.7	-1.6	-0.7	-1.3	-1.5	-1.8	-1.9	-1.7	-1.3	-1.7
Government cons. & invest.	0.3	-0.0	-0.2	1.0	0.2	0.5	0.9	0.2	0.8	0.4	0.4	0.9
Federal	-0.1	-0.3	-0.6	0.7	-0.1	0.2	-0.0	0.1	0.3	0.0	0.0	0.3
Defense	-0.0	-0.1	-0.8	0.4	0.3	-0.1	-0.2	-0.1	0.4	-0.1	-0.0	0.2
Nondefense	-0.1	-0.2	0.1	0.3	-0.4	0.4	0.1	0.2	-0.2	0.1	0.1	0.1
State and local	0.4	0.3	0.5	0.3	0.4	0.3	0.9	0.1	0.6	0.4	0.4	0.6
Change in bus. inventories	-1.6	0.7	1.6	-2.8	1.4	-0.3	-0.8	-1.5	1.1	0.5	-0.0	-0.0
Nonfarm	-1.6	0.8	1.6	-2.3	1.1	-0.8	-0.6	-1.2	1.3	0.5	-0.1	0.2
Farm	-0.0	-0.1	0.0	-0.5	0.3	0.6	-0.2	-0.2	-0.2	-0.0	0.1	-0.2

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

Item	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	99Q4/ 98Q4	00Q4/ 99Q4	01Q4/ 00Q4
Real GDP	7.0	4.3	4.9	3.8	3.8	3.7	3.6	3.7	3.7	4.5	4.2	3.7
Gross dom. purchases	7.4	5.9	5.4	4.7	3.9	4.2	4.1	4.0	3.6	5.7	5.0	4.0
Final sales	5.6	4.7	5.0	3.4	4.0	3.7	3.7	3.6	3.8	4.5	4.3	3.7
Priv. dom. final purchases	4.4	6.3	4.6	3.7	3.7	3.7	3.6	3.3	3.1	4.8	4.6	3.4
Personal cons. expenditures	4.0	4.1	2.8	3.0	2.6	2.7	2.4	2.2	1.9	3.8	3.1	2.3
Durables	1.0	1.6	0.1	0.5	0.3	0.3	0.2	0.2	0.3	0.8	0.6	0.2
Nondurables	1.5	0.6	0.8	0.7	0.6	0.6	0.7	0.4	0.4	1.1	0.7	0.5
Services	1.5	1.9	1.9	1.8	1.6	1.7	1.6	1.6	1.2	1.8	1.8	1.5
Business fixed investment	0.3	1.8	1.8	1.1	1.4	1.2	1.3	1.2	1.3	0.9	1.5	1.3
Equipment & Software	0.4	1.7	1.8	1.1	1.4	1.3	1.3	1.3	1.3	1.0	1.5	1.3
Nonres. structures	-0.1	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.2	0.0	-0.0
Residential structures	0.1	0.3	-0.1	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	0.2	-0.1	-0.2
Net exports	-0.4	-1.6	-0.5	-0.9	-0.1	-0.5	-0.5	-0.3	0.1	-1.2	-0.8	-0.3
Exports	0.9	0.3	1.3	0.4	1.1	0.6	0.9	1.0	1.3	0.5	0.8	1.0
Imports	-1.4	-2.0	-1.7	-1.4	-1.2	-1.1	-1.4	-1.2	-1.2	-1.7	-1.6	-1.2
Government cons. & invest.	1.6	0.0	0.9	0.6	0.5	0.6	0.6	0.6	0.6	0.9	0.5	0.6
Federal	0.8	-0.9	0.7	0.1	-0.1	0.1	0.1	0.1	0.1	0.3	-0.0	0.1
Defense	0.6	-1.1	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.2	-0.1	0.0
Nondefense	0.2	0.2	0.3	0.0	-0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0
State and local	0.8	0.9	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5
Change in bus. inventories	1.3	-0.3	-0.2	0.3	-0.2	-0.1	-0.1	0.1	-0.1	-0.0	-0.1	-0.0
Nonfarm	1.4	-0.5	-0.2	0.3	-0.2	-0.1	-0.1	0.1	-0.1	0.2	-0.2	-0.0
Farm	-0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	0.0

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

Staff Projections of Federal Sector Accounts and Related Items
(Billions of dollars except as noted)

Item	Fiscal year ¹				1999				2000				2001			
	1998 ^a	1999 ^a	2000	2001	Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^p	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget					Not seasonally adjusted											
Receipts ²	1722	1827	1977	2090	402	564	449	444	434	622	477	471	462	651	506	507
Outlays ²	1653	1703	1770	1839	396	421	419	464	443	438	424	464	468	462	446	478
Surplus/deficit ²	69	124	207	250	6	143	30	-21	-10	184	53	7	-6	189	60	29
On-budget	-30	1	55	78	-49	88	21	-64	-37	120	36	-42	-35	116	39	-23
Off-budget	99	124	152	172	55	55	9	43	27	64	18	48	29	73	21	52
Surplus excluding deposit insurance	65	119	205	249	5	142	29	-20	-12	183	53	7	-6	189	60	29
Means of financing																
Borrowing	-51	-88	-206	-250	7	-108	-20	48	-34	-174	-46	-26	-5	-154	-65	-34
Cash decrease	5	-18	11	0	-4	-31	-3	-27	46	-2	-5	20	5	-30	5	20
Other ³	-23	-19	-12	-1	-9	-4	-7	-0	-2	-7	-2	-1	6	-5	-0	-15
Cash operating balance, end of period	39	56	45	45	22	53	56	83	38	40	45	25	20	50	45	25
NIPA federal sector					Seasonally adjusted annual rates											
Receipts	1722	1839	1974	2095	1827	1853	1883	1925	1960	1993	2020	2051	2079	2109	2142	2176
Expenditures	1694	1737	1823	1887	1729	1735	1749	1810	1794	1838	1850	1866	1886	1895	1903	1926
Consumption expenditures	452	467	498	517	467	465	475	492	487	505	508	507	518	521	524	526
Defense	300	305	320	331	305	301	312	326	310	322	324	325	332	333	334	336
Nondefense	153	162	178	186	162	164	163	166	177	183	184	182	187	188	189	190
Other expenditures	1242	1270	1325	1370	1262	1270	1274	1318	1307	1333	1342	1360	1367	1374	1380	1400
Current account surplus	28	102	152	208	98	118	134	115	166	155	170	185	194	214	239	250
Gross investment	84	92	101	104	90	96	95	101	100	100	102	103	104	104	105	105
Current and capital account surplus	-56	10	51	104	7	22	39	14	66	56	68	82	90	110	134	144
Fiscal indicators⁴																
High-employment (HEB) surplus/deficit	-151	-109	-114	-83	-113	-93	-89	-136	-93	-118	-111	-101	-96	-78	-58	-50
Change in HEB, percent of potential GDP	-8	-6	-0	-4	-4	-2	-1	.5	-5	.3	-.1	-.1	-.1	-.2	-.2	-.1
Fiscal impetus (FI) percent, calendar year	0	5	4	2	2	-4	2	4	-3	3	.7	-.5	.5	.3	.3	.8

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 February 2000 surplus estimates (assuming the enactment of the President's proposals) are \$167 billion in FY2000 and \$184 billion in FY2001. CBO's March 2000 baseline surplus estimates, assuming discretionary spending grows with inflation beginning in FY 2001, are \$179 billion in FY2000 and \$181 billion in FY2001. 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. The Postal Service deficit is included in off-budget outlays beginning in FY1990.

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 change in HEB and FI, negative values indicate restraint.

a--Actual p--Preliminary

Change in Debt of the Domestic Nonfinancial Sectors
(Percent)

March 15, 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>									
1991	4.3	11.1	2.2	4.5	6.1	-1.3	-1.6	8.6	4.0
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	5.4	4.5	7.3	1.4	6.0	5.0
1994	4.6	4.7	4.5	7.7	6.0	14.5	3.7	-4.0	6.2
1995	5.5	4.1	6.0	7.9	5.8	14.1	6.8	-4.6	4.3
1996	5.4	4.0	5.9	7.4	7.4	7.9	5.7	-0.6	6.0
1997	5.4	0.6	7.0	6.4	6.7	4.3	8.2	5.3	5.9
1998	6.6	-1.4	9.3	8.7	9.7	5.4	10.5	7.2	5.9
1999	6.8	-1.9	9.4	9.4	10.4	7.3	10.6	4.4	6.2
2000	5.1	-7.6	8.5	9.0	9.2	8.8	9.4	1.4	6.4
2001	4.9	-7.6	7.7	7.5	8.3	5.2	9.0	2.1	5.6
<i>Quarter</i>									
1999:3	7.0	-2.2	9.6	9.9	11.3	5.6	10.2	4.6	6.8
4	6.5	-0.5	8.4	8.4	8.8	8.3	9.6	2.5	9.1
2000:1	5.4	-6.2	8.5	9.5	9.2	10.2	9.3	-0.3	7.3
2	4.5	-10.3	8.4	8.8	9.1	8.6	9.2	1.9	7.6
3	5.4	-5.6	8.1	8.5	8.8	8.3	8.9	2.0	5.4
4	4.6	-9.1	7.8	7.9	8.4	7.1	8.9	2.1	5.5
2001:1	5.7	-3.4	7.8	7.7	8.3	6.4	9.0	2.3	5.7
2	4.6	-8.6	7.6	7.4	8.1	5.4	8.9	2.1	5.4
3	4.6	-8.4	7.4	7.2	7.9	4.6	8.6	2.0	5.7
4	4.1	-10.9	7.2	7.0	7.9	4.1	8.4	1.9	5.8

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 1999:Q4 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 5.4 percent in 2000 and 4.9 percent in 2001.

3. On a monthly average basis, federal debt is projected to grow -6.5 percent in 2000 and -7.4 percent in 2001.

4. On a monthly average basis, nonfederal debt is projected to grow 8.6 percent in 2000 and 7.8 percent in 2001.

2.6.3 FOF

Category					Seasonally adjusted annual rates									
	Calendar year				1999		2000				2001			
	1998	1999	2000	2001	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Net funds raised by domestic nonfinancial sectors</i>														
1 Total	744.3	963.3	830.6	805.1	1029.6	1065.8	940.0	704.6	908.7	769.2	967.8	778.2	777.9	696.5
2 Net equity issuance	-267.0	-142.7	-51.0	-82.0	-138.6	-41.6	0.0	-92.0	-56.0	-56.0	-82.0	-82.0	-82.0	-82.0
3 Net debt issuance	1011.3	1105.9	881.6	887.1	1168.2	1107.4	940.0	796.6	964.7	825.2	1049.8	860.2	859.9	778.5
<i>Borrowing sectors</i>														
<i>Nonfinancial business</i>														
4 Financing gap ¹	134.4	155.4	197.4	264.6	174.5	167.8	178.6	187.0	203.5	220.4	243.0	258.9	271.1	285.6
5 Net equity issuance	-267.0	-142.7	-51.0	-82.0	-138.6	-41.6	0.0	-92.0	-56.0	-56.0	-82.0	-82.0	-82.0	-82.0
6 Credit market borrowing	511.7	568.5	562.9	589.4	579.7	559.8	555.4	563.4	560.4	572.4	590.4	594.4	586.4	586.4
<i>Households</i>														
7 Net borrowing ²	471.9	556.6	580.3	529.6	614.6	533.8	617.1	582.1	578.1	544.1	544.1	530.1	524.1	520.1
8 Home mortgages	359.8	421.7	410.5	407.5	482.4	385.9	411.2	416.2	410.2	404.2	408.2	406.2	404.2	411.2
9 Consumer credit	67.6	96.8	126.3	81.3	77.3	115.9	146.0	126.0	124.0	109.0	99.0	85.0	74.0	67.0
10 Debt/DPI (percent) ³	90.3	93.2	95.5	97.6	93.8	94.3	94.7	95.2	95.9	96.6	96.8	97.4	97.9	98.3
<i>State and local governments</i>														
11 Net borrowing	80.3	52.7	18.1	26.4	57.0	30.7	-3.6	24.4	25.4	26.4	29.4	26.4	25.4	24.4
12 Current surplus ⁴	140.5	156.3	167.9	167.1	154.8	177.5	164.6	170.3	170.2	166.5	169.1	167.7	165.7	165.9
<i>Federal government</i>														
13 Net borrowing	-52.6	-71.8	-279.7	-258.2	-83.1	-16.9	-228.8	-373.2	-199.2	-317.6	-114.0	-290.6	-275.9	-352.3
14 Net borrowing (quarterly, n.s.a.)	-52.6	-71.8	-279.7	-258.2	-19.0	47.7	-33.7	-174.4	-46.0	-25.6	-5.0	-153.8	-65.2	-34.3
15 Unified deficit (quarterly, n.s.a.)	-54.4	-158.3	-234.3	-272.5	-30.1	20.6	9.8	-183.9	-53.4	-6.8	5.9	-189.2	-60.3	-28.8
<i>Depository institutions</i>														
16 Funds supplied	360.5	407.9	417.7	356.0	533.0	636.0	564.6	390.4	367.9	347.9	364.4	359.9	347.9	351.9
<i>Memo (percentage of GDP)</i>														
17 Domestic nonfinancial debt ⁵	179.7	181.7	180.0	178.7	182.3	181.5	181.0	179.9	179.8	179.6	179.4	179.3	178.9	178.3
18 Domestic nonfinancial borrowing	11.5	11.9	8.9	8.5	12.6	11.7	9.7	8.1	9.7	8.2	10.2	8.3	8.2	7.3
19 Federal government ⁶	-0.6	-0.8	-2.8	-2.5	-0.9	-0.2	-2.4	-3.8	-2.0	-3.1	-1.1	-2.8	-2.6	-3.3
20 Nonfederal	12.1	12.7	11.7	10.9	13.5	11.8	12.1	11.9	11.7	11.3	11.3	11.1	10.8	10.6

Note. Data after 1999:Q4 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.

Summary of Staff Projections
(Percent change, seasonally adjusted annual rate)

	1998	1999			2000	2001
		H1	Q3	Q4		
Foreign output	0.8	4.4	4.2	3.8	3.9	3.8
<i>January GB</i>	<i>0.8</i>	<i>4.2</i>	<i>3.5</i>	<i>4.0</i>	<i>3.7</i>	<i>3.6</i>
Foreign CPI	4.3	2.7	1.8	3.2	3.2	3.4
<i>January GB</i>	<i>4.3</i>	<i>2.7</i>	<i>1.8</i>	<i>3.3</i>	<i>3.5</i>	<i>3.6</i>

NOTE. Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2; and for quarters, from previous quarter.

Industrial countries. Export-weighted real GDP growth in the foreign industrial countries is projected to average about 3 percent during the forecast period, down about ½ percent from last year's pace. The forecast is a bit stronger on average than that in the January Greenbook, with modest upward revisions to growth in the euro area and Canada offset in part by a downward revision to the forecast for Japanese growth. Growth in the euro area is projected to pick up a bit from its 1999 rate of about 3 percent as surging business sentiment and declining unemployment boost domestic demand, while external demand is supported by strong world growth and lagged effects of the euro's weakness. Growth in the United Kingdom will likely edge lower during the forecast period in response to monetary tightening and the continued strength of the pound. The Canadian economy, which surged last year in concert with the U.S. economy, is expected to slow to a pace more in line with its rate of potential growth in response to tighter monetary policy and slower U.S. growth.

Japanese GDP growth is expected to edge up from zero in 1999 to ¾ percent in 2000 and 1¼ percent in 2001 as private domestic demand makes a slow recovery led by investment spending. Fiscal policy is expected to be roughly neutral this year and next, constrained by high levels of public sector debt. Consumption spending is expected to remain quite weak in the absence of fiscal support, the weakness exacerbated by job uncertainties related to corporate restructuring. The yen's current strength is likely to restrain the external sector from contributing significantly to Japanese growth.

Inflation. Continued strong activity should put further pressure on resources in most foreign industrial economies, leading to an increase in core inflation rates. However, oil price increases, which have elevated headline inflation rates during the past year, are projected to be reversed in part during the next two

Inflation in the developing countries is expected to pick up only modestly over the forecast period in response to rising activity and recent increases in oil prices, as inflationary pressures are limited by the still-high levels of economic slack remaining from the previous downturn. We expect a moderate rise in inflation in Asia, where recovery has progressed the furthest. In contrast, we project continued disinflation in Latin America.

U.S. international transactions. The U.S. current account deficit is projected to rise to 4.6 percent of GDP this year and 4.7 percent next year. While most of the projected deterioration is in goods and services, the net outflow of investment income also increases as a sharp runup in net payments on portfolio investments outweighs a much smaller rise in net receipts on direct investments.

Real net exports are expected to weaken over the forecast period, but at a lessening rate, largely because the declining dollar and lower relative U.S. inflation lead to greater price competitiveness for U.S. goods. As a result, the negative contribution of net exports to GDP growth is projected to shrink from 1¼ percentage point in 1999 to ¾ percentage point this year and ¼ percentage point in 2001.

Summary of Staff Trade Projections
(Percent change, seasonally adjusted annual rate)

	1998	1999			2000	2001
		H1	Q3	Q4		
Real exports	1.9	-0.9	11.5	8.7	7.2	8.7
<i>January GB</i>	<i>1.9</i>	<i>-0.9</i>	<i>11.5</i>	<i>5.3</i>	<i>6.9</i>	<i>8.5</i>
Real imports	10.8	13.5	14.9	10.0	11.3	8.5
<i>January GB</i>	<i>10.8</i>	<i>13.5</i>	<i>14.9</i>	<i>7.7</i>	<i>10.0</i>	<i>8.6</i>

NOTE. Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2; and for quarters, from previous quarter.

Real exports of goods and services are projected to grow a little more than 7 percent this year and 8¾ percent next year. The projected acceleration comes largely in the core goods component, and results primarily from the swing in relative prices noted above. Strong foreign growth also helps to boost core exports, while the booming worldwide market for semiconductors contributes to the strengthening in overall export growth.

rising at a somewhat slower rate. Over the longer run, core export prices are expected to continue to decelerate, in part because of the spillover from the projected decline in oil prices.

Selected Trade Prices

(Percent change except as noted; seasonally adjusted annual rate)

Trade category	1998	1999			2000	2001
		H1	Q3	Q4		
<i>Exports</i>						
Nonagricultural (core)	-1.9	0.8	2.5	2.9	1.4	0.9
Agricultural	-10.2	-8.9	-2.0	0.6	2.4	2.4
<i>Imports</i>						
Non-oil (core)	-1.9	-0.7	1.1	1.2	2.0	2.4
Oil (level, dollars per barrel)	11.40	14.70	18.63	22.00	22.65	18.35

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

Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2; and for quarters, from previous quarter.

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

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

Measure and country							-----Projected-----		
	1993	1994	1995	1996	1997	1998	1999	2000	2001
REAL GDP (1)									
Total foreign	3.2	5.1	2.3	4.3	4.1	0.8	4.2	3.9	3.8
Industrial Countries	1.9	4.0	1.8	2.9	3.3	1.7	3.4	3.0	2.9
of which:									
Canada	2.9	5.5	1.4	2.4	4.4	2.8	4.7	3.5	3.1
Japan	0.5	0.9	2.5	5.2	-0.5	-3.1	0.0	0.7	1.2
United Kingdom	3.2	4.6	1.9	2.9	3.4	1.5	2.9	2.7	2.5
Euro-11	0.1	3.0	1.5	1.7	3.1	1.9	3.0	3.3	3.3
Germany	-0.3	2.8	1.1	1.4	1.5	1.2	2.3	3.2	3.3
Developing Countries	5.1	6.9	3.0	6.4	5.1	-0.3	5.5	5.2	5.1
Asia	7.7	8.9	7.2	7.0	4.7	-1.9	8.0	6.4	6.4
Korea	6.3	9.4	7.2	6.8	3.7	-5.3	12.8	7.5	7.0
China	6.1	16.3	12.6	9.2	8.2	9.5	6.2	7.0	7.5
Latin America	2.6	5.4	-3.9	6.3	6.1	1.0	3.5	4.1	4.2
Mexico	1.9	5.2	-7.1	7.1	6.7	2.6	5.2	4.5	4.5
Brazil	4.5	9.8	-1.9	5.5	2.2	-1.6	3.2	3.0	3.4
CONSUMER PRICES (2)									
Industrial Countries	2.1	1.1	1.3	1.5	1.6	1.0	1.1	1.5	1.5
of which:									
Canada	1.8	-0.0	2.1	2.0	1.0	1.1	2.4	2.3	2.2
Japan	1.2	0.8	-0.8	0.1	2.1	0.7	-1.2	0.0	0.2
United Kingdom (3)	2.7	2.2	2.9	3.2	2.8	2.6	2.2	2.4	2.5
Euro-11 (4)	NA	NA	NA	2.0	1.4	0.9	1.5	1.5	1.6
Germany	4.2	2.6	1.5	1.5	2.1	0.4	1.0	1.1	1.4
Developing Countries	24.7	23.0	17.0	11.2	6.9	9.1	4.7	5.6	6.1
Asia	7.7	10.7	6.4	4.8	2.8	4.5	0.3	3.6	4.3
Korea	5.5	5.8	4.4	5.1	5.1	6.0	1.3	3.0	4.8
China	17.1	26.9	11.1	7.0	1.0	-1.1	-0.8	3.0	4.0
Latin America	74.2	54.3	42.2	26.0	15.8	15.6	12.7	9.3	9.2
Mexico	8.6	6.9	48.8	28.1	17.2	17.6	13.7	9.8	9.8
Brazil	2287.6	1216.3	23.1	10.8	5.3	1.8	8.4	6.4	5.0

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	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
REAL GDP (1)	----- Quarterly changes at an annual rate -----											
Total foreign	3.8	5.1	4.2	3.8	4.1	3.7	3.9	3.9	3.9	3.8	3.7	3.7
Industrial Countries	3.9	3.3	3.5	2.7	3.7	2.7	3.0	2.8	2.9	2.9	2.8	2.8
of which:												
Canada	5.1	3.6	5.5	4.6	3.9	3.7	3.4	3.1	3.1	3.1	3.1	3.1
Japan	6.3	3.9	-3.9	-5.5	4.8	-3.0	0.6	0.6	1.2	1.2	1.2	1.2
United Kingdom	1.5	3.0	3.9	3.1	2.3	3.0	2.8	2.6	2.5	2.4	2.5	2.4
Euro-11	2.3	2.2	4.0	3.5	3.3	3.4	3.4	3.4	3.3	3.3	3.2	3.2
Germany	2.7	0.3	3.5	2.7	3.1	3.2	3.3	3.3	3.4	3.4	3.3	3.3
Developing Countries	3.6	7.8	5.2	5.3	4.8	5.2	5.3	5.3	5.3	5.2	4.9	4.9
Asia	7.0	11.5	5.0	8.6	6.1	6.4	6.4	6.5	6.5	6.4	6.3	6.4
Korea	13.9	16.5	12.9	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0
China	2.2	1.1	11.4	10.6	6.0	6.0	8.0	8.0	7.5	7.5	7.5	7.5
Latin America	0.6	4.9	6.0	2.5	3.5	4.3	4.3	4.3	4.3	4.3	4.1	4.1
Mexico	2.5	7.6	8.9	2.2	3.8	4.7	4.7	4.7	4.7	4.7	4.3	4.3
Brazil	3.8	3.4	0.1	5.8	2.7	3.0	3.0	3.2	3.3	3.3	3.5	3.7
CONSUMER PRICES (2)	----- Four-quarter changes -----											
Industrial Countries	0.6	0.9	1.3	1.1	1.7	1.6	1.5	1.5	1.5	1.5	1.5	1.5
of which:												
Canada	0.8	1.6	2.2	2.4	2.5	2.5	2.4	2.3	2.2	2.2	2.2	2.2
Japan	-0.2	-0.4	0.0	-1.2	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
United Kingdom (3)	2.6	2.3	2.2	2.2	2.3	2.4	2.4	2.4	2.4	2.4	2.5	2.5
Euro-11 (4)	0.9	1.0	1.2	1.5	2.1	1.8	1.5	1.5	1.4	1.4	1.5	1.6
Germany	0.3	0.5	0.6	1.0	1.7	1.4	1.1	1.1	1.1	1.2	1.3	1.4
Developing Countries	8.2	6.9	6.0	4.7	4.3	4.8	5.1	5.6	6.0	6.2	6.2	6.1
Asia	2.5	0.8	0.2	0.3	1.0	2.4	3.2	3.6	3.7	3.9	4.1	4.3
Korea	0.7	0.6	0.7	1.3	1.5	2.2	3.2	3.0	3.9	4.2	4.5	4.8
China	-1.4	-2.2	-1.2	-0.8	0.6	1.9	2.6	3.0	3.1	3.6	3.8	4.0
Latin America	16.4	15.7	14.7	12.7	10.0	8.9	8.5	9.3	10.1	10.4	10.1	9.2
Mexico	18.6	17.9	16.5	13.7	10.6	9.3	8.8	9.8	10.9	11.2	10.9	9.8
Brazil	2.3	3.3	5.5	8.4	8.2	7.6	7.3	6.4	5.8	5.7	5.3	5.0

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 U.S. INTERNATIONAL TRANSACTIONS

	1993	1994	1995	1996	1997	1998	----- 1999	Projected 2000	----- 2001
<hr/>									
NIPA REAL EXPORTS and IMPORTS									
	Percentage point contribution to GDP growth, Q4/Q4								
Net Goods & Services	-0.6	-0.3	0.4	-0.2	-0.7	-1.1	-1.2	-0.8	-0.3
Exports of G&S	0.4	1.1	1.0	1.1	1.1	0.2	0.5	0.8	1.0
Imports of G&S	-1.1	-1.3	-0.6	-1.3	-1.7	-1.3	-1.7	-1.6	-1.2
	Percentage change, Q4/Q4								
Exports of G&S	4.5	10.6	9.7	9.9	9.4	1.9	4.5	7.2	8.7
Services	4.9	8.4	9.0	9.4	3.0	2.3	2.9	2.6	4.4
Agricultural Goods	-5.4	16.3	-4.0	3.8	3.3	0.3	-1.9	2.0	2.0
Computers	17.0	27.4	39.1	21.6	26.2	7.1	12.0	37.9	36.0
Semiconductors	31.1	66.9	79.6	44.6	21.0	9.3	32.8	41.8	41.1
Other Goods 1/	3.5	6.9	5.7	7.8	11.4	1.1	3.4	4.9	5.5
Imports of G&S	10.5	12.2	5.0	11.2	14.2	10.8	13.0	11.3	8.5
Services	6.7	1.8	5.5	5.3	13.6	8.5	9.5	5.5	3.1
Oil	10.1	-0.2	2.4	7.8	4.0	4.0	-2.9	12.8	0.4
Computers	30.6	39.0	35.0	17.8	32.3	26.9	26.0	38.6	36.1
Semiconductors	33.6	54.5	92.4	56.7	32.8	-7.4	35.4	43.7	42.4
Other Goods 2/	9.4	12.3	-1.2	10.5	12.7	11.3	13.2	8.6	6.0
	Billions of chained 1996 dollars								
Net Goods & Services	-59.9	-87.6	-79.2	-89.0	-109.8	-215.1	-322.9	-413.8	-460.9
Exports of G&S	671.9	731.8	807.4	874.2	985.4	1007.1	1043.6	1121.0	1209.8
Imports of G&S	731.8	819.4	886.6	963.1	1095.2	1222.1	1366.5	1534.8	1670.7
	<hr/>								
	Billions of dollars								
US CURRENT ACCOUNT BALANCE	-85.3	-121.7	-113.6	-129.3	-143.5	-220.6	-336.9	-453.4	-493.0
Current Acct as Percent of GDP	-1.3	-1.7	-1.5	-1.7	-1.7	-2.5	-3.6	-4.6	-4.7
Net Goods & Services (BOP)	-69.9	-98.4	-97.5	-104.3	-104.7	-164.3	-271.3	-379.3	-405.9
Investment Income, Net	26.9	20.3	23.9	21.8	8.2	-7.0	-13.3	-20.7	-33.8
Direct, Net	58.6	54.4	63.8	67.7	69.2	59.4	61.2	75.0	91.6
Portfolio, Net	-31.7	-34.1	-39.9	-46.0	-61.0	-66.4	-74.5	-95.7	-125.4
Other Income & Transfers, Net	-42.2	-43.6	-39.9	-46.7	-46.9	-49.3	-52.3	-53.3	-53.3

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1996				1997				1998			
	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	-0.8	-1.3	2.1	-0.8	-0.5	-0.8	-0.5	-1.9	-2.0	-0.8	0.3
Exports of G&S	0.3	0.8	0.4	2.9	1.0	1.8	1.3	0.2	-0.2	-0.5	-0.2	1.6
Imports of G&S	-1.3	-1.6	-1.7	-0.8	-1.8	-2.2	-2.1	-0.7	-1.7	-1.6	-0.6	-1.3
	Percentage change from previous period, SAAR											
Exports of G&S	2.3	6.9	3.5	29.0	8.8	16.2	11.5	1.8	-1.5	-4.0	-1.7	16.1
Services	-4.0	13.5	-6.7	41.0	-3.5	11.1	7.6	-2.5	1.7	8.8	-8.8	8.6
Agricultural Goods	15.2	-25.5	-4.1	40.9	-18.2	3.3	4.5	28.8	-10.9	-16.4	-16.4	62.7
Computers	41.0	4.8	17.3	26.1	56.2	46.4	28.7	-13.7	-13.0	11.1	19.1	14.2
Semiconductors	24.2	35.2	24.2	110.0	46.2	24.5	26.2	-6.7	1.3	-13.1	25.3	29.4
Other Goods 1/	-0.5	7.1	7.8	17.7	13.6	17.2	11.7	3.5	-1.2	-9.2	0.6	15.7
Imports of G&S	10.8	13.3	14.4	6.3	15.5	19.1	17.6	5.2	14.4	13.0	5.2	10.8
Services	5.6	4.1	11.8	0.0	20.6	8.6	20.7	5.3	16.7	9.7	6.4	1.6
Oil	-10.0	68.2	4.9	-15.0	-7.6	36.6	6.1	-12.7	6.4	41.8	2.4	-24.2
Computers	11.0	21.1	18.8	20.8	45.0	47.9	34.5	6.2	35.6	23.2	11.5	39.4
Semiconductors	30.0	18.9	58.4	146.3	77.6	28.1	28.8	6.1	1.3	-20.1	-3.0	-6.4
Other Goods 2/	13.5	10.2	13.8	4.6	11.9	16.6	15.6	6.9	13.5	12.9	4.9	14.2
	Billions of chained 1996 dollars, SAAR											
Net Goods & Services	-75.6	-90.6	-115.8	-73.9	-90.8	-100.9	-118.7	-128.7	-171.7	-218.4	-237.9	-232.3
Exports of G&S	845.6	859.8	867.1	924.2	943.9	979.9	1006.8	1011.2	1007.3	997.2	993.0	1030.8
Imports of G&S	921.1	950.4	982.9	998.1	1034.7	1080.8	1125.5	1139.9	1179.0	1215.6	1231.0	1263.1
	Billions of dollars, SAAR											
US CURRENT ACCOUNT BALANCE	-107.0	-125.8	-153.3	-131.1	-139.6	-125.9	-142.5	-165.9	-172.1	-209.6	-253.9	-246.7
Current Account as % of GDP	-1.4	-1.6	-2.0	-1.6	-1.7	-1.5	-1.7	-2.0	-2.0	-2.4	-2.9	-2.8
Net Goods & Services (BOP)	-89.4	-105.9	-125.9	-96.1	-106.4	-96.8	-102.9	-112.8	-133.4	-167.8	-182.9	-173.1
Investment Income, Net	30.4	21.3	15.1	20.2	9.0	13.7	5.8	4.2	6.1	2.9	-22.5	-14.3
Direct, Net	68.5	64.3	63.6	74.5	66.4	74.7	69.2	66.6	67.3	64.7	47.3	58.2
Portfolio, Net	-38.2	-43.0	-48.5	-54.3	-57.4	-60.9	-63.4	-62.4	-61.3	-61.8	-69.9	-72.5
Other Inc. & Transfers, Net	-48.0	-41.2	-42.5	-55.2	-42.1	-42.9	-45.4	-57.3	-44.8	-44.7	-48.5	-59.3

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	1999				2000				2001			
	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	-2.1	-1.4	-0.7	-0.4	-1.6	-0.5	-0.9	-0.1	-0.5	-0.5	-0.3	
Exports of G&S	-0.6	0.4	1.2	0.9	0.3	1.3	0.4	1.1	0.6	0.9	1.0	
Imports of G&S	-1.5	-1.8	-1.9	-1.4	-2.0	-1.7	-1.4	-1.2	-1.1	-1.4	-1.2	
Percentage change from previous period, SAAR												
Exports of G&S	-5.5	4.0	11.5	8.7	3.0	12.1	3.9	10.2	5.1	8.7	9.0	12.2
Services	4.1	3.2	0.0	4.4	2.9	1.9	2.5	2.9	4.4	4.7	4.4	4.1
Agricultural Goods	-37.9	28.7	27.4	-9.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Computers	-3.0	32.1	27.8	-3.9	33.5	43.8	38.6	36.0	36.0	36.0	36.0	36.0
Semiconductors	36.3	40.8	47.8	9.8	36.0	43.7	43.7	43.8	41.1	41.1	41.1	41.1
Other Goods 1/	-9.3	-2.0	12.8	13.9	-1.5	13.6	-1.2	9.5	-0.5	5.5	5.8	11.5
Imports of G&S	12.5	14.4	14.9	10.0	14.5	12.5	9.7	8.4	7.4	10.0	8.6	8.0
Services	11.9	8.9	3.6	14.0	7.9	6.0	4.3	4.0	3.0	2.5	3.2	3.5
Oil	7.1	25.5	-11.6	-25.2	12.3	48.7	4.1	-6.8	-14.9	32.7	2.7	-12.5
Computers	28.7	52.3	20.0	7.1	33.6	38.6	41.2	41.2	36.1	36.1	36.1	36.1
Semiconductors	18.4	63.5	19.0	45.9	38.6	46.4	46.4	43.7	43.7	43.7	41.1	41.1
Other Goods 2/	11.3	10.3	19.7	11.9	13.7	6.9	7.3	6.7	6.3	5.7	5.9	6.1
Billions of chained 1996 dollars, SAAR												
Net Goods & Services	-284.5	-319.0	-338.2	-349.7	-390.9	-403.6	-428.4	-432.4	-446.6	-460.8	-469.4	-466.7
Exports of G&S	1016.4	1026.4	1054.8	1077.0	1085.1	1116.6	1127.3	1155.0	1169.4	1194.1	1220.0	1255.7
Imports of G&S	1300.9	1345.4	1393.0	1426.7	1476.0	1520.2	1555.7	1587.5	1616.0	1655.0	1689.5	1722.4
Billions of dollars, SAAR												
US CURRENT ACCOUNT BALANCE	-275.3	-324.4	-359.0	-388.9	-427.6	-448.1	-464.6	-473.2	-479.1	-492.9	-496.6	-503.4
Current Account as % of GDP	-3.0	-3.5	-3.9	-4.1	-4.4	-4.5	-4.7	-4.7	-4.7	-4.7	-4.7	-4.7
Net Goods & Services (BOP)	-216.6	-261.1	-294.5	-313.1	-360.9	-379.0	-390.8	-386.7	-397.5	-408.4	-412.2	-405.3
Investment Income, Net	-11.8	-12.9	-14.1	-14.3	-16.2	-18.5	-23.2	-24.9	-31.0	-33.8	-33.9	-36.4
Direct, Net	59.3	56.0	62.6	67.0	69.9	72.9	75.5	81.8	82.9	87.5	95.2	100.8
Portfolio, Net	-71.1	-68.9	-76.7	-81.3	-86.1	-91.4	-98.7	-106.7	-113.9	-121.3	-129.1	-137.3
Other Inc. & Transfers, Net	-46.9	-50.4	-50.4	-61.6	-50.6	-50.6	-50.6	-61.6	-50.6	-50.6	-50.6	-61.6

1. Merchandise exports excluding agricultural products, computers, and semiconductors.

2. Merchandise imports excluding oil, computers, and semiconductors.

Part 2

March 15, 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

March 15, 2000

Recent Developments

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

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

	Jan.			12 months ending in Jan.		
	1999	2000	Percent change	1999	2000	Percent change
Outlays	101.2	127.3	25.8	1657.3	1726.1	4.2
Deposit insurance	0.0	-1.4	...	-5.3	-3.8	...
Spectrum auction	0.0	0.0	...	-2.8	-1.5	...
Sale of major assets	0.0	0.0	...	-3.2	0.0	...
Other	101.2	128.7	27.2	1668.5	1731.4	3.8
Receipts	171.7	189.5	10.3	1756.8	1876.0	6.8
Surplus	70.5	62.2	...	99.5	149.9	50.7
Outlays excluding deposit insurance, spectrum auction, and sale of major assets are adjusted for payment timing shifts ¹						
Outlays	139.7	139.8	0.0	1682.2	1731.6	2.9
National defense	21.6	20.0	-7.5	270.2	282.6	4.6
Net interest	19.9	19.4	-2.6	238.7	228.6	-4.2
Social security	32.1	33.4	4.1	383.6	394.3	2.8
Medicare	15.2	16.2	7.0	191.9	192.0	0.1
Medicaid	8.9	8.6	-3.1	102.3	110.6	8.0
Other health	2.1	3.0	40.6	30.4	33.8	11.4
Income security	19.7	19.0	-3.5	234.3	239.3	2.2
Other	20.2	20.1	-0.5	230.9	250.4	8.5
Receipts	171.7	189.5	10.3	1756.8	1876.0	6.8
Individual income and payroll taxes	153.2	169.7	10.8	1392.0	1505.3	8.1
Withheld + FICA	106.5	118.4	11.2	1174.1	1284.2	9.4
Nonwithheld + SECA	47.7	52.5	9.9	318.1	346.0	8.8
Refunds (-)	1.0	1.2	18.6	100.1	124.5	24.3
Corporate	5.1	5.3	4.0	185.8	186.1	0.2
Gross	7.2	7.1	-0.7	213.8	216.9	1.5
Refunds (-)	2.1	1.8	-12.4	28.0	30.8	9.9
Other	13.4	14.4	8.0	179.0	184.7	3.2
Surplus	32.0	49.7	...	74.6	144.4	93.6

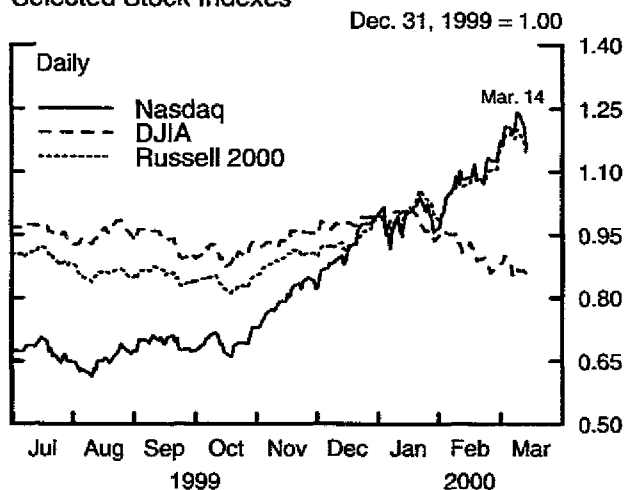
Note. Components may not sum to totals because of rounding.

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.

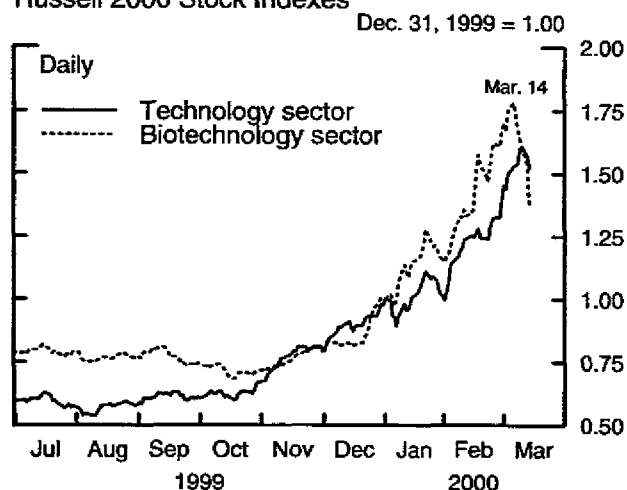
... Not applicable.

Equity Market

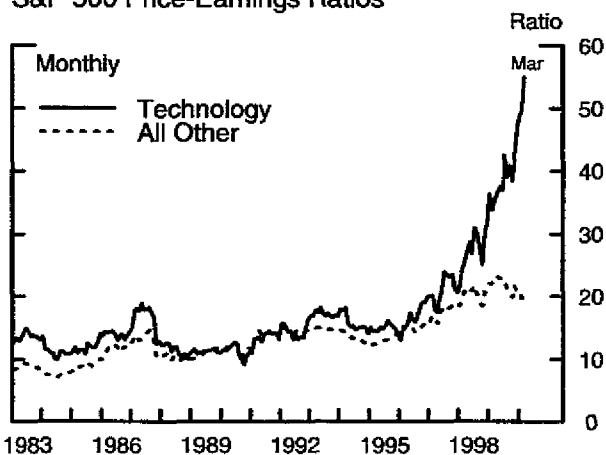
Selected Stock Indexes



Russell 2000 Stock Indexes

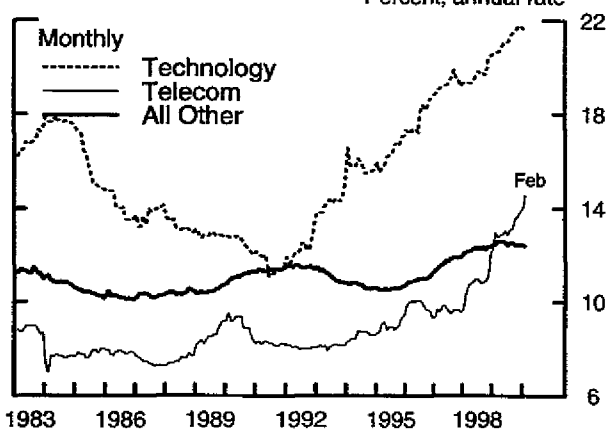


S&P 500 Price-Earnings Ratios*



*Using expected earnings for twelve months ahead.
Source: I/B/E/S.

Expected Long-Term EPS Growth for S&P 500*



*Earnings-weighted average of I/B/E/S consensus firm-level
5-year growth forecasts.

Net Flows into Long-Term Mutual Funds

(Excluding reinvested dividends; billions of dollars, monthly rates.)

	1997	1998	1999			2000		Assets Jan.
			H1	Q3	Q4	Jan.	Feb. ^e	
Equity funds	19.0	13.2	15.2	10.7	21.7	40.0	42.6	3,949
Capital appreciation	7.9	7.1	12.1	8.6	21.1	40.5	42.2	2,100
Aggressive growth	2.7	1.0	0.6	1.9	8.5	16.7	21.1	630
Growth	4.3	5.5	10.1	5.6	6.7	12.3	9.0	1,256
Sector	0.8	0.6	1.4	1.1	5.8	11.5	12.1	214
Total return	7.9	5.5	3.6	2.4	-4.1	-12.5	-15.1	1,274
International	3.1	0.6	-0.4	-0.3	4.7	12.0	15.6	575
Hybrid funds	1.4	0.9	-0.4	-0.7	-2.6	-6.6	-5.5	368
Bond funds	2.4	6.2	3.4	-1.4	-7.3	-12.6	-7.1	792

^e Staff estimates based on confidential ICI weekly data.

* Change in assets.

Source: Investment Company Institute (ICI).

GROSS ISSUANCE OF SECURITIES BY U.S. CORPORATIONS
(Billions of dollars; monthly rates, not seasonally adjusted)

Type of security	1998	1999	1999			2000	
			Q3	Q4	Dec.	Jan.	Feb.
All U.S. corporations	94.0	89.4	87.5	64.8	50.8	54.2	77.0
Stocks ¹	10.6	11.0	9.1	14.6	8.3	11.3	21.3
Bonds	83.5	78.4	78.4	50.2	42.5	42.9	55.7
<u>Nonfinancial corporations</u>							
Stocks ¹	6.2	9.2	7.9	13.7	7.5	9.1	20.9
Initial public offerings	2.2	4.2	3.2	7.9	4.0	1.1	6.6
Seasoned offerings	4.0	5.0	4.7	5.8	3.4	8.0	14.3
Bonds ²	25.7	24.5	23.0	17.6	14.6	14.9	24.9
Investment grade ³	14.1	13.9	14.5	8.8	7.3	5.5	11.7
Speculative grade ³	10.2	7.5	5.1	6.6	6.5	5.2	10.4
Other (Sold Abroad/Unrated)	1.3	3.1	3.3	2.2	.8	4.2	2.8
<u>Financial corporations</u>							
Stocks ¹	4.4	1.8	1.3	.9	.9	2.2	.4
Bonds	57.8	53.9	55.4	32.6	27.9	28.0	30.8
<u>Memo:</u>							
Net issuance of commercial paper, nonfinancial corporations ⁴	2.3	3.6	4.7	4.2	12.4	1.8	9.5
Change in C&I loans at commercial banks ⁴	7.1	5.0	6.3	6.8	-6.1	14.6	5.9

Note. Components may not sum to totals because of rounding. These data include speculative-grade bonds issued privately under Rule 144A. All other private placements are excluded. Total reflects gross proceeds rather than par value of original discount bonds.

1. Excludes equity issues associated with equity-for-equity swaps that have occurred in restructurings.

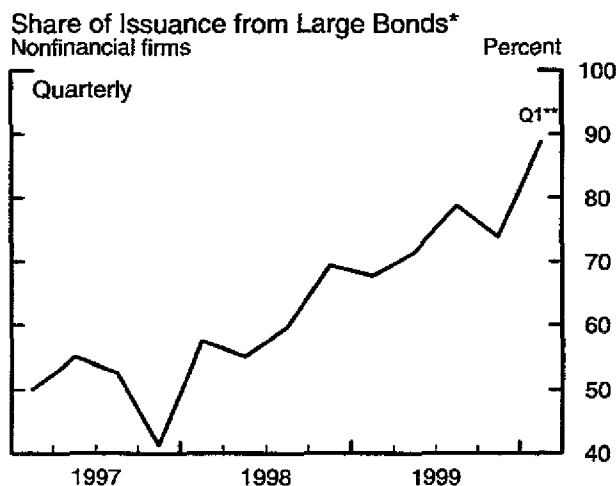
2. Excludes mortgage-backed and asset-backed bonds.

3. Bonds sold in U.S. categorized according to Moody's bond ratings, or to Standard Poor's if unrated by Moody's.

4. End-of-period basis, seasonally adjusted.

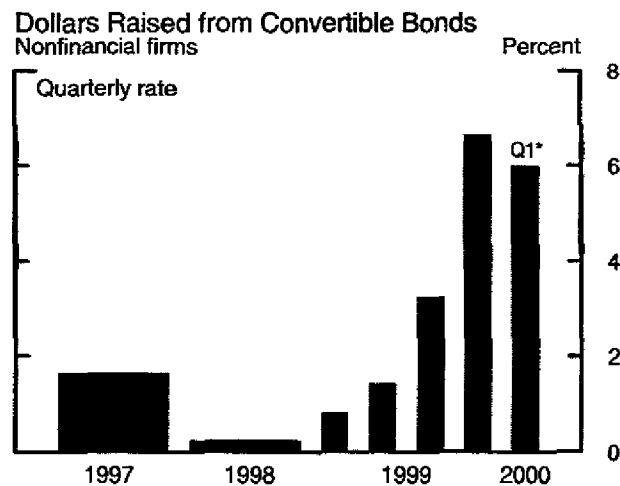
e Staff estimate.

n.a. Not available.



*Proceeds from issues greater than or equal to \$250 million.

**Data through Feb. 29, 2000, at a quarterly rate.



*Data through Feb. 29, 2000, at a quarterly rate.

Treasury and Agency Finance

Treasury Financing (Billions of dollars)

Item	1999				2000	
	Q2	Q3	Q4	Dec.	Jan.	Feb.
Total surplus, deficit (-)	143.1	30.1	-20.6	33.1	62.2	n.a.
Means of financing deficit						
Net borrowing	-108.0	-20.1	47.6	35.7	-84.0	18.8
Nonmarketable	6.3	-2.7	1.0	-1.2	-2.3	0.0
Marketable	-114.3	-17.4	46.6	37.0	-81.7	18.8
Bills	-78.0	4.7	83.6	49.1	-67.2	25.8
Coupons	-36.3	-22.0	-37.0	-12.1	-14.5	-7.1
Decrease in cash balance	-31.5	-3.4	-26.9	-77.2	20.6	40.8
Other ¹	-3.6	-6.7	-0.1	8.4	1.2	n.a.
MEMO						
Cash balance, end of period	53.1	56.5	83.3	83.3	62.7	22.0

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

1. Direct loan financing, accrued items, checks issued less checks paid, and other transactions.

e Estimated.

n.a. Not available.

Net Cash Borrowing of Government-Sponsored Enterprises (Billions of dollars)

Agency	1999					2000
	Q2	Q3	Q4	Nov.	Dec.	Jan.
FHLBs	34.7	44.5	47.4	13.4	26.2	-6.3
Freddie Mac	15.2	26.7	19.6	4.8	3.4	11.9
Fannie Mae	24.5	25.0	22.7	13.0	7.3	-3.3
Farm Credit Banks	1.2	0.2	0.9	-0.7	1.2	0.2
Sallie Mae	1.2	4.0	0.1	0.2	-2.4	n.a.
MEMO						
<i>Outstanding non-callable notes and bonds</i>						
Fannie Mae benchmark	76.4	93.9	106.4	93.9	101.9	116.4
Freddie Mac reference	41.0	56.5	69.5	61.5	66.5	75.5

NOTE. Excludes mortgage pass-through securities issued by Fannie Mae and Freddie Mac.

n.a. Not available.

State and Local Finance

Gross Offerings of Municipal Securities

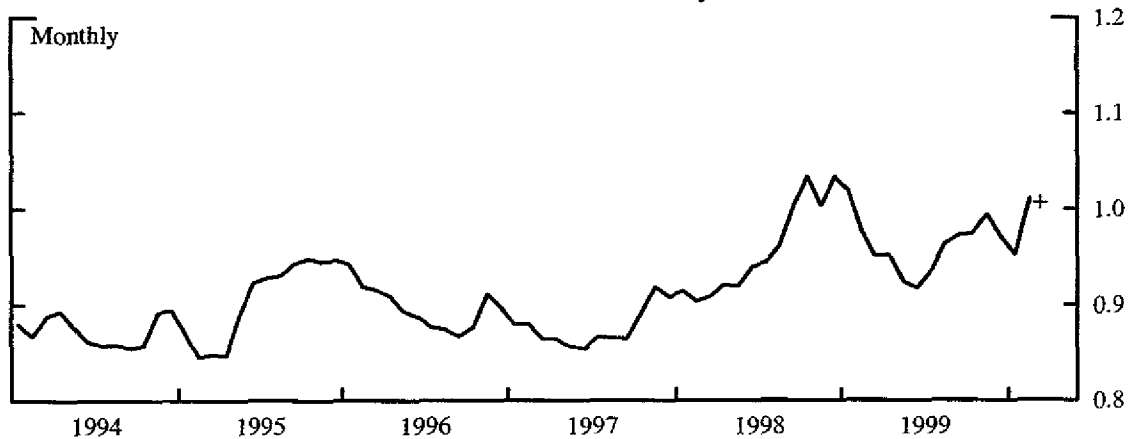
(Billions of dollars; monthly rates, not seasonally adjusted)

	1998	1999	1999			2000	
			Q3	Q4	Dec.	Jan.	Feb.
Long-term	21.9	18.0	17.6	16.6	14.8	9.0	10.9
Refundings ¹	8.5	4.5	4.4	3.1	3.3	0.9	1.5
New capital	13.4	13.5	13.2	13.5	11.5	8.0	9.4
Short-term	2.4	2.7	3.9	2.2	2.6	1.8	1.3
Total tax-exempt	24.3	20.6	21.5	18.8	17.4	10.8	12.2
Total taxable	1.1	1.1	0.8	1.1	1.4	0.5	0.6

Note. Includes issues for public and private purposes.

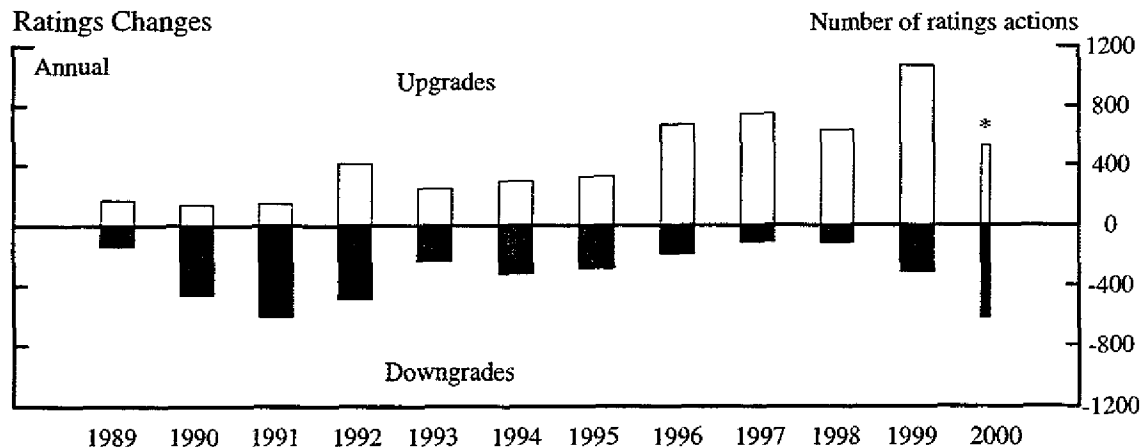
1. All issues that include any refunding bonds.

Ratio of 30-Year Revenue Bond Yield to 30-Year Treasury Yield



Note. Average of weekly data. + indicates latest observation (Mar. 9).

Ratings Changes



* Data through Mar. 2, 2000, at an annual rate.

March 17, 2000

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Supplemental Notes

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

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Supplemental Notes

The Domestic Nonfinancial Economy

Housing Markets

Total private housing starts rose 1-1/4 percent last month to an annual rate of 1.78 million units. The continuing overall strength of residential construction activity was the result of a sharp--but likely temporary--surge in multifamily starts that offset a decline in single-family starts.

At the regional level in February, total starts jumped 21 percent in both the Northeast and Midwest; the surprisingly strong reading in the Midwest was the highest since late 1978. Starts rose 1-1/4 percent in the West and declined 11-1/4 percent in the South. The extent to which favorable weather may have given some support to construction in February is not clear. The sizable increases in starts in the Northeast and Midwest coincided with above-normal temperatures. However, unusually good weather should boost single-family as well as multifamily starts, and the strength was confined to the latter category. In addition, weather conditions in the South, the only region where starts declined, were even better in comparison to historical norms than in the other regions.¹

In the single-family sector at the national level, starts declined nearly 4 percent to an annual rate of 1.31 million units in February from a January estimate that was revised down almost 2-1/2 percent to 1.36 million units. Permits for new single-family houses turned down noticeably in February, more than retracing January's increase. The ratio of starts to permits was close to its long-term average, implying that the starts estimate likely does not understate the underlying level of construction activity.

Multifamily housing starts jumped 19 percent to an annual rate of 471,000 units in February--the highest level since January 1989. However, permits dropped sharply, and the ratio of starts to permits in the multifamily sector was 2-1/2 standard deviations above its mean, which strongly suggests that starts will retreat to a more moderate level.

Prices

The consumer price index jumped 0.5 percent in February reflecting a 4-1/2 percent surge in energy prices. Over the past twelve months, the CPI rose 3.2 percent, compared with a 1.6 percent increase over the preceding twelve-

1. Some evidence suggests that unusual weather has a more noticeable effect on housing starts in the South, where winter weather conditions are marginal for construction, than in areas such as the Northeast and upper Midwest where conditions typically are unfavorable even if the weather is somewhat better than normal.

Private Housing Activity

(Millions of units; seasonally adjusted annual rate)

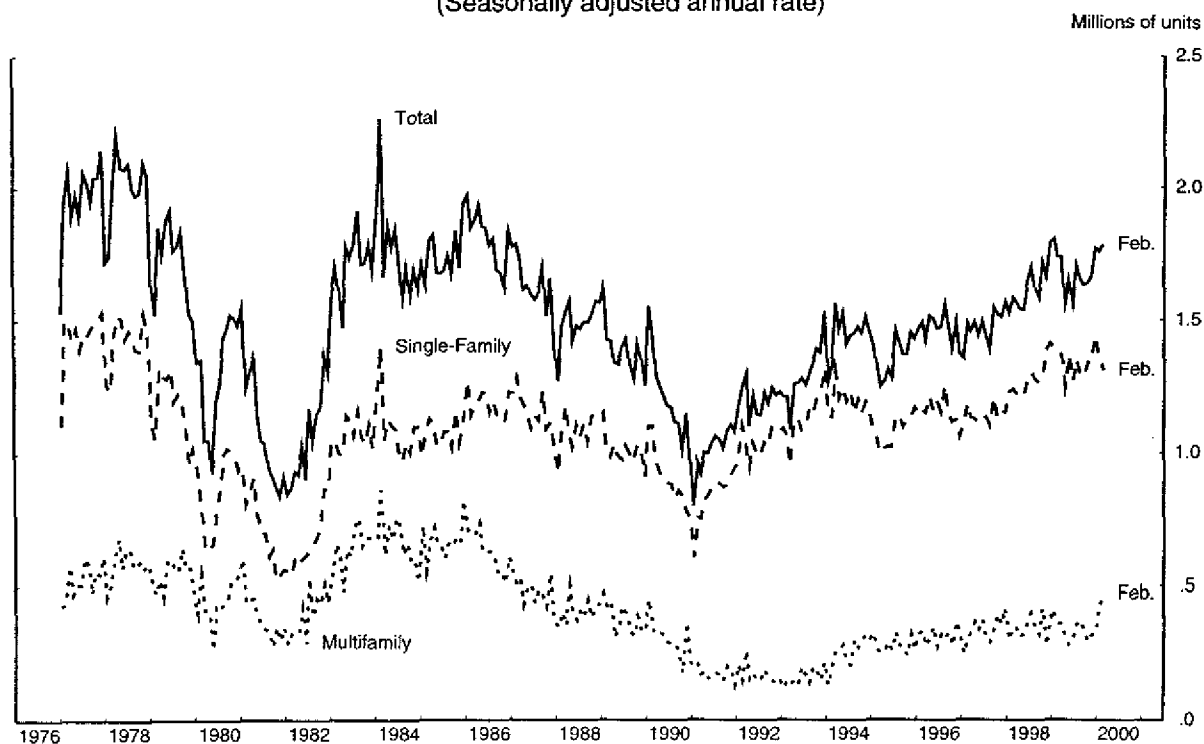
	1999	1999				2000	
		Q2	Q3	Q4 ^r	Dec. ^r	Jan. ^r	Feb. ^p
<i>All units</i>							
Starts	1.67	1.59	1.66	1.69	1.77	1.76	1.78
Permits	1.64	1.60	1.59	1.61	1.62	1.77	1.63
<i>Single-family units</i>							
Starts	1.33	1.30	1.31	1.38	1.44	1.36	1.31
Permits	1.23	1.23	1.21	1.20	1.23	1.32	1.22
Adjusted permits ¹	1.32	1.32	1.30	1.30	1.35	1.38	1.29
New home sales	.91	.93	.90	.90	.92	.88	n.a.
Existing home sales	5.20	5.29	5.25	5.06	5.14	4.59	n.a.
<i>Multifamily units</i>							
Starts	.33	.30	.36	.31	.33	.40	.47
Permits	.41	.37	.38	.41	.39	.45	.41
<i>Mobile homes</i>							
Shipments	.35	.36	.33	.31	.30	.31	n.a.

Note. p Preliminary. r Revised. n.a. Not available.

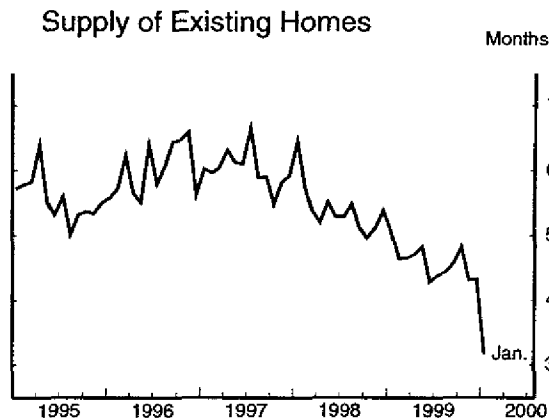
1. Adjusted permits equals permit issuance plus total starts outside of permit-issuing areas, minus a correction for those starts in permit-issuing places that lack a permit.

Total Private Building

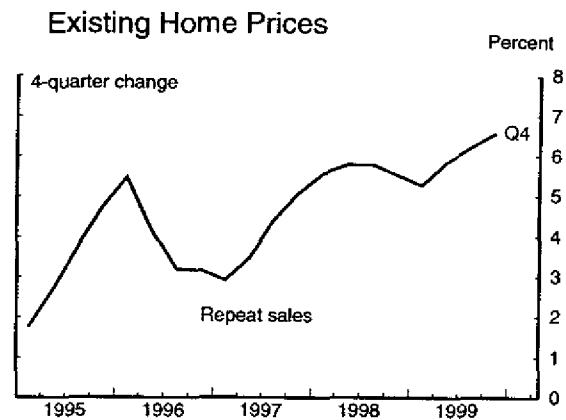
(Seasonally adjusted annual rate)



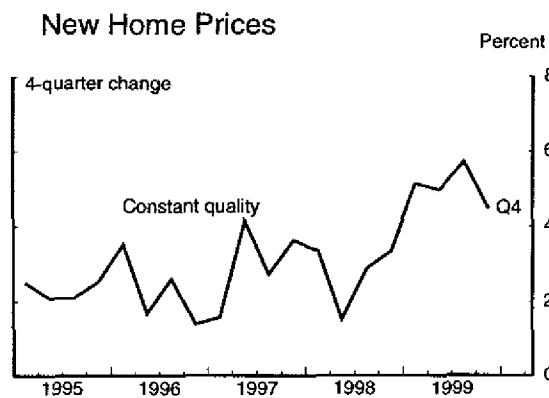
Indicators of Housing Supply, Home Prices, and Housing Demand



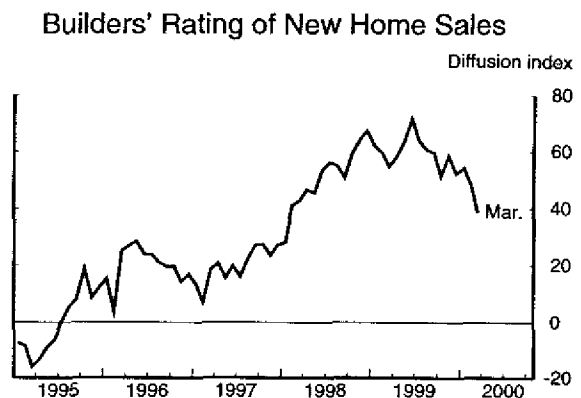
Note. Ratio of inventory, seasonally adjusted by Board staff, to sales, seasonally adjusted by the National Association of Realtors.



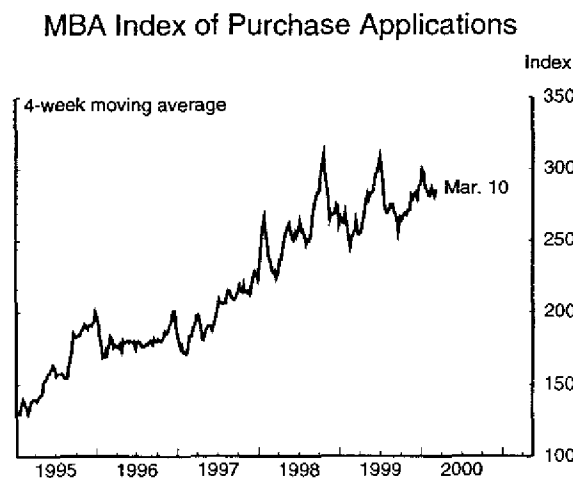
Note. Not seasonally adjusted.



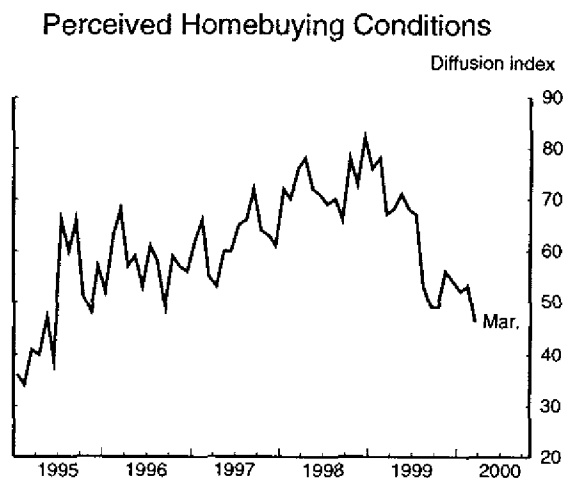
Note. Not seasonally adjusted.



Note. Calculated from National Association of Homebuilders' data as the proportion of respondents rating current sales as good minus the proportion rating them as poor. Seasonally adjusted by Board staff.



Note. Seasonally adjusted by Board staff.



Source. Michigan Survey, not seasonally adjusted.

month period; faster energy price inflation more than accounts for this acceleration in the total CPI. Excluding food and energy, the CPI rose 0.2 percent in February and was up 2.1 percent over the past twelve months, the same as the increase over the preceding period. On a current-methods basis, the twelve-month change in the core CPI has increased 0.2 percentage point over the past year; excluding tobacco as well as food and energy items, the acceleration over the past year is 0.4 percentage point.

Among energy items, consumer motor fuel prices jumped 6 percent in February, and heating fuel prices surged 28 percent--by far the largest monthly increase on record. In fact, that increase seems to be an aberration; it is out of line with movements in wholesale prices, and we expect some fallback in consumer heating fuel prices in March. However, for motor fuel, survey data for the first half of March point to further large price increases this month. Consumer prices of natural gas also rose notably in February, in part reflecting substitution away from petroleum-based fuels, and electricity prices were up last month as well. In all, the CPI for energy increased nearly 20 percent over the past twelve months.

Food prices rose 0.4 percent in February, reflecting larger than usual increases in the meats, poultry, fish, and eggs category, as well as higher prices for fruits and vegetables. Overall food prices have increased 1-3/4 percent over the past twelve months, not much different from the rise in the core index.

Prices of commodities excluding food and energy were unchanged in February. New car and truck prices edged down further last month; with the expiration of the General Motors coupon incentives at the end of February, some uptick in these prices may be expected in March. Over the past year, new vehicle prices have fallen 1/2 percentage point. In addition, computer prices declined at a more-typical 2.8 percent rate in February after two months of unusually firm prices. (A similar result was evident in the PPI for computers in February.) However, consumer tobacco prices rose 2 percent last month, reflecting the remainder of the mid-January wholesale cigarette price increase. And, prices of apparel items moved up 0.2 percent last month after a sizable decline in January that may have been exaggerated by seasonal adjustment difficulties. Overall, prices of core commodities have increased 0.3 percent over the past twelve months--a 1/2 percentage point deceleration from its year-earlier increase that is more than explained by a sharp deceleration in tobacco prices over this period.

Prices of non-energy services rose 0.3 percent in February, the same as the average increase over the preceding three months. Owners' equivalent rent rose another 0.3 percent last month, continuing its string of larger monthly gains following unusually small increases through much of last year. Elsewhere, prices in the erratic airfares category jumped 3.8 percent in February; airlines'

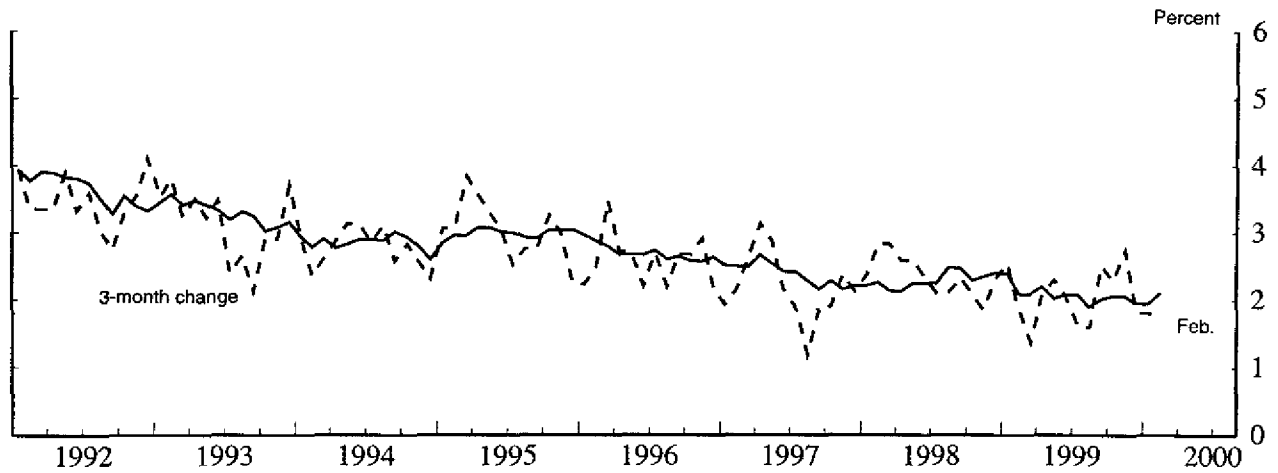
CPI AND PPI INFLATION RATES
(Percent)

	From 12 months earlier		1999		2000	
	Feb. 1999	Feb. 2000	Q3	Q4	Jan.	Feb.
			-Annual rate-		-Monthly rate-	
<u>CPI</u>						
All items (100.0) ¹	1.6	3.2	2.4	2.9	.2	.5
Food (15.3)	2.4	1.8	1.8	2.7	-.1	.4
Energy (7.0)	-5.7	19.9	12.7	10.7	1.0	4.6
CPI less food and energy (77.7)	2.1	2.1	2.1	2.3	.2	.2
Commodities (23.4)	.7	.3	.6	1.5	-.2	.0
New vehicles (4.8)	-.4	-.6	-.1	.5	-.3	-.1
Used cars and trucks (1.9)	-.1	3.2	12.1	5.0	-.7	-.6
Apparel (4.7)	-1.7	-.4	-3.5	3.5	-1.1	.2
Tobacco (1.3)	33.5	9.8	16.9	12.5	1.6	2.1
Other Commodities (10.7)	-.3	-.4	-.7	-.7	.1	-.2
Services (54.3)	2.8	2.8	2.3	2.7	.3	.3
Shelter (29.9)	3.0	2.8	2.5	2.3	.3	.3
Medical care (4.5)	3.4	3.7	3.5	3.4	.3	.5
Other Services (20.0)	2.3	2.7	1.9	3.3	.3	.2
<u>PPI</u>						
Finished goods (100.0) ²	.5	4.0	4.0	3.7	.0	1.0
Finished consumer foods (22.9)	.4	1.3	2.3	1.1	.1	.4
Finished energy (13.8)	-7.6	24.7	24.9	14.1	.7	5.2
Finished goods less food and energy (63.3)	2.2	1.0	.8	2.5	-.2	.3
Consumer goods (38.9)	3.6	1.5	1.7	3.4	-.4	.5
Capital equipment (24.4)	.1	.3	-.5	1.4	.1	.0
Intermediate materials (100.0) ³	-2.7	5.3	6.0	4.3	.4	.8
Intermediate materials less food and energy (81.6)	-1.8	2.7	3.8	2.3	.3	.2
Crude materials (100.0) ⁴	-11.9	26.1	32.7	16.2	2.7	4.2
Crude food materials (38.8)	-6.6	-.6	-2.2	8.8	.7	.7
Crude energy (39.4)	-18.0	73.8	96.2	19.7	4.4	10.0
Crude materials less food and energy (21.8)	-13.1	15.4	18.3	25.1	3.2	-.2

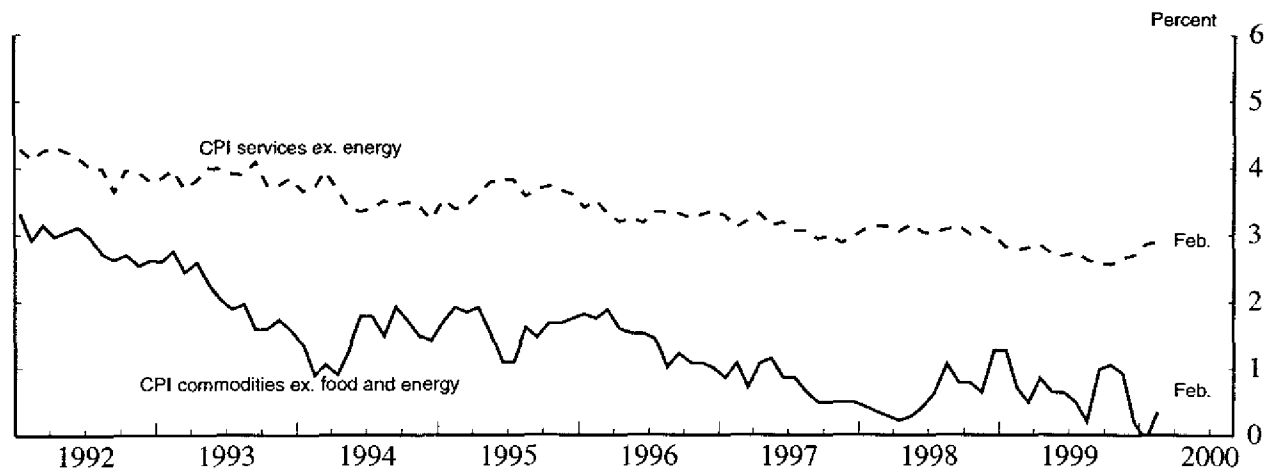
1. Relative importance weight for CPI, December 1999.
2. Relative importance weight for PPI, December 1999.
3. Relative importance weight for intermediate materials, December 1999.
4. Relative importance weight for crude materials, December 1999.

Measures of Core Consumer Price Inflation (12-month change except as noted)

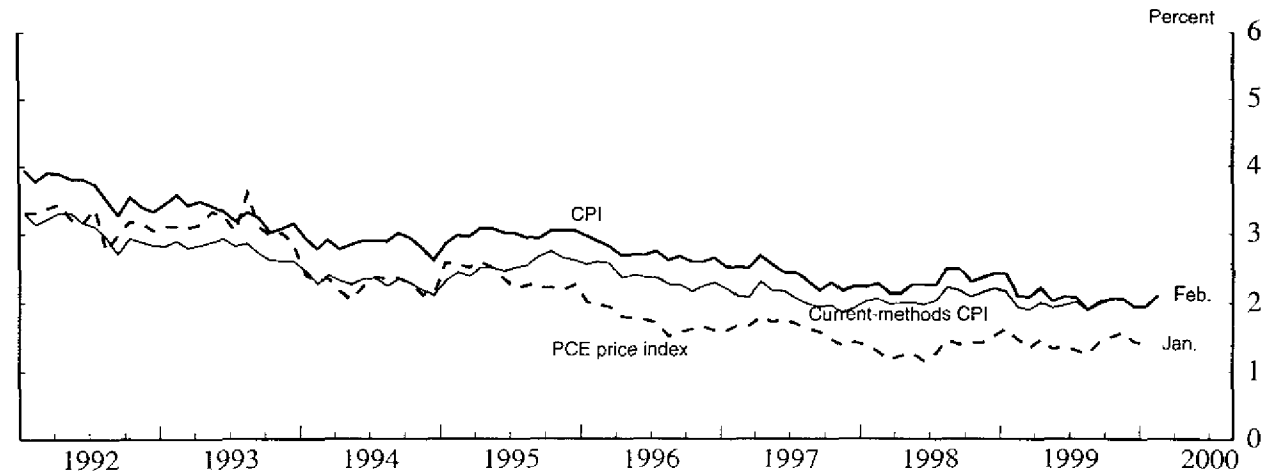
CPI Excluding Food and Energy



CPI Services and Commodities



CPI and PCE Excluding Food and Energy



attempts to add fuel surcharges to ticket prices, which has met with only partial success, may explain part of last month's increase. Overall, the CPI for non-energy services increased 2.8 percent over the past year, the same as its year-earlier increase.

At earlier stages of processing, the PPI for intermediate materials excluding food and energy rose another 0.2 percent in February. The increase in recent months has been most pronounced in a variety of petroleum-related materials, including chemicals and plastics, as well as in metals. Over the past twelve months, this index has risen 2-3/4 percent, more than reversing the decline registered in the preceding year. However, the PPI for core crude prices edged down last month after having jumped more than 3 percent in January; the rise over the past year still is more than 15 percent reflecting sizable price increases for several metals.

The energy price increases appear to be showing through more noticeably to expectations of inflation. According to the preliminary Michigan survey, median one-year-ahead inflation expectations moved up to 3.2 percent in early March, from an average of 2.9 to 3 percent over the preceding few months. Median five- to ten-year ahead expectations ticked up early this month as well, to 3.1 percent.

Consumer Sentiment

According to the preliminary report, the Michigan Survey Research Center index of consumer sentiment fell about 3-1/2 points in early March. While the overall index has retreated from the historical high level posted in January, it remains above the highly favorable level recorded, on average, over last year. Compared with February, respondents reported improved views of their current financial situations early this month, but were a bit less optimistic about their finances looking ahead twelve months. Expectations of business conditions for this year and over the next five years moved down significantly relative to last month. Also, consumers lowered their appraisals of buying conditions for large household appliances in early March.

Among those questions not in the overall index, assessments of current buying conditions for homes and cars were not as favorable as last month. According to the early-March results, current buying conditions for cars were at their lowest level in more than two years, as consumers' views of price discounting fell sharply. After having recorded very low values since December, the index of unemployment change moved up in early March, but was still in the middle of the favorable range posted over 1999.

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

	1999 July	1999 Aug.	1999 Sept.	1999 Oct.	1999 Nov.	1999 Dec.	2000 Jan.	2000 Feb.	2000 Mar (p)
<hr/>									
Indexes of consumer sentiment (Feb. 1966=100)									
Composite of current and expected conditions	106.0	104.5	107.2	103.2	107.2	105.4	112.0	111.3	107.7
Current conditions	116.5	114.1	115.9	112.7	116.8	112.2	117.3	116.8	115.7
Expected conditions	99.2	98.4	101.5	97.1	101.0	101.1	108.6	107.8	102.6
<hr/>									
Personal financial situation									
Now compared with 12 months ago*	132	132	132	127	138	133	135	132	135
Expected in 12 months*	135	139	135	133	138	132	141	138	135
Expected business conditions									
Next 12 months*	147	140	150	140	146	150	165	161	151
Next 5 years*	118	118	124	118	123	125	133	136	127
Appraisal of buying conditions									
Cars	153	148	145	146	148	141	144	153	135
Large household appliances*	171	165	169	166	166	158	169	172	166
Houses	167	153	149	149	156	154	152	153	146
Willingness to use credit									
Willingness to use savings	49	50	47	48	50	50	51	48	54
Expected unemployment change - next 12 months									
Prob. household will lose a job - next 5 years	24	21	20	20	21	19	19	21	21
Expected inflation - next 12 months									
Mean	3.0	3.2	3.2	3.5	3.3	3.6	3.5	3.5	3.9
Median	2.7	2.8	2.7	2.9	2.9	3.0	3.0	2.9	3.2
Expected inflation - next 5 to 10 years									
Mean	3.3	3.3	3.5	3.2	3.5	3.2	3.5	3.3	3.8
Median	2.9	2.8	2.9	2.8	2.9	2.9	3.0	2.9	3.1

* -- Indicates the question is one of the five equally-weighted components of the index of sentiment.

(p) -- Preliminary

(f) -- Final

Note: Figures on financial, business, and buying conditions are the percent reporting 'good times' (or 'better') minus the percent reporting 'bad times' (or 'worse'), plus 100. Expected change in unemployment is the fraction expecting unemployment to rise minus the fraction expecting unemployment to fall, plus 100.

Labor Settlement at Boeing

Boeing announced earlier today that the company had reached a tentative contract agreement with its striking engineers, which would end the strike which began February 9. The union workers are expected to vote on Sunday and, according to the company, could be back to work as early as Monday. The proposed contract looks favorable to the union on the three key issues in the strike: guaranteed annual wage increases, bonuses, and health insurance provisions regarding copayments/deductibles and employee contributions to premiums.

According to the terms of the agreement (as provided by the union), professional workers will receive wage increases totaling 8 percent in the first year and 4-1/2 percent in the second and third years, of which 3 percent per year is guaranteed and the rest is allocated for merit increases, skills improvement, and promotions. Technical workers are slotted to receive wage increases of 5-1/2 percent in the first year and 4-1/2 percent in years two and three, with guaranteed wage increases of 4 percent in the first year and three percent in the other years. Although the total wage increases are only about 1/2 percentage point per year higher than Boeing's initial offer, Boeing had not initially offered any guaranteed wage increases to the professional workers and much more modest increases for the technical workers. In addition, both professional and technical workers will receive \$2,500 bonuses, with the first \$1000 guaranteed and the remainder tied to aircraft delivery goals that seem quite attainable.

The agreement also leaves the basic health and disability benefit packages essentially unchanged from the previous contract. Specifically, the workers will not face monthly premiums for health insurance, their deductibles or copayments for medical costs as well as the nature of the disability and pension plans will not be changed--although pension benefits will increase.

U.S. International Transactions

Prices of Internationally Traded Goods

Non-oil imports and exports. Prices of imported non-oil goods rose in February following a small decline in January. Most of the increase was in industrial supplies, particularly metals. For January-February combined, prices of non-oil imports rose at an annual rate of 3/4 percent, a smaller increase than in the fourth quarter of last year. Prices of imported computers and semiconductors declined in January-February at rates similar to those recorded in the fourth quarter. Prices of core goods (which exclude oil, computers, and semiconductors) rose less in January-February than in the fourth quarter as prices of imported machinery swung back to a decline (as did prices of consumer goods) and prices of industrial supplies and foods rose a bit less rapidly than previously.

Oil. The price of imported oil (BLS) jumped sharply in February following a much smaller increase in January. For January-February combined, the price of oil imports rose at an annual rate of 83 percent, about the same rate as in the fourth quarter. Oil prices have continued to rise since February, with spot West Texas intermediate breaking through \$34 per barrel on March 7 to set a new post-Gulf War high. Spot WTI is currently trading around \$31 per barrel.

Prices of total goods exports rose strongly in February, following a small increase (revised) in January, with most of the rise in agricultural products and industrial supplies. For January-February combined, prices of exports rose at an annual rate of 2 percent, a little less than the increase recorded by BLS for the fourth quarter of last year. The price index for agricultural exports in January-February averaged about the same as in the fourth quarter. Prices of exported core goods rose at an annual rate of 3 percent, nearly as fast as in the fourth quarter. While much of the rise was in industrial supplies, prices of exported machinery and consumer goods also posted moderate increases.

IMPLICATIONS FOR THE GREENBOOK FORECAST

For imports, data for February matched what we had estimated for prices of imported core goods and suggest that no revisions are necessary to the staff projection of import prices in 2000:Q1 (prices of imported core goods are projected to rise 1-3/4 percent AR).

For exports, the smaller rise in prices in January-February than in the fourth quarter of last year reported in the BLS data is consistent with the direction we anticipated for Q1 export prices in the Greenbook. The magnitude of export price increases reported in NIPA figures is smaller than shown in BLS data for both 1999:Q4 and (we project) for 2000:Q1.

Prices of U.S. Imports and Exports
(Percentage change from previous period)

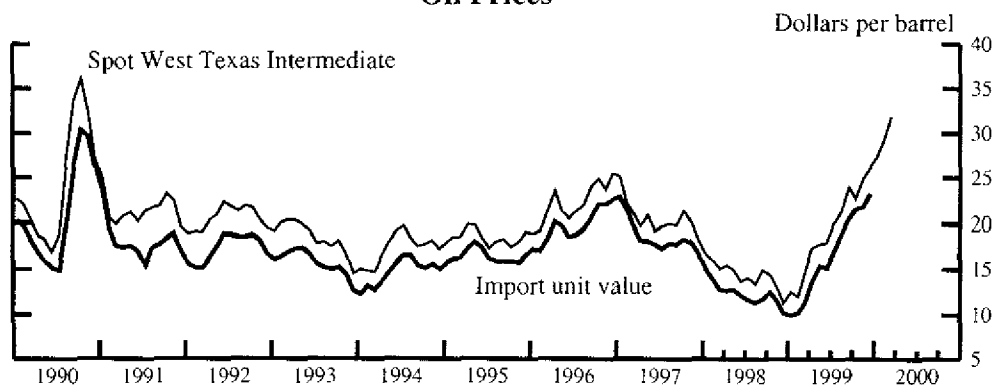
	Annual rates			Monthly rates		
	1999	2000		1999	2000	
	Q3	Q4	Q1 ^e	Dec.	Jan.	Feb.
----- BLS prices (1995 weights)-----						
Merchandise imports	9.0	8.2	8.0	0.6	0.3	1.9
Oil	178.2	83.8	83.3	6.5	3.0	13.9
Non-oil	-0.1	1.9	0.8	0.0	-0.1	0.3
Core goods*	1.0	2.5	1.0	0.0	-0.1	0.4
Foods, feeds, beverages	-6.8	2.6	0.7	1.9	-1.3	-0.6
Industrial supplies ex oil	7.9	9.9	5.1	-0.1	0.1	1.4
Computers	-13.7	-1.0	-0.6	0.5	-0.2	-0.5
Semiconductors	-7.4	-1.6	-2.9	-0.3	0.0	-0.2
Cap. goods ex comp & semi	-2.1	0.3	-1.5	-0.3	-0.1	0.0
Automotive products	0.8	0.5	0.6	0.0	0.1	0.1
Consumer goods	-0.4	0.1	-0.1	-0.1	0.0	0.0
Merchandise exports	0.7	2.6	1.8	0.0	0.1	0.5
Agricultural	-4.2	-1.7	-0.3	-0.7	0.2	1.0
Nonagricultural	1.1	3.1	2.2	0.1	0.1	0.5
Core goods*	1.6	4.1	3.1	0.0	0.3	0.6
Industrial supplies ex ag	10.1	10.6	8.6	0.7	0.5	1.6
Computers	-8.6	-2.0	-1.8	-0.4	0.0	-0.3
Semiconductors	-9.6	-3.8	-4.6	-0.9	-0.4	-0.1
Cap. goods ex comp & semi	-0.5	0.5	0.9	-0.2	0.2	0.2
Automotive products	0.8	2.6	-0.2	-0.1	0.0	0.1
Consumer goods	0.3	1.3	0.9	0.2	0.0	0.2
---Prices in the NIPA accounts (1996 weights)---						
Chain price index						
Imports of goods & services	6.2	4.6	n.a.	...	...	...
Non-oil merchandise	-0.7	0.8	n.a.	...	...	...
Core goods*	1.1	1.2	n.a.	...	...	...
Exports of goods & services	1.3	2.6	n.a.	...	...	...
Nonag merchandise	1.0	2.8	n.a.	...	...	...
Core goods*	2.5	2.9	n.a.	...	...	...

*/ Excludes computers and semiconductors.

e/ Average of two months.

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

Oil Prices



U.S. Current Account

In the fourth quarter of 1999, the U.S. current account deficit rose to \$399 billion at a seasonally adjusted annual rate, an increase of \$43 billion over the third quarter (revised).

Nearly half of the widening of the deficit in the fourth quarter was from a jump in net payments of income on investments. While income receipts from U.S. direct investments abroad rose a bit, there was an extraordinary surge in income payments to foreigners on their direct investments in the United States (reflecting in part the robust U.S. profits picture). In addition, the sharp rise in income payments on foreign portfolio investments in the United States exceeded the increase in income receipts on U.S. portfolio investments abroad (both reflected increased capital flows and a rising rate of return).

About one-fourth of the rise in the current account deficit in Q4 was from trade in goods and services. Although the global expansion has fueled increasing demand for U.S. exports, the U.S. appetite for imports has remained stronger.

The jump in "other net income and unilateral transfers" by \$11 billion at an annual rate largely reflected year-end government grants to Israel.

For the year 1999, the current account deficit was \$339 billion compared with \$221 billion in 1998. Most of the \$118 billion widening in the deficit was from trade in goods and services, particularly from the strong steady growth of merchandise imports. Most of the pick-up in exports occurred in the second half of the year.

IMPLICATIONS FOR THE GREENBOOK FORECAST.

The current account deficit was \$10 billion SAAR larger in 1999:Q4 than anticipated in the March Greenbook. Net trade in goods and services was \$11 billion SAAR stronger (smaller deficit, all services), and payments of net investment income were \$21 billion SAAR larger than projected. These data suggest that NIPA real net exports will be \$7-1/2 (SAAR) stronger (smaller deficit than in the preliminary NIPA press release. Exports will be \$2-3/4 billion (SAAR) higher, and imports will be \$4-3/4 billion lower.

A preliminary assessment suggests that not all of the fourth-quarter jump in income payments on foreign direct investments in the United States will be sustained in the current quarter, but that other elements of the current account will grow at rates projected in the March Greenbook from the new fourth quarter levels. Thus, for the current quarter and over the forecast period, a higher level of net receipts from service transactions is just about offset by a higher level of

U.S. Current Account
(Billions of dollars, seasonally adjusted annual rate)

Period	Goods and services, net	Investment income, net	Other income and transfers, net	Current account balance
<i>Annual</i>				
1998	-164.3	-7.0	-49.3	-220.6
1999	-267.5	-19.2	-52.2	-338.9
<i>Quarterly</i>				
1999:Q1	-216.7	-12.1	-46.8	-275.6
Q2	-261.2	-13.2	-50.2	-324.6
Q3	-290.4	-15.5	-50.4	-356.3
Q4	-302.0	-35.9	-61.3	-399.1
<i>Change</i>				
Q1-Q4	-43.7	2.2	12.6	-28.9
Q2-Q1	-44.5	-1.1	-3.4	-49.0
Q3-Q2	-29.2	-2.3	-0.2	-31.7
Q4-Q3	-11.6	-20.3	-10.9	-42.8

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

net investment income payments, which leaves the projected current account deficit for 2000 and 2001 very close to what it was in the March Greenbook.

U.S. International Financial Transactions

Quarterly balance of payments data (released Wednesday) indicate continued large direct investment capital flows both into and out of the United States. In the third quarter of last year foreign direct investment into the United States (line 7 on the Summary of U.S. International Transactions table) totaled \$61 billion—\$16 billion higher than previously reported. Preliminary data for the fourth quarter record an inflow of \$44 billion. As has been the case for the past few years, direct investment into the United States was buoyed by foreign takeovers of U.S. firms. And, as has been the case for the past two years, a significant part of the direct investment inflow was effected by swapping shares in the acquired firm for shares in the acquiring firm. BEA estimates that U.S. residents acquired \$26 billion in foreign equity through stock swaps in the third quarter (revised from \$19 billion) and acquired \$10 billion through this mechanism in the fourth quarter. (Stock swaps are included in line 9 of the Summary table.) As shown in line 6, U.S. direct investment abroad remained robust in the fourth quarter (\$31 billion). As with the direct investment inflows, merger activity contributed significantly.

The statistical discrepancy in the international accounts (the last line in the table) was a positive \$10 billion in the fourth quarter. This represents the sum of all errors and omissions in the international accounts and a positive number indicates some combination of under reporting of net capital inflows or over reporting of the current account deficit. The discrepancy in the third quarter was negative \$5 billion (revised from negative \$16 billion).

Summary of U.S. International Transactions
(Billions of dollars, not seasonally adjusted except as noted)

	1998	1999	1999				2000	
			Q1	Q2	Q3	Q4	Dec	Jan
<u>Official capital</u>								
1. Change in foreign official assets in U.S. (increase, +)	-16.6	46.0	5.8	*	13.0	27.3	26.7	-2.2
a. G-10 countries	6.9	49.7	12.7	7.6	19.2	10.2	9.5	4.0
b. OPEC countries	-9.0	1.7	2.2	2.5	-1.3	-1.7	-1.3	3.2
c. All other countries	-14.4	-5.4	-9.2	-10.2	-5.0	18.9	18.6	-9.4
2. Change in U.S. official reserve assets (decrease, +)	-6.8	8.6	3.9	1.2	1.9	1.6	.8	-.1
<u>Private capital</u>								
Banks								
3. Change in net foreign positions of banking offices in the U.S. ¹	57.3	5.9	6.0	19.0	-21.5	2.4	-48.1	47.3
Securities ²								
4. Foreign net purchases of U.S. securities (+)	275.2	320.8	55.8	83.5	105.7	75.7	19.5	28.0
a. Treasury securities ³	49.3	-19.8	-7.3	-5.2	9.8	-17.1	-1.9	*
b. Agency bonds	50.5	73.8	18.1	17.1	21.2	17.5	2.6	3.9
c. Corporate and municipal bonds	121.7	158.6	34.8	33.8	49.5	40.4	9.9	13.7
d. Corporate stocks	53.7	108.2	10.2	37.9	25.2	35.0	8.9	10.4
5. U.S. net purchases (-) of foreign securities	-11.1	10.0	7.3	17.4	-10.8	-3.9	2.4	-2.4
a. Bonds	-17.4	-5.7	-.8	3.2	-10.1	2.0	3.9	-3.5
b. Stocks ⁴	6.2	15.6	8.1	14.2	-.8	-5.9	-1.5	1.1
Other flows (quarterly data, s.a.)								
6. U.S. direct investment (-) abroad	-132.8	-152.2	-41.6	-31.8	-47.4	-31.3	...	...
7. Foreign direct investment in U.S.	193.4	282.5	23.1	154.5	60.8	44.1	...	...
8. Foreign holdings of U.S. currency	16.6	22.4	2.4	3.1	4.7	12.2	...	...
9. Other (inflow, +) ^{4,5}	-164.7	-166.0	11.0	-127.3	-11.9	-37.9	...	...
<u>U.S. current account balance (s.a.)</u>	<u>-220.6</u>	<u>-338.9</u>	<u>-68.9</u>	<u>-81.2</u>	<u>-89.1</u>	<u>-99.8</u>	<u>...</u>	<u>...</u>
<u>Statistical discrepancy (s.a.)</u>	<u>10.1</u>	<u>-39.1</u>	<u>-4.8</u>	<u>-38.4</u>	<u>-5.4</u>	<u>9.6</u>	<u>...</u>	<u>...</u>

NOTE: The sum of official capital, private capital, the current account balance, and the statistical discrepancy is zero. Details may not sum to totals because of rounding.

1. Changes in dollar-denominated positions of all depository institutions and bank holding companies plus certain transactions between broker-dealers and unaffiliated foreigners (particularly borrowing and lending under repurchase agreements). Includes changes in custody liabilities other than U.S. Treasury bills.

2. Includes commissions on securities transactions and excludes securities acquired through exchange of equities; therefore does not match exactly the data on U.S. international transactions published by the Department of Commerce.

3. Includes Treasury bills.

4. Quarterly balance of payments data include large U.S. acquisitions of foreign equities associated with foreign takeovers of U.S. firms. These are not included in line 5.b but are included in line 9.

5. Transactions by nonbanking concerns and other banking and official transactions not shown elsewhere plus amounts resulting from adjustments made by the Department of Commerce and revisions in lines 1 through 5 since publication of the quarterly data in the Survey of Current Business.

n.a. Not available. ... Not applicable. * Less than \$50 million.

Selected Financial Market Quotations . . . . .	16
(One-day quotes in percent except as noted)

Instrument	1999		2000		Change to Mar. 16 from selected dates (percentage points)		
	June 29	Dec. 31	FOMC* Feb. 2	Mar. 16	1999 June 29	1999 Dec. 31	FOMC* Feb. 2
<i>Short-term</i>							
FOMC intended federal funds rate	4.75	5.50	5.50	5.75	1.00	.25	.25
Treasury bills ¹							
3-month	4.70	5.17	5.54	5.70	1.00	.53	.16
6-month	4.92	5.49	5.69	5.85	.93	.36	.16
1-year	4.89	5.63	5.92	5.84	.95	.21	-.08
Commercial paper							
1-month	5.18	5.13	5.79	5.95	.77	.82	.16
3-month	5.12	5.75	5.84	6.03	.91	.28	.19
Large negotiable CDs ¹							
1-month	5.21	5.72	5.86	6.03	.82	.31	.17
3-month	5.32	5.90	6.01	6.14	.82	.24	.13
6-month	5.43	6.08	6.24	6.35	.92	.27	.11
Eurodollar deposits ²							
1-month	5.13	5.69	5.84	6.00	.87	.31	.16
3-month	5.25	5.88	6.03	6.13	.88	.25	.10
Bank prime rate	7.75	8.50	8.50	8.75	1.00	.25	.25
<i>Intermediate- and long-term</i>							
U.S. Treasury (constant maturity)							
2-year	5.68	6.24	6.60	6.50	.82	.26	-.10
10-year	5.93	6.45	6.62	6.26	.33	-.19	-.36
30-year	6.07	6.48	6.43	6.05	-.02	-.43	-.38
U.S. Treasury 10-year indexed note	4.01	4.33	4.30	4.17	.16	-.16	-.13
Municipal revenue (Bond Buyer) ³	5.62	6.23	6.34	6.16	.54	-.07	-.18
Corporate bonds, Moody's seasoned Baa	8.05	8.18	8.27	8.42	.37	.24	.15
High-yield corporate ⁴	10.74	11.12	11.50	11.77	1.03	.65	.27
Home mortgages (FHLMC survey rate) ⁵							
30-year fixed	7.63	8.06	8.25	8.23	.60	.17	-.02
1-year adjustable	5.93	6.56	6.65	6.68	.75	.12	.03

Stock exchange index	Record high		1999	2000		Change to Mar. 16 from selected dates (percent)		
	Level	Date	Dec. 31	FOMC* Feb. 2	Mar. 16	Record high	Dec. 31	FOMC* Feb. 2
Dow-Jones Industrial	11,723	1-14-00	11,497	11,041	10,631	-9.32	-7.54	-3.72
S&P 500 Composite	1,469	12-31-99	1,469	1,409	1,458	-.73	-.73	3.49
Nasdaq (OTC)	5,049	3-10-00	4,069	4,052	4,717	-6.56	15.93	16.42
Russell 2000	606	3-9-00	505	504	574	-5.26	13.77	13.99
Wilshire 5000	14,202	3-16-00	13,813	13,393	14,202	.00	2.82	6.04

1. Secondary market.
 2. Bid rates for Eurodollar deposits collected around 9:30 a.m. Eastern time.
 3. Most recent Thursday quote.
 4. Merrill Lynch Master II high-yield bond index composite.
 5. For week ending Friday previous to date shown.
- * Data are as of the close on February 1, 2000.