

Prefatory Note

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Class II FOMC – Restricted (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book A

Economic and Financial Conditions: Current Situation and Outlook

June 13, 2012

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

Revisions to the Staff Projection since the Previous SEP

The FOMC published its most recent Survey of Economic Projections (SEP) following the previous FOMC meeting, in April. Thus, revisions to the staff economic projection since the April Tealbook are discussed in the main text. Nonetheless, for ease of reference, our projections for the SEP variables in the current and previous Tealbooks are shown in the table below.

Staff Economic Projections Compared with the April Tealbook

Variable	2012		2012	2013	2014	Longer run
	H1	H2				
Real GDP ¹	1.8	1.9	1.9	2.2	3.1	2.5
April Tealbook	2.3	2.7	2.5	2.8	3.3	2.5
Unemployment rate ²	8.2	8.2	8.2	8.0	7.7	5.2
April Tealbook	8.2	8.0	8.0	7.7	7.4	5.2
PCE inflation ¹	1.5	.8	1.2	1.5	1.5	2.0
April Tealbook	2.0	1.7	1.9	1.5	1.5	2.0
Core PCE inflation ¹	1.9	1.5	1.7	1.6	1.6	n.a.
April Tealbook	2.0	1.7	1.8	1.7	1.7	n.a.
Federal funds rate ²	.15	.13	.13	.13	.50	4.25
April Tealbook	.12	.13	.13	.13	1.20	4.25
Memo:						
Federal funds rate, end of period	.13	.13	.13	.13	.50	4.25
April Tealbook	.13	.13	.13	.13	1.25	4.25

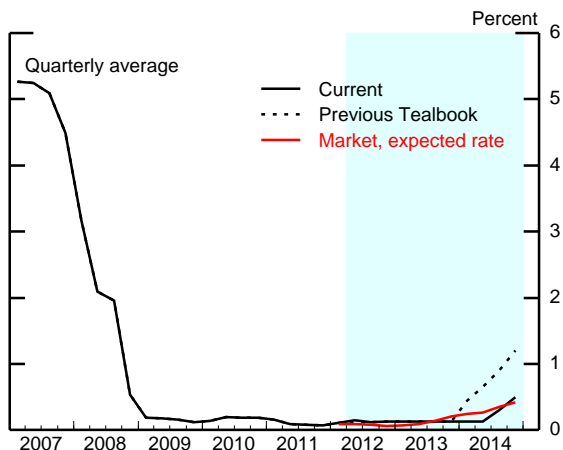
1. Percent change from final quarter of preceding period to final quarter of period indicated.

2. Percent, final quarter of period indicated.

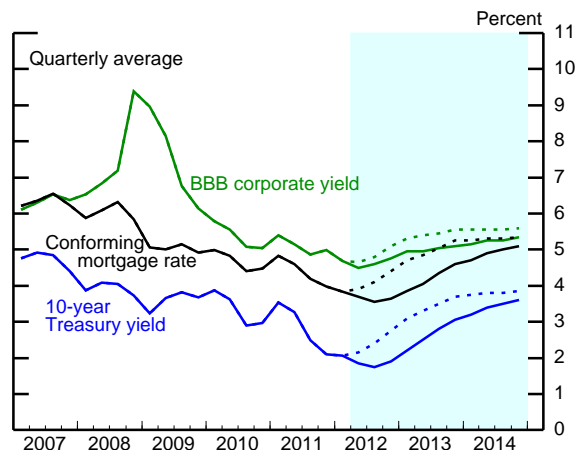
n.a. Not available.

Key Background Factors underlying the Baseline Staff Projection

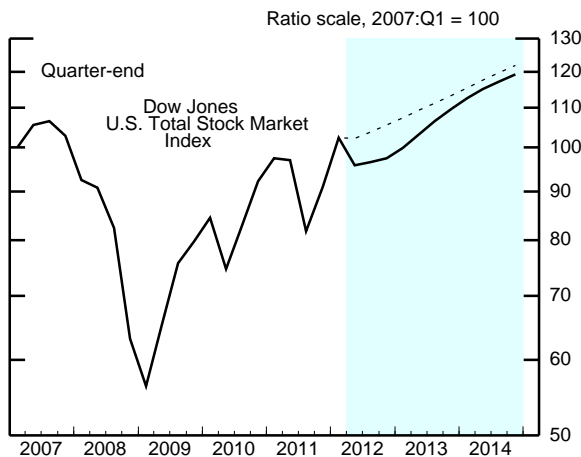
Federal Funds Rate



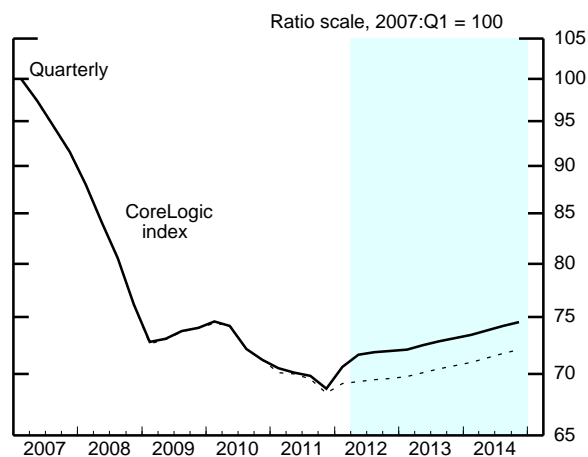
Long-Term Interest Rates



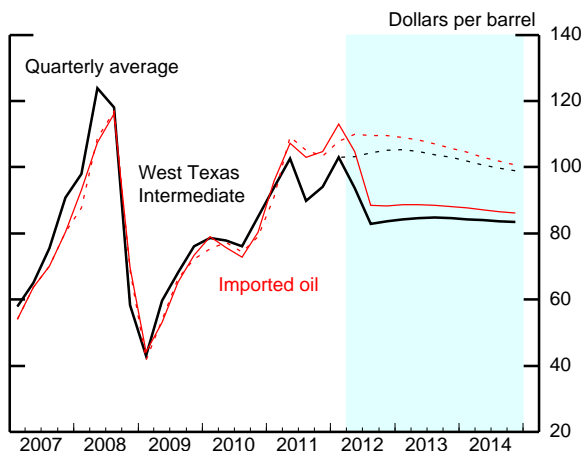
Equity Prices



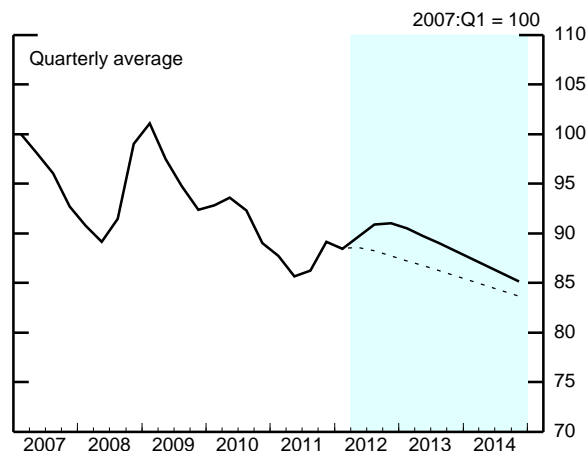
House Prices



Crude Oil Prices



Broad Real Dollar

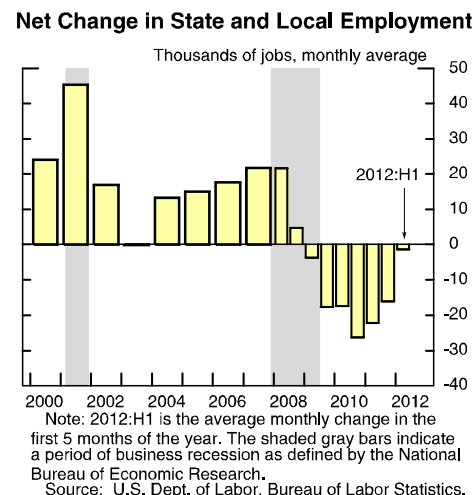
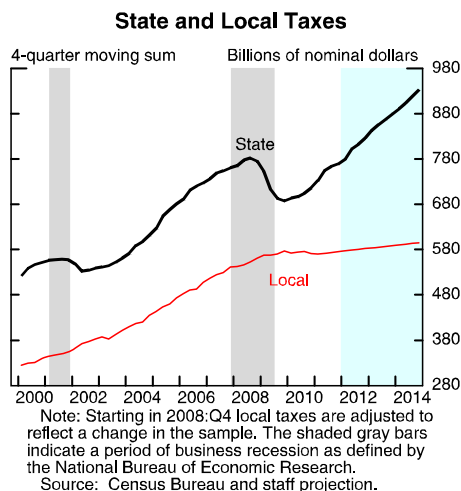


State and Local Government Fiscal Conditions

The overall fiscal condition of state and local governments is slowly improving, although their budgets remain under significant strain. State government budgets appear to have stabilized more than local government budgets have, as state tax receipts—primarily from income and sales taxes—have continued to rise solidly with the economic recovery (the black line in the lower-left figure). As a result, only a few states reported mid-year budget shortfalls during fiscal year 2012 (which ends on June 30 in most states). In contrast, over the preceding three fiscal years, many states were forced to make sizable mid-year budget cuts. Nevertheless, nominal state tax revenue only recently returned to its 2008 peak, and reserve funds remain depleted in many states. At the local level (the red line in the lower-left figure), property taxes—the largest source of tax revenue for these governments—moved sideways in 2010 and 2011 as downward pressure from the lagged effects of the fall in real estate prices has been stemmed by increases in property tax rates. Local governments have also seen reductions in grants-in-aid from state governments as the states have passed a portion of their budget strain down to the local level. Finally, the stimulus grants-in-aid to both states and localities from the federal government were mostly phased out by the end of 2011.

States and localities have continued to trim their payrolls. However, as shown in the lower-right figure, the pace of job losses has eased significantly thus far this year after state and local employment had cumulatively declined by around 600,000 over the preceding three and a half years, a reduction equal to 3 percent of the sector's workforce. As employee compensation is the largest single expense for these governments, the slowing in job losses is consistent with easing budget pressure.

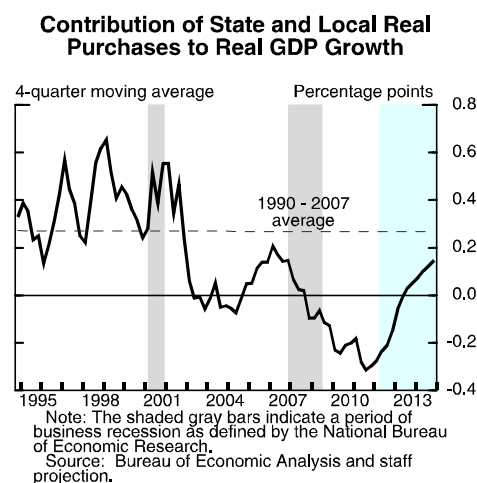
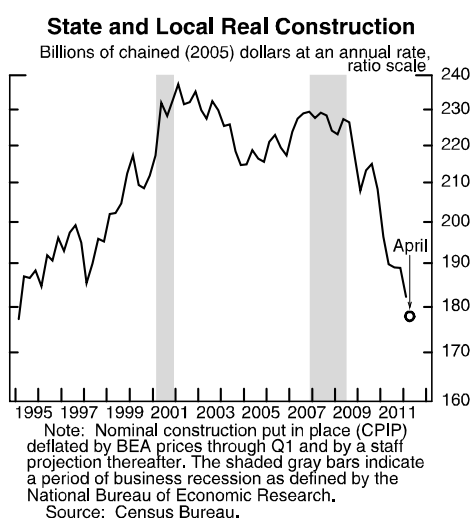
In contrast to the slowing pace of job cuts, state and local governments have continued to sharply decrease their capital expenditures. As shown in the lower-left figure on the next page, real construction outlays have fallen more than 20 percent from their 2007 peak and currently stand at their lowest levels since the mid-1990s. Capital budgets are exempt from the balanced budget requirements that typically restrict states and localities from issuing bonds to finance current



operations, and conditions in the municipal bond market are generally accommodative.¹ Thus, the pullback in construction spending likely does not reflect constraints on borrowing but, instead, tightness in operating budgets: New construction often requires an increase in operating expenditures once the project is complete (for example, a new school building not replacing an existing one requires hiring additional staff), and debt service payments are made out of operating budgets. Similarly, policymakers may be shoring up operating budgets by diverting taxes and fees typically earmarked for capital accounts.

Medicaid outlays, which account for nearly one-fourth of state government expenditures, rose rapidly in the aftermath of the recession as demand for the program surged (not shown). In recent quarters, though, these outlays have been subdued, likely attributable to improving economic conditions slowing the growth in caseloads and aggressive cost containment measures adopted by the states. This easing in the growth of Medicaid expenditures should help reduce the pressure on other areas of state budgets.²

Looking ahead, we expect state and local government spending to recover only gradually. Although state budgets should continue to be bolstered by rising tax revenues, local property tax revenue is projected to remain subdued for several more years. Furthermore, given the severity of the current fiscal strains, governments are likely to be cautious and emphasize replenishing depleted reserve funds before ramping up spending. As shown in the lower-right figure, we project that real purchases by state and local governments will be a moderate drag on real GDP growth this year, a roughly neutral factor in 2013, and provide only a modest boost in 2014.



¹ Consistent with the plunge in construction outlays, state and local debt has decelerated markedly since the start of the recession and posted a small decline in 2011.

² In the NIPA, state Medicaid expenditures are booked as personal transfer payments and Medicaid health services show up primarily in personal consumption expenditures. Thus, state Medicaid expenditures are not included in the contribution of state and local government real purchases to the growth in real GDP (shown in the lower-right figure).

Summary of the Near-Term Outlook

(Percent change at annual rate except as noted)

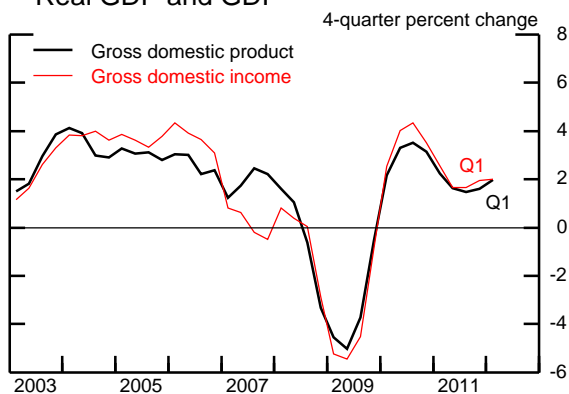
Measure	2012:Q1		2012:Q2		2012:Q3	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
Real GDP	2.5	2.2	2.1	1.5	2.5	1.9
Private domestic final purchases	2.4	3.3	3.2	2.3	3.3	2.7
Personal consumption expenditures	2.2	2.9	2.5	1.9	2.9	2.5
Residential investment	17.8	19.7	11.6	11.5	9.7	8.3
Business fixed investment	.6	2.8	6.1	2.5	4.5	2.8
Government purchases	.1	-4.0	-.9	-2.0	-1.0	-1.9
<i>Contributions to change in real GDP</i>						
Inventory investment ¹	.2	.1	-.4	.2	.2	.5
Net exports ¹	.3	.1	.0	-.3	-.3	-.4
Unemployment Rate²	8.2	8.2	8.2	8.2	8.1	8.2
PCE Chain Price Index	2.5	2.4	1.6	.6	1.8	.1
Ex. food and energy	2.2	2.1	1.8	1.7	1.7	1.6

1. Percentage points.

2. Percent.

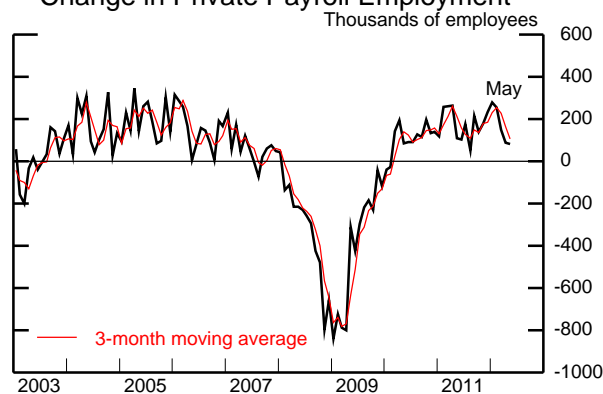
Recent Nonfinancial Developments (1)

Real GDP and GDI



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

Change in Private Payroll Employment



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

Unemployment Rate



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

Manufacturing IP ex. Motor Vehicles and Parts

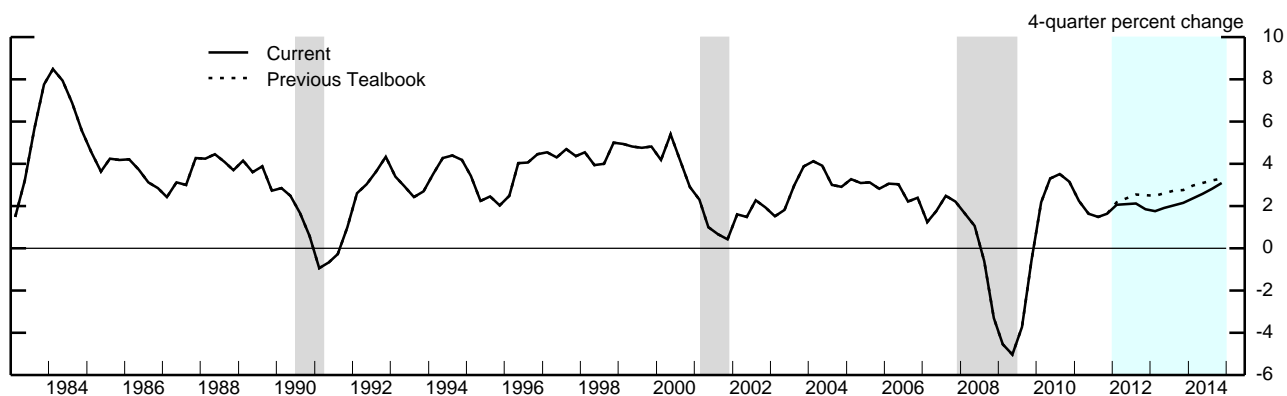


Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

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

Measure	2011	2012		2013	2014
		H1	H2		
Real GDP	1.6	1.8	1.9	2.2	3.1
Previous Tealbook	1.6	2.3	2.7	2.8	3.3
Final sales	1.5	1.6	1.6	1.9	2.9
Previous Tealbook	1.5	2.4	2.4	2.5	3.2
Personal consumption expenditures	1.6	2.4	2.6	2.3	3.2
Previous Tealbook	1.6	2.4	3.0	2.7	3.2
Residential investment	3.5	15.5	7.5	10.2	10.8
Previous Tealbook	3.5	14.6	8.2	9.3	13.0
Nonresidential structures	4.4	.1	-1.7	.7	2.1
Previous Tealbook	4.4	-1.6	.4	2.7	3.5
Equipment and software	9.6	3.6	4.9	5.6	5.9
Previous Tealbook	9.6	5.2	5.9	6.2	6.5
Federal purchases	-3.2	-4.3	-3.1	-4.1	-4.2
Previous Tealbook	-3.2	-.7	-2.6	-4.1	-4.4
State and local purchases	-2.5	-2.1	-.5	.5	1.3
Previous Tealbook	-2.5	-.2	.0	.7	2.1
Exports	4.7	4.0	3.4	3.7	5.5
Previous Tealbook	4.7	5.9	5.3	5.6	6.4
Imports	3.6	3.7	5.0	4.2	4.5
Previous Tealbook	3.6	3.7	5.2	4.2	4.9
Contributions to change in real GDP (percentage points)					
Inventory change	.1	.2	.3	.3	.2
Previous Tealbook	.1	-.1	.3	.3	.1
Net exports	.0	-.1	-.4	-.2	.0
Previous Tealbook	.0	.1	-.2	.0	.0

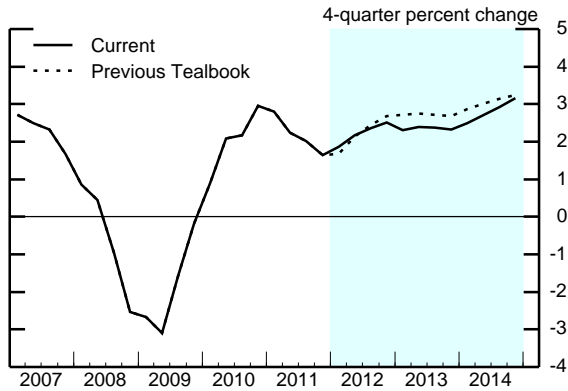
Real GDP



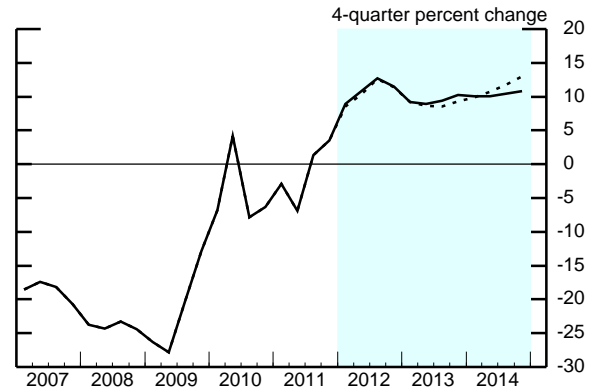
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

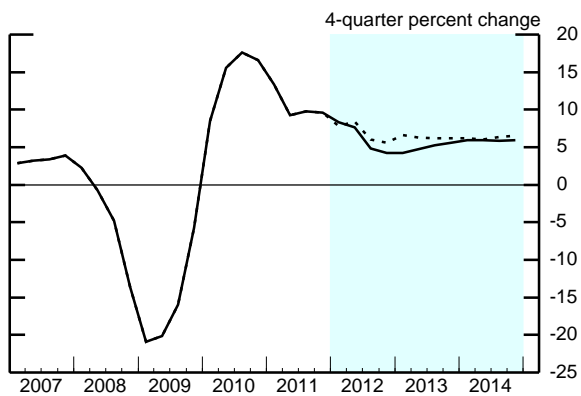
Personal Consumption Expenditures



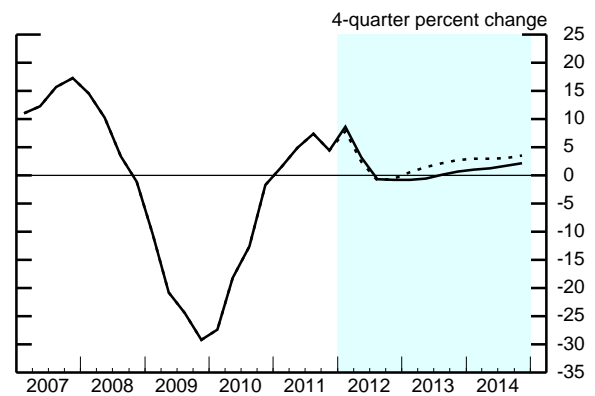
Residential Investment



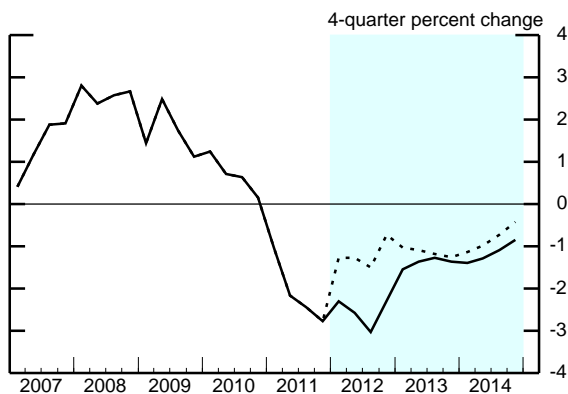
Equipment and Software



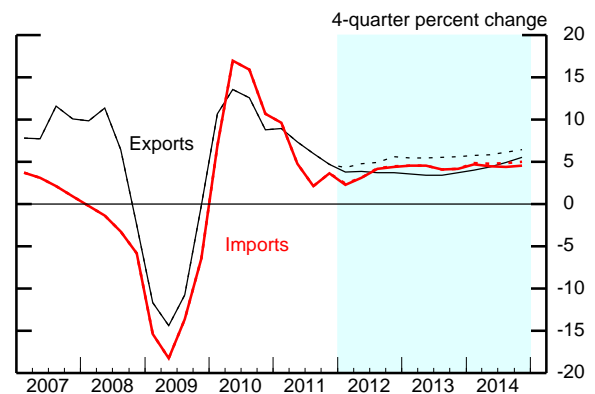
Nonresidential Structures



Government Consumption & Investment



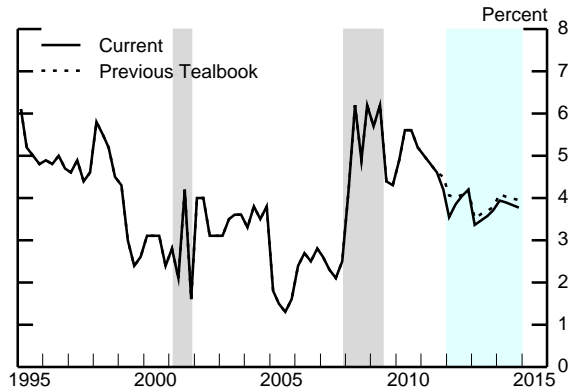
Exports and Imports



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

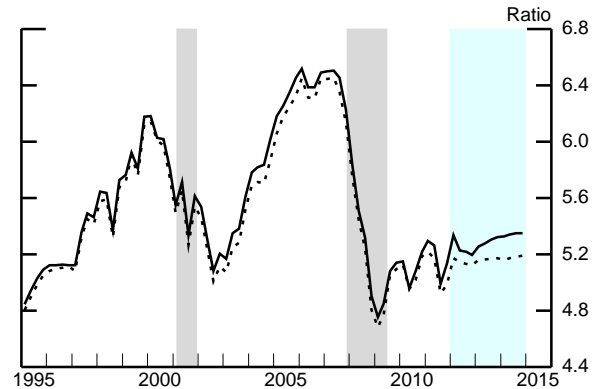
Aspects of the Medium-Term Projection

Personal Saving Rate



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

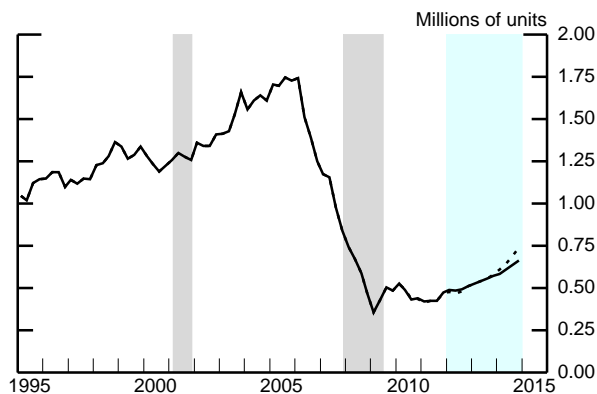
Wealth-to-Income Ratio



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

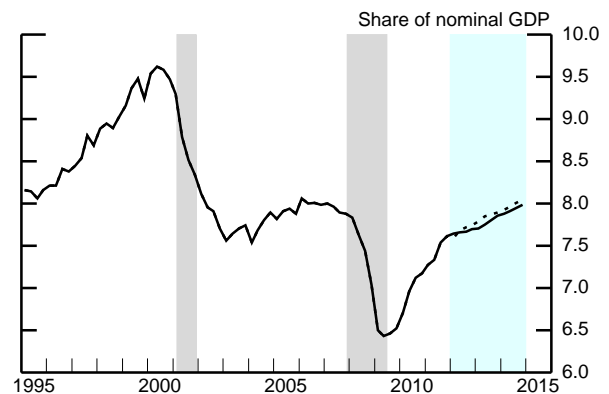
Source: For net worth, Federal Reserve Board, flow of funds data; for income, Dept. of Commerce, Bureau of Economic Analysis.

Single-Family Housing Starts



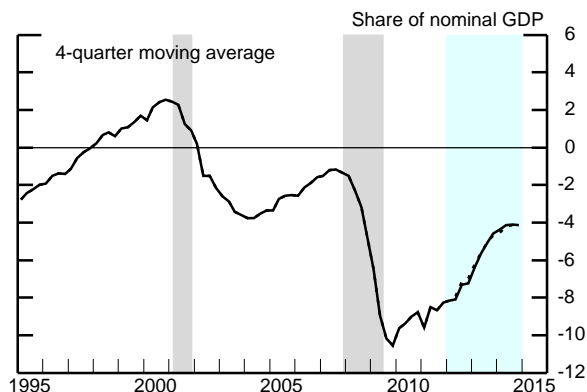
Source: U.S. Census Bureau.

Equipment and Software Spending



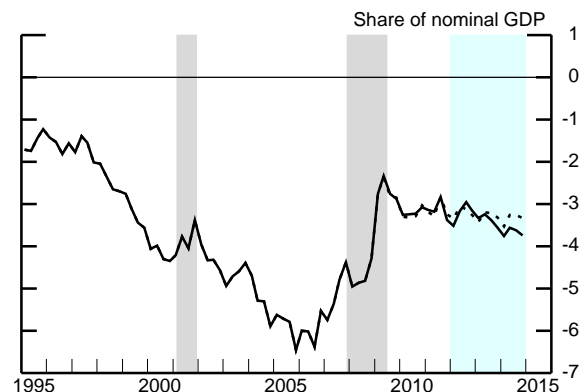
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Federal Surplus/Deficit



Source: Monthly Treasury Statement.

Current Account Surplus/Deficit



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

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

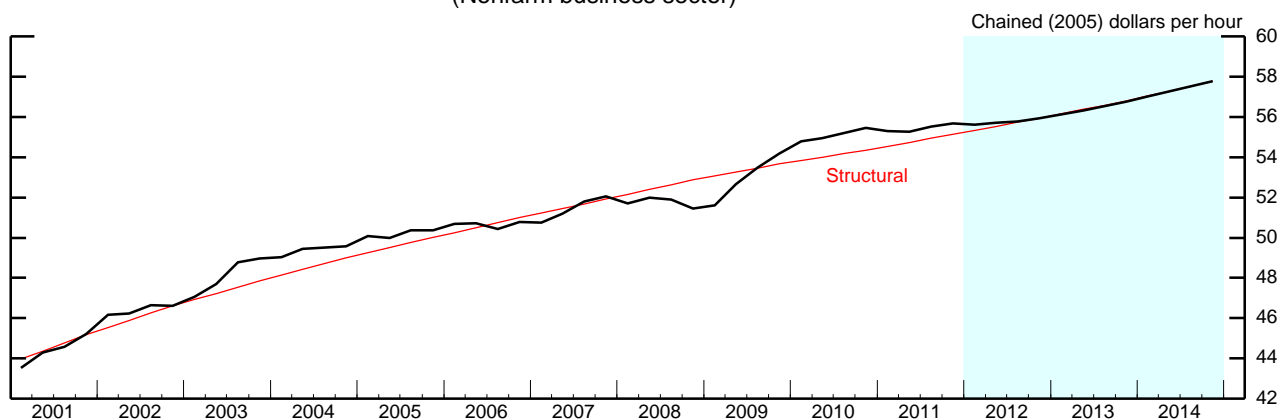
Decomposition of Potential GDP
(Percent change, Q4 to Q4, except as noted)

Measure	1974-1995	1996-2000	2001-2010	2011	2012	2013	2014
Potential real GDP	3.0	3.4	2.2	1.7	1.8	2.0	2.1
Previous Tealbook	3.0	3.4	2.2	1.7	2.0	2.1	2.3
<i>Selected contributions¹</i>							
Structural labor productivity	1.4	2.6	2.2	1.5	1.4	1.6	1.7
Previous Tealbook	1.4	2.6	2.2	1.5	1.6	1.7	1.9
Capital deepening	.7	1.5	.7	.5	.5	.6	.7
Previous Tealbook	.7	1.5	.7	.6	.6	.8	.9
Multifactor productivity	.5	.8	1.2	.8	.8	.9	.9
Previous Tealbook	.5	.8	1.2	.8	.9	.9	.9
Structural hours	1.5	1.0	.6	.5	.6	.6	.6
Previous Tealbook	1.5	1.0	.6	.5	.6	.6	.6
Labor force participation	.4	.0	-.3	-.4	-.3	-.3	-.3
Previous Tealbook	.4	.0	-.3	-.4	-.3	-.3	-.3

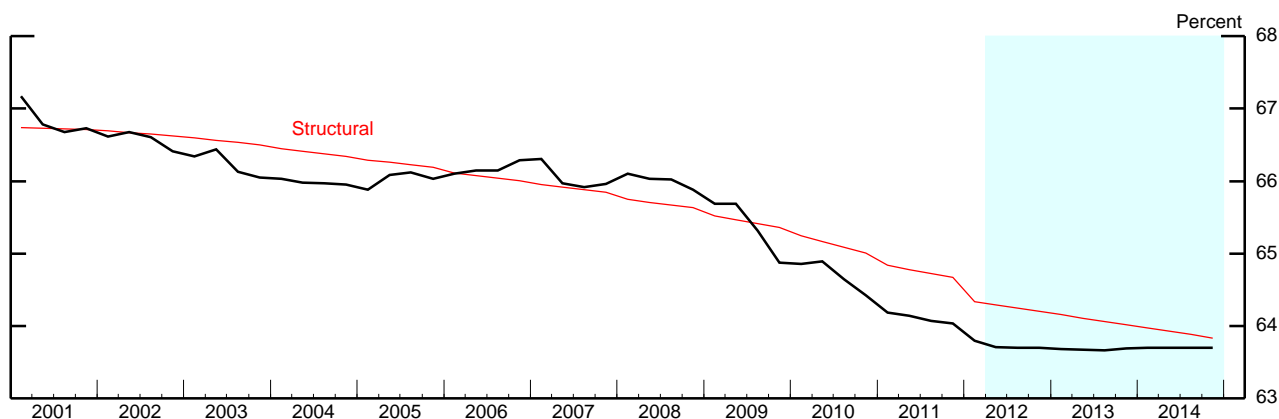
Note: Components may not sum to totals because of rounding. For multiyear periods, the percent change is the annual average from Q4 of the year preceding the first year shown to Q4 of the last year shown.

1. Percentage points.

Structural and Actual Labor Productivity
(Nonfarm business sector)



Structural and Actual Labor Force Participation Rate



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

The Outlook for the Labor Market and Resource Utilization

(Percent change from final quarter of preceding period)

Measure	2011	2012		2013	2014
		H1	H2		
Output per hour, nonfarm business	.4	.2	.7	1.5	1.8
Previous Tealbook	.3	.6	1.7	1.7	1.9
Nonfarm private employment ¹	175	163	118	132	190
Previous Tealbook	175	193	193	186	191
Labor force participation rate ²	64.0	63.7	63.7	63.7	63.7
Previous Tealbook	64.0	63.8	63.8	63.7	63.7
Civilian unemployment rate ²	8.7	8.2	8.2	8.0	7.7
Previous Tealbook	8.7	8.2	8.0	7.7	7.4
Memo: GDP gap ³	-4.5	-4.5	-4.5	-4.3	-3.4
Previous Tealbook	-4.8	-4.7	-4.3	-3.7	-2.7

1. Thousands, average monthly changes.

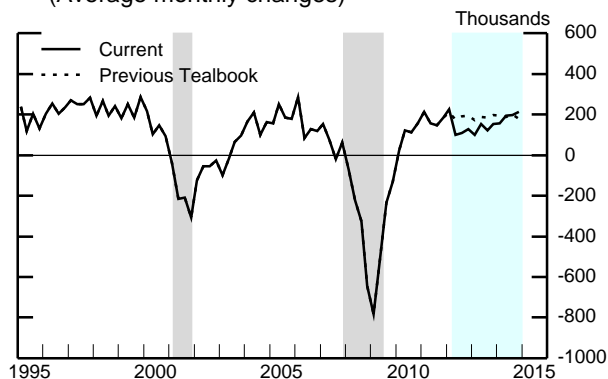
2. Percent, average for the final quarter in the period.

3. Percent difference between actual and potential GDP in the final quarter of the period indicated. A negative number indicates that the economy is operating below potential.

Source: U.S. Department of Labor, BLS; staff assumptions.

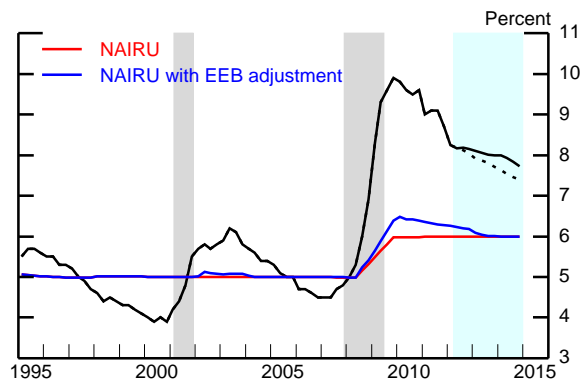
Nonfarm Private Employment

(Average monthly changes)



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

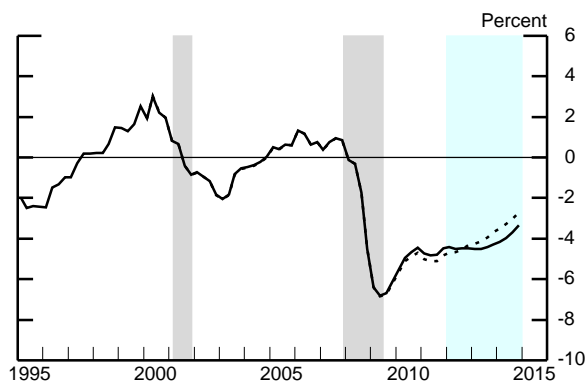
Unemployment Rate



Note: The EEB adjustment is the staff estimate of the effect of extended and emergency unemployment compensation programs on the NAIRU.

Source: U.S. Dept. of Labor, BLS; staff assumptions.

GDP Gap

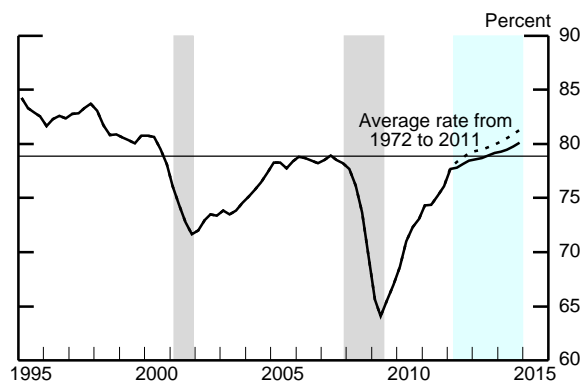


Note: The GDP gap is the percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

Source: U.S. Dept. of Commerce, BEA; staff assumptions.

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

Manufacturing Capacity Utilization Rate



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

Inflation Projections

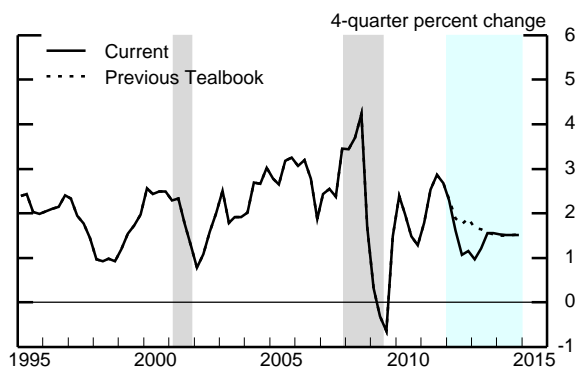
(Percent change at annual rate from final quarter of preceding period)

Measure	2011	2012		2013	2014
		H1	H2		
PCE chain-weighted price index	2.7	1.5	.8	1.5	1.5
Previous Tealbook	2.7	2.0	1.7	1.5	1.5
Food and beverages	5.2	1.4	1.6	1.5	1.4
Previous Tealbook	5.2	1.4	1.7	1.6	1.5
Energy	12.8	-4.8	-10.1	.7	-.4
Previous Tealbook	12.8	3.2	2.8	-1.1	-1.7
Excluding food and energy	1.8	1.9	1.5	1.6	1.6
Previous Tealbook	1.8	2.0	1.7	1.7	1.7
Prices of core goods imports ¹	4.3	1.2	-1.0	1.4	1.6
Previous Tealbook	4.3	.7	1.1	1.5	1.5

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

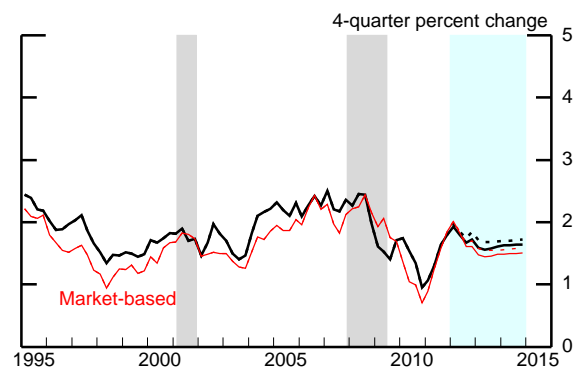
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE Prices



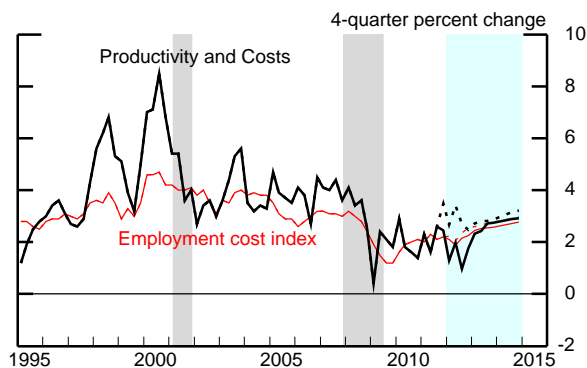
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices ex. Food and Energy



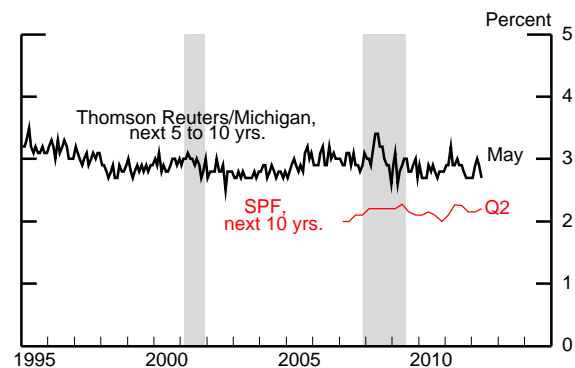
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Compensation per Hour



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

Long-Term Inflation Expectations



Note: The Survey of Professional Forecasters (SPF) projection is for the PCE price index.
Source: Thomson Reuters/University of Michigan Surveys of Consumers; Federal Reserve Bank of Philadelphia.

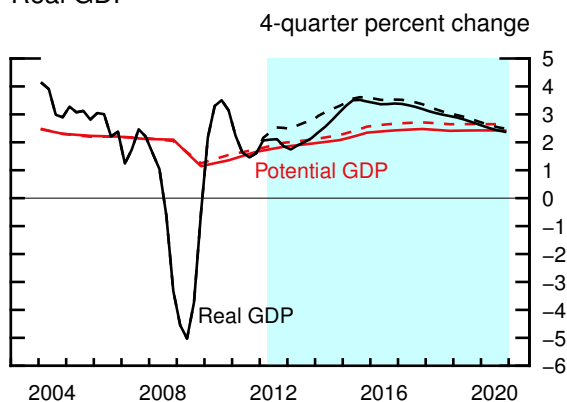
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.

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

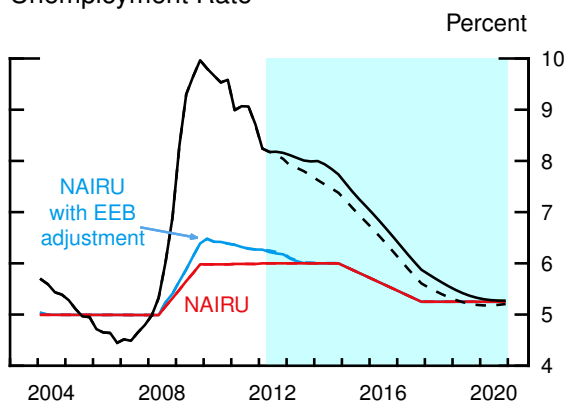
Measure	2012	2013	2014	2015	2016	2017
Real GDP	1.9	2.2	3.1	3.5	3.4	3.2
Previous Tealbook	2.5	2.8	3.3	3.6	3.5	3.4
Civilian unemployment rate ¹	8.2	8.0	7.7	7.1	6.5	5.9
Previous Tealbook	8.0	7.7	7.4	6.8	6.2	5.6
PCE prices, total	1.2	1.5	1.5	1.6	1.7	1.8
Previous Tealbook	1.9	1.5	1.5	1.7	1.7	1.9
Core PCE prices	1.7	1.6	1.6	1.7	1.8	1.8
Previous Tealbook	1.8	1.7	1.7	1.8	1.8	1.9
Federal funds rate ¹	.1	.1	.5	1.6	2.6	3.4
Previous Tealbook	.1	.1	1.2	2.3	3.1	3.8
10-year Treasury yield ¹	1.9	3.1	3.6	3.8	4.1	4.2
Previous Tealbook	2.8	3.7	3.9	4.1	4.2	4.4

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

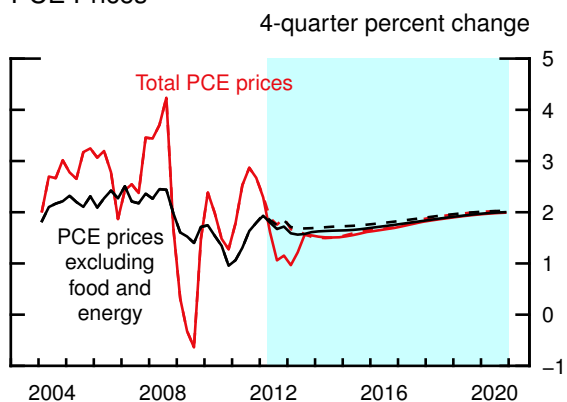
Real GDP



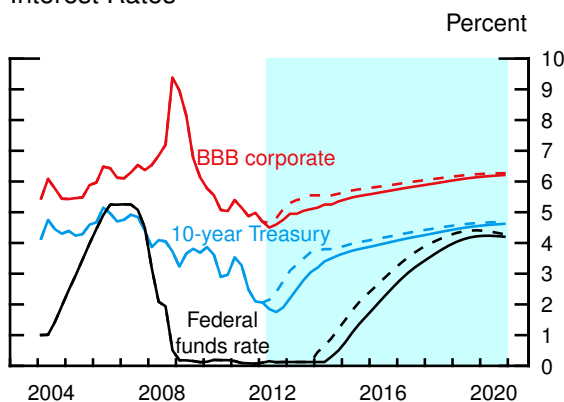
Unemployment Rate



PCE Prices



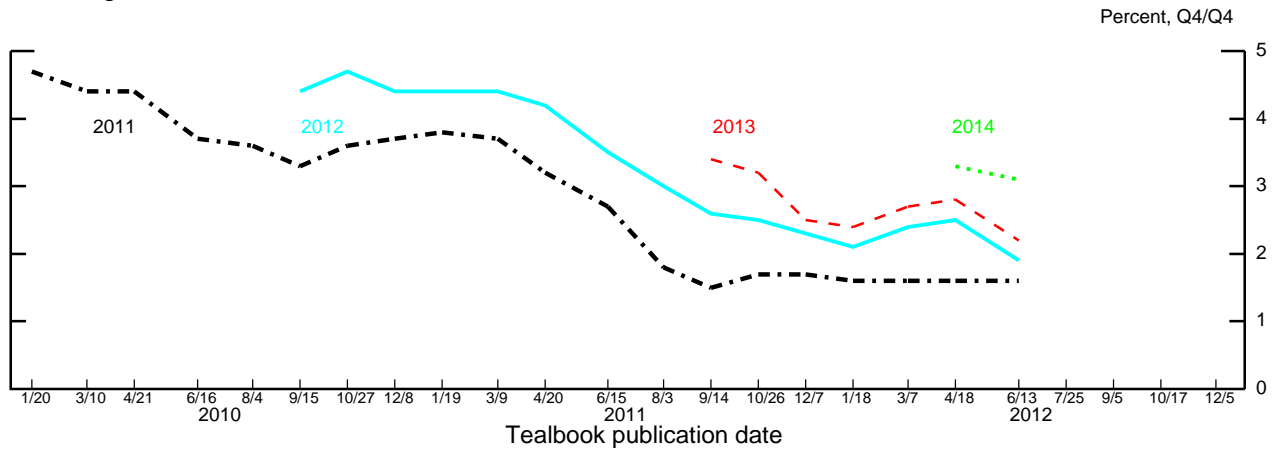
Interest Rates



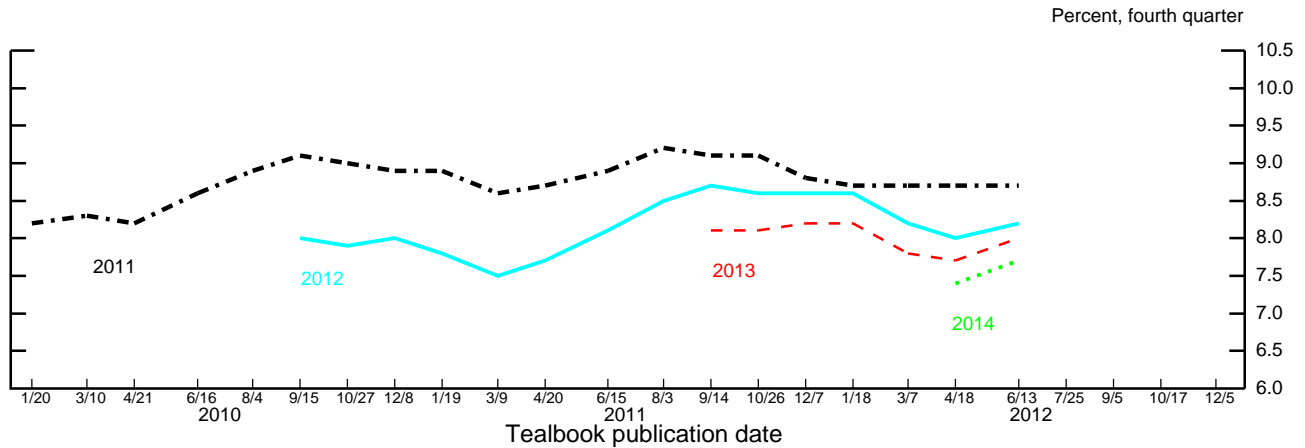
Note: In each panel, shading represents the projection period, dashed lines are the previous Tealbook.

Evolution of the Staff Forecast

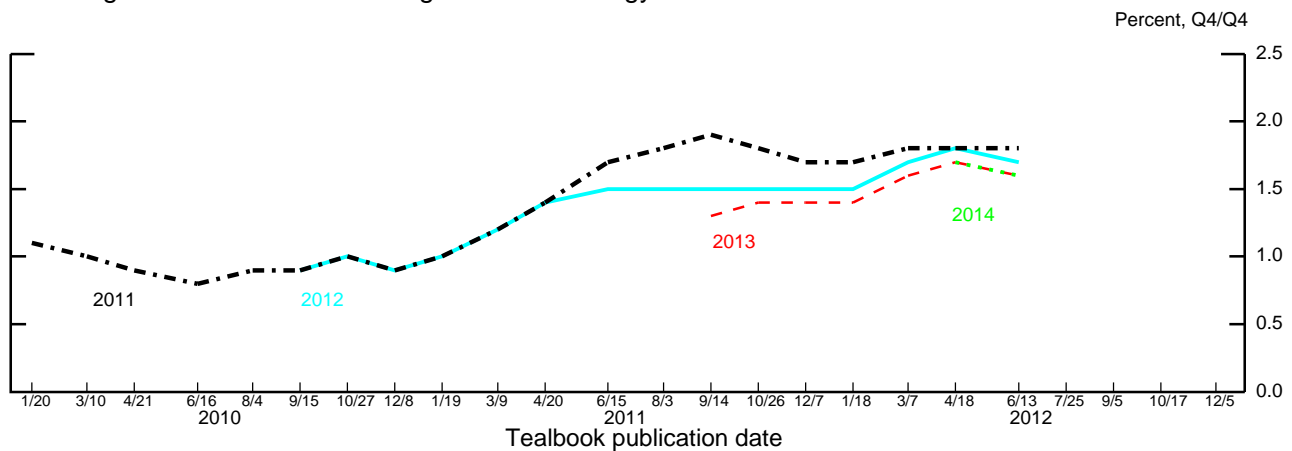
Change in Real GDP



Unemployment Rate



Change in PCE Prices excluding Food and Energy



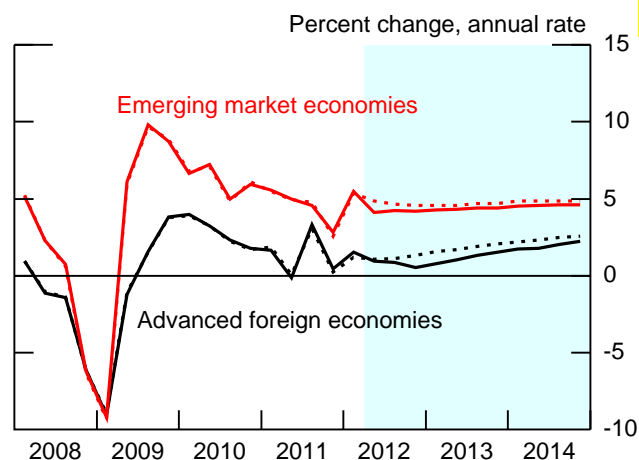
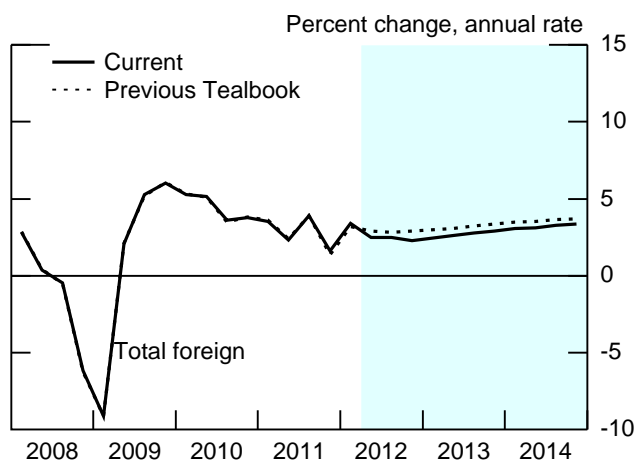
The Foreign Outlook

(Percent change, annual rate)

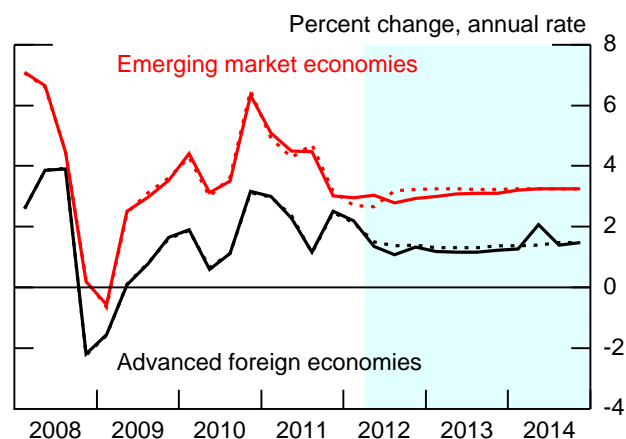
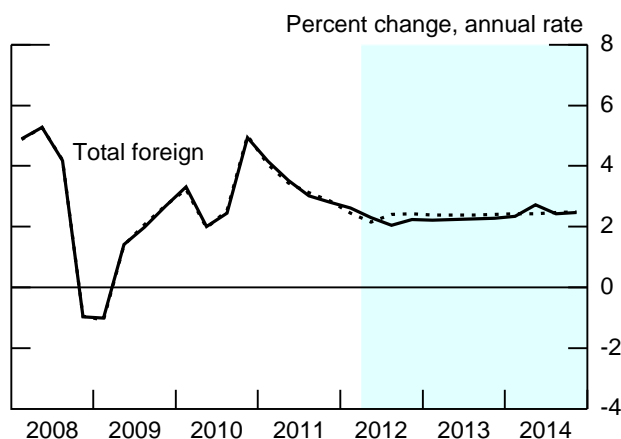
	2011			2012				2013	2014
	H1	Q3	Q4	Q1	Q2	Q3	Q4		
Real GDP									
Total foreign	2.9	3.9	1.6	3.4	2.5	2.5	2.3	2.7	3.2
Previous Tealbook	3.0	3.9	1.4	3.2	2.9	2.8	2.9	3.2	3.6
Advanced foreign economies	.7	3.3	.4	1.5	1.0	.9	.5	1.2	1.9
Previous Tealbook	1.0	3.1	.2	1.2	1.1	1.1	1.3	1.8	2.4
Emerging market economies	5.3	4.6	2.8	5.5	4.1	4.2	4.2	4.3	4.6
Previous Tealbook	5.2	4.8	2.6	5.3	4.8	4.6	4.6	4.6	4.9
Consumer Prices									
Total foreign	3.8	3.0	2.8	2.6	2.3	2.0	2.2	2.2	2.5
Previous Tealbook	3.7	3.1	2.9	2.5	2.1	2.4	2.4	2.4	2.5
Advanced foreign economies	2.6	1.2	2.5	2.2	1.4	1.1	1.3	1.2	1.5
Previous Tealbook	2.7	1.1	2.5	2.1	1.5	1.4	1.4	1.3	1.4
Emerging market economies	4.8	4.5	3.0	3.0	3.0	2.8	2.9	3.1	3.2
Previous Tealbook	4.6	4.7	3.2	2.7	2.7	3.2	3.2	3.2	3.3

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

Real GDP

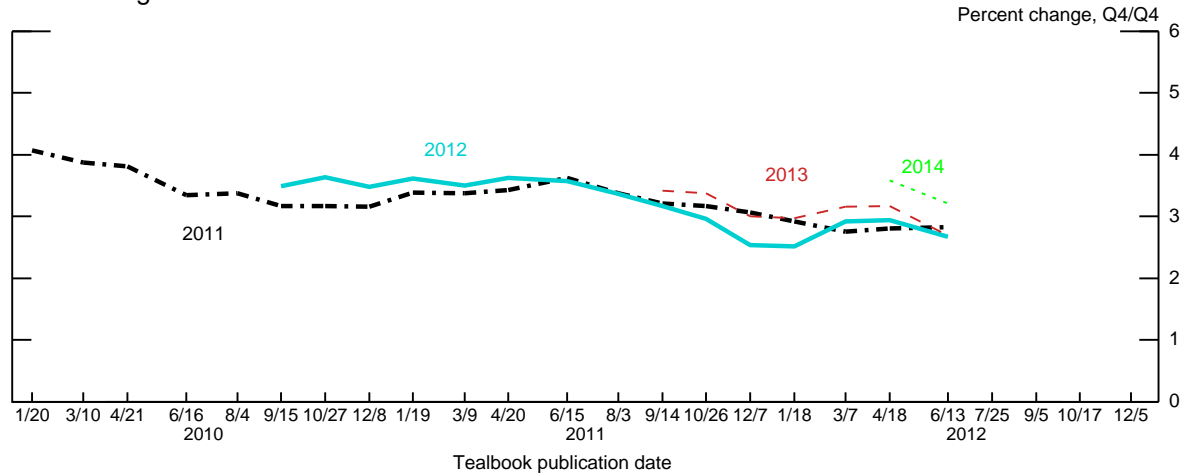


Consumer Prices

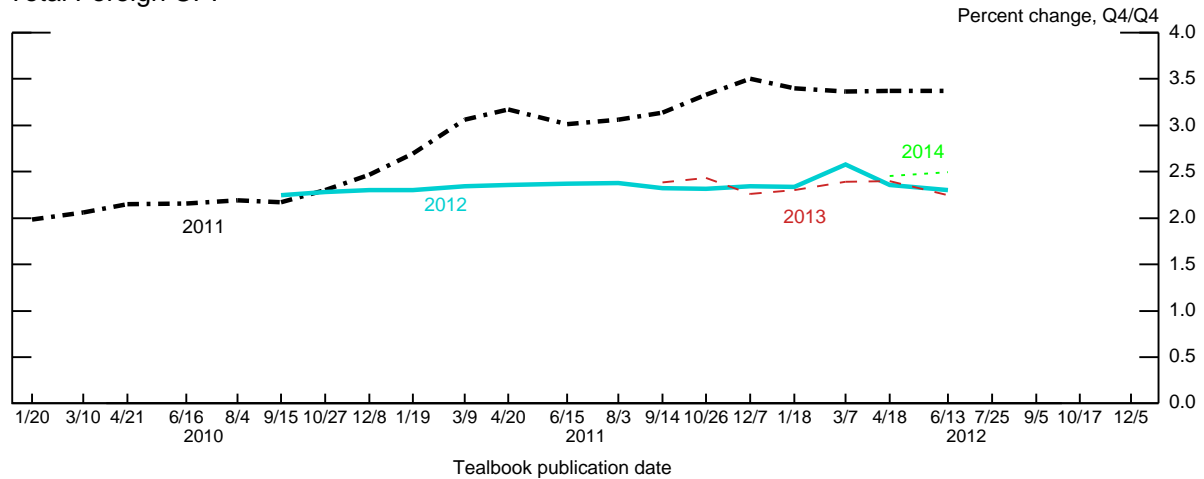


Evolution of Staff's International Forecast

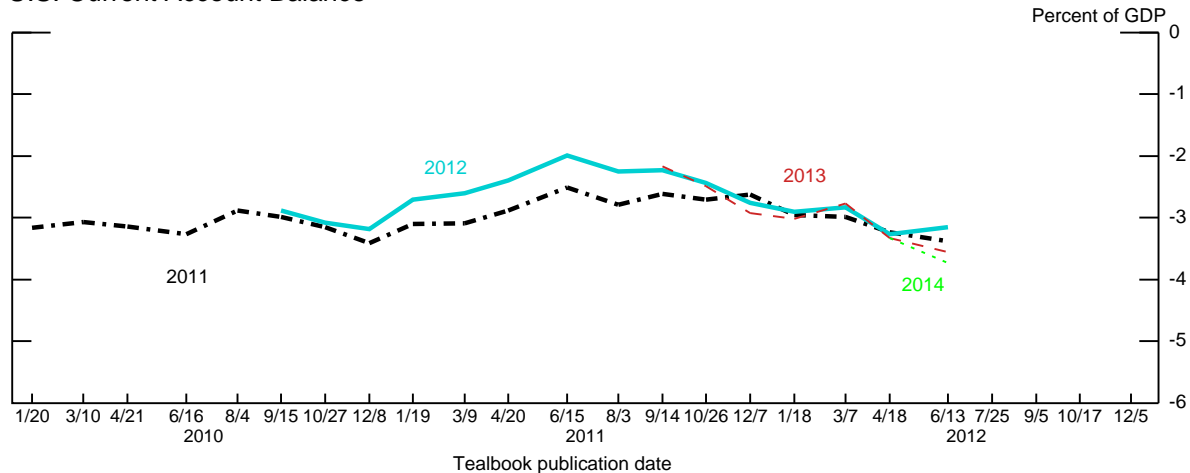
Total Foreign GDP



Total Foreign CPI

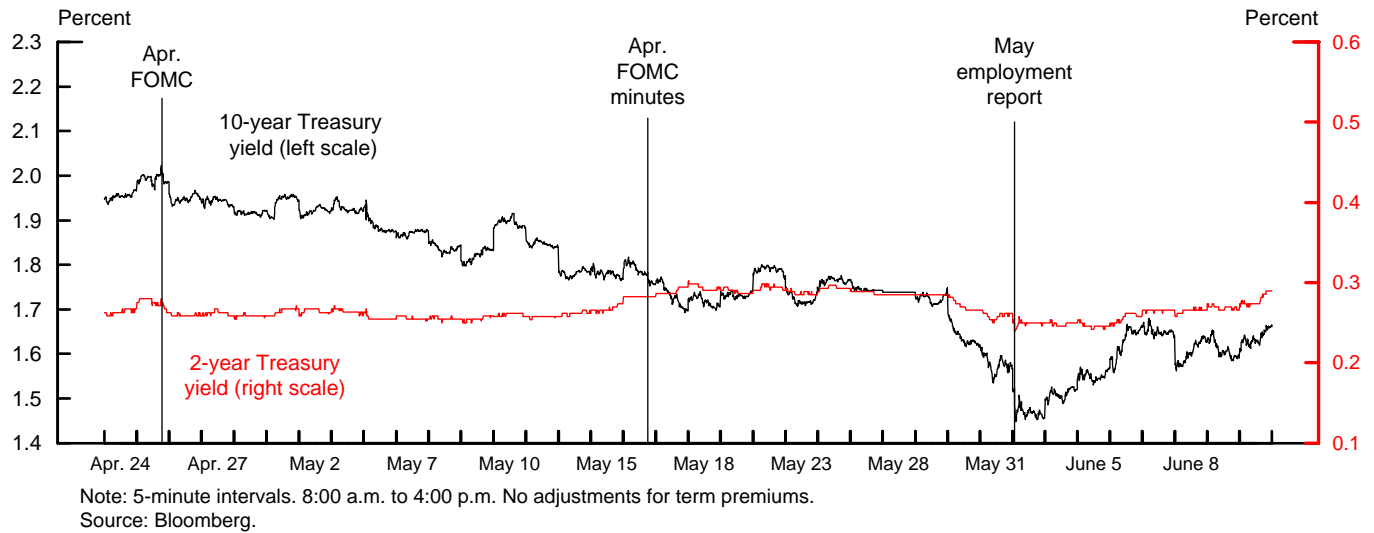


U.S. Current Account Balance

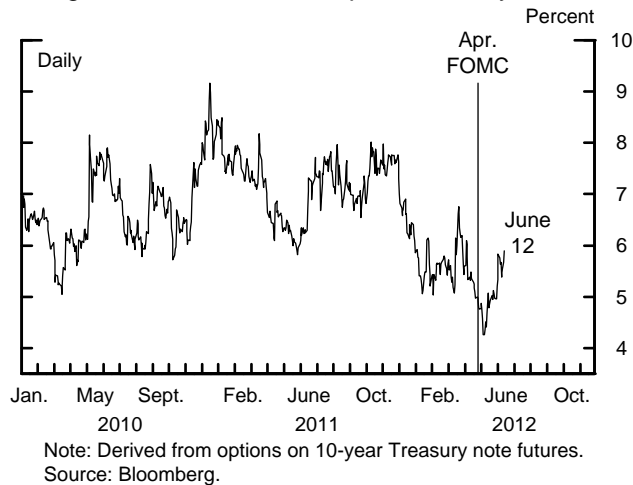


Policy Expectations and Treasury Yields

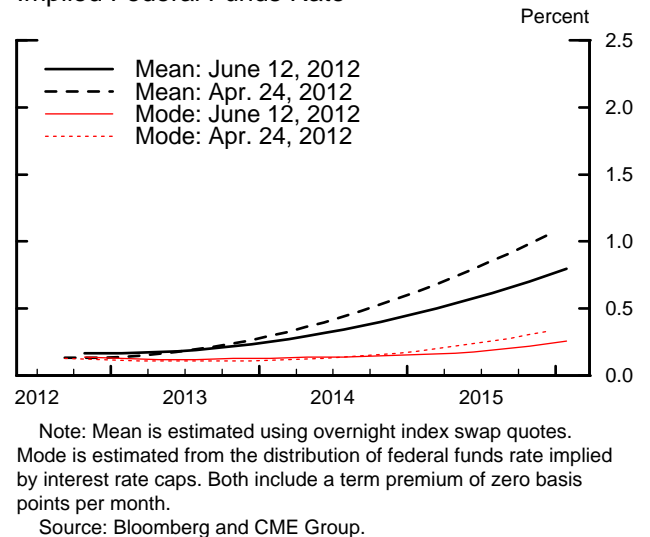
Selected Interest Rates



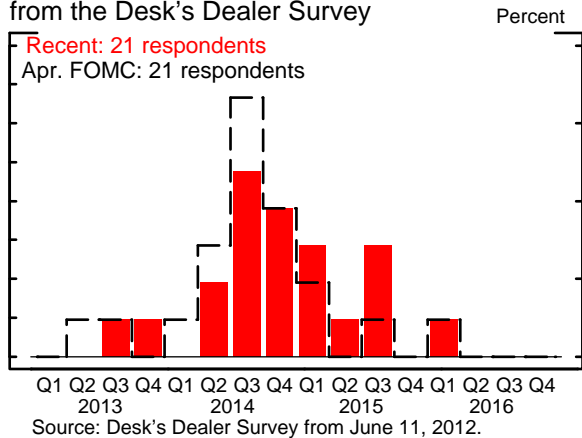
Long-Term Interest Rate Implied Volatility



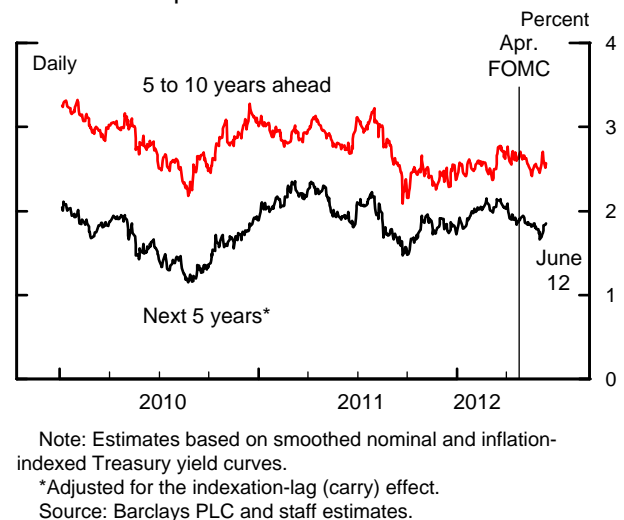
Implied Federal Funds Rate



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



Inflation Compensation



Alternative Scenarios

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

Measure and scenario	2012		2013	2014	2015	2016-17
	H1	H2				
<i>Real GDP</i>						
Extended Tealbook baseline	1.8	1.9	2.2	3.1	3.5	3.3
European crisis with severe spillovers	1.7	-2.7	-3.6	1.9	4.5	4.7
Hard landing in China	1.7	1.1	1.1	2.8	4.0	3.9
Fiscal cliff	1.8	1.9	1.0	2.3	3.8	4.1
Faster recovery	1.8	2.7	3.9	3.4	2.8	2.6
Damaged labor market	1.8	1.7	2.0	2.6	2.9	2.4
Future labor market damage	1.8	1.9	2.0	2.7	2.9	2.6
<i>Unemployment rate</i> ¹						
Extended Tealbook baseline	8.2	8.2	8.0	7.7	7.1	5.9
European crisis with severe spillovers	8.2	8.8	10.9	11.4	10.4	7.9
Hard landing in China	8.2	8.3	8.6	8.5	7.9	6.3
Fiscal cliff	8.2	8.2	8.5	8.6	8.1	6.1
Faster recovery	8.2	8.1	7.2	6.5	6.2	5.8
Damaged labor market	8.2	8.2	8.2	8.0	7.8	7.5
Future labor market damage	8.2	8.3	8.3	8.2	7.9	7.4
<i>Total PCE prices</i>						
Extended Tealbook baseline	1.5	.8	1.5	1.5	1.6	1.8
European crisis with severe spillovers	1.4	-1.3	-.8	.7	1.8	2.2
Hard landing in China	1.4	.0	.4	.8	1.4	2.1
Fiscal cliff	1.5	.8	1.5	1.3	1.3	1.4
Faster recovery	1.5	.8	1.5	1.7	1.9	2.2
Damaged labor market	1.5	.9	1.8	2.1	2.4	2.5
Future labor market damage	1.5	.8	1.5	1.6	1.9	2.1
<i>Core PCE prices</i>						
Extended Tealbook baseline	1.9	1.5	1.6	1.6	1.7	1.8
European crisis with severe spillovers	1.9	.6	.2	.8	1.5	2.0
Hard landing in China	1.9	1.3	1.1	1.2	1.5	1.8
Fiscal cliff	1.9	1.5	1.6	1.4	1.4	1.4
Faster recovery	1.9	1.5	1.6	1.8	2.0	2.2
Damaged labor market	1.9	1.6	1.9	2.2	2.5	2.5
Future labor market damage	1.9	1.5	1.6	1.7	1.9	2.1
<i>Federal funds rate</i> ¹						
Extended Tealbook baseline	.2	.1	.1	.5	1.6	3.4
European crisis with severe spillovers	.1	.1	.1	.1	.1	.8
Hard landing in China	.1	.1	.1	.1	.4	2.2
Fiscal cliff	.2	.1	.1	.1	.3	3.0
Faster recovery	.2	.4	1.5	2.6	3.0	3.7
Damaged labor market	.2	.2	.6	1.9	3.4	4.7
Future labor market damage	.2	.1	.1	1.0	2.7	4.0

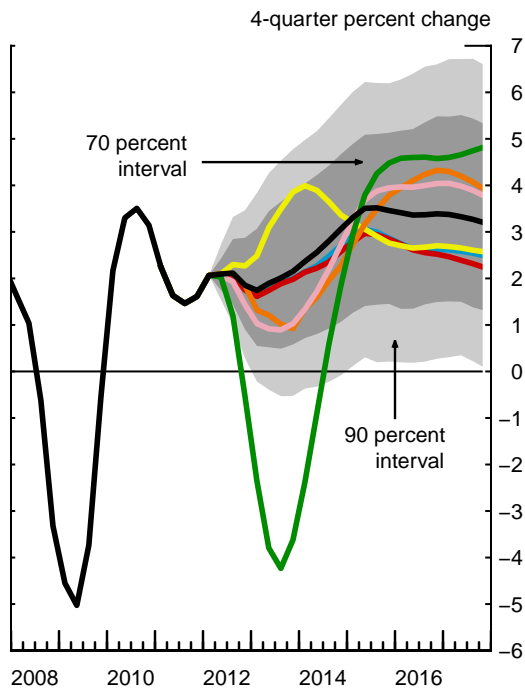
1. Percent, average for the final quarter of the period.

Forecast Confidence Intervals and Alternative Scenarios

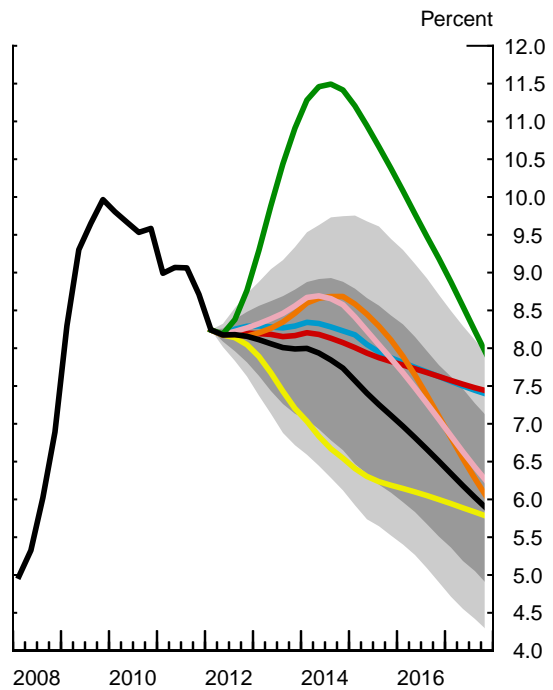
Confidence Intervals Based on FRB/US Stochastic Simulations

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

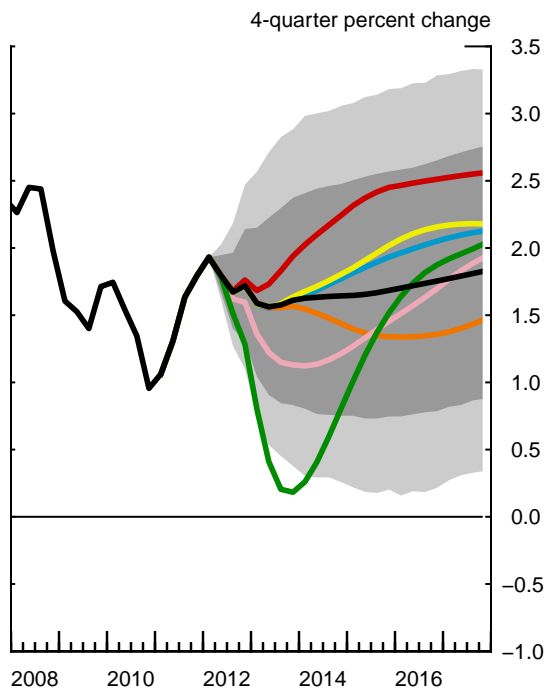
Real GDP



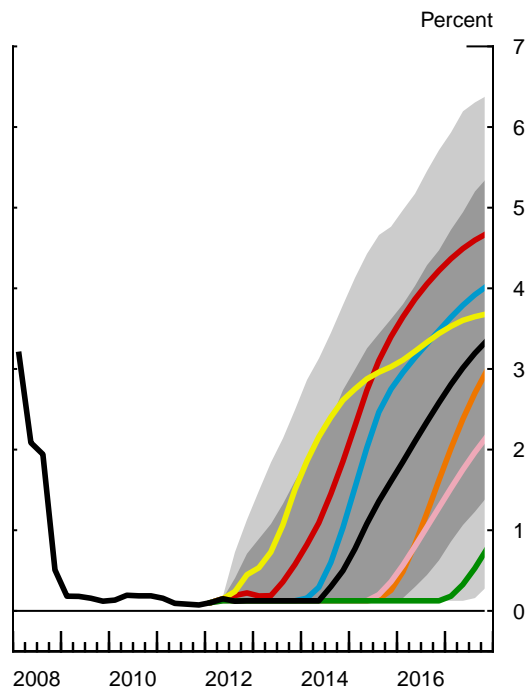
Unemployment Rate



PCE Prices excluding Food and Energy



Federal Funds Rate



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

Measure	2012	2013	2014	2015	2016	2017
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	1.9	2.2	3.1	3.5	3.4	3.2
Confidence interval						
Tealbook forecast errors	.6–3.1	.4–3.9	...	...	...	...
FRB/US stochastic simulations	.9–2.9	.6–3.8	1.1–4.7	1.5–5.1	1.5–5.5	1.3–5.3
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	8.2	8.0	7.7	7.1	6.5	5.9
Confidence interval						
Tealbook forecast errors	7.7–8.7	7.2–8.8	...	...	...	...
FRB/US stochastic simulations	7.8–8.5	7.1–8.8	6.7–8.9	6.1–8.4	5.5–7.8	4.9–7.1
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	1.2	1.5	1.5	1.6	1.7	1.8
Confidence interval						
Tealbook forecast errors	.4–1.9	.3–2.8	...	...	...	...
FRB/US stochastic simulations	.5–1.8	.5–2.6	.4–2.6	.4–2.8	.5–2.8	.6–3.0
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)						
Projection	1.7	1.6	1.6	1.7	1.8	1.8
Confidence interval						
Tealbook forecast errors	1.3–2.2	.9–2.3	...	...	...	...
FRB/US stochastic simulations	1.3–2.1	.8–2.4	.8–2.5	.7–2.6	.8–2.7	.9–2.8
<i>Federal funds rate</i> (percent, Q4)						
Projection	.1	.1	.5	1.6	2.6	3.4
Confidence interval						
FRB/US stochastic simulations	.1–.7	.1–1.6	.1–2.7	.1–3.6	.6–4.5	1.4–5.4

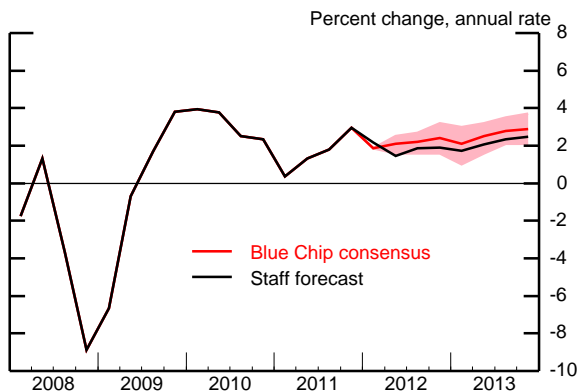
Note: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969–2009 set of model equation residuals.

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

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

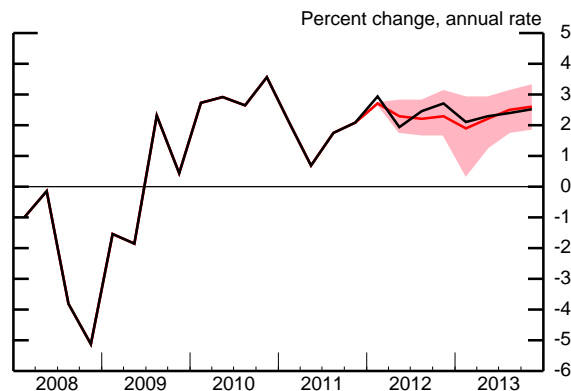
Tealbook Forecast Compared with Blue Chip (Blue Chip survey released June 10, 2012)

Real GDP

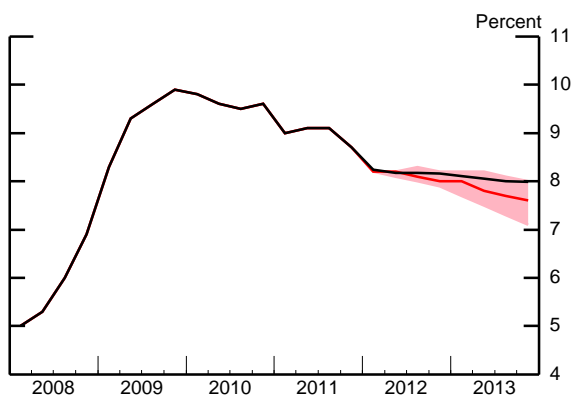


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

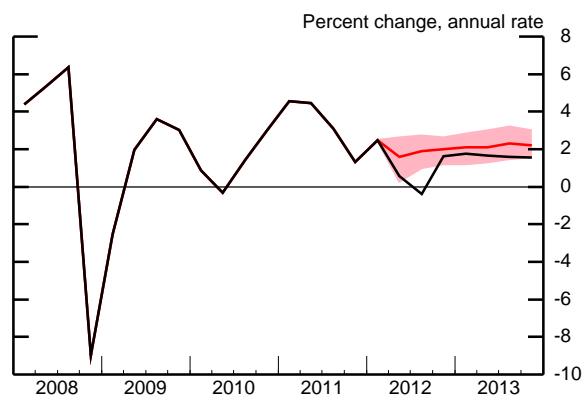
Real PCE



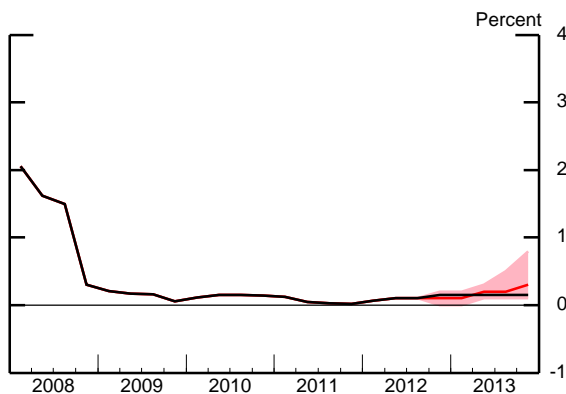
Unemployment Rate



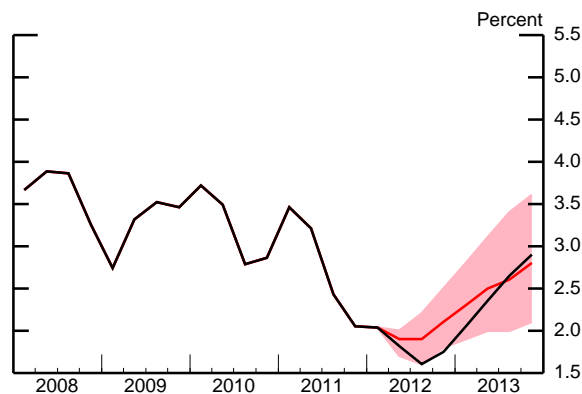
Consumer Price Index



Treasury Bill Rate



10-Year Treasury Yield



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

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

Interval	Nominal GDP		Real GDP		PCE price index		Core PCE price index		Unemployment rate ¹	
	04/18/12	06/13/12	04/18/12	06/13/12	04/18/12	06/13/12	04/18/12	06/13/12	04/18/12	06/13/12
<i>Quarterly</i>										
2011:Q1	3.1	3.1	.4	.4	3.9	3.9	1.6	1.6	9.0	9.0
Q2	4.0	4.0	1.3	1.3	3.3	3.3	2.3	2.3	9.1	9.1
Q3	4.4	4.4	1.8	1.8	2.3	2.3	2.1	2.1	9.1	9.1
Q4	3.8	3.8	3.0	3.0	1.2	1.2	1.3	1.3	8.7	8.7
2012:Q1	4.6	3.9	2.5	2.2	2.5	2.4	2.2	2.1	8.2	8.2
Q2	3.5	2.8	2.1	1.5	1.6	.6	1.8	1.7	8.2	8.2
Q3	4.3	4.2	2.5	1.9	1.8	.1	1.7	1.6	8.1	8.2
Q4	4.5	3.5	2.9	1.9	1.7	1.5	1.7	1.5	8.0	8.2
2013:Q1	4.0	3.4	2.4	1.7	1.6	1.6	1.7	1.6	7.9	8.1
Q2	4.3	3.6	2.7	2.1	1.5	1.6	1.7	1.6	7.9	8.1
Q3	4.5	3.8	2.9	2.3	1.5	1.5	1.7	1.6	7.8	8.0
Q4	4.7	4.0	3.1	2.5	1.5	1.5	1.7	1.6	7.7	8.0
<i>Two-quarter²</i>										
2011:Q2	3.5	3.5	.8	.8	3.6	3.6	1.9	1.9	-5	-5
Q4	4.1	4.1	2.4	2.4	1.8	1.8	1.7	1.7	-4	-4
2012:Q2	4.1	3.3	2.3	1.8	2.0	1.5	2.0	1.9	-5	-5
Q4	4.4	3.8	2.7	1.9	1.7	.8	1.7	1.5	-2	.0
2013:Q2	4.2	3.5	2.5	1.9	1.6	1.6	1.7	1.6	-1	-1
Q4	4.6	3.9	3.0	2.4	1.5	1.5	1.7	1.6	-2	-1
<i>Four-quarter³</i>										
2010:Q4	4.7	4.7	3.1	3.1	1.3	1.3	1.0	1.0	-3	-3
2011:Q4	3.8	3.8	1.6	1.6	2.7	2.7	1.8	1.8	-9	-9
2012:Q4	4.2	3.6	2.5	1.9	1.9	1.2	1.8	1.7	-7	-5
2013:Q4	4.4	3.7	2.8	2.2	1.5	1.5	1.7	1.6	-3	-2
2014:Q4	5.0	4.6	3.3	3.1	1.5	1.5	1.7	1.6	-3	-3
<i>Annual</i>										
2010	4.2	4.2	3.0	3.0	1.8	1.8	1.4	1.4	9.6	9.6
2011	3.9	3.9	1.7	1.7	2.5	2.5	1.4	1.4	8.9	8.9
2012	4.1	3.7	2.4	2.0	2.0	1.5	1.8	1.8	8.1	8.2
2013	4.3	3.6	2.6	2.0	1.6	1.3	1.7	1.6	7.8	8.0
2014	4.8	4.2	3.1	2.7	1.5	1.5	1.7	1.6	7.5	7.9

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

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

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

Changes in Real Gross Domestic Product and Related Items

(Percent, annual rate except as noted)

Item	2011				2012				2013				2011 ¹	2012 ¹	2013 ¹	2014 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
Real GDP <i>Previous Tealbook</i>	1.3 1.3	1.8 1.8	3.0 3.0	2.2 2.5	1.5 2.1	1.9 2.5	1.9 2.9	1.7 2.4	2.1 2.7	2.3 2.9	2.5 3.1	1.6 1.6	1.9 2.5	2.2 2.8	3.1 3.3	
Final sales <i>Previous Tealbook</i>	1.6	3.2	1.1	2.1	1.2	1.4	1.9	1.7	1.8	2.1	2.0	1.5	1.6	1.9	2.9	
Priv. dom. final purch. <i>Previous Tealbook</i>	1.9 1.9	3.3 3.3	2.7 2.7	3.3 2.4	2.3 3.2	2.3 3.3	2.9 3.3	2.4 2.9	2.8 3.2	3.0 3.3	3.1 3.4	2.5 2.5	2.8 3.1	2.8 3.2	3.6 3.9	
Personal cons. expend. <i>Previous Tealbook</i>	.7 .7	1.7 1.7	2.1 2.1	2.9 2.2	1.9 2.5	2.5 2.9	2.7 3.0	2.1 2.4	2.3 2.6	2.4 2.8	2.5 3.0	1.6 1.6	2.5 2.7	2.3 2.7	3.2 3.2	
Durables	-5.3	5.7	16.1	14.0	.8	7.0	6.2	4.8	5.9	6.4	6.5	6.8	6.9	5.9	7.3	
Nondurables	.2	-5	.8	2.1	1.1	1.9	2.6	1.6	1.8	1.8	1.9	.5	1.9	1.8	2.6	
Services	1.9	1.9	.4	1.5	2.4	1.9	2.2	1.8	1.9	2.0	2.1	1.2	2.0	1.9	2.7	
Residential investment <i>Previous Tealbook</i>	4.2 4.2	1.3 1.3	11.6 11.6	19.7 17.8	11.5 11.6	8.3 9.7	6.8 6.7	10.4 9.0	10.3 9.3	10.1 9.4	10.0 9.6	3.5 3.5	11.5 11.3	10.2 9.3	10.8 13.0	
Business fixed invest. <i>Previous Tealbook</i>	10.3	15.7	5.2	2.8	2.5	2.8	3.3	2.8	4.3	5.0	4.9	8.2	2.9	4.2	4.9	
Equipment & software <i>Previous Tealbook</i>	10.3	15.7	5.2	.6	6.1	4.5	4.4	4.9	6.2	4.9	5.0	8.2	3.9	5.3	5.7	
Nonres. structures <i>Previous Tealbook</i>	6.2 6.2	16.2 16.2	7.5 7.5	3.7 1.9	3.4 8.6	4.6 6.0	5.1 5.8	3.7 6.0	5.6 7.3	6.6 5.5	6.4 5.9	9.6 9.6	4.2 5.6	5.6 6.2	5.9 6.5	
Net exports ² <i>Previous Tealbook</i> ²	22.6 22.6	14.4 14.4	-9 -9	.3 -2.8	-2 -4	-1.8 .2	-1.5 .6	.4 1.9	.7 3.1	.7 3.2	.8 2.7	4.4 4.4	-8 -6	.7 2.7	2.1 3.5	
Exports	-416	-403	-411	-408	-415	-429	-440	-445	-454	-458	-467	-414	-423	-456	-473	
Imports	-416	-403	-411	-402	-399	-406	-408	-404	-401	-396	-398	-414	-404	-400	-395	
Gov't. cons. & invest. <i>Previous Tealbook</i>	3.6 1.4	4.7 1.2	2.7 3.7	4.1 2.8	3.9 4.6	3.9 5.6	2.9 4.4	3.3 3.6	3.5 4.4	3.9 3.9	4.1 4.8	4.7 3.6	3.7 4.3	3.7 4.2	5.5 4.5	
Federal	-9	-1	-4.2	-4.0	-2.0	-1.9	-1.2	-1.0	-1.3	-1.6	-1.6	-2.8	-2.3	-1.4	-9	
Defense	-9	-1	-4.2	.1	-9	-1.0	-1.1	-1.1	-1.1	-1.3	-1.4	-2.8	-7	-1.3	-4	
Nondefense	1.9	2.1	-6.9	-5.9	-2.8	-3.6	-2.6	-3.0	-3.8	-4.7	-4.8	-3.2	-3.7	-4.1	-4.2	
State & local	7.0	5.0	-12.1	-8.3	-3.0	-4.2	-2.7	-3.3	-4.5	-5.8	-6.0	-3.6	-4.6	-4.9	-5.1	
Change in bus. inventories ² <i>Previous Tealbook</i> ²	-7.6 -2.8	-3.8 -1.6	4.5 -2.2	-8 -2.7	-2.4 -1.5	-2.4 -8	-2.5 -2	-2.4 .3	-2.5 .4	-2.5 .5	-2.5 .6	-2.5 -2.5	-2.0 -1.3	-2.5 .5	-2.7 1.3	
Nonfarm ²	39	-2	52	58	65	79	81	83	91	100	115	35	71	98	133	
Farm ²	39	-2	52	62	50	55	68	70	73	82	102	35	59	82	113	
	51	6	61	65	65	79	81	82	90	100	115	44	72	97	132	
	-9	-6	-6	-7	0	1	1	1	1	1	1	-7	-1	1	1	

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

2. Billions of chained (2005) dollars.

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

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Real GDP <i>Previous Tealbook</i>	2.8 2.8	2.4 2.4	2.2 2.2	-3.3 -3.3	-5 -5	3.1 3.1	1.6 1.6	1.9 2.5	2.2 2.8	3.1 3.3
Final sales <i>Previous Tealbook</i>	2.7 2.7	2.8 2.8	2.4 2.4	-2.6 -2.6	-8 -8	2.4 2.4	1.5 1.5	1.6 2.4	1.9 2.5	2.9 3.2
Priv. dom. final purch. <i>Previous Tealbook</i>	3.2 3.2	2.4 2.4	1.2 1.2	-4.5 -4.5	-2.5 -2.5	3.6 3.6	2.5 2.5	2.8 3.1	2.8 3.2	3.6 3.9
Personal cons. expend. <i>Previous Tealbook</i>	2.8 2.8	3.2 3.2	1.7 1.7	-2.5 -2.5	-2 -2	3.0 3.0	1.6 1.6	2.5 2.7	2.3 2.7	3.2 3.2
Durables	2.8	7.0	4.6	-13.0	3.0	10.9	6.8	6.9	5.9	7.3
Nondurables	3.1	2.9	.8	-3.1	.6	3.5	.5	1.9	1.8	2.6
Services	2.7	2.6	1.4	-.5	-.9	1.6	1.2	2.0	1.9	2.7
Residential investment <i>Previous Tealbook</i>	5.3 5.3	-15.7 -15.7	-20.7 -20.7	-24.4 -24.4	-12.9 -12.9	-6.3 -6.3	3.5 3.5	11.5 11.3	10.2 9.3	10.8 13.0
Business fixed invest. <i>Previous Tealbook</i>	4.5 4.5	7.8 7.8	7.9 7.9	-9.4 -9.4	-14.4 -14.4	11.1 11.1	8.2 8.2	2.9 3.9	4.2 5.3	4.9 5.7
Equipment & software <i>Previous Tealbook</i>	6.2 6.2	6.0 6.0	3.9 3.9	-13.6 -13.6	-5.8 -5.8	16.6 16.6	9.6 9.6	4.2 5.6	5.6 6.2	5.9 6.5
Nonres. structures <i>Previous Tealbook</i>	-1 -1	13.0 13.0	17.3 17.3	-1.2 -1.2	-29.3 -29.3	-1.8 -1.8	4.4 4.4	-.8 -.6	.7 2.7	2.1 3.5
Net exports ¹ <i>Previous Tealbook</i> ¹	-723 -723	-729 -729	-649 -649	-495 -495	-359 -359	-422 -422	-414 -414	-423 -404	-456 -400	-473 -395
Exports	6.7	10.2	10.1	-2.5	-.1	8.8	4.7	3.7	3.7	5.5
Imports	5.2	4.1	.8	-5.9	-6.5	10.7	3.6	4.3	4.2	4.5
Gov't. cons. & invest. <i>Previous Tealbook</i>	.7 .7	1.5 1.5	1.9 1.9	2.7 2.7	1.1 1.1	.1 .1	-2.8 -2.8	-2.3 -.7	-1.4 -1.3	-.9 -.4
Federal	1.2	2.2	3.1	8.8	4.6	2.9	-3.2	-3.7	-4.1	-4.2
Defense	.4	4.4	2.6	9.8	3.5	1.5	-3.6	-4.6	-4.9	-5.1
Nondefense	2.6	-2.3	4.2	6.8	6.9	5.7	-2.5	-2.0	-2.5	-2.7
State & local	.4	1.2	1.2	-.9	-1.1	-1.7	-2.5	-1.3	.5	1.3
Change in bus. inventories ¹ <i>Previous Tealbook</i> ¹	50 50	59 59	28 28	-36 -36	-145 -145	59 59	35 35	71 59	98 82	133 113
Nonfarm ¹	50	63	29	-38	-144	61	44	72	97	132
Farm ¹	0	-4	-1	1	-1	-1	-7	-1	1	1

1. Billions of chained (2005) dollars.

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

Item	2011			2012				2013				2011 ¹	2012 ¹	2013 ¹	2014 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP <i>Previous Tealbook</i>	1.3 1.3	1.8 1.8	3.0 3.0	2.2 2.5	1.5 2.1	1.9 2.5	1.9 2.9	1.7 2.4	2.1 2.7	2.3 2.9	2.5 3.1	1.6 1.6	1.9 2.5	2.2 2.8	3.1 3.3
Final sales <i>Previous Tealbook</i>	1.6	3.2	1.2	2.0	1.2	1.4	1.8	1.7	1.8	2.0	2.0	1.5	1.6	1.9	2.9
Priv. dom. final purch. <i>Previous Tealbook</i>	1.6	3.2	1.2	2.3	2.5	2.3	2.5	2.3	2.6	2.6	2.5	1.5	2.4	2.5	3.2
Personal cons. expend. <i>Previous Tealbook</i>	1.6	2.8	2.3	2.8	1.9	2.2	2.4	2.0	2.3	2.5	2.6	2.0	2.3	2.4	3.1
Durables	1.6	2.8	2.3	2.0	2.7	2.8	2.8	2.4	2.7	2.7	2.9	2.0	2.6	2.7	3.3
Nondurables	.5	1.2	1.5	2.1	1.4	1.7	1.9	1.5	1.6	1.7	1.8	1.2	1.8	1.7	2.3
Services	.5	1.2	1.5	1.6	1.8	2.1	2.2	1.7	1.9	2.0	2.1	1.2	1.9	1.9	2.3
Residential investment <i>Previous Tealbook</i>	-.4	.4	1.2	1.0	.1	.5	.5	.4	.5	.5	.5	.5	.5	.5	.6
Business fixed invest. <i>Previous Tealbook</i>	.0	-.1	.1	.3	.2	.3	.4	.3	.3	.3	.3	.1	.3	.3	.4
Equipment & software <i>Previous Tealbook</i>	.9	.9	.2	.7	1.1	.9	1.0	.9	.9	.9	1.0	.6	.9	.9	1.3
Nonres. structures <i>Previous Tealbook</i>	.1	.0	.3	.4	.3	.2	.2	.2	.3	.3	.3	.1	.3	.3	.3
Net exports <i>Previous Tealbook</i>	.1	.0	.3	.4	.3	.2	.2	.2	.2	.2	.2	.1	.3	.2	.3
Exports	1.0	1.5	.5	.3	.3	.3	.3	.3	.4	.5	.5	.8	.3	.4	.5
Imports	1.0	1.5	.5	.1	.6	.5	.5	.5	.6	.5	.5	.8	.4	.6	.6
Gov't. cons. & invest. <i>Previous Tealbook</i>	.4	1.1	.6	.3	.3	.3	.4	.3	.4	.5	.5	.7	.3	.4	.5
Federal	.4	1.1	.6	.1	.6	.5	.4	.5	.6	.4	.5	.7	.4	.5	.5
Defense	.5	.4	.0	.0	.0	-.1	.0	.0	.0	.0	.0	.1	.0	.0	.1
Nondefense	.5	.4	.0	-.1	.0	.0	.0	.1	.1	.1	.1	.1	.0	.1	.1
State & local	.2	.4	-.3	-.1	-.3	-.2	-.1	.0	.0	.1	.1	-.3	-.2	.1	.1
Change in bus. inventories <i>Previous Tealbook</i>	-.2	.0	-.8	-.8	-.4	-.4	-.2	-.2	-.2	-.3	-.3	-.6	-.5	-.3	-.2
Nonfarm	-.2	.0	-.8	.0	-.2	-.2	-.2	-.2	-.2	-.2	-.3	-.6	-.1	-.2	-.1
Farm	.2	.2	-.6	-.5	-.2	-.3	-.2	-.2	-.3	-.4	-.4	-.3	-.3	-.3	-.3
Nonfarm	.4	.3	-.7	-.5	-.2	-.2	-.1	-.2	-.2	-.3	-.3	-.2	-.2	-.2	-.2
Farm	-.2	-.1	.1	.0	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1
Change in bus. inventories <i>Previous Tealbook</i>	-.3	-.2	-.3	-.3	-.2	-.1	.0	.0	.0	.1	.1	-.3	-.2	.1	.1
Nonfarm	-.3	-.1	1.8	.1	.2	.5	.1	.1	.2	.3	.5	.1	.2	.3	.2
Farm	-.3	-.1	1.8	.2	-.4	.2	.4	.0	.1	.3	.6	.1	.1	.3	.1
Nonfarm	-.3	-.1	1.8	.1	.0	.4	.1	.1	.2	.3	.5	.1	.2	.3	.2
Farm	.0	.1	.0	.0	.2	.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	2011			2012				2013				2011 ¹	2012 ¹	2013 ¹	2014 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
GDP chain-wt. price index <i>Previous Tealbook</i>	2.5 2.5	2.6 2.6	.9 .9	1.7 2.0	1.3 1.4	2.2 1.8	1.6 1.5	1.6 1.6	1.5 1.6	1.5 1.6	1.5 1.6	2.1 2.1	1.7 1.7	1.5 1.6	1.5 1.6
PCE chain-wt. price index <i>Previous Tealbook</i>	3.3 3.3	2.3 2.3	1.2 1.2	2.4 2.5	.6 1.6	.1 1.8	1.5 1.7	1.6 1.7	1.5 1.5	1.5 1.5	1.5 1.5	2.7 2.7	1.2 1.9	1.5 1.5	1.5 1.5
Energy <i>Previous Tealbook</i>	15.0 15.0	3.3 3.3	-3.2 -3.2	7.9 7.8	-16.1 -1.3	-21.0 3.9	2.4 1.7	2.3 -2	.7 -1.7	0 -1.6	-2 -1.6	12.8 12.8	-7.5 3.0	.7 -1.1	-4 -1.7
Food <i>Previous Tealbook</i>	6.4 6.4	4.7 4.7	3.3 3.3	1.3 1.3	1.5 1.5	1.7 1.7	1.5 1.7	1.5 1.6	1.4 1.5	1.4 1.5	1.4 1.5	5.2 5.2	1.5 1.5	1.5 1.6	1.4 1.5
Ex. food & energy <i>Previous Tealbook</i>	2.3 2.3	2.1 2.1	1.3 1.3	2.1 2.2	1.7 1.8	1.6 1.7	1.5 1.7	1.6 1.7	1.6 1.7	1.6 1.7	1.6 1.7	1.8 1.8	1.7 1.8	1.6 1.7	1.6 1.7
Ex. food & energy, market based <i>Previous Tealbook</i>	2.4 2.4	2.3 2.3	1.4 1.4	2.0 2.0	1.6 1.7	1.4 1.6	1.4 1.6	1.5 1.6	1.5 1.6	1.5 1.6	1.5 1.6	1.8 1.8	1.6 1.7	1.5 1.6	1.5 1.6
CPI <i>Previous Tealbook</i>	4.4 4.4	3.1 3.1	1.3 1.3	2.5 2.5	.6 1.8	-.4 2.0	1.6 1.7	1.8 1.6	1.7 1.5	1.6 1.5	1.6 1.5	3.3 3.3	1.1 2.0	1.6 1.5	1.5 1.5
Ex. food & energy <i>Previous Tealbook</i>	2.4 2.4	2.5 2.5	1.9 1.9	2.1 2.1	2.5 2.2	1.8 1.8	1.5 1.7	1.7 1.7	1.7 1.8	1.7 1.8	1.7 1.8	2.2 2.2	1.9 1.9	1.7 1.8	1.7 1.8
ECI, hourly compensation ² <i>Previous Tealbook</i> ²	3.2 3.2	1.4 1.4	2.1 1.8	1.7 2.5	2.3 2.5	2.5 2.6	2.5 2.6	2.6 2.7	2.5 2.7	2.6 2.8	2.6 2.8	2.2 2.2	2.3 2.6	2.6 2.8	2.8 3.0
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	-.3 -.3	1.8 1.8	1.2 1.0	-.4 -.5	.8 1.7	.4 1.4	1.1 1.9	1.4 1.2	1.4 1.6	1.5 1.9	1.7 2.0	.4 .3	.5 1.1	1.5 1.7	1.8 1.9
Compensation per hour <i>Previous Tealbook</i>	-.5 -.5	5.7 5.7	-.4 3.7	.4 1.8	2.3 2.5	1.6 2.8	2.7 2.8	2.7 2.8	2.7 2.8	2.8 2.9	2.8 3.0	2.5 3.5	1.8 2.5	2.7 2.9	2.9 3.2
Unit labor costs <i>Previous Tealbook</i>	-.1 -.1	3.9 3.9	-1.5 2.7	.9 2.3	1.5 .8	1.2 1.4	1.7 .9	1.3 1.5	1.3 1.2	1.2 1.0	1.1 1.0	2.1 3.1	1.3 1.3	1.2 1.2	1.1 1.3
Core goods imports chain-wt. price index ³ <i>Previous Tealbook</i> ³	7.2 7.2	2.4 2.4	-.4 -.4	.4 .3	2.0 1.1	-1.6 .7	-.3 1.5	.9 1.5	1.4 1.5	1.6 1.5	1.6 1.5	4.3 4.3	.1 .9	1.4 1.5	1.6 1.5

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

2. Private-industry workers.

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

Greensheets

Changes in Prices and Costs

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

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GDP chain-wt. price index <i>Previous Tealbook</i>	3.5	2.9	2.6	2.1	.7	1.6	2.1	1.7	1.5	1.5
PCE chain-wt. price index <i>Previous Tealbook</i>	3.5	2.9	2.6	2.1	.7	1.6	2.1	1.7	1.6	1.6
Energy <i>Previous Tealbook</i>	3.2	1.9	3.5	1.7	1.5	1.3	2.7	1.2	1.5	1.5
Food <i>Previous Tealbook</i>	3.2	1.9	3.5	1.7	1.5	1.3	2.7	1.9	1.5	1.5
Ex. food & energy <i>Previous Tealbook</i>	21.5	-3.7	19.3	-8.8	2.6	6.2	12.8	-7.5	.7	-4
Ex. food & energy, market based <i>Previous Tealbook</i>	21.5	-3.7	19.3	-8.8	2.6	6.2	12.8	3.0	-1.1	-1.7
CPI <i>Previous Tealbook</i>	1.5	1.7	4.7	7.0	-1.7	1.3	5.2	1.5	1.5	1.4
Ex. food & energy <i>Previous Tealbook</i>	1.5	1.7	4.7	7.0	-1.7	1.3	5.2	1.5	1.6	1.5
Ex. food & energy, market based <i>Previous Tealbook</i>	2.3	2.3	2.4	2.0	1.7	1.0	1.8	1.7	1.6	1.6
CPI <i>Previous Tealbook</i>	2.3	2.3	2.4	2.0	1.7	1.0	1.8	1.8	1.7	1.7
Ex. food & energy <i>Previous Tealbook</i>	2.0	2.2	2.1	2.2	1.7	.7	1.8	1.6	1.5	1.5
Ex. food & energy, market based <i>Previous Tealbook</i>	2.0	2.2	2.1	2.2	1.7	.7	1.8	1.7	1.6	1.6
ECL, hourly compensation ¹ <i>Previous Tealbook</i> ¹	3.7	2.0	4.0	1.6	1.5	1.2	3.3	1.1	1.6	1.5
ECL, hourly compensation ¹ <i>Previous Tealbook</i> ¹	3.7	2.0	4.0	1.6	1.5	1.2	3.3	2.0	1.5	1.5
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	2.1	2.7	2.3	2.0	1.7	.6	2.2	1.9	1.7	1.7
Compensation per hour <i>Previous Tealbook</i>	2.1	2.7	2.3	2.0	1.7	.6	2.2	1.9	1.8	1.8
Unit labor costs <i>Previous Tealbook</i>	2.9	3.2	3.0	2.4	1.2	2.1	2.2	2.3	2.6	2.8
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ²	2.9	3.2	3.0	2.4	1.2	2.1	2.2	2.6	2.8	3.0
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	1.6	.8	2.5	-1.1	5.3	2.3	.4	.5	1.5	1.8
Compensation per hour <i>Previous Tealbook</i>	1.6	.8	2.5	-1.1	5.3	2.3	.3	1.1	1.7	1.9
Unit labor costs <i>Previous Tealbook</i>	3.5	4.5	3.6	2.5	1.8	1.4	2.5	1.8	2.7	2.9
Unit labor costs <i>Previous Tealbook</i>	3.5	4.5	3.6	2.5	1.8	1.4	3.5	2.5	2.9	3.2
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ²	1.9	3.6	1.1	3.7	-3.3	-9	2.1	1.3	1.2	1.1
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ²	1.9	3.6	1.1	3.7	-3.3	-9	3.1	1.3	1.2	1.3
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ²	2.2	2.5	2.9	3.7	-1.7	2.6	4.3	.1	1.4	1.6
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ²	2.2	2.5	2.9	3.7	-1.7	2.6	4.3	.9	1.5	1.5

1. Private-industry workers.

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

Other Macroeconomic Indicators

Item	2011				2012				2013				2011 ¹	2012 ¹	2013 ¹	2014 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
<i>Employment and production</i>																
Nonfarm payroll employment ²	.6	.3	.5	.7	.3	.3	.3	.3	.4	.4	.4	.4	1.8	1.7	1.5	2.3
Unemployment rate ³	9.1	9.1	8.7	8.2	8.2	8.2	8.2	8.2	8.1	8.0	8.0	8.0	8.7	8.2	8.0	7.7
<i>Previous Tealbook³</i>	9.1	9.1	8.7	8.2	8.2	8.1	8.0	7.9	7.9	7.8	7.7	7.7	8.7	8.0	7.7	7.4
NAIRU ³	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
<i>Previous Tealbook³</i>	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
GDP gap ⁴	-4.8	-4.8	-4.5	-4.4	-4.5	-4.5	-4.5	-4.5	-4.5	-4.4	-4.3	-4.3	-4.5	-4.5	-4.3	-3.4
<i>Previous Tealbook⁴</i>	-5.1	-5.1	-4.8	-4.7	-4.7	-4.5	-4.3	-4.3	-4.1	-3.9	-3.7	-3.7	-4.8	-4.3	-3.7	-2.7
Industrial production ⁵	1.2	5.6	5.0	5.7	3.6	3.7	2.4	2.2	2.3	2.7	2.6	2.6	4.0	3.9	2.4	3.1
<i>Previous Tealbook⁵</i>	1.2	5.6	5.0	5.4	5.8	4.3	3.0	2.7	2.3	2.7	2.9	2.9	4.0	4.6	2.6	3.7
Manufacturing industr. prod. ⁵	.2	5.1	5.6	9.8	1.7	2.7	2.5	2.1	2.3	2.9	2.8	2.8	4.2	4.1	2.5	3.4
<i>Previous Tealbook⁵</i>	.2	5.1	5.6	10.4	4.0	3.2	2.9	2.6	2.4	3.0	3.2	3.2	4.2	5.1	2.8	4.1
Capacity utilization rate - mfg. ³	74.4	75.2	76.1	77.7	77.8	78.1	78.4	78.5	78.7	78.9	79.2	79.2	76.1	78.4	79.2	80.1
<i>Previous Tealbook³</i>	74.4	75.2	76.1	77.8	78.3	78.8	79.2	79.3	79.4	79.7	79.9	79.9	76.1	79.2	79.9	81.3
Housing starts ⁶	.6	.6	.7	.7	.7	.7	.8	.8	.9	.9	1.0	1.0	.6	.7	.9	1.1
Light motor vehicle sales ⁶	12.1	12.4	13.4	14.5	14.0	14.3	14.4	14.5	14.7	14.9	15.1	15.1	12.7	14.3	14.8	15.5
<i>Income and saving</i>																
Nominal GDP ⁵	4.0	4.4	3.8	3.9	2.8	4.2	3.5	3.4	3.6	3.8	4.0	4.0	3.8	3.6	3.7	4.6
Real disposable pers. income ⁵	-5	.7	.2	.5	3.2	3.4	3.5	-1.3	2.8	2.9	3.2	3.2	.4	2.6	1.9	3.2
<i>Previous Tealbook⁵</i>	-5	.7	1.7	.3	2.3	3.2	3.6	-.4	3.1	3.2	3.4	3.4	.8	2.4	2.3	3.4
Personal saving rate ³	4.8	4.6	4.2	3.6	3.9	4.0	4.2	3.4	3.5	3.6	3.7	3.7	4.2	4.2	3.7	3.8
<i>Previous Tealbook³</i>	4.8	4.6	4.5	4.1	4.0	4.1	4.2	3.5	3.6	3.7	3.8	3.8	4.5	4.2	3.8	4.0
Corporate profits ⁷	13.7	6.9	3.5	1.8	6.2	.9	.3	-.8	-2.5	-2.6	-2.6	-2.6	7.0	2.3	-2.1	1.8
Profit share of GNP ³	12.7	12.8	12.8	12.7	12.8	12.7	12.7	12.5	12.4	12.2	12.0	12.0	12.8	12.7	12.0	11.7
Net federal saving ⁸	-1,275	-1,161	-1,114	-1,000	-1,011	-954	-954	-768	-747	-727	-714	-714	-1,188	-980	-739	-689
Net state & local savings ⁸	-40	-83	-81	-88	-61	-47	-38	-31	-14	-9	-4	-4	-66	-58	-14	1
Gross national saving rate ³	12.4	12.9	13.0	12.7	13.1	13.6	13.5	13.6	13.7	13.8	13.8	13.8	13.0	13.5	13.8	14.2
Net national saving rate ³	-.4	.2	.3	.1	.5	1.1	1.0	1.1	1.1	1.2	1.2	1.2	.3	1.0	1.2	1.6

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

2. Change, millions.

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

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

5. Percent change, annual rate.

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

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

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

Greensheets

Other Macroeconomic Indicators

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

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Employment and production</i>										
Nonfarm payroll employment ¹	2.4	2.1	1.2	-2.8	-5.6	.8	1.8	1.7	1.5	2.3
Unemployment rate ²	5.0	4.5	4.8	6.9	9.9	9.6	8.7	8.2	8.0	7.7
<i>Previous Tealbook</i> ²	5.0	4.5	4.8	6.9	9.9	9.6	8.7	8.0	7.7	7.4
NAIRU ²	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0	6.0	6.0
<i>Previous Tealbook</i> ²	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0	6.0	6.0
GDP gap ³	.6	.8	.9	-4.5	-6.1	-4.4	-4.5	-4.5	-4.3	-3.4
<i>Previous Tealbook</i> ³	.6	.8	.8	-4.5	-6.2	-4.7	-4.8	-4.3	-3.7	-2.7
Industrial production ⁴	2.3	2.1	2.5	-9.0	-5.7	6.3	4.0	3.9	2.4	3.1
<i>Previous Tealbook</i> ⁴	2.3	2.1	2.5	-9.0	-5.7	6.3	4.0	4.6	2.6	3.7
Manufacturing industr. prod. ⁴	3.4	1.8	2.8	-11.8	-6.5	6.5	4.2	4.1	2.5	3.4
<i>Previous Tealbook</i> ⁴	3.4	1.8	2.8	-11.8	-6.5	6.5	4.2	5.1	2.8	4.1
Capacity utilization rate - mfg. ²	78.4	78.2	78.2	69.7	67.0	73.1	76.1	78.4	79.2	80.1
<i>Previous Tealbook</i> ²	78.4	78.2	78.2	69.7	67.0	73.1	76.1	79.2	79.9	81.3
Housing starts ⁵	2.1	1.8	1.4	.9	.6	.6	.6	.7	.9	1.1
Light motor vehicle sales ⁵	16.9	16.5	16.1	13.1	10.3	11.5	12.7	14.3	14.8	15.5
<i>Income and saving</i>										
Nominal GDP ⁴	6.4	5.3	4.9	-1.2	.0	4.7	3.8	3.6	3.7	4.6
Real disposable pers. income ⁴	.6	4.6	1.6	1.0	-2.4	3.5	.4	2.6	1.9	3.2
<i>Previous Tealbook</i> ⁴	.6	4.6	1.6	1.0	-2.4	3.5	.8	2.4	2.3	3.4
Personal saving rate ²	1.6	2.8	2.5	6.2	4.3	5.2	4.2	4.2	3.7	3.8
<i>Previous Tealbook</i> ²	1.6	2.8	2.5	6.2	4.3	5.2	4.5	4.2	3.8	4.0
Corporate profits ⁶	19.6	3.7	-8.1	-33.5	61.8	18.2	7.0	2.3	-2.1	1.8
Profit share of GNP ²	11.8	11.6	10.1	6.8	11.0	12.4	12.8	12.7	12.0	11.7
Net federal saving ⁷	-283	-204	-245	-613	-1218	-1274	-1188	-980	-739	-689
Net state & local saving ⁷	26	51	12	-72	-78	-25	-66	-58	-14	1
Gross national saving rate ²	15.6	16.5	13.9	12.6	11.3	12.3	13.0	13.5	13.8	14.2
Net national saving rate ²	3.6	4.4	1.7	-6	-1.9	-4	.3	1.0	1.2	1.6

1. Change, millions.

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

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

4. Percent change.

5. Level, millions; values are annual averages.

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

7. Billions of dollars; values are annual averages.

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

Item	Fiscal year				2011				2012				2013			
	2011 ^a	2012	2013	2014	Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^a	Q1 ^a	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget																
Receipts ¹	2302	2429	2711	2904	488	714	568	555	509	752	612	596	566	843	705	664
Outlays ¹	3599	3564	3523	3588	949	855	895	877	966	892	828	916	898	872	836	915
Surplus/deficit ¹	-1297	-1134	-812	-684	-460	-141	-326	-322	-457	-140	-215	-320	-332	-29	-131	-251
<i>Previous Tealbook</i>	-1297	-1112	-817	-704	-460	-141	-326	-322	-457	-116	-217	-307	-348	-29	-133	-260
On-budget	-1364	-1165	-814	-689	-451	-202	-311	-346	-458	-192	-168	-327	-313	-75	-100	-273
Off-budget	67	30	3	5	-10	61	-15	24	1	52	-47	7	-19	46	-31	22
Means of financing																
Borrowing	1110	1173	856	764	260	93	389	326	398	198	251	324	332	49	151	271
Cash decrease	252	-12	0	0	225	-19	79	-28	42	-37	10	-19	20	0	0	0
Other ²	-65	-26	-45	-80	-24	67	-142	23	17	-21	-45	15	-20	-20	-20	-20
Cash operating balance, end of period	58	70	70	70	118	137	58	86	43	80	70	90	70	70	70	70
NIPA federal sector																
Receipts	2534	2699	2957	3160	2528	2554	2583	2594	2711	2735	2755	2791	2982	3013	3043	3073
Expenditures	3765	3718	3756	3858	3729	3829	3744	3708	3710	3746	3709	3745	3750	3760	3771	3788
Consumption expenditures	1070	1063	1050	1024	1059	1078	1085	1067	1066	1063	1057	1054	1054	1049	1041	1034
Defense	715	706	696	674	701	723	733	710	708	706	701	699	700	695	689	682
Nondefense	355	357	354	350	358	354	352	357	358	357	356	355	355	353	352	351
Other spending	2695	2655	2707	2834	2670	2752	2659	2641	2644	2683	2652	2691	2696	2711	2729	2754
Current account surplus	-1231	-1019	-799	-698	-1201	-1275	-1161	-1114	-999	-1011	-954	-954	-768	-747	-727	-714
Gross investment	165	153	145	135	161	160	164	159	152	151	149	148	146	144	141	139
Gross saving less gross investment ³	-1260	-1028	-790	-669	-1227	-1298	-1185	-1132	-1008	-1017	-954	-951	-761	-736	-711	-693
Fiscal indicators⁴																
High-employment (HEB) surplus/deficit	-994	-779	-528	-436	-966	-1030	-917	-871	-761	-773	-711	-704	-494	-469	-445	-430
Change in HEB, percent of potential GDP	-3	-1.5	-1.7	-6	-7	.3	-8	-3	-7	.0	-4	-1	-1.3	-2	-2	-1
Fiscal impetus (FI), percent of GDP	-0.3	-0.8	-1.2	-0.5	-0.6	0.4	-0.1	-1.0	-1.0	-0.8	-0.7	-0.5	-1.9	-1.0	-1.1	-0.8
<i>Previous Tealbook</i>	-0.3	-0.6	-1.2	-0.6	-0.6	0.4	-0.1	-1.0	-0.4	-0.7	-0.6	-0.6	-2.0	-1.0	-1.1	-0.8

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

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

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

4. HEB is gross saving less gross investment (NIPA) of the federal government in current dollars, with cyclically sensitive receipts and outlays adjusted to the staff's measure of potential output and the NAIRU. The sign on Change in HEB, as a percent of nominal potential GDP, is reversed. FI is the weighted difference of discretionary changes in federal spending and taxes in chained (2005) dollars, scaled by real GDP. The FI estimates are calendar year contributions to Q4/Q4 real GDP growth. Also, for FI and the change in HEB, positive values indicate aggregate demand stimulus. Quarterly figures for change in HEB and FI are not at annual rates.

a Actual.

Change in Debt of the Domestic Nonfinancial Sectors
(Percent)

Period ¹	Total	Households			Business	State and local governments	Federal government	Memo: Nominal GDP
		Total	Home mortgages	Consumer credit				
<i>Year</i>								
2007	8.4	6.6	6.8	5.9	13.6	5.4	4.9	4.9
2008	5.9	-1	-5	.8	6.1	.7	24.2	-1.2
2009	3.1	-1.7	-1.4	-4.5	-2.3	3.9	22.7	.0
2010	4.1	-2.2	-2.9	-1.3	.8	2.2	20.2	4.7
2011	3.6	-1.5	-2.3	4.0	4.5	-1.9	11.4	3.8
2012	4.8	.5	-1.3	6.3	4.9	-0	11.2	3.6
2013	4.1	2.1	.7	7.1	4.3	.9	6.9	3.7
2014	4.0	2.2	.7	7.4	4.5	1.0	6.3	4.6
<i>Quarter</i>								
2010:1	3.7	-2.8	-4.4	-3.1	.1	2.4	20.6	5.5
2	3.7	-2.2	-2.6	-3.5	-2.0	-5	22.5	5.4
3	4.0	-2.2	-3.0	-6	2.7	2.1	16.0	3.9
4	4.6	-1.5	-1.7	2.2	2.3	4.8	16.4	4.2
2011:1	2.4	-1.6	-2.2	3.5	4.1	-3.3	7.9	3.1
2	2.4	-3.0	-3.1	3.4	5.0	-3.5	8.6	4.0
3	4.5	-1.1	-2.3	2.3	3.8	.0	14.1	4.4
4	4.9	-2	-1.7	6.7	4.9	-1.0	13.1	3.8
2012:1	4.7	-4	-2.9	5.8	5.2	-1.8	12.4	3.9
2	4.9	.1	-1.6	5.9	5.1	.6	11.6	2.8
3	3.9	.9	-6	6.3	4.6	.6	7.5	4.2
4	5.2	1.5	.0	6.6	4.4	.6	11.6	3.5
2013:1	4.6	2.1	.7	6.8	4.2	.9	8.9	3.4
2	3.6	2.1	.7	6.9	4.1	.9	5.5	3.6
3	3.1	2.1	.6	7.0	4.2	.9	3.6	3.8
4	4.7	2.1	.6	7.0	4.3	.9	9.0	4.0

Note: Quarterly data are at seasonally adjusted annual rates.

1. Data after 2012:Q1 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

Flow of Funds Projections: Highlights
(Billions of dollars at seasonally adjusted annual rates except as noted)

Category	2011	2012	2013	2014	2011				2012				2013			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	854.8	1447.6	1289.6	1323.4	1070.5	1391.0	1470.2	1461.5	1160.6	1698.2	1508.4	1129.3	915.2	1605.4	1508.4	1129.3
Net equity issuance	-473.4	-370.2	-340.0	-360.0	-617.7	-440.2	-340.8	-420.0	-360.0	-360.0	-340.0	-340.0	-340.0	-340.0	-340.0	-340.0
Net debt issuance	1328.2	1817.8	1629.6	1683.4	1688.2	1831.2	1811.0	1881.5	1520.6	2058.2	1848.4	1469.3	1255.2	1945.4	1848.4	1469.3
Borrowing indicators																
Debt (percent of GDP) ¹	248.6	249.7	251.7	251.2	247.3	247.8	248.4	249.7	249.8	250.5	251.5	251.9	251.6	251.6	251.5	251.9
Borrowing (percent of GDP)	8.8	11.6	10.0	10.0	11.1	12.0	11.7	12.1	9.7	13.0	11.6	9.1	7.7	11.8	11.6	9.1
Households																
Net borrowing ²	-191.0	67.5	272.7	298.1	-136.4	-26.6	-52.9	10.3	121.4	191.0	267.9	274.7	271.9	276.2	267.9	274.7
Home mortgages	-232.6	-125.2	63.2	63.6	-230.0	-168.0	-286.7	-156.0	-58.3	0.0	67.9	68.0	58.4	58.5	67.9	68.0
Consumer credit	96.6	157.9	190.2	212.2	56.5	164.8	144.6	150.4	163.0	173.6	181.9	187.7	193.8	197.2	181.9	187.7
Debt/DPI (percent) ³	112.3	108.6	106.5	103.8	111.2	110.7	109.8	108.8	108.0	107.0	107.4	106.8	106.2	105.5	107.4	106.8
Business																
Financing gap ⁴	-196.8	-123.7	52.0	165.7	-252.9	-191.3	-165.6	-137.8	-114.2	-77.3	-11.4	27.9	71.4	120.1	-11.4	27.9
Net equity issuance	-473.4	-370.2	-340.0	-360.0	-617.7	-440.2	-340.8	-420.0	-360.0	-360.0	-340.0	-340.0	-340.0	-340.0	-340.0	-340.0
Credit market borrowing	509.8	577.8	528.5	574.8	440.9	565.7	617.5	605.5	552.3	535.6	525.2	517.3	527.5	544.0	525.2	517.3
State and local governments																
Net borrowing	-58.6	-0.0	25.8	29.8	1.0	-29.1	-53.5	17.8	17.8	17.8	25.8	25.8	25.8	25.8	25.8	25.8
Current surplus ⁵	224.9	186.0	239.0	262.9	212.1	215.3	149.7	183.9	199.9	210.3	219.8	238.4	245.0	252.7	219.8	238.4
Federal government																
Net borrowing	1067.9	1171.2	802.6	780.7	1382.6	1321.2	1300.0	1247.8	829.1	1313.8	1029.4	651.5	430.0	1099.4	1029.4	651.5
Net borrowing (n.s.a.)	1067.9	1171.2	802.6	780.7	389.1	326.0	398.3	198.1	250.7	324.1	332.2	49.0	150.9	270.5	332.2	49.0
Unified deficit (n.s.a.)	1251.4	1132.6	742.2	700.7	328.1	321.7	457.3	140.1	215.4	319.9	331.8	29.0	130.9	250.5	331.8	29.0
<i>Depository institutions</i>																
Funds supplied	195.0	402.6	505.3	608.2	499.1	575.1	276.6	420.8	437.7	475.3	495.6	490.1	506.3	529.1	495.6	490.1

Note: Data after 2012:Q1 are staff projections.

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

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

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

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

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

n.s.a. Not seasonally adjusted.

Foreign Real GDP and Consumer Prices: Selected Countries

(Quarterly percent changes at an annual rate)

Measure and country	2011				2012				Projected			
	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP ¹												
Total foreign	3.5	2.3	3.9	1.6	3.4	2.5	2.5	2.3	2.5	2.6	2.8	2.9
<i>Previous Tealbook</i>	3.6	2.4	3.9	1.4	3.2	2.9	2.8	2.9	3.0	3.1	3.2	3.3
Advanced foreign economies	1.7	-2	3.3	.4	1.5	1.0	.9	.5	.8	1.0	1.3	1.5
Canada	3.6	-1.0	4.5	1.9	1.9	2.2	2.0	1.9	1.8	1.9	2.0	2.2
Japan	-7.7	-1.7	7.8	.1	4.7	2.3	1.2	.6	.9	1.1	1.2	1.3
United Kingdom	1.0	-2	2.3	-1.2	-1.3	-3	3.0	.1	1.1	1.4	1.9	2.1
Euro area	3.0	.6	.5	-1.3	-0	-1.2	-1.5	-1.6	-1.0	-5	.0	.4
Germany	5.5	1.1	2.3	-7	2.1	.5	-3	-6	-3	.2	.6	1.2
Emerging market economies	5.6	5.0	4.6	2.8	5.5	4.1	4.2	4.2	4.3	4.3	4.4	4.4
Asia	7.7	5.0	5.1	2.6	6.3	5.2	5.4	5.3	5.5	5.5	5.6	5.6
Korea	5.3	3.4	3.4	1.3	3.5	3.2	3.3	3.3	3.4	3.5	3.7	3.9
China	9.1	9.5	10.0	7.8	7.4	7.4	7.8	7.8	7.9	7.9	8.0	8.0
Latin America	3.2	5.0	4.0	3.0	4.8	3.0	3.0	3.0	3.0	3.0	3.1	3.1
Mexico	2.0	5.7	4.8	2.9	5.3	3.0	2.9	2.9	2.9	2.9	2.9	2.9
Brazil	3.5	1.9	-6	.6	.8	2.3	2.8	3.3	3.3	3.4	3.7	3.7
Consumer prices ²												
Total foreign	4.2	3.5	3.0	2.8	2.6	2.3	2.0	2.2	2.2	2.2	2.3	2.3
<i>Previous Tealbook</i>	4.1	3.4	3.1	2.9	2.5	2.1	2.4	2.4	2.4	2.4	2.4	2.4
Advanced foreign economies	3.0	2.3	1.2	2.5	2.2	1.4	1.1	1.3	1.2	1.2	1.2	1.2
Canada	3.3	3.4	1.0	2.9	2.1	1.8	1.3	1.7	1.8	1.8	1.8	1.8
Japan	.0	-7	.1	-7	2.3	-2	-3	-3	-2	-2	-1	-1
United Kingdom	6.8	3.7	4.0	4.2	2.0	1.4	1.2	3.4	1.7	1.5	1.5	1.9
Euro Area	3.6	2.8	1.5	4.0	2.6	1.9	1.6	1.5	1.3	1.3	1.2	1.2
Germany	3.4	2.3	2.0	2.8	2.5	2.4	2.1	2.0	1.8	1.7	1.5	1.6
Emerging market economies	5.1	4.5	4.5	3.0	3.0	3.0	2.8	2.9	3.0	3.1	3.1	3.1
Asia	5.5	5.2	4.9	2.2	2.4	3.4	2.5	2.6	2.8	2.9	2.9	2.9
Korea	5.5	3.4	4.4	2.6	1.6	2.0	2.2	2.5	2.7	2.8	2.8	2.8
China	5.1	6.1	5.7	1.4	2.0	2.7	2.1	2.4	2.6	2.8	2.8	2.8
Latin America	3.7	2.9	3.9	5.2	4.6	2.1	3.5	3.7	3.7	3.6	3.7	3.7
Mexico	3.2	2.4	3.5	4.9	4.5	1.8	3.5	3.6	3.5	3.4	3.4	3.4
Brazil	7.8	6.8	6.2	6.0	4.0	3.7	4.5	4.8	5.0	5.2	5.4	5.4

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

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

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

Measure and country	2006	2007	2008	2009	2010	2011	2012	-----Projected-----	
								2013	2014
Real GDP ¹									
Total foreign	4.2	4.4	-9	.9	4.4	2.8	2.7	2.7	3.2
<i>Previous Tealbook</i>	4.2	4.4	-9	.9	4.4	2.8	2.9	3.2	3.6
Advanced foreign economies	2.6	2.6	-2.0	-1.4	2.8	1.3	1.0	1.2	1.9
Canada	1.9	2.5	-7	-1.4	3.3	2.2	2.0	2.0	2.5
Japan	2.1	1.7	-4.8	-6	3.3	-5	2.2	1.1	1.4
United Kingdom	2.1	4.1	-5.4	-8	1.7	.5	.4	1.6	2.5
Euro area	3.8	2.3	-2.2	-2.3	2.2	.7	-1.1	-.3	1.1
Germany	4.9	2.4	-1.9	-2.2	3.8	2.0	.4	.4	1.7
Emerging market economies	6.3	6.7	.4	3.6	6.2	4.5	4.5	4.3	4.6
Asia	7.8	8.8	.8	8.0	7.7	5.1	5.5	5.5	5.8
Korea	4.6	5.8	-3.2	6.3	5.0	3.4	3.3	3.6	4.2
China	12.8	13.7	7.7	11.4	9.6	9.1	7.6	7.9	8.1
Latin America	4.8	4.4	-2	-7	4.6	3.8	3.4	3.1	3.2
Mexico	4.1	3.5	-1.1	-2.1	4.3	3.9	3.5	2.9	3.0
Brazil	4.9	6.6	.9	5.2	5.3	1.4	2.3	3.5	4.0
Consumer prices ²									
Total foreign	2.2	3.7	3.3	1.3	3.2	3.4	2.3	2.2	2.5
<i>Previous Tealbook</i>	2.2	3.7	3.3	1.3	3.2	3.4	2.4	2.4	2.5
Advanced foreign economies	1.4	2.2	2.0	.2	1.7	2.2	1.5	1.2	1.5
Canada	1.4	2.5	1.8	.8	2.2	2.7	1.7	1.8	2.0
Japan	.3	.5	1.1	-2.0	-.3	-.3	.4	-.2	1.0
United Kingdom	2.7	2.1	3.9	2.2	3.4	4.7	2.0	1.6	1.6
Euro Area	1.8	2.9	2.3	.4	2.0	2.9	1.9	1.3	1.4
Germany	1.3	3.1	1.7	.3	1.6	2.6	2.2	1.6	1.7
Emerging market economies	2.9	5.1	4.6	2.1	4.3	4.3	2.9	3.1	3.2
Asia	2.4	5.5	3.6	1.3	4.3	4.4	2.7	2.9	3.1
Korea	2.1	3.4	4.5	2.4	3.2	4.0	2.1	2.8	3.0
China	2.1	6.7	2.5	.6	4.6	4.6	2.3	2.7	3.0
Latin America	4.1	4.2	6.7	3.9	4.4	3.9	3.5	3.7	3.7
Mexico	4.1	3.8	6.2	4.0	4.3	3.5	3.4	3.4	3.4
Brazil	3.1	4.3	6.3	4.3	5.6	6.7	4.2	5.3	5.4

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

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

U.S. Current Account

Quarterly Data

	2011				2012				Projected-----2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Billions of dollars, s.a.a.r.</i>												
U.S. current account balance	-466.2	-479.1	-431.0	-517.3	-545.7	-494.9	-466.6	-501.9	-535.3	-523.6	-551.6	-587.9
<i>Previous Tealbook</i>	<i>-473.1</i>	<i>-493.7</i>	<i>-430.5</i>	<i>-496.4</i>	<i>-520.4</i>	<i>-478.3</i>	<i>-493.9</i>	<i>-522.0</i>	<i>-553.9</i>	<i>-521.0</i>	<i>-530.7</i>	<i>-554.2</i>
Current account as percent of GDP	-3.1	-3.2	-2.8	-3.4	-3.5	-3.2	-3.0	-3.2	-3.3	-3.2	-3.4	-3.6
<i>Previous Tealbook</i>	<i>-3.2</i>	<i>-3.3</i>	<i>-2.8</i>	<i>-3.2</i>	<i>-3.4</i>	<i>-3.1</i>	<i>-3.1</i>	<i>-3.3</i>	<i>-3.4</i>	<i>-3.2</i>	<i>-3.2</i>	<i>-3.3</i>
Net goods & services	-548.9	-566.2	-539.3	-585.1	-604.0	-556.7	-509.2	-535.0	-563.9	-542.9	-555.9	-582.3
Investment income, net	220.7	238.0	251.2	210.1	208.6	202.0	186.0	178.6	172.6	159.4	147.7	139.9
Direct, net	317.1	323.6	331.8	294.3	283.6	267.8	241.4	227.9	221.9	213.9	210.5	212.2
Portfolio, net	-96.4	-85.6	-80.6	-84.3	-75.0	-65.9	-55.3	-49.3	-49.3	-54.5	-62.8	-72.3
Other income and transfers, net	-138.0	-150.9	-142.9	-142.2	-150.2	-140.1	-143.4	-145.5	-144.0	-140.1	-143.4	-145.5

Annual Data

	-----Projected-----									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	
<i>Billions of dollars</i>										
U.S. current account balance	-800.6	-710.3	-677.1	-374.4	-465.6	-473.4	-502.3	-549.6	-621.1	
<i>Previous Tealbook</i>	<i>-800.6</i>	<i>-710.3</i>	<i>-677.1</i>	<i>-376.6</i>	<i>-470.9</i>	<i>-473.4</i>	<i>-503.6</i>	<i>-540.0</i>	<i>-574.7</i>	
Current account as percent of GDP	-6.0	-5.1	-4.7	-2.7	-3.2	-3.1	-3.2	-3.4	-3.7	
<i>Previous Tealbook</i>	<i>-6.0</i>	<i>-5.1</i>	<i>-4.7</i>	<i>-2.7</i>	<i>-3.2</i>	<i>-3.1</i>	<i>-3.2</i>	<i>-3.3</i>	<i>-3.3</i>	
Net goods & services	-753.3	-696.7	-698.3	-379.2	-494.7	-559.9	-551.2	-561.2	-592.3	
Investment income, net	54.7	111.1	157.8	137.1	174.5	230.0	193.8	154.9	114.5	
Direct, net	174.0	244.6	284.3	262.2	280.6	316.7	255.2	214.6	213.1	
Portfolio, net	-119.4	-133.5	-126.5	-125.1	-106.2	-86.7	-61.4	-59.7	-98.6	
Other income and transfers, net	-102.0	-124.7	-136.6	-132.3	-145.3	-143.5	-144.8	-143.3	-143.3	

Class I FOMC – Restricted Controlled (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book B Monetary Policy: Strategies and Alternatives

June 14, 2012

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

Policy Rules and the Staff Projection

Near-Term Prescriptions of Selected Policy Rules

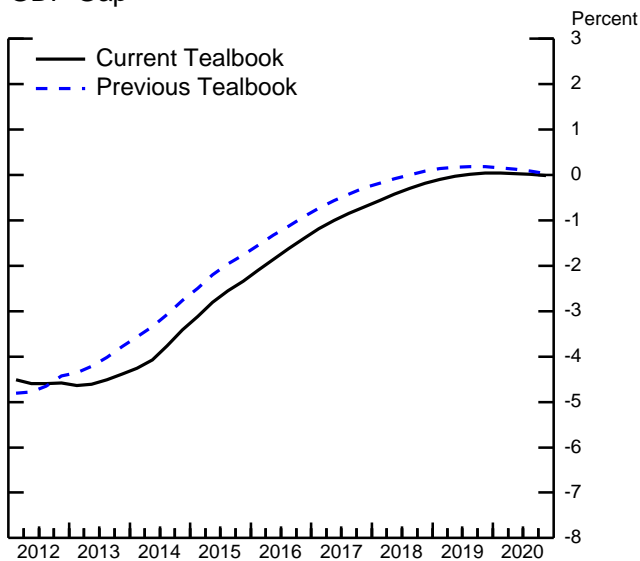
	Constrained Policy		Unconstrained Policy	
	<u>2012Q3</u>	<u>2012Q4</u>	<u>2012Q3</u>	<u>2012Q4</u>
Taylor (1993) rule	1.52	1.59	1.52	1.59
<i>Previous Tealbook</i>	1.60	1.85	1.60	1.85
Taylor (1999) rule	0.13	0.13	-0.73	-0.64
<i>Previous Tealbook</i>	0.13	0.13	-0.67	-0.32
Outcome-based rule	0.13	0.13	0.04	-0.08
<i>Previous Tealbook Outlook</i>	0.13	0.17	0.11	0.17
First-difference rule	0.13	0.13	-0.07	-0.24
<i>Previous Tealbook Outlook</i>	0.26	0.40	0.26	0.40
Nominal income targeting rule	0.13	0.13	-0.41	-0.86
<i>Previous Tealbook Outlook</i>	0.13	0.13	-0.43	-0.85

Memo: Equilibrium and Actual Real Federal Funds Rate

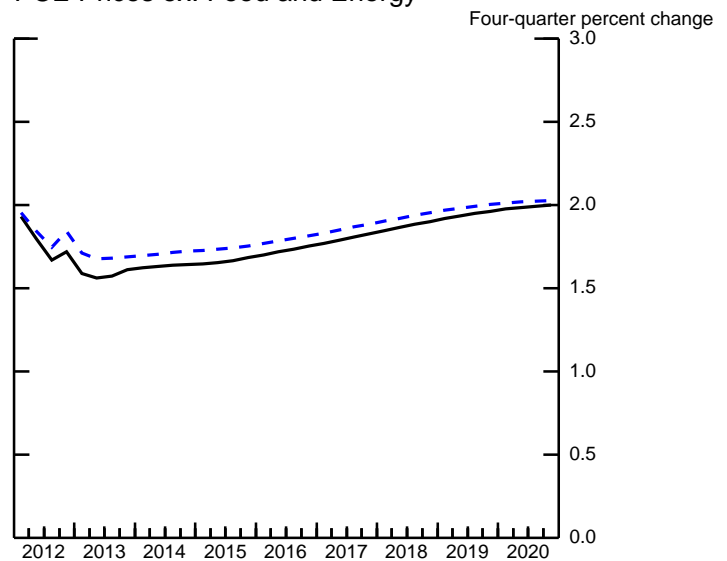
	Current Tealbook	<i>Previous Tealbook</i>
Tealbook-consistent FRB/US r^* estimate	-2.9	-2.5
Actual real federal funds rate	-1.8	-1.8

Key Elements of the Staff Projection

GDP Gap



PCE Prices ex. Food and Energy

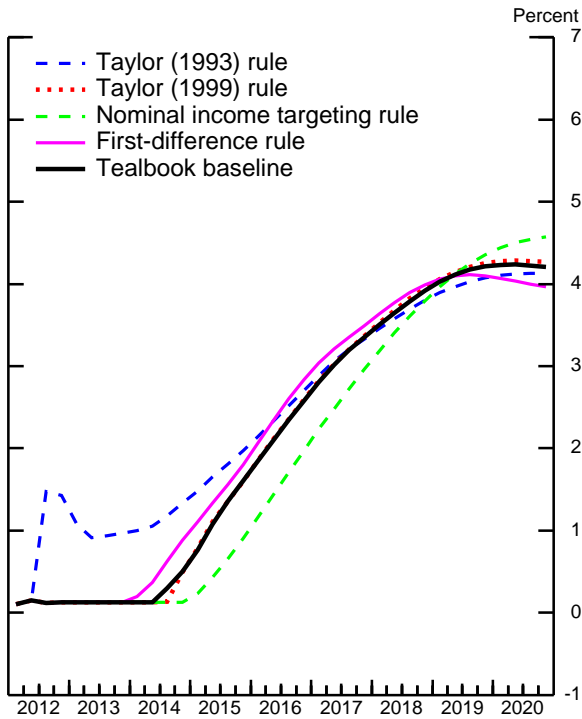


Note: For rules which have the lagged policy rate as a right-hand-side variable, the lines denoted "Previous Tealbook Outlook" report rule prescriptions based on the previous Tealbook's staff outlook, but jumping off from the average value for the policy rate thus far in the quarter.

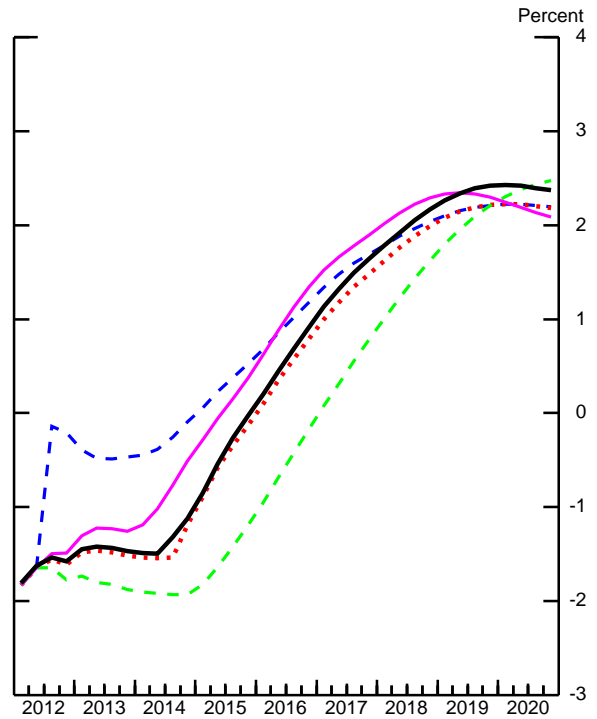
Policy Rule Simulations

Strategies

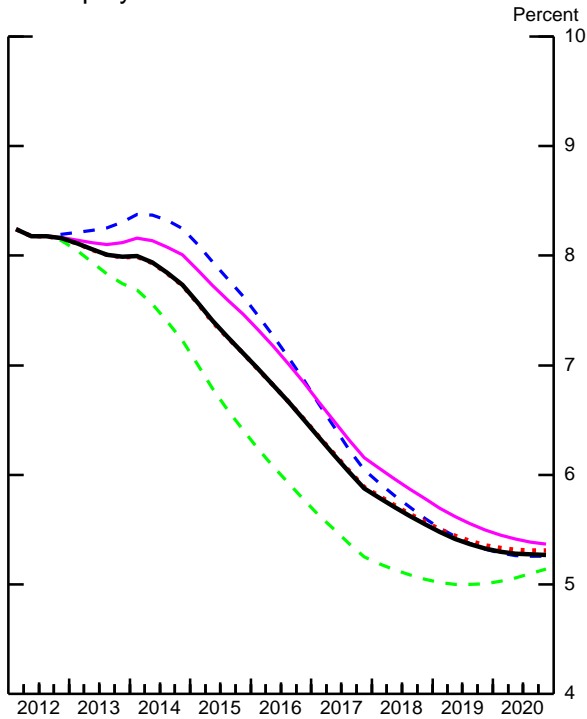
Nominal Federal Funds Rate



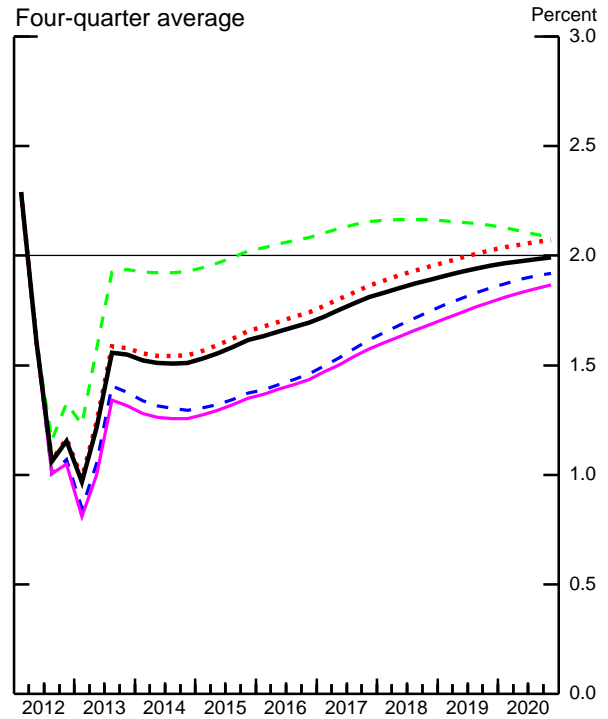
Real Federal Funds Rate



Unemployment Rate



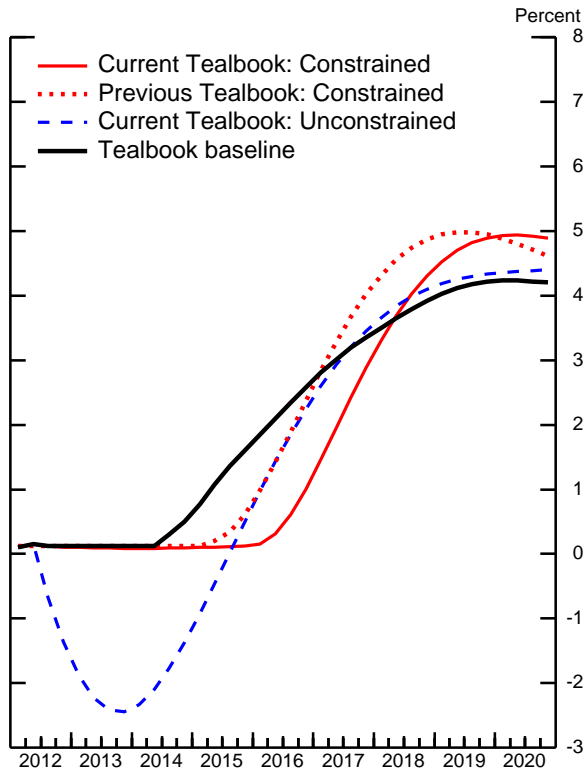
PCE Inflation
Four-quarter average



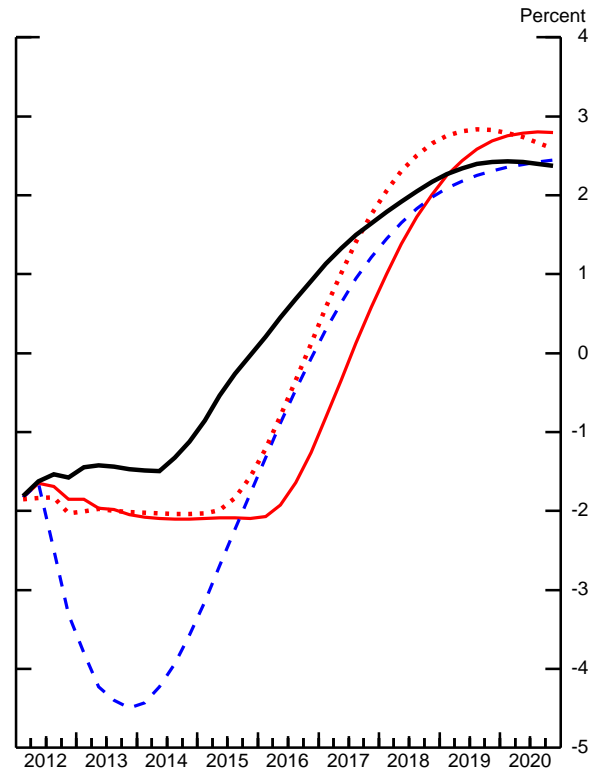
Note: The policy rule simulations in this exhibit are based on rules that respond to core inflation. This choice of rule specification was made in light of the tendency for current and near-term core inflation rates to outperform headline inflation rates as predictors of the medium-term behavior of headline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

Constrained vs. Unconstrained Optimal Control Policy

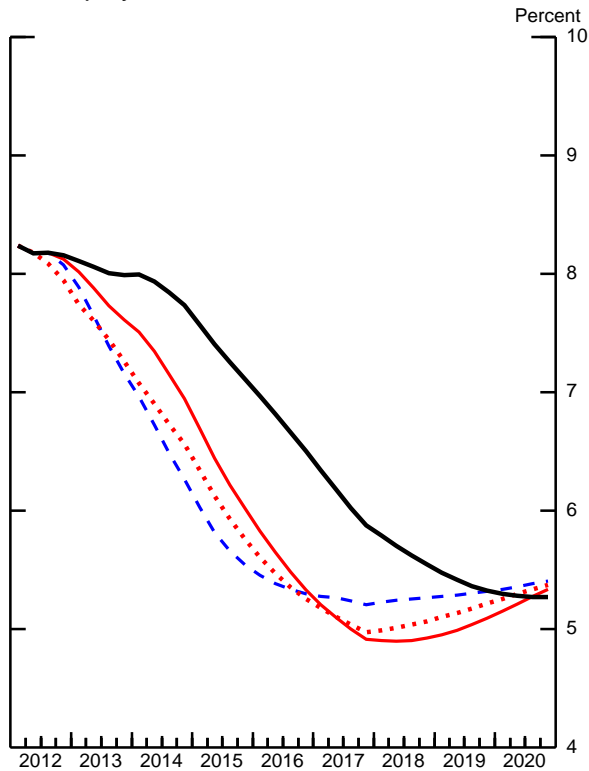
Nominal Federal Funds Rate



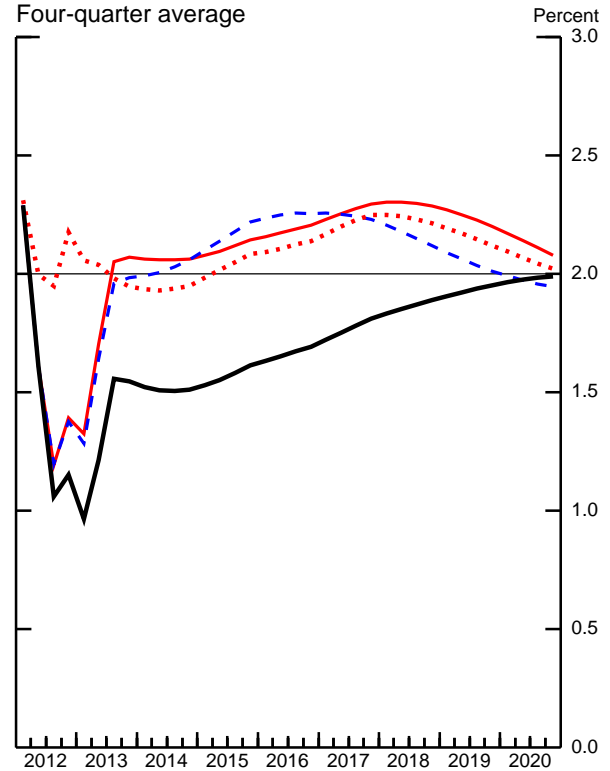
Real Federal Funds Rate



Unemployment Rate



PCE Inflation
Four-quarter average



Outcomes under Alternative Policies

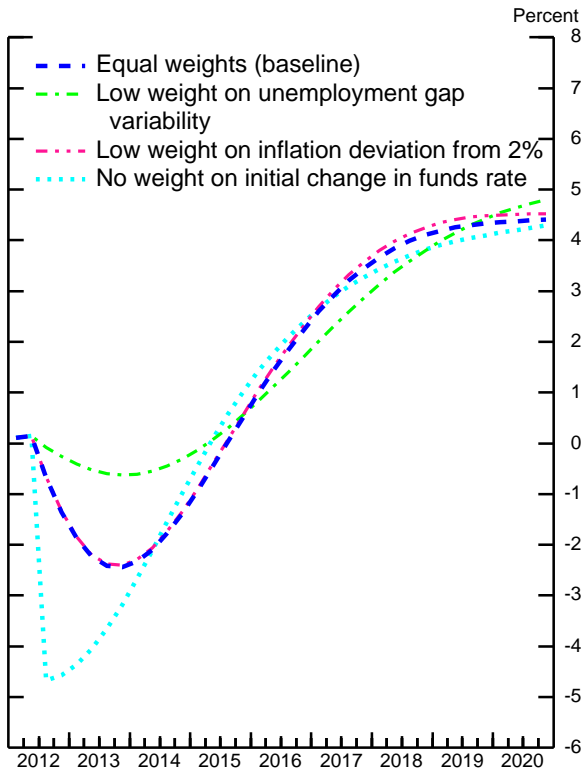
(Percent change, annual rate, from end of preceding period except as noted)

Measure and scenario	2011	2012	2013	2014	2015	2016
	H2					
<i>Real GDP</i>						
Extended Tealbook baseline	2.4	1.9	2.2	3.1	3.5	3.4
Taylor (1993)	2.4	1.7	1.6	2.8	3.6	3.7
Taylor (1999)	2.4	1.9	2.2	3.1	3.5	3.4
First-difference	2.4	1.8	1.9	2.8	3.4	3.4
Nominal income targeting	2.4	2.0	2.7	3.6	3.8	3.4
Constrained optimal control	2.4	2.1	3.1	3.9	4.0	3.5
<i>Unemployment rate¹</i>						
Extended Tealbook baseline	8.7	8.2	8.0	7.7	7.1	6.5
Taylor (1993)	8.7	8.2	8.3	8.2	7.6	6.9
Taylor (1999)	8.7	8.2	8.0	7.7	7.1	6.5
First-difference	8.7	8.2	8.1	8.0	7.5	6.8
Nominal income targeting	8.7	8.2	7.8	7.2	6.4	5.8
Constrained optimal control	8.7	8.2	7.6	6.9	6.0	5.3
<i>Total PCE prices</i>						
Extended Tealbook baseline	1.8	1.2	1.5	1.5	1.6	1.7
Taylor (1993)	1.8	1.1	1.3	1.3	1.4	1.5
Taylor (1999)	1.8	1.2	1.5	1.5	1.6	1.7
First-difference	1.8	1.1	1.3	1.2	1.3	1.4
Nominal income targeting	1.8	1.4	1.9	1.9	2.0	2.1
Constrained optimal control	1.8	1.4	2.0	2.1	2.1	2.2
<i>Core PCE prices</i>						
Extended Tealbook baseline	1.7	1.7	1.6	1.6	1.7	1.8
Taylor (1993)	1.7	1.6	1.4	1.4	1.5	1.6
Taylor (1999)	1.7	1.7	1.6	1.6	1.7	1.8
First-difference	1.7	1.6	1.4	1.3	1.4	1.5
Nominal income targeting	1.7	1.9	2.0	2.0	2.1	2.2
Constrained optimal control	1.7	1.9	2.1	2.2	2.2	2.3
<i>Federal funds rate¹</i>						
Extended Tealbook baseline	0.1	0.1	0.1	0.5	1.6	2.6
Taylor (1993)	0.1	1.4	1.0	1.3	2.0	2.7
Taylor (1999)	0.1	0.1	0.1	0.5	1.6	2.6
First-difference	0.1	0.1	0.1	0.9	1.8	2.8
Nominal income targeting	0.1	0.1	0.1	0.1	0.9	2.0
Constrained optimal control	0.1	0.1	0.1	0.1	0.1	1.0

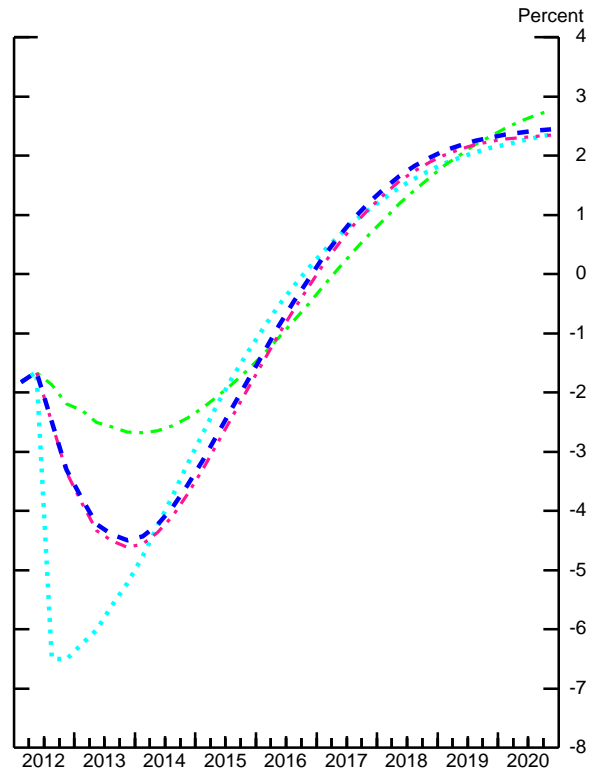
1. Percent, average for the final quarter of the period.

Unconstrained Optimal Control Policy: Alternative Weights on Policy Objectives

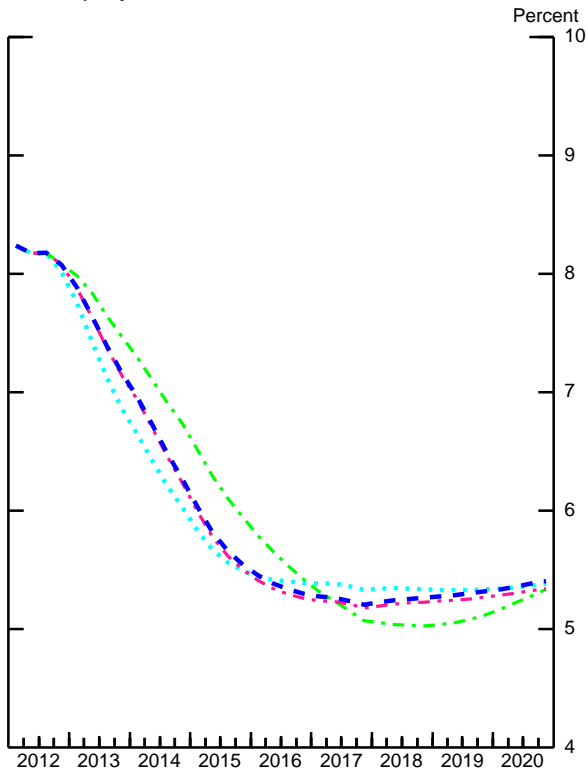
Nominal Federal Funds Rate



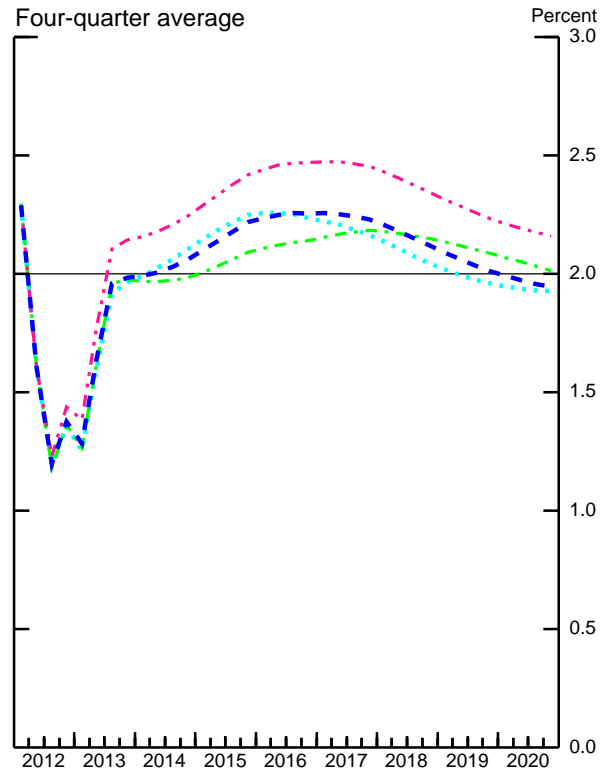
Real Federal Funds Rate



Unemployment Rate

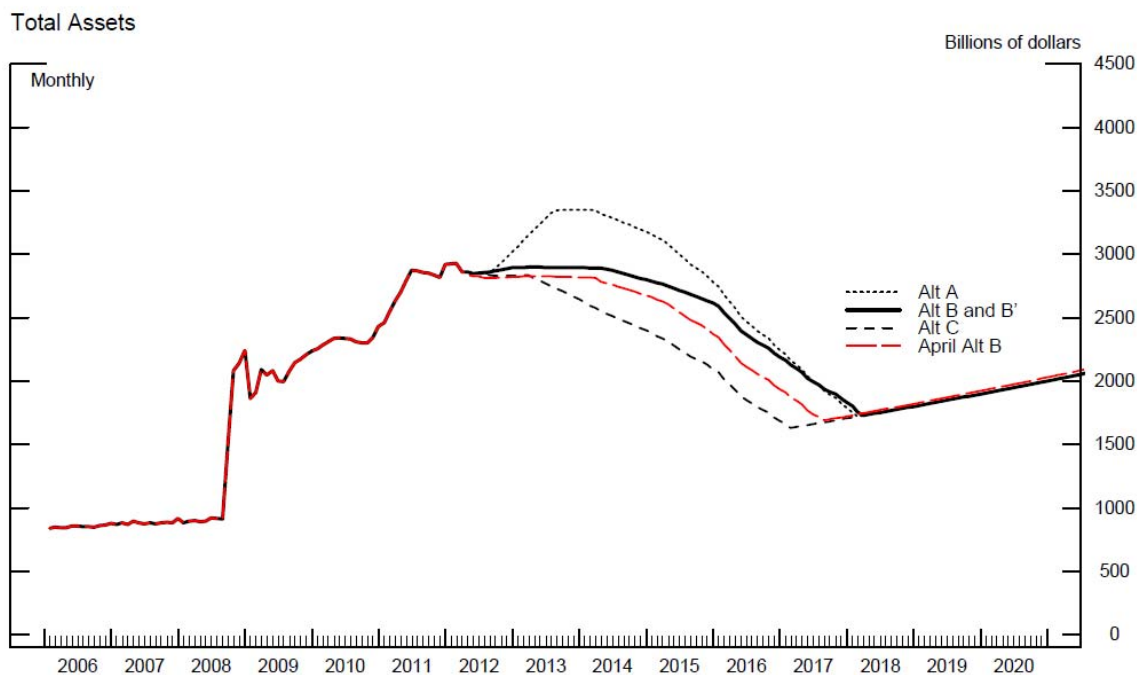


PCE Inflation
Four-quarter average



LONG-RUN PROJECTIONS OF THE BALANCE SHEET AND MONETARY BASE

The staff has prepared three scenarios for the Federal Reserve's balance sheet. The first scenario incorporates a continuation of the maturity extension program (MEP) that is consistent with Alternatives B and B'. The second scenario corresponds to Alternative A, incorporating a \$500 billion agency MBS purchase program as noted in paragraph 4 of the draft statement. This scenario is also consistent with the open-ended purchase program in paragraph 4' of that statement if purchases last, and are expected to last, for one year. The third scenario reflects Alternative C, in which the current MEP is completed at the end of this month and no additional balance sheet action is taken in the near term, with the federal funds rate rising above the current target range in late 2013. Projections under each scenario are based on assumptions about the trajectory of various components of the balance sheet. Details of these assumptions, as well as projections for each major component of the balance sheet, can be found in Explanatory Note D.



For the balance sheet scenario that corresponds to Alternatives B and B', the Committee is assumed to continue the MEP at its current pace through the end of 2012 instead of ending it at the end of this month as scheduled. The total amount of additional purchases under the extension of the MEP is \$267 billion. The expansion of the MEP changes the parameters of the program slightly; instead of selling the same dollar amount of securities with remaining maturities of three years or less, all Treasury securities in the

Growth Rates for the Monetary Base				
Date	Alternatives B and B'	Alternative A	Alternative C	<i>Memo: April Alternative B</i>
Percent, annual rate				
Monthly				
Jan-12	9.2	9.2	9.2	9.2
Feb-12	17.8	17.8	17.8	17.8
Mar-12	3.1	3.1	3.1	3.1
Apr-12	-12.2	-12.2	-12.2	-23.8
May-12	-8.8	-8.8	-8.8	2.5
Jun-12	7.9	7.4	7.2	13.8
Jul-12	22.5	19.3	19.3	1.3
Aug-12	10.7	9.9	5.7	5.7
Sep-12	-3.4	4.7	-8.3	-6.2
Quarterly				
2011 Q1	36.8	36.8	36.8	36.8
2011 Q2	69.3	69.3	69.3	69.3
2011 Q3	21.0	21.0	21.0	21.0
2011 Q4	-5.9	-5.9	-5.9	-5.9
2012 Q1	5.5	5.5	5.5	5.5
2012 Q2	-2.5	-2.6	-2.6	-3.3
2012 Q3	10.3	9.9	7.4	4.4
2012 Q4	-0.5	10.8	-5.1	-5.3
Annual - Q4 to Q4				
2010	0.9	0.9	0.9	0.9
2011	32.9	32.9	32.9	32.9
2012	3.2	6.0	1.3	0.3
2013	0.2	13.9	-3.8	-0.2
2014	-1.0	-3.0	-9.8	-2.4
2015	-6.6	-11.9	-13.1	-10.8
2016	-16.6	-20.2	-21.0	-19.6
2017	-18.1	-22.2	-3.3	-15.9
2018	-6.3	-4.5	5.0	5.2

Note: Not seasonally adjusted.

Growth Rates for M2	
(Percent, seasonally adjusted annual rate)	
Monthly Growth Rates	Tealbook Forecast*
Jan-12	15.9
Feb-12	3.1
Mar-12	3.6
Apr-12	5.3
May-12	4.0
Jun-12	7.8
Jul-12	4.5
Aug-12	4.2
Sep-12	4.2
Oct-12	3.9
Nov-12	4.0
Dec-12	4.0
Quarterly Growth Rates	
2012 Q1	8.4
2012 Q2	4.7
2012 Q3	5.1
2012 Q4	4.0
2013 Q1	1.9
2013 Q2	2.3
2013 Q3	3.2
2013 Q4	3.2
2014 Q1	3.4
2014 Q2	3.3
2014 Q3	0.5
2014 Q4	-1.4
Annual Growth Rates	
2012	5.7
2013	2.7
2014	1.4

* This forecast is consistent with nominal GDP and interest rates in the Tealbook Book A baseline forecast. Actual data through May 2012; projections thereafter.

10-Year Treasury Term Premium Effect				
Date	Alternatives B and B'	Alternative A	Alternative C	<i>Memo: April Alternative B</i>
Basis Points				
Quarterly Averages				
2012 Q2	-71	-77	-53	-61
2012 Q3	-68	-74	-50	-58
2012 Q4	-65	-71	-46	-55
2013 Q1	-62	-68	-43	-51
2013 Q2	-58	-64	-39	-48
2013 Q3	-54	-60	-36	-45
2013 Q4	-50	-56	-33	-41
2014 Q1	-47	-51	-30	-38
2014 Q2	-43	-47	-27	-35
2014 Q3	-40	-43	-25	-32
2014 Q4	-37	-39	-23	-29
2015 Q1	-34	-36	-21	-27
2015 Q2	-31	-33	-19	-24
2015 Q3	-28	-29	-17	-22
2015 Q4	-26	-27	-15	-20
2016 Q1	-24	-24	-14	-18
2016 Q2	-22	-21	-13	-16
2016 Q3	-20	-19	-12	-15
2016 Q4	-18	-17	-11	-13
2017 Q1	-16	-16	-10	-12
2017 Q2	-15	-14	-9	-11
2017 Q3	-14	-13	-9	-10
2017 Q4	-13	-11	-9	-10
2018 Q1	-12	-10	-8	-9
2018 Q2	-11	-10	-8	-8
2018 Q3	-10	-9	-8	-8
2018 Q4	-10	-8	-8	-8
2019 Q1	-9	-8	-7	-7
2019 Q2	-9	-7	-7	-7
2019 Q3	-8	-7	-7	-7
2019 Q4	-8	-7	-6	-6
2020 Q1	-7	-6	-6	-6
2020 Q2	-7	-6	-6	-5
2020 Q3	-6	-5	-5	-5
2020 Q4	-6	-5	-5	-5

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

Billions of dollars

	<u>May 31, 2012</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,849	2,894	2,798	2,190	1,800	2,000
Selected assets						
Liquidity programs for financial firms	22	15	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	22	15	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	5	3	1	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	19	19	15	12	7	4
Securities held outright	2,606	2,593	2,547	1,986	1,636	1,860
U.S. Treasury securities	1,661	1,653	1,653	1,430	1,426	1,860
Agency debt securities	93	77	39	16	2	0
Agency mortgage-backed securities	852	863	855	539	207	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	195	264	234	192	157	135
Total liabilities	2,794	2,833	2,716	2,081	1,657	1,810
Selected liabilities						
Federal Reserve notes in circulation	1,068	1,111	1,253	1,390	1,539	1,693
Reverse repurchase agreements	70	70	70	70	70	70
Deposits with Federal Reserve Banks	1,636	1,633	1,375	604	30	30
Reserve balances held by depository institutions	1,499	1,543	1,370	599	25	25
U.S. Treasury, General Account	112	90	5	5	5	5
Other Deposits	25	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	2	0	0	0	0	0
Total capital	55	62	82	108	143	189

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

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

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

Billions of dollars

	<u>May 31, 2012</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,849	3,019	3,176	2,246	1,800	2,000
Selected assets						
Liquidity programs for financial firms	22	15	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	22	15	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	5	3	1	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	19	19	15	12	7	4
Securities held outright	2,606	2,771	2,962	2,078	1,670	1,892
U.S. Treasury securities	1,661	1,652	1,597	1,223	1,345	1,892
Agency debt securities	93	77	39	16	2	0
Agency mortgage-backed securities	852	1,042	1,327	839	323	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	195	211	197	156	123	104
Total liabilities	2,794	2,957	3,095	2,138	1,657	1,811
Selected liabilities						
Federal Reserve notes in circulation	1,068	1,111	1,253	1,390	1,539	1,693
Reverse repurchase agreements	70	70	70	70	70	70
Deposits with Federal Reserve Banks	1,636	1,757	1,754	660	30	30
Reserve balances held by depository institutions	1,499	1,667	1,749	655	25	25
U.S. Treasury, General Account	112	90	5	5	5	5
Other Deposits	25	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	2	0	0	0	0	0
Total capital	55	62	82	108	143	189

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

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

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

Billions of dollars

	<u>May 31, 2012</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,849	2,830	2,399	1,685	1,800	2,000
Selected assets						
Liquidity programs for financial firms	22	15	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	22	15	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	5	3	1	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	19	19	15	12	7	4
Securities held outright	2,606	2,591	2,211	1,535	1,680	1,893
U.S. Treasury securities	1,661	1,652	1,537	1,182	1,641	1,893
Agency debt securities	93	77	39	16	1	0
Agency mortgage-backed securities	852	863	635	336	37	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	195	201	171	138	113	103
Total liabilities	2,794	2,768	2,317	1,576	1,657	1,811
Selected liabilities						
Federal Reserve notes in circulation	1,068	1,111	1,253	1,390	1,539	1,693
Reverse repurchase agreements	70	70	70	70	70	70
Deposits with Federal Reserve Banks	1,636	1,569	976	99	30	30
Reserve balances held by depository institutions	1,499	1,478	971	94	25	25
U.S. Treasury, General Account	112	90	5	5	5	5
Other Deposits	25	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	2	0	0	0	0	0
Total capital	55	62	82	108	143	189

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

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