

May 11, 1988

## **SUMMARY AND OUTLOOK**

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

CONFIDENTIAL - FR  
CLASS II FOMC

May 11, 1988

## STAFF GNP PROJECTIONS

## Percent changes, annual rate

	Nominal GNP		Real GNP		GNP fixed-weighted price index		GNP deflator		Unemployment rate (percent)			
	3/23/88	5/11/88	3/23/88	5/11/88	3/23/88	5/11/88	3/23/88	5/11/88	3/23/88	5/11/88		
<b>Annual changes:</b>												
1986	<1>	5.6	5.6	2.9	2.9	2.7	2.7	2.6	2.6	7.0	7.0	
1987	<1>	6.0	6.0	2.9	2.9	3.4	3.4	3.0	3.0	6.2	6.2	
1988	6.5	6.5	3.2	3.2	3.9	3.9	3.2	3.1	5.7	5.6		
1989	6.5	6.2	2.5	2.2	4.3	4.3	3.9	3.9	5.7	5.8		
<b>Quarterly changes:</b>												
1987	Q1	<1>	8.6	8.6	4.4	4.4	4.5	4.5	4.2	4.2	6.6	6.6
	Q2	<1>	6.3	6.3	2.5	2.5	4.1	4.1	3.5	3.5	6.3	6.3
	Q3	<1>	7.3	7.3	4.3	4.3	3.4	3.4	2.8	2.8	6.0	6.0
	Q4	<1>	7.3	7.6	4.5	4.8	3.7	3.6	2.7	2.7	5.9	5.9
1988	Q1	<1>	6.1	4.7	2.7	2.3	4.2	3.7	3.4	2.4	5.7	5.7
	Q2	5.7	7.1	2.5	3.5	3.6	4.1	3.1	3.6	5.7	5.5	
	Q3	6.5	6.7	2.6	2.4	4.2	4.5	3.8	4.1	5.7	5.6	
	Q4	6.7	6.3	2.8	2.3	4.3	4.4	3.8	4.0	5.7	5.6	
1989	Q1	6.7	6.2	2.6	1.9	4.6	4.6	4.0	4.2	5.6	5.7	
	Q2	6.6	5.8	2.5	1.9	4.5	4.2	4.1	3.9	5.6	5.8	
	Q3	6.2	5.8	2.3	2.0	4.3	4.0	3.9	3.7	5.7	5.8	
	Q4	6.3	5.6	2.3	1.9	4.4	3.9	3.9	3.6	5.7	5.9	
<b>Two-quarter changes: &lt;2&gt;</b>												
1987	Q2	<1>	7.5	7.5	3.4	3.4	4.4	4.4	3.9	3.9	-.5	-.5
	Q4	<1>	7.3	7.4	4.4	4.6	3.6	3.6	2.8	2.8	-.4	-.4
1988	Q2	5.9	5.9	2.6	2.9	3.9	3.9	3.3	3.0	-.2	-.4	
	Q4	6.6	6.5	2.7	2.3	4.2	4.4	3.8	4.1	.0	.1	
1989	Q2	6.7	6.0	2.5	1.9	4.5	4.4	4.0	4.0	-.1	.2	
	Q4	6.2	5.7	2.3	2.0	4.3	3.9	3.9	3.6	.1	.1	
<b>Four-quarter changes: &lt;3&gt;</b>												
1986	Q4	<1>	4.5	4.5	2.2	2.2	2.3	2.3	2.2	2.2	-.3	-.3
1987	Q4	<1>	7.4	7.4	3.9	4.0	4.0	4.0	3.3	3.3	-.9	-.9
1988	Q4	6.2	6.2	2.7	2.6	4.1	4.1	3.5	3.5	-.2	-.3	
1989	Q4	6.4	5.8	2.4	1.9	4.4	4.1	4.0	3.8	.0	.3	

&lt;1&gt; Actual.

&lt;2&gt; Percent change from two quarters earlier.

&lt;3&gt; Percent change from four quarters earlier.

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

May 11, 1988

	Units	Projection											
		1987				1988				1989			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>EXPENDITURES</b>													
Nominal GNP	Billions of \$	4524.0	4607.4	4660.9	4741.9	4819.2	4893.6	4967.4	5038.2	5109.6	5179.2		
Real GNP	Billions of 82\$	3835.9	3880.8	3902.6	3936.2	3959.9	3982.1	4001.1	4019.7	4040.1	4059.4		
Nominal GNP	Percent change	7.3	7.6	4.7	7.1	6.7	6.3	6.2	5.8	5.8	5.6		
Real GNP		4.3	4.8	2.3	3.5	2.4	2.3	1.9	1.9	2.0	1.9		
Gross domestic product		4.8	4.4	2.5	3.5	2.3	2.3	1.9	1.9	2.1	1.9		
Gross domestic purchases		4.8	4.3	1.8	1.9	1.6	1.0	.6	.7	1.0	.9		
Final sales		6.0	.9	2.6	4.1	3.1	2.9	2.5	2.1	2.2	2.1		
Private dom. final purchases		7.3	-1.4	5.3	2.2	3.1	1.4	.8	.8	1.2	1.0		
Personal consumption expend.		5.4	-2.5	3.8	2.3	2.7	1.6	1.0	.9	1.1	1.0		
Durables		24.3	-20.3	12.7	-3.2	1.8	.8	.3	-.1	.1	.2		
Nondurables		-1.5	-5	-.2	2.4	1.9	1.3	.3	.2	.6	.4		
Services		5.0	2.4	3.9	4.1	3.5	2.0	1.7	1.7	1.7	1.7		
Business fixed investment		25.8	1.6	21.0	.6	8.2	2.6	2.6	1.9	2.2	1.9		
Producers' durable equipment		26.3	-.9	32.5	.1	10.6	3.0	3.3	2.4	2.8	2.3		
Nonresidential structures		24.6	8.4	-5.1	1.6	1.8	1.4	.7	.5	.4	.6		
Residential structures		-6.5	7.4	-9.4	3.6	-3.9	-4.6	-5.6	-3.5	-.8	-.7		
Exports		23.7	15.9	10.2	16.8	15.0	15.3	16.0	15.9	14.3	13.1		
Imports		22.4	9.9	5.2	2.6	6.7	4.1	4.6	5.8	5.5	4.8		
Government purchases		2.6	9.2	-10.0	3.5	-1.1	2.5	2.3	1.2	1.1	1.1		
Federal		4.5	14.1	-23.3	5.6	-5.1	3.1	2.2	-.6	-.9	-1.0		
Defense		7.5	-.9	-8.5	-10.3	-7.9	3.7	2.6	-.8	-.9	-1.3		
State and local		1.2	5.5	1.5	2.1	2.0	2.1	2.4	2.5	2.6	2.6		
Change in business inventories	Billions of 82\$	24.6	60.5	57.9	53.2	46.7	41.1	36.1	34.5	32.8	30.8		
Nonfarm	Billions of 82\$	12.1	51.5	38.3	43.5	34.6	29.6	25.4	24.5	23.3	21.9		
Net exports	Billions of 82\$	-138.4	-135.8	-132.2	-117.6	-110.2	-98.2	-85.6	-74.1	-63.6	-53.1		
<b>ECONOMY AND PRODUCTION</b>													
Unemployment	Millions	102.3	103.3	104.3	105.0	105.4	105.7	106.0	106.3	106.7	107.0		
Unemployment rate	Percent*	6.0	5.9	5.7	5.5	5.6	5.6	5.7	5.8	5.8	5.9		
Industrial production index	Percent change	8.8	7.0	3.8	4.5	3.6	2.4	2.6	2.7	3.0	3.0		
Capacity utilization rate-mfg.	Percent*	81.4	82.3	82.6	83.0	83.1	82.9	82.8	82.8	82.7	82.7		
Housing Starts	Millions	1.62	1.53	1.48	1.51	1.45	1.40	1.39	1.38	1.38	1.38		
Auto sales	Millions	11.42	10.02	10.79	10.15	10.05	10.02	10.00	9.95	9.90	9.85		
Domestic	Millions	7.84	6.63	7.64	7.01	7.02	7.00	7.00	6.95	6.90	6.85		
Foreign	Millions	3.58	3.38	3.15	3.14	3.03	3.02	3.00	3.00	3.00	3.00		
<b>INCOME AND SAVING</b>													
Nominal personal income	Percent change	5.8	10.3	4.5	7.1	5.8	8.0	7.5	5.3	5.4	6.3		
Real disposable income	Percent change	4.5	6.0	3.2	1.7	1.9	2.5	2.4	-.1	.8	1.3		
Personal saving rate	Percent*	2.8	4.8	4.6	4.5	4.3	4.5	4.8	4.6	4.5	4.5		
Corp. profits with IVA & CCAdj	Percent change	26.7	-2.4	-9.8	9.5	9.7	-3.2	2.0	5.1	3.7	7.1		
Profit share of GNP	Percent*	7.0	6.8	6.5	6.6	6.6	6.5	6.4	6.4	6.4	6.4		
Federal govt. surplus/deficit	Billions of \$	-135.8	-160.2	-140.1	-139.4	-140.1	-149.2	-157.2	-143.9	-135.1	-134.6		
State and local govt. surplus		46.5	37.9	41.1	47.2	52.9	56.9	60.3	61.4	61.8	62.1		
Exc. social insurance funds		-5.6	-15.5	-13.9	-8.5	-3.5	-.2	2.5	2.9	2.6	2.2		
<b>PRICES AND COSTS</b>													
GNP implicit deflator	Percent change	2.8	2.7	2.4	3.6	4.1	4.0	4.2	3.9	3.7	3.6		
GNP fixed-weight price index		3.4	3.6	3.7	4.1	4.5	4.4	4.6	4.2	4.0	3.9		
Cons. & fixed invest. prices		3.9	3.3	2.8	4.5	5.0	4.6	4.7	4.5	4.3	4.2		
CPI		3.6	3.9	3.2	4.8	5.0	4.9	4.6	4.7	4.5	4.6		
Exc. food and energy		3.6	4.2	4.4	5.3	4.9	5.1	5.0	4.8	4.8	4.7		
Nonfarm business sector		4.2	-1.0	.9	1.0	.7	.9	.7	.8	.7	.9		
Output per hour		3.6	3.5	3.4	3.8	4.1	4.4	4.7	4.5	4.5	4.4		
Compensation per hour		-.6	4.5	2.4	2.8	3.4	3.5	4.0	3.7	3.8	3.5		
Unit labor costs													

at an annual rate.

May 11, 1988

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

	Units	Projection								
		1981	1982	1983	1984	1985	1986	1987	1988	1989
<b>EXPENDITURES</b>										
Nominal GNP	Billions of \$	3052.6	3166.0	3405.7	3772.2	4010.3	4235.0	4488.5	4778.9	5073.6
Real GNP	Billions of 82\$	3248.8	3166.0	3279.1	3501.4	3607.5	3713.3	3821.0	3945.2	4030.1
Real GNP	Percent change*	.6	-1.9	6.5	5.1	3.3	2.2	4.0	2.6	1.9
Gross domestic product		.3	-1.6	6.6	5.3	3.5	2.6	4.1	2.6	2.0
Gross domestic purchases		.8	-.8	8.4	6.4	4.1	2.7	3.4	1.6	.8
Final sales		.1	.3	3.7	4.7	4.6	2.6	2.0	3.2	2.2
Private dom. final purchases		-.3	.8	7.7	5.6	4.6	3.2	1.3	3.0	1.0
Personal consumption expend.		.2	2.9	5.4	4.1	4.5	4.1	1.0	2.6	1.0
Durables		-3.3	9.0	14.7	10.8	6.6	12.4	-3.6	2.9	.1
Nondurables		.5	1.8	4.4	2.3	2.9	2.9	-.6	1.4	.4
Services		.9	2.3	3.9	3.5	5.0	2.4	3.7	3.4	1.7
Business fixed investment		5.6	-11.3	10.8	13.8	4.7	-4.7	5.1	7.8	2.1
Producers' durable equipment		2.2	-12.5	20.9	14.9	7.0	-.2	5.4	10.9	2.7
Nonresidential structures		11.7	-9.1	-4.8	11.8	.1	-15.4	4.2	-.2	.5
Residential structures		-22.4	4.9	38.1	6.1	6.0	12.5	-2.6	-3.7	-2.7
Exports		2.4	-13.8	5.8	5.9	-2.7	5.9	16.8	14.3	14.8
Imports		4.9	-5.9	23.8	17.4	5.2	8.9	9.1	4.6	5.2
Government purchases		2.9	3.8	-2.7	7.9	8.7	2.4	2.2	-1.4	1.4
Federal		9.5	8.2	-8.1	13.0	14.9	-.2	.9	-5.7	-.1
Defense		7.6	8.8	5.1	6.5	7.0	4.8	5.9	-5.9	-.1
State and local		-1.3	.6	1.5	4.4	4.0	4.6	3.3	1.9	2.5
Change in business inventories	Billions of 82\$	23.9	-24.5	-6.4	62.3	7.4	13.8	42.9	49.7	33.5
Nonfarm	Billions of 82\$	19.0	-23.1	-.1	57.8	12.0	15.4	32.5	36.5	23.8
Net exports	Billions of 82\$	49.4	26.3	-19.9	-84.0	-108.2	-145.8	-135.5	-114.5	-69.1
Nominal GNP	Percent change*	9.3	3.1	10.4	8.6	6.6	4.5	7.4	6.2	5.8
<b>ECONOMY AND PRODUCTION</b>										
Nonfarm payroll employment	Millions	91.2	89.6	90.2	94.5	97.5	99.6	102.1	105.1	106.5
Unemployment rate	Percent	7.6	9.7	9.6	7.5	7.2	7.0	6.2	5.6	5.8
Industrial production index	Percent change*	-1.0	-7.7	14.3	6.6	1.7	1.0	5.8	3.6	2.8
Capacity utilization rate-mfg.	Percent	78.2	70.3	73.9	80.5	80.1	79.7	81.0	82.9	82.8
Housing Starts	Millions	1.10	1.06	1.71	1.77	1.74	1.81	1.63	1.46	1.38
Auto sales	Millions	8.56	8.00	9.18	10.43	11.09	11.52	10.34	10.25	9.93
Domestic	Millions	6.24	5.77	6.77	7.97	8.24	8.28	7.14	7.17	6.93
Foreign	Millions	2.32	2.23	2.41	2.46	2.84	3.25	3.21	3.09	3.00
<b>INCOME AND SAVING</b>										
Nominal personal income	Percent change*	9.2	5.3	7.8	8.4	6.8	5.5	7.3	6.3	6.1
Real disposable income	Percent change*	.7	1.0	5.1	4.3	2.8	3.6	2.1	2.3	1.1
Personal saving rate	Percent	7.5	6.8	5.4	6.1	4.5	4.3	3.7	4.5	4.6
Corp. profits with IVA & CCAdj	Percent change*	2.3	-19.1	70.1	7.4	4.1	1.2	11.3	1.2	4.4
Profit share of GNP	Percent	6.2	4.7	6.3	7.1	6.9	6.7	6.8	6.6	6.4
Federal govt. surplus/deficit	Billions of \$	-63.8	-145.9	-176.0	-169.6	-196.0	-204.7	-151.4	-142.2	-142.7
State and local govt. surplus		34.1	35.1	47.5	64.6	63.1	56.8	44.0	49.5	61.4
Exc. social insurance funds		4.1	-1.7	4.4	19.8	16.0	7.4	-7.7	-6.6	2.6
<b>PRICES AND COSTS</b>										
GNP implicit deflator	Percent change*	8.7	5.2	3.6	3.4	3.1	2.2	3.3	3.5	3.8
GNP fixed-weight price index		8.5	5.0	3.9	3.7	3.6	2.3	4.0	4.1	4.1
Cons. & fixed invest. prices		8.2	4.4	3.3	3.3	3.5	2.0	4.3	4.2	4.4
CPI		9.6	4.4	3.2	4.1	3.5	1.3	4.4	4.5	4.6
Exc. food and energy		10.2	5.2	4.2	4.8	4.3	3.9	4.3	5.0	4.9
Nonfarm business sector		-.6	1.0	3.6	1.5	1.0	1.5	1.3	.9	.8
Output per hour		8.3	7.3	3.3	4.2	4.8	3.4	2.8	3.9	4.5
Production per hour		9.0	6.2	-.3	2.6	3.7	1.9	1.5	3.0	3.7
Net 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 11, 1988

	Projection										Projection			
	1987		1988				1989				1986	1987	1988	1989
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	(fourth quarter to fourth quarter, net change)			
Real GNP	40.6	44.9	21.8	33.6	23.7	22.2	19.0	18.6	20.4	19.3	80.6	149.3	101.3	77.3
Gross domestic product	44.5	41.6	23.5	33.6	21.9	22.3	18.9	18.6	20.4	19.4	92.7	150.2	101.3	77.3
Gross domestic purchases	46.3	42.3	18.2	19.0	16.3	10.2	6.4	7.2	9.9	8.8	103.1	133.3	63.7	32.2
Final sales	55.1	8.9	24.4	38.4	30.2	27.7	24.0	20.3	22.1	21.2	93.3	74.5	120.7	87.6
Private dom. final purchases	55.8	-10.9	41.4	17.2	24.8	11.0	6.9	6.5	9.4	8.6	97.7	41.4	94.4	31.4
Personal consumption expend.	33.2	-16.1	23.6	14.7	17.0	10.1	6.4	5.8	7.0	6.5	97.3	24.1	65.3	25.7
Durables	21.5	-22.4	11.7	-3.2	1.8	.8	.3	-.1	.1	.2	43.9	-14.5	11.1	.5
Nondurables	-3.3	-1.1	-.4	5.2	4.2	2.9	.6	.4	1.4	.8	24.6	-5.7	12.0	3.3
Services	15.0	7.5	12.1	12.7	11.0	6.4	5.4	5.5	5.5	5.5	28.6	44.5	4^ 1	21.9
Business fixed investment	25.9	1.8	22.7	.7	9.8	3.2	3.2	2.4	2.7	2.4	-22.0	22.4	36.3	10.7
Producers' durable equipment	19.1	-.8	24.5	.1	9.2	2.7	3.0	2.2	2.6	2.2	.6	17.2	36.5	10.0
Nonresidential structures	6.8	2.6	-1.7	.5	.6	.4	.2	.2	.1	.2	-22.6	5.2	-.2	.7
Residential structures	-3.3	3.5	-4.8	1.7	-1.9	-2.2	-2.7	-1.7	-4	-.3	22.5	-5.2	-7.3	-5.1
Change in business inventories	-14.4	35.9	-2.6	-4.7	-6.5	-5.5	-5.0	-1.6	-1.7	-1.9	-12.8	74.9	-19.4	-10.3
Nonfarm	-10.6	39.4	-13.2	5.2	-8.9	-4.9	-4.2	-.9	-1.2	-1.3	-14.4	49.2	-21.9	-7.7
Farm	-3.8	-3.5	10.6	-9.9	2.4	-.6	-.8	-.7	-.5	-.6	1.6	25.6	2.5	-2.6
Net exports	-5.7	2.6	3.6	14.6	7.4	12.0	12.6	11.5	10.5	10.5	-22.5	16.0	37.6	45.1
Exports	22.6	16.4	11.1	18.4	17.2	18.1	19.6	20.2	19.0	18.1	21.8	65.2	64.8	77.0
Imports	28.4	13.7	7.5	3.8	9.8	6.1	7.0	8.8	8.5	7.6	44.3	49.2	27.2	31.9
Government purchases	5.0	17.2	-20.6	6.6	-2.1	4.8	4.5	2.3	2.2	2.2	18.1	17.1	-11.3	11.2
Federal	3.7	11.3	-22.3	4.4	-4.3	2.5	1.8	-.5	-.7	-.8	-.7	3.0	-19.7	-.2
Defense	4.8	-.6	-5.9	-7.0	-5.2	2.3	1.6	-.5	-.6	-.8	11.6	15.0	-15.8	-.3
Nondefense	-1.2	12.1	-16.5	11.4	.9	.2	.2	.0	-.1	.0	-12.3	-11.9	-4.0	.1
State and local	1.3	5.9	1.6	2.3	2.2	2.3	2.7	2.8	2.9	3.0	18.7	14.2	8.4	11.4

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CONFIDENTIAL FR CLASS II

May 11, 1988

**FEDERAL SECTOR ACCOUNTS**  
(Billions of dollars)

	Fiscal Year 1987*	FY1988e		FY1989e		CY1988e		1987 IV*	I*	FRB Staff Estimates					
		Admin <sup>1</sup>	FRB Staff	Admin <sup>1</sup>	FRB Staff	CY 1987*	FRB Staff			II	1988	III	IV	I	1989
Not seasonally adjusted															
Budget receipts <sup>2</sup>	854	909	905	965	967	869	913	205	207	267	225	213	231	278	245
Budget outlays <sup>2</sup>	1005	1056	1065	1094	1132	1034	1058	287	244	267	267	280	285	287	280
Surplus/deficit <sup>3</sup> (-) to be financed	-150	-147	-160	-130	-165	-165	-145	-82	-37	0	-42	-67	-54	-9	-35
Means of financing:															
Borrowing from public	152	127	154	127	157	142	152	61	43	12	39	58	41	29	29
Cash balance decrease	-5	16	3	0	-2	9	2	14	0	-7	-4	13	5	-15	-5
Other <sup>4</sup>	4	3	3	3	10	16	-9	7	-5	-5	6	-5	8	-5	11
Cash operating balance, end of period	36	20	33	20	35	22	20	22	23	30	33	20	15	30	35
Memo: Sponsored agency borrowing <sup>4</sup>	20	n.a.	47	n.a.	32	35	32	20	7	11	9	5	5	10	12
Seasonally adjusted annual rates															
Receipts	894	974	960	1029	1026	916	975	938	952	975	977	994	1018	1038	1052
Expenditures	1053	1098	1105	1146	1172	1067	1117	1098	1092	1115	1117	1144	1175	1182	1188
Purchases	374	375	383	396	393	379	382	389	377	384	381	387	394	396	397
Defense	290	289	295	295	298	295	293	300	298	293	289	293	299	300	301
Nondefense	84	86	88	101	95	84	89	89	79	91	93	94	95	95	96
All other expend.	679	723	723	750	779	688	734	709	715	731	736	757	781	786	791
Surplus/deficit(-)	-159	-124	-145	-117	-146	-151	-142	-160	-140	-140	-140	-149	-157	-144	-135
High-employment surplus/ deficit(-) evaluated at 6 percent unemp.	-141	n.a.	-150	n.a.	-151	-141	-149	-161	-142	-147	-148	-157	-163	-147	-137

\*--actual

\*\*--estimated

n.a.--not available

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

1. Budget of the United States Government, Fiscal Year 1989 (February 1988). The Congressional Budget Office baseline estimates released March 1988 indicated receipts of \$898 and \$954 billion, outlays of \$1059 and \$1131 billion, and deficits of \$161 and \$177 billion in FY1988 and FY1989, respectively.

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. The Administration's definition of borrowing by these agencies is somewhat broader.

May 11, 1988

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

	ANNUAL			1987		1988				1989			
	1987-	1988-P	1989-P	Q3-	Q4-	Q1-	Q2-P	Q3-P	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
<b>1. GNP Exports and Imports 1/</b>													
Current \$, Net Exports of G+S Imports of G+S	-119.6	-107.8	-80.2	-123.7	-124.3	-115.4	-108.9	-106.9	-100.0	-91.8	-83.2	-76.2	-69.7
	427.8	506.4	602.2	439.2	458.1	470.6	494.7	518.6	541.5	566.9	591.9	614.2	635.8
	547.4	614.2	682.4	562.9	582.4	586.0	603.5	625.6	641.6	658.7	675.0	690.5	705.6
Constant 82 \$, Net Exports of G+S Imports of G+S	-135.5	-114.5	-69.1	-138.4	-135.8	-132.2	-117.6	-110.2	-98.2	-85.6	-74.1	-63.6	-53.1
	425.7	491.5	567.1	437.1	453.5	464.6	483.0	500.2	518.3	537.9	558.2	577.2	595.2
	561.3	606.1	636.2	575.6	589.3	596.8	600.6	610.4	616.5	623.5	632.3	640.8	648.3
<b>2. U.S. Merchandise Trade Balance 2/</b>	-159.2	-146.9	-126.4	-161.4	-160.7	-151.1 <sup>f</sup>	-146.1	-147.7	-142.6	-136.1	-128.8	-123.0	-117.5
Exports	250.8	312.7	372.9	260.4	276.2	290.5 <sup>f</sup>	306.3	319.5	334.6	350.4	365.5	380.2	395.7
Agricultural	29.5	36.0	39.5	33.3	30.9	35.7 <sup>f</sup>	37.0	35.0	36.3	38.1	39.3	39.8	40.8
Non-Agricultural	221.3	276.7	333.4	227.2	245.3	254.8 <sup>f</sup>	269.3	284.5	298.2	312.3	326.2	340.4	354.9
Imports	410.0	459.6	499.3	421.9	436.9	441.6 <sup>f</sup>	452.4	467.2	477.1	486.5	494.3	503.2	513.3
Petroleum and Products	42.3	44.3	49.7	50.4	44.4	40.5 <sup>f</sup>	42.9	46.7	47.1	47.9	49.1	50.3	51.5
Non-Petroleum	367.7	415.3	449.6	371.4	392.6	401.2 <sup>f</sup>	409.5	420.5	430.0	438.6	445.1	452.8	461.7
<b>3. U.S. Current Account Balance</b>	-160.7	-158.2	-139.0	-173.8	-156.0	-161.6 <sup>f</sup>	-159.1	-157.9	-154.2	-148.2	-141.2	-135.9	-130.9
Of Which: Net Investment Income	14.5	6.7	1.9	1.2	28.4	9.0 <sup>f</sup>	5.1	6.9	5.8	4.0	2.6	1.1	-0.2
<b>4. Foreign Outlook 3/</b>													
Real GNP--Ten Industrial 4/	2.8	2.7	1.8	5.1	3.1	2.6	1.9	1.7	1.7	1.8	1.9	1.9	1.9
Real GNP--NonOPEC LDC 5/	4.2	3.6	4.0	3.7	3.5	3.3	3.5	3.8	4.1	4.3	4.2	4.0	3.8
Consumer Prices--Ten Ind. 4/	2.1	2.3	2.8	1.7	2.4	1.5	3.1	2.3	3.4	2.3	3.0	2.5	3.4

1/ National Income 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.

f/ Projected

May 11, 1988

## **RECENT DEVELOPMENTS**

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

MONTHLY BUDGET TOTALS FOR FISCAL YEARS 1987 AND 1988  
(Billions of dollars; not seasonally adjusted)

	Revenues		Outlays		Deficit	
	1987	1988	1987	1988	1987	1988
October	59.0	62.4	84.3	93.1	25.3	30.7
November	53.0	57.0	80.1	83.9	27.1	26.9
December	78.0	85.5	90.4	109.8	12.4	24.2
January	81.8	81.8	83.9	65.8	2.2	-16.0
February	55.5	60.4	83.8	84.3	28.4	23.9
March	56.5	65.0	84.4	94.1	27.9	29.1
Total, fiscal year to date	383.8	412.0	507.0	530.9	123.2	118.9

RECEIPTS DURING TAX FILING SEASON  
(Billions of dollars)

	Average 1984-1986	1987	1988 <sup>1</sup>
Individual nonwithheld taxes <sup>2</sup> (January 1 through May 10)	66.4	104.4	96.5
Individual tax refunds (January through April)	34.7	39.7	40.2 <sup>3</sup>
Individual withheld taxes <sup>4</sup> (January through April)	165.3	194.3	210.9
Gross corporate income taxes			
March	10.2	15.9	14.9
April	11.4	13.3	16.3 <sup>5</sup>

1. All 1988 individual tax data through March are from the Monthly Treasury Statement, April data are from the Daily Treasury Statement (DTS).

2. Primarily final payments on previous year's liability (includes social security taxes from self-employed individuals).

3. Figure limited to data from first 4 weeks of April to maintain comparability with prior years' data.

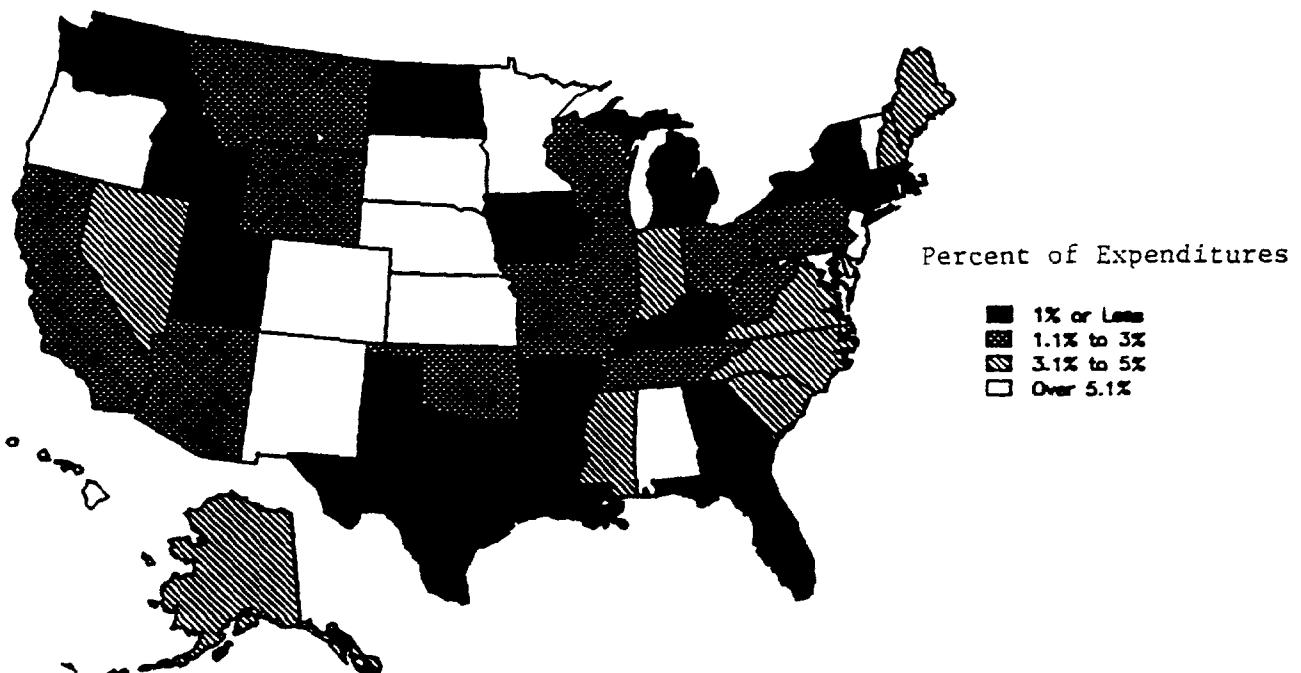
4. Includes both the employee and employer shares of social security payroll taxes, as well as withholding for personal income taxes.

5. Staff estimate based on DTS data.

BALANCES<sup>1</sup> IN AGGREGATE STATE GENERAL FUNDS  
(Fiscal year-end)

	<u>Year-end balance</u> (billions of dollars)	<u>Balance as a percent</u> of 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	2.3
1985	8.0	4.3
1986	5.4	2.6
1987 <sup>f</sup>	4.7	2.1
1988 <sup>f</sup>	4.4	1.9

YEAR-END BALANCES<sup>1</sup> AS A PERCENT OF EXPENDITURES  
(By state, fiscal year 1988<sup>f</sup>)



Source: National Association of State Budget Officers (NASBO).

f--NASBO forecast.

1. Includes balance from previous year.

**FINANCING GAP AND MAJOR SOURCES OF FUNDS  
NONFINANCIAL CORPORATIONS, EXCLUDING FARMS  
(\$ billions, seasonally adjusted annual rates)**

	<u>1987</u> Year	<u>1987</u>		<u>1988</u> Q1 <sup>P</sup>
		Q3	Q4	
<b><u>Cash flow and capital outlays</u></b>				
1. Internal funds <sup>1</sup>	341	344	350	332
2. Capital expenditures <sup>2</sup>	380	368	418	416
3. Fixed investment	330	343	344	364
4. Inventory change <sup>3</sup>	47	22	71	48
5. Financing gap (line 2 less line 1)	39	24	69	84
<b><u>Market sources of funds</u></b>				
6. Total funds raised in markets	96	82	154	161
7. Net equity issuance	-77	-78	-88	-95
8. Net borrowing	173	160	242	256
9. Bonds and mortgages	126	136	115	136
10. Loans and short-term paper	46	24	127	120

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- 1. Retained earnings and capital consumption allowances.
  - 2. Includes mineral rights purchases not shown separately.
  - 3. Before inventory valuation adjustment.

p--preliminary.

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

	1988		1988		
	Q1	Q2 <sup>P</sup>	Apr. <sup>P</sup>	May <sup>P</sup>	June <sup>e</sup>
<u>Treasury financing</u>					
Total surplus/deficit (-)	-37.0	.8	29.6	-32.0	3.2
Means of financing deficit:					
Net cash borrowing from the public	42.8	12.4	-1.8	7.9	6.2
Marketable borrowings/ repayments (-)	34.1	9.9	-2.8	7.7	5.0
Bills	3.2	-12.2	-6.8	-3.2	-2.2
Coupons	30.9	22.1	3.9	10.9	7.2
Nonmarketable	8.7	2.5	1.0	.3	1.2
Decrease in the cash balance	-.4	-3.3	-23.3	26.8	-6.8
Memo: Cash balance at end of period	22.9	26.1	46.2	19.4	26.1
Other <sup>2</sup>	-5.4	-9.9	-4.4	-2.8	-2.7
<u>Federally sponsored credit agencies, net cash borrowing<sup>3</sup></u>					
FHLBs	2.5	5.1	.6	2.0	2.5
FNMA	2.8	3.0	.8	1.0	1.2
Farm Credit Banks	.7	-1.4	-1.9	.3	.3
FHLMC	-2.0	.6	.2	.2	.3
FICO	.7	1.4	.3	.8	.3
SLMA	1.8	1.8	1.0	.5	.3

- 
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.  
e--staff estimate.  
p--preliminary.
- Note: Details may not add to totals due to rounding.