

## **Part 1**

August 6, 2009

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Summary and Outlook**

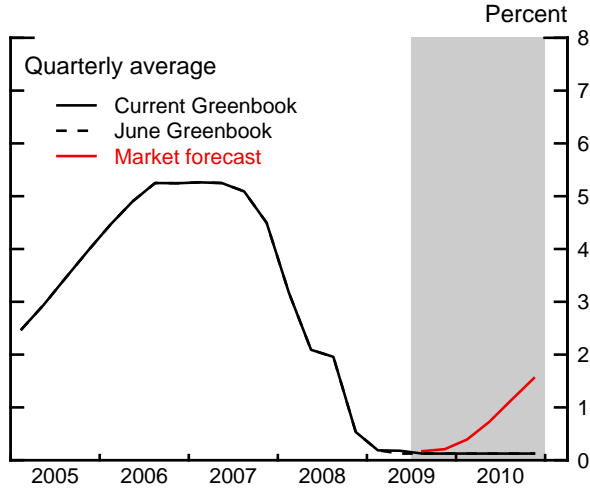
August 6, 2009

## **Summary and Outlook**

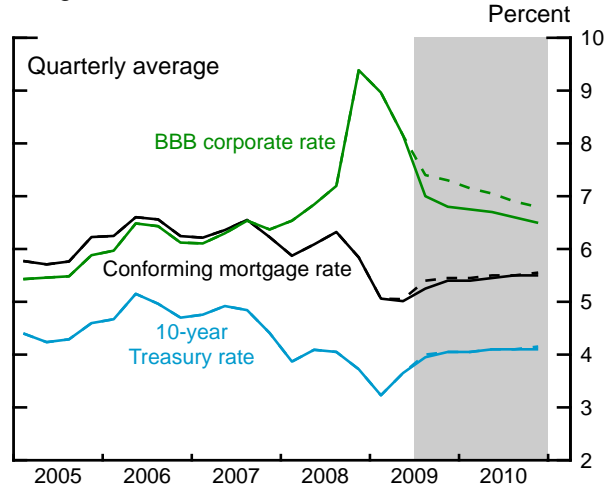
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## Key Background Factors Underlying the Baseline Staff Projection

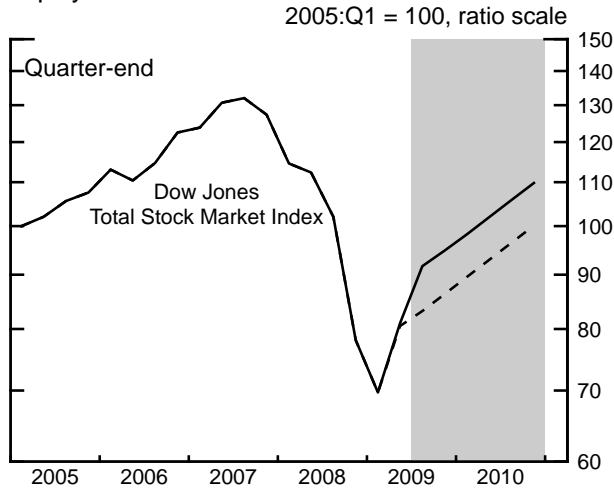
Federal Funds Rate



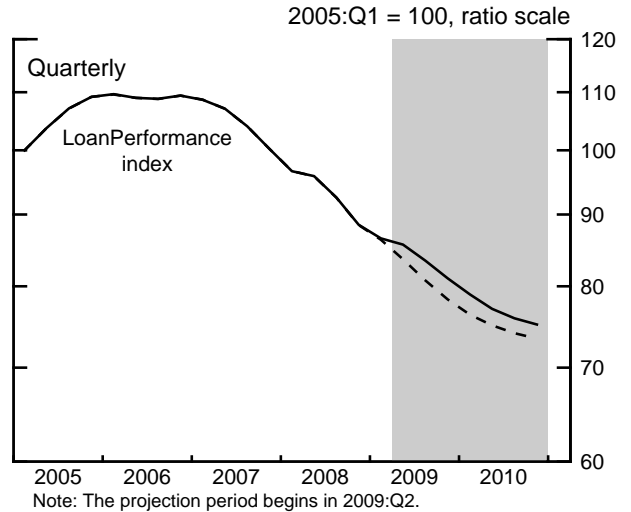
Long-Term Interest Rates



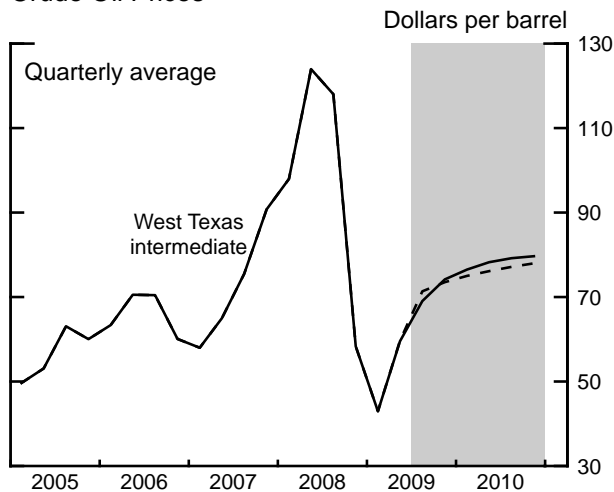
Equity Prices



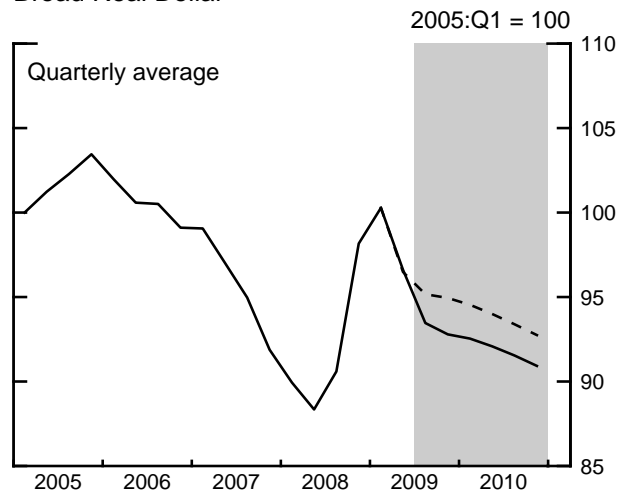
House Prices



Crude Oil Prices



Broad Real Dollar



Note: In each panel, shading represents the projection period, which begins in 2009:Q3, 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 June and current Greenbooks are the same.

<b>Summary of the Near-Term Outlook</b> (Percent change at annual rate except as noted)				
Measure	2009:Q2		2009:Q3	
	June Greenbook	August Greenbook	June Greenbook	August Greenbook
<b>Real GDP</b>	<b>-1.0</b>	<b>-1.5</b>	<b>.7</b>	<b>.8</b>
Private domestic final purchases	-2.3	-3.5	-1.2	-1.0
Personal consumption expenditures	-.4	-1.2	.8	.9
Residential investment	-22.1	-30.1	-13.3	-9.8
Business fixed investment	-10.3	-10.7	-12.5	-11.9
Government outlays for consumption and investment	3.7	6.1	2.9	2.9
	Contribution to growth (percentage points)			
Inventory investment	-.9	-.9	1.1	1.4
Net exports	1.1	1.1	-.0	-.3

The labor market deteriorated less in the second quarter than it had earlier in the year, but job losses remained substantial through June, and unemployment continued to climb. Labor demand is likely to contract further in coming months, though recent readings on initial claims and other available information suggest that the pace of job losses may have eased a bit in July. Our current estimate is that private payrolls will decrease 200,000 per month, on average, in the third quarter, compared with an average monthly decline of more than 400,000 in the second quarter, while the unemployment rate is expected to move up to an average of 9¾ percent. Employment is expected to continue to drop through the autumn—albeit at a diminishing rate—while the unemployment rate is projected to reach 10 percent in the fourth quarter.

Industrial production seems headed for a solid advance in the third quarter after more than a year of steep declines. With inventories at low levels and with General Motors and Chrysler restarting operations after emerging from bankruptcy, assemblies of light vehicles are slated to rise to an annual rate of nearly 6½ million units this quarter, 2 million units above their second-quarter pace. In addition, the recent pattern of new orders and other advance indicators suggests that the contraction in output outside motor vehicles is abating. All told, we expect manufacturing output to rise at an annual rate of 4½ percent in the third quarter and to increase further in the fourth quarter as motor vehicle assemblies move up another notch and output in other sectors rises moderately.

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

Measure	2009		2010
	H1	H2	
<b>Real GDP</b>	<b>-4.0</b>	<b>1.2</b>	<b>3.1</b>
Previous Greenbook	-3.3	1.1	3.0
Final sales	-2.3	-.2	2.6
Previous Greenbook	-1.6	-.6	2.6
Personal consumption expenditures	-.3	1.0	2.6
Previous Greenbook	.6	1.1	2.8
Residential investment	-34.3	-8.3	9.3
Previous Greenbook	-30.5	-12.2	10.7
Business fixed investment	-26.3	-12.2	3.5
Previous Greenbook	-25.0	-12.2	3.0
Government purchases	1.7	3.1	1.6
Previous Greenbook	.3	3.1	1.9
Exports	-18.7	7.3	5.3
Previous Greenbook	-19.0	3.0	4.0
Imports	-25.4	6.8	4.8
Previous Greenbook	-25.3	6.7	5.4
	Contribution to growth (percentage points)		
Inventory change	-1.6	1.4	.5
Previous Greenbook	-1.6	1.8	.4
Net exports	1.9	-.1	-.1
Previous Greenbook	1.8	-.6	-.3

**Business investment.** We continue to expect real outlays for equipment and software to remain tepid in early 2010 but to subsequently rebound as business output picks up, financing constraints ease, and investment that had been deferred during the recession resumes. By the second half of next year, our projection calls for real E&S outlays to be rising at double-digit rates, bringing the increase over 2010 to 8 percent.

We project that real outlays for nonresidential construction will fall 5½ percent in 2010 after having plunged 27½ percent in 2009. Given our path for energy prices, outlays for

**The Outlook for the Labor Market**  
(Percent change, Q4 to Q4, except as noted)

Measure	2007	2008	2009	2010
Output per hour, nonfarm business	2.8	1.0	2.3	1.7
Previous Greenbook	2.6	2.2	2.2	1.4
Nonfarm private payroll employment	.8	-2.1	-4.1	1.5
Previous Greenbook	.8	-2.1	-3.9	1.5
Household survey employment	.4	-1.5	-3.0	1.2
Previous Greenbook	.4	-1.5	-3.0	1.0
Labor force participation rate <sup>1</sup>	66.0	65.9	65.6	65.3
Previous Greenbook	66.0	65.9	65.6	65.3
Civilian unemployment rate <sup>1</sup>	4.8	6.9	10.0	9.6
Previous Greenbook	4.8	6.9	10.0	9.7
MEMO				
GDP gap <sup>2</sup>	-.5	-4.6	-7.8	-6.8
Previous Greenbook	-.4	-3.6	-6.5	-5.6

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.

potential GDP in the second quarter of 2009, more than 1 percentage point wider than assumed in the June Greenbook; it is expected to widen a bit further by the end of this year before narrowing gradually to 6¾ percent by the end of 2010.

**Productivity and the labor market.** Mirroring the downward revision to output over the past year or so, productivity in the nonfarm business sector now appears to have risen at an annual rate of less than 1 percent over the five quarters ending in the first quarter of 2009—more than 1 percentage point below the previously published figure and substantially below our estimate of its structural trend. That said, productivity still seems to have posted an outsized gain in the second quarter. Given that employers have already made deep cuts in employment and hours, we expect productivity to rise at about its trend rate over the next six quarters. Meanwhile, our forecast for employment is similar to that in the June Greenbook, with private payroll employment expected to stabilize in the fourth quarter of 2009 and then rise 140,000 per month in 2010. Given this pace of hiring, the unemployment rate is projected to edge down from 10 percent in the fourth quarter of 2009 to 9.6 percent by the end of 2010.

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

Measure	2007	2008	2009	2010
PCE chain-weighted price index	3.6	1.7	1.1	1.3
Previous Greenbook	3.5	1.9	1.4	1.1
Food and beverages	4.7	6.8	-.3	1.6
Previous Greenbook	4.5	6.3	1.5	1.9
Energy	19.7	-9.1	-1.3	5.4
Previous Greenbook	19.1	-8.5	1.3	4.5
Excluding food and energy	2.5	2.0	1.4	1.0
Previous Greenbook	2.2	1.9	1.4	.8
Consumer price index	4.0	1.5	1.3	1.5
Previous Greenbook	4.0	1.5	1.4	1.4
Excluding food and energy	2.3	2.0	1.7	1.1
Previous Greenbook	2.3	2.0	1.5	1.0
GDP chain-weighted price index	2.7	1.9	1.0	1.1
Previous Greenbook	2.6	2.0	1.3	1.1
ECI for compensation of private industry workers <sup>1</sup>	3.0	2.4	1.0	1.2
Previous Greenbook	3.0	2.4	1.4	1.2
Compensation per hour, nonfarm business sector	3.6	2.6	-.4	1.2
Previous Greenbook	3.6	3.9	2.6	1.2
Prices of core goods imports <sup>2</sup>	3.5	3.8	-1.6	1.2
Previous Greenbook	3.4	3.5	-1.6	1.1

1. December to December.

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

**Prices and labor costs.** Definitional changes aside, the projection for core PCE inflation over the next year and a half is a little higher than in the June Greenbook, consistent with our interpretation of the incoming price data and the relative stability of recent survey readings on inflation expectations. Nonetheless, we continue to expect inflation to be subdued over the projection period, mainly because of the low level of resource utilization in our forecast. In all, we now expect core PCE inflation to drop from 2 percent in 2008 to about 1½ percent in 2009 and 1 percent in 2010. Given our projections for food and energy prices, total PCE prices increase 1 percent in 2009 and 1¼ percent in 2010.

- From 2011 to 2013, the foreign exchange value of the dollar is assumed to depreciate about 2¼ percent per year in real terms. The price of WTI crude oil rises gradually about \$85 per barrel by the end of 2013, 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 4¼ percent per year, on average, as the economic recovery abroad picks up speed.
- The NAIRU remains flat at 5 percent, and potential GDP expands 2½ percent per year, on average, over the 2011–13 period.

The unemployment rate enters 2011 still at a very high level, and inflation is noticeably below the assumed long-run target. Under the assumptions used to construct the baseline extension, the federal funds rate remains at the effective lower bound through early 2012. The lingering effects of financial turmoil continue to fade after 2010, and the recovery in residential construction gains momentum. Coupled with stimulative monetary policy, these factors propel real GDP to increase 5 percent per year, on average, from 2011 through 2013. With actual output rising faster than its potential rate by a wide margin, the unemployment rate declines steadily over this period and reaches the NAIRU in 2013. Core PCE inflation moves up modestly after 2011 as economic activity recovers and long-run inflation expectations are assumed to remain well anchored.

### The Long-Term Outlook

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

Measure	2008	2009	2010	2011	2012	2013
Real GDP	-1.9	-1.4	3.1	4.7	5.5	4.6
Civilian unemployment rate <sup>1</sup>	6.9	10.0	9.6	8.5	6.2	5.0
PCE prices, total	1.7	1.1	1.3	1.3	1.2	1.4
Core PCE prices	2.0	1.4	1.0	.9	1.0	1.3
Federal funds rate <sup>1</sup>	.5	.1	.1	.1	2.5	4.2

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	2012-13
	H1	H2			
<i>Real GDP</i>					
Extended Greenbook baseline	-4.0	1.2	3.1	4.7	5.1
Intensified financial fragility	-4.0	-1.2	.4	5.1	5.6
Higher saving rate	-4.0	-1.4	1.0	4.7	5.3
Faster pace of financial recovery	-4.0	1.9	4.7	5.9	4.5
Higher inflation expectations	-4.0	1.2	3.2	5.0	4.8
Greater disinflation	-4.0	1.2	3.1	4.5	5.1
Labor market damage	-4.0	.6	2.2	4.7	5.8
<i>Unemployment rate<sup>1</sup></i>					
Extended Greenbook baseline	9.2	10.0	9.6	8.5	5.0
Intensified financial fragility	9.2	10.3	10.9	9.9	5.7
Higher saving rate	9.2	10.3	10.8	9.8	6.1
Faster pace of financial recovery	9.2	9.9	9.0	7.5	4.4
Higher inflation expectations	9.2	10.0	9.6	8.4	5.1
Greater disinflation	9.2	10.0	9.6	8.5	5.0
Labor market damage	9.2	10.4	10.9	9.9	5.1
<i>Core PCE inflation</i>					
Extended Greenbook baseline	1.6	1.2	1.0	.9	1.2
Intensified financial fragility	1.6	1.2	.8	.4	1.0
Higher saving rate	1.6	1.2	.7	.4	.7
Faster pace of financial recovery	1.6	1.2	1.1	1.0	1.3
Higher inflation expectations	1.6	1.2	1.5	1.9	2.4
Greater disinflation	1.6	.5	.1	.0	.6
Labor market damage	1.6	1.3	1.1	1.0	1.4
<i>Federal funds rate<sup>1</sup></i>					
Extended Greenbook baseline	.2	.1	.1	.1	4.2
Intensified financial fragility	.2	.1	.1	.1	2.7
Higher saving rate	.2	.1	.1	.1	1.4
Faster pace of financial recovery	.2	.1	.1	2.2	5.3
Higher inflation expectations	.2	.1	.1	1.1	5.5
Greater disinflation	.2	.1	.1	.1	3.5
Labor market damage	.2	.1	.1	.1	5.8

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
<i>Real GDP</i> (percent change, Q4 to Q4)					
Projection	-1.4	3.1	4.7	5.5	4.6
Confidence interval					
Greenbook forecast errors	-2.2--.6	1.4-4.9	...	...	...
FRB/US stochastic simulations	-2.2--.6	1.8-4.7	3.2-6.5	3.6-7.1	2.8-6.6
<i>Civilian unemployment rate</i> (percent, Q4)					
Projection	10.0	9.6	8.5	6.2	5.0
Confidence interval					
Greenbook forecast errors	9.7-10.3	8.8-10.3	...	...	...
FRB/US stochastic simulations	9.7-10.3	8.9-10.2	7.5-9.2	5.3-7.1	4.1-5.8
<i>PCE prices, total</i> (percent change, Q4 to Q4)					
Projection	1.1	1.3	1.3	1.2	1.4
Confidence interval					
Greenbook forecast errors	.6-1.6	.2-2.4	...	...	...
FRB/US stochastic simulations	.7-1.5	.5-2.1	.4-2.2	.3-2.2	.4-2.4
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)					
Projection	1.4	1.0	.9	1.0	1.3
Confidence interval					
Greenbook forecast errors	1.0-1.7	.3-1.7	...	...	...
FRB/US stochastic simulations	1.1-1.7	.3-1.6	.2-1.7	.3-1.8	.6-2.1
<i>Federal funds rate</i> (percent, Q4)					
Projection	.1	.1	.1	2.5	4.2
Confidence interval					
FRB/US stochastic simulations	.1-.1	.1-.1	.1-2.0	.2-4.6	2.4-6.1

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.

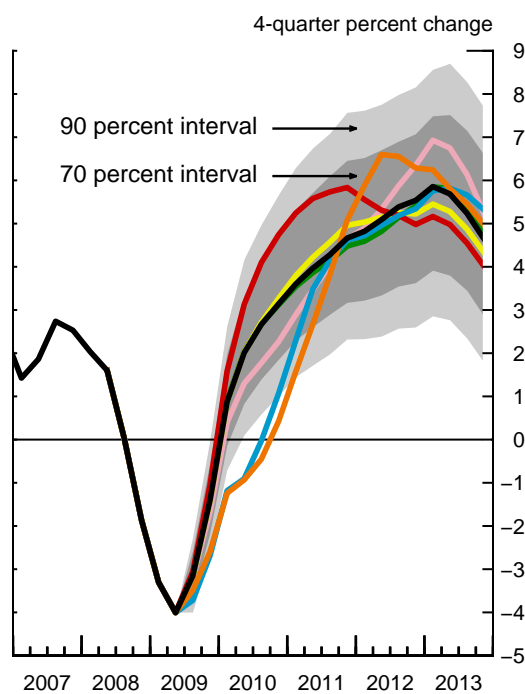
... Not applicable. The Greenbook forecast horizon has typically extended about two years.

## Forecast Confidence Intervals and Alternative Scenarios

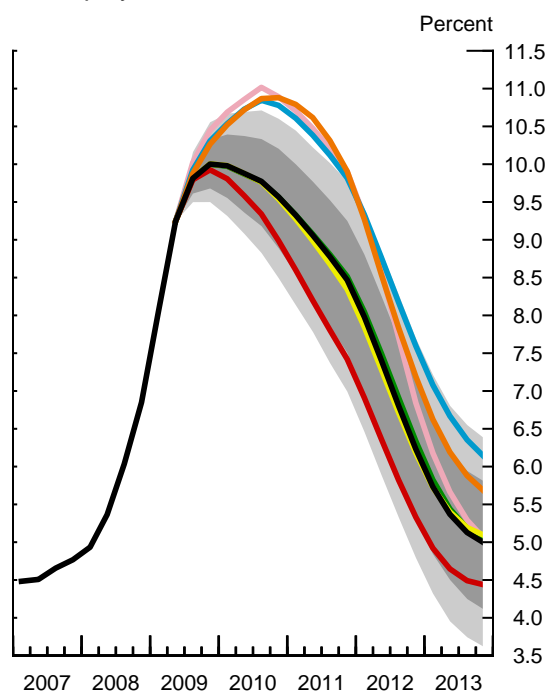
Confidence Intervals Based on FRB/US Stochastic Simulations

- |                                   |                                     |                        |
|-----------------------------------|-------------------------------------|------------------------|
| ■ Extended Greenbook baseline     | ■ Faster pace of financial recovery | ■ Greater disinflation |
| ■ Intensified financial fragility | ■ Higher inflation expectations     | ■ Labor market damage  |
| ■ Higher saving rate              |                                     |                        |

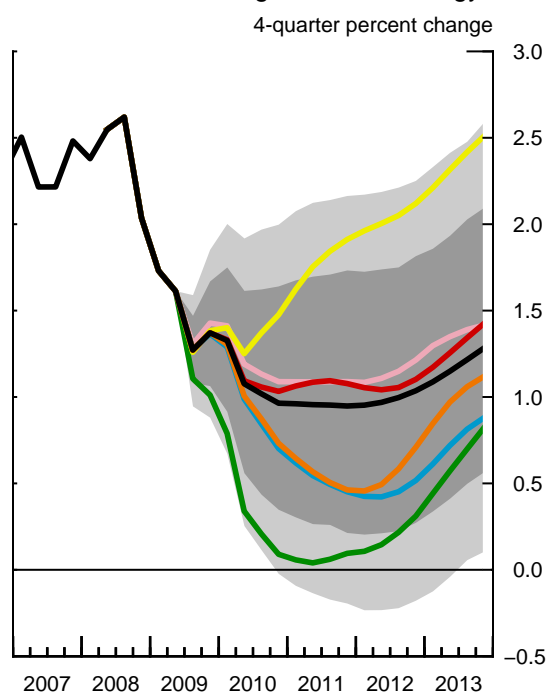
Real GDP



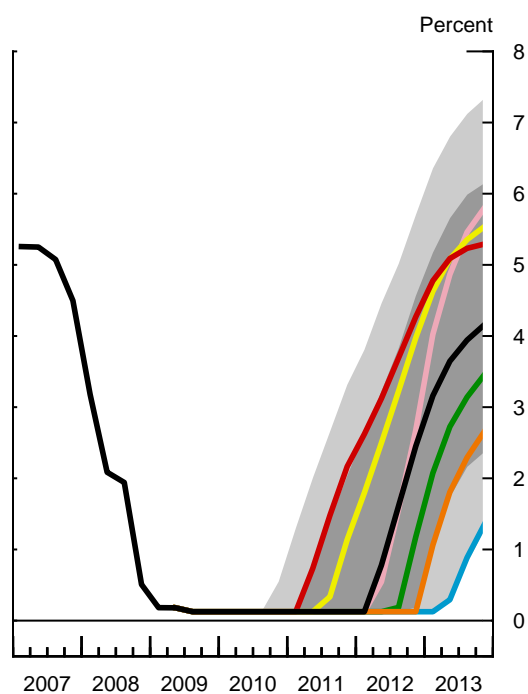
Unemployment Rate



PCE Prices excluding Food and Energy

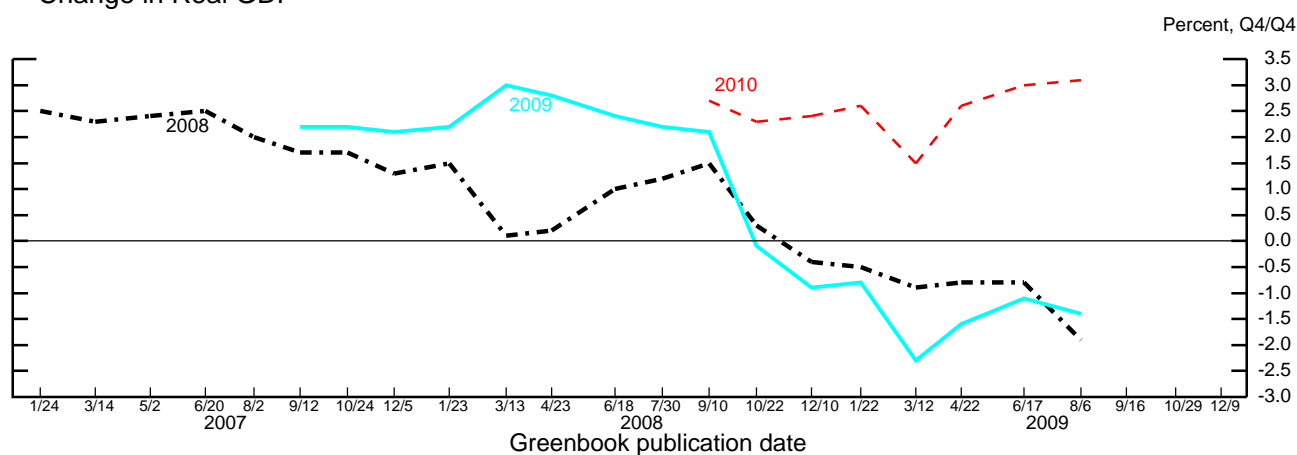


Federal Funds Rate

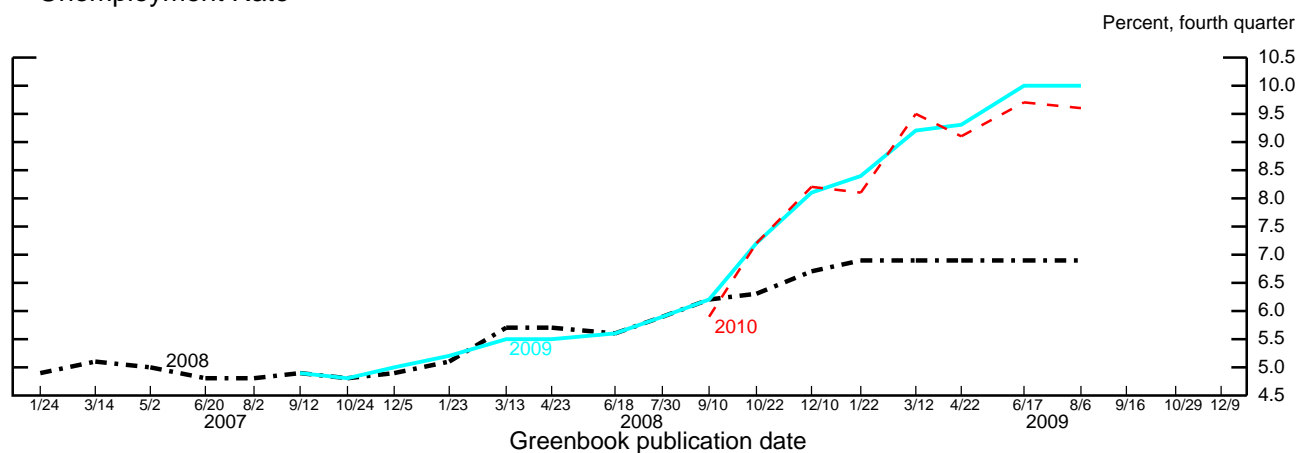


## Evolution of the Staff Forecast

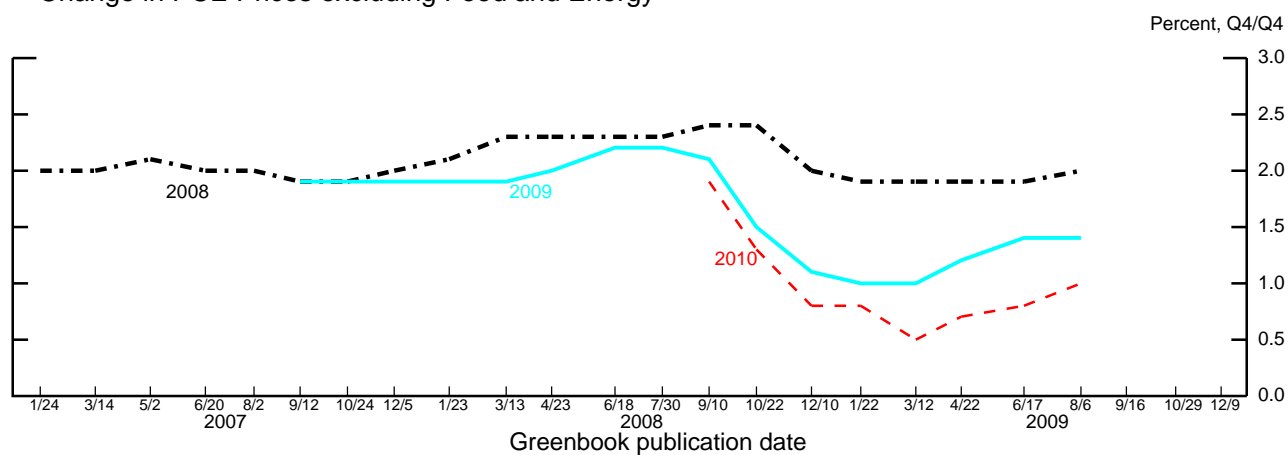
### Change in Real GDP



### 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 <sup>1</sup>		Unemployment rate <sup>2</sup>	
	6/17/09	8/6/09	6/17/09	8/6/09	6/17/09	8/6/09	6/17/09	8/6/09	6/17/09	8/6/09
<i>Quarterly</i>										
2008:Q1	3.5	1.0	.9	-.7	3.6	3.7	2.3	2.4	4.9	4.9
Q2	4.1	3.5	2.8	1.5	4.3	3.9	2.2	2.4	5.4	5.4
Q3	3.4	1.4	-.5	-2.7	5.0	4.7	2.4	2.6	6.0	6.0
Q4	-5.8	-5.4	-6.3	-5.4	-4.9	-5.0	.9	.8	6.9	6.9
2009:Q1	-3.0	-4.6	-5.5	-6.4	-1.0	-1.5	1.5	1.1	8.1	8.1
Q2	-1.6	-1.2	-1.0	-1.5	1.5	1.3	2.3	2.0	9.3	9.2
Q3	2.2	1.6	.7	.8	3.5	2.4	1.0	1.2	9.8	9.8
Q4	3.2	2.9	1.6	1.7	1.7	2.2	.8	1.2	10.0	10.0
2010:Q1	3.7	3.7	2.3	2.5	1.5	1.5	.8	1.0	10.0	10.0
Q2	4.1	4.2	2.8	3.0	1.2	1.3	.8	1.0	9.9	9.9
Q3	4.2	4.6	3.2	3.4	.9	1.1	.7	1.0	9.8	9.8
Q4	4.3	4.6	3.4	3.6	.9	1.0	.7	1.0	9.7	9.6
<i>Two-quarter<sup>3</sup></i>										
2008:Q2	3.8	2.2	1.8	.4	3.9	3.8	2.2	2.4	.6	.6
Q4	-1.3	-2.1	-3.5	-4.0	.0	-.3	1.7	1.7	1.5	1.5
2009:Q2	-2.3	-3.0	-3.3	-4.0	.3	-.1	1.9	1.6	2.4	2.3
Q4	2.7	2.2	1.1	1.2	2.6	2.3	.9	1.2	.7	.8
2010:Q2	3.9	4.0	2.6	2.8	1.4	1.4	.8	1.0	-.1	-.1
Q4	4.3	4.6	3.3	3.5	.9	1.1	.7	1.0	-.2	-.3
<i>Four-quarter<sup>4</sup></i>										
2007:Q4	4.9	5.3	2.3	2.5	3.5	3.6	2.2	2.5	.4	.4
2008:Q4	1.2	.1	-.8	-1.9	1.9	1.7	1.9	2.0	2.1	2.1
2009:Q4	.2	-.4	-1.1	-1.4	1.4	1.1	1.4	1.4	3.1	3.1
2010:Q4	4.1	4.3	3.0	3.1	1.1	1.3	.8	1.0	-.3	-.4
<i>Annual</i>										
2007	4.8	5.1	2.0	2.1	2.6	2.7	2.2	2.4	4.6	4.6
2008	3.3	2.6	1.1	.4	3.3	3.3	2.2	2.4	5.8	5.8
2009	-1.0	-1.7	-2.5	-3.0	.5	.1	1.6	1.5	9.3	9.3
2010	3.3	3.2	2.1	2.2	1.6	1.6	.9	1.1	9.9	9.8

1. Because the core PCE price index was redefined as part of the comprehensive revisions to the NIPA, the current and previous projection lines are not strictly comparable.

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

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

4. 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	2008				2009				2010				2008 <sup>1</sup>	2009 <sup>1</sup>	2010 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Greenbook</i>	-7 .9	1.5 2.8	-2.7 -5	-5.4 -6.3	-6.4 -5.5	-1.5 -1.0	.8 .7	1.7 1.6	2.5 2.3	3.0 2.8	3.4 3.2	3.6 3.4	-1.9 -8	-1.4 -1.1	3.1 3.0
Final sales <i>Previous Greenbook</i>	-5 .9	2.7 4.4	-2.9 -1.3	-4.7 -6.2	-4.1 -3.1	-5 -1	-5 -4	.2 -8	1.8 1.1	2.6 3.2	2.9 3.4	3.3 2.8	-1.4 -7	-1.3 -1.1	2.6 2.6
Priv. dom. final purch. <i>Previous Greenbook</i>	-1.7 -3	-5 .7	-4.4 -4.1	-6.3 -7.5	-7.2 -5.8	-3.5 -2.3	-1.0 -1.2	-7 -5	1.5 1.3	2.7 2.9	3.4 3.7	4.1 4.5	-3.2 -2.8	-3.1 -2.5	2.9 3.1
Personal cons. expend. <i>Previous Greenbook</i>	-6 .9	.1 1.2	-3.5 -3.8	-3.1 -4.3	.6 1.6	-1.2 -4	.9 .8	1.2 1.4	2.1 2.1	2.4 2.7	2.8 3.1	3.2 3.4	-1.8 -1.5	.4 .8	2.6 2.8
Durables	-8.9	-5.7	-11.7	-20.3	3.9	-7.1	5.0	.6	8.5	8.7	6.3	6.7	-11.8	.5	7.5
Nondurables	-3.0	2.2	-5.6	-4.9	1.9	-2.5	.2	1.2	1.5	2.0	2.2	2.6	-2.9	.2	2.1
Services	1.8	.4	-1.3	.5	-.3	.1	.5	1.2	1.4	1.7	2.5	2.8	.3	.4	2.1
Residential investment <i>Previous Greenbook</i>	-28.2 -25.1	-15.8 -13.3	-15.9 -16.0	-23.2 -22.8	-38.2 -38.0	-30.1 -22.1	-9.8 -13.3	-6.8 -11.1	-3.1 -2.2	10.4 12.4	13.0 13.6	18.1 20.1	-21.0 -19.4	-22.4 -21.9	9.3 10.7
Business fixed invest. <i>Previous Greenbook</i>	1.9 2.4	1.4 2.5	-6.1 -1.7	-19.5 -21.7	-39.2 -37.3	-10.7 -10.3	-11.9 -12.5	-12.5 -12.0	-2.3 -4.6	2.8 1.3	6.0 6.1	8.0 9.7	-6.0 -5.2	-19.5 -18.9	3.5 3.0
Equipment & software <i>Previous Greenbook</i>	-5 -6	-5.0 -5.0	-9.4 -7.5	-25.9 -28.1	-36.4 -33.6	-8.3 -13.0	-5.7 -6.8	-4.2 -6.1	2.7 -2	7.7 6.3	10.5 11.4	12.0 15.3	-10.7 -11.0	-14.8 -15.7	8.2 8.0
Nonres. structures <i>Previous Greenbook</i>	6.8 8.6	14.5 18.5	-1 9.7	-7.2 -9.4	-43.6 -42.9	-14.6 -5.7	-22.1 -21.6	-26.6 -21.8	-11.6 -12.6	-6.8 -7.7	-3.2 -3.8	-6 -1.2	3.2 6.3	-27.6 -24.2	-5.7 -6.4
Net exports <sup>2</sup> <i>Previous Greenbook</i> <sup>3</sup>	-551 ...	-476 ...	-479 ...	-471 ...	-386 ...	-347 ...	-357 ...	-355 ...	-357 ...	-358 ...	-362 ...	-364 ...	-494 ...	-362 ...	-360 ...
Exports	-1	12.1	-3.6	-19.5	-29.9	-5.6	10.1	4.6	5.0	5.0	5.4	5.8	-3.4	-6.6	5.3
Imports	-2.5	-5.0	-2.2	-16.7	-36.4	-12.5	10.5	3.2	4.5	4.2	5.1	5.2	-6.8	-10.7	4.8
Gov't. cons. & invest. <i>Previous Greenbook</i>	2.6 1.9	3.6 3.9	4.8 5.8	1.2 1.3	-2.6 -3.0	6.1 3.7	2.9 2.9	3.2 3.3	3.3 3.4	2.1 2.3	.7 1.1	.5 .8	3.0 3.2	2.4 1.7	1.6 1.9
Federal	8.1	7.8	13.2	6.5	-4.3	10.9	6.6	6.8	6.6	3.4	.1	-.3	8.9	4.9	2.4
Defense	8.2	7.0	19.8	3.8	-5.1	13.3	6.2	6.1	4.1	2.1	1.2	.6	9.5	4.9	2.0
Nondefense	8.1	9.6	.1	12.7	-2.5	6.0	7.5	8.3	12.0	6.2	-2.1	-2.1	7.5	4.7	3.3
State & local	-5	1.2	.1	-2.0	-1.5	3.3	.7	1.0	1.2	1.2	1.1	1.0	-.3	.8	1.1
Change in bus. inventories <sup>2</sup> <i>Previous Greenbook</i> <sup>3</sup>	1 ...	-37 ...	-30 ...	-37 ...	-114 ...	-145 ...	-103 ...	-55 ...	-32 ...	-18 ...	0 ...	8 ...	-26 ...	-104 ...	-10 ...
Nonfarm <sup>2</sup>	14	-36	-24	-36	-115	-149	-108	-59	-37	-22	-3	4	-20	-108	-14
Farm <sup>2</sup>	-13	-2	-5	-2	0	3	4	4	4	3	3	3	-5	3	3

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

2. Billions of chained (2005) dollars.

3. Not applicable, as the data in the previous Greenbook are in chained (2000) 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	2002	2003	2004	2005	2006	2007	2008	2009	2010
Real GDP <i>Previous Greenbook</i>	1.9 1.9	3.8 3.7	3.1 3.1	2.7 2.7	2.4 2.4	2.5 2.3	-1.9 -8	-1.4 -1.1	3.1 3.0
Final sales <i>Previous Greenbook</i>	.8 .8	3.8 3.7	2.8 2.8	2.7 2.7	2.8 2.8	2.7 2.5	-1.4 -7	-1.3 -1.1	2.6 2.6
Priv. dom. final purch. <i>Previous Greenbook</i>	1.1 1.1	4.2 4.1	4.2 4.3	3.1 3.1	2.5 2.3	1.4 1.4	-3.2 -2.8	-3.1 -2.5	2.9 3.1
Personal cons. expend. <i>Previous Greenbook</i>	1.9 1.9	3.4 3.4	3.5 3.7	2.7 2.6	3.3 3.2	2.0 2.2	-1.8 -1.5	.4 .8	2.6 2.8
Durables	1.5	8.9	5.5	2.1	6.3	4.6	-11.8	.5	7.5
Nondurables	2.1	3.9	3.0	3.3	3.2	1.5	-2.9	.2	2.1
Services	1.9	2.2	3.4	2.6	2.8	1.7	.3	.4	2.1
Residential investment <i>Previous Greenbook</i>	7.4 7.0	11.5 11.7	6.6 6.7	5.3 5.4	-15.7 -15.5	-20.5 -19.0	-21.0 -19.4	-22.4 -21.9	9.3 10.7
Business fixed invest. <i>Previous Greenbook</i>	-6.2 -6.5	5.9 4.9	7.0 7.5	4.4 4.9	7.8 6.5	7.9 6.4	-6.0 -5.2	-19.5 -18.9	3.5 3.0
Equipment & software <i>Previous Greenbook</i>	-2.7 -3.4	7.5 6.6	8.8 9.4	6.1 7.0	6.0 4.2	3.2 2.8	-10.7 -11.0	-14.8 -15.7	8.2 8.0
Nonres. structures <i>Previous Greenbook</i>	-15.8 -14.9	1.3 .2	1.7 2.3	-.1 -.5	13.0 12.8	18.9 14.5	3.2 6.3	-27.6 -24.2	-5.7 -6.4
Net exports <sup>1</sup> <i>Previous Greenbook</i> <sup>2</sup>	-5.49 ...	-604 ...	-688 ...	-723 ...	-729 ...	-648 ...	-494 ...	-362 ...	-360 ...
Exports	4.0	6.2	7.1	6.7	10.2	10.2	-3.4	-6.6	5.3
Imports	9.7	5.1	10.9	5.2	4.1	.9	-6.8	-10.7	4.8
Gov't. cons. & invest. <i>Previous Greenbook</i>	4.0 4.0	1.6 1.7	.6 .7	.7 .6	1.5 2.1	2.5 2.4	3.0 3.2	2.4 1.7	1.6 1.9
Federal	8.2	5.7	2.3	1.2	2.2	3.4	8.9	4.9	2.4
Defense	8.7	8.4	2.4	.4	4.4	2.6	9.5	4.9	2.0
Nondefense	7.3	.7	2.3	2.6	-2.3	5.2	7.5	4.7	3.3
State & local	1.9	-.5	-.4	.4	1.2	1.9	-.3	.8	1.1
Change in bus. inventories <sup>1</sup> <i>Previous Greenbook</i> <sup>2</sup>	13 ...	17 ...	66 ...	50 ...	59 ...	19 ...	-26 ...	-104 ...	-10 ...
Nonfarm <sup>1</sup>	16	17	58	50	63	20	-20	-108	-14
Farm <sup>1</sup>	-3	0	8	0	-4	-1	-5	3	3

1. Billions of chained (2005) dollars.

2. Not applicable, as the data in the previous Greenbook are in chained (2000) dollars.

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

Item	2008				2009				2010				2008 <sup>1</sup>	2009 <sup>1</sup>	2010 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Greenbook</i>	-7.9	1.5	-2.7	-5.4	-6.4	-1.5	.8	1.7	2.5	3.0	3.4	3.6	-1.9	-1.4	3.1
Final sales <i>Previous Greenbook</i>	-5.9	2.7	-2.9	-4.7	-4.1	-5	-5	.2	1.8	2.6	2.9	3.3	-1.4	-1.3	2.7
Priv. dom. final purch. <i>Previous Greenbook</i>	-1.4	4.3	-1.4	-6.2	-3.1	-1	-4	-8	1.1	3.2	3.4	2.8	-7	-1.1	2.6
	-3	6	-3.5	-6.4	-6.1	-2.9	-8	-6	1.2	2.2	2.8	3.3	-2.8	-2.6	2.4
					-4.8	-1.9	-1.0	-4	1.1	2.3	3.0	3.7	-2.4	-2.1	2.5
Personal cons. expend. <i>Previous Greenbook</i>	-4.6	1	-2.5	-2.2	4	-9	.6	.8	1.5	1.7	2.0	2.2	-1.3	.2	1.9
Durables	8	9	-2.8	-3.0	1.2	-3	.6	1.0	1.5	2.0	2.2	2.5	-1.1	.6	2.0
Nondurables	-8	-5	-1.0	-1.6	.3	-5	.3	.0	.6	.6	.4	.5	-1.0	.0	.5
Services	-5	4	-9	-8	.3	-4	.0	.2	.2	.3	.3	.4	-5	.0	.3
	9	2	-6	.3	-1	.0	.3	.6	.7	.8	1.2	1.4	.2	.2	1.0
Residential investment <i>Previous Greenbook</i>	-1.2	-6	-6	-8	-1.3	-9	-2	-2	-1	.2	.3	.4	-8	-7	.2
	-1.1	-5	-6	-8	-1.4	-7	-4	-3	-1	.3	.3	.4	-8	-7	.2
Business fixed invest. <i>Previous Greenbook</i>	.3	2	-7	-2.5	-5.3	-1.1	-1.2	-1.2	-2	.3	.5	.7	-7	-2.2	.3
Equipment & software <i>Previous Greenbook</i>	.3	3	-2	-2.6	-4.7	-1.0	-1.2	-1.1	-4	.1	.5	.8	-6	-2.0	.3
Nonres. structures <i>Previous Greenbook</i>	.0	-4	-7	-2.2	-3.0	-6	-4	-3	.2	.5	.6	.7	-8	-1.0	.5
	.0	-4	-6	-2.2	-2.6	-8	-4	-4	.0	.3	.6	.8	-8	-1.0	.4
	.3	6	.0	-3	-2.3	-6	-9	-1.0	-4	-2	-1	.0	.1	-1.2	-2
	3	6	.4	-4	-2.1	-2	-8	-8	-4	-2	-1	.0	.2	-9	-2
Net exports <i>Previous Greenbook</i>	4	2.4	-1	.5	2.6	1.1	-3	.1	-1	.0	-1	-1	.7	.9	-1
Exports	.8	2.9	1.1	-2	2.1	1.1	.0	-1.1	-7	.3	.2	-1.1	1.1	.7	-3
Imports	.0	1.5	-5	-2.7	-4.0	-6	1.0	.5	.5	.5	.6	.6	-4	-8	.6
	4	9	.4	3.1	6.6	1.7	-1.3	-4	-6	-6	-7	-7	1.2	1.7	-7
Gov't. cons. & invest. <i>Previous Greenbook</i>	.5	.7	1.0	.2	-5	1.2	.6	.7	.7	.4	.2	.1	.6	.5	.3
Federal	4	8	1.1	.3	-6	.8	.6	.7	.7	.5	.2	.2	.6	.3	.4
Defense	.6	.6	.9	.5	-3	.8	.5	.5	.5	.3	.0	.0	.6	.4	.2
Nondefense	4	3	.9	.2	-3	.7	.3	.3	.2	.1	.1	.0	.5	.3	.1
State & local	.2	.2	.0	.3	-1	.1	.2	.2	.3	.2	-1	-1	.2	.1	.1
	-1	2	.0	-3	-2	.4	.1	.1	.1	.2	.1	.1	.0	.1	.1
Change in bus. inventories <i>Previous Greenbook</i>	-2	-1.3	.3	-6	-2.4	-9	1.4	1.5	.7	.4	.6	.2	-5	-1	.5
Nonfarm	.0	-1.5	.8	-1	-2.4	-9	1.1	2.4	1.2	-3	-2	.7	-2	.0	.4
Farm	.1	-1.6	.4	-7	-2.4	-1.0	1.3	1.5	.7	.5	.6	.2	-4	-2	.5
	-3	3	-1	.1	.1	.1	.1	.0	.0	.0	.0	.0	-1	.1	.0

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	2008				2009				2010				2008 <sup>1</sup>	2009 <sup>1</sup>	2010 <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 2.6	1.8 1.1	4.0 3.9	.1 .5	1.9 2.7	.2 -6	.8 1.6	1.2 1.6	1.1 1.4	1.2 1.2	1.1 1.0	1.0 .8	1.9 2.0	1.0 1.3	1.1 1.1
PCE chain-wt. price index <i>Previous Greenbook</i>	3.7 3.6	3.9 4.3	4.7 5.0	-5.0 -4.9	-1.5 -1.0	1.3 1.5	2.4 3.5	2.2 1.7	1.5 1.5	1.3 1.2	1.1 .9	1.0 .9	1.7 1.9	1.1 1.4	1.3 1.1
Energy <i>Previous Greenbook</i>	21.3 19.0	20.4 27.4	29.8 31.7	-64.0 -65.0	-36.7 -35.9	-2.2 -3.3	27.7 51.8	20.1 12.0	10.1 6.9	6.4 4.7	3.5 3.5	1.9 2.8	-9.1 -8.5	-1.3 1.3	5.4 4.5
Food <sup>2</sup> <i>Previous Greenbook</i>	5.3 4.9	8.1 6.4	9.3 8.5	4.7 5.6	-1.1 .9	-3.6 -9	1.5 2.7	2.2 3.3	2.1 3.6	1.9 2.3	1.5 1.1	1.0 .7	6.8 6.3	-3 1.5	1.6 1.9
Ex. food & energy <sup>2</sup> <i>Previous Greenbook</i>	2.4 2.3	2.4 2.2	2.6 2.4	.8 .9	1.1 1.5	2.0 2.3	1.2 1.0	1.2 .8	1.0 .8	1.0 .8	1.0 .7	1.0 .7	2.0 1.9	1.4 1.4	1.0 .8
CPI <i>Previous Greenbook</i>	4.5 4.5	4.5 4.5	6.2 6.2	-8.3 -8.3	-2.4 -2.4	1.3 1.2	3.6 4.5	2.7 2.3	1.9 1.9	1.6 1.5	1.3 1.2	1.1 1.1	1.5 1.5	1.3 1.4	1.5 1.4
Ex. food & energy <i>Previous Greenbook</i>	2.5 2.5	2.0 2.0	2.8 2.8	.6 .6	1.5 1.5	2.4 2.3	1.5 1.2	1.3 1.1	1.1 1.0	1.0 1.0	1.0 .9	1.0 .9	2.0 2.0	1.7 1.5	1.1 1.0
ECL, hourly compensation <sup>3</sup> <i>Previous Greenbook</i> <sup>3</sup>	2.7 2.7	2.6 2.6	2.6 2.6	1.9 1.9	.7 .7	.7 1.8	1.3 1.7	1.3 1.5	1.3 1.3	1.2 1.3	1.1 1.2	1.1 1.1	2.4 2.4	1.0 1.4	1.2 1.2
Nonfarm business sector <sup>4</sup> Output per hour <i>Previous Greenbook</i>	.0 2.6	3.2 4.7	-1 2.2	.8 -6	.3 1.9	5.3 4.4	2.2 1.5	1.3 1.1	1.8 1.2	1.4 1.2	1.9 1.6	1.9 1.6	1.0 2.2	2.3 2.2	1.7 1.4
Compensation per hour <i>Previous Greenbook</i>	1.7 3.7	1.4 1.7	4.4 5.7	2.8 4.5	-2.6 4.6	-8 3.2	.8 1.6	1.0 1.3	1.2 1.3	1.2 1.2	1.2 1.2	1.2 1.2	2.6 3.9	-4 2.6	1.2 1.2
Unit labor costs <i>Previous Greenbook</i>	1.7 1.1	-1.7 -2.8	4.5 3.5	2.0 5.1	-2.8 2.6	-5.9 -1.2	-1.3 .1	-3 .2	-6 .1	-2 .0	-7 -4	-7 -5	1.6 1.7	-2.6 .4	-5 -2
Core goods imports chain-wt. price index <sup>5</sup> <i>Previous Greenbook</i> <sup>5</sup>	8.5 8.5	11.7 10.6	5.5 4.6	-9.1 -8.5	-9.4 -9.3	-2.3 -1.0	3.1 2.4	2.7 1.8	1.6 1.4	1.1 1.1	1.0 .9	.9 .9	3.8 3.5	-1.6 -1.6	1.2 1.1

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

2. Because the indexes for food prices and core PCE prices were redefined as part of the comprehensive revision to the NIPA, the current and previous projection lines are not strictly comparable.

3. Private-industry workers.

4. Data in history reflect the staff's translation of newly revised NIPA data.

5. 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	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP chain-wt. price index <i>Previous Greenbook</i>	1.8 1.7	2.1 2.2	3.2 3.2	3.5 3.5	2.9 2.8	2.7 2.6	1.9 2.0	1.0 1.3	1.1 1.1
PCE chain-wt. price index <i>Previous Greenbook</i>	2.0 1.8	1.9 1.9	3.0 3.1	3.3 3.3	1.9 1.9	3.6 3.5	1.7 1.9	1.1 1.4	1.3 1.1
Energy <i>Previous Greenbook</i>	8.3 7.7	8.6 7.6	18.6 18.3	21.5 23.1	-3.7 -4.0	19.7 19.1	-9.1 -8.5	-1.3 1.3	5.4 4.5
Food <sup>1</sup> <i>Previous Greenbook</i>	.8 1.3	3.2 2.6	2.7 2.9	1.5 2.1	1.7 2.3	4.7 4.5	6.8 6.3	-3 1.5	1.6 1.9
Ex. food & energy <sup>1</sup> <i>Previous Greenbook</i>	1.8 1.6	1.5 1.4	2.2 2.2	2.3 2.2	2.3 2.3	2.5 2.2	2.0 1.9	1.4 1.4	1.0 .8
CPI <i>Previous Greenbook</i>	2.3 2.3	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 1.4	1.5 1.4
Ex. food & energy <i>Previous Greenbook</i>	2.1 2.1	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 1.5	1.1 1.0
ECI, hourly compensation <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	3.1 3.1	4.0 4.0	3.8 3.8	2.9 2.9	3.2 3.2	3.0 3.0	2.4 2.4	1.0 1.4	1.2 1.2
Nonfarm business sector <sup>3</sup> Output per hour <i>Previous Greenbook</i>	3.2 2.9	5.0 4.7	1.5 1.8	1.4 1.5	.9 .6	2.8 2.6	1.0 2.2	2.3 2.2	1.7 1.4
Compensation per hour <i>Previous Greenbook</i>	3.1 3.2	5.6 5.3	3.3 3.9	3.5 3.6	4.4 4.2	3.6 3.6	2.6 3.9	-4 2.6	1.2 1.2
Unit labor costs <i>Previous Greenbook</i>	-1 .2	.6 .5	1.8 2.1	2.0 2.1	3.5 3.7	.7 .9	1.6 1.7	-2.6 .4	-5 -2
Core goods imports chain-wt. price index <sup>4</sup> <i>Previous Greenbook</i> <sup>4</sup>	.2 .1	1.6 1.6	3.6 3.6	2.2 2.2	2.5 2.4	3.5 3.4	3.8 3.5	-1.6 -1.6	1.2 1.1

1. Because the indexes for food prices and core PCE prices were redefined as part of the comprehensive revision to the NIPA, the current and previous projection lines are not strictly comparable.

2. Private-industry workers.

3. Data in history reflect the staff's translation of newly revised NIPA data.

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

## Other Macroeconomic Indicators

Item	2008				2009				2010				2008 <sup>1</sup>	2009 <sup>1</sup>	2010 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008 <sup>1</sup>	2009 <sup>1</sup>	2010 <sup>1</sup>
<i>Employment and production</i>															
Nonfarm payroll employment <sup>2</sup>	-1	-4	-5	-1.3	-2.1	-1.6	-8	-1	.2	.7	.3	.6	-2.3	-4.6	1.8
Unemployment rate <sup>3</sup>	4.9	5.4	6.0	6.9	8.1	9.2	9.8	10.0	10.0	9.9	9.8	9.6	6.9	10.0	9.6
<i>Previous Greenbook<sup>3</sup></i>	4.9	5.4	6.0	6.9	8.1	9.3	9.8	10.0	10.0	9.9	9.8	9.7	6.9	10.0	9.7
GDP gap <sup>4</sup>	-1.2	-1.5	-2.7	-4.6	-6.6	-7.4	-7.7	-7.8	-7.7	-7.4	-7.1	-6.8	-4.6	-7.8	-6.8
<i>Previous Greenbook<sup>4</sup></i>	-8	-7	-1.4	-3.6	-5.4	-6.1	-6.4	-6.5	-6.4	-6.2	-5.9	-5.6	-3.6	-6.5	-5.6
Industrial production <sup>5</sup>	.2	-4.6	-9.0	-13.0	-19.1	-11.6	3.0	3.4	3.9	4.7	5.2	5.5	-6.7	-6.6	4.8
<i>Previous Greenbook<sup>5</sup></i>	.2	-4.6	-9.0	-13.0	-19.0	-11.5	3.2	2.6	3.8	4.5	4.9	5.3	-6.7	-6.7	4.6
Manufacturing industr. prod. <sup>5</sup>	-1.2	-5.4	-9.3	-18.1	-22.1	-10.5	4.4	3.5	3.8	4.8	5.1	6.0	-8.7	-6.8	4.9
<i>Previous Greenbook<sup>5</sup></i>	-1.2	-5.4	-9.3	-18.1	-22.0	-10.0	4.1	3.0	3.9	4.6	4.8	5.7	-8.7	-6.9	4.7
Capacity utilization rate - mfg. <sup>3</sup>	78.1	76.7	74.6	70.9	66.7	65.1	66.0	66.9	67.8	68.9	70.1	71.5	70.9	66.9	71.5
<i>Previous Greenbook<sup>3</sup></i>	78.1	76.7	74.6	70.9	66.7	65.2	66.1	66.8	67.8	68.9	70.0	71.3	70.9	66.8	71.3
Housing starts <sup>6</sup>	1.1	1.0	.9	.7	.5	.5	.6	.6	.7	.8	.8	.9	.9	.6	.8
Light motor vehicle sales <sup>6</sup>	15.2	14.0	12.8	10.4	9.5	9.6	10.2	10.4	11.3	12.0	12.5	13.1	13.1	9.9	12.2
<i>Income and saving</i>															
Nominal GDP <sup>5</sup>	1.0	3.5	1.4	-5.4	-4.6	-1.2	1.6	2.9	3.7	4.2	4.6	4.6	.1	-4	4.3
Real disposable pers. income <sup>5</sup>	-2.4	9.8	-8.5	3.4	1.1	3.2	-2.5	.5	1.6	1.4	2.7	2.3	.3	.6	2.0
<i>Previous Greenbook<sup>5</sup></i>	-7	10.7	-8.5	2.9	6.5	4.9	-3.7	.9	2.0	1.9	3.2	2.5	.9	2.1	2.4
Personal saving rate <sup>3</sup>	1.2	3.4	2.2	3.8	4.0	5.2	4.5	4.4	4.3	4.1	4.0	3.9	3.8	4.4	3.9
<i>Previous Greenbook<sup>3</sup></i>	.2	2.5	1.3	3.2	4.4	5.7	4.7	4.7	4.7	4.5	4.6	4.4	3.2	4.7	4.4
Corporate profits <sup>7</sup>	-10.2	-14.5	15.3	-64.4	22.8	6.6	6.9	-1.1	11.8	12.7	13.5	14.6	-25.1	8.5	13.1
Profit share of GNP <sup>3</sup>	10.0	9.6	9.9	7.8	8.3	8.4	8.5	8.5	8.6	8.8	9.0	9.2	7.8	8.5	9.2
Net federal saving <sup>8</sup>	-433	-797	-666	-674	-959	-1,291	-1,301	-1,368	-1,386	-1,359	-1,379	-1,365	-643	-1,230	-1,372
Net state & local saving <sup>8</sup>	-20	-26	-59	-56	-37	-16	-23	16	24	23	40	47	-40	-15	33
Gross national saving rate <sup>3</sup>	13.1	12.2	12.5	12.2	11.4	10.6	10.1	9.9	9.8	10.0	10.2	10.4	12.2	9.9	10.4
Net national saving rate <sup>3</sup>	.7	-4	-1	-7	-2.2	-3.0	-3.6	-4.0	-4.1	-3.9	-3.7	-3.4	-7	-4.0	-3.4

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	2002	2003	2004	2005	2006	2007	2008	2009	2010
<i>Employment and production</i>									
Nonfarm payroll employment <sup>1</sup>	-7	-1	2.0	2.4	2.1	1.2	-2.3	-4.6	1.8
Unemployment rate <sup>2</sup>	5.8	5.8	5.4	4.9	4.4	4.8	6.9	10.0	9.6
<i>Previous Greenbook<sup>2</sup></i>	5.8	5.8	5.4	4.9	4.4	4.8	6.9	10.0	9.7
GDP gap <sup>3</sup>	-2.6	-1.7	-8	-4	-4	-5	-4.6	-7.8	-6.8
<i>Previous Greenbook<sup>3</sup></i>	-2.5	-1.7	-8	-3	-2	-4	-3.6	-6.5	-5.6
Industrial production <sup>4</sup>	2.5	1.6	3.0	2.6	1.8	1.8	-6.7	-6.6	4.8
<i>Previous Greenbook<sup>4</sup></i>	2.5	1.6	3.0	2.6	1.8	1.8	-6.7	-6.7	4.6
Manufacturing industr. prod. <sup>4</sup>	2.5	1.8	3.6	3.8	1.2	1.9	-8.7	-6.8	4.9
<i>Previous Greenbook<sup>4</sup></i>	2.5	1.8	3.6	3.8	1.2	1.9	-8.7	-6.9	4.7
Capacity utilization rate - mfg. <sup>2</sup>	73.0	74.6	77.3	79.2	79.0	78.7	70.9	66.9	71.5
<i>Previous Greenbook<sup>2</sup></i>	73.0	74.6	77.3	79.2	79.0	78.7	70.9	66.8	71.3
Housing starts <sup>5</sup>	1.7	1.8	2.0	2.1	1.8	1.4	.9	.6	.8
Light motor vehicle sales <sup>5</sup>	16.7	16.6	16.8	16.9	16.5	16.1	13.1	9.9	12.2
<i>Income and saving</i>									
Nominal GDP <sup>4</sup>	3.8	6.0	6.4	6.3	5.4	5.3	.1	-4	4.3
Real disposable pers. income <sup>4</sup>	3.2	3.9	3.5	.6	4.6	1.0	.3	.6	2.0
<i>Previous Greenbook<sup>4</sup></i>	2.9	3.7	4.1	.9	3.6	1.8	.9	2.1	2.4
Personal saving rate <sup>2</sup>	3.1	3.6	3.6	1.5	2.5	1.5	3.8	4.4	3.9
<i>Previous Greenbook<sup>2</sup></i>	1.8	2.2	2.5	.8	.9	.4	3.2	4.7	4.4
Corporate profits <sup>6</sup>	20.6	12.2	21.9	19.6	3.7	-5.7	-25.1	8.5	13.1
Profit share of GNP <sup>2</sup>	8.6	9.1	10.5	11.8	11.6	10.3	7.8	8.5	9.2
Net federal saving <sup>7</sup>	-253	-376	-379	-283	-204	-236	-643	-1230	-1372
Net state & local saving <sup>7</sup>	-54	-39	-8	26	51	22	-40	-15	33
Gross national saving rate <sup>2</sup>	14.2	14.3	14.3	15.5	16.3	13.8	12.2	9.9	10.4
Net national saving rate <sup>2</sup>	2.3	2.5	2.7	3.5	4.2	1.6	-7	-4.0	-3.4

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)**

**August 6, 2009**

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

Item	Fiscal year				2008				2009				2010			
	2007 <sup>a</sup>	2008 <sup>a</sup>	2009	2010	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>	2568	2524	2112	2185	540	788	590	547	442	599	524	505	472	655	553	545
Outlays <sup>1</sup>	2729	2983	3549	3652	746	761	759	880	891	904	875	911	957	902	882	933
Surplus/deficit <sup>1</sup>	-161	-459	-1437	-1467	-206	27	-169	-332	-449	-305	-351	-405	-485	-247	-329	-388
<i>Previous Greenbook</i>	-161	-459	-1441	-1432	-206	27	-169	-332	-449	-304	-356	-416	-455	-239	-323	-397
On-budget	-342	-642	-1578	-1579	-237	-64	-171	-385	-468	-382	-343	-451	-489	-319	-321	-436
Off-budget	181	183	141	111	31	91	2	53	19	77	-7	45	3	71	-9	48
Means of financing																
Borrowing	206	768	1722	1295	200	-48	526	561	465	338	357	458	345	197	294	378
Cash decrease	-23	-296	101	220	11	-7	-318	5	98	-49	48	-0	125	55	40	15
Other <sup>2</sup>	-23	-13	-386	-47	-5	29	-39	-233	-114	16	-54	-52	15	-5	-5	-5
Cash operating balance, end of period	75	372	270	50	46	53	372	367	269	318	270	270	145	90	50	35
<b>NIPA federal sector</b>					Seasonally adjusted annual rates											
Receipts	2634	2534	2283	2301	2591	2372	2490	2448	2261	2212	2212	2220	2301	2328	2354	2386
Expenditures	2845	3074	3339	3674	3024	3169	3155	3122	3220	3503	3513	3588	3687	3687	3733	3752
Consumption expenditures	833	914	972	1042	903	923	956	955	954	980	998	1018	1041	1054	1057	1059
Defense	565	620	657	695	610	622	655	649	643	662	673	684	694	699	703	706
Nondefense	268	294	315	347	294	301	301	307	311	317	325	334	347	354	354	353
Other spending	2011	2160	2368	2631	2121	2246	2199	2167	2266	2523	2515	2570	2646	2633	2676	2693
Current account surplus	-211	-540	-1056	-1373	-433	-797	-666	-674	-959	-1291	-1301	-1368	-1386	-1359	-1379	-1365
Gross investment	126	141	157	166	135	146	152	159	152	158	161	164	166	167	168	169
Gross saving less gross investment <sup>3</sup>	-226	-563	-1090	-1412	-451	-824	-697	-712	-989	-1324	-1336	-1406	-1425	-1398	-1418	-1404
<b>Fiscal indicators<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-235	-495	-652	-777	-411	-751	-546	-446	-598	-812	-752	-780	-786	-757	-784	-786
Change in HEB, percent of potential GDP	-0.3	1.7	0.9	0.7	0.9	2.3	-1.5	-0.7	1.0	1.4	-0.4	0.1	-0.0	-0.2	0.1	-0.0
Fiscal impetus (FI), percent of GDP	0.2	0.9	1.0	0.9	0.1	0.6	0.3	0.0	0.0	0.7	0.2	0.3	0.4	0.1	0.1	-0.0
<i>Previous Greenbook</i>	0.2	0.8	0.8	0.9	0.1	0.5	0.7	-0.3	-0.1	0.7	0.1	0.2	0.4	0.1	0.1	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** **August 6, 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>								
2003	8.1	11.6	14.3	5.2	2.5	8.3	10.9	6.0
2004	8.9	11.1	13.6	5.5	6.2	7.4	9.0	6.4
2005	9.5	11.0	13.2	4.3	8.7	10.2	7.0	6.3
2006	9.0	10.1	11.0	4.5	10.5	8.2	3.9	5.4
2007	8.7	6.6	6.7	5.5	13.5	9.3	4.9	5.3
2008	5.9	.4	-.5	1.7	5.1	1.9	24.2	.1
2009	5.0	-1.2	-.6	-3.8	.6	6.8	25.5	-.4
2010	4.5	.3	-.2	1.7	2.0	3.8	15.2	4.3
<i>Quarter</i>								
2008:1	5.4	3.0	2.4	4.7	7.5	3.5	8.1	1.0
2	3.2	.4	-.3	3.9	6.1	.9	5.9	3.5
3	8.4	.1	-2.4	1.4	5.0	3.3	39.2	1.4
4	6.2	-2.0	-1.7	-3.1	1.5	-.3	37.0	-5.4
2009:1	4.1	-1.1	-.0	-3.5	-.3	4.9	22.6	-4.6
2	5.6	-1.3	-.5	-5.1	-.1	9.0	28.2	-1.2
3	4.3	-1.5	-1.1	-4.0	1.4	5.3	19.5	1.6
4	5.5	-1.1	-.9	-2.8	1.2	7.6	23.1	2.9
2010:1	3.4	-.4	-.6	-.7	1.9	3.8	12.0	3.7
2	4.6	.1	-.3	1.2	1.7	3.7	16.2	4.2
3	4.4	.6	.0	2.6	2.4	3.7	13.4	4.6
4	5.2	1.1	.3	3.8	2.2	3.7	16.1	4.6

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 2009: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**

**August 6, 2009**

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

Category	2007	2008	2009	2010	2008		2009			2010					
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Domestic nonfinancial sectors															
Net funds raised															
Total	1707.3	1492.4	1527.1	1435.3	2305.3	1657.7	1071.9	1894.7	1375.0	1766.6	1094.9	1465.8	1431.9	1748.7	
Net equity issuance	-831.2	-380.8	-137.0	-145.0	-399.6	-386.0	-297.0	-11.2	-100.0	-140.0	-100.0	-160.0	-160.0	-160.0	
Net debt issuance	2538.4	1873.2	1664.1	1580.3	2705.0	2043.7	1368.9	1905.8	1475.0	1906.6	1194.9	1625.8	1591.9	1908.7	
Borrowing indicators															
Debt (percent of GDP) <sup>1</sup>	216.2	226.0	242.4	245.9	225.0	232.3	238.1	241.8	243.8	245.0	245.5	245.4	245.4	245.6	
Borrowing (percent of GDP)	18.0	13.0	11.7	10.8	18.6	14.2	9.7	13.5	10.4	13.3	8.3	11.2	10.8	12.8	
Households															
Net borrowing <sup>2</sup>	854.9	49.1	-171.8	47.6	7.2	-273.4	-151.4	-177.7	-205.2	-152.7	-59.1	17.2	86.2	146.1	
Home mortgages	655.7	-51.7	-67.7	-16.6	-253.0	-173.9	-5.2	-57.0	-113.9	-94.9	-61.7	-33.2	0.0	28.5	
Consumer credit	133.6	43.7	-98.3	42.9	35.4	-82.4	-90.4	-131.2	-102.2	-69.2	-17.2	29.6	64.3	94.8	
Debt/DPI (percent) <sup>3</sup>	128.3	127.8	126.2	122.2	128.1	128.4	128.0	126.2	125.8	124.6	123.4	122.5	121.5	120.7	
Business															
Financing gap <sup>4</sup>	141.7	112.5	-233.3	-247.2	35.7	93.6	-135.3	-271.2	-271.1	-255.6	-240.1	-249.2	-246.3	-253.2	
Net equity issuance	-831.2	-380.8	-137.0	-145.0	-399.6	-386.0	-297.0	-11.2	-100.0	-140.0	-100.0	-160.0	-160.0	-160.0	
Credit market borrowing	1260.5	544.1	63.5	228.3	546.7	169.6	-28.3	-12.3	157.1	137.6	208.4	189.2	266.8	248.7	
State and local governments															
Net borrowing	185.9	40.7	152.7	89.8	72.5	-7.7	109.1	202.3	121.8	177.8	89.8	89.8	89.8	89.8	
Current surplus <sup>5</sup>	258.2	211.7	209.9	251.8	197.6	205.2	219.3	197.7	191.0	231.6	240.4	240.4	258.7	267.7	
Federal government															
Net borrowing	237.1	1239.2	1619.1	1214.7	2078.5	2155.2	1439.6	1893.6	1401.4	1744.0	955.7	1329.7	1149.1	1424.1	
Net borrowing (n.s.a.)	237.1	1239.2	1619.1	1214.7	526.5	560.9	465.4	338.4	357.3	458.0	344.9	197.4	294.3	378.0	
Unified deficit (n.s.a.)	187.9	680.5	1510.0	1450.1	168.9	332.5	448.9	304.9	350.8	405.4	485.4	247.4	329.3	388.0	
Depository institutions															
Funds supplied	858.7	415.1	-187.9	-268.2	546.8	135.8	-507.8	130.2	-469.6	95.4	166.8	129.4	234.4	-1603.2	

Note. Data after 2009: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 global economic collapse around the turn of the year appears to have given way to a diversity of performances across the foreign economies during the second quarter. In Asia, policy stimulus in China boosted second-quarter growth by substantially more than we had expected in June, and exports and industrial production rebounded sharply from low levels across the region. We project that growth in Asia will remain elevated in the near term but see the second-quarter pace as unlikely to be sustained going forward.

In contrast, data for Europe, Canada, and Mexico have generally been mixed, consistent with continued subpar performance in the second quarter, roughly in line with the June Greenbook. Improved conditions in financial markets, recent readings on forward-looking indicators, and upward revisions to economic performance in Asia have helped to raise our projection for growth in these economies beyond the second quarter, but persisting financial headwinds will likely keep growth subdued over the forecast period.

### Summary of Staff Projections

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

Indicator	2008	2009	Projection		
		Q1	2009		2010
			Q2	H2	
Foreign output	-1.0	-8.7	.6	2.7	3.3
Previous GB	-1.0	-8.6	-1.4	1.7	3.1
Foreign CPI	3.3	-1.0	1.0	1.7	1.7
Previous GB	3.3	-1.0	1.5	2.0	1.6
Contribution to growth (percentage points)					
U.S. net exports	.7	2.6	1.1	-.1	-.1
Previous GB	1.1	2.1	1.1	-.6	-.3

Note: Changes for years are measured as Q4/Q4; half-year is Q4/Q2.

Together, these projections yield a path for total foreign growth that edged positive last quarter and is expected to rise to a moderate 3¼ percent pace in 2010. Compared with the June Greenbook, this forecast is 2 percentage points higher in the second quarter and 1 percentage point higher in the second half of this year, primarily as a result of the stronger growth in Asia, but up only slightly in 2010.



as Latin America's growth turns positive while Asia's moderates. This projection is almost 2 percentage points higher than in the June Greenbook. Thereafter, the pace of expansion in the EMEs averages 4½ percent, slightly stronger than in the last Greenbook. Notably, however, we see a risk that growth, especially in Asia, may slow more substantially as the impetus from policy stimulus wanes, particularly if demand in the rest of the world remains subdued.

After declining in the first quarter, consumer prices in the EMEs are expected to rise at an annual rate that averages slightly more than 2 percent over the forecast period. This forecast is little changed from the June Greenbook.

### Staff Projections for Foreign GDP Growth by Region

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

Measure	2008	2009	Projection		
		Q1	2009		2010
			Q2	H2	
Emerging Market Economies	-.1	-9.8	4.4	4.8	4.6
Previous GB	-.1	-9.8	-.4	3.4	4.5
Advanced Foreign Economies	-1.6	-7.8	-2.2	1.0	2.2
Previous GB	-1.6	-7.6	-2.2	.3	1.9

Note: Changes for years are measured as Q4/Q4; half-year is measured as Q4/Q2.

### Advanced Foreign Economies

Japan's exports surged in the second quarter, boosted by trade with the rest of Asia, and its industrial production rebounded sharply. In other advanced foreign economies (AFEs), industrial production and exports have ceased their free-fall but have yet to convincingly turn around, and unemployment rates have continued to rise. More positively, purchasing managers' indexes for manufacturing production and new orders have moved up noticeably across the advanced foreign economies. In addition, retail sales appear to be picking up in Canada and the United Kingdom, although sales remain weak in the euro area. For the AFEs in aggregate, we estimate that the decline in activity moderated in the second quarter, with GDP falling 2¼ percent at an annual rate.

Thereafter, we are projecting that output growth will turn positive, rising gradually from less than ¾ percent in the third quarter to 2½ percent by the end of 2010. This path is up ¾ percentage point in the second half of this year and around ¼ percentage point next

level of the dollar. For the remainder of the forecast period, the projection is little changed.

### Staff Projections of Selected Trade Prices

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

Trade category	2008	2009	Projection		
		Q1	2009		2010
			Q2	H2	
<i>Imports</i>					
Core goods	3.8	-9.4	-2.3	2.9	1.2
Previous GB	3.5	-9.3	-1.0	2.1	1.1
Oil (dollars per barrel)	68.52	41.58	53.52	69.48	75.17
Previous GB	68.73	41.59	56.60	69.70	73.47
<i>Exports</i>					
Core goods	-6	-15.3	3.0	3.1	1.4
Previous GB	-3	-12.1	1.0	2.5	1.0

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.

Core export prices increased 3 percent in the second quarter on the back of a brisk rise in the prices of material-intensive export goods, and should move up at a similar pace in the second half of this year. Core export prices are then expected to decelerate to a rate of 1 percent by the end of 2010, as the effects of commodity price inflation wane. Relative to the June Greenbook, the projection is up about ½ percentage point.

### Trade in Goods and Services

Trade data for May show an expansion of exports after a prolonged period of weakness. Nevertheless, as a result of their earlier decline, we estimate that real exports of goods and services fell 5½ percent at an annual rate in the second quarter. In the current quarter, we project that exports will jump 10 percent as they begin to recover from their remarkably depressed level. We then expect exports to grow steadily but at a slower pace for the remainder of the forecast, supported by our projection for foreign GDP growth. An improved foreign outlook, as well as the weaker dollar and an assumption of some cyclical bounceback, led us to mark up our projection for export growth by about 4¼ percentage points in the second half of this year and by 1¼ percentage point in 2010.

**Staff Projections for Trade in Goods and Services**

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

Measure	2008	2009	Projection		
		Q1	2009		2010
			Q2	H2	
Real exports	-3.4	-29.9	-5.6	7.3	5.3
Previous GB	-1.8	-30.6	-5.4	3.0	4.0
Real imports	-6.8	-36.4	-12.5	6.8	4.8
Previous GB	-7.5	-36.3	-12.3	6.7	5.4

Note: Changes for years are measured as Q4/Q4; half-year is measured as Q4/Q2.

Real imports of goods and services are estimated to have declined at an annual rate of 12½ percent in the second quarter. Imports continued to decline in May, although the fall was modest in comparison with other recent decreases. In the current quarter, we project that imports will rise 10½ percent, rebounding from their second-quarter low, boosted by a projected recovery in imports of automotive products. Imports are then expected to grow at a 4¾ percent pace in 2010, supported by the recovery in U.S. GDP growth. Compared with the June Greenbook, our forecast for the second half is little changed and for 2010 is down ½ percentage point as higher projected domestic oil production displaces imports. We note that the quarterly pattern of real oil imports has been significantly smoothed, taking into account changes in the BEA's methodology for seasonal adjustment.

**Alternative Simulation**

Although our baseline forecast is for a moderate recovery in the foreign economies in the second half of this year, it is possible that foreign growth may rebound more quickly. This upside risk seems most plausible in the emerging Asian economies, where recovery already appears to be taking hold. In contrast, in the AFEs—particularly in Europe—continued weakness in financial conditions seems to limit the upside risks. Accordingly, we use the FRB/Global model to examine the effects of an asymmetric pickup in foreign demand that is concentrated in the Asian EMEs. In this simulation, we assume that U.S. and foreign monetary policies follow Taylor rules subject to the zero lower bound constraint on nominal interest rates.

The foreign demand shock begins in 2009:Q3 and is calibrated to raise growth in Asian EMEs by 2 percentage points per year through the end of 2010, and in Canada, Japan,

and Latin America by 1 percentage point per year. There is no positive shock to European growth. In aggregate, foreign GDP growth rises about 1 percentage point above baseline in 2009:H2 and in 2010, and then gradually declines to baseline. Stronger foreign demand boosts the growth of U.S. real GDP about  $\frac{1}{4}$  percentage point in 2010 and 2011. U.S. exports rise because of higher foreign activity and a depreciation of the dollar (in reaction to tighter foreign monetary policy), while U.S. domestic demand increases only slightly. This effect on U.S. GDP is amplified compared with the situation in which the economy is not at the zero lower bound for nominal interest rates, because U.S. policy rates do not rise immediately in response to this shock. Core PCE price inflation increases about 0.1 percentage point in 2010:H2 and in 2011 mainly because of higher resource utilization. The nominal trade balance as a percent of GDP improves almost 0.5 percentage point by 2013.

**Alternative Scenario:  
Stronger Foreign Demand**

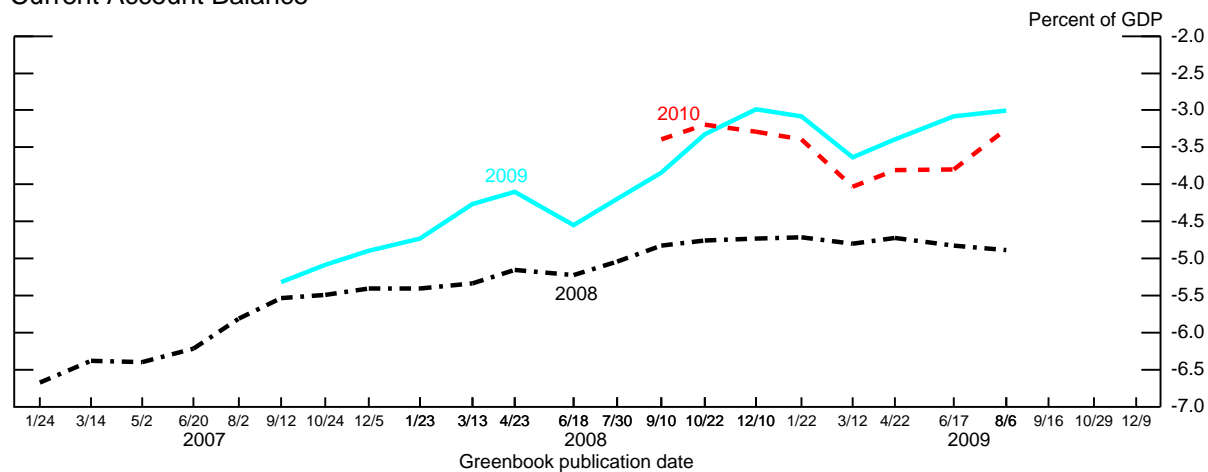
(Percent change from previous period, annual rate, except as noted)

Indicator and simulation	2009	2010		2011	2012-13
	H2	H1	H2		
<i>U.S. real GDP</i>					
Baseline	1.2	2.8	3.5	4.7	5.1
Stronger Foreign Demand	1.3	3.0	3.8	5.0	5.3
<i>U.S. PCE prices excluding food and energy</i>					
Baseline	1.2	1.0	1.0	1.0	1.2
Stronger Foreign Demand	1.2	1.0	1.1	1.1	1.4
<i>U.S. federal funds rate (percent)</i>					
Baseline	.1	.1	.1	.1	4.2
Stronger Foreign Demand	.1	.1	.1	.1	5.4
<i>U.S. trade balance (percent share of GDP)</i>					
Baseline	-3.0	-3.1	-3.1	-3.1	-3.2
Stronger Foreign Demand	-3.0	-3.0	-3.0	-2.9	-2.7

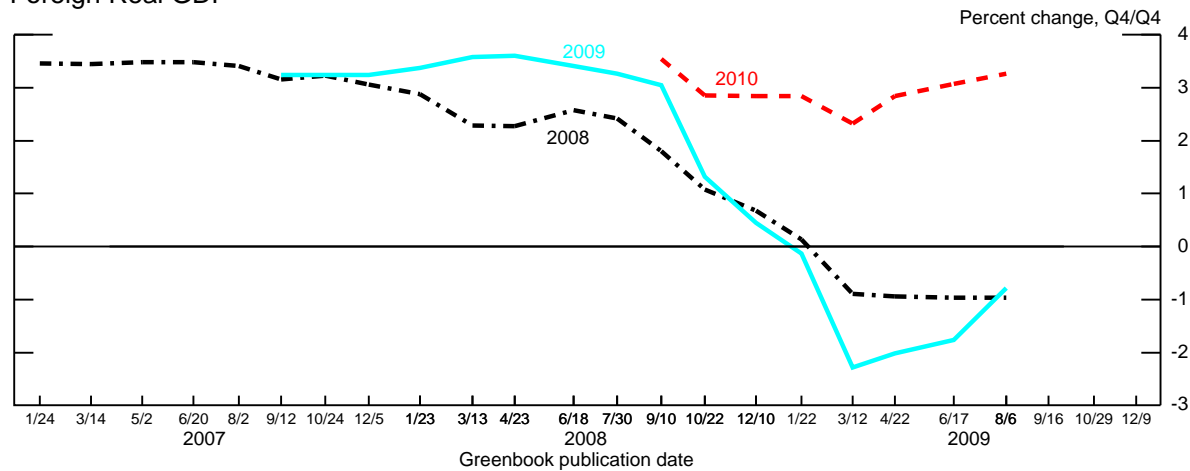
Note: H1 is Q2/Q4; H2 is Q4/Q2. U.S. real GDP and U.S. PCE prices are the average rates over the period. The federal funds rate and the trade balance are the values for the final quarter of the period.

## Evolution of the Staff Forecast

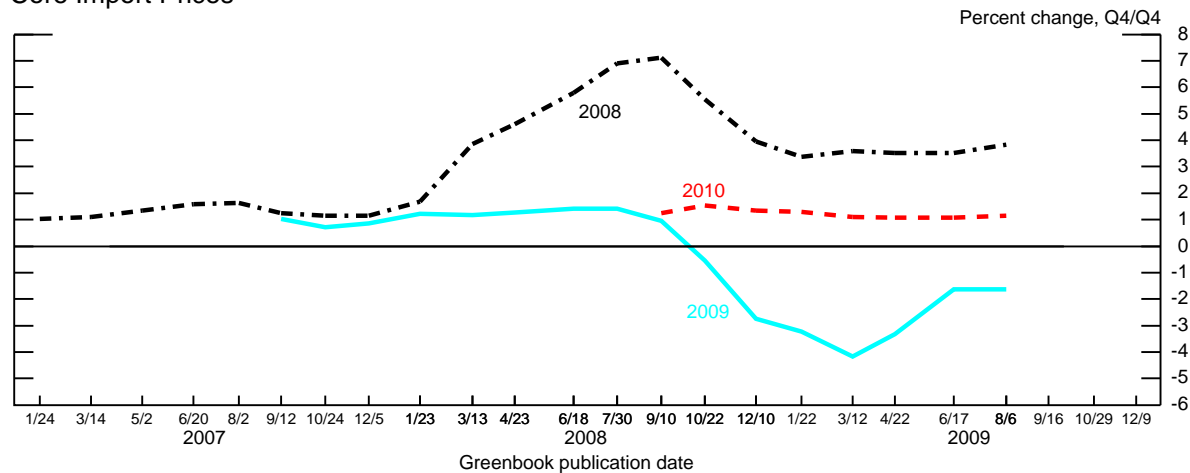
Current Account Balance



Foreign Real GDP



Core Import Prices\*



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

August 6, 2009

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

Measure and country	2008				2009				Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
REAL GDP (1)												
----- Quarterly changes at an annual rate -----												
Total Foreign	3.2	1.1	-0.4	-7.4	-8.7	0.6	2.8	2.6	2.9	3.1	3.4	3.6
Advanced Foreign Economies	1.1	-0.4	-0.8	-6.1	-7.8	-2.2	0.7	1.4	1.9	2.0	2.3	2.6
of which:												
Canada	-0.7	0.3	0.4	-3.7	-5.4	-2.9	0.6	1.6	2.5	2.5	2.8	3.2
Japan	1.5	-2.2	-2.9	-13.5	-14.2	3.7	3.3	2.6	2.0	1.8	1.8	1.8
United Kingdom	3.2	-0.2	-2.9	-7.0	-9.3	-3.1	0.8	1.6	2.1	1.8	2.4	2.7
Euro Area (2)	2.9	-1.0	-1.5	-6.9	-9.7	-3.3	-0.0	0.7	1.1	1.5	2.0	2.2
Germany	6.2	-2.0	-2.1	-8.6	-14.4	-2.0	0.7	1.4	1.5	1.7	2.1	2.3
Emerging Market Economies	5.9	3.0	0.1	-8.9	-9.8	4.4	5.5	4.2	4.2	4.5	4.8	4.9
Asia	7.2	3.1	0.7	-9.6	-2.9	12.5	6.7	5.9	5.6	5.6	5.7	5.9
Korea	4.4	1.7	1.0	-18.8	0.5	9.7	3.6	3.4	3.4	4.3	4.3	4.3
China	10.3	10.9	5.3	1.6	6.5	18.5	12.0	10.0	8.8	7.8	8.0	8.2
Latin America	4.4	2.8	-0.8	-9.2	-16.8	-3.5	4.6	2.5	2.8	3.5	3.8	3.9
Mexico	4.7	1.0	-2.3	-9.8	-21.5	-5.5	5.7	2.5	2.7	3.7	4.0	4.2
Brazil	7.9	6.6	5.6	-13.8	-3.3	4.0	4.0	3.8	3.5	3.5	3.5	3.5
CONSUMER PRICES (3)												
----- Four-quarter changes -----												
Total Foreign	4.2	4.7	4.7	3.3	1.8	0.9	0.3	0.9	1.5	1.7	1.7	1.7
Advanced Foreign Economies	2.3	2.7	3.4	2.0	1.0	0.0	-0.5	0.3	1.0	1.3	1.1	1.1
of which:												
Canada	1.9	2.3	3.4	1.9	1.2	0.1	-0.5	0.6	1.2	1.5	1.4	1.6
Japan	1.0	1.4	2.2	1.0	-0.1	-1.0	-1.5	-0.6	0.1	0.4	0.0	-0.4
United Kingdom (4)	2.4	3.4	4.8	3.8	3.0	2.1	1.1	1.5	2.1	1.9	1.7	1.5
Euro Area (2)	3.4	3.6	3.8	2.3	1.0	0.2	-0.2	0.5	1.1	1.4	1.3	1.2
Germany	3.1	3.0	3.2	1.7	0.8	0.2	-0.2	0.6	1.0	1.3	1.3	1.2
Emerging Market Economies	6.0	6.6	6.0	4.6	2.7	1.6	1.0	1.4	2.0	2.1	2.2	2.2
Asia	6.7	7.1	5.9	3.7	1.0	-0.3	-0.8	0.0	1.2	1.5	1.7	1.8
Korea	3.8	4.8	5.5	4.5	3.9	2.8	2.0	2.2	2.2	2.1	2.1	2.2
China	8.1	7.7	5.1	2.7	-0.6	-1.5	-1.5	-0.7	0.6	0.9	1.2	1.3
Latin America	4.4	5.4	6.0	6.5	6.3	5.9	5.0	4.1	3.8	3.1	3.0	3.0
Mexico	3.9	4.9	5.5	6.2	6.2	6.0	5.2	4.2	3.7	2.8	2.6	2.6
Brazil	4.6	5.5	6.3	6.2	5.9	5.3	4.5	4.4	4.1	3.9	3.8	3.9

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.

Class II FOMC  
Restricted (FR) August 6, 2009

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

Measure and country	2002	2003	2004	2005	2006	2007	2008	Projected 2009	Projected 2010
<b>REAL GDP (1)</b>									
-----									
Total Foreign	3.1	2.9	3.8	4.1	4.0	4.2	-1.0	-0.8	3.3
Advanced Foreign Economies	2.5	1.8	2.6	2.8	2.5	2.5	-1.6	-2.0	2.2
Of which:									
Canada	3.5	1.5	3.7	3.1	1.9	2.8	-1.0	-1.6	2.7
Japan	2.0	2.4	1.0	2.9	2.1	1.9	-4.4	-1.5	1.8
United Kingdom	2.4	3.2	2.4	2.4	2.8	2.4	-1.8	-2.6	2.3
Euro Area (2)	1.2	1.2	1.8	2.1	3.4	2.2	-1.7	-3.2	1.7
Germany	0.0	0.2	0.2	1.6	4.1	1.7	-1.8	-3.8	1.9
Emerging Market Economies	3.9	4.5	5.5	5.8	5.9	6.4	-0.1	0.9	4.6
Asia	6.5	6.9	6.0	7.7	7.2	8.2	0.2	5.4	5.7
Korea	8.0	3.7	2.6	5.2	4.6	5.7	-3.4	4.2	4.1
China	8.6	10.3	9.9	10.3	10.8	12.3	6.9	11.7	8.2
Latin America	1.6	1.8	5.0	4.0	4.6	4.5	-0.8	-3.7	3.5
Mexico	2.0	1.3	4.5	3.5	3.9	3.6	-1.7	-5.3	3.6
Brazil	4.9	1.0	4.7	3.6	4.6	6.0	1.1	2.1	3.5
<b>CONSUMER PRICES (3)</b>									
-----									
Total Foreign	2.5	2.1	2.8	2.3	2.1	3.7	3.3	0.9	1.7
Advanced Foreign Economies	2.1	1.3	1.8	1.6	1.4	2.2	2.0	0.3	1.1
Of which:									
Canada	3.8	1.7	2.3	2.3	1.4	2.5	1.9	0.6	1.6
Japan	-0.5	-0.3	0.5	-1.0	0.3	0.5	1.0	-0.6	-0.4
United Kingdom (4)	1.5	1.3	1.4	2.1	2.7	2.1	3.8	1.5	1.5
Euro Area (2)	2.3	2.0	2.3	2.3	1.8	2.9	2.3	0.5	1.2
Germany	1.2	1.1	2.1	2.2	1.3	3.1	1.7	0.6	1.2
Emerging Market Economies	2.9	3.1	3.9	3.0	2.9	5.1	4.6	1.4	2.2
Asia	0.8	2.3	3.1	2.6	2.4	5.5	3.7	0.0	1.8
Korea	3.3	3.5	3.4	2.5	2.1	3.4	4.5	2.2	2.2
China	-0.6	2.7	3.3	1.4	2.1	6.7	2.7	-0.7	1.3
Latin America	6.4	4.9	5.6	3.8	4.1	4.2	6.5	4.1	3.0
Mexico	5.2	3.9	5.3	3.1	4.1	3.8	6.2	4.2	2.6
Brazil	10.7	11.5	7.2	6.1	3.2	4.3	6.2	4.4	3.9

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 U.S. INTERNATIONAL TRANSACTIONS

	2002	2003	2004	2005	2006	2007	2008	2009	Projected 2010
NIPA REAL EXPORTS and IMPORTS									
	Percentage point contribution to GDP growth, Q4/Q4								
Net Goods & Services	-0.9	-0.1	-0.9	-0.2	0.4	1.0	0.7	0.9	-0.1
Exports of G&S	0.4	0.6	0.7	0.7	1.1	1.2	-0.4	-0.8	0.6
Imports of G&S	-1.2	-0.7	-1.6	-0.8	-0.7	-0.2	1.2	1.7	-0.7
	Percentage change, Q4/Q4								
Exports of G&S	4.0	6.2	7.1	6.7	10.2	10.2	-3.4	-6.6	5.3
Services	10.3	4.3	9.1	3.6	12.0	13.0	-3.5	-2.2	5.4
Computers	-1.1	11.3	5.8	14.2	8.4	1.3	-2.4	1.8	9.5
Semiconductors	10.1	38.3	-6.0	17.6	2.9	29.3	-13.8	-14.7	11.0
Core Goods 1/	1.0	4.8	7.2	7.2	9.9	8.4	-3.0	-8.8	4.9
Imports of G&S	9.7	5.1	10.9	5.2	4.1	0.9	-6.8	-10.7	4.8
Services	9.6	3.3	8.8	2.3	7.1	2.0	0.2	-5.1	3.7
Oil	2.9	1.3	10.7	1.3	-8.2	0.0	0.3	-11.9	-1.1
Natural Gas	19.5	1.3	4.9	13.7	-10.1	13.4	-24.0	8.6	9.1
Computers	13.2	17.1	23.2	12.5	14.3	8.8	-11.3	4.1	15.5
Semiconductors	11.0	-0.1	9.8	7.5	-0.3	3.8	-10.0	-7.1	5.0
Core Goods 2/	9.9	5.3	10.9	5.8	5.8	0.2	-9.8	-13.5	5.8
	Billions of Chained 2005 Dollars								
Net Goods & Services	-548.8	-603.9	-688.0	-722.7	-729.2	-647.7	-494.3	-361.6	-360.4
Exports of G&S	1099.2	1116.8	1222.8	1305.1	1422.0	1546.1	1629.3	1440.5	1512.0
Imports of G&S	1648.0	1720.7	1910.8	2027.8	2151.2	2193.8	2123.5	1802.2	1872.4
	Billions of dollars								
US CURRENT ACCOUNT BALANCE	-459.1	-521.5	-631.1	-748.7	-803.5	-726.6	-706.1	-426.4	-476.9
Current Acct as Percent of GDP	-4.3	-4.7	-5.3	-5.9	-6.0	-5.2	-4.9	-3.0	-3.3
Net Goods & Services (BOP)	-421.6	-495.0	-610.0	-715.3	-760.4	-701.4	-695.9	-380.6	-442.2
Investment Income, Net	33.0	51.0	73.4	78.8	54.7	97.9	125.5	82.0	94.6
Direct, Net	102.4	112.7	150.9	173.2	174.0	236.7	249.9	204.2	225.0
Portfolio, Net	-69.4	-61.7	-77.5	-94.4	-119.4	-138.8	-124.3	-122.2	-130.4
Other Income & Transfers, Net	-70.5	-77.5	-94.5	-112.2	-97.9	-123.1	-135.7	-127.7	-129.4

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



## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2005				2006				2007			
	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	0.2	-0.4	-0.7	0.4	0.0	-0.7	1.9	-0.3	0.7	1.4	2.2
Exports of G&S	0.8	0.9	0.0	1.0	1.6	0.7	0.1	1.8	0.4	0.6	2.0	1.6
Imports of G&S	-0.4	-0.7	-0.4	-1.8	-1.2	-0.7	-0.8	0.1	-0.7	0.1	-0.6	0.6
	Percentage change from previous period, s.a.a.r.											
Exports of G&S	7.6	8.8	0.1	10.5	16.5	6.9	0.6	17.8	3.5	5.2	18.5	14.5
Services	5.9	-1.7	2.9	7.4	13.6	5.6	1.5	29.1	4.7	2.8	27.2	19.2
Computers	16.8	27.9	8.3	5.2	18.1	8.9	-9.6	19.0	11.6	-15.4	11.5	0.0
Semiconductors	-5.2	11.7	30.7	38.0	20.3	16.1	-5.6	-15.0	15.9	23.7	20.5	61.7
Core Goods 1/	8.8	13.1	-3.1	10.8	17.7	6.9	1.1	14.6	1.9	6.5	14.6	11.1
Imports of G&S	2.3	4.5	2.5	11.7	7.8	4.5	4.9	-0.5	4.3	-0.5	3.7	-3.6
Services	-3.7	2.6	1.2	9.5	16.1	1.8	1.3	10.0	0.4	2.1	8.6	-2.9
Oil	-7.3	-2.4	-0.1	16.6	-20.8	5.0	22.1	-30.1	0.8	14.7	-3.4	-10.4
Natural Gas	58.6	-14.1	111.1	-41.9	-50.2	80.0	26.1	-42.2	52.8	54.0	36.5	-48.5
Computers	3.2	11.6	20.4	15.4	24.8	13.0	17.3	3.1	39.0	-15.4	-2.2	21.6
Semiconductors	-9.2	7.7	14.0	20.0	0.2	-0.5	17.7	-15.8	1.2	6.7	1.0	6.4
Core Goods 2/	5.0	6.0	-0.1	12.8	14.1	3.1	0.6	5.7	3.3	-3.7	4.1	-2.5
	Billions of Chained 2005 Dollars, s.a.a.r.											
Net Goods & Services	-714.8	-709.4	-721.4	-745.3	-732.6	-732.8	-756.5	-694.9	-705.0	-683.4	-638.4	-564.0
Exports of G&S	1276.2	1303.5	1303.9	1336.7	1388.8	1412.1	1414.1	1473.2	1485.9	1504.8	1569.9	1624.0
Imports of G&S	1991.0	2012.9	2025.2	2082.0	2121.3	2144.9	2170.5	2168.1	2190.8	2188.1	2208.3	2188.0
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-697.9	-716.2	-741.4	-839.3	-794.6	-808.3	-859.2	-752.1	-796.4	-762.1	-686.5	-661.3
Current Account as % of GDP	-5.6	-5.7	-5.8	-6.5	-6.0	-6.1	-6.4	-5.5	-5.8	-5.4	-4.8	-4.6
Net Goods & Services (BOP)	-665.3	-686.9	-724.9	-783.9	-766.5	-764.7	-797.2	-713.1	-712.2	-710.2	-685.9	-697.4
Investment Income, Net	88.6	77.8	88.7	59.9	62.4	57.7	44.0	54.6	45.8	58.2	120.7	167.0
Direct, Net	170.2	168.5	187.8	166.3	173.9	175.2	163.1	183.9	186.7	204.4	252.7	303.0
Portfolio, Net	-81.6	-90.7	-99.0	-106.5	-111.5	-117.5	-119.1	-129.3	-140.9	-146.2	-132.0	-136.0
Other Inc. & Transfers, Net	-121.2	-107.1	-105.2	-115.2	-90.5	-101.3	-106.0	-93.6	-130.0	-110.1	-121.3	-130.9

1. Merchandise exports excluding computers and semiconductors.

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

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2008				2009				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	0.4	2.4	-0.1	0.5	2.6	1.1	-0.3	0.1	-0.1	-0.0	-0.1	-0.1
Exports of G&S	-0.0	1.5	-0.5	-2.7	-4.0	-0.6	1.0	0.5	0.5	0.5	0.6	0.6
Imports of G&S	0.4	0.9	0.4	3.1	6.6	1.7	-1.3	-0.4	-0.6	-0.6	-0.7	-0.7
Percentage change from previous period, s.a.a.r.												
Exports of G&S	-0.1	12.1	-3.6	-19.5	-29.9	-5.6	10.1	4.6	5.0	5.0	5.4	5.8
Services	-9.0	7.8	-7.7	-4.3	-13.6	-2.3	3.8	4.2	4.7	5.1	5.8	6.2
Computers	8.7	33.5	1.3	-38.3	-14.0	-5.3	20.4	9.5	9.5	9.5	9.5	9.5
Semiconductors	4.6	-6.8	21.3	-53.4	-64.1	15.3	15.2	11.0	11.0	11.0	11.0	11.0
Core Goods 1/	4.0	14.4	-2.7	-23.5	-36.3	-8.1	13.2	4.5	4.7	4.6	4.9	5.3
Imports of G&S	-2.5	-5.0	-2.2	-16.7	-36.4	-12.5	10.5	3.2	4.5	4.2	5.1	5.2
Services	3.0	-7.1	6.1	-0.9	-11.5	-11.6	2.4	1.3	5.4	-0.3	4.6	4.9
Oil	-1.5	-9.3	2.7	10.3	-15.9	-33.2	13.0	-5.0	-2.6	1.1	-3.5	0.7
Natural Gas	-5.0	-38.2	12.2	-49.5	5.9	67.4	9.0	-28.0	27.0	3.3	35.2	-20.1
Computers	12.7	8.6	-15.9	-39.9	-22.3	11.8	17.0	15.5	15.5	15.5	15.5	15.5
Semiconductors	-3.3	14.4	-4.5	-37.9	-47.7	17.9	14.7	5.0	5.0	5.0	5.0	5.0
Core Goods 2/	-5.0	-3.2	-5.2	-24.2	-46.7	-11.1	12.2	5.5	4.9	5.7	6.3	6.4
Billions of Chained 2005 Dollars, s.a.a.r.												
Net Goods & Services	-550.9	-476.0	-479.2	-470.9	-386.5	-347.4	-357.5	-355.2	-357.5	-358.4	-361.6	-364.1
Exports of G&S	1623.4	1670.4	1655.2	1568.0	1434.5	1414.0	1448.6	1465.1	1482.9	1501.1	1521.1	1542.8
Imports of G&S	2174.3	2146.5	2134.4	2038.9	1821.0	1761.4	1806.0	1820.3	1840.4	1859.5	1882.7	1906.8
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-717.2	-750.9	-736.7	-619.5	-406.0	-405.6	-435.1	-458.8	-482.6	-468.9	-477.8	-478.5
Current Account as % of GDP	-5.0	-5.2	-5.1	-4.3	-2.9	-2.9	-3.1	-3.2	-3.3	-3.2	-3.2	-3.2
Net Goods & Services (BOP)	-730.6	-731.4	-743.8	-578.0	-364.8	-340.9	-397.8	-419.1	-434.2	-439.7	-445.3	-449.4
Investment Income, Net	154.0	112.3	143.7	92.1	84.3	71.8	86.5	85.4	90.6	95.7	96.0	96.0
Direct, Net	284.6	241.9	268.0	205.1	208.0	195.1	205.2	208.3	215.1	223.5	228.7	232.6
Portfolio, Net	-130.6	-129.6	-124.2	-113.0	-123.7	-123.3	-118.7	-122.9	-124.5	-127.7	-132.7	-136.6
Other Inc. & Transfers, Net	-140.6	-131.8	-136.7	-133.6	-125.5	-136.5	-123.8	-125.1	-139.0	-124.9	-128.5	-125.1

1. Merchandise exports excluding computers and semiconductors.

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

## **Part 2**

August 6, 2009

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Recent Developments**

August 6, 2009

## **Recent Developments**

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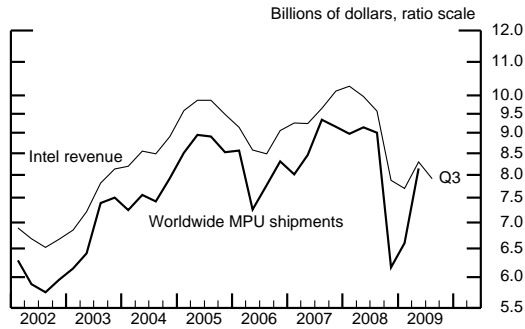
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## **Domestic Nonfinancial Developments**

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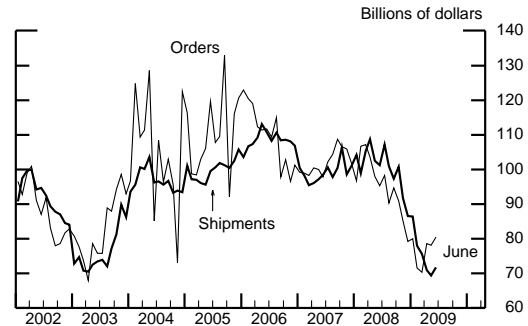
## Indicators of High-Tech Manufacturing Activity

MPU Shipments and Intel Revenue



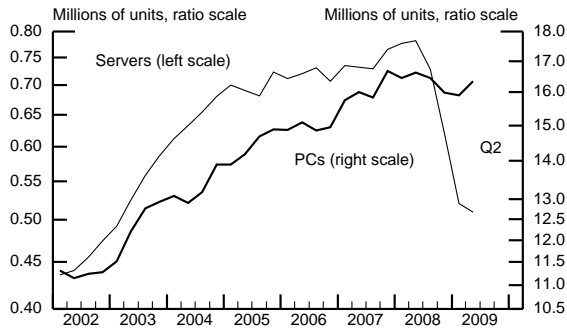
Note: FRB seasonals. MPU is a microprocessor unit. Q3 Intel revenue is the midpoint of the range given by the company's guidance as of July 14, 2009.  
Source: Intel; Semiconductor Industry Association.

Circuit Board Orders and Shipments



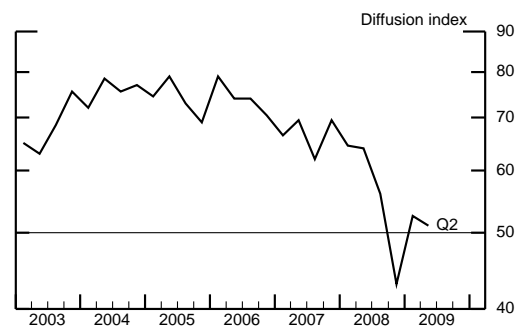
Note: U.S. and Canadian orders and shipments of bare and loaded circuit boards.  
Source: Institute for Printed Circuits.

U.S. Personal Computer and Server Absorption



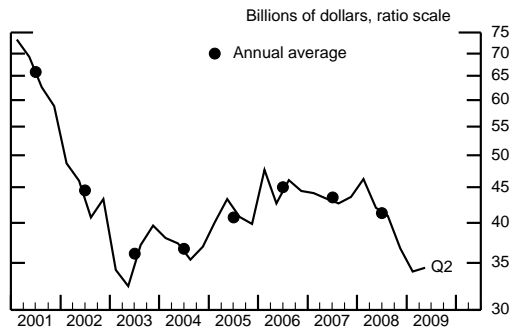
Note: FRB seasonals. PC and server units represent the most recent U.S. data available from IDC. Q2 PC units are from the Top 10 data release. Q2 server units are also from the Top 10 (with total servers implied from PC servers) data release.  
Source: IDC.

High-Tech Spending Plans



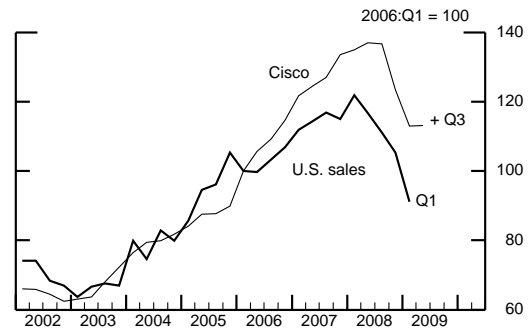
Note: Based on survey question on firms' plans to increase or decrease their spending on high-tech equipment in the next 12 months.  
Source: NABE Industry Survey.

Capital Expenditures by Selected Telecommunications Service Providers



Note: FRB seasonals. Includes AT&T, Verizon, Sprint Nextel, and companies related by merger, acquisition, or spinoff.  
Source: Securities and Exchange Commission filings.

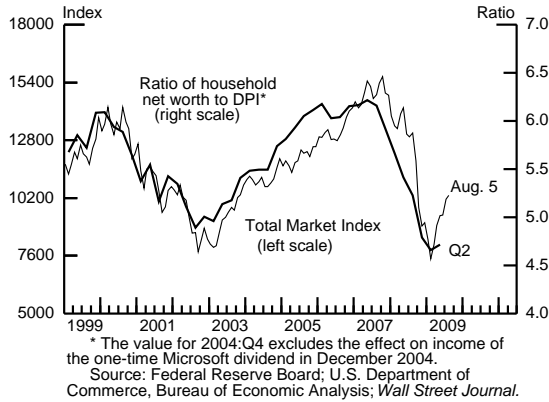
Cisco Revenue and U.S. Sales of High-End Data Networking Equipment



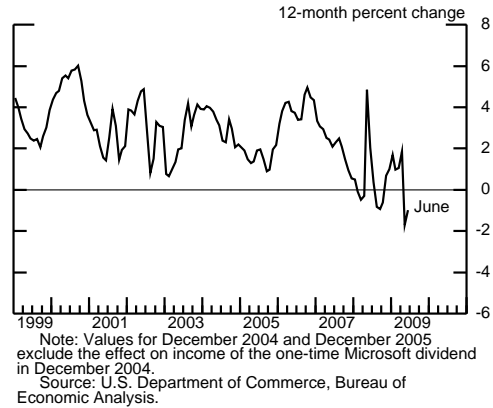
Note: FRB seasonals. Q3 Cisco revenue is the midpoint of the company's guidance as of August 5, 2009.  
Source: Synergy Research Group and Cisco Systems.

## Fundamentals of Household Spending

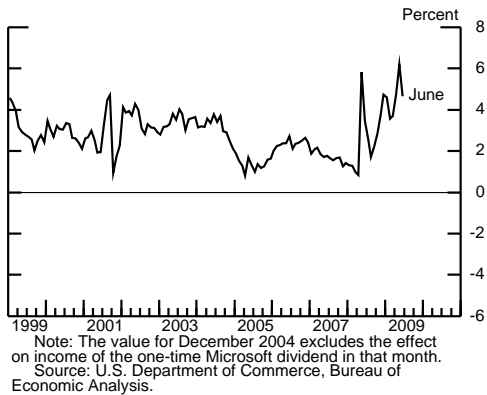
Household Net Worth  
and Dow Jones Total Market Index



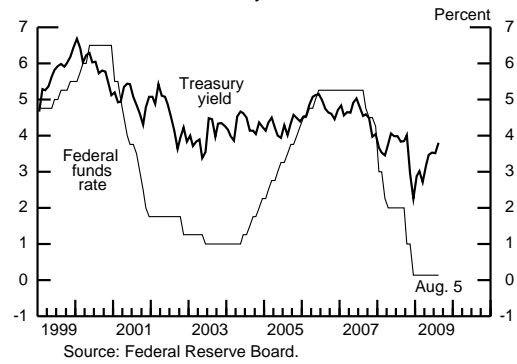
Change in Real Disposable Personal Income



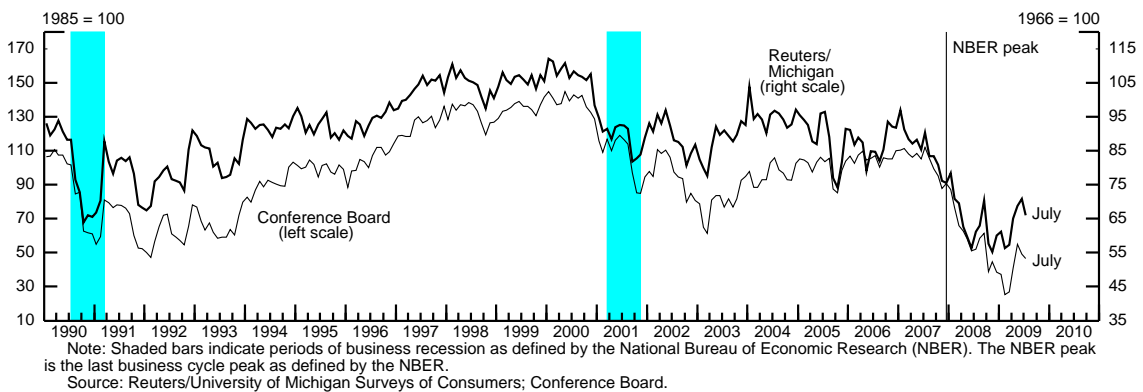
Personal Saving Rate



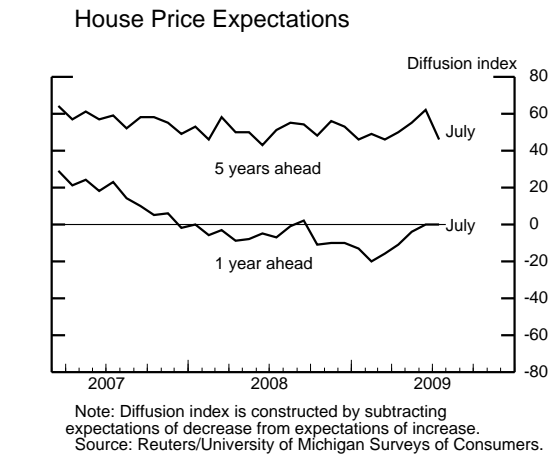
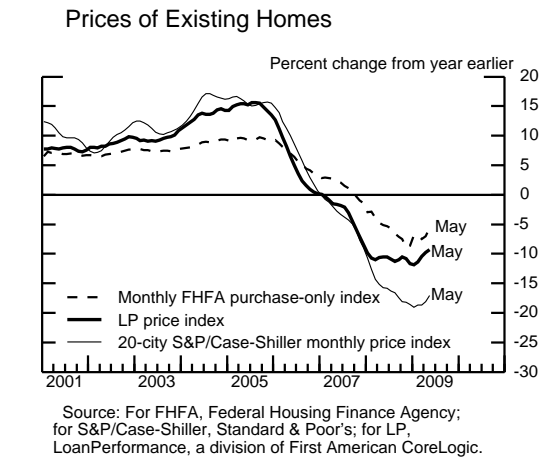
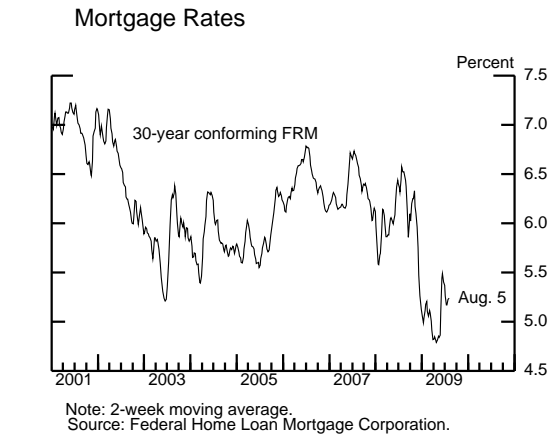
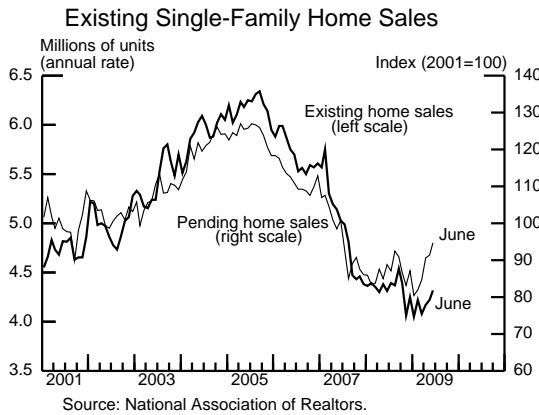
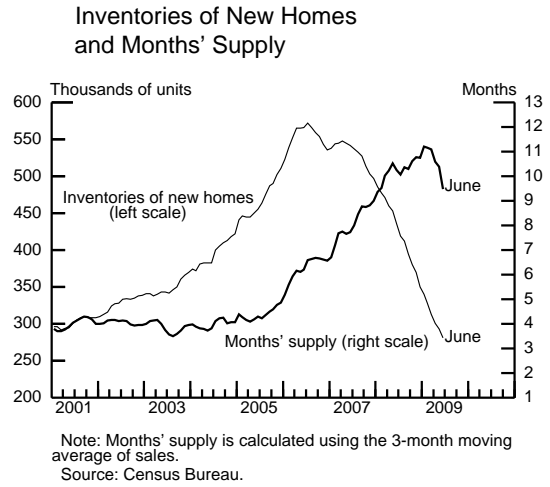
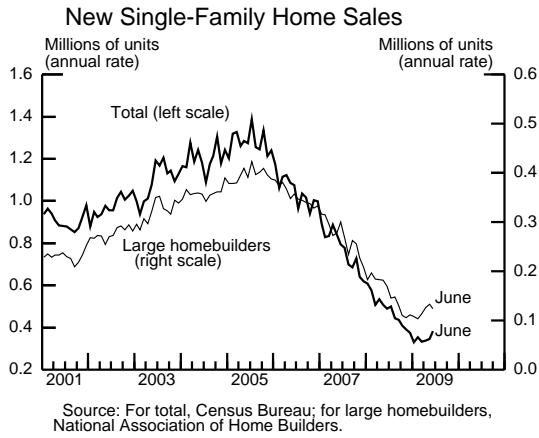
Target Federal Funds Rate  
and 10-Year Treasury Yield



Consumer Confidence



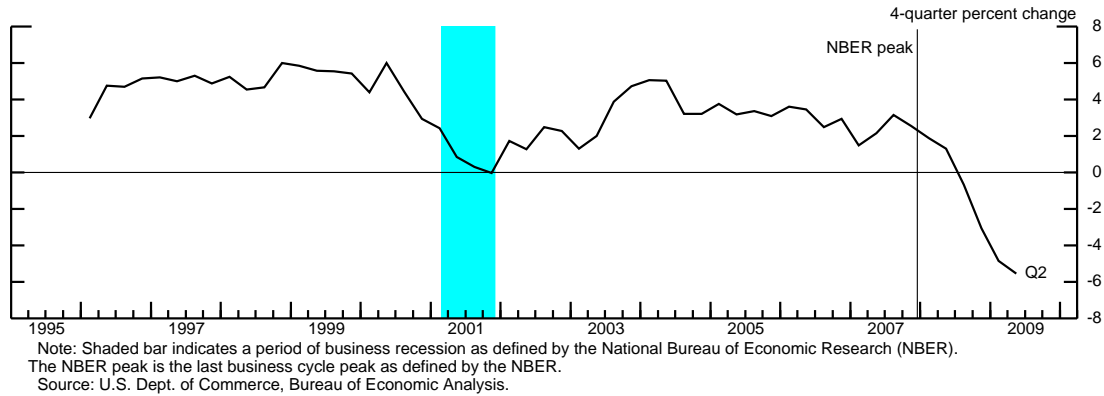
## Indicators of Single-Family Housing



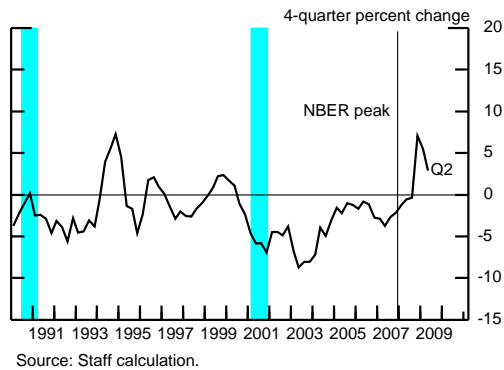


## Fundamentals of Equipment and Software Investment

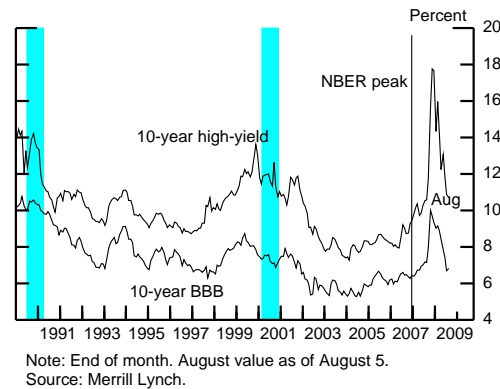
Real Business Output



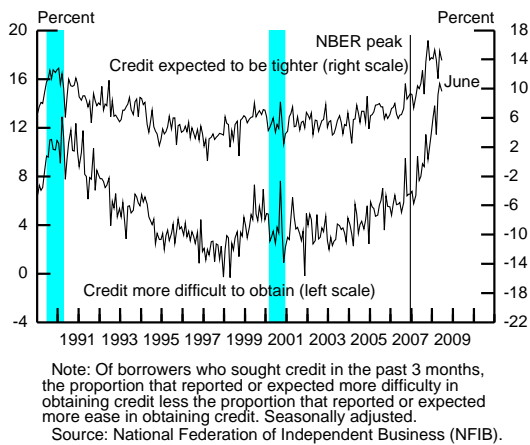
User Cost of Capital



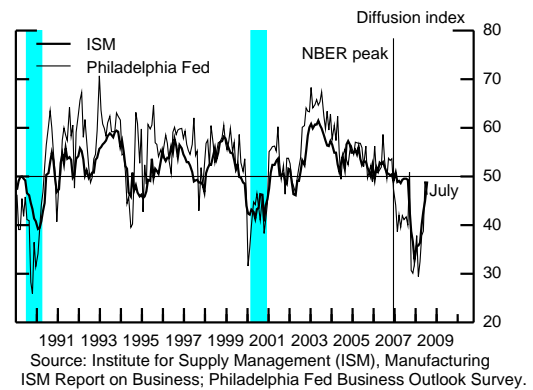
Corporate Bond Yields



NFIB: Survey on Loan Availability



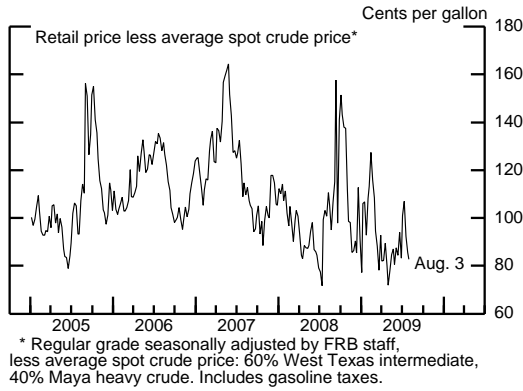
Surveys of Business Conditions



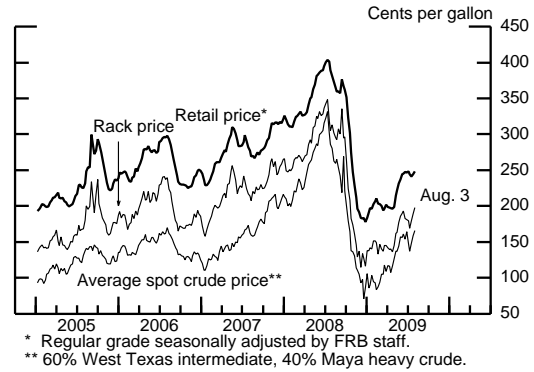
## Energy and Food Price Indicators

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

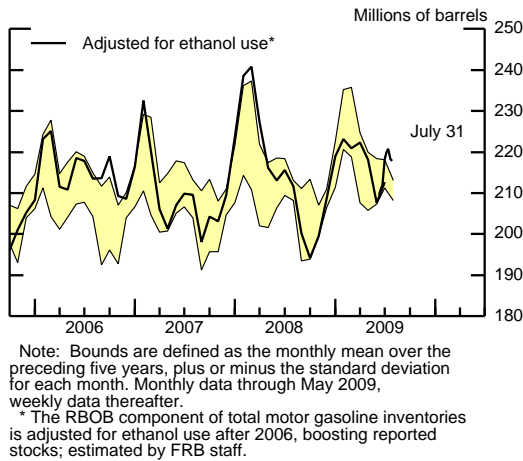
### Total Gasoline Margin



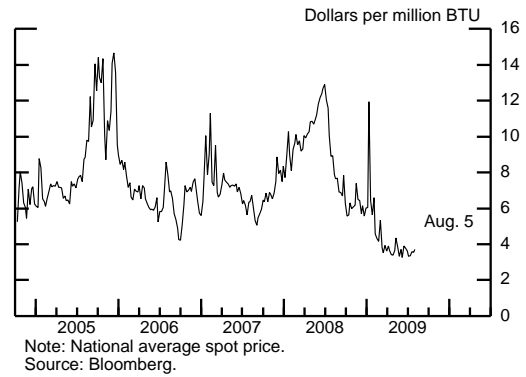
### Gasoline Price Decomposition



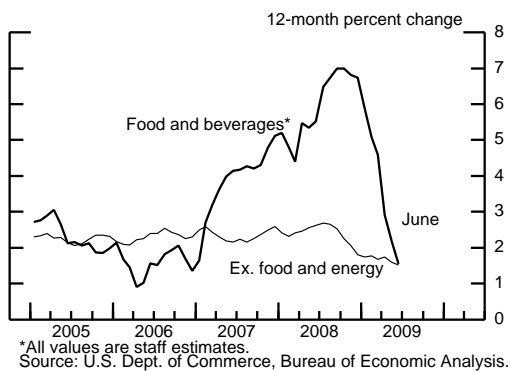
### Gasoline Inventories



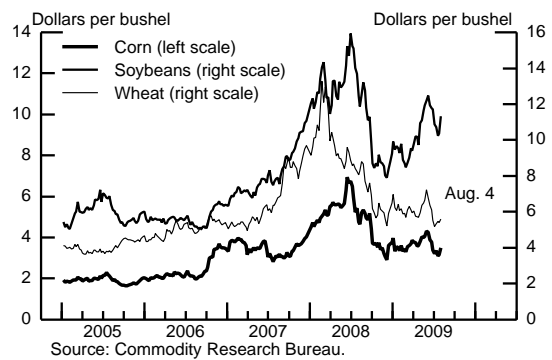
### Natural Gas Prices



### PCE: Food at Home and Core Prices



### Spot Agricultural Commodity Prices



**Broad Measures of Inflation**

(Percent change, Q2 to Q2)

Measure	2006	2007	2008	2009
<i>Product prices</i>				
GDP price index	3.6	3.0	1.9	1.5
Less food and energy	3.6	2.7	2.4	.9
Nonfarm business chain price index	3.5	2.4	1.1	1.7
<i>Expenditure prices</i>				
Gross domestic purchases price index	3.9	2.8	3.5	-.1
Less food and energy	3.4	2.6	2.8	.9
PCE price index	3.2	2.4	3.8	-.2
Less food and energy	2.3	2.2	2.5	1.6
PCE price index, market-based components	3.3	2.3	3.7	.0
Less food and energy	2.2	2.0	2.3	2.1
CPI	3.9	2.6	4.3	-.9
Less food and energy	2.5	2.3	2.3	1.8
Chained CPI	3.6	2.4	3.8	-1.2
Less food and energy	2.2	1.8	2.0	1.4
Median CPI	2.8	3.1	3.0	2.4
Trimmed mean CPI	2.6	2.7	3.0	1.9

Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; 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:Q3	2.4	4.1	3.2	3.5	3.0	2.4	2.1
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
2009:Mar.	-.4	2.4	2.0	2.9	2.6	...	...
Apr.	-.7	3.1	2.8	3.1	2.8	...	...
May	-1.3	3.2	2.8	3.1	2.9	2.5	2.3
June	-1.4	3.9	3.1	3.2	3.0	...	...
July	n.a.	3.6	2.9	3.4	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. Median CPI and PCE price projections.

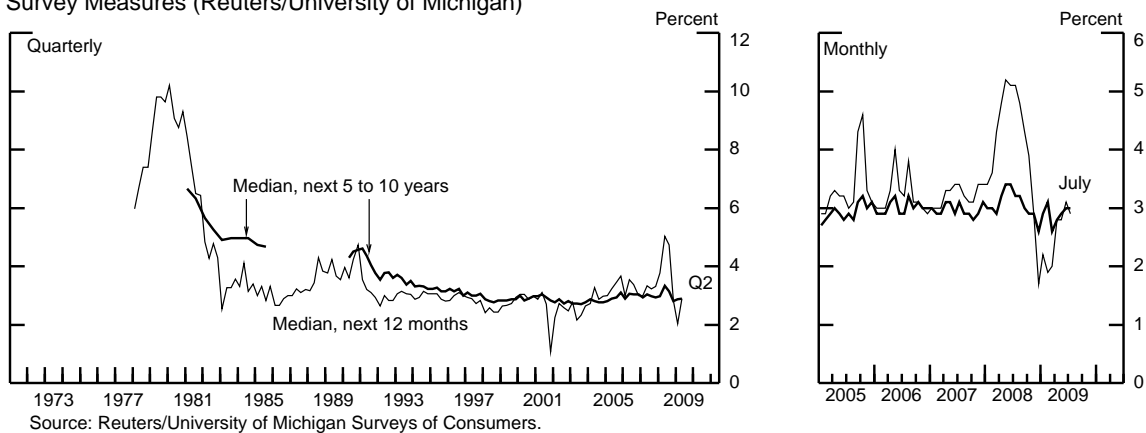
... Not applicable.

n.a. Not available.

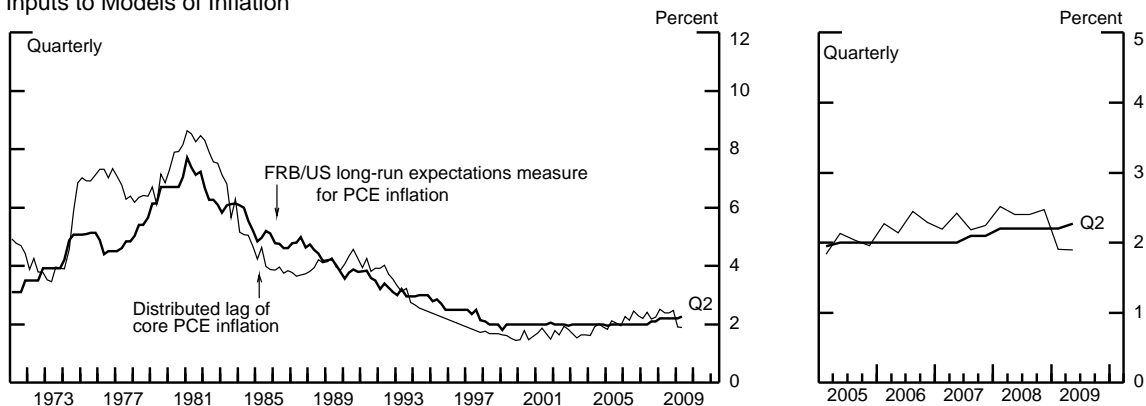
Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; for Reuters/Michigan Survey, Reuters/University of Michigan Surveys of Consumers; for professional forecasters, the Federal Reserve Bank of Philadelphia.

## Measures of Expected Inflation

### Survey Measures (Reuters/University of Michigan)

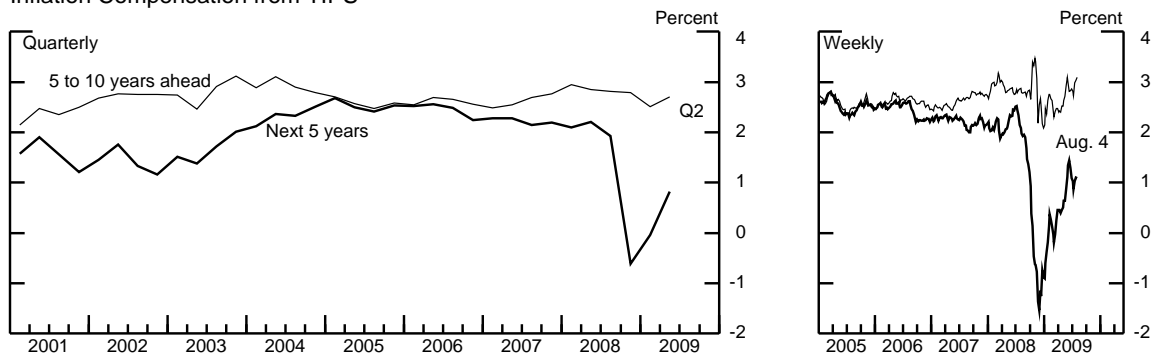


### Inputs to Models of Inflation



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 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.

### Inflation Compensation from TIPS

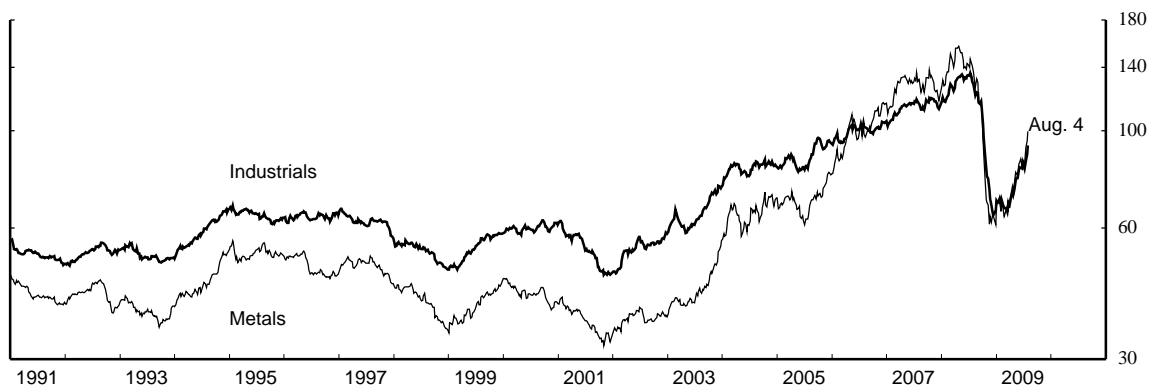


Note: Based on a comparison of an estimated TIPS (Treasury inflation-protected securities) yield curve with an estimated nominal off-the-run Treasury yield curve, with an adjustment for the indexation-lag effect.  
 Source: FRB staff calculations.

## Commodity Price Indexes

Journal of Commerce

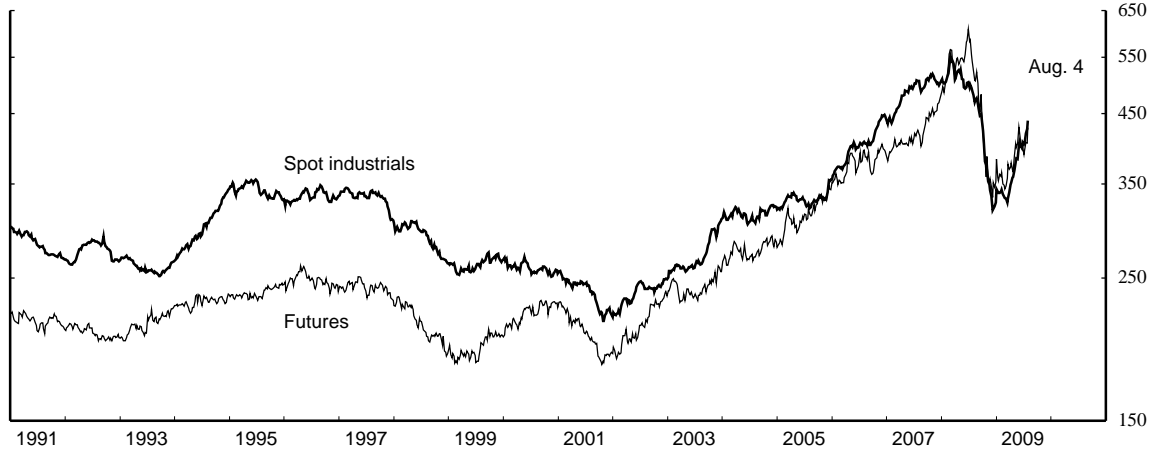
Ratio scale, 2006 = 100



Note: The *Journal of Commerce* (JOC) industrial price index is based almost entirely on industrial commodities, with a small weight given to energy commodities. Copyright for JOC data is held by CIBCR, 1994.

Commodity Research Bureau

Ratio scale, 1967 = 100



Note: The Commodity Research Bureau (CRB) spot industrials index consists entirely of industrial commodities, excluding energy. The CRB futures index gives about a 60 percent weight to food commodities and splits the remaining weight roughly equally among energy commodities, industrial commodities, and precious metals.

### Selected Commodity Price Indexes (Percent change)

Index	2008 <sup>1</sup>	12/30/08 to 6/16/09 <sup>2</sup>	6/16/09 <sup>2</sup> to 8/4/09	52-week change to 8/4/09
JOC industrials	-41.4	25.1	12.4	-27.6
JOC metals	-48.2	41.8	15.9	-26.9
CRB spot industrials	-34.3	22.4	9.7	-8.7
CRB spot foodstuffs	-14.1	9.2	-3.0	-23.4
CRB futures	-24.7	15.0	5.6	-18.4

1. From the last week of the preceding year to the last week of the year indicated.

2. June 16, 2009, is the Tuesday preceding publication of the June Greenbook.

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## **Domestic Financial Developments**

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III-T-1  
**Selected Financial Market Quotations**  
(One-day quotes in percent except as noted)

Instrument		2007	2009			Change to Aug. 4 from selected dates (percentage points)			
		Aug. 6	Apr. 28	June 22	Aug. 4	2007 Aug. 6	2009 Apr. 28	2009 June 22	
<i>Short-term</i>									
FOMC intended federal funds rate		5.25	.13	.13	.13	-5.12	.00	.00	
Treasury bills <sup>1</sup>									
3-month		4.74	.13	.20	.18	-4.56	.05	-.02	
6-month		4.72	.31	.34	.28	-4.44	-.03	-.06	
Commercial paper (A1/P1 rates) <sup>2</sup>									
1-month		5.26	.31	.30	.22	-5.04	-.09	-.08	
3-month		5.29	.55	.63	.34	-4.95	-.21	-.29	
Large negotiable CDs <sup>1</sup>									
3-month		5.34	.80	.40	.31	-5.03	-.49	-.09	
6-month		5.27	1.38	.68	.45	-4.82	-.93	-.23	
Eurodollar deposits <sup>3</sup>									
1-month		5.33	.90	.65	.45	-4.88	-.45	-.20	
3-month		5.35	1.40	1.05	.75	-4.60	-.65	-.30	
Bank prime rate		8.25	3.25	3.25	3.25	-5.00	.00	.00	
<i>Intermediate- and long-term</i>									
U.S. Treasury <sup>4</sup>									
2-year		4.49	.92	1.17	1.19	-3.30	.27	.02	
5-year		4.52	2.04	2.71	2.68	-1.84	.64	-.03	
10-year		4.82	3.38	4.04	3.98	-.84	.60	-.06	
U.S. Treasury indexed notes <sup>5</sup>									
5-year		2.43	1.55	1.45	1.53	-.90	-.02	.08	
10-year		2.48	1.92	2.10	1.96	-.52	.04	-.14	
Municipal general obligations (Bond Buyer) <sup>6</sup>		4.51	4.57	4.86	4.69	.18	.12	-.17	
Private instruments									
10-year swap		5.44	3.07	3.97	3.93	-1.51	.86	-.04	
10-year FNMA <sup>7</sup>		5.34	3.88	4.40	4.32	-1.02	.44	-.08	
10-year AA <sup>8</sup>		6.12	6.33	5.94	5.47	-.65	-.86	-.47	
10-year BBB <sup>8</sup>		6.57	8.49	7.58	6.79	.22	-1.70	-.79	
10-year high yield <sup>8</sup>		9.21	12.79	12.13	10.75	1.54	-2.04	-1.38	
Home mortgages (FHLMC survey rate)									
30-year fixed		6.59	4.78	5.42	5.25	-1.34	.47	-.17	
1-year adjustable		5.65	4.77	4.93	4.80	-.85	.03	-.13	
Stock exchange index		Record high		2009			Change to Aug. 4 from selected dates (percent)		
		Level	Date	Apr. 28	June 22	Aug. 4	Record high	2009 Apr. 28	2009 June 22
Dow Jones Industrial		14,165	10-9-07	8,017	8,339	9,320	-34.20	16.26	11.77
S&P 500 Composite		1,565	10-9-07	855	893	1,006	-35.75	17.60	12.61
Nasdaq		5,049	3-10-00	1,674	1,766	2,011	-60.16	20.16	13.88
Russell 2000		856	7-13-07	473	493	571	-33.31	20.70	15.81
D.J. Total Stock Index		15,807	10-9-07	8,754	9,130	10,355	-34.49	18.29	13.42

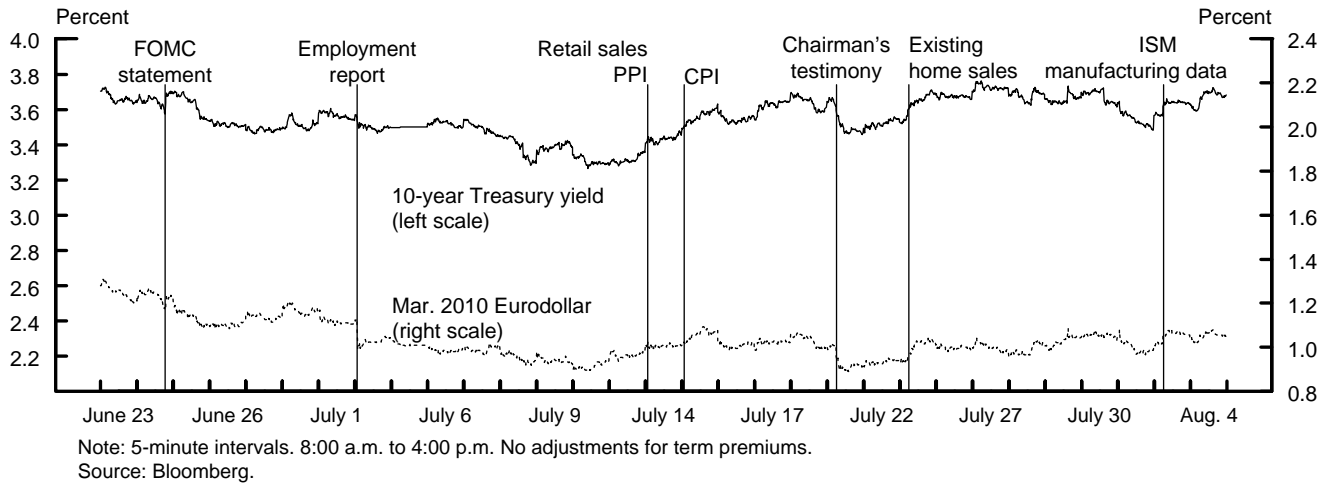
1. Secondary market.
2. Financial commercial paper.
3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Derived from a smoothed Treasury yield curve estimated using all outstanding securities 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:

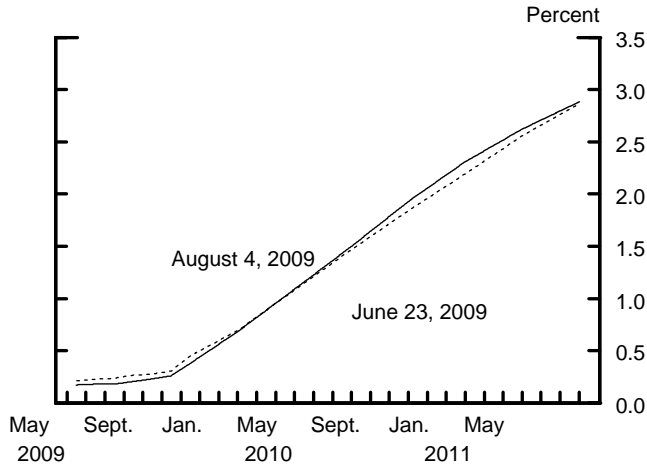
August 6, 2007, is the day before the August 2007 FOMC meeting.  
April 28, 2009, is the day before the April 2009 FOMC monetary policy announcement.  
June 22, 2009, is the day before the most recent FOMC monetary policy announcement.

# III-C-1 Policy Expectations and Treasury Yields

## Interest Rates

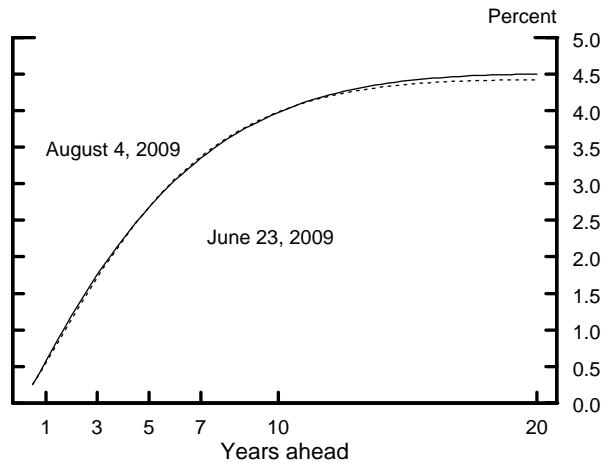


## Implied Federal Funds Rate



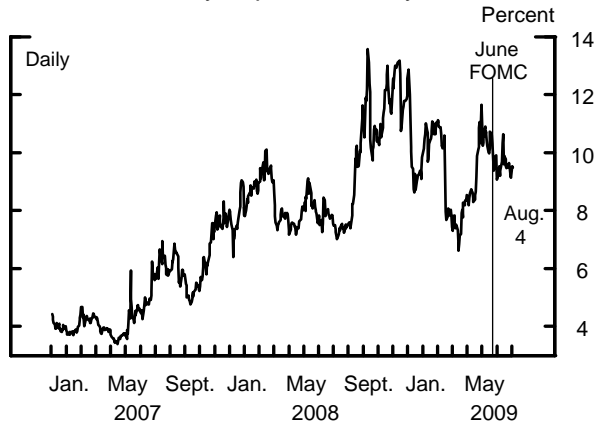
Note: Estimated from federal funds and Eurodollar futures, with an allowance for term premiums and other adjustments.  
Source: Chicago Mercantile Exchange; Chicago Board of Trade.

## Treasury Yield Curve



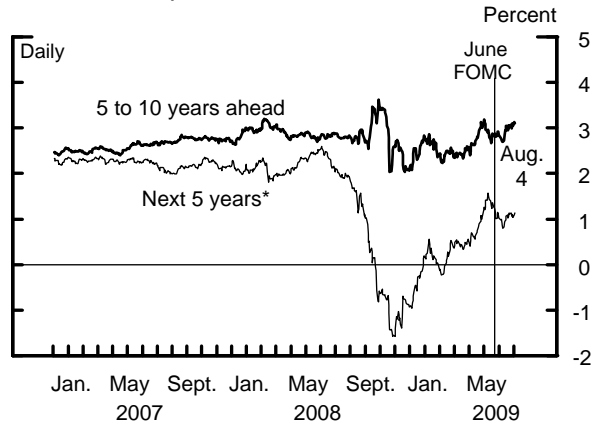
Note: Smoothed yield curve estimated from off-the-run Treasury coupon securities. Yields shown are those on notional par Treasury securities with semiannual coupons.  
Source: Federal Reserve Bank of New York.

## 10-Year Treasury Implied Volatility



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

## Inflation Compensation

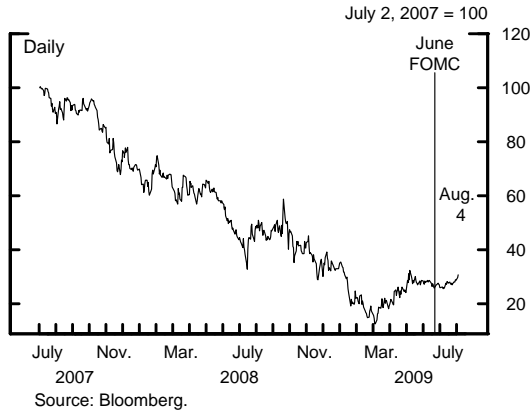


Note: Estimates based on smoothed nominal and inflation-indexed Treasury yields.  
\*Adjusted for lagged indexation of Treasury inflation-protected securities.  
Source: Federal Reserve Bank of New York.

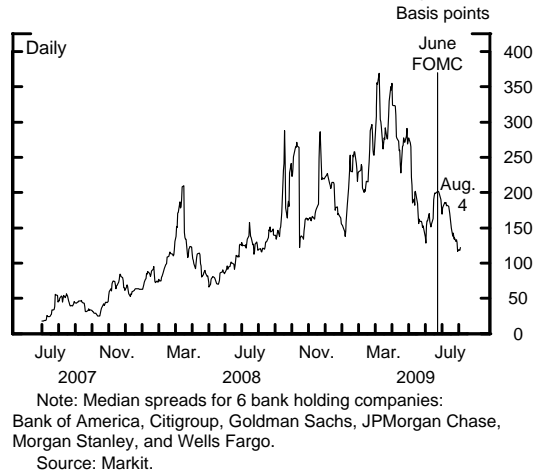


## Financial Institutions, Short-Term Funding Markets, and Liquidity Facilities

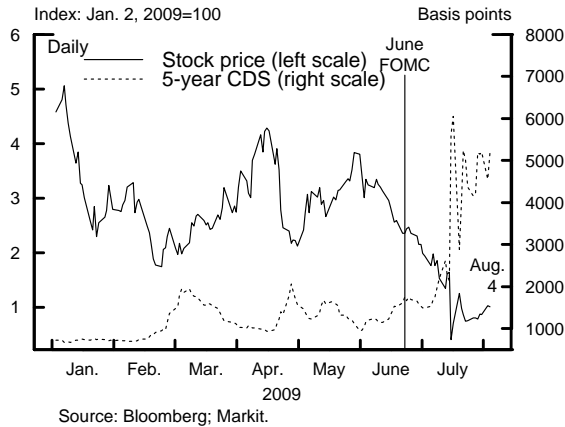
S&P Bank Equity Index



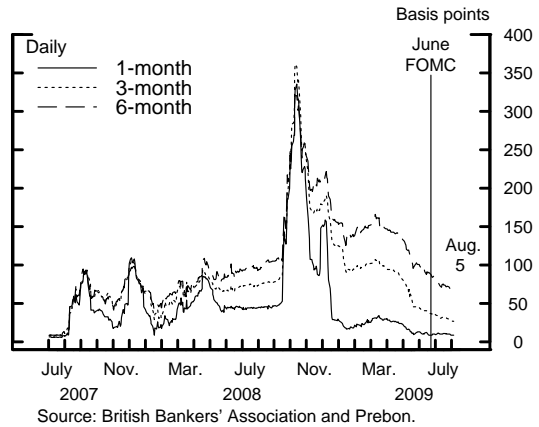
CDS Spreads for Selected Bank Holding Companies



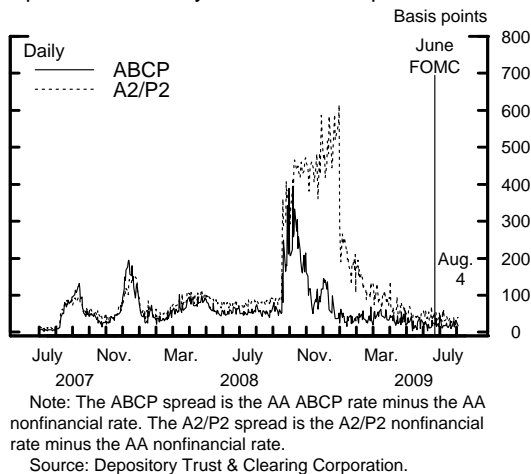
CIT Stock Price and CDS Spread



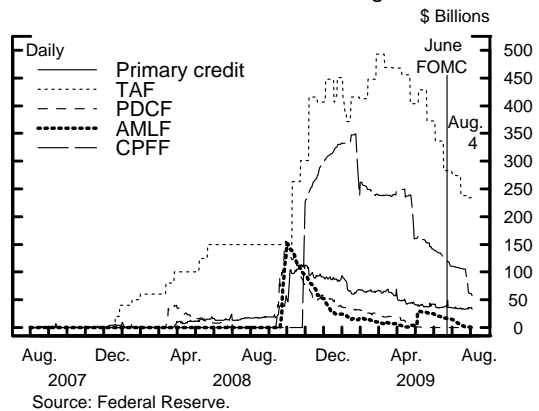
Libor over OIS Spread



Spreads on 30-day Commercial Paper

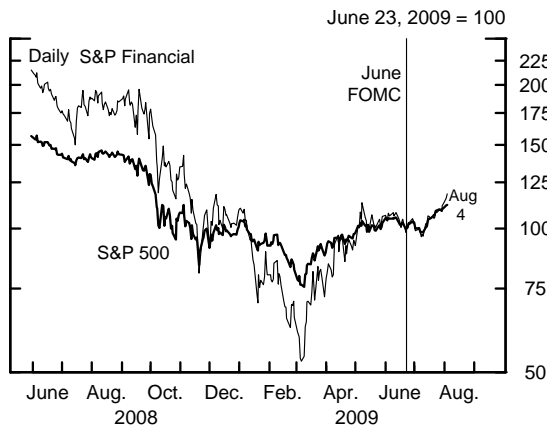


Federal Reserve Credit Outstanding



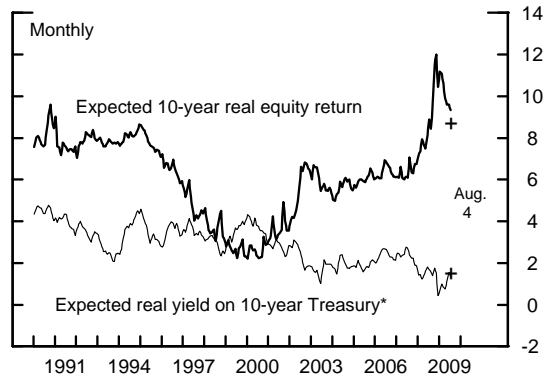
## Corporate Yields, Risk Spreads, and Stock Prices

Selected Stock Price Indexes



Source: Standard & Poor's.

Expected Real Equity Return and Long-Run Treasury Yield

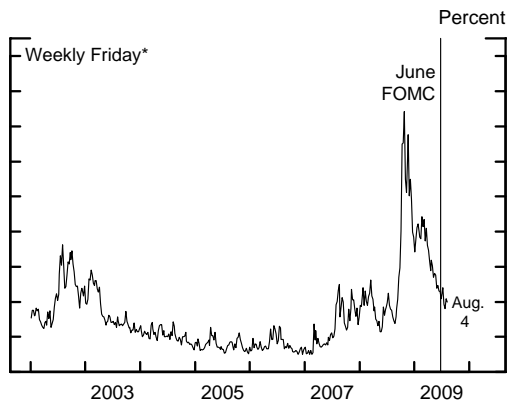


\* Off-the-run 10-year Treasury yield less Philadelphia Fed 10-year expected inflation.

+ Denotes the latest observation using daily interest rates and stock prices and latest earnings data from I/B/E/S.

Source: Thomson Financial.

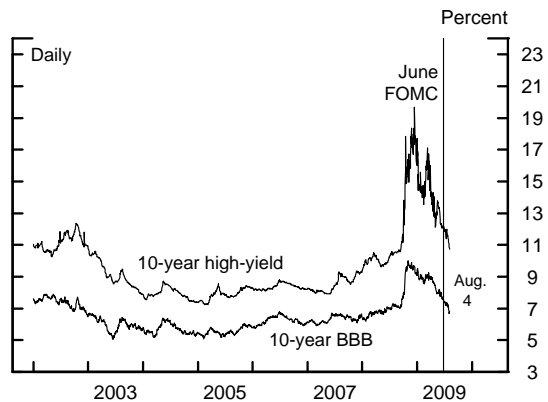
Implied Volatility on S&P 500 (VIX)



\* Latest observation is for most recent business day.

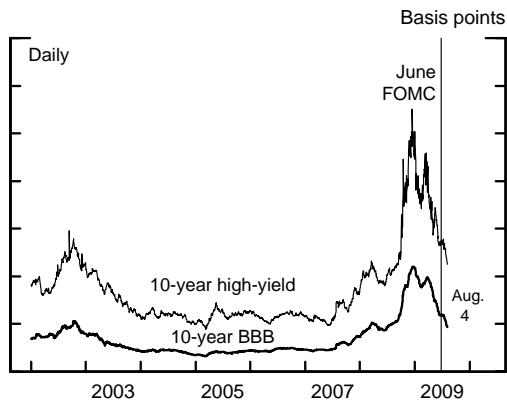
Source: Chicago Board of Exchange.

Corporate Bond Yields



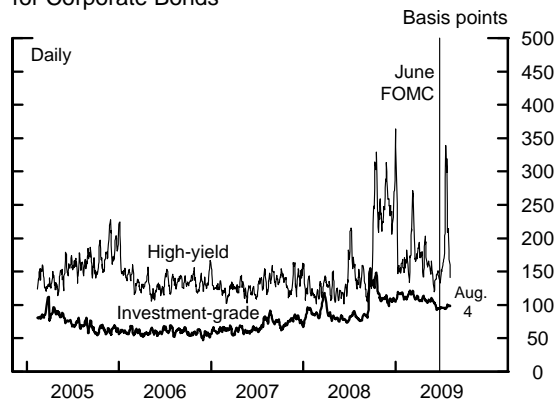
Note: Yields from smoothed yield curves based on Merrill Lynch bond data.

Corporate Bond Spreads



Note: Corporate yields from smoothed yield curves based on Merrill Lynch bond data and spreads measured relative to comparable-maturity Treasury securities.

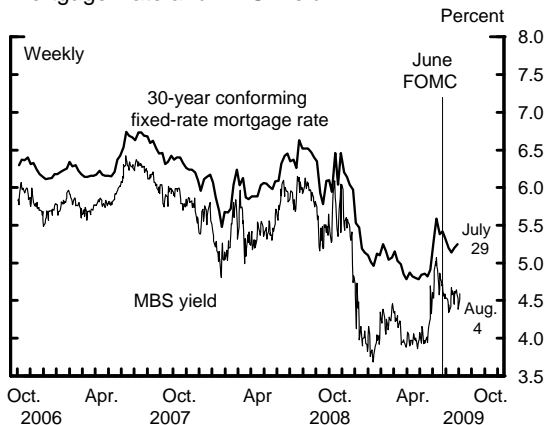
Estimated Median Bid-Asked Spread for Corporate Bonds



Source: Staff estimate using data from the National Assn. of Securities Dealers' Trade Reporting and Compliance Engine.

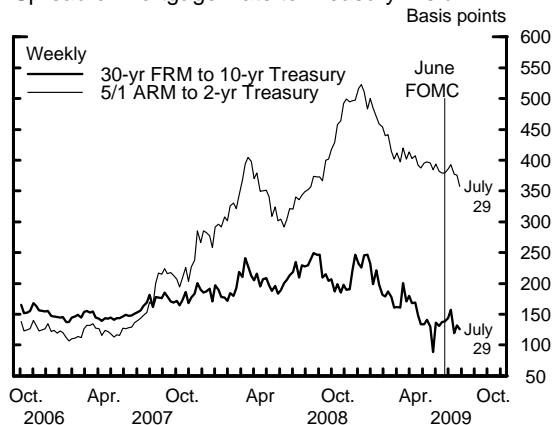
## Residential Mortgages

### Mortgage Rate and MBS Yield



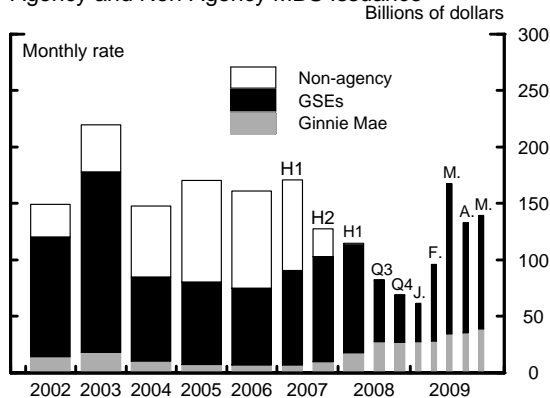
Note: For MBS yield, Fannie Mae 30-year current coupon rate.  
Source: For mortgage rate, Freddie Mac; for MBS yield, Bloomberg.

### Spread of Mortgage Rate to Treasury Yield



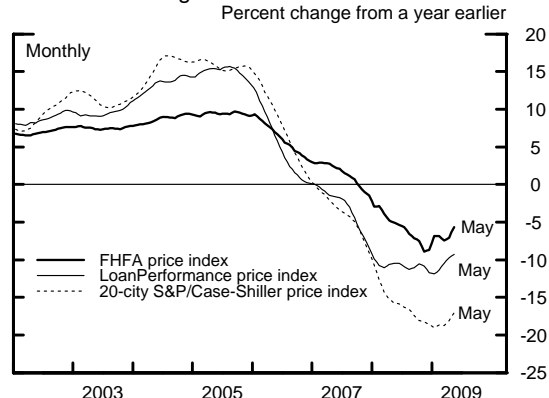
Note: Spreads are relative to corresponding off-the-run Treasury yields.  
Source: Bloomberg; Freddie Mac.

### Agency and Non-Agency MBS Issuance



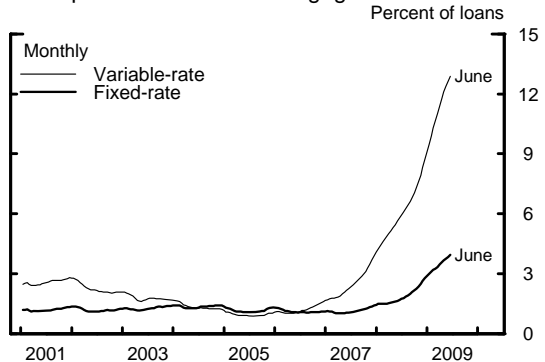
Source: For agency issuance, Fannie Mae, Freddie Mac, and Ginnie Mae; for non-agency, Inside Mortgage Finance.

### Prices of Existing Homes



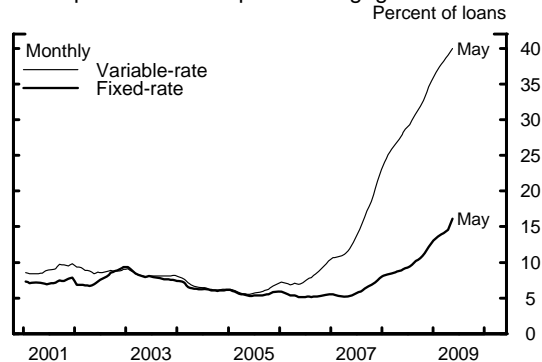
Source: For FHFA, Federal Housing Finance Agency; for S&P/Case-Shiller, Standard & Poor's; for LoanPerformance, First American CoreLogic.

### 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.

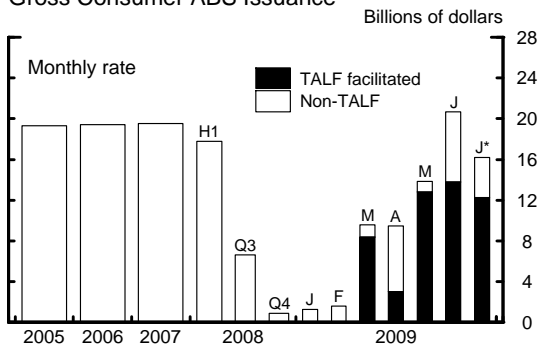
### Delinquencies on Subprime Mortgages



Note: Percent of loans 90 or more days past due or in foreclosure. Rates are for securitized loans.  
Source: LoanPerformance, a division of First American CoreLogic.

## Consumer Credit and Household Wealth

Gross Consumer ABS Issuance

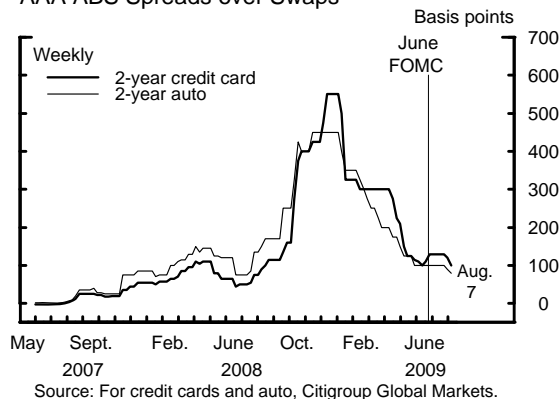


Note: Credit card, auto, and student loan ABS.

\* Through July 29.

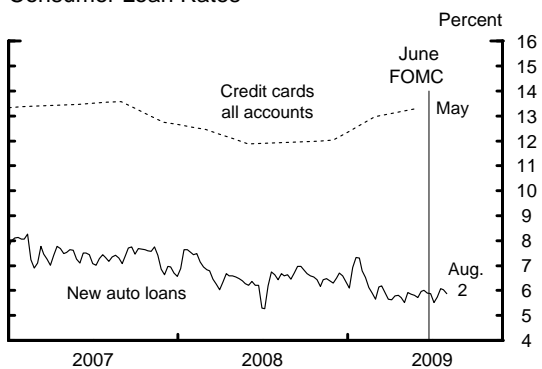
Source: Inside MBS & ABS, Merrill Lynch, Bloomberg, Federal Reserve.

AAA ABS Spreads over Swaps



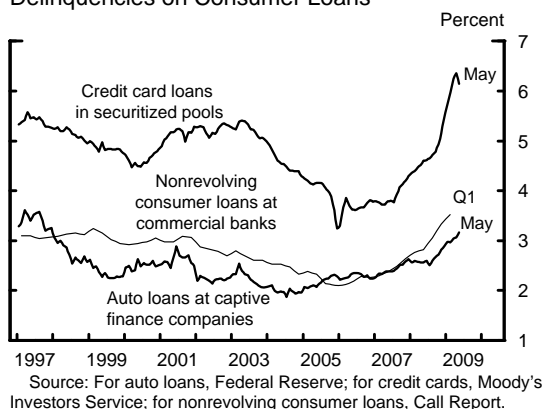
Source: For credit cards and auto, Citigroup Global Markets.

Consumer Loan Rates



Source: For credit cards, Federal Reserve; for new auto loans, PIN.

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 June
	H1	H2	Q1	Q2	July <sup>e</sup>	
<b>Total long-term funds</b>	<b>11.8</b>	<b>-49.9</b>	<b>0.5</b>	<b>46.1</b>	<b>44.5</b>	<b>6,358</b>
<b>Equity funds</b>	<b>-3.6</b>	<b>-36.0</b>	<b>-14.4</b>	<b>14.1</b>	<b>9.0</b>	<b>4,010</b>
Domestic	-5.0	-20.8	-7.8	9.7	1.6	3,032
International	1.3	-15.3	-6.5	4.4	7.4	978
<b>Hybrid funds</b>	<b>1.7</b>	<b>-4.9</b>	<b>-2.9</b>	<b>2.3</b>	<b>2.0</b>	<b>526</b>
<b>Bond funds</b>	<b>13.8</b>	<b>-8.9</b>	<b>17.8</b>	<b>29.8</b>	<b>33.6</b>	<b>1,822</b>
High-yield	-0.2	0.1	2.7	2.9	1.9	153
Other taxable	11.1	-7.4	11.2	21.2	25.5	1,278
Municipals	2.9	-1.6	3.9	5.7	6.2	391
<b>Money market funds</b>	<b>56.1</b>	<b>59.6</b>	<b>0.1</b>	<b>-55.2</b>	<b>-49.9</b>	<b>3,673</b>

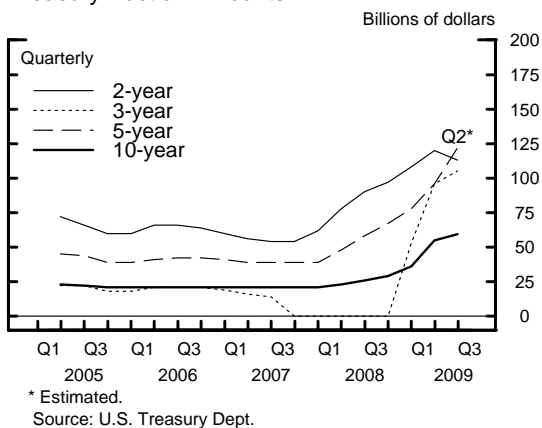
Note: Excludes reinvested dividends.

<sup>e</sup> Staff estimate.

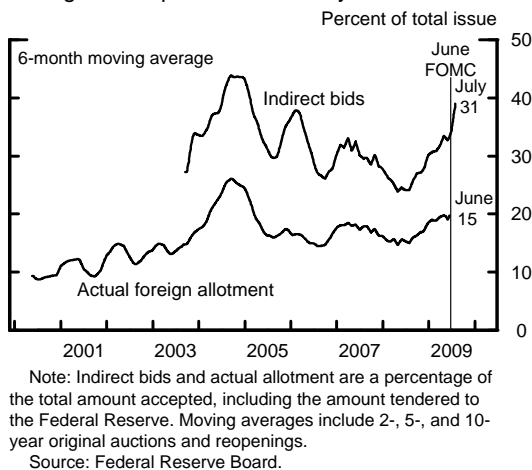
Source: Investment Company Institute.

## Treasury Finance

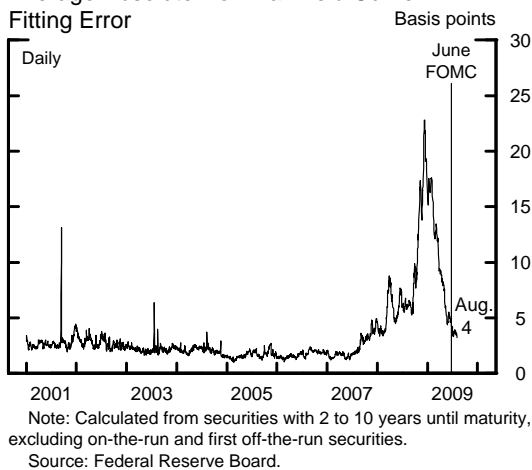
Treasury Auction Amounts



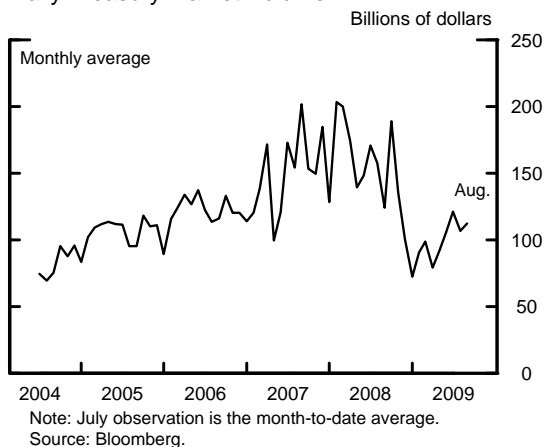
Foreign Participation in Treasury Auctions



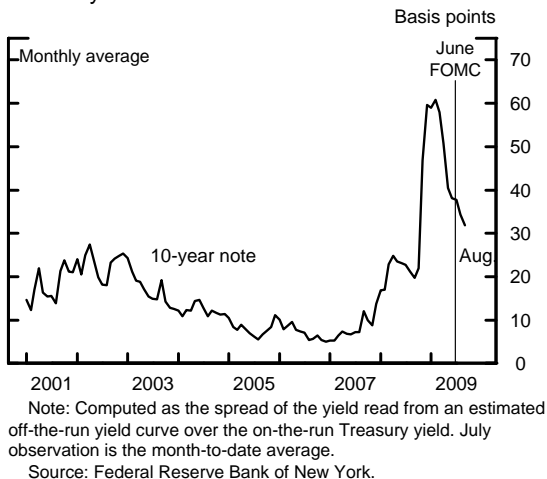
Average Absolute Nominal Yield Curve Fitting Error



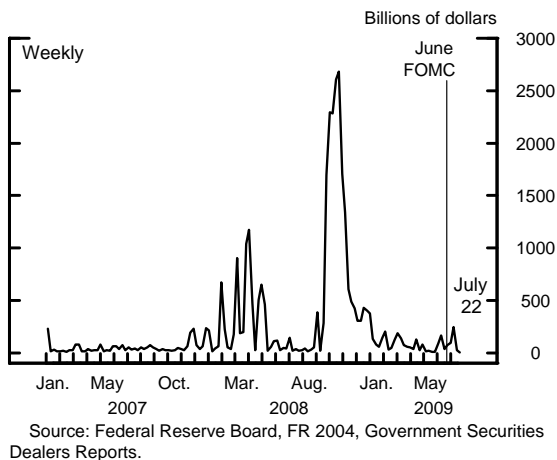
Daily Treasury Market Volume



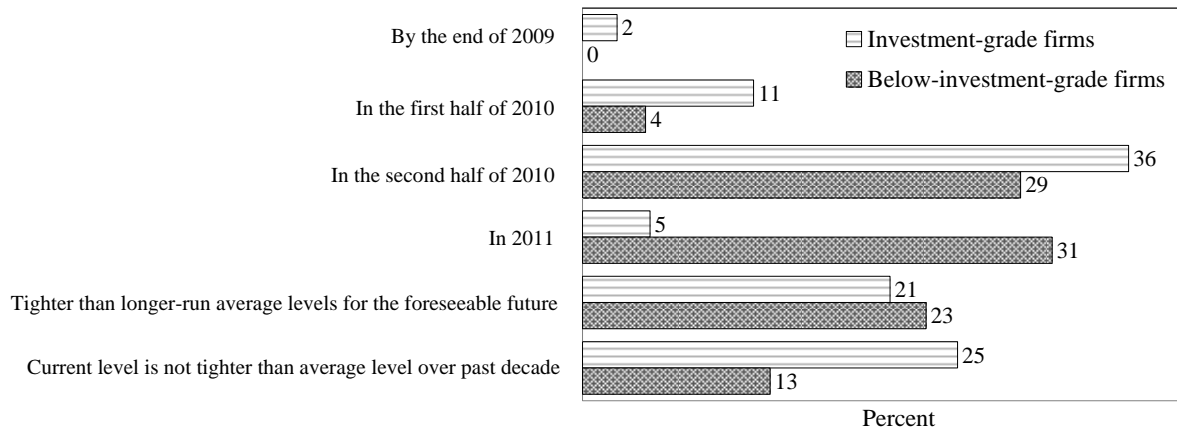
Treasury On-the-Run Premium



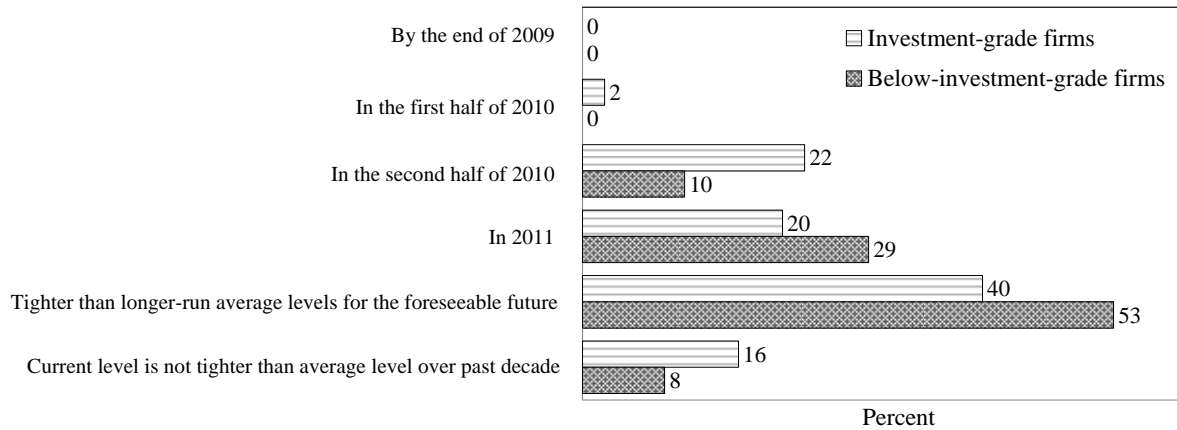
Treasury Fails-to-Deliver



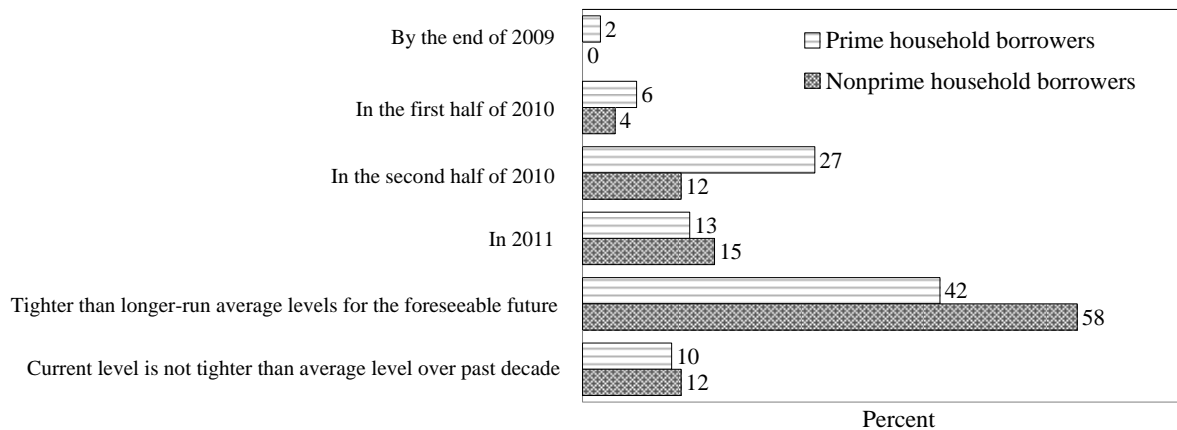
**When respondents expect their C&I lending standards to return to longer-run norms**



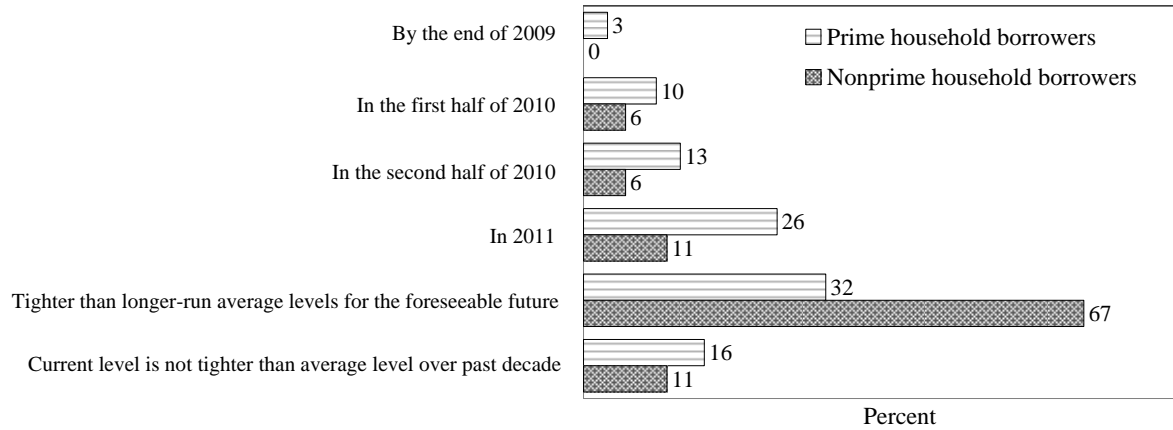
**When respondents expect their CRE lending standards to return to longer-run norms**



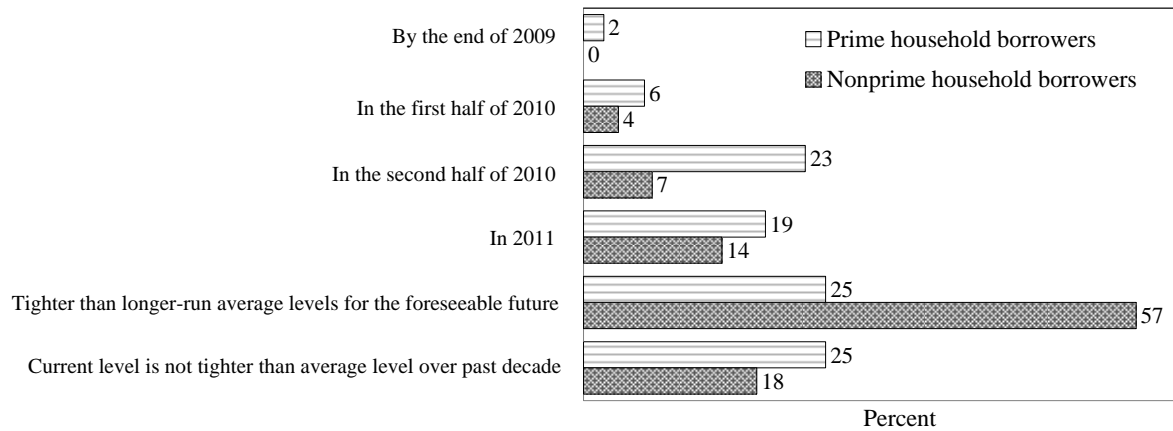
**When respondents expect their residential real estate (RRE) lending standards to return to longer-run norms**



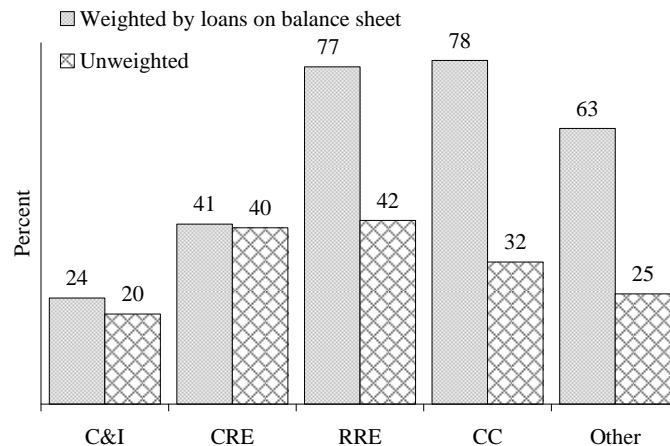
**When respondents expect their credit card (CC) lending standards to return to longer-run norms**



**When respondents expect their other consumer standards to return to longer-run norms**



**Percent of respondents that expect their lending standards to remain tighter than average for the foreseeable future**



August 7, 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



### Changes in Employment

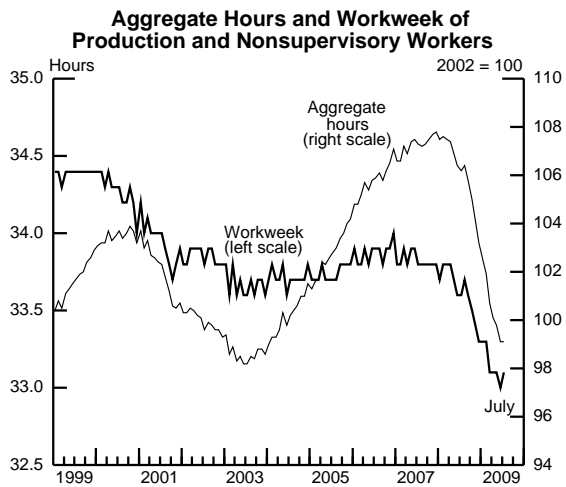
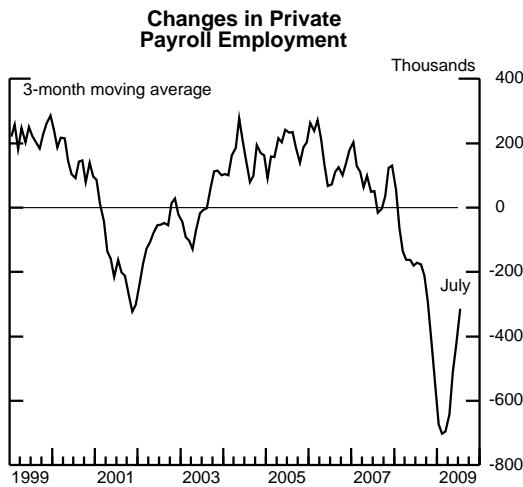
(Thousands of employees; seasonally adjusted)

Measure and sector	2008	2008	2009				
		Q4	Q1	Q2	May	June	July
		Average monthly change			Monthly change		
Nonfarm payroll employment (establishment survey)	-257	-553	-691	-422	-303	-443	-247
Private	-270	-552	-695	-426	-292	-395	-254
Natural resources and mining	4	-2	-12	-10	-9	-6	0
Manufacturing	-73	-140	-202	-142	-146	-131	-52
Ex. motor vehicles	-58	-121	-176	-119	-123	-109	-80
Construction	-57	-97	-124	-82	-57	-86	-76
Residential	-35	-51	-53	-29	-14	-33	-27
Nonresidential	-22	-45	-71	-53	-43	-53	-49
Wholesale trade	-16	-32	-36	-20	-15	-14	-19
Retail trade	-44	-80	-55	-27	-28	-21	-44
Financial activities	-19	-35	-51	-34	-27	-29	-13
Temporary help services	-44	-70	-73	-29	-1	-31	-10
Nonbusiness services <sup>1</sup>	19	-19	-25	22	63	26	28
Total government	14	-1	4	5	-11	-48	7
Federal government	3	2	10	4	-16	-41	12
Total employment (household survey)	-246	-564	-817	-230	-437	-374	-155
Memo:							
Aggregate hours of private production workers (percent change) <sup>2</sup>	-3.3	-7.4	-8.9	-7.8	-.3	-.7	.0
Average workweek (hours) <sup>3</sup>	33.6	33.4	33.2	33.1	33.1	33.0	33.1
Manufacturing (hours)	40.8	40.2	39.6	39.5	39.4	39.5	39.8

1. Nonbusiness services comprises education and health, leisure and hospitality, and "other."

2. Establishment survey. Annual data are percent changes from Q4 to Q4. Quarterly data are percent changes from preceding quarter at an annual rate. Monthly data are percent changes from preceding month.

3. Establishment survey.



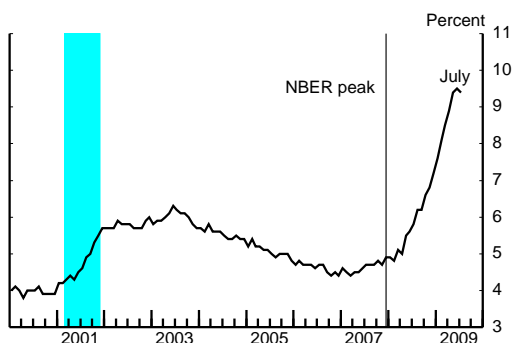
Source: U.S. Department of Labor, Bureau of Labor Statistics.

## Selected Unemployment and Labor Force Participation Rates

(Percent; seasonally adjusted)

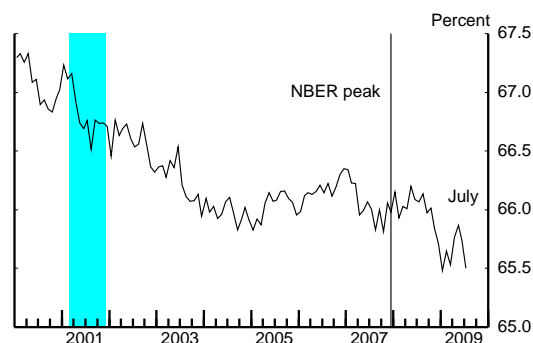
Rate and group	2008	2008	2009				
		Q4	Q1	Q2	May	June	July
<i>Civilian unemployment rate</i>							
Total	5.8	6.9	8.1	9.2	9.4	9.5	9.4
Teenagers	18.7	20.7	21.3	22.7	22.7	24.0	23.8
20-24 years old	10.2	11.3	13.0	15.0	15.0	15.2	15.3
Men, 25 years and older	4.8	6.0	7.4	8.8	9.0	9.2	9.0
Women, 25 years and older	4.4	5.2	6.2	6.9	7.0	7.0	6.9
<i>Labor force participation rate</i>							
Total	66.0	65.9	65.6	65.8	65.9	65.7	65.5
Teenagers	40.2	38.7	38.3	38.4	38.5	38.6	38.0
20-24 years old	74.4	74.1	73.7	74.1	73.7	73.4	73.5
Men, 25 years and older	75.4	75.2	74.6	74.9	75.1	75.0	74.8
Women, 25 years and older	60.0	60.1	60.0	60.3	60.3	60.3	60.1

### Unemployment Rate



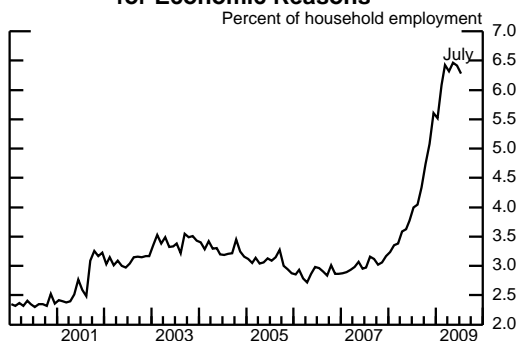
Note: Shaded bar indicates a period of business recession as defined by the National Bureau of Economic Research (NBER). The NBER peak is the last business cycle peak as defined by the NBER.

### Labor Force Participation Rate

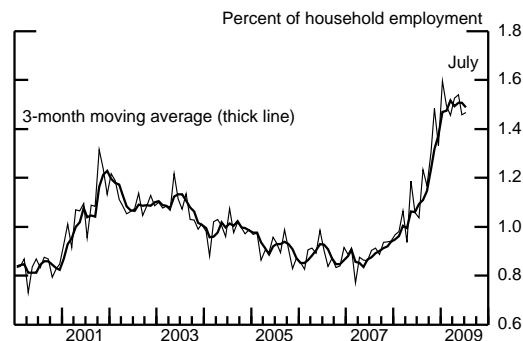


Note: See the note to the figure "Unemployment Rate."

### Persons Working Part Time for Economic Reasons



### Job Losers Unemployed Less Than 5 Weeks



Source: U.S. Department of Labor, Bureau of Labor Statistics.

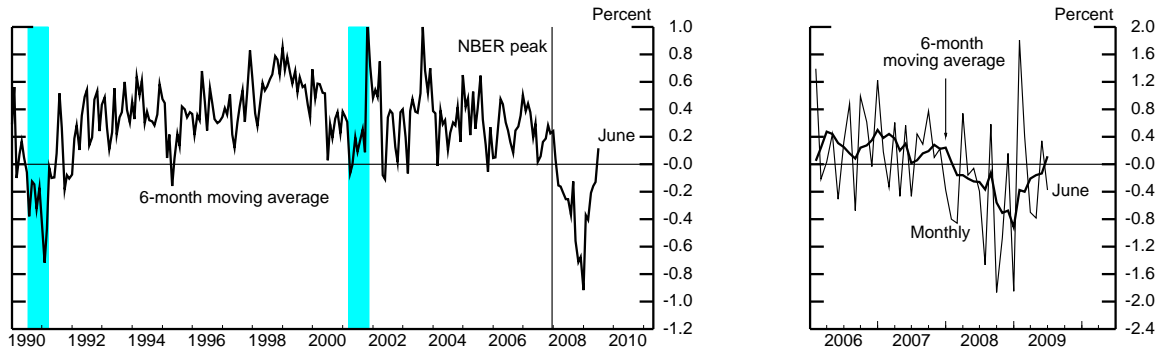
**Real Personal Consumption Expenditures**  
(Percent change from preceding comparable period)

Category	2008	2009		2009		
		Q1	Q2	Apr.	May	June
		Annual rate		Monthly rate		
<b>Total real PCE</b>	<b>-.2</b>	<b>.6</b>	<b>-1.2</b>	<b>-.2</b>	<b>.0</b>	<b>-.1</b>
Motor vehicles	-13.6	6.7	-11.9	-3.4	3.6	-2.1
Goods ex. motor vehicles	.4	2.8	-5.0	-.6	.3	.6
Ex. energy	5.8	-1.0	-7.2	.2	-.5	1.5
Services	.7	-.3	.1	.1	-.1	.0
Ex. energy	.8	-.2	.5	.1	.0	.0
Memo:						
Personal saving rate <sup>1</sup>	3.8	4.0	5.2	4.7	6.2	4.6

1. The annual value is the Q4 level.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

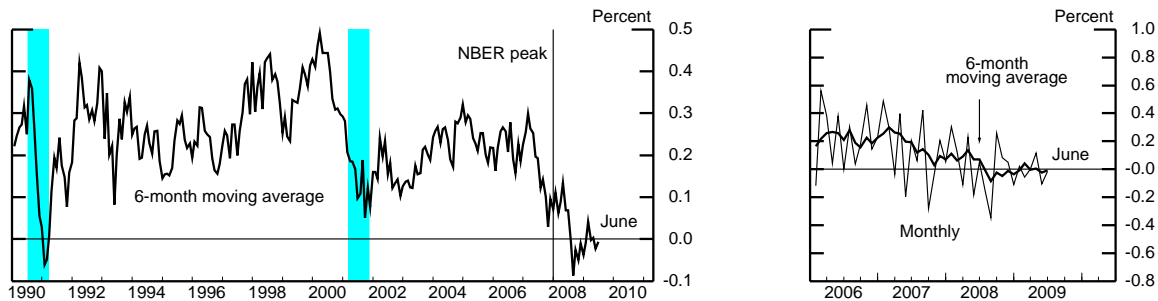
**Change in Real PCE Goods**



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. Department of Commerce, Bureau of Economic Analysis.

**Change in Real PCE Services**



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. Department of Commerce, Bureau of Economic Analysis.

Price Measures (Percent change)						
Measures	12-month change		3-month change		1-month change	
	June 2008	June 2009	Annual rate		Monthly rate	
			Mar. 2009	June 2009	May 2009	June 2009
<i>CPI</i>						
<b>Total</b>	<b>5.0</b>	<b>-1.4</b>	<b>2.2</b>	<b>3.3</b>	<b>.1</b>	<b>.7</b>
Food	5.3	2.1	-8	-1.5	-.2	.0
Energy	24.7	-25.5	7.9	22.1	.2	7.4
<b>Ex. food and energy</b>	<b>2.4</b>	<b>1.7</b>	<b>2.2</b>	<b>2.4</b>	<b>.1</b>	<b>.2</b>
Core goods	.2	1.5	3.8	4.1	.2	.3
Core services	3.3	1.8	1.5	1.8	.1	.1
Shelter	2.5	1.3	.1	1.4	.1	.0
Other services	4.3	2.6	2.6	2.1	.1	.2
Memo: core ex. tobacco	2.4	1.5	1.7	2.0	.1	.2
Chained CPI (n.s.a.) <sup>1</sup>	4.2	-1.3	...	...	...	...
Ex. food and energy <sup>1</sup>	2.1	1.3	...	...	...	...
<i>PCE prices</i>						
<b>Total</b>	<b>4.1</b>	<b>-.4</b>	<b>1.5</b>	<b>2.7</b>	<b>.1</b>	<b>.5</b>
Food and bev. at home	5.5	1.6	-2.5	-2.8	-.4	.1
Energy	25.4	-26.3	7.4	26.5	.2	8.3
<b>Ex. food and energy</b>	<b>2.6</b>	<b>1.5</b>	<b>1.6</b>	<b>2.0</b>	<b>.1</b>	<b>.2</b>
Core goods	.0	1.5	3.8	2.7	.0	.2
Core services	3.5	1.5	.8	1.8	.1	.2
Housing services	2.9	2.1	2.5	1.4	.1	.0
Other services	3.7	1.4	.3	2.0	.1	.2
Memo: core ex. tobacco	2.6	1.3	1.1	1.6	.1	.2
Core market-based	2.4	2.0	2.5	2.0	.1	.2
Core non-market-based	3.8	-1.4	-3.6	1.9	.2	.2
<i>PPI</i>						
<b>Total finished goods</b>	<b>9.1</b>	<b>-4.6</b>	<b>-.9</b>	<b>9.5</b>	<b>.2</b>	<b>1.8</b>
Food	8.2	-2.2	-8.5	4.2	-1.6	1.1
Energy	27.2	-25.2	-2.4	44.7	2.9	6.6
<b>Ex. food and energy</b>	<b>2.9</b>	<b>3.3</b>	<b>1.9</b>	<b>2.1</b>	<b>-.1</b>	<b>.5</b>
Core consumer goods	3.3	3.8	3.1	2.7	-.1	.5
Capital equipment	2.5	2.6	.3	1.3	-.1	.5
Intermediate materials	14.7	-12.5	-9.4	6.8	.3	1.9
Ex. food and energy	8.8	-6.6	-6.6	-3.0	-.2	.4
Crude materials	43.6	-40.0	-28.7	55.2	3.6	4.6
Ex. food and energy	32.8	-35.6	-1.6	40.3	6.7	2.6

1. Higher-frequency figures are not applicable for data that are not seasonally adjusted (n.s.a.).

... Not applicable.

Source: For consumer price index (CPI) and producer price index (PPI), U.S. Dept. of Labor, Bureau of Labor Statistics; for personal consumption expenditures (PCE), U.S. Dept. of Commerce, Bureau of Economic Analysis.

# Commercial Bank Credit

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

Type of credit	2007	2008	H2 2008	Q1 2009	Q2 2009	June 2009	July 2009 <sup>e</sup>	Level <sup>1</sup> July 2009 <sup>e</sup>
Total	9.8	5.1	4.6	-5.5	-3.2	-1.3	-13.6	9,331
<i>Loans<sup>2</sup></i>								
Total	10.7	4.6	2.1	-7.1	-6.6	-9.5	-18.9	6,979
Core	9.6	5.2	2.7	-3.0	-5.7	-7.8	-10.2	6,178
To businesses								
Commercial and industrial	19.0	16.6	11.3	-13.3	-15.1	-18.4	-11.2	1,490
Commercial real estate	9.3	6.0	2.9	-.7	-2.1	-4.1	-6.8	1,695
To households								
Residential real estate	5.6	-3.0	-5.2	-1.4	-1.4	-4.6	-11.1	2,143
Revolving home equity	5.7	13.0	13.0	9.9	2.6	-4.1	-6.3	608
Closed-end mortgages	5.5	-7.9	-11.2	-5.6	-3.0	-4.7	-13.1	1,535
Consumer	6.7	7.2	7.4	8.1	-6.3	-4.6	-13.1	850
Memo: Originated <sup>3</sup>	6.5	5.7	4.4	1.4	-3.8	-5.0	-6.8	1,257
Other	18.7	.5	-1.5	-34.3	-13.6	-21.4	-82.2	801
<i>Securities</i>								
Total	7.0	6.9	12.9	-.2	7.6	24.3	2.4	2,352
Treasury and agency	-6.1	18.6	32.4	5.8	-5.6	28.1	3.7	1,393
Other <sup>4</sup>	28.2	-7.0	-11.2	-9.4	28.6	18.7	.6	959

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.

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.

e Estimated.

Source: Federal Reserve.

**Selected Financial Market Quotations**

(One-day quotes in percent except as noted)

Instrument		2007	2009			Change to Aug. 6 from selected dates (percentage points)			
		Aug. 6	Apr. 28	June 22	Aug. 6	2007 Aug. 6	2009 Apr. 28	2009 June 22	
<i>Short-term</i>									
FOMC intended federal funds rate		5.25	.13	.13	.13	-5.12	.00	.00	
Treasury bills <sup>1</sup>									
3-month		4.74	.13	.20	.17	-4.57	.04	-.03	
6-month		4.72	.31	.34	.27	-4.45	-.04	-.07	
Commercial paper (A1/P1 rates) <sup>2</sup>									
1-month		5.26	.31	.30	.22	-5.04	-.09	-.08	
3-month		5.29	.55	.63	.30	-4.99	-.25	-.33	
Large negotiable CDs <sup>1</sup>									
3-month		5.34	.80	.40	.32	-5.02	-.48	-.08	
6-month		5.27	1.38	.68	.45	-4.82	-.93	-.23	
Eurodollar deposits <sup>3</sup>									
1-month		5.33	.90	.65	.45	-4.88	-.45	-.20	
3-month		5.35	1.40	1.05	.75	-4.60	-.65	-.30	
Bank prime rate		8.25	3.25	3.25	3.25	-5.00	.00	.00	
<i>Intermediate- and long-term</i>									
U.S. Treasury <sup>4</sup>									
2-year		4.49	.92	1.17	1.22	-3.27	.30	.05	
5-year		4.52	2.04	2.71	2.74	-1.78	.70	.03	
10-year		4.82	3.38	4.04	4.06	-.76	.68	.02	
U.S. Treasury indexed notes <sup>5</sup>									
5-year		2.43	1.55	1.45	1.57	-.86	.02	.12	
10-year		2.48	1.92	2.10	1.98	-.50	.06	-.12	
Municipal general obligations (Bond Buyer) <sup>6</sup>		4.51	4.57	4.86	4.65	.14	.08	-.21	
Private instruments									
10-year swap		5.44	3.07	3.97	4.01	-1.43	.94	.04	
10-year FNMA <sup>7</sup>		5.34	3.88	4.40	4.38	-.96	.50	-.02	
10-year AA <sup>8</sup>		6.12	6.33	5.94	5.48	-.64	-.85	-.46	
10-year BBB <sup>8</sup>		6.57	8.49	7.58	6.78	.21	-1.71	-.80	
10-year high yield <sup>8</sup>		9.21	12.79	12.13	10.66	1.45	-2.13	-1.47	
Home mortgages (FHLMC survey rate)									
30-year fixed		6.59	4.78	5.42	5.22	-1.37	.44	-.20	
1-year adjustable		5.65	4.77	4.93	4.78	-.87	.01	-.15	
Stock exchange index	Record high		2009			Change to Aug. 6 from selected dates (percent)			
	Level	Date	Apr. 28	June 22	Aug. 6	Record high	2009 Apr. 28	2009 June 22	
Dow Jones Industrial		14,165	10-9-07	8,017	8,339	9,256	-34.65	15.46	11.00
S&P 500 Composite		1,565	10-9-07	855	893	997	-36.29	16.60	11.65
Nasdaq		5,049	3-10-00	1,674	1,766	1,973	-60.92	17.88	11.72
Russell 2000		856	7-13-07	473	493	558	-34.84	17.93	13.15
D.J. Total Stock Index		15,807	10-9-07	8,754	9,130	10,261	-35.08	17.22	12.39

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:**

August 6, 2007, is the day before the August 2007 FOMC meeting.  
 April 28, 2009, is the day before the April 2009 FOMC monetary policy announcement.  
 June 22, 2009, is the day before the most recent FOMC monetary policy announcement.