

March 26, 1986

## **SUMMARY AND OUTLOOK**

Prepared for the Federal Open Market Committee

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

March 26, 1986

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## STAFF GNP PROJECTIONS

Percent changes, annual rate

		Nominal GNP		Real GNP		GNP fixed-weighted price index		GNP deflator		Unemployment rate	
		2/5/86	3/26/86	2/5/86	3/26/86	2/5/86	3/26/86	2/5/86	3/26/86	2/5/86	3/26/86
Annual changes:											
1984	<1>	11.0	11.0	6.6	6.6	4.2	4.2	4.0	4.0	7.5	7.5
1985	<1>	5.8	5.7	2.3	2.2	3.6	3.6	3.3	3.3	7.2	7.2
1986		6.2	5.6	2.7	2.5	3.7	3.3	3.4	3.0	6.7	6.9
1987		6.5	7.0	2.9	3.6	3.8	3.7	3.5	3.4	6.5	6.4
Quarterly changes:											
1985	Q1 <1>	6.9	6.9	3.7	3.7	3.5	3.5	3.0	3.0	7.3	7.3
	Q2 <1>	4.5	4.5	1.1	1.1	3.6	3.6	3.3	3.3	7.3	7.3
	Q3 <1>	5.8	5.8	3.0	3.0	2.7	2.7	2.9	2.9	7.2	7.2
	Q4 <1>	5.9	4.3	2.4	.7	4.5	3.9	3.3	3.3	7.0	7.0
	Q1	7.2	6.1	3.3	2.9	4.0	3.3	4.0	3.3	6.8	7.0
	Q2	5.8	5.2	2.3	2.3	3.4	2.9	3.4	2.9	6.7	7.0
	Q3	6.2	6.9	3.1	4.4	3.4	2.9	3.0	2.4	6.7	6.8
	Q4	6.5	7.3	3.3	4.2	3.5	3.4	3.1	2.9	6.6	6.7
1987	Q1	6.4	7.2	2.6	3.5	3.8	3.9	3.7	3.6	6.6	6.5
	Q2	6.8	7.1	3.1	3.4	4.0	3.8	3.6	3.6	6.5	6.4
	Q3	7.0	7.2	3.0	3.2	4.2	4.1	3.9	3.9	6.5	6.3
	Q4	7.0	7.3	2.6	2.9	4.5	4.4	4.3	4.3	6.5	6.3
Two-quarter changes: <2>											
1985	Q2 <1>	5.7	5.7	2.4	2.4	3.5	3.5	3.1	3.1	.1	.1
	Q4 <1>	5.9	5.0	2.7	1.9	3.6	3.4	3.1	3.1	-.3	-.3
1986	Q2	6.5	5.7	2.8	2.6	3.7	3.1	3.7	3.1	-.3	.0
	Q4	6.3	7.1	3.2	4.3	3.5	3.2	3.0	2.7	-.1	-.3
1987	Q2	6.6	7.2	2.9	3.5	3.9	3.9	3.6	3.6	-.1	-.3
	Q4	7.0	7.2	2.8	3.0	4.3	4.3	4.1	4.1	.0	-.1
Four-quarter changes: <3>											
1984	Q4 <1>	9.0	9.0	4.7	4.7	4.2	4.2	4.1	4.1	-1.3	-1.3
1985	Q4 <1>	5.8	5.4	2.5	2.1	3.5	3.5	3.1	3.1	-.2	-.2
1986	Q4	6.4	6.4	3.0	3.4	3.6	3.1	3.4	2.9	-.4	-.3
1987	Q4	6.8	7.2	2.8	3.2	4.1	4.1	3.9	3.8	-.1	-.4

&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 FOMC

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GROSS NATIONAL PRODUCT AND RELATED ITEMS  
(seasonally adjusted; annual rate)

March 26, 1986

	Units	Projection									
		1985		1986				1987			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Expenditures</b>											
Nominal GNP	Billions of \$	4016.9	4059.3	4120.2	4173.0	4242.9	4317.9	4393.5	4469.8	4548.3	4629.0
Real GNP	Billions of 82\$	3584.1	3590.8	3616.5	3636.8	3675.9	3714.2	3746.3	3777.7	3807.3	3834.2
Real GNP	Percent change	3.0	.7	2.9	2.3	4.4	4.2	3.5	3.4	3.2	2.9
Gross domestic purchases		5.0	3.0	1.4	2.5	3.3	3.2	2.7	2.2	2.0	2.1
Final sales		5.0	1.3	.1	2.2	4.2	4.3	3.0	3.4	3.2	3.0
Private dom. final purchases		4.5	2.2	.8	4.4	4.2	3.8	2.7	2.4	2.2	2.3
Personal consumption expend.		4.6	.1	2.5	3.3	3.4	3.3	2.5	2.2	2.0	2.0
Durables		24.3	-13.3	4.1	4.2	5.2	5.3	2.7	3.6	2.9	2.7
Nondurables		1.5	.6	1.0	3.8	3.2	2.9	2.6	2.0	2.0	1.9
Services		1.4	4.4	3.2	2.6	3.1	2.9	2.3	1.9	1.8	1.8
Business fixed investment		2.4	11.3	-11.9	4.7	3.1	4.1	4.2	4.2	3.9	3.9
Producers' durable equipment		3.0	13.5	-13.0	13.5	6.0	6.0	6.0	6.0	5.5	5.5
Nonresidential structures		1.2	7.2	-9.7	-10.4	-2.3	.5	.6	.7	.5	.5
Residential structures		8.5	5.7	14.7	18.6	16.4	8.9	2.0	.4	1.0	2.6
Exports		-5.1	6.6	5.2	5.9	12.2	13.5	11.7	13.0	14.2	13.1
Imports		12.8	24.5	-6.2	6.6	1.9	3.3	3.7	1.4	2.9	5.0
Government purchases		18.2	9.2	-9.0	-5.2	-1.3	1.0	.3	.9	1.1	1.5
Federal		37.3	23.4	-19.2	-12.2	-3.8	1.2	-.6	.4	-.2	-.1
Defense		22.0	-3.2	4.4	-3.1	-1.6	2.7	.2	.8	1.0	.0
State and local		4.7	-1.6	.8	.9	.8	.9	1.1	1.3	2.1	2.8
Change in business inventories	Billions of 82\$	-1.8	-6.3	18.5	19.0	21.0	21.0	25.5	26.0	26.0	25.0
Nonfarm	Billions of 82\$	1.6	18.2	23.0	19.5	21.5	21.0	25.5	26.0	26.0	25.0
Net exports	Billions of 82\$	-119.8	-140.8	-128.3	-130.9	-122.6	-114.4	-108.1	-97.3	-86.9	-79.8
Nominal GNP	Percent change	5.8	4.3	6.1	5.2	6.9	7.3	7.2	7.1	7.2	7.3
<b>Employment and Production</b>											
Nonfarm payroll employment	Millions	98.0	98.8	99.7	100.2	100.7	101.3	102.0	102.6	103.1	103.6
Unemployment rate	Percent*	7.2	7.0	7.0	7.0	6.8	6.7	6.5	6.4	6.3	6.3
Industrial production index	Percent change	2.0	1.8	1.8	1.5	4.8	4.6	3.8	3.9	3.4	3.3
Capacity utilization rate-mfg.	Percent*	80.3	80.1	79.9	79.7	80.2	80.6	80.8	81.0	81.1	81.2
Housing Starts	Millions	1.69	1.77	1.95	1.95	1.90	1.95	1.95	1.95	1.95	1.90
Auto sales	Millions	12.31	10.24	10.80	10.66	10.70	10.80	10.80	10.85	10.85	10.85
Domestic	Millions	9.40	6.84	8.00	7.66	7.70	7.70	7.80	7.80	7.80	7.80
Foreign	Millions	2.90	3.40	2.80	3.00	3.00	3.10	3.00	3.05	3.05	3.05
<b>Income and saving</b>											
Nominal personal income	Percent change	2.3	6.9	6.6	5.5	6.1	6.6	6.2	6.5	6.9	7.1
Real disposable income	Percent change	-4.5	2.3	5.7	3.6	2.9	2.4	2.5	1.2	1.6	1.8
Personal saving rate	Percent*	3.7	4.0	4.7	4.8	4.6	4.4	4.4	4.2	4.0	4.0
Corp. profits with IVA & CCAdj	Percent change	32.5	.0	-10.3	14.2	9.4	16.3	3.4	2.8	4.1	9.6
Profit share of GNP	Percent*	7.7	7.6	7.3	7.5	7.5	7.7	7.6	7.5	7.4	7.5
Federal govt. surplus/deficit	Billions of \$	-201.3	-224.2	-215.4	-195.0	-176.0	-172.4	-162.5	-149.5	-138.0	-132.1
State and local govt. surplus		56.9	59.4	66.1	58.6	56.5	57.1	59.0	62.4	64.4	65.7
<b>Prices and costs</b>											
GNP implicit deflator	Percent change	2.9	3.3	3.3	2.9	2.4	2.9	3.6	3.6	3.9	4.3
GNP fixed-weight price index		2.7	3.9	3.3	2.9	2.9	3.4	3.9	3.8	4.1	4.4
Cons. & fixed invest. prices		2.4	4.4	2.4	1.6	3.0	3.7	4.1	4.1	4.4	4.4
CPI		2.6	4.3	1.8	-.2	2.6	3.7	4.1	4.1	4.4	4.4
Exc. food and energy		3.5	4.9	4.4	4.6	4.6	4.7	4.9	4.9	5.2	5.3
Nonfarm business sector											
Output per hour		.4	-3.1	-.1	1.1	2.0	1.8	1.1	1.0	.9	.9
Compensation per hour		2.8	3.3	4.1	3.8	3.8	3.9	4.3	4.3	4.5	4.7
Unit labor costs		2.4	6.6	4.2	2.7	1.8	2.1	3.2	3.3	3.6	3.8

Not at an annual rate.

	Units	1979	1980	1981	1982	1983	1984	1985	Projection	
									1986	1987
<b>Expenditures</b>										
Nominal GNP	Billions of \$	2508.2	2732.0	3052.6	3166.0	3401.6	3774.7	3988.5	4213.5	4510.2
Real GNP	Billions of 82\$	3192.4	3187.1	3248.8	3166.0	3275.2	3492.0	3570.0	3660.8	3791.4
Real GNP	Percent change*	.6	-.1	.6	-1.9	6.3	4.7	2.1	3.4	3.2
Gross domestic purchases		-.4	-1.1	.8	-.8	8.2	6.2	3.2	2.6	2.2
Final sales		2.2	-.2	.1	.3	3.6	4.3	3.4	2.7	3.1
Private dom. final purchases		1.3	-1.7	-.3	.8	7.6	5.3	3.7	3.2	2.4
Personal consumption expend.		1.4	-.1	.2	2.9	5.3	3.4	3.0	3.1	2.2
Durables		-3.8	-5.6	-3.3	9.0	14.5	9.2	5.8	4.7	3.0
Nondurables		.8	-1.4	.5	1.8	4.3	2.0	2.7	2.7	2.1
Services		3.5	2.4	.9	2.3	3.7	2.8	2.4	2.9	1.9
Business fixed investment		5.0	-4.8	5.6	-11.3	11.5	16.5	6.3	-.2	4.0
Producers' durable equipment		1.6	-6.5	2.2	-12.5	20.3	17.2	5.3	2.6	5.7
Nonresidential structures		12.0	-1.8	11.7	-9.1	-2.1	15.2	8.1	-5.6	.6
Residential structures		-7.2	-14.2	-22.4	4.9	38.5	3.5	5.7	14.6	1.5
Exports		13.7	.5	2.4	-13.8	6.9	5.1	-4.8	9.1	13.0
Imports		3.4	-8.8	4.9	-5.9	25.8	17.0	4.7	1.3	3.2
Government purchases		.1	1.0	2.9	3.8	-2.7	8.1	7.4	-3.7	1.0
Federal		-.3	3.1	9.5	8.2	-7.5	14.7	13.6	-8.8	-.1
Defense		3.3	3.1	7.6	8.8	5.2	7.6	5.9	.5	.5
State and local		.4	-.3	-1.3	.6	1.0	3.3	2.6	.9	1.8
Change in business inventories	Billions of 82\$	15.0	-6.9	23.9	-24.5	-5.5	62.7	5.7	19.9	25.6
Nonfarm	Billions of 82\$	10.4	-2.3	19.0	-23.1	.4	55.9	10.6	21.3	25.6
t exports	Billions of 82\$	3.6	57.0	49.4	26.3	-21.9	-85.0	-108.4	-124.1	-93.0
nal GNP	Percent change*	9.5	9.9	9.3	3.1	10.0	9.0	5.4	6.4	7.2
<b>Employment and Production</b>										
Nonfarm payroll employment	Millions	89.8	90.4	91.2	89.6	90.2	94.5	97.7	100.5	102.8
Unemployment rate	Percent	5.8	7.1	7.6	9.7	9.6	7.5	7.2	6.9	6.4
Industrial production index	Percent change*	.9	-.8	-1.0	-7.7	14.3	7.2	1.8	3.2	3.6
Capacity utilization rate-mfg.	Percent	84.6	79.2	78.3	70.3	74.0	80.8	80.3	80.1	81.0
Housing Starts	Millions	1.72	1.30	1.10	1.06	1.71	1.76	1.74	1.94	1.94
Auto sales	Millions	10.68	9.04	8.56	8.00	9.18	10.43	11.09	10.74	10.84
Domestic	Millions	8.36	6.62	6.24	5.77	6.77	7.97	8.24	7.77	7.80
Foreign	Millions	2.32	2.42	2.32	2.23	2.41	2.46	2.84	2.98	3.04
<b>Income and saving</b>										
Nominal personal income	Percent change*	11.4	12.0	9.2	5.3	7.5	8.6	5.3	6.2	6.7
Real disposable income	Percent change*	.5	1.1	.7	1.0	5.1	3.9	1.3	3.7	1.8
Personal saving rate	Percent	6.8	7.1	7.5	6.8	5.5	6.5	4.6	4.7	4.1
Corp. profits with IVA & CCAdj	Percent change*	-10.7	-6.8	2.3	-19.1	69.5	11.6	11.9	6.9	5.0
Profit share of GNP	Percent	8.0	6.5	6.2	4.7	6.3	7.2	7.4	7.5	7.5
Federal govt. surplus/deficit	Billions of \$	-16.1	-61.3	-63.8	-145.9	-179.4	-172.9	-199.3	-189.7	-145.5
State and local govt. surplus		27.6	26.8	34.1	35.1	48.6	64.4	59.2	59.6	62.9
<b>Prices and costs</b>										
GNP implicit deflator	Percent change*	8.9	9.9	8.7	5.2	3.5	4.1	3.1	2.9	3.8
GNP fixed-weight price index		8.8	9.8	8.5	5.0	3.8	4.2	3.5	3.1	4.1
Cons. & fixed invest. prices		9.5	10.1	8.2	4.4	3.1	3.9	3.2	2.7	4.3
CPI		12.8	12.5	9.4	4.5	3.3	3.9	3.6	2.0	4.3
Exc. food and energy		10.7	12.2	10.2	5.2	4.3	4.8	4.3	4.6	5.1
Nonfarm business sector										
Output per hour		-2.7	1.0	-.6	1.0	3.3	.8	-.4	1.2	1.0
Compensation per hour		9.7	10.9	8.3	7.2	3.6	3.8	3.7	3.9	4.4
Unit labor costs		12.7	9.7	9.0	6.2	.3	3.0	4.1	2.7	3.4

\* Percent changes are from fourth quarter to fourth quarter.

March 26, 1986

FEDERAL SECTOR ACCOUNTS  
(Billions of dollars)

	Fiscal Year 1985*	FY1986 <sup>e</sup>		FY1987 <sup>e</sup>		CY 1985*	CY1986 <sup>e</sup> FRB Staff	FRB staff estimates								
		Admin. 1/	FRB Staff	Admin. 1/	FRB Staff			Calendar quarters; not seasonally adjusted								
								1985 IV*	1986				1987			
									I	II	III	IV	I	II	III	
Budget receipts <sup>2</sup>	734	777	776	850	832	745	786	177	180	222	196	187	195	239	211	
Budget outlays <sup>2</sup>	946	980	980	994	996	961	979	252	243	243	241	251	251	249	245	
Surplus/deficit(-) to be financed <sup>2</sup>	-212	-203	-204	-144	-164	-216	-193	-75	-63	-21	-45	-64	-56	-9	-34	
Means of financing deficit:																
Net borrowing from public	197	204	211	142	159	224	171	91	36	30	54	50	53	18	38	
Decrease in cash operating balance	12	-3	-13	0	0	-13	16	-14	19	-7	-11	15	0	-5	-10	
Other <sup>3</sup>	1	2	6	2	5	5	7	-2	8	-3	3	-1	4	-3	6	
Cash operating balance, end of period	17	20	30	20	30	31	15	31	12	19	30	15	15	20	30	
Memo: Sponsored agency borrowing <sup>4</sup>	20	n.a.	13	n.a.	23	21	13	5	-2	5	5	5	6	6	6	
<u>NIPA Federal Sector</u>								<u>Seasonally adjusted annual rates</u>								
Receipts	769	823	820	905	882	785	833	806	815	821	838	858	872	889	907	
Expenditures	961	1016	1023	1044	1037	985	1023	1030	1031	1016	1014	1031	1034	1038	1045	
Purchases	343	359	371	373	374	355	367	385	372	364	363	369	373	376	379	
Defense	256	270	276	289	289	262	279	272	277	277	278	284	287	290	293	
Nondefense	87	89	95	83	86	94	88	113	95	88	85	85	86	86	86	
All other expenditures	618	657	652	671	663	629	656	645	659	652	651	662	661	662	666	
Surplus/deficit(-)	-192	-193	-203	-139	-156	-199	-190	-224	-215	-195	-176	-172	-163	-150	-138	
High employment surplus/deficit(-) evaluated at 6 percent unemployment	-155	n.a.	-166	n.a.	-137	-163	-156	-185	-177	-157	-145	-147	-142	-133	-125	
	*--actual	e--estimated					n.a.--not available									

1. Budget of the United States Government, Fiscal Year 1987 (February 1986). The Congressional Budget Office baseline estimates published in February indicated receipts of \$778 billion and \$844 billion, outlays of \$986 billion and \$1025 billion, and deficits of \$208 and \$181 billion in FY1986 and FY1987 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.

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

4. Sponsored agency borrowing includes net debt issuance by Federal Home Loan Banks, FHLMC (excluding participation certificates), FNMA (excluding mortgage-backed securities), Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, and Student Loan Marketing Association marketable debt on a payment basis. The Administration's definition of borrowing by these agencies is somewhat broader.

MARCH 25, 1986

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

	1985- 1985	ANNUAL 1986-P	1987-P	1985 Q3-P	Q4-P	Q1-P	Q2-P	1986 Q3-P	Q4-P	Q1-P	1987 Q2-P	Q3-P	Q4-P
1. GNP EXPORTS AND IMPORTS 1/													
CURRENT \$, NET	-78.3	-91.4	-74.7	-87.5	-113.2	-98.3	-92.8	-88.2	-86.4	-85.1	-78.9	-70.9	-64.0
EXPORTS OF G+S	370.1	393.6	461.2	363.4	368.0	374.9	384.4	399.4	415.7	432.1	450.5	470.9	491.1
IMPORTS OF G+S	448.4	485.0	535.9	451.0	481.1	473.2	477.2	487.6	502.1	517.2	529.4	541.8	555.1
CONSTANT 82 \$, NET	-108.2	-123.8	-92.8	-119.5	-140.5	-128.0	-130.7	-122.4	-114.2	-107.8	-97.0	-86.7	-79.5
EXPORTS OF G+S	360.0	376.1	422.7	353.7	359.4	363.8	369.0	379.7	391.9	402.9	415.4	429.5	442.9
IMPORTS OF G+S	468.2	499.9	515.5	473.2	499.9	491.8	499.7	502.1	506.1	510.7	512.5	516.2	522.4
2. U.S. MERCHANDISE TRADE BALANCE 2/	-124.2	-136.7	-123.0	-131.7	-157.8	-142.5	-136.5	-134.3	-133.3	-131.3	-126.1	-120.2	-114.6
EXPORTS	214.0	225.9	275.2	209.2	212.0	214.2	219.5	228.8	240.9	254.6	268.0	281.9	296.2
AGRICULTURAL	29.2	27.7	29.2	26.1	22.3	28.8	27.5	27.3	27.4	28.2	28.8	29.5	30.2
NONAGRICULTURAL	184.8	198.1	246.0	183.0	182.7	185.5	192.0	201.5	213.5	226.4	239.2	252.4	266.0
IMPORTS	338.3	362.5	398.2	340.9	369.8	356.8	356.0	363.1	374.2	385.9	394.2	402.1	410.8
PETROLEUM AND PRODUCTS	50.4	35.0	36.4	50.1	57.4	41.0	33.4	32.3	33.4	34.9	35.5	36.6	38.7
NONPETROLEUM	287.9	327.5	361.8	290.7	312.4	315.7	322.7	330.8	340.8	351.0	358.7	365.5	372.1
3. U.S. CURRENT ACCOUNT BALANCE	-117.5	-130.0	-119.8	-116.9	-146.0	-134.2	-130.1	-126.8	-128.7	-128.7	-123.9	-116.5	-110.2
OF WHICH: NET INVESTMENT INCOME	24.8	23.5	19.3	34.7	32.6	26.5	23.5	22.9	21.3	19.1	18.5	19.7	19.9
4. FOREIGN OUTLOOK 3/													
REAL GNP--TEN INDUSTRIAL 4/	2.7	3.1	2.9	3.7	3.0	3.0	2.7	3.0	3.0	2.9	2.9	2.9	2.8
REAL GNP--NONOPEC LDC 5/	3.7	3.2	4.0	3.1	3.0	3.0	3.2	3.5	3.7	3.9	4.2	4.5	4.8
CONSUMER PRICES--TEN IND. 4/	4.3	2.7	2.9	1.4	3.2	2.4	2.9	2.3	2.6	2.9	3.3	3.0	3.0

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

March 26, 1986

## **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

Table 1

FEDERAL UNIFIED RECEIPTS AND EXPENDITURES  
(Not seasonally adjusted, billions of dollars)

	Total outlays <sup>1</sup>			Receipts			Total deficit <sup>1</sup>		
	FY1985	FY1986	Percent change	FY1985	FY1986	Percent change	FY1985	FY1986	Percent change
Q4 (Monthly average)	79.2	84.1	6.2	55.4	59.1	6.7	23.8	25.1	5.3
January	78.5	83.2	6.0	70.5	76.7	8.9	8.0	6.5	-18.8
February	75.1	78.0	3.9	54.0	53.4	-1.1	21.1	24.6	16.6
Total, October through February	391.2	413.5	5.7	290.6	307.3	5.7	100.6	106.2	5.6
Memo:									
FY1985 total	945.9			734.0			211.9		

Source: Monthly Treasury Statement.

Note: Detail may not add to totals because of rounding.

1. Includes outlays of entities classified as being off-budget by law.



Table 2

CBO REESTIMATE OF THE ADMINISTRATION BUDGET REQUEST  
(fiscal years, billions of dollars)

	1987	1988	1989	1990	1991
CBO baseline deficit <sup>1</sup>	181.3	164.9	143.6	120.1	104.3
Effect of administration budget proposals on baseline deficit:					
Revenue	-5.9	-7.1	-8.6	-7.2	-6.5
Defense outlays	12.7	20.2	25.1	29.6	32.9
Nondefense outlays	<u>-28.3</u>	<u>-45.8</u>	<u>-68.6</u>	<u>-75.9</u>	<u>-90.6</u>
Subtotal, policy changes	-21.5	-32.7	-52.1	-53.5	-64.2
Deficit in President's budget as reestimated by CBO <sup>2</sup>	<u>159.7</u>	<u>132.3</u>	<u>91.4</u>	<u>66.6</u>	<u>40.4</u>
Memo: Deficit in President's Budget <sup>3</sup>	143.7	93.5	67.6	35.8	-1.3

Note: Detail may not add to totals because of rounding.

1. Congressional Budget Office, The Economic and Budget Outlook: Fiscal Years 1987-1991 (February 1986).

2. Congressional Budget Office, An Analysis of the President's Budgetary Proposals for Fiscal Year 1987 (February 1986).

3. The Budget of the United States Government: Fiscal Year 1987 (February 1986).