

## **Part 1**

June 20, 2007

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Summary and Outlook**

June 20, 2007

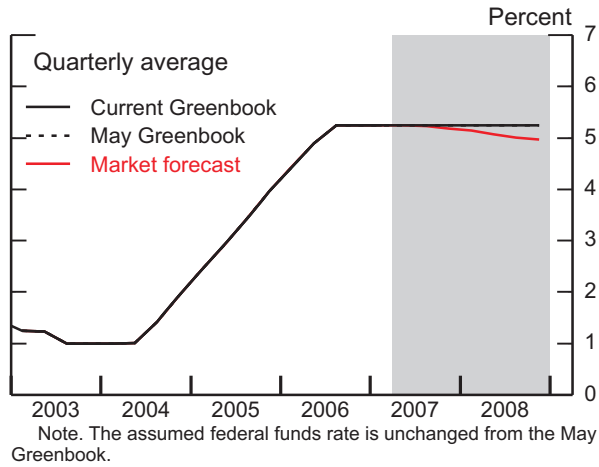
## **Summary and Outlook**

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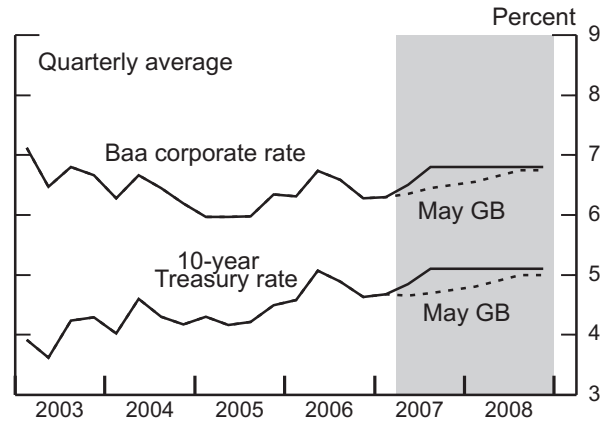
Class II FOMC -- Restricted (FR)

## Key Background Factors Underlying the Baseline Staff Projection

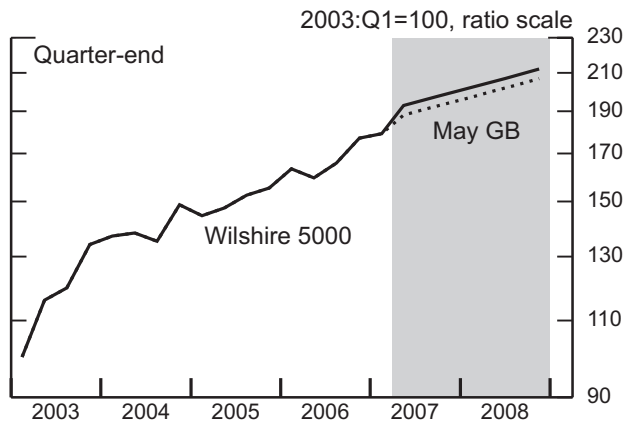
Federal Funds Rate



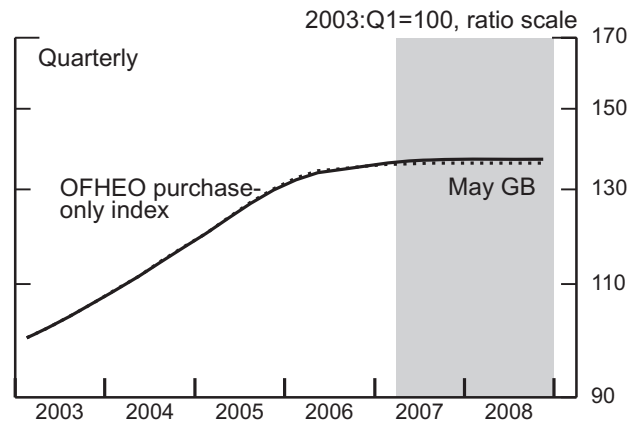
Long-Term Interest Rates



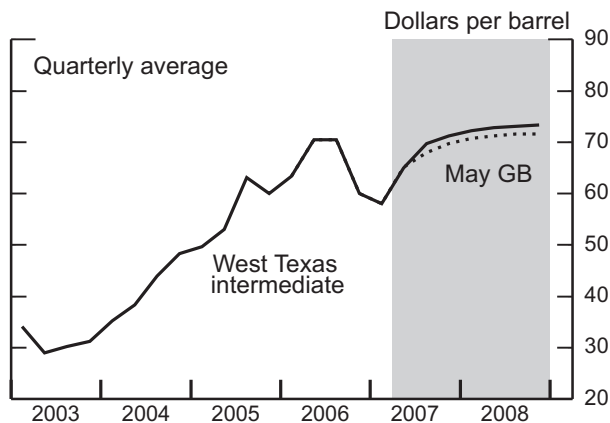
Equity Prices



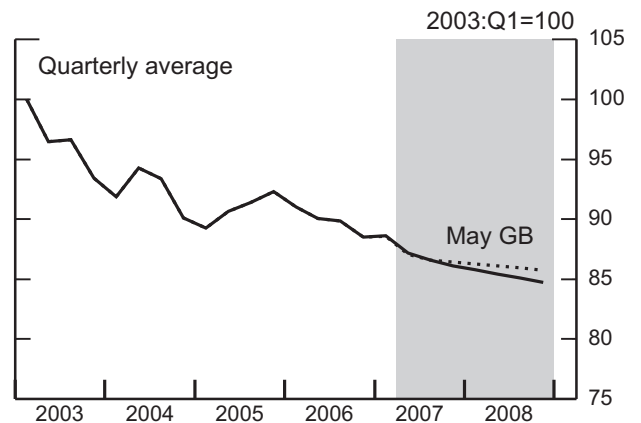
House Prices



Crude Oil Prices



Broad Real Dollar



Note. In each panel, shading represents the projection period.

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

Measure	2007:Q1		2007:Q2	
	May GB	June GB	May GB	June GB
<b>Real GDP</b>	<b>1.3</b>	<b>1.0</b>	<b>2.6</b>	<b>3.0</b>
Private domestic final purchases	2.5	2.8	.7	.9
Personal consumption expenditures	3.8	4.3	1.9	1.6
Residential investment	-14.1	-15.8	-18.5	-12.2
Business fixed investment	2.8	3.3	2.9	2.8
Government outlays for consumption and investment	1.4	1.0	4.9	4.7
	Contribution to growth (percentage points)			
Inventory investment	-.4	-.9	.2	.3
Net exports	-.8	-.7	.8	1.0

June and 60,000 per month, on average, in the third quarter. We should note, however, that initial claims for unemployment insurance have yet to provide any convincing evidence that the smaller projected employment gains are in the offing. With this slower pace of hiring going forward, we expect the unemployment rate to start edging up in the coming months.

Manufacturing output has firmed, on balance, in recent months after declining in the fourth quarter and in the early part of this year, when firms in many industries restrained production to bring inventories back toward desired levels. Accordingly, we expect factory output to increase at a modest annual pace of about 3¼ percent in the current quarter. Part of that increase is in motor vehicles, where inventories have come into better alignment with sales after a sustained period of reduced assemblies. Vehicle production has stepped up this quarter, and we have taken on board as well some of the automakers' higher scheduled assemblies in the third quarter.

As expected, consumer spending has decelerated markedly in recent months following sizable gains in the fall and winter. Data on retail sales through May point to only a small increase in outlays for goods other than motor vehicles this quarter, and expenditures on vehicles appear to have moved a bit lower after rising sharply in the first quarter. Factoring in continued growth in outlays for services, we now look for real PCE to rise at an annual rate of about 1½ percent in the second quarter following an upward-revised 4¼ percent rate of increase in the first quarter.

**Projections of Real GDP**

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

Measure	2007		2008
	H1	H2	
<b>Real GDP</b>	<b>2.0</b>	<b>2.3</b>	<b>2.5</b>
Previous	1.9	2.0	2.4
Final sales	2.3	1.9	2.6
Previous	2.0	1.8	2.4
PCE	3.0	2.3	2.5
Previous	2.9	2.1	2.5
Residential investment	-14.1	-16.7	-1.3
Previous	-16.3	-13.6	-1.1
BFI	3.1	4.0	4.6
Previous	2.8	3.5	3.8
Government purchases	2.8	3.2	1.9
Previous	3.1	2.9	1.9
Exports	3.3	6.0	5.7
Previous	3.2	6.2	5.7
Imports	1.4	3.8	3.8
Previous	2.1	3.6	4.2
Contribution to growth (percentage points)			
Inventory change	-.3	.5	-.1
Previous	-.1	.2	-.1
Net exports	.1	.1	.0
Previous	.0	.1	.0

projection, sales stabilize in the second half of this year at a pace only a little below recent levels, and as noted earlier, we look for single-family starts to move down in the second half as well and to average a pace just under 1.05 million units; this combination should make a noticeable dent in the stock of unsold new homes by the end of this year. In 2008, with housing demand expected to firm a bit, single-family starts are projected to edge up to about 1.1 million units. Meanwhile, starts of multifamily units should be maintained at recent levels. In sum, real residential investment is projected to decline about another 17 percent at an annual rate over the second half of 2007 and to be roughly flat in 2008.

**Net exports.** After the current quarter, our projections for both imports and exports are not much changed from those in the May Greenbook. The steeper depreciation of the dollar in this projection implies slightly stronger export growth and weaker import growth, but these effects are mostly offset by other factors, including the effect on imports of faster U.S. GDP growth. In all, we continue to expect net exports to be a roughly neutral influence on GDP growth both this year and next. (*The International Developments section provides more detail on the outlook for the external sector.*)

### Aggregate Supply, the Labor Market, and Inflation

We have made no changes to our supply side assumptions in this Greenbook. We continue to project that structural labor productivity will increase a little less than 2¼ percent this year and next. This projection, together with our estimates of trend increases in hours worked, corresponds to potential GDP growth near 2½ percent. With our projection for actual GDP growth only a bit below the rate of potential in the second half of this year, we expect the gap between actual and potential output to be little changed over the forecast period.

### Decomposition of Structural Labor Productivity Nonfarm Business Sector

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

Measure	1974-95	1996-2000	2001-04	2005	2006	2007	2008
<b>Structural labor productivity</b>	<b>1.5</b>	<b>2.5</b>	<b>3.0</b>	<b>2.3</b>	<b>2.3</b>	<b>2.2</b>	<b>2.1</b>
Previous	1.5	2.5	3.0	2.3	2.3	2.2	2.1
<i>Contributions</i> <sup>1</sup>							
Capital deepening	.7	1.4	.7	.6	.7	.6	.6
Previous	.7	1.4	.7	.6	.7	.6	.6
Multifactor productivity	.5	.7	2.1	1.5	1.4	1.4	1.4
Previous	.5	.7	2.1	1.5	1.4	1.4	1.4
Labor composition	.3	.3	.3	.3	.2	.2	.2
MEMO							
Potential GDP	3.0	3.3	2.9	2.5	2.6	2.6	2.5
Previous	3.0	3.3	2.9	2.5	2.6	2.6	2.5

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	2005	2006	2007	2008
Output per hour, nonfarm business	2.1	1.6	2.1	2.5
Previous	2.1	1.5	1.9	2.6
Nonfarm private payroll employment	2.0	1.8	1.0	.6
Previous	2.0	1.8	.8	.3
Household survey employment	1.9	2.1	.4	.7
Previous	1.9	2.1	.6	.5
Labor force participation rate <sup>1</sup>	66.1	66.3	65.9	65.8
Previous	66.1	66.3	66.1	65.8
Civilian unemployment rate <sup>1</sup>	5.0	4.5	4.7	4.8
Previous	5.0	4.5	4.8	5.0
MEMO				
GDP gap <sup>2</sup>	.2	.7	.3	.3
Previous	.2	.7	.1	.0

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.

**Productivity and the labor market.** We estimate that labor productivity rose at an annual rate of 1¾ percent in the first half of this year, up from the tepid pace seen in the latter part of 2006. Still, this pace is below our estimate of structural productivity growth, and we expect to see productivity growth pick up to an annual rate of 2½ percent in the second half of 2007 and in 2008 as employers bring payrolls into better alignment with production. Accordingly, private employment gains are projected to average only about 60,000 per month over the rest of the forecast period, about half the pace of hiring seen in the first half of this year. The subpar pace of job gains causes the unemployment rate to edge up to about 4¾ percent by the end of next year; this path averages about 0.1 percentage point below that in our May projection and leaves the unemployment rate a couple of tenths below our estimate of the NAIRU by the end of the forecast period.

**Prices and labor costs.** As discussed above, we believe that much of the recent low readings on core inflation will prove transitory, but we have also taken some signal that inflation is likely to run a bit lower than we had thought; at the same time, energy and import price increases are slightly higher in this projection relative to the May Greenbook, and labor and product markets are slightly tighter. In all, we have revised down our projection for core PCE price inflation 0.3 percentage point this year and

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

Measure	2005	2006	2007	2008
PCE chain-weighted price index	3.1	1.9	2.9	2.0
Previous	3.1	1.9	2.9	2.1
Food and beverages	2.1	2.3	3.6	2.2
Previous	2.1	2.3	3.4	2.2
Energy	21.2	-3.7	13.5	1.2
Previous	21.2	-3.7	11.0	.8
Excluding food and energy	2.1	2.2	2.0	2.0
Previous	2.1	2.2	2.3	2.1
Consumer price index	3.7	1.9	3.4	2.2
Previous	3.7	1.9	3.3	2.2
Excluding food and energy	2.1	2.7	2.2	2.2
Previous	2.1	2.7	2.4	2.3
GDP chain-weighted price index	3.1	2.5	2.5	2.2
Previous	3.1	2.5	2.6	2.3
ECI for compensation of private industry workers <sup>1</sup>	2.9	3.2	3.4	4.0
Previous	2.9	3.2	3.4	4.0
Compensation per hour, nonfarm business sector	3.7	5.6	4.0	4.9
Previous	3.7	4.9	3.9	4.9
Prices of core nonfuel imports	2.2	2.7	3.5	1.6
Previous	2.2	2.7	3.2	1.3

1. December to December.

0.1 percentage point in 2008. In terms of the contour, we expect core PCE inflation to step back up from the recent unusually low readings to an annual rate of 2.2 percent in the second half of this year before moving down to 2 percent next year. Next year's decline in inflation (relative to the second half of this year) stems from the same factors discussed in previous projections—namely, a waning of the impetus to core inflation from increases in energy and import prices and the continuation of well-anchored inflation expectations. Factoring in this year's sharp rise in energy prices, together with increases in food prices that are greater than core inflation, our projection for headline PCE inflation is 2.9 percent this year; for 2008, we project that headline inflation will equal core inflation.



**Alternative Scenarios**

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

Measure and scenario	2006	2007		2008	
		H1	H2	H1	H2
<i>Real GDP</i>					
Greenbook baseline	2.2	2.0	2.3	2.5	2.5
Greater housing correction	...	2.0	1.9	1.9	2.0
Flat business investment	...	2.0	1.9	1.8	1.8
Tighter financial markets	...	2.0	2.0	1.3	1.5
Stronger aggregate demand	...	2.0	2.8	3.7	3.9
Lower NAIRU	...	2.0	2.4	2.7	2.7
Drifting inflation expectations	...	2.0	2.3	2.5	2.6
<i>Unemployment rate<sup>1</sup></i>					
Greenbook baseline	4.5	4.5	4.7	4.8	4.8
Greater housing correction	...	4.5	4.8	5.0	5.1
Flat business investment	...	4.5	4.7	4.9	5.0
Tighter financial markets	...	4.5	4.7	5.0	5.2
Stronger aggregate demand	...	4.5	4.6	4.6	4.3
Lower NAIRU	...	4.5	4.7	4.8	4.7
Drifting inflation expectations	...	4.5	4.7	4.8	4.8
<i>Core PCE inflation</i>					
Greenbook baseline	2.0	1.9	2.2	2.1	2.0
Greater housing correction	...	1.9	2.2	2.1	2.0
Flat business investment	...	1.9	2.2	2.2	2.1
Tighter financial markets	...	1.9	2.0	2.0	1.9
Stronger aggregate demand	...	1.9	2.2	2.1	2.0
Lower NAIRU	...	1.9	2.0	1.9	1.7
Drifting inflation expectations	...	1.9	2.2	2.4	2.4
<i>Federal funds rate<sup>1</sup></i>					
Greenbook baseline	5.2	5.3	5.3	5.3	5.3
Greater housing correction	...	5.3	5.1	4.8	4.5
Flat business investment	...	5.3	5.2	4.9	4.7
Tighter financial markets	...	5.3	5.2	4.5	3.9
Stronger aggregate demand	...	5.3	5.5	6.0	6.7
Lower NAIRU	...	5.3	5.3	5.1	4.9
Drifting inflation expectations	...	5.3	5.3	5.4	5.6

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

... Not applicable.

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

Measure	2007	2008
<i>Real GDP</i> (percent change, Q4 to Q4)		
Projection	2.2	2.5
Confidence interval		
Greenbook forecast errors	1.0–3.3	1.0–4.1
FRB/US stochastic simulations	1.4–2.9	1.3–3.9
<i>Civilian unemployment rate</i> (percent, Q4)		
Projection	4.7	4.8
Confidence interval		
Greenbook forecast errors	4.4–5.0	4.1–5.6
FRB/US stochastic simulations	4.5–4.9	4.4–5.3
<i>PCE prices</i> <i>excluding food and energy</i> (percent change, Q4 to Q4)		
Projection	2.0	2.0
Confidence interval		
Greenbook forecast errors	1.6–2.5	1.2–2.8
FRB/US stochastic simulations	1.8–2.3	1.5–2.6
<i>Federal funds rate</i> (percent, Q4)		
Projection	5.3	5.3
Confidence interval		
FRB/US stochastic simulations	4.7–5.9	4.0–6.7

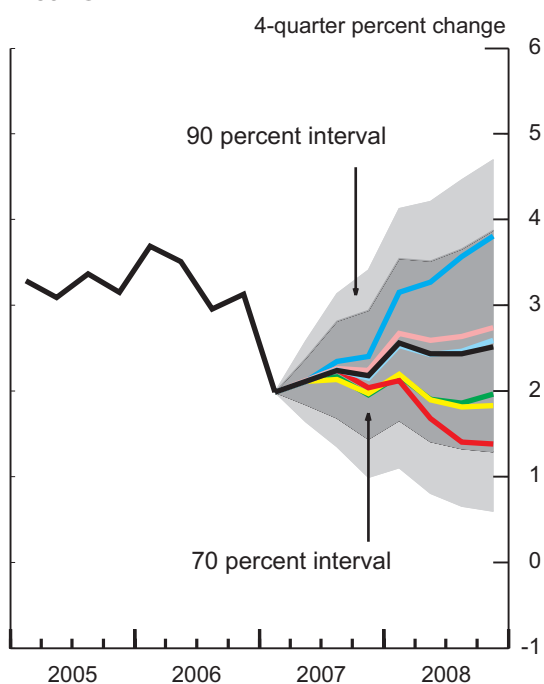
Note. Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1986-2005 set of model equation residuals. Intervals derived from Greenbook forecast errors are based on the 1986-2005 set of Greenbook historical errors.

## Forecast Confidence Intervals and Alternative Scenarios under the Assumption that Monetary Policy Follows an Estimated Taylor Rule

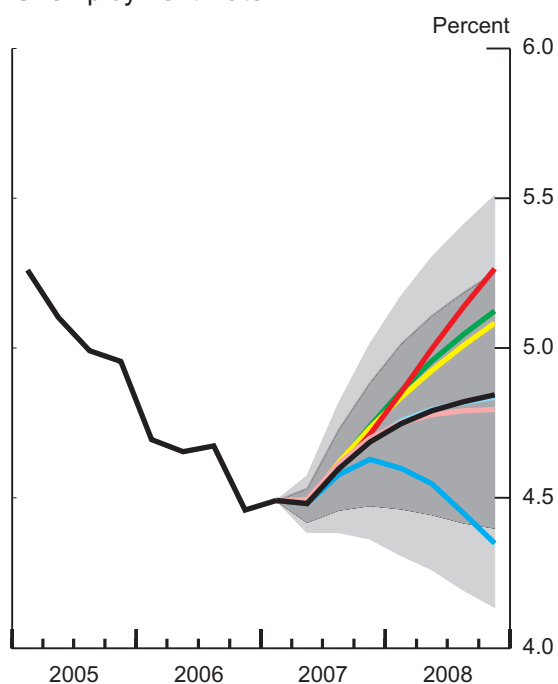
Confidence Intervals based on FRB/US Stochastic Simulations

- |                              |                                |                                   |
|------------------------------|--------------------------------|-----------------------------------|
| ■ Greenbook baseline         | ■ Tighter financial conditions | ■ Drifting inflation expectations |
| ■ Greater housing correction | ■ Stronger aggregate demand    |                                   |
| ■ Flat business investment   | ■ Lower NAIRU                  |                                   |

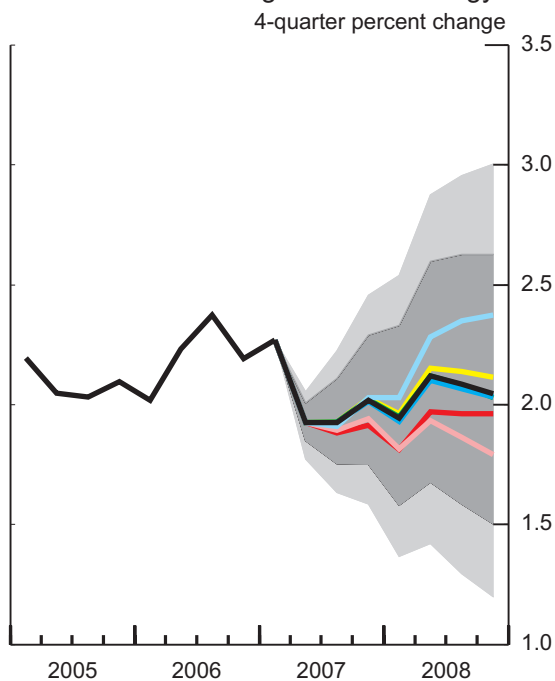
Real GDP



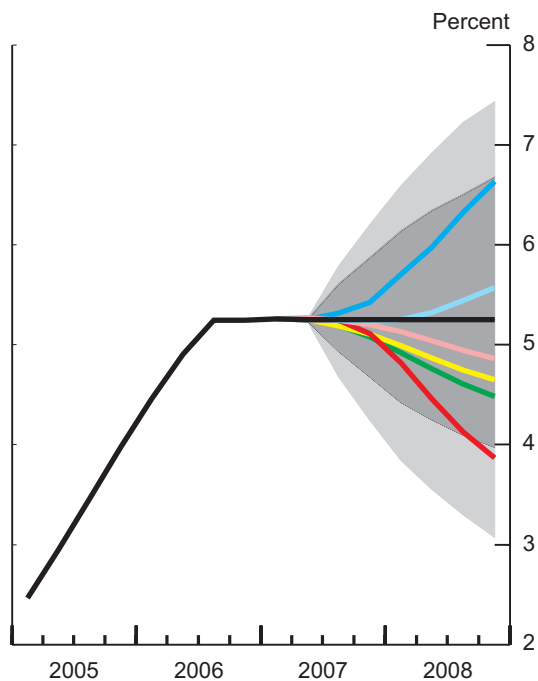
Unemployment Rate



PCE Prices excluding Food and Energy



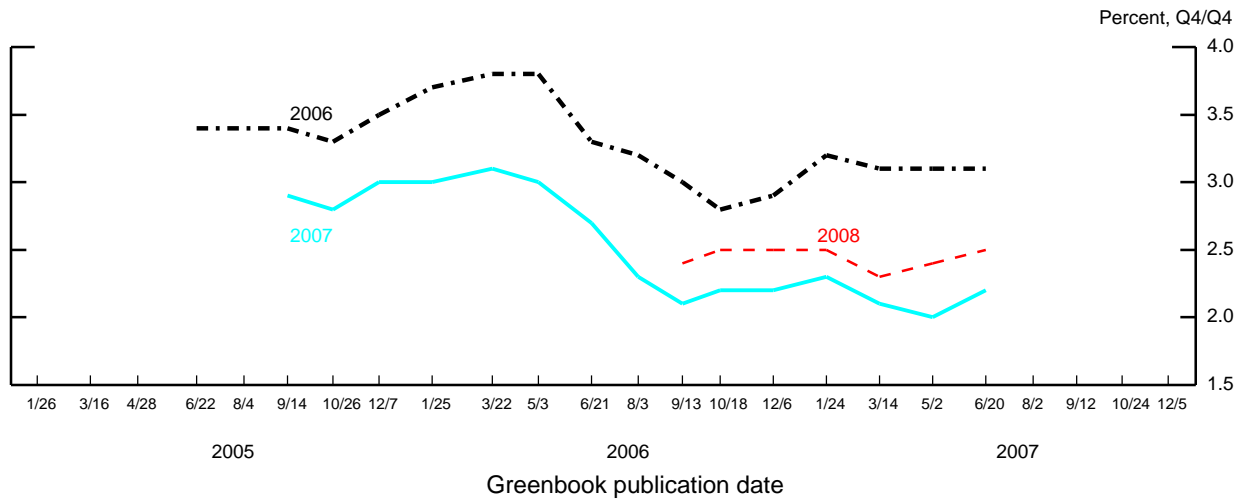
Federal Funds Rate



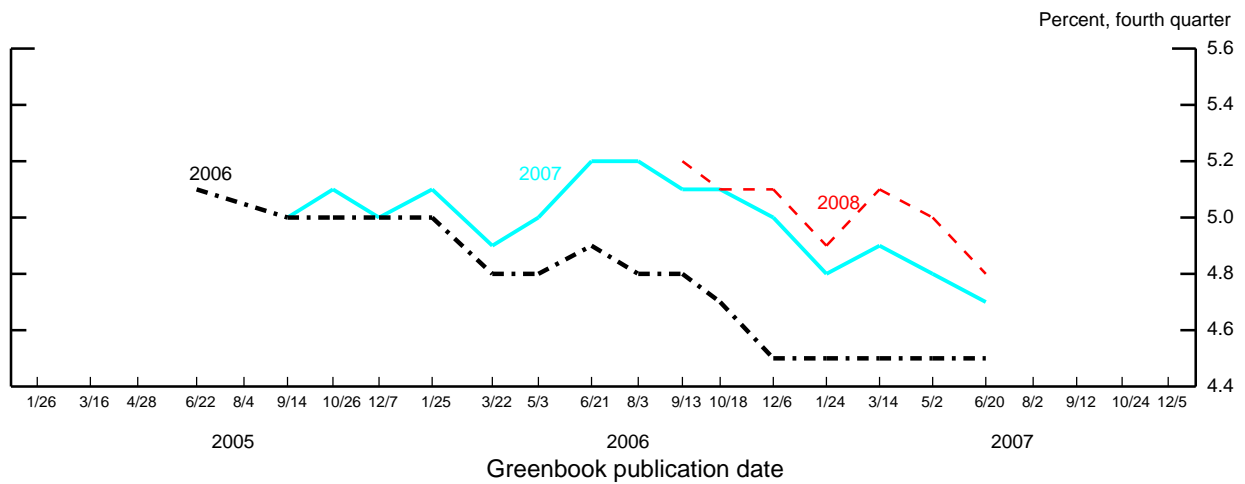
Class II FOMC - Restricted (FR)

**Evolution of the Staff Forecast**

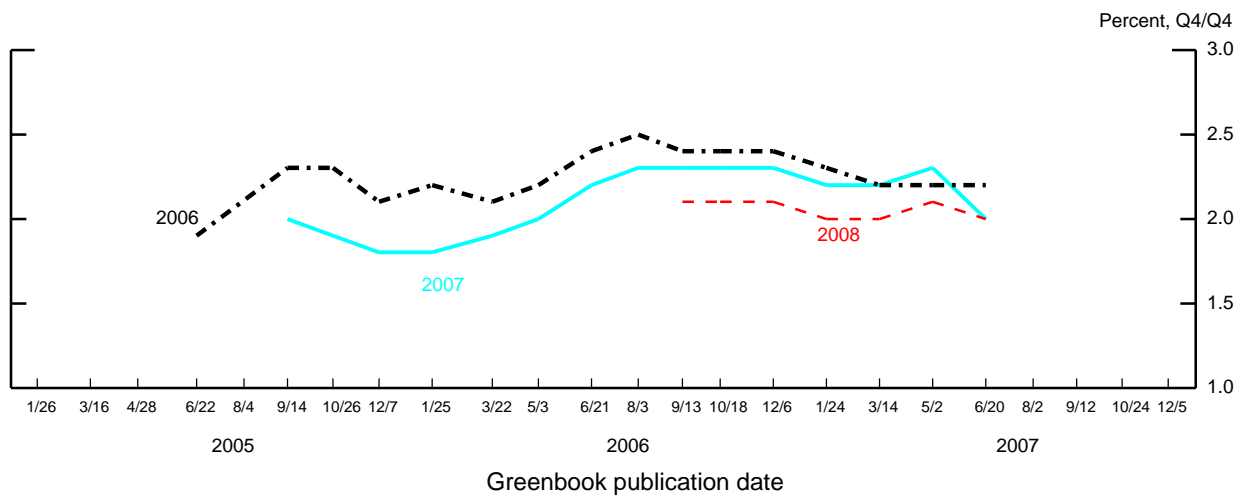
Change in Real GDP



Unemployment Rate



Change in PCE Prices excluding Food and Energy



**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>	
	05/02/07	06/20/07	05/02/07	06/20/07	05/02/07	06/20/07	05/02/07	06/20/07	05/02/07	06/20/07
<i>Quarterly</i>										
2006:Q1	9.0	9.0	5.6	5.6	2.0	2.0	2.1	2.1	4.7	4.7
Q2	5.9	5.9	2.6	2.6	4.0	4.0	2.7	2.7	4.7	4.7
Q3	3.8	3.8	2.0	2.0	2.4	2.4	2.2	2.2	4.7	4.7
Q4	4.1	4.1	2.5	2.5	-1.0	-1.0	1.8	1.8	4.5	4.5
2007:Q1	5.2	5.1	1.3	1.0	3.3	3.5	2.2	2.4	4.5	4.5
Q2	5.5	6.0	2.6	3.0	4.2	4.4	2.2	1.4	4.6	4.5
Q3	3.7	3.8	2.0	2.5	2.0	1.8	2.3	2.2	4.7	4.6
Q4	4.2	4.1	2.1	2.2	2.2	1.9	2.3	2.2	4.8	4.7
2008:Q1	4.7	4.8	2.4	2.5	2.1	2.0	2.2	2.1	4.8	4.7
Q2	4.8	4.9	2.4	2.5	2.1	2.1	2.2	2.1	4.9	4.8
Q3	4.7	4.7	2.4	2.5	2.0	2.0	2.1	2.0	4.9	4.8
Q4	4.5	4.6	2.4	2.5	2.0	2.0	2.1	2.0	5.0	4.8
<i>Two-quarter<sup>2</sup></i>										
2006:Q2	7.5	7.5	4.1	4.1	3.0	3.0	2.4	2.4	-3	-3
Q4	4.0	4.0	2.2	2.2	.7	.7	2.0	2.0	-2	-2
2007:Q2	5.3	5.6	1.9	2.0	3.7	3.9	2.2	1.9	.1	.0
Q4	4.0	4.0	2.0	2.3	2.1	1.9	2.3	2.2	.2	.2
2008:Q2	4.8	4.8	2.4	2.5	2.1	2.0	2.2	2.1	.1	.1
Q4	4.6	4.7	2.4	2.5	2.0	2.0	2.1	2.0	.1	.0
<i>Four-quarter<sup>3</sup></i>										
2005:Q4	6.4	6.4	3.1	3.1	3.1	3.1	2.1	2.1	-4	-4
2006:Q4	5.7	5.7	3.1	3.1	1.9	1.9	2.2	2.2	-5	-5
2007:Q4	4.6	4.8	2.0	2.2	2.9	2.9	2.3	2.0	.3	.2
2008:Q4	4.7	4.8	2.4	2.5	2.1	2.0	2.1	2.0	.2	.2
<i>Annual</i>										
2005	6.3	6.3	3.2	3.2	2.9	2.9	2.1	2.1	5.1	5.1
2006	6.3	6.3	3.3	3.3	2.7	2.7	2.2	2.2	4.6	4.6
2007	4.7	4.8	2.0	2.1	2.4	2.4	2.2	2.0	4.6	4.6
2008	4.5	4.6	2.3	2.5	2.2	2.1	2.2	2.0	4.9	4.8

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	2006				2007				2008				2006 <sup>1</sup>	2007 <sup>1</sup>	2008 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous</i>	5.6	2.6	2.0	2.5	1.0	3.0	2.5	2.2	2.5	2.5	2.5	2.5	3.1	2.2	2.5
Final sales <i>Previous</i>	5.6	2.6	2.0	2.5	1.3	2.6	2.0	2.1	2.4	2.4	2.4	2.4	3.1	2.0	2.4
Priv. dom. final purch. <i>Previous</i>	5.6	2.1	1.9	3.7	1.9	2.7	2.2	1.6	2.0	3.4	2.8	2.3	3.3	2.1	2.6
	5.6	2.1	1.9	3.7	1.6	2.4	1.8	1.9	2.0	2.9	2.6	2.3	3.3	1.9	2.4
	5.5	1.8	2.1	1.6	2.8	.9	1.3	1.5	2.2	2.6	2.8	2.8	2.7	1.6	2.6
	5.5	1.8	2.1	1.6	2.5	.7	.9	1.8	2.2	2.4	2.6	2.6	2.7	1.5	2.5
Personal cons. expend. <i>Previous</i>	4.8	2.6	2.8	4.2	4.3	1.6	2.3	2.3	2.5	2.5	2.6	2.5	3.6	2.6	2.5
Durables	4.8	2.6	2.8	4.2	3.8	1.9	2.1	2.2	2.4	2.4	2.6	2.5	3.6	2.5	2.5
Nondurables	19.8	-.1	6.4	4.4	8.5	.7	2.5	3.8	3.2	3.3	3.5	3.0	7.4	3.8	3.3
Services	5.9	1.4	1.5	5.9	3.3	-.1	2.0	2.2	2.5	2.5	2.5	2.5	3.7	1.8	2.5
	1.6	3.7	2.8	3.4	4.0	2.7	2.4	2.1	2.4	2.4	2.4	2.4	2.9	2.8	2.4
Residential investment <i>Previous</i>	-.3	-11.1	-18.7	-19.8	-15.8	-12.2	-18.3	-15.0	-9.5	-1.3	2.0	4.1	-12.8	-15.4	-1.3
	-.3	-11.1	-18.7	-19.8	-14.1	-18.5	-19.2	-7.7	-6.0	-1.2	1.1	2.1	-12.8	-15.0	-1.1
Business fixed invest. <i>Previous</i>	13.7	4.4	10.0	-3.1	3.3	2.8	4.4	3.6	5.2	4.8	4.5	3.9	6.1	3.6	4.6
Equipment & software <i>Previous</i>	13.7	4.4	10.0	-3.1	2.8	2.9	3.5	3.5	4.4	4.0	3.5	3.4	6.1	3.2	3.8
	15.6	-1.4	7.7	-4.8	2.8	-.2	5.3	4.0	5.8	5.7	5.8	5.6	4.0	2.9	5.7
	15.6	-1.4	7.7	-4.8	1.7	1.4	4.1	4.1	4.9	4.4	4.6	4.8	4.0	2.8	4.7
Nonres. structures <i>Previous</i>	8.7	20.3	15.7	.8	4.7	10.0	2.6	2.8	3.8	2.9	1.7	.4	11.2	5.0	2.2
	8.7	20.3	15.7	.8	5.3	6.3	2.1	2.3	3.2	2.9	1.3	.4	11.2	4.0	2.0
Net exports <sup>2</sup> <i>Previous</i> <sup>2</sup>	-637	-624	-629	-583	-604	-574	-564	-570	-579	-557	-555	-564	-618	-578	-564
Exports	-637	-624	-629	-583	-606	-582	-574	-575	-584	-572	-570	-576	-618	-584	-576
Imports	14.0	6.2	6.8	10.6	1.2	5.4	6.2	5.9	5.8	5.7	5.6	5.6	9.4	4.6	5.7
	9.1	1.4	5.6	-2.6	5.4	-2.4	2.1	5.5	5.9	-.2	3.4	6.0	3.3	2.6	3.8
Govt. cons. & invest. <i>Previous</i>	4.9	.8	1.7	3.4	1.0	4.7	3.4	2.9	2.2	2.1	1.7	1.7	2.7	3.0	1.9
	4.9	.8	1.7	3.4	1.4	4.9	3.6	2.2	2.2	2.1	1.7	1.6	2.7	3.0	1.9
Federal	8.8	-4.5	1.3	4.6	-3.9	7.8	5.2	3.7	1.8	1.6	1.6	1.4	2.4	3.1	1.6
Defense	8.9	-2.0	-1.2	12.3	-7.3	11.4	7.7	5.5	2.7	2.4	2.3	2.1	4.3	4.1	2.4
Nondefense	8.5	-9.3	6.5	-9.6	3.6	.9	.0	.0	.0	.0	.0	.0	-1.4	1.1	.0
State & local	2.7	4.0	1.9	2.7	3.9	3.0	2.4	2.4	2.4	2.4	1.8	1.8	2.8	2.9	2.1
Change in bus. inventories <sup>2</sup> <i>Previous</i> <sup>2</sup>	41	54	55	22	-2	6	16	32	47	23	15	21	43	13	27
	41	54	55	22	12	16	24	28	40	26	19	19	43	20	26
Nonfarm <sup>2</sup>	37	52	53	20	-5	5	15	32	48	22	14	20	41	12	26
Farm <sup>2</sup>	4	2	2	2	3	1	1	1	1	1	1	1	3	1	1

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

2. Billions of chained (2000) dollars.

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

(Percent, annual rate except as noted)

Item	2000 <sup>1</sup>	2001 <sup>1</sup>	2002 <sup>1</sup>	2003 <sup>1</sup>	2004 <sup>1</sup>	2005 <sup>1</sup>	2006 <sup>1</sup>	2007 <sup>1</sup>	2008 <sup>1</sup>
Real GDP <i>Previous</i>	2.2 2.2	.2 .2	1.9 1.9	3.7 3.7	3.4 3.4	3.1 3.1	3.1 3.1	2.2 2.0	2.5 2.4
Final sales <i>Previous</i>	2.9 2.9	1.5 1.5	.8 .8	3.7 3.7	3.1 3.1	3.2 3.2	3.3 3.3	2.1 1.9	2.6 2.4
Priv. dom. final purch. <i>Previous</i>	4.3 4.3	1.0 1.0	1.1 1.1	4.1 4.1	4.4 4.4	3.6 3.6	2.7 2.7	1.6 1.5	2.6 2.5
Personal cons. expend. <i>Previous</i>	4.1 4.1	2.8 2.8	1.9 1.9	3.4 3.4	4.0 4.0	2.9 2.9	3.6 3.6	2.6 2.5	2.5 2.5
Durables	4.7	10.8	1.2	8.3	5.6	2.5	7.4	3.8	3.3
Nondurables	3.0	1.9	2.1	3.9	3.8	4.4	3.7	1.8	2.5
Services	4.5	1.6	1.9	2.2	3.7	2.3	2.9	2.8	2.4
Residential investment <i>Previous</i>	-1.9 -1.9	1.4 1.4	7.0 7.0	11.7 11.7	6.1 6.1	9.0 9.0	-12.8 -12.8	-15.4 -15.0	-1.3 -1.1
Business fixed invest. <i>Previous</i>	7.8 7.8	-9.6 -9.6	-6.5 -6.5	4.9 4.9	6.9 6.9	5.6 5.6	6.1 6.1	3.6 3.2	4.6 3.8
Equipment & software <i>Previous</i>	7.5 7.5	-9.0 -9.0	-3.4 -3.4	6.6 6.6	8.3 8.3	7.0 7.0	4.0 4.0	2.9 2.8	5.7 4.7
Nonres. structures <i>Previous</i>	8.8 8.8	-11.1 -11.1	-14.9 -14.9	.2 .2	2.7 2.7	1.8 1.8	11.2 11.2	5.0 4.0	2.2 2.0
Net exports <sup>2</sup> <i>Previous</i> <sup>2</sup>	-379 -379	-399 -399	-471 -471	-519 -519	-591 -591	-619 -619	-618 -618	-578 -584	-564 -576
Exports	6.5	-11.9	3.8	5.8	7.0	6.7	9.4	4.6	5.7
Imports	11.2	-7.6	9.7	4.8	10.6	5.2	3.3	2.6	3.8
Govt. cons. & invest. <i>Previous</i>	.4 .4	5.0 5.0	4.0 4.0	1.7 1.7	1.1 1.1	1.2 1.2	2.7 2.7	3.0 3.0	1.9 1.9
Federal	-2.2	6.4	7.8	5.5	2.3	2.1	2.4	3.1	1.6
Defense	-3.5	6.5	8.4	7.5	2.5	1.9	4.3	4.1	2.4
Nondefense	.3	6.3	6.8	1.9	1.8	2.4	-1.4	1.1	.0
State & local	1.7	4.2	2.1	-.4	.4	.8	2.8	2.9	2.1
Change in bus. inventories <sup>2</sup> <i>Previous</i> <sup>2</sup>	56 56	-32 -32	12 12	14 14	53 53	20 20	43 43	13 20	27 26
Nonfarm <sup>2</sup>	58	-32	15	14	47	20	41	12	26
Farm <sup>2</sup>	-1	0	-2	0	6	0	3	1	1

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

2. Billions of chained (2000) dollars.

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

Item	2006				2007				2008				2006 <sup>1</sup>	2007 <sup>1</sup>	2008 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous</i>	5.6	2.6	2.0	2.5	1.0	3.0	2.5	2.2	2.5	2.5	2.5	2.5	3.1	2.2	2.5
Final sales <i>Previous</i>	5.6	2.6	2.0	2.5	1.3	2.6	2.0	2.1	2.4	2.4	2.4	2.4	3.1	2.0	2.4
Priv. dom. final purch. <i>Previous</i>	5.6	2.1	1.9	3.6	1.9	2.7	2.2	1.6	2.0	3.4	2.8	2.3	3.3	2.1	2.6
Personal cons. expend. <i>Previous</i>	5.6	2.1	1.9	3.6	1.6	2.4	1.8	1.9	2.0	2.8	2.6	2.3	3.3	1.9	2.4
Durables	4.7	1.5	1.8	1.4	2.4	.8	1.2	1.3	1.9	2.2	2.4	2.4	2.3	1.4	2.2
Nondurables	4.7	1.5	1.8	1.4	2.2	.6	.8	1.5	1.9	2.1	2.2	2.2	2.3	1.3	2.1
Services															
Personal cons. expend. <i>Previous</i>	3.4	1.8	2.0	2.9	3.0	1.2	1.6	1.6	1.8	1.8	1.8	1.8	2.5	1.9	1.8
Durables	3.4	1.8	2.0	2.9	2.7	1.3	1.4	1.5	1.7	1.7	1.8	1.8	2.5	1.7	1.7
Nondurables	1.5	.0	.5	.4	.7	.1	.2	.3	.3	.3	.3	.2	.6	.3	.3
Services	1.2	.3	.3	1.2	.7	.0	.4	.4	.5	.5	.5	.5	.7	.4	.5
	.7	1.5	1.1	1.4	1.6	1.1	1.0	.9	1.0	1.0	1.0	1.0	1.2	1.2	1.0
Residential investment <i>Previous</i>	.0	-.7	-1.2	-1.2	-.9	-.6	-1.0	-.7	-.4	-.1	.1	.2	-.8	-.8	-.1
	.0	-.7	-1.2	-1.2	-.8	-1.0	-1.0	-.4	-.3	-.1	.0	.1	-.8	-.8	.0
Business fixed invest. <i>Previous</i>	1.4	.5	1.0	-.3	.3	.3	.5	.4	.5	.5	.5	.4	.6	.4	.5
Equipment & software <i>Previous</i>	1.4	.5	1.0	-.3	.3	.3	.4	.4	.5	.4	.4	.4	.6	.3	.4
	1.1	-.1	.6	-.4	.2	.0	.4	.3	.4	.4	.4	.4	.3	.2	.4
Nonres. structures <i>Previous</i>	1.1	-.1	.6	-.4	.1	.1	.3	.3	.4	.3	.3	.3	.3	.2	.3
	.3	.6	.5	.0	.1	.3	.1	.1	.1	.1	.1	.0	.3	.2	.1
	.3	.6	.5	.0	.2	.2	.1	.1	.1	.1	.0	.0	.3	.1	.1
Net exports <i>Previous</i>	.0	.4	-.2	1.6	-.7	1.0	.3	-.2	-.3	.7	.1	-.4	.5	.1	.0
Exports	.0	.4	-.2	1.6	-.8	.8	.3	-.1	-.3	.4	.0	-.2	.5	.1	.0
Imports	1.4	.7	.7	1.1	.1	.6	.7	.7	.7	.7	.7	.7	1.0	.5	.7
	-1.5	-.2	-.9	.5	-.9	.4	-.3	-.9	-1.0	.0	-.6	-1.0	-.5	-.4	-.6
Govt. cons. & invest. <i>Previous</i>	.9	.2	.3	.6	.2	.9	.7	.6	.4	.4	.3	.3	.5	.6	.4
Federal	.9	.2	.3	.6	.3	.9	.7	.4	.4	.4	.3	.3	.5	.6	.4
Defense	.6	-.3	.1	.3	-.3	.5	.4	.3	.1	.1	.1	.1	.2	.2	.1
Nondefense	.4	-.1	-.1	.6	-.4	.5	.4	.3	.1	.1	.1	.1	.2	.2	.1
State & local	.2	-.2	.2	-.2	.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
	.3	.5	.2	.3	.5	.4	.3	.3	.3	.3	.2	.2	.3	.4	.3
Change in bus. inventories <i>Previous</i>	.0	.4	.1	-1.2	-.9	.3	.3	.6	.5	-.8	-.3	.2	-.2	.1	-.1
Nonfarm	.0	.4	.1	-1.2	-.4	.2	.3	.1	.4	-.5	-.2	.0	-.2	.1	-.1
Farm	.0	.5	.1	-1.2	-.9	.3	.3	.6	.5	-.8	-.3	.2	-.2	.1	-.1
	.0	-.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0

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



Class II FOMC  
Restricted (FR)

June 20, 2007

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

Item	2006				2007				2008				2006 <sup>1</sup>	2007 <sup>1</sup>	2008 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
GDP chain-wt. price index <i>Previous</i>	3.3	3.3	1.9	1.7	4.1	2.9	1.3	1.9	2.2	2.3	2.2	2.1	2.5	2.5	2.2
PCE chain-wt. price index <i>Previous</i>	3.3	3.3	1.9	1.7	3.9	2.8	1.7	2.1	2.3	2.3	2.3	2.1	2.5	2.6	2.3
Energy <i>Previous</i>	2.0	4.0	2.4	-1.0	3.5	4.4	1.8	1.9	2.0	2.1	2.0	2.0	1.9	2.9	2.0
Food <i>Previous</i>	2.0	4.0	2.4	-1.0	3.3	4.2	2.0	2.2	2.1	2.1	2.0	2.0	1.9	2.9	2.1
Ex. food & energy <i>Previous</i>	.1	29.7	3.7	-36.0	16.1	52.9	-3.9	-2.8	1.0	1.5	1.3	.9	-3.7	13.5	1.2
CPI <i>Previous</i>	.1	29.7	3.7	-36.0	16.1	35.7	-3.7	.2	1.0	1.0	.7	.4	-3.7	11.0	.8
Ex. food & energy <i>Previous</i>	2.7	1.7	2.9	1.9	4.8	4.5	2.7	2.4	2.3	2.3	2.2	2.2	2.3	3.6	2.2
ECL, hourly compensation <sup>2</sup> <i>Previous</i> <sup>2</sup>	2.7	1.7	2.9	1.9	4.8	3.8	2.6	2.4	2.3	2.2	2.1	2.1	2.3	3.4	2.2
Nonfarm business sector Output per hour <i>Previous</i>	2.1	2.7	2.2	1.8	2.4	1.4	2.2	2.2	2.1	2.1	2.0	2.0	2.2	2.0	2.0
Compensation per hour <i>Previous</i>	2.1	2.7	2.2	1.8	2.2	2.2	2.3	2.3	2.2	2.2	2.1	2.1	2.2	2.3	2.1
Unit labor costs <i>Previous</i>	1.8	5.1	3.0	-2.0	3.8	6.0	1.9	1.9	2.2	2.2	2.1	2.1	1.9	3.4	2.2
	1.8	5.1	3.0	-2.0	3.8	5.1	1.9	2.3	2.3	2.3	2.2	2.0	1.9	3.3	2.2
	2.4	3.2	3.2	1.8	2.3	1.9	2.4	2.4	2.3	2.3	2.2	2.2	2.7	2.2	2.2
	2.4	3.2	3.2	1.8	2.3	2.4	2.5	2.5	2.4	2.4	2.3	2.2	2.7	2.4	2.3
	2.8	3.2	3.6	3.2	2.3	3.8	3.8	3.8	4.0	4.0	4.0	4.0	3.2	3.4	4.0
	2.8	3.2	3.6	3.2	2.3	3.8	3.8	3.8	4.0	4.0	4.0	4.0	3.2	3.4	4.0
Nonfarm business sector Output per hour <i>Previous</i>	3.5	1.2	-.5	2.1	1.4	2.0	2.8	2.2	2.6	2.5	2.4	2.4	1.6	2.1	2.5
Compensation per hour <i>Previous</i>	3.5	1.2	-.5	1.9	1.5	1.4	2.3	2.4	2.6	2.6	2.6	2.6	1.5	1.9	2.6
Unit labor costs <i>Previous</i>	12.9	-1.4	.6	11.2	2.7	3.9	4.7	4.9	4.9	4.8	4.9	4.8	5.6	4.0	4.9
	12.9	-1.4	.6	8.2	1.7	4.0	4.8	4.9	4.9	4.8	4.9	4.8	4.9	3.9	4.9
	9.1	-2.5	1.1	8.9	1.3	1.8	1.9	2.6	2.2	2.3	2.4	2.3	4.0	1.9	2.3
	9.1	-2.5	1.1	6.2	.2	2.6	2.5	2.5	2.2	2.2	2.2	2.2	3.3	1.9	2.2

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

2. Private-industry workers.

## Other Macroeconomic Indicators

Item	2006				2007				2008				2006 <sup>1</sup>	2007 <sup>1</sup>	2008 <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>	.7	.5	.5	.5	.5	.4	.3	.2	.2	.2	.3	.3	2.3	1.4	1.0
Unemployment rate <sup>3</sup>	4.7	4.7	4.7	4.5	4.5	4.5	4.6	4.7	4.7	4.8	4.8	4.8	4.5	4.7	4.8
<i>Previous<sup>3</sup></i>	4.7	4.7	4.7	4.5	4.5	4.6	4.7	4.8	4.8	4.9	4.9	5.0	4.5	4.8	5.0
GDP gap <sup>4</sup>	.9	.9	.7	.7	.3	.4	.4	.3	.3	.3	.3	.3	.7	.3	.3
<i>Previous<sup>4</sup></i>	.9	.9	.7	.7	.4	.4	.3	.1	.1	.1	.1	.0	.7	.1	.0
Industrial production <sup>5</sup>	5.0	6.5	4.0	-1.5	.8	2.8	3.2	2.4	2.8	2.4	2.9	4.1	3.5	2.3	3.1
<i>Previous<sup>5</sup></i>	5.0	6.5	4.0	-1.5	1.4	4.0	2.6	3.1	3.2	3.0	3.6	3.9	3.5	2.8	3.4
Manufacturing industr. prod. <sup>5</sup>	5.5	5.5	4.4	-1.7	.7	3.3	3.6	2.1	2.5	2.7	3.1	3.9	3.4	2.4	3.1
<i>Previous<sup>5</sup></i>	5.5	5.5	4.4	-1.7	1.2	4.8	2.5	2.9	3.3	3.4	3.6	3.9	3.4	2.8	3.5
Capacity utilization rate - mfg. <sup>3</sup>	80.1	80.6	80.9	80.1	79.8	80.1	80.4	80.4	80.3	80.3	80.4	80.6	80.1	80.4	80.6
<i>Previous<sup>3</sup></i>	80.1	80.6	80.9	80.1	79.9	80.3	80.4	80.4	80.5	80.6	80.7	80.9	80.1	80.4	80.9
Housing starts <sup>6</sup>	2.1	1.9	1.7	1.6	1.5	1.5	1.4	1.3	1.4	1.4	1.4	1.4	1.8	1.4	1.4
Light motor vehicle sales <sup>6</sup>	16.9	16.3	16.6	16.3	16.5	16.1	16.3	16.3	16.3	16.4	16.5	16.5	16.5	16.3	16.4
<i>Income and saving</i>															
Nominal GDP <sup>5</sup>	9.0	5.9	3.8	4.1	5.1	6.0	3.8	4.1	4.8	4.9	4.7	4.6	5.7	4.8	4.8
Real disposable pers. income <sup>5</sup>	4.6	-1.5	3.2	6.4	4.6	-1.1	3.3	3.3	4.6	2.8	3.5	3.3	3.2	2.5	3.5
<i>Previous<sup>5</sup></i>	4.6	-1.5	3.2	5.3	4.5	-1.5	3.8	3.2	4.2	3.1	3.6	3.4	2.9	2.4	3.6
Personal saving rate <sup>3</sup>	-3	-1.4	-1.4	-9	-8	-1.6	-1.4	-1.1	-6	-6	-3	-1	-9	-1.1	-1
<i>Previous<sup>3</sup></i>	-3	-1.4	-1.4	-1.2	-1.1	-1.9	-1.5	-1.2	-8	-6	-4	-2	-1.2	-1.2	-2
Corporate profits <sup>7</sup>	60.8	5.9	16.4	-1.2	8.9	6.0	.4	1.5	.5	1.5	.3	.1	18.3	4.2	.6
Profit share of GNP <sup>3</sup>	12.0	12.0	12.4	12.2	12.3	12.3	12.2	12.2	12.1	12.0	11.9	11.7	12.2	12.2	11.7
Net federal saving <sup>8</sup>	-147	-163	-173	-121	-134	-179	-184	-184	-225	-216	-214	-224	-154	-170	-220
Net state & local saving <sup>8</sup>	13	26	-10	-18	-38	-8	-17	-21	-33	-20	-29	-30	3	-21	-28
Gross national saving rate <sup>3</sup>	14.4	13.5	13.3	14.2	13.3	12.9	12.9	13.0	12.8	12.9	12.9	12.9	14.2	13.0	12.9
Net national saving rate <sup>3</sup>	2.9	1.9	1.7	2.3	2.3	1.6	1.5	1.6	1.5	1.6	1.6	1.6	2.3	1.6	1.6

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. (In previous

Greenbooks, we expressed the GDP gap with the opposite sign, so that a positive number indicated that actual output fell short of 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.

**Class II FOMC  
Restricted (FR)**

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

**June 20, 2007**

Item	Fiscal year			2006				2007				2008				
	2005 <sup>a</sup>	2006 <sup>a</sup>	2007	2008	Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>a</sup>	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Unified budget</b>					Not seasonally adjusted											
Receipts <sup>1</sup>	2154	2407	2567	2677	507	772	597	574	547	823	623	611	557	852	657	644
Outlays <sup>1</sup>	2472	2655	2737	2906	691	676	639	654	725	692	666	714	765	717	709	747
Surplus/deficit <sup>1</sup>	-318	-248	-170	-229	-184	96	-42	-80	-178	130	-42	-103	-208	135	-52	-103
<i>Previous</i>	-318	-248	-171	-238	-184	96	-42	-80	-178	136	-49	-114	-184	121	-61	-127
On-budget	-494	-435	-360	-427	-216	11	-60	-135	-212	44	-56	-171	-233	43	-66	-177
Off-budget	175	186	190	198	32	85	19	55	34	87	14	68	24	92	14	73
Means of financing																
Borrowing	297	237	191	235	156	-75	43	59	152	-91	72	90	194	-105	56	98
Cash decrease	1	-16	7	10	28	-38	-6	21	25	-24	-16	16	19	-25	0	10
Other <sup>2</sup>	21	28	-28	-17	-1	16	5	0	1	-15	-14	-3	-5	-5	-5	-5
Cash operating balance, end of period	36	52	45	35	8	46	52	31	6	30	45	29	10	35	35	25
<b>NIPA federal sector</b>					Seasonally adjusted annual rates											
Receipts	2174	2480	2655	2770	2491	2523	2557	2592	2662	2673	2695	2723	2754	2786	2817	2847
Expenditures	2509	2667	2810	2980	2638	2686	2730	2713	2796	2851	2879	2907	2979	3002	3031	3070
Consumption expenditures	758	797	836	890	804	802	809	817	825	845	859	870	889	897	904	912
Defense	509	533	565	608	538	538	539	553	553	572	584	593	607	613	619	625
Nondefense	249	264	271	282	266	265	270	264	273	273	275	277	282	284	286	287
Other spending	1751	1870	1973	2090	1834	1884	1921	1896	1971	2006	2020	2037	2090	2105	2126	2158
Current account surplus	-335	-187	-154	-210	-147	-163	-173	-121	-134	-179	-184	-184	-225	-216	-214	-224
Gross investment	107	117	122	131	118	117	118	121	118	124	127	129	130	131	133	134
Gross saving less gross investment <sup>3</sup>	-344	-201	-169	-228	-163	-177	-186	-135	-145	-194	-201	-202	-243	-234	-232	-241
<b>Fiscal indicators<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-341	-230	-197	-245	-197	-215	-219	-171	-169	-221	-226	-222	-260	-251	-247	-255
Change in HEB, percent of potential GDP	-0.3	-1.0	-0.3	0.3	-0.7	0.1	0.0	-0.4	-0.0	0.4	0.0	-0.0	0.3	-0.1	-0.0	0.0
Fiscal impetus (FI), percent of GDP	0.2	0.3	0.2	0.2	0.2	-0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0
<i>Previous</i>	0.2	0.3	0.2	0.2	0.2	-0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0

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 (2000) 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** **June 20, 2007**  
(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>								
2001	6.3	9.3	10.1	8.6	5.9	8.8	-2	2.7
2002	7.2	10.6	12.9	5.9	2.5	11.0	7.6	3.6
2003	8.2	11.6	14.4	5.2	2.6	8.3	10.9	5.9
2004	9.0	11.6	14.2	5.5	5.8	7.4	9.0	6.7
2005	9.4	11.5	13.4	4.2	7.6	10.2	7.0	6.4
2006	8.1	8.7	9.3	4.5	9.6	8.2	3.9	5.7
2007	6.7	5.8	6.0	4.1	8.9	7.7	4.6	4.8
2008	5.7	4.9	5.2	2.9	7.0	6.6	4.8	4.8
<i>Quarter</i>								
2006:1	8.9	9.3	10.6	2.2	10.0	3.3	8.0	9.0
2	7.5	9.2	9.5	6.0	8.8	6.7	1.0	5.9
3	6.9	7.9	8.6	5.4	7.0	8.2	3.6	3.8
4	8.2	7.2	7.3	4.1	11.4	13.6	2.8	4.1
2007:1	7.3	6.0	6.2	4.7	9.0	8.6	6.7	5.1
2	6.5	5.9	6.0	4.2	10.3	8.3	.1	6.0
3	6.5	5.6	5.8	3.7	8.0	6.4	6.0	3.8
4	5.9	5.2	5.4	3.4	6.9	6.9	5.1	4.1
2008:1	6.0	5.0	5.2	3.1	6.8	6.6	7.3	4.8
2	5.1	4.8	5.1	3.0	7.1	6.4	1.3	4.9
3	5.5	4.8	5.1	2.8	6.8	6.3	4.5	4.7
4	5.6	4.8	5.1	2.8	6.7	6.2	5.6	4.6

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 2007:Q1 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**

**June 20, 2007**

(Billions of dollars at seasonally adjusted annual rates except as noted)

Category	2005	2006	2007	2008	2006				2007				2008			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	1911.7	1542.5	1387.1	1410.0	1374.5	1584.5	1500.9	1336.9	1413.7	1296.9	1521.7	1246.0	1402.1	1470.0		
Net equity issuance	-363.4	-606.1	-534.2	-332.0	-534.0	-719.2	-584.8	-560.0	-520.0	-472.0	-332.0	-332.0	-332.0	-332.0		
Net debt issuance	2275.1	2148.6	1921.3	1742.0	1908.5	2303.7	2085.7	1896.9	1933.7	1768.9	1853.7	1578.0	1734.1	1802.0		
Borrowing indicators																
Debt (percent of GDP) <sup>1</sup>	204.3	208.8	213.9	217.1	209.5	211.3	212.7	213.3	214.7	215.8	216.5	216.9	217.2	217.8		
Borrowing (percent of GDP)	18.3	16.2	13.8	12.0	14.3	17.1	15.3	13.7	13.9	12.5	13.0	10.9	11.9	12.2		
Households																
Net borrowing <sup>2</sup>	1215.2	1021.6	744.4	669.6	973.9	906.8	770.7	768.6	738.3	700.0	673.8	662.6	669.6	672.6		
Home mortgages	1051.8	828.4	578.6	536.4	806.5	695.2	598.0	594.2	575.3	547.0	537.6	528.2	537.6	542.3		
Consumer credit	94.4	104.8	98.6	74.3	127.3	99.6	113.3	103.3	92.9	85.0	77.7	75.4	73.0	71.3		
Debt/DPI (percent) <sup>3</sup>	123.8	129.1	131.2	131.0	130.2	130.9	130.5	131.4	131.6	131.6	131.2	131.2	131.0	130.8		
Business																
Financing gap <sup>4</sup>	-138.6	68.4	4.6	85.6	48.3	155.6	-11.7	-23.5	9.3	44.4	80.8	69.3	82.8	109.6		
Net equity issuance	-363.4	-606.1	-534.2	-332.0	-534.0	-719.2	-584.8	-560.0	-520.0	-472.0	-332.0	-332.0	-332.0	-332.0		
Credit market borrowing	581.7	791.3	799.0	687.4	606.5	995.9	815.9	954.4	761.8	663.7	665.3	704.8	690.0	689.7		
State and local governments																
Net borrowing	171.4	152.3	155.4	141.7	156.6	264.5	172.3	169.7	133.7	145.7	141.7	141.7	141.7	141.7		
Current surplus <sup>5</sup>	203.8	220.5	165.0	166.1	210.2	205.5	144.3	177.3	170.0	168.4	158.1	173.2	165.8	167.3		
Federal government																
Net borrowing	306.9	183.4	222.6	243.2	171.4	136.5	326.7	4.2	299.8	259.5	373.0	69.0	232.8	298.0		
Net borrowing (n.s.a.)	306.9	183.4	222.6	243.2	43.4	58.7	152.2	-91.4	71.9	89.8	193.9	-105.1	56.4	98.0		
Unified deficit (n.s.a.)	321.8	209.2	193.1	229.1	41.7	80.4	178.0	-130.4	42.4	103.0	208.4	-134.6	51.9	103.5		
<i>Depository institutions</i>																
Funds supplied	814.1	748.7	400.2	332.7	386.9	600.9	473.6	594.3	489.8	43.1	63.7	504.9	351.0	411.3		

Note. Data after 2007:Q1 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

## International Developments

The foreign economy remains on a firm upward trajectory, with growth averaging around 3¾ percent in the first half of this year and inflation under control in most economies.

We expect these favorable trends to continue over the forecast period, aided by a projected moderation in the rate of increase of prices of oil and other commodities.

Monetary policy abroad is also expected to play an important role in this outlook, as further tightening will likely be necessary to avoid overheating in some countries where spare capacity is narrowing, including most of the advanced foreign economies.

Although to date increases in industrial country interest rates have not had major spillovers to other financial markets, the possibility remains that further monetary policy restraint in these economies could have repercussions for emerging markets. However, the extensive improvement in fundamentals in emerging markets in recent years suggests that such risks are not widespread.

### Summary of Staff Projections

(Percent change from end of previous period, s.a.a.r., except as noted)

Indicator	2006		2007	Projection		
	H1	H2	Q1	2007		2008
				Q2	H2	
Foreign output	4.3	3.4	3.7	3.8	3.6	3.5
May GB	4.4	3.5	3.7	3.6	3.5	3.5
Foreign CPI	2.3	1.8	2.8	2.7	2.5	2.3
May GB	2.4	1.8	2.8	2.7	2.4	2.3
U.S. net exports, contributions to growth, (percentage points)	.2	.7	-.7	1.0	.1	.0
May GB	.2	.7	-.8	.8	.1	.0

Note. Changes for years measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2.

The current forecast for growth and inflation abroad is similar to that shown in the May Greenbook. Although oil prices have increased somewhat faster than previously expected, futures markets still expect prices to drift up only a little further over the forecast period. The trade-weighted value of the broad nominal dollar has shown little net change since the last FOMC meeting; we continue to expect a gradual real depreciation going forward in response to the pressure of financing the persistent current account deficit.

**Staff Projections of Selected Trade Prices**

(Percent change from end of previous period excepted as noted, s.a.a.r.)

Indicator	2006		2007	Projection		
	H1	H2	Q1	2007		2008
				Q2	H2	
<i>Imports</i>						
Core goods	2.7	2.7	2.8	4.5	3.3	1.6
May GB	2.7	2.7	2.8	4.5	2.8	1.3
Oil (dollars per barrel)	63.81	55.33	54.39	63.24	68.32	68.79
May GB	63.75	55.34	54.39	61.90	65.58	67.14
<i>Exports</i>						
Core goods	5.3	3.0	5.9	6.0	3.2	1.2
May GB	5.3	3.0	5.9	5.5	2.6	1.3

Note. Prices for core exports exclude computers and semiconductors. Prices for core imports exclude computers, semiconductors, oil, and natural gas. Both price series are on a NIPA 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**

Since the May Greenbook, we have received monthly trade data for March and April, as well as annual revisions to trade data for previous months. These data indicated that both imports and exports were above our previous estimates for the first quarter, although the projected contribution of real net exports to U.S. growth is little changed at negative  $\frac{3}{4}$  percentage point. We estimate that the contribution of net exports swung to a positive 1 percentage point in the current quarter, owing to a contraction of imports, particularly of oil, while exports accelerated. The contribution of net exports is a little higher than in the May Greenbook, as April imports of core goods were down more than we had expected. We continue to project the contribution of real net exports to be roughly neutral on average over the remainder of the forecast period.

Although real imports of core goods and services decelerated along with the slower pace of U.S. growth in the first quarter, a surge in imported oil and computers boosted growth of total real imports to an estimated annual rate of  $5\frac{1}{2}$  percent. We estimate that real imports have fallen  $2\frac{1}{2}$  percent in the current quarter, down from a projection of little change in the May Greenbook, largely owing to weak April data and a downward revision to oil imports. Imports of consumer goods declined significantly in April, notably in the volatile category of pharmaceuticals, and auto imports also fell sharply.

These data suggest that imports of core goods will decline slightly for the second consecutive quarter. In addition, we expect real imports of oil and computers to retrace some of their first-quarter rise. Real imports of services, which were weak in April, are expected to increase at a sluggish rate of 2¼ percent in the quarter.

### Staff Projections for Trade in Goods and Services

(Percent change from end of previous period, s.a.a.r.)

Indicator	2006		2007	Projection		
	H1	H2	Q1	2007		2008
				Q2	H2	
Real imports	5.2	1.4	5.4	-2.4	3.8	3.8
May GB	5.2	1.4	4.1	0.1	3.6	4.2
Real exports	10.0	8.7	1.2	5.4	6.0	5.7
May GB	10.0	8.7	-1.1	7.6	6.2	5.7

Note. Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2.

We expect growth of real imports of goods and services to pick up to about 3¾ percent at an annual rate over the remainder of the forecast period, as slower import price inflation and higher U.S. GDP growth boost imports of core goods and services. In contrast, real imports of oil should decelerate as U.S. production increases through the end of the forecast period. Our projection for next year is down ½ percentage point from the May Greenbook, as the lower path for the dollar and weaker real imports of oil offset a boost from higher projected growth of U.S. GDP.

We estimate that the growth of real exports of goods and services slowed sharply in the first quarter to 1¼ percent at an annual rate following a very strong performance in 2006, particularly in the fourth quarter. Although much of the first-quarter slowdown was due to a leveling-out of exports of aircraft, which accounted for a large portion of the fourth-quarter surge, growth of exports of other capital goods also slowed significantly. April data suggest some rebound in the current quarter, as agricultural exports rose strongly, and exports of industrial supplies and consumer goods registered modest gains.

Accordingly, we expect growth of real exports of goods and services to improve to a 5½ percent rate in the second quarter. Exports of core goods are projected to increase at a pace of 6 percent, in line with movements in foreign income growth and relative prices. Real exports of services are also projected to pick up again after a weak first quarter.



consumption and investment fall; consumer spending drops in response to the reduction in permanent income, while elevated energy prices lead firms to reduce investment. Although long-run inflation expectations are unchanged, core PCE price inflation increases  $\frac{1}{4}$  percentage point relative to baseline over the forecast period, reflecting an increase in unit labor costs as the lower investment reduces labor productivity while real wages fall only gradually. Rising energy costs also contribute to a widening of the U.S. trade deficit of about 0.6 percent of GDP.

**Alternative Simulation:  
Higher Oil Price Path**

(Percent change from previous period, annual rate)

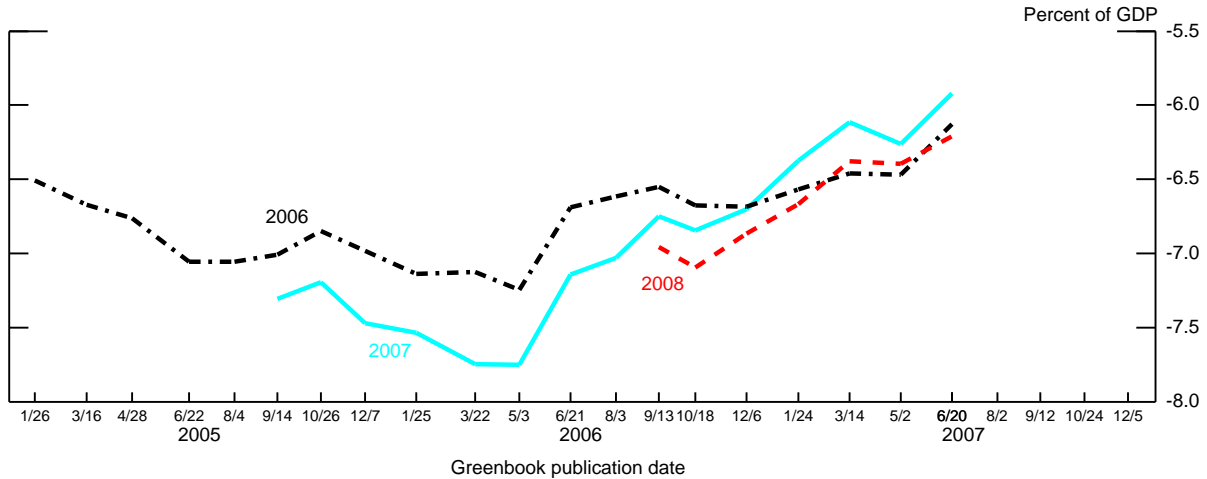
Indicator and simulation	2007		2008	
	H1	H2	H1	H2
<i>U.S. real GDP</i>				
Baseline	2.0	2.3	2.5	2.5
Permanently higher oil price	2.0	2.0	2.3	2.4
<i>U.S. PCE prices excluding food and energy</i>				
Baseline	1.9	2.2	2.1	2.0
Permanently higher oil price	1.9	2.4	2.4	2.3
<i>U.S. federal funds rate (percent)</i>				
Baseline	5.3	5.3	5.3	5.3
Permanently higher oil price	5.3	5.5	5.5	5.5
<i>U.S. trade balance (percent of GDP)</i>				
Baseline	-5.2	-5.3	-5.3	-5.1
Permanently higher oil price	-5.2	-5.9	-5.9	-5.7

Note. H1 is Q2/Q4; H2 is Q4/Q2. The federal funds rate is the average rate for the final quarter of the period. The monetary authorities in the United States and the major foreign economies adjust their policy rates according to Taylor rules.

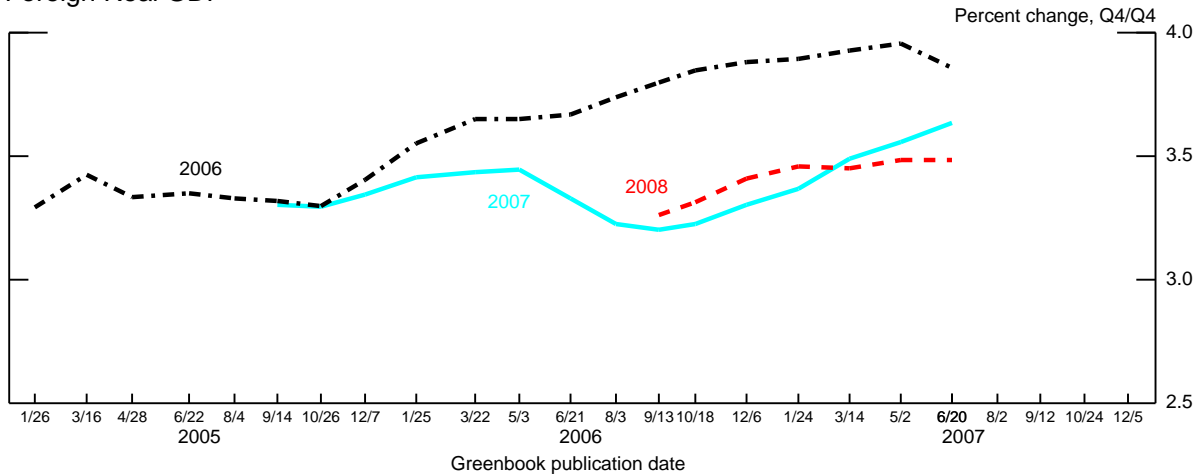
Class II FOMC -- Restricted (FR)

## Evolution of the Staff Forecast

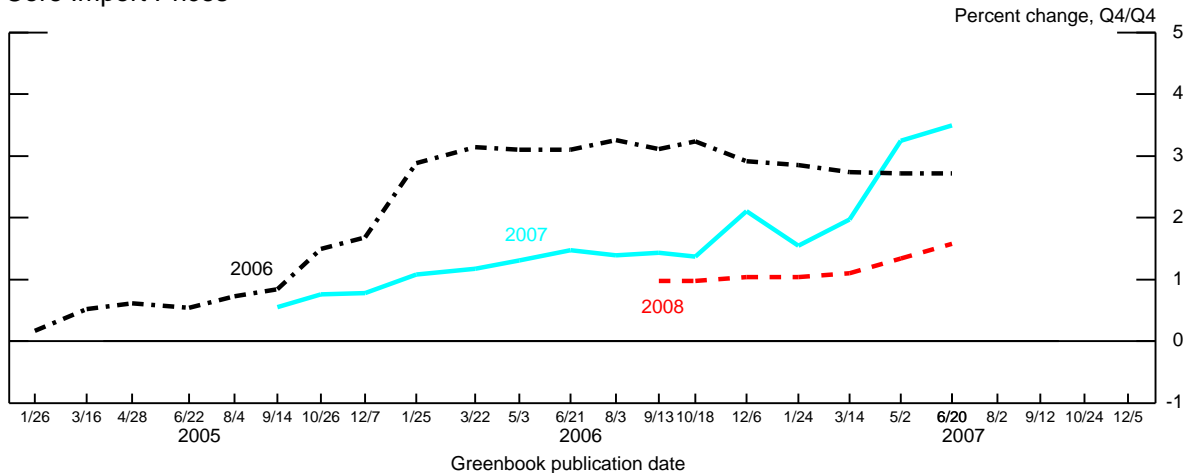
Current Account Balance



Foreign Real GDP



Core Import Prices\*



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

Class II FOMC  
Restricted (FR) June 20, 2007

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

Measure and country	2000	2001	2002	2003	2004	2005	2006	Projected 2007 2008
REAL GDP (1)								
-----								
Total foreign	4.2	0.4	3.1	3.0	3.8	3.8	3.9	3.6 3.5
Advanced Foreign Economies	3.5	0.9	2.5	1.8	2.5	2.7	2.5	2.9 2.4
of which:								
Canada	4.1	1.3	3.5	1.5	3.5	3.2	1.9	3.0 2.6
Japan	3.1	-1.7	2.0	2.4	1.1	2.8	2.4	2.6 1.9
United Kingdom	3.1	2.0	2.3	3.3	2.6	1.9	3.0	3.0 2.6
Euro Area (2)	3.3	1.1	1.0	1.1	1.6	1.9	3.3	2.6 2.1
Germany	2.3	1.1	0.0	0.2	0.2	1.7	3.9	2.8 2.1
Emerging Market Economies	5.2	-0.4	3.9	4.8	5.7	5.4	5.7	4.7 4.9
Asia	5.8	1.0	6.3	6.9	6.0	7.5	6.7	6.3 6.2
Korea	4.4	4.7	7.7	4.2	2.9	5.7	4.0	4.1 4.4
China	7.8	7.1	8.5	10.1	9.6	10.0	10.4	10.3 9.2
Latin America	4.5	-1.3	1.6	2.4	5.3	3.1	4.8	3.1 3.6
Mexico	4.8	-1.3	2.0	2.1	4.8	2.5	4.3	2.8 3.4
Brazil	4.4	-0.7	5.0	0.8	5.0	3.1	4.7	3.8 4.0
CONSUMER PRICES (3)								
-----								
Advanced Foreign Economies	1.9	0.9	2.1	1.3	1.8	1.5	1.3	2.1 1.7
of which:								
Canada	3.1	1.1	3.8	1.7	2.3	2.3	1.3	2.9 2.0
Japan	-0.5	-1.1	-0.5	-0.3	0.5	-1.0	0.3	0.3 0.5
United Kingdom (4)	0.9	1.1	1.5	1.3	1.4	2.1	2.7	2.2 2.0
Euro Area (2)	2.5	2.1	2.3	2.0	2.3	2.3	1.8	2.3 1.9
Germany	1.7	1.5	1.2	1.1	2.1	2.2	1.3	2.4 1.8
Emerging Market Economies	4.1	2.8	2.9	3.1	3.9	3.0	2.9	3.3 3.0
Asia	1.8	1.2	0.8	2.2	3.2	2.6	2.3	3.1 2.6
Korea	2.5	3.3	3.3	3.5	3.4	2.5	2.1	3.2 2.8
China	1.0	-0.1	-0.6	2.7	3.3	1.4	2.1	3.4 2.3
Latin America	8.4	5.3	6.4	4.9	5.7	3.8	4.2	3.7 3.8
Mexico	8.7	5.1	5.2	3.9	5.3	3.1	4.1	3.4 3.5
Brazil	6.4	7.5	10.7	11.5	7.2	6.1	3.2	4.0 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.

June 20, 2007

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

Measure and country	2006				2007				Projected 2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
REAL GDP (1)	Quarterly changes at an annual rate											
Total foreign	4.8	3.9	3.2	3.5	3.7	3.8	3.6	3.5	3.5	3.5	3.5	3.4
Advanced Foreign Economies	3.3	2.4	1.8	2.6	3.3	2.9	2.7	2.6	2.5	2.5	2.4	2.4
of which:												
Canada	3.4	1.5	1.3	1.5	3.7	2.9	2.8	2.6	2.6	2.7	2.7	2.6
Japan	2.2	1.8	0.3	5.4	3.3	2.5	2.3	2.1	2.0	1.9	1.8	1.8
United Kingdom	3.3	3.1	2.7	2.7	2.9	3.5	2.9	2.8	2.7	2.6	2.5	2.5
Euro Area (2)	3.6	3.8	2.4	3.5	2.4	2.9	2.6	2.4	2.2	2.1	2.0	1.9
Germany	3.4	5.0	3.3	4.0	2.1	3.4	2.9	2.7	2.4	2.2	2.0	1.9
Emerging Market Economies	6.9	6.0	5.1	4.9	4.1	5.0	4.8	4.8	4.9	4.9	5.0	5.0
Asia	7.2	6.5	6.6	6.5	7.1	6.0	6.0	6.1	6.2	6.2	6.3	6.3
Korea	4.0	3.2	5.0	3.8	3.6	4.2	4.3	4.3	4.4	4.4	4.4	4.4
China	11.2	12.8	7.3	10.5	13.7	9.4	9.0	9.0	9.1	9.1	9.5	9.3
Latin America	7.4	5.3	4.1	2.7	1.3	4.0	3.6	3.6	3.6	3.6	3.7	3.7
Mexico	7.5	5.4	2.7	1.5	0.6	3.8	3.4	3.4	3.4	3.4	3.5	3.5
Brazil	5.2	-1.4	11.2	4.3	3.1	4.0	4.0	4.0	4.0	4.0	4.0	4.0
CONSUMER PRICES (3)	Four-quarter changes											
Advanced Foreign Economies	1.8	2.0	1.6	1.3	1.5	1.5	1.7	2.1	1.9	1.8	1.7	1.7
of which:												
Canada	2.5	2.6	1.6	1.3	1.9	1.9	2.4	2.9	2.3	2.1	2.1	2.0
Japan	-0.2	0.2	0.6	0.3	-0.1	-0.1	-0.2	0.3	0.6	0.6	0.6	0.5
United Kingdom (4)	2.0	2.2	2.4	2.7	2.8	2.6	2.3	2.2	2.1	2.0	2.0	2.0
Euro Area (2)	2.3	2.5	2.1	1.8	1.9	1.8	2.0	2.3	2.2	2.1	2.0	1.9
Germany	2.1	2.1	1.6	1.3	1.9	1.9	2.2	2.4	2.1	2.0	1.8	1.8
Emerging Market Economies	3.0	2.9	2.7	2.9	3.1	3.2	3.4	3.3	3.2	3.1	3.0	3.0
Asia	2.4	2.5	2.2	2.3	2.7	2.8	3.2	3.1	3.1	2.8	2.7	2.6
Korea	2.1	2.3	2.5	2.1	2.0	2.4	2.5	3.2	3.8	3.4	3.1	2.8
China	1.2	1.3	1.2	2.1	2.8	3.4	3.7	3.4	3.1	2.6	2.3	2.3
Latin America	4.2	3.5	3.8	4.2	4.2	4.3	4.0	3.7	3.5	3.7	3.8	3.8
Mexico	3.7	3.1	3.5	4.1	4.1	4.1	3.7	3.4	3.2	3.5	3.5	3.5
Brazil	5.6	4.3	3.8	3.2	3.1	3.4	4.1	4.0	3.6	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.

June 20, 2007

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2000	2001	2002	2003	2004	2005	2006	Projected 2007	Projected 2008
NIPA REAL EXPORTS and IMPORTS									
	Percentage point contribution to GDP growth, Q4/Q4								
Net Goods & Services	-0.9	-0.2	-0.9	-0.1	-0.8	-0.1	0.5	0.1	0.0
Exports of G&S	0.7	-1.3	0.4	0.6	0.7	0.7	1.0	0.5	0.7
Imports of G&S	-1.6	1.1	-1.3	-0.7	-1.5	-0.8	-0.5	-0.4	-0.6
	Percentage change, Q4/Q4								
Exports of G&S	6.5	-11.9	3.8	5.8	7.0	6.7	9.4	4.6	5.7
Services	1.8	-8.9	10.2	3.0	7.1	3.1	7.5	6.4	6.3
Computers	22.7	-23.5	-1.1	11.3	6.4	14.1	8.2	2.7	9.5
Semiconductors	27.6	-34.6	10.1	38.3	-6.3	17.2	1.0	5.6	11.1
Core Goods 1/	5.9	-10.2	0.6	4.9	8.0	7.5	10.8	3.9	5.0
Imports of G&S	11.2	-7.6	9.7	4.8	10.6	5.2	3.3	2.6	3.8
Services	10.6	-5.9	8.8	2.2	7.6	1.9	5.1	2.5	3.2
Oil	13.3	3.7	3.8	1.2	9.6	0.9	-9.7	4.4	-1.4
Natural Gas	37.3	-6.5	19.5	1.3	6.6	11.9	-17.2	1.8	5.3
Computers	13.9	-13.6	13.2	17.0	22.5	11.8	13.7	15.3	15.6
Semiconductors	22.8	-51.1	11.0	-0.1	9.3	7.5	-0.4	6.0	5.0
Core Goods 2/	10.3	-6.5	10.0	5.2	10.7	6.2	5.6	1.4	4.2
	Billions of Chained 2000 Dollars								
Net Goods & Services	-379.5	-399.1	-471.3	-518.9	-590.9	-619.2	-618.0	-578.1	-563.8
Exports of G&S	1096.3	1036.7	1013.3	1026.1	1120.4	1196.1	1302.8	1376.0	1455.6
Imports of G&S	1475.8	1435.8	1484.6	1545.0	1711.3	1815.3	1920.9	1954.1	2019.4
	Billions of dollars								
US CURRENT ACCOUNT BALANCE	-417.4	-384.7	-459.6	-522.1	-640.2	-754.8	-811.5	-821.8	-901.9
Current Acct as Percent of GDP	-4.3	-3.8	-4.4	-4.8	-5.5	-6.1	-6.1	-5.9	-6.2
Net Goods & Services (BOP)	-379.8	-365.1	-423.7	-496.9	-612.1	-714.4	-758.5	-732.4	-756.0
Investment Income, Net	25.7	36.9	33.2	51.1	62.5	54.5	43.2	20.1	-34.6
Direct, Net	94.9	115.9	102.4	112.7	139.4	152.5	174.2	203.9	215.8
Portfolio, Net	-69.2	-79.0	-69.1	-61.5	-76.9	-98.1	-131.0	-183.8	-250.4
Other Income & Transfers, Net	-63.3	-56.5	-69.2	-76.3	-90.6	-94.9	-96.1	-109.6	-111.3

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

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2003				2004				2005			
	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	0.2	-0.7	0.5	-0.5	-0.7	-1.6	-0.2	-0.8	-0.2	0.7	-0.1	-1.1
Exports of G&S	-0.5	-0.2	1.0	1.8	0.7	0.6	0.5	1.0	0.5	0.9	0.3	1.0
Imports of G&S	0.7	-0.6	-0.5	-2.3	-1.4	-2.2	-0.7	-1.8	-0.6	-0.2	-0.4	-2.0
	Percentage change from previous period, s.a.a.r.											
Exports of G&S	-5.3	-1.7	11.4	20.8	7.2	6.2	4.8	9.9	4.7	9.4	3.2	9.6
Services	-20.0	-2.8	17.5	23.1	7.5	5.6		19.2	2.9	2.0	2.1	5.5
Computers	-2.3	-5.2	34.7	23.2	-5.8	-3.1	20.7	16.5	13.6	21.9	17.8	3.9
Semiconductors	37.4	30.9	44.6	40.7	11.5	-7.8	-19.1	-7.2	-7.7	21.3	26.3	33.6
Core Goods 1/	0.2	-2.9	5.2	18.3	7.7	8.2	9.7	6.4	5.8	11.9	1.8	10.7
Imports of G&S	-5.0	4.1	3.8	17.6	10.2	16.0	4.4	12.0	4.1	1.4	2.5	13.2
Services	-10.6	-15.7	21.2	19.6	10.9	7.6	3.1	9.0	-0.2	-1.5	1.2	8.3
Oil	-9.7	12.4	-6.0	9.9	37.2	-22.9	-6.4	45.5	7.0	-21.2	-12.5	40.5
Natural Gas	-45.9	72.5	66.4	-32.1	16.2	72.0	43.7	-55.1	23.0	12.3	109.8	-45.9
Computers	11.4	10.7	11.1	36.9	21.1	30.2	27.5	11.9	9.2	9.4	19.6	9.3
Semiconductors	-6.3	1.1	-4.2	9.7	43.3	19.6	3.8	-19.9	-7.4	8.4	15.6	14.9
Core Goods 2/	-3.1	7.2	-0.1	18.1	5.3	23.2	4.2	11.0	4.4	5.8	2.7	12.3
	Billions of Chained 2000 Dollars, s.a.a.r.											
Net Goods & Services	-507.2	-526.9	-513.8	-527.8	-548.5	-593.9	-599.4	-621.9	-626.4	-606.1	-607.6	-636.6
Exports of G&S	1003.3	999.0	1026.3	1075.8	1094.8	1111.3	1124.3	1151.3	1164.5	1191.0	1200.5	1228.4
Imports of G&S	1510.5	1525.9	1540.0	1603.6	1643.2	1705.2	1723.7	1773.1	1790.9	1797.1	1808.1	1865.0
	Billions of dollars, s.a.a.r.											
US CURRENT ACCOUNT BALANCE	-540.4	-520.4	-522.1	-505.5	-559.8	-634.7	-632.3	-733.8	-729.6	-732.9	-693.6	-863.2
Current Account as % of GDP	-5.0	-4.8	-4.7	-4.5	-4.9	-5.4	-5.4	-6.1	-6.0	-5.9	-5.5	-6.8
Net Goods & Services (BOP)	-498.6	-494.8	-493.4	-500.9	-544.1	-602.4	-626.4	-675.4	-666.6	-682.7	-723.8	-784.4
Investment Income, Net	34.6	47.8	47.8	74.3	82.2	59.4	69.2	39.2	56.2	53.5	72.8	35.3
Direct, Net	97.1	108.2	109.2	136.2	146.2	129.6	143.4	138.4	140.4	147.3	176.1	146.2
Portfolio, Net	-62.4	-60.4	-61.4	-62.0	-63.9	-70.3	-74.2	-99.2	-84.3	-93.8	-103.3	-110.9
Other Inc. & Transfers, Net	-76.5	-73.4	-76.5	-78.8	-97.8	-91.7	-75.1	-97.6	-119.2	-103.8	-42.6	-114.1

1. Merchandise exports excluding computers and semiconductors.

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

June 20, 2007

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2006				2007				Projected			
	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	-0.0	0.4	-0.2	1.6	-0.7	1.0	0.3	-0.2	-0.3	0.7	0.1	-0.4
Exports of G&S	1.4	0.7	0.7	1.1	0.1	0.6	0.7	0.7	0.7	0.7	0.7	0.7
Imports of G&S	-1.5	-0.2	-0.9	0.5	-0.9	0.4	-0.3	-0.9	-1.0	0.0	-0.6	-1.0
	Percentage change from previous period, s.a.a.r.											
Exports of G&S	14.0	6.2	6.8	10.6	1.2	5.4	6.2	5.9	5.8	5.7	5.6	5.6
Services	6.7	6.7	0.8	16.3	3.4	6.7	8.0	7.6	6.9	6.4	6.1	5.8
Computers	9.8	12.0	-0.1	11.5	-8.0	0.9	9.5	9.5	9.5	9.5	9.5	9.5
Semiconductors	15.7	29.9	-12.4	-20.8	14.7	-12.3	11.1	11.1	11.1	11.1	11.1	11.1
Core Goods 1/	17.8	4.4	11.4	10.1	0.0	5.9	5.0	4.8	4.9	4.9	5.0	5.1
Imports of G&S	9.1	1.4	5.6	-2.6	5.4	-2.4	2.1	5.5	5.9	-0.2	3.4	6.0
Services	7.4	9.9	-2.6	6.2	2.8	2.2	2.8	2.3	2.9	3.3	7.9	-0.9
Oil	-4.8	-18.3	7.1	-20.2	30.6	-20.3	-7.7	23.7	16.9	-26.2	-11.3	23.6
Natural Gas	-22.7	38.7	-26.4	-40.3	11.9	104.2	-25.2	-37.2	23.3	19.8	18.1	-29.4
Computers	34.3	17.0	18.4	-10.1	41.2	-6.3	15.6	15.6	15.6	15.6	15.6	15.6
Semiconductors	3.6	-1.3	21.6	-21.0	4.4	9.5	5.0	5.0	5.0	5.0	5.0	5.0
Core Goods 2/	12.3	2.5	6.9	1.2	-0.3	-0.9	3.8	3.1	3.3	4.0	4.5	4.8
	Billions of Chained 2000 Dollars, s.a.a.r.											
Net Goods & Services	-636.6	-624.2	-628.8	-582.6	-604.0	-574.5	-563.9	-570.0	-578.5	-557.5	-554.6	-564.4
Exports of G&S	1269.3	1288.5	1310.0	1343.5	1347.4	1365.2	1385.7	1405.8	1425.8	1445.6	1465.5	1485.5
Imports of G&S	1905.9	1912.7	1938.8	1926.1	1951.4	1939.6	1949.6	1975.8	2004.3	2003.1	2020.1	2050.0
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-802.4	-822.4	-869.3	-751.8	-770.3	-815.4	-838.4	-863.2	-908.5	-884.0	-891.5	-923.6
Current Account as % of GDP	-6.2	-6.2	-6.5	-5.6	-5.7	-5.9	-6.0	-6.1	-6.4	-6.1	-6.1	-6.3
Net Goods & Services (BOP)	-758.8	-770.3	-797.2	-707.7	-707.2	-727.2	-740.4	-754.7	-774.8	-746.8	-743.7	-758.8
Investment Income, Net	48.3	49.2	30.0	45.3	48.1	22.3	12.3	-2.1	-18.3	-29.7	-40.2	-50.2
Direct, Net	168.0	178.6	161.9	188.3	205.3	195.4	205.6	209.4	209.4	213.6	218.0	222.3
Portfolio, Net	-119.8	-129.4	-132.0	-143.0	-157.2	-173.0	-193.3	-211.5	-227.7	-243.3	-258.2	-272.5
Other Inc. & Transfers, Net	-91.8	-101.2	-102.1	-89.4	-111.3	-110.5	-110.3	-106.4	-115.3	-107.6	-107.6	-114.6

1. Merchandise exports excluding computers and semiconductors.

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

## **Part 2**

June 20, 2007

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Recent Developments**



June 20, 2007

## **Recent Developments**

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**Production of Domestic Light Vehicles**  
(Millions of units at an annual rate except as noted)

Item	2006	2007				2007			
	Q4	Q1	Q2	Q3	Mar.	Apr.	May	June	
U.S. production <sup>1</sup>	10.5	10.2	10.9	11.3	10.4	10.8	10.6	11.3	
Autos	4.4	4.0	3.9	4.0	3.8	3.8	3.7	4.3	
Light trucks	6.1	6.3	7.0	7.3	6.6	6.9	6.9	7.1	
Days' supply <sup>2</sup>	70	66	n.a.	n.a.	67	65	65	n.a.	
Autos	60	61	n.a.	n.a.	62	61	53	n.a.	
Light trucks	77	69	n.a.	n.a.	71	68	74	n.a.	
Inventories <sup>3</sup>	2.84	2.70	n.a.	n.a.	2.70	2.65	2.59	n.a.	
Autos	1.03	1.03	n.a.	n.a.	1.03	1.01	.95	n.a.	
Light trucks	1.81	1.67	n.a.	n.a.	1.67	1.65	1.64	n.a.	
Memo: U.S. production, total motor vehicles <sup>4</sup>	11.0	10.6	11.2	11.6	10.7	11.0	11.0	11.6	

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

1. Production rates for June and the second and third quarters reflect the latest industry schedules.

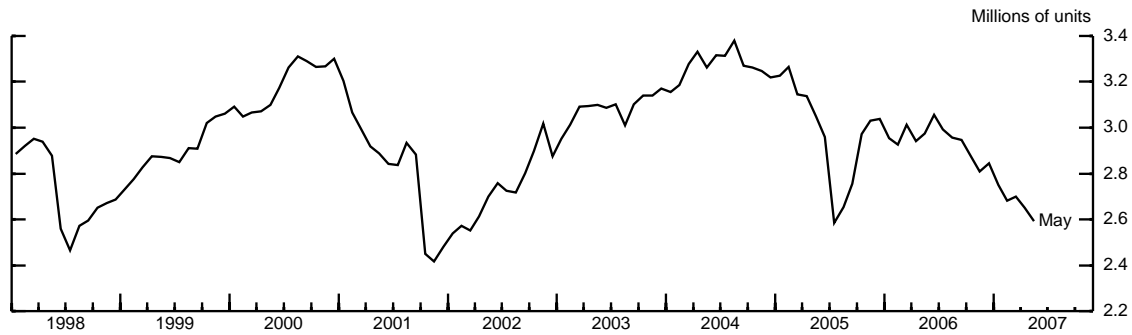
2. Quarterly values are calculated with end-of-period stocks and average reported sales.

3. End-of-period stocks.

4. Includes medium and heavy trucks.

n.a. Not available.

**Inventories of Light Vehicles**

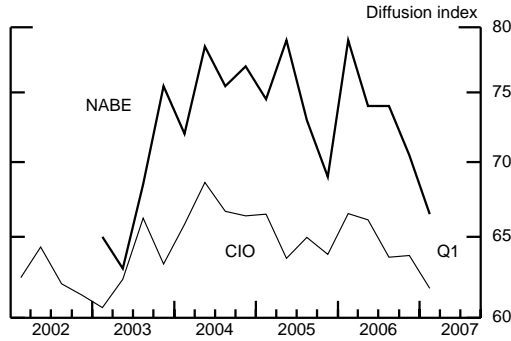


**Days' Supply of Light Vehicles**

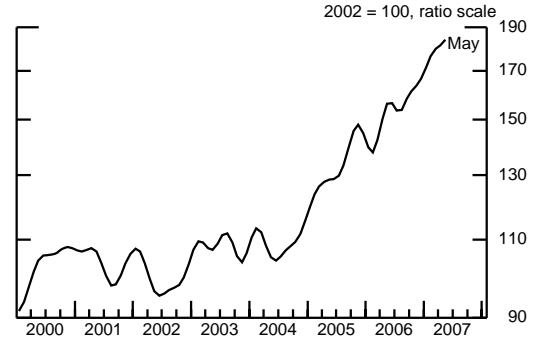


## Indicators of High-Tech Manufacturing Activity

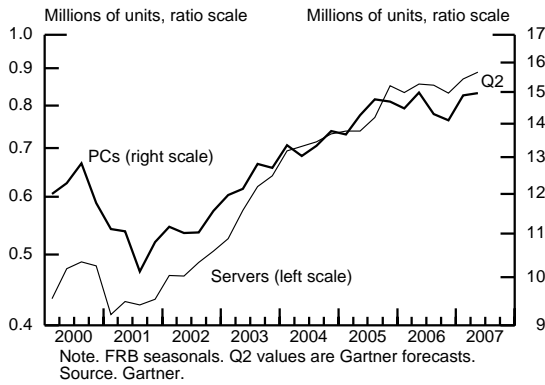
Survey of High-Tech Spending Plans



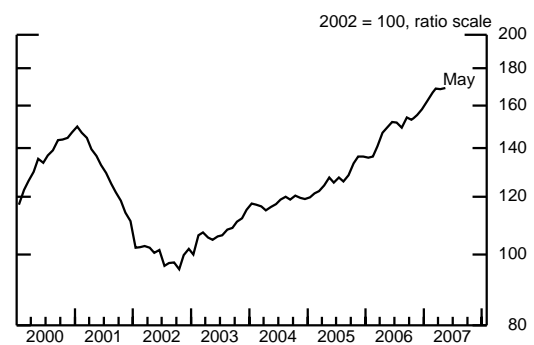
IP: Computers



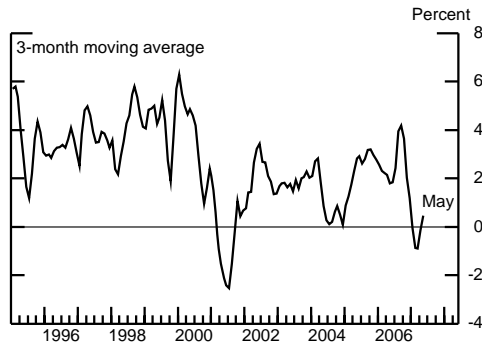
U.S. Personal Computer and Server Sales



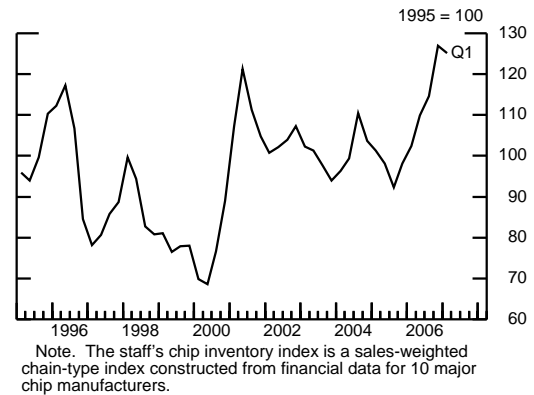
IP: Communications Equipment



Rate of Change in Semiconductor Industrial Production



FRB Chip Inventory Index



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

Category	2006	2006		2007	2007		
		Q3	Q4	Q1	Mar.	Apr.	May
Total	16.5	16.6	16.3	16.5	16.3	16.2	16.1
Autos	7.8	7.9	7.6	7.6	7.6	7.3	8.0
Light trucks	8.7	8.7	8.7	8.9	8.7	8.9	8.1
North American <sup>1</sup>	12.8	12.8	12.4	12.6	12.3	12.5	12.3
Autos	5.4	5.4	5.2	5.1	5.1	5.0	5.5
Light trucks	7.4	7.4	7.2	7.5	7.2	7.5	6.8
Foreign-produced	3.7	3.7	3.8	3.9	3.9	3.7	3.8
Autos	2.3	2.5	2.4	2.4	2.5	2.3	2.5
Light trucks	1.3	1.3	1.5	1.5	1.4	1.4	1.3
Memo: Big Three domestic market share (percent) <sup>2</sup>	53.7	52.8	52.3	52.1	51.7	53.7	51.6

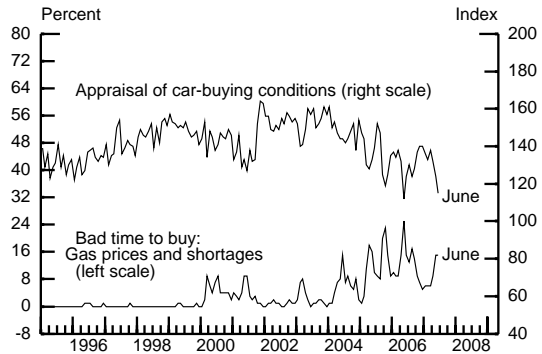
Note. Components may not sum to totals because of rounding.

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

2. Domestic market share excludes sales of foreign brands affiliated with the Big Three.

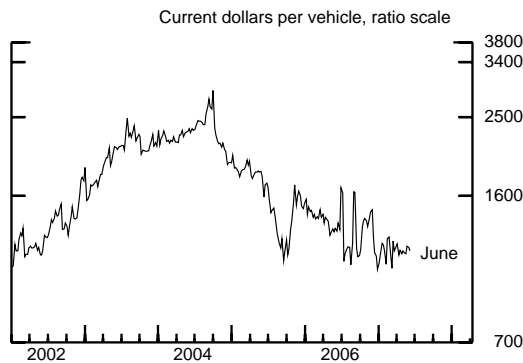
Content redacted.

**Car-Buying Attitudes**



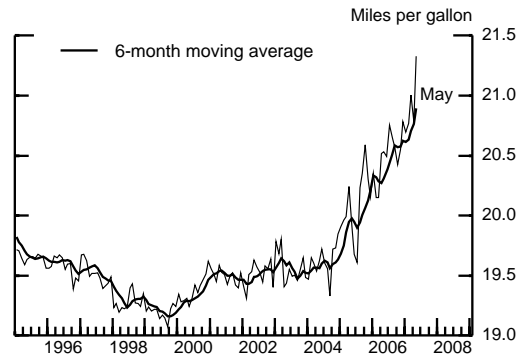
Source. Reuters/University of Michigan Survey.

**Average Value of Incentives on Light Vehicles**



Note. Weighted average of customer cash rebate and interest rate reduction. Data are seasonally adjusted.  
Source. J.D. Power and Associates.

**New Light Vehicle Fuel Economy**



Source. Staff estimate based on a monthly sales-weighted average of city mileage ratings for all new models of light vehicles. Data are seasonally adjusted.

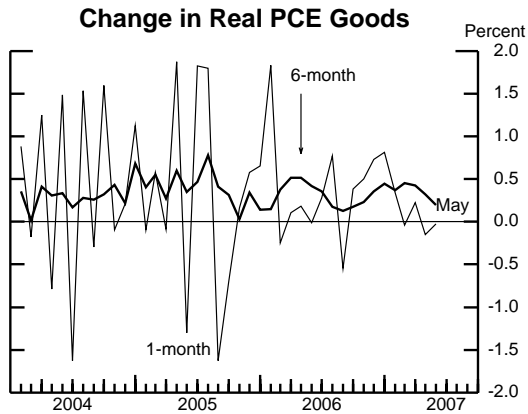
### Retail and Food Services Sales

(Percent change from preceding period; seasonally adjusted current dollars)

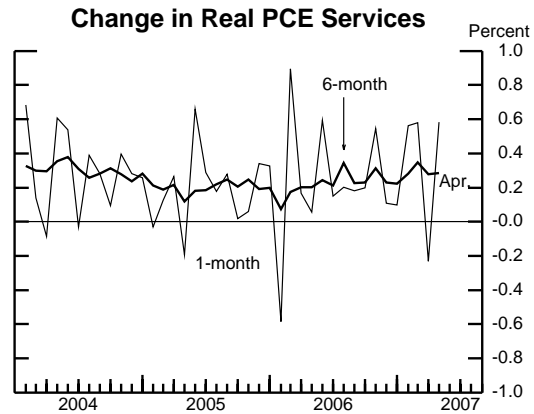
Category	2006	2007				
	Q4	Q1	Feb.	Mar.	Apr.	May
	Annual rate		Monthly rate			
Total sales	.9	6.3	.6	1.0	-.1	1.4
Retail control <sup>1</sup>	.1	7.7	.6	1.0	.3	1.2
Ex. sales at gasoline stations	5.1	5.5	.5	.7	.1	.8
Memo: Real PCE control <sup>2</sup>	7.0	3.9	-.1	.3	-.3	.2

1. Total sales less outlays at building material and supply stores and automobile and other motor vehicle dealers.

2. Total goods spending excluding autos and trucks. The values for March, April, and Q1 are staff estimates. The value for May is a staff forecast.



Note. The values for March, April, and Q1 are staff estimates. The value for May is a staff forecast.

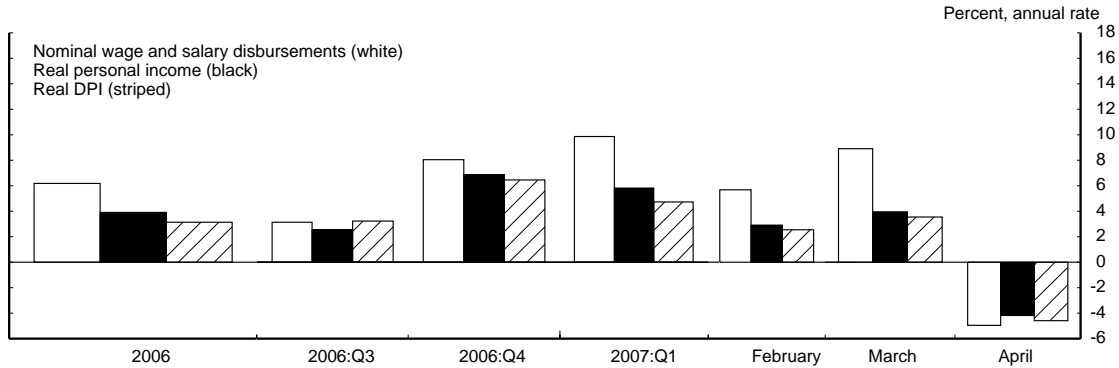


### Personal Saving Rate

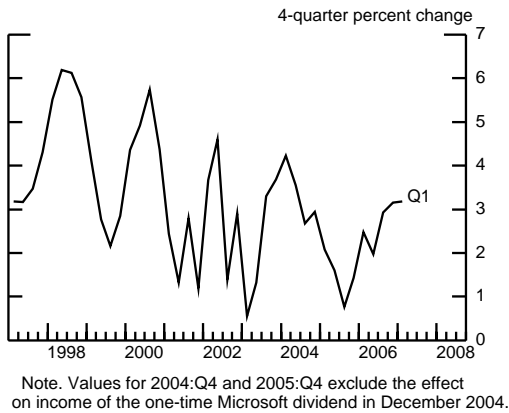


## Fundamentals of Household Spending

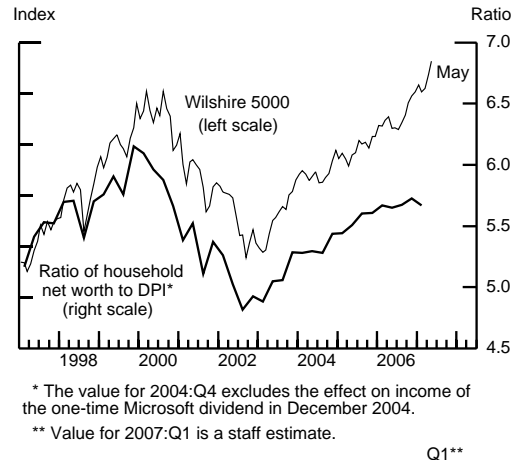
Changes in Nominal Wages and Salaries, Real Personal Income, and Real DPI



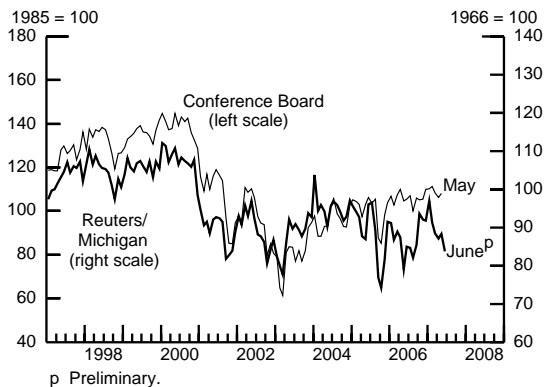
Change in Real DPI



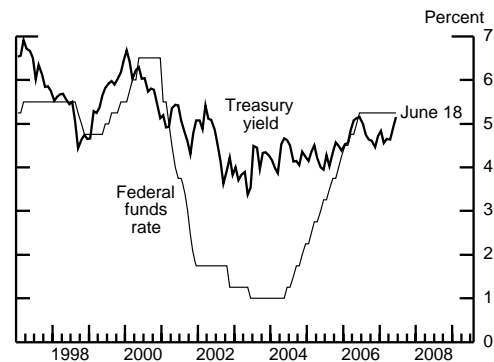
Household Net Worth and Wilshire 5000



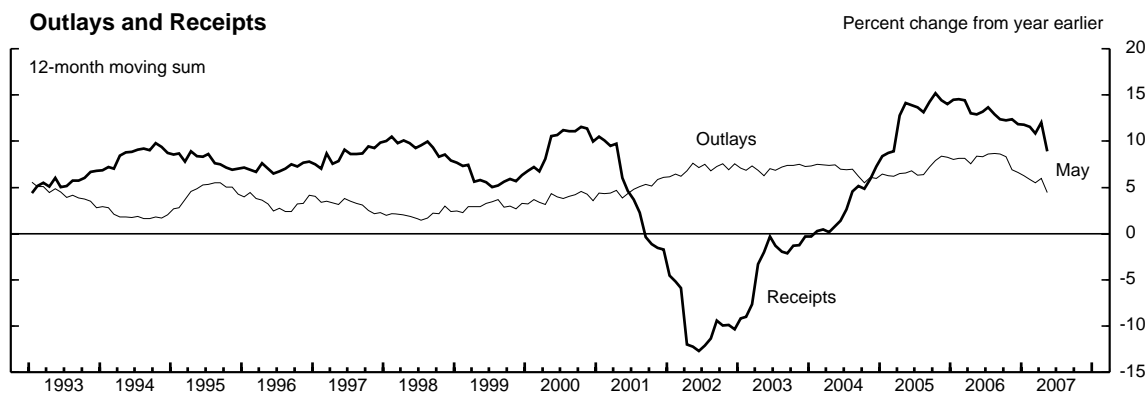
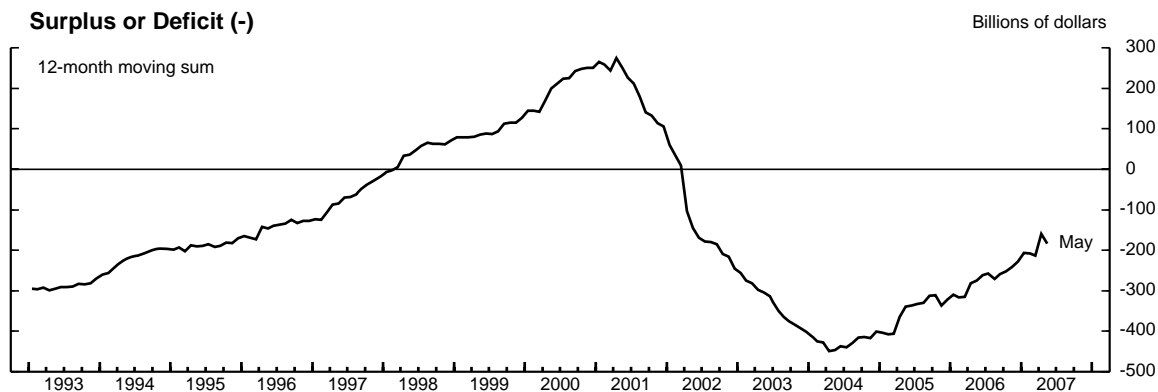
Consumer Confidence



Federal Funds Rate and 10-Year Treasury Yield



**Federal Government Budget**  
(Unified basis; adjusted for payment-timing shifts and financial transactions; data from Monthly Treasury Statement)



**Recent Federal Outlays and Receipts**

(Billions of dollars except as noted)

Function or source	April-May			12 months ending in May		
	2006	2007	Percent change	2006	2007	Percent change
<b>Outlays</b>	446.4	457.0	2.4	2,604.6	2,720.2	4.4
Net interest	38.8	44.7	15.2	207.7	235.3	13.3
National defense	86.6	90.7	4.7	514.4	549.9	6.9
Major transfers <sup>1</sup>	236.9	257.9	8.9	1,397.1	1,495.5	7.0
Other	84.1	63.7	-24.3	485.3	439.5	-9.5
<b>Receipts</b>	507.7	547.9	7.9	2,329.4	2,536.1	8.9
Individual income and payroll taxes	400.4	439.7	9.8	1,790.7	1,944.7	8.6
Corporate	53.7	57.0	6.1	320.9	380.9	18.7
Other	53.7	51.2	-4.7	217.8	210.5	-3.4
<b>Surplus or deficit (-)</b>	61.3	90.9	...	-275.2	-184.1	...

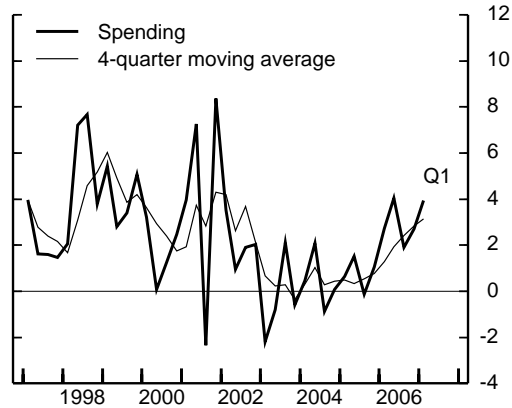
1. Includes Social Security, Medicare, Medicaid, and income security programs.

... Not applicable.

## State and Local Indicators

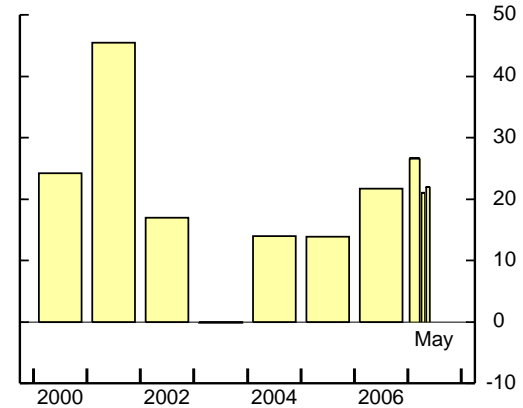
**Real Spending on Consumption & Investment**

Percent change, annual rate



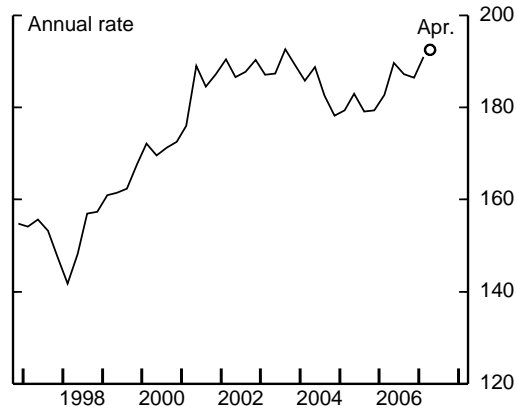
**Net Change in Employment**

Thousands of jobs, monthly average



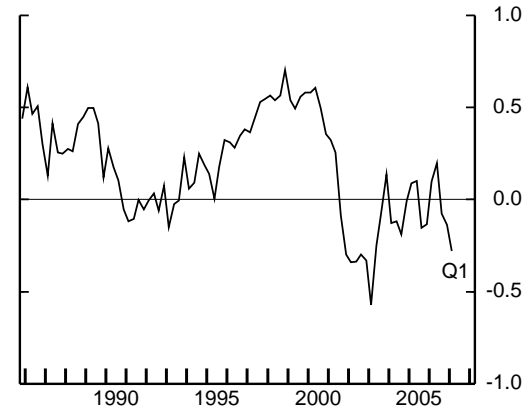
**Real Construction**

Billions of chained (2000) dollars



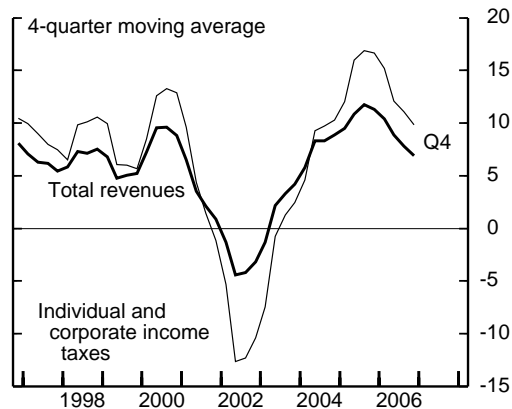
**Net Saving**

Percent of nominal GDP



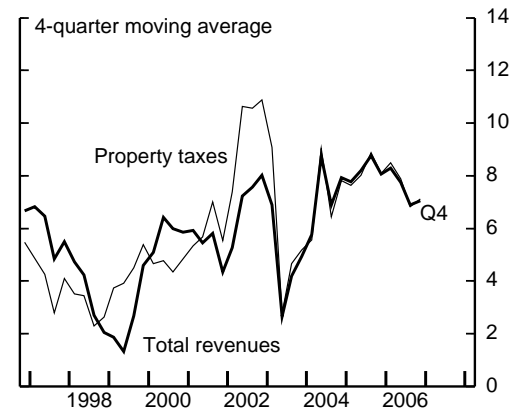
**State Revenues**

Percent change from year earlier



**Local Revenues**

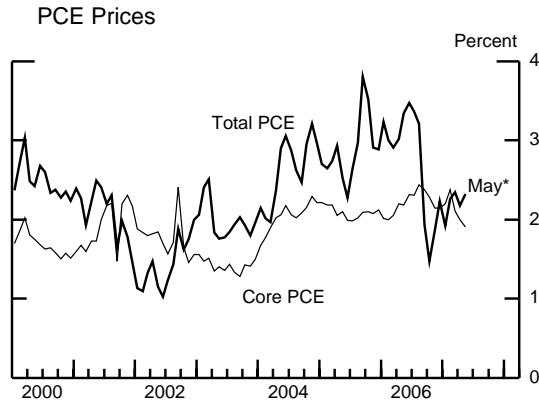
Percent change from year earlier



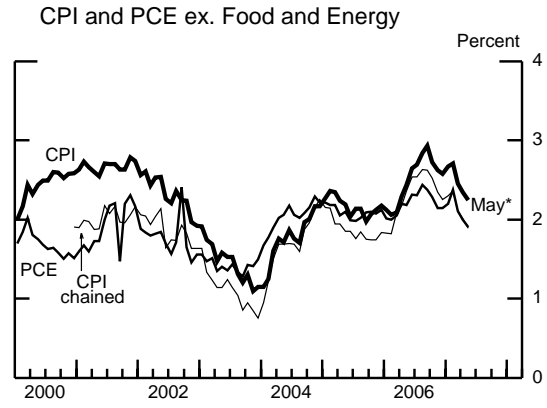


## Consumer Prices

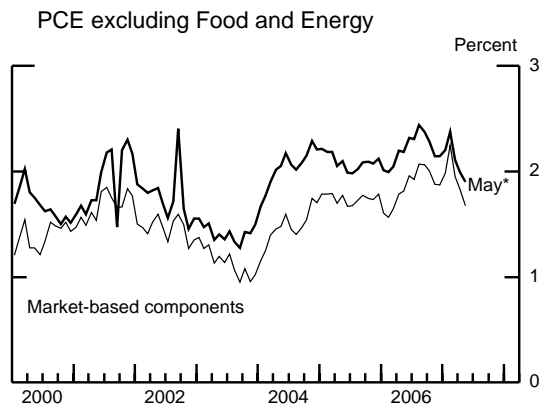
(12-month change except as noted)



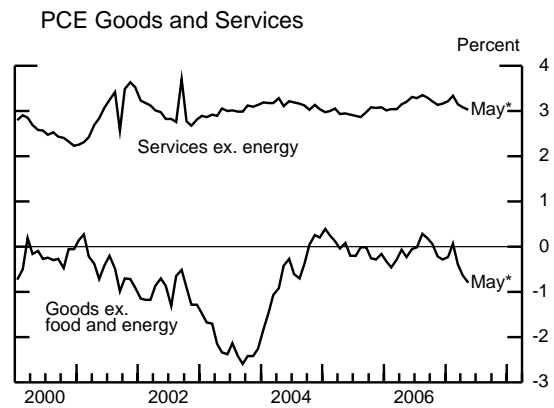
\* Staff estimate.



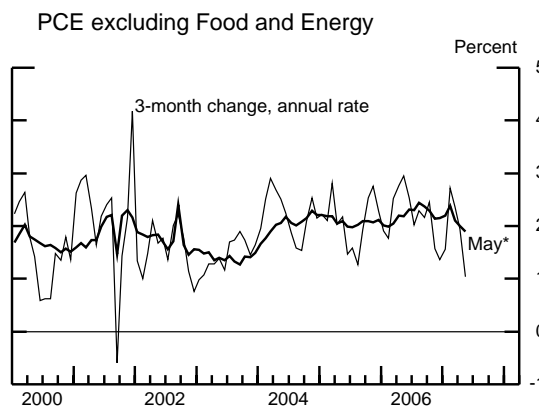
\* PCE for May is a staff estimate.



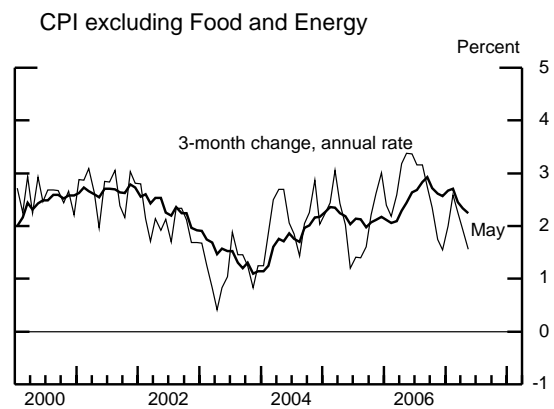
\* Staff estimate.



\* Staff estimate.



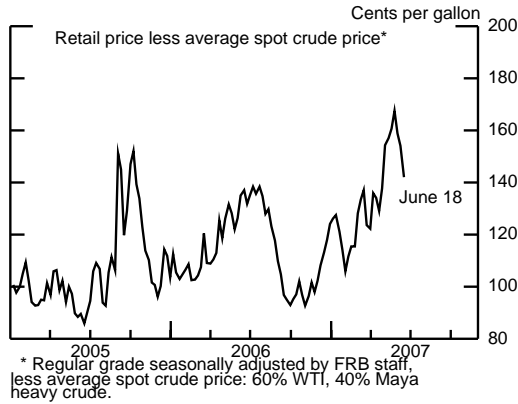
\* Staff estimate.



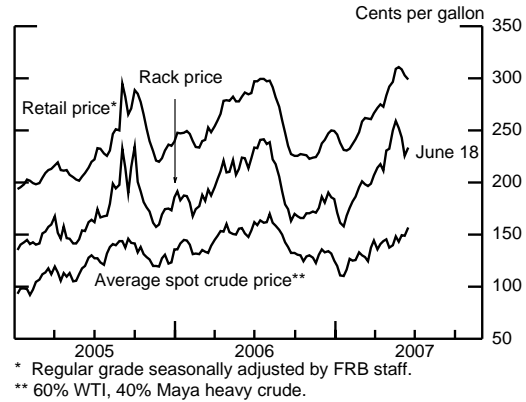
## Energy Prices and Inventories

(Data from Energy Information Administration except as noted)

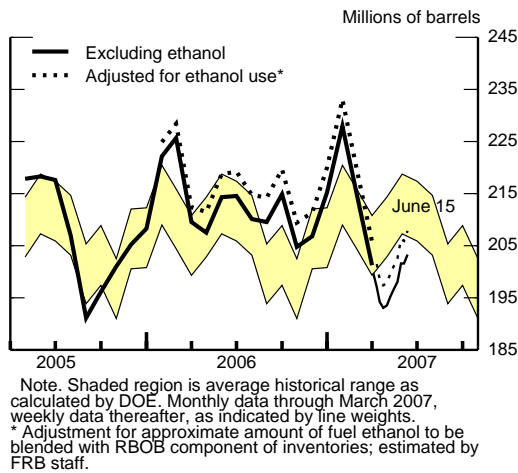
### Total Gasoline Margin



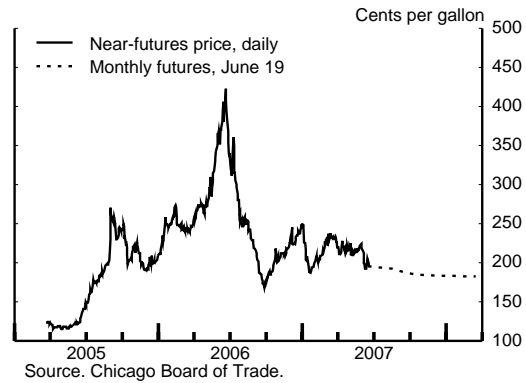
### Gasoline Price Decomposition



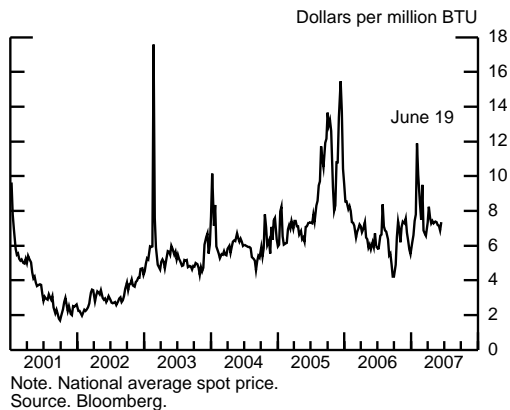
### Gasoline Inventories



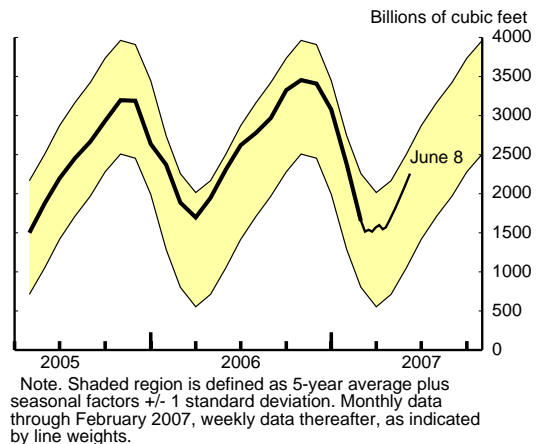
### Ethanol Prices



### Natural Gas Prices



### Natural Gas Inventories



**Broad Measures of Inflation**

(Percent change, Q1 to Q1)

Measure	2004	2005	2006	2007
<i>Product prices</i>				
GDP price index	2.3	3.1	3.1	2.7
Less food and energy	2.1	3.1	2.9	2.6
Nonfarm business chain price index	1.6	3.1	3.0	2.0
<i>Expenditure prices</i>				
Gross domestic purchases price index	2.2	3.4	3.5	2.5
Less food and energy	2.1	3.0	2.7	2.6
PCE price index	2.0	2.7	3.0	2.2
Less food and energy	1.8	2.2	2.0	2.2
PCE price index, market-based components	1.7	2.5	2.9	2.0
Less food and energy	1.3	1.8	1.6	2.1
CPI	1.8	3.0	3.7	2.4
Less food and energy	1.3	2.3	2.1	2.6
Chained CPI	1.7	2.6	3.2	2.2
Less food and energy	1.2	2.1	1.9	2.3
Median CPI	2.0	2.4	2.5	3.6
Trimmed mean CPI	1.7	2.3	2.6	2.7
Trimmed mean PCE	1.9	2.4	2.4	2.4

**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	
2005:Q3	3.8	4.3	3.5	3.5	2.9	2.5
Q4	3.7	4.6	3.7	3.5	3.1	2.5
2006:Q1	3.6	3.7	3.0	3.3	2.9	2.5
Q2	4.0	4.5	3.5	3.6	3.1	2.5
Q3	3.3	4.0	3.4	3.3	3.0	2.5
Q4	1.9	3.5	3.0	3.5	3.0	2.5
2007:Q1	2.4	3.6	3.0	3.4	2.9	2.4
Q2	n.a.	4.1	3.4	3.5	3.1	2.4
Feb.	2.4	3.6	3.0	3.3	2.9	2.4
Mar.	2.8	3.6	3.0	3.3	2.9	...
Apr.	2.6	4.0	3.3	3.6	3.1	...
May	2.7	4.3	3.3	3.7	3.1	2.4
June	n.a.	4.1	3.5	3.3	3.0	...

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?

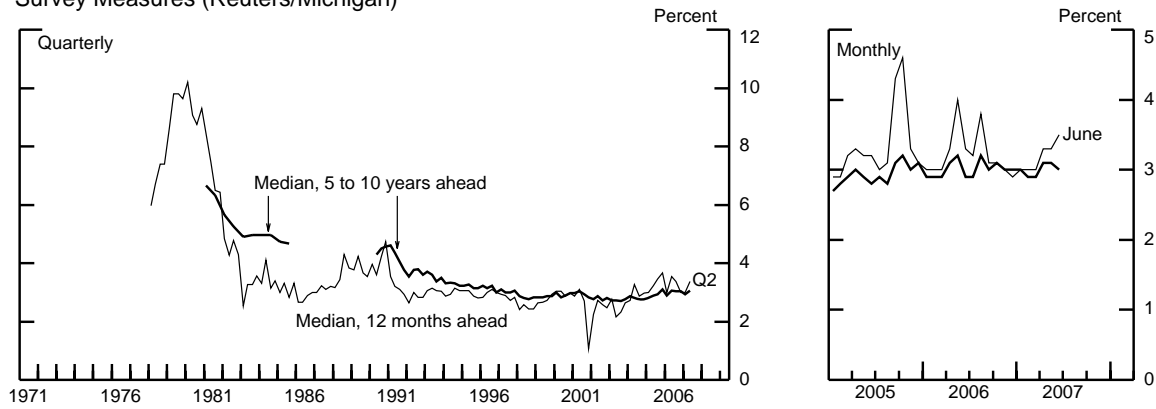
4. Quarterly CPI projections compiled by the Federal Reserve Bank of Philadelphia.

... Not applicable.

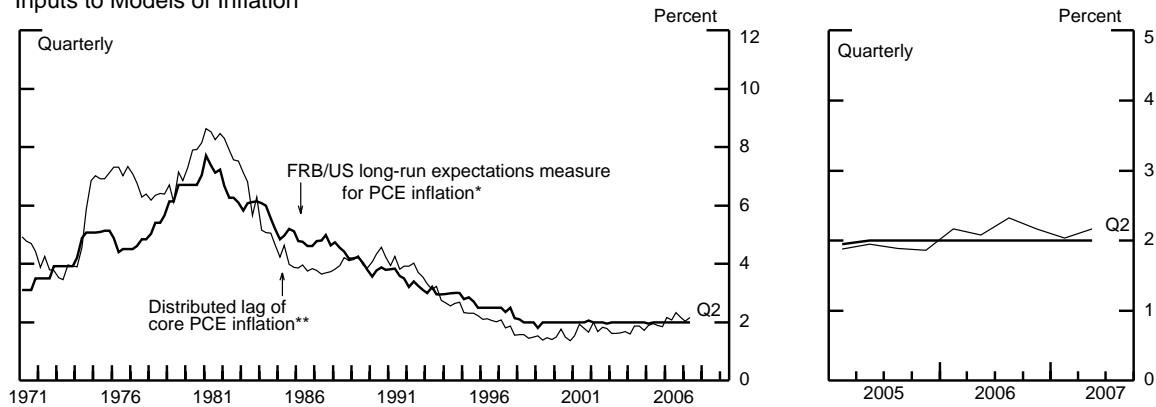
n.a. Not available.

## Measures of Expected Inflation

Survey Measures (Reuters/Michigan)



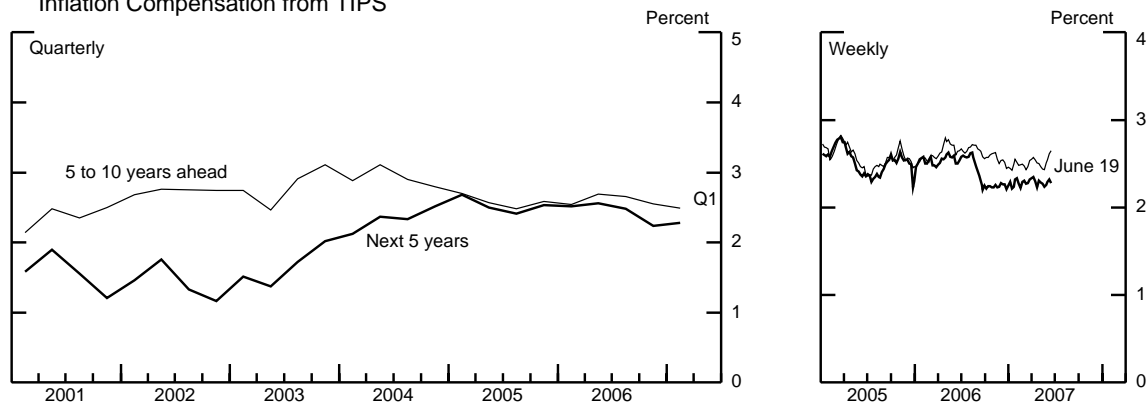
Inputs to Models of Inflation



\*For 2007 forward, the median projection for PCE inflation over the next 10 years from the Survey of Professional Forecasters (SPF); for 1991 to 2006, the equivalent SPF projection for the CPI; for 1981 to 1991, a related survey for the CPI conducted by Richard Hovey; 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.

\*\*Derived from one of the reduced-form Phillips curves used by Board staff.

Inflation Compensation from TIPS



Note. Based on a comparison of an estimated TIPS yield curve with an estimated nominal off-the-run Treasury yield curve, with an adjustment for the indexation-lag effect.

## State and Local Government Finance

### Gross Offerings of Municipal Securities

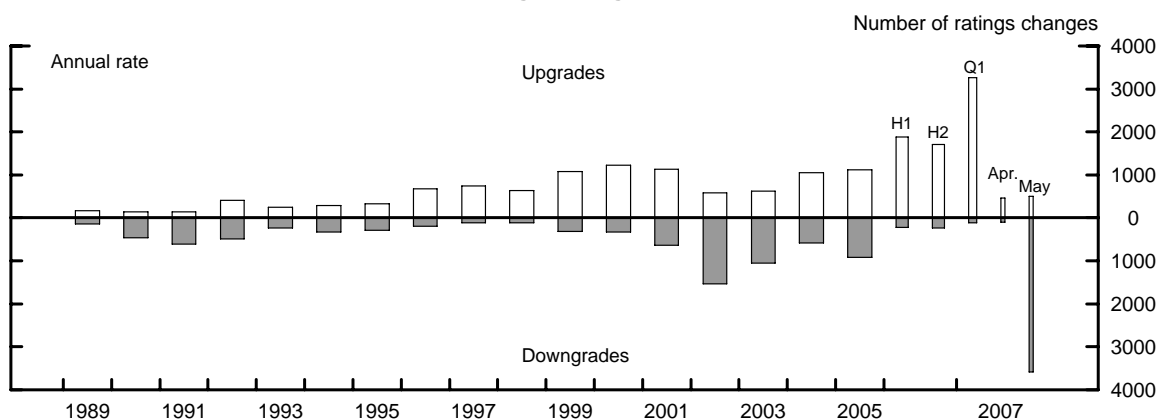
(Billions of dollars; monthly rate, not seasonally adjusted)

Type of security	2003	2004	2005	2006		2007		
				H1	H2	Q1	Apr.	May
Total	37.9	34.7	38.4	32.9	39.4	37.6	33.0	43.1
Long-term <sup>1</sup>	32.0	29.8	34.1	30.0	34.9	35.7	31.9	42.1
Refundings <sup>2</sup>	10.0	10.8	15.5	9.7	11.4	17.7	16.3	17.5
New capital	22.1	19.0	18.7	20.3	23.4	18.0	15.7	24.6
Short-term	5.8	4.9	4.2	2.8	4.5	1.9	1.1	1.0
Memo: Long-term taxable	3.5	2.0	2.1	2.8	2.3	1.2	2.2	1.7

1. Includes issues for public and private purposes.

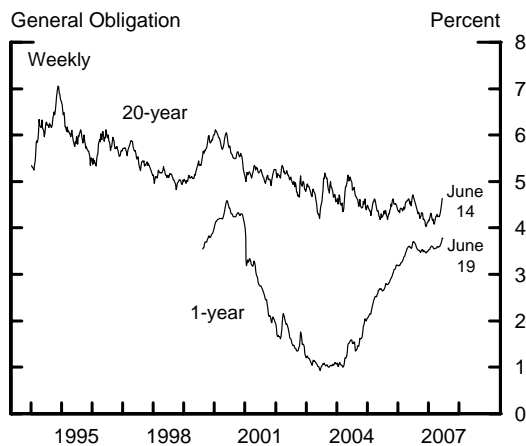
2. All issues that include any refunding bonds.

### Ratings Changes



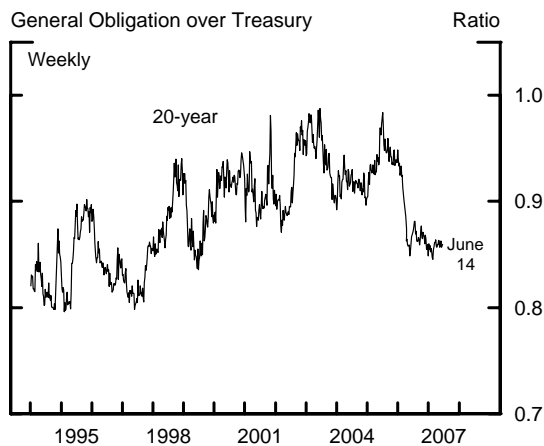
Source: S&P's Credit Week Municipal and Ratings Direct.

### Municipal Bond Yields



Source: Municipal Market Advisors and 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),
	2005	2006	2006	2007			May (p)
			Q4	Q1	Apr.	May (p)	
M2	4.1	5.0	6.9	8.0	8.2	3.9	7,242
Components <sup>2</sup>							
Currency	3.6	3.6	3.0	1.7	3.5	2.1	755
Liquid deposits <sup>3</sup>	2.0	.8	3.2	7.1	9.5	3.3	4,436
Small time deposits	18.8	19.3	16.6	8.6	6.7	3.1	1,191
Retail money market funds	-.2	12.9	17.1	18.1	7.3	9.3	854
Memo:							
Institutional money market funds	4.9	15.8	21.1	11.0	33.6	33.3	1,449
Monetary base	3.5	3.2	2.6	1.6	3.4	2.7	818

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.

p Preliminary.

**Commercial Bank Credit**

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

Type of credit	2005	2006	Q4 2006	Q1 2007	Apr. 2007	May 2007 <sup>p</sup>	Level, <sup>1</sup> May 2007 <sup>p</sup>
Total	10.5	9.6	4.4	8.7	11.8	7.7	8,226
<i>Loans<sup>2</sup></i>							
Total	11.6	10.7	7.5	9.9	13.7	9.0	6,189
To businesses							
Commercial and industrial	13.5	16.4	10.6	8.2	8.9	15.2	1,221
Commercial real estate	17.1	13.6	7.6	10.3	14.6	7.9	1,506
To households							
Residential real estate	11.9	7.2	5.4	9.5	14.9	.1	1,821
Revolving home equity	13.3	1.5	1.8	3.5	-3.4	.0	455
Other	11.4	9.4	6.8	11.6	21.3	.0	1,366
Consumer	3.1	5.2	.2	7.4	9.7	5.5	750
Originated <sup>3</sup>	.7	6.4	4.8	8.0	1.2	.6	1,130
Other <sup>4</sup>	8.6	10.9	14.2	14.9	19.5	23.9	891
<i>Securities</i>							
Total	7.5	6.3	-4.7	4.9	6.2	3.8	2,038
Treasury and agency	.0	5.5	-.9	-2.0	-23.6	-12.3	1,177
Other <sup>5</sup>	13.5	12.8	7.5	10.4	45.8	28.3	1,069

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 (FIN 39 and FAS 115), the consolidation of certain variable interest entities (FIN 46), the adoption of fair value accounting (FAS 159), and the effects of sizable thrift-to-bank and bank-to-thrift structure activity in October 2006 and March 2007 respectively. Data also account for breaks caused by reclassifications.

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

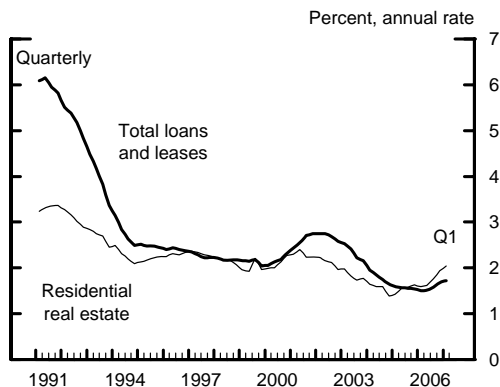
2. Excludes interbank loans.

3. Includes an estimate of outstanding loans securitized by commercial banks.

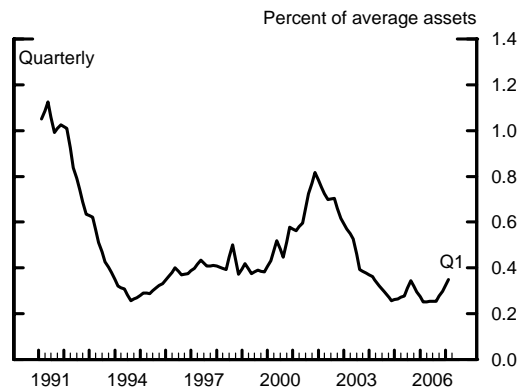
4. Includes security loans and loans to farmers, state and local governments, and all others not elsewhere classified. Also includes lease financing receivables.

5. Includes private mortgage-backed securities, securities of corporations, state and local governments, foreign governments, and any trading account assets that are not Treasury or agency securities, including revaluation gains on derivative contracts.

p Preliminary.

**Delinquency Rates on Loans**

Source. Call Report.

**Loan-Loss Provisioning**

Source. Call Report.

June 22, 2007

# 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



## Commercial Bank Credit

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

Type of credit	2005	2006	Q4 2006	Q1 2007	Apr. 2007	May 2007	Level, <sup>1</sup> May 2007
Total	10.6	9.6	4.4	8.7	11.8	7.5	8,224
<i>Loans<sup>2</sup></i>							
Total	11.6	10.7	7.5	9.9	13.7	9.0	6,189
To businesses							
Commercial and industrial	13.5	16.4	10.6	8.2	8.7	15.3	1,221
Commercial real estate	17.0	13.6	7.6	10.3	14.8	7.9	1,506
To households							
Residential real estate	11.9	7.2	5.4	9.5	14.9	.1	1,821
Revolving home equity	13.3	1.5	1.8	3.5	-3.4	.0	455
Other	11.4	9.3	6.7	11.5	21.1	.0	1,366
Consumer	3.0	5.2	.2	7.6	9.6	5.5	750
Originated <sup>3</sup>	.7	6.4	4.8	8.1	1.2	.6	1,130
Other <sup>4</sup>	8.6	10.9	14.2	14.8	20.1	23.6	891
<i>Securities</i>							
Total	7.5	6.3	-4.8	4.8	6.2	3.2	2,036
Treasury and agency	.0	3.0	-10.1	-1.8	-23.3	-13.6	1,150
Other <sup>5</sup>	13.5	12.8	7.5	10.4	45.9	28.1	1,069

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 (FIN 39 and FAS 115), the consolidation of certain variable interest entities (FIN 46), the adoption of fair value accounting (FAS 159), and the effects of sizable thrift-to-bank and bank-to-thrift structure activity in October 2006 and March 2007 respectively. Data also account for breaks caused by reclassifications.

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

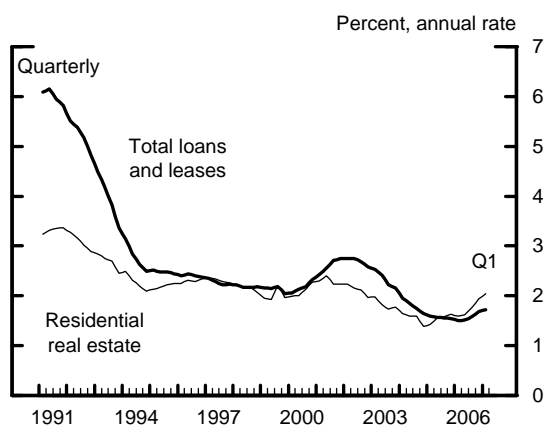
2. Excludes interbank loans.

3. Includes an estimate of outstanding loans securitized by commercial banks.

4. Includes security loans and loans to farmers, state and local governments, and all others not elsewhere classified. Also includes lease financing receivables.

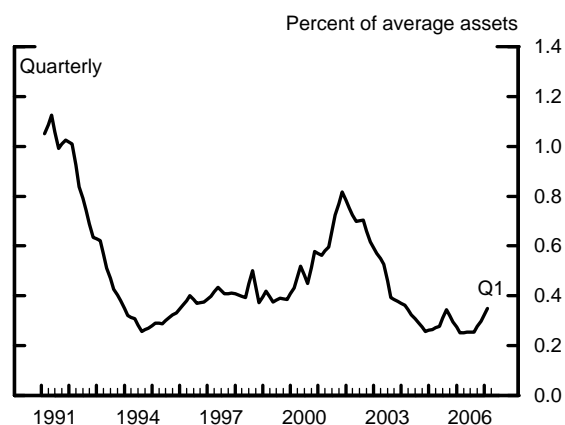
5. Includes private mortgage-backed securities, securities of corporations, state and local governments, foreign governments, and any trading account assets that are not Treasury or agency securities, including revaluation gains on derivative contracts.

### Delinquency Rates on Loans



Source. Call Report.

### Loan-Loss Provisioning



Source. Call Report.