



National Economic Trends



Putting Business Software Purchases into the National Accounts

The U.S. economy is constantly evolving. New technologies are continuously transforming the production and delivery of new and existing goods and services. Business practices adapt just as readily to changes in technology. Today, for example, the scramble for market share and profitability forces firms to find innovative ways to add value to their firm's products or services.

These innovations often require computer hardware and software. In the past, when businesses generally used mainframe computers, they acquired the hardware and software as a bundle. With the advent of personal computers and minicomputers, a greater percentage of business software was purchased separately from hardware. Yet business software continued to count as an investment in the National Income and Product Accounts (NIPA) only when purchased as installed software on a new computer. Software purchased separately was considered an intermediate input and did not count as capital investment. Hence, the unbundling of computer hardware and software purchases led to the unintended consequence of classifying a considerable portion of business software expenditures as intermediate products.

Given the boom in computer purchases, and the fact that computer software, like other capital expenditures, provides a flow of services that lasts more than a year, the Bureau of Economic Analysis (BEA) recognized the need to address this issue, and did so in the Oct. 28 release of the advance third-quarter GDP report. Accompanying the advance report was the 11th comprehensive revision of the NIPA. The BEA will now treat business purchases of computer software and "in-house" software production as fixed investments to remedy the classification problem discussed above.

Adding business software purchases to the new equipment and software (E&S) component of nonresidential fixed investment—formerly known as producers' durable equipment (PDE)—raises the level of GDP. In 1998, for example, the nominal value of software investment totaled \$123.4 billion, which was 15.1 percent of E&S investment and 1.4 percent of GDP. A back-of-the-envelope calculation shows that reclassifying software purchases as fixed investment boosted the growth of real GDP by about 0.1 percentage point a year during this business expansion (first quarter of 1991 to second quarter of 1999). Moreover, with software prices falling much less than prices of computers and peripheral equipment during this period (1.6 percent versus 19.3 percent), the inclusion of software prices has had the effect of slowing the rate of decline of prices of information processing equipment (computers, software and other equipment). This explains why the growth of real information processing equipment was revised down from 19.4 percent to 17.1 percent.

This comprehensive revision also reclassified the counting of government employees' pension contributions as personal saving, not government saving. Another significant change is the use of the Bureau of Labor Statistics' new *CPI research series using current methods* to calculate real personal consumption expenditures (PCE). As discussed in the August 1999 issue of *National Economic Trends*, this retrospective consumer price index grew by about 0.3 percentage points per year less than the currently published CPI between 1983 and 1998, so the published figures for real PCE growth should increase commensurately. Finally, the BEA introduced a new measure of banking output that will strive to measure productivity gains in this industry more accurately.

The net result of the comprehensive revision was to boost the average annual growth rate of real GDP during this expansion from 3.1 percent to 3.5 percent.

—Kevin L. Kliesen

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Conventions used in this publication:

1. Shaded areas indicate recessions, as determined by the National Bureau of Economic Research.
2. *Percent change* refers to simple percent changes. *Percent change from year ago* refers to the percent change from the same month or quarter in the previous year. The *percent change at annual rate* shows what the growth rate would be over an entire year if the same simple percent change continued for four quarters or twelve months. The percent change at annual rate of X between the previous quarter $t-1$ and the current quarter t is:

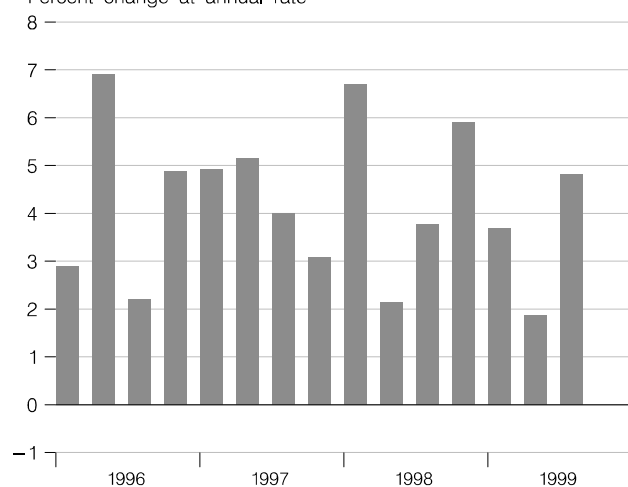
$$100 \times \left[\left(\frac{X_t}{X_{t-1}} \right)^4 - 1 \right]$$

For monthly data replace 4 with 12.

3. All data with significant seasonal patterns are seasonally adjusted, unless labeled NSA.

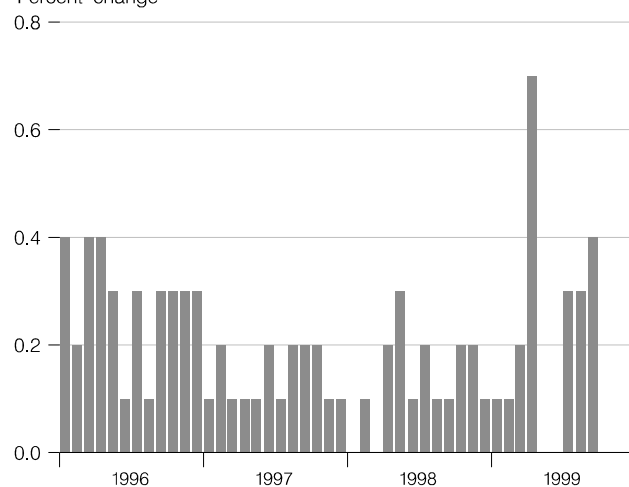
Real GDP Growth

Percent change at annual rate



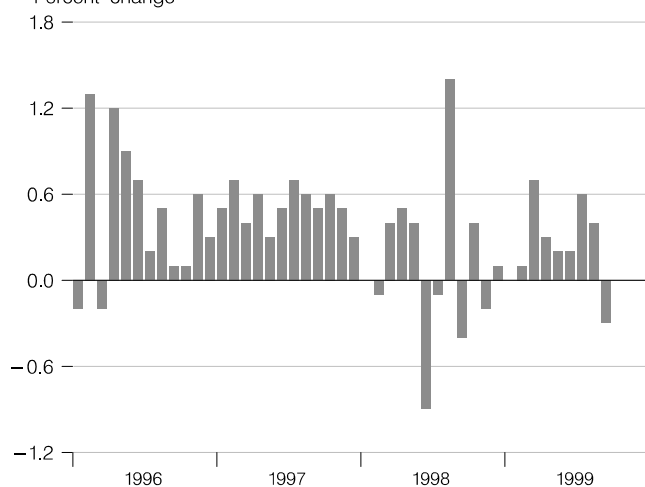
Consumer Price Index

Percent change



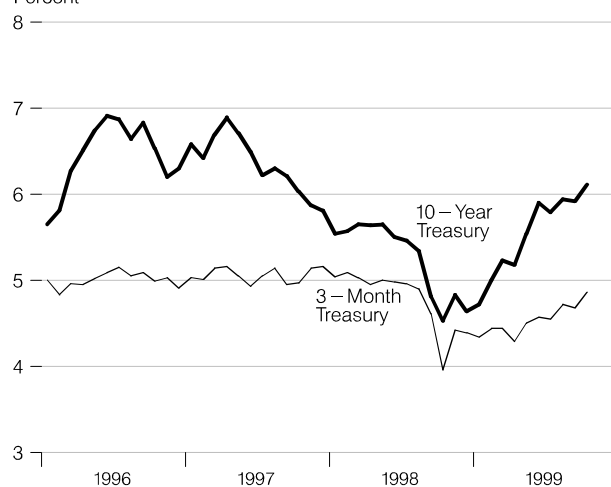
Industrial Production

Percent change



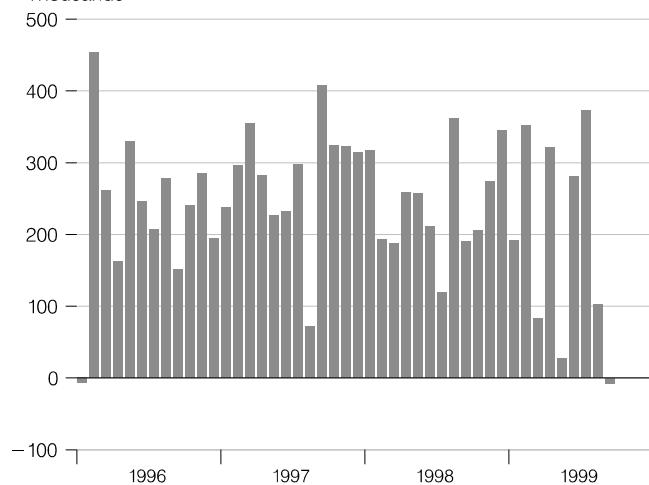
Interest Rates

Percent



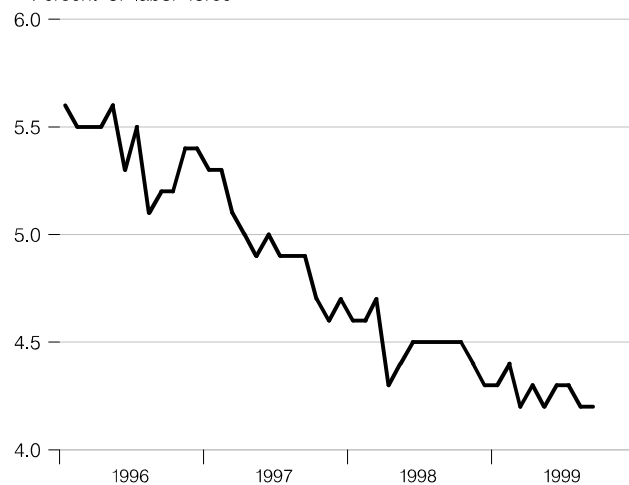
Change in Nonfarm Payrolls

Thousands



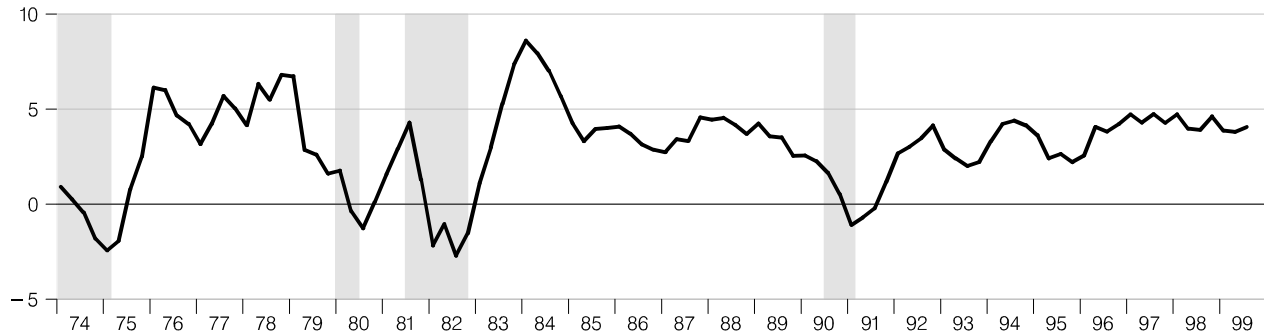
Unemployment Rate

Percent of labor force



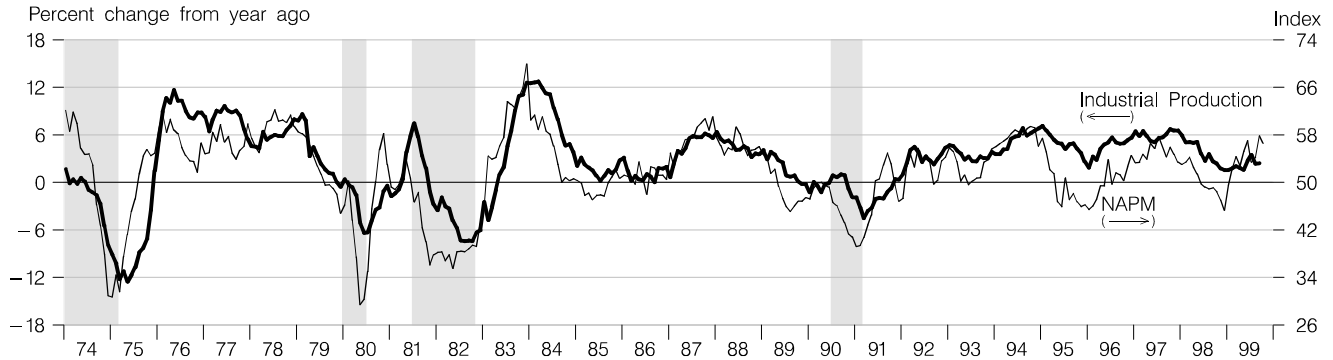
Real Gross Domestic Product

Percent change from year ago



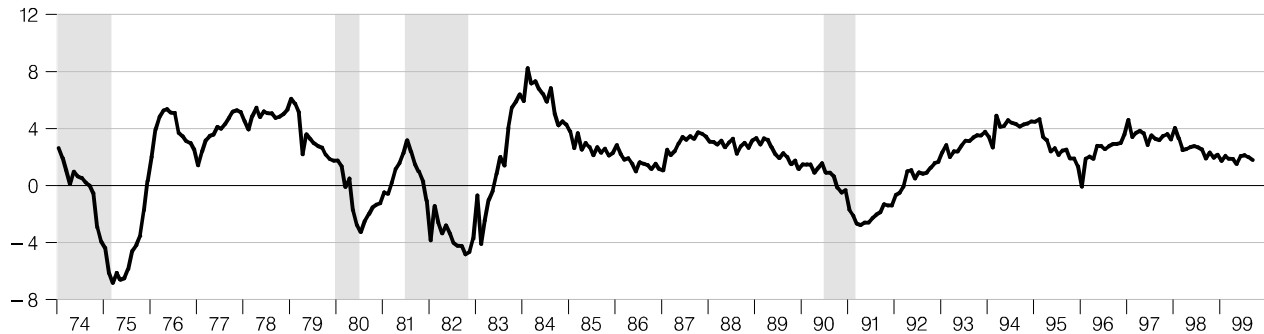
Industrial Production and Purchasing Managers' (NAPM) Indexes

Percent change from year ago



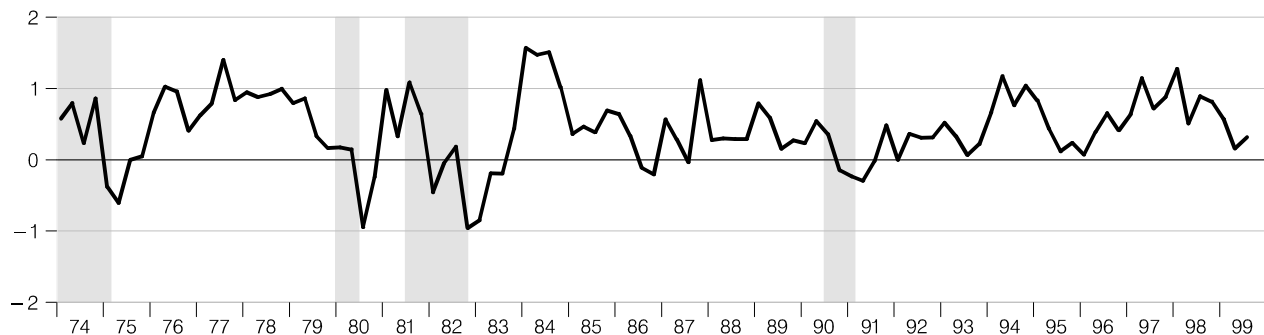
Aggregate Private Nonfarm Hours

Percent change from year ago



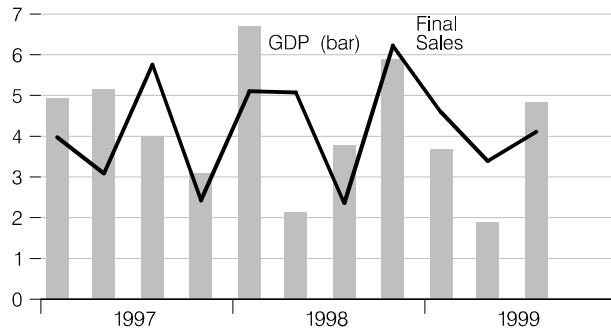
Real Change in Private Inventories

Percent of GDP

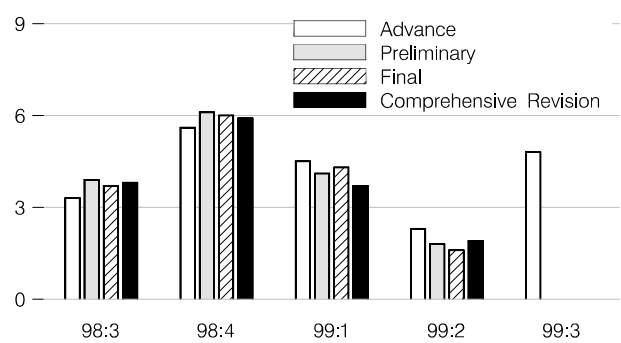


Real Final Sales and GDP

Percent change at annual rate

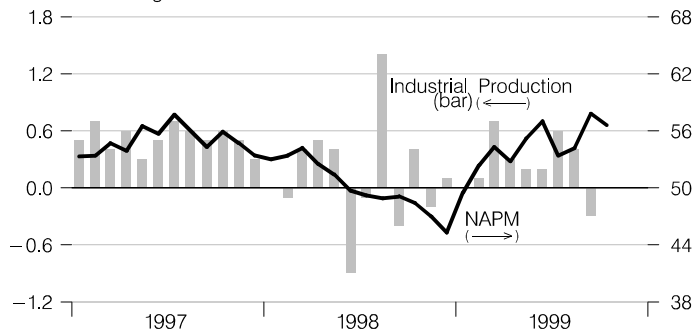
**Real GDP Revisions**

Percent change at annual rate

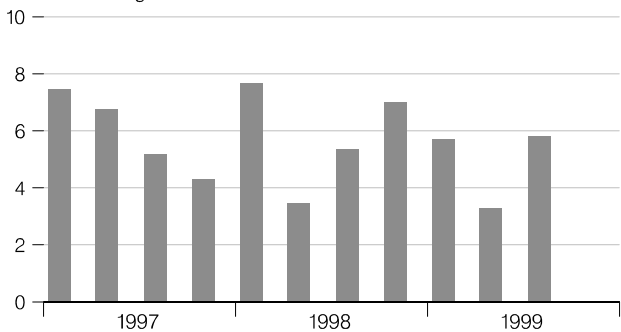
**Industrial Production and NAPM Index**

Percent change

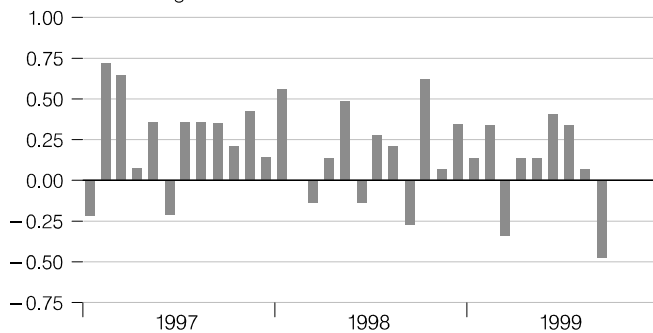
Index

**Nominal Gross Domestic Product**

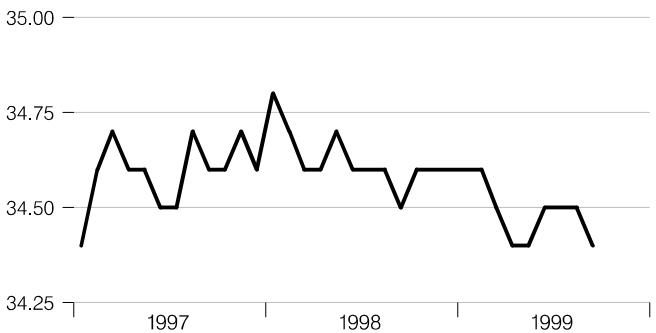
Percent change at annual rate

**Aggregate Private Nonfarm Hours**

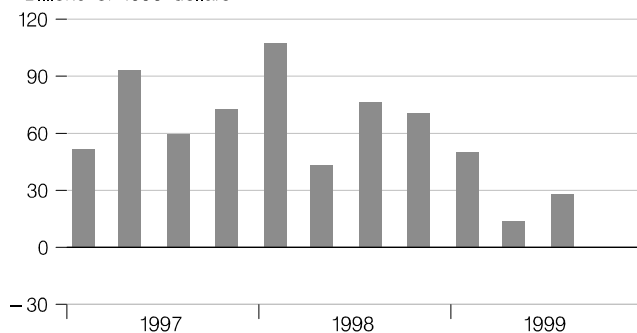
Percent change

**Average Weekly Private Nonfarm Hours**

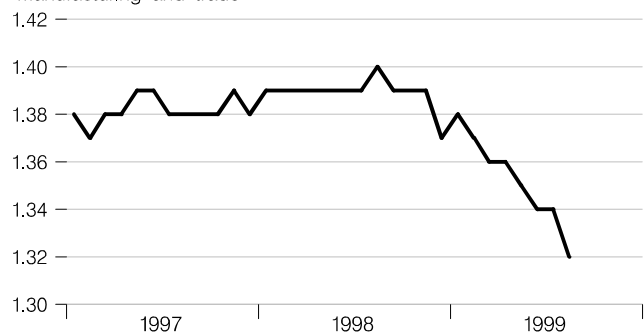
Hours

**Real Change in Private Inventories**

Billions of 1996 dollars

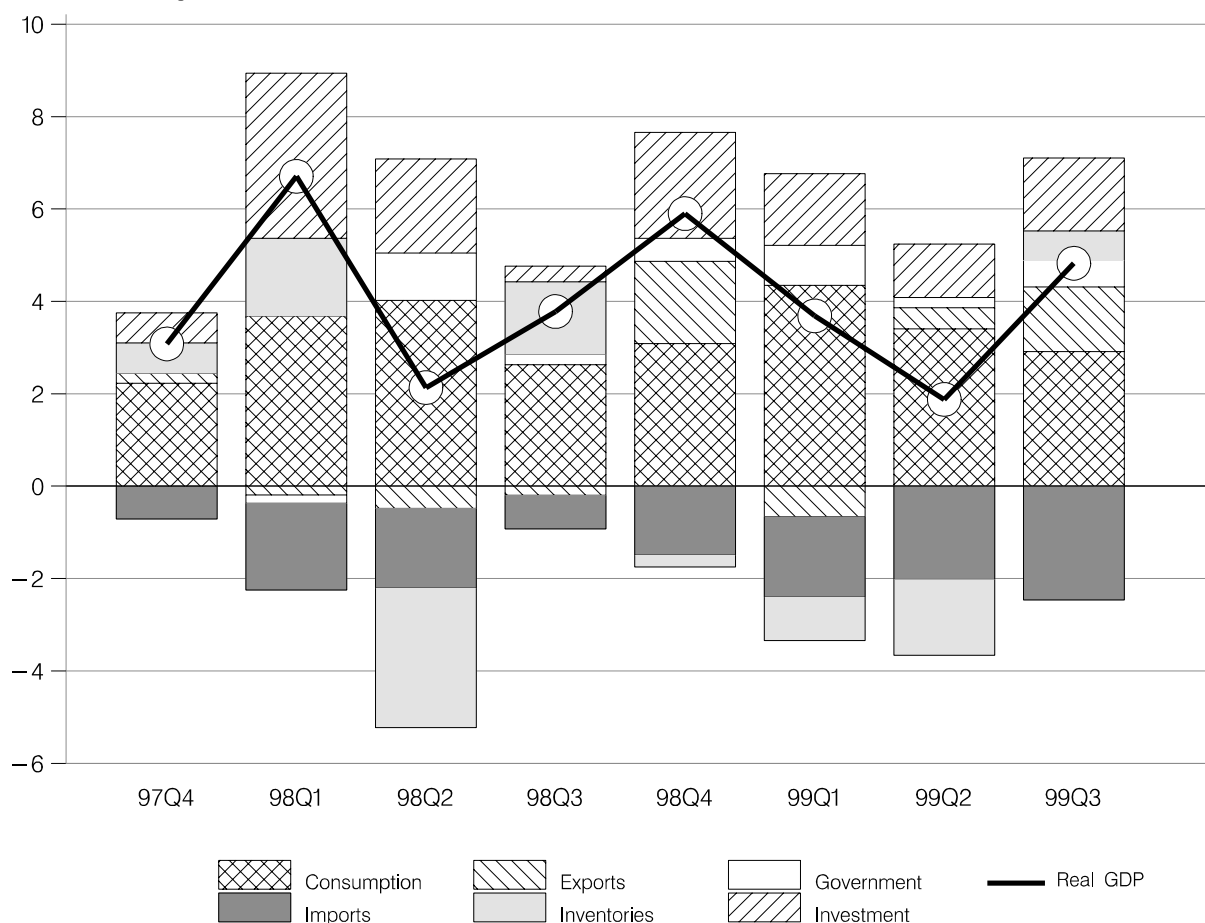
**Inventory-Sales Ratio**

Manufacturing and trade



Contribution of Components to Real GDP Growth

Percent change at annual rate

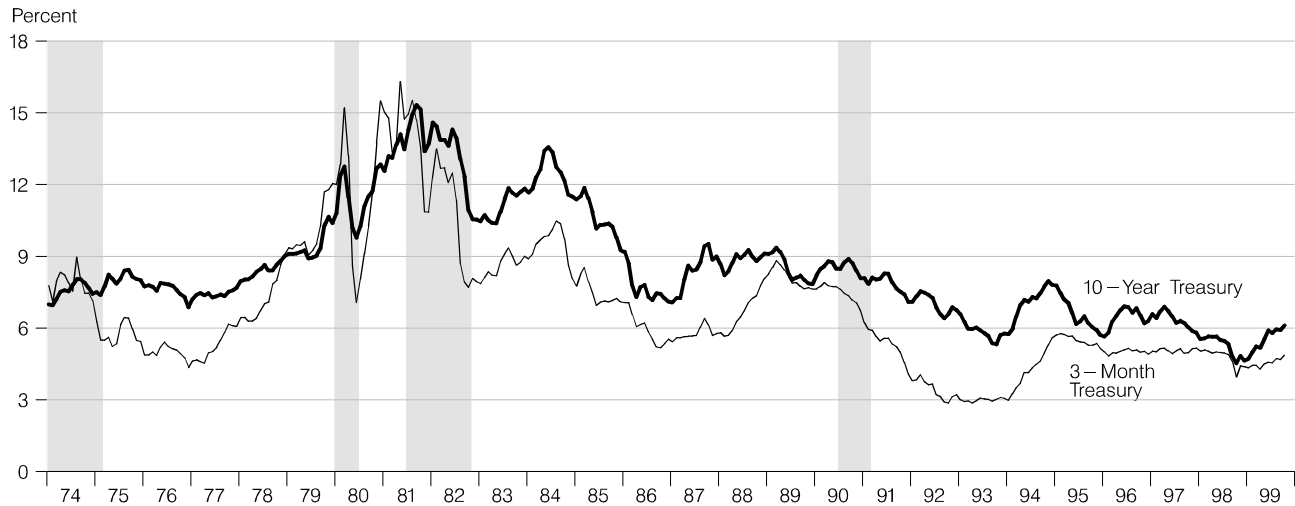


Contributions to Real GDP Growth Rate

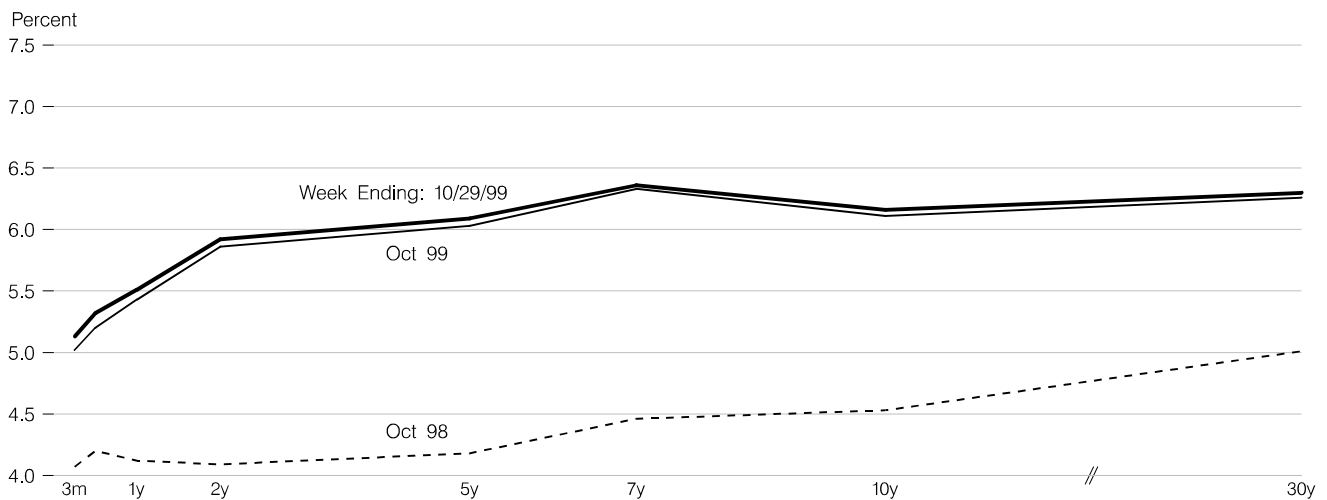
	1997	1998				1999		
	4th	1st	2nd	3rd	4th	1st	2nd	3rd
Real GDP	3.08	6.71	2.13	3.78	5.90	3.69	1.88	4.82
Final Sales	2.41	5.06	5.01	2.35	6.17	4.55	3.37	4.10
Change in Inventory	0.66	1.68	-3.02	1.57	-0.25	-0.95	-1.64	0.64
Consumption	2.22	3.68	4.02	2.63	3.09	4.35	3.40	2.92
Fixed Investment	0.65	3.57	2.04	0.35	2.29	1.55	1.15	1.58
Nonresidential	0.39	3.05	1.51	0.00	1.91	1.02	0.93	1.95
Residential	0.25	0.52	0.52	0.32	0.39	0.51	0.23	-0.28
Government	-0.01	-0.18	1.03	0.22	0.50	0.87	0.22	0.57
Federal	-0.28	-0.65	0.70	-0.15	0.23	-0.03	0.13	0.19
State and Local	0.27	0.46	0.33	0.36	0.26	0.89	0.10	0.38
Net Exports	-0.49	-2.06	-2.20	-0.92	0.27	-2.39	-1.57	-1.09
Exports	0.21	-0.19	-0.48	-0.20	1.78	-0.66	0.46	1.40
Imports	-0.70	-1.88	-1.73	-0.73	-1.50	-1.73	-2.02	-2.46
Residual	0.03	-0.04	0.38	-0.05	-0.07	0.33	0.35	0.08

Federal Reserve Bank of St. Louis

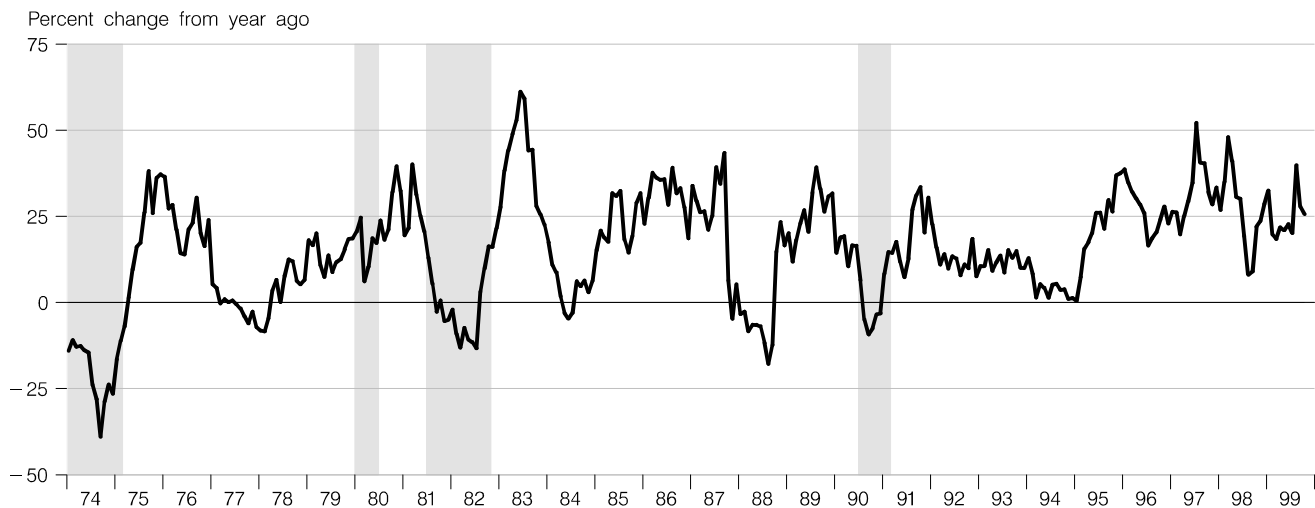
Interest Rates



Treasury Yield Curve

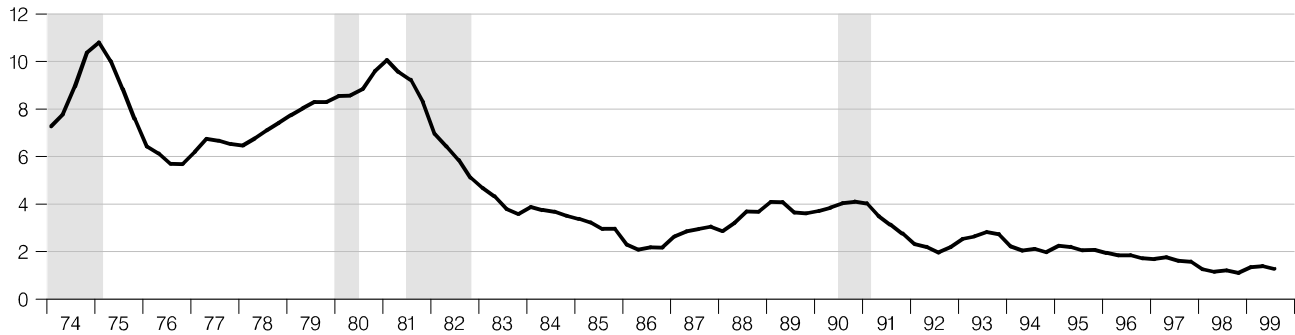


Standard and Poor's 500 Index with Reinvested Dividends



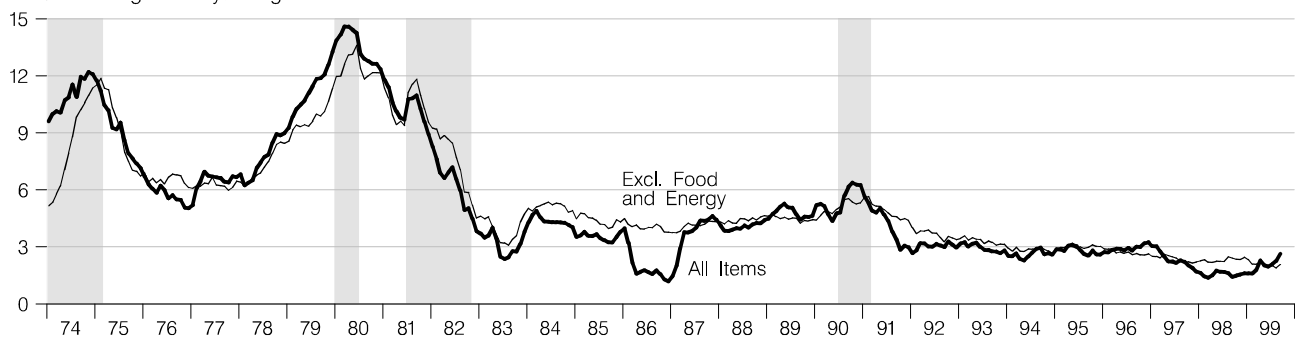
GDP Chain Price Index

Percent change from year ago



Consumer Price Index

Percent change from year ago



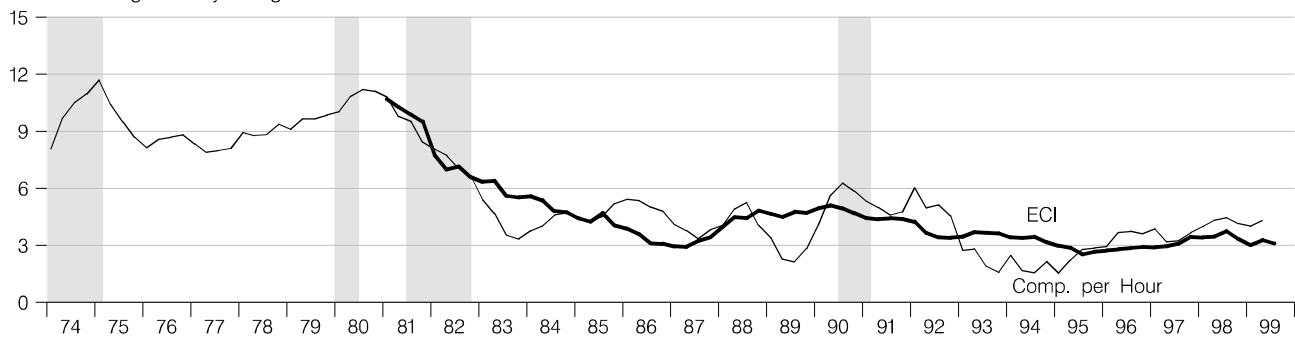
Producer Price Index, Finished Goods

Percent change from year ago



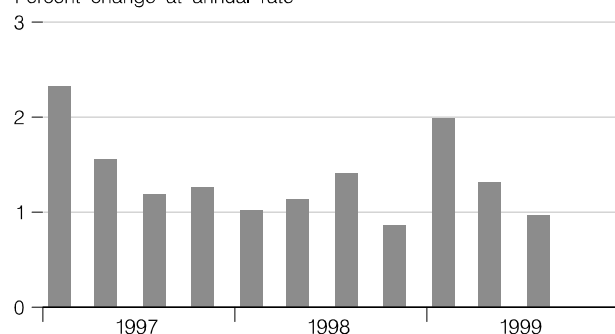
Employment Cost Index and Compensation per Hour

Percent change from year ago



GDP Chain Price Index

Percent change at annual rate



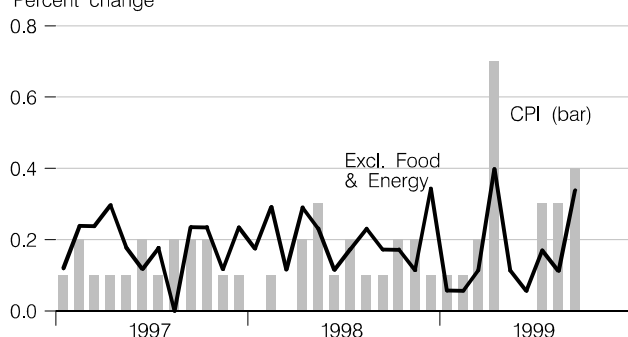
Crude Oil Price

Dollars per barrel



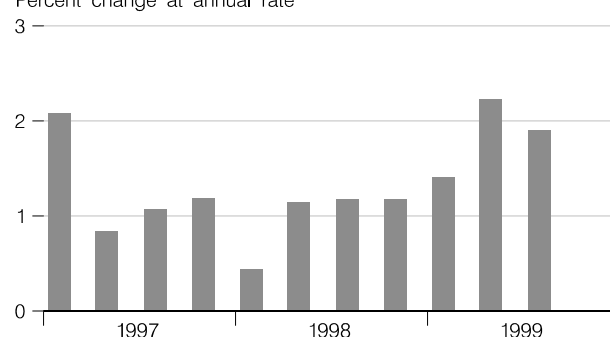
Consumer Price Index

Percent change



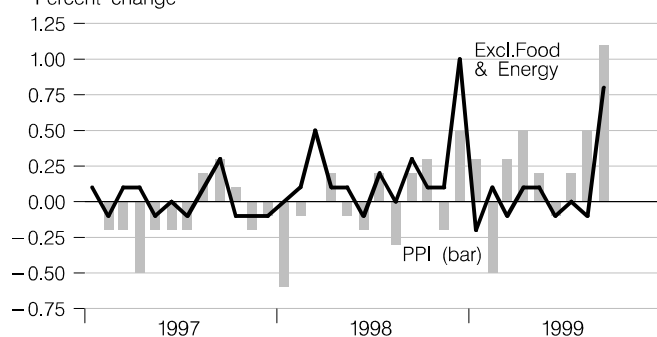
Consumption Chain Price Index

Percent change at annual rate



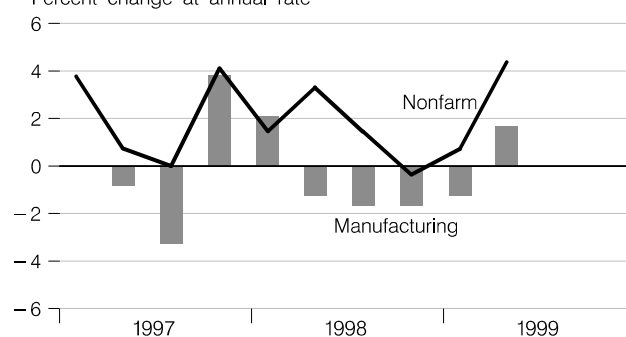
Producer Price Index, Finished Goods

Percent change



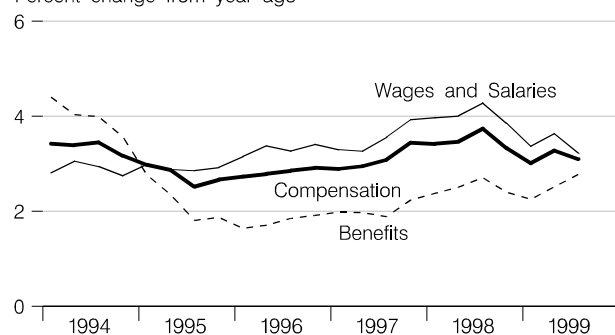
Unit Labor Cost

Percent change at annual rate



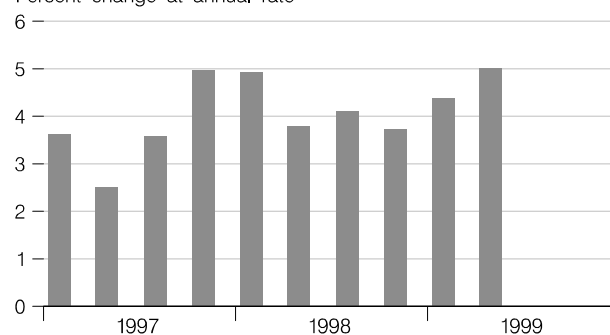
Employment Cost Index

Percent change from year ago



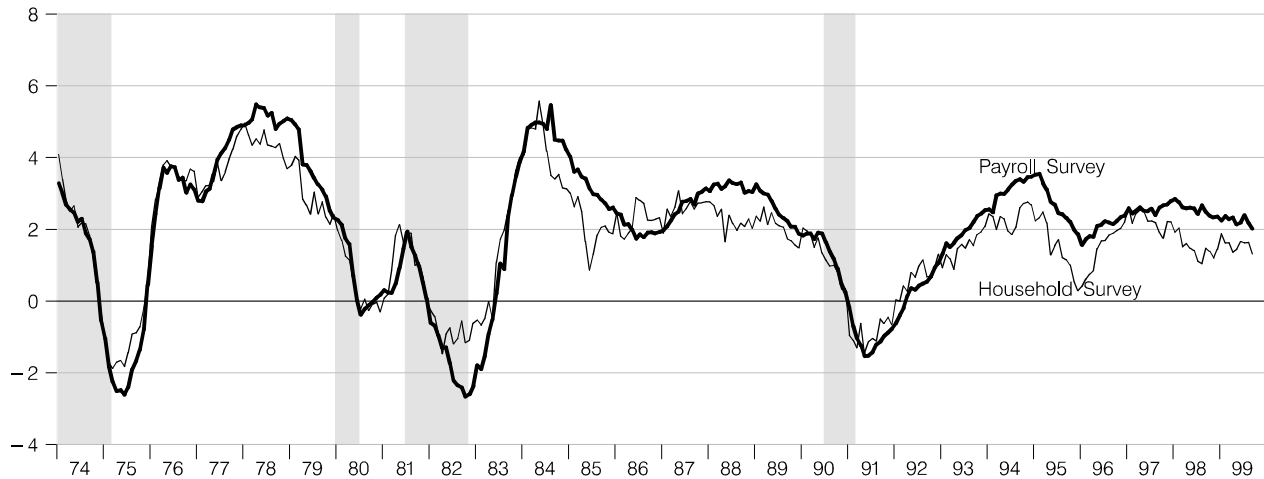
Compensation per Hour

Percent change at annual rate



Employment

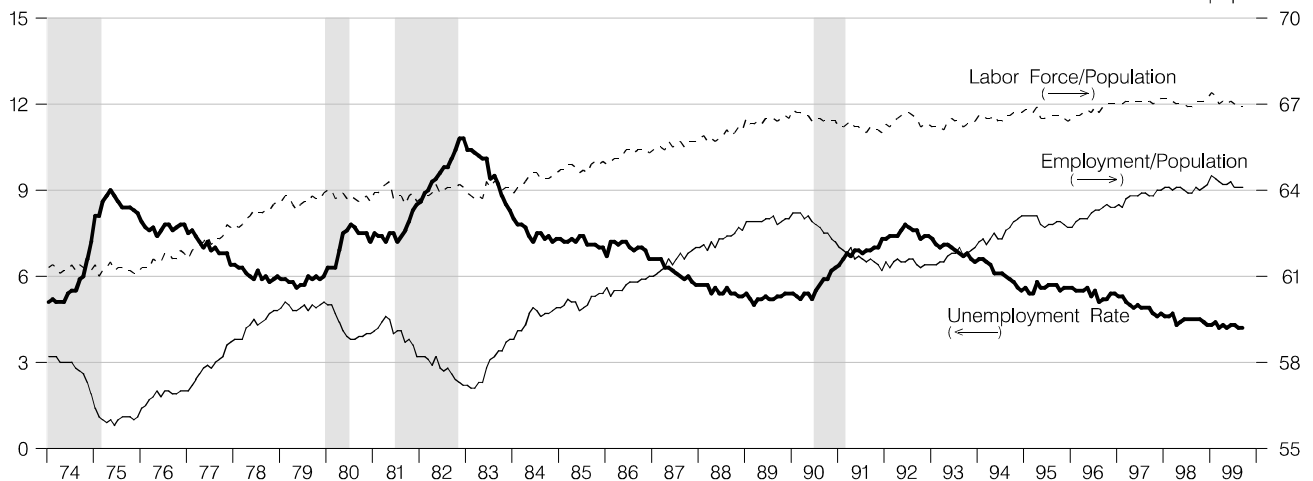
Percent change from year ago



Unemployment, Labor Force Participation and Employment Rates

Percent of labor force

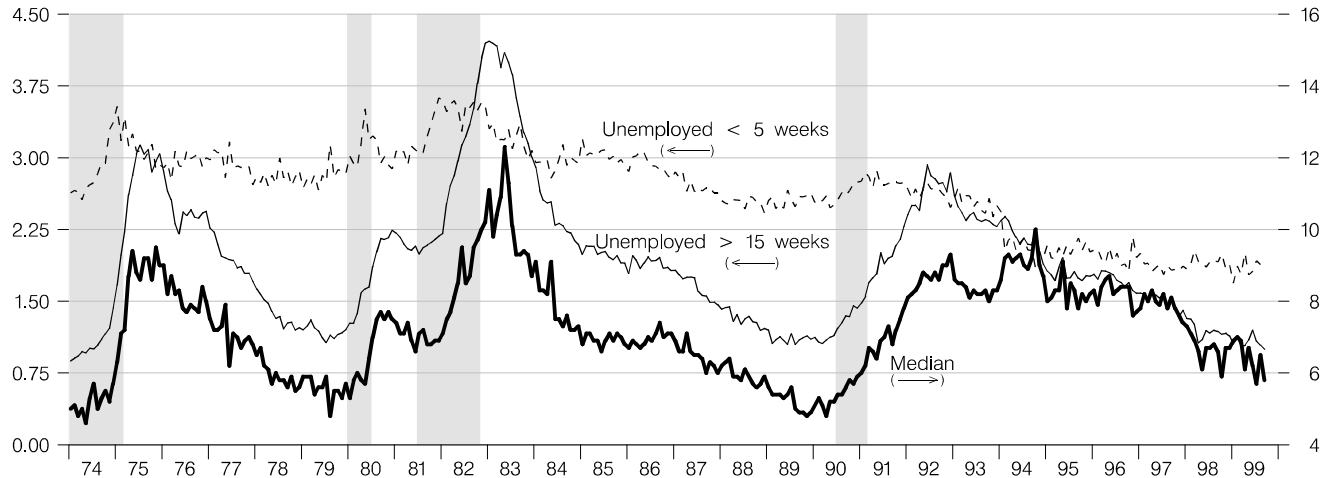
Percent of population



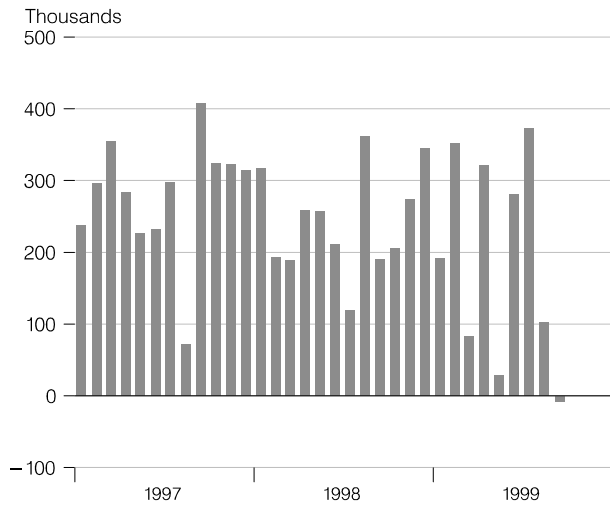
Duration of Unemployment

Percent of labor force

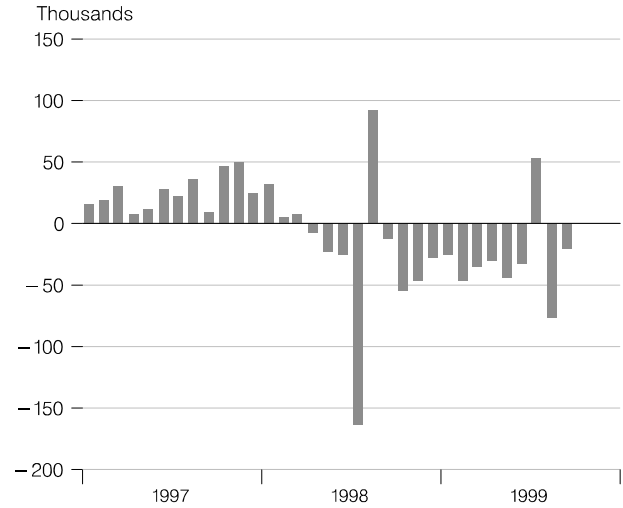
Weeks



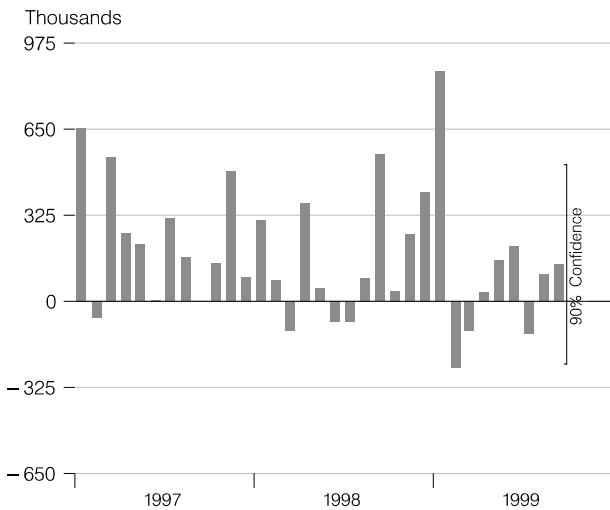
Change in Nonfarm Payrolls



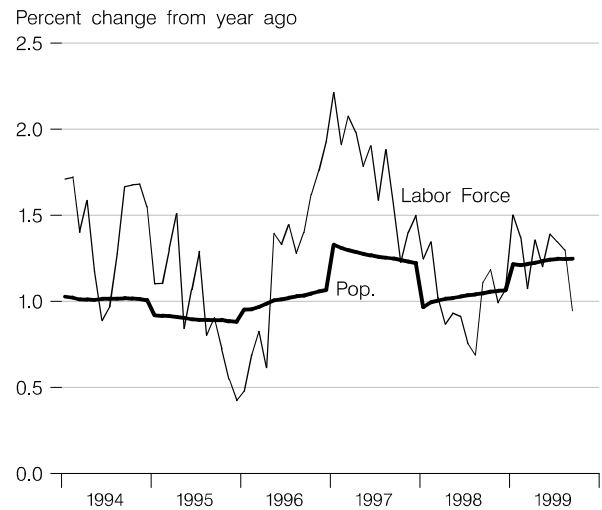
Change in Manufacturing Payrolls



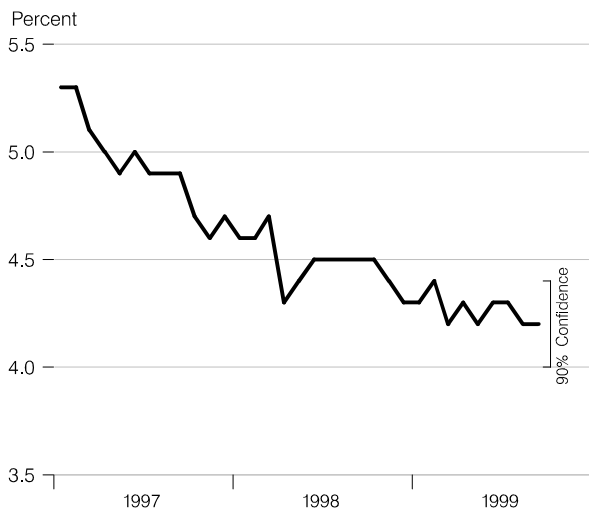
Change in Household Employment



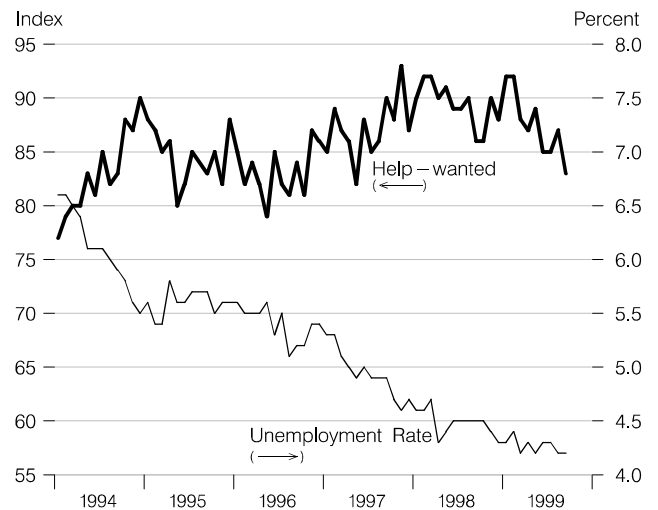
Labor Force and Population



Unemployment Rate

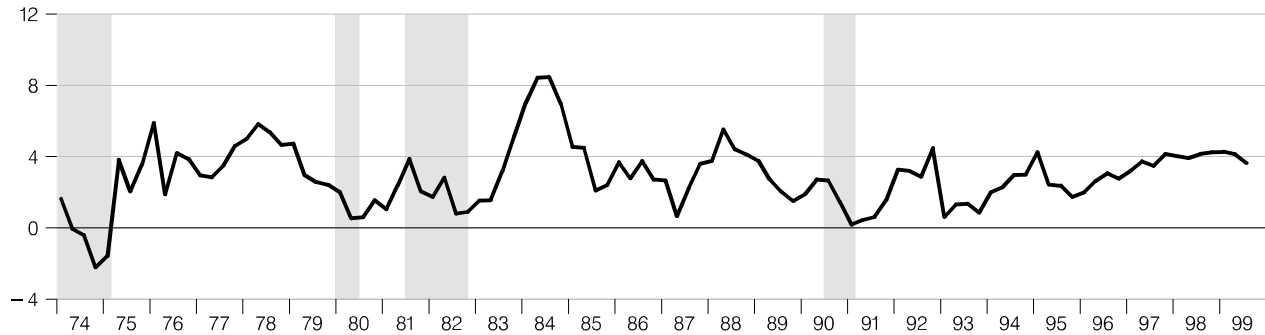


Help-Wanted Advertising



Real Disposable Income

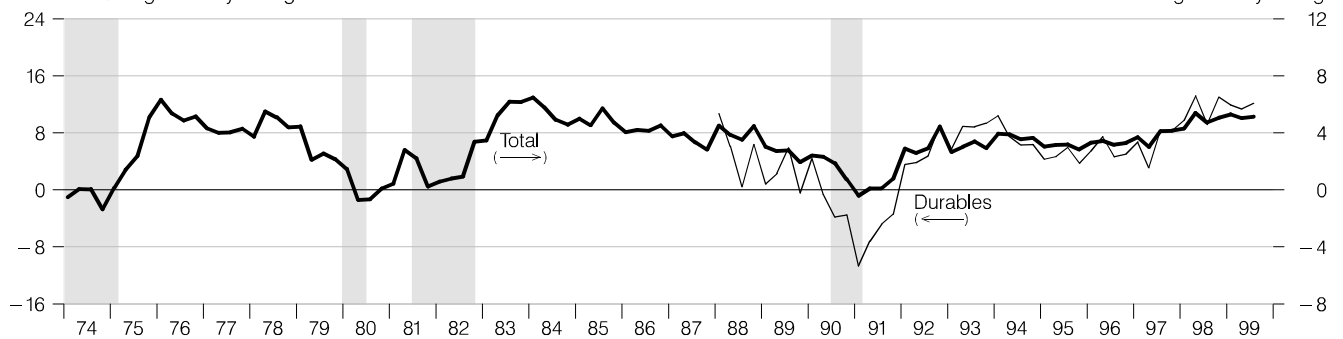
Percent change from year ago, quarterly data



Real Consumption

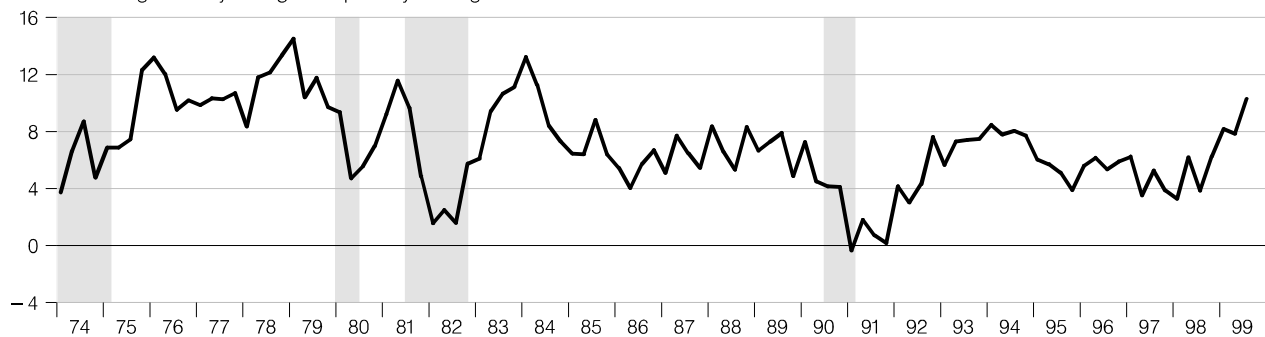
Percent change from year ago

Percent change from year ago



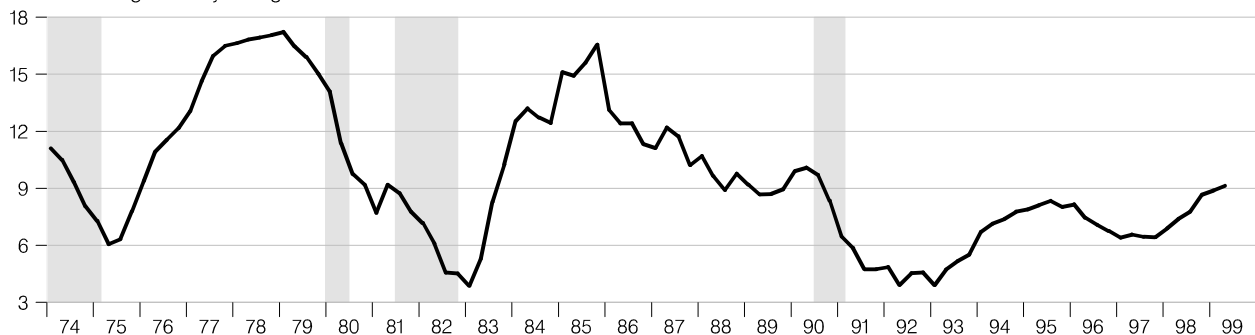
Retail Sales

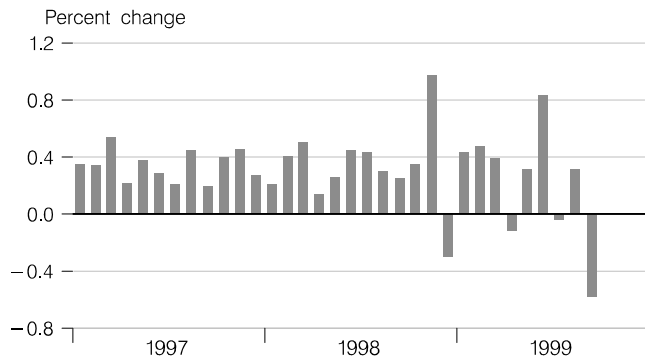
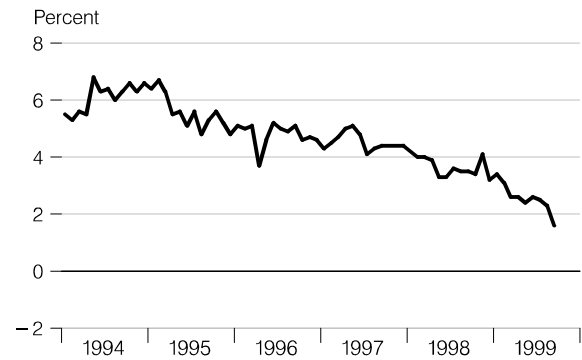
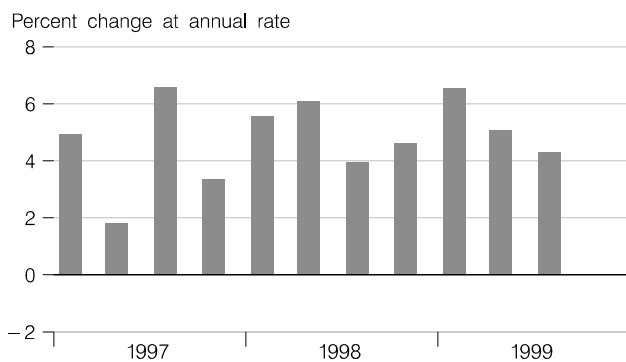
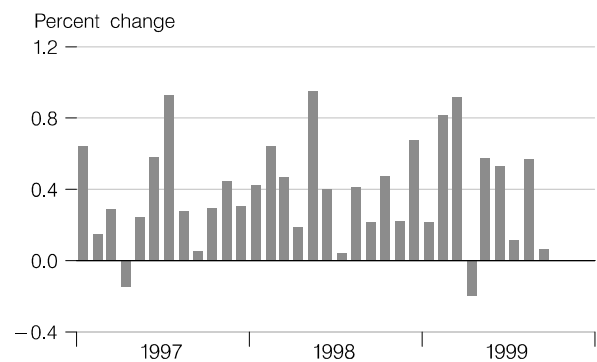
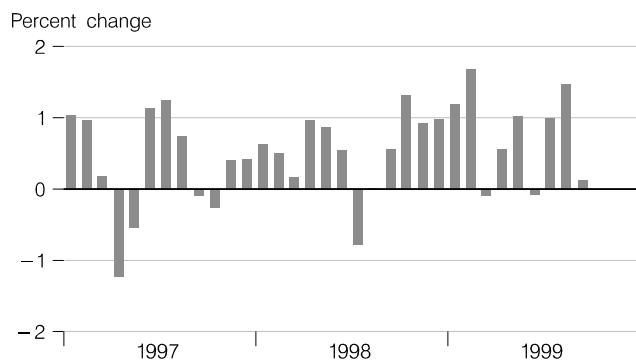
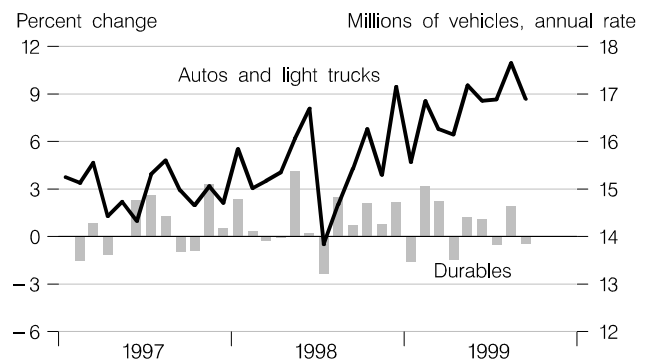
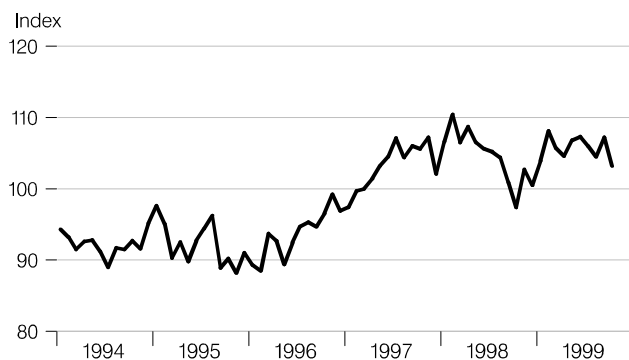
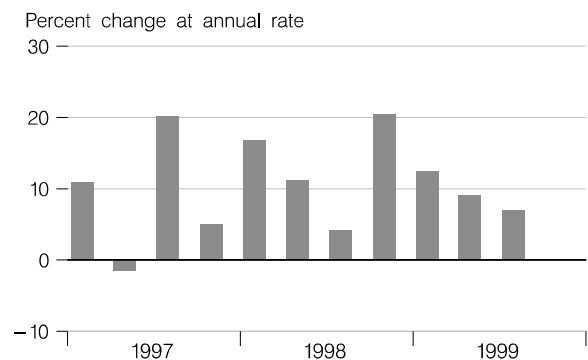
Percent change from year ago of quarterly average



Household Debt Outstanding

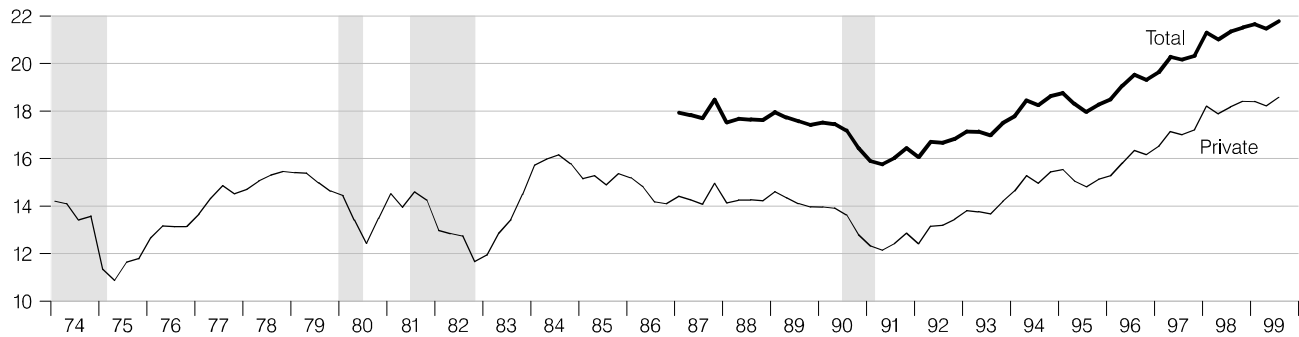
Percent change from year ago



Real Disposable Income**Personal Saving Rate****Real Consumption****Real Consumption****Retail Sales****Real Durables Consumption and Vehicle Sales****Consumer Sentiment (U. of Michigan)****Real Durables Consumption**

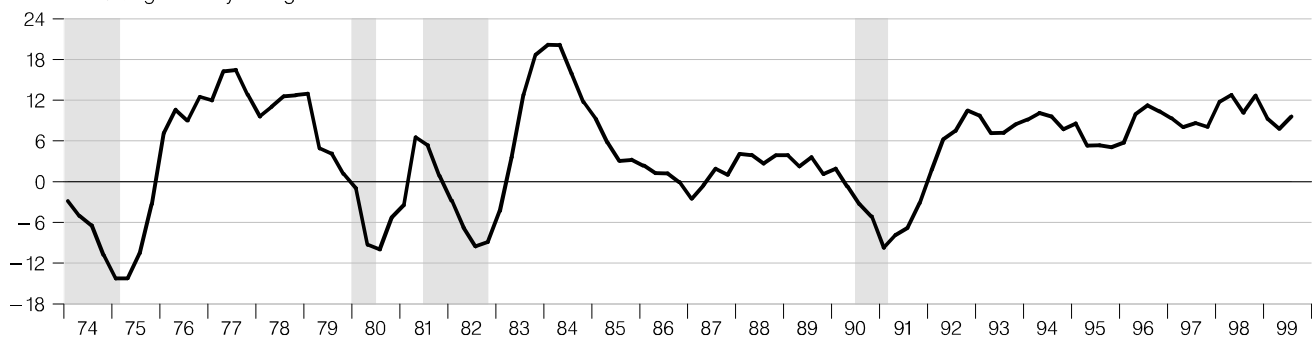
Real Investment

Percent of GDP



Real Private Fixed Investment

Percent change from year ago



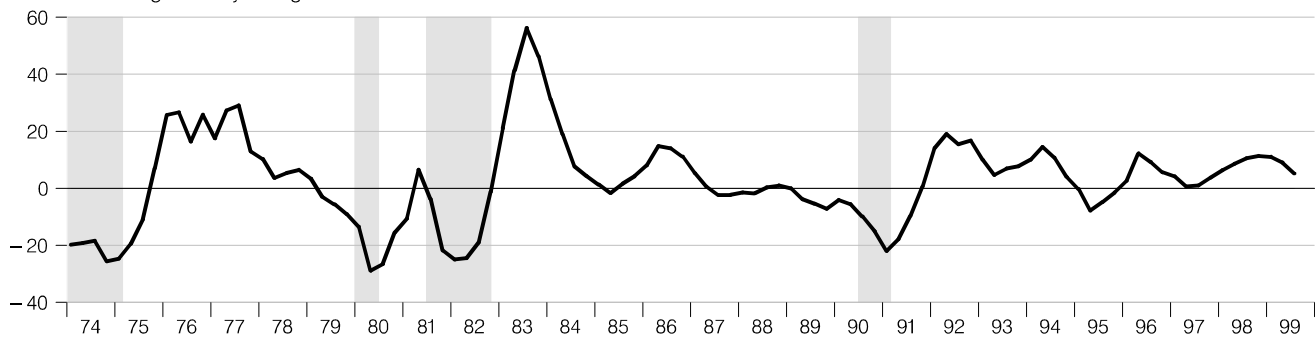
Real Nonresidential and Equipment & Software Investment

Percent change from year ago

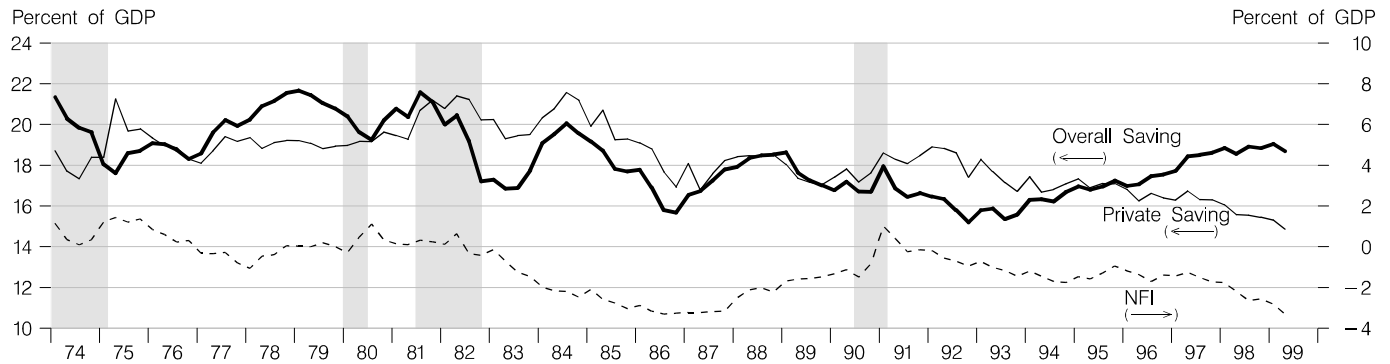


Real Residential Investment

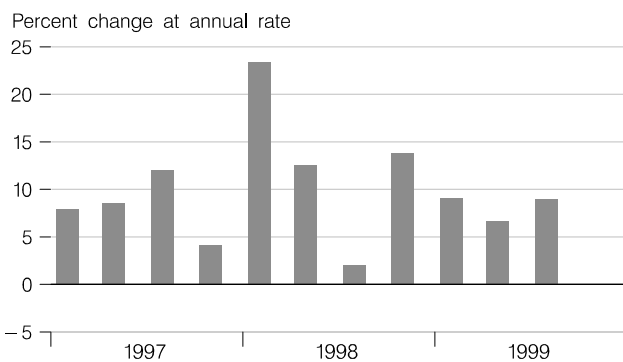
Percent change from year ago



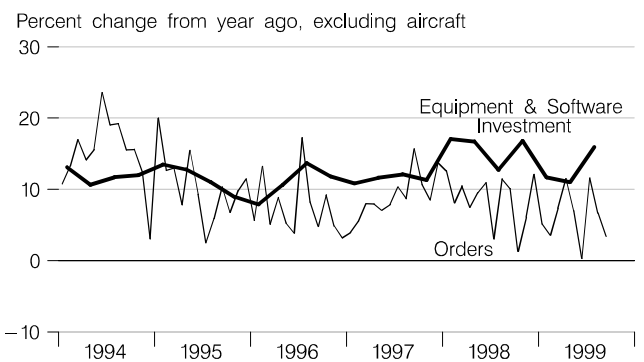
Gross Saving Rates and Net Foreign Investment



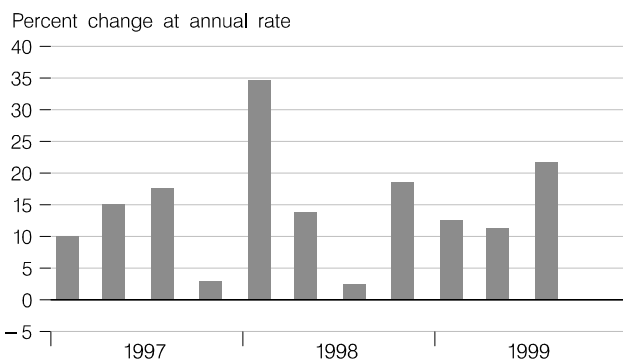
Real Private Fixed Investment



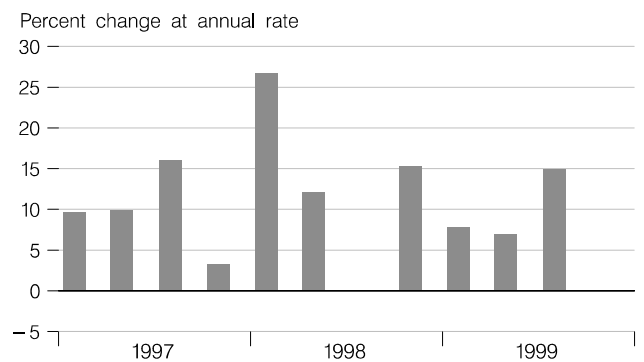
Nondefense Capital Goods Orders



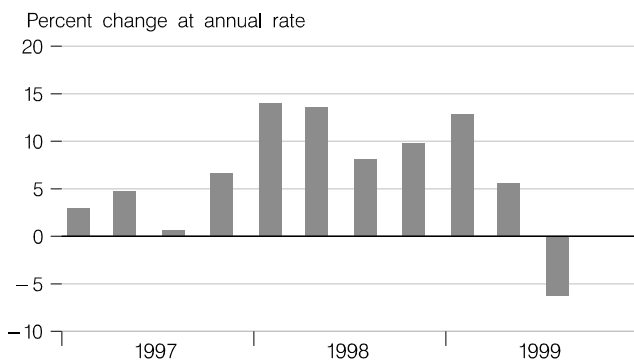
Real Equipment & Software Investment



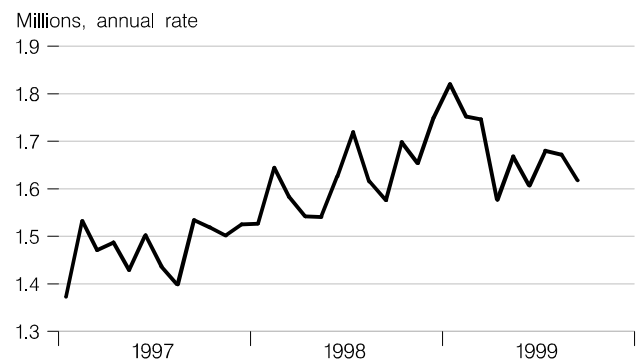
Real Nonresidential Investment



Real Residential Investment

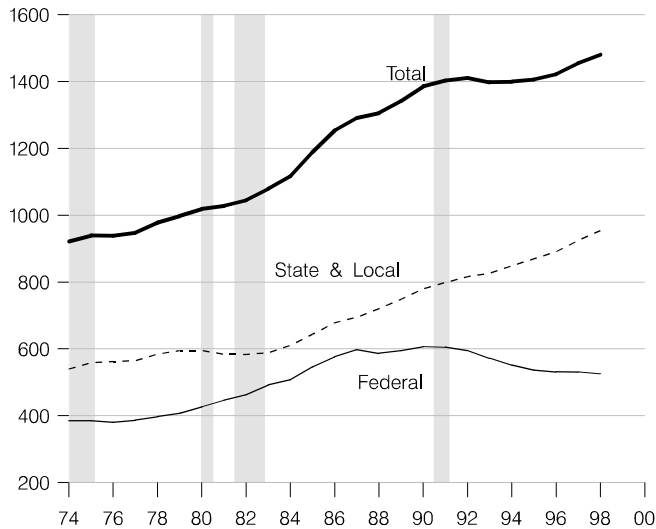


Housing Starts



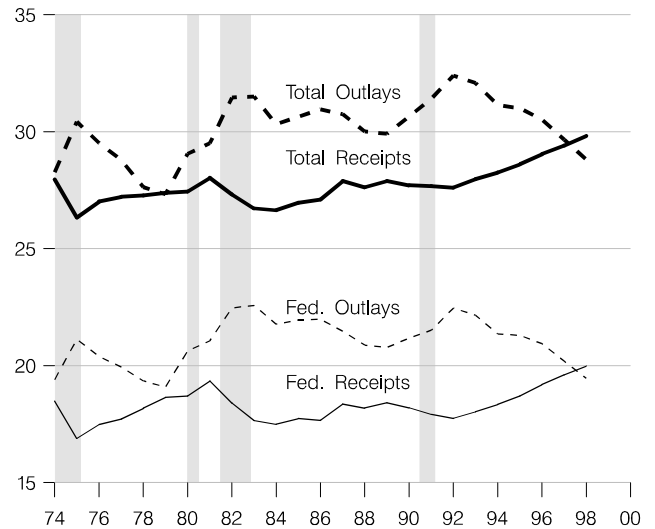
Govt. Consumption and Investment

Billions of 1996 dollars



Government Receipts and Outlays

Percent of GDP



Government Budgets

Billions of dollars

National Income Accounts

Calendar Years

	State and Local			Federal		
	Receipts	Expenditures	Surplus or Deficit(-)	Receipts	Expenditures	Surplus or Deficit(-)
1975	199.6	197.2	2.4	276.1	345.4	-69.3
1976	224.5	217.2	7.3	318.9	371.9	-53.0
1977	249.5	236.4	13.1	359.9	405.0	-45.1
1978	274.3	255.6	18.7	417.3	444.2	-26.9
1979	290.8	277.8	13.0	478.3	489.6	-11.3
1980	316.6	307.8	8.8	522.8	576.6	-53.8
1981	344.4	336.9	7.5	605.6	659.3	-53.7
1982	360.3	362.5	-2.2	599.5	732.1	-132.6
1983	392.1	387.3	4.8	623.9	797.8	-173.9
1984	436.4	412.6	23.8	688.1	856.1	-168.0
1985	469.2	447.0	22.2	747.4	924.6	-177.2
1986	507.9	487.2	20.7	786.4	978.5	-192.1
1987	536.0	523.8	12.2	870.5	1018.4	-147.9
1988	573.7	558.1	15.6	928.9	1066.2	-137.3
1989	618.9	599.6	19.3	1010.3	1140.3	-130.0
1990	663.4	660.8	2.6	1055.7	1228.7	-173.0
1991	716.0	723.8	-7.8	1072.3	1287.6	-215.3
1992	772.2	777.2	-5.0	1121.3	1418.9	-297.6
1993	823.2	821.7	1.5	1197.3	1471.5	-274.2
1994	873.8	865.2	8.6	1293.7	1506.0	-212.3
1995	917.9	902.5	15.4	1383.7	1575.7	-192.0
1996	960.4	939.0	21.4	1499.1	1635.9	-136.8
1997	1009.0	981.5	27.5	1627.2	1676.0	-48.8
1998	1070.4	1028.7	41.7	1750.7	1703.8	46.9

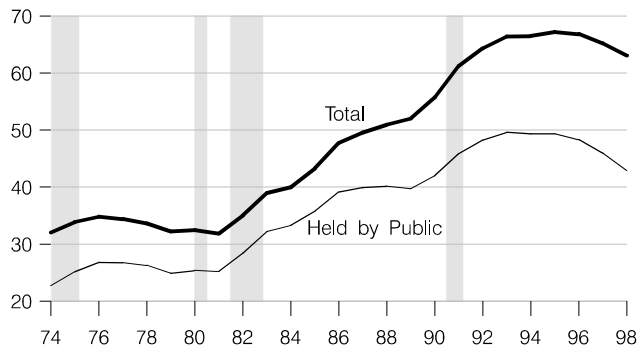
Unified Budget

Fiscal Years

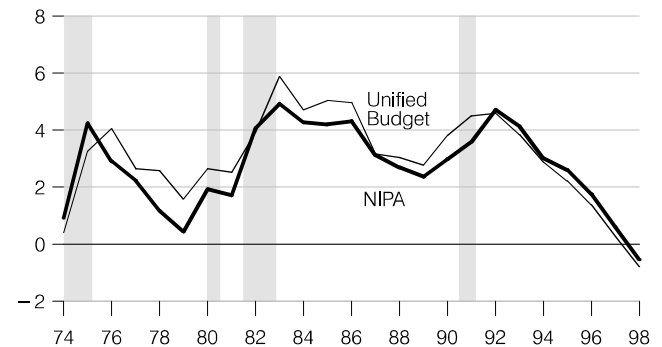
	Federal		
	Receipts	Outlays	Surplus or Deficit(-)
1975	279.1	332.3	-53.2
1976	298.1	371.8	-73.7
1977	355.6	409.2	-53.7
1978	399.6	458.7	-59.2
1979	463.3	504.0	-40.7
1980	517.1	590.9	-73.8
1981	599.3	678.2	-79.0
1982	617.8	745.8	-128.0
1983	600.6	808.4	-207.8
1984	666.5	851.9	-185.4
1985	734.1	946.4	-212.3
1986	769.2	990.5	-221.2
1987	854.4	1004.1	-149.8
1988	909.3	1064.5	-155.2
1989	991.2	1143.7	-152.5
1990	1032.0	1253.2	-221.2
1991	1055.0	1324.4	-269.4
1992	1091.3	1381.7	-290.4
1993	1154.4	1409.4	-255.0
1994	1258.6	1461.7	-203.1
1995	1351.8	1515.7	-163.9
1996	1453.1	1560.5	-107.5
1997	1579.3	1601.2	-21.9
1998	1721.8	1652.6	69.2

Federal Debt

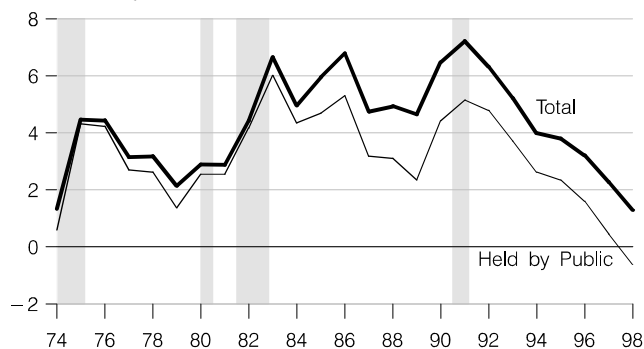
Percent of GDP

**Federal Deficit**

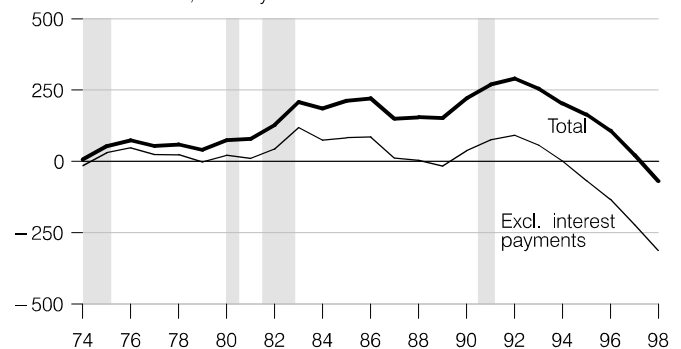
Percent of GDP

**Change in Federal Debt**

Percent of GDP

**Federal Deficit, Unified Basis**

Billions of dollars, fiscal years

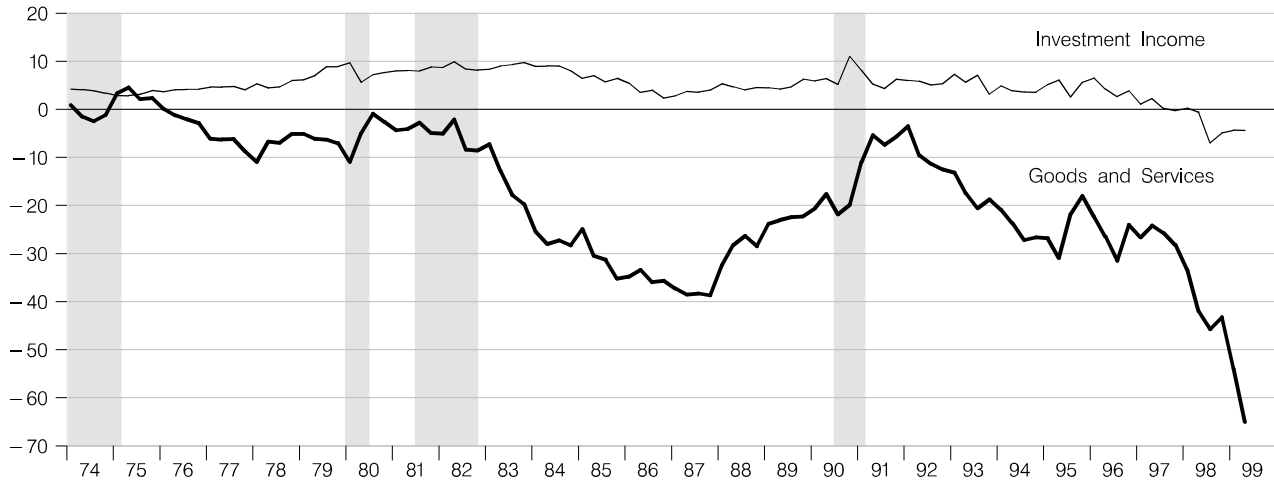
**Federal Government Debt**

Billions of dollars, end of month or fiscal year, excluding agency-issued debt

		Total Public Debt	Held by Agencies and Trusts	Held by Public		Held by Private Investors	
				Total	Federal Reserve Banks	Total	Foreign and International
1996		5224.8	1447.0	3777.8	390.9	3393.2	993.4
1997		5413.1	1598.5	3814.7	436.5	3401.6	1230.5
1998		5526.2	1765.6	3760.6	458.1	3313.2	1224.2
1996	March	5117.8	1353.8	3764.0	381.0	3386.7	908.1
	June	5161.1	1422.4	3738.6	391.0	3354.4	929.7
	September	5224.8	1447.0	3777.8	390.9	3393.2	993.4
	December	5323.2	1497.2	3826.0	410.9	3431.2	1102.1
1997	March	5380.9	1506.8	3874.1	405.6	3452.2	1157.6
	June	5376.2	1571.6	3804.6	426.4	3377.3	1182.7
	September	5413.1	1598.5	3814.7	436.5	3401.6	1230.5
	December	5502.4	1655.7	3846.7	451.9	3414.6	1241.6
1998	March	5542.4	1670.4	3872.1	400.0	3437.5	1250.5
	June	5547.9	1757.6	3790.4	458.4	3349.3	1256.0
	September	5526.2	1765.6	3760.6	458.1	3313.2	1224.2
	December	5614.2	1826.8	3787.4	471.7	3334.0	1278.7
1999	March	5651.6	1857.1	3794.5	464.5	3327.6	1270.8
	June	5638.8	1953.6	3685.2	493.8	3199.3	1257.3

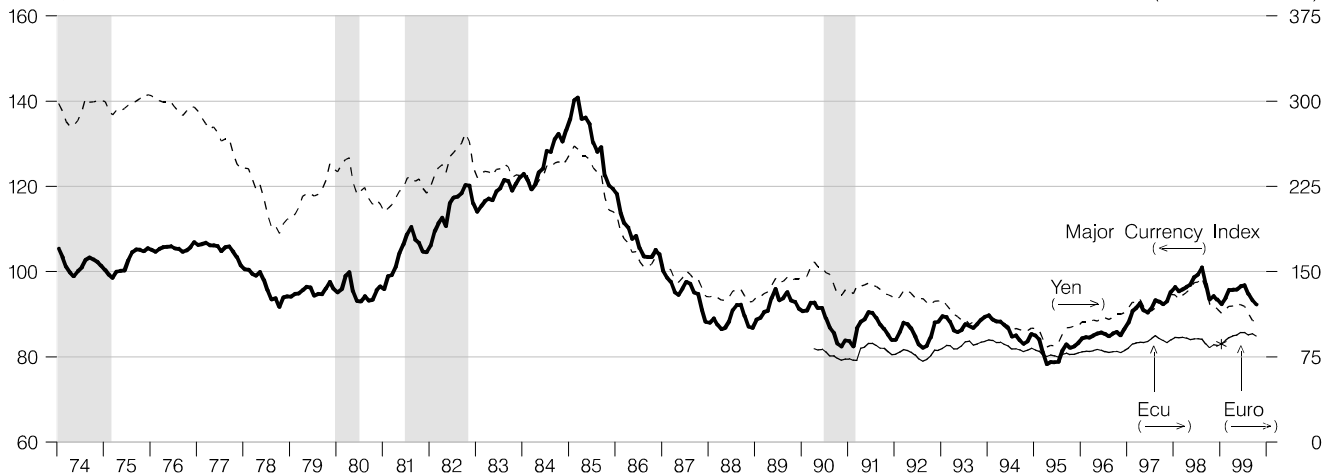
Trade and Investment Income Balances

Billions of dollars, quarterly rate

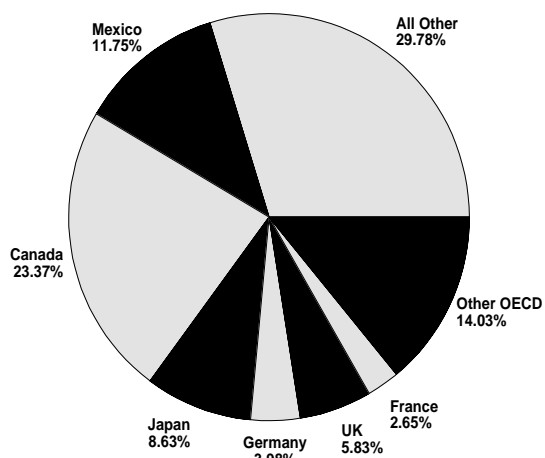


Exchange Rates

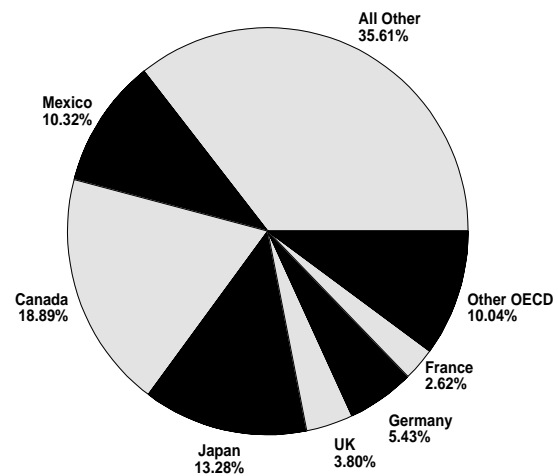
Index, March 1973 = 100

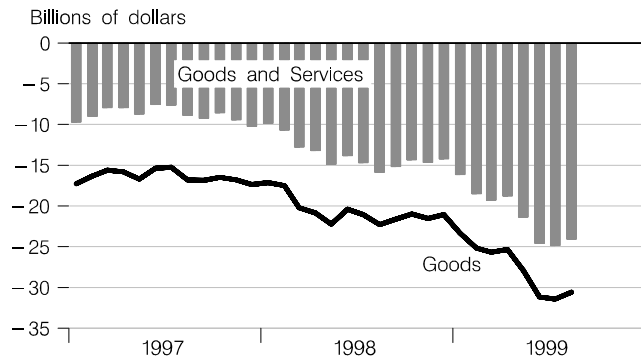
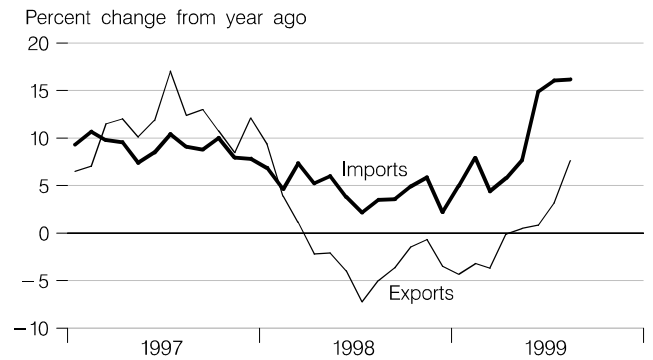
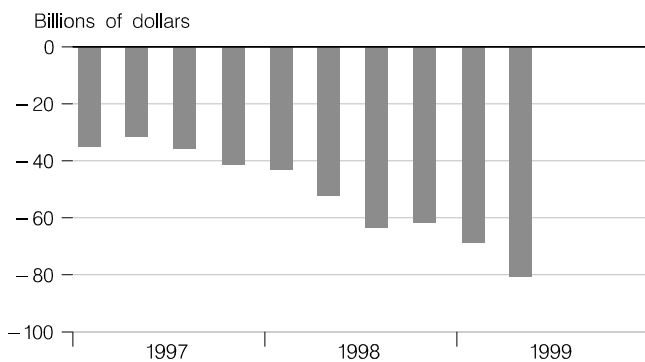
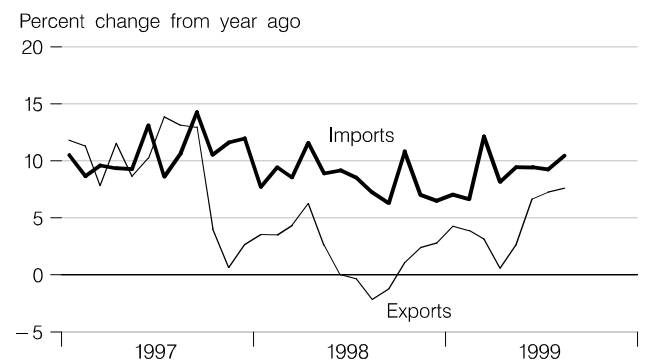


Goods Export Shares, 1998

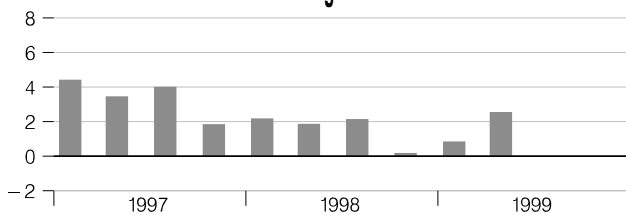
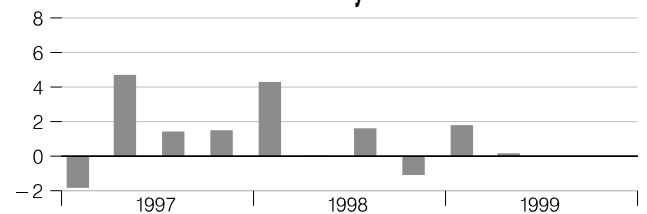
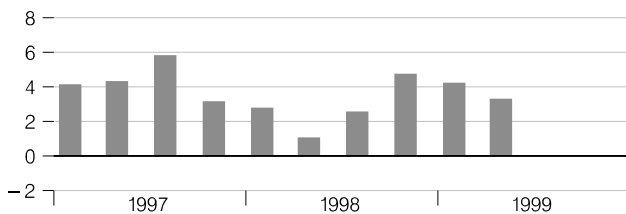
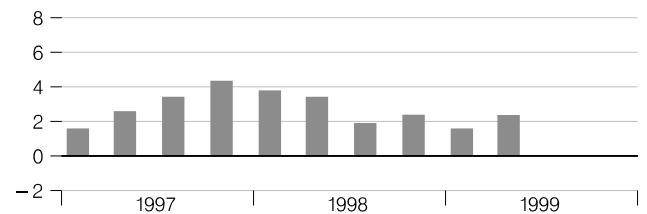
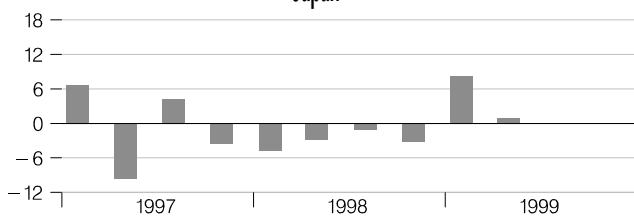
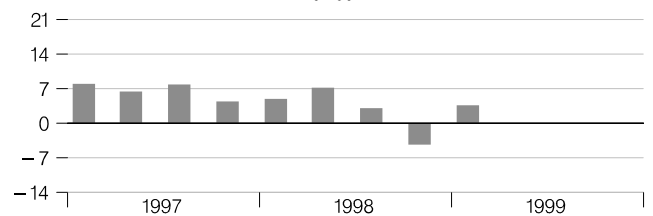


Goods Import Shares, 1998

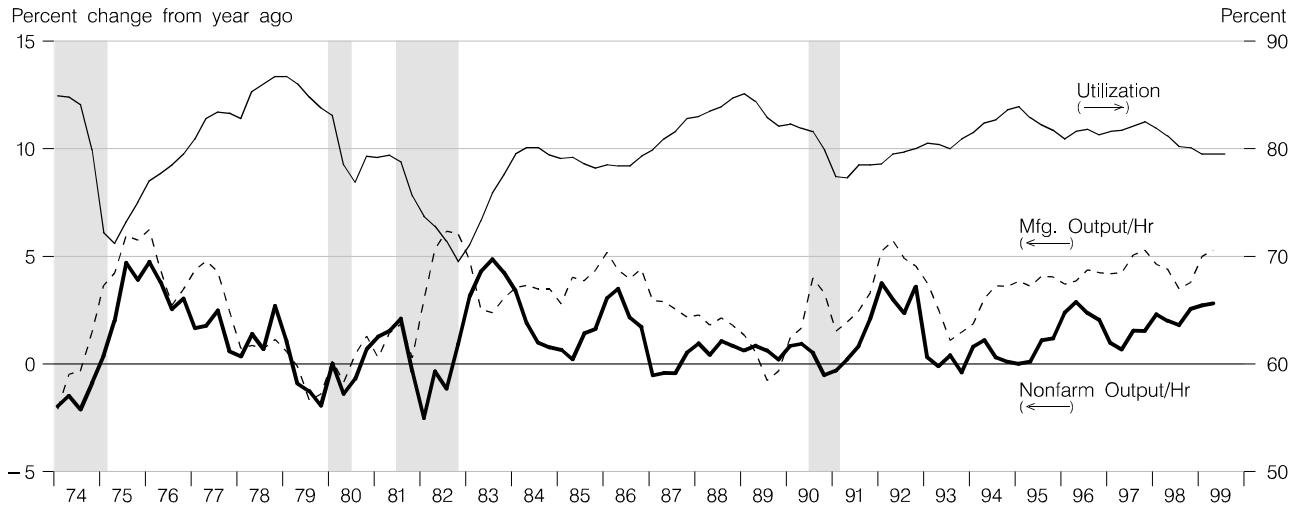


Trade Balance**Goods Trade****Current Account Balance****Services Trade****Real GDP Growth of Major Trading Partners**

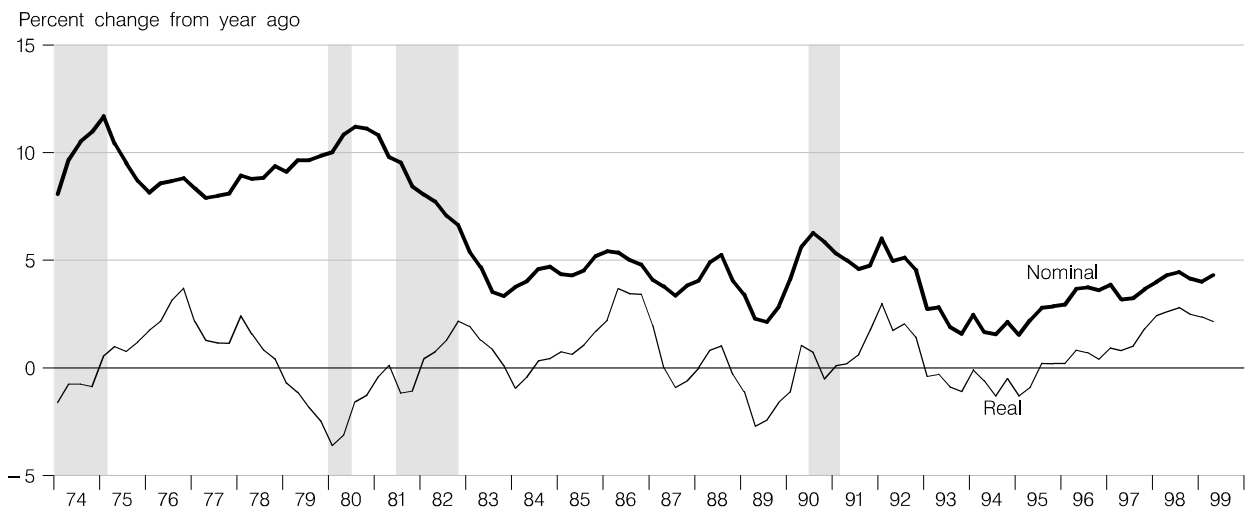
Percent change at annual rate

United Kingdom**Germany****Canada****France****Japan****Mexico**

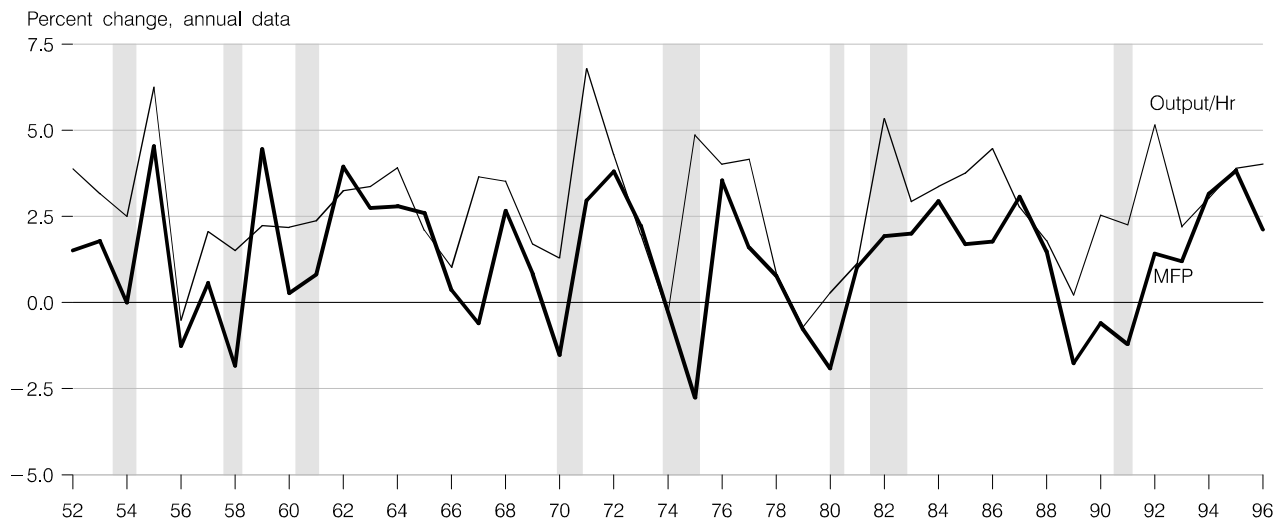
Output per Hour and Manufacturing Capacity Utilization



Nonfarm Compensation per Hour

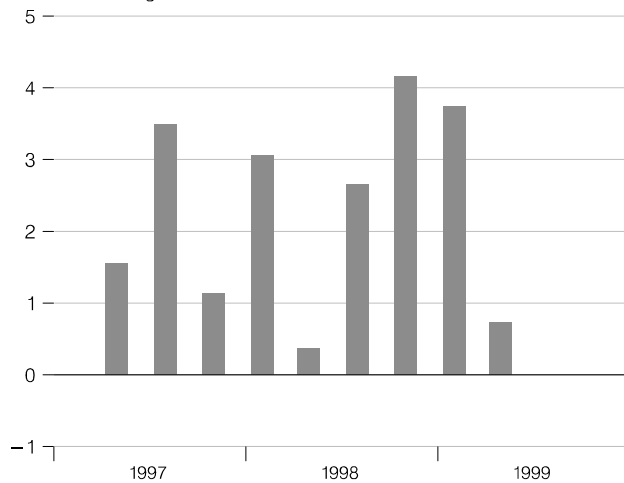


Output per Hour and Multifactor Productivity, Manufacturing

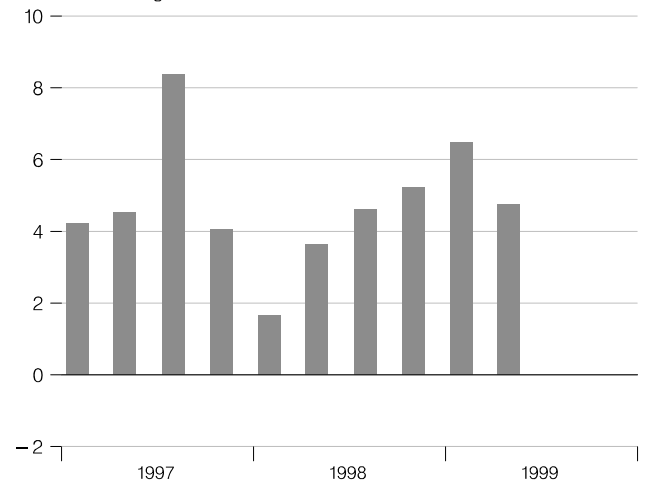


Nonfarm Output per Hour

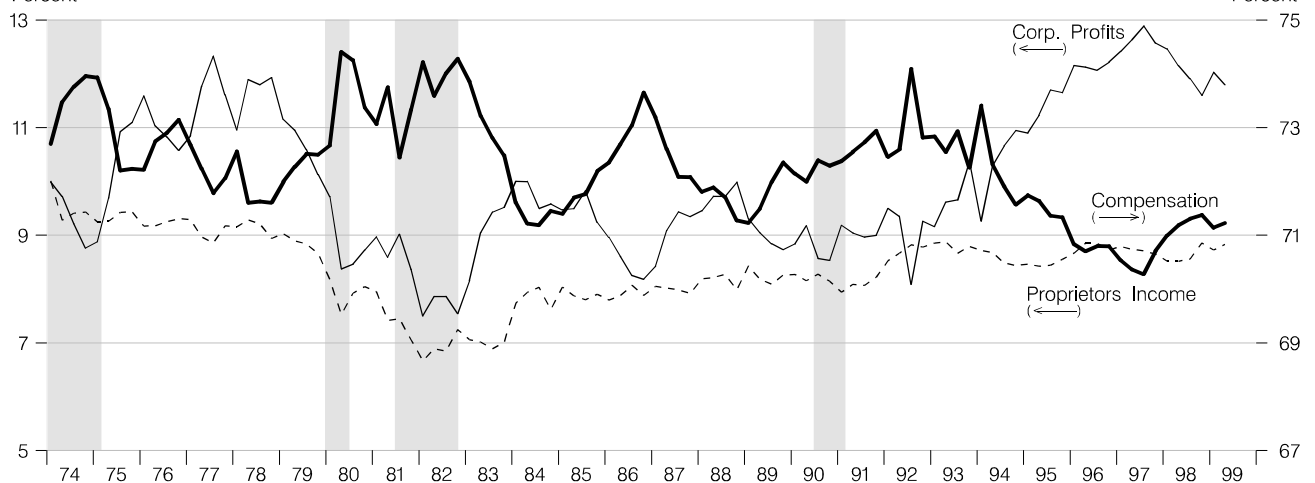
Percent change at annual rate

**Manufacturing Output per Hour**

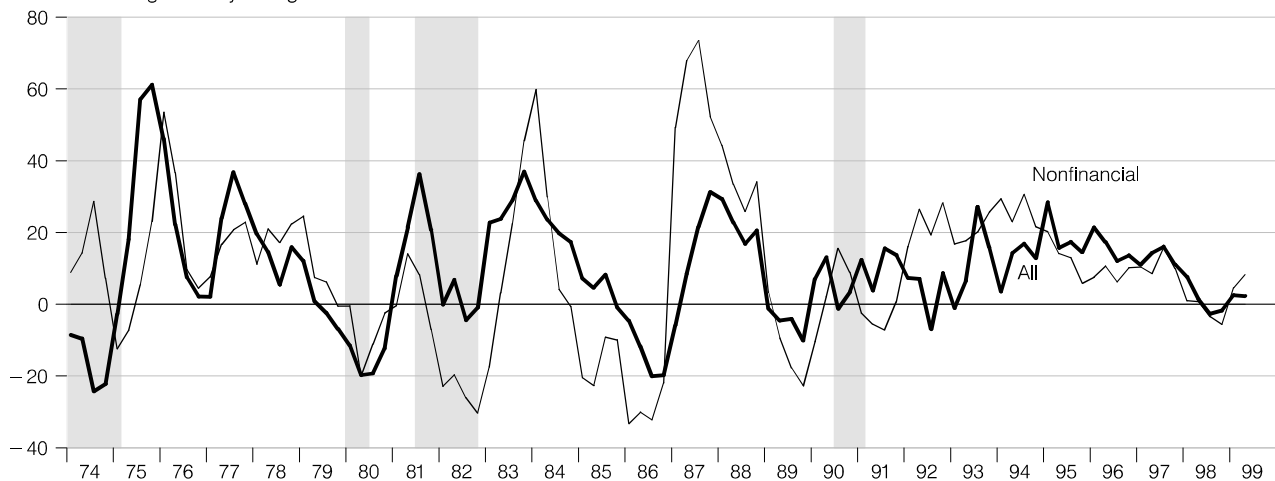
Percent change at annual rate

**Selected Component Shares of National Income**

Percent

**Corporate Profits after Tax (with IVA and CCAdj)**

Percent change from year ago



	Nominal GDP			Real GDP			Final Sales			Change in Private Inventories	
	Percent change			Percent change			Percent change			Billions of 1996 \$	
	Billions of \$	Annual rate	Year ago	Billions of 1996 \$	Annual rate	Year ago	Billions of 1996 \$	Annual rate	Year ago	Last qtr	Year/Year ago
1995	7400.5		4.9	7537.100		2.7	7505.500		3.2		30.400
1996	7813.2		5.6	7813.200		3.7	7783.200		3.7		30.000
1997	8300.8		6.2	8165.100		4.5	8095.700		4.0		69.100
1998	8759.9		5.5	8516.300		4.3	8441.300		4.3		74.300
1996 1	7629.6	5.4	4.6	7671.400	2.9	2.6	7664.600	3.6	3.3	5.600	16.275
2	7782.7	8.3	6.0	7800.500	6.9	4.1	7770.900	5.7	4.1	30.300	15.725
3	7859.0	4.0	5.7	7843.300	2.2	3.8	7793.500	1.2	3.3	51.200	26.275
4	7981.4	6.4	6.0	7937.500	4.9	4.2	7903.700	5.8	4.0	32.900	30.000
1997 1	8125.9	7.4	6.5	8033.400	4.9	4.7	7981.100	4.0	4.1	51.500	41.475
2	8259.5	6.7	6.1	8134.800	5.1	4.3	8042.000	3.1	3.5	93.100	57.175
3	8364.5	5.2	6.4	8214.800	4.0	4.7	8155.300	5.8	4.6	59.200	59.175
4	8453.0	4.3	5.9	8277.300	3.1	4.3	8204.300	2.4	3.8	72.700	69.125
1998 1	8610.6	7.7	6.0	8412.700	6.7	4.7	8307.000	5.1	4.1	107.300	83.075
2	8683.7	3.4	5.1	8457.200	2.1	4.0	8410.400	5.1	4.6	43.100	70.575
3	8797.9	5.4	5.2	8536.000	3.8	3.9	8459.600	2.4	3.7	76.100	74.800
4	8947.6	7.0	5.9	8659.200	5.9	4.6	8588.300	6.2	4.7	70.700	74.300
1999 1	9072.7	5.7	5.4	8737.900	3.7	3.9	8685.200	4.6	4.6	50.100	60.000
2	9146.2	3.3	5.3	8778.600	1.9	3.8	8757.900	3.4	4.1	14.000	52.725
3	9276.3	5.8	5.4	8882.600	4.8	4.1	8846.500	4.1	4.6	28.100	40.725

	Consumption			Durables Consumption			Private Fixed Investment			Nonresidential Investment		
	Percent change			Percent change			Percent change			Percent change		
	Billions of 1996 \$	Annual rate	Year ago	Billions of 1996 \$	Annual rate	Year ago	Billions of 1996 \$	Annual rate	Year ago	Billions of 1996 \$	Annual rate	Year ago
1995	5070.100		3.1	583.500		4.6	1109.200		6.1	817.500		9.8
1996	5237.500		3.3	616.500		5.7	1212.700		9.3	899.400		10.0
1997	5433.700		3.7	657.400		6.6	1316.000		8.5	995.700		10.7
1998	5698.600		4.9	731.500		11.3	1471.800		11.8	1122.500		12.7
1996 1	5170.300	3.3	3.3	601.700	4.1	5.5	1165.200	12.0	5.7	861.600	13.1	6.8
2	5227.500	4.5	3.4	620.400	13.0	7.4	1203.700	13.9	9.9	885.600	11.6	9.1
3	5255.400	2.2	3.2	618.100	-1.5	4.6	1231.600	9.6	11.2	914.300	13.6	12.0
4	5296.800	3.2	3.3	625.700	5.0	5.0	1250.200	6.2	10.4	936.200	9.9	12.1
1997 1	5361.100	4.9	3.7	642.100	10.9	6.7	1274.100	7.9	9.3	957.900	9.6	11.2
2	5385.100	1.8	3.0	639.700	-1.5	3.1	1300.600	8.6	8.1	980.800	9.9	10.7
3	5471.800	6.6	4.1	669.700	20.1	8.3	1337.900	12.0	8.6	1018.000	16.1	11.3
4	5517.100	3.4	4.2	678.000	5.1	8.4	1351.300	4.1	8.1	1026.100	3.2	9.6
1998 1	5592.300	5.6	4.3	704.900	16.8	9.8	1424.200	23.4	11.8	1088.600	26.7	13.6
2	5675.600	6.1	5.4	723.900	11.2	13.2	1466.700	12.5	12.8	1120.200	12.1	14.2
3	5730.700	3.9	4.7	731.200	4.1	9.2	1474.000	2.0	10.2	1120.300	0.0	10.0
4	5795.800	4.6	5.1	766.000	20.4	13.0	1522.500	13.8	12.7	1160.800	15.3	13.1
1999 1	5888.400	6.5	5.3	788.800	12.4	11.9	1555.900	9.1	9.2	1182.700	7.8	8.6
2	5961.800	5.1	5.0	806.100	9.1	11.4	1581.000	6.6	7.8	1202.900	7.0	7.4
3	6025.100	4.3	5.1	819.900	7.0	12.1	1615.400	9.0	9.6	1245.400	14.9	11.2

	GDP Chain Price Index			Employment Cost Index			ECI: Wages			ECI: Benefits		
	Index	Percent change		Index	Percent change		Index	Percent change		Index	Percent change	
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago
1995	98.190		2.1	125.8		2.8	121.9		2.9	135.0		2.2
1996	100.000		1.8	129.3		2.8	126.0		3.3	137.4		1.8
1997	101.660		1.7	133.3		3.1	130.4		3.5	140.2		2.0
1998	102.860		1.2	138.0		3.5	135.6		4.0	143.7		2.5
1996 1	99.460	2.4	1.9	127.9	2.9	2.7	124.4	4.0	3.2	136.2	0.6	1.6
2	99.770	1.3	1.8	128.9	3.2	2.8	125.6	3.9	3.4	137.0	2.4	1.7
3	100.210	1.8	1.8	129.7	2.5	2.9	126.4	2.6	3.3	137.7	2.1	1.8
4	100.560	1.4	1.7	130.7	3.1	2.9	127.4	3.2	3.4	138.6	2.6	1.9
1997 1	101.140	2.3	1.7	131.6	2.8	2.9	128.5	3.5	3.3	138.9	0.9	2.0
2	101.530	1.6	1.8	132.7	3.4	2.9	129.7	3.8	3.3	139.7	2.3	2.0
3	101.830	1.2	1.6	133.7	3.0	3.1	130.9	3.8	3.6	140.3	1.7	1.9
4	102.150	1.3	1.6	135.2	4.6	3.4	132.4	4.7	3.9	141.7	4.1	2.2
1998 1	102.410	1.0	1.3	136.1	2.7	3.4	133.6	3.7	4.0	142.2	1.4	2.4
2	102.700	1.1	1.2	137.3	3.6	3.5	134.9	3.9	4.0	143.2	2.8	2.5
3	103.060	1.4	1.2	138.7	4.1	3.7	136.5	4.8	4.3	144.1	2.5	2.7
4	103.280	0.9	1.1	139.7	2.9	3.3	137.5	3.0	3.9	145.1	2.8	2.4
1999 1	103.790	2.0	1.3	140.2	1.4	3.0	138.1	1.8	3.4	145.4	0.8	2.3
2	104.130	1.3	1.4	141.8	4.6	3.3	139.8	5.0	3.6	146.8	3.9	2.5
3	104.380	1.0	1.3	143.0	3.4	3.1	140.9	3.2	3.2	148.1	3.6	2.8
	Exports			Imports			Nonfarm Output per Hour			Nonfarm Compensation/Hr		
	Billions of 1996 \$	Percent change		Billions of 1996 \$	Percent change		Index	Percent change		Index	Percent change	
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago
1995	807.400		10.3	886.600		8.2	101.2		0.6	106.7		2.4
1996	874.200		8.3	963.100		8.6	103.7		2.5	110.4		3.5
1997	985.400		12.7	1095.200		13.7	104.9		1.2	114.3		3.5
1998	1007.100		2.2	1222.200		11.6	107.2		2.2	119.1		4.2
1996 1	845.600	2.3	8.5	921.100	10.8	5.5	103.1	4.4	2.4	108.7	2.6	2.9
2	859.800	6.9	9.1	950.400	13.3	7.2	103.8	2.7	2.9	110.1	5.3	3.7
3	867.100	3.4	5.6	982.900	14.4	10.5	103.8	0.0	2.4	111.0	3.3	3.7
4	924.200	29.1	9.9	998.100	6.3	11.2	104.1	1.2	2.1	111.9	3.3	3.6
1997 1	943.900	8.8	11.6	1034.700	15.5	12.3	104.1	0.0	1.0	112.9	3.6	3.9
2	979.900	16.2	14.0	1080.800	19.0	13.7	104.5	1.5	0.7	113.6	2.5	3.2
3	1006.800	11.4	16.1	1125.500	17.6	14.5	105.4	3.5	1.5	114.6	3.6	3.2
4	1011.200	1.8	9.4	1139.900	5.2	14.2	105.7	1.1	1.5	116.0	5.0	3.7
1998 1	1007.300	-1.5	6.7	1179.000	14.4	13.9	106.5	3.1	2.3	117.4	4.9	4.0
2	997.200	-4.0	1.8	1215.600	13.0	12.5	106.6	0.4	2.0	118.5	3.8	4.3
3	993.000	-1.7	-1.4	1231.000	5.2	9.4	107.3	2.7	1.8	119.7	4.1	4.5
4	1030.800	16.1	1.9	1263.100	10.8	10.8	108.4	4.2	2.6	120.8	3.7	4.1
1999 1	1016.400	-5.5	0.9	1300.900	12.5	10.3	109.4	3.7	2.7	122.1	4.4	4.0
2	1026.400	4.0	2.9	1345.400	14.4	10.7	109.6	0.7	2.8	123.6	5.0	4.3
3	1056.900	12.4	6.4	1399.900	17.2	13.7						

		Household Survey Employment				Nonfarm Payroll Employment				Nonfarm Aggregate Hours			
		Thousands	Change	Percent change		Thousands	Change	Percent change		Index	Percent change		
				Annual rate	Year ago			Annual rate	Year ago		Monthly rate	Annual rate	Year ago
1994		123071	2813		2.3	114135	3443		3.1	129.8			4.2
1995		124906	1834		1.5	117189	3054		2.7	133.4			2.7
1996		126710	1805		1.4	119594	2405		2.1	136.6			2.4
1997		129559	2848		2.2	122673	3079		2.6	141.4			3.5
1998		131458	1899		1.5	125803	3130		2.6	145.1			2.6
1997	1	128612	829	2.6	2.4	121447	779	2.6	2.5	139.7	0.9	3.7	3.9
	2	129355	743	2.3	2.4	122294	847	2.8	2.5	140.9	0.9	3.7	3.4
	3	129855	500	1.6	2.1	123006	712	2.4	2.5	141.9	0.7	2.8	3.3
	4	130413	558	1.7	2.1	123946	940	3.1	2.7	143.2	0.9	3.6	3.4
1998	1	130957	544	1.7	1.8	124771	825	2.7	2.7	144.2	0.7	3.0	3.3
	2	131288	330	1.0	1.5	125462	691	2.2	2.6	144.7	0.3	1.3	2.7
	3	131419	132	0.4	1.2	126113	651	2.1	2.5	145.3	0.4	1.6	2.4
	4	132166	746	2.3	1.3	126865	752	2.4	2.4	146.2	0.7	2.7	2.1
1999	1	133191	1025	3.1	1.7	127640	776	2.5	2.3	147.0	0.5	2.0	1.9
	2	133242	51	0.2	1.5	128246	606	1.9	2.2	147.3	0.2	1.0	1.8
	3	133423	181	0.5	1.5	128882	636	2.0	2.2	148.1	0.5	2.2	2.0
1997 Sep		129911	1	0.0	1.9	123302	408	4.1	2.6	142.4	0.4	4.3	3.2
Oct		130055	144	1.3	1.8	123626	324	3.2	2.7	142.7	0.2	2.6	3.5
Nov		130546	491	4.6	2.2	123949	323	3.2	2.7	143.3	0.4	5.2	3.6
Dec		130638	92	0.8	2.2	124263	314	3.1	2.8	143.5	0.1	1.7	3.2
1998 Jan		130943	305	2.8	1.9	124580	317	3.1	2.8	144.3	0.6	6.9	4.0
Feb		131021	78	0.7	2.0	124773	193	1.9	2.8	144.3	0.0	0.0	3.3
Mar		130908	-113	-1.0	1.5	124961	188	1.8	2.6	144.1	-0.1	-1.7	2.5
Apr		131280	372	3.5	1.6	125220	259	2.5	2.6	144.3	0.1	1.7	2.6
May		131330	50	0.5	1.5	125478	258	2.5	2.6	145.0	0.5	6.0	2.7
Jun		131253	-77	-0.7	1.4	125689	211	2.0	2.6	144.8	-0.1	-1.6	2.8
Jul		131176	-77	-0.7	1.1	125808	119	1.1	2.4	145.2	0.3	3.4	2.7
Aug		131264	88	0.8	1.0	126170	362	3.5	2.7	145.5	0.2	2.5	2.5
Sep		131818	554	5.2	1.5	126361	191	1.8	2.5	145.1	-0.3	-3.2	1.9
Oct		131858	40	0.4	1.4	126567	206	2.0	2.4	146.0	0.6	7.7	2.3
Nov		132113	255	2.3	1.2	126841	274	2.6	2.3	146.1	0.1	0.8	2.0
Dec		132526	413	3.8	1.4	127186	345	3.3	2.4	146.6	0.3	4.2	2.2
1999 Jan		133396	870	8.2	1.9	127378	192	1.8	2.2	146.8	0.1	1.6	1.7
Feb		133144	-252	-2.2	1.6	127730	352	3.4	2.4	147.3	0.3	4.2	2.1
Mar		133033	-111	-1.0	1.6	127813	83	0.8	2.3	146.8	-0.3	-4.0	1.9
Apr		133069	36	0.3	1.4	128134	321	3.1	2.3	147.0	0.1	1.6	1.9
May		133224	155	1.4	1.4	128162	28	0.3	2.1	147.2	0.1	1.6	1.5
Jun		133432	208	1.9	1.7	128443	281	2.7	2.2	147.8	0.4	5.0	2.1
Jul		133307	-125	-1.1	1.6	128816	373	3.5	2.4	148.3	0.3	4.1	2.1
Aug		133411	104	0.9	1.6	128919	103	1.0	2.2	148.4	0.1	0.8	2.0
Sep		133550	139	1.3	1.3	128911	-8	-0.1	2.0	147.7	-0.5	-5.5	1.8

		Unempl. Rate	Retail Sales				Industrial Production				Treasury Yields	
			Billions of dollars	Percent change			Index	Percent change			3—mo	10—yr
				Monthly/ quarterly	Annual rate	Year ago		Monthly/ quarterly	Annual rate	Year ago		
1994		6.1	2247.847			8.0	109.062			5.4	4.25	7.08
1995		5.6	2364.120			5.2	114.441			4.9	5.49	6.58
1996		5.4	2500.076			5.8	119.548			4.5	5.01	6.44
1997		4.9	2617.854			4.7	126.731			6.0	5.06	6.35
1998		4.5	2746.067			4.9	131.378			3.7	4.78	5.26
1997	1	5.2	650.319	2.0	8.2	6.2	123.746	1.6	6.6	6.3	5.06	6.56
	2	5.0	645.245	−0.8	−3.1	3.5	125.564	1.5	6.0	5.4	5.05	6.70
	3	4.9	660.049	2.3	9.5	5.3	127.773	1.8	7.2	5.8	5.05	6.24
	4	4.7	662.241	0.3	1.3	3.9	129.840	1.6	6.6	6.6	5.09	5.90
1998	1	4.6	671.704	1.4	5.8	3.3	130.368	0.4	1.6	5.4	5.05	5.59
	2	4.4	685.168	2.0	8.3	6.2	131.278	0.7	2.8	4.6	4.98	5.60
	3	4.5	685.526	0.1	0.2	3.9	131.569	0.2	0.9	3.0	4.82	5.20
	4	4.4	703.669	2.6	11.0	6.3	132.295	0.6	2.2	1.9	4.26	4.67
1999	1	4.3	726.609	3.3	13.7	8.2	132.709	0.3	1.3	1.8	4.41	4.98
	2	4.3	739.004	1.7	7.0	7.9	133.954	0.9	3.8	2.0	4.45	5.54
	3	4.2	756.035	2.3	9.5	10.3	135.172	0.9	3.7	2.7	4.65	5.88
1997	Oct	4.7	219.841	−0.3	−3.2	3.5	129.296	0.6	8.0	6.7	4.97	6.03
	Nov	4.6	220.740	0.4	5.0	4.0	129.899	0.5	5.7	6.6	5.14	5.87
	Dec	4.7	221.660	0.4	5.1	4.0	130.325	0.3	4.0	6.5	5.16	5.81
1998	Jan	4.6	223.038	0.6	7.7	3.6	130.270	−0.0	−0.5	5.9	5.04	5.54
	Feb	4.6	224.158	0.5	6.2	3.1	130.150	−0.1	−1.1	5.0	5.09	5.57
	Mar	4.7	224.508	0.2	1.9	3.1	130.684	0.4	5.0	5.1	5.03	5.65
	Apr	4.3	226.659	1.0	12.1	5.4	131.331	0.5	6.1	5.0	4.95	5.64
	May	4.4	228.631	0.9	11.0	6.9	131.861	0.4	5.0	5.1	5.00	5.65
	Jun	4.5	229.878	0.5	6.7	6.3	130.642	−0.9	−10.5	3.6	4.98	5.50
	Jul	4.5	228.067	−0.8	−9.1	4.1	130.479	−0.1	−1.5	2.7	4.96	5.46
	Aug	4.5	228.098	0.0	0.2	3.4	132.367	1.4	18.8	3.6	4.90	5.34
	Sep	4.5	229.361	0.6	6.9	4.1	131.860	−0.4	−4.5	2.6	4.61	4.81
	Oct	4.5	232.379	1.3	17.0	5.7	132.370	0.4	4.7	2.4	3.96	4.53
	Nov	4.4	234.504	0.9	11.5	6.2	132.166	−0.2	−1.8	1.7	4.42	4.83
	Dec	4.3	236.786	1.0	12.3	6.8	132.350	0.1	1.7	1.6	4.39	4.64
	1999	Jan	4.3	239.595	1.2	15.2	7.4	132.295	−0.0	−0.5	1.6	4.34
Feb		4.4	243.619	1.7	22.1	8.7	132.483	0.1	1.7	1.8	4.44	5.00
Mar		4.2	243.395	−0.1	−1.1	8.4	133.348	0.7	8.1	2.0	4.44	5.23
Apr		4.3	244.748	0.6	6.9	8.0	133.700	0.3	3.2	1.8	4.29	5.18
May		4.2	247.228	1.0	12.9	8.1	133.959	0.2	2.3	1.6	4.50	5.54
Jun		4.3	247.028	−0.1	−1.0	7.5	134.202	0.2	2.2	2.7	4.57	5.90
Jul		4.3	249.468	1.0	12.5	9.4	134.991	0.6	7.3	3.5	4.55	5.79
Aug		4.2	253.136	1.5	19.1	11.0	135.482	0.4	4.5	2.4	4.72	5.94
Sep		4.2	253.431	0.1	1.4	10.5	135.043	−0.3	−3.8	2.4	4.68	5.92
Oct										4.86	6.11	

		Consumer Price Index					Consumer Price Index less Food and Energy					Producer Price Index Finished Goods			
		Percent change				Index	Percent change				Index	Percent change			
		Monthly/ quarterly	Annual rate	Year ago	Year to date		Monthly/ quarterly	Annual rate	Year ago	Year to date		Monthly/ quarterly	Annual rate	Year ago	
1994		148.3		2.6		156.7			2.8		125.5			0.6	
1995		152.5		2.8		161.4			3.0		127.9			1.9	
1996		157.0		2.9		165.8			2.7		131.3			2.6	
1997		160.6		2.3		169.7			2.4		131.8			0.4	
1998		163.1		1.6		173.7			2.3		130.7			-0.9	
1997	1	159.7	0.6	2.5	2.9	168.3	0.5	2.2	2.5	2.2	132.7	0.1	0.4	2.1	
	2	160.2	0.3	1.2	2.3	169.5	0.7	2.8	2.5	2.5	131.6	-0.9	-3.4	0.4	
	3	160.9	0.5	1.9	2.2	170.1	0.4	1.6	2.3	2.2	131.3	-0.2	-0.8	-0.1	
	4	161.7	0.5	1.8	1.9	171.1	0.5	2.2	2.2	2.2	131.6	0.2	0.7	-0.8	
1998	1	162.1	0.2	1.0	1.5	172.1	0.6	2.4	2.3	2.4	130.5	-0.8	-3.1	-1.7	
	2	162.8	0.5	1.8	1.6	173.2	0.7	2.7	2.2	2.5	130.6	0.0	0.1	-0.8	
	3	163.5	0.4	1.6	1.6	174.2	0.5	2.2	2.4	2.4	130.5	-0.0	-0.1	-0.6	
	4	164.2	0.4	1.7	1.5	175.1	0.6	2.2	2.4	2.4	131.0	0.4	1.4	-0.4	
1999	1	164.8	0.4	1.5	1.7	175.8	0.4	1.6	2.2	1.6	131.4	0.3	1.3	0.7	
	2	166.2	0.9	3.5	2.1	176.9	0.6	2.4	2.1	2.0	132.3	0.7	2.7	1.3	
	3	167.3	0.6	2.6	2.3	177.6	0.4	1.7	2.0	1.9	133.5	0.9	3.8	2.3	
1997	Sep	161.3	0.2	3.0	2.2	170.4	0.2	2.9	2.2	2.2	131.7	0.3	3.7	0.0	
	Oct	161.5	0.1	1.5	2.0	170.8	0.2	2.9	2.2	2.2	131.8	0.1	0.9	-0.4	
	Nov	161.7	0.1	1.5	1.9	171.0	0.1	1.4	2.2	2.1	131.5	-0.2	-2.7	-0.8	
	Dec	161.8	0.1	0.7	1.7	171.4	0.2	2.8	2.2	2.2	131.4	-0.1	-0.9	-1.2	
1998	Jan	162.0	0.1	1.5	1.6	171.7	0.2	2.1	2.3	2.1	130.6	-0.6	-7.1	-1.8	
	Feb	162.1	0.1	0.7	1.4	172.2	0.3	3.6	2.3	2.8	130.5	-0.1	-0.9	-1.7	
	Mar	162.1	0.0	0.0	1.4	172.4	0.1	1.4	2.2	2.4	130.5	0.0	0.0	-1.5	
	Apr	162.5	0.2	3.0	1.5	172.9	0.3	3.5	2.2	2.6	130.7	0.2	1.9	-0.9	
	May	162.9	0.2	3.0	1.7	173.3	0.2	2.8	2.2	2.7	130.6	-0.1	-0.9	-0.8	
	Jun	163.0	0.1	0.7	1.7	173.5	0.1	1.4	2.2	2.5	130.4	-0.2	-1.8	-0.7	
	Jul	163.3	0.2	2.2	1.7	173.8	0.2	2.1	2.2	2.4	130.7	0.2	2.8	-0.2	
	Aug	163.5	0.1	1.5	1.6	174.2	0.2	2.8	2.5	2.5	130.3	-0.3	-3.6	-0.8	
	Sep	163.6	0.1	0.7	1.4	174.5	0.2	2.1	2.4	2.4	130.6	0.2	2.8	-0.8	
	Oct	163.9	0.2	2.2	1.5	174.8	0.2	2.1	2.3	2.4	131.0	0.3	3.7	-0.6	
	Nov	164.2	0.2	2.2	1.5	175.0	0.1	1.4	2.3	2.3	130.7	-0.2	-2.7	-0.6	
	Dec	164.4	0.1	1.5	1.6	175.6	0.3	4.2	2.5	2.5	131.3	0.5	5.7	-0.1	
1999	Jan	164.6	0.1	1.5	1.6	175.7	0.1	0.7	2.3	0.7	131.7	0.3	3.7	0.8	
	Feb	164.7	0.1	0.7	1.6	175.8	0.1	0.7	2.1	0.7	131.1	-0.5	-5.3	0.5	
	Mar	165.0	0.2	2.2	1.8	176.0	0.1	1.4	2.1	0.9	131.5	0.3	3.7	0.8	
	Apr	166.2	0.7	9.1	2.3	176.7	0.4	4.9	2.2	1.9	132.2	0.5	6.6	1.1	
	May	166.2	0.0	0.0	2.0	176.9	0.1	1.4	2.1	1.8	132.4	0.2	1.8	1.4	
	Jun	166.2	0.0	0.0	2.0	177.0	0.1	0.7	2.0	1.6	132.3	-0.1	-0.9	1.5	
	Jul	166.7	0.3	3.7	2.1	177.3	0.2	2.1	2.0	1.7	132.6	0.2	2.8	1.5	
	Aug	167.2	0.3	3.7	2.3	177.5	0.1	1.4	1.9	1.6	133.3	0.5	6.5	2.3	
	Sep	167.9	0.4	5.1	2.6	178.1	0.3	4.1	2.1	1.9	134.7	1.1	13.4	3.1	

Notes

Pages 4, 5: **Final sales** is gross domestic product (GDP) minus change in private inventories. **Advance, preliminary, and final GDP growth rates** are released during the first, second, and third months of the following quarter. Changes result from incorporation of more complete information. Beginning with the **comprehensive revision**, which was released with the advance third-quarter GDP report on Oct. 28, 1999, real GDP is measured in 1996 dollars. The **Purchasing Managers' Index** is a weighted average of diffusion indexes for new orders, production, supplier deliveries, inventories, and employment. The National Association of Purchasing Management (NAPM) surveys over 300 firms in 20 manufacturing industries, weighting responses by industry share of GDP. **Aggregate and average weekly hours** are paid hours of production and nonsupervisory employees. The inventory-sales ratio uses nominal (current-dollar) inventory and sales data.

Page 6: The **contribution** of a component X_t to the overall GDP growth rate in quarter t is $100 \times [(1 + (X_t - X_{t-1})/GDP_{t-1})^4 - 1]$. The sign is changed for **imports**. This calculation forces components to add up to the GDP growth rate before compounding and does not exactly match *Survey of Current Business*, Table 8.2. The **residual** line is calculated using the finest level of detail in the table.

Page 7: Ten-year **Treasury yields** are adjusted to constant maturity. Three-month yields are secondary market averages, but all rates used in the yield curves are adjusted to constant maturity. **Standard and Poor's 500 Index with Reinvested Dividends** shows the total return: capital gains plus dividends.

Pages 8,9: **Oil prices** are monthly averages of daily spot prices for West Texas intermediate crude (*Wall Street Journal*). **Consumer price index** is for all urban consumers. The **consumption chain price index** is the index associated with the personal consumption expenditures component of GDP. The **Employment Cost Index (ECI)** covers private nonfarm employers. **ECI compensation** refers to a fixed sample of jobs, while **compensation per hour** covers all workers in the nonfarm business sector in a given quarter. In both cases, **compensation** is wages and salaries plus benefits.

Pages 10,11: **Nonfarm payroll employment** is counted in a survey of about 390,000 establishments (Current Employment Survey). It excludes self-employed individuals and workers in private households, but double-counts individuals with more than one job. The **household survey** (Current Population Survey) of about 50,000 households provides estimates of civilian employment, unemployment rate, labor force participation rate, and employment-population ratio. **Population** is civilian, noninstitutional, 16 years and over. New population controls introduced in January 1997 affect levels and growth rates of household survey employment, labor force and population. The unemployment rate and other ratios are minimally affected. 90 percent confidence intervals for the unemployment rate (± 0.2 percentage points) and change in household survey employment ($\pm 376,000$) measure uncertainty due to sample size. The household survey was changed in January 1994, so care should be exercised in making short-term comparisons around this date, particularly with the duration data shown on page 10. Other changes in the survey are detailed in Bureau of Labor Statistics, *Employment and Earnings*, Appendix A.

Pages 13: The **Michigan consumer sentiment index** shows changes in a summary measure of consumers' answers to five questions about their current and expected financial situation, expectations about future economic conditions, and attitudes about making large purchases. The survey is based on a representative sample of U.S. households.

Pages 14, 15: Overall **gross saving** includes government saving, which is the sum of the government surplus and capital consumption (see notes for pages 16 and 17). **Net foreign investment (NFI)** is U.S. investment abroad minus foreign investment in the U.S. Aside from a statistical discrepancy, NFI also equals the difference between gross domestic investment and saving. The comprehensive revision introduced the **equipment & software** component of business investment.

Pages 16, 17: **Government consumption and investment** is current expenditures on goods and services, including capital consumption (depreciation) and gross investment, as reported in the National Income and Product Accounts (NIPA). The **unified federal budget deficit** differs from **NIPA basis** in four main ways: (1) NIPA excludes transactions involving existing assets; (2) NIPA outlays exclude government investment and include consumption of government capital, while unified budget outlays do the reverse; (3) NIPA accounts exclude Puerto Rico and U.S. territories; and (4) various timing issues are handled differently. **Outlays and receipts** are from the NIPAs, except as noted. Since 1977, the federal **fiscal year** starts on October 1. Excluded agency debt was 0.6 percent of federal debt at the end of fiscal 1997. **Federal debt held by the public** includes holdings of the Federal Reserve System and excludes holdings of the social security and other federal trust funds. Federal grants in aid to state and local governments appear in both state and local receipts and federal outlays.

Pages 18, 19: The **trade balance** (shown on a balance of payments basis) is the difference between exports and imports of goods (merchandise) and services. It is nearly identical in concept to the **net exports** component of GDP, but differs slightly in accounting details. The **investment income balance** equals income received from U.S.-owned assets in other countries minus income paid on foreign-owned assets in the U.S. The investment income balance is nearly identical in concept to the difference between gross national product and gross domestic product, but differs in accounting details. The **current account balance** is the trade balance plus the balance on investment income plus net unilateral transfers to the U.S. from other countries.

Pages 20, 21: **Output per hour (Y/H)**, **unit labor cost (C/Y)**, and **compensation per hour (C/H)** are indexes which approximately obey the following relationship: $\%(Y/H) + \%(C/Y) = \%(C/H)$ with $\%()$ meaning percent changes. Unit labor cost is shown on page 9. **Real compensation per hour** uses the CPI to adjust for the effects of inflation. **Multifactor productivity** estimates changes in output that do not correspond to changes in quantities of labor, capital, or intermediate inputs. **Inventory valuation adjustments (IVA)** remove the effect of changes in the value of existing inventories from corporate profits and proprietors' income. (This change in value does not correspond to current production and therefore is not part of GDP). **Capital consumption adjustments (CCAdj)** increase profits and proprietors' income by the difference between estimates of economic depreciation and depreciation allowed by the tax code. Components of national income not shown are rental income of persons and net interest.

Sources

Bureau of Economic Analysis (BEA), U.S. Dept. of Commerce

National income and product accounts, international trade and investment data (except by country), auto and light truck sales

Census Bureau, U.S. Dept. of Commerce

Inventory-sales ratios, retail sales, capital goods orders, housing starts, exports and imports by country

Bureau of Labor Statistics (BLS), U.S. Dept. of Labor

All employment-related data, employment cost index, consumer and producer price indexes, unit labor cost, output per hour, compensation per hour, multifactor productivity

United States Department of Treasury

Unified budget receipts, outlays, deficit, debt

Federal Reserve Board

Index of industrial production, treasury yields, exchange rates, capacity utilization, household debt

The Survey Research Center, The University of Michigan

Consumer sentiment index

The Conference Board

Help-wanted advertising index

Organization for Economic Cooperation and Development (OECD)

GDP for major trading partners (not available on FRED)