July 19, 1995

SUMMARY REPORT
OF THE
FEDERAL RESERVE
BOARD

1995

MONETARY POLICY OBJECTIVES

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July 19, 1995

This Executive Summary provides highlights of the Board's Midyear Review to Congress on the Full Employment and Balanced Growth Act of 1978.

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Testimony of Alan Greenspan Chairman, Federal Reserve Board

Mr. Chairman and members of the Subcommittee, I am pleased to appear today to present the Federal Reserve's semi-annual report on monetary policy.

In February, when I was last here for this purpose, I reported that the U.S. economy had turned in a remarkable performance in 1994. Growth had been quite rapid, reaching a torrid pace by the final quarter of the year, when real GDP rose at a 5 percent annual rate and final sales increased at a 5¾ percent rate. Inflation had remained subdued through year-end, although productive resources were stretched: The unemployment rate had fallen to its lowest level in years, while manufacturing capacity utilization had been pushed up to a historically high level.

As I indicated in February, a slowing of economic growth to a more sustainable pace, with resource use settling in around its long-run potential, was required to avoid inflationary instabilities and the adverse consequences for economic activity that would invariably follow. After posting three straight years of consumer price increases of less than 3 percent for the first time in decades, inflation seemed poised to move upward. Reflecting market pressures, prices of raw materials and intermediate goods had already risen considerably, and a surge in the prices of a variety of imported goods could be expected to follow the weakening in the dollar through early 1995.

Monetary policy tightenings over the previous year had been designed to foster the type of moderation in final demand that would help damp inflation pressures going forward and sustain the economic expansion. When we began the policy tightening process, we knew the previous drags on the economy stemming from balance-sheet stresses and restraints on lending were largely behind us. But that still did not make it a simple matter to gauge just what degree of firming in reserve market conditions would be necessary to produce a financial environment consistent with sustainable economic growth. In the event, the federal funds rate was raised to 6 percent, as the surprising strength in the economy and associated pressures on resources required a degree of monetary policy restraint to ensure that inflation would be contained.

Fortunately, we started the tightening process early enough and advanced it far enough that monetary restraint began to bite before some potential problems could assume major proportions. With inadequate monetary restraint, aggregate demand could have significantly overshot the economy's long-run supply potential and created serious inflationary instabilities.

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Moreover, the perceived capacity constraints and lengthening delivery times that come with an overheated economy could have fostered the development of more serious inventory over-accumulation. In such circumstances, the longer the moderation in output growth is delayed, the larger will be the inventory overhang, and the more severe will be the subsequent production correction. As hoped, final sales slowed appreciably in the first quarter of this year, but inventory investment didn't match that slowing, and overall inventory–sales ratios increased slightly. Although the aggregate level of inventories remained modest, a few major industries, such as motor vehicles and home goods, found themselves with substantial excesses. Attempts to control inventory levels triggered cutbacks in orders and output that inevitably put a damper on employment and income.

How the ongoing pattern of inventory investment unfolds is a crucial element in the near-term outlook for the economy. Production adjustments could fairly quickly shut off unintended inventory accumulation without a prolonged period of slack output—one that could adversely affect personal incomes and business profitability, which in turn could undermine confidence and depress spending plans. Under these conditions, final sales should continue to grow through and beyond the inventory correction, leading to sustained moderate economic expansion. But a less favorable scenario certainly cannot be ruled out. The inventory adjustment could be extended and severe enough to drive down incomes, disrupt final demand, and set in motion a period of weak growth, or even a recession.

Useful insights into how an inventory correction is proceeding often can be gained by evaluating developments in industries that supply producers of final durable products with key primary inputs—such as steel, aluminum, and capital equipment components and parts. This is because inventory adjustments often are larger in durable goods and they become magnified at progressively earlier stages in the production process. Typically, when purchasing managers for durable-goods producing firms find their inventories at excessive levels, they reduce orders for materials and also for components of capital goods, and as a consequence suppliers shorten promised delivery times and cut back on production. In the current instance, domestic orders for steel and aluminum and for some capital equipment components have weakened, but not enough to have had more than modest effects on production. Prices of key inputs also suggest that demand so far is holding up and the inventory correction is contained. The price of steel scrap, for example, has not fallen, and spot prices of nonferrous metals on average have stabilized recently after considerable weakness in the first part of the year.

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Though still lethargic, the behavior of durable goods materials and supplies markets scarcely evidences the type of broader inventory liquidation that usually has been at the forefront of the major inventory recessions of the past.

At the finished goods level, we experienced significant inventory liquidation in both cars and trucks in May and June. We do not have comprehensive, up-to-date inventory evaluations for recent months as yet, but inferring what we can from scattered and partial data, the prospects seem reasonably good for a reduction in inventory investment that moves us a considerable way toward eliminating unwanted stocks.

That process and the longer run outlook for the economy depend ultimately on the behavior of final sales. In that regard, the slowing of the growth of final sales that began in the first quarter seems to have continued a little further in the second quarter. Combining final sales and the likely reduced second-quarter pace of inventory investment, the level of overall domestic production of final goods and services, or real GDP, evidently changed little last quarter.

Going forward, of the several credible outlooks, the most probable is for an upturn in the growth rate of final sales and real GDP over the rest of this year and a moderate pace of expansion next year with the economy operating in the neighborhood of its potential. One area of improvement should be our external sector. A significant downside risk when I testified in February related to the situation in Mexico. The economic contraction in that country and the depreciation of the peso did act to depress our net exports in the first half of the year. But with the external adjustment of the Mexican economy apparently near completion, this drag should be largely behind us. Moreover, our trade with the rest of the world should begin to impart a positive impetus to our economic activity, partly because of the strong competitive position of U.S. goods in world markets.

Regarding domestic final demand, financial developments so far this year should provide important support over coming quarters. Interest rates, especially on intermediate- and long-term instruments, have fallen a great deal since last fall, in reaction to the improved fiscal outlook, the effects on inflation expectations of our earlier monetary tightening, and, of course, recently, the slowed economy. Lower interest rates have helped to buoy stock prices, which have soared ever higher. The positive implications of the rally in financial markets for household debt-service burdens and wealth and for the cost of capital to businesses augur well for spending on consumer durables, on housing, and on plant and equipment.

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These influences should be reinforced by the generally strong financial condition and the willingness to lend of depository institutions, as well as the receptiveness of capital markets to offerings of debt and equity.

Early signs of a little firming in consumer durables spending are already visible in the stabilization of the motor vehicles sector. Residential construction also has started to revive, judging by the recent data on home sales and mortgage applications. Unfilled orders are sizable in the capital goods area, suggesting business investment in equipment will continue growing, albeit perhaps more slowly than in the recent past. Finally, rising permits suggest expansion in nonresidential construction.

An outlook embodying a resumption of moderate economic growth is conveyed by the central tendencies of the expectations of the Federal Reserve Governors and Reserve Bank Presidents for real GDP. After the second-quarter pause, a projected pickup in activity in the second half would put output growth over the four quarters of the year in the neighborhood of 1½ to 2 percent. For next year, projections of real GDP growth center on 2½ percent.

The inflation picture is less worrisome than when I testified six months ago, just after our last policy tightening. Demands on productive resources should press less heavily on available capacity in the future than we envisioned in February. This prospect is evident in the central tendency of the expectations of the Governors and Presidents for the unemployment rate in the fourth quarter of this year, which has been revised up from about 5½ percent in February to 5¾ to 6⅛ percent. This outlook for unemployment has been extended through next year as well. Increases in employment costs to date have been modest, and labor compensation evinces few signs of exacerbating inflation pressures, although the recent unusually favorable behavior of benefit costs is unlikely to continue. Declines in industrial output over recent months have already eased factory utilization rates closer to their long-term averages. Reflecting a slowing in foreign industrial economies as well as in the United States, the earlier surge in prices of materials and supplies has tapered off. Moreover, the stability of the exchange value of the dollar in recent months bodes well for an abatement of the recent faster increase in import prices.

Against this background, most Governors and Presidents see lower inflation over coming quarters than experienced in earlier months of 1995. The central tendency for this year's four-quarter rise in the CPI is 3⅛ to 3⅜ percent. And for next year, the central tendency suggests that CPI inflation will be shaved to 2⅞ to 3¼ percent.

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The success of our previous policy tightenings in damping prospective inflation pressures set the stage for our recent modest policy easing. Because the risks of inflation apparently have receded, the previous degree of restriction in policy no longer seemed needed, and we were able at the last meeting of the Federal Open Market Committee (FOMC) to reduce the federal funds rate by ¼ percentage point to around 5¾ percent.

Indeed, inflation pressures were damped somewhat more quickly than we might have expected. This experience underlines the uncertainties and risks in any forecasting exercise. The projections of the Governors and Presidents are for a rather benign outlook, as are the views of many private sector forecasters. But these expectations can't convey the risks and subtleties in the developing economic situation.

A month or so ago, I noted publicly that a moderation in growth was both inevitable and desirable, but that the process could not reasonably be expected to be entirely smooth, and that accordingly the risks of a near term inventory-led recession, though small, had increased. More recent evidence suggests that we may have passed the point of maximum risk. But we have certainly not yet reached the point at which no risk of undue economic weakness remains. We do not as yet fully understand all the reasons for the degree of slowing in economic activity in the first half of the year, so we need to be somewhat tentative in our projections of a rebound. Imbalances seem to be limited, financial conditions should be supportive of spending, and businesses and consumers are largely optimistic about the future. Nonetheless, questions remain about the strength of demand for goods and services, not only in the United States but abroad as well.

Upside risks to the forecast also can be readily identified, particularly if the inventory correction is masking a much stronger underlying economy than appears from other evidence to be the case. If so, spending could strengthen appreciably, especially in light of the very substantial increases in financial market values so far this year.

In a transition period to sustainable growth such as this, reactions to unexpected events may be especially pronounced. This is not a time for the Federal Reserve to relax its surveillance of, and efforts to analyze, the evolving situation. The Federal Reserve must do its best to understand developing economic trends. While we cannot expect to eliminate cyclical booms and busts—human nature being what it is—we should nonetheless try where possible to reduce their amplitude.

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Some observers have viewed prospective year-by-year budget-deficit reduction as constituting an important downside risk to the economy. I do not share this concern. In response to fiscal consolidation, financial markets provide an important shock absorber for the economy. Declines in long-term rates help stimulate private, interest-sensitive spending when government spending and transfers are reduced. Clearly, the Federal Reserve will have to watch this process carefully, and take the likely effects of fiscal policy into account in considering the appropriate stance in monetary policy. But there is no doubt, in my judgment, that the net result of moving to budget balance will be a more efficient, more productive U.S. economy.

With regard to the money and debt ranges chosen by the FOMC for this year, the specifications for M2 and domestic nonfinancial debt were left unchanged, at 1 to 5 percent and 3 to 7 percent, respectively. The FOMC also made a purely technical upward revision to the M3 range. Last February's Humphrey–Hawkins testimony and report had noted the potential need for such a revision to this year's M3 range. Starting in 1989, the restructuring of thrift institutions and the difficulties facing commercial banks depressed their lending and their need for managed liabilities. The FOMC responded by reducing the upper and lower bounds of the range for M3 to below those of the M2 range. This year, M3 growth has begun to outpace that of M2, as it did for several decades prior to 1989. Overall credit flows have picked up some, and a higher proportion has gone through depositories. As a consequence, while M2 and debt remain within their respective annual ranges, M3 has appreciably overshot the upper end of its range. The 2 percentage point increase in the upper and lower bounds of the M3 range to 2 to 6 percent was made in recognition of the evident return this year to a more normal pattern of M3 growth. The ranges specified for M2, M3, and debt this year also were provisionally carried over to 1996. The Committee stressed that uncertainties about evolving relationships of these variables to income continued to impair their usefulness in policy.

In summary, the economic outlook, on balance, is encouraging, despite the inevitable risks. The American economy rests on a solid foundation of entrepreneurial initiative and competitive markets. With the cyclical expansion more than likely to persist in the period ahead, the circumstances are particularly opportune for pressing forward with plans to institute further significant deficit reduction. For such actions, by raising the share of national saving available to the private sector, should foster declines in real interest rates and spur capital accumulation. Higher levels of capital investment in turn will raise the growth in productivity and living standards well into the next century.

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The Federal Reserve believes that the main contribution it can make to enhancing the long-run health of the American economy is to promote price stability over time. Our short-run policy adjustments, while necessarily undertaken against the background of the current condition of the U.S. economy, must be consistent with moving toward the long-run goal of price stability. Our recent policy action to reduce the federal funds rate 25 basis points was made in this context. As I noted in my February testimony, easing would be appropriate if underlying forces were clearly pointing toward reduced inflation pressures in the future. Considerable progress toward price stability has occurred across successive business cycles in the last 15 years. We at the Federal Reserve are committed to further progress in this direction.

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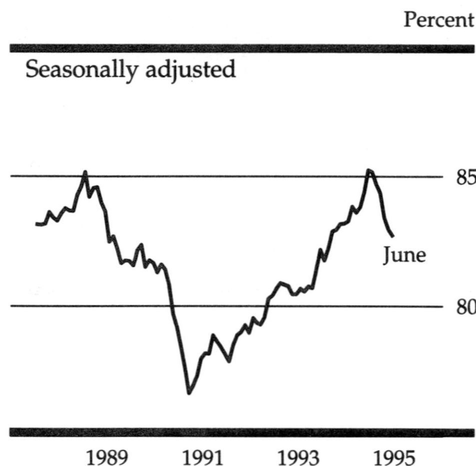
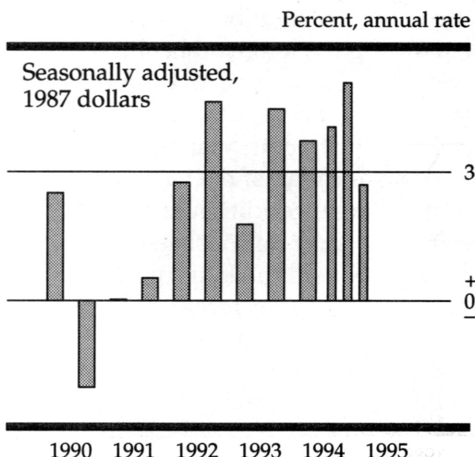
Monetary Policy and the Economic Outlook for 1995 and 1996

During 1994, spending by U.S. households and businesses grew at an exceptionally rapid pace, and by the end of the year, demands clearly were taxing the productive capacity of the economy. Pressures on resources were particularly intense in sectors of manufacturing that provide inputs for other producers, and sharp increases in the prices of materials and supplies signaled what could have been the first stage of a broader inflationary process. A weakening of the dollar on foreign exchange markets as 1995 began heightened that risk. To damp these inflationary pressures and foster a sustainable economic expansion, the Federal Open Market Committee (FOMC) in February tightened policy somewhat, extending the series of actions undertaken during 1994,and the Board of Governors approved a one-half percentage point increase in the discount rate.

Manufacturing Capacity Utilization Rate



Change in Real GDP



The economy's growth began to moderate in the first quarter of 1995. Among the factors contributing to the slowing were the lagged effects of 1994's increases in interest rates on housing and other rate-sensitive sectors and the impact on U.S. exports of the sharp contraction in Mexico's economy and fall in the foreign exchange value of the peso. As final sales moderated, businesses scaled back their desired inventory accumulation. In some key sectors, the slackening in sales was greater than anticipated, leaving firms with excess inventories. As businesses took steps to trim stocks, aggregate production decelerated further in the second quarter and was probably about flat, as measured by real gross domestic product. The inventory adjustment was especially large in the motor vehicle sector, which accounted for much of the downswing in manufacturing activity in the spring.

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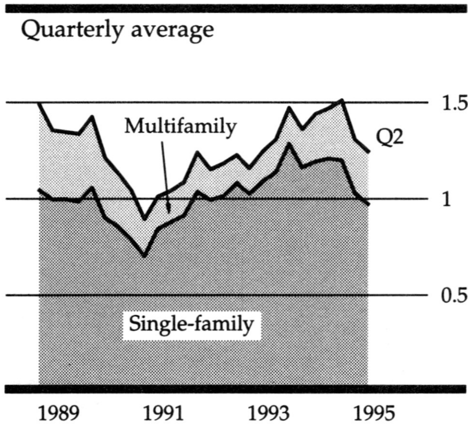
Private Housing Starts



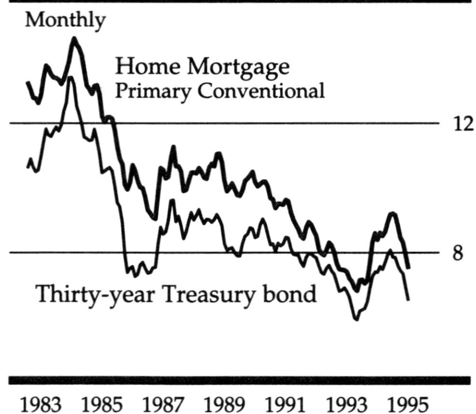
Seasonally adjusted. Value for 1995:Q2 is average of April and May.

Homebuilding also showed marked weakness, in part because builders hesitated to start new projects until they could work down stocks of unsold new homes.

While output growth was stalling in the first half of this year, the still high level of resource utilization of the economy, as well as the effects of rapid increases in materials prices, contributed to a pickup in inflation from its 1994 pace. Nonetheless, by July it appeared likely that pressures on resources and hence on prices were in the process of easing. Materials prices were showing signs of softening, and a period of greater stability in the exchange value of the dollar suggested that the rise of import prices might soon slow. With the threat of future inflation thus reduced, the FOMC elected to ease the stance of policy slightly at its meeting in July.

The moderation in economic growth and improvement in inflation prospects over the first half of 1995 sparked a considerable decline in market interest rates. The greater likelihood of significant progress toward a balanced federal budget also seemed to contribute to the decrease in longer-term interest rates. Intermediate- and long-term yields have fallen 1¼ to 1¾ percentage points since year-end 1994, with the decline in 30-year fixed mortgage rates this year reversing most of the increases registered since early 1994. Lower interest rates, solid earnings growth, and prospects for sustained economic expansion helped push most broad stock price indexes to record highs.

Long-Term Interest Rates



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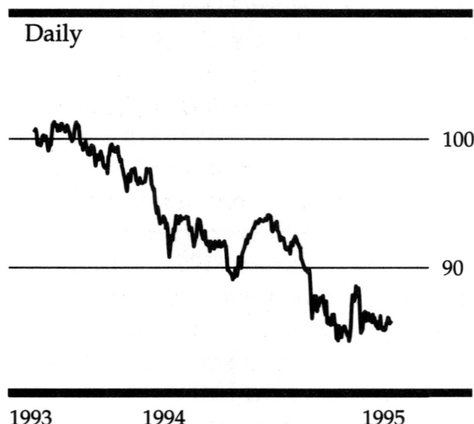
Weighted Average Foreign Exchange Value of the U.S. Dollar

December 1993 = 100



Note. Index of weighted average foreign exchange value of U.S. dollar in terms of currencies of the other G-10 countries. Weights are based on 1972–76 global trade of each of the foreign countries.

The drop in longer-term interest rates in the United States contributed to downward pressure on the foreign exchange value of the dollar in 1995. In terms of the currencies of the other G-10 countries, the dollar has declined 7½ percent on balance. Over the past half-year, foreign long-term interest rates have fallen significantly as growth prospects abroad have weakened, but by less than U.S. long-term interest rates. In addition, the Mexican crisis was seen by market participants as having adverse implications for U.S. growth, especially exports, and contributed to the dollar's decline in terms of currencies other than the peso in early 1995.

With the dollar at times under greater downward pressure than seemed justified by fundamentals, the Federal Reserve, acting on behalf of the Treasury and for its own account, joined other central banks in concerted intervention in support of the currency on several occasions in 1995. In recent weeks, the dollar has fluctuated in a range somewhat above the lows reached in the spring.

Despite the slower expansion of nominal spending this year, net borrowing by households and businesses remained substantial. In fact, total private credit flows strengthened, offsetting slower growth of federal debt and an outright decline in state and local government debt; as a result, total domestic nonfinancial debt expanded at a 5½ percent pace from the fourth quarter of 1994 through May, a little faster than in 1994. Credit supply conditions remained quite favorable, with banks continuing to ease terms and conditions of lending and risk spreads in securities markets persisting at quite low levels. Household borrowing this year has been a bit more subdued than in 1994 but still appreciable. Nonfinancial businesses have stepped up their borrowing considerably, reflecting a widening gap between capital expenditures (including inventory investment) and internally generated funds, along with balance sheet restructuring associated with stock repurchases and a surge in merger and acquisition activity.

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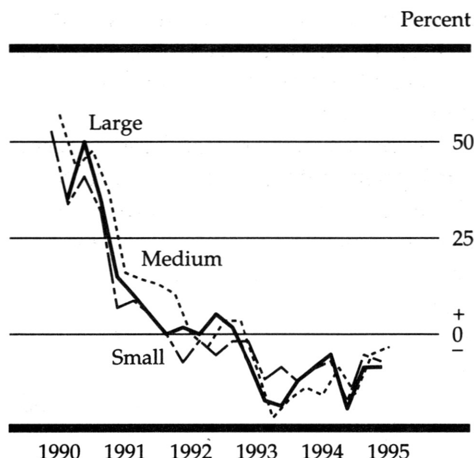
Changes in Bank Lending Standards for Business Loans by Size of Borrower



Note. Percentage of banks tightening standards less percentage easing standards.

Although the decline in long-term interest rates this year has spurred a significant pickup in bond issuance and fixed-rate mortgage borrowing very recently, the increase in credit this year has been concentrated in short-term or floating-rate debt.

Depository institutions, as traditional providers of short-term and floating-rate credit, have enjoyed a sharp increase in loan demand. To fund the growth of their loan portfolios, banks and thrifts pulled in more deposits, providing a lift to growth of the broad monetary aggregates. Indeed, M3 expanded at a 6¼ percent pace from the fourth quarter through June, slightly exceeding the upper bound of its revised annual range.

In their usual fashion, yields on small time deposits and money market mutual funds have adjusted with a lag to the declines in market interest rates this year. Investors have responded by shifting their portfolios toward these assets, boosting M2 growth from the fourth quarter through June to 3¼ percent at an annual rate. M2 velocity over the first half of 1995 is estimated to have held about steady, in marked contrast to the rise in M2 velocity over the previous five years.

Unlike the broad monetary aggregates, M1 growth has been quite sluggish this year. Low interest returns on transaction deposits have encouraged households and businesses to move excess balances into higher-yielding M2 assets and also into market instruments. This process has been amplified by the expansion of retail sweep accounts offered by a few banks that allow customers to hold a lower average level of transaction balances. Currency growth—although slower than the double-digit pace of the last two years—has remained strong, boosted again by heavy foreign demands.

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Economic Projections for 1995 and 1996

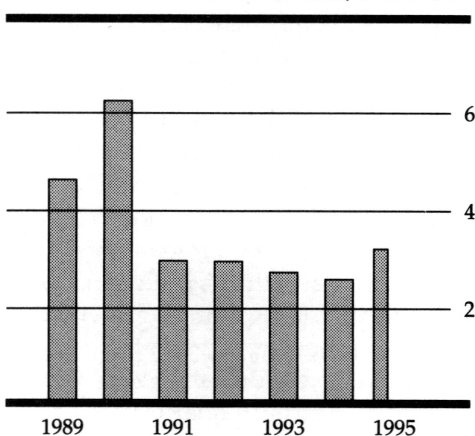
The members of the Board of Governors and the Reserve Bank presidents, all of whom participate in the deliberations of the Federal Open Market Committee, generally anticipate that, after a weak second quarter, the economy will experience moderate growth in the second half of 1995 and in 1996. For all of 1995, this would produce growth that was somewhat below forecasts made for the February meeting. In line with these expectations, the unemployment rate in the second half of 1995 may move up somewhat from its recent relatively low level.

A number of factors should contribute to a pick up in demand and production over coming months. Lower interest rates, in particular, likely will directly stimulate spending on housing, motor vehicles and consumer durables, and business investment. Moreover, increases in the value of bond and stock portfolios that have accompanied the decline in interest rates should strengthen aggregate demand more generally. The strong competitive position of the United States likely will bolster net export growth on balance over the remainder of 1995. To be sure, the level of U.S. exports to Mexico probably will remain depressed for some time, but Mexico's external adjustment has already been substantial and further declines in U.S. export demands from this source are likely to be less severe than in the first half of 1995. Finally, the anticipated pickup in spending will help businesses work off excess inventories more rapidly and reduce the need for further production cutbacks to bring inventories back in line with final sales.

The Board members and the Reserve Bank presidents generally expect the rise in the consumer price index over the four quarters of 1995 to end up around 3¼ percent, the same as in the first half of the year. For 1996, inflation is projected to edge down to the neighborhood of 3 percent. The first-half slowdown in the industrial sector has reduced pressure on materials prices; moreover, wage trends have been stable, suggesting that labor costs are unlikely to provide an impetus to inflation.

Change in Consumer Prices

Percent, Dec. to Dec.



Consumer price index for all urban consumers. Value for 1995 is measured from December 1994 to June 1995, at an annual rate.

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The Administration has not released an update of the economic projections contained in the February *Economic Report of the President*. Those earlier forecasts pointed to real GDP growth of 2.4 percent for 1995, well within the central tendency range in the Federal Reserve's February report. Given the slow start this year, that growth pace for the year appears less likely, and the average unemployment rate for the year probably will be around the upper end of the 5.5 to 5.8 percent range in the Administration's February report. The Administration's 3.2 percent CPI forecast is in line with the Federal Reserve's central tendency.

The inflation rates anticipated by the FOMC are marginally above those prevailing in 1993 and 1994 but are considerably below rates of only a few years ago—and lower than many observers seemed to anticipate for the current economic expansion only a few months ago. Nonetheless, they should be regarded as only a milepost along the path toward the long-term goal of price stability. The Federal Reserve recognizes that eliminating the economic distortions associated with inflation is the most important long-run contribution it can make to the economic growth and welfare of the nation.

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Economic Projections for 1995 and 1996

Percent

		Federal Reserve Governors and Reserve Bank Presidents		Administration
1995		Range	Central Tendency	
Change, fourth quarter to fourth quarter:[1]	Nominal GDP	3¾ to 5¼	4¼ to 4¾	5.4
	Real GDP	1⅜ to 3	1½ to 2	2.4
	Consumer price index[2]	3 to 3½	3⅛ to 3⅜	3.2
Average level in the fourth quarter:	Civilian unemployment rate	5½ to 6¼	5¾ to 6⅛	5.5–5.8[3]
1996		Range	Central Tendency	
Change, fourth quarter to fourth quarter:[1]	Nominal GDP	4⅝ to 5½	4¾ to 5⅜	5.5
	Real GDP	2⅛ to 3	2¼ to 2¾	2.5
	Consumer price index[2]	2½ to 3½	2⅞ to 3¼	3.2
Average level in the fourth quarter:	Civilian unemployment rate	5½ to 6¼	5¾ to 6⅛	5.5–5.8[3]

1. Change from average for fourth quarter of previous year to average for fourth quarter of year indicated.

2. All urban consumers.

3. Annual average.

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Money and Debt Ranges for 1995 and 1996

In setting ranges for money and debt in 1995 and 1996, the Committee noted that the velocities of the monetary aggregates have been behaving more in line with historical patterns than was the case earlier in the decade. However, financial innovation, technological change, and deregulation have blurred distinctions among various financial instruments that can serve as savings vehicles and sources of credit. As a consequence, considerable uncertainty remains about the future relationships of money and debt to the fundamental objectives of monetary policy; the Committee will thus continue to rely primarily on a wide range of other information in determining the stance of policy.

Ranges for Growth of Monetary and Credit Aggregates[1]

Percent

Aggregate	1994	1995	Provisional for 1996
M2	1–5	1–5	1–5
M3	0–4	2–6*	2–6
Debt[2]	4–8	3–7	3–7

1. Change from average for fourth quarter of preceding year to average for fourth quarter of year indicated.
2. Monitoring range for debt of domestic nonfinancial sectors.
*Revised at July 1995 FOMC meeting.

The Committee retained its current range of 1 to 5 percent for M2 for 1995 and chose the same range for 1996. If M2 velocity continues on a more normal track, growth of M2 in the upper half of this range in 1995 and near the upper bound of the provisional range in 1996 would be consistent with the Committee's expectations for nominal income growth. The existing range was retained for next year in view of the lingering uncertainties about the money–income relationship and to serve as a benchmark for the rate of growth of M2 that would be expected under conditions of reasonable price stability and historical velocity behavior. The Committee also reaffirmed the 3-to-7 percent range for the debt aggregate and carried this range forward on a provisional basis for 1996, concluding that debt growth within this range would be expected to accompany the moderate economic expansion it was seeking to foster.

With regard to M3, the Committee had noted in its February 1995 report to Congress that the depressed growth of this aggregate in recent years reflected the balance sheet adjustments of banks and thrifts in response to the extraordinary strains they experienced in the early 1990s. The Committee observed that, as these institutions returned to health and intermediation resumed more normal patterns, M3 growth could pick up appreciably and the velocity of M3 might begin to stabilize or even

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decline, as it had on average over several decades before 1990. In the event, M3 has strengthened considerably so far in 1995, apparently for the reasons noted by the Committee in February. As a consequence, the Committee made a technical adjustment in its M3 range at the July meeting—to 2 to 6 percent for 1995—and carried that range forward on a provisional basis into 1996. The Committee stressed that this change simply recognized the return of historical financing patterns and bore no implications for the underlying thrust of monetary policy.

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Growth of Money and Debt

Percent

Period		M1	M2	M3	Domestic Nonfinancial Debt
Year[1]	1980	7.4	8.9	9.6	9.1
	1981	5.4 (2.5)[2]	9.3	12.4	9.9
	1982	8.8	9.2	9.9	9.6
	1983	10.4	12.2	9.9	11.8
	1984	5.5	8.1	10.9	14.4
	1985	12.0	8.7	7.6	14.1
	1986	15.5	9.3	8.9	13.5
	1987	6.3	4.3	5.7	10.2
	1988	4.3	5.3	6.3	9.0
	1989	0.6	4.8	3.8	7.9
	1990	4.2	4.0	1.7	6.5
	1991	7.9	2.9	1.2	4.6
	1992	14.3	2.0	0.5	4.7
	1993	10.5	1.7	1.0	5.2
	1994	2.3	1.0	1.4	5.1
1994 Quarter *(annual rate)*[3]	Q1	5.5	1.8	0.6	5.2
	Q2	2.7	1.7	1.3	5.4
	Q3	2.4	0.9	2.1	4.2
	Q4	–1.2	–0.3	1.7	5.2
1995 Quarter *(annual rate)*[3]	Q1	0.0	1.6	4.3	5.5
	Q2	–0.9	4.2	6.7	5.4

1. From average for fourth quarter of preceding year to average for fourth quarter of year indicated.
2. Adjusted for shifts to NOW accounts in 1981.
3. From average for preceding quarter to average for quarter indicated.

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