

March 25, 1987

SUMMARY AND OUTLOOK

Prepared for the Federal Open Market Committee

By the staff of the Board of Governors of the Federal Reserve System

March 25, 1987

CONFIDENTIAL - FR
CLASS II FOMC

STAFF GNP PROJECTIONS

Percent changes, annual rate

		Nominal GNP		Real GNP		GNP fixed-weighted price index		GNP deflator		Unemployment rate (percent)	
		2/4/87	3/25/87	2/4/87	3/25/87	2/4/87	3/25/87	2/4/87	3/25/87	2/4/87	3/25/87
Annual changes:											
1985	<1>	6.2	6.2	2.7	2.7	3.7	3.7	3.3	3.3	7.2	7.2
1986	<1>	5.3	5.2	2.5	2.5	2.8	2.8	2.7	2.7	7.0	7.0
1987		4.9	4.9	2.4	2.4	2.8	2.8	2.5	2.4	6.7	6.7
1988		6.2	5.9	2.8	2.7	3.5	3.5	3.3	3.1	6.5	6.6
Quarterly changes:											
1986	Q1 <1>	6.2	6.2	3.8	3.8	2.5	2.5	2.5	2.5	7.1	7.1
	Q2 <1>	2.6	2.6	.6	.6	1.7	1.7	1.8	1.8	7.1	7.1
	Q3 <1>	6.4	6.4	2.8	2.8	2.6	2.6	3.6	3.6	6.9	6.9
	Q4 <1>	2.6	1.7	1.7	1.1	2.6	2.7	1.0	.7	6.9	6.9
1987	Q1	5.0	6.0	2.2	3.2	2.9	3.1	2.6	2.8	6.7	6.7
	Q2	5.9	5.7	2.8	2.6	3.1	3.1	3.0	3.0	6.7	6.7
	Q3	6.1	5.7	2.9	2.6	3.1	3.1	3.0	3.0	6.6	6.7
	Q4	6.1	5.5	3.0	2.8	3.1	3.1	3.0	2.6	6.6	6.7
1988	Q1	6.4	6.0	2.7	2.6	4.0	3.8	3.5	3.3	6.6	6.
	Q2	6.2	6.0	2.6	2.6	3.7	3.7	3.4	3.3	6.6	6.
	Q3	6.0	6.3	2.6	2.8	3.7	3.7	3.3	3.4	6.5	6.5
	Q4	6.2	6.2	2.7	2.7	3.7	3.7	3.5	3.4	6.5	6.5
Two-quarter changes: <2>											
1986	Q2 <1>	4.3	4.3	2.2	2.2	2.1	2.1	2.1	2.1	.0	.0
	Q4 <1>	4.5	4.0	2.3	1.9	2.6	2.6	2.3	2.1	-.2	-.2
1987	Q2	5.4	5.9	2.5	2.9	3.0	3.1	2.8	2.9	-.2	-.2
	Q4	6.1	5.6	3.0	2.7	3.1	3.1	3.0	2.8	-.1	.0
1988	Q2	6.3	6.0	2.7	2.6	3.9	3.8	3.5	3.3	.0	-.1
	Q4	6.1	6.3	2.6	2.8	3.7	3.7	3.4	3.4	-.1	-.1
Four-quarter changes: <3>											
1985	Q4 <1>	6.3	6.3	2.9	2.9	3.6	3.6	3.3	3.3	-.2	-.2
1986	Q4 <1>	4.4	4.2	2.2	2.0	2.4	2.4	2.2	2.1	-.2	-.2
1987	Q4	5.8	5.7	2.8	2.8	3.1	3.1	2.9	2.9	-.3	-.2
1988	Q4	6.2	6.1	2.7	2.7	3.8	3.8	3.4	3.4	-.1	-.2

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

March 25, 1987

CONFIDENTIAL - FR
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS
(Seasonally adjusted; annual rate)

	Units	Projection									
		1986		1987				1988			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GNP	Billions of \$	4240.7	4258.7	4321.4	4381.8	4442.5	4502.0	4567.9	4635.3	4706.9	4778.2
Real GNP	Billions of 82\$	3686.4	3696.1	3725.1	3748.9	3772.8	3799.4	3823.7	3848.3	3874.8	3901.0
Nominal GNP	Percent change	6.4	1.7	6.0	5.7	5.7	5.5	6.0	6.0	6.3	6.2
Real GNP		2.8	1.1	3.2	2.6	2.6	2.8	2.6	2.6	2.8	2.7
Gross domestic product		2.6	1.5	3.2	2.7	2.7	3.0	2.7	2.7	2.8	2.8
Gross domestic purchases		3.7	-6	1.4	1.8	1.5	1.5	1.2	1.2	1.5	1.6
Final sales		4.5	4.2	-1.9	3.9	2.4	2.2	2.5	2.6	2.8	2.5
Private dom. final purchases		5.6	.5	-3.9	3.9	1.9	1.0	1.5	1.3	1.5	1.4
Personal consumption expend.		6.7	-4	-1.8	3.7	1.5	.5	1.1	1.1	1.3	1.1
Durables		44.6	-11.0	-22.2	13.8	4.2	-4.3	.6	.7	2.0	.6
Nondurables		-9	-1	-1.9	1.9	1.1	1.1	1.1	1.1	1.1	1.1
Services		2.4	3.2	5.6	2.2	1.0	1.6	1.3	1.3	1.2	1.3
Business fixed investment		-2.1	3.0	-15.9	6.4	3.7	2.6	2.7	2.0	2.7	2.0
Producers' durable equipment		1.2	6.6	-18.0	7.7	5.0	4.0	4.5	3.5	4.5	3.5
Nonresidential structures		-9.8	-5.4	-10.4	3.0	.5	-1.1	-1.9	-2.0	-2.1	-2.0
Residential structures		9.7	5.2	.1	.4	2.1	2.8	2.7	1.8	1.8	3.2
Exports		13.3	16.7	10.1	8.6	11.7	12.9	13.4	13.0	13.4	11.6
Imports		17.3	-5	-4.3	1.3	1.4	.4	1.0	.7	1.9	2.1
Government purchases		4.5	10.5	-1.2	-2	-6	.6	-3	1.0	1.5	1.5
Federal		2.5	23.2	-4.6	-2.9	-4.4	-2.0	-3.6	-1.3	-2	-1
Defense		17.2	-10.2	7.0	4.0	-2.7	-2.6	-5.4	-2.2	-1.1	-2
State and local		6.1	1.1	1.7	2.1	2.6	2.7	2.4	2.8	2.8	2.8
Change in business inventories	Billions of 82\$	-.3	-28.5	18.1	6.3	7.5	13.1	14.3	14.0	13.7	15.8
Nonfarm	Billions of 82\$	-8.6	-9.8	25.1	10.3	11.5	17.1	18.8	18.5	18.2	20.3
Net exports	Billions of 82\$	-163.3	-148.0	-132.7	-126.2	-116.7	-104.5	-92.2	-79.3	-67.2	-57.0
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	100.3	101.1	101.8	102.4	102.8	103.3	103.7	104.2	104.6	105.1
Unemployment rate	Percent*	6.9	6.9	6.7	6.7	6.7	6.7	6.6	6.6	6.5	6.5
Industrial production index	Percent change	1.9	3.2	4.1	2.8	3.7	3.5	3.9	3.8	3.7	3.8
Capacity utilization rate-mfg.	Percent*	79.7	79.8	80.0	80.1	80.3	80.6	80.8	81.0	81.2	81.3
Housing Starts	Millions	1.76	1.70	1.78	1.70	1.72	1.72	1.73	1.74	1.74	1.74
Auto sales	Millions	12.91	11.32	9.32	10.76	11.35	10.85	10.85	10.90	11.00	11.00
Domestic	Millions	9.43	7.66	6.69	7.65	8.05	7.55	7.55	7.60	7.70	7.70
Foreign	Millions	3.47	3.66	2.63	3.11	3.30	3.30	3.30	3.30	3.30	3.30
INCOME AND SAVING											
Nominal personal income	Percent change	1.8	3.4	6.1	5.0	5.2	6.6	6.4	4.5	6.0	6.1
Real disposable income	Percent change	-3.1	-1.5	4.9	.8	.8	2.6	1.7	-.9	2.4	1.2
Personal saving rate	Percent*	2.8	2.5	4.1	3.4	3.2	3.7	3.8	3.3	3.5	3.5
Corp. profits with IVA & CCAdj	Percent change	12.7	11.6	14.5	-.4	6.5	7.2	-13.0	9.5	5.3	12.3
Profit share of GNP	Percent*	7.1	7.3	7.4	7.3	7.3	7.4	7.0	7.1	7.1	7.1
Federal govt. surplus/deficit	Billions of \$	-197.4	-189.2	-203.4	-188.2	-174.1	-177.4	-169.3	-145.3	-146.1	-140.2
State and local govt. surplus		64.0	59.4	56.2	58.5	59.0	60.1	62.4	63.5	64.5	65.8
PRICES AND COSTS											
GNP implicit deflator	Percent change	3.6	.7	2.8	3.0	3.0	2.6	3.3	3.3	3.4	3.4
GNP fixed-weight price index		2.6	2.7	3.1	3.1	3.1	3.1	3.8	3.7	3.7	3.7
Cons. & fixed invest. prices		3.0	3.3	4.3	3.5	3.6	3.3	4.0	4.1	4.4	4.2
CPI		2.5	2.6	5.1	3.6	3.8	3.6	4.1	4.2	4.5	4.6
Exc. food and energy		3.7	3.8	4.1	3.5	4.2	4.2	4.5	4.7	4.9	5.0
Nonfarm business sector											
Output per hour		-.3	-2.2	-1.2	1.1	1.3	1.2	.9	1.2	1.2	1.0
Compensation per hour		2.3	2.7	2.0	3.0	3.1	3.2	4.8	3.5	3.8	4.1
Unit labor costs		2.6	5.1	3.2	1.9	1.8	2.0	3.9	2.3	2.6	3.1

Not at an annual rate.

March 25, 1987

CONFIDENTIAL - FR
CLASS II FOMCGROSS NATIONAL PRODUCT AND RELATED ITEMS
(Seasonally adjusted; annual rate)

									Projection	
	Units	1980	1981	1982	1983	1984	1985	1986	1987	1988
EXPENDITURES										
Nominal GNP	Billions of \$	2732.0	3052.6	3166.0	3405.7	3765.0	3998.1	4206.1	4411.9	4672.1
Real GNP	Billions of 82\$	3187.1	3248.8	3166.0	3279.1	3489.9	3585.2	3674.9	3761.6	3862.0
Real GNP	Percent change*	-1.1	.6	-1.9	6.5	4.6	2.9	2.0	2.8	2.7
Gross domestic product		.3	.3	-1.6	6.6	4.9	3.1	2.3	2.9	2.7
Gross domestic purchases		-1.1	.8	-.8	8.4	5.9	3.9	2.4	1.6	1.4
Final sales		-.2	.1	.3	3.7	4.4	4.0	2.7	1.7	2.6
Private dom. final purchases		-1.7	-.3	.8	7.7	5.3	4.2	3.1	.7	1.4
Personal consumption expend.		-.1	.2	2.9	5.4	3.6	3.5	4.0	1.0	1.2
Durables		-5.6	-3.3	9.0	14.7	8.8	6.2	9.6	-3.1	1.0
Nondurables		-1.4	.5	1.8	4.4	2.2	2.0	3.3	.5	1.1
Services		2.4	.9	2.3	3.9	3.3	3.9	2.8	2.6	1.3
Business fixed investment		-4.8	5.6	-11.3	10.8	14.7	6.5	-4.0	-1.2	2.3
Producers' durable equipment		-6.5	2.2	-12.5	20.9	16.0	8.1	1.7	-.9	4.0
Nonresidential structures		-1.8	11.7	-9.1	-4.8	12.1	3.3	-16.2	-2.1	-2.0
Residential structures		-14.2	-22.4	4.9	38.1	5.3	7.8	10.0	1.3	2.4
Exports		.5	2.4	-13.8	5.8	5.5	-3.2	6.3	10.8	12.9
Imports		-8.8	4.9	-5.9	23.8	16.5	5.8	7.9	-.3	1.4
Government purchases		1.0	2.9	3.8	-2.7	7.7	8.4	2.7	-.3	.9
Federal		3.1	9.5	8.2	-8.1	14.2	14.3	.4	-3.5	-1.3
Defense		3.1	7.6	8.8	5.1	6.8	5.9	5.5	1.3	-2.2
State and local		-.3	-1.3	.6	1.5	3.1	3.7	4.6	2.3	2.7
Change in business inventories	Billions of 82\$	-6.9	23.9	-24.5	-6.4	59.2	9.0	6.6	11.3	14.5
Nonfarm	Billions of 82\$	-2.3	19.0	-23.1	-.1	54.3	10.9	7.4	16.0	18.9
Net exports	Billions of 82\$	57.0	49.4	26.3	-19.9	-83.6	-108.2	-147.8	-120.0	-73.9
Nominal GNP	Percent change*	9.9	9.3	3.1	10.4	8.5	6.3	4.2	5.7	6.1
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employment	Millions	90.4	91.2	89.6	90.2	94.5	97.6	100.2	102.5	104.4
Unemployment rate	Percent	7.1	7.6	9.7	9.6	7.5	7.2	7.0	6.7	6.6
Industrial production index	Percent change*	-.8	-1.0	-7.7	14.3	6.6	1.7	1.0	3.5	3.8
Capacity utilization rate-mfg.	Percent	79.3	78.3	70.3	74.0	80.5	80.1	79.8	80.3	81.1
Housing Starts	Millions	1.30	1.10	1.06	1.71	1.77	1.74	1.82	1.73	1.74
Auto sales	Millions	9.04	8.56	8.00	9.18	10.43	11.09	11.52	10.57	10.94
Domestic	Millions	6.62	6.24	5.77	6.77	7.97	8.24	8.28	7.48	7.64
Foreign	Millions	2.42	2.32	2.23	2.41	2.46	2.84	3.25	3.09	3.30
INCOME AND SAVING										
Nominal personal income	Percent change*	12.0	9.2	5.3	7.8	8.4	6.1	4.3	5.8	5.8
Real disposable income	Percent change*	1.1	.7	1.0	5.1	4.2	1.9	2.2	2.3	1.1
Personal saving rate	Percent	7.1	7.5	6.8	5.4	6.3	5.1	3.8	3.6	3.5
Corp. profits with IVA & CCAdj	Percent change*	-6.8	2.3	-19.1	70.1	6.6	7.8	8.7	6.8	3.0
Profit share of GNP	Percent	-6.5	6.2	4.7	6.3	7.0	7.0	7.1	7.4	7.1
Federal govt. surplus/deficit	Billions of \$	-61.3	-63.8	-145.9	-176.0	-170.0	-198.0	-203.4	-185.8	-150.2
State and local govt. surplus		26.8	34.1	35.1	47.5	68.5	61.7	63.0	58.4	64.1
PRICES AND COSTS										
GNP implicit deflator	Percent change*	9.9	8.7	5.2	3.6	3.6	3.3	2.1	2.9	3.4
GNP fixed-weight price index		9.8	8.5	5.0	3.9	3.9	3.6	2.4	3.1	3.8
Cons. & fixed invest. prices		10.1	8.2	4.4	3.3	3.6	3.4	2.0	3.7	4.2
CPI		12.5	9.6	4.5	3.2	4.1	3.5	1.3	4.0	4.3
Exc. food and energy		12.2	10.2	5.2	4.2	4.7	4.3	3.9	4.0	4.8
Nonfarm business sector										
Output per hour		1.0	-.6	1.0	3.6	1.0	.2	.5	.6	1.1
Compensation per hour		10.9	8.3	7.3	3.3	4.3	3.9	2.6	2.8	4.0
Unit labor costs		9.8	9.0	6.2	-.3	3.2	3.7	2.1	2.2	2

* Percent changes are from fourth quarter to fourth quarter.

CONFIDENTIAL - FR
CLASS II FOMC

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Net changes, billions of 1982 dollars)

March 25, 1987

	Projection										Projection			
	1986		1987				1988				1985	1986	1987	1988
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	(fourth quarter to fourth quarter, net change)			
Real GNP	25.0	9.7	29.0	23.8	23.9	26.5	24.3	24.7	26.5	26.1	101.9	73.8	103.3	101.6
Gross domestic product	23.2	13.4	29.0	24.4	24.8	27.5	25.0	25.4	26.7	26.7	107.6	82.0	105.8	103.7
Gross domestic purchases	34.4	-5.6	13.8	17.3	14.4	14.3	12.0	11.8	14.4	15.9	141.2	89.8	59.7	54.1
Final sales	40.4	37.8	-17.5	35.6	22.7	20.9	23.1	25.0	26.8	24.0	141.1	97.0	61.8	98.9
Private dom. final purchases	41.6	3.6	-30.4	29.5	14.3	7.5	11.3	10.2	11.9	10.9	122.5	93.1	20.8	44.2
Personal consumption expend.	39.6	-2.2	-11.2	22.4	9.2	3.2	6.9	7.0	7.9	7.0	80.0	94.1	23.6	28.8
Durables	34.5	-11.2	-23.1	11.7	3.8	-4.0	.5	.6	1.8	.6	20.2	33.4	-11.7	3.5
Nondurables	-1.9	-.3	-4.1	4.1	2.4	2.4	2.4	2.4	2.4	2.4	16.7	27.9	4.7	9.7
Services	7.0	9.2	16.2	6.6	3.0	4.8	3.9	4.0	3.7	4.0	43.1	32.7	30.7	15.6
Business fixed investment	-2.4	3.4	-19.4	6.8	4.1	2.9	3.0	2.2	3.0	2.3	29.3	-19.1	-5.6	10.6
Producers' durable equipment	1.0	5.2	-15.9	5.9	3.9	3.2	3.6	2.9	3.7	2.9	24.4	5.6	-2.9	13.1
Nonresidential structures	-3.4	-1.8	-3.4	.9	.2	-.3	-.6	-.6	-.6	-.6	4.9	-24.7	-2.7	-2.5
Residential structures	4.5	2.5	.0	.2	1.0	1.4	1.4	.9	.9	1.6	13.2	18.2	2.7	4.9
Change in business inventories	-15.4	-28.2	46.6	-11.8	1.2	5.6	1.2	-.3	-.3	2.1	-39.1	-23.3	41.6	2.7
Nonfarm	-19.6	-1.2	34.9	-14.8	1.2	5.6	1.7	-.3	-.3	2.1	-17.8	-25.9	26.9	3.2
Farm	4.2	-27.0	11.7	3.0	.0	.0	-.5	.0	.0	.0	-21.3	2.6	14.7	-.5
Net exports	-9.4	15.3	15.3	6.5	9.5	12.2	12.3	12.8	12.1	10.2	-39.3	-16.0	43.5	47.5
Exports	11.4	14.6	9.4	8.2	11.3	12.8	13.7	13.7	14.6	13.0	-12.1	22.9	41.7	55.0
Imports	20.9	-.7	-5.9	1.7	1.8	.5	1.4	.9	2.5	2.8	27.1	39.0	-1.8	7.5
Government purchases	8.2	18.9	-2.3	-.3	-1.1	1.2	-.5	1.9	2.8	2.9	57.9	19.9	-2.6	7.2
Federal	2.0	17.7	-4.1	-2.5	-3.8	-1.7	-3.1	-1.1	-.2	-.1	43.4	1.4	-12.1	-4.4
Defense	10.1	-6.9	4.3	2.5	-1.8	-1.7	-3.5	-1.4	-.7	-.1	13.4	13.2	3.3	-5.7
Nondefense	-8.0	24.6	-8.4	-5.0	-2.0	.0	.4	.3	.5	.0	30.0	-11.8	-15.4	1.3
State and local	6.2	1.2	1.8	2.2	2.7	2.9	2.6	3.0	3.0	3.0	14.5	18.5	9.6	11.6

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

	Fiscal Year 1986*	FY1987e		FY1988e		CY1987e		1986 IV*	FRB Staff Estimates						
		Admin ¹	FRB Staff	Admin ¹	FRB Staff	CY 1986*	FRB Staff		1987				1988		
									I	II	III	IV	I	II	III
Not seasonally adjusted															
Budget receipts ²	769	842	830	917	896	782	840	190	193	241	207	200	205	267	225
Budget outlays ²	990	1016	1011	1024	1047	991	1017	253	253	250	254	259	261	259	268
Surplus/deficit(-) to be financed ³	-221	-173	-181	-108	-151	-209	-177	-63	-60	-10	-47	-59	-56	8	-44
Means of financing:															
Borrowing from public	236	162	171	107	147	215	145	69	37	19	46	43	58	0	46
Cash balance decrease	-14	11	6	0	0	0	16	1	14	-7	-2	10	0	-5	-5
Other	-1	0	5	1	4	-5	16	-5	10	-2	3	6	-2	-3	3
Cash operating balance, end of period	31	20	25	20	25	31	15	31	17	23	25	15	15	20	25
Memo: Sponsored agency borrowing ⁴	14	n.a.	11	n.a.	20	13	12	4	-2	4	5	5	5	5	5
Seasonally adjusted annual rates															
Receipts	815	875	868	968	933	827	880	854	859	872	886	901	928	948	953
Expenditures	1025	1061	1057	1089	1092	1030	1065	1043	1063	1060	1060	1078	1098	1094	1099
Purchases	368	385	379	395	387	366	382	372	379	383	383	384	387	388	390
Defense	275	291	287	301	293	278	291	279	287	292	292	292	293	293	294
Nondefense	94	94	92	94	94	89	92	93	93	91	91	92	94	95	95
All other expend.	657	676	677	694	705	664	683	671	683	677	677	695	711	706	710
Surplus/deficit(-)	-211	-186	-189	-121	-160	-203	-186	-189	-203	-188	-174	-177	-169	-145	-146
High-employment surplus/ deficit(-) evaluated at 6 percent unemp.	-173	n.a.	-148	n.a.	-122	-165	-146	-147	-163	-148	-134	-139	-131	-107	-110

*--actual

e--estimated

n.a.--not available

Note: Details may not add to totals due to rounding

1. Budget of the United States Government, Fiscal Year 1988 (January 1987). The Congressional Budget Office baseline estimates published in February indicated receipts of \$834 and \$901 billion, outlays of \$1010 and \$1071 billion, and deficits of \$176 and \$171 billion in FY1987 and FY1988, respectively.
2. Includes outlays formerly classified as off-budget (e.g. Federal Financing Bank and Strategic Petroleum Reserve) and social security receipts and outlays classified as off-budget under current law.
3. Checks issued less checks paid, accrued items, and other transactions.
4. Sponsored agency borrowing includes net debt issuance by Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (excluding participation certificates), Federal National Mortgage Association (excluding mortgage-backed securities), Farm Credit Banks, and Student Loan Marketing Association marketable debt. The Administration's definition of borrowing by _____ agencies is somewhat broader.

March 25, 1987

Outlook for U.S. Net Exports and Related Items
(Billions of Dollars, Seasonally Adjusted Annual Rates)

	ANNUAL			1986		1987				1988			
	1986-	1987-P	1988-P	Q3-	Q4-	Q1-P	Q2-P	Q3-P	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
1. GNP Exports and Imports 1/													
Current \$, Net	-104.3	-111.5	-92.2	-108.9	-110.2	-115.2	-114.3	-110.8	-105.8	-101.7	-94.7	-89.0	-83.4
Exports of G+S	373.0	413.7	484.4	370.8	383.5	393.7	404.5	419.7	437.0	455.1	474.1	494.5	513.9
Imports of G+S	477.3	525.2	576.6	479.7	493.7	508.9	518.8	530.5	542.8	556.8	568.8	583.5	597.3
Constant 82 \$, Net	-147.8	-120.0	-73.9	-163.3	-148.0	-132.7	-126.2	-116.7	-104.5	-92.2	-79.3	-67.2	-57.0
Exports of G+S	371.5	410.2	462.0	371.2	385.8	395.2	403.4	414.7	427.5	441.2	454.9	469.4	482.4
Imports of G+S	519.2	530.2	535.9	534.5	533.8	527.9	529.6	531.4	532.0	533.3	534.2	536.7	539.4
2. U.S. Merchandise Trade Balance 2/	-147.7	-153.2	-135.4	-148.6	-153.5	-157.3	-155.8	-152.4	-147.4	-143.8	-137.4	-132.7	-127.8
Exports	221.8	250.1	301.5	223.1	229.3	235.0	243.7	254.9	266.9	280.4	294.7	308.9	322.0
Agricultural	26.9	26.1	28.4	26.0	28.4	26.6	25.8	26.1	26.0	27.1	28.0	29.1	29.4
Non-Agricultural	194.8	224.0	273.1	197.0	200.9	208.4	217.9	228.8	240.9	253.4	266.7	279.8	292.6
Imports	369.5	403.3	436.9	371.7	382.8	392.3	399.5	407.3	414.2	424.3	432.1	441.6	449.8
Petroleum and Products	33.9	39.3	43.1	31.9	32.2	37.7	38.9	40.1	40.3	41.8	42.2	44.0	44.2
Non-Petroleum	335.6	364.1	393.9	339.7	350.6	354.5	360.6	367.2	373.9	382.5	389.8	397.6	405.6
3. U.S. Current Account Balance	-140.6	-148.9	-133.9	-141.2	-147.3	-147.1	-153.7	-149.2	-145.7	-141.9	-135.7	-130.9	-127.3
Of Which: Net Investment Income	22.9	16.1	9.3	24.6	19.6	22.0	14.6	14.7	13.1	11.2	9.7	8.8	7.4
4. Foreign Outlook 3/													
Real GNP--Ten Industrial 4/	2.3	1.9	1.9	2.3	1.2	1.2	1.9	2.0	2.0	1.8	1.8	1.8	1.8
Real GNP--NonOPEC LDC 5/	4.2	3.9	4.1	4.1	3.9	3.8	3.8	3.9	3.9	4.0	4.3	4.6	5.0
Consumer Prices--Ten Ind. 4/	2.0	2.3	2.8	0.1	2.1	2.8	3.0	2.4	2.6	2.8	3.2	2.9	3.1

1/ Economic activity and product account data.

2/ International accounts basis.

3/ Percent change, annual rates.

4/ Weighted by multilateral trade-weights of G-10 countries plus Switzerland; prices are not seasonally adjusted.

5/ Weighted by share in NonOPEC LDC GNP.

P/ Projected

March 25, 1987

RECENT DEVELOPMENTS

Prepared for the Federal Open Market Committee
By the staff of the Board of Governors of the Federal Reserve System

GROSS OFFERINGS OF SECURITIES BY U.S. CORPORATIONS
(Monthly rates, not seasonally adjusted, billions of dollars)

	Year ^p	1986		Q1 ^e	1987		
		Q3	Q4 ^p		Jan. ^p	Feb. ^p	Mar. ^e
Corporate securities - total ¹	28.07	23.85	30.21	27.27	23.75	26.06	32.00
Public offerings in U.S.	24.52	20.48	27.49	24.77	22.82	23.50	28.00
Stocks--total ²	5.15	4.45	5.98	4.47	2.92	3.50	7.00
Nonfinancial	2.51	2.05	2.97	2.31	.62	2.10	4.20
Utility	.64	.48	.82	.48	.25	.60	.60
Industrial	1.87	1.57	2.15	1.83	.37	1.50	3.60
Financial	2.64	2.40	3.01	2.16	2.30	1.40	2.80
Bonds--total ¹	19.37	16.03	21.51	20.30	19.90	20.00	21.00
Nonfinancial	9.61	8.22	8.03	8.80	6.45	8.45	11.50
Utility	3.61	3.14	3.68	2.08	1.45	3.10	1.70
Industrial	6.00	5.08	4.35	6.72	5.00	5.35	9.80
Financial	9.76	7.81	13.48	11.50	13.45	11.55	9.50
By quality ³							
Aaa and Aa	5.70	3.82	7.19	3.30	3.80	3.10	3.00
A and Baa	6.03	5.15	5.16	6.92	7.55	6.70	6.50
Less than Baa	3.41	3.29	2.93	3.12	1.15	2.40	5.80
No rating (or unknown)	.34	.19	.52	.27	.10	.20	.50
Memo items:							
Equity-based bonds ⁴	.86	.70	.30	1.28	.74	1.73	1.60
Mortgage-backed bonds	4.13	3.58	6.70	6.40	7.10	7.10	5.00
Variable-rate notes	1.29	.72	3.48	2.25	2.70	1.85	2.20
Bonds sold abroad - total	3.55	3.28	2.72	2.50	.93	2.56	4.00
Nonfinancial	1.50	.93	.95	.95	.58	.78	1.50
Financial	2.05	2.35	1.77	1.55	.35	1.78	2.50
Stocks sold abroad - total	.15	.09	.27	.06	.02	.10	.05
Nonfinancial	.09	.07	.22	.05	.02	.10	.03
Financial	.06	.02	.05	.01	.00	.00	.02

p--preliminary. e--staff estimate.

1. Securities issued in the private placement market are not included. Total reflects gross proceeds rather than par value of original discount bonds.

2. Includes equity issues associated with debt/equity swaps.

3. Bonds categorized according to Moody's bond ratings or Standard and Poors if unrated by Moody's. Excludes mortgage-backed bonds.

4. Includes bonds convertible into equity and bonds with warrants that entitle the holder to purchase equity in the future.

TREASURY AND AGENCY FINANCING¹
(Total for period; billions of dollars)

	1986 Q4	1987 Q1 ^e	1987		
			Jan.	Feb. ^p	Mar. ^e
<u>Treasury financing</u>					
Combined surplus/deficit(-)	-64.4	-60.3	-2.2	-28.4	-29.8
Means of financing deficit:					
Net cash borrowing from the public	69.2	36.8	4.4	15.2	17.1
Marketable borrowings/ repayments(-)	54.5	26.2	3.7	10.1	12.4
Bills	15.9	-10.5	-3.3	-6.6	-.6
Coupons	38.6	36.7	7.0	16.7	13.0
Nonmarketable	14.7	10.6	.7	5.1	4.7
Decrease in the cash balance	.5	14.1	-10.4	16.5	8.0
Memo: Cash balance at end of period	30.9	16.8	41.3	24.8	16.8
Other ²	-5.3	9.5	8.2	-3.3	4.7
<u>Federally sponsored credit agencies, net cash borrowing³</u>					
	4.4	-2.4	-2.0	.1	-.5
FHLBs	1.6	2.8	1.5	1.0	0.3
FNMA	1.9	-2.5	-1.0	-1.1	-0.4
Farm Credit Banks	-1.0	-3.9	-2.3	-0.6	-1.0
FHLMC	0.3	0.5	0.2	0.1	0.2
SLMA	1.6	.7	-.4	.7	.4

p--preliminary. e--staff estimate.

1. Data reported on a not seasonally adjusted, payment basis.

2. Includes checks issued less checks paid, accrued items and other transactions.

3. Excludes mortgage pass-through securities issued by FNMA and FHLMC.

Municipal Securities Market

Gross offerings of tax-exempt bonds totaled \$8 billion in February but in March are expected to be considerably higher, perhaps reaching the average pace of issuance in 1986. Total tax-exempt offerings have been boosted during the first quarter by a continued large volume of advance refundings as public-purpose issuers take advantage of the relatively low rates. In the first quarter, total refundings will account for well over half of all new issues, a record share. The slowdown in borrowing to raise new capital reflects increased restrictions under tax reform, particularly the tightened volume curbs on private-purpose bonds. The bulk of issues so far this year have been general obligation and revenue bonds for public purposes, such as transportation and public utilities.

GROSS OFFERINGS OF MUNICIPAL SECURITIES
(Monthly rates, not seasonally adjusted, billions of dollars)

	1985 Year	1986 Year	1986 Q4	1987 Jan.	1987 Feb. ^P	1987 Mar. ^e
Total tax-exempt	19.82	12.87	11.37	7.20	8.37	11.70
Short-term ¹	1.97	1.65	.72	.37	.41	.70
Long-term	17.85	11.22	11.00	6.83	7.96	11.00
Refundings ²	4.85	4.62	5.43	4.27	4.93	6.00
New capital	13.00	6.60	5.57	2.56	3.03	5.00
Total taxable	.03	.33	.35	.12	.06	.65

e--staff estimate. p--preliminary.

1. Does not include tax-exempt commercial paper.

2. Includes all refunding bonds, not just advance refundings.

Issuance of taxable municipal bonds also picked up in March after four months of little volume. About \$650 million of taxable issues were sold, including \$465 million backed by guaranteed investment contracts