

TREASURY AND AGENCY FINANCING<sup>1</sup>  
(Total for period; billions of dollars)

	1985			1986	
	Q4	Nov.	Dec.	Q1 <sup>f</sup>	Jan. <sup>P</sup>
<u>Treasury financing</u>					
Combined surplus/deficit(-)	-75.2	-33.4	-14.7	-64.8	-4.5
Means of financing deficit:					
Net cash borrowing from the public	90.6	45.9	33.4	37.3	12.7
Marketable borrowings/ repayments(-)	63.3	39.5	17.2	35.8	12.2
Bills	15.7	7.9	2.3	-4.8	-.3
Coupons	47.6	31.6	14.9	40.6	12.5
Nonmarketable	27.3	6.4	16.2	1.5	.5
Decrease in the cash balance	-13.8	-8.3	-20.8	21.5	-9.3
Memo: Cash balance at end of period	30.9	10.1	30.9	9.4	40.2
Other <sup>2</sup>	-1.6	-4.2	2.1	6.0	1.1
<u>Federally sponsored credit agencies, net cash borrowing<sup>3</sup></u>					
FHLBs	2.1	.7	1.0	1.0	-1.1
FNMA	2.2	2.0	-.7	2.5	.8
Farm Credit Banks	2.5	-1.2	.7	-2.5	-1.8
FHLMC	-1.2	-2.2	.5	1.0	.4
SLMA	0.7	.2	.0	.7	.2

p--preliminary. f--staff forecast.

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.

CONFIDENTIAL (FR)  
CLASS III - FOMC

February 7, 1986

SUPPLEMENT  
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

Table 1  
ADMINISTRATION CURRENT SERVICES BUDGET  
(Fiscal years)

	1986	1987	1988	1989	1990	1991
	-----Billions of dollars-----					
Revenues	777	844	927	989	1,053	1,120
Outlays	982	1,026	1,077	1,128	1,179	1,224
Deficit	206	182	150	139	126	104
Memo:						
Deficit reduction proposals	3	38	56	71	91	105
Deficit with proposals	203	144	94	68	36	-1

Table 2  
ECONOMIC ASSUMPTIONS  
(Calendar years)

	1986	1987	1988	1989	1990	1991
	-----Percent change, Q4 to Q4-----					
Nominal GNP	8.0	8.3	7.7	7.0	6.2	5.6
Real GNP	4.0	4.0	4.0	3.7	3.6	3.5
GNP deflator	3.8	4.1	3.6	3.2	2.5	2.0
	-----Percent, fourth quarter-----					
Unemployment rate	6.7	6.5	6.2	6.0	5.7	5.5
Treasury bill rate	7.2	6.1	5.3	4.5	4.1	4.0

Table 3

## ADMINISTRATION CURRENT SERVICES DEFICIT ESTIMATES

Budget	Fiscal years					
	1986	1987	1988	1989	1990	1991
-----Billions of dollars-----						
1985	233	237	221	208	n.a.	n.a.
1986	230	246	248	233	224	n.a.
1987	206	182	150	139	126	104
-----Percent of GNP-----						
1985	5.4	5.1	4.4	3.8	n.a.	n.a.
1986	5.4	5.3	4.9	4.3	3.9	n.a.
1987	4.9	4.0	3.1	2.6	2.2	1.7

Table 4

BUDGET RECEIPT TRENDS 1981-1985  
(Fiscal years, billions of dollars)

	1981	1985	Increase	Memo: Level as a percent of GNP		
				1981	1985	1991*1
Total receipts	559.3	734.1	134.8	20.1	18.4	18.6
Individual	285.9	334.5	48.6	9.6	8.4	8.6
Corporate	61.1	61.3	0.2	2.0	1.5	2.1
Social insurance	182.7	265.2	82.5	6.1	6.6	6.8
Excise and other	69.6	73.1	3.5	2.3	1.8	1.2

1. Calculated from the FY1987 Budget (February 1986).

Table 5  
BUDGET OUTLAY TRENDS 1981-1985  
(Fiscal years)

Budget function	Level: (Billion of dollars)		Change: Billions of dollars      Annual percentage rate		Memo: Level as a percent total outlays		
	1981	1985	dollars	rate	1981	1985	1991 <sup>3</sup>
Total outlays	678.2	946.3	268.1	8.7	100.0	100.0	100.0
Defense	157.5	252.7	95.2	12.5	23.2	26.7	32.6
Interest	68.7	129.4	60.7	17.2	10.1	13.7	10.3
Social security (OASDI)	139.6	188.6	49.0	7.8	20.6	19.9	23.5
Medicare	39.1	65.8	26.7	13.9	5.8	7.0	8.8
Income security <sup>1</sup>	99.7	128.2	28.5	6.5	14.7	13.5	11.8
Agriculture <sup>2</sup>	11.3	25.6	14.3	22.7	1.7	2.7	1.0
Health	26.9	33.5	6.6	5.6	4.0	3.5	3.6
International affairs	13.1	16.2	3.1	5.5	1.9	1.7	1.6
Transportation	23.4	25.8	2.4	2.5	3.5	2.7	2.1
Science	6.5	8.6	2.1	7.2	1.0	.9	1.0
Natural resources	13.6	13.4	-.2	-.4	2.0	1.4	1.0
Regional Development	10.6	7.7	-2.9	-7.7	1.6	.8	.5
Commerce-Housing	8.2	4.2	-4.0	-15.4	1.2	.4	-.2
Education	33.7	29.3	-4.4	-3.4	5.0	3.1	2.3
Energy	15.2	5.7	-9.5	-21.7	2.2	.6	.3
Other	11.1	11.6	.5	1.1	1.6	1.2	.1

1. The FY1985 figure was elevated by a one-time \$14 billion payment for HUD-guaranteed notes to finance low-income housing. Without these payments, the annual rate of change would have been 3.5 percent.

2. Year-to-year agricultural outlays tend to be especially volatile. The change from 1981 to the average of 1984 and 1985 was an annual rate of 14.8 percent.

3. Calculated from policy levels in the FY1987 Budget (February 1986).

Table 6

DEFICIT REDUCTION PROPOSALS IN THE FY1987 BUDGET  
(Fiscal years, billions of dollars)

	1987	1988	1989
Total savings	38.2	56.4	71.4
Receipts	6.3	5.9	6.9
Outlays	28.7	45.9	63.8
Defense	2.7	4.5	6.3
Low-income benefits <sup>1</sup>	0.7	0.9	1.1
Human and social services <sup>2</sup>	15.4	24.0	31.0
Other <sup>3</sup>	7.5	13.6	16.0
Changes in user fees <sup>4</sup>	2.4	2.8	3.2
Net asset sales	3.2	4.6	0.7

1. Includes, among other things, aid for families with dependent children and food stamp outlays.

2. Includes spending for education, housing assistance, Medicare, and Medicaid.

3. Major items in this category are outlays for agriculture, rural housing, transportation, community and regional development, and civilian agency pay.

4. Includes off-setting collections which appear in the budget as negative outlays.