

## **Part 1**

January 22, 2009

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Summary and Outlook**

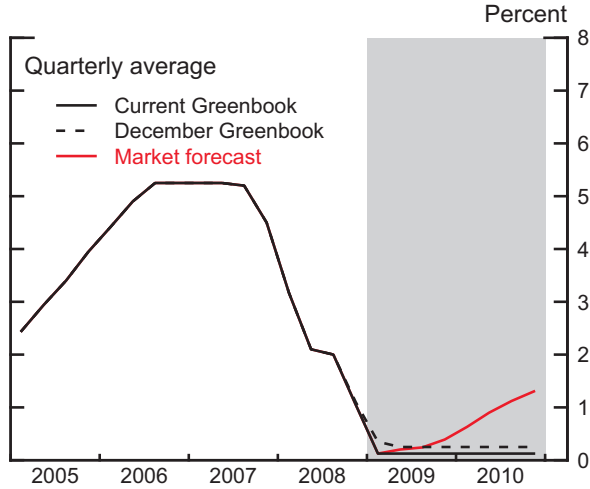
January 22, 2009

## **Summary and Outlook**

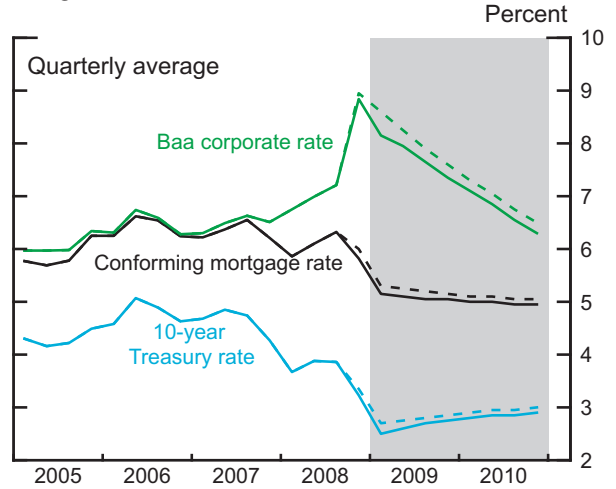
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## Key Background Factors Underlying the Baseline Staff Projection

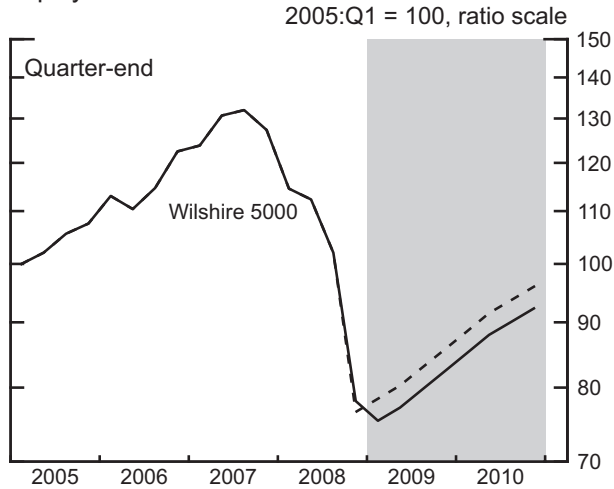
Federal Funds Rate



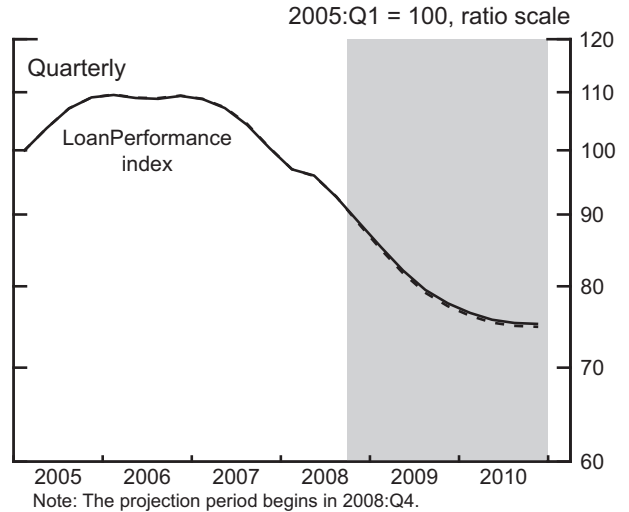
Long-Term Interest Rates



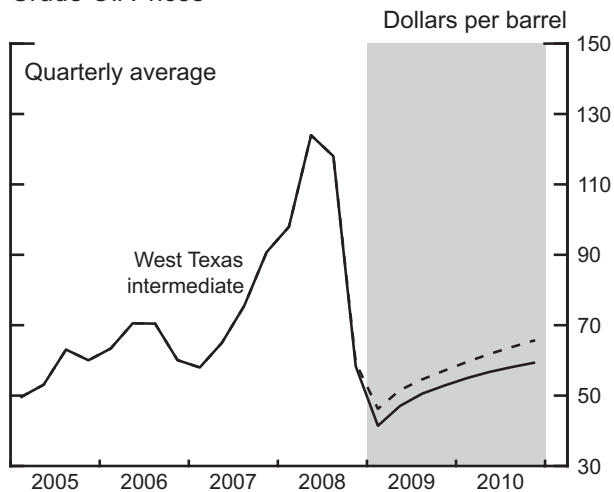
Equity Prices



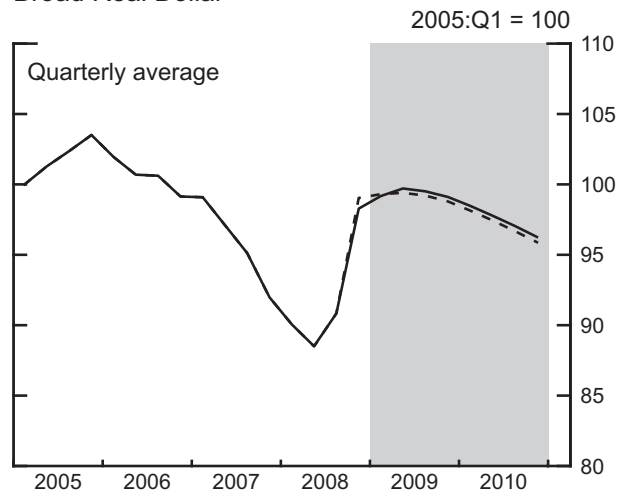
House Prices



Crude Oil Prices



Broad Real Dollar



Note: In each panel, shading represents the projection period, which begins in 2009:Q1 except as noted.

<b>Summary of the Near-Term Outlook</b> (Percent change at annual rate except as noted)				
Measure	2008:Q4		2009:Q1	
	December Greenbook	January Greenbook	December Greenbook	January Greenbook
<b>Real GDP</b>	<b>-4.7</b>	<b>-4.9</b>	<b>-5.0</b>	<b>-5.6</b>
Private domestic final purchases	-6.6	-6.1	-5.2	-5.9
Personal consumption expenditures	-4.3	-3.9	-1.3	-1.7
Residential investment	-27.0	-28.1	-32.5	-40.7
Business fixed investment	-14.0	-12.9	-19.8	-19.8
Government outlays for consumption and investment	1.2	3.4	-.4	.4
	Contribution to growth (percentage points)			
Inventory investment	.3	-.4	-1.6	-2.0
Net exports	.4	-.1	.9	1.2

Greenbook. With this path of output, capacity utilization in manufacturing is expected to move down to 68½ percent this quarter—more than 10 percentage points below its recent cyclical high in mid-2007.

Labor market conditions also deteriorated at an increasing pace in the fourth quarter. Private payroll employment fell more than 500,000 in December, and payroll counts for October and November were revised down substantially, evidence of an employment situation that is weaker than we had anticipated. Since then, new claims for unemployment insurance have remained at a very high level, and the level of continuing claims has continued to rise. We are now looking for private employment to fall another 500,000 in the January survey and to decline 375,000 per month, on average, in February and March. Accordingly, we expect the unemployment rate to climb from 7.2 percent in December to 7.5 percent in January and to almost 8 percent by March.

Consumer outlays have fallen sharply further, on net, in recent months. The deteriorating labor market, drops in equity and housing wealth, and tight credit availability have outweighed the boost to household purchasing power associated with the substantial declines in energy prices. We estimate that real PCE declined at an annual rate close to 4 percent in the fourth quarter, similar to both the pace of decline in the third quarter and the drop we projected in the December Greenbook. We project that real PCE will decline at a slower rate of 1¾ percent in the first quarter. Sales of light motor vehicles plunged

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

Measure	2008: H2	2009: H1	2009	2010
<b>Real GDP</b>	<b>-2.7</b>	<b>-3.5</b>	<b>-.8</b>	<b>2.6</b>
Previous Greenbook	-2.6	-3.1	-.9	2.4
Final sales	-2.9	-2.7	-1.3	2.6
Previous Greenbook	-3.1	-2.4	-1.4	2.4
Personal consumption expenditures	-3.9	-.6	.6	2.9
Previous Greenbook	-4.0	-.2	.7	2.7
Residential investment	-22.3	-31.6	-12.8	10.0
Previous Greenbook	-21.6	-22.2	-10.4	8.9
Business fixed investment	-7.4	-19.5	-16.7	3.0
Previous Greenbook	-7.5	-19.7	-16.9	4.8
Government purchases	4.6	1.6	2.4	2.5
Previous Greenbook	3.4	.8	1.2	1.2
Exports	-9.2	-3.9	-2.1	2.4
Previous Greenbook	-.4	-2.7	-1.3	2.6
Imports	-9.6	-6.9	-.8	5.4
Previous Greenbook	-4.2	-5.6	-1.0	4.9
Contribution to growth (percentage points)				
Inventory change	.2	-.7	.6	.0
Previous Greenbook	.5	-.7	.4	.0
Net exports	.5	.6	-.1	-.5
Previous Greenbook	.7	.5	-.0	-.4

should promote greater spending in the quarters ahead. And, as in previous Greenbooks, consumption is supported over time by a gradual improvement in credit availability and consumer confidence as the economy starts to revive and by a waning of the adverse effects of declines in household wealth. In all, we project that real PCE will show a slight increase of about ½ percent for 2009 as a whole and will rise 3 percent in 2010.

The pattern of the personal saving rate is importantly influenced by the tax cuts, as the gradual spending response to the increase in disposable income implies a near-term jump

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

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

Measure	1974-95	1996-2000	2001-06	2007	2008	2009	2010
<b>Structural labor productivity</b>	<b>1.5</b>	<b>2.5</b>	<b>2.6</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>	<b>1.7</b>
Previous Greenbook	1.5	2.5	2.6	2.1	1.9	1.7	1.7
<i>Contributions</i> <sup>1</sup>							
Capital deepening	.7	1.4	.7	.6	.4	-.0	.1
Previous Greenbook	.7	1.4	.7	.6	.4	-.0	.1
Multifactor productivity	.5	.7	1.6	1.2	1.3	1.6	1.5
Previous Greenbook	.5	.7	1.6	1.2	1.3	1.6	1.5
Labor composition	.3	.3	.3	.2	.2	.2	.1
MEMO							
Potential GDP	3.0	3.4	2.6	2.5	2.5	2.2	2.2
Previous Greenbook	3.0	3.4	2.6	2.5	2.5	2.2	2.2

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

1. Percentage points.

**The Outlook for the Labor Market**

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

Measure	2007	2008	2009	2010
Output per hour, nonfarm business	2.7	2.4	1.1	2.0
Previous Greenbook	2.7	2.0	.8	2.4
Nonfarm private payroll employment	.9	-1.9	-2.2	1.0
Previous Greenbook	.9	-1.8	-1.9	.4
Household survey employment	.4	-1.5	-1.1	1.1
Previous Greenbook	.4	-1.3	-.9	.6
Labor force participation rate <sup>1</sup>	66.0	65.9	65.5	65.3
Previous Greenbook	66.0	65.9	65.5	65.3
Civilian unemployment rate <sup>1</sup>	4.8	6.9	8.4	8.1
Previous Greenbook	4.8	6.7	8.1	8.2
MEMO				
GDP gap <sup>2</sup>	-.3	-3.2	-6.0	-5.5
Previous Greenbook	-.3	-3.1	-6.0	-5.8

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.

move back up, about in line with our projection in the December Greenbook.<sup>5</sup> The other key determinants of inflation are little revised. We still expect slack in resource utilization, subdued import prices, and reduced costs of energy and other materials to hold down inflation—and inflation expectations—in the period ahead. In all, we project

### Inflation Projections

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

Measure	2007	2008	2009	2010
PCE chain-weighted price index	3.5	1.7	.6	1.1
Previous Greenbook	3.5	1.9	.7	1.0
Food and beverages	4.5	6.2	2.0	1.2
Previous Greenbook	4.5	6.3	2.0	1.0
Energy	19.1	-9.8	-8.8	5.2
Previous Greenbook	19.1	-9.8	-8.1	4.8
Excluding food and energy	2.2	1.9	1.0	.8
Previous Greenbook	2.2	2.0	1.1	.8
Consumer price index	4.0	1.5	.4	1.3
Previous Greenbook	4.0	1.7	.7	1.3
Excluding food and energy	2.3	2.0	1.3	1.0
Previous Greenbook	2.3	2.1	1.3	1.0
GDP chain-weighted price index	2.6	2.3	1.5	.9
Previous Greenbook	2.6	2.6	1.5	.8
ECI for compensation of private industry workers <sup>1</sup>	3.0	2.5	1.9	1.5
Previous Greenbook	3.0	2.5	2.0	1.6
Compensation per hour, nonfarm business sector	3.6	3.4	2.1	1.5
Previous Greenbook	3.6	3.2	2.4	1.6
Prices of core goods imports <sup>2</sup>	3.4	3.4	-3.2	1.3
Previous Greenbook	3.4	3.9	-2.7	1.3

1. December to December.

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

<sup>5</sup> We boosted our projection for core PCE inflation in the second quarter to reflect the likely imposition of a substantial increase in the federal excise tax on cigarettes, which is part of expected legislation to increase funding for the State Children's Health Insurance Program.

**The Long-Term Outlook**  
(Percent change, Q4 to Q4, except as noted)

Measure	2008	2009	2010	2011	2012	2013
Real GDP	-0.5	-0.8	2.6	4.9	5.3	5.0
Civilian unemployment rate <sup>1</sup>	6.9	8.4	8.1	6.7	5.5	4.4
PCE prices, total	1.7	0.6	1.1	0.8	0.7	0.8
Core PCE prices	1.9	1.0	0.8	0.6	0.6	0.7
Federal funds rate <sup>1</sup>	1.1	0.1	0.1	0.1	0.1	2.3

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

- Beyond 2010, foreign real GDP expands 4½ percent per year on average while the dollar depreciates 2½ percent per year in real terms; nominal WTI crude oil prices rise gradually from recent levels to about \$65 per barrel by the end of 2013, consistent with futures prices. Under these assumptions, movements in prices of energy and imports have only minor implications for domestic inflation.
- The NAIRU remains flat at 4¾ percent, and potential GDP expands a little more than 2½ percent per year, on average, over the 2011-13 period.

The unemployment rate enters 2011 considerably above the staff's estimate of the NAIRU. Moreover, inflation is well below the assumed long-run target. Under the assumptions used to construct the baseline extension, the federal funds rate does not begin to rise above the effective lower bound until 2013. The lingering effects of financial upheaval continue to fade, and the recovery in residential construction gains momentum; coupled with stimulative monetary policy, these factors propel real GDP to increases of about 5 percent per year, on average, over the 2011-13 period. With actual output increasing faster than its potential by a wide margin, the unemployment rate declines steadily over this period and falls below the NAIRU in 2013. Nevertheless, reflecting the considerable margin of slack on average over this period, inflation moves down further after 2010.

### Financial Flows and Conditions

We expect that the growth of domestic nonfinancial debt will slow from an annual rate of 6½ percent in the fourth quarter of last year to a rate of 4½ percent in the current quarter, as federal borrowing to address financial market strains slows somewhat from its extraordinary fourth-quarter rate. Excluding the federal sector, we forecast that the level of debt will be essentially unchanged in the first quarter, as it was last quarter. In 2009



Alternative Scenarios						
(Percent change, annual rate, from end of preceding period except as noted)						
Measure and scenario	2008	2009		2010	2011	2012-13
	H2	H1	H2			
<i>Real GDP</i>						
Greenbook extension	-2.7	-3.5	2.0	2.6	4.9	5.1
More financial stress	-2.7	-4.5	-0.3	0.6	4.2	5.2
More cautious spending	-2.7	-6.1	0.2	1.7	4.4	4.7
Faster recovery	-2.7	-3.4	5.6	6.1	5.5	2.5
Large-scale asset purchases	-2.7	-3.3	2.6	3.3	5.8	5.3
Deflation	-2.7	-3.5	2.0	2.5	4.6	4.6
Anchored inflation expectations	-2.7	-3.5	2.0	2.7	5.1	5.2
<i>Unemployment rate<sup>1</sup></i>						
Greenbook extension	6.9	8.2	8.4	8.1	6.7	4.4
More financial stress	6.9	8.3	8.9	9.3	8.2	5.6
More cautious spending	6.9	8.5	9.1	9.2	7.9	5.7
Faster recovery	6.9	8.2	8.0	6.4	4.5	4.0
Large-scale asset purchases	6.9	8.2	8.3	7.7	6.0	3.6
Deflation	6.9	8.2	8.4	8.1	6.8	4.8
Anchored inflation expectations	6.9	8.2	8.4	8.1	6.6	4.3
<i>Core PCE inflation</i>						
Greenbook extension	1.5	1.2	0.9	0.8	0.6	0.7
More financial stress	1.5	1.2	0.7	0.3	-0.2	-0.2
More cautious spending	1.5	1.2	0.8	0.5	0.0	-0.3
Faster recovery	1.5	1.2	0.9	1.2	1.4	1.7
Large-scale asset purchases	1.5	1.3	1.0	1.0	0.9	1.0
Deflation	1.5	0.8	0.4	0.1	-0.3	-0.6
Anchored inflation expectations	1.5	1.2	1.0	1.2	1.2	1.5
<i>Federal funds rate<sup>1</sup></i>						
Greenbook extension	1.1	0.1	0.1	0.1	0.1	2.3
More financial stress	1.1	0.1	0.1	0.1	0.1	0.1
More cautious spending	1.1	0.1	0.1	0.1	0.1	0.1
Faster recovery	1.1	0.1	0.1	1.4	4.3	5.0
Large-scale asset purchases	1.1	0.1	0.1	0.1	0.1	4.9
Deflation	1.1	0.1	0.1	0.1	0.1	0.1
Anchored inflation expectations	1.1	0.1	0.1	0.1	0.1	3.8

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

The additional financial market stress causes household and business spending to weaken more appreciably than in the staff projection. Real GDP contracts 2½ percent in 2009 (1½ percentage points more than in the baseline) and increases only ½ percent in 2010. The unemployment rate peaks at 9¼ percent next year, and inflation declines to

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

Measure	2008	2009	2010	2011	2012	2013
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	-0.5	-0.8	2.6	4.9	5.3	5.0
Confidence interval						
Greenbook forecast errors	-.6–-.3	-2.2–.7	1.2–4.0	...	...	...
FRB/US stochastic simulations	-.6–-.3	-1.9–.2	1.3–3.8	3.4–6.1	3.7–6.6	3.5–6.4
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	6.9	8.4	8.1	6.7	5.5	4.4
Confidence interval						
Greenbook forecast errors	6.8–6.9	8.0–8.9	7.2–8.9	...	...	...
FRB/US stochastic simulations	6.8–6.9	8.1–8.8	7.6–8.7	6.2–7.5	5.0–6.3	3.9–5.3
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	1.7	0.6	1.1	0.8	0.7	0.8
Confidence interval						
Greenbook forecast errors	1.6–1.9	-.2–1.4	.1–2.0	...	...	...
FRB/US stochastic simulations	1.7–1.8	.0–1.2	.3–1.7	-.1–1.6	-.3–1.5	-.3–1.6
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)						
Projection	1.9	1.0	0.8	0.6	0.6	0.7
Confidence interval						
Greenbook forecast errors	1.7–2.0	.5–1.5	-.1–1.6	...	...	...
FRB/US stochastic simulations	1.8–1.9	.6–1.4	.2–1.3	-.1–1.2	-.3–1.2	-.2–1.4
<i>Federal funds rate</i> (percent, Q4)						
Projection	1.1	0.1	0.1	0.1	0.1	2.3
Confidence interval						
FRB/US stochastic simulations	1.1–1.1	.1–1.1	.1–1.5	.1–1.5	.1–1.5	.5–3.7

Notes: Intervals derived from Greenbook forecast errors are based on projections made from 1987-2007. Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1987-2007 set of model equation residuals.

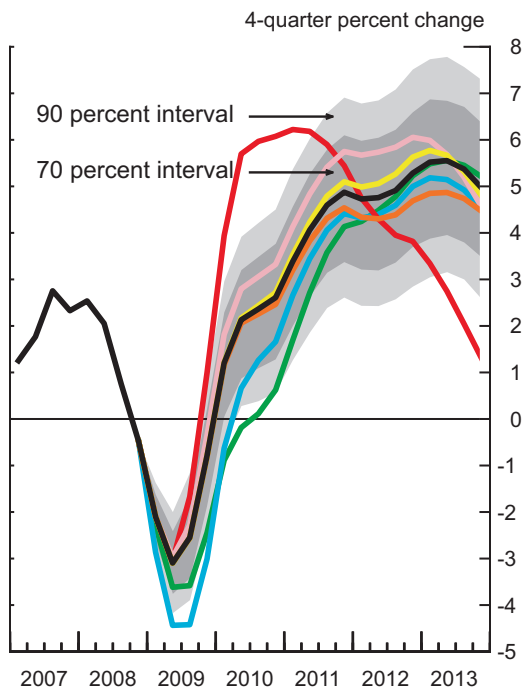
... Not applicable. The Greenbook forecast horizon has typically extended about two years.

## Forecast Confidence Intervals and Alternative Scenarios

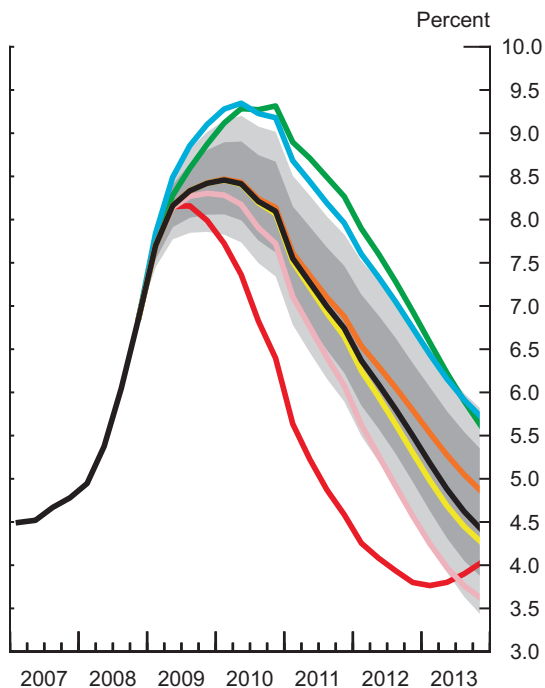
Confidence Intervals Based on FRB/US Stochastic Simulations

- Greenbook extension
- More financial stress
- More cautious spending
- Faster recovery
- Large-scale asset purchases
- Deflation
- Anchored inflation expectations

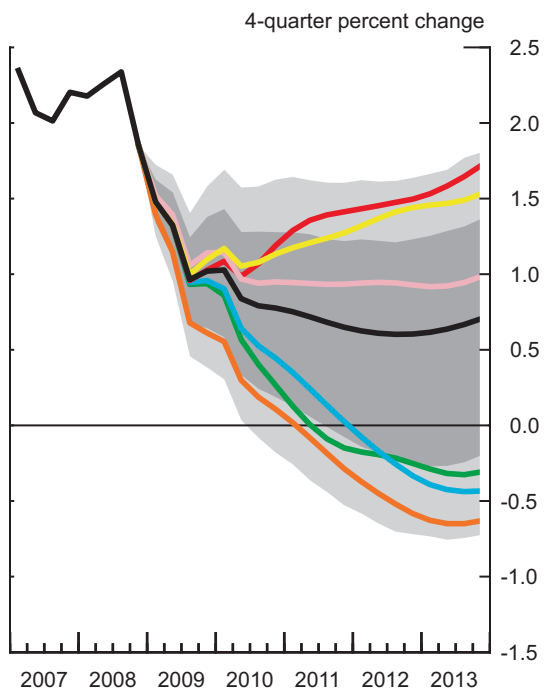
Real GDP



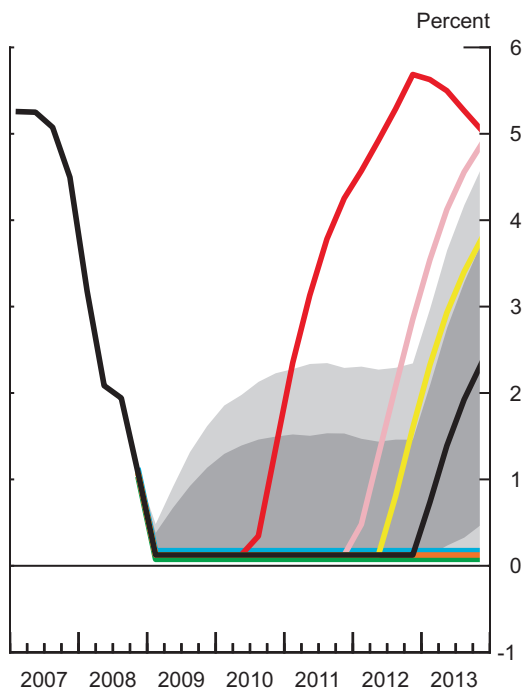
Unemployment Rate



PCE Prices excluding Food and Energy



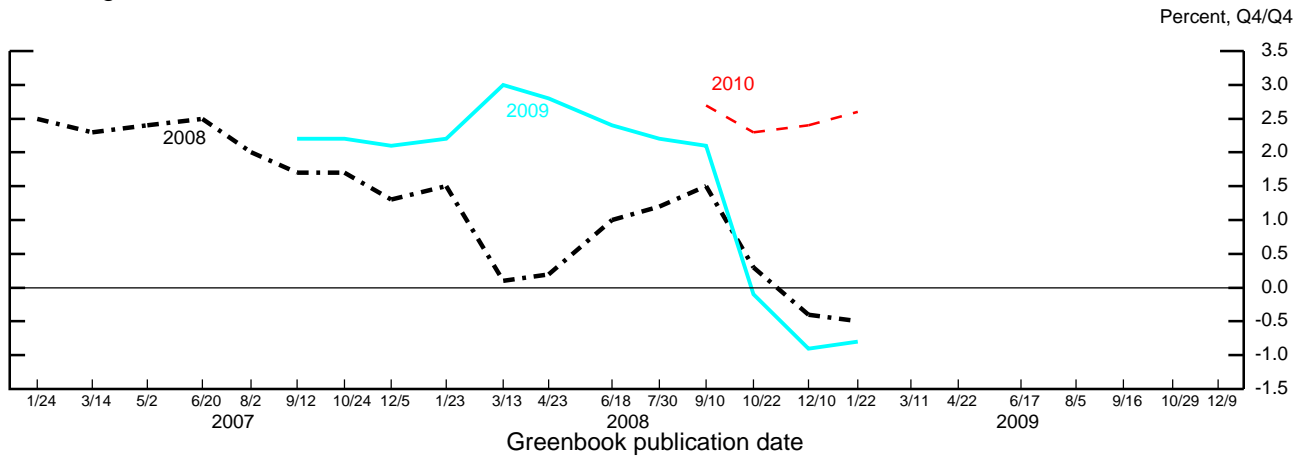
Federal Funds Rate



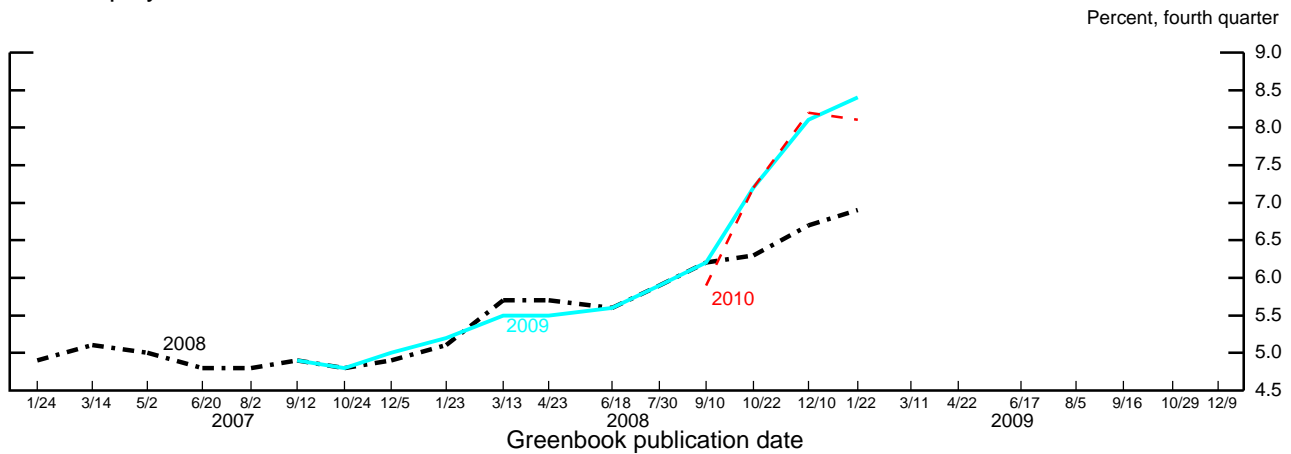
Class II FOMC - Restricted (FR)

## Evolution of the Staff Forecast

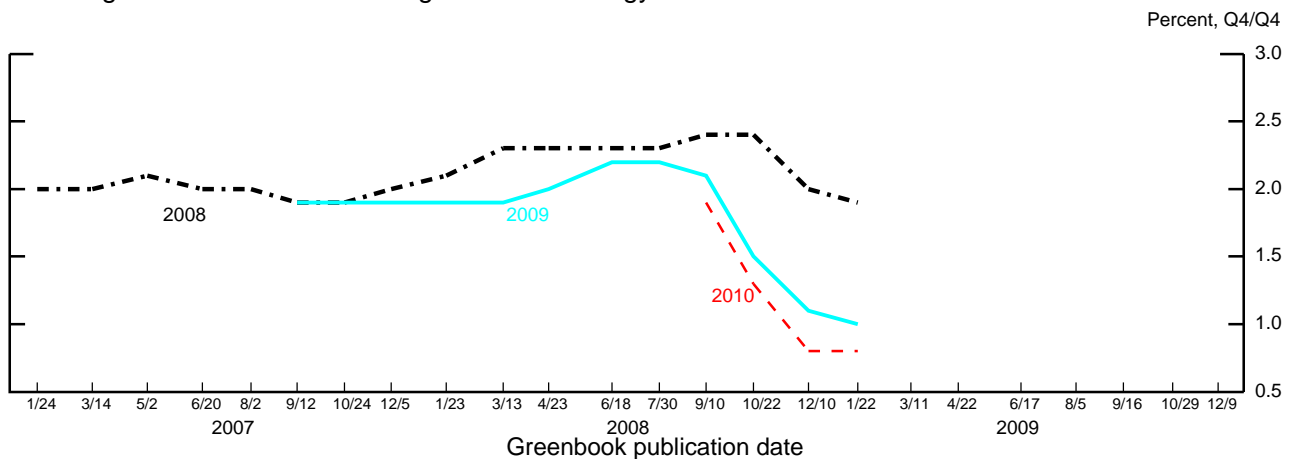
### Change in Real GDP



### Unemployment Rate



### Change in PCE Prices excluding Food and Energy



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

Interval	Nominal GDP		Real GDP		PCE price index		Core PCE price index		Unemployment rate <sup>1</sup>	
	12/10/08	1/22/09	12/10/08	1/22/09	12/10/08	1/22/09	12/10/08	1/22/09	12/10/08	1/22/09
<i>Quarterly</i>										
2008:Q1	3.5	3.5	.9	.9	3.6	3.6	2.3	2.3	4.9	4.9
Q2	4.1	4.1	2.8	2.8	4.3	4.3	2.2	2.2	5.3	5.4
Q3	3.6	3.4	-4	-5	5.2	5.0	2.6	2.4	6.0	6.0
Q4	-2.4	-3.3	-4.7	-4.9	-5.1	-5.6	1.2	.6	6.7	6.9
2009:Q1	-3.0	-4.3	-5.0	-5.6	-1.8	-2.3	1.5	.8	7.5	7.7
Q2	.4	1.0	-1.2	-1.3	2.2	1.9	1.3	1.6	7.8	8.2
Q3	2.4	3.2	1.0	1.8	1.5	1.5	1.0	1.0	8.0	8.3
Q4	2.5	3.2	1.6	2.1	1.2	1.2	.8	.8	8.1	8.4
2010:Q1	2.7	3.2	1.9	2.2	1.1	1.2	.8	.8	8.3	8.5
Q2	3.1	3.4	2.2	2.4	1.1	1.1	.8	.8	8.3	8.4
Q3	3.4	3.6	2.6	2.7	1.0	1.0	.8	.8	8.2	8.2
Q4	3.7	4.0	3.0	3.1	.9	1.0	.7	.7	8.2	8.1
<i>Two-quarter<sup>2</sup></i>										
2008:Q2	3.8	3.8	1.8	1.8	3.9	3.9	2.2	2.2	.5	.6
Q4	.6	.0	-2.6	-2.7	-1	-4	1.9	1.5	1.4	1.5
2009:Q2	-1.3	-1.7	-3.1	-3.5	.2	-2	1.4	1.2	1.1	1.3
Q4	2.5	3.2	1.3	2.0	1.3	1.4	.9	.9	.3	.2
2010:Q2	2.9	3.3	2.1	2.3	1.1	1.1	.8	.8	.2	.0
Q4	3.6	3.8	2.8	2.9	1.0	1.0	.8	.8	-.1	-.3
<i>Four-quarter<sup>3</sup></i>										
2007:Q4	4.9	4.9	2.3	2.3	3.5	3.5	2.2	2.2	.4	.4
2008:Q4	2.2	1.9	-4	-5	1.9	1.7	2.0	1.9	1.9	2.1
2009:Q4	.6	.7	-9	-8	.7	.6	1.1	1.0	1.4	1.5
2010:Q4	3.2	3.6	2.4	2.6	1.0	1.1	.8	.8	.1	-.3
<i>Annual</i>										
2007	4.8	4.8	2.0	2.0	2.6	2.6	2.2	2.2	4.6	4.6
2008	3.6	3.5	1.2	1.2	3.3	3.3	2.2	2.2	5.7	5.8
2009	.0	-.3	-2.0	-2.1	.1	-.2	1.5	1.2	7.9	8.2
2010	2.7	3.2	1.8	2.1	1.2	1.2	.8	.9	8.2	8.3

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	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>
Real GDP <i>Previous Greenbook</i>	.9	2.8	-5	-4.9	-5.6	-1.3	1.8	2.1	2.2	2.4	2.7	3.1	-5	-8	2.6
Final sales <i>Previous Greenbook</i>	.9	2.8	-4	-4.7	-5.0	-1.2	1.0	1.6	1.9	2.2	2.6	3.0	-4	-9	2.4
Priv. dom. final purch. <i>Previous Greenbook</i>	.9	4.4	-1.3	-4.5	-3.6	-1.8	-1	.2	1.3	3.0	3.3	2.9	-2	-1.3	2.6
	.9	4.4	-1.1	-4.9	-3.5	-1.2	-8	.1	1.2	2.9	2.9	2.6	-3	-1.4	2.4
	-3	.7	-4.1	-6.1	-5.9	-2.8	-3	.7	2.1	2.9	3.8	3.9	-2.5	-2.1	3.2
	-3	.7	-3.9	-6.6	-5.2	-2.2	-9	.5	2.2	3.1	3.6	3.7	-2.5	-2.0	3.2
Personal cons. expend. <i>Previous Greenbook</i>	.9	1.2	-3.8	-3.9	-1.7	.6	1.7	2.0	2.6	2.8	3.1	3.2	-1.4	.6	2.9
	.9	1.2	-3.7	-4.3	-1.3	.9	1.4	2.0	2.3	2.8	2.9	3.0	-1.5	.7	2.7
Durables	-4.3	-2.8	-14.8	-23.6	-4.9	9.2	7.2	4.9	5.6	6.3	6.6	4.1	-11.8	4.0	5.6
Nondurables	-4	3.9	-7.1	-7.8	-4.3	-8	1.1	1.3	1.7	2.7	3.1	3.1	-3.0	-7	2.6
Services	2.4	.7	-1	1.7	.0	-1	1.2	1.9	2.5	2.3	2.7	3.2	1.2	.8	2.7
Residential investment <i>Previous Greenbook</i>	-25.1	-13.3	-16.0	-28.1	-40.7	-21.0	8.6	13.8	10.5	7.3	11.3	11.0	-20.9	-12.8	10.0
	-25.1	-13.3	-15.7	-27.0	-32.5	-10.4	-3.0	9.9	8.6	7.0	11.1	9.1	-20.5	-10.4	8.9
Business fixed invest. <i>Previous Greenbook</i>	2.4	2.5	-1.7	-12.9	-19.8	-19.3	-15.9	-11.6	-4.1	2.7	6.4	7.5	-2.6	-16.7	3.0
	2.4	2.5	-6	-14.0	-19.8	-19.6	-15.7	-12.3	-9	4.6	7.3	8.4	-2.7	-16.9	4.8
Equipment & software	-6	-5.0	-7.5	-20.3	-19.0	-13.2	-9.8	-5.3	.0	9.6	13.4	13.7	-8.7	-12.0	9.0
<i>Previous Greenbook</i>	-6	-5.0	-5.7	-18.2	-18.1	-14.1	-10.1	-7.0	5.3	12.4	14.7	15.1	-7.6	-12.4	11.8
Nonres. structures	8.6	18.5	9.7	1.5	-21.0	-28.7	-25.6	-22.0	-11.5	-9.5	-6.6	-4.9	9.4	-24.4	-8.2
<i>Previous Greenbook</i>	8.6	18.5	9.5	-6.1	-22.7	-28.4	-25.0	-21.4	-12.0	-10.0	-7.0	-5.3	7.2	-24.4	-8.6
Net exports <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	-462	-381	-353	-359	-322	-324	-342	-375	-406	-406	-414	-438	-389	-341	-416
Exports	-462	-381	-352	-343	-316	-311	-324	-344	-372	-372	-380	-397	-385	-324	-380
Imports	5.1	12.3	3.0	-19.9	-5.1	-2.7	-1.0	.7	1.4	2.1	2.8	3.4	-7	-2.1	2.4
	-8	-7.3	-3.5	-15.4	-11.7	-1.9	3.3	8.2	8.3	1.5	4.0	7.9	-6.9	-8	5.4
Govt. cons. & invest. <i>Previous Greenbook</i>	1.9	3.9	5.8	3.4	.4	2.8	3.4	3.1	3.1	2.7	2.2	2.1	3.8	2.4	2.5
	1.9	3.9	5.8	1.2	-4	2.1	1.4	1.8	1.9	1.6	.6	.6	3.2	1.2	1.2
Federal	5.8	6.6	13.8	8.8	1.1	2.9	2.1	3.3	3.5	2.8	.7	.7	8.7	2.3	1.9
Defense	7.3	7.3	18.0	13.2	.9	3.3	2.1	2.4	1.2	1.2	1.9	1.9	11.4	2.2	1.6
Nondefense	2.9	5.0	5.1	-7	1.7	1.8	2.0	5.2	8.7	6.3	-1.9	-1.9	3.0	2.7	2.7
State & local	-3	2.5	1.3	.4	.0	2.7	4.2	3.1	2.9	2.6	3.2	3.0	1.0	2.5	2.9
Change in bus. inventories <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	-10	-51	-30	-43	-101	-86	-33	21	47	31	15	22	-33	-50	29
	-10	-51	-33	-29	-73	-73	-19	22	42	23	16	28	-31	-36	27
Nonfarm <sup>2</sup>	-18	-55	-33	-44	-100	-85	-34	20	46	30	14	21	-38	-50	28
Farm <sup>2</sup>	6	2	2	1	1	1	1	1	1	1	1	1	3	1	1

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

2. Billions of chained (2000) dollars.

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

(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	1.9	3.7	3.1	2.7	2.4	2.3	-5	-8	2.6
<i>Previous Greenbook</i>	1.9	3.7	3.1	2.7	2.4	2.3	-4	-9	2.4
Final sales	.8	3.7	2.8	2.7	2.8	2.5	-2	-1.3	2.6
<i>Previous Greenbook</i>	.8	3.7	2.8	2.7	2.8	2.5	-3	-1.4	2.4
Priv. dom. final purch.	1.1	4.1	4.3	3.1	2.3	1.4	-2.5	-2.1	3.2
<i>Previous Greenbook</i>	1.1	4.1	4.3	3.1	2.3	1.4	-2.5	-2.0	3.2
Personal cons. expend.	1.9	3.4	3.7	2.6	3.2	2.2	-1.4	.6	2.9
<i>Previous Greenbook</i>	1.9	3.4	3.7	2.6	3.2	2.2	-1.5	.7	2.7
Durables	1.2	8.3	5.6	1.2	6.9	4.2	-11.8	4.0	5.6
Nondurables	2.1	3.9	3.5	3.6	3.2	1.7	-3.0	-7	2.6
Services	1.9	2.2	3.3	2.4	2.6	2.1	1.2	.8	2.7
Residential investment	7.0	11.7	6.7	5.4	-15.5	-19.0	-20.9	-12.8	10.0
<i>Previous Greenbook</i>	7.0	11.7	6.7	5.4	-15.5	-19.0	-20.5	-10.4	8.9
Business fixed invest.	-6.5	4.9	7.5	4.9	6.5	6.4	-2.6	-16.7	3.0
<i>Previous Greenbook</i>	-6.5	4.9	7.5	4.9	6.5	6.4	-2.7	-16.9	4.8
Equipment & software	-3.4	6.6	9.4	7.0	4.2	2.8	-8.7	-12.0	9.0
<i>Previous Greenbook</i>	-3.4	6.6	9.4	7.0	4.2	2.8	-7.6	-12.4	11.8
Nonres. structures	-14.9	.2	2.3	-5	12.8	14.5	9.4	-24.4	-8.2
<i>Previous Greenbook</i>	-14.9	.2	2.3	-5	12.8	14.5	7.2	-24.4	-8.6
Net exports <sup>1</sup>	-471	-519	-594	-617	-616	-547	-389	-341	-416
<i>Previous Greenbook<sup>1</sup></i>	-471	-519	-594	-617	-616	-547	-385	-324	-380
Exports	3.8	5.8	7.4	7.0	10.1	8.9	-7	-2.1	2.4
Imports	9.7	4.8	11.5	4.8	3.8	1.1	-6.9	-8	5.4
Govt. cons. & invest.	4.0	1.7	.7	.6	2.1	2.4	3.8	2.4	2.5
<i>Previous Greenbook</i>	4.0	1.7	.7	.6	2.1	2.4	3.2	1.2	1.2
Federal	7.8	5.5	2.4	1.0	2.9	2.3	8.7	2.3	1.9
Defense	8.4	7.5	2.5	.8	4.1	2.7	11.4	2.2	1.6
Nondefense	6.8	1.9	2.3	1.4	.5	1.5	3.0	2.7	2.7
State & local	2.1	-.4	-.4	.3	1.6	2.4	1.0	2.5	2.9
Change in bus. inventories <sup>1</sup>	12	14	54	39	42	-2	-33	-50	29
<i>Previous Greenbook<sup>1</sup></i>	12	14	54	39	42	-2	-31	-36	27
Nonfarm <sup>1</sup>	15	14	48	39	46	-4	-38	-50	28
Farm <sup>1</sup>	-2	0	6	0	-3	1	3	1	1

1. Billions of 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>	.9	2.8	-.5	-4.9	-5.6	-1.3	1.8	2.1	2.2	2.4	2.7	3.1	-.5	-.8	2.6
Final sales <i>Previous Greenbook</i>	.9	2.8	-.4	-4.7	-5.0	-1.2	1.0	1.6	1.9	2.2	2.6	3.0	-.4	-.9	2.4
Priv. dom. final purch. <i>Previous Greenbook</i>	.9	4.3	-1.4	-4.5	-3.5	-1.8	-.1	.2	1.3	3.0	3.3	2.9	-.2	-1.3	2.6
	.9	4.3	-1.1	-5.0	-3.4	-1.2	-.8	.1	1.2	2.9	2.9	2.6	-.3	-1.4	2.4
	-.3	.6	-3.5	-5.2	-4.9	-2.4	-.2	.6	1.7	2.4	3.0	3.2	-2.1	-1.7	2.6
	-.3	.6	-3.3	-5.6	-4.3	-1.8	-.7	.4	1.8	2.5	3.0	3.0	-2.2	-1.6	2.6
Personal cons. expend. <i>Previous Greenbook</i>	.6	.9	-2.8	-2.7	-1.1	.4	1.2	1.4	1.8	1.9	2.2	2.3	-1.0	.4	2.0
	.6	.9	-2.7	-3.0	-.9	.6	1.0	1.4	1.6	1.9	2.0	2.1	-1.1	.5	1.9
Durables	-.3	-.2	-1.2	-1.8	-.3	.6	.5	.3	.4	.4	.4	.3	-.9	.3	.4
Nondurables	-.1	.8	-1.6	-1.7	-.8	-.1	.2	.2	.3	.5	.6	.6	-.6	-.1	.5
Services	1.0	.3	.0	.8	.0	.0	.5	.8	1.1	1.0	1.2	1.4	.5	.3	1.2
Residential investment <i>Previous Greenbook</i>	-1.1	-.5	-.6	-1.1	-1.5	-.6	.2	.3	.3	.2	.3	.3	-.8	-.4	.3
	-1.1	-.5	-.6	-1.0	-1.1	-.3	-.1	.3	.2	.2	.3	.2	-.8	-.3	.2
Business fixed invest. <i>Previous Greenbook</i>	.3	.3	-.2	-1.5	-2.3	-2.1	-1.6	-1.1	-.4	.2	.6	.6	-.3	-1.8	.3
Equipment & software	.3	.3	-.1	-1.6	-2.3	-2.2	-1.6	-1.2	-.1	.4	.6	.7	-.3	-1.8	.4
<i>Previous Greenbook</i>	.0	-.4	-.6	-1.5	-1.4	-.9	-.6	-.3	.0	.5	.7	.8	-.6	-.8	.5
	.0	-.4	-.4	-1.4	-1.3	-1.0	-.7	-.4	.3	.7	.8	.9	-.6	-.8	.7
Nonres. structures <i>Previous Greenbook</i>	.3	.6	.4	.1	-.9	-1.3	-1.0	-.8	-.4	-.3	-.2	-.1	.3	-1.0	-.3
	.3	.6	.4	-.2	-1.0	-1.2	-1.0	-.8	-.4	-.3	-.2	-.1	.3	-1.0	-.3
Net exports <i>Previous Greenbook</i>	.8	2.9	1.1	-.1	1.2	-.1	-.6	-1.1	-1.0	.0	-.3	-.8	1.1	-.1	-.5
Exports	.8	2.9	1.1	.4	.9	.1	-.4	-.7	-.9	.0	-.2	-.6	1.2	.0	-.4
Imports	.6	1.5	.4	-2.9	-.6	-.3	-.1	.1	.2	.2	.3	.4	-.1	-.3	.3
	.1	1.4	.7	2.8	1.9	.3	-.5	-1.2	-1.2	-.2	-.6	-1.2	1.2	.1	-.8
Govt. cons. & invest. <i>Previous Greenbook</i>	.4	.8	1.1	.7	.1	.6	.7	.7	.7	.6	.5	.5	.7	.5	.5
	.4	.8	1.1	.3	-.1	.4	.3	.4	.4	.3	.1	.1	.6	.3	.2
Federal	.4	.5	1.0	.7	.1	.2	.2	.3	.3	.2	.1	.1	.6	.2	.2
Defense	.3	.4	.9	.7	.1	.2	.1	.1	.1	.1	.1	.1	.6	.1	.1
Nondefense	.1	.1	.1	.0	.0	.0	.0	.1	.2	.2	.0	.0	.1	.1	.1
State & local	.0	.3	.2	.1	.0	.3	.5	.4	.4	.3	.4	.4	.1	.3	.4
Change in bus. inventories <i>Previous Greenbook</i>	.0	-1.5	.8	-.4	-2.0	.6	1.9	1.9	.9	-.6	-.6	.2	-.3	.6	.0
	.0	-1.5	.7	.3	-1.6	.0	1.9	1.4	.7	-.6	-.2	.4	-.1	.4	.0
Nonfarm	.2	-1.4	.8	-.4	-2.0	.5	1.9	1.9	.9	-.6	-.6	.2	-.2	.6	.0
Farm	-.2	-.1	.0	.0	-.1	.0	.0	.0	.0	.0	.0	.0	-.1	.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	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>	2.6	1.1	3.9	1.7	1.3	2.3	1.4	1.1	1.0	1.0	.9	.8	2.3	1.5	.9
PCE chain-wt. price index <i>Previous Greenbook</i>	2.6	1.1	4.1	2.4	2.1	1.6	1.4	.9	.8	.9	.8	.7	2.6	1.5	.8
Energy <i>Previous Greenbook</i>	3.6	4.3	5.0	-5.6	-2.3	1.9	1.5	1.2	1.2	1.1	1.0	1.0	1.7	.6	1.1
Food <i>Previous Greenbook</i>	3.6	4.3	5.2	-5.1	-1.8	2.2	1.5	1.2	1.1	1.1	1.0	.9	1.9	.7	1.0
Ex. food & energy <i>Previous Greenbook</i>	19.0	27.4	31.7	-66.8	-45.4	8.8	9.5	6.4	6.9	5.7	4.5	3.8	-9.8	-8.8	5.2
	19.0	27.4	31.6	-66.8	-48.3	19.2	8.7	6.2	6.3	5.2	4.2	3.6	-9.8	-8.1	4.8
	4.9	6.4	8.5	5.0	2.4	1.8	2.0	1.7	1.3	1.2	1.2	1.1	6.2	2.0	1.2
	4.9	6.4	8.5	5.3	2.4	1.8	2.0	1.7	1.0	.9	.9	.9	6.3	2.0	1.0
	2.3	2.2	2.4	.6	.8	1.6	1.0	.8	.8	.8	.8	.7	1.9	1.0	.8
	2.3	2.2	2.6	1.2	1.5	1.3	1.0	.8	.8	.8	.8	.7	2.0	1.1	.8
CPI <i>Previous Greenbook</i>	4.3	5.0	6.7	-9.2	-3.7	2.1	1.9	1.6	1.5	1.4	1.3	1.2	1.5	.4	1.3
Ex. food & energy <i>Previous Greenbook</i>	4.3	5.0	6.7	-8.5	-3.2	2.6	1.9	1.4	1.4	1.3	1.2	1.1	1.7	.7	1.3
	2.5	1.9	3.2	.4	.9	1.7	1.3	1.1	1.0	1.0	1.0	.9	2.0	1.3	1.0
	2.5	1.9	3.2	.8	1.6	1.5	1.3	1.0	1.0	1.0	1.0	.9	2.1	1.3	1.0
ECI, hourly compensation <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	3.0	2.3	2.6	2.2	2.0	1.9	1.8	1.8	1.6	1.6	1.5	1.5	2.5	1.9	1.5
	3.0	2.3	2.6	2.2	2.0	2.0	1.9	1.9	1.8	1.7	1.6	1.5	2.5	2.0	1.6
Nonfarm business sector															
Output per hour <i>Previous Greenbook</i>	2.6	3.6	1.5	1.7	-3.2	.6	3.4	3.7	2.6	1.8	1.7	2.0	2.4	1.1	2.0
Compensation per hour <i>Previous Greenbook</i>	2.6	3.6	1.4	.4	-2.5	.2	2.6	2.8	2.7	2.5	2.1	2.2	2.0	.8	2.4
Unit labor costs <i>Previous Greenbook</i>	3.8	.9	4.1	4.7	2.0	2.4	2.1	1.8	1.6	1.5	1.5	1.4	3.4	2.1	1.5
	3.8	.9	4.1	4.2	2.2	2.7	2.4	2.1	1.8	1.6	1.5	1.4	3.2	2.4	1.6
	1.2	-2.6	2.6	3.0	5.4	1.8	-1.3	-1.8	-9	-3	-2	-6	1.0	1.0	-5
	1.2	-2.6	2.6	3.8	4.8	2.5	-2	-7	-9	-8	-6	-8	1.2	1.6	-8
Core goods imports chain-wt price index <sup>3</sup> <i>Previous Greenbook</i> <sup>3</sup>	8.5	10.6	4.6	-9.0	-9.4	-3.0	-1.0	.8	1.3	1.3	1.3	1.3	3.4	-3.2	1.3
	8.5	10.6	4.6	-7.0	-8.5	-2.4	-7	1.0	1.4	1.4	1.3	1.3	3.9	-2.7	1.3

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

2. Private-industry workers.

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

**Changes in Prices and Costs**

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

Item	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP chain-wt price index <i>Previous Greenbook</i>	1.7 1.7	2.2 2.2	3.2 3.2	3.5 3.5	2.8 2.8	2.6 2.6	2.3 2.6	1.5 1.5	.9 .8
PCE chain-wt price index <i>Previous Greenbook</i>	1.8	1.9	3.1	3.3	1.9	3.5	1.7	.6	1.1
Energy <i>Previous Greenbook</i>	1.8 7.7	1.9 7.6	3.1 18.3	3.3 23.1	1.9 -4.0	3.5 19.1	1.9 -9.8	.7 -8.8	1.0 5.2
Food <i>Previous Greenbook</i>	7.7	7.6	18.3	23.1	-4.0	19.1	-9.8	-8.1	4.8
Ex. food & energy <i>Previous Greenbook</i>	1.3 1.3	2.6 2.6	2.9 2.9	2.1 2.1	2.3 2.3	4.5 4.5	6.2 6.3	2.0 2.0	1.2 1.0
CPI <i>Previous Greenbook</i>	1.6 1.6	1.4 1.4	2.2 2.2	2.2 2.2	2.3 2.3	2.2 2.2	1.9 2.0	1.0 1.1	.8 .8
Ex. food & energy <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 1.7	.4 .7	1.3 1.3
ECL, hourly compensation <sup>1</sup> <i>Previous Greenbook<sup>1</sup></i>	2.1 2.1	1.2 1.2	2.1 2.1	2.1 2.1	2.7 2.7	2.3 2.3	2.0 2.1	1.3 1.3	1.0 1.0
Nonfarm business sector Output per hour <i>Previous Greenbook</i>	3.1 3.1	4.0 4.0	3.8 3.8	2.9 2.9	3.2 3.2	3.0 3.0	2.5 2.5	1.9 2.0	1.5 1.6
Compensation per hour <i>Previous Greenbook</i>	2.9 2.9	4.7 4.7	1.8 1.8	1.5 1.5	.6 .6	2.7 2.7	2.4 2.0	1.1 .8	2.0 2.4
Unit labor costs <i>Previous Greenbook</i>	3.2 3.2	5.3 5.3	3.9 3.9	3.6 3.6	4.3 4.3	3.6 3.6	3.4 3.2	2.1 2.4	1.5 1.6
Core goods imports chain-wt. price index <sup>2</sup> <i>Previous Greenbook<sup>2</sup></i>	.2 .2	.5 .5	2.1 2.1	2.1 2.1	3.6 3.6	.9 .9	1.0 1.2	1.0 1.6	-.5 -.8
	.1 .1	1.6 1.6	3.6 3.6	2.2 2.2	2.4 2.4	3.4 3.4	3.4 3.9	-.32 -2.7	1.3 1.3

1. Private-industry workers.

2. 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			
<i>Employment and production</i>															
Nonfarm payroll employment <sup>2</sup>	-1	-2	-4	-1.3	-1.4	-7	-1	-1	.1	.6	.3	.4	-2.0	-2.3	1.4
Unemployment rate <sup>3</sup>	4.9	5.4	6.0	6.9	7.7	8.2	8.3	8.4	8.5	8.4	8.2	8.1	6.9	8.4	8.1
<i>Previous Greenbook<sup>3</sup></i>	4.9	5.3	6.0	6.7	7.5	7.8	8.0	8.1	8.3	8.3	8.2	8.2	6.7	8.1	8.2
GDP gap <sup>4</sup>	-7	-6	-1.3	-3.2	-5.1	-5.9	-6.0	-6.0	-5.9	-5.9	-5.8	-5.5	-3.2	-6.0	-5.5
<i>Previous Greenbook<sup>4</sup></i>	-7	-6	-1.3	-3.1	-4.8	-5.6	-5.9	-6.0	-6.1	-6.1	-6.0	-5.8	-3.1	-6.0	-5.8
Industrial production <sup>5</sup>	4	-3.4	-8.9	-11.5	-13.8	-2.3	1.4	2.6	3.5	2.9	4.2	4.3	-6.0	-3.2	3.7
<i>Previous Greenbook<sup>5</sup></i>	4	-3.4	-7.6	-9.1	-6.5	-1.0	.2	1.4	1.6	2.1	3.3	3.3	-5.0	-1.5	2.6
Manufacturing industr. prod. <sup>5</sup>	-1.0	-4.1	-8.8	-16.2	-17.3	-2.0	3.2	3.7	3.5	3.0	4.5	4.1	-7.7	-3.5	3.8
<i>Previous Greenbook<sup>5</sup></i>	-1.0	-4.0	-7.8	-13.2	-8.5	.0	1.0	1.2	1.1	2.0	3.4	3.5	-6.6	-1.7	2.5
Capacity utilization rate - mfg. <sup>3</sup>	78.7	77.5	75.5	71.9	68.6	68.3	68.8	69.4	70.1	70.7	71.6	72.4	71.9	69.4	72.4
<i>Previous Greenbook<sup>3</sup></i>	78.7	77.5	75.7	72.8	71.2	71.2	71.3	71.6	71.8	72.3	73.0	73.7	72.8	71.6	73.7
Housing starts <sup>6</sup>	1.1	1.0	.9	.7	.5	.6	.7	.8	.8	.8	.9	.9	.9	.6	.9
Light motor vehicle sales <sup>6</sup>	15.2	14.1	12.9	10.3	10.3	11.0	11.4	11.8	12.2	12.6	13.1	13.4	13.1	11.1	12.8
<i>Income and saving</i>															
Nominal GDP <sup>5</sup>	3.5	4.1	3.4	-3.3	-4.3	1.0	3.2	3.2	3.2	3.4	3.6	4.0	1.9	.7	3.6
Real disposable pers. income <sup>5</sup>	-7	10.7	-8.8	4.6	7.4	1.9	-1	1.0	2.4	1.9	2.5	2.3	1.2	2.5	2.3
<i>Previous Greenbook<sup>5</sup></i>	-7	10.7	-9.2	5.7	8.1	.9	-5	1.1	1.9	1.5	2.0	2.3	1.3	2.4	1.9
Personal saving rate <sup>3</sup>	.2	2.5	1.2	3.3	5.4	5.8	5.4	5.2	5.2	5.0	4.9	4.7	3.3	5.2	4.7
<i>Previous Greenbook<sup>3</sup></i>	.2	2.5	1.1	3.4	5.7	5.8	5.4	5.3	5.2	5.0	4.9	4.8	3.4	5.3	4.8
Corporate profits <sup>7</sup>	-4.3	-14.3	-4.7	-26.0	-30.5	-18.7	14.3	11.5	13.0	11.2	7.9	7.3	-12.8	-7.9	9.8
Profit share of GNP <sup>3</sup>	11.2	10.6	10.4	9.8	9.1	8.6	8.8	8.9	9.1	9.3	9.4	9.5	9.8	8.9	9.5
Net federal savings <sup>8</sup>	-331	-650	-548	-571	-904	-1,022	-1,042	-1,060	-987	-973	-994	-996	-525	-1,007	-988
Net state & local saving <sup>8</sup>	-52	-67	-104	-102	-15	-43	-50	-55	-50	-55	-52	-52	-81	-41	-52
Gross national saving rate <sup>3</sup>	12.4	11.3	11.4	12.3	12.2	11.1	10.9	10.7	10.6	10.7	10.6	10.5	12.3	10.7	10.5
Net national saving rate <sup>3</sup>	.0	-1.3	-1.9	-.8	-1.3	-2.7	-3.0	-3.1	-3.3	-3.2	-3.2	-3.3	-.8	-3.1	-3.3

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	2.1	2.4	2.1	1.2	-2.0	-2.3	1.4
Unemployment rate <sup>2</sup>	5.8	5.8	5.4	4.9	4.4	4.8	6.9	8.4	8.1
<i>Previous Greenbook<sup>2</sup></i>	5.8	5.8	5.4	4.9	4.4	4.8	6.7	8.1	8.2
GDP gap <sup>3</sup>	-2.5	-1.7	-7	-2	-1	-3	-3.2	-6.0	-5.5
<i>Previous Greenbook<sup>3</sup></i>	-2.5	-1.7	-7	-2	-1	-3	-3.1	-6.0	-5.8
Industrial production <sup>4</sup>	2.6	1.5	3.1	2.6	1.7	2.1	-6.0	-3.2	3.7
<i>Previous Greenbook<sup>4</sup></i>	2.6	1.5	3.1	2.6	1.7	2.1	-5.0	-1.5	2.6
Manufacturing industr. prod. <sup>4</sup>	2.6	1.7	3.7	3.7	1.1	2.3	-7.7	-3.5	3.8
<i>Previous Greenbook<sup>4</sup></i>	2.6	1.7	3.7	3.7	1.1	2.3	-6.6	-1.7	2.5
Capacity utilization rate - mfg. <sup>2</sup>	73.2	74.8	77.5	79.2	79.0	79.3	71.9	69.4	72.4
<i>Previous Greenbook<sup>2</sup></i>	73.2	74.8	77.5	79.2	79.0	79.3	72.8	71.6	73.7
Housing starts <sup>5</sup>	1.7	1.8	2.0	2.1	1.8	1.4	.9	.6	.9
Light motor vehicle sales <sup>5</sup>	16.7	16.6	16.8	16.9	16.5	16.1	13.1	11.1	12.8
<i>Income and saving</i>									
Nominal GDP <sup>4</sup>	3.6	5.9	6.5	6.3	5.3	4.9	1.9	.7	3.6
Real disposable pers. income <sup>4</sup>	2.9	3.7	4.1	.9	3.6	1.8	1.2	2.5	2.3
<i>Previous Greenbook<sup>4</sup></i>	2.9	3.7	4.1	.9	3.6	1.8	1.3	2.4	1.9
Personal saving rate <sup>2</sup>	1.8	2.2	2.5	.8	.9	.4	3.3	5.2	4.7
<i>Previous Greenbook<sup>2</sup></i>	1.8	2.2	2.5	.8	.9	.4	3.4	5.3	4.8
Corporate profits <sup>6</sup>	20.6	12.6	20.3	18.8	6.9	-2.0	-12.8	-7.9	9.8
Profit share of GNP <sup>2</sup>	9.0	9.5	10.8	12.0	12.2	11.3	9.8	8.9	9.5
Net federal saving <sup>7</sup>	-248	-372	-371	-292	-201	-229	-525	-1007	-988
Net state & local saving <sup>7</sup>	-34	-20	2	29	46	10	-81	-41	-52
Gross national saving rate <sup>2</sup>	13.6	13.7	13.8	15.0	15.5	13.4	12.3	10.7	10.5
Net national saving rate <sup>2</sup>	1.5	1.9	2.1	2.8	3.4	1.2	-.8	-3.1	-3.3

1. Change, millions.

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

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

4. Percent change.

5. Level, millions, values are annual averages.

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

7. Billions of dollars, values are annual averages.

**Class II FOMC  
Restricted (FR)**

**Staff Projections of Federal Sector Accounts and Related Items**

(Billions of dollars except as noted)

January 22, 2009

Item	Fiscal year				2008				2009				2010			
	2007 <sup>a</sup>		2008 <sup>a</sup>		2007 <sup>a</sup>		2008 <sup>a</sup>		2007 <sup>a</sup>		2008 <sup>a</sup>		2007 <sup>a</sup>		2008 <sup>a</sup>	
	2007 <sup>a</sup>	2008 <sup>a</sup>	2009	2010	Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Unified budget</b>																
Receipts <sup>1</sup>	2568	2524	2263	2405	540	788	590	547	488	683	545	524	545	742	594	586
Outlays <sup>1</sup>	2729	2978	4054	3438	746	761	759	1033	1041	1070	910	903	859	848	828	894
Surplus/deficit <sup>1</sup>	-162	-455	-1791	-1033	-206	27	-169	-485	-553	-387	-365	-378	-314	-106	-234	-309
<i>Previous</i>	-162	-455	-1675	-842	-206	27	-169	-503	-567	-315	-291	-260	-312	-76	-195	-278
On-budget	-343	-638	-1937	-1179	-237	-64	-171	-538	-564	-472	-363	-437	-322	-191	-229	-366
Off-budget	181	183	146	146	31	91	2	53	11	85	-3	58	8	85	-5	58
Means of financing																
Borrowing	206	768	1608	1051	200	-48	526	561	487	353	207	368	303	131	249	298
Cash decrease	-23	-296	322	0	11	-7	-318	5	116	30	170	15	15	-20	-10	15
Other <sup>2</sup>	-22	-17	-138	-18	-5	29	-39	-81	-50	4	-12	-5	-5	-5	-5	-5
Cash operating balance, end of period	75	372	50	50	46	53	372	367	250	220	50	35	20	40	50	35
<b>NIPA federal sector</b>																
Receipts	2624	2606	2433	2549	2673	2479	2592	2563	2402	2358	2409	2428	2563	2588	2616	2642
Expenditures	2832	3047	3318	3552	3003	3128	3140	3134	3307	3381	3451	3488	3550	3562	3610	3638
Consumption expenditures	842	910	987	1036	898	918	954	970	982	993	1003	1016	1032	1045	1050	1056
Defense	569	624	684	710	614	629	660	675	680	688	694	701	708	713	719	725
Nondefense	273	286	303	325	284	289	295	295	302	306	309	315	325	332	331	331
Other spending	1990	2136	2331	2517	2105	2210	2186	2164	2324	2388	2448	2473	2518	2517	2560	2583
Current account surplus	-209	-441	-885	-1004	-331	-650	-548	-571	-904	-1022	-1042	-1060	-987	-973	-994	-996
Gross investment	123	134	148	152	129	138	144	148	146	148	149	151	151	152	154	155
Gross saving less gross investment <sup>3</sup>	-221	-459	-910	-1026	-344	-671	-572	-598	-928	-1046	-1066	-1084	-1010	-995	-1015	-1017
<b>Fiscal indicators<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-225	-429	-694	-713	-325	-643	-507	-465	-734	-798	-779	-778	-694	-679	-702	-712
Change in HEB, percent of potential GDP	-0.3	1.3	1.6	-0.0	0.6	2.2	-1.0	-0.3	1.8	0.4	-0.2	-0.0	-0.6	-0.1	0.1	0.0
Fiscal impetus (FI), percent of GDP	0.2	0.8	1.0	1.0	0.1	0.5	0.7	-0.2	0.2	0.4	0.2	0.3	0.3	0.2	0.1	0.1
<i>Previous</i>	0.2	0.8	0.6	0.7	0.1	0.5	0.7	-0.3	0.0	0.4	0.1	0.1	0.3	0.1	0.1	0.1

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** **January 22, 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	14.2	5.2	2.5	8.3	10.9	5.9
2004	8.9	11.1	13.6	5.5	6.2	7.4	9.0	6.5
2005	9.5	11.0	13.2	4.3	8.7	10.2	7.0	6.3
2006	9.0	10.2	11.2	4.5	10.5	8.1	3.9	5.3
2007	8.6	6.8	6.8	5.5	13.1	9.3	4.9	4.9
2008	5.7	.1	-.7	1.6	5.0	2.1	24.2	1.9
2009	5.0	-1.1	-1.4	-1.3	2.7	5.2	22.2	.7
2010	4.7	1.4	.6	3.5	3.2	4.6	12.6	3.6
<i>Quarter</i>								
2008:1	5.3	3.2	2.6	4.7	7.1	3.4	8.1	3.5
2	3.1	.6	-.1	3.9	5.5	.9	5.9	4.1
3	7.7	-.7	-2.5	1.2	4.1	3.0	39.2	3.4
4	6.4	-2.7	-2.9	-3.4	2.8	1.0	37.0	-3.3
2009:1	4.6	-2.7	-2.8	-4.0	2.2	4.9	24.5	-4.3
2	6.4	-1.3	-1.5	-1.8	2.7	5.3	28.4	1.0
3	3.4	-.5	-.8	-.2	2.9	5.0	11.1	3.2
4	5.3	.1	-.3	.9	2.9	5.0	18.6	3.2
2010:1	3.9	.6	-.1	2.0	3.2	4.7	10.6	3.2
2	4.6	1.0	.2	3.2	3.2	4.7	12.9	3.4
3	4.6	1.6	.7	4.1	3.0	4.4	11.7	3.6
4	5.2	2.4	1.6	4.6	3.1	4.4	13.0	4.0

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 2008:Q3 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**

**January 22, 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	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	1692.4	1405.8	1495.5	1500.1	2052.4	1667.6	1323.2	1956.2	1022.7	1679.9	1236.3	1507.9	1499.2	1757.2		
Net equity issuance	-831.2	-417.3	-185.0	-140.0	-447.7	-450.0	-220.0	-200.0	-160.0	-160.0	-140.0	-140.0	-140.0	-140.0		
Net debt issuance	2523.6	1823.2	1680.5	1640.1	2500.1	2117.6	1543.2	2156.2	1182.7	1839.9	1376.3	1647.9	1639.2	1897.2		
Borrowing indicators																
Debt (percent of GDP) <sup>1</sup>	220.6	228.4	241.4	245.1	226.9	232.8	238.7	241.3	242.4	243.1	243.9	244.5	245.1	245.7		
Borrowing (percent of GDP)	18.3	12.8	11.8	11.2	17.3	14.8	10.9	15.2	8.3	12.8	9.5	11.3	11.1	12.7		
Households																
Net borrowing <sup>2</sup>	876.4	12.6	-150.2	187.6	-92.1	-370.1	-372.3	-181.1	-64.1	16.6	76.2	136.4	213.3	324.5		
Home mortgages	674.6	-75.9	-142.9	61.4	-260.3	-307.1	-292.9	-160.6	-85.0	-33.1	-9.4	18.9	70.9	165.4		
Consumer credit	133.6	40.1	-33.1	89.8	30.5	-90.0	-104.4	-45.5	-5.0	22.7	50.6	81.6	105.5	121.7		
Debt/DPI (percent) <sup>3</sup>	131.5	129.8	126.1	122.7	130.3	130.1	127.7	125.8	125.1	124.4	123.4	122.7	122.0	121.6		
Business																
Financing gap <sup>4</sup>	185.6	180.4	6.4	68.4	129.2	105.2	-2.5	12.6	1.6	14.1	107.1	70.1	42.3	54.3		
Net equity issuance	-831.2	-417.3	-185.0	-140.0	-447.7	-450.0	-220.0	-200.0	-160.0	-160.0	-140.0	-140.0	-140.0	-140.0		
Credit market borrowing	1224.2	525.2	300.8	362.3	446.9	309.9	245.5	301.6	331.6	324.5	363.5	372.0	351.5	362.3		
State and local governments																
Net borrowing	185.9	46.1	115.4	109.1	66.8	22.6	110.6	119.6	115.6	115.6	111.6	111.6	106.6	106.6		
Current surplus <sup>5</sup>	246.6	157.9	173.7	167.2	153.1	108.3	197.1	171.0	165.0	161.7	167.3	163.9	168.1	169.5		
Federal government																
Net borrowing	237.1	1239.2	1414.5	981.1	2078.5	2155.2	1559.4	1916.1	799.6	1383.1	825.0	1027.8	967.8	1103.8		
Net borrowing (n.s.a.)	237.1	1239.2	1414.5	981.1	526.5	560.9	486.9	353.0	206.8	367.9	303.3	130.9	248.8	298.0		
Unified deficit (n.s.a.)	187.9	833.2	1684.2	963.1	168.9	485.2	553.4	387.3	365.2	378.4	313.8	106.4	234.3	308.5		
<i>Depository institutions</i>																
Funds supplied	851.7	220.9	238.3	427.7	537.3	-621.9	-78.3	133.8	461.4	436.3	382.5	560.8	457.6	309.8		

Note. Data after 2008:Q3 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.

## International Developments

With indicators of foreign activity continuing to come in weaker than expected, we now estimate that foreign real gross domestic product (GDP) contracted 3¾ percent at an annual rate in the fourth quarter. The near-term outlook also has deteriorated since the December Greenbook, and we project that foreign GDP will decline a further 1¾ percent at an annual rate in the first half of this year. Thereafter activity should begin to recover, in line with projected improvement in credit market conditions, the rebound in U.S. GDP growth, and further monetary and fiscal stimulus abroad. However, even with the projected foreign recovery, we expect net exports to subtract from U.S. GDP growth for most of the forecast period, as U.S. import growth responds to the projected recovery in the U.S. economy.

The slowing pace of global activity has continued to put downward pressure on consumer prices and prices for globally traded commodities. We now estimate that foreign consumer prices declined about 1 percent at an annual rate in the fourth quarter. We forecast that headline foreign consumer price inflation will turn positive again this year -- to rates that are slightly lower than our previous forecast.

### Summary of Staff Projections

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

Indicator	2008		Projection				
	H1	Q3	2008: Q4	2009			2010
				Q1	Q2	H2	
Foreign output	1.8	.7	-3.7	-2.7	-.7	1.5	2.8
Previous Greenbook	1.8	.7	-1.6	-1.2	.1	1.5	2.8
Foreign consumer prices	5.1	4.5	-1.1	-.8	1.3	1.7	2.0
Previous Greenbook	5.1	4.4	-.1	.4	1.4	1.8	2.0
Contribution to growth (percentage points)							
U.S. net exports	1.8	1.1	-.1	1.2	-.1	-.8	-.5
Previous Greenbook	1.8	1.1	.4	.9	.1	-.5	-.4

Note: Change for year measured as Q4/Q4; half-years are Q2/Q4 or Q4/Q2.

Our key conditioning assumptions for the dollar and for international commodity prices have not changed appreciably. The starting point for our projected path for the broad



goods were little changed. We project that core import prices will decline at a 9½ percent pace in the current quarter, mainly reflecting the lagged effects of declines in commodity prices and the appreciation of the dollar in late 2008. Core import prices are projected to fall at a more modest pace in the second quarter before bottoming out and rising gradually in 2010.

### Staff Projections of Selected Trade Prices

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

Trade category	2008		Projection				
	H1	Q3	2008: Q4	2009			2010
				Q1	Q2	H2	
<i>Imports</i>							
Core goods	9.5	4.6	-9.0	-9.4	-3.0	-.1	1.3
Previous Greenbook	9.5	4.6	-7.0	-8.5	-2.4	.1	1.3
Oil (dollars per barrel)	108.65	117.49	68.52	45.55	44.56	48.60	54.82
Previous Greenbook	108.65	117.53	68.09	43.81	47.92	52.64	61.12
<i>Exports</i>							
Core goods	13.0	6.6	-19.0	-12.9	-2.9	.5	1.1
Previous Greenbook	13.0	6.7	-13.5	-8.6	-2.1	.6	.9

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 multi-quarter periods is the price for the final quarter of the period. Imported oil includes both crude oil and refined products.

Core export prices registered their largest one-quarter decline in over 40 years, falling an estimated 19 percent at an annual rate in the fourth quarter, on account of the sharp declines in commodity prices. We project that core export prices will move down 13 percent in the current quarter but only 3 percent in the second quarter of 2009, given slowing declines in some commodity prices. Thereafter, core export price inflation is projected to average under 1 percent. Compared with the previous Greenbook, data for November and December have led us to decrease our estimate for core export price inflation in the fourth quarter by about 5½ percentage points. We have also marked down our forecast of core export price inflation in the current quarter by about 4¼ percentage points, with lower projected prices for petroleum products, intermediate goods, and other commodities.

### Trade in Goods and Services

Based on weak incoming data for October and November, we now estimate that real exports of goods and services plunged nearly 20 percent (annual rate) in the fourth quarter, about 16 percentage points worse than projected in the December Greenbook. For the first half of 2009, we expect exports to decline at an average pace of about 4 percent, reflecting the dismal pace of foreign activity. We currently expect real exports to bottom out in the second half of 2009 and then expand at a 2½ percent pace in 2010, as the recovery in foreign GDP growth more than offsets some drag from the recent appreciation of the dollar. Relative to the previous Greenbook, our export growth projection for the current quarter is about 3 percentage points weaker.

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

Measure	2008		Projection				
	H1	Q3	2008: Q4	2009			2010
				Q1	Q2	H2	
Real imports	-4.1	-3.5	-15.4	-11.7	-1.9	5.8	5.4
Previous Greenbook	-4.1	-3.2	-5.2	-7.4	-3.7	3.7	4.9
Real exports	8.6	3.0	-19.9	-5.1	-2.7	-.1	2.4
Previous Greenbook	8.6	3.4	-4.1	-2.2	-3.2	.1	2.6

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

We estimate that real imports of goods and services decreased at an annual rate of 15½ percent in the fourth quarter. Our estimate is about 10 percentage points lower than our projection in the December Greenbook, mostly as a result of surprisingly weak imports in November. We expect imports to decrease at an average annual rate of about 7 percent in the first half of this year, mainly reflecting weak U.S. demand, before shifting to positive growth thereafter alongside the projected recovery of the U.S. economy. We revised down our projection for import growth in the first half of 2009 slightly, in part because of lower projected imports of automotive products, reflecting cutbacks in motor vehicle production schedules. For the rest of the forecast period, our projection is a little stronger, mostly reflecting the higher projected path for U.S. growth.

### Alternative Simulations

Our baseline forecast for major U.S. trading partners already incorporates the effects of fiscal stimulus measures that we believe are likely to be implemented over the forecast

**Alternative Scenarios:**  
**More Expansionary Fiscal and Monetary Policies Abroad**  
 (Percent change from previous period, annual rate, except as noted)

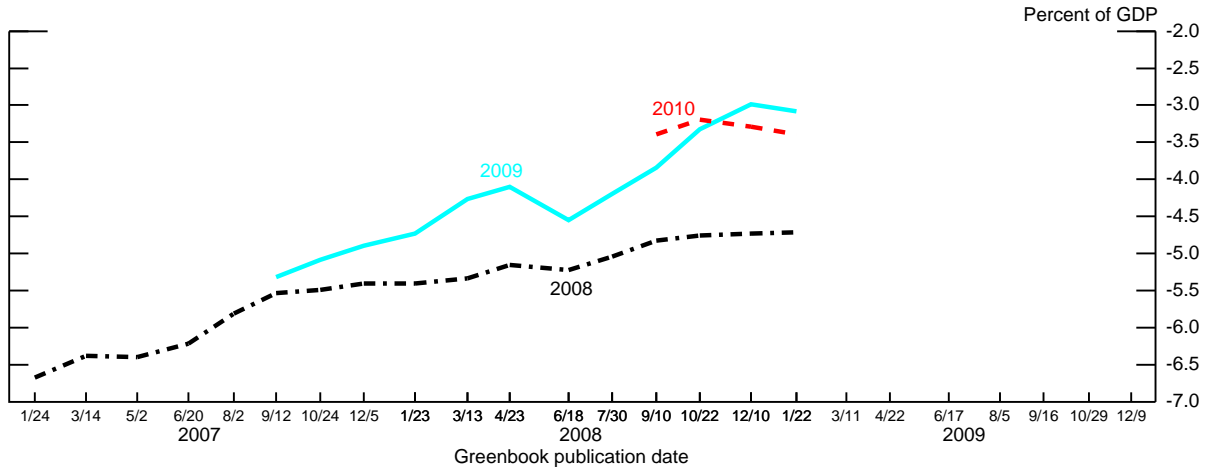
Indicator and simulation	2009		2010		2011	2012-13
	H1	H2	H1	H2		
<i>U.S. real GDP</i>						
Baseline	-3.5	2.0	2.3	2.9	4.9	5.1
Larger Fiscal Stimulus Abroad	-3.4	2.2	2.7	3.5	5.7	5.3
Larger Monetary Stimulus Abroad	-3.5	2.0	2.3	2.9	4.9	5.0
<i>U.S. PCE prices excluding food and energy</i>						
Baseline	1.2	0.9	0.8	0.8	0.7	0.7
Larger Fiscal Stimulus Abroad	1.2	1.1	1.1	1.1	1.0	1.1
Larger Monetary Stimulus Abroad	1.2	0.9	0.9	0.9	0.6	0.7
<i>U.S federal funds rate (percent)</i>						
Baseline	0.1	0.1	0.1	0.1	0.1	1.2
Larger Fiscal Stimulus Abroad	0.1	0.1	0.1	0.1	0.5	3.1
Larger Monetary Stimulus Abroad	0.1	0.1	0.1	0.1	0.1	1.1
<i>U.S. trade balance (percent share of GDP)</i>						
Baseline	-2.5	-2.7	-3.2	-3.4	-3.7	-4.2
Larger Fiscal Stimulus Abroad	-2.6	-3.0	-3.4	-3.5	-3.4	-3.4
Larger Monetary Stimulus Abroad	-2.5	-2.7	-3.3	-3.4	-3.6	-4.5

Note: H1 is Q2/Q4; H2 is Q4/Q2. U.S. real Gross Domestic Product and U.S. Personal Consumption Expenditures (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.

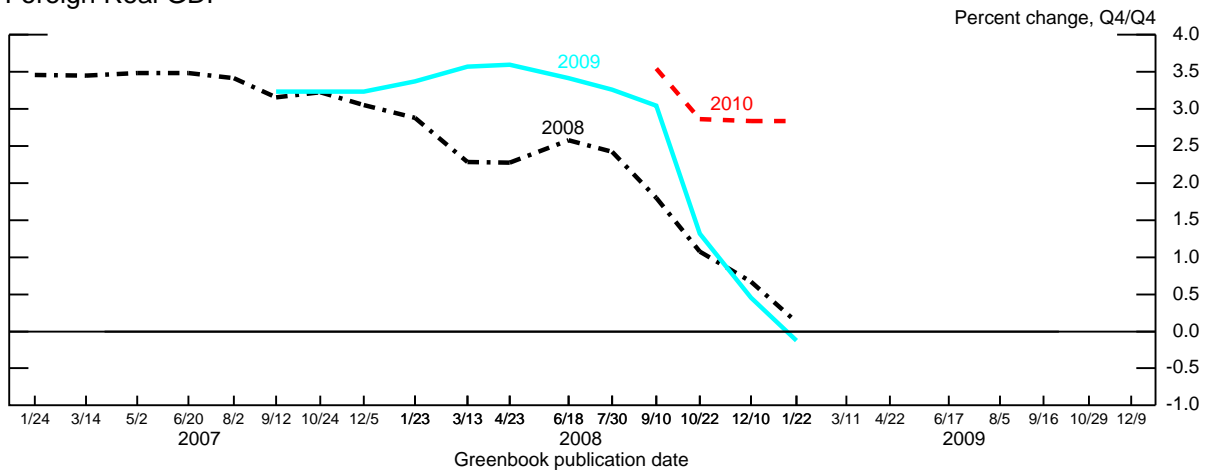
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**Evolution of the Staff Forecast**

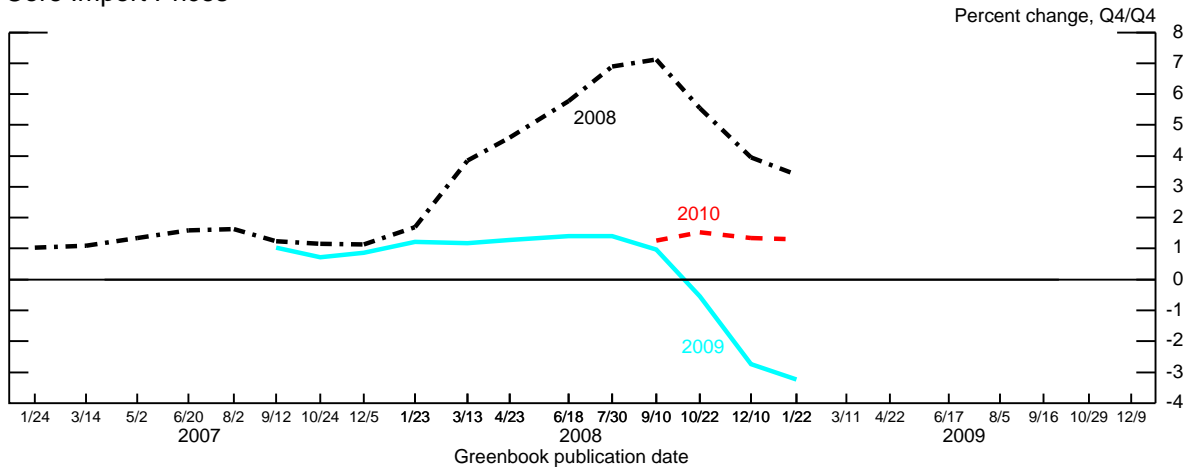
Current Account Balance



Foreign Real GDP



Core Import Prices\*



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

Class II FOMC  
Restricted (FR)

January 22, 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	2.3	1.3	0.7	-3.7	-2.7	-0.7	1.2	1.8	2.3	2.7	3.1	3.3
Advanced Foreign Economies	1.0	-0.3	-0.1	-2.6	-3.3	-1.9	0.3	1.0	1.4	1.8	2.1	2.2
of which:												
Canada	-0.6	0.6	1.3	-2.4	-4.4	-2.8	0.3	1.1	1.6	2.0	2.2	2.4
Japan	2.4	-3.7	-1.8	-5.2	-3.7	-1.5	-0.3	0.4	0.9	1.1	1.2	1.2
United Kingdom	1.5	0.0	-2.6	-2.9	-2.7	-1.7	-0.3	1.7	0.7	1.4	2.3	2.5
Euro Area (2)	2.7	-0.7	-0.7	-2.0	-2.0	-1.0	0.5	0.9	1.4	1.8	2.1	2.1
Germany	5.7	-1.7	-2.1	-2.1	-2.1	-1.0	0.4	0.9	1.4	1.8	2.0	2.1
Emerging Market Economies	4.0	3.4	1.7	-5.0	-1.9	0.8	2.4	2.9	3.4	4.0	4.4	4.7
Asia	7.8	3.9	0.3	-6.5	-0.8	1.8	4.0	4.6	5.3	5.7	5.9	6.0
Korea	3.3	3.4	2.1	-20.8	-6.0	-4.0	2.5	3.3	3.8	4.1	4.2	4.3
China	11.3	10.8	5.4	0.3	4.0	6.5	7.3	7.8	8.5	8.9	9.0	9.0
Latin America	-0.1	2.6	3.1	-4.1	-3.5	-0.4	0.7	1.1	1.5	2.3	2.9	3.3
Mexico	-0.8	0.8	2.6	-5.0	-4.0	-1.0	0.2	0.6	1.0	2.0	2.7	3.2
Brazil	6.9	6.4	7.4	-4.5	-3.0	2.0	2.5	2.7	3.0	3.2	3.5	3.5
CONSUMER PRICES (3)												
----- Four-quarter changes -----												
Total Foreign	4.1	4.7	4.8	3.4	2.0	0.9	0.2	1.0	1.7	1.9	1.9	2.0
Advanced Foreign Economies	2.2	2.7	3.4	2.2	1.0	0.2	-0.5	0.2	1.1	1.3	1.3	1.3
of which:												
Canada	1.8	2.3	3.4	2.2	1.3	-0.1	-1.1	-0.1	0.8	1.3	1.5	1.5
Japan	1.0	1.4	2.2	1.2	-0.1	-0.9	-1.9	-1.5	-0.6	-0.3	-0.3	-0.3
United Kingdom (4)	2.4	3.4	4.8	3.9	2.6	1.4	0.1	0.6	2.4	2.4	2.5	2.4
Euro Area (2)	3.4	3.6	3.8	2.3	1.1	1.0	0.7	1.5	2.2	2.0	1.9	1.9
Germany	3.1	3.0	3.3	1.7	0.9	0.8	0.4	0.9	1.3	1.2	1.2	1.4
Emerging Market Economies	5.9	6.7	6.2	4.6	2.9	1.7	1.0	1.7	2.3	2.4	2.6	2.7
Asia	6.5	7.1	6.1	3.6	1.2	-0.1	-0.6	0.8	1.7	2.0	2.2	2.4
Korea	3.8	4.8	5.5	4.5	4.0	2.4	1.6	1.7	1.7	1.7	1.7	1.7
China	8.0	7.8	5.2	2.5	-0.5	-1.3	-1.1	0.4	1.5	1.9	2.2	2.4
Latin America	4.5	5.5	6.1	6.6	6.4	5.4	4.5	3.7	3.4	3.3	3.3	3.3
Mexico	3.9	4.9	5.5	6.2	6.2	5.2	4.3	3.3	2.9	2.9	2.8	2.8
Brazil	4.6	5.5	6.3	6.2	5.6	4.9	4.2	4.2	4.2	4.2	4.2	4.2

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) January 22, 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	2009	2010
-----Projected-----									
REAL GDP (1)									
-----									
Total Foreign	3.0	2.9	3.8	4.0	4.0	4.2	0.1	-0.1	2.8
Advanced Foreign Economies	2.5	1.8	2.6	2.7	2.7	2.6	-0.5	-1.0	1.9
of which:									
Canada	3.5	1.5	3.7	3.0	2.2	2.8	-0.3	-1.5	2.1
Japan	2.1	2.4	1.1	2.9	2.1	2.0	-2.1	-1.3	1.1
United Kingdom	2.4	3.2	2.3	2.0	3.2	3.0	-1.0	-0.8	1.7
Euro Area (2)	1.1	1.2	1.8	2.1	3.3	2.1	-0.2	-0.4	1.9
Germany	0.0	0.2	0.2	1.6	4.1	1.7	-0.1	-0.5	1.8
Emerging Market Economies	3.9	4.5	5.5	5.8	5.7	6.4	0.9	1.0	4.1
Asia	6.4	6.9	6.0	7.6	7.0	7.8	1.3	2.4	5.7
Korea	7.7	4.1	2.9	5.6	4.2	5.9	-3.6	-1.1	4.1
China	8.6	10.3	9.8	10.2	10.6	11.4	6.8	6.4	8.8
Latin America	1.6	1.8	5.0	4.0	4.4	4.8	0.3	-0.6	2.5
Mexico	2.0	1.3	4.4	3.4	3.7	4.2	-0.6	-1.1	2.2
Brazil	4.9	1.0	4.7	3.6	4.6	6.1	3.9	1.0	3.3
CONSUMER PRICES (3)									
-----									
Total Foreign	2.5	2.1	2.8	2.3	2.1	3.6	3.4	1.0	2.0
Advanced Foreign Economies	2.1	1.3	1.8	1.6	1.4	2.2	2.2	0.2	1.3
of which:									
Canada	3.8	1.7	2.3	2.3	1.3	2.4	2.2	-0.1	1.5
Japan	-0.5	-0.3	0.5	-1.0	0.3	0.5	1.2	-1.5	-0.3
United Kingdom (4)	1.5	1.3	1.4	2.1	2.7	2.1	3.9	0.6	2.4
Euro Area (2)	2.3	2.0	2.3	2.3	1.8	2.9	2.3	1.5	1.9
Germany	1.2	1.1	2.1	2.2	1.3	3.1	1.7	0.9	1.4
Emerging Market Economies	2.9	3.1	3.9	3.0	2.9	5.1	4.6	1.7	2.7
Asia	0.8	2.3	3.1	2.6	2.3	5.4	3.6	0.8	2.4
Korea	3.4	3.5	3.4	2.5	2.1	3.4	4.5	1.7	1.7
China	-0.6	2.7	3.2	1.4	2.1	6.6	2.5	0.4	2.4
Latin America	6.4	4.9	5.6	3.8	4.1	4.3	6.6	3.7	3.3
Mexico	5.2	3.9	5.3	3.1	4.1	3.8	6.2	3.3	2.8
Brazil	10.7	11.5	7.2	6.1	3.2	4.3	6.2	4.2	4.2

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)

January 22, 2009

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2002	2003	2004	2005	2006	2007	----- 2008	Projected 2009	----- 2010
NIPA REAL EXPORTS and IMPORTS									
	Percentage point contribution to GDP growth, Q4/Q4								
Net Goods & Services	-0.9	-0.1	-0.9	-0.1	0.4	0.8	1.1	-0.1	-0.5
Exports of G&S	0.4	0.6	0.7	0.7	1.1	1.0	-0.1	-0.3	0.3
Imports of G&S	-1.3	-0.7	-1.7	-0.8	-0.6	-0.2	1.2	0.1	-0.8
	Percentage change, Q4/Q4								
Exports of G&S	3.8	5.8	7.4	7.0	10.1	8.9	-0.7	-2.1	2.4
Services	10.2	3.0	8.3	4.0	11.5	9.3	1.7	-4.4	2.6
Computers	-1.1	11.3	5.8	14.2	8.1	0.9	-2.5	-2.4	9.5
Semiconductors	10.1	38.3	-6.0	17.6	2.9	29.3	-6.1	-1.7	11.0
Core Goods 1/	0.6	4.9	8.0	7.4	10.0	8.2	-1.6	-0.8	1.8
Imports of G&S	9.7	4.8	11.5	4.8	3.8	1.1	-6.9	-0.8	5.4
Services	8.8	2.2	9.3	-0.1	8.0	1.8	0.6	1.7	3.3
Oil	3.8	1.2	10.8	1.0	-9.2	0.6	-4.0	-6.7	1.8
Natural Gas	19.5	1.3	4.9	13.7	-12.6	12.1	-26.3	11.1	5.2
Computers	13.2	17.0	23.2	12.5	13.8	8.4	-8.1	-1.7	15.5
Semiconductors	11.0	-0.1	9.8	7.5	-0.3	3.8	-6.7	-2.4	5.0
Core Goods 2/	10.0	5.2	11.4	5.9	5.7	0.1	-8.9	-0.7	6.1
	Billions of Chained 2000 Dollars								
Net Goods & Services	-471.3	-518.9	-593.8	-616.6	-615.7	-546.5	-388.8	-340.5	-415.9
Exports of G&S	1013.3	1026.1	1126.1	1205.3	1314.8	1425.9	1518.4	1444.2	1460.7
Imports of G&S	1484.6	1545.0	1719.9	1821.9	1930.5	1972.4	1907.2	1784.8	1876.6
	Billions of dollars								
US CURRENT ACCOUNT BALANCE	-461.3	-523.4	-625.0	-729.0	-788.1	-731.2	-673.3	-439.1	-498.7
Current Acct as Percent of GDP	-4.4	-4.8	-5.3	-5.9	-6.0	-5.3	-4.7	-3.1	-3.4
Net Goods & Services (BOP)	-423.7	-496.9	-607.7	-711.6	-753.3	-700.3	-658.9	-372.6	-482.8
Investment Income, Net	33.0	51.0	73.4	78.8	63.8	88.8	113.4	59.0	107.7
Direct, Net	102.4	112.7	150.9	173.2	184.1	233.9	251.9	173.6	190.8
Portfolio, Net	-69.4	-61.7	-77.5	-94.4	-120.3	-145.1	-138.5	-114.6	-83.0
Other Income & Transfers, Net	-70.5	-77.5	-90.6	-96.2	-98.6	-119.7	-127.7	-125.5	-123.6

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	0.3	0.8	-0.1	-1.3	0.1	0.6	-0.1	1.3	-1.2	1.7	2.0	0.9
Exports of G&S	0.8	0.9	0.0	1.1	1.7	0.6	0.4	1.7	0.1	1.0	2.5	0.5
Imports of G&S	-0.5	-0.1	-0.1	-2.4	-1.6	0.0	-0.5	-0.3	-1.2	0.7	-0.5	0.4
	Percentage change from previous period, s.a.a.r.											
Exports of G&S	8.1	8.8	0.4	10.9	16.7	5.5	3.5	15.6	0.6	8.8	23.0	4.4
Services	10.2	-2.8	3.2	5.7	13.4	2.7	3.2	28.6	-2.7	13.3	25.9	2.7
Computers	16.8	27.9	8.3	5.2	12.0	17.5	-7.9	12.7	3.9	-4.0	14.4	-9.2
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/	7.3	13.8	-2.9	12.4	18.3	5.6	4.8	11.8	1.3	6.6	22.1	3.7
Imports of G&S	3.2	0.6	0.8	15.3	10.3	0.1	3.1	2.0	7.7	-3.7	3.0	-2.3
Services	-5.7	-0.0	-1.0	6.8	17.7	-2.0	-0.3	18.4	4.2	-2.0	6.3	-0.9
Oil	5.1	-27.1	-11.6	53.6	-2.8	-27.1	7.5	-10.6	30.9	-22.3	-13.5	16.5
Natural Gas	58.6	-14.1	111.1	-41.9	-50.7	91.9	26.6	-51.2	70.8	74.2	28.2	-58.6
Computers	3.2	11.6	20.4	15.4	20.7	21.1	19.7	-4.3	34.9	-6.5	-0.2	9.7
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/	4.8	6.1	0.3	12.7	13.7	4.9	1.2	3.2	2.2	-1.1	5.8	-6.0
	Billions of Chained 2000 Dollars, s.a.a.r.											
Net Goods & Services	-623.7	-601.3	-603.6	-637.8	-636.0	-619.4	-623.0	-584.2	-618.6	-571.2	-511.8	-484.5
Exports of G&S	1177.9	1203.1	1204.3	1235.7	1284.3	1301.4	1312.6	1361.1	1363.2	1392.2	1466.2	1482.1
Imports of G&S	1801.7	1804.4	1807.9	1873.6	1920.2	1920.9	1935.7	1945.3	1981.8	1963.4	1978.0	1966.5
	Billions of dollars, s.a.a.r.											
US CURRENT ACCOUNT BALANCE	-696.2	-711.3	-675.6	-832.9	-783.8	-799.6	-843.6	-725.4	-787.7	-776.4	-691.8	-669.0
Current Account as % of GDP	-5.7	-5.8	-5.4	-6.6	-6.0	-6.1	-6.4	-5.4	-5.8	-5.7	-5.0	-4.8
Net Goods & Services (BOP)	-664.0	-682.9	-721.4	-778.0	-756.4	-767.4	-789.9	-699.5	-718.2	-715.3	-672.5	-695.1
Investment Income, Net	88.6	77.8	88.7	59.9	65.2	70.7	51.7	67.7	57.8	45.8	98.9	152.6
Direct, Net	170.2	168.5	187.8	166.3	177.2	189.2	171.9	198.2	201.1	196.2	238.8	299.3
Portfolio, Net	-81.6	-90.7	-99.0	-106.5	-112.0	-118.5	-120.3	-130.5	-143.2	-150.4	-139.9	-146.7
Other Inc. & Transfers, Net	-120.9	-106.2	-42.9	-114.8	-92.6	-103.0	-105.4	-93.6	-127.4	-106.9	-118.3	-126.4

1. Merchandise exports excluding computers and semiconductors.

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



January 22, 2009

## 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	0.8	2.9	1.1	-0.1	1.2	-0.1	-0.6	-1.1	-1.0	0.0	-0.3	-0.8
Exports of G&S	0.6	1.5	0.4	-2.9	-0.6	-0.3	-0.1	0.1	0.2	0.2	0.3	0.4
Imports of G&S	0.1	1.4	0.7	2.8	1.9	0.3	-0.5	-1.2	-1.2	-0.2	-0.6	-1.2
	Percentage change from previous period, s.a.a.r.											
Exports of G&S	5.1	12.3	3.0	-19.9	-5.1	-2.7	-1.0	0.7	1.4	2.1	2.8	3.4
Services	5.5	-8.0	3.3	2.3	-3.7	2.6	4.9	3.4	6.7	-1.0	3.6	4.7
Oil	17.6	-38.1	-6.6	24.8	-11.0	-27.0	-11.7	32.2	17.1	-24.5	-11.6	37.2
Natural Gas	-40.5	3.7	-38.0	-22.9	9.6	34.9	54.2	-33.1	29.1	20.2	24.8	-36.7
Computers	6.3	26.0	-13.1	-38.7	-9.6	-3.9	0.0	7.5	15.5	15.5	15.5	15.5
Semiconductors	-3.3	14.4	-4.5	-28.4	-7.8	-3.9	0.0	2.5	5.0	5.0	5.0	5.0
Core Goods 1/	4.7	16.1	2.9	-25.0	-3.3	-1.1	-0.0	1.3	1.4	1.5	1.9	2.3
Imports of G&S	-0.8	-7.3	-3.5	-15.4	-11.7	-1.9	3.3	8.2	8.3	1.5	4.0	7.9
Services	5.5	-8.0	3.3	2.3	-3.7	2.6	4.9	3.4	6.7	-1.0	3.6	3.9
Oil	17.6	-38.1	-6.6	24.8	-11.0	-27.0	-11.7	32.2	17.1	-24.5	-11.6	37.2
Natural Gas	-40.5	3.7	-38.0	-22.9	9.6	34.9	54.2	-33.1	29.1	20.2	24.8	-36.7
Computers	6.3	26.0	-13.1	-38.7	-9.6	-3.9	0.0	7.5	15.5	15.5	15.5	15.5
Semiconductors	-3.3	14.4	-4.5	-28.4	-7.8	-3.9	0.0	2.5	5.0	5.0	5.0	5.0
Core Goods 2/	-6.4	2.4	-2.5	-26.3	-14.5	0.9	4.9	7.4	6.8	6.1	5.8	5.6
	Billions of Chained 2000 Dollars, s.a.a.r.											
Net Goods & Services	-462.0	-381.3	-353.0	-358.9	-322.0	-323.6	-341.7	-374.8	-406.3	-405.7	-413.9	-437.7
Exports of G&S	1500.6	1544.7	1556.1	1472.0	1452.9	1442.8	1439.3	1441.8	1447.0	1454.4	1464.6	1476.9
Imports of G&S	1962.6	1926.0	1909.1	1830.9	1774.9	1766.5	1781.0	1816.7	1853.3	1860.1	1878.5	1914.6
	Billions of dollars, s.a.a.r.											
US CURRENT ACCOUNT BALANCE	-702.6	-723.8	-696.4	-570.5	-456.0	-422.3	-425.9	-452.3	-492.8	-485.3	-492.3	-524.5
Current Account as % of GDP	-5.0	-5.1	-4.8	-4.0	-3.2	-3.0	-3.0	-3.1	-3.4	-3.3	-3.3	-3.5
Net Goods & Services (BOP)	-708.4	-720.3	-706.1	-500.8	-356.2	-346.6	-371.3	-416.3	-463.4	-467.8	-483.0	-517.2
Investment Income, Net	140.0	119.8	130.5	63.2	33.8	47.2	68.2	86.9	93.5	105.4	113.6	118.5
Direct, Net	281.0	259.5	261.2	205.7	175.5	170.7	172.0	176.4	181.7	188.3	194.0	199.1
Portfolio, Net	-141.0	-139.7	-130.7	-142.5	-141.6	-123.5	-103.9	-89.6	-88.2	-82.9	-80.4	-80.6
Other Inc. & Transfers, Net	-134.2	-123.2	-120.8	-132.8	-133.6	-122.8	-122.8	-122.8	-122.8	-122.8	-122.8	-125.8

1. Merchandise exports excluding computers and semiconductors.

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

## **Part 2**

January 22, 2009

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Recent Developments**

January 22, 2009

## **Recent Developments**

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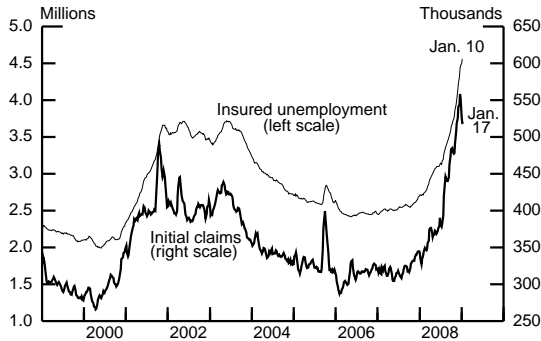
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## **Domestic Nonfinancial Developments**

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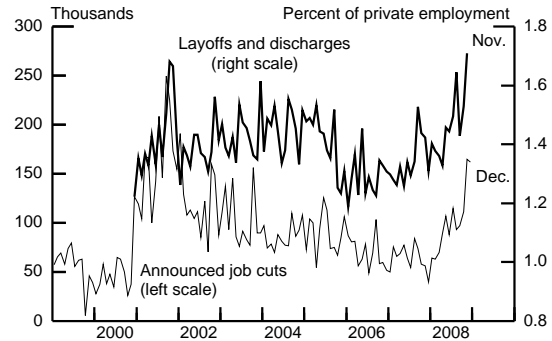
## Labor Market Indicators

### Unemployment Insurance



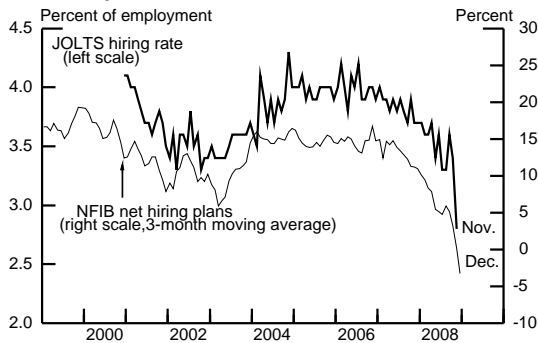
Note: 4-week moving averages.  
Source: U.S. Dept. of Labor, Employment and Training Administration.

### Layoffs and Job Cuts



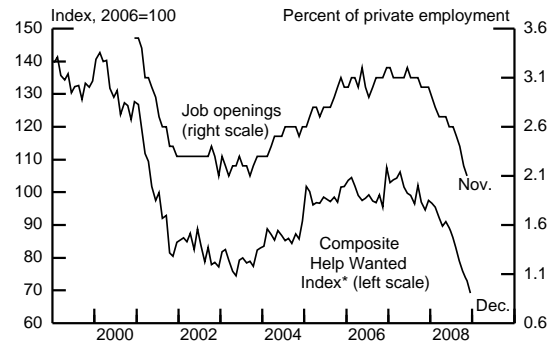
Note: Both series are seasonally adjusted by FRB staff.  
Source: For layoffs and discharges, Job Openings and Labor Turnover Survey; for job cuts, Challenger, Gray, and Christmas, Inc.

### Hiring



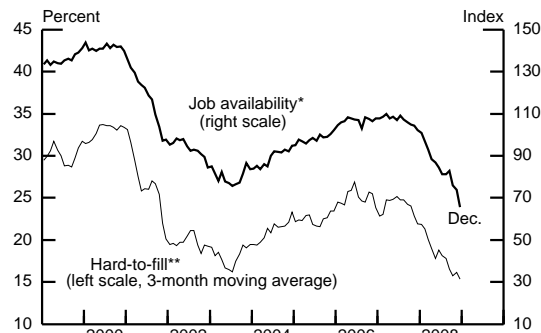
Note: NFIB is the percent planning an increase in employment minus the percent planning a reduction.  
Source: National Federation of Independent Business (NFIB); Job Openings and Labor Turnover Survey (JOLTS).

### Job Openings



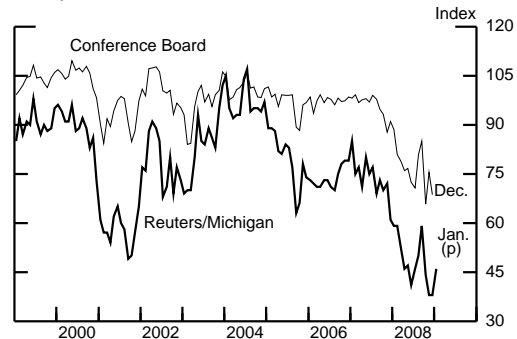
\*Index of staff composite help wanted advertising as a percent of private payroll employment.  
Source: For job openings, Job Openings and Labor Turnover Survey; for Help Wanted Index, Conference Board and staff calculations.

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



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

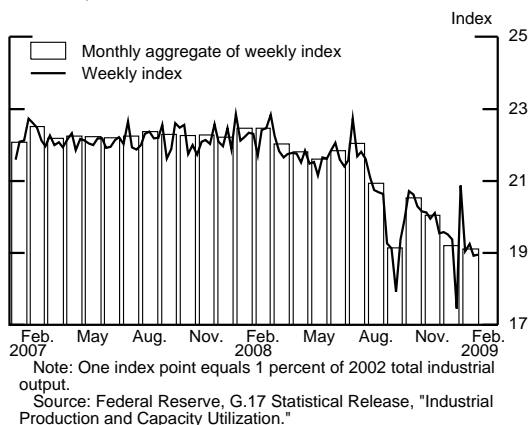
### Expected Labor Market Conditions



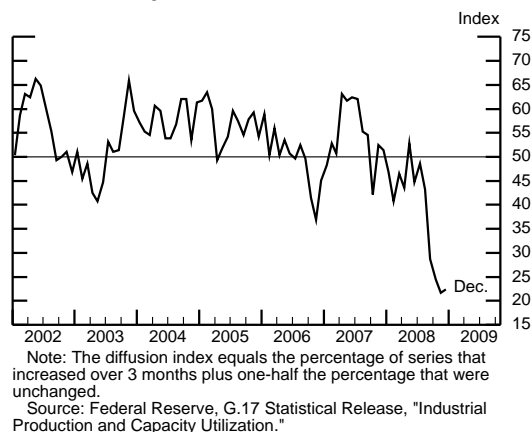
Note: The proportion of households expecting labor market conditions to improve, minus the proportion expecting conditions to worsen, plus 100.  
p Preliminary.  
Source: Conference Board; Reuters/University of Michigan Surveys of Consumers.

## Indicators of Industrial Activity

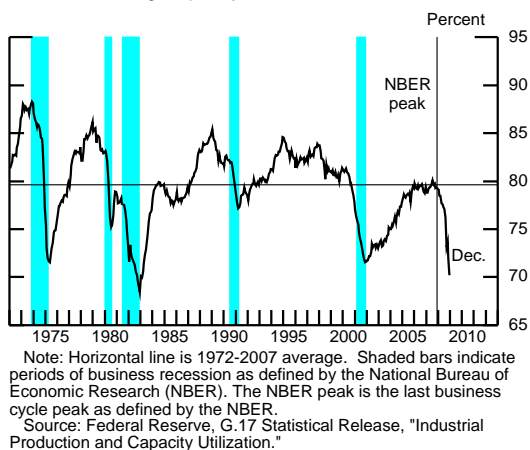
Weekly Production Index



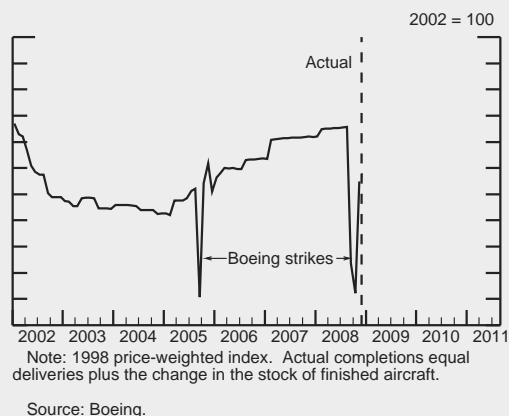
Manufacturing IP Diffusion Index



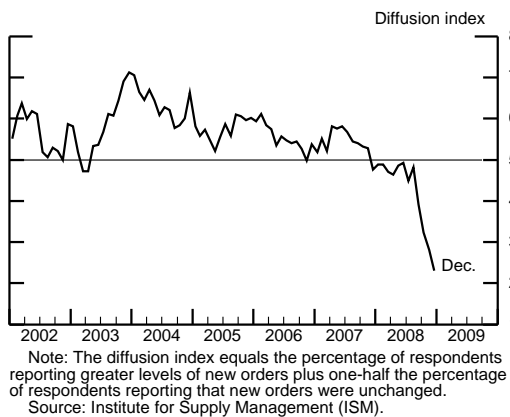
Manufacturing Capacity Utilization



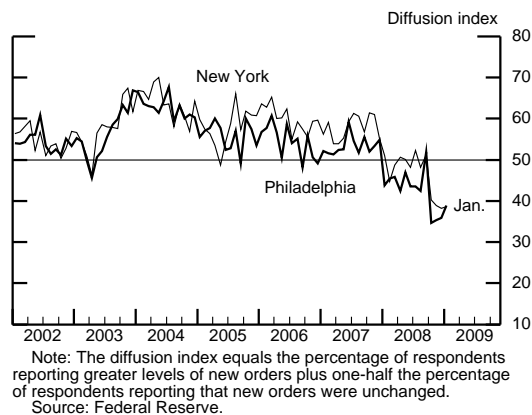
Boeing Commercial Aircraft Completions: Actual



ISM New Orders Diffusion Index



New Orders: FRB New York Survey and FRB Philadelphia Survey



Content partially redacted.

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

Item	2008			2009	2008			
	Q2	Q3	Q4	Q1	Sept.	Oct.	Nov.	Dec.
U.S. production <sup>1</sup>	8.5	8.5	7.2	5.9	8.2	7.9	7.4	6.4
Autos	3.7	4.2	3.4	2.5	4.0	3.8	3.4	2.9
Light trucks	4.9	4.3	3.9	3.4	4.2	4.0	4.0	3.6
Days' supply <sup>2</sup>	72	76	98	n.a.	77	96	100	98
Autos	48	67	98	n.a.	68	87	103	96
Light trucks	94	84	99	n.a.	85	105	98	99
Inventories <sup>3</sup>	2.41	2.40	2.47	n.a.	2.40	2.45	2.46	2.47
Autos	0.78	0.96	1.14	n.a.	0.96	1.06	1.11	1.14
Light trucks	1.63	1.44	1.33	n.a.	1.44	1.39	1.36	1.33
Memo: U.S. production, total motor vehicles <sup>4</sup>	8.8	8.8	7.4	6.1	8.4	8.1	7.6	6.7

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

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

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

3. End-of-period stocks.

4. Includes medium and heavy trucks.

n.a. Not available.

Source: Ward's Communications.

**Inventories of Light Vehicles**



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

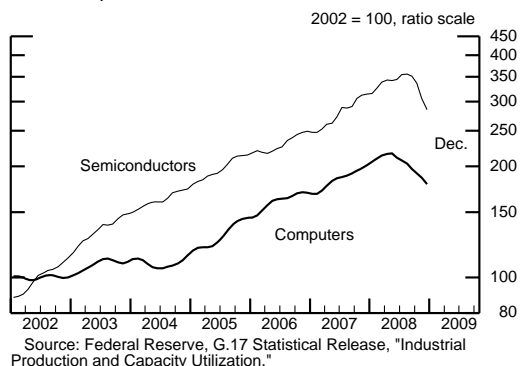
**Days' Supply of Light Vehicles**



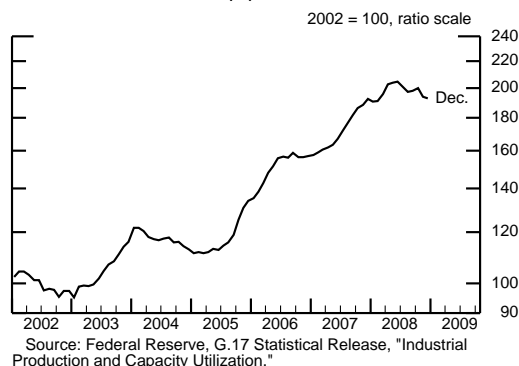
Source: Constructed from Ward's Communications data. Adjusted using FRB seasonals.

## Indicators of High-Tech Manufacturing Activity

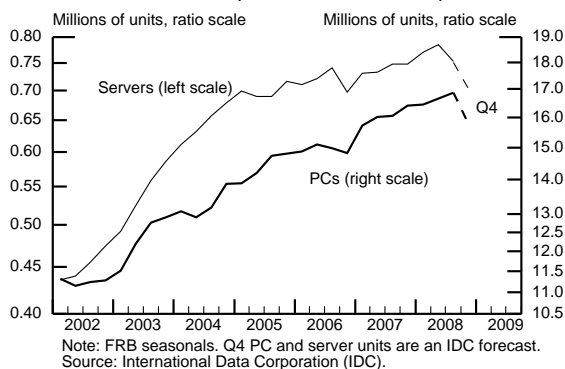
IP: Computers and Semiconductors



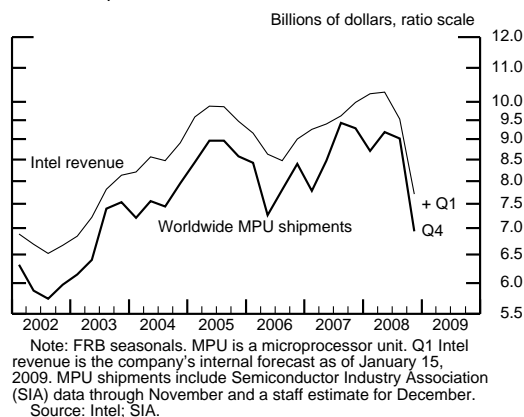
IP: Communications Equipment



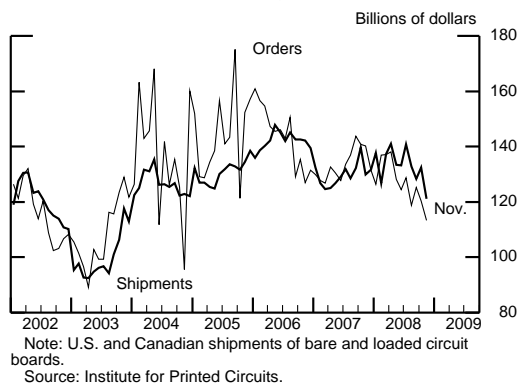
U.S. Personal Computer and Server Absorption



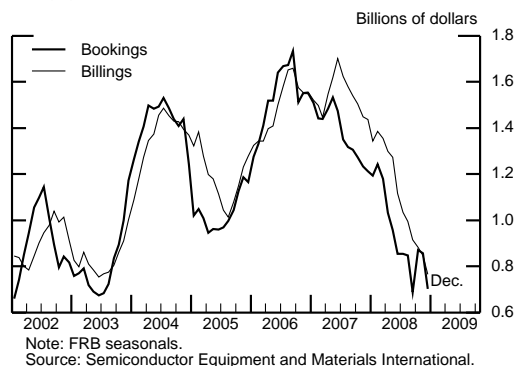
MPU Shipments and Intel Revenue



Circuit Board Orders and Shipments



Bookings and Billings for Semiconductor Equipment





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

Category	2008	2008					
		Q2	Q3	Q4	Oct.	Nov.	Dec.
Total	13.1	14.1	12.9	10.3	10.5	10.1	10.3
Autos	6.7	7.6	6.6	5.2	5.6	5.0	5.2
Light trucks	6.4	6.5	6.3	5.1	4.9	5.2	5.1
North American <sup>1</sup>	9.8	10.3	9.7	7.7	7.8	7.6	7.8
Autos	4.5	5.0	4.4	3.6	3.8	3.3	3.6
Light trucks	5.3	5.3	5.3	4.1	4.0	4.3	4.1
Foreign-produced	3.3	3.8	3.2	2.6	2.7	2.6	2.5
Autos	2.2	2.7	2.2	1.7	1.8	1.7	1.6
Light trucks	1.1	1.1	1.0	.9	.9	.9	.9
Memo: Detroit Three domestic market share (percent) <sup>2</sup>	47.6	45.9	46.7	47.5	46.0	47.8	48.9

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

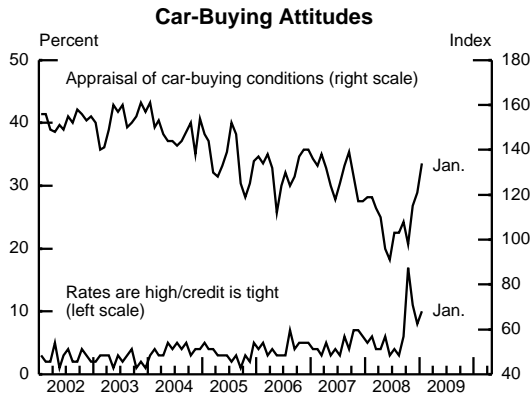
1. Excludes some vehicles produced in Canada that are classified as imports by the industry.

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

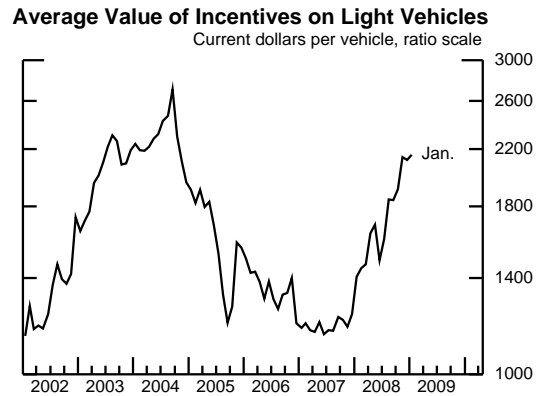
Source: Ward's Communications. Adjusted using FRB seasonals.

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Content redacted.



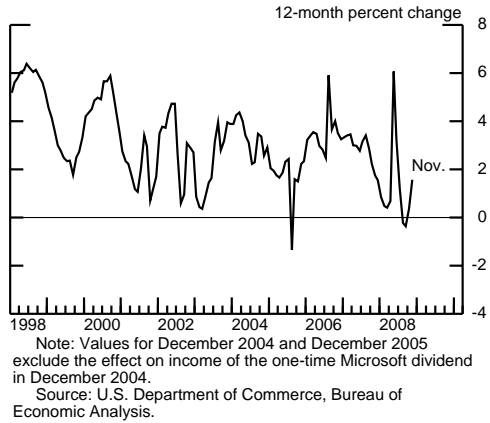
Source: Reuters/University of Michigan Surveys of Consumers.



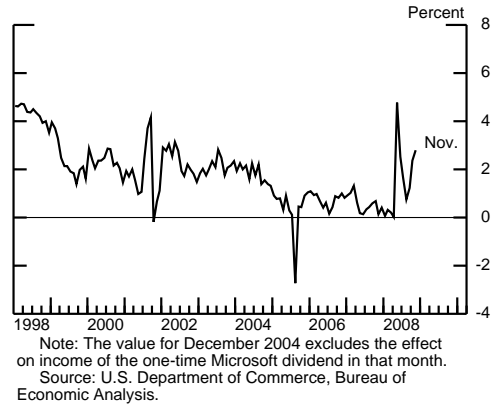
Note: Seasonally adjusted weighted average of customer cash rebate and the present value of interest rate reduction. January figure is based on data through January 18.  
Source: J.D. Power and Associates.

## Fundamentals of Household Spending

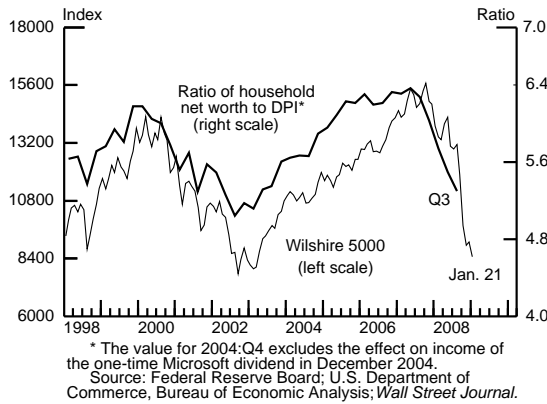
Change in Real Disposable Personal Income



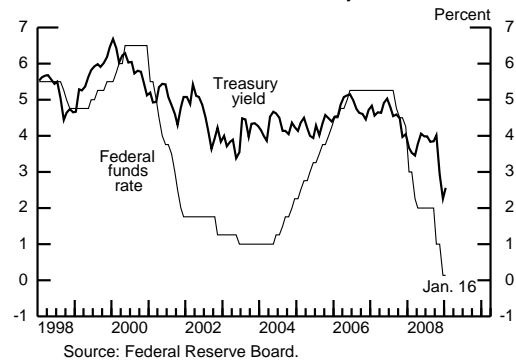
Personal Saving Rate



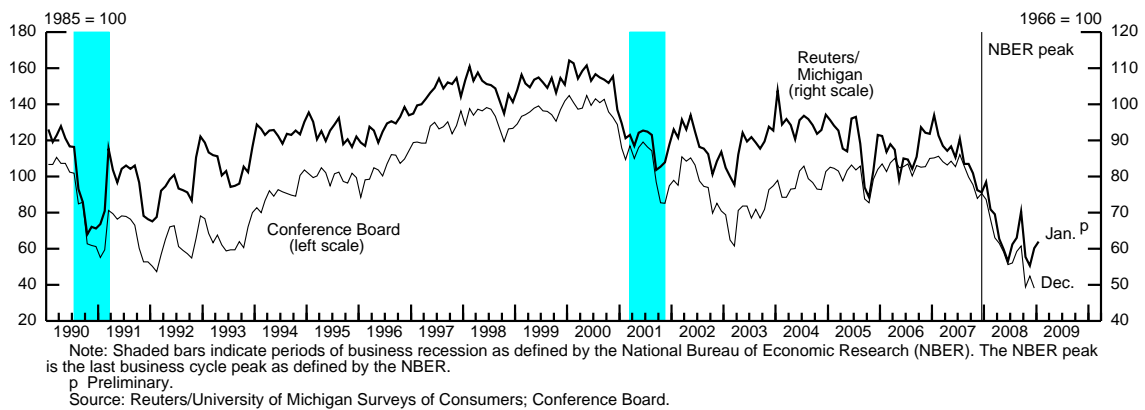
Household Net Worth and Wilshire 5000



Target Federal Funds Rate and 10-Year Treasury Yield



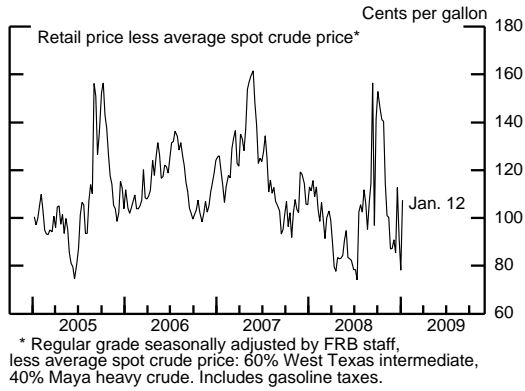
Consumer Confidence



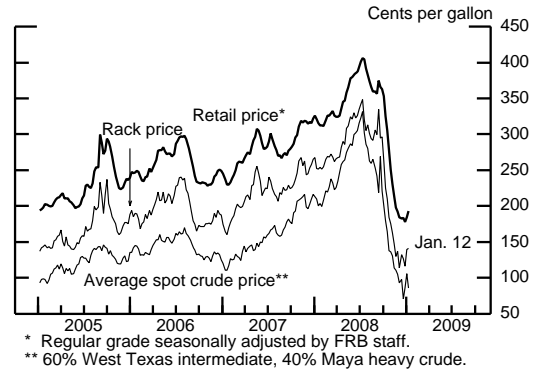
## Energy and Food Price Indicators

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

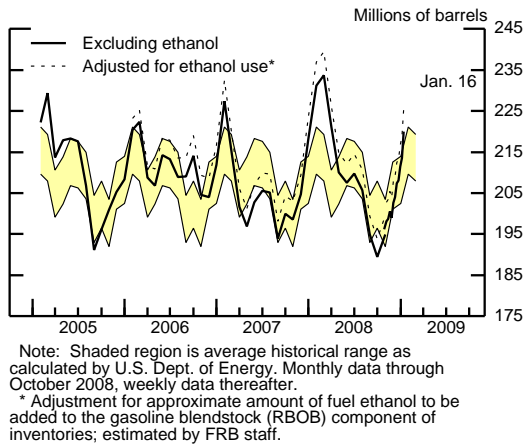
### Total Gasoline Margin



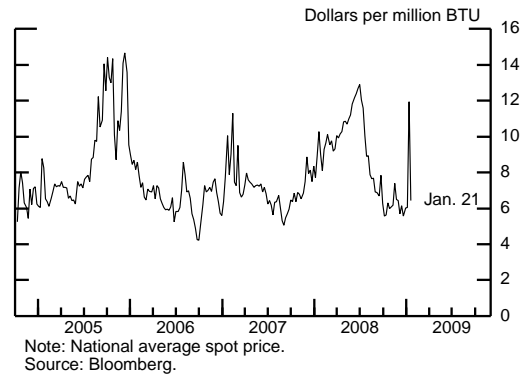
### Gasoline Price Decomposition



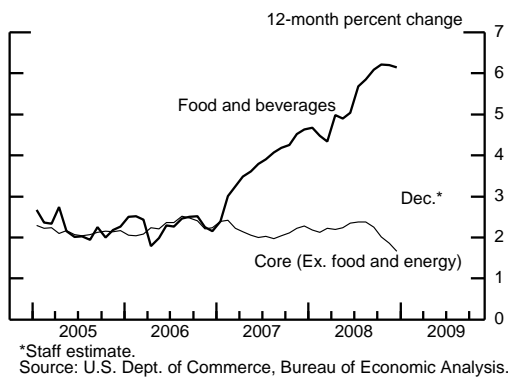
### Gasoline Inventories



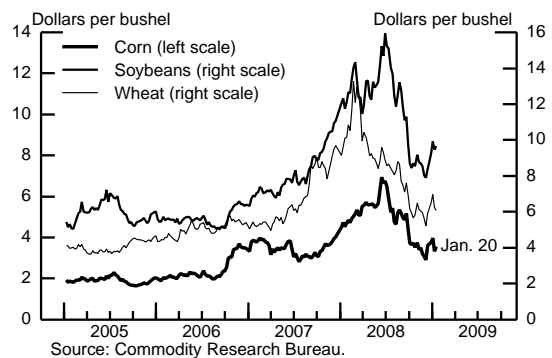
### Natural Gas Prices



### PCE: Food and Core Prices



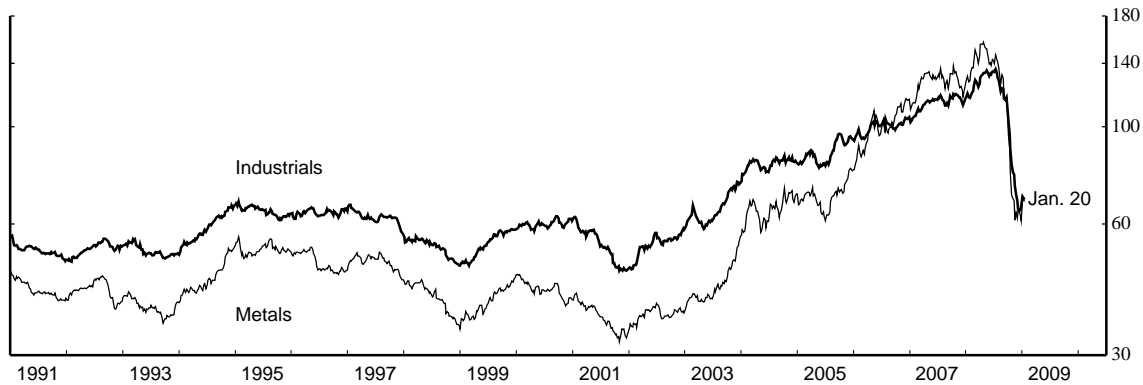
### Spot Agricultural Commodity Prices



## Commodity Price Indexes

Journal of Commerce

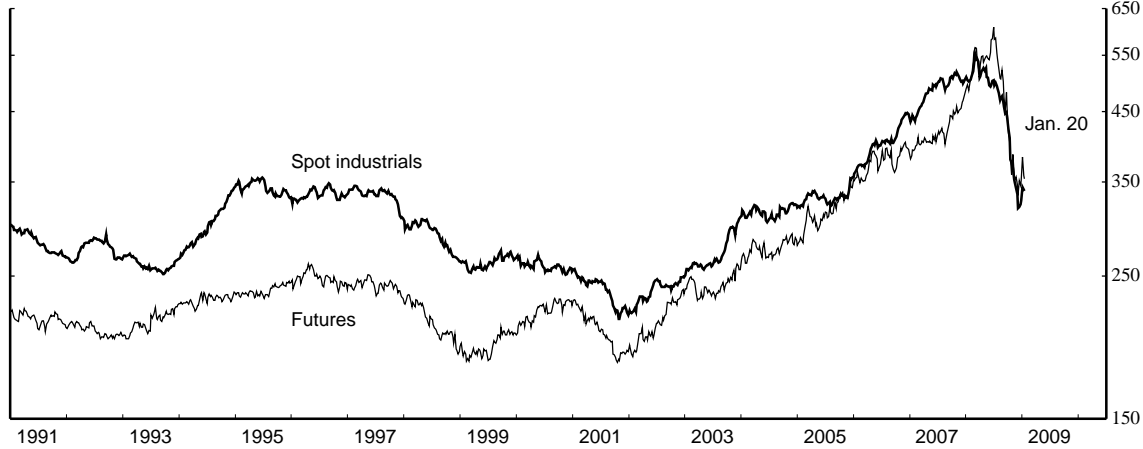
Ratio scale, 2006 = 100



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	2007 <sup>1</sup>	12/18/07 to 12/9/08 <sup>2</sup>	12/9/08 <sup>2</sup> to 1/20/09	52-week change to 1/20/09
JOC industrials	7.6	-42.1	4.8	-41.8
JOC metals	2.1	-45.3	5.0	-46.8
CRB spot industrials	11.1	-36.0	6.3	-32.4
CRB spot foodstuffs	25.5	-18.9	8.6	-14.0
CRB futures	18.2	-28.6	6.0	-27.0

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

2. December 9, 2008, is the Tuesday preceding publication of the December Greenbook.

**Broad Measures of Inflation**

(Percent change, Q3 to Q3)

Measure	2005	2006	2007	2008
<i>Product prices</i>				
GDP price index	3.4	3.2	2.5	2.6
Less food and energy	3.2	3.2	2.3	2.2
Nonfarm business chain price index	3.5	3.1	1.8	2.4
<i>Expenditure prices</i>				
Gross domestic purchases price index	3.9	3.3	2.4	4.1
Less food and energy	3.1	3.1	2.3	2.4
PCE price index	3.2	2.9	2.2	4.3
Less food and energy	2.1	2.5	2.0	2.3
PCE price index, market-based components	3.1	2.7	2.0	4.5
Less food and energy	1.7	2.1	1.6	2.1
CPI	3.8	3.3	2.4	5.3
Less food and energy	2.1	2.8	2.1	2.5
Chained CPI	3.4	3.1	2.0	4.6
Less food and energy	1.8	2.6	1.7	2.2
Median CPI	2.4	3.1	3.0	3.3
Trimmed mean CPI	2.5	2.8	2.5	3.5
Trimmed mean PCE	2.4	2.9	2.4	2.7

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:Q1	2.4	3.6	3.0	3.4	2.9	2.4	2.0
Q2	2.7	4.2	3.3	3.5	3.0	2.4	2.0
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
2008:Sept.	4.9	4.6	4.3	3.3	3.0	...	...
Oct.	3.7	4.3	3.9	3.1	2.9	...	...
Nov.	1.1	2.9	2.9	3.1	2.9	2.5	2.2
Dec.	.1	1.7	1.7	2.6	2.6	...	...
2009:Jan.	n.a.	2.5	2.0	3.7	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.

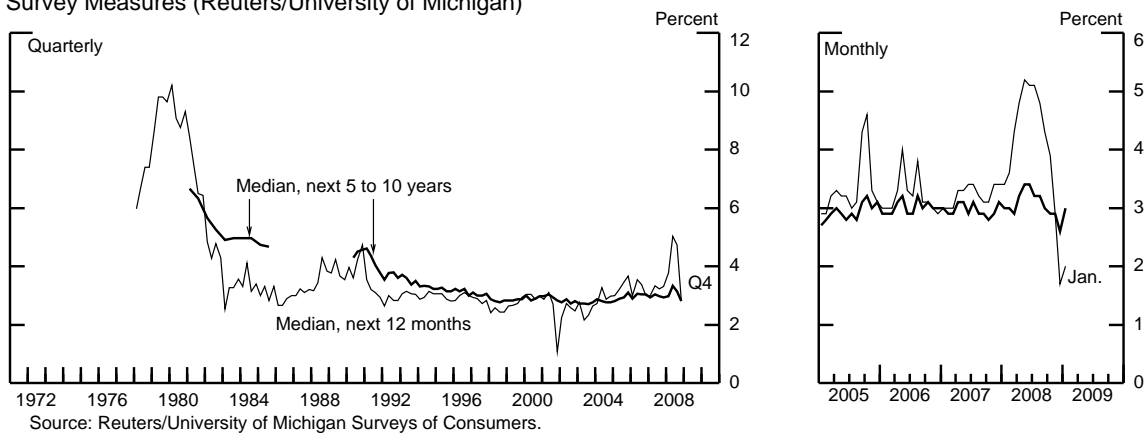
... Not applicable.

n.a. Not available.

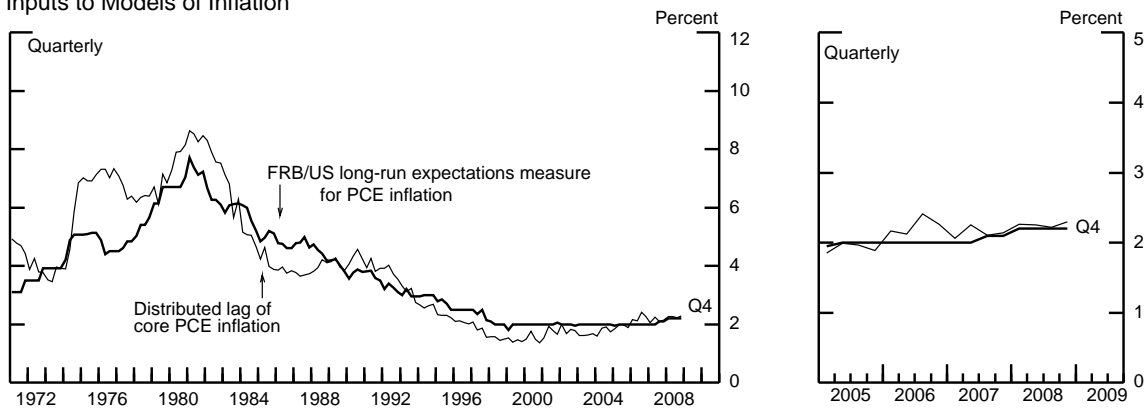
Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; for Reuters/Michigan Survey, Reuters/University of Michigan Surveys of Consumers; for professional forecasters, the Federal Reserve Bank of Philadelphia.

## Measures of Expected Inflation

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



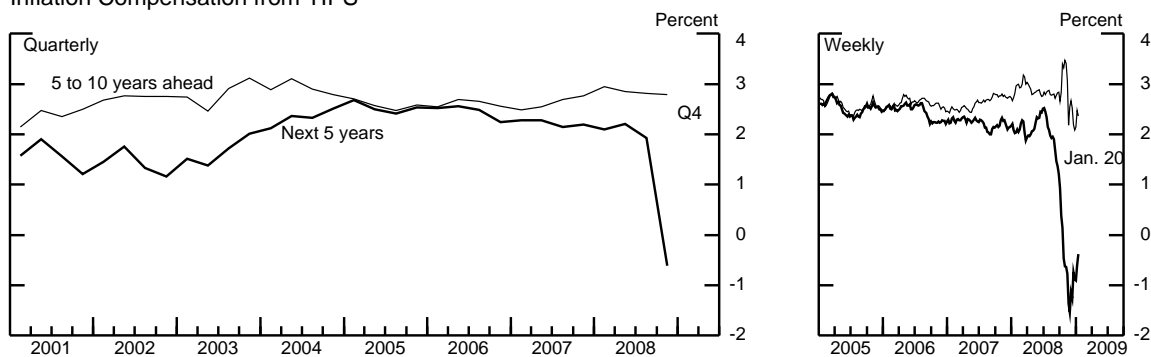
### Inputs to Models of Inflation



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.

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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	2008		2009	Change to Jan. 21 from selected dates (percentage points)		
		Aug. 6	Oct. 28	Dec. 15	Jan. 21	2007 Aug. 6	2008 Oct. 28	2008 Dec. 15
<i>Short-term</i>								
FOMC intended federal funds rate		5.25	1.50	1.00	.13	-5.12	-1.37	-.87
Treasury bills <sup>1</sup>								
3-month		4.74	.76	.04	.11	-4.63	-.65	.07
6-month		4.72	1.23	.28	.30	-4.42	-.93	.02
Commercial paper (A1/P1 rates) <sup>2</sup>								
1-month		5.26	2.71	.53	.40	-4.86	-2.31	-.13
3-month		5.29	2.89	1.35	.62	-4.67	-2.27	-.73
Large negotiable CDs <sup>1</sup>								
3-month		5.34	3.63	1.85	1.05	-4.29	-2.58	-.80
6-month		5.27	3.73	2.24	1.58	-3.69	-2.15	-.66
Eurodollar deposits <sup>3</sup>								
1-month		5.33	3.75	1.50	1.00	-4.33	-2.75	-.50
3-month		5.35	4.50	2.55	1.75	-3.60	-2.75	-.80
Bank prime rate		8.25	4.50	4.00	3.25	-5.00	-1.25	-.75
<i>Intermediate- and long-term</i>								
U.S. Treasury <sup>4</sup>								
2-year		4.49	1.49	.48	.65	-3.84	-.84	.17
5-year		4.52	2.81	1.57	1.71	-2.81	-1.10	.14
10-year		4.82	4.43	3.08	3.14	-1.68	-1.29	.06
U.S. Treasury indexed notes <sup>5</sup>								
5-year		2.43	3.64	2.99	2.01	-.42	-1.63	-.98
10-year		2.48	3.29	2.66	2.15	-.33	-1.14	-.51
Municipal general obligations (Bond Buyer) <sup>6</sup>		4.51	5.32	5.85	4.80	.29	-.52	-1.05
Private instruments								
10-year swap		5.44	4.26	2.76	2.52	-2.92	-1.74	-.24
10-year FNMA <sup>7</sup>		5.34	5.36	3.50	3.71	-1.63	-1.65	.21
10-year AA <sup>8</sup>		6.12	8.26	6.86	6.17	.05	-2.09	-.69
10-year BBB <sup>8</sup>		6.57	9.77	9.59	9.02	2.45	-.75	-.57
10-year high yield <sup>8</sup>		9.21	16.27	18.30	15.92	6.71	-.35	-2.38
Home mortgages (FHLMC survey rate)								
30-year fixed		6.59	6.46	5.19	5.12	-1.47	-1.34	-.07
1-year adjustable		5.65	5.38	4.94	4.92	-.73	-.46	-.02
Stock exchange index	Record high		2008		2009	Change to Jan. 21 from selected dates (percent)		
	Level	Date	Oct. 28	Dec. 15	Jan. 21	Record high	2008 Oct. 28	2008 Dec. 15
Dow Jones Industrial	14,165	10-9-07	9,065	8,565	8,228	-41.91	-9.23	-3.93
S&P 500 Composite	1,565	10-9-07	941	869	840	-46.32	-10.66	-3.26
Nasdaq	5,049	3-10-00	1,649	1,508	1,507	-70.15	-8.63	-.08
Russell 2000	856	7-13-07	483	453	457	-46.63	-5.34	.93
Wilshire 5000	15,807	10-9-07	9,341	8,664	8,484	-46.32	-9.17	-2.08

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.

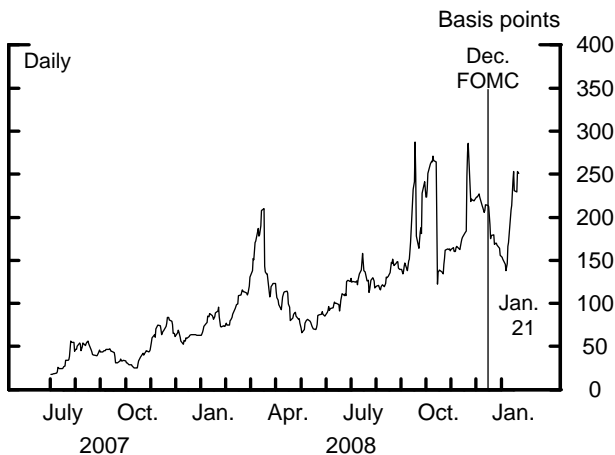
NOTES:

August 6, 2007, is the day before the August 2007 FOMC meeting.  
October 28, 2008, is the day before the October 2008 FOMC monetary policy announcement.  
December 15, 2008, is the day before the most recent FOMC monetary policy announcement.  
Data for the 3-month commercial paper rate on December 15, 2008, are from December 4, 2008,  
the most recent date for which a sufficient volume of new issues was available to calculate this rate.



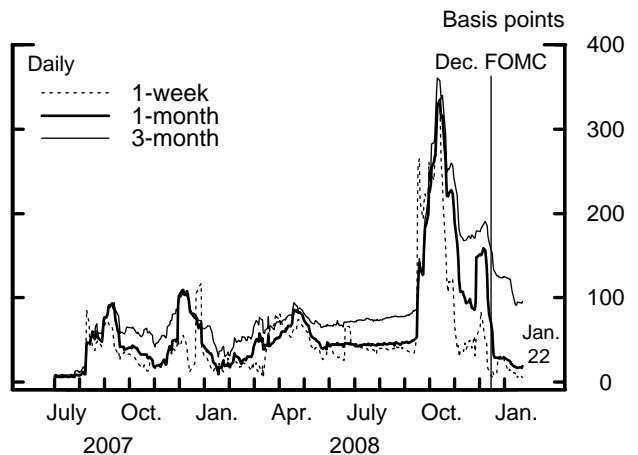
# Financial Institutions and Short-Term Funding Markets

CDS Spreads for Bank Holding Companies



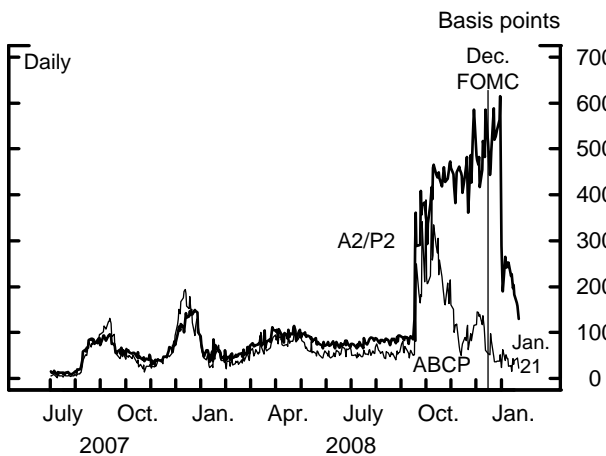
Note: Median credit default swap (CDS) spreads for 6 bank holding companies.  
Source: Markit.

Spread between Libor and OIS Rates



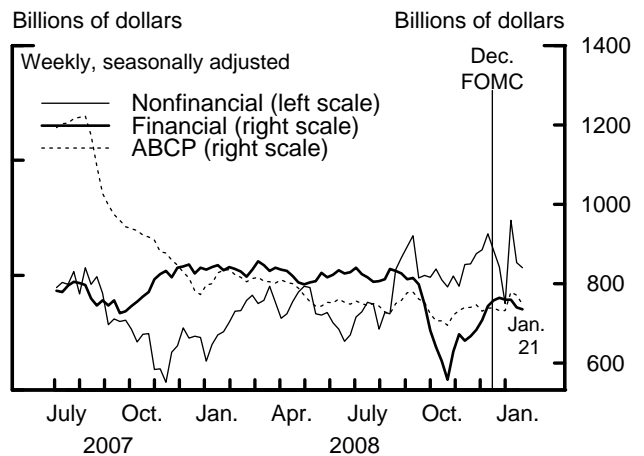
Note: Libor quotes are taken at 6:00 a.m., and the overnight index swap (OIS) rate quotes are observed at the close of business of the previous trading day.  
Source: British Banker's Association.

Spreads on 30-day Commercial Paper



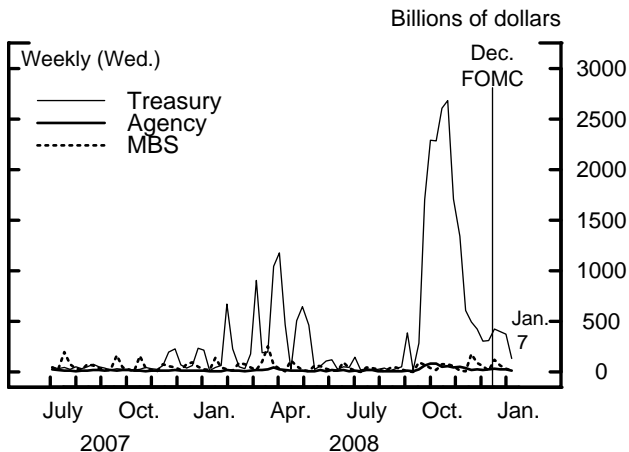
Note: The asset-backed commercial paper (ABCP) spread is the AA ABCP rate minus the AA nonfinancial rate. The A2/P2 spread is the A2/P2 nonfinancial rate minus the AA nonfinancial rate.  
Source: Depository Trust & Clearing Corporation.

Commercial Paper Outstandings



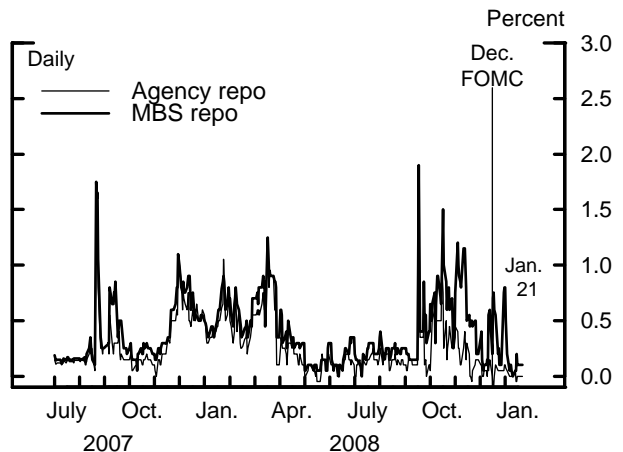
Source: Depository Trust & Clearing Corporation.

Fails to Deliver



Source: FR2004 Primary Government Securities Dealers Reports.

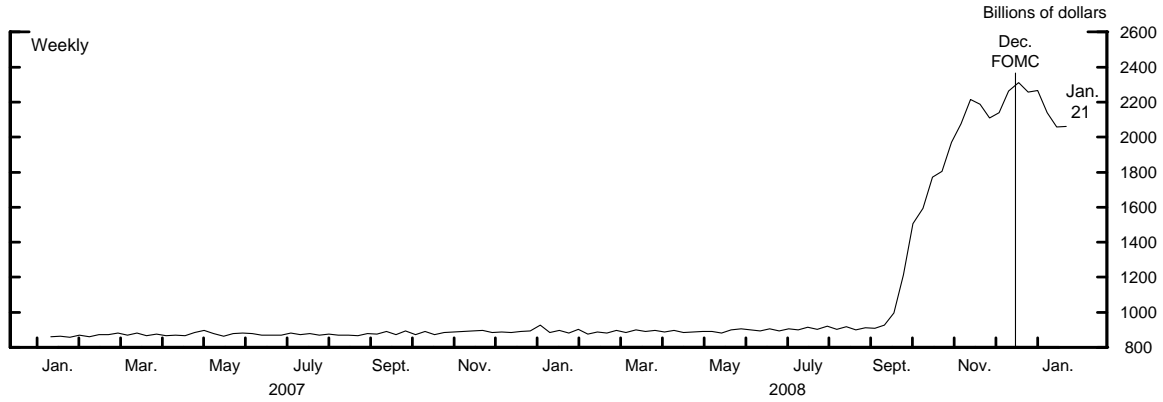
Spreads on MBS and Agency Repos



Note: Spreads on 1-month repurchase agreements (repos) over 1-month Treasury general collateral repos. MBS are mortgage-backed securities.  
Source: Bloomberg.

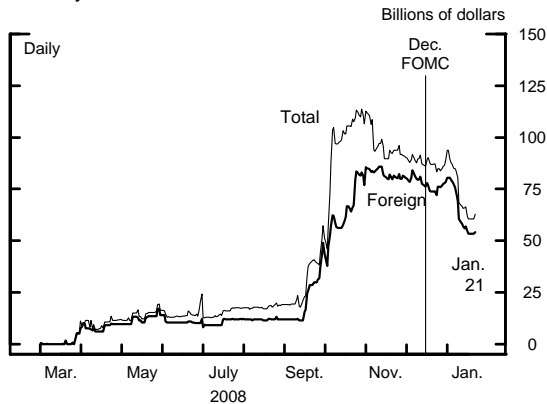
## Federal Reserve Liquidity Provision

Total Federal Reserve Assets



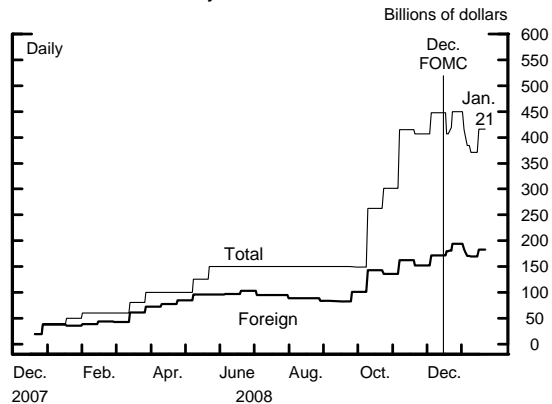
Source: Board of Governors of the Federal Reserve System, Statistical Release H.4.1, "Factors Affecting Reserve Balances."

Primary Credit



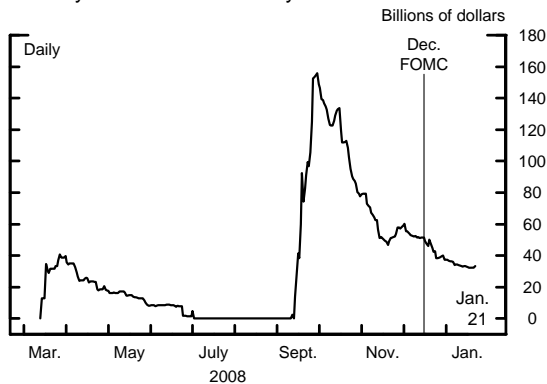
Source: Federal Reserve Board.

Term Auction Facility



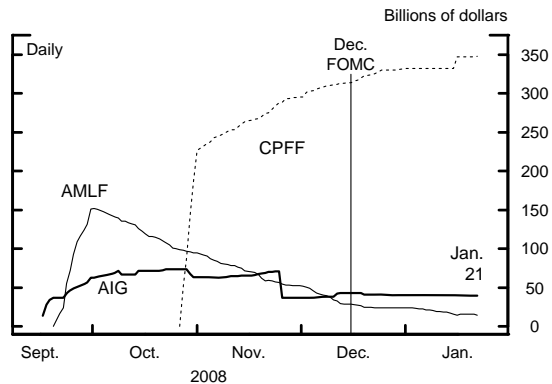
Source: Federal Reserve Board.

Primary Dealer Credit Facility



Source: Federal Reserve Board.

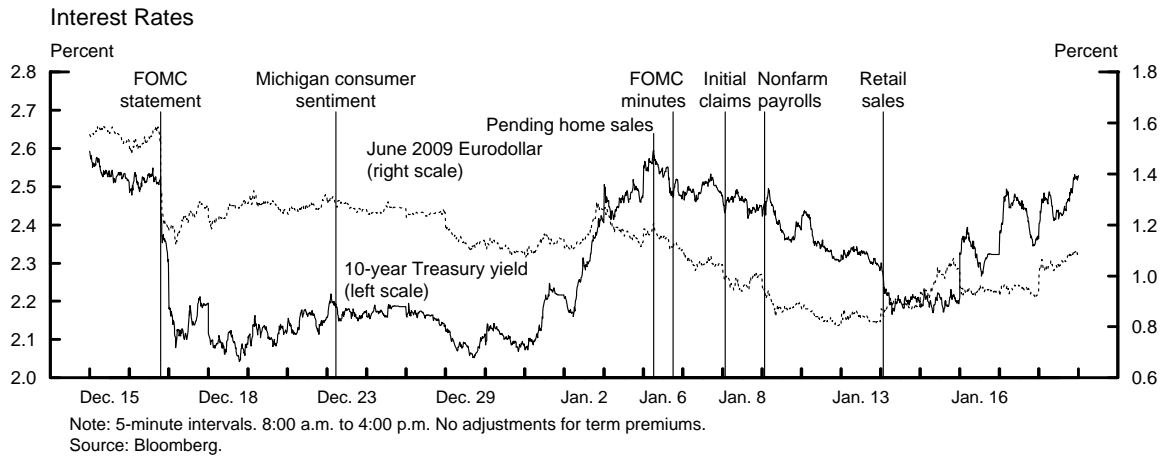
Other Credit Extensions



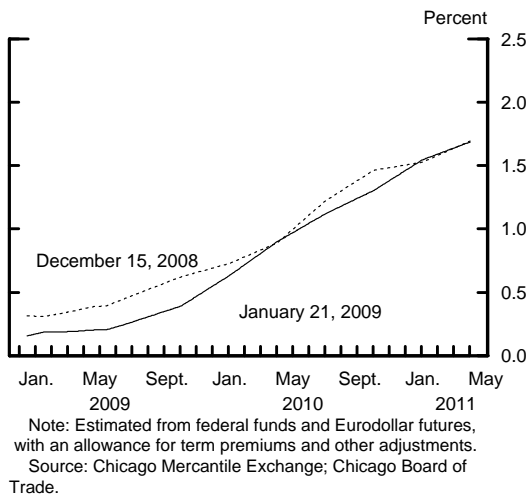
Note: AMLF is Asset-Backed Commercial Paper Money Market Mutual Fund Lending Facility; AIG is American International Group, Inc.; CPFF is Commercial Paper Funding Facility.

Source: Federal Reserve Board.

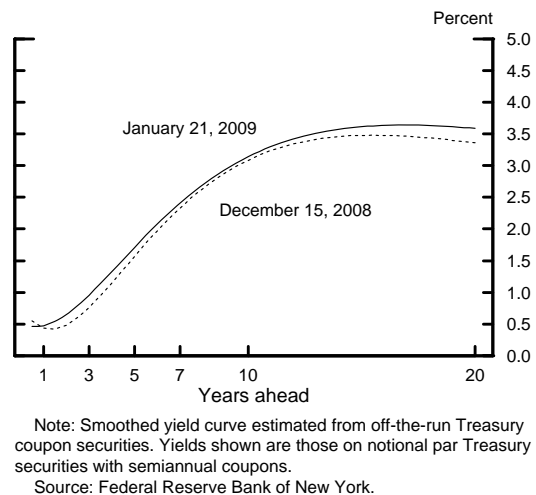
## Policy Expectations and Treasury Yields



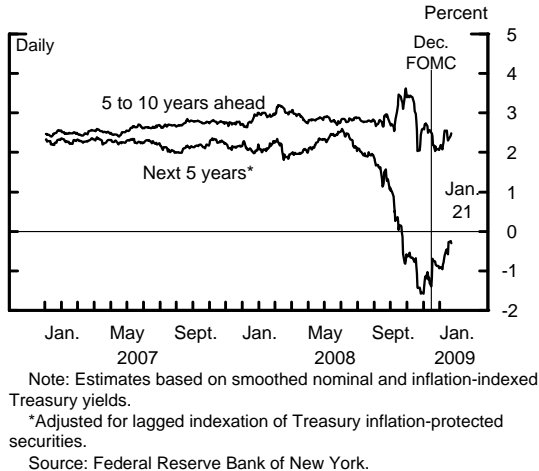
**Implied Federal Funds Rate**



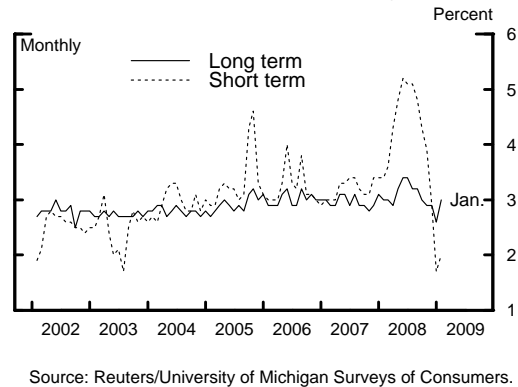
**Treasury Yield Curve**



**Inflation Compensation**

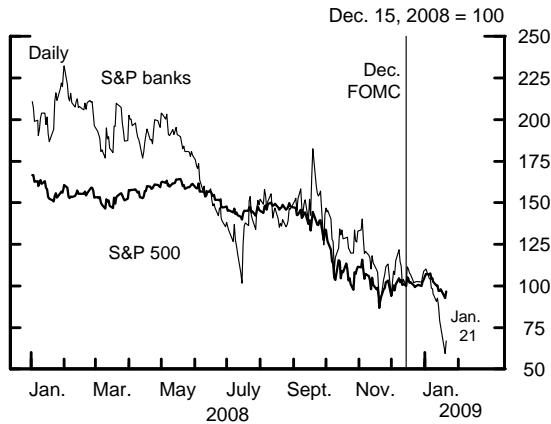


**Inflation Expectations from the Michigan Survey**



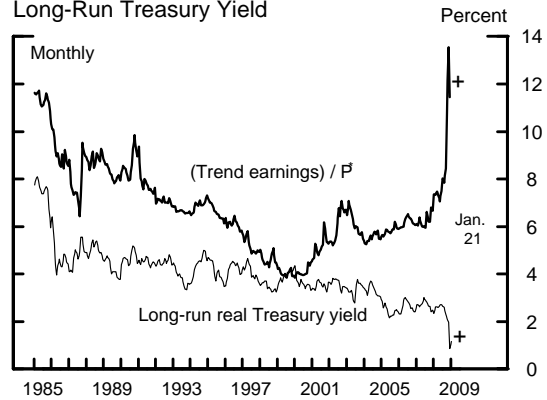
## Corporate Yields, Risk Spreads, and Stock Prices

Selected Stock Price Indexes



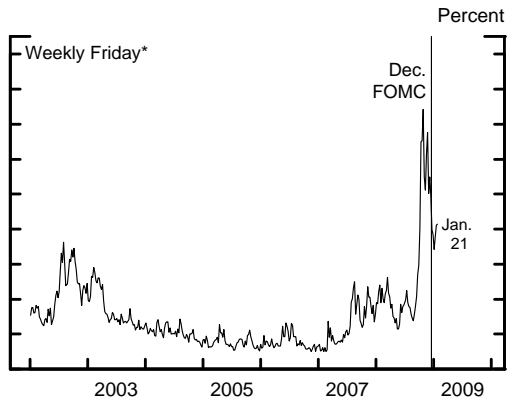
Source: Standard & Poor's.

Ratio of Trend Earnings to Price for S&P 500 and Long-Run Treasury Yield



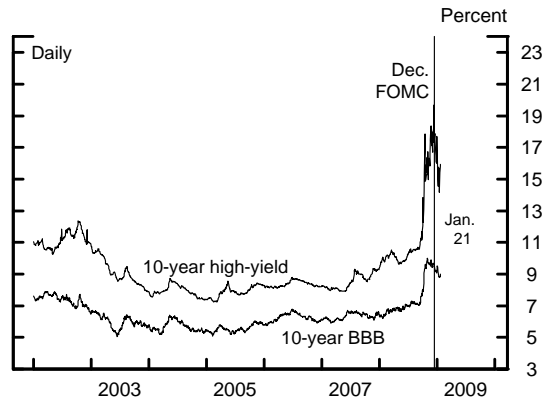
\* Trend earnings are estimated using analysts' forecasts of year-ahead earnings from I/B/E/S.  
+ Denotes the latest observation using daily interest rates and stock prices and latest earnings data from I/B/E/S.  
Source: Thomson Financial.

Implied Volatility on S&P 500 (VIX)



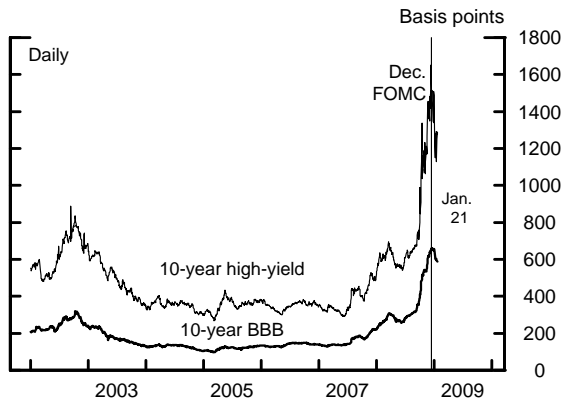
\* Latest observation is for most recent business day.  
Source: Chicago Board of Exchange.

Corporate Bond Yields



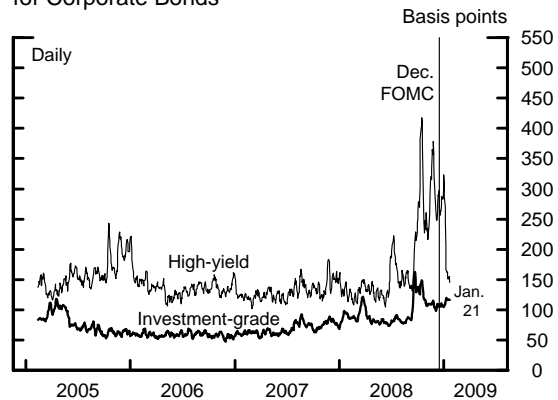
Note: Yields from smoothed yield curves based on Merrill Lynch bond data.

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.

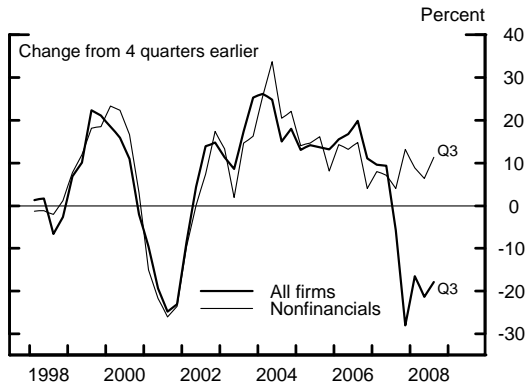
Estimated Median Bid-Ask Spread for Corporate Bonds



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

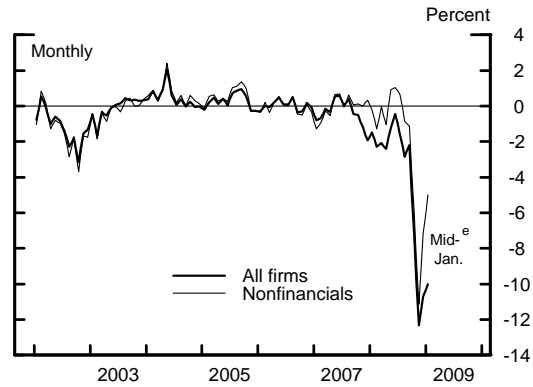
## Corporate Earnings and Credit Quality

### S&P 500 Earnings Per Share



Source: Thomson Financial.

### Revisions to Expected S&P 500 Earnings

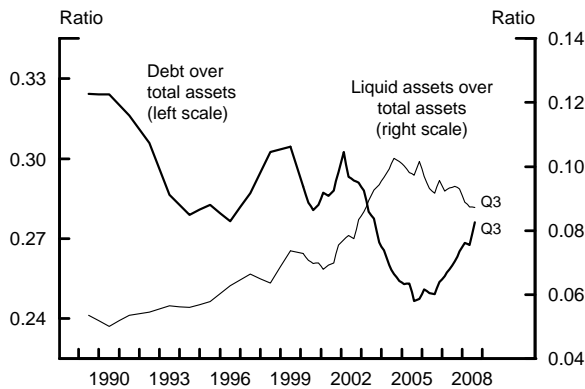


Note: Index is a weighted average of the percent change in the consensus forecasts of current-year and following-year earnings per share for a fixed sample.

e Staff estimate.

Source: Thomson Financial.

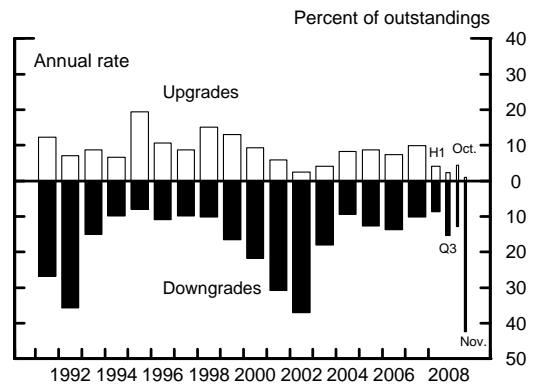
### Financial Ratios for Nonfinancial Corporations



Note: Data are annual through 1999 and quarterly starting in 2000:Q1.

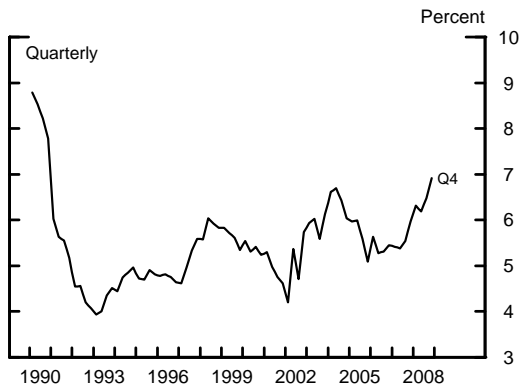
Source: Calculated using Compustat data.

### Bond Ratings Changes of Nonfinancial Companies



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

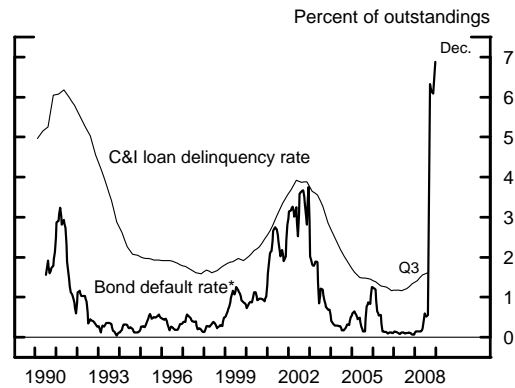
### Deep Junk Share of Bonds Outstanding



Note: Nonfinancial bonds outstanding rated B3 or below over total bonds outstanding.

Source: Moody's Investors Service.

### Selected Default and Delinquency Rates



\* 6-month moving average.

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

## Business Finance

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

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

Type of security	2004	2005	2006	2007	2008			2009
					H1	Q3	Q4	Jan. <sup>P</sup>
<i>Nonfinancial corporations</i>								
Stocks <sup>1</sup>	5.4	4.6	4.7	5.5	3.5	3.0	5.0	2.0
Initial public offerings	1.6	1.7	1.8	1.6	.6	.1	.0	.0
Seasoned offerings	3.8	2.8	2.9	3.8	2.9	2.9	4.9	2.0
Bonds <sup>2</sup>	22.4	18.7	29.3	35.1	34.7	14.5	22.2	26.0
Investment grade	8.3	8.7	13.1	17.5	24.9	10.5	17.9	24.0
Speculative grade	8.2	5.2	6.2	7.5	3.1	.7	.2	2.0
Other (sold abroad/unrated)	5.9	4.8	10.1	10.0	6.7	3.3	4.1	.0
<i>Memo</i>								
Net issuance of commercial paper <sup>3</sup>	1.7	-.2	2.4	-.4	-.5	6.2	1.2	13.0
Change in C&I loans at commercial banks <sup>3</sup>	2.4	9.6	11.4	20.9	13.9	20.6	-3.3	n.a.
<i>Financial corporations</i>								
Stocks <sup>1</sup>	6.9	5.0	5.3	8.6	17.2	10.5	9.2	.5
Bonds <sup>2</sup>	134.1	170.4	180.6	151.7	66.0	20.0	28.2	40.0

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

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

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

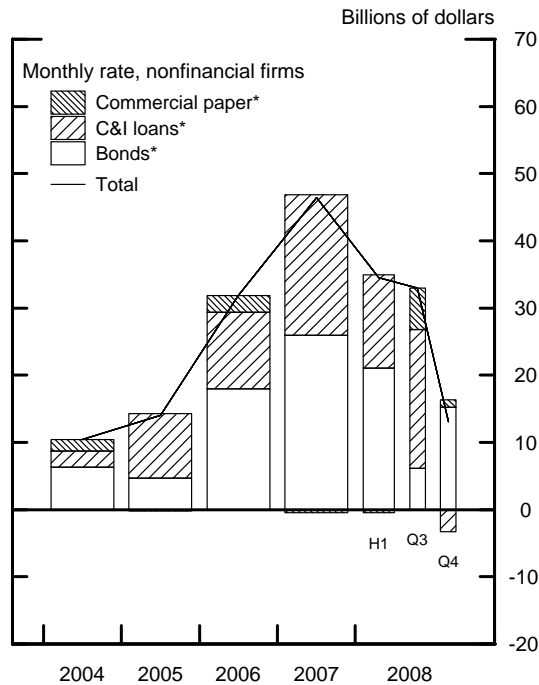
3. End-of-period basis, seasonally adjusted.

n.a. Not available.

p Forecast based on preliminary data.

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

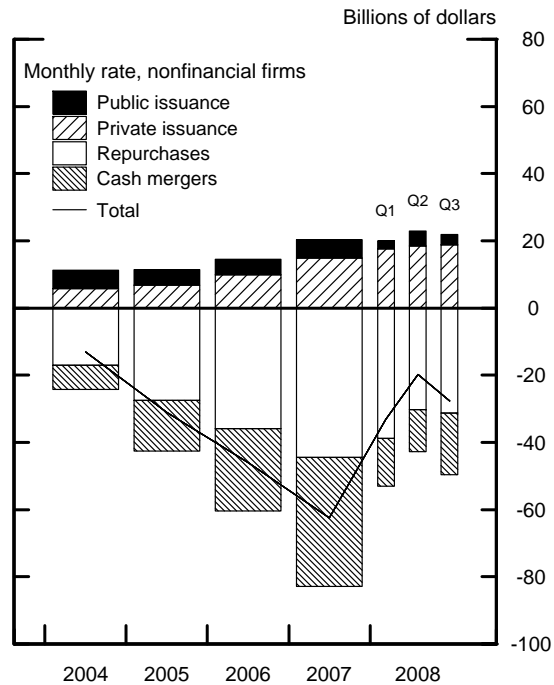
### Selected Components of Net Debt Financing



\* Seasonally adjusted, period-end basis.

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

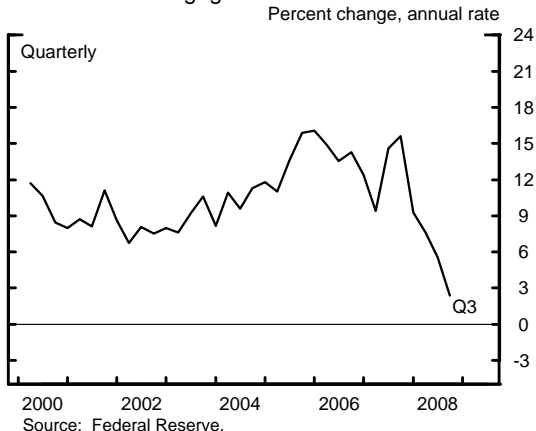
### Components of Net Equity Issuance



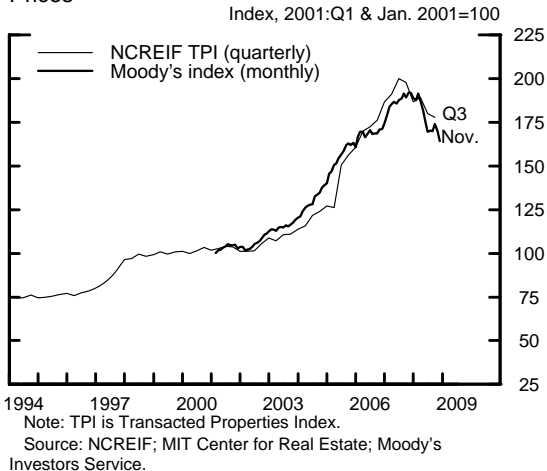
Source: Thomson Financial; Investment Benchmark Report; Money Tree Report by PricewaterhouseCoopers, National Venture Capital Association, and Venture Economics.

## Commercial Real Estate

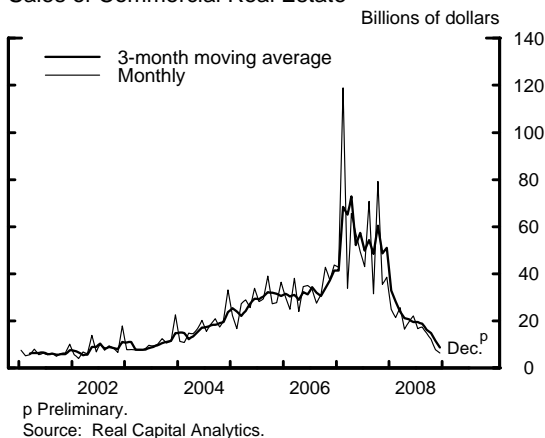
### Commercial Mortgage Debt



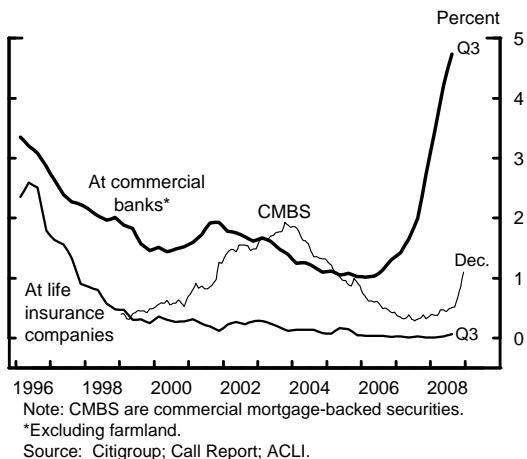
### Prices



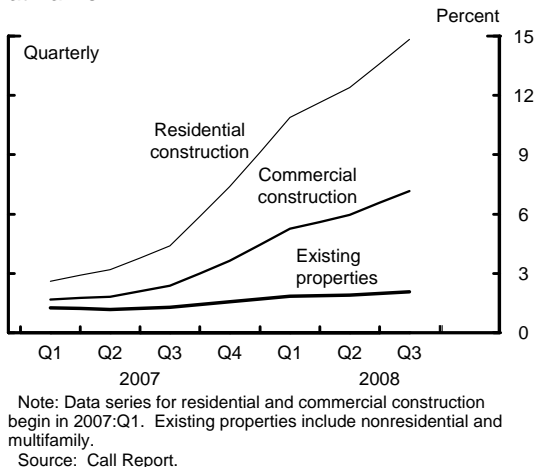
### Sales of Commercial Real Estate



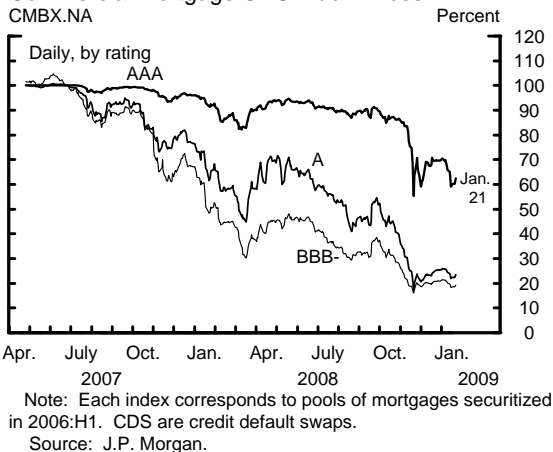
### Delinquency Rates on Commercial Mortgages



### Delinquency Rates on Commercial Mortgages at Banks

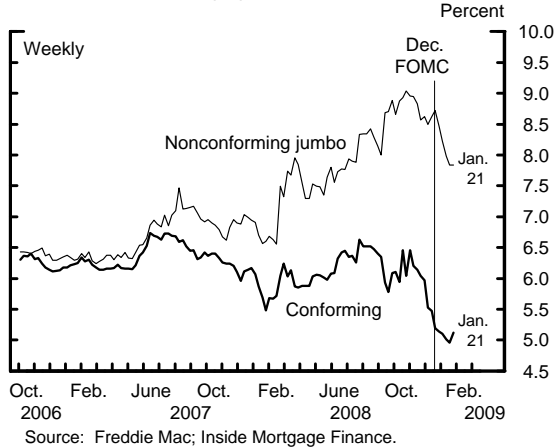


### Commercial Mortgage CDS Index Prices

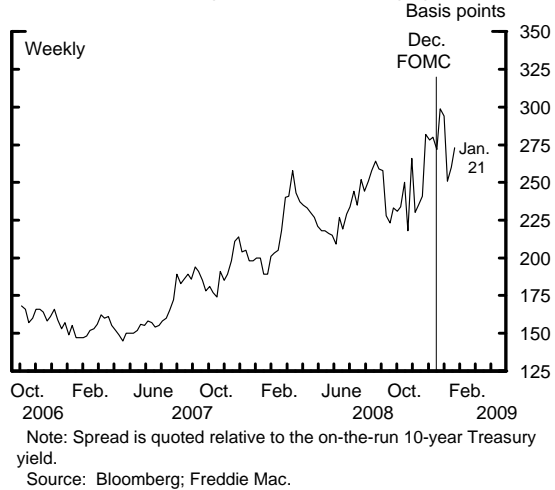


## Residential Mortgages

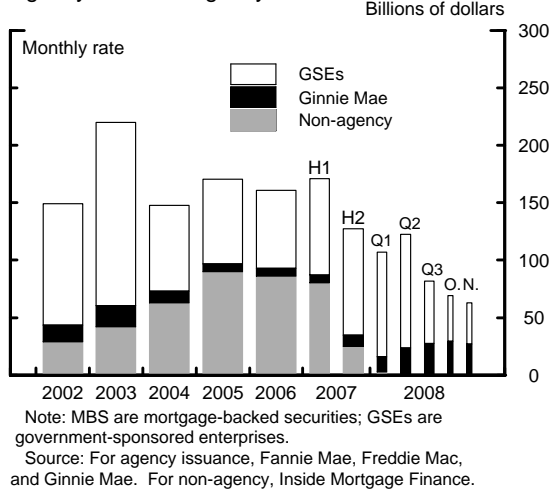
### 30-Year Fixed Mortgage Rates



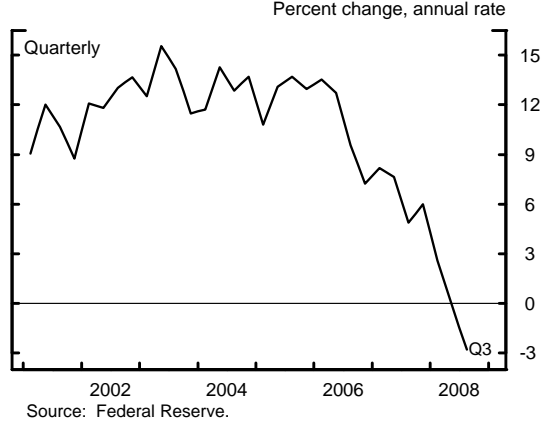
### 30-Year Conforming Fixed-Rate Mortgage Spread



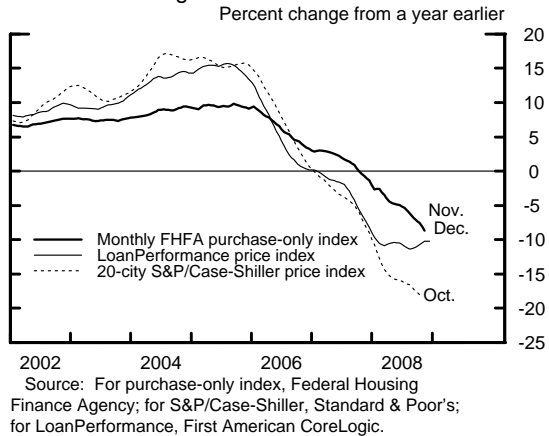
### Agency and Non-Agency MBS Issuance



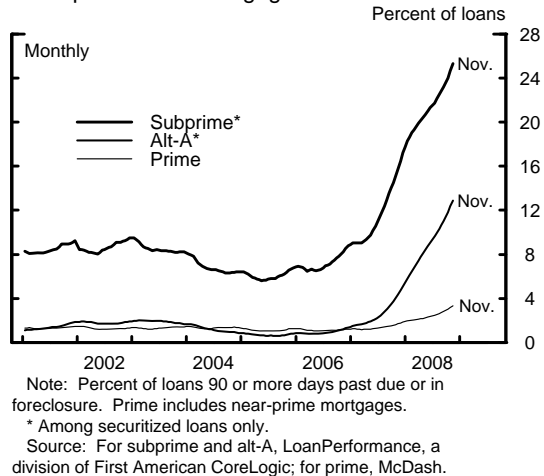
### Mortgage Debt



### Prices of Existing Homes



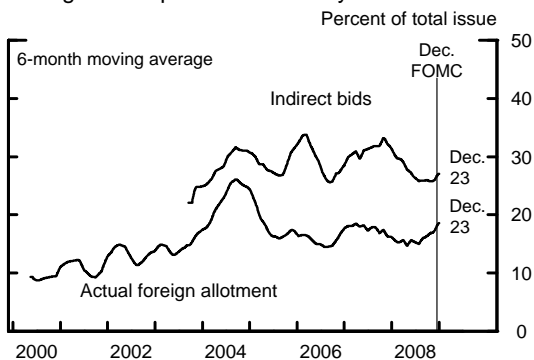
### Delinquencies on Mortgages





## Treasury Finance

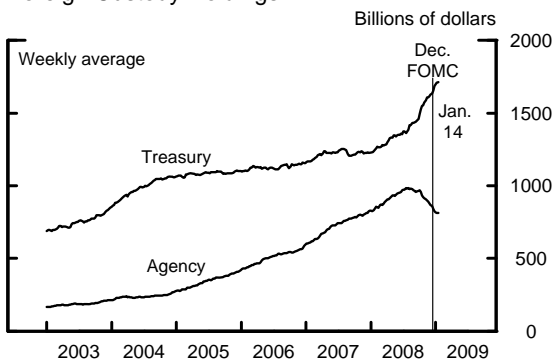
### Foreign Participation in Treasury Auctions



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

Source: Federal Reserve Board.

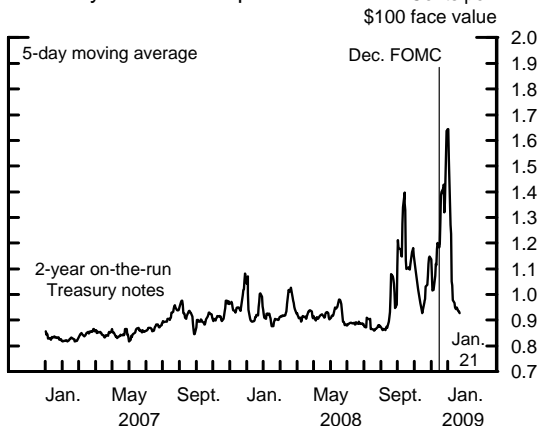
### Foreign Custody Holdings



Note: Securities held in custody at the Federal Reserve Bank of New York on behalf of foreign official institutions.

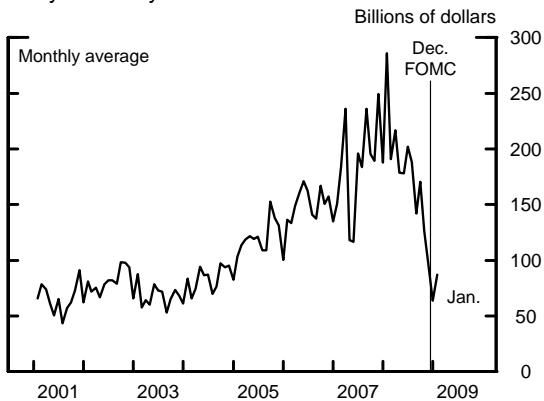
Source: Federal Reserve Bank of New York.

### Treasury Bid-Asked Spread



Source: BrokerTec Interdealer Market Data.

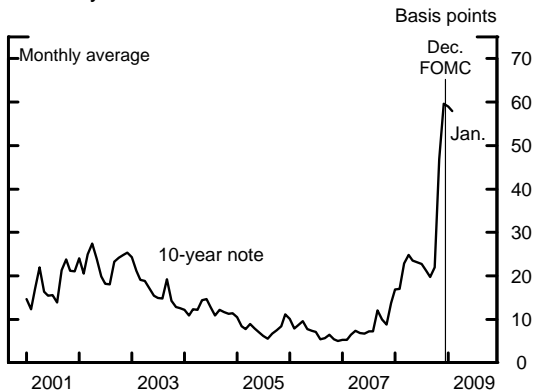
### Daily Treasury Market Volume



Note: January observation is average for month to date.

Source: BrokerTec Interdealer Market Data.

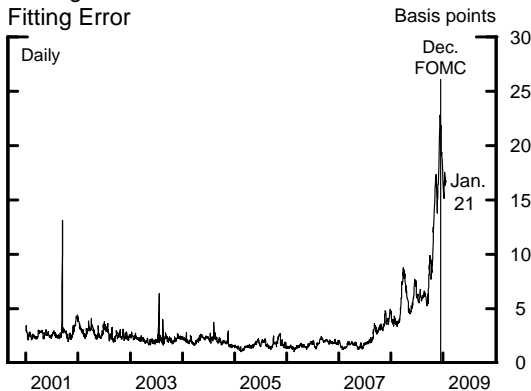
### Treasury On-the-Run Premium



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

Source: Federal Reserve Bank of New York.

### Average Absolute Nominal Yield Curve Fitting Error



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

Source: Federal Reserve Board.

## State and Local Government Finance

### Gross Offerings of Municipal Securities

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

Type of security	2004	2005	2006	2007	2008			2009
					H1	Q3	Q4	Jan. <sup>p</sup>
Total	34.7	38.4	36.1	40.4	41.5	36.5	28.9	20.0
Long-term <sup>1</sup>	29.8	34.2	32.5	35.5	38.0	30.0	22.5	17.0
Refundings <sup>2</sup>	10.8	15.6	10.6	12.6	17.9	13.0	8.7	5.0
New capital	19.0	18.6	21.9	22.9	20.1	17.0	13.8	12.0
Short-term	4.9	4.2	3.7	4.9	3.6	6.6	6.3	3.0
Memo: Long-term taxable	2.0	2.1	2.5	2.4	2.7	2.4	1.1	.0

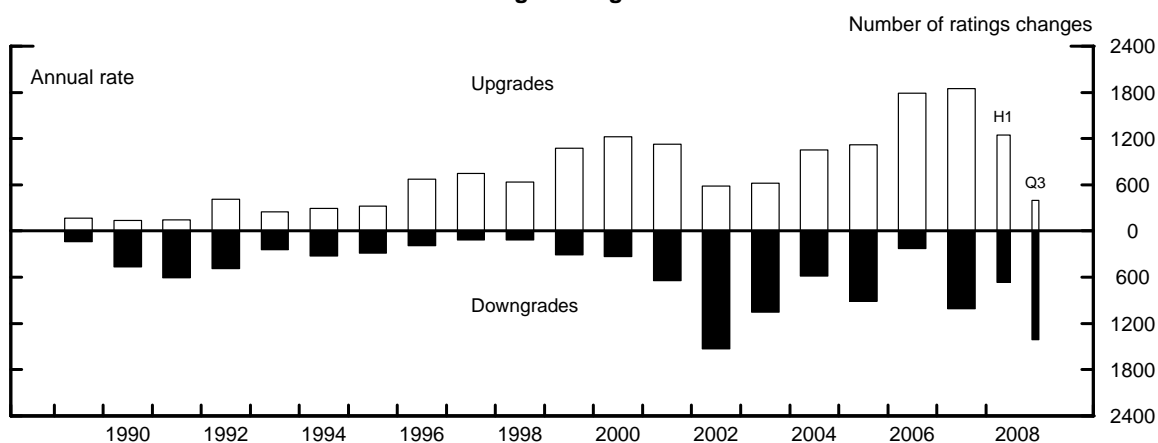
1. Includes issues for public and private purposes.

2. All issues that include any refunding bonds.

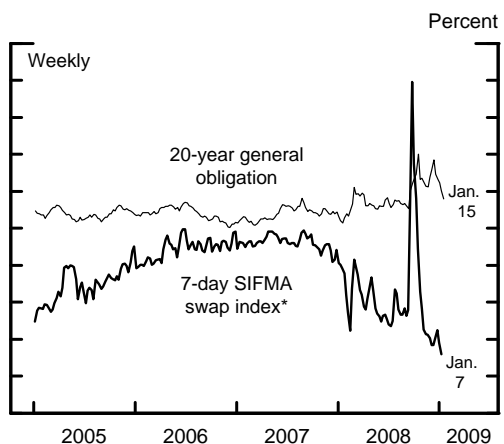
<sup>p</sup> Forecast based on preliminary data through January 15, 2009.

Source: Thomson Financial.

### Ratings Changes



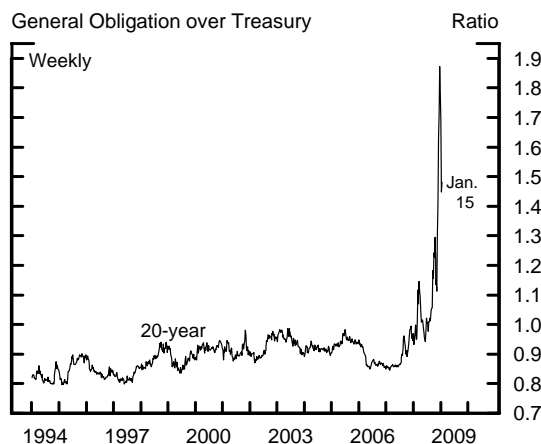
### Municipal Bond Yields



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

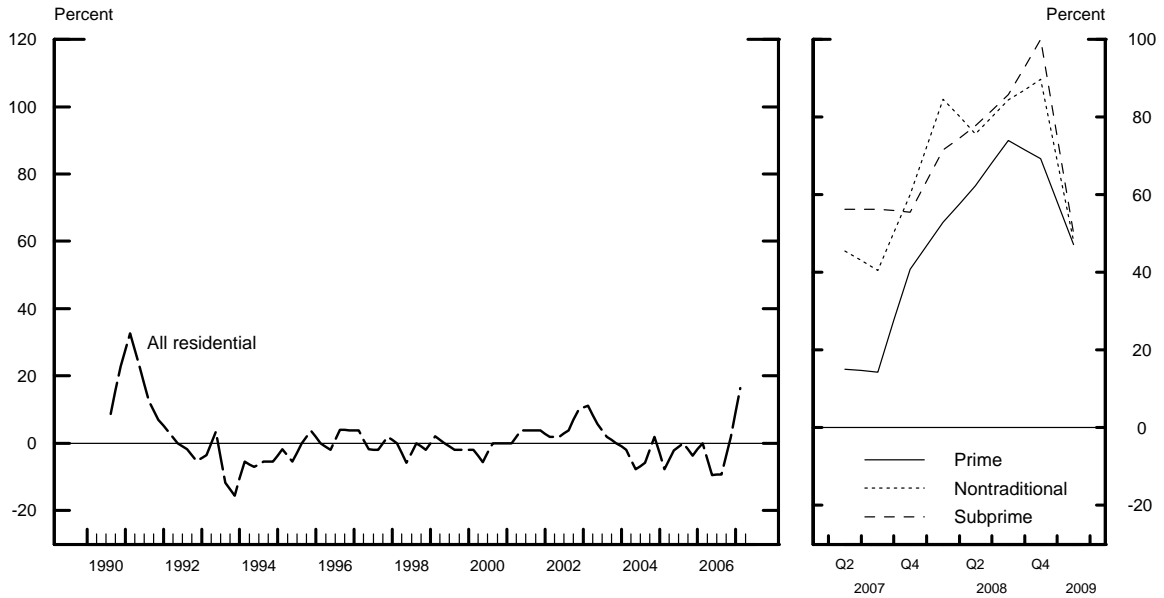
Source: Municipal Market Advisors; Bond Buyer.

### Municipal Bond Yield Ratio



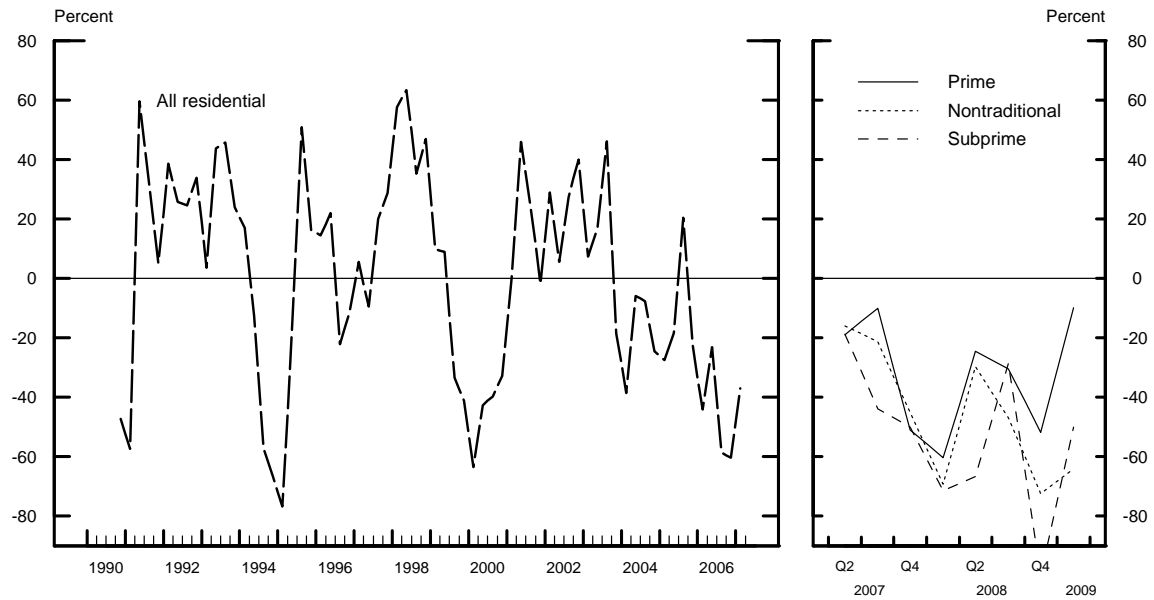
## Measures of Supply and Demand for Residential Mortgage Loans

Net Percentage of Domestic Respondents Tightening Standards for Residential Mortgage Loans



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

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



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

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## **International Developments**

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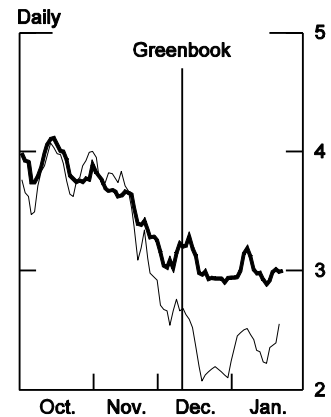
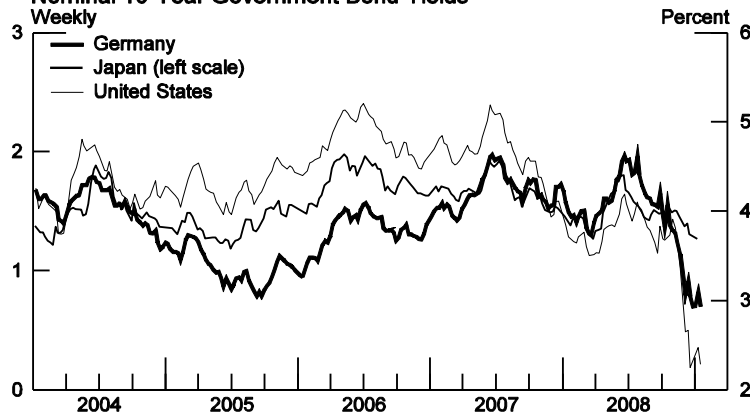
### Industrial Countries: Nominal and Real Interest Rates

	3-month Libor		10-year nominal		10-year indexed	
	Latest	Change since Dec. Greenbook	Latest	Change since Dec. Greenbook	Latest	Change since Dec. Greenbook
Germany	2.25	-1.12	3.01	-0.20	1.35	-0.51
Japan	0.70	-0.25	1.23	-0.18	3.01	-2.22
United Kingdom	2.20	-1.05	3.46	-0.11	1.42	-1.08
Canada	1.52	-0.98	2.68	-0.40	...	...
United States	1.16	-1.00	2.56	-0.11	2.32	-0.53

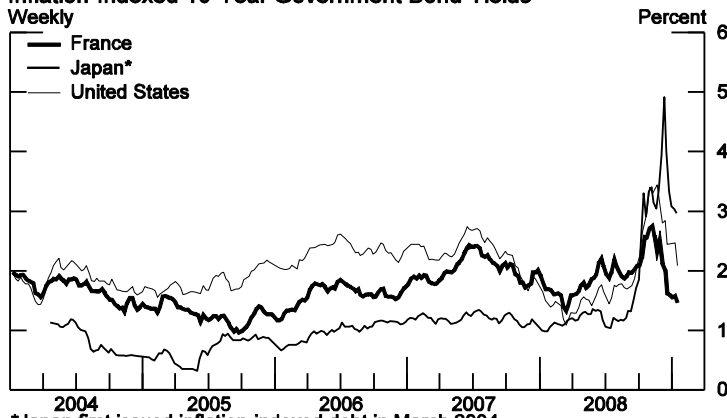
... Not applicable.

Libor London interbank offered rate.

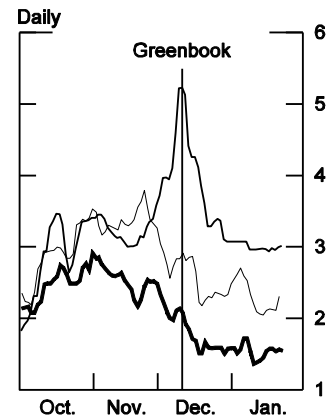
**Nominal 10-Year Government Bond Yields**  
Weekly



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



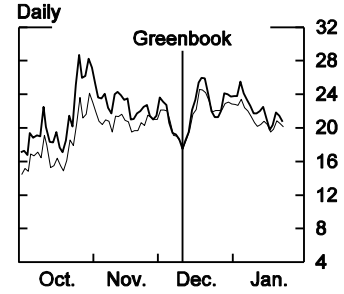
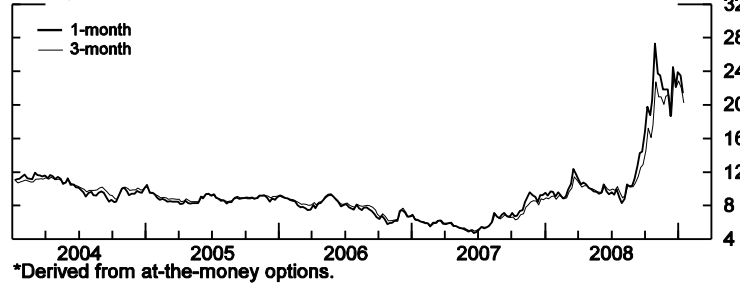
\*Japan first issued inflation-indexed debt in March 2004.



## Measures of Market Volatility

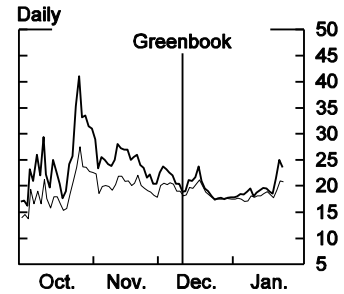
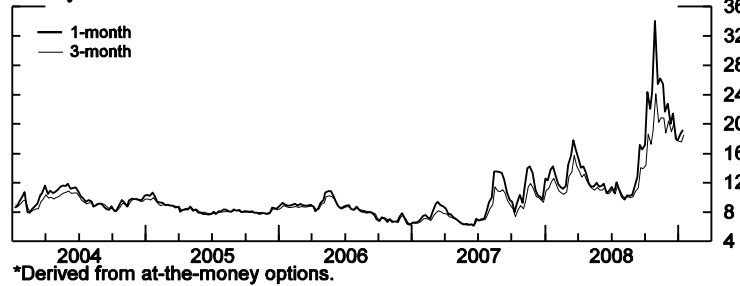
### Dollar-Euro Options-Implied Volatility\*

Weekly



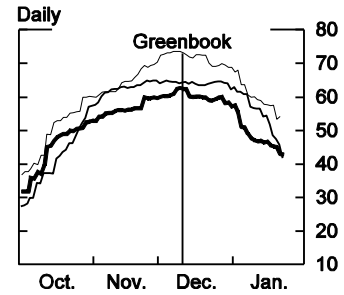
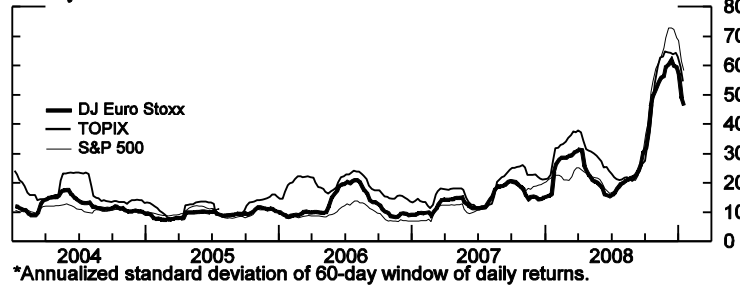
### Yen-Dollar Options-Implied Volatility\*

Weekly



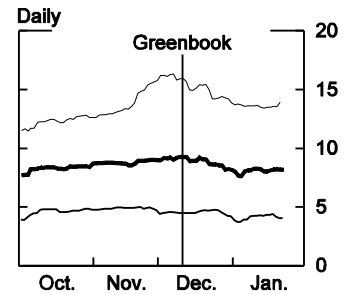
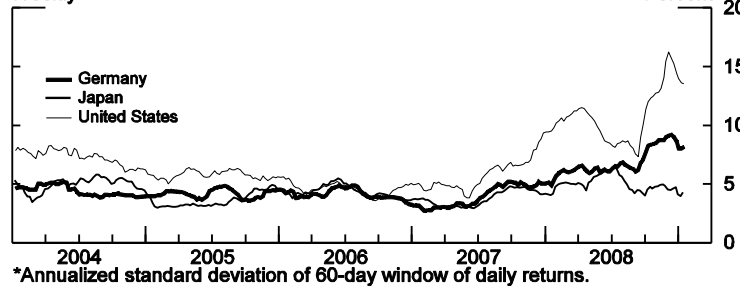
### Realized Stock Market Volatility\*

Weekly



### Realized 10-Year Bond Volatility\*

Weekly

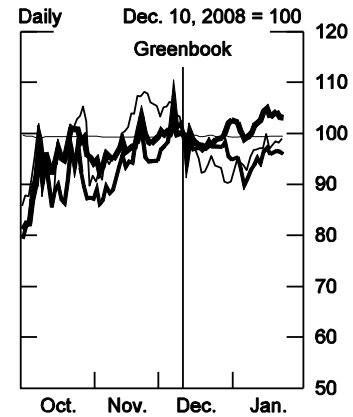
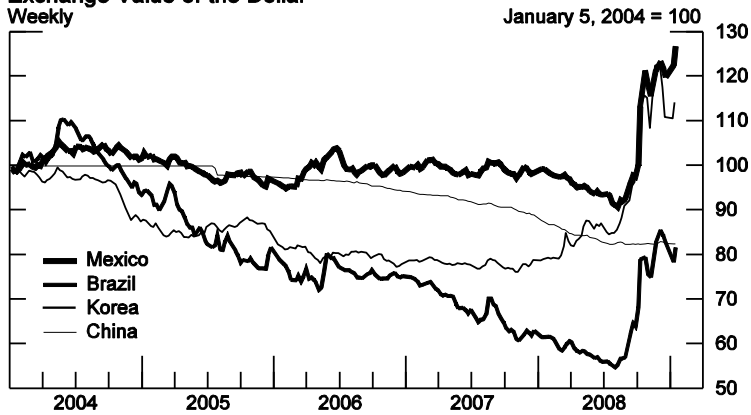


## Emerging Markets: Exchange Rates and Stock Market Indexes

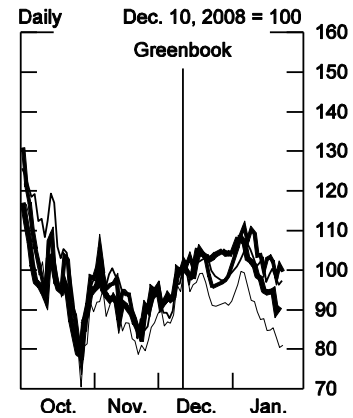
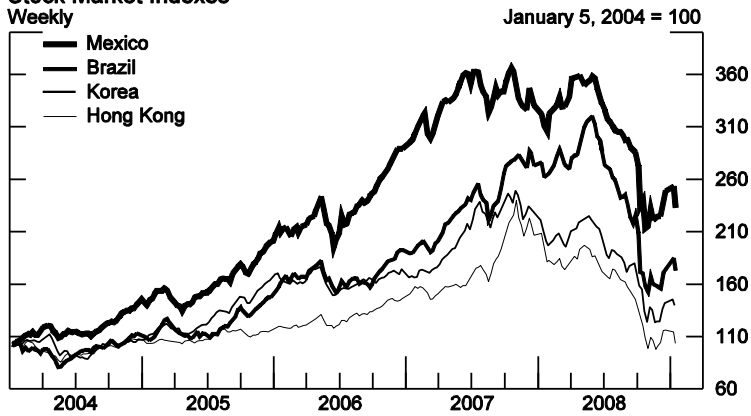
	Exchange value of the dollar		Stock market index	
	Latest	Percent change since Dec. Greenbook*	Latest	Percent change since Dec. Greenbook
Mexico	13.9091	3.3	19497	-9.1
Brazil	2.3419	-3.7	37940	-0.1
Venezuela	2.14	0.0	35306	1.7
China	6.8370	-0.4	2005	-3.6
Hong Kong	7.7590	0.1	12658	-18.7
Korea	1380.0	-0.9	1116	-2.6
Taiwan	33.59	0.4	4591	-1.5
Thailand	34.82	-1.6	438	3.4

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

Exchange Value of the Dollar  
Weekly



Stock Market Indexes  
Weekly



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

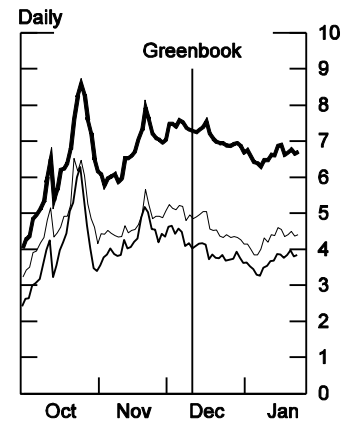
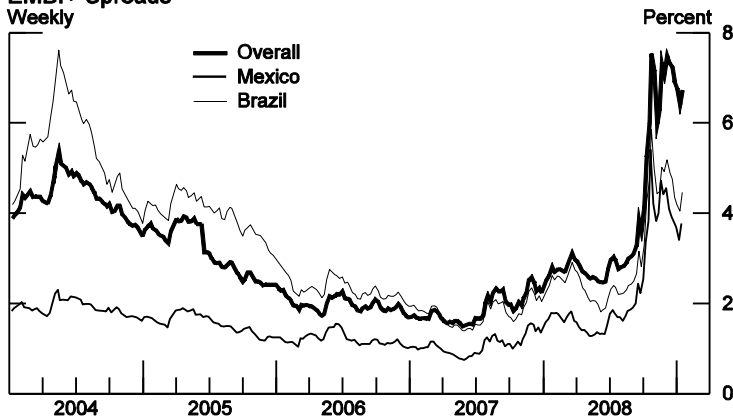
	Short-term interest rates*		Dollar-denominated bond spreads**	
	Latest	Change since Dec. Greenbook	Latest	Change since Dec. Greenbook
Mexico	7.43	-0.64	3.84	-0.33
Brazil	12.55	-1.46	4.42	-0.55
Argentina	15.19	-0.94	15.37	-2.85
China	...	...	2.37	-0.02
Korea	3.25	-2.10	...	...
Taiwan	1.29	-0.91	...	...
Singapore	0.31	-0.38	...	...
Hong Kong	0.34	-0.80	...	...

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

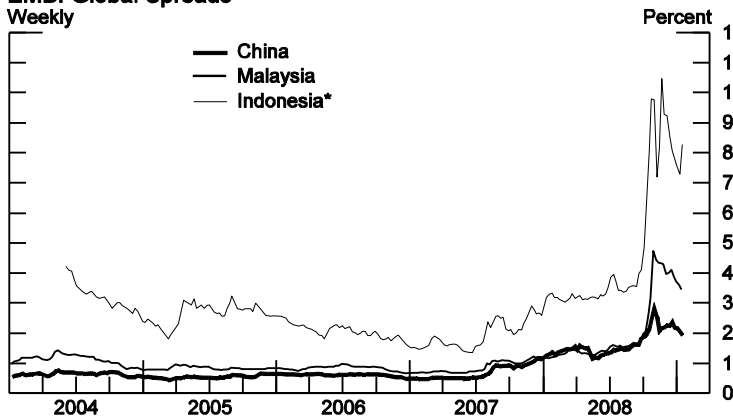
\*\*EMBI+ Spreads or EMBI Global Spreads over similar-maturity U.S. Treasury securities.

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

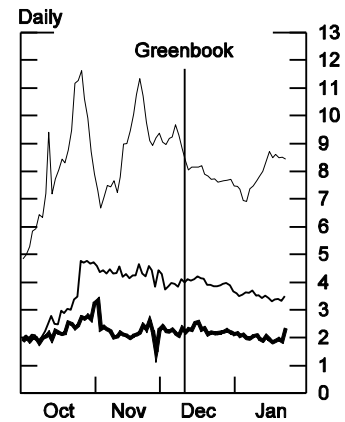
**EMBI+ Spreads**  
Weekly



**EMBI Global Spreads**  
Weekly



\*Begins May 2004.





January 23, 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

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

Instrument		2007	2008		2009	Change to Jan. 22 from selected dates (percentage points)		
		Aug. 6	Oct. 28	Dec. 15	Jan. 22	2007 Aug. 6	2008 Oct. 28	2008 Dec. 15
<i>Short-term</i>								
FOMC intended federal funds rate		5.25	1.50	1.00	.13	-5.12	-1.37	-.87
Treasury bills <sup>1</sup>								
3-month		4.74	.76	.04	.10	-4.64	-.66	.06
6-month		4.72	1.23	.28	.29	-4.43	-.94	.01
Commercial paper (A1/P1 rates) <sup>2</sup>								
1-month		5.26	2.71	.53	.43	-4.83	-2.28	-.10
3-month		5.29	2.89	1.35	.62	-4.67	-2.27	-.73
Large negotiable CDs <sup>1</sup>								
3-month		5.34	3.63	1.85	1.07	-4.27	-2.56	-.78
6-month		5.27	3.73	2.24	1.57	-3.70	-2.16	-.67
Eurodollar deposits <sup>3</sup>								
1-month		5.33	3.75	1.50	1.00	-4.33	-2.75	-.50
3-month		5.35	4.50	2.55	1.80	-3.55	-2.70	-.75
Bank prime rate		8.25	4.50	4.00	3.25	-5.00	-1.25	-.75
<i>Intermediate- and long-term</i>								
U.S. Treasury <sup>4</sup>								
2-year		4.49	1.49	.48	.63	-3.86	-.86	.15
5-year		4.52	2.81	1.57	1.73	-2.79	-1.08	.16
10-year		4.82	4.43	3.08	3.21	-1.61	-1.22	.13
U.S. Treasury indexed notes <sup>5</sup>								
5-year		2.43	3.64	2.99	1.97	-.46	-1.67	-1.02
10-year		2.48	3.29	2.66	2.13	-.35	-1.16	-.53
Municipal general obligations (Bond Buyer) <sup>6</sup>		4.51	5.32	5.85	5.13	.62	-.19	-.72
Private instruments								
10-year swap		5.44	4.26	2.76	2.69	-2.75	-1.57	-.07
10-year FNMA <sup>7</sup>		5.34	5.36	3.50	3.76	-1.58	-1.60	.26
10-year AA <sup>8</sup>		6.12	8.26	6.86	6.23	.11	-2.03	-.63
10-year BBB <sup>8</sup>		6.57	9.77	9.59	9.07	2.50	-.70	-.52
10-year high yield <sup>8</sup>		9.21	16.27	18.30	15.82	6.61	-.45	-2.48
Home mortgages (FHLMC survey rate)								
30-year fixed		6.59	6.46	5.19	5.12	-1.47	-1.34	-.07
1-year adjustable		5.65	5.38	4.94	4.92	-.73	-.46	-.02
Stock exchange index	Record high		2008		2009	Change to Jan. 22 from selected dates (percent)		
	Level	Date	Oct. 28	Dec. 15	Jan. 22	Record high	2008 Oct. 28	2008 Dec. 15
Dow Jones Industrial	14,165	10-9-07	9,065	8,565	8,123	-42.65	-10.40	-5.16
S&P 500 Composite	1,565	10-9-07	941	869	828	-47.13	-12.02	-4.73
Nasdaq	5,049	3-10-00	1,649	1,508	1,465	-70.97	-11.15	-2.84
Russell 2000	856	7-13-07	483	453	443	-48.25	-8.23	-2.15
Wilshire 5000	15,807	10-9-07	9,341	8,664	8,338	-47.25	-10.74	-3.77

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.  
October 28, 2008, is the day before the October 2008 FOMC monetary policy announcement.  
December 15, 2008, is the day before the most recent FOMC monetary policy announcement.  
Data for the 3-month commercial paper rate on December 15, 2008, are from December 4, 2008,  
the most recent date for which a sufficient volume of new issues was available to calculate this rate.