

October 28, 1987

SUMMARY AND OUTLOOK

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

October 28, 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)			
	9/16/87	10/28/87	9/16/87	10/28/87	9/16/87	10/28/87	9/16/87	10/28/87	9/16/87	10/28/87		
Annual changes:												
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		5.8	5.7	2.7	2.7	3.5	3.3	3.1	2.9	6.2	6.2	
1988		6.6	5.6	2.8	2.0	4.2	3.9	3.7	3.5	5.9	6.2	
Quarterly changes:												
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>	6.6	6.3	2.3	2.5	4.3	4.1	3.8	3.5	6.2	6.2
	Q3	<1>	6.8	6.2	3.5	3.8	3.2	2.7	3.3	2.4	6.0	6.0
	Q4		5.7	5.0	3.0	2.2	3.5	3.3	2.6	2.6	6.0	6.1
1988	Q1		6.9	4.8	2.9	.8	4.6	4.3	4.0	4.0	5.9	6.2
	Q2		7.0	5.3	2.6	1.4	4.4	4.1	4.2	3.8	5.9	6.3
	Q3		6.7	6.9	2.4	2.6	4.5	4.2	4.2	4.1	5.9	6.3
	Q4		6.8	7.2	2.3	2.9	4.6	4.4	4.4	4.2	5.9	6.2
Two-quarter changes: <2>												
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>	7.6	7.5	3.4	3.4	4.5	4.4	4.0	3.9	-.7	-.7
	Q4		6.2	5.6	3.3	3.0	3.3	3.0	3.0	2.5	-.2	-.1
1988	Q2		7.0	5.0	2.7	1.1	4.5	4.2	4.1	3.9	-.1	.2
	Q4		6.7	7.0	2.3	2.8	4.6	4.3	4.3	4.1	.0	-.1
Four-quarter changes: <3>												
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		6.9	6.5	3.3	3.2	3.9	3.7	3.5	3.2	-.9	-.8
1988	Q4		6.8	6.0	2.5	1.9	4.5	4.3	4.2	4.0	-.1	.1

<1> Actual.

<2> Percent change from two quarters earlier.

<3> Percent change from four quarters earlier.

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

October 28, 1987

	Units	Projection									
		1986		1987		1988					
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GNP	Billions of \$	4265.9	4288.1	4377.7	4445.1	4512.0	4567.4	4620.9	4680.5	4757.9	4841.8
Real GNP	Billions of 82\$	3718.0	3731.5	3772.2	3795.3	3831.2	3852.3	3859.7	3873.3	3897.7	3926.5
Nominal GNP	Percent change	5.3	2.1	8.6	6.3	6.2	5.0	4.8	5.3	6.9	7.2
Real GNP		1.4	1.5	4.4	2.5	3.8	2.2	.8	1.4	2.6	2.9
Gross domestic product		1.2	2.2	4.2	2.8	3.9	2.2	.9	1.5	2.7	2.8
Gross domestic purchases		3.0	.4	2.5	2.1	4.3	.1	-.9	-.1	1.4	1.3
Final sales		3.9	3.7	-2.3	3.5	6.2	.6	1.8	2.1	2.6	2.8
Private dom. final purchases		5.9	1.2	-3.2	2.9	7.0	-2.0	.2	.8	1.7	1.8
Personal consumption expend.		7.3	.5	-7.7	1.9	4.8	-2.6	.4	.9	1.6	1.7
Durables		44.9	-6.3	-21.2	10.5	19.9	-22.9	-1.0	1.4	3.7	3.2
Nondurables		-.1	.2	1.3	-1.9	-.3	-.5	-.5	0	.7	.9
Services		2.6	3.0	5.4	2.1	4.1	3.2	1.4	1.4	1.7	1.8
Business fixed investment		-3.0	5.1	-14.6	11.7	23.7	3.7	1.9	1.7	1.6	1.6
Producers' durable equipment		3.1	4.7	-15.3	16.5	26.6	3.4	2.5	2.5	2.5	2.5
Nonresidential structures		-16.6	6.3	-12.8	-.0	15.8	4.9	2	-.5	-.8	-1.0
Residential structures		9.7	2.2	-7.7	-2.8	-.2	-6.6	-5.9	-3.1	2.9	4.5
Exports		10.6	9.5	10.2	17.9	16.5	11.9	10.3	10.3	11.4	12.9
Imports		20.1	-.8	-5.2	11.1	16.5	-5.1	-3.6	-2.3	1.1	1.2
Government purchases		3.0	7.9	-6.2	3.8	4.7	1.1	-.4	-.5	.1	-.1
Federal		2.4	15.2	-18.6	6.6	7.0	-.4	-2.5	-3.0	-1.9	-2.5
Defense		16.4	-10.5	7.6	9.8	2.1	-6.0	-5.6	-4.7	-3.1	-3.3
State and local		3.5	2.4	5.0	1.7	3.0	1.7	1.3	1.6	1.7	1.8
Change in business inventories	Billions of 82\$	6.1	-14.4	47.6	39.0	18.1	33.0	23.6	17.5	17.9	18.5
Nonfarm	Billions of 82\$	-.1	2.3	43.9	22.7	9.2	30.0	24.1	18.5	18.9	19.5
Net exports	Billions of 82\$	-161.6	-151.8	-135.2	-132.7	-137.9	-118.2	-102.1	-87.6	-76.4	-63.4
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	99.8	100.4	101.1	101.7	102.3	102.6	102.9	103.2	103.7	104.2
Unemployment rate	Percent*	6.9	6.9	6.7	6.2	6.0	6.1	6.2	6.3	6.3	6.2
Industrial production index	Percent change	1.3	3.8	3.2	4.2	8.8	3.6	.9	2.2	4.5	4.2
Capacity utilization rate-mfg.	Percent*	79.5	79.8	80.0	80.5	81.5	81.7	81.4	81.3	81.6	81.9
Housing Starts	Millions	1.76	1.70	1.79	1.61	1.62	1.55	1.57	1.60	1.60	1.60
Auto sales	Millions	12.91	11.32	9.66	10.26	11.42	9.33	9.43	9.40	9.75	9.95
Domestic	Millions	9.43	7.66	6.86	7.20	7.84	6.44	6.57	6.50	6.80	7.00
Foreign	Millions	3.47	3.66	2.80	3.06	3.58	2.89	2.87	2.90	2.95	2.95
INCOME AND SAVING											
Nominal personal income	Percent change	3.1	4.6	7.8	5.2	5.6	6.7	5.2	4.1	4.8	7.4
Real disposable income	Percent change	-1.0	.5	2.7	-4.3	4.7	4.2	1.7	-1.0	.8	1.4
Personal saving rate	Percent*	3.6	3.6	4.4	3.0	3.0	4.6	4.9	4.4	4.2	4.2
Corp. profits with IVA & CGAdj	Percent change	5.9	-7.2	19.7	3.9	-2.5	8.9	-17.6	2.7	17.2	7.8
Profit share of GNP	Percent*	6.7	6.6	6.7	6.7	6.5	6.6	6.2	6.2	6.3	6.3
Federal govt. surplus/deficit	Billions of \$	-203.7	-188.7	-170.5	-139.2	-149.4	-172.1	-182.3	-167.4	-157.6	-150.1
State and local govt. surplus	Billions of \$	59.6	50.6	41.0	50.6	42.2	40.3	42.8	44.7	47.6	51.7
PRICES AND COSTS											
GNP implicit deflator	Percent change	3.6	.7	4.2	3.5	2.4	2.6	4.0	3.8	4.1	4.2
GNP fixed-weight price index		2.6	2.3	4.5	4.1	2.7	3.3	4.3	4.1	4.2	4.4
Cons. & fixed invest. prices		3.1	3.0	5.1	4.7	2.9	3.2	4.4	4.4	4.7	4.9
CPI		2.5	2.6	5.3	4.9	4.0	3.2	4.1	4.5	4.7	5.2
Exc. food and energy		3.7	3.8	4.4	4.7	3.6	4.1	4.5	5.1	5.4	5.6
Nonfarm business sector		-.6	.0	.4	1.3	2.5	.3	-.3	.4	1.0	1.3
Output per hour		2.8	4.0	1.1	3.0	4.5	2.8	4.9	4.0	4.2	4.5
Compensation per hour		3.5	4.0	.8	1.7	2.0	2.5	5.2	3.6	3.2	3.2
Unit labor costs											

* Not at an annual rate.

CONFIDENTIAL - FR
CLASS II FOMC

October 28, 1987

GROSS 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	3772.2	4010.3	4235.0	4475.6	4725.5	
Real GNP	Billions of 1929\$	3187.1	3248.8	3166.0	3279.1	3501.4	3607.5	3713.3	3812.7	3889.5	
Real GNP	Percent change*	-.1	.6	-1.9	6.5	5.1	3.3	2.2	3.2	1.9	
Gross domestic product		.3	.3	-1.6	6.6	5.3	3.5	2.6	3.3	1.9	
Gross domestic purchases		-1.1	.8	-.8	8.4	6.4	4.1	2.7	2.2	.5	
Final sales		-.2	.1	.3	3.7	4.7	4.6	2.6	2.0	2.3	
Private dom. final purchases		-1.7	-.3	.8	7.7	5.6	4.6	3.2	1.1	1.1	
Personal consumption expend.		-.1	.2	2.9	5.4	4.1	4.5	4.1	.8	1.1	
Durables		-5.6	-3.3	9.0	14.7	10.8	6.6	12.4	-5.3	1.8	
Nondurables		-1.4	.5	1.8	4.4	2.3	2.9	2.9	-.3	.3	
Services		2.4	.9	2.3	3.9	3.5	5.0	2.4	3.7	1.6	
Business fixed investment		-4.8	5.6	-11.3	10.8	13.8	4.7	-4.7	5.1	1.7	
Producers' durable equipment		-6.5	2.2	-12.5	20.9	14.9	7.0	-.2	6.6	2.5	
Nonresidential structures		-1.8	11.7	-9.1	-4.8	11.8	.1	-15.4	1.4	-.5	
Residential structures		-14.2	-22.4	4.9	38.1	6.1	6.0	12.5	-4.4	-.5	
Exports		.5	2.4	-13.8	5.8	5.9	-2.7	5.9	14.0	11.2	
Imports		-8.8	4.9	-5.9	23.8	17.4	5.2	8.9	3.9	-.9	
Government purchases		1.0	2.9	3.8	-2.7	7.9	8.7	2.4	.8	-.2	
Federal		3.1	9.5	8.2	-8.1	13.0	14.9	-.2	-1.7	-2.5	
Defense		3.1	7.6	8.8	5.1	6.5	7.0	4.8	3.2	-4.2	
State and local		-.3	-1.3	.6	1.5	4.4	4.0	4.6	2.8	1.6	
Change in business inventories	Billions of 1929\$	-6.9	23.9	-24.5	-6.4	62.3	7.4	13.8	34.4	19.4	
Nonfarm	Billions of 1929\$	-2.3	19.0	-23.1	-.1	57.8	12.0	15.4	26.5	20.3	
Net exports	Billions of 1929\$	57.0	49.4	26.3	-19.9	-84.0	-108.2	-145.8	-131.0	-82.4	
Nominal GNP	Percent change*	9.9	9.3	3.1	10.4	8.6	6.6	4.5	6.5	6.0	
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	90.4	91.2	89.6	90.2	94.5	97.5	99.6	101.9	103.5	
Unemployment rate	Percent	7.1	7.6	9.7	9.6	7.5	7.2	7.0	6.2	6.2	
Industrial production index	Percent change*	-.8	-1.0	-7.7	14.3	6.6	1.7	1.0	4.9	2.9	
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	1.59	
Auto sales	Millions	9.04	8.56	8.00	9.18	10.43	11.09	11.52	10.17	9.63	
Domestic	Millions	6.62	6.24	5.77	6.77	8.24	8.28	7.09	6.72		
Foreign	Millions	2.42	2.32	2.23	2.41	2.46	2.84	3.25	3.08	2.92	
INCOME AND SAVING											
Nominal personal income	Percent change*	12.0	9.2	5.3	7.8	8.4	6.8	5.5	6.3	5.4	
Real disposable income	Percent change*	1.1	.7	1.0	5.1	4.3	2.8	3.6	1.8	.7	
Personal saving rate	Percent	7.1	7.5	6.8	5.4	6.1	4.5	4.3	3.7	4.4	
Corp. profits with IVA & CCAdj	Percent change*	-6.8	2.3	-19.1	70.1	7.4	4.1	1.2	7.2	1.7	
Profit share of GNP	Percent	6.5	6.2	4.7	6.3	7.1	6.9	6.7	6.6	6.3	
Federal govt. surplus/deficit	Billions of \$	-61.3	-63.8	-145.9	-176.0	-169.6	-196.0	-204.7	-157.8	-164.4	
State and local govt. surplus		26.8	34.1	35.1	47.5	64.6	63.1	56.8	43.5	46.7	
PRICES AND COSTS											
GNP implicit deflator	Percent change*	9.9	8.7	5.2	3.6	3.4	3.1	2.2	3.2	4.6	
GNP fixed-weight price index		9.8	8.5	5.0	3.9	3.7	3.6	2.3	3.7	4.5	
Cons. & fixed invest. prices		10.1	8.2	4.4	3.3	3.3	3.5	2.0	4.0	4.6	
CPI		12.5	9.6	4.5	3.2	4.1	3.5	1.3	4.3	4.6	
Exc. food and energy		12.2	10.2	5.2	4.2	4.7	4.3	3.9	4.2	5.2	
Nonfarm business sector		1.0	-.6	1.0	3.6	1.5	1.0	1.5	1.1	.6	
Output per hour		10.9	8.3	7.3	3.3	4.2	4.8	3.4	2.8	4.4	
Compensation per hour		9.8	9.0	6.2	-.3	2.6	3.7	1.9	1.7	3.8	
Unit labor costs											

* Percent changes are from fourth quarter to fourth quarter.

CONFIDENTIAL - FR
CLASS II FOMC

October 28, 1987

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Net changes, billions of 1982 dollars)

	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	35.9	21.1	7.4	13.6	25.4	27.8	115.7	80.6	120.8	74.2
Gross domestic product	10.6	20.4	38.3	25.8	36.1	20.8	8.5	13.9	25.4	26.7	121.5	92.7	121.0	74.5
Gross domestic purchases	28.1	3.7	24.1	20.6	41.1	1.4	-8.7	.9	14.2	14.8	150.2	103.1	87.2	19.4
Final sales	35.2	33.9	-21.3	31.8	56.8	6.1	16.8	19.7	25.0	27.3	159.0	93.3	73.4	88.8
Private dom. final purchases	44.4	9.5	-25.7	22.2	53.2	-15.8	1.5	6.1	13.5	14.4	133.0	97.7	33.9	35.5
Personal consumption expend.	43.2	3.0	-4.6	11.6	29.5	-16.6	2.2	5.6	10.3	10.5	102.1	97.3	19.9	28.6
Durables	35.9	-6.5	-23.1	9.5	17.9	-25.4	-.9	1.3	3.5	3.0	22.0	43.9	-21.1	6.9
Nondurables	-.2	.5	2.9	-4.2	-.6	-1.0	-1.0	.0	1.5	2.0	24.5	24.6	-2.9	2.4
Services	7.5	8.9	15.8	6.2	12.3	9.7	4.2	4.3	5.3	5.5	55.7	28.6	44.0	19.3
Business fixed investment	-3.3	5.5	-17.2	11.9	23.9	4.2	2.2	2.0	1.9	1.8	20.8	-22.0	22.8	7.8
Producers' durable equipment	2.4	3.6	-13.0	11.9	19.3	2.8	2.1	2.1	2.1	2.1	20.7	.6	21.0	8.5
Nonresidential structures	-5.7	1.9	-4.2	.0	4.5	1.5	.1	-.1	-.3	-.3	.1	-22.6	1.8	-.7
Residential structures	4.6	1.1	-4.0	-1.4	-.1	-3.4	-2.9	-1.5	1.4	2.1	10.1	22.5	-8.9	-.9
Change in business inventories	-22.0	-20.5	62.0	-8.6	-20.9	14.9	-9.4	-6.1	.4	.5	-43.3	-12.8	47.4	-14.6
Nonfarm	-23.8	2.2	41.6	-21.2	-19.5	20.8	-5.9	-5.6	.4	.5	-22.0	-14.4	27.7	-10.6
Farm	1.8	-22.6	20.3	12.6	-7.4	-5.9	-3.5	-.5	.0	.0	-21.2	1.6	19.6	-4.0
Net exports	-14.8	9.8	16.6	2.5	-5.2	19.7	16.1	14.5	11.2	13.0	-34.5	-22.5	33.6	54.8
Exports	9.4	8.7	9.5	16.7	16.1	12.2	11.0	11.3	12.7	14.7	-10.1	21.8	54.5	49.7
Imports	24.2	-1.1	-7.1	14.2	21.3	-7.5	-5.1	-3.2	1.5	1.7	24.4	44.3	20.9	-5.2
Government purchases	5.6	14.6	-12.2	7.1	8.8	2.2	-.8	-.9	.3	-.1	60.5	18.1	5.9	-1.5
Federal	2.0	12.0	-17.3	5.3	5.7	.3	-2.2	-2.6	-1.6	-2.1	44.8	-.7	-6.0	-8.5
Defense	9.7	-7.1	4.7	6.1	1.4	-4.1	-3.7	-3.1	-2.0	-2.1	15.8	11.6	8.1	-10.9
Nondefense	-7.6	19.1	-22.0	-.8	4.3	4.4	1.5	.5	.4	.0	29.0	-12.3	-14.1	2.4
State and local	3.6	2.5	5.2	1.8	3.2	1.8	1.4	1.7	1.9	2.0	15.7	18.7	12.0	7.0

FEDERAL SECTOR ACCOUNTS
(Billions of dollars)

	Fiscal Year 1986*	Fiscal Year 1987 ¹	FY1988e		CY1987e		FRB Staff Estimates							
			Admin ²	FRB Staff	CY 1986*	FRB Staff	1986 IV*	I*	II*	1987 III ¹	IV	I	1988 II	III
Not seasonally adjusted														
Budget receipts ³	769	854	909	895	782	870	190	194	254	217	206	204	261	225
Budget outlays	990	1002	1032	1059	991	1033	253	252	251	245	284	244	261	270
Surplus/deficit(-) to be financed	-221	-148	-123	-164	-209	-163	-63	-59	2	-29	-78	-40	-1	-45
Means of financing:														
Borrowing from public	236	151	107	153	215	142	69	28	32	22	60	38	15	39
Cash balance decrease	-14	-5	0	11	0	12	0	22	-31	4	18	1	-10	3
Other ⁴	-1	3	1	0	-6	9	-6	9	-3	3	0	1	-4	3
Cash operating balance, end of period	31	36	20	25	31	19	31	9	40	36	-19	18	28	25
Memo: Sponsored agency borrowing ⁵	14	16	n.a.	27	14	17	5r	-4	7	8	6	4	9	8
Seasonally adjusted annual rates														
Receipts	816	892	968	936	827	909	853	879	923	914	919	931	944	950
Expenditures	1027	1054	1089	1106	1032	1067	1041	1050	1062	1064	1091	1114	1111	1108
Purchases	369	375	395	389	366	379	369	367	380	385	385	390	390	391
Defense	275	289	301	295	278	293	279	288	295	296	294	296	295	295
Nonddefense	93	86	94	94	88	86	90	79	85	89	91	94	95	96
All other expend.	658	679	694	717	666	688	673	683	683	679	706	724	721	717
Surplus/deficit(-)	-211	-162	-121	-170	-205	-158	-189	-171	-139	-149	-172	-182	-167	-158
High-employment surplus/ deficit(-) evaluated at 6 percent unemp.	-190	-144	n.a.	-154	-183	-144	-163	-151	-123	-140	-162	-166	-147	-139

*--actual

e--estimated

n.a.--not available

r--revised

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

1. Partially estimated.
2. 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. The CBO estimate of the FY1988 deficit with the policies of the Congressional Budget Resolution is \$146 billion.
3. Includes social security receipts and outlays, which are classified as off-budget under current law.
4. Checks issued less checks paid, accrued items, and other transactions.
5. 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.

October 28, 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-	Q3-	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
1. GNP Exports and Imports 1/													
Current \$, Net	-105.5	-115.6	-91.7	-110.5	-116.9	-112.2	-118.4	-121.7	-110.3	-102.4	-94.2	-88.2	-81.9
Exports of G+S	376.2	424.6	495.1	376.6	383.3	397.3	416.5	433.4	451.1	467.4	484.3	503.4	525.2
Imports of G+S	481.7	540.2	586.8	487.1	500.2	509.5	534.8	555.1	561.4	569.8	578.5	591.7	607.1
Constant 82 \$, Net	-145.8	-131.0	-82.4	-161.6	-151.8	-135.2	-132.7	-137.9	-118.2	-102.1	-87.6	-76.4	-63.4
Exports of G+S	377.4	421.4	472.3	379.6	388.3	397.8	414.5	430.6	442.8	453.9	465.1	477.8	492.5
Imports of G+S	523.2	552.4	554.7	541.2	540.1	533.0	547.2	568.5	561.0	556.0	552.7	554.2	555.9
2. U.S. Merchandise Trade Balance 2/	-144.3	-158.5	-140.8	-148.5	-154.4	-155.0	-158.1	-165.5^f	-155.6	-149.0	-142.3	-137.7	-134.2
Exports	224.4	248.6	305.0	226.1	228.1	228.0	239.9	257.0 ^f	269.4	284.3	298.4	312.1	325.4
Agricultural	27.0	28.6	32.3	26.6	28.1	26.1	28.6	30.5 ^f	29.2	30.5	31.9	33.0	33.9
Non-Agricultural	197.3	220.0	272.7	199.6	200.0	201.9	211.3	226.5 ^f	240.2	253.7	266.5	279.1	291.5
Imports	368.7	407.1	445.8	374.6	382.5	383.0	398.0	422.5 ^f	425.0	433.3	440.6	449.9	459.6
Petroleum and Products	33.8	42.3	44.0	31.6	32.0	34.8	40.0	51.0 ^f	43.4	42.4	43.2	45.2	45.3
Non-Petroleum	334.9	364.8	401.8	343.0	350.4	348.2	358.0	371.5 ^f	381.5	390.9	397.4	404.7	414.2
3. U.S. Current Account Balance	-141.4	-161.8	-140.7	-146.3	-151.9	-147.1	-164.4	-175.4^f	-160.4	-150.6	-142.4	-136.8	-133.1
Of Which: Net Investment Income	20.8	10.9	9.9	21.4	18.0	22.0	6.4	4.1 ^f	11.0	9.8	9.7	9.6	10.6
4. Foreign Outlook 3/													
Real GNP--Ten Industrial 4/	2.5	2.1	1.8	2.2	1.6	1.5	2.9	2.0	1.7	1.5	1.9	1.9	1.9
Real GNP--NonOPEC LDC 5/	4.6	4.4	4.3	4.6	4.4	4.3	4.2	4.3	4.3	4.3	4.3	4.3	4.3
Consumer Prices--Ten Ind. 4/	2.0	2.2	2.6	0.1	2.1	2.4	3.4	2.1	2.4	2.7	2.7	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

October 28, 1987

RECENT DEVELOPMENTS

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

Total Federal Government Receipts and Outlays
(Budget basis, billions of dollars)

<u>Fiscal year</u>	<u>Receipts</u>	<u>Outlays</u>	<u>Deficit</u>	<u>Memo: Deficit as a percent of GNP</u>
1978	399.6	458.7	59.2	2.7
1979	463.3	503.5	40.2	1.6
1980	517.1	590.9	73.8	2.8
1981	559.3	678.2	78.9	2.6
1982	617.8	745.7	127.9	4.1
1983	600.6	809.5	208.9	6.3
1984	666.5	851.8	185.3	5.0
1985	734.1	946.3	212.3	5.4
1986	769.1	989.8	220.7	5.3
1987	854.1	1002.1	148.0	3.4

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

	1987				
	Q3 ^p	Q4 ^e	Oct. ^e	Nov. ^e	Dec. ^e
Treasury financing					
Total surplus/deficit (-)	-28.6	-78.3	-25.4	-24.7	-28.2
Means of financing deficit:					
Net cash borrowing from the public	22.0	60.4	26.8	20.6	13.0
Marketable borrowings/ repayments	16.9	51.7	26.4	13.9	11.4
Bills	-12.9	8.3	11.6	-1.9	-1.4
Coupons	29.8	43.4	14.9	15.8	12.7
Nonmarketable	5.1	8.7	.3	6.7	1.6
Decrease in the cash balance	3.7	17.6	-2.8	16.0	4.4
Memo: Cash balance at end of period	36.4	18.8	39.2	23.2	18.8
Other ²	2.9	.3	1.4	-11.9	10.8
Federally sponsored credit agencies, net cash borrowing					
FHLBs	4.7	4.1	2.1	1.2	.8
FNMA	1.6	.9	.6	.1	.2
FCBs	-1.3	-1.4	-1.1	-.1	-.2
FHLMC	.6	.5	.2	.2	.1
FICO	.0	1.1	.6	.0	.5
SLMA	2.0	1.1	.2	.8	.1

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.

GROSS OFFERINGS OF MUNICIPAL SECURITIES
 (Monthly rates, not seasonally adjusted, billions of dollars)

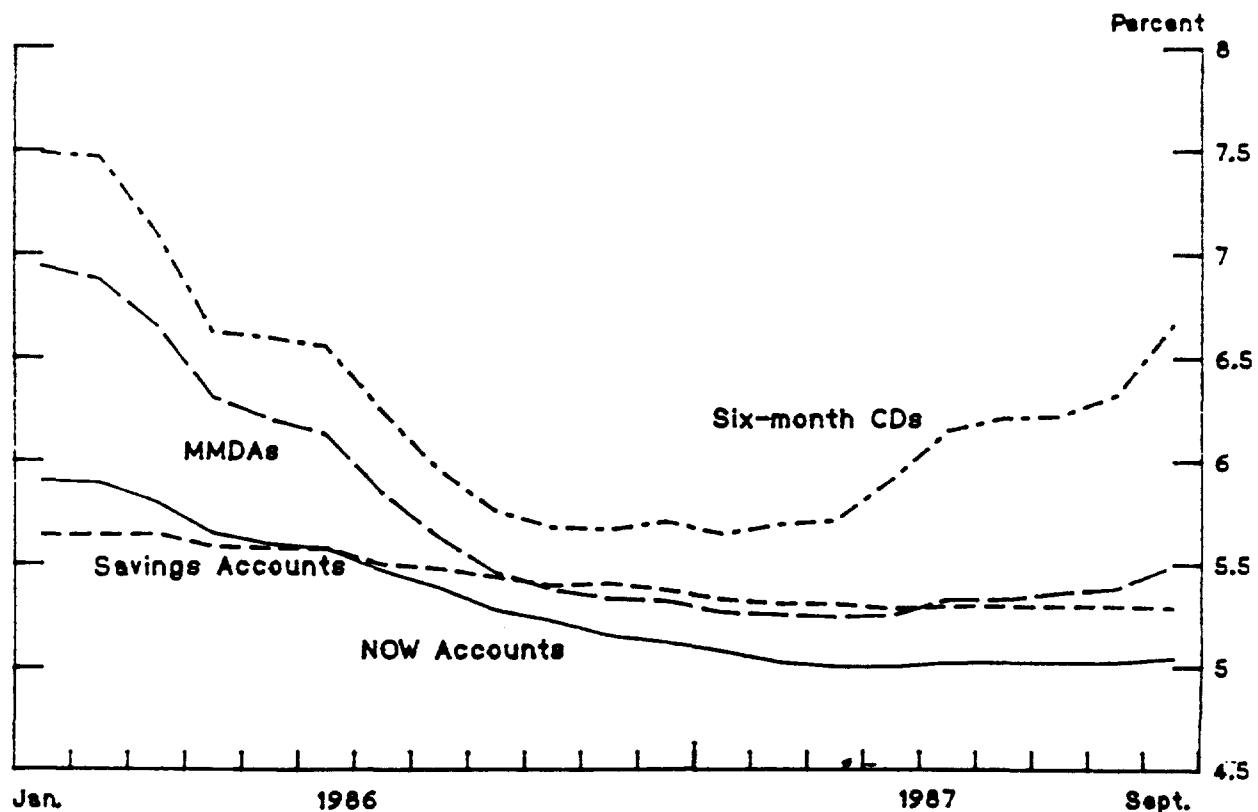
	1985 Year	1986 Year	1987 Q1	1987 Q2	1987 Q3 ^P	1987 Aug.	1987 Sept. ^P	1987 Oct. ^f
Total tax-exempt	19.81	14.04	10.86	9.62	8.02	8.89	5.74	7.20
Short-term ¹	1.96	1.79	.56	1.80	1.82	2.39	.62	1.20
Long-term ²	17.85	12.25	10.30	7.82	6.20	6.50	5.12	6.00
Refundings ²	4.85	5.29	7.24	2.98	1.63	1.42	.98	n.a.
New capital	13.00	6.96	3.06	4.84	4.57	5.08	4.14	n.a.
Total taxable	.03	.38	.27	.29	.15	.03	.22	n.a.

1. Does not include tax-exempt commercial paper.

2. Includes all refunding bonds, not just advance refundings.

f--staff forecast. n.a.--not available. p--preliminary.

Rates Paid on Selected Retail Accounts at Commercial Banks
 (Effective Annual Yield)



CONFIDENTIAL (FR)
CLASS III - FOMC

October 30, 1987

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the staff
Board of Governors
of the Federal Reserve System

Errata

Shown on the next three pages are tables that were omitted from the Appendix to Part II of the Greenbook. These tables should follow page II-A-5 of the Greenbook.

Table 1

Deficit Targets in the Gramm-Rudman-Hollings Balanced Budget Act
(Fiscal years, billions of dollars)

	1986	1987	1988	1989	1990	1991	1992	1993
Original law ¹	172	144	108	72	36	0	n.a.	n.a.
Amended law ²	n.a.	n.a.	144	136	100	64	28	0
Memo:								
CBO baseline deficit	221 ^a	157	183	192	176	165	151	n.a.
OMB current services deficit	221 ^a	159	161	166	147	123	105	n.a.

a--actual

1. The original non-automatic spending cut mechanism was supposed to go into effect if the projected "snapshot" deficit exceeded the target by more than \$10 billion for 1986 through 1990. This "margin for error" was not allowed for the final year (1991).
2. The restored automatic spending cut mechanism would be triggered if the "snapshot" deficit projection exceeds the target by more than \$10 billion for 1988 through 1992. This "margin for error" is not allowed for the final year (1993).

Table 2

Timetable for Sequestration Procedures¹

Action	Fiscal year	
	1988	1989-1993
Earliest enactment date for deficit reduction actions.	January 1, 1987	Jan. 1 (before fiscal year begins.)
President submits the Mid-session Review of the budget (establishing the economic and technical assumptions).	Not applicable	July 15
Initial OMB/CBO "snapshot."	October 10	August 15
CBO issues initial report to OMB and Congress.	October 15	August 20
OMB issues initial report to the President and Congress.	October 20	August 25
President issues initial order.	October 20	August 25
Fiscal year begins and initial order becomes effective.	October 1 (order becomes effective on Oct. 20, when issued)	October 1
CBO issues revised report to OMB and Congress.	November 15	October 10
OMB issues revised report to the President and Congress.	November 20	October 15
President issues final order, which becomes effective immediately.	November 20	October 15
House and Senate majority leaders may introduce a joint resolution modifying the final order.	Within 10 session-days of revised OMB report	Within 10 session-days of revised OMB report
Comptroller General issues compliance order.	December 15	November 15

1. The amended Act also includes a procedure, not summarized on this table, that allows the President to modify, with congressional approval, the impact of a sequester order on various defense accounts.

Table 3
Regular Budget Process

Budget action	Deadline
President submits budget request.	First Monday after January 3
CBO reports to budget committees on fiscal policy and budget priorities.	February 15
Senate budget committee reports budget resolution to floor.	April 1
Congress completes action on budget resolution.	April 15
House appropriations committee reports last annual appropriations bill.	June 10
Congress completes action on reconciliation legislation.	June 15
House completes action on appropriation bills.	June 30