

## **Part 1**

October 29, 2009

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Summary and Outlook**

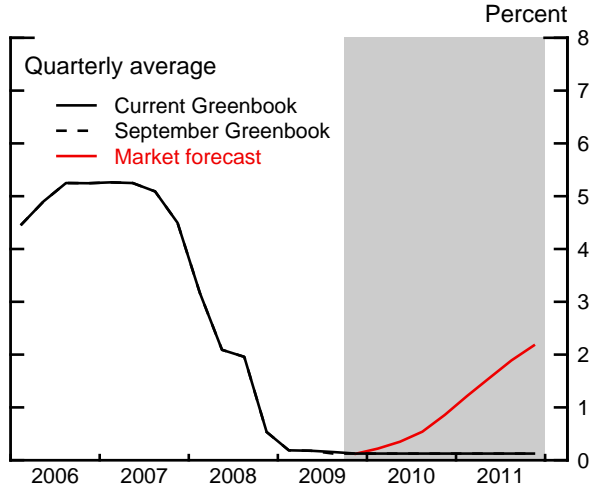
October 29, 2009

## **Summary and Outlook**

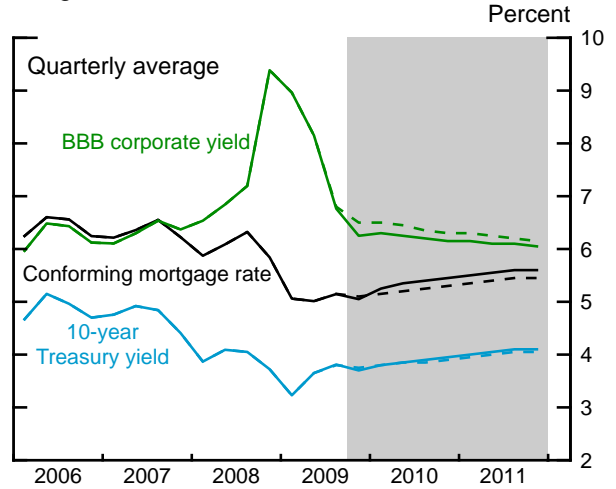
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## Key Background Factors Underlying the Baseline Staff Projection

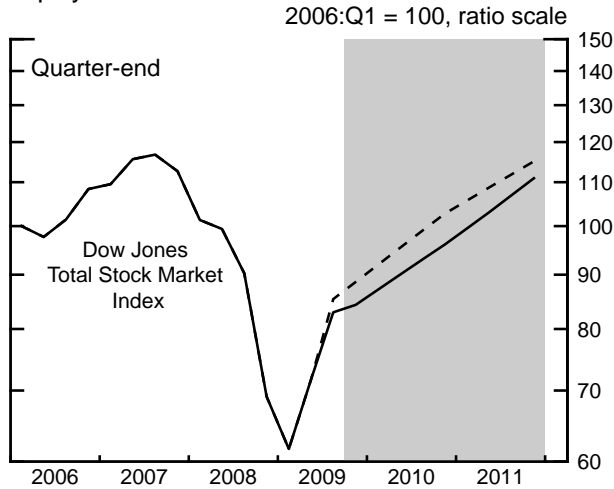
Federal Funds Rate



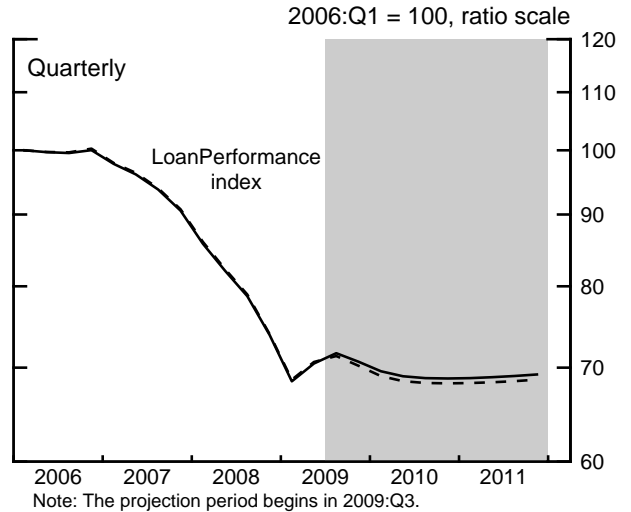
Long-Term Interest Rates



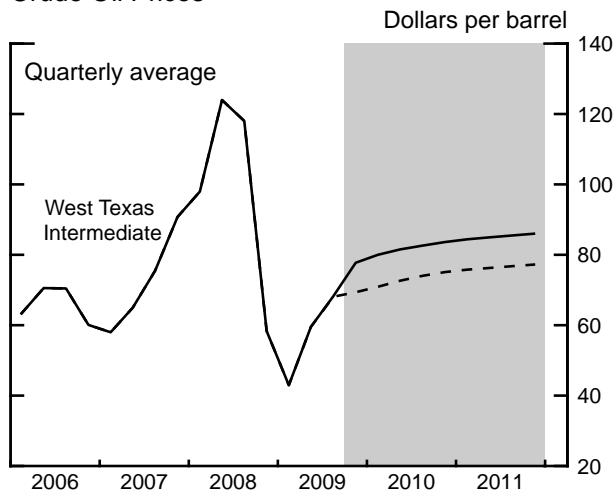
Equity Prices



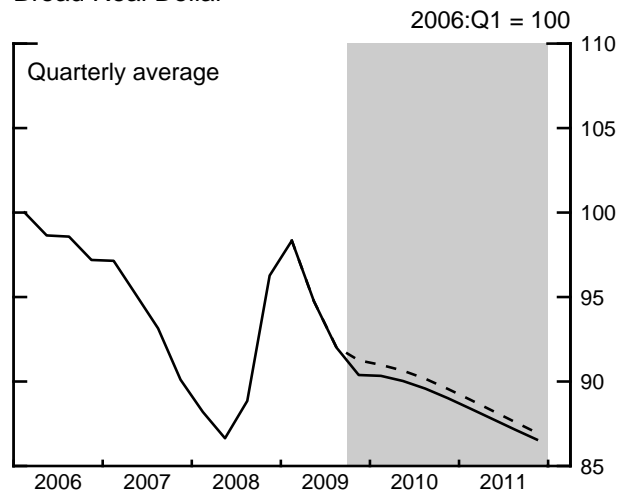
House Prices



Crude Oil Prices



Broad Real Dollar



Note: In each panel, shading represents the projection period, which begins in 2009:Q4, except where noted. In the upper-left panel that reports the federal funds rate, the dashed line is not apparent because the paths of the federal funds rate in the September and current Greenbooks are the same.

**Summary of the Near-Term Outlook**  
(Percent change at annual rate except as noted)

Measure	2009:Q3		2009:Q4	
	September Greenbook	October Greenbook	September Greenbook	October Greenbook
<b>Real GDP</b>	2.5	<b>3.4</b>	<b>3.2</b>	<b>2.8</b>
Private domestic final purchases	1.6	3.0	-.5	-.1
Personal consumption expenditures	2.3	3.4	.8	.7
Residential investment	3.0	20.9	4.0	.1
Business fixed investment	-3.8	-3.8	-11.3	-6.4
Government outlays for consumption and investment	1.8	2.3	4.3	1.8
	Contribution to growth (percentage points)			
Inventory investment	1.0	.9	2.8	2.3
Net exports	-.2	-.6	-.1	.1

projected to make a sizable contribution to real GDP growth this quarter. All told, we look for real GDP to rise at a 2¾ percent pace in the fourth quarter.<sup>2</sup>

The output of the manufacturing sector rebounded in the third quarter, increasing at an annual rate of 7 percent. A bounceback in motor vehicle production was an important contributor to the strength in factory output, but production moved up in a variety of other categories as well. Automakers' schedules call for a further step-up in production in the current quarter, and many other near-term indicators of manufacturing IP, such as national and regional business surveys, have improved in recent months. We therefore look for manufacturing production to post another sizable gain of about 6¼ percent in the current quarter. With this path of output, capacity utilization in manufacturing is expected to move up to 68 percent this quarter, a bit above the trough reached in June but still well below the 1972-2008 average of nearly 80 percent.

Labor market conditions have deteriorated somewhat more than we anticipated in the September Greenbook. Although job losses have ebbed from the enormous declines registered early in the year, payroll employment has continued to fall steadily—declining at an average rate of more than 200,000 per month in the third quarter. Because of the

<sup>2</sup> Currently, the staff projection does not incorporate the possible effects of a pandemic influenza virus on production or employment. For a discussion of this issue, see the box titled "Possible Economic Effects of H1N1 Flu."

**Projections of Real GDP**  
(Percent change at annual rate from end of  
preceding period except as noted)

Measure	2009: H2	2010: H1	2010	2011
<b>Real GDP</b>	<b>3.1</b>	<b>3.2</b>	<b>3.4</b>	<b>4.4</b>
Previous Greenbook	2.8	3.0	3.5	4.5
Final sales	1.4	2.7	2.7	3.9
Previous Greenbook	.9	2.7	2.9	4.1
Personal consumption expenditures	2.0	2.4	2.3	3.4
Previous Greenbook	1.6	2.6	2.9	3.6
Residential investment	10.0	9.5	10.0	22.6
Previous Greenbook	3.5	9.6	12.9	25.3
Business fixed investment	-5.1	3.1	5.7	9.5
Previous Greenbook	-7.6	2.2	5.0	9.9
Government purchases	2.1	2.6	1.7	.9
Previous Greenbook	3.1	2.6	1.6	1.0
Exports	12.2	8.4	8.7	8.8
Previous Greenbook	14.3	7.6	8.2	8.6
Imports	11.3	6.4	7.0	7.7
Previous Greenbook	12.7	7.2	8.0	8.0
	Contribution to growth (percentage points)			
Inventory change	1.7	.4	.7	.5
Previous Greenbook	1.9	.4	.6	.4
Net exports	-.2	.0	-.0	-.1
Previous Greenbook	-.2	-.2	-.2	-.2

by the end of 2011. Meanwhile, we project that multifamily starts will pick up only modestly from their recent low levels because credit conditions and the returns to investment in this sector are expected to remain unfavorable. In total, we project real residential expenditures to rise 10 percent next year and 23 percent in 2011, similar to our forecast in the September Greenbook. Despite these large percentage increases, by the end of the forecast period, residential construction expenditures as a share of GDP are expected to remain well below their long-run historical average.

**Decomposition of Structural Labor Productivity****Nonfarm Business Sector**

(Percent change, Q4 to Q4, except as noted)

Measure	1974-95	1996-2000	2001-07	2008	2009	2010	2011
<b>Structural labor productivity</b>	<b>1.5</b>	<b>2.5</b>	<b>2.8</b>	<b>2.3</b>	<b>2.5</b>	<b>1.6</b>	<b>1.9</b>
Previous Greenbook	1.5	2.5	2.8	2.0	1.8	1.6	1.9
<i>Contributions</i> <sup>1</sup>							
Capital deepening	.7	1.4	.7	.5	-.0	-.1	.5
Previous Greenbook	.7	1.4	.7	.5	-.0	-.1	.4
Multifactor productivity	.5	.7	1.6	1.6	2.4	1.6	1.4
Previous Greenbook	.5	.7	1.6	1.3	1.7	1.6	1.4
Labor composition	.3	.3	.3	.2	.2	.1	.1
MEMO							
Potential GDP	3.0	3.4	2.8	2.7	2.7	2.1	2.4
Previous Greenbook	3.0	3.4	2.8	2.4	2.0	2.1	2.3

Note: Components may not sum to totals because of rounding. For multiyear periods, the percent change is the annual average from Q4 of the year preceding the first year shown to Q4 of the last year shown.

1. Percentage points.

**The Outlook for the Labor Market**

(Percent change, Q4 to Q4, except as noted)

Measure	2008	2009	2010	2011
Output per hour, nonfarm business	.9	4.6	1.1	.8
Previous Greenbook	.9	3.7	1.3	1.4
Nonfarm private payroll employment	-2.1	-4.4	1.8	3.4
Previous Greenbook	-2.1	-4.1	2.1	3.3
Household survey employment	-1.5	-3.7	1.6	2.4
Previous Greenbook	-1.5	-3.0	1.7	2.3
Labor force participation rate <sup>1</sup>	65.9	65.2	65.1	65.0
Previous Greenbook	65.9	65.5	65.4	65.3
Civilian unemployment rate <sup>1</sup>	6.9	10.1	9.5	8.2
Previous Greenbook	6.9	9.9	9.2	7.9
MEMO				
GDP gap <sup>2</sup>	-4.8	-7.6	-6.4	-4.5
Previous Greenbook	-4.6	-6.9	-5.6	-3.6

1. Percent, average for the fourth quarter.

2. Actual less potential GDP in the fourth quarter of the year indicated as a percent of potential GDP. A negative number thus indicates that the economy is operating below potential.

**Inflation Projections**  
(Percent change, Q4 to Q4, except as noted)

Measure	2008	2009	2010	2011
PCE chain-weighted price index	1.7	1.1	1.4	1.0
Previous Greenbook	1.7	1.0	1.3	1.0
Food and beverages	6.8	-1.9	1.3	.7
Previous Greenbook	6.8	-1.1	1.5	.7
Energy	-9.1	1.3	7.7	2.4
Previous Greenbook	-9.1	-2.4	5.0	2.1
Excluding food and energy	2.0	1.4	1.1	1.0
Previous Greenbook	2.0	1.4	1.1	1.0
Consumer price index	1.5	1.3	1.7	1.2
Previous Greenbook	1.5	1.1	1.5	1.1
Excluding food and energy	2.0	1.7	1.2	1.1
Previous Greenbook	2.0	1.7	1.2	1.1
GDP chain-weighted price index	1.9	.7	1.3	1.1
Previous Greenbook	1.9	.9	1.2	1.1
ECI for compensation of private industry workers <sup>1</sup>	2.4	1.2	1.8	2.0
Previous Greenbook	2.4	1.2	1.8	2.0
Compensation per hour, nonfarm business sector	2.6	-.2	1.8	2.1
Previous Greenbook	2.6	-.3	1.8	2.1
Prices of core goods imports <sup>2</sup>	3.8	-1.7	1.5	1.0
Previous Greenbook	3.8	-1.4	1.3	1.0

1. December to December.

2. Core goods imports exclude computers, semiconductors, oil, and natural gas.

### Financial Flows and Conditions

We project that domestic nonfinancial debt will expand at an annual rate of 2¾ percent this quarter and then increase at an average annual pace of 5½ percent in 2010 and 2011. This forecast reflects rapid expected growth in federal government debt, a moderate rise in state and local government debt, and sluggish increases in household and nonfinancial business debt.

Household debt contracted at an annual rate of 1 percent in the first three quarters of the year, and we expect it to be about unchanged in the fourth quarter. Although we project that household debt will begin to expand again next year as the economy improves, the

- No further nontraditional monetary policy actions are undertaken beyond those that have already been announced. This assumption implies a gradual shrinking of the Federal Reserve's balance sheet over time.
- Risk premiums on corporate bonds and equity, which are expected to be just a little above historically normal levels at the end of 2011, edge down a touch thereafter. Banks ease their lending terms and standards somewhat further as well.
- The fiscal stimulus package continues to boost the level of government purchases through 2012. Government budget deficits continue to narrow over the horizon. This improvement reflects both the effects of the economic recovery on tax receipts and transfer payments as well as further policy actions after 2011 aimed at reducing the deficit.
- From 2012 to 2014, the foreign exchange value of the dollar is assumed to depreciate 2 percent per year in real terms. The price of WTI crude oil rises gradually to about \$90 per barrel by the end of 2014, consistent with futures prices. Under these assumptions, movements in the prices of energy and imports have only minor implications for domestic inflation. Foreign real GDP expands almost 3¾ percent per year, on average, implying some further narrowing in foreign output gaps.
- The factors that the staff sees as having raised the NAIRU during the recession are expected to slowly fade; we also assume that the effect of emergency unemployment compensation on the unemployment rate will diminish after 2011 as these programs are wound down. Potential GDP is assumed to expand 2¾ percent per year, on average, from 2012 to 2014.

### The Long-Term Outlook

(Percent change, Q4 to Q4, except as noted)

Measure	2009	2010	2011	2012	2013	2014
Real GDP	-.3	3.4	4.4	5.0	4.8	3.2
Civilian unemployment rate <sup>1</sup>	10.1	9.5	8.2	6.1	4.9	4.7
PCE prices, total	1.1	1.4	1.0	1.2	1.4	1.6
Core PCE prices	1.4	1.1	1.0	1.1	1.4	1.6
Federal funds rate <sup>1</sup>	.1	.1	.1	2.1	3.5	3.9

1. Percent, average for the final quarter of the period.



**Alternative Scenarios**

(Percent change, annual rate, from end of preceding period except as noted)

Measure and scenario	2009	2010	2011	2012	2013-14
	H2				
<i>Real GDP</i>					
Extended Greenbook baseline	3.1	3.4	4.4	5.0	4.0
Jobless recovery	3.2	4.0	5.6	6.4	4.7
Jobless recovery and more caution	3.1	3.4	4.4	5.0	5.1
Weaker aggregate demand	2.2	2.0	4.4	5.4	4.6
V-shaped recovery	4.3	4.8	5.6	4.8	3.2
Earlier liftoff	4.3	5.1	5.6	4.2	2.8
Greater disinflation	3.1	3.3	4.1	4.9	4.8
<i>Unemployment rate<sup>1</sup></i>					
Extended Greenbook baseline	10.1	9.5	8.2	6.1	4.7
Jobless recovery	10.2	10.1	9.2	6.6	4.5
Jobless recovery and more caution	10.2	10.3	9.8	7.8	5.5
Weaker aggregate demand	10.2	10.2	8.9	6.6	4.7
V-shaped recovery	10.0	8.9	7.2	5.2	4.6
Earlier liftoff	10.0	8.8	7.1	5.3	5.0
Greater disinflation	10.1	9.5	8.3	6.3	4.3
<i>Core PCE inflation</i>					
Extended Greenbook baseline	1.3	1.1	1.0	1.1	1.5
Jobless recovery	1.3	.9	.4	.4	1.1
Jobless recovery and more caution	1.3	.9	.2	.0	.5
Weaker aggregate demand	1.3	1.0	.8	.9	1.3
V-shaped recovery	1.3	1.1	1.1	1.2	1.7
Earlier liftoff	1.2	1.6	2.0	2.2	2.9
Greater disinflation	1.0	.4	.1	-.1	.0
<i>Federal funds rate<sup>1</sup></i>					
Extended Greenbook baseline	.1	.1	.1	2.1	3.9
Jobless recovery	.1	.1	.1	.6	3.7
Jobless recovery and more caution	.1	.1	.1	.1	1.7
Weaker aggregate demand	.1	.1	.1	1.3	3.7
V-shaped recovery	.1	.1	.8	3.1	4.4
Earlier liftoff	.1	.1	2.3	4.5	5.5
Greater disinflation	.1	.1	.1	.1	2.1

1. Percent, average for the final quarter of the period.

**Selected Greenbook Projections and 70 Percent Confidence Intervals Derived  
from Historical Greenbook Forecast Errors and FRB/US Simulations**

Measure	2009	2010	2011	2012	2013	2014
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	-.3	3.4	4.4	5.0	4.8	3.2
Confidence interval						
Greenbook forecast errors	-.9-.2	1.7-5.1	3.0-5.8	...	...	...
FRB/US stochastic simulations	-.9-.3	2.1-5.1	2.7-6.4	2.7-6.9	2.5-7.1	1.0-5.5
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	10.1	9.5	8.2	6.1	4.9	4.7
Confidence interval						
Greenbook forecast errors	10.0-10.2	8.8-10.2	7.2-9.2	...	...	...
FRB/US stochastic simulations	9.9-10.3	8.8-10.1	7.1-9.1	5.0-7.2	3.8-6.0	3.5-5.8
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	1.1	1.4	1.0	1.2	1.4	1.6
Confidence interval						
Greenbook forecast errors	.9-1.4	.3-2.6	-.2-2.2	...	...	...
FRB/US stochastic simulations	.9-1.5	.6-2.4	.0-2.2	.1-2.3	.4-2.6	.6-2.8
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)						
Projection	1.4	1.1	1.0	1.1	1.4	1.6
Confidence interval						
Greenbook forecast errors	1.2-1.7	.4-1.7	.0-1.9	...	...	...
FRB/US stochastic simulations	1.2-1.6	.4-1.7	.2-1.9	.3-2.0	.7-2.3	.9-2.6
<i>Federal funds rate</i> (percent, Q4)						
Projection	.1	.1	.1	2.1	3.5	3.9
Confidence interval						
FRB/US stochastic simulations	.1-.1	.1-.1	.1-1.6	.4-3.9	2.1-5.2	2.5-5.6

Notes: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969-2008 set of model equation residuals.

Intervals derived from Greenbook forecast errors are based on projections made from 1979-2008, except for PCE prices excluding food and energy, where the sample is 1981-2008.

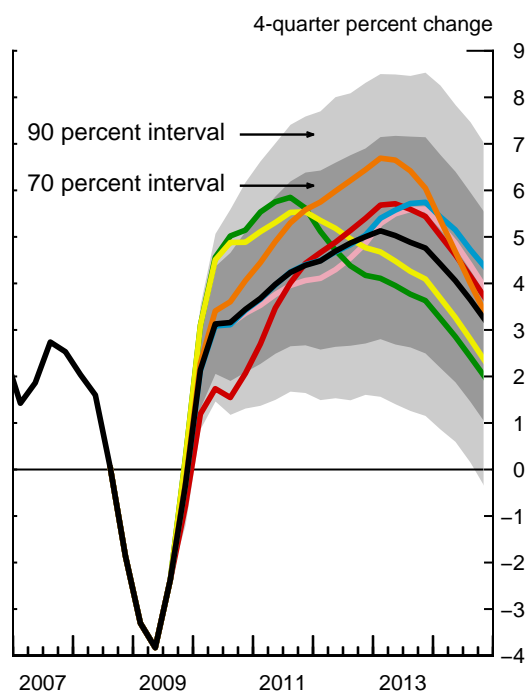
... Not applicable. The Greenbook forecast horizon has typically extended about two years.

## Forecast Confidence Intervals and Alternative Scenarios

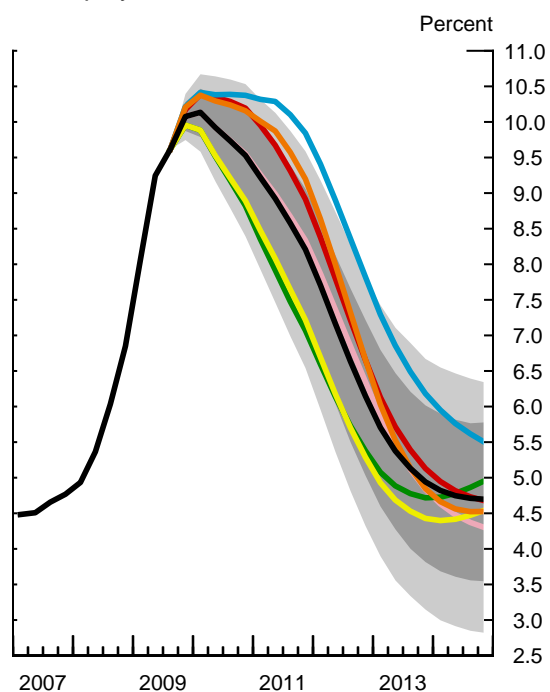
Confidence Intervals Based on FRB/US Stochastic Simulations

- |                                     |                           |                        |
|-------------------------------------|---------------------------|------------------------|
| ■ Extended Greenbook baseline       | ■ Weaker aggregate demand | ■ Earlier liftoff      |
| ■ Jobless recovery                  | ■ V-shaped recovery       | ■ Greater disinflation |
| ■ Jobless recovery and more caution |                           |                        |

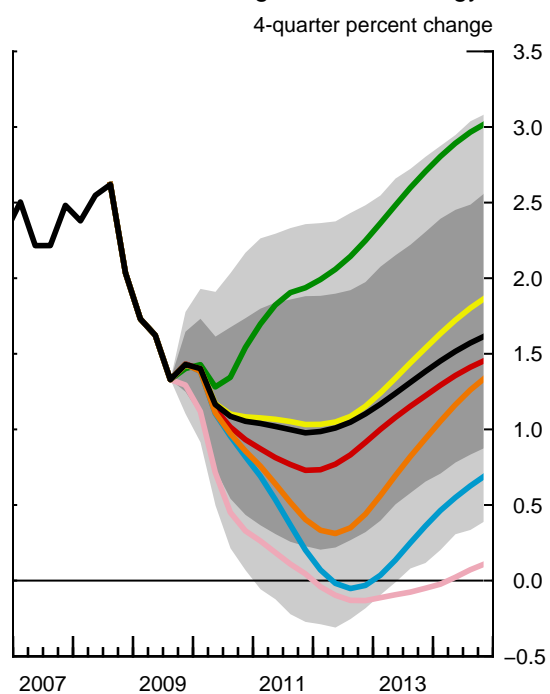
Real GDP



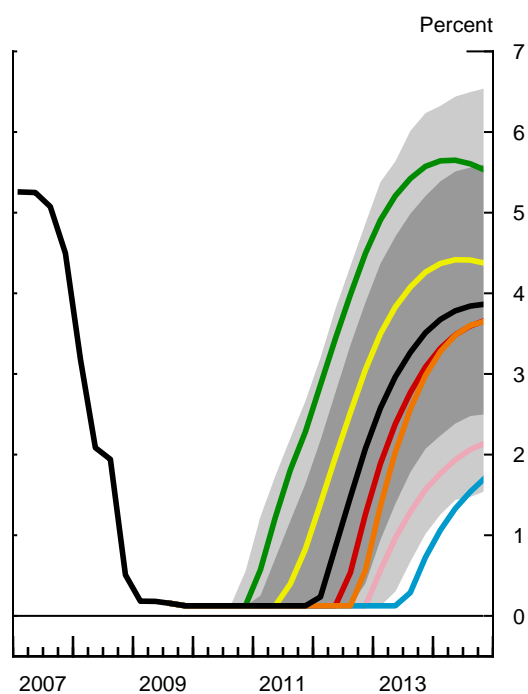
Unemployment Rate



PCE Prices excluding Food and Energy



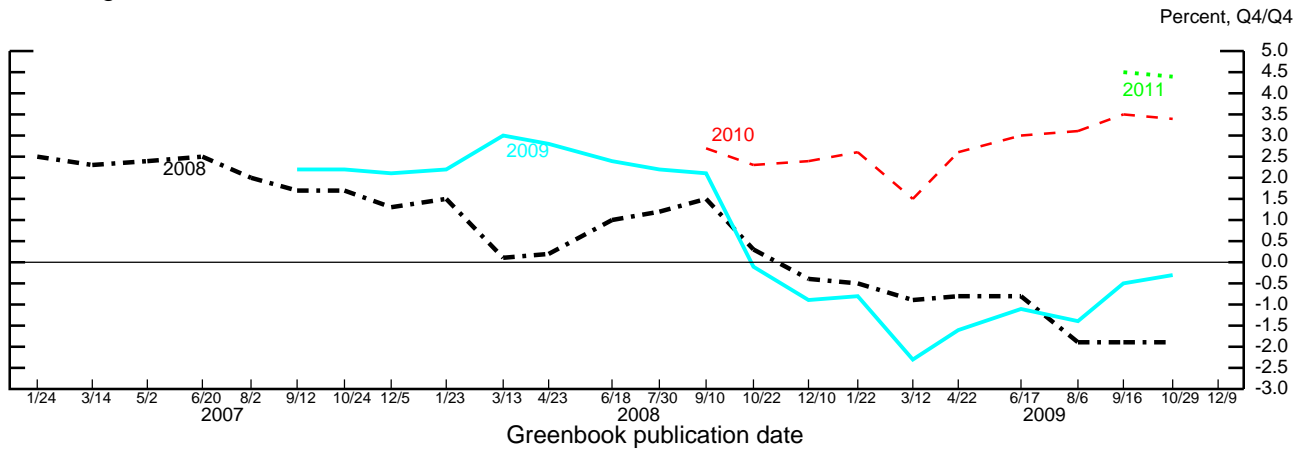
Federal Funds Rate



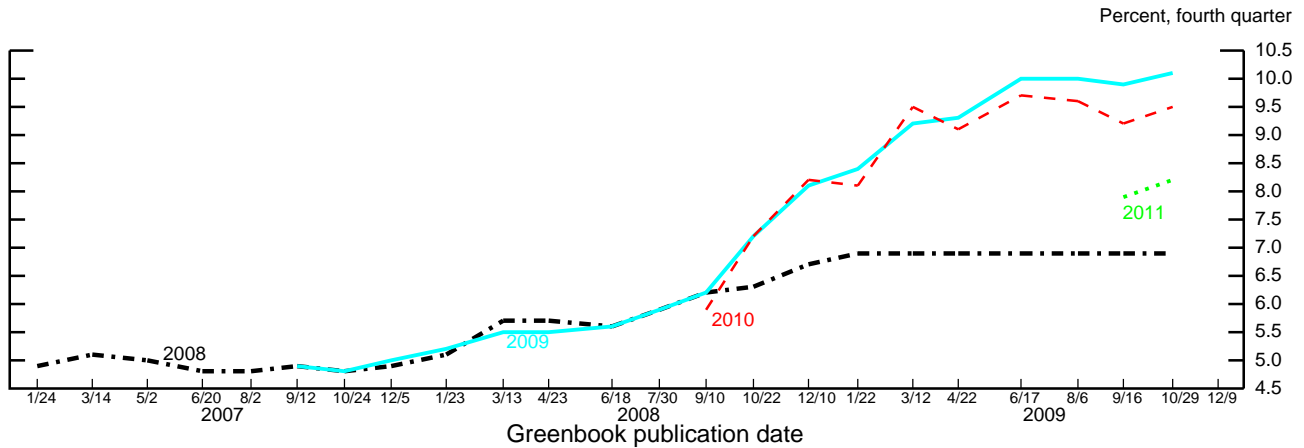
Class II FOMC - Restricted (FR)

## Evolution of the Staff Forecast

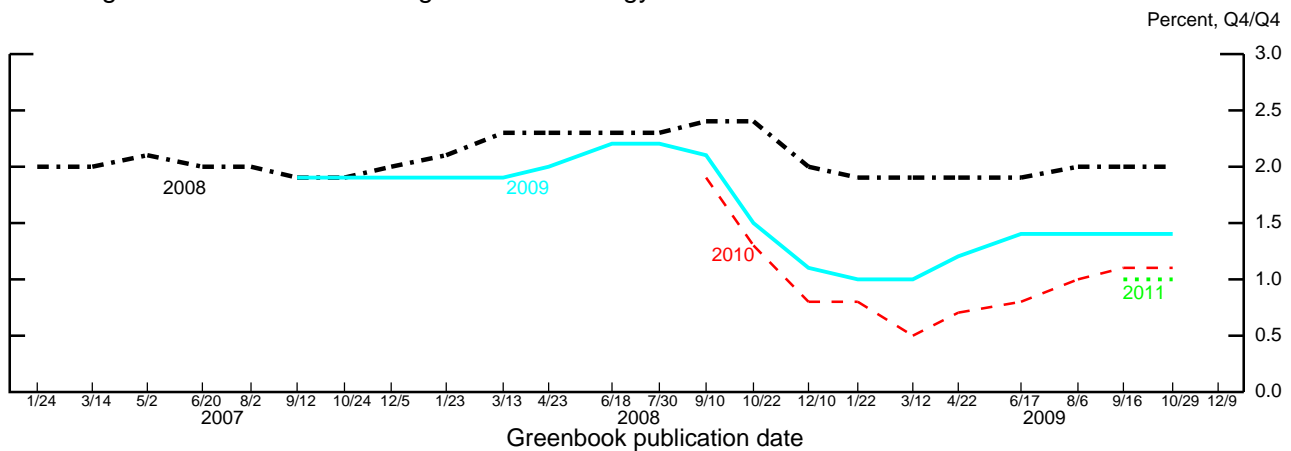
### Change in Real GDP



### Unemployment Rate



### Change in PCE Prices excluding Food and Energy\*



\*Because the core PCE price index was redefined as part of the comprehensive revisions to the NIPA, projections prior to the August 2009 Greenbook are not strictly comparable with more recent projections.

# **Changes in GDP, Prices, and Unemployment** (Percent, annual rate except as noted)

Interval	Nominal GDP		Real GDP		PCE price index		Core PCE price index		Unemployment rate <sup>1</sup>	
	09/16/09	10/29/09	09/16/09	10/29/09	09/16/09	10/29/09	09/16/09	10/29/09	09/16/09	10/29/09
<i>Quarterly</i>										
2009:Q1	-4.6	-4.6	-6.4	-6.4	-1.5	-1.5	1.1	1.1	8.1	8.1
Q2	-1.0	-8	-7	-1.0	1.3	1.4	2.0	2.0	9.2	9.2
Q3	3.1	4.2	3.4	2.5	2.9	2.8	1.5	1.4	9.6	9.6
Q4	4.2	3.1	2.8	3.2	1.4	2.0	1.2	1.2	9.9	10.1
2010:Q1	4.3	5.0	3.2	2.8	1.4	1.8	1.1	1.0	9.8	10.1
Q2	4.4	4.5	3.2	3.2	1.4	1.5	1.1	1.1	9.6	9.9
Q3	5.0	4.7	3.5	3.8	1.3	1.3	1.1	1.1	9.4	9.7
Q4	5.3	5.0	3.9	4.2	1.2	1.2	1.1	1.1	9.2	9.5
2011:Q1	5.6	5.4	4.2	4.4	1.1	1.1	1.0	1.0	8.8	9.2
Q2	5.6	5.5	4.4	4.5	1.0	1.0	1.0	1.0	8.5	8.9
Q3	5.6	5.6	4.5	4.6	1.0	1.0	1.0	1.0	8.2	8.6
Q4	5.6	5.5	4.5	4.6	1.0	1.0	1.0	1.0	7.9	8.2
<i>Two-quarter<sup>2</sup></i>										
2009:Q2	-2.9	-2.7	-3.8	-3.8	-1	-1	1.6	1.6	2.3	2.3
Q4	3.7	3.7	2.8	3.1	2.1	2.4	1.3	1.3	.7	.9
2010:Q2	4.4	4.7	3.0	3.2	1.4	1.6	1.1	1.0	-3	-2
Q4	5.1	4.9	4.0	3.7	1.2	1.3	1.1	1.1	-4	-4
2011:Q2	5.6	5.5	4.4	4.3	1.0	1.1	1.0	1.0	-7	-6
Q4	5.6	5.6	4.6	4.5	1.0	1.0	1.0	1.0	-6	-7
<i>Four-quarter<sup>3</sup></i>										
2008:Q4	.1	.1	-1.9	-1.9	1.7	1.7	2.0	2.0	2.1	2.1
2009:Q4	.4	.4	-5	-3	1.0	1.1	1.4	1.4	3.0	3.2
2010:Q4	4.7	4.8	3.5	3.4	1.3	1.4	1.1	1.1	-7	-6
2011:Q4	5.6	5.5	4.5	4.4	1.0	1.0	1.0	1.0	-1.3	-1.3
<i>Annual</i>										
2008	2.6	2.6	.4	.4	3.3	3.3	2.4	2.4	5.8	5.8
2009	-1.4	-1.3	-2.6	-2.5	.2	.2	1.5	1.5	9.2	9.2
2010	4.0	4.1	2.9	3.0	1.5	1.8	1.2	1.2	9.5	9.8
2011	5.4	5.3	4.3	4.1	1.1	1.1	1.0	1.0	8.4	8.7

1. Level, except for two-quarter and four-quarter intervals.

2. Percent change from two quarters earlier; for unemployment rate, change is in percentage points.

3. Percent change from four quarters earlier; for unemployment rate, change is in percentage points.

**Changes in Real Gross Domestic Product and Related Items**  
(Percent, annual rate except as noted)

Item	2009				2010				2011				2009 <sup>1</sup>	2010 <sup>1</sup>	2011 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Greenbook</i>	-6.4	-7	3.4	2.8	3.2	3.2	3.5	3.9	4.2	4.4	4.5	4.5	-3	3.4	4.4
Final sales <i>Previous Greenbook</i>	-6.4	-1.0	2.5	3.2	2.8	3.2	3.8	4.2	4.4	4.5	4.6	4.6	-5	3.5	4.5
Priv. dom. final purch. <i>Previous Greenbook</i>	-4.1	.7	2.4	.4	2.5	3.0	2.5	3.0	3.4	3.9	4.2	4.3	-2	2.7	3.9
Personal cons. expend. <i>Previous Greenbook</i>	-4.1	.5	1.5	.3	2.2	3.1	2.9	3.4	3.6	4.1	4.2	4.6	-5	2.9	4.1
Durables	-7.2	-2.7	3.0	-1	2.4	2.9	2.9	3.5	4.1	4.5	5.0	5.0	-1.9	2.9	4.7
Nondurables	-7.2	-2.8	1.6	-5	2.3	3.3	3.7	4.3	4.4	4.9	5.0	5.4	-2.3	3.4	5.0
Services	.6	-9	3.4	.7	2.4	2.3	2.1	2.4	3.0	3.3	3.6	3.6	.9	2.3	3.4
Residential investment <i>Previous Greenbook</i>	.6	-9	2.3	.8	2.5	2.8	2.9	3.3	3.3	3.6	3.6	3.8	.7	2.9	3.6
Business fixed invest. <i>Previous Greenbook</i>	3.9	-5.6	22.2	-7.6	10.2	10.9	7.0	8.3	10.1	10.3	12.1	11.0	2.6	9.1	10.9
Equipment & software <i>Previous Greenbook</i>	1.9	-1.9	2.0	1.9	2.3	1.9	1.7	2.1	2.8	3.1	3.2	3.2	.9	2.0	3.1
Nonres. structures <i>Previous Greenbook</i>	-3	.2	1.2	1.7	1.3	1.2	1.5	1.7	2.0	2.3	2.5	2.6	.7	1.4	2.3
Net exports <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	-38.2	-23.3	20.9	.1	9.3	9.7	8.1	13.1	15.5	22.4	24.1	28.7	-13.0	10.0	22.6
Exports	-38.2	-22.9	3.0	4.0	7.0	12.4	15.4	17.0	20.2	23.9	26.8	30.5	-15.5	12.9	25.3
Imports	-39.2	-9.6	-3.8	-6.4	.9	5.5	7.2	9.4	9.8	9.0	10.4	9.0	-16.1	5.7	9.5
Gov't. cons. & invest. <i>Previous Greenbook</i>	-39.2	-10.3	-3.8	-11.3	-3	4.8	7.2	8.7	9.2	10.3	9.8	10.3	-17.4	5.0	9.9
Federal	-36.4	-4.9	1.1	3.5	6.2	10.3	10.9	12.7	13.5	12.9	15.0	12.9	-10.8	10.0	13.6
Defense	-36.4	-6.2	4.8	-3.0	5.2	10.2	11.8	12.3	12.8	15.0	14.4	14.9	-11.7	9.8	14.3
Nondefense	-43.6	-17.3	-12.3	-23.3	-9.4	-4.3	-8	2.3	1.7	.2	-4	-3	-25.1	-3.2	.3
State & local	-43.6	-17.1	-18.0	-25.9	-11.0	-5.9	-2.3	.7	1.1	-2	-9	-8	-27.0	-4.7	-2
Change in bus. inventories <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	-386	-330	-348	-343	-346	-340	-341	-341	-348	-348	-351	-350	-352	-342	-349
Nonfarm <sup>2</sup>	-386	-332	-339	-342	-351	-351	-359	-367	-374	-379	-385	-387	-350	-357	-381
Farm <sup>2</sup>	-29.9	-4.1	14.7	9.6	8.2	8.5	8.9	9.4	8.9	8.5	8.5	9.1	-4.1	8.7	8.8
Imports	-36.4	-14.7	16.3	6.4	7.4	5.5	7.5	7.7	8.9	7.1	7.6	7.3	-9.5	7.0	7.7
Gov't. cons. & invest. <i>Previous Greenbook</i>	-2.6	6.7	2.3	1.8	3.0	2.1	1.0	.6	1.0	1.0	1.0	.5	2.0	1.7	.9
Federal	-2.6	6.5	1.8	4.3	3.1	2.0	.7	.6	1.0	1.0	1.0	1.0	2.5	1.6	1.0
Defense	-4.3	11.4	7.9	4.8	6.5	3.6	.6	-4	1.3	1.1	1.2	.5	4.8	2.5	1.0
Nondefense	-5.1	14.0	8.4	1.0	4.8	2.4	1.9	.3	.6	.4	.5	-5	4.3	2.3	.2
State & local	-2.5	6.1	6.8	13.6	9.9	6.3	-2.1	-1.8	2.6	2.6	2.6	2.6	5.8	2.9	2.6
Change in bus. inventories <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	-1.5	3.9	-1.1	-1	.7	1.2	1.3	1.3	.9	.9	.9	.5	.3	1.1	.8
Nonfarm <sup>2</sup>	-114	-160	-131	-60	-36	-30	0	29	55	70	80	89	-116	-9	73
Farm <sup>2</sup>	-114	-165	-134	-45	-25	-20	7	33	58	71	85	87	-114	-1	75
Nonfarm <sup>2</sup>	-115	-163	-134	-64	-41	-35	-4	25	52	67	77	87	-119	-14	71
Farm <sup>2</sup>	0	2	3	4	4	3	3	3	3	3	3	3	2	3	3

1. Change from fourth quarter of previous year to fourth quarter of year indicated.

2. Billions of chained (2005) dollars.

**Changes in Real Gross Domestic Product and Related Items**

(Change from fourth quarter of previous year to fourth quarter of year indicated, unless otherwise noted)

Item	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Real GDP</b> <i>Previous Greenbook</i>	3.8 3.8	3.1 3.1	2.7 2.7	2.4 2.4	2.5 2.5	-1.9 -1.9	-.3 -.5	3.4 3.5	4.4 4.5
<b>Final sales</b> <i>Previous Greenbook</i>	3.8 3.8	2.8 2.8	2.7 2.7	2.8 2.8	2.7 2.7	-1.4 -1.4	-.2 -.5	2.7 2.9	3.9 4.1
<b>Priv. dom. final purch.</b> <i>Previous Greenbook</i>	4.2 4.2	4.2 4.2	3.1 3.1	2.5 2.5	1.4 1.4	-3.2 -3.2	-1.9 -2.3	2.9 3.4	4.7 5.0
<b>Personal cons. expend.</b> <i>Previous Greenbook</i>	3.4 3.4	3.5 3.5	2.7 2.7	3.3 3.3	2.0 2.0	-1.8 -1.8	.9 .7	2.3 2.9	3.4 3.6
<b>Durables</b>	8.9	5.5	2.1	6.3	4.6	-11.8	2.6	9.1	10.9
<b>Nondurables</b>	3.9	3.0	3.3	3.2	1.5	-2.9	.9	2.0	3.1
<b>Services</b>	2.2	3.4	2.6	2.8	1.7	.3	.7	1.4	2.3
<b>Residential investment</b> <i>Previous Greenbook</i>	11.5 11.5	6.6 6.6	5.3 5.3	-15.7 -15.7	-20.5 -20.5	-21.0 -21.0	-13.0 -15.5	10.0 12.9	22.6 25.3
<b>Business fixed invest.</b> <i>Previous Greenbook</i>	5.9 5.9	7.0 7.0	4.4 4.4	7.8 7.8	7.9 7.9	-6.0 -6.0	-16.1 -17.4	5.7 5.0	9.5 9.9
<b>Equipment &amp; software</b> <i>Previous Greenbook</i>	7.5 7.5	8.8 8.8	6.1 6.1	6.0 6.0	3.2 3.2	-10.7 -10.7	-10.8 -11.7	10.0 9.8	13.6 14.3
<b>Nonres. structures</b> <i>Previous Greenbook</i>	1.3 1.3	1.7 1.7	-.1 -.1	13.0 13.0	18.9 18.9	3.2 3.2	-25.1 -27.0	-3.2 -4.7	.3 -.2
<b>Net exports<sup>1</sup></b> <i>Previous Greenbook<sup>1</sup></i>	-604 -604	-688 -688	-723 -723	-729 -729	-648 -648	-494 -494	-352 -350	-342 -357	-349 -381
<b>Exports</b>	6.2	7.1	6.7	10.2	10.2	-3.4	-4.1	8.7	8.8
<b>Imports</b>	5.1	10.9	5.2	4.1	.9	-6.8	-9.5	7.0	7.7
<b>Gov't. cons. &amp; invest.</b> <i>Previous Greenbook</i>	1.6 1.6	.6 .6	.7 .7	1.5 1.5	2.5 2.5	3.0 3.0	2.0 2.5	1.7 1.6	.9 1.0
<b>Federal</b>	5.7	2.3	1.2	2.2	3.4	8.9	4.8	2.5	1.0
<b>Defense</b>	8.4	2.4	.4	4.4	2.6	9.5	4.3	2.3	.2
<b>Nondefense</b>	.7	2.3	2.6	-2.3	5.2	7.5	5.8	2.9	2.6
<b>State &amp; local</b>	-.5	-.4	.4	1.2	1.9	-.3	.3	1.1	.8
<b>Change in bus. inventories<sup>1</sup></b> <i>Previous Greenbook<sup>1</sup></i>	17 17	66 66	50 50	59 59	19 19	-26 -26	-116 -114	-9 -1	73 75
<b>Nonfarm<sup>1</sup></b>	17	58	50	63	20	-20	-119	-14	71
<b>Farm<sup>1</sup></b>	0	8	0	-4	-1	-5	2	3	3

1. Billions of chained (2005) dollars.

**Contributions to Changes in Real Gross Domestic Product**  
(Percentage points, annual rate except as noted)

Item	2009				2010				2011				2009 <sup>1</sup>	2010 <sup>1</sup>	2011 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Greenbook</i>	-6.4	-7	3.4	2.8	3.2	3.2	3.5	3.9	4.2	4.4	4.5	4.5	-3	3.4	4.4
Final sales <i>Previous Greenbook</i>	-6.4	-1.0	2.5	3.2	2.8	3.2	3.8	4.2	4.4	4.5	4.6	4.6	-5	3.5	4.5
Priv. dom. final purch. <i>Previous Greenbook</i>	-4.1	.7	2.4	.4	2.5	3.0	2.5	3.0	3.4	3.9	4.2	4.2	-2	2.8	3.9
Personal cons. expend. <i>Previous Greenbook</i>	-4.1	.5	1.5	.4	2.2	3.1	3.0	3.4	3.6	4.1	4.2	4.6	-5	2.9	4.1
Durables	-6.1	-2.3	2.5	-1	2.0	2.4	2.4	2.9	3.4	3.7	4.1	4.1	-1.6	2.4	3.8
Nondurables	-6.1	-2.4	1.3	-4	1.9	2.7	3.1	3.5	3.6	4.0	4.1	4.4	-1.9	2.8	4.1
Services	.4	-6	2.4	.5	1.7	1.7	1.5	1.7	2.1	2.3	2.5	2.5	.7	1.7	2.4
Residential investment <i>Previous Greenbook</i>	.4	-6	1.6	.6	1.8	2.0	2.1	2.3	2.3	2.5	2.6	2.7	.5	2.0	2.5
Durables	.3	-4	1.5	-6	.7	.8	.5	.6	.7	.7	.9	.8	.2	.6	.8
Nondurables	.3	-3	.3	.3	.4	.3	.3	.3	.4	.5	.5	.5	.1	.3	.5
Services	-1	.1	.6	.8	.6	.6	.8	.8	1.0	1.1	1.2	1.2	.3	.7	1.1
Business fixed invest. <i>Previous Greenbook</i>	-1.3	-7	.5	.0	.2	.2	.2	.3	.4	.6	.6	.8	-4	.2	.6
Equipment & software <i>Previous Greenbook</i>	-1.3	-7	.1	.1	.2	.3	.4	.4	.5	.6	.7	.8	-5	.3	.7
Nonres. structures <i>Previous Greenbook</i>	-5.3	-1.0	-4	-6	.1	.5	.6	.9	.9	.8	1.0	.8	-1.8	.5	.9
Exports	-5.3	-1.1	-4	-1.1	.0	.4	.6	.8	.8	.9	.9	.9	-2.0	.5	.9
Imports	-3.0	-3	.1	.2	.4	.6	.7	.8	.8	.8	1.0	.8	-8	.6	.9
Gov't. cons. & invest. <i>Previous Greenbook</i>	-3.0	-4	.3	-2	.3	.6	.7	.8	.8	.9	.9	1.0	-8	.6	.9
Federal	-2.3	-7	-4	-8	-3	-1	.0	.1	.1	.0	.0	.0	-1.1	-1	.0
Defense	-2.3	-7	-7	-9	-3	-2	-1	.0	.0	.0	.0	.0	-1.1	-1	.0
Nondefense	2.6	1.7	-6	.1	-1	.2	-1	.0	-3	.0	-1	.0	1.0	.0	-1
State & local	2.6	1.6	-2	-1	-3	.0	-3	-2	-2	-2	-2	-1	1.0	-2	-2
Change in bus. inventories <i>Previous Greenbook</i>	-4.0	-5	1.5	1.0	.9	.9	1.0	1.1	1.0	1.0	1.0	1.1	-5	1.0	1.0
Nonfarm	6.6	2.1	-2.0	-9	-1.0	-8	-1.1	-1.1	-1.3	-1.0	-1.1	-1.1	1.5	-1.0	-1.1
Farm	-5	1.3	.5	.4	.6	.5	.2	.1	.2	.2	.2	.1	.4	.3	.2
Imports	-5	1.3	.4	.9	.6	.4	.2	.1	.2	.2	.2	.2	.5	.3	.2
Exports	-3	.9	.6	.4	.5	.3	.0	.0	.1	.1	.1	.0	.4	.2	.1
Gov't. cons. & invest.	-3	.7	.4	.1	.3	.1	.1	.0	.0	.0	.0	.0	.2	.1	.0
Federal	-1	.2	.2	.3	.3	.2	-1	.0	.1	.1	.1	.1	.1	.1	.1
Defense	-2	.5	-1	.0	.1	.1	.2	.2	.1	.1	.1	.1	.0	.1	.1
Nondefense	-2.4	-1.4	.9	2.3	.7	.2	1.0	.9	.8	.5	.3	.3	-1	.7	.5
State & local	-2.4	-1.5	1.0	2.8	.6	.1	.8	.8	.8	.4	.4	.1	.0	.6	.4
Change in bus. inventories <i>Previous Greenbook</i>	-2.4	-1.5	.9	2.2	.7	.2	1.0	.9	.8	.5	.3	.3	-2	.7	.5
Nonfarm	.1	.1	.0	.1	.0	.0	.0	.0	.0	.0	.0	.0	.1	.0	.0
Farm															

1. Change from fourth quarter of previous year to fourth quarter of year indicated.



**Changes in Prices and Costs**  
(Percent, annual rate except as noted)

Item	2009				2010				2011				2009 <sup>1</sup>	2010 <sup>1</sup>	2011 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
GDP chain-wt. price index <i>Previous Greenbook</i>	1.9	.0	.8	.3	1.7	1.3	1.2	1.1	1.2	1.1	1.0	1.0	.7	1.3	1.1
PCE chain-wt. price index <i>Previous Greenbook</i>	1.9	.0	.7	1.0	1.4	1.2	1.1	1.1	1.2	1.1	1.0	1.0	.9	1.2	1.1
Energy <i>Previous Greenbook</i>	-1.5	1.4	2.8	2.0	1.8	1.5	1.3	1.2	1.1	1.0	1.0	1.0	1.1	1.4	1.0
Food <i>Previous Greenbook</i>	-1.5	1.3	2.9	1.4	1.4	1.4	1.3	1.2	1.1	1.0	1.0	1.0	1.0	1.3	1.0
Ex. food & energy <i>Previous Greenbook</i>	-36.7	-2.0	41.1	20.3	15.2	7.8	4.5	3.7	3.2	2.3	2.1	2.0	1.3	7.7	2.4
CPI <i>Previous Greenbook</i>	-36.7	-2.2	39.5	4.9	6.0	6.2	4.5	3.5	2.8	2.0	1.9	1.8	-2.4	5.0	2.1
Ex. food & energy <i>Previous Greenbook</i>	-1.1	-3.6	-2.1	-8	1.3	1.5	1.5	1.0	.7	.7	.7	.7	-1.9	1.3	.7
Unit labor costs <i>Previous Greenbook</i>	-1.1	-3.6	-1.5	1.8	1.7	1.6	1.5	1.0	.7	.7	.7	.7	-1.1	1.5	.7
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	1.1	2.0	1.4	1.2	1.0	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.4	1.1	1.0
Output per hour <i>Previous Greenbook</i>	1.1	2.0	1.5	1.2	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.4	1.1	1.0
Compensation per hour <i>Previous Greenbook</i>	-2.4	1.3	3.6	2.6	2.3	1.8	1.5	1.4	1.3	1.2	1.2	1.2	1.3	1.7	1.2
Unit labor costs <i>Previous Greenbook</i>	-2.4	1.3	3.6	1.8	1.6	1.7	1.5	1.3	1.2	1.1	1.1	1.1	1.1	1.5	1.1
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	1.5	2.4	1.5	1.5	1.2	1.1	1.2	1.2	1.1	1.1	1.1	1.2	1.7	1.2	1.1
Output per hour <i>Previous Greenbook</i>	1.5	2.4	1.5	1.5	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.7	1.2	1.1
Compensation per hour <i>Previous Greenbook</i>	.7	.7	1.7	1.6	1.7	1.7	1.8	1.9	2.0	2.0	2.1	2.1	1.2	1.8	2.0
Unit labor costs <i>Previous Greenbook</i>	.7	.7	1.7	1.6	1.7	1.7	1.8	1.9	2.0	2.0	2.1	2.1	1.2	1.8	2.0
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	.3	7.0	7.2	4.2	2.4	.8	.6	.7	.7	.8	.9	.9	4.6	1.1	.8
Output per hour <i>Previous Greenbook</i>	.3	6.6	5.2	2.9	1.4	1.4	1.1	1.3	1.1	1.6	1.6	1.5	3.7	1.3	1.4
Compensation per hour <i>Previous Greenbook</i>	-4.7	.4	1.9	1.6	1.6	1.7	1.8	1.9	2.0	2.0	2.1	2.1	-2	1.8	2.1
Unit labor costs <i>Previous Greenbook</i>	-4.7	.4	1.8	1.6	1.6	1.7	1.8	1.9	2.0	2.0	2.1	2.1	-3	1.8	2.1
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	-5.0	-6.2	-5.0	-2.5	-8	.9	1.2	1.3	1.3	1.2	1.2	1.2	-4.7	.7	1.2
Output per hour <i>Previous Greenbook</i>	-5.0	-5.8	-3.2	-1.2	.3	.3	.7	.6	.9	.4	.5	.6	-3.8	.5	.6
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	-9.4	-2.3	1.0	4.4	2.6	1.4	1.0	1.0	1.0	1.0	1.0	1.0	-1.7	1.5	1.0
Output per hour <i>Previous Greenbook</i>	-9.4	-2.4	3.5	3.5	2.0	1.3	1.0	1.0	1.0	1.0	1.0	1.0	-1.4	1.3	1.0

1. Change from fourth quarter of previous year to fourth quarter of year indicated.

2. Private-industry workers.

3. Core goods imports exclude computers, semiconductors, oil, and natural gas.

**Changes in Prices and Costs**  
(Change from fourth quarter of previous year to fourth quarter of year indicated, unless otherwise noted)

Item	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP chain-wt. price index <i>Previous Greenbook</i>	2.1 2.1	3.2 3.2	3.5 3.5	2.9 2.9	2.7 2.7	1.9 1.9	.7 .9	1.3 1.2	1.1 1.1
PCE chain-wt. price index <i>Previous Greenbook</i>	1.9 1.9	3.0 3.0	3.3 3.3	1.9 1.9	3.6 3.6	1.7 1.7	1.1 1.0	1.4 1.3	1.0 1.0
Energy <i>Previous Greenbook</i>	8.6 8.6	18.6 18.6	21.5 21.5	-3.7 -3.7	19.7 19.7	-9.1 -9.1	1.3 -2.4	7.7 5.0	2.4 2.1
Food <i>Previous Greenbook</i>	3.2 3.2	2.7 2.7	1.5 1.5	1.7 1.7	4.7 4.7	6.8 6.8	-1.9 -1.1	1.3 1.5	.7 .7
Ex. food & energy <i>Previous Greenbook</i>	1.5 1.5	2.2 2.2	2.3 2.3	2.3 2.3	2.5 2.5	2.0 2.0	1.4 1.4	1.1 1.1	1.0 1.0
CPI <i>Previous Greenbook</i>	2.0 2.0	3.4 3.4	3.8 3.8	1.9 1.9	4.0 4.0	1.5 1.5	1.3 1.1	1.7 1.5	1.2 1.1
Ex. food & energy <i>Previous Greenbook</i>	1.2 1.2	2.2 2.2	2.1 2.1	2.7 2.7	2.3 2.3	2.0 2.0	1.7 1.7	1.2 1.2	1.1 1.1
ECI, hourly compensation <sup>1</sup> <i>Previous Greenbook</i> <sup>1</sup>	4.0 4.0	3.8 3.8	2.9 2.9	3.2 3.2	3.0 3.0	2.4 2.4	1.2 1.2	1.8 1.8	2.0 2.0
Nonfarm business sector Output per hour <i>Previous Greenbook</i>	5.0 5.0	1.5 1.5	1.4 1.4	.9 .9	2.8 2.8	.9 .9	4.6 3.7	1.1 1.3	.8 1.4
Compensation per hour <i>Previous Greenbook</i>	5.7 5.7	3.4 3.4	3.5 3.5	4.5 4.5	3.6 3.6	2.6 2.6	-.2 -.3	1.8 1.8	2.1 2.1
Unit labor costs <i>Previous Greenbook</i>	.6 .6	1.9 1.9	2.0 2.0	3.5 3.5	.7 .7	1.6 1.6	-4.7 -3.8	.7 .5	1.2 .6
Core goods imports chain-wt. price index <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	1.6 1.6	3.6 3.6	2.2 2.2	2.5 2.5	3.5 3.5	3.8 3.8	-1.7 -1.4	1.5 1.3	1.0 1.0

1. Private-industry workers.

2. Core goods imports exclude computers, semiconductors, oil and natural gas.

## Other Macroeconomic Indicators

Item	2009				2010				2011				2009 <sup>1</sup>	2010 <sup>1</sup>	2011 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Employment and production</i>															
Nonfarm payroll employment <sup>2</sup>	-2.1	-1.5	-9	-5	.0	.7	.5	.7	.9	.9	1.0	1.0	-5.1	2.0	3.9
Unemployment rate <sup>3</sup>	8.1	9.2	9.6	10.1	10.1	9.9	9.7	9.5	9.2	8.9	8.6	8.2	10.1	9.5	8.2
<i>Previous Greenbook<sup>3</sup></i>	8.1	9.2	9.6	9.9	9.8	9.6	9.4	9.2	8.8	8.5	8.2	7.9	9.9	9.2	7.9
GDP gap <sup>4</sup>	-7.0	-7.8	-7.6	-7.6	-7.3	-7.1	-6.8	-6.4	-6.0	-5.5	-5.0	-4.5	-7.6	-6.4	-4.5
<i>Previous Greenbook<sup>4</sup></i>	-6.6	-7.3	-7.2	-6.9	-6.8	-6.5	-6.1	-5.6	-5.2	-4.7	-4.2	-3.6	-6.9	-5.6	-3.6
Industrial production <sup>5</sup>	-19.0	-10.3	5.2	6.4	3.9	4.5	5.0	6.3	5.9	5.5	7.2	8.2	-5.0	4.9	6.7
<i>Previous Greenbook<sup>5</sup></i>	-19.0	-10.5	4.3	5.0	5.3	5.1	5.5	6.2	6.0	5.8	7.0	8.7	-5.6	5.5	6.9
Manufacturing industr. prod. <sup>5</sup>	-22.0	-8.7	7.1	6.2	3.7	4.9	5.2	7.0	6.6	6.1	8.2	9.3	-5.2	5.2	7.5
<i>Previous Greenbook<sup>5</sup></i>	-22.0	-9.0	6.3	4.9	5.1	5.2	5.6	6.7	6.6	6.5	7.9	9.9	-5.7	5.6	7.7
Capacity utilization rate - mfg. <sup>3</sup>	66.7	65.4	66.8	68.1	69.0	70.1	71.3	72.8	74.2	75.4	77.1	79.0	68.1	72.8	79.0
<i>Previous Greenbook<sup>3</sup></i>	66.7	65.3	66.6	67.7	68.8	70.0	71.2	72.7	74.0	75.4	77.0	79.0	67.7	72.7	79.0
Housing starts <sup>6</sup>	.5	.5	.6	.7	.8	.8	.9	.9	1.0	1.1	1.2	1.3	.6	.8	1.2
Light motor vehicle sales <sup>6</sup>	9.5	9.6	11.5	9.9	10.9	12.1	12.5	13.2	13.6	13.9	14.7	15.2	10.1	12.2	14.4
<i>Income and saving</i>															
Nominal GDP <sup>5</sup>	-4.6	-8	4.2	3.1	5.0	4.5	4.7	5.0	5.4	5.5	5.6	5.5	.4	4.8	5.5
Real disposable pers. income <sup>5</sup>	.2	3.8	-3.5	-1	3.6	.3	3.2	3.7	1.0	4.1	4.4	4.3	.1	2.7	3.4
<i>Previous Greenbook<sup>5</sup></i>	.2	3.9	-3.4	1.0	1.9	2.6	3.4	3.7	1.8	3.9	4.2	4.3	.4	2.9	3.6
Personal saving rate <sup>3</sup>	3.7	4.9	3.3	3.3	3.6	3.2	3.4	3.7	3.3	3.5	3.7	3.8	3.3	3.7	3.8
<i>Previous Greenbook<sup>3</sup></i>	3.7	5.0	3.8	3.9	3.8	3.8	4.0	4.1	3.8	3.9	4.0	4.1	3.9	4.1	4.1
Corporate profits <sup>7</sup>	22.8	15.6	69.7	-29.5	105.5	6.5	10.2	6.2	6.7	4.3	5.7	5.7	14.2	26.5	5.6
Profit share of GNP <sup>3</sup>	8.3	8.6	9.7	8.8	10.4	10.5	10.6	10.6	10.7	10.7	10.7	10.7	8.8	10.6	10.7
Net federal saving <sup>8</sup>	-969	-1,294	-1,321	-1,212	-1,427	-1,359	-1,372	-1,370	-1,250	-1,217	-1,209	-1,183	-1,199	-1,382	-1,215
Net state & local saving <sup>8</sup>	-37	-25	-10	16	51	55	59	63	17	15	6	1	-14	57	9
Gross national saving rate <sup>3</sup>	11.2	10.1	9.7	10.1	10.1	10.3	10.7	11.1	11.3	11.7	11.9	12.2	10.1	11.1	12.2
Net national saving rate <sup>3</sup>	-2.5	-3.4	-3.4	-3.0	-2.9	-2.6	-2.2	-1.7	-1.5	-1.0	-.7	-.4	-3.0	-1.7	-.4

1. Change from fourth quarter of previous year to fourth quarter of year indicated, unless otherwise indicated.

2. Change, millions.

3. Percent, annual values are for the fourth quarter of the year indicated.

4. Percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.  
Annual values are for the fourth quarter of the year indicated.

5. Percent change, annual rate.

6. Level, millions, annual values are annual averages.

7. Percent change, annual rate, with inventory valuation and capital consumption adjustments.

8. Billions of dollars, annual values are annual averages.

## Other Macroeconomic Indicators

(Change from fourth quarter of previous year to fourth quarter of year indicated, unless otherwise noted)

Item	2003	2004	2005	2006	2007	2008	2009	2010	2011
<i>Employment and production</i>									
Nonfarm payroll employment <sup>1</sup>	-1	2.0	2.4	2.1	1.2	-2.3	-5.1	2.0	3.9
Unemployment rate <sup>2</sup>	5.8	5.4	4.9	4.4	4.8	6.9	10.1	9.5	8.2
<i>Previous Greenbook<sup>2</sup></i>	5.8	5.4	4.9	4.4	4.8	6.9	9.9	9.2	7.9
GDP gap <sup>3</sup>	-1.6	-7	-3	-3	-4	-4.8	-7.6	-6.4	-4.5
<i>Previous Greenbook<sup>3</sup></i>	-1.7	-8	-4	-4	-5	-4.6	-6.9	-5.6	-3.6
Industrial production <sup>4</sup>	1.6	3.0	2.6	1.8	1.8	-6.7	-5.0	4.9	6.7
<i>Previous Greenbook<sup>4</sup></i>	1.6	3.0	2.6	1.8	1.8	-6.7	-5.6	5.5	6.9
Manufacturing industr. prod. <sup>4</sup>	1.8	3.6	3.8	1.2	1.9	-8.7	-5.2	5.2	7.5
<i>Previous Greenbook<sup>4</sup></i>	1.8	3.6	3.8	1.2	1.9	-8.7	-5.7	5.6	7.7
Capacity utilization rate - mfg. <sup>2</sup>	74.6	77.3	79.2	79.0	78.7	70.9	68.1	72.8	79.0
<i>Previous Greenbook<sup>2</sup></i>	74.6	77.3	79.2	79.0	78.7	70.9	67.7	72.7	79.0
Housing starts <sup>5</sup>	1.8	2.0	2.1	1.8	1.4	.9	.6	.8	1.2
Light motor vehicle sales <sup>5</sup>	16.6	16.8	16.9	16.5	16.1	13.1	10.1	12.2	14.4
<i>Income and saving</i>									
Nominal GDP <sup>4</sup>	6.0	6.4	6.3	5.4	5.3	.1	.4	4.8	5.5
Real disposable pers. income <sup>4</sup>	3.9	3.5	.6	4.6	1.0	.3	.1	2.7	3.4
<i>Previous Greenbook<sup>4</sup></i>	3.9	3.5	.6	4.6	1.0	.3	.4	2.9	3.6
Personal saving rate <sup>2</sup>	3.6	3.6	1.5	2.5	1.5	3.8	3.3	3.7	3.8
<i>Previous Greenbook<sup>2</sup></i>	3.6	3.6	1.5	2.5	1.5	3.8	3.9	4.1	4.1
Corporate profits <sup>6</sup>	12.2	21.9	19.6	3.7	-5.7	-25.1	14.2	26.5	5.6
Profit share of GNP <sup>2</sup>	9.1	10.5	11.8	11.6	10.3	7.8	8.8	10.6	10.7
Net federal saving <sup>7</sup>	-376	-379	-283	-204	-236	-643	-1199	-1382	-1215
Net state & local saving <sup>7</sup>	-39	-8	26	51	22	-40	-14	57	9
Gross national saving rate <sup>2</sup>	14.3	14.3	15.5	16.3	13.8	12.2	10.1	11.1	12.2
Net national saving rate <sup>2</sup>	2.5	2.7	3.5	4.2	1.6	-7	-3.0	-1.7	-4

1. Change, millions.

2. Percent, values are for the fourth quarter of the year indicated.

3. Percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

Values are for the fourth quarter of the year indicated.

4. Percent change.

5. Level, millions, values are annual averages.

6. Percent change, with inventory valuation and capital consumption adjustments.

7. Billions of dollars, values are annual averages.

**Class II FOMC  
Restricted (FR)**

**Staff Projections of Federal Sector Accounts and Related Items**  
(Billions of dollars except as noted)

**October 29, 2009**

Item	Fiscal year				2009				2010				2011				
	2008 <sup>a</sup>	2009 <sup>a</sup>	2010	2011	Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Unified budget	Not seasonally adjusted																
	Receipts <sup>1</sup>	2524	2105	2192	2473	442	599	516	499	468	665	560	562	526	756	629	603
	Outlays <sup>1</sup>	2983	3522	3646	3660	891	904	847	876	962	916	892	922	932	903	904	922
	Surplus/deficit <sup>1</sup>	-459	-1417	-1454	-1187	-449	-305	-331	-378	-494	-251	-332	-359	-406	-147	-275	-319
	<i>Previous Greenbook</i>																
	On-budget	-459	-1431	-1419	-1149	-449	-305	-345	-423	-455	-228	-313	-352	-395	-136	-266	-317
	Off-budget	-642	-1554	-1547	-1312	-468	-382	-320	-420	-482	-321	-323	-408	-410	-223	-271	-366
		183	137	92	125	19	77	-11	42	-12	70	-9	49	4	76	-4	47
	Means of financing																
	Borrowing	768	1743	1499	1207	465	338	379	220	690	241	347	349	396	172	290	309
Cash decrease	-296	96	25	0	98	-49	43	191	-170	15	-10	15	15	-20	-10	15	
Other <sup>2</sup>	-13	-423	-70	-20	-114	16	-90	-34	-26	-5	-5	-5	-5	-5	-5	-5	
Cash operating balance, end of period	372	275	250	250	269	318	275	85	255	240	250	235	220	240	250	235	
NIPA federal sector	Seasonally adjusted annual rates																
Receipts	2534	2282	2348	2529	2251	2211	2217	2369	2310	2341	2373	2410	2527	2567	2611	2655	
Expenditures	3074	3346	3691	3790	3220	3506	3538	3581	3737	3700	3746	3781	3776	3784	3820	3838	
Consumption expenditures	914	973	1052	1089	954	979	1003	1020	1052	1065	1070	1072	1088	1095	1102	1107	
Defense	620	659	701	723	643	663	680	684	701	707	712	714	723	725	728	730	
Nondefense	294	314	351	366	311	316	322	336	351	358	358	357	365	369	373	378	
Other spending	2160	2374	2639	2701	2266	2527	2535	2561	2685	2635	2676	2709	2689	2689	2719	2731	
Current account surplus	-540	-1065	-1343	-1262	-969	-1294	-1321	-1212	-1427	-1359	-1372	-1370	-1250	-1217	-1209	-1183	
Gross investment	141	158	165	167	152	159	162	162	164	166	167	167	166	167	167	166	
Gross saving less gross investment <sup>3</sup>	-563	-1099	-1377	-1292	-999	-1330	-1356	-1246	-1462	-1394	-1407	-1403	-1281	-1247	-1238	-1210	
Fiscal indicators <sup>4</sup>																	
High-employment (HEB) surplus/deficit	-491	-706	-844	-838	-639	-875	-846	-705	-920	-861	-888	-903	-811	-807	-832	-841	
Change in HEB, percent of potential GDP	1.8	1.3	0.7	-0.2	1.1	1.5	-0.2	-0.9	1.3	-0.4	0.1	0.1	-0.6	-0.1	0.1	0.0	
Fiscal impetus (FI), percent of GDP	0.8	1.0	1.0	-0.2	0.0	0.7	0.3	0.3	0.3	0.2	0.1	0.0	-0.2	-0.0	-0.1	-0.2	
<i>Previous Greenbook</i>	0.8	1.0	0.9	-0.0	0.0	0.7	0.2	0.3	0.2	0.2	0.1	0.1	0.1	-0.0	-0.1	-0.2	

1. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) categories. The OASDI surplus and the Postal Service surplus are excluded from the on-budget surplus and shown separately as off-budget, as classified under current law.

2. Other means of financing are checks issued less checks paid, accrued items, and changes in other financial assets and liabilities.

3. Gross saving is the current account surplus plus consumption of fixed capital of the general government as well as government enterprises.

4. HEB is gross saving less gross investment (NIPA) of the federal government in current dollars, with cyclically sensitive receipts and outlays adjusted to the staff's measure of potential output and the NAIRU. Quarterly figures for change in HEB and FI are not at annual rates. The sign on Change in HEB, as a percent of nominal potential GDP, is reversed. FI is the weighted difference of discretionary changes in federal spending and taxes in chained (2005) dollars, scaled by real GDP. The annual FI estimates are on a calendar year basis. Also, for FI and the change in HEB, positive values indicate aggregate demand stimulus.

a--Actual

**Class II FOMC Restricted (FR)** **Change in Debt of the Domestic Nonfinancial Sectors** **October 29, 2009**  
(Percent)

Period <sup>1</sup>	Total	Households			Business	State and local governments	Federal government	Memo: Nominal GDP
		Total	Home mortgages	Consumer credit				
<i>Year</i>								
2004	8.9	11.1	13.5	5.6	6.3	7.4	9.0	6.4
2005	9.5	11.1	13.2	4.5	8.8	10.2	7.0	6.3
2006	9.0	10.1	11.1	4.1	10.5	8.2	3.9	5.4
2007	8.7	6.6	6.6	5.7	13.4	9.3	4.9	5.3
2008	5.9	.2	-.7	1.6	5.3	1.9	24.2	.1
2009	4.0	-.8	.1	-5.4	-.8	5.2	22.1	.4
2010	5.9	.9	.6	.3	1.9	4.2	21.0	4.8
2011	5.3	2.3	1.0	6.7	3.2	4.0	12.4	5.5
<i>Quarter</i>								
2008:1	5.4	2.9	2.3	4.5	7.8	3.6	8.1	1.0
2	3.3	.2	-.5	4.1	6.4	.9	5.9	3.5
3	8.2	-.5	-2.5	.6	5.1	3.3	39.2	1.4
4	6.3	-1.8	-1.8	-2.9	1.7	-.2	37.0	-5.4
2009:1	4.1	-1.1	-.1	-3.7	-.0	4.5	22.6	-4.6
2	4.5	-1.7	-1.4	-6.5	-1.8	3.6	28.2	-.8
3	4.1	-.3	.9	-6.8	-1.5	5.4	20.7	4.2
4	2.8	.1	1.0	-5.2	.1	7.0	10.5	3.1
2010:1	7.3	.3	.5	-2.5	.8	4.2	30.1	5.0
2	5.3	.7	.5	-.4	1.7	4.1	18.0	4.5
3	5.2	1.0	.6	1.1	2.3	4.2	15.6	4.7
4	5.3	1.5	.7	3.0	2.8	4.2	14.4	5.0
2011:1	4.9	1.8	.8	4.5	2.8	4.0	12.3	5.4
2	5.3	2.1	.9	6.0	3.3	4.0	12.7	5.5
3	5.1	2.5	1.0	7.3	3.2	3.9	11.3	5.6
4	5.2	2.8	1.1	8.4	3.2	3.9	11.2	5.5

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 2009:Q2 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

2.6.3 FOF

**Class II FOMC Restricted (FR)** **Flow of Funds Projections: Highlights** **October 29, 2009**  
(Billions of dollars at seasonally adjusted annual rates except as noted)

Category	2008	2009	2010	2011	2009				2010				2011			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	1538.9	1338.0	1980.7	1840.5	1517.6	903.7	2537.7	1807.2	1757.5	1820.3	1726.4	1895.3	1840.5	1900.0		
Net equity issuance	-335.1	11.1	-75.0	-100.0	114.5	-80.0	-20.0	-80.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0		
Net debt issuance	1874.0	1326.9	2055.7	1940.5	1403.1	983.7	2557.7	1887.2	1857.5	1920.3	1826.4	1995.3	1940.5	2000.0		
Borrowing indicators																
Debt (percent of GDP) <sup>1</sup>	226.0	240.1	242.2	242.9	241.2	241.4	241.5	242.7	243.0	243.2	243.0	242.9	242.7	242.6		
Borrowing (percent of GDP)	13.0	9.3	13.9	12.4	9.8	6.8	17.5	12.8	12.5	12.7	11.9	12.9	12.3	12.6		
Households																
Net borrowing <sup>2</sup>	26.6	-103.8	118.8	318.7	-39.1	16.2	35.2	97.0	143.6	199.4	248.1	294.4	346.3	386.0		
Home mortgages	-68.5	10.7	61.7	102.1	95.0	104.5	47.5	57.0	66.5	76.0	85.5	95.0	109.2	118.7		
Consumer credit	40.2	-140.9	7.4	165.0	-173.0	-128.8	-60.7	-8.9	26.7	72.5	111.7	148.1	185.3	215.1		
Debt/DPI (percent) <sup>3</sup>	127.4	126.3	122.5	119.5	125.7	125.1	123.5	123.1	122.0	120.9	120.8	119.8	118.9	118.2		
Business																
Financing gap <sup>4</sup>	231.4	-178.8	-207.0	-74.7	-284.3	-239.2	-235.5	-228.9	-202.3	-161.5	-121.4	-86.4	-58.2	-32.9		
Net equity issuance	-335.1	11.1	-75.0	-100.0	114.5	-80.0	-20.0	-80.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0		
Credit market borrowing	566.6	-89.9	209.4	356.9	-167.5	12.0	87.2	188.2	253.0	309.3	320.5	375.1	364.4	367.5		
State and local governments																
Net borrowing	41.6	116.8	99.8	97.8	123.1	161.8	97.8	97.8	101.8	101.8	97.8	97.8	97.8	97.8		
Current surplus <sup>5</sup>	212.7	222.9	274.9	232.3	204.5	231.2	267.2	272.1	277.3	283.1	237.9	236.8	229.2	225.5		
Federal government																
Net borrowing	1239.2	1402.9	1627.7	1167.2	1486.6	793.7	2337.5	1504.2	1359.2	1309.8	1160.0	1228.0	1132.0	1148.8		
Net borrowing (n.s.a.)	1239.2	1402.9	1627.7	1167.2	378.7	220.4	690.4	241.1	346.8	349.5	396.0	172.0	290.0	309.2		
Unified deficit (n.s.a.)	680.5	1462.2	1436.1	1147.2	330.8	377.6	493.9	251.0	331.8	359.5	406.0	147.0	275.0	319.2		
<i>Depository institutions</i>																
Funds supplied	415.1	-465.7	77.4	89.3	-774.8	-70.9	-399.2	104.0	-610.5	1215.4	-77.9	-180.2	411.7	203.7		

Note. Data after 2009:Q2 are staff projections.

1. Average debt levels in the period (computed as the average of period-end debt positions) divided by nominal GDP.

2. Includes change in liabilities not shown in home mortgages and consumer credit.

3. Average debt levels in the period (computed as the average of period-end debt positions) divided by disposable personal income.

4. For corporations, excess of capital expenditures over U.S. internal funds.

5. NIPA state and local government saving plus consumption of fixed capital and net capital transfers.

n.s.a. Not seasonally adjusted.

2.6.4 FOF

**Summary of Staff Projections**

(Percent change from end of previous period, annual rate, except as noted)

Indicator	2009		Projection			
			2009		2010	2011
	Q1	Q2	Q3	Q4		
Foreign output	-8.6	1.7	4.4	3.6	3.6	4.1
Previous Greenbook	-8.6	1.7	3.8	3.2	3.5	4.1
Foreign CPI	-1.0	1.0	1.5	2.0	1.7	1.8
Previous Greenbook	-1.0	1.0	1.7	1.7	1.6	1.8
Contribution to growth (percentage points)						
U.S. net exports	2.6	1.6	-.6	.1	.0	-.1
Previous Greenbook	2.6	1.6	-.2	-.1	-.2	-.2

Note: Changes for years measured as Q4/Q4.

We estimate that the contribution of net exports to real GDP growth was about negative ½ percentage point in the third quarter, with exports and imports both up sharply following second-quarter declines. In the fourth quarter, we expect net exports to add slightly to growth as the improvement in foreign activity and previous declines in the dollar provide substantial support to exports. For the remainder of the forecast period, we expect export growth of nearly 9 percent at an annual rate and import growth averaging about 7½ percent. These increases are considerably faster than projected GDP growth both here and abroad, consistent with the typical pattern during cyclical recoveries. Although export growth is projected to outpace that of imports, net exports are expected to make a very small negative contribution to GDP growth over this period because of the higher level of imports. Relative to the September Greenbook, our projection for the contribution is a little less negative on average, as a result of the slightly lower path for the dollar.

**International Financial Markets**

Since the September Greenbook, the dollar has declined about ½ percent on net against the major foreign currencies. During the first several weeks of the period an apparent increase in risk appetite and better prospects for global economic activity, combined with some stabilization in funding conditions, seemed to foster further unwinding of the crisis-



We expect fiscal stimulus to continue to boost economic growth in the second half of this year across the major foreign economies but to have a minimal impact next year and to subtract some from AFE growth in 2011.

**Staff Projections for Foreign GDP Growth by Region**  
(Percent change from end of previous period, annual rate)

Indicator	2009		Projection			
			2009		2010	2011
	Q1	Q2	Q3	Q4		
Advanced Foreign Economies	-7.9	-1.6	1.8	2.5	2.6	3.2
Previous Greenbook	-7.8	-1.5	2.1	2.1	2.5	3.2
Emerging Market Economies	-9.6	6.0	7.7	5.0	4.9	5.2
Previous Greenbook	-9.6	6.0	6.2	4.5	4.7	5.2

Note: Changes for years measured as Q4/Q4.

### Emerging Market Economies

We estimate that economic growth in the EMEs picked up to a 7¾ percent pace in the third quarter, somewhat higher than projected in the September Greenbook. Although growth in emerging Asia moved down from its very rapid second-quarter pace, it did not slow quite as much as we had anticipated. Meanwhile, the Latin American economies are showing greater strength than previously projected.

Third-quarter GDP growth appears to have remained quite robust across emerging Asia. Based on official data, we estimate that China's real GDP grew at a 9¾ percent annual rate in the third quarter, a sharp deceleration from the second-quarter pace but still above trend. Korean real GDP increased at a 12 percent annual rate in the third quarter, as the pace of inventory decumulation slowed and exports continued to rise. Singapore's preliminary GDP release suggests that real GDP grew at a 15 percent annual rate in the third quarter. We continue to project that emerging Asia's growth will ease to about 6 percent in the fourth quarter and beyond, as the Chinese authorities gradually withdraw policy support and the temporary lift provided by the turn in the inventory cycle dissipates.

Economic conditions have improved in Latin America. We estimate that the Mexican economy rebounded at a 7¾ percent annual rate in the third quarter following a severe contraction in the first half of the year. This estimate is higher than our projection in the

### Prices of Internationally Traded Goods

Core import price inflation turned positive in the third quarter following three quarters of decline, boosted by both a weaker dollar and the effect of increases in prices of commodities on the cost of material-intensive imports. We expect core import prices to rise at an annual rate of 4½ percent in the current quarter, reflecting continued dollar depreciation as well as recent increases in commodity prices. Further out, we project increases of about 1¼ percent on average in 2010 and 2011 as the dollar depreciates only modestly and commodity prices flatten out.

Core export prices rose at an annual rate of 5.3 percent in the third quarter of this year, partly reflecting the rebound in commodity prices. Prices for industrial supplies, capital goods, and consumer goods rose, while prices of automotive and agricultural products declined. We project core export prices to increase at around 4½ percent in the fourth quarter, before decelerating to 2 percent in 2010 and to just above 1 percent in 2011, consistent with the projected path for commodity prices.

### Staff Projections of Selected Trade Prices

(Percent change from end of previous period, annual rate, except as noted)

Trade category	2009		Projection			
			2009		2010	2011
	Q1	Q2	Q3	Q4		
<i>Imports</i>						
Core goods	-9.4	-2.3	1.0	4.4	1.5	1.0
Previous Greenbook	-9.4	-2.4	3.5	3.5	1.3	1.0
Oil (dollars per barrel)	41.58	53.71	65.34	74.10	79.11	81.49
Previous Greenbook	41.58	53.71	64.56	64.68	70.58	72.72
<i>Exports</i>						
Core goods	-12.5	2.4	5.3	4.5	2.1	1.2
Previous Greenbook	-12.5	2.6	4.0	3.2	1.9	1.2

Note: Prices for core exports exclude computers and semiconductors. Prices for core imports exclude computers, semiconductors, oil, and natural gas. Both prices are on a national income and product account chain-weighted basis.

The price of imported oil for multiquarter periods is the price for the final quarter of the period. Imported oil includes both crude oil and refined products.

### Trade in Goods and Services

Although August data were somewhat weaker than we had expected for both exports and imports, the readings are still consistent with a strong cyclical rebound in trade in the third quarter. We now estimate that real exports of goods and services rose nearly 15 percent at an annual rate in the third quarter, about 6 percentage points lower than in the September Greenbook. We expect real exports to continue to recover over the forecast period, increasing at an average annual rate of almost 9 percent. Projected increases in exports are driven by recent and expected declines in the dollar, solid foreign GDP growth, and a cyclical snapback in the ratio of trade to GDP. Beyond the current quarter, this forecast is somewhat higher than in the September Greenbook, mainly due to the lower path of the dollar.

Real imports of goods and services are estimated to have increased about 16 percent at an annual rate in the third quarter, boosted notably by a sharp rebound in imports of automotive products in July and August. This estimate is 2 percentage points lower than in the September Greenbook. For the remainder of the forecast period, we expect imports to grow about 7½ percent on average, supported by continued U.S. GDP growth and the cyclical recovery in trade. This projection is about ½ percentage point lower than in the previous Greenbook, owing in part to our lower path for the dollar.

**Staff Projections for  
Trade in Goods and Services**  
(Percent change from end of previous period, annual rate)

Measure	2009		Projection			
			2009		2010	2011
	Q1	Q2	Q3	Q4		
Real imports	-36.4	-14.7	16.3	6.4	7.0	7.7
Previous Greenbook	-36.4	-14.8	18.4	7.2	8.0	8.0
Real exports	-29.9	-4.1	14.7	9.6	8.7	8.8
Previous Greenbook	-29.9	-4.6	20.9	8.1	8.2	8.6

Note: Changes for years are measured as Q4/Q4.

**Alternative Scenario:  
Dollar Depreciation**

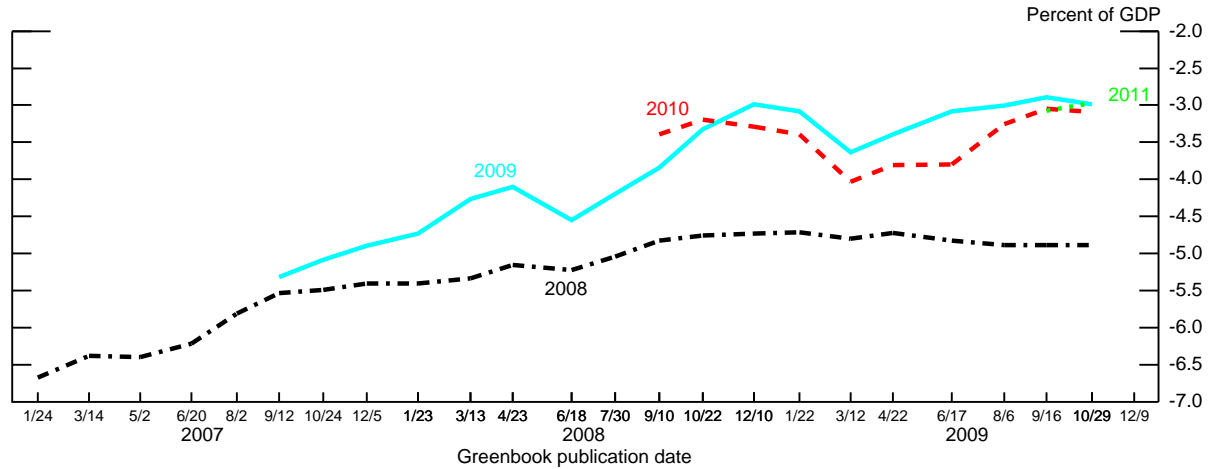
(Percent change from previous period, annual rate, except as noted)

Indicator and simulation	2009	2010		2011	2012-13
	H2	H1	H2		
<i>U.S. real GDP</i>					
Baseline	3.1	3.2	3.7	4.4	4.9
Dollar Depreciation	3.2	3.8	4.7	4.6	4.8
Stronger EME Demand	3.6	4.0	4.1	4.4	4.8
<i>U.S. PCE prices (excluding food and energy)</i>					
Baseline	1.3	1.0	1.1	1.0	1.2
Dollar Depreciation	1.5	1.6	1.7	1.2	1.4
Stronger EME Demand	1.7	1.3	1.3	1.1	1.3
<i>U.S. federal funds rate (percent)</i>					
Baseline	.1	.1	.1	.1	3.5
Dollar Depreciation	.1	.1	.1	1.0	4.1
Stronger EME Demand	.1	.1	.1	.5	3.8
<i>U.S. trade balance (percent share of GDP)</i>					
Baseline	-3.0	-3.0	-2.9	-2.9	-2.7
Dollar Depreciation	-2.8	-2.2	-1.7	-1.8	-1.9
Stronger EME Demand	-2.7	-2.6	-2.5	-2.6	-2.6

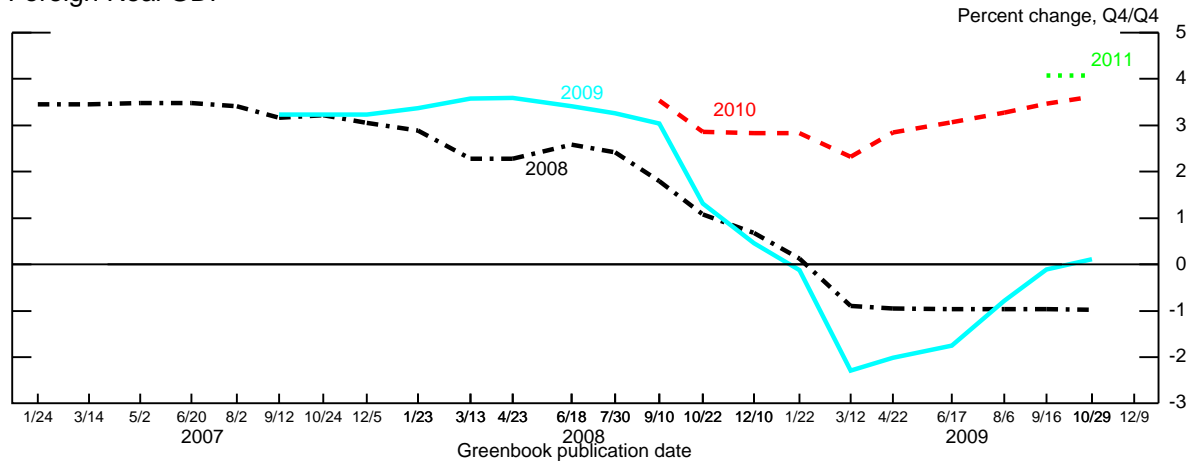
Note: H1 is Q2/Q4; H2 is Q4/Q2. U.S. real GDP and U.S. PCE prices are the average rates over the period. The federal funds rate and the trade balance are the values for the final quarter of the period.

## Evolution of the Staff Forecast

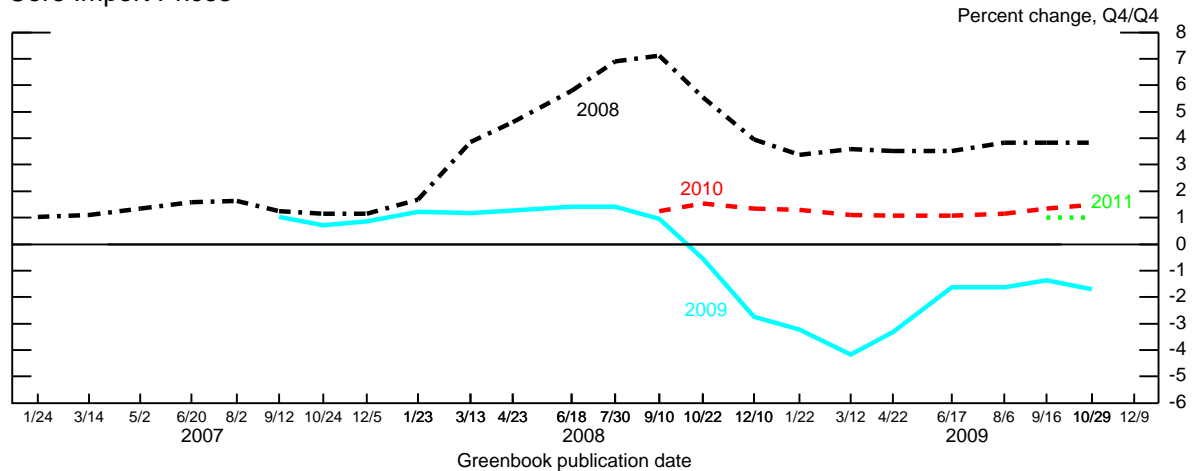
Current Account Balance



Foreign Real GDP



Core Import Prices\*



\*Prices for merchandise imports excluding computers, semiconductors, oil, and natural gas.

October 29, 2009

OUTLOOK FOR FOREIGN REAL GDP AND CONSUMER PRICES: SELECTED COUNTRIES  
(Percent changes)

Measure and country	2009				Projected 2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Quarterly changes at an annual rate											
REAL GDP (1)												
Total Foreign	-8.6	1.7	4.4	3.6	3.3	3.5	3.7	3.9	4.0	4.1	4.1	4.1
Advanced Foreign Economies	-7.9	-1.6	1.8	2.5	2.3	2.6	2.7	2.9	3.1	3.2	3.3	3.3
of which:												
Canada	-6.1	-3.4	2.0	3.3	3.1	3.1	3.3	3.3	3.8	3.8	3.9	3.9
Japan	-12.4	2.3	4.2	2.5	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0
United Kingdom	-9.6	-2.3	-1.6	2.4	1.9	2.5	2.8	3.0	3.0	3.0	3.2	3.2
Euro Area (2)	-9.6	-0.7	1.8	1.6	1.6	2.0	2.3	2.6	2.7	2.8	3.0	3.0
Germany	-13.4	1.3	2.7	2.4	2.1	2.2	2.4	2.7	2.8	3.0	3.5	3.6
Emerging Market Economies	-9.6	6.0	7.7	5.0	4.7	4.8	5.0	5.2	5.1	5.2	5.2	5.2
Asia	-2.7	14.3	9.3	5.7	5.8	5.8	5.9	6.1	6.0	6.0	6.1	6.0
Korea	0.5	11.0	12.3	3.8	3.8	4.4	4.4	4.4	4.4	4.4	4.4	4.4
China	6.5	18.5	9.8	10.0	8.8	8.2	8.2	8.5	8.6	8.7	8.8	8.8
Latin America	-16.7	-1.8	6.7	4.5	3.7	4.0	4.2	4.4	4.3	4.3	4.3	4.3
Mexico	-21.2	-4.4	7.8	4.7	3.5	4.0	4.2	4.5	4.5	4.5	4.5	4.5
Brazil	-3.8	7.8	6.0	4.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
CONSUMER PRICES (3)												
Total Foreign	1.8	0.9	0.2	0.9	1.5	1.7	1.8	1.7	1.7	1.8	1.8	1.8
Advanced Foreign Economies	1.0	0.0	-0.8	-0.0	0.6	0.9	1.1	1.0	1.0	1.1	1.1	1.2
of which:												
Canada	1.2	0.1	-0.9	0.3	0.9	1.2	1.5	1.5	1.6	1.7	1.7	1.8
Japan	-0.1	-1.0	-2.2	-1.7	-1.1	-0.9	-0.6	-0.7	-0.7	-0.6	-0.6	-0.6
United Kingdom (4)	3.0	2.1	1.5	2.0	2.6	2.4	1.9	1.7	1.2	1.4	1.6	1.8
Euro Area (2)	1.0	0.2	-0.4	0.3	0.9	1.2	1.4	1.2	1.2	1.2	1.3	1.3
Germany	0.8	0.2	-0.4	0.3	0.6	0.9	1.2	1.0	1.1	1.1	1.1	1.1
Emerging Market Economies	2.7	1.6	1.2	1.7	2.4	2.5	2.4	2.4	2.4	2.5	2.5	2.5
Asia	1.0	-0.3	-0.5	0.6	1.8	2.2	2.2	2.1	2.1	2.2	2.2	2.2
Korea	3.9	2.8	2.0	2.0	2.1	2.0	2.0	2.2	2.2	2.3	2.3	2.3
China	-0.6	-1.5	-1.3	-0.2	1.3	1.7	1.8	1.7	1.7	1.8	1.9	1.9
Latin America	6.3	5.9	4.9	4.0	3.6	2.9	2.9	2.9	3.0	3.0	3.0	3.0
Mexico	6.2	6.0	5.1	4.0	3.5	2.7	2.5	2.5	2.5	2.5	2.5	2.5
Brazil	5.9	5.3	4.3	4.1	3.8	3.5	3.6	3.7	3.7	3.7	3.7	3.7

1. Foreign GDP aggregates calculated using shares of U.S. exports.
2. Harmonized data for euro area from Eurostat.
3. Foreign CPI aggregates calculated using shares of U.S. non-oil imports.
4. CPI excluding mortgage interest payments, which is the targeted inflation rate.

OUTLOOK FOR FOREIGN REAL GDP AND CONSUMER PRICES: SELECTED COUNTRIES  
(Percent, Q4 to Q4)

1. Foreign GDP aggregates calculated using shares of U.S. exports.
2. Harmonized data for euro area from Eurostat.
3. Foreign CPI aggregates calculated using shares of U.S. non-oil imports.
4. CPI excluding mortgage interest payments, which is the targeted inflation rate.

October 29, 2009

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2003	2004	2005	2006	2007	2008	----- 2009	Projected 2010	----- 2011
NIPA REAL EXPORTS and IMPORTS									
	Percentage point contribution to GDP growth, Q4/Q4								
Net Goods & Services	-0.1	-0.9	-0.2	0.4	1.0	0.7	1.0	-0.0	-0.1
Exports of G&S	0.6	0.7	0.7	1.1	1.2	-0.4	-0.5	1.0	1.0
Imports of G&S	-0.7	-1.6	-0.8	-0.7	-0.2	1.2	1.5	-1.0	-1.1
	Percentage change, Q4/Q4								
Exports of G&S	6.2	7.1	6.7	10.2	10.2	-3.4	-4.1	8.7	8.8
Services	4.3	9.1	3.6	12.0	13.0	-3.5	-1.6	6.0	5.9
Computers	11.3	5.8	14.2	8.4	1.3	-2.4	5.0	9.5	9.5
Semiconductors	38.3	-6.0	17.6	2.1	29.1	-12.7	19.5	11.0	11.0
Core Goods 1/	4.8	7.2	7.2	9.9	8.4	-3.1	-6.6	10.1	10.2
Imports of G&S	5.1	10.9	5.2	4.1	0.9	-6.8	-9.5	7.0	7.7
Services	3.3	8.8	2.3	7.1	2.0	0.2	-3.5	3.9	5.9
Oil	1.3	10.7	1.3	-8.2	0.0	0.3	-10.7	-2.9	-0.8
Natural Gas	1.3	4.9	13.7	-10.1	13.4	-24.0	4.8	8.6	0.9
Computers	17.1	23.2	12.5	14.3	8.8	-11.3	14.5	15.5	15.5
Semiconductors	-0.1	9.8	7.5	-0.8	3.6	-9.7	7.2	5.0	5.0
Core Goods 2/	5.3	10.9	5.8	5.8	0.2	-9.8	-12.8	10.1	10.0
	Billions of Chained 2000 Dollars								
Net Goods & Services	-603.9	-688.0	-722.7	-729.2	-647.7	-494.3	-352.0	-341.8	-349.2
Exports of G&S	1116.8	1222.8	1305.1	1422.0	1546.1	1629.3	1456.6	1582.7	1723.1
Imports of G&S	1720.7	1910.8	2027.8	2151.2	2193.8	2123.5	1808.5	1924.5	2072.3
	Billions of dollars								
US CURRENT ACCOUNT BALANCE	-521.5	-631.1	-748.7	-803.5	-726.6	-706.1	-426.0	-457.9	-464.4
Current Acct as Percent of GDP	-4.7	-5.3	-5.9	-6.0	-5.2	-4.9	-3.0	-3.1	-3.0
Net Goods & Services (BOP)	-495.0	-610.0	-715.3	-760.4	-701.4	-695.9	-378.0	-439.0	-453.5
Investment Income, Net	51.0	73.4	78.8	54.7	97.9	125.5	83.9	108.9	117.0
Direct, Net	112.7	150.9	173.2	174.0	236.7	249.9	205.0	230.8	252.0
Portfolio, Net	-61.7	-77.5	-94.4	-119.4	-138.8	-124.3	-121.1	-121.9	-135.0
Other Income & Transfers, Net	-77.5	-94.5	-112.2	-97.9	-123.1	-135.7	-131.9	-127.9	-127.9

1. Merchandise exports excluding computers and semiconductors.

2. Merchandise imports excluding oil, natural gas, computers, and semiconductors.



## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
	Percentage point contribution to GDP growth											
Net Goods & Services	0.4	0.0	-0.7	1.9	-0.3	0.7	1.4	2.2	0.4	2.4	-0.1	0.5
Exports of G&S	1.6	0.7	0.1	1.8	0.4	0.6	2.0	1.6	-0.0	1.5	-0.5	-2.7
Imports of G&S	-1.2	-0.7	-0.8	0.1	-0.7	0.1	-0.6	0.6	0.4	0.9	0.4	3.1
	Percentage change from previous period, s.a.a.r.											
Exports of G&S	16.5	6.9	0.6	17.8	3.5	5.2	18.5	14.5	-0.1	12.1	-3.6	-19.5
Services	13.6	5.6	1.5	29.1	4.7	2.8	27.2	19.2	-9.0	7.8	-7.7	-4.3
Computers	18.1	8.9	-9.6	19.0	11.6	-15.4	11.5	0.0	8.7	33.5	1.3	-38.3
Semiconductors	22.1	19.5	-14.2	-13.3	23.7	26.3	4.7	69.9	15.0	-3.8	6.5	-50.7
Core Goods 1/	17.6	6.7	1.6	14.5	1.5	6.4	15.4	10.8	3.5	14.3	-2.2	-23.7
Imports of G&S	7.8	4.5	4.9	-0.5	4.3	-0.5	3.7	-3.6	-2.5	-5.0	-2.2	-16.7
Services	16.1	1.8	1.3	10.0	0.4	2.1	8.6	-2.9	3.0	-7.1	6.1	-0.9
Oil	-20.8	5.0	22.1	-30.1	0.8	14.7	-3.4	-10.4	-1.5	-9.3	2.7	10.3
Natural Gas	-50.2	80.0	26.1	-42.2	52.8	54.0	36.5	-48.5	-5.0	-38.2	12.2	-49.5
Computers	24.8	13.0	17.3	3.1	39.0	-15.4	-2.2	21.6	12.7	8.6	-15.9	-39.9
Semiconductors	2.4	-2.8	17.4	-17.3	7.3	2.6	-0.4	4.9	5.6	8.9	-6.3	-38.2
Core Goods 2/	14.0	3.1	0.6	5.8	3.1	-3.6	4.1	-2.5	-5.1	-3.2	-5.1	-24.2
	Billions of Chained 2000 Dollars, s.a.a.r.											
Net Goods & Services	-732.6	-732.8	-756.5	-694.9	-705.0	-683.4	-638.4	-564.0	-550.9	-476.0	-479.2	-470.9
Exports of G&S	1388.8	1412.1	1414.1	1473.2	1485.9	1504.8	1569.9	1624.0	1623.4	1670.4	1655.2	1568.0
Imports of G&S	2121.3	2144.9	2170.5	2168.1	2190.8	2188.1	2208.3	2188.0	2174.3	2146.5	2134.4	2038.9
	Billions of dollars, s.a.a.r.											
US CURRENT ACCOUNT BALANCE	-794.6	-808.3	-859.2	-752.1	-796.4	-762.1	-686.5	-661.3	-717.2	-750.9	-736.7	-619.5
Current Account as % of GDP	-6.0	-6.1	-6.4	-5.5	-5.8	-5.4	-4.8	-4.6	-5.0	-5.2	-5.1	-4.3
Net Goods & Services (BOP)	-766.5	-764.7	-797.2	-713.1	-712.2	-710.2	-685.9	-697.4	-730.6	-731.4	-743.8	-578.0
Investment Income, Net	62.4	57.7	44.0	54.6	45.8	58.2	120.7	167.0	154.0	112.3	143.7	92.1
Direct, Net	173.9	175.2	163.1	183.9	186.7	204.4	252.7	303.0	284.6	241.9	268.0	205.1
Portfolio, Net	-111.5	-117.5	-119.1	-129.3	-140.9	-146.2	-132.0	-136.0	-130.6	-129.6	-124.2	-113.0
Other Inc. & Transfers, Net	-90.5	-101.3	-106.0	-93.6	-130.0	-110.1	-121.3	-130.9	-140.6	-131.8	-136.7	-133.6

1. Merchandise exports excluding computers and semiconductors.

2. Merchandise imports excluding oil, natural gas, computers, and semiconductors.

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

October 29, 2009

	2009				Projected				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
	Percentage point contribution to GDP growth											
Net Goods & Services	2.6	1.7	-0.6	0.1	-0.1	0.2	-0.1	-0.0	-0.3	-0.0	-0.1	0.0
Exports of G&S	-4.0	-0.5	1.5	1.0	0.9	0.9	1.0	1.1	1.0	1.0	1.0	1.1
Imports of G&S	6.6	2.1	-2.0	-0.9	-1.0	-0.8	-1.1	-1.1	-1.3	-1.0	-1.1	-1.1
	Percentage change from previous period, s.a.a.r.											
Exports of G&S	-29.9	-4.1	14.7	9.6	8.2	8.5	8.9	9.4	8.9	8.5	8.5	9.1
Services	-13.6	0.1	2.8	5.5	5.2	5.8	6.3	6.7	6.3	5.8	5.7	5.7
Computers	-14.0	-10.8	30.2	21.4	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Semiconductors	-17.1	27.7	61.7	19.3	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Core Goods 1/	-38.3	-7.2	19.7	11.1	9.6	9.9	10.2	10.8	10.2	9.9	9.9	10.9
Imports of G&S	-36.4	-14.7	16.3	6.4	7.4	5.5	7.5	7.7	8.9	7.1	7.6	7.3
Services	-11.5	-7.5	2.8	3.1	6.4	-0.1	4.2	5.1	5.5	5.9	6.0	6.1
Oil	-15.9	-21.9	1.4	-4.5	-3.4	-4.5	-1.4	-2.3	3.9	-4.6	-1.0	-1.4
Natural Gas	5.9	-2.4	-17.6	41.6	41.3	-13.3	30.6	-12.9	9.6	-15.9	27.2	-11.6
Computers	-22.3	24.7	57.3	12.9	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Semiconductors	-47.8	24.7	57.0	29.2	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Core Goods 2/	-46.7	-18.6	21.7	9.2	9.6	9.7	10.0	10.9	10.8	10.3	9.3	9.5
	Billions of Chained 2000 Dollars, s.a.a.r.											
Net Goods & Services	-386.5	-330.4	-348.3	-342.7	-345.9	-339.7	-340.8	-340.7	-348.0	-348.3	-351.0	-349.7
Exports of G&S	1434.5	1419.5	1469.1	1503.2	1533.0	1564.7	1598.4	1634.6	1669.9	1704.5	1739.7	1778.1
Imports of G&S	1821.0	1749.8	1817.3	1845.9	1879.0	1904.4	1939.2	1975.3	2017.9	2052.8	2090.7	2127.8
	Billions of dollars, s.a.a.r.											
US CURRENT ACCOUNT BALANCE	-417.8	-395.2	-436.1	-455.1	-476.0	-452.3	-453.5	-449.9	-472.0	-456.2	-464.9	-464.6
Current Account as % of GDP	-2.9	-2.8	-3.1	-3.2	-3.3	-3.1	-3.0	-3.0	-3.1	-2.9	-3.0	-2.9
Net Goods & Services (BOP)	-369.6	-332.0	-383.3	-427.2	-441.0	-435.4	-438.4	-441.3	-453.4	-451.8	-454.6	-454.4
Investment Income, Net	80.4	72.8	86.7	95.7	102.5	106.5	111.9	114.9	118.8	119.0	116.7	113.3
Direct, Net	204.8	196.8	204.8	213.6	220.6	227.9	234.4	240.3	246.8	251.3	254.0	255.8
Portfolio, Net	-124.4	-124.0	-118.1	-117.9	-118.2	-121.4	-122.6	-125.3	-128.0	-132.3	-137.3	-142.4
Other Inc. & Transfers, Net	-128.6	-135.9	-139.5	-123.6	-137.5	-123.4	-127.0	-123.6	-137.5	-123.4	-127.0	-123.6

1. Merchandise exports excluding computers and semiconductors.

2. Merchandise imports excluding oil, natural gas, computers, and semiconductors.

## **Part 2**

Qevqdt'4: , 2009

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Recent Developments**

Qevqdt'4: , 2009

## **Recent Developments**

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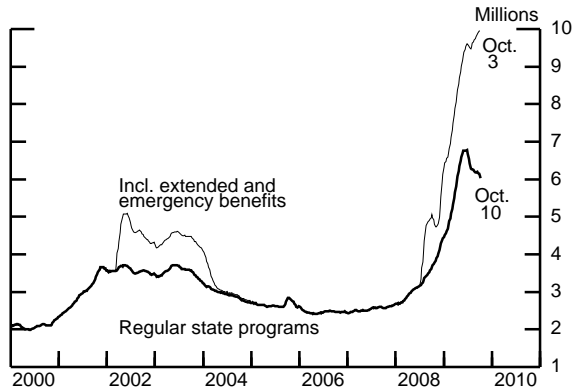
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## **Domestic Nonfinancial Developments**

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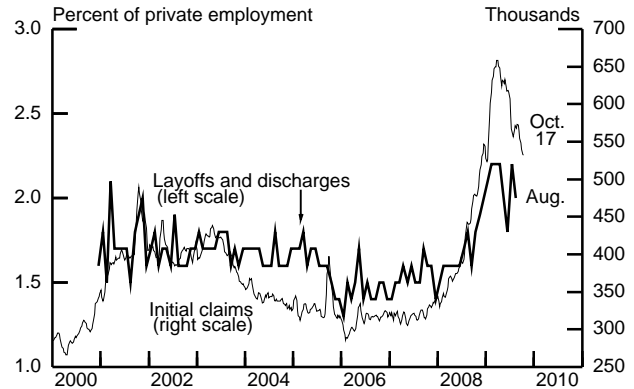
## Labor Market Indicators

### Insured Unemployment



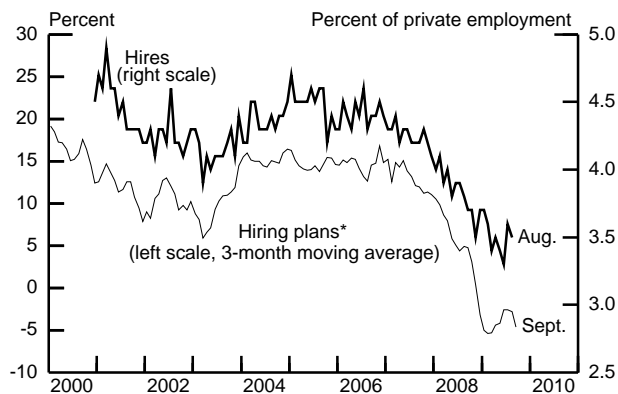
Note: 4-week moving averages.  
Source: U.S. Dept. of Labor, Employment and Training Administration.

### Layoffs and Initial Claims



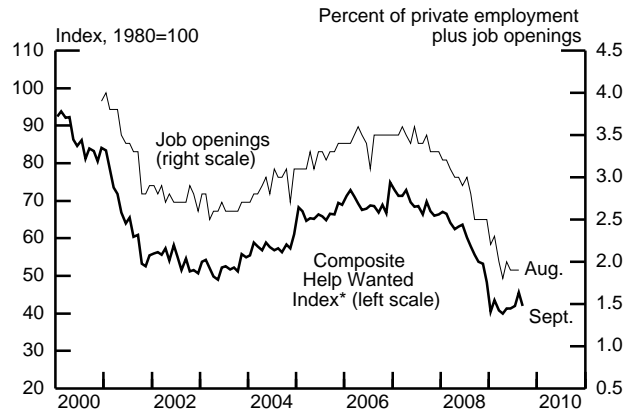
Note: Data for initial claims are 4-week moving averages.  
Source: For layoffs and discharges, Job Openings and Labor Turnover Survey; for initial claims, U.S. Dept. of Labor, Employment and Training Administration.

### Hiring and Hiring Plans



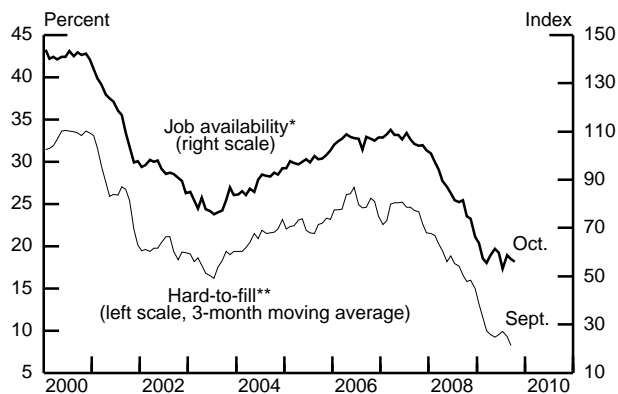
\*Percent planning an increase in employment minus percent planning a reduction. Seasonally adjusted by FRB staff.  
Source: For hires, Job Openings and Labor Turnover Survey; for hiring plans, National Federation of Independent Business.

### Job Openings



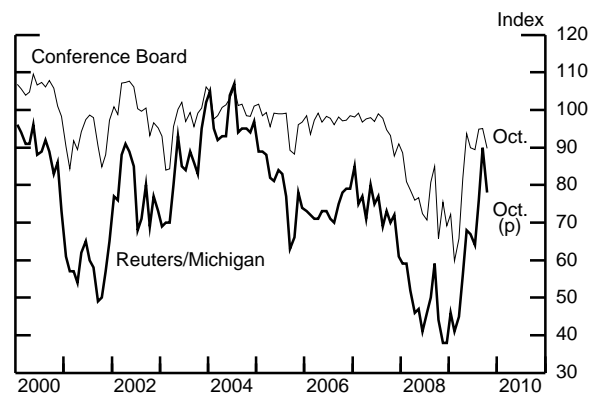
\*Index of staff composite help wanted advertising as a percent of payroll employment.  
Source: For job openings, Job Openings and Labor Turnover Survey; for Help Wanted Index, Conference Board and staff calculations.

### Job Availability and Hard-to-Fill Positions



\*Proportion of households believing jobs are plentiful, minus the proportion believing jobs are hard to get, plus 100.  
\*\*Percent of small businesses surveyed with at least one "hard-to-fill" job opening. Seasonally adjusted by FRB staff.  
Source: For job availability, Conference Board; for hard-to-fill, National Federation of Independent Business.

### Expected Labor Market Conditions

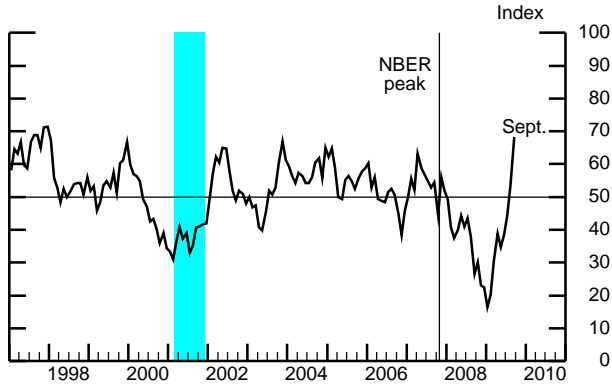


Note: The proportion of households expecting labor market conditions to improve, minus the proportion expecting conditions to worsen, plus 100.  
p Preliminary.

Source: Conference Board; Reuters/University of Michigan Surveys of Consumers.

## Indicators of Industrial Activity

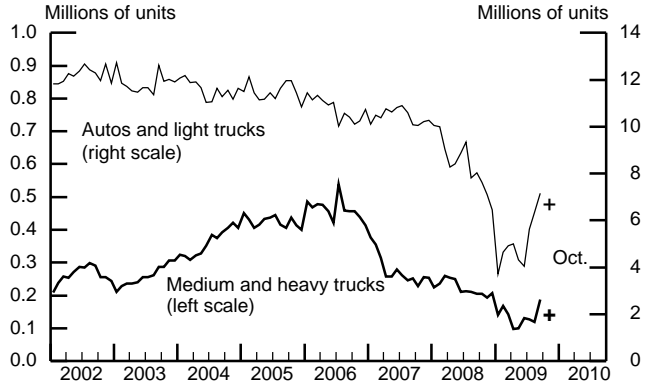
IP Diffusion Index



Note: The diffusion index equals the percentage of series that increased relative to 3 months earlier plus one-half the percentage that were unchanged.

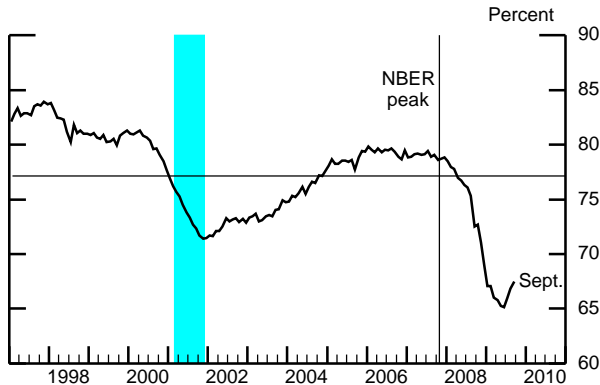
Source: Federal Reserve, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Motor Vehicle Assemblies



Note: October values are based on latest industry schedules.  
Source: Ward's Communications.

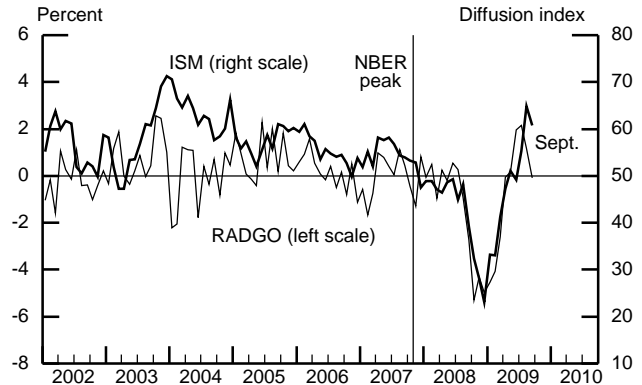
Manufacturing Capacity Utilization



Note: Horizontal line is 1972-2008 average.

Source: Federal Reserve, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

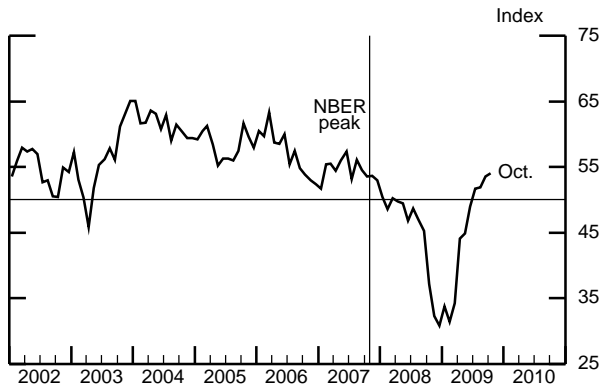
ISM New Orders Diffusion Index and  
Change in Real Adjusted Durable Goods Orders



Note: The measure for real adjusted durable goods orders (RADGO) is a 3-month moving average.

Source: Institute for Supply Management (ISM). RADGO is compiled by FRB staff based on data from the Bureau of Labor Statistics and the U.S. Census Bureau.

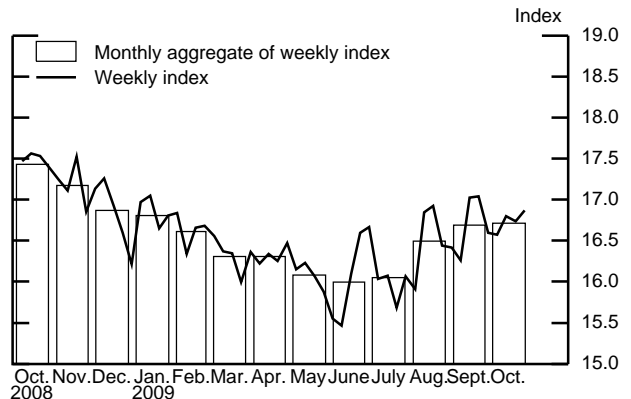
New Orders: Regional Survey Average



Note: The regional average includes new orders indexes from the Chicago, Dallas, Kansas City, New York (Empire State), Philadelphia, and Richmond surveys.

Source: Federal Reserve.

Weekly Production Index  
excluding Motor Vehicles



Note: One index point equals 1 percent of 2002 total industrial output.

Source: Federal Reserve, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

### Production of Domestic Light Vehicles

(Millions of units at an annual rate except as noted)

Item	2009				2009			
	Q1	Q2	Q3	Q4	June	July	Aug.	Sept.
U.S. production <sup>1</sup>	4.4	4.5	6.4	6.8	4.1	5.6	6.3	7.1
Autos	1.7	1.9	2.5	2.7	1.9	2.2	2.5	2.8
Light trucks	2.8	2.5	3.8	4.0	2.2	3.4	3.8	4.3
Days' supply <sup>2</sup>	93	70	50	n.a.	70	55	36	63
Autos	93	78	46	n.a.	76	55	32	59
Light trucks	93	64	55	n.a.	64	55	40	66
Inventories <sup>3</sup>	2.05	1.63	1.38	n.a.	1.63	1.50	1.20	1.38
Autos	.92	.82	.63	n.a.	.82	.75	.56	.63
Light trucks	1.13	.81	.75	n.a.	.81	.75	.64	.75
Memo: U.S. production, total motor vehicles <sup>4</sup>	4.6	4.6	6.5	7.0	4.2	5.7	6.5	7.3

Note: FRB seasonals. Components may not sum to totals because of rounding.

1. Production rates for the fourth quarter of 2009 reflect the latest industry schedules.

2. Quarterly values are calculated with end-of-period stocks and average reported sales.

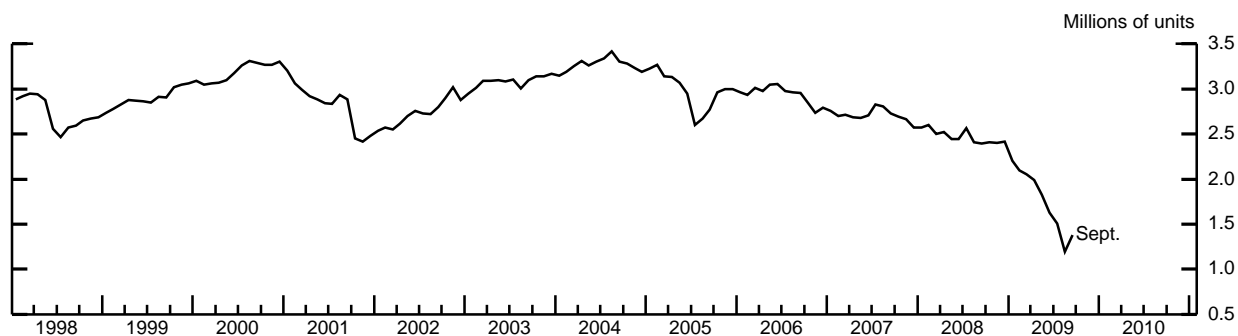
3. End-of-period stocks.

4. Includes medium and heavy trucks.

n.a. Not available.

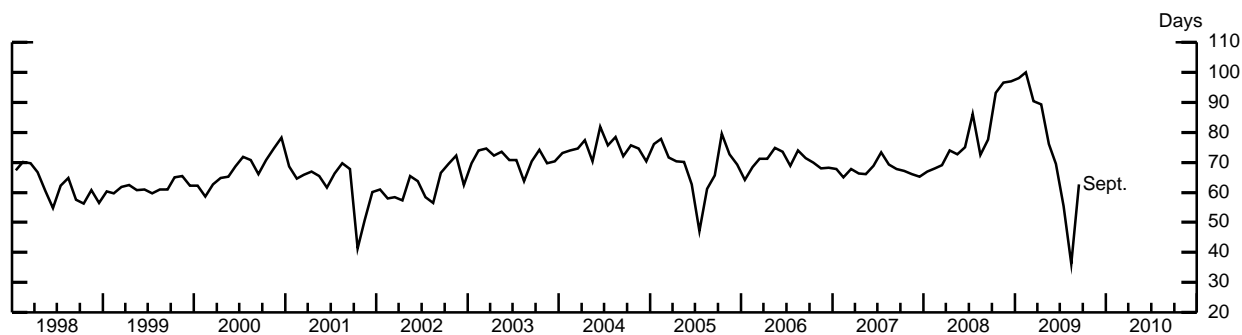
Source: Ward's Communications.

### Inventories of Light Vehicles



Source: Ward's Communications. Adjusted using FRB seasonals.

### Days' Supply of Light Vehicles

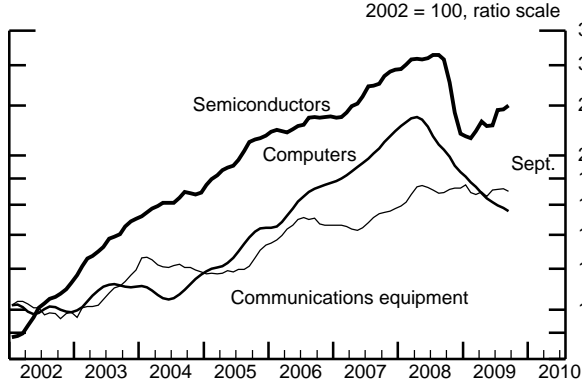


Source: Constructed from Ward's Communications data. Adjusted using FRB seasonals.

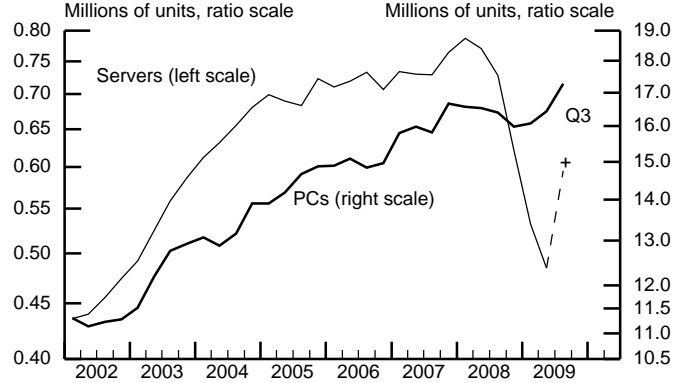


## Indicators of High-Tech Manufacturing Activity

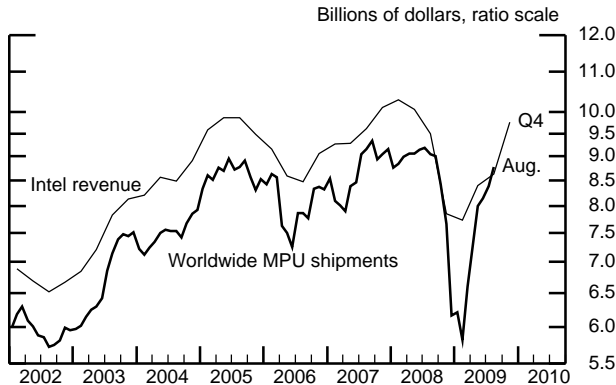
Industrial Production in the High-Tech Sector



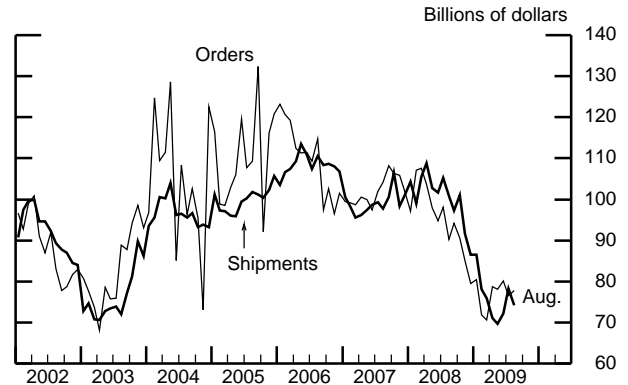
U.S. Personal Computer and Server Absorption



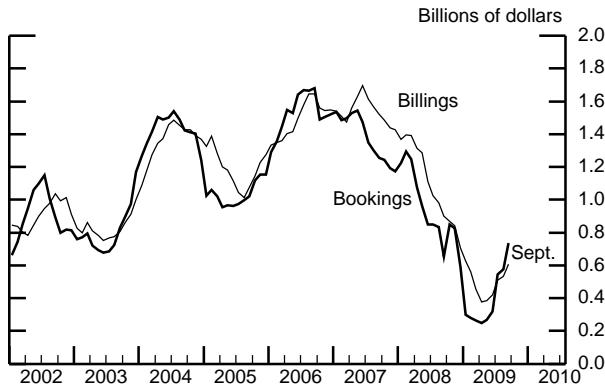
MPU Shipments and Intel Revenue



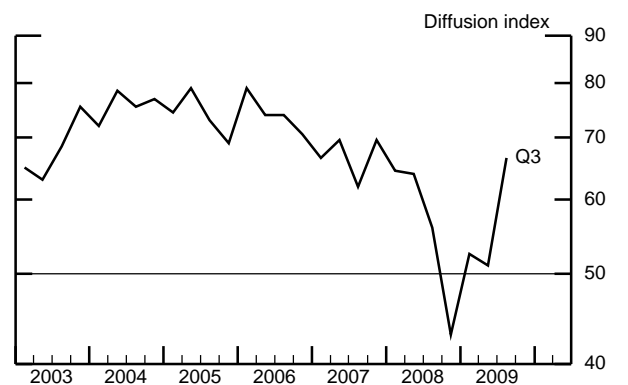
Circuit Board Orders and Shipments



Bookings and Billings for Semiconductor Manufacturing Equipment



High-Tech Spending Plans



**Sales of Light Vehicles**  
(Millions of units at an annual rate; FRB seasonals)

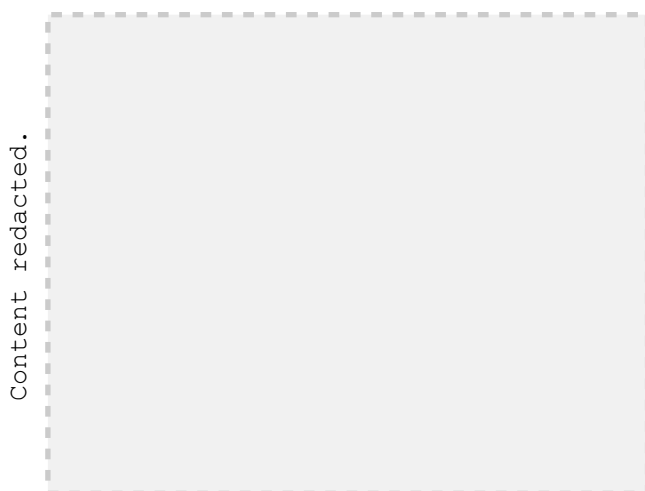
Category	2008	2009					
		Q1	Q2	Q3	July	Aug.	Sept.
Total	13.1	9.5	9.6	11.5	11.2	14.1	9.2
Autos	6.7	4.8	4.9	6.4	6.2	8.0	5.0
Light trucks	6.4	4.7	4.7	5.1	5.1	6.1	4.2
North American <sup>1</sup>	9.8	6.8	7.1	8.4	8.3	10.2	6.7
Autos	4.5	3.1	3.2	4.2	4.2	5.3	3.3
Light trucks	5.3	3.7	3.9	4.2	4.2	4.9	3.5
Foreign-produced	3.3	2.7	2.4	3.1	2.9	3.9	2.5
Autos	2.2	1.7	1.6	2.1	2.0	2.7	1.7
Light trucks	1.1	1.0	.8	.9	.9	1.2	.8
Memo: Detroit Three market share (percent) <sup>2</sup>	48.3	44.1	46.8	43.1	44.8	41.3	43.7

Note: Components may not sum to totals because of rounding.

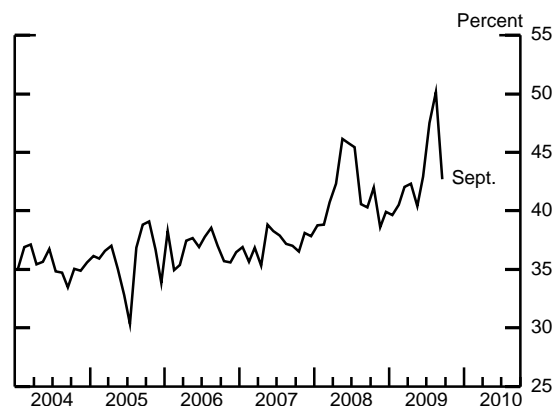
1. Excludes some vehicles produced in Canada that are classified as imports by the industry.

2. Includes domestic and foreign brands affiliated with the Detroit Three.

Source: Ward's Communications. Adjusted using FRB seasonals.



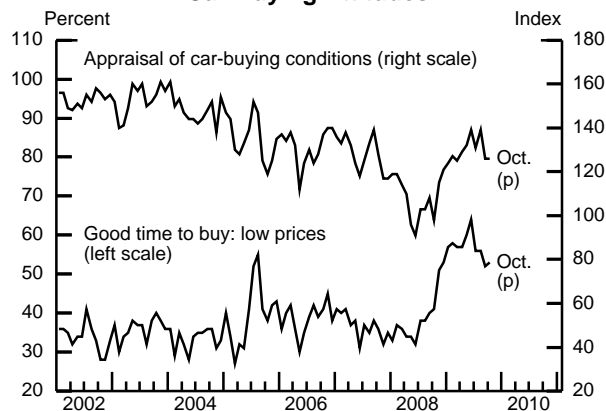
**Market Share of Small and Midsize Autos**



Note: As a share of total light vehicle sales.

Source: Ward's Communications. Adjusted using FRB seasonals.

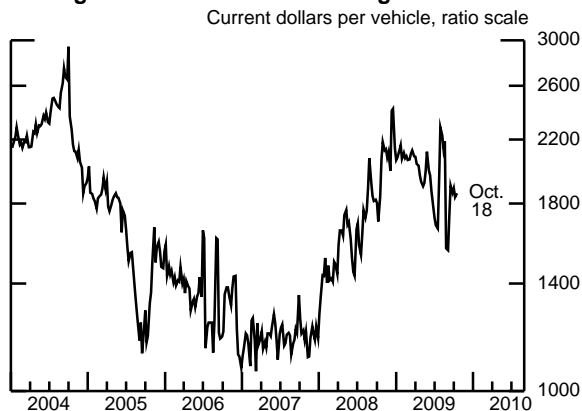
**Car-Buying Attitudes**



p Preliminary.

Source: Reuters/University of Michigan Surveys of Consumers.

**Average Value of Incentives on Light Vehicles**

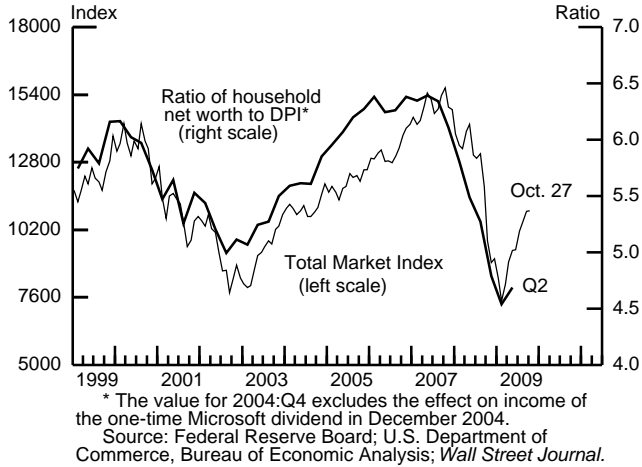


Note: Weekly weighted average of customer cash rebate and the present value of interest rate reduction.

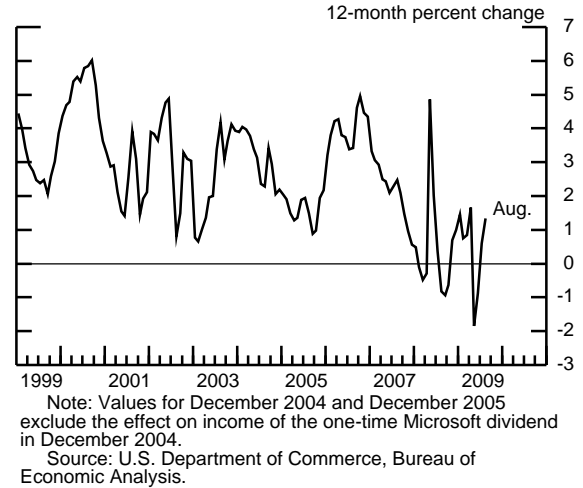
Source: J.D. Power and Associates. Adjusted using FRB seasonals.

## Fundamentals of Household Spending

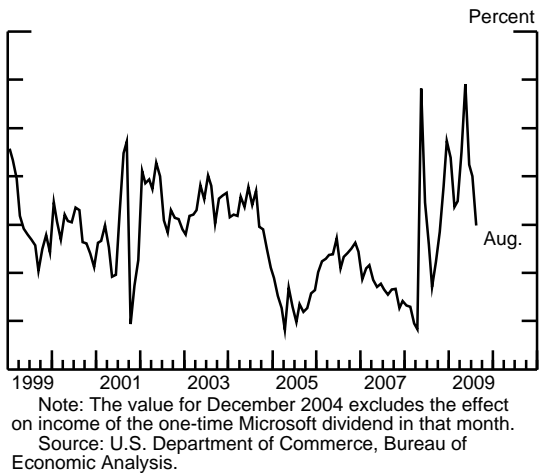
Household Net Worth and Dow Jones Total Market Index



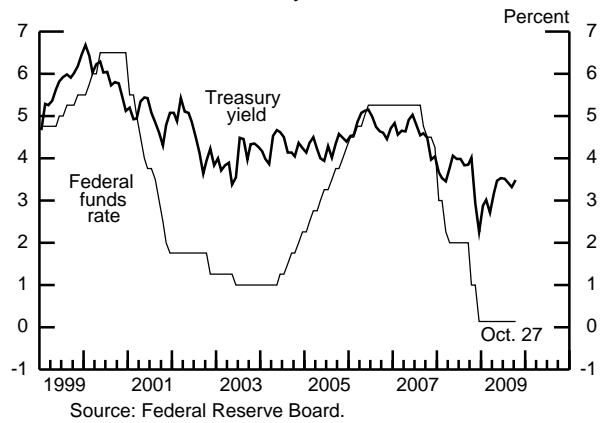
Change in Real Disposable Personal Income



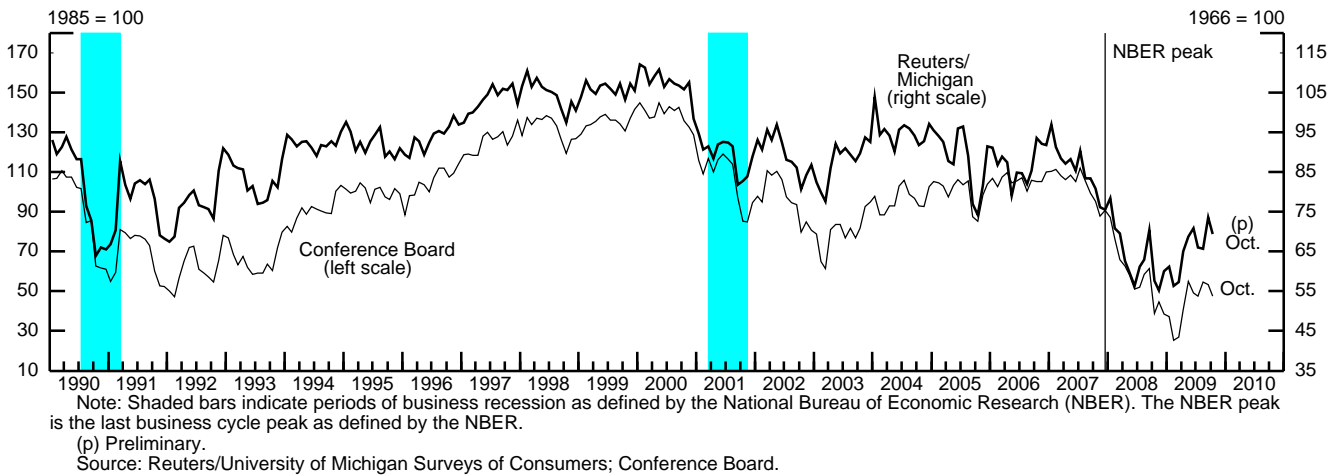
Personal Saving Rate



Target Federal Funds Rate and 10-Year Treasury Yield

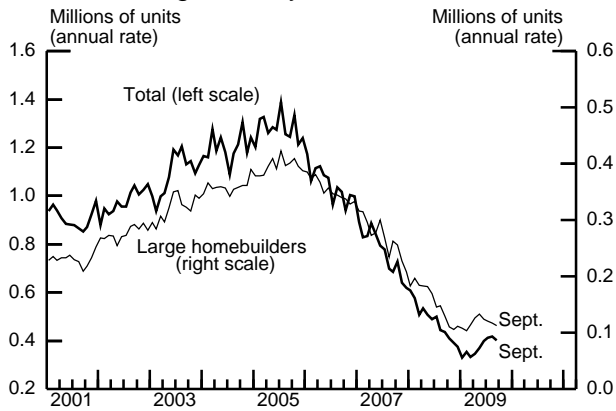


Consumer Confidence



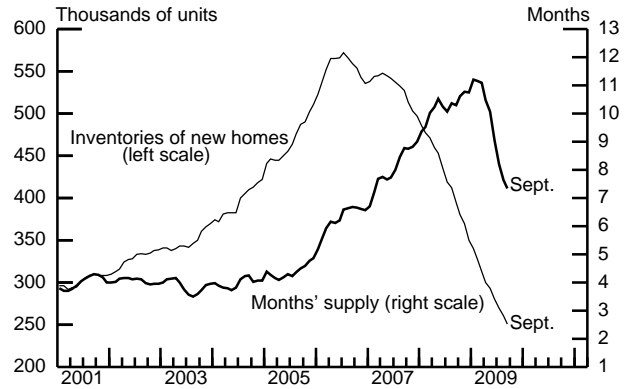
## Indicators of Single-Family Housing

### New Single-Family Home Sales



Source: For total, Census Bureau; for large homebuilders, National Association of Home Builders.

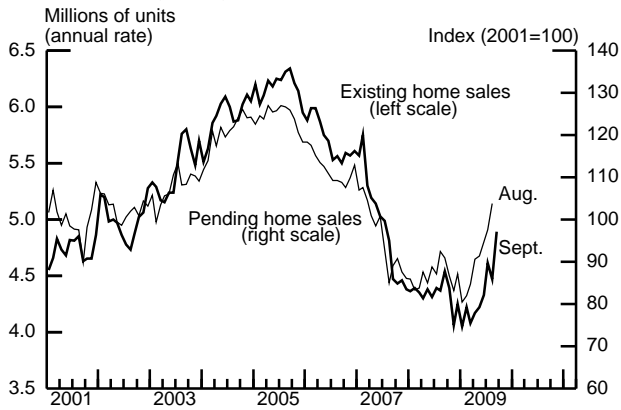
### Inventories of New Homes and Months' Supply



Note: Months' supply is calculated using the 3-month moving average of sales.

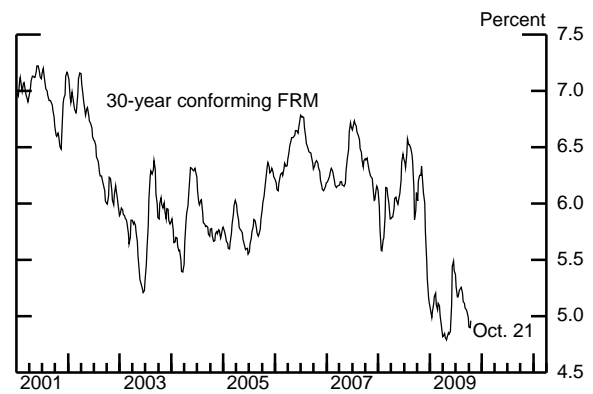
Source: Census Bureau.

### Existing Single-Family Home Sales



Source: National Association of Realtors.

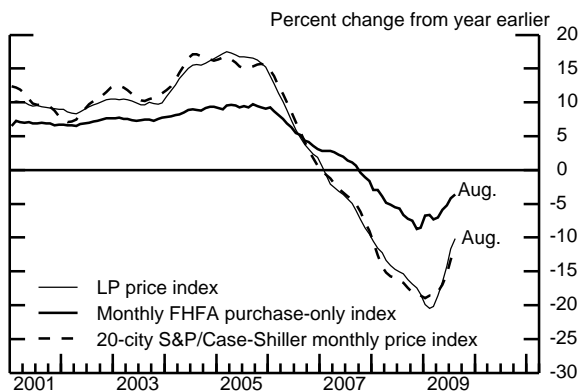
### Mortgage Rates



Note: 2-week moving average.

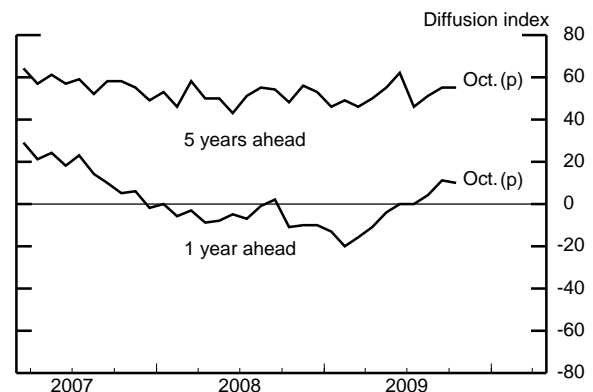
Source: Federal Home Loan Mortgage Corporation.

### Prices of Existing Homes



Source: For FHFA, Federal Housing Finance Agency; for S&P/Case-Shiller, Standard & Poor's; for LP, LoanPerformance, a division of First American CoreLogic.

### House Price Expectations



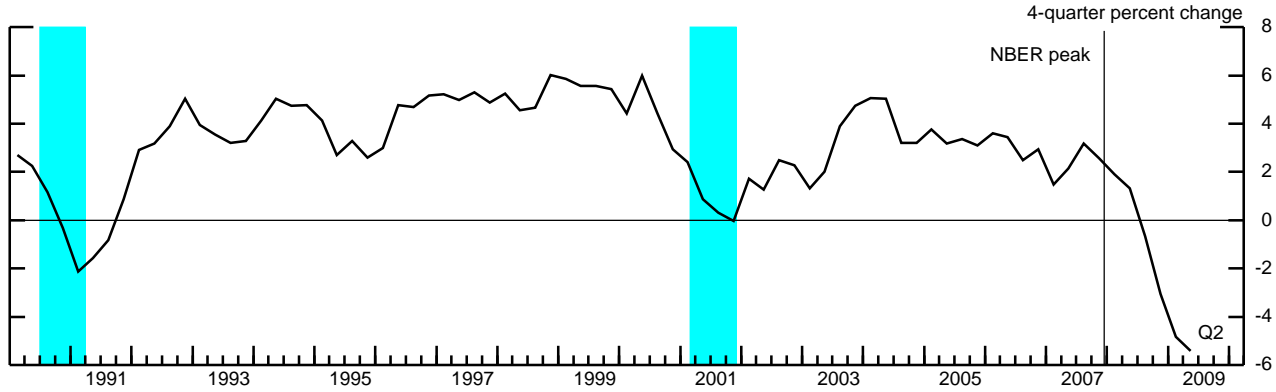
Note: Diffusion index is constructed by subtracting expectations of decrease from expectations of increase.

p Preliminary.

Source: Reuters/University of Michigan Surveys of Consumers.

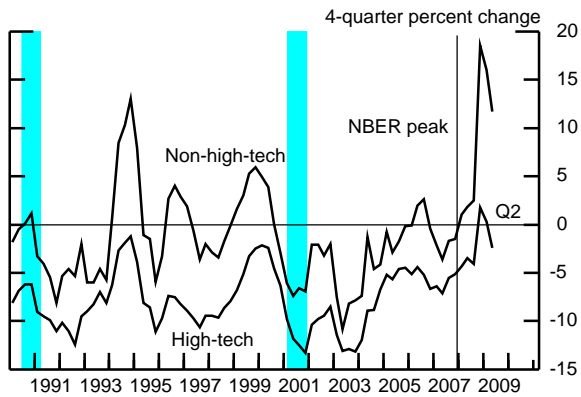
## Fundamentals of Equipment and Software Investment

Real Business Output



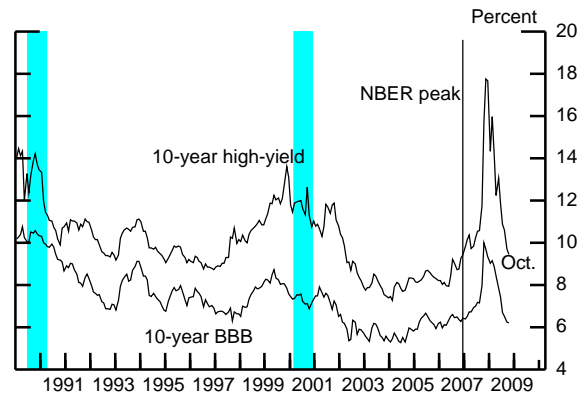
Note: Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research (NBER). The NBER peak is the last business cycle peak as defined by the NBER.  
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

User Cost of Capital



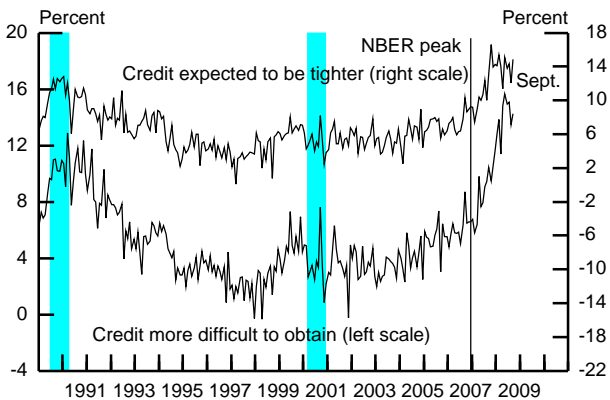
Source: Staff calculation.

Corporate Bond Yields



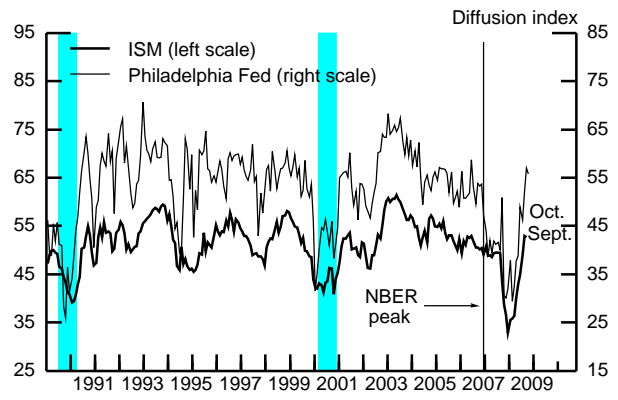
Note: End of month. October value as of October 27.  
Source: Merrill Lynch.

NFIB: Survey on Loan Availability



Note: Of borrowers who sought credit in the past 3 months, the proportion that reported or expected more difficulty in obtaining credit less the proportion that reported or expected more ease in obtaining credit. Seasonally adjusted.  
Source: National Federation of Independent Business (NFIB).

Surveys of Business Conditions

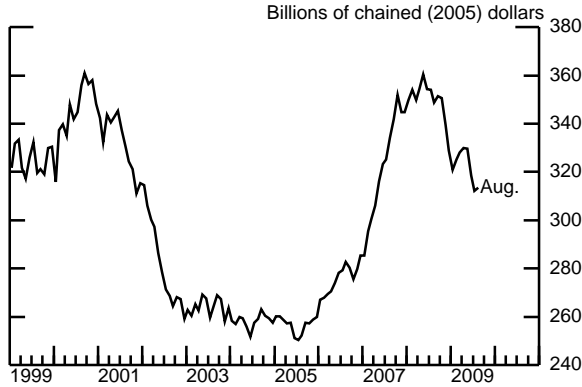


Source: Institute for Supply Management (ISM), Manufacturing ISM Report on Business; Philadelphia Fed Business Outlook Survey.

## Nonresidential Construction and Indicators

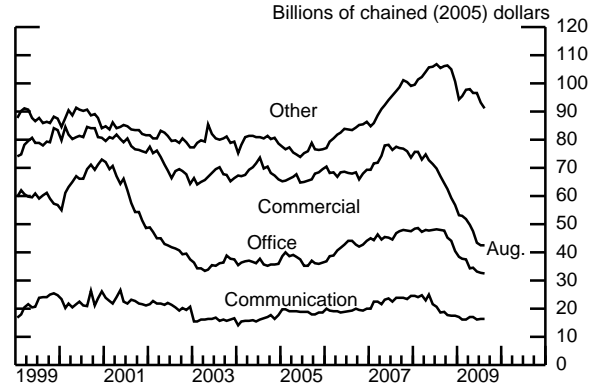
(All spending series are seasonally adjusted at an annual rate; nominal CIPIP deflated by BEA prices through Q2 and by staff projection thereafter)

Total Structures



Source: Census Bureau.

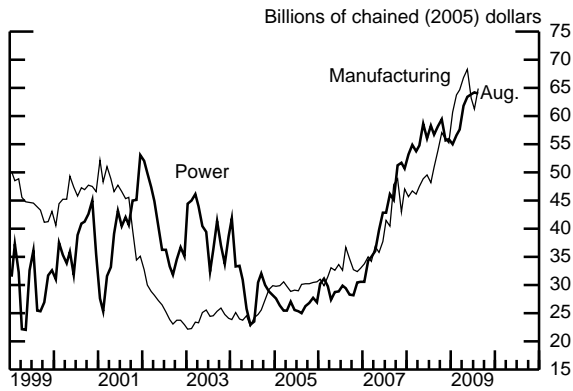
Office, Commercial, Communication, and Other



Note: Other consists of structures for religious organizations, education, lodging, amusement and recreation, transportation, and health care.

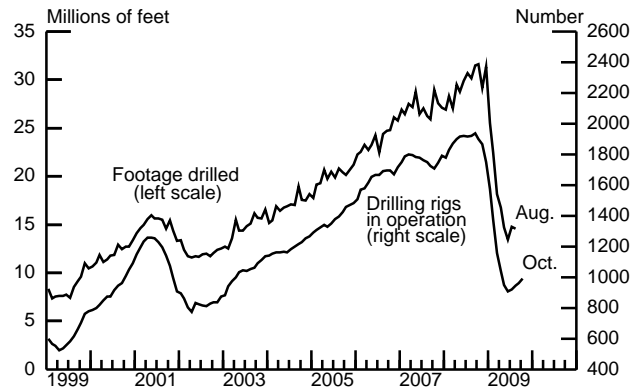
Source: Census Bureau.

Manufacturing and Power



Source: Census Bureau.

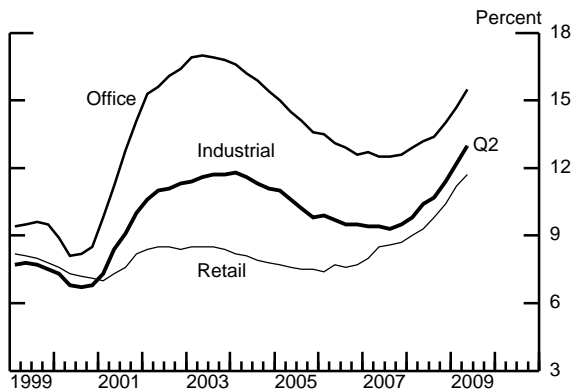
Drilling and Mining Indicators



Note: The October readings for drilling rigs are based on data through October 23, 2009. Both series are seasonally adjusted by FRB staff.

Source: For footage drilled, U.S. Department of Energy, Energy Information Agency; for drilling rigs, Baker Hughes.

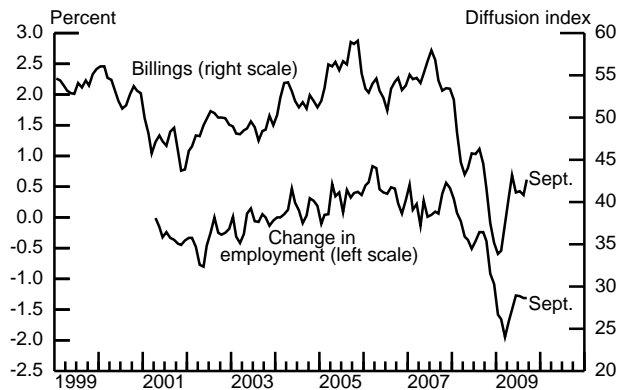
Vacancy Rates



Note: Industrial space includes both manufacturing structures and warehouses.

Source: Torto Wheaton Research.

Architectural Billings and Nonresidential Construction Employment



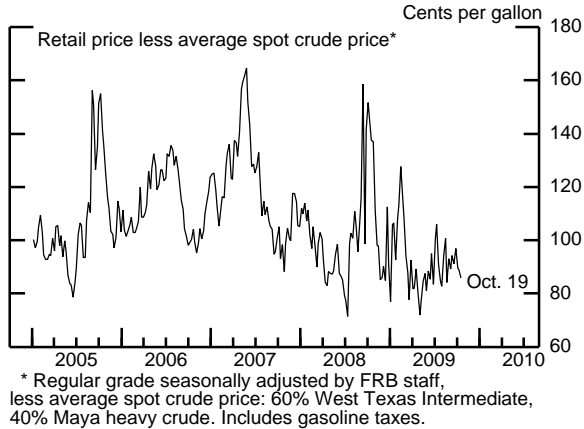
Note: Both series are 3-month moving averages. Employment consists of industrial, commercial, and specialty trade construction.

Source: For billings, American Institute of Architects; for employment, U.S. Department of Labor, Bureau of Labor Statistics.

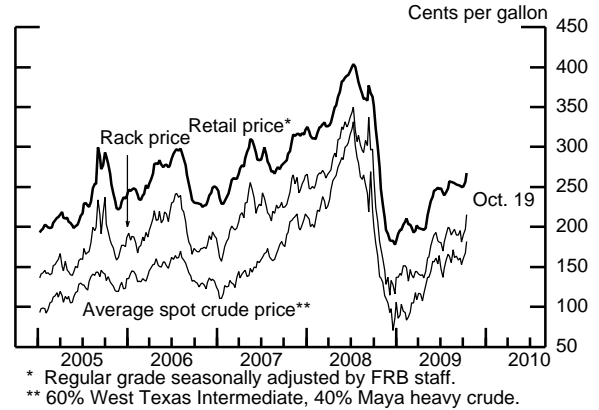
## Energy and Food Price Indicators

(Data from U.S. Department of Energy, Energy Information Administration, except as noted)

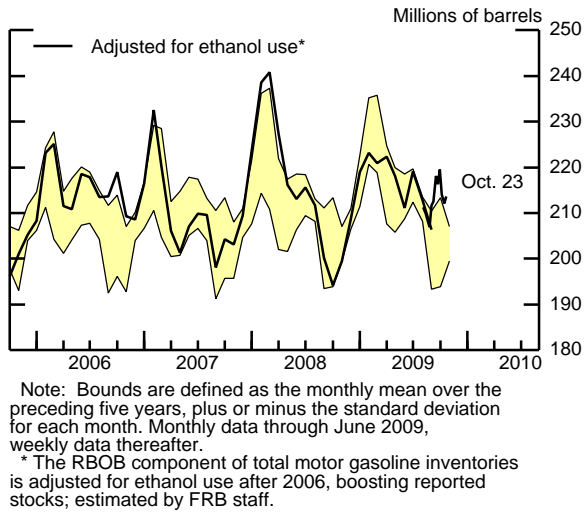
Total Gasoline Margin



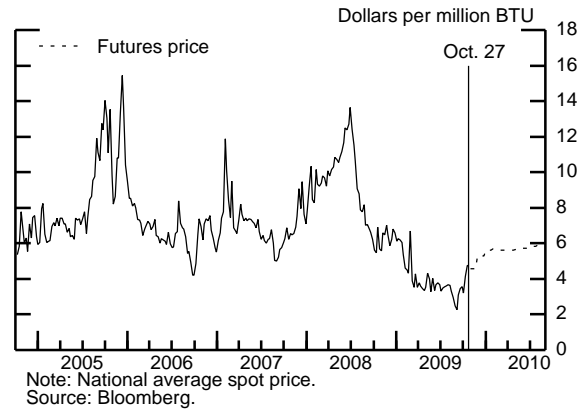
Gasoline Price Decomposition



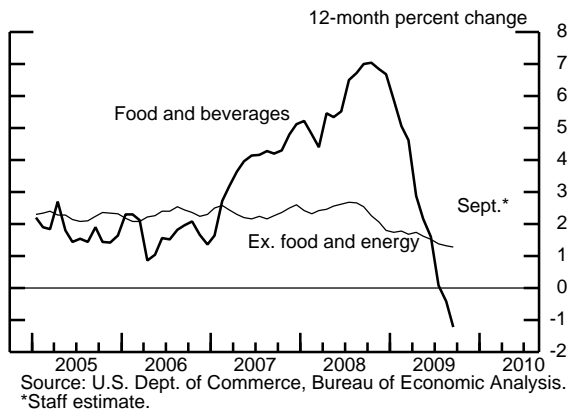
Gasoline Inventories



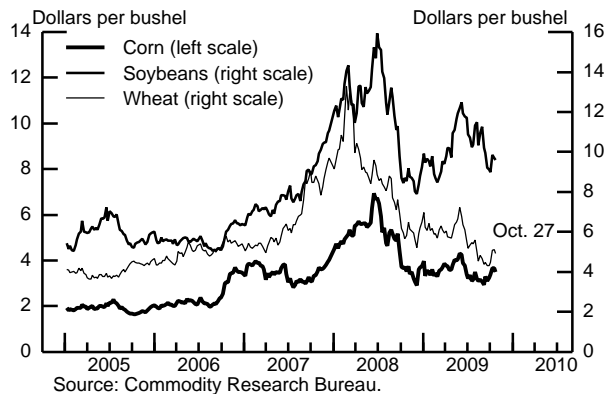
Natural Gas Prices



PCE: Food at Home and Core Prices

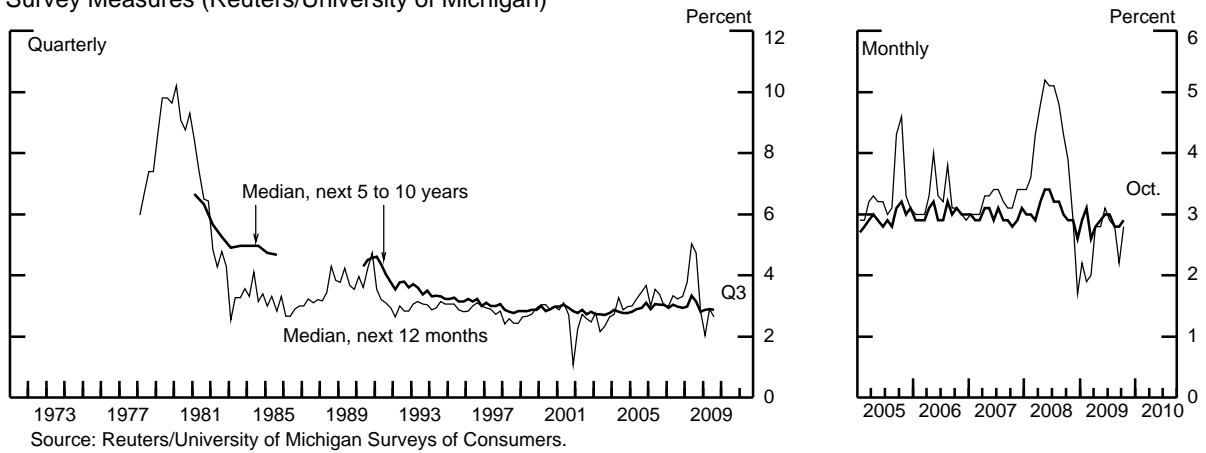


Spot Prices of Agricultural Commodities

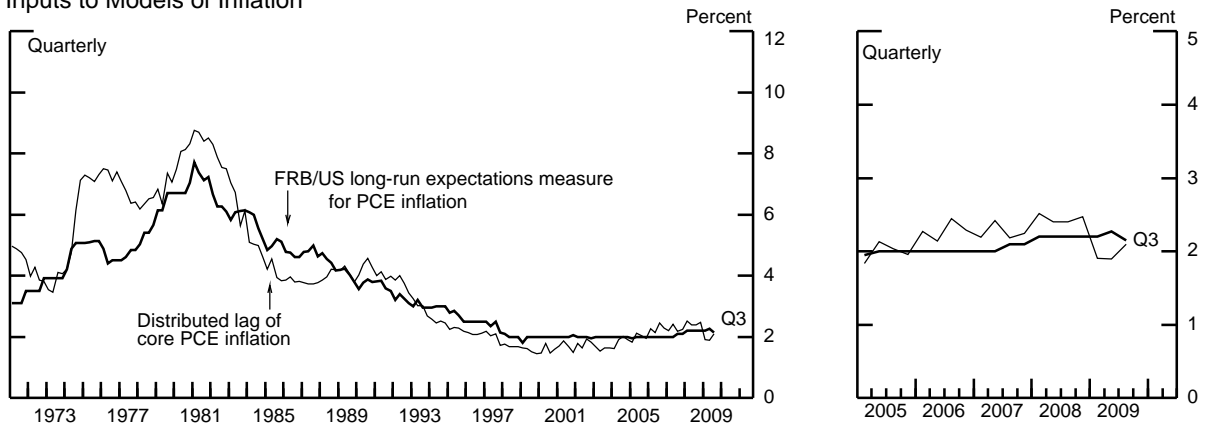


## Measures of Expected Inflation

Survey Measures (Reuters/University of Michigan)

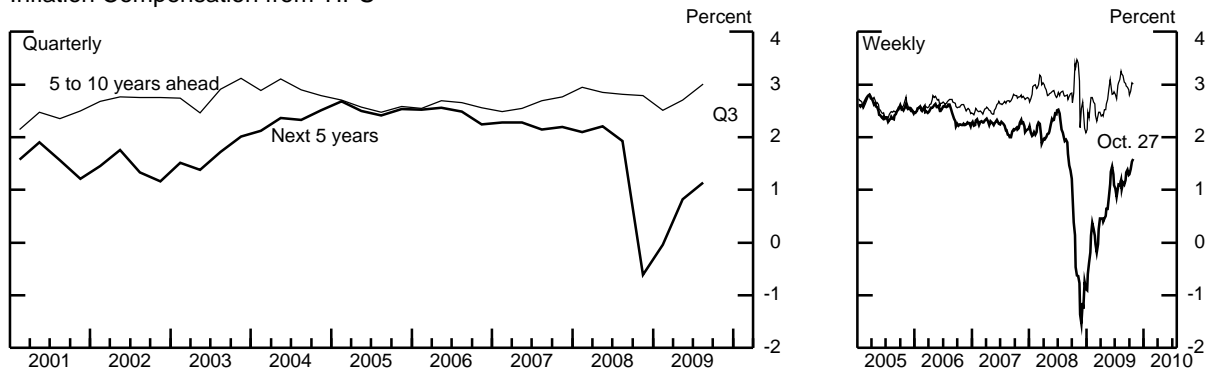


Inputs to Models of Inflation



Note: The distributed lag of core PCE inflation is derived from one of the reduced-form Phillips curves used by Board staff.  
 Source: For the distributed lag of core PCE inflation, FRB staff calculations; for the FRB/US measure, for 2007 forward, the median projection for PCE inflation over the next 10 years from the Survey of Professional Forecasters (SPF); for 1990 to 2006, the equivalent SPF projection for the CPI; for 1981 to 1989, a related survey for the CPI conducted by Richard Hoey; and for the period preceding 1981, a model-based estimate constructed by Board staff. The survey data before 2007 are adjusted down 0.5 percentage point to put the CPI projections approximately on a PCE basis.

Inflation Compensation from TIPS



Note: Based on a comparison of an estimated TIPS (Treasury inflation-protected securities) yield curve with an estimated nominal off-the-run Treasury yield curve, with an adjustment for the indexation-lag effect.  
 Source: FRB staff calculations.



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## **Domestic Financial Developments**

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## Selected Financial Market Quotations

(One-day quotes in percent except as noted)

Instrument	2008	2009			Change to Oct. 27 from selected dates (percentage points)			
	Sept. 12	Aug. 11	Sept. 22	Oct. 27	2008 Sept. 12	2009 Aug. 11	2009 Sept. 22	
<i>Short-term</i>								
FOMC intended federal funds rate	2.00	.13	.13	.13	-1.87	.00	.00	
Treasury bills <sup>1</sup>								
3-month	1.46	.18	.11	.08	-1.38	-.10	-.03	
6-month	1.80	.28	.20	.17	-1.63	-.11	-.03	
Commercial paper (A1/P1 rates) <sup>2</sup>								
1-month	2.39	.22	.18	.16	-2.23	-.06	-.02	
3-month	2.75	.29	.21	.25	-2.50	-.04	.04	
Large negotiable CDs <sup>1</sup>								
3-month	2.79	.32	.25	.22	-2.57	-.10	-.03	
6-month	3.09	.46	.35	.31	-2.78	-.15	-.04	
Eurodollar deposits <sup>3</sup>								
1-month	2.60	.50	.40	.32	-2.28	-.18	-.08	
3-month	3.00	.80	.55	.45	-2.55	-.35	-.10	
Bank prime rate	5.00	3.25	3.25	3.25	-1.75	.00	.00	
<i>Intermediate- and long-term</i>								
U.S. Treasury <sup>4</sup>								
2-year	2.24	1.20	.99	.99	-1.25	-.21	.00	
5-year	2.97	2.70	2.44	2.41	-.56	-.29	-.03	
10-year	3.93	3.97	3.74	3.72	-.21	-.25	-.02	
U.S. Treasury indexed notes <sup>5</sup>								
5-year	1.33	1.54	1.11	.78	-.55	-.76	-.33	
10-year	1.77	1.89	1.69	1.51	-.26	-.38	-.18	
Municipal general obligations (Bond Buyer) <sup>6</sup>	4.54	4.65	4.20	4.31	-.23	-.34	.11	
Private instruments								
10-year swap	4.26	3.98	3.67	3.70	-.56	-.28	.03	
10-year FNMA <sup>7</sup>	4.36	4.35	4.12	4.04	-.32	-.31	-.08	
10-year AA <sup>8</sup>	6.62	5.41	5.11	5.10	-1.52	-.31	-.01	
10-year BBB <sup>8</sup>	7.22	6.72	6.36	6.22	-1.00	-.50	-.14	
10-year high yield <sup>8</sup>	10.66	10.61	9.90	9.44	-1.22	-1.17	-.46	
Home mortgages (FHLMC survey rate)								
30-year fixed	5.78	5.29	5.04	5.00	-.78	-.29	-.04	
1-year adjustable	5.03	4.72	4.52	4.54	-.49	-.18	.02	
Stock exchange index	Record high		2009			Change to Oct. 27 from selected dates (percent)		
	Level	Date	Aug. 11	Sept. 22	Oct. 27	Record high	2009 Aug. 11	2009 Sept. 22
Dow Jones Industrial	14,165	10-9-07	9,241	9,830	9,882	-30.23	6.93	.53
S&P 500 Composite	1,565	10-9-07	994	1,072	1,063	-32.06	6.95	-.77
Nasdaq	5,049	3-10-00	1,970	2,146	2,116	-58.09	7.43	-1.41
Russell 2000	856	7-13-07	562	621	587	-31.41	4.42	-5.43
D.J. Total Stock Index	15,807	10-9-07	10,243	11,083	10,928	-30.87	6.68	-1.40

1. Secondary market.
2. Financial commercial paper.
3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Derived from a smoothed Treasury yield curve estimated using all outstanding securities and adjusted for the carry effect.
6. Most recent Thursday quote.
7. Constant-maturity yields estimated from Fannie Mae domestic noncallable coupon securities.
8. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.

## NOTES:

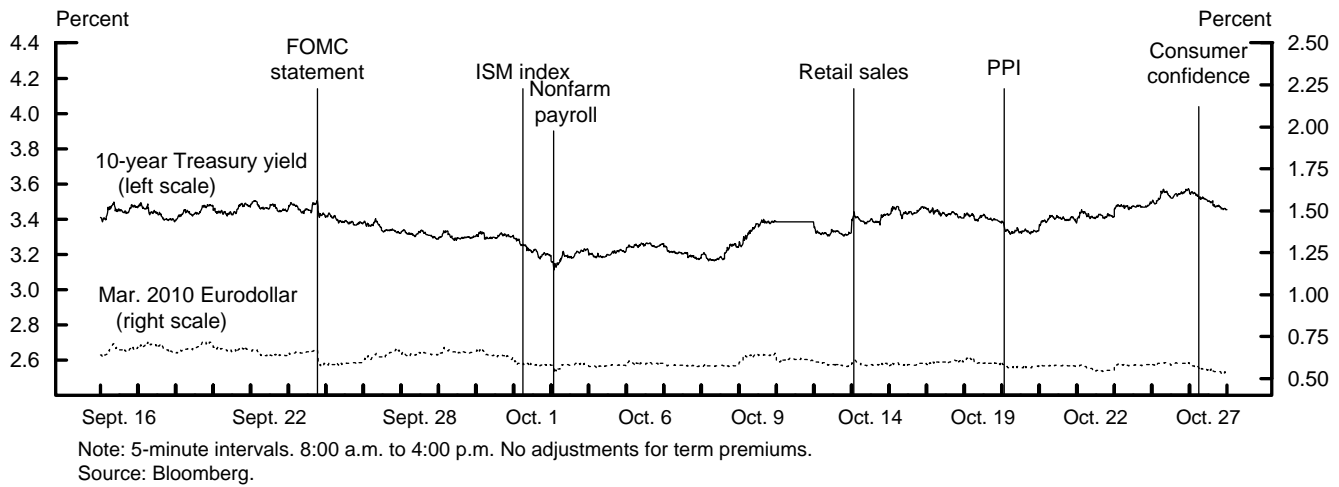
September 12, 2008, is the last business day before Lehman Brothers Holdings filed for bankruptcy.

August 11, 2009, is the day before the August 2009 FOMC monetary policy announcement.

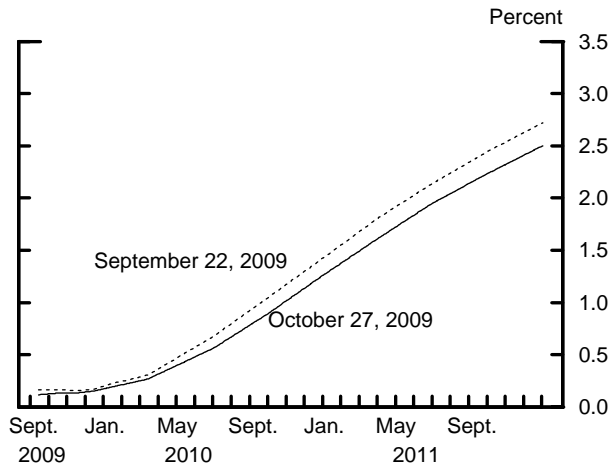
September 22, 2009, is the day before the most recent FOMC monetary policy announcement.

## Policy Expectations and Treasury Yields

### Interest Rates

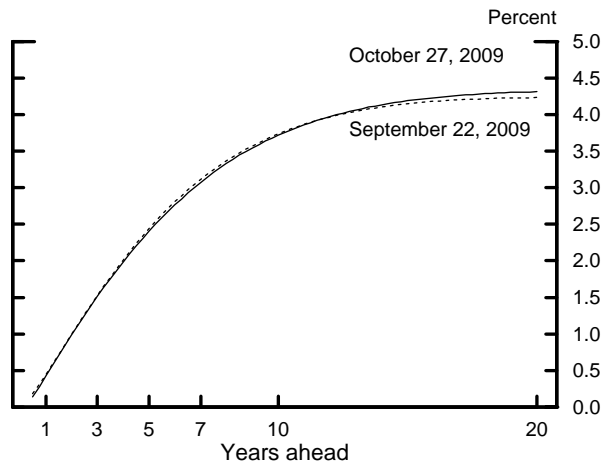


### Implied Federal Funds Rate



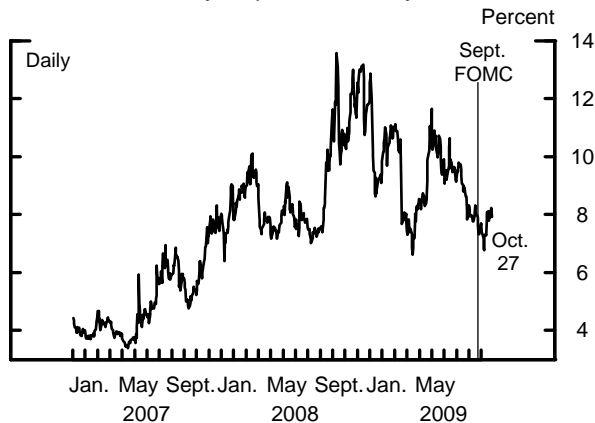
Note: Estimated from federal funds and Eurodollar futures, with an allowance for term premiums and other adjustments.  
Source: CME Group.

### Treasury Yield Curve



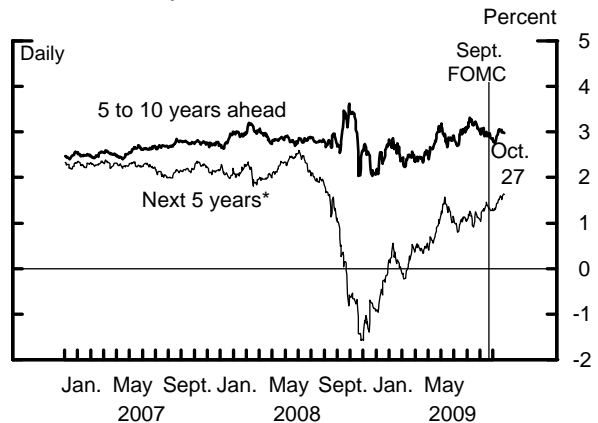
Note: Smoothed yield curve estimated from off-the-run Treasury coupon securities. Yields shown are those on notional par Treasury securities with semiannual coupons.  
Source: Federal Reserve Board.

### 10-Year Treasury Implied Volatility



Note: 10-year Treasury note implied volatility derived from options on futures contracts.  
Source: Bloomberg.

### Inflation Compensation



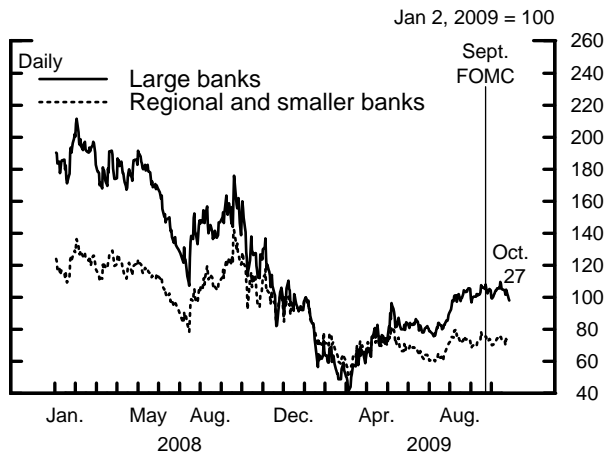
Note: Estimates based on smoothed nominal and inflation-indexed Treasury yields.

\*Adjusted for lagged indexation of Treasury inflation-protected securities.

Source: Federal Reserve Board.

# Financial Institutions, Short-Term Funding Markets, and Liquidity Facilities

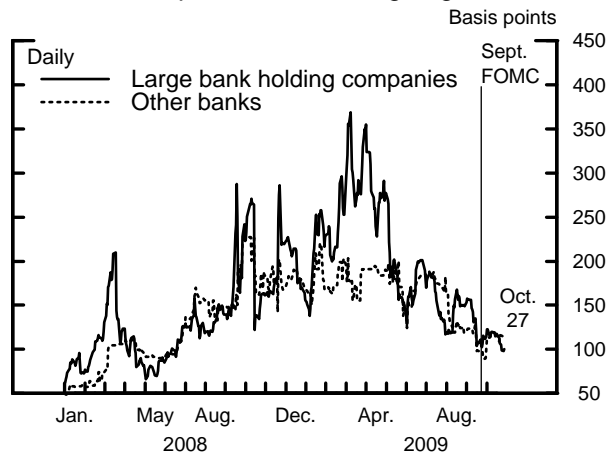
Bank ETFs



Note: Large bank ETF consists of 24 banks; regional and smaller bank ETF consists of 51 banks.

Source: Keefe, Bruyette & Woods (KBW) and Bloomberg.

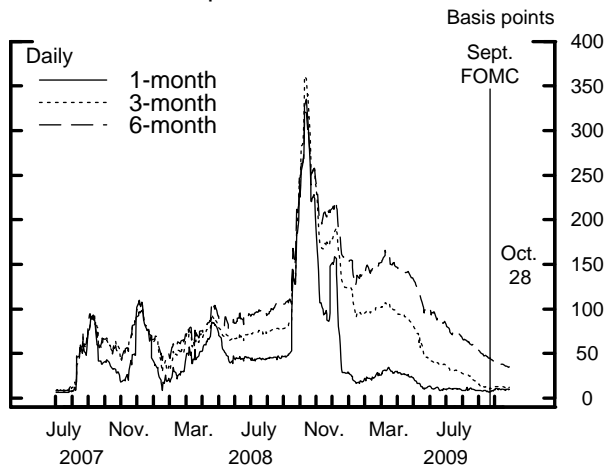
Senior CDS Spreads for Banking Organizations



Note: Median spreads for 6 large bank holding companies and 10 other banks.

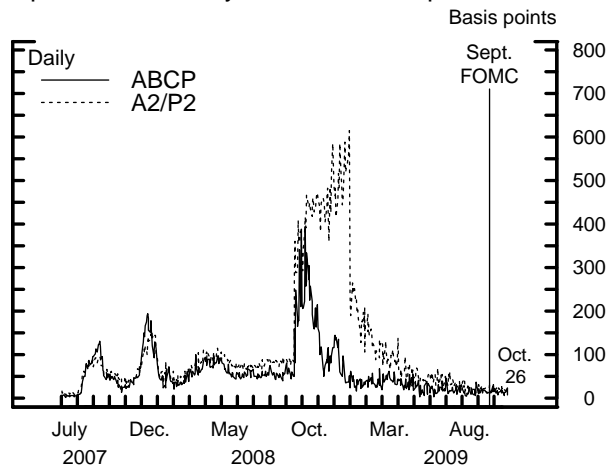
Source: Markit.

Libor over OIS Spread



Source: British Bankers' Association and Prebon.

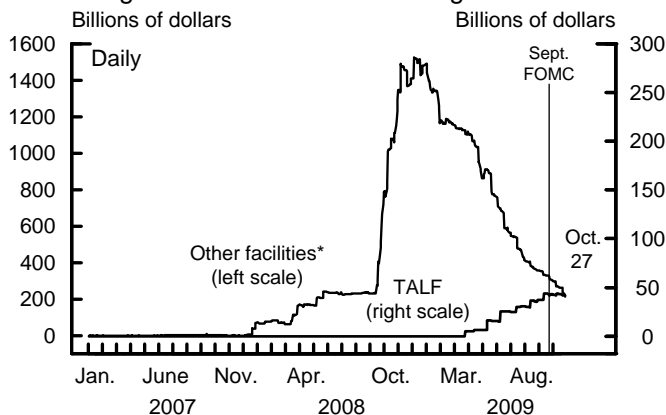
Spreads on 30-day Commercial Paper



Note: The ABCP spread is the AA ABCP rate minus the AA nonfinancial rate. The A2/P2 spread is the A2/P2 nonfinancial rate minus the AA nonfinancial rate.

Source: Depository Trust & Clearing Corporation.

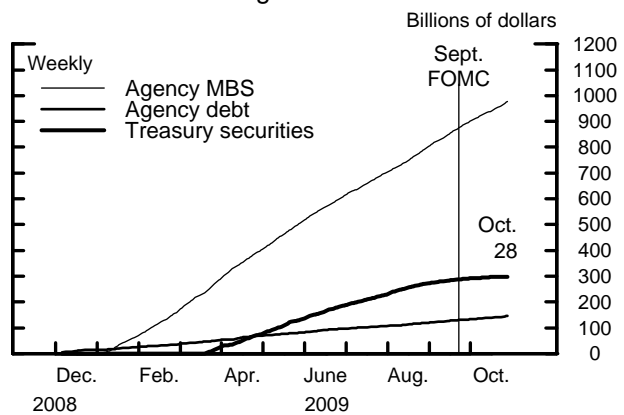
Usage of TALF and other lending facilities



\* Includes primary, secondary, and seasonal credit; TAF; PDCF; dollar liquidity swaps; CPFF; and AMLF.

Source: Federal Reserve Board.

Federal Reserve Large-Scale Asset Purchases

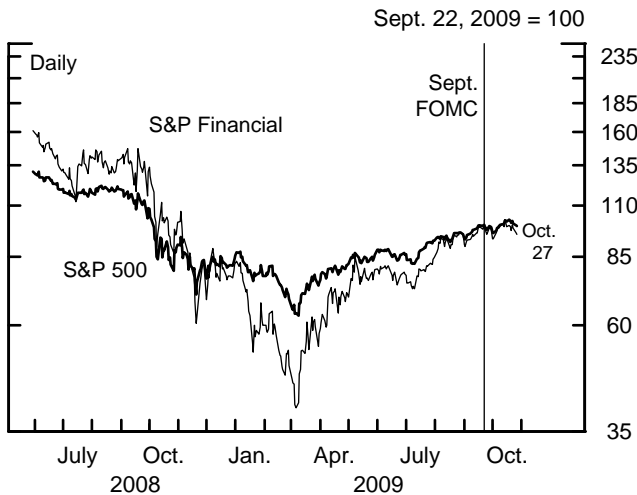


Note: Due to settlement lags and other factors, cumulative purchases may be substantially higher than current holdings in the SOMA portfolio.

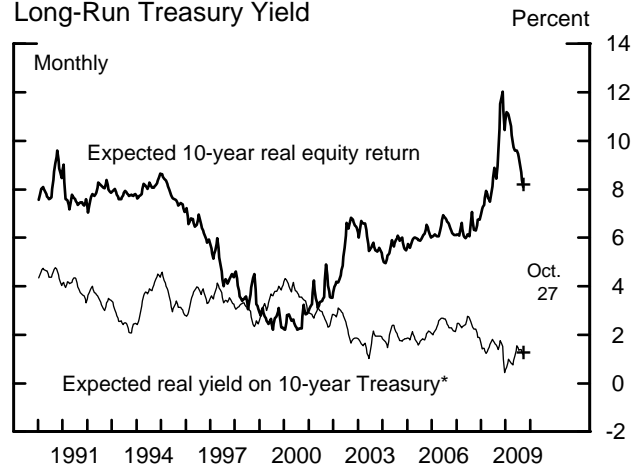
Source: Federal Reserve.

## Corporate Yields, Risk Spreads, and Stock Prices

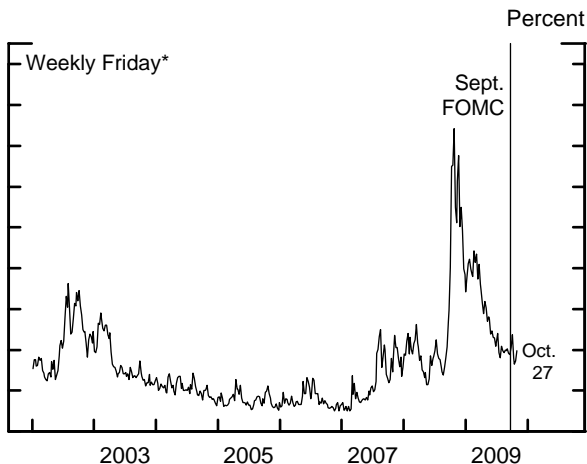
### Selected Stock Price Indexes



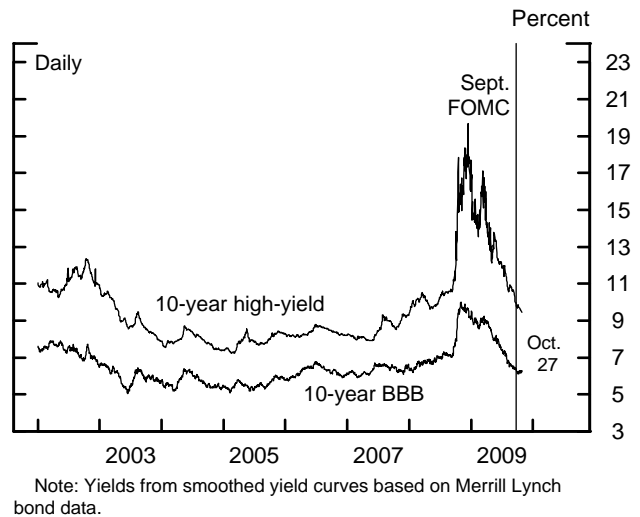
### Expected Real Equity Return and Long-Run Treasury Yield



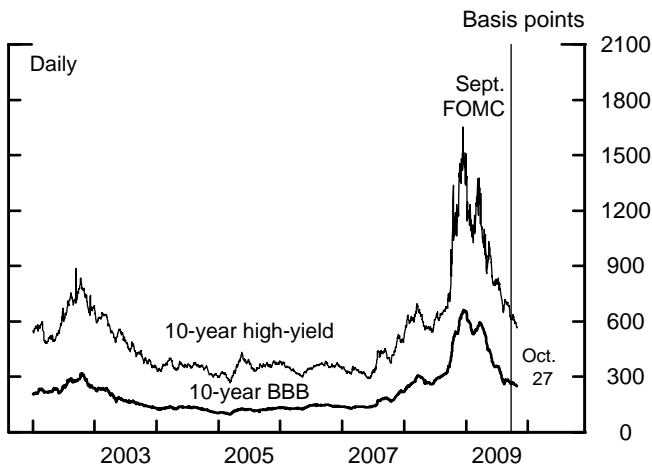
### Implied Volatility on S&P 500 (VIX)



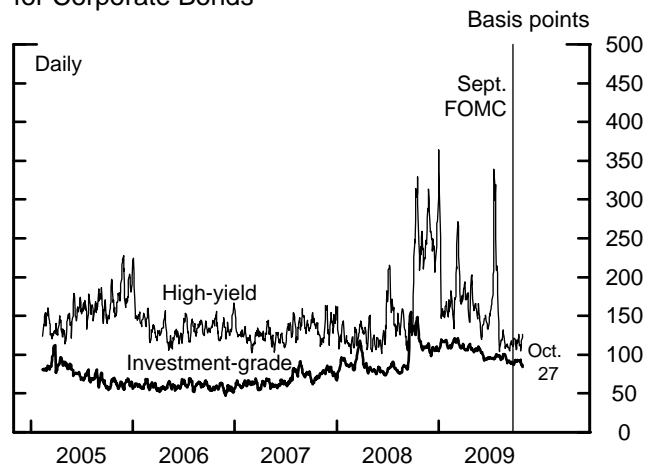
### Corporate Bond Yields



### Corporate Bond Spreads

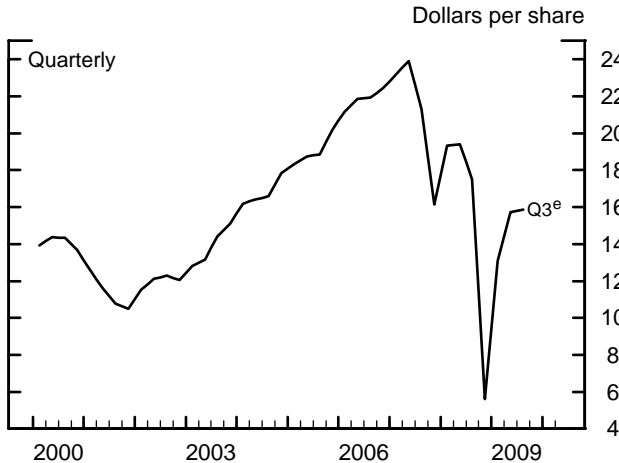


### Estimated Median Bid-Asked Spread for Corporate Bonds



## Corporate Earnings and Credit Quality

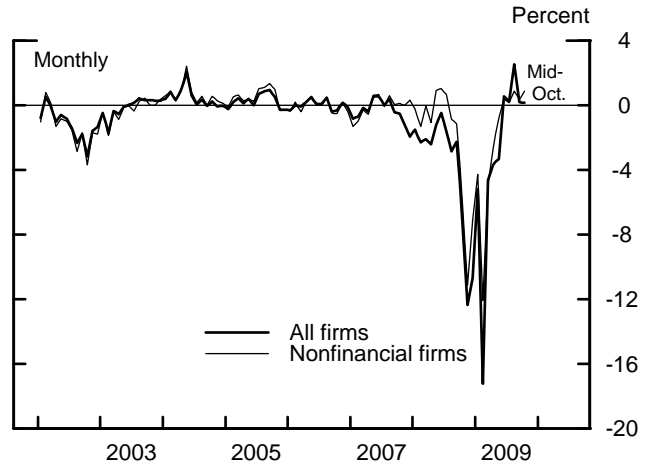
### S&P 500 Earnings Per Share (Seasonally Adjusted)



e Estimate.

Source: Thomson Financial.

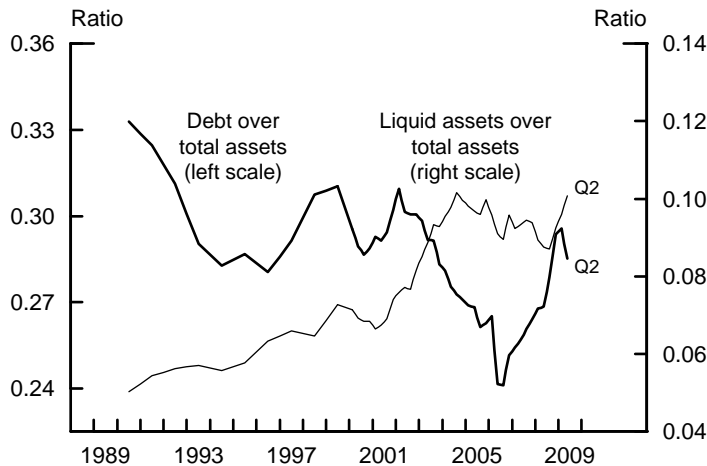
### Revisions to Expected S&P 500 Earnings



Note: Index is a weighted average of the percent change in the consensus forecasts of current-year and following-year earnings per share for a fixed sample.

Source: Thomson Financial.

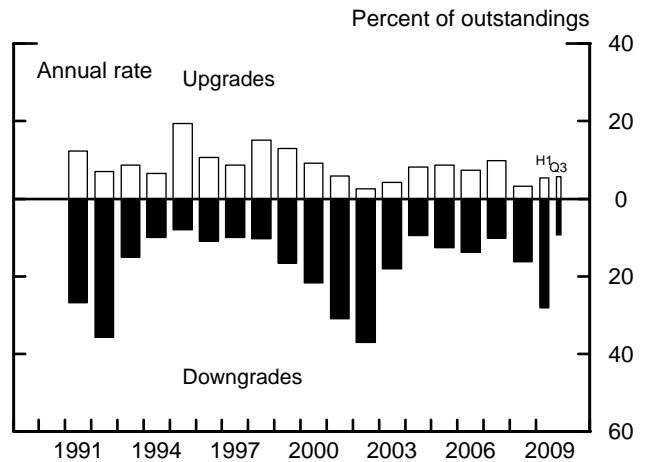
### Financial Ratios for Nonfinancial Corporations



Note: Data are annual through 1999 and quarterly thereafter; fixed investment is at an annual rate.

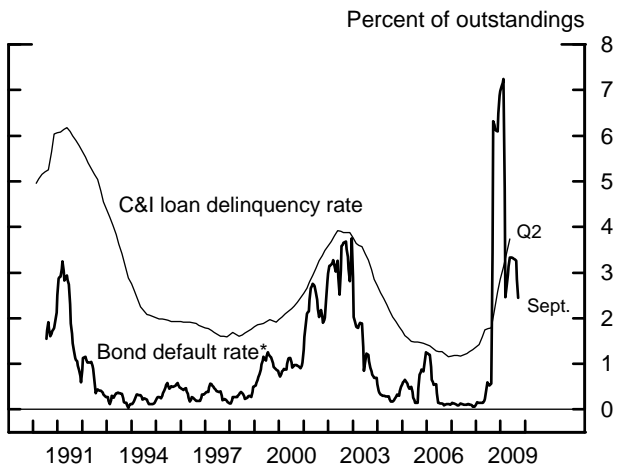
Source: Compustat.

### Bond Ratings Changes of Nonfinancial Companies



Source: Calculated using data from Moody's Investors Service.

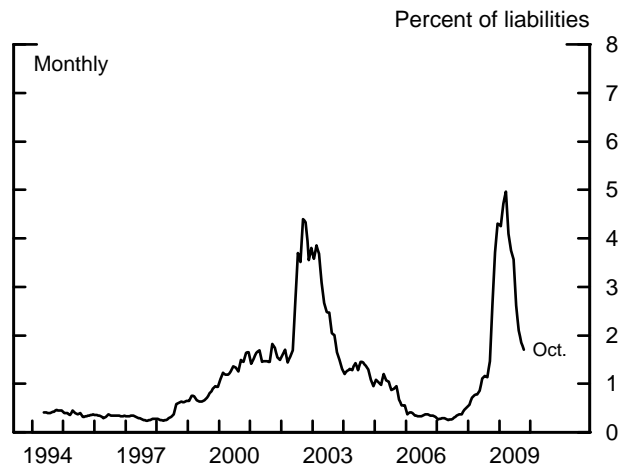
### Selected Default and Delinquency Rates



\* 6-month trailing defaults divided by beginning-of-period outstandings, at an annual rate.

Source: For default rate, Moody's Investors Service; for delinquency rate, Call Report.

### Expected Nonfinancial Year-Ahead Defaults



Note: Firm-level estimates of default weighted by firm liabilities as a percent of total liabilities, excluding defaulted firms.

Source: Calculated using firm-level data from Moody's KMV.

## Business Finance

### Gross Issuance of Securities by U.S. Corporations

(Billions of dollars; monthly rates, not seasonally adjusted)

Type of security	2005	2006	2007	2008	2009			
					H1	Q3	Sept.	Oct. <sup>p</sup>
<i>Nonfinancial corporations</i>								
Stocks <sup>1</sup>	4.6	4.7	5.5	3.7	5.3	5.4	8.1	4.2
Initial public offerings	1.7	1.8	1.6	.3	.2	.6	1.4	1.2
Seasoned offerings	2.8	2.9	3.8	3.4	5.1	4.8	6.7	3.0
Bonds <sup>2</sup>	18.7	29.3	35.1	27.7	50.1	30.4	39.9	23.0
Investment grade	8.7	13.1	17.5	19.5	32.6	13.4	17.1	7.0
Speculative grade	5.2	6.2	7.5	1.8	5.3	7.4	12.4	8.0
Other (sold abroad/unrated)	4.8	10.1	10.0	6.4	12.2	9.7	10.4	8.0
<i>Memo</i>								
Net issuance of commercial paper <sup>3</sup>	-.2	2.4	-.4	1.6	-12.4	-.9	2.0	22.0
Change in C&I loans at commercial banks <sup>3</sup>	10.2	11.1	21.2	12.8	-17.7	-34.6	-42.3	-26.0
<i>Financial corporations</i>								
Stocks <sup>1</sup>	5.0	5.3	8.6	13.5	15.9	5.4	8.3	3.5
Bonds <sup>2</sup>	170.4	180.6	151.7	45.4	44.5	38.9	52.2	40.0

Note: Components may not sum to totals because of rounding.

1. Excludes private placements and equity-for-equity swaps that occur in restructurings.

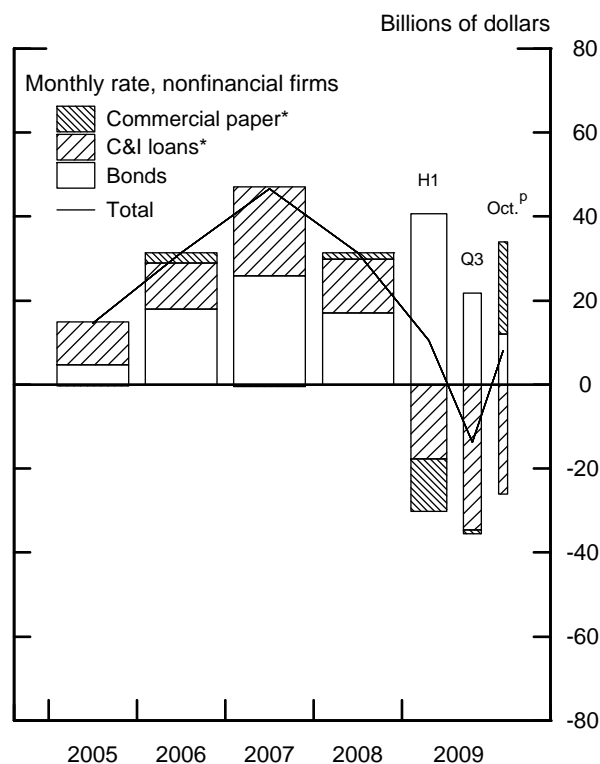
2. Data include regular and 144a private placements. Bond totals reflect gross proceeds rather than par value of original discount bonds. Bonds are categorized according to Moody's bond ratings or to Standard & Poor's if unrated by Moody's.

3. End-of-period basis, seasonally adjusted.

p Forecast based on preliminary data.

Source: Depository Trust & Clearing Corporation; Thomson Financial; Federal Reserve Board.

### Selected Components of Net Debt Financing

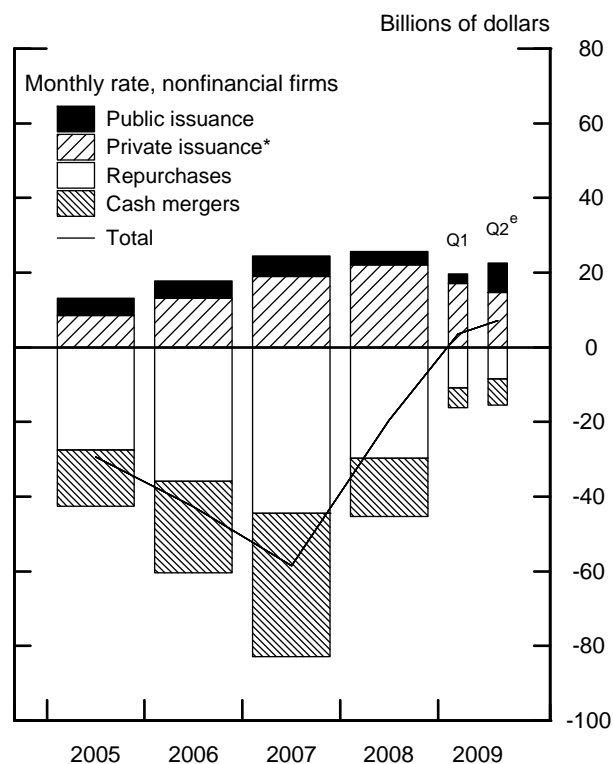


\* Seasonally adjusted, period-end basis.

p Preliminary.

Source: Depository Trust & Clearing Corporation; Thomson Financial; Federal Reserve Board.

### Components of Net Equity Issuance



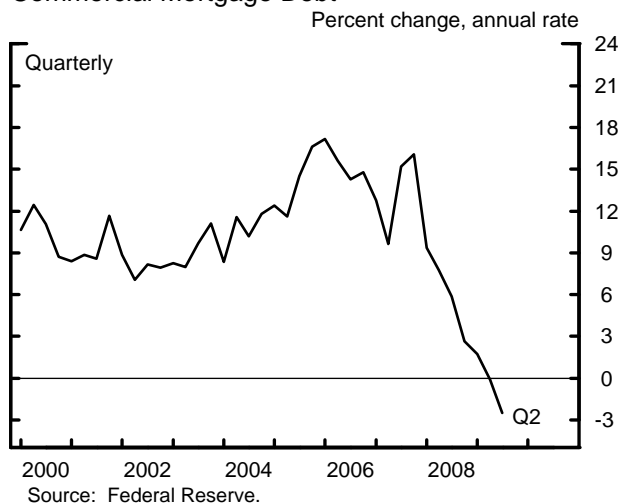
\* Private issuance was revised back to 2005.

e Estimate.

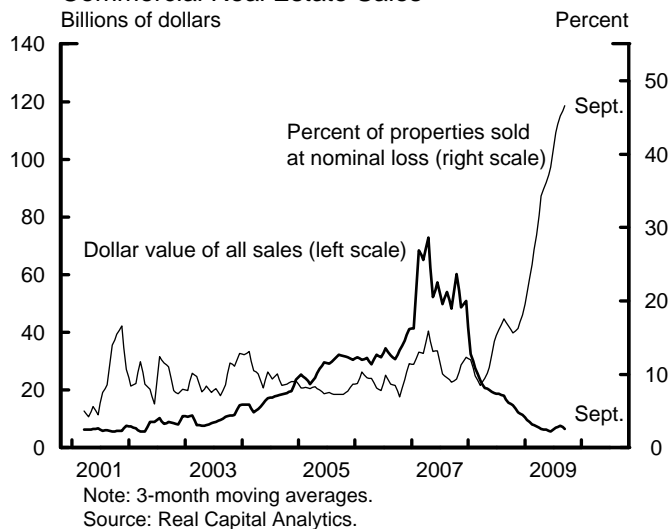
Source: Thomson Financial, Investment Benchmark Report; Money Tree Report by PricewaterhouseCoopers, National Venture Capital Association, and Venture Economics.

## Commercial Real Estate

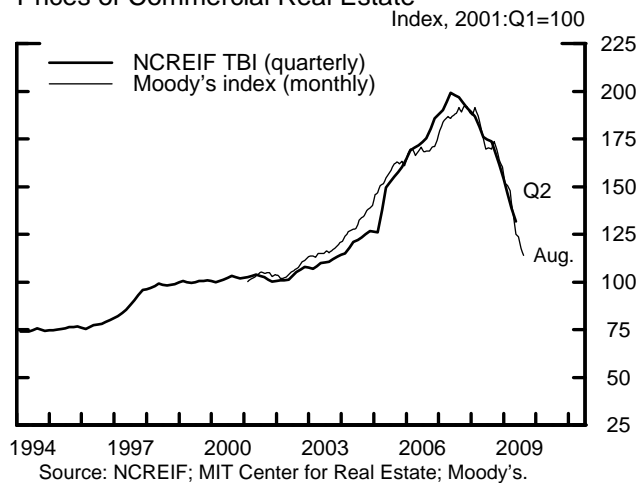
### Commercial Mortgage Debt



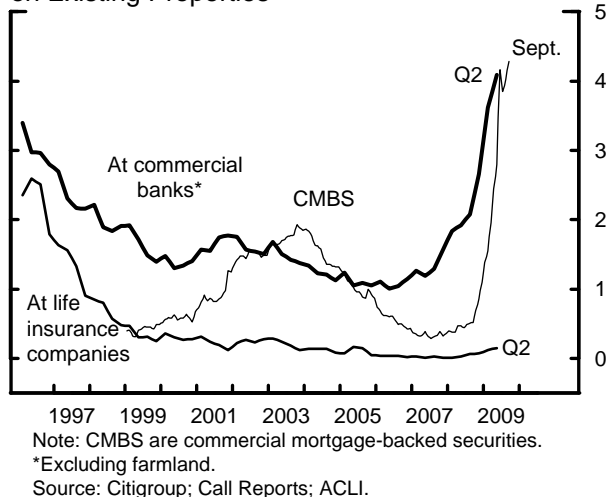
### Commercial Real Estate Sales



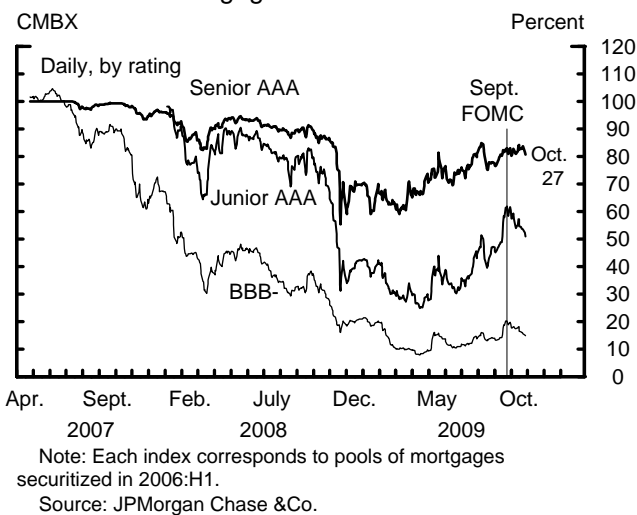
### Prices of Commercial Real Estate



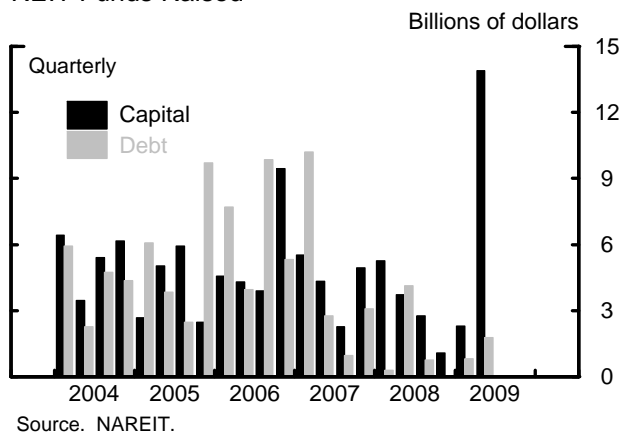
### Delinquency Rates on Commercial Mortgages on Existing Properties



### Commercial Mortgage CDS Index Prices



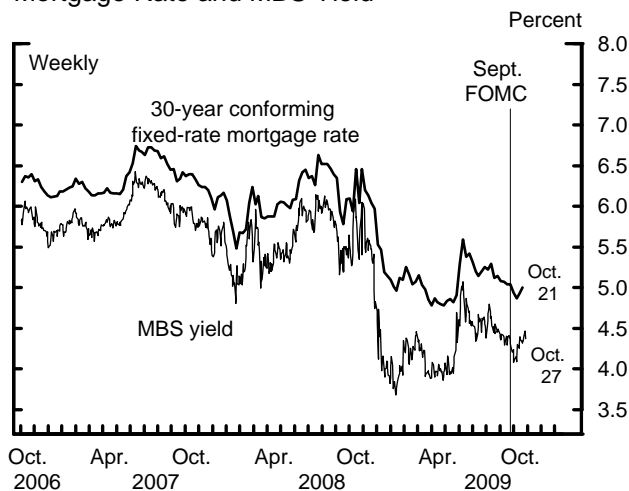
### REIT Funds Raised





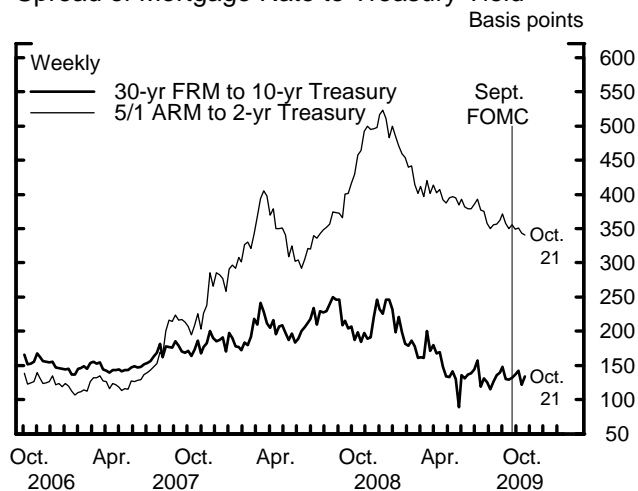
## Residential Mortgages

### Mortgage Rate and MBS Yield



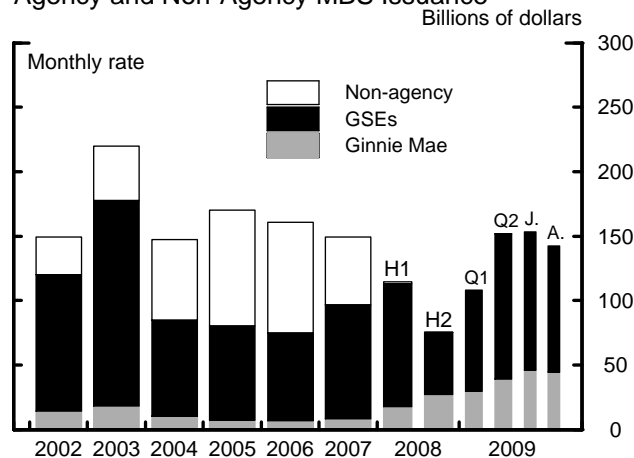
Note: For MBS yield, Fannie Mae 30-year current coupon rate.  
Source: For mortgage rate, Freddie Mac; for MBS yield, Bloomberg.

### Spread of Mortgage Rate to Treasury Yield



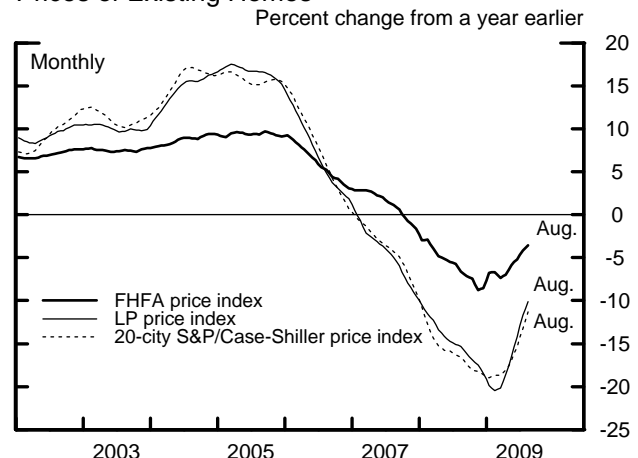
Note: Spreads are relative to corresponding off-the-run Treasury yields.  
Source: Bloomberg; Freddie Mac.

### Agency and Non-Agency MBS Issuance



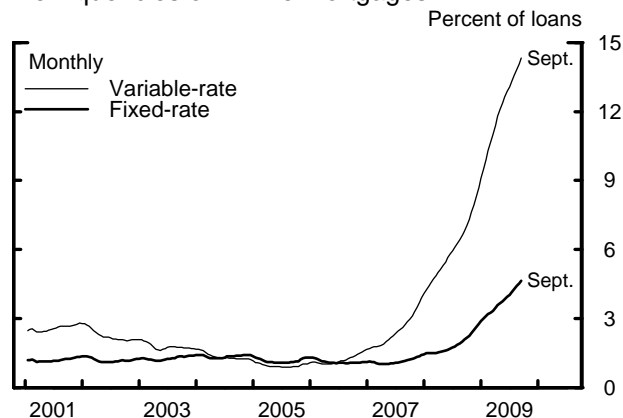
Source: For non-agency issuance, Inside Mortgage Finance; for agency, Fannie Mae, Freddie Mac, and Ginnie Mae.

### Prices of Existing Homes



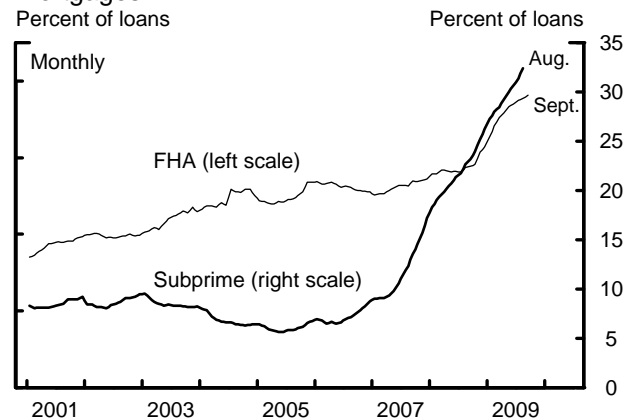
Note: LoanPerformance data are confidential until publicly released.  
Source: For FHFA, Federal Housing Finance Agency; for LP, LoanPerformance, a division of First American CoreLogic; for S&P/Case-Shiller, Standard & Poor's.

### Delinquencies on Prime Mortgages



Note: Percent of loans 90 or more days past due or in foreclosure. Prime includes near-prime mortgages.  
Source: McDash Analytics.

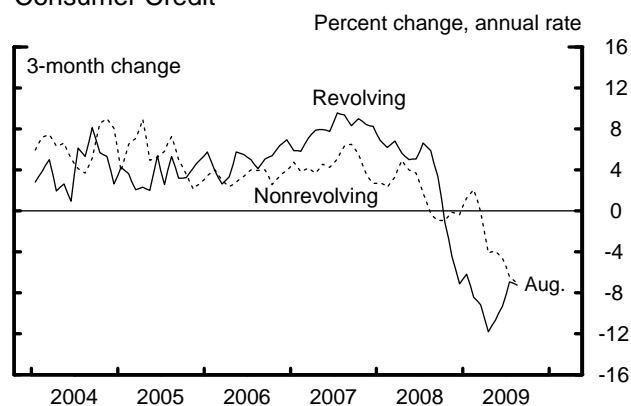
### Delinquencies on Subprime and FHA-Backed Mortgages



Note: Percent of loans 90 or more days past due or in foreclosure. For subprime mortgages, rates are for securitized loans.  
Source: For FHA-backed mortgages, McDash Analytics; for subprime mortgages, LoanPerformance, a division of First American CoreLogic.

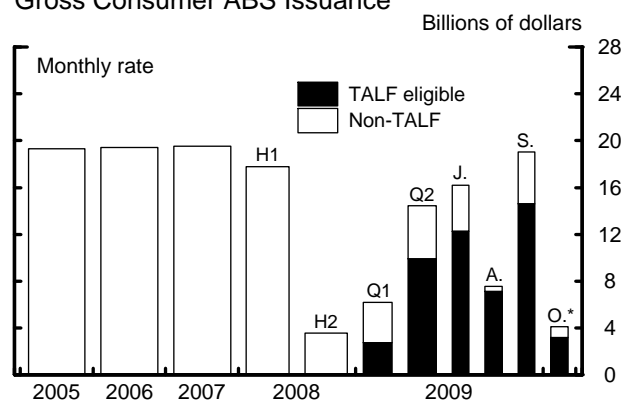
## Consumer Credit and Mutual Funds

### Consumer Credit



Source: Federal Reserve.

### Gross Consumer ABS Issuance

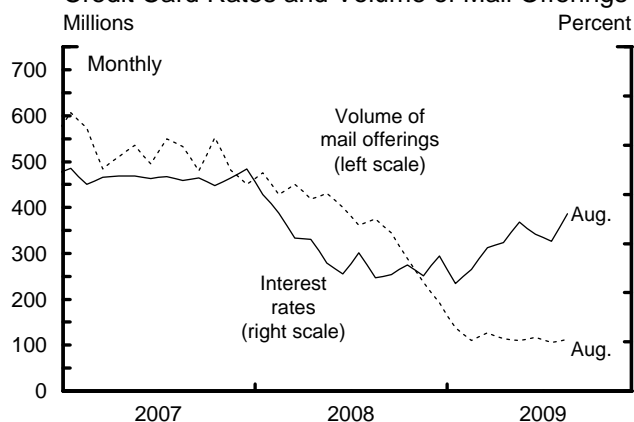


\* Through October 23.

Note: Credit card, auto, and student loan ABS.

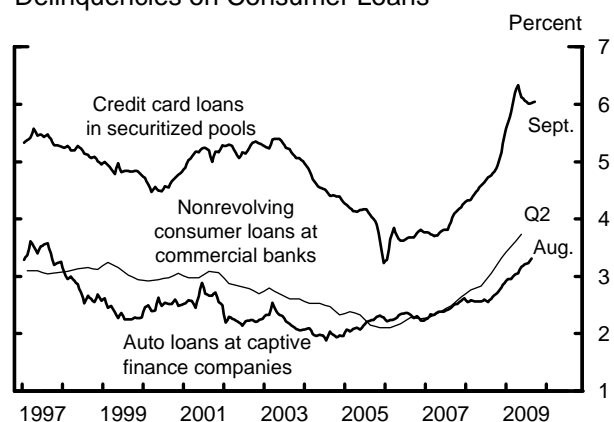
Source: Inside MBS & ABS; Merrill Lynch; Bloomberg; Federal Reserve.

### Credit Card Rates and Volume of Mail Offerings



Source: Mintel.

### Delinquencies on Consumer Loans



Source: For auto loans, Federal Reserve; for credit cards, Moody's Investors Service; for nonrevolving consumer loans, Call Report.

## Net Flows into Mutual Funds

(Billions of dollars, monthly rate)

Fund type	2008				2009			Assets Aug.
	H1	H2	Q1	Q2	July	Aug.	Sept. <sup>e</sup>	
<b>Total long-term funds</b>	<b>11.8</b>	<b>-49.7</b>	<b>0.5</b>	<b>46.1</b>	<b>45.7</b>	<b>50.0</b>	<b>48.2</b>	<b>7,061</b>
<b>Equity funds</b>	<b>-3.6</b>	<b>-36.0</b>	<b>-14.4</b>	<b>14.2</b>	<b>9.2</b>	<b>3.9</b>	<b>-10.4</b>	<b>4,511</b>
Domestic	-5.0	-20.7	-7.8	9.7	2.3	-2.0	-11.0	3,375
International	1.3	-15.3	-6.5	4.4	6.9	5.9	0.5	1,136
<b>Hybrid funds</b>	<b>1.7</b>	<b>-4.7</b>	<b>-2.9</b>	<b>2.3</b>	<b>1.8</b>	<b>3.2</b>	<b>11.0</b>	<b>577</b>
<b>Bond funds</b>	<b>13.8</b>	<b>-9.0</b>	<b>17.8</b>	<b>29.7</b>	<b>34.7</b>	<b>42.9</b>	<b>47.6</b>	<b>1,973</b>
High-yield	-0.2	0.1	2.7	2.9	1.9	1.0	1.2	167
Other taxable	11.1	-7.4	11.2	21.1	26.0	32.9	36.2	1,386
Municipals	2.9	-1.6	3.9	5.7	6.8	9.1	10.2	420
<b>Money market funds</b>	<b>56.1</b>	<b>59.6</b>	<b>0.1</b>	<b>-54.6</b>	<b>-50.0</b>	<b>-55.6</b>	<b>-139.9</b>	<b>3,569</b>

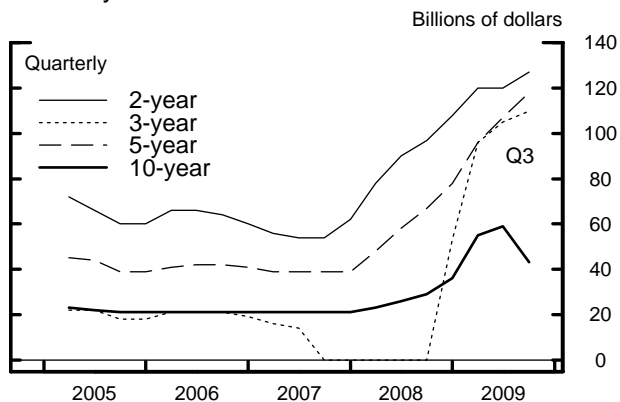
Note: Excludes reinvested dividends.

<sup>e</sup> Staff estimate.

Source: Investment Company Institute.

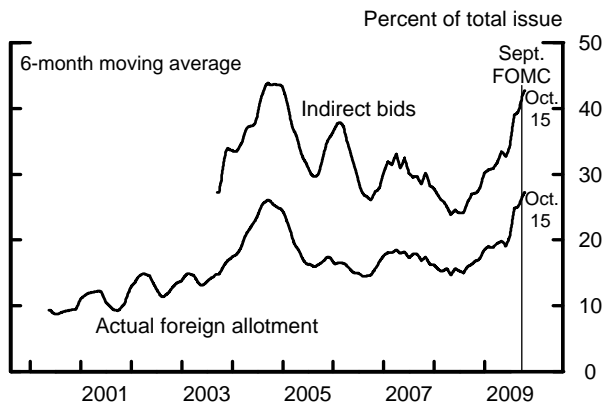
## Treasury Finance

Treasury Auction Amounts



Source: U.S. Treasury Dept.

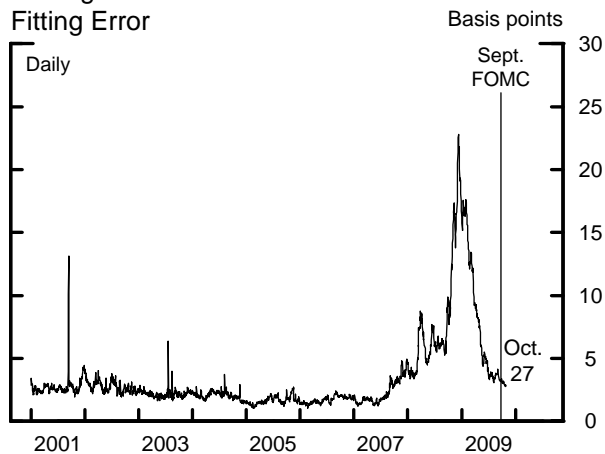
Foreign Participation in Treasury Auctions



Note: Indirect bids and actual allotment are a percentage of the total amount accepted, including the amount tendered to the Federal Reserve. Moving averages include 2-, 5-, and 10-year original auctions and reopenings.

Source: Federal Reserve Board.

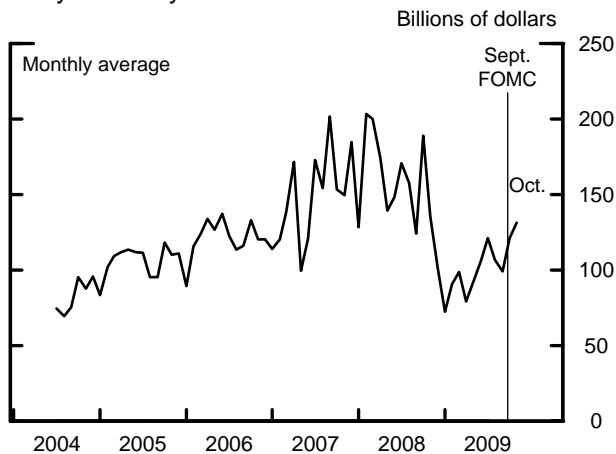
Average Absolute Nominal Yield Curve Fitting Error



Note: Calculated from securities with 2 to 10 years until maturity, excluding on-the-run and first off-the-run securities.

Source: Federal Reserve Board.

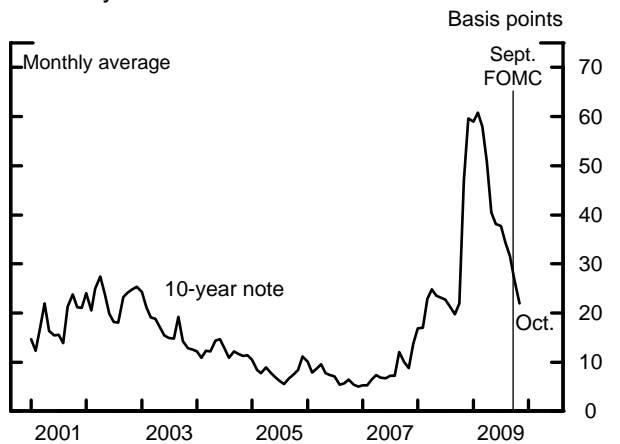
Daily Treasury Market Volume



Note: October observation is the month-to-date average.

Source: Bloomberg.

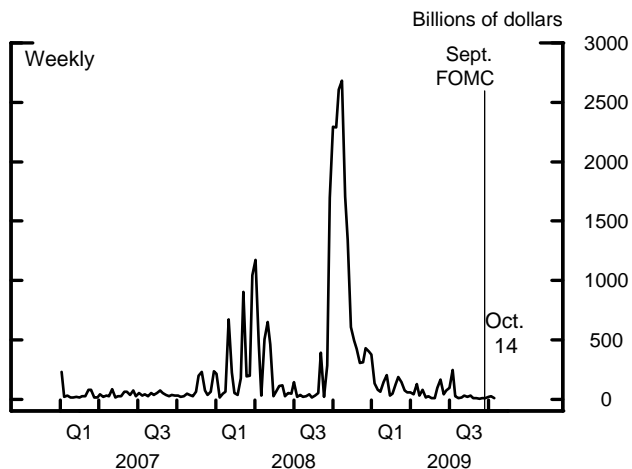
Treasury On-the-Run Premium



Note: Computed as the spread of the yield read from an estimated off-the-run yield curve over the on-the-run Treasury yield. October observation is the month-to-date average.

Source: Federal Reserve Board.

Treasury Fails-to-Deliver



Source: Federal Reserve Board, FR 2004, Government Securities Dealers Reports.

## State and Local Government Finance

### Gross Offerings of Municipal Securities

(Billions of dollars; monthly rate, not seasonally adjusted)

Type of security	2005	2006	2007	2008	2009			
					H1	Q3	Sept.	Oct. <sup>p</sup>
Total	38.4	36.1	40.4	37.5	36.5	41.9	42.5	33.0
Long-term <sup>1</sup>	34.2	32.5	35.5	32.4	32.9	30.7	29.9	31.0
Refundings <sup>2</sup>	15.6	10.6	12.6	14.6	12.5	11.0	11.1	14.0
New capital	18.6	21.9	22.9	17.8	20.5	19.7	18.8	17.0
Short-term	4.2	3.7	4.9	5.0	3.6	11.2	12.7	2.0
Memo: Long-term taxable	2.1	2.5	2.4	2.3	4.5	7.9	8.4	1.3

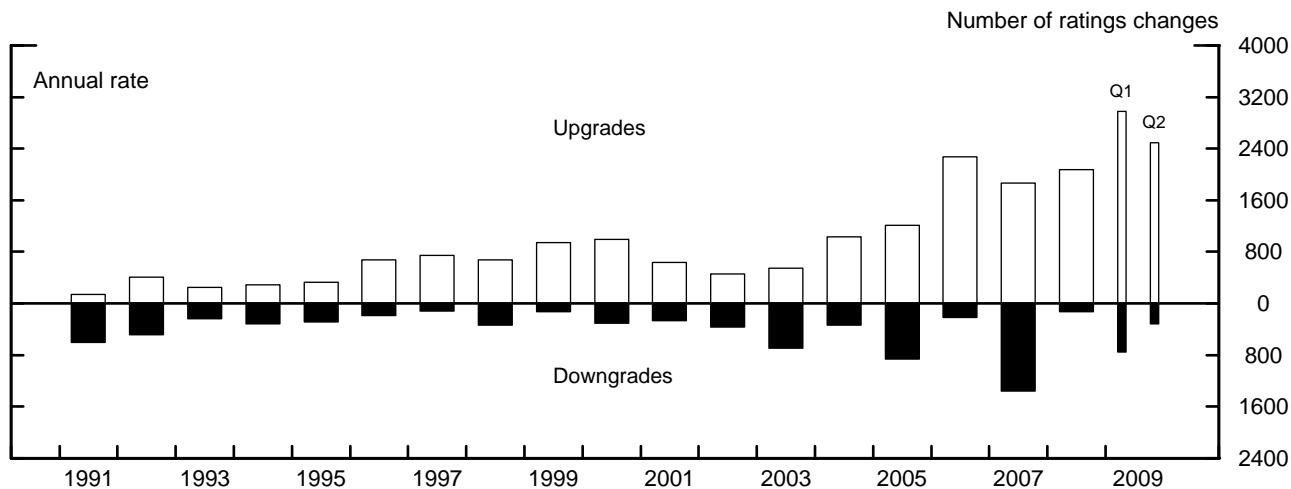
1. Includes issues for public and private purposes.

2. All issues that include any refunding bonds.

p Forecast based on preliminary data through October 22, 2009.

Source: Thomson Financial.

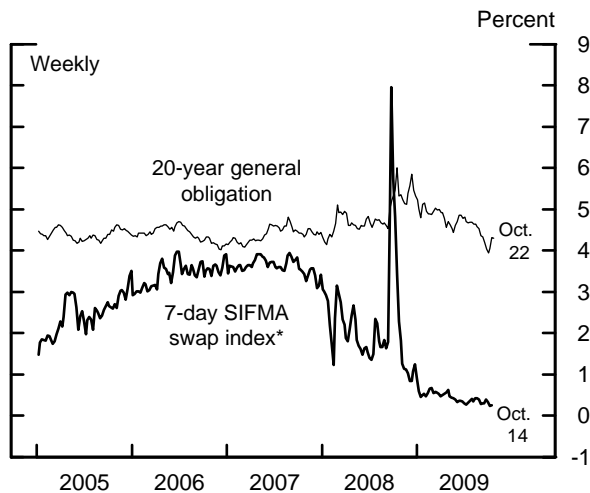
### Ratings Changes



Note: Recent upgrades reflect S&P's change of rating standard.

Source: S&P's Credit Week Municipal; S&P's Ratings Direct.

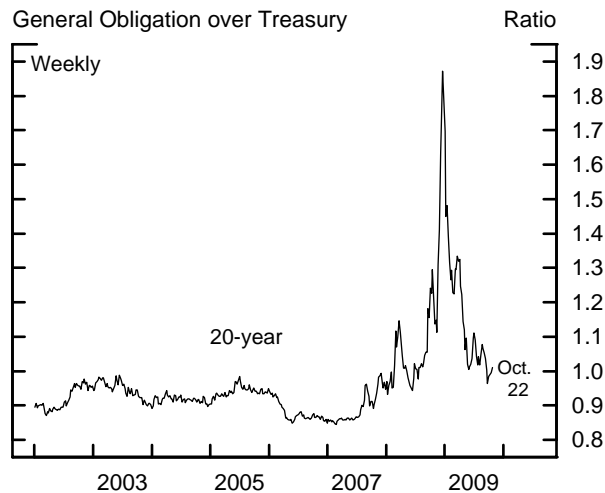
### Municipal Bond Yields



\* SIFMA is the Securities Industry and Financial Markets Association.

Source: Municipal Market Advisors; Bond Buyer.

### Municipal Bond Yield Ratio



Source: Bond Buyer.

**M2 Monetary Aggregate**  
(Based on seasonally adjusted data)

Aggregate and components	Percent change (annual rate) <sup>1</sup>						Level (billions of dollars),
	2007	2008	2009				Oct. (e)
			Q2	Q3	Sept.	Oct. (e)	
M2	5.9	8.3	2.7	0.1	4.0	3.0	8,354
Components <sup>2</sup>							
Currency	2.0	5.8	6.9	3.4	5.3	0.6	863
Liquid deposits <sup>3</sup>	4.3	6.9	12.5	12.7	20.6	21.5	5,503
Small time deposits	4.3	11.7	-16.6	-26.5	-37.9	-43.1	1,133
Retail money market funds	20.2	13.1	-22.1	-33.0	-38.0	-46.7	850
Memo:							
Institutional money market funds	40.2	24.7	6.4	-9.6	-17.9	-40.8	2,341
Monetary base	2.0	70.4	24.2	-2.1	67.8	109.8	1,967

1. For years, Q4 to Q4; for quarters and months, calculated from corresponding average levels.

2. Nonbank traveler's checks are not listed.

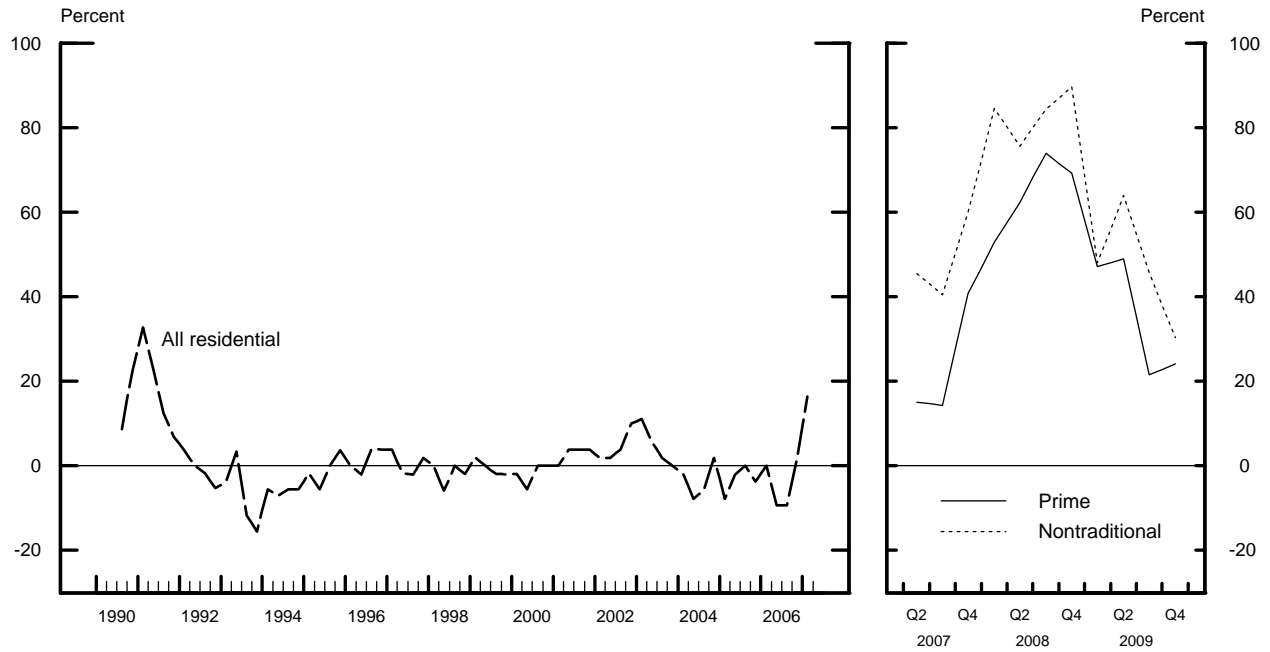
3. Sum of demand deposits, other checkable deposits, and savings deposits.

e Estimated.

Source: Federal Reserve.

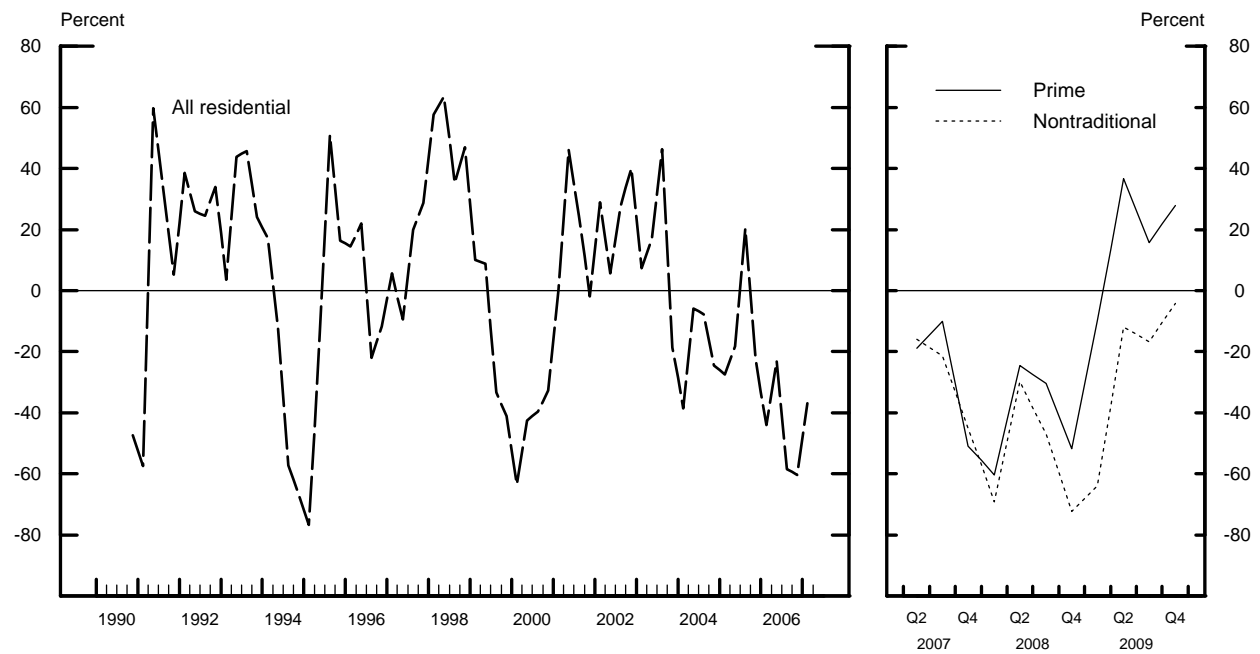
## Measures of Supply and Demand for Residential Mortgage Loans

Net Percentage of Domestic Respondents Tightening Standards for Residential Mortgage Loans



Note: For data starting in 2007:Q2, changes in standards for prime and nontraditional mortgage loans are reported separately.

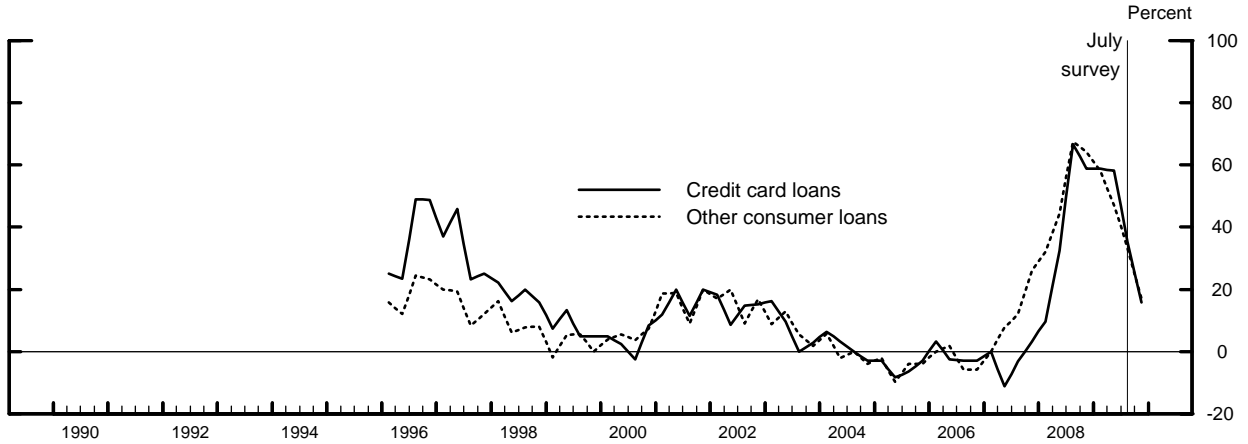
Net Percentage of Domestic Respondents Reporting Stronger Demand for Residential Mortgage Loans



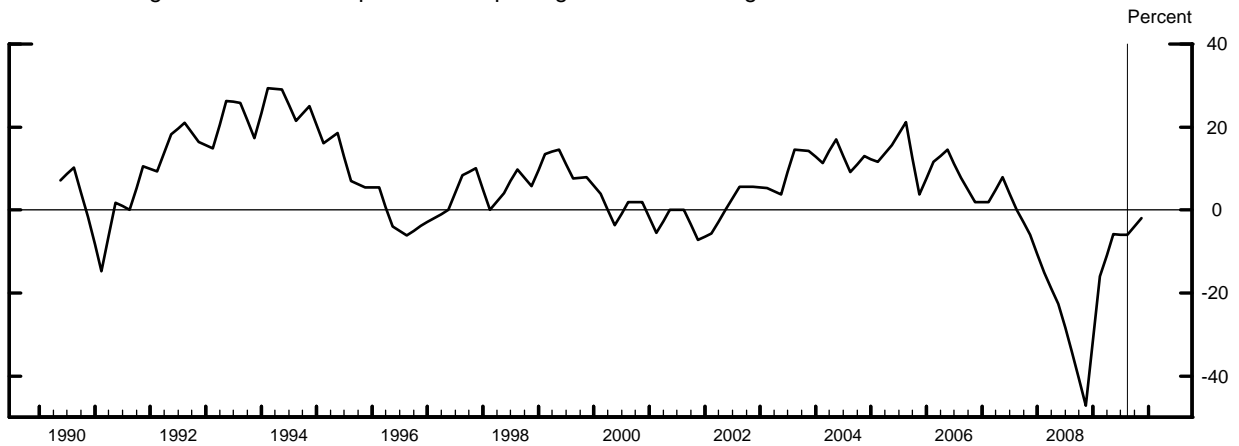
Note: For data starting in 2007:Q2, changes in demand for prime and nontraditional mortgage loans are reported separately.

## Measures of Supply and Demand for Consumer Loans

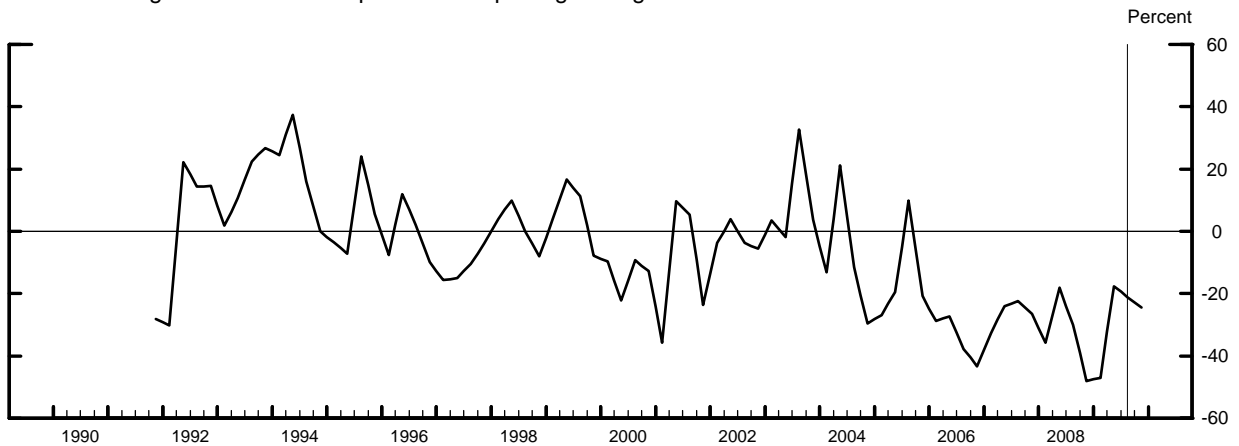
Net Percentage of Domestic Respondents Tightening Standards for Consumer Loans



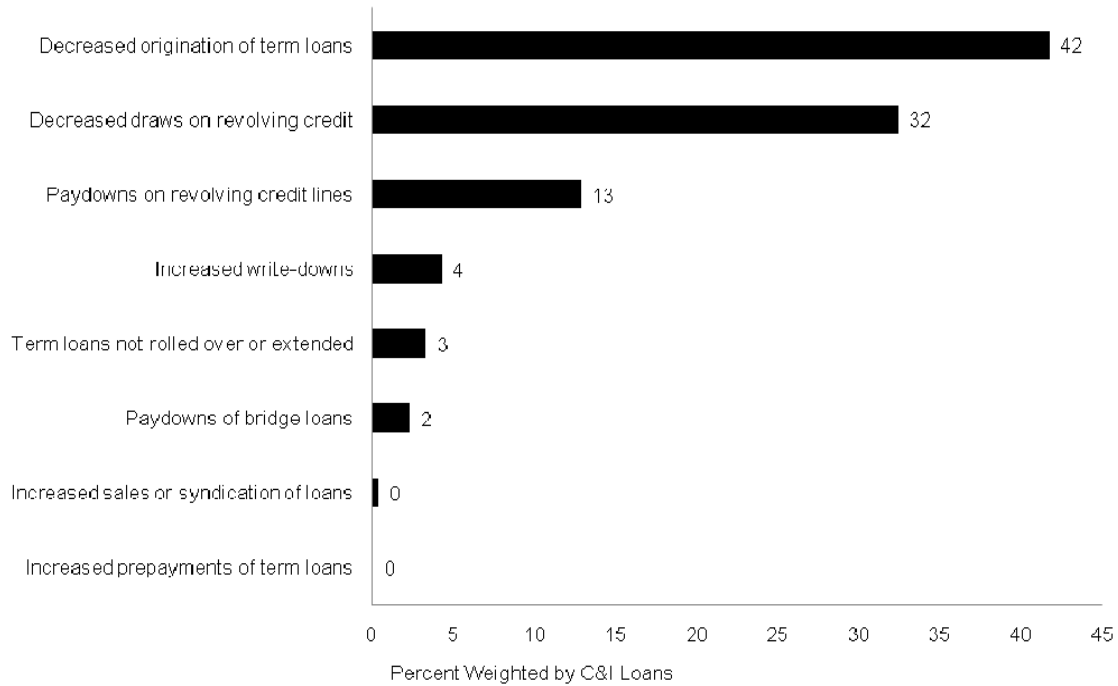
Net Percentage of Domestic Respondents Reporting Increased Willingness to Make Consumer Installment Loans



Net Percentage of Domestic Respondents Reporting Stronger Demand for Consumer Loans

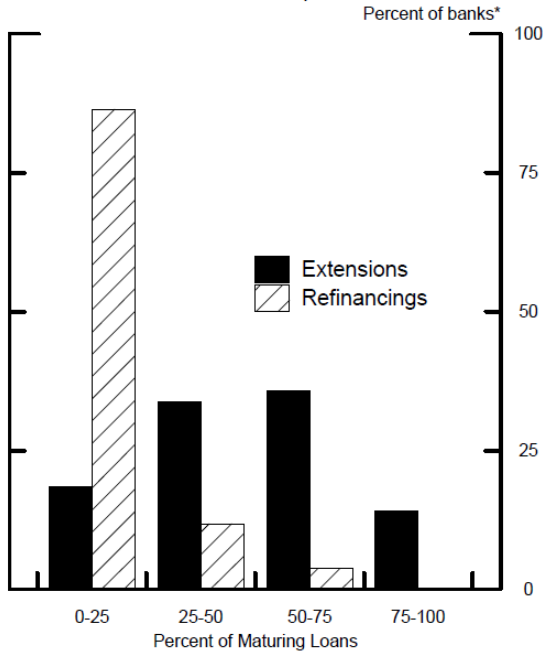


Percentage of Domestic Banks Reporting Each of the Following Was a "Very" Important Source in the Contraction of C&I Loans



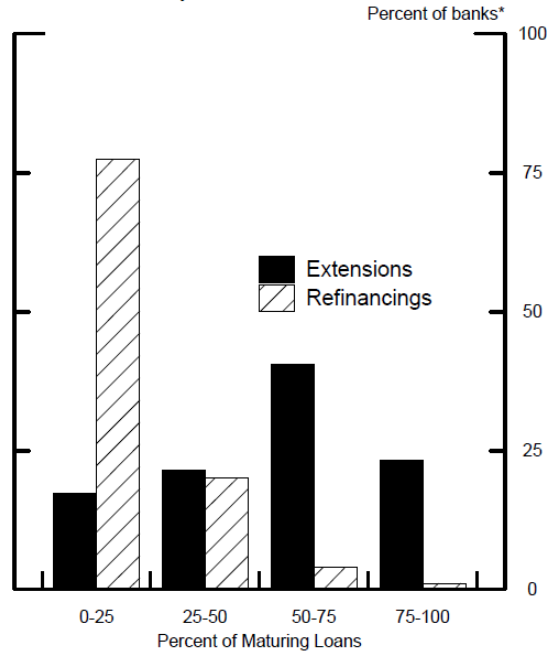
Distribution of Extensions and Refinancings of Maturing CRE Loans Across Domestic Banks

Construction and Land Development Loans



\*Weighted by construction and land development loans.

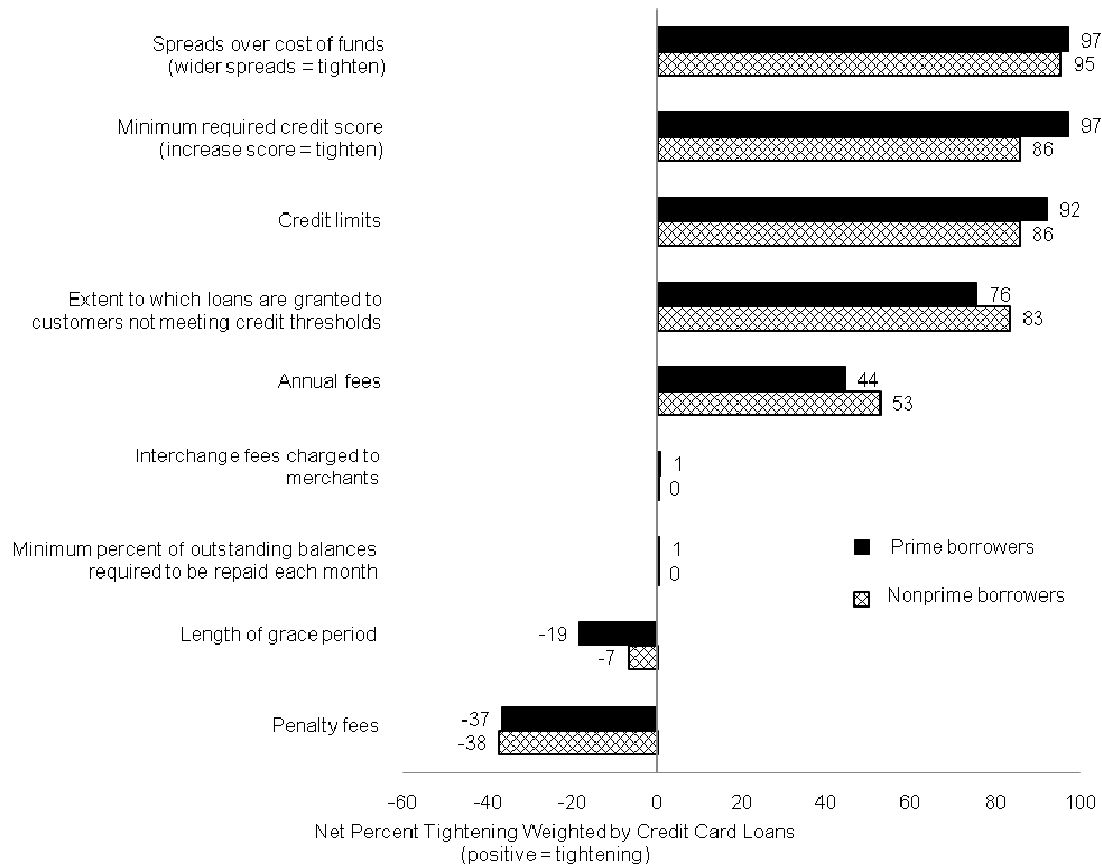
Loans Secured by Nonfarm/Nonresidential Real Estate



\*Weighted by loans secured by nonfarm/nonresidential real estate.



### Effect of Credit CARD Legislation on Credit Card Terms



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## **International Developments**

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## Exchange Value of the Dollar and Stock Market Indexes

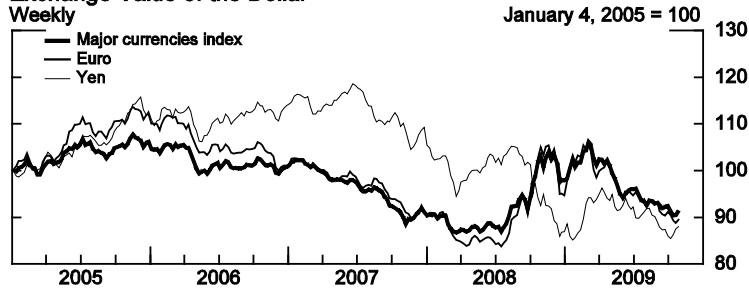
	Latest	Percent change since September Greenbook
<i>Exchange rates*</i>		
Euro (\$/euro)	1.4821	-1.4
Yen (¥/\$)	92.040	1.2
Sterling (\$/£)	1.6334	0.6
Canadian dollar (C\$/\$)	1.0644	-1.1
<i>Nominal dollar indexes*^</i>		
Broad index	102.1	-0.9
Major Currencies index	73.9	-0.8
OITP index	133.5	-1.1
<i>Stock market indexes</i>		
DJ Euro Stoxx	265	-0.3
TOPIX	895	-4.0
FTSE 100	5201	3.2
S&P 500	1063	1.0

\* Positive percent change denotes appreciation of U.S. dollar.

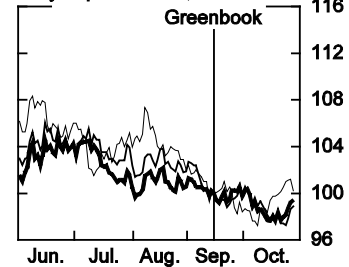
^ Indexed to 100 in Jan. 1997 for the Broad and OITP indexes and Mar. 1973 for the Major Currencies index.

### Exchange Value of the Dollar

Weekly

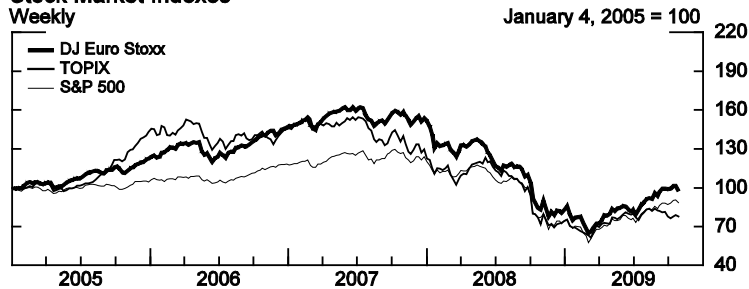


Daily September 15, 2009 = 100

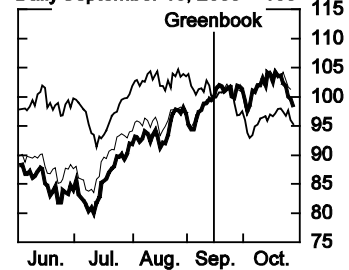


### Stock Market Indexes

Weekly



Daily September 15, 2009 = 100



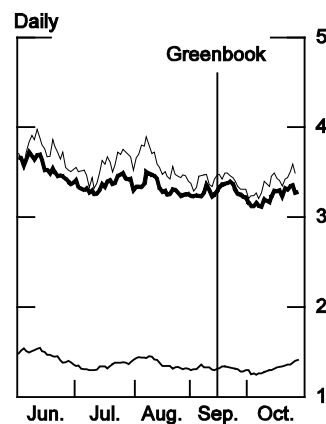
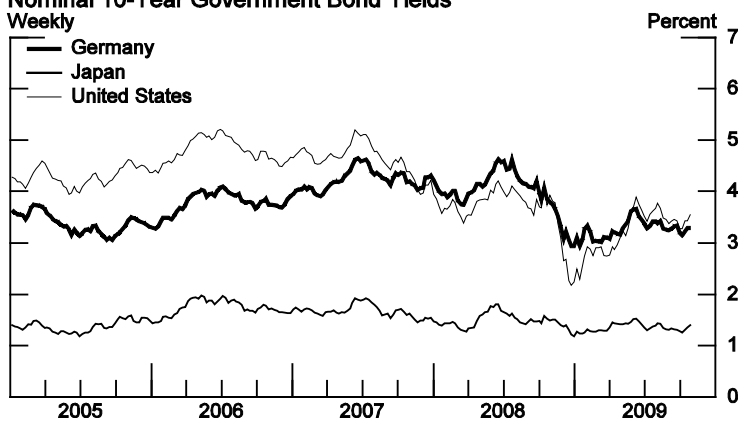
## Industrial Countries: Nominal and Real Interest Rates

	3-month Libor		10-year nominal		10-year indexed		Percent
	Latest	Change since Sep. Greenbook	Latest	Change since Sep. Greenbook	Latest	Change since Sep. Greenbook	
Germany	0.68	-0.04	3.27	-0.02	1.04	0.02	
Japan	0.32	-0.03	1.40	0.08	2.26	-0.05	
United Kingdom	0.59	-0.02	3.61	-0.01	0.81	-0.20	
Canada	0.50	-0.00	3.49	0.12	...	...	
United States	0.28	-0.01	3.49	0.02	1.60	-0.12	

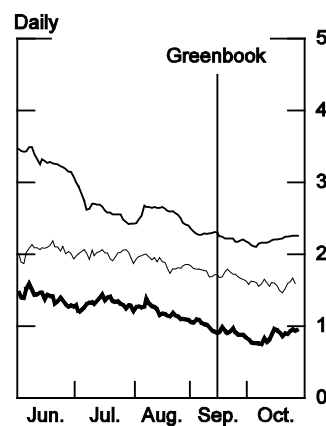
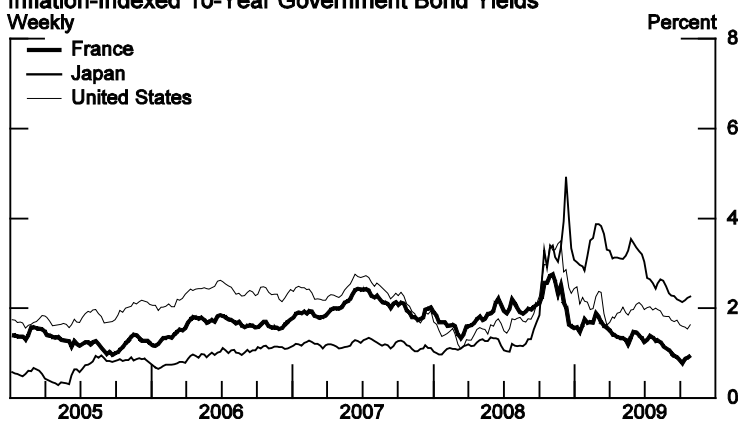
... Not applicable.

Libor: London interbank offered rate.

**Nominal 10-Year Government Bond Yields**  
Weekly



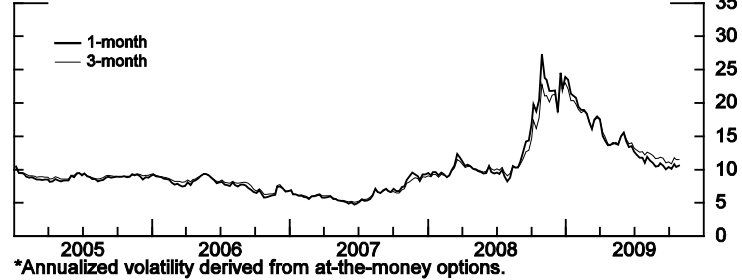
**Inflation-Indexed 10-Year Government Bond Yields**  
Weekly



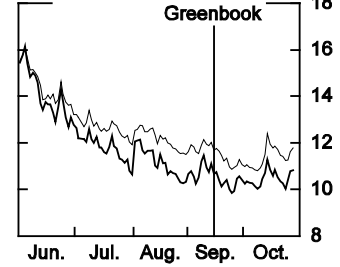
## Measures of Market Volatility

### Dollar-Euro Options-Implied Volatility\*

Weekly

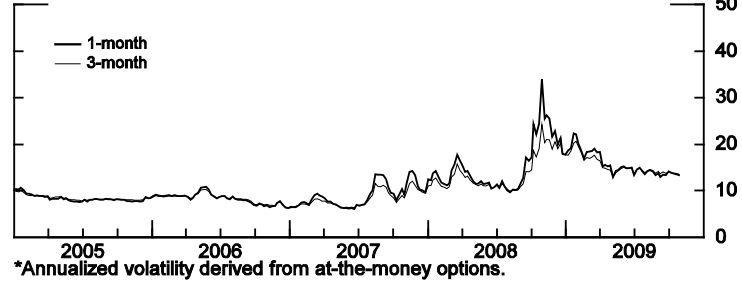


Daily

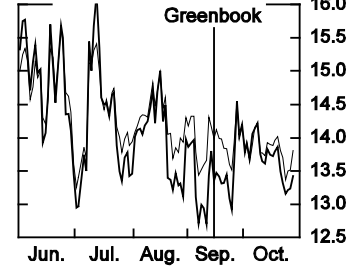


### Yen-Dollar Options-Implied Volatility\*

Weekly

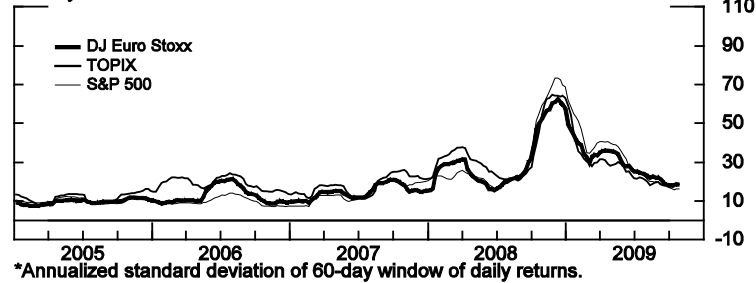


Daily

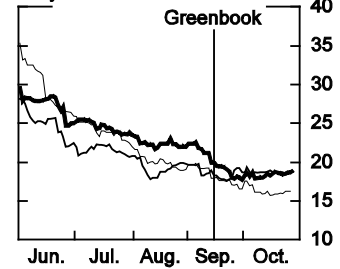


### Realized Stock Market Volatility\*

Weekly

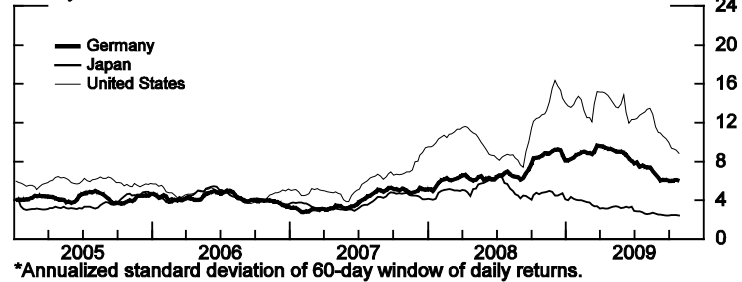


Daily

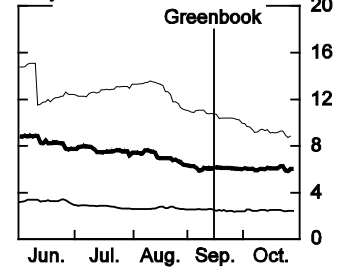


### Realized 10-Year Bond Volatility\*

Weekly



Daily

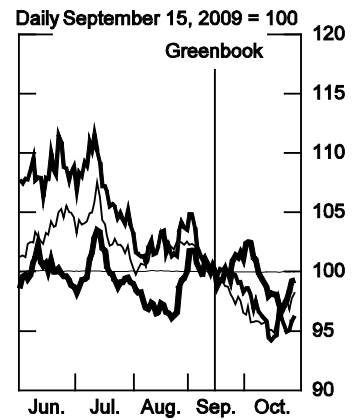
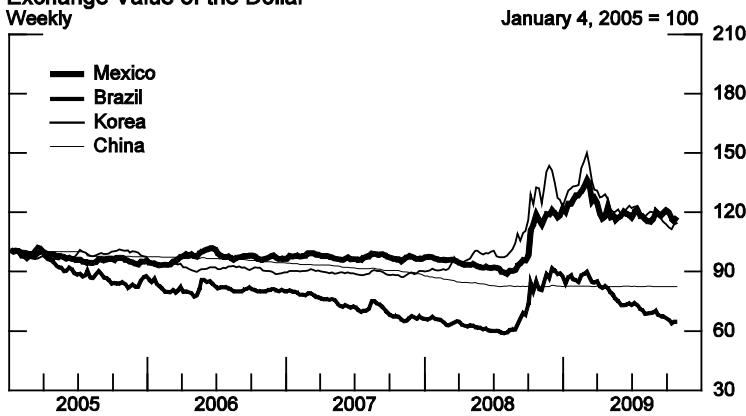


## Emerging Markets: Exchange Rates and Stock Market Indexes

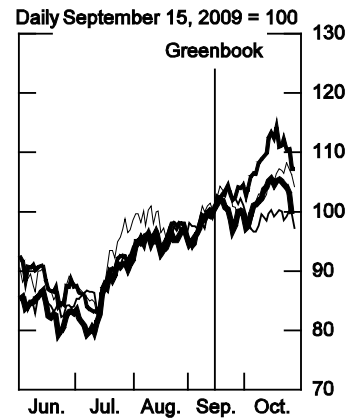
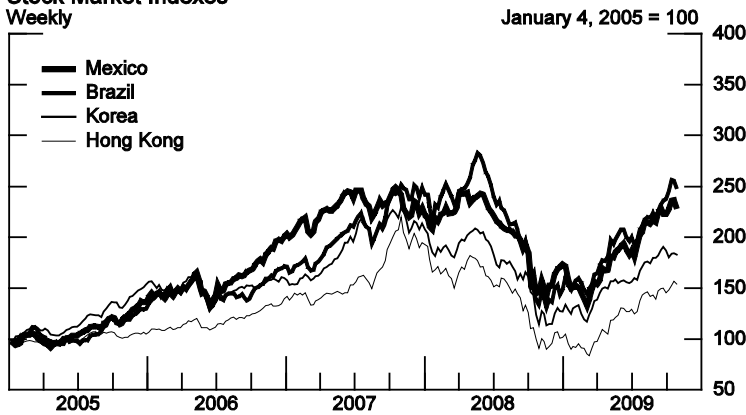
	Exchange value of the dollar		Stock market index	
	Latest	Percent change since Sep. Greenbook*	Latest	Percent change since Sep. Greenbook
Mexico	13.2300	-0.8	29313	-1.1
Brazil	1.7308	-4.2	63161	6.6
Venezuela	2.14	0.0	50100	-6.9
China	6.8292	0.0	3021	-0.4
Hong Kong	7.7495	-0.0	22170	6.2
Korea	1190.0	-2.3	1650	-0.2
Taiwan	32.46	-0.3	7657	4.2
Thailand	33.41	-1.4	715	1.6

\* Positive percent change denotes appreciation of U.S. dollar.

Exchange Value of the Dollar  
Weekly



Stock Market Indexes  
Weekly



## Emerging Markets: Short-Term Interest Rates and Dollar-Denominated Bond Spreads

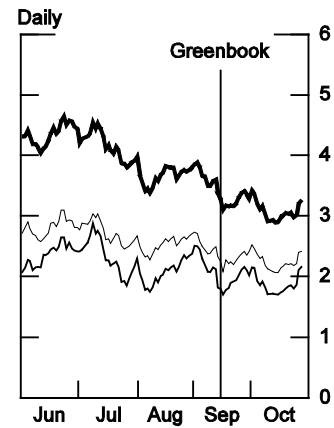
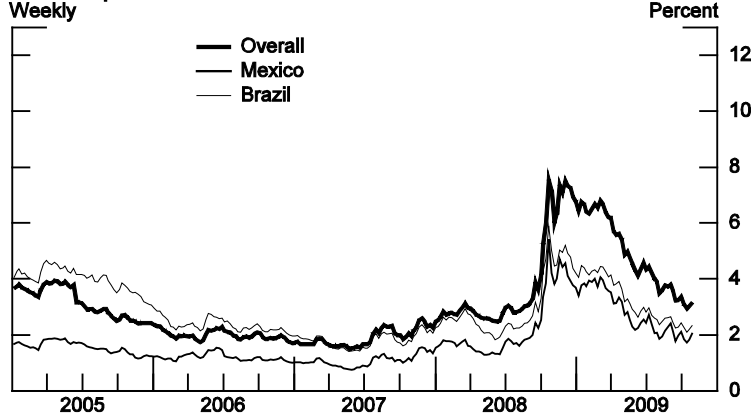
	Short-term interest rates*		Dollar-denominated bond spreads**		Percent
	Latest	Change since Sep. Greenbook	Latest	Change since Sep. Greenbook	
Mexico	4.53	0.04	2.10	0.31	
Brazil	8.60	-0.40	2.40	0.16	
Argentina	11.94	-0.50	6.75	-0.72	
China	...	...	0.80	-0.06	
Korea	2.10	0.00	...	...	
Taiwan	1.11	-0.02	...	...	
Singapore	0.31	0.00	...	...	
Hong Kong	0.07	-0.07	...	...	

\*One-month interest rate except 1-week rate for Korea. (No reliable short-term interest rate exists for China.)

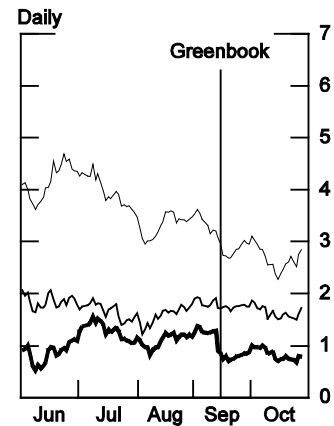
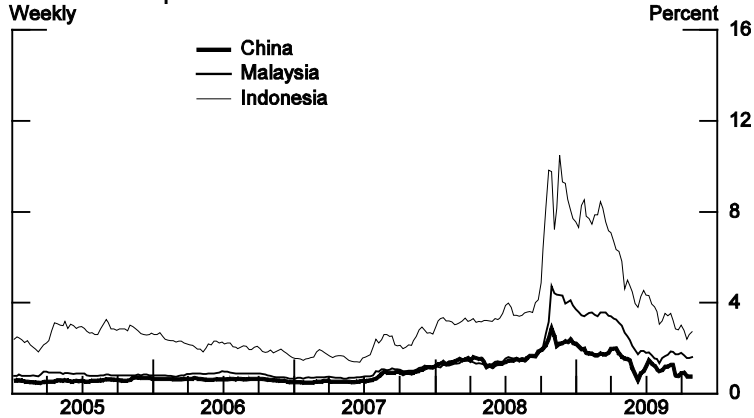
\*\*EMBI+ Spreads or EMBI Global Spreads over similar-maturity U.S. Treasury securities.

... Not applicable. Korea, Taiwan, and Hong Kong have no outstanding dollar-denominated sovereign bonds.

### EMBI+ Spreads

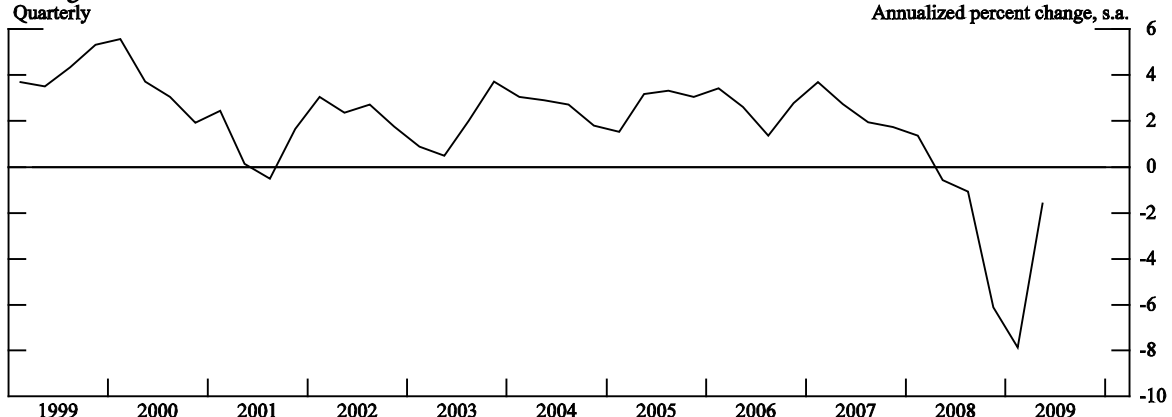


### EMBI Global Spreads



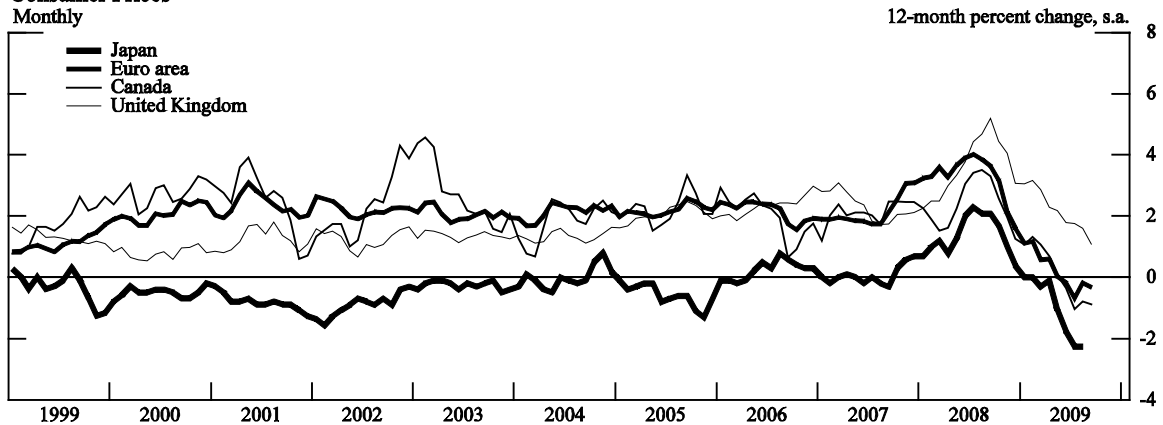
## Advanced Foreign Economies

Average Real Gross Domestic Product  
Quarterly



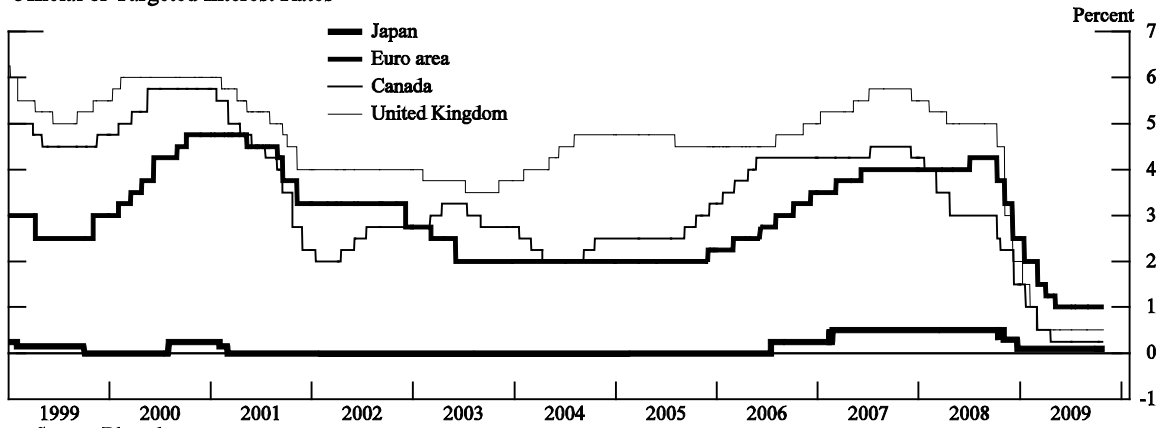
Note: Chain weighted by moving bilateral shares in U.S. merchandise exports.  
Source: FRB staff calculations.

Consumer Prices  
Monthly



Source: Haver Analytics.

Official or Targeted Interest Rates



Source: Bloomberg.



October 30, 2009

# CURRENT ECONOMIC AND FINANCIAL CONDITIONS

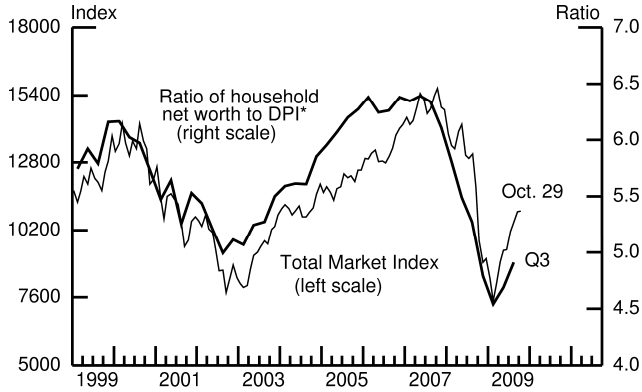
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## **Supplemental Notes**

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

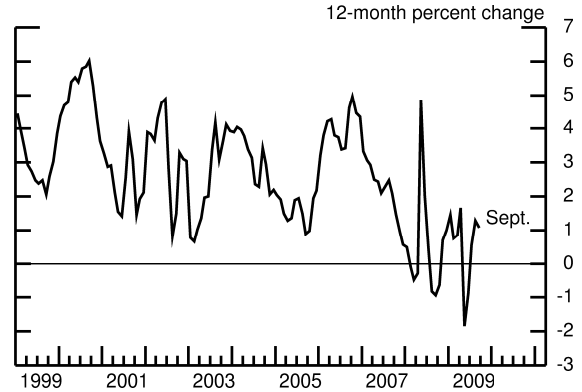
## Fundamentals of Household Spending

Household Net Worth and Dow Jones Total Market Index



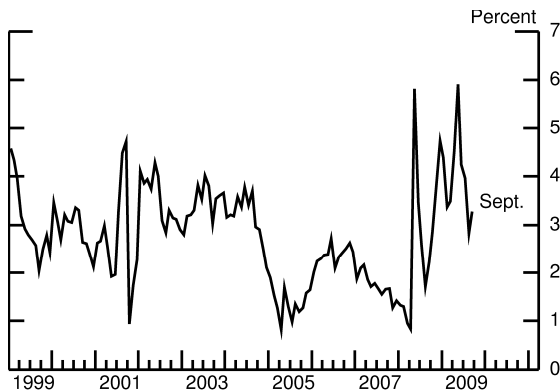
\* The value for 2004:Q4 excludes the effect on income of the one-time Microsoft dividend in December 2004.  
Source: Federal Reserve Board; U.S. Department of Commerce, Bureau of Economic Analysis; *Wall Street Journal*.

Change in Real Disposable Personal Income



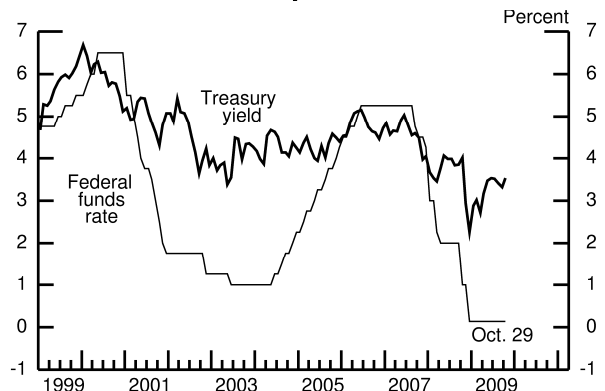
Note: Values for December 2004 and December 2005 exclude the effect on income of the one-time Microsoft dividend in December 2004.  
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Personal Saving Rate



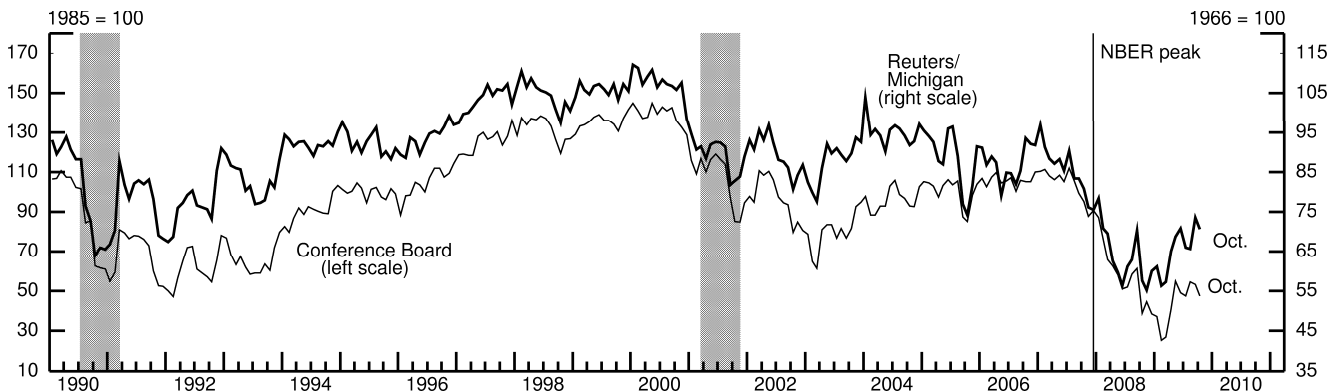
Note: The value for December 2004 excludes the effect on income of the one-time Microsoft dividend in that month.  
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Target Federal Funds Rate and 10-Year Treasury Yield



Source: Federal Reserve Board.

Consumer Confidence



Note: Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research (NBER). The NBER peak is the last business cycle peak as defined by the NBER.  
Source: Reuters/University of Michigan Surveys of Consumers; Conference Board.

**Broad Measures of Inflation**  
(Percent change, Q3 to Q3)

Measure	2006	2007	2008	2009
<i>Product prices</i>				
GDP price index	3.3	2.6	2.5	.7
Less food and energy	3.3	2.6	2.7	.3
Nonfarm business chain price index	3.0	2.1	1.9	.8
<i>Expenditure prices</i>				
Gross domestic purchases price index	3.4	2.6	4.0	-.8
Less food and energy	3.2	2.6	2.9	.2
PCE price index	2.8	2.3	4.3	-.6
Less food and energy	2.5	2.2	2.6	1.3
PCE price index, market-based components	2.9	2.0	4.6	-.6
Less food and energy	2.5	1.9	2.6	1.7
CPI	3.3	2.3	5.2	-1.6
Less food and energy	2.8	2.1	2.5	1.5
Chained CPI	3.1	2.0	4.5	-1.6
Less food and energy	2.6	1.7	2.1	1.1
Median CPI	3.0	2.9	3.2	1.7
Trimmed mean CPI	2.8	2.5	3.6	1.1
Trimmed mean PCE	2.8	2.5	2.9	1.6

Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; for median and trimmed mean CPI, Federal Reserve Bank of Cleveland; for all else, U.S. Dept. of Commerce, Bureau of Economic Analysis.

**Surveys of Inflation Expectations**  
(Percent)

Period	Actual CPI inflation <sup>1</sup>	Reuters/Michigan Survey				Professional forecasters (10 years) <sup>4</sup>	
		1 year <sup>2</sup>		5 to 10 years <sup>3</sup>			
		Mean	Median	Mean	Median	CPI	PCE
2007:Q4	4.0	4.1	3.3	3.3	2.9	2.4	2.1
2008:Q1	4.1	4.2	3.8	3.3	3.0	2.5	2.2
Q2	4.4	6.4	5.0	3.8	3.3	2.5	2.2
Q3	5.3	5.4	4.7	3.6	3.1	2.5	2.2
Q4	1.6	3.0	2.8	2.9	2.8	2.5	2.2
2009:Q1	.0	2.4	2.0	3.3	2.9	2.4	2.2
Q2	-1.2	3.4	2.9	3.1	2.9	2.5	2.3
Q3	-1.6	3.1	2.6	3.2	2.9	2.5	2.2
2009:June	-1.4	3.9	3.1	3.2	3.0	...	...
July	-2.1	3.6	2.9	3.4	3.0	...	...
Aug.	-1.5	3.0	2.8	3.1	2.8	2.5	2.2
Sept.	-1.3	2.8	2.2	3.2	2.8	...	...
Oct.	n.a.	3.2	2.9	3.2	2.9	...	...

1. Percent change from the same period in the preceding year.

2. Responses to the question, By about what percent do you expect prices to go up, on average, during the next 12 months?

3. Responses to the question, By about what percent per year do you expect prices to go up, on average, during the next 5 to 10 years?

4. Median CPI and PCE price projections.

... Not applicable.

n.a. Not available.

Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; for Reuters/Michigan Survey, Reuters/University of Michigan Surveys of Consumers; for professional forecasters, the Federal Reserve Bank of Philadelphia.

## Commercial Bank Credit

(Percent change, annual rate, except as noted; seasonally adjusted)

Type of credit	2007	2008	H2 2008	H1 2009	July 2009	Aug. 2009	Sept. 2009	Oct. 2009 <sup>e</sup>	Level <sup>1</sup> Oct. 2009 <sup>e</sup>
<b>Total</b>	10.0	4.9	4.6	-5.8	-7.1	-6.9	-12.5	-10.8	9,049
<i>Loans<sup>2</sup></i>									
<b>Total</b>	10.8	4.6	3.1	-7.2	-16.4	-15.3	-18.3	-15.6	6,708
Core	9.6	5.2	3.4	-4.4	-8.8	-12.6	-17.9	-14.4	5,964
To businesses									
Commercial and industrial	19.0	16.3	14.0	-13.9	-15.7	-26.5	-31.9	-28.5	1,378
Commercial real estate	9.4	6.0	3.2	-1.6	-5.5	-6.8	-9.2	-10.3	1,663
To households									
Residential real estate	5.5	-3.0	-5.2	-1.4	-8.0	-11.3	-21.1	-14.0	2,074
Revolving home equity	5.6	13.0	12.8	6.6	-6.5	-5.3	-5.7	-4.2	601
Closed-end mortgages	5.5	-7.9	-11.1	-4.4	-8.6	-13.7	-27.1	-17.9	1,473
Consumer	6.8	7.1	7.6	.0	-5.2	-3.0	-3.2	-.6	848
Memo: Originated <sup>3</sup>	6.5	5.6	4.5	-1.7	-2.3	-7.4	-5.7	-2.0	1,243
Other	18.7	.7	1.3	-25.4	-72.4	-35.8	-22.0	-25.1	743
<i>Securities</i>									
<b>Total</b>	7.7	6.0	9.8	-1.0	22.1	18.7	4.9	3.2	2,341
Treasury and agency	-5.4	15.0	29.0	-1.7	48.3	33.4	11.9	6.6	1,407
Other <sup>4</sup>	28.1	-4.2	-12.0	.1	-13.6	-2.3	-5.5	-2.1	934

Note: Yearly annual rates are Q4 to Q4; quarterly and monthly annual rates use corresponding average levels. Data have been adjusted to remove the effects of mark-to-market accounting rules (FAS 115) and the initial consolidation of certain variable interest entities (FIN 46). Data also account for the effects of nonbank structure activity of \$5 billion or more.

1. Billions of dollars. Pro rata averages of weekly (Wednesday) levels.

2. Excludes interbank loans.

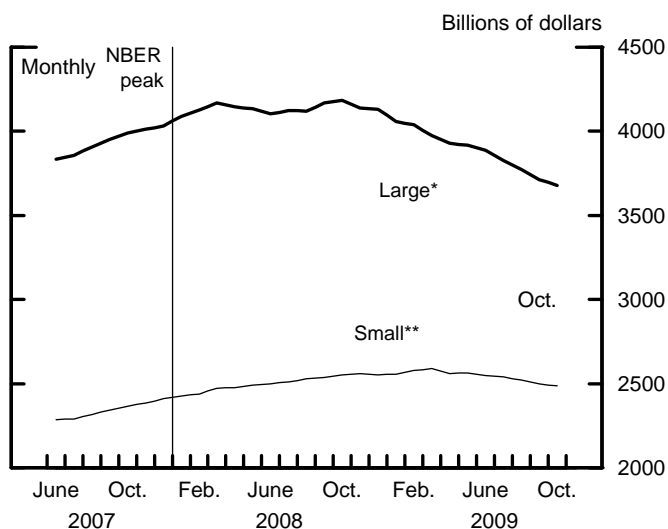
3. Includes an estimate of outstanding loans securitized by commercial banks that retained recourse or servicing rights.

4. Includes private mortgage-backed securities; securities of corporations, state and local governments, and foreign governments; and any trading account securities that are not Treasury or agency securities.

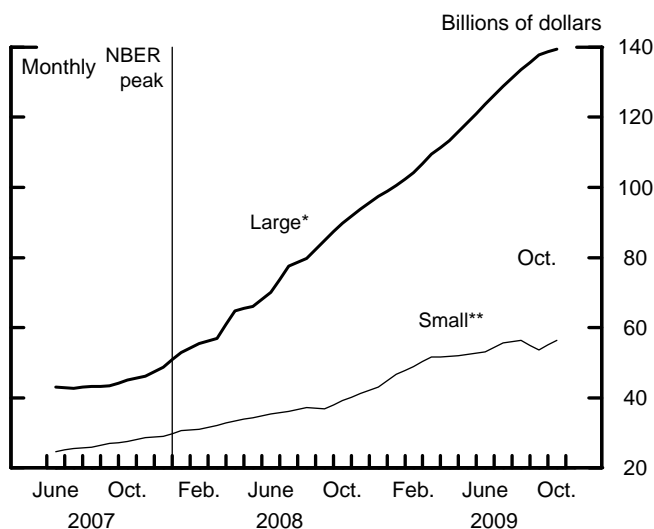
<sup>e</sup> Estimated.

Source: Federal Reserve.

Total Loans at Commercial Banks



Allowance for Loan Losses at Commercial Banks



Note: The NBER peak is the last business cycle peak as defined by the National Bureau of Economic Research (NBER).

\* Large domestically chartered commercial banks are defined as the top 25 domestically chartered commercial banks, ranked by domestic assets as of the previous commercial bank Call Report to which the H.8 release data have been benchmarked.

\*\* Small domestically chartered commercial banks are defined as all domestically chartered commercial banks not included in the top 25.

Source: Federal Reserve.

# **Selected Financial Market Quotations**

(One-day quotes in percent except as noted)

Instrument		2008	2009			Change to Oct. 29 from selected dates (percentage points)			
		Sept. 12	Aug. 11	Sept. 22	Oct. 29	2008 Sept. 12	2009 Aug. 11	2009 Sept. 22	
<i>Short-term</i>									
FOMC intended federal funds rate		2.00	.13	.13	.13	-1.87	.00	.00	
Treasury bills <sup>1</sup>									
3-month		1.46	.18	.11	.06	-1.40	-.12	-.05	
6-month		1.80	.28	.20	.17	-1.63	-.11	-.03	
Commercial paper (A1/P1 rates) <sup>2</sup>									
1-month		2.39	.22	.18	.19	-2.20	-.03	.01	
3-month		2.75	.29	.21	.22	-2.53	-.07	.01	
Large negotiable CDs <sup>1</sup>									
3-month		2.79	.32	.25	.22	-2.57	-.10	-.03	
6-month		3.09	.46	.35	.32	-2.77	-.14	-.03	
Eurodollar deposits <sup>3</sup>									
1-month		2.60	.50	.40	.30	-2.30	-.20	-.10	
3-month		3.00	.80	.55	.45	-2.55	-.35	-.10	
Bank prime rate		5.00	3.25	3.25	3.25	-1.75	.00	.00	
<i>Intermediate- and long-term</i>									
U.S. Treasury <sup>4</sup>									
2-year		2.24	1.20	.99	.99	-1.25	-.21	.00	
5-year		2.97	2.70	2.44	2.44	-.53	-.26	.00	
10-year		3.93	3.97	3.74	3.76	-.17	-.21	.02	
U.S. Treasury indexed notes <sup>5</sup>									
5-year		1.33	1.54	1.11	.76	-.57	-.78	-.35	
10-year		1.77	1.89	1.69	1.51	-.26	-.38	-.18	
Municipal general obligations (Bond Buyer) <sup>6</sup>		4.54	4.65	4.20	4.39	-.15	-.26	.19	
Private instruments									
10-year swap		4.26	3.98	3.67	3.65	-.61	-.33	-.02	
10-year FNMA <sup>7</sup>		4.36	4.35	4.12	4.09	-.27	-.26	-.03	
10-year AA <sup>8</sup>		6.62	5.41	5.11	5.16	-1.46	-.25	.05	
10-year BBB <sup>8</sup>		7.22	6.72	6.36	6.28	-.94	-.44	-.08	
10-year high yield <sup>8</sup>		10.66	10.61	9.90	9.59	-1.07	-1.02	-.31	
Home mortgages (FHLMC survey rate)									
30-year fixed		5.78	5.29	5.04	5.03	-.75	-.26	-.01	
1-year adjustable		5.03	4.72	4.52	4.57	-.46	-.15	.05	
Stock exchange index	Record high		2009			Change to Oct. 29 from selected dates (percent)			
	Level	Date	Aug. 11	Sept. 22	Oct. 29	Record high	2009 Aug. 11	2009 Sept. 22	
Dow Jones Industrial		14,165	10-9-07	9,241	9,830	9,963	-29.67	7.80	1.35
S&P 500 Composite		1,565	10-9-07	994	1,072	1,066	-31.88	7.22	-.52
Nasdaq		5,049	3-10-00	1,970	2,146	2,098	-58.45	6.49	-2.27
Russell 2000		856	7-13-07	562	621	580	-32.20	3.22	-6.52
D.J. Total Stock Index		15,807	10-9-07	10,243	11,083	10,924	-30.89	6.64	-1.43

1. Secondary market.
2. Financial commercial paper.
3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Derived from a smoothed Treasury yield curve estimated using all outstanding securities and adjusted for the carry effect.
6. Most recent Thursday quote.
7. Constant-maturity yields estimated from Fannie Mae domestic noncallable coupon securities.
8. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.

## **NOTES:**

September 12, 2008, is the last business day before Lehman Brothers Holdings filed for bankruptcy.  
August 11, 2009, is the day before the August 2009 FOMC monetary policy announcement.  
September 22, 2009, is the day before the most recent FOMC monetary policy announcement.