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PHILADELPHIA ELECTRIC COMPANY

(Electric Division)

Direct Testimony

of

Joseph F. Brennan, President
Associated Utility Services, Inc.

Concerning

Fair Rate of Return

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Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Joseph F. Brennan. I am President of Associated Utility Services, Inc., 155 Gaither Drive, Mount Laurel, New Jersey 08054. Associated is an independent consulting firm specializing in rate of return, financial, depreciation, cost of service, and valuation studies. Associated also performs utility rate case accounting, and special regulatory studies.

Q. WHAT IS THE NATURE OF YOUR ASSIGNMENT IN THIS PROCEEDING?

A. My assignment is to make an independent study and recommend an overall rate of return including a rate of return on common equity which Philadelphia Electric Company (PECO or the Company) should be afforded an opportunity to earn in connection with its application to increase its rates for retail electric service in Pennsylvania.

Q. HAVE YOU PREPARED AN EXHIBIT WHICH SHOULD BE MARKED FOR IDENTIFICATION?

A. Yes. Exhibit JFB 1, comprised of 17 Schedules, has been prepared by me or under my direct supervision.

Q. HAVE YOU PREPARED AN APPENDIX TO YOUR STATEMENT WHICH OUTLINES IN NARRATIVE FORM YOUR EDUCATION AND WORK EXPERIENCE?

A. Yes. It is attached as Appendix A.

I. Summary of Recommendation

Q. PLEASE SUMMARIZE YOUR RECOMMENDATION TO THE COMMISSION IN THIS PROCEEDING.

A. I recommend that the Company be permitted a fair opportunity to earn an overall rate of return of 13.15% to 13.34% on its original cost rate base, including an opportunity to earn a 16.9% to 17.4% rate on the common equity portion of that rate base. This recommendation is based upon the Company's estimated capital structure ratios at June

30, 1986, the related estimated composite embedded cost of long-term debt and preferred stock, and an estimate of the cost rate for common equity reflective of the future. A summary of my recommendation is shown on page 1 of Schedule 1.

I have also calculated the overall rate of return for June 30, 1985. A summary of that calculation is shown on page 2 of Schedule 1.

On Schedule 2, I have shown a summary of the principal data I employed and the manner in which I employed such data in connection with my judgment as to the 16.9% to 17.4% opportunity cost rate for common equity.

Q. WHAT METHODS DID YOU EMPLOY IN DEVELOPING YOUR OPINION THAT THE PROPER OPPORTUNITY RATE FOR COMMON EQUITY CAPITAL SHOULD BE 16.9% TO 17.4% RELATIVE TO THE COMMON EQUITY PORTION OF THE ORIGINAL COST RATE BASE?

A. I employed two methods to arrive at my opinion, namely, a discounted cash flow (DCF) calculation and a risk spread analysis. I gave equal weight to the results of each method.

Q. WHY DID YOU ARRIVE AT YOUR OPINION BY GIVING WEIGHT TO THE RESULTS OF MORE THAN ONE METHOD?

A. Every method available to employ requires the exercise of judgment. Therefore, no one method should be employed to the exclusion of any other method in arriving at a judgment as to what is the market-required cost rate for common equity capital.

Q. DID YOU CONSIDER THE EMPLOYMENT OF METHODS OTHER THAN DCF AND RISK SPREAD IN ARRIVING AT THE COST RATE FOR COMMON EQUITY CAPITAL?

A. Yes. I observed earnings/price ratios, but only as a point of departure. Usually, an earnings/price ratio understates the market

required cost rate for common equity capital, particularly in the circumstance of investor-expected higher future earnings.

I also considered, but rejected, the use of capital asset pricing model (CAPM) calculations. I believe the CAPM is insufficiently reliable, primarily because CAPM is insufficiently company-specific.

I believe that DCF and the risk spread analysis methods to be more reliable and company-specific compared to other methods.

Q. WERE YOUR COMPUTATIONS IN REGARD TO DCF AND RISK SPREAD LIMITED TO PECO?

A. No. Primary weight in reaching an equity cost judgment should be given to cost data of the company whose rates are being set. However, I believe a conclusion derived from the company in question should be checked by reference to a barometer group of companies whose financial profile is the same or as similar to the company in question as is possible, recognizing the fact that the risk of investing in another company or group of companies is never identical to the company in question.

II. Description of PECO

Q. WILL YOU PLEASE DESCRIBE PARTICULARS PERTAINING TO PECO WHICH YOU HAVE EXAMINED IN DEVELOPING YOUR RECOMMENDATIONS.

A. The Company is an operating utility which provides electric and gas service to the public in southeastern Pennsylvania. Steam service is supplied in the central and west Philadelphia areas.

Two subsidiaries own, and a third subsidiary operates, the Conowingo hydroelectric project, and one distribution subsidiary provides electric service to the public in certain areas of northern Maryland adjacent to the project. The total area served by the Com-

pany and its subsidiaries covers 2,475 square miles; electric service is supplied in an area of 2,340 square miles with a population of about 3.7 million, including 1.6 million in the City of Philadelphia. Approximately 95% of the electric service area and 60% of the retail KWH sales are in the suburbs around Philadelphia and in northeastern Maryland.

The common stock of PECO is traded on the New York Stock Exchange. The bonds of PECO are now rated Baa3 by Moody's Investor Services, Inc. (Moody's) having been downgraded in late January 1983, BBB- by Standard & Poor's (S&P), and its preferred stock is rated "bal" by Moody's and BB by S&P.

The Company spent approximately $1.053 billion for additions to utility plant including Allowance for Funds Used During Construction (AFUDC) during 1984. At December 31, 1984, construction work in progress of $4.187 billion was 145% of the $2.891 billion of book common equity. During 1985, the Company expects to spend about $1 billion for additions to utility plant.

Q. ARE THERE ANY SPECIAL CIRCUMSTANCES WHICH HELP EXPLAIN THE COMPANY'S ABOVE AVERAGE COST OF ATTRACTING CAPITAL AT PRESENT AND FOR THE FORESEEABLE FUTURE?

A. Yes. PECO's financial profile results in an investor judgment that the risk of an investment in PECO is significantly higher compared to the average operating electric company. The basis of my opinion in this regard is the fact that PECO's bond rating is the lowest of investment grades, its quality of earnings is much lower than industry averages (AFC expressed as a percent of net income to common equity), its non-cash earning assets (CWIP) expressed as a percent of book common equity are considerably higher than the industry

average, and its earnings/price ratio and dividend yield are considerably higher than the industry average. PECO's risk is even higher than a barometer group of companies whose financial profile is as similar as possible to PECO when employing the yardsticks I just mentioned (quality of earnings, bond rating, CWIP expressed as a percent of book common equity, earnings/price ratio and dividend yield). Moreover, there is uncertainty regarding completion of PECO's Limerick project.

PECO's earnings/price ratio (18.3%) and dividend yield (15.0%), based upon a market price of stock for September 19, 1985 are higher than the earnings/price ratio (15.6%) and dividend yield (11.9%) of the Barometer Group of Electric Companies whose bonds are rated Baa by Moody's, the same as PECO, and whose financial profile is relatively similar. The fact that PECO's earnings/price ratio and dividend yield are higher compared to the average earnings/price ratio and dividend yield for the barometer group of companies whose profile is similar, is not the product of a stock price aberration. The fact is PECO's earnings/price ratio and dividend yield have been consistently higher for several years. Moreover, PECO's stock price is and has been at a greater discount from book value compared to the barometer group, in spite of the fact that the PECO achieved earnings/book ratio is and has been higher than the earnings/book ratio for the barometer group of operating electric companies employed in my study.

I have explored reasons which may explain why the market requires a higher return for the use of common equity capital for PECO compared to the barometer group. One indication of the possible cause is the fact that PECO's Construction Work in Progress ex-

pressed as a percent of book common equity (about 145% at year-end 1984) is much higher than the average for the barometer group (about 111% at year-end 1984). A second possible reason is investor uncertainty and concern for the regulatory treatment to be afforded PECO in regard to its Limerick investment. The Commission's recent ratemaking treatment of Pennsylvania Power & Light Company (PP&L) apparently caused investors to consider the risk of investing in PECO to be higher compared to the risk prior to the recent PP&L decision.

Q. IS THERE ANY OTHER STATISTIC THAT MAY HELP EXPLAIN WHY INVESTORS BELIEVE AN INVESTMENT IN PECO IS MORE RISKY COMPARED TO THE INDUSTRY AVERAGE FOR THE BAROMETER GROUP COMPANIES INCLUDED IN YOUR STUDY?

A. Yes. PECO's revenue and sales mix is more heavily concentrated in the industrial sector than is the sales mix for the barometer group of companies included in my study. The risk of serving industrial customers is potentially more risky than is the risk of serving residential customers. In addition, the Philadelphia metropolitan area (PECO's primary service territory) is undergoing a transformation from a manufacturing center to a high-tech/office/financial center. Investors may consider possible further erosion in the industrial base of the service area as an above-average element of risk facing PECO and not faced similarly by the average electric company.

III. Capital Structure Ratios

Q. HAVE YOU PREPARED A SCHEDULE WHICH SHOWS THE COMPANY'S ACTUAL AND EXPECTED CAPITAL STRUCTURE AND RELATED RATIOS?

A. Yes. Information pertaining to PECO's actual capital structure and related ratios at June 30, 1985 and estimated at June 30, 1986 are

shown on page 1 of Schedule 3. Explanatory notes relative to the changes I have reflected and estimated to take place are revealed on page 2.

Q. WOULD YOU PLEASE BRIEFLY DESCRIBE THE CHANGES AND ESTIMATES YOU HAVE EMPLOYED IN CONNECTION WITH THE DEVELOPMENT OF THE COMPANY'S JUNE 30, 1985 AND 1986 CAPITAL STRUCTURE AND RELATED RATIOS?

A. My starting point is the actual capital structure at June 30, 1985. Between June 30, 1985 and June 30, 1986, the total amount of debt and equity employed by PECO is expected to increase by almost $600 million. Details of the change are described in the notes on page 2 of Schedule 3. Some of the new issues planned include $100 million first mortgage bonds in November, 1985; $100 million of first mortgage bonds in May 1986; a $50 million new issuance of preferred stock in May, 1986; and approximately $170 million of new common stock. The end result of all the changes indicate that the Company's capital structure ratios at June 30, 1986 will be 50.7% long-term debt, 10.8% preferred stock, and 38.5% common equity. These ratios reflect a continuation of the positive trend that has been ongoing for the past few years, namely, the employment of less debt and more common equity. I have adopted the estimated June 30, 1986 capital structure ratios for rate of return determination purposes. Rate making is and should be prospective. These ratios are more indicative of the future than the actual June 30, 1985 ratios. These ratios are prudent and well within the range of ratios employed by other operating electric companies.

Q. DO YOU BELIEVE THE MANAGEMENT OF A UTILITY HAS THE RIGHT TO CHOOSE THE TYPE OF CAPITAL IT WILL EMPLOY TO FINANCE ITS INVESTMENT IN ASSETS?

A. Yes. I believe management has the right to choose the way its assets are financed. My opinion extends to public utility companies with the caveat that management's choice should be employed by the regulatory agency having jurisdiction with respect to establishing the authorized price of service, so long as management's choice is prudent and not unreasonable.

There is no one ideal capital structure, even for a particular company, that is appropriate all of the time, given changing money market circumstances and changing business risk affecting the enterprise. However, I do believe there is a range of appropriate capital structure ratios which, for a utility, can be viewed as ideal, keeping in mind that the criteria of prudence must be observed, given the utility's obligation to render service to the public all of the time, rather than some of the time, in the interest of consumers and the economic well-being of the area served by the utility. Further, since rate making is prospective, I believe the capital structure ratios appropriate to employ for rate of return determination purposes are ratios indicative of the future, the period of time the rates for service in question will be in effect. Lastly, in the circumstance of increasing business risk and the inability to necessarily change ratios quickly, given adverse financial circumstances, I also believe it appropriate to move toward objective capital structure ratios reflective of changing business risk.

Q. WHAT ARE PECO'S OBJECTIVE CAPITAL STRUCTURE RATIOS?

A. I have been informed by management that the Company believes at this time it is proper and appropriate to maintain a common equity ratio which will average approximately 38%, a debt ratio of 50%, with

preferred stock providing the balance of permanent capital. These ratios are very close to the ratios expected at June 30, 1986.

IV. Embedded Cost Rate of Long-Term Debt and Preferred Stock

Q. WHAT IS THE ACTUAL EMBEDDED COMPOSITE INTEREST RATE FOR PECO'S LONG-TERM DEBT AT JUNE 30, 1985, AND AT JUNE 30, 1986 ON AN ESTIMATED BASIS?

A. The actual composite long-term interest rate at June 30, 1985 is 10.74%. Detailed calculations are shown on Schedule 4, pages 1-4, inclusive.

The estimated composite long-term interest rate at June 30, 1986 is 10.84%. Details of this calculation are shown on Schedule 4, pages 5-8, inclusive.

The 10.84% estimated composite interest rate at June 30, 1986 reflects: (a) the 10.5% interest rate actually paid relative to a $245.0 million Pollution Control Note issue sold in May 1985; (b) an assumed 12.5% interest rate relative to two $100 million first mortgage bond sales planned for November 1, 1985, and May 1986. The basis of the 12.5% assumed interest rate is explained in Note 7, page 3, Schedule 6. Prior to the time the record in this case is closed, I will provide the actual cost rate related to this issue and reflect that cost rate in an update of the development of the composite cost of long-term debt.

Q. WHAT IS PECO'S ACTUAL AND ESTIMATED EMBEDDED COMPOSITE COST RATE OF PREFERRED STOCK AT JUNE 30, 1985 AND 1986, RESPECTIVELY?

A. The actual composite cost rate at June 30, 1985 is 10.42%. The estimated composite cost rate at June 30, 1986 is 10.54%. Information pertaining to the development of these composite cost rates is shown on Schedule 5, pages 1 through 4.

In arriving at the estimated June 30, 1986 composite cost rate, I have assumed a cost rate of 12.5% relative to the $50 million preferred stock planned to be sold in October, 1985. The basis of my opinion as to a 12.5% dividend rate relative to the $50 million planned preferred stock sale is the fact that when PECO has sold bonds and preference stock at about the same time, the interest and dividend rate was similar. I plan to provide the actual preferred stock cost rate prior to the time the record in this case is closed.

V. General Principles of a Fair Rate of Return

Q. WHAT IS THE ROLE OF MARKET DATA IN THE DETERMINATION OF THE COST OF COMMON EQUITY?

A. Market data are essential in such analyses. The cost of common equity should be derived from market information. The cost of equity is not what theorists, regulators or company management believe it should be, or what they would like it to be, but what the money market says it is. A utility has no monopoly in the money market. Capital cannot be conscripted. Capital is hired in the money market. Thus, the relevant information to study and analyze is money market related or derived information.

In my opinion, only if marketplace data are employed can the regulator ensure, over the long run, the utility's ability to meet its service obligations. Assurance of adequate service can only be achieved if earnings are sufficient to permit (1) the attraction of an adequate amount of capital at a reasonable cost, and (2) the maintenance of the integrity of presently invested capital. These standards for a fair rate of return have been well established by the U.S. Supreme Court in the Bluefield Water Works and Improvement Co. v. Public Serv. Comm'n, 262 U.S. 679 (1922) and Federal Power

Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944).

In an unregulated competitive environment, price for service is established in the marketplace. In the utility situation, prices are set by regulatory agencies. For that reason, regulatory authorities must function as a substitute for the marketplace in setting the price of service consistent with the need to provide service over the long term. Therefore, prices for service should be set to provide the utility with an opportunity to recover all costs, including a fair rate of return on capital supplied by investors.

VI. Relative Risk Analysis

Q. WHY IS IT NECESSARY TO ANALYZE RISK IN THE DETERMINATION OF THE COST OF COMMON EQUITY?

A. The investors' perception of the relative risk in alternative investments is the very essence of the market-determined return required from those investments. An investor in common equity is buying the right--that is, acquiring an ownership interest--to an income stream represented by the earnings of the company. If investors perceive that there is considerable risk in realizing the expected income stream, they lower the price they are willing to pay, thereby increasing the rate of return. If, on the other hand, they perceive that the income stream is stable and assured, they will be willing to pay a higher price for the rights of common equity ownership, thereby reducing the rate of return. Therefore, an analysis of company specific risk which includes service territory and regulatory risk is a very basic element in the determination of the market-required cost of common equity.

Q. WHAT RISK FACTORS AFFECT INVESTOR JUDGMENT?

A. There are two principal factors, business and financial risk. The sum of business and financial risk is commonly referred to as investment risk. Business risk encompasses all the risks of a firm as if it were financed entirely with common equity capital. Financial risk is the added element of risk resulting from employment of fixed-cost investor provided capital, such as debt or preferred or preference stock. The presence of debt, preferred, or preference stock in the capital structure is referred to as financial leverage. The use of leverage (the use of debt and preferred stock) decreases the revenue cost of capital to consumers in the utility situation, but increases the risk to the common stock investor. In the non-utility situation, the common stock investor can receive all of the benefits of the use of leverage. However, in the utility situation, rate regulation passes on to consumers a large part of the benefits of the use of leverage in the form of a lower cost of service (lower income tax expense and use of embedded cost of debt and preferred stock for rate of return purposes).

Q. IS THERE AN INTERRELATIONSHIP BETWEEN BUSINESS AND FINANCIAL RISK?

A. Yes. The presumed amount of business risk present in an enterprise influences the manner in which that enterprise should be financed. A higher degree of business risk generally requires the employment of less financial leverage (the employment of less fixed cost capital, such as debt and preferred stock) and thus more common equity. A utility must be in a position to meet all customer demands for service over the long run in order to fulfill its service obligation. In the non-utility situation, there is no similar obligation to serve or increase capacity to serve. The choice of capital structure, or the degree of financial leverage

employed, can help to offset the business risk of an enterprise in terms of capital attracting ability. Ideally, a utility would employ a capital structure which would permit the attraction of capital at a cost rate no higher than an investment grade non-utility. In fact, unfortunately, the attraction rate for utility debt is higher than the attraction rate for non-utility debt, as can be seen by reference to the information shown on page 1, Schedule 6. If debt costs more, common equity also costs more. These data suggest utilities should strive to employ more equity and less debt to be more competitive in the capital markets.

It should be noted that while the cost rate for utility debt and equity capital may be more than the cost rate for non-utility debt and equity capital, the overall cost of capital for most utilities is less than is the overall cost of capital for non-utilities because utilities employ more debt (which costs less than equity) and less equity (which costs more than debt) compared to non-utilities.

Q. IS THERE EVIDENCE THAT THE CAPITAL MARKETPLACE GIVES RECOGNITION TO THESE RISK PERCEPTIONS?

A. Yes, the capital marketplace is driven by investor perceptions of risk. One of the best examples is bond ratings. Rating agencies, such as Standard & Poor's (S&P) evaluate the creditworthiness of the fixed income securities of many businesses. These ratings reflect perceptions of the relative risk associated with a particular security. The criteria for S&P ratings are generally known and involve consideration of factors relating to both the business and financial risk of the issuing company.

Investors rely on the qualitative judgments of the rating agencies, as evidenced by the yield basis upon which they purchase variously rated bonds. Investors require higher returns for bonds of poorer quality (high risk) and lower returns for those of higher quality (low risk). This evidence, as shown on Schedule 6, demonstrates that investors do, in fact, base their investment decisions on considerations of business and financial risk, which when considered together, is referred to as an investment risk.

Q. WHAT IS YOUR OPINION WITH RESPECT TO INVESTOR PERCEPTION OF THE RELATIVE INVESTMENT RISK DIFFERENCES BETWEEN NON-REGULATED FIRMS AND REGULATED UTILITIES?

A. Historically, investors believed utility service to be a lower business risk endeavor compared to many non-utility companies. This relatively low business risk permitted the use of greater financial leverage. The risks of large capital commitments for long periods of time, actual or potential competition, potential long-range shortages of natural resources (at competitive prices), inflation, and rate regulation influence the choice of the financial leverage employed by utilities. The investment risk for utilities has risen compared to non-utilities. Indeed, the investment risk for some utilities is as much or more compared to some non-utilities.

Responses to increased business risk must ultimately be higher achieved earnings, less financial leverage (less debt and more equity) or a combination of both, so that the investment risk is at parity with other utility and non-utility companies.

Q. ARE CHANGES IN INVESTMENT RISK CAUSE FOR CHANGES IN INVESTOR ATTITUDES?

A. Yes. The business risk of non-utilities is implicitly affected by investors' perception of actual or potential volatility of revenues, expenses, and hence earnings. Non-utilities are affected by both competition from purveyors of the same product or a close substitute and the possibility that their product or service will no longer be needed or wanted by society. Non-utility companies generally have been able to either achieve adequate earnings or present a profile which commands investor confidence of an adequate earnings expectation, as evidenced by a stock price consistently above book value and as is evidenced by the fact that non-utility companies actually pay less to attract long-term debt of investment grade compared to utilities, as shown on page 1 of Schedule 6.

Utility companies must achieve investment standing in the minds of investors similar to that enjoyed by non-utility companies because utilities do not enjoy a monopoly in the money market. Utilities must compete for capital with all other seekers of capital. Capital flows to the endeavors with the highest return opportunity commensurate with the risk to which the capital is exposed.

VII. Common Equity Cost Rate

Q. WHAT INFORMATION DID YOU STUDY AND CONSIDER IN ARRIVING AT YOUR JUDGMENT AS TO THE COST RATE FOR COMMON EQUITY CAPITAL FOR PECO?

A. I observed historical interest rate trends and forecasts of interest and inflation rates. This information is shown on Schedule 6.

I observed several different financial ratios specific to PECO and the average for a barometer group of operating electric companies similar but not identical in risk to PECO. This information is shown on Schedules 7 through 11, inclusive.

Please note by reference to Schedule 7 that the achieved earnings rate on book common equity for PECO was 12.9%, or higher than the 12.6% average for the barometer group for the five years ended 1984. Please also note that the achieved rate of return on average book common equity for PECO and for the barometer group of companies has moved up significantly during the past five years. Specifically, as to PECO, the 1984 ratio of 15.1% and the spot 1985 rate of 15.1% was considerably higher than the 12.9% average for the five years ended 1984 or the 10.6% for the year 1980. The experience for the barometer group was similar in terms of upward movement. Accordingly, it is fair to say investors may perceive a prospective rate of growth in earnings and dividends higher than the average for the past five years. This is fair to say in light of the fact that the current rate of earnings is lower than the 15.7% and 16.7% rate authorized by the regulatory authorities which have jurisdiction as to the barometer group and PECO, respectively.

Q. ARE YOU AWARE OF THE FACT THAT THIS COMMISSION, IN ITS LAST ORDER PERTAINING TO PECO, OFFERED THE OPINION THAT IT IS NOT REALISTIC TO ASSUME INVESTORS EXPECT TO ACHIEVE A RATE OF EARNINGS ON COMMON EQUITY MEASURED AT BOOK COST EQUAL TO WHAT A REGULATORY AUTHORITY INTENDED?

A. Yes. If this Commission believes the price of service they authorize will not produce the rate of earnings on the common equity part of the rate base they intend, then an attrition allowance is required if this Commission intends to comport with the teachings of the United States Supreme Court in the landmark Hope and Bluefield cases. A utility is entitled to an opportunity, but not a guarantee, to experience a rate of earnings, which will, among other

things, produce a value of stock at least equal to the rate base value. For the past several years, PECO and many other utilities have not experience a rate of earnings sufficient to motivate the marketplace to price stock equal to or slightly above book value. At this time, PECO's common stock still sells at a discount from book value, whereas the average electric company stock price is near or above book value. There has been a marked upward movement in PECO's achieved rate of earnings on book common equity. I believe investors expect that trend will continue until the point is reached when PECO in fact earns a rate of earnings equal to that intended by this Commission.

On Schedule 8 I have shown the relationship of the market price to the book value for common equity for PECO and the average for the Barometer Group of Electric Companies included in my study. Please note that for the five years ended either 1979 or 1984, the average market price was less than book value. However, for a spot point in time in 1985, the ratio moved up, coincidentally, as the achieved rate of earnings increased. For the Barometer Group of Four Electric Companies whose bonds are rated Baa by Moody's, as are the bonds of PECO, the market price of stock in 1985 is 95.0% of book value, while the market price of PECO stock moved up to 82.2% of book value at a time when the achieved rate of earnings on average book common equity moved up to 15.1%.

The information shown on Schedule 9 is the development of a market-price index for the price of stock and the movement of that stock price from 1974 through 1985 at a spot moment in time. This information facilitates a comparison of the movement in the market price of stock for one company to another or a group of companies.

I have also shown a similar calculation with respect to the average book value of common equity per share. The PECO index, in regard to both the market and the book value, was lower than the average for the barometer group and a broader group of utility companies, the Dow Jones Utilities.

For clarification, it should be stated that the achieved earnings/book ratio of a particular year or a moment in time is not necessarily the driving force relative to the market price of stock for the same year or moment in time. The market price of stock is reflective of investors' expectations of the achieved rate of earnings in the future which may be higher or lower than the achieved earnings rate on book common equity of the moment or for a given year or period of years. In the circumstance of PECO, as I will explain later, earnings growth is expected based on both projections of investment advisory services and as indicated by historic experience.

The information shown on Schedule 10 reveals earnings/price ratio information. The earnings/price ratio is the relationship of reported earnings per share relative to the market price of the stock. The earnings/price ratio may result in an understatement or an overstatement of the investor-required rate of earnings. The basis of this statement is the fact that the ratio is essentially a mismatch in that the price of stock is reflective of investor expectations of future earnings and the earnings rate, but the earnings used in the computation are historic. Please note by reference to Schedule 10 the fact that the spot earnings/price ratio for PECO at 18.3% is higher than the spot 15.6% earnings/price ratio for the Barometer Group of Operating Electric Companies included in my

study. Please also note the fact that for the five years ended 1984, the earnings/price ratio for PECO was 16.8%, while the average earnings/price ratio for the Barometer Group of Operating Electric Companies during the same period in time was also 15.4%. The data suggest an investor perception of a higher risk, and hence, higher cost rate for common equity for PECO compared to the barometer group, notwithstanding the fact that PECO's bonds carry a similar rating to the bonds for the barometer group.

The information shown on Schedule 11 shows the common dividend yield and the common dividend payout ratio for PECO for the five years ended 1984 and a spot point in time mid-1985. These data indicate the Company's dividend yield and dividend payout ratio is higher than the average for the barometer group companies. This information suggests a market expectation of a likely lower growth rate in the value of PECO's stock compared to the barometer group of companies included in my study. As I will discuss later, historic, as well as forecasted, earnings and dividend growth confirm this expectation.

On page 1 of Schedule 12 I have shown PECO's capitalization and financial statistics for the years 1980 through 1984.

Total capital employed by PECO increased from $4.9 billion in 1980 to $8.2 billion in 1984, or an increase of over 66%.

Shown on the lower part of page 1 of Schedule 12 are interest and overall coverages as well as financial ratios indicative of quality of earnings. The quality of PECO earnings is very low, as indicated by AFC expressed as a percent of net income to common equity (average of 84% for the years 1980 to 1984, almost 87% for 1984, and as indicated by an effective income tax rate which

averages just 21% for the five years ended 1984, and 21% for 1984). By comparison, similar information shown on Schedule 13 pertaining to the barometer group also indicates low quality of earnings, but not as low as PECO. For instance, the PECO 87% AFC expressed as a percent of net income to common equity for 1984 is worse than the indicated 75% for the barometer group. What this ratio means is that with a 15.1% rate of earnings on the book value of common equity for PECO, but with 87% attributed to AFC, the cash return on book common equity provided by consumers is but 2.0% (the complement of 87% is 13%, and 13% x 15.1% is 2.0%). Moreover, in regard to interest coverage, computed excluding AFC, the PECO coverage for 1984 was but 1.6 times, or worse than the 1.8 times indicated for the barometer group for 1984.

On pages 3 and 4 of Schedule 12 I have shown the results of an analysis of PECO's public offerings of common stock during the years 1980 through 1984. Please note by reference to page 3 the fact that at no time during the five year period was the company able to realize a net proceeds per share equal to per share book value when new stock was sold. Given the fact that the Company's current market-to-book ratio is 82%, and given an assumption of a continuation of the upward movement in the achieved rate of earnings on average book common equity, it seems reasonable to conclude that prospective new stock sales may net a price close to book value. Of course, if the authorized rate of return on book common equity is less than the market requires, the price of stock could remain below book value.

On page 4 of Schedule 12, I have shown the fact that the sum of issuance and selling expenses expressed as a percent of the offering

price of new common stock sold during the years 1980 to date, inclusive, averaged 3.16%.

Q. WHAT DOES THE INFORMATION SHOWN ON PAGE 4 OF SCHEDULE 12 SUGGEST?

A. This information suggests the need to experience an earnings rate on book common equity which would result in a market price of stock 3% above book value so that when new shares of stock are sold, as is contemplated by PECO, the net proceeds would at least equal book value and no dilution would take place.

There is no provision in the ratemaking process to recover issuance and selling expenses when new shares of stock are sold, other than to reflect the impact in the development of the cost rate for capital. Therefore, unless the authorized rate of earnings on common equity reflects the impact of issuance and selling expenses, such costs go unrecovered.

I am aware of the fact that this Commission has not allowed specific recognition of the impact on the cost rate for common equity capital occasioned by issuance and selling expenses related to the sale of new common stock. The Commission does routinely recognize, as do most other Commissions, the impact on the cost rate of issuance and selling expenses related to the sale of long-term debt and preferred stock. Further, I believe the Commission's policy is inconsistent with the philosophy of cost-based ratemaking and the philosophy that the regulated price for utility services is intended to be a substitute for a price of service established in the marketplace. All costs that are known and measurable should be recognized in the development of the revenue requirement. Issuance and selling expenses are known and measurable. I urge the Commission to change its policy in this regard so that investors truly

have an opportunity to recover all costs and experience a rate of earnings on common equity sufficient to result in a market price of stock at least equal to book value on a sustaining basis.

Q. PLEASE DESCRIBE THE INFORMATION SET FORTH ON SCHEDULE 13.

A. The information shown on Schedule 13 pertains to the Barometer Group of Four Electric Companies similar in risk to PECO. The basis of selection, the names and the bond and preferred stock rating of each of the barometer group companies, is shown on page 2. I have shown capitalization and financial statistics for the years 1980 through 1984, inclusive, the latest five full calendar years available for all companies included in my study, similar to the information shown on page 1 of Schedule 12 pertaining to PECO.

For comparative purposes and to obtain insight with respect to risk differences between PECO and the Barometer Group, I also observed data pertaining to operating revenues, electric sales, and customer and generating mix. This information, together with other data previously discussed, indicates some similarity between PECO and the barometer group. However, money market data reveals PECO's cost of capital is higher compared to the barometer group. Thus, the use of the barometer group as a proxy for PECO would understate the common equity cost rate to PECO.

A. <u>DCF Method</u>

Q. WOULD YOU BRIEFLY DESCRIBE THE DCF TECHNIQUE?

A. The DCF technique is based on an analysis of publicly traded common stock. It is a technique which utilizes the market price, reported earnings per share and dividend payments per share in a calculation to determine the implicit return required by the investor and reflected in the market price of the stock.

Q. WHAT IS THE THEORETICAL BASIS FOR THE DCF TECHNIQUE?

A. An investor who agrees to purchase common stock at a given market price is purchasing the rights to an income stream. That income stream includes the present and anticipated earnings of the Company, the portion of those earnings that are currently and prospectively being paid out in the form of dividends, and the proceeds from the ultimate sale of the stock at some future market price.

Implicit in the market decision to buy is the assumption that the investor considers the magnitude of that income stream, the rate at which those earnings and dividends are expected to grow, and the ultimate selling price of the stock. The investor also considers the quality of that income stream, that is, the likelihood that expectations will, in fact, be realized.

Based on all these considerations, the investor agrees to pay a given market price for the stock at a given moment in time. Presumably, that market price represents the present value of that anticipated income stream, at some discount rate. The DCF technique is an analysis which combines a market price with projected dividend and earnings growth rates to arrive at a discount rate, which reflects the return required by the investor at the time of purchase.

Q. CAN YOU PROVIDE AN ILLUSTRATION OF THE DCF TECHNIQUE?

A. Yes. First, assume that a company's common stock sells at $10 a share and the book value is also $10 a share. For simplicity, assume that the reported earnings per share are $1 and that dividends are $.50. Such data suggests that the dividend yield is 5% ($.50 relative to $10 price), and that the stock sold at 10 times earnings ($10 purchase price ÷ $1 earnings). It can be computed that if the

$.50 retained earnings (the complement of the $.50 dividend, given $1 of reported earnings) earns at the same rate of return as the total common equity of the enterprise, the growth rate in earnings, dividends and book value would be 5% (assuming the dividend payout ratio does not change and any new stock sales are at book value). The sum of 5% growth and 5% dividend yield is 10% by the application of the academic version of the DCF. These computations assume that there is no change in the price/earnings multiple. Recognizing that price/earnings multiples do change and are taken into account by investors and investment advisory services, it is my opinion that it is inappropriate, for rate of return regulation, to rely solely on a DCF cost of equity.

Q. DOES THE TYPICAL DCF COMPUTATION INCLUDE THE ASSUMPTION THAT INVESTORS USE A SINGLE GROWTH RATE FOR THE INFINITE FUTURE?

A. Yes.

Q. IS THAT A REALISTIC ASSUMPTION?

A. No. While the typical DCF model proceeds from the premise that the rate of growth reflected in the price of stock is a particular rate over time, in fact, the growth rate can vary from period to period.

For instance, if a utility company is earning less than its allowed return, investors may believe the rate of growth over the course of the next few years is related to the intended earnings rate on the book value of common equity. Under such circumstances, growth in earnings and dividends, and hence stock value, is enhanced by an upward movement in the rate of earnings until the allowed rate of earnings is realized. Such growth, however, is transitional and not sustainable. Moreover, the rate of earnings and dividend growth under DCF theory will be identical when the intended rate of ear-

nings is attained. At that time, a sustainable growth rate will be experienced, assuming, as DCF theory requires, no change in payout ratio. Further, the value of stock will grow at the sustainable rate assuming, as required by DCF theory, no change in price-earnings multiples. Accordingly, the rate of growth reflected in the price of stock under the circumstances I have described is not just the sustainable growth rate, but the product of both transitional and sustainable consideration.

Q. HAVE YOU PERFORMED DCF CALCULATIONS FOR PECO AND THE BAROMETER GROUP OF ELECTRIC COMPANIES INCLUDED IN YOUR STUDY?

A. Yes. I have performed a single-stage DCF calculation for PECO and for the barometer electric company group included in my study. The single-stage DCF model assumes a constant growth rate over the entire time horizon. As previously indicated, a two-stage model recognizes a different growth rate in the near term (transitional) than that expected in the long term (sustainable). While I have not sponsored a two-stage DCF calculation in this case, I have performed a two-stage calculation, and such calculation indicates a significantly higher PECO common equity cost rate compared to the single-stage calculation. I have not shown nor used the two-stage calculation to form a judgment because in the circumstance of PECO there is investor uncertainty regarding the earnings capacity of a large part of its book common equity. A two-stage calculation, which assumes investors reflect in the price of stock an eventual rate of earnings on book common equity equal to the PUC authorized rate on rate base common equity may overstate the cost rate for common equity.

Using the single-stage methodology produces a DCF derived cost rate for PECO of 16.7%, before any impact of issuance and selling expenses. For the Barometer Group of Operating Electric Companies with bonds rated Baa, the single-stage DCF calculation indicates but a 15.0% cost rate before impact of issuance and selling expenses.

1. Dividend Yield

Q. WHAT DIVIDEND YIELD DO YOU USE IN DEVELOPING THE COST OF COMMON EQUITY?

A. I adopt a 15.0% yield for PECO and a 12.1% yield for the four company barometer group.

Q. HOW DID YOU DEVELOP THESE DIVIDEND YIELDS?

A. I believe the price of common stock is reflective of the next period dividend, a requirement of the DCF model when the dividend is paid discretely rather than continuously. However, there are no empirical studies which prove that investors always expect the next period dividend and reflect that estimate in the price of stock. Thus, it is possible that the price of stock is reflective of the current annualized dividend. Moreover, the current dividend yield, which is the product of a stock price of a particular day, is sometimes distorted because that price may be abnormally high or low and not representative of the future. Thus, the dividend yield used for DCF purposes should be the product of not just the current price of stock, but also an average price over a recent period of time, such as twelve months. This approach likely will be more representative of the future over time, since price abnormalities and trends will tend to be moderated by the use of both the current and a twelve month average price of stock to develop the dividend yield for DCF calculation purposes.

Given the various interpretations of the appropriate dividend yield, I have incorporated a number of methods of calculating yields in my DCF analysis. On page 1 of Schedule 14, I show the spot dividend yield, based upon the price of stock on September 19, 1985, and the dividend yield for the twelve months ended August 31, 1985, for PECO and for each company included in my study. I have also shown the next period dividend growth rate and a calculation of the dividend yield reflecting growth based upon September 19, 1985, and the average twelve months ended August 31, 1985 price of stock. In the last column, I have shown the arithmetic average of the September 19, 1985, and the twelve months ended August 31, 1985 dividend yields with and without regard to the next period dividend growth. The end result is, in effect, recognition of half the next period dividend growth in the dividend yield calculation.

For clarification, it should be stated that the next period dividend growth rate reflected in the calculations to which I have just referred is the average of Merrill Lynch and Value Line projected dividend growth rates and the historic growth rate, all as shown on Schedule 15, page 1.

2. Growth Rate

Returns in the equity market are provided by the receipt of dividends and through capital appreciation of the investment. As a measure of the capital appreciation potential of an equity investment, the expected growth in earnings per share and dividends per share provide one indication of the DCF growth component. Since DCF assumes no change in the price-earnings multiple, the value of a firm's equity will grow at the same rate as earnings. Within this context, some of the factors which contribute to expected earnings

growth are: (i) the earnings rate on existing equity; (ii) the portion of earnings not paid out in dividends; (iii) sales of additional common equity; (iv) reacquisition of common stock previously issued; (v) changes in financial leverage; (vi) acquisitions of new business opportunities; and (vii) profitable liquidation of assets.

To assess future growth prospects, investors may consider both historic experience and projected future growth rates in formulating expectations. An investor can compute historic growth rates using compound growth rates or growth rate trend lines using past period reported financial variables. Otherwise, an investor can rely upon published future growth rates as provided in widely circulated and influential publications. It is important to remember that the common equity cost rate is expectational, and, as such, ex ante data is important to consider when quantifying investor return requirements. It should be noted, however, that the realities of the equity markets regarding total return expectations also reflect factors, such as changing price-earnings multiples, other than the inputs usually considered in the context of a DCF growth rate. The pertinent point of consideration is to determine what influences investors' perception of future growth. The forecasts of investor advisory service are influencing, as found by Cregg and Malkiel, "Expectations and the Structure of Share Prices," University of Chicago Press, 1982, Chapter 2, and others.

One influential publication in this regard is the Value Line Investment Survey which contains projections of growth. A September 20, 1983 Wall Street Journal article indicated that Value Line subscriptions have increased to 133,700, with individual investors

representing the bulk of the subscribers. This certainly indicates that Value Line projections of growth for the future have an influence on investor expectations.

The Value Line Investment Survey provides comprehensive coverage of nearly 1,700 firms. Growth estimates by Value Line are stated within a common economic environment for the purpose of measuring relative growth potential. The basis for these projections is the Value Line 3 to 5 year hypothetical economy.

Forecasts of earnings and dividend growth are also available from securities brokerage firms. The largest of these securities brokers is Merrill Lynch, which has 9,900 account executives in 523 offices worldwide. The Merrill Lynch Investment Strategy Department publishes projected earnings and dividend growth rates for nearly 1,000 firms including close to over 100 utilities. Merrill Lynch has been reviewing and evaluating utility common stocks for many years. Merrill Lynch publishes projections for utilities in Quantitative Analysis - Common Stock Valuation. This publication is widely available to investors free of charge.

There are numerous other sources of projections of utility earnings and dividend growth. However, these are less readily available to the average investor. The majority of utility common stock is held by individual investors as set forth on page 2 of Schedule 15 (only about 16.0% of PECO common stock and about 21% as an average for the barometer group companies included in my study, is owned by institutional investors). Individual investors typically have small holdings and have limited resources available to acquire advisory services.

In addition to investor-influencing publications, equity investors may also rely upon the observations of past performance. Investors' expectation of future growth rates may be determined, in part, by the observation of historical growth rates. The historic dividend growth rate is usually more stable than an historic earnings growth rate given the practice of most utilities who are loath to reduce or eliminate dividends due to earnings adversity. This attitude is likely the product of the observation of market behavior when utility dividends have been reduced or eliminated, even when such reductions or eliminations have been temporary in nature. When a utility dividend reduction or elimination occurs, or even the threat of reduction or elimination is present, a significant stock price reduction occurs, which in turn results in a significantly higher cost to attract capital.

For all of the reasons cited above, I believe the growth rate reflected in the price of electric utility stock is the product of both historic and forecasted growth rates. Between the two, I believe forecasted data is more investor-influencing, if for no other reason than the average investor is aware that the future likely will be different from the past. However, as previously stated, there is no empirical evidence that investors give exclusive weight to projected or historic data or unequal weight to each. However, my testing of both Value Line and Merrill Lynch forecasts of earnings and dividend growth and of historic earnings and dividend growth reveal that the forecasts over the course of the past four years better indicate the percent change in value of stock which is, of course, the "g" part of the DCF model (see Schedule 15, page 3). I therefore believe rational investors would not give as

much weight to historic data in these circumstances. Accordingly, I have used both projections and historic data to form a judgment as to the growth rate reflected in the price of stock, but have given greater weight to forecasted data. As explained below, this greater reliance on forecasted data lowered the growth rate I employed for PECO.

Q. WHAT GROWTH RATE DO YOU BELIEVE INVESTORS EXPECT WITH RESPECT TO THE VALUE OF THE COMMON STOCK FOR PECO AND THE ELECTRIC COMPANIES INCLUDED IN YOUR STUDY?

A. I employed a growth rate of 1.7% for PECO and 2.9% as the average for the barometer group. The details of the precise growth rates I employed are shown on page 1 of Schedule 15. I employed the average of forecasted earnings and dividends growth derived from Merrill Lynch and Value Line publications. The projections are for a five year period. I also employed historic dividend growth based upon the past five years. It should be noted that if I had employed both historic earnings and dividend growth rates reaching back five years, rather than just historic dividend growth, the growth rate would be higher than the growth rate I did employ with respect to PECO (2.2% instead of 1.7%) and for the group of companies (3.3% instead of 2.9%). Similarly, had I given equal weight to historic and projected data, my growth rate for PECO would have been higher (2.9% instead of 1.7%).

Q. WHAT PERIOD OF TIME IS APPROPRIATE TO EMPLOY IN REGARD TO GROWTH RATES?

A. The historical growth rate period I employed is the most recent five year period. The Securities and Exchange Commission (SEC) requires five years historic data be shown in prospectus when public sale of

securities take place. The role of the SEC is to make certain investors are provided adequate, accurate and complete information pertaining to the sale of securities to the public. In addition, extending my analysis to more than five years into the past for guidance pertaining to 1985 and beyond would ignore fundamental changes in the economy, the electric industry, and PECO. In my judgment, if investors look back in time for guidance with respect to the future, the period given most weight would be no more than the past five years.

With respect to projections of growth, I believe the price of stock is the product of an average investment horizon of no more than five years. The basis of my opinion is the fact that common stock turnover rates for PECO and the barometer group included in my study, as well as electric companies in general, have been trending downward for several years to the point where the turnover rate is now indicated to be less than three years. The average investment horizon, as indicated by share turnover rates for the five years ended 1984 for PECO and the barometer group, is about four years, but for the year 1984 it is less than three years compared to more than five years in 1980.

The turnover rate to which I refer is a calculation of the number of shares traded each year for each company divided into the number of shares outstanding to indicate how many years of trading it takes for the stock to turn over once. This calculation gives insight with respect to what is the average investment horizon or time frame stock is typically held by the average investor. Information pertaining to turnover rates is shown on page 2 of Schedule 15.

Q. WHY HAVE YOU NOT EMPLOYED AS AN INDICATOR OF GROWTH RATE BOOK VALUE GROWTH RATES OR THE RETENTION RATIO TIMES THE ACHIEVED OR HISTORIC EARNINGS/BOOK RATIO?

A. The retention ratio times the achieved or historic earnings/book ratio or so-called "b x r" growth rate is a method which proceeds implicitly from the premise that the growth rate reflected in the price of stock is infinite. When the DCF methodology was first invented many years ago, it may have been appropriate to assume that investors purchased stock with an infinite time horizon. However, as I just indicated, the reality of the real world at this time is an investor's time horizon less than five years. Accordingly, if the investment horizon is less than five years, I believe it inappropriate to proceed from a premise for which there is absolutely no support, namely an infinite investor horizon as indicated by "b x r" approach. Moreover, with respect to historic growth rate in book value or the historic "b x r," such data may misstate the growth reflected in the price of stock by investors today and prospectively. For instance, investors are aware that the historically achieved earnings/book ratio was inadequate to maintain the integrity of the book value of common stock as evidenced by the fact that the average market price of stock for PECO and the Barometer Group of Electric Companies and most utilities was less than book value. While there can be aberrations in a particular year, and the market price of stock may be either above or below book value, there has been an historically sustained market price of stock less than book value.

Accordingly, to use book value growth derived from a past period of time during which earnings were obviously insufficient to

maintain the integrity of presently invested capital, even measured at book cost, mandates the future will be a mirror image of the past, namely an inadequate rate of earnings insufficient to comport with the mandates of both Hope and Bluefield. Moreover, in the circumstance of PECO and many other electric companies, there has been a relatively recent significant upward movement in the achieved earnings book ratio which is expected to either sustain or increase in the future, given the fact that for some companies, such as PECO, while there has been an upward movement in the achieved earnings book ratio, the current earnings book ratios are less than intended by regulatory authorities. Thus, use of the past average earnings book ratio in a "b x r" calculation, as representative of the future, may understate the growth rate reflected in the price of stock currently; of course, the reverse could also be true. I do not believe it appropriate to use historic book value growth as a basis for forming a judgment about the future, except at best as a check, and then only regarding the past five years.

Q. IF YOU EMPLOYED A "b x r" CALCULATION AS THE METHOD TO ARRIVE AT THE GROWTH RATE REFLECTED IN THE PRESENT PRICE OF STOCK FOR PECO AND FOR EACH OF THE BAROMETER GROUP COMPANIES, HOW WOULD THAT GROWTH RATE COMPARE WITH THE GROWTH RATES YOU HAVE EMPLOYED IN YOUR DCF CALCULATION?

A. As can be derived from the information shown on Schedules 7 and 11, for the five years ended 1984 for PECO, the "b x r" derived growth rate would be 1.8% (five year average earnings/book ratio of 12.9% times the five year average retention ratio of 13.9%, which retention ratio is the complement of the five year average 86.1% dividend payout ratio). The 1.8% "b x r" derived growth rate is almost iden-

tical to the growth rate I have employed in my DCF calculation, which growth rate was the product of forecasts of earnings and dividend growth rates, as well as historic dividend growth rates, as I previously explained. If the spot data for 1985 was employed in the calculation, the PECO "b x r" growth rate would be 2.7%, or significantly higher than the 1.7% I employed in my DCF calculation (15.1% earnings/book ratio times 17.9% retention ratio).

With respect to the average "b x r" for the barometer group of four electric companies for the five years ended 1984, the growth rate would be 2.0%; and if the spot 1985 "b x r" calculation was employed, the growth rate would be 3.4%. The 2.0% and the 3.4% compare with the 2.9% I did employ based upon both forecasts and historic data, as previously explained.

B. Risk Spread Analysis

Q. PLEASE DESCRIBE YOUR RISK SPREAD ANALYSIS.

A. I believe the common equity cost rate for utilities is comprised of three elements. I call one element the bare rent for the use of utility capital, or a rate that ignores inflation and the risk of financial leverage. In other words, bare rent is the cost of capital without the business risk associated with exposing capital to an operating utility company endeavor and without regard to inflation and financial leverage. I am quite aware that one cannot precisely quantify a "bare rent rate," just as it is impossible to precisely quantify a "risk-free rate."

The second element is the protection required by investors for exposing their capital to the risk of inflation over the long term. The combination of the bare rent rate and the investor-expected rate of inflation, viewed over the longer term and currently reflected in

the cost of money, can be used to indicate the likely cost rate to attract utility long-term debt in the near-term future. Using the risk spread approach, it is not necessary to discover the investor-required rate of inflation protection. The required inflation protection is reflected in the cost of utility long-term debt.

The third element comprising a common equity cost rate is the increment above the combined bare rent and expected inflation rate. This is the increment investors require as a compensation for the risk of holding an equity security which has only a residual claim on earnings and assets.

The common equity risk component ("spread") above the long-term debt cost varies (as I will subsequently discuss in my testimony) depending upon the interest rate level.

Q. IS A PRECISE CALCULATION OF THE BARE RENT RATE OR THE INFLATION RATE CRUCIAL TO YOUR ANALYSIS?

A. No. Even though the various components may fluctuate, the yield on long-term public utility bonds captures all elements of cost related to inflation protection, bare rent rate or other elements required by investors. What is important is the prospective cost rate for long-term public utility debt which includes all component cost elements. I believe that 12.0% is a reasonable estimate of the prospective cost rate for typical new A rated public utility long-term debt and 12.5% for typical new Baa rated public utility bonds, as shown on Schedule 6. For clarification, it should be stated I believe PECO is not a typical company in terms of a Baa rating for its bonds. PECO's risk is higher and, it is quite possible its cost rate to attract new long-term debt could be higher than 12.5%. In short, while PECO's bonds are rated Baa, the market treats PECO as

having a greater risk as evidenced by the fact that when PECO last sold new long-term debt in December of 1984, the interest rate was 14.0% at a time when other electrics whose bonds were rated Baa sold long-term debt at a cost rate of about 13.5%.

Q. HAVE YOU ATTEMPTED TO QUANTIFY THE RISK SPREAD BETWEEN DEBT AND EQUITY FOR UTILITY COMPANIES OVER THE COURSE OF THE PAST FEW YEARS?

A. Yes, I have. The results of my studies indicate that when interest rates rise dramatically, the risk spread between debt and equity tends to narrow, but equity cost rates are still higher than debt cost rates. The narrowing of the risk spread occurs in part because the use of a DCF computation to develop the risk spread lags reality, particularly when only historical data are employed. The cost rate for debt reflects the instantaneous impact of any market change. If interest rates fall dramatically, the risk spread widens, assuming the DCF approach employed to develop the risk spread between debt and equity is consistent.

Q. WOULD YOU BRIEFLY DESCRIBE THE STUDIES YOU HAVE PERFORMED?

A. Yes. Page 1 of Schedule 16 provides the results of these studies. My study included 82 electric companies, the barometer group electric companies, and PECO.

The period of time studied was the years 1981 through 1984, inclusive. These periods of time were chosen because publication of Merrill Lynch's "Quantitative Analysis" did not begin until 1981. Since my study develops a risk spread between debt and equity by the technique of developing a cost rate for common equity capital using a DCF computation and since, for reasons previously explained, projections by more than one publication should be employed, 1981 is the first year that can be studied. The results of the study are

shown for two distinct periods, 1981-82 and 1983-84. Interest rates peaked in 1981-82 and moderated considerably in 1983-84. Thus, the risk spread for these two distinct periods reveals quite different risk spreads.

Q. IN THE PROCESS OF DEVELOPING A RISK SPREAD, OR THE DIFFERENCE BETWEEN THE MARKET RELATED COST OF LONG-TERM DEBT AND COMMON EQUITY, DID YOUR CALCULATIONS IN EACH OF THE YEARS AND PERIODS OF TIME YOU STUDIED PROCEED FROM THE CALCULATION OF THE YEARLY COST RATE FOR BOTH DEBT AND COMMON EQUITY?

A. No. I developed common equity cost rates monthly (using a DCF method which included projection of growth in earnings and dividends by both Value Line and Merrill Lynch and historical dividend growth rates) and compared those monthly common equity cost rates with the monthly yield on a long-term debt for each company as published in Standard & Poor's Bond Guide.

I believe it is important to develop a risk spread based on a company-specific long-term debt and a company-specific cost of equity.

I also believe it is important to develop risk spreads for many companies over many months to avoid the possibility of a distortion caused by an abnormality in a particular month or for a particular company.

Q. WHAT RISK SPREAD HAVE YOU ADOPTED FOR THE COMPANY AND THE BAROMETER GROUP OF SIMILAR RISK ELECTRIC COMPANIES?

A. By referring to page 1 of Schedule 16, it is shown that at the average interest rate level of 13.7% for PECO for the years 1983-84, the risk spread was 3.7 percentage points. At an interest rate level of 13.6% for the four electric company barometer group whose

bonds are rated Baa, the risk spread was 2.7%. For the large 82 company group, whose bond rating likely averages A, the risk spread was 3.2% when interest rates averaged 13.1% for 1983-84.

As I previously stated and explained, I believe the prospective long-term interest rate for PECO is 12.5%. These data, together with all of the risk spreads shown on page 1, Schedule 16, suggest the proper risk spread between long-term debt and common equity for PECO is 4.5% (or 0.8% higher than the 3.7% when interest rates were 1.2% higher). I have adopted a 4.0% risk spread for the barometer group for similar reasons, as explained in Note 6 on Schedule 2, page 2, of my Exhibit. It should be noted that analyses of data derived from widely publicized studies performed by Ibbotson and Sinquefield over long periods of time tend to confirm the results of my risk spread analysis specific to electric companies.

Q. WHAT IS THE COST OF COMMON EQUITY FOR PECO AND THE BAROMETER ELECTRIC COMPANY GROUP USING THE RISK SPREAD APPROACH?

A. When the prospective long-term interest rate for Baa bonds is 12.5%, a reasonable judgment with respect to the risk spread is 4.5% for PECO; and thus, the indicated cost of common equity is 17.0%. A similar calculation for the barometer group, but with a 4.0% risk spread, indicates a 16.5% common equity cost rate. Both the 17.0% PECO and the 16.5% barometer group risk spread derived common equity cost rate is before recognition of the impact on cost rate occasioned by issuance and selling expenses.

VIII. Common Equity Return Conclusion

Q. WHAT IS THE AVERAGE OF YOUR DCF AND RISK SPREAD COMPUTATIONS FOR PECO AND FOR THE BAROMETER ELECTRIC COMPANY GROUP INCLUDED IN YOUR STUDY BEFORE ANY RECOGNITION OF ISSUANCE AND SELLING EXPENSES?

A. As summarized on page 1 of Schedule 2, for PECO the average of the 16.7% DCF and the 17.0% risk spread analysis indicates a common equity cost rate of 16.9% for PECO.

An identical calculation with respect to the barometer electric company group with bonds rated Baa indicates a cost rate of 15.8%.

Q. IS THERE ANY EVIDENCE THAT YOUR OPINION THAT THE COST RATE FOR COMMON EQUITY CAPITAL FOR PECO IS HIGHER THAN THE COST RATE FOR COMMON EQUITY CAPITAL FOR THE BAROMETER GROUP OF OPERATING ELECTRIC COMPANIES WHOSE BONDS ARE RATED Baa INCLUDED IN YOUR STUDY IS UNIQUE?

A. No. The return on common equity found fair by the Pennsylvania Public Utility Commission is approximately 16.7% for PECO (weighted average for gas and electric service) or 16.75% for just electric service. The average return on common equity most recently authorized for each of the companies comprising the barometer group whose bonds are rated Baa is approximately 15.6%, or 1.1% lower than PECO. Current computations indicate the cost rate for PECO common equity is also 1.1% higher than the barometer group. At the outset of my testimony I enumerated reasons investors require a higher return for PECO compared to other electric companies, including new risks or uncertainties for PECO not present when the current authorized rates of return were established.

Q. WHAT COST RATE FOR COMMON EQUITY DO YOU BELIEVE IS APPROPRIATE FOR PECO TO GIVE RECOGNITION TO THE IMPACT OCCASIONED BY SELLING AND ISSUANCE EXPENSES, AS WELL AS THE NEED TO PROVIDE AN OPPORTUNITY FOR THE STOCK TO SELL SLIGHTLY ABOVE BOOK VALUE?

A. In my judgment, the proper opportunity cost rate is 17.4%. An achieved rate in that range would result in a market price at slightly above book value. I previously explained why I believe it

is appropriate to give recognition to issuance and selling expenses in the determination of the proper cost rate for common equity capital for PECO. The minimum recognition is 3%. Thus, if a 16.9% rate of return on common equity would result in a market price of stock on a sustained basis equal to book value, 103% of 16.9% indicates the need for a 17.4% rate so that when new common stock is sold, the net proceeds will at least equal book value.

Q. HAVE YOU PREPARED A SCHEDULE TO INDICATE THE LEVEL OF COVERAGE AT PRESENT RATES ON A GOING LEVEL OR PRO FORMA BASIS AND AT PROPOSED RATES IN REGARD TO THE IMPLICIT LEVEL OF BEFORE-INCOME TAX INTEREST COVERAGE AND THE RATE OF EARNINGS RELATED TO THE COMMON EQUITY PART OF THE COMPANY'S RATE BASE CLAIM IN THIS PROCEEDING?

A. Yes. That information is shown on page 1 of Schedule 17. Please note that at present rates on a pro forma basis, the before-income tax interest coverage is but 1.3 times relative to the debt portion of the Company's rate base and the indicated rate of earnings on the common equity part of the Company's rate base is negative. These calculations proceed from the premise that the rate base would be financed with the same mix of capital and at the composite cost rate for debt and preferred stock for June 30, 1986.

Please also observe that at proposed rates before-income tax interest coverage would be 3.6 times and the indicated rate of earnings on the common equity part of the company's rate base claim would be but 15.75%.

Q. DOES THE COMPANY'S FILING IN THIS PROCEEDING REFLECT A RATE OF EARNINGS EQUAL TO THAT WHICH YOU RECOMMEND AS APPROPRIATE AND FAIR?

A. Obviously not in light of my previous statement. The Company decided to minimize the impact of rate shock by the technique of

phasing in its proposed new electric service rates and by seeking an overall rate of return less than appropriate. In my judgment, a 15.75% opportunity rate with respect to the common equity part of the rate base is obviously less than what the marketplace believes is appropriate for PECO.

Further, it should also be noted that the 15.75% opportunity rate is a rate which reflects the impact of a rate of earnings on job development investment tax credit (JDITC) financed property. If there was no return allowed on JDITC property, the filing would indicate an opportunity to earn even less than the 15.75% rate developed on page 1 on Schedule 17.

In the past this Commission has improperly treated JDITC for rate making purposes by implicitly assuming there is, in fact, an interest component which reduces income taxes when, in fact, no interest expense exists with respect to JDITC financed property. An opportunity to experience a rate of return equal to the overall rate of return found fair by the regulatory agency treated as if it was entirely equity capital has been the indicated IRS standard with regard to JDITC financed property. If the standard is not changed, both stockholders and consumers of PECO face an uncertain risk as a result of the actions of this Commission. If that risk becomes a reality, customers of PECO could be required to pay a higher cost of capital as reflected in the price of service, given the market's response to the actions of this Commission and the implementation of the Internal Revenue Service with regard to the law.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes, it does.

Appendix A to

Direct Testimony

of

Joseph F. Brennan, President
Associated Utility Services, Inc.

Concerning

Fair Rate of Return

Education, Business and Regulatory Experience of Joseph F. Brennan

Education

I am a graduate of Temple University of Philadelphia, where I received a Bachelor of Science Degree from the School of Business Administration in 1960. The principal subjects leading to this degree included finance, economics, accounting, and related courses.

Non-Utility Employment

In 1950, I was employed by the Gulf Oil Corporation's Philadelphia Office and was assigned to its Financial Accounting Department, where I remained until late 1952. From late 1952 until late 1954, I served in the U. S. Army. Upon completion of my military service, I returned to the Financial Accounting Department of Gulf Oil Corporation and remained in its employ until 1956.

Utility Employment

In 1956, I was employed by the service company subsidiary of a water utility holding company, which owned approximately 90 operating utility companies throughout the United States. The name of the company was American Water Works Service Company. Initially, I was assigned to its Treasury Department. In early 1961, I was elected Assistant Treasurer. In the middle of 1966, I was elected Treasurer of many of the holding company's operating subsidiaries. During my employment, I also was Assistant Division Manager of Pittsburgh Division, headquartered in Mt. Lebanon, Pennsylvania.

During my employment with affiliates of the holding company, I had responsibility for forecasting the cash requirements and income expectations of many of its operating subsidiaries. I also negotiated lines of credit with banks for operating subsidiaries.

I was responsible for continuous studies of the ability of the operating subsidiaries to permanently finance their temporary borrowings or to refinance or refund outstanding permanent-type securities. I designed and recommended permanent financing programs for these companies. On their behalf, I negotiated sales of securities with institutional investors, such as insurance companies and pension funds, either personally or through investment bankers. I also prepared or assisted in the preparation of fair rate of return testimony and other financial data presented in regulatory commission proceedings. During my tenure as Treasurer of some of the operating companies, I was responsible for accounting exhibits and accompanying tariffs filed in the rate proceedings in several states in which the subsidiaries did business. My responsibilities also included the filing of annual reports with commissions.

Consulting Work - Nature of Work

In late 1967, I established my own business as a utility financial consultant. Since that time, I have been engaged on a financial consulting basis by many utility companies and by governmental agencies. My engagements have included studies concerning primarily the subject of fair rate of return. I have also testified on the subject of an appropriate level of profit for a manufacturing company affiliate of a public utility company, the proper rate of return for use in power supply agreements, and I have testified as to the proper toll revenue settlement ratio between telephone companies on the "cost" method of the division of toll revenue and pole rental charges between regulated companies. I have designed financing programs for public utility companies (water, gas, telephone, and cable television), and I have arranged the private placement of long- and short-term debt as well as preferred

stock with institutional investors such as insurance companies and banks. In addition, I have rendered an opinion as to the valuation of utility property in testimony offered to a court-appointed panel on behalf of the United States Department of Justice in connection with the acquisition by Washington Metro of D. C. Transit, using the capitalization of income approach. I have also rendered opinions of the valuation of utility property using the capitalization of income approach in property tax matters in New Jersey and Connecticut, in municipal acquisition matters in New Jersey, and in testimony offered before a court in the Province of Quebec, Canada, in connection with the value of telephone utility property subject to in effect condemnation by the regulatory authorities in Quebec, Canada. I have offered testimony before the Securities and Exchange Commission involving divestiture under the Public Utility Holding Company Act of 1935. My studies and testimonies have been presented in proceedings involving electric, gas distribution, telephone, cable television, bus transportation, microwave, steam heating, maritime shipping, and independent operating water and sewer companies.

Expert Testimony Offered Before Regulatory Bodies

I have offered testimony primarily with respect to the subject of fair rate of return or utility financial matters before state regulatory bodies in Alabama, Arkansas, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Vermont, Virginia, Washington, and West Virginia. I have offered testimony before the Public Service Commission of the District of Columbia; Metropolitan Dade County (Miami), Florida; the Public Service Com-

mission of the Commonwealth of Puerto Rico; the Virgin Islands; the Federal Communications Commission; the Federal Energy Regulatory Commission and its predecessor, the Federal Power Commission; the Federal Maritime Commission; the Interstate Commerce Commission; the Securities and Exchange Commission; and the Canadian Radio and Television Commission. I have also offered testimony in Arkansas, California, Colorado, Connecticut, Florida, Oklahoma, Pennsylvania, Texas, and West Virginia, before city and town agencies involved in setting cable television rates and charges.

Employment by Regulatory Agencies or Municipalities

As a consultant employed by the Delaware Public Service Commission, I have testified in several Delmarva Power & Light Company rate cases, two Diamond State Telephone Company cases, and several other cases. Diamond State was a wholly-owned subsidiary of American Telephone & Telegraph Company. I have also testified on behalf of the Arizona Corporation Commission in connection with rate cases filed by Mountain States Telephone & Telegraph Company, another Bell System unit. I have testified on behalf of the Commonwealth of Puerto Rico as a rate of return witness before the Federal Maritime Commission involving North Atlantic shipping rates, and I have testified before that Commission on behalf of the Virgin Islands in a similar matter. In addition, I offered testimony before the Securities and Exchange Commission involving the divestiture of the gas properties of Delmarva Power & Light Company under the Public Utility Holding Company Act of 1935, on behalf of the Delaware Public Service Commission. My testimony was also submitted before the FPC on behalf of the Delaware Public Service Commission involving the rate of return to employ in a power supply agreement involving a multi-state electric operation and in a case involving wholesale

power rates.

I have also been employed by the Cities of Rochester, New York, and Baltimore, Maryland, involving bus transportation. I have also been employed by Washington Metro and the United States Department of Justice concerning the valuation of D.C. Transit. I was part of a team of persons to make a study of the cost of service and a load management plan for the Environmental Planning Agency of the State of Hawaii involving Hawaiian Electric Company.

I offered testimony in regard to class rate of return differential to be reflected in the cost of service by customer class. I have also co-authored a study on this subject on behalf of the Delaware Public Service Commission which was funded by the Department of Energy. I have testified on this subject on behalf of investor-owned electric companies in Arkansas and Texas, and on behalf of the City of New Orleans. I have also offered testimony before the Regulatory Control Authority of Connecticut regarding new factors for cost of service studies and tariff design, and I have offered testimony before this body as to a methodology to employ in connection with the regulation of cable television and the overall rate of return requirement.

I have also testified before court-appointed appraisers in dissenting stockholder suits involving the valuation of common stock for a closely held utility.

Partial List of Clients Served

ELECTRIC

Appalachian Power Company
Arkansas Power and Light Company
Atlantic City Electric Company
Carolina Power & Light Company
Delmarva Power & Light Company
Duquesne Light Company
Fitchburg Gas & Electric Light Co.
Indiana & Michigan Electric Company
Iowa-Illinois Gas & Electric Company
Kentucky Power Company
Lockhart Power Company
Metropolitan Edison Company
Michigan Power Company
Monongahela Power Company
Nantahala Power & Light Company
Ohio Edison Company
Ohio Power Company
Ohio Valley Electric Company
Pennsylvania Electric Company
Pennsylvania Power & Light Company
Pennsylvania Power Company
Philadelphia Electric Company
The Potomac Edison Company
Potomac Electric Power Company
Tampa Electric Company
The Washington Water Power Company
West Penn Power Company
Western Massachusetts Electric Company

GAS

American Natural Gas Company
Bay State Gas Company
Columbia Gas of Maryland
Columbia Gas of Pennsylvania
Columbia Gas of West Virginia
Consolidated Gas Supply Corporation
Delmarva Power & Light Company
East Ohio Gas Company
Elizabethtown Gas Company
Equitable Gas Company
Honolulu Gas Company
Hope Gas, Inc.
Indiana Gas Company
Lone Star Gas Company
Michigan Power Company (Gas Div.)
North Penn Gas Company
Northern Utilities, Inc.
Oklahoma Natural Gas Company
Panhandle Eastern Pipeline Company
Pennsylvania Gas & Water Company
Peoples Natural Gas Company
Philadelphia Electric Company (Gas Div.)
T.W. Phillips Gas & Oil Company
Providence Gas Company
Public Service Co. of N. Carolina, Inc.
The Southern Connecticut Gas Company
Texas Eastern Transmission Corporation
Transwestern Pipeline Corporation
UGI Corporation
Virginia Electric & Power Co. (Gas Div.)
West Ohio Gas Company

WATER & SEWER

American Water Works Company
(over 30 subsidiaries)
Artesian Water Company
Atlantic City Sewerage Company
Barnstable Water Company
Bridgeport Hydraulic Company
Edgartown Water Company
Elizabethtown Water Company
Florida Water & Utilities Company
Hackensack Water Company
Kaanapali Water & Sewer Co.
Long Island Water Corporation
Middlesex Water Company
New Haven Water Company
Newtown Artesian Water Company
Pennichuck Water Works
Pennsylvania Gas & Water Company
Philadelphia Suburban Water Company
Roaring Creek Water Company
St. Louis County Water Company
Seymour Water Company
Spring Valley Water Company
Utilities and Industries Corporation
York Water Company

TELEPHONE

Bell Telephone Company of Pennsylvania
Chesapeake & Potomac Telephone Co.
Commonwealth Telephone Company
Illinois Consolidated Telephone Co.
Norfolk & Carolina Telephone Company
Puerto Rico Telephone Company
Rochester Telephone Corporation
Virgin Islands Telephone Company
And over 50 operating subsidiaries of:
ALLTEL Corporation
Central Telephone Company
Continental Telephone Corporation
GTE Corporation
United Telecom, Inc.

CATV

American Television
Communication Corporation
Bakersfield Cable Television
Cable Owners Association - California,
Connecticut, New England,
Pennsylvania, Rocky Mountain,
Vermont
Cablecom-General, Inc.
Canadian Cable Television
COMCAST Cable Communications, Inc.
Kern County Cable Television
LVO Cable, Inc.
National Cable Television Association
National Cable Television Owners
Association
San Juan Cablevision
Warner Cable Corporation

REGULATORY AND GOVERNMENTAL

City of Anchorage, Alaska
Arizona Corporation Commission
Baltimore County, Maryland
Bucks County, Pennsylvania
Collier County, Florida
Commonwealth of Puerto Rico
Delaware Public Service Commission
re: all regulated utilities
State of Hawaii Department of
Planning and Economic Development
Internal Revenue Service Commission
Medford Township, NJ
City of New Orleans, Louisisana
Cities of Rochester, New York and
Baltimore, Maryland--Transit
U.S. Department of Justice--
Washington Metro (D.C. Transit)
The U.S. Virgin Islands

Memberships, Publications and Appearances

Memberships have included the American Gas Association, the United States Telephone Association, the National Association of Water Companies, the National Cable Television Association, The National Society of Rate of Return Analysts and the New England Gas Association.

I have been a member of the National Water Company Conference's Committee on Accounts and Corporate Finance, and I have been a guest editorialist for the Conference's Quarterly Review on several occasions. On three other occasions, most recently in October 1980, I appeared before the Conference's Annual Convention. In 1967, I prepared an article which appeared in the March-April issue of The Financial Analysts Journal. I also co-authored an article which appeared in the April 1973 issue of Public Utilities Fortnightly, and authored articles which appeared in the April 10, 1980 and February 18, 1982 issues of that publication.

In May 1970, 1979, and 1984, I appeared before the Iowa State University Conference on Public Utility Valuation and the Rate Making Process at Ames, Iowa. I also addressed the Mid-America Regulatory Conference at Iowa State University at Des Moines in 1983. In addition, I appeared before two different Annual Conventions of the National Cable Television Association to discuss rate regulation of cable television. I have also appeared in a similar capacity before regional cable television conventions in Dallas, Texas; Augusta, Maine; New York, New York; Philadelphia, Pennsylvania; Lancaster, Pennsylvania; and San Diego, California. In 1973 and 1974, I was invited to appear at NARUC-sponsored seminars at the University of South Florida in St. Petersburg. My assigned subject was "Fair Rate of Return". During 1975, I appeared before the New Jersey Utilities Association and addressed the Annual

Meeting of the New York Independent Telephone Association at Cornell University. I addressed an American Bar Association Seminar in Washington in 1977 and in 1982 in San Francisco, California, on the subject of cost of money. I presented a paper to the NARUC Annual Convention in New Orleans on the subject of utility rate making. I also presented a paper in 1978 at The Greenbrier before the Great Lakes Section of NARUC. In May 1979, I presented a paper in Columbus, Ohio, before the 2nd Annual Convention of the National Association of Regulatory Attorneys. I also made a presentation before a seminar conducted by the New Mexico State University in October 1979 and in May 1982. In April 1983, I delivered a speech concerning "Organizations in Transition: Telecommunications" at a forum sponsored by Arizona State University's College of Business Administration Alumni Association. I have presented prepared remarks before the American Gas Association's Finance Committee at Seminars in 1982 and 1984. I made a presentation at a seminar regarding cost of capital co-sponsored by Temple University in Atlantic City, NJ, in 1983. I also presented remarks at the Edison Electric Institute's 1984 Financial Forum in Phoenix, Arizona.

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PHILADELPHIA ELECTRIC COMPANY
(Electric Operations)

Exhibit to Accompany
the Direct Testimony

of

Joseph F. Brennan, President
Associated Utility Services, Inc.

Philadelphia Electric Company

Index to the Financial Supporting Schedules
of Joseph F. Brennan

Philadelphia Electric Company
Cost of Capital and Fair Rate of Return
Estimated At June 30, 1986

Type of Capital	Ratios	Cost Rate	Weighted Cost Rate
Long-Term Debt	50.7%	10.84%	5.50%
Preferred Stock	10.8	10.54	1.14
Common Equity	38.5	16.9-17.4	6.51-6.70
Overall Cost of Capital	100.0%		13.15%-13.34%

Indicated level of coverage related to the debt part of the rate base to be achieved if the Company actually experienced (after attrition) a 13.15% overall fair rate of return relative to an original cost rate base.

Before-income tax interest coverage (1)	3.8x
After-income tax interest coverage (13.15% ÷ 5.50%)	2.4x
Overall coverage of interest and preferred stock dividends (13.15% ÷ 6.64% (5.50% + 1.14%))	2.0x

Notes:

(1) Based upon the assumption that the Company actually achieved an overall rate of return relative to an original cost rate base of 13.15% and the Company experienced an assumed 49.6% effective income tax rate prospectively, the before-income tax overall rate of return would be 20.68% (13.15% - 5.50% = 7.65% ÷ 50.4% (100.0% - 49.6% = 50.4%) = 15.18% + 5.50%). Thus, the indicated before-income tax coverage of rate base related interest expense, based on these assumptions, would be 3.8x (20.68% ÷ 5.50%).

Philadelphia Electric Company
Cost of Capital and Fair Rate of Return
Actual at June 30, 1985

Type of Capital	Ratios	Cost Rate	Weighted Cost Rate
Long-Term Debt	51.5%	10.74%	5.53%
Preferred Stock	11.0	10.42	1.15
Common Equity	37.5	16.9-17.4	6.34-6.53%
Overall Cost of Capital	100.0%		13.02%-13.21%

Indicated level of coverage related to the debt part of the rate base to be achieved if the Company actually experienced (after attrition) a 13.02% overall fair rate of return relative to an original cost rate base.

Before-income tax interest coverage (1)	3.7x
After-income tax interest coverage (13.02% ÷ 5.53%)	2.4x
Overall coverage of interest and preferred stock dividends (13.02% ÷ 6.68% (5.53% + 1.15%))	1.9x

Notes:

(1) Based upon the assumption that the Company actually achieved an overall rate of return relative to an original cost rate base of 13.02% after attrition and the Company experienced an assumed 49.6% effective income tax rate prospectively, the before-income tax overall rate of return would be 20.39% (13.02% - 5.53% = 7.49% ÷ 50.4% (100.0% - 49.6% = 50.4%) = 14.86% + 5.53%). Thus, the indicated before-income tax coverage of rate base related interest expense, based upon these assumptions, would be 3.7 times (20.39% ÷ 5.53%).

Philadelphia Electric Company
Summary of Basis for Cost Rate for Common Equity

		Philadelphia Electric Company	Barometer Group of Four Electric Companies With Bonds Rated Baa
I.	Traditional Discounted Cash Flow Employing Historic and Forecasted Growth Rates		
	(A) Dividend Yield (2)	15.0%	12.1%
	(B) Growth in Value (3)	1.7	2.9
	(C) DCF Cost Rate (sum of average yield and growth)	16.7%	15.0%
II.	Risk Spread Analysis		
	(A) Forecasted Bond Yield (4)	12.5%	12.5%
	(B) Risk Spread	4.5 (5)	4.0 (6)
	(C) Risk Spread Cost Rate	17.0%	16.5%
III.	Average of DCF (I) and Risk Spread Cost Rate (II) before recognition of any market pressure, selling and issuance expenses	16.9%	15.8%
IV.	Recommendation After Recognition of Issuance and Selling Expenses (16.9% x 1.03%) and (15.8% x 1.03%)	17.4%	16.3%

See page 2 for Notes

Philadelphia Electric Company
Summary of Cost of Capital and Fair Rate of Return

Notes:

(1) The dividend yield and growth rate for the barometer group is the arithmetic average of the achieved results for each individual company.

(2) The dividend yields, which includes an adjustment for one-half the next period dividend growth, are developed on Schedule 14, page 1.

(3) For the development and support of growth rates used in calculating growth in value, see Schedule 15, page 1.

(4) Forecasted A rated long-term debt yield for 1985 is 12.0% (see Schedule 6, page 3). The spread between A rated and Baa rated long-tem debt is more than 0.5% which can be derived from the information shown on page 1, Schedule 6 for the five years ended 1984. Thus, a forecasted Baa rated long-term debt yield for 1985 of 12.5% for both Philadelphia Electric Company and the Barometer Group of Baa Rated Electric Companies is indicated when A rated long-term debt is expected to yield 12.0%.

(5) On average, for the years 1983-1984, Philadelphia Electric Company's long-term debt cost rate was 13.7% with a corresponding risk spread of 3.7% (see Schedule 16, page 1). Generally, as interest rates fall, risk spreads widen. For this reason, I believe 4.5% is an appropriate risk spread at the 12.5% interest rate level (interest rates down 1.2% and risk spread up 0.8% as a minimum).

(6) On average for the years 1983-1984, the long-term debt cost rate for the Barometer Group of Four Electric Companies with bonds rated Baa was 13.6% with a corresponding risk spread of 2.7% (see Schedule 16, page 1). Generally, as interest rates fall, risk spreads widen. If the prospective interest rate level is 12.5%, or 1.1% lower than the 13.6%, the risk spread would be not less than 3.5%, which is 0.8% higher than the 2.7% risk spread. For the larger eighty-two group of electric companies, whose average bond rating is probably A, at the 13.1% average interest rate level for the years 1983-1984, the risk spread was 3.2%. Thus, if for companies whose bonds are A rated, the prospective long-term interest rate is 12% (Note 4, above) the spread would be at least 4.0% (interest rate down 1.1%, risk spread up 0.8%). Based on all of the foregoing, I believe a risk spread for the four barometer group companies should be 4.0%, particularly in light of the PECO risk spread of 4.5%.

Philadelphia Electric Company (Company Alone)
Capitalization and Capital Structure Ratios Based Upon Investor-Provided Capital
Actual at June 30, 1985 and Estimated at June 30, 1986

	June 30, 1985 (Actual)			June 30, 1986 (Estimated)		
		Ratios			Ratios	
	Amount Outstanding ($000's)	Excl. S-T Debt	Incl. S-T Debt	Amount Outstanding ($000's)	Excl. S-T Debt	Incl. S-T Debt
Long-Term Debt: (1)						
First Mortgage Bonds	$2,538,190			$2,738,190 (3)		
Debentures	320,800			320,800		
Pollution Control Notes	518,185			518,185		
Term Bank Loans	775,000			775,000		
Serial Notes	20,000			20,000		
Other Long-Term Debt	1,866			326 (4)		
Total Long-Term Debt	4,174,041	51.5%	51.5%	4,372,501	50.7%	50.4%
Preferred Stock	890,881	11.0	11.0	926,182 (5)	10.8	10.7
Common Equity:						
Common Stock	2,469,098			2,641,663 (6)		
Other Paid-in Capital	6,091			6,091		
Retained Earnings (2)	566,018			672,285 (7)		
Total Common Equity	3,041,207	37.5	37.5	3,320,039	38.5	38.3
Total Permanent Capital	8,106,129	100.0%	100.0	8,618,722	100.0%	99.4
Short-Term Debt	-0-		0.0	56,335 (8)		0.6
Total Capital Employed	$8,106,129		100.0%	$8,675,057		100.0%

Comment: The Company's construction expenditures for 1985 are expected to be $962.0 million.

If the investment in subsidiary companies at June 30, 1985 of $129.743 million were removed from common equity, the capital structure ratios would be as follows:

Long-Term Debt	52.3%	52.3%	51.5%	51.2%
Preferred Stock	11.2	11.2	10.9	10.8
Common Equity	36.5	36.5	37.6	37.3
Total	100.0%	100.0	100.0%	99.3
Short-Term Debt		0.0		0.7
Total		100.0%		100.0%

See following page for Notes.

Philadelphia Electric Company (Company Alone)
Capitalization and Capital Structure Ratios Based Upon Investor Provided Capital
Actual at June 30, 1985 and Estimated at June 30, 1986

Notes:

(1) Includes current portion of long-term debt and excludes unamortized debt premium, discount or expense.

(2) Includes unappropriated undistributed subsidiary earnings.

(3) Reflects the proposed issuance of $100 million of First Mortgage Bonds in November 1985 and the proposed issuance of $100 million of First Mortgage Bonds in May 1986.

(4) Reflects the retirement of the Conrail Note on January 1, 1986 of $1,540 million.

(5) Reflects the proposed issuance of $50.0 million of preferred stock in May 1986 and sinking fund requirements, $3.330 million on the 8.75% Series, $3.0 million on the 7.325% Series, $1.469 million on the 9.52% Series, $4.4 million on the 10.0% Series, and $2.5 million on the 15.25% Series Cumulative Preferred Stock.

(6) Reflects the estimated proceeds of $118.925 million from participating Company's Dividend Reinvestment plan, $11.465 million from the Employee Stock Purchase Plan and $42.175 million from continuous offerings of common stock.

(7) Company provided estimate of retained earnings at June 30, 1986.

(8) Company provided estimate of short-term debt at June 30, 1986.

Philadelphia Electric Company (Company Only)
Composite Interest Rate of Long-Term Debt
at June 30, 1985 (Actual)

	Amount Outstanding ($ 000's)	Percent to Total	Effective Interest Rate (1)	Weighted Interest Rate
First Mortgage Bonds:				
4 3/8% Series, due 1986	$ 50,000	1.75%	4.43%	0.08%
4 5/8% Series, due 1987	40,000	1.40	4.69	0.07
3 3/4% Series, due 1988	40,000	1.40	3.82	0.05
5 % Series, due 1989	50,000	1.75	5.00	0.09
6 1/2% Series, due 1993	60,000	2.10	6.57	0.14
4 1/2% Series, due 1994	50,000	1.75	4.50	0.08
9 % Series, due 1995	59,452	2.08	8.49 (2a)	0.18
8 1/4% Series, due 1996	80,000	2.80	8.31	0.23
6 1/8% Series, due 1997	75,000	2.62	6.16	0.16
7 1/2% Series, due 1998	100,000	3.50	7.51	0.26
7 1/2% Series, due 1999	100,000	3.50	7.54	0.26
7 3/4% Series, due 2000	60,800	2.12	7.43 (2b)	0.16
7 3/8% Series, due 2001	80,000	2.80	7.38	0.21
8 1/2% Series, due 2004	125,000	4.37	8.51	0.37
11 5/8% Series, due 2000	65,000	2.27	11.73	0.27
11 % Series, due 2000	55,938	1.95	10.72 (2c)	0.21
9 1/8% Series, due 2006	100,000	3.50	9.23	0.32
9 5/8% Series, due 2002	100,000	3.50	9.74	0.34
6 % Series, due 2007	23,500	0.82	6.21	0.05
8 5/8% Series, due 2007	75,000	2.62	8.72	0.23
8 5/8% Series, due 2003	75,000	2.62	8.70	0.23
9 1/8% Series, due 2008	100,000	3.50	9.13	0.32
12 1/2% Series, due 2005	100,000	3.50	12.64	0.44
13 3/4% Series, due 1992	125,000	4.37	13.90	0.61
15 1/4% Series, due 1996	52,500	1.84	15.40	0.28
15 % Series, due 1996	21,000	0.73	15.17	0.11
17 5/8% Series, due 2011	125,000	4.37	18.01	0.79
18 3/4% Series, due 2009	125,000	4.37	18.96	0.83
18 % Series, due 2012	100,000	3.50	18.39	0.65
15 3/8% Series, due 2010	100,000	3.50	15.53	0.54
13 3/8% Series, due 2013	125,000	4.37	13.67	0.60
13.05 % Series, due 1994	20,000	0.70	13.19	0.09
14 % Series, due 1994	80,000	2.80	14.10	0.40
Debentures:				
14 1/8% Series, due 1990	50,000	1.75	14.28	0.25
14 3/4% Series, due 2005	100,000	3.50	14.89	0.52
Sinking Fund Debentures:				
4.85 % Series, due 1986	20,800	0.73	3.38 (2d)	0.02
14 1/2% Series, due 2009	150,000	5.25	14.73	0.77
Total Bonds	$2,858,990	100.00%		11.21%
Pollution Control Notes:				
5.50 %, due 1997	$ 24,485	4.72%	5.02%(2e)	0.24%
13 %, due 2010	71,500	13.80	13.38	1.85
11 1/2%, due 2011	18,500	3.57	13.16	0.47
Floating Rate, 1982 Series A	60,000	11.58	5.87 (8a)	0.68
Floating Rate, 1982 Series B	40,000	7.72	5.68 (8b)	0.44
Floating Rate, 1983 Series A	50,000	9.65	5.69 (8c)	0.55
Floating Rate, 1984 Series A (York)	4,500	0.87	5.38 (8d)	0.05
Floating Rate, 1984 Series A (Salem)	4,200	0.81	5.38 (8d)	0.04
10 1/2%, Series, due 2015	245,000	47.28	10.79	5.10
Total Pollution Control Notes	$ 518,185	100.00%		9.42%
Term Bank Loans				
Citibank N.A.	$ 75,000	9.68%	9.50% (3)	0.92%
Chase Manhattan N.A.	75,000	9.68	10.00 (4)	0.97
Morgan Guaranty Trust Co.	25,000	3.22	9.98 (5)	0.32
Chemical Bank	50,000	6.45	9.98 (6)	0.64
Limerick Revolving Credit Line	550,000	70.97	9.75 (7)	6.92
Total Term Bank Loans	$ 775,000	100.00%		9.77%
Other Long-Term Debt:				
Conrail Note	$ 1,540	82.53%	0.00%	0.00%
Land Purchase Notes	326	17.47	8.97 (9)	1.57
Total Other Long-Term Debt	$ 1,866	100.00%		1.57%
Total Long-Term Debt:				
Bonds	$2,858,990	68.50%	11.21%	7.68%
Pollution Control Notes	518,185	12.41	9.42	1.17
Term Bank Loans	775,000	18.57	9.77	1.81
Serial Notes	20,000	0.48	17.06	0.08
Other Long-Term Debt	1,866	0.04	1.57	0.00
	$4,174,041	100.00%		10.74%

See following pages for Notes.

Philadelphia Electric Company (Company Only)
Composite Interest Rate of Long-Term Debt
at June 30, 1985 (Actual)

Notes:

(1) Effective interest rate for each Series as developed on pages 9 and 10.

(2) The effective interest rates for these series were adjusted to recognize previous years' gains on reacquired debt. These rates were computed by multiplying the amount outstanding by the unadjusted effective interest rate, subtracting the amortization during the twelve months ended June 30, 1985, of net gains from repurchase and dividing the resulting interest cost by the amount outstanding.

(a) $59,452,000 x 8.87% = $5,273,392 - $226,383 = $5,047,009 ÷ $59,452,000 = 8.49%

(b) $60,800,000 x 7.85% = $4,772,800 - $258,185 = $4,514,615 ÷ $60,800,000 = 7.43%

(c) $55,938,000 x 11.15% = $6,237,087 - $239,102 = $5,997,985 ÷ $55,938,000 = 10.72%

(d) $20,800,000 x 4.89% = $1,017,120 - $314,687 = $702,433 ÷ $20,800,000 = 3.38%

(e) $24,485,000 x 5.65% = $1,383,403 - $154,125 = $1,229,278 ÷ $24,485,000 = 5.02%

(3) Effective interest rate is equal to the actual prime rate charged by Citibank at June 30, 1985, of 9.50%.

(4) Effective interest rate calculated as the prime rate charged by Chase Manhattan Bank plus 1/2 of 1%. At June 30, 1985, the effective cost rate is 10.00% based upon an actual prime rate of 9.50% (9.50% + 0.50% = 10.00%).

(5) Effective interest rate calculated as the prime rate charged by Morgan Guaranty Trust Company times 105%. At June 30, 1985, the effective cost rate is 9.98% based upon an actual prime rate of 9.50% (9.50% x 105% = 9.98%).

(6) Effective interest rate calculated as the prime rate charged by Chemical Bank times 105% (during the period 5-28-84 through 5-28-87). At June 30, 1985, the effective cost rate is 9.98% based upon an actual prime rate of 9.50% (9.50% x 105% = 9.98%).

Philadelphia Electric Company (Company Only)
Composite Interest Rate of Long-Term Debt
at June 30, 1985 (Actual)

Notes (continued):

(7) The effective interest rate on the Limerick Revolving Credit Line is calculated as the prime rate charged by Citibank plus 1/4 of 1%. At June 30, 1985, the effective cost rate is 9.75% based upon a prime rate of 9.50% (9.50% + 0.25% = 9.75%).

(8) The Floating Rate Monthly Demand Pollution Control Revenue Bonds bear an interest rates payable monthly which will vary monthly based upon separate Interest Indexes for each series computed as a 30-day average yield at par of short-term securities which are exempt from federal income taxation.

(a) The effective interest rate for 1982 Series A of 5.87% is computed as the actual Interest Index for the period 7-1-85 to 7-31-85 of 4.50% ÷ net proceeds ratio (based upon $924,000 discount and issuance expenses) x principal amount outstanding added to 1.25% Letter of Credit Commission and Administrative Costs x the aggregate amount of the Letter of Credit ÷ the principal amount outstanding (4.50% ÷ 98.46% = 4.57% x $60,000,000 = $2,742,000) + (1.25% x $62,196,986 = $777,462) = $3,519,462 ÷ $60,000,000 = 5.87%).

(b) The effective interest rate for 1982 Series B of 5.68% is computed as the actual Interest Index for the period 7-1-85 to 7-31-85 of 4.70% ÷ net proceeds ratio (based upon $616,000 discount and issuance expenses) x principal amount outstanding added to 0.875% Letter of Credit Commission, and Fee and Administrative Costs x the aggregate amount of the Letter of Credit ÷ the principal amount outstanding (4.70% ÷ 98.46% = 4.77% x $40,000,000 = $1,908,000) + (0.875% x $41,464,657 = $362,816) = $2,270,816 ÷ $40,000,000 = 5.68%).

Philadelphia Electric Company (Company Only)
Composite Interest Rate of Long-Term Debt
at June 30, 1985 (Actual)

Notes (continued):

(8)

(c) The effective interest rate for 1983 Series A of 5.69% is computed as the actual Interest Index for the period 7-1-85 to 7-31-85 of 4.70% ÷ net proceeds ratio (based upon $802,000 discount and issuance expenses) x principal amount outstanding added to 0.875% Letter of Credit Commission, and Fee and Administrative Costs x the aggregate amount of the Letter of Credit ÷ the principal amount outstanding (4.70% ÷ 98.40% = 4.78% x $50,000,000 = $2,390,000) + (0.875 x $51,830,022 = $453,513) = $2,843,513 ÷ $50,000,000 = 5.69%.

(d) The effective interest rate for 1984 Series A (York and Salem Counties) of 5.38% is computed as the actual Interest Index for the period 7-1-85 to 7-31-85 of 4.60% ÷ net proceeds ratio (based upon $250,511 discount and issuance expenses) x principal amount outstanding added to 0.625% Letter of Credit Commission, and Fee and Administrative Costs x the aggregate amount of the Letter of Credit ÷ the principal amount outstanding (4.60% ÷ 97.12% = 4.74% x $8,700,000 = $412,380) + (0.625% x $9,018,563 = $56,366) = $468,746 ÷ $8,700,000 = 5.38%.

(9) Composite of Company provided interest rates on other long-term debt.

Source of Information: Company provided data

Philadelphia Electric Company (Company Only)
Composite Interest Rate of Long-Term Debt
at June 30, 1986 (Estimated)

	Amount Outstanding ($ 000's)	Percent to Total	Effective Interest Rate (1)	Weighted Interest Rate
First Mortgage Bonds:				
4 3/8% Series, due 1986	$ 50,000	1.63%	4.43%	0.07%
4 5/8% Series, due 1987	40,000	1.31	4.69	0.06
3 3/4% Series, due 1988	40,000	1.31	3.82	0.05
5 % Series, due 1989	50,000	1.63	5.00	0.08
6 1/2% Series, due 1993	60,000	1.96	6.57	0.13
4 1/2% Series, due 1994	50,000	1.63	4.50	0.07
9 % Series, due 1995	59,452	1.94	8.49 (2a)	0.16
8 1/4% Series, due 1996	80,000	2.62	8.31	0.22
6 1/8% Series, due 1997	75,000	2.45	6.16	0.15
7 1/2% Series, due 1998	100,000	3.27	7.51	0.25
7 1/2% Series, due 1999	100,000	3.27	7.54	0.25
7 3/4% Series, due 2000	60,800	1.99	7.43 (2b)	0.15
7 3/8% Series, due 2001	80,000	2.62	7.38	0.19
8 1/2% Series, due 2004	125,000	4.09	8.51	0.35
11 5/8% Series, due 2000	65,000	2.12	11.73	0.25
11 % Series, due 2000	55,938	1.82	10.72 (2c)	0.20
9 1/8% Series, due 2006	100,000	3.27	9.23	0.30
9 5/8% Series, due 2002	100,000	3.27	9.74	0.32
6 % Series, due 2007	23,500	0.77	6.21	0.05
8 5/8% Series, due 2007	75,000	2.45	8.72	0.21
8 5/8% Series, due 2003	75,000	2.45	8.70	0.21
9 1/8% Series, due 2008	100,000	3.27	9.13	0.30
12 1/2% Series, due 2005	100,000	3.27	12.64	0.41
13 3/4% Series, due 1992	125,000	4.09	13.90	0.57
15 1/4% Series, due 1996	52,500	1.72	15.40	0.26
15 % Series, due 1996	21,000	0.68	15.17	0.10
17 5/8% Series, due 2011	125,000	4.09	18.01	0.74
18 3/4% Series, due 2009	125,000	4.09	18.96	0.78
18 % Series, due 2012	100,000	3.27	18.39	0.60
15 3/8% Series, due 2010	100,000	3.27	15.53	0.51
13 3/8% Series, due 2013	125,000	4.09	13.67	0.56
13.05 % Series, due 1994	20,000	0.65	13.19	0.09
14 % Series, due 1994	80,000	2.62	14.10	0.37
12 1/2% Proposed Series	100,000	3.27	12.63	0.41
12 1/2% Proposed Series	100,000	3.27	12.63	0.41
Debentures:				
14 1/8% Series, due 1990	50,000	1.63	14.28	0.23
14 3/4% Series, due 2005	100,000	3.27	14.89	0.49
Sinking Fund Debentures:				
4.85 % Series, due 1986	20,800	0.68	3.38 (2d)	0.02
14 1/2% Series, due 2009	150,000	4.90	14.73	0.72
Total Bonds	$3,058,990	100.00%		11.29%
Pollution Control Notes:				
5.50 %, due 1997	$ 24,485	4.72%	5.02%(2e)	0.25%
13 %, due 2010	71,500	13.80	13.38	1.85
11 1/2%, due 2011	18,500	3.57	13.16	0.47
Floating Rate, 1982 Series A	60,000	11.58	6.26 (8a)	0.72
Floating Rate, 1982 Series B	40,000	7.72	5.87 (8b)	0.45
Floating Rate, 1983 Series A	50,000	9.65	5.87 (8c)	0.57
Floating Rate, 1984 Series A (York)	4,500	0.87	5.67 (8d)	0.05
Floating Rate, 1984 Series A (Salem)	4,200	0.81	5.67 (8d)	0.05
10 1/2% Series due 2015	245,000	47.28	10.79	5.10
Total Pollution Control Notes	$ 518,185	100.00%		9.51%
Term Bank Loans				
Citibank N.A.	$ 75,000	9.68%	9.50% (3)	0.92%
Chase Manhattan N.A.	75,000	9.68	10.00 (4)	0.97
Morgan Guaranty Trust Co.	25,000	3.22	9.98 (5)	0.32
Chemical Bank	50,000	6.45	9.98 (6)	0.64
Limerick Revolving Credit Line	550,000	70.97	9.75 (7)	6.92
Total Term Bank Loans	$ 775,000	100.00%		9.77%
Total Long-Term Debt:				
Bonds	$3,058,990	69.96%	11.29%	7.90%
Pollution Control Notes	518,185	11.85	9.51	1.13
Term Bank Loans	775,000	17.72	9.77	1.73
Serial Notes	20,000	0.46	17.06	0.08
Other Long-Term Debt	326	0.01	8.97 (9)	0.00
	$4,372,501	100.00%		10.84%

See following pages for Notes.

Philadelphia Electric Company (Company Only)
Composite Interest Rate of Long-Term Debt
at June 30, 1986 (Estimated)

Notes:

(1) Effective interest rate for each Series as developed on pages 9 and 10.

(2) The effective interest rates for these series were adjusted to recognize previous years' gains on reacquired debt. These rates were computed by multiplying the amount outstanding by the unadjusted effective interest rate, subtracting the amortization during the twelve months ended June 30, 1985, of net gains from repurchase and dividing the resulting interest cost by the amount outstanding.

(a) $59,452,000 x 8.87% = $5,273,392 - $226,383 = $5,047,009 ÷ $59,452,000 = 8.49%

(b) $60,800,000 x 7.85% = $4,772,800 - $258,185 = $4,514,615 ÷ $60,800,000 = 7.43%

(c) $55,938,000 x 11.15% = $6,237,087 - $239,102 = $5,997,985 ÷ $55,938,000 = 10.72%

(d) $20,800,000 x 4.89% = $1,017,120 - $314,687 = $702,433 ÷ $20,800,000 = 3.38%

(e) $24,485,000 x 5.65% = $1,383,403 - $154,125 = $1,299,278 ÷ $24,485,000 = 5.02%

(3) Effective interest rate is equal to the estimated prime rate charged by Citibank at June 30, 1986, of 9.50%.

(4) Effective interest rate calculated as the prime rate charged by Chase Manhattan Bank plus 1/2 of 1%. Estimated at June 30, 1986, the effective cost rate is 10.00% based upon an estimated prime rate of 9.50% (9.50% + 0.50% = 10.00%).

(5) Effective interest rate calculated as the prime rate charged by Morgan Guaranty Trust Company times 105%. Estimated at June 30, 1986, the effective cost rate is 9.98% based upon an estimated prime rate of 9.50% (9.50% x 105% = 9.98%).

(6) Effective interest rate calculated as the prime rate charged by Chemical Bank times 105% (during the period 5-28-84 through 5-28-87). Estimated at June 30, 1986, the effective cost rate is 9.98% based upon an estimated prime rate of 9.50% (9.50% x 105% = 9.98%).

Philadelphia Electric Company (Company Only)
Composite Interest Rate of Long-Term Debt
at June 30, 1986 (Estimated)

Notes (continued):

(7) The effective interest rate on the Limerick Revolving Credit Line is calculated as the estimated prime rate charged by Citibank plus 1/4 of 1%. Estimated at June 30, 1986, the effective cost rate is 9.75% based upon an estimated prime rate of 9.50% (9.50% + 0.25% = 9.75%).

(8) Company provided weighted interest rate.

The Floating Rate Monthly Demand Pollution Control Revenue Bonds bear an interest rates payable monthly which will vary monthly based upon separate Interest Indexes for each series computed as a 30-day average of yields at par of short-term securities which are exempt from federal income taxation. In the event the Interest Index for any month cannot be computed, the interest rate for the Bonds during that month will be equal to 60% of the yield applicable to the 13-week United States Treasury bills sold at the most recent Treasury auction held within 30 days prior to the date on which the calculation is to be made. This alternative method is employed to estimate the monthly interest rates for June 1986. The settled yield on Treasury Bill Future Contracts with a settlement date of June 1986 of 8.13% will be employed for this purpose.

(a) The estimated effective interest rate for 1982 Series A of 6.26% is computed as 60% of the August 9, 1985, settled yield on Treasury Bill Future Contracts with a settlement date of June 1986 ÷ net proceeds ratio (based upon $924,000 discount and issuance expenses) x principal amount outstanding added to 1.25% Letter of Credit Commission and Administrative Costs x the aggregate amount of the Letter of Credit ÷ the principal amount outstanding ((60% x 8.13% = 4.88% ÷ 98.46% = 4.96% x $60,000,000 = $2,976,000) + (1.25% x $62,196,986 = $777,462) = $3,753,462 ÷ $60,000,000 = 6.26%).

(b) The estimated effective interest rate for 1982 Series B of 5.87% is computed as 60% of the August 9, 1985, settled yield on Treasury Bill Future Contracts with a settlement date of June 1986 ÷ net proceeds ratio (based upon $616,000 discount and issuance expenses) x principal amount outstanding added to 0.875% Letter of Credit Commission, and Fee and Administrative Costs x the aggregate amount of the Letter of Credit ÷ the principal amount outstanding ((60% x 8.13% = 4.88% ÷ 98.46% = 4.96% x $40,000,000 = $1,984,000) + (0.875% x $41,464,657 = $362,816) = $2,346,816 ÷ $40,000,000 = 5.87%).

Philadelphia Electric Company (Company Only)
Composite Interest Rate of Long-Term Debt
at June 30, 1986 (Estimated)

Notes (continued):

(8)

(c) The estimated effective interest rate for 1983 Series A of 5.87% is computed as 60% of the August 9, 1985, settled yield on Treasury Bill Future Contracts with a settlement date of June 1986 ÷ net proceeds ratio (based upon $802,000 discount and issuance expenses) x principal amount outstanding added to 0.875% Letter of Credit Commission, and Fee and Administrative Costs x the aggregate amount of the Letter of Credit ÷ the principal amount outstanding ((60% x 8.13% = 4.88% ÷ 98.40% = 4.96% x $50,000,000 = $2,480,000) + (0.875% x $51,830,822 = $453,520) = $2,933,520 ÷ $50,000,000 = 5.87%).

(d) The estimated effective interest rate for 1984 Series A (York and Salem Counties) of 5.67% is computed as 60% of the August 9, 1985, settled yield on Treasury Bill Future contracts with a settlement date of June 1986 ÷ net proceeds ratio (based upon $250,511 discount and issuance expenses) x principal amount outstanding added to 0.625% Letter of Credit Commission, and Administrative Costs x the aggregate amount of the Letter of Credit ÷ the principal amount outstanding ((60% x 8.13% = 4.88% ÷ 97.12% = 5.02% x $8,700,000 = $437,150) + (0.625% x $9,018,563 = $56,366) = $493,516 ÷ $8,700,000 = 5.67%).

(9) Composite of company-provided interest rates on other long-term debt.

Source of Information: Company provided data

Philadelphia Electric Company

Calculation of the Effective Interest Rate of First and Refunding Mortgage Bonds

Series	Date of Issue	Date of Maturity	Average Term in Years (1)	Original Amount Issued	Total Expenses, Premium or (Discount)	Net Proceeds on Principal Amount Issued	Net Proceeds Ratio	Effective Interest Rate (2)
First Mortgage Bonds:								
4 3/8% Series, due 1986	12- 1-58	12- 1-86	28	$ 50,000	$ (463,097)	$ 49,536,903	99.07%	4.43%
4 5/8% Series, due 1987	9- 1-57	9- 1-87	30	40,000	(415,004)	39,584,996	98.96	4.69
3 3/4% Series, due 1988	5- 1-58	5- 1-88	30	40,000	(482,646)	39,517,354	98.79	3.82
5 % Series, due 1989	10- 1-59	10 -1-89	30	50,000	18,437	50,018,437	100.04	5.00
6 1/2% Series, due 1993	3- 1-68	3- 1-93	25	60,000	(480,686)	59,519,314	99.20	6.57
4 1/2% Series, due 1994	5- 1-64	5- 1-94	30	50,000	25,238	50,025,238	100.05	4.50
9 % Series, due 1995	2- 1-70	2- 1-95	20.8	80,000	960,024	80,960,024	101.20	8.87
8 1/4% Series, due 1996	8- 1-71	8- 1-96	25	80,000	(495,210)	79,504,790	99.38	8.31
6 1/8% Series, due 1997	10- 1-67	10- 1-97	30	75,000	(384,944)	74,615,056	99.49	6.16
7 1/2% Series, due 1998	6-15-72	6-15-98	26	100,000	(156,059)	99,843,941	99.84	7.51
7 1/2% Series, due 1999	1-22-73	1-22-99	26	100,000	(499,981)	99,500,019	99.50	7.54
7 3/4% Series, due 2000	12-15-70	12-15-00	23.5	80,000	(879,028)	79,120,972	98.90	7.85
7 3/8% Series, due 2001	12-15-71	12-15-01	30	80,000	(83,239)	79,916,761	99.90	7.38
8 1/2% Series, due 2004	1-16-74	1-16-04	30	125,000	(111,634)	124,888,366	99.91	8.51
11 5/8% Series, due 2000	4-15-75	4-15-00	25	65,000	(526,075)	64,473,925	99.19	11.73
11 % Series, due 2000	11- 1-75	8- 6-00	15.5	80,000	(876,944)	79,123,056	98.90	11.15
9 1/8% Series, due 2006	3- 1-76	3- 1-06	30	100,000	(1,034,220)	98,965,780	98.97	9.23
9 5/8% Series, due 2002	8- 1-76	8- 1-02	26	100,000	(1,043,108)	98,956,892	98.96	9.74
6 % Series, due 2007	2- 1-77	2- 1-07	28	23,500	(639,048)	22,860,952	97.28	6.21
8 5/8% Series, due 2007	3-15-77	3-15-07	30	75,000	(788,291)	74,211,709	98.95	8.72
8 5/8% Series, due 2003	7-15-77	7-15-03	26	75,000	(570,154)	74,429,846	99.24	8.70
9 1/8% Series, due 2008	3-15-78	3-15-08	30	100,000	(41,614)	99,958,386	99.96	9.13
12 1/2% Series, due 2005	10-15-79	10-15-05	26	100,000	(1,057,750)	98,942,250	98.94	12.64
13 3/4% Series, due 1992	10-15-80	10-15-92	12	125,000	(1,072,443)	123,927,557	99.14	13.90
15 1/4% Series, due 1996	4-28-81	4-28-96	10.5	52,500	(410,978)	52,089,022	99.22	15.40
15 % Series, due 1996	4-28-81	4-28-96	10.5	21,000	(183,965)	20,816,035	99.12	15.17
17 5/8% Series, due 2011	7- 1-81	7- 1-11	30	125,000	(2,634,392)	122,365,608	97.89	18.01
18 3/4% Series, due 2009	9-15-81	9-15-09	30	125,000	(1,377,265)	123,622,735	98.90	18.96
18 % Series, due 2012	4- 1-82	4- 1-12	30	100,000	(2,091,008)	97,908,992	97.91	18.39
15 3/8% Series, due 2010	10 -1-82	10- 1-10	28	100,000	(1,005,722)	98,994,278	99.01	15.53
13 3/8% Series, due 2013	6-15-83	6-15-13	30	125,000	(2,649,000)	122,351,000	97.88	13.67
13.05 % Series, due 1994	11-26-84	11-26-94	10	20,000	(148,322)	19,851,678	99.26	13.19
14 % Series, due 1988-94	12 -1-84	12 -1-94	6.9	80,000	(369,080)	79,630,920	99.54	14.10
12 1/2% Proposed Series (3)	11- 1-85	11- 1-15	30	100,000	-	-	99.00	12.63
12 1/2% Proposed Series (3)	5- 1-86	5- 1-16	30	100,000	-	-	99.00	12.63

See page 10 for notes.

Philadelphia Electric Company
Calculation of the Effective Interest Rate of Debentures, Sinking Fund Debentures and Pollution Control Notes

Series	Date of Issue	Date of Maturity	Average Term in Years (1)	Original Amount Issued (000's)	Total Expenses, Premium or (Discount)	Net Proceeds on Principal Amount Issued	Net Proceeds Ratio	Effective Interest Rate (2)
Debentures:								
14 1/8% Series, due 1990	4-15-80	4-15-90	10	$ 50,000	$ (411,981)	$ 49,588,019	99.18%	14.28%
14 3/4% Series, due 2005	4-15-80	4-15-05	25	100,000	(894,198)	99,105,802	99.11	14.89
Sinking Fund Debentures:								
4.85 % Series, due 1986	10- 1-61	10- 1-86	18	40,000	(188,855)	39,811,145	99.53	4.89
14 1/2% Series, due 2009	2-15-84	2-15-09	18	150,000	(2,185,784)	147,814,216	98.54	14.73
Pollution Control Notes:								
5.50 % due 1997	11-22-72	11-22-97	18.8	30,000	(580,818)	32,419,182	98.24	5.65
13 % Series B, due 2010	6- 1-81	6- 1-10	28.5	71,500	(1,982,849)	69,517,151	97.23	13.38
11 1/2% Series B, due 2011	6- 1-81	6- 1-11	30	18,500	(2,285,721)	16,214,279	87.64	13.16
10 1/2% Series, due 2015	5-15-85	5-15-15	30	245,000	(6,360,000)	238,640,000	97.40	10.79
Serial Notes:								
17 % Series, due 1986-87	6-29-82	6-29-87	4.5	20,000	(35,961)	19,964,039	99.82	17.06

Notes: (1) Determined by taking into account the effect of annual sinking fund requirements which are met by the retirement of bonds which reduce the average term of each series for those issues which have sinking fund requirements.

(2) Effective cost rate is the cost rate to maturity using as inputs the average term of each series, the stated interest rate and net proceeds ratio.

(3) For the two proposed new series of first mortgage bonds planned to be issued in November 1985 and May 1986, respectively, the stated coupon rate is estimated to be 12-1/2%, the average term of issue is assumed to be 30 years, and the net proceeds ratio is estimated to be 99.00%.

Source of Information: Data provided by the Company upon request
Annual Report to the Federal Energy Regulation Commission (Form 1)

Philadelphia Electric Company
Composite Cost Rate of Preferred Stock
Actual at June 30, 1985

	Amount Outstanding ($000's)	Percent to Total	Effective Cost Rate (1)	Composite Cost Rate
Cumulative Preferred Stock:				
14.15 % Series	$ 50,000	5.61%	14.84%	0.83%
14.625% Series	50,000	5.61	14.89	0.83
13.35 % Series	75,000	8.42	13.98	1.18
12.8 % Series	75,000	8.42	13.42	1.13
17.125% Series	30,000	3.37	17.62	0.59
15.25 % Series	50,000	5.61	15.72	0.88
10.00 % Series	22,000	2.50	10.07	0.25
8.75 % Series	43,340	4.86	8.81	0.43
9.52 % Series	39,469	4.43	9.83	0.44
9.50 % Series	75,000	8.42	9.64	0.81
8.75 % Series	65,000	7.29	8.89	0.65
7.85 % Series	50,000	5.61	7.98	0.45
7.80 % Series	75,000	8.42	7.92	0.67
7.75 % Series	20,000	2.24	7.91	0.18
7.325% Series	54,000	6.06	7.40	0.45
7.00 % Series	29,600	3.32	7.21	0.24
4.68 % Series	15,000	1.68	4.76	0.08
4.40 % Series	27,472	3.08	4.33	0.13
4.30 % Series	15,000	1.68	4.44	0.07
3.80 % Series	30,000	3.37	3.80	0.13
Total Cumulative Preferred Stock Outstanding	$890,881	100.0%		10.42%

Note: (1) Effective cost rate for each issue as taken from calculations on page 3.

Source of Information: Company provided data

Philadelphia Electric Company
Composite Cost Rate of Preferred Stock
Estimated at June 30, 1986

	Amount Outstanding ($000's)	Percent to Total	Effective Cost Rate (1)	Composite Cost Rate
Cumulative Preferred Stock:				
12.50 % Proposed Series	$50,000	5.40%	12.63%	0.68%
14.15 % Series	50,000	5.40	14.84	0.80
14.625% Series	50,000	5.40	14.89	0.80
13.35 % Series	75,000	8.10	13.98	1.13
12.80 % Series	75,000	8.10	13.42	1.09
17.125% Series	30,000	3.24	17.62	0.57
15.25 % Series	47,500	5.13	15.72	0.81
10.00 % Series	17,600	1.90	10.07	0.19
8.75 % Series	40,010	4.32	8.81	0.38
9.52 % Series	38,000	4.10	9.83	0.40
9.50 % Series	75,000	8.10	9.64	0.78
8.75 % Series	65,000	7.01	8.89	0.63
7.85 % Series	50,000	5.40	7.98	0.43
7.80 % Series	75,000	8.10	7.92	0.64
7.75 % Series	20,000	2.16	7.91	0.17
7.325% Series	51,000	5.50	7.40	0.41
7.00 % Series	29,600	3.20	7.21	0.23
4.68% Series	15,000	1.62	4.76	0.08
4.40 % Series	27,472	2.96	4.33	0.13
4.30 % Series	15,000	1.62	4.44	0.07
3.80 % Series	30,000	3.24	3.80	0.12
Total Cumulative Preferred Stock Outstanding	$926,182	100.00%		10.54%

Note: (1) Effective cost rate for each issue as taken from calculations on page 3.

Source of Information: Company provided data.

Philadelphia Electric Company
Calculation of Preferred Stock Effective Cost Rate

Series	Date of Issue	Original Amount Issued	Premium or (Discount) At Issuance Net of Expenses	Net Proceeds on Principal Amount Issued	Net Proceeds Ratio	Effective Cost Rate
Cumulative Preferred Stock:						
12.50%(8)	5- 1-86	$50,000,000	-	-	99.00%	12.63%
14.15	12-11-84	50,000,000	$(2,323,000)	$47,677,000	95.35	14.84
14.625	3-28-84	50,000,000	(888,000)	49,112,000	98.22	14.89
13.35	11-15-83	75,000,000	(3,384,000)	71,616,000	95.49	13.98
12.80	2- 9-83	75,000,000	(3,443,000)	71,557,000	95.41	13.42
17.125	2-18-82	30,000,000	(525,484)	29,474,516	97.17 (1)	17.62
15.25	3-18-80	50,000,000	(925,000)	49,075,000	97.02 (2)	15.72
10.00	3-18-80	22,000,000	(131,000)	21,869,000	99.26 (3)	10.07
8.75	5- 1-78	50,000,000	(225,000)	49,775,000	99.31 (4)	8.81
9.52	5- 4-76	50,000,000	(920,369)	49,079,631	96.86 (5)	9.83
9.50	4-18-74	75,000,000	(1,093,088)	73,906,912	98.54	9.64
8.75	7-22-70	65,000,000	(1,040,129)	63,959,871	98.40	8.89
7.85	3-10-71	50,000,000	(801,475)	49,198,525	98.40	7.98
7.80	4-20-72	75,000,000	(1,105,544)	73,894,456	98.53	7.92
7.75	11-16-71	20,000,000	(399,174)	19,600,826	98.00	7.91
7.325	4- 2-73	75,000,000	(441,533)	74,558,467	99.02 (6)	7.40
7.00	2- 4-69	40,000,000	(646,306)	39,353,694	97.04 (7)	7.21
4.68	5-14-53	15,000,000	(243,769)	14,756,231	98.37	4.76
4.40	2- 1-42	27,472,000	448,876	27,920,876	101.63	4.33
4.30	2- 5-48	15,000,000	(468,342)	14,531,658	96.88	4.44
3.80	12- 4-46	30,000,000	(30,218)	29,969,782	99.90	3.80

See Notes on following page.

Philadelphia Electric Company
Calculation of Preferred Stock Effective Cost Rate

Notes:

(1) Net proceeds ratio calculation based upon the average principal amount outstanding in recognition of annual sinking fund requirements to arrive at an effective cost rate. Average principal amount outstanding of $18,600,000 less $525,484 (discount and issuance expenses) equals $18,074,516 (net proceeds on average amount outstanding) $18,074,516 ÷ 18,600,000 = 97.17%.

(2) Net proceeds ratio calculation based upon the average principal amount outstanding. Average principal amount outstanding of $31,000,000 less $925,000 (discount and issuance expenses) equals $30,075,000 (net proceeds on average amount outstanding) $30,075,000 ÷ $31,000,000 = 97.02%.

(3) Net proceeds ratio calculation based upon the average principal amount outstanding. Average principal amount outstanding of $17,600,000 less $131,000 (discount and issuance expenses) equals $17,469,000 (net proceeds on average amount outstanding) $17,469,000 ÷ $17,600,000 = 99.26%.

(4) Net proceeds ratio calculation based upon the average principal amount outstanding. Average principal amount outstanding of $32,517,500 less $225,000 (discount and issuance expenses) equals $32,292,500 (net proceeds on average amount outstanding) $32,292,500 ÷ $32,517,500 = 99.31%.

(5) Net proceeds ratio calculation based upon the average principal amount outstanding. Average principal amount outstanding of $29,310,345 less $920,369 (discount and issuance expense) equals $28,389,976 (net proceeds on average amount outstanding) $28,389,976 ÷ $29,310,345 = 96.86%.

(6) Net proceeds ratio calculation based upon the average principal amount outstanding. Average principal amount outstanding of $45,000,000 less $441,533 (discount and issuance expenses) equals $44,558,467 (net proceeds on average amount outstanding $44,558,467 ÷ $45,000,000 = 99.02%

(7) Net proceeds ratio calculation based upon the average principal amount outstanding. Average prinicpal amount of $21,851,852 less $646,306 (discount and issuance expenses) equals $21,205,546 (net proceeds on average amount outstanding) $21,205,546 ÷ $21,851,852 = 97.04%.

(8) For the proposed new series of $50 million Preferred Stock planned to be issued in October 1985, the stated dividend rate is estimated to be 12.5% and the net proceeds ratio is estimated to be 99.00%.

Source of Information: Company provided data

for Investor-Owned Public Utility and Industrial Companies
Years 1955, 1975-1984 and 1985 (1)

Years	Aaa Rated Public Utilities	Aaa Rated Industrials	Aaa Rated Spread	Aa Rated Public Utilities	Aa Rated Industrials	Aa Rated Spread	A Rated Public Utilities	A Rated Industrials	A Rated Spread	Baa Rated Public Utilities	Baa Rated Industrials	Baa Rated Spread
1955	3.09	3.00	.09	3.13	3.11	.02	3.22	3.16	.06	3.43	3.47	(.04)
1975	9.03	8.61	.42	9.44	8.90	.54	10.09	9.21	.88	10.96	10.26	.70
1976	8.63	8.23	.40	8.92	8.59	.33	9.29	8.88	.41	9.82	9.67	.15
1977	8.19	7.86	.33	8.43	8.04	.39	8.61	8.36	.25	9.06	8.87	.19
1978	8.87	8.58	.29	9.10	8.74	.36	9.29	8.94	.35	9.62	9.35	.27
1979	9.86	9.39	.47	10.22	9.65	.57	10.49	9.91	.58	10.96	10.42	.54
1980	12.30	11.57	.73	13.00	11.99	1.01	13.34	12.44	.90	13.95	13.39	.56
1981	14.64	13.70	.94	15.30	14.19	1.11	15.95	14.62	1.33	16.60	15.48	1.12
1982	14.22	13.35	.87	14.79	14.03	.76	15.87	15.00	.86	16.45	15.77	.69
1983	12.52	11.56	.96	12.83	12.00	.83	13.66	12.53	1.13	14.20	12.90	1.30
Jan.1984	12.85(2)	12.01	.84	13.02	12.39	.63	13.39	12.85	.54	14.05	13.24	.81
Feb.1984	N/A	12.08	N/A	13.04	12.37	.67	13.41	12.81	.60	14.05	13.13	.92
Mar.1984	N/A	12.57	N/A	13.66	12.78	.88	13.87	13.21	.66	14.56	13.42	1.14
Apr.1984	N/A	12.81	N/A	13.93	13.02	.91	14.16	13.38	.78	14.82	13.78	1.04
May 1984	N/A	13.28	N/A	14.66	13.54	1.12	14.90	13.84	1.06	15.28	14.21	1.07
Jun.1984	N/A	13.55	N/A	14.90	13.76	1.14	15.09	14.22	.87	15.50	14.60	.90
Jul.1984	N/A	13.44	N/A	14.42	13.80	.62	14.82	14.30	.52	15.50	14.79	.71
Aug.1984	N/A	12.87	N/A	13.67	13.26	.41	14.43	13.82	.61	14.79	14.48	.31
Sep.1984	N/A	12.66	N/A	13.43	13.12	.31	14.17	13.70	.47	14.51	14.19	.32
Oct.1984	13.00(3)	12.42	.58	13.38	12.85	.53	13.80	13.42	.38	14.17	13.71	.46
Nov.1984	12.66	11.92	.74	13.00	12.32	.68	13.23	12.94	.29	13.72	13.24	.48
Dec.1984	12.51	11.76	.75	12.76	12.23	.53	13.11	12.72	.39	13.46	13.34	.12
Avg.1984	12.76(4)	12.61	.73(4)	13.65	12.95	.70	14.03	13.43	.60	14.53	13.84	.69
Jan.1985	12.47	11.67	.80	12.68	12.18	.50	12.99	12.61	.38	13.36	13.15	.21
Feb.1985	12.61	11.64	.97	12.87	12.10	.77	13.08	12.51	.57	13.44	13.00	.44
Mar.1985	13.08	12.04	1.04	13.50	12.32	1.18	13.87	12.84	1.03	14.19	13.18	1.01
Apr.1985	12.77	11.67	1.10	13.17	12.22	.95	13.61	12.71	.90	14.11	12.90	1.21
May 1985	12.18	11.26	.92	12.65	11.95	.70	13.12	12.28	.84	13.62	12.68	.94
Jun.1985	11.17	10.71	.46	11.68	11.24	.44	12.13	11.83	.30	12.66	12.14	.52
Jul.1985	11.18	10.74	.44	11.55	11.29	.26	12.07	11.77	.30	12.70	12.17	.53
Aug.1985	11.23	10.87	.36	11.65	11.29	.36	12.13	11.87	.26	12.73	12.27	.46

Notes:
(1) All yields are distributed yields.
(2) Average through January 16. On January 17 the Aaa public utility bond yield average was suspended because of the lack of appropriate issues.
(3) Average of the last 14 days of October. The Aaa public utility bond yield average was reinstated on October 12.
(4) Average for the months January, October, November and December, 1984.

Source of Information: Moody's Investor Services, Inc. (Public Utility Manuals and Bond Surveys)

Comparison of Interest Rate Trends for Investor-Owned Public Utility and Industrial Companies Years 1955, 1975-1984 and 1985 (1)

Years	Yield Spread Aa vs. Aaa		Yield Spread A vs. Aaa		Yield Spread Baa vs. Aaa	
	Public Utilities	Industrials	Public Utilities	Industrials	Public Utilities	Industria
1955	.04	.11	.13	.16	.34	.47
1975	.41	.29	1.06	.60	1.93	1.65
1976	.29	.36	.66	.65	1.19	1.44
1977	.24	.18	.42	.50	.87	1.01
1978	.23	.16	.42	.36	.75	.77
1979	.36	.26	.63	.52	1.10	1.03
1980	.70	.42	1.04	.87	1.65	1.82
1981	.66	.49	1.31	.92	1.96	1.78
1982	.57	.68	1.65	1.65	2.23	2.42
1983	.31	.44	1.14	.97	1.68	1.34
Jan.1984	.17(2)	.38	.54(2)	.84	1.20(2)	1.23
Feb.1984	N/A	.29	N/A	.73	N/A	1.05
Mar.1984	N/A	.21	N/A	.64	N/A	.85
Apr.1984	N/A	.21	N/A	.57	N/A	.97
May 1984	N/A	.26	N/A	.56	N/A	.93
Jun.1984	N/A	.21	N/A	.67	N/A	1.05
Jul.1984	N/A	.36	N/A	.86	N/A	1.35
Aug.1984	N/A	.39	N/A	.95	N/A	1.61
Sep.1984	N/A	.46	N/A	1.04	N/A	1.53
Oct.1984	.38(3)	.43	.80(3)	1.00	1.17(3)	1.29
Nov.1984	.34	.40	.57	1.02	1.06	1.32
Dec.1984	.25	.47	.60	.96	.95	1.58
Avg.1984	.29(4)	.34	.63(4)	.82	1.10(4)	1.23
Jan.1985	.21	.51	.52	.94	.89	1.48
Feb.1985	.26	.46	.47	.87	.83	1.36
Mar.1985	.42	.28	.79	.80	1.11	1.14
Apr.1985	.40	.55	.84	1.04	1.34	1.23
May 1985	.47	.69	.94	1.02	1.44	1.42
Jun.1985	.51	.56	.96	1.12	1.49	1.43
Jul.1985	.37	.55	.89	1.03	1.52	1.43
Aug.1985	.42	.42	.90	1.00	1.50	1.40

Notes: (1) All yields are distributed yields.
(2) Computed on the basis of data reported through Jan. 16, 1984 for Aaa rated Public Utility Issues. Reported rate was 12.85%.
(3) Computed on the basis of data reported from October 12, 1984 to month-end for Aaa rated Public Utility Issues. Reported rate was 13.00%.
(4) Average for the months January, October, November and December, 1984.

Source of Information: Moody's Investor Services, Inc. (Public Utility Manuals and Bond Surveys)

Estimates of the Consumer Price Index
GNP Implicit Price Deflator (1) and Interest Rates for 1985

	Estimated Year-End 1985					
	Consumer Price Index(2)	GNP Implicit Price Deflator (3)	Prime Rate(4)	Public Utility Bonds(7)	Treasury Bonds(8)	Treasury Bills (9)
The Value Line Investment Survey	3.8%	4.1%	9.5%	11.8%(5)	N/A	N/A
Standard & Poor's Corporation	3.6	3.5	9.5	N/A	N/A	7.2%
Blue Chip Economic Indicators	3.8	3.7	N/A	N/A	N/A	7.3
Blue Chip Financial Forecasts	3.9	N/A	9.6	11.7(6)	10.5%	7.3

Notes:

(1) Based upon an annual rate of increase or percent change.
(2) For the year 1985, the CPI is estimated to be 3.5% by the Value Line Investment Survey, 3.6% by Standard & Poor's Corporation, 3.6% by Blue Chip Economic Indicators and 4.0% by Blue Chip Financial Forecasts, for the four-quarter period ending June 30, 1986.
(3) For the year 1985, the GNP Implicit Price Deflator is estimated to be 3.8% by the Value Line Investment Survey, 3.7% by Standard & Poor's Corporation and 3.7% by Blue Chip Economic Indicators.
(4) For the year 1985, the prime rate is estimated to be 9.9% by the Value Line Investment Survey, 9.9% by Standard & Poor's Corporation and 9.7% by Blue Chip Financial Forecasts, for the four-quarter period ending June 30, 1986.
(5) Estimate for Aa Public Utility Bonds.
(6) Estimate for A Public Utility Bonds.
(7) For the year 1985 Aa rated public utility bonds are estimated to yield 12.1% by Value Line Investment Survey. The A rated public utility bond are estimated by Blue Chip Financial Forecasts to yield 11.7% for the four-quarter period, ending June 30, 1986. Given the aforesaid, I believe a 12.0% A rated public utility bond yield, and a 12.5% Baa rated Public utility bond yield are reasonable estimates for the end of 1985. As can be derived from the information shown on page 1, Schedule 6, the spread in yield for public utility bonds rated A and Baa for the five years ended 1984 is slightly more than 1/2 of 1%.
(8) For the year 1985, Treasury Bonds are estimated to yield 10.6% by Blue Chip Financial Forecasts, for the four-quarter period ending June 30, 1986.
(9) For the year 1985, Treasury Bills are estimated to yield 7.5% by the Standard & Poor's Corporation, 7.5% by Blue Chip Economic Indicators and 7.4% by Blue Chip Financial Forecasts, for the four-quarter period ending June 30, 1986.

Source of Information: Value Line Investment Survey - Selection & Opinion, August 9, 1985; Standard & Poor's Trends & Projections, July 18, 1985; Blue Chip Economic Indicators, September 10, 1985; Blue Chip Financial Forecasts, September 1, 1985

Treasury Bill and Treasury Bond Futures Contracts as Traded on International Monetary Market at Chicago Mercantile Exchange and the Chicago Board of Trade, respectively, on September 19, 1985

Contract Data	T-Bill Settled Yields	T-Bond Settled Yields
September	7.00%	10.936%
December	7.38	11.156
March 1986	7.75	11.326
June	8.09	11.490
September	8.40	11.692
December	8.69	11.787
March 1987	-	11.923
June	-	12.045
September	-	12.157
Average	7.89%	11.607%

Moody's Ten-Year Treasury Index on September 9, 1985 10.42%

Source of Information: The Wall Street Journal - September 20, 1985.
Moody's Bond Survey - September 16, 1985.

Rate of Return on Average Book Common Equity (1)
Historic Comparison of Philadelphia Electric Company and Barometer Group of Four Electric Companies with Bonds Rated Baa
Years 1975-1984, Inclusive, and Spot 1985

Year	Philadelphia Electric Company	Barometer Group of Four Electric Companies with Bonds Rated Baa (2)
1985 Spot (3)	15.1%	14.8%
1984	15.1	14.6
1983	13.4	13.6
1982	13.1	12.2
1981	12.1	12.3
1980	10.6	10.5
1979	9.8	11.0
1978	9.7	9.1
1977	9.6	10.7
1976	9.9	11.1
1975	9.4	11.2
5 Year Average 1980-1984	12.9%	12.6%
5 Year Average 1975-1979	9.7%	10.6%
Common Equity Ratio (4)	36.8%	34.7%

Notes: (1) Rate of return on average book common equity = income available for common equity ÷ average beginning and ending year's balance of book common equity.
(2) Arithmetic average of achieved results for all individual companies in the group.
(3) Spot 1985 rate of return on average book common equity = latest 12 months reported earnings per share ÷ 1984 year-end book value.
(4) Average common equity ratio based upon permanent capital for the years 1980-1984, inclusive.

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility Compustat II
Interactive Data Corporation

Market/Book Ratio (1)

Historic Comparison of Philadelphia Electric Company and Barometer Group of Four Electric Companies with Bonds Rated Baa for the Years 1975-1984, Inclusive, and Spot 1985

Year	Philadelphia Electric Company Average Book Value	Philadelphia Electric Company Market/ Book Value	Barometer Group of Four Electric Companies with Bonds Rated Baa(2)
1985 Spot (3)	$17.80 (4)	82.2%	95.0%
1984	17.90	69.9	80.8
1983	17.95	88.4	91.3
1982	18.00	84.7	81.5
1981	18.39	69.3	72.0
1980	18.88	75.1	73.2
1979	19.16	81.2	82.8
1978	19.25	90.2	90.7
1977	19.18	100.1	104.0
1976	19.07	86.2	97.6
1975	19.61	67.9	77.0
5 Year Average 1980-1984		77.5%	79.8%
5 Year Average 1975-1979		85.1%	90.4%

Notes:
(1) Market/Book Ratio = average of yearly high/low market price ÷ average beginning and ending year's book value per share.
(2) Arithmetic average of achieved results for all individual companies in the group.
(3) Spot 1985 Market/Book Ratio = 9-19-85 market price ÷ 1984 year-end book value.
(4) 1984 year-end book value per share. Philadelphia Electric Company's market price was $14.625 on 9-19-85.

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility Compustat II
Interactive Data Corporation

Exhibit
Schedule 9

Market Price and Book Value Index (1974=100)

Historic Comparison of Philadelphia Electric Company, Barometer Group of Four Electric Companies with Bonds Rated Baa, and Dow Jones Industrial and Utility Averages for the Years 1974-1984, Inclusive, and Spot 1985

	Philadelphia Electric Company		Barometer Group of Four Electric Companies with Bonds Rated Baa		DJI		DJU	
(1974=100)	Market Price Index(2)	Book Value Index	Market Price Index(3)	Book Value Index(4)	Market Price Index(2)	Book Value Index	Market Price Index(2)	Book Value Index
1985 Spot	101.3%	88.2%	116.8%	99.7	171.7%	145.7%	198.5%	126.6%
1984	86.6	88.7	97.7	98.8	161.5	145.5	177.9	124.3
1983	110.0	88.9	109.0	97.5	157.1	145.9	170.1	119.6
1982	105.6	89.2	97.3	98.0	125.7	152.8	147.7	121.3
1981	88.3	91.1	86.9	99.2	125.8	155.7	143.2	123.1
1980	98.3	93.5	89.7	100.7	119.7	147.9	139.4	119.9
1979	107.8	94.9	102.3	101.6	115.3	137.7	135.9	117.3
1978	120.4	95.3	112.6	102.0	112.3	127.7	135.5	114.3
1977	132.9	95.0	128.1	101.4	122.6	120.8	146.2	110.2
1976	113.9	94.5	117.6	99.6	127.5	113.9	126.1	105.4
1975	92.2	97.1	92.4	99.8	103.0	107.0	97.4	102.5
1974	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Price								
1985 Spot (1)	$14.625	$17.80	$17.44	$18.20	$1,261.38	$36.10	$151.91	$24.64
1984	12.50	17.90	14.59	18.04	1,186.61	36.06	136.09	24.18
1983	15.88	17.95	16.28	17.80	1,157.12	36.15	130.11	23.28
1982	15.25	18.00	14.53	17.89	923.74	37.86	113.03	23.60
1981	12.75	18.39	12.97	18.12	924.03	38.59	109.55	23.96
1980	14.19	18.88	13.39	18.39	879.65	36.64	106.69	23.34
1979	15.56	19.16	15.27	18.56	847.14	34.12	103.99	22.83
1978	17.38	19.25	16.81	18.63	824.93	31.65	103.67	22.24
1977	19.19	19.18	19.13	18.52	900.30	29.94	111.82	21.44
1976	16.44	19.07	17.56	18.19	936.75	28.23	96.45	20.52
1975	13.31	19.61	13.79	18.22	756.93	26.52	74.55	19.94
1974	14.44	20.19	14.93	18.26	734.63	24.78	76.51	19.46

Notes: (1) Based upon the spot market price on 9-19-85 and 1984 year-end book value. The spot market price for the Barometer Group is the arithmetic average of the individual market prices for each company in the group.
(2) Market price is the computed average of yearly high-low market price.
(3) Arithmetic average of individually computed average of yearly high-low prices.
(4) Arithmetic average of individually computed average book values.

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility Compustat II
Interactive Data Corporation
The Wall Street Journal

Exhibit
Schedule 10

Earnings/Price Ratio (1)
Historic Comparion of Philadelphia Electric Company, and Barometer Group of Four Electric Companies With Bonds Rated Baa for the Years 1975-1984, Inclusive, and Spot 1985

Year	Philadelphia Electric Company Earnings Per Share	Philadelphia Electric Company Earnings/ Price Ratio	Barometer Group of Four Baa Rated Electric Companies With Bonds Rated Baa(2)
1985 Spot (3)	$2.68 (6-30-85)	18.3%	15.6%
1984	2.70	21.6	18.1
1983	2.40	15.1	14.9
1982	2.39	15.7	12.2
1981	2.25	17.7	17.5
1980	2.00	14.1	14.4
1979	1.86	12.0	13.4
1978	1.87	10.8	10.3
1977	1.86	9.7	10.4
1976	1.91	11.6	11.5
1975	1.86	14.0	14.4
5 Year Average 1980-1984		16.8%	15.4%
5 Year Average 1975-1979		11.6%	12.0%

Notes: (1) Earnings/Price Ratio = reported earnings per share ÷ average yearly high/low market price.
(2) Arithmetic average of achieved results for all individual companies in the group.
(3) Spot 1985 earnings price ratio = latest reported earnings per share ÷ 9-19-85 market price. Philadelphia Electric Company's market price was $14.625 on 9-19-85.

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility Compustat II
Interactive Data Corporation

Exhibit
Schedule 11

Common Dividend Yield (1) and Dividend Payout Ratio (2) Historic Comparison of Philadelphia Electric Company, and Barometer Group of Four Electric Companies With Bonds Rated Baa for the Years 1975-1984, Inclusive, and Spot 1985

	Philadelphia Electric Company			Barometer Group of Four Electric Companies With Bonds Rated Baa (3)	
Year	Dividends Per Share	Dividend Payout Ratio (2)	Dividend Yield (1)	Dividend Payout Ratio (2)	Dividend Yield(1)
1985 Spot	$2.20	82.1%	15.0%	76.7%	12.0%
1984	2.20	81.6	17.6	77.0(4)	13.8
1983	2.12	88.2	13.4	81.0	12.0
1982	2.06	86.2	13.5	87.9	12.9
1981	1.90	84.7	14.9	80.4	13.8
1980	1.80	90.0	12.7	94.1	13.1
1979	1.80	96.9	11.6	87.3	11.2
1978	1.80	96.0	10.4	105.0	9.9
1977	1.76	94.1	9.2	82.3	8.5
1976	1.64	85.7	10.0	80.6	9.2
1975	1.64	88.5	12.3	80.2	11.5
5 Year Average 1980-1984		86.1%	14.4%	84.1%	13.1%
5 Year Average 1975-1979		92.2%	10.7%	87.1%	10.1%

Notes: (1) Dividend Yield = yearly dividends per share ÷ average yearly high-low market price. The 1985 spot dividend yield was computed by dividing the current dividend per share by the spot market price on 9-19-85.

(2) Dividend payout ratio = reported dividends ÷ income available for common equity. Spot 1985 dividend payout ratio = current annualized dividends per share ÷ latest reported earnings per share.

(3) Arithmetic average of achieved results for all individual companies in the group.

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility Compustat II
Interactive Data Corporation

CAPITALIZATION AND FINANCIAL STATISTICS
1980 - 1984, INCLUSIVE

	1984	1983	1982	1981	1980	PERCENT INCREASE 1984 OVER 1980
			(THOUSANDS OF DOLLARS)			
AMOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	$7,970,130	$6,758,460	$5,969,000	$5,384,710	$4,883,690	
SHORT-TERM DEBT	260,000	267,500	64,700	54,220	52,590	
TOTAL CAPITAL EMPLOYED	$8,230,130	$7,025,960	$6,033,700	$5,438,930	$4,936,280	66.7%
INDICATED AVERAGE CAPITAL COST RATES (1)						
LONG TERM DEBT	10.6%	10.3%	10.5%	10.1%	9.2%	15.2%
PREFERRED STOCK	9.7	9.1	8.8	8.4	8.5	14.1
CAPITAL STRUCTURE RATIOS						5 YEAR AVERAGE
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	52.4%	50.0%	51.1%	51.7%	51.2%	51.3%
PREFERRED STOCK	11.3	12.0	11.2	11.9	13.3	11.9
COMMON EQUITY	36.3	38.0	37.7	36.4	35.5	36.8
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT TERM	54.0%	51.9%	51.6%	52.1%	51.8%	52.3%
PREFERRED STOCK	10.9	11.5	11.0	11.8	13.1	11.7
COMMON EQUITY	35.1	36.6	37.4	36.1	35.1	36.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
COVERAGES-INCLUDING ALL AFC (2)						
BEFORE INCOME TAXES: ALL INTEREST CHARGES	2.4x	2.4x	2.4x	2.1x	2.1x	2.3x
AFTER INCOME TAXES: ALL INTEREST CHARGES	2.1	2.1	2.0	1.9	2.0	2.0
OVERALL COVERAGE: ALL INTEREST + PFD. DIV.	1.8	1.7	1.7	1.6	1.6	1.7
COVERAGES-EXCLUDING ALL AFC (3)						
BEFORE INCOME TAXES: ALL INTEREST CHARGES	1.6x	1.6x	1.7x	1.5x	1.5x	1.6x
AFTER INCOME TAXES: ALL INTEREST CHARGES	1.3	1.3	1.4	1.3	1.3	1.3
OVERALL COVERAGE: ALL INTEREST + PFD. DIV.	1.1	1.1	1.2	1.1	1.1	1.1
QUALITY OF EARNINGS						
OTHER INC./PRE-TAX GROSS INC. INCL. AFC (4)	33.6%	31.5%	26.3%	29.7%	29.6%	30.1%
NI/INCOME AVAILABLE FOR COMMON EQUITY	86.6	85.8	76.5	84.4	84.3	83.5
EFFECTIVE INCOME TAX RATE	20.9	22.4	28.2	19.3	16.4	21.4
INTERNAL CASH GENERATION/GROSS CONSTR. (5)	5.2	8.9	11.5	2.8	3.6	6.4
COMMON DIVIDEND COVERAGE (6)	1.1x	1.2x	1.3x	1.1x	1.1x	1.2x

SEE PAGE 2 FOR NOTES.

Philadelphia Electric Company and Subsidiary Companies
Capitalization and Financial Statistics
1980-1984, Inclusive

Notes:

(1) Computed by relating actual long-term debt interest or preferred stock dividends booked to average of beginning and ending long-term debt or preferred stock reported to be outstanding.

(2) Coverages - including all AFC - represent the number of times available earnings, including AFC (allowance for funds used during construction) as reported in its entirety included as income, cover fixed charges.

(3) Coverages - excluding all AFC - represent the number of times available earnings, excluding all AFC, cover fixed charges.

(4) Other income/pre-income tax gross income including AFC is non-operating income (net of expenses and non-income taxes) including all AFC as reported in its entirety, as a percentage of income available for fixed charges, including all AFC, before income taxes.

(5) Internal cash generation/gross construction is the percentage of gross construction expenditures, excluding all AFC, provided by internally generated funds from operations, excluding all AFC, and after payment of all cash dividends.

(6) Common dividend coverage is the relationship of internally generated funds from operations, excluding all AFC, and after payment of preferred stock dividends to common dividends paid.

August 1985 Bond and Preferred Stock Ratings

	Bonds		Preferred Stock	
	Moody's	S&P	Moody's	S&P
Philadelphia Electric Company	Baa3	BBB-	"ba1"	BB

Source of Information: Associated Utility Services, Inc. Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility Compustat II
Moody's Bond Survey
Standard & Poor's Bond Guide

Philadelphia Electric Company
Analysis of Public Offerings of Common Stock
1980 to Date

Date of Prospectus	4-4-85	11-1-84(6)	10-4-84	8-14-84(3)	4-12-84	10-5-83	3-29-83	10-6-82	4-6-82	9-30-81	4-2-81	7-10-80
Number of Shares Offered	4,000,000	1,000,000	4,000,000	1,000,000	6,000,000	5,000,000	6,000,000	6,000,000	6,000,000	7,800,000	5,000,000	7,000,000
Dollar Amount of Offering ($Million)	$62,500	$14,813	$52,000	$11,937	$77,250	$86,875	$104,400	$96,000	$84,900	$99,450	$61,875	$105,000
Price to Public	$15.625	$14.813	$13.000	$11.937	$12.875	$17.375	$17.40	$16.00	$14.15	$12.750	$12.375	$15.00
Underwriter Discounts Per Share	.16	.056	.530	.060	.59	.48	.47	.39	.49	.505	.520	.52
Gross Proceeds Per Share	15.465	14.757	12.470	11.877	12.285	16.895	16.93	15.61	13.66	12.245	11.855	14.48
Company Expenses Per Share	.041	.100	.056	.100	0.046	0.055	.04	.04	.04	.031	.040	.02
Net Proceeds Per Share	$15.424	$14.657	$12.414	$11.777	$12.239	$16.84	$16.89	$15.57	$13.62	$12.214	$11.815	$14.46
Latest Available EPS as Revealed in Each Prospectus (Before New Issue) For 12 Months Ended	$2.70 (12-31-84)	$2.65(5) (8-31-84)	$2.65 (8-31-84)	$2.65 (6-30-84)	$2.46 (2-29-84)	$2.41 (8-31-83)	$2.39 (12-31-82)	$2.33 (8-31-82)	$2.35 (2-28-82)	$2.20 (8-31-81)	$2.12 (2-28-81)	$1.76 (5-30-80)
Latest Annualized Reported Dividend At Time of Offering	$2.20	$2.20(5)	$2.20	$2.20	$2.20	$2.12	$2.12	$2.12	$2.00	$2.00	$1.80	$1.80
Book Value Per Common Share as Calculated from Each Prospectus (Before New Issue) at	$17.81 (12-31-84)	$17.77(5) (8-31-84)	$17.77 (8-31-84)	$17.95 (6-30-84)	$17.94 (2-29-84)	$17.85 (8-31-83)	$17.82 (12-31-83)	$17.82 (8-31-82)	$18.07 (2-28-82)	$18.39 (8-31-81)	$18.70 (12-31-81)	$18.77 (5-31-80)
Earnings/Net Proceeds Ratio	17.5%	18.1%	21.3%	22.5%	20.1%	14.3%	14.2%	15.0%	17.3%	18.0%	17.9%	12.2%
Dividend Yield on Offering Price	14.1	14.9	16.9	18.4	17.1	12.2	12.2	13.3	14.1	15.7	14.5	12.0
Net Proceeds/Book Ratio	86.6	82.5	69.9	65.6	68.2%	94.3	95.5	87.4	75.4	66.4	63.2	77.0
Pro Forma Capital Structure Based on Total Permanent Capital (After New Financing)												
Long-Term Debt	49.8%	50.5%(5)	50.5%(4)	50.7%	50.2%	49.1%	49.7%	51.5%(2)	51.8%(1)	53.0%	54.4%	52.0%
Preferred Stock	11.8	11.5	11.5	11.7	12.2	11.6	12.1	11.3	11.9	12.0	12.9	13.5
Common Equity	38.4	38.0	38.0	37.6	37.6	39.3	38.2	37.2	36.3	35.0	35.7	34.5
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: (1) Reflects utilization in 1982 of a proposed $125 million of Pollution Control Notes, the proposed issuance of $20.0 million of Unsecured Notes, the issuance of $100.0 million of new First Mortgage Bonds.
(2) Reflects estimated net proceeds from the sale of common stock, the proceeds from the issuance of $100 million of new bonds on 10-1-82, the utilization of $69.0 million of a proposed new issuance of $100 million of Pollution Control Notes in 1982 and the repayment of $100.0 million of revolving credit notes.
(3) Continuously offered from August 14, 1984 to September 11, 1984.
(4) Reflects the sale of $8.7 million of Floating Rate Pollution Control Notes and the sale of 482,400 shares of common stock pursuant to a continuous offering program.
(5) Taken from the final Offering Prospectus issued in regard to the October 4, 1984 public offering of common stock.
(6) Continuously offered from November 1, 1984 to January 17, 1985.

Source of Information: Prospectus for each offering, Company provided data

Exhibit
Schedule 12
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Philadelphia Electric Company
Issuance and Selling Expense Study for
Public Offerings of Common Stock 1980 to Date

Date of Offering Prospectus	4-4-85	11-1-84	10-4-84	8-14-84	4-12-84	10-5-83	3-29-83	10-6-82	4-6-82	9-30-81	4-2-81	7-10-80	Average
Underwriters' Discount as a Percent of Offering Price	1.02%	0.38%	4.08%	0.50%	4.58%	2.76%	2.70%	2.44%	3.46%	3.96%	4.20%	3.46%	2.80%
Company Issuance Expenses as a Percent of Offering Price	0.26	0.68	0.43	0.84	0.36	0.32	0.23	0.25	0.28	0.24	0.32	0.13	0.36%
Total Issuance and Selling Expenses	1.28%	1.06%	4.51%	1.34%	4.94%	3.08%	2.93%	2.69%	3.74%	4.20%	4.52%	3.59%	3.16%

Source of Information: Prospectus for each offering

CAPITALIZATION AND FINANCIAL STATISTICS (1)
1980 - 1984, INCLUSIVE

	1984	1983	1982	1981	1980	PERCENT INCREASE 1984 OVER 1980
			(THOUSANDS OF DOLLARS)			
MOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	$4,824,050	$4,297,090	$3,843,340	$3,283,480	$2,974,350	
SHORT-TERM DEBT	15,520	24,440	82,650	83,970	37,590	
TOTAL CAPITAL EMPLOYED	$4,839,570	$4,321,530	$3,925,990	$3,367,450	$3,011,940	60.7%
NDICATED AVERAGE CAPITAL COST RATES (2)						
LONG TERM DEBT	10.5%	10.3%	10.6%	9.7%	8.4%	25.0%
PREFERRED STOCK	9.5	9.4	8.8	8.3	8.1	17.3
						5 YEAR AVERAGE
APITAL STRUCTURE RATIOS						
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	54.5%	52.5%	53.4%	53.0%	53.1%	53.3%
PREFERRED STOCK	10.5	11.7	11.9	12.7	13.1	12.0
COMMON EQUITY	35.0	35.8	34.7	34.3	33.8	34.7
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT TERM	54.8%	53.0%	54.3%	53.9%	53.6%	53.9%
PREFERRED STOCK	10.4	11.6	11.7	12.4	13.0	11.8
COMMON EQUITY	34.8	35.4	34.0	33.7	33.4	34.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
OVERAGES-INCLUDING ALL AFC (3)						
BEFORE INCOME TAXES: ALL INTEREST CHARGES	2.4x	2.4x	2.2x	2.3x	2.3x	2.3x
AFTER INCOME TAXES: ALL INTEREST CHARGES	2.1	2.0	1.9	2.0	2.0	2.0
OVERALL COVERAGE: ALL INTEREST + PFD. DIV.	1.7	1.7	1.6	1.6	1.6	1.6
OVERAGES-EXCLUDING ALL AFC (4)						
BEFORE INCOME TAXES: ALL INTEREST CHARGES	1.8x	1.8x	1.7x	1.8x	1.8x	1.8x
AFTER INCOME TAXES: ALL INTEREST CHARGES	1.4	1.4	1.4	1.5	1.5	1.4
OVERALL COVERAGE: ALL INTEREST + PFD. DIV.	1.2	1.2	1.2	1.3	1.2	1.2
UALITY OF EARNINGS						
OTHER INC./PRE-TAX GROSS INC. INCL. AFC (5)	29.8%	28.2%	26.9%	21.4%	22.3%	25.7%
AFC/INCOME AVAILABLE FOR COMMON EQUITY	74.6	80.0	82.6	65.4	67.3	74.0
EFFECTIVE INCOME TAX RATE	22.7	26.1	24.0	22.9	19.5	23.0
INTERNAL CASH GENERATION/GROSS CONSTR. (6)	17.9	14.8	9.2	20.3	19.7	16.4
COMMON DIVIDEND COVERAGE (7)	1.5x	1.4x	1.4x	1.7x	1.6x	1.5x

E PAGE 2 FOR NOTES.

Barometer Group of Four Electric Companies With Bonds Rated Baa
Capitalization and Financial Statistics (1)
1980-1984, Inclusive

Notes:

(1) All capitalization and financial statistics for Barometer Group of Four Electric Companies with Bonds Rated Baa are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements originally reported in each year.

(2) Computed by relating actual long-term debt interest or preferred stock dividends booked to average of beginning and ending long-term debt or preferred stock reported to be outstanding.

(3) Coverages - including all AFC - represent the number of times available earnings, including AFC (allowance for funds used during construction) as reported in its entirety included as income, cover fixed charges.

(4) Coverages - excluding all AFC - represent the number of times available earnings, excluding all AFC, cover fixed charges.

(5) Other income/before-income tax gross income including AFC is non-operating income (net of expenses and non-income taxes) including all AFC as reported in generated funds from operations, excluding all AFC, and after payment of all cash dividends.

(6) Internal cash generation/gross construction is the percentage of gross construction expenditures, excluding all AFC, provided by internally generated funds from operations, excluding all AFC, and after payment of all cash dividends.

(7) Common dividend coverage is the relationship of internally generated funds from operations, excluding all AFC, and after payment of preferred stock dividends to common dividends paid.

Basis of Selection:

The criteria used in the selection of this barometer group of operating electric companies were to include those companies which operate in the eastern part of the United States, have a current (August 1985) bond rating of Baa by Moody's Investor Service, Inc., have common stock which is actively traded, have permanent capitalization of at least $2.5 billion at year-end 1984, and have at least 75% of their 1984 operating revenues derived from electric sales.

The names of the companies and their Bond and Preferred Stock Ratings are:

	August 1985 Bond and Preferred Stock Ratings			
	Bond		Preferred Stock	
	Moody's	S&P	Moody's	S&P
Detroit Edison Company	Baa1	BBB	"baa2"	BBB-
Duquesne Light Company	Baa1	BBB+	"baa1"	BBB
New York State Electric & Gas Corp.	Baa2	BBB+	"baa2"	BBB
Ohio Edison Company	Baa3	BBB-	"baa3"	BB

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility
Compustat II

Barometer Group of Four Electric Companies With Bonds Rated Baa
Capitalization and Financial Statistics
1980-1984, Inclusive

Basis of Selection (continued):

Further items of comparison between the Barometer Group and Philadelphia Electric Company are shown below:

		Average for Four Barometer Group Companies	Philadelphia Electric Company
1984 Operating Revenues ($ Million)		$1,531.5	$2,981.0
1984 Operating Revenues Derived from:	-Electric	94.8%	81.7%
	-Gas	4.6	15.5
	-Other	0.6	2.8
		100.0%	100.0%

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat, Inc., Utility Compustat II

Philadelphia Electric Company
Comparison of Statistical Data Pertaining for the Barometer Group of
Four Electric Companies with Bonds Rated Baa
for the Year Ended December 31, 1984

	Philadelphia Electric Company	Barometer Group of 4 Elec. Cos. with Bonds Rated Baa	Detroit Edison Company	Duquesne Light Company	New York State Electric & Gas Corp.	Ohio Edison Company
(A) 1984 Permanent capitalization (in thousands)	$ 7,970.135	$ 4,824,046	$ 7,264,674	$ 2,916,091	$ 3,203,228	$ 5,912,190
(B) 1984 Total operating revenues (in thousands)	2,981.016	1,531,538	2,498,205	861,775	1,129,066	1,637,104
(C) 1984 Percent of total operating revenues derived from electric sales	81.7%	94.8%	97.7%	100.0%	81.6%	100.0%
(D) 1984 Total electric sales (in MMKWH)	29,395.007	22,164.629	35,886.910	11,562.800	14,444.800	26,764.007
(E) 1984 Average total customers-electric	1,358.410	999,071	1,768,864	559,088	689,667	978,664
(F) 1984 Common equity ratio based upon permanent capital	36.3%	35.0%	32.4%	36.1%	38.5%	32.9%

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility Compustat II

Exhibit
Schedule 13
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Philadelphia Electric Company

Comparison of Statistical Data for the Barometer Group of Four Electric Companies with Bonds Rated Baa for the Year Ended December 31, 1984

Electric Statistics	Philadelphia Electric Company	Barometer Group of 4 Elec. Cos. with Bonds Rated Baa	Detroit Edison Company	Duquesne Light Company	New York State Electric & Gas Corp.	Ohio Edison Company
Revenue Mix ($)						
Residential	35.1%	34.6%	31.1%	32.6%	39.7%	34.9%
Commercial	14.8	26.2	23.4	36.4	20.7	24.4
Industrial	41.4	28.0	37.7	28.4	17.0	28.7
Other (1)	3.9	6.1	2.6	1.6	9.4	10.7
Sales for Resale	2.8	3.7	3.3	0.1	11.6	0.0
Other (Non-Ultimate)(2)	2.0	1.4	1.9	0.9	1.6	1.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sales Mix (MMKWH)						
Residential	29.0%	27.7%	28.3%	25.2%	31.7%	25.5%
Commercial	12.0	23.6	19.1	38.0	18.1	19.1
Industrial	50.6	33.8	45.5	35.9	19.6	34.2
Other (1)	3.6	8.3	2.4	0.8	8.8	21.2
Sales for Resale	4.8	6.6	4.7	0.1	21.8	0.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Customers Mix						
Residential	90.6%	90.5%	91.8%	90.4%	89.3%	90.4%
Commercial	8.9	8.8	8.0	8.9	9.0	9.3
Industrial	0.4	0.2	0.1	0.4	0.2	0.2
Other (1)	0.1	0.5	0.1	0.3	1.5	0.1
Sales for Resale	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: (1) Represents the percent of total electric revenues, MMKWH or customers not classified as commercial, industrial or residential. It includes such items as electric service supplied to public street and highway lighting, other sales to public authorities (not for resale) and sales to railroads and railways.

(2) Represents percent of electric operating revenue from sources other than actual sales of electricity, such as forfeited discounts, miscellaneous service revenues, rent from electric property and inter-departmental rents.

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility Compustat II

Philadelphia Electric Company
Comparison of Reserve Margin and Nuclear Capability to the Barometer Group of
Four Electric Companies with Bonds Rated Baa for the Year Ended December 31, 1984

RESERVE MARGIN
(Based on Total Supply Capability (1))

Utility	1984
Philadelphia Electric Company	23.1%
Detroit Edison Company	21.2%
Duquesne Light Company	42.4
New York State Electric & Gas Corp.	38.7
Ohio Edison Company	33.2

NUCLEAR CAPABILITY
(Percent of Total Supply Capability)

Utility	1984
Philadelphia Electric Company	24.9%
Detroit Edison Company	0.0%
Duquesne Light Company	12.5
New York State Electric & Gas Corp.	0.0
Ohio Edison Company	6.2

(1) Total Supply Capability = Generating Capability + Purchase Obligations - Sales Obligations. PECO total supply capability excludes the sale obligations of the 471MW output of Salem 2 to JCP&L.

Source of Information: Annual Report to Shareholders
Uniform Statistical Report
Form 10-K

Philadelphia Electric Company
Volatilaty of Revenues
For 1980 to 1984, Inclusive

	Philadelphia Electric Company	Detroit Edison Company	Duquesne Light Company	New York State Electric and Gas Corp.	Ohio Edison Company
	(Thousands of Dollars)				
1980	$2,123,394	$1,812,513	$689,465	$645,314	$1,080,869
1981	2,433,424	2,054,056	796,847	767,539	1,279,649
1982	2,644,752	2,123,253	746,462	889,223	1,429,626
1983	2,596,050	2,309,657	800,345	993,589	1,515,852
1984	2,981,016	2,498,205	861,775	1,129,066	1,637,104
Average 1980-1984	$2,555,727	$2,159,537	$778,979	$884,946	$1,388,620
Standard Deviation	313,166	259,856	64,616	188,828	215,754
Coefficient of Variation	0.1225	0.1203	0.0829	0.2134	0.1554

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility Compustat II

Philadelphia Electric Company
Volatilaty of Net Income Available for Common Equity
For 1980 to 1984, Inclusive

	Philadelphia Electric Company	Detroit Edison Company	Duquesne Light Company	New York State Electric and Gas Corp.	Ohio Edison Company
	(Thousands of Dollars)				
1980	$174,950	$137,529	$69,609	$73,637	$101,403
1981	223,761	176,787	85,895	98,265	149,850
1982	278,623	181,456	94,496	122,485	161,338
1983	321,705	266,008	122,815	133,214	227,843
1984	409,707	297,778	134,839	184,006	290,694
Average 1980-1984	$281,749	$211,912	$101,531	$120,721	$186,226
Standard Deviation	90,482	67,070	26,811	42,745	73,796
Coefficient of Variation	0.3211	0.3165	0.2641	0.3541	0.3963

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility Compustat II

Development of Dividend Yield for Use in Discounted Cash Flow (DCF) Analysis for Philadelphia Electric Company, and Barometer Group of Four Electric Companies with Bonds Rated Baa

	1 Current Dividend Yield(1)	2 Next Period Dividend Growth Rate (2)	3 Current Dividend Yield Reflecting Growth (3)	4 12-Month Average Dividend Yield (1)	5 Next Period Dividend Growth Rate (2)	6 12-Month Yield Reflecting Growth (3)	7 Average Yield (Average of Col. 1,3,4,&6)(4)
Philadelphia Electric Company	15.0%	2.4%	15.4%	14.6%	2.4%	15.0%	15.0%
Barometer Group of Four Electric Companies with Bonds Rated Baa							
Detroit Edison Company	11.0%	3.0%	11.3%	10.5%	3.0%	10.8%	10.9%
Duquesne Light Company	13.5	2.7	13.9	13.2	2.7	13.6	13.6
New York State Electric and Gas Corporation	10.4	5.0	10.9	10.4	5.0	10.9	10.7
Ohio Edison Company	12.9	1.4	13.1	13.0	1.4	13.2	13.1
	12.0%	3.0%	12.4%	11.8%	3.0%	12.1%	12.1%

Notes:
(1) As developed on Schedule 14, page 2.
(2) Average of Merrill Lynch and Value Line projected dividend growth rates and the historic dividend growth rate as shown on Schedule 15, page 1 (columns 2, 5, and 7).
(3) Dividend yields reflecting next period growth in dividends are computed by increasing the yields by the next period dividend growth rate. The next period dividend growth rate is the average of historic and projected dividend growth rates.
(4) Average of current and 12-month average yields and current yield reflecting next period growth in dividends and 12-month average yields reflecting next period growth in dividends. The price of common stock may be reflective of the next period dividend which is a requirement of the DCF model when the dividend is paid discretely or periodically rather than continuously. However, there are no empirical studies which prove that investors in fact always expect the next period dividend and reflect that estimate in the current price of stock. Thus, it is possible that the present price of stock is reflective of the current annualized dividend. Moreover, sometimes the current dividend yield, which of course is the product of a stock price of a particular day, could be distorted because the price that day may be abnormally high or low or not representative of the future. Thus, judgments about the future should be the product of a recent period, such as the last twelve months' average dividend yield, as well as reflecting the value of the next period dividends expected by investors.

Calculation of Current and Average Dividend Yield for Philadelphia Electric Company, and the Barompeter Group of Four Electric Companies with Bonds Rated Baa

	Current Dividend Per Share	Current Market Price (9-19-85)	Current Dividend Yield	12-Month Average Dividend	12-Month Average Closing Price	12-Month Average Closing Yield(1)
Philadelphia Electric Company	$2.20	$14.625	15.0%	$2.20	$15.10	14.6%
Barometer Group of Four Electric Companies with Bonds Rated Baa :						
Detroit Edison Company	$1.68	$15.25	11.0%	$1.68	$15.95	10.5%
Duquesne Light Company	2.06	15.25	13.5	2.06	15.65	13.2
New York State Electric & Gas Corp.	2.56	24.625	10.4	2.46	23.65	10.4
Ohio Edison Company	1.88	14.625	12.9	1.87	14.33	13.0
Average			12.0%			11.8%

Note: (1) The average dividend yield was computed by relating the indicated annualized dividend rate and closing market price on the last trading day of each month for the twelve months ended August 30, 1985.

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Interactive Data Corporation
Standard & Poor's Compustat Service, Inc., Utility Compustat II

Development of the Growth in Value Component of Discounted Cash Flow (DCF) Analysis
for Philadelphia Electric Company, and Barometer Group of Four Electric Companies With Bonds Rated Baa
Projected Earnings Per Share, Dividends Per Share and Five Year Historic Dividend Per Share Growth

	1	2	3	4	5	6	7	8
	Merrill Lynch Projected Growth			Value Line Projected Growth				
	Earnings Per Share	Dividends Per Share	Average Projected Growth	Earnings Per Share	Dividends Per Share	Average Projected Growth	Historic Five-Year Dividends Per Share Growth	Average of Merrill Lynch and Value Line Projected Growth and Historic Growth (1)
Philadelphia Electric Company	(2.3%)	1.8%	(0.3%)	2.0%	2.0%	2.0%	3.5%	1.7%
Barometer Group of Four Electric Companies With Bonds Rated Baa								
Detroit Edison Company	2.7%	2.4%	2.6%	4.5%	4.5%	4.5%	2.0%	3.0%
Duquesne Light Company	4.0	2.5	3.3	3.5	2.5	3.0	3.0	3.1
New York State Electric and Gas Corp.	3.5	4.0	3.8	4.0	5.0	4.5	6.0	4.8
Ohio Edison Company	(2.0)	1.8	(0.1)	2.0	2.0	2.0	0.5	0.8
	2.1%	2.6%	2.6%	3.5%	3.5%	3.5%	2.9%	2.9%

Notes: (1) Average of Columns 3, 6, and 7.

Source of Information: Value Line Investment Survey Edition 1, June 28, 1985 and Edition 5, July 26, 1985,
Merrill Lynch Quantitative Analysis July 1985, May-June 1984, and September-October 1983

Exhibit
Schedule 15
Page 1 of 3

Common Stock Turnover Rates and Current Institutional Holdings for Philadelphia Electric Company and Barometer Group of Four Electric Companies with Bonds Rated Baa for 1980 to 1984, Inclusive

	Common Stock Turnover Rates in Years						Current Percentage of Institutional Holdings(1)
	1984	1983	1982	1981	1980	Five Year Average	
Philadelphia Electric Company	2.4	3.0	3.6	5.0	6.5	4.1	16.0%
Barometer Group of Four Electric Companies with Bonds Rated Baa							
Detroit Edison Company	2.7	3.1	3.2	6.2	5.9	4.2	24.0%
Duquesne Light Company	2.9	3.2	3.5	5.7	4.7	4.0	14.3
New York State Electric & Gas Corp.	1.8	2.1	2.7	6.2	5.6	3.7	30.6
Ohio Edison Company	2.1	3.0	3.0	4.0	4.5	3.3	14.6
Average	2.4	2.9	3.1	5.5	5.2	3.8	20.9%

Comment: Common stock turnover rates are calculated by dividing average common shares outstanding by common shares traded. The current percentage of institutional holding is calculated by dividing the number of shares held by institutions by the number of shares outstanding.

Note: (1) Current institutional holdings as of August 1985.

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility Compustat II
Interactive Data Corporation
Standard & Poor's Stock Guide, September 1985

Growth Rate Test
for Philadelphia Electric Company and the Barometer Group of
Four Electric Companies with Bonds Rated Baa for June 1981 to June 1985

	Stock Price Growth(1)	Value Line Five Year Growth Rates (2)						Merrill Lynch Growth Rates (2)	
		Projected Earnings Per Share	Historic Earnings Per Share	Projected Dividends Per Share	Historic Dividends Per Share	Projected Book Value Per Share	Historic Book Value Per Share	Projected Earnings Per Share	Projected Dividends Per Share
Philadelphia Electric Co.	4.7%	5.0%	(1.0)%	2.5%	1.5%	1.0%	(0.5)%	2.0%	(0.1)%
Barometer Group of Four Electric Companies with Bonds Rated Baa									
Detroit Edison Company	10.0%	3.5%	1.0%	3.5%	1.5%	0.5%	(1.5)%	2.0%	2.4%
Duquesne Light Company	6.9	5.5	(5.5)	0.5	0.5	N/A	1.5	3.0	1.7
New York State Gas & Electric	14.1	4.5	3.5	5.0	3.0	4.0	1.0	3.0	4.4
Ohio Edison Company	4.5	5.0	(3.0)	2.0	2.0	2.0	1.5	2.0	(0.1)

Notes: (1) Stock price growth as measured as the average annual growth rate in stock prices from the second quarter of 1981 to the second quarter of 1985. Stock prices used are the average of the monthly highs, lows and closing prices for the three months of the quarter.
(2) Value Line and Merrill Lynch growth rates are those from the first quarter of 1981.

Source of Information: Associated Utility Services, Inc., Computerized Data Base
Standard & Poor's Compustat Services, Inc., Utility Compustat II
Value Line Investment Survey, Edition 1, January, 1981
Merrill Lynch Quantitative Analysis, Common Stock Valuation, January, 1981

Comparison of Cost of Long-Term Debt and Cost Rate Spread in Long-Term Debt and Common Equity for Eighty-two Electric Companies, Barometer Group of Four Electric Companies with Bonds Rated Baa, and Philadelphia Electric Company Using Merrill Lynch and Value Line Projected Growth Rates and Historic Dividend Growth For 1981-1984, Inclusive

Year	Average Company-Specific Long-Term Debt Cost Rate	Average Spread in Market-Determined Debt Cost Rate and DCF Calculated Common Equity Cost Rate (1)
1. Eighty-two Electric Companies		
1981-1982	15.0%	2.3%
1983-1984	13.1	3.2
2. Barometer Group of Four Electric Companies with Bonds Rated Baa (2)		
1981-1982	15.5%	1.4%
1983-1984	13.6	2.7
3. Philadelphia Electric Company		
1981-1982	15.6%	1.3%
1983-1984	13.7	3.7

See page 2 for Notes.

Comparison of Cost of Long-Term Debt and Cost Rate Spread in Long-Term Debt and Common Equity for Eighty-two Electric Companies, Barometer Group of Four Electric Companies with Bonds Rated Baa, and Philadelphia Electric Company Using Merrill Lynch and Value Line Projected Growth Rates and Historic Dividend Growth
1981-1984, Inclusive

Notes:

(1) Represents the difference between the Discounted Cash Flow (DCF) computed cost rate of common equity and the yield on long-term debt for each company computed monthly. The DCF cost rate of common equity computed for each month of the study period employed the most recent quarterly dividend payment annualized, divided by the average high, low and closing monthly price per share, adjusted for the prospective dividend per share by applying one half of the average Merrill Lynch and Value Line projected earnings and dividend per share growth rate and historic dividend per share growth rate to the computed dividend yield and recognizing as the growth component the average of Merrill Lynch and Value Line projected earnings and dividends per share growth rates, and historic dividends per share growth rate. For each company, an arithmetic average of the twelve month differences between debt and common equity cost rates was used to develop the yearly average in each rating group. The yearly average for all companies is the product of an arithmetic average for all companies contained in that rating group in that year.

(2) Arithmetic average of three companies because Merrill Lynch discontinued publishing growth rates for Duquesne Light Company in September-October 1983.

Source of Information: Standard & Poor's Monthly Bond Guide
Standard & Poor's Utility Compustat II for monthly average stock prices and dividends per share
The Value Line Investment Survey for historic dividend growth rates and projected growth rates in earnings and dividends per share
The Merrill Lynch Quantitative Analysis for projected growth rates in earnings and dividends per share

Representative Bond Issuer and Names of Eighty-two Electric Power Utilities

Name of Company	Issuer (If not Company Listed on Left)
Allegheny Power System, Inc.	
American Electric Power Co., Inc.	(Potomac Edison Co.)
Arizona Public Service Co.	(Indiana & Michigan Elec. Co.)
Atlantic City Electric Co.	
Baltimore Gas & Electric Co.	
Boston Edison Co.	
Carolina Power & Light Co.	
Central & South West Corp.	
Central Illinois Public Service Co.	(Public Service Co. of Oklahoma)
Cincinnati Gas & Electric Co.	
Cleveland Electric Illuminating Co.	
Commonwealth Edison Co.	
Consolidated Edison of New York, Inc.	
Consumers Power Co.	
Dayton Power & Light Co.	
Delmarva Power & Light Co.	
Detroit Edison Co.	
Dominion Resources Inc.	
Duke Power Co.	(Virginia Electric Power Co.)
El Paso Electric Co.	
Florida Power & Light Co.	
Florida Progress Corp.	
Gulf States Utilities Co.	(Florida Power Corp.)
Hawaiian Electric Industries, Inc.	
Houston Industries, Inc.	(Hawaiian Electric Co.) (Houston Power & Light Co.)
Idaho Power Co.	
Illinois Power Co.	
Iowa Electric Light & Power Co.	
Iowa-Illinois Gas & Electric Co.	
Iowa Resources, Inc.	
Ipalco Enterprises, Inc.	(Iowa Power & Light Co.)
Kansas City Power & Light Co.	(Indianapolis Power & Light Co.)
Kansas Gas & Electric Co.	
Kansas Power & Light Co.	
Kentucky Utilities Co.	
Long Island Lighting Co.	
Louisville Gas & Electric Co.	
Middle South Utilities, Inc.	
Midwest Energy Company	(Arkansas Power & Light Co.)
Minnesota Power & Light Co.	(Iowa Public Service Co.)
Montana-Dakota Utilities Co.	
Montana Power Co.	

Representative Bond Issuer and Names of Eighty-two Electric Power Utilities

Name of Company	Issuer (If not Company Listed on Left)
Nevada Power Co.	
New England Electric System	(Naragansett Electric Co.)
New York State Electric & Gas Corp.	
Niagara Mohawk Power Corp.	
Northeast Utilities	(Connecticut Light & Power Co.)
Northern Indiana Public Service Co.	
Northern States Power Co.	
Ohio Edison Co.	
Oklahoma Gas & Electric Co.	
Orange & Rockland Utilities	
Pacificorp	(Pacific Power & Light Co.)
Pacific Gas & Electric Co.	
Pennsylvania Power & Light Co.	
Philadelphia Electric Co.	
Portland General Electric Co.	
Potomac Electric Power Co.	
Public Service Co. of Colorado	
Public Service Co. of Indiana	
Public Service Co. of New Hampshire	
Public Service Co. of New Mexico	
Public Service Electric & Gas Co.	
Puget Sound Power & Light Co.	
St. Joseph Light & Power Co.	
San Diego Gas & Electric Co.	
Sierra Pacific Resources	(Sierra Pacific Power Co.)
South Carolina Electric & Gas Co.	
Southern California Edison Co.	
Southern Company	(Alabama Power Co.)
Southern Indiana Gas & Electric Co.	
Southwestern Public Service Co.	
TECO Energy, Inc.	(Tampa Electric Co.)
Texas Utilities Co.	(Dallas Power & Light Co.)
Toledo Edison Co.	
Tucson Electric Power Co.	
Union Electric Co.	
Utah Power & Light Co.	
Washington Water Power Co.	
Wisconsin Electric Power Co.	
Wisconsin Power & Light Co.	
Wisconsin Public Service Corp.	

Philadelphia Electric Company
Indicated Results of Pennsylvania Jurisdictional Electric Operations,
Pro Forma Present Rates and Pro Forma Proposed Rates,
if the Rate Base is Financed in Harmony with the Rate of Return Opinion
for Twelve Months Ended June 30, 1986

Line No.	Description	Pro Forma Present Rates	Proposed Rates
1.	Before-income tax overall rate of return	7.22% (1)	19.79% (3)
2.	Federal income tax	0.83 (2)	7.09 (4)
3.	After income tax overall rate of return (line 1 less line 2)	6.39	12.70
4.	Less: Long-term debt component (50.7% long-term debt ratio x 10.84% long-term debt cost rate)	5.50	5.50
5.	Component available for preferred stock and common equity	0.89	7.20
6.	Less: Preferred stock component (10.8% preferred stock ratio x 10.54% preferred stock cost rate)	1.14	1.14
7.	Component available for common equity	(0.25)%	6.06%
	Financial Ratios		
	Interest coverage:		
	Before Income tax (line 1 ÷ line 4)	1.3x	3.6x
	After income tax (line 3 ÷ line 4)	1.2x	2.3x
	Overall coverage of interest and preferred dividends (Line 3 ÷ sum of lines 4 and 6)	1.0x	1.9x
	Return rate for common equity component of the rate base (component available for common equity ÷ 38.5% common equity ratio)	(0.6)%	15.75%
	Effective income tax rate (line 2 ÷ (line 2 + line 5))	48.3%	49.6%

Philadelphia Electric Company
Indicated Results of Pennsylvania Jurisdictional Electric Operations,
Pro Forma Present Rates and Pro Forma Proposed Rates,
if the Rate Base is Financed in Harmony with the Rate of Return Opinion
for Twelve Months Ended June 30, 1986

Notes:

(1) Sum of Operating Income Available for Return pro forma at present rates of $444.781 million and related Federal Income Taxes and equivalents of $58.036 million or $502.817 million of before-income tax net operating income related to per books adjusted original cost rate base of $6,963.532 million.

(2) Federal Income Taxes and Equivalents pro forma at present rates of $58.036 million related to per books adjusted original cost rate base of $6,963.532 million.

(3) Sum of Operating Income Available for Return pro forma at proposed rates of $884.369 million and related Federal Income Taxes and equivalents of $493.563 million or $1,377.932 million of before income tax net operating income related to claimed original cost rate base of $6,963.532 million.

(4) Federal Income Taxes and Equivalents pro forma at proposed rates of $493.563 million related to claimed original cost rate base of $6,963.532 million.

Source of Information: Exhibit TPH-2, Schedule A-1

PECo Statement No. 19

BM 12-10-85
Hbg
R-850152

Pennsylvania Public Utility Commission

v.

Philadelphia Electric Company

Docket No. R-850152

Direct Testimony

of

Albert J. Solecki

Explanation of the Budget Process and Inflation Rate Assumptions

September 1985

Direct Testimony of Albert J. Solecki

Q. Please state your name and address for the record?

A. Albert J. Solecki, 2301 Market Street, Philadelphia, PA 19101.

Q. By whom are you employed and in what capacity?

A. I am Manager of the Budget and Control Division of Philadelphia Electric Company.

Q. What is your educational background?

A. I was graduated from LaSalle College in 1964 with a Bachelor of Science Degree in Accounting and in 1967 I received a Master of Business Administration from Drexel University. I also attended the Pennsylvania State University Executive Management Program from which I received a diploma.

Q. Please describe your employment experience with Philadelphia Electric Company?

A. I joined Philadelphia Electric Company in the Customers Accounts Division of the Finance and Accounting Department in 1958. In 1960, I joined the newly formed Electronic Computer Division as a Programmer working in the areas of computer system analysis and programming. In 1965, this division merged with the Systems Division. From 1965 to 1970 I held non-supervisory positions in the Systems Division in the areas previously mentioned. In 1971, I was appointed General Supervisor of the Systems Division; in 1972, I was named Assistant Manager, Systems Division. In 1973, I was appointed Assistant Manager of the Financial Division and in 1977, I was named Manager of that Division having responsibility for the development and execution of long term financing plans, including regulatory

filings, investor relations and economic analyses. In May 1978, I was appointed Manager of Taxes Division, with responsibility for tax planning and research, collection and preparation of tax accounting data, preparation and filing of tax returns and settlement of tax returns and claims. In July 1980, I was appointed Manager of the Budget and Control Division.

Q. Have you been active in any professional organizations?

A. From 1971 to 1973, I was a member of the Methods and Computer Services Committee of the Edison Electric Institute. From 1973 to 1978, I was a member of the Statistical Committee of the Edison Electric Institute serving as Chairman of this Committee's Financial Ratios Group for 1977 and 1978. From 1978 to 1980, I was a member of the Tax Committee of the Edison Electric Institute. At present, I am Chairman of the Budgeting and Financial Forecasting Committee of the Edison Electric Institute. The Budgeting and Financial Forecasting Committee has responsibility for studying budgeting and financial forecasting in the utility industry; for the development of improved budgeting and financial forecasting techniques; for the development of effective tools for budgetary control and for encouraging the use of budgets and financial forecasts as aids in decision making.

Q. What are the responsibilities of the Budget and Control Division?

A. The Budget and Control Division is responsible for the coordination, preparation and analysis of the corporate operating budget and forecast; the analysis of financial performance and preparation of related internal and external reports; analyses and various other

activities related to the measurement and control of Company costs; and preparation and maintenance of corporate procedures and forms design and control.

Q. Please describe in greater detail your activities as Manager of Budget and Control.

A. I have overall responsibility for the coordination, preparation and analysis of the Company's operating budget and forecast. Under my direction, the necessary budget and forecast data is coordinated, processed, reviewed and presented to management for approval. I participate in budget and forecast reviews at all levels in the organization. In addition, my responsibilities include the development and implementation of budget and forecasting systems designed to aid in the analysis of budget and forecast data as well as the presentation of such data to management. Under my direction, analyses of actual results relative to budget are also performed and presented to management on a monthly basis. In the non-budget related areas, I have responsibility for corporate procedures, forms analysis and design, the performance of special studies as requested by management and the preparation of various external financial reports.

Q. Have you testified in any previous proceedings?

A. Yes. I have presented testimony before the Pennsylvania Commission as to tax matters in the proceeding at R-79030781 involving a gas rate increase request, at R-79040785 involving a steam rate increase request, and at R-79060865 and R-800611225 involving the Company's requests for electric rate increases. I have also presented

testimony before the Pennsylvania Commission as to the Company's accounting procedures and budget process in the proceedings at R-822291 and R-842590 involving the Company's requests for electric rate increases.

Q. What is the purpose of your testimony?

A. I will describe the Company's budget process and the inflation rate assumptions used in the preparation of the 1985-86 budget.

Q. Please explain the Company's budget process.

A. Each year a detailed 24 month budget is prepared as a tool for managing and conducting the operations of the Company. This budget is prepared on a "responsibility basis". That is, following the Company's organization chart, specific responsibility areas are defined and each area then budgets those items which fall within their responsibility.

The budgeting process begins with the development of objectives, initial personnel requirements and assumptions and guidelines such as service dates for new units, retirements of old units, and inflation factors. These assumptions and guidelines in the form of an instruction letter are sent to each of the approximately 165 responsibility areas. Each area reviews its historic expense levels and significant events which will alter those levels, known cost changes and guidelines set forth in the instruction letter and develops their segment of the budget. Inflation factors which were 5.25% for 1985 and 6.4% for 1986 are only used where specific known

cost changes are not available and the level of activity being budgeted is expected to remain essentially unchanged, except for inflation.

The completed responsibility budgets are reviewed by my staff in order to develop the overall Company budget. The budget is then presented to the Chairman of the Board and the President for their review and for submission to the Board of Directors for their final approval. The budget process is usually completed and approved in January.

Once established, the budget is very rarely changed. As the year progresses, actual results as compared with budget are monitored on a monthly basis and an informal projection of the remainder of the year, starting with the budget and adjusting for significant known changes, is made.

Q. Please explain in more detail the organization and mechanics of the budget process.

A. To facilitate communications with my staff and the overall budget processing and review functions, budget coordinators are established for each of the departments in the Company. A budget coordinator is an employee of the operating department and has primary responsibility for the coordination and review of budget information for the responsibility areas in his department.

The budget system is a state of the art, on-line computer system which utilizes video display terminals for budget submissions and

provides immediate feed-back to the individual submitting the budget, including variance messages as soon as the budget data for an account is submitted. In the case of a variance, an explanation for the variance must be provided before the budget data for the account being budgeted is processed. Printed budget data and variance reports may also be obtained via the video display terminals. In addition, my staff also analyzes the variance reports, discusses significant items with the budget coordinators and/or the operating staff who developed the estimates and revises the budget where appropriate or necessary. The budget is then discussed with the managements of the various departments prior to review by the Chairman of the Board and the President.

The budget process is recognized throughout the Company as a critically important function. The expenditure of time and effort in preparing and reviewing it initially is significant; the review and analysis to which it is subjected is careful and extensive and requires the cooperation of all of the departments in the Company. Our experience has been that the budget process is effective; the revenues and expenses included in the 1984 budget are not significantly different from actual experience.

Q. Please explain the derivation of the inflation factors used for the 1985-86 budget.

A. Arriving at the inflation factors for budget purposes is not a pure mathematical computation, but rather encompasses reviews of several

sources of forecast data and our best judgement as to the application of this data to the Company. In arriving at the inflation factors, the Company's Economist's Office uses information from Data Resources, Inc., the Fidelity Bank Econometric Model, the Conference Board, Mellon Bank, Citibank, Chemical Bank, First Pennsylvania Bank, E. F. Hutton, Paine Webber, Morgan Stanley, Morgan Guaranty Trust, and extensive financial forecast information prepared by Merrill Lynch and others.

Utilizing the information indicated above, inflation factors to be used in the budget preparation only in the absence of known cost changes were developed. These factors, 5.25% for 1985 and 6.4% for 1986 were developed in November 1984 in conjunction with our consultants, Putnam Hayes & Bartlett and National Economic Research Associates. These inflation rates are supported by Data Resources, Inc. Report: "U.S. Long Term Reivew: The Outlook to 1995", Summer 1984. The 1985 GNP deflator of 5% is approximately at the midpoint between the optimistic and pessimistic estimates of the G.N.P. deflator by D.R.I. in that document. The 6.0% GNP deflator for 1986 and beyond is close to the center of the D.R.I. rates in that document.

The inflation rates utilized for budget purposes are a composite of the GNP deflator estimates and wage rate estimates as indicated in the following table.

	1985	1986	1987 & beyond
GNP	5.0%	6.0%	6.0%
Wages	5.5%	6.8%	7.3%
PECO Rates	5.25%	6.4%	6.65%

The wage rate estimates are based on the assumptions that such increases are (a) related to the general inflation rate in the economy but with a lag of about one year, (b) higher than the general inflation rate when the inflation rate is low to moderate, and (c) equal to or lower than the general inflation rate when that inflation rate is high.

Q. Does this conclude your testimony?

A. Yes.

PECO Statement No. 25

OH 12-10-85
R-850152
Nbg

Pennsylvania Public Utility Commission

v.

Philadelphia Electric Company

Docket No. R-850152

Direct Testimony

of

Warren H. Smith

Plant In Service Accounting

Procedures and Controls

September 27, 1985

Direct Testimony of Warren H. Smith

Q. Please state your name and address for the record.

A. Warren H. Smith, 2301 Market Street, Philadelphia, PA 19101

Q. By whom are you employed and in what capacity?

A. I am Manager of the Plant Accounting Division of Philadelphia Electric Company.

Q. What is your educational background?

A. I received a Certificate in Accounting from Temple University in 1958.

Q. Please describe your work experience with Philadelphia Electric Company.

A. I was employed by Philadelphia Electric Company in 1951 as a junior clerk in the Plant Accounting Division. Initially, I was responsible for operating and producing reports on IBM data processing equipment. After advancing to senior property clerk, I maintained the control ledgers of the Division, analyzed construction work orders to determine costs by property units for inclusion in the continuing property records, and participated in special cost studies.

In 1961, I transferred to the Taxes Division. As a junior tax accountant, I was responsible for the computation of book and tax depreciation and investment tax credit, preparation of tax returns and the analysis of new tax legislation. In 1965, I transferred to the Financial Division, where, as a senior analyst, I was responsible for

computing book and tax depreciation, and assisting in the preparation of depreciation life studies and data for the Company's 1968, 1970 and 1971 rate filings.

In 1972, I transferred back to the Plant Accounting Division as a senior technical assistant. In 1973, I was appointed General Supervisor of Plant Accounting. I was appointed Assistant Manager in 1975 and in 1978 I was appointed to my current position of Manager of Plant Accounting.

Q. Please describe in detail your responsibilities as Manager of the Plant Accounting Division.

A. My primary responsiblity is to account and maintain the detailed records for the original cost of plant in service, construction work in progress, plant held for future use and nuclear fuel in the process of refinement, conversion, enrichment and fabrication. I am also responsible for the computation of all book and tax depreciation and additions to plant which qualify for the investment tax credit as well as for producing all utility plant related reports necessary to support tax returns, the mortgage indenture, insurance policies and billings for relocation of facilities. In order to fulfill these responsibilities, my division maintains a staff of 56 employees, consisting of a manager, four supervisors, 16 accountants, 29 analysts and 6 clerks. Fourteen of the accountants have degrees in accounting or business administration, while many of the analysts have taken advanced accounting courses or have

worked previously in the operating departments.

Q. Have you been active in any professional organizations?

A. Yes. From 1974 to 1978 I was a member of the AGA-EEI Depreciation Accounting Committee and from 1978 to 1985 I was a member of the AGA-EEI Plant Accounting Committee. The Depreciation Accounting Committee is responsible for reviewing and studying new techniques in plant life analysis and the methods used to calculate book and tax depreciation. The Plant Accounting Committee is responsible for reviewing new and proposed regulations and legislation as they relate to plant in service and under construction, analyzing and making recommendations as to the proper implementation of the regulations or legislation, and reporting to member companies new and more efficient ways to account for and control plant in service costs. While a member of the Plant Accounting Committee, I was chairman of several subcommittees which dealt with construction overheads, third party billings, accounting for jointly owned projects and Plant Accounting Division interfaces with other departments and external organizations.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe the accounting procedures employed and the records maintained by the Plant Accounting Division which accurately record the cost of plant in service on the Company's books of account. I will explain why these records and procedures ensure that these

costs represent the original cost of plant in service supplying the needs of our customers.

Q. Please describe how the Company's Utility Plant records are maintained.

A. The plant records are maintained so as to conform with the Uniform System of Accounts for major electric utilities as mandated by the Federal Energy Regulatory Commission and the Pennsylvania Public Utility Commission. Plant in Service is the combined total of all costs included in Account 101 - Utility Plant Classified by Primary Account, and Account 106 - Completed Construction Not Classified. The cost of Construction Work in Progress is accounted for in Account 107.

The records maintained and the procedures followed in accounting for utility plant costs can be described best by following a project from inception to completion and its ultimate recording in the continuing property records. When a decision is made by the operating or engineering department to add or replace utility plant, management approval must be obtained prior to expending any funds or commencing work. At that time, it must be determined if the project is capital or maintenance. Once this is done, either a capital authorization or an expense authorization is prepared and circulated for the necessary approvals. Plant Accounting is part of the approval process and reviews all authorizations for proper accounting and, if it is a capital project, to ensure sufficient detail of costs

incurred will be provided to allow proper assignment of costs to the appropriate plant account. In the Uniform System of Accounts, these capital authorizations are referred to as work orders.

Once approved, work commences and the resulting costs are charged to the work order. During the construction phase, the costs charged to this work order and all other work orders under construction are reflected in Account 107. When the project is completed sufficiently to be ready for service or is physically placed in service, the operating department fills in the date on a form supplied to them by the Plant Accounting Division and forwards it to us. During that same month, the costs accumulated on the project are transferred from Account 107 to Account 106 and the accrual of Allowance for Funds Used During Construction ceases and the accrual of book and tax depreciation begins. All costs for the project are still maintained in a work order status since finishing costs and/or late charges may be incurred. Any retirement of plant costs which were physically replaced on this project are also recorded at this time. When all work has been completed and all costs have been charged to the project, the responsible operating or engineering department will close the project to the Plant Accounting Division.

A plant accountant in my Division is then assigned to unitize the work order which consists of assigning costs and quantities by location, primary account and to

the various continuing property record units (CPR) within each primary account. The accountant does this by reviewing engineering prints of the site where the work was done, physically inspecting the project, discussing the project with cognizant engineers or operating personnel, and reviewing written descriptions of the work performed by contractors or Company personnel. Once this analysis is completed, the quantities and costs for the work order are transferred from Account 106 and are included in Account 101. The costs and quantities are added to the continuing property records for that location in the detail described and the cost of retired plant are deleted.

Account 101 (costs and quantities) for that location therefore represents the original cost of utility plant in service, states what primary account the costs are assigned to (structures or equipment), and describes the property, the year installed and the applicable work order. This detail is necessary to allow for verification of costs to the physical plant and to provide for future retirements as they occur. Additionally, the use of a work order system and the procedure of notifying Plant Accounting when a project is placed in service or is ready for service, assures the timely recording of additions and retirements of utility plant in service. All of the records are automated and the work orders maintained in Accounts 106 and 107 plus the detailed continuing property record which comprises Account 101 are balanced each month to the

general ledger of the Company.

Q. Are the Company's Plant-Accounting records audited?

A. Yes. The records are audited annually by an independent certified accounting firm and periodically by the Federal Energy Regulatory Commission, the Internal Revenue Service, the audit staff of the Pennsylvania Public Utility Commission and our own Internal Auditing staff. The audit staffs of each entity make random field examinations of plants to verify the recorded cost to the physical facilities during each audit.

The most recent Federal Energy Regulatory Commission (FERC) audit was completed in 1982 for the period 1979-1981. The FERC audits are general compliance audits and include an examination of utility plant accounts. They normally cover a three or five year period and all capital authorizations are reviewed. During that review, work orders are selected at random and checked thoroughly for adherence to FERC regulations and Company procedures. Areas of disagreement for the accounting of costs are usually resolved, but if necessary, correcting entries are made. The Pennsylvania Public Utility Commission staff participates in the exit conferences for these audits and receives copies of all correspondence. The final audit results transmitted to the Company state the value of the original cost of plant in service as recognized by FERC and that amount (as adjusted if necessary) is the recorded amount on the Company's books. More recently, the Division

of Audits of the Pennsylvania Public Utility Commission completed an audit of plant in service for the period 1979-1983. The results of this audit have not yet been received. Generally the results of the audits conducted by independent certified accounting firm, FERC, the Internal Revenue Service, the audit staff of Pennsylvania Public Utility Commission and our own Internal Auditing staff conclude that the Company records are accurate and in compliance with applicable regulations and procedures.

The IRS audits usually center on proper classification of costs by primary account and capital-maintenance decisions. Our Internal Auditing Division conducts periodic audits of all phases of Plant Accounting for compliance with regulatory requirements and adherence to Company procedures. The last audit was completed in 1982. Finally, the audits conducted by the Company's independent certified public accounting firm verify that the Plant Accounting records for utility plant do agree with the general ledger, random reviews of work orders for proper capital charges and accounting for costs of jointly owned projects.

Q. Do the amounts shown in the Utility Plant accounts accurately reflect the original cost of utility plant in service for the benefit of the Company's ratepayers?

A. Yes. In 1937, the Uniform System of Accounts was revised, requiring plant costs to be recorded at the original cost to the first user of that plant. A consulting firm was

employed to ascertain the original cost of plant in service and in the mid-1940's agreement on that amount was reached with the then Federal Power Commission and the Pennsylvania Public Utility Commission. The appropriate correcting entries were made to both plant in service costs and the accumulated provision for depreciation. Since that time, the work order system which I have previously described has been used to account for the additions and retirements of utility plant as prescribed by both commissions.

Q. Please describe what controls are in place within the Plant Accounting Division to assure that costs included in Plant in Service accurately reflect plant investment which is in service.

A. There are several such controls as described below:

1. Each month, an overrun and past due authorization report is sent to the responsible division citing work orders that have exceeded their authorized amounts by 10% and/or $10,000. An explanation of the overrun is required and in some instances uncovers improper charges which are then transferred to the proper account. If the costs are proper, the work order must be supplemented by requesting additional funding. Authorizations that remain open past their expected completion date are also included in this report and must be explained by the responsible division. The regular preparation of this report verifies that projects are still under construction and that the

Allowance for Funds Used During Construction is not being overstated.

2. Each day, a comparison is made of charges against the approved capital work order master file. Charges which were rejected because they had an invalid work order are investigated by Plant Accounting personnel. The work order number will be corrected to the proper number, or if it is found to be an improper capital charge, it is brought to the attention of the responsible department for proper accounting.

3. An ongoing dialogue is maintained with all responsible divisions charging to capital authorizations. I, or members of my supervisory staff and senior accountants, determine the proper accounting treatment for questionable costs about to be incurred.

4. Twenty-three analysts from Plant Accounting are located in seven service buildings located throughout the Company's service territory. These analysts work closely with our Transmission and Distribution (T&D) Department on a daily basis, advising the T&D accounting forces on proper capital/maintenance accounting for costs. They also verify that completed work orders receive only capital charges and that those charges reflect only the work performed and agree with the physical quantities recorded on the operating maps and records.

5. Our T&D Department uses an automated system to estimate

and track the quantities and cost of each electric distribution work order. This system uses average manhours to perform certain tasks and current labor and material costs to derive its estimate of cost for the project. If actual costs or hours deviate significantly from the estimate, a plant analyst from Plant Accounting will review the project with T&D personnel to determine the reason for the deviation. If it is found that maintenance type work was charged to the capital work order, those costs are transferred to the appropriate maintenance account.

6. The unitization process is the last but most extensive review of costs charged to the work order. In the process of assigning costs to each property unit, excess quantities of storeroom issues are investigated, invoices for purchased materials are reviewed, invoices for contract labor are checked for reasonableness, AFUDC charged to the project is verified and actual costs are compared to estimates for the project. All deviations are investigated and if found to be incorrect, the appropriate adjusting journal entry is made.

7. Physical inventories of plant, and comparisons of recorded quantities in the plant in service records to operating records are other controls that are used in my Division. Examples of plant where costs are verified in this manner are transformers, meters, spare power

transformers, tools and work equipment, and office machines.

Q. Are these controls exercised on large construction projects?

A. Not by the Plant Accounting Division. When large construction projects are undertaken by the Company, the General Contractor is given the responsibility of accounting for costs and quantities during construction and to provide a Final Cost Statement to Plant Accounting at the completion of the project.

At the beginning of the project, we in Plant Accounting will supply the level of detailed accounting categories required to the accounting staff of the General Contractor. Periodically, a Plant Accountant will review the accounting records to assure they are being kept accurately and in the level of detail required. The control of costs are the responsibility of the Divisions within the Company charged with overseeing construction of the project and these Divisions are assisted in this task by ongoing reviews of the project by our Internal Auditing Division.

Q. Please explain how the plant in service costs for Electric and Common Plant shown on pages B-3 through B-6 of Exhibit TPH-2 were developed.

A. The actual original cost of plant in service (combined total of Accounts 101 and 106) recorded on the books of the Company at June 30, 1985 was used as the base or starting point. These costs are reflected on pages B-3 through B-6

of Company Exhibit TPH-1.

The estimated cost of additions and retirements were extracted from the Company's Construction and Retirement budget for the period July, 1985 through June, 1986 and were added and subtracted respectively to the actual June, 1985 plant in service costs, to produce the estimated plant in service at June 30, 1986.

Q. Mr. Smith, do you believe that, based upon the accounting and internal/independent audit procedures which you have described above, that all investment shown in the Company's books of account as plant in service do reflect actual plant in service?

A. Yes, I do.

Q. Does this conclude your testimony?

A. Yes, it does.

OCA EXHIBIT 1
R-850152
12-10-85
PG
MJS

Philadelphia Electric Company-Electric Division
Response to Office of Consumer Advocate Rate of Return Interrogatories
Set V - Dated October 24, 1985
Docket No. R-850152

Question 13. Please provide copies of the source information referenced on Schedule 6, page 3.

Response:

Attached is the requested information. Please note that the issue of Standard & Poor's Trends & Projections used as a source of information is June 13, 1985, not July 18, 1985 as incorrectly noted.

THE VALUE LINE Investment Survey

Selection & Opinion

Pages 624-639

File in page order in the Selection & Opinion binder.

August 9, 1985

Quarterly Economic Review

Value Line continues to forecast, with growing confidence, that the current business expansion will last into 1987. Thus, this period of growth, which began in December 1982, will be among the longest of the post-war era.

Recently, the expansion has lacked vigor. Inflation-adjusted growth of the gross national product, the nation's total output of goods and services, rose at only a 0.9% annual rate in the first half of 1985. Depressed by import competition, the manufacturing sector of the U.S. economy experienced recessionary conditions.

But the service sector prospered. Job creation continued for the economy as a whole, although at a slowing rate. Inflation remained low. Interest rates tumbled. The stock market moved quietly to all-time highs.

The sluggish first half has left the United States with a major problem: a widening federal budget deficit. The government's debt is now mounting at an annual rate greater than $200 billion, a sum that one day will have to reduced. Congress's recent agreement on a compromise budget resolution for fiscal 1986 is only a modest, halting step in the direction of the needed reductions.

The second half of the year may be at least moderately better than the first. Assuredly, it will be no worse. Value Line forecasts real growth of 2.4% in the third quarter and 2.5% in the year's final three months (See Table 1 below and Chart 1 on the next page). Inflation, as measured by the broad-based GNP deflator will aver-

(Continued)

In This Issue

Table 1

VALUE LINE'S FORECAST FOR THE U.S. ECONOMY
Statistical Summary for 1984-1985

	Actual 1984 III	Actual 1984 IV	Actual 1985 I	Actual 1985 II	Estimated 1985 III	Estimated 1985 IV	Actual Annual 1984	Estimated Annual 1985
GNP AND OTHER KEY MEASURES ANNUALIZED RATES								
Real Gross National Product ($Bill.1972)	$1645	$1662	$1664	$1671	$1681	$1691	$1640	$1676
Retail Unit Car Sales (million units)	10.3	10.3	10.8	11.1	10.6	10.6	10.5	10.8
Housing Starts (million units)	1.66	1.60	1.80	1.77	1.85	1.85	1.77	1.82
Pretax Profits ($Bill.)	$224	$229	$222	$219	$224	$229	$235	$224
ANNUALIZED RATES OF CHANGE								
Gross National Product (Real)	1.6%	4.3%	0.3%	1.7%	2.4%	2.5%	6.9%	2.2%
GNP Deflator	4.0%	2.7%	5.3%	2.8%	3.8%	4.1%	3.8%	3.8%
Consumer Price Index	3.6%	3.5%	3.3%	4.1%	3.5%	3.8%	4.3%	3.5%
AVERAGE FOR THE PERIOD								
Unemployment Rate	7.4%	7.1%	7.2%	7.2%	7.3%	7.4%	7.4%	7.3%
Prime Rate	13.0%	11.8%	10.5%	10.2%	9.5%	9.5%	12.0%	9.9%
New AAA Corp. Bond Rate	12.3%	11.9%	11.9%	11.7%	11.5%	11.5%	12.3%	11.7%

Source: U.S. Dept. of Commerce; U.S. Dept. of Labor; Federal Reserve; Value Line Estimates.

In three parts: Part I is the Summary & Index. This is Part II, Selection & Opinion. Part III is Ratings & Reports. Volume XL, No. 46.

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Value Line's Forecast

	Actual '85/I	'85/II	Estimated '85/III	'85/IV	'86/I	'86/II	'86/III	'86/IV
GROSS NATIONAL PRODUCT AND ITS COMPONENTS								
BILLIONS OF DOLLARS—SEASONALLY ADJUSTED ANNUAL RATES								
Personal Consumption	2446.5	2496.1	2520	2560	2603	2659	2704	2747
Nonresidential Fixed Investment	450.9	466.5	464	472	481	490	498	505
Residential Fixed Investment	155.2	159.6	167	168	171	174	175	176
Inventory Investment	40.7	12.6	44	36	34	31	47	37
Exports	360.7	349.5	358	366	387	405	418	429
Imports	435.2	440.7	463	464	481	496	508	517
Federal Purchases	319.9	325.2	331	337	343	346	352	360
State and Local Government Purchases	472.0	484.6	491	500	509	518	527	537
Gross National Product	3810.7	3853.4	3912	3976	4047	4127	4213	4274
Real GNP (1972 Dollars)	1683.5	1670.7	1681	1691	1704	1720	1737	1744
PRICES AND WAGES—ANNUAL RATES OF CHANGE								
Implicit Price Deflator	5.3	2.8	3.8	4.1	4.1	4.1	4.3	4.1
CPI—All Urban Consumers	3.3	4.1	3.5	3.8	3.7	4.1	4.4	5.1
Producer Price Index—Finished Goods	0.9	2.4	1.6	1.9	2.2	2.3	2.8	3.3
Compensation Per Hour	5.5	3.6	3.9	4.4	4.5	4.3	4.1	4.3
Nonfarm Business Sector Productivity	−2.6	2.0	1.3	1.3	1.7	1.5	1.8	1.7
Unit Labor Cost	8.1	1.6	2.6	3.1	2.8	2.8	2.3	2.6
PRODUCTION AND OTHER KEY MEASURES								
Industrial Production (1977 = 100)	123.8	124.4	124.9	125.7	126.9	127.8	128.8	129.7
Annual Rate of Change	2.3	2.0	1.6	2.6	3.9	2.9	3.2	2.8
Housing Starts (Mil. Units)	1.80	1.77	1.85	1.85	1.85	1.80	1.75	1.65
Retail Unit Car Sales (Mil. Units)	10.8	11.1	10.6	10.6	10.4	10.1	10.0	9.9
National Unemployment Rate	7.2	7.2	7.3	7.4	7.5	7.4	7.4	7.5
Federal Budget Surplus (NIA)	−165.1	−215	−220	−210	−190	−190	−185	−185
MONEY AND INTEREST RATES								
Money Supply (M2)	2416.4	2448.3	2482	2524	2560	2580	2645	2690
% Change, Over Previous Year	9.0	8.6	8.2	7.6	5.9	5.4	6.6	6.6
New AA Corp. Utility Rate (%)	12.7	12.0	12.0	11.8	11.4	11.4	11.3	11.3
New AAA Corp. Bond Rate (%)	11.9	11.7	11.5	11.5	11.0	11.1	11.0	11.0
Federal Funds Rate (%)	8.5	7.9	8.0	8.2	8.4	8.6	8.9	9.2
Prime Rate (%)	10.5	10.2	9.5	9.5	10.0	10.5	11.0	11.5
INCOMES—BILLIONS OF DOLLARS								
Personal Income	3143.8	3181.6	3215	3280	3325	3380	3440	3500
Real Disposable Income (Percent Change)	−1.6	9.3	−0.5	3.1	2.5	2.5	2.7	2.7
Savings Rate (%)	4.5	5.3	5.6	5.6	5.2	4.9	5.0	5.0
Profits Before Tax	222.3	219*	224	229	230	236	242	244
Profits After Tax	137.0	135*	138	141	143	146	150	151
Percent Change	−10.9	−5.7	9.2	9.0	5.8	8.7	11.4	2.7
*Estimated								
COMPOSITION OF REAL GNP—ANNUAL RATES OF CHANGE								
Gross National Product	0.3	1.7	2.4	2.5	3.1	3.9	4.0	1.7
Final Sales	−0.3	5.1	−0.8	3.4	3.4	4.2	2.6	2.7
Personal Consumption	5.2	5.2	0.2	3.1	2.8	4.4	2.2	1.7
Nonresidential Fixed Investment	−1.5	13.6	−5.3	4.8	4.6	4.1	2.0	2.7
Construction	9.8	19.0	−2.9	−0.7	−0.2	3.1	1.8	0.3
Durable Equipment	−5.6	11.5	−6.3	7.2	6.5	4.5	2.1	3.7
Residential Fixed Investment	5.5	14.0	5.5	1.5	0.7	2.2	−2.8	−1.5
Exports	−8.9	−12.5	2.5	9.1	20.6	15.8	9.2	6.2
Imports	32.2	1.4	9.6	2.4	12.0	8.1	2.1	−3.1
Federal Purchases	0.6	2.5	2.1	0.3	3.4	0.1	3.0	1.8
State and Local Governments Purchases	0.0	5.0	1.9	1.8	1.9	1.8	1.5	2.2

For The U.S. Economy

	Actual		Estimated					
	1983	1984	1985	1986	1987	1988	1989	1990
GROSS NATIONAL PRODUCT AND ITS COMPONENTS								
BILLIONS OF DOLLARS—SEASONALLY ADJUSTED ANNUAL RATES								
Personal Consumption	2155.9	2341.8	2506	2678	2851	3087	3329	3587
Nonresidential Fixed Investment	352.9	425.7	463	494	512	562	602	651
Residential Fixed Investment	132.2	153.9	163	174	172	184	195	206
Inventory Investment	−13.5	58.2	33	37	−8	34	45	50
Exports	336.2	364.3	359	410	426	463	500	537
Imports	344.4	428.5	451	501	558	606	656	710
Federal Purchases	269.7	295.4	328	350	388	422	465	506
State and Local Government Purchases	415.8	452.0	487	523	560	609	660	703
Gross National Product	3304.8	3662.8	3888	4165	4343	4755	5140	5530
Real GNP (1972 Dollars)	1534.7	1639.9	1676	1726	1735	1819	1882	1938
PRICES AND WAGES—ANNUAL RATES OF CHANGE								
Implicit Price Deflator	3.8	3.8	3.8	4.0	3.7	4.4	4.5	4.5
CPI—All Urban Consumers	3.2	4.3	3.5	4.2	4.5	4.8	5.0	5.0
Producer Price Index—Finished Goods	1.7	2.1	0.9	2.2	3.6	3.8	4.0	4.0
Compensation Per Hour	4.8	4.2	4.5	5.0	4.2	4.7	4.9	5.0
Nonfarm Business Sector Productivity	3.4	2.8	1.7	1.4	0.4	2.4	1.9	2.1
Unit Labor Cost	1.4	1.4	2.8	3.6	3.8	2.3	3.0	2.9
PRODUCTION AND OTHER KEY MEASURES								
Industrial Production (1977=100)	109.2	121.8	124.7	128.3	128	142	148	155
Annual Rate of Change	5.9	11.6	2.4	2.9	−0.2	10.9	4.2	4.7
Housing Starts (Mil. Units)	1.70	1.77	1.82	1.76	1.65	1.85	1.80	1.90
Retail Unit Car Sales (Mil. Units)	9.2	10.5	10.8	10.1	9.8	11.0	10.5	11.0
National Unemployment Rate	9.4	7.4	7.3	7.5	7.8	7.3	7.2	7.1
Federal Budget Surplus (NIA)	−178.6	−175.4	−203.0	−188.5	−220	−195	−170	−150
MONEY AND INTEREST RATES								
Money Supply (M2)	2112.1	2277.7	2468	2620	2790	2970	3170	3390
% Change, Over Previous Year	12.2	7.8	8.3	6.2	6.5	6.5	6.7	6.9
New AA Corp. Utility Rate (%)	12.4	13.4	12.1	11.4	12.5	11.8	11.1	10.5
New AAA Corp. Bond Rate (%)	11.6	12.3	11.7	11.0	11.6	11.0	10.3	9.5
Federal Funds Rate (%)	9.1	10.2	8.1	8.8	9.5	8.0	7.5	7.5
Prime Rate (%)	10.8	12.0	9.9	10.8	11.5	10.2	9.6	9.0
INCOMES—BILLIONS OF DOLLARS								
Personal Income	2744.2	3012.1	3205	3411	3600	3890	4180	4460
Real Disposable Income (Percent Change)	3.5	6.7	3.0	2.7	1.1	3.5	2.5	2.2
Savings Rate (%)	5.0	6.1	5.7	5.6	5.9	5.7	5.5	5.5
Profits Before Tax	203.2	235.4	224	238	217	260	300	336
Profits After Tax	127.4	145.3	138	148	134	161	185	208
Percent Change	21.4	14.0	−5.2	7.1	−9.2	20.1	14.9	12.4
COMPOSITION OF REAL GNP—ANNUAL RATES OF CHANGE								
Gross National Product	3.7	6.9	2.2	3.0	0.5	4.8	3.5	3.0
Final Sales	3.2	5.0	2.9	3.0	1.6	3.9	3.3	3.0
Personal Consumption	4.8	5.3	3.7	2.8	2.2	3.7	3.1	3.0
Nonresidential Fixed Investment	2.5	19.7	6.2	3.3	0.4	5.9	3.5	4.3
Construction	−7.8	15.7	9.9	1.3	−0.4	4.2	0.1	3.1
Durable Equipment	7.3	21.3	4.8	4.1	0.7	6.5	4.8	4.7
Residential Fixed Investment	41.7	12.2	2.9	1.9	−6.2	2.2	0.9	0.6
Exports	−5.5	4.9	−3.4	10.6	−0.7	3.7	3.1	2.5
Imports	7.6	26.1	8.9	6.2	1.9	2.5	2.2	2.2
Federal Purchases	−0.6	5.4	6.8	1.8	5.8	3.7	5.1	3.8
State and Local Governments Purchases	0.0	2.2	2.0	2.0	1.2	2.7	2.4	0.7

ROUTE TO:—
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trends & projections

STANDARD & POOR'S INDUSTRY SURVEYS

USPS No. 517-780

JUNE 13, 1985 (Vol. 153, No. 24, Sec. 1) Replaces issue dated May 18, 1985

ECONOMIC OUTLOOK

The Fed intervenes

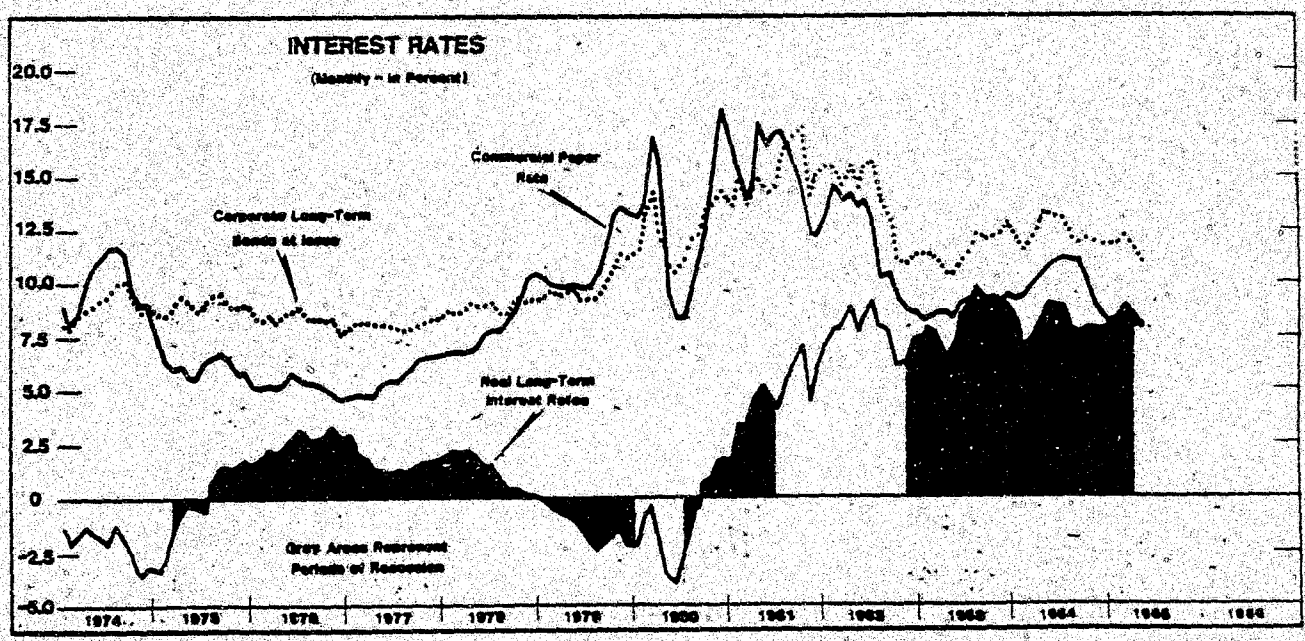
Recent economic news has been anything but upbeat. The surprisingly low 1.3% preliminary reading for first-quarter real GNP has been revised downward to 0.7%. Nor do conditions appear to have brightened in the current quarter: unemployment was 7.3% in May, unchanged from the prior month, while the leading indicators were off 0.2% in April. In view of recent favorable developments at the Federal Reserve and the delayed payment of income tax refunds, however, we remain optimistic about the near-term economy. Real economic growth should measure 3% or slightly higher both in the second quarter and in the second half of 1985.

On May 17, the discount rate—the rate charged by the Federal Reserve Bank on borrowings by member banks—was cut to 7.5%, from 8%, confirming the Fed's determination to inject life into the economy. At 7.5%, the discount rate is at its lowest level since 1978, before the Fed embraced strict monetarism in October 1979. More important, however, is the fact that were Fed still adhering to the monetarist principles adopted in October 1979, it would not have lowered the discount rate in May. For example, growth in the money supply, as defined by M-1, is at or above current targets and shows no signs of slowing down. Furthermore, while other monetary aggregates are on target, no weakening is expected here either. Finally, inflation, while stable at 3.5%–4%, is not dropping as it was a year ago. Therefore, from a monetarist point of view, there is no strong argument why the Fed should have eased its grip.

It is obvious that the Fed is anxious to revive the economy. Minutes from the March meeting of the Federal Open Market Committee—the Fed's policymaking body—make it clear that the Fed has decided that changes in monetary policy cannot be dictated solely by money supply growth, but must take into consideration broader concerns, such as the health of the overall economy. This is but the latest in a

(continued on page 4)

David M. Blitzer, Chief Economist



ECONOMIC INDICATORS

Seasonally adjusted annual rates—dollar figures in billions

	Annual			Annual % Change				1984		1985				E1986	
	1984	E1985	E1986	1984	1985	1986		IIIQ	IVQ	IQ	EIIQ	EIIIQ	EIVQ	IQ	IIQ
GROSS NATIONAL PRODUCT															
GNP (current dollars)	$3,662.8	$3,902.7	$4,147.3	10.8	6.5	6.3		$3,694.8	$3,758.7	$3,817.1	$3,873.0	$3,932.4	$3,998.3	$4,043.1	$4,102.4
Annual rate of increase (%)	10.8	6.5	6.3	...	...	...		5.6	7.1	6.4	6.0	6.3	6.8	6.6	6.0
Annual rate of increase—real GNP (%)	6.8	2.8	2.6	...	...	...		1.6	4.3	0.7	3.3	3.4	2.2	1.6	2.3
Annual rate of increase—GNP deflator (%)	3.8	3.7	3.6	...	...	...		4.0	2.6	5.6	2.6	2.8	3.5	3.6	3.6
COMPONENTS OF GNP															
Personal Consumption Expenditures	$2,341.8	$2,504.1	$2,665.0	8.8	6.9	6.4		$2,361.4	$2,396.5	$2,446.1	$2,482.7	$2,525.0	$2,562.9	$2,598.9	$2,6
% change	8.6	6.9	6.4	...	...	...		5.0	6.1	8.5	6.1	7.0	6.1	5.9	
Durable goods	318.8	341.7	358.8	13.9	7.2	5.3		317.2	326.3	334.5	338.5	345.2	348.8	351.2	354.
Nondurable goods	856.9	893.2	935.7	6.8	4.2	4.8		861.4	866.5	877.0	886.1	898.8	908.8	918.7	929.
Services	1,166.1	1,269.3	1,369.6	8.5	8.8	7.9		1,182.8	1,203.8	1,234.6	1,256.1	1,281.1	1,305.3	1,330.1	1,356.
Gross Private Domestic Investment	$ 637.9	$ 665.1	$ 719.1	35.2	4.3	8.1		$ 662.8	$ 637.8	$ 651.2	$ 655.8	$ 670.1	$ 683.5	$ 694.0	$ 706.
Nonresidential fixed investment	425.7	463.5	494.1	20.6	8.9	6.6		435.7	447.7	455.3	462.7	468.6	480.5	474.8	485.
% change	20.6	8.9	6.6	...	...	...		14.9	11.5	7.0	6.7	5.4	2.5	3.8	9.
Residential structures	153.9	167.2	189.7	16.4	8.6	13.4		155.3	153.5	155.3	161.6	172.3	178.6	183.2	187.
% change	16.4	8.6	13.4	...	...	...		−0.8	−4.6	4.8	17.2	29.2	15.2	8.2	10.
Net change in business inventories	58.2	34.4	35.3	...	...	...		71.8	36.6	40.6	31.5	31.2	34.3	36.6	33.
Government Purchases of Goods & Services	$ 747.4	$ 815.2	$ 866.7	9.0	9.1	6.3		$ 761.0	$ 780.5	$ 789.0	$ 809.3	$ 824.7	$ 837.7	$ 849.5	$ 860.
Federal	295.4	327.8	342.8	9.5	11.0	4.5		302.0	315.7	318.8	328.5	331.8	336.1	338.6	341.
Nondefense	73.9	85.3	84.8	6.7	15.4	−0.6		81.7	84.1	83.2	85.8	86.8	85.6	85.2	84.
Defense	221.5	242.5	257.9	10.6	9.5	6.4		220.3	231.6	233.6	240.7	245.2	250.5	253.4	256.
State & local	452.0	487.4	524.1	8.7	7.8	7.5		458.9	464.8	472.2	482.8	492.8	501.7	510.8	519.
Net Exports	$ −64.2	$ −61.8	$ −103.6	...	...	...		$ −90.6	$ −68.0	$ −69.1	$ −74.6	$ −87.3	$ −96.6	$ −100.4	$ −104.
INCOME & PROFITS															
Personal Income	$3,012.1	$3,210.7	$3,415.0	9.8	6.6	6.4		$3,047.2	$3,096.2	$3,141.8	$3,184.4	$3,234.0	$3,283.3	$3,327.4	$3,381.
Disposable personal income	2,576.8	2,735.5	2,905.8	10.1	6.2	6.2		2,606.4	2,644.5	2,653.4	2,736.5	2,755.9	2,798.3	2,834.8	2,878.
Savings rate (%)	6.1	5.1	5.0	20.3	−16.4	−2.4		6.3	6.2	4.5	5.9	5.0	5.0	4.9	4.
*Corporate profits before taxes	235.7	223.0	230.9	18.0	5.4	3.5		224.8	228.7	224.2	221.8	222.2	223.8	224.8	226.
*Corporate profits after taxes	$ 145.9	$ 140.8	$ 145.8	14.5	3.6	3.6		$ 141.7	$ 141.0	$ 140.0	$ 140.2	$ 140.8	$ 142.1	$ 141.2	$ 143.
†PRICES & INTEREST RATES (%)															
Consumer Price Index	4.3	3.6	3.9	...	...	...		3.7	3.6	3.3	4.4	3.3	3.6	4.0	4.
Treasury bills	9.5	7.5	6.9	...	...	...		10.3	8.8	8.2	7.6	7.1	7.2	6.9	6.
3-5 year notes	12.1	9.9	9.1	...	...	...		12.7	11.3	10.9	10.2	9.4	9.3	9.1	9.
20 year bonds	12.5	10.9	9.8	...	...	...		12.8	11.8	11.8	11.3	10.3	10.1	10.0	9.
Prime rate	12.0	9.9	9.0	...	...	...		13.0	11.8	10.5	10.2	9.5	9.5	9.4	9.
New issue rate—New corporate bonds	12.3	11.0	10.3	...	...	...		12.3	11.9	11.9	11.1	10.5	10.4	10.3	10.
OTHER KEY INDICATORS															
Industrial Production Index (1967 = 100)	163.3	166.9	172.1	10.7	2.2	3.1		165.6	164.7	165.4	165.7	167.6	169.0	170.1	171.
Capacity utilization rate (%)	81.8	80.9	81.0	8.6	−0.9	0.2		82.5	81.6	81.0	80.7	80.9	81.0	80.9	80.
‡Housing starts (1,000 units)	1,768.4	1,918.4	2,021.1	3.8	8.5	5.5		1,663.0	1,598.0	1,703.0	1,906.0	1,969.2	1,997.3	1,980.5	2,042.
Auto sales (1,000,000 units)	10.4	10.8	10.7	13.4	3.8	−1.4		10.3	10.4	10.8	10.8	10.9	10.8	10.8	10.
Unemployment rate (%)	7.5	7.4	7.8	...	...	...		7.5	7.2	7.3	7.3	7.4	7.4	7.6	7.
§U.S. dollar	6.9	4.9	−9.5	...	...	...		4.9	2.1	5.0	−2.6	−3.5	−2.9	−2.5	−1.

Note: Annual changes are from prior year and quarterly changes are from prior quarter. Figures may not add because of rounding. E—Estimated. *Year-to-year comparisons may not be valid due to impact of Economic Recovery Tax Act of 1981. †Average for period. ‡The forecasts should be viewed as indicative of a likely range. Certain indicators, including housing starts, are particularly volatile. §Quarterly % changes at quarterly rates.

BLUE CHIP Economic Indicators

WHAT TOP ECONOMISTS ARE SAYING ABOUT THE U S OUTLOOK FOR THE YEAR AHEAD

Vol. 10, No. 9 September 10, 1985

THE BLUE CHIP CONSENSUS-STILL A "GO"* ECONOMY FOR 1986

On Real GNP "No recession this year and probably none next year" remains the clear CONSENSUS verdict of 50-plus top economists in their early September vote. Granted the latest Real GNP forecast for this year slid a notch back to a 2.5% gain over 1984--now a percentage point lower than the group's 3.5% base prediction made last October. However, the year-ahead real growth (and the current quarter) flattened at 3%--so our green* logo stands pat. CAUTION--there continues to be an unusually wide spread amoung the "seers"--the top 10 (optimists) expect a strong gain of 4.4% while the bottom 10 (doubters) project just a mild 1.5%--on the brink of a recession.

On Inflation Good news on the price front continues! The GNP Implicit Price Deflator (broadest measure of inflation) is expected to remain within a moderate advance of 4% or less for the fourth year. This compares with the '78-'81 average gain of 8.7%--a big improvement in a short time frame.

Question: When will the next recession hit? Answer: There are too many unknown variables to be sure of home-run accuracy! But the CONSENSUS flags the peak of the current upswing at 49 months--same as when we asked the question last April. This puts the start of the next downturn in early 1987, if we accept December 1982 as the bottom of the severe '81-'82 setback. It was the low month of the Coincident Indicators.

Again - caution is the watch word, since there was a wide dispersion in the group's views (see page 8 for details).

What are the best investments for 1986 and for 1986-90? Using the historical guidelines of Salomon Brothers' list of 14 types of investments, we asked our courageous panel (36 were willing to answer) to put a rating (1 to 10) on each one for future profitability. Bonds and stocks were one and two for both time periods (as they were in the November 1983 survey). Oil and farmland ranked at the bottom of the pile--not too surprising! BUT watch out for the "Contrary Opinion" theory--best not to put all the eggs in the same basket (see page 8).

RJE Summary In planning for 1986, the CONSENSUS suggests, you can count on an average gain in the physical volume of goods and services in the 2%-4% ballpark (6%-8% in dollar volume when price increases are included). Of course your own industry volume--as it relates to the nation's--and a realistic slice of your industry pie, will be the key to a forward shift of gears. A contingency plan on the conservative side will be prudent!

Best!

* Yellow logo signals low economic growth, between zero and +2.9%. Red logo warns that real GNP for the year may drop below 0% growth. Green logo means the economy is expanding above long-range growth potential of 3%.

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Real GNP Slips to +0.5%

SEPTEMBER 1985
FORECAST FOR 1985
SOURCE:

	Percent Change 1985 from 1984 (Year over Year)								Average for Year—1985			Year Ends—1985		
	1 Real GNP (Cons.$ Basis)	2 GNP Deflator (Prices)	3 Nom. GNP (Cur.$)	4 Consumer Price Index	5 Indust. Prod. Total	6 Dis. Pers. Income (Cons.$)	7 Non-Res. Fix. Inv. (Cons.$)	8 Profits Pretax (Cur.$)	9 Treas. Bills 3-Mo.*	10 Corp. Aaa Bonds*	11 Unempl. % Labor Force	12 Housing Starts (Mil.)	13 Auto Sales Domestic (Mil.)	14 Auto Sales Import (Mil.)
BOSTIAN RESEARCH ASSOC.	3.4H	3.8	7.4H	3.8	3.4	4.1H	9.0H	4.0	7.9	11.4	7.2	1.90H	8.2	2.7
POLYCONOMICS INC.	2.7	3.4	6.3	3.3	3.1	3.8	8.0	2.0	7.3L	11.2	7.2	1.80	8.1	2.8
IRVING TRUST COMPANY	2.7	3.7	6.5	4.1H	2.8	3.6	8.0	4.9	7.8	11.9H	7.3	1.72	8.1	2.7
WAYNE HUMMER & CO.	2.7	3.7	6.5	3.4	2.4	3.3	7.9	2.0	7.6	11.5	7.3	1.77	8.1	2.7
FAIRMODEL-ECONOMICA INC.	2.7	3.6	6.4	—	—	2.3	6.9	-3.9	7.7	11.6	7.3	—	—	—
PENNZOIL COMPANY	2.6	3.9	6.6	3.6	2.5	2.9	6.8	-4.5	8.0H	11.6	7.3	1.84	8.2	2.8
NAT. CITY BANK OF CLEVELAND	2.6	3.7	6.3	3.7	2.0	3.2	5.9L	-4.5	7.7	11.5	7.3	1.70L	8.0	2.7
MORRIS COHEN & ASSOCIATES	2.6	3.9	6.5	4.0	3.0	3.7	7.1	-3.1	7.5	11.2	7.1L	1.77	8.4H	2.7
HARRIS TRUST & SAVINGS BANK	2.6	3.9	6.6	3.7	3.0	2.9	7.5	6.0	7.6	11.7	7.2	1.76	8.0	2.7
ECONOVIEWS INTERNATIONAL INC.	2.6	3.3	6.0	3.9	2.6	3.0	8.0	1.0	7.9	11.5	7.2	1.80	7.8	2.6
ECONOCLAST	2.6	3.5	6.1	3.4	2.5	3.1	6.9	4.2	7.4	11.4	7.3	1.84	8.1	2.8
U.S. TRUST CO.	2.5	3.8	6.4	3.7	3.0	3.0	6.5	4.5	7.5	11.5	7.8	1.84	8.1	2.7
UNIV. OF MICHIGAN M.Q.E.M.	2.5	3.4	6.0	3.6	3.1	2.7	7.6	3.2	7.6	11.5	7.4	1.83	8.1	2.6
SIFF, OAKLEY, MARKS, INC.	2.5	3.8	6.3	3.8	2.6	2.3	6.8	4.7	7.7	11.8	7.3	1.75	8.1	2.7
SECURITY PACIFIC NAT. BANK	2.5	3.8	6.3	3.7	2.8	2.4	6.9	-3.3	7.6	11.7	7.3	1.78	8.0	2.8
SEARS ROEBUCK	2.5	4.1H	6.3	3.7	2.6	2.8	7.3	3.9	7.7	11.5	7.3	1.77	8.1	2.7
PHILADELPHIA NATIONAL BANK	2.5	3.8	6.4	3.5	2.0	2.8	7.2	-0.8	7.5	11.5	7.3	1.76	7.8	2.8
NORTHERN TRUST COMPANY	2.5	3.7	6.3	3.6	2.4	2.7	7.0	-5.1	—	—	7.3	1.80	8.0	2.7
MONSANTO COMPANY	2.5	3.8	6.4	3.7	2.4	2.7	7.0	2.0	7.5	11.5	7.3	1.75	8.1	2.7
METROPOLITAN INSURANCE	2.5	3.8	6.4	3.7	2.8	3.0	7.5	2.4	7.5	11.5	7.2	1.80	8.2	2.5
MARINE MIDLAND BANK	2.5	3.7	6.2	3.6	2.7	3.1	7.5	-5.5	7.5	—	7.3	1.78	8.1	2.7
MANUFACTURERS HANOVER TRUST	2.5	3.7	6.3	3.5	3.0	2.7	7.0	-5.9	7.5	11.0L	7.3	1.84	8.1	—
ARTHUR D. LITTLE	2.5	3.9	6.5	3.7	2.5	3.0	6.5	2.0	7.3L	11.0L	7.3	1.75	7.6L	2.8
LA SALLE NATIONAL BANK	2.5	3.6	6.3	3.7	2.6	3.2	7.4	5.0	7.6	11.5	7.3	1.75	8.0	2.8
EVANS ECONOMICS	2.5	3.8	6.4	3.7	2.8	2.4	8.1	6.3	7.7	11.7	7.3	1.81	7.9	2.8
DEAN WITTER REYNOLDS	2.5	3.8	6.4	3.8	2.8	2.8	7.3	-3.5	7.4	11.7	7.3	1.81	8.1	2.7
CHRYSLER CORPORATION	2.5	3.7	6.2	3.5	2.3	3.0	8.0	2.0	7.6	11.7	7.3	1.80	8.1	2.7
CHAMBER OF COMMERCE OF USA	2.5	2.7L	5.2L	3.5	2.9	2.6	7.6	4.8	7.5	11.4	7.3	1.74	8.1	2.8
CANNERS PUBLISHING CO.	2.5	4.1H	6.6	3.8	2.7	3.3	6.3	6.5	7.7	11.8	7.4	1.72	8.2	2.6
UCLA BUSINESS FORECAST	2.4	3.7	6.1	3.5	2.2	2.6	6.7	3.1	7.4	11.4	7.3	1.79	7.9	2.8
PRUDENTIAL INSURANCE	2.4	3.8	6.3	3.7	2.4	3.2	7.1	4.8	7.5	11.6	7.3	1.77	8.3	2.8
MERRILL LYNCH	2.4	3.7	6.2	3.7	2.4	2.6	6.7	-4.0	7.4	—	7.4	1.80	7.9	2.7
MEYER & ASSOCIATES	2.4	3.7	6.2	3.6	2.7	2.5	7.3	4.7	7.4	11.4	7.3	1.70L	8.0	2.3L
W.R. GRACE CO.	2.4	3.7	6.2	3.6	2.7	2.6	7.6	4.7	7.6	11.5	7.3	1.75	8.1	2.8
EQUITABLE LIFE ASSURANCE	2.4	3.8	6.3	3.7	5.0H	2.8	7.5	-5.2	7.4	11.5	7.3	1.80	8.1	2.7
EGGERT ECONOMIC ENTERPRISES	2.4	3.5	6.0	3.6	2.4	3.0	6.7	1.0	7.6	11.4	7.4	1.80	7.8	2.9H
BROWN BROTHERS HARRIMAN	2.4	3.7	6.2	3.6	2.5	2.6	6.7	4.9	—	—	7.3	1.80	8.0	2.8
BANK OF AMERICA, N.A.	2.4	3.8	6.2	3.7	2.3	2.8	7.3	-9.8L	—	—	7.3	1.85	8.1	2.8
MORGAN GUARANTY	2.3	3.6	6.0	3.5	2.3	2.3	6.8	6.8H	—	—	7.4	1.79	8.1	2.8
GEORGIA STATE	2.3	3.7	6.0	3.5	2.5	2.6	7.4	2.1	7.5	11.4	7.3	1.77	7.8	2.9H
1ST NATIONAL BANK - CHICAGO	2.3	3.7	6.1	3.5	1.1L	2.9	8.4	3.3	7.4	11.4	7.4	1.73	7.9	2.8
E.I. DU PONT CO.	2.3	3.5	5.8	3.7	2.4	2.9	6.8	-1.9	7.3L	11.3	7.4	1.80	8.1	2.7
CONFERENCE BOARD	2.3	3.7	6.1	3.5	2.5	3.9	9.4	-7.9	7.5	11.9H	7.4	1.78	8.1	2.8
CHEMICAL BANK	2.3	3.1	5.5	3.2	2.5	2.9	7.0	3.0	7.6	11.5	7.4	1.80	7.9	2.8
CHASE MANHATTAN BANK	2.3	3.8	6.2	4.0	1.5	4.0	6.0	3.5	—	—	7.3	1.70L	7.8	2.9H
PETER L. BERNSTEIN	2.3	3.6	6.0	3.2	2.0	2.0L	7.4	-4.4	7.3L	11.5	7.5H	1.80	7.8	2.8
BANKERS TRUST	2.3	3.7	6.1	3.5	2.6	2.3	6.6	4.4	—	—	7.4	1.77	8.0	2.7
MORGAN STANLEY & CO.	2.2	3.8	6.1	3.8	2.4	2.5	6.2	4.4	—	—	7.4	1.80	8.1	2.5
ARNHOLD & S. BLEICHROEDER	2.2	3.6	5.9	3.5	2.4	3.5	7.7	4.9	7.4	11.3	7.3	1.74	7.9	2.7
PRUDENTIAL BACHE	2.1	3.5	5.8	2.8L	2.0	2.5	6.7	0.0	7.4	11.4	7.3	1.70L	7.9	2.7
BUSINESS ECONOMICS, INC.	2.1L	3.8	5.9	3.7	1.5	2.9	6.0	-6.0	7.5	11.5	7.4	1.72	7.7	2.5
1985 CONSENSUS: SEPTEMBER AVG.	2.5	3.7	6.2	3.6	2.6	2.9	7.1	0.9	7.5	11.5	7.3	1.78	8.0	2.7
TOP 10	2.7	3.9	6.6	3.9	3.2	3.6	8.1	5.5	7.8	11.7	7.4	1.84	8.2	2.8
BOT 10	2.2	3.3	5.8	3.3	1.9	2.3	6.3	-5.9	7.4	11.3	7.2	1.72	7.8	2.6
AUGUST AVERAGE	2.6	3.8	6.4	3.7	2.6	3.2	7.3	1.7	7.6	11.5	7.3	1.81	8.1	2.7
ACTUAL 1984	6.8	3.8	10.8	4.3	10.7	6.7	19.8	16.0	9.6	12.7	7.5	1.77	8.0	2.4
1983	3.7	3.8	7.7	3.2	6.5	3.5	2.5	22.8	8.6	12.0	9.6	1.70	6.8	2.4

SEE BOTTOM OF PAGE 3 FOR BASIC DATA SOURCES.

I What are the following large ECONOMETRIC services forecasting for 1985?

	Percent Change (1985 over 1984) Real GNP	GNP Deflator	Consumer Prices	Full Year Percent Unemployment
Citicorp Info. Services	2.7%	3.9%	3.7%	7.1%
Evans Economics	2.5	3.8	3.7	7.3
Univ. of Mich. M.Q.E.M.	2.5	3.4	3.6	7.4
UCLA Business Forecast	2.4	3.7	3.5	7.3
L. Meyer & Associates	2.4	3.7	3.6	7.3
Chase Econometric*	2.3	3.7	3.6	7.3
Merrill Lynch	2.4	3.7	3.7	7.4
BLUE CHIP CONSENSUS	2.5	3.7	3.6	7.3
Dr. Walter W. Heller, U.of Minn.	2.5	3.7	3.8	7.3
Dr. Murray Weidenbaum, W.U.St.L.	2.5	3.7	3.6	7.2

II And let's take an early look at 1986:

	Percent Change (1986 over 1985) Real GNP	GNP Deflator	Consumer Prices	Full Year Percent Unemployment
Citicorp Info. Services	3.8	5.0	5.0	6.6
Evans Economics	3.1	4.6	4.8	7.1
Univ. of Mich. M.Q.E.M.	3.7	2.7	4.4	7.2
UCLA Business Forecast	3.4	3.4	3.4	7.3
Merrill Lynch	2.8	3.9	3.9	7.3
L. Meyer & Associates	2.5	3.1	3.4	7.3
Chase Econometric*	2.5	3.9	3.8	7.4
BLUE CHIP CONSENSUS	3.0	3.9	4.0	7.2
Dr. Walter W. Heller, U.of Minn.	3.0	3.8	4.2	7.3
Dr. Murray Weidenbaum, W.U.St.L.	3.0	4.0	4.3	7.3

*Courtesy of The Conference Board, New York City.

III What does the BLUE CHIP CONSENSUS expect by quarters for 1985 and 1986?

	%Change (From PRIOR Qtr.Annual Rate)[1] Real GNP	Ind. Prod.	GNP Defl.	CPI[3]	Prod Price	Dispos Income[4]	% of Unemp.	Average for Quarter[1] Treas. Bills	Corp. Aaa Bd.	Ch.Bus Inv.[5]	Net Expts[6]
Actual[2]											
1984 4th Q	4.3	-1.0	2.8	3.6	0.4	3.6	7.2	9.0	12.4	16.8	-56.0
1985 1st Q	0.3	2.2	5.4	3.2	0.7	-1.6	7.3	8.2	12.3	19.1	-74.5
2nd Q	2.0	2.1	2.7	4.2	2.4	9.3	7.3	7.5	11.6	8.3	-93.4
Forecast*											
1985 3rd Q	3.0	2.5	3.3	3.3	2.0	-0.1	7.3	7.2	11.2	9.8	-93.9
4th Q	3.5	3.6	3.7	3.8	2.9	3.2	7.3	7.3	11.1	11.5	-97.5
1986 1st Q	3.2	3.5	4.1	4.1	3.2	3.4	7.3	7.5	11.1	12.4	-98.2
2nd Q	3.0	3.3	4.1	4.3	3.5	2.7	7.2	7.6	11.2	12.6	-97.1
3rd Q	2.7	2.6	4.3	4.4	3.7	2.6	7.2	7.7	11.1	13.4	-95.5
4th Q	2.7	2.5	4.4	4.5	3.9	2.4	7.2	7.7	11.1	13.4	-92.3

WARNING: Use quarterly economic projections with care--subject to large revisions.

[1]See bottom of page 3 for key definitions. Note % changes are from PRIOR quarter— NOT from a year ago. [2]Latest data as published by BEA, BLS and CEA. [3]Change from prior quarter, SAAR, series 320, Bus. Cond. Digest. [4]Disposable Personal Income in 1972 $, SAAR, Series 225, Business Conditions [5]Change in bus. inventories, billions of constant U.S. $$, Series 30, Bus. Cond. Digest. [6]Net exports of goods and services in current $$, SAAR, series 250, Bus. Cond. Digest.

BLUE CHIP FINANCIAL FORECASTS

What top analysts are saying about interest rates, monetary policy and loan demand

Vol. 4, No. 9

September 1, 1985

INTEREST RATES: SHORT TERM TO EDGE UP--LONG TERM TO REMAIN LEVEL

On Interest Rates The composite conclusion of this month's four dozen Blue Chip Financial Analysts continues to suggest that short-term rates will creep upward. In contrast, long-term rates are seen to remain unchanged--much the same pattern as indicated last month. For example, three-month Treasury Bills (now at 7.1%) are expected to advance to 7.7% by the second quarter of 1986 and then level. Corporate AAA rates (now at 11.0%) are projected to remain in this area over the four quarters ahead. Some caution is warranted since from past experience the CONSENSUS (and the Diffusion Index) often catch the direction of change but not the magnitude.

Money Turnover to Pick Up There has been considerable concern about the recent sharp drop in the relationship between monetary growth and the unexpected sluggish economic activity (velocity). In response to our Special Question this month, the panel forecasts continued negative velocity this quarter, followed by a move to a modest plus figure during the fourth quarter of 1985 and for each of the four quarters of 1986 (see page 8 for details).

Interest Rate Forecast Accuracy A comparison of actual interest rates during the second quarter 1985 with the one-year-ahead forecast made in May 1984 leaves much to be desired--an average error of 2.2 percentage points for the 10 rates. This compares with an average variance of just 1.0 percentage points for the prior six quarterly periods of year-ahead projections since the CONSENSUS began in November 1982 (see June 1985 issue for quarter by quarter comparisons).

SUMMARY OF INTEREST RATE DATA[1]

Interest Rates[1]	Actual	Average Forecasts - Quarterly				
	2Q 1985	Week End. 8/23/85	3Q 1985	4Q 1985	1Q 1986	2Q 1986	3Q 1986
1. Prime Rate	10.2	9.5%	9.5%	9.6%	9.7%	10.0%	10.0%
2. Federal Funds	7.9	8.1	7.8	7.8	8.0	8.1	8.2
3. Commercial Paper 1-Mo.	7.8	7.7	7.6	7.7	7.9	8.0	8.1
4. T-Bills 3-Mo.	7.5	7.1	7.2	7.3	7.5	7.7	7.7
5. T-Notes 3-Yr.	9.8	9.2	9.4	9.4	9.5	9.6	9.6
6. T-Bonds 30-Yr.	11.0	10.5	10.6	10.5	10.5	10.6	10.6
7. Mun. Bonds 20-Bond	9.0	9.2	8.8	8.8	8.8	8.8	8.9
8. Corp. Aaa Bonds (SEAS)	11.6	11.0	11.1	11.0	11.0	11.1	11.1
9. Utilities A (SEAS)	12.2	11.7	11.7	11.7	11.7	11.8	11.8
10. Home Mortgages	12.8	12.2	12.1	12.1	12.2	12.3	12.3

[1] See p. 7 of July issue for detailed definitions and sources of data.

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SUMMARY OF MONEY STOCK MEASURES AND CREDIT DEMAND

Money Stock[1]	1985 Latest Actual Thurs. 8/22/85	Average Forecasts -- Quarterly 3Q 1985	4Q 1985	1Q 1986	2Q 1986	3Q 1986
11. Monetary Base	9.1[2]	8.2%	7.0%	6.4%	6.4%	6.4%
12. Money Stock-M1	14.6[2]	10.4	6.9	6.5	6.3	6.4
13. Money Stock-M2	10.4[2]	8.8	7.7	7.4	7.3	7.7
Credit Demand Factors In Billions Of $$						
14. Cons. Install. Credit	$96.4[3]	$69.9	$62.9	$53.8	$48.7	$46.8
15. Comm./Ind. Loans	26.8[3]	26.6	32.6	32.5	31.4	28.3
16. Fed. Def. (NIA)	-165[4]	-199	-196	-193	-195	-201
A. Real GNP	2.0r[5]	2.8%	3.3%	3.0%	2.5%	2.1%
B. Consumer Prices	4.2r[5]	3.6%	3.9%	4.2%	4.4%	4.5%

[1]Latest 4-week average vs. prior 13 weeks, Fed. Res. Bank, St. Louis
[2]Three months from April 1985 to July 1985--Fed. Res. statistical release 8/22
[3]Dollar change 2Q from 1Q (SAAR) BCD 112 and 113
[4]Jan.-Mar. deficit NIA BASIS (SAAR) BCD 500
[5]Revised preliminary for 2Q 1985 from 1Q 1985 (SAAR)

BLUE CHIP INTEREST RATE FORECAST ACCURACY FOR ONE YEAR AHEAD WITHIN 2.2 PERCENTAGE POINTS

Interest Rates	Forecast For 2Q 1985 (In May 1984)[1]	Actual In 2Q 1985 (Apr.-June Avg.)[2]	Percent Point Forecast Variance (High +, Low -)
1. Prime Rate	12.7%	10.2%	+2.5%
2. Federal Funds	11.1	7.9	+3.2
3. Commercial Paper 1 Mo.	10.9	7.8	+3.1
4. T-Bills 3 Mo.	10.7	7.5	+3.2
5. T-Notes 3 Yr.	12.2	9.8	+2.4
6. T-Bonds 30 Yr.	12.8	11.0	+1.8
7. Mun. Bonds 20 Bond	10.6	9.0	+1.6
8. Corp. Aaa Bonds (Sea)	13.4	11.6	+1.8
9. Utilities Aa (Sea)	13.9	12.5	+1.4
10. Home Mortgages	14.0	12.8	+1.2
		10-Rate Average Variance	2.2

NOT GOOD!

[1]Sources: Blue Chip Financial Forecasts, May 1, 1984, p. 7
[2]Federal Reserve Board Statistical Releases H15-Apr-Jun 1985 Average

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OCA EXHIBIT 2
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Q. IR-OCA-10-1. Refer to PECo Statement 19, pages 6-8. Please provide copies of all documents used or considered in developing the inflation factors used to develop budget figures for 1985-86 budget.

A. IR-OCA-10-1. As described in PECo Statement 19, page C-8, the Company's Economist's office utilizes information from many source documents to arrive at an inflation factor for budgeting purposes. Since all documents are not now available, Attachment IR-OCA-10-1 provides copies of some of these documents that were considered in developing the inflation factors used to develop budget figures for the 1985-86 budget.

Responsible Witness: A.J. Solecki, Manager-Budget & Control

STATISTICAL BULLETIN

Volume 18, No. 3, March, 1985

— CONTENTS —

The Conference Board

COMMENT

Last June, the *Economic Forecasts* were indicating that 1985 would be a year of rather sluggish economic activity—a median forecast of only about 2% growth in real GNP from the end of 1984 to the end of 1985. The consensus of these eight forecasts was in line with other forecast compilations, such as that put together by Eggert Economic Entreprises, Inc. Prospects have brightened considerably in the last nine months. As shown in the accompanying chart, the median forecast of real GNP growth this year was revised to a quite robust 4% in February, although that figure was trimmed in March. The most prominent change in the economic environment since last Spring has been the faster pace of money growth and the drop of almost 400 basis points in short-term interest rates. Moreover, interest rates abroad have been hiked. The dollar, however, which had appreciated last year on the strength of high domestic rates, continued to rise even as domestic rates came down.

The trade-weighted average *Exchange Rate* of the dollar against other major currencies has risen by about 10% in each of the last four years, and that pace has been maintained in the first months of this year. The dollar is now not only strong but seems to gather strength almost regardless of conditions—as long as inflation remains well in check. And, of course, the strong dollar acts to keep inflation in check. Domestic producers are under fierce competition from imports priced at a steep discount by that strong dollar and are thus compelled to minimize any hikes in the price of their products.

Much of the dollar's strength derives from the relatively poor economic performance of our major trading partners over the last few years. In the case of at least two currencies, however, the rise in the dollar began much earlier. From 1967, which was well before the era of floating exchange rates, to 1978, the year when the dollar's effective *Exchange Rate* bottomed out, the American dollar actually rose by 5.7% against the Canadian dollar and by 43.1% against the British pound.

As shown on the *Foreign Exchange* chart, the dollar's rise against all seven of our major trading partners has been appreciable. In 1978, one American dollar traded for .52 British pounds, 1.14 Canadian dollars, 1.79 Swiss francs, 2 West German marks, 4.5 French francs, 210 Japanese yen and 849 Italian lire. In February, 1985, one American dollar was trading for .92 pounds, 1.38 Canadian dollars, 2.8 Swiss francs, 3.3 marks, 10.2 French francs, 259 yen and 2060 lire.

These exchange rate comparisons show how far the dollar has climbed from the low in 1978. Against the Canadian dollar, however, the American dollar has risen only 21% since 1978; this relatively modest increase reflects both the earlier appreciation and the proximity of the Canadian economy. The dollar has risen by only 23% against the yen, which reflects the fact that the Japanese economy is the healthiest among our major trading partners. Compare that figure with the 58% rise against the Swiss franc and 65% against the mark, two relatively strong currencies of the past decade. Despite this steep appreciation, one dollar trades now for 2.8 Swiss francs and 3.3 marks, considerably less than the 4.3 francs and 4 marks it commanded back in 1967.

The dollar's rise against the other three trading partners has been nothing short of extraordinary. The dollar is now 76% higher against the pound than it was in 1978. And it has climbed 125% against the French franc and 143% against the lira.

The high value of the dollar steeply discounts the price of imported goods. Last Summer, the flow of imports rose sharply as vendors attempted to maintain sufficient supply in order to process current orders and expected increases in demand. Consequently, the balance-of-trade deficit widened considerably. As indicated on the *Retail Sales* chart, growth in consumer spending slowed and an unintended inventory buildup developed. The flow of imports, then, was reduced in the fourth quarter in order to bring inventory more in line with the selling pace.

The big drop in the trade deficit for the fourth quarter of 1984 helped produce a quite healthy gain of 4.9% in real GNP (seasonally adjusted at an annual rate). The big decline in interest rates has helped to sustain the pickup in business investment. Furthermore, it has spread through to consumer loan rates, breathing more life into consumer spending. Consequently, the pace of economic activity in the first quarter of 1985 has probably been only a step slower than it was in the prior quarter; the median of the *Economic Forecasts* shows a 4.1% gain in real GNP.

Rising demand for consumer and capital goods ought to keep the pace of activity lively over the next six months.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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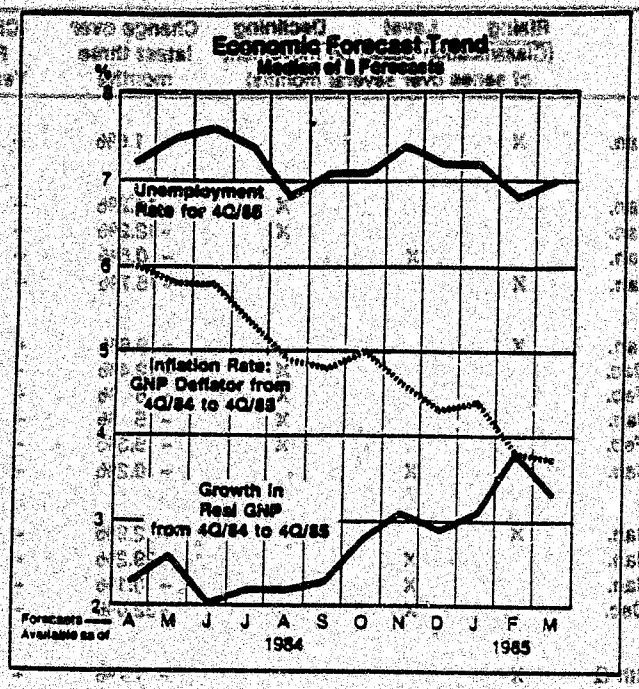


Sales of cars and homes have recently rebounded and consumers will likely have enough income and borrowing power to continue shopping. The January and February readings of The Conference Board's *Consumer Confidence Index* indicate that households are not particularly worried about job or income prospects over the next six months.

Business investment fairly boomed in 1984 and the Conference Board's *Capital Appropriations and Expenditures* survey for the fourth quarter showed no evidence of any slowing. Spending on plant and equipment, by the 1,000 largest manufacturers, rose by almost 9% in the fourth quarter. Capital appropriations (approval of spending on new projects) were also considerably higher. The survey respondents said that they expect their capital spending to rise by 34% in 1985, following a 19% increase in 1984.

The data on the *Perspective on the Federal Budget* table show that governmental expenditures are also increasing, especially for defense. The revised Congressional Budget Office spending estimates for fiscal 1985 are reasonably close to the Administration's numbers, except for agriculture. CBO's spending estimates for fiscal 1986 are about $20 billion higher than the Administration's. The budget deficit, then, is now pegged at about $215-220 billion for fiscal 1985, and $180-190 billion for fiscal 1986.

The *Fiscal Thrust* of these large budget deficits, supplemented by a pickup in money growth and lower interest rates, help clear a path for a little stronger consumer spending and strong business investment. The median of the *Economic Forecasts* is for a 3.4% rise in real GNP in the second quarter of 1985, and 3.2% in the third quarter.

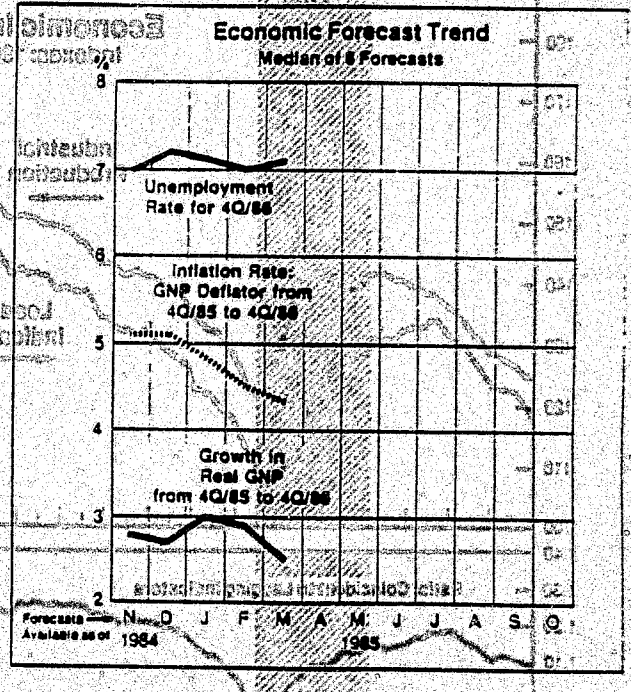
With the dollar as high as it is, imports remain relatively cheap. If these expectations of solid economic performance are on target, the trade deficit is likely to start widening again. Moreover, solid economic performance is likely to be accompanied by solid growth in credit demand. With consumers, business and the government borrowing heavily, interest rates could begin rising in the next few months.

Budget deficits have a stimulative impact on the economy while trade deficits, high interest rates and a high dollar are destimulative. When the trade deficit and interest rates fell in 1984, the balance between the stimulative and destimulative forces shifted, favoring higher economic growth. The pendulum will begin to swing in the other direction. There is general agreement on reducing budget deficits. The Federal Reserve's public pronouncements suggest that no further easing of monetary policy may be forthcoming soon. The trade deficit is unlikely to shrink this year. Only a dollar decline could tip the scales and no one has any semi-educated guess as to when that may get underway.

The median *Economic Forecast* indicates that real output growth will slow to 2.7% in the fourth quarter of 1985 and to 2.2% in the first quarter of 1986. The more pessimistic forecasts indicate that the slowdown in economic growth could be considerably more pronounced than that.

Ken Goldstein

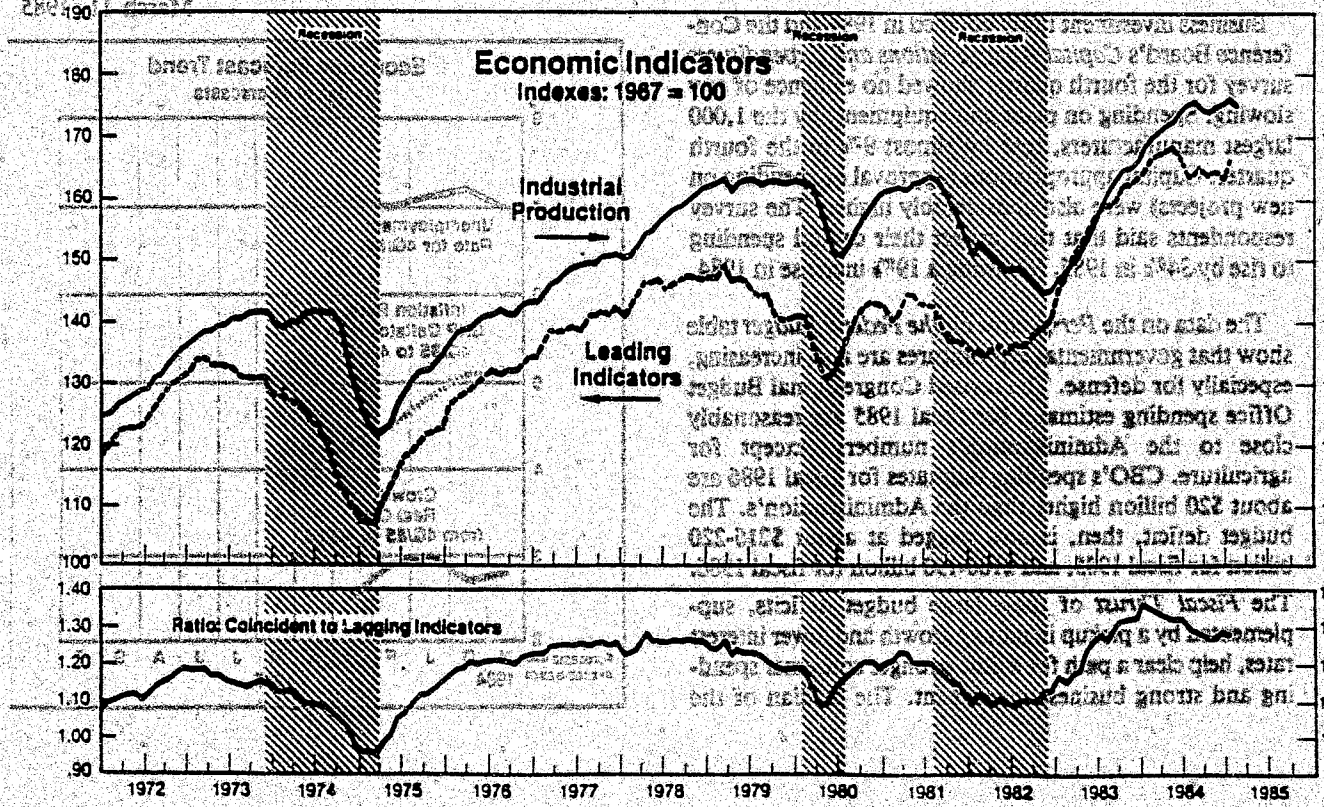
March 11, 1985



STATUS OF LEADING ECONOMIC INDICATORS

	Rising	Level	Declining	Change over latest three months	Change From Year-Ago
	(Classification based on movement of series over several months)				
Leading Economic Indicators					
Capital Investment Commitments					
*Contracts and orders, plant & equipment (deflated)			Jan.	-14.2%	- 11.6%
New orders, nondefense capital goods (deflated)			Jan.	-12.2%	- 12.9%
New business formation			Jan.	- 0.6%	+ 0.2%
Housing permits	Jan.			+15.7%	+ 8.8%
Inventory Investment and Purchasing					
New orders, consumer goods & materials (deflated)	Jan.			+ 9.6%	+ 4.9%
*Change in inventory on hand & order (deflated)			Dec.	-12.4%	- 12.4%
Purchasing agents' buying policy			Feb.	- 6 %	- 10 %
*Vendor performance, reported slower deliveries			Jan.	- 5 %	- 16 %
Industrial raw materials prices			Feb.	- 5.3%	- 0.4%
*Change in sensitive material prices	Jan.			+ 0.2%	- 1.3%
Sensitive Financial Flows					
Money balance (M2 deflated)	Jan.			+ 2.9%	+ 5.3%
Change in business loans		Jan.		- 29.2%	+ 61.3%
Change in credit outstanding		Jan.		- 0.1%	+ 4.7%
Change in consumer installment debt		Dec.		+32.0%	+ 14.0%
Profitability					
Total corporate profits, after tax (deflated)	4th-Q			+ 1.7%	+ 0.0%
*Common stock prices	Feb.			+ 9.3%	+ 15.5%
Marginal Employment Adjustments					
Average workweek, mfg.			Feb.	- 0.5hr	- 0.9hr
*Initial unemployment claims (inverted)			Feb.	+ 8.1%	- 5.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977. These twelve series make up the Composite Leading Index charted below.



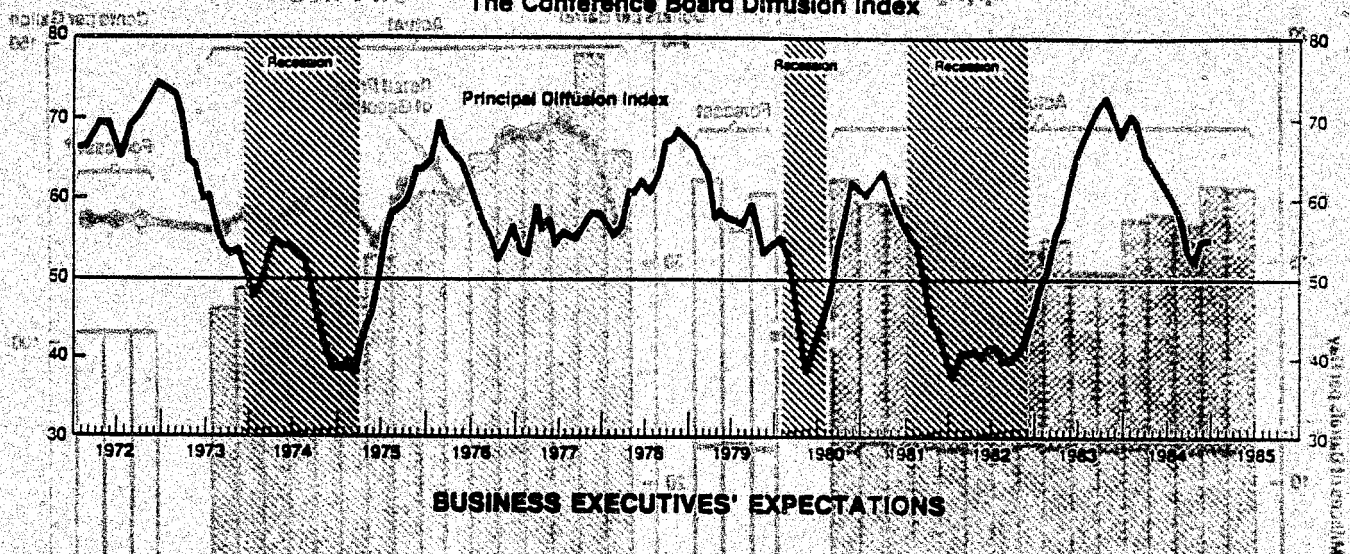
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1984 Jan.	Oct.	Nov.	Dec.	1985 Jan.(e)
Principal Diffusion Index	70.7	51.8	54.1r	55.4r	56.6
Auxiliary Diffusion Index	57.7	43.3r	57.4	54.2r	53.8
Industrial Group	71.8	50.9	51.9r	55.7r	54.6
Nonindustrial Group	69.6	52.8	56.4	55.1	58.6
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	63.0	49.1	47.2r	55.1	61.8
Labor	73.5	53.8	57.4	60.9	54.9
Miscellaneous	80.8	46.2	44.9	43.6	42.9
Nonindustrial Subgroups					
Prices	68.6	37.6	46.2	38.5	39.1
Consumer	76.5	67.9	72.6	68.7	71.8
Building	68.6	55.1	61.5	60.3	66.0
Miscellaneous	64.1	46.2	43.6	51.3r	53.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982 May	Aug.	Nov.	1983 Feb.	May	Aug.	Nov.	1984 Feb.	May	Aug.	Nov.
	Score (scale 0-100)										
Measure of Business Confidence	52	55	60	70	76	75	74	70	65	61	57
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	30	38	44	65	78	82	80	76	75	70	57
2. Expectations for Economy, Six Months Ahead	64	65	70	76	78	74	73	67	60	57	57
Expectations for Own Industry, Six Months Ahead	61	61	65	70	72	69	70	67	61	57	58

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

(Billions of Dollars, Seasonally Adjusted)

	1983			1984			Percent Change From Previous Year		
	IIIr	IVr	Ir	IIr	IIIr	IVp	1983 Actual	1984 Actual	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	20.674	22.875	24.282	26.819	27.154	27.592	1	32	7
Capital expenditures	18.684	18.244	19.580	19.905	21.808	22.924	−23	19	34
Change in appropriations backlog*	+0.992	+1.969	+0.928	+5.152	+13.867	+3.396	+1.341		
Durable Goods									
New appropriations	9.293	9.119	11.024	13.662	21.216	12.617	14.794	17	58	17
Capital expenditures	7.717	7.667	8.727	8.714	10.033	11.031	12.469	−19	33	25
Change in appropriations backlog*	+0.867	+1.468	+0.819	+4.057	+10.843	+1.303	+0.890			
Nondurable Goods										
New appropriations	11.581	13.868	13.238	13.154	15.938	14.975	14.190	− 9	12	33
Capital expenditures	10.947	10.577	10.833	11.191	11.775	11.893	12.487	−28	9	42
Change in appropriations backlog*	+0.095	+0.522	+0.109	+1.095	+3.024	+2.083	+0.451			
ELECTRIC & GAS UTILITIES										
New appropriations	6.663	5.831r	6.968	5.336	6.385	10.601p				
Capital expenditures	9.236	9.024	8.292	8.757	9.150	9.127p				
Change in appropriations backlog*	−6.849	−3.913	−4.056	−5.799	−2.466	+0.646p				

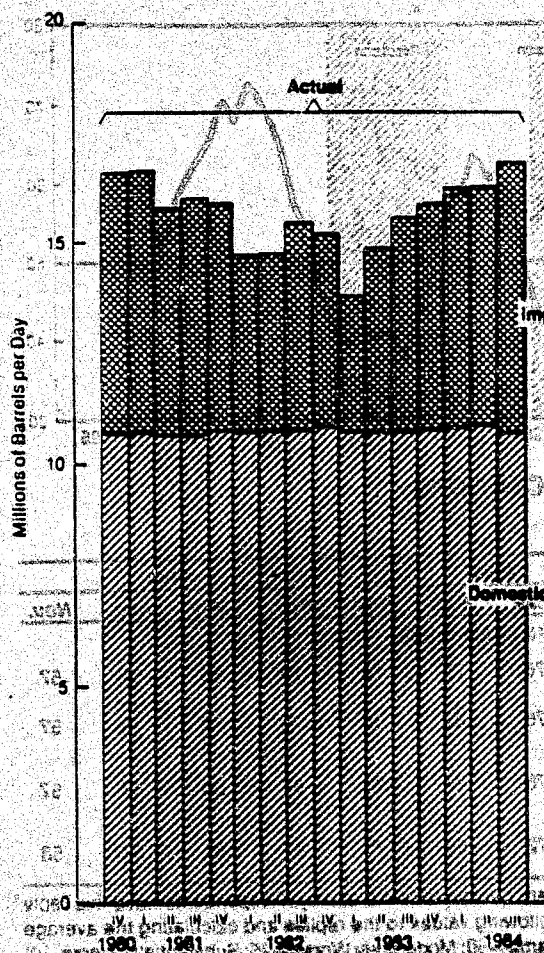
Available on request: Historical data from 1963 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

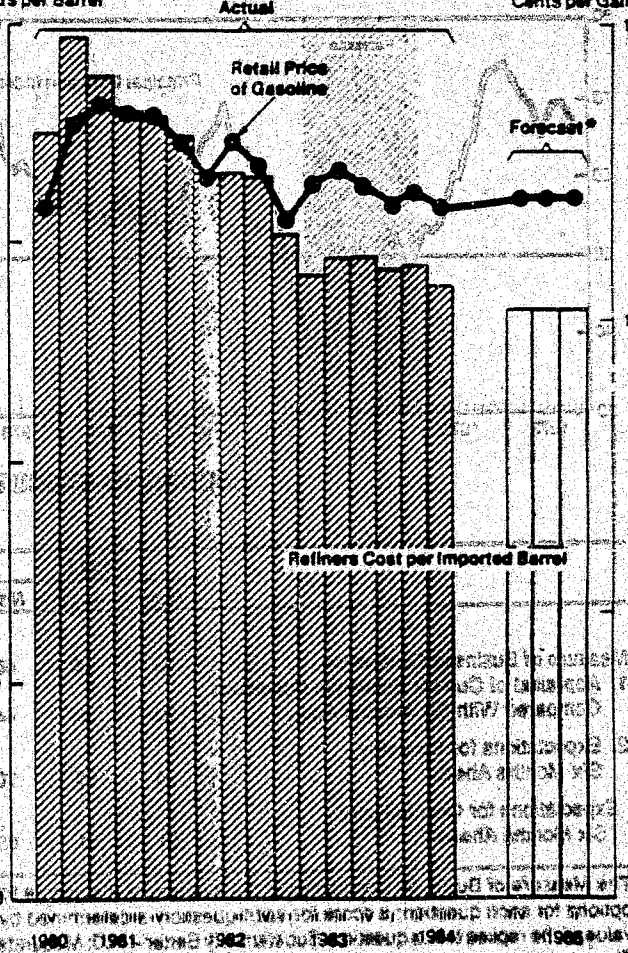
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



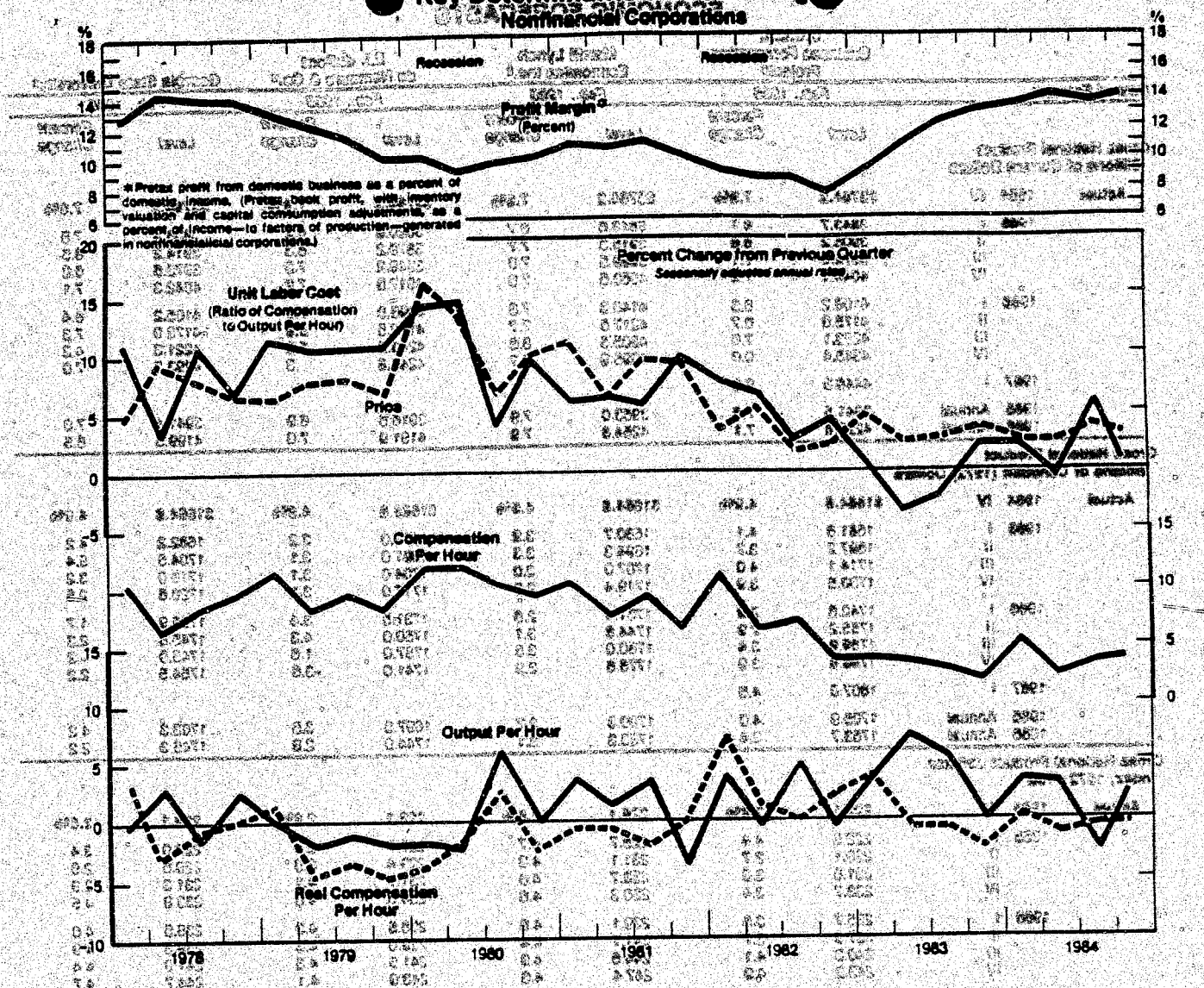
Oil Price



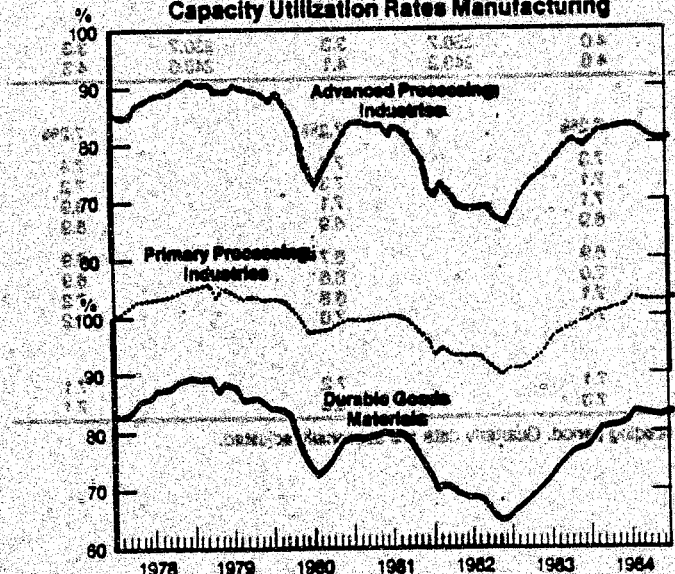
*Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Marg

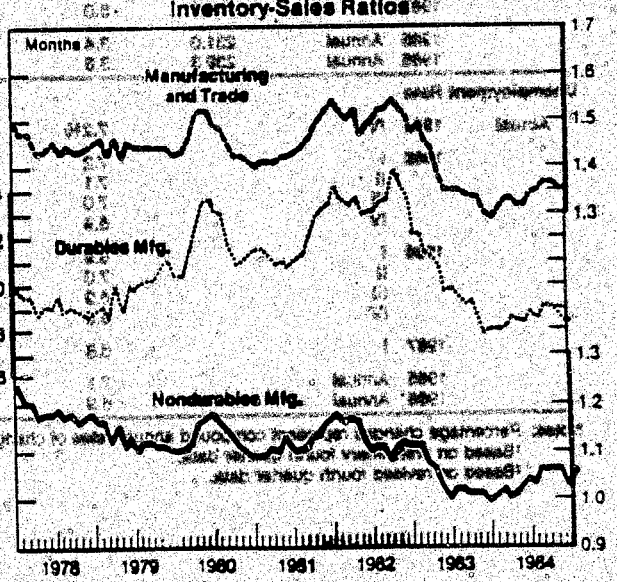
Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[1]		Georgia State University[1]	
Date of Forecast			Feb., 1986		Feb., 1986		Feb., 1986		Feb., 1986	
			Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product										
Billions of Current Dollars										
Actual	1984	IV	$3784.2	7.8%	$3784.2	7.8%	$3784.2	7.8%	$3784.2	7.8%
	1985	I	3843.7	6.7	3843.6	6.7	3820.8	6.2	3836.2	7.8
		II	3906.2	6.6	3915.3	7.7	3879.2	6.3	3914.2	8.5
		III	3972.9	7.1	3989.5	7.8	3946.2	7.3	3973.6	6.2
		IV	4044.1	7.4	4063.6	7.6	4017.8	7.2	4042.3	7.1
	1986	I	4109.2	6.5	4140.3	7.8	4095.0	7.9	4105.2	6.4
		II	4175.6	6.7	4217.6	7.7	4182.5	8.8	4178.0	7.3
		III	4253.1	7.8	4306.5	8.8	4243.2	5.9	4221.3	4.2
		IV	4345.4	9.0	4396.9	8.7	4246.8	.3	4293.3	7.0
	1987	I	4448.3	9.8						
	1985	Annual	3941.5	7.6	3953.0	7.9	3916.5	6.9	3941.4	7.6
	1986	Annual	4220.6	7.1	4264.6	7.9	4191.9	7.0	4199.5	6.5
Gross National Product										
Billions of Constant (1972) Dollars										
Actual	1984	IV	$1664.8	4.9%	$1664.8	4.9%	$1664.8	4.9%	$1664.8	4.9%
	1985	I	1681.8	4.1	1680.7	3.9	1678.0	3.2	1682.2	4.2
		II	1697.2	3.7	1694.3	3.3	1691.0	3.1	1704.5	5.4
		III	1714.1	4.0	1707.0	3.0	1704.0	3.1	1716.0	3.2
		IV	1730.5	3.9	1719.4	2.9	1717.0	3.1	1726.6	2.5
	1986	I	1742.8	2.9	1731.4	2.8	1731.5	3.4	1735.9	1.7
		II	1755.2	2.9	1744.6	3.1	1750.0	4.3	1745.6	2.3
		III	1766.9	3.4	1760.0	3.5	1757.0	1.8	1745.0	-.2
		IV	1776.8	3.9	1776.8	3.9	1741.0	-3.6	1754.5	2.2
	1987	I	1807.0	4.6						
	1985	Annual	1705.9	4.0	1700.3	3.7	1697.5	3.5	1708.3	4.2
	1986	Annual	1763.7	3.4	1753.3	3.1	1744.9	2.8	1745.3	2.2
Gross National Product deflator										
Index, 1972 = 100										
Actual	1984	IV	228.1	2.8%	228.1	2.8%	228.1	2.8%	228.1	2.8%
	1985	I	228.5	4.4	228.7	4.7	227.7	2.9	228.0	3.4
		II	230.1	2.7	231.1	4.3	229.4	3.0	229.6	2.9
		III	231.8	3.0	233.7	4.8	231.7	4.1	231.3	22.9
		IV	233.7	3.4	236.3	4.6	234.0	4.0	233.6	4.5
	1986	I	235.7	3.5	239.1	4.8	236.5	4.3	236.5	4.6
		II	237.9	3.7	241.7	4.4	239.0	4.3	239.3	4.9
		III	240.3	4.1	244.6	4.9	241.5	4.3	241.9	4.4
		IV	243.2	4.9	247.4	4.8	243.9	4.1	244.7	4.7
	1987	I	246.2	5.0						
	1985	Annual	231.0	3.4	232.5	4.0	230.7	3.3	230.7	3.3
	1986	Annual	238.3	3.8	243.2	4.8	240.2	4.1	240.6	4.3
Unemployment Rate										
Actual	1984	IV	7.2%		7.2%		7.2%		7.2%	
	1985	I	7.2		7.3		7.4		7.4	
		II	7.1		7.1		7.3		7.2	
		III	7.0		7.1		7.1		6.9	
		IV	6.9		6.9		6.9		6.9	
	1986	I	6.9		6.9		6.7		6.9	
		II	7.0		7.0		6.6		6.9	
		III	6.9		7.1		6.8		7.2	
		IV	6.9		7.0		7.0		7.2	
	1987	I	6.8							
	1985	Annual	7.1		7.1		7.2		7.1	
	1986	Annual	6.9		7.0		6.8		7.1	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.
[1]Based on preliminary fourth quarter data.
[2]Based on revised fourth quarter data.

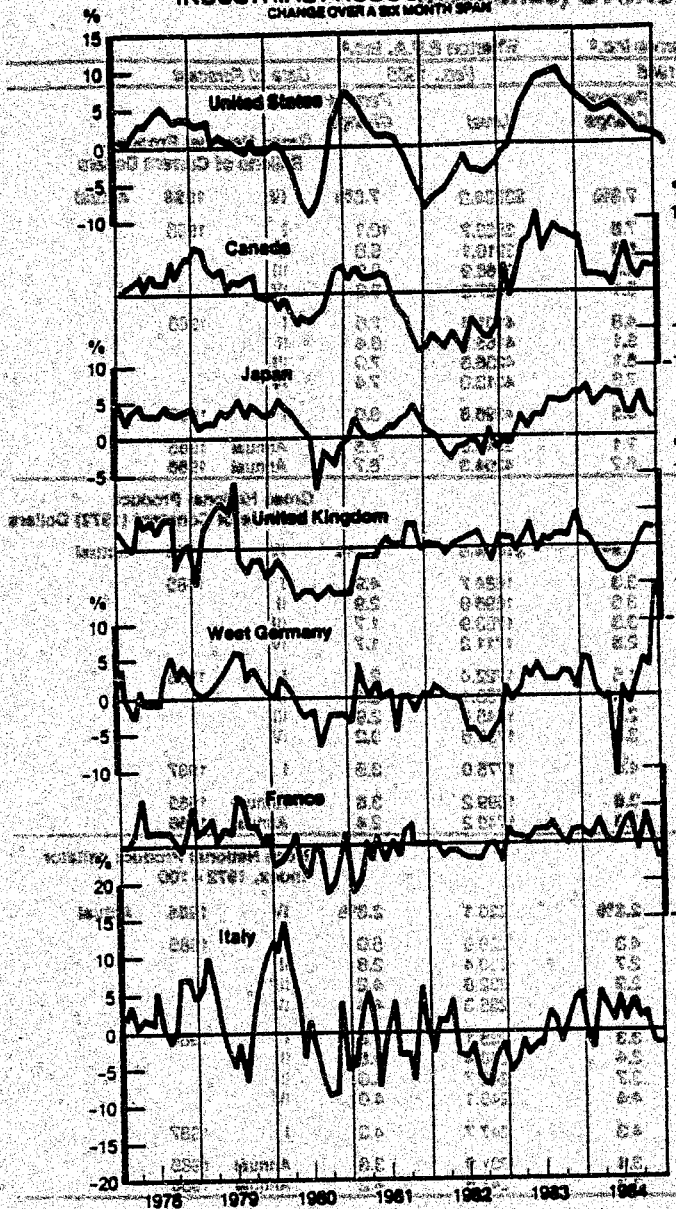
ECONOMIC FORECASTS (continued)

The Conference Board[1]		Chase Econometrics/ Associates, Inc.[2]		Data Resources Inc.[3]	Wharton E.F.A. Inc.[4]				
Jan., 1985		Feb., 1985		Feb., 1985	Feb., 1985		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change		
								Gross National Product Billions of Current Dollars	
		$3784.2	7.8%	$3784.2	7.8%	$3784.2	7.8%	IV 1984	Actual
$3817.0	7.1	3848.0	9.2	3836.7	7.8	3858.7	10.1	I 1985	
3898.0	8.8	3919.7	7.7	3884.4	6.3	3910.1	5.8	II	
3970.0	7.8	3995.0	7.9	3954.5	6.3	3966.9	5.9	III	
4036.0	7.1	4044.7	5.1	4013.8	6.1	4027.2	6.2	IV	
4090.0	5.1	4094.4	5.0	4081.4	4.8	4101.8	7.6	I 1986	
4161.0	7.1	4186.8	7.2	4112.1	5.1	4165.7	6.4	II	
4239.0	7.7	4250.1	6.3	4173.4	6.1	4236.8	7.0	III	
4316.0	7.5	4340.6	8.8	4249.6	7.5	4313.0	7.4	IV	
		4438.6	9.3	4336.8	9.5	4396.8	8.0	I 1987	
3931.0	7.4	3951.9	7.8	3924.6	7.1	3940.0	7.5	Annual 1985	
4201.5	6.9	4212.7	6.6	4149.1	5.7	4204.3	6.7	Annual 1986	
								Gross National Product Billions of Constant (1972) Dollars	
		$1684.8	4.9%	$1684.8	4.9%	$1684.8	4.9%	IV 1984	Actual
$1678.2	4.2	1681.6	4.1	1678.5	3.3	1684.7	4.9	1985	
1699.4	5.1	1696.1	3.2	1692.9	3.5	1698.9	2.9	II	
1712.7	3.2	1710.2	3.6	1706.8	3.3	1703.9	1.7	III	
1722.2	2.2	1714.6	1.0	1718.6	2.8	1711.2	1.7	IV	
1722.8	1	1718.9	1.0	1725.1	1.5	1722.4	2.6	I 1986	
1733.5	2.5	1730.8	2.8	1732.0	1.8	1733.1	2.5	II	
1747.5	3.3	1745.8	3.7	1741.9	2.3	1745.6	2.9	III	
1760.6	3.0	1762.3	3.6	1754.8	3.0	1759.6	3.2	IV	
		1780.4	4.2	1771.9	4.0	1775.0	3.5	I 1987	
1703.1	3.9	1700.4	3.7	1699.2	3.8	1699.2	3.8	Annual 1985	
1741.1	2.2	1739.7	2.3	1738.5	2.3	1740.2	2.4	Annual 1986	
								Gross National Product deflator Index, 1972 = 100	
		226.1	2.8%	226.1	2.8%	226.1	2.8%	IV 1984	Actual
227.4	2.8	228.8	4.9	228.5	4.3	228.9	5.0	1985	
229.4	3.4	231.2	4.3	230.0	2.7	230.4	2.8	II	
231.6	4.3	233.6	4.1	231.7	2.9	232.8	4.2	III	
234.5	4.8	235.9	4.0	233.5	3.2	235.3	4.4	IV	
237.4	5.0	238.2	4.0	235.4	3.3	238.1	4.6	1986	
240.0	4.5	240.7	4.2	237.4	3.4	240.4	3.5	II	
242.6	4.3	243.3	4.4	239.6	3.7	242.7	4.0	III	
245.1	4.3	246.3	5.0	242.2	4.4	245.1	4.0	IV	
		249.3	5.0	244.8	4.3	247.7	4.3	1987	
230.8	3.3	232.4	4.0	230.9	3.4	231.9	3.8	Annual 1985	
241.3	4.6	242.1	4.2	238.7	3.3	241.8	4.2	Annual 1986	
								Unemployment Rate	
7.2%		7.2%				7.2%		IV 1984	Actual
7.3		7.1				7.3		1985	
7.1		7.0				7.1		II	
7.1		7.0				7.1		III	
7.4		7.1				7.2		IV	
7.7		7.3				7.3		I 1986	
7.8		7.2				7.3		II	
7.8		7.1				7.2		III	
7.8		7.0				7.2		IV	
		6.8				7.2		I 1987	
7.2		7.1				7.2		Annual 1985	
7.8		7.2				7.2		Annual 1986	

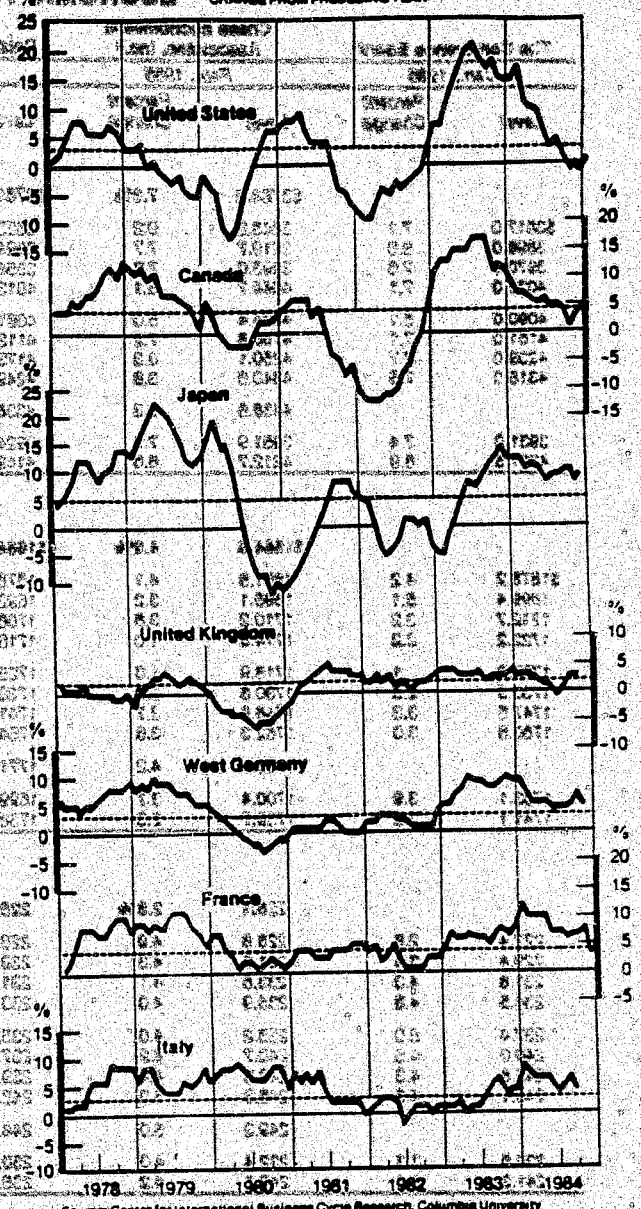
Please Note: In the interest of spreading the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

INDUSTRIAL PRODUCTION INDEXES
CHANGE OVER A SIX MONTH SPAN

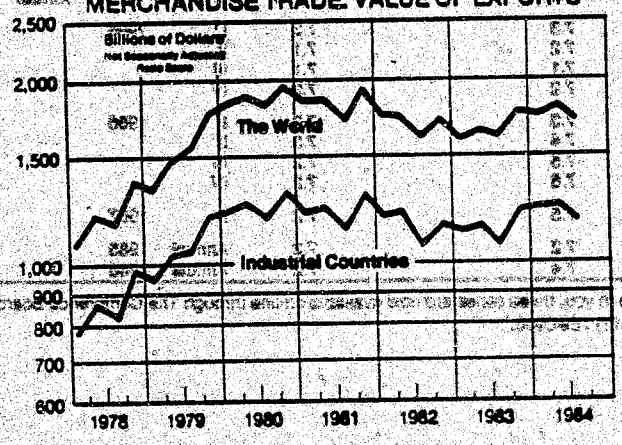


LEADING BUSINESS CYCLE INDEXES
CHANGE FROM PRECEDING YEAR

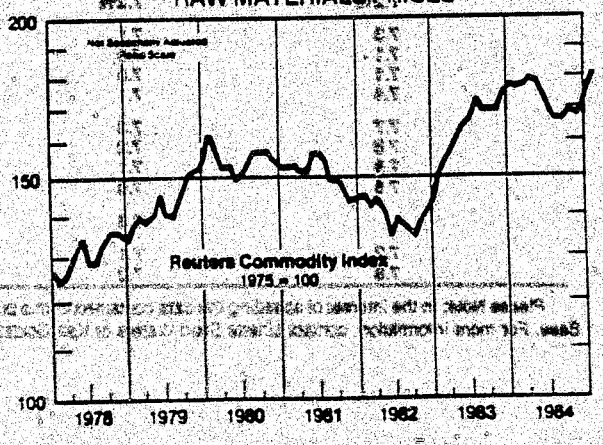


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

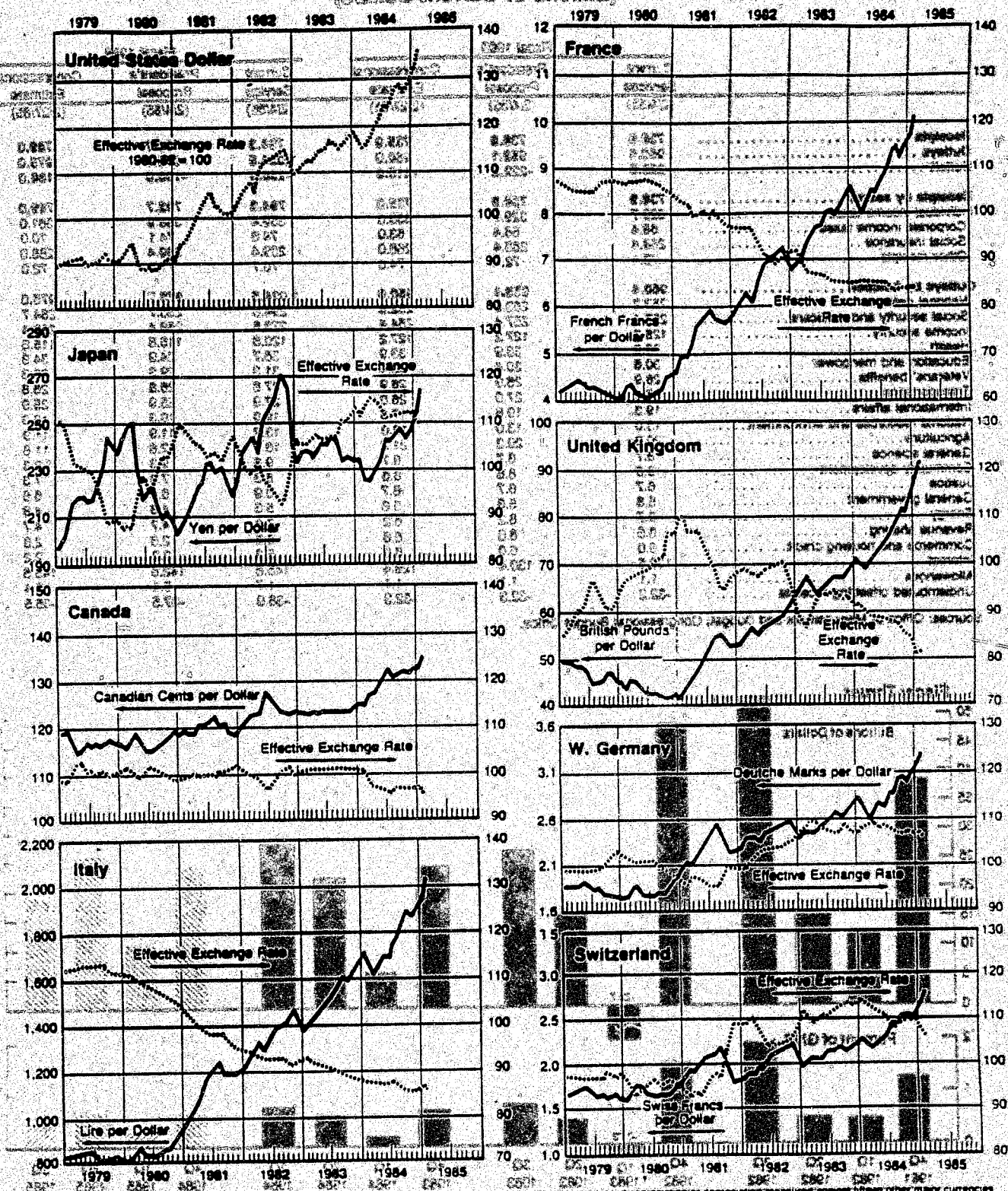


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



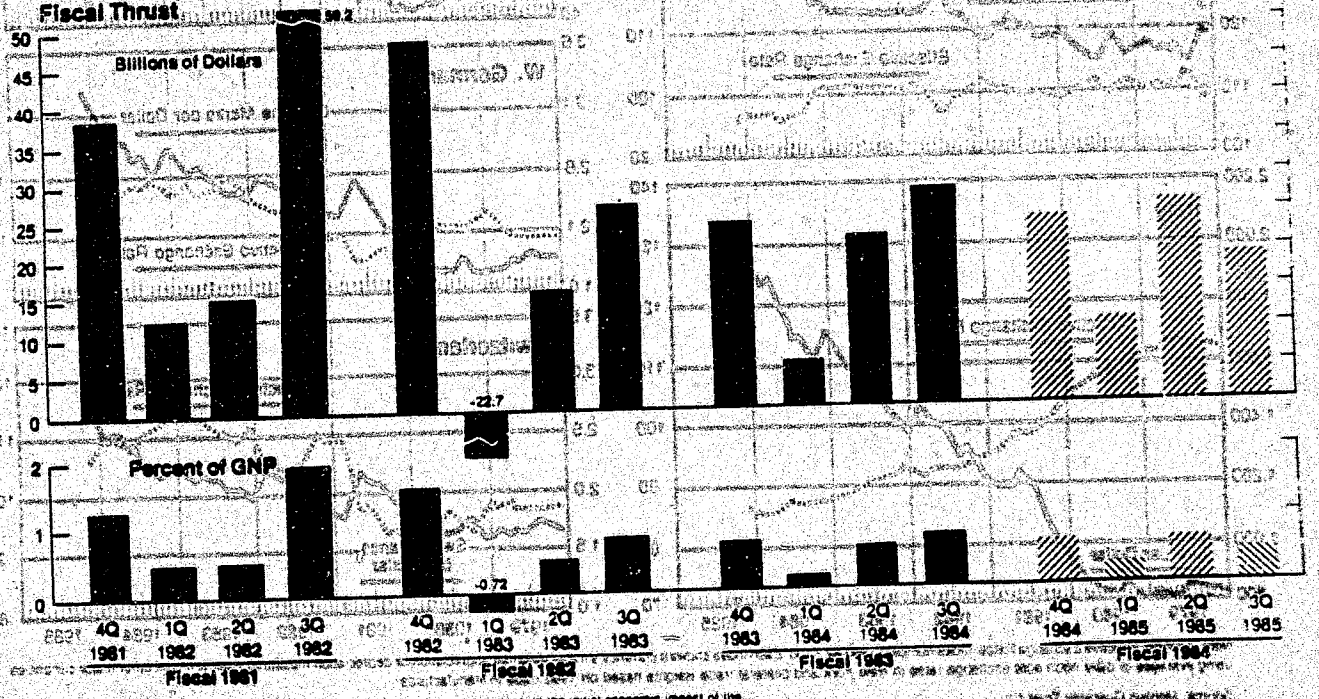
Note: Nominal Effective Exchange Rates: index numbers, 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against those other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

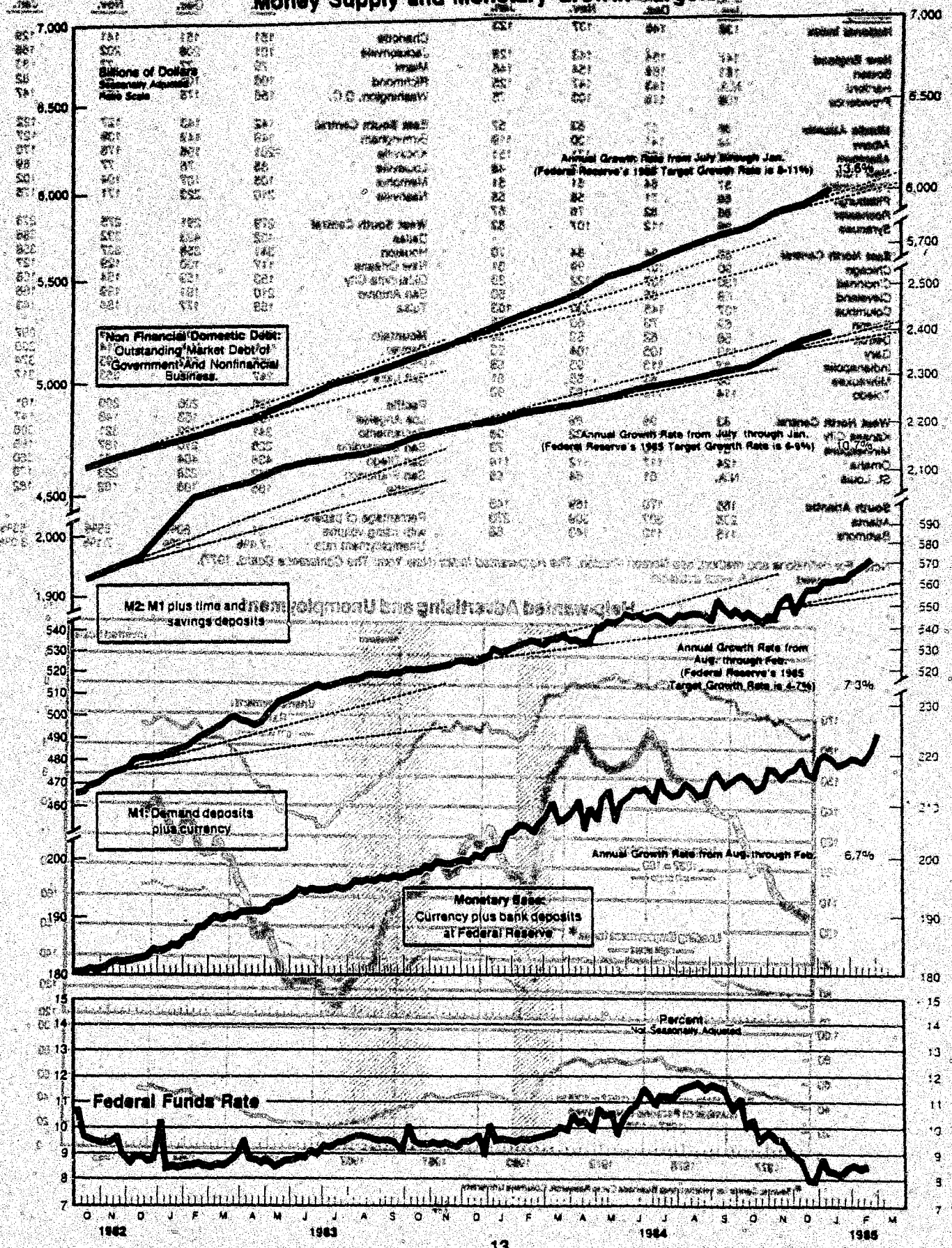
	Fiscal 1985			Fiscal 1986		
	Current Services (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/27/85)	Current Service (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/27/85)
Receipts	736.9	736.9	736.9	784.3	793.7	798.8
Outlays	960.4	959.1	960.0	1,034.5	973.7	975.0
Deficit	-223.6	-222.2	-216.9	-238.3	-180.0	-196.0
Receipts by source	736.9	736.9	736.9	784.3	793.7	798.8
Individual income taxes	329.7	329.7	333.0	356.6	356.9	361.0
Corporate income taxes	66.4	66.4	63.0	74.8	74.1	70.0
Social insurance	268.4	268.4	266.0	289.4	299.4	285.0
Other receipts	72.4	72.4	74.0	70.7	71.3	72.0
Outlays by function	960.4	959.1	960.0	1,034.5	973.7	975.0
National defense	253.2	253.8	252.8	294.6	286.7	284.7
Social security and medicare	257.4	257.4	254.4	273.8	269.4	268.4
Income security	128.3	127.2	127.2	120.8	115.8	115.8
Health	33.9	33.9	33.9	36.7	34.9	34.9
Education and manpower	30.6	30.4	30.4	31.3	29.3	29.3
Veterans' benefits	26.9	26.9	26.9	27.8	26.8	26.8
Transportation	27.0	27.0	26.0	27.9	25.9	25.9
International affairs	19.3	19.6	17.6	19.0	18.3	18.3
National resources and environment	13.0	13.0	13.0	13.2	11.9	11.9
Agriculture	20.2	20.2	21.2	18.1	12.6	11.6
General science	8.7	8.7	8.7	9.3	9.3	9.3
Community development	6.6	6.6	6.6	6.3	7.3	7.3
Justice	6.7	6.7	6.7	6.9	6.6	6.6
General government	5.8	5.8	5.8	5.8	4.8	4.8
Energy	8.7	8.2	6.2	7.9	4.7	4.7
Revenue sharing	6.5	6.6	6.6	6.6	2.8	2.8
Commerce and housing credit	6.0	6.0	6.0	5.3	2.2	2.2
Interest	130.5	130.4	129.4	146.8	142.6	145.6
Allowances	1.1	1.1	1.1	1.7	-0.4	-0.4
Undistributed offsetting receipts	-32.2	-32.3	-32.3	-36.0	-37.5	-36.5

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the multiplier effect within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3, The Conference Board, New York, 1980).

Money Supply and Monetary Growth Targets



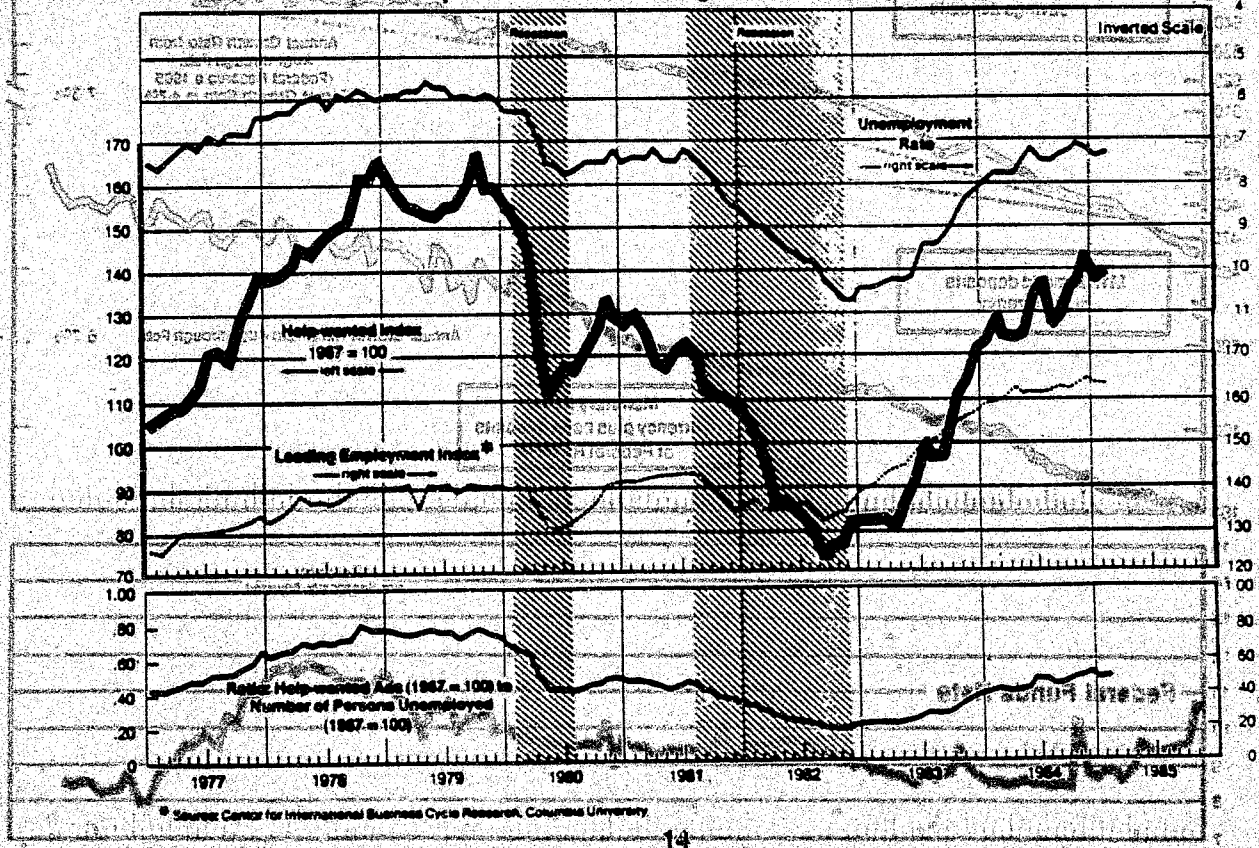
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1985 Jan.	1984 Dec.	1984 Nov.	1984 Jan.
National Index	136	146	137	123
New England	147	154	143	128
Boston	161	166	154	145
Hartford	N.A.	143	147	125
Providence	109	116	103	75
Middle Atlantic	66	67	63	57
Albany	144	141	130	119
Allentown	202	186	171	151
New York	54	53	52	48
Philadelphia	57	64	61	51
Pittsburgh	66	71	58	56
Rochester	85	82	78	67
Syracuse	99	112	107	82
East North Central	83	94	84	70
Chicago	90	107	99	81
Cincinnati	130	137	122	86
Cleveland	59	65	57	50
Columbus	137	145	130	103
Dayton	68	73	60	55
Detroit	58	62	52	50
Gary	115	105	104	95
Indianapolis	87	113	95	68
Milwaukee	56	63	55	51
Toledo	114	119	103	92
West North Central	93	96	89	78
Kansas City	121	134	132	96
Minneapolis	81	90	81	73
Omaha	124	117	112	114
St. Louis	N.A.	61	64	55
South Atlantic	165	170	169	145
Atlanta	296	307	309	270
Baltimore	116	112	143	88
Charlotte	151	151	141	129
Jacksonville	191	206	202	166
Miami	79	77	77	83
Richmond	106	105	88	82
Washington, D.C.	166	178	161	147
East South Central	142	143	127	122
Birmingham	149	149	139	127
Knoxville	201	196	178	170
Louisville	85	76	77	69
Memphis	105	107	104	102
Nashville	210	223	171	176
West South Central	279	291	275	278
Dallas	402	423	392	388
Houston	341	358	337	358
New Orleans	117	130	129	127
Oklahoma City	153	159	154	156
San Antonio	210	191	199	186
Tulsa	158	177	154	143
Mountain	311	353	336	287
Denver	N.A.	N.A.	214	208
Phoenix	457	552	493	374
Salt Lake City	347	378	353	317
Pacific	206	208	200	181
Los Angeles	157	153	148	147
Sacramento	341	329	321	306
San Bernardino	228	210	187	165
San Diego	434	404	431	360
San Francisco	212	236	223	170
Seattle	185	186	182	182
Percentage of papers with rising volume	31	80%	55%	59%
Unemployment rate	7.4%	7.2%	7.1%	8.0%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1966-1970 = 100
(Seasonally Adjusted)

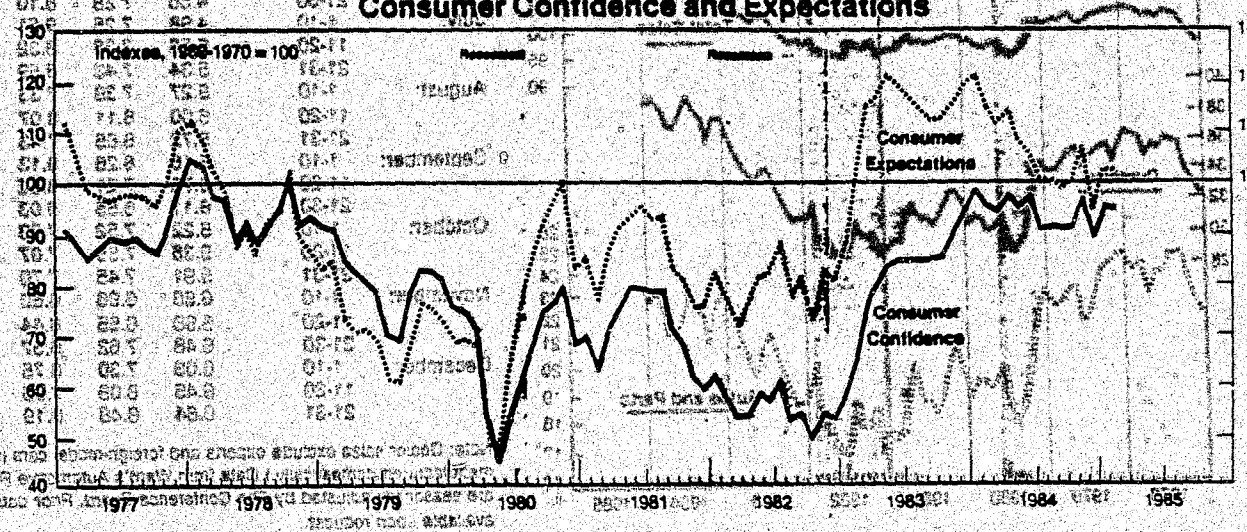
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1983	58.0	66.8	77.1	80.3	84.6	84.9	84.7	84.6	84.8r	85.7	90.2	95.1
1984	98.4	96.7	94.5	97.9	96.2	97.1	91.0	91.9	91.0	91.5r	98.8	85.9
1985	95.4r	96.2p										
Buying Plans Index												
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	99.9	113.5	109.9	109.9	108.5
1984	101.4	108.0	103.9	99.4	106.1	121.6r	94.5	100.6	93.3	98.5	102.7	96.2
1985	102.3r	103.9p										

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary, r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

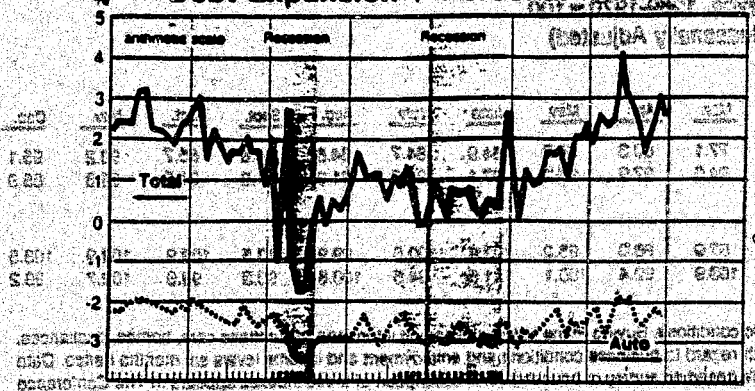
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary Purchasing Power (DPP)	Discretionary Spending (DSP)	Discretionary Saving (DSA)	Ratios (DSP)/(DPP)	Ratios (DSP)/(APP)	Ratios Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1909.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.8	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

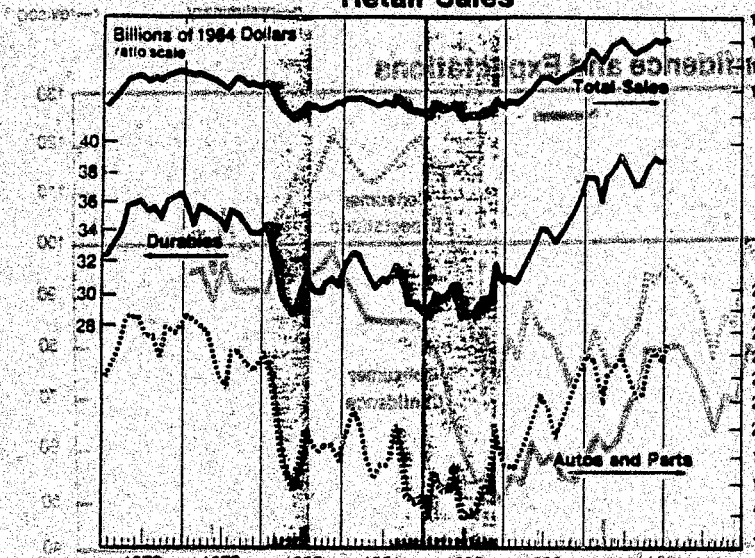
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion + Personal Income



Retail Sales



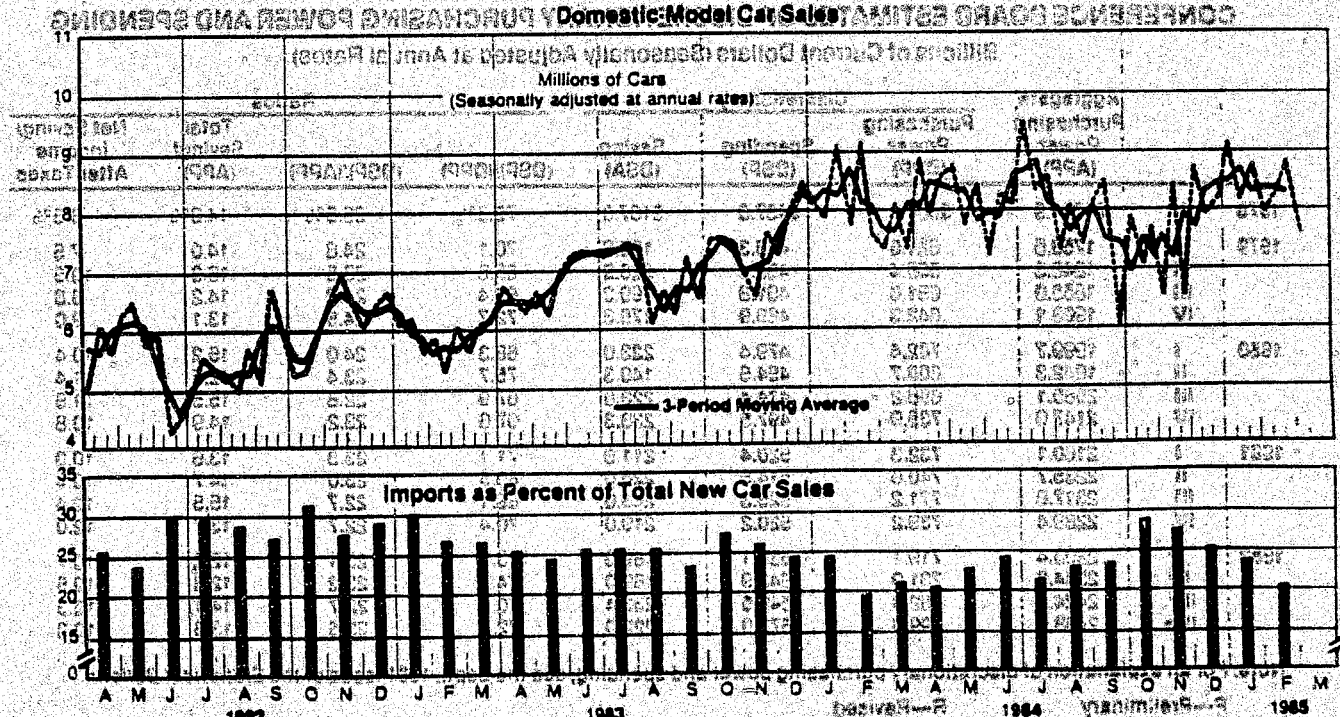
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.48	5.81	7.35	7.60
	11-20	5.68	6.10	8.13	
	21-31	6.17	6.19	7.35	
April:	1-10	5.06	6.69	8.88	
	11-20	6.14	6.52	7.96	
	21-30	5.62	6.35	8.60	
May:	1-10	6.31	6.87	8.75	
	11-20	6.53	6.30	7.74	
	21-31	5.77	6.97	8.43	
June:	1-10	6.00	7.23	7.22	
	11-20	4.24	7.34	8.25	
	21-30	4.56	7.28	8.10	
July:	1-10	4.98	7.25	9.51	
	11-20	5.58	7.36	8.32	
	21-31	5.34	7.43	8.59	
August:	1-10	5.27	7.39	7.33	
	11-20	5.00	6.11	8.07	
	21-31	5.72	6.65	7.43	
September:	1-10	5.16	6.26	8.13	
	11-20	6.75	7.21	8.52	
	21-30	6.11	6.55	6.03	
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.96	6.55	8.44	
	21-30	6.48	7.62	6.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



QUARTERLY TABLES: HISTORY AND STANDARD FORECAST

BY

The Economics Department
of
Fidelity Bank

Prepared: March 25, 1985

Released: March 29, 1985

QUARTERLY ECONOMETRIC TABLES

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FIDELITY BANK
ECONOMETRIC FORECAST
HISTORICAL TABLES

	1982 QTR 4	1983 QTR 1	QTR 2	QTR 3	QTR 4	1984 QTR 1	QTR 2	QTR 3	QTR 4	1982	1983	1984
TABLE 1A. GROWTH IN KEY ECONOMIC INDICATORS (ANN PERCENT CHANGES)												
1.GNP, 1972 $	0.5	3.3	9.4	6.8	5.9	10.1	7.1	1.6	4.2	-2.1	3.7	6.8
2.GNP, CURRENT $	3.9	8.5	12.3	10.1	10.6	14.9	10.7	5.6	7.1	3.8	7.7	10.8
3.CONSUMPTION,1972$	5.1	2.5	10.1	3.8	6.8	4.6	7.9	0.7	3.6	1.4	4.8	5.3
4.BUS FIXED INVEST 1972$	-5.5	0.0	9.5	18.9	30.4	20.8	21.0	13.8	8.5	-4.6	2.5	19.8
5.RESIDENTIAL INV 1972$	50.9	64.5	78.3	31.9	3.8	21.4	1.2	-4.8	-5.3	-15.8	41.7	12.2
6.GOVT PURCH,1972$	11.1	-8.1	-2.6	-8.5	-4.3	1.8	18.5	5.5	5.8	2.8	-0.3	3.5
7.INDUSTRIAL PROD	-0.8	1.8	10.4	21.8	10.2	11.4	8.6	6.4	-2.1	-8.1	6.4	10.7
8.DISPOSABLE INCOME 1972	3.7	2.1	3.4	7.7	8.3	8.5	6.3	3.9	3.6	0.9	3.5	6.7
9.CPI: ALL URBAN	0.8	-0.2	5.1	4.9	3.5	4.4	4.5	4.4	3.8	6.2	3.2	4.3
10.GNP DEFLATOR	3.4	5.1	2.6	3.1	4.6	4.4	3.3	4.0	2.8	6.0	3.8	3.8
11.WAGE RATE 1977=100	4.8	5.1	3.5	2.8	4.1	3.5	3.2	2.7	2.8	7.8	4.6	3.3
12.CORP PROFITS AFTER TAX	-21.2	7.3	109.3	70.8	-4.7	30.1	-1.1	-21.1	2.1	-25.1	21.5	14.7
13.ECONOMIC PROFITS A TAX	-17.6	138.1	95.5	62.9	43.3	25.8	24.8	9.5	11.6	-9.5	51.8	31.3
TABLE 1B. OTHER KEY ECONOMIC INDICATORS												
14.HOUSING STARTS	1.28	1.64	1.67	1.79	1.72	1.95	1.86	1.66	1.60	1.06	1.70	1.77
15.AUTO SALES, DOMESTIC	6.8	6.0	6.9	6.9	7.4	8.2	8.3	8.0	7.4	5.8	6.8	8.0
16.UNEMPLOYMENT RATE	10.6	10.4	10.2	9.3	8.5	7.9	7.5	7.5	7.2	9.7	9.6	7.5
17.INVNT INVEST 1972$	-24.6	-16.5	-6.1	0.9	7.2	31.6	20.3	30.6	16.8	-10.4	-3.6	24.8
18.NET EXPORTS G&S 1972$	24.1	22.8	13.6	11.9	2.0	-8.3	-11.5	-27.1	-13.4	29.7	12.6	-15.1
19.GOVT SURPLUS/DEF,UNI	-68.3	-61.8	-29.2	-36.9	-63.3	-54.5	-24.4	-33.1	-72.4	-109.5	-195.4	-175.4*
TABLE 1C. INTEREST RATES												
20.FEDERAL FUNDS RATE	9.29	8.65	8.80	9.46	9.43	9.69	10.56	11.39	9.27	12.26	9.09	10.22
21.PRIME COMM.BANK RATE	11.96	10.88	10.50	10.80	11.00	11.07	12.31	12.99	11.80	14.86	10.79	12.04
22.PRIM.89 DAY CD(NYCB)	8.97	8.51	8.80	9.57	9.45	9.73	11.03	11.38	9.29	12.24	9.08	10.35
23.90 DAY COMM PAPER	8.57	8.20	8.54	9.32	9.18	9.40	10.54	11.05	9.08	11.75	8.81	10.02
24.3 MO TREASURY BILL	7.93	8.08	8.42	9.19	8.79	9.13	9.86	10.34	8.97	10.72	8.62	9.58
25.5 YR GOVT SEC	10.47	10.12	10.23	11.62	11.41	11.64	13.01	12.83	11.49	13.01	10.80	12.24
26.20YR GOVT SEC	10.72	10.87	10.81	11.79	11.90	12.09	13.21	12.83	11.78	12.92	11.34	12.48
27.SPREAD 3MO 20YR	2.51	2.51	2.08	2.25	2.79	2.61	2.95	2.06	2.47	1.73	2.41	2.52
28.AA UTILITY,NEW ISSUE	12.33	12.31	11.79	12.89	12.92	13.12	14.44	13.83	12.69	15.02	12.48	13.52
TABLE 1D. GROWTH IN MONEY AND CREDIT (ANNUAL PERCENT CHANGES)												
29.M1	16.2	13.4	12.2	9.8	4.9	8.6	6.7	4.6	3.3	6.6	11.1	7.8
30.M2	11.0	22.1	11.0	7.1	8.8	6.4	7.3	7.0	9.3	9.6	12.6	7.6
31.NONDORR RES DEP INST	17.1	5.7	6.1	3.3	8.5	9.3	-10.4	-37.7	34.4	4.9	8.4	-1.4
32.MONETARY BASE	8.8	9.8	10.7	8.4	8.1	9.8	7.1	7.4	3.9	6.4	9.0	8.2
33.C&I LOANS+NONFIN PAPER	-1.3	-2.4	-3.4	6.9	7.9	16.8	26.6	18.4	11.1	11.6	1.7	14.3
TABLE 1E. MONEY,VELOCITY& GNP GROWTH (% CH FROM SAME QTR YR AGO)												
34.M1	8.7	9.4	11.9	12.9	10.0	8.8	7.5	6.2	5.8	8.7	10.0	5.8
35.M1 VELOCITY	-5.5	-4.1	-4.7	-3.7	0.3	2.9	3.8	4.0	3.6	-5.5	0.3	3.6
36.NOMINAL GNP	2.7	4.9	6.7	8.7	10.4	12.0	11.6	10.4	9.5	2.7	10.4	9.5
37.REAL GNP	-1.5	0.5	3.0	4.9	6.3	8.0	7.5	6.1	5.7	-1.5	6.3	5.7

* INDICATES VALUE IS FOR FISCAL YEAR

	1984 QTR 4	1985 QTR 1	QTR 2	QTR 3	QTR 4	1986 QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 1A. GROWTH IN KEY ECONOMIC INDICATORS (ANN PERCENT CHANGES)												
1.GNP, 1972 $	4.2	2.1	3.9	4.9	4.2	2.5	2.0	3.2	3.1	6.8	3.6	3.2
2.GNP, CURRENT $	7.1	7.6	7.3	8.9	9.2	7.9	7.6	8.6	8.9	10.8	7.7	8.3
3.CONSUMPTION,1972$	3.6	5.7	4.1	4.5	3.7	2.9	2.2	3.0	2.9	5.1	4.2	3.2
4.BUS FIXED INVEST 1972$	8.5	2.9	4.3	6.1	7.8	5.9	3.0	3.9	5.1	19.8	7.3	5.3
5.RESIDENTIAL INV 1972$	-5.3	1.9	14.1	14.3	-0.7	-8.4	-2.4	0.6	2.2	12.2	3.1	-0.1
6.GOVT PURCH,1972$	5.0	3.5	5.3	3.3	1.8	1.0	2.4	2.9	1.8	3.5	5.2	2.3
7.INDUSTRIAL PROD	-2.1	1.4	6.8	6.7	5.9	2.4	2.0	2.3	2.7	10.7	3.7	3.8
8.DISPOSABLE INCOME,1972	3.6	1.3	3.7	3.0	1.3	0.8	1.8	1.6	1.2	6.7	3.0	1.5
9.CPI: ALL URBAN	3.0	2.7	3.6	3.8	5.7	5.8	5.7	5.9	6.6	4.3	3.5	5.4
10.GNP DEFLATOR	2.8	5.4	3.3	3.9	4.8	5.3	5.5	5.2	5.6	3.8	4.0	4.9
11.WAGE RATE 1977=100	2.8	3.7	5.1	5.1	5.9	5.6	5.6	6.0	6.3	5.5	3.9	5.5
12.CORP PROFITS AFTER TAX	2.1	7.4	21.1	19.2	10.7	13.9	10.4	10.4	10.3	14.7	6.3	14.4
13.ECONOMIC PROFITS A TAX	11.6	3.3	17.7	15.3	13.0	3.5	4.0	2.4	2.5	31.3	11.6	7.3
TABLE 1B. OTHER KEY ECONOMIC INDICATORS												
14.HOUSING STARTS	1.69	1.74	1.85	1.83	1.72	1.68	1.68	1.65	1.64	1.77	1.79	1.66
15.AUTO SALES, DOMESTIC	7.4	8.6	8.8	8.9	8.8	8.7	8.5	8.6	8.5	8.0	8.8	8.6
16.UNEMPLOYMENT RATE	7.2	7.3	7.2	6.9	6.7	6.6	6.5	6.5	6.5	7.5	7.0	6.5
17.INVNT INVEST 1972$	16.8	15.1	16.6	17.6	19.6	19.6	19.4	19.7	20.3	24.8	17.2	19.7
18.NET EXPORTS GAS 1972$	-13.4	-24.4	-26.7	-27.2	-26.9	-26.4	-26.4	-25.5	-24.8	-15.1	-26.3	-25.8
19.GOVT SURPLUS/DEF,UNI	-72.4	-47.3	-28.0	-66.8	-55.2	-62.2	-35.6	-64.7	-71.1	-175.4	-213.7	-217.7*
TABLE 1C. INTEREST RATES												
20.FEDERAL FUNDS RATE	9.27	8.44	8.62	9.24	9.71	9.41	9.26	9.37	9.48	10.22	9.00	9.38
21.PRIME COMM.BANK RATE	11.09	10.54	10.55	10.93	11.47	11.29	10.98	10.96	11.17	12.04	10.87	11.10
22.PRIM.89 DAY CD(NYCB)	9.29	8.68	8.75	9.56	9.97	9.63	9.50	9.72	9.89	10.35	9.24	9.69
23.90 DAY COMM PAPER	9.08	8.55	8.60	9.34	9.71	9.37	9.23	9.42	9.56	10.02	9.05	9.39
24.3 MO TREASURY BILL	8.97	8.16	8.47	8.86	9.20	8.94	8.72	8.80	8.99	9.58	8.67	8.86
25.5 YR GOVT SEC	11.49	11.14	11.16	11.41	11.63	11.49	11.36	11.46	11.59	12.24	11.34	11.47
26.20YR GOVT SEC	11.78	11.69	11.77	12.08	12.28	12.22	12.14	12.25	12.43	12.48	11.96	12.26
27.SPREAD 3MO 20YR	2.47	3.24	3.00	2.69	2.74	2.95	3.10	3.12	3.11	2.52	2.97	3.07
28.AA UTILITY,NEW ISSUE	12.69	12.71	12.66	13.18	13.40	13.18	13.07	13.15	13.33	13.52	13.04	13.18
TABLE 1D. GROWTH IN MONEY AND CREDIT (ANNUAL PERCENT CHANGES)												
29.M1	3.3	10.6	4.6	7.8	5.4	5.4	6.8	7.3	8.0	7.0	6.4	6.3
30.M2	9.3	12.2	4.6	5.2	5.1	5.5	5.9	6.1	6.3	7.6	7.9	5.5
31.NONBORR RES DEP INST	34.4	79.3	7.1	4.8	5.6	5.0	5.6	5.9	6.1	-1.4	16.9	5.5
32.MONETARY BASE	3.9	8.9	6.7	5.2	5.4	5.8	6.5	6.1	6.1	6.2	6.8	5.9
33.C&I LOANS,NONFIN PAPER	13.1	0.8	5.1	8.0	6.9	7.5	6.1	5.1	4.5	14.3	8.7	6.5
TABLE 1E. MONEY,VELOCITY& GNP GROWTH (% CH FROM SAME QTR YR AGO)												
34.M1	5.8	6.2	5.7	6.5	7.1	5.8	6.3	6.2	6.9	5.8	7.1	6.9
35.M1 VELOCITY	3.6	1.4	1.1	1.2	1.1	1.4	1.2	1.0	1.3	3.6	1.1	1.3
36.NOMINAL GNP	9.5	7.7	6.9	7.8	8.3	8.4	8.4	8.3	8.2	9.5	8.3	8.2
37.REAL GNP	5.7	3.7	3.0	3.8	3.8	3.9	3.4	3.0	2.7	5.7	3.8	2.7

* INDICATES VALUE IS FOR FISCAL YEAR

	1982 QTR 4	1983 QTR 1	1983 QTR 2	1983 QTR 3	1983 QTR 4	1984 QTR 1	1984 QTR 2	1984 QTR 3	1984 QTR 4	1982	1983	1984
TABLE 2A. NATIONAL INCOME & PRODUCT (% CH FROM SAME QTR YR AGO)												
1.GNP, 1972 $	-1.5	0.5	3.0	4.9	6.3	8.0	7.5	6.1	5.7	-1.5	6.3	5.7
2.GNP, CURRENT $	2.7	4.9	6.7	8.7	10.4	12.0	11.6	10.4	9.5	2.7	10.4	9.5
3.CONSUMPTION,1972 $	3.1	3.0	4.9	5.3	5.8	6.3	5.8	5.0	4.2	3.1	5.8	4.2
4. DURABLE GOODS	8.3	5.9	12.4	14.6	15.2	16.4	14.4	10.9	9.4	8.3	15.2	9.4
5. NONDURABLE GOODS	1.2	2.3	3.6	4.0	4.7	4.9	5.8	4.5	3.1	1.2	4.7	3.1
6. SERVICES	3.1	2.7	3.7	3.6	3.6	3.6	2.9	3.3	3.2	3.1	3.6	3.2
7.FIXED INVESTMENT	-6.5	-1.7	6.9	14.5	19.7	22.2	20.5	17.3	12.7	-6.5	19.7	12.7
8. NONRESIDENTIAL	-8.7	-7.8	-1.0	5.3	14.2	19.7	22.7	21.3	15.9	-8.7	14.2	15.9
9. STRUCTURES	-5.8	-11.5	-10.5	-7.9	-1.8	10.5	18.2	18.2	15.6	-5.8	-1.0	15.6
10. EQUIPMENT	-10.8	-6.1	3.6	11.5	21.3	23.7	24.5	22.6	16.0	-10.8	21.3	16.8
11. RESIDENTIAL	3.3	27.6	42.0	55.4	41.6	31.2	13.9	5.0	2.6	3.3	41.6	2.6
12.EXPORTS GIS	-14.2	-9.2	-11.6	-3.4	3.2	4.8	5.6	4.1	4.3	-14.2	3.2	4.3
13.IMPORTS GIS	-4.7	-1.6	2.0	7.3	23.5	32.8	26.5	34.5	15.4	4.7	23.5	15.4
14.GOVT PURCHASES	3.8	1.4	1.9	-0.3	-3.9	-1.6	3.3	4.8	7.5	3.8	-3.9	7.5
TABLE 2B. OTHER PRODUCTION & PRICES (% CH FROM SAME QTR YR AGO)												
15.INDUSTRIAL PROD	-7.5	-2.3	4.7	9.8	14.9	15.4	12.9	9.1	6.0	-7.5	14.9	6.8
16.HOUSING STARTS	46.9	86.2	76.1	59.7	33.8	18.8	11.3	-6.9	-6.9	46.9	33.8	-6.9
17.CAR SALES, DOMEST	18.1	2.2	21.3	24.4	24.1	37.1	20.3	15.0	0.1	18.1	24.1	0.1
18.NON-AG EMP(ESTAB)	-2.5	-1.7	-0.4	1.3	3.4	4.4	4.7	4.6	4.1	-2.5	3.4	4.1
19.CPI: ALL URBAN	4.5	3.6	3.3	2.6	3.3	4.5	4.3	4.2	4.1	4.5	3.3	4.1
20.GNP DEFLATOR	4.3	4.4	3.6	3.5	3.8	3.6	3.8	4.0	3.6	4.3	3.8	3.6
21.CONSUMPTION DEFL	4.9	4.1	4.1	3.5	3.1	3.5	3.0	3.1	3.1	4.9	3.1	3.1
22.PPI: FINISHED GOODS	3.7	2.3	2.1	1.4	0.8	2.4	2.5	1.9	1.7	3.7	0.8	1.7
23.PPI: COMM FINISHED GDS	3.5	1.9	1.8	1.3	0.5	2.4	2.4	1.7	1.6	3.5	0.5	1.6
24.WAGE RATE INDEX	6.1	5.5	4.9	4.0	3.9	3.5	3.4	3.4	3.0	6.1	3.9	3.0
TABLE 2C. PROFITS AND INCOME (% CH FROM SAME QTR YEAR AGO)												
25.CORP PROFITS B TAX	-25.0	-3.5	16.7	34.6	44.7	50.5	24.1	-1.2	2.3	-25.0	44.7	2.3
26.CORP PROFITS A TAX	-25.3	-2.0	15.4	33.4	39.9	46.8	21.7	-0.8	0.9	-25.3	39.9	0.9
27.PROFITS A TAX,IVA,CCA	-13.9	21.7	43.6	58.1	61.6	51.9	37.6	24.6	17.0	-13.9	61.6	17.0
28.DISP INCOME, 1972$	1.1	1.9	2.6	4.2	5.3	6.9	7.7	6.7	5.6	1.1	5.3	5.6
TABLE 2D. FISCAL & MONETARY POLICY (% CH FROM SAME QTR YEAR AGO)												
29.M1	8.7	9.4	11.9	12.9	10.0	8.8	7.5	6.2	5.8	8.7	10.0	5.8
30.M2	9.5	12.4	13.3	12.7	12.1	8.3	7.4	7.4	7.5	9.5	12.1	7.5
31.M3	10.6	10.6	10.5	9.7	9.7	9.0	9.3	9.9	10.2	10.6	9.7	10.2
32.NONBORR RES DEP INST	7.0	10.0	10.1	7.9	5.9	6.8	2.4	-9.8	-4.8	7.0	5.9	-4.8
33.MONETARY BASE	7.6	8.2	9.2	9.4	9.3	9.2	8.3	8.1	7.1	7.6	9.3	7.1
34.TREASURY RECEIPTS	-6.9	-2.6	-6.9	-5.3	9.0	10.8	12.3	11.5	11.2	-6.9	9.0	11.2*
35.TREASURY EXPEND	5.7	20.0	7.9	4.6	3.6	4.3	8.0	7.3	12.2	5.7	3.6	12.2*

* INDICATES VALUE IS FOR FISCAL YEAR

FIDELITY BANK
ECONOMETRIC FORECAST

STRONG $,NO FURTHER OIL PRICE CUT, NO BUDGET LEGISLATION

	1984	1985				1986						
	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 2A. NATIONAL INCOME & PRODUCT (% CH FROM SAME QTR YR AGO)												
1.GNP, 1972 $	5.7	3.7	3.0	3.8	3.8	3.9	3.4	3.0	2.7	5.7	3.8	2.7
2.GNP, CURRENT $	9.5	7.7	6.9	7.8	8.3	8.4	8.4	8.3	8.2	9.5	8.3	8.2
3.CONSUMPTION,1972 $	4.2	4.4	3.5	4.5	4.5	3.8	3.3	3.0	2.8	4.2	4.5	2.8
4. DURABLE GOODS	9.4	7.8	6.7	10.1	7.5	5.9	4.4	3.3	3.4	9.4	7.5	3.4
5. NONDURABLE GOODS	3.1	3.5	2.1	3.6	4.6	4.3	3.7	3.4	3.0	3.1	4.0	3.0
6. SERVICES	3.2	4.0	3.4	3.2	3.1	2.7	2.6	2.5	2.3	3.2	3.1	2.3
7.FIXED INVESTMENT	12.7	8.2	5.9	5.6	5.7	5.7	4.6	3.3	3.0	12.7	5.7	3.0
8. NONRESIDENTIAL	15.9	11.4	7.3	5.5	5.3	6.1	5.7	5.1	4.5	15.9	5.3	4.5
9. STRUCTURES	15.6	11.1	8.2	10.1	8.6	8.7	7.2	6.8	5.5	15.6	8.6	5.5
10. EQUIPMENT	16.0	11.5	7.0	3.8	4.1	5.1	5.2	4.6	4.0	16.0	4.1	4.0
11. RESIDENTIAL	2.6	-1.0	1.2	5.9	7.2	4.4	0.4	-2.0	-2.3	2.6	7.2	-2.1
12.EXPORTS G&S	4.3	2.7	3.7	3.6	6.3	7.6	8.7	8.8	8.9	4.3	6.3	8.9
13.IMPORTS G&S	15.4	13.1	13.2	3.3	14.2	7.6	7.2	6.6	6.4	15.4	14.2	6.4
14.GOVT PURCHASES	7.5	8.2	5.0	4.5	3.5	2.8	2.1	2.0	2.0	7.5	3.5	2.0
TABLE 2B.OTHER PRODUCTION & PRICES (%CH FROM SAME QTR YR AGO)												
15.INDUSTRIAL PROD	6.0	3.5	3.1	3.1	5.2	5.4	4.2	3.2	2.4	6.0	5.2	2.4
16.HOUSING STARTS	-6.9	-10.4	-6.8	10.2	7.4	-3.9	-9.5	-9.9	-4.4	-6.9	7.4	-6.4
17.CAR SALES, DOMEST	0.1	5.6	6.6	11.0	17.9	0.9	-3.4	-2.7	-3.2	0.1	17.9	-3.2
18.NON-AG EMP(ESTAB)	-6.0	-12.7	-13.3	-13.2	-3.8	3.0	3.4	3.3	3.0	-6.1	-3.8	3.0
19.CPI: ALL URBANS	4.0	3.6	3.6	3.3	3.9	4.7	5.2	5.7	5.9	4.0	3.9	5.9
20.GNP DEFLATOR	3.6	3.9	3.8	3.8	4.3	4.3	4.9	5.2	5.4	3.6	4.3	5.4
21.CONSUMPTION DEFLATORS	3.1	3.3	3.4	3.2	3.9	4.0	4.8	5.2	5.4	3.1	3.9	5.0
22.PPI: FINISHED GOODS	1.7	0.8	0.7	1.4	2.4	3.4	4.3	4.6	4.5	1.7	2.4	4.5
23.PPI: CONS FINISHED GDS	1.6	0.4	0.4	1.1	2.1	3.2	4.1	4.4	4.2	1.6	2.1	4.2
24.WAGE RATE INDEX	3.0	3.1	3.5	4.1	4.7	5.2	5.3	5.6	5.9	3.0	4.7	5.9
TABLE 2C. PROFITS AND INCOME (% CH FROM SAME QTR YEAR AGO)												
25.CORP PROFITS B TAX	2.3	-2.5	0.1	14.5	16.5	16.9	15.5	13.6	11.2	2.3	16.5	11.2
26.CORP PROFITS A TAX	0.3	-3.8	1.2	12.2	16.5	16.2	15.5	13.3	11.2	0.3	16.5	11.2
27.PROFITS A TAX;IVA/CCA	17.0	12.0	10.4	11.8	12.2	12.2	8.0	5.7	3.1	17.0	12.2	3.1
28.DISP INCOME(1972$)	5.6	3.8	3.1	2.9	2.3	2.2	1.6	1.2	1.2	5.6	2.3	1.2
TABLE 2D. FISCAL & MONETARY POLICY (% CH FROM SAME QTR YEAR AGO)												
29.M1	5.8	6.2	5.7	6.5	7.1	5.8	6.3	6.2	6.9	5.8	7.1	6.9
30.M2	7.5	8.9	8.3	7.8	6.7	5.8	5.6	5.7	6.0	7.5	6.7	6.0
31.M3	10.2	10.8	9.6	8.7	7.3	6.8	6.2	6.2	6.4	10.2	7.3	6.4
32.NONBORR RESERV INST	5.8	5.7	12.6	20.2	20.7	5.6	5.3	5.6	5.7	-6.8	20.7	5.7
33.MONETARY BASE	7.1	6.8	6.7	6.2	6.5	5.7	5.7	5.9	6.1	7.1	6.5	6.1
34.TREASURY RECEIPTS	11.2	17.9	14.5	3.5	13.0	11.4	9.7	9.5	6.2	11.2	13.0	9.2
35.TREASURY EXPEND	12.2	29.8	14.5	18.7	1.9	7.6	7.4	9.0	9.8	12.2	1.9	9.8

* INDICATES VALUE IS FOR FISCAL YEAR

	1982 QTR 4	1983 QTR 1	1983 QTR 2	1983 QTR 3	1983 QTR 4	1984 QTR 1	1984 QTR 2	1984 QTR 3	1984 QTR 4	1982	1983	1984
TABLE 3A: GROSS NATIONAL PRODUCT AND COMPONENTS (BIL CURRENT $)												
1. GNP: CURRENT $	3189.6	3173.8	3267.0	3346.6	3431.7	3553.3	3644.7	3694.6	3758.7	3069.2	3304.8	3662.8
2. CONSUMPTION EXP	2046.1	2070.4	2141.6	2181.4	2230.1	2276.6	2332.7	2361.4	2396.5	1984.9	2155.9	2341.8
3. DURABLE GOODS	255.8	259.3	276.1	284.8	299.8	310.9	320.7	317.2	326.3	245.1	270.8	318.8
4. MOTOR VEHICLES	115.3	115.3	128.4	132.8	141.7	147.7	152.3	148.5	159.7	108.7	129.3	149.8
5. OTHER DURABLES	139.7	144.1	147.7	152.0	158.1	163.3	168.4	168.7	175.6	136.4	150.5	169.8
6. NONDURABLE GDS	770.5	775.2	796.9	811.7	822.9	841.3	858.3	861.4	866.5	757.5	801.7	856.9
7. SERVICES	1020.6	1035.8	1068.6	1085.7	1107.4	1124.4	1153.7	1182.8	1203.7	982.2	1074.4	1166.1
8. FIXED INVESTMENT	437.3	447.9	469.0	496.3	527.3	550.1	576.3	590.9	601.1	440.9	485.1	579.6
9. NONRESIDENTIAL	339.4	336.6	339.2	354.0	383.9	398.9	420.7	435.6	447.6	349.6	352.9	425.7
10. STRUCTURES	138.4	138.4	125.6	126.2	136.6	142.2	150.0	151.4	157.9	142.1	129.7	150.4
11. EQUIPMENT	201.0	204.2	213.6	227.8	247.3	256.7	270.7	284.2	289.7	207.5	223.2	275.3
12. RESIDENTIAL	97.9	113.3	129.8	142.3	143.4	151.2	155.6	155.3	153.5	91.3	132.2	153.9
13. INVENTORY INVESTMENT	-61.1	-42.9	-19.4	-4.3	12.7	73.8	50.6	71.8	36.6	-26.1	-13.5	58.2
14. NET EXPORTS	16.3	19.6	-6.4	-16.4	-29.8	-51.5	-58.7	-90.7	-56.0	19.8	-58.2	-64.2
15. EXPORTS GDS&SERV	321.7	328.5	328.1	342.0	346.1	358.9	362.4	368.6	367.2	348.4	336.2	364.3
16. IMPORTS GDS&SERV	315.4	308.9	334.5	358.4	375.9	410.4	421.1	459.3	423.2	329.4	344.4	428.5
17. GOVT PURCHASES	681.8	678.8	682.2	689.8	691.4	704.4	743.7	761.0	780.5	650.5	685.5	747.4
18. FEDERAL	279.4	273.0	270.5	269.2	266.3	267.6	296.4	302.0	315.7	258.9	269.7	295.4
19. STATE & LOCAL	401.6	405.8	411.6	420.6	425.1	436.8	447.4	458.9	464.8	391.5	415.8	452.0
20. FINAL SALES	3170.7	3216.7	3286.4	3350.9	3419.0	3479.5	3594.1	3622.8	3722.1	3095.3	3318.2	3684.6
TABLE 3B: GROSS NATIONAL PRODUCT (ANNUAL PERCENT CHANGES)												
21. GNP	3.9	8.5	12.3	10.1	10.6	14.9	10.7	5.6	7.1	3.8	7.7	10.8
22. CONSUMPTION EXP	9.3	4.8	14.5	7.6	9.2	8.6	10.2	5.0	6.1	7.3	8.6	8.6
23. DURABLE GOODS	18.3	7.0	28.5	12.0	24.1	15.8	13.1	-4.3	11.9	4.1	14.1	13.9
24. MOTOR VEHICLES	29.1	0.0	54.1	11.6	32.8	17.9	13.2	-9.5	5.9	6.6	19.8	15.8
25. OTHER DURABLES	10.2	13.0	10.4	12.4	16.8	13.8	13.1	0.7	17.5	2.2	10.3	12.3
26. NONDURABLE GDS	4.3	2.5	11.7	7.6	5.7	9.2	8.4	1.5	2.4	3.7	5.8	6.9
27. SERVICES	11.0	6.1	13.3	6.6	8.2	6.3	10.9	10.5	7.3	11.2	9.4	8.5
28. FIXED INVESTMENT	5.8	10.1	20.2	25.4	27.4	18.4	20.5	10.5	7.1	3.8	10.0	19.5
29. NONRESIDENTIAL	-3.2	-5.5	5.6	18.6	38.3	16.6	23.7	14.9	11.5	-1.2	0.9	20.6
30. STRUCTURES	0.0	-21.2	-13.9	1.9	37.3	17.4	23.8	3.8	16.3	5.0	-8.7	15.9
31. EQUIPMENT	-5.4	6.5	19.7	29.4	38.9	16.1	23.7	21.5	8.0	-5.0	7.6	23.3
32. RESIDENTIAL	46.4	79.4	72.3	44.5	3.1	23.6	12.2	0.8	4.6	-12.4	44.8	16.4
33. EXPORTS GOODS&SERVICES	-25.5	8.7	-0.5	18.1	4.9	15.6	4.0	7.0	-1.5	-5.8	-3.5	8.4
34. IMPORTS GOODS&SERVICES	-25.7	-8.0	37.5	31.8	21.0	42.1	10.0	41.5	-27.9	-3.7	14.6	24.4
35. GOVT PURCHASES	15.9	1.5	2.0	4.5	0.9	7.7	24.3	9.6	10.6	9.1	5.4	9.0
36. FEDERAL	30.1	-8.9	-3.6	-1.9	-4.2	2.0	50.5	7.8	19.4	13.1	-4.2	9.5
37. STATE & LOCAL	7.2	4.2	5.8	9.0	4.3	11.5	10.1	10.7	5.2	6.5	6.2	8.7
38. FINAL SALES	10.1	5.9	9.0	8.1	8.4	7.3	13.8	3.2	11.4	5.6	7.2	6.6

	1984 QTR 4	1985 QTR 1	QTR 2	QTR 3	QTR 4	1986 QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 3A. GROSS NATIONAL PRODUCT AND COMPONENTS ($BIL CURRENT $)												
1.GNP, CURRENT $	3758.7	3828.4	3896.8	3981.1	4069.9	4148.1	4224.9	4312.6	4405.3	3662.8	3944.1	4272.7
2.CONSUMPTION EXP	2396.5	2452.4	2496.6	2544.5	2599.4	2651.6	2699.8	2752.5	2808.8	2341.8	2523.2	2728.2
3. DURABLE GOODS	326.3	335.2	343.5	353.2	360.1	366.1	370.3	377.3	384.9	318.8	348.8	374.6
4. MOTOR VEHICLES	150.7	156.7	159.1	162.8	165.4	167.6	168.7	171.8	175.4	149.8	161.0	170.9
5. OTHER DURABLES	175.6	178.5	184.4	190.4	194.7	198.5	201.6	205.5	209.5	169.0	187.8	203.8
6. NONDURABLE GOODS	866.5	885.4	901.2	919.1	943.1	963.5	982.5	1002.5	1024.7	856.9	912.2	993.3
7. SERVICES	1203.7	1231.8	1251.9	1272.2	1296.3	1322.0	1347.0	1372.7	1399.3	1166.1	1263.1	1360.3
8.FIXED INVESTMENT	681.1	688.1	723.2	748.4	755.2	763.7	773.7	785.9	800.9	579.6	731.7	881.1
9. NONRESIDENTIAL	447.6	453.3	461.9	472.6	486.2	496.7	506.1	516.3	528.6	425.7	468.5	511.9
10. STRUCTURES	157.9	160.6	165.0	169.5	174.3	178.0	180.9	185.4	190.6	150.4	167.3	183.7
11. EQUIPMENT	289.7	292.7	296.9	303.1	311.9	318.7	325.1	330.9	338.0	275.3	301.2	328.2
12. RESIDENTIAL	153.5	154.8	161.3	167.8	169.1	167.0	167.6	169.6	172.3	153.9	163.2	169.1
13.INVENTORY INVESTMENT	36.6	31.0	31.9	34.9	36.9	38.7	39.7	41.0	43.6	58.2	333.7	340.7
14.NET EXPORTS,$BIL	-56.0	-65.7	-74.5	-77.8	-79.1	-79.8	-82.1	-81.8	-81.8	-64.2	-74.3	-81.4
15. EXPORTS, GOS&SERV	367.2	372.4	380.3	392.3	405.7	420.0	432.7	447.0	462.0	364.3	387.7	440.4
16. IMPORTS, GOS&SERV	423.2	438.1	454.8	470.1	484.8	499.8	514.8	528.8	543.8	428.5	462.0	521.8
17.GOVT PURCHASES	780.5	799.7	819.6	839.1	857.5	873.8	893.8	915.0	933.8	747.4	829.0	904.1
18. FEDERAL	315.7	326.6	336.3	347.2	360.2	370.9	382.6	394.6	406.6	295.4	342.6	388.7
19. STATE & LOCAL	464.8	473.1	483.3	491.9	497.3	502.9	511.2	520.4	527.2	452.0	486.4	515.5
20.FINAL SALES	3722.1	3797.3	3864.9	3946.2	4033.0	4109.3	4185.2	4271.6	4361.7	3604.6	3910.4	4232.0
TABLE 3B. GROSS NATIONAL PRODUCT (ANNUAL PERCENT CHANGES)												
21.GNP	7.1	7.6	7.5	8.9	9.2	7.9	7.6	8.6	8.9	10.8	7.7	8.3
22.CONSUMPTION EXP	6.1	9.7	7.4	7.9	8.9	8.3	7.5	8.0	8.4	8.6	7.7	8.1
23. DURABLE GOODS	11.9	11.3	10.3	11.9	8.0	6.9	4.7	7.8	8.3	13.9	9.2	7.7
24. MOTOR VEHICLES	5.9	16.9	6.3	9.8	6.4	5.5	2.6	7.6	8.6	15.8	7.5	6.2
25. OTHER DURABLES	17.5	6.7	14.0	13.7	9.3	8.0	6.4	7.9	8.0	12.3	10.7	9.0
26. NONDURABLE GOODS	2.4	9.0	7.3	8.2	10.9	8.9	8.1	8.4	9.1	6.9	6.5	8.9
27. SERVICES	7.3	9.7	6.7	6.6	7.8	8.2	7.8	7.9	8.0	8.5	8.3	7.7
28.FIXED INVESTMENT	7.1	4.0	10.3	11.5	9.6	5.3	6.1	7.5	9.0	19.5	9.0	7.0
29. NONRESIDENTIAL	11.5	5.2	7.8	9.6	12.0	9.0	7.7	8.4	9.8	20.6	10.1	9.3
30. STRUCTURES	18.3	7.0	11.3	11.5	11.7	8.9	6.7	10.3	11.6	15.9	11.3	9.6
31. EQUIPMENT	8.0	4.3	5.8	8.6	12.1	9.0	8.1	7.3	8.9	23.3	9.4	9.0
32. RESIDENTIAL	-4.6	3.4	17.8	17.1	3.1	-4.8	1.5	4.8	6.6	16.4	6.1	3.6
33.EXPORTS GOODS&SERVICES	-1.5	5.0	8.0	13.2	14.3	14.9	12.6	13.9	14.1	8.4	6.4	13.6
34.IMPORTS GOODS&SERVICES	-27.9	14.9	16.1	14.2	13.1	13.0	12.6	11.3	11.8	24.4	7.8	13.0
35.GOVT PURCHASES	10.6	10.2	10.3	9.9	9.9	7.8	9.5	9.8	8.5	9.0	10.9	9.1
36. FEDERAL	19.4	14.5	12.5	13.5	15.9	12.4	13.3	13.1	12.7	9.5	16.0	13.5
37. STATE & LOCAL	5.2	7.4	8.9	7.4	4.4	4.6	6.8	7.4	5.4	8.7	7.6	6.0
38.FINAL SALES	11.4	8.3	7.3	8.7	9.1	7.8	7.6	8.5	8.7	8.6	8.5	8.2

	1982 QTR 4	1983 QTR 1	1983 QTR 2	1983 QTR 3	1983 QTR 4	1984 QTR 1	1984 QTR 2	1984 QTR 3	1984 QTR 4	1982	1983	1984
TABLE 4A. REAL GROSS NATIONAL PRODUCT (BIL 1972 $)												
1.GNP 1972 $	1478.8	1491.8	1524.8	1550.2	1572.7	1610.9	1636.8	1645.2	1662.4	1488.8	1534.7	1639.3
2.CONSUMPTION	976.2	982.3	1006.2	1015.6	1032.3	1044.1	1064.2	1066.0	1075.4	963.3	1009.1	1062.4
3. DURABLE GOODS	145.1	146.7	156.2	159.6	167.2	173.7	178.6	177.0	182.9	140.5	157.4	178.1
4. MOTOR VEHICLES	60.3	59.6	66.8	68.8	72.2	75.2	77.2	74.8	75.9	57.8	66.7	75.8
5. OTHER DURABLES	84.8	87.0	89.4	91.6	95.0	98.4	101.5	102.2	107.1	83.5	90.8	102.3
6. NONDURABLE GOODS	366.0	368.8	374.9	378.5	383.1	387.8	396.6	395.5	395.8	363.8	376.3	393.5
7. SERVICES	465.1	466.8	475.1	477.5	482.0	483.4	488.9	493.5	497.4	459.8	475.4	490.8
8.FIXED INVESTMENT	202.4	207.8	218.7	229.8	242.2	254.8	263.6	269.5	273.8	204.7	224.6	265.8
9. NONRESIDENTIAL	161.6	161.6	165.3	172.6	184.5	193.4	202.8	209.5	213.8	166.9	171.8	204.9
10. STRUCTURES	51.9	49.8	48.1	48.3	51.4	54.2	56.8	57.1	59.4	53.3	49.2	56.9
11. EQUIPMENT	109.7	112.6	117.2	124.3	133.1	139.2	146.0	152.4	154.4	113.6	121.8	148.0
12. RESIDENTIAL	40.8	46.2	53.4	57.2	57.8	60.6	60.8	60.1	59.2	37.8	53.6	60.2
13.INVENTORY INVESTMENT	-24.6	-16.5	-6.1	0.9	7.2	31.6	20.3	30.6	16.8	-10.4	-3.6	24.8
14.NET EXPORTS	24.1	22.8	13.6	11.9	2.0	-8.3	-11.5	-27.1	-13.4	29.7	12.6	-15.1
15. EXPORTS	136.7	138.2	137.1	141.6	141.8	144.9	144.7	147.4	147.1	147.6	139.5	146.8
16. IMPORTS	112.6	115.4	123.4	129.7	139.1	153.2	156.2	174.5	160.5	118.0	126.9	161.1
17.GOVT PURCHASES	308.7	294.4	292.4	292.8	288.8	289.5	302.1	306.1	310.5	292.7	291.9	302.8
18.FINAL SALES	1503.4	1507.5	1530.9	1549.3	1565.5	1579.3	1618.5	1614.6	1645.6	1490.4	1538.3	1614.5
19.REAL INV/FINAL SALES	-1.64	-1.09	-0.40	0.06	0.46	2.00	1.26	1.90	1.02	-0.70	-0.24	1.54
20.GNP DEFLATOR	210.3	212.9	214.3	215.9	218.2	220.6	222.4	224.6	226.1	207.4	215.3	223.4
TABLE 4B. REAL GROSS NATIONAL PRODUCT (ANNUAL PERCENT CHANGES)												
21.GNP 1972$	0.5	3.4	9.4	6.8	5.9	10.1	7.1	1.6	4.2	-2.1	3.7	6.8
22.CONSUMPTION	5.1	2.5	10.1	3.8	6.8	4.6	7.9	0.7	3.6	1.4	4.8	5.3
23. DURABLE GOODS	17.7	4.4	28.5	9.2	20.3	16.5	12.0	-3.6	14.0	-0.3	12.1	13.1
24. MOTOR VEHICLES	33.7	-4.5	57.3	7.6	26.9	17.9	10.7	-11.5	5.8	1.2	16.9	13.7
25. OTHER DURABLES	7.7	11.3	11.2	10.5	15.5	15.5	12.9	2.6	20.4	-1.3	8.7	12.7
26. NONDURABLE GOODS	2.5	3.1	6.8	3.9	5.3	4.1	10.3	-1.2	-0.4	0.6	3.7	4.6
27. SERVICES	3.5	1.5	7.3	2.8	3.8	1.1	4.7	3.8	3.2	2.5	3.4	3.2
28.FIXED INVESTMENT	3.4	11.9	22.7	22.9	23.4	20.9	16.8	9.3	5.3	-6.3	9.7	18.8
29. NONRESIDENTIAL	-5.5	0.8	9.5	18.9	30.4	20.8	21.0	13.8	8.5	-4.6	2.9	19.8
30. STRUCTURES	-4.0	-20.2	-7.6	1.8	28.2	23.5	21.0	20.0	17.1	0.2	-7.8	15.6
31. EQUIPMENT	-6.2	10.8	17.6	26.6	31.3	19.7	21.0	10.0	5.5	-6.8	7.3	21.5
32. RESIDENTIAL	50.9	64.5	78.5	31.9	3.8	21.0	1.2	-4.8	-5.3	-15.0	41.7	12.2
33.EXPORTS	-24.0	4.9	-3.3	14.0	-1.8	11.0	-0.1	7.6	-0.8	-7.8	-5.5	4.7
34.IMPORTS	-24.8	10.2	31.0	22.0	32.2	47.2	8.0	55.7	-28.4	1.3	7.6	26.9
35.GOVT PURCHASES	1.1	0.1	2.6	0.5	4.3	1.0	18.5	5.5	5.6	2.0	-0.3	3.5
36.FINAL SALES	5.5	1.1	6.4	4.9	4.2	3.6	10.3	-1.0	7.9	-0.7	3.2	5.0
37.GNP DEFLATOR	5.0	2.8	2.8	2.9	4.4	4.1	3.1	4.0	2.8	6.0	3.8	3.8

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STRONG $, NO FURTHER OIL PRICE CUT, NO BUDGET LEGISLATION

	1984	1985				1986				1984	1985	1986
	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4			
TABLE 4A, REAL GROSS NATIONAL PRODUCT (BIL 1972 $)												
1.GNP 1972 $	1662.4	1671.2	1687.4	1707.7	1725.3	1736.8	1744.7	1750.3	1771.8	1639.3	1697.9	1752.7
2.CONSUMPTION	1075.4	1090.3	1101.4	1113.6	1123.7	1131.9	1137.9	1146.5	1154.7	1062.4	1107.3	1142.7
3. DURABLE GOODS	182.9	187.2	190.7	194.9	196.7	198.3	199.8	201.3	203.4	178.1	192.4	200.5
4. MOTOR VEHICLES	75.9	78.6	79.4	80.8	81.0	81.2	80.9	81.7	82.3	75.8	80.0	81.5
5. OTHER DURABLES	107.1	108.6	111.2	114.0	115.7	117.2	118.2	119.6	121.1	102.3	112.4	119.0
6. NONDURABLE GOODS	395.8	400.5	405.1	409.7	414.2	417.6	420.1	423.5	426.5	393.5	407.4	421.9
7. SERVICES	497.4	502.6	505.7	509.1	512.8	516.0	518.8	521.7	524.8	490.8	507.5	520.3
8.FIXED INVESTMENT	273.8	274.9	279.2	284.6	288.7	290.6	291.9	294.1	297.4	265.8	281.8	293.5
9. NONRESIDENTIAL	213.8	215.3	217.6	221.8	225.2	228.4	230.1	232.3	235.2	204.9	219.8	231.5
10. STRUCTURES	59.4	60.2	61.5	62.9	64.5	65.4	65.9	66.8	68.0	56.9	62.2	66.5
11. EQUIPMENT	154.4	155.2	156.2	158.1	160.7	163.0	164.2	165.5	167.2	148.0	157.5	165.0
12. RESIDENTIAL	59.2	59.5	61.5	63.6	63.5	62.1	61.8	61.9	62.2	60.2	62.0	62.0
13.INVENTORY INVESTMENT	16.8	15.1	16.6	17.6	19.6	19.4	19.7	20.3	24.8	17.2	19.7	
14.NET EXPORTS	-13.4	-24.4	-26.7	-27.2	-26.9	-26.4	-26.4	-25.5	-24.8	-15.1	-26.3	-25.8
15. EXPORTS	147.1	148.8	150.8	153.0	156.4	160.1	163.0	166.5	170.2	146.0	152.1	165.8
16. IMPORTS	160.5	173.2	176.8	180.2	183.3	186.4	189.5	192.1	195.0	161.1	178.4	190.7
17.GOVT PURCHASES	310.5	313.1	317.2	319.8	321.3	322.8	324.8	326.3	327.8	302.8	317.9	325.8
18.FINAL SALES	1645.6	1656.2	1670.8	1690.1	1705.7	1716.6	1725.3	1730.7	1751.6	1614.5	1680.7	1733.8
19.REAL INV/FINAL SALES	1.02	0.91	0.99	1.04	1.15	1.13	1.13	1.13	1.16	1.54	1.02	1.14
20.GNP DEFLATOR	226.1	229.1	230.9	233.1	235.9	238.9	242.2	245.3	248.6	223.4	232.3	243.7
TABLE 4B, REAL GROSS NATIONAL PRODUCT (ANNUAL PERCENT CHANGES)												
21.GNP 1972 $	4.2	2.1	3.9	4.9	4.2	2.5	2.0	3.2	3.1	6.8	3.6	3.2
22.CONSUMPTION	3.6	5.7	4.5	4.5	3.7	2.9	2.2	3.0	2.9	5.3	4.2	3.2
23. DURABLE GOODS	14.0	9.7	7.6	9.1	3.9	3.3	1.4	4.6	4.3	13.1	8.0	4.2
24. MOTOR VEHICLES	5.8	15.3	4.1	7.2	0.7	0.9	1.5	4.1	3.2	13.7	5.5	1.9
25. OTHER DURABLES	20.4	5.8	10.1	10.4	6.2	5.0	3.4	5.0	5.0	12.7	9.9	5.9
26. NONDURABLE GOODS	-0.4	5.7	4.6	4.6	4.5	3.3	2.5	3.3	2.8	4.6	3.5	3.6
27. SERVICES	3.2	4.2	2.5	2.7	2.9	2.5	2.2	2.2	2.4	3.2	3.4	2.5
28.FIXED INVESTMENT	5.3	2.7	6.4	8.1	5.9	2.6	1.8	3.2	4.5	10.0	6.3	4.1
29. NONRESIDENTIAL	8.5	2.9	4.3	6.3	7.8	5.9	3.0	3.9	5.1	19.8	7.3	5.3
30. STRUCTURES	17.1	5.3	10.9	9.4	10.7	5.8	2.8	6.0	7.5	15.6	9.5	6.9
31. EQUIPMENT	5.5	2.0	5.1	6.7	9.5	6.9	3.0	4.2	5.1	21.5	6.4	4.7
32.RESIDENTIAL	-5.3	1.9	14.1	14.3	0.7	-8.4	-2.4	-0.6	-2.2	12.2	3.1	-0.1
33.EXPORTS	0.8	4.6	3.4	6.2	9.1	9.7	7.6	8.9	9.2	4.7	4.1	8.5
34.IMPORTS	-28.4	35.6	8.5	8.0	7.0	7.0	6.7	5.6	6.2	26.9	10.7	6.9
35.GOVT PURCHASES	5.8	3.5	5.2	3.8	1.0	2.4	2.9	1.8		3.5	5.2	2.3
36.FINAL SALES	7.9	2.6	3.6	4.7	3.8	2.6	2.0	3.1	3.0	5.0	4.1	3.1
37.GNP DEFLATOR	2.8	5.4	3.3	3.9	4.8	5.5	5.2	5.6		3.8	4.0	4.9

	1982 QTR 4	1983 QTR 1	1983 QTR 2	1983 QTR 3	1983 QTR 4	1984 QTR 1	1984 QTR 2	1984 QTR 3	1984 QTR 4	1982	1983	1984
TABLE 5A. PERSONAL INCOME (BIL$)												
1.PERSONAL INCOME	2639.4	2662.8	2714.5	2763.3	2836.5	2920.5	2984.6	3047.3	3096.2	2584.6	2744.2	3012.1
2. WAGES & SALARY	1586.5	1608.1	1642.1	1671.3	1715.4	1755.8	1793.1	1819.5	1847.7	1568.7	1659.2	1804.0
3. OTHER LABOR INCOME	160.6	164.4	169.9	175.9	182.2	188.1	193.5	198.1	202.5	155.5	173.1	195.5
4. PROPRIETORS' INCOME	117.5	114.7	116.9	123.3	131.9	155.0	149.8	153.7	159.1	111.1	121.7	154.4
5. FARM INCOME	25.4	16.4	18.1	11.3	17.3	32.5	23.4	27.3	29.4	21.0	13.8	28.1
6. NONFARM INCOME	92.15	98.3	106.8	112.0	114.6	122.5	126.3	126.4	129.7	89.2	107.9	126.2
7. RENTAL INCOME	57.0	57.78	59.0	56.2	60.4	61.8	62.0	62.9	64.1	51.5	58.3	62.5
8. DIVIDEND INCOME	67.4	68.5	69.0	70.7	72.8	75.0	77.2	78.5	80.2	66.5	70.3	77.7
9. PERSONAL INTEREST	363.1	366.0	368.8	382.3	388.2	403.9	425.6	449.3	456.1	366.6	376.3	433.7
10.TRANSFER PAYMENTS	399.9	399.9	407.3	403.9	408.8	411.3	415.2	418.6	421.8	376.1	405.8	416.7
11.SOCIAL SECURITY	112.5	116.4	118.5	120.4	123.1	129.6	131.8	133.5	135.2	111.4	119.6	132.8
12.PERSONAL INCOME	2639.4	2662.8	2714.5	2763.3	2836.5	2920.5	2984.6	3047.3	3096.2	2584.6	2744.2	3012.1
13.LESS:FED TAX	300.9	298.2	304.7	284.6	293.3	301.6	310.7	319.6	327.9	306.2	295.2	314.9
14.LESS:STATE&L TAX	101.1	103.1	106.9	111.2	114.5	116.7	119.6	121.2	123.7	97.8	108.9	120.3
15.=DISP PERS INCOME	2237.4	2261.4	2302.9	2367.5	2428.6	2502.2	2554.3	2606.4	2644.6	2180.5	2340.1	2576.9
16.LESS:CONSUMPTION	2046.1	2070.4	2141.6	2181.4	2230.1	2276.6	2332.7	2361.4	2396.5	1984.9	2155.9	2341.8
17.LESS: INT&TRANSFERS	61.2	62.9	64.5	67.0	69.8	73.1	76.7	80.9	85.1	59.6	66.1	79.8
18.=PERSONAL SAVING	130.1	128.1	96.7	119.0	128.7	152.5	144.9	164.1	163.0	136.0	118.1	156.1
19.DISP INCOME 1972 $	1067.6	1073.1	1082.0	1102.2	1124.4	1147.6	1165.3	1176.5	1187.0	1050.5	1095.4	1169.1
20.SAVINGS RATE	5.8	5.7	4.2	5.0	5.3	6.1	5.7	6.3	6.2	6.2	5.0	6.1
TABLE 5B. PERSONAL INCOME (ANNUAL PERCENT CHANGES)												
21.PERSONAL INCOME	7.2	3.6	8.0	7.4	11.0	12.4	9.1	8.7	6.6	6.4	6.2	9.8
22. WAGES & SALARY	2.2	5.6	8.7	7.3	11.0	9.8	8.8	6.0	6.3	5.1	5.8	8.7
23. OTHER LABOR INCOME	7.1	9.7	14.2	15.8	14.9	13.7	12.0	9.9	9.1	11.1	11.3	13.0
24. PROPRIETORS' INCOME	74.7	-9.2	7.7	23.9	31.1	90.3	-12.8	10.9	14.7	-11.2	9.6	26.8
25. FARM INCOME	1475.1	-82.6	-85.9	56.3	460.2	1136.8	-73.0	84.2	33.9	-30.7	-36.9	104.3
26. NONFARM INCOME	12.3	29.8	39.3	21.1	9.5	30.4	13.2	0.2	10.9	-4.7	21.0	16.9
27. RENTAL INCOME	34.8	4.8	9.1	-17.5	32.6	4.5	6.5	6.2	7.6	21.7	13.2	7.2
28. DIVIDEND INCOME	7.2	6.5	3.4	10.2	12.2	12.6	12.3	7.1	8.6	3.5	5.7	10.6
29. PERSONAL INTEREST	-3.6	3.3	3.1	15.5	6.4	17.2	23.3	24.2	6.2	10.4	2.7	15.3
30.TRANSFER PAYMENTS	19.3	-0.1	7.7	-3.5	4.9	2.5	3.8	3.5	3.2	11.5	7.7	2.9
31.SOCIAL SECURITY	2.2	14.5	7.5	6.4	9.4	22.6	7.0	5.3	5.4	6.6	7.4	10.8
32.PERSONAL INCOME	7.2	3.6	8.0	7.4	11.0	12.9	9.1	8.7	6.6	6.4	6.2	9.8
33.LESS:FED TAX	2.8	-3.5	9.0	-23.9	12.9	11.8	12.6	12.1	10.8	2.5	-3.6	6.7
34.LESS:STATE&L TAX	5.9	8.3	15.4	17.2	12.4	7.9	10.3	5.3	8.6	9.9	11.4	10.4
35.= DISP PERS INCOME	7.0	4.4	7.5	11.7	10.7	12.7	8.6	8.4	6.8	6.8	7.3	10.1
36.LESS:CONSUMPTION	9.3	4.8	14.5	7.6	9.2	8.6	10.2	5.0	6.1	7.3	8.6	8.6
37.LESS: INT&TRANSFERS	9.0	11.6	10.6	16.4	17.3	20.7	21.2	23.6	22.2	7.9	10.8	19.5
38.= PERSONAL SAVING	-12.6	-6.1	-67.4	129.0	37.0	96.8	-16.5	64.8	-2.7	-1.8	-13.1	32.2
39.DISP INCOME 1972$	3.7	2.1	3.4	7.7	8.3	8.5	6.3	3.9	3.6	8.9	3.5	6.7
TABLE 5C. DETERMINANTS OF DISPOSABLE INCOME												
40.EFF FED TAX RATE	12.526	12.278	12.289	11.202	11.260	11.165	11.249	11.365	11.432	12.861	11.757	11.303
41.EFF RATE INCL SS	17.310	17.170	17.175	16.057	16.087	16.075	16.127	16.197	16.245	17.662	16.622	16.161
42.RATIO FARM PRICE/COSTS	73.3	76.0	79.5	79.3	79.6	82.4	80.8	78.6	75.4	77.6	78.6	79.3
TABLE 5D. DETERMINANTS OF INCOME (ANNUAL PERCENT CHANGES)												
43.EMPLOYMENT	-1.6	0.4	2.7	7.0	4.0	4.7	4.8	1.2	2.5	-0.9	1.3	4.1
44.WAGE RATE INDEX	4.8	5.1	3.5	2.8	4.1	3.5	3.2	2.7	2.8	7.0	4.6	3.3
45.CONSUMPTION DEFLATOR	4.0	2.2	4.0	3.7	2.7	3.8	2.2	4.3	2.3	5.9	3.7	3.2

STRONG $,NO FURTHER OIL PRICE CUT,NO BUDGET LEGISLATION

	1984	1985	1986									
	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 5A. PERSONAL INCOME (BIL$)												
1.PERSONAL INCOME	3096.2	3142.7	3191.1	3242.0	3294.2	3345.1	3398.1	3454.4	3513.3	3012.1	3217.5	3427.7
2. WAGES & SALARY	1847.7	1880.7	1909.4	1940.0	1969.7	2002.6	2032.8	2064.8	2097.9	1804.0	1924.9	2049.6
3. OTHER LABOR INCOME	202.5	206.2	209.2	212.7	216.1	219.9	223.8	227.8	232.1	195.5	211.8	225.9
4. PROPRIETORS' INCOME	159.1	158.5	161.6	163.3	166.9	170.8	176.2	182.9	189.6	154.4	162.6	179.9
5. FARM INCOME	29.4	24.4	24.7	24.9	24.7	26.0	28.6	32.6	36.6	28.1	24.7	30.9
6. NONFARM INCOME	129.7	134.1	136.8	138.4	142.2	144.9	147.6	150.3	153.0	126.2	137.9	148.9
7. RENTAL INCOME	64.1	64.7	65.4	66.1	66.7	67.3	67.9	68.5	69.1	62.5	65.7	68.2
8. DIVIDEND INCOME	80.2	81.6	82.4	83.3	84.7	86.0	87.5	88.9	90.4	77.7	83.0	88.2
9. PERSONAL INTEREST	456.1	458.7	467.0	476.8	486.8	495.8	504.3	512.2	521.8	433.7	472.3	508.5
10.TRANSFER PAYMENTS	421.8	439.8	445.3	451.6	457.9	464.2	470.5	476.8	482.8	416.7	448.6	473.6
11.SOCIAL SECURITY	135.2	144.5	149.1	151.8	154.5	161.5	164.6	167.5	170.5	132.5	150.5	166.9
12.PERSONAL INCOME	3096.2	3142.7	3191.1	3242.0	3294.2	3345.1	3398.1	3454.4	3513.3	3012.1	3217.5	3427.7
13.LESS:FED TAX	327.9	333.3	337.8	343.0	348.9	354.9	360.4	366.3	373.1	314.9	340.8	363.7
14.LESS:STATE&L TAX	123.7	126.6	128.8	130.9	133.0	135.1	137.2	139.4	141.4	120.3	129.8	138.3
15.= DISP.PERS.INCOME	2644.6	2682.8	2724.5	2768.1	2812.3	2855.1	2900.5	2948.6	2998.8	2576.9	2746.9	2925.7
16.LESS:CONSUMPTION	2396.5	2452.4	2496.6	2544.5	2599.4	2651.6	2699.8	2752.5	2808.8	2341.8	2523.2	2720.2
17.LESS: INT&TRANSFERS	85.1	88.0	88.8	89.4	90.0	90.6	91.2	91.8	92.4	79.0	89.0	91.5
18.=PERSONAL SAVING	163.0	142.5	139.1	134.1	122.9	112.9	109.5	104.2	97.5	156.1	134.7	106.8
19.DISP.INCOME 1972 $	1187.0	1190.9	1201.6	1210.6	1214.6	1217.1	1220.3	1225.2	1229.0	1169.1	1204.4	1222.9
20.SAVINGS RATE	6.2	5.3	5.1	4.8	4.4	4.0	3.8	3.5	3.3	6.1	4.9	3.6
TABLE 5B. PERSONAL INCOME (ANNUAL PERCENT CHANGES)												
21.PERSONAL INCOME	6.6	6.1	6.3	6.5	6.6	6.3	6.5	6.8	7.0	9.8	6.8	6.5
22. WAGES & SALARY	6.3	7.3	6.2	6.6	6.3	6.9	6.2	6.5	6.6	8.7	6.7	6.5
23. OTHER LABOR INCOME	9.1	7.6	5.8	6.9	6.5	7.2	7.3	7.3	7.9	13.0	7.9	7.0
24. PROPRIETORS' INCOME	14.7	-1.3	7.9	4.3	9.3	9.6	13.1	16.1	15.6	26.8	5.3	10.6
25. FARM INCOME	33.9	-52.1	5.3	2.9	-2.8	21.2	46.4	69.0	59.9	104.3	-12.2	25.2
26. NONFARM INCOME	10.9	14.3	8.4	4.6	11.6	7.7	7.8	7.5	7.4	16.9	9.2	8.0
27. RENTAL INCOME	7.6	4.0	4.0	4.6	3.7	3.6	3.6	3.6	3.5	7.2	5.1	3.8
28. DIVIDEND INCOME	8.6	7.1	4.5	4.3	7.0	6.3	6.9	6.9	6.7	10.6	6.8	6.3
29. PERSONAL INTEREST	6.2	2.3	7.5	8.6	8.6	7.6	6.9	6.6	7.0	15.3	8.9	7.6
30.TRANSFER PAYMENTS	3.2	17.3	5.9	5.8	5.7	5.6	5.5	5.4	5.2	2.9	7.6	5.6
31.SOCIAL SECURITY	5.5	37.7	7.3	7.4	7.4	19.3	8.8	7.1	7.4	10.8	13.6	10.3
32.PERSONAL INCOME	6.6	6.1	6.3	6.5	6.6	6.3	6.5	6.8	7.0	9.8	6.8	6.5
33.LESS:FED TAX	10.8	6.7	5.6	6.3	7.0	7.1	6.3	6.8	7.6	6.7	8.2	6.7
34.LESS:STATE&L TAX	8.4	9.6	7.1	6.7	6.6	6.5	6.5	6.6	5.9	10.4	7.9	6.5
35.= DISP.PERS.INCOME	6.0	5.9	6.4	6.6	6.5	6.2	6.5	6.8	7.0	10.1	6.6	6.5
36.LESS:CONSUMPTION	6.1	9.7	7.4	7.9	8.9	8.3	7.5	8.0	8.4	6	7.7	8.1
37.LESS: INT&TRANSFERS	22.2	14.3	3.8	2.7	2.7	2.7	2.7	2.7	2.6	19.5	12.8	2.8
38.= PERSONAL SAVING	-2.7	-41.6	-9.3	-13.5	-29.6	-20.6	-11.8	-17.7	-23.3	32.2	-13.8	-21.2
39.DISP.INCOME 1972$	3.6	1.3	3.7	3.0	1.3	0.8	1.0	1.6	1.2	6.7	3.0	1.5
TABLE 5C. DETERMINANTS OF DISPOSABLE INCOME												
40.EFF FED TAX RATE	11.432	11.457	11.435	11.435	11.435	11.435	11.435	11.435	11.435	11.303	11.441	11.435
41.EFF RATE INCL SS	16.245	16.597	16.585	16.594	16.602	16.743	16.759	16.761	16.761	16.161	16.595	16.756
42.RATIO FARM PRICE/COSTS	75.4	75.8	75.9	75.7	75.4	75.7	75.9	76.4	76.9	79.3	75.7	76.2
TABLE 5D. DETERMINANTS OF INCOME (ANNUAL PERCENT CHANGES)												
43.EMPLOYMENT	2.5	0.0	-3.0	2.4	2.6	2.1	1.6	0.4	2.0	4.1	0.8	1.6
44.WAGE RATE INDEX	2.8	3.7	5.1	5.1	5.0	5.6	5.6	6.0	6.3	3.3	3.9	5.5
45.CONSUMPTION DEFLATOR	2.3	4.5	2.6	3.4	5.1	5.3	5.4	5.1	5.7	3.2	3.5	4.9

	1982 QTR 4	1983 QTR 1	QTR 2	QTR 3	QTR 4	1984 QTR 1	QTR 2	QTR 3	QTR 4	1982	1983	1984
TABLE 6A. CORPORATE PROFITS (BIL $)												
1.PROFITS BEFORE TAXES	155.8	161.7	198.2	227.4	225.5	243.3	246.0	224.7	230.6	165.5	203.2	236.1
2.PROFITS TAX LIAB	55.0	59.1	74.8	84.7	84.5	92.7	95.8	83.1	88.3	60.7	75.8	90.0
3.PROFITS AFTER TAX	100.8	102.6	123.4	142.7	141.0	150.6	150.2	141.6	142.3	104.8	127.4	146.2
4.DIVIDENDS	67.4	68.5	69.0	70.7	72.8	75.0	77.2	78.5	80.2	66.5	70.3	77.7
5.UNDISTRIB PROFITS	33.4	34.1	54.4	72.0	68.2	75.6	73.0	63.0	62.1	38.4	57.2	68.4
6.PROFITS AFTER TAX	100.8	102.6	123.4	142.7	141.0	150.6	150.2	141.6	142.3	104.8	127.4	146.2
7. -INVENT VAL ADJ(IVA)	-12.6	-4.3	-12.1	-19.3	-9.2	-13.5	-7.3	-0.2	-1.6	9.5	-11.2	-5.6
8. -CAP CONS ADJ(CCA)	0.4	21.7	30.6	36.9	43.6	47.6	52.3	58.3	64.5	5.1	33.2	55.7
9.ADJ PROFITS AFTER TAX	96.6	120.0	141.9	160.3	175.4	184.7	195.2	199.7	205.2	98.4	149.4	196.2
10. -DEPRECIATION	227.7	226.9	228.2	233.4	236.4	239.9	244.1	248.1	252.0	221.7	231.2	246.2
11. -DIVIDENDS	67.4	68.5	69.0	70.7	72.8	75.0	77.2	78.5	80.2	66.5	70.3	77.7
12. -FIXED INVESTMENT	339.4	334.6	339.2	354.8	383.9	398.9	420.7	435.6	447.6	349.6	352.9	425.7
13. -INVENTORY INVEST	-61.1	-62.9	-19.4	-4.3	-12.7	73.8	50.6	71.8	36.6	-26.1	-13.5	58.2
14.CORPORATE CASH FLOW	-21.4	-13.3	-18.7	-26.7	-57.6	-123.1	-109.2	-138.2	-106.4	-69.8	-29.1	-119.2
15.EFF CORP TAX RATE(2/1)	35.300	36.509	37.700	37.233	37.467	38.100	38.933	37.000	38.300	36.642	37.225	38.083
16.EFF TX RATE(2/1+7+8)	36.270	33.030	34.502	34.571	32.521	33.413	32.923	29.380	30.083	30.103	33.656	31.450
TABLE 6B. CORPORATE PROFITS (ANNUAL PERCENT CHANGES)												
17.PROFITS AFTER TAX	-21.2	7.3	109.3	70.8	-4.7	30.1	-1.1	-21.1	2.1	-25.1	21.5	14.7
18.PROFIT AFT TAX+IVA+CCA	-17.6	138.1	95.5	62.9	43.3	23.0	24.8	9.5	11.6	-9.5	51.8	31.3
19.DIVIDENDS	-7.7	6.5	3.4	10.2	12.2	12.6	12.3	7.1	8.6	3.3	5.7	10.6
TABLE 6C. CORPORATE PROFITS (4 QTR MOVING PCT CHANGES)												
20.PROFITS AFTER TAX	25.3	-2.0	15.4	33.4	39.9	46.8	21.7	-0.8	0.9	-25.3	39.9	0.9
21.PROFIT AFT TAX+IVA+CCA	13.9	23.7	43.6	58.1	81.6	53.9	37.6	24.6	17.8	-13.9	81.6	17.8
22.DIVIDENDS	0.8	3.0	4.8	6.9	8.0	9.5	11.8	11.0	10.1	0.8	0.8	10.1
TABLE 6D. DETERMINANTS OF PROFITS												
23.UNIT LABOR COSTS	155.9	156.8	155.4	155.1	156.8	157.7	156.5	158.0	158.2	153.6	156.8	157.6
24.CAPACITY UTILIZATION	69.0	70.7	73.9	77.4	78.9	80.7	81.8	82.5	81.8	71.1	75.2	81.7
25.PRODUCTIVITY	101.6	102.2	103.6	104.3	104.7	105.7	107.0	107.2	108.2	100.9	103.7	107.0
26.VENDOR PERFORMANCE	40.7	44.3	52.0	57.7	63.3	67.7	69.0	57.3	49.8	36.8	54.3	60.8
TABLE 6E. DETERMINANTS OF PROFITS (ANNUAL PERCENT CHANGES)												
27.UNIT LABOR COSTS	1.6	2.3	-3.5	-0.8	4.5	2.3	-3.0	3.9	0.5	7.9	-1.5	1.0
28.CAPACITY UTILIZATION	-11.0	10.2	18.9	20.3	8.0	9.4	5.7	3.6	-3.3	-10.4	5.7	6.6
29.PRODUCTIVITY	2.8	2.4	5.6	2.7	1.5	3.9	5.0	0.7	3.8	0.2	2.7	3.2
30.VENDOR PERFORMANCE	10.2	41.2	89.3	51.2	45.5	30.3	8.1	-52.3	-46.6	-18.5	47.8	11.8
31.CONSUMER PRICES	0.0	-0.2	5.1	4.9	3.5	4.4	4.5	4.4	3.0	6.2	3.2	4.3
32.PPI: CAPITAL GOODS	6.0	2.6	0.9	0.3	4.9	2.8	2.7	-0.3	3.2	5.7	2.8	2.4
33.PPI: MACHINERY&EQUIP	2.7	3.4	2.5	2.3	0.9	3.0	3.3	2.1	1.7	5.9	2.7	2.3
34.PPI: INDUS COMMOD	2.5	1.3	0.0	4.1	1.8	2.7	3.4	-0.1	0.3	2.7	1.1	2.2
35.WAGE RATE INDEX	4.8	5.1	3.5	2.8	4.1	3.5	3.2	2.7	2.8	7.0	4.6	3.3

STRONG $,NO FURTHER OIL PRICE CUT, NO BUDGET LEGISLATION

	1984 QTR 4	1985 QTR 1	QTR 2	QTR 3	QTR 4	1986 QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 6A. CORPORATE PROFITS (BIL $)												
1.PROFITS BEFORE TAXES	230.6	237.3	246.3	257.3	268.6	277.5	284.4	291.6	298.0	236.1	252.4	288.1
2.PROFITS TAX LIAB	88.3	92.4	94.3	98.6	102.9	106.3	108.9	111.7	114.4	90.6	97.0	110.3
3.PROFITS AFTER TAX	142.3	144.9	152.0	158.8	165.7	171.2	175.5	179.9	184.4	146.2	155.3	177.7
4. DIVIDENDS	80.2	81.6	82.4	83.3	84.7	86.0	87.5	88.9	90.4	77.7	83.0	88.2
5. UNDISTRIB PROFITS	62.1	63.3	69.6	75.5	81.0	85.2	88.0	91.0	94.0	68.4	72.3	89.5
6.PROFITS AFTER TAX	142.3	144.9	152.0	158.8	165.7	171.2	175.5	179.9	184.4	146.2	155.3	177.7
7. -INVENT VAL ADJ(IVA)	-1.6	-3.9	-5.4	-7.4	-10.4	-11.9	-12.9	-14.9	-16.9	-5.6	-6.8	-14.1
8. -CAP CONS ADJ(CCA)	64.5	65.9	68.9	71.9	74.9	72.9	71.9	70.9	69.9	55.7	70.4	71.4
9.ADJ PROFITS AFTER TAX	205.2	206.9	215.5	223.3	230.2	232.2	234.5	235.9	237.4	196.2	219.0	235.0
10. +DEPRECIATION	252.8	259.0	263.1	267.1	271.4	275.6	279.5	284.0	288.2	246.2	265.2	281.8
11. -DIVIDENDS	80.2	81.6	82.4	83.3	84.7	86.0	87.5	88.9	90.4	77.7	83.0	88.2
12. -FIXED INVESTMENT	447.6	453.1	461.9	472.6	486.2	496.7	506.1	516.3	528.6	425.7	468.5	511.9
13. -INVENTORY INVEST	36.6	31.0	31.9	34.9	36.9	38.7	39.7	41.0	43.6	58.2	33.7	40.7
14.CORPORATE CASH FLOW	-106.4	-100.8	-97.6	-100.5	-106.1	-113.7	-119.3	-126.3	-137.0	-119.2	-101.1	-124.1
15.EFF CORP TAX RATE(2/1)	38.300	38.967	38.300	38.300	38.300	38.300	38.300	38.300	38.300	38.083	38.467	38.300
16.EFF TX RATE(2/1+7+8)	38.083	38.681	38.449	38.623	38.883	31.397	31.720	32.129	32.530	31.450	38.709	31.944
TABLE 6B. CORPORATE PROFITS (ANNUAL PERCENT CHANGES)												
17.PROFITS AFTER TAX	2.1	7.4	21.1	19.2	18.7	13.9	10.4	10.4	10.3	14.7	6.3	14.4
18.PROFIT AFT TAX+IVA+CCA	11.6	3.3	17.7	15.3	13.0	5.5	4.0	2.4	2.5	31.3	11.6	7.3
19.DIVIDENDS	8.6	7.1	4.2	4.3	7.0	6.3	6.9	6.9	6.7	10.6	6.8	6.3
TABLE 6C. CORPORATE PROFITS (4 QTR MOVING PCT CHANGES)												
20.PROFITS AFTER TAX	0.9	-3.8	1.2	12.2	16.5	18.2	15.5	13.3	11.2	0.9	16.5	11.2
21.PROFIT AFT TAX+IVA+CCA	17.0	12.0	10.4	11.8	12.2	12.2	8.6	5.7	3.1	17.0	12.2	3.1
22.DIVIDENDS	10.1	8.7	6.7	6.1	5.7	5.5	6.1	6.8	6.7	10.1	5.7	6.7
TABLE 6D. DETERMINANTS OF PROFITS												
23.UNIT LABOR COSTS	158.2	158.1	160.1	161.4	163.0	165.2	167.7	170.1	172.6	157.6	160.6	168.9
24.CAPACITY UTILIZATION	81.8	81.7	82.1	81.1	84.0	84.1	84.2	84.3	84.5	81.7	82.7	84.3
25.PRODUCTIVITY	108.2	109.3	109.4	109.9	110.2	110.3	110.3	110.5	110.6	107.0	109.7	110.4
26.VENDOR PERFORMANCE	49.0	49.2	58.7	64.4	66.8	64.8	66.7	66.9	65.2	60.8	59.8	65.9
TABLE 6E. DETERMINANTS OF PROFITS (ANNUAL PERCENT CHANGES)												
27.UNIT LABOR COSTS	0.5	-0.3	5.1	3.3	4.1	5.5	6.2	5.7	6.0	1.0	1.9	5.2
28.CAPACITY UTILIZATION	-3.3	-0.5	1.6	5.0	4.1	0.8	0.3	0.6	0.9	0.6	1.2	1.9
29.PRODUCTIVITY	3.8	4.3	0.2	1.9	1.1	0.4	-0.2	0.6	0.6	3.2	2.5	0.6
30.VENDOR PERFORMANCE	-46.6	1.3	103.5	45.2	15.7	11.8	12.6	0.9	-9.4	11.8	-1.6	10.2
31.CONSUMER PRICES	3.0	2.7	3.6	3.6	5.7	5.8	5.7	5.9	6.4	4.3	3.5	5.4
32.PPI: CAPITAL GOODS	3.2	3.6	2.1	3.2	5.9	5.9	4.8	4.5	6.2	2.4	2.8	5.0
33.PPI: MACHINERY&EQUIP	1.7	2.6	2.2	3.5	5.2	6.3	5.4	5.0	5.5	2.3	2.6	5.1
34.PPI: INDUS COMMOD	0.3	-0.9	0.5	3.5	4.6	4.5	4.1	4.1	4.1	0.2	0.8	4.0
35.WAGE RATE INDEX	2.8	3.7	5.1	5.1	5.0	5.6	5.6	5.6	6.3	3.3	3.9	5.5

	1982	1983	1984									
	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	1982	1983	1984
TABLE 7A. LABOR MARKETS AND PRODUCTION												
1.CIVILIAN LABOR FORCE	110.9	110.7	111.2	112.1	112.1	112.6	113.5	113.8	114.2	110.2	111.5	113.5
2.TOTAL EMPLOYMENT	99.1	99.2	99.9	101.6	102.6	103.8	105.0	105.3	106.0	99.5	100.8	105.0
3. UNEMPLOYMENT RATE	10.6	10.4	10.2	9.3	8.5	7.9	7.5	7.5	7.2	9.7	9.6	7.5
4.NON-AG EMP (ESTAB)	88.7	88.8	89.6	90.4	91.7	92.8	93.8	94.6	86.1	89.6	90.1	91.8
5.UNEMPLOYMENT CLAIMS	611.1	496.0	451.3	397.3	401.6	356.7	354.8	370.8	399.6	585.9	436.5	370.5
6.WORKWEEK	34.7	34.8	34.9	35.1	35.2	35.3	35.4	35.3	35.2	34.8	35.0	35.3
7.MANDAYS IDLED STRIKES	2.5	2.8	2.0	10.5	2.2	1.2	2.0	10.0	10.5	9.1	17.5	23.6
8.INDUSTRIAL PROD	135.3	138.5	144.5	151.8	155.5	159.8	163.1	165.6	164.8	138.6	147.6	163.3
9.PRODUCTIVITY	101.6	102.2	103.6	104.3	104.7	105.7	107.0	107.2	108.2	100.9	103.7	107.0
10.RIGS IN OPERATION	2.5	2.3	1.9	2.2	2.6	2.4	2.3	2.4	2.6	3.1	2.2	2.4
11.WHOLESALE MFG SALES	246.3	252.8	263.2	275.3	286.5	295.3	302.6	303.6	304.8	253.9	269.4	301.6
12.RETAIL SALES	91.7	92.8	97.6	98.9	101.8	105.3	108.4	107.4	109.7	89.4	97.6	107.7
13.NEW ORDERS	154.7	161.8	169.9	177.8	186.0	192.5	191.3	192.1	191.3	157.2	173.5	191.8
14.VENDOR PERFORMANCE	48.7	44.3	52.0	57.7	63.3	67.7	69.0	57.3	49.0	36.8	54.3	60.8
15.TOTAL EMPLOYMENT	99.1	99.2	99.9	101.6	102.6	103.8	105.0	105.3	106.0	99.5	100.8	105.0
16.CAPACITY UTILIZATION	69.8	70.7	73.9	77.4	78.9	80.7	81.8	82.5	81.8	71.1	75.2	81.7
17.INVENTORY SALES RATIO	1.51	1.45	1.39	1.35	1.32	1.31	1.33	1.35	1.36	1.50	1.38	1.34
TABLE 7B. LABOR MARKETS AND PROD (ANNUAL PCT CHANGES)												
18.CIVILIAN LABOR FORCE	1.4	-0.6	1.6	3.2	0.2	2.0	3.1	0.8	1.5	1.4	1.2	1.8
19.UNEMPLOYMENT CLAIMS	8.3	56.6	-31.5	-39.9	4.4	-37.7	-2.2	19.3	34.8	30.8	-25.5	-15.1
20.WORKWEEK	-0.4	0.4	1.9	1.5	1.5	1.5	0.4	-1.1	-0.8	-1.3	0.6	0.9
21.NON-AG EMP (ESTAB)	-2.3	0.5	3.4	3.7	5.8	4.8	4.5	3.5	-31.3	-1.7	0.6	1.9
22.INDUSTRIAL PROD	-8.0	9.8	18.4	21.8	10.2	11.4	8.6	6.4	-2.1	-8.1	6.4	10.7
23.PRODUCTIVITY	2.8	2.4	5.6	2.7	1.5	3.9	5.0	0.7	3.8	0.2	2.7	3.2
24.RIGS IN OPERATION	10.5	36.9	51.3	66.7	114.8	22.8	26.6	29.3	35.8	-21.5	28.4	8.9
25.WHOLESALE MFG SALES	11.2	11.0	17.5	19.9	17.2	12.9	10.2	1.4	1.6	-5.5	6.1	11.9
26.RETAIL SALES	10.2	5.1	19.1	8.0	12.1	14.8	12.0	-3.4	0.8	2.9	9.2	10.3
27.NEW ORDERS	-4.7	17.4	24.1	17.8	21.7	14.7	-2.3	1.7	-1.7	-6.2	10.4	10.6
28.TOTAL EMPLOYMENT	-1.6	0.4	2.7	7.0	4.0	4.7	4.8	1.2	2.5	-0.9	1.3	4.1
29.CAPACITY UTILIZATION	-11.0	10.2	18.9	20.3	8.0	9.4	5.7	3.6	-3.3	-10.4	5.7	8.6
TABLE 7C. LABOR MARKETS (ACTUAL CHANGES)												
30.NON-AG EMP (ESTAB)	-0.5	0.1	0.8	0.8	1.3	1.1	1.0	0.8	-8.5	-1.6	0.6	1.7
31.UNEMPLOYMENT CLAIMS	12.1	-115.1	-44.7	-54.0	4.3	-44.9	-1.9	16.8	28.7	135.2	-149.4	-66.1

	1984 QTR 4	1985 QTR 1	1985 QTR 2	1985 QTR 3	1985 QTR 4	1986 QTR 1	1986 QTR 2	1986 QTR 3	1986 QTR 4	1984	1985	1986
TABLE 7A. LABOR MARKETS AND PRODUCTION												
1.CIVILIAN LABOR FORCE	114.2	114.3	113.3	113.6	114.1	114.6	115.0	115.0	115.6	113.5	113.8	115.8
2.TOTAL EMPLOYMENT	106.8	106.8	105.2	105.8	106.5	107.0	107.4	107.6	108.1	105.8	105.8	107.5
3. UNEMPLOYMENT RATE	7.2	7.3	7.2	6.9	6.7	6.6	6.5	6.5	6.5	7.5	7.0	6.5
4.NON-AG EMP (ESTAB)	84.1	81.8	81.3	82.8	82.8	83.4	84.1	84.7	85.3	91.8	81.6	84.4
5.UNEMPLOYMENT CLAIMS	399.6	397.1	362.5	303.8	305.1	312.4	323.3	317.8	315.7	378.5	341.9	317.3
6.WORKWEEK	35.2	35.1	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.3	35.0	35.0
7.MANDAYS IDLED STRIKES	10.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.6	3.1	3.1
8.INDUSTRIAL PROD	164.0	165.3	168.1	170.0	173.1	174.3	175.2	176.2	177.4	163.3	169.6	175.8
9.PRODUCTIVITY	108.2	109.1	109.4	109.9	110.2	110.3	110.3	110.5	110.6	107.0	109.7	110.4
10.RIGS IN OPERATION	2.6	2.3	2.1	2.2	2.4	2.4	2.3	2.3	2.3	2.4	2.2	2.3
11.WHOLESALE&MFG SALES	304.8	305.6	310.3	315.3	320.6	325.5	330.1	334.7	339.6	301.6	313.0	332.5
12.RETAIL SALES	109.7	112.0	114.5	117.3	120.1	122.4	124.5	126.8	129.5	107.7	116.8	125.8
13.NEW ORDERS	191.3	195.1	199.8	203.3	207.3	210.1	213.1	216.3	219.7	191.8	201.4	214.9
14.VENDOR PERFORMANCE	49.8	49.2	50.7	64.4	66.8	64.8	66.7	66.9	65.2	60.8	59.8	65.9
15.TOTAL EMPLOYMENT	106.8	106.8	105.2	105.8	106.5	107.0	107.4	107.6	108.1	105.8	105.8	107.5
16.CAPACITY UTILIZATION	81.8	81.7	82.1	83.1	84.0	84.1	84.2	84.3	84.5	81.7	82.7	84.3
17.INVENTORY SALES RATIO	1.36	1.36	1.34	1.32	1.31	1.31	1.31	1.31	1.30	1.34	1.33	1.31
TABLE 7B. LABOR MARKETS AND PROD (ANNUAL PCT CHANGES)												
18.CIVILIAN LABOR FORCE	1.5	0.5	-3.6	-1.0	1.8	1.7	1.4	0.3	1.8	1.8	0.3	1.1
19.UNEMPLOYMENT CLAIMS	34.8	-2.5	-30.6	-51.2	2.9	9.8	14.7	-6.6	-2.5	-15.1	-7.7	-7.2
20.WORKWEEK	0.8	1.5	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.8	0.0
21.NON-AG EMP (ESTAB)	-31.3	-21.5	1.6	3.5	3.7	3.0	3.2	3.1	2.7	1.9	-10.9	3.1
22.INDUSTRIAL PROD	2.1	1.4	6.8	6.7	5.9	2.4	2.0	2.3	2.7	10.7	3.7	3.8
23.PRODUCTIVITY	3.8	4.3	0.2	1.9	1.1	0.4	-0.2	0.6	0.6	3.2	2.5	0.6
24.RIGS IN OPERATION	35.8	-40.4	-35.4	32.6	49.7	-8.0	-13.3	0.0	9.0	8.9	-7.7	4.1
25.WHOLESALE&MFG SALES	1.62	1.0	6.4	6.5	7.2	6.0	5.7	5.7	6.1	11.9	3.8	6.2
26.RETAIL SALES	8.8	8.4	9.3	10.3	9.9	7.9	6.8	7.7	8.8	10.3	7.7	8.5
27.NEW ORDERS	-1.7	8.2	9.9	7.3	8.1	5.8	5.9	5.7	6.5	10.6	5.0	6.7
28.TOTAL EMPLOYMENT	2.5	-10.0	-3.0	-2.4	-2.6	-2.1	-1.6	-0.4	-2.0	-4.1	-0.0	-1.6
29.CAPACITY UTILIZATION	-3.3	-0.5	1.8	5.0	4.1	0.8	0.3	0.6	0.9	0.6	1.2	1.9
TABLE 7C. LABOR MARKETS (ACTUAL CHANGES)												
30.NON-AG EMP (ESTAB)	8.5	5.1	0.3	0.7	0.7	0.6	0.7	0.6	0.6	1.7	-10.0	2.6
31.UNEMPLOYMENT CLAIMS	28.7	2.5	-34.6	-59.5	2.1	7.2	10.9	-5.5	-2.0	-66.1	-28.6	-24.6

	1982 QTR 4	1983 QTR 1	1983 QTR 2	1983 QTR 3	1983 QTR 4	1984 QTR 1	1984 QTR 2	1984 QTR 3	1984 QTR 4	1982	1983	1984
TABLE 8A. GOVERNMENT RECEIPTS AND EXPENDITURES (BIL $)												
1.GOVT PURCHASES	681.0	678.8	682.2	689.8	691.4	704.4	743.7	761.0	780.5	658.5	685.5	747.4
2. FEDERAL	279.4	273.8	270.5	269.2	266.3	267.6	296.4	302.8	315.7	258.9	269.7	295.4
3. STATE & LOCAL	401.6	405.0	411.6	420.6	425.1	436.8	447.4	458.9	464.8	391.5	415.8	452.0
4.FEDERAL RECEIPTS NIA	608.3	619.8	649.3	640.2	655.0	686.4	704.3	706.2	722.5	616.7	641.1	704.8
5.FEDERAL EXPEND NIA	818.9	805.6	816.7	821.1	835.5	847.6	868.0	886.8	919.7	764.9	819.7	880.5
6.DEFICIT OR SURPLUS,NIA	-210.6	-185.8	-167.4	-180.9	-180.5	-161.2	-163.7	-180.6	-197.2	-148.2	-178.6	-175.7
7.TREASURY RECEIPTS	137.8	139.8	166.5	157.2	149.4	154.9	186.9	175.2	166.1	619.8	688.6	666.4*
8.TREASURY EXPEND	205.3	200.8	195.7	194.1	212.7	209.3	211.4	208.4	238.6	728.4	795.9	841.8*
9.TREAS SURPLUS OR DEF	-68.3	-61.0	-29.2	-36.9	-63.3	-54.5	-24.4	-33.1	-72.4	-109.5	-195.4	-175.4*
10.TREAS EXP/GNP %	26.41	25.30	23.97	23.21	24.79	23.56	23.20	22.57	25.39	24.08	24.32	23.68
11.TREAS REC/GNP %	17.62	17.63	20.39	18.77	17.40	17.46	20.53	18.97	17.68	19.84	18.55	18.66
12.TREAS REC/INCOME %	20.76	21.01	24.54	22.73	21.05	21.23	25.05	22.99	21.46	23.57	22.33	22.68
13.EFF PERS TAX RATE	12.526	12.278	12.289	11.202	11.260	11.165	11.249	11.365	11.432	12.861	11.757	11.303
14.EFF TAX RATE INCL SS	17.310	17.178	17.175	16.057	16.087	16.075	16.127	16.197	16.245	17.662	16.622	16.161
15.EFF CORP TAX RATE	35.300	36.500	37.700	37.233	37.467	38.100	38.933	37.000	38.300	36.642	37.225	38.083
16.EFF TAX RATE (CCA)	36.270	33.030	34.502	34.571	32.521	33.413	32.923	29.380	30.083	38.103	33.656	31.458
17.CORP TAX ACCRUALS	42.8	46.9	59.2	66.7	66.5	73.8	75.6	65.3	69.7	46.6	59.8	70.9
18.PERS TAX RECEIPTS	294.6	292.1	298.1	277.8	287.2	294.6	303.9	313.9	321.2	298.3	288.8	308.4
19.OTHER TAX RECEIPTS	271.6	280.8	292.1	295.7	301.3	318.7	324.7	327.0	331.6	271.8	292.5	325.5
20.TOTAL TAX RECEIPTS	608.3	619.8	649.3	640.2	655.0	686.4	704.3	706.2	722.5	616.7	641.1	704.8
21.STATE&LOCAL RECEIPTS	451.6	458.3	473.5	486.1	495.0	509.6	520.6	524.6	539.8	441.9	478.2	523.6
22.STATE&LOCAL EXPEND	420.2	424.2	429.6	438.7	443.8	455.7	466.1	477.0	484.0	409.8	434.1	470.7
23.DEFICIT OR SURPLUS	31.4	34.1	43.9	47.4	51.2	53.9	54.5	47.6	55.8	32.9	44.2	52.9
24.S&L REVENUE/SALES	41.04	41.14	40.68	40.97	40.54	40.33	40.04	40.69	41.00	41.19	40.83	40.51
TABLE 8B. GOVERNMENT RECEIPTS AND EXPENDITURES (ANN PCT CHANGES)												
25.GOVT PURCHASES	15.9	-1.3	2.0	4.5	0.9	7.7	24.3	9.6	10.6	9.1	5.4	9.0
26. FEDERAL	30.1	-8.9	-3.6	-1.9	-4.2	2.0	50.5	7.8	19.4	13.1	4.2	9.5
27. STATE & LOCAL	7.2	4.2	5.8	9.0	4.3	11.5	10.1	10.7	5.2	6.5	6.2	8.7
28.FEDERAL RECEIPTS,NIA	-1.0	7.8	20.4	-5.5	9.6	20.6	10.8	1.1	9.5	-1.3	3.9	9.9
29.FEDERAL EXPEND NIA	25.6	-6.3	5.6	2.2	7.2	5.9	10.0	8.9	15.7	11.0	7.2	7.4
30.TREASURY RECEIPTS	-29.0	8.4	101.1	-20.6	-18.4	15.5	112.1	-22.7	-19.2	3.3	-3.0	11.0*
31.TREASURY EXPEND	49.9	-8.5	-9.7	-3.2	44.2	-6.2	3.9	-5.5	71.8	10.6	9.3	5.8*
32.STATE&LOCAL RECEIPTS	5.2	6.1	13.9	11.1	7.5	12.3	8.9	3.1	12.1	5.2	8.2	9.5
33.STATE&LOCAL EXPEND	7.6	3.9	5.2	8.7	4.7	11.2	9.4	9.7	6.0	7.0	6.1	8.4

* INDICATES VALUE IS FOR FISCAL YEAR

FIDELITY BANK

ECONOMETRIC FORECAST

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STRONG $,NO FURTHER OIL PRICE CUT, NO BUDGET LEGISLATION

	1984	1985				1986						
	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 8A. GOVERNMENT RECEIPTS AND EXPENDITURES (BIL $)												
1.GOVT PURCHASES	780.5	799.7	819.6	839.1	857.5	873.8	893.8	915.0	933.8	747.4	829.8	904.1
2. FEDERAL	315.7	326.6	336.3	347.2	360.2	370.9	382.6	394.6	406.6	295.4	342.6	388.7
3. STATE & LOCAL	464.8	473.1	483.3	491.9	497.3	502.9	511.2	520.4	527.2	452.0	486.4	515.5
4.FEDERAL RECEIPTS NIA	722.5	736.3	746.0	760.0	775.9	794.5	810.5	826.0	840.1	704.8	754.5	817.0
5.FEDERAL EXPEND NIA	919.7	912.4	968.1	986.9	955.3	980.6	1030.8	1049.9	1049.5	800.5	953.7	1027.0
6.DEFICIT OR SURPLUS,NIA	-197.2	-176.2	-214.0	-226.9	-179.5	-186.3	-220.3	-224.0	-209.3	-175.7	-199.1	-210.0
7.TREASURY RECEIPTS	166.1	182.6	214.0	181.4	187.8	185.2	224.2	198.5	195.7	666.4	744.1	795.7
8.TREASURY EXPEND	238.6	229.0	242.0	247.4	243.0	247.4	259.0	263.2	266.8	841.8	957.8	1013.4
9.TREAS SURPLUS OR DEF	-72.4	-47.3	-28.0	-66.0	-55.2	-62.2	-35.6	-64.7	-71.1	-175.4	-213.7	-217.7
10.TREAS EXP/GNP %	25.39	24.01	24.84	24.86	23.89	23.86	24.60	24.41	24.23	23.68	24.40	24.27
11.TREAS REC/GNP %	17.68	19.08	21.98	18.21	18.45	17.87	21.24	18.40	17.76	18.66	19.43	18.82
12.TREAS REC/INCOME %	21.46	23.24	26.84	22.37	22.60	22.15	26.40	22.98	22.27	22.60	23.81	23.45
13.EFF PERS TAX RATE	11.432	11.457	11.435	11.435	11.435	11.435	11.435	11.435	11.435	11.303	11.441	11.435
14.EFF TAX RATE INCL SS	16.245	16.597	16.585	16.594	16.602	16.743	16.759	16.761	16.761	16.161	16.595	16.756
15.EFF CORP TAX RATE	38.300	38.967	38.300	38.300	38.300	38.300	38.300	38.300	38.300	38.083	38.467	38.300
16.EFF TAX RATE (CCA)	30.083	30.881	30.449	30.623	30.883	31.397	31.728	32.129	32.530	31.450	30.709	31.944
17.CORP TAX ACCRUALS	69.7	74.2	75.7	80.0	84.3	87.7	90.3	93.1	95.8	70.9	78.5	91.7
18.PERS TAX RECEIPTS	321.2	326.6	331.0	336.4	342.0	347.9	353.6	359.6	366.0	308.4	334.0	356.8
19.OTHER TAX RECEIPTS	331.6	335.9	339.3	343.6	349.6	358.9	366.6	373.3	378.3	325.5	342.1	369.3
20.TOTAL TAX RECEIPTS	722.5	736.3	746.0	760.0	775.9	794.5	810.5	826.0	840.1	704.8	754.5	817.0
21.STATE&LOCAL RECEIPTS	539.8	552.0	579.5	597.4	615.3	630.8	645.0	661.0	678.9	523.6	586.0	653.9
22.STATE&LOCAL EXPEND	484.0	491.4	497.9	504.1	511.3	517.9	524.7	529.2	533.4	470.7	501.2	526.3
23.DEFICIT OR SURPLUS	55.8	60.6	81.6	93.3	104.0	112.9	120.3	131.8	145.5	52.9	84.9	127.6
24.SAL REVENUE/SALES	41.08	41.08	42.18	42.43	42.68	42.93	43.18	43.43	43.68	40.51	42.18	43.31
TABLE 8B. GOVERNMENT RECEIPTS AND EXPENDITURES (ANN PCT CHANGES)												
25.GOVT PURCHASES	10.0	10.2	10.1	9.9	9.8	7.8	9.5	9.8	8.5	9.0	10.9	9.0
26. FEDERAL	19.4	14.5	12.5	13.5	15.9	12.4	13.3	13.1	12.7	9.5	16.0	13.5
27. STATE & LOCAL	5.2	7.4	8.9	7.4	4.4	4.6	6.8	7.4	5.4	6.7	7.6	6.0
28.FEDERAL RECEIPTS NIA	9.5	7.9	5.4	7.7	8.6	10.6	8.3	7.6	7.6	9.9	7.1	8.4
29.FEDERAL EXPEND NIA	15.7	-3.1	22.6	11.6	-12.2	11.1	22.0	7.6	-0.2	7.4	8.3	7.8
30.TREASURY RECEIPTS	-19.2	45.8	86.9	-48.5	15.8	-5.5	114.8	-36.5	-5.6	11.0	11.7	6.9
31.TREASURY EXPEND	71.8	-13.9	22.9	9.2	-6.9	7.4	21.6	5.3	5.6	5.8	13.8	5.8
32.STATE&LOCAL RECEIPTS	12.8	9.3	21.5	12.9	12.5	10.4	9.2	10.3	11.3	9.5	11.9	11.6
33.STATE&LOCAL EXPEND	6.8	6.2	5.4	5.8	5.8	5.3	5.3	3.5	3.2	8.4	6.5	5.0
* INDICATES VALUE IS FOR FISCAL YEAR	1985	1983								1983	1982	1984

	1982 QTR 1	1982 QTR 2	1982 QTR 3	1982 QTR 4	1983 QTR 1	1983 QTR 2	1983 QTR 3	1983 QTR 4	1982	1983	1984
TABLE 9A: PERSONAL CONSUMPTION EXPENDITURES (BILS)											
1. CONSUMPTION EXPEND	2046.	2070.	2142.	2181.	2230.	2277.	2333.	2361.	2396.	1985.	2156.	2342.
2. RETAIL SALES	91.7	92.8	97.0	98.9	101.8	105.3	100.4	107.4	109.7	89.4	97.6	107.7
3. CONSUM DURABLES	255.0	259.3	276.1	284.0	299.8	319.9	320.7	317.2	326.3	245.1	279.8	318.8
4. RETAIL SALES DUR	28.5	29.3	31.7	32.5	34.7	36.4	38.0	37.1	38.9	27.8	32.8	37.6
5. DOMEST AUTO SALES	6.8	6.0	6.9	6.9	7.4	8.2	8.3	6.8	7.4	5.8	6.8	7.8
6. FOREIGN AUTO SALES	2.5	2.3	2.3	2.3	2.6	2.3	2.4	2.3	2.8	2.2	2.4	2.5
7. REAL RETAIL DUR	11.6	11.8	12.7	12.8	13.3	13.9	14.3	13.8	14.4	11.2	12.7	14.1
8. CONSUM NONDURABLES	770.5	775.2	796.9	811.7	822.9	841.3	858.3	861.4	866.5	757.5	801.7	856.9
9. RETAIL SALES NDUR	63.2	63.6	65.3	66.4	67.1	68.9	70.3	70.3	70.8	62.4	65.6	70.1
10. REAL RETAIL NDUR	22.9	23.1	23.4	23.6	23.8	24.2	24.6	24.5	24.6	22.8	23.5	24.5
11. CONSUMPTION SERVICES	1020.6	1035.8	1068.6	1085.7	1107.4	1124.4	1153.7	1182.8	1203.7	982.2	1074.4	1166.1
TABLE 9B: PERSONAL CONSUMPTION EXPENDITURES (ANNUAL PCT CHANGES)												
12. CONSUMPTION EXPEND	9.3	4.8	14.5	7.6	9.2	8.6	10.2	5.0	6.1	7.3	8.6	8.6
13. RETAIL SALES	10.2	5.1	19.1	8.0	12.1	14.8	12.0	-3.4	8.8	2.9	9.2	10.3
14. CONSUM DURABLES	18.3	7.0	28.5	12.0	24.1	15.8	13.1	-4.3	11.9	4.1	14.1	13.9
15. RETAIL SALES DUR	29.3	11.2	38.1	10.0	30.0	21.9	18.3	-9.3	20.7	2.7	16.6	17.4
16. DOMEST AUTO SALES	32.5	-1.7	77.4	3.8	31.0	46.6	5.0	13.3	24.8	7.3	18.8	17.1
17. FOREIGN AUTO SALES	53.7	25.7	5.9	3.8	68.3	41.2	23.3	12.1	93.9	4.5	7.4	3.0
18. REAL RETAIL DUR	24.8	18.1	32.6	2.0	18.4	20.1	9.4	11.2	17.9	3.3	12.9	11.5
19. CONSUM NONDURABLES	4.3	2.5	11.7	7.6	5.7	9.2	8.4	1.5	2.4	3.7	5.8	6.9
20. RETAIL SALES NDUR	2.7	2.4	11.1	7.0	4.1	11.2	8.8	0.0	2.9	2.9	5.1	6.9
21. REAL RETAIL NDUR	2.1	4.6	4.8	3.6	3.7	6.1	6.6	1.3	0.8	0.2	3.1	4.1
22. CONSUMPTION SERVICES	11.0	6.1	13.3	6.6	8.2	6.3	10.9	10.5	7.3	11.2	9.4	8.5
TABLE 9C. DETERMINANTS OF PERSONAL CONSUMPTION EXPENDITURES												
23. PERSONAL INCOME	2639.4	2662.8	2714.5	2763.3	2836.5	2920.5	2984.6	3047.3	3096.2	2584.6	2744.2	3012.1
24. CONSUMER PRICE INDEX	293.4	293.2	296.9	300.5	303.1	306.4	309.7	313.1	315.4	289.1	298.4	311.1
25. REAL DISP INCOME	1067.6	1073.1	1082.0	1102.2	1124.4	1147.6	1165.3	1176.5	1187.0	1058.3	1095.4	1169.1
26. EFF PERS TAX RATE	12.526	12.278	12.289	11.202	11.260	11.165	11.249	11.365	11.432	12.061	11.757	11.303
27. REAL II2	286.9	293.8	300.4	302.5	307.6	310.1	316.2	317.7	323.8	277.9	301.1	317.0
28. HOUSING STARTS	1.28	1.64	1.67	1.79	1.72	1.95	1.86	1.66	1.60	1.06	1.70	1.77
29. MANDAYS IDLED STRIKES	2.5	2.8	2.0	10.5	2.2	1.2	2.0	10.0	10.5	9.1	17.5	23.6
30. UNEMPLOYMENT RATE	10.6	10.4	10.2	9.3	8.5	7.9	7.5	7.5	7.2	9.7	9.6	7.5
TABLE 9D: DETERMINANTS OF CONSUMPTION (ANNUAL PERCENT CHANGES)												
31. PERSONAL INCOME	7.2	3.6	8.0	7.4	11.0	12.4	9.1	8.7	6.6	6.4	6.2	9.8
32. CONSUMER PRICE INDEX	0.8	0.2	5.1	4.9	3.5	4.4	4.5	4.4	3.0	6.2	3.2	4.3
33. REAL DISP INCOME	3.7	2.1	3.4	7.6	8.3	8.5	6.3	3.9	3.6	0.9	3.5	6.7
34. REAL II2	16.1	10.0	9.2	3.9	6.9	3.4	8.0	2.0	7.8	4.3	8.3	5.3
35. HOUSING STARTS	72.84	166.17	7.79	31.12	-14.84	65.73	-17.13	-35.78	-14.74	-3.56	61.02	3.75

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	1984 QTR 4	1985 QTR 1	QTR 2	QTR 3	QTR 4	1986 QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 9A. PERSONAL CONSUMPTION EXPENDITURES (BIL$)												
1.CONSUMPTION EXPEND	2396.	2452.	2497.	2545.	2599.	2652.	2700.	2753.	2809.	2342.	2523.	2728.
2.RETAIL SALES	109.7	112.8	114.5	117.3	120.1	122.4	124.5	126.8	129.5	107.7	116.0	125.8
3.CONSUM DURABLES	326.3	335.2	343.5	353.2	360.1	366.1	370.3	377.3	384.9	318.8	348.8	374.6
4. RETAIL SALES DUR	38.9	40.0	41.0	42.2	42.9	43.5	44.0	44.7	45.6	37.6	41.5	44.5
5. DOMEST AUTO SALES	7.4	8.4	8.8	8.9	8.8	8.7	8.5	8.6	8.5	8.0	8.8	8.6
6. FOREIGN AUTO SALES	2.8	2.5	2.6	2.6	2.7	2.5	2.4	2.5	2.7	2.5	2.6	2.5
7. REAL RETAIL DUR	14.4	14.7	15.0	15.4	15.5	15.6	15.6	15.7	15.7	14.1	15.2	15.6
8.CONSUM NONDURABLES	866.5	885.4	901.2	919.1	943.1	963.5	982.5	1002.5	1024.7	856.9	912.2	993.3
9. RETAIL SALES NDUR	70.8	72.8	73.4	75.2	77.2	78.9	80.5	82.1	83.9	70.1	74.4	81.3
10. REAL RETAIL NDUR	24.6	24.9	25.2	25.6	25.9	26.1	26.2	26.4	26.6	24.5	25.9	26.3
11.CONSUMPTION SERVICES	1203.7	1231.8	1251.9	1272.2	1296.3	1322.0	1347.0	1372.7	1399.3	1166.1	1263.1	1360.3
TABLE 9B. PERSONAL CONSUMPTION EXPENDITURES (ANNUAL PCT CHANGES)												
12.CONSUMPTION EXPEND	6.1	9.7	7.4	7.9	8.9	8.1	7.5	8.0	8.4	8.6	7.7	8.1
13.RETAIL SALES	8.8	8.4	9.3	10.3	9.9	7.9	4.0	7.7	8.8	10.3	7.7	8.5
14.CONSUM DURABLES	11.9	11.3	10.3	11.9	8.8	6.9	4.7	7.8	8.3	13.9	9.2	7.7
15. RETAIL SALES DUR	20.7	11.8	11.1	11.3	7.6	5.7	4.4	6.6	8.0	17.4	10.4	7.1
16. DOMEST AUTO SALES	-24.8	81.5	9.1	2.8	-4.2	-2.9	-8.0	5.8	-6.2	17.1	10.1	-2.1
17. FOREIGN AUTO SALES	93.9	-37.4	15.5	8.1	18.0	-21.6	-12.5	5.6	36.3	3.8	5.8	-1.6
18. REAL RETAIL DUR	17.9	9.1	8.8	9.5	3.8	1.5	0.8	2.1	1.9	11.5	7.5	3.1
19.CONSUM NONDURABLES	2.4	9.8	7.3	8.2	10.9	8.9	8.1	8.4	9.1	6.9	6.5	8.9
20. RETAIL SALES NDUR	2.9	6.5	6.4	9.7	11.2	9.2	8.2	8.4	9.2	6.9	6.2	9.3
21. REAL RETAIL NDUR	0.8	5.5	5.5	5.4	4.8	3.5	2.2	2.6	2.9	4.1	3.8	3.7
22.CONSUMPTION SERVICES	7.3	9.7	6.7	6.6	7.8	8.2	7.8	7.9	8.0	8.5	8.3	7.7
TABLE 9C. DETERMINANTS OF PERSONAL CONSUMPTION EXPENDITURES												
23.PERSONAL INCOME	3096.2	3142.7	3191.1	3242.0	3294.2	3345.1	3390.1	3454.4	3513.3	3012.1	3217.5	3427.7
24.CONSUMER PRICE INDEX	315.4	317.4	320.2	323.2	327.7	332.4	337.0	341.8	347.2	311.1	322.2	339.6
25.REAL DISP INCOME	1187.0	1190.9	1201.6	1210.6	1214.6	1217.1	1220.3	1225.2	1229.8	1169.1	1204.4	1222.9
26.EFF PERS TAX RATE	11.432	11.457	11.435	11.435	11.435	11.435	11.435	11.435	11.435	11.303	11.441	11.435
27.REAL M2	323.8	330.1	334.2	339.0	340.4	341.4	343.1	346.0	348.4	317.0	336.0	344.7
28.HOUSING STARTS	1.60	1.74	1.85	1.83	1.72	1.68	1.68	1.65	1.64	1.77	1.79	1.68
29.MANDAYS IDLED STRIKES	10.5	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.6	5.1	5.1
30.UNEMPLOYMENT RATE	7.2	7.3	7.2	6.9	6.7	6.6	6.5	6.5	6.5	7.5	7.0	6.5
TABLE 9D. DETERMINANTS OF CONSUMPTION (ANNUAL PERCENT CHANGES)												
31.PERSONAL INCOME	6.6	6.1	6.3	6.5	6.6	6.3	6.5	6.8	7.0	9.0	6.8	6.5
32.CONSUMER PRICE INDEX	3.0	2.7	3.6	3.8	5.7	5.8	5.7	5.9	6.4	4.3	3.5	5.4
33.REAL DISP INCOME	3.6	1.3	3.7	3.0	1.3	0.8	1.0	1.6	1.2	6.7	3.0	1.5
34.REAL M2	7.8	8.1	5.1	5.9	1.6	1.2	2.1	3.4	2.8	5.5	6.0	2.6
35.HOUSING STARTS	-14.74	41.84	27.07	-4.03	-22.97	-9.40	0.20	-5.73	-2.43	3.75	1.12	-7.02

	1982 QTR 4	1983 QTR 1	1983 QTR 2	1983 QTR 3	1983 QTR 4	1984 QTR 1	1984 QTR 2	1984 QTR 3	1984 QTR 4	1982	1983	1984
TABLE 10A. INVESTMENT EXPENDITURES (BIL $)												
1.FIXED INVESTMENT	437.3	447.9	469.0	496.3	527.3	550.1	576.3	590.9	601.1	440.9	485.1	579.6
2.NONRESIDENTIAL	339.4	334.6	339.2	354.0	383.9	398.9	420.7	435.6	447.6	349.6	352.9	425.7
3. STRUCTURES	130.4	130.4	125.6	126.2	136.6	142.2	150.8	151.4	157.9	142.1	129.7	150.4
4. EQUIPMENT	201.0	204.2	213.6	227.8	247.3	256.7	270.7	284.2	289.7	207.5	223.2	275.3
5.RESIDENTIAL	97.9	113.3	129.8	142.3	143.4	151.2	155.6	155.3	153.5	91.3	132.2	153.9
6.HOUSING STARTS	1.28	1.64	1.67	1.79	1.72	1.95	1.86	1.66	1.60	1.06	1.78	1.77
7.INVENTORY INVESTMENT	61.1	42.9	19.4	-4.3	12.7	73.8	50.6	71.8	36.6	26.1	13.5	58.2
8. MFG&TRADE INVNTORIES	508.9	501.5	500.6	504.2	511.7	526.0	544.6	556.1	565.2	516.1	504.5	548.0
TABLE 10B. INVESTMENT EXPENDITURES (ANNUAL PERCENT CHANGES)												
9.FIXED INVESTMENT	5.0	10.1	20.2	25.4	27.4	18.4	20.5	10.5	7.1	-3.0	10.0	19.5
10.NONRESIDENTIAL	-3.2	-5.5	5.6	18.6	38.3	16.6	23.7	14.9	11.5	-1.2	0.9	20.6
11. STRUCTURES	0.0	-21.2	-13.9	1.9	37.3	17.4	23.8	3.8	18.3	5.8	-8.7	15.9
12. EQUIPMENT	5.4	6.5	19.7	29.4	38.9	16.1	23.7	21.5	8.0	-5.0	7.6	23.3
13.RESIDENTIAL	46.4	79.4	72.3	44.5	3.1	23.6	12.2	-0.8	-4.6	-12.4	44.8	16.4
14. HOUSING STARTS	72.8	166.2	7.8	31.1	-14.8	65.7	-17.1	-35.8	-14.7	-3.6	61.8	-3.8
15. MFG&TRADE INVNTORIES	-5.8	-5.6	-0.7	2.9	6.0	11.7	14.9	8.7	6.7	0.9	-2.2	8.6
TABLE 10C. DETERMINANTS OF INVESTMENT												
16.INDUSTRIAL PROD	135.3	138.5	144.5	151.8	155.5	159.8	163.1	165.6	164.8	138.6	147.6	163.3
17.CAPACITY UTILIZATION	69.8	70.7	73.9	77.4	78.9	80.7	81.8	82.5	81.8	71.1	75.2	81.7
18.REAL NI2	286.9	293.8	300.4	302.5	307.6	310.1	316.2	317.7	323.8	277.9	301.1	317.0
19.MANDAYS IDLED STRIKES	2.5	2.8	2.0	10.5	2.2	1.2	2.0	10.8	10.5	9.1	17.5	23.6
20.UNIT LABOR/EQUIP COST	55.3	55.2	54.4	54.0	54.4	54.3	53.5	53.7	53.6	55.1	54.5	53.8
21.THRIFT DEPOSITS	771.9	799.9	829.8	860.4	893.0	916.7	950.7	977.3	1009.4	754.0	845.8	963.5
22.MORTGAGE RATE	14.38	13.20	12.62	13.18	13.49	13.34	14.00	14.54	13.70	16.10	13.12	13.89
23.VACANCY RATE	5.50	5.70	5.50	5.80	5.50	5.60	5.50	6.00	6.30	5.30	5.62	5.85
24.CPI:HOME PURCHASE	290.4	294.9	302.6	305.0	307.9	310.4	313.5	316.3	322.8	281.6	302.6	316.8
25.MFG & TRADE SALES	338.0	345.6	360.2	374.2	388.2	408.6	418.9	411.0	414.6	343.3	367.1	409.3
26.INVENTORY SALES RATIO	1.51	1.45	1.39	1.35	1.32	1.31	1.33	1.35	1.36	1.50	1.38	1.34
TABLE 10D. DETERMINANTS OF INVESTMENT (ANNUAL PERCENT CHANGES)												
27.INDUSTRIAL PROD	-8.0	-9.8	18.4	21.8	10.2	11.4	8.6	6.4	-2.1	-8.1	6.4	10.7
28.CAPACITY UTILIZATION	-11.0	-10.2	16.9	20.3	8.0	9.4	5.7	3.6	3.3	-10.4	5.7	8.6
29.REAL NI2	16.1	10.0	9.2	2.8	6.9	3.4	8.0	2.0	7.8	4.3	8.3	5.3
30.UNIT LABOR/EQUIP COST	1.1	-1.0	-5.9	-3.0	3.5	-0.7	-6.1	1.8	-1.2	1.9	-1.2	1.3
31.THRIFT DEPOSITS	7.4	15.3	15.9	15.6	16.0	11.1	15.7	11.7	13.8	4.2	12.2	13.9
32.CPI: HOME PURCHASE	4.1	6.3	10.9	3.2	3.9	3.2	4.1	6.2	4.7	5.2	7.5	4.6
33.MFG & TRADE SALES	-6.0	9.3	17.9	16.6	15.0	13.4	10.7	0.1	3.5	-3.4	6.9	11.5

STRONG $,NO FURTHER OIL PRICE CUT, NO BUDGET LEGISLATION

	1984	1985				1986						
	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 10A. INVESTMENT EXPENDITURES (BIL $)												
1.FIXED INVESTMENT	601.1	608.1	623.2	640.4	655.2	663.7	673.7	685.9	700.9	579.6	631.7	681.1
2.NONRESIDENTIAL	447.6	453.3	461.9	472.6	486.2	496.7	506.1	516.3	528.6	425.7	468.5	511.9
3.STRUCTURES	157.9	160.6	165.8	169.5	174.3	178.0	180.9	185.4	190.6	150.4	167.3	183.7
4.EQUIPMENT	289.7	292.7	296.9	303.1	311.9	318.7	325.1	330.9	338.0	275.3	301.2	328.2
5.RESIDENTIAL	153.5	154.8	161.3	167.8	169.1	167.0	167.6	169.6	172.3	153.9	163.2	169.1
6.HOUSING STARTS	1.60	1.74	1.85	1.83	1.72	1.68	1.68	1.65	1.64	1.77	1.79	1.66
7.INVENTORY INVESTMENT	36.6	31.0	31.9	34.9	36.9	38.7	39.7	41.0	43.6	58.2	33.7	40.7
8.MFG&TRADE INVNTORIES	565.2	568.3	569.6	572.5	579.5	587.0	595.9	603.4	616.9	548.8	572.5	599.5
TABLE 10B. INVESTMENT EXPENDITURES (ANNUAL PERCENT CHANGES)												
9.FIXED INVESTMENT	7.1	4.6	10.1	11.5	9.6	5.3	6.1	7.5	9.0	19.5	9.0	7.8
10.NONRESIDENTIAL	11.5	5.2	7.8	9.6	12.0	9.0	7.7	8.4	9.8	20.6	10.1	9.3
11.STRUCTURES	18.3	7.0	11.3	11.5	11.7	8.9	6.7	10.3	11.6	15.9	11.3	9.8
12.EQUIPMENT	8.0	4.3	5.8	8.6	12.1	9.0	8.3	7.3	8.9	23.3	9.4	9.0
13.RESIDENTIAL	-4.6	3.4	17.8	17.1	3.1	-4.6	1.5	4.8	6.6	16.4	6.1	3.6
14.HOUSING STARTS	-14.7	41.8	27.1	-4.8	-23.8	-9.4	0.2	-5.7	-2.6	3.8	1.1	-7.0
15.MFG&TRADE INVNTORIES	6.7	2.3	0.9	2.0	5.0	5.8	5.7	5.1	5.1	8.6	4.5	4.7
TABLE 10C. DETERMINANTS OF INVESTMENT												
16.INDUSTRIAL PROD	164.0	165.3	168.1	170.8	173.3	174.3	175.2	176.2	177.4	163.3	169.4	175.8
17.CAPACITY UTILIZATION	81.8	81.7	82.1	83.1	84.0	84.1	84.2	84.3	84.5	81.7	82.7	84.3
18.REAL M2	323.8	330.1	334.2	339.0	340.4	341.4	343.1	346.0	348.4	317.8	336.8	344.7
19.MANDAYS IDLED STRIKES	10.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.6	3.1	3.1
20.UNIT LABOR/EQUIP COST	51.6	51.2	51.5	53.5	53.4	53.3	53.4	53.5	53.6	53.8	53.4	53.4
21.THRIFT DEPOSITS	1009.4	1035.6	1053.8	1074.3	1092.0	1109.8	1128.3	1146.4	1164.1	963.5	1064.0	1137.2
22.MORTGAGE RATE	13.70	13.04	13.02	13.10	13.37	13.47	13.47	13.49	13.61	13.89	13.13	13.51
23.VACANCY RATE	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	5.85	6.30	6.30
24.CPI:HOME PURCHASE	322.8	325.4	328.5	332.0	336.9	343.8	349.5	355.2	360.5	316.8	330.7	352.3
25.MFG & TRADE SALES	414.6	417.5	424.8	432.6	440.9	448.0	454.6	461.5	469.1	409.3	429.8	458.3
26.INVENTORY SALES RATIO	1.36	1.36	1.34	1.32	1.31	1.31	1.31	1.31	1.30	1.34	1.33	1.31
TABLE 10D. DETERMINANTS OF INVESTMENT (ANNUAL PERCENT CHANGES)												
27.INDUSTRIAL PROD	-2.1	1.4	6.8	6.7	5.9	2.6	2.0	2.3	2.7	10.7	3.7	3.8
28.CAPACITY UTILIZATION	-3.3	-0.5	1.8	5.0	4.1	0.8	0.3	0.6	0.9	8.6	1.2	1.9
29.REAL M2	7.0	8.1	5.1	5.9	1.6	1.2	2.1	3.4	2.8	5.3	6.0	2.6
30.UNIT LABOR/EQUIP COST	-1.2	-2.0	2.8	-0.2	-1.0	-0.8	0.8	0.7	0.5	-1.3	-0.7	0.8
31.THRIFT DEPOSITS	13.6	10.9	7.1	8.0	6.6	6.7	6.8	6.7	6.3	13.9	10.4	6.9
32.CPI: HOME PURCHASE	4.7	4.4	3.8	4.4	5.9	8.5	6.9	6.7	6.0	4.4	4.4	6.5
33.MFG & TRADE SALES	3.5	2.9	7.2	7.5	7.9	6.5	6.0	6.2	6.8	11.5	4.8	6.8

	1982 QTR 4	1983 QTR 1	QTR 2	QTR 3	QTR 4	1984 QTR 1	QTR 2	QTR 3	QTR 4	1982	1983	1984
TABLE 11A. PRICES AND RELATED INDICATORS												
1.CPI: ALL URBAN	293.4	293.2	296.9	300.5	303.1	306.4	309.7	313.1	315.4	289.1	298.4	311.1
2.CPI: NEW CARS	198.9	201.2	201.4	202.1	205.8	207.2	207.6	208.1	211.0	197.6	202.6	208.5
3.CPI: HOME PURCHASE	298.4	296.9	302.6	305.0	307.9	310.4	313.5	316.3	322.0	281.6	302.6	316.0
4.CPI: SERVICES	338.2	338.7	342.6	347.1	350.9	355.2	359.9	366.6	370.1	333.3	344.8	362.9
5.CPI: DURABLE GOODS	246.6	247.3	249.8	254.5	260.5	261.5	266.7	268.1	269.7	241.1	253.0	266.5
6.CPI: NONDURABLE GDS.	276.2	274.7	278.8	281.0	281.3	284.7	286.1	287.8	288.5	273.6	279.8	284.6
7.PPI: FINISHED GOODS	284.8	283.8	284.1	285.7	287.2	290.5	291.1	291.8	292.1	280.6	285.2	291.2
8.PPI: CONS FINISHD GOOD	285.1	283.3	283.5	285.3	286.4	290.0	290.2	290.2	290.9	280.8	284.6	290.4
9.PPI: CAPITAL GOODS	286.0	285.0	286.5	286.7	290.1	292.1	294.1	293.9	296.2	279.4	287.3	294.1
10.PPI: INDUS COMMOD	314.8	313.8	313.8	317.0	318.4	320.5	323.2	323.1	323.4	312.3	315.7	322.6
11.PPI: MACHINERY&EQUIP	281.8	284.1	285.9	287.5	288.1	290.3	292.6	294.1	295.4	278.8	286.4	293.1
12.PPI: FARM PRODUCTS	238.8	238.5	249.4	251.4	253.4	264.1	261.1	253.9	243.8	242.3	248.2	255.7
13.PPI: LIVESTOCK	241.6	248.3	256.8	238.1	229.4	254.5	255.2	252.9	244.6	257.8	243.1	251.8
14.PPI: FUEL&POWER	702.8	670.1	654.0	670.9	664.9	655.6	660.4	658.4	652.9	693.9	665.0	656.8
15.WAGE RATE INDEX	151.5	153.3	154.7	155.8	157.3	158.7	159.9	161.0	162.1	148.5	155.3	160.4
16.PRODUCTIVITY	101.6	102.2	103.6	104.3	104.7	105.7	107.0	107.2	108.2	100.9	103.7	107.0
17.UNIT LABOR COST	155.9	156.8	155.4	155.1	156.8	157.7	156.5	158.0	158.2	153.6	156.0	157.6
18.PRICE GASOLINE $	1.239	1.153	1.238	1.258	1.221	1.206	1.225	1.198	1.196	1.255	1.218	1.206
19.PRICE OF GOLD $/OZ	436.	441.	428.	414.	390.	386.	378.	345.	324.	378.	418.	358.
20.GOVT PURCHASES GDS&SER	681.0	678.8	682.2	689.8	691.4	704.4	743.7	761.0	780.5	650.5	685.5	747.4
TABLE 11B. PRICES AND RELATED INDICATORS (ANNUAL PERCENT CHANGES)												
21.CPI: ALL URBAN	0.8	-0.2	5.1	4.9	3.5	4.4	4.5	4.4	3.0	6.2	3.2	4.3
22.CPI: NEW CARS	1.2	4.6	0.5	1.3	7.7	2.7	0.7	1.1	5.6	3.9	2.6	2.9
23.CPI: HOME PURCHASE	4.1	6.3	10.9	3.2	3.9	3.2	4.1	6.2	4.7	5.2	7.5	4.4
24.CPI: SERVICES	-0.4	0.7	4.6	5.4	4.5	5.0	5.3	7.7	3.8	9.0	3.5	5.2
25.CPI: DURABLE GOODS	3.6	1.0	4.2	7.8	9.7	1.5	8.1	2.2	2.4	6.1	5.0	5.3
26.CPI: NONDURABLE GDS.	0.6	-2.2	6.0	3.3	0.4	4.8	2.1	1.3	2.1	2.8	1.9	2.7
27.PPI: FINISHED GOODS	4.5	-1.4	0.4	2.2	2.2	4.7	0.8	-0.0	1.4	4.0	1.6	2.1
28.PPI: CONS FINISHD GDS	5.1	-2.5	0.3	2.6	1.5	5.2	0.3	0.0	1.0	3.5	1.4	2.0
29.PPI: CAPITAL GOODS	6.0	2.6	0.9	0.3	4.9	2.8	2.7	0.3	3.2	5.7	2.8	2.4
30.PPI: INDUS COMMOD	2.5	-1.3	0.0	4.1	1.8	2.7	3.4	0.1	0.3	2.7	1.1	2.2
31.PPI: MACHINERY&EQUIP	2.7	3.4	2.5	2.3	0.9	3.0	3.3	2.1	1.7	5.9	2.7	2.3
32.PPI: FARM PRODUCTS	-15.3	13.9	19.7	3.2	3.2	18.0	-4.5	-10.5	-15.0	-4.9	2.4	3.0
33.PPI: LIVESTOCK	-31.8	11.5	14.4	-26.0	-13.9	51.5	1.2	-3.6	-12.4	4.0	5.7	3.6
34.PPI: FUEL&POWER	0.2	-17.4	-9.3	10.7	-3.5	-5.5	3.0	-1.2	-3.3	-0.1	-4.2	-1.2
35.WAGE RATE INDEX	4.8	5.1	3.5	2.8	4.1	3.5	3.2	2.7	2.8	7.0	4.6	3.3
36.PRODUCTIVITY	2.8	2.4	5.6	2.7	1.5	3.9	5.0	0.7	3.8	7.9	2.7	3.2
37.UNIT LABOR COST	1.6	2.3	-3.5	-1.8	2.3	-3.0	3.9	0.5	1.5	1.0	9.1	5.4	9.0
38.GOVT PURCHASES GDS&SER	15.9	11.3	12.0	14.5	10.9	17.7	24.3	29.6	10.6			

STRONG $,NO FURTHER OIL PRICE CUT, NO BUDGET LEGISLATION

	1984 QTR 4	1985 QTR 1	1985 QTR 2	1985 QTR 3	1985 QTR 4	1986 QTR 1	1986 QTR 2	1986 QTR 3	1986 QTR 4	1984	1985	1986
TABLE 11A. PRICES AND RELATED INDICATORS												
1.CPI: ALL URBAN	315.6	317.4	320.2	323.2	327.7	332.6	337.8	341.8	347.2	311.1	322.2	339.6
2.CPI: NEW CARS	211.9	213.4	214.5	214.9	216.9	220.1	220.2	219.8	224.1	208.5	215.5	221.8
3.CPI: HOME PURCHASE	322.9	325.4	328.5	332.8	336.9	343.8	349.5	355.2	360.5	316.0	330.7	352.3
4.CPI: SERVICES	370.1	373.6	377.7	381.8	387.2	393.4	399.4	405.8	412.3	362.9	380.1	402.7
5.CPI: DURABLE GOODS	269.7	271.4	272.8	273.9	276.9	279.8	282.2	285.3	289.4	266.5	273.8	284.2
6.CPI: NONDURABLE GDS.	288.5	289.2	291.2	294.1	298.5	302.4	306.8	311.8	315.7	286.6	293.2	309.8
7.PPI: FINISHED GOODS	292.1	292.7	293.1	295.2	299.8	302.7	305.7	308.8	312.3	291.2	295.8	307.4
8.PPI: CONS FINISHD GOOD	290.9	291.1	291.3	293.3	296.9	300.5	303.2	306.3	309.4	290.4	293.2	304.9
9.PPI: CAPITAL GOODS	296.2	298.8	300.4	302.7	307.1	311.6	315.3	318.7	323.6	294.1	302.3	317.3
10.PPI: INDUS COMMOD	323.4	322.7	323.1	325.9	329.6	333.2	336.5	340.0	343.4	322.6	325.3	338.3
11.PPI: MACHINERY&EQUIP	295.4	297.3	298.9	301.5	305.4	310.1	314.2	318.1	322.3	293.1	300.8	316.2
12.PPI: FARM PRODUCTS	243.8	244.5	245.1	246.6	248.4	252.1	255.4	259.7	264.1	255.7	246.2	257.8
13.PPI: LIVESTOCK	244.6	251.9	255.7	261.7	267.7	273.7	279.7	285.7	291.7	251.8	259.2	282.7
14.PPI: FUEL&POWER	652.9	630.0	628.9	634.9	640.9	646.9	652.9	658.9	664.9	456.8	633.7	655.9
15.WAGE RATE INDEX	162.1	163.6	165.6	167.7	169.7	172.0	174.4	177.0	179.7	160.4	166.6	175.8
16.PRODUCTIVITY	108.2	109.3	109.4	109.4	110.2	110.3	110.3	110.5	110.6	107.0	109.7	110.4
17.UNIT LABOR COST	156.2	158.1	160.1	161.4	163.8	165.2	167.7	170.1	172.6	157.6	160.6	168.9
18.PRICE GASOLINE $	1.196	1.155	1.156	1.164	1.164	1.164	1.164	1.164	1.164	1.206	1.168	1.164
19.PRICE OF GOLD $	324.	303.	308.	311.	317.	324.	327.	330.	336.	358.	310.	329.
20.GOVT PURCHASES GDS&SER	780.5	799.7	819.6	839.1	857.5	873.8	893.8	915.0	933.8	747.4	829.0	904.1
TABLE 11B. PRICES AND RELATED INDICATORS (ANNUAL PERCENT CHANGES)												
21.CPI: ALL URBAN	3.0	2.7	3.6	3.8	5.7	5.8	5.7	5.9	6.4	4.3	3.5	5.4
22.CPI: NEW CARS	5.6	4.7	2.1	0.6	7.8	2.8	0.3	-0.7	8.0	2.9	3.3	2.8
23.CPI: HOME PURCHASE	4.7	4.4	3.8	4.4	5.9	8.5	6.9	6.7	6.8	4.4	4.6	6.5
24.CPI: SERVICES	3.8	3.9	4.5	4.4	5.7	6.5	6.2	6.5	6.6	5.2	4.7	5.9
25.CPI: DURABLE GOODS	2.4	2.5	2.1	1.7	4.5	4.1	3.5	4.4	6.0	5.3	2.7	3.8
26.CPI: NONDURABLE GDS.	2.1	0.9	2.7	4.1	6.1	5.4	5.9	5.6	6.1	2.7	2.3	5.4
27.PPI: FINISHED GOODS	1.4	0.9	-0.6	2.9	5.2	5.1	3.9	4.2	4.6	2.1	1.3	4.2
28.PPI: CONS FINISHD GDS	1.0	0.2	0.3	2.8	5.0	4.9	3.7	4.1	4.1	2.0	1.0	4.0
29.PPI: CAPITAL GOODS	3.2	3.6	2.1	3.2	5.9	5.9	4.8	4.5	6.2	2.4	2.8	5.0
30.PPI: INDUS COMMOD	0.3	-0.9	0.5	3.5	4.6	4.5	4.1	4.1	4.1	2.2	0.8	4.0
31.PPI: MACHINERY&EQUIP	1.7	2.6	2.2	3.5	5.2	6.3	5.4	5.8	5.5	2.3	2.6	5.1
32.PPI: FARM PRODUCTS	-15.6	11.2	11.8	2.4	3.1	4.8	5.3	6.9	7.1	3.8	-3.7	4.7
33.PPI: LIVESTOCK	-12.4	12.4	6.2	9.7	9.5	9.3	9.1	8.9	8.7	3.6	3.0	9.1
34.PPI: FUEL&POWER	-3.1	-13.5	-0.2	3.9	3.8	3.8	3.8	3.7	3.7	-1.2	-3.5	3.5
35.WAGE RATE INDEX	2.6	3.7	5.1	5.1	5.0	5.2	5.2	6.3	6.3	3.3	3.9	5.5
36.PRODUCTIVITY	3.6	4.3	0.2	1.9	0.7	0.4	-0.2	0.6	0.6	3.2	2.5	0.6
37.UNIT LABOR COST	0.5	4.3	5.1	3.3	4.1	5.5	5.2	5.7	6.0	0.9	1.3	5.2
38.GOVT PURCHASES GDS&SER	10.6	10.2	10.3	9.9	9.0	7.8	9.5	9.8	8.5	9.0	10.9	9.1

	1982 QTR 4	1983 QTR 1	QTR 2	QTR 3	QTR 4	1984 QTR 1	QTR 2	QTR 3	QTR 4	1982	1983	1984
TABLE 12A: GNP DEFLATORS (1972=100)												
1.IMPL PRICE DEFLATOR	210.3	212.9	214.3	215.9	218.2	220.6	222.4	224.6	226.1	207.4	215.3	223.4
2.DEFL: CONSUMPTION	209.6	210.7	212.8	214.8	216.8	218.8	219.2	221.5	222.6	206.8	213.6	220.4
3.DEFL: SERVICES	219.4	221.9	224.9	227.4	229.7	232.6	236.0	239.7	242.8	213.6	226.8	237.6
4.DEFL: DURABLE GOODS	175.6	176.7	176.7	178.8	179.2	179.8	179.5	179.2	178.4	174.5	177.6	179.8
5.DEFL: MOTOR VEHICLES	191.1	193.3	192.3	194.1	196.3	196.3	197.4	198.5	198.5	190.7	194.8	197.7
6.DEFL: NONDURABLE GDS	210.5	210.2	212.6	214.5	214.8	217.4	216.4	217.8	219.3	208.7	213.8	217.7
7.DEFL: NONRES INV	210.1	207.1	205.2	205.1	208.1	206.3	207.4	208.0	209.4	209.5	206.4	207.8
8.DEFL: BUS INV PLANT	266.8	268.0	261.3	261.4	265.9	262.6	264.1	265.2	265.9	266.3	263.6	264.4
9.DEFL: BUS INV EQUIP	183.2	183.4	182.2	183.2	185.8	186.4	185.4	186.5	187.6	182.8	183.1	186.0
10.DEFL: RESIDENTIAL INV	248.8	245.2	243.2	246.7	248.3	249.4	255.9	258.6	259.1	241.3	246.3	255.7
11.DEFL: IMPORTS	280.1	267.8	271.0	276.3	270.3	267.9	269.6	263.3	263.7	279.3	271.3	266.1
12.DEFL: EXPORTS	235.3	237.7	239.4	241.5	245.4	247.7	250.4	250.1	249.6	236.0	241.0	249.4
13.DEFL: GOVERNMENT	226.5	230.6	233.3	236.2	239.4	243.3	246.2	248.6	251.4	222.2	234.9	247.4
TABLE 12B: GNP DEFLATORS (ANNUAL PERCENT CHANGES)												
14.IMPL PRICE DEFLATOR	3.4	5.0	2.6	3.1	4.4	4.4	3.3	4.0	2.8	6.0	3.8	3.8
15.DEFL: CONSUMPTION	4.0	2.2	3.0	3.7	3.3	3.8	2.2	4.3	2.3	5.9	3.7	3.2
16.DEFL: SERVICES	7.3	4.6	5.5	4.5	4.2	5.1	5.9	6.4	4.0	8.6	5.8	5.1
17.DEFL: DURABLE GOODS	0.2	2.5	0.2	2.8	0.9	-0.4	1.0	-0.7	-1.8	4.4	1.8	0.6
18.DEFL: MOTOR VEHICLES	3.4	4.7	-2.0	3.7	4.6	0.1	2.1	2.3	0.1	5.2	1.7	1.9
19.DEFL: NONDURABLE GDS	1.7	-0.6	4.6	3.6	0.6	4.9	-1.8	2.7	2.8	3.0	2.1	2.2
20.DEFL: NONRES INV	2.5	0.6	3.6	0.2	6.8	3.4	2.1	1.2	2.7	3.6	-1.5	0.7
21.DEFL: BUS INV PLANT	4.2	-1.2	-6.9	0.2	7.1	-4.9	2.3	1.7	1.1	4.9	-1.0	0.3
22.DEFL: BUS INV EQUIP	0.9	3.9	2.8	2.2	5.8	3.0	2.2	2.4	2.4	1.9	0.2	1.5
23.DEFL: RESIDENTIAL INV	-2.9	-3.9	-3.3	-0.4	-0.6	1.8	10.8	4.3	0.8	2.9	2.1	3.8
24.DEFL: IMPORTS	-1.1	-16.4	4.9	8.1	-8.4	-3.5	2.6	-9.0	0.6	-5.0	-2.8	-1.9
25.DEFL: EXPORTS	1.5	4.1	2.8	3.6	6.6	3.8	4.4	-0.5	-0.7	2.2	2.1	3.5
26.DEFL: GOVERNMENT	4.4	7.4	4.8	5.1	5.5	6.7	4.9	4.0	4.6	6.9	5.7	5.3
TABLE 12C: PRICES (4 QUARTER MOVING PERCENT CHANGES)												
27.IMPL PRICE DEFLATOR	4.3	4.4	3.6	3.5	3.8	3.6	3.8	4.0	3.6	4.3	3.8	3.6
28.DEFL: CONSUMPTION	4.9	4.1	4.1	3.5	3.1	3.5	3.0	3.1	3.1	4.9	3.1	3.1
29.CPI: ALL URBAN	4.5	3.6	3.3	2.6	3.3	4.5	4.3	4.2	4.1	4.5	3.3	4.1
30.CPI: NEW CARS	2.1	2.8	2.1	1.9	3.5	3.0	3.0	3.0	2.5	2.1	3.5	2.5
31.CPI: HOME PURCHASE	7.1	9.4	8.4	6.1	6.0	5.3	3.6	4.3	4.6	7.1	6.0	4.6
32.CPI: SERVICES	5.6	4.3	3.3	2.5	3.8	4.9	5.0	5.6	5.5	5.6	3.8	5.5
33.CPI: DURABLE GOODS	5.7	5.9	4.3	4.1	5.6	5.8	6.8	5.3	3.5	5.7	5.4	3.5
34.CPI: NONDURABLE GDS	2.5	1.4	2.7	1.9	1.8	3.6	2.6	2.1	2.6	2.5	1.8	2.6
35.PPI: FINISHED GOODS	3.7	2.3	2.1	1.4	0.8	2.4	2.5	1.9	1.7	3.7	0.8	1.7
36.PPI: CONS FINISHD GDS	3.5	1.9	1.8	1.3	0.5	2.4	2.4	1.7	1.6	3.5	0.5	1.6
37.PPI: CAPITAL GOODS	4.1	3.7	3.0	2.4	2.2	2.2	2.7	2.5	2.1	4.1	2.2	2.1
38.PPI: INDUS COMMOD	1.7	0.7	1.2	1.3	1.1	2.2	3.0	1.9	1.6	1.7	1.1	1.6
39.PPI: MACHINERY&EQUIP	4.1	3.2	2.8	2.7	2.3	2.2	2.4	2.3	2.5	4.1	2.3	2.5
40.PPI: FARM PRODUCTS	-3.2	-2.5	-1.5	4.5	9.8	10.8	4.7	1.0	-3.8	-3.2	9.8	3.8
41.PPI: LIVESTOCK	3.5	0.2	-7.0	-10.4	-5.1	2.5	-0.6	6.2	6.7	3.5	-5.1	6.7
42.PPI: FUEL&POWER	0.5	-4.3	-2.4	4.5	-5.4	-2.2	1.0	-1.9	-1.8	0.5	-5.4	-1.6
43.WAGE RATE INDEX	6.1	5.5	4.9	4.0	3.9	3.5	3.4	3.4	3.0	6.1	3.9	3.0
44.PRODUCTIVITY	1.3	1.3	3.3	3.4	3.1	3.4	3.3	2.8	3.3	1.3	3.1	3.3
45.UNIT LABOR COST	6.0	4.5	1.3	-0.1	0.6	0.6	0.7	1.9	0.9	6.0	0.6	0.9

	1984 QTR 4	1985 QTR 1	QTR 2	QTR 3	QTR 4	1986 QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
	TABLE 12A: GNP DEFLATORS (1972=100)											
1.IMPL PRICE DEFLATOR	226.1	229.1	230.9	233.1	235.9	238.9	242.2	245.3	248.6	223.4	232.3	243.7
2.DEFL: CONSUMPTION	222.8	225.3	226.7	228.7	231.5	234.6	237.7	240.7	244.0	220.4	228.1	239.2
3.DEFL: SERVICES	242.0	245.1	247.6	249.9	252.8	256.2	259.6	263.1	266.6	237.6	248.8	261.4
4.DEFL: DURABLE GOODS	178.4	179.1	180.4	182.0	184.8	186.8	188.9	190.8	192.8	179.0	181.4	189.1
5.DEFL: MOTOR VEHICLES	198.5	199.2	200.2	201.4	204.2	206.5	208.7	210.4	213.1	197.7	201.3	209.7
6.DEFL: NONDURABLE GDS	219.3	221.0	222.5	224.3	227.7	230.7	233.9	236.7	240.2	217.7	223.9	235.4
7.DEFL: HOUSES INV	209.4	210.7	212.2	213.7	215.5	217.1	219.5	221.9	224.4	207.8	213.8	220.7
8.DEFL: BUS INV PLANT	265.9	267.0	268.4	269.7	270.3	272.2	274.7	277.4	280.1	264.4	268.8	276.1
9.DEFL: BUS INV EQUIP	187.6	188.6	190.1	191.7	194.1	195.5	198.0	200.8	202.2	186.8	191.1	198.9
10.DEFL: RESIDENTIAL INV	259.1	260.0	262.1	263.7	266.2	268.0	271.4	274.2	277.1	255.7	263.0	272.9
11.DEFL: IMPORTS	263.7	253.0	257.3	260.9	264.5	268.1	271.7	275.3	278.9	268.1	258.9	273.5
12.DEFL: EXPORTS	249.6	250.3	251.5	256.4	259.4	262.4	265.4	268.4	271.4	249.4	254.9	266.9
13.DEFL: GOVERNMENT	251.4	255.4	258.4	262.4	266.9	271.3	275.9	280.4	284.9	247.4	260.8	278.1
	TABLE 12B: GNP DEFLATORS (ANNUAL PERCENT CHANGES)											
14.IMPL PRICE DEFLATOR	2.8	5.4	3.3	3.9	4.8	5.3	5.5	5.2	5.6	3.8	4.0	4.9
15.DEFL: CONSUMPTION	2.3	4.5	2.6	3.4	5.1	5.1	5.4	5.1	5.7	3.2	3.5	4.9
16.DEFL: SERVICES	4.0	5.2	4.1	3.8	4.7	5.5	5.4	5.5	5.4	5.1	4.7	5.8
17.DEFL: DURABLE GOODS	-1.8	1.6	3.0	5.6	6.4	4.4	4.3	4.4	5.5	0.6	1.3	4.2
18.DEFL: MOTOR VEHICLES	0.1	1.4	2.1	2.4	5.6	4.6	4.2	3.4	5.3	1.9	1.8	4.2
19.DEFL: NONDURABLE GDS	2.8	3.2	2.6	3.4	6.1	5.4	5.5	4.9	6.1	2.2	2.8	5.1
20.DEFL: HOUSES INV	2.7	2.4	2.9	3.0	3.3	3.0	4.5	4.4	4.5	0.7	2.5	3.6
21.DEFL: BUS INV PLANT	1.1	1.6	2.2	1.9	0.9	2.9	3.7	4.0	3.8	0.3	1.7	2.7
22.DEFL: BUS INV EQUIP	2.4	2.2	3.2	3.3	5.1	3.0	5.1	4.2	4.5	1.5	2.8	4.1
23.DEFL: RESIDENTIAL INV	0.8	1.5	3.2	2.4	3.8	4.0	4.8	4.1	4.3	3.8	2.8	3.7
24.DEFL: IMPORTS	0.6	-15.3	7.0	5.7	5.6	5.6	5.5	5.4	5.3	-1.9	-2.7	5.6
25.DEFL: EXPORTS	-6.7	1.2	5.2	4.7	4.8	4.7	4.7	4.6	4.5	3.5	2.2	4.7
26.DEFL: GOVERNMENT	4.6	6.5	4.7	6.3	7.1	6.8	6.9	6.7	6.6	5.3	5.4	6.7
	TABLE 12C: PRICES (4 QUARTER MOVING PERCENT CHANGES)											
27.IMPL PRICE DEFLATOR	3.6	3.9	3.8	3.8	4.3	4.3	4.9	5.2	5.4	3.6	4.3	5.4
28.DEFL: CONSUMPTION	3.1	3.3	3.4	3.5	3.9	4.1	4.8	5.2	5.4	3.1	3.9	5.4
29.CPI: ALL URBAN	4.1	3.6	3.4	3.3	3.9	4.7	5.2	5.7	5.9	4.1	3.9	5.9
30.CPI: NEW CARS	2.5	3.0	3.4	3.2	3.8	3.1	2.6	2.3	2.4	2.5	3.0	2.4
31.CPI: HOME PURCHASE	4.6	4.6	4.8	4.3	4.6	5.7	6.4	7.0	7.0	4.6	4.6	7.0
32.CPI: SERVICES	5.5	5.2	5.0	4.2	4.6	5.3	5.7	6.3	6.5	5.5	4.6	6.5
33.CPI: DURABLE GOODS	3.5	3.0	2.3	2.2	2.7	3.1	3.4	4.1	4.5	3.5	2.7	4.5
34.CPI: NONDURABLE GDS	2.6	2.6	3.0	2.5	3.4	4.6	5.4	5.8	5.8	2.6	3.4	5.8
35.PPI: FINISHED GOODS	1.7	0.8	0.7	1.4	2.4	3.4	4.3	4.6	4.5	1.7	2.4	4.5
36.PPI: CONS FINISHD GDS	1.6	0.4	0.4	1.1	2.1	3.2	4.1	4.4	4.2	1.6	2.1	4.2
37.PPI: CAPITAL GOODS	2.1	2.3	2.1	3.0	3.7	4.3	5.0	5.3	5.4	2.1	3.7	5.4
38.PPI: INDUS COMMOD	1.6	0.7	-0.0	0.8	1.9	3.3	4.2	4.3	4.2	1.6	1.9	4.2
39.PPI: MACHINERY&EQUIP	2.5	2.4	2.1	2.5	3.4	4.3	5.1	5.5	5.6	2.5	3.4	5.6
40.PPI: FARM PRODUCTS	-3.8	-7.4	-6.1	-2.9	0.9	3.1	4.2	5.3	6.3	-3.8	1.2	6.3
41.PPI: LIVESTOCK	6.7	-1.0	0.2	3.5	9.4	8.0	9.4	9.2	9.0	6.7	9.4	9.0
42.PPI: FUEL&POWER	-1.8	-3.9	-4.8	-3.6	-1.8	2.7	3.8	3.8	3.7	-1.8	-1.8	3.7
43.WAGE RATE INDEX	3.0	3.1	3.5	4.0	4.2	5.2	5.3	5.6	5.9	3.0	4.7	5.9
44.PRODUCTIVITY	3.3	3.4	2.2	2.5	1.9	0.9	0.8	0.5	0.4	3.3	1.9	0.4
45.UNIT LABOR COST	0.9	0.2	2.3	2.1	3.0	4.5	4.8	5.4	5.9	0.9	3.0	5.9

HISTORICAL TABLES

	1982 QTR4	1983 QTR1	1983 QTR2	1983 QTR3	1983 QTR4	1984 QTR1	1984 QTR2	1984 QTR3	1984 QTR4	1982	1983	1984
TABLE 13A. INTEREST RATES IN THE MONEY & CAPITAL MARKETS												
1. FEDERAL FUNDS	9.29	8.65	8.80	9.46	9.43	9.69	10.56	11.39	9.27	12.26	9.09	10.22
2. 3 MO TREASURY BILL	7.93	8.08	8.42	9.19	8.79	9.13	9.86	10.34	8.97	10.72	8.62	9.58
3. 6 MO TREASURY BILL	8.28	8.15	8.48	9.34	8.98	9.26	10.23	10.58	9.13	11.11	8.74	9.80
4. 1 YR GOVT SEC	9.13	8.86	9.18	10.30	9.95	10.18	11.55	11.81	10.02	12.27	9.57	10.89
5. 3 YR GOVT SEC	10.16	9.60	9.91	11.09	10.99	11.19	12.64	12.64	11.10	12.92	10.45	11.89
6. 5 YR GOVT SEC	10.47	10.12	10.23	11.42	11.41	11.64	13.01	12.83	11.49	13.01	10.80	12.24
7. 7 YR GOVT SEC	10.63	10.41	10.47	11.58	11.62	11.86	13.15	12.90	11.70	13.06	11.02	12.40
8. 10 YR GOVT SEC	10.67	10.56	10.54	11.63	11.69	11.94	13.20	12.87	11.74	13.00	11.10	12.44
9. 20 YR GOVT SEC	10.72	10.67	10.61	11.79	11.90	12.09	13.21	12.83	11.78	12.92	11.34	12.48
10. 30 YR GOVT SEC	10.75	10.71	10.65	11.82	11.94	12.03	13.17	12.79	11.69	12.76	11.38	12.40
11. 90 DAY COMM. PAPER	8.57	8.20	8.54	9.32	9.18	9.40	10.54	11.05	9.08	11.75	8.81	10.02
12. PRIME COMM BANK LOAN	11.96	10.88	10.50	10.80	11.00	11.07	12.31	12.99	11.80	14.86	10.79	12.04
13. PRIM 89 DAY CD(NYCB)	8.97	8.51	8.80	9.57	9.45	9.73	11.03	11.58	9.29	12.24	9.08	10.55
14. GNMA PASS THRU 8	11.75	11.40	11.25	12.42	12.28	12.33	13.64	13.33	12.61	13.95	11.84	12.98
15. AA UTILITY, NEW ISSUE	12.33	12.31	11.79	12.89	12.92	13.12	14.44	13.83	12.69	15.02	12.48	13.52
16. 1 YR PRIME GO MUNI	5.36	4.70	5.19	5.54	5.56	5.73	6.21	6.54	5.86	7.08	5.25	6.09
17. 5 YR PRIME GO MUNI	6.98	6.31	6.80	7.87	7.06	7.08	7.84	7.75	7.52	8.52	6.81	7.55
18. 10 YR PRIME GO MUNI	8.04	7.49	7.84	8.20	8.23	8.30	9.00	8.80	8.61	9.72	7.94	8.68
19. 15 YR PRIME GO MUNI	8.85	8.40	8.52	8.91	8.99	9.01	9.74	9.46	9.37	10.55	8.70	9.40
20. 20 YR PRIME GO MUNI	9.15	8.73	8.75	9.16	9.25	9.30	9.96	9.75	9.71	10.88	8.97	9.68
21. 30 YR PRIME GO MUNI	9.44	8.98	8.94	9.30	9.44	9.46	10.05	9.84	9.78	11.14	9.16	9.78
22. MUNI. BOND BUYER	9.93	9.60	9.25	9.61	9.78	9.75	10.39	10.14	10.11	11.65	9.61	10.10
23. AAA CORP., SEASONED	11.88	11.84	11.57	12.34	12.41	12.28	13.21	12.99	12.35	13.79	12.04	12.71
24. CONVENTIONAL MORT.	14.38	13.20	12.62	13.18	13.49	13.34	14.00	14.54	13.70	16.10	13.12	13.89
25. 3 MO EURODOLLAR	9.89	9.12	9.30	10.02	9.81	10.03	11.35	11.81	9.73	13.12	9.56	10.73
TABLE 13B. INTEREST RATES (ACTUAL CHANGES)												
26. FEDERAL FUNDS	-1.72	-0.63	0.15	0.66	-0.03	0.26	0.87	0.83	-2.12	-4.12	-3.17	1.14
27. 3 MO TREASURY BILL	-1.77	0.15	0.34	0.77	-0.39	0.34	0.73	0.48	-1.37	-3.35	-2.10	0.96
28. 6 MO TREASURY BILL	-2.35	-0.13	0.32	0.86	-0.36	0.28	0.97	0.35	-1.45	-2.70	-2.38	1.06
29. 1 YR GOVT SEC	-2.71	-0.27	0.32	1.12	-0.34	0.22	1.37	0.26	-1.79	-2.50	-2.70	1.31
30. 3 YR GOVT SEC	-2.72	-0.36	0.12	1.18	-0.10	0.20	1.45	0.00	-1.54	-1.52	-2.48	1.45
31. 5 YR GOVT SEC	-2.64	-0.54	0.10	1.20	-0.01	0.23	1.36	-0.18	-1.34	-1.23	-2.21	1.45
32. 7 YR GOVT SEC	-2.56	-0.22	0.06	1.10	-0.04	0.24	1.29	-0.25	-1.20	-1.00	-2.04	1.38
33. 10 YR GOVT SEC	-2.45	-0.10	-0.02	1.08	-0.06	0.26	1.26	-0.33	-1.12	-0.91	-1.98	1.33
34. 20 YR GOVT SEC	-2.22	-0.15	-0.06	0.98	-0.11	0.19	1.12	-0.38	-1.05	-0.80	-1.57	1.13
35. 30 YR GOVT SEC	-2.05	-0.04	-0.07	0.97	-0.12	0.29	1.15	-0.47	-1.01	-0.66	-1.50	1.22
36. 90 DAY COMM. PAPER	-2.39	-0.36	0.33	0.78	-0.14	0.22	1.14	-0.51	-1.97	-3.51	-2.94	1.21
37. PRIME COMM BANK LOAN	-2.76	-1.08	-0.38	0.30	-0.20	0.07	1.24	-0.68	-1.19	-4.01	-4.07	1.25
38. PRIM 89 DAY CD(NYCB)	-2.49	-0.46	0.29	0.77	-0.12	0.28	1.30	-0.35	-2.09	-3.66	-3.16	1.27
39. GNMA PASS THRU 8	-1.90	-0.36	-0.14	1.17	-0.14	0.05	1.31	-0.31	-0.71	-0.92	-2.11	1.14
40. AA UTILITY, NEW ISSUE	-2.61	-0.02	-0.52	1.10	-0.03	0.20	1.32	-0.61	-1.14	-1.12	-2.54	1.04
41. MUNI. BOND BUYER	-1.39	-0.54	-0.15	0.36	0.17	-0.03	0.65	-0.26	-0.02	0.29	-2.14	0.59

	1984 QTR 4	1985 QTR 1	QTR 2	QTR 3	QTR 4	1986 QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 13A. INTEREST RATES IN THE MONEY & CAPITAL MARKETS												
1.FEDERAL FUNDS	9.27	8.44	8.62	9.24	9.71	9.41	9.26	9.37	9.48	10.22	9.08	9.38
2.3 MO TREASURY BILL	8.97	8.16	8.47	8.86	9.20	8.94	8.72	8.80	8.99	9.50	8.67	8.86
3.6 MO TREASURY BILL	9.13	8.34	8.68	9.03	9.32	9.03	8.79	8.86	9.03	9.80	8.82	8.92
4.1 YR GOVT SEC	10.02	9.44	9.73	10.15	10.49	10.06	9.85	9.95	10.06	10.89	9.93	9.97
5.3 YR GOVT SEC	11.10	10.65	10.74	11.05	11.27	11.06	10.88	10.97	11.09	11.89	10.93	11.00
6.5 YR GOVT SEC	11.49	11.14	11.16	11.41	11.63	11.49	11.36	11.46	11.59	12.24	11.34	11.47
7.7 YR GOVT SEC	11.70	11.43	11.50	11.79	12.03	11.90	11.82	11.97	12.15	12.48	11.69	11.96
8.10 YR GOVT SEC	11.74	11.50	11.55	11.84	12.08	11.99	11.90	12.06	12.24	12.44	11.76	12.05
9.20 YR GOVT SEC	11.78	11.69	11.77	12.08	12.28	12.22	12.14	12.25	12.43	12.48	11.96	12.26
10.30 YR GOVT SEC	11.69	11.49	11.56	11.87	12.09	12.05	11.99	12.11	12.30	12.40	11.75	12.11
11.90 DAY COMM. PAPER	9.08	8.55	8.60	9.34	9.71	9.37	9.23	9.42	9.56	10.02	9.05	9.39
12.PRIME COMM BANK LOAN	11.88	10.54	10.55	10.93	11.47	11.29	10.98	10.96	11.17	12.04	10.87	11.10
13.PRIM.89 DAY CD(NYCB)	9.29	8.66	8.75	9.56	9.97	9.63	9.50	9.72	9.89	10.35	9.24	9.69
14.GNMA PASS THRU 8	12.61	12.69	12.79	13.09	13.36	13.29	13.20	13.37	13.59	12.98	12.98	13.36
15.AA UTILITY NEW ISSUE	12.69	12.71	12.86	13.18	13.40	13.18	13.07	13.15	13.33	13.52	13.04	13.18
16.1 YR PRIME GO MUNI	5.06	5.34	5.38	5.53	5.57	5.36	5.21	5.21	5.18	6.09	5.46	5.25
17.5 YR PRIME GO MUNI	7.52	7.28	7.31	7.45	7.54	7.37	7.34	7.32	7.34	7.55	7.39	7.34
18.10 YR PRIME GO MUNI	8.61	8.38	8.47	8.61	8.72	8.53	8.52	8.53	8.58	8.68	8.54	8.54
19.15 YR PRIME GO MUNI	9.37	9.04	9.19	9.43	9.64	9.48	9.48	9.58	9.73	9.40	9.32	9.57
20.20 YR PRIME GO MUNI	9.71	9.24	9.40	9.66	9.89	9.76	9.79	9.91	10.08	9.68	9.55	9.89
21.30 YR PRIME GO MUNI	9.78	9.30	9.45	9.67	9.86	9.78	9.83	9.94	10.10	9.78	9.57	9.91
22.MUN. BOND BUYER	10.11	9.63	9.85	10.05	10.25	10.21	10.23	10.32	10.48	10.10	9.94	10.31
23.AAA CORP., SEASONED	12.35	12.15	12.26	12.53	12.74	12.65	12.60	12.68	12.83	12.71	12.42	12.69
24.CONVENTIONAL MORT.	13.78	13.04	13.02	13.10	13.37	13.47	13.47	13.49	13.61	13.89	13.13	13.51
25.3 MO EURODOLLAR	9.71	8.86	9.02	9.80	10.23	9.89	9.76	9.96	10.12	10.73	9.40	9.93
TABLE 13B. INTEREST RATES (ACTUAL CHANGES)												
26.FEDERAL FUNDS	-2.12	-0.82	0.17	0.63	0.47	-0.31	-0.15	0.11	0.11	1.14	-1.22	0.31
27.3 MO TREASURY BILL	-1.37	-0.81	0.31	0.39	0.34	-0.26	-0.22	0.09	0.18	0.96	-0.91	0.19
28.6 MO TREASURY BILL	-1.45	-0.79	0.25	0.43	0.29	-0.30	-0.24	0.07	0.17	1.06	-0.98	0.10
29.1 YR GOVT SEC	-1.79	-0.58	0.29	0.41	0.24	-0.35	-0.19	0.11	0.11	1.31	-0.96	0.05
30.3 YR GOVT SEC	-1.54	-0.45	0.10	0.31	0.22	-0.21	-0.19	0.09	0.12	1.45	-0.96	0.07
31.5 YR GOVT SEC	-1.34	-0.36	0.02	0.25	0.22	-0.15	-0.13	0.10	0.13	1.45	-0.98	0.14
32.7 YR GOVT SEC	-1.20	-0.27	0.07	0.29	0.24	-0.13	-0.07	0.15	0.17	1.38	-0.72	0.28
33.10 YR GOVT SEC	-1.12	-0.25	0.06	0.29	0.24	-0.09	-0.09	0.16	0.18	1.33	-0.69	0.31
34.20 YR GOVT SEC	-1.05	-0.09	0.08	0.30	0.20	-0.06	-0.08	0.11	0.18	1.13	-0.52	0.31
35.30 YR GOVT SEC	-1.01	-0.19	0.07	0.31	0.22	-0.04	-0.06	0.12	0.19	1.22	-0.64	0.36
36.90 DAY COMM PAPER	-1.97	-0.53	0.06	0.74	0.37	-0.34	-0.15	0.18	0.14	1.21	-0.97	0.35
37.PRIME COMM BANK LOAN	-1.19	-1.27	0.01	0.38	0.54	-0.18	-0.31	-0.02	0.21	1.25	-1.17	0.23
38.PRIM.89 DAY CD(NYCB)	-2.09	-0.61	0.07	0.81	0.41	-0.35	-0.12	0.22	0.17	1.27	-1.11	0.44
39.GNMA PASS THRU 8	-0.71	0.08	0.10	0.31	0.27	-0.06	-0.09	0.17	0.21	1.14	0.00	0.38
40.AA UTILITY NEW ISSUE	-1.14	0.02	0.16	0.32	0.22	-0.22	-0.11	0.08	0.18	1.04	-0.48	0.15
41.MUN. BOND BUYER	-0.02	-0.49	0.22	0.20	0.20	-0.04	-0.02	0.09	0.17	0.59	-0.15	0.37

	1982 QTR 4	1983 QTR 1	1983 QTR 2	1983 QTR 3	1983 QTR 4	1984 QTR 1	1984 QTR 2	1984 QTR 3	1984 QTR 4	1982	1983	1984
TABLE 14A: LIABILITY ITEMS AT COMMERCIAL BANKS (BIL $)												
1.PVT. DEMAND DEPOSITS	342.5	354.0	364.8	373.6	376.3	384.8	389.9	393.2	395.6	329.1	367.2	390.7
2.GOVT DEMAND DEPOSITS	11.6	13.1	12.9	20.8	14.4	19.6	13.5	14.2	11.8	13.0	15.3	14.6
3.SM TIME & SAVINGS DEP	552.7	485.9	462.6	471.3	485.2	485.8	495.1	505.5	506.6	536.4	476.2	498.7
4.LG TIME DEPOSITS	247.4	234.7	226.1	223.5	223.3	231.5	244.1	255.9	261.7	263.3	226.9	248.8
5.BNK RELATED COM.PAPER	34.0	34.5	35.0	36.9	37.4	39.9	45.9	45.2	42.2	35.5	35.9	43.3
6.TOT COMM BANK LIAB	1223.7	1280.0	1323.9	1350.8	1371.7	1406.1	1440.0	1461.5	1474.7	1187.2	1335.4	1445.6
TABLE 14B: LIABILITY ITEMS (ANNUAL PERCENT CHANGES)												
7.PVT. DEMAND DEPOSITS	19.7	14.2	12.7	18.0	3.0	8.4	6.3	3.4	2.5	16.3	11.6	6.4
8.SM TIME & SAVINGS DEP	3.7	-48.3	-17.8	7.7	12.4	8.3	8.1	8.7	2.5	19.8	-11.2	4.7
9.LG TIME DEPOSITS	-3.7	-48.7	-13.8	-4.6	-0.2	15.4	23.6	20.8	12.9	10.7	-13.8	9.6
10.TOT COMM BANK LIAB	8.4	22.7	11.6	10.7	4.1	10.4	10.0	6.1	3.7	9.6	12.5	8.3
TABLE 14C: ASSET ITEMS AT COMMERCIAL BANKS (BIL $)												
11.TOT COMM BANK CREDIT	1405.6	1441.2	1477.2	1513.7	1552.6	1606.7	1646.8	1678.3	1712.4	1372.5	1496.2	1661.8
12.TOTAL LOANS, ADJUSTED	1041.7	1053.0	1067.3	1092.8	1120.1	1166.2	1212.7	1245.2	1277.1	1018.4	1083.1	1225.3
13.TOTAL INVESTMENTS	363.9	388.2	409.9	421.7	432.5	440.5	434.1	433.2	435.3	354.0	413.1	435.8
14.INV IN GOVT SEC.	126.5	145.1	165.8	174.7	185.5	188.0	184.5	183.8	184.0	118.7	167.6	185.1
15.INV IN MUN.OTHER SEC.	237.4	243.1	244.9	247.0	247.0	252.4	249.7	249.4	251.3	235.3	245.5	250.7
16.BUS.LOANS,ALL BANKS	395.3	397.8	395.9	403.5	410.7	427.3	447.9	461.3	471.3	383.7	402.8	452.8
17.LOANS TO INDIVIDUALS	190.7	193.4	197.9	205.4	215.5	229.2	239.7	250.8	258.2	188.4	203.1	244.5
18.OTHER LOANS	455.7	461.8	473.5	483.1	493.8	509.7	525.1	533.1	547.5	446.3	478.8	528.8
TABLE 14D: ASSET ITEMS (ANNUAL PERCENT CHANGES)												
19.TOT COMM BANK CREDIT	5.9	10.5	10.4	10.3	10.7	14.7	10.4	7.9	8.4	5.9	9.0	11.0
20.TOTAL LOANS,ADJUSTED	4.1	4.4	5.5	9.6	10.7	17.5	16.9	11.1	10.6	6.2	6.3	13.1
21.BUS LOANS,ALL BANKS	4.2	2.5	-1.9	7.9	7.4	17.2	20.7	12.5	9.8	10.0	4.8	12.4
22.LOANS TO INDIVIDUALS	2.7	5.9	9.6	16.1	21.2	27.8	19.7	19.9	12.3	3.6	7.8	20.4
23.OTHER LOANS	4.6	5.4	10.5	8.3	9.2	13.5	12.6	6.2	11.3	4.2	7.1	10.6
TABLE 14E: ASSET ITEMS (ACTUAL CHANGES)												
24.TOTAL INVESTMENTS	9.5	24.3	21.7	11.8	10.8	7.9	-6.3	-1.0	2.1	17.1	59.0	22.7
25.INV IN GOVT SEC.	9.0	18.6	19.9	9.7	10.8	2.5	-3.6	-0.7	0.2	4.9	48.9	-17.5
26.INV IN MUN.OTHER SEC.	0.5	5.7	1.8	2.1	0.0	5.4	-2.8	-0.3	1.9	12.1	10.2	5.2
TABLE 14F: SHORT TERM CREDIT DEMANDS (BIL $)												
27.NONBANK COMM.PAPER	132.86	133.36	134.95	137.11	143.27	154.27	168.84	178.25	191.91	135.83	137.17	173.32
28.NONFIN. COMM. PAPER	51.32	46.12	44.19	44.03	45.33	46.75	55.02	63.34	69.69	55.49	44.92	58.70
29.BUS CREDIT DEMANDS	446.6	443.9	440.1	447.5	456.1	474.1	502.9	524.6	541.0	439.2	446.9	510.7
30.TOTAL CREDIT DEMAND	1174.6	1186.4	1202.2	1229.1	1263.3	1320.5	1381.5	1423.4	1469.0	1154.2	1220.2	1398.6
TABLE 14G: SHORT TERM CREDIT DEMANDS (ANNUAL PERCENT CHANGES)												
31.NONBANK COMM PAPER	19.1	1.5	4.9	6.6	19.2	34.5	43.4	24.2	34.4	15.4	1.0	26.4
32.NONFIN COMM PAPER	33.1	-34.8	-15.7	-1.4	12.3	13.1	91.8	75.7	46.5	23.7	-19.1	30.7
33.BUS CREDIT DEMANDS	1.3	-2.4	-3.4	6.9	7.9	16.8	26.6	18.4	13.1	11.6	1.7	14.3
34.TOTAL CREDIT DEMAND	1.1	4.1	5.5	9.2	11.6	19.4	19.8	12.7	13.4	7.2	5.7	14.6

STRONG $,NO FURTHER OIL PRICE CUT, NO BUDGET LEGISLATION

	1984 QTR 4	1985 QTR 1	QTR 2	QTR 3	QTR 4	1986 QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 14A. LIABILITY ITEMS AT COMMERCIAL BANKS (BIL $)												
1.PVT. DEMAND DEPOSITS	395.6	407.1	410.7	418.8	424.8	429.0	436.8	443.9	453.1	398.7	415.2	440.5
2.GOVT DEMAND DEPOSITS	11.8	17.1	13.5	14.2	10.5	19.5	13.5	14.2	18.5	14.6	13.8	14.4
3.SM TIME & SAVINGS DEP	500.6	504.3	505.8	507.7	510.1	513.3	517.9	522.8	527.4	498.7	507.8	520.3
4.LG TIME DEPOSITS	263.7	264.1	267.4	271.5	275.6	279.4	282.7	286.8	288.8	248.8	269.6	284.2
5.BNK RELATED COM.PAPER	42.2	43.7	45.8	46.8	48.5	50.4	51.9	53.2	54.5	43.3	46.8	52.8
6.TOT COMM BANK LIAB	1474.7	1514.4	1529.6	1551.4	1566.8	1597.0	1613.4	1637.9	1658.9	1445.6	1541.1	1626.8
TABLE 14B. LIABILITY ITEMS (ANNUAL PERCENT CHANGES)												
7.PVT. DEMAND DEPOSITS	2.5	12.2	3.5	8.1	5.0	4.8	6.7	7.4	8.5	6.4	6.3	6.1
8.SM TIME & SAVINGS DEP	2.8	-3.3	1.2	1.5	1.9	2.6	3.6	3.8	3.6	4.7	1.7	2.6
9.LG TIME DEPOSITS	12.9	8.5	5.2	6.2	6.1	5.7	4.8	4.7	4.8	9.6	8.4	5.4
10.TOT COMM BANK LIAB	3.7	11.8	3.5	5.8	4.0	7.9	4.2	6.2	5.2	8.3	6.6	5.6
TABLE 14C. ASSET ITEMS AT COMMERCIAL BANKS (BIL $)												
11.TOT COMM BANK CREDIT	1712.4	1741.6	1766.4	1791.7	1818.6	1847.2	1872.5	1897.7	1924.6	1661.8	1779.6	1885.5
12.TOTAL LOANS, ADJUSTED	1277.1	1300.3	1316.8	1335.8	1354.8	1376.1	1395.3	1414.0	1432.6	1225.3	1326.9	1404.5
13.TOTAL INVESTMENTS	435.3	441.2	449.5	455.9	463.8	471.1	477.2	483.7	492.0	435.8	452.6	481.0
14.INV IN GOVT SEC.	184.0	189.3	195.9	199.7	204.8	209.5	213.5	218.0	223.7	185.1	197.4	216.2
15.INV IN MUN.OTHER SEC.	251.5	251.9	253.6	256.2	259.0	261.6	263.7	265.7	268.3	250.7	255.2	264.8
16.BUS.LOANS,ALL BANKS	471.3	488.0	484.6	491.0	497.2	504.9	511.6	517.4	522.6	452.0	488.2	514.1
17.LOANS TO INDIVIDUALS	256.2	263.7	257.3	255.5	259.4	263.9	268.4	272.3	275.7	244.5	259.0	270.1
18.OTHER LOANS	547.5	556.7	575.0	589.2	598.2	607.3	615.4	624.4	634.3	528.8	579.8	620.3
TABLE 14D. ASSET ITEMS (ANNUAL PERCENT CHANGES)												
19.TOT COMM BANK CREDIT	8.4	7.8	5.0	5.9	6.2	6.5	5.6	5.5	5.8	11.0	7.1	6.0
20.TOTAL LOANS,ADJUSTED	10.6	7.5	5.2	5.9	5.8	6.4	5.7	5.5	5.4	13.1	8.3	5.8
21.BUS.LOANS,ALL BANKS	9.0	7.5	3.9	5.4	5.1	6.4	5.4	4.6	4.1	12.4	8.0	5.3
22.LOANS TO INDIVIDUALS	12.3	8.8	-9.3	-2.7	6.3	7.1	7.0	6.0	5.1	20.4	5.9	4.3
23.OTHER LOANS	11.3	6.9	13.8	10.3	6.2	6.2	5.4	6.6	6.5	10.6	9.6	7.0
TABLE 14E. ASSET ITEMS (ACTUAL CHANGES)												
24.TOTAL INVESTMENTS	2.1	5.9	8.3	6.4	7.9	7.3	6.1	6.5	8.3	22.7	16.9	28.4
25.INV IN GOVT SEC.	0.2	5.3	6.7	3.8	5.1	4.7	4.0	4.5	5.7	17.5	12.4	18.7
26.INV IN MUN.OTHER SEC.	1.9	0.6	1.6	2.6	2.8	2.6	2.1	2.0	2.6	5.2	4.5	9.6
TABLE 14F. SHORT TERM CREDIT DEMANDS (BIL $)												
27.NONBANK COMM.PAPER	191.91	195.40	199.26	203.83	207.40	212.45	218.66	223.92	228.92	173.32	201.27	220.99
28.NONFIN. COMM. PAPER	69.69	62.16	64.30	68.48	71.70	74.28	76.25	77.76	79.13	58.78	66.66	76.85
29.BUS CREDIT DEMANDS	541.8	542.1	546.9	559.5	568.9	579.2	587.8	595.1	601.7	510.7	554.8	591.0
30.TOTAL CREDIT DEMAND	1469.0	1495.7	1516.1	1538.8	1562.2	1588.6	1614.0	1638.0	1661.5	1398.4	1526.2	1625.5
TABLE 14G. SHORT TERM CREDIT DEMANDS (ANNUAL PERCENT CHANGES)												
31.NONBANK COMM PAPER	34.4	7.5	8.1	7.8	6.9	10.1	12.2	10.0	9.2	26.4	16.1	9.8
32.NONFIN COMM PAPER	46.5	+36.0	14.5	28.7	20.2	15.2	11.0	8.2	7.2	30.7	13.6	15.3
33.BUS CREDIT DEMANDS	13.1	0.8	5.1	8.0	6.9	7.5	6.1	5.1	4.5	14.3	8.7	6.5
34.TOTAL CREDIT DEMAND	13.4	7.5	5.6	6.1	6.2	6.9	6.6	6.1	5.9	14.6	9.3	6.4

HISTORICAL TABLES

	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	1982	1983	1984
	11982	11983				11984						
TABLE 15A. MONETARY AGGREGATES (BIL $)												
1.M1	475.7	490.9	505.2	517.2	523.4	534.3	543.0	549.1	553.5	458.5	509.2	545.0
2.M1 + RPS	553.4	577.4	602.1	613.7	620.1	639.8	654.6	664.4	677.4	529.6	605.3	658.9
3.M2	1946.7	2046.3	2100.4	2136.6	2181.9	2216.1	2255.2	2293.7	2345.5	1879.1	2116.3	2277.6
4.M3	2449.5	2515.2	2573.8	2621.6	2686.2	2742.1	2814.1	2880.8	2960.4	2360.8	2599.2	2849.3
TABLE 15B. MONETARY AGGREGATES (ANNUAL PERCENT CHANGES)												
5.M1	16.8	13.4	12.2	9.8	4.9	8.6	6.7	4.6	3.3	6.6	11.1	7.0
6.M1 + RPS	20.3	16.5	18.2	8.8	9.7	7.2	10.1	6.2	8.1	7.7	14.3	8.8
7.M2	11.0	22.1	11.0	7.1	8.8	6.4	7.3	7.0	9.3	9.6	12.6	7.6
8.M3	10.3	11.2	9.6	7.6	10.2	8.6	10.9	9.8	11.5	11.2	10.1	9.6
TABLE 15C. MONETARY AGGREGATES - COMPONENTS (BIL $)												
9.CURRENCY	133.2	136.9	140.4	143.6	147.1	150.3	153.1	155.9	157.9	129.4	142.0	154.3
10.DEM DEP+NOW+TRAV CH	342.5	354.0	364.8	373.6	376.3	384.0	389.9	391.2	395.6	329.1	367.2	390.7
11.SM TIME&SAV DEP,COMM'L	552.7	405.9	462.6	471.3	485.2	485.5	495.1	505.5	508.6	536.4	476.2	498.7
12.LG TIME DEPOSITS,COMM'L	267.4	234.7	226.1	223.5	223.3	231.5	244.1	255.9	263.7	263.3	226.9	248.8
13.THRIFT INST DEPOSITS	771.9	799.9	829.8	860.4	893.0	916.7	950.7	977.3	1009.4	754.0	845.8	963.5
14. SM TIME&SAV DEP	679.6	603.4	584.9	596.3	613.8	614.6	628.9	645.5	660.3	673.2	599.6	637.3
15. LG TIME DEP	64.0	64.6	73.1	84.7	96.9	111.5	124.9	136.8	147.5	60.6	79.9	130.2
16. OTHER CHECKABLE DEPO	21.8	26.3	29.5	31.6	33.8	34.6	37.1	38.8	40.4	18.7	30.1	37.7
17.TOTAL REPOS	77.4	81.3	89.8	89.2	97.2	96.9	103.6	107.5	115.8	71.0	89.4	106.0
18. TERM REPOS	39.5	40.6	44.7	46.4	52.2	51.7	58.7	63.6	69.9	37.1	46.0	60.9
19. OVERNIGHT REPOS	30.0	40.7	45.1	42.8	45.0	45.3	44.9	43.9	45.9	33.9	43.4	45.0
20.MONEY MKT FUNDS	239.4	209.0	186.4	180.0	181.3	185.9	192.4	197.4	219.7	215.4	189.2	198.9
21.MONEY MKT DEM ACCTS	314.4	263.5	355.6	369.5	373.1	390.3	399.4	390.6	403.3	3.6	340.5	395.9
22.OVERNIGHT EURO$	6.9	7.7	9.0	10.2	11.1	11.4	11.9	13.2	11.5	7.6	9.5	12.0
23.TREAS DEPOSIT AT FED	3.6	2.9	3.5	5.1	4.8	4.1	5.1	4.6	3.8	3.0	4.1	4.4
24.GOVT DEPOSITS AT CB	11.6	13.1	12.9	20.6	14.4	19.6	13.5	14.2	11.0	13.8	15.3	14.6
TABLE 15D. MONETARY AGGREGATES (ANNUAL PERCENT CHANGES)												
25.CURRENCY	7.9	11.4	10.7	9.3	10.1	9.0	7.7	7.6	5.2	7.5	9.7	8.7
26.DEM DEP+NOW+TRAV CH	19.7	14.2	12.7	10.0	3.0	8.4	6.3	3.4	2.5	6.3	11.6	6.4
27.SM TIME&SAV DEP,COMM'L	3.7	40.3	17.8	7.7	12.4	0.3	8.1	8.7	2.5	9.8	-11.2	4.7
28.LG TIME DEPOSITS,COMM'L	-3.7	40.7	13.8	-4.6	-0.2	15.4	23.6	20.8	12.9	10.7	13.8	9.6
29.THRIFT INST DEPOSITS	7.4	15.3	15.9	15.6	16.9	11.1	15.7	11.7	13.8	4.2	12.2	13.9
30. SM TIME&SAV DEP	1.0	-37.9	11.7	8.8	12.2	0.5	9.7	11.0	9.5	1.8	-10.9	6.3
31. LG TIME DEP	27.7	0.6	62.6	79.6	71.8	74.9	57.8	43.6	35.3	21.2	31.9	63.0
32. OTH CHECKABLE DEP	50.3	111.3	57.8	32.9	10.5	19.9	33.1	19.7	16.8	53.8	60.7	25.3
33.TOTAL REPOS	47.8	21.7	48.9	-2.6	41.4	-1.2	30.3	16.1	34.8	15.2	25.8	18.6
34. TERM REPOS	37.3	13.5	46.5	16.4	60.6	-4.3	66.2	37.8	46.2	5.4	23.6	32.6
35. OVERNIGHT REPOS	69.7	30.7	51.3	19.1	22.6	2.4	-3.2	-8.3	19.5	28.3	28.1	3.7
36.MONEY MKT FUNDS	24.7	41.9	36.7	13.2	3.1	10.5	14.7	10.7	53.5	60.0	-12.2	5.1

STRONG $,NO FURTHER OIL PRICE CUT, NO BUDGET LEGISLATION

	1984 QTR 4	1985 QTR 1	QTR 2	QTR 3	QTR 4	1986 QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 15A. MONETARY AGGREGATES (BIL $)												
1.M1	553.5	567.7	574.0	584.9	592.6	600.4	610.4	621.2	633.3	545.0	579.8	616.3
2.M1 + RPS	677.4	696.2	710.2	727.7	739.8	751.6	765.4	781.3	797.5	658.9	718.5	773.9
3.M2	2345.5	2414.8	2441.5	2472.5	2503.1	2536.7	2573.6	2612.3	2652.6	2277.6	2457.8	2593.8
4.M3	2960.4	3039.2	3084.1	3131.9	3176.9	3224.1	3273.8	3327.2	3380.4	2849.3	3108.8	3301.4
TABLE 15B. MONETARY AGGREGATES (ANNUAL PERCENT CHANGES)												
5.M1	5.3	10.6	4.6	7.8	5.4	5.4	6.8	7.3	8.0	7.0	6.4	6.3
6.M1+RPS	8.1	11.6	8.3	10.2	6.8	6.5	7.5	6.6	8.5	8.8	9.0	7.7
7.M2	9.3	12.2	4.6	5.2	5.1	5.5	5.9	6.1	6.3	7.6	7.9	5.5
8.M3	11.5	11.1	6.8	6.3	5.9	6.1	6.3	6.7	6.6	9.6	9.1	6.2
TABLE 15C. MONETARY AGGREGATES - COMPONENTS (BIL $)												
9.CURRENCY	157.9	160.5	163.3	166.1	168.6	171.4	174.4	177.3	180.2	154.3	164.6	175.8
10.DEM DEP+NOW+TRAV CH	395.6	407.1	410.7	416.8	424.8	429.0	436.8	443.9	453.1	390.7	415.2	440.5
11.SM TIME&SAV DEP,COMM B	508.6	504.3	505.8	507.7	510.1	513.3	517.9	522.8	527.4	498.7	507.8	520.3
12.LG TIME DEPOSITS,COMM	263.7	264.1	267.4	271.5	275.6	279.4	282.7	286.0	288.8	248.8	269.6	284.2
13.THRIFT INST DEPOSITS	1009.4	1035.8	1053.8	1074.3	1092.0	1109.8	1128.3	1146.6	1164.1	963.5	1066.0	1137.2
14.SM TIME&SAV DEP,IRA	660.3	659.7	665.3	675.1	681.6	688.8	695.6	702.3	708.2	637.3	670.5	698.5
15.LG TIME DEP,IRA	147.5	156.1	162.6	168.9	175.0	181.0	187.0	193.4	199.7	130.2	165.6	190.3
16.OTHER CHECKABLE DEPO	40.4	42.5	43.1	44.8	44.4	46.1	46.7	48.5	47.9	37.7	43.7	47.3
17.TOTAL REPOS	115.8	119.7	127.1	133.5	137.7	141.4	145.8	149.9	153.8	106.8	129.5	147.5
18.TERM REPOS	69.9	65.9	70.9	77.3	81.5	85.2	88.8	93.7	97.6	60.9	73.9	91.3
19.OVERNIGHT REPOS	45.9	53.8	56.2	56.2	56.2	56.2	56.2	56.2	56.2	45.8	55.6	56.2
20.MONEY MKT FUNDS	219.7	237.7	238.8	237.7	241.8	246.2	250.9	256.6	263.8	198.9	238.8	254.2
21.MONEY MKT DEM ACCTS	403.3	444.3	456.9	465.5	475.2	487.2	497.2	507.9	519.2	395.9	460.5	502.9
22.OVERNIGHT EURO$	11.5	13.4	13.1	13.1	13.1	13.1	13.1	13.1	13.1	12.8	13.2	13.1
23.TREAS DEPOSIT AT FED	3.8	3.7	3.5	3.5	3.5	3.5	3.5	3.5	3.5	4.4	3.6	3.5
24.GOVT DEPOSITS AT CB	11.0	17.1	13.5	14.2	10.5	19.5	13.5	14.2	10.5	14.6	13.8	14.4
TABLE 15D. MONETARY AGGREGATES (ANNUAL PERCENT CHANGES)												
25.CURRENCY	5.2	6.8	7.2	6.8	6.4	6.8	7.1	6.8	6.6	8.7	6.7	6.8
26.DEM DEP+NOW+TRAV CH	2.5	12.2	3.5	6.1	7.4	4.8	6.7	7.4	8.5	6.4	6.3	6.1
27.SM TIME&SAV DEP,COMM B	2.5	-3.3	1.2	1.5	1.9	2.6	3.6	3.8	3.6	4.7	1.7	2.6
28.LG TIME DEPOSITS,COMM	12.9	0.5	5.2	6.2	6.1	5.7	4.8	4.7	4.0	9.6	8.4	5.4
29.THRIFT INST DEPOSITS	13.8	10.9	7.1	8.0	6.8	6.7	6.8	6.7	6.3	13.9	10.4	6.9
30.SM TIME&SAV DEP	9.5	-0.3	3.4	6.0	4.1	3.7	4.5	3.9	3.4	6.3	5.2	4.2
31. LG TIME DEP	35.3	25.4	17.2	16.4	15.3	14.5	13.0	14.2	13.5	63.0	27.3	14.9
32. OTH CHECKABLE DEP	16.8	23.0	5.6	17.2	-3.4	16.1	4.8	16.4	-4.8	25.3	15.9	8.2
33.TOTAL REPOS	36.8	13.9	27.2	21.9	13.8	11.4	10.5	14.4	10.7	18.6	22.2	13.9
34.TERM REPOS	46.2	-21.2	34.2	41.7	23.1	19.8	17.9	24.2	17.5	32.6	21.2	23.6
35.OVERNIGHT REPOS	19.5	66.2	19.1	0.0	0.0	0.0	0.0	0.0	0.0	3.7	23.5	1.1
36.MONEY MKT FUNDS	53.5	37.0	1.0	-0.4	-1.9	-7.1	-7.4	-7.9	-7.9	5.0	20.1	-6.4

	1982 QTR 4	1983 QTR 1	QTR 2	QTR 3	QTR 4	1984 QTR 1	QTR 2	QTR 3	QTR 4	1982	1983	1984
TABLE 16A. AGGREGATE RESERVE MEASURES (BIL $)												
1.NONBORROWED BASE	166.2	172.2	176.1	179.4	183.6	188.1	189.6	188.5	192.8	163.0	177.8	189.7
2.MONETARY BASE, NY	169.8	172.8	177.3	180.9	184.4	188.8	192.1	195.6	197.5	164.1	178.9	193.5
3.NONDORR RES, DEP INST	33.3	33.8	34.3	34.6	35.3	36.1	35.1	31.2	33.6	31.8	34.5	34.8
4.TOT RES, NDR BANKS	33.9	34.4	35.5	36.1	36.1	36.8	37.6	38.3	38.2	32.9	35.5	37.7
5.REQ RES, NDR BANKS	33.5	34.0	35.0	35.6	35.6	36.1	37.0	37.6	37.5	32.5	35.0	37.8
TABLE 16B. AGGREGATE RESERVE MEASURES (ANNUAL PERCENT CHANGES)												
6.NONBORROWED BASE	9.2	-9.7	9.3	7.8	9.7	10.1	3.3	-2.3	9.6	6.7	9.1	6.7
7.MONETARY BASE, NY	10.8	9.8	10.7	8.4	8.1	9.8	7.1	7.4	3.9	6.4	9.0	8.2
8.NONDORR RES, DEP INST	17.1	5.7	6.1	3.3	8.5	9.3	-10.4	-37.7	34.4	4.9	8.4	1.4
TABLE 16C. MARGINAL RESERVE MEASURES (BIL $)												
9.BORROWED RESERVES	0.6	0.4	1.2	1.5	0.8	0.7	2.5	1.1	4.6	1.1	1.0	3.7
10.EXCESS RESERVES	0.4	0.5	0.5	0.5	0.5	0.8	0.6	0.6	0.7	0.4	0.5	0.7
11.FREE RESERVES	-0.1	-0.2	-0.7	-1.0	-0.3	0.0	-1.9	-6.4	-3.9	-0.7	-0.5	-3.0
TABLE 16D. TREASURY AND AGENCY OPERATIONS (BIL $)												
12.RECEIPTS, UA***	137.0	139.8	166.5	157.2	149.4	154.9	186.9	175.2	166.1	619.0	600.6	666.4**
13.EXPENDITURES, UA**	205.3	200.8	195.7	194.1	212.7	209.3	211.4	208.4	238.6	720.4	795.9	841.8**
14.SURPLUS OR DEFICIT	-68.3	-61.8	-29.2	-36.9	-63.3	-54.5	-24.4	-33.1	-72.4	-100.5	-195.4	-175.4**
15.DEBT HELD BY PUBLIC	964.0	1012.1	1072.9	1131.0	1168.2	1206.6	1254.1	1308.8	1356.0	897.8	1096.0	1281.4
16.MARKETABLE DEBT OUTST	852.9	911.4	957.3	1006.7	1043.5	1093.2	1127.1	1173.7	1226.7	787.6	979.7	1155.2
17.AGENCY DEBT OUTS	245.1	235.8	234.7	236.5	239.7	242.1	251.5	259.4	270.3	237.5	236.7	255.8
18.TREASURY BILLS OUTST	296.4	318.3	328.5	339.6	339.7	348.9	344.9	354.9	366.2	269.2	331.5	353.7
19.TREASURY BONDS OUTST	104.8	110.2	116.9	124.2	132.2	140.9	149.6	157.1	166.0	102.1	120.9	153.4
20.TREASURY NOTES OUTST	452.4	482.9	511.9	543.0	571.6	603.5	632.6	661.7	694.5	416.3	527.3	640.1
21.TREAS DEP AT FED BNKS	5.4	5.9	3.5	5.1	4.8	4.1	5.1	4.6	3.8	3.8	4.1	4.4
TABLE 16E. TREASURY AND AGENCY OPERATIONS (ACTUAL CHANGES)												
22.DEBT HELD BY PUBLIC	51.3	48.0	60.8	58.2	37.1	38.4	47.5	54.6	47.3	111.7	198.3	185.4
23.MARKETABLE DEBT OUTST	52.9	58.5	45.9	49.4	36.8	49.7	33.9	46.6	53.0	117.1	192.1	175.5
24.AGENCY DEBT OUTS	1.8	-9.3	-1.1	1.8	3.1	2.4	9.5	7.9	10.9	25.9	-0.8	19.1
25.TREASURY BILLS OUTST	25.4	21.9	10.2	11.1	0.1	9.2	-3.9	10.0	11.3	42.3	62.3	22.2
26.TREASURY BONDS OUTST	2.1	16.2	6.7	7.3	8.1	8.7	8.7	7.5	8.9	8.1	18.7	32.5
27.TREASURY NOTES OUTST	25.3	30.5	29.0	31.1	28.6	31.9	29.1	29.1	32.8	66.7	111.1	120.7

** INDICATES VALUE IS FOR FISCAL YEAR

STRONG $,NO FURTHER OIL PRICE CUT, NO BUDGET LEGISLATION

	1984 QTR 4	1985 QTR 1	QTR 2	QTR 3	QTR 4	1986 QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 16A. AGGREGATE RESERVE MEASURES (BIL $)												
1.NONBORROWED BASE	192.8	200.4	203.6	206.1	208.8	211.4	214.6	217.9	221.1	189.7	204.7	216.4
2.MONETARY BASE, NY	197.5	201.7	205.0	207.6	210.3	213.2	216.6	219.9	223.2	193.5	206.2	218.2
3.NONDOM RES DEP INST	33.6	38.9	39.5	40.0	40.5	41.0	41.6	42.2	42.8	34.0	39.7	41.9
4.TOT RES,NDR BANKS	38.2	40.2	40.9	41.5	42.1	42.7	43.4	44.1	44.9	37.7	41.2	43.8
5.REQ RES,NDR BANKS	37.5	39.4	40.2	40.9	41.6	42.2	43.0	43.8	44.5	37.0	40.5	43.4
TABLE 16B. AGGREGATE RESERVE MEASURES (ANNUAL PERCENT CHANGES)												
6.NONBORROWED BASE	9.6	16.5	6.6	5.0	5.3	5.5	6.3	6.9	6.8	6.7	7.9	5.7
7.MONETARY BASE, NY	3.9	8.9	6.7	5.2	5.4	5.6	6.5	6.1	6.1	6.2	6.6	5.9
8.NONDOM RES DEP INST	34.4	79.3	7.1	4.8	5.6	5.8	5.6	5.9	6.1	-1.4	16.9	5.5
TABLE 16C. MARGINAL RESERVE MEASURES (BIL $)												
9.BORROWED RESERVES	1.6	1.3	1.4	1.5	1.6	1.6	1.8	1.9	2.0	1.7	1.4	1.8
10.EXCESS RESERVES	0.7	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.7	0.7	0.4
11.FREE RESERVES	-3.9	-0.5	-0.6	-0.9	-1.0	-1.2	-1.4	-1.5	-1.7	-3.0	-0.8	-1.4
TABLE 16D. TREASURY AND AGENCY OPERATIONS (BIL $)												
12.RECEIPTS, UA	166.1	182.6	214.0	181.4	187.8	185.2	224.2	198.5	195.7	660.4	744.1	795.7
13.EXPENDITURES, UA	238.6	229.8	242.0	247.4	243.0	247.4	259.8	263.2	266.8	841.8	957.8	1013.4
14.SURPLUS OR DEFICIT	-72.4	-47.3	-28.0	-66.0	-55.2	-62.2	-35.6	-64.7	-71.1	-175.4	-213.7	-217.7
15.DEBT HELD BY PUB SA	1354.8	1395.8	1449.2	1522.8	1563.3	1600.8	1665.8	1742.8	1789.4	1281.4	1482.5	1699.1
16.MARKETABLE DEBT OUTST	1226.7	1267.9	1288.1	1318.9	1352.4	1379.7	1405.9	1440.2	1475.9	1155.2	1306.8	1425.4
17.AGENCY DEBT OUTS	270.3	276.8	282.0	288.0	294.0	300.0	306.0	312.0	318.0	255.8	285.8	309.0
TABLE 16E. TREASURY AND AGENCY OPERATIONS (ACTUAL CHANGES)												
22.DEBT HELD BY PUBLIC	47.3	39.7	53.4	72.8	41.3	36.7	65.8	77.0	47.4	185.4	201.2	216.5
23.MARKETABLE DEBT OUTST	53.0	41.2	20.2	30.8	33.5	27.3	26.3	34.3	35.8	175.5	151.6	118.6
24.AGENCY DEBT OUTS	10.9	15.7	16.0	26.0	26.0	26.0	26.0	26.0	26.0	19.1	29.2	24.0
25.TREASURY BILLS OUTST	11.3	12.6	26.4	17.4	16.7	12.8	11.0	20.0	19.2	22.2	42.7	58.7
26.TREASURY BONDS OUTST	08.9	08.6	06.2	06.3	06.8	06.9	06.5	06.9	07.9	32.5	31.0	27.9
27.TREASURY NOTES OUTST	32.8	28.0	27.6	27.1	28.9	27.6	28.7	27.4	28.6	120.7	77.9	32.0
* INDICATES VALUE IS FOR FISCAL YEAR												

MEDIUMCAST AVERAGE
ECONOMETRIC ACHIEVED
FIDELITY BANK

	1982 QTR 4	1983 QTR 1	QTR 2	QTR 3	QTR 4	1984 QTR 1	QTR 2	QTR 3	QTR 4	1982	1983	1984
TABLE 17A. FLOW OF FUNDS PROXIES (BIL $)												
1.CORP BONDS,NEW ISSUE	13.9	11.6	14.8	6.2	6.4	8.8	7.9	15.7	19.7	36.4	39.0	52.1
2.MUN BONDS,NEW ISSUE	26.8	17.2	24.7	16.9	19.8	14.5	18.5	24.2	35.6	75.9	78.6	92.9
3.TOTAL DEBT	4753.	4840.	4963.	5115.	5253.	5400.	5585.	5762.	5930.	4609.	5043.	5671.
4. TOT BNK LOANS,ADJ	1041.7	1053.0	1067.3	1092.0	1120.1	1166.2	1212.7	1245.2	1277.1	1010.4	1081.1	1225.3
5. NONBANK COMM PAPER	132.9	133.4	135.0	137.1	143.3	154.3	160.8	178.3	191.9	135.8	137.2	173.3
6. US PUBLIC DEBT	962.8	1020.2	1070.6	1124.6	1166.6	1216.3	1252.0	1301.4	1354.3	897.5	1095.5	1281.0
7. AGENCY DEBT	245.1	235.8	234.7	236.5	239.7	242.1	251.5	259.4	270.3	237.5	236.7	255.8
8. TOT CORP BONDS OUTS	402.8	408.4	413.2	417.6	428.0	424.6	429.9	437.0	447.7	394.4	414.8	436.8
9. TOT MUN BONDS OUTS	319.7	327.4	337.3	349.5	356.0	362.3	366.5	374.0	382.5	306.1	342.6	371.3
10. MORTGAGE DEBT	1646.6	1670.4	1702.6	1751.6	1805.5	1851.9	1901.9	1959.5	2004.2	1618.8	1732.5	1929.4
11.TOTAL CREDIT RAISED	101.0	78.6	147.2	137.9	145.1	150.7	188.6	172.9	161.1	375.3	508.8	673.2
TABLE 17B. FLOW OF FUNDS PROXIES (ANNUAL PERCENT CHANGES)												
12.TOTAL DEBT	10.1	7.6	10.5	12.9	11.2	12.4	13.0	13.3	12.1	7.9	9.4	12.5
13. TOT BNK LOANS,ADJ	4.1	4.4	5.5	9.6	10.7	17.5	16.9	11.1	10.6	6.2	6.3	13.1
14. NONBANK COMM PAPER	-19.1	1.5	4.9	6.6	19.2	34.5	43.4	24.2	34.4	15.4	1.0	26.4
15. US PUBLIC DEBT	26.7	26.0	21.3	21.8	15.8	10.1	12.3	16.7	17.3	14.2	22.1	16.9
16. AGENCY DEBT	1.7	-14.3	-1.8	3.1	5.4	4.1	16.6	13.1	10.0	12.3	8.5	8.1
17. TOT CORP BONDS OUTS	7.5	5.7	4.7	4.3	2.3	4.5	5.1	6.0	10.1	4.5	5.2	4.0
18. TOT MUN BONDS OUTS	13.2	10.1	12.6	15.2	7.8	7.2	4.7	8.4	9.4	5.2	11.9	8.4
19. MORTGAGE DEBT	4.7	5.9	7.9	12.0	12.9	10.7	11.2	12.7	9.4	6.0	7.0	11.4
TABLE 17C. AGGREGATE CREDIT RATIOS AND MONEY MULTIPLIERS												
20.TOTAL CREDIT/M1	7.1	5.3	9.7	8.9	9.2	9.4	11.6	10.5	9.7	6.8	8.3	10.3
21.CHG TOT CREDIT/M1	-0.7	-6.8	-1.5	-1.2	-0.8	-1.8	-0.8	-0.2	-0.8	0.7	0.1	-0.2
22.TOT CREDIT/M2	1.7	1.3	2.3	2.2	2.2	2.3	2.8	2.5	2.3	1.7	2.0	2.5
23.TOT CREDIT/M2 CHG	0.2	-0.2	0.4	-0.3	0.2	-0.2	0.2	0.0	-0.2	0.2	0.0	0.0
24.TOT CREDIT/M3	1.4	1.0	1.9	1.8	1.8	1.8	2.2	2.0	1.8	1.3	1.6	2.0
25.TOT CREDIT/M3 CHG	0.1	-0.2	0.3	-0.2	0.1	-0.2	0.2	0.0	-0.2	0.1	0.0	-0.0
26.US DEBT/MIB RATIO	2.0	2.1	2.1	2.2	2.2	2.3	2.3	2.4	2.4	2.0	2.2	2.3
27.M1 MULTIPLIER	2.818	2.840	2.850	2.859	2.838	2.830	2.827	2.808	2.803	2.795	2.847	2.817
28.M2 MULTIPLIER	11.531	11.840	11.848	11.812	11.830	11.737	11.741	11.730	11.878	11.452	11.832	11.772
29.M3 MULTIPLIER	14.509	14.553	14.518	14.493	14.564	14.524	14.650	14.732	14.993	14.387	14.532	14.724
30.M1 VELOCITY	6.537	6.466	6.467	6.471	6.556	6.650	6.712	6.728	6.791	6.696	6.490	6.720
31.M2 VELOCITY	1.597	1.551	1.555	1.566	1.573	1.603	1.616	1.611	1.603	1.634	1.561	1.608
32.M3 VELOCITY	1.270	1.262	1.269	1.277	1.270	1.296	1.295	1.283	1.270	1.301	1.271	1.286
TABLE 17D. VELOCITY(% CHANGE FROM SAME QTR YEAR AGO)												
33.M1 VELOCITY	-5.547	-4.115	-4.660	-3.744	0.301	2.857	3.791	3.979	3.571	-5.547	0.301	3.571
34.M2 VELOCITY	-6.246	-6.723	-5.840	-3.561	-1.546	3.375	3.903	2.839	1.898	-6.246	-1.546	1.898
35.M3 VELOCITY	-7.108	-5.198	-3.383	-0.954	0.632	2.690	2.038	0.468	-0.611	-7.108	0.632	-0.611

TABLE 17A. FLOW OF FUNDS PROXIES (BIL $)

	1984 QTR 4	1985 QTR 1	QTR 2	QTR 3	QTR 4	1986 QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
1.CORP BONDS,NEW ISSUE	19.7	12.2	13.2	10.6	10.7	12.4	13.6	11.6	11.9	52.1	46.7	49.5
2.MUNI BONDS,NEW ISSUE	35.6	18.7	18.0	24.4	30.0	18.1	17.9	23.1	27.7	92.9	92.0	86.8
3.TOTAL DEBT	5930.	6053.	6179.	6322.	6434.	6544.	6678.	6821.	6940.	5671.	6247.	6746.
4. TOT BNK LOANS,ADJ	1277.1	1300.3	1316.8	1335.8	1354.8	1376.1	1395.3	1414.0	1432.6	1225.3	1326.9	1404.5
5. NONBANK COMM PAPER	191.9	195.4	199.3	203.0	207.4	212.5	218.7	223.9	228.9	173.3	201.3	221.0
6. US PUBLIC DEBT	1354.3	1406.9	1446.7	1513.6	1561.2	1612.8	1662.1	1732.1	1787.8	1281.8	1482.8	1698.5
7. AGENCY DEBT	270.3	274.0	282.0	288.0	294.0	300.0	306.0	312.0	318.0	255.8	285.0	309.0
8. TOT CORP BONDS,OUTS	447.7	458.6	466.2	478.8	478.4	484.5	491.8	498.8	505.5	434.8	469.8	495.1
9. TOT MUNI BONDS,OUTS	382.5	392.0	399.7	408.4	419.7	429.2	436.9	445.3	455.7	371.3	405.8	441.8
10. MORTGAGE DEBT	2084.2	2035.3	2064.8	2091.6	2114.9	2141.8	2164.8	2185.4	2210.4	1929.4	2077.4	2175.4
11.TOTAL CREDIT RAISED	161.1	189.5	131.6	142.7	107.5	118.8	143.6	138.8	117.1	673.8	491.3	518.2

TABLE 17B. FLOW OF FUNDS PROXIES (ANNUAL PERCENT CHANGES)

12.TOTAL DEBT	12.1	8.6	8.6	9.5	7.3	7.0	8.4	8.9	7.2	12.5	10.2	8.0
13. TOT BNK LOANS,ADJ	10.6	7.5	5.2	5.9	5.8	6.4	5.7	5.5	5.4	13.1	8.3	5.8
14. NONBANK COMM PAPER	34.4	7.5	8.1	7.8	8.9	10.1	12.8	10.8	9.8	26.4	16.1	9.8
15. US PUBLIC DEBT	17.3	16.5	11.8	19.0	13.3	13.9	12.8	17.9	13.3	16.9	15.7	14.6
16. AGENCY DEBT	10.0	8.7	9.0	8.8	8.4	8.0	8.2	8.1	7.9	8.1	11.4	8.4
17. TOT CORP BONDS,OUTS	10.1	10.1	6.9	8.8	6.4	5.1	6.2	5.6	5.5	4.8	7.9	5.6
18. TOT MUNI BONDS,OUTS	9.4	10.4	8.1	9.0	11.5	9.4	7.4	7.9	9.6	8.4	9.1	9.1
19. MORTGAGE DEBT	7.9	6.4	6.3	5.1	4.9	4.8	4.2	4.0	4.4	11.4	7.7	4.7

TABLE 17C. AGGREGATE CREDIT RATIOS AND MONEY MULTIPLIERS

20.TOTAL CREDIT/M1	9.7	6.4	7.6	8.1	6.8	6.2	7.8	7.5	6.2	18.3	7.1	6.9
21.CHG TOT CREDIT/M1	-0.8	-1.1	0.5	-0.8	0.8	-0.4	0.6	-0.2	0.1	-0.2	-0.1	-0.0
22.TOT CREDIT/M2	2.3	1.5	1.8	1.9	1.4	1.5	1.9	1.8	1.5	2.5	1.7	1.6
23.TOT CREDIT/M2 CHG	-0.2	-0.3	0.1	-0.0	0.0	-0.1	0.1	-0.1	0.0	-0.0	-0.0	0.0
24.TOT CREDIT/M3	1.8	1.2	1.4	1.5	1.1	1.1	1.5	1.4	1.2	2.0	1.3	1.3
25.TOT CREDIT/M3 CHG	-0.2	-0.2	0.1	-0.0	0.0	-0.1	0.1	-0.0	0.0	-0.0	-0.0	0.0
26.US DEBT/MIB RATIO	2.4	2.5	2.5	2.6	2.6	2.7	2.7	2.8	2.8	2.3	2.6	2.8
27.M1 MULTIPLIER	2.803	2.815	2.801	2.817	2.817	2.816	2.818	2.825	2.838	2.817	2.812	2.824
28.M2 MULTIPLIER	11.078	11.969	11.912	11.910	11.900	11.896	11.880	11.882	11.887	11.772	11.923	11.886
29.M3 MULTIPLIER	14.993	15.869	15.047	15.086	15.103	15.119	15.112	15.133	15.148	14.724	15.076	15.128
30.M1 VELOCITY	6.791	6.744	6.789	6.807	6.867	6.909	6.921	6.942	6.956	6.720	6.802	6.932
31.M2 VELOCITY	1.603	1.586	1.596	1.610	1.626	1.635	1.642	1.651	1.661	1.608	1.605	1.647
32.M3 VELOCITY	1.270	1.260	1.264	1.271	1.281	1.287	1.290	1.296	1.303	1.284	1.269	1.294

TABLE 17D. VELOCITY(% CHANGE FROM SAME QTR YEAR AGO)

33.M1 VELOCITY	3.571	1.412	1.139	1.166	1.132	2.440	1.955	1.989	1.295	3.571	1.132	1.295
34.M2 VELOCITY	1.898	-1.091	-1.240	-0.036	1.452	3.107	2.653	2.527	2.141	1.898	1.452	2.141
35.M3 VELOCITY	-0.611	-2.789	-2.444	-0.885	0.094	2.137	2.135	1.968	1.724	-0.611	0.094	1.724

	1982 QTR 4	1983 QTR 1	QTR 2	QTR 3	QTR 4	1984 QTR 1	QTR 2	QTR 3	QTR 4	1982	1983	1984
TABLE 18A. OTHER U.S. GOVT. VARIABLES (BIL $)												
1.RECEIPTS,UA	137.0	139.8	166.5	157.2	149.4	154.9	186.9	175.2	166.1	619.8	600.6	666.4*
2.EXPENDITURES, UA	205.3	200.8	195.7	194.1	212.7	209.3	211.4	208.4	238.6	728.4	795.9	841.8*
3.SURPLUS OR DEF, UA	-68.3	-61.0	-29.2	-36.9	-63.3	-54.5	-24.4	-33.1	-72.4	-109.5	-195.4	-175.4*
4.NON-MARKETABLE DEBT	110.0	108.8	113.4	117.9	123.1	123.0	124.9	127.7	127.6	109.9	115.8	125.8
5.CASH BAL REDUCTION	11.4	1.0	-4.2	-2.8	8.2	-1.0	-0.0	-5.3	4.8	3.6	0.6	-0.6
6.DEBT HELD BY PUBL,UA	962.8	1020.2	1070.6	1124.6	1166.6	1216.3	1252.0	1301.4	1354.3	897.5	1095.5	1281.8
7.FOREIGN HELD GVT SEC	109.2	115.8	116.9	115.8	116.8	117.8	116.5	116.2	116.8	105.4	115.6	116.8
8.CORP TAX ACCRUALS	42.8	46.9	59.2	66.7	66.5	73.0	75.6	65.3	69.7	46.6	59.8	70.9
9.PERS TAX RECEIPTS	294.6	292.1	298.1	277.8	287.2	294.6	303.9	313.9	321.2	298.3	288.8	308.4
10.OTHER TAX RECEIPTS	271.6	288.8	292.1	295.7	301.3	318.7	326.7	327.0	331.6	271.8	292.5	325.5
11.TOTAL TAX RECEIPTS	608.3	619.8	649.3	640.2	655.0	686.4	706.3	706.2	722.5	616.7	641.1	704.8
TABLE 18B. OTHER U.S. GOVT. VARIABLES (ACTUAL CHANGES)												
12.DEBT HELD BY PUBLIC	55.3	57.4	50.4	54.0	42.0	49.6	35.7	49.4	52.9	111.8	198.0	185.4
TABLE 18C. INTEREST RATE SPREADS												
13.20YR TREAS-3 MO COUP	2.51	2.51	2.08	2.25	2.79	2.61	2.95	2.06	2.47	1.73	2.61	2.52
14.FUNDS-CDS	0.31	0.14	0.80	-0.11	-0.02	-0.04	-0.47	0.01	-0.02	0.01	0.01	-0.13
15.PRIME-CDS	2.98	2.37	1.70	1.23	1.55	1.34	1.28	1.61	2.52	2.62	1.71	1.69
16.FED FUNDS-3MO TREAS	1.35	0.57	0.38	0.27	0.64	0.55	0.70	1.05	0.29	1.53	0.47	0.65
17.6MO TREAS-3MO TREAS	0.35	0.07	0.06	0.15	0.18	0.12	0.37	0.24	0.16	0.39	0.12	0.22
18.1YR TREAS-6MO TREAS	0.85	0.71	0.70	0.96	0.98	0.92	1.32	1.23	0.88	1.16	0.84	1.09
19.3YR TREAS-1YR TREAS	1.03	0.94	0.73	0.79	1.03	1.01	1.09	0.83	1.09	0.65	0.87	1.01
20.5YR TREAS-3YR TREAS	0.31	0.33	0.31	0.33	0.42	0.45	0.37	0.19	0.38	0.08	0.35	0.35
21.7YR TREAS-5YR TREAS	0.17	0.29	0.25	0.15	0.21	0.22	0.15	0.07	0.21	0.05	0.22	0.16
22.10Y TREAS-7YR TREAS	0.03	0.15	0.07	0.05	0.07	0.08	0.05	-0.03	0.04	-0.05	0.08	0.03
23.20Y TREAS-10Y TREAS	0.05	0.31	0.26	0.16	0.22	0.15	0.01	0.04	0.04	0.09	0.24	0.04
24.30Y TREAS-20Y TREAS	0.03	-0.16	-0.16	-0.17	-0.17	-0.06	-0.03	-0.13	-0.09	-0.15	-0.16	-0.08
25.3MO C PAPER-3MO TREAS	0.63	0.12	0.12	0.13	0.38	0.26	0.68	0.71	0.10	1.02	0.19	0.44
26.3MO CDS-3MO TREAS	1.04	0.43	0.38	0.38	0.65	0.59	1.17	1.03	0.31	1.52	0.46	0.78
27.3MO EURO-3MO TREAS	1.95	1.04	0.88	0.84	1.02	0.90	1.49	1.47	0.76	2.40	0.94	1.15
28.PRIME-FED FUNDS	2.67	2.23	1.70	1.34	1.57	1.38	1.75	1.60	2.54	2.60	1.71	1.82
29.PRIME-3MO CDS	2.98	2.37	1.70	1.23	1.55	1.34	1.28	1.61	2.52	2.62	1.71	1.69
30.MORTGAGE-30 YR TREAS	3.63	2.49	1.98	1.56	1.76	1.31	0.83	1.84	2.01	3.34	1.94	1.58
31.AA UTIL-30 YR TREAS	1.58	1.60	1.14	1.28	1.19	1.10	1.27	1.13	1.00	2.26	1.30	1.12
32.AA INDUS-30 YR TREAS	1.10	1.02	0.80	0.96	0.80	0.75	0.83	0.76	0.76	1.50	0.89	0.78
33.AAA IND-30YR TREAS	1.13	1.13	0.92	0.73	0.67	0.26	0.04	0.29	0.66	1.83	0.86	0.31

* INDICATES VALUE IS FOR FISCAL YEAR

	1984 QTR 4	1985 QTR 1	QTR 2	QTR 3	QTR 4	1986 QTR 1	QTR 2	QTR 3	QTR 4	1984	1985	1986
TABLE 10A. OTHER U.S. GOVT. VARIABLES (BIL $)												
1.RECEIPTS,UA	166.1	182.6	214.0	181.4	187.8	185.2	224.2	198.5	195.7	666.4	744.1	795.7#
2.EXPENDITURES, UA	238.6	229.8	242.0	247.4	243.0	247.4	259.8	263.2	266.8	841.8	957.0	1013.4#
3.SURPLUS OR DEF, UA	-72.4	-47.3	-28.0	-66.0	-55.2	-62.2	-35.6	-64.7	-71.1	-175.4	-213.7	-217.7#
4.NON-MARKETABLE DEBT	127.6	139.1	150.6	194.5	208.8	233.2	256.2	291.9	311.1	125.8	175.3	273.1
5.CASH BAL REDUCTION	4.0	-0.4	0.4	-3.6	2.7	1.6	0.4	-3.6	2.7	-0.6	-0.2	0.3
6.DEBT HELD BY PUBL,UA	1354.3	1486.9	1446.7	1513.4	1561.2	1612.8	1662.1	1732.1	1787.0	1281.8	1482.0	1698.5
7.FOREIGN HELD GVT SEC	116.8	116.9	131.2	151.1	172.8	192.8	214.3	236.2	258.7	116.8	142.8	226.5
8.CORP TAX ACCRUALS	69.7	74.2	75.7	80.0	84.3	87.7	90.3	93.1	95.8	78.9	78.5	91.7
9.PERS TAX RECEIPTS	321.2	326.6	331.8	336.4	342.8	347.9	353.6	359.6	366.8	308.4	334.8	356.8
10.OTHER TAX RECEIPTS	331.6	335.9	339.3	343.6	349.6	358.9	366.6	373.3	378.3	325.5	342.1	369.3
11.TOTAL TAX RECEIPTS	722.5	736.3	746.8	760.8	775.9	794.5	810.5	826.8	840.1	706.8	754.5	817.8
TABLE 10B. OTHER U.S. GOVT. VARIABLES (ACTUAL CHANGES)												
12.DEBT HELD BY PUBLIC	52.9	52.7	39.7	66.7	47.9	51.6	49.3	70.0	54.9	185.4	201.1	216.5
TABLE 10C. INTEREST RATE SPREADS												
13.20YR TREAS-3 MO COUP	2.47	3.24	3.00	2.89	2.74	2.95	3.10	3.12	3.11	2.52	2.97	3.07
14.FUNDS-CDS	-0.02	-0.24	-0.14	-0.32	-0.26	-0.22	-0.24	-0.35	-0.41	-0.13	-0.24	-0.31
15.PRIME-CDS	2.52	1.86	1.80	1.36	1.50	1.67	1.48	1.24	1.28	1.69	1.63	1.42
16.FED FUNDS-3MO TREAS	0.29	0.28	0.15	0.38	0.51	0.47	0.54	0.56	0.49	0.65	0.33	0.52
17.6MO TREAS-3MO TREAS	0.16	0.18	0.13	0.17	0.12	0.09	0.07	0.05	0.04	0.22	0.15	0.06
18.1YR TREAS-6MO TREAS	0.88	1.10	1.14	1.12	1.07	1.01	1.06	1.09	1.04	1.09	1.11	1.05
19.3YR TREAS-1YR TREAS	1.09	1.21	1.01	0.90	0.88	1.02	1.03	1.02	1.03	1.01	1.00	1.02
20.5YR TREAS-3YR TREAS	0.38	0.49	0.41	0.36	0.36	0.43	0.48	0.49	0.50	0.35	0.41	0.47
21.7YR TREAS-5YR TREAS	0.21	0.29	0.34	0.37	0.39	0.41	0.47	0.52	0.56	0.16	0.35	0.49
22.10Y TREAS-7YR TREAS	0.04	0.07	0.05	0.05	0.06	0.09	0.08	0.09	0.09	0.03	0.06	0.09
23.20Y TREAS-10Y TREAS	0.04	0.19	0.22	0.24	0.20	0.23	0.24	0.19	0.19	0.04	0.21	0.21
24.30Y TREAS-20Y TREAS	-0.09	-0.20	-0.21	-0.21	-0.19	-0.17	-0.15	-0.14	-0.13	-0.08	-0.20	-0.15
25.3MO C PAPER-3MO TREAS	0.10	0.38	0.13	0.48	0.51	0.43	0.52	0.61	0.57	0.44	0.38	0.53
26.3MO CDS-3MO TREAS	0.31	0.52	0.28	0.70	0.77	0.69	0.79	0.92	0.91	0.78	0.57	0.82
27.3MO EURO-3MO TREAS	0.76	0.70	0.55	0.94	1.03	0.95	1.04	1.15	1.13	1.15	0.81	1.07
28.PRIME-FED FUNDS	2.54	2.10	1.93	1.69	1.76	1.89	1.72	1.59	1.69	1.82	1.87	1.72
29.PRIME-3MO CDS	2.52	1.86	1.80	1.36	1.50	1.67	1.48	1.24	1.28	1.69	1.63	1.42
30.MORTGAGE-30 YR TREAS	2.01	1.55	1.45	1.23	1.28	1.42	1.48	1.39	1.31	1.50	1.38	1.40
31.AA UTIL-30 YR TREAS	1.00	1.21	1.30	1.31	1.31	1.13	1.08	1.04	1.03	1.12	1.20	1.07
32.AA INDUS-30 YR TREAS	0.76	0.96	1.04	0.98	0.94	0.80	0.76	0.70	0.66	0.78	0.98	0.73
33.AAA IND-30YR TREAS	0.66	0.66	0.70	0.66	0.65	0.60	0.61	0.57	0.53	0.31	0.67	0.58

# INDICATES VALUE IS FOR FISCAL YEAR

OCA EXHIBIT 3
R-850152
OH 12-10-85
#47

THE ECONOMY

Gross National Product In billions, annual rate	III Q'85 $3,918.9	II Q'85 $3,843.1	Year Ago $3,[illegible]4.6
Real G.N.P. Growth Annual rate, 1972 dollars, in percent	4.3	1.9	Qtr. 1.6
Corporate After-Tax Profits In billions, annual rate	III Q'85 $144.7	II Q'85 $137.4	Year Ago $141.7
Industrial Production Index Percent change, monthly and year to year	Oct. 0.0	Sept. –0.1	Year Ago 1.8
Housing Starts Thousands of units, annual rate	Oct. 1,780	Sept. 1,569	Year Ago 1,564
New Orders for Durable Goods By manufacturers, in billions	Oct. $104.45	Sept. $106.64	Year Ago $96.51
Plant and Equipment Spending In billions, annual rate	II Q'85 $387.83	I Q'85 $371.16	Year Ago $349.97
Mfg. Inventory-Shipments Ratio Current dollars	Oct. 1.43	Sept. 1.46	Year Ago 1.49
Sales at Retail Outlets In billions	Oct. $115.5	Sept. $119.4	Year Ago $109.0
Index of Leading Indicators Percent c@nge, monthly and year to year	Oct. 0.3	Sept. 0.4	Year Ago –0.9
Employment In thousands	Nov. 109,629	Oct. 109,567	Year Ago 107,831
Unemployment In thousands	8,140	8,291	8,142
Unemployment Rate In percent	6.9	7.0	7.0
Merchandise Exports In billions	Oct. $17.4	Sept. $17.7	Year Ago $18.4
Merchandise Imports In billions	$28.8	$33.3	$28.1
Current Account Surplus/Deficit Goods and services, in billions	II Q'85 $–31.8	I Q'85 $–30.3	Year Ago $–24.5

PRICES

G.N.P. Price Deflator Annual rate, in percent	III Q'85 2.3	II Q'85 2.6	Year Ago 3.9
Consumer Price Index 1967=100	Oct. 325.5	August 324.5	Year Ago 315.3
C.P.I. Annual Rate In percent	Oct. 3.8	3 Mos. 2.8	12 Mos. 3.2
Producer Price Index Finished goods, annual rate in percent	Oct. 10.8	3 Mos. –0.1	12 Mos. 1.1
Cash Wheat Price No.1 K.C., per bushel	Last Week $3.47	Prior Week $3.35	Year Ago 3.85
Crude Oil, U.S. Refiners' Cost Composite, per barrel	Sept. $26.44	August $26.50	Year Ago $28.60
Dow Jones Industrial Average Friday close	Last Week 1,477.18	Prior Week 1,472.13	Year Ago 1,163.21

R-850152
12-10-85

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	)	
	)	Docket No. R-850152
v.	)	
PHILADELPHIA ELECTRIC COMPANY	)	

CROSS-EXAMINATION EXHIBITS
OF THE
GENERAL SERVICES ADMINISTRATION
(December 10, 1985)

Exhibit Number	Description	Date Identified	Date Admitted
GSA-1	Response of PECO witness Brennan to IR-GSA-1-1.		
GSA-2	Response of PECO witness Brennan to IR-GSA-1-2.		
GSA-3	Response of PECO witness Brennan to IR-GSA-1-4.		
GSA-4	Response of PECO witness Brennan to IR-GSA-1-5.		
GSA-5	Response of PECO witness Brennan to IR-GSA-1-8.		
GSA-6	Salomon Brothers, Inc. report: "Valuation Focus", November 11, 1985, 4-page excerpt.		
GSA-7	"Value Line Investment Survey", November 22, 1985, 2-page excerpt.		
GSA-8	"Blue Chip Economic Indicators", Vol. 10, No. 11, November 10, 1985, pp. 1-4.		

Philadelphia Electric Company - Electric Operations
Response to General Service Administration's
First Set of Interrogatories
Dated November 20, 1985

Question 1. In PECO Statement No. 28, page 6, beginning on line 5, Mr. Brennan states that the Commission's recent PP&L decision increased investor perceptions of risk associated with PECO stock.

a) Identify specific determinations made by the Commission in the PP&L case that have increased investor perceptions of risks associated with PECO's stock. Indicate the page number of the Commission's order on which these determinations and findings are stated.

b) Identify the specific risks associated with an investment in PECO stock that were increased by the PP&L decision.

c) Were prospects for a cut, or slower growth, in PECO's dividend increased as a result of the PP&L decision?

d) Did the PP&L decision increase uncertainty concerning potential PECO stock price appreciation?

Response:

a) The Commission denied a return on the common equity portion ($522 million) of plant related to SSES 2. This denial reduced revenues by $161.4 million. See pages 19-24 of the Commission's Order in Docket No. R-842651.

b) The risk is that the regulatory agency may deny a return on plant built to meet the obligation to serve when the decision to build was a prudent decision. The ceiling on profit still exists, but the floor on losses is now lower.

c) In the short run, the answer is yes, whereas in the long run the answer may be no.

d) In the short run the answer is yes, whereas in the long run the answer may be no.

Philadelphia Electric Company - Electric Operations
Response to General Service Administration's
First Set of Interrogatories
Dated November 20, 1985

Question 2.

a) What specific regulatory treatment of PECO's Limerick investment is referenced by Mr. Brennan on page 6, lines 3 through 5, as a possible reason for investor uncertainty and concern?

b) What components of investor expected returns, e.g., dividends, price appreciation, from PECO's stock would be affected by the regulatory treatment identified in response to question 2.(a), above?

c) What affect would the regulatory treatment identified in 2.(a), above, have on prospective dividends and price appreciation from PECO's stock?

d) If the Commission allows PECO's Limerick investment in rate base, will investor return requirements on PECO's common stock be reduced below that recommended in Mr. Brennan's testimony? If yes, what will be the amount of the reduction? If no, why?

Response:

a) The answer to the question can be found by reference to PECO Statement No. 28, page 6, lines 5 through 9; and to the answer to sub-part A of Question No. 1.

b) Both dividend yield and price appreciation may be affected. The yield could go up and the appreciation prospect could go down.

c) The yield could go up and the appreciation prospect could go down.

d) The question cannot be answered by reference only to PECO's Limerick investment. A change in money market conditions occasioned by factors unrelated to Limerick could result in an increase or a decrease in the cost of money. What may be fair at one moment in time may be too high or too low at some other moment in time. The point is there is more than just one element affecting a judgment as to what is the proper cost rate for common equity capital at a particular moment in time. If it is assumed Limerick is allowed to be reflected in the price of service and a fair rate of return is authorized and earned, all else equal, the market response could be a cost of money requirement lower than the cost of money reflected in the recent average and current price of PECO stock.

Philadelphia Electric Company - Electric Operations
Response to General Service Administration's
First Set of Interrogatories
Dated November 20, 1985

Question 2.

a) What specific regulatory treatment of PECO's Limerick investment is referenced by Mr. Brennan on page 6, lines 3 through 5, as a possible reason for investor uncertainty and concern?

b) What components of investor expected returns, e.g., dividends, price appreciation, from PECO's stock would be affected by the regulatory treatment identified in response to question 2.(a), above?

c) What affect would the regulatory treatment identified in 2.(a), above, have on prospective dividends and price appreciation from PECO's stock?

d) If the Commission allows PECO's Limerick investment in rate base, will investor return requirements on PECO's common stock be reduced below that recommended in Mr. Brennan's testimony? If yes, what will be the amount of the reduction? If no, why?

Response:

a) The answer to the question can be found by reference to PECO Statement No. 28, page 6, lines 5 through 9; and to the answer to sub-part A of Question No. 1.

b) Both dividend yield and price appreciation may be affected. The yield could go up and the appreciation prospect could go down.

c) The yield could go up and the appreciation prospect could go down.

d) The question cannot be answered by reference only to PECO's Limerick investment. A change in money market conditions occasioned by factors unrelated to Limerick could result in an increase or a decrease in the cost of money. What may be fair at one moment in time may be too high or too low at some other moment in time. The point is there is more than just one element affecting a judgment as to what is the proper cost rate for common equity capital at a particular moment in time. If it is assumed Limerick is allowed to be reflected in the price of service and a fair rate of return is authorized and earned, all else equal, the market response could be a cost of money requirement lower than the cost of money reflected in the recent average and current price of PECO stock.

Philadelphia Electric Company - Electric Operations
Response to General Service Administration's
First Set of Interrogatories
Dated November 20, 1985

Question 4. Mr. Brennan states on page 21, lines 15-18, that the Pennsylvania Commission has not in the recent past included an adjustment for flotation costs in the authorized cost of equity.

a) Given the Commission's position on the flotation cost issue, haven't investors adjusted PECO's stock price to reflect this position and equate their expected and required return on this stock?

b) If the flotation adjustment Mr. Brennan recommends is adopted by the Commission and PECO is expected to earn the resulting higher equity rate, wouldn't current holders of PECO stock reap windfall profits? If not, explain.

Response:

a) No. The basis of the answer is the fact that Commissions, including the Pennsylvania Public Utility Commission, have been known to change their position from time to time regarding ratemaking matters. Accordingly, it is not possible to know whether or not in fact the stock price reflects the judgment of all investors that there will never be an allowance for recognition of the indisputable fact that issuance and selling expenses are incurred when raising new common stock.

b) The answer is no. The basis of the answer is that it can be reasonably assumed that investors expect the regulatory model to emulate the marketplace and that the price of service will allow recovery of all known costs. It is a known and indisputable fact that issuance and selling expenses are incurred when selling new common stock to the public. Since the regulatory model provides no recognition of these expenses elsewhere in the model, continuation of the Commission's recent practice results in consumers reaping a windfall in the form of prices lower than fully compensatory prices reflective of recovery of all costs of doing business. It should also be noted that even if one assumes all investors recognize the Commission will not recognize legitimate costs of doing business, such as issuance and selling expenses related to the sale of new stock to the public, the end result is a market price of stock less than the rate base value. It is even more interesting to note that PECO's stock continues to sell at less than book value.

Philadelphia Electric Company - Electric Operations
Response to General Service Administration's
First Set of Interrogatories
Dated November 20, 1985

Question 5. Mr. Brennan states on page 25, lines 20-23, that there is investor uncertainty regarding the earnings capacity of PECO on a large part of its book equity.

a) Specifically identify the causes of such investor uncertainty.

b) If PECO is denied earnings on the above referenced part of its book equity, what would be the affect on PECO's dividend? ...on PECO's stock price?

Response:

a) The cause of such investor uncertainty is the possibility that part of the book common equity is used to finance Construction Work in Progress and that some part of Construction Work in Progress may not be allowed to be put in the rate base, even when the Construction Work in Progress is closed to the utility plant account. This is precisely what happened with respect to PP&L, since the Commission, in effect, disallowed part of its utility plant account specifically invested in Susquehanna.

b) It is not possible to answer the question specifically without knowing the degree and extent of the Construction Work in Progress ultimately closed to the plant in service account not allowed as rate base. If a large part of Construction Work in Progress is not allowed in rate base, it is reasonable to assume the present dividend would need to be reduced, the price of stock would fall, and the cost rate for common equity would increase.

Philadelphia Electric Company - Electric Operations
Response to General Service Administration's
First Set of Interrogatories
Dated November 20, 1985

Question 8.

a) Provide the interest coverage ratios shown in Mr. Brennan's Schedule 17, page 1, under the assumption that his recommended cost of equity (16.9% to 17.4%) was earned by PECO. Show all calculations.

b) What S&P bond rating would be associated with the coverage ratios calculated in Question 8.(a), above? Explain.

Response:

a) The answer to the question is shown on page 1, Schedule 1, of the Exhibit accompanying Mr. Brennan's Statement No. 28 with respect to the assumption that PECO would achieve a 16.9% return on the common equity part of the Company's rate base. The arithmetic methodology employed by Mr. Brennan to arrive at that coverage level is clearly explained in the computations included in Note 1 on that page. If 17.4%, rather than 16.9%, was assumed to be the achieved return rate on the common equity part of the Company's rate base, the overall rate of return would be 13.34% (see page 1 of Schedule 1). The indicated level of coverage to be achieved if the Company experienced no attrition and actually experienced a 13.34% overall rate of return would be:

Before income tax coverage * (21.06% ÷ 5.50%)	3.8x
After income tax coverage (13.34% ÷ 5.50%)	2.4x
Overall coverage of interest and preferred stock dividends (13.34%÷6.64%(5.50%+1.14%))	2.0x
	2.0x

Note: * 21.06% (13.34% - 5.50% = 7.84% ÷ 50.4%
(100.0% - 49.4% = 50.4%) = 15.56% ÷ 5.50%)

b) The answer is BBB-. The basis of the answer is the fact that S&P does not assign ratings on the basis of assumptions of an achieved return of either 16.9% or 17.4% for PECO, but instead assigns ratings on the basis of both the experienced level of coverage and the prospect for expected experienced level of coverage. Since PECO and many other utilities for many other years failed to achieve whatever a Commission authorized as the opportunity rate for common equity capital, S&P obviously would not assign a rating other than the existing rating on the strength of a hypothetical calculation stated in the question. This is particularly true in light of the fact that the calculation is related to rate base related debt rather than total debt outstanding, and that S&P discounts Allowance for Funds Used During Construction in its coverage calculations.