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9-16-99

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

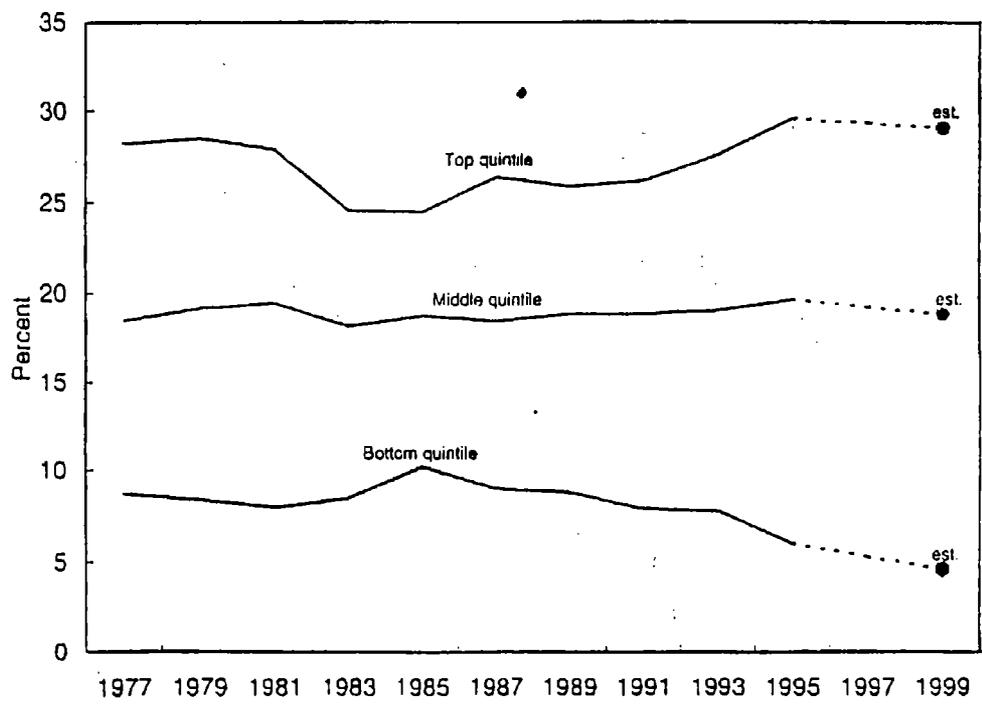
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

September 10, 1999

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CHART OF THE WEEK

Average Effective Federal Tax Rates



The Congressional Budget Office has just released estimates of average effective Federal tax rates for 1999. Federal taxes as a share of family income for the bottom fifth of families are the lowest they have been since 1977.

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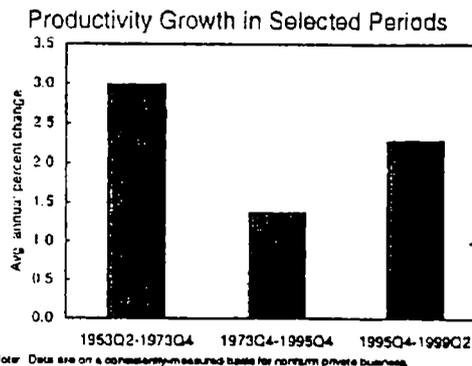
"See, Jimmy? If they give a big tax cut to the wealthy, those guys'll feel good and have us come fix their roof and stuff."

CURRENT DEVELOPMENT

The Role of Computers in Productivity Growth

Productivity growth in the computer and semiconductor industries contributes directly to aggregate productivity growth and, according to one estimate, has been the dominant source of the recent productivity spurt in the U.S. economy. Productivity growth in the manufacture of computers and semiconductors reflects the ability to produce faster processors, greater memory capacity, and larger disk drives without proportional increases in costs. But business investment in computers also adds to the quantity and quality of the capital stock, boosting productivity growth throughout the private sector. In the past, this latter effect on productivity growth was relatively small, but has recently increased.

The importance of computers in aggregate productivity growth. Productivity in the non-farm private business sector grew at a 2.3 percent annual rate over the last 3½ years (see chart). Adjusting for the typical cyclical pattern of productivity, overall "trend" productivity growth is estimated to be about 2.0 percent per year over this period. This marks a 0.6 percentage point pickup in trend productivity growth over the 1.4 percent annual rate estimated for the previous 22 years.



So far, the pickup in productivity has been mostly limited to the computer industry, which has seen a 40 percent annual growth rate in productivity since the end of 1995—double the rate recorded over the previous two decades. After accounting for cyclical

factors and changes in measurement, trend productivity in the private business sector excluding computers shows very little acceleration. Although computers and semiconductors make up only about 5 percent of private output, the awesome acceleration in productivity growth in these industries more than makes up for their relatively small size. This localization of the productivity boom contrasts sharply with the experience of the productivity slowdown of the 1970s, when trend productivity slowed across most sectors of the economy.

The outlook for productivity growth. The outlook for productivity growth depends on the computer and semiconductor industries' ability to continue their recent pace of innovation and improvements in manufacturing efficiency, together with the effects from the use of growing stocks of computers throughout the economy. It is hard to predict whether the unprecedented pace of productivity growth in the computer and semiconductor industries observed over the last few years can be sustained. On the more positive side, the estimated contribution to productivity growth from the use of computers has increased relative to the

previous 25 years and will remain at a high level for the near future. During the 1970-95 period, when the share of computers in the capital stock was very small, the contribution to the annual rate of productivity growth from the use of computers is estimated to have been only about 0.2 percentage points. But, the contribution has been growing and is estimated to have been about 0.4 percentage points per year over the last 3½ years, with the largest effects occurring this year.

9-16-99

SPECIAL ANALYSIS

Benefits for China of Greenhouse Gas Emissions Trading

A recent analysis by the Council of Economic Advisers finds that an international greenhouse gas emissions market would offer substantial economic opportunities for China. By adopting an emissions growth target under the Kyoto Protocol and participating in emissions trading, China could attract significant amounts of capital and technology to reduce its greenhouse gas emissions. By reducing its emissions, China would gain from selling unused emissions allowances to developed countries.

Creating a greenhouse gas market. The Kyoto Protocol calls for the design of an international trading system that will facilitate the transfer of capital and technology to the countries where emissions can be abated at least cost. A country that can abate greenhouse gas emissions at lower cost than others has the opportunity to attract investment for climate-friendly technology. By reducing its emissions, a country can then sell emissions allowances to countries with higher abatement costs. Ideally, an international greenhouse gas emissions market would be similar to the sulfur dioxide trading program in the U.S., which allows trading of permits to emit sulfur dioxide among electric utilities. In the U.S., power plants that can reduce emissions cheaply sell permits to plants for which emissions reduction is more expensive, resulting in estimated cost-savings of 25 to 43 percent. The principle of gains from trade in emissions allowances is basically the same as it is for trade in goods and services.

In order to engage in trading, the Kyoto Protocol requires a country to have a greenhouse gas emissions target. It is broadly recognized that any such targets must be made compatible with a country's legitimate development needs. One way to do so would be for a developing country to set its target above current emissions levels, but below what emissions are forecast to be without additional abatement policies during the Protocol's first commitment period (2008 to 2012). Such an "emissions growth target" could provide for continued economic development, but with a lower emissions growth rate. To mitigate the risk that a target could end up being too stringent (or too lax), a target could be indexed to a country's economic performance between now and the 2008-2012 commitment period.

Economic gains for China. While China is making impressive strides towards lowering its greenhouse gas emissions intensity (emissions per unit of output), a variety of economic analyses and modeling efforts indicate that there are still many low-cost emissions abatement opportunities in China. Some analyses suggest that China has lower abatement costs than virtually any other country in the world. These international economic models can simulate an international emissions market by assessing the projected marginal cost of abating carbon dioxide emissions across countries and then estimating the extent of buying and

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selling until no further economic gains can be achieved through additional trades – i.e., they find the market clearing price for an emissions allowance.

Results from six international economic models indicate that by taking on an emissions target and actively participating in international emissions trading, China would find it economic to reduce emissions 14 to 24 percent below projected 2010 emissions levels and would be able to sell emissions allowances worth from \$4 billion to over \$14 billion annually.

Environmental gains for China. Efforts to abate carbon dioxide emissions will likely result in significant reductions in emissions of local air pollutants, such as sulfur dioxide and particulate matter, since both kinds of emissions are by-products of fossil fuel combustion. Local air pollution levels are a significant threat both to China's economy and to its citizens. Current pollution levels increase mortality rates, the incidence of chronic illness, and the number of hospital and emergency room visits. China's position as a low-cost producer in a global greenhouse gas emissions market offers a promising avenue for attracting investment in the energy and industrial technologies necessary to significantly address the high levels of local air pollution.

ARTICLE

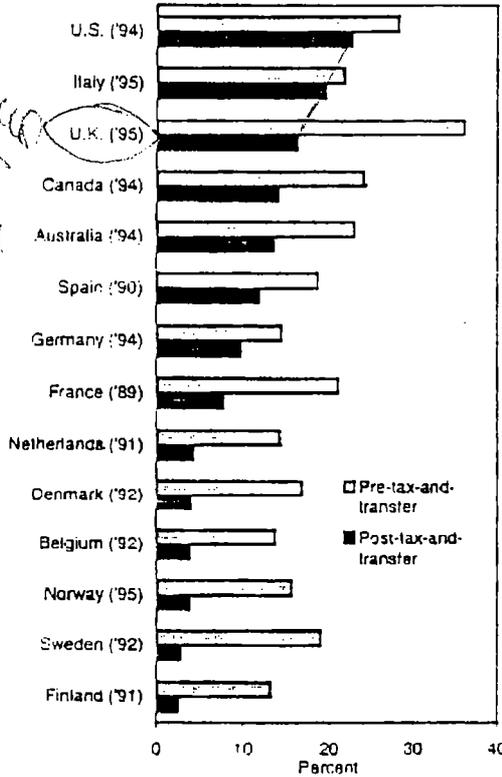
Child Poverty Across Industrialized Nations

Although the official U.S. child poverty rate declined from 22.7 percent in 1993 to 19.9 percent in 1997, child poverty remains more prevalent in the United States than in many other industrialized countries. A major reason is that government support for low income families is typically more generous in these other countries. However, there is a tradeoff. More generous policies may be associated with adverse labor market effects such as higher unemployment and less job creation.

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Child Poverty Rates



forthcoming study examines pre- and post-tax-and-transfer child poverty rates for a number of countries using a poverty threshold based on 50-percent-of-median household income (see chart). This threshold is similar to the official European Commission poverty definition of 50 percent of average household disposable income, but the use of medians rather than averages makes the statistics less sensitive to extremely large or small incomes.

We should look at what they do - their unemployment is pretty low

Unlike the money income concept used in the official U.S. poverty measure, the income measure used in the study reflects taxes and tax credits (including the EITC) and near-cash transfers (such as food stamps). Like the official U.S. measure, it excludes non-cash transfers such as public housing and publicly-provided health care. The estimated U.S. pre-tax-and-transfer child poverty rate is higher than that of most of the other countries, and it is

reduced only modestly through taxes and transfers. In fact, the U.S. post-tax-and-transfer poverty rate is the highest among the countries shown.

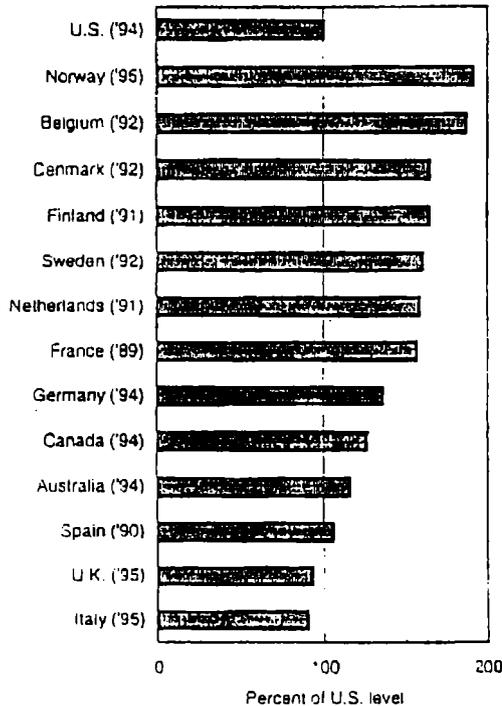
Comparing absolute living standards. One reason for the relatively high U.S. child poverty rate is that half of U.S. median income is a high absolute threshold in comparison to other countries. Other countries would have higher child

Use of relative income measure - their unemployment is pretty low

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poverty rates based on the U.S. absolute threshold. A consistent measure based on the same absolute threshold does not exist. But, one available measure

Household Income of Poor Children



Note: The chart shows the level of income at the 10th percentile of the country's distribution of children's household income as a percent of the level of income at the 10th percentile of the U.S. distribution.

suggests that many poor children in the United States have limited resources relative to poor children in other countries. In particular, the chart shows that the dollar value of the household income available to the U.S. child at the 10th percentile of the U.S. income distribution is less than that of children at the 10th percentile of many other countries' distributions. Canada's level, for example, is roughly 26 percent higher than ours.

Accounting for the differences.

Demographic differences explain part of the story. For example, the high proportion of poor single mothers certainly raises the U.S. child poverty rate. But research has suggested that differences in demographics only partially explain the differences in child poverty rates across nations. Instead, the most important factors appear to be differences in taxes and

the level of government assistance to low-income families. The United States, for example, provides less cash assistance to low-income families than most industrialized nations. Many European countries pay high levels of unemployment assistance for more than a year after people leave a job, no matter how short their period of employment. Others provide "family allowances"—special cash transfers to families with children.

Conclusion. Child poverty rates vary dramatically across nations, from less than 3 percent to more than 20 percent (using the relative measure). Differences in public policies account for a significant portion of this range. These policies, of course, come with tradeoffs: many European nations have high unemployment rates and low child poverty rates, due in part to their extensive system of income transfer programs. The situation in the United States is the reverse. Some poverty experts have criticized both models as being either "too expensive" (in Europe) or "too cheap" (in the U.S.).

9-16-99

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

NAFTA Spurs Agricultural Trade with Canada and Mexico. As NAFTA enters its 6th year, the importance of the agreement for U.S. agriculture is more apparent than ever, according to a new report issued by the U.S. Department of Agriculture. While U.S. agricultural exports to non-NAFTA countries rose only 2.6 percent per year from 1994 to 1998, exports to Canada and Mexico rose 8.1 percent annually over the same period. Both U.S. exporters and importers are placing a greater emphasis on the North American market. In 1990, Canada and Mexico purchased 17 percent of U.S. agricultural exports and supplied 25 percent of imports; by 1998, the share of exports had risen to 25 percent and that of imports to 34 percent. The report argues that U.S. beef and pork trade has benefited greatly from NAFTA, with beef exports to Canada estimated to be twice as high as they would have been without the trade agreement. It finds that NAFTA has also facilitated the flow of U.S. and Canadian foreign direct investment in the processed food industry in North America, leading to the dissemination of new technology and efficiency gains for producers, as well as lower food costs and greater choices for consumers.

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Minorities Are Less Likely to Have Health Insurance. American minorities are less likely than whites to have health insurance, according to a report from the Commonwealth Fund. The report finds that among Americans aged 18 to 64, 14 percent of whites were uninsured in 1995 compared with 24 percent of blacks and 38 percent of Hispanics. Minorities are also less likely to be covered through work (69 percent of white workers have employer-sponsored coverage compared with 52 percent of black workers and 44 percent of Hispanic workers). Differences in socioeconomic status and type of jobs held may partially explain this discrepancy. For example, workers earning less than \$10 per hour are less likely to be insured, and adults who work in large firms, are employed full-time, hold manufacturing or public administration jobs, or are trade union members are more likely to be covered through work. However, even within these categories, minorities are less likely to have employer-based insurance. The study finds that, after controlling for workforce and sociodemographic characteristics, blacks and Hispanics are 21 percent less likely than whites to have coverage through their employers. One possible barrier to minority health insurance mentioned in the report is the out-of-pocket cost associated with obtaining employer-sponsored coverage.

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9-16-99

INTERNATIONAL ROUNDUP

Malaysia Eases Investment Controls. The Malaysian government allowed capital controls instituted last September to expire. The government originally imposed these controls to insulate the Malaysian economy from the risks and vulnerabilities of global financial markets. Prior to September 1, 1999, foreign investors could only repatriate their investments by paying a tax of up to 30% of the principal. This tax was lifted on September 1, so that portfolio funds that have been in Malaysia for a year or more are now eligible for repatriation without any levy.

China Set to Impose Savings Tax. China's economic growth rate has declined steadily since 1992 and moderate price deflation has set in over the last two years. Based on a recent article in the Beijing Daily News (China's official English language newspaper), the Chinese government has proposed to impose a 20 percent flat tax on interest earned on bank savings accounts in hopes of stimulating consumption. This follows a recent amendment to the Personal Income Tax Law, allowing taxation of interest from savings accounts. National saving was estimated to be more than 40 percent of GDP in 1997. Anecdotal evidence suggests that the saving rate may have risen recently, in part reflecting uncertainty associated with economic reforms and rising unemployment. Even if the tax fails to boost consumption, it should help improve the weak fiscal condition of the government, which limits its ability to finance expenditures. According to the Chinese Minister of Finance, this new tax revenue will be used to increase payments to laid-off workers from state-owned enterprises, raise the minimum income of urban residents, and increase pensions.

IMF Warns of Risks in Capital Markets. Despite recent favorable developments in the world economy such as strong U.S. growth and Asian recovery, conditions in global financial markets remain fragile, cautions the IMF in its annual report, *International Capital Markets*. The IMF report listed the possibility of a large correction in the U.S. equity market or a sudden weakening of the dollar as particular risks to the developed economies. Risks to emerging markets include a reduced investor base, the level and structure of external financing, and the possibility of a slowdown in capital inflows that could be brought about by inflationary pressures and resultant tight monetary policies in mature markets. The report draws attention to the public policy issues posed by excessive off-balance sheet leverage in modern finance, the impact of highly-leveraged institutions (HLIs) on small and medium-sized financial markets, and the emerging market responses to severe external pressure. In the IMF's view, policies should aim to enhance market discipline, improve disclosure of off-balance sheet risk, provide for more rigorous creditor and counterparty assessments of exposures, and strengthen private risk management and control systems. The report also suggests that closer monitoring of global liquidity conditions could help alert officials to the buildup of excessive leverage and other imbalances.

RELEASES THIS WEEK

Producer Price Index

****Embargoed until 8:30 a.m., Friday, September 10, 1999****

The producer price index for finished goods rose 0.5 percent in August. Excluding food and energy, producer prices fell 0.1 percent.

MAJOR RELEASES NEXT WEEK

Retail Sales (Tuesday)

Consumer Prices (Wednesday)

Industrial Production and Capacity Utilization (Thursday)

Housing Starts (Friday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1998	1998:4	1999:1	1999:2
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	4.3	6.0	4.3	1.8
GDP chain-type price index	5.4	0.9	0.8	1.6	1.5
<u>Nontfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	2.6	4.1	3.6	0.6
Real compensation per hour:					
Using CPI	0.6	2.5	2.0	2.9	1.5
Using NFB deflator	1.3	3.7	3.4	3.0	3.7
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	11.0	11.0	11.0	11.2
Residential investment	4.5	4.3	4.5	4.6	4.7
Exports	8.2	11.3	11.3	10.9	11.0
Imports	9.2	13.0	13.1	13.2	13.7
Personal saving	5.2	0.3	-0.0	-0.5	-0.9
Federal surplus	-2.7	0.9	0.8	1.4	1.6

	1970- 1993	1998	June 1999	July 1999	August 1999
Unemployment Rate (percent)	6.7**	4.5**	4.3	4.3	4.2
Payroll employment (thousands)					
increase per month			281	338	124
increase since Jan. 1993					19403
Inflation (percent per period)					
CPI	5.8	1.6	0.0	0.3	N.A.
PPI-Finished goods	5.0	0.0	-0.1	0.2	0.5

**Figures beginning 1994 are not comparable with earlier data.

New or revised data in **boldface**.

PPI data **embargoed until 8:30 a.m., Friday, September 10, 1999.**

FINANCIAL STATISTICS

	1997	1998	July 1999	August 1999	Sept. 9, 1999
Dow-Jones Industrial Average	7441	8626	11052	10935	11079
Interest Rates (percent per annum)					
3-month T-bill	5.06	4.78	4.55	4.72	4.68
10-year T-bond	6.35	5.26	5.79	5.94	5.97
Mortgage rate, 30-year fixed	7.60	6.94	7.63	7.94	7.88
Prime rate	8.44	8.35	8.00	8.06	8.25

INTERNATIONAL STATISTICS

Exchange Rates Change from	Current level	Percent	
	September 9, 1999	Week ago	Year ago
Euro (in U.S. dollars)	1.054	-1.4	N.A.
Yen (per U.S. dollar)	108.0	-1.1	-20.9
Major currencies index (Mar. 1973=100) (trade-weighted value of the U.S. \$)	93.36	-0.3	-4.6

International Comparisons "	Real GDP	Unemployment	CPI inflation
	growth (percent change last 4 quarters)	rate (percent)	(percent change in index last 12 months)
United States	3.9 (Q2)	4.2 (Aug)	2.1 (Jul)
Canada	3.7 (Q2)	7.7 (Jul)	1.8 (Jul)
Japan	1.1 (Q2)	4.9 (Jul)	-0.1 (Jul)
France	2.1 (Q2)	11.3 (Jun)	0.3 (Jun)
Germany	0.6 (Q2)	7.1 (Jul)*	0.6 (Jul)
Italy	0.9 (Q1)	12.1 (Apr)	1.7 (Jul)
United Kingdom	1.2 (Q2)	6.1 (May)	1.3 (Jul)

1/ For unemployment data, rates approximating U.S. concepts as calculated by the U.S. Department of Labor, Bureau of Labor Statistics.

2/ Rate for former West Germany. Using OECD standardized unemployment data, the unemployment rate for unified Germany for July was 9.1 percent.

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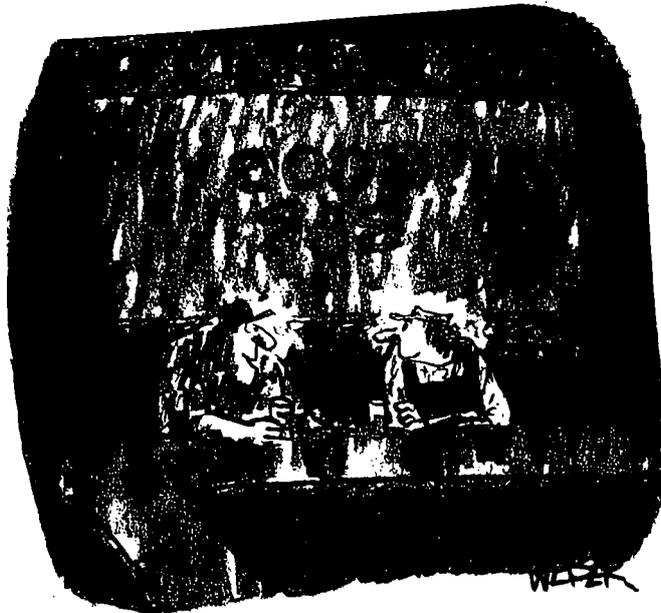
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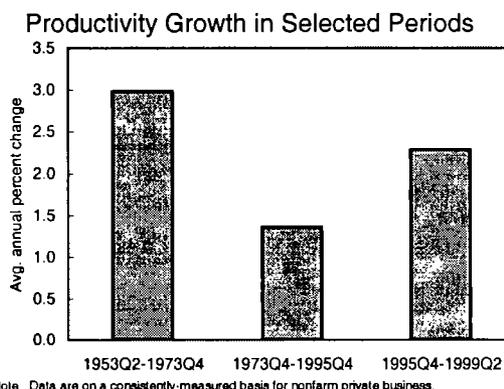
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CURRENT DEVELOPMENT

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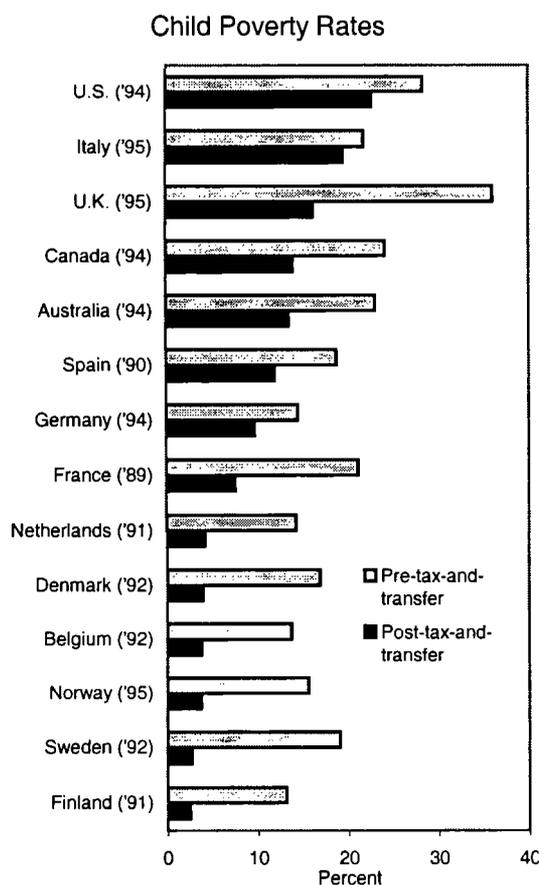
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ARTICLE

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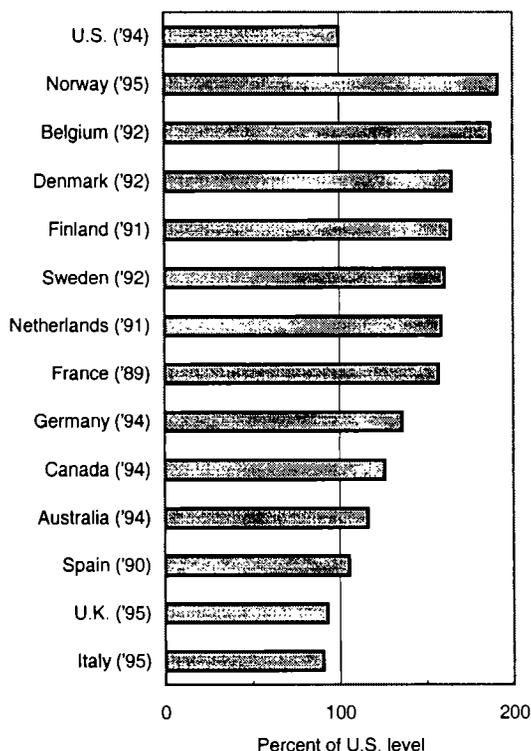
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Household Income of Poor Children



Note: The chart shows the level of income at the 10th percentile of the country's distribution of children's household income as a percent of the level of income at the 10th percentile of the U.S. distribution.

suggests that many poor children in the United States have limited resources relative to poor children in other countries. In particular, the chart shows that the dollar value of the household income available to the U.S. child at the 10th percentile of the U.S. income distribution is less than that of children at the 10th percentile of many other countries' distributions. Canada's level, for example, is roughly 26 percent higher than ours.

Accounting for the differences.

Demographic differences explain part of the story. For example, the high proportion of poor single mothers certainly raises the U.S. child poverty rate. But research has suggested that differences in demographics only partially explain the differences in child poverty rates across nations. Instead, the most important factors appear to be differences in taxes and

the level of government assistance to low-income families. The United States, for example, provides less cash assistance to low-income families than most industrialized nations. Many European countries pay high levels of unemployment assistance for more than a year after people leave a job, no matter how short their period of employment. Others provide "family allowances"—special cash transfers to families with children.

Conclusion. Child poverty rates vary dramatically across nations, from less than 3 percent to more than 20 percent (using the relative measure). Differences in public policies account for a significant portion of this range. These policies, of course, come with tradeoffs: many European nations have high unemployment rates *and* low child poverty rates, due in part to their extensive system of income transfer programs. The situation in the United States is the reverse. Some poverty experts have criticized both models as being either "too expensive" (in Europe) or "too cheap" (in the U.S).

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

NAFTA Spurs Agricultural Trade with Canada and Mexico. As NAFTA enters its 6th year, the importance of the agreement for U.S. agriculture is more apparent than ever, according to a new report issued by the U.S. Department of Agriculture. While U.S. agricultural exports to non-NAFTA countries rose only 2.6 percent per year from 1994 to 1998, exports to Canada and Mexico rose 8.1 percent annually over the same period. Both U.S. exporters and importers are placing a greater emphasis on the North American market. In 1990, Canada and Mexico purchased 17 percent of U.S. agricultural exports and supplied 25 percent of imports; by 1998, the share of exports had risen to 25 percent and that of imports to 34 percent. The report argues that U.S. beef and pork trade has benefited greatly from NAFTA, with beef exports to Canada estimated to be twice as high as they would have been without the trade agreement. It finds that NAFTA has also facilitated the flow of U.S. and Canadian foreign direct investment in the processed food industry in North America, leading to the dissemination of new technology and efficiency gains for producers, as well as lower food costs and greater choices for consumers.

Minorities Are Less Likely to Have Health Insurance. American minorities are less likely than whites to have health insurance, according to a report from the Commonwealth Fund. The report finds that among Americans aged 18 to 64, 14 percent of whites were uninsured in 1995 compared with 24 percent of blacks and 38 percent of Hispanics. Minorities are also less likely to be covered through work (69 percent of white workers have employer-sponsored coverage compared with 52 percent of black workers and 44 percent of Hispanic workers). Differences in socioeconomic status and type of jobs held may partially explain this discrepancy. For example, workers earning less than \$10 per hour are less likely to be insured, and adults who work in large firms, are employed full-time, hold manufacturing or public administration jobs, or are trade union members are more likely to be covered through work. However, even within these categories, minorities are less likely to have employer-based insurance. The study finds that, after controlling for workforce and sociodemographic characteristics, blacks and Hispanics are 21 percent less likely than whites to have coverage through their employers. One possible barrier to minority health insurance mentioned in the report is the out-of-pocket cost associated with obtaining employer-sponsored coverage.

INTERNATIONAL ROUNDUP

Malaysia Eases Investment Controls. The Malaysian government allowed capital controls instituted last September to expire. The government originally imposed these controls to insulate the Malaysian economy from the risks and vulnerabilities of global financial markets. Prior to September 1, 1999, foreign investors could only repatriate their investments by paying a tax of up to 30% of the principal. This tax was lifted on September 1, so that portfolio funds that have been in Malaysia for a year or more are now eligible for repatriation without any levy.

China Set to Impose Savings Tax. China's economic growth rate has declined steadily since 1992 and moderate price deflation has set in over the last two years. Based on a recent article in the Beijing Daily News (China's official English language newspaper), the Chinese government has proposed to impose a 20 percent flat tax on interest earned on bank savings accounts in hopes of stimulating consumption. This follows a recent amendment to the Personal Income Tax Law, allowing taxation of interest from savings accounts. National saving was estimated to be more than 40 percent of GDP in 1997. Anecdotal evidence suggests that the saving rate may have risen recently, in part reflecting uncertainty associated with economic reforms and rising unemployment. Even if the tax fails to boost consumption, it should help improve the weak fiscal condition of the government, which limits its ability to finance expenditures. According to the Chinese Minister of Finance, this new tax revenue will be used to increase payments to laid-off workers from state-owned enterprises, raise the minimum income of urban residents, and increase pensions.

IMF Warns of Risks in Capital Markets. Despite recent favorable developments in the world economy such as strong U.S. growth and Asian recovery, conditions in global financial markets remain fragile, cautions the IMF in its annual report, *International Capital Markets*. The IMF report listed the possibility of a large correction in the U.S. equity market or a sudden weakening of the dollar as particular risks to the developed economies. Risks to emerging markets include a reduced investor base, the level and structure of external financing, and the possibility of a slowdown in capital inflows that could be brought about by inflationary pressures and resultant tight monetary policies in mature markets. The report draws attention to the public policy issues posed by excessive off-balance sheet leverage in modern finance, the impact of highly-leveraged institutions (HLIs) on small and medium-sized financial markets, and the emerging market responses to severe external pressure. In the IMF's view, policies should aim to enhance market discipline, improve disclosure of off-balance sheet risk, provide for more rigorous creditor and counterparty assessments of exposures, and strengthen private risk management and control systems. The report also suggests that closer monitoring of global liquidity conditions could help alert officials to the buildup of excessive leverage and other imbalances.

RELEASES THIS WEEK

Producer Price Index

****Embargoed until 8:30 a.m., Friday, September 10, 1999****

The producer price index for finished goods rose 0.5 percent in August. Excluding food and energy, producer prices fell 0.1 percent.

MAJOR RELEASES NEXT WEEK

Retail Sales (Tuesday)

Consumer Prices (Wednesday)

Industrial Production and Capacity Utilization (Thursday)

Housing Starts (Friday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1998	1998:4	1999:1	1999:2
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	4.3	6.0	4.3	1.8
GDP chain-type price index	5.4	0.9	0.8	1.6	1.5
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	2.6	4.1	3.6	0.6
Real compensation per hour:					
Using CPI	0.6	2.5	2.0	2.9	1.5
Using NFB deflator	1.3	3.7	3.4	3.0	3.7
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	11.0	11.0	11.0	11.2
Residential investment	4.5	4.3	4.5	4.6	4.7
Exports	8.2	11.3	11.3	10.9	11.0
Imports	9.2	13.0	13.1	13.2	13.7
Personal saving	5.2	0.3	-0.0	-0.5	-0.9
Federal surplus	-2.7	0.9	0.8	1.4	1.6
<hr/>					
	1970- 1993	1998	June 1999	July 1999	August 1999
Unemployment Rate (percent)	6.7**	4.5**	4.3	4.3	4.2
Payroll employment (thousands)					
increase per month			281	338	124
increase since Jan. 1993					19403
Inflation (percent per period)					
CPI	5.8	1.6	0.0	0.3	N.A.
PPI-Finished goods	5.0	0.0	-0.1	0.2	0.5

**Figures beginning 1994 are not comparable with earlier data.

New or revised data in **boldface**.

PPI data **embargoed until 8:30 a.m., Friday, September 10, 1999.**

FINANCIAL STATISTICS

	1997	1998	July 1999	August 1999	Sept. 9, 1999
Dow-Jones Industrial Average	7441	8626	11052	10935	11079
Interest Rates (percent per annum)					
3-month T-bill	5.06	4.78	4.55	4.72	4.68
10-year T-bond	6.35	5.26	5.79	5.94	5.97
Mortgage rate, 30-year fixed	7.60	6.94	7.63	7.94	7.88
Prime rate	8.44	8.35	8.00	8.06	8.25

INTERNATIONAL STATISTICS

Exchange Rates Change from	Current level	Percent	
	September 9, 1999	Week ago	Year ago
Euro (in U.S. dollars)	1.054	-1.4	N.A.
Yen (per U.S. dollar)	108.0	-1.1	-20.9
Major currencies index (Mar. 1973=100) (trade-weighted value of the U.S. \$)	93.36	-0.3	-4.6

International Comparisons ^{1/}	Real GDP growth	Unemployment rate	CPI inflation
	(percent change last 4 quarters)	(percent)	(percent change in index last 12 months)
United States	3.9 (Q2)	4.2 (Aug)	2.1 (Jul)
Canada	3.7 (Q2)	7.7 (Jul)	1.8 (Jul)
Japan	1.1 (Q2)	4.9 (Jul)	-0.1 (Jul)
France	2.1 (Q2)	11.3 (Jun)	0.3 (Jun)
Germany	0.6 (Q2)	7.1 (Jul) ^{2/}	0.6 (Jul)
Italy	0.9 (Q1)	12.1 (Apr)	1.7 (Jul)
United Kingdom	1.2 (Q2)	6.1 (May)	1.3 (Jul)

1/ For unemployment data, rates approximating U.S. concepts as calculated by the U.S. Department of Labor, Bureau of Labor Statistics.

2/ Rate for former West Germany. Using OECD standardized unemployment data, the unemployment rate for unified Germany for July was 9.1 percent.