

CONFIDENTIAL (FR)
CLASS II FOMC

OUTLOOK FOR U.S. NET EXPORTS AND RELATED ITEMS
(BILLIONS OF DOLLARS, SEASONALLY ADJUSTED ANNUAL RATES)

July 1, 1981

	1980 ANN.	1981 ANN.	1982 ANN.	1981 Q I	1981 Q II	1981 Q III	1981 Q IV	1982 Q I	1982 Q II	1982 Q III	1982 Q IV
1. GNP NET EXPORTS											
CURRENT \$, NET	23.3	23.8	4.3	29.2	25.1	20.8	20.3	14.2	7.8	-.1	-4.9
EXPORTS OF G&S	339.8	377.4	400.0	367.4	373.6	380.4	388.1	393.0	398.0	401.7	407.3
IMPORTS OF G&S	316.5	353.5	395.7	338.2	348.6	359.7	367.7	378.8	390.2	401.8	412.2
CONSTANT 72 \$, NET	52.0	48.1	39.2	50.9	49.8	46.9	44.9	42.3	40.1	37.8	36.4
EXPORTS OF G&S	161.1	165.0	165.1	162.5	164.3	166.2	167.1	166.4	165.7	164.5	163.7
IMPORTS OF G&S	109.1	116.9	125.9	111.6	114.5	119.4	122.2	124.1	125.6	126.7	127.3
TERMS OF TRADE (1972=100) 1/	72.7	75.6	77.1	74.6	74.7	75.9	77.1	77.4	77.3	77.0	76.8
2. U.S. MERCHANDISE TRADE BALANCE 2/	-25.3	-27.4	-52.1	-18.4	-25.2	-31.5	-34.4	-41.9	-48.2	-56.2	-61.9
EXPORTS (EXCL. MILITARY)	224.0	243.8	244.7	244.5	244.0	243.0	243.8	243.2	243.8	244.7	247.3
AGRICULTURAL	42.2	47.5	51.0	50.9	46.0	46.0	47.1	49.1	50.4	51.5	52.9
NONAGRICULTURAL	181.7	196.3	193.8	193.5	198.0	197.0	196.6	194.2	193.4	193.3	194.4
IMPORTS	249.3	271.2	296.8	262.9	269.2	274.5	278.2	285.1	292.0	301.0	309.2
PETROLEUM AND PRODUCTS	78.9	83.0	81.8	83.3	84.2	83.5	81.0	80.3	81.2	82.7	83.2
NONPETROLEUM	170.4	188.2	215.0	179.6	185.0	191.0	197.2	204.8	210.8	218.2	226.0
3. U.S. CURRENT ACCOUNT BALANCE	3.7	1.8	-25.0	12.3	3.8	-2.9	-6.1	-13.5	-20.8	-29.8	-35.7
OF WHICH: NET INVESTMENT INCOME	32.8	34.8	33.4	35.5	34.5	34.5	34.6	34.8	33.6	32.7	32.7
4. FOREIGN OUTLOOK - TEN INDUSTRIAL COUNTRIES 3/											
REAL GNP, % CHANGE, ANNUAL RATES	.3	1.1	2.5	1.5	.4	1.0	1.7	2.2	2.4	2.7	2.8
CONSUMER PRICES, 4/, % CHANGE, ANNUAL RATES	10.3	9.1	7.5	10.7	10.4	7.9	7.6	7.9	7.9	7.1	7.2

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1/ GNP EXPORT IMPLICIT DEFLATOR DIVIDED BY GNP IMPORT IMPLICIT DEFLATOR.

2/ INTERNATIONAL ACCOUNTS BASIS.

3/ GEOMETRIC WEIGHTS USED TO AGGREGATE FOREIGN REAL GNP AND CONSUMER PRICES -- PERCENT SHARE IN TEN-COUNTRY TOTAL MULTILATERAL TRADE. CANADA (9.1%), JAPAN (13.6%), UNITED KINGDOM (11.9%), GERMANY (20.8%), FRANCE (13.1%), ITALY (9.0%), BELGIUM (6.4%), THE NETHERLANDS (8.3%), SWITZERLAND (3.6%), SWEDEN (4.2%).

4/ WHOLESALE PRICES FOR JAPAN.

P/ PROJECTED.

July 1, 1981

RECENT DEVELOPMENTS

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

Investment surveys also point toward sluggish real capital spending over the remainder of the year. The Commerce Department May survey of fixed capital spending anticipations indicated that businesses plan to increase spending an average of 8.4 percent in nominal terms this year--almost 2 percentage points less than the plans reported in the February survey. Given the 18 percent annual rate rise in outlays in the first quarter, this seems to leave little room for further advances over the remainder of the year.

Inventory Investment

Manufacturers' inventory investment remained moderate in May. The book value of manufacturers' stocks rose at an annual rate of \$17 billion, about the same as in April. These recent increases were considerably below those recorded earlier in the year when producers rebuilt stocks drawn down during the second half of 1980. Manufacturers' shipments rose 0.7 percent in May, and the stock/sales ratio remained at 1.57.

Retail and wholesale trade inventories rose at a \$5.1 billion annual rate in constant dollars in April, after five months of liquidation. The April rise largely was due to the beginning of the second quarter buildup of automotive stocks. Inventories at merchant wholesalers rose at a \$1.3 billion rate, as runups in auto products, machinery, and building materials were partially offset by some liquidation in nondurable merchandise.

Government Sector

The federal government unified budget deficit for May was \$16 billion, significantly more than had been anticipated by the Administration. The underestimation of the deficit mainly was a result of personal income and social security withholdings falling short of projections.