

Prefatory Note

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Please note that some material may have been redacted from this document if that material was received on a confidential basis. Redacted material is indicated by occasional gaps in the text or by gray boxes around non-text content. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

Class II FOMC – Restricted (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book A

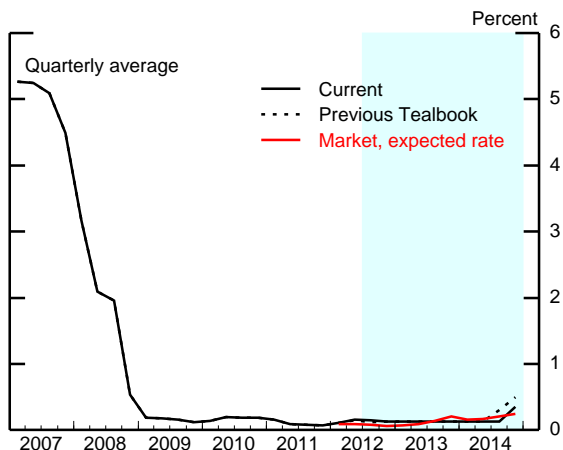
Economic and Financial Conditions: Current Situation and Outlook

July 25, 2012

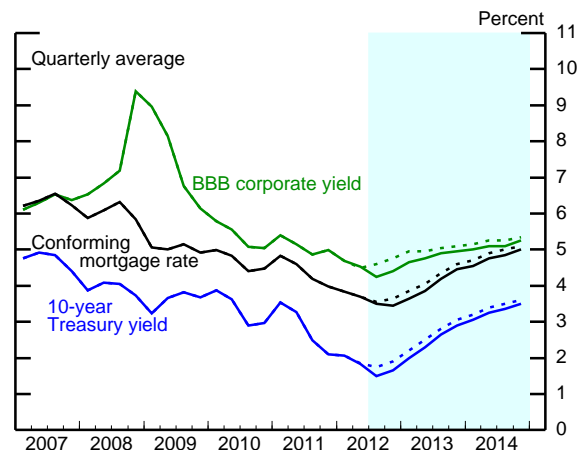
Prepared for the Federal Open Market Committee
by the staff of the Board of Governors of the Federal Reserve System

Key Background Factors underlying the Baseline Staff Projection

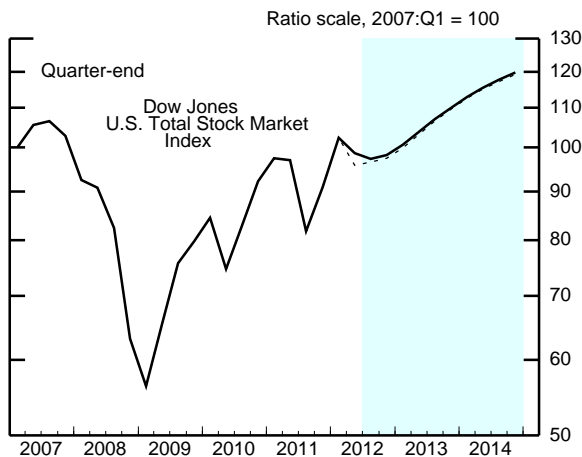
Federal Funds Rate



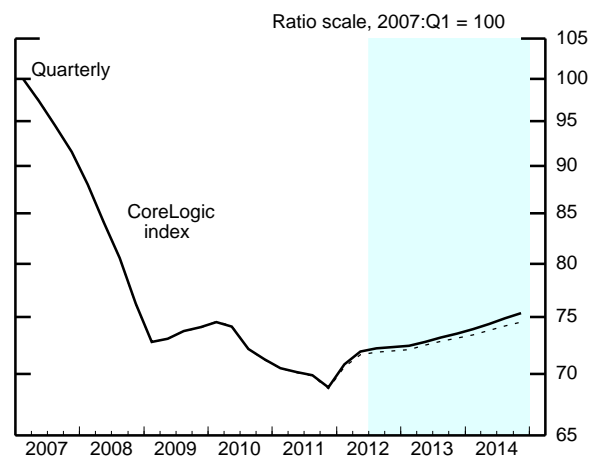
Long-Term Interest Rates



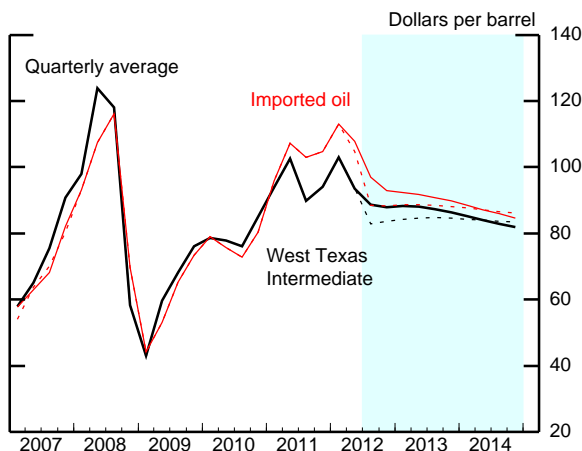
Equity Prices



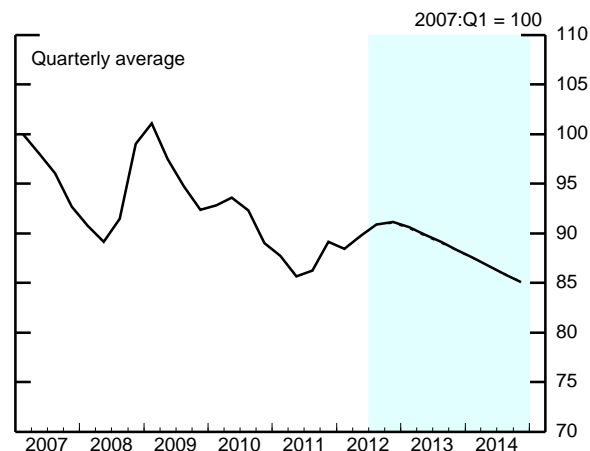
House Prices



Crude Oil Prices



Broad Real Dollar



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

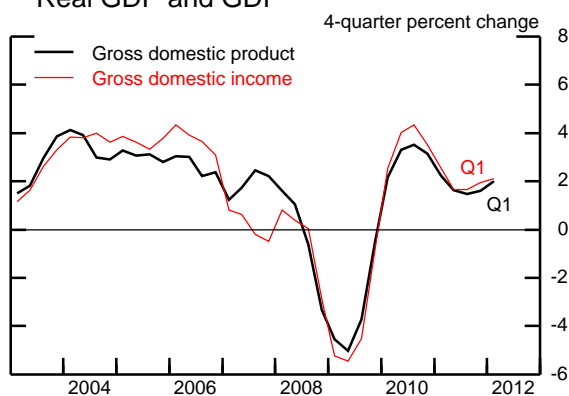
Measure	2012:Q2		2012:Q3		2012:Q4	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
Real GDP	1.5	1.0	1.9	1.5	1.9	1.8
Private domestic final purchases	2.3	1.8	2.7	2.2	2.9	2.5
Personal consumption expenditures	1.9	1.1	2.5	2.1	2.7	2.4
Residential investment	11.5	8.9	8.3	12.3	6.8	3.3
Business fixed investment	2.5	5.1	2.8	.6	3.3	3.1
Government purchases	-2.0	-3.0	-1.9	-1.4	-1.2	-1.4
<i>Contributions to change in real GDP</i>						
Inventory investment ¹	.2	.0	.5	.3	.1	.3
Net exports ¹	-.3	.0	-.4	-.4	-.3	-.4
Unemployment Rate²	8.2	8.2	8.2	8.3	8.2	8.3
PCE Chain Price Index	.6	.8	.1	.8	1.5	1.5
Ex. food and energy	1.7	1.8	1.6	1.6	1.5	1.5

1. Percentage points.

2. Percent.

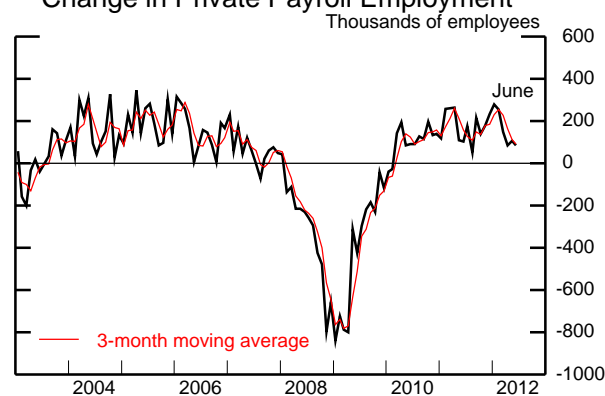
Recent Nonfinancial Developments (1)

Real GDP and GDI



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

Change in Private Payroll Employment



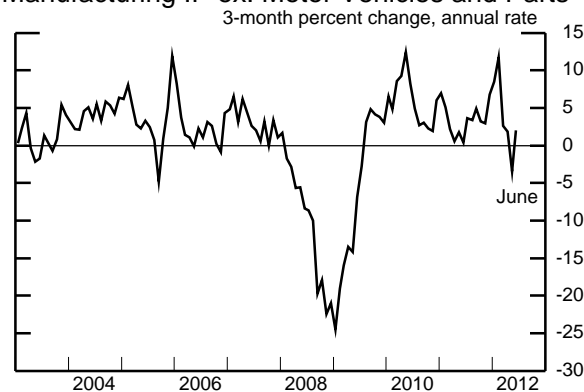
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Unemployment Rate



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

Manufacturing IP ex. Motor Vehicles and Parts

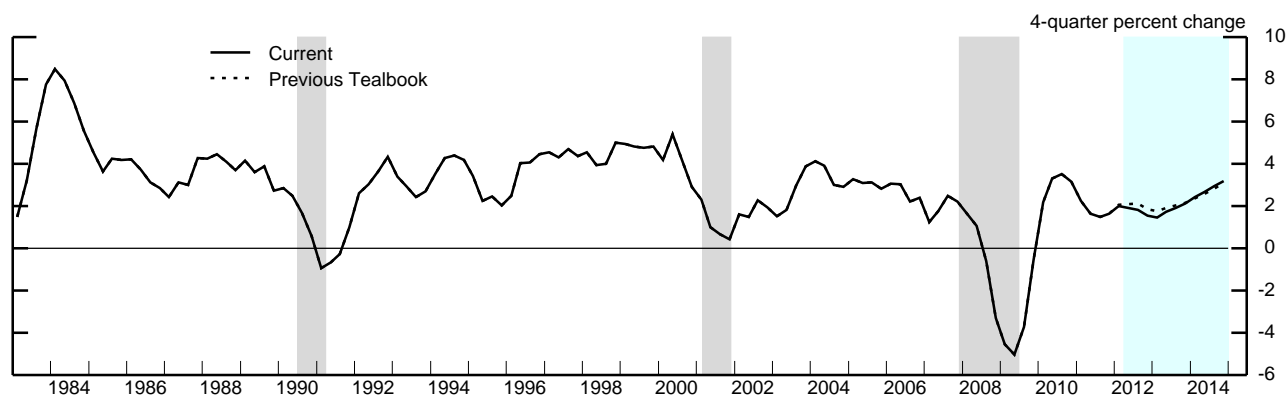


Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Projections of Real GDP and Related Components
(Percent change at annual rate from final quarter
of preceding period except as noted)

Measure	2011	2012		2013	2014
		H1	H2		
Real GDP	1.6	1.4	1.6	2.1	3.2
Previous Tealbook	1.6	1.8	1.9	2.2	3.1
Final sales	1.5	1.4	1.3	1.8	3.0
Previous Tealbook	1.5	1.6	1.6	1.9	2.9
Personal consumption expenditures	1.6	1.8	2.3	2.2	3.3
Previous Tealbook	1.6	2.4	2.6	2.3	3.2
Residential investment	3.5	14.3	7.7	10.0	11.2
Previous Tealbook	3.5	15.5	7.5	10.2	10.8
Nonresidential structures	4.4	1.2	-.6	.8	1.6
Previous Tealbook	4.4	.1	-1.7	.7	2.1
Equipment and software	9.6	5.2	2.7	4.6	6.7
Previous Tealbook	9.6	3.6	4.9	5.6	5.9
Federal purchases	-3.2	-5.2	-2.5	-4.1	-4.2
Previous Tealbook	-3.2	-4.3	-3.1	-4.1	-4.2
State and local purchases	-2.5	-2.3	-.6	.4	1.3
Previous Tealbook	-2.5	-2.1	-.5	.5	1.3
Exports	4.7	4.3	3.2	3.7	5.6
Previous Tealbook	4.7	4.0	3.4	3.7	5.5
Imports	3.6	3.0	4.8	4.1	4.7
Previous Tealbook	3.6	3.7	5.0	4.2	4.5
Contributions to change in real GDP (percentage points)					
Inventory change	.1	.1	.3	.3	.2
Previous Tealbook	.1	.2	.3	.3	.2
Net exports	.0	.1	-.4	-.2	-.1
Previous Tealbook	.0	-.1	-.4	-.2	.0

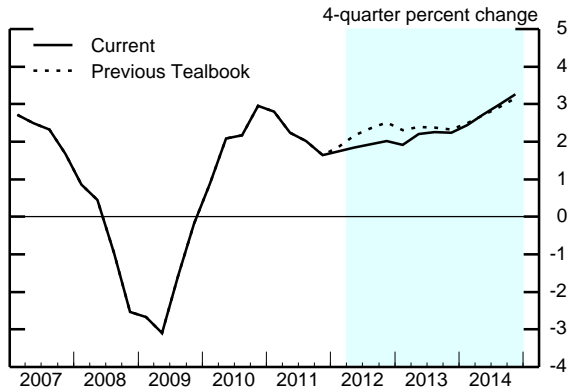
Real GDP



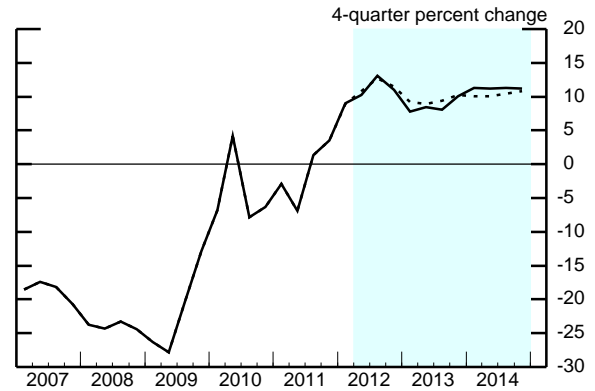
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

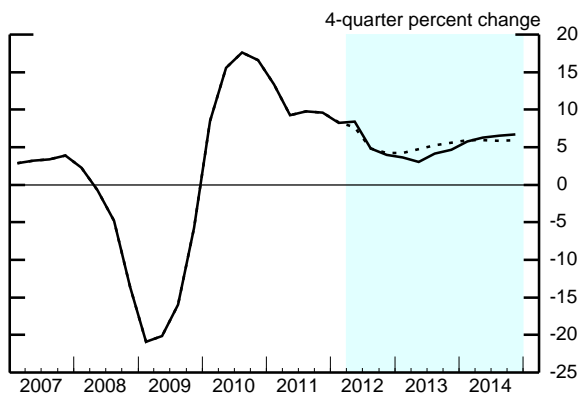
Personal Consumption Expenditures



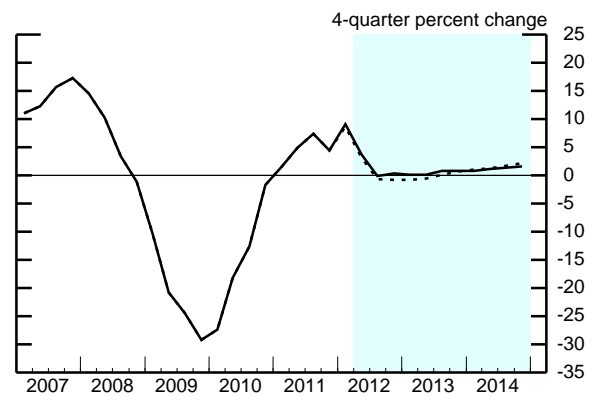
Residential Investment



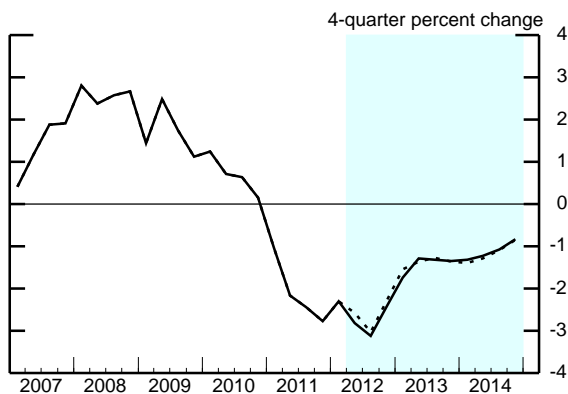
Equipment and Software



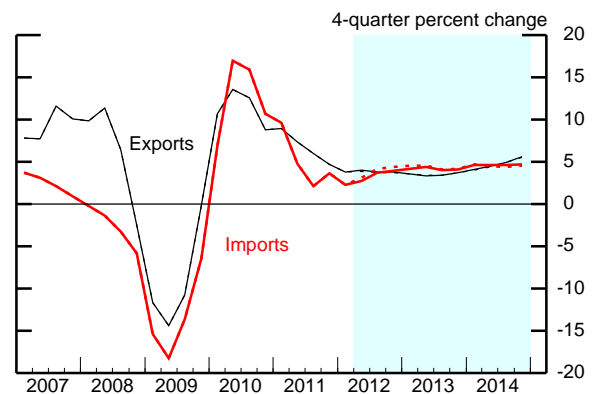
Nonresidential Structures



Government Consumption & Investment



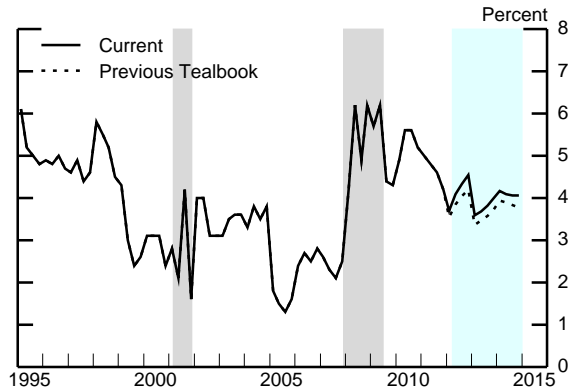
Exports and Imports



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

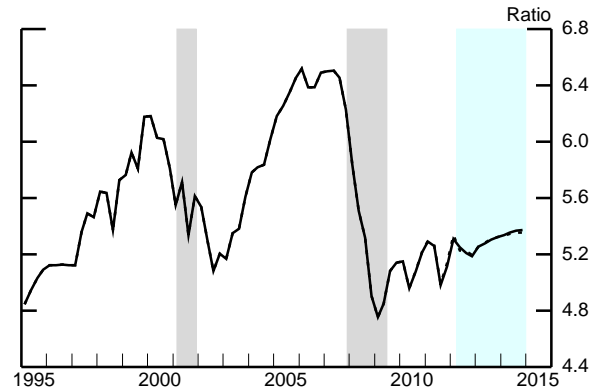
Aspects of the Medium-Term Projection

Personal Saving Rate



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

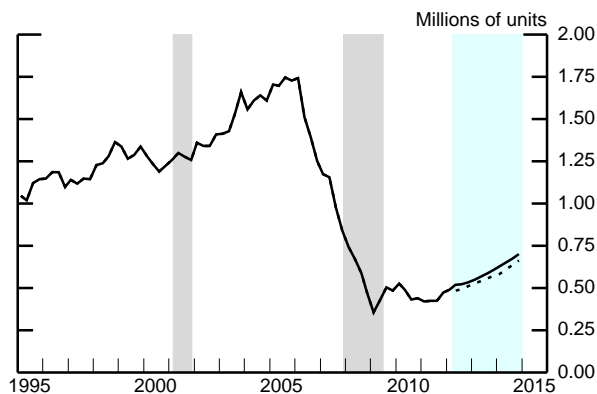
Wealth-to-Income Ratio



Note: Household net worth as a ratio to disposable personal income.

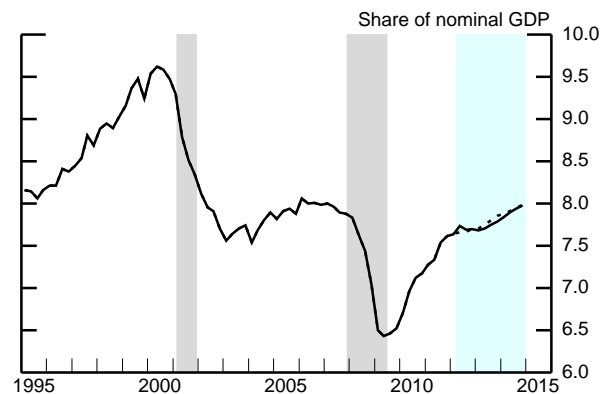
Source: For net worth, Federal Reserve Board, flow of funds data; for income, Dept. of Commerce, Bureau of Economic Analysis.

Single-Family Housing Starts



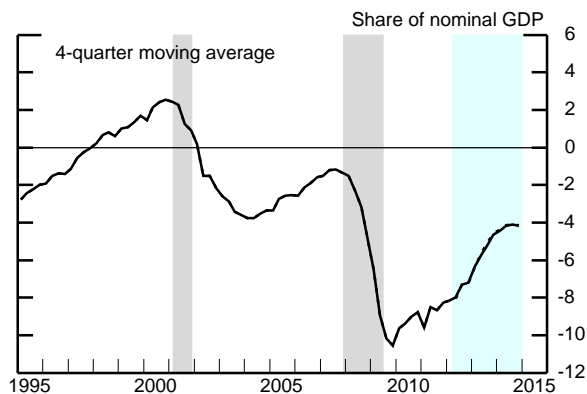
Source: U.S. Census Bureau.

Equipment and Software Spending



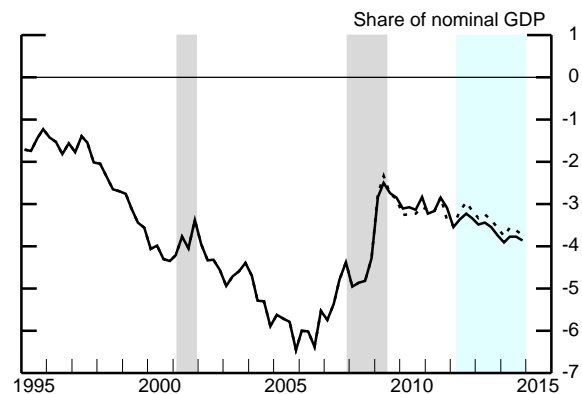
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Federal Surplus/Deficit



Source: *Monthly Treasury Statement*.

Current Account Surplus/Deficit



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

Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.

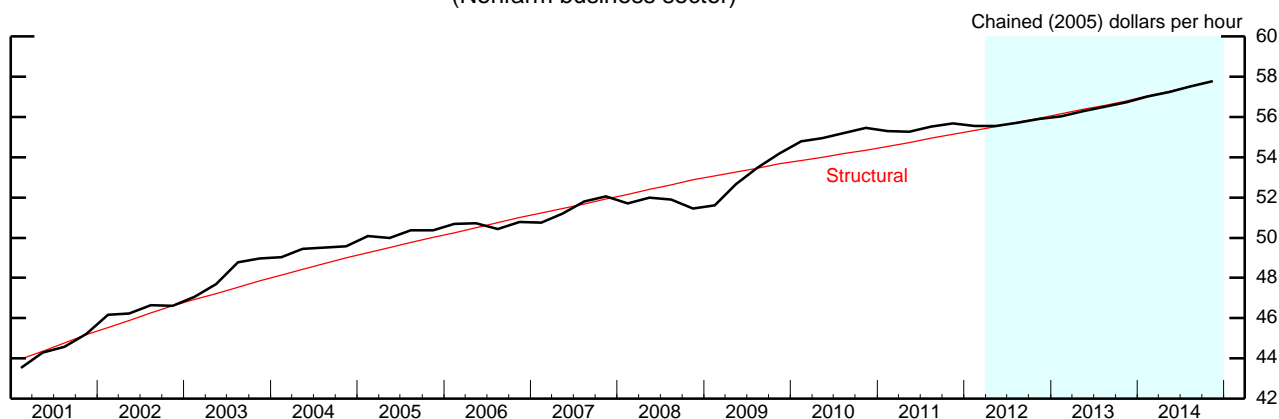
Decomposition of Potential GDP
(Percent change, Q4 to Q4, except as noted)

Measure	1974-1995	1996-2000	2001-2010	2011	2012	2013	2014
Potential real GDP	3.0	3.4	2.2	1.7	1.8	2.0	2.1
Previous Tealbook	3.0	3.4	2.2	1.7	1.8	2.0	2.1
<i>Selected contributions¹</i>							
Structural labor productivity	1.4	2.6	2.2	1.5	1.4	1.6	1.7
Previous Tealbook	1.4	2.6	2.2	1.5	1.4	1.6	1.7
Capital deepening	.7	1.5	.7	.5	.5	.6	.7
Previous Tealbook	.7	1.5	.7	.5	.5	.6	.7
Multifactor productivity	.5	.8	1.2	.8	.8	.9	.9
Previous Tealbook	.5	.8	1.2	.8	.8	.9	.9
Structural hours	1.5	1.0	.6	.5	.6	.6	.6
Previous Tealbook	1.5	1.0	.6	.5	.6	.6	.6
Labor force participation	.4	.0	-.3	-.4	-.3	-.3	-.3
Previous Tealbook	.4	.0	-.3	-.4	-.3	-.3	-.3

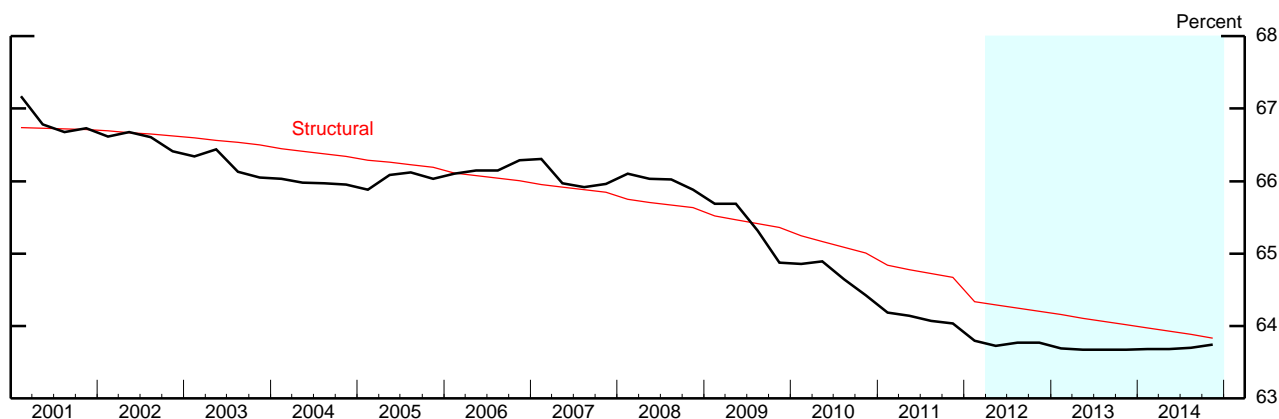
Note: Components may not sum to totals because of rounding. For multiyear periods, the percent change is the annual average from Q4 of the year preceding the first year shown to Q4 of the last year shown.

1. Percentage points.

Structural and Actual Labor Productivity
(Nonfarm business sector)



Structural and Actual Labor Force Participation Rate



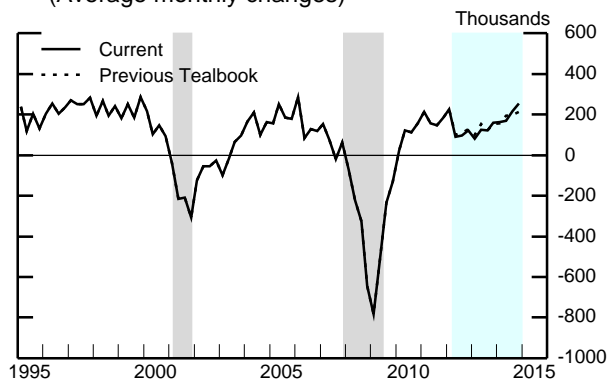
Source: U.S. Department of Labor, Bureau of Labor Statistics; Bureau of Economic Analysis; and staff assumptions.

The Outlook for the Labor Market and Resource Utilization (Percent change from final quarter of preceding period)

Measure	2011	2012		2013	2014
		H1	H2		
Output per hour, nonfarm business	.4	-.5	1.3	1.5	1.8
Previous Tealbook	.4	.2	.7	1.5	1.8
Nonfarm private employment ¹	175	159	110	122	200
Previous Tealbook	175	163	118	132	190
Labor force participation rate ²	64.0	63.7	63.8	63.7	63.7
Previous Tealbook	64.0	63.7	63.7	63.7	63.7
Civilian unemployment rate ²	8.7	8.2	8.3	8.1	7.8
Previous Tealbook	8.7	8.2	8.2	8.0	7.7
Memo: GDP gap ³	-4.5	-4.7	-4.8	-4.6	-3.6
Previous Tealbook	-4.5	-4.5	-4.5	-4.3	-3.4

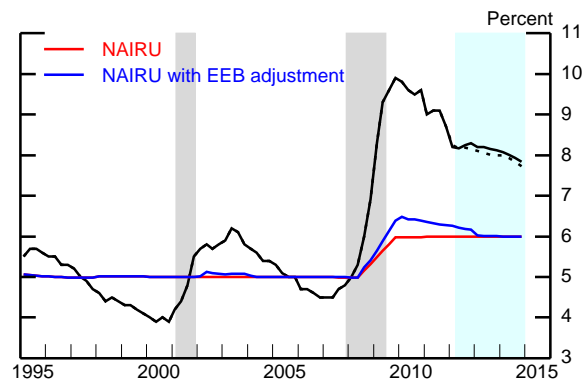
1. Thousands, average monthly changes.
2. Percent, average for the final quarter in the period.
3. Percent difference between actual and potential GDP in the final quarter of the period indicated. A negative number indicates that the economy is operating below potential.
Source: U.S. Department of Labor, BLS; staff assumptions.

Nonfarm Private Employment (Average monthly changes)



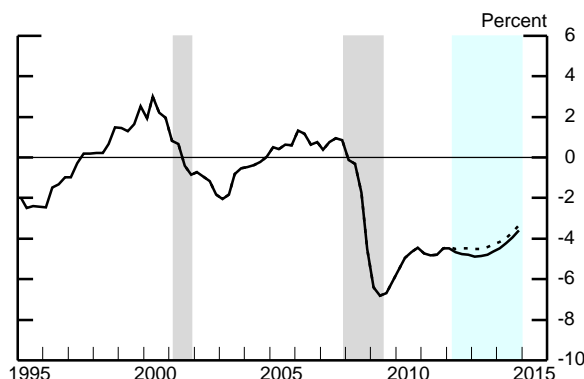
Source: U.S. Dept. of Labor, BLS.

Unemployment Rate



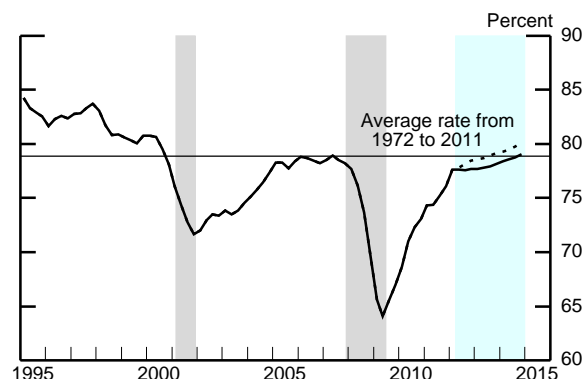
Note: The EEB adjustment is the staff estimate of the effect of extended and emergency unemployment compensation programs on the NAIRU.
Source: U.S. Dept. of Labor, BLS; staff assumptions.

GDP Gap



Note: The GDP gap is the percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.
Source: U.S. Dept. of Commerce, BEA; staff assumptions.

Manufacturing Capacity Utilization Rate



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

Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.

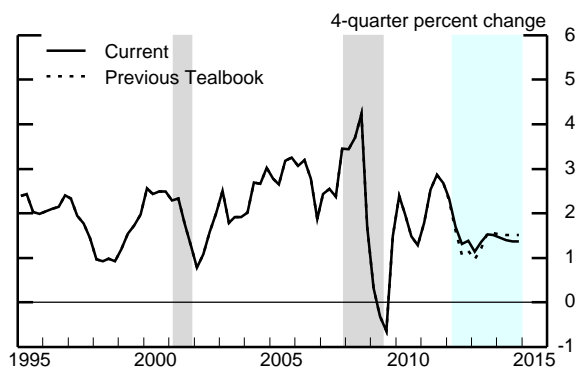
Inflation Projections (Percent change at annual rate from final quarter of preceding period)

Measure	2011	2012		2013	2014
		H1	H2		
PCE chain-weighted price index	2.7	1.7	1.1	1.5	1.4
Previous Tealbook	2.7	1.5	.8	1.5	1.5
Food and beverages	5.2	1.0	2.7	2.4	.9
Previous Tealbook	5.2	1.4	1.6	1.5	1.4
Energy	12.8	-3.4	-6.7	-1.2	-1.7
Previous Tealbook	12.8	-4.8	-10.1	.7	-.4
Excluding food and energy	1.8	2.1	1.5	1.6	1.6
Previous Tealbook	1.8	1.9	1.5	1.6	1.6
Prices of core goods imports ¹	4.3	1.1	-.5	1.1	1.4
Previous Tealbook	4.3	1.2	-1.0	1.4	1.6

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

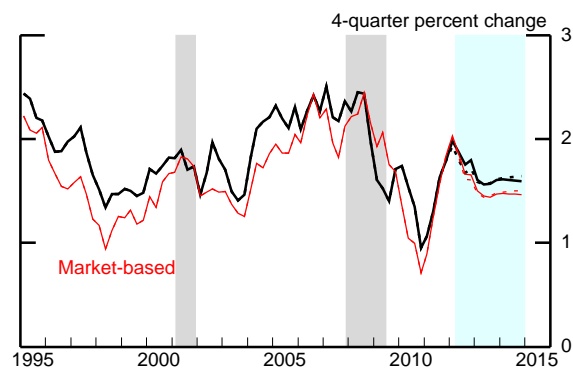
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE Prices



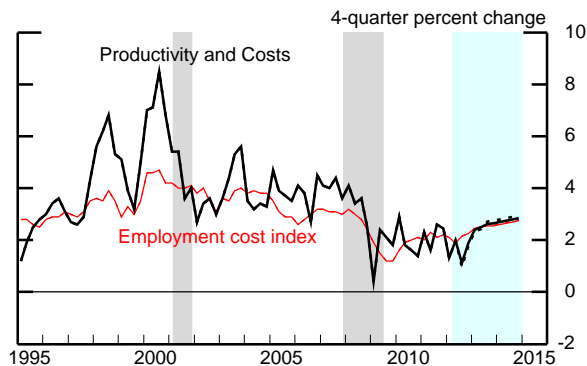
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices ex. Food and Energy



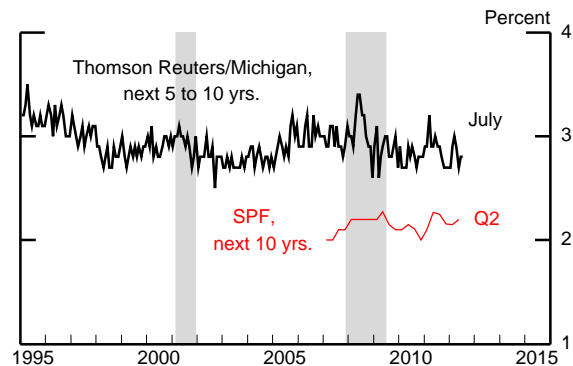
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Compensation per Hour



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

Long-Term Inflation Expectations



Note: The Survey of Professional Forecasters (SPF) projection is for the PCE price index.

Source: Thomson Reuters/University of Michigan Surveys of Consumers; Federal Reserve Bank of Philadelphia.

Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.

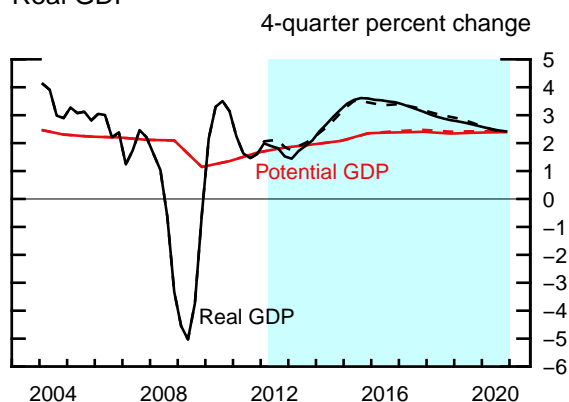
The Long-Term Outlook

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

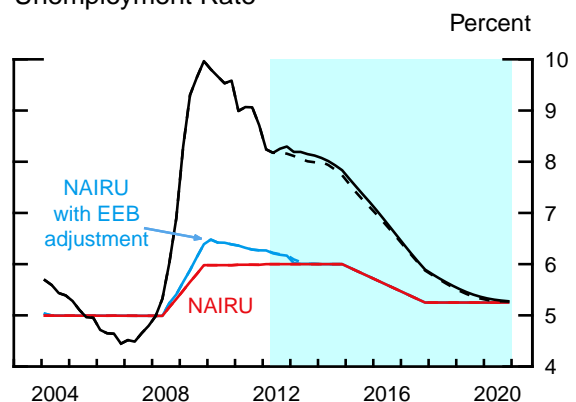
Measure	2012	2013	2014	2015	2016	2017
Real GDP	1.5	2.1	3.2	3.6	3.5	3.1
Previous Tealbook	1.9	2.2	3.1	3.5	3.4	3.2
Civilian unemployment rate ¹	8.3	8.1	7.8	7.2	6.5	5.9
Previous Tealbook	8.2	8.0	7.7	7.1	6.5	5.9
PCE prices, total	1.4	1.5	1.4	1.6	1.7	1.8
Previous Tealbook	1.2	1.5	1.5	1.6	1.7	1.8
Core PCE prices	1.8	1.6	1.6	1.7	1.7	1.8
Previous Tealbook	1.7	1.6	1.6	1.7	1.8	1.8
Federal funds rate ¹	.1	.1	.4	1.5	2.6	3.3
Previous Tealbook	.1	.1	.5	1.6	2.6	3.4
10-year Treasury yield ¹	1.7	2.9	3.5	3.8	4.0	4.2
Previous Tealbook	1.9	3.1	3.6	3.8	4.1	4.2

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

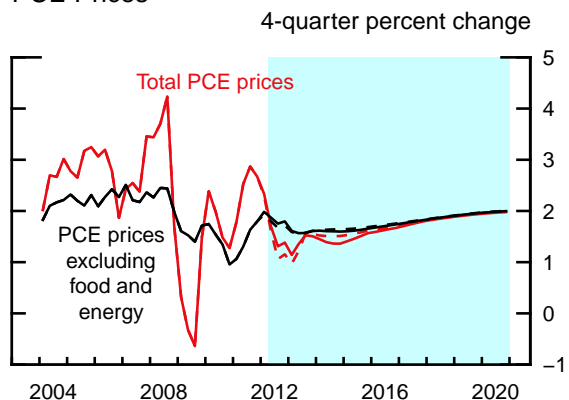
Real GDP



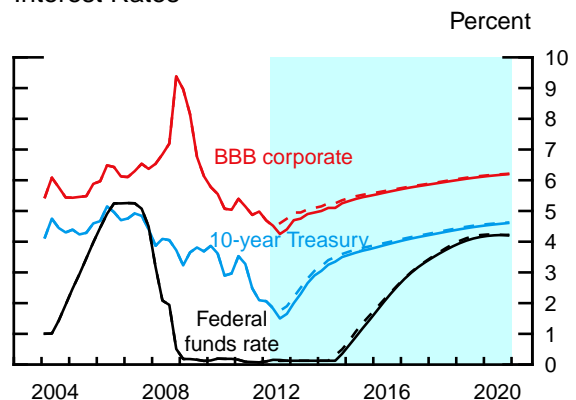
Unemployment Rate



PCE Prices



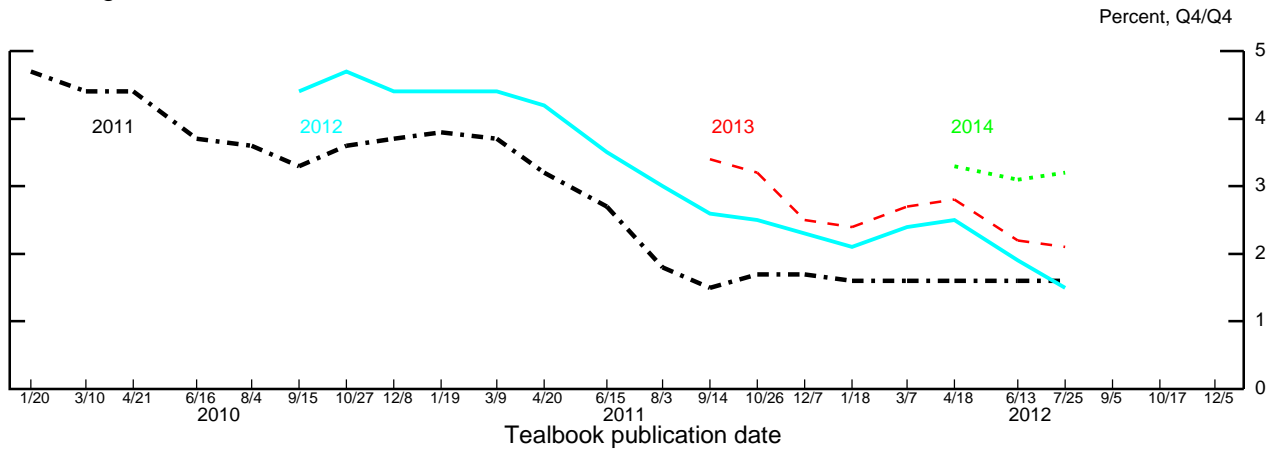
Interest Rates



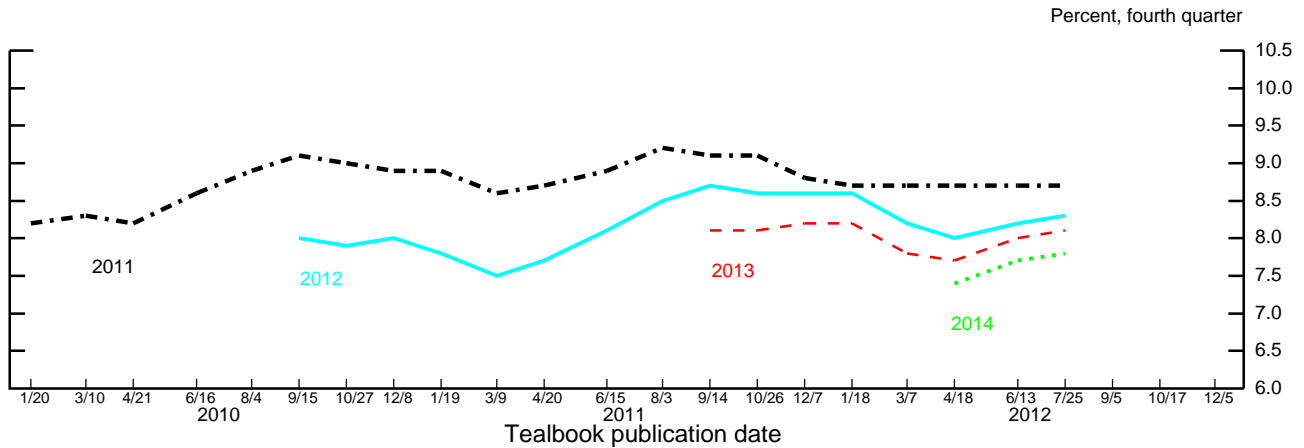
Note: In each panel, shading represents the projection period, dashed lines are the previous Tealbook.

Evolution of the Staff Forecast

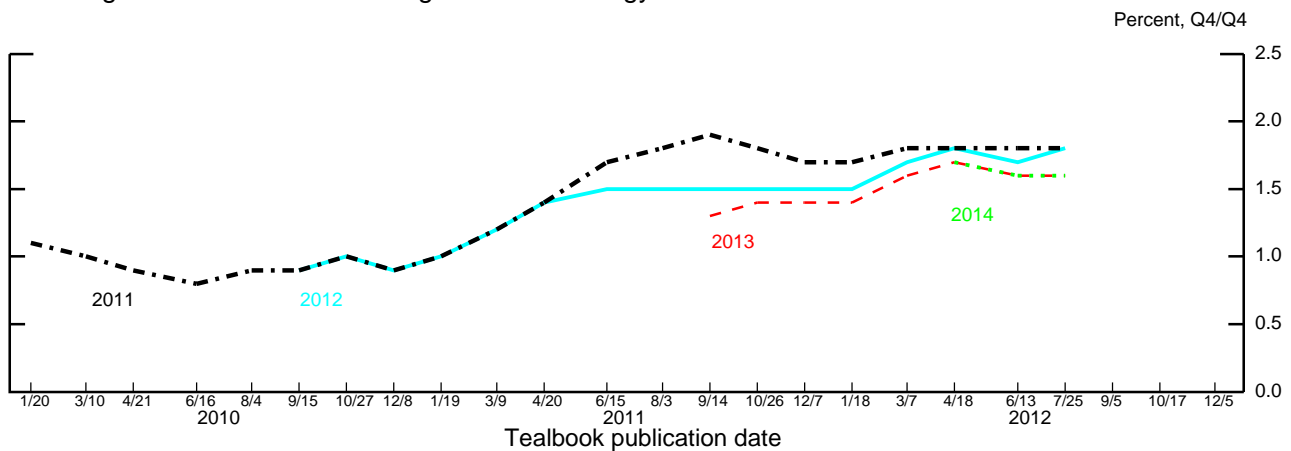
Change in Real GDP



Unemployment Rate



Change in PCE Prices excluding Food and Energy



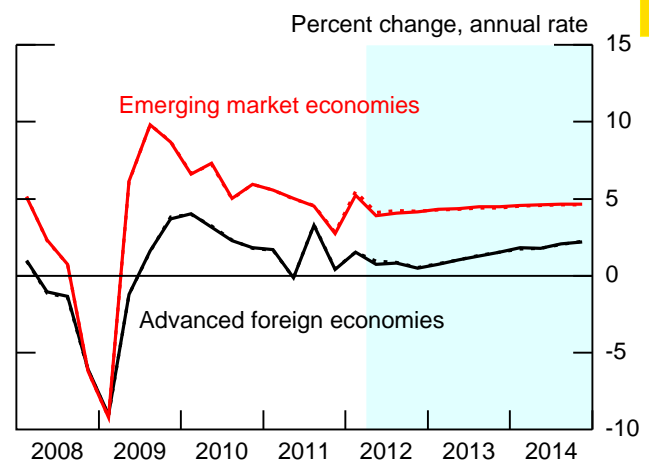
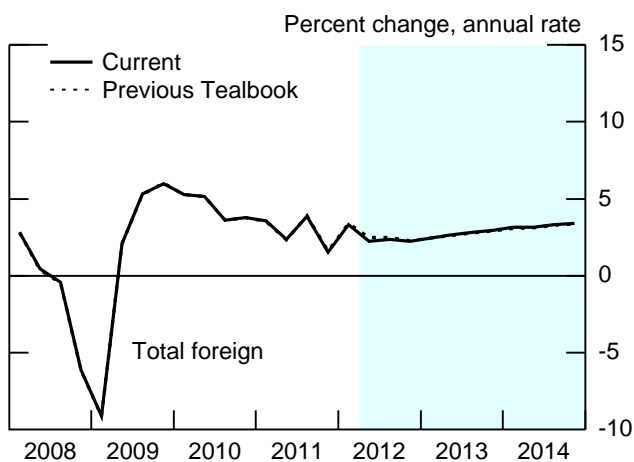
The Foreign Outlook

(Percent change, annual rate)

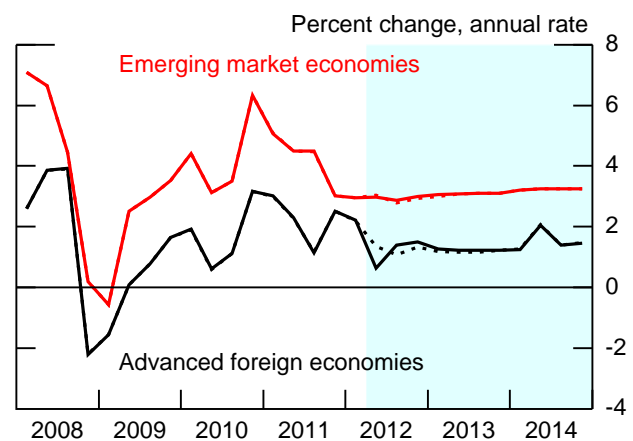
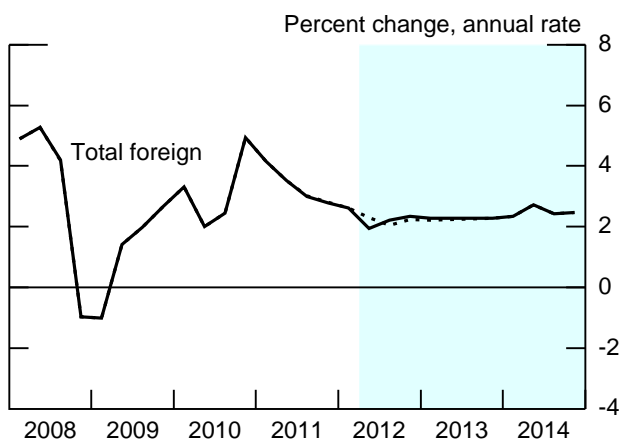
	2011	2012				2013			2014
		Q1	Q2	Q3	Q4	Q1	Q2	H2	
Real GDP									
Total foreign	2.8	3.3	2.3	2.4	2.2	2.5	2.6	2.9	3.2
Previous Tealbook	2.8	3.4	2.5	2.5	2.3	2.5	2.6	2.8	3.2
Advanced foreign economies	1.3	1.5	.7	.8	.5	.7	1.0	1.4	2.0
Previous Tealbook	1.3	1.5	1.0	.9	.5	.8	1.0	1.4	1.9
Emerging market economies	4.5	5.2	3.9	4.1	4.2	4.3	4.4	4.5	4.6
Previous Tealbook	4.5	5.5	4.1	4.2	4.2	4.3	4.3	4.4	4.6
Consumer Prices									
Total foreign	3.4	2.6	2.0	2.2	2.3	2.3	2.3	2.3	2.5
Previous Tealbook	3.4	2.6	2.3	2.0	2.2	2.2	2.2	2.3	2.5
Advanced foreign economies	2.2	2.2	.6	1.4	1.5	1.3	1.2	1.2	1.5
Previous Tealbook	2.2	2.2	1.4	1.1	1.3	1.2	1.2	1.2	1.5
Emerging market economies	4.3	3.0	3.0	2.9	3.0	3.1	3.1	3.1	3.2
Previous Tealbook	4.3	3.0	3.0	2.8	2.9	3.0	3.1	3.1	3.2

Note: Annualized percent change from final quarter of preceding period to final quarter of period indicated.

Real GDP

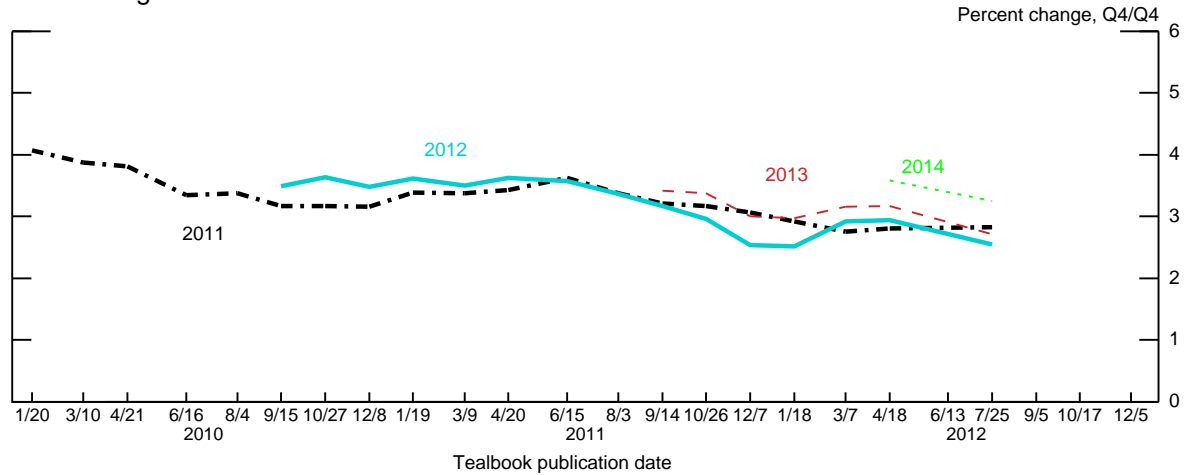


Consumer Prices

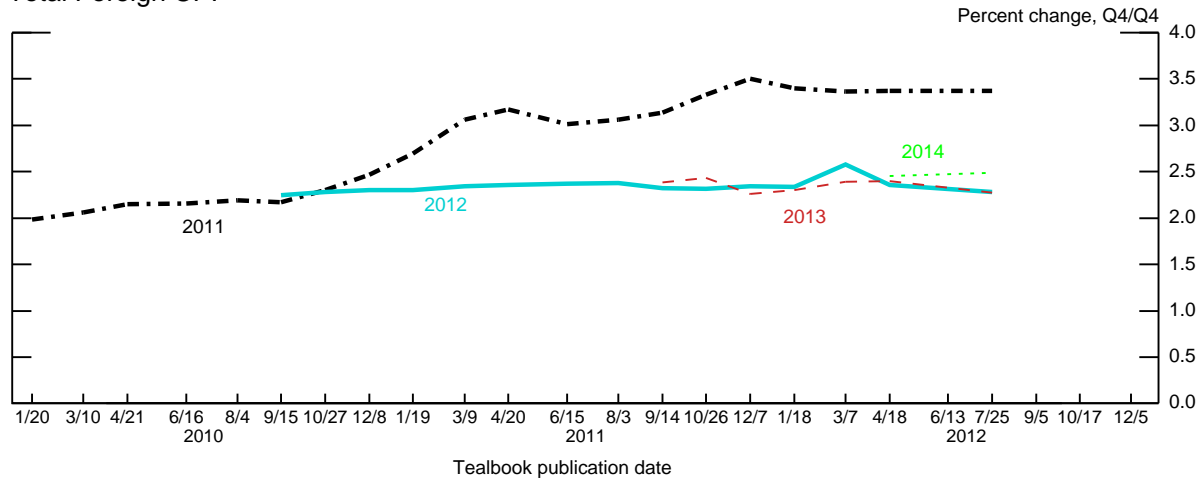


Evolution of Staff's International Forecast

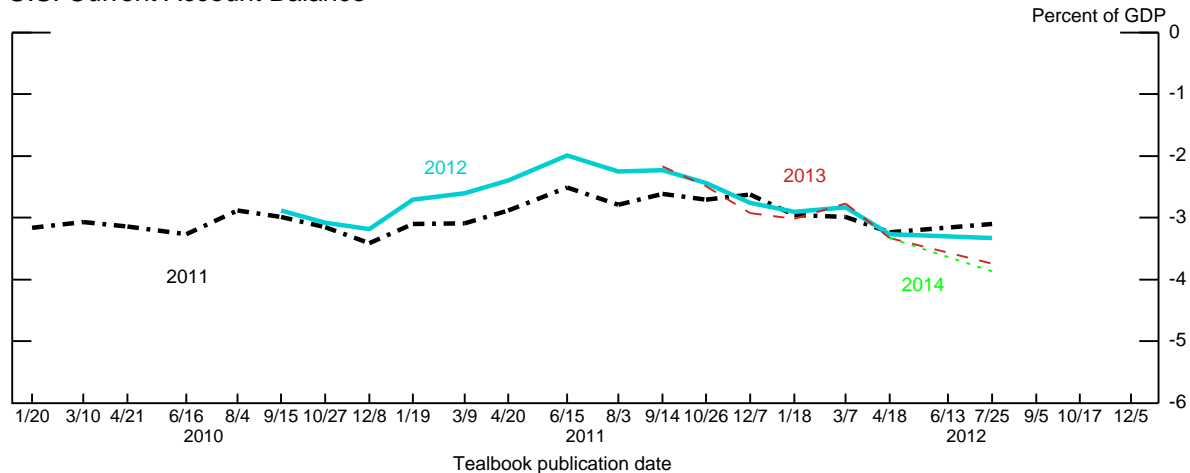
Total Foreign GDP



Total Foreign CPI

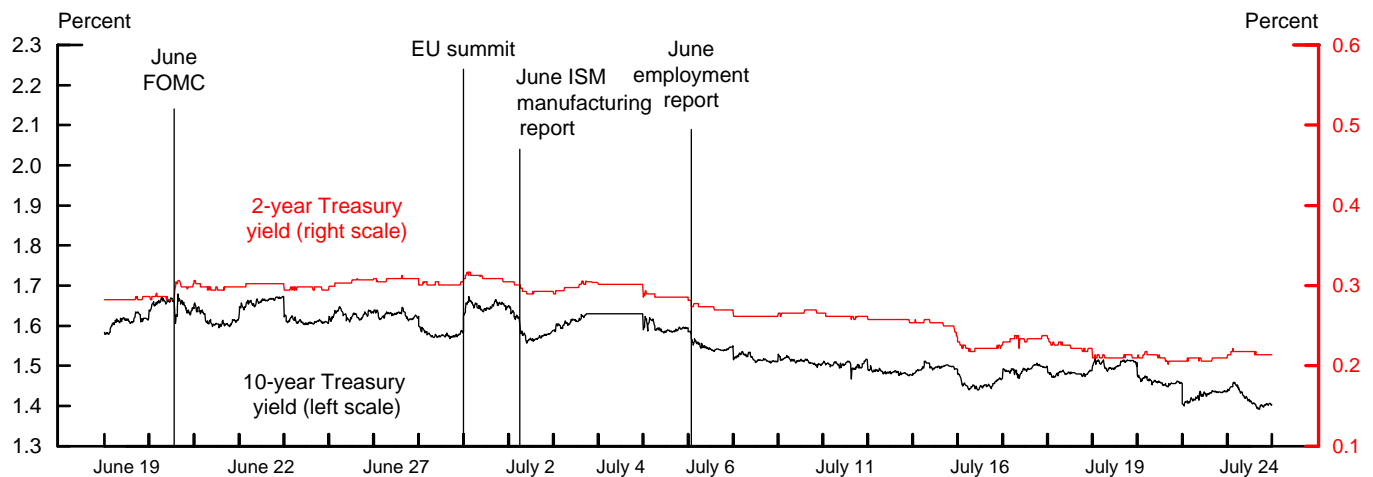


U.S. Current Account Balance

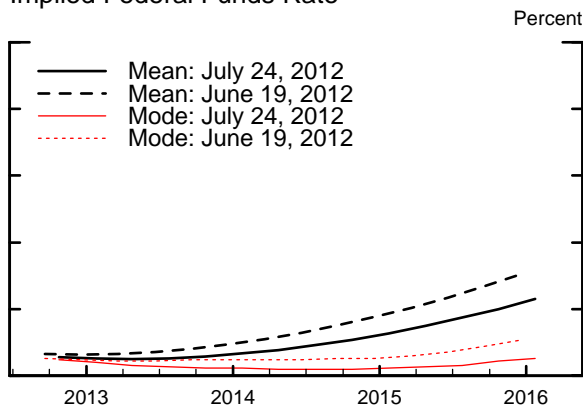


Policy Expectations and Treasury Yields

Selected Interest Rates



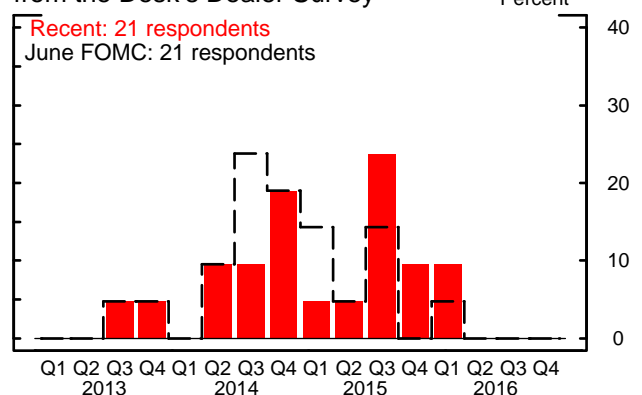
Implied Federal Funds Rate



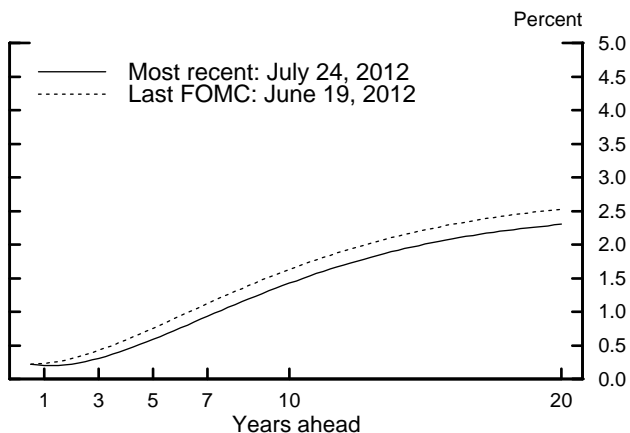
Note: Mean is estimated using overnight index swap quotes. Mode is estimated from the distribution of federal funds rate implied by interest rate caps. Both include a term premium of zero basis points per month.

Source: Bloomberg and CME Group.

Distribution of Modal Timing of First Rate Increase from the Desk's Dealer Survey

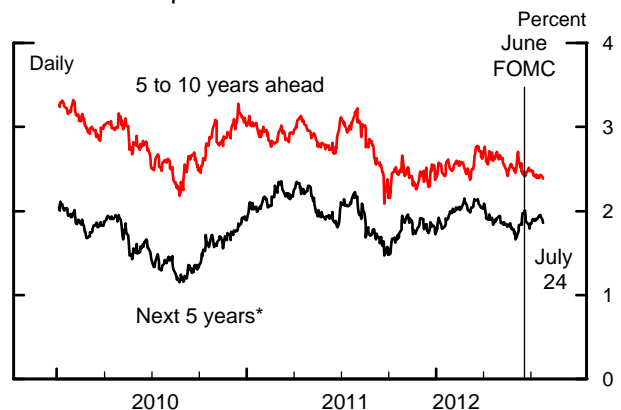


Treasury Yield Curve



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

Inflation Compensation



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

*Adjusted for the indexation-lag (carry) effect.

Source: Barclays PLC and staff estimates.

Alternative Scenarios

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

Measure and scenario	2012		2013	2014	2015	2016-17
	H1	H2				
<i>Real GDP</i>						
Extended Tealbook baseline	1.4	1.6	2.1	3.2	3.6	3.3
Fiscal cliff	1.4	1.6	.9	2.4	3.8	4.2
Faster recovery	1.4	2.6	4.1	3.4	2.7	2.6
Damaged labor market	1.4	1.4	2.0	2.7	2.9	2.4
Disinflation	1.4	1.6	1.8	2.6	3.3	3.8
European crisis with severe spillovers	1.4	-2.7	-3.3	2.1	4.5	4.4
Hard landing in China	1.4	1.1	1.2	2.9	3.9	3.7
<i>Unemployment rate¹</i>						
Extended Tealbook baseline	8.2	8.3	8.1	7.8	7.2	5.9
Fiscal cliff	8.2	8.3	8.6	8.8	8.3	6.0
Faster recovery	8.2	8.2	7.1	6.4	6.2	5.9
Damaged labor market	8.2	8.3	8.3	8.1	7.9	7.5
Disinflation	8.2	8.3	8.2	8.2	7.8	6.0
European crisis with severe spillovers	8.2	8.8	10.8	11.2	10.2	7.9
Hard landing in China	8.2	8.4	8.5	8.4	7.8	6.2
<i>Total PCE prices</i>						
Extended Tealbook baseline	1.7	1.1	1.5	1.4	1.6	1.7
Fiscal cliff	1.7	1.1	1.5	1.2	1.2	1.3
Faster recovery	1.7	1.1	1.6	1.6	2.0	2.1
Damaged labor market	1.7	1.2	1.8	1.9	2.3	2.4
Disinflation	1.7	.9	1.1	.6	.5	.4
European crisis with severe spillovers	1.7	-1.1	-.6	.8	1.8	2.1
Hard landing in China	1.7	.5	.7	.9	1.4	1.8
<i>Core PCE prices</i>						
Extended Tealbook baseline	2.1	1.5	1.6	1.6	1.7	1.8
Fiscal cliff	2.1	1.5	1.6	1.4	1.3	1.4
Faster recovery	2.1	1.5	1.7	1.8	2.1	2.2
Damaged labor market	2.1	1.6	1.9	2.1	2.4	2.5
Disinflation	2.1	1.3	1.2	.8	.6	.5
European crisis with severe spillovers	2.1	.6	.3	.9	1.6	2.0
Hard landing in China	2.1	1.3	1.2	1.2	1.5	1.8
<i>Federal funds rate¹</i>						
Extended Tealbook baseline	.2	.1	.1	.4	1.5	3.3
Fiscal cliff	.2	.1	.1	.1	.2	3.0
Faster recovery	.2	.2	1.5	2.6	2.9	3.6
Damaged labor market	.2	.1	.4	1.6	3.1	4.5
Disinflation	.2	.1	.1	.1	.1	1.3
European crisis with severe spillovers	.2	.1	.1	.1	.1	1.2
Hard landing in China	.2	.1	.1	.1	.7	2.4

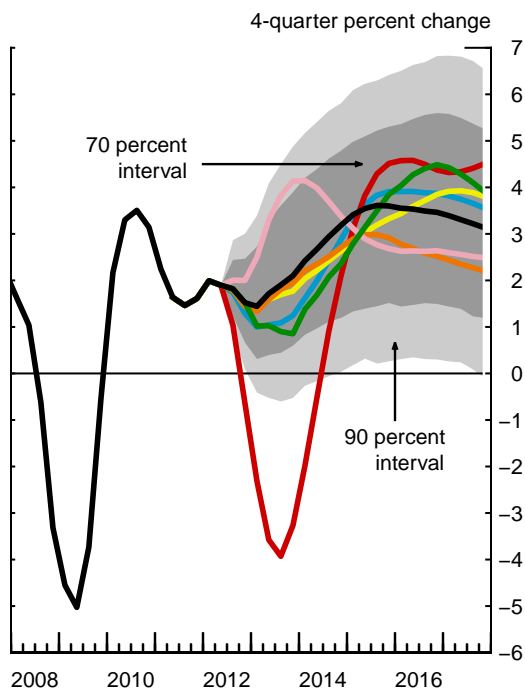
1. Percent, average for the final quarter of the period.

Forecast Confidence Intervals and Alternative Scenarios

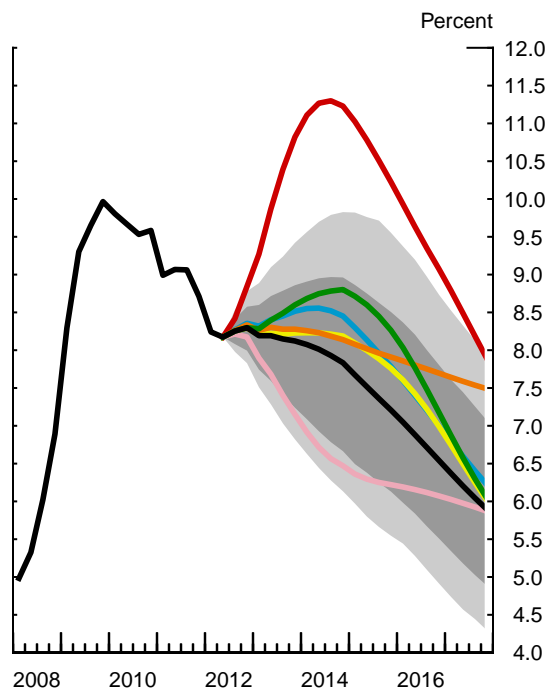
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- Damaged labor market
- European crisis with severe spillovers
- Fiscal cliff
- Disinflation
- Hard landing in China
- Faster recovery

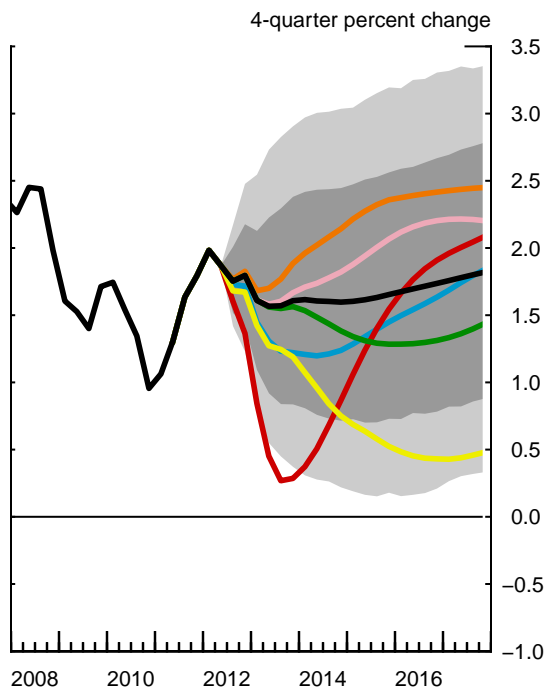
Real GDP



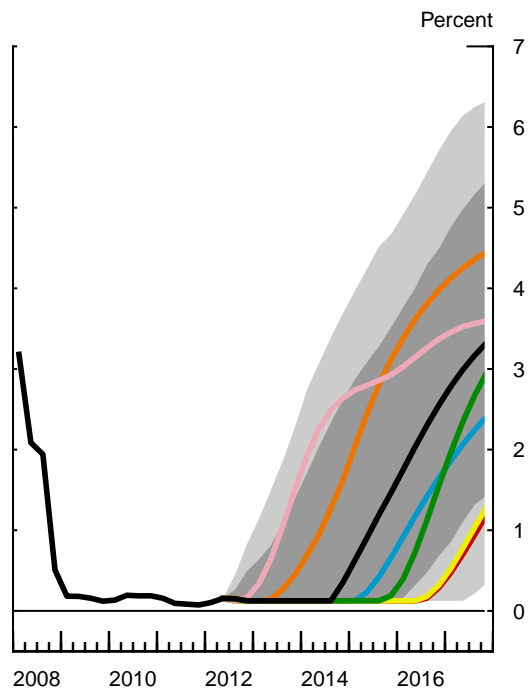
Unemployment Rate



PCE Prices excluding Food and Energy



Federal Funds Rate



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

Measure	2012	2013	2014	2015	2016	2017
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	1.5	2.1	3.2	3.6	3.5	3.1
Confidence interval						
Tealbook forecast errors	.2–2.8	.3–3.9	...	...	...	...
FRB/US stochastic simulations	.7–2.5	.6–3.9	1.2–4.8	1.5–5.3	1.5–5.6	1.2–5.2
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	8.3	8.1	7.8	7.2	6.5	5.9
Confidence interval						
Tealbook forecast errors	7.8–8.8	7.3–8.9	...	...	...	...
FRB/US stochastic simulations	8.0–8.6	7.2–8.9	6.7–9.0	6.1–8.5	5.5–7.8	4.9–7.1
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	1.4	1.5	1.4	1.6	1.7	1.8
Confidence interval						
Tealbook forecast errors	.6–2.1	.3–2.7	...	...	...	...
FRB/US stochastic simulations	.8–2.0	.5–2.5	.2–2.5	.4–2.7	.5–2.8	.6–3.0
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)						
Projection	1.8	1.6	1.6	1.7	1.7	1.8
Confidence interval						
Tealbook forecast errors	1.3–2.3	.9–2.3	...	...	...	...
FRB/US stochastic simulations	1.4–2.2	.8–2.4	.7–2.4	.7–2.6	.8–2.7	.9–2.8
<i>Federal funds rate</i> (percent, Q4)						
Projection	.1	.1	.4	1.5	2.6	3.3
Confidence interval						
FRB/US stochastic simulations	.1–.5	.1–1.4	.1–2.6	.1–3.5	.7–4.5	1.4–5.3

Note: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969–2009 set of model equation residuals.

Intervals derived from Tealbook forecast errors are based on projections made from 1979–2009, except for PCE prices excluding food and energy, where the sample is 1981–2009.

... Not applicable. The Tealbook forecast horizon has typically extended about 2 years.

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

Measure and projection	2012		2013		2014	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
<i>Real GDP</i>						
Staff	1.9	1.5	2.2	2.1	3.1	3.2
FRB/US	1.5	1.4	1.7	2.2	3.4	3.6
EDO	2.6	2.3	3.3	3.3	3.1	3.1
Blue Chip	2.1	2.0	2.6	2.5	...	...
<i>Unemployment rate¹</i>						
Staff	8.2	8.3	8.0	8.1	7.7	7.8
FRB/US	8.3	8.4	8.8	8.8	8.2	8.2
EDO	8.0	8.0	7.5	7.6	7.3	7.3
Blue Chip	8.0	8.1	7.6	7.7	...	...
<i>Total PCE prices</i>						
Staff	1.2	1.4	1.5	1.5	1.5	1.4
FRB/US	1.0	1.2	1.1	1.1	1.1	1.0
EDO	1.5	1.6	1.5	1.6	1.6	1.6
Blue Chip ²	2.0	1.7	2.2	2.2	...	...
<i>Core PCE prices</i>						
Staff	1.7	1.8	1.6	1.6	1.6	1.6
FRB/US	1.5	1.6	1.2	1.2	1.2	1.2
EDO	1.7	1.8	1.5	1.6	1.6	1.6
Blue Chip	...	...	...	...	...	...
<i>Federal funds rate¹</i>						
Staff	.1	.1	.1	.1	.5	.4
FRB/US	.0	.0	.0	.1	1.0	1.3
EDO	.6	.6	1.4	1.5	2.1	2.1
Blue Chip ³	.1	.1	.3	.3	...	...

Note: Blue Chip forecast completed on July 10, 2012.

1. Percent, average for Q4.

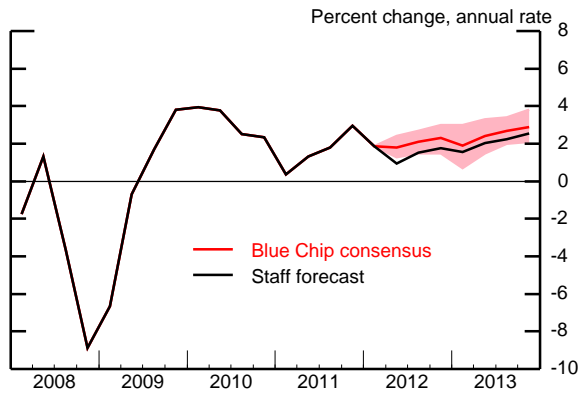
2. Consumer price index.

3. Treasury bill rate.

... Not applicable. The Blue Chip forecast typically extends about 2 years.

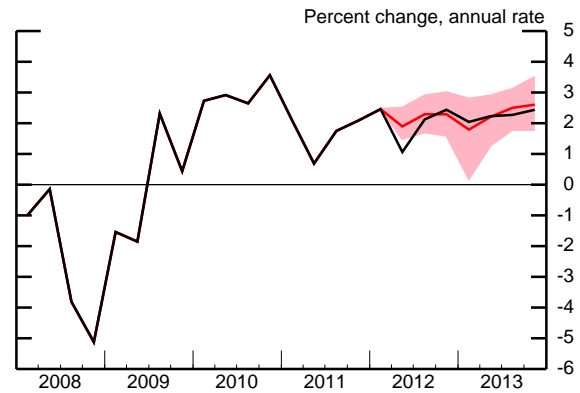
Tealbook Forecast Compared with Blue Chip (Blue Chip survey released July 10, 2012)

Real GDP

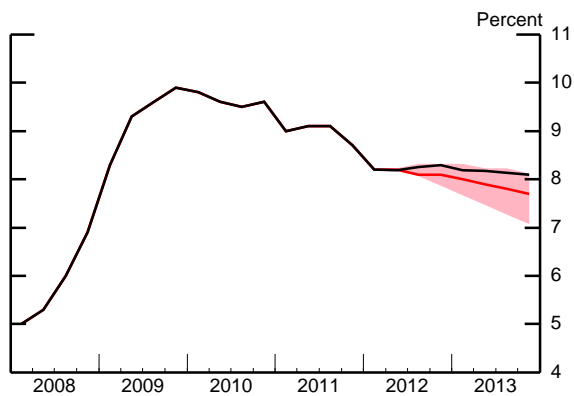


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

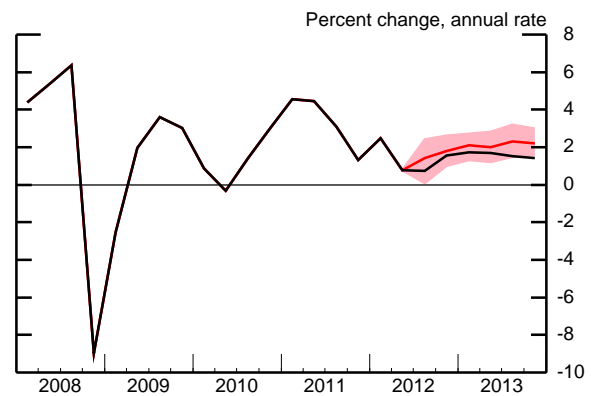
Real PCE



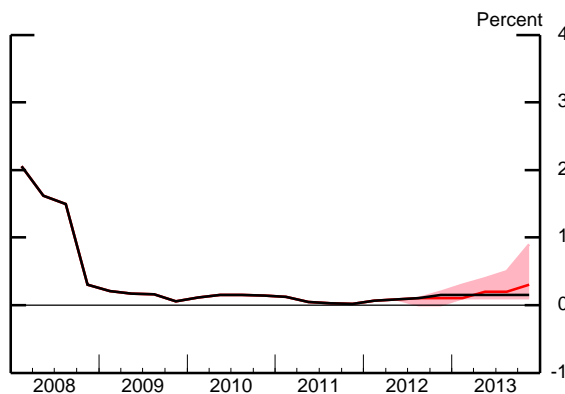
Unemployment Rate



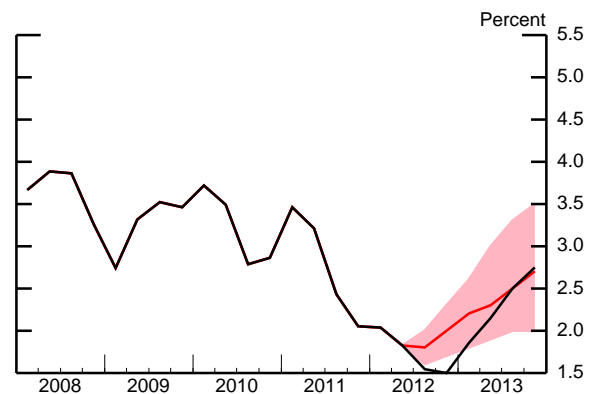
Consumer Price Index



Treasury Bill Rate



10-Year Treasury Yield



Note: The yield is for on-the-run Treasury securities. Over the forecast period, the staff's projected yield is assumed to be 15 basis points below the off-the-run yield.

Assessment of Key Macroeconomic Risks (1)

Probability of Inflation Events

(4 quarters ahead—2013:Q2)

Probability that the 4-quarter change in total PCE prices will be ...	Staff	FRB/US	EDO	BVAR
<i>Greater than 3 percent</i>				
Current Tealbook	.05	.03	.10	.04
Previous Tealbook	.04	.01	.09	.04
<i>Less than 1 percent</i>				
Current Tealbook	.33	.49	.31	.23
Previous Tealbook	.40	.63	.33	.24

Probability of Unemployment Events

(4 quarters ahead—2013:Q2)

Probability that the unemployment rate will ...	Staff	FRB/US	EDO	BVAR
<i>Increase by 1 percentage point</i>				
Current Tealbook	.04	.17	.17	.02
Previous Tealbook	.03	.25	.17	.01
<i>Decrease by 1 percentage point</i>				
Current Tealbook	.02	.00	.32	.19
Previous Tealbook	.04	.00	.31	.24

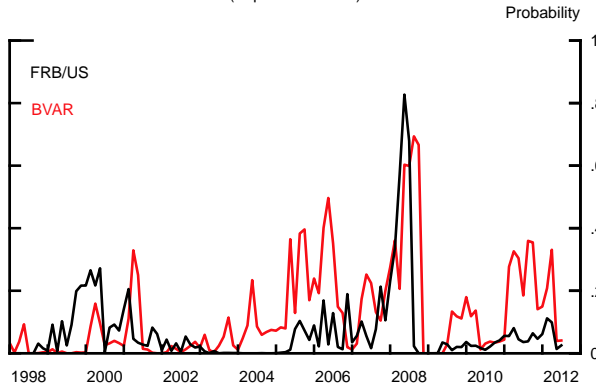
Probability of Near-Term Recession

Probability that real GDP declines in each of 2012:Q3 and 2012:Q4	Staff	FRB/US	EDO	BVAR	Factor Model
Current Tealbook	.07	.10	.05	.07	.21
Previous Tealbook	.04	.14	.05	.04	.27

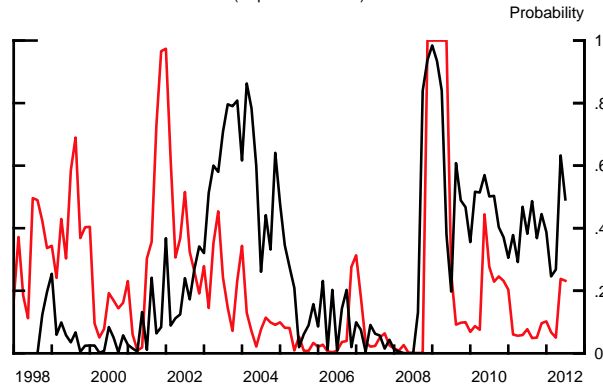
Note: "Staff" represents Tealbook forecast errors applied to the Tealbook baseline; baselines for FRB/US, BVAR, EDO, and the factor model are generated by those models themselves, up to the current-quarter estimate. The current quarter is taken as data from the staff estimate for the second Tealbook in each quarter, otherwise the preceding quarter is taken as the latest historical observation.

Assessment of Key Macroeconomic Risks (2)

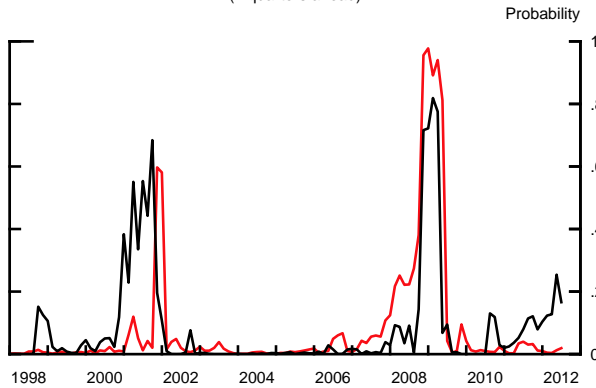
Probability that Total PCE Inflation Is above 3 Percent
(4 quarters ahead)



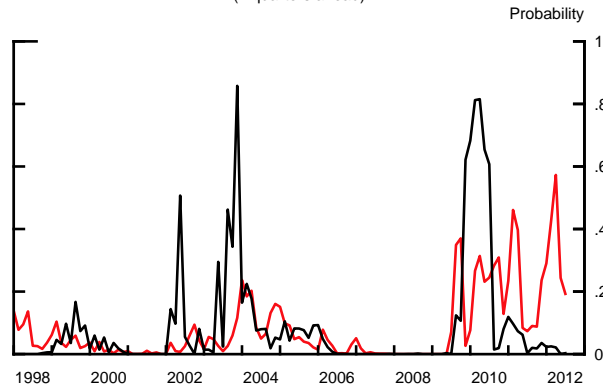
Probability that Total PCE Inflation Is below 1 Percent
(4 quarters ahead)



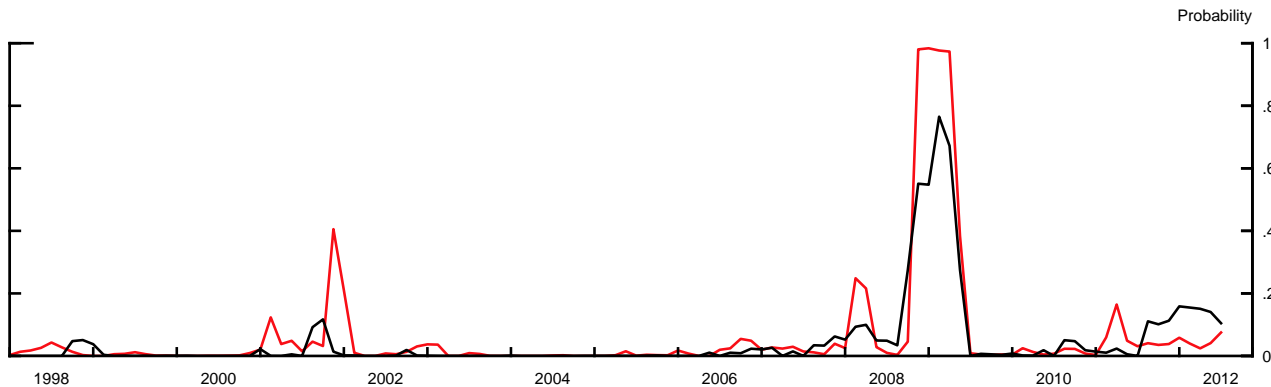
Probability that the Unemployment Rate Increases 1 ppt
(4 quarters ahead)



Probability that the Unemployment Rate Decreases 1 ppt
(4 quarters ahead)



Probability that Real GDP Declines in each of the Next Two Quarters



Note: See notes on facing page. Recession and inflation probabilities for FRB/US and the BVAR are real-time estimates. See Robert J. Tetlow and Brian Ironside (2007), "Real-Time Model Uncertainty in the United States: The Fed, 1996–2003," *Journal of Money and Banking*, vol. 39 (October), pp. 1533–61.

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

Interval	Nominal GDP		Real GDP		PCE price index		Core PCE price index		Unemployment rate ¹	
	06/13/12	07/25/12	06/13/12	07/25/12	06/13/12	07/25/12	06/13/12	07/25/12	06/13/12	07/25/12
<i>Quarterly</i>										
2011:Q1	3.1	3.1	.4	.4	3.9	3.9	1.6	1.6	9.0	9.0
Q2	4.0	4.0	1.3	1.3	3.3	3.3	2.3	2.3	9.1	9.1
Q3	4.4	4.4	1.8	1.8	2.3	2.3	2.1	2.1	9.1	9.1
Q4	3.8	3.8	3.0	3.0	1.2	1.2	1.3	1.3	8.7	8.7
2012:Q1	3.9	3.9	2.2	1.9	2.4	2.6	2.1	2.3	8.2	8.2
Q2	2.8	1.8	1.5	1.0	.6	.8	1.7	1.8	8.2	8.2
Q3	4.2	3.8	1.9	1.5	.1	.8	1.6	1.6	8.2	8.3
Q4	3.5	3.7	1.9	1.8	1.5	1.5	1.5	1.5	8.2	8.3
2013:Q1	3.4	3.2	1.7	1.6	1.6	1.6	1.6	1.6	8.1	8.2
Q2	3.6	3.6	2.1	2.0	1.6	1.6	1.6	1.6	8.1	8.2
Q3	3.8	3.7	2.3	2.2	1.5	1.5	1.6	1.6	8.0	8.1
Q4	4.0	4.0	2.5	2.5	1.5	1.4	1.6	1.6	8.0	8.1
<i>Two-quarter²</i>										
2011:Q2	3.5	3.5	.8	.8	3.6	3.6	1.9	1.9	-5	-5
Q4	4.1	4.1	2.4	2.4	1.8	1.8	1.7	1.7	-4	-4
2012:Q2	3.3	2.8	1.8	1.4	1.5	1.7	1.9	2.1	-5	-5
Q4	3.8	3.7	1.9	1.6	.8	1.1	1.5	1.5	.0	.1
2013:Q2	3.5	3.4	1.9	1.8	1.6	1.6	1.6	1.6	-1	-1
Q4	3.9	3.9	2.4	2.4	1.5	1.4	1.6	1.6	-1	-1
<i>Four-quarter³</i>										
2010:Q4	4.7	4.7	3.1	3.1	1.3	1.3	1.0	1.0	-3	-3
2011:Q4	3.8	3.8	1.6	1.6	2.7	2.7	1.8	1.8	-9	-9
2012:Q4	3.6	3.3	1.9	1.5	1.2	1.4	1.7	1.8	-5	-4
2013:Q4	3.7	3.6	2.2	2.1	1.5	1.5	1.6	1.6	-2	-2
2014:Q4	4.6	4.7	3.1	3.2	1.5	1.4	1.6	1.6	-3	-3
<i>Annual</i>										
2010	4.2	4.2	3.0	3.0	1.8	1.8	1.4	1.4	9.6	9.6
2011	3.9	3.9	1.7	1.7	2.5	2.5	1.4	1.4	8.9	8.9
2012	3.7	3.5	2.0	1.8	1.5	1.7	1.8	1.9	8.2	8.2
2013	3.6	3.5	2.0	1.8	1.3	1.4	1.6	1.6	8.0	8.2
2014	4.2	4.3	2.7	2.8	1.5	1.4	1.6	1.6	7.9	8.0

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

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

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

Changes in Real Gross Domestic Product and Related Items

(Percent, annual rate except as noted)

Item	2011				2012				2013				2011 ¹	2012 ¹	2013 ¹	2014 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
Real GDP <i>Previous Tealbook</i>	1.3 1.3	1.8 1.8	3.0 3.0	1.9 2.2	1.0 1.5	1.5 1.9	1.8 1.9	1.6 1.7	2.0 2.1	2.2 2.3	2.5 2.5	1.6 1.6	1.5 1.9	2.1 2.2	3.2 3.1	
Final sales <i>Previous Tealbook</i>	1.6	3.2	1.1	1.8	.9	1.2	1.5	1.4	1.8	2.0	1.9	1.5	1.4	1.8	3.0	
Priv. dom. final purch. <i>Previous Tealbook</i>	1.6 1.9 1.9	3.2 3.3 3.3	1.1 2.7 2.7	2.1 3.0 3.3	1.2 1.8 2.3	1.4 2.2 2.7	1.9 2.5 2.9	1.7 2.2 2.4	1.8 2.7 2.8	2.1 2.8 3.0	2.0 2.9 3.1	1.5 2.5 2.5	1.6 2.4 2.8	1.9 2.6 2.8	2.9 3.8 3.6	
Personal cons. expend. <i>Previous Tealbook</i>	.7	1.7	2.1	2.5	1.1	2.1	2.4	2.0	2.2	2.3	2.4	1.6	2.0	2.2	3.3	
Durables Nondurables Services	.7 -5.3 1.9	1.7 5.7 -5	2.1 16.1 .8	2.9 13.7 2.1	1.9 -3.4 1.4	2.5 5.2 1.1	2.7 8.3 1.9	2.1 5.9 1.3	2.3 7.0 1.6	2.4 6.5 1.6	2.5 7.3 1.7	1.6 6.8 .5	2.5 5.7 1.6	2.3 6.7 1.5	3.2 7.7 2.6	
Residential investment <i>Previous Tealbook</i>	4.2 4.2	1.3 1.3	11.6 11.6	20.0 19.7	8.9 11.5	12.3 8.3	3.3 6.8	6.8 10.4	11.6 10.3	10.8 10.1	10.9 10.0	3.5 3.5	11.0 11.5	10.0 10.2	11.2 10.8	
Business fixed invest. <i>Previous Tealbook</i>	10.3	15.7	5.2	3.1	5.1	.6	3.1	1.9	3.5	4.5	4.4	8.2	2.9	3.6	5.3	
Equipment & software <i>Previous Tealbook</i>	10.3	15.7	5.2	2.8	2.5	2.8	3.3	2.8	4.3	5.0	4.9	8.2	2.9	4.2	4.9	
Nonres. structures <i>Previous Tealbook</i>	6.2 6.2 22.6 22.6	16.2 16.2 14.4 14.4	7.5 7.5 -9 -9	3.5 3.7 1.9 .3	6.8 3.4 .5 -2	1.5 4.6 -1.8 -1.8	3.9 5.1 .7 -1.5	2.2 3.7 1.0 .4	4.5 5.6 .8 .7	5.9 6.6 .8 .7	5.8 6.4 .7 .8	9.6 9.6 4.4 4.4	3.9 4.2 .3 -8	4.6 5.6 .8 .7	6.7 5.9 1.6 2.1	
Net exports ² <i>Previous Tealbook</i> ²	-416 -416	-403 -403	-411 -411	-407 -408	-405 -415	-417 -429	-429 -440	-434 -445	-442 -454	-444 -458	-453 -467	-414 -414	-414 -423	-443 -456	-462 -473	
Exports Imports	3.6 1.4	4.7 1.2	2.7 3.7	4.2 2.7	4.4 3.3	3.7 5.1	2.8 4.5	3.2 3.6	3.6 4.2	3.9 3.6	4.1 4.9	4.7 3.6	3.8 3.9	3.7 4.1	5.6 4.7	
Gov't. cons. & invest. <i>Previous Tealbook</i>	-9 -9	-1 -1	-4.2 -4.2	-4.0 -4.0	-3.0 -2.0	-1.4 -1.9	-1.4 -1.2	-1.2 -1.0	-1.2 -1.3	-1.4 -1.6	-1.6 -1.6	-2.8 -2.8	-2.4 -2.3	-1.4 -1.4	-8 -9	
Federal Defense Nondefense State & local	1.9 7.0 -7.6 -2.8	2.1 5.0 -3.8 -1.6	-6.9 -12.1 4.5 -2.2	-5.9 -8.3 -8 -2.7	-4.5 -5.5 -2.4 -1.9	-1.9 -1.6 -2.4 -1.0	-3.1 -3.4 -2.5 -2	-3.6 -4.2 -2.4 .3	-3.6 -4.1 -2.5 .4	-4.4 -5.3 -2.5 .5	-4.8 -5.9 -2.5 .6	-3.2 -3.6 -2.5 -2.5	-3.8 -4.8 -2.0 -1.5	-4.1 -4.9 -2.5 .4	-4.2 -5.0 -2.7 1.3	
Change in bus. inventories ² <i>Previous Tealbook</i> ²	39 39	-2 -2	52 52	54 58	59 65	69 79	79 81	84 83	93 91	100 100	120 115	35 35	65 71	99 98	140 133	
Nonfarm ² Farm ²	51 -9	6 -6	61 -6	64 -7	59 0	72 -3	82 -3	83 1	92 1	99 1	119 1	44 -7	69 -3	98 1	139 1	

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

2. Billions of chained (2005) dollars.

Changes in Real Gross Domestic Product and Related Items
(Change from fourth quarter of previous year to fourth quarter of year indicated, unless otherwise noted)

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Real GDP <i>Previous Tealbook</i>	2.8 2.8	2.4 2.4	2.2 2.2	-3.3 -3.3	-5 -5	3.1 3.1	1.6 1.6	1.5 1.9	2.1 2.2	3.2 3.1
Final sales <i>Previous Tealbook</i>	2.7	2.8	2.4	-2.6	-8	2.4	1.5	1.4	1.8	3.0
Priv. dom. final purch. <i>Previous Tealbook</i>	2.7 3.2 3.2	2.8 2.4 2.4	2.4 1.2 1.2	-2.6 -4.5 -4.5	-8 -2.5 -2.5	2.4 3.6 3.6	1.5 2.5 2.5	1.6 2.4 2.8	1.9 2.6 2.8	2.9 3.8 3.6
Personal cons. expend. <i>Previous Tealbook</i>	2.8	3.2	1.7	-2.5	-2	3.0	1.6	2.0	2.2	3.3
Durables	2.8	3.2	1.7	-2.5	-2	3.0	1.6	2.5	2.3	3.2
Nondurables	2.8	7.0	4.6	-13.0	3.0	10.9	6.8	5.7	6.7	7.7
Services	3.1 2.7	2.9 2.6	.8 1.4	-3.1 -5	.6 -9	3.5 1.6	.5 1.2	1.6 1.6	1.5 1.8	2.6 2.7
Residential investment <i>Previous Tealbook</i>	5.3 5.3	-15.7 -15.7	-20.7 -20.7	-24.4 -24.4	-12.9 -12.9	-6.3 -6.3	3.5 3.5	11.0 11.5	10.0 10.2	11.2 10.8
Business fixed invest. <i>Previous Tealbook</i>	4.5 4.5	7.8 7.8	7.9 7.9	-9.4 -9.4	-14.4 -14.4	11.1 11.1	8.2 8.2	2.9 2.9	3.6 4.2	5.3 4.9
Equipment & software <i>Previous Tealbook</i>	6.2 6.2	6.0 6.0	3.9 3.9	-13.6 -13.6	-5.8 -5.8	16.6 16.6	9.6 9.6	3.9 4.2	4.6 5.6	6.7 5.9
Nontres. structures <i>Previous Tealbook</i>	-1 -1	13.0 13.0	17.3 17.3	-1.2 -1.2	-29.3 -29.3	-1.8 -1.8	4.4 4.4	.3 -8	.8 .7	1.6 2.1
Net exports ¹ <i>Previous Tealbook</i> ¹	-723 -723	-729 -729	-649 -649	-495 -495	-359 -359	-422 -422	-414 -414	-414 -423	-443 -456	-462 -473
Exports	6.7	10.2	10.1	-2.5	-1	8.8	4.7	3.8	3.7	5.6
Imports	5.2	4.1	.8	-5.9	-6.5	10.7	3.6	3.9	4.1	4.7
Gov't. cons. & invest. <i>Previous Tealbook</i>	.7 .7	1.5 1.5	1.9 1.9	2.7 2.7	1.1 1.1	.1 .1	-2.8 -2.8	-2.4 -2.3	-1.4 -1.4	-8 -9
Federal	1.2	2.2	3.1	8.8	4.6	2.9	-3.2	-3.8	-4.1	-4.2
Defense	.4	4.4	2.6	9.8	3.5	1.5	-3.6	-4.8	-4.9	-5.0
Nondefense	2.6	-2.3	4.2	6.8	6.9	5.7	-2.5	-2.0	-2.5	-2.7
State & local	.4	1.2	1.2	-9	-1.1	-1.7	-2.5	-1.5	.4	1.3
Change in bus. inventories ¹ <i>Previous Tealbook</i> ¹	50 50	59 59	28 28	-36 -36	-145 -145	59 59	35 35	65 71	99 98	140 133
Nonfarm ¹	50	63	29	-38	-144	61	44	69	98	139
Farm ¹	0	-4	-1	1	-1	-1	-7	-3	1	1

1. Billions of chained (2005) dollars.

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

Item	2011			2012				2013				2011 ¹	2012 ¹	2013 ¹	2014 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP <i>Previous Tealbook</i>	1.3 1.3	1.8 1.8	3.0 3.0	1.9 2.2	1.0 1.5	1.5 1.9	1.8 1.9	1.6 1.7	2.0 2.1	2.2 2.3	2.5 2.5	1.6 1.6	1.5 1.9	2.1 2.2	3.2 3.1
Final sales <i>Previous Tealbook</i>	1.6	3.2	1.2	1.8	.9	1.2	1.5	1.4	1.8	2.0	1.9	1.5	1.3	1.8	3.0
Priv. dom. final purch. <i>Previous Tealbook</i>	1.6 1.6	3.2 2.8	1.2 2.3	2.0 2.5	1.2 1.5	1.4 1.9	1.8 2.1	1.7 1.8	2.0 2.2	2.0 2.4	2.0 2.5	1.5 2.0	1.6 2.0	1.9 2.2	2.9 3.2
Personal cons. expend. <i>Previous Tealbook</i>	1.6	2.8	2.3	2.8	1.9	2.2	2.4	2.0	2.3	2.5	2.6	2.0	2.3	2.4	3.1
Durables	.5	1.2	1.5	1.7	.8	1.5	1.7	1.4	1.6	1.6	1.7	1.2	1.4	1.6	2.3
Nondurables	.5	1.2	1.5	2.1	1.4	1.7	1.9	1.5	1.6	1.7	1.8	1.2	1.8	1.7	2.3
Services	-.4 .9	.4 .9	1.2 .2	1.0 .4	-.3 .8	.4 .9	.6 .8	.5 .8	.5 .8	.5 .9	.6 .9	.5 .6	.4 .7	.5 .8	.6 1.3
Residential investment <i>Previous Tealbook</i>	.1 .1	.0 .0	.3 .3	.4 .4	.2 .3	.3 .2	.1 .2	.2 .2	.3 .3	.3 .3	.3 .3	.1 .1	.2 .3	.2 .3	.3 .3
Business fixed invest. <i>Previous Tealbook</i>	1.0 1.0	1.5 1.5	.5 .5	.3 .3	.5 .3	.1 .3	.3 .3	.2 .3	.4 .4	.5 .5	.5 .5	.8 .8	.3 .3	.4 .4	.6 .5
Equipment & software <i>Previous Tealbook</i>	.4 .4	1.1 1.1	.6 .6	.3 .3	.5 .3	.1 .3	.3 .4	.2 .3	.3 .4	.4 .5	.4 .5	.7 .7	.3 .3	.4 .4	.5 .5
Nonres. structures <i>Previous Tealbook</i>	.5 .5	.4 .4	.0 .0	.1 .0	.0 .0	-.1 -.1	.0 .0	.0 .0	.0 .0	.0 .0	.0 .0	.1 .1	.0 .0	.0 .0	.0 .1
Net exports <i>Previous Tealbook</i>	.2 .2	.4 .4	-.3 -.3	.1 .1	.0 -.3	-.4 -.4	-.4 -.3	-.2 -.2	-.2 -.3	-.1 -.1	-.3 -.3	.0 .0	-.2 -.2	-.2 -.2	-.1 .0
Exports	.5	.6	.4	.6	.6	.5	.4	.4	.5	.5	.6	.6	.5	.5	.8
Imports	-.2	-.2	-.6	-.5	-.6	-.9	-.8	-.6	-.7	-.6	-.8	-.6	-.7	-.7	-.8
Gov't. cons. & invest. <i>Previous Tealbook</i>	-.2 -.2	.0 .0	-.8 -.8	-.8 -.8	-.6 -.4	-.3 -.4	-.3 -.2	-.2 -.2	-.2 -.2	-.3 -.3	-.3 -.3	-.6 -.6	-.5 -.5	-.3 -.3	-.2 -.2
Federal	.2	.2	-.6	-.5	-.4	-.1	-.2	-.3	-.3	-.3	-.4	-.3	-.3	-.3	-.3
Defense	.4	.3	-.7	-.5	-.3	-.1	-.2	-.2	-.2	-.3	-.3	-.2	-.3	-.2	-.2
Nondefense	-.2	-.1	.1	.0	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1
State & local	-.3	-.2	-.3	-.3	-.2	-.1	.0	.0	.0	.1	.1	-.3	-.2	.1	.1
Change in bus. inventories <i>Previous Tealbook</i>	-.3 -.3	-1.4 -1.4	1.8 1.8	.1 .1	.0 .2	.3 .5	.3 .1	.2 .1	.3 .2	.2 .3	.6 .5	.1 .1	.2 .2	.3 .3	.2 .2
Nonfarm	-.3	-1.5	1.8	.1	-.2	.4	.3	.0	.3	.2	.6	.1	.2	.3	.2
Farm	.0	.1	.0	.0	.2	-.1	.0	.1	.0	.0	.0	.0	.0	.0	.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	2011			2012				2013				2011 ¹	2012 ¹	2013 ¹	2014 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
GDP chain-wt. price index <i>Previous Tealbook</i>	2.5 2.5	2.6 2.6	.9 .9	2.0 1.7	.8 1.3	2.2 2.2	1.9 1.6	1.6 1.6	1.5 1.5	1.4 1.5	1.4 1.5	2.1 2.1	1.7 1.7	1.5 1.5	1.5 1.5
PCE chain-wt. price index <i>Previous Tealbook</i>	3.3 3.3	2.3 2.3	1.2 1.2	2.6 2.4	.8 .6	.8 .1	1.5 1.5	1.6 1.6	1.6 1.5	1.5 1.5	1.4 1.5	2.7 2.7	1.4 1.2	1.5 1.5	1.4 1.5
Energy <i>Previous Tealbook</i>	15.0 15.0	3.3 3.3	-3.2 -3.2	7.9 7.9	-13.6 -16.1	-12.1 -21.0	-9 2.4	-7 2.3	-1.1 .7	-1.6 .0	-1.3 -2	12.8 12.8	-5.1 -7.5	-1.2 .7	-1.7 -4
Food <i>Previous Tealbook</i>	6.4 6.4	4.7 4.7	3.3 3.3	1.3 1.3	.7 1.5	2.1 1.7	3.3 1.5	3.4 1.5	3.2 1.5	2.2 1.4	.9 1.4	5.2 5.2	1.8 1.5	2.4 1.5	.9 1.4
Ex. food & energy <i>Previous Tealbook</i>	2.3 2.3	2.1 2.1	1.3 1.3	2.3 2.1	1.8 1.7	1.6 1.6	1.5 1.5	1.6 1.6	1.6 1.6	1.6 1.6	1.6 1.6	1.8 1.8	1.8 1.7	1.6 1.6	1.6 1.6
Ex. food & energy, market based <i>Previous Tealbook</i>	2.4 2.4	2.3 2.3	1.4 1.4	2.1 2.0	1.7 1.6	1.5 1.4	1.4 1.4	1.5 1.5	1.5 1.5	1.5 1.5	1.5 1.5	1.8 1.8	1.7 1.6	1.5 1.5	1.5 1.5
CPI <i>Previous Tealbook</i>	4.4 4.4	3.1 3.1	1.3 1.3	2.5 2.5	.8 .6	.7 -4	1.6 1.6	1.7 1.8	1.7 1.7	1.5 1.6	1.4 1.6	3.3 3.3	1.4 1.1	1.6 1.6	1.4 1.5
Ex. food & energy <i>Previous Tealbook</i>	2.4 2.4	2.5 2.5	1.9 1.9	2.1 2.1	2.6 2.5	2.1 1.8	1.5 1.5	1.7 1.7	1.7 1.7	1.7 1.7	1.7 1.7	2.2 2.2	2.0 1.9	1.7 1.7	1.7 1.7
ECI, hourly compensation ² <i>Previous Tealbook</i> ²	3.2 3.2	1.4 1.4	2.1 2.1	1.7 1.7	2.3 2.3	2.5 2.5	2.5 2.5	2.6 2.6	2.5 2.5	2.6 2.6	2.6 2.6	2.2 2.2	2.3 2.3	2.6 2.6	2.8 2.8
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	-3 -3	1.8 1.8	1.2 1.2	-8 -4	-1 .8	1.2 .4	1.5 1.1	.9 1.4	1.7 1.4	1.7 1.5	1.7 1.7	.4 .4	.4 .5	1.5 1.5	1.8 1.8
Compensation per hour <i>Previous Tealbook</i>	-5 -5	5.7 5.7	-4 -4	.5 .4	2.1 2.3	2.2 1.6	2.6 2.7	2.6 2.7	2.6 2.7	2.7 2.8	2.7 2.8	2.5 2.5	1.9 1.8	2.6 2.7	2.9 2.9
Unit labor costs <i>Previous Tealbook</i>	-1 -1	3.9 3.9	-1.5 -1.5	1.3 .9	2.3 1.5	1.0 1.2	1.2 1.7	1.7 1.3	.9 1.3	1.0 1.2	1.0 1.1	2.1 2.1	1.4 1.3	1.1 1.2	1.0 1.1
Core goods imports chain-wt. price index ³ <i>Previous Tealbook</i> ³	7.2 7.2	2.4 2.4	-4 -4	.4 .4	1.7 2.0	-1.1 -1.6	.1 -3	.8 .9	1.2 1.4	1.3 1.6	1.3 1.6	4.3 4.3	.3 .1	1.1 1.4	1.4 1.6

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

2. Private-industry workers.

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

Greensheets

Changes in Prices and Costs

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

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GDP chain-wt. price index <i>Previous Tealbook</i>	3.5	2.9	2.6	2.1	.7	1.6	2.1	1.7	1.5	1.5
PCE chain-wt. price index <i>Previous Tealbook</i>	3.2	1.9	3.5	1.7	1.5	1.3	2.7	1.4	1.5	1.4
Energy <i>Previous Tealbook</i>	21.5	-3.7	19.3	-8.8	2.6	6.2	12.8	-5.1	-1.2	-1.7
Food <i>Previous Tealbook</i>	21.5	-3.7	19.3	-8.8	2.6	6.2	12.8	-7.5	.7	-4
Ex. food & energy <i>Previous Tealbook</i>	1.5	1.7	4.7	7.0	-1.7	1.3	5.2	1.8	2.4	.9
Ex. food & energy, market based <i>Previous Tealbook</i>	1.5	1.7	4.7	7.0	-1.7	1.3	5.2	1.5	1.5	1.4
CPI <i>Previous Tealbook</i>	2.3	2.3	2.4	2.0	1.7	1.0	1.8	1.8	1.6	1.6
Ex. food & energy <i>Previous Tealbook</i>	2.3	2.3	2.4	2.0	1.7	1.0	1.8	1.7	1.6	1.6
ECL, hourly compensation ¹ <i>Previous Tealbook</i> ¹	2.0	2.2	2.1	2.2	1.7	.7	1.8	1.7	1.5	1.5
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	2.0	2.2	2.1	2.2	1.7	.7	1.8	1.6	1.5	1.5
Compensation per hour <i>Previous Tealbook</i>	3.7	2.0	4.0	1.6	1.5	1.2	3.3	1.4	1.6	1.4
Unit labor costs <i>Previous Tealbook</i>	3.7	2.0	4.0	1.6	1.5	1.2	3.3	1.1	1.6	1.5
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ²	2.1	2.7	2.3	2.0	1.7	.6	2.2	2.0	1.7	1.7
	2.1	2.7	2.3	2.0	1.7	.6	2.2	1.9	1.7	1.7
	2.9	3.2	3.0	2.4	1.2	2.1	2.2	2.3	2.6	2.8
	2.9	3.2	3.0	2.4	1.2	2.1	2.2	2.3	2.6	2.8
	1.6	.8	2.5	-1.1	5.3	2.3	.4	.4	1.5	1.8
	1.6	.8	2.5	-1.1	5.3	2.3	.4	.5	1.5	1.8
	3.5	4.5	3.6	2.5	1.8	1.4	2.5	1.9	2.6	2.9
	3.5	4.5	3.6	2.5	1.8	1.4	2.5	1.8	2.7	2.9
	1.9	3.6	1.1	3.7	-3.3	-9	2.1	1.4	1.1	1.0
	1.9	3.6	1.1	3.7	-3.3	-9	2.1	1.3	1.2	1.1
	2.2	2.5	2.9	3.7	-1.7	2.6	4.3	.3	1.1	1.4
	2.2	2.5	2.9	3.7	-1.7	2.6	4.3	.1	1.4	1.6

1. Private-industry workers.

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

Other Macroeconomic Indicators

Item	2011				2012				2013				2011 ¹	2012 ¹	2013 ¹	2014 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
<i>Employment and production</i>																
Nonfarm payroll employment ²	.6	.3	.5	.7	.3	.2	.3	.3	.3	.4	.4		1.8	1.6	1.4	2.4
Unemployment rate ³	9.1	9.1	8.7	8.2	8.2	8.3	8.3	8.2	8.2	8.1	8.1		8.7	8.3	8.1	7.8
<i>Previous Tealbook³</i>	9.1	9.1	8.7	8.2	8.2	8.2	8.2	8.1	8.1	8.0	8.0		8.7	8.2	8.0	7.7
NAIRU ³	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0		6.0	6.0	6.0	6.0
<i>Previous Tealbook³</i>	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0		6.0	6.0	6.0	6.0
GDP gap ⁴	-4.8	-4.8	-4.5	-4.5	-4.7	-4.8	-4.8	-4.9	-4.9	-4.8	-4.6		-4.5	-4.8	-4.6	-3.6
<i>Previous Tealbook⁴</i>	-4.8	-4.8	-4.5	-4.4	-4.5	-4.5	-4.5	-4.5	-4.5	-4.4	-4.3		-4.5	-4.5	-4.3	-3.4
Industrial production ⁵	1.2	5.6	5.1	5.8	2.2	3.4	2.5	2.5	2.4	2.5	2.7		4.1	3.5	2.5	3.1
<i>Previous Tealbook⁵</i>	1.2	5.6	5.0	5.7	3.6	3.7	2.4	2.2	2.3	2.7	2.6		4.0	3.9	2.4	3.1
Manufacturing industr. prod. ⁵	.2	5.1	5.6	9.8	1.4	1.2	2.2	1.8	2.4	2.7	3.1		4.2	3.6	2.5	3.4
<i>Previous Tealbook⁵</i>	.2	5.1	5.6	9.8	1.7	2.7	2.5	2.1	2.3	2.9	2.8		4.2	4.1	2.5	3.4
Capacity utilization rate - mfg. ³	74.4	75.2	76.1	77.6	77.6	77.5	77.7	77.7	77.8	77.9	78.2		76.1	77.7	78.2	79.0
<i>Previous Tealbook³</i>	74.4	75.2	76.1	77.7	77.8	78.1	78.4	78.5	78.7	78.9	79.2		76.1	78.4	79.2	80.1
Housing starts ⁶	.6	.6	.7	.7	.7	.8	.8	.9	.9	1.0	1.0		.6	.8	.9	1.1
Light motor vehicle sales ⁶	12.1	12.4	13.4	14.5	14.1	14.3	14.4	14.5	14.8	15.0	15.2		12.7	14.3	14.9	15.7
<i>Income and saving</i>																
Nominal GDP ⁵	4.0	4.4	3.8	3.9	1.8	3.8	3.7	3.2	3.6	3.7	4.0		3.8	3.3	3.6	4.7
Real disposable pers. income ⁵	-5	.7	.2	.7	2.6	3.3	3.5	-1.9	2.7	2.9	3.2		.4	2.5	1.7	3.3
<i>Previous Tealbook⁵</i>	-5	.7	.2	.5	3.2	3.4	3.5	-1.3	2.8	2.9	3.2		.4	2.6	1.9	3.2
Personal saving rate ³	4.8	4.6	4.2	3.7	4.1	4.3	4.6	3.6	3.7	3.8	4.0		4.2	4.6	4.0	4.1
<i>Previous Tealbook³</i>	4.8	4.6	4.2	3.6	3.9	4.0	4.2	3.4	3.5	3.6	3.7		4.2	4.2	3.7	3.8
Corporate profits ⁷	13.7	6.9	3.5	-1.3	-2.3	-7	1.7	-3.8	-1.6	-7	-9		7.0	-6	-1.7	1.8
Profit share of GNP ³	12.7	12.8	12.8	12.7	12.5	12.4	12.4	12.1	12.0	11.9	11.8		12.8	12.4	11.8	11.5
Net federal saving ⁸	-1,275	-1,161	-1,114	-988	-1,023	-970	-961	-763	-751	-739	-728		-1,188	-985	-745	-701
Net state & local savings ⁸	-40	-83	-81	-84	-63	-54	-50	-44	-26	-22	-16		-66	-63	-27	-6
Gross national saving rate ³	12.4	12.9	13.0	12.9	13.0	13.4	13.5	13.4	13.5	13.5	13.7		13.0	13.5	13.7	14.1
Net national saving rate ³	-4	.2	.3	.0	.3	.8	.8	.8	.8	.8	1.0		.3	.8	1.0	1.5

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.

Greensheets

Other Macroeconomic Indicators

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

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Employment and production</i>										
Nonfarm payroll employment ¹	2.4	2.1	1.2	-2.8	-5.6	.8	1.8	1.6	1.4	2.4
Unemployment rate ²	5.0	4.5	4.8	6.9	9.9	9.6	8.7	8.3	8.1	7.8
<i>Previous Tealbook</i> ²	5.0	4.5	4.8	6.9	9.9	9.6	8.7	8.2	8.0	7.7
NAIRU ²	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0	6.0	6.0
<i>Previous Tealbook</i> ²	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0	6.0	6.0
GDP gap ³	.6	.8	.9	-4.5	-6.1	-4.4	-4.5	-4.8	-4.6	-3.6
<i>Previous Tealbook</i> ³	.6	.8	.9	-4.5	-6.1	-4.4	-4.5	-4.5	-4.3	-3.4
Industrial production ⁴	2.3	2.1	2.5	-9.0	-5.7	6.3	4.1	3.5	2.5	3.1
<i>Previous Tealbook</i> ⁴	2.3	2.1	2.5	-9.0	-5.7	6.3	4.0	3.9	2.4	3.1
Manufacturing industr. prod. ⁴	3.4	1.8	2.8	-11.8	-6.5	6.5	4.2	3.6	2.5	3.4
<i>Previous Tealbook</i> ⁴	3.4	1.8	2.8	-11.8	-6.5	6.5	4.2	4.1	2.5	3.4
Capacity utilization rate - mfg. ²	78.4	78.2	78.2	69.7	67.0	73.1	76.1	77.7	78.2	79.0
<i>Previous Tealbook</i> ²	78.4	78.2	78.2	69.7	67.0	73.1	76.1	78.4	79.2	80.1
Housing starts ⁵	2.1	1.8	1.4	.9	.6	.6	.6	.8	.9	1.1
Light motor vehicle sales ⁵	16.9	16.5	16.1	13.1	10.3	11.5	12.7	14.3	14.9	15.7
<i>Income and saving</i>										
Nominal GDP ⁴	6.4	5.3	4.9	-1.2	.0	4.7	3.8	3.3	3.6	4.7
Real disposable pers. income ⁴	.6	4.6	1.6	1.0	-2.4	3.5	.4	2.5	1.7	3.3
<i>Previous Tealbook</i> ⁴	.6	4.6	1.6	1.0	-2.4	3.5	.4	2.6	1.9	3.2
Personal saving rate ²	1.6	2.8	2.5	6.2	4.3	5.2	4.2	4.6	4.0	4.1
<i>Previous Tealbook</i> ²	1.6	2.8	2.5	6.2	4.3	5.2	4.2	4.2	3.7	3.8
Corporate profits ⁶	19.6	3.7	-8.1	-33.5	61.8	18.2	7.0	-6	-1.7	1.8
Profit share of GNP ²	11.8	11.6	10.1	6.8	11.0	12.4	12.8	12.4	11.8	11.5
Net federal saving ⁷	-283	-204	-245	-613	-1218	-1274	-1188	-985	-745	-701
Net state & local saving ⁷	26	51	12	-72	-78	-25	-66	-63	-27	-6
Gross national saving rate ²	15.6	16.5	13.9	12.6	11.3	12.3	13.0	13.5	13.7	14.1
Net national saving rate ²	3.6	4.4	1.7	-6	-1.9	-4	.3	.8	1.0	1.5

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.

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

Item	Fiscal year				2011				2012				2013			
	2011 ^a	2012	2013	2014	Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^a	Q1 ^a	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget																
Receipts ¹	2302	2433	2693	2911	488	714	568	555	509	760	609	589	567	835	702	668
Outlays ¹	3599	3565	3524	3594	949	855	895	877	966	885	836	907	899	870	848	904
Surplus/deficit ¹	-1297	-1132	-831	-683	-460	-141	-326	-322	-457	-125	-227	-318	-332	-34	-146	-236
<i>Previous Tealbook</i>																
On-budget	-1297	-1134	-812	-684	-460	-141	-326	-322	-457	-140	-215	-320	-332	-29	-131	-251
Off-budget	-1364	-1168	-828	-680	-451	-202	-311	-346	-458	-187	-177	-323	-312	-80	-112	-256
	67	37	-3	-2	-10	61	-15	24	1	62	-50	6	-20	46	-34	20
Means of financing																
Borrowing	1110	1183	864	763	260	93	389	326	398	198	261	311	332	54	166	256
Cash decrease	252	-27	15	0	225	-19	79	-28	42	-48	7	-6	20	0	0	0
Other ²	-65	-25	-48	-80	-24	67	-142	23	17	-25	-40	12	-20	-20	-20	-20
Cash operating balance, end of period	58	85	70	70	118	137	58	86	43	91	85	90	70	70	70	70
NIPA federal sector																
Receipts	2534	2698	2947	3150	2528	2554	2583	2594	2717	2729	2750	2787	2970	3000	3032	3063
Expenditures	3765	3721	3751	3861	3729	3829	3744	3708	3705	3752	3720	3748	3733	3752	3771	3791
Consumption expenditures	1070	1062	1048	1023	1059	1078	1085	1067	1067	1059	1057	1053	1052	1047	1040	1033
Defense	715	705	694	673	701	723	733	710	708	702	701	698	697	693	687	681
Nondefense	355	357	354	350	358	354	352	357	358	357	356	355	355	354	353	352
Other spending	2695	2659	2703	2838	2670	2752	2659	2641	2639	2693	2663	2695	2681	2704	2731	2758
Current account surplus	-1231	-1024	-804	-711	-1201	-1275	-1161	-1114	-988	-1023	-970	-961	-763	-751	-739	-728
Gross investment	165	152	144	134	161	160	164	159	152	149	148	147	145	143	141	138
Gross saving less gross investment ³	-1260	-1031	-793	-681	-1227	-1298	-1185	-1132	-997	-1027	-970	-957	-755	-739	-722	-706
Fiscal indicators⁴																
High-employment (HEB) surplus/deficit	-994	-777	-509	-429	-966	-1030	-917	-871	-748	-775	-713	-690	-466	-448	-432	-417
Change in HEB, percent of potential GDP	-3	-1.6	-1.8	-6	-7	.3	-8	-3	-8	.1	-4	-2	-1.4	-1	-1	-1
Fiscal impetus (FI), percent of GDP	-0.4	-0.8	-1.2	-0.5	-0.7	0.2	-0.1	-0.9	-0.9	-1.1	-0.6	-0.6	-2.0	-1.1	-0.9	-0.8
<i>Previous Tealbook</i>	-0.3	-0.8	-1.2	-0.5	-0.6	0.4	-0.1	-1.0	-1.0	-0.8	-0.7	-0.5	-1.9	-1.0	-1.1	-0.8

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. The sign on Change in HEB, as a percent of nominal potential GDP, is reversed. FI is the weighted difference of discretionary changes in federal spending and taxes in chained (2005) dollars, scaled by real GDP. The FI estimates are calendar year contributions to Q4/Q4 real GDP growth. Also, for FI and the change in HEB, positive values indicate aggregate demand stimulus. Quarterly figures for change in HEB and FI are not at annual rates.

a Actual.

Change in Debt of the Domestic Nonfinancial Sectors
(Percent)

Period ¹	Total	Households			Business	State and local governments	Federal government	Memo: Nominal GDP
		Total	Home mortgages	Consumer credit				
<i>Year</i>								
2007	8.4	6.6	6.8	5.9	13.6	5.4	4.9	4.9
2008	5.9	-1	-5	.8	6.1	.7	24.2	-1.2
2009	3.1	-1.7	-1.4	-4.5	-2.3	3.9	22.7	.0
2010	4.1	-2.2	-2.9	-1.3	.8	2.2	20.2	4.7
2011	3.6	-1.5	-2.3	4.0	4.5	-1.9	11.4	3.8
2012	4.8	.6	-1.2	6.4	5.0	.6	11.2	3.3
2013	4.1	2.2	.7	7.3	4.3	.9	7.0	3.6
2014	4.1	2.5	1.0	7.4	4.5	1.0	6.3	4.7
<i>Quarter</i>								
2010:1	3.7	-2.8	-4.4	-3.1	.1	2.4	20.6	5.5
2	3.7	-2.2	-2.6	-3.5	-2.0	-.5	22.5	5.4
3	4.0	-2.2	-3.0	-.6	2.7	2.1	16.0	3.9
4	4.6	-1.5	-1.7	2.2	2.3	4.8	16.4	4.2
2011:1	2.4	-1.6	-2.2	3.5	4.1	-3.3	7.9	3.1
2	2.4	-3.0	-3.1	3.3	5.0	-3.5	8.6	4.0
3	4.5	-1.1	-2.3	2.3	3.8	.0	14.1	4.4
4	4.9	-.2	-1.7	6.7	4.9	-1.0	13.1	3.8
2012:1	4.7	-.4	-2.9	5.9	5.2	-1.8	12.4	3.9
2	5.1	.2	-1.4	6.0	5.4	1.0	11.6	1.8
3	4.1	.9	-.6	6.3	4.5	1.9	7.8	3.8
4	5.2	1.5	.1	6.7	4.4	1.1	11.2	3.7
2013:1	4.6	2.1	.7	7.0	4.3	1.0	8.8	3.2
2	3.7	2.1	.7	7.1	4.1	.9	5.7	3.6
3	3.2	2.1	.7	7.1	4.2	.8	4.1	3.7
4	4.6	2.2	.7	7.2	4.3	.8	8.6	4.0

Note: Quarterly data are at seasonally adjusted annual rates.

1. Data after 2012: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.

Flow of Funds Projections: Highlights

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

Category	2011	2012	2013	2014	2011				2012				2013			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	854.8	1456.0	1305.1	1353.3	1070.5	1391.0	1470.1	1468.3	1209.9	1675.9	1516.8	1154.7	988.3	1560.7		
Net equity issuance	-473.4	-393.5	-340.0	-360.0	-617.7	-440.2	-340.8	-493.1	-380.0	-360.0	-340.0	-340.0	-340.0	-340.0		
Net debt issuance	1328.2	1849.5	1645.1	1713.3	1688.2	1831.2	1810.9	1961.4	1589.9	2035.9	1856.8	1494.7	1328.3	1900.7		
Borrowing indicators																
Debt (percent of GDP) ¹	248.6	250.3	252.8	252.3	247.3	247.8	248.4	250.3	250.8	251.4	252.5	252.9	252.8	252.8		
Borrowing (percent of GDP)	8.8	11.8	10.2	10.2	11.1	12.0	11.7	12.6	10.1	12.9	11.6	9.3	8.2	11.6		
Households																
Net borrowing ²	-191.0	75.4	280.0	327.3	-136.4	-26.6	-53.0	32.2	121.4	200.8	270.8	277.7	282.0	289.2		
Home mortgages	-232.6	-117.9	68.1	93.1	-230.0	-168.0	-286.7	-136.5	-58.3	9.7	67.9	68.0	68.2	68.3		
Consumer credit	96.6	160.5	193.5	212.9	56.5	164.8	149.1	153.9	164.1	174.7	185.8	191.7	195.1	201.4		
Debt/DPI (percent) ³	112.3	108.5	106.6	104.2	111.2	110.7	109.7	108.8	107.9	106.9	107.5	106.9	106.3	105.7		
Business																
Financing gap ⁴	-196.8	-86.4	90.7	204.4	-252.9	-191.3	-128.5	-96.6	-78.1	-42.4	36.0	71.4	104.6	150.8		
Net equity issuance	-473.4	-393.5	-340.0	-360.0	-617.7	-440.2	-340.8	-493.1	-380.0	-360.0	-340.0	-340.0	-340.0	-340.0		
Credit market borrowing	509.8	586.9	529.6	575.6	440.9	565.7	617.5	649.8	541.4	538.8	528.0	518.1	529.0	543.2		
State and local governments																
Net borrowing	-58.6	17.3	26.8	29.8	1.0	-29.1	-53.5	31.0	57.8	33.8	29.8	25.8	25.8	25.8		
Current surplus ⁵	224.9	195.4	226.4	255.9	212.1	215.3	208.0	182.0	192.5	199.1	206.9	226.0	232.3	240.2		
Federal government																
Net borrowing	1067.9	1168.5	808.8	780.6	1382.6	1321.2	1300.0	1248.4	869.3	1262.5	1028.1	673.1	491.5	1042.4		
Net borrowing (n.s.a.)	1067.9	1168.5	808.8	780.6	389.1	326.0	398.3	198.2	260.7	311.3	331.9	54.4	166.3	256.3		
Unified deficit (n.s.a.)	1249.6	1127.9	749.1	700.6	326.3	321.7	457.3	125.3	227.5	317.9	332.2	34.4	146.3	236.3		
<i>Depository institutions</i>																
Funds supplied	195.0	393.8	503.4	610.2	499.1	575.1	276.6	321.0	512.5	465.0	489.7	489.0	504.7	530.3		

Note: Data after 2012: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.

Class II FOMC - Restricted (FR)

Authorized for Public Release

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Foreign Real GDP and Consumer Prices: Selected Countries
(Quarterly percent changes at an annual rate)

Measure and country	2011				2012				Projected-----2013			
	-----				-----				-----			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP ¹												
Total foreign	3.6	2.3	3.9	1.5	3.3	2.3	2.4	2.2	2.5	2.6	2.8	3.0
<i>Previous Tealbook</i>	3.5	2.3	3.9	1.6	3.4	2.5	2.5	2.3	2.5	2.6	2.8	2.9
Advanced foreign economies	1.7	-1	3.3	.4	1.5	.7	.8	.5	.7	1.0	1.3	1.5
Canada	3.6	-1.0	4.5	1.9	1.9	2.1	1.9	1.8	1.7	1.8	2.0	2.2
Japan	-7.7	-1.7	7.8	.1	4.7	2.3	1.0	.5	.8	1.1	1.2	1.3
United Kingdom	1.9	-4	2.4	-1.4	-1.3	-2.8	2.9	.1	1.2	1.5	2.1	2.2
Euro area	2.9	.7	.4	-1.3	.1	-1.1	-1.4	-1.5	-9	-4	.0	.4
Germany	5.5	1.1	2.3	-7	2.1	.6	-2	-5	-2	.3	.6	1.2
Emerging market economies	5.6	5.0	4.5	2.7	5.2	3.9	4.1	4.2	4.3	4.4	4.5	4.5
Asia	7.7	5.2	4.9	2.5	5.9	4.9	5.2	5.2	5.5	5.5	5.6	5.7
Korea	5.3	3.4	3.4	1.3	3.5	2.8	3.1	3.2	3.3	3.5	3.7	3.9
China	9.1	10.0	9.5	7.8	6.6	7.4	7.7	7.7	7.9	7.9	8.0	8.0
Latin America	3.2	4.9	4.0	3.0	4.6	2.7	2.8	3.1	3.1	3.2	3.3	3.3
Mexico	2.0	5.7	4.8	2.9	5.3	2.8	2.8	3.0	3.0	3.0	3.1	3.1
Brazil	3.5	1.9	-6	.6	.8	2.0	2.6	3.2	3.3	3.4	3.7	3.7
Consumer prices ²												
Total foreign	4.2	3.5	3.0	2.8	2.6	2.0	2.2	2.3	2.3	2.3	2.3	2.3
<i>Previous Tealbook</i>	4.2	3.5	3.0	2.8	2.6	2.3	2.0	2.2	2.2	2.2	2.3	2.3
Advanced foreign economies	3.0	2.3	1.1	2.5	2.2	.6	1.4	1.5	1.3	1.2	1.2	1.2
Canada	3.3	3.4	1.0	2.9	2.1	.1	1.7	1.8	1.7	1.6	1.7	1.8
Japan	.0	-7	.1	-7	2.3	-6	-2	-2	-2	-2	-1	-1
United Kingdom	6.9	3.9	3.8	4.2	2.1	1.0	1.3	3.2	2.0	1.4	1.5	1.9
Euro Area	3.6	2.8	1.4	3.9	2.6	1.9	2.1	1.9	1.6	1.6	1.4	1.3
Germany	3.4	2.4	1.9	2.8	2.5	1.3	2.5	2.4	2.1	2.0	1.7	1.6
Emerging market economies	5.1	4.5	4.5	3.0	3.0	3.0	2.9	3.0	3.1	3.1	3.1	3.1
Asia	5.5	5.2	4.9	2.2	2.4	3.1	2.2	2.7	2.8	2.9	2.9	2.9
Korea	5.5	3.4	4.4	2.6	1.6	1.2	2.2	2.6	2.7	2.8	2.8	2.8
China	5.1	6.1	5.7	1.4	2.0	2.5	1.7	2.4	2.6	2.8	2.8	2.8
Latin America	3.7	2.9	3.9	5.2	4.6	2.6	4.5	3.7	3.8	3.7	3.7	3.7
Mexico	3.2	2.4	3.5	4.9	4.5	2.5	4.6	3.6	3.6	3.4	3.4	3.4
Brazil	7.8	6.8	6.2	6.0	4.0	3.8	4.6	4.9	5.2	5.4	5.6	5.6

¹ Foreign GDP aggregates calculated using shares of U.S. exports.

² Foreign CPI aggregates calculated using shares of U.S. non-oil imports.

Foreign Real GDP and Consumer Prices: Selected Countries
(Percent change, Q4 to Q4)

Measure and country	2006	2007	2008	2009	2010	2011	-----Projected-----			
							2012	2013	2014	
Real GDP ¹										
Total foreign	4.2	4.3	-9	.9	4.4	2.8	2.5	2.7	3.2	
<i>Previous Tealbook</i>	4.2	4.4	-9	.9	4.4	2.8	2.7	2.7	3.2	
Advanced foreign economies	2.6	2.6	-1.9	-1.4	2.8	1.3	.9	1.1	2.0	
Canada	1.9	2.5	-7	-1.4	3.3	2.2	1.9	1.9	2.5	
Japan	2.1	1.7	-4.8	-6	3.3	-5	2.1	1.1	1.4	
United Kingdom	2.0	3.8	-4.6	-9	1.5	.6	-.3	1.8	2.5	
Euro area	3.8	2.3	-2.2	-2.3	2.2	.7	-1.0	-2	1.1	
Germany	4.9	2.4	-1.9	-2.2	3.8	2.0	.5	.5	1.7	
Emerging market economies	6.3	6.7	.4	3.6	6.2	4.5	4.3	4.4	4.6	
Asia	7.8	8.8	.8	8.0	7.7	5.0	5.3	5.6	5.8	
Korea	4.6	5.8	-3.2	6.3	5.0	3.4	3.1	3.6	4.2	
China	12.8	13.7	7.7	11.3	9.7	9.1	7.3	7.9	8.1	
Latin America	4.8	4.4	-2	-7	4.6	3.8	3.3	3.2	3.3	
Mexico	4.1	3.5	-1.1	-2.1	4.3	3.9	3.5	3.0	3.1	
Brazil	4.9	6.6	.9	5.2	5.3	1.4	2.2	3.5	4.0	
Consumer prices ²										
Total foreign	2.2	3.7	3.3	1.3	3.2	3.4	2.3	2.3	2.5	
<i>Previous Tealbook</i>	2.2	3.7	3.3	1.3	3.2	3.4	2.3	2.2	2.5	
Advanced foreign economies	1.4	2.2	2.0	.2	1.7	2.2	1.4	1.2	1.5	
Canada	1.4	2.5	1.8	.8	2.2	2.7	1.4	1.7	1.9	
Japan	.3	.5	1.1	-2.0	-.3	-.3	.3	-.2	1.0	
United Kingdom	2.7	2.1	3.9	2.2	3.4	4.7	1.9	1.7	1.6	
Euro Area	1.8	2.9	2.3	.4	2.0	2.9	2.1	1.5	1.5	
Germany	1.3	3.1	1.7	.3	1.6	2.6	2.2	1.8	1.7	
Emerging market economies	2.9	5.1	4.6	2.1	4.3	4.3	3.0	3.1	3.2	
Asia	2.4	5.5	3.6	1.3	4.3	4.4	2.6	2.9	3.1	
Korea	2.1	3.4	4.5	2.4	3.2	4.0	1.9	2.8	3.0	
China	2.1	6.7	2.5	.6	4.6	4.6	2.1	2.7	3.0	
Latin America	4.1	4.2	6.7	3.9	4.4	3.9	3.8	3.7	3.7	
Mexico	4.1	3.8	6.2	4.0	4.3	3.5	3.8	3.5	3.4	
Brazil	3.1	4.3	6.3	4.3	5.6	6.7	4.3	5.4	5.5	

¹ Foreign GDP aggregates calculated using shares of U.S. exports.

² Foreign CPI aggregates calculated using shares of U.S. non-oil imports.

U.S. Current Account

Quarterly Data

	2011				2012				Projected-----2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Billions of dollars, s.a.a.r.</i>												
U.S. current account balance	-480.0	-476.5	-432.6	-474.6	-549.3	-523.4	-505.9	-527.2	-557.4	-554.9	-575.5	-613.8
<i>Previous Tealbook</i>	-466.2	-479.1	-431.0	-517.3	-545.7	-494.9	-466.6	-501.9	-535.3	-523.6	-551.6	-587.9
Current account as percent of GDP	-3.2	-3.2	-2.9	-3.1	-3.6	-3.4	-3.2	-3.3	-3.5	-3.4	-3.5	-3.7
<i>Previous Tealbook</i>	-3.1	-3.2	-2.8	-3.4	-3.5	-3.2	-3.0	-3.2	-3.3	-3.2	-3.4	-3.6
Net goods & services	-548.9	-566.2	-539.3	-585.1	-604.0	-579.5	-548.3	-561.7	-585.4	-571.6	-576.5	-600.7
Investment income, net	217.9	232.8	241.9	247.4	197.8	194.3	183.9	178.0	170.0	154.9	142.5	130.4
Direct, net	314.9	318.2	323.4	330.2	283.9	270.7	246.8	229.2	220.4	210.5	206.5	205.7
Portfolio, net	-97.1	-85.4	-81.4	-82.8	-86.0	-76.4	-62.9	-51.2	-50.4	-55.6	-64.0	-75.4
Other income and transfers, net	-148.9	-143.1	-135.3	-136.9	-143.1	-138.1	-141.4	-143.5	-142.0	-138.1	-141.4	-143.5

Annual Data

	-----Projected-----									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	
<i>Billions of dollars</i>										
U.S. current account balance	-800.6	-710.3	-677.1	-381.9	-442.0	-465.9	-526.4	-575.4	-646.6	
<i>Previous Tealbook</i>	-800.6	-710.3	-677.1	-374.4	-465.6	-473.4	-502.3	-549.6	-621.1	
Current account as percent of GDP	-6.0	-5.1	-4.7	-2.7	-3.0	-3.1	-3.4	-3.6	-3.8	
<i>Previous Tealbook</i>	-6.0	-5.1	-4.7	-2.7	-3.2	-3.1	-3.2	-3.4	-3.7	
Net goods & services	-753.3	-696.7	-698.3	-379.2	-494.7	-559.9	-573.4	-583.6	-607.4	
Investment income, net	54.7	111.1	157.8	127.6	191.0	235.0	188.5	149.4	102.1	
Direct, net	174.0	244.6	284.3	253.0	297.9	321.7	257.6	210.8	205.8	
Portfolio, net	-119.4	-133.5	-126.5	-125.4	-106.9	-86.7	-69.1	-61.3	-103.7	
Other income and transfers, net	-102.0	-124.7	-136.6	-130.3	-138.2	-141.1	-141.5	-141.3	-141.3	

Class I FOMC – Restricted Controlled (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book B Monetary Policy: Strategies and Alternatives

July 26, 2012

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

Policy Rules and the Staff Projection

Near-Term Prescriptions of Selected Policy Rules

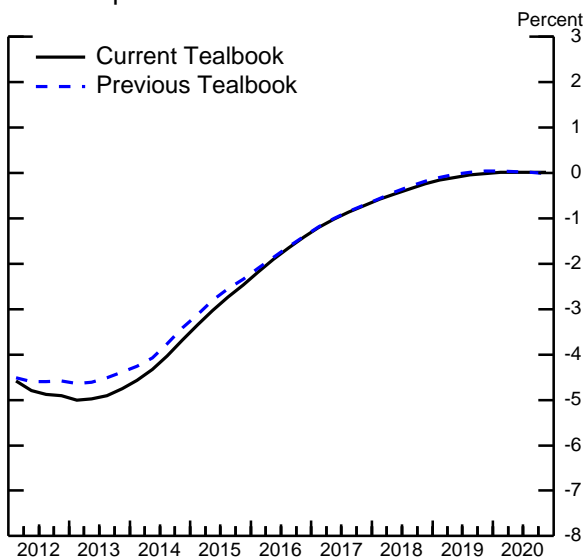
	Constrained Policy		Unconstrained Policy	
	<u>2012Q3</u>	<u>2012Q4</u>	<u>2012Q3</u>	<u>2012Q4</u>
Taylor (1993) rule	1.50	1.55	1.50	1.55
<i>Previous Tealbook</i>	1.52	1.59	1.52	1.59
Taylor (1999) rule	0.13	0.13	-0.88	-0.84
<i>Previous Tealbook</i>	0.13	0.13	-0.73	-0.64
Outcome-based rule	0.13	0.13	-0.02	-0.21
<i>Previous Tealbook</i>	0.13	0.13	0.04	-0.08
First-difference rule	0.13	0.13	-0.15	-0.37
<i>Previous Tealbook</i>	0.13	0.13	-0.07	-0.24
Nominal income targeting rule	0.13	0.13	-0.49	-0.99
<i>Previous Tealbook</i>	0.13	0.13	-0.41	-0.86

Memo: Equilibrium and Actual Real Federal Funds Rate

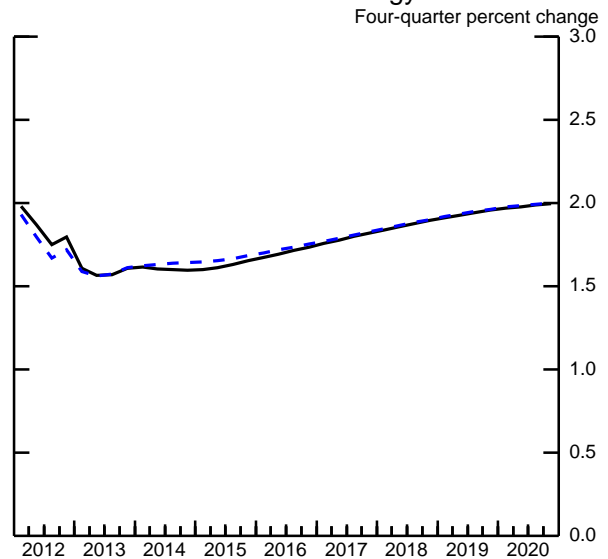
	Current Tealbook	Current Quarter Estimate as of Previous Tealbook	Previous Tealbook
Tealbook-consistent FRB/US r^* estimate	-2.79	-2.71	-2.93
Actual real federal funds rate	-1.73		-1.79

Key Elements of the Staff Projection

GDP Gap



PCE Prices ex. Food and Energy

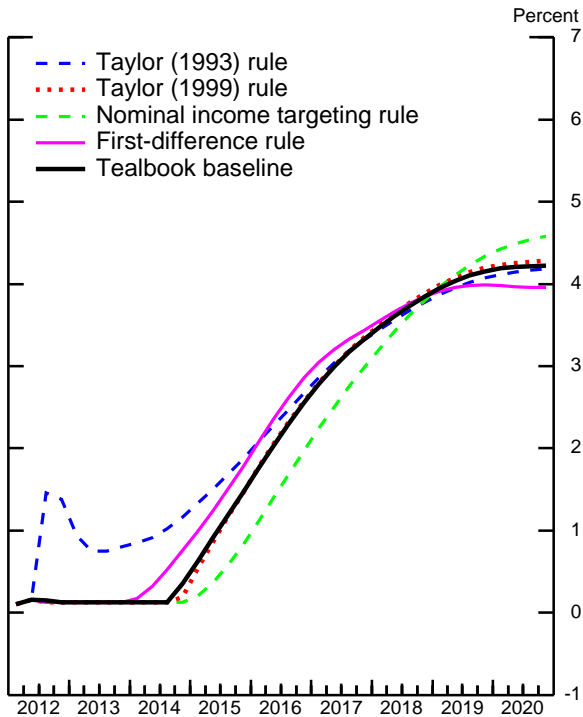


Note: Estimates of r^* may change at the beginning of a quarter even when the staff outlook is unchanged because the twelve-quarter horizon covered by the calculation has rolled forward one quarter. Therefore, whenever the Tealbook is published early in the quarter, the memo includes a third column labeled "Current Quarter Estimate as of Previous Tealbook."

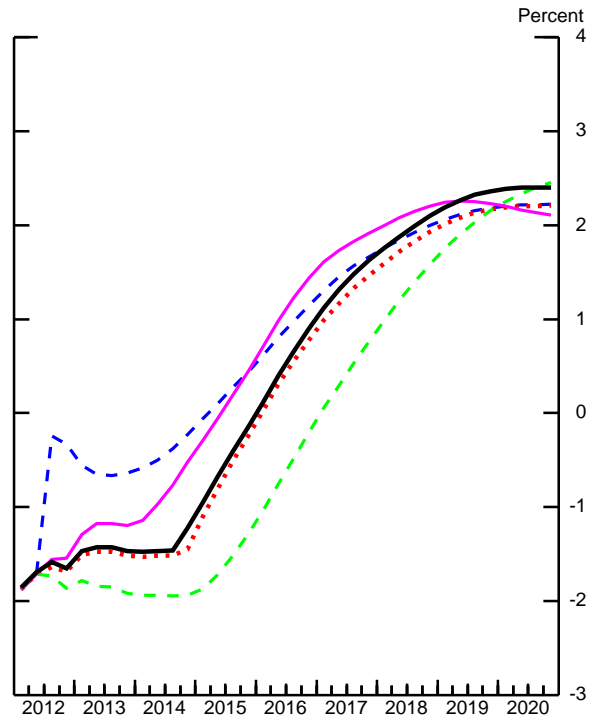
Policy Rule Simulations

Strategies

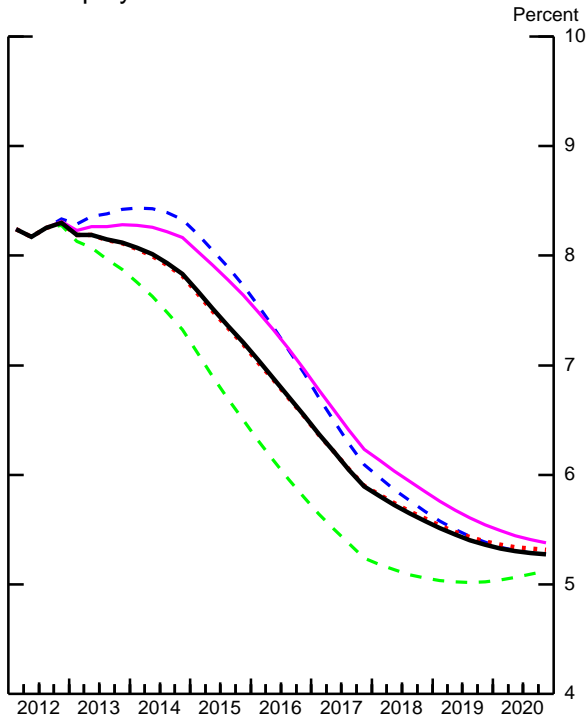
Nominal Federal Funds Rate



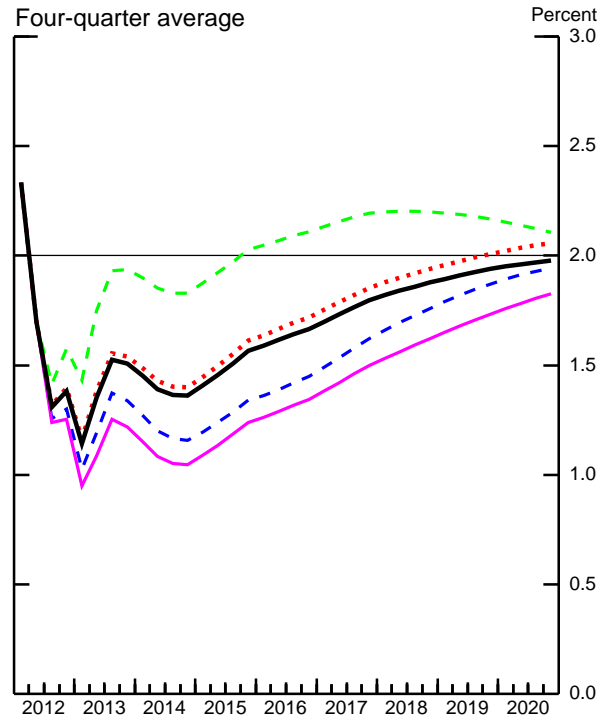
Real Federal Funds Rate



Unemployment Rate



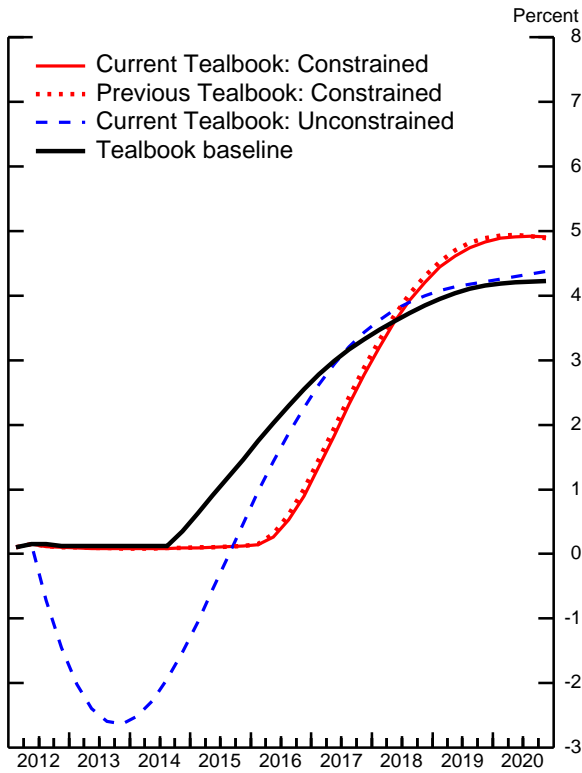
PCE Inflation
Four-quarter average



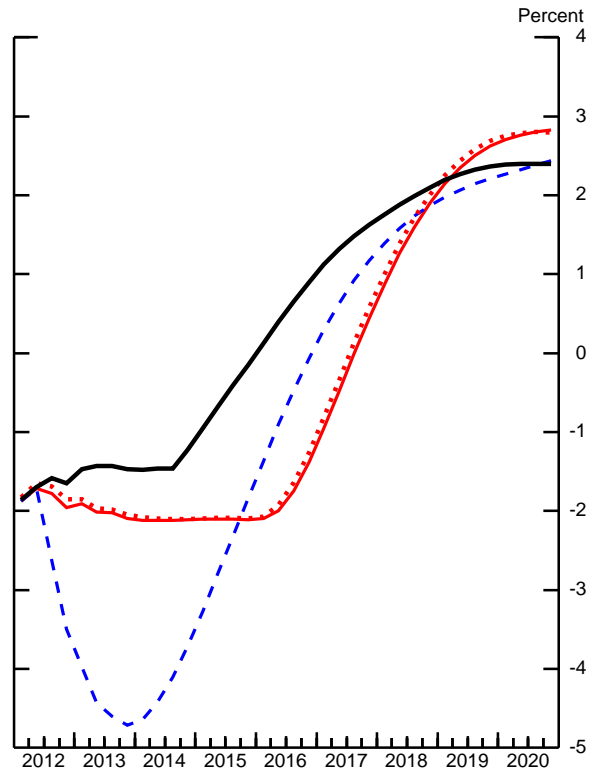
Note: The policy rule simulations in this exhibit are based on rules that respond to core inflation. This choice of rule specification was made in light of the tendency for current and near-term core inflation rates to outperform headline inflation rates as predictors of the medium-term behavior of headline inflation.

Constrained vs. Unconstrained Optimal Control Policy

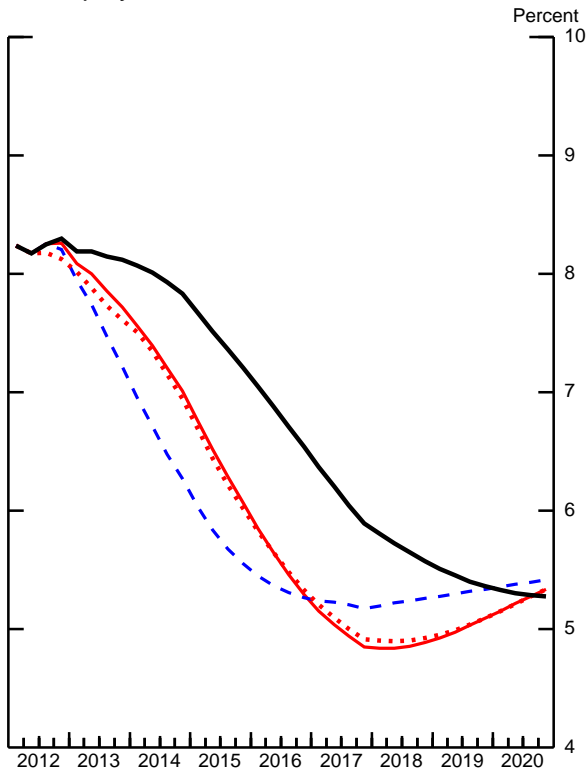
Nominal Federal Funds Rate



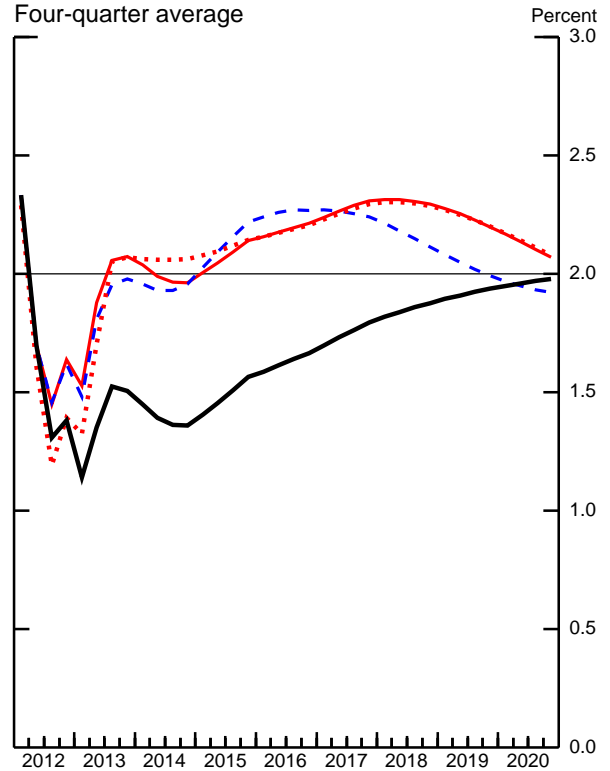
Real Federal Funds Rate



Unemployment Rate



PCE Inflation
Four-quarter average



Outcomes under Alternative Policies

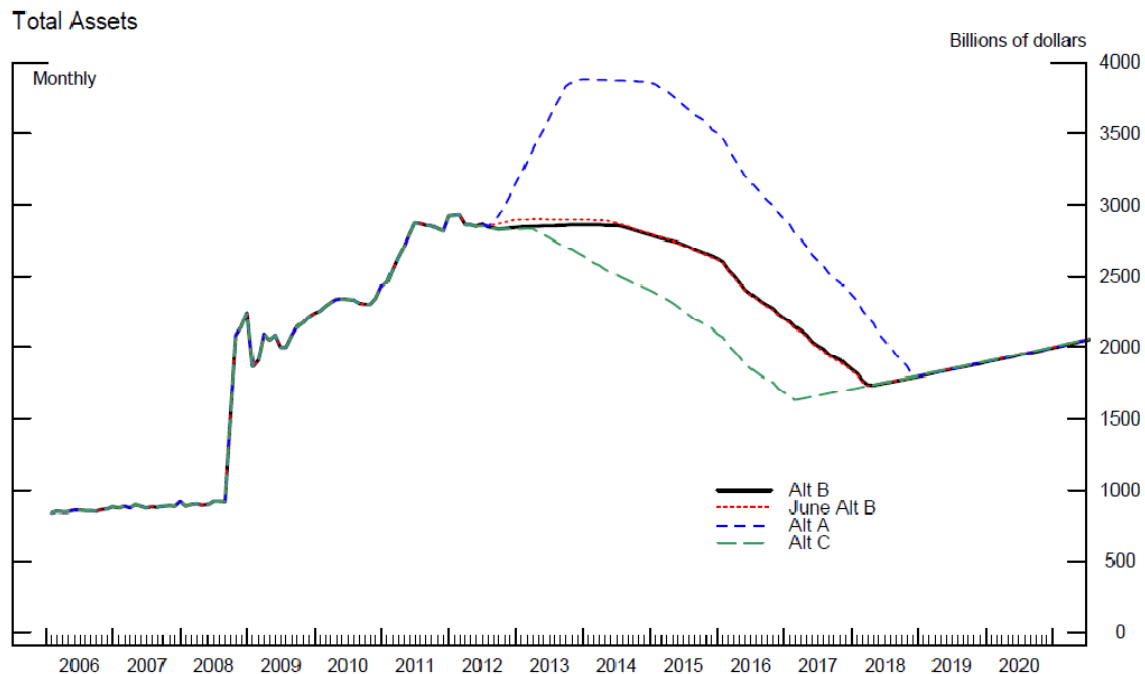
(Percent change, annual rate, from end of preceding period except as noted)

Measure and scenario	2012		2013	2014	2015	2016
	H1	H2				
<i>Real GDP</i>						
Extended Tealbook baseline	1.4	1.6	2.1	3.2	3.6	3.5
Taylor (1993)	1.4	1.3	1.5	2.9	3.7	3.7
Taylor (1999)	1.4	1.6	2.1	3.2	3.6	3.4
First-difference	1.4	1.5	1.7	2.9	3.5	3.5
Nominal income targeting	1.4	1.9	2.7	3.7	3.9	3.5
Constrained optimal control	1.4	2.0	3.0	4.0	4.2	3.6
<i>Unemployment rate¹</i>						
Extended Tealbook baseline	8.2	8.3	8.1	7.8	7.2	6.5
Taylor (1993)	8.2	8.3	8.4	8.3	7.7	6.9
Taylor (1999)	8.2	8.3	8.1	7.8	7.2	6.5
First-difference	8.2	8.3	8.3	8.2	7.6	7.0
Nominal income targeting	8.2	8.3	7.9	7.3	6.5	5.8
Constrained optimal control	8.2	8.3	7.7	7.0	6.1	5.3
<i>Total PCE prices</i>						
Extended Tealbook baseline	1.6	1.1	1.5	1.4	1.6	1.7
Taylor (1993)	1.6	1.0	1.3	1.2	1.3	1.5
Taylor (1999)	1.6	1.2	1.5	1.4	1.6	1.7
First-difference	1.6	0.9	1.2	1.0	1.2	1.3
Nominal income targeting	1.6	1.5	1.9	1.8	2.0	2.1
Constrained optimal control	1.6	1.6	2.1	2.0	2.1	2.2
<i>Core PCE prices</i>						
Extended Tealbook baseline	2.1	1.5	1.6	1.6	1.7	1.7
Taylor (1993)	2.1	1.4	1.4	1.4	1.4	1.5
Taylor (1999)	2.1	1.6	1.6	1.6	1.7	1.8
First-difference	2.1	1.3	1.3	1.3	1.3	1.4
Nominal income targeting	2.1	1.9	2.0	2.1	2.1	2.2
Constrained optimal control	2.1	2.1	2.2	2.2	2.2	2.3
<i>Federal funds rate¹</i>						
Extended Tealbook baseline	0.2	0.1	0.1	0.4	1.5	2.6
Taylor (1993)	0.2	1.4	0.8	1.2	1.9	2.7
Taylor (1999)	0.2	0.1	0.1	0.2	1.5	2.6
First-difference	0.2	0.1	0.1	0.8	1.8	2.9
Nominal income targeting	0.2	0.1	0.1	0.1	0.8	2.0
Constrained optimal control	0.2	0.1	0.1	0.1	0.1	0.9

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

LONG-RUN PROJECTIONS OF THE BALANCE SHEET AND MONETARY BASE

The staff has prepared three scenarios for the Federal Reserve's balance sheet that correspond to the policy alternatives A, B, and C. The scenario corresponding to Alternative A ends the maturity extension program (MEP) immediately, expands holdings of longer-term securities by \$1 trillion by the end of the third quarter of 2013, and pushes the first increase of the target federal funds rate to mid-2015. The details of this scenario mimic the language in paragraph 3' of that statement and are also roughly consistent with the open-ended purchase program in paragraph 3 if purchases last, and are expected to last, for a little more than a year. The scenario corresponding to Alternative B incorporates a continuation of the MEP as announced in June and has the first increase in the federal funds rate in December 2014. The third scenario corresponds to Alternative C, in which the MEP is also completed as scheduled, but the federal funds rate rises above the current target range in late 2013, one year earlier than in Alternative B. Projections under each scenario are based on assumptions about the trajectory of various components of the balance sheet. Details of these assumptions, as well as projections for each major component of the balance sheet, can be found in Explanatory Note D.



For the balance sheet scenario that corresponds to Alternative B, essentially all Treasury securities with remaining maturities of approximately three years or less are

Growth Rates for the Monetary Base				
Date	Alternative B	Alternative A	Alternative C	June Alt B
Percent, annual rate				
Monthly				
Apr-12	-12.2	-12.2	-12.2	-12.2
May-12	-8.7	-8.7	-8.7	-8.8
Jun-12	-4.6	-4.6	-4.6	7.9
Jul-12	6.2	6.9	6.2	22.5
Aug-12	12.2	21.6	12.0	10.7
Sep-12	-4.3	15.8	-4.4	-3.4
Oct-12	-11.9	14.5	-12.1	-10.0
Nov-12	8.8	38.5	8.6	7.9
Dec-12	1.2	31.3	1.1	5.8
Quarterly				
2011 Q3	21.0	21.0	21.0	21.0
2011 Q4	-5.9	-5.9	-5.9	-5.9
2012 Q1	5.5	5.5	5.5	5.5
2012 Q2	-3.9	-3.9	-3.9	-2.5
2012 Q3	2.3	6.9	2.2	10.3
2012 Q4	-1.5	23.3	-1.7	-0.5
2013 Q1	-2.2	28.9	-2.2	-1.0
2013 Q2	-2.4	27.5	-2.4	-2.8
Annual - Q4 to Q4				
2010	0.9	0.9	0.9	0.9
2011	32.9	32.9	32.9	32.9
2012	0.6	8.1	0.5	3.2
2013	0.6	28.9	-1.6	0.2
2014	-1.8	-0.2	-5.0	-1.0
2015	-4.4	-6.9	-7.9	-6.6
2016	-16.6	-17.7	-17.6	-16.6
2017	-18.0	-19.8	-18.6	-18.1
2018	-7.3	-27.4	3.7	-6.3

Note: Not seasonally adjusted.

Growth Rates for M2

(Percent, seasonally adjusted annual rate)

Monthly Growth Rates	Tealbook Forecast*
Jan-12	16.4
Feb-12	3.7
Mar-12	4.3
Apr-12	5.8
May-12	4.3
Jun-12	5.7
Jul-12	6.2
Aug-12	4.1
Sep-12	4.2
Oct-12	3.9
Nov-12	4.0
Dec-12	4.0
Quarterly Growth Rates	
2012 Q1	8.7
2012 Q2	4.9
2012 Q3	5.2
2012 Q4	4.0
2013 Q1	1.8
2013 Q2	2.3
2013 Q3	3.1
2013 Q4	3.4
2014 Q1	3.5
2014 Q2	3.5
2014 Q3	3.5
2014 Q4	0.6
Annual Growth Rates	
2012	5.8
2013	2.7
2014	2.8

* This forecast is consistent with nominal GDP and interest rates in the Tealbook forecast. Actual data through July 16, 2012; projections thereafter.

10-Year Treasury Term Premium Effect				
Date	Alternative B	Alternative A	Alternative C	<i>June Alternative B</i>
Basis Points				
Quarterly Averages				
2012 Q3	-70	-89	-63	-68
2012 Q4	-66	-86	-60	-65
2013 Q1	-63	-82	-56	-62
2013 Q2	-59	-78	-52	-58
2013 Q3	-55	-74	-47	-54
2013 Q4	-51	-69	-44	-50
2014 Q1	-47	-64	-40	-47
2014 Q2	-43	-59	-36	-43
2014 Q3	-40	-54	-33	-40
2014 Q4	-36	-50	-30	-37
2015 Q1	-33	-45	-27	-34
2015 Q2	-29	-40	-24	-31
2015 Q3	-26	-36	-21	-28
2015 Q4	-24	-32	-19	-26
2016 Q1	-21	-29	-17	-24
2016 Q2	-19	-25	-15	-22
2016 Q3	-17	-22	-13	-20
2016 Q4	-15	-20	-11	-18
2017 Q1	-13	-17	-10	-16
2017 Q2	-11	-15	-9	-15
2017 Q3	-10	-13	-8	-14
2017 Q4	-9	-11	-7	-13
2018 Q1	-8	-9	-6	-12
2018 Q2	-7	-8	-6	-11
2018 Q3	-7	-7	-6	-10
2018 Q4	-6	-6	-5	-10
2019 Q1	-6	-5	-5	-9
2019 Q2	-6	-5	-5	-9
2019 Q3	-5	-5	-5	-8
2019 Q4	-5	-4	-5	-8
2020 Q1	-5	-4	-4	-7
2020 Q2	-4	-4	-4	-7
2020 Q3	-4	-3	-4	-6
2020 Q4	-4	-3	-3	-6

Federal Reserve Balance Sheet End-of-Year Projections -- Alternative B

Billions of dollars

	<u>Jun 29, 2012</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,862	2,841	2,790	2,201	1,796	1,993
Selected assets						
Liquidity programs for financial firms	28	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	28	0	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	6	3	1	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	15	2	0	0	0	0
Securities held outright	2,606	2,594	2,570	2,022	1,652	1,873
U.S. Treasury securities	1,660	1,654	1,654	1,435	1,413	1,873
Agency debt securities	91	77	39	16	2	0
Agency mortgage-backed securities	855	863	878	571	237	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	206	242	218	178	144	120
Total liabilities	2,808	2,779	2,708	2,092	1,653	1,804
Selected liabilities						
Federal Reserve notes in circulation	1,070	1,108	1,250	1,390	1,535	1,687
Reverse repurchase agreements	70	70	70	70	70	70
Deposits with Federal Reserve Banks	1,647	1,584	1,372	616	32	32
Reserve balances held by depository institutions	1,524	1,492	1,365	610	25	25
U.S. Treasury, General Account	91	90	5	5	5	5
Other Deposits	32	2	2	2	2	2
Interest on Federal Reserve Notes due to U.S. Treasury	3	0	0	0	0	0
Total capital	55	62	82	108	143	189

Explanatory Notes

Source: Federal Reserve H.4.1 statistical releases and staff calculations.

Note: Components may not sum to totals due to rounding.

Federal Reserve Balance Sheet End-of-Year Projections -- Alternative A

Billions of dollars

	<u>Jun 29, 2012</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,862	3,144	3,856	2,899	1,798	1,995
Selected assets						
Liquidity programs for financial firms	28	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	28	0	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	6	3	1	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	15	2	0	0	0	0
Securities held outright	2,606	2,901	3,617	2,714	1,656	1,884
U.S. Treasury securities	1,660	1,868	2,249	1,751	1,190	1,884
Agency debt securities	91	77	39	16	2	0
Agency mortgage-backed securities	855	956	1,329	947	463	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	206	238	237	185	142	111
Total liabilities	2,808	3,082	3,774	2,791	1,655	1,805
Selected liabilities						
Federal Reserve notes in circulation	1,070	1,108	1,250	1,390	1,535	1,687
Reverse repurchase agreements	70	70	70	70	70	70
Deposits with Federal Reserve Banks	1,647	1,886	2,435	1,312	32	32
Reserve balances held by depository institutions	1,524	1,794	2,344	1,306	25	25
U.S. Treasury, General Account	91	90	90	5	5	5
Other Deposits	32	2	2	2	2	2
Interest on Federal Reserve Notes due to U.S. Treasury	3	0	0	0	0	0
Total capital	55	62	82	108	143	189

Source: Federal Reserve H.4.1 statistical releases and staff calculations.

Note: Components may not sum to totals due to rounding.

Federal Reserve Balance Sheet End-of-Year Projections -- Alternative C

Billions of dollars

	<u>Jun 29, 2012</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,862	2,839	2,587	1,995	1,796	1,993
Selected assets						
Liquidity programs for financial firms	28	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	28	0	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	6	3	1	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	15	2	0	0	0	0
Securities held outright	2,606	2,594	2,376	1,825	1,658	1,874
U.S. Treasury securities	1,660	1,654	1,654	1,435	1,592	1,874
Agency debt securities	91	77	39	16	2	0
Agency mortgage-backed securities	855	863	683	374	64	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	206	240	209	170	138	119
Total liabilities	2,808	2,777	2,505	1,887	1,653	1,804
Selected liabilities						
Federal Reserve notes in circulation	1,070	1,108	1,250	1,390	1,535	1,687
Reverse repurchase agreements	70	70	70	70	70	70
Deposits with Federal Reserve Banks	1,647	1,582	1,168	411	32	32
Reserve balances held by depository institutions	1,524	1,490	1,162	405	25	25
U.S. Treasury, General Account	91	90	5	5	5	5
Other Deposits	32	2	2	2	2	2
Interest on Federal Reserve Notes due to U.S. Treasury	3	0	0	0	0	0
Total capital	55	62	82	108	143	189

Source: Federal Reserve H.4.1 statistical releases and staff calculations.

Note: Components may not sum to totals due to rounding.