

**February 3, 1988**

## **SUMMARY AND OUTLOOK**

**Prepared for the Federal Open Market Committee**

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

February 3, 1988

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)	
		12/9/87	2/3/88	12/9/87	2/3/88	12/9/87	2/3/88	12/9/87	2/3/88	12/9/87	2/3/88
Annual changes:											
1986	<1>	5.6	5.6	2.9	2.9	2.7	2.7	2.6	2.6	7.0	7.0
1987	<1>	5.8	5.9	2.8	2.9	3.5	3.4	2.9	3.0	6.2	6.2
1988		5.7	5.9	2.3	2.6	3.9	3.9	3.3	3.2	6.3	6.0
1989			6.6		2.8		4.2		3.8		5.8
Quarterly changes:											
1987	Q1 <1>	8.6	8.6	4.4	4.4	4.5	4.5	4.2	4.2	6.7	6.6
	Q2 <1>	6.3	6.3	2.5	2.5	4.1	4.1	3.5	3.5	6.2	6.3
	Q3 <1>	7.0	7.3	4.1	4.3	3.3	3.4	2.8	2.8	6.0	6.0
	Q4 <1>	5.4	6.7	3.0	4.2	3.7	3.7	2.5	2.7	6.0	5.9
1988	Q1	5.1	4.9	1.1	1.3	4.1	4.1	3.9	3.4	6.2	5.9
	Q2	5.0	5.2	1.6	1.7	3.8	3.8	3.4	3.5	6.3	6.0
	Q3	6.3	6.1	2.6	2.6	4.1	3.9	3.7	3.5	6.3	6.0
	Q4	7.0	6.7	2.9	2.9	4.3	4.2	3.9	3.8	6.2	6.0
1989	Q1		7.0		3.0		4.3		3.9		5.9
	Q2		6.7		2.8		4.2		3.9		5.9
	Q3		6.7		2.8		4.2		3.8		5.8
	Q4		6.7		2.8		4.2		3.8		5.8
Two-quarter changes: <2>											
1987	Q2 <1>	7.5	7.5	3.4	3.4	4.4	4.4	3.9	3.9	-1.7	-1.6
	Q4 <1>	6.2	7.0	3.5	4.2	3.6	3.6	2.6	2.8	-1.2	-1.4
1988	Q2	5.1	5.1	1.4	1.5	4.0	4.0	3.7	3.4	.3	.1
	Q4	6.7	6.4	2.8	2.7	4.2	4.0	3.8	3.6	-1.1	.0
1989	Q2		6.9		2.9		4.3		3.9		-1.1
	Q4		6.7		2.8		4.2		3.8		-1.1
Four-quarter changes: <3>											
1986	Q4 <1>	4.5	4.5	2.2	2.2	2.3	2.3	2.2	2.2	-1.2	-1.2
1987	Q4 <1>	6.8	7.2	3.5	3.8	4.0	4.0	3.2	3.3	-1.9	-1.0
1988	Q4	5.9	5.7	2.1	2.1	4.1	4.0	3.7	3.5	.2	.1
1989	Q4		6.8		2.8		4.2		3.8		-1.2

&lt;1&gt; Actual.

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

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

February 3, 1988

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

	Units	Projection									
		1987		1988				1989			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GNP	Billions of \$	4524.0	4598.0	4653.4	4712.8	4783.3	4861.6	4944.7	5025.8	5108.4	5191.7
Real GNP	Billions of \$25	3835.9	3875.1	3887.6	3903.8	3928.7	3956.4	3986.0	4013.1	4040.9	4068.8
Nominal GNP	Percent change	7.3	6.7	4.9	5.2	6.1	6.7	7.0	6.7	6.7	6.7
Real GNP		4.3	4.2	1.3	1.7	2.6	2.9	3.0	2.8	2.8	2.8
Gross domestic product		4.8	4.3	1.2	1.3	2.5	2.9	3.0	2.8	2.9	2.8
Gross domestic purchases		4.8	3.2	-1.3	.5	1.5	1.8	1.9	1.8	1.7	1.6
Final sales		6.0	.6	2.9	2.4	2.7	2.7	2.8	2.6	2.8	2.8
Private dom. final purchases		7.3	-3.2	1.3	1.6	2.0	2.0	1.8	1.8	1.9	1.9
Personal consumption expend.		5.4	-3.8	1.4	1.8	2.0	2.1	1.8	1.8	1.5	1.5
Durables		24.3	-20.4	-2.6	1.3	3.3	4.2	2.0	2.2	2.0	1.9
Nondurables		-1.5	-4.5	1.9	1.8	1.4	1.2	1.2	1.2	.7	.7
Services		5.0	2.8	2.4	1.9	2.0	2.2	2.2	2.1	1.9	1.9
Business fixed investment		25.8	-3.6	4.4	1.1	1.6	1.2	2.2	2.6	2.9	3.0
Producers' durable equipment		26.3	-7.2	5.6	1.5	2.5	2.0	3.0	3.5	4.0	4.8
Nonresidential structures		24.6	6.4	1.4	.2	-.6	-.9	.2	.2	.1	.3
Residential structures		-6.5	5.9	-7.1	.3	3.5	2.8	.4	.6	3.9	4.4
Exports		23.7	16.2	15.7	16.0	12.8	15.1	15.0	15.1	15.5	16.2
Imports		22.4	6.3	-5.6	4.3	3.5	5.5	5.6	6.6	6.4	6.8
Government purchases		2.6	12.6	-4.3	-.7	.0	.0	1.4	.7	.6	.5
Federal		4.5	23.5	-11.3	-3.7	-2.3	-2.4	.1	-1.7	-1.8	-2.1
Defense		7.5	-.7	-5.1	-5.8	-3.9	-3.5	-.6	-2.2	-2.0	-2.0
State and local		1.2	4.8	1.6	1.6	1.7	1.8	2.3	2.4	2.4	2.5
Change in business inventories	Billions of \$25	24.6	58.3	43.8	37.2	36.2	37.6	39.9	41.5	42.2	41.9
Nonfarm	Billions of \$25	12.1	53.7	35.0	29.2	27.9	30.0	32.9	35.0	36.4	36.9
Net exports	Billions of \$25	-138.4	-130.7	-105.5	-93.7	-83.7	-73.6	-63.3	-53.8	-42.8	-30.9
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	102.3	103.3	103.8	104.1	104.5	104.9	105.4	105.9	106.4	106.9
Unemployment rate	Percent*	6.0	5.9	5.9	6.0	6.0	6.0	5.9	5.9	5.8	5.8
Industrial production index	Percent change	8.8	6.3	1.5	2.3	4.1	4.4	4.3	4.2	4.1	4.1
Capacity utilization rate-mfg.	Percent*	81.4	82.2	81.8	81.7	81.9	82.1	82.3	82.5	82.6	82.7
Housing Starts	Millions	1.62	1.52	1.55	1.58	1.58	1.59	1.59	1.59	1.60	1.60
Auto sales	Millions	11.42	10.02	9.68	9.59	9.80	10.02	10.10	10.18	10.22	10.25
Domestic	Millions	7.84	6.63	6.60	6.59	6.80	7.00	7.10	7.18	7.22	7.23
Foreign	Millions	3.58	3.38	3.08	3.00	3.00	3.02	3.00	3.00	3.00	3.00
INCOME AND SAVING											
Nominal personal income	Percent change	5.8	10.0	5.3	4.1	4.5	7.0	8.3	6.0	6.7	7.4
Real disposable income	Percent change	4.5	5.3	3.0	-.7	.9	1.6	2.8	.8	1.5	2.2
Personal saving rate	Percent*	2.8	4.9	5.3	4.7	4.4	4.3	4.5	4.3	4.3	4.4
Corp. profits with IVA & CCAadj	Percent change	26.7	.8	-7.9	2.5	14.6	9.6	8.4	6.9	1.2	7.0
Profit share of GNP	Percent*	7.0	6.9	6.6	6.6	6.7	6.8	6.8	6.8	6.7	6.7
Federal govt. surplus/deficit	Billions of \$	-135.8	-165.0	-173.0	-159.5	-155.9	-157.1	-156.1	-140.5	-127.6	-123.8
State and local govt. surplus		46.5	43.1	43.9	47.1	51.0	60.1	61.3	61.7	61.2	61.6
Exc. social insurance funds		-5.6	-10.3	-10.2	-7.7	-4.5	3.9	4.4	4.1	2.9	2.6
PRICES AND COSTS											
GNP implicit deflator	Percent change	2.8	2.7	3.4	3.5	3.5	3.8	3.9	3.9	3.8	3.8
GNP fixed-weight price index		3.4	3.7	4.1	3.8	3.9	4.2	4.3	4.2	4.2	4.2
Cons. & fixed invest. prices		3.9	3.7	3.7	4.3	4.4	4.4	4.7	4.6	4.6	4.6
CPI		4.0	3.6	3.1	4.5	4.6	4.8	4.6	4.8	4.8	4.7
Exc. food and energy		3.6	4.2	4.1	4.7	5.0	5.0	5.1	5.2	5.1	5.0
Nonfarm business sector											
Output per hour		3.6	1.0	.5	.6	1.4	1.5	1.4	1.3	1.1	1.2
Compensation per hour		3.8	3.7	4.8	3.6	3.9	4.2	4.6	4.4	4.5	4.6
Unit labor costs		.2	2.7	4.3	3.0	2.5	2.7	3.2	3.1	3.4	3.4

\* at an annual rate.

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

February 3, 1988

	Units	1981	1982	1983	1984	1985	1986	1987	Projection	
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EXPENDITURES										
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Nominal GNP	Billions of \$	3052.6	3166.0	3405.7	3772.2	4010.3	4235.0	4486.2	4752.8	5067.6
Real GNP	Billions of \$2\$	3248.8	3166.0	3279.1	3501.4	3607.5	3713.3	3819.6	3919.1	4027.2
Real GNP	Percent change*	.6	-1.9	6.5	5.1	3.3	2.2	3.8	2.1	2.8
Gross domestic product		.3	-1.6	6.6	5.3	3.5	2.6	4.0	2.0	2.9
Gross domestic purchases		.8	-.8	8.4	6.4	4.1	2.7	3.2	.6	1.7
Final sales		.1	.3	3.7	4.7	4.6	2.6	1.9	2.7	2.8
Private dom. final purchases		-.3	.8	7.7	5.6	4.6	3.2	.9	1.7	1.8
Personal consumption expend.		.2	2.9	5.4	4.1	4.5	4.1	.6	1.8	1.7
Durables		-3.3	9.0	14.7	10.8	6.6	12.4	-3.7	1.5	2.0
Non durables		.5	1.8	4.4	2.3	2.9	2.9	-1.7	1.6	.9
Services		.9	2.3	3.9	3.5	5.0	2.4	3.8	2.1	2.0
Business fixed investment		5.6	-11.3	10.8	13.8	4.7	-4.7	3.7	2.1	2.7
Producers' durable equipment		2.2	-12.5	20.9	14.9	7.0	.2	3.7	2.9	3.6
Nonresidential structures		11.7	-9.1	-4.8	11.8	.1	-15.4	3.7	.0	.2
Residential structures		-22.4	4.9	38.1	6.1	6.0	12.5	-2.9	-.2	2.3
Exports		2.4	-13.8	5.8	5.9	-2.7	5.9	16.9	14.9	15.4
Imports		4.9	-5.9	23.8	17.4	5.2	8.9	8.2	1.8	6.3
Government purchases		2.9	3.8	-2.7	7.9	8.7	2.4	3.0	-1.3	.8
Federal		9.5	8.2	-8.1	13.0	14.9	-.2	2.9	-5.0	-1.4
Defense		7.6	8.8	5.1	6.5	7.0	4.8	6.0	-4.6	-1.7
State and local		-1.3	.6	1.5	4.4	4.0	4.6	3.1	1.7	2.4
Change in business inventories	Billions of \$2\$	23.9	-24.5	-6.4	62.3	7.4	13.8	42.4	38.7	41.4
Nonfarm	Billions of \$2\$	19.0	-23.1	-.1	57.8	12.0	15.4	33.1	30.5	35.3
Net exports	Billions of \$2\$	49.4	26.3	-19.9	-84.0	-108.2	-145.8	-134.3	-89.1	-47.7
Nominal GNP	Percent change*	9.3	3.1	10.4	8.6	6.6	4.5	7.2	5.7	6.8
EMPLOYMENT AND PRODUCTION										
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Nonfarm payroll employment	Millions	91.2	89.6	90.2	94.5	97.5	99.6	102.1	104.3	106.2
Unemployment rate	Percent	7.6	9.7	9.6	7.5	7.2	7.0	6.2	6.0	5.8
Industrial production index	Percent change*	-1.0	-7.7	14.3	6.6	1.7	1.0	5.6	3.1	4.2
Capacity utilization rate-mfg.	Percent	78.2	70.3	73.9	80.5	80.1	79.7	81.0	81.9	82.5
Housing Starts	Millions	1.10	1.06	1.71	1.77	1.74	1.82	1.64	1.57	1.59
Auto sales	Millions	8.56	8.00	9.18	10.43	11.09	11.52	10.34	9.77	10.19
Domestic	Millions	6.24	5.77	6.77	7.97	8.24	8.28	7.14	6.75	7.19
Foreign	Millions	2.32	2.23	2.41	2.46	2.84	3.25	3.21	3.02	3.00
INCOME AND SAVING										
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Nominal personal income	Percent change*	9.2	5.3	7.8	8.4	6.8	5.5	7.2	5.2	7.1
Real disposable income	Percent change*	.7	1.0	5.1	4.3	2.8	3.6	2.0	1.2	1.8
Personal saving rate	Percent	7.5	6.8	5.4	6.1	4.5	4.3	3.8	4.7	4.4
Corp. profits with IVA & CCAdj	Percent change*	2.3	-19.1	70.1	7.4	4.1	1.2	12.2	4.4	5.8
Profit share of GNP	Percent	6.2	4.7	6.3	7.1	6.9	6.7	6.8	6.7	6.8
Federal govt. surplus/deficit	Billions of \$	-63.8	-145.9	-176.0	-169.6	-196.0	-204.7	-152.6	-161.3	-137.0
State and local govt. surplus		34.1	35.1	47.5	64.6	63.1	56.8	45.4	50.5	61.5
Exc. social insurance funds		4.1	-1.7	4.4	19.8	16.0	7.4	-6.3	-4.6	3.5
PRICES AND COSTS										
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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	4.0	4.2
Cons. & fixed invest. prices		8.2	4.4	3.3	3.3	3.5	2.0	4.3	4.2	4.6
CPI		9.6	4.5	3.2	4.1	3.5	1.3	4.4	4.2	4.7
Exc. food and energy		10.2	5.2	4.2	4.7	4.3	3.9	4.2	4.7	5.1
Nonfarm business sector										
Output per hour		-.6	1.0	3.6	1.5	1.0	1.5	1.6	1.0	1.2
Compensation per hour		8.3	7.3	3.3	4.2	4.8	3.4	2.9	4.1	4.5
Unit labor costs		9.0	6.2	-.3	2.6	3.7	1.9	1.3	3.1	3.2

\* 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)

February 3, 1988

	Projection										Projection			
	1987		1988				1989				1986	1987	1988	1989
											(fourth quarter to fourth quarter, net change)			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GNP	40.6	39.2	12.5	16.2	24.9	27.7	29.5	27.2	27.8	27.8	80.6	143.6	81.3	112.3
Gross domestic product	44.5	40.5	11.1	12.9	24.3	27.6	29.5	27.8	28.2	27.9	92.7	149.1	75.9	113.3
Gross domestic purchases	46.3	31.5	-12.7	4.5	14.9	17.6	19.2	17.7	16.8	15.9	103.1	122.5	24.2	69.7
Final sales	55.1	5.3	27.1	22.8	25.9	26.3	27.2	25.6	27.1	28.1	93.3	70.9	102.1	108.0
Private dom. final purchases	55.8	-25.7	10.5	12.5	15.9	16.2	14.3	14.8	14.9	15.2	97.7	26.6	55.2	59.2
Personal consumption expend.	33.2	-24.1	9.0	11.1	12.4	13.5	11.5	11.5	9.6	9.5	97.3	16.1	45.9	42.0
Durables	21.5	-22.5	-2.5	1.3	3.1	4.0	1.9	2.1	1.9	1.9	43.9	-14.6	5.8	7.9
Nondurables	-3.3	-10.1	4.1	3.9	3.0	2.6	2.6	2.6	1.5	1.5	24.6	-14.7	13.6	8.3
Services	15.0	8.5	7.4	5.9	6.3	6.9	6.9	6.7	6.1	6.1	28.6	45.5	26.5	25.8
Business fixed investment	25.9	-4.2	5.0	1.3	1.9	1.4	2.6	3.0	3.4	3.5	-22.0	16.4	9.6	12.6
Producers' durable equipment	19.1	-6.2	4.6	1.2	2.1	1.7	2.5	3.0	3.4	3.4	.6	11.8	9.6	12.3
Nonresidential structures	6.8	2.0	.4	.1	-.2	-.3	.1	.1	.0	.1	-22.6	4.6	.0	.3
Residential structures	-3.3	2.8	-3.6	.2	1.7	1.4	.2	.3	1.9	2.1	22.5	-5.9	-.4	4.5
Change in business inventories	-14.4	33.7	-14.5	-6.6	-1.0	1.4	2.3	1.6	.7	-.3	-12.8	72.7	-20.7	4.3
Nonfarm	-10.6	41.6	-18.7	-5.8	-1.3	2.1	2.9	2.1	1.4	.5	-14.4	51.4	-23.7	6.9
Farm	-3.8	-7.9	4.2	-.8	.3	-.7	-.6	-.5	-.7	-.8	1.6	21.2	3.0	-2.6
Net exports	-5.7	7.7	25.2	11.7	10.0	10.1	10.3	9.5	11.0	11.9	-22.5	21.1	57.1	42.7
Exports	22.6	16.7	16.9	17.8	15.0	18.0	18.5	19.3	20.6	22.1	21.8	65.5	67.6	80.5
Imports	28.4	8.9	-8.4	6.1	5.0	7.9	8.2	9.8	9.6	10.3	44.3	44.4	10.6	37.8
Government purchases	5.0	23.3	-8.6	-1.4	-.1	.0	2.7	1.3	1.2	1.0	18.1	23.2	-10.1	6.2
Federal	3.7	18.2	-10.4	-3.2	-2.0	-2.0	.1	-1.4	-1.5	-1.8	-.7	9.9	-17.6	-4.6
Defense	4.8	-.5	-3.5	-3.9	-2.6	-2.3	-.4	-1.4	-1.3	-1.3	11.6	15.1	-12.3	-4.4
Nondefense	-1.2	18.8	-6.9	.7	.6	.3	.5	.0	-.2	-.5	-12.3	-5.2	-5.3	-.2
State and local	1.3	5.1	1.8	1.8	1.9	2.0	2.6	2.7	2.7	2.8	18.7	13.4	7.5	10.8

FEDERAL SECTOR ACCOUNTS  
(Billions of dollars)

	Fiscal Year 1987*	FY1988e FRB Staff	FY1989e FRB Staff	CY 1987*	CY1988e FRB Staff	1987 IV*	FRB Staff Estimates						
							1988				1989		
							I	II	III	IV	I	II	III
Not seasonally adjusted													
Budget receipts <sup>1</sup>	854	908	972	869	921	205	206	269	229	217	224	284	246
Budget outlays <sup>1</sup>	1002	1067	1118	1034	1062	285	243	266	273	281	284	284	270
Surplus/deficit(-) to be financed <sup>1</sup>	-148	-159	-146	-165	-142	-80	-36	2	-44	-64	-59	0	-24
Means of financing:													
Borrowing from public	150	141	137	142	138	61	32	13	36	58	52	10	17
Cash balance decrease	-5	11	0	9	7	14	6	-11	2	10	0	-5	-5
Other <sup>1</sup>	3	6	9	15	-4	6	-2	-4	6	-4	7	-5	11
Cash operating balance, end of period	36	25	25	22	15	22	16	27	25	15	15	20	25
Memo: Sponsored agency borrowing <sup>1</sup>	20	38	32	33	25	18	2	9	9	5	5	10	12
Seasonally adjusted annual rates													
NIPA Federal Sector													
Receipts	894	956	1026	917	968	941	951	963	968	989	1020	1039	1056
Expenditures	1053	1119	1171	1069	1129	1106	1124	1123	1124	1146	1177	1180	1183
Purchases	374	394	401	381	394	394	394	393	394	396	401	402	404
Defense	290	299	302	295	299	300	300	298	298	298	303	303	304
Nondefense	84	94	99	85	95	94	93	95	96	97	99	99	99
All other expend.	679	726	771	689	735	712	730	730	730	751	775	777	780
Surplus/deficit(-)	-159	-163	-145	-153	-161	-165	-173	-160	-156	-157	-156	-140	-128
High-employment surplus/ deficit(-) evaluated at 6 percent unemp.	-141	-158	-144	-141	-155	-164	-168	-152	-149	-152	-154	-140	-129
*--actual						e--estimated							

Note: Details may not add to totals due to rounding. The Administration's updated budget estimates are expected to be available around mid-February. The CBO plans to make its updates available later this week with details to follow on February 11.

1. Includes social security receipts and outlays, which are classified as off-budget under current law.
2. Checks issued less checks paid, accrued items, and other transactions.
3. 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.

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	-119.9	-98.9	-84.3	-123.7	-125.5	-104.5	-99.4	-97.7	-93.9	-91.9	-87.9	-82.5	-74.9
Exports of G+S	426.7	505.2	593.9	439.2	453.9	474.4	496.5	514.3	535.8	558.5	581.1	604.9	631.3
Imports of G+S	546.6	604.1	678.3	562.9	579.4	578.8	595.9	612.0	629.6	650.4	669.0	687.4	706.3
Constant 82 \$, Net	-134.3	-89.1	-47.7	-138.4	-130.7	-105.5	-93.7	-83.7	-73.6	-63.3	-53.8	-42.8	-30.9
Exports of G+S	425.8	496.0	570.2	437.1	453.8	470.7	488.5	503.4	521.4	539.9	559.2	579.8	601.9
Imports of G+S	560.1	585.1	617.9	575.6	584.5	576.1	582.2	587.2	595.1	603.3	613.0	622.6	632.8
<b>2. U.S. Merchandise Trade Balance 2/</b>	-158.0	-140.9	-131.4	-159.3	-159.4	-141.8	-141.4	-141.4	-138.9	-138.2	-134.5	-129.7	-123.2
Exports	250.4	311.3	372.5	261.1	272.1	289.2	304.8	318.1	333.2	348.5	363.5	379.8	398.0
Agricultural	29.7	35.2	38.4	33.7	30.4	33.6	35.4	35.2	36.6	37.4	38.0	38.4	39.8
Non-Agricultural	220.7	276.2	334.1	227.4	241.7	255.6	269.5	282.9	296.6	311.1	325.5	341.5	358.2
Imports	408.4	452.2	503.9	420.4	431.5	431.0	446.2	459.6	472.1	486.7	498.0	509.5	521.2
Petroleum and Products	42.8	43.8	52.8	50.5	46.0	38.5	43.7	46.0	47.0	51.0	52.2	53.3	54.7
Non-Petroleum	365.5	408.4	451.1	369.9	385.4	392.5	402.6	413.5	425.1	435.7	445.9	456.2	466.5
<b>3. U.S. Current Account Balance</b>	-163.7	-148.5	-139.0	-173.5	-169.5	-151.9	-148.7	-147.4	-146.1	-145.0	-142.0	-137.6	-131.3
Of Which: Net Investment Income	8.4	5.1	3.3	-1.1	6.4	3.0	5.5	6.0	5.9	5.3	5.8	2.5	1.5
<b>4. Foreign Outlook 3/</b>													
Real GNP--Ten Industrial 4/	2.6	2.4	1.9	4.9	2.0	1.7	2.0	2.1	1.8	1.6	2.0	2.0	2.0
Real GNP--NonOPEC LDC 5/	3.9	4.0	4.4	3.8	3.8	3.9	4.1	4.3	4.4	4.5	4.4	4.3	4.1
Consumer Prices--Ten Ind. 4/	2.1	2.6	2.9	1.7	2.4	2.5	3.1	2.3	3.2	2.7	3.2	2.7	3.3

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

**February 3, 1988**

## **RECENT DEVELOPMENTS**

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



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

	1987	1988	1987	1988	
	Q4 <sup>p</sup>	Q1 <sup>e</sup>	Dec. <sup>p</sup>	Jan. <sup>e</sup>	Feb. <sup>e</sup>
<u>Treasury financing</u>					
Total surplus/deficit (-)	-80.4	-36.3	-23.9	17.2	-24.5
Means of financing deficit:					
Net cash borrowing from the public	60.8	31.6	9.8	4.4	14.6
Marketable borrowings/repayments (-)	48.6	28.7	8.6	4.9	13.9
Bills	11.0	-.5	-1.2	.3	-2.4
Coupons	37.6	29.1	9.8	4.6	16.3
Nonmarketable	12.2	3.0	1.2	-.5	.7
Decrease in the cash balance	14.0	6.5	-1.2	-17.5	16.1
Memo: Cash balance at end of period	22.4	15.9	22.4	39.9	23.8
Other <sup>2</sup>	5.6	-1.8	15.3	-4.1	-6.3
<u>Federally sponsored credit agencies, net cash borrowing<sup>3</sup></u>					
	17.8	2.5	4.4	.5	2.1
FHLBs	9.3	2.2	2.5	1.2	0.6
FNMA	4.4	.6	2.0	.1	.2
Farm Credit Banks	-.6	-1.5	-.7	-.5	-.2
FHLMC	3.3	.2	.5	.1	.1
FICO	1.2	.7	0	0	.7
SLMA	.1	.3	.1	-.4	.7

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.

CONFIDENTIAL (FR)  
CLASS III - FOMC

February 5, 1988

SUPPLEMENT  
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the staff  
Board of Governors  
of the Federal Reserve System

**CBO AND ADMINISTRATION ECONOMIC FORECASTS FOR 1988 AND 1989**  
**(By calendar year)**

	Actual	Forecast	
		1988	1989
<b>Fourth Quarter to Fourth Quarter</b> <b>(Percent change)</b>			
Real Gross National Product			
CBO	3.8	1.8	2.6
Administration	3.8	2.4	3.5
GNP Deflator			
CBO	3.3	3.9	4.2
Administration	3.3	3.9	3.7
Consumer Price Index (CPI-U)			
CBO	4.4	4.9	4.8
Administration	4.4	4.3	3.9
<b>Calendar-Year Average</b> <b>(Percent)</b>			
Three-Month T-Bill Rate			
CBO	5.8	6.2	6.7
Administration	5.8	5.3	5.2
Ten-Year Gov. Note Rate			
CBO	8.4	9.3	9.5
Administration	8.4	8.0	7.4
Civilian Unemployment Rate			
CBO	6.2	6.2	6.1
Administration <sup>1</sup>	6.1	5.8	5.6

Sources: Congressional Budget Office, February 4, 1988 and Office of Management and Budget, December 23, 1987.

1. The Administration's projection is for the total labor force, including armed forces residing in the United States. In recent years, this rate has tended to be 0.1 to 0.2 percentage points below the civilian unemployment rate.