

Part 1

March 13, 2002

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

March 13, 2002

Summary and Outlook

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

| Measure | 2002:Q1 | | 2002:Q2 | |
|---|---|------------|------------|------------|
| | Jan. GB | Mar. GB | Jan. GB | Mar. GB |
| Real GDP | 1.5 | 3.8 | 2.5 | 3.5 |
| Private domestic final purchases | -2.5 | 1.9 | 2.0 | 2.3 |
| Personal consumption expenditures | -1.2 | 2.1 | 3.5 | 2.4 |
| Residential investment | -6.4 | 7.7 | -.3 | .4 |
| Business fixed investment | -8.7 | -1.4 | -6.2 | 2.3 |
| Government outlays for consumption and investment | 4.7 | 7.4 | 4.6 | 2.9 |
| | Contribution to growth, percentage points | | | |
| Inventory investment | 3.6 | 1.7 | 1.2 | 2.3 |
| Net exports | -.8 | -1.0 | -1.2 | -1.2 |

The recent strength of consumer demand has not been limited to motor vehicles. The February retail sales report shows that outlays for other goods have been rising rapidly, and the level of real expenditures on services in January was well above the fourth-quarter average. As a result, we now expect real PCE excluding motor vehicles to increase at an annual rate of about 5-1/2 percent this quarter and real total PCE to rise about 2 percent.

In addition, homebuilding has picked up after having lost a bit of steam last fall, and the level of single-family starts in January—an annual rate of 1.35 million units—was the highest in more than two years. Starts may ease in February and March, given the likelihood that reported activity was boosted in late 2001 and early 2002 by unusually favorable weather. But with permits at elevated levels and mortgage rates staying low, the level of starts should be well maintained. Reflecting the recent pattern of starts, real residential investment should show a hefty gain this quarter.

The near-term outlook for investment in equipment and software has brightened significantly. We now expect real E&S spending to be up slightly this quarter after having fallen 8-1/2 percent last year. Real spending for computer equipment rose at an annual rate of more than 30 percent in the fourth quarter, and an increase of about 40 percent appears to be in train in the current quarter. Moreover, based on the orders and shipments data through January, outlays for communications equipment are now expected to be about flat this quarter after a series of huge declines, while spending on industrial and other types of

Projections of Real GDP

(Percent change at annual rate from end of preceding period except as noted)

| Measure | 2002 | | 2003 |
|--|------------|------------|------------|
| | H1 | H2 | |
| Real GDP | 3.7 | 3.6 | 4.0 |
| Previous | 2.0 | 3.4 | 3.6 |
| Final sales | 1.6 | 2.5 | 3.4 |
| Previous | -.4 | 2.6 | 3.2 |
| PCE | 2.2 | 2.9 | 3.3 |
| Previous | 1.1 | 3.3 | 3.2 |
| Residential investment | 4.0 | 3.3 | -2.1 |
| Previous | -3.4 | 3.8 | 1.0 |
| BFI | .4 | 5.5 | 11.9 |
| Previous | -7.5 | 2.9 | 9.5 |
| Government purchases | 5.2 | 4.0 | 3.1 |
| Previous | 4.7 | 3.2 | 2.9 |
| Exports | 5.6 | 4.9 | 7.1 |
| Previous | 2.5 | 4.4 | 7.5 |
| Imports | 13.3 | 11.4 | 10.3 |
| Previous | 10.0 | 9.5 | 10.0 |
| Contribution to growth, percentage points | | | |
| Inventory change | 2.0 | 1.1 | .6 |
| Previous | 2.4 | .8 | .3 |
| Net exports | -1.1 | -1.0 | -.7 |
| Previous | -1.0 | -.8 | -.6 |

3-1/2 percent at an annual rate over the remaining three quarters of 2002 and 4 percent in 2003. Domestic demand appears to have a more positive thrust than we had anticipated, in part reflecting the stronger income gains associated with faster structural productivity growth. In addition, as we move into late 2002 and 2003, the newly enacted investment tax incentive should help to sustain the rebound in capital spending. The lessening of inventory liquidation and the subsequent switch to accumulation also should provide a good deal of impetus to production in coming quarters. However, the external sector doubtless will remain a drag in light of the strong dollar and the relatively moderate outlook,

Decomposition of Structural Labor Productivity

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

| Measure | 1973-95 | 1996-98 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Structural labor productivity | 1.4 | 2.4 | 2.9 | 2.8 | 2.1 | 1.8 | 2.5 |
| Previous | 1.4 | 2.4 | 2.9 | 2.8 | 2.0 | 1.7 | 2.2 |
| <i>Contributions¹</i> | | | | | | | |
| Capital deepening | .6 | 1.1 | 1.5 | 1.4 | .7 | .5 | 1.0 |
| Previous | .6 | 1.1 | 1.5 | 1.4 | .7 | .4 | .8 |
| Multifactor productivity | .6 | 1.0 | 1.1 | 1.1 | 1.1 | 1.0 | 1.2 |
| Previous | .6 | 1.0 | 1.1 | 1.1 | 1.0 | .9 | 1.1 |
| Labor composition | .3 | .3 | .3 | .3 | .3 | .3 | .3 |
| Memo: | | | | | | | |
| Potential GDP | 2.9 | 3.6 | 3.9 | 3.8 | 2.8 | 2.7 | 3.5 |
| Previous | 2.9 | 3.6 | 3.9 | 3.7 | 2.7 | 2.5 | 3.1 |

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

1. Percentage points.

in 2003—upward revisions from the January Greenbook of 0.2 percentage point and 0.4 percentage point, respectively.³

Productivity and the labor market. We are guessing that businesses were surprised—as we were—by the firmness in final demand late last year and so may have taken more drastic steps to pare back their work forces than turned out to have been necessary. Thus, although measured productivity in the nonfarm business sector appears to be on track for another 5 percent gain in the current quarter, we expect it to decelerate thereafter and to be up only about 2-1/4 percent over 2002 as a whole. We expect productivity growth to remain at about this pace in 2003.

We believe that work forces probably have been stretched pretty thin, and thus, with the economic expansion looking increasingly solid, firms should soon be adjusting up their workweeks and hiring. We now expect private payroll employment to be rising about 200,000 per month by midyear and to continue to expand at that pace, on average, in the second half of this year and in 2003. We anticipate that the unemployment rate will drift down to 5-1/4 percent by the end of 2003. In the January Greenbook, we had expected the unemployment rate to be 5-3/4 percent at the end of next year.

3. With the upward revision to structural productivity growth, we edged down our estimate of the NAIRU, which gives an added boost to the level of potential output in 2002 and 2003.

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

| Measure | 2000 | 2001 | 2002 | 2003 |
|---|------|------|------|------|
| Output per hour, nonfarm business | 2.6 | 2.0 | 2.2 | 2.2 |
| Previous | 2.6 | 1.5 | 1.7 | 2.3 |
| Nonfarm private payroll employment | 1.8 | -1.1 | 1.1 | 2.0 |
| Previous | 1.8 | -1.1 | .6 | 1.5 |
| Household employment survey | 1.0 | -1.0 | 1.1 | 1.5 |
| Previous | 1.0 | -1.0 | .5 | 1.1 |
| Labor force participation rate ¹ | 67.1 | 66.9 | 66.8 | 66.9 |
| Previous | 67.1 | 66.9 | 66.8 | 66.7 |
| Civilian unemployment rate ¹ | 4.0 | 5.6 | 5.5 | 5.3 |
| Previous | 4.0 | 5.6 | 6.0 | 5.8 |

1. Percent, average for the fourth quarter.

Wages and prices. We have revised up our wage and price projections and now anticipate only minimal slowing in underlying inflation over the next two years. The revision reflects the higher levels of resource utilization in our current forecast, partially offset by the improved prospects for structural productivity growth.

We expect the employment cost index for hourly compensation to rise 3.2 percent this year, after having risen 4.2 percent in 2001. Despite the lower unemployment rate in our current forecast, labor market slack should still be sufficient to exert some downward pressure on wage increases, and the relatively small rise in consumer prices last year should continue to limit nominal wage demands. But by 2003, with labor market slack having essentially disappeared, we expect ECI growth to be about flat at 3.3 percent.

We project core PCE inflation to edge down from 1.6 percent in 2001 to 1.4 percent in 2002, reflecting mainly the slack in resource utilization. With this downward pressure expected to wane as we move into 2003 and with import prices turning up, core inflation remains at 1.4 percent. Total PCE inflation is expected to move up from 1.2 percent in 2001 to 1.5 percent this year and 1.4 percent in 2003 as energy prices flatten out after having fallen about 10 percent in 2001.

Inflation Projections

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

| Measure | 2000 | 2001 | 2002 | 2003 |
|---|------|-------|------|------|
| PCE chain-weighted price index | 2.6 | 1.2 | 1.5 | 1.4 |
| Previous | 2.6 | 1.3 | 1.3 | 1.2 |
| Food and beverages | 2.5 | 3.2 | 2.1 | 2.1 |
| Previous | 2.5 | 3.2 | 1.9 | 1.8 |
| Energy | 15.4 | -9.9 | 1.4 | -.3 |
| Previous | 15.4 | -10.0 | -1.7 | 2.0 |
| Excluding food and energy | 1.9 | 1.6 | 1.4 | 1.4 |
| Previous | 1.9 | 1.6 | 1.3 | 1.1 |
| Consumer price index | 3.4 | 1.9 | 2.0 | 1.9 |
| Previous | 3.4 | 1.9 | 1.8 | 1.8 |
| Excluding food and energy | 2.5 | 2.7 | 2.2 | 2.1 |
| Previous | 2.5 | 2.7 | 2.1 | 1.8 |
| GDP chain-weighted price index | 2.4 | 1.8 | 1.7 | 1.6 |
| Previous | 2.4 | 1.9 | 1.5 | 1.4 |
| ECI for compensation of private industry workers ¹ | 4.4 | 4.2 | 3.2 | 3.3 |
| Previous | 4.4 | 4.0 | 3.0 | 3.0 |
| NFB compensation per hour | 7.8 | 3.9 | 3.1 | 3.3 |
| Previous | 7.8 | 4.0 | 3.4 | 3.2 |
| Prices of core non-oil merchandise imports | 1.6 | -3.1 | -.6 | 2.3 |
| Previous | 1.6 | -3.2 | .4 | 1.5 |

1. December to December.

Financial Flows and Conditions

We project that total domestic nonfinancial debt will increase at an average annual rate of about 5-1/2 percent in 2002 and 2003, similar to the average pace in recent years. A substantial reversal of the recent paydown of federal debt is offset by a modest slowing of nonfederal debt growth, mostly in the household sector.

Federal government debt is expected to rise about 4 percent in 2002, the first increase in four years, as receipts decline appreciably. By next year, with the economic expansion helping to reduce the deficit, federal debt should increase only fractionally.

Alternative Scenarios

(Percent change, annual rate, from end of preceding period, except as noted)

| Measure | 2001 | 2002 | | | 2003 |
|---|------------|------------|------------|------------|------------|
| | Q4 | Q1 | Q2 | H2 | |
| <i>Real GDP</i> | | | | | |
| Baseline | 1.4 | 3.8 | 3.5 | 3.6 | 4.0 |
| Higher productivity | 1.4 | 3.8 | 3.5 | 4.7 | 5.4 |
| Stronger cyclical rebound | 1.4 | 3.9 | 3.9 | 4.6 | 6.0 |
| Stock market adjustment | 1.4 | 3.8 | 3.5 | 3.6 | 3.7 |
| Slower recovery | 1.4 | 3.8 | 2.1 | 2.1 | 2.8 |
| Stronger stock market | 1.4 | 3.8 | 3.6 | 3.9 | 4.9 |
| Lower NAIRU | 1.4 | 3.8 | 3.6 | 3.8 | 4.2 |
| Market-based funds rate | 1.4 | 3.8 | 3.5 | 3.4 | 3.2 |
| <i>Civilian unemployment rate¹</i> | | | | | |
| Baseline | 5.6 | 5.6 | 5.7 | 5.5 | 5.3 |
| Higher productivity | 5.6 | 5.6 | 5.8 | 5.5 | 5.1 |
| Stronger cyclical rebound | 5.6 | 5.6 | 5.7 | 5.3 | 4.2 |
| Stock market adjustment | 5.6 | 5.6 | 5.7 | 5.5 | 5.4 |
| Slower recovery | 5.6 | 5.6 | 5.8 | 5.9 | 6.4 |
| Stronger stock market | 5.6 | 5.6 | 5.7 | 5.4 | 4.8 |
| Lower NAIRU | 5.6 | 5.6 | 5.7 | 5.5 | 5.1 |
| Market-based funds rate | 5.6 | 5.6 | 5.7 | 5.5 | 5.7 |
| <i>PCE prices excluding food and energy</i> | | | | | |
| Baseline | 2.6 | 1.0 | 1.7 | 1.4 | 1.4 |
| Higher productivity | 2.6 | 1.0 | 1.7 | 1.3 | 1.0 |
| Stronger cyclical rebound | 2.6 | 1.0 | 1.7 | 1.4 | 1.5 |
| Stock market adjustment | 2.6 | 1.0 | 1.7 | 1.4 | 1.4 |
| Slower recovery | 2.6 | 1.0 | 1.7 | 1.4 | 1.2 |
| Stronger stock market | 2.6 | 1.0 | 1.7 | 1.4 | 1.5 |
| Lower NAIRU | 2.6 | 1.0 | 1.6 | 1.1 | .9 |
| Market-based funds rate | 2.6 | 1.0 | 1.7 | 1.4 | 1.2 |

1. Average for the final quarter of the period.

1 percent by next year. All in all, we would be facing a pattern of surprises similar to those experienced through much of the late 1990s.

Stronger cyclical rebound. We may also have understated the degree to which the surprising strength of incoming data is signaling a more robust sustained pace of consumption and investment. Such stronger demand provides an

| Interval | | Nominal GDP | | Real GDP | | GDP chain-weighted price index | | Consumer price index ¹ | | Unemployment rate ² | |
|---------------------------------|----|-------------|----------|----------|----------|--------------------------------|----------|-----------------------------------|----------|--------------------------------|----------|
| | | 01/23/02 | 03/13/02 | 01/23/02 | 03/13/02 | 01/23/02 | 03/13/02 | 01/23/02 | 03/13/02 | 01/23/02 | 03/13/02 |
| ANNUAL | | | | | | | | | | | |
| 1999 | | 5.5 | 5.5 | 4.1 | 4.1 | 1.4 | 1.4 | 2.2 | 2.2 | 4.2 | 4.2 |
| 2000 | | 6.5 | 6.5 | 4.1 | 4.1 | 2.3 | 2.3 | 3.4 | 3.4 | 4.0 | 4.0 |
| 2001 | | 3.3 | 3.4 | 1.1 | 1.2 | 2.2 | 2.2 | 2.8 | 2.8 | 4.8 | 4.8 |
| 2002 | | 2.7 | 3.8 | 1.3 | 2.4 | 1.4 | 1.4 | 1.3 | 1.5 | 6.0 | 5.6 |
| 2003 | | 4.9 | 5.5 | 3.4 | 3.8 | 1.5 | 1.6 | 1.9 | 2.0 | 5.9 | 5.4 |
| QUARTERLY | | | | | | | | | | | |
| 2000 | Q1 | 6.3 | 6.3 | 2.3 | 2.3 | 3.8 | 3.8 | 4.3 | 3.9 | 4.0 | 4.0 |
| | Q2 | 8.0 | 8.0 | 5.7 | 5.7 | 2.1 | 2.1 | 2.8 | 3.3 | 4.0 | 4.0 |
| | Q3 | 3.3 | 3.3 | 1.3 | 1.3 | 1.9 | 1.9 | 3.5 | 3.5 | 4.1 | 4.1 |
| | Q4 | 3.7 | 3.7 | 1.9 | 1.9 | 1.8 | 1.8 | 3.0 | 2.8 | 4.0 | 4.0 |
| 2001 | Q1 | 4.6 | 4.6 | 1.3 | 1.3 | 3.3 | 3.3 | 4.2 | 4.0 | 4.2 | 4.2 |
| | Q2 | 2.4 | 2.4 | 0.3 | 0.3 | 2.1 | 2.1 | 3.0 | 3.2 | 4.5 | 4.5 |
| | Q3 | 0.9 | 0.9 | -1.3 | -1.3 | 2.3 | 2.3 | 0.7 | 0.7 | 4.8 | 4.8 |
| | Q4 | -0.1 | 1.0 | -0.3 | 1.4 | 0.2 | -0.3 | -0.4 | -0.2 | 5.6 | 5.6 |
| 2002 | Q1 | 3.3 | 5.4 | 1.5 | 3.8 | 1.7 | 1.5 | 1.1 | 1.2 | 5.9 | 5.6 |
| | Q2 | 4.1 | 5.7 | 2.5 | 3.5 | 1.6 | 2.1 | 2.2 | 3.4 | 6.0 | 5.7 |
| | Q3 | 5.0 | 5.3 | 3.5 | 3.6 | 1.5 | 1.6 | 2.1 | 1.9 | 6.0 | 5.6 |
| | Q4 | 4.7 | 5.1 | 3.3 | 3.6 | 1.4 | 1.4 | 2.0 | 1.7 | 6.0 | 5.5 |
| 2003 | Q1 | 5.2 | 5.9 | 3.4 | 3.9 | 1.7 | 1.9 | 1.9 | 1.9 | 5.9 | 5.5 |
| | Q2 | 4.8 | 5.4 | 3.5 | 3.9 | 1.3 | 1.4 | 1.8 | 1.9 | 5.9 | 5.4 |
| | Q3 | 4.9 | 5.5 | 3.6 | 3.9 | 1.3 | 1.5 | 1.8 | 1.9 | 5.9 | 5.3 |
| | Q4 | 5.0 | 5.6 | 3.7 | 4.1 | 1.3 | 1.5 | 1.8 | 1.9 | 5.8 | 5.3 |
| TWO-QUARTER³ | | | | | | | | | | | |
| 2000 | Q2 | 7.2 | 7.2 | 4.0 | 4.0 | 2.9 | 2.9 | 3.6 | 3.6 | -0.1 | -0.1 |
| | Q4 | 3.5 | 3.5 | 1.6 | 1.6 | 1.8 | 1.8 | 3.2 | 3.3 | 0.0 | 0.0 |
| 2001 | Q2 | 3.5 | 3.5 | 0.8 | 0.8 | 2.7 | 2.7 | 3.6 | 3.5 | 0.5 | 0.5 |
| | Q4 | 0.4 | 0.9 | -0.8 | 0.0 | 1.2 | 1.0 | 0.1 | 0.2 | 1.1 | 1.1 |
| 2002 | Q2 | 3.7 | 5.5 | 2.0 | 3.7 | 1.6 | 1.8 | 1.6 | 2.3 | 0.4 | 0.1 |
| | Q4 | 4.9 | 5.2 | 3.4 | 3.6 | 1.4 | 1.5 | 2.0 | 1.8 | 0.0 | -0.2 |
| 2003 | Q2 | 5.0 | 5.6 | 3.5 | 3.9 | 1.5 | 1.7 | 1.8 | 1.9 | -0.1 | -0.1 |
| | Q4 | 5.0 | 5.6 | 3.7 | 4.0 | 1.3 | 1.5 | 1.8 | 1.9 | -0.1 | -0.1 |
| FOUR-QUARTER⁴ | | | | | | | | | | | |
| 1999 | Q4 | 6.0 | 6.0 | 4.4 | 4.4 | 1.6 | 1.6 | 2.6 | 2.6 | -0.3 | -0.3 |
| 2000 | Q4 | 5.3 | 5.3 | 2.8 | 2.8 | 2.4 | 2.4 | 3.4 | 3.4 | -0.1 | -0.1 |
| 2001 | Q4 | 1.9 | 2.2 | 0.0 | 0.4 | 1.9 | 1.8 | 1.9 | 1.9 | 1.6 | 1.6 |
| 2002 | Q4 | 4.3 | 5.4 | 2.7 | 3.7 | 1.5 | 1.7 | 1.8 | 2.0 | 0.4 | -0.1 |
| 2003 | Q4 | 5.0 | 5.6 | 3.6 | 4.0 | 1.4 | 1.6 | 1.8 | 1.9 | -0.2 | -0.3 |

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.

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

March 13, 2002

| | | - - - - Projected - - - - | | | | | | | | |
|---------------------------------------|--------------------|---------------------------|--------|--------|--------|--------|--------|---------|---------|---------|
| Item | Units ¹ | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
| EXPENDITURES | | | | | | | | | | |
| Nominal GDP | Bill. \$ | 7400.5 | 7813.2 | 8318.4 | 8781.5 | 9268.6 | 9872.9 | 10204.6 | 10594.6 | 11176.4 |
| Real GDP | Bill. Ch. \$ | 7543.8 | 7813.2 | 8159.5 | 8508.9 | 8856.5 | 9224.0 | 9332.1 | 9554.9 | 9919.8 |
| Real GDP | % change | 2.2 | 4.1 | 4.3 | 4.8 | 4.4 | 2.8 | 0.4 | 3.7 | 4.0 |
| Gross domestic purchases | | 1.7 | 4.3 | 5.0 | 5.8 | 5.3 | 3.5 | 0.4 | 4.6 | 4.5 |
| Final sales | | 2.9 | 3.9 | 3.9 | 4.7 | 4.3 | 3.4 | 2.0 | 2.1 | 3.4 |
| Priv. dom. final purchases | | 3.2 | 4.4 | 5.1 | 6.3 | 5.4 | 4.7 | 1.2 | 2.7 | 4.1 |
| Personal cons. expenditures | | 2.8 | 3.1 | 4.1 | 5.0 | 5.2 | 4.2 | 3.1 | 2.6 | 3.3 |
| Durables | | 3.7 | 5.0 | 8.8 | 12.7 | 11.3 | 5.3 | 13.6 | -3.0 | 5.8 |
| Nondurables | | 2.5 | 3.2 | 2.5 | 5.0 | 5.0 | 3.6 | 1.4 | 3.9 | 2.9 |
| Services | | 2.7 | 2.7 | 3.9 | 3.6 | 4.0 | 4.3 | 1.9 | 3.1 | 3.0 |
| Business fixed investment | | 7.5 | 12.1 | 11.8 | 12.3 | 7.4 | 8.9 | -9.4 | 2.9 | 11.9 |
| Equipment & Software | | 8.9 | 11.8 | 13.7 | 14.9 | 11.2 | 8.3 | -8.4 | 5.6 | 14.0 |
| Nonres. structures | | 3.3 | 12.8 | 6.5 | 4.9 | -3.6 | 10.8 | -12.0 | -4.7 | 5.4 |
| Residential structures | | -1.5 | 5.6 | 3.5 | 10.0 | 3.4 | -1.2 | 3.0 | 3.7 | -2.1 |
| Exports | | 9.7 | 9.8 | 8.5 | 2.3 | 4.5 | 7.0 | -11.2 | 5.2 | 7.1 |
| Imports | | 5.0 | 11.2 | 14.3 | 10.8 | 11.5 | 11.3 | -8.4 | 12.4 | 10.3 |
| Gov't. cons. & investment | | -0.8 | 2.7 | 2.4 | 2.7 | 4.0 | 1.2 | 5.2 | 4.6 | 3.1 |
| Federal | | -5.3 | 2.0 | 0.1 | 0.6 | 4.5 | -1.4 | 5.0 | 8.4 | 1.5 |
| Defense | | -4.7 | 0.8 | -1.4 | -0.8 | 4.7 | -2.2 | 5.6 | 7.3 | 1.3 |
| State & local | | 2.1 | 3.0 | 3.7 | 3.8 | 3.7 | 2.5 | 5.3 | 2.6 | 4.0 |
| Change in bus. inventories | Bill. Ch. \$ | -- | -- | 63.8 | 76.7 | 62.1 | 50.6 | -62.2 | -6.4 | 91.6 |
| Nonfarm | | 41.9 | 21.2 | 60.6 | 75.0 | 63.5 | 52.3 | -59.5 | -6.6 | 89.4 |
| Net exports | | -78.4 | -89.0 | -113.3 | -221.1 | -316.9 | -399.1 | -410.2 | -498.4 | -607.7 |
| Nominal GDP | % change | 4.3 | 6.0 | 6.2 | 6.0 | 6.0 | 5.3 | 2.2 | 5.4 | 5.6 |
| EMPLOYMENT AND PRODUCTION | | | | | | | | | | |
| Nonfarm payroll employment | Millions | 117.2 | 119.6 | 122.7 | 125.8 | 128.9 | 131.8 | 132.2 | 132.2 | 134.6 |
| Unemployment rate | % | 5.6 | 5.4 | 4.9 | 4.5 | 4.2 | 4.0 | 4.8 | 5.6 | 5.4 |
| Industrial prod. index | % change | 3.5 | 5.8 | 7.4 | 3.5 | 4.3 | 2.6 | -5.9 | 3.9 | 4.2 |
| Capacity util. rate - mfg. | % | 82.6 | 81.6 | 82.7 | 81.4 | 80.6 | 80.7 | 75.1 | 74.1 | 76.7 |
| Housing starts | Millions | 1.35 | 1.48 | 1.47 | 1.62 | 1.64 | 1.57 | 1.61 | 1.67 | 1.66 |
| Light motor vehicle sales | | 14.77 | 15.05 | 15.06 | 15.43 | 16.78 | 17.25 | 17.02 | 16.26 | 16.81 |
| North Amer. produced | | 12.87 | 13.34 | 13.12 | 13.41 | 14.30 | 14.39 | 13.94 | 13.17 | 13.63 |
| Other | | 1.90 | 1.70 | 1.93 | 2.02 | 2.48 | 2.86 | 3.08 | 3.09 | 3.17 |
| INCOME AND SAVING | | | | | | | | | | |
| Nominal GNP | Bill. \$ | 7420.9 | 7831.2 | 8325.4 | 8778.1 | 9261.8 | 9860.8 | 10194.8 | 10589.8 | 11161.1 |
| Nominal GNP | % change | 4.4 | 5.9 | 6.0 | 5.8 | 6.0 | 5.4 | 2.1 | 5.4 | 5.4 |
| Nominal personal income | | 4.3 | 5.9 | 6.3 | 6.7 | 4.8 | 7.3 | 2.9 | 5.0 | 5.0 |
| Real disposable income | | 1.7 | 2.6 | 3.8 | 5.0 | 2.1 | 4.0 | 2.1 | 4.8 | 3.0 |
| Personal saving rate | % | 5.6 | 4.8 | 4.2 | 4.7 | 2.4 | 1.0 | 1.6 | 2.4 | 2.4 |
| Corp. profits, IVA & CCAdj. | % change | 11.3 | 11.4 | 9.9 | -9.6 | 11.3 | -1.2 | -10.9 | 8.9 | 6.7 |
| Profit share of GNP | % | 9.0 | 9.6 | 10.0 | 8.9 | 8.9 | 8.9 | 7.4 | 7.7 | 7.7 |
| Excluding FR Banks | | 8.7 | 9.4 | 9.7 | 8.6 | 8.6 | 8.6 | 7.1 | 7.5 | 7.4 |
| Federal surpl./deficit | Bill. \$ | -192.0 | -136.8 | -53.3 | 43.8 | 119.2 | 218.6 | 110.2 | -12.8 | 57.3 |
| State & local surpl./def. | | 15.3 | 21.4 | 31.0 | 40.7 | 42.1 | 32.8 | 17.0 | 26.4 | 24.4 |
| Ex. social ins. funds | | 11.4 | 18.7 | 29.9 | 40.0 | 41.7 | 33.1 | 17.2 | 26.7 | 24.7 |
| Gross natl. saving rate | % | 16.9 | 17.2 | 18.0 | 18.8 | 18.4 | 18.1 | 16.9 | 16.5 | 17.2 |
| Net natl. saving rate | | 5.1 | 5.7 | 6.7 | 7.5 | 6.8 | 6.3 | 4.2 | 4.0 | 4.6 |
| PRICES AND COSTS | | | | | | | | | | |
| GDP chn.-wt. price index | % change | 2.1 | 1.9 | 1.8 | 1.1 | 1.6 | 2.4 | 1.8 | 1.7 | 1.6 |
| Gross Domestic Purchases | | | | | | | | | | |
| chn.-wt. price index | | 2.1 | 1.9 | 1.4 | 0.8 | 1.9 | 2.5 | 1.1 | 1.6 | 1.6 |
| PCE chn.-wt. price index | | 2.1 | 2.3 | 1.5 | 1.1 | 2.0 | 2.6 | 1.2 | 1.5 | 1.4 |
| Ex. food and energy | | 2.3 | 1.8 | 1.7 | 1.6 | 1.5 | 1.9 | 1.6 | 1.4 | 1.4 |
| CPI | | 2.6 | 3.2 | 1.9 | 1.5 | 2.6 | 3.4 | 1.9 | 2.0 | 1.9 |
| Ex. food and energy | | 3.1 | 2.6 | 2.2 | 2.3 | 2.1 | 2.5 | 2.7 | 2.2 | 2.1 |
| ECI, hourly compensation ² | | 2.6 | 3.1 | 3.4 | 3.5 | 3.4 | 4.4 | 4.2 | 3.2 | 3.3 |
| Nonfarm business sector | | | | | | | | | | |
| Output per hour | | 1.1 | 2.3 | 2.3 | 2.9 | 2.9 | 2.6 | 2.0 | 2.2 | 2.2 |
| Compensation per Hour | | 2.6 | 3.2 | 3.5 | 5.3 | 4.5 | 7.8 | 3.9 | 3.1 | 3.3 |
| Unit labor cost | | 1.5 | 0.9 | 1.1 | 2.3 | 1.5 | 5.0 | 1.8 | 0.8 | 1.1 |

1. Changes are from fourth quarter to fourth quarter.
2. Private-industry workers.

Strictly Confidential <FR>
Class II FOMC

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

March 13, 2002

| Item | Units | 1999 Q1 | 1999 Q2 | 1999 Q3 | 1999 Q4 | 2000 Q1 | 2000 Q2 | 2000 Q3 | 2000 Q4 | 2001 Q1 | 2001 Q2 |
|---------------------------------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| EXPENDITURES | | | | | | | | | | | |
| Nominal GDP | Bill. \$ | 9093.1 | 9161.4 | 9297.4 | 9522.5 | 9668.7 | 9857.6 | 9937.5 | 10027.9 | 10141.7 | 10202.6 |
| Real GDP | Bill. Ch. \$ | 8733.5 | 8771.2 | 8871.5 | 9049.9 | 9102.5 | 9229.4 | 9260.1 | 9303.9 | 9334.5 | 9341.7 |
| Real GDP | % change | 3.1 | 1.7 | 4.7 | 8.3 | 2.3 | 5.7 | 1.3 | 1.9 | 1.3 | 0.3 |
| Gross domestic purchases | | 4.8 | 2.9 | 5.3 | 8.2 | 3.5 | 6.3 | 2.0 | 2.2 | 0.7 | 0.4 |
| Final sales | | 3.0 | 3.9 | 4.2 | 6.1 | 4.8 | 3.9 | 2.3 | 2.4 | 4.0 | 0.7 |
| Priv. dom. final purchases | | 5.3 | 5.9 | 4.9 | 5.5 | 7.5 | 4.6 | 3.9 | 2.6 | 2.8 | -0.0 |
| Personal cons. expenditures | | 4.9 | 5.7 | 4.4 | 5.7 | 5.9 | 3.6 | 4.3 | 3.1 | 3.0 | 2.5 |
| Durables | | 7.1 | 15.7 | 9.0 | 13.7 | 19.0 | -2.5 | 8.2 | -2.1 | 10.6 | 7.0 |
| Nondurables | | 5.6 | 4.3 | 2.6 | 7.6 | 5.1 | 4.7 | 4.2 | 0.6 | 2.4 | 0.3 |
| Services | | 4.1 | 4.5 | 4.3 | 3.2 | 3.7 | 4.4 | 3.5 | 5.6 | 1.8 | 2.8 |
| Business fixed investment | | 6.0 | 7.7 | 10.2 | 5.8 | 15.8 | 12.2 | 7.1 | 1.0 | -0.2 | -14.6 |
| Equipment & Software | | 10.5 | 11.9 | 16.2 | 6.4 | 18.1 | 12.4 | 4.7 | -1.1 | -4.1 | -15.4 |
| Nonres. structures | | -6.5 | -4.3 | -7.0 | 4.0 | 8.8 | 11.8 | 15.2 | 7.6 | 12.3 | -12.2 |
| Residential structures | | 10.3 | 3.0 | -0.8 | 1.6 | 8.5 | -0.8 | -10.4 | -1.1 | 8.5 | 5.9 |
| Exports | | -6.8 | 4.2 | 9.7 | 12.1 | 9.0 | 13.5 | 10.6 | -4.0 | -1.2 | -11.9 |
| Imports | | 8.4 | 13.3 | 13.8 | 10.5 | 17.1 | 16.4 | 13.0 | -0.5 | -5.0 | -8.4 |
| Gov't. cons. & investment | | 2.0 | 1.2 | 4.4 | 8.5 | -1.1 | 4.4 | -1.8 | 3.3 | 5.3 | 5.0 |
| Federal | | -3.7 | 0.8 | 7.2 | 14.5 | -12.8 | 15.9 | -10.4 | 4.6 | 3.2 | 1.8 |
| Defense | | -3.5 | -3.5 | 12.8 | 14.3 | -20.0 | 15.4 | -10.4 | 10.5 | 7.5 | 2.3 |
| State & local | | 5.2 | 1.4 | 2.9 | 5.4 | 5.6 | -1.1 | 3.0 | 2.7 | 6.4 | 6.6 |
| Change in bus. inventories | Bill. Ch. \$ | 83.4 | 32.7 | 39.6 | 92.7 | 28.9 | 78.9 | 51.7 | 42.8 | -27.1 | -38.3 |
| Nonfarm | | 78.7 | 34.2 | 52.2 | 88.7 | 37.8 | 75.1 | 56.6 | 39.7 | -27.3 | -35.8 |
| Net exports | | -283.0 | -313.4 | -333.3 | -337.8 | -371.1 | -392.8 | -411.2 | -421.1 | -404.5 | -406.7 |
| Nominal GDP | % change | 4.9 | 3.0 | 6.1 | 10.0 | 6.3 | 8.0 | 3.3 | 3.7 | 4.6 | 2.4 |
| EMPLOYMENT AND PRODUCTION | | | | | | | | | | | |
| Nonfarm payroll employment | Millions | 127.8 | 128.5 | 129.2 | 130.1 | 131.0 | 131.9 | 131.9 | 132.3 | 132.6 | 132.5 |
| Unemployment rate | % | 4.3 | 4.3 | 4.2 | 4.1 | 4.0 | 4.0 | 4.1 | 4.0 | 4.2 | 4.5 |
| Industrial prod. index | % change | 3.6 | 3.3 | 4.7 | 5.8 | 5.8 | 7.0 | 0.6 | -2.6 | -6.1 | -5.9 |
| Capacity util. rate - mfg. | % | 80.5 | 80.4 | 80.5 | 81.0 | 81.2 | 81.6 | 80.7 | 79.1 | 77.2 | 75.6 |
| Housing starts | Millions | 1.71 | 1.57 | 1.65 | 1.66 | 1.67 | 1.59 | 1.51 | 1.54 | 1.63 | 1.62 |
| Light motor vehicle sales | | 16.17 | 16.76 | 17.06 | 17.11 | 18.13 | 17.27 | 17.30 | 16.32 | 16.89 | 16.65 |
| North Amer. produced | | 13.87 | 14.32 | 14.58 | 14.41 | 15.25 | 14.40 | 14.47 | 13.45 | 13.96 | 13.62 |
| Other | | 2.30 | 2.44 | 2.47 | 2.70 | 2.87 | 2.87 | 2.83 | 2.87 | 2.93 | 3.03 |
| INCOME AND SAVING | | | | | | | | | | | |
| Nominal GNP | Bill. \$ | 9089.5 | 9157.0 | 9283.8 | 9517.0 | 9650.7 | 9841.0 | 9919.4 | 10032.1 | 10131.3 | 10190.9 |
| Nominal GNP | % change | 5.2 | 3.0 | 5.7 | 10.4 | 5.7 | 8.1 | 3.2 | 4.6 | 4.0 | 2.4 |
| Nominal personal income | | 3.0 | 4.7 | 5.2 | 6.3 | 8.6 | 8.5 | 5.5 | 6.8 | 5.8 | 3.5 |
| Real disposable income | | 1.4 | 2.0 | 2.1 | 3.0 | 3.3 | 5.8 | 2.6 | 4.2 | 2.7 | 2.4 |
| Personal saving rate | % | 3.5 | 2.7 | 2.1 | 1.4 | 0.8 | 1.3 | 0.8 | 1.0 | 1.1 | 1.1 |
| Corp. profits, IVA & CCAdj. | % change | 36.1 | -10.2 | -4.9 | 31.9 | 6.1 | 10.7 | 1.0 | -19.6 | -24.6 | -14.3 |
| Profit share of GNP | % | 9.2 | 8.8 | 8.6 | 9.0 | 9.0 | 9.1 | 9.0 | 8.4 | 7.8 | 7.5 |
| Excluding FR Banks | | 8.9 | 8.6 | 8.3 | 8.7 | 8.7 | 8.8 | 8.7 | 8.1 | 7.5 | 7.2 |
| Federal surpl./deficit | Bill. \$ | 85.2 | 116.5 | 132.0 | 143.1 | 212.8 | 209.1 | 229.9 | 222.5 | 205.3 | 186.7 |
| State & local surpl./def. | | 48.9 | 36.2 | 38.3 | 44.9 | 33.2 | 34.7 | 34.8 | 28.6 | 22.3 | 21.3 |
| Ex. social ins. funds | | 48.4 | 35.8 | 38.0 | 44.7 | 33.3 | 34.9 | 35.1 | 29.1 | 22.6 | 21.4 |
| Gross natl. saving rate | % | 19.0 | 18.5 | 18.3 | 18.0 | 18.0 | 18.3 | 18.2 | 17.9 | 17.3 | 17.2 |
| Net natl. saving rate | | 7.6 | 6.9 | 6.4 | 6.3 | 6.3 | 6.6 | 6.4 | 6.0 | 5.1 | 4.6 |
| PRICES AND COSTS | | | | | | | | | | | |
| GDP chn.-wt. price index | % change | 1.7 | 1.4 | 1.4 | 1.8 | 3.8 | 2.1 | 1.9 | 1.8 | 3.3 | 2.1 |
| Gross Domestic Purchases | | | | | | | | | | | |
| chn.-wt. price index | | 1.5 | 2.0 | 2.0 | 2.2 | 4.2 | 1.9 | 2.3 | 1.7 | 2.7 | 1.3 |
| PCE chn.-wt. price index | | 1.3 | 2.0 | 2.2 | 2.4 | 4.0 | 2.1 | 2.4 | 2.0 | 3.2 | 1.3 |
| Ex. food and energy | | 1.4 | 1.2 | 1.5 | 1.8 | 2.9 | 1.7 | 1.6 | 1.5 | 2.6 | 0.7 |
| CPI | | 1.5 | 2.9 | 2.7 | 3.4 | 3.9 | 3.3 | 3.5 | 2.8 | 4.0 | 3.2 |
| Ex. food and energy | | 1.8 | 1.8 | 1.8 | 2.7 | 2.3 | 2.7 | 2.7 | 2.4 | 3.1 | 2.4 |
| ECI, hourly compensation ¹ | | 1.4 | 4.6 | 3.4 | 4.6 | 5.6 | 4.7 | 3.8 | 3.5 | 4.6 | 4.0 |
| Nonfarm business sector | | | | | | | | | | | |
| Output per hour | | 2.3 | -1.3 | 3.2 | 7.8 | 0.0 | 6.7 | 1.6 | 2.3 | -0.1 | 2.1 |
| Compensation per hour | | 3.6 | 4.2 | 5.5 | 4.7 | 6.9 | 8.1 | 7.4 | 8.9 | 4.9 | 4.7 |
| Unit labor cost | | 1.3 | 5.6 | 2.2 | -2.9 | 6.9 | 1.3 | 5.7 | 6.4 | 5.0 | 2.6 |

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 13, 2002

| | | - - - - - Projected - - - - - | | | | | | | | | |
|---------------------------------------|--------------|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Item | Units | 2001 Q3 | 2001 Q4 | 2002 Q1 | 2002 Q2 | 2002 Q3 | 2002 Q4 | 2003 Q1 | 2003 Q2 | 2003 Q3 | 2003 Q4 |
| EXPENDITURES | | | | | | | | | | | |
| Nominal GDP | Bill. \$ | 10224.9 | 10249.3 | 10383.9 | 10529.8 | 10665.5 | 10799.4 | 10954.3 | 11099.0 | 11248.5 | 11404.0 |
| Real GDP | Bill. Ch. \$ | 9310.4 | 9341.8 | 9428.7 | 9511.2 | 9596.7 | 9683.0 | 9776.2 | 9870.3 | 9966.3 | 10066.5 |
| Real GDP | % change | -1.3 | 1.4 | 3.8 | 3.5 | 3.6 | 3.6 | 3.9 | 3.9 | 3.9 | 4.1 |
| Gross domestic purchases | | -1.0 | 1.7 | 4.6 | 4.6 | 4.8 | 4.2 | 4.7 | 4.6 | 4.5 | 4.2 |
| Final sales | | -0.5 | 3.7 | 2.0 | 1.2 | 2.2 | 2.8 | 3.1 | 3.1 | 3.4 | 3.9 |
| Priv. dom. final purchases | | -0.4 | 2.5 | 1.9 | 2.3 | 3.1 | 3.4 | 4.1 | 4.1 | 4.1 | 4.2 |
| Personal cons. expenditures | | 1.0 | 6.0 | 2.1 | 2.4 | 2.8 | 2.9 | 3.3 | 3.4 | 3.3 | 3.3 |
| Durables | | 0.9 | 39.4 | -17.8 | -1.8 | 6.2 | 3.5 | 6.3 | 6.1 | 5.2 | 5.5 |
| Nondurables | | 0.6 | 2.5 | 8.7 | 2.3 | 2.2 | 2.7 | 2.8 | 3.0 | 3.0 | 3.0 |
| Services | | 1.2 | 1.8 | 3.7 | 3.3 | 2.5 | 2.9 | 2.9 | 3.1 | 3.1 | 3.1 |
| Business fixed investment | | -8.5 | -13.7 | -1.4 | 2.3 | 5.1 | 6.0 | 11.3 | 11.8 | 11.8 | 12.5 |
| Equipment & Software | | -8.8 | -4.9 | 2.2 | 5.1 | 7.5 | 7.7 | 14.2 | 14.1 | 13.6 | 14.1 |
| Nonres. structures | | -7.5 | -34.1 | -11.4 | -5.7 | -1.9 | 0.7 | 2.7 | 4.8 | 6.4 | 7.9 |
| Residential structures | | 2.4 | -4.5 | 7.7 | 0.4 | 2.4 | 4.3 | 0.2 | -3.3 | -2.8 | -2.5 |
| Exports | | -18.8 | -12.2 | 6.3 | 4.8 | 3.6 | 6.2 | 4.0 | 6.9 | 7.6 | 10.0 |
| Imports | | -13.0 | -7.0 | 12.9 | 13.8 | 12.6 | 10.3 | 10.2 | 11.8 | 10.5 | 8.8 |
| Gov't. cons. & investment | | 0.3 | 10.4 | 7.4 | 2.9 | 4.4 | 3.6 | 3.0 | 2.9 | 3.4 | 3.1 |
| Federal | | 3.6 | 11.6 | 13.8 | 8.7 | 7.2 | 3.9 | 2.0 | 1.0 | 2.1 | 0.9 |
| Defense | | 3.2 | 9.4 | 18.9 | 4.7 | 3.1 | 3.3 | 1.7 | 0.6 | 2.2 | 0.5 |
| State & local | | -1.3 | 9.8 | 4.3 | -0.0 | 2.9 | 3.5 | 3.6 | 4.0 | 4.1 | 4.3 |
| Change in bus. inventories | Bill. Ch. \$ | -61.9 | -121.5 | -76.6 | -16.3 | 22.2 | 45.0 | 66.3 | 87.8 | 103.6 | 108.7 |
| Nonfarm | | -59.0 | -116.0 | -74.6 | -16.8 | 21.1 | 43.6 | 64.7 | 85.6 | 101.2 | 106.0 |
| Net exports | | -411.0 | -418.6 | -447.0 | -483.2 | -520.1 | -543.2 | -572.3 | -600.8 | -623.7 | -633.9 |
| Nominal GDP | % change | 0.9 | 1.0 | 5.4 | 5.7 | 5.3 | 5.1 | 5.9 | 5.4 | 5.5 | 5.6 |
| EMPLOYMENT AND PRODUCTION | | | | | | | | | | | |
| Nonfarm payroll employment | Millions | 132.4 | 131.5 | 131.3 | 131.7 | 132.6 | 133.1 | 133.7 | 134.3 | 135.0 | 135.6 |
| Unemployment rate | % | 4.8 | 5.6 | 5.6 | 5.7 | 5.6 | 5.5 | 5.5 | 5.4 | 5.3 | 5.3 |
| Industrial prod. index | % change | -4.7 | -6.9 | 1.0 | 4.9 | 5.4 | 4.2 | 3.9 | 4.4 | 4.2 | 4.5 |
| Capacity util. rate - mfg. | % | 74.5 | 73.1 | 73.1 | 73.7 | 74.6 | 75.2 | 75.8 | 76.4 | 77.0 | 77.6 |
| Housing starts | Millions | 1.60 | 1.57 | 1.65 | 1.65 | 1.68 | 1.71 | 1.68 | 1.66 | 1.65 | 1.64 |
| Light motor vehicle sales | | 16.12 | 18.41 | 16.04 | 16.00 | 16.50 | 16.50 | 16.69 | 16.84 | 16.83 | 16.86 |
| North Amer. produced | | 13.15 | 15.02 | 12.84 | 13.04 | 13.40 | 13.40 | 13.55 | 13.68 | 13.65 | 13.65 |
| Other | | 2.97 | 3.39 | 3.20 | 2.96 | 3.10 | 3.10 | 3.14 | 3.16 | 3.18 | 3.21 |
| INCOME AND SAVING | | | | | | | | | | | |
| Nominal GNP | Bill. \$ | 10213.8 | 10243.4 | 10378.1 | 10525.0 | 10660.1 | 10795.9 | 10948.0 | 11088.5 | 11230.2 | 11377.8 |
| Nominal GNP | % change | 0.9 | 1.2 | 5.4 | 5.8 | 5.2 | 5.2 | 5.8 | 5.2 | 5.2 | 5.4 |
| Nominal personal income | | 2.7 | -0.1 | 4.7 | 5.4 | 5.6 | 4.5 | 5.0 | 5.0 | 5.0 | 4.8 |
| Real disposable income | | 12.3 | -7.9 | 8.9 | 3.8 | 3.7 | 2.8 | 3.0 | 3.2 | 3.1 | 2.8 |
| Personal saving rate | % | 3.8 | 0.4 | 2.0 | 2.3 | 2.6 | 2.5 | 2.5 | 2.5 | 2.5 | 2.4 |
| Corp. profits, IVA & CCAdj. | % change | -29.2 | 38.1 | 29.6 | 8.8 | -5.1 | 5.0 | 7.1 | 7.4 | 4.8 | 7.6 |
| Profit share of GNP | % | 6.8 | 7.4 | 7.8 | 7.8 | 7.6 | 7.6 | 7.6 | 7.7 | 7.7 | 7.7 |
| Excluding FR Banks | | 6.6 | 7.1 | 7.5 | 7.6 | 7.4 | 7.4 | 7.4 | 7.4 | 7.4 | 7.5 |
| Federal surpl./deficit | Bill. \$ | -13.6 | 62.4 | -14.5 | -22.4 | -10.3 | -3.9 | 26.1 | 45.5 | 66.0 | 91.8 |
| State & local surpl./def. | | 1.9 | 22.6 | 32.5 | 23.9 | 21.8 | 27.3 | 28.3 | 26.3 | 23.5 | 19.5 |
| Ex. social ins. funds | | 2.0 | 22.7 | 32.8 | 24.2 | 22.1 | 27.6 | 28.6 | 26.6 | 23.8 | 19.8 |
| Gross natl. saving rate | % | 17.2 | 15.9 | 16.3 | 16.4 | 16.6 | 16.7 | 16.9 | 17.1 | 17.3 | 17.4 |
| Net natl. saving rate | | 3.9 | 3.1 | 3.8 | 3.9 | 4.1 | 4.1 | 4.4 | 4.6 | 4.7 | 4.8 |
| PRICES AND COSTS | | | | | | | | | | | |
| GDP chn.-wt. price index | % change | 2.3 | -0.3 | 1.5 | 2.1 | 1.6 | 1.4 | 1.9 | 1.4 | 1.5 | 1.5 |
| Gross Domestic Purchases | | | | | | | | | | | |
| chn.-wt. price index | | -0.1 | 0.4 | 1.3 | 2.3 | 1.4 | 1.4 | 1.9 | 1.5 | 1.5 | 1.5 |
| PCE chn.-wt. price index | | -0.2 | 0.7 | 0.8 | 2.5 | 1.4 | 1.3 | 1.4 | 1.4 | 1.5 | 1.5 |
| Ex. food and energy | | 0.5 | 2.6 | 1.0 | 1.7 | 1.5 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| CPI | | 0.7 | -0.2 | 1.2 | 3.4 | 1.9 | 1.7 | 1.9 | 1.9 | 1.9 | 1.9 |
| Ex. food and energy | | 2.6 | 2.6 | 2.2 | 2.4 | 2.2 | 2.0 | 2.1 | 2.1 | 2.1 | 2.1 |
| ECI, hourly compensation ¹ | | 3.7 | 4.2 | 3.3 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.3 | 3.3 |
| Nonfarm business sector | | | | | | | | | | | |
| Output per hour | | 1.1 | 5.1 | 5.5 | 0.9 | 0.6 | 1.9 | 2.2 | 2.2 | 2.1 | 2.3 |
| Compensation per hour | | 3.7 | 2.3 | 3.1 | 2.7 | 3.1 | 3.2 | 3.4 | 3.2 | 3.3 | 3.3 |
| Unit labor cost | | 2.6 | -2.8 | -2.4 | 1.9 | 2.6 | 1.3 | 1.2 | 1.0 | 1.2 | 1.1 |

1. Private-industry workers.

| Item | 1999 Q3 | 1999 Q4 | 2000 Q1 | 2000 Q2 | 2000 Q3 | 2000 Q4 | 2001 Q1 | 2001 Q2 | 2001 Q3 | 99Q4/ 98Q4 | 00Q4/ 99Q4 | 01Q4/ 00Q4 |
|-----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|---------------|---------------|---------------|
| Real GDP | 4.7 | 8.3 | 2.3 | 5.7 | 1.3 | 1.9 | 1.3 | 0.3 | -1.3 | 4.4 | 2.8 | 0.4 |
| Gross dom. purchases | 5.4 | 8.4 | 3.6 | 6.5 | 2.0 | 2.3 | 0.7 | 0.4 | -1.1 | 5.4 | 3.6 | 0.4 |
| Final sales | 4.2 | 6.2 | 4.7 | 3.9 | 2.3 | 2.4 | 3.9 | 0.7 | -0.5 | 4.2 | 3.3 | 2.0 |
| Priv. dom. final purchases | 4.2 | 4.8 | 6.2 | 4.0 | 3.3 | 2.2 | 2.4 | -0.0 | -0.3 | 4.5 | 3.9 | 1.1 |
| Personal cons. expenditures | 3.0 | 4.0 | 3.9 | 2.5 | 2.9 | 2.1 | 2.1 | 1.7 | 0.7 | 3.5 | 2.9 | 2.1 |
| Durables | 0.7 | 1.1 | 1.5 | -0.2 | 0.7 | -0.2 | 0.8 | 0.6 | 0.1 | 0.9 | 0.4 | 1.1 |
| Nondurables | 0.5 | 1.5 | 1.0 | 1.0 | 0.8 | 0.1 | 0.5 | 0.1 | 0.1 | 1.0 | 0.7 | 0.3 |
| Services | 1.7 | 1.4 | 1.5 | 1.8 | 1.4 | 2.2 | 0.7 | 1.1 | 0.5 | 1.6 | 1.7 | 0.8 |
| Business fixed investment | 1.3 | 0.8 | 1.9 | 1.5 | 0.9 | 0.1 | -0.0 | -2.0 | -1.1 | 0.9 | 1.1 | -1.2 |
| Equipment & Software | 1.5 | 0.6 | 1.6 | 1.2 | 0.5 | -0.1 | -0.4 | -1.6 | -0.8 | 1.0 | 0.8 | -0.8 |
| Nonres. structures | -0.2 | 0.1 | 0.3 | 0.4 | 0.5 | 0.2 | 0.4 | -0.4 | -0.3 | -0.1 | 0.3 | -0.4 |
| Residential structures | -0.0 | 0.1 | 0.4 | -0.0 | -0.5 | -0.1 | 0.4 | 0.3 | 0.1 | 0.1 | -0.1 | 0.1 |
| Net exports | -0.8 | -0.2 | -1.3 | -0.8 | -0.7 | -0.4 | 0.6 | -0.1 | -0.3 | -1.0 | -0.8 | -0.0 |
| Exports | 1.0 | 1.3 | 1.0 | 1.4 | 1.1 | -0.5 | -0.1 | -1.4 | -2.1 | 0.5 | 0.8 | -1.2 |
| Imports | -1.8 | -1.4 | -2.3 | -2.3 | -1.8 | 0.1 | 0.8 | 1.3 | 1.9 | -1.5 | -1.6 | 1.2 |
| Government cons. & invest. | 0.8 | 1.5 | -0.2 | 0.8 | -0.3 | 0.6 | 0.9 | 0.9 | 0.1 | 0.7 | 0.2 | 0.9 |
| Federal | 0.4 | 0.9 | -0.8 | 0.9 | -0.7 | 0.3 | 0.2 | 0.1 | 0.2 | 0.3 | -0.1 | 0.3 |
| Defense | 0.5 | 0.6 | -0.9 | 0.6 | -0.4 | 0.4 | 0.3 | 0.1 | 0.1 | 0.2 | -0.1 | 0.2 |
| Nondefense | -0.1 | 0.3 | 0.0 | 0.3 | -0.2 | -0.1 | -0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 |
| State and local | 0.3 | 0.7 | 0.6 | -0.1 | 0.3 | 0.3 | 0.7 | 0.8 | -0.2 | 0.4 | 0.3 | 0.6 |
| Change in bus. inventories | 0.4 | 2.2 | -2.3 | 1.8 | -1.0 | -0.5 | -2.6 | -0.4 | -0.8 | 0.2 | -0.5 | -1.5 |
| Nonfarm | 0.9 | 1.5 | -2.0 | 1.5 | -0.8 | -0.7 | -2.6 | -0.3 | -0.8 | 0.1 | -0.5 | -1.5 |
| Farm | -0.4 | 0.6 | -0.3 | 0.3 | -0.2 | 0.2 | 0.0 | -0.1 | -0.0 | 0.0 | -0.0 | -0.0 |

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

| Item | 2001 Q4 | 2002 Q1 | 2002 Q2 | 2002 Q3 | 2002 Q4 | 2003 Q1 | 2003 Q2 | 2003 Q3 | 2003 Q4 | 01Q4/ 00Q4 | 02Q4/ 01Q4 | 03Q4/ 02Q4 |
|-----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|---------------|---------------|---------------|
| Real GDP | 1.4 | 3.8 | 3.5 | 3.6 | 3.6 | 3.9 | 3.9 | 3.9 | 4.1 | 0.4 | 3.7 | 4.0 |
| Gross dom. purchases | 1.7 | 4.7 | 4.8 | 4.9 | 4.4 | 4.9 | 4.8 | 4.7 | 4.4 | 0.4 | 4.7 | 4.7 |
| Final sales | 3.7 | 2.1 | 1.3 | 2.2 | 2.8 | 3.1 | 3.1 | 3.4 | 3.9 | 2.0 | 2.1 | 3.4 |
| Priv. dom. final purchases | 2.2 | 1.7 | 2.0 | 2.7 | 2.9 | 3.5 | 3.5 | 3.5 | 3.6 | 1.1 | 2.3 | 3.5 |
| Personal cons. expenditures | 4.1 | 1.5 | 1.7 | 2.0 | 2.0 | 2.3 | 2.3 | 2.3 | 2.3 | 2.1 | 1.8 | 2.3 |
| Durables | 2.8 | -1.7 | -0.1 | 0.5 | 0.3 | 0.5 | 0.5 | 0.4 | 0.4 | 1.1 | -0.3 | 0.5 |
| Nondurables | 0.5 | 1.7 | 0.5 | 0.4 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.3 | 0.8 | 0.6 |
| Services | 0.7 | 1.5 | 1.4 | 1.0 | 1.2 | 1.2 | 1.3 | 1.3 | 1.3 | 0.8 | 1.3 | 1.2 |
| Business fixed investment | -1.7 | -0.2 | 0.3 | 0.6 | 0.7 | 1.2 | 1.3 | 1.3 | 1.4 | -1.2 | 0.3 | 1.3 |
| Equipment & Software | -0.4 | 0.2 | 0.4 | 0.6 | 0.6 | 1.2 | 1.2 | 1.1 | 1.2 | -0.8 | 0.5 | 1.2 |
| Nonres. structures | -1.3 | -0.4 | -0.2 | -0.1 | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | -0.4 | -0.1 | 0.2 |
| Residential structures | -0.2 | 0.3 | 0.0 | 0.1 | 0.2 | 0.0 | -0.1 | -0.1 | -0.1 | 0.1 | 0.2 | -0.1 |
| Net exports | -0.4 | -1.0 | -1.2 | -1.2 | -0.7 | -1.0 | -0.9 | -0.7 | -0.3 | -0.0 | -1.1 | -0.7 |
| Exports | -1.3 | 0.6 | 0.5 | 0.3 | 0.6 | 0.4 | 0.6 | 0.7 | 0.9 | -1.2 | 0.5 | 0.7 |
| Imports | 0.9 | -1.6 | -1.7 | -1.6 | -1.3 | -1.3 | -1.6 | -1.4 | -1.2 | 1.2 | -1.6 | -1.4 |
| Government cons. & invest. | 1.8 | 1.3 | 0.5 | 0.8 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.9 | 0.8 | 0.6 |
| Federal | 0.7 | 0.8 | 0.5 | 0.5 | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 | 0.3 | 0.5 | 0.1 |
| Defense | 0.4 | 0.7 | 0.2 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 | 0.2 | 0.3 | 0.1 |
| Nondefense | 0.3 | 0.1 | 0.4 | 0.3 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.0 |
| State and local | 1.1 | 0.5 | 0.0 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.6 | 0.3 | 0.5 |
| Change in bus. inventories | -2.3 | 1.7 | 2.3 | 1.4 | 0.8 | 0.8 | 0.8 | 0.6 | 0.2 | -1.5 | 1.6 | 0.6 |
| Nonfarm | -2.2 | 1.6 | 2.2 | 1.4 | 0.8 | 0.8 | 0.8 | 0.6 | 0.2 | -1.5 | 1.5 | 0.6 |
| Farm | -0.2 | 0.1 | 0.0 | -0.0 | -0.0 | -0.0 | 0.0 | -0.0 | 0.0 | -0.0 | 0.0 | 0.0 |

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

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

| Item | Fiscal year ¹ | | | | 2001 | | | | 2002 | | | | 2003 | | | |
|--|--------------------------|-------------------|------|------|----------------------------------|-----------------|-----------------|------|------|------|------|------|------|------|------|------|
| | 2000 ^a | 2001 ^a | 2002 | 2003 | Q1 ^a | Q2 ^a | Q3 ^a | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Unified budget | | | | | Not seasonally adjusted | | | | | | | | | | | |
| Receipts ² | 2025 | 1991 | 1948 | 2065 | 460 | 660 | 409 | 466 | 411 | 602 | 468 | 443 | 456 | 662 | 505 | 483 |
| Outlays ² | 1789 | 1864 | 2013 | 2096 | 482 | 467 | 451 | 503 | 511 | 504 | 495 | 536 | 526 | 521 | 512 | 549 |
| Surplus/deficit ² | 236 | 127 | -65 | -31 | -22 | 194 | -42 | -37 | -99 | 98 | -27 | -93 | -71 | 141 | -8 | -66 |
| On-budget | 87 | -33 | -219 | -209 | -88 | 119 | -51 | -81 | -124 | 28 | -42 | -147 | -99 | 62 | -26 | -128 |
| Off-budget | 150 | 161 | 154 | 178 | 65 | 75 | 10 | 44 | 25 | 70 | 15 | 54 | 28 | 78 | 18 | 61 |
| Surplus excluding deposit insurance | 233 | 126 | -65 | -33 | -23 | 193 | -42 | -37 | -99 | 98 | -27 | -93 | -71 | 140 | -8 | -67 |
| Means of financing | | | | | | | | | | | | | | | | |
| Borrowing | -223 | -90 | 94 | 77 | 24 | -157 | 69 | 60 | 57 | -66 | 43 | 106 | 74 | -101 | -1 | 51 |
| Cash decrease | 4 | 8 | 26 | -26 | -7 | -15 | -1 | -8 | 25 | -19 | 27 | -6 | -5 | -30 | 15 | 15 |
| Other ³ | -18 | -45 | -55 | -20 | 6 | -21 | -26 | -14 | 17 | -14 | -43 | -6 | 2 | -9 | -6 | -0 |
| Cash operating balance, end of period | 53 | 44 | 19 | 45 | 28 | 44 | 44 | 52 | 27 | 46 | 19 | 25 | 30 | 60 | 45 | 30 |
| NIPA federal sector | | | | | Seasonally adjusted annual rates | | | | | | | | | | | |
| Receipts | 2012 | 2041 | 1994 | 2106 | 2087 | 2091 | 1907 | 2001 | 1972 | 1988 | 2016 | 2050 | 2092 | 2124 | 2157 | 2203 |
| Expenditures | 1813 | 1891 | 1988 | 2072 | 1882 | 1905 | 1921 | 1930 | 1987 | 2010 | 2026 | 2054 | 2066 | 2078 | 2091 | 2111 |
| Consumption expenditures | 492 | 506 | 557 | 602 | 508 | 510 | 514 | 525 | 555 | 569 | 581 | 588 | 604 | 607 | 611 | 614 |
| Defense | 322 | 337 | 366 | 388 | 338 | 340 | 343 | 348 | 368 | 372 | 376 | 379 | 389 | 390 | 393 | 395 |
| Nondefense | 170 | 170 | 191 | 214 | 169 | 171 | 171 | 177 | 187 | 196 | 205 | 208 | 215 | 216 | 218 | 219 |
| Other spending | 1321 | 1384 | 1431 | 1470 | 1375 | 1395 | 1407 | 1405 | 1432 | 1441 | 1446 | 1466 | 1462 | 1472 | 1480 | 1497 |
| Current account surplus | 199 | 150 | 6 | 34 | 205 | 187 | -14 | 71 | -14 | -22 | -10 | -4 | 26 | 46 | 66 | 92 |
| Gross investment | 96 | 100 | 111 | 116 | 98 | 100 | 102 | 107 | 110 | 112 | 113 | 115 | 115 | 116 | 117 | 117 |
| Current and capital account surplus | 102 | 50 | -104 | -82 | 107 | 87 | -116 | -36 | -125 | -134 | -123 | -118 | -89 | -70 | -51 | -25 |
| Fiscal indicators⁴ | | | | | | | | | | | | | | | | |
| High-employment (HEB) surplus/deficit | -4 | -15 | -118 | -119 | 26 | 25 | -142 | -47 | -135 | -146 | -143 | -145 | -125 | -110 | -96 | -77 |
| Change in HEB, percent of potential GDP | -.8 | .1 | 1 | -0 | 0 | 0 | 2 | -.9 | .8 | .1 | -0 | 0 | -.2 | -.1 | -.1 | -.2 |
| Fiscal impetus (FI) percent, calendar year | 2 | 9 | 23 | 7 | 3 | 3 | 9 | -4 | 16 | 4 | 2 | 3 | 1 | .9 | 1 | .3 |

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 2002 baseline surplus estimates are \$-9 billion in FY 2002 and \$51 billion in FY 2003. CBO's March 2002 deficit estimates, assuming discretionary spending grows with inflation beginning in FY 2003, are \$5 billion in FY 2002 and \$6 billion in FY 2003. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) categories. The OASDI surplus and the Postal Service surplus are excluded from the on-budget surplus and shown separately as off-budget, as classified under current law.

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

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

a--Actual

Strictly Confidential (FR)
Class II FOMC

Change in Debt of the Domestic Nonfinancial Sectors
(Percent)

March 13, 2002

| 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> | | | | | | | | | |
| 1996 | 5.4 | 4.0 | 5.8 | 7.0 | 6.8 | 8.1 | 6.2 | -0.6 | 6.0 |
| 1997 | 5.6 | 0.6 | 7.3 | 6.4 | 6.7 | 4.7 | 9.0 | 5.3 | 6.2 |
| 1998 | 6.9 | -1.4 | 9.6 | 8.4 | 9.2 | 5.9 | 11.6 | 7.2 | 6.0 |
| 1999 | 6.8 | -1.9 | 9.3 | 8.6 | 9.3 | 7.4 | 11.3 | 4.4 | 6.0 |
| 2000 | 5.0 | -8.0 | 8.5 | 8.5 | 8.4 | 9.6 | 9.8 | 2.2 | 5.3 |
| 2001 | 6.0 | -0.2 | 7.4 | 8.6 | 9.9 | 6.0 | 6.0 | 8.3 | 2.2 |
| 2002 | 5.8 | 4.1 | 6.1 | 6.7 | 8.0 | 3.3 | 5.8 | 4.9 | 5.4 |
| 2003 | 5.4 | 0.6 | 6.4 | 6.7 | 7.8 | 3.9 | 6.5 | 3.4 | 5.6 |
| <i>Quarter</i> | | | | | | | | | |
| 2001:1 | 5.4 | -0.1 | 6.7 | 7.6 | 7.8 | 9.0 | 5.4 | 8.1 | 4.6 |
| 2 | 5.3 | -7.6 | 8.2 | 9.2 | 11.3 | 4.6 | 7.0 | 8.3 | 2.4 |
| 3 | 6.9 | 7.7 | 6.7 | 8.5 | 9.9 | 1.5 | 5.5 | 3.2 | 0.9 |
| 4 | 6.0 | -0.5 | 7.4 | 8.1 | 9.2 | 8.3 | 5.5 | 12.8 | 1.0 |
| 2002:1 | 5.5 | 3.9 | 5.8 | 6.8 | 8.2 | 3.0 | 5.0 | 4.3 | 5.4 |
| 2 | 5.5 | 3.2 | 6.0 | 6.5 | 7.8 | 3.1 | 5.9 | 3.4 | 5.7 |
| 3 | 5.8 | 4.4 | 6.1 | 6.3 | 7.5 | 3.3 | 6.0 | 5.7 | 5.3 |
| 4 | 5.9 | 4.8 | 6.1 | 6.5 | 7.6 | 3.6 | 5.9 | 5.6 | 5.1 |
| 2003:1 | 6.1 | 5.6 | 6.2 | 6.5 | 7.7 | 3.6 | 6.4 | 3.4 | 5.9 |
| 2 | 5.0 | -0.9 | 6.2 | 6.5 | 7.6 | 3.8 | 6.4 | 3.3 | 5.4 |
| 3 | 5.1 | -0.7 | 6.2 | 6.6 | 7.5 | 3.9 | 6.4 | 3.3 | 5.5 |
| 4 | 4.9 | -1.4 | 6.2 | 6.6 | 7.4 | 4.0 | 6.4 | 3.3 | 5.6 |

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 2001: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 5.7 percent in 2002 and 5.5 percent in 2003.

3. On a monthly average basis, federal debt is projected to grow 3.4 percent in 2002 and 1.4 percent in 2003.

4. On a monthly average basis, nonfederal debt is projected to grow 6.2 percent in 2002 and 6.3 percent in 2003.

| Category | | | | | Seasonally adjusted annual rates | | | | | | | | | |
|--|---------------|--------|--------|--------|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Calendar year | | | | 2001 | | 2002 | | | | 2003 | | | |
| | 2000 | 2001 | 2002 | 2003 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| <i>Net funds raised by domestic nonfinancial sectors</i> | | | | | | | | | | | | | | |
| 1 Total | 711.9 | 1047.3 | 1183.5 | 1153.9 | 1176.6 | 1136.3 | 1110.2 | 1140.5 | 1227.4 | 1255.9 | 1300.7 | 1086.4 | 1120.0 | 1108.4 |
| 2 Net equity issuance | -159.7 | -55.7 | 58.8 | 50.0 | -120.8 | -5.1 | 50.0 | 60.2 | 64.4 | 60.6 | 50.0 | 50.0 | 50.0 | 50.0 |
| 3 Net debt issuance | 871.6 | 1103.0 | 1124.7 | 1103.9 | 1297.4 | 1141.4 | 1060.2 | 1080.3 | 1163.0 | 1195.3 | 1250.7 | 1036.4 | 1070.0 | 1058.4 |
| <i>Borrowing sectors</i> | | | | | | | | | | | | | | |
| <i>Nonfinancial business</i> | | | | | | | | | | | | | | |
| 4 Financing gap ¹ | 264.2 | 171.3 | 154.4 | 265.3 | 173.1 | 47.5 | 89.5 | 135.8 | 183.7 | 208.4 | 228.5 | 253.6 | 276.2 | 303.0 |
| 5 Net equity issuance | -159.7 | -55.7 | 58.8 | 50.0 | -120.8 | -5.1 | 50.0 | 60.2 | 64.4 | 60.6 | 50.0 | 50.0 | 50.0 | 50.0 |
| 6 Credit market borrowing | 585.7 | 391.5 | 403.2 | 479.5 | 369.0 | 377.5 | 345.5 | 414.4 | 428.5 | 424.4 | 467.5 | 473.4 | 486.7 | 490.2 |
| <i>Households</i> | | | | | | | | | | | | | | |
| 7 Net borrowing ² | 554.6 | 610.3 | 514.0 | 553.0 | 629.7 | 609.9 | 524.0 | 507.2 | 501.8 | 523.3 | 537.9 | 546.5 | 558.0 | 569.9 |
| 8 Home mortgages | 382.3 | 490.7 | 435.6 | 457.1 | 513.4 | 490.8 | 447.1 | 434.1 | 422.1 | 439.1 | 451.7 | 456.7 | 457.8 | 462.1 |
| 9 Consumer credit | 139.0 | 95.2 | 55.4 | 67.6 | 24.4 | 137.0 | 51.2 | 52.3 | 56.6 | 61.6 | 62.9 | 66.6 | 68.6 | 72.5 |
| 10 Debt/DPI (percent) ³ | 97.1 | 100.0 | 102.7 | 104.7 | 98.9 | 102.8 | 102.4 | 102.5 | 102.8 | 103.4 | 103.9 | 104.4 | 104.9 | 105.5 |
| <i>State and local governments</i> | | | | | | | | | | | | | | |
| 11 Net borrowing | 27.2 | 106.8 | 67.3 | 48.8 | 43.0 | 171.5 | 59.8 | 47.8 | 80.8 | 80.8 | 48.8 | 48.8 | 48.8 | 48.8 |
| 12 Current surplus ⁴ | 191.9 | 190.3 | 208.9 | 217.6 | 181.1 | 197.6 | 211.2 | 205.1 | 205.6 | 213.8 | 217.5 | 218.2 | 218.1 | 216.9 |
| <i>Federal government</i> | | | | | | | | | | | | | | |
| 13 Net borrowing | -295.9 | -5.6 | 140.2 | 22.6 | 255.7 | -17.6 | 130.9 | 110.9 | 152.0 | 166.8 | 196.6 | -32.2 | -23.5 | -50.5 |
| 14 Net borrowing (quarterly, n.s.a.) | -295.9 | -5.6 | 140.2 | 22.6 | 68.6 | 59.5 | 57.5 | -65.7 | 42.7 | 105.6 | 73.9 | -101.4 | -1.2 | 51.3 |
| 15 Unified deficit (quarterly, n.s.a.) | -254.8 | -92.3 | 120.8 | 4.2 | 41.9 | 37.1 | 99.5 | -98.4 | 26.8 | 92.9 | 70.9 | -140.6 | 7.6 | 66.2 |
| <i>Depository institutions</i> | | | | | | | | | | | | | | |
| 16 Funds supplied | 445.3 | 280.5 | 340.0 | 373.3 | 288.1 | 406.4 | 346.9 | 338.3 | 345.1 | 329.9 | 379.3 | 361.3 | 372.3 | 380.3 |
| <i>Memo (percentage of GDP)</i> | | | | | | | | | | | | | | |
| 17 Domestic nonfinancial debt ⁵ | 181.0 | 184.9 | 188.6 | 188.8 | 185.6 | 188.1 | 188.3 | 188.2 | 188.5 | 188.9 | 189.0 | 189.1 | 188.9 | 188.7 |
| 18 Domestic nonfinancial borrowing | 8.8 | 10.8 | 10.6 | 9.9 | 12.7 | 11.1 | 10.2 | 10.3 | 10.9 | 11.1 | 11.4 | 9.3 | 9.5 | 9.3 |
| 19 Federal government ⁶ | -3.0 | -0.1 | 1.3 | 0.2 | 2.5 | -0.2 | 1.3 | 1.1 | 1.4 | 1.5 | 1.8 | -0.3 | -0.2 | -0.4 |
| 20 Nonfederal | 11.8 | 10.9 | 9.3 | 9.7 | 10.2 | 11.3 | 8.9 | 9.2 | 9.5 | 9.5 | 9.6 | 9.6 | 9.7 | 9.7 |

Note. Data after 2001: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.

International Developments

Foreign real GDP data for the fourth quarter of 2001 came in, on balance, stronger than we estimated at the time of the January Greenbook, and we now estimate that after mild contractions in the second and third quarters, growth of aggregate foreign GDP resumed late last year. With increasing evidence that turning points have been reached in most regions and with the stronger outlook for the U.S. economy, we have marked up our forecast for foreign growth this year and next. Financial markets abroad have also moved in a manner consistent with stronger growth: Bond yields in industrial countries are generally higher, bond spreads in developing countries have moved down on average, and equity prices have risen in both industrial and developing countries. Our outlook for recovery abroad is driven importantly by a rebound in exports and in global demand for high-tech goods, but we anticipate that foreign growth will be less robust than in the United States. Foreign inflation is expected to remain subdued, as growth abroad should narrow but not close most output gaps by the end of the forecast period.

The strength in recent indicators supports our view that the factors we have been expecting to boost activity abroad—economic recovery in the United States, lagged effects of the considerable macroeconomic policy easing, and a slowing of inventory liquidations—have begun to take hold. The projected pace of recovery, however, is mixed across regions. We have marked up our forecast more for the developing Asian economies and for North America, whereas we continue to project a subdued recovery in Europe and in South America.

Summary of Staff Projections
(Percent change from end of previous period, s.a.a.r.)

| Indicator | 2001 | | Projection | | | | |
|-------------------|------|-----|------------|------|-----|-----|------|
| | H1 | Q3 | 2001 Q4 | 2002 | | | 2003 |
| | | | | Q1 | Q2 | H2 | |
| Foreign output | -.0 | -.4 | .5 | 1.6 | 2.4 | 2.9 | 3.4 |
| <i>January GB</i> | .1 | -.2 | -.4 | .5 | 1.7 | 2.8 | 3.3 |
| Foreign CPI | 2.6 | 1.6 | .2 | 1.3 | 2.4 | 2.4 | 2.2 |
| <i>January GB</i> | 2.5 | 1.8 | .4 | 1.5 | 2.2 | 2.2 | 2.2 |

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

After declining significantly in 2001, U.S. exports and, especially, imports should pick up markedly this year and expand even more in 2003. With foreign growth lagging U.S. growth and the dollar projected to remain little changed

reflecting the lagged effects of dollar appreciation last year as well as recent declines in natural gas prices. Prices are projected to rise by the end of the year and to pick up more next year, largely as a result of a turnaround in primary commodity prices. We expect core import prices to decline about ½ percent on balance in 2002 and to rise 2¼ percent in 2003.

Selected Trade Prices

(Percent change from end of previous period except as noted; s.a.a.r.)

| Trade category | 2001 | | | Projection | | | |
|--------------------------|-------|-------|-------|------------|-------|-------|-------|
| | H1 | Q3 | Q4 | 2002 | | | 2003 |
| | | | | Q1 | Q2 | H2 | |
| <i>Exports</i> | | | | | | | |
| Core goods | - .5 | - 1.5 | - 3.4 | - 1.4 | 1.3 | 1.0 | 1.3 |
| <i>Imports</i> | | | | | | | |
| Non-oil core goods | - 1.5 | - 6.2 | - 3.4 | - 2.3 | - 1.7 | .8 | 2.3 |
| Oil (dollars per barrel) | 24.21 | 23.51 | 18.41 | 18.22 | 21.29 | 21.17 | 20.36 |

NOTE. Prices for core exports and non-oil core imports, which exclude computers and semiconductors, are on a NIPA chain-weighted basis. The price of imported oil for multiquarter periods is the price for the final quarter of the period.

The price index for exports of U.S. core goods also dropped about 3½ percent at an annual rate in the fourth quarter and is expected to show a further, but smaller, decline in the current quarter. This forecast incorporates data from January, when the level of the core goods index was a little below the fourth-quarter average, as well as a decline in U.S. producer prices in the current quarter. Export prices for core goods are projected to begin to move back up in the second quarter but to show only moderate increases over the rest of the forecast period, in line with the inflation projected for U.S. goods prices.

Trade in goods and services. In December, the U.S. trade deficit in goods and services was \$25.3 billion, much smaller than in the previous two months. For the fourth quarter, the nominal deficit was \$333 billion at an annual rate, about \$20 billion smaller than would have been recorded in the third quarter in the absence of a large one-time estimated payment by foreign insurers related to the events of September 11. BEA estimates that NIPA real net exports of goods and services weakened a bit in the fourth quarter as real exports fell more than did real imports.

**Summary of Staff Projections
for Trade in Goods and Services**
(Percent change from end of previous period, s.a.a.r.)

| Measure | 2001 | | Projection | | | | |
|-------------------|------|-------|------------|------|------|------|------|
| | H1 | Q3 | 2001 Q4 | 2002 | | | 2003 |
| | | | | Q1 | Q2 | H2 | |
| Real exports | -6.7 | -18.8 | -12.2 | 6.3 | 4.8 | 4.9 | 7.1 |
| <i>January GB</i> | -6.7 | -18.8 | -11.6 | 4.3 | .8 | 4.4 | 7.5 |
| Real imports | -6.7 | -13.0 | -7.0 | 12.9 | 13.8 | 11.4 | 10.3 |
| <i>January GB</i> | -6.7 | -13.0 | -3.7 | 9.5 | 10.6 | 9.5 | 10.0 |

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

Alternative simulations. Our baseline forecast projects that oil prices will decline slightly from current levels. Over the past few weeks, however, oil prices have risen about \$4 per barrel, and increased political tensions in the Middle East and possible supply disruptions could result in a higher path for oil prices. The tensions and uncertainties that are posited to contribute to the rise in oil prices may also bring about a decline in confidence in foreign countries that reduces foreign domestic demand. To assess these possibilities, we used the FRB/Global model to consider two alternative simulations: first, one that keeps oil prices \$10 per barrel higher than in our baseline forecast owing to supply disruptions beginning in 2002:Q2 and, second, one that combines this oil-price shock with an autonomous shock to foreign demand.

Two alternative U.S. monetary policy responses were considered in the higher oil price simulation. In one case, the Federal Reserve holds the real federal funds rate unchanged from its baseline; in the other, it adjusts the real federal funds rate according to a Taylor rule with a coefficient of $\frac{1}{2}$ on core PCE inflation and $\frac{1}{2}$ on the output gap. In both cases, monetary authorities in the major foreign industrial countries and in most developing countries adjust interest rates according to a Taylor rule.

Under either U.S. policy response, higher oil prices have a moderate adverse effect. U.S. GDP growth falls 0.3 percentage point below baseline in the second half of 2002 and in 2003 under the fixed rate rule. This response reflects a reduction in domestic spending induced by the higher oil prices that is offset to some extent by greater exports to oil-producing nations. Core consumer price inflation rises 0.5 percentage point relative to baseline in the second half of

2002 and 0.2 percentage point in 2003, as the slower pace of growth partially offsets the inflationary effect of the shock.

The responses of both GDP and core price inflation under the Taylor rule are nearly identical to the fixed real rate case. In our model, the oil price shock raises core inflation about the same extent that it decreases output. As a result, the Taylor rule, which places equal weights on output and inflation, keeps real interest rates largely unchanged.

**Alternative Simulation 1:
\$10 Rise in the Price of Oil**

(Percent change from previous period, annual rate)

| Indicator and simulation | 2002 | | 2003 | |
|--|------|-----|------|-----|
| | H1 | H2 | H1 | H2 |
| <i>U.S. real GDP</i> | | | | |
| Baseline | 3.7 | 3.6 | 3.9 | 4.0 |
| Fixed real rate | 3.7 | 3.3 | 3.6 | 3.7 |
| Taylor rule | 3.7 | 3.3 | 3.6 | 3.7 |
| <i>U.S. PCE prices excl. food and energy</i> | | | | |
| Baseline | 1.3 | 1.4 | 1.4 | 1.4 |
| Fixed real rate | 1.1 | 1.9 | 1.6 | 1.5 |
| Taylor rule | 1.1 | 1.9 | 1.6 | 1.5 |

NOTE. H1 is Q2/Q4; H2 is Q4/Q2.

In our second alternative simulation, we combined the oil-price shock discussed above with an autonomous decline in spending. The spending shock would reduce demand by 1 percent of baseline GDP in the major foreign industrial countries and 2 percent of GDP in the major developing countries in the absence of endogenous adjustments. The shock is phased in over three quarters beginning in 2002:Q2. We considered the same two alternative responses for U.S. monetary policy as above and maintained the same assumptions about monetary policy in foreign countries.

In the case of the fixed real federal funds rate, the fall in foreign demand combined with the rise in oil prices depresses U.S. real output growth in the second half of 2002 about 0.8 percentage point and around 0.5 percentage point in 2003, relative to baseline. The autonomous shock to foreign demand, by itself, has a relatively large impact on U.S. GDP, as average foreign GDP declines by significantly more than the size of the initial shock because of

multiplier effects and spillovers across countries. Core price inflation rises 0.4 percentage point relative to baseline in 2002:H2, mainly because of the inflationary impact of the rise in oil prices, but is largely unchanged in 2003, as the effect of the oil price shock is offset by the contractionary shock to external demand.

The Taylor rule reduces the effect of the shock on activity, especially in 2003. However, the effects of the shock on core price inflation are almost identical to those in the fixed real rate case, since monetary policy changes affect core price inflation with a considerable lag.

Alternative Simulation 2:
\$10 Rise in the Price of Oil and Foreign Demand Contraction
 (Percent change from previous period, annual rate)

| Indicator and simulation | 2002 | | 2003 | |
|--|------|-----|------|-----|
| | H1 | H2 | H1 | H2 |
| <i>U.S. real GDP</i> | | | | |
| Baseline | 3.7 | 3.6 | 3.9 | 4.0 |
| Fixed real rate | 3.6 | 2.8 | 3.3 | 3.6 |
| Taylor rule | 3.6 | 2.9 | 3.5 | 3.8 |
| <i>U.S. PCE prices excl. food and energy</i> | | | | |
| Baseline | 1.3 | 1.4 | 1.4 | 1.4 |
| Fixed real rate | 1.1 | 1.8 | 1.5 | 1.3 |
| Taylor rule | 1.1 | 1.8 | 1.5 | 1.4 |

NOTE. H1 is Q2/Q4; H2 is Q4/Q

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

| Measure and country | | | | | | | -----Projected----- | | |
|----------------------|------|------|------|------|------|------|---------------------|------|------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
| REAL GDP (1) | | | | | | | | | |
| ----- | | | | | | | | | |
| Total foreign | 2.2 | 4.0 | 4.1 | 1.6 | 4.8 | 4.0 | -0.0 | 2.5 | 3.4 |
| Industrial Countries | 2.0 | 2.7 | 3.5 | 2.6 | 3.9 | 3.2 | 0.5 | 2.1 | 2.9 |
| of which: | | | | | | | | | |
| Canada | 1.5 | 2.6 | 4.5 | 4.2 | 5.1 | 3.5 | 0.9 | 3.1 | 3.4 |
| Japan | 2.5 | 3.7 | 0.5 | -1.3 | 0.6 | 2.3 | -1.9 | -0.9 | 1.1 |
| United Kingdom | 2.0 | 2.9 | 3.6 | 2.6 | 2.7 | 2.7 | 1.7 | 1.9 | 2.7 |
| Euro Area (2) | 1.5 | 1.6 | 3.1 | 1.9 | 3.6 | 2.8 | 0.6 | 1.8 | 2.8 |
| Germany | 1.1 | 1.4 | 1.7 | 0.6 | 3.0 | 2.5 | 0.0 | 1.6 | 2.7 |
| Developing Countries | 2.5 | 6.1 | 5.2 | -0.1 | 6.2 | 5.3 | -0.7 | 3.0 | 4.2 |
| Asia | 7.0 | 6.6 | 4.8 | -2.0 | 8.7 | 6.3 | 0.1 | 3.8 | 5.1 |
| Korea | 7.5 | 6.4 | 3.4 | -5.2 | 13.8 | 5.2 | 1.7 | 3.9 | 5.5 |
| China | 10.4 | 5.3 | 8.7 | 9.5 | 4.1 | 8.0 | 7.5 | 7.3 | 7.5 |
| Latin America | -3.8 | 6.2 | 5.9 | 1.2 | 4.4 | 4.6 | -1.6 | 2.4 | 3.5 |
| Mexico | -7.1 | 7.1 | 6.7 | 2.9 | 5.4 | 4.9 | -1.5 | 2.9 | 4.0 |
| Brazil | -0.9 | 4.2 | 1.3 | -1.1 | 4.2 | 4.1 | -2.3 | 2.4 | 2.6 |
| CONSUMER PRICES (3) | | | | | | | | | |
| ----- | | | | | | | | | |
| Industrial Countries | 1.3 | 1.5 | 1.5 | 0.9 | 1.2 | 1.9 | 0.9 | 1.2 | 0.9 |
| of which: | | | | | | | | | |
| Canada | 2.0 | 2.0 | 1.0 | 1.1 | 2.3 | 3.1 | 1.1 | 2.2 | 1.6 |
| Japan | -0.8 | 0.2 | 2.1 | 0.7 | -1.2 | -1.2 | -1.3 | -1.3 | -1.1 |
| United Kingdom (4) | 2.9 | 3.2 | 2.7 | 2.5 | 2.2 | 2.1 | 2.0 | 2.2 | 2.4 |
| Euro Area (2) | NA | NA | 1.5 | 0.8 | 1.5 | 2.7 | 2.2 | 1.8 | 1.6 |
| Germany | 1.4 | 1.3 | 1.5 | 0.3 | 1.1 | 2.5 | 1.7 | 1.5 | 1.0 |
| Developing Countries | 17.0 | 11.1 | 6.8 | 9.0 | 4.6 | 4.1 | 2.8 | 3.1 | 3.9 |
| Asia | 6.4 | 4.8 | 2.7 | 4.4 | 0.1 | 1.8 | 1.0 | 1.9 | 3.3 |
| Korea | 4.4 | 5.0 | 4.9 | 5.8 | 1.2 | 2.5 | 3.3 | 2.7 | 3.1 |
| China | 11.1 | 6.8 | 0.9 | -1.2 | -0.9 | 0.9 | -0.2 | 1.6 | 3.8 |
| Latin America | 42.0 | 25.8 | 15.5 | 15.4 | 12.5 | 8.4 | 5.4 | 5.6 | 4.8 |
| Mexico | 48.7 | 28.0 | 17.0 | 17.4 | 13.6 | 8.8 | 5.2 | 4.4 | 4.4 |
| Brazil | 21.5 | 9.6 | 4.6 | 1.5 | 8.2 | 6.1 | 7.5 | 5.3 | 4.3 |

1. Foreign GDP aggregates calculated using shares of U.S. exports.
2. Harmonized data for euro area from Eurostat.
3. Foreign CPI aggregates calculated using shares of U.S. non-oil imports.
4. CPI excluding mortgage interest payments, which is the targeted inflation rate.

OUTLOOK FOR FOREIGN REAL GDP AND CONSUMER PRICES: SELECTED COUNTRIES
(Percent changes)

| Measure and country | 2001 | | | | 2002 | | | | 2003 | | | |
|----------------------|---|------|------|------|-------|------|------|------|-------|------|------|------|
| | ----- | | | | ----- | | | | ----- | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| REAL GDP (1) | ----- Quarterly changes at an annual rate ----- | | | | | | | | | | | |
| Total foreign | 0.6 | -0.7 | -0.4 | 0.5 | 1.6 | 2.4 | 2.8 | 3.1 | 3.3 | 3.4 | 3.4 | 3.5 |
| Industrial Countries | 1.8 | -0.1 | -0.0 | 0.3 | 1.3 | 2.0 | 2.4 | 2.7 | 2.9 | 2.9 | 2.8 | 2.8 |
| of which: | | | | | | | | | | | | |
| Canada | 1.1 | 0.9 | -0.6 | 2.0 | 2.7 | 3.1 | 3.2 | 3.4 | 3.5 | 3.5 | 3.3 | 3.3 |
| Japan | 4.1 | -4.8 | -2.1 | -4.5 | -2.2 | -0.8 | -0.6 | 0.2 | 0.7 | 1.0 | 1.2 | 1.3 |
| United Kingdom | 3.0 | 1.8 | 1.9 | 0.1 | 1.0 | 1.9 | 2.3 | 2.5 | 2.7 | 2.7 | 2.7 | 2.7 |
| Euro Area (2) | 2.1 | 0.3 | 0.8 | -0.7 | 0.7 | 1.5 | 2.4 | 2.7 | 2.9 | 2.9 | 2.8 | 2.7 |
| Germany | 1.6 | 0.2 | -0.7 | -1.0 | 0.3 | 1.2 | 2.4 | 2.5 | 2.8 | 2.8 | 2.6 | 2.6 |
| Developing Countries | -1.0 | -1.7 | -1.1 | 0.8 | 2.2 | 3.0 | 3.3 | 3.6 | 3.9 | 4.1 | 4.3 | 4.4 |
| Asia | -1.6 | -2.3 | -0.0 | 4.2 | 3.1 | 3.6 | 4.2 | 4.5 | 4.8 | 5.0 | 5.3 | 5.5 |
| Korea | 1.2 | 1.8 | 5.1 | -1.0 | 3.0 | 3.8 | 4.3 | 4.7 | 4.8 | 5.2 | 5.7 | 6.2 |
| China | 8.2 | 7.7 | 7.1 | 7.1 | 7.0 | 7.1 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| Latin America | -0.9 | -1.3 | -2.1 | -1.9 | 1.4 | 2.5 | 2.7 | 2.9 | 3.3 | 3.4 | 3.6 | 3.7 |
| Mexico | -1.8 | -1.5 | -1.8 | -0.9 | 2.0 | 3.2 | 3.2 | 3.4 | 3.8 | 3.9 | 4.1 | 4.1 |
| Brazil | 3.8 | -3.0 | -3.3 | -6.5 | 2.0 | 2.2 | 2.7 | 2.7 | 2.6 | 2.5 | 2.6 | 2.6 |
| CONSUMER PRICES (3) | ----- Four-quarter changes ----- | | | | | | | | | | | |
| Industrial Countries | 1.7 | 2.2 | 1.7 | 0.9 | 0.9 | 0.5 | 0.6 | 1.2 | 1.1 | 1.0 | 0.9 | 0.9 |
| of which: | | | | | | | | | | | | |
| Canada | 2.8 | 3.6 | 2.7 | 1.1 | 1.2 | 0.5 | 0.9 | 2.2 | 2.1 | 1.9 | 1.7 | 1.6 |
| Japan | -1.0 | -1.2 | -1.1 | -1.3 | -1.6 | -1.4 | -1.6 | -1.3 | -1.3 | -1.2 | -1.2 | -1.1 |
| United Kingdom (4) | 1.9 | 2.3 | 2.4 | 2.0 | 2.1 | 1.8 | 1.8 | 2.2 | 2.3 | 2.3 | 2.4 | 2.4 |
| Euro Area (2) | 2.4 | 3.1 | 2.5 | 2.2 | 2.4 | 1.6 | 1.9 | 1.8 | 1.6 | 1.5 | 1.5 | 1.6 |
| Germany | 2.4 | 3.2 | 2.4 | 1.7 | 1.8 | 1.2 | 1.4 | 1.5 | 1.0 | 0.9 | 1.0 | 1.0 |
| Developing Countries | 3.8 | 4.1 | 3.5 | 2.8 | 2.6 | 2.4 | 2.6 | 3.1 | 3.8 | 3.9 | 3.9 | 3.9 |
| Asia | 1.8 | 2.4 | 1.9 | 1.0 | 0.7 | 0.7 | 1.1 | 1.9 | 2.6 | 2.9 | 3.1 | 3.3 |
| Korea | 3.7 | 5.1 | 4.2 | 3.3 | 2.5 | 1.8 | 1.8 | 2.7 | 3.0 | 3.0 | 3.0 | 3.1 |
| China | 0.7 | 1.6 | 0.8 | -0.2 | -0.6 | -0.4 | 0.5 | 1.6 | 2.7 | 3.1 | 3.5 | 3.8 |
| Latin America | 7.2 | 6.8 | 6.0 | 5.4 | 5.4 | 5.5 | 5.5 | 5.6 | 6.4 | 5.8 | 5.3 | 4.8 |
| Mexico | 7.5 | 6.9 | 6.0 | 5.2 | 5.1 | 4.7 | 4.5 | 4.4 | 5.3 | 5.0 | 4.7 | 4.4 |
| Brazil | 6.2 | 7.1 | 6.6 | 7.5 | 7.7 | 7.6 | 6.5 | 5.3 | 5.0 | 4.7 | 4.5 | 4.3 |

1. Foreign GDP aggregates calculated using shares of U.S. exports.
2. Harmonized data for euro area from Eurostat.
3. Foreign CPI aggregates calculated using shares of U.S. non-oil imports.
4. CPI excluding mortgage interest payments, which is the targeted inflation rate.

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | ----- 2001 | Projected 2002 | ----- 2003 |
|--|--------|--------|--------|--------|--------|--------|---------------|-------------------|---------------|
| NIPA REAL EXPORTS and IMPORTS | | | | | | | | | |
| Percentage point contribution to GDP growth, Q4/Q4 | | | | | | | | | |
| Net Goods & Services | 0.4 | -0.2 | -0.8 | -1.1 | -1.0 | -0.8 | -0.0 | -1.1 | -0.7 |
| Exports of G&S | 1.0 | 1.1 | 1.0 | 0.3 | 0.5 | 0.8 | -1.2 | 0.5 | 0.7 |
| Imports of G&S | -0.6 | -1.3 | -1.7 | -1.3 | -1.5 | -1.6 | 1.2 | -1.6 | -1.4 |
| Percentage change, Q4/Q4 | | | | | | | | | |
| Exports of G&S | 9.7 | 9.8 | 8.5 | 2.3 | 4.5 | 7.0 | -11.2 | 5.2 | 7.1 |
| Services | 8.8 | 8.9 | 1.4 | 2.9 | 1.9 | 4.1 | -8.0 | 6.6 | 4.9 |
| Computers | 39.1 | 21.6 | 25.8 | 8.1 | 13.8 | 23.1 | -23.0 | 26.2 | 32.6 |
| Semiconductors | 79.6 | 44.6 | 21.3 | 9.1 | 34.6 | 26.9 | -35.5 | 20.8 | 34.0 |
| Other Goods 1/ | 4.6 | 7.3 | 9.8 | 1.3 | 3.2 | 5.7 | -9.6 | 2.2 | 4.6 |
| Imports of G&S | 5.0 | 11.2 | 14.3 | 10.8 | 11.5 | 11.3 | -8.4 | 12.4 | 10.3 |
| Services | 5.5 | 5.3 | 14.0 | 8.5 | 2.8 | 12.2 | -14.4 | 11.9 | 5.5 |
| Oil | 2.4 | 7.8 | 3.9 | 4.1 | -3.4 | 12.4 | 0.2 | 3.9 | 3.2 |
| Computers | 35.0 | 17.8 | 33.0 | 25.8 | 25.1 | 13.6 | -13.7 | 26.2 | 32.5 |
| Semiconductors | 92.4 | 56.7 | 32.9 | -8.7 | 33.5 | 22.5 | -51.3 | 21.3 | 33.8 |
| Other Goods 2/ | -1.2 | 10.4 | 12.7 | 11.5 | 12.9 | 10.4 | -5.7 | 12.1 | 9.9 |
| Billions of chained 1996 dollars | | | | | | | | | |
| Net Goods & Services | -78.4 | -89.0 | -113.3 | -221.1 | -316.9 | -399.1 | -410.2 | -498.4 | -607.7 |
| Exports of G&S | 808.2 | 874.2 | 981.5 | 1002.4 | 1034.8 | 1133.2 | 1080.8 | 1052.1 | 1112.9 |
| Imports of G&S | 886.6 | 963.1 | 1094.8 | 1223.5 | 1351.7 | 1532.3 | 1491.0 | 1550.4 | 1720.6 |
| Billions of dollars | | | | | | | | | |
| US CURRENT ACCOUNT BALANCE | -109.9 | -120.9 | -139.8 | -217.5 | -324.4 | -444.7 | -417.3 | -469.9 | -583.1 |
| Current Acct as Percent of GDP | -1.5 | -1.5 | -1.7 | -2.5 | -3.5 | -4.5 | -4.1 | -4.4 | -5.2 |
| Net Goods & Services (BOP) | -96.4 | -101.8 | -107.8 | -166.8 | -261.8 | -375.7 | -346.3 | -401.5 | -503.4 |
| Investment Income, Net | 25.0 | 25.5 | 13.6 | -1.2 | -8.5 | -9.6 | -13.5 | -8.6 | -19.1 |
| Direct, Net | 64.9 | 69.4 | 72.4 | 66.3 | 67.0 | 81.2 | 94.2 | 87.7 | 83.0 |
| Portfolio, Net | -39.9 | -43.9 | -58.8 | -67.5 | -75.6 | -90.9 | -107.7 | -96.4 | -102.1 |
| Other Income & Transfers, Net | -38.6 | -44.6 | -45.7 | -49.4 | -54.0 | -59.3 | -57.6 | -59.8 | -60.7 |

1. Merchandise exports excluding computers, and semiconductors.

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

| | 1998 | | | | 1999 | | | | 2000 | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 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 | -1.8 | -1.8 | -0.8 | 0.2 | -1.8 | -1.2 | -0.7 | -0.1 | -1.3 | -0.8 | -0.7 | -0.4 |
| Exports of G&S | 0.1 | -0.5 | -0.2 | 1.7 | -0.8 | 0.4 | 1.0 | 1.3 | 0.9 | 1.4 | 1.1 | -0.5 |
| Imports of G&S | -1.9 | -1.4 | -0.5 | -1.5 | -1.0 | -1.6 | -1.7 | -1.3 | -2.2 | -2.2 | -1.8 | 0.1 |
| Percentage change from previous period, s.a.a.r. | | | | | | | | | | | | |
| Exports of G&S | 0.5 | -4.0 | -2.2 | 16.3 | -6.8 | 4.2 | 9.7 | 12.1 | 9.0 | 13.5 | 10.6 | -4.0 |
| Services | 2.4 | 8.0 | -8.4 | 10.5 | -3.9 | 3.8 | 2.0 | 6.0 | 10.3 | 9.9 | -6.7 | 3.7 |
| Computers | -8.3 | 8.2 | 12.0 | 22.8 | 0.5 | 26.8 | 18.3 | 11.0 | 32.7 | 49.2 | 25.8 | -7.9 |
| Semiconductors | 5.9 | -17.2 | 272.7 | -56.6 | 45.4 | 31.6 | 36.5 | 25.8 | 29.9 | 64.5 | 35.0 | -10.2 |
| Other Goods 1/ | 0.0 | -9.2 | -9.3 | 27.8 | -11.5 | 1.1 | 11.0 | 14.2 | 5.3 | 9.1 | 16.3 | -6.5 |
| Imports of G&S | 15.9 | 11.3 | 4.2 | 12.2 | 8.4 | 13.3 | 13.8 | 10.5 | 17.1 | 16.4 | 13.0 | -0.5 |
| Services | 21.3 | 6.7 | 7.0 | 0.1 | -8.2 | 1.8 | 7.9 | 11.0 | 20.6 | 12.4 | 17.1 | 0.0 |
| Oil | 3.6 | 42.8 | 1.1 | -21.6 | 3.9 | 29.8 | -5.8 | -31.5 | 29.7 | 40.3 | -4.9 | -7.7 |
| Computers | 38.4 | 18.5 | 6.4 | 43.6 | 40.6 | 41.1 | 8.3 | 13.8 | 12.8 | 34.4 | 18.4 | -7.2 |
| Semiconductors | 8.5 | -25.4 | -6.3 | -8.2 | 37.0 | 47.5 | 12.7 | 39.6 | 45.6 | 24.9 | 64.9 | -24.9 |
| Other Goods 2/ | 14.2 | 11.9 | 4.1 | 16.2 | 9.0 | 11.3 | 17.6 | 14.0 | 14.6 | 13.1 | 11.9 | 2.4 |
| Billions of chained 1996 dollars, s.a.a.r. | | | | | | | | | | | | |
| Net Goods & Services | -180.8 | -223.1 | -241.2 | -239.2 | -283.0 | -313.4 | -333.3 | -337.8 | -371.1 | -392.8 | -411.2 | -421.1 |
| Exports of G&S | 1003.4 | 993.1 | 987.6 | 1025.6 | 1007.6 | 1018.0 | 1041.8 | 1072.1 | 1095.5 | 1130.6 | 1159.3 | 1147.5 |
| Imports of G&S | 1184.2 | 1216.2 | 1228.9 | 1264.8 | 1290.6 | 1331.4 | 1375.1 | 1409.8 | 1466.6 | 1523.4 | 1570.6 | 1568.5 |
| Billions of dollars, s.a.a.r. | | | | | | | | | | | | |
| US CURRENT ACCOUNT BALANCE | -174.0 | -209.6 | -242.1 | -244.1 | -265.8 | -309.5 | -352.3 | -369.9 | -419.6 | -432.5 | -461.2 | -465.3 |
| Current Account as % of GDP | -2.0 | -2.4 | -2.7 | -2.7 | -2.9 | -3.4 | -3.8 | -3.9 | -4.3 | -4.4 | -4.6 | -4.6 |
| Net Goods & Services (BOP) | -139.5 | -169.9 | -181.9 | -176.0 | -211.5 | -251.5 | -284.5 | -299.9 | -349.3 | -363.1 | -389.4 | -401.2 |
| Investment Income, Net | 9.9 | 5.8 | -12.3 | -8.3 | -5.2 | -6.6 | -15.5 | -6.7 | -17.5 | -14.4 | -14.5 | 7.9 |
| Direct, Net | 74.2 | 69.8 | 57.8 | 63.3 | 66.2 | 63.0 | 63.3 | 75.7 | 65.5 | 72.5 | 84.2 | 102.8 |
| Portfolio, Net | -64.2 | -64.0 | -70.1 | -71.5 | -71.4 | -69.6 | -78.8 | -82.5 | -83.0 | -86.8 | -98.7 | -94.9 |
| Other Inc. & Transfers, Net | -44.4 | -45.5 | -47.9 | -59.8 | -49.1 | -51.5 | -52.2 | -63.3 | -52.8 | -55.0 | -57.4 | -72.0 |

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

| | ----- Projected ----- | | | | | | | | | | | |
|--|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2001 | | | | 2002 | | | | 2003 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| NIPA REAL EXPORTS and IMPORTS | | | | | | | | | | | | |
| Percentage point contribution to GDP growth | | | | | | | | | | | | |
| Net Goods & Services | 0.6 | -0.1 | -0.2 | -0.4 | -1.0 | -1.2 | -1.2 | -0.7 | -0.9 | -0.9 | -0.7 | -0.3 |
| Exports of G&S | -0.1 | -1.4 | -2.1 | -1.3 | 0.6 | 0.5 | 0.3 | 0.6 | 0.4 | 0.6 | 0.7 | 0.9 |
| Imports of G&S | 0.8 | 1.3 | 1.9 | 0.9 | -1.6 | -1.7 | -1.6 | -1.3 | -1.3 | -1.5 | -1.4 | -1.2 |
| Percentage change from previous period, s.a.a.r. | | | | | | | | | | | | |
| Exports of G&S | -1.2 | -11.9 | -18.8 | -12.2 | 6.3 | 4.8 | 3.6 | 6.2 | 4.0 | 6.9 | 7.6 | 10.0 |
| Services | 1.8 | 2.4 | -17.2 | -16.9 | 15.1 | 5.2 | 2.8 | 3.8 | 4.7 | 4.9 | 4.9 | 5.0 |
| Computers | -5.8 | -41.1 | -24.3 | -16.0 | 26.2 | 26.2 | 26.2 | 26.2 | 31.0 | 32.2 | 33.5 | 33.5 |
| Semiconductors | -22.4 | -56.1 | -46.6 | -5.2 | 6.1 | 26.1 | 26.1 | 26.1 | 30.9 | 33.3 | 35.8 | 35.9 |
| Other Goods 1/ | -0.1 | -10.8 | -16.8 | -10.0 | 1.0 | 2.0 | 1.2 | 4.7 | 0.2 | 4.3 | 5.1 | 9.0 |
| Imports of G&S | -5.0 | -8.4 | -13.0 | -7.0 | 12.9 | 13.8 | 12.6 | 10.3 | 10.2 | 11.8 | 10.5 | 8.8 |
| Services | 4.9 | -2.0 | -29.1 | -26.3 | 33.9 | 5.4 | 5.6 | 5.2 | 5.5 | 5.4 | 5.5 | 5.4 |
| Oil | 27.1 | 4.3 | -26.7 | 3.8 | -7.8 | 28.1 | 10.5 | -10.8 | -6.4 | 25.9 | 9.8 | -12.4 |
| Computers | -11.0 | -29.1 | -24.9 | 16.8 | 21.5 | 26.2 | 26.2 | 31.0 | 31.0 | 32.2 | 33.5 | 33.5 |
| Semiconductors | -31.8 | -75.0 | -58.4 | -20.5 | 8.2 | 26.0 | 26.0 | 26.0 | 30.8 | 33.2 | 35.7 | 35.7 |
| Other Goods 2/ | -8.4 | -4.8 | -4.5 | -4.9 | 10.1 | 13.2 | 13.2 | 11.9 | 11.0 | 10.0 | 9.4 | 9.1 |
| Billions of chained 1996 dollars, s.a.a.r. | | | | | | | | | | | | |
| Net Goods & Services | -404.5 | -406.7 | -411.0 | -418.6 | -447.0 | -483.2 | -520.1 | -543.2 | -572.3 | -600.8 | -623.7 | -633.9 |
| Exports of G&S | 1144.1 | 1108.3 | 1052.2 | 1018.5 | 1034.2 | 1046.5 | 1055.8 | 1071.7 | 1082.4 | 1100.5 | 1120.8 | 1147.9 |
| Imports of G&S | 1548.6 | 1515.0 | 1463.2 | 1437.1 | 1481.2 | 1529.7 | 1575.9 | 1614.9 | 1654.7 | 1701.3 | 1744.5 | 1781.8 |
| Billions of dollars, s.a.a.r. | | | | | | | | | | | | |
| US CURRENT ACCOUNT BALANCE | -447.5 | -430.7 | -378.8 | -412.4 | -417.2 | -455.6 | -487.2 | -519.4 | -536.7 | -568.7 | -598.2 | -629.0 |
| Current Account as % of GDP | -4.4 | -4.2 | -3.7 | -4.0 | -4.0 | -4.3 | -4.6 | -4.8 | -4.9 | -5.1 | -5.3 | -5.5 |
| Net Goods & Services (BOP) | -380.5 | -362.6 | -309.2 | -332.8 | -351.8 | -390.6 | -421.8 | -441.7 | -469.3 | -497.0 | -518.8 | -528.6 |
| Investment Income, Net | -14.6 | -14.6 | -14.9 | -9.7 | -9.5 | -8.6 | -9.1 | -7.3 | -10.0 | -14.3 | -22.0 | -30.0 |
| Direct, Net | 90.7 | 93.7 | 96.2 | 96.2 | 91.7 | 89.4 | 85.9 | 84.0 | 83.8 | 83.8 | 82.3 | 82.2 |
| Portfolio, Net | -105.3 | -108.3 | -111.0 | -105.9 | -101.2 | -98.0 | -94.9 | -91.3 | -93.8 | -98.1 | -104.3 | -112.1 |
| Other Inc. & Transfers, Net | -52.4 | -53.5 | -54.7 | -69.9 | -55.9 | -56.4 | -56.4 | -70.4 | -57.4 | -57.4 | -57.4 | -70.4 |

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

Part 2

March 13, 2002

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Recent Developments

March 13, 2002

Recent Developments

Industrial Production

The available data suggest that industrial production (IP) rose in February. The weekly and monthly physical product data that we have in hand are, on the whole, a noticeable plus for the change in IP. In addition, available indicators suggest that the production of high-tech items firmed again in February. In other manufacturing industries, aggregate hours worked edged down in February.

The weekly production data should contribute more than 0.1 percentage point to the change in overall IP in February, with sizable contributions from the appliance, steel, and lumber and plywood industries. Output at utilities appears to have bounced back in February after the unusually warm weather that held down production in previous months. In contrast, mining output likely posted its fifth consecutive monthly decline in February, in large part because of decreases in oil and gas extraction.

Total production of motor vehicles ran at an annual rate of 12.3 million units in February—a shade higher than in January and up about 700,000 units from the fourth-quarter average. Current schedules call for assemblies to step down to an

Production of Domestic Autos and Trucks

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

| Item | 2001 | | 2002 | 2001 | 2002 | | |
|---------------------------|------|------|-----------------|------|------|------|-------------------|
| | Q3 | Q4 | Q1 ¹ | Dec. | Jan. | Feb. | Mar. ¹ |
| U.S. production | 11.6 | 11.6 | 12.1 | 12.3 | 12.2 | 12.3 | 11.7 |
| Autos | 4.7 | 4.8 | 5.3 | 5.1 | 5.1 | 5.5 | 5.2 |
| Trucks | 6.9 | 6.8 | 6.8 | 7.2 | 7.1 | 6.8 | 6.5 |
| Days' supply ² | | | | | | | |
| Autos | 49.1 | 38.3 | n.a. | 47.1 | 49.4 | 51.3 | n.a. |
| Light trucks ³ | 74.0 | 52.3 | n.a. | 57.6 | 65.6 | 59.2 | n.a. |
| Inventories ⁴ | 2.69 | 2.27 | n.a. | 2.27 | 2.34 | 2.40 | n.a. |

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

1. Production rates reflect Ward's Communications' latest estimates for March and the first quarter.

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

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

4. End-of-period stocks; excludes medium and heavy (class 3-8) trucks.

n.a. Not available.

earlier owing to a release of payments resulting from the late completion of the fiscal 2002 appropriations bills, increased spending on defense and homeland security, and a boost in cyclically sensitive transfer payments. A 7 percent drop in receipts in January reflected the reduction in withholding associated with the new 10 percent bracket, shifts in receipts from December 2000 into January 2001, and the weaker economy. Refunds certified through March 8, which represent almost one-half of the total expected this filing season, were 17 percent higher than in the comparable period last year. The increase in refunds is consistent with the tax reductions enacted last year and with last year's over-withholding, which is typical in a weak economy.

Administration's Estimates of Unified Budget Stance
(Fiscal years, billions of dollars)

| Item | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Total, 2003-07 |
|--|-------------|------------|------------|-----------|-----------|------------|-------------------|
| Baseline surplus or deficit (-) ¹ | -9 | 51 | 109 | 169 | 196 | 240 | 764 |
| LESS | | | | | | | |
| <i>Budget effects of policy initiatives</i> | | | | | | | |
| Defense and homeland security | 0 | 31 | 38 | 45 | 52 | 58 | 224 |
| Miscellaneous | 7 | 23 | 27 | 43 | 63 | 85 | 241 |
| Stimulus placeholder | 90 | 77 | 57 | 20 | -6 | -7 | 141 |
| EQUALS | | | | | | | |
| Total surplus or deficit | -106 | -80 | -14 | 61 | 86 | 104 | 157 |

1. Reflects OMB's preferred definition, which excludes emergency supplemental appropriations from current services.

SOURCE. *Budget of the U.S. Government, Fiscal Year 2003* (February 2002); and FRB staff calculations to allocate the change in debt service costs between the stimulus placeholder and other policies in 2006 and 2007.

In early February, the Administration released its fiscal 2003 budget. Its projection of the budget—under the policies then in place and the Administration's economic assumptions—showed a \$9 billion unified deficit in fiscal 2002 and moderate surpluses thereafter. The projected baseline surplus totaled \$2.2 trillion for the 2002-11 period, down from \$5.6 trillion in last April's budget. Key factors in this downward revision include the tax cuts enacted last year, federal spending in response to the September 11 attacks, and less favorable economic assumptions.¹¹ Policy initiatives included in the Administration's budget would reduce the surplus by about \$600 billion

11. As part of its analysis of the Administration's budget, the Congressional Budget Office has also released updated baseline surplus projections. Incorporating the economic data released since its January projection, which forecasted small deficits over the next two years, the CBO now expects small baseline surpluses in both fiscal 2002 and 2003.

March 15, 2002

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

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

| | 2001 July | 2001 Aug. | 2001 Sept. | 2001 Oct. | 2001 Nov. | 2001 Dec. | 2002 Jan. | 2002 Feb. | 2002 Mar (p) |
|--|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------------|
| <hr/> | | | | | | | | | |
| Indexes of consumer sentiment (Feb. 1966=100) | | | | | | | | | |
| Composite of current and expected conditions | 92.4 | 91.5 | 81.8 | 82.7 | 83.9 | 88.8 | 93.0 | 90.7 | 95.0 |
| Current conditions | 98.6 | 101.2 | 94.6 | 94.0 | 95.3 | 99.0 | 95.7 | 96.2 | 99.3 |
| Expected conditions | 88.4 | 85.2 | 73.5 | 75.5 | 76.6 | 82.3 | 91.3 | 87.2 | 92.3 |
| <hr/> | | | | | | | | | |
| Personal financial situation | | | | | | | | | |
| Now compared with 12 months ago* | 114 | 118 | 108 | 107 | 107 | 108 | 105 | 106 | 111 |
| Expected in 12 months* | 133 | 127 | 128 | 128 | 134 | 138 | 141 | 137 | 133 |
| Expected business conditions | | | | | | | | | |
| Next 12 months* | 115 | 102 | 71 | 77 | 76 | 86 | 111 | 106 | 119 |
| Next 5 years* | 107 | 113 | 95 | 98 | 97 | 106 | 115 | 107 | 120 |
| Appraisal of buying conditions | | | | | | | | | |
| Cars | 138 | 132 | 133 | 152 | 164 | 163 | 156 | 156 | 150 |
| Large household appliances* | 141 | 144 | 136 | 136 | 140 | 148 | 143 | 143 | 146 |
| Houses | 149 | 154 | 149 | 159 | 161 | 167 | 161 | 164 | 163 |
| Willingness to use credit | 41 | 47 | 39 | 52 | 54 | 44 | 39 | 45 | 42 |
| Willingness to use savings | 60 | 55 | 47 | 62 | 56 | 55 | 55 | 63 | 57 |
| Expected unemployment change - next 12 months | 140 | 142 | 151 | 150 | 143 | 135 | 123 | 124 | 110 |
| Prob. household will lose a job - next 5 years | 24 | 23 | 24 | 21 | 24 | 23 | 23 | 24 | 24 |
| Expected inflation - next 12 months | | | | | | | | | |
| Mean | 3.0 | 3.1 | 3.2 | 1.6 | 1.0 | 1.9 | 2.2 | 2.4 | 3.1 |
| Median | 2.6 | 2.7 | 2.8 | 1.0 | .4 | 1.8 | 1.9 | 2.1 | 2.6 |
| Expected inflation - next 5 to 10 years | | | | | | | | | |
| Mean | 3.4 | 3.6 | 3.4 | 2.8 | 3.2 | 3.4 | 3.0 | 3.1 | 3.2 |
| Median | 2.9 | 3.0 | 2.9 | 2.7 | 2.8 | 3.0 | 2.7 | 2.8 | 2.8 |

* -- 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.