

September 16, 1987

SUMMARY AND OUTLOOK

Prepared for the Federal Open Market Committee

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

September 16, 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)	
		8/12/87	9/16/87	8/12/87	9/16/87	8/12/87	9/16/87	8/12/87	9/16/87	8/12/87	9/16/87
Annual changes:											
1985	<1>	6.3	6.3	3.0	3.0	3.5	3.5	3.2	3.2	7.2	7.2
1986	<1>	5.6	5.6	2.9	2.9	2.7	2.7	2.6	2.6	7.0	7.0
1987		5.8	5.8	2.6	2.7	3.5	3.5	3.1	3.1	6.3	6.2
1988		6.4	6.6	2.5	2.8	4.1	4.2	3.8	3.7	6.0	5.9
Quarterly changes:											
1986	Q1 <1>	7.0	7.0	5.4	5.4	2.2	2.2	1.8	1.8	7.1	7.1
	Q2 <1>	3.6	3.6	.6	.6	2.2	2.2	2.9	2.9	7.1	7.1
	Q3 <1>	5.3	5.3	1.4	1.4	2.6	2.6	3.6	3.6	6.9	6.9
	Q4 <1>	2.1	2.1	1.5	1.5	2.3	2.3	.7	.7	6.9	6.9
1987	Q1 <1>	8.6	8.6	4.4	4.4	4.5	4.5	4.2	4.2	6.7	6.7
	Q2 <1>	6.7	6.6	2.6	2.3	4.3	4.3	3.8	3.8	6.2	6.2
	Q3	6.4	6.8	2.6	3.5	3.6	3.2	3.7	3.3	6.1	6.0
	Q4	5.7	5.7	2.7	3.0	3.5	3.5	2.9	2.6	6.1	6.0
1988	Q1	6.6	6.9	2.5	2.9	4.5	4.6	4.0	4.0	6.0	5.9
	Q2	6.6	7.0	2.4	2.6	4.2	4.4	4.1	4.2	6.0	5.9
	Q3	6.6	6.7	2.4	2.4	4.4	4.5	4.1	4.2	6.0	5.9
	Q4	6.7	6.8	2.3	2.3	4.5	4.6	4.3	4.4	6.0	5.9
Two-quarter changes: <2>											
1986	Q2 <1>	5.3	5.3	3.0	3.0	2.1	2.1	2.3	2.3	.0	.0
	Q4 <1>	3.7	3.7	1.5	1.5	2.5	2.5	2.1	2.1	-.2	-.2
1987	Q2 <1>	7.6	7.6	3.5	3.4	4.5	4.5	4.0	4.0	-.7	-.7
	Q4	6.1	6.2	2.6	3.3	3.6	3.3	3.3	3.0	-.1	-.2
1988	Q2	6.6	7.0	2.4	2.7	4.3	4.5	4.1	4.1	-.1	-.1
	Q4	6.6	6.7	2.4	2.3	4.4	4.6	4.2	4.3	.0	.0
Four-quarter changes: <3>											
1985	Q4 <1>	6.6	6.6	3.3	3.3	3.6	3.6	3.1	3.1	-.2	-.2
1986	Q4 <1>	4.5	4.5	2.2	2.2	2.3	2.3	2.2	2.2	-.2	-.2
1987	Q4	6.8	6.9	3.1	3.3	4.0	3.9	3.7	3.5	-.8	-.9
1988	Q4	6.6	6.8	2.4	2.5	4.4	4.5	4.1	4.2	-.1	-.1

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

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

September 16, 1987

	Units	Projection									
		1986		1987				1988			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GNP	Billions of \$	4265.9	4288.1	4377.7	4447.7	4521.0	4584.4	4661.9	4741.1	4818.7	4898.2
Real GNP	Billions of 82\$	3718.0	3731.5	3772.2	3793.7	3826.6	3855.1	3882.3	3907.6	3930.6	3952.6
Nominal GNP	Percent change	5.3	2.1	8.6	6.6	6.8	5.7	6.9	7.0	6.7	6.8
Real GNP		1.4	1.5	4.4	2.3	3.5	3.0	2.9	2.6	2.4	2.3
Gross domestic product		1.2	2.2	4.2	2.6	3.4	3.1	2.9	2.6	2.5	2.3
Gross domestic purchases		3.0	.4	2.5	2.0	3.2	1.2	1.2	1.2	1.2	1.1
Final sales		3.9	3.7	-2.3	3.4	5.7	1.9	3.4	2.6	2.7	2.3
Private dom. final purchases		5.9	1.2	-3.2	2.8	6.2	-.2	1.7	1.5	1.6	1.3
Personal consumption expend.		7.3	.5	-.7	2.1	6.5	-.8	1.9	1.6	1.6	1.3
Durables		44.9	-6.3	-21.2	9.0	26.7	-16.1	3.6	1.9	1.7	.4
Nondurables		-.1	.2	1.3	-1.8	1.9	1.9	.9	.8	.8	.6
Services		2.6	3.0	5.4	3.0	3.9	2.8	2.2	2.2	2.2	2.1
Business fixed investment		-3.0	5.1	-14.6	9.3	9.9	6.4	4.2	3.6	3.1	2.6
Producers' durable equipment		3.1	4.7	-15.3	12.7	15.0	7.1	6.0	5.0	4.5	4.0
Nonresidential structures		-16.6	6.3	-12.8	1.0	-2.7	4.6	-.4	-.4	-.8	-1.4
Residential structures		9.7	2.2	-7.7	-2.2	-4.9	-7.3	-6.9	-5.5	-2.3	-1.5
Exports		10.6	9.5	10.2	12.1	20.2	13.5	14.4	14.0	12.0	11.2
Imports		20.1	-.8	-5.2	7.4	13.3	-2.2	-.4	1.5	1.5	1.8
Government purchases		3.0	7.9	-6.2	4.2	1.4	1.3	1.5	.0	.7	.7
Federal		2.4	15.2	-18.6	7.3	.6	.0	.3	-3.2	-1.6	-1.4
Defense		16.4	-10.5	7.6	10.7	-4.2	-4.4	-5.9	-4.9	-2.8	-2.5
State and local		3.5	2.4	5.0	2.0	1.9	2.4	2.4	2.5	2.4	2.3
Change in business inventories	Billions of 82\$	6.1	-14.4	47.6	37.8	18.6	29.3	24.5	25.0	22.5	22.0
onfarm	Billions of 82\$.1	2.3	43.9	23.4	13.4	26.3	25.0	26.0	23.5	23.0
exports	Billions of 82\$	-161.6	-151.8	-135.2	-133.3	-131.3	-114.4	-98.8	-85.7	-74.3	-63.7
OYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	99.8	100.4	101.1	101.7	102.2	102.7	103.3	103.8	104.2	104.6
Unemployment rate	Percent*	6.9	6.9	6.7	6.2	6.0	6.0	5.9	5.9	5.9	5.9
Industrial production index	Percent change	1.9	3.2	3.4	4.1	7.4	3.7	4.1	3.7	3.5	3.2
Capacity utilization rate-mfg.	Percent*	79.7	79.8	80.2	80.5	81.3	81.5	81.7	81.8	81.9	81.9
Housing Starts	Millions	1.76	1.70	1.79	1.62	1.60	1.55	1.52	1.51	1.48	1.47
Auto sales	Millions	12.91	11.32	9.66	10.26	11.55	10.00	10.30	10.45	10.65	10.65
Domestic	Millions	9.43	7.66	6.86	7.20	8.06	6.93	7.20	7.35	7.50	7.50
Foreign	Millions	3.47	3.66	2.80	3.06	3.49	3.07	3.10	3.10	3.15	3.15
INCOME AND SAVING											
Nominal personal income	Percent change	3.1	4.6	7.8	5.7	5.8	7.1	7.3	6.1	5.3	7.7
Real disposable income	Percent change	-1.0	.5	2.7	-3.9	8.1	2.7	2.0	-.3	.7	1.6
Personal saving rate	Percent*	3.6	3.6	4.4	3.0	3.4	4.2	4.2	3.7	3.5	3.6
Corp. profits with IVA & CCAdj	Percent change	5.9	-7.2	19.7	3.4	4.5	13.1	-10.5	7.0	12.8	2.2
Profit share of GNP	Percent*	6.7	6.6	6.7	6.7	6.6	6.7	6.5	6.5	6.5	6.5
Federal govt. surplus/deficit	Billions of \$	-203.7	-188.7	-170.5	-141.9	-167.2	-180.4	-180.7	-160.9	-152.7	-149.2
State and local govt. surplus		59.6	50.6	41.0	49.6	47.1	48.4	52.7	55.3	56.6	57.8
PRICES AND COSTS											
GNP implicit deflator	Percent change	3.6	.7	4.2	3.8	3.3	2.6	4.0	4.2	4.2	4.4
GNP fixed-weight price index		2.6	2.3	4.5	4.3	3.2	3.5	4.6	4.4	4.5	4.6
Cons. & fixed invest. prices		3.1	3.0	5.1	5.0	3.5	3.6	4.6	4.8	5.0	5.1
CPI		2.5	2.6	5.3	4.9	3.8	3.9	4.5	5.1	5.1	5.3
Exc. food and energy		3.7	3.8	4.4	4.7	3.9	4.7	5.1	5.6	5.8	5.9
Nonfarm business sector											
tput per hour		-.6	.0	.4	1.3	1.2	.6	1.0	1.0	1.0	1.1
mpensation per hour		2.8	4.0	1.1	3.0	3.4	3.6	5.0	4.2	4.7	5.0
it labor costs		3.5	4.0	.8	1.7	2.2	3.0	4.0	3.2	3.7	3.9

* Not at an annual rate.

September 16, 1987

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

	Units	1980	1981	1982	1983	1984	1985	1986	Projection	
									1987	1988
EXPENDITURES										
Nominal GNP	Billions of \$	2732.0	3052.6	3166.0	3405.7	3772.2	4010.3	4235.0	4482.7	4780.0
Real GNP	Billions of 82\$	3187.1	3248.8	3166.0	3279.1	3501.4	3607.5	3713.3	3811.9	3918.3
Real GNP	Percent change*	-.1	.6	-1.9	6.5	5.1	3.3	2.2	3.3	2.5
Gross domestic product		.3	.3	-1.6	6.6	5.3	3.5	2.6	3.3	2.6
Gross domestic purchases		-1.1	.8	-.8	8.4	6.4	4.1	2.7	2.2	1.2
Final sales		-.2	.1	.3	3.7	4.7	4.6	2.6	2.1	2.7
Private dom. final purchases		-1.7	-.3	.8	7.7	5.6	4.6	3.2	1.3	1.5
Personal consumption expend.		-.1	.2	2.9	5.4	4.1	4.5	4.1	1.7	1.6
Durables		-5.6	-3.3	9.0	14.7	10.8	6.6	12.4	-2.3	1.9
Nondurables		-1.4	.5	1.8	4.4	2.3	2.9	2.9	.8	.8
Services		2.4	.9	2.3	3.9	3.5	5.0	2.4	3.8	2.1
Business fixed investment		-4.8	5.6	-11.3	10.8	13.8	4.7	-4.7	2.2	3.4
Producers' durable equipment		-6.5	2.2	-12.5	20.9	14.9	7.0	.2	4.1	4.9
Nonresidential structures		-1.8	11.7	-9.1	-4.8	11.8	.1	-15.4	-2.7	-.7
Residential structures		-14.2	-22.4	4.9	38.1	6.1	6.0	12.5	-5.5	-4.1
Exports		.5	2.4	-13.8	5.8	5.9	-2.7	5.9	13.9	12.9
Imports		-8.8	4.9	-5.9	23.8	17.4	5.2	8.9	3.1	1.1
Government purchases		1.0	2.9	3.8	-2.7	7.9	8.7	2.4	.1	.7
Federal		3.1	9.5	8.2	-8.1	13.0	14.9	-.2	-3.2	-1.5
Defense		3.1	7.6	8.8	5.1	6.5	7.0	4.8	2.2	-4.1
State and local		-.3	-1.3	.6	1.5	4.4	4.0	4.6	2.8	2.4
Change in business inventories	Billions of 82\$	-6.9	23.9	-24.5	-6.4	62.3	7.4	13.8	33.3	23.5
Nonfarm	Billions of 82\$	-2.3	19.0	-23.1	-.1	57.8	12.0	15.4	26.7	24.4
Net exports	Billions of 82\$	57.0	49.4	26.3	-19.9	-84.0	-108.2	-145.8	-128.6	-80.6
Nominal GNP	Percent change*	9.9	9.3	3.1	10.4	8.6	6.6	4.5	6.9	6.8
EMPLOYMENT AND PRODUCTION										
Nonfarm payroll employment	Millions	90.4	91.2	89.6	90.2	94.5	97.5	99.6	102.0	104.0
Unemployment rate	Percent	7.1	7.6	9.7	9.6	7.5	7.2	7.0	6.2	5.9
Industrial production index	Percent change*	-.8	-1.0	-7.7	14.3	6.6	1.7	1.1	4.7	3.6
Capacity utilization rate-mfg.	Percent	79.3	78.3	70.3	74.0	80.5	80.1	79.7	80.8	81.8
Housing Starts	Millions	1.30	1.10	1.06	1.71	1.77	1.74	1.82	1.64	1.49
Auto sales	Millions	9.04	8.56	8.00	9.18	10.43	11.09	11.52	10.37	10.51
Domestic	Millions	6.62	6.24	5.77	6.77	7.97	8.24	8.28	7.26	7.39
Foreign	Millions	2.42	2.32	2.23	2.41	2.46	2.84	3.25	3.10	3.13
INCOME AND SAVING										
Nominal personal income	Percent change*	12.0	9.2	5.3	7.8	8.4	6.8	5.5	6.6	6.6
Real disposable income	Percent change*	1.1	.7	1.0	5.1	4.3	2.8	3.6	2.3	1.0
Personal saving rate	Percent	7.1	7.5	6.8	5.4	6.1	4.5	4.3	3.7	3.8
Corp. profits with IVA & CCAdj	Percent change*	-6.8	2.3	-19.1	70.1	7.4	4.1	1.2	10.0	2.5
Profit share of GNP	Percent	6.5	6.2	4.7	6.3	7.1	6.9	6.7	6.7	6.5
Federal govt. surplus/deficit	Billions of \$	-61.3	-63.8	-145.9	-176.0	-169.6	-196.0	-204.7	-165.0	-160.9
State and local govt. surplus		26.8	34.1	35.1	47.5	64.6	63.1	56.8	46.5	55.6
PRICES AND COSTS										
GNP implicit deflator	Percent change*	9.9	8.7	5.2	3.6	3.4	3.1	2.2	3.5	4.2
GNP fixed-weight price index		9.8	8.5	5.0	3.9	3.7	3.6	2.3	3.9	4.5
Cons. & fixed invest. prices		10.1	8.2	4.4	3.3	3.3	3.5	2.0	4.3	4.9
CPI		12.5	9.6	4.5	3.2	4.1	3.5	1.3	4.4	5.0
Exc. food and energy		12.2	10.2	5.2	4.2	4.7	4.3	3.9	4.4	5.6
Nonfarm business sector										
Output per hour		1.0	-.6	1.0	3.6	1.5	1.0	1.5	.9	1.0
Compensation per hour		10.9	8.3	7.3	3.3	4.2	4.8	3.4	2.8	4.7
Unit labor costs		9.8	9.0	6.2	-.3	2.6	3.7	1.9	1.9	3.7

* 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)

September 16, 1987

	Projection										Projection			
	1986		1987				1988				1985	1986	1987	1988
											(fourth quarter to fourth quarter, net change)			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GNP	13.3	13.5	40.7	21.5	32.9	28.5	27.2	25.2	23.0	22.0	115.7	80.6	123.6	97.5
Gross domestic product	10.6	20.4	38.3	24.1	31.5	28.9	27.9	25.2	24.0	22.1	121.5	92.7	122.8	99.1
Gross domestic purchases	28.1	3.7	24.1	19.6	30.9	11.7	11.6	12.2	11.6	11.4	150.2	103.1	86.3	46.7
Final sales	35.2	33.9	-21.3	31.4	52.1	17.8	32.0	24.7	25.5	22.5	159.0	93.3	80.0	104.8
Private dom. final purchases	44.4	9.5	-25.7	21.6	47.4	-1.6	13.5	11.6	12.8	10.5	133.0	97.7	41.8	48.5
Personal consumption expend.	43.2	3.0	-4.6	13.1	39.5	-4.9	12.2	10.3	10.4	8.2	102.1	97.3	43.1	41.0
Durables	35.9	-6.5	-23.1	8.2	23.4	-17.5	3.5	1.8	1.7	.4	22.0	43.9	-9.0	7.4
Nondurables	-.2	.5	2.9	-4.1	4.2	4.1	2.0	1.8	1.9	1.3	24.5	24.6	7.1	6.9
Services	7.5	8.9	15.8	9.0	11.8	8.5	6.7	6.7	6.8	6.5	55.7	28.6	45.1	26.7
Business fixed investment	-3.3	5.5	-17.2	9.6	10.4	7.0	4.7	4.0	3.5	3.0	20.8	-22.0	9.8	15.3
Producers' durable equipment	2.4	3.6	-13.0	9.3	11.2	5.6	4.9	4.1	3.8	3.4	20.7	.6	13.2	16.2
Nonresidential structures	-5.7	1.9	-4.2	.3	-.8	1.4	-.1	-.1	-.2	-.4	.1	-22.6	-3.4	-.9
Residential structures	4.6	1.1	-4.0	-1.1	-2.4	-3.6	-3.4	-2.7	-1.1	-.7	10.1	22.5	-11.2	-7.8
Change in business inventories	-22.0	-20.5	62.0	-9.8	-19.2	10.7	-4.8	.5	-2.5	-.5	-43.3	-12.8	43.7	-7.3
Nonfarm	-23.8	2.2	41.6	-20.5	-10.0	12.9	-1.3	1.0	-2.5	-.5	-22.0	-14.4	24.0	-3.3
Farm	1.8	-22.6	20.3	10.6	-9.1	-2.2	-3.5	-.5	.0	.0	-21.2	1.6	19.6	-4.0
Net exports	-14.8	9.8	16.6	1.9	2.0	16.8	15.7	13.0	11.4	10.6	-34.5	-22.5	37.4	50.8
Exports	9.4	8.7	9.5	11.5	19.3	13.8	15.2	15.2	13.6	13.1	-10.1	21.8	54.0	57.0
Imports	24.2	-1.1	-7.1	9.6	17.2	-3.0	-.5	2.1	2.1	2.5	24.4	44.3	16.7	6.2
Government purchases	5.6	14.6	-12.2	7.9	2.6	2.6	2.8	.0	1.3	1.4	60.5	18.1	.9	5.5
Federal	2.0	12.0	-17.3	5.8	.5	.0	.2	-2.7	-1.3	-1.2	44.8	-.7	-11.0	-3.0
Defense	9.7	-7.1	4.7	6.6	-2.8	-2.9	-3.9	-3.2	-1.8	-1.6	15.8	11.6	5.6	-10.5
Nondefense	-7.6	19.1	-22.0	-.8	3.3	2.9	4.1	.5	.5	.4	29.0	-12.3	-16.6	5.5
State and local	3.6	2.5	5.2	2.1	2.1	2.6	2.6	2.7	2.6	2.6	15.7	18.7	12.0	10.5

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

	Fiscal Year 1986*	FY1987e		FY1988e		CY1987e		FRB Staff Estimates								
		Admin ¹	FRB Staff	Admin ¹	FRB Staff	CY 1986*	FRB Staff	1986 IV*	I*	II*	1987 III	IV	I	1988 II	III	
Not seasonally adjusted																
Budget receipts ²	769	859	852	909	901	782	866	190	194	254	215	204	205	266	227	
Budget outlays ³	990	1017	1012	1032	1062	991	1038	253	252	251	255	280	245	264	273	
Surplus/deficit(-) to be financed ⁴	-221	-158	-160	-123	-161	-209	-171	-63	-59	2	-40	-75	-41	1	-46	
Means of financing:																
Borrowing from public	236	162	171	107	136	215	149	69	28	32	42	48	32	8	48	
Cash balance decrease	-14	11	-15	0	21	0	8	0	22	-31	-6	24	8	-5	-5	
Other ⁵	-1	0	4	1	3	-6	14	-6	9	-3	4	4	1	-4	3	
Cash operating balance, end of period	31	20	46	20	25	31	23	31	9	40	46	23	15	20	25	
Memo: Sponsored agency borrowing ⁴	14	n.a.	13	n.a.	23	13	15	4	-4	7	6	6	4	7	6	
Seasonally adjusted annual rates																
Receipts	816	875	888	968	942	827	902	853	879	922	897	910	936	957	966	
Expenditures	1027	1061	1055	1089	1111	1032	1067	1041	1050	1064	1065	1090	1116	1118	1119	
Purchases	369	385	374	395	388	366	377	369	367	380	380	382	389	389	391	
Defense	275	291	289	301	294	278	293	279	288	295	294	294	295	294	294	
Nondefense	93	94	85	94	93	88	85	90	79	85	86	88	94	95	96	
All other expend.	658	676	681	694	723	666	690	673	683	683	685	708	728	729	729	
Surplus/deficit(-)	-211	-186	-167	-121	-169	-205	-165	-189	-171	-142	-167	-180	-181	-161	-153	
High-employment surplus/ deficit(-) evaluated at 6 percent unemp.	-190	n.a.	-149	n.a.	-162	-183	-151	-163	-151	-125	-156	-171	-174	-156	-148	
*--actual																

Note: Details may not add to totals due to rounding

1. Mid-session Review of the 1988 Budget (August 1987). The Congressional Budget Office baseline estimates released August 19 indicated receipts of \$853 and \$897 billion, outlays of \$1010 and \$1080 billion, and deficits of \$157 and \$183 billion in FY1987 and FY1988, respectively. The CBO estimate of the FY1988 deficit with the policies of the Congressional Budget Resolution is \$146 billion.
2. Includes social security receipts and outlays, which are 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, the Federal Home Loan Mortgage Corporation (excluding participation certificates), the Federal National Mortgage Association (excluding mortgage-backed securities), Farm Credit Banks, the Student Loan Marketing Association, and the Financing Corporation formed to recapitalize the Federal Savings and Loan Insurance Corporation. The Administration's definition of borrowing by these agencies is somewhat broader.

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-	Q2-	Q3-P	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
1. <u>GNP Exports and Imports 1/</u>													
Current \$, Net	-105.5	-115.6	-99.1	-110.5	-116.9	-112.2	-118.6	-118.4	-113.0	-107.6	-100.8	-96.4	-91.6
Exports of G+S	376.2	423.3	503.9	376.6	383.3	397.3	411.0	433.0	451.9	472.7	494.4	514.3	534.1
Imports of G+S	481.7	539.0	603.1	487.1	500.2	509.5	529.7	551.6	565.1	580.4	595.2	610.8	625.8
Constant 82 \$, Net	-145.8	-128.6	-80.6	-161.6	-151.8	-135.2	-133.3	-131.3	-114.4	-98.8	-85.7	-74.3	-63.7
Exports of G+S	377.4	419.5	479.0	379.6	388.3	397.8	409.3	428.6	442.3	457.5	472.7	486.3	499.4
Imports of G+S	523.2	548.1	559.6	541.2	540.1	533.0	542.6	559.8	556.8	556.3	558.4	560.5	563.0
2. <u>U.S. Merchandise Trade Balance 2/</u>	-144.3	-158.1	-146.2	-148.5	-154.4	-155.0	-158.1	-162.0	-157.3	-153.3	-147.9	-143.6	-140.0
Exports	224.4	248.6	304.6	226.1	228.1	228.0	239.9	256.9	269.7	283.9	298.3	311.6	324.5
Agricultural	27.0	28.7	30.7	26.6	28.1	26.1	28.6	30.8	29.2	29.5	30.4	31.1	31.7
Non-Agricultural	197.3	219.9	273.9	199.6	200.0	201.9	211.3	226.1	240.5	254.3	267.8	280.5	292.8
Imports	368.7	406.7	450.7	374.6	382.5	383.0	398.0	418.9	427.0	437.1	446.1	455.2	464.5
Petroleum and Products	33.8	42.3	44.0	31.6	32.0	34.8	40.0	49.7	44.7	43.1	43.7	44.2	45.2
Non-Petroleum	334.9	364.5	406.7	343.0	350.4	348.2	358.0	369.3	382.3	394.0	402.4	411.1	419.3
3. <u>U.S. Current Account Balance</u>	-141.4	-161.3	-151.7	-146.3	-151.9	-147.1	-164.4	-171.7	-162.0	-158.2	-152.3	-149.0	-147.4
Of Which: Net Investment Income	20.8	10.2	4.3	21.4	18.0	22.0	6.4	2.1	10.1	6.0	5.4	3.4	2.4
4. <u>Foreign Outlook 3/</u>													
Real GNP--Ten Industrial 4/	2.4	2.0	1.9	2.0	1.6	1.3	2.9	1.5	2.0	1.8	1.8	1.8	1.9
Real GNP--NonOPEC LDC 5/	4.5	4.2	4.3	4.5	4.3	4.2	4.1	4.1	4.0	4.1	4.4	4.8	5.1
Consumer Prices--Ten Ind. 4/	2.0	2.2	2.8	0.1	2.1	2.4	3.4	2.2	2.6	2.7	3.1	2.6	3.6

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

September 16, 1987

RECENT DEVELOPMENTS

Prepared for the Federal Open Market Committee

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

UPDATES OF ADMINISTRATION AND CONGRESSIONAL BUDGET OFFICE BUDGET PROJECTIONS
(Fiscal years, billions of dollars)

	1987	1988	1989	1990	1991	1992
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Administration:¹

Current services:

Receipts	858	903	965	1040	1121	1188
Outlays	<u>1017</u>	<u>1064</u>	<u>1131</u>	<u>1186</u>	<u>1244</u>	<u>1293</u>
Deficit	<u>159</u>	<u>161</u>	<u>166</u>	<u>147</u>	<u>123</u>	<u>105</u>

policy proposals:

Receipts	859	909	973	1049	1131	1198
Outlays	<u>1017</u>	<u>1032</u>	<u>1085</u>	<u>1129</u>	<u>1176</u>	<u>1219</u>
Deficit	<u>158</u>	<u>123</u>	<u>113</u>	<u>80</u>	<u>45</u>	<u>21</u>

Congressional Budget Office:²

Baseline:

Receipts	853	897	954	1036	1115	1195
Outlays	<u>1010</u>	<u>1080</u>	<u>1146</u>	<u>1212</u>	<u>1280</u>	<u>1345</u>
Deficit	<u>157</u>	<u>183</u>	<u>192</u>	<u>176</u>	<u>165</u>	<u>151</u>

With Congressional Budget
Resolution policy:

Receipts	918	979	1062
Outlays	<u>1064</u>	<u>1119</u>	<u>1170</u>
Deficit	<u>146</u>	<u>140</u>	<u>108</u>

Memo:

January 1987 deficit
projections

Administration current services	175	150	147	126	101	78
CBO baseline	176	171	164	137	110	84

1. Office of Management and Budget, Mid-session Review of the 1988 Budget, August 17, 1987.

2. Congressional Budget Office, The Economic and Budget Outlook: An Update, August 1987.

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

	1987					
	Q2	Q3 ^e	Q4 ^e	July	Aug ^e	Sept ^e
<u>Treasury financing</u>						
Total surplus/deficit(-)	2.5	-40.1	-75.2	-22.3	-25.9	8.0
Means of financing deficit:						
Net cash borrowing from the public	31.7	42.4	47.8	-3.1	32.6	12.9
Marketable borrowings/repayments(-)	23.2	38.1	43.6	-7.5	34.1	11.6
Bills	-15.2	-.2	2.6	-15.7	15.2	.3
Coupons	38.4	38.3	41.0	8.2	18.9	11.3
Nonmarketable	8.5	4.2	4.2	4.4	-1.5	1.3
Decrease in the cash balance	-31.0	-6.3	23.6	20.6	-3.2	-23.7
Memo: Cash balance at end of period	40.1	46.4	22.7	19.4	22.6	46.4
Other ²	-3.2	4.0	3.8	4.8	-3.6	2.8
<u>Federally sponsored credit agencies, net cash borrowing³</u>						
	6.9	6.2	6.4	2.9	2.0	1.3
FHLBs	7.6	4.6	4.0	1.3	1.8	1.5
FNMA	-.6	.2	1.0	.6	.0	-.4
Farm Credit Banks	-1.0	-1.5	-1.5	-.9	-.3	-.3
FHLMC	-1.0	.3	.3	.1	.1	.1
FICO ⁴	--	--	.8	--	--	--
SLMA	1.9	2.6	1.8	1.8	.4	.4

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.

4. The Financing Corporation began operating in late August, 1987.

Note: Details may not add to totals due to rounding.