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[1] In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

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January 28, 1994

SUMMARY AND OUTLOOK

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

Overview

Nineteen ninety-three, like 1992, ended with a bang, as real GDP growth jumped to a 6 percent annual rate. A year ago, of course, the surprising surge was followed by an unexpectedly pronounced slowdown--for reasons that are not yet entirely clear. Despite that sobering experience, we are impressed by the degree of upward thrust that the economy evidently is carrying into 1994, notably in durable goods manufacturing and construction. Thus, while we still see a mix of "special factors" and fundamentals--the latter including intensified federal fiscal restraint and the waning effects of earlier interest-rate declines--moving the economy back toward a more moderate expansion path this year, we have raised our first-half growth forecast. Real GDP is now projected to increase at about a 4 percent rate in the current quarter and 3 percent in the spring--3/4 percentage point, on average, above our previous prediction. As before, we expect growth to run at around a 2-1/2 percent rate in the second half and to continue growing at about that pace through 1995, as an assumed firming of money market conditions offsets the modest impetus to U.S. production associated with a gradual acceleration of foreign activity.

Given this output pattern, the unemployment rate would be expected to decline about one-quarter percentage point over the coming months. However, the combination of the revision to the Current Population Survey and the incorporation of the results of the 1990 Census appears likely to raise the reported jobless figure, starting this month, almost 0.6 percentage point, ceteris paribus. Adjusting by this amount, the average unemployment rate in the fourth quarter of 1993 would have been 7.1 percent, and we are forecasting that it will drop to about 6.8 percent by the end of

1994 and remain near that level thereafter. Our analysis of the CPS revision leads us to think that one should make a commensurate adjustment to the "natural rate of unemployment," and on this basis our forecast implies that, before long, the degree of slack remaining in the labor markets will be rather small.

Under these circumstances, we are projecting just a modest further slowing in the underlying trend of inflation. For example, the CPI excluding food and energy, which rose a little more than 3 percent last year, is forecast to decelerate to a bit less than 3 percent in 1995. But the overall CPI is projected to increase somewhat faster over the next two years than it did in 1993, owing to less favorable food and energy price developments.

Key Assumptions

The federal funds rate is assumed to remain at 3 percent in the near term but to rise somewhat by 1995, as the System acts to hold aggregate demand on a track conducive to sustained growth and movement over time toward price stability. Long-term interest rates are projected to ease over coming months, with moderation in the pace of economic expansion; although the subsequent tightening of the money markets is projected to put some upward pressure on bond yields, the rise in long rates is expected to be damped by the favorable effects of low inflation on investor psychology. Credit supply conditions should improve further, as the remnants of the "credit crunch" fade away.

A slight acceleration in the growth of M2 and M3 is projected for 1994 and 1995 because depository lending is expected to pick up a bit, and the pattern of interest rate movements should reduce the incentive for households to divert funds from deposits to bond and stock mutual funds. Even so, the velocities of the broad monetary aggregates are expected to continue to run stronger than would be expected on the basis of historical relations to short-term interest rates.

The staff's fiscal policy assumptions are essentially the same as in the December Greenbook. The main change is an additional $7 billion in assistance for earthquake relief and rebuilding in southern California. The higher level of income in this projection has raised projected tax receipts. On balance, the unified deficit is projected to fall from $255 billion in FY1993 to $218 billion in FY1994 and $192 billion in FY1995.[1]

We continue to assume the absence of new government mandates that would boost the cost of doing business. Although health care reform is likely to be the subject of intense political debate this year, we do not expect legislation to be passed that would have significant economic effects during the forecast period. Nor have we included an increase in the minimum wage in this projection.

Our forecast of economic activity abroad is essentially unchanged from the December Greenbook. After an increase of about 2 percent in 1993, foreign real GDP (on a U.S. export-weighted basis) is projected to rise 2-3/4 percent in 1994 and almost 3-1/2 percent in 1995. We have anticipated that the trade-weighted foreign exchange value of the dollar will remain near current levels over the forecast period. Crude oil prices have firmed recently in response to the unusually cold weather in many parts of the United States, but world supplies have remained ample and we expect the spot WTI price to average about $16 per barrel in the first quarter, still 50 cents below the fourth-quarter level. However, world demand growth and a modicum of OPEC restraint are anticipated to

1. In developing our projections of FY94 and FY95 revenues, we have deduced from recent anecdotal reports and the December and January tax data that income was shifted from early 1994 into late 1993 to avoid additional Medicare taxes. It should be noted, however, that this shift was not evident in BEA's advance estimates of the fourth-quarter NIPA.

push crude oil prices to about $17.50 by the third quarter of this year and to hold them there for the rest of the projection period.

Recent Indicators of Economic Activity

There are only a few pieces of direct statistical evidence on the performance of the economy thus far this year, and they have been muddled by the effects of the California earthquake and extreme winter weather. That said, the level of initial claims for unemployment compensation through mid-January suggested that employment had continued to grow appreciably after the December labor market survey period. And the available weekly physical product indicators point to further growth in industrial output this month, with higher electricity generation offsetting the disruptions to manufacturing activity.

Among other indicators, surveys of household and business sentiment have been upbeat of late, with signs of increased confidence that there will be sustained improvement in economic activity. The sharp rise of housing starts at the end of last year bodes well for a further large gain in residential construction in the current quarter, and sales are likely to be maintained at a high level in the near term, judging by the extremely favorable perceptions of homebuying conditions reported by consumers. Movements in building permits and orders for equipment through the fall point to a continued strong advance of business fixed investment. State and local construction, meanwhile, is receiving an extra boost from the rebuilding in Los Angeles. In arriving at our projection of GDP growth for the current quarter, we have reckoned that the income generated in these investment sectors will provide much of the wherewithal to sustain consumption in the face of the onset of the higher tax payments mandated by OBRA-93.

In December, as in the preceding two months, the CPI excluding food and energy rose 0.3 percent: this left the change over the four quarters of 1993 at 3.1 percent, just a touch below the corresponding figure for 1992. Retail food prices accelerated at the end of last year because of the lagged effects of last summer's crop losses, but the pass-through of lower crude oil costs resulted in a sharp drop in consumer energy prices. Prices of industrial materials firmed a bit at the end of 1993 and early this year; metals and lumber products have been the most notable areas of price increase, while the prices of petroleum-based materials have been damped by the softness of the oil market. The employment cost indexes for December showed hourly compensation in private industry continuing to rise at roughly a 3-1/2 percent annual rate.

The Outlook for the Economy through 1995

Real GDP growth is expected to slow to a 4 percent annual rate in the current quarter. Arithmetically, almost all of this deceleration is accounted for by the less robust advance of motor vehicle production, which is projected to contribute about 1/2 percentage point to real GDP growth in the first quarter, compared with 2-1/4 points in the fourth quarter. We estimate that the severe winter weather in January will not have a material effect on economic activity in the first quarter, with the lost sales and production essentially offset by an increase in electricity generation. In contrast, we are assuming that the earthquake in California will add a little to growth in the first quarter, mainly in private and public construction.[2]

2. Clearly, there will be significant outlays to replace damaged household goods, but in the short run much of this is likely to come out of inventories.

SUMMARY OF THE NEAR-TERM OUTLOOK
(Percent change, at annual rates, except as noted)

	1993			1994	
	H1	Q3	Q4	Q1	Q2
Real GDP	1.3	2.9	5.9	4.0	3.0
Previous	1.3	2.7	5.0	3.6	2.0
Civilian unemployment rate	7.0[1]	6.7	6.5	7.0	6.9
Previous	7.0	6.7	6.6	6.5	6.5
CPI inflation	3.4	1.4	2.9	3.6	3.6
Previous	3.4	1.4	2.9	2.9	3.5

1. Average for 1993:Q2.

Looking beyond the near term, real GDP growth is expected to slow somewhat from the average pace of the past two years. Broadly speaking, the deceleration reflects a moderation in the expansion of domestic private final demand (that is, consumption, business fixed investment, and residential investment), which increased at an average rate of almost 5 percent during 1992-93. The slowing in GDP growth would be greater were it not for the diminishing drags from federal purchases and from net exports; together, these two components made a negative contribution of roughly 1-1/2 percentage points to GDP growth in 1993, and that deduction is projected to shrink to about 1/2 percentage point in 1995.

Consumer spending. We expect real PCE to rise at about a 2-3/4 percent annual rate in the first quarter, buoyed by solid gains in employment, ready availability of credit at relatively low interest rates, and reviving consumer confidence. Spending on household durable goods is projected to continue to grow rapidly, stimulated by the high level of home sales. The recent cold snap in the East seems unlikely to have much net effect on consumer spending for the quarter as a whole, although outsized expenditures for home heating, car batteries, and other winter items may displace some other discretionary outlays.

If real PCE grows faster than real disposable income in the first quarter, as we are expecting, it will extend a trend that has been evident in the data since mid-1992. Despite the increase in financial asset prices, the overall net worth of the household sector has not increased dramatically during this period--suggesting that one should look to wealth effects, per se, as at most a partial explanation of the strength in spending. But, there have been other positive developments to which one can point: the decline in interest rates enabled many households to reduce their debt service burdens substantially, some pent-up demand likely built up around the recession, and the economic upturn after mid-1992 probably bolstered household perceptions of their "permanent" incomes.

Looking beyond the current quarter, however, we are not anticipating any major increases in financial asset prices, and the other favorable elements noted above are unlikely to carry the same force. Indeed, mortgage refinancing applications are off sharply and are expected to remain well below the 1993 pace. And, although there may well still be an appreciable backlog of replacement demand for aging motor vehicles, only a moderate further increase in sales should be needed to make good progress in satisfying that demand over the next few years. As explained below, sales of homes are likely to crest in the near term; this suggests that spending on homefurnishings and other household durable goods is likely to decelerate before long. Finally, we doubt that high-income households have, as yet, fully adjusted their spending to the tax increases that they must begin to cover this year. All told, we see no clear grounds for anticipating that the growth of PCE will depart much from that of real disposable income over the coming two years. Consequently, real consumer spending is projected to grow at just under a 2-1/2 percent rate during 1994-95.

Residential investment. Residential construction surged at the end of 1993 and is expected to grow strongly in early 1994. Work on ongoing projects and new starts probably were retarded this month by the bad weather, but--assuming normal weather from here on--the losses should be made up within the next several months. Demand for single-family homes appears likely to remain robust in the near term, driven by a combination of increased confidence in employment prospects and the best levels of affordability in many years. There is a large pool of potential first-time buyers, shut out of the market in the past by weak incomes and by high mortgage rates and house prices, and they may see this as a prime opportunity to move out of their rental units.

It is difficult to gauge how far this might go; given the demographic trends, we have judged that single-family starts and sales are unlikely to rise materially from the most recent pace--which is very high by the standards of recent years. But, we are projecting that that pace will be sustained through much of 1994 and that there will be only a mild tailing off thereafter. Single-family starts, which were 1.13 million units in 1993, are expected to total 1.30 million units this year and 1.27 million units in 1995--sufficient to produce a meaningful increase in the homeownership rate.

With the multifamily rental vacancy rate already very high, the projected strength in single-family construction may tend to put a further damper on construction in this sector. However, rental market conditions appear to be reasonably healthy in some locales, and the availability of financing for apartment projects has improved. Thus, we continue to expect that multifamily starts will rise somewhat over the projection period, although the projected level is very low--likely below the replacement level.

Business fixed investment. After an increase of almost 15 percent in 1993, growth in real BFI is projected to slow gradually over the forecast period. This deceleration reflects the fading influence on business investment of the earlier acceleration of output growth, slower growth in corporate cash flow, and a less rapid decline in the cost of capital. Real equipment purchases, which increased 18-1/2 percent in 1993, are projected to advance 13 percent this year and 9-1/2 percent in 1995. Computing equipment accounts for the bulk of the increase: Vast improvements in hardware and software (making prior investments obsolete), plunging prices, and the opportunity to improve worker productivity are the factors driving this growth. Based on recent orders increases, the prospect is that spending on other types of equipment will be quite brisk in the next several months; however, expenditure increases are forecast to moderate over time, with the gain in 1995 paralleling that of overall GDP.

Real investment in nonresidential structures is projected to rise 7 percent in 1994 and 5-1/2 percent in 1995. Spending on industrial buildings is expected to be substantial, as businesses attempt to expand capacity. While little new office construction is expected over the forecast period, fairly large gains are anticipated for public utilities and other commercial buildings.

Business inventories. We expect firms to continue attempting to economize on inventory holdings. Goods should remain in sufficient supply and prices sufficiently tame that firms will have no incentive to build up extra stocks. In the motor vehicle sector, inventories are projected to increase rapidly in the current quarter, reflecting the step-up in assemblies, but to rise slowly thereafter. Non-auto inventories are likely to be held down somewhat in the current quarter in part by the strength of rebuilding and replacement demand in the Los Angeles area; generally, however, stocks are expected to rise at a pace consistent with a gradual decline in inventory-sales ratios. On balance, nonfarm inventory investment is projected to have a negligible influence on real GDP growth this year and in 1995. With farm output assumed to return to more "normal" levels in 1994, some increase in farm inventories is expected this year.

Government purchases. After a decline of 6-1/2 percent in 1993, real federal purchases are projected to fall 4 percent this year and another 2-3/4 percent in 1995. This pattern reflects a winding down of the post-Cold War defense downsizing; nondefense purchases are expected to be flat this year and to rise at about 3/4 percent in 1995 in accordance with the discretionary spending caps legislated in OBRA-93.

Real state and local purchases are expected to grow moderately over the projection period. The reconstruction of damaged infrastructure in California is expected to boost construction expenditures; part of the funds to pay for the rebuilding will come in the form of grants from the federal government, but a temporary increase in the California sales tax and/or a special bond offering also may be needed. Meanwhile, many state and local governments are expected to respond to demand pressures in the areas of law enforcement and education. On the revenue side, we expect that, as the economy grows, the expansion of the tax base will boost revenues; however, we also are anticipating some modest tax rate increases in mid-1994 and 1995.

Net exports. A gradual pickup in GDP growth abroad, combined with the moderation in the growth of U.S. domestic final demand, is expected to slow the rate of decline in real net exports. After having widened by an amount equal to 1 percent of real GDP in 1993, the deficit on real net exports is projected to widen about 2/3 percentage point during 1994 and 1/3 percentage point during 1995. (A complete discussion of these developments is contained in the International Developments section.)

Labor markets. A recent spate of corporate announcements has made it clear that companies are continuing their efforts to cut costs by trimming their work forces. We are projecting that labor productivity will rise about 1-1/4 percent in 1994 and 1995--just a bit less than in 1993. Nonetheless, given the greater confidence businesses are expressing about economic prospects and the very high level of the average workweek, hiring should hold up well. Payroll employment growth this year is projected to rise to 2.1 million and to run about 1.9 million in 1995 as output decelerates.

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

	1993	1994	1995
Output per hour, nonfarm business	1.5	1.4	1.1
Previous	1.4	1.1	1.4
Nonfarm payroll employment	1.8	1.9	1.7
Previous	1.8	1.8	1.5
Civilian unemployment rate[1]	6.5	6.8	6.8
Previous	6.6	6.4	6.4

1. Average for the fourth quarter.

Abstracting from the effects of the statistical revisions, the unemployment rate is projected to decline about 1/4 percentage point over the next few quarters. Although output growth is strongest early this year, the decline in unemployment is projected to occur gradually because we believe that the improvement in labor market conditions will stimulate higher labor force participation. With economic growth expected to run at about its potential rate in 1995, the unemployment rate is forecast to hold steady next year.

Prices and wages. We project increases in the CPI excluding food and energy to move up to almost a 3-1/2 percent annual rate in the first quarter from the 3 percent annual pace in the fourth quarter. This pickup is expected to be temporary and mainly reflects a "speed" effect associated with rapid growth of output. Some intermediate materials prices have firmed, and we expect at least a portion of those increases to be passed on to finished goods prices. The surge in demand for a variety of goods at the retail level also may prompt some firming of prices. In addition, difficulties in the seasonal adjustment of prices at the beginning of the year, when many "list" price adjustments are made, also are expected to put upward pressure on the CPI excluding food and energy. The BLS has announced that it will seasonally adjust more components of the CPI this year than in the past, which will mitigate (but not eliminate) this effect.[3]

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

	1993	1994	1995
Consumer price index	2.7	3.3	3.1
Previous	2.7	3.1	2.9
Excluding food and energy	3.1	3.0	2.9
Previous	3.1	3.0	2.9
ECI for compensation of private industry workers[1]	3.6	3.5	3.5
Previous	3.7	3.6	3.6

1. December to December.

The total CPI is projected to rise at a 3.6 percent annual rate in the first quarter--a bit above the core inflation rate. Food price increases are expected to remain elevated as a result of last

3. Revised seasonal factors will be released with the January CPI report on February 17. We expect that part of the acceleration in the CPI excluding food and energy that is now shown in early 1993 will be revised away by the new seasonal adjustment procedures.

summer's crop losses, while energy prices are projected to be boosted temporarily by the surge in demand for electricity and natural gas.

Looking beyond the near term, ECI hourly compensation is expected to increase 3-1/2 percent in both 1994 and 1995--about the same pace as in the preceding two years. Wage increases seem to have firmed a bit in 1993, and gains of much less than 3 percent do not seem likely with prices running in that vicinity, less labor market slack, and reports of shortages of particular types of workers becoming more common. The ability of firms to reduce compensation increases from the benefits side is likely to be constrained in the next couple of years by, among other things, a need to fund pension plans. Given the projected gains in productivity, our forecast of hourly compensation is expected to translate into increases in unit labor costs of around 2-1/2 percent in 1994 and 1995.

The staff nonetheless continues to project a modest slowing in core inflation over the projection period. We believe that sufficient slack will remain in product markets to cause the rate of increase in the CPI excluding food and energy to edge closer to the growth in unit labor costs. This process may be facilitated by a further downward adjustment in inflation expectations--a process that was evident in the recent surveys of expected inflation. As a result, we expect increases in the CPI excluding food and energy to slow to 3 percent this year and to 2.9 percent in 1995.

In contrast to the deceleration projected in core inflation, the total CPI is expected to accelerate to a 3-1/4 percent increase in 1994 from a 2-3/4 percent rise in 1993. The pickup reflects the expected firming in crude oil prices that boosts the prices of refined petroleum products around midyear. In addition, food price increases are expected to remain above those of core inflation for much of the year as the crop losses from last summer's flood/drought ripple through the food production and distribution system. Absent further shocks from the energy and agricultural sectors, increases in the total CPI move into line with the pace of core inflation by the middle of 1995.[4]

4. We have allowed for a small uptick in gasoline prices in January 1995 to account for the scheduled cutover to "reformulated" gasoline. The EPA estimates that the new requirements will add about 5 cents per gallon to the cost of production. Some private analysts have suggested that the impact on price may be significantly larger, especially if a significant ethanol content is mandated.

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

January 28, 1994

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index[1]		Unemployment rate (level except as noted)	
	12/15/93	1/28/94	12/15/93	1/28/94	12/15/93	1/28/94	12/15/93	1/28/94	12/15/93	1/28/94
ANNUAL										
1991[2]	3.2	3.2	-.7	-.7	4.1	4.1	4.2	4.2	6.7	6.7
1992[2]	5.5	5.5	2.6	2.6	3.3	3.3	3.0	3.0	7.4	7.4
1993[2]	5.5	5.6	2.9	2.9	3.2	3.1	3.0	3.1	6.8	6.8
1994	5.6	5.9	3.1	3.6	2.9	2.9	2.8	3.0	6.4	6.9
1995	4.7	4.7	2.5	2.4	2.8	2.9	3.0	3.1	6.4	6.8
QUARTERLY										
1992 Q1[2]	7.4	7.4	3.5	3.5	4.2	4.2	3.5	3.5	7.3	7.3
Q2[2]	5.7	5.7	2.8	2.8	3.4	3.4	2.9	2.9	7.5	7.5
Q3[2]	4.6	4.6	3.4	3.4	2.5	2.5	2.9	2.9	7.5	7.5
Q4[2]	9.2	9.2	5.7	5.7	3.1	3.1	3.2	3.2	7.3	7.3
1993 Q1[2]	4.4	4.4	.8	.8	4.3	4.3	3.7	3.7	7.0	7.0
Q2[2]	4.3	4.3	1.9	1.9	2.8	2.8	2.8	2.8	7.0	7.0
Q3[2]	4.3	4.4	2.7	2.9	2.2	2.1	1.4	1.4	6.7	6.7
Q4[2]	7.4	7.4	5.0	5.9	2.9	2.2	2.9	2.8	6.6	6.5
1994 Q1	6.5	7.2	3.6	4.0	3.1	3.7	2.9	3.6	6.5	7.0
Q2	4.6	5.4	2.0	3.0	3.0	3.0	3.5	3.6	6.5	6.9
Q3	5.0	4.8	2.5	2.5	2.8	2.7	3.2	3.0	6.4	6.9
Q4	4.7	4.6	2.5	2.5	2.6	2.7	3.0	2.8	6.4	6.8
1995 Q1	5.0	5.1	2.5	2.4	3.0	3.3	3.0	3.4	6.4	6.8
Q2	4.7	4.5	2.5	2.4	2.6	2.8	2.9	3.1	6.4	6.8
Q3	4.5	4.3	2.5	2.4	2.6	2.6	2.9	2.9	6.4	6.8
Q4	4.5	4.3	2.5	2.4	2.6	2.7	2.9	2.9	6.4	6.8
TWO-QUARTER[3]										
1992 Q2[2]	6.6	6.6	3.2	3.2	3.9	3.9	3.2	3.2	.5	.5
Q4[2]	6.9	6.9	4.6	4.6	2.8	2.8	2.9	2.9	-.2	-.2
1993 Q2[2]	4.3	4.3	1.3	1.3	3.4	3.4	3.4	3.4	-.3	-.3
Q4[2]	5.8	5.9	3.8	4.4	2.6	2.2	2.0	2.0	-.4	-.5
1994 Q2	5.5	6.3	2.8	3.5	3.1	3.3	3.2	3.6	-.1	.4
Q4	4.8	4.7	2.5	2.5	2.7	2.7	3.1	2.9	-.1	-.1
1995 Q2	4.8	4.8	2.5	2.4	2.8	3.1	3.0	3.2	.0	.0
Q4	4.5	4.3	2.5	2.4	2.6	2.7	2.9	2.9	.0	.0
FOUR-QUARTER[4]										
1991 Q4[2]	3.7	3.7	.3	.3	3.6	3.6	3.0	3.0	1.0	1.0
1992 Q4[2]	6.7	6.7	3.9	3.9	3.3	3.3	3.1	3.1	.3	.3
1993 Q4[2]	5.1	5.1	2.6	2.8	3.0	2.8	2.7	2.7	-.7	-.8
1994 Q4	5.2	5.5	2.7	3.0	2.9	3.0	3.1	3.3	-.2	.3
1995 Q4	4.7	4.6	2.5	2.4	2.7	2.9	2.9	3.1	.0	.0

1. For all urban consumers.
2. Actual.
3. Percent change from two quarters earlier; for unemployment rate, change in percentage points.
4. Percent change from four quarters earlier; for unemployment rate, change in percentage points.

Recent Developments

Short-term interest rates have declined about 10 to 20 basis points since the December FOMC meeting, reflecting mainly the passing of year-end pressures and spreading sentiment among market participants that a firming of monetary policy in the very near term is unlikely. Long-term rates have fluctuated a bit in response to incoming economic data but on balance also are down somewhat. Expectations of moderate economic growth and further healthy gains in corporate earnings bolstered investors' demands for equities, and the major share price indexes have set a series of records in recent weeks.

Growth of M2 and M3 slowed in December; the aggregates finished the year somewhat above the lower bounds of their growth cones. Preliminary estimates suggest that M2 has continued to expand this month at around its December pace but that M3 has weakened. The monetary aggregates began to be restrained in January by the drop-off in mortgage refinancing activity, which in earlier months had boosted demand deposits. In general, the monetary aggregates have continued to grow slowly relative to nominal GDP, with mutual funds still attracting large inflows from households.

Growth of bank credit was supported in December by increased purchases of government securities and in January by a jump in reported holdings of other securities that was due largely to a change in accounting procedures. Loan growth was quite sluggish in December, with strength in real estate and consumer lending offset by a sizable contraction in security loans and a slight decline in business loans. In early January, total loan growth continued to be restrained by large run-offs in security loans, but business loans strengthened noticeably. Senior loan officers at large banks reported in the System's January survey a widespread increase in the demand for business loans, and a good number of respondents again indicated that their banks had eased lending terms or standards somewhat in the past three months.

In the fourth quarter, growth of debt of domestic nonfinancial sectors picked up to an estimated 6-1/4 percent annual rate. Although a greater-than-seasonal increase in borrowing by the federal government provided the primary lift to debt growth, nonfederal sectors also apparently increased their use of credit late in the year.

The pickup in borrowing was most apparent in the household sector. Consumer debt is estimated to have expanded just under 10 percent at an annual rate. The late-year surge was due largely to a sharp jump in auto loans, as sales increased. Revolving credit, which grew quite rapidly in the second and third quarters, decelerated a bit in the fourth but still continued to rise at a vigorous pace. Strong housing activity was reflected in brisk growth of residential mortgage debt in the fourth quarter, at a rate estimated to be above that of the third quarter. Mortgage refinancing activity has peaked; applications for loans to purchase homes generally have remained strong, although it appears that weather and earthquake disruptions sharply depressed activity last week.

Borrowing by nonfinancial businesses--although still sluggish--firmed a bit in the fourth quarter, as the gap between capital outlays and internal funds widened. Net bond issuance continued to provide the bulk of borrowed funds, although slightly less than in the third quarter. The contraction in business loans at banks appeared to end in the fourth quarter, and, as noted, such loans apparently strengthened somewhat in January. Nonfinancial commercial paper outstanding, however, has remained flat in recent months. Data through November indicate that business lending by finance companies has risen slowly since mid-summer, after declining in the first half; equipment loans and auto and equipment leasing provided most of the growth at these institutions in the fourth quarter.

Gross public issuance of equity by nonfinancial firms reached a record level in the final quarter of last year, bolstered in part by burgeoning IPOs; although January volumes dipped somewhat, a strong stock market and a heavy calendar of planned IPOs suggest that gross issuance will pick up in coming weeks. Improved earnings and balance sheet restructuring by corporations showed through in a marked improvement in debt ratings in the fourth quarter and in a growing number of announcements of positive dividend actions.

Debt of state and local governments continued to increase moderately in the fourth quarter, with much of the growth the result of advance-refunding activity. With tax-exempt yields at twenty-year lows, gross offerings of refunding bonds set a record last year, but they should slacken in coming months because the pool of outstanding bonds that are both eligible and attractive for refinancing has shrunk considerably. The rating agencies indicated that the quality of tax-exempt debt improved appreciably in the fourth quarter, with upgrades exceeding downgrades by more than five to one. For the year as a whole, considerable improvement was registered in the general obligation issues of state and local governments, a development attributable to the stronger economy and efforts to curb spending.

Federal sector borrowing is expected to be appreciably less in the first quarter than in the fourth, owing to a smaller deficit and to large drawdowns in the Treasury cash balance. The staff expects that approximately $46 billion will be raised in marketable borrowings; the entire amount will be through coupon issues.

Outlook

As noted in the discussion of the staff's economic forecast, though some firming in money market rates is assumed, long-term rates are expected to remain generally within the range of recent months through 1995. The anticipated combination of moderate real interest rates and low-inflation economic expansion should help sustain relatively high-price earnings multiples in the equity markets.

In this financial environment, longer-term capital markets are expected to remain the dominant source of funding for the business sector. The financing gap of nonfinancial corporations is expected to rise over the projection period as capital expenditures outstrip growth in internal funds. Thus, though corporate bond issuance may diminish in gross terms as the pressure to lengthen debt structures ebbs somewhat, net issuance likely will remain strong. Business loans are projected to rise somewhat, as credit terms are eased and corporate paydowns of loans diminish, but many medium-sized and large businesses will continue to find capital markets a more attractive alternative. Net equity issuance is likely to fall as more firms reach desired leverage ratios; also, retirements of stock may rise owing to some pickup in merger and acquisition transactions involving cash or debt instead of share exchanges.

Households have made substantial progress in reducing their debt-service burdens, and with a favorable outlook for income and employment growth, debt concerns are not expected to significantly constrain their spending and borrowing behavior. Overall, household borrowing is expected to maintain moderate growth during the projection period, albeit tapering off from its rapid fourth-quarter pace. The reduced pace of refinancing activity should not have much effect on net mortgage borrowing, and the expansion in home loans is expected to continue at a brisk pace this year. Next year, mortgage debt growth is expected to tail off as home building slows somewhat. Growth in consumer credit is expected to remain quite strong in the near term and to decelerate gradually along with the slackening of expenditures on consumer durables.

Growth of federal debt is projected to slow to an annual rate of about 6-1/4 percent this year and next, owing to the reduction in the federal deficit. In the state and local sector, tax-exempt debt growth will slow somewhat over the projection period due to the drop-off in advance refundings and to sizable paydowns of debt that were advance refunded in previous years. Gross issuance of new capital bonds, however, is likely to be buoyed by needs to rebuild infrastructure.

With the reduced pace of public sector borrowing balancing the increase in private sector credit use, debt of domestic nonfinancial sectors is projected to expand at about a 5-1/4 percent rate this year and next, only slightly above last year's pace. The growth in debt is near that of nominal GDP in 1994 and about half a percentage point higher in 1995.

Recent Developments

The weighted-average foreign-exchange value of the dollar in terms of other G-10 currencies has fluctuated in a narrow range since the December FOMC meeting and ended the period about unchanged. The dollar has risen 1-1/4 percent against the mark and less against other European currencies, and has declined 1-3/4 percent against the yen and 1-1/2 percent against the Canadian dollar. Further evidence of strong U.S. economic growth against a background of continuing weakness in continental Europe tended to support the dollar against European currencies. The yen strengthened somewhat on market perceptions of U.S. official concern about the Japanese trade surplus. The rise in the Canadian dollar reversed an earlier decline and appeared to reflect an easing of uncertainty about the new Canadian administration's economic policies.

German three-month interest rates declined 20 basis points over the intermeeting period, whereas long-term rates have been about unchanged. Japanese short-term rates have remained little changed, but long-term rates have risen 35 basis points.

. U.S. authorities did not intervene.

Real output in Japan and in western Germany appears to have turned down again in the fourth quarter, after having expanded in the third quarter. In both countries, industrial production during the fourth quarter was running well below third-quarter levels, and orders declined further. In France and Italy, too, indicators of real output pointed to sluggishness. Canada and the United Kingdom, however, showed signs of continued moderate growth. Canada's index of leading indicators strengthened through December, and U.K. real GDP rose 2-3/4 percent for the quarter. Unemployment rates in the fourth quarter edged higher in Japan and continental Europe and declined slightly in Canada and the United Kingdom. Twelve-month CPI inflation increased slightly in Japan in January, mainly because of special factors; in Germany, inflation through January was just under 3-1/2 percent.

The U.S. merchandise trade deficit was essentially unchanged in October-November as both exports and imports rose very strongly from their third-quarter levels. Some of the growth in exports was a rebound of shipments of automotive products and aircraft from unusually depressed levels in the third quarter. The overall increase was largely in shipments to Canada, the United Kingdom, Mexico and several developing countries in Asia. The expansion of imports was spread across machinery, automotive products, and consumer goods, reflecting the strength of domestic expenditures in those areas. The price of non-oil imports rose 1-1/2 percent (at an annual rate) in October-November, with auto products and food accounting for much of the increase. Spot oil prices have increased about $1 per barrel since the December Greenbook.

Outlook

The staff projects that the growth of real GDP abroad will pick up from a 2 percent rate during 1993 to 2-3/4 percent in 1994 and 3-1/2 percent in 1995. The growth of U.S. exports and imports should slow noticeably in the first quarter of 1994, after a surge in the fourth quarter of 1993. We expect imports to continue growing faster than exports over the forecast period. The resulting rate of decline in real net exports of goods and services will subtract 2/3 percentage point from the annual rate of growth of real GDP during 1994. The decline in net exports should slow in 1995 as the growth of foreign GDP picks up relative to U.S. growth.

The dollar. We project that the foreign exchange value of the dollar in terms of the other G-10 currencies will remain around recent levels through the forecast period--a slightly higher path than projected in the December Greenbook. The CPI-adjusted value of the dollar should show a moderate further depreciation against the currencies of key developing countries on average through 1995.

Foreign industrial countries. We project the growth of real GDP in the G-6 countries (weighted by U.S. exports) to pick up slowly, to about 2-1/4 percent during 1994 and to nearly 3 percent in 1995. This outlook is essentially the same as that in the December Greenbook.

GDP in western Germany is expected to decline a bit further in the current quarter, to level off in the second quarter, and to resume expanding, albeit slowly, in the second half of 1994. Growth should be slightly positive, on average, over the four quarters of 1994 and should increase to 2 percent during 1995.[1] France and Italy are projected to show only a slightly stronger pattern of economic recovery than Germany. Japan, too, should show sluggish growth this year, but growth should pick up to about a 2-3/4 percent rate in 1995. We anticipate that the United Kingdom and Canada will show relatively robust growth, averaging nearly 2-3/4 percent and 3-1/4 percent respectively over the forecast period.

1. GDP growth in eastern Germany is expected to continue in the range of 6 to 6-1/2 percent at an annual rate this year and next. Given eastern Germany's weight of about 7 percent in unified German GDP (in 1992), we project that total German GDP will grow nearly 1/2 percentage point per year faster than that of western Germany over the next two years.

With output gaps expected to widen further in most countries, inflation is projected to recede a bit further. We project that the average CPI inflation rate in the G-6 countries weighted by their shares in U.S. non-oil imports will be just over 1-1/2 percent in 1995. One exception is the United Kingdom, where the CPI inflation rate should move up a bit because of special factors.[2]

The primary impetus to growth in continental Europe and Japan will be the recent and projected monetary easing as well as some fiscal stimulus in Japan.[3] Foreign short-term interest rates, on average, are projected to decline more than 75 basis points from current levels by the end of 1994. German short-term rates should fall 125 basis points over this period and French rates somewhat more; the forecast also assumes that Japanese rates will decline only slightly in the near term. Long-term interest rates in the major industrial countries should continue to decline moderately on average this year.

Developing countries. Real GDP of developing countries that are major U.S. trading partners (weighted by bilateral nonagricultural export shares) is estimated to have increased by about 4 percent in 1993 and is projected to grow 4-1/4 percent in 1994 and 4-3/4 percent in 1995. A continued rapid expansion of intra-Asian trade, especially with China, is expected to play a primary role in generating growth in 1994-95. Private capital flows to developing countries roughly doubled between 1991 and 1993; recent capital market liberalization and the passage of the NAFTA

2. Increases in excise taxes to be phased in over the next two years are estimated to add roughly 1/2 percentage point to U.K. inflation over the forecast period. Abstracting from these effects and from changes in housing costs associated with interest rates, underlying U.K. inflation should continue to trend down.

3. We assume that a stimulus package will be passed later this year and will take the form of a cut in income taxes (to be offset at some later date by increased consumption taxes) and continued expansion of government investment.

should encourage further inflows of foreign capital that will serve as a further impetus to growth.

The increase in GDP growth in developing countries over the next two years is attributable mainly to a pickup in Mexican growth following the passage of the NAFTA and some easing of macroeconomic policies. Stronger growth in the industrial countries should also contribute to an increase in developing-country growth.

U.S. real net exports. We expect that real net exports of goods and services will decline $33 billion over the four quarters of 1994, as the growth of U.S. domestic demand continues to outpace that of many of our major trading partners. During 1995, however, the pace of decline in net exports should slow to about half that rate as U.S. growth slows and growth in the rest of the world picks up. The decline projected during 1995 is slightly greater than that in the December Greenbook largely because of the marginally higher forecast path for the dollar.

The quantity of merchandise exports is projected to grow only modestly in the first quarter of 1994 after its fourth-quarter surge. Beyond the first quarter, however, we expect exports of goods to resume expanding at a fairly strong pace. Total merchandise exports will accelerate through the forecast period. Most of that acceleration is attributable to the increasing importance to exports of the rapidly growing computer sector. The growth of computer exports is expected to pick up over the forecast period as the next generation of microprocessors shifts global demand towards U.S. products. After the first quarter this year, other nonagricultural exports are projected to advance at about a 3 percent annual rate. Additional stimulus from increasing growth abroad will be partly offset by the depressing effect of the appreciation of the dollar over the past year or so. We expect agricultural exports to be depressed this year because of the relatively poor U.S. harvest in 1993 and to resume a more normal rate of expansion in 1995.

TRADE QUANTITIES*
(Q4/Q4 percent change)

	1992	1993	--Projection--- 1994	1995
Exports				
Total	6.5	3.8	5.8	8.4
Agricultural	8.7	-8.0	-.8	2.9
Computers	26.7	16.7	27.4	34.8
Other nonag.	3.4	3.2	2.6	3.0
Imports				
Total	10.1	13.7	10.6	9.5
Oil	12.1	8.7	3.6	3.0
Computers	46.7	36.7	31.7	28.7
Other non-oil	5.5	10.5	7.2	5.5

* GDP basis, 1987 dollars.

After an unusually rapid increase in the fourth quarter of 1993, the growth of non-oil imports excluding computers also should slow in the first quarter of 1994, but by less than in the case of exports. After some pickup in the second quarter, we anticipate a moderate deceleration of these imports over the forecast period, reflecting the projected deceleration of domestic demand. Imports of computers should continue to grow rapidly, but their growth, compared with that of computer exports, is expected to slow over time as the new product cycle begins to favor U.S. production.

We expect that the quantity of oil imports will decline in the current quarter as domestic stocks are drawn down at a fairly rapid pace. Over the remainder of the forecast period, imports should resume an upward trend as U.S. oil production continues to decline in response to a relatively low and declining real price of oil.

Oil prices. While the recent cold spell in the United States put upward pressure on spot prices, the increase has been less than expected because of weak underlying global demand and ample supplies. As a result, we have marked down the level of import prices by an average of about $0.50 per barrel in the first and second quarters of 1994. We expect the spot price for WTI crude to average about $15.50 per barrel through February and then to rise to $17.50 per barrel (consistent with an import unit value of $15 per barrel) by the second half of 1994 as global economic activity picks up.

SELECTED PRICE INDICATORS
(Q4/Q4 percent change except as noted)

			--Projection---	
	1992	1993	1994	1995
PPI (export. wts.)	1.6	1.0	2.0	2.1
Nonag. exports*	1.4	.8	1.7	2.0
Non-oil imports*	2.3	1.2	.8	1.6
Oil imports				
(Q4 level, $/bl.)	17.89	14.09	15.00	15.00

* Excluding computers.

The longer-term price path remains unchanged at an import unit value of $15.00 per barrel. This outlook is roughly in line with market expectations, although the staff assumption has oil prices rising a bit sooner and more rapidly than is currently expected by the market. We continue to assume that Iraq will return to the oil market in early 1995.[4]

Prices of non-oil imports and exports. We expect that the price of non-oil imports excluding computers will rise by 3/4 percent during 1994 and about 1-1/2 percent during 1995. These prices will be restrained by the recent appreciation of the dollar and by low inflation abroad. The increase in prices of U.S.

4. When Iraq does return, we expect it to add between 0.5 and 1.5 million barrels per day to the world oil market; some of that increase is likely to be offset by reduced production elsewhere in OPEC.

nonagricultural exports should, over time, move in line with increases in U.S. producer prices.

Nominal trade and current account balances. The merchandise trade deficit is projected to increase from about $140 billion (annual rate) in the fourth quarter of 1993 to about $170 billion by the end of 1994 and nearly $190 billion by the end of 1995. We expect that net service receipts will continue to expand, from an annual rate of less than $60 billion at the end of 1993 to more than $70 billion by the end of 1995. Investment income payments are expected to exceed investment income receipts by a small but increasing margin over the forecast period. We expect these developments to push up the current account deficit to more than $160 billion by the end of 1995.

January 28, 1994

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

Measure and country	1991	1992	Projection 1993	Projection 1994	Projection 1995
REAL GDP					
Canada	-0.1	0.8	3.0	3.1	3.4
France	1.3	0.6	-0.3	1.0	2.3
Western Germany	2.7	0.0	-0.8	0.5	2.0
Italy	1.7	-0.2	0.3	1.6	2.1
Japan	3.6	-0.3	0.7	1.4	2.8
United Kingdom	-1.6	0.2	2.5	2.5	2.8
Average, weighted by 1987-89 GDP	1.8	0.0	0.7	1.5	2.6
Average, weighted by share of U.S. nonagricultural exports					
Total foreign	1.7	1.2	2.1	2.7	3.4
G-6	0.9	0.3	1.8	2.2	2.9
Developing countries	5.0	3.8	4.0	4.4	5.0
CONSUMER PRICES					
Canada	4.1	1.8	1.8	1.9	1.9
France	2.9	1.8	2.1	1.9	1.7
Western Germany	3.9	3.7	3.7	2.7	2.1
Italy	6.1	4.8	4.1	3.5	2.8
Japan	3.2	0.9	1.2	1.0	0.8
United Kingdom	4.2	3.1	1.6	3.3	3.5
Average, weighted by 1987-89 GDP	3.9	2.4	2.2	2.2	1.9
Average, weighted by share of U.S. non-oil imports	3.8	1.9	1.9	1.8	1.6

BOARD OF GOVERNORS
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TO: Federal Open Market Committee **DATE:** February 1, 1994

FROM: Gary Gillum **SUBJECT:** Greensheets

Attached are the greensheets for the January greenbook that you received yesterday. Production of the greensheets was delayed so that the staff forecast could take into account the national income accounts data released on Friday. Also note that the two tables on the last page are revised versions of tables that appear on pages I-26 and I-27 of the greenbook.

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

January 31, 1994

Interval	Nominal GDP		Real GDP		GDP fixed-weight price index		Consumer price index[1]		Unemployment rate (level except as noted)	
	12/15/93	1/28/94	12/15/93	1/28/94	12/15/93	1/28/94	12/15/93	1/28/94	12/15/93	1/28/94
ANNUAL										
1991[2]	3.2	3.2	-.7	-.7	4.1	4.1	4.2	4.2	6.7	6.7
1992[2]	5.5	5.5	2.6	2.6	3.3	3.3	3.0	3.0	7.4	7.4
1993[2]	5.5	5.6	2.9	2.9	3.2	3.1	3.0	3.1	6.8	6.8
1994	5.6	5.8	3.1	3.6	2.9	2.9	2.8	3.0	6.4	6.9
1995	4.7	4.7	2.5	2.4	2.8	2.9	3.0	3.1	6.4	6.8
QUARTERLY										
1992 Q1[2]	7.4	7.4	3.5	3.5	4.2	4.2	3.5	3.5	7.3	7.3
Q2[2]	5.7	5.7	2.8	2.8	3.4	3.4	2.9	2.9	7.5	7.5
Q3[2]	4.6	4.6	3.4	3.4	2.5	2.5	2.9	2.9	7.5	7.5
Q4[2]	9.2	9.2	5.7	5.7	3.1	3.1	3.2	3.2	7.3	7.3
1993 Q1[2]	4.4	4.4	.8	.8	4.3	4.3	3.7	3.7	7.0	7.0
Q2[2]	4.3	4.3	1.9	1.9	2.8	2.8	2.8	2.8	7.0	7.0
Q3[2]	4.3	4.4	2.7	2.9	2.2	2.1	1.4	1.4	6.7	6.7
Q4[2]	7.4	7.4	5.0	5.9	2.9	2.2	2.9	2.8	6.6	6.5
1994 Q1	6.5	7.2	3.6	4.0	3.1	3.7	2.9	3.6	6.5	7.0
Q2	4.6	5.3	2.0	3.0	3.0	2.9	3.5	3.6	6.5	6.9
Q3	5.0	4.7	2.5	2.5	2.8	2.7	3.2	3.0	6.4	6.9
Q4	4.7	4.5	2.5	2.4	2.6	2.6	3.0	2.8	6.4	6.8
1995 Q1	5.0	5.1	2.5	2.4	3.0	3.3	3.0	3.4	6.4	6.8
Q2	4.7	4.6	2.5	2.4	2.6	2.8	2.9	3.1	6.4	6.8
Q3	4.5	4.5	2.5	2.5	2.6	2.7	2.9	2.9	6.4	6.8
Q4	4.5	4.4	2.5	2.5	2.6	2.7	2.9	2.9	6.4	6.8
TWO-QUARTER[3]										
1992 Q2[2]	6.6	6.6	3.2	3.2	3.9	3.9	3.2	3.2	.5	.5
Q4[2]	6.9	6.9	4.6	4.6	2.8	2.8	2.9	2.9	-.2	-.2
1993 Q2[2]	4.3	4.3	1.3	1.3	3.4	3.4	3.4	3.4	-.3	-.3
Q4[2]	5.8	5.9	3.8	4.4	2.6	2.2	2.0	2.0	-.4	-.5
1994 Q2	5.5	6.2	2.8	3.5	3.1	3.3	3.2	3.6	-.1	.4
Q4	4.8	4.6	2.5	2.4	2.7	2.7	3.1	2.9	-.1	-.1
1995 Q2	4.8	4.8	2.5	2.4	2.8	3.1	3.0	3.2	.0	.0
Q4	4.5	4.5	2.5	2.5	2.6	2.7	2.9	2.9	.0	.0
FOUR-QUARTER[4]										
1991 Q4[2]	3.7	3.7	.3	.3	3.6	3.6	3.0	3.0	1.0	1.0
1992 Q4[2]	6.7	6.7	3.9	3.9	3.3	3.3	3.1	3.1	.3	.3
1993 Q4[2]	5.1	5.1	2.6	2.8	3.0	2.8	2.7	2.7	-.7	-.8
1994 Q4	5.2	5.4	2.7	3.0	2.9	3.0	3.1	3.3	-.2	.3
1995 Q4	4.7	4.6	2.5	2.4	2.7	2.9	2.9	3.1	.0	.0

1. For all urban consumers.
2. Actual.
3. Percent change from two quarters earlier; for unemployment rate, change in percentage points.
4. Percent change from four quarters earlier; for unemployment rate, change in percentage points.

REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS, ANNUAL VALUES
(Seasonally adjusted annual rate)

Item	Unit[1]	1987	1988	1989	1990	1991	1992	1993	Projected 1994	Projected 1995
EXPENDITURES										
Nominal GDP	Bill. $	4539.9	4900.4	5250.8	5546.1	5722.9	6038.5	6374.0	6746.8	7065.2
Real GDP	Bill. 87$	4540.0	4718.6	4838.0	4897.3	4861.4	4986.3	5132.7	5317.0	5447.1
Real GDP	% change	4.5	3.3	1.6	.2	.3	3.9	2.8	3.0	2.4
Gross domestic purchases		3.9	2.5	.9	-.4	-.2	4.3	3.9	3.5	2.7
Final sales		2.7	4.2	1.5	1.2	-.3	3.8	2.8	2.8	2.4
Private dom. final purch.		1.9	4.2	.5	-.1	-.7	5.0	4.9	4.0	3.1
Personal cons. expend.		2.1	4.2	1.2	.7	.0	4.0	3.1	2.4	2.3
Durables		-2.6	8.5	-.5	-.8	-.4	9.7	7.7	3.3	2.2
Nondurables		1.4	3.2	1.2	-.1	-1.3	3.6	1.7	2.2	2.1
Services		3.7	3.7	1.7	1.7	.9	2.8	2.8	2.2	2.4
Business fixed invest.		3.0	5.5	-.4	.7	-6.3	7.4	14.7	11.5	8.7
Producers' dur. equip.		2.4	9.1	-1.7	2.9	-3.3	11.4	18.4	13.0	9.5
Nonres. structures		4.4	-1.2	2.3	-3.9	-12.6	-2.0	4.8	6.8	6.3
Res. structures		-3.1	.9	-7.7	-15.2	1.6	17.6	7.9	8.8	-.5
Exports		12.6	13.5	11.3	6.7	8.4	4.9	3.5	5.5	7.7
Imports		4.7	3.6	2.6	.4	4.2	8.5	12.3	9.4	8.8
Government purchases		3.3	.2	2.0	3.3	-.7	1.1	-.7	.3	.7
Federal		3.7	-3.4	-.6	2.8	-3.7	.4	-6.4	-4.0	-2.7
Defense		4.5	-3.2	-1.5	1.5	-7.3	-1.4	-8.8	-5.8	-4.4
State and local		2.9	2.9	4.0	3.6	1.5	1.6	3.0	2.8	2.6
Change in bus. invent.	Bill. 87$	26.3	19.9	29.8	5.7	-8.4	6.5	15.4	17.4	23.5
Nonfarm		32.7	26.9	29.9	3.2	-8.6	2.7	21.3	19.6	23.3
Net exports		-143.0	-104.0	-73.7	-54.7	-19.1	-33.6	-79.3	-115.6	-140.7
Nominal GDP	% change	8.0	7.7	6.0	4.7	3.7	6.7	5.1	5.4	4.6
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employ.	Millions	102.0	105.2	107.9	109.4	108.3	108.5	110.2	112.2	114.1
Unemployment rate	%	6.2	5.5	5.3	5.5	6.7	7.4	6.8	6.9	6.8
Industrial prod. index	% change	6.3	3.2	-.1	-.2	-.3	3.2	4.5	4.0	3.0
Capacity util. rate-mfg.	%	81.6	83.6	83.1	81.1	77.8	78.8	81.1	83.2	83.7
Housing starts	Millions	1.62	1.49	1.38	1.19	1.01	1.20	1.29	1.49	1.48
Light Motor Vehicle Sales		14.84	15.43	14.53	13.86	12.30	12.83	13.90	14.58	14.71
Auto sales in U.S.		10.24	10.63	9.91	9.50	8.39	8.38	8.71	9.03	9.05
North American prod.		7.07	7.54	7.08	6.90	6.14	6.28	6.74	7.18	7.20
Other		3.18	3.10	2.83	2.60	2.25	2.11	1.97	1.85	1.85
INCOME AND SAVING										
Nominal GNP	Bill. $	4544.5	4908.2	5266.8	5567.8	5737.1	6045.8	6375.1	6744.0	7058.4
Nominal GNP	% change	8.1	7.8	6.1	4.9	3.3	6.5	5.1	5.4	4.6
Nominal personal income		7.4	7.1	6.5	6.5	3.5	8.1	3.4	5.5	5.3
Real disposable income		2.1	3.2	1.1	1.1	.7	4.9	1.0	2.3	2.1
Personal saving rate	%	4.3	4.4	4.0	4.2	4.8	5.3	4.0	4.0	4.0
Corp. profits, IVA&CCAdj	% change	29.7	10.2	-6.3	2.3	4.4	16.0	10.0	6.0	3.4
Profit share of GNP	%	7.0	7.4	6.9	6.8	6.4	6.7	7.2	7.4	7.4
Federal surpl./def.	Bill. $	-151.8	-136.6	-122.3	-163.5	-203.4	-276.3	-225.8	-147.9	-130.1
State/local surpl./def.		40.1	38.4	44.8	25.1	7.3	7.2	2.1	4.1	10.1
Ex. social ins. funds		-14.7	-18.4	-17.5	-35.6	-51.2	-52.2	-56.5	-53.1	-45.9
PRICES AND COSTS										
GDP implicit deflator	% change	3.4	4.2	4.3	4.5	3.4	2.8	2.2	2.4	2.1
GDP fixed-wt. price index		3.4	4.2	4.4	4.6	3.6	3.3	2.8	3.0	2.9
Gross domestic purchases fixed-wt. price index		3.9	4.1	4.4	5.2	3.1	3.3	2.5	2.9	2.8
CPI		4.5	4.3	4.6	6.2	3.0	3.1	2.7	3.3	3.1
Ex. food and energy		4.3	4.5	4.4	5.2	4.5	3.4	3.1	3.0	2.9
ECI, hourly compensation[2]		3.3	4.8	4.8	4.6	4.4	3.5	3.6	3.5	3.5
Nonfarm business sector[3]										
Output per hour		1.9	.5	-1.4	.4	2.2	3.6	1.6	1.4	1.2
Compensation per hour		3.9	3.8	3.1	6.2	4.7	5.2	2.9	3.7	3.6
Unit labor cost		1.9	3.3	4.6	5.7	2.5	1.5	1.3	2.3	2.4

1. Percent changes are from fourth quarter to fourth quarter. 2. Private-industry workers.
3. Productivity data for 1993 are based on staff estimates for 1993:Q4

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

January 31, 1994

Item	Unit	1991 Q1	1991 Q2	1991 Q3	1991 Q4	1992 Q1	1992 Q2	1992 Q3	1992 Q4	1993 Q1	1993 Q2
EXPENDITURES											
Nominal GDP	Bill. $	5631.7	5697.7	5758.6	5803.7	5908.7	5991.4	6059.5	6194.4	6261.6	6327.6
Real GDP	Bill. 87$	4837.8	4855.6	4872.6	4879.6	4922.0	4956.5	4998.2	5068.3	5078.2	5102.1
Real GDP	% change	-2.4	1.5	1.4	.6	3.5	2.8	3.4	5.7	.8	1.9
Gross domestic purchases		-3.6	.8	2.4	-.1	3.4	4.7	3.8	5.4	2.5	3.1
Final sales		-2.7	1.9	-.4	-.1	4.5	1.4	3.7	5.8	-.8	3.2
Private dom. final purch.		-5.4	1.1	1.2	.2	4.8	4.3	4.0	7.1	2.5	4.4
Personal cons. expend.		-2.8	1.8	1.3	.0	4.3	1.8	4.2	5.6	.8	3.4
Durables		-11.4	1.6	10.4	-1.0	14.7	.8	10.7	13.2	-1.3	10.8
Nondurables		-3.5	1.1	-.7	-2.0	3.1	1.1	3.0	7.3	-2.1	2.7
Services		-.2	2.2	.3	1.5	2.6	2.4	3.3	2.9	3.1	2.1
Business fixed invest.		-13.2	-2.7	-3.8	-5.1	3.5	15.1	3.8	7.6	14.4	16.6
Producers' dur. equip.		-15.3	.1	5.3	-2.2	2.8	22.0	10.2	11.5	19.9	19.8
Nonres. structures		-8.5	-8.7	-21.3	-11.3	4.9	.3	-10.3	-2.1	.5	8.1
Res. structures		-25.5	1.2	17.3	20.3	16.8	21.8	1.2	32.8	1.5	-9.5
Exports		-.8	19.4	3.0	13.3	4.9	-.6	6.5	8.8	-2.4	3.6
Imports		-11.1	11.7	11.8	6.3	3.8	15.9	9.2	5.6	11.6	13.3
Government purchases		2.8	1.4	-2.0	-4.7	3.0	-1.0	4.1	-1.4	-6.4	4.3
Federal		7.8	-.2	-6.9	-14.2	.0	-3.1	8.7	-3.5	-16.2	2.0
Defense		9.1	-4.4	-12.3	-19.2	-5.5	-5.0	10.5	-4.6	-21.4	.7
State and local		-.5	2.6	1.7	2.2	5.0	.4	1.2	.0	.3	5.6
Change in bus. invent.	Bill. 87$	-17.4	-22.3	-.9	7.1	-5.0	12.6	9.6	8.7	29.3	13.0
Nonfarm		-18.7	-26.2	.0	10.3	-9.6	7.0	5.8	7.5	29.3	17.1
Net exports		-21.6	-13.3	-25.0	-16.4	-15.2	-38.0	-42.5	-38.8	-59.9	-75.2
Nominal GDP	% change	2.4	4.8	4.3	3.2	7.4	5.7	4.6	9.2	4.4	4.3
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	108.6	108.2	108.2	108.1	108.1	108.4	108.6	108.9	109.4	110.0
Unemployment rate[1]	%	6.5	6.7	6.7	7.0	7.3	7.5	7.5	7.3	7.0	7.0
Industrial prod. index	% change	-7.2	.3	5.5	.3	.8	4.7	.8	6.7	5.5	2.3
Capacity util. rate-mfg.[1]	%	77.5	77.4	78.2	78.1	78.1	78.8	78.7	79.6	80.5	80.8
Housing starts	Millions	.90	1.01	1.04	1.09	1.26	1.14	1.18	1.25	1.16	1.23
Light Motor Vehicle Sales		12.15	12.19	12.60	12.27	12.55	12.86	12.65	13.26	13.31	14.16
Auto sales in U.S.		8.39	8.35	8.55	8.25	8.40	8.45	8.24	8.45	8.35	8.95
North American prod.		6.16	6.05	6.25	6.09	6.15	6.29	6.24	6.43	6.38	6.90
Other		2.24	2.30	2.31	2.16	2.25	2.16	2.00	2.02	1.97	2.06
INCOME AND SAVING											
Nominal GNP	Bill. $	5656.1	5710.6	5766.2	5815.5	5927.6	5996.3	6067.3	6191.9	6262.1	6327.1
Nominal GNP	% change	1.9	3.9	4.0	3.5	7.9	4.7	4.8	8.5	4.6	4.2
Nominal personal income		2.1	4.2	2.1	5.8	7.5	6.2	3.7	15.5	-5.4	9.3
Real disposable income		-.4	1.9	-.9	2.2	4.2	3.1	1.9	10.6	-7.8	5.8
Personal saving rate[1]	%	4.8	4.9	4.4	4.9	5.0	5.3	4.9	6.0	3.9	4.4
Corp. profits, IVA&CCAdj	% change	7.4	1.6	-12.1	24.0	37.1	1.8	-36.5	104.6	-6.6	26.3
Profit share of GNP[1]	%	6.5	6.5	6.2	6.5	6.9	6.9	6.1	7.1	6.9	7.2
Federal govt. surpl./def.	Bill. $	-145.2	-206.2	-217.7	-244.7	-270.2	-279.9	-290.7	-264.2	-263.5	-222.6
State/local surpl./def.		6.1	5.5	5.5	12.1	6.1	7.8	1.2	13.5	.8	1.1
Ex. social ins. funds		-52.5	-53.1	-52.9	-46.5	-52.8	-51.8	-58.3	-46.0	-58.2	-57.8
PRICES AND COSTS											
GDP implicit deflator	% change	5.0	3.2	2.9	2.6	3.8	2.8	1.2	3.3	3.6	2.3
GDP fixed-wt. price index		5.1	3.4	3.4	2.7	4.2	3.4	2.5	3.1	4.3	2.8
Gross domestic purchases fixed-wt. price index		3.6	2.5	3.1	3.0	3.9	3.3	3.0	2.8	3.5	2.9
CPI		3.6	2.1	2.7	3.3	3.5	2.9	2.9	3.2	3.7	2.8
Ex. food and energy		6.5	3.8	4.0	3.7	4.2	3.3	2.7	3.6	4.1	3.5
ECI, hourly compensation[2]		4.6	4.9	4.1	4.0	3.6	3.2	3.2	3.5	3.9	3.8
Nonfarm business sector											
Output per hour		1.9	2.7	.8	3.4	3.8	2.8	3.6	4.2	-1.8	-.4
Compensation per hour		4.4	4.9	4.6	4.9	5.6	4.7	5.9	4.6	2.9	1.9
Unit labor cost		2.5	2.2	3.7	1.5	1.7	1.8	2.2	.4	4.8	2.3

1. Not at an annual rate. 2. Private-industry workers.

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

		Projected									
		1993		1994				1995			
Item	Units	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GDP	Bill. $	6395.9	6510.8	6624.5	6710.8	6788.5	6863.4	6948.6	7026.8	7104.2	7181.4
Real GDP	Bill. 87$	5138.3	5212.1	5264.0	5302.7	5335.0	5366.4	5397.7	5429.8	5463.5	5497.3
Real GDP	% change	2.9	5.9	4.0	3.0	2.5	2.4	2.4	2.4	2.5	2.5
Gross domestic purchases		3.7	6.5	4.4	3.7	3.2	2.8	2.7	2.7	2.8	2.7
Final sales		3.4	5.4	4.2	2.5	2.3	2.2	2.2	2.4	2.5	2.6
Private dom. final purch.		5.1	7.5	5.4	3.9	3.6	3.2	3.1	3.1	3.1	3.2
Personal cons. expend.		4.4	4.0	2.7	1.9	2.5	2.4	2.3	2.3	2.3	2.3
Durables		7.6	14.3	4.2	3.3	3.0	2.8	2.3	2.2	2.2	2.2
Nondurables		3.7	2.6	2.5	1.9	2.3	2.1	2.1	2.1	2.1	2.1
Services		3.9	2.2	2.4	1.6	2.5	2.5	2.5	2.5	2.4	2.4
Business fixed invest.		7.4	21.0	15.1	12.1	9.9	8.9	8.6	8.6	8.7	8.9
Producers' dur. equip.		10.0	24.6	18.0	13.5	10.9	9.9	9.5	9.5	9.5	9.5
Nonres. structures		.3	10.7	6.7	7.8	6.8	6.0	5.9	5.8	6.2	7.3
Res. structures		11.9	31.7	23.6	11.8	3.2	-1.7	-1.1	-.3	-.1	-.5
Exports		-.9	14.7	2.9	6.0	6.2	6.9	7.1	7.4	8.0	8.3
Imports		6.0	18.8	5.9	11.1	11.1	9.6	9.1	8.6	9.0	8.5
Government purchases		.3	-.7	.6	.0	.0	.3	.3	.7	.8	.9
Federal		-6.2	-4.3	-5.7	-3.7	-3.5	-3.2	-2.9	-2.7	-2.6	-2.4
Defense		-9.8	-3.1	-7.2	-5.7	-5.4	-5.0	-4.7	-4.4	-4.3	-4.0
State and local		4.5	1.6	4.4	2.2	2.1	2.3	2.2	2.6	2.7	2.7
Change in bus. invent.	Bill. 87$	6.5	12.7	10.9	17.2	19.6	22.0	23.8	23.5	24.1	22.6
Nonfarm		19.4	19.4	15.2	19.9	20.9	22.5	24.0	23.4	23.8	22.2
Net exports		-86.3	-95.6	-101.3	-111.3	-121.4	-128.2	-134.1	-138.8	-143.4	-146.6
Nominal GDP	% change	4.4	7.4	7.2	5.3	4.7	4.5	5.1	4.6	4.5	4.4
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employ.	Millions	110.4	110.9	111.4	112.0	112.4	113.0	113.5	113.9	114.4	114.8
Unemployment rate[1]	%	6.7	6.5	7.0	6.9	6.9	6.8	6.8	6.8	6.8	6.8
Industrial prod. index	% change	2.6	7.5	6.3	3.2	3.3	3.2	3.2	3.0	2.9	2.8
Capacity util. rate-mfg[1]	%	80.8	82.2	83.0	83.0	83.2	83.4	83.5	83.6	83.7	83.8
Housing starts	Millions	1.31	1.46	1.44	1.53	1.49	1.48	1.47	1.48	1.47	1.48
Light Motor Vehicle Sales		13.57	14.55	14.56	14.51	14.59	14.67	14.68	14.69	14.72	14.75
Auto sales in U.S.		8.60	8.95	9.14	8.97	9.00	9.03	9.03	9.03	9.05	9.07
North American prod.		6.63	7.08	7.28	7.12	7.15	7.18	7.18	7.18	7.20	7.22
Other		1.97	1.87	1.86	1.85	1.85	1.85	1.85	1.85	1.85	1.85
INCOME AND SAVING											
Nominal GNP	Bill. $	6402.3	6509.0	6623.8	6707.2	6787.1	6858.1	6945.4	7019.1	7098.5	7170.5
Nominal GNP	% change	4.8	6.8	7.2	5.1	4.8	4.3	5.2	4.3	4.6	4.1
Nominal personal income		3.0	7.4	5.9	6.0	4.6	5.6	6.8	4.7	4.7	5.2
Real disposable income		1.6	5.2	2.0	1.9	2.8	2.6	2.7	1.7	1.7	2.4
Personal saving rate[1]	%	3.8	4.1	3.9	3.9	4.0	4.0	4.1	4.0	3.9	3.9
Corp. profits, IVA&CCAdj	% change	9.4	13.4	-3.1	23.2	2.9	2.8	4.1	4.1	1.2	4.4
Profit share of GNP[1]	%	7.3	7.4	7.2	7.5	7.5	7.5	7.5	7.4	7.4	7.4
Federal govt. surpl./def.	Bill. $	-212.7	-203.8	-170.5	-139.3	-137.5	-144.2	-139.6	-131.5	-120.4	-128.9
State/local surpl./def.		-1.7	6.6	1.6	3.2	5.8	5.9	8.2	7.2	12.7	12.4
Ex. social ins. funds		-60.2	-51.4	-56.1	-54.2	-51.3	-50.9	-48.3	-49.0	-43.2	-43.2
PRICES AND COSTS											
GDP implicit deflator	% change	1.5	1.4	3.0	2.3	2.2	2.1	2.6	2.1	1.9	1.9
GDP fixed-wt. price index		2.1	2.2	3.7	2.9	2.7	2.6	3.3	2.8	2.7	2.7
Gross domestic purchases fixed-wt. price index		1.8	2.1	3.4	3.1	2.7	2.6	3.3	2.7	2.6	2.6
CPI		1.4	2.8	3.6	3.6	3.0	2.8	3.4	3.1	2.9	2.9
Ex. food and energy		1.9	2.9	3.4	3.1	2.8	2.8	3.1	2.9	2.9	2.9
ECI, hourly compensation[2]		3.4	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Nonfarm business sector[3]											
Output per hour		4.3	4.3	2.7	1.2	.8	.8	.8	1.0	1.4	1.5
Compensation per hour		3.7	2.9	4.1	3.6	3.6	3.6	3.9	3.5	3.5	3.5
Unit labor cost		-.6	-1.3	1.4	2.4	2.8	2.8	3.1	2.5	2.1	2.0

1. Not at an annual rate. 2. Private-industry workers.
3. Productivity data for 1993:Q4 are staff estimates.

NET CHANGES IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS[1]
(Billions of 1987 dollars)

	1991				1992				1993					
Item	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1990	1991	1992	1993
Real GDP	-29.4	17.8	17.0	7.0	42.4	34.5	41.7	70.1	9.9	23.9	10.5	12.4	188.7	143.8
Gross domestic purchases	-44.6	9.6	28.6	-1.6	41.1	57.4	46.2	66.4	31.0	39.3	-20.1	-8.0	211.1	200.6
Final sales	-32.8	22.8	-4.5	-1.0	54.4	16.9	44.8	71.0	-10.7	40.2	56.2	-15.5	187.1	139.8
Private dom. final purch.	-54.5	11.1	11.9	1.8	46.3	42.1	39.8	70.6	26.0	45.7	-4.2	-29.7	198.8	203.4
Personal cons. expend.	-23.2	14.2	10.2	.4	34.8	14.5	34.1	46.3	6.6	28.9	23.9	1.6	129.7	106.7
Durables	-12.9	1.7	10.6	-1.1	15.1	.9	11.5	14.4	-1.5	12.3	-3.6	-1.7	41.9	36.5
Nondurables	-9.3	2.9	-1.8	-5.3	8.0	3.0	7.9	18.9	-5.8	7.1	-1.4	-13.5	37.8	18.3
Services	-1.0	9.6	1.4	6.8	11.7	10.6	14.7	13.0	13.9	9.5	28.9	16.8	50.0	51.9
Business fixed invest.	-18.8	-3.6	-5.0	-6.7	4.4	18.3	5.0	9.9	18.6	22.0	3.5	-34.1	37.6	80.1
Producers' dur. equip.	-14.9	.1	4.6	-2.0	2.5	18.2	9.2	10.6	18.4	19.1	10.5	-12.2	40.5	73.0
Nonres. structures	-3.8	-3.8	-9.6	-4.6	1.8	.1	-4.1	-.8	.2	2.9	-7.0	-21.8	-3.0	7.1
Res. structures	-12.5	.5	6.7	8.1	7.1	9.4	.6	14.4	.8	-5.2	-31.7	2.8	31.5	16.6
Change in bus. invent.	3.5	-4.9	21.4	8.0	-12.1	17.6	-3.0	-.9	20.6	-16.3	-45.8	28.0	1.6	4.0
Nonfarm	.0	-7.5	26.2	10.3	-19.9	16.6	-1.2	1.7	21.8	-12.2	-49.9	29.0	-2.8	11.9
Farm	3.4	2.5	-4.7	-2.3	7.8	1.0	-1.8	-2.6	-1.2	-4.1	4.2	-1.1	4.4	-7.9
Net exports	15.2	8.3	-11.7	8.6	1.2	-22.8	-4.5	3.7	-21.1	-15.3	30.6	20.4	-22.4	-56.8
Exports	-1.0	23.5	4.0	17.3	6.8	-.8	9.1	12.3	-3.6	5.2	32.7	43.8	27.4	20.9
Imports	-16.2	15.2	15.7	8.8	5.5	22.0	13.6	8.5	17.6	20.5	2.2	23.5	49.6	77.8
Government purchases	6.5	3.4	-4.7	-11.4	6.9	-2.4	9.5	-3.3	-15.6	9.8	29.8	-6.2	10.7	-6.8
Federal	7.3	-.2	-7.0	-14.5	.0	-2.9	7.8	-3.3	-16.1	1.8	10.4	-14.4	1.6	-23.9
Defense	6.3	-3.3	-9.3	-14.5	-3.7	-3.3	6.5	-3.1	-15.3	.4	4.2	-20.8	-3.6	-23.1
Nondefense	1.0	3.1	2.3	.0	3.7	.4	1.2	-.1	-.9	1.5	6.1	6.4	5.2	-.8
State and local	-.7	3.6	2.3	3.1	6.9	.5	1.7	.0	.5	7.9	19.3	8.3	9.1	17.2

1. Annual changes are from Q4 to Q4.

Strictly Confidential (FR)
Class II FOMC

NET CHANGES IN REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS[1]
(Billions of 1987 dollars)

January 31, 1994

	Projected												Projected	
	1993		1994				1995							
Item	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1992	1993	1994	1995
Real GDP	36.2	73.8	51.9	38.7	32.3	31.4	31.3	32.2	33.6	33.8	188.7	143.8	154.3	130.9
Gross domestic purchases	47.2	83.1	57.6	48.7	42.4	38.2	37.2	36.8	38.2	37.1	211.1	200.6	186.9	149.3
Final sales	42.7	67.6	53.7	32.5	29.8	29.0	29.5	32.4	33.1	35.2	187.1	139.8	145.0	130.3
Private dom. final purch.	53.2	78.5	58.0	42.3	39.8	35.0	34.6	35.4	35.8	36.3	198.8	203.4	175.2	142.1
Personal cons. expend.	36.9	34.3	23.3	16.9	22.0	21.4	20.8	20.8	20.5	20.6	129.7	106.7	83.6	82.7
Durables	8.9	16.8	5.3	4.2	3.8	3.7	2.9	2.9	3.0	2.9	41.9	36.5	17.0	11.7
Nondurables	9.9	7.1	6.7	5.2	6.3	5.8	5.9	5.9	5.9	5.9	37.8	18.3	24.1	23.6
Services	18.1	10.4	11.3	7.5	11.8	11.9	12.0	12.1	11.7	11.7	50.0	51.9	42.5	47.4
Business fixed invest.	10.5	29.0	22.3	18.7	15.8	14.7	14.5	14.7	15.3	16.0	37.6	80.1	71.6	60.5
Producers' dur. equip.	10.4	25.1	19.8	15.7	13.2	12.3	12.1	12.4	12.7	13.0	40.5	73.0	61.0	50.1
Nonres. structures	.1	3.9	2.5	3.0	2.7	2.4	2.4	2.4	2.6	3.1	-3.0	7.1	10.6	10.4
Res. structures	5.9	15.1	12.4	6.8	2.0	-1.1	-.7	-.2	.0	-.3	31.5	16.6	20.0	-1.2
Change in bus. invent.	-6.5	6.2	-1.8	6.3	2.5	2.4	1.8	-.3	.5	-1.4	1.6	4.0	9.3	.6
Nonfarm	2.3	.0	-4.2	4.7	1.1	1.6	1.5	-.6	.3	-1.5	-2.8	11.9	3.1	-.3
Farm	-8.8	6.2	2.4	1.6	1.4	.8	.3	.3	.2	.1	4.4	-7.9	6.2	.9
Net exports	-11.1	-9.3	-5.7	-10.0	-10.1	-6.8	-5.9	-4.7	-4.6	-3.3	-22.4	-56.8	-32.6	-18.4
Exports	-1.3	20.6	4.4	9.1	9.6	10.7	11.1	11.8	13.0	13.8	27.4	20.9	33.7	49.7
Imports	9.8	29.9	10.1	19.1	19.6	17.5	17.0	16.5	17.6	17.0	49.6	77.8	66.4	68.1
Government purchases	.6	-1.6	1.4	.1	.1	.8	.8	1.7	1.9	2.2	10.7	-6.8	2.4	6.6
Federal	-5.7	-3.9	-5.1	-3.2	-3.0	-2.7	-2.5	-2.3	-2.2	-2.0	1.6	-23.9	-14.0	-9.0
Defense	-6.3	-1.9	-4.4	-3.4	-3.2	-2.9	-2.7	-2.5	-2.4	-2.2	-3.6	-23.1	-13.9	-9.8
Nondefense	.7	-2.1	-.7	.2	.2	.2	.2	.2	.2	.2	5.2	-.8	-.1	.8
State and local	6.4	2.4	6.4	3.3	3.1	3.5	3.3	4.0	4.1	4.2	9.1	17.2	16.3	15.6

1. Annual changes are from Q4 to Q4.

Strictly C[illegible]idential (FR)
Class II FOMC

STAFF PROJECTIONS OF FEDERAL [illegible]CTOR ACCOUNTS AND RELATED ITEMS
(Billions of dollars except as noted)

January 31, 1994

Item	Fiscal year				1993				1994				1995			
	1992[a]	1993[a]	1994	1995	Q1[a]	Q2[a]	Q3[a]	Q4[b]	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UNIFIED BUDGET					Not seasonally adjusted											
Receipts[1]	1090	1153	1260	1324	262	331	295	287	283	375	315	295	290	409	330	311
Outlays[1]	1381	1408	1478	1516	324	349	349	379	362	364	372	377	384	376	379	396
Surplus/deficit[1]	-290	-255	-218	-192	-62	-18	-54	-92	-80	11	-57	-82	-95	34	-50	-85
On-budget	-340	-301	-281	-264	-90	-49	-54	-105	-89	-26	-61	-95	-106	-6	-57	-99
Off-budget	50	46	63	72	27	31	0	13	9	36	4	13	12	40	7	14
Surplus excluding deposit insurance[2]	-287	-282	-220	-201	-68	-25	-61	-92	-82	12	-58	-82	-98	33	-53	-86
Means of financing																
Borrowing	311	249	220	201	60	61	46	89	45	11	75	67	78	14	43	77
Cash decrease	-17	6	-7	0	8	-39	8	3	29	-16	-23	20	20	-40	0	20
Other[3]	-4	0	6	-9	-6	-4	0	0	6	-5	5	-5	-3	-7	7	-12
Cash operating balance, end of period	59	53	60	60	22	61	53	50	21	37	60	40	20	60	60	40
NIPA FEDERAL SECTOR					Seasonally adjusted, annual rate											
Receipts	1163	1246	1360	1441	1218	1268	1276	1309	1355	1387	1388	1405	1436	1454	1470	1489
Expenditures	1435	1487	1522	1575	1482	1491	1489	1513	1525	1526	1525	1550	1576	1585	1590	1617
Purchases	445	447	439	438	443	448	444	440	440	439	437	435	439	438	437	437
Defense	313	308	298	292	305	308	302	300	299	297	294	292	294	292	290	289
Nondefense	132	139	141	146	138	140	142	140	141	142	142	143	146	146	147	148
Other expenditures	990	1040	1083	1138	1039	1043	1045	1073	1085	1088	1088	1114	1137	1147	1153	1180
Surplus/deficit	-271	-241	-163	-134	-264	-223	-213	-204	-171	-139	-138	-144	-140	-131	-120	-129
FISCAL INDICATORS[4]																
High-employment (HEB) surplus/deficit	-212	-193	-138	-115	-215	-173	-165	-170	-144	-118	-118	-125	-120	-112	-101	-110
Change in HEB, percent of potential GDP	.9	-.3	-.9	-.3	0	-.7	-.1	.1	-.4	-.4	0	.1	-.1	-.1	-.1	.1
Fiscal impetus (FI), percent, cal. year	-4.5	-4.5	-6.8	-4.9	-4.9	1.3	-.8	-1	-3.2	-3.1	-.7	-.8	-1.8	-1.6	-.1	-.7

1. OMB's September 1993 deficit estimates are $285 billion in FY93, $259 billion in FY94, and $200 billion in FY95. CBO's January 1994 deficit estimates of the budget are $223 billion in FY94 and $171 billion in FY95. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) categories. The OASDI surplus is excluded from the on-budget deficit and shown separately as off-budget, as classified under current law. The Postal Service deficit is included in off-budget outlays beginning in FY90.

2. OMB's September 1993 deficit estimates, excluding deposit insurance spending, are $311 billion in FY93, $250 billion in FY94, and $209 billion in FY95. CBO's January 1994 deficit estimates, excluding deposit insurance spending, are $228 billion in FY94, and $182 billion in FY95.

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

4. HEB is the NIPA measure in current dollars, with cyclically sensitive receipts and outlays adjusted to the level of potential output generated by 2.4 percent real growth and an associated unemployment rate of 6 percent. Quarterly figures for change in HEB and FI are not at annual rates. Change in HEB, as a percent of nominal potential GDP, is reversed in sign. FI is the weighted difference of discretionary changes in federal spending and taxes (in 1987 dollars), scaled by real federal purchases. For change in HEB and FI, negative values indicate restraint.

a--Actual.
b--Unified and NIPA data are actuals except for NIPA corporate profit tax total which is a staff projection.

Confidential FR Class II
January 31, 1994

CHANGE IN DEBT OF THE DOMESTIC NONFINANCIAL SECTORS[1]
(Percent)

			Nonfederal						MEMO	
				Households						
	Total[2]	Federal govt.	Total	Total	Home mtg.	Cons. credit	Business	State and local govt.	Private financial assets	Nominal GDP
Year										
1981	9.7	11.6	9.3	7.5	7.0	4.8	11.9	5.2	10.3	9.3
1982	9.8	19.7	7.4	5.5	4.7	4.4	8.8	9.3	9.6	3.2
1983	11.9	18.9	10.1	11.1	10.8	12.6	9.3	9.7	12.4	11.0
1984	14.5	16.9	13.8	12.8	11.7	18.7	15.6	9.1	12.6	9.1
1985	15.5	16.5	15.2	15.3	13.2	15.8	12.1	31.3	12.1	7.0
1986	12.3	13.6	11.9	12.0	14.3	9.6	12.2	10.5	7.3	4.7
1987	9.5	8.0	9.9	12.4	14.9	5.0	7.1	13.4	8.4	8.0
1988	8.8	8.0	9.0	10.8	11.8	7.2	7.9	7.0	8.0	7.7
1989	7.8	7.0	8.0	9.0	10.2	6.7	7.0	8.4	5.0	6.0
1990	6.3	11.0	4.9	6.2	7.7	1.7	3.4	6.7	4.3	4.7
1991	4.4	11.1	2.4	4.7	6.7	-1.6	-0.9	7.2	-0.6	3.7
1992	5.2	10.9	3.3	5.7	6.6	1.2	0.1	6.4	1.1	6.7
1993	5.1	8.3	4.0	6.5	6.9	5.6	0.7	6.1	-1.8	5.1
1994	5.3	5.9	5.1	7.5	7.9	9.0	2.4	4.9	0.4	5.4
1995	5.1	6.0	4.8	6.8	7.2	7.2	2.6	4.1	0.8	4.6
Quarter (seasonally adjusted annual rates)										
1993:1	3.4	7.5	2.0	3.5	4.5	2.4	-1.1	7.2	-6.1	4.4
2	5.6	11.1	3.7	5.4	6.1	2.8	0.9	6.8	0.6	4.3
3	4.8	5.5	4.6	7.9	7.9	7.4	1.0	4.3	-1.7	4.4
4	6.2	8.2	5.5	8.6	8.5	9.5	2.1	5.5	-0.1	7.4
1994:1	5.2	5.1	5.3	7.8	8.2	9.2	2.4	4.9	0.4	7.2
2	4.9	4.5	5.1	7.4	7.8	9.0	2.5	5.1	-0.3	5.3
3	5.8	8.5	4.9	7.2	7.5	8.4	2.2	4.5	0.8	4.7
4	4.9	5.1	4.8	7.0	7.2	8.0	2.3	4.6	0.7	4.5
1995:1	5.8	8.6	4.7	6.7	7.0	7.4	2.5	4.1	0.9	5.1
2	4.7	4.6	4.8	6.7	7.0	7.2	2.6	4.3	0.7	4.6
3	4.6	4.3	4.7	6.6	7.0	6.9	2.6	3.9	0.5	4.5
4	5.0	5.9	4.7	6.5	7.0	6.7	2.7	4.0	0.9	4.4

1. Data after 1993:3 are staff projections. Year-to-year changes in nominal GDP are measured from the fourth quarter of the preceding year to the fourth quarter of the year indicated; other changes are measured from end of preceding period to end of period indicated.
2. On a quarterly average basis, total debt growth is projected to be 4.9 in 1993, 5.5 in 1994, and 5.2 in 1995.

2.6.3 FOF

FLOW OF FUNDS PROJECTIONS: HIGHLIGHTS[1]
(Billions of dollars)

		Calendar year 1992	1993	1994	1995	1993 Q3	1993 Q4	1994 Q1	1994 Q2	1994 Q3	1994 Q4	1995 H1	1995 H2
						Seasonally Adjusted Annual Rates							
	Net funds raised by domestic nonfinancial sectors												
1	Total	609.1	624.1	680.1	681.5	609.6	785.2	648.5	641.1	781.0	649.8	702.5	660.5
2	Net equity issuance	26.8	23.3	22.5	15.0	30.0	28.0	5.0	23.0	41.0	21.0	15.0	15.0
3	Net debt issuance	582.4	600.9	657.6	666.5	579.6	757.2	643.5	618.1	740.0	628.8	687.5	645.5
	Borrowing sectors												
	Nonfinancial business												
4	Financing gap[2]	-26.4	27.8	80.0	117.3	14.1	42.8	48.5	78.4	91.9	101.2	110.8	123.8
5	Net equity issuance	26.8	23.3	22.5	15.0	30.0	28.0	5.0	23.0	41.0	21.0	15.0	15.0
6	Credit market borrowing	4.0	27.0	89.1	100.3	36.4	76.0	90.0	94.7	84.3	87.4	98.3	102.4
	Households												
7	Net borrowing, of which:	215.0	257.6	319.7	309.7	322.4	354.9	331.8	317.9	318.0	311.3	307.8	311.5
8	Home mortgages	170.9	190.7	232.5	228.3	223.9	245.5	240.0	235.0	230.0	225.0	224.5	232.0
9	Consumer credit	9.3	45.5	76.5	67.5	60.8	79.0	79.0	79.0	75.0	73.0	68.5	66.5
10	Debt/DPI (percent)[3]	86.0	87.3	88.5	90.1	87.8	88.0	88.7	89.2	89.6	89.9	89.7	90.6
	State and local governments												
11	Net borrowing	59.4	60.1	51.3	45.5	43.7	56.7	51.6	54.6	48.5	50.5	46.5	44.5
12	Current surplus[4]	-51.0	-52.7	-50.6	-47.0	-56.8	-47.3	-52.7	-51.0	-49.1	-49.6	-48.9	-45.1
	U.S.government												
13	Net borrowing	304.0	256.1	197.5	211.0	177.2	269.6	170.1	151.0	289.1	179.7	235.0	187.1
14	Net borrowing;quarterly, nsa	304.0	256.1	197.5	211.0	46.1	89.3	44.8	11.0	74.6	67.1	91.8	119.2
15	Unified deficit;quarterly, nsa	327.0	226.5	207.9	195.5	54.4	92.1	79.8	-10.7	57.1	81.7	60.9	134.6
	Funds supplied by												
16	depository institutions	34.9	124.4	170.5	191.8	140.0	162.9	168.7	158.6	174.9	180.0	192.0	191.7
	MEMO: (percent of GDP)												
17	Dom. nonfinancial debt[3]	189.7	189.0	187.9	188.8	190.1	189.7	188.8	188.7	189.3	189.5	188.6	189.2
18	Dom. nonfinancial borrowing	9.6	9.4	9.7	9.4	9.1	11.6	9.7	9.2	10.9	9.2	9.8	9.0
19	U.S. government[5]	5.0	4.0	2.9	3.0	2.8	4.1	2.6	2.2	4.3	2.6	3.4	2.6
20	Private	4.6	5.4	6.8	6.4	6.3	7.5	7.1	7.0	6.6	6.5	6.5	6.4

1. Data after 1993:3 are staff projections.
2. For corporations: Excess of capital expenditures over U.S. internal funds.
3. Annuals are average debt levels in the year (computed as the average of year-end debt positions) divided by nominal GDP.
4. NIPA surplus, net of retirement funds.
5. Excludes government-insured mortgage pool securities.

January 28, 1994

STRICTLY CONFIDENTIAL - FR
CLASS II FOMC

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

Measure and country	1991	1992	Projection 1993	Projection 1994	Projection 1995
REAL GDP					
Canada	-0.1	0.8	3.0	3.1	3.4
France	1.3	0.6	-0.3	1.0	2.3
Western Germany	2.7	0.0	-0.8	0.5	2.0
Italy	1.7	-0.2	0.3	1.6	2.1
Japan	3.6	-0.3	0.7	1.4	2.8
United Kingdom	-1.6	0.2	2.5	2.5	2.8
Average, weighted by 1987-89 GDP	1.8	0.0	0.7	1.5	2.6
Average, weighted by share of U.S. nonagricultural exports					
Total foreign	1.7	1.2	2.1	2.7	3.4
G-6	0.9	0.3	1.8	2.2	2.9
Developing countries	5.0	3.8	4.0	4.4	5.0
CONSUMER PRICES					
Canada	4.1	1.8	1.8	1.9	1.9
France	2.9	1.8	2.1	1.9	1.7
Western Germany	3.9	3.7	3.7	2.7	2.1
Italy	6.1	4.8	4.1	3.5	2.8
Japan	3.2	0.9	1.2	1.0	0.8
United Kingdom	4.2	3.1	1.6	3.3	3.5
Average, weighted by 1987-89 GDP	3.9	2.4	2.2	2.2	1.9
Average, weighted by share of U.S. non-oil imports	3.8	1.9	1.9	1.8	1.6

Strictly Confidential (FR) Class II-FOMC

U.S. CURRENT ACCOUNT AND REAL NET EXPORTS

(Billions of dollars, seasonally adjusted annual rates)

	1991				1992				1993		ANNUAL		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	1990	1991	1992
GDP Net Exports of Goods and Services (87$)	-21.6	-13.3	-25.0	-16.4	-15.2	-38.0	-42.5	-38.8	-59.9	-75.2	-54.7	-19.1	-33.6
Exports of G+S	519.4	542.9	546.9	564.2	571.0	570.2	579.3	591.6	588.0	593.2	510.5	543.4	578.0
Merchandise	381.6	396.1	398.2	410.7	414.4	415.9	423.0	437.3	430.2	434.5	368.9	396.7	422.7
Services	137.8	146.8	148.7	153.5	156.6	154.2	156.3	154.3	157.8	158.6	141.6	146.7	155.4
Imports of G+S	541.0	556.2	571.9	580.7	586.2	608.2	621.8	630.3	647.9	668.4	565.1	562.4	611.6
Merchandise	442.1	457.2	474.6	481.7	486.8	509.0	521.6	530.3	545.9	565.7	461.4	463.9	511.9
Oil	44.7	52.0	52.9	47.1	47.3	51.6	53.1	52.8	53.4	57.8	52.1	49.2	51.2
Non-oil	397.5	405.2	421.7	434.7	439.6	457.4	468.5	477.6	492.5	507.9	409.3	414.8	460.8
Services	98.9	99.1	97.3	98.9	99.3	99.2	100.1	100.0	102.0	102.7	103.7	98.5	99.6
Memo: (Percent change 1/)													
Exports of G+S	-0.8	19.4	3.0	13.3	4.9	-0.6	6.5	8.8	-2.4	3.6	6.8	8.7	4.9
of which: Goods	7.7	16.1	2.1	13.2	3.7	1.5	7.0	14.2	-6.3	4.1	5.8	9.8	6.6
Imports of G+S	-11.1	11.7	11.8	6.3	3.8	15.9	9.2	5.6	11.6	13.3	0.6	4.7	8.6
of which: Non-oil Goods	-11.3	8.0	17.3	12.9	4.6	17.2	10.1	8.0	13.1	13.1	0.8	6.7	10.0
Current Account Balance	37.6	7.1	-47.4	-30.6	-26.7	-73.0	-71.1	-94.7	-89.2	-108.7	-91.9	-8.3	-66.4
Merchandise Trade, net	-75.2	-65.3	-78.6	-76.2	-71.1	-99.2	-110.4	-103.8	-117.2	-137.5	-109.0	-73.8	-96.1
Exports	405.3	416.8	415.1	430.5	433.4	433.2	438.0	456.0	446.1	452.5	389.3	416.9	440.1
Agricultural	39.5	38.5	39.7	42.8	43.3	42.6	44.7	45.5	43.4	43.1	40.2	40.1	44.0
Nonagricultural	365.8	378.3	375.4	387.7	390.0	390.6	393.3	410.4	402.7	409.4	349.1	376.8	396.1
Imports	480.5	482.1	493.6	506.7	504.4	532.4	548.4	559.8	563.4	590.0	498.3	490.7	536.3
Oil	52.4	52.3	53.0	49.4	41.9	52.4	57.2	54.9	51.0	57.3	62.3	51.8	51.6
Non-oil	428.1	429.8	440.7	457.4	462.5	480.0	491.2	505.0	512.3	532.7	436.0	439.0	484.7
Other Current Account	89.7	60.7	24.6	34.8	26.6	22.6	32.5	12.3	28.2	28.7	-3.2	52.5	23.5
Invest. Income, net	23.1	11.6	6.5	10.9	17.7	3.6	6.8	-3.2	-0.2	0.2	20.3	13.0	6.2
Direct, net	60.3	52.8	45.1	52.8	57.6	47.6	47.1	40.8	45.2	46.8	56.2	52.8	48.3
Portfolio, net	-37.2	-41.1	-38.6	-42.0	-39.9	-44.0	-40.3	-44.0	-45.3	-46.6	-35.9	-39.7	-42.0
Military, net	-10.1	-5.6	-4.7	-3.0	-2.3	-2.9	-2.5	-3.3	-0.6	-0.9	-7.8	-5.9	-2.8
Other Services, net	43.4	50.8	55.6	57.2	58.5	57.5	63.6	57.1	59.1	58.7	38.5	51.7	59.2
Transfers, net	56.4	15.5	-26.3	-19.4	-29.6	-32.0	-28.6	-41.4	-30.3	-29.2	-33.8	6.6	-32.9

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

Strictly Confidential (FR) Class II-FOMC

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

(Billions of dollars, seasonally adjusted annual rates)

	1993		Projection 1994				Projection 1995				Projection ANNUAL		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1993	1994	1995
GDP Net Exports of Goods and Services (87$)	-86.3	-95.6	-101.3	-111.3	-121.4	-128.2	-134.1	-138.8	-143.4	-146.6	-79.3	-115.6	-140.7
Exports of G+S	591.9	612.5	616.9	626.0	635.6	646.2	657.4	669.2	682.2	696.0	596.4	631.2	676.2
Merchandise	434.1	454.1	458.2	466.0	473.9	482.7	491.9	501.7	512.5	524.0	438.2	470.2	507.5
Services	157.8	158.5	158.8	160.1	161.8	163.6	165.5	167.6	169.8	172.1	158.2	161.1	168.7
Imports of G+S	678.2	708.1	718.2	737.3	757.0	774.5	791.5	808.0	825.6	842.6	675.7	746.8	816.9
Merchandise	574.9	602.8	612.0	630.1	648.8	665.5	681.8	697.6	714.3	730.5	572.3	639.1	706.0
Oil	56.7	57.4	53.6	54.3	57.3	59.1	60.3	60.8	61.7	61.3	56.3	56.1	61.0
Non-oil	518.2	545.5	558.5	575.9	591.6	606.5	621.6	636.9	652.8	669.3	516.0	583.1	645.1
Services	103.3	105.3	106.2	107.3	108.1	109.0	109.7	110.4	111.2	112.1	103.3	107.6	110.9
Memo: (Percent change 1/)													
Exports of G+S	-0.9	14.7	2.9	6.0	6.2	6.9	7.1	7.4	8.0	8.3	3.7	5.5	7.7
of which: Goods	-0.4	19.7	3.7	7.0	7.0	7.6	7.9	8.2	8.9	9.3	4.3	6.3	8.6
Imports of G+S	6.0	18.8	5.9	11.1	11.1	9.6	9.1	8.6	9.0	8.5	12.4	9.4	8.8
of which: Non-oil Goods	8.4	22.8	9.9	13.0	11.4	10.5	10.3	10.2	10.4	10.5	14.3	11.2	10.4
Current Account Balance	-111.9	-118.9	-114.1	-128.2	-134.9	-148.8	-146.2	-153.3	-154.2	-165.8	-107.2	-131.5	-154.9
Merchandise Trade, net	-145.1	-140.6	-142.0	-154.4	-164.7	-171.8	-177.6	-182.3	-187.4	-191.2	-135.1	-158.3	-184.7
Exports	447.6	471.3	463.2	471.1	477.5	483.9	490.5	497.2	504.1	511.2	454.4	473.9	500.7
Agricultural	42.4	43.3	42.8	44.0	44.3	44.7	44.8	45.0	45.6	46.2	43.0	43.9	45.4
Nonagricultural	405.2	428.0	420.4	427.1	433.3	439.2	445.8	452.1	458.5	465.0	411.3	430.0	455.3
Imports	592.8	611.9	605.3	625.5	642.3	655.7	668.1	679.5	691.6	702.4	589.5	632.2	685.4
Oil	50.3	47.1	40.3	46.0	50.1	51.6	52.7	53.1	53.9	53.6	51.4	47.0	53.3
Non-oil	542.4	564.8	564.9	579.5	592.2	604.1	615.4	626.4	637.6	648.9	538.1	585.2	632.1
Other Current Account	26.2	22.9	28.0	29.2	30.7	27.7	34.0	36.2	38.4	35.7	26.5	28.9	36.1
Invest. Income, net	7.0	-1.2	-0.1	-3.0	-0.8	-4.7	-2.6	-7.1	-5.1	-10.3	1.5	-2.2	-6.3
Direct, net	50.8	47.2	46.2	46.4	46.6	47.4	47.6	47.8	47.9	47.9	47.5	46.7	47.8
Portfolio, net	-43.8	-48.4	-46.3	-49.4	-47.4	-52.1	-50.2	-54.8	-53.1	-58.2	-46.0	-48.8	-54.1
Military, net	-1.4	-0.6	-0.4	-0.2	0.2	0.6	1.0	1.4	1.8	2.2	-0.9	0.0	1.6
Other Services, net	57.8	58.7	58.8	59.8	60.9	62.3	64.0	65.8	67.6	69.5	58.6	60.5	66.7
Transfers, net	-30.2	-35.2	-30.4	-30.4	-30.4	-35.2	-31.0	-31.0	-31.0	-36.0	-31.2	-31.6	-32.2

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

January 31, 1994

The following two tables are revised versions of the text tables that appear on pages I-26 and I-27 of the January Greenbook. Slight revisions to the outlook reflect the staff's assessment of new data for 1993:Q4.

TRADE QUANTITIES*
(Q4/Q4 percent change)

	1992	1993	--Projection--- 1994	1995
Exports				
Total	6.5	3.8	6.3	8.6
Agricultural	8.7	-8.0	1.1	3.8
Computers	26.7	16.7	27.4	34.8
Other nonag.	3.4	3.2	2.9	3.0
Imports				
Total	10.1	13.7	10.4	9.8
Oil	12.1	8.7	3.0	3.7
Computers	46.7	36.7	31.7	28.6
Other non-oil	5.5	10.5	7.0	5.7

* GDP basis, 1987 dollars.

SELECTED PRICE INDICATORS
(Q4/Q4 percent change except as noted)

	1992	1993	--Projection--- 1994	1995
PPI (export. wts.)	1.6	0.8	2.0	2.1
Nonag. exports*	1.4	0.8	1.7	2.0
Non-oil imports*	2.3	1.2	1.1	1.5
Oil imports (Q4 level, $/bl.)	17.89	14.09	15.00	15.00

* Excluding computers.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF RESEARCH AND STATISTICS

DATE: February 2, 1994

TO: Federal Open Market Committee

FROM: Mike Prell

SUBJECT:

Attached is a correction to the nonfinancial section of Part I of the Greenbook.

Correction:

On page I-5 of the Greenbook, Part 1, the second sentence of the "Outlook" section should read, "Arithmetically, almost <u>three-fourths</u> of this deceleration is accounted for by the less robust advance of motor vehicle production, which is projected to contribute <u>a bit less than 1</u> percentage point to real GDP growth in the first quarter, compared with 2-1/4 points in the fourth quarter."