



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

April 15, 1977

CONFIDENTIAL (FR)
CLASS II - FOMC

TO: Federal Open Market Committee

FROM: John E. Reynolds

Attached are revised staff projections for U.S. Net Exports and related items. They reflect revisions to the staff projection of GNP prepared in light of the President's withdrawal of his proposed tax rebate and increase in the business investment tax credit.

Attachment

CONFIDENTIAL (FR)
CLASS II FOMC

U.S. Net Exports and Related Items
(seasonally adjusted annual rates)

April 15, 1977 - Revised

	1975	1976	1977 ^P	1976				1977 ^P				1978 ^P	
				I	II	III	IV	I	II	III	IV	I	II
<u>Billions of dollars</u>													
Net Exports of Goods and Services (GNP basis of net exports) <u>1/</u>	16.3 (20.5)	4.4 (6.6)	-4.4 (-.7)	5.7 (8.4)	6.2 (9.3)	4.8 (4.7)	.9 (4.2)	-5.1 (-1.9)	-3.8 (-.2)	-4.8 (-.8)	-4.3 (0)	-4.4 (0)	-7.7 (-3.2)
Merchandise trade balance (excl. military)	9.0	-9.2	-21.0	-5.3	-6.1	-11.1	-14.3	-21.2	-20.4	-21.6	-21.3	-21.6	-25.1
Exports (excl. military)	107.1	114.7	125.6	108.0	113.5	118.4	118.9	120.0	123.8	127.3	131.0	134.7	139.0
Agricultural	22.2	23.4	24.0	21.5	23.1	25.3	23.7	23.8	24.0	24.0	24.0	24.0	24.3
Nonagricultural	84.8	91.3	101.6	86.5	90.5	93.1	95.2	96.2	99.8	103.3	107.0	110.7	114.7
Imports	98.1	123.9	146.6	113.3	119.7	129.5	133.2	141.2	144.2	148.9	152.3	156.3	164.1
Fuels	28.5	37.1	42.0	32.5	35.3	40.1	40.7	41.7	41.8	42.6	42.1	42.1	45.6
Nonfuels	69.5	86.8	104.6	80.8	84.4	89.5	92.5	99.5	102.4	106.3	110.2	114.2	118.5
Military and Service Transactions, net	7.3	13.6	16.6	11.0	12.4	15.9	15.2	16.1	16.6	16.8	17.0	17.2	17.4
Military transactions, net	-.9	.4	1.9	-.1	-.6	1.4	.9	1.6	1.8	2.0	2.0	2.0	2.0
Investment income, net	6.0	10.5	12.0	9.1	9.9	11.1	12.0	11.9	12.0	11.9	12.0	12.2	12.3
Other services, net	2.2	2.7	2.7	1.9	3.1	3.4	2.3	2.6	2.8	2.9	3.0	3.0	3.1
U.S. Current Account Balance <u>2/</u> (excl. special transactions with Israel) <u>3/</u>	11.7 (12.0)	-.6 (--)	-9.2 (-9.2)	1.2 (1.3)	2.6 (2.3)	-2.9 (-.2)	-3.3 (-3.5)	-9.8 (-9.8)	-8.6 (-8.6)	-9.8 (-9.8)	-9.3 (-9.3)	-9.4 (-9.4)	-12.7 (-12.7)
<u>Constant (1972) dollars</u>													
Merchandise exports (excl. military) (% change, annual rates)	64.6 (-2.4)	66.5 (+2.9)	68.1 (+2.4)	63.8 (+16.1)	66.4 (+17.4)	68.4 (+12.6)	67.3 (+6.6)	67.3 (--)	67.6 (+1.6)	68.3 (+4.1)	69.3 (+6.1)	70.3 (+5.7)	71.4 (+6.6)
Merchandise imports (% change, annual rates)	51.3 (-12.5)	62.6 (+22.0)	68.7 (+9.7)	58.7 (+41.7)	60.9 (+15.6)	64.9 (+29.1)	66.1 (+7.4)	68.0 (+12.1)	68.0 (0)	69.1 (+6.6)	69.7 (+3.6)	70.6 (+5.3)	73.3 (+16.1)
<u>Foreign Outlook - Major Industrial Countries <u>4/</u></u>													
Real GNP, % change, annual rate	-.7	5.0	3.4	9.5	3.2	2.0	2.8	3.2	3.6	4.9	5.3	5.3	5.0
Wholesale Prices, % change, A.R. <u>5/</u>	5.8	9.5	9.7	11.2	17.0	11.7	8.7	10.4	8.2	7.8	7.4	6.6	6.1

1/ The GNP account excludes from service imports, U.S. Government interest payments to foreigners (\$4.5 billion in 1976), and excludes from exports, military shipments to Israel under cash grant programs (\$300 million in 1976). It also lags the international accounts data significantly in taking account of data revisions.

2/ Includes goods and services plus private and official remittances and pensions and U.S. Government grants.

3/ Excludes grants to Israel under military assistance acts and exports financed by those grants.

4/ Weighted by the shares of Canada, France, Germany, Italy, Japan and the United Kingdom in the sum of the real GNP of the six countries in dollar terms.

5/ Data are largely manufactured goods prices.

p/ Projected

e/ Estimated