

December 9, 1987

## **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

December 9, 1987

## STAFF GNP PROJECTIONS

Percent changes, annual rate

	Nominal GNP		Real GNP		GNP fixed-weighted price index		GNP deflator		Unemployment rate (percent)		
	10/28/87	12/9/87	10/28/87	12/9/87	10/28/87	12/9/87	10/28/87	12/9/87	10/28/87	12/9/87	
<b>Annual changes:</b>											
1985	<1>	6.3	6.3	3.0	3.0	3.6	3.6	3.2	3.2	7.2	7.2
1986	<1>	5.6	5.6	2.9	2.9	2.7	2.7	2.6	2.6	7.0	7.0
1987		5.7	5.8	2.7	2.8	3.3	3.5	2.9	2.9	6.2	6.2
1988		5.6	5.7	2.0	2.3	3.9	3.9	3.5	3.3	6.2	6.3
<b>Quarterly changes:</b>											
1986	Q1 <1>	7.0	7.0	5.4	5.4	2.2	2.2	1.8	1.8	7.1	7.1
	Q2 <1>	3.6	3.6	.6	.6	2.2	2.2	2.9	2.9	7.1	7.1
	Q3 <1>	5.3	5.3	1.4	1.4	2.6	2.6	3.6	3.6	6.9	6.9
	Q4 <1>	2.1	2.1	1.5	1.5	2.3	2.3	.7	.7	6.9	6.9
1987	Q1 <1>	8.6	8.6	4.4	4.4	4.5	4.5	4.2	4.2	6.7	6.7
	Q2 <1>	6.3	6.3	2.5	2.5	4.1	4.1	3.5	3.5	6.2	6.2
	Q3 <1>	6.2	7.0	3.8	4.1	2.7	3.3	2.4	2.8	6.0	6.0
	Q4 <1>	5.0	5.4	2.2	3.0	3.3	3.7	2.6	2.5	6.1	6.0
1988	Q1	4.8	5.1	.8	1.1	4.3	4.1	4.0	3.9	6.2	6.2
	Q2	5.3	5.0	1.4	1.6	4.1	3.8	3.8	3.4	6.3	6.3
	Q3	6.9	6.3	2.6	2.6	4.2	4.1	4.1	3.7	6.3	6.3
	Q4	7.2	7.0	2.9	2.9	4.4	4.3	4.2	3.9	6.2	6.2
<b>Two-quarter changes: &lt;2&gt;</b>											
1986	Q2 <1>	5.3	5.3	3.0	3.0	2.1	2.1	2.3	2.3	.0	.0
	Q4 <1>	3.7	3.7	1.5	1.5	2.5	2.5	2.1	2.1	-.2	-.2
1987	Q2 <1>	7.5	7.5	3.4	3.4	4.4	4.4	3.9	3.9	-.7	-.7
	Q4	5.6	6.2	3.0	3.5	3.0	3.6	2.5	2.6	-.1	-.2
1988	Q2	5.0	5.1	1.1	1.4	4.2	4.0	3.9	3.7	.2	.3
	Q4	7.0	6.7	2.8	2.8	4.3	4.2	4.1	3.8	-.1	-.1
<b>Four-quarter changes: &lt;3&gt;</b>											
1985	Q4 <1>	6.6	6.6	3.3	3.3	3.6	3.6	3.1	3.1	-.2	-.2
1986	Q4 <1>	4.5	4.5	2.2	2.2	2.3	2.3	2.2	2.2	-.2	-.2
1987	Q4	6.5	6.8	3.2	3.5	3.7	4.0	3.2	3.2	-.8	-.9
1988	Q4	6.0	5.9	1.9	2.1	4.3	4.1	4.0	3.7	.1	.2

&lt;1&gt; Actual.

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

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

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

December 9, 1987

	Units	Projection											
		1986				1987				1988			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>EXPENDITURES</b>													
Nominal GNP	Billions of \$	4265.9	4288.1	4377.7	4445.1	4520.5	4580.7	4638.2	4695.4	4768.2	4849.4		
Real GNP	Billions of 82\$	3718.0	3731.5	3772.2	3795.3	3833.4	3861.6	3872.5	3887.9	3912.8	3941.2		
Nominal GNP	Percent change	5.3	2.1	8.6	6.3	7.0	5.4	5.1	5.0	6.3	7.0		
Real GNP		1.4	1.5	4.4	2.5	4.1	3.0	1.1	1.6	2.6	2.9		
Gross domestic product		1.2	2.2	4.2	2.8	4.1	2.9	1.2	1.6	2.6	2.9		
Gross domestic purchases		3.0	.4	2.5	2.1	4.2	1.0	-.6	.1	1.2	1.8		
Final sales		3.9	3.7	-2.3	3.5	5.8	3.0	.7	2.0	2.9	3.0		
Private dom. final purchases		5.9	1.2	-3.2	2.9	6.9	-1.6	.6	.6	1.8	2.2		
Personal consumption expend.		7.3	.5	-.7	1.9	4.9	-2.1	.3	-.5	1.8	2.2		
Durables		44.9	-6.3	-21.2	10.5	22.4	-18.5	-.9	-1.5	3.7	5.3		
Nondurables		-.1	.2	1.3	-1.9	-1.2	-1.2	-.5	.0	.7	.9		
Services		2.6	3.0	5.4	2.1	4.1	3.1	1.3	1.4	2.0	2.1		
Business fixed investment		-3.0	5.1	-14.6	11.7	26.3	1.9	3.5	1.8	1.5	1.6		
Producers' durable equipment		3.1	4.7	-15.3	16.5	27.5	2.8	4.0	3.0	2.5	2.5		
Nonresidential structures		-16.6	6.3	-12.8	.0	23.0	-.6	2.2	-1.4	-1.2	-.9		
Residential structures		9.7	2.2	-7.7	-2.8	-6.0	-3.9	-2.7	-1.2	2.3	4.2		
Exports		10.6	9.5	10.2	17.9	19.4	14.0	12.3	11.3	12.0	12.0		
Imports		20.1	-.8	-5.2	11.1	16.3	-2.9	-2.7	-1.6	.7	2.3		
Government purchases		3.0	7.9	-6.2	3.8	1.3	12.3	-7.5	.1	.5	.4		
Federal		2.4	15.2	-18.6	6.6	.8	26.5	-17.6	-1.8	-1.0	-1.4		
Defense		16.4	-10.5	7.6	9.8	2.8	-6.0	-5.3	-3.4	-2.2	-2.5		
State and local		3.5	2.4	5.0	1.7	1.6	2.2	1.3	1.6	1.7	1.8		
Change in business inventories	Billions of 82\$	6.1	-14.4	47.6	39.0	24.1	24.2	28.6	24.7	21.8	21.2		
Nonfarm	Billions of 82\$	-.1	2.3	43.9	22.7	9.4	34.2	26.4	24.0	21.5	21.5		
Net exports	Billions of 82\$	-161.6	-151.8	-135.2	-132.7	-134.9	-116.4	-99.3	-84.6	-71.9	-61.2		
<b>EMPLOYMENT AND PRODUCTION</b>													
Nonfarm payroll employment	Millions	99.8	100.4	101.1	101.7	102.3	103.1	103.4	103.7	104.0	104.5		
Unemployment rate	Percent*	6.9	6.9	6.7	6.2	6.0	6.0	6.2	6.3	6.3	6.2		
Industrial production index	Percent change	1.3	3.8	3.2	4.2	8.3	3.7	1.0	2.6	3.9	4.6		
Capacity utilization rate-mfg.	Percent*	79.5	79.8	80.0	80.5	81.4	81.7	81.3	81.3	81.5	81.9		
Housing Starts	Millions	1.76	1.70	1.79	1.61	1.61	1.54	1.55	1.58	1.58	1.59		
Auto sales	Millions	12.91	11.32	9.66	10.26	11.42	9.68	9.65	9.40	9.75	9.95		
Domestic	Millions	9.43	7.66	6.86	7.20	7.84	6.45	6.57	6.50	6.80	7.00		
Foreign	Millions	3.47	3.66	2.80	3.06	3.58	3.22	3.08	2.90	2.95	2.95		
<b>INCOME AND SAVING</b>													
Nominal personal income	Percent change	3.1	4.6	7.8	5.2	5.3	8.4	4.9	4.1	4.8	7.8		
Real disposable income	Percent change	-1.0	.5	2.7	-4.3	4.0	5.3	1.9	-.5	1.3	2.2		
Personal saving rate	Percent*	3.6	3.6	4.4	3.0	2.8	4.5	4.9	4.6	4.5	4.5		
Corp. profits with IVA & CCAdj	Percent change	5.9	-7.2	19.7	3.9	24.8	-4.9	-12.3	2.5	15.3	8.9		
Profit share of GNP	Percent*	6.7	6.6	6.7	6.7	6.9	6.8	6.5	6.4	6.6	6.6		
Federal govt. surplus/deficit	Billions of \$	-203.7	-188.7	-170.5	-139.2	-137.2	-179.3	-175.3	-163.7	-160.5	-162.0		
State and local govt. surplus		59.6	50.6	41.0	50.6	45.7	45.4	47.8	49.2	51.9	57.5		
<b>PRICES AND COSTS</b>													
GNP implicit deflator	Percent change	3.6	.7	4.2	3.5	2.8	2.5	3.9	3.4	3.7	3.9		
GNP fixed-weight price index		2.6	2.3	4.5	4.1	3.3	3.7	4.1	3.8	4.1	4.3		
Cons. & fixed invest. prices		3.1	3.0	5.1	4.7	3.8	3.7	4.2	4.2	4.4	4.6		
CPI		2.5	2.6	5.3	4.9	4.0	3.8	3.8	4.3	4.5	5.0		
Exc. food and energy		3.7	3.8	4.4	4.7	3.6	4.5	4.3	4.8	5.1	5.3		
Nonfarm business sector		-.6	.0	.4	1.4	3.6	-.8	.3	.6	1.5	1.5		
Output per hour		2.8	4.0	1.1	3.0	3.8	3.0	4.7	3.8	4.0	4.3		
Compensation per hour		3.5	4.0	.8	1.5	.2	3.8	4.4	3.2	2.5	2.8		
Unit labor costs													

Not at an annual rate.

CONFIDENTIAL - FR  
CLASS II FOMC

December 9, 1987

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

	Units	1980	1981	1982	1983	1984	1985	1986	1987	Projection 1988
<b>EXPENDITURES</b>										
Nominal GNP	Billions of \$	2732.0	3052.6	3166.0	3405.7	3772.2	4010.3	4235.0	4481.0	4737.8
Real GNP	Billions of 82\$	3187.1	3248.8	3166.0	3279.1	3501.4	3607.5	3713.3	3815.6	3903.6
Real GNP	Percent change*	-.1	.6	-1.9	6.5	5.1	3.3	2.2	3.5	2.1
Gross domestic product		.3	.3	-1.6	6.6	5.3	3.5	2.6	3.5	2.1
Gross domestic purchases		-1.1	.8	-.8	8.4	6.4	4.1	2.7	2.4	.6
Final sales		-.2	.1	.3	3.7	4.7	4.6	2.6	2.4	2.2
Private dom. final purchases		-1.7	-.3	.8	7.7	5.6	4.6	3.2	1.2	1.3
Personal consumption expend.		-.1	.2	2.9	5.4	4.1	4.5	4.1	.9	1.2
Durables		-5.6	-3.3	9.0	14.7	10.8	6.6	12.4	-3.5	1.6
Nondurables		-1.4	.5	1.8	4.4	2.3	2.9	2.9	-.7	.3
Services		2.4	.9	2.3	3.9	3.5	5.0	2.4	3.7	1.7
Business fixed investment		-4.8	5.6	-11.3	10.8	13.8	4.7	-4.7	5.2	2.1
Producers' durable equipment		-6.5	2.2	-12.5	20.9	14.9	7.0	-.2	6.6	3.0
Nonresidential structures		-1.8	11.7	-9.1	-4.8	11.8	.1	-15.4	1.6	-.3
Residential structures		-14.2	-22.4	4.9	38.1	6.1	6.0	12.5	-5.1	.6
Exports		.5	2.4	-13.8	5.8	5.9	-2.7	5.9	15.3	11.9
Imports		-8.8	4.9	-5.9	23.8	17.4	5.2	8.9	4.4	-.3
Government purchases		1.0	2.9	3.8	-2.7	7.9	8.7	2.4	2.6	-1.7
Federal		3.1	9.5	8.2	-8.1	13.0	14.9	-.2	2.6	-5.7
Defense		3.1	7.6	8.8	5.1	6.5	7.0	4.8	3.4	-3.3
State and local		-.3	-1.3	.6	1.5	4.4	4.0	4.6	2.6	1.6
Change in business inventories	Billions of 82\$	-6.9	23.9	-24.5	-6.4	62.3	7.4	13.8	33.7	24.1
Nonfarm	Billions of 82\$	-2.3	19.0	-23.1	-.1	57.8	12.0	15.4	27.5	23.3
Net exports	Billions of 82\$	57.0	49.4	26.3	-19.9	-84.0	-108.2	-145.8	-129.8	-79.3
Final GNP	Percent change*	9.9	9.3	3.1	10.4	8.6	6.6	4.5	6.8	5.9
<b>EMPLOYMENT AND PRODUCTION</b>										
Nonfarm payroll employment	Millions	90.4	91.2	89.6	90.2	94.5	97.5	99.6	102.1	103.9
Unemployment rate	Percent	7.1	7.6	9.7	9.6	7.5	7.2	7.0	6.2	5.3
Industrial production index	Percent change*	-.8	-1.0	-7.7	14.3	6.6	1.7	1.0	4.8	3.0
Capacity utilization rate-mfg.	Percent	79.3	78.2	70.3	73.9	80.5	80.1	79.7	80.9	81.5
Housing Starts	Millions	1.30	1.10	1.06	1.71	1.77	1.74	1.82	1.64	1.57
Auto sales	Millions	9.04	8.56	8.00	9.18	10.43	11.09	11.52	10.26	9.69
Domestic	Millions	6.62	6.24	5.77	6.77	7.97	8.24	8.28	7.09	6.72
Foreign	Millions	2.42	2.32	2.23	2.41	2.46	2.84	3.25	3.16	2.97
<b>INCOME AND SAVING</b>										
Nominal personal income	Percent change*	12.0	9.2	5.3	7.8	8.4	6.8	5.5	6.7	5.4
Real disposable income	Percent change*	1.1	.7	1.0	5.1	4.3	2.8	3.6	1.9	1.2
Personal saving rate	Percent	7.1	7.5	6.8	5.4	6.1	4.5	4.3	3.7	4.7
Corp. profits with IVA & CCAdj	Percent change*	-6.8	2.3	-19.1	70.1	7.4	4.1	1.2	10.2	3.1
Profit share of GNP	Percent	6.5	6.2	4.7	6.3	7.1	6.9	6.7	6.8	6.5
Federal govt. surplus/deficit	Billions of \$	-61.3	-63.8	-145.9	-176.0	-169.6	-196.0	-204.7	-156.6	-165.4
State and local govt. surplus		26.8	34.1	35.1	47.5	64.6	63.1	56.8	45.7	51.6
<b>PRICES AND COSTS</b>										
GNP implicit deflator	Percent change*	9.9	8.7	5.2	3.6	3.4	3.1	2.2	3.2	3.7
GNP fixed-weight price index		9.8	8.5	5.0	3.9	3.7	3.6	2.3	4.0	4.1
Cons. & fixed invest. prices		10.1	8.2	4.4	3.3	3.3	3.5	2.0	4.3	4.4
CPI		12.5	9.6	4.5	3.2	4.1	3.5	1.3	4.5	4.4
Exc. food and energy		12.2	10.2	5.2	4.2	4.7	4.3	3.9	4.3	4.9
Nonfarm business sector		1.0	-.6	1.0	3.6	1.5	1.0	1.5	1.2	1.0
Output per hour		10.9	8.3	7.3	3.3	4.2	4.8	3.4	2.7	4.2
Compensation per hour		9.8	9.0	6.2	-.3	2.6	3.7	1.9	1.6	3.2
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)

December 9, 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	13.3	13.5	40.7	23.1	38.1	28.2	10.8	15.4	24.9	28.4	115.7	80.6	130.1	79.6
Gross domestic product	10.6	20.4	38.3	25.8	37.7	27.2	11.5	15.7	25.2	28.1	121.5	92.7	129.0	60.5
Gross domestic purchases	28.1	3.7	24.1	20.6	40.3	9.7	-6.3	.7	12.3	17.7	150.2	103.1	94.7	24.4
Final sales	35.2	33.9	-21.3	31.8	53.0	28.1	6.4	19.3	27.8	29.0	159.0	93.3	91.6	82.6
Private dom. final purchases	44.4	9.5	-25.7	22.2	52.8	-13.0	4.6	4.4	14.2	17.5	133.0	97.7	36.3	40.7
Personal consumption expend.	43.2	3.0	-4.6	11.6	29.7	-13.3	1.9	2.9	11.3	13.6	102.1	97.3	23.4	29.7
Durables	35.9	-6.5	-23.1	9.5	20.0	-20.2	-.9	-1.5	3.5	5.0	22.0	43.9	-13.8	6.1
Nondurables	-.2	.5	2.9	-4.2	-2.7	-2.6	-1.1	.0	1.5	2.0	24.5	24.6	-6.6	2.4
Services	7.5	8.9	15.8	6.2	12.3	9.6	3.9	4.4	6.3	6.6	55.7	28.6	43.9	21.2
Business fixed investment	-3.3	5.5	-17.2	11.9	26.3	2.1	4.0	2.1	1.8	1.9	20.8	-22.0	23.1	9.8
Producers' durable equipment	2.4	3.6	-13.0	11.9	19.9	2.3	3.3	2.5	2.1	2.2	20.7	-.6	21.1	10.2
Nonresidential structures	-5.7	1.9	-4.2	.0	6.4	-.2	.7	-.4	-.3	.1	-22.6	2.0	-.4	
Residential structures	4.6	1.1	-4.0	-1.4	-3.0	-1.9	-1.3	-.6	1.1	2.0	10.1	22.5	-10.3	1.2
Change in business inventories	-22.0	-20.5	62.0	-8.6	-14.9	.1	4.4	-3.9	-2.9	-.6	-43.3	-12.8	38.6	-3.0
Nonfarm	-23.8	2.2	41.6	-21.2	-13.3	24.8	-7.8	-2.4	-2.5	.0	-22.0	-14.4	31.9	-12.7
Farm	1.8	-22.6	20.3	12.6	-1.6	-24.7	12.2	-1.5	-.4	-.6	-21.2	1.6	6.6	9.7
Net exports	-14.8	9.8	16.6	2.5	-2.2	18.5	17.1	14.7	12.6	10.7	-34.5	-22.5	35.4	55.1
Exports	9.4	8.7	9.5	16.7	18.8	14.4	13.2	12.5	13.6	13.9	-10.1	21.8	59.4	53.2
Imports	24.2	-1.1	-7.1	14.2	21.0	-4.2	-3.9	-2.2	1.0	3.2	24.4	44.3	23.9	-1.9
Government purchases	5.6	14.6	-12.2	7.1	2.4	22.6	-15.3	.2	1.0	.8	60.5	18.1	19.9	-13.2
Federal	2.0	12.0	-17.3	5.3	.7	20.2	-16.7	-1.5	-.9	-1.2	44.8	-.7	8.9	-20.2
Defense	9.7	-7.1	4.7	6.1	1.8	-4.1	-3.5	-2.2	-1.4	-1.6	15.8	11.6	8.5	-8.7
Nondefense	-7.6	19.1	-22.0	-.8	-1.2	24.4	-13.2	.7	.5	.4	29.0	-12.3	.4	-11.5
State and local	3.6	2.5	5.2	1.8	1.7	2.4	1.4	1.7	1.9	2.0	15.7	18.7	11.1	7.0

December 9, 1987

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

	Fiscal Year 1986*	Fiscal Year 1987*	FY1988e		CY 1986*	CY 1987e	FRB Staff Estimates							
	1986*	1987*	Admin <sup>1</sup>	FRB Staff	1986*	FRB Staff	1986 IV*	I*	1987 II*	III*	IV	I	1988 II	III
<b>Not seasonally adjusted</b>														
Budget receipts <sup>2</sup>	769	854	909	897	782	870	190	194	254	217	205	206	261	225
Budget outlays	990	1002	1032	1062	991	1035	254	252	251	245	286	238	265	273
Surplus/deficit <sup>3</sup> (-) to be financed	-221	-148	-123	-165	-209	-165	-64	-59	3	-29	-81	-32	-4	-48
Means of financing:														
Borrowing from public	236	150	107	153	215	143	69	28	32	22	62	32	22	37
Cash balance decrease	-14	-5	0	11	0	15	0	22	-31	4	20	0	-14	5
Other	-1	3	1	1	-6	7	-6	9	-3	3	-2	0	-4	7
Cash operating balance, end of period	31	36	20	25	31	16	31	9	40	36	16	16	30	25
Memo: Sponsored agency borrowing <sup>4</sup>	14	16	n.a.	31	14	20	5	-4	7	8	9	4	9	9
<b>Seasonally adjusted annual rates</b>														
Receipts	816	894	968	944	827	912	853	879	923	921	927	940	952	957
Expenditures	1027	1053	1089	1114	1032	1069	1041	1050	1062	1058	1106	1115	1116	1118
Purchases	369	373	395	391	366	380	369	367	380	379	395	388	389	391
Defense	275	289	301	295	278	293	279	288	295	296	294	295	295	295
Nondefense	93	84	94	96	88	87	90	79	85	83	100	93	95	96
All other expend.	658	679	694	723	666	689	673	683	683	679	712	727	726	726
Surplus/deficit(-)	-211	-159	-121	-170	-205	-157	-189	-171	-139	-137	-179	-175	-164	-161
High-employment surplus/ deficit(-) evaluated at 6 percent unemp.	-190	-141	n.a.	-158	-183	-144	-163	-151	-123	-128	-173	-164	-149	-146

\*--actual

e--estimated

n.a.--not available

I-12

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

1. Mid-session Review of the 1988 Budget (August 1987). The Congressional Budget Office baseline estimates released August 19 indicated receipts of \$897 billion, outlays of \$1080 billion, and the deficit of \$183 billion in FY1988.
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.

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Class II FOMC

**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-	Q3-	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
<b>1. GNP Exports and Imports 1/</b>													
Current \$, Net	-105.5	-114.4	-89.1	-110.5	-116.9	-112.2	-118.4	-119.8	-107.3	-100.2	-91.6	-84.7	-79.9
Exports of G+S	376.2	425.7	501.7	376.6	383.3	397.3	416.5	434.6	454.2	473.1	491.3	511.0	531.4
Imports of G+S	481.7	540.0	590.8	487.1	500.2	509.5	534.8	554.4	561.5	573.3	582.9	595.7	611.3
Constant 82 \$, Net	-145.8	-129.8	-79.3	-161.6	-151.8	-135.2	-132.7	-134.9	-116.4	-99.3	-84.6	-72.0	-61.2
Exports of G+S	377.4	423.3	480.5	379.6	388.3	397.8	414.5	433.3	447.7	460.9	473.3	486.9	500.9
Imports of G+S	523.2	553.1	559.8	541.2	540.1	533.0	547.2	568.2	564.0	560.2	557.9	558.9	562.1
<b>2. U.S. Merchandise Trade Balance 2/</b>	<b>-144.3</b>	<b>-155.6</b>	<b>-135.7</b>	<b>-148.5</b>	<b>-154.4</b>	<b>-155.0</b>	<b>-158.2</b>	<b>-159.3</b>	<b>-149.9</b>	<b>-144.6</b>	<b>-137.5</b>	<b>-131.8</b>	<b>-128.7</b>
Exports	226.6	251.0	311.4	226.1	228.1	228.0	240.4	261.1	274.5	289.7	304.4	318.9	332.6
Agricultural	27.0	30.2	35.2	26.6	28.1	26.1	28.7	33.7	32.5	33.5	34.6	35.9	36.9
Non-Agricultural	197.3	220.8	276.2	199.6	200.0	201.9	211.7	227.4	242.1	256.2	269.9	283.0	295.7
Imports	368.7	406.6	447.1	374.6	382.5	383.0	398.6	420.4	424.5	434.5	441.9	450.7	461.3
Petroleum and Products	33.8	42.4	44.3	31.6	32.0	34.8	39.9	50.5	44.4	42.9	43.7	44.8	46.0
Non-Petroleum	334.9	364.2	402.7	343.0	350.4	348.2	358.7	369.9	380.1	391.4	398.2	405.9	415.3
<b>3. U.S. Current Account Balance</b>	<b>-141.4</b>	<b>-157.1</b>	<b>-135.0</b>	<b>-146.3</b>	<b>-151.9</b>	<b>-147.1</b>	<b>-164.5</b>	<b>-168.4</b>	<b>-148.4</b>	<b>-144.1</b>	<b>-138.0</b>	<b>-130.0</b>	<b>-127.9</b>
Of Which: Net Investment Income	20.8	12.5	10.2	21.3	18.0	22.0	6.4	4.7	17.1	11.6	9.0	10.1	10.0
<b>4. Foreign Outlook 3/</b>													
Real GNP--Ten Industrial 4/	2.5	2.5	2.2	2.2	1.6	1.2	3.3	4.5	1.9	1.5	1.9	2.0	2.0
Real GNP--NonOPEC LDC 5/	4.6	3.9	4.3	4.3	3.8	3.5	3.7	4.0	4.2	4.4	4.6	4.5	4.3
Consumer Prices--Ten Ind. 4/	2.0	2.1	2.6	0.1	2.1	2.4	3.4	1.7	2.5	2.5	3.0	2.5	3.2

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.

P/ Projected

I-23

## **Part 2**

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Recent Developments**

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

III-12  
 TREASURY AND AGENCY FINANCING<sup>1</sup>  
 (Total for period; billions of dollars)

	1987				
	Q3	Q4 <sup>e</sup>	Oct. <sup>e</sup>	Nov. <sup>e</sup>	Dec. <sup>e</sup>
<b><u>Treasury financing</u></b>					
Total surplus/deficit (-)	-28.7	-83.7	-30.7	-24.7	-28.2
<b>Means of financing deficit:</b>					
Net cash borrowing from the public	21.9	61.1	27.3	22.7	11.0
Marketable borrowings/ repayments (-)	16.9	48.4	26.7	12.3	9.4
Bills	-12.9	10.1	11.9	.2	-1.9
Coupons	29.8	38.3	14.9	12.2	11.3
Nonmarketable	5.0	12.7	.6	10.4	1.6
Decrease in the cash balance	3.6	19.4	-1.8	14.8	6.5
Memo: Cash balance at end of period	36.4	17.0	38.3	23.5	17.0
Other <sup>2</sup>	3.2	3.2	5.2	-12.8	10.8
<b><u>Federally sponsored credit agencies, net cash borrowing<sup>3</sup></u></b>					
FHLBs	4.7	5.3	3.7	1.0	.6
FNMA	1.6	1.4	1.7	-.2	-.1
Farm Credit Banks	-1.0	.0	.3	-.1	-.2
FHLMC	.6e	.5	.2	.2	.1
FICO	.0	1.2	.6	.6	.0
SLMA	2.0	.7	-.2	.8	.1

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