

May 9, 1990

SUMMARY AND OUTLOOK

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

May 9, 1990

CONFIDENTIAL - FR
CLASS II FOMC

STAFF GNP PROJECTIONS

Percent changes, annual rate

	Nominal GNP		Real GNP		GNP fixed-weight price index		Consumer Price Index <1>		Unemployment rate (percent)			
	3/21/90	5/9/90	3/21/90	5/9/90	3/21/90	5/9/90	3/21/90	5/9/90	3/21/90	5/9/90		
Annual changes:												
1987	<2>	6.9	6.9	3.7	3.7	3.6	3.6	3.7	3.7	6.2	6.2	
1988	<2>	7.9	7.9	4.4	4.4	4.2	4.2	4.1	4.1	5.5	5.5	
1989	<2>	7.2	7.2	3.0	3.0	4.5	4.5	4.8	4.8	5.3	5.3	
1990		6.2	6.4	2.0	2.0	4.4	4.5	4.8	4.9	5.5	5.5	
1991		6.1	5.9	1.9	1.6	4.3	4.2	4.4	4.3	5.9	6.0	
Quarterly changes:												
1988	Q1	<2>	6.5	6.5	4.0	4.0	3.8	3.8	3.5	3.5	5.7	5.7
	Q2	<2>	8.6	8.6	3.7	3.7	4.8	4.8	4.2	4.2	5.5	5.5
	Q3	<2>	7.5	7.5	3.2	3.2	5.2	5.2	5.2	5.2	5.5	5.5
	Q4	<2>	7.5	7.5	2.7	2.7	4.3	4.3	4.1	4.1	5.3	5.3
~99	Q1	<2>	7.9	7.9	3.7	3.7	4.8	4.8	5.4	5.4	5.2	5.2
	Q2	<2>	7.1	7.1	2.5	2.5	5.0	5.0	6.0	6.0	5.3	5.3
	Q3	<2>	6.2	6.2	3.0	3.0	2.9	2.9	2.9	2.9	5.3	5.3
	Q4	<2>	4.4	4.6	.9	1.1	3.6	3.6	3.9	3.9	5.3	5.3
1990	Q1	<2>	7.6	7.8	2.0	2.1	6.3	6.5	7.7	8.2	5.3	5.2
	Q2		6.1	6.8	2.6	2.2	3.7	4.3	3.0	3.3	5.4	5.4
	Q3		5.9	6.0	1.7	2.0	3.9	3.7	4.2	3.8	5.6	5.5
	Q4		5.9	6.1	1.7	1.8	4.2	4.1	4.5	4.3	5.7	5.6
1991	Q1		6.2	6.3	1.7	1.5	4.7	4.7	4.7	4.6	5.8	5.7
	Q2		6.0	5.2	1.8	1.1	4.3	4.1	4.5	4.4	5.9	5.9
	Q3		6.3	5.3	2.2	1.4	4.2	3.9	4.5	4.3	6.0	6.1
	Q4		6.2	5.5	2.2	1.7	4.2	3.9	4.5	4.3	6.0	6.2
Two-quarter changes: <3>												
1988	Q2	<2>	7.5	7.5	3.9	3.9	4.2	4.2	3.9	3.9	-.3	-.3
	Q4	<2>	7.5	7.5	2.9	2.9	4.8	4.8	4.6	4.6	-.2	-.2
1989	Q2	<2>	7.5	7.5	3.1	3.1	5.0	5.0	5.7	5.7	.0	.0
	Q4	<2>	5.3	5.4	1.9	2.0	3.3	3.3	3.4	3.4	.0	.0
1990	Q2		6.8	7.3	2.3	2.2	5.0	5.4	5.3	5.7	.1	.1
	Q4		5.9	6.0	1.7	1.9	4.1	3.9	4.3	4.1	.3	.2
1991	Q2		6.1	5.7	1.8	1.3	4.5	4.4	4.6	4.5	.2	.3
	Q4		6.3	5.4	2.2	1.6	4.2	3.9	4.5	4.3	.1	.3
Four-quarter changes: <4>												
1987	Q4	<2>	8.6	8.6	5.4	5.4	4.0	4.0	4.5	4.5	-1.0	-1.0
1988	Q4	<2>	7.5	7.5	3.4	3.4	4.5	4.5	4.3	4.3	-.5	-.5
1989	Q4	<2>	6.4	6.4	2.5	2.6	4.1	4.1	4.6	4.6	.0	.0
	Q4		6.4	6.7	2.0	2.1	4.5	4.6	4.8	4.9	.4	.3
	Q4		6.2	5.6	2.0	1.5	4.4	4.2	4.6	4.4	.3	.6

<1> For all urban consumers.

<2> Actual.

<3> Percent change from two quarters earlier.

<4> Percent change from four quarters earlier.

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

May 9, 1990

	Units	1983	1984	1985	1986	1987	1988	1989	1990	Projection	1991
EXPENDITURES											
Nominal GNP	[Billions of \$]	3405.7	3772.2	4014.9	4231.6	4524.3	4880.6	5234.0	5570.6	5897.1	
Real GNP	[Billions of 82\$]	3279.1	3501.4	3618.7	3717.9	3853.7	4024.4	4144.1	4228.9	4297.8	
Real GNP	[Percent change*]	6.5	5.1	3.6	1.9	5.4	3.4	2.6	2.1	1.5	
Gross domestic purchases		8.4	6.4	4.3	2.1	4.6	2.4	1.9	1.9	1.1	
Final sales		3.7	4.7	4.6	2.7	3.3	4.4	2.5	2.1	1.6	
Private dom. final purchases		7.7	5.6	4.6	2.9	2.7	3.8	2.1	2.1	1.4	
Personal consumption expend.		5.4	4.1	4.6	3.8	2.2	3.8	2.5	2.2	1.7	
Durables		14.7	10.8	7.0	11.5	-2.0	8.0	.0	3.3	1.2	
Nondurables		4.4	2.3	3.3	2.9	1.1	2.1	1.0	.0	.7	
Services		3.9	3.5	5.0	2.1	4.4	3.6	4.4	3.5	2.5	
Business fixed investment		10.8	13.8	3.7	-5.5	8.5	4.2	3.7	3.4	.9	
Producers' durable equipment		20.9	14.9	4.6	.4	11.1	7.0	5.2	5.6	2.5	
Nonresidential structures		-4.8	11.8	1.9	-17.7	1.9	-3.4	-.9	-3.6	-4.7	
Residential structures		38.1	6.1	5.8	11.6	-4.2	3.2	-7.0	-3.3	-2.0	
Exports		5.8	5.9	-2.4	10.6	19.1	13.9	10.0	4.9	7.5	
Imports		23.8	17.4	4.5	10.0	9.6	5.3	4.6	4.0	5.0	
Government purchases		-2.7	7.9	8.6	3.1	2.1	1.8	.5	1.4	.7	
Federal		-6.1	13.0	13.3	.5	.7	-.3	-3.1	.5	-.9	
Defense		5.1	6.5	7.1	6.0	4.3	-1.9	-2.3	-3.9	-3.3	
State and local		1.5	4.4	4.9	5.2	3.1	3.4	3.1	2.1	1.8	
Change in business inventories	[Billions of 82\$]	-6.4	62.3	9.1	5.6	23.7	27.9	21.9	11.8	18.7	
Nonfarm	[Billions of 82\$]	-.1	57.8	13.4	8.0	25.8	30.7	17.7	9.2	15.9	
Net exports	[Billions of 82\$]	-19.9	-84.0	-104.3	-129.7	-115.7	-74.9	-52.6	-43.1	-35.3	
Nominal GNP	[Percent change*]	10.4	8.6	6.6	4.6	8.6	7.5	6.4	6.7	5.6	
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	[Millions]	90.2	94.5	97.5	99.5	102.2	105.6	108.6	110.6	111.5	
Unemployment rate	[Percent]	9.6	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.0	
Industrial production index	[Percent change*]	11.3	4.7	1.9	1.4	6.5	4.5	1.1	1.7	.7	
Capacity utilization rate-mfg.	[Percent]	74.9	80.4	79.5	79.0	81.4	83.9	83.9	82.2	80.6	
Housing starts	[Millions]	1.70	1.75	1.74	1.81	1.62	1.49	1.38	1.31	1.24	
Auto sales	[Millions]	9.19	10.35	11.03	11.45	10.23	10.65	9.89	9.55	9.24	
Domestic	[Millions]	6.82	7.92	8.22	8.22	7.06	7.55	7.06	6.82	6.76	
Foreign	[Millions]	2.37	2.43	2.82	3.23	3.18	3.10	2.83	2.72	2.48	
INCOME AND SAVING											
Nominal personal income	[Percent change*]	7.8	8.4	6.6	5.8	8.6	7.1	8.4	6.9	6.4	
Real disposable income	[Percent change*]	5.1	4.3	2.7	3.3	3.0	4.0	3.6	1.5	1.6	
Personal saving rate	[Percent]	5.4	6.1	4.4	4.1	3.2	4.2	5.4	5.2	5.1	
Corp. profits with IVA & CCAdj	[Percent change*]	70.1	7.4	9.2	-5.6	12.0	10.4	-16.0	7.3	-8.5	
Profit share of GNP	[Percent]	6.3	7.1	7.0	6.7	6.6	6.7	5.8	5.5	4.9	
Federal govt. surplus/deficit	[Billions of \$]	-176.0	-169.6	-196.9	-206.9	-161.4	-145.8	-148.5	-137.7	-122.7	
State and local govt. surplus		47.5	64.6	65.1	62.8	51.3	49.7	44.0	40.1	54.3	
Exc. social insurance funds		4.4	19.8	13.8	5.6	-12.4	-21.4	-34.1	-44.5	-36.3	
PRICES AND COSTS											
GNP implicit deflator	[Percent change*]	3.6	3.4	2.9	2.6	3.0	4.0	3.7	4.5	4.0	
GNP fixed-weight price index		3.9	3.7	3.3	2.6	4.0	4.5	4.1	4.6	4.2	
Cons. & fixed invest. prices		3.3	3.3	3.4	2.5	4.7	4.2	4.4	4.7	4.2	
CPI		3.2	4.2	3.5	1.3	4.5	4.3	4.6	4.9	4.4	
Exc. food and energy		4.2	5.0	4.3	3.9	4.3	4.5	4.3	5.0	4.5	
ECI hourly compensation		5.7	4.9	3.9	3.2	3.3	4.8	4.8	5.2	4.8	
Nonfarm business sector											
Output per hour		3.4	1.5	1.6	1.3	2.4	1.6	.7	.7	1.1	
Compensation per hour		3.1	4.2	4.6	5.0	4.0	4.8	5.5	5.3	4.7	
Unit labor costs		-.4	2.6	3.0	3.6	1.5	3.1	4.8	4.5	3.6	

* Percent changes are from fourth quarter to fourth quarter.

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

May 9, 1990

	Units	Projection									
		1989		1990				1991			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EXPENDITURES											
Nominal GNP	Billions of \$	5281.0	5340.2	5441.2	5532.1	5612.9	5696.2	5783.4	5857.5	5934.0	6013.6
Real GNP	Billions of 82\$	4162.9	4174.1	4195.8	4219.1	4240.6	4260.0	4276.4	4288.5	4303.9	4322.5
Real GNP	Percent Change	3.0	1.1	2.1	2.2	2.0	1.8	1.5	1.1	1.4	1.7
Gross domestic purchases		3.5	.1	1.5	2.5	2.0	1.8	1.3	.8	1.0	1.5
Final sales		2.7	1.1	4.0	1.7	1.3	1.4	1.5	1.3	1.7	1.7
Private dom. final purchases		4.7	-.5	3.5	1.6	1.7	1.7	1.4	1.1	1.3	1.7
Personal consumption expend.		5.6	.5	2.5	2.1	2.4	2.0	1.7	1.5	1.6	1.8
Durables		11.3	-14.0	17.0	-5.2	1.2	1.4	.1	1.0	1.4	2.1
Nondurables		5.0	.1	-3.8	1.7	1.3	.9	.7	.7	.6	.6
Services		4.3	5.9	2.5	4.9	3.6	2.9	2.9	2.3	2.3	2.5
Business fixed investment		5.2	-5.4	7.6	1.3	2.7	2.2	1.5	.9	.6	.7
Producers' durable equipment		4.6	-6.9	8.2	4.1	5.5	4.5	3.5	2.5	2.0	2.0
Nonresidential structures		8.0	-.3	5.1	-7.4	-6.1	-5.6	-5.5	-4.9	-4.3	-4.1
Residential structures		-9.2	-1.1	8.5	-4.9	-11.3	-4.5	-3.3	-5.4	-1.2	1.9
Exports		3.9	9.4	.9	2.8	6.9	9.3	8.9	7.7	6.8	6.5
Imports		7.4	2.2	-2.8	4.4	6.4	8.3	6.8	5.2	3.6	4.5
Government purchases		-2.4	2.6	2.8	3.4	-.4	-.1	.5	.7	.9	.6
Federal		-8.4	-3.3	2.3	6.0	-3.2	-2.9	-1.3	-.9	-.4	-.8
Defense		6.9	-6.6	.3	-6.4	-4.7	-4.7	-3.7	-3.1	-2.9	-3.3
State and local		2.2	6.8	3.3	1.7	1.7	1.8	1.8	1.8	1.8	1.6
Change in business inventories	Billions of 82\$	21.9	22.2	2.6	8.0	15.9	20.8	21.4	19.5	16.8	16.9
Nonfarm	Billions of 82\$	16.2	18.0	-2.5	7.1	13.7	18.6	19.1	17.1	13.7	13.5
Net exports	Billions of 82\$	-57.1	-47.2	-41.2	-44.0	-44.0	-43.4	-40.9	-37.6	-32.8	-29.9
Nominal GNP	Percent change	6.2	4.6	7.8	6.8	6.0	6.1	6.3	5.2	5.3	5.5
EMPLOYMENT AND PRODUCTION											
Nonfarm payroll employment	Millions	108.9	109.4	110.2	110.7	110.7	111.0	111.2	111.4	111.6	111.8
Unemployment rate	Percent*	5.3	5.3	5.2	5.4	5.5	5.6	5.7	5.9	6.1	6.2
Industrial production index	Percent change	-1.2	.2	-.4	3.6	2.4	1.4	.8	.6	.6	1.0
Capacity utilization rate-mfg.	Percent*	83.7	82.9	82.4	82.3	82.2	81.8	81.3	80.9	80.4	80.0
Housing starts	Millions	1.34	1.35	1.45	1.30	1.28	1.27	1.26	1.24	1.24	1.25
Auto sales	Millions	10.18	9.09	10.00	9.44	9.40	9.35	9.20	9.20	9.25	9.30
Domestic	Millions	7.36	6.56	7.11	6.68	6.75	6.75	6.70	6.70	6.80	6.85
Foreign	Millions	2.83	2.53	2.90	2.75	2.65	2.60	2.50	2.50	2.45	2.45
INCOME AND SAVING											
Nominal personal income	Percent change	5.2	7.3	9.1	6.1	5.8	6.7	7.7	6.1	5.4	6.4
Real disposable income	Percent change	4.4	2.4	1.8	1.5	1.2	1.7	3.0	1.2	.7	1.7
Personal saving rate	Percent*	5.1	5.6	5.4	5.3	5.0	5.0	5.2	5.2	5.0	4.9
Corp. profits with IVA & CGAdj	Percent change	-15.4	-12.0	17.6	10.3	.3	1.7	-4.9	-15.6	-5.5	-7.5
Profit share of GNP	Percent*	5.6	5.4	5.5	5.5	5.4	5.4	5.2	5.0	4.8	4.7
Federal govt. surplus/deficit	Billions of \$	-144.7	-156.5	-155.0	-144.6	-127.6	-123.8	-126.9	-124.4	-116.9	-122.6
State and local govt. surplus		44.9	34.7	34.4	38.8	41.6	45.5	47.9	51.9	55.7	61.6
Exc. social insurance funds		-34.3	-45.7	-47.9	-45.0	-43.7	-41.3	-40.4	-37.9	-35.6	-31.2
PRICES AND COSTS											
GNP implicit deflator	Percent change	3.2	3.2	5.7	4.4	3.8	4.1	4.6	4.0	3.8	3.7
GNP fixed-weight price index		2.9	3.6	6.5	4.3	3.7	4.1	4.7	4.1	3.9	3.9
Cons. & fixed invest. prices		2.3	4.4	7.0	3.7	3.8	4.3	4.4	4.2	4.1	4.0
CPI		2.9	3.9	8.2	3.3	3.8	4.3	4.6	4.4	4.3	4.3
Exc. food and energy		3.8	4.4	6.2	4.7	4.5	4.5	4.8	4.5	4.4	4.4
ECI hourly compensation**		4.9	5.0	5.8	5.7	4.8	4.8	5.1	5.2	4.5	4.3
Nonfarm business sector											
Output per hour		2.4	.5	-1.0	1.7	1.2	1.1	.9	.9	1.2	1.3
Compensation per hour		5.3	6.0	3.9	6.4	5.3	5.6	3.6	5.7	4.6	4.9
Unit labor costs		2.8	5.5	4.9	4.6	4.1	4.5	2.7	4.8	3.4	3.6

* Not at an annual rate.

** Private industry workers; seasonally adjusted by Board staff.

CONFIDENTIAL - FR
CLASS II FOMC

May 9, 1990

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

	Projection												Projection						
	1989				1990				1991				1988	1989	1990	1991			
	Q3		Q4		Q1		Q2		Q3		Q4								
													(fourth quarter to fourth quarter, net change)						
Real GNP	30.4	11.2	21.7	23.3	21.4	19.4	16.4	12.1	15.3	18.6	133.8	104.7	85.9	62.5					
Gross domestic purchases	36.3	1.3	15.7	26.1	21.4	18.9	13.9	8.8	10.5	15.7	97.8	78.1	82.1	49.0					
Final sales	27.5	10.9	41.3	17.9	13.5	14.5	15.8	14.0	18.0	18.5	172.0	100.9	87.3	66.4					
Private dom. final purchases	38.4	-4.1	29.6	13.8	14.3	14.3	12.2	9.3	11.4	14.3	121.7	70.3	72.0	47.2					
Personal consumption expend.	36.4	3.6	16.4	14.4	16.3	13.5	11.7	10.6	11.0	12.6	95.4	66.0	60.5	45.9					
Durables	11.5	-16.1	16.8	-5.8	1.3	1.5	.1	1.0	1.6	2.3	31.1	-.2	13.9	5.1					
Nondurables	11.1	-.3	-8.9	3.7	2.9	2.0	1.6	1.6	1.4	1.4	19.1	9.1	-.3	6.0					
Services	13.9	19.3	8.5	16.5	12.1	9.9	10.0	7.9	8.1	8.9	45.2	57.0	47.0	34.9					
Business fixed investment	6.5	-7.1	9.4	1.7	3.5	2.8	1.9	1.2	.8	.9	20.0	18.1	17.5	4.9					
Producers' durable equipment	4.4	-7.0	7.8	4.0	5.4	4.5	3.6	2.6	2.1	2.1	24.3	19.3	21.7	10.3					
Nonresidential structures	2.3	-.1	1.5	-2.3	-1.9	-1.7	-1.6	-1.4	-1.2	-1.2	-4.3	-1.1	-4.4	-5.4					
Residential structures	-4.5	-.5	3.8	-2.4	-5.5	-2.1	-1.5	-2.4	-.5	.8	6.2	-13.8	-6.1	-3.6					
Change in business inventories	2.8	.3	-19.6	5.4	7.9	4.9	.6	-1.9	-2.7	.1	-38.3	3.9	-1.4	-3.9					
Nonfarm	-3.3	1.8	-20.5	9.6	6.6	4.9	.5	-2.0	-3.4	-.2	-23.7	-13.9	.6	-5.1					
Farm	6.1	-1.4	.9	-4.2	1.3	.0	.1	.1	.7	.3	-14.6	17.8	-2.0	1.2					
Net exports	-5.9	9.9	6.0	-2.8	.0	.6	2.4	3.4	4.8	2.9	36.0	26.6	3.8	13.5					
Exports	5.6	13.5	1.4	4.2	10.2	14.0	13.7	12.2	11.0	10.7	67.3	55.2	29.8	47.5					
Imports	11.5	3.6	-4.6	7.0	10.2	13.4	11.2	8.8	6.1	7.8	31.3	28.6	26.0	34.0					
Government purchases	-5.0	5.1	5.7	6.9	-.8	-.3	1.1	1.4	1.9	1.3	14.3	4.0	11.6	5.7					
Federal	-7.5	-2.8	1.9	4.9	-2.8	-2.5	-1.1	-.8	-.3	-.7	-1.0	-10.6	1.6	-2.9					
Defense	4.3	-4.4	.2	-4.2	-3.0	-3.0	-2.3	-1.9	-1.8	-2.0	-5.1	-5.9	-10.0	-8.0					
Nondefense	-11.8	1.7	1.7	9.0	.2	-.5	1.2	1.1	1.5	1.3	4.1	-4.6	11.5	5.1					
State and local	2.5	7.8	3.9	2.0	2.0	2.2	2.2	2.2	2.2	2.0	15.3	14.5	10.1	8.6					

May 9, 1990

FEDERAL SECTOR ACCOUNTS¹
(Billions of dollars)

	Fiscal years				1989				1990				1991			
	1988a	1989a	1990	1991	Ia	IIa	IIIa	IVa	I	II	III	IV	I	II	III	IV
	BUDGET	Not seasonally adjusted														
Budget receipts ²	908	991	1047	1129	219	308	242	229	230	324	265	246	256	343	284	259
Budget outlays ²	1063	1143	1243	1286	280	285	288	299	310	317	316	332	319	318	318	332
Surplus/deficit (-) ²	-155	-152	-196	-157	-61	23	-46	-71	-80	7	-52	-86	-63	25	-33	-73
(On-budget)	-194	-204	-254	-228	-77	0	-54	-77	-94	-16	-68	-94	-82	-1	-50	-81
(Off-budget)	39	52	58	71	16	23	7	6	14	22	16	8	19	27	17	8
Surplus excluding RTC working capital ³	-155	-152	-150	-125	-61	23	-46	-71	-77	26	-27	-75	-54	32	-28	-70
Means of financing:																
Borrowing	166	140	229	156	38	10	39	63	90	29	47	83	41	7	25	65
Cash decrease	-8	3	4	2	19	-29	3	14	8	-18	-1	12	10	-30	10	10
Other ⁴	-3	8	-37	-1	4	-4	5	-7	-16	-18	5	-9	12	-2	-2	-2
Cash operating balance, end of period	44	41	37	35	15	44	41	27	18	37	37	25	15	45	35	25
NIPA FEDERAL SECTOR																
Receipts	958	1032	1100	1185	1036	1053	1043	1056	1096	1114	1135	1155	1181	1195	1209	1225
Expenditures	1103	1183	1246	1308	1184	1199	1188	1213	1251	1259	1262	1279	1308	1319	1326	1348
Purchases	377	404	414	425	399	406	403	405	413	420	419	418	425	427	429	431
Defense	297	302	305	303	299	301	308	301	309	305	303	301	304	304	303	303
Nondefense	80	101	110	122	100	105	95	104	104	115	116	117	121	123	126	128
Other expend.	726	780	832	883	785	793	785	808	838	839	843	861	883	892	897	917
Surplus/deficit	-145	-151	-146	-123	-148	-145	-145	-157	-155	-145	-128	-124	-127	-124	-117	-123
FISCAL INDICATORS ⁵																
High-employment (HEB) surplus/deficit (-)	-150	-167	-154	-111	-165	-162	-162	-168	-165	-151	-131	-123	-120	-109	-93	-93
Change in HEB, percent of potential GNP	.3	.4	-.3	-.8	-.3	-.1	.0	.1	-.1	-.3	-.4	-.1	.0	-.2	-.3	.0
Fiscal impetus measure (FI), percent	.2 *	-3.4 *	-5.4 *	-3.4 *	-2.7	-.2	.5	-2.3	-2.6	-.4	-.9	-2.2	-1.1	-.1	-.1	-.2

a--actual

*--calendar year

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

1. Staff projections. The FY90 and FY91 deficits in OMB's FY1991 Budget (January 1990) are \$124 billion and \$63 billion, respectively. These estimates incorporate approximately \$39 billion of cuts from the adjusted Gramm-Rudman-Hollings baseline in FY1991. CBO's FY90 and FY91 baseline deficits (March 1990) are \$159 billion and \$161 billion, respectively.
2. Budget receipts, outlays, and surplus/deficit include social security (OASDI) receipts, outlays and surplus, respectively. The OASDI surplus is excluded from the "on-budget" deficit and shown separately as "off-budget", as classified under current law.
3. The Administration's deficit projections exclude RTC working capital. CBO's March deficit estimates, excluding RTC working capital, are \$140 billion and \$136 billion in 1990 and 1991, respectively.
4. Other means of financing are checks issued less checks paid, accrued items; and changes in other financial assets and liabilities.
5. HEB is the NIPA measure in current dollars with cyclically-sensitive receipts and outlays adjusted to a 6 percent unemployment rate and 2.7% potential output growth. Quarterly figures for change in HEB and FI are not at annual rates. Change in HEB, as a percent of nominal potential GNP, is reversed in sign. FI is the weighted difference of discretionary federal spending and tax changes (in 1982 dollars), scaled by real federal purchases. For change in HEB and FI, (-) indicates restraint.

Strictly Confidential (FR) Class II-FOMC

May 08, 1990

**Outlook for U.S. Net Exports and Related Items
(Billions of Dollars, Seasonally Adjusted Annual Rates)**

	ANNUAL			1989		1990				1991			
	1989	1990-P	1991-P	-Q3	-Q4	Q1	-Q2-P	-Q3-P	-Q4-P	Q1-P	-Q2-P	-Q3-P	-Q4-P
1. GNP Exports and Imports 1/													
Current \$, Net	-47.1	-39.2	-29.3	-45.1	-38.8	-40.1	-38.8	-39.4	-38.4	-35.6	-31.8	-26.7	-22.9
Exports of G+S	625.9	665.5	734.9	628.5	643.5	646.7	655.2	670.2	689.8	709.9	727.6	743.3	758.9
Imports of G+S	673.0	704.6	764.1	673.6	682.3	686.7	693.9	709.6	728.2	745.4	759.3	770.0	781.6
Constant 82 \$, Net	-52.6	-43.1	-35.3	-57.1	-47.2	-41.2	-44.0	-44.0	-43.4	-40.9	-37.6	-32.8	-29.9
Exports of G+S	589.2	619.8	667.4	593.1	606.6	608.0	612.2	622.4	636.4	650.1	662.3	673.2	683.9
Imports of G+S	641.8	662.9	702.7	650.2	653.8	649.2	656.2	666.4	679.8	691.1	699.9	706.0	713.8
2. Merchandise Trade Balance 2/	-113.2	-103.0	-101.8	-114.2	-115.2	-103.9	-100.2	-103.5	-104.5	-103.9	-103.1	-101.1	-99.1
Exports	361.9	390.5	429.7	362.8	368.5	377.6	385.6	394.3	404.6	414.4	423.8	434.2	446.5
Agricultural	41.4	42.3	43.5	38.7	40.4	42.7	41.9	41.6	43.1	43.5	43.5	43.3	43.6
Non-Agricultural	320.4	348.2	386.3	324.0	328.1	334.9	343.7	352.7	361.4	370.9	380.4	390.9	402.9
Imports	475.1	493.5	531.5	477.0	483.7	481.5	485.8	497.7	509.1	518.3	527.0	535.3	545.6
Petroleum and Products	50.2	57.3	61.4	52.1	51.9	64.0	51.7	55.0	58.2	59.2	60.4	61.6	64.2
Non-Petroleum	424.9	436.3	470.2	424.9	431.8	417.5	434.0	442.7	450.9	459.0	466.5	473.7	481.4
3. Other Current Account Transactions													
Capital Gains and Losses 3/	-2.1	0.7	-0.1	10.4	16.0	8.1	1.0	-3.5	-2.6	-0.1	-0.1	-0.1	-0.1
Other D.I. Income, Net	38.3	42.7	45.6	36.1	45.8	43.3	41.1	42.9	43.5	43.8	45.1	46.4	46.9
Portfolio Income, Net	-35.1	-39.9	-45.9	-35.1	-34.8	-37.8	-39.2	-40.5	-42.1	-43.8	-45.3	-46.6	-47.8
Other Current Account, Net	6.3	11.0	15.5	11.2	5.9	10.7	11.2	12.1	10.2	14.4	15.4	16.9	15.1
4. U.S. Current Account Balance													
Including Capital G/L	-105.9	-88.4	-86.7	-91.6	-82.3	-79.6	-86.1	-92.5	-95.6	-89.6	-87.9	-84.5	-84.9
Excluding Capital G/L	-103.7	-89.2	-86.6	-102.1	-98.3	-87.6	-87.0	-89.0	-93.0	-89.5	-87.8	-84.4	-84.8
5. Foreign Outlook 4/													
Real GNP--Ten Industrial 5/	3.5	3.1	3.3	3.1	3.7	3.8	2.2	3.1	3.5	3.2	3.4	3.4	3.5
Real GNP--LDC 6/	3.2	3.4	4.2	3.1	3.2	3.4	3.6	3.7	3.9	4.1	4.5	4.8	5.2
Consumer Prices--Ten Ind. 5/	4.0	4.4	4.2	2.3	4.3	4.8	5.4	3.4	3.9	3.9	5.1	4.0	4.2

1/ National Income and Product Account data.

2/ International accounts basis.

3/ The net of gains (+) or losses (-) on foreign-currency denominated assets due to their revaluation at current exchange rates and other valuation adjustments.

4/ Percent change, annual rates.

5/ Weighted by multilateral trade-weights of G-10 countries plus Switzerland; prices are not seasonally adjusted.

6/ Weighted by share in LDC GNP.

P/ Projected

May 9, 1990

RECENT DEVELOPMENTS

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

FEDERAL GOVERNMENT BUDGET
(Billions of dollars)

	March		October-March			Percent change
	1989	1990	FY1989	FY1990	Net change	
Outlays	104.0	118.2	569.4	609.2	39.8	7.0
National defense	29.7	29.5	152.4	150.1	-2.3	-1.5
OASDI	19.7	20.5	113.1	120.3	7.2	6.4
Net interest	13.9	15.9	83.6	90.3	6.7	8.1
Income security	14.6	16.1	69.7	76.1	6.4	9.2
Medicare and health	12.0	13.3	63.7	74.0	10.3	16.2
Deposit insurance	0.0	5.7	8.9	12.4	3.5	39.3
Agriculture	1.0	1.9	12.4	7.9	-4.5	-36.5
International	1.8	1.6	3.9	7.9	4.0	102.0
Other	11.3	13.7	61.7	70.2	8.5	13.8
Receipts	68.2	64.8	441.0	458.3	17.3	3.9
Personal income tax	17.8	13.1	190.7	205.4	14.8	7.7
Withheld	34.1	31.3	184.7	201.0	16.3	8.8
Nonwithheld	4.6	5.5	34.4	36.7	2.3	6.8
Refunds	-20.9	-23.6	-28.4	-32.3	-3.9	13.7
Social insurance tax	30.3	33.0	167.6	171.8	4.2	2.5
Corporate income tax	12.5	12.7	42.4	39.0	-3.4	-7.9
Other	8.1	6.0	40.3	42.1	1.8	4.5
Deficit	35.8	53.3	128.4	150.9	22.5	17.5

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

	1990				
	Q1	Q2 ^e	Apr. ^p	May ^e	June ^e
<u>Treasury financing</u>					
Total surplus/deficit (-)	-80.3	6.8	39.7	-30.4	-2.4
<u>Means of financing deficit:</u>					
Net cash borrowing from the public	90.1	29.3	-8.9	23.0	15.2
Marketable borrowings/ repayments (-) Bills	51.0	22.7	-13.7	22.8	13.6
Coupons	22.4	-8.5	-20.2	6.6	5.1
* Nonmarketable ²	28.6	31.2	6.5	16.2	8.6
	39.1	6.6	4.8	.2	1.6
Decrease in the cash balance	8.4	-18.3	-20.9	17.4	-14.8
Memo: Cash balance at end of period	18.5	36.8	39.3	22.0	36.8
Other ³	-18.2	-17.8	-9.9	-9.9	2.0
<u>Federally sponsored credit agencies, net cash borrowing</u> ⁴					
FHLBs	1.2 ^p	--	--	--	--
FHLMC	-4.6 ^p	--	--	--	--
FNMA	-1.1 ^p	--	--	--	--
Farm Credit Banks	.8	--	--	--	--
FAC	-1.1	--	--	--	--
SLMA	.0	--	--	--	--
FICO	2.3	--	--	--	--
REFCORP	.0	3.5	3.5	.0	.0

1. Data reported on a not seasonally adjusted, payment basis.

2. Includes proceeds from securities issued by federal agencies under special financing authorities (primarily FSLIC) and the face value of the zero coupon bonds issued to REFCORP. The discount from face value is offset in other means of finance.

3. Includes checks issued less checks paid, accrued items and other transactions.

4. 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.