

August 12, 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

August 12, 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)			
	7/1/87	8/12/87	7/1/87	8/12/87	7/1/87	8/12/87	7/1/87	8/12/87	7/1/87	8/12/87		
<b>Annual changes:</b>												
1985	<1>	6.2	6.3	2.7	3.0	3.7	3.5	3.3	3.2	7.2	7.2	
1986	<1>	5.2	5.6	2.5	2.9	2.8	2.7	2.7	2.6	7.0	7.0	
1987		5.7	5.8	2.7	2.6	3.2	3.5	3.0	3.1	6.4	6.3	
1988		6.0	6.4	2.4	2.5	3.9	4.1	3.5	3.8	6.3	6.0	
<b>Quarterly changes:</b>												
1986	Q1	<1>	6.2	7.0	3.8	5.4	2.5	2.2	2.5	7.1	7.1	
	Q2	<1>	2.6	3.6	.6	1.7	2.2	1.8	2.9	7.1	7.1	
	Q3	<1>	6.4	5.3	2.8	1.4	2.6	2.6	3.6	6.9	6.9	
	Q4	<1>	1.7	2.1	1.1	1.5	2.7	2.3	.7	6.9	6.9	
1987	Q1	<1>	9.1	8.6	4.8	4.4	3.9	4.5	4.2	6.7	6.7	
	Q2	<1>	6.1	6.7	2.2	2.6	3.7	4.3	3.8	6.3	6.2	
	Q3		5.9	6.4	2.6	2.6	3.6	3.6	3.2	6.3	6.1	
	Q4		5.3	5.7	2.5	2.7	3.3	3.5	2.8	6.3	6.1	
1988	Q1		6.3	6.6	2.4	2.5	4.2	4.5	3.8	6.3	6.0	
	Q2		6.0	6.6	2.3	2.4	4.0	4.2	3.6	6.3	6.0	
	Q3		6.3	6.6	2.3	2.4	4.2	4.4	3.9	6.3	6.0	
	Q4		6.5	6.7	2.4	2.3	4.3	4.5	4.0	6.3	6.0	
<b>Two-quarter changes: &lt;2&gt;</b>												
1986	Q2	<1>	4.3	5.3	2.2	3.0	2.1	2.1	2.1	.0	.0	
	Q4	<1>	4.0	3.7	1.9	1.5	2.6	2.5	2.1	-.2	-.2	
1987	Q2	<1>	7.6	7.6	3.5	3.5	3.8	4.5	4.0	-.6	-.7	
	Q4		5.6	6.1	2.6	2.6	3.5	3.6	3.0	.0	-.1	
1988	Q2		6.1	6.6	2.3	2.4	4.1	4.3	3.7	.0	-.1	
	Q4		6.4	6.6	2.4	2.4	4.3	4.4	3.9	.0	-.0	
<b>Four-quarter changes: &lt;3&gt;</b>												
1985	Q4	<1>	6.3	6.6	2.9	3.3	3.6	3.6	3.3	3.1	-.2	-.2
1986	Q4	<1>	4.2	4.5	2.0	2.2	2.4	2.3	2.1	2.2	-.2	-.2
1987	Q4		6.6	6.8	3.0	3.1	3.6	4.0	3.5	3.7	-.6	-.8
1988	Q4		6.3	6.6	2.3	2.4	4.2	4.4	3.8	4.1	.0	-.1

&lt;1&gt; Actual.

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

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

August 12, 1987

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

	Units	Projection											
		1986				1987				1988			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>EXPENDITURES</b>													
Nominal GNP	Billions of \$	4265.9	4288.1	4377.7	4448.8	4518.8	4581.7	4655.1	4729.9	4805.9	4884.1		
Real GNP	Billions of 82\$	3718.0	3731.5	3772.2	3796.4	3820.5	3845.8	3869.4	3892.0	3915.3	3937.8		
Nominal GNP	Percent change	5.3	2.1	8.6	6.7	6.4	5.7	6.6	6.6	6.6	6.7		
Real GNP		1.4	1.5	4.4	2.6	2.6	2.7	2.5	2.4	2.4	2.3		
Gross domestic product		1.2	2.2	4.2	2.9	2.6	2.9	2.5	2.4	2.5	2.3		
Gross domestic purchases		3.0	.4	2.5	1.7	3.0	.9	.9	1.2	1.2	1.1		
Final sales		3.9	3.7	-2.3	3.3	4.2	1.9	3.3	2.3	2.5	2.5		
Private dom. final purchases		5.9	1.2	-3.2	2.7	4.8	-1	1.7	1.4	1.5	1.5		
Personal consumption expend.		7.3	.5	-.7	2.1	4.9	-.3	1.8	1.5	1.5	1.3		
Durables		44.9	-6.3	-21.2	11.4	20.5	-15.1	3.5	1.9	1.7	.4		
Nondurables		-.1	.2	1.3	-4.3	-.3	1.9	.9	.6	.6	.6		
Services		2.6	3.0	5.4	4.0	3.9	3.3	2.0	2.0	2.0	2.1		
Business fixed investment		-3.0	5.1	-14.6	7.9	8.6	2.9	2.9	2.4	2.7	2.4		
Producers' durable equipment		3.1	4.7	-15.3	11.6	11.5	4.0	4.2	3.8	4.2	3.8		
Nonresidential structures		-16.6	6.3	-12.8	-.7	1.2	.0	-.7	-1.2	-1.4	-1.4		
Residential structures		9.7	2.2	-7.7	-.4	-3.6	-3.4	-3.3	-2.7	-1.5	1.9		
Exports		10.6	9.5	10.2	13.6	13.2	15.1	14.9	14.0	12.5	12.6		
Imports		20.1	-.8	-5.2	4.2	14.1	-1.2	.8	2.9	1.9	1.9		
Government purchases		3.0	7.9	-6.2	1.4	3.6	1.0	1.7	.1	.6	.4		
Federal		2.4	15.2	-18.6	-1.2	5.5	-.7	.9	-2.7	-1.4	-1.7		
Defense		16.4	-10.5	7.6	8.0	-2.6	-4.4	-5.8	-4.9	-2.8	-2.5		
State and local		3.5	2.4	5.0	3.4	2.2	2.2	2.4	2.3	2.1	2.0		
Change in business inventories	Billions of 82\$	6.1	-14.4	47.6	41.2	26.5	33.7	26.4	27.0	26.1	24.0		
Nonfarm	Billions of 82\$	.1	2.3	43.9	22.5	15.5	28.4	24.6	25.8	24.9	22.8		
Net exports	Billions of 82\$	-161.6	-151.8	-135.2	-127.8	-132.9	-116.2	-101.7	-90.6	-79.3	-67.3		
<b>ECONOMIC AND PRODUCTION</b>													
Nonfarm payroll employment	Millions	99.8	100.4	101.1	101.7	102.3	102.8	103.3	103.8	104.2	104.6		
Unemployment rate	Percent*	6.9	6.9	6.7	6.2	6.1	6.1	6.0	6.0	6.0	6.0		
Industrial production index	Percent change	1.9	3.2	3.4	2.6	5.6	3.9	3.6	3.5	3.5	3.4		
Capacity utilization rate-mfg.	Percent*	79.7	79.8	80.2	80.1	80.8	81.1	81.3	81.5	81.6	81.6		
Housing Starts	Millions	1.76	1.70	1.79	1.61	1.61	1.60	1.58	1.57	1.56	1.56		
Auto sales	Millions	12.91	11.32	9.66	10.26	11.74	10.10	10.30	10.45	10.65	10.65		
Domestic	Millions	9.43	7.66	6.86	7.20	8.35	7.03	7.20	7.35	7.50	7.50		
Foreign	Millions	3.47	3.66	2.80	3.06	3.39	3.07	3.10	3.10	3.15	3.15		
<b>INCOME AND SAVING</b>													
Nominal personal income	Percent change	3.1	4.6	7.8	6.1	4.4	7.2	7.0	5.9	5.1	7.5		
Real disposable income	Percent change	-1.0	.5	2.7	-3.2	6.2	2.7	1.9	-.1	.8	1.7		
Personal saving rate	Percent*	3.6	3.6	4.4	3.2	3.5	4.2	4.2	3.8	3.7	3.8		
Corp. profits with IVA & CCAdj	Percent change	5.9	-7.2	19.7	-.8	18.8	8.5	-12.2	3.3	12.6	2.6		
Profit share of GNP	Percent*	6.7	6.6	6.7	6.6	6.8	6.8	6.5	6.5	6.5	6.5		
Federal govt. surplus/deficit	Billions of \$	-203.7	-188.7	-170.5	-132.7	-164.7	-174.4	-175.7	-157.6	-150.6	-146.1		
State and local govt. surplus	Billions of \$	59.6	50.6	41.0	44.6	42.8	44.3	48.0	50.9	54.0	56.4		
<b>PRICES AND COSTS</b>													
GNP implicit deflator	Percent change	3.6	.7	4.2	3.8	3.7	2.9	4.0	4.1	4.1	4.3		
GNP fixed-weight price index		2.6	2.3	4.5	4.3	3.6	3.5	4.5	4.2	4.4	4.5		
Cons. & fixed invest. prices		3.1	3.0	5.1	4.7	3.9	3.7	4.5	4.5	4.7	4.8		
CPI		2.5	2.6	5.3	4.9	4.1	4.1	4.4	4.7	4.9	5.1		
Exc. food and energy		3.7	3.8	4.4	4.7	3.7	4.8	4.9	5.2	5.4	5.6		
Nonfarm business sector		-.6	.0	.4	1.4	2.1	.6	.8	.6	1.0	1.1		
Output per hour		2.8	4.0	1.1	2.9	3.4	3.6	5.0	4.1	4.5	4.8		
Compensation per hour		3.5	4.0	.8	1.5	1.3	3.0	4.2	3.5	3.5	3.7		
Net labor costs													

\* Not at an annual rate.

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

August 12, 1987

	Units	Projection								
		1980	1981	1982	1983	1984	1985	1986	1987	1988
<b>EXPENDITURES</b>										
Nominal GNP	Billions of \$	2732.0	3052.6	3166.0	3405.7	3772.2	4010.3	4235.0	4481.7	4768.8
Real GNP	Billions of 82\$	3187.1	3248.8	3166.0	3279.1	3501.4	3607.5	3713.3	3808.7	3903.6
Real GNP	Percent change*	-.1	.6	-1.9	6.5	5.1	3.3	2.2	3.1	2.4
Gross domestic product		.3	.3	-1.6	6.6	5.3	3.5	2.6	3.1	2.4
Gross domestic purchases		-1.1	.8	-.8	8.4	6.4	4.1	2.7	2.0	1.1
Final sales		-.2	.1	.3	3.7	4.7	4.6	2.6	1.8	2.7
Private dom. final purchases		-1.7	-.3	.8	7.7	5.6	4.6	3.2	1.0	1.5
Personal consumption expend.		-.1	.2	2.9	5.4	4.1	4.5	4.1	1.5	1.5
Durables		-5.6	-3.3	9.0	14.7	10.8	6.6	12.4	-2.6	1.9
Nondurables		-1.4	.5	1.8	4.4	2.3	2.9	2.9	-.4	.7
Services		2.4	.9	2.3	3.9	3.5	5.0	2.4	4.2	2.0
Business fixed investment		-4.8	5.6	-11.3	10.8	13.8	4.7	-4.7	.7	2.6
Producers' durable equipment		-6.5	2.2	-12.5	20.9	14.9	7.0	-.2	2.3	4.0
Nonresidential structures		-1.8	11.7	-9.1	-4.8	11.8	-.1	-15.4	-3.2	-1.2
Residential structures		-14.2	-22.4	4.9	38.1	6.1	6.0	12.5	-3.8	-1.4
Exports		.5	2.4	-13.8	5.8	5.9	-2.7	5.9	13.0	13.5
Imports		-8.8	4.9	-5.9	23.8	17.4	5.2	8.9	2.7	1.9
Government purchases		1.0	2.9	3.8	-2.7	7.9	8.7	2.4	-.1	
Federal		3.1	9.5	8.2	-8.1	13.0	14.9	-.2	-4.2	-1.2
Defense		3.1	7.6	8.8	5.1	6.5	7.0	4.8	2.0	-4.0
State and local		-.3	-1.3	.6	1.5	4.4	4.0	4.6	3.2	2.2
Change in business inventories	Billions of 82\$	-6.9	23.9	-24.5	-6.4	62.3	7.4	13.8	37.3	25.9
Nonfarm	Billions of 82\$	-2.3	19.0	-23.1	-.1	57.8	12.0	15.4	27.6	24.5
Net exports	Billions of 82\$	57.0	49.4	26.3	-19.9	-84.0	-108.2	-145.8	-128.0	-84.7
Nominal GNP	Percent change*	9.9	9.3	3.1	10.4	8.6	6.6	4.5	6.8	6.6
<b>ECONOMIC POSITION AND PRODUCTION</b>										
Nonfarm payroll employment	Millions	90.4	91.2	89.6	90.2	94.5	97.5	99.6	102.0	103.9
Unemployment rate	Percent	7.1	7.6	9.7	9.6	7.5	7.2	7.0	6.3	6.0
Industrial production index	Percent change*	-.8	-1.0	-7.7	14.3	6.6	1.7	1.1	3.9	3.5
Capacity utilization rate-mfg.	Percent	79.3	78.3	70.3	74.0	80.5	80.1	79.7	80.5	81.5
Housing Starts	Millions	1.30	1.10	1.06	1.71	1.77	1.74	1.82	1.65	1.57
Auto sales	Millions	9.04	8.56	8.00	9.18	10.43	11.09	11.52	10.44	10.51
Domestic	Millions	6.62	6.24	5.77	6.77	7.97	8.24	8.28	7.36	7.39
Foreign	Millions	2.42	2.32	2.23	2.41	2.46	2.84	3.25	3.08	3.3
<b>INCOME AND SAVING</b>										
Nominal personal income	Percent change*	12.0	9.2	5.3	7.8	8.4	6.8	5.5	6.4	6.4
Real disposable income	Percent change*	1.1	.7	1.0	5.1	4.3	2.8	3.6	2.1	1.1
Personal saving rate	Percent	7.1	7.5	6.8	5.4	6.1	4.5	4.3	3.8	3.9
Corp. profits with IVA & CCAdj	Percent change*	-6.8	2.3	-19.1	70.1	7.4	4.1	1.2	11.2	1.2
Profit share of GNP	Percent	6.5	6.2	4.7	6.3	7.1	6.9	6.7	6.7	6.5
Federal govt. surplus/deficit	Billions of \$	-61.3	-63.8	-145.9	-176.0	-169.6	-196.0	-204.7	-160.6	-157.5
State and local govt. surplus		26.8	34.1	35.1	47.5	64.6	63.1	56.8	43.2	52.3
<b>PRICES AND COSTS</b>										
GNP implicit deflator	Percent change*	9.9	8.7	5.2	3.6	3.4	3.1	2.2	3.7	4.1
GNP fixed-weight price index		9.8	8.5	5.0	3.9	3.7	3.6	2.3	4.0	4.4
Cons. & fixed invest. prices		10.1	8.2	4.4	3.3	3.3	3.5	2.0	4.4	4.6
CPI		12.5	9.6	4.5	3.2	4.1	3.5	1.3	4.6	4.8
Exc. food and energy		12.2	10.2	5.2	4.2	4.7	4.3	3.9	4.4	5.3
Nonfarm business sector		1.0	-.6	1.0	3.6	1.5	1.0	1.5	1.1	.9
Output per hour		10.9	8.3	7.3	3.3	4.2	4.8	3.4	2.8	4.6
Compensation per hour		9.8	9.0	6.2	-.3	2.6	3.7	1.9	1.6	3.7
Unit labor costs										

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

CONFIDENTIAL - FR  
CLASS II FOMC

August 12, 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	24.2	24.1	25.3	23.5	22.7	23.3	22.4	115.7	80.6	114.3	91.9
Gross domestic product	10.6	20.4	38.3	26.6	24.6	27.0	24.0	22.5	23.8	22.5	121.5	92.7	116.5	92.8
Gross domestic purchases	28.1	3.7	24.1	16.8	29.2	8.6	9.1	11.6	11.9	10.5	150.2	103.1	78.7	43.1
Final sales	35.2	33.9	-21.3	30.8	38.7	18.1	30.8	22.1	24.2	24.5	159.0	93.3	66.3	101.6
Private dom. final purchases	44.4	9.5	-25.7	20.8	37.0	-.4	13.1	10.7	11.7	11.8	133.0	97.7	31.7	47.2
Personal consumption expend.	43.2	3.0	-4.6	12.8	29.7	-1.9	11.5	9.3	9.4	8.2	102.1	97.3	36.0	38.4
Durables	35.9	-6.5	-23.1	10.3	18.4	-16.2	3.4	1.8	1.7	.4	22.0	43.9	-10.6	7.3
Nondurables	-.2	.5	2.9	-9.6	-.6	4.1	2.0	1.3	1.4	1.3	24.5	24.6	-9.2	5.9
Services	7.5	8.9	15.8	12.0	11.9	10.2	6.2	6.2	6.3	6.5	55.7	28.6	49.9	23.2
Business fixed investment	-3.3	5.3	-17.2	8.2	9.1	3.2	3.2	2.7	3.0	2.7	20.8	-22.0	3.3	11.6
Producers' durable equipment	2.4	3.6	-13.0	8.5	8.7	3.2	3.4	3.1	3.4	3.1	20.7	-.6	7.3	13.0
Nonresidential structures	-5.7	1.9	-4.2	-.2	.3	-.0	-.2	-.4	-.4	-.4	-.1	-22.6	-4.0	-1.4
Residential structures	4.6	1.1	-4.0	-.2	-1.8	-1.7	-1.6	-1.3	-.7	.9	10.1	22.5	-7.7	-2.8
Change in business inventories	-22.0	-20.5	62.0	-6.4	-14.7	7.2	-7.3	.6	-.9	-2.1	-43.3	-12.8	48.1	-9.7
Nonfarm	-23.8	2.2	41.6	-21.4	-7.0	12.9	-3.8	1.2	-.9	-2.1	-22.0	-14.4	26.1	-5.6
Farm	1.8	-22.6	20.3	14.9	-7.6	-5	-3.5	-.6	.0	.0	-21.2	1.6	21.9	-6.1
Net exports	-14.8	9.8	16.6	7.4	-5.1	16.8	14.4	11.1	11.4	11.9	-34.5	-22.5	35.6	48.8
Exports	9.4	8.7	9.5	12.9	12.9	15.1	15.5	15.1	14.1	14.6	-10.1	21.8	50.4	59.3
Imports	24.2	-1.1	-7.1	5.5	18.0	-1.6	1.0	4.0	2.7	2.7	24.4	44.3	14.6	10.4
Government purchases	5.6	14.6	-12.2	2.6	6.8	1.8	3.3	.3	1.2	.8	60.5	18.1	-1.0	5.6
Federal	2.0	12.0	-17.3	-1.0	4.4	-.6	.7	-2.2	-1.1	-1.4	44.8	-.7	-14.5	-4.0
Defense	9.7	-7.1	4.7	5.0	-1.7	-2.9	-3.8	-3.2	-1.8	-1.6	15.8	11.6	5.1	-10.4
Nonddefense	-7.6	19.1	-22.0	-6.0	6.1	2.3	4.5	1.0	.7	.2	29.0	-12.3	-19.6	6.4
State and local	3.6	2.5	5.2	3.6	2.4	2.4	2.6	2.5	2.3	2.2	15.7	18.7	13.6	9.6

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August 12, 1987

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

	Fiscal Year 1986*	FY1987e		FY1988e		CY1987e		1986 IV*	I*	FRB Staff Estimates					
		Admin <sup>1</sup>	FRB Staff	Admin <sup>1</sup>	FRB Staff	CY 1986*	FRB Staff			1987	III	IV	I	1988 II	III
Not seasonally adjusted															
Budget receipts <sup>2</sup>	769	842	850	917	898	782	862	190	194	254	213	202	205	267	225
Budget outlays <sup>2</sup>	990	1016	1013	1024	1059	991	1033	253	252	251	256	274	250	263	272
Surplus/deficit <sup>3</sup> (-) to be financed <sup>4</sup>	-221	-173	-163	-108	-161	-209	-171	-63	-59	-2	-44	-72	-45	3	-47
Means of financing:															
Borrowing from public	236	162	164	107	145	215	145	69	28	32	36	50	40	6	49
Cash balance decrease	-14	11	7	0	13	0	11	0	22	-31	2	19	5	-5	-5
Other	-1	0	5	1	3	-6	16	-6	9	-3	6	4	1	-4	3
Cash operating balance, end of period	31	20	38	20	25	31	20	31	9	40	38	20	15	20	25
Memo: Sponsored agency borrowing <sup>5</sup>	14	n.a.	14	n.a.	18	13	14	4	-2	7	5	4	4	5	5
Seasonally adjusted annual rates															
Receipts	816	875	886	968	937	827	899	853	879	919	892	906	931	951	960
Expenditures	1027	1061	1050	1089	1102	1032	1060	1041	1050	1052	1057	1081	1107	1108	1111
Purchases	369	385	371	395	384	366	373	369	367	372	376	378	385	386	387
Defense	275	291	288	301	294	278	292	279	288	293	294	293	295	294	294
Nondefense	93	94	83	94	90	88	81	90	79	79	82	85	91	92	94
All other expend.	658	676	679	694	717	666	686	673	683	680	680	702	722	723	723
Surplus/deficit(-)	-211	-186	-164	-121	-165	-205	-161	-189	-171	-133	-165	-174	-176	-158	-151
High-employment surplus/ deficit(-) evaluated at 6 percent unemp.	-190	n.a.	-145	n.a.	-153	-183	-145	-163	-151	-116	-151	-162	-164	-146	-139

\*--actual

e--estimated

n.a.--not available

Note: Details may not add to totals due to rounding

1. Budget of the United States Government, Fiscal Year 1988 (January 1987). More up-to-date figures are scheduled to be published around August 15. The Congressional Budget Office preliminary summer baseline estimates released July 14 indicated receipts of \$852 and \$897 billion, outlays of \$1013 and \$1078 billion, and deficits of \$161 and \$181 billion in FY1987 and FY1988, respectively. Revised CBO budget estimates are scheduled to be released August 19.
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.
4. Sponsored agency borrowing includes net debt issuance by Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (excluding participation certificates), Federal National Mortgage Association (excluding mortgage-backed securities), Farm Credit Banks, and Student Loan Marketing Association marketable debt. 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			1986		1987		1988					
	1986	1987-P	1988-P	Q3	Q4	Q1	Q2	Q3-P	Q4-P	Q1-P	Q2-P	Q3-P	Q4-P
<b>1. GNP Exports and Imports 1/</b>													
Current \$, Net	-105.5	-110.6	-91.4	-110.5	-116.9	-112.2	-108.6	-114.5	-107.0	-101.6	-94.6	-88.6	-80.6
Exports of G+S	376.2	422.3	500.7	376.6	383.3	397.3	413.3	429.6	449.1	469.3	498.6	518.5	532.3
Imports of G+S	481.7	532.9	592.0	487.1	500.2	509.5	521.9	544.1	556.1	570.9	585.2	599.1	612.9
Constant \$2 \$, Net	-145.8	-128.0	-84.7	-161.6	-151.8	-135.2	-127.8	-132.9	-116.2	-101.7	-98.6	-79.5	-67.3
Exports of G+S	377.4	417.7	476.2	379.6	388.3	397.8	410.7	423.6	438.7	454.2	469.3	483.4	498.0
Imports of G+S	523.2	545.7	561.0	541.2	540.1	533.0	538.5	556.5	554.9	555.9	568.0	562.7	565.3
<b>2. U.S. Merchandise Trade Balance 2/</b>	<b>-144.3</b>	<b>-151.4</b>	<b>-134.6</b>	<b>-148.5</b>	<b>-154.4</b>	<b>-152.4</b>	<b>-149.3<sup>P</sup></b>	<b>-155.9</b>	<b>-148.0</b>	<b>-143.3</b>	<b>-137.6</b>	<b>-132.1</b>	<b>-123.3</b>
Exports	224.4	249.9	303.3	226.1	228.1	238.7	244.8 <sup>P</sup>	255.5	269.6	282.8	296.9	309.5	323.9
Agricultural	27.0	27.9	50.2	26.6	28.1	26.2	29.8 <sup>P</sup>	27.8	28.5	28.9	29.9	30.6	31.4
Non-Agricultural	197.3	222.0	273.1	199.6	200.0	204.5	215.0 <sup>P</sup>	227.6	241.8	253.9	267.0	278.9	292.4
Imports	368.7	401.3	437.9	374.6	382.5	383.1	393.3 <sup>P</sup>	411.3	417.5	428.1	434.5	441.7	449.1
Petroleum and Products	33.8	41.6	43.6	31.6	32.0	34.8	39.5 <sup>P</sup>	48.1	44.2	42.6	43.6	43.8	44.4
Non-Petroleum	334.9	359.7	394.3	343.0	350.4	348.3	354.0 <sup>P</sup>	363.2	373.3	383.5	398.9	397.9	404.8
<b>3. U.S. Current Account Balance</b>	<b>-141.4</b>	<b>-154.0</b>	<b>-139.8</b>	<b>-146.3</b>	<b>-151.9</b>	<b>-147.6</b>	<b>-150.2<sup>P</sup></b>	<b>-165.7</b>	<b>-152.6</b>	<b>-147.3</b>	<b>-141.3</b>	<b>-136.6</b>	<b>-130.9</b>
Of Which: Net Investment Income	20.8	9.4	4.8	21.4	18.0	15.3	11.2 <sup>P</sup>	3.1	7.8	6.3	5.8	4.1	2.9
<b>4. Foreign Outlook 3/</b>													
Real GNP--Ten Industrial 4/	2.4	2.0	1.8	2.0	1.9	1.4	2.3	1.7	1.8	1.6	1.8	1.8	1.7
Real GNP--NonOPEC LDC 5/	4.4	4.1	4.2	4.3	4.2	4.0	4.8	4.0	3.9	4.0	4.3	4.6	5.0
Consumer Prices--Ten Ind. 4/	2.0	2.2	2.8	0.1	2.1	2.4	3.4	1.9	2.6	2.6	3.3	2.5	3.6

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

**August 12, 1987**

## **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**

**PRELIMINARY CBO REESTIMATE OF THE BASELINE BUDGET<sup>1</sup>**  
**(Fiscal years, billions of dollars)**

	1987	1988	1989	1990	1991	1992
<b>Revenues</b>	852	897	954	1034	1113	1192
<b>Outlays</b>	1013	1078	1152	1218	1286	1352
<b>Deficit</b>	161	181	198	183	173	160
<b>memo:</b>						
Proposed deficit target in Senate Gramm-Rudman amendment		150	131	90	45	0

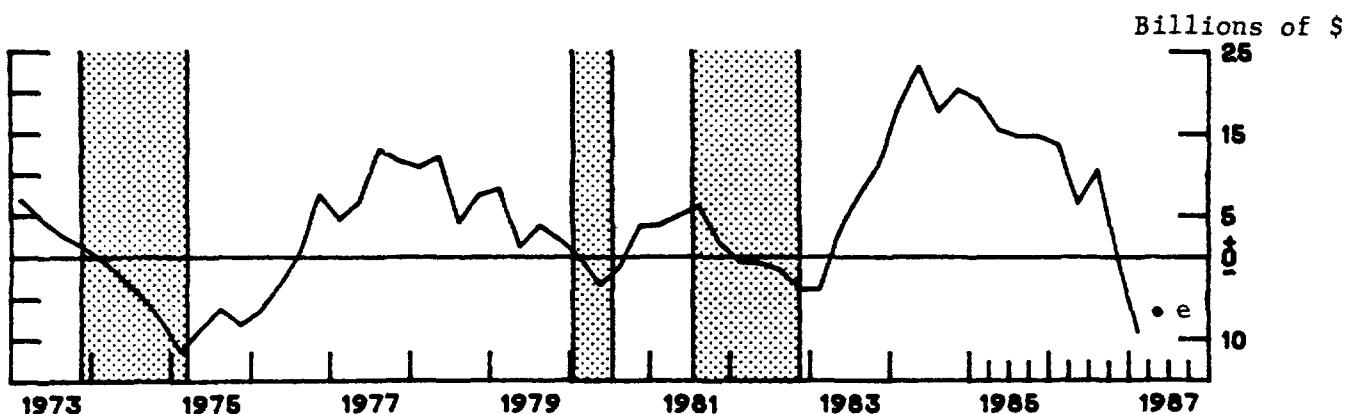
1. Preliminary reestimate of CBO baseline provided to Senate and House Budget Committees in early July. The final version of the CBO baseline update is scheduled to be released on August 19.

**Federal Receipts and Expenditures**  
**(NIPA basis, seasonally adjusted annual rates)**

	1986				1987	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Receipts</b>	808	817	832	853	879	918 <sup>e</sup>
Personal	353	358	365	376	382	416
Corporate	79	81	84	91	103	104 <sup>e</sup>
Other	376	378	383	386	394	398
<b>Expenditures</b>	1004	1047	1036	1041	1050	1052
Defense purchases	267	278	288	279	288	293
Nondefense purchases	90	90	84	90	79	79
Other	647	679	664	672	683	680
<b>Deficit</b>	196	230	204	189	171	134 <sup>e</sup>

e--FR staff estimate.

**STATE AND LOCAL GOVERNMENT**  
**Surplus (Deficit) of Operating and Capital Accounts\***



\*--Excludes social insurance funds.  
e--Estimate for 1987-Q2.

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

	1987					
	Q2	Q3 <sup>e</sup>	June	July <sup>p</sup>	Aug <sup>e</sup>	Sept <sup>e</sup>
<b><u>Treasury financing</u></b>						
Total surplus/deficit(-)	2.5	-43.5	-.4	-23.8	-24.5	4.8
<b>Means of financing deficit:</b>						
Net cash borrowing from the public	31.7	35.8	9.7	-3.0	35.5	3.3
Marketable borrowings/ repayments(-)	23.2	31.5	8.0	-7.3	36.9	1.9
Bills	-15.2	-4.2	-4.1	-15.7	18.5	-7.0
Coupons	38.4	35.7	12.1	8.4	18.4	8.9
Nonmarketable	8.5	4.3	1.7	4.3	-1.4	1.4
Decrease in the cash balance	-31.0	1.9	-7.0	20.7	-7.3	-11.5
Memo: Cash balance at end of period	40.1	38.1	40.1	19.4	26.6	38.1
Other <sup>2</sup>	-3.2	5.8	-2.3	6.1	-3.7	3.4
<b><u>Federally sponsored credit agencies, net cash borrowing<sup>3</sup></u></b>						
FHLBs	7.8	4.7	4.2	2.4	1.3	1.0
FNMA	7.5	3.3	3.7	1.3	1.1	.9
Farm Credit Banks	-.7	-.5	.5	-.3	-.1	-.1
FHLMC	-.8	-.7	-.4	-.3	-.2	-.2
SLMA	.6	.6	.2	.2	.2	.2
	1.2	2.0	.2	1.5	.3	.2

e--staff estimate.

p--preliminary.

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.