

# THE BUSINESS SITUATION

This article was prepared under the direction of Daniel Larkins.

**R**EAL GROSS domestic product (GDP) increased 3.4 percent in the third quarter of 1994 after increasing 4.1 percent in the second, according to the "advance" estimates of the national income and product accounts (NIPAs) (chart 1).<sup>1</sup> The output of goods and services increased a little more than in the second quarter, but the output of structures turned down (table 1).

Real gross domestic purchases increased 3.9 percent after increasing 4.6 percent (table 2). Most of the third-quarter increase was in final sales to domestic purchasers, which accelerated to a 3.5-percent increase from a 2.0-percent increase. Inventory investment increased modestly in the third quarter, as inventories increased even more strongly than they had in the second quarter.

Personal consumption expenditures increased 3.0 percent, more than twice as much as in the second quarter; purchases of durable goods and of services accounted for the step-up. Government purchases turned up; Federal Government purchases accounted for most of the upturn, with defense and nondefense purchases contributing about equally. Nonresidential fixed investment increased a little less than in the second quarter, as a step-up in producers' durable equipment was offset by a downturn in structures. Residen-

tial investment turned down, mainly reflecting a downturn in single-family structures.

Exports and imports, which are the link between goods and services produced in the United States (GDP) and goods and services purchased by U.S. residents (gross domestic purchases), both increased less than in the third quarter.

The fixed-weighted price index for gross domestic purchases increased 3.2 percent, the same rate as in the second quarter. The fixed-weighted price index for GDP increased 2.7 percent after increasing 2.9 percent.

**Motor vehicles.**—Motor vehicle output and final sales of motor vehicles to domestic purchasers in-

1. Quarterly estimates in the NIPAs are expressed at seasonally adjusted annual rates, and quarterly changes are differences between these rates. Quarter-to-quarter percent changes are annualized. Real, or constant-dollar, estimates are expressed in 1987 dollars.

**Table 1.—Real Gross Domestic Product, by Major Type of Product**  
[Seasonally adjusted at annual rates]

	Billions of 1987 dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				Percent change from preceding quarter			
		1993	1994			Percent change from preceding quarter			
	1994:III	IV	I	II	III	IV	I	II	III
<b>Gross domestic product ...</b>	<b>5,359.2</b>	<b>78.6</b>	<b>43.1</b>	<b>53.0</b>	<b>45.1</b>	<b>6.3</b>	<b>3.3</b>	<b>4.1</b>	<b>3.4</b>
Goods .....	2,236.1	57.3	33.3	32.5	34.8	11.5	6.4	6.1	6.5
Motor vehicles .....	225.8	22.2	18.0	-12.2	2.4	53.8	37.4	-19.2	4.4
Other .....	2,010.3	35.1	15.3	44.7	32.4	7.7	3.2	9.6	6.7
Services .....	2,649.7	5.1	14.6	10.0	13.9	.8	2.3	1.5	2.1
Structures .....	473.3	16.2	-4.8	10.4	-3.6	15.0	-4.0	9.2	-3.0

NOTE.—Most series are found in NIPA table 1.4. Output of motor vehicles is the sum of auto output and truck output, from tables 8.4 and 8.6, respectively.

CHART 1

**Selected Measures:  
Change From Preceding Quarter**

Percent



Note.—Percent change at annual rate from preceding quarter, based on seasonally adjusted estimates.

creased in the third quarter after falling in the second.<sup>2</sup> Output increased 4.4 percent after dropping 19.2 percent; trucks more than accounted for the increase (table 3). Sales increased 3.1 percent after falling 12.9 percent; auto sales, which increased 4.0 percent after falling 12.8 percent, accounted for most of the increase.

Final sales of motor vehicles to business increased 6.3 percent in the third quarter after falling 16.5 percent in the second; trucks accounted for the increase. Sales to consumers were unchanged after dropping 17.6 percent; a 4.9-percent increase in auto sales was offset by

a 12.6-percent decrease in truck sales. Factors frequently considered in analyses of consumer spending were mixed in the third quarter: The unemployment rate decreased, but the growth of real disposable personal income slowed; the Index of Consumer Sentiment (prepared by the University of Michigan's Survey Research Center) decreased for the second consecutive quarter but remained above 90 percent. Among factors specific to motor vehicle purchases, interest rates on new-vehicle loans increased for the second consecutive quarter, and many popular vehicle models were in short supply.

2. See also "Motor Vehicles, Model Year 1994" in this issue.

**Table 2.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers**

[Seasonally adjusted at annual rates]

	Billions of 1987 dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1993		1994	
		1993	1994			IV	I	II	III
	1994:III	IV	I	II	III				
<b>Gross domestic product</b> .....	<b>5,359.2</b>	<b>78.6</b>	<b>43.1</b>	<b>53.0</b>	<b>45.1</b>	<b>6.3</b>	<b>3.3</b>	<b>4.1</b>	<b>3.4</b>
Less: Exports of goods and services .....	659.2	29.9	-5.6	24.3	15.3	21.7	-3.5	16.6	9.8
Plus: Imports of goods and services .....	777.5	25.8	16.2	32.0	21.9	16.0	9.5	18.9	12.1
<b>Equals: Gross domestic purchases</b> .....	<b>5,477.5</b>	<b>74.4</b>	<b>64.9</b>	<b>60.7</b>	<b>51.7</b>	<b>5.8</b>	<b>5.0</b>	<b>4.6</b>	<b>3.9</b>
Less: Change in business inventories .....	64.5	-2.2	14.6	33.8	5.3	.....	.....	.....	.....
<b>Equals: Final sales to domestic purchasers</b> .....	<b>5,413.0</b>	<b>76.6</b>	<b>50.3</b>	<b>26.9</b>	<b>46.4</b>	<b>6.0</b>	<b>3.9</b>	<b>2.0</b>	<b>3.5</b>
Personal consumption expenditures .....	3,583.9	34.0	40.1	11.5	26.1	4.0	4.7	1.3	3.0
Nonresidential fixed investment .....	669.2	29.3	16.4	14.3	11.3	21.1	10.9	9.2	7.0
Residential investment .....	229.5	13.5	5.4	3.9	-4.3	28.2	10.0	7.0	-7.2
Government purchases .....	930.3	-3	-11.6	-2.8	13.2	-1	-4.9	-1.2	5.9

NOTE.—Dollar levels are found in NIPA tables 1.2 and 1.6. Percent changes are found in table 8.1.

**Table 3.—Motor Vehicle Output, Sales, and Inventories**

[Seasonally adjusted at annual rates]

	Billions of 1987 dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1993		1994	
		1993	1994			IV	I	II	III
	1994:III	IV	I	II	III				
<b>Output</b> .....	<b>225.8</b>	<b>22.2</b>	<b>18.0</b>	<b>-12.2</b>	<b>2.4</b>	<b>53.8</b>	<b>37.4</b>	<b>-19.2</b>	<b>4.4</b>
Autos .....	125.7	13.0	7.9	-9.2	-2	53.9	27.3	-24.6	-6
Trucks .....	100.1	9.2	10.1	-3.0	2.6	53.6	52.8	-11.4	11.1
Less: Exports .....	20.8	2.5	1.2	-7	1.5	77.0	28.1	-13.3	34.9
Autos .....	15.4	1.3	1.3	-6	1.4	50.9	45.2	-15.5	46.4
Trucks .....	5.4	1.2	-1	-1	.1	167.7	-7.1	-7.2	7.8
Plus: Imports .....	66.8	-4	-1.6	7.7	4.8	-2.8	-11.0	70.0	34.8
Autos .....	57.4	-6	-1.7	7.5	4.3	-4.9	-13.6	83.9	36.5
Trucks .....	9.4	.2	.1	.2	.5	9.9	4.7	9.5	24.4
<b>Equals: Gross domestic purchases</b> .....	<b>271.8</b>	<b>19.3</b>	<b>15.2</b>	<b>-3.8</b>	<b>5.7</b>	<b>37.1</b>	<b>26.1</b>	<b>-5.5</b>	<b>8.8</b>
Autos .....	167.7	11.1	4.9	-1.1	2.7	33.0	12.7	-2.6	6.7
Trucks .....	104.1	8.2	10.3	-2.7	3.0	44.4	51.9	-10.0	12.4
Less: Change in business inventories .....	7.2	7.3	-2.5	5.4	3.7	.....	.....	.....	.....
Autos .....	2.5	7.2	-5.2	4.6	1.1	.....	.....	.....	.....
Trucks .....	4.7	.1	2.7	.8	2.6	.....	.....	.....	.....
<b>Equals: Final sales to domestic purchasers</b> .....	<b>264.6</b>	<b>12.0</b>	<b>17.7</b>	<b>-9.2</b>	<b>2.0</b>	<b>21.3</b>	<b>30.9</b>	<b>-12.9</b>	<b>3.1</b>
Autos .....	165.2	3.9	10.1	-5.7	1.6	10.4	27.9	-12.8	4.0
Trucks .....	99.4	8.1	7.6	-3.5	.4	42.9	36.1	-13.0	1.6

NOTE.—Dollar levels are found in NIPA tables 8.4 (autos) and 8.6 (trucks).

Motor vehicle inventories increased for the second consecutive quarter but remained low. In units, the inventory-sales ratio for domestic new autos edged up to 2.4—the traditional industry target—from 2.3.

### Prices

As noted earlier, the fixed-weighted price index for gross domestic purchases increased 3.2 percent in the third quarter, the same rate as in the second. The price index for gross domestic purchases less food and energy, which is sometimes used to estimate an “underlying” inflation rate, increased 2.5 percent after increasing 3.6 percent; the third-quarter increase was about the same as

the average quarterly increase in 1993 and a percentage point lower than the average quarterly increase in 1991–92 (chart 2).

Prices of personal consumption expenditures (PCE) increased 3.5 percent after increasing 2.8 percent (table 4). The step-up was more than accounted for by food and energy prices. An acceleration in food prices mainly reflected a surge in the prices of nonalcoholic beverages (mainly coffee) and upturns in the prices of fresh fruits and vegetables. An upturn in energy prices was mainly concentrated in gasoline and oil. “Other PCE” prices decelerated; much of the slowdown was accounted for by clothing and shoes and by furniture and household equipment, although most other components also contributed.

### Third-Quarter 1994 Advance GDP Estimate: Source Data and Assumptions

The advance GDP estimate for the third quarter is based on the following major source data, some of which are subject to revision. (The number of months for which data were available is shown in parentheses.)

*Personal consumption expenditures:* Sales of retail stores (3) and unit auto and truck sales (3);

*Nonresidential fixed investment:* Unit auto and truck sales (3), construction put in place (2), manufacturers' shipments of machinery and equipment (3), and exports and imports of machinery and equipment (2);

*Residential investment:* Construction put in place (2) and housing starts (3);

*Change in business inventories:* Manufacturing and trade inventories (2) and unit auto and truck inventories (3);

*Net exports of goods and services:* Exports and imports of goods and services (2);

*Government purchases:* Military outlays (3), other Federal outlays (2), State and local construction put in place (2), State and local employment (3); and Employment Cost Index for the quarter.

*GDP prices:* Consumer Price Index (3), Producer Price Index (3), price indexes for nonpetroleum merchandise exports and imports (3), and values and quantities of petroleum imports (2).

The Bureau of Economic Analysis (BEA) made assumptions for the source data that were not available. Table A shows the assumptions for key series; a more comprehensive listing of assumptions is available on the Department of Commerce's Economic Bulletin Board or from BEA.

Table A.—Key Data Assumptions for the Advance GDP Estimate, 1994:III

[Billions of dollars, seasonally adjusted at annual rates]

	1994					
	April	May	June	July	August	September
Fixed investment:						
Nonresidential structures:						
Buildings, utilities, and farm:						
Value of new nonresidential construction put in place .....	133.4	134.3	135.7	134.7	133.4	<sup>1</sup> 132.5
Producers' durable equipment:						
Manufacturers' shipments of complete aircraft .....	15.6	15.0	22.5	13.6	23.1	<sup>1</sup> 21.9
Residential structures:						
Value of new residential construction put in place:						
1-unit structures .....	155.8	156.8	155.8	154.9	153.0	<sup>1</sup> 153.9
2-or-more-unit structures .....	12.6	13.3	13.1	13.2	13.4	<sup>1</sup> 14.6
Change in business inventories, nonfarm:						
Change in inventories for manufacturing and trade (except nonmerchant wholesalers) for industries other than motor vehicles and equipment in trade .....	40.7	98.2	30.4	75.4	69.5	<sup>1</sup> 48.3
Net exports:						
Exports of merchandise:						
U.S. exports of merchandise, excluding gold, balance of payments basis .....	484.5	483.3	504.3	481.6	526.6	<sup>1</sup> 510.8
Imports of merchandise:						
U.S. imports of merchandise, excluding gold, balance of payments basis .....	644.6	654.6	672.6	673.0	698.2	<sup>1</sup> 695.1
Net merchandise trade (exports less imports) .....	-160.0	-171.3	-168.2	-191.4	-171.6	<sup>1</sup> -184.3
Government purchases:						
State and local:						
Structures:						
Value of new construction put in place .....	109.9	112.7	113.7	115.7	117.6	<sup>1</sup> 115.9

1. Assumed.

Prices of nonresidential fixed investment increased 2.5 percent, about the same rate as in the two preceding quarters. A step-up in structures was offset by a slowdown in producers' durable equipment. The slowdown reflected a larger drop in computer prices than in the second quarter and smaller price increases for other major categories of equipment.

Prices of residential investment increased 5.3 percent after increasing 2.7 percent. The third-quarter increase, which was the largest in more

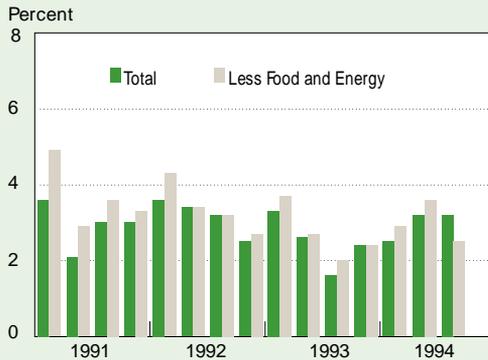
than 4 years, was mainly accounted for by single-family structures.

Prices of government purchases increased 2.0 percent after increasing 4.9 percent. About half of the slowdown reflected the pattern of incentive payments ("buyouts") to civilian employees who leave Federal service voluntarily; these payments dropped sharply in the third quarter after increasing sharply in the second. Excluding the buyouts, prices of government purchases would have increased 2.6 percent after increasing 4.1 percent. For Federal Government purchases, prices increased 0.8 percent after increasing 7.7 percent; excluding the buyouts, prices would have increased 2.2 percent after increasing 5.8 percent. Both defense and nondefense purchases contributed to the slowdown. For State and local government purchases, prices increased 2.9 percent, about the same as in the second quarter.

The price index for GDP, which measures the prices paid for goods and services produced in the United States, increased 2.7 percent after increasing 2.9 percent. This index, unlike the index for gross domestic purchases, includes the prices of exports and excludes the prices of imports. Export prices increased 2.3 percent after increasing 2.7 percent. Import prices increased 8.1 percent after increasing 5.8 percent; the price of imported petroleum products increased less sharply than in the second quarter, while the price of "other merchandise imports" accelerated.

CHART 2

### Gross Domestic Purchases Prices (Fixed Weights): Change From Preceding Quarter



Note.—Percent change at annual rate from preceding quarter, based on seasonally adjusted index numbers (1987=100).

U.S. Department of Commerce, Bureau of Economic Analysis

**Table 4.—Fixed-Weighted Price Indexes: Change From Preceding Quarter**

[Percent change at annual rates; based on seasonally adjusted index numbers (1987=100)]

	1993		1994	
	IV	I	II	III
<b>Gross domestic product</b> .....	<b>2.4</b>	<b>3.1</b>	<b>2.9</b>	<b>2.7</b>
Less: Exports of goods and services .....	.6	3.8	2.7	2.3
Plus: Imports of goods and services .....	1.1	-2.7	5.8	8.1
<b>Equals: Gross domestic purchases</b> .....	<b>2.4</b>	<b>2.5</b>	<b>3.2</b>	<b>3.2</b>
Less: Change in business inventories .....	.....	.....	.....	.....
<b>Equals: Final sales to domestic purchasers</b> ....	<b>2.4</b>	<b>2.5</b>	<b>3.2</b>	<b>3.2</b>
Personal consumption expenditures .....	2.8	1.9	2.8	3.5
Food .....	3.7	1.1	1.3	5.5
Energy .....	1.9	-1.5	-8	10.4
Other personal consumption expenditures ....	2.7	2.3	3.4	2.6
Nonresidential fixed investment .....	1.6	2.5	2.7	2.5
Nonresidential structures .....	3.3	3.2	2.0	4.0
Producers' durable equipment .....	.7	2.1	3.1	1.7
Residential investment .....	2.9	4.5	2.7	5.3
Government purchases .....	1.6	4.3	4.9	2.0
<b>Addenda:</b>				
Merchandise imports .....	-1	-2.6	7.7	9.3
Petroleum and products .....	-26.3	-34.7	79.6	55.5
Other merchandise .....	2.6	.5	3.4	5.9

NOTE.—Percent changes in major aggregates are found in NIPA table 8.1. Most index number levels are found in tables 7.1 and 7.2.

### Alternative measures

Both of BEA's alternative measures of real GDP—the chain-type annual-weighted measure and the benchmark-years-weighted measure—increased 3.1 percent in the third quarter, 0.3

**Table 5.—Fixed-Weighted and Alternative Quantity and Price Indexes**

[Percent change at annual rates; based on seasonally adjusted index numbers (1987=100)]

	1993		1994	
	IV	I	II	III
<b>Gross domestic product:</b>				
Quantity indexes:				
Fixed 1987 weights .....	6.3	3.3	4.1	3.4
Chain-type annual weights .....	5.1	3.2	4.2	3.1
Benchmark-years weights .....	5.1	3.2	4.1	3.1
Price indexes:				
Fixed 1987 weights .....	2.4	3.1	2.9	2.7
Chain-type annual weights .....	2.5	3.2	2.7	2.4
Benchmark-years weights .....	2.4	3.2	2.7	2.4
<b>Gross domestic purchases:</b>				
Price indexes:				
Fixed 1987 weights .....	2.4	2.5	3.2	3.2
Chain-type annual weights .....	2.4	2.5	3.1	3.0
Benchmark-years weights .....	2.4	2.6	3.1	3.0

NOTE.—Percent changes are found in NIPA table 8.1. Index number levels are found in tables 7.1 and 7.2.

percentage point less than the featured fixed-1987-weighted measure (table 5). Most of this difference was accounted for by a strong increase in purchases of computers, a product whose prices have decreased sharply since 1987. In the first and second quarters, the alternative measures had differed from the featured measure by no more than 0.1 percentage point.

The alternative measures of gross domestic purchases prices both increased 3.0 percent—0.2 percentage point less than the featured fixed-1987-weighted measure of gross domestic purchases prices. The alternative measures of GDP prices both increased 2.4 percent in the third quarter—0.3 percentage point less than the corresponding fixed-weighted measure.

**Personal income**

Real disposable personal income (DPI) increased 2.7 percent in the third quarter after increas-

ing 3.5 percent in the second (chart 3). The deceleration reflected a slowdown in current-dollar DPI, which increased 5.9 percent after increasing 6.8 percent. The personal saving rate—saving as a percentage of current-dollar DPI—edged down 0.1 percentage point to 4.0 percent.

Personal income increased \$67.9 billion after increasing \$104.1 billion (table 6). Rental income of persons accounted for more than half of the deceleration; wage and salary disbursements and proprietors' income also contributed.

**Table 6.—Personal Income and Its Disposition**

[Billions of dollars, seasonally adjusted at annual rates]

	Level 1994: III	Change from preceding quarter			
		1993 IV	1994		
			I	II	III
Wage and salary disbursements .....	3,292.3	32.5	59.9	48.9	35.1
Commodity-producing industries .....	821.0	9.6	10.9	9.7	9.4
Manufacturing .....	617.8	6.8	7.7	3.4	5.0
Other .....	203.2	2.8	3.2	6.3	4.4
Distributive industries .....	753.8	3.0	16.0	13.9	11.3
Service industries .....	1,113.2	18.2	25.0	19.2	12.0
Government and government enterprises .....	604.2	1.7	7.9	6.2	2.3
Other labor income .....	383.7	8.0	6.4	5.2	5.3
Proprietors' income .....	465.4	42.6	8.1	.3	-5.9
Farm .....	28.5	28.6	2.8	-7.9	-10.8
Nonfarm .....	436.9	14.0	5.3	8.1	5.0
Rental income of persons .....	33.8	4.0	-15.0	18.8	-3
Personal dividend income .....	196.9	1.3	1.6	6.0	5.2
Personal interest income .....	670.2	-6.4	3.4	18.3	20.8
Transfer payments to persons .....	968.3	9.4	16.4	10.2	10.7
Less: Personal contributions for social insurance .....	282.8	2.8	9.7	3.6	2.9
<b>Personal income</b> .....	<b>5,727.8</b>	<b>88.7</b>	<b>71.2</b>	<b>104.1</b>	<b>67.9</b>
Less: Personal tax and nontax payments .....	743.8	11.6	16.0	23.4	-2.6
<b>Equals: Disposable personal income</b> .....	<b>4,984.0</b>	<b>77.1</b>	<b>55.2</b>	<b>80.7</b>	<b>70.5</b>
Less: Personal outlays .....	4,785.3	70.0	69.1	55.1	72.9
<b>Equals: Personal saving</b> .....	<b>198.8</b>	<b>7.1</b>	<b>-13.9</b>	<b>25.6</b>	<b>-2.3</b>
<b>Addenda: Special factors in personal income:</b>					
In wages and salaries:					
Federal Government and Postal Service pay adjustments, including "buyouts" .....		-9	2.7	1.7	-1.5
In farm proprietors' income:					
Agricultural subsidy payments .....		13.9	-3.3	-2.9	-7.3
In nonfarm proprietors' income:					
Uninsured losses to business property:					
Due to Northridge, California, earthquake <sup>1</sup> .....		0	-1.4	1.4	0
In rental income of persons with CCAdj:					
Uninsured losses to business property:					
Due to Northridge, California, earthquake <sup>1</sup> .....		0	-18.5	19.2	-3
In transfer payments to persons:					
Social security retroactive payments .....		1.2	-1.2	.1	-1
Cost-of-living increases in Federal transfer payments .....		0	8.9	1.6	0
Northridge, California, earthquake disaster relief payments .....		0	1.4	-9	.2
Emergency unemployment compensation payments .....		-2.4	-4.7	-3.7	-1.5
In personal contributions for social insurance:					
Social security rate and base changes and increase in premium for supplementary medical insurance and in medicare taxable wage base .....		0	6.2	0	0

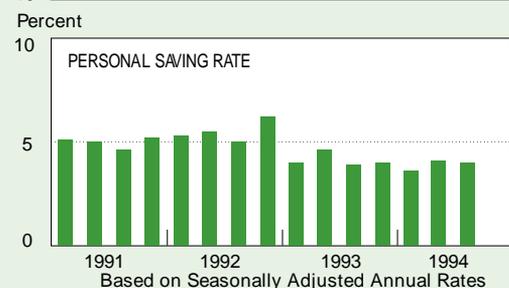
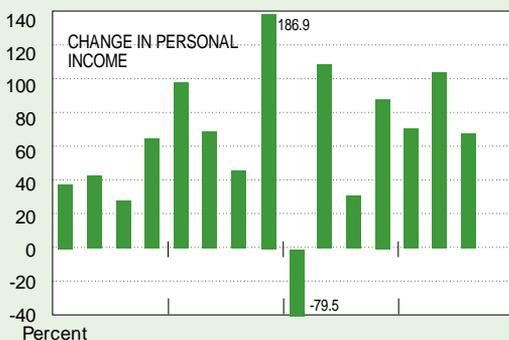
1. These estimates mainly reflect adjustments to account for uninsured losses to residential and business property; however, some of the estimates include relatively small amounts reflecting other items.

NOTE.—Most dollar levels are found in NIPA table 2.1.  
IVA Inventory valuation adjustment  
CCAdj Capital consumption adjustment

CHART 3

**Selected Personal Income and Saving Measures**

Billions \$



Note—Changes are from preceding quarter.

U.S. Department of Commerce, Bureau of Economic Analysis

Rental income of persons decreased \$0.3 billion after increasing \$18.8 billion. The second-quarter increase had reflected a rebound from the effects of damages that resulted from the Northridge, California, earthquake in January.<sup>3</sup>

Wage and salary disbursements increased \$35.1 billion after increasing \$48.9 billion. Wages and salaries in both private industry and government decelerated. In private industry, the deceleration was concentrated in the service and distributive industries and reflected a downturn in average hours per employee. In government, the deceleration reflected the pattern of incentive payments (buyouts) for Federal personnel.

Farm proprietors' income decreased \$10.8 billion after decreasing \$7.9 billion. Federal farm subsidy payments decreased \$7.3 billion after decreasing \$2.9 billion. Excluding subsidies, farm proprietors' income decreased \$3.6 billion after decreasing \$4.9 billion; the decreases were accounted for by lower crop and livestock prices.

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3. The April 1994 "Business Situation" presented adjustments that reflected estimates of the extent of the earthquake's damage to fixed capital and the resulting effects on various components of personal income and on corporate profits.

Nonfarm proprietors' income increased less than in the second quarter, when it rebounded from the effects of the Northridge earthquake. The deceleration also reflected a slowdown in single-family construction, the part of the construction industry in which proprietorships and partnerships are concentrated.

Personal interest income increased \$20.8 billion after increasing \$18.3 billion. The increases largely reflected increases in interest rates.

Other labor income, personal dividend income, and transfer payments increased about as much as in the second quarter. Personal contributions for social insurance, which are subtracted in the derivation of the personal income total, increased about the same amount in both quarters.

Personal tax and nontax payments decreased \$2.6 billion after increasing \$23.4 billion. Second-quarter tax payments had been boosted by the effects of the Omnibus Budget Reconciliation Act of 1993, which retroactively increased tax rates for high-income taxpayers. These taxpayers had the option of paying the additional 1993 income tax in three annual installments, the first of which was due April 15, 1994. 