

May 13, 1987

SUMMARY AND OUTLOOK

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

May 13, 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)			
	3/25/87	5/13/87	3/25/87	5/13/87	3/25/87	5/13/87	3/25/87	5/13/87	3/25/87	5/13/87		
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>	5.2	5.2	2.5	2.5	2.8	2.8	2.7	2.7	7.0	7.0	
1987		4.9	5.4	2.4	2.6	2.8	3.0	2.4	2.7	6.7	6.5	
1988		5.9	6.1	2.7	2.6	3.5	3.8	3.1	3.4	6.6	6.3	
Quarterly changes:												
1986	Q1	<1>	6.2	6.2	3.8	3.8	2.5	2.5	2.5	7.1	7.1	
	Q2	<1>	2.6	2.6	.6	.6	1.7	1.7	1.8	7.1	7.1	
	Q3	<1>	6.4	6.4	2.8	2.8	2.6	2.6	3.6	6.9	6.9	
	Q4	<1>	1.7	1.7	1.1	1.1	2.7	2.7	.7	6.9	6.9	
1987	Q1	<1>	6.0	7.8	3.2	4.3	3.1	3.6	2.8	3.5	6.7	6.7
	Q2		5.7	6.3	2.6	2.5	3.1	3.5	3.0	3.6	6.7	6.4
	Q3		5.7	5.5	2.6	2.2	3.1	3.3	3.0	3.2	6.7	6.4
	Q4		5.5	5.5	2.8	2.8	3.1	3.2	2.6	2.6	6.7	6.4
1988	Q1		6.0	6.5	2.6	2.6	3.8	4.1	3.3	3.7	6.6	6.3
	Q2		6.0	6.3	2.6	2.6	3.7	4.0	3.3	3.6	6.6	6.3
	Q3		6.3	6.4	2.8	2.7	3.7	4.1	3.4	3.7	6.5	6.2
	Q4		6.2	6.6	2.7	2.7	3.7	4.3	3.4	3.8	6.5	6.2
Two-quarter changes: <2>												
1986	Q2	<1>	4.3	4.3	2.2	2.2	2.1	2.1	2.1	.0	.0	
	Q4	<1>	4.0	4.0	1.9	1.9	2.6	2.6	2.1	-.2	-.2	
1987	Q2		5.9	7.0	2.9	3.4	3.1	3.5	2.9	3.6	-.2	-.5
	Q4		5.6	5.5	2.7	2.5	3.1	3.3	2.8	2.9	.0	.0
1988	Q2		6.0	6.4	2.6	2.6	3.8	4.0	3.3	3.7	-.1	-.1
	Q4		6.3	6.5	2.8	2.7	3.7	4.2	3.4	3.8	-.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>	4.2	4.2	2.0	2.0	2.4	2.4	2.1	2.1	-.2	-.2
1987	Q4		5.7	6.2	2.8	2.9	3.1	3.4	2.9	3.2	-.2	-.5
1988	Q4		6.1	6.5	2.7	2.6	3.8	4.1	3.4	3.7	-.2	-.2

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

May 13, 1987

	Units		Projection											
			1986				1987				1988			
			Q3		Q4		Q1		Q2		Q3		Q4	
EXPENDITURES														
Nominal GNP	Billions of \$	4240.7	4258.7	4339.2	4405.5	4464.6	4524.5	4596.0	4666.3	4739.7	4816.4			
Real GNP	Billions of 82\$	3686.4	3696.1	3735.2	3758.0	3778.7	3804.8	3829.6	3853.9	3879.3	3905.2			
Nominal GNP	Percent change	6.4	1.7	7.8	6.3	5.5	5.5	6.5	6.3	6.4	6.6			
Real GNP		2.8	1.1	4.3	2.5	2.2	2.8	2.6	2.6	2.7	2.7			
Gross domestic product		2.6	1.5	4.5	2.5	2.3	2.9	2.7	2.7	2.7	2.8			
Gross domestic purchases		3.7	-.6	2.7	2.1	.9	1.3	1.0	1.0	1.0	1.2			
Final sales		4.5	4.2	-2.2	4.7	3.0	1.4	2.4	2.5	2.8	2.5			
Private dom. final purchases		5.6	.5	-2.8	3.7	1.7	.4	1.0	.9	1.1	1.1			
Personal consumption expend.		6.7	-.4	-.4	3.9	1.8	.2	1.0	.9	1.0	.9			
Durables		44.6	-11.0	-17.5	15.1	5.4	-5.9	.2	.3	1.3	.6			
Nondurables		-.9	-.1	1.2	1.5	.9	1.4	1.0	1.0	.7	.7			
Services		2.4	3.2	4.3	2.4	1.4	1.2	1.3	1.1	1.0	1.1			
Business fixed investment		-2.1	3.0	-12.8	6.3	3.6	2.9	2.3	1.8	2.3	1.8			
Producers' durable equipment		1.2	6.6	-9.6	8.7	4.5	4.0	4.0	3.3	4.0	3.3			
Nonresidential structures		-9.8	-5.4	-21.0	.3	1.2	-.1	-2.3	-2.5	-2.5	-2.5			
Residential structures		9.7	5.2	-7.2	-5.1	-4.4	-2.4	-2.7	-1.4	.5	1.8			
Exports		13.3	16.7	-1.6	10.3	15.2	17.1	15.9	15.0	15.3	13.4			
Imports		17.3	-.5	-11.1	5.5	1.7	1.9	.7	.5	.7	1.0			
Government purchases		4.5	10.5	-6.3	6.8	1.6	-1.8	-.2	.7	1.1	1.1			
Federal		2.5	23.2	-17.4	13.1	.7	-6.7	-3.2	-1.4	-.7	-.8			
Defense		17.2	-10.2	9.7	4.2	-.8	-2.4	-5.1	-3.1	-1.6	-1.1			
State and local		6.1	1.1	3.8	2.0	2.3	2.3	2.2	2.4	2.5	2.6			
Change in business inventories	Billions of 82\$	-.3	-28.5	31.0	11.0	3.7	16.3	18.8	19.5	18.5	20.0			
Infarm	Billions of 82\$	-8.6	-9.8	27.7	14.8	10.5	18.3	21.3	22.0	21.0	22.5			
Exports	Billions of 82\$	-163.3	-148.0	-134.2	-131.7	-119.8	-105.9	-90.8	-75.8	-60.2	-46.5			
EMPLOYMENT AND PRODUCTION														
Nonfarm payroll employment	Millions	100.3	101.1	101.8	102.5	102.9	103.4	103.8	104.2	104.7	105.1			
Unemployment rate	Percent*	6.9	6.9	6.7	6.4	6.4	6.4	6.3	6.3	6.2	6.2			
Industrial production index	Percent change	1.9	3.2	2.6	.1	3.6	3.9	3.9	3.9	4.0	4.0			
Capacity utilization rate-mfg.	Percent*	79.7	79.8	79.9	79.4	79.6	79.9	80.2	80.4	80.6	80.7			
Housing Starts	Millions	1.76	1.70	1.81	1.66	1.63	1.62	1.61	1.60	1.60	1.60			
Auto sales	Millions	12.91	11.32	9.66	10.65	11.30	10.75	10.75	10.80	10.85	10.85			
Domestic	Millions	9.43	7.66	6.86	7.53	8.05	7.50	7.50	7.55	7.60	7.60			
Foreign	Millions	3.47	3.66	2.80	3.12	3.25	3.25	3.25	3.25	3.25	3.25			
INCOME AND SAVING														
Nominal personal income	Percent change	1.8	3.4	6.7	6.3	5.4	6.7	6.9	4.7	6.0	6.5			
Real disposable income	Percent change	-3.1	-1.5	4.0	-8.0	13.5	2.3	.7	-1.1	1.6	1.0			
Personal saving rate	Percent*	2.8	2.5	3.6	.6	3.2	3.7	3.6	3.1	3.3	3.3			
Corp. profits with IVA & CGAdj	Percent change	12.7	12.8	37.4	-8.6	3.5	8.8	-10.1	9.9	7.0	12.3			
Profit share of GNP	Percent*	7.1	7.3	7.8	7.5	7.4	7.5	7.2	7.3	7.3	7.4			
Federal govt. surplus/deficit	Billions of \$	-197.4	-188.8	-177.6	-114.4	-198.3	-190.6	-177.9	-155.7	-154.8	-149.4			
State and local govt. surplus	Billions of \$	64.0	59.4	48.6	56.4	56.9	58.7	60.7	61.8	62.9	64.3			
PRICES AND COSTS														
GNP implicit deflator	Percent change	3.6	.7	3.5	3.6	3.2	2.6	3.7	3.6	3.7	3.8			
GNP fixed-weight price index		2.6	2.7	3.6	3.5	3.3	3.2	4.1	4.0	4.1	4.3			
Cons. & fixed invest. prices		3.0	3.3	4.4	4.1	3.8	3.6	4.4	4.4	4.7	4.8			
CPI		2.5	2.6	5.3	4.4	4.0	3.8	4.4	4.7	4.9	4.9			
Exc. food and energy		3.7	3.8	4.4	4.4	4.4	4.4	4.9	5.2	5.4	5.4			
farm business sector		-.3	-1.5	1.7	1.0	1.1	1.2	1.1	1.0	1.1	1.1			
Input per hour		2.3	2.7	.1	5.0	3.2	3.3	5.0	3.8	4.4	4.7			
Compensation per hour		2.6	4.2	-1.6	4.0	2.1	2.1	3.9	2.8	3.2	3.6			
Unit labor costs														

* Not at an annual rate.

May 13, 1987

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

	Units	Projection									
		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	4433.4	4704.6	
Real GNP	Billions of 82\$	3187.1	3248.8	3166.0	3279.1	3489.9	3585.2	3674.9	3769.2	3867.0	
Real GNP	Percent change*	-.1	.6	-1.9	6.5	4.6	2.9	2.0	2.9	2.6	
Gross domestic product		.3	.3	-1.6	6.6	4.9	3.1	2.3	3.0	2.7	
Gross domestic purchases		-1.1	.8	-.8	8.4	5.9	3.9	2.4	1.7	1.0	
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	1.0	
Personal consumption expend.		-.1	.2	2.9	5.4	3.6	3.5	4.0	1.4	1.0	
Durables		-5.6	-3.3	9.0	14.7	8.8	6.2	9.6	-1.5	.6	
Nondurables		-1.4	.5	1.8	4.4	2.2	2.0	3.3	1.3	.8	
Services		2.4	.9	2.3	3.9	3.3	3.9	2.8	2.3	1.1	
Business fixed investment		-4.8	5.6	-11.3	10.8	14.7	6.5	-4.0	-.3	2.0	
Producers' durable equipment		-6.5	2.2	-12.5	20.9	16.0	8.1	1.7	1.7	3.6	
Nonresidential structures		-1.8	11.7	-9.1	-4.8	12.1	3.3	-16.2	-5.4	-2.5	
Residential structures		-14.2	-22.4	4.9	38.1	5.3	7.8	10.0	-4.8	-.5	
Exports		.5	2.4	-13.8	5.8	5.5	-3.2	6.3	10.0	14.9	
Imports		-8.8	4.9	-5.9	23.8	16.5	5.8	7.9	-.7	.7	
Government purchases		1.0	2.9	3.8	-2.7	7.7	8.4	2.7	.0	.7	
Federal		3.1	9.5	8.2	-8.1	14.2	14.3	.4	-3.2	-1.5	
Defense		3.1	7.6	8.8	5.1	6.8	5.9	5.5	2.6	-2.7	
State and local		-.3	-1.3	.6	1.5	3.1	3.7	4.6	2.6	2.4	
Change in business inventories	Billions of 82\$	-6.9	23.9	-24.5	-6.4	59.2	9.0	6.6	15.5	19.2	
Nonfarm	Billions of 82\$	-2.3	19.0	-23.1	-.1	54.3	10.9	7.4	17.8	21.7	
Net exports	Billions of 82\$	57.0	49.4	26.3	-19.9	-83.6	-108.2	-147.8	-122.9	-68.3	
Nominal GNP	Percent change*	9.9	9.3	3.1	10.4	8.5	6.3	4.2	6.2	6.5	
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	90.4	91.2	89.6	90.2	94.5	97.6	100.2	102.7	104.5	
Unemployment rate	Percent	7.1	7.6	9.7	9.6	7.5	7.2	7.0	6.5	6.3	
Industrial production index	Percent change*	-.8	-1.0	-7.7	14.3	6.6	1.7	1.1	2.5	3.9	
Capacity utilization rate-mfg.	Percent	79.3	78.3	70.3	74.0	80.5	80.1	79.8	79.7	80.5	
Housing Starts	Millions	1.30	1.10	1.06	1.71	1.77	1.74	1.82	1.68	1.60	
Auto sales	Millions	9.04	8.56	8.00	9.18	10.43	11.09	11.52	10.59	10.81	
Domestic	Millions	6.62	6.24	5.77	6.77	7.97	8.24	8.28	7.49	7.56	
Foreign	Millions	2.42	2.32	2.23	2.41	2.46	2.84	3.25	3.10	3.25	
INCOME AND SAVING											
Nominal personal income	Percent change*	12.0	9.2	5.3	7.8	8.4	6.1	4.3	6.3	6.0	
Real disposable income	Percent change*	1.1	.7	1.0	5.1	4.2	1.9	2.2	2.7	.5	
Personal saving rate	Percent	7.1	7.5	6.8	5.4	6.3	5.1	3.8	2.8	3.3	
Corp. profits with IVA & CCAdj	Percent change*	-6.8	2.3	-19.1	70.1	6.6	7.8	9.0	9.1	4.4	
Profit share of GNP	Percent	6.5	6.2	4.7	6.3	7.0	7.0	7.1	7.5	7.3	
Federal govt. surplus/deficit	Billions of \$	-61.3	-63.8	-145.9	-176.0	-170.0	-198.0	-203.3	-170.2	-159.4	
State and local govt. surplus		26.8	34.1	35.1	47.5	68.5	61.7	63.1	55.2	62.4	
PRICES AND COSTS											
GNP implicit deflator	Percent change*	9.9	8.7	5.2	3.6	3.6	3.3	2.1	3.2	3.7	
GNP fixed-weight price index		9.8	8.5	5.0	3.9	3.9	3.6	2.4	3.4	4.1	
Cons. & fixed invest. prices		10.1	8.2	4.4	3.3	3.6	3.4	2.0	4.0	4.6	
CPI		12.5	9.6	4.5	3.2	4.1	3.5	1.3	4.4	4.7	
Exc. food and energy		12.2	10.2	5.2	4.2	4.7	4.3	3.9	4.4	5.2	
Nonfarm business sector		1.0	-.6	1.0	3.6	1.0	.2	.7	1.2	1.1	
Output per hour		10.9	8.3	7.3	3.3	4.3	3.9	2.6	2.9	4.5	
Compensation per hour		9.8	9.0	6.2	-.3	3.2	3.7	1.8	1.6	3.4	
Unit labor costs											

* 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)

May 13, 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	39.1	22.8	20.7	26.1	24.8	24.3	25.4	25.9	101.9	73.8	108.7	100.4
Gross domestic product	23.2	13.4	40.3	22.8	21.5	27.2	25.6	25.0	25.5	26.3	107.6	82.0	111.8	102.4
Gross domestic purchases	34.4	-5.6	25.3	20.3	8.8	12.2	9.7	9.3	9.9	12.1	141.2	89.8	66.6	41.0
Final sales	40.4	37.8	-20.4	42.9	28.0	13.5	22.3	23.6	26.4	24.4	141.1	97.0	64.0	96.7
Private dom. final purchases	41.6	3.6	-21.8	27.9	13.1	3.1	7.6	7.2	8.8	8.5	122.5	93.1	22.3	32.0
Personal consumption expend.	39.6	-2.2	-2.7	23.6	11.2	1.0	6.2	5.9	5.9	5.6	80.0	94.1	33.1	23.6
Durables	34.5	-11.2	-17.9	13.0	5.0	-5.7	.2	.2	1.2	.6	20.2	33.4	-5.6	2.2
Nondurables	-1.9	-.3	2.6	3.3	2.0	3.2	2.1	2.2	1.5	1.5	16.7	27.9	11.1	7.4
Services	7.0	9.2	12.7	7.3	4.2	3.4	3.9	3.4	3.2	3.5	43.1	32.7	27.7	14.0
Business fixed investment	-2.4	3.4	-15.4	6.8	4.0	3.2	2.6	2.0	2.6	2.1	29.3	-19.1	-1.4	9.3
Producers' durable equipment	1.0	5.2	-8.2	6.8	3.6	3.3	3.3	2.8	3.4	2.8	24.4	5.6	5.5	12.2
Nonresidential structures	-3.4	-1.8	-7.3	.1	.4	.0	-.7	-.8	-.8	-.8	4.9	-24.7	-6.	-3.0
Residential structures	4.5	2.5	-3.7	-2.5	-2.1	-1.2	-1.3	-.7	.2	.8	13.2	18.2	-9.5	-.9
Change in business inventories	-15.4	-28.2	59.5	-20.0	-7.3	12.6	2.5	.7	-1.0	1.5	-39.1	-23.3	44.8	3.7
Nonfarm	-19.6	-1.2	37.5	-12.9	-4.3	7.8	3.0	.7	-1.0	1.5	-17.8	-25.9	28.1	4.2
Farm	4.2	-27.0	22.1	-7.2	-3.0	4.8	-.5	.0	.0	.0	-21.3	2.6	16.7	-.5
Net exports	-9.4	15.3	13.8	2.5	11.9	13.9	15.1	15.0	15.6	13.7	-39.3	-16.0	42.1	59.4
Exports	11.4	14.6	-1.6	9.5	14.1	16.4	16.0	15.6	16.5	15.1	-12.1	22.9	38.5	63.2
Imports	20.9	-.7	-15.4	7.0	2.2	2.5	.9	.6	1.0	1.3	27.1	39.0	-3.7	3.8
Government purchases	8.2	18.9	-12.4	12.5	3.0	-3.5	-.4	1.4	2.1	2.1	57.9	19.9	-.4	5.3
Federal	2.0	17.7	-16.3	10.4	.6	-5.9	-2.8	-1.2	-.6	-.7	43.4	1.4	-11.2	-5.2
Defense	10.1	-6.9	5.9	2.7	-.5	-1.6	-3.4	-2.0	-1.0	-.7	13.4	13.2	6.5	-7.1
Nondefense	-8.0	24.6	-22.2	7.7	1.1	-4.3	-.6	.8	.4	.0	30.0	-11.8	-17.7	1.9
State and local	6.2	1.2	3.9	2.1	2.4	2.4	2.4	2.6	2.7	2.8	14.5	18.5	10.8	10.5

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*May 13, 1987

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

	Fiscal Year 1986*	FY1987e		FY1988e		CY1987e 1986*	FRB Staff 1986 IV*	FRB Staff Estimates							
		Admin¹	FRB Staff	Admin¹	FRB Staff			I*	II	1987	III	IV	I	1988 II	III
Not seasonally adjusted															
Budget receipts ²	769	842	842	917	894	782	855	190	194	252	206	203	201	265	224
Budget outlays ²	990	1016	1015	1024	1053	991	1034	253	252	254	255	273	249	261	270
Surplus/deficit ¹ (-)	-221	-173	-173	-108	-159	-209	-179	-63	-59	-2	-49	-70	-47	4	-46
Means of financing:															
Borrowing from public	236	162	164	107	155	215	148	69	28	26	41	54	49	4	48
Cash balance decrease	-14	11	6	0	0	0	16	0	22	-21	5	10	0	-5	-5
Other ³	-1	0	3	1	4	-6	15	-6	9	-3	3	6	-2	-3	3
Cash operating balance, end of period	31	20	25	20	25	31	15	31	9	30	25	15	15	20	25
Memo: Sponsored agency borrowing ⁴	14	n.a.	11	n.a.	18	13	11	4	-2	5	4	4	4	5	5
Seasonally adjusted annual rates															
Receipts	815	875	889	968	930	827	899	855	872	954	877	891	928	947	955
Expenditures	1025	1061	1059	1089	1100	1030	1069	1043	1050	1068	1075	1082	1106	1103	1110
Purchases	368	385	382	395	387	366	385	372	369	392	396	383	387	389	391
Defense	275	291	289	301	297	278	293	279	288	293	295	296	297	297	298
Nondefense	94	94	93	94	90	89	92	93	81	99	100	87	90	91	92
All other expend.	657	676	677	694	713	664	684	671	681	677	680	699	719	715	719
Surplus/deficit(-)	-211	-186	-170	-121	-170	-203	-170	-189	-178	-114	-198	-191	-178	-156	-155
High-employment surplus/ deficit(-) evaluated at 6 percent unemp.	-173	n.a.	-131	n.a.	-136	-165	-134	-146	-140	-75	-162	-156	-144	-122	-123

**--actual

e--estimated

n.a.--not available

H-10

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 these agencies is somewhat broader.

May 13, 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-	Q2-P	Q3-P	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
1. GNP Exports and Imports 1/													
Current \$, Net	-104.3	-110.7	-89.2	-108.9	-110.2	-112.0	-115.3	-110.3	-105.3	-100.2	-93.1	-85.5	-77.7
Exports of G+S	373.0	408.9	492.8	370.8	383.5	384.8	396.9	415.9	437.8	459.2	480.8	504.2	527.0
Imports of G+S	477.3	519.6	581.9	479.7	493.7	496.8	512.1	526.3	543.1	559.4	573.9	589.7	604.7
Constant 82 \$, Net	-147.8	-122.9	-68.3	-163.3	-148.0	-134.2	-131.7	-119.8	-105.9	-90.8	-75.8	-60.2	-46.5
Exports of G+S	371.5	402.5	464.0	371.2	385.8	384.2	393.7	407.9	424.3	440.2	455.8	472.4	487.4
Imports of G+S	519.2	525.4	532.3	534.5	533.8	518.4	525.4	527.7	530.1	531.0	531.6	532.6	533.9
2. U.S. Merchandise Trade Balance 2/	-147.7	-155.9	-136.4	-148.6	-153.5	-156.9^P	-160.4	-155.6	-150.5	-145.9	-139.5	-133.4	-126.6
Exports	221.8	246.4	306.1	223.1	229.3	230.0 ^P	238.0	251.5	266.2	281.9	298.0	314.4	330.2
Agricultural	26.9	26.1	28.8	26.0	28.4	26.3 ^P	25.4	26.1	26.5	27.4	28.4	29.5	29.8
Non-Agricultural	194.8	220.3	277.3	197.0	200.9	203.7 ^P	212.6	225.4	239.7	254.6	269.6	284.9	300.3
Imports	369.5	402.3	442.5	371.7	382.8	386.9 ^P	398.4	407.2	416.7	427.9	437.5	447.7	456.7
Petroleum and Products	33.9	37.9	62.6	31.9	32.2	34.1 ^P	38.3	39.5	39.7	41.3	41.7	43.4	43.9
Non-Petroleum	335.6	364.4	399.9	339.7	350.6	352.8 ^P	360.1	367.7	377.0	386.6	395.8	404.3	412.9
3. U.S. Current Account Balance	-140.6	-150.7	-134.4	-141.2	-147.3	-146.9^P	-154.6	-152.3	-149.0	-143.7	-137.6	-131.1	-125.4
Of Which: Net Investment Income	22.9	17.4	9.8	24.6	19.6	22.3 ^P	18.7	15.3	13.4	11.8	10.2	9.2	7.7
4. Foreign Outlook 3/													
Real GNP--Ten Industrial 4/	2.3	1.8	1.4	2.2	1.5	1.2 ^P	1.7	1.5	1.5	1.2	1.3	1.5	1.5
Real GNP--NonOPEC LDC 5/	4.2	3.8	4.1	4.0	3.8	3.6 ^P	3.7	3.8	3.9	4.0	4.3	4.7	5.0
Consumer Prices--Ten Ind. 4/	2.0	2.0	2.5	0.1	2.1	2.5 ^P	2.4	2.1	2.0	2.4	3.1	2.8	2.9

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

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May 13, 1987

RECENT DEVELOPMENTS

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

**Federal Unified Budget Receipts, Outlays and the
Deficit through March
(Fiscal years, billions of dollars)**

	Receipts	Outlays	Deficit
Monthly totals:			
March 1986	49.6	79.7	30.1
March 1987	56.5	84.5	28.0
Change from 1986 to 1987 (percent)	13.9	6.0	-7.0
Total for the fiscal year to date:			
Through March 1986	356.9	493.2	136.3
Through March 1987	383.8	505.7	121.9
Change from 1986 to 1987 (percent)	7.5	2.5	-10.6
Fiscal year 1986 total	769.1	989.8	220.7

STATE GOVERNMENTS' GENERAL FUND YEAR-END SURPLUS¹

Fiscal year	Year-end surplus (billions of dollars)	Surplus as a percent of general fund expenditures
1978	8.9	8.6
1979	11.2	8.7
1980	11.8	9.0
1981	6.5	4.4
1982	4.5	3.0
1983	2.0	1.3
1984	5.6	3.3
1985	8.0	4.3
1986	5.4	2.6
1987e	1.6	.8

e—estimate.

1. Does not include stabilization funds.

Source: National Governors' Association and National Association of State Budget Officers.

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

	1987 Q1	1987 Q2 ^e	1987		
			Mar.	Apr.P	May ^e
<u>Treasury financing</u>					
Total surplus/deficit(-)	-58.5	-2.2	-28.0	34.1	-37.5
Means of financing deficit:					
Net cash borrowing from the public	27.6	25.7	7.9	9.1	10.0
Marketable borrowings/ repayments(-)	16.7	18.7	2.9	3.3	9.5
Bills	-20.4	-19.6	-10.5	-5.6	-7.7
Coupons	37.1	38.3	13.4	8.9	17.2
Nonmarketable	10.9	6.9	5.0	5.7	.5
Decrease in the cash balance	21.9	-20.3	15.8	-46.7	28.8
Memo: Cash balance at end of period	9.0	29.4	9.0	55.7	26.8
Other ²	9.1	-3.2	4.3	3.5	-1.4
<u>Federally sponsored credit agencies, net cash borrowing³</u>					
FHLBs	-2.1	5.2	-.2	2.2	1.7
FNMA	3.3	5.0	.8	2.4	1.5
Farm Credit Banks	-1.9	.7	.1	-.5	.5
FHLMC	-5.1	-1.8	-2.0	-.2	-.7
SLMA	.5	.6	.2	.2	.2
	1.1	.7	.7	.3	.2

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.

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