

## State Budget Crises: Cause and Effect

State tax revenue grew markedly during the 1990s as a result of rapid economic growth. Burgeoning tax revenues, the resulting budget surpluses, and rosy revenue forecasts prompted almost every state to enact large permanent tax cuts. Ten states enacted cuts of between 1 and 3 percent of total tax revenues, while 33 states enacted cuts in excess of 3 percent of total tax revenues.<sup>1</sup> According to the Center on Budget and Policy Priorities, the tax cuts of the 1990s reduced actual state tax revenues by 8.2 percent from what they otherwise would have been. Nevertheless, actual tax revenues continued to grow throughout the 1990s, thanks to the economic boom.

It turned out, however, that states financed permanent tax cuts with the temporary economic boom of the 1990s. In contrast to the 1990-91 recession, when nearly every state raised taxes in response to budget shortfalls, fewer than 20 states have raised taxes since the 2001 recession. And in most cases, the tax increases have focused on relatively narrow and/or shrinking tax bases, such as retail sales and cigarettes.<sup>2</sup> Slow economic growth, a weak stock market, an increase in homeland security responsibilities, and a greater reliance on weakening tax bases continue to prolong states' budget crises.

An important question is whether current budget deficits are due entirely to a reduction in revenue, or whether state expenditures have grown at unusually high rates over the past decade. Annual real per capita state expenditures and revenues from 1970 to 2002 are shown in the figure along with recessions as determined by the National Bureau of Economic Research.<sup>3</sup> The aggregate state budget deficit is clearly seen at the far right of the figure and is much greater than the deficit associated with the 1990-91 recession. Also, as shown, the growth in real per capita expenditures during the 1990s was not greater than that of earlier decades. In fact, the average annual growth in real per capita state expenditures from 1992 through 2000 was 1.4 percent, compared with 2.5 and 2.3 percent in non-recession years during the 1980s and 1970s, respectively.

However, revenue and expenditure data for the past three years reveal that expenditure growth did not slow in

the wake of decreasing tax revenues. Real per capita state revenue fell by 0.2 percent in 2000, 1.9 percent in 2001, and 0.7 percent in 2002, whereas real per capita expenditures rose by 1.3 percent, 3.4 percent, and 1.3 percent, respectively. While this scenario occurred during other recessionary periods, as shown in the figure, state budget surpluses prior to this recent recession were smaller than those prior to earlier recessions, thus increasing the chances that a reduction in revenue would lead to a budget deficit.

States might have underestimated how volatile their revenue sources would prove to be in the face of a recession. States began relying on capital gains and income from stock options and bonuses as a growing source of tax revenue (compared with ordinary earned income). These tax bases are more significantly affected by business cycle and stock market fluctuations. Thus, states with a highly progressive income tax structure, such as California, inadvertently exposed their budgets to the cyclical volatility of capital gains and income from stock options and bonuses.

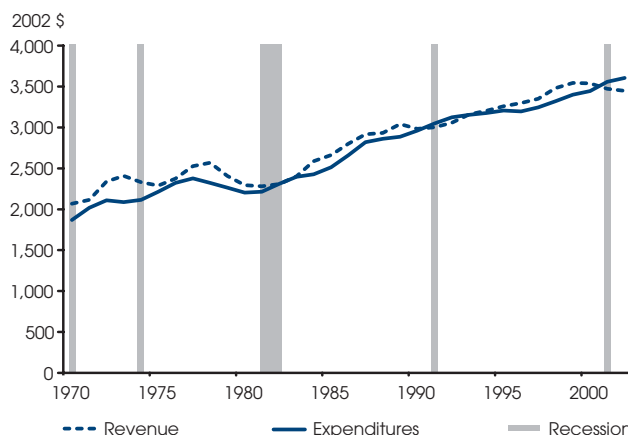
—Thomas A. Garrett

<sup>1</sup>See Johnson, Nicholas. "The State Tax Cuts of the 1990s, the Current Revenue Crisis, and Implications for State Services." Center on Budget and Policy Priorities, November 2002. <http://www.cbpp.org/11-14-02sfp.htm>.

<sup>2</sup>For a discussion of structural problems in state finance see Knight, Brian; Kusko, Andrea and Rubin, Laura. "Problems and Prospects for State and Local Governments." *State Tax Notes*, 11 August 2003.

<sup>3</sup>Data are from the Office of Management Budget (<http://www.whitehouse.gov/omb/budget/fy2004/hist.html>).

**Real Per Capita State Revenue and Expenditures, 1970 to 2002**



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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 during the previous year. *Compounded annual rate of change* 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 compounded annual rate of change of  $x$  between the previous quarter  $t-1$  and the current quarter  $t$  is:  $[(x_t/x_{t-1})^4 - 1] \times 100$ . For monthly data replace 4 with 12.
3. All data with significant seasonal patterns are adjusted accordingly, unless labeled NSA.

We welcome your comments addressed to:

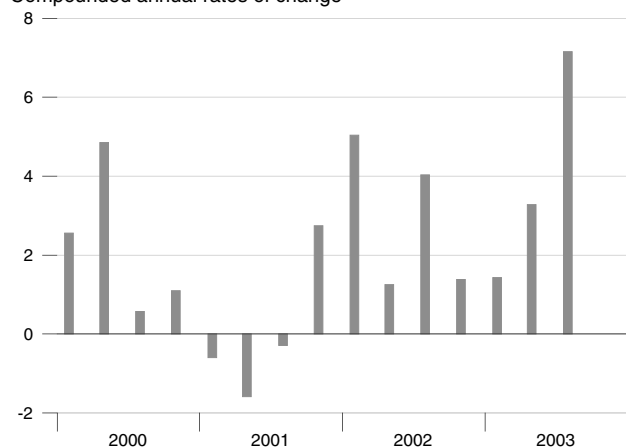
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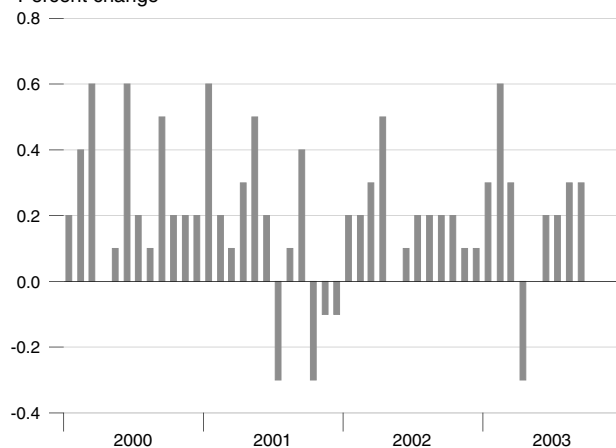
## Real GDP Growth

Compounded annual rates of change



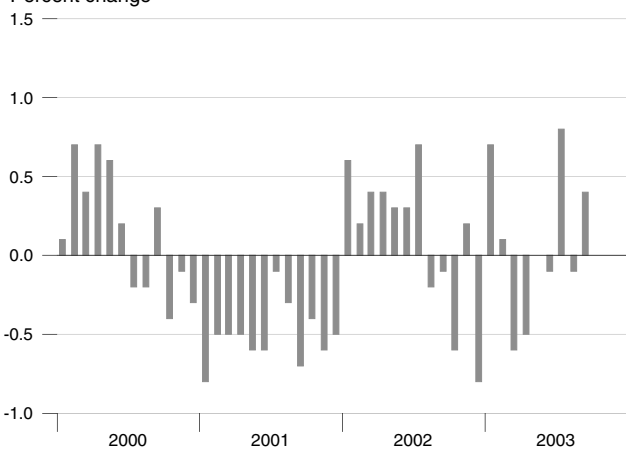
## Consumer Price Index

Percent change



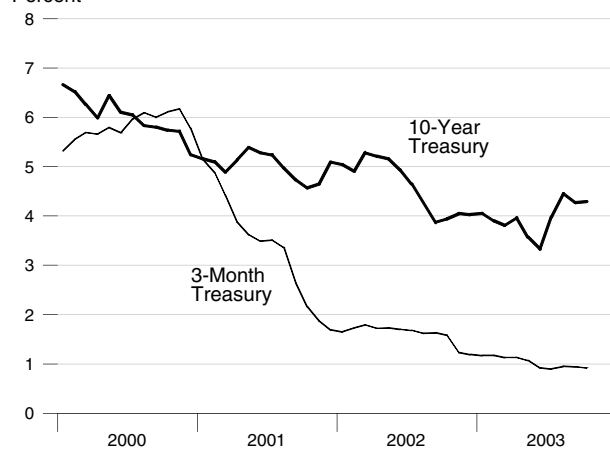
## Industrial Production

Percent change



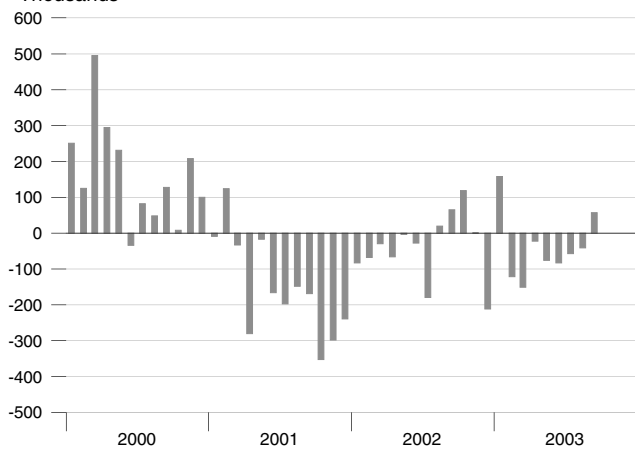
## Interest Rates

Percent



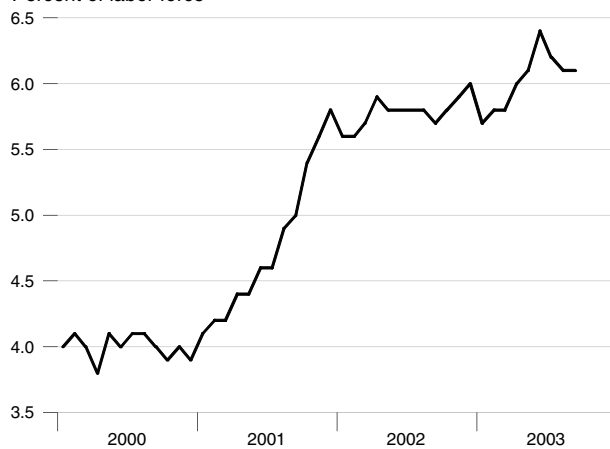
## Change in Nonfarm Payrolls

Thousands



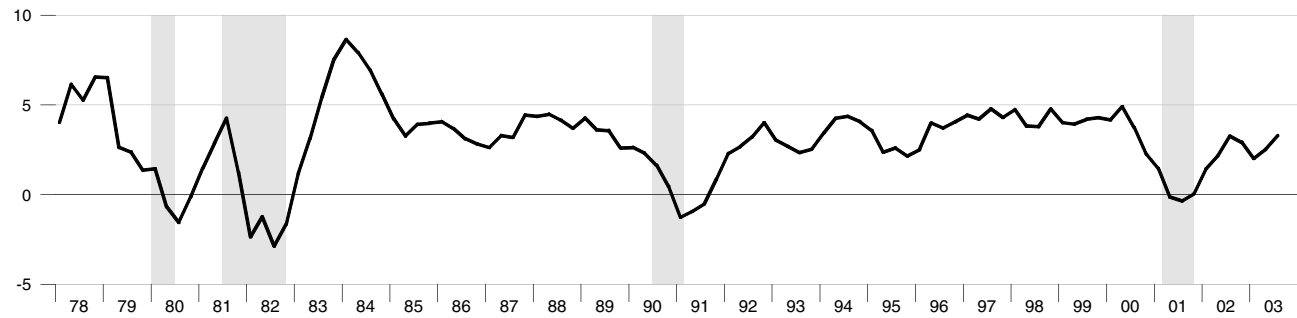
## Unemployment Rate

Percent of labor force



## Real Gross Domestic Product

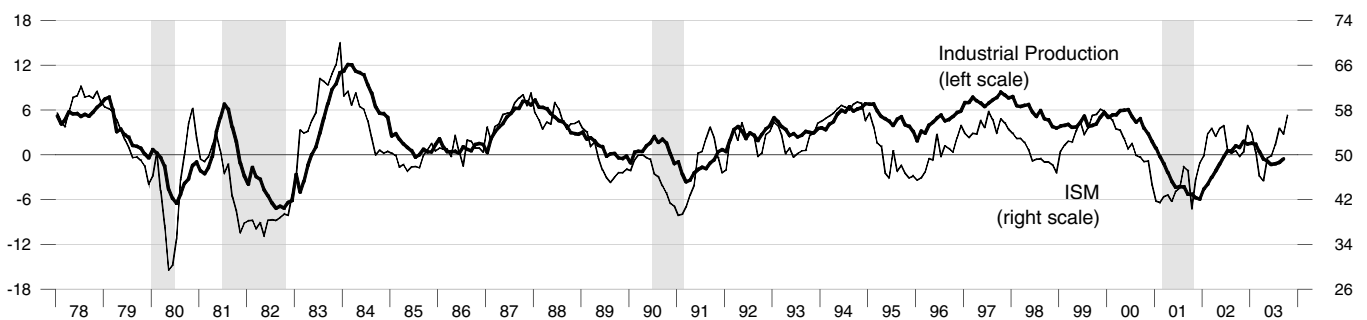
Percent change from year ago



## Industrial Production and Institute for Supply Management (ISM) Indexes

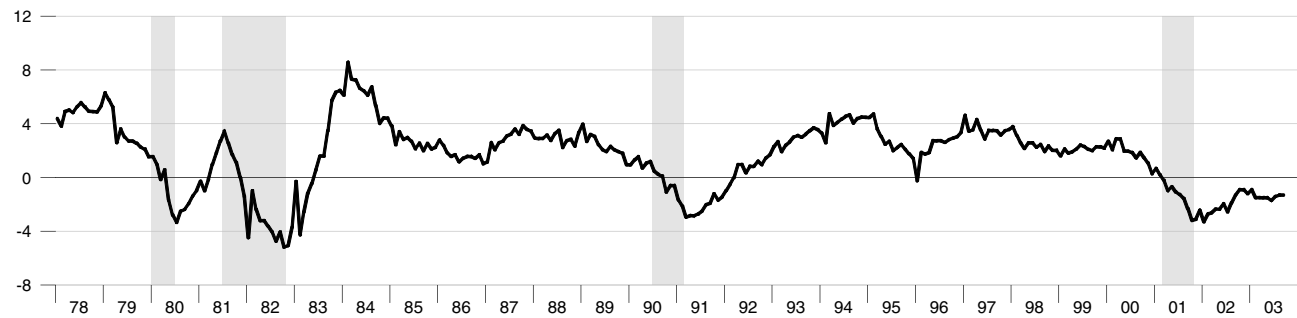
Percent change from year ago

Index



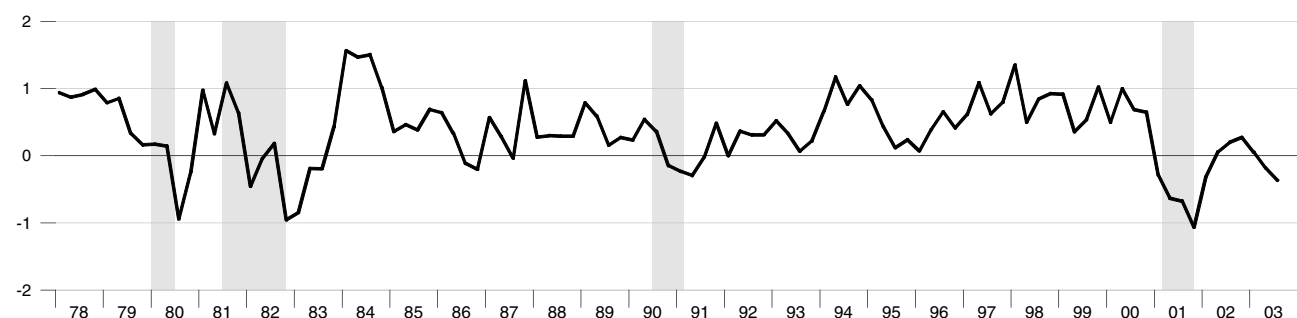
## Aggregate Private Nonfarm Hours

Percent change from year ago



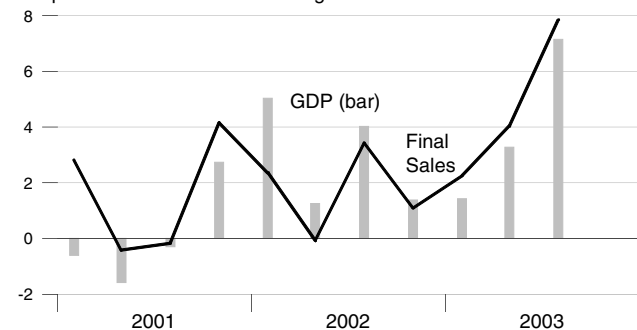
## Real Change in Private Inventories

Percent of GDP



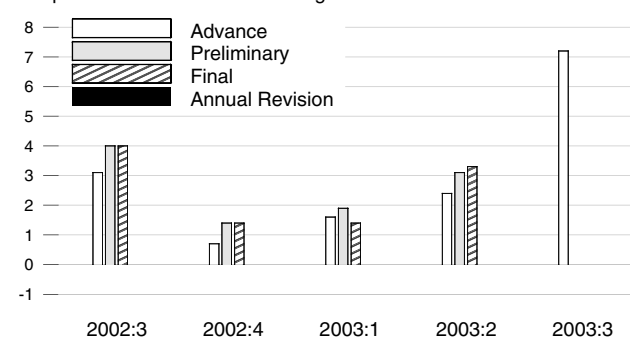
### Real Final Sales and GDP

Compounded annual rates of change



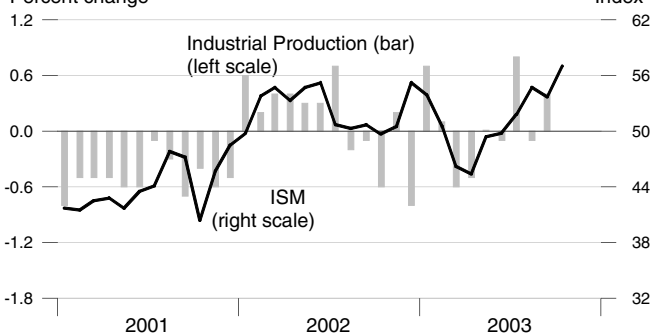
### Real GDP Revisions

Compounded annual rates of change



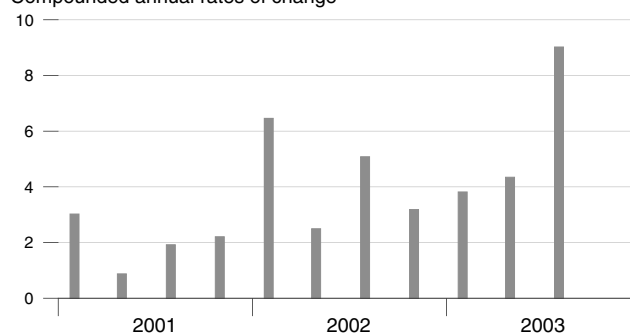
### Industrial Production and ISM Index

Percent change



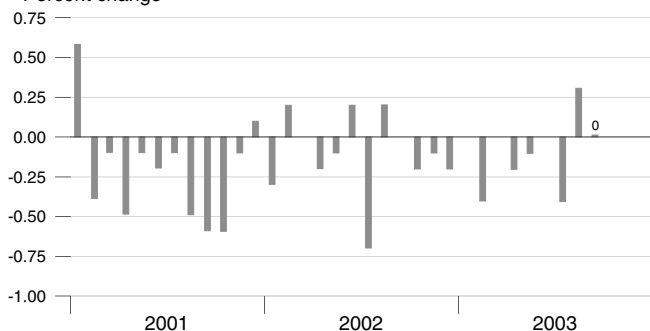
### Nominal Gross Domestic Product

Compounded annual rates of change



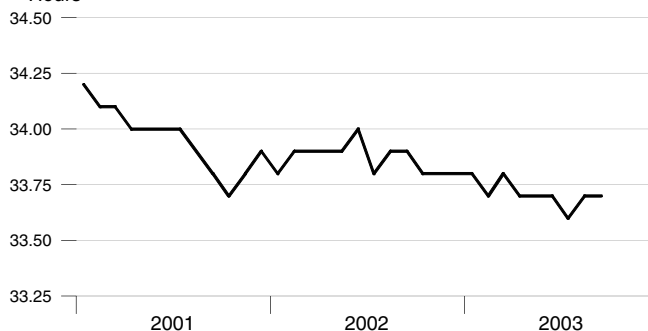
### Aggregate Private Nonfarm Hours

Percent change



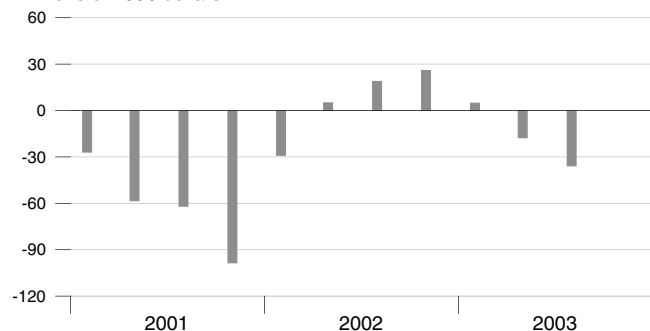
### Average Weekly Private Nonfarm Hours

Hours



### Real Change in Private Inventories

Billions of 1996 dollars



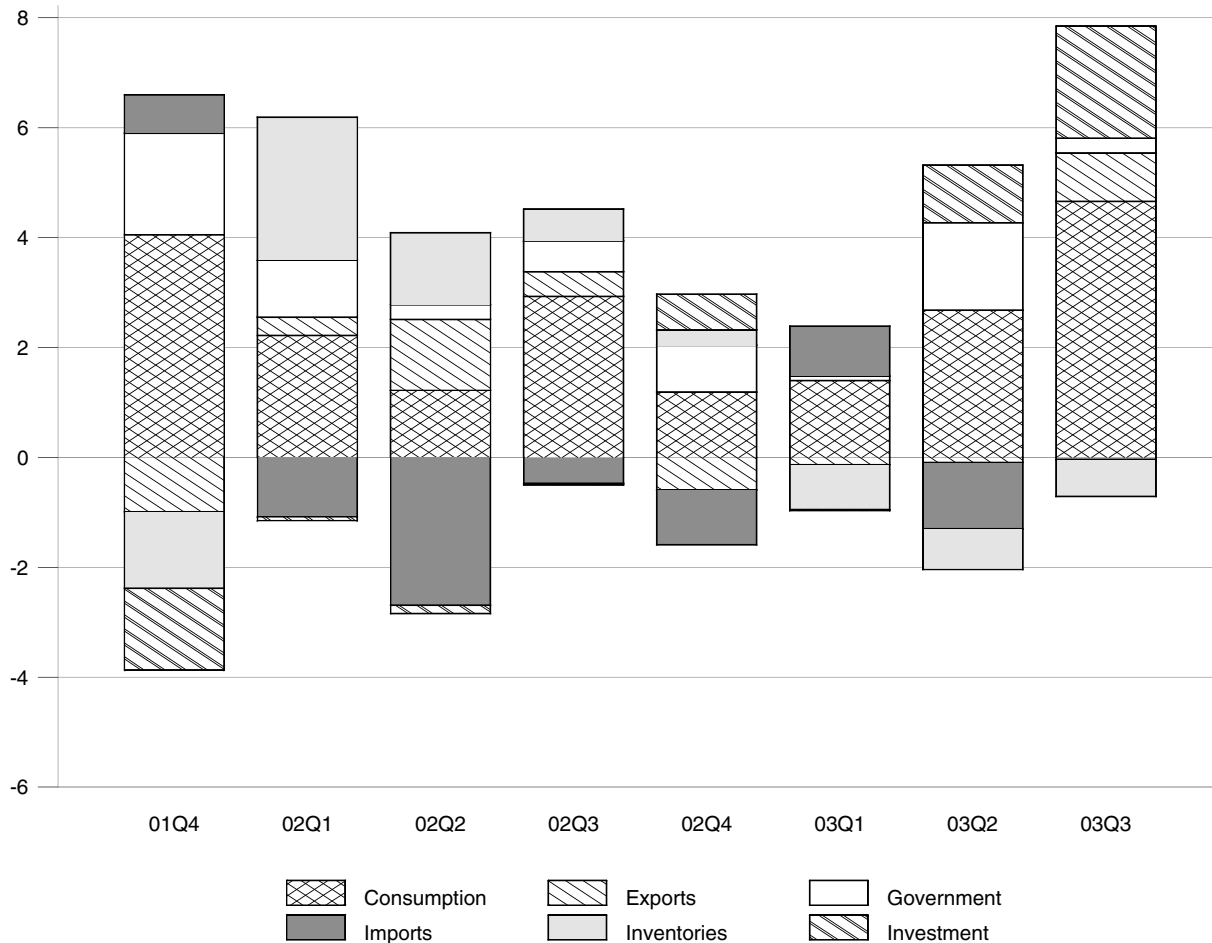
### Inventory-Sales Ratio

Manufacturing and trade



## Contribution of Components to Real GDP Growth

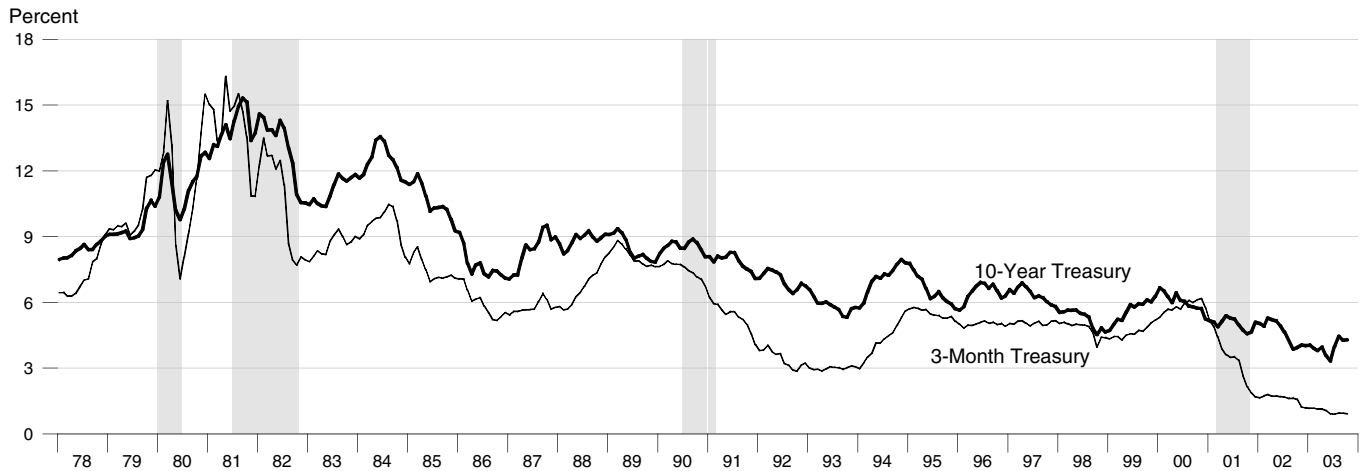
Percentage points at compounded annual rates



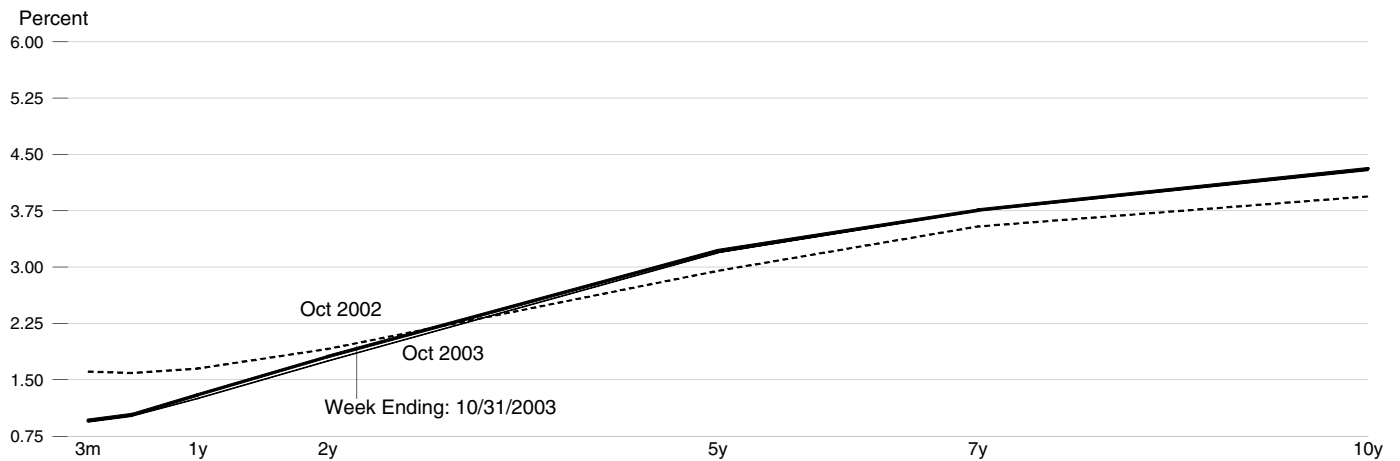
## Contributions to Real GDP Growth Rate

	2001	2002				2003		
	4th	1st	2nd	3rd	4th	1st	2nd	3rd
<b>Final Sales</b>	4.13	2.44	-0.06	3.45	1.10	2.25	4.02	7.82
<b>Change in Inventory</b>	-1.39	2.60	1.31	0.58	0.28	-0.82	-0.74	-0.67
<b>Consumption</b>	4.05	2.22	1.22	2.93	1.19	1.40	2.68	4.66
<b>Fixed Investment</b>	-1.49	-0.07	-0.15	-0.03	0.65	-0.02	1.05	2.04
Nonresidential	-1.33	-0.66	-0.27	-0.08	0.24	-0.47	0.74	1.12
Residential	-0.16	0.60	0.12	0.05	0.41	0.45	0.31	0.92
<b>Government</b>	1.85	1.04	0.27	0.56	0.85	0.08	1.59	0.27
Federal	0.80	0.47	0.47	0.29	0.70	0.05	1.61	0.11
State and Local	1.05	0.56	-0.21	0.27	0.15	0.03	-0.02	0.16
<b>Net Exports</b>	-0.28	-0.75	-1.40	-0.01	-1.59	0.78	-1.29	0.84
Exports	-0.99	0.33	1.29	0.45	-0.59	-0.13	-0.09	0.88
Imports	0.70	-1.08	-2.69	-0.47	-1.00	0.91	-1.21	-0.04
<b>Residual</b>	0.42	-0.05	0.27	0.06	0.28	0.08	0.37	-0.12
<b>Real GDP Growth</b>	2.74	5.04	1.25	4.03	1.38	1.43	3.28	7.15

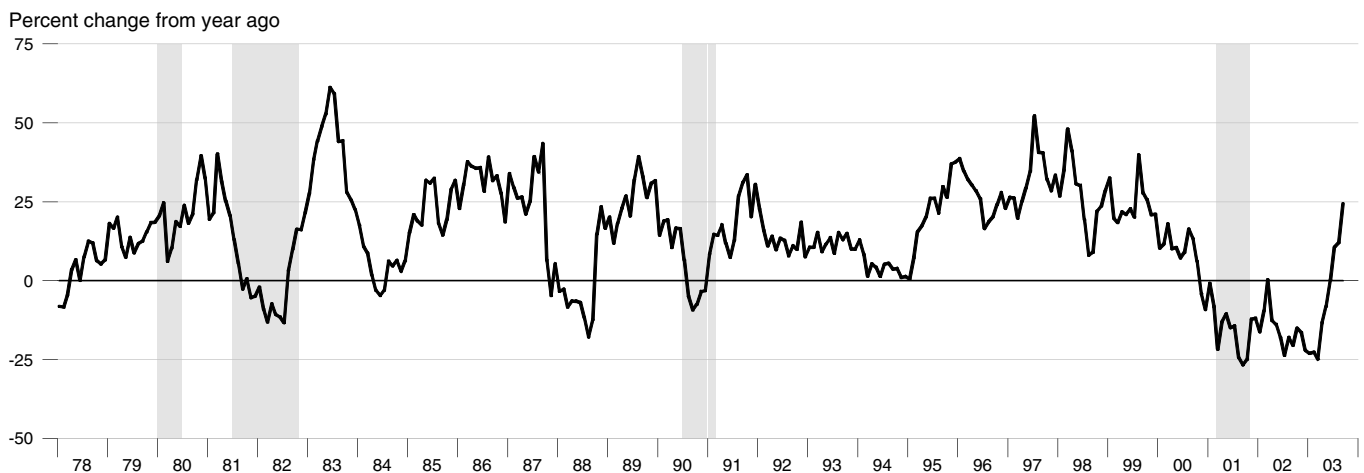
## Interest Rates



## Treasury Yield Curve

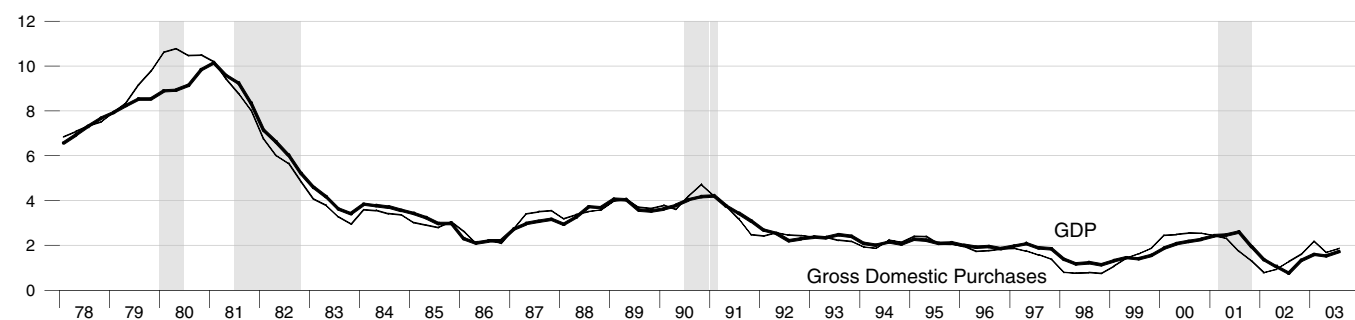


## Standard and Poor's 500 Index with Reinvested Dividends



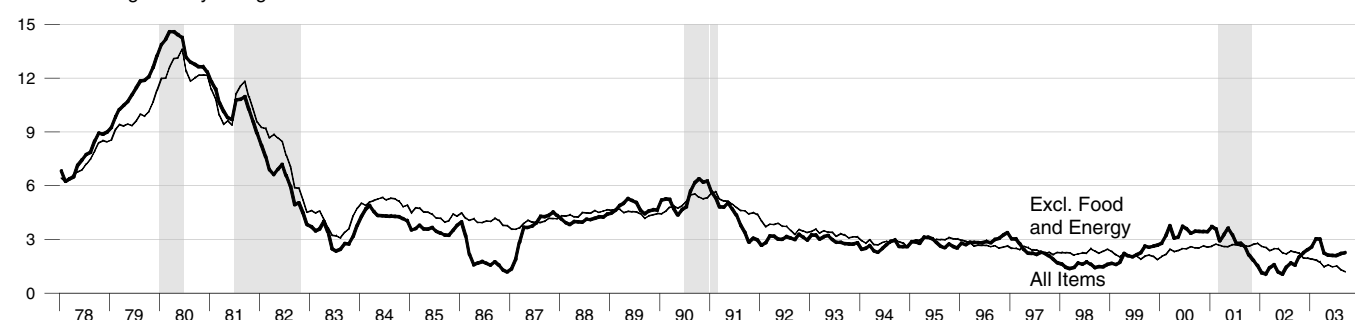
## NIPA Chain Price Indexes

Percent change from year ago



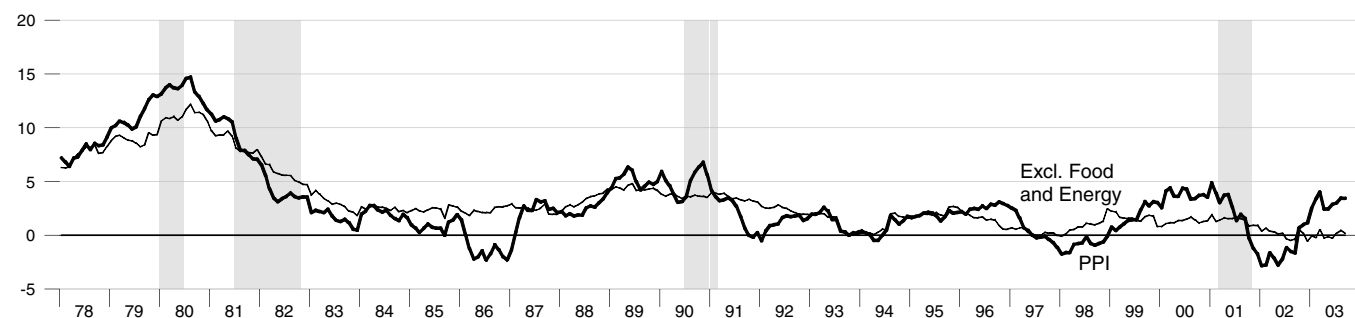
## Consumer Price Index

Percent change from year ago



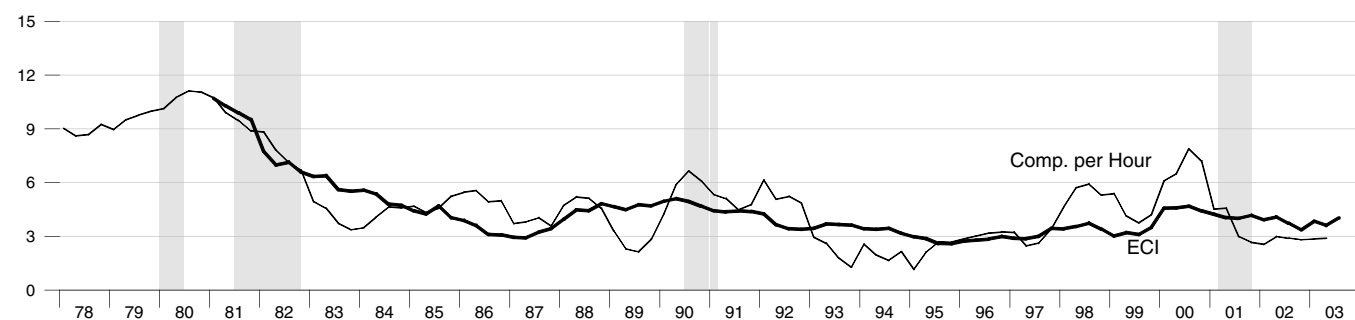
## Producer Price Index, Finished Goods

Percent change from year ago



## Employment Cost Index and Compensation per Hour

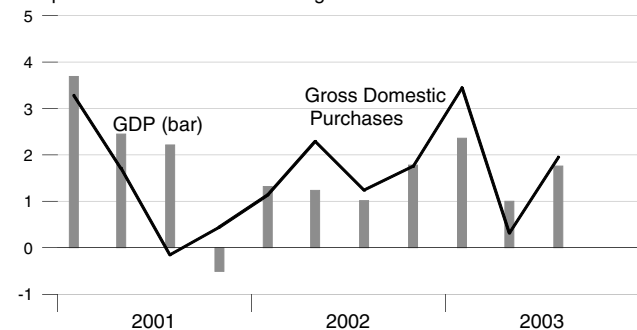
Percent change from year ago





## NIPA Chain Price Indexes

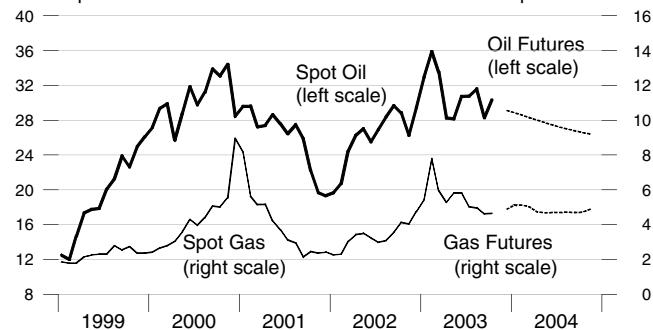
Compounded annual rates of change



## Oil & Natural Gas Prices: Spot & Futures

Dollars per barrel

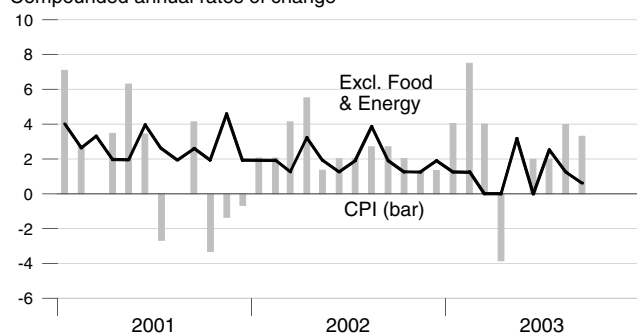
Dollars per million btu



Note: Futures prices as of 10/31/2003.

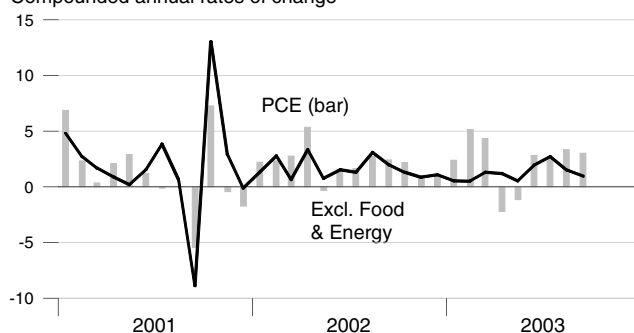
## Consumer Price Index

Compounded annual rates of change



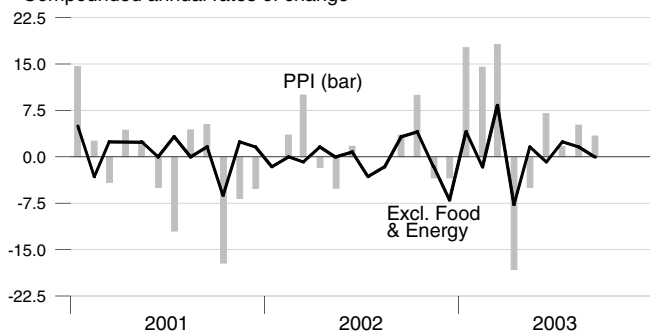
## Consumption Chain Price Index

Compounded annual rates of change



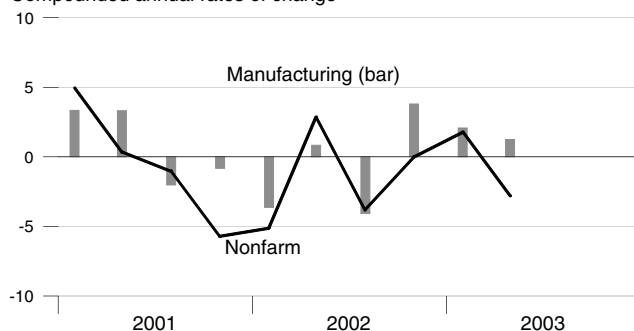
## Producer Price Index, Finished Goods

Compounded annual rates of change



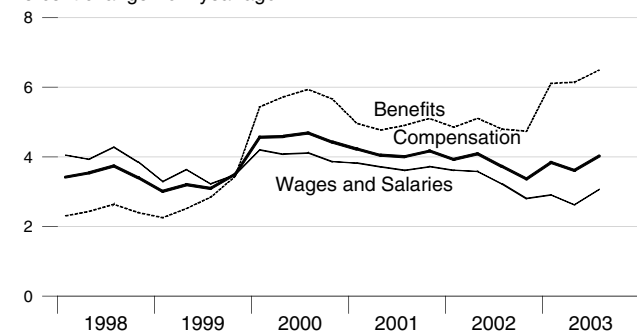
## Unit Labor Cost

Compounded annual rates of change



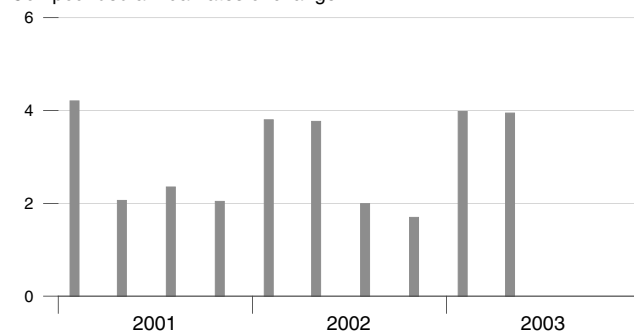
## Employment Cost Index

Percent change from year ago



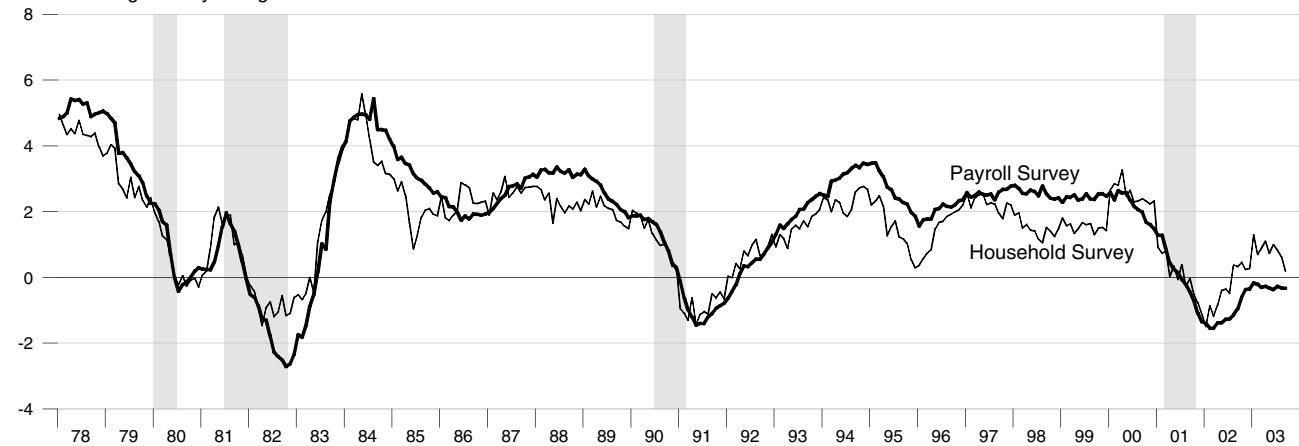
## Compensation per Hour

Compounded annual rates of change



## Employment

Percent change from year ago

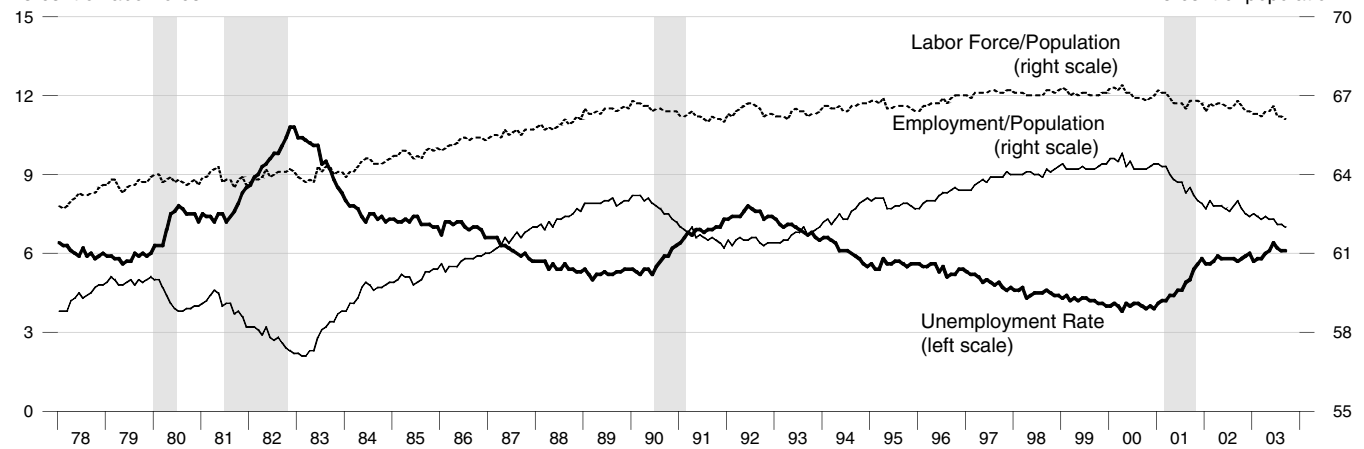


See the Notes section at the end of this publication for the Feb. 7, 2003, revisions to the Household Survey, and the June 6, 2003, revisions to the Establishment Survey.

## Unemployment, Labor Force Participation, and Employment Rates

Percent of labor force

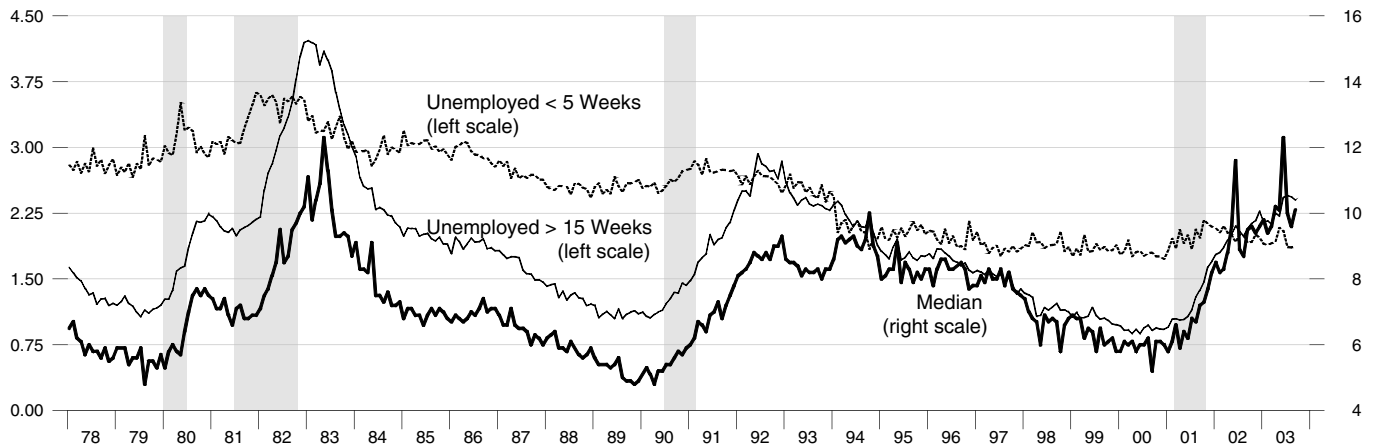
Percent of population



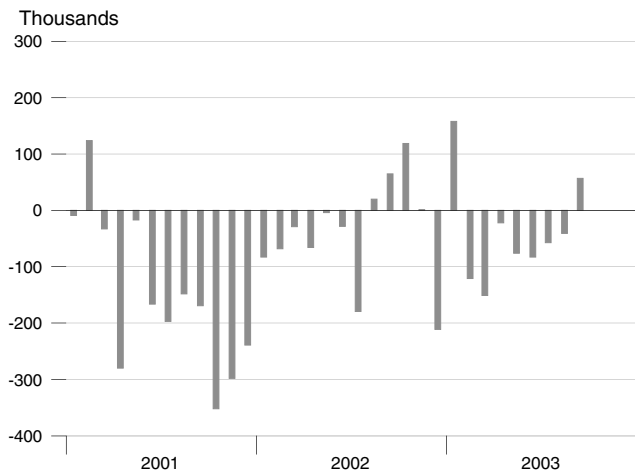
## Duration of Unemployment

Percent of labor force

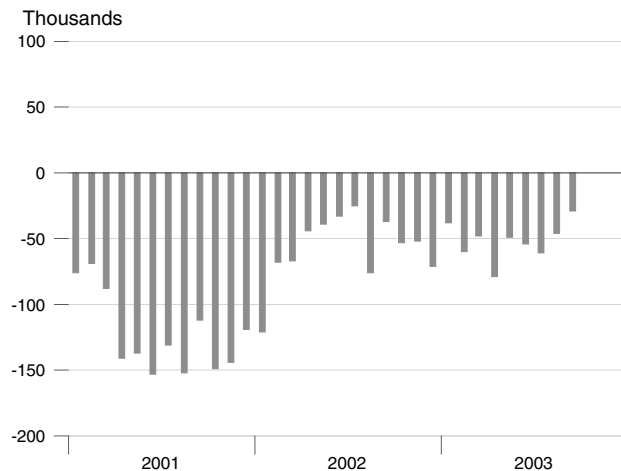
Weeks



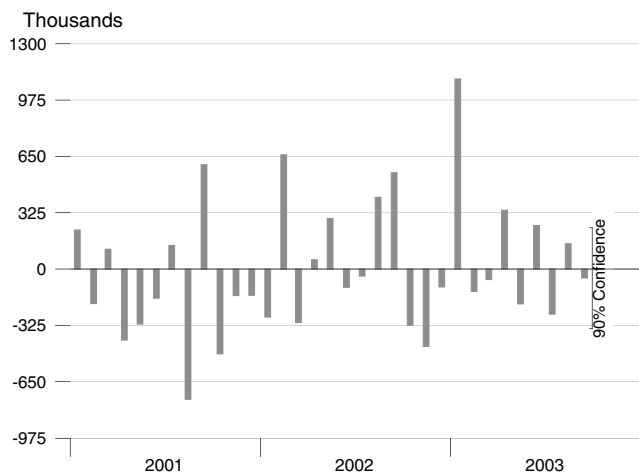
### Change in Nonfarm Payrolls



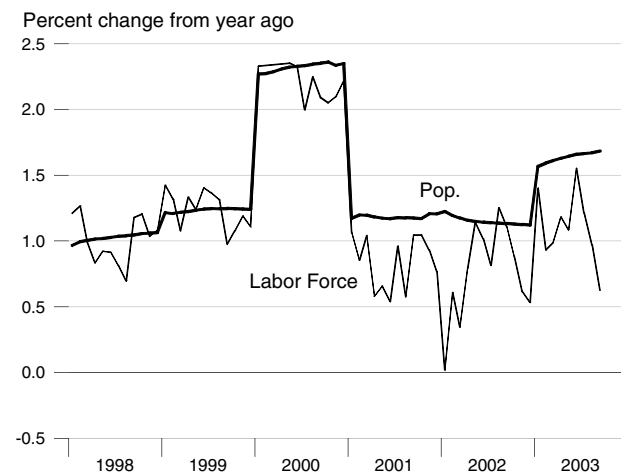
### Change in Manufacturing Payrolls



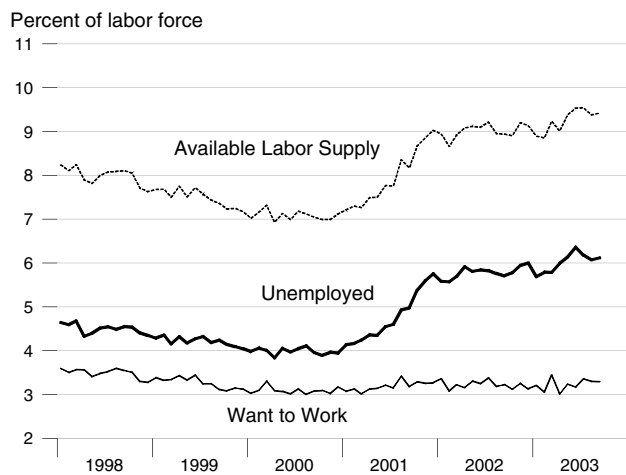
### Change in Household Employment



### Labor Force and Population



### Available Labor Supply and Components

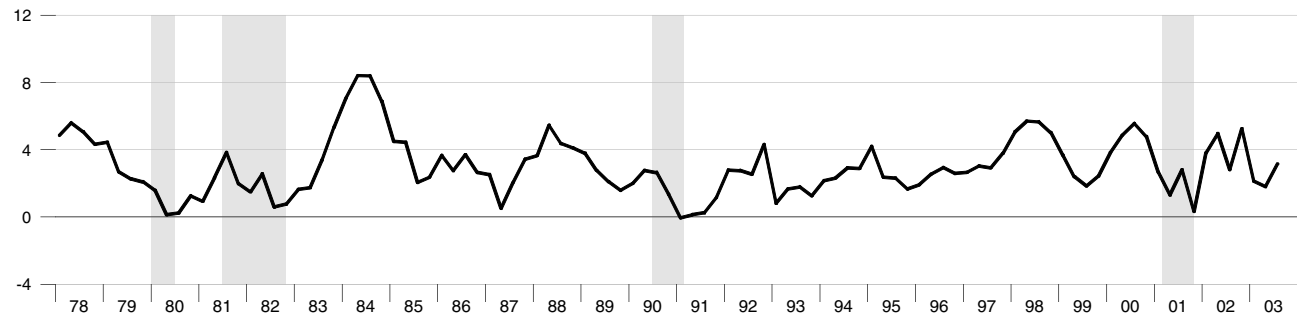


### Unemployment Rate & Help-Wanted Index



## Real Disposable Personal Income

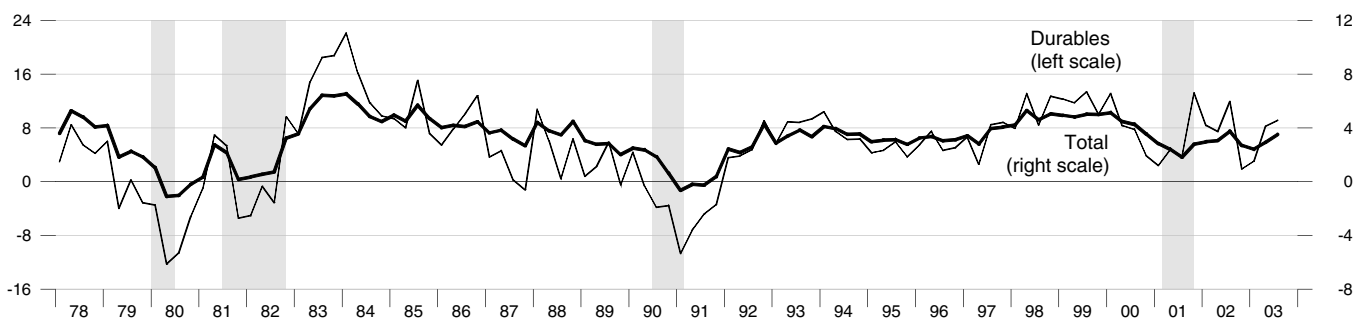
Percent change from year ago, quarterly data



## Real Consumption

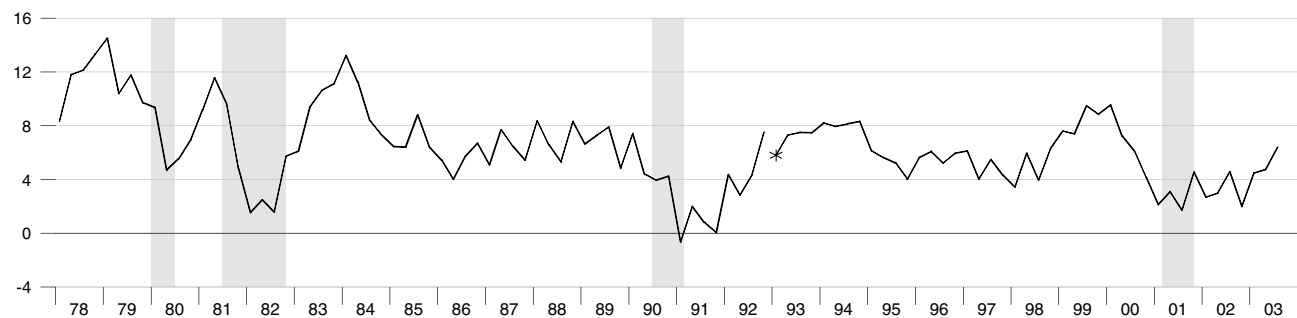
Percent change from year ago, quarterly data

Percent change from year ago, quarterly data



## Retail and Food Services Sales

Percent change from year ago, quarterly average

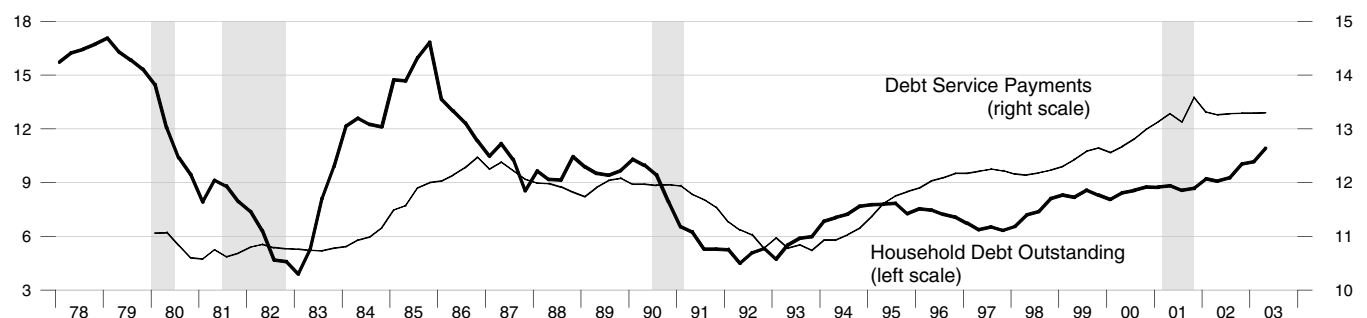


\*Data before January 1992 are not strictly comparable (see End Notes).

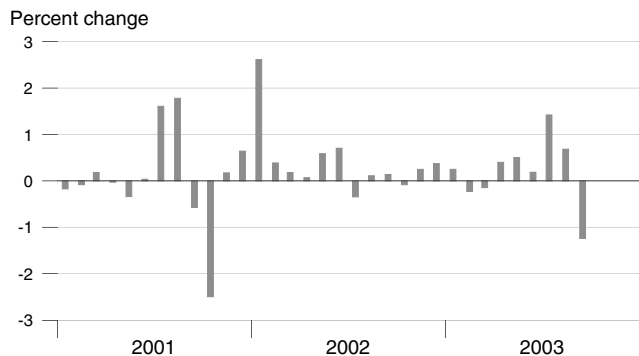
## Debt Service Payments and Household Debt Outstanding

Percent change from year ago, quarterly data

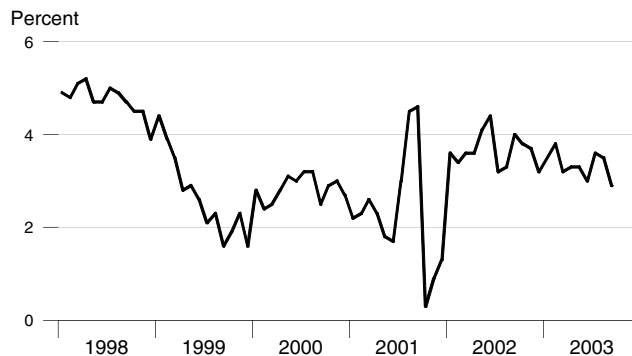
Percent of disposable personal income



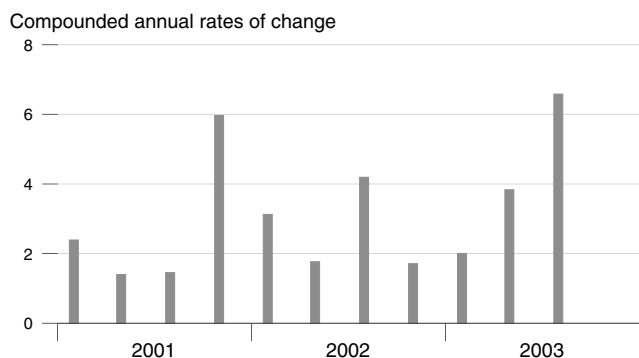
### Real Disposable Personal Income



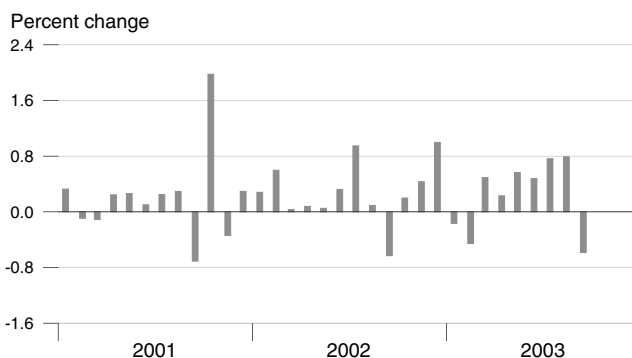
### Personal Saving Rate



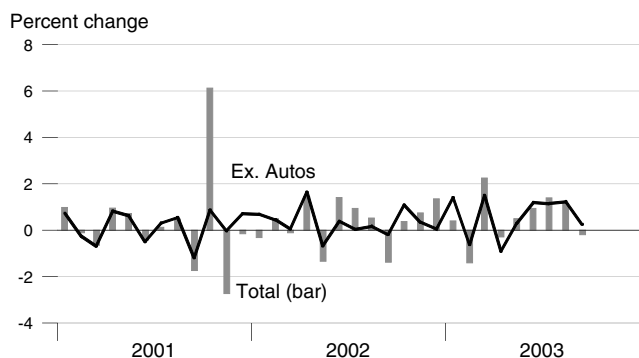
### Real Consumption



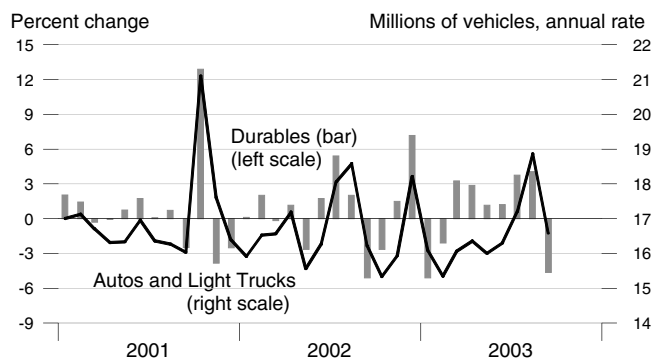
### Real Consumption



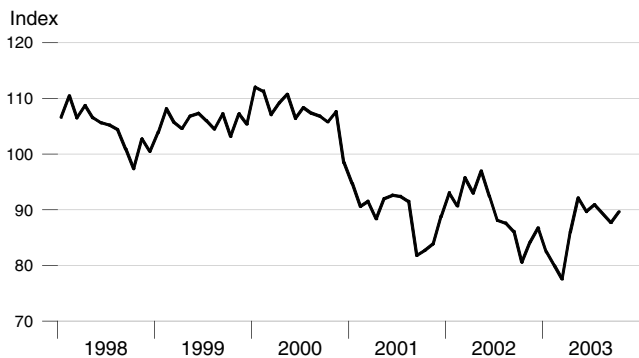
### Retail & Food Services



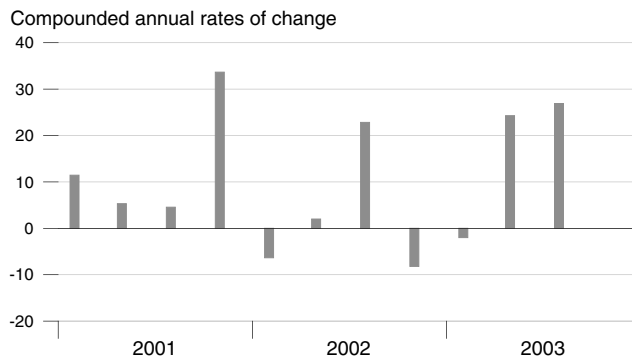
### Real Durables Consumption & Vehicle Sales



### Consumer Sentiment (U. of Michigan)

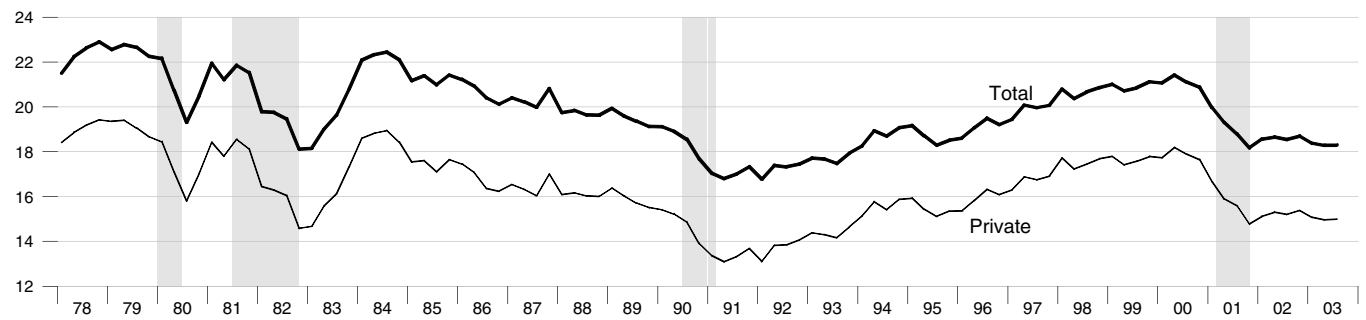


### Real Durables Consumption



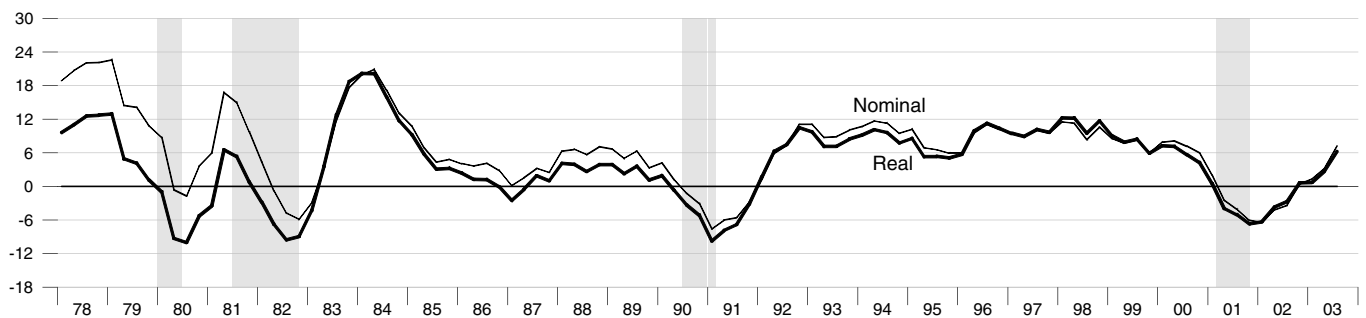
## Investment

Percent of nominal GDP



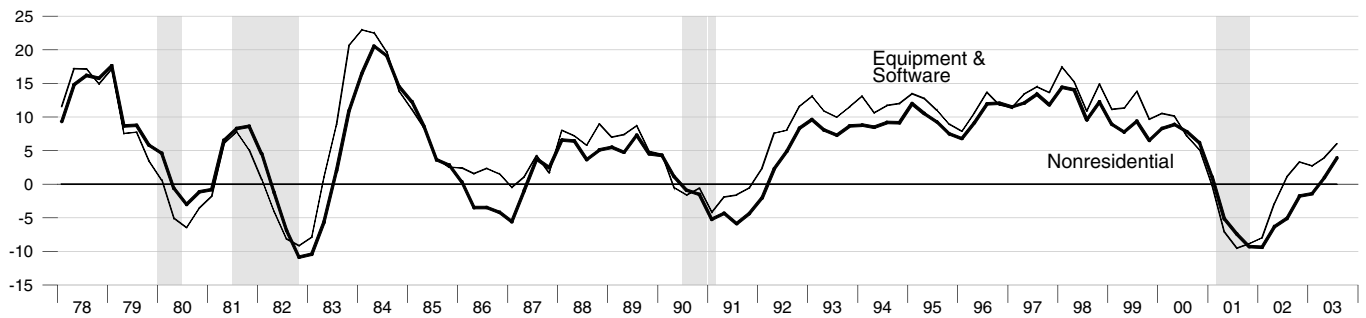
## Private Fixed Investment

Percent change from year ago



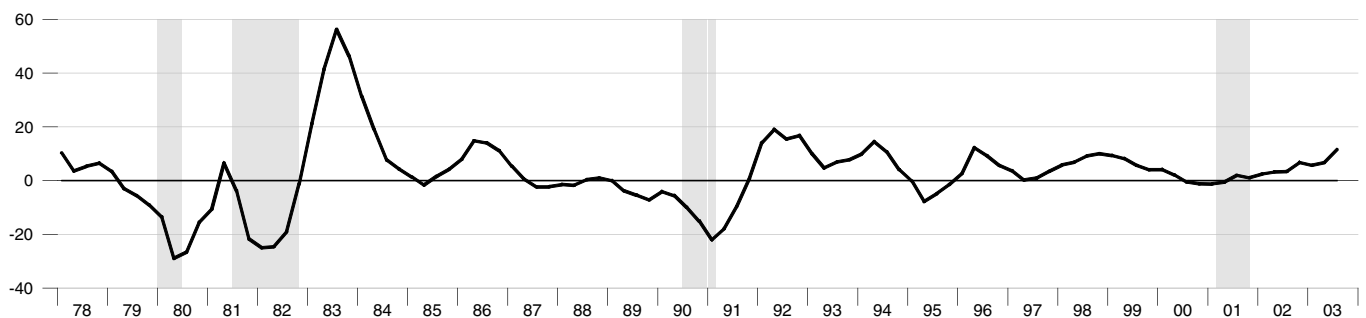
## Real Nonresidential Fixed and Equipment & Software Investment

Percent change from year ago

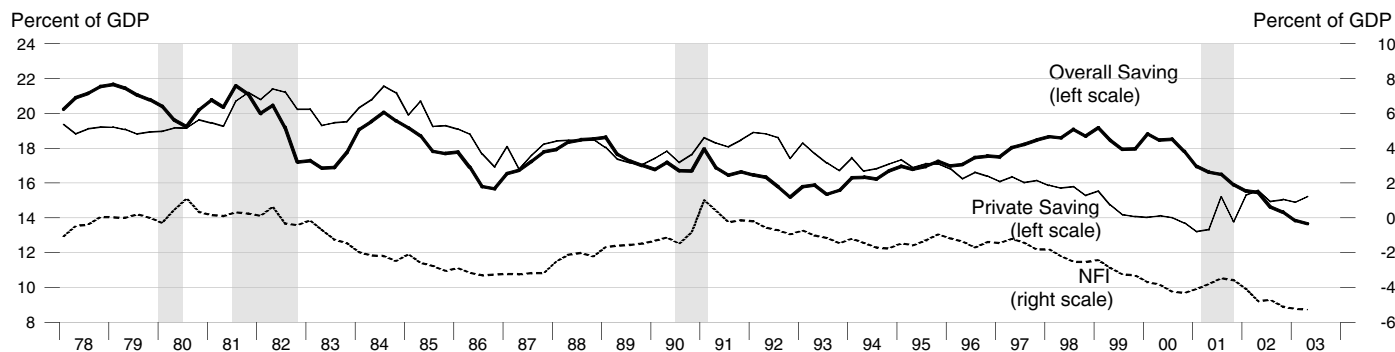


## Real Residential Fixed Investment

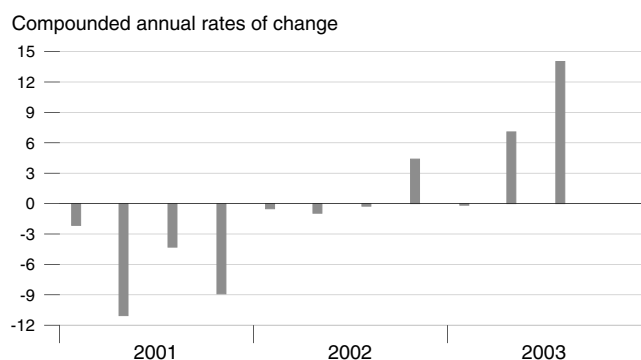
Percent change from year ago



## Gross Saving Rates and Net Foreign Investment



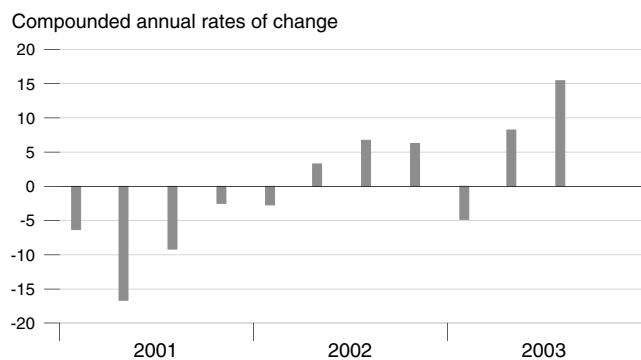
## Real Private Fixed Investment



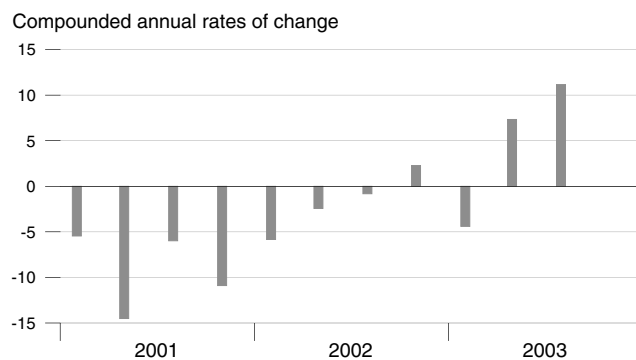
## Nondefense Capital Goods Orders



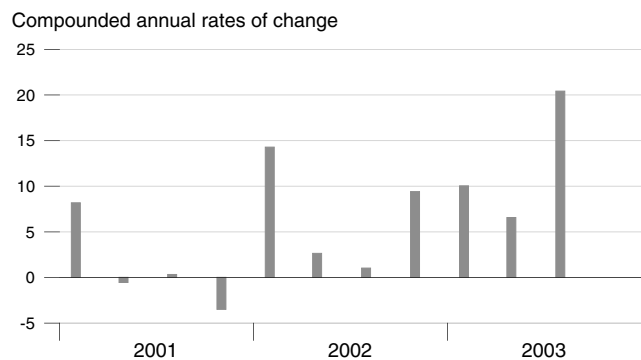
## Real Equipment & Software Investment



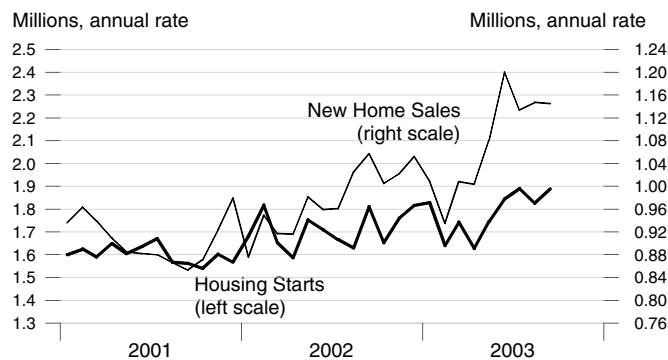
## Real Nonresidential Fixed Investment



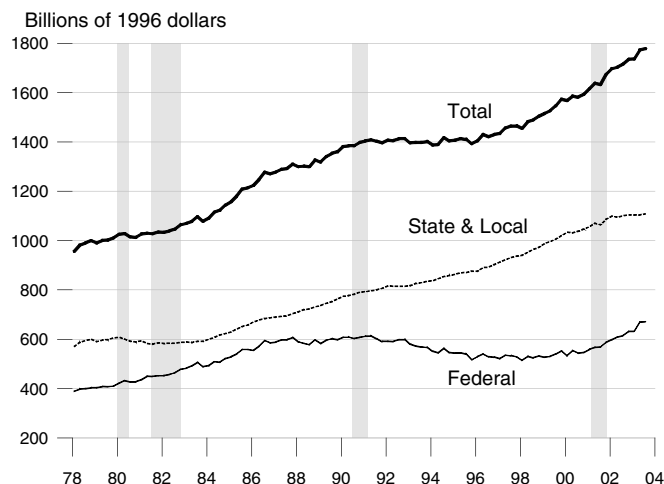
## Real Residential Fixed Investment



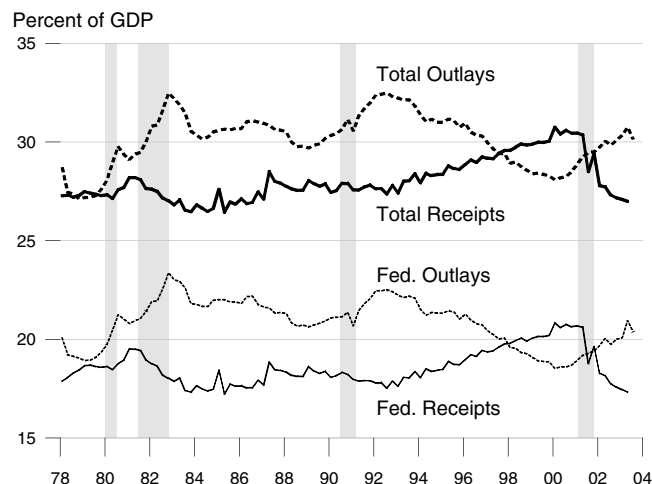
## Housing Starts and New Home Sales



## Govt. Consumption and Investment



## Government Receipts and Outlays



## Government Budgets

Billions of dollars

### National Income Accounts

Calendar Years

### Unified Budget

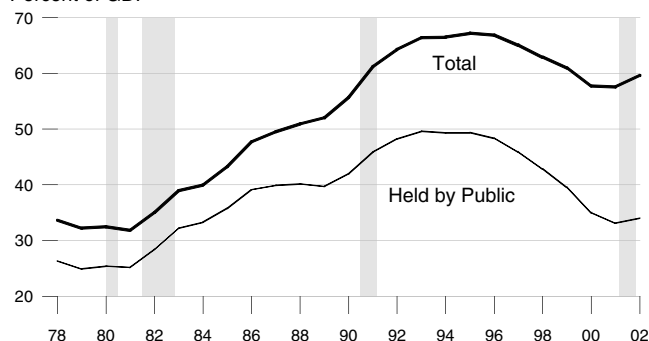
Fiscal Years

	State and Local			Federal			Federal		
	Receipts	Expenditures	Surplus or Deficit (-)	Receipts	Expenditures	Surplus or Deficit (-)	Receipts	Outlays	Surplus or Deficit (-)
1991	716.0	723.8	-7.8	1072.3	1287.6	-215.3	1055.0	1324.4	-269.4
1992	772.2	777.2	-5.0	1121.3	1418.9	-297.6	1091.3	1381.7	-290.4
1993	823.2	821.7	1.5	1197.3	1471.5	-274.2	1154.4	1409.5	-255.1
1994	873.8	865.2	8.6	1293.7	1506.0	-212.3	1258.6	1461.9	-203.3
1995	917.9	902.5	15.4	1383.7	1575.7	-192.0	1351.8	1515.8	-164.0
1996	960.4	939.0	21.4	1499.1	1635.9	-136.8	1453.1	1560.6	-107.5
1997	1011.3	980.3	31.0	1625.5	1678.8	-53.3	1579.3	1601.3	-22.0
1998	1074.4	1033.7	40.7	1749.7	1705.9	43.8	1721.8	1652.6	69.2
1999	1144.1	1105.8	38.3	1867.2	1755.3	111.9	1827.5	1701.9	125.5
2000	1214.2	1196.2	18.0	2033.9	1827.1	206.8	2025.2	1788.8	236.4
2001	1261.3	1292.6	-31.3	2008.4	1936.4	72.0	1991.0	1863.9	127.1
2002	1304.5	1356.4	-51.9	1873.3	2075.5	-202.2	1853.2	2011.0	-157.8
2000Q4	1230.8	1231.0	-0.2	2054.1	1860.3	193.8	462.0	464.3	-2.3
2001Q1	1247.3	1263.8	-16.5	2072.9	1899.1	173.8	459.8	482.2	-22.5
2001Q2	1261.1	1293.4	-32.3	2072.3	1927.8	144.5	660.3	466.5	193.7
2001Q3	1253.6	1299.8	-46.2	1896.0	1947.7	-51.7	409.0	450.7	-41.7
2001Q4	1283.2	1313.3	-30.1	1992.3	1971.0	21.3	466.3	501.7	-35.4
2002Q1	1273.3	1329.1	-55.8	1884.7	2030.5	-145.8	412.6	509.2	-96.6
2002Q2	1302.5	1347.6	-45.1	1883.7	2079.3	-195.6	522.6	506.9	15.6
2002Q3	1310.3	1365.0	-54.7	1864.1	2074.6	-210.5	451.7	493.2	-41.5
2002Q4	1331.6	1384.0	-52.4	1860.8	2117.4	-256.6	427.4	535.6	-108.2
2003Q1	1343.1	1410.9	-67.8	1865.0	2145.1	-280.1	397.8	542.7	-144.9
2003Q2	1396.4	1411.3	-14.9	1871.3	2261.5	-390.2	527.7	544.3	-16.6
2003Q3	.	1418.6	.	.	2250.5	.	429.5	534.0	-104.5



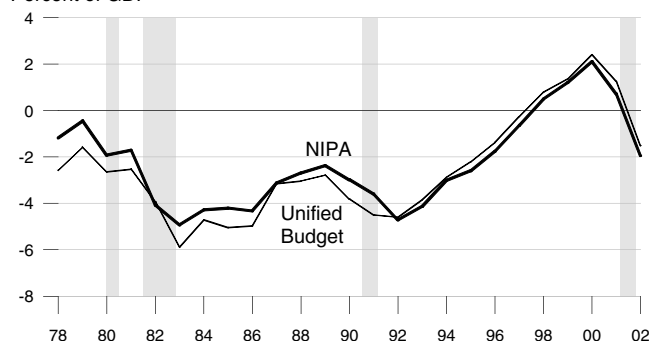
## Federal Debt

Percent of GDP



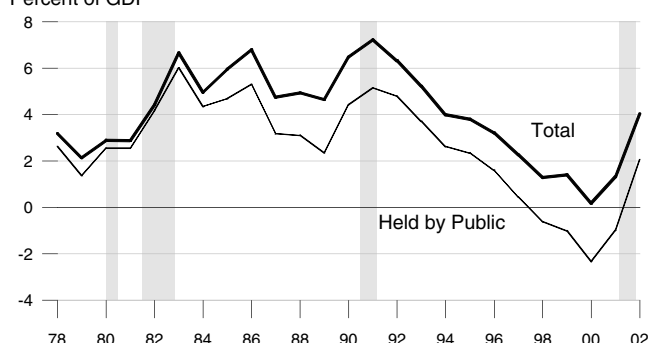
## Federal Surplus (+) / Deficit (-)

Percent of GDP



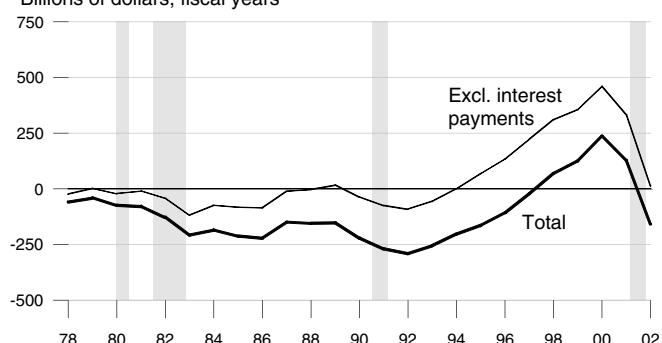
## Change in Federal Debt

Percent of GDP



## Federal Surplus (+) / Deficit (-), Unified Basis

Billions of dollars, fiscal years

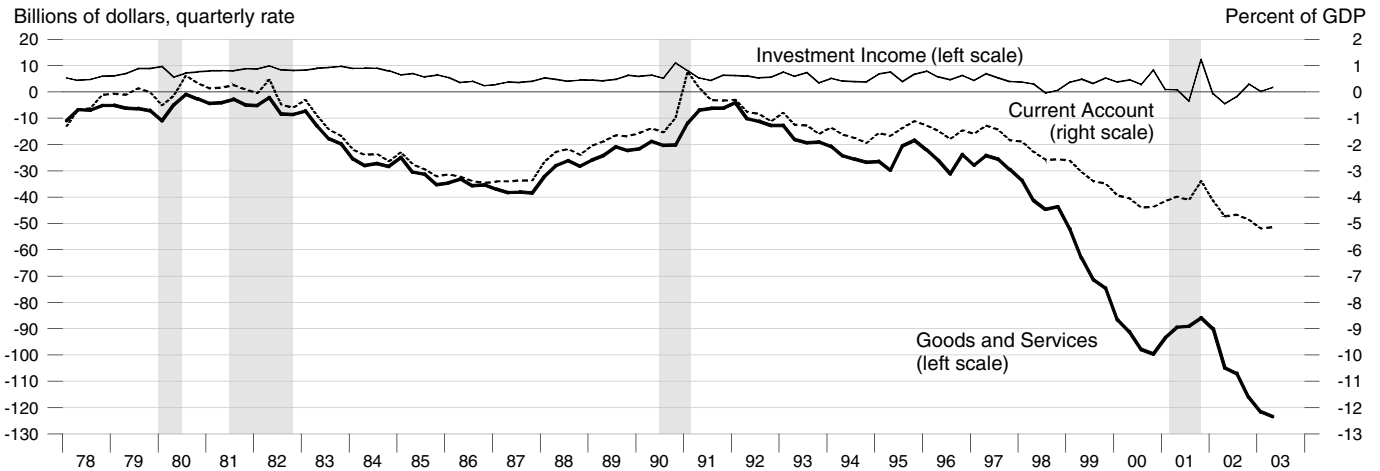


## Federal Government Debt

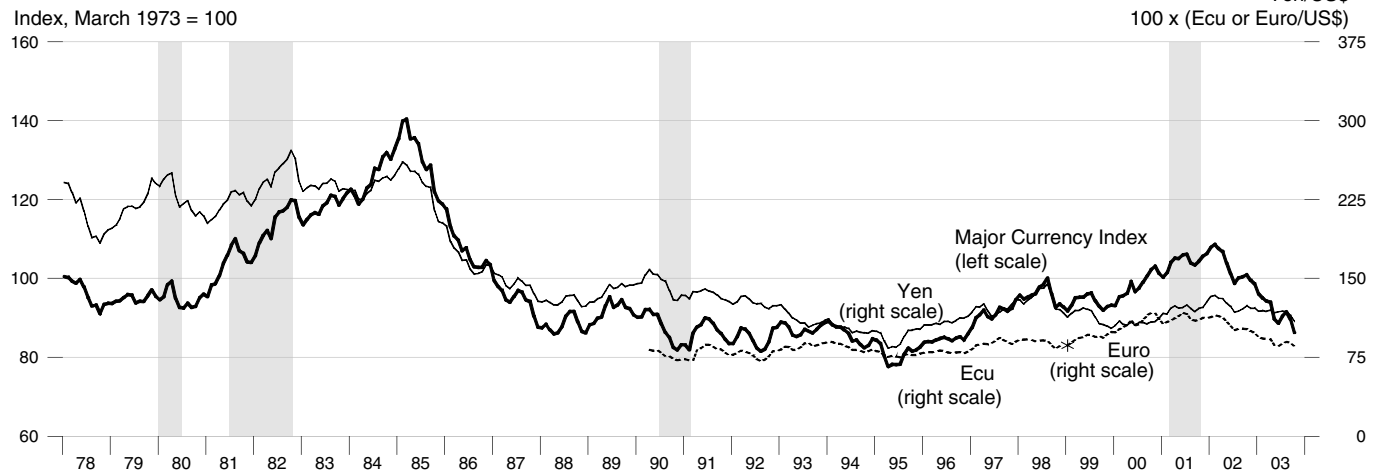
Billions of dollars, end of month or fiscal year  
Excludes Agency-issued debt

				Held by Public		Held by Private Investors	
		Total Public Debt	Held by Agencies and Trusts	Total	Federal Reserve Banks	Total	Foreign and International
2000		5674.2	2235.7	3438.5	511.4	2936.3	1057.9
2001		5807.5	2468.8	3338.7	534.1	2779.7	1005.5
2002		6228.2	2675.7	3552.6	604.2	2924.8	1167.3
2000	March	5773.4	2085.4	3688.0	501.7	3182.8	1106.9
	June	5685.9	2190.2	3495.7	505.0	2987.3	1082.0
	September	5674.2	2235.7	3438.5	511.4	2936.3	1057.9
	December	5662.2	2248.7	3527.4	511.7	2880.4	1034.2
2001	March	5773.7	2339.4	3434.4	523.9	2892.8	1029.9
	June	5726.8	2452.6	3274.2	535.1	2722.6	1000.5
	September	5807.5	2468.8	3338.7	534.1	2779.7	1005.5
	December	5943.4	2549.7	3393.8	551.7	2819.5	1051.2
2002	March	6006.0	2562.4	3443.7	575.4	2849.2	1067.1
	June	6126.5	2662.9	3463.5	590.7	2849.8	1102.1
	September	6228.2	2675.7	3552.6	604.2	2924.8	1167.3
	December	6405.7	2758.3	3647.4	629.4	3018.5	1211.9
2003	March	6460.8	2750.0	3710.8	641.5	3056.0	1254.6
	June	6670.1	2853.8	3816.3	652.1	3164.7	1355.3

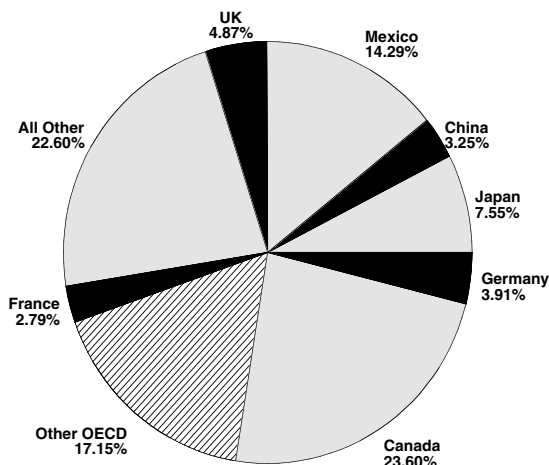
## Current Account, Trade and Investment Income Balances



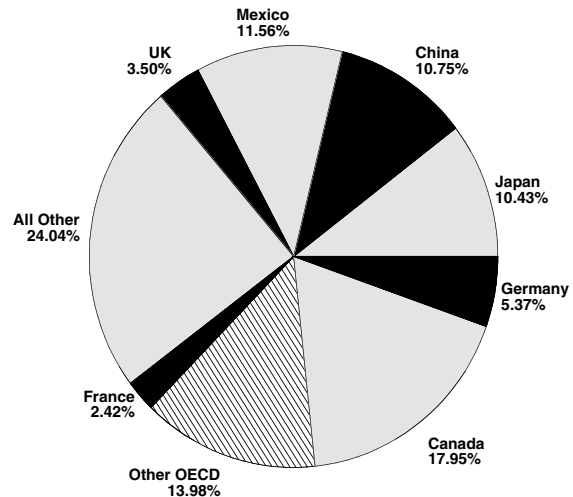
## Exchange Rates



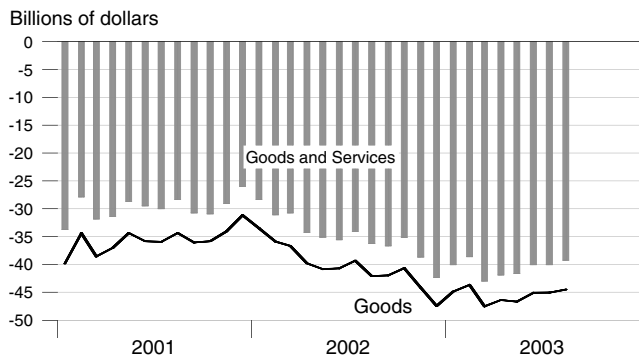
## Goods Export Shares, 2002



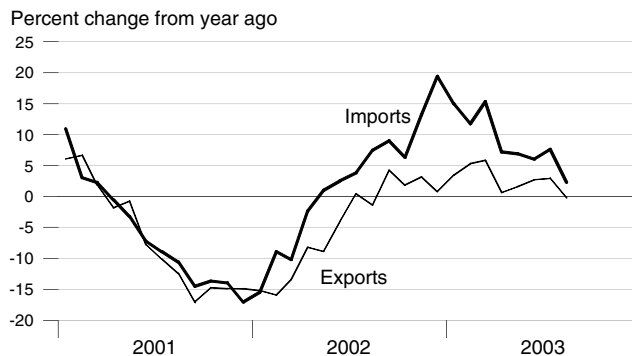
## Goods Import Shares, 2002



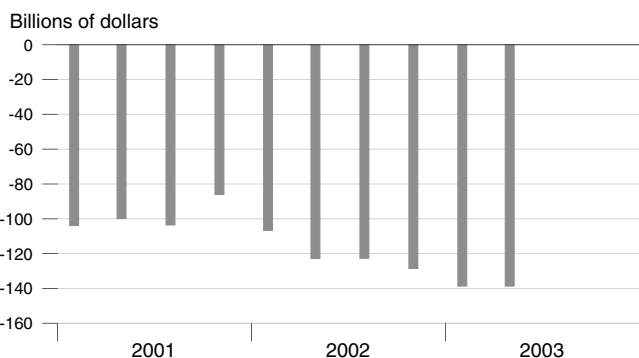
## Trade Balance



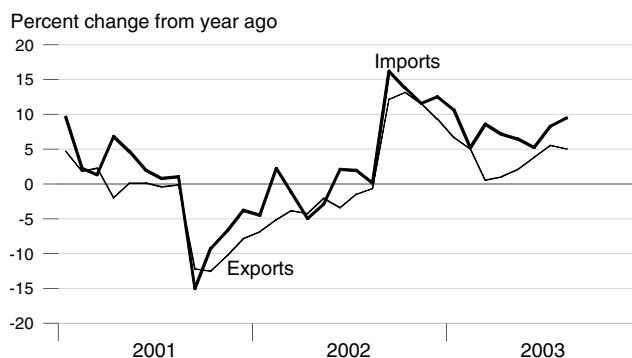
## Goods Trade



## Current Account Balance



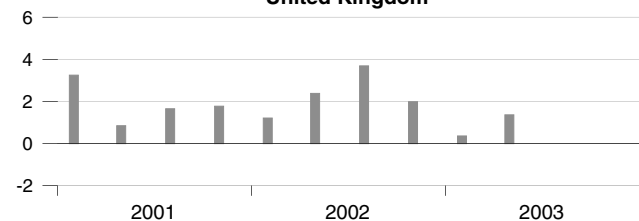
## Services Trade



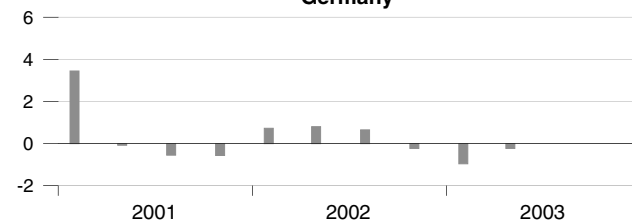
## Real GDP Growth of Major Trading Partners

Compounded annual rates of change

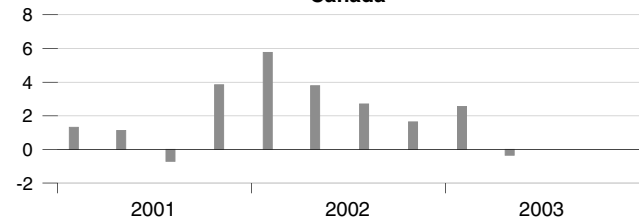
### United Kingdom



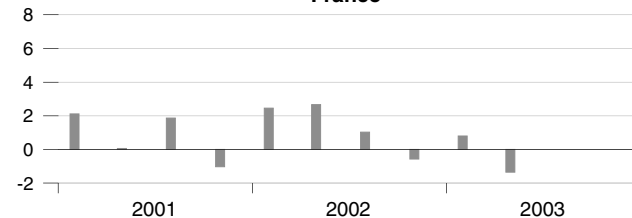
### Germany



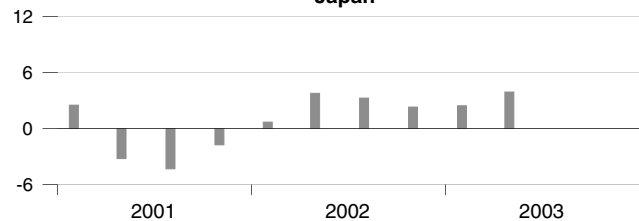
### Canada



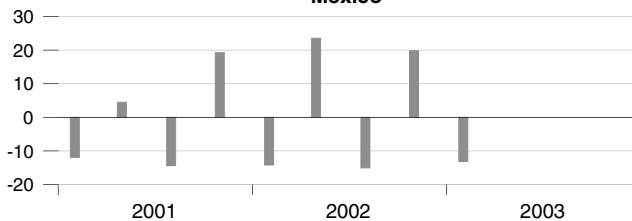
### France



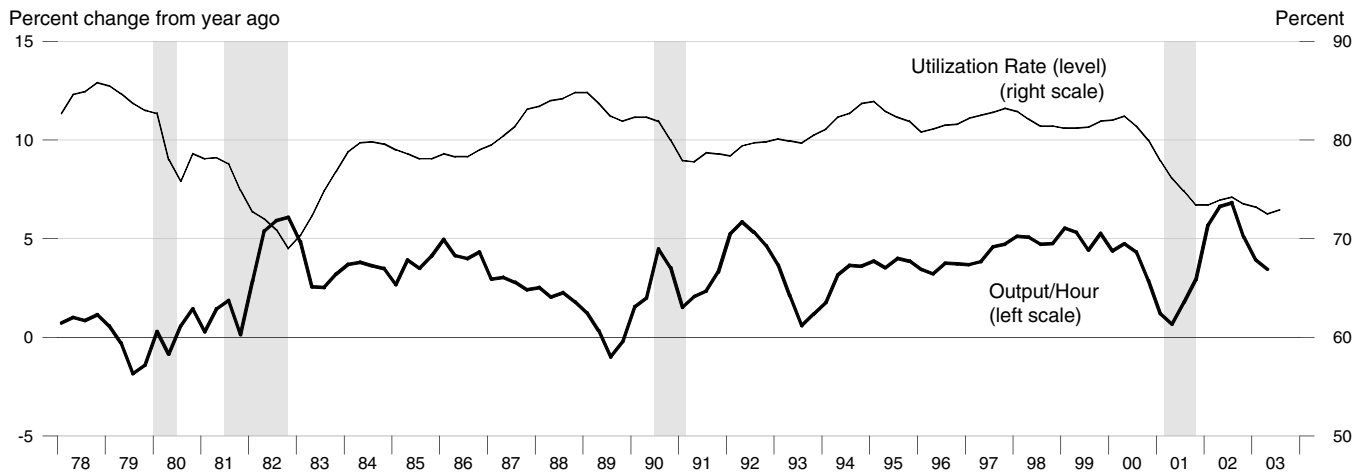
### Japan



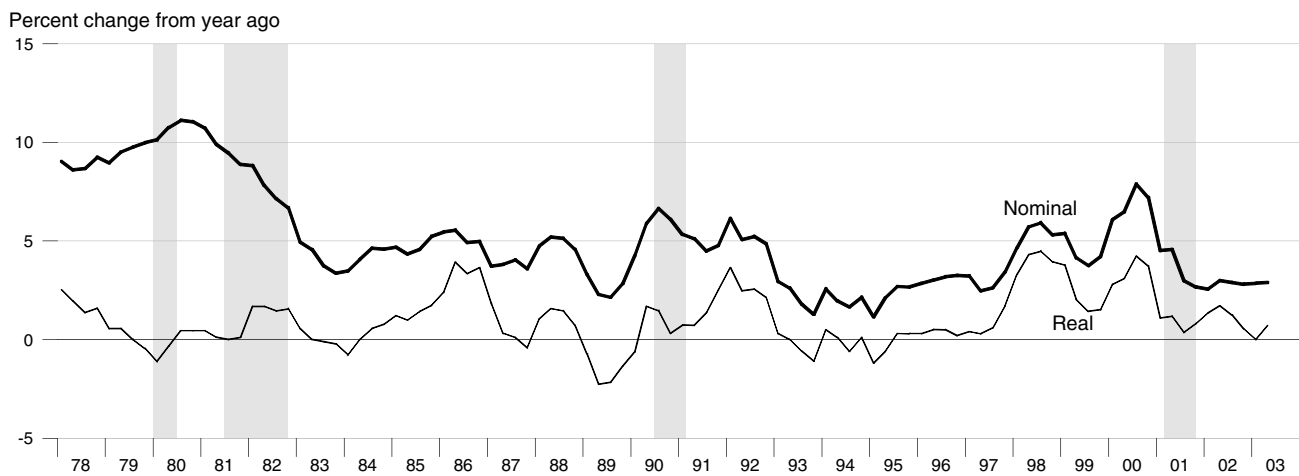
### Mexico



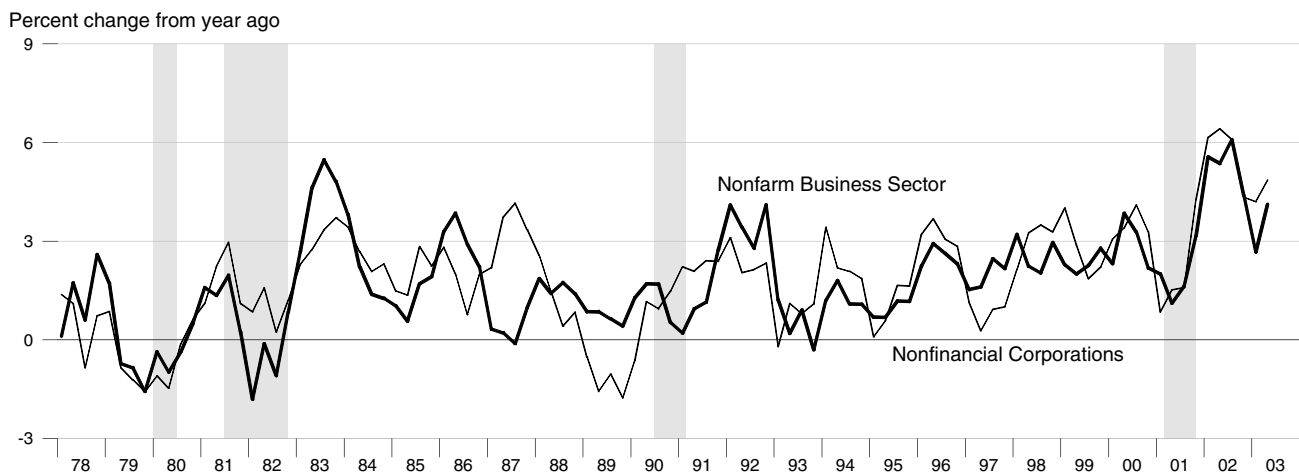
## Output per Hour and Capacity Utilization, Manufacturing



## Nonfarm Compensation per Hour

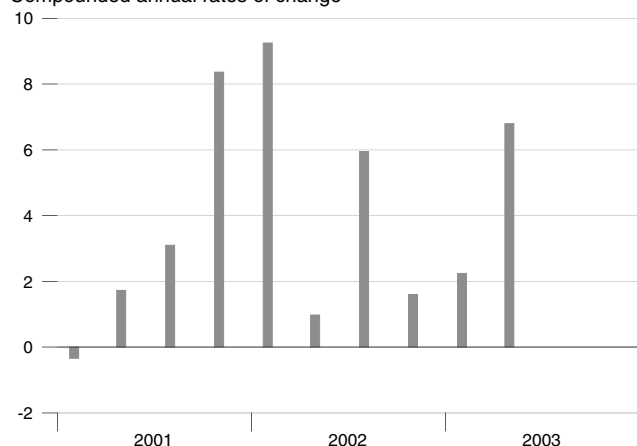


## Output per Hour, Nonfarm Business and Nonfinancial Corporations



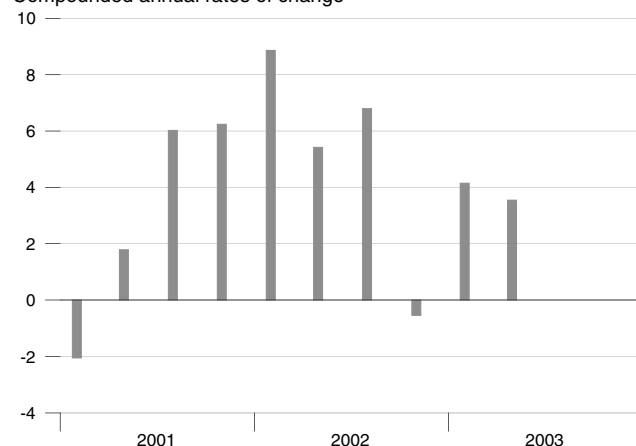
## Nonfarm Output per Hour

Compounded annual rates of change



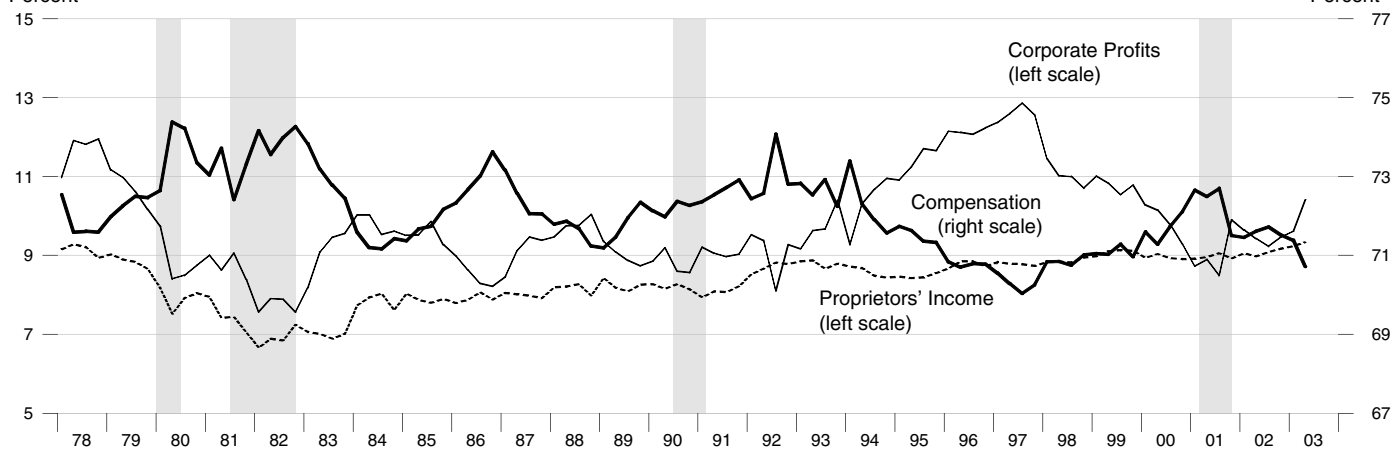
## Manufacturing Output per Hour

Compounded annual rates of change



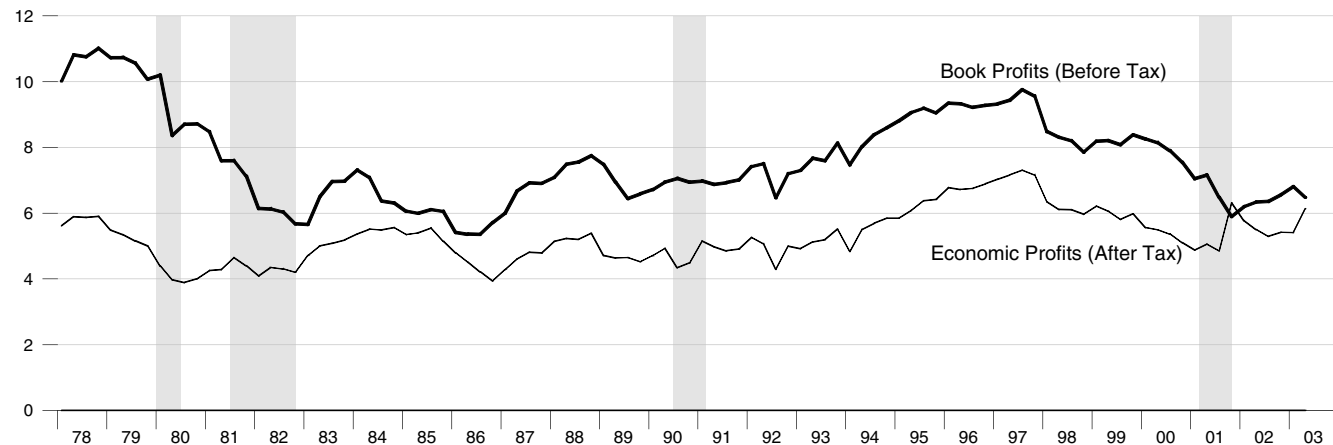
## Selected Component Shares of National Income

Percent



## Corporate Profits

Percent of GDP



Note: Economic Profits include IVA and CCAAdj; Book Profits exclude them (see Notes).

	Nominal GDP			Real GDP			Final Sales			Change in Private Inventories			
	Billions of \$	Percent change		Billions of 1996 \$	Percent change		Billions of 1996 \$	Percent change		Billions of 1996 \$			
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago	Last qtr	Year/Year ago		
1999	9274.3		5.6	8858.963		4.1	8793.899		4.3		62.755		
2000	9824.6		5.9	9191.413		3.8	9121.104		3.7		64.976		
2001	10082.2		2.6	9214.540		0.3	9258.399		1.5		-61.357		
2002	10446.2		3.6	9439.872		2.4	9424.375		1.8		5.162		
2000	1	9649.5	5.7	6.1	9097.421	2.6	4.2	9042.883	4.4	4.5	45.335	54.085	
	2	9820.7	7.3	7.1	9205.711	4.8	4.9	9111.141	3.1	4.2	91.496	69.164	
	3	9874.8	2.2	6.0	9218.681	0.6	3.7	9150.447	1.7	3.6	63.136	73.041	
	4	9953.6	3.2	4.6	9243.840	1.1	2.3	9179.789	1.3	2.6	59.938	64.976	
2001	1	10028.1	3.0	3.9	9229.932	-0.6	1.5	9243.767	2.8	2.2	-26.918	46.913	
	2	10049.9	0.9	2.3	9193.054	-1.6	-0.1	9234.349	-0.4	1.4	-58.297	9.465	
	3	10097.7	1.9	2.3	9186.413	-0.3	-0.4	9230.535	-0.2	0.9	-61.772	-21.762	
	4	10152.9	2.2	2.0	9248.762	2.7	0.1	9324.945	4.2	1.6	-98.441	-61.357	
2002	1	10313.1	6.5	2.8	9363.225	5.0	1.4	9379.350	2.4	1.5	-28.937	-61.862	
	2	10376.9	2.5	3.3	9392.446	1.3	2.2	9377.871	-0.1	1.6	4.931	-46.055	
	3	10506.2	5.1	4.0	9485.579	4.0	3.3	9457.181	3.4	2.5	18.836	-25.903	
	4	10588.8	3.2	4.3	9518.238	1.4	2.9	9483.099	1.1	1.7	25.820	5.163	
2003	1	10688.4	3.8	3.6	9551.991	1.4	2.0	9536.181	2.3	1.7	4.761	13.587	
	2	10802.7	4.3	4.1	9629.419	3.3	2.5	9631.135	4.0	2.7	-17.563	7.964	
	3	11038.4	9.0	5.1	9797.168	7.2	3.3	9814.663	7.8	3.8	-35.775	-5.689	
	Consumption			Durables Consumption			Private Fixed Investment			Nonresidential Fixed Investment			
	Billions of 1996 \$	Percent change		Billions of 1996 \$	Percent change		Billions of 1996 \$	Percent change		Billions of 1996 \$	Percent change		
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago	
1999	5964.464		4.9	812.539		11.8	1595.205		7.8	1228.392		8.1	
2000	6223.930		4.4	878.945		8.2	1691.893		6.1	1324.199		7.8	
2001	6377.231		2.5	931.888		6.0	1627.414		-3.8	1255.132		-5.2	
2002	6576.007		3.1	999.884		7.3	1577.272		-3.1	1183.377		-5.7	
2000	1	6151.862	5.3	5.1	879.506	17.8	13.1	1673.617	13.3	7.3	1297.108	15.0	8.3
	2	6198.213	3.0	4.5	871.338	-3.7	8.4	1700.940	6.7	7.1	1329.083	10.2	8.9
	3	6256.821	3.8	4.3	888.464	8.1	7.8	1701.667	0.2	5.7	1340.677	3.5	7.8
	4	6288.822	2.1	3.5	876.479	-5.3	3.8	1691.347	-2.4	4.3	1329.929	-3.2	6.2
2001	1	6326.008	2.4	2.8	900.596	11.5	2.4	1682.070	-2.2	0.5	1311.445	-5.4	1.1
	2	6348.006	1.4	2.4	912.358	5.3	4.7	1633.538	-11.1	-4.0	1260.978	-14.5	-5.1
	3	6370.946	1.5	1.8	922.616	4.6	3.8	1615.663	-4.3	-5.1	1241.712	-6.0	-7.4
	4	6463.964	6.0	2.8	991.988	33.6	13.2	1578.384	-8.9	-6.7	1206.409	-10.9	-9.3
2002	1	6513.825	3.1	3.0	975.898	-6.3	8.4	1576.408	-0.5	-6.3	1188.412	-5.8	-9.4
	2	6542.422	1.8	3.1	980.664	2.0	7.5	1572.624	-1.0	-3.7	1181.099	-2.4	-6.3
	3	6609.881	4.2	3.8	1032.423	22.8	11.9	1571.593	-0.3	-2.7	1178.662	-0.8	-5.1
	4	6637.901	1.7	2.7	1010.550	-8.2	1.9	1588.462	4.4	0.6	1185.336	2.3	-1.7
2003	1	6670.898	2.0	2.4	1005.354	-2.0	3.0	1587.904	-0.1	0.7	1172.105	-4.4	-1.4
	2	6733.905	3.8	2.9	1061.490	24.3	8.2	1615.347	7.1	2.7	1193.026	7.3	1.0
	3	6842.059	6.6	3.5	1126.627	26.9	9.1	1669.082	14.0	6.2	1224.857	11.1	3.9

	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
1999	104.690		1.4	142.4		3.2	140.3		3.4	147.6		2.8
2000	106.890		2.1	148.9		4.6	146.0		4.1	156.0		5.7
2001	109.420		2.4	155.0		4.1	151.4		3.7	163.7		4.9
2002	110.660		1.1	160.9		3.8	156.4		3.3	171.7		4.9
2000 1	106.080	3.1	1.9	146.6	5.4	4.6	143.9	4.3	4.2	153.2	8.2	5.4
2	106.690	2.3	2.1	148.2	4.4	4.6	145.4	4.2	4.1	155.1	5.1	5.7
3	107.130	1.7	2.2	149.7	4.1	4.7	146.7	3.6	4.1	157.0	5.0	5.9
4	107.680	2.1	2.3	151.1	3.8	4.4	147.9	3.3	3.9	158.7	4.4	5.7
2001 1	108.660	3.7	2.4	152.8	4.6	4.2	149.4	4.1	3.8	160.8	5.4	5.0
2	109.320	2.5	2.5	154.2	3.7	4.0	150.8	3.8	3.7	162.5	4.3	4.8
3	109.920	2.2	2.6	155.7	3.9	4.0	152.0	3.2	3.6	164.7	5.5	4.9
4	109.780	-0.5	2.0	157.4	4.4	4.2	153.4	3.7	3.7	166.8	5.2	5.1
2002 1	110.140	1.3	1.4	158.8	3.6	3.9	154.8	3.7	3.6	168.6	4.4	4.9
2	110.480	1.2	1.1	160.5	4.4	4.1	156.2	3.7	3.6	170.8	5.3	5.1
3	110.760	1.0	0.8	161.5	2.5	3.7	156.9	1.8	3.2	172.6	4.3	4.8
4	111.250	1.8	1.3	162.7	3.0	3.4	157.7	2.1	2.8	174.7	5.0	4.7
2003 1	111.900	2.4	1.6	164.9	5.5	3.8	159.3	4.1	2.9	178.9	10.0	6.1
2	112.180	1.0	1.5	166.3	3.4	3.6	160.3	2.5	2.6	181.3	5.5	6.1
3	112.670	1.8	1.7	168.0	4.2	4.0	161.7	3.5	3.1	183.8	5.6	6.5
	Exports			Imports			Nonfarm Output per Hour			Nonfarm Compensation per Hour		
	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
1999	1036.329		3.4	1356.816		10.9	112.8		2.4	124.3		4.4
2000	1137.199		9.7	1535.958		13.2	116.1		2.9	133.0		7.0
2001	1076.121		-5.4	1492.010		-2.9	118.3		1.9	137.8		3.6
2002	1058.832		-1.6	1547.373		3.7	124.7		5.4	141.7		2.8
2000 1	1095.781	7.7	8.8	1464.619	14.7	13.5	114.6	0.3	2.3	130.8	15.4	6.1
2	1133.877	14.6	11.4	1528.465	18.6	14.3	116.1	5.3	3.8	131.4	1.8	6.5
3	1165.469	11.6	11.6	1578.615	13.8	14.1	116.4	1.0	3.3	134.2	8.8	7.9
4	1153.668	-4.0	7.3	1572.152	-1.6	11.1	117.0	2.1	2.2	135.3	3.3	7.2
2001 1	1135.809	-6.0	3.7	1540.311	-7.9	5.2	116.9	-0.3	2.0	136.7	4.2	4.5
2	1098.832	-12.4	-3.1	1513.594	-6.8	-1.0	117.4	1.7	1.1	137.4	2.1	4.6
3	1048.017	-17.3	-10.1	1466.988	-11.8	-7.1	118.3	3.1	1.6	138.2	2.3	3.0
4	1021.827	-9.6	-11.4	1447.158	-5.3	-8.0	120.7	8.4	3.2	138.9	2.0	2.7
2002 1	1030.560	3.5	-9.3	1477.140	8.5	-4.1	123.4	9.3	5.6	140.2	3.8	2.6
2	1065.526	14.3	-3.0	1552.919	22.2	2.6	123.7	1.0	5.4	141.5	3.8	3.0
3	1077.659	4.6	2.8	1565.680	3.3	6.7	125.5	5.9	6.1	142.2	2.0	2.9
4	1061.584	-5.8	3.9	1593.755	7.4	10.1	126.0	1.6	4.4	142.8	1.7	2.8
2003 1	1058.069	-1.3	2.7	1568.377	-6.2	6.2	126.7	2.2	2.7	144.2	4.0	2.9
2	1055.543	-1.0	-0.9	1601.691	8.8	3.1	128.8	6.8	4.1	145.6	3.9	2.9
3	1079.347	9.3	0.2	1601.990	0.1	2.3						

		Household Survey Employment				Nonfarm Payroll Employment				Nonfarm Aggregate Hours			
				Percent change				Percent change				Percent change	
				Annual rate	Year ago			Annual rate	Year ago			Monthly rate	Annual rate
		Thousands	Change			Thousands	Change			Index			
	1998	131476	1904		1.5	125924	3157		2.6	99.5			2.5
	1999	133498	2022		1.5	128994	3070		2.4	101.5			2.1
	2000	136899	3401		2.5	131790	2796		2.2	103.4			1.9
	2001	136941	42		0.0	131830	40		0.0	102.1			-1.3
	2002	136486	-455		-0.3	130376	-1454		-1.1	100.0			-2.0
2001	1	137752	424	1.2	0.8	132508	199	0.6	1.1	103.4	-0.2	-0.6	0.2
	2	137086	-666	-1.9	0.1	132180	-327	-1.0	0.3	102.6	-0.8	-3.2	-0.9
	3	136707	-379	-1.1	0.0	131712	-468	-1.4	-0.2	101.8	-0.8	-3.1	-1.7
	4	136218	-488	-1.4	-0.8	130920	-792	-2.4	-1.1	100.6	-1.2	-4.6	-2.9
2002	1	136128	-90	-0.3	-1.2	130523	-397	-1.2	-1.5	100.4	-0.1	-0.5	-2.9
	2	136355	227	0.7	-0.5	130403	-120	-0.4	-1.3	100.3	-0.1	-0.5	-2.2
	3	136804	449	1.3	0.1	130239	-164	-0.5	-1.1	99.8	-0.5	-1.8	-1.9
	4	136656	-148	-0.4	0.3	130338	99	0.3	-0.4	99.6	-0.3	-1.1	-1.0
2003	1	137431	774	2.3	1.0	130225	-113	-0.3	-0.2	99.1	-0.4	-1.7	-1.3
	2	137637	207	0.6	0.9	129984	-241	-0.7	-0.3	98.7	-0.4	-1.6	-1.6
	3	137559	-79	-0.2	0.6	129838	-146	-0.4	-0.3	98.5	-0.2	-0.9	-1.3
2001	Sep	136858	602	5.4	-0.0	131550	-169	-1.5	-0.4	101.2	-0.6	-6.8	-2.3
	Oct	136370	-488	-4.2	-0.5	131198	-352	-3.2	-0.7	100.6	-0.6	-6.9	-3.2
	Nov	136218	-152	-1.3	-0.8	130900	-298	-2.7	-1.1	100.5	-0.1	-1.2	-3.1
	Dec	136067	-151	-1.3	-1.1	130661	-239	-2.2	-1.3	100.6	0.1	1.2	-2.4
2002	Jan	135791	-276	-2.4	-1.5	130578	-83	-0.8	-1.4	100.3	-0.3	-3.5	-3.3
	Feb	136450	659	6.0	-0.9	130510	-68	-0.6	-1.5	100.5	0.2	2.4	-2.7
	Mar	136143	-307	-2.7	-1.2	130481	-29	-0.3	-1.5	100.5	0.0	0.0	-2.6
	Apr	136196	53	0.5	-0.8	130415	-66	-0.6	-1.4	100.3	-0.2	-2.4	-2.3
	May	136487	291	2.6	-0.4	130411	-4	-0.0	-1.4	100.2	-0.1	-1.2	-2.3
	Jun	136383	-104	-0.9	-0.4	130383	-28	-0.3	-1.3	100.4	0.2	2.4	-2.0
	Jul	136343	-40	-0.4	-0.5	130204	-179	-1.6	-1.3	99.7	-0.7	-8.1	-2.5
	Aug	136757	414	3.7	0.4	130224	20	0.2	-1.1	99.9	0.2	2.4	-1.9
	Sep	137312	555	5.0	0.3	130289	65	0.6	-1.0	99.9	0.0	0.0	-1.3
	Oct	136988	-324	-2.8	0.5	130408	119	1.1	-0.6	99.7	-0.2	-2.4	-0.9
	Nov	136542	-446	-3.8	0.2	130409	1	0.0	-0.4	99.6	-0.1	-1.2	-0.9
	Dec	136439	-103	-0.9	0.3	130198	-211	-1.9	-0.4	99.4	-0.2	-2.4	-1.2
2003	Jan	137536	1097	10.1	1.3	130356	158	1.5	-0.2	99.4	0.0	0.0	-0.9
	Feb	137408	-128	-1.1	0.7	130235	-121	-1.1	-0.2	99.0	-0.4	-4.7	-1.5
	Mar	137348	-60	-0.5	0.9	130084	-151	-1.4	-0.3	99.0	0.0	0.0	-1.5
	Apr	137687	339	3.0	1.1	130062	-22	-0.2	-0.3	98.8	-0.2	-2.4	-1.5
	May	137487	-200	-1.7	0.7	129986	-76	-0.7	-0.3	98.7	-0.1	-1.2	-1.5
	Jun	137738	251	2.2	1.0	129903	-83	-0.8	-0.4	98.7	0.0	0.0	-1.7
	Jul	137478	-260	-2.2	0.8	129846	-57	-0.5	-0.3	98.3	-0.4	-4.8	-1.4
	Aug	137625	147	1.3	0.6	129805	-41	-0.4	-0.3	98.6	0.3	3.7	-1.3
	Sep	137573	-52	-0.5	0.2	129862	57	0.5	-0.3	98.6	0.0	0.0	-1.3



		Unempl. Rate	Retail and Food Services Sales				Industrial Production				Treasury Yields		
			Billions of dollars	Percent change		Year ago	Index	Percent change		Year ago	(Percent)		
				Monthly/ quarterly	Annual rate			Monthly/ quarterly	Annual rate		3-mo	10-yr	
1998		4.5	2918.226			4.9	105.622			5.6	4.78	5.26	
1999		4.2	3161.948			8.4	110.131			4.3	4.64	5.64	
2000		4.0	3374.243			6.7	115.252			4.7	5.82	6.03	
2001		4.8	3471.756			2.9	111.229			-3.5	3.39	5.02	
2002		5.8	3578.158			3.1	110.381			-0.8	1.60	4.61	
2001	1	4.2	856.706	0.8	3.0	2.2	113.631	-1.6	-6.1	-0.2	4.82	5.05	
	2	4.5	863.764	0.8	3.3	3.1	111.847	-1.6	-6.1	-3.4	3.66	5.27	
	3	4.8	862.246	-0.2	-0.7	1.7	110.542	-1.2	-4.6	-4.6	3.17	4.98	
	4	5.6	889.040	3.1	13.0	4.6	108.895	-1.5	-5.8	-5.7	1.91	4.77	
2002	1	5.6	879.850	-1.0	-4.1	2.7	109.268	0.3	1.4	-3.8	1.72	5.08	
	2	5.8	889.723	1.1	4.6	3.0	110.459	1.1	4.4	-1.2	1.72	5.10	
	3	5.8	901.604	1.3	5.4	4.6	111.375	0.8	3.4	0.8	1.64	4.26	
	4	5.9	906.981	0.6	2.4	2.0	110.422	-0.9	-3.4	1.4	1.33	4.01	
2003	1	5.8	919.353	1.4	5.6	4.5	110.496	0.1	0.3	1.1	1.16	3.92	
	2	6.2	932.031	1.4	5.6	4.8	109.447	-0.9	-3.7	-0.9	1.04	3.62	
	3	6.1	959.296	2.9	12.2	6.4	110.336	0.8	3.3	-0.9	0.93	4.23	
2001		Oct	5.4	301.990	6.1	104.2	6.4	109.512	-0.4	-4.5	-5.3	2.16	4.57
		Nov	5.6	293.741	-2.7	-28.3	3.8	108.845	-0.6	-7.1	-5.8	1.87	4.65
		Dec	5.8	293.309	-0.1	-1.8	3.4	108.327	-0.5	-5.6	-5.9	1.69	5.09
2002	Jan	5.6	292.393	-0.3	-3.7	2.1	108.967	0.6	7.3	-4.6	1.65	5.04	
	Feb	5.6	293.878	0.5	6.3	2.7	109.197	0.2	2.6	-3.9	1.73	4.91	
	Mar	5.7	293.579	-0.1	-1.2	3.3	109.641	0.4	5.0	-3.0	1.79	5.28	
	Apr	5.9	297.827	1.4	18.8	3.8	110.113	0.4	5.3	-2.2	1.72	5.21	
	May	5.8	293.870	-1.3	-14.8	1.7	110.447	0.3	3.7	-1.3	1.73	5.16	
	Jun	5.8	298.026	1.4	18.4	3.6	110.818	0.3	4.1	-0.3	1.70	4.93	
	Jul	5.8	300.842	0.9	11.9	4.4	111.577	0.7	8.5	0.5	1.68	4.65	
	Aug	5.8	302.449	0.5	6.6	4.5	111.305	-0.2	-2.9	0.6	1.62	4.26	
	Sep	5.7	298.313	-1.4	-15.2	4.8	111.242	-0.1	-0.7	1.2	1.63	3.87	
	Oct	5.8	299.458	0.4	4.7	-0.8	110.580	-0.6	-6.9	1.0	1.58	3.94	
	Nov	5.9	301.707	0.8	9.4	2.7	110.797	0.2	2.4	1.8	1.23	4.05	
	Dec	6.0	305.816	1.4	17.6	4.3	109.889	-0.8	-9.4	1.4	1.19	4.03	
2003	Jan	5.7	307.045	0.4	4.9	5.0	110.670	0.7	8.9	1.6	1.17	4.05	
	Feb	5.8	302.741	-1.4	-15.6	3.0	110.735	0.1	0.7	1.4	1.17	3.90	
	Mar	5.8	309.567	2.3	30.7	5.4	110.082	-0.6	-6.9	0.4	1.13	3.81	
	Apr	6.0	308.675	-0.3	-3.4	3.6	109.479	-0.5	-6.4	-0.6	1.13	3.96	
	May	6.1	310.214	0.5	6.1	5.6	109.487	0.0	0.1	-0.9	1.07	3.57	
	Jun	6.4	313.142	0.9	11.9	5.1	109.376	-0.1	-1.2	-1.3	0.92	3.33	
	Jul	6.2	317.512	1.4	18.1	5.5	110.232	0.8	9.8	-1.2	0.90	3.98	
	Aug	6.1	321.200	1.2	14.9	6.2	110.174	-0.1	-0.6	-1.0	0.95	4.45	
	Sep	6.1	320.584	-0.2	-2.3	7.5	110.602	0.4	4.8	-0.6	0.94	4.27	
	Oct										0.92	4.29	

		Consumer Price Index					Consumer Price Index less Food and Energy					Producer Price Index Finished Goods			
		Percent change					Percent change					Percent change			
		Index	Monthly/ quarterly	Annual rate	Year ago	Year to date	Index	Monthly/ quarterly	Annual rate	Year ago	Year to date	Index	Monthly/ quarterly	Annual rate	Year ago
	1998	163.0			1.5		173.4			2.3		130.7			-0.9
	1999	166.6			2.2		177.0			2.1		133.0			1.8
	2000	172.2			3.4		181.3			2.4		138.0			3.7
	2001	177.1			2.8		186.1			2.7		140.7			2.0
	2002	179.9			1.6		190.4			2.3		138.9			-1.3
2001	1	175.9	0.9	3.8	3.4	3.8	184.3	0.7	2.9	2.7	2.9	141.7	1.3	5.4	4.0
	2	177.3	0.8	3.2	3.4	3.5	185.5	0.6	2.6	2.6	2.8	142.0	0.2	0.8	3.4
	3	177.7	0.2	1.0	2.7	2.7	186.7	0.7	2.7	2.7	2.7	140.7	-0.9	-3.5	1.6
	4	177.4	-0.2	-0.6	1.8	1.8	188.0	0.7	2.7	2.7	2.7	138.4	-1.7	-6.6	-1.1
2002	1	178.0	0.3	1.3	1.2	1.3	189.0	0.5	2.1	2.5	2.1	138.3	-0.0	-0.1	-2.4
	2	179.5	0.9	3.5	1.3	2.4	190.0	0.5	2.1	2.4	2.1	138.7	0.2	1.0	-2.3
	3	180.5	0.5	2.2	1.6	2.3	191.0	0.5	2.2	2.3	2.2	138.7	0.0	0.2	-1.4
	4	181.4	0.5	2.0	2.2	2.2	191.8	0.4	1.8	2.1	2.1	139.7	0.7	2.8	1.0
2003	1	183.1	1.0	3.9	2.9	3.9	192.4	0.3	1.3	1.8	1.3	142.9	2.3	9.6	3.3
	2	183.4	0.1	0.6	2.2	2.2	192.8	0.2	0.8	1.5	1.0	142.3	-0.5	-1.9	2.6
	3	184.5	0.6	2.3	2.2	2.3	193.6	0.4	1.5	1.3	1.2	143.3	0.7	3.0	3.3
2001	Sep	178.1	0.3	4.1	2.6	2.7	187.1	0.2	2.6	2.6	2.8	141.3	0.4	5.2	1.6
	Oct	177.6	-0.3	-3.3	2.1	2.1	187.4	0.2	1.9	2.6	2.7	139.1	-1.6	-17.2	-0.3
	Nov	177.4	-0.1	-1.3	1.8	1.8	188.1	0.4	4.6	2.7	2.9	138.3	-0.6	-6.7	-1.2
	Dec	177.3	-0.1	-0.7	1.5	1.5	188.4	0.2	1.9	2.8	2.8	137.7	-0.4	-5.1	-1.7
2002	Jan	177.6	0.2	2.0	1.1	2.0	188.7	0.2	1.9	2.6	1.9	137.7	0.0	0.0	-2.8
	Feb	177.9	0.2	2.0	1.1	2.0	189.0	0.2	1.9	2.6	1.9	138.1	0.3	3.5	-2.7
	Mar	178.5	0.3	4.1	1.4	2.7	189.2	0.1	1.3	2.4	1.7	139.2	0.8	10.0	-1.6
	Apr	179.3	0.4	5.5	1.6	3.4	189.7	0.3	3.2	2.5	2.1	139.0	-0.1	-1.7	-2.1
	May	179.5	0.1	1.3	1.2	3.0	190.0	0.2	1.9	2.5	2.1	138.4	-0.4	-5.1	-2.7
	Jun	179.8	0.2	2.0	1.1	2.8	190.2	0.1	1.3	2.3	1.9	138.6	0.1	1.7	-2.2
	Jul	180.1	0.2	2.0	1.5	2.7	190.5	0.2	1.9	2.2	1.9	138.6	0.0	0.0	-1.1
	Aug	180.5	0.2	2.7	1.7	2.7	191.1	0.3	3.8	2.4	2.2	138.6	0.0	0.0	-1.5
	Sep	180.9	0.2	2.7	1.6	2.7	191.4	0.2	1.9	2.3	2.1	139.0	0.3	3.5	-1.6
	Oct	181.2	0.2	2.0	2.0	2.6	191.6	0.1	1.3	2.2	2.0	140.1	0.8	9.9	0.7
	Nov	181.4	0.1	1.3	2.3	2.5	191.8	0.1	1.3	2.0	2.0	139.7	-0.3	-3.4	1.0
	Dec	181.6	0.1	1.3	2.4	2.4	192.1	0.2	1.9	2.0	2.0	139.3	-0.3	-3.4	1.2
2003	Jan	182.2	0.3	4.0	2.6	4.0	192.3	0.1	1.3	1.9	1.3	141.2	1.4	17.7	2.5
	Feb	183.3	0.6	7.5	3.0	5.7	192.5	0.1	1.3	1.9	1.3	142.8	1.1	14.5	3.4
	Mar	183.9	0.3	4.0	3.0	5.2	192.5	0.0	0.0	1.7	0.8	144.8	1.4	18.2	4.0
	Apr	183.3	-0.3	-3.8	2.2	2.8	192.5	0.0	0.0	1.5	0.6	142.4	-1.7	-18.2	2.4
	May	183.3	0.0	0.0	2.1	2.3	193.0	0.3	3.2	1.6	1.1	141.8	-0.4	-4.9	2.5
	Jun	183.6	0.2	2.0	2.1	2.2	193.0	0.0	0.0	1.5	0.9	142.6	0.6	7.0	2.9
	Jul	183.9	0.2	2.0	2.1	2.2	193.4	0.2	2.5	1.5	1.2	142.8	0.1	1.7	3.0
	Aug	184.5	0.3	4.0	2.2	2.4	193.6	0.1	1.2	1.3	1.2	143.4	0.4	5.2	3.5
	Sep	185.0	0.3	3.3	2.3	2.5	193.7	0.1	0.6	1.2	1.1	143.8	0.3	3.4	3.5

## 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. Real GDP is measured in 1996 dollars. The **ISM** (formerly Purchasing Managers') **Index** is a weighted average of diffusion indexes for new orders, production, supplier deliveries, inventories, and employment. **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:** For information on how to calculate the **Contribution** of a component to the overall GDP growth rate, see the October 1999 issue of the Survey of Current Business, p. 16. The sign is changed for **Imports**.

**Page 7:** Ten-year **Treasury Yields** are adjusted to constant maturity; three-month yields are secondary market averages. All rates used in the yield curves are adjusted to constant maturity. The 30-year constant maturity series was discontinued by the Treasury Department as of Feb. 18, 2002. **Standard and Poor's 500 Index with Reinvested Dividends** shows the total return: capital gains plus dividends.

**Pages 8, 9: Oil** (West Texas intermediate) and **Natural Gas** (Henry Hub) spot and futures **prices** are listed in the *Wall Street Journal*. Spot prices are monthly averages of daily prices; futures prices are usually taken from the last trading day of the month. **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:** Effective with the May 2003 **Employment Situation**, the establishment survey data for employment, hours, and earnings have been converted from the 1987 SIC system to the 2002 NAICS system. All published NAICS-based labor series have been revised back to at least 1990. For more information see <http://www.bls.gov/ces/>. **Nonfarm Payroll Employment** is counted in a survey of about 400,000 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 60,000 households provides estimates of civilian employment, unemployment rate, labor force participation rate, and employment-population ratio. **Population** is civilian, noninstitutional, 16 years and over. The 90 percent confidence intervals for the unemployment rate ( $\pm 0.2$  percentage points) and change in household survey employment ( $\pm 290,000$ ) measure uncertainty due to sample size. Because the household survey was changed in January 1994, data prior to this date are not strictly comparable. The Bureau of Labor Statistics announced several revisions to the Household Survey on Feb. 7, 2003, with the release of the January 2003 data. For more information, see [www.bls.gov/cps/](http://www.bls.gov/cps/).

**Page 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 pp. 16-17). **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 NIPAs. The **Unified Federal Budget Surplus/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. Nonfarm business accounted for about 76 percent of the value of GDP in 1996, while nonfinancial corporations accounted for about 54 percent. **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.

**NOTE:** Several measures of economic activity are now based on the 2002 North American Industry Classification System (NAICS), which replaces the 1987 Standard Industry Classification (SIC) system. These include establishment survey data for employment, earnings, and hours; retail sales; manufacturers' orders, shipments, and inventories, and the business inventory-to-sales ratio.

## 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).