

Prefatory Note

The attached document represents the most complete and accurate version available based on original files from the FOMC Secretariat at the Board of Governors of the Federal Reserve System.

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

Class II FOMC – Restricted (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book A

Economic and Financial Conditions: Current Situation and Outlook

December 5, 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 last published its Summary of Economic Projections (SEP) following the September FOMC meeting. The table below summarizes revisions to the staff economic projection since the September Tealbook.

The September Tealbook projection did not assume any additional monetary accommodation such as was announced following the September FOMC meeting. Accordingly, the staff's federal funds rate assumption is now appreciably lower than in September, with the funds rate remaining at its effective lower bound until the fourth quarter of 2015 and reaching only ½ percent by the end of that year.

Although the key financial variables underlying the projection became more accommodative following the announcement of the FOMC's new policy stance, some of these variables have since retraced part of that improvement, and the conditioning assumptions for our projection are now only a little more accommodative than in September; in addition, incoming economic data have been to the soft side of our expectations on balance. In all, the staff projection for real GDP growth is substantially unchanged from September. The unemployment rate has been revised down throughout the medium term, mainly reflecting the surprises to the unemployment rate that we have received since September. As before, significant slack remains even at the end of 2015.

The staff projection for inflation is about unchanged since September. The lower path for the unemployment rate has only a small effect on our inflation projection, given our estimate of a relatively flat Phillips curve and stable inflation expectations.

Staff Economic Projections Compared with the September Tealbook

| Variable | 2012 | | 2012 | 2013 | 2014 | 2015 | Longer run |
|--------------------------------------|------|-----|------|------|------|------|------------|
| | H1 | H2 | | | | | |
| Real GDP ¹ | 1.6 | 1.8 | 1.7 | 2.5 | 3.2 | 3.6 | 2.5 |
| September Tealbook | 1.8 | 1.5 | 1.6 | 2.4 | 3.2 | 3.6 | 2.5 |
| Unemployment rate ² | 8.2 | 8.0 | 8.0 | 7.8 | 7.4 | 6.5 | 5.2 |
| September Tealbook | 8.2 | 8.3 | 8.3 | 8.0 | 7.6 | 6.7 | 5.2 |
| PCE inflation ¹ | 1.6 | 1.6 | 1.6 | 1.3 | 1.4 | 1.5 | 2.0 |
| September Tealbook | 1.6 | 1.8 | 1.7 | 1.4 | 1.4 | 1.5 | 2.0 |
| Core PCE inflation ¹ | 2.0 | 1.2 | 1.6 | 1.6 | 1.6 | 1.7 | n.a. |
| September Tealbook | 2.0 | 1.4 | 1.7 | 1.6 | 1.6 | 1.7 | n.a. |
| Federal funds rate ² | .15 | .15 | .15 | .13 | .13 | .38 | 4.25 |
| September Tealbook | .15 | .13 | .13 | .13 | .65 | 2.06 | 4.25 |
| Memo: | | | | | | | |
| Federal funds rate, end of period | .13 | .13 | .13 | .13 | .13 | .50 | 4.25 |
| September Tealbook | .13 | .13 | .13 | .13 | .75 | 2.25 | 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.

(see the box “Supply of Mortgage and Consumer Credit”), and therefore expect house prices to rise at a 2½ percent pace in both 2014 and 2015, unrevised from October.

Fiscal Policy

There remains considerable uncertainty about how and when the Administration and the Congress will resolve the issue of the fiscal cliff, and we expect uncertainty about fiscal policy to remain heightened into the first half of next year. Nevertheless, we still assume that a legislative agreement will eventually be reached to avoid the full force of the fiscal cliff, and our policy assumptions are essentially unchanged from the October Tealbook.³ In particular, we assume that federal fiscal policy will exert a substantial drag on economic growth next year, reflecting the expiration of the payroll tax cut and the EUC program at the beginning of the year as well as declines in real federal purchases owing to the discretionary spending caps in the Budget Control Act and reduced spending on overseas military operations. But we also assume that key elements of the fiscal cliff will be replaced by much smaller fiscal adjustments. Specifically, we assume that most federal tax provisions set to expire at the end of this year under current law, notably the 2001–03 tax cuts, will instead be extended, and that the provisions of the spending sequestration will be replaced by much smaller tax increases and spending reductions.⁴

Reflecting both the assumed fiscal policy tightening and an anticipated acceleration in tax revenues as the economic recovery strengthens, the federal budget deficit is projected to narrow from \$1.1 trillion (7 percent of GDP) in fiscal year 2012 to about \$600 billion (a little over 3 percent of GDP) in fiscal 2015. We continue to expect that fiscal policy at all levels of government will directly restrain the rate of real GDP growth (excluding multiplier effects) by the amounts shown in the table “Total Fiscal Impetus.”

Total Fiscal Impetus
(Percentage point contribution to real GDP growth)

| 2012 | 2013 | 2014 | 2015 |
|------|------|------|------|
| -0.2 | -1.1 | -0.4 | -0.2 |

³ We assume that negotiations will also lift the debt ceiling in time to avert a disruption in the timely payment of all federal obligations, including the federal debt.

⁴ These tax increases and spending cuts are assumed to generate a similar amount of deficit reduction as the sequestration over 10 years but to be implemented more gradually than the sequestration cuts.

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

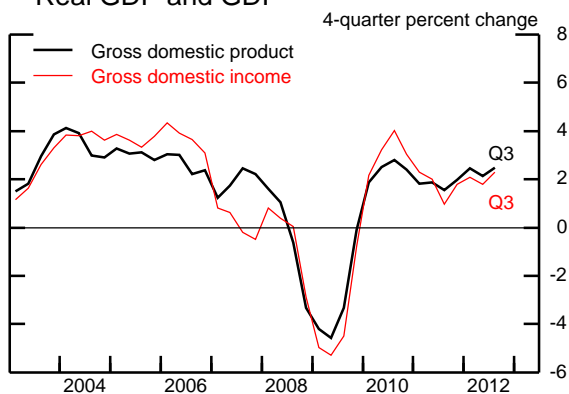
| Measure | 2012:Q3 | | 2012:Q4 | | 2013:Q1 | |
|--|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | Previous Tealbook | Current Tealbook | Previous Tealbook | Current Tealbook | Previous Tealbook | Current Tealbook |
| Real GDP | 2.0 | 2.8 | 2.0 | .9 | 1.8 | 1.7 |
| Private domestic final purchases | 2.1 | 1.3 | 3.1 | 2.9 | 1.4 | 1.1 |
| Personal consumption expenditures | 2.3 | 1.4 | 3.1 | 2.1 | 1.1 | .6 |
| Residential investment | 14.3 | 13.8 | 13.9 | 14.8 | 13.4 | 17.0 |
| Business fixed investment | -2.5 | -2.2 | .8 | 5.4 | 1.0 | 1.1 |
| Government purchases | .6 | 4.0 | -1.6 | -3.5 | -1.5 | -1.8 |
| <i>Contributions to change in real GDP</i> | | | | | | |
| Inventory investment ¹ | .1 | .8 | .0 | -.8 | .8 | .9 |
| Net exports ¹ | .0 | .1 | -.2 | .0 | .1 | .2 |
| Unemployment Rate² | 8.1 | 8.1 | 8.0 | 8.0 | 8.0 | 7.9 |
| PCE Chain Price Index | 1.7 | 1.6 | 2.1 | 1.5 | .9 | 1.1 |
| Ex. food and energy | 1.2 | 1.1 | 1.4 | 1.2 | 1.6 | 1.7 |

1. Percentage points.

2. Percent.

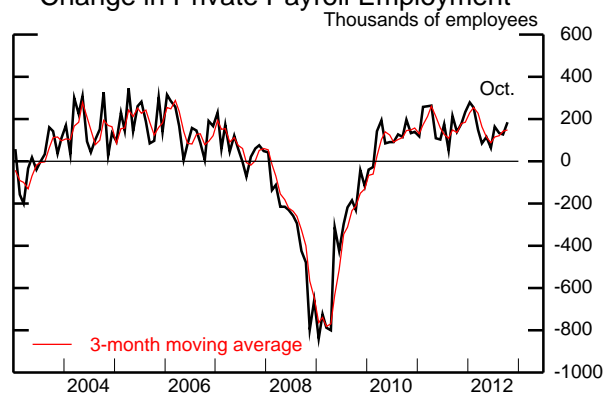
Recent Nonfinancial Developments (1)

Real GDP and GDI



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

Change in Private Payroll Employment



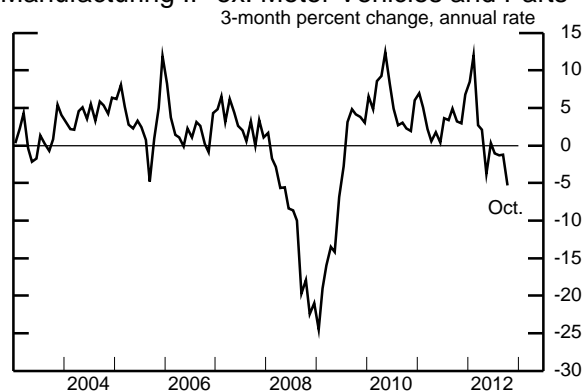
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Unemployment Rate



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

Manufacturing IP ex. Motor Vehicles and Parts

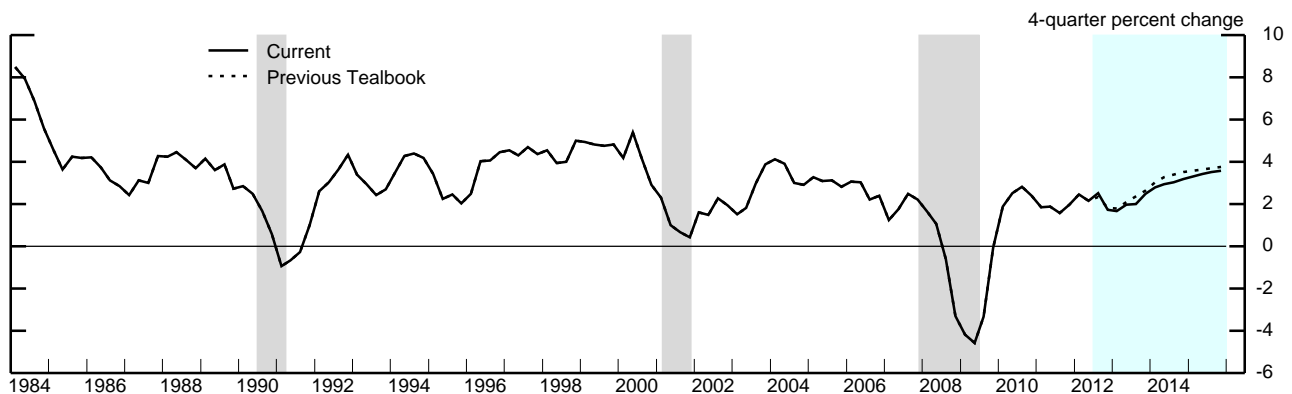


Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

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 | 2015 |
|--|------------|------------|------------|------------|------------|------------|
| | | H1 | H2 | | | |
| Real GDP | 2.0 | 1.6 | 1.8 | 2.5 | 3.2 | 3.6 |
| Previous Tealbook | 2.0 | 1.6 | 2.0 | 2.6 | 3.5 | 3.7 |
| Final sales | 1.7 | 2.1 | 1.8 | 2.3 | 3.1 | 3.6 |
| Previous Tealbook | 1.7 | 2.1 | 2.0 | 2.5 | 3.5 | |
| Personal consumption expenditures | 1.9 | 2.0 | 1.8 | 2.2 | 3.3 | 3.6 |
| Previous Tealbook | 1.9 | 2.0 | 2.7 | 2.8 | 3.7 | |
| Residential investment | 3.9 | 14.3 | 14.3 | 16.8 | 11.8 | 12.7 |
| Previous Tealbook | 3.9 | 14.3 | 14.1 | 14.8 | 13.2 | |
| Nonresidential structures | 6.9 | 6.6 | .4 | 2.9 | 2.5 | 2.1 |
| Previous Tealbook | 6.9 | 6.6 | -4.2 | 2.7 | 2.3 | |
| Equipment and software | 11.4 | 5.1 | 2.0 | 6.1 | 7.0 | 6.2 |
| Previous Tealbook | 11.4 | 5.1 | .5 | 4.2 | 7.5 | |
| Federal purchases | -4.2 | -2.3 | .0 | -4.5 | -4.3 | -2.3 |
| Previous Tealbook | -4.2 | -2.3 | -1.4 | -4.2 | -4.2 | |
| State and local purchases | -2.7 | -1.6 | .3 | .3 | .9 | 1.2 |
| Previous Tealbook | -2.7 | -1.6 | .0 | .3 | .9 | |
| Exports | 4.3 | 4.8 | 2.1 | 5.1 | 5.9 | 7.3 |
| Previous Tealbook | 4.3 | 4.8 | 1.1 | 5.1 | 6.2 | |
| Imports | 3.5 | 2.9 | 1.3 | 3.8 | 4.8 | 5.2 |
| Previous Tealbook | 3.5 | 2.9 | 1.4 | 3.9 | 5.0 | |
| Contributions to change in real GDP (percentage points) | | | | | | |
| Inventory change | .3 | -.4 | .0 | .2 | .1 | .0 |
| Previous Tealbook | .3 | -.4 | .1 | .2 | .0 | |
| Net exports | .0 | .1 | .1 | .0 | .0 | .1 |
| Previous Tealbook | .0 | .1 | -.1 | .0 | .0 | |

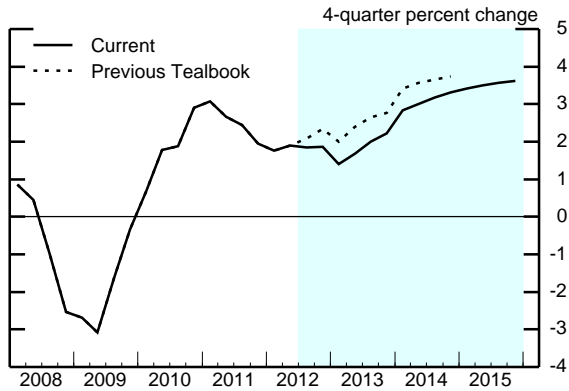
Real GDP



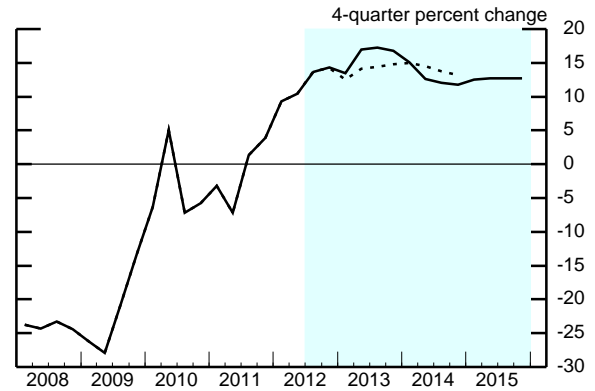
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

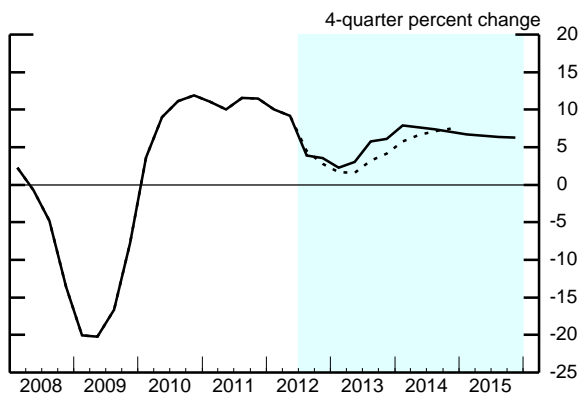
Personal Consumption Expenditures



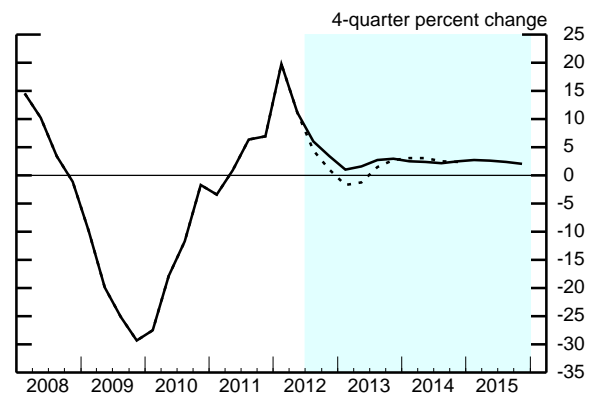
Residential Investment



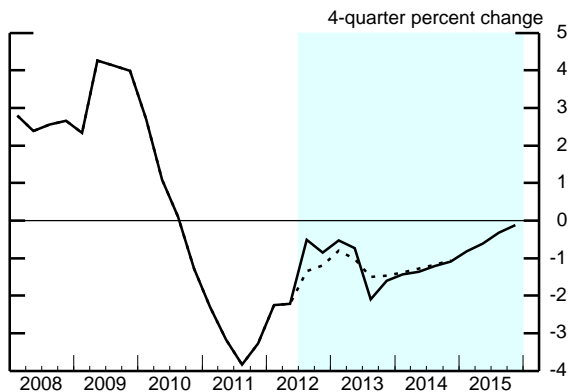
Equipment and Software



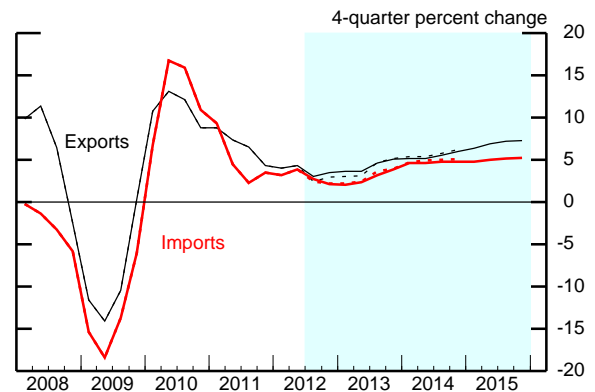
Nonresidential Structures



Government Consumption & Investment

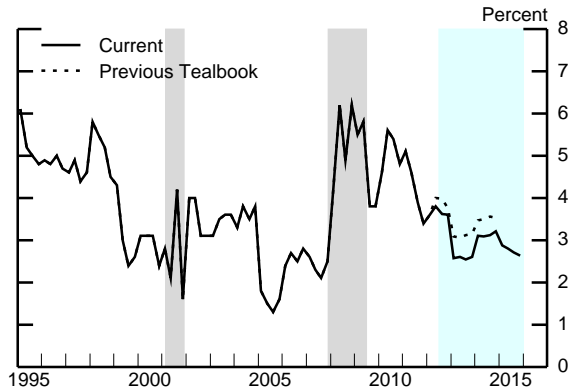


Exports and Imports



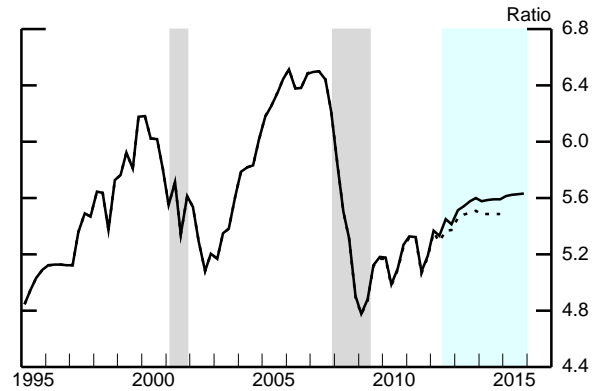
Aspects of the Medium-Term Projection

Personal Saving Rate



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

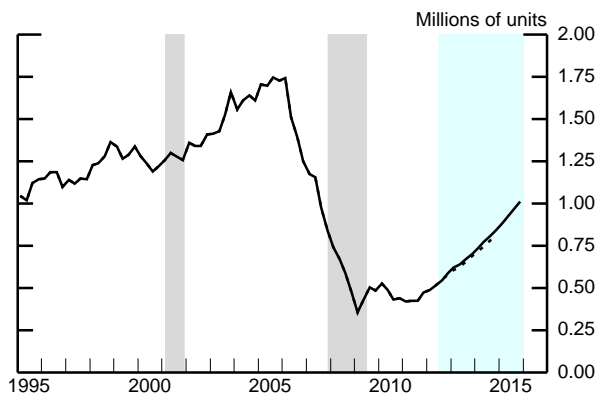
Wealth-to-Income Ratio



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

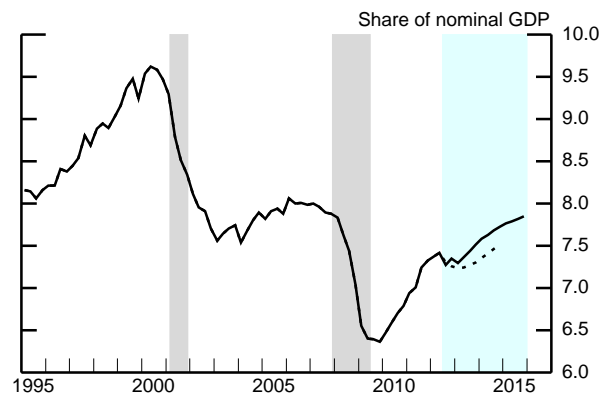
Source: For net worth, Federal Reserve Board, flow of funds data; for income, Dept. of Commerce, Bureau of Economic Analysis.

Single-Family Housing Starts



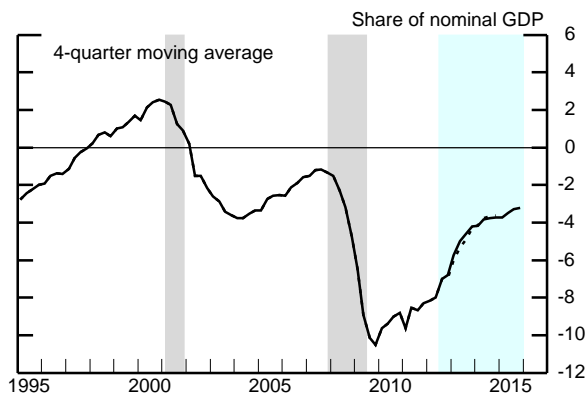
Source: U.S. Census Bureau.

Equipment and Software Spending



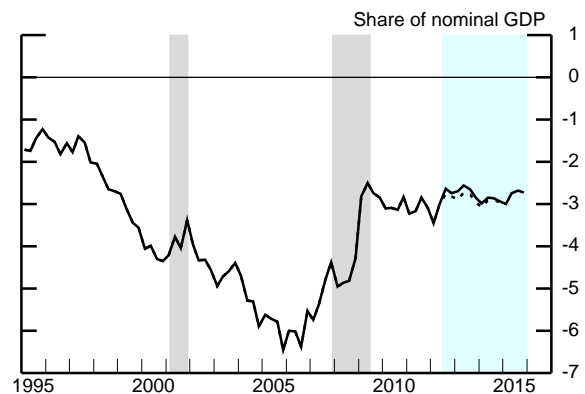
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

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

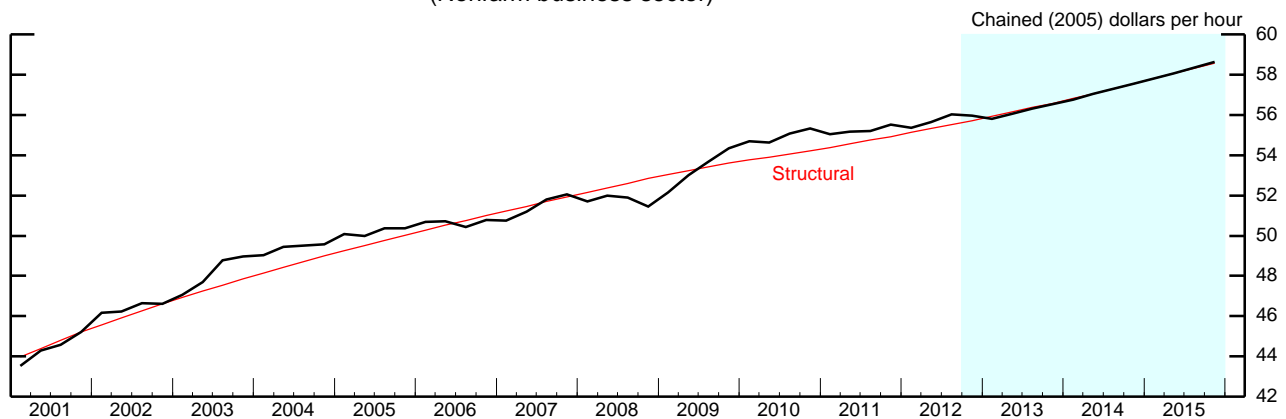
(Percent change, Q4 to Q4, except as noted)

| Measure | 1974-1995 | 1996-2000 | 2001-2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-----------|-----------|-----------|------|------|------|------|------|
| Potential real GDP | 3.0 | 3.4 | 2.2 | 1.5 | 1.8 | 2.0 | 2.1 | 2.2 |
| Previous Tealbook | 3.0 | 3.4 | 2.2 | 1.5 | 1.8 | 2.0 | 2.1 | |
| <i>Selected contributions¹</i> | | | | | | | | |
| Structural labor productivity | 1.4 | 2.6 | 2.1 | 1.3 | 1.4 | 1.6 | 1.7 | 1.8 |
| Previous Tealbook | 1.4 | 2.6 | 2.1 | 1.3 | 1.4 | 1.6 | 1.7 | |
| Capital deepening | .7 | 1.5 | .7 | .4 | .5 | .6 | .7 | .8 |
| Previous Tealbook | .7 | 1.5 | .7 | .4 | .5 | .6 | .6 | |
| Multifactor productivity | .5 | .8 | 1.2 | .8 | .9 | .9 | .9 | .9 |
| Previous Tealbook | .5 | .8 | 1.2 | .8 | .9 | .9 | 1.0 | |
| Structural hours | 1.5 | 1.0 | .6 | .5 | .6 | .6 | .6 | .7 |
| Previous Tealbook | 1.5 | 1.0 | .6 | .5 | .6 | .6 | .6 | |
| Labor force participation | .4 | .0 | -.3 | -.4 | -.3 | -.3 | -.3 | -.4 |
| Previous Tealbook | .4 | .0 | -.3 | -.4 | -.3 | -.3 | -.3 | |

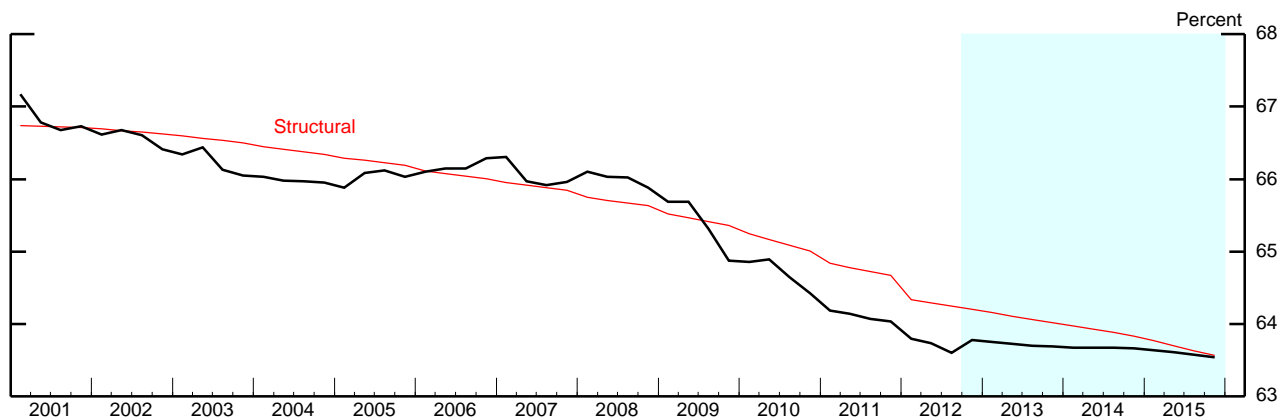
Note: For multiyear periods, the percent change is the annual average from Q4 of the year preceding the first year shown to Q4 of the last year shown.

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 | 2015 |
|---|------|------|------|------|------|------|
| | | H1 | H2 | | | |
| Output per hour, nonfarm business | .6 | .7 | 1.2 | 1.0 | 1.8 | 1.9 |
| Previous Tealbook | .6 | .7 | 1.1 | 1.3 | 1.6 | |
| Nonfarm private employment ¹ | 175 | 157 | 153 | 158 | 200 | 262 |
| Previous Tealbook | 175 | 157 | 137 | 170 | 249 | |
| Labor force participation rate ² | 64.0 | 63.7 | 63.8 | 63.7 | 63.7 | 63.5 |
| Previous Tealbook | 64.0 | 63.7 | 63.6 | 63.6 | 63.6 | |
| Civilian unemployment rate ² | 8.7 | 8.2 | 8.0 | 7.8 | 7.4 | 6.5 |
| Previous Tealbook | 8.7 | 8.2 | 8.0 | 7.8 | 7.2 | 6.2 |
| Memo: GDP gap ³ | -4.0 | -4.1 | -4.1 | -3.6 | -2.6 | -1.3 |
| Previous Tealbook | -4.0 | -4.1 | -4.0 | -3.4 | -2.0 | |

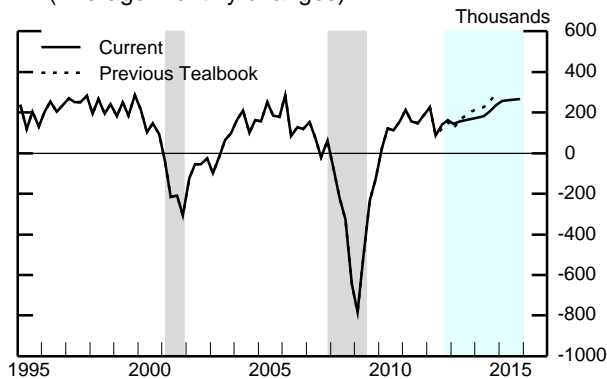
1. Thousands, average monthly changes.

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.

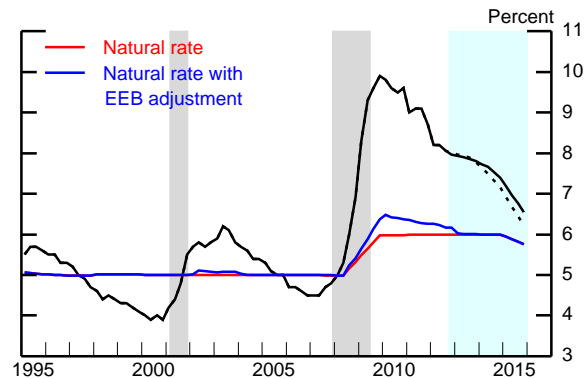
Source: U.S. Department of Labor, BLS; staff assumptions.

Nonfarm Private Employment (Average monthly changes)



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

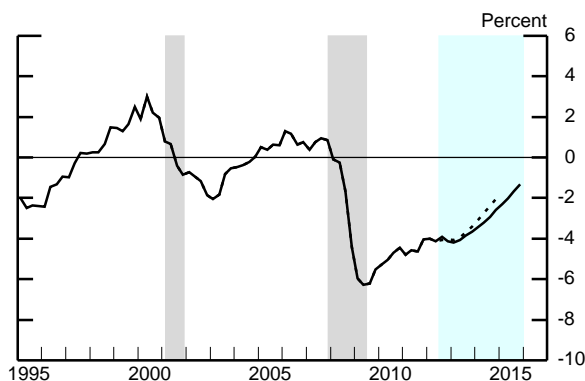
Unemployment Rate



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

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

GDP Gap

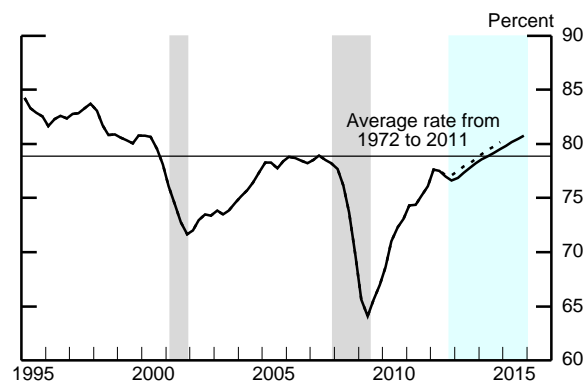


Note: The GDP gap is the percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

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

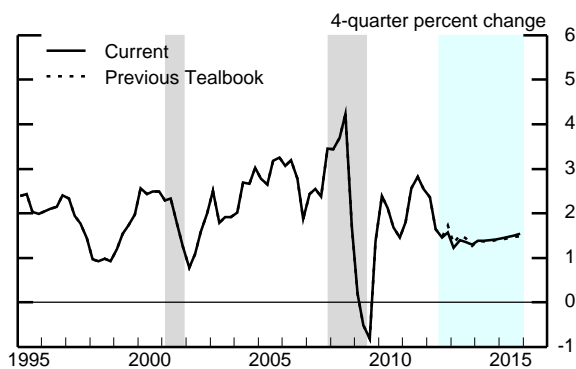
(Percent change at annual rate from final quarter of preceding period)

| Measure | 2011 | 2012 | | 2013 | 2014 | 2015 |
|---|------|------|------|------|------|------|
| | | H1 | H2 | | | |
| PCE chain-weighted price index | 2.5 | 1.6 | 1.6 | 1.3 | 1.4 | 1.5 |
| Previous Tealbook | 2.5 | 1.6 | 1.9 | 1.3 | 1.4 | 1.5 |
| Food and beverages | 5.1 | 1.0 | 1.5 | 2.3 | 1.1 | 1.5 |
| Previous Tealbook | 5.1 | 1.0 | 1.6 | 2.4 | 1.0 | |
| Energy | 11.9 | -3.3 | 7.5 | -4.4 | -1.7 | -1.6 |
| Previous Tealbook | 11.9 | -3.3 | 11.0 | -4.7 | -2.3 | |
| Excluding food and energy | 1.7 | 2.0 | 1.2 | 1.6 | 1.6 | 1.7 |
| Previous Tealbook | 1.7 | 2.0 | 1.3 | 1.6 | 1.7 | 1.7 |
| Prices of core goods imports ¹ | 4.3 | .5 | -.1 | 1.1 | 1.5 | 1.5 |
| Previous Tealbook | 4.3 | .5 | -.9 | 1.4 | 1.5 | |

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

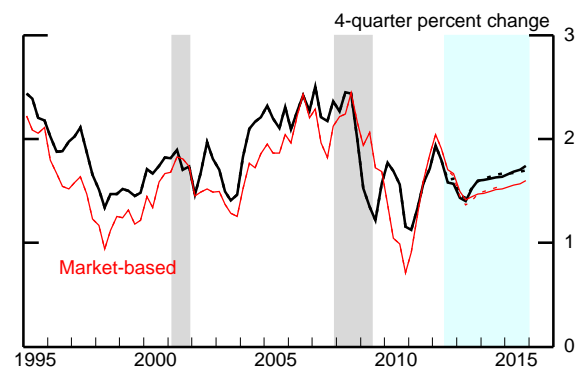
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE Prices



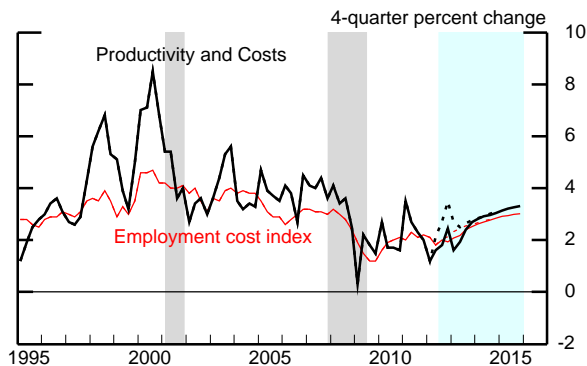
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices ex. Food and Energy



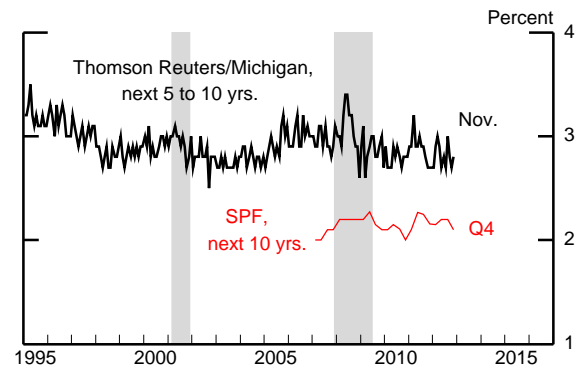
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

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/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.

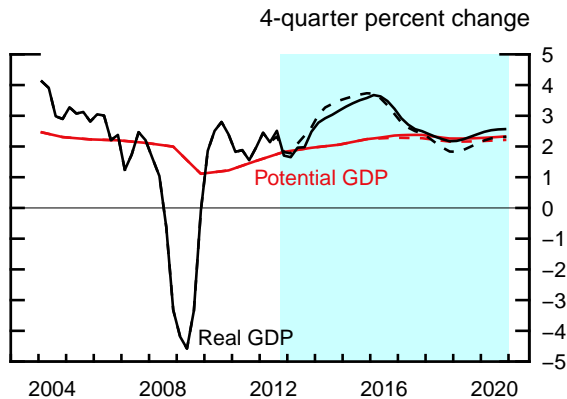
The Long-Term Outlook

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

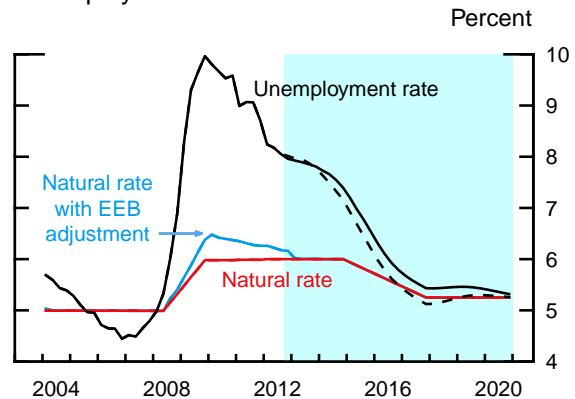
| Measure | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Longer run |
|---|------|------|------|------|------|------|------------|
| Real GDP | 1.7 | 2.5 | 3.2 | 3.6 | 3.2 | 2.5 | 2.5 |
| Previous Tealbook | 1.8 | 2.6 | 3.5 | 3.7 | 3.1 | 2.4 | 2.5 |
| Civilian unemployment rate ¹ | 8.0 | 7.8 | 7.4 | 6.5 | 5.8 | 5.4 | 5.2 |
| Previous Tealbook | 8.0 | 7.8 | 7.2 | 6.2 | 5.5 | 5.1 | 5.2 |
| PCE prices, total | 1.6 | 1.3 | 1.4 | 1.5 | 1.8 | 1.9 | 2.0 |
| Previous Tealbook | 1.7 | 1.3 | 1.4 | 1.5 | 1.8 | 2.0 | 2.0 |
| Core PCE prices | 1.6 | 1.6 | 1.6 | 1.7 | 1.8 | 1.9 | 2.0 |
| Previous Tealbook | 1.6 | 1.6 | 1.7 | 1.7 | 1.9 | 2.0 | 2.0 |
| Federal funds rate ¹ | .2 | .1 | .1 | .4 | 2.0 | 3.2 | 4.3 |
| Previous Tealbook | .1 | .1 | .1 | .7 | 2.6 | 3.9 | 4.3 |
| 10-year Treasury yield ¹ | 1.7 | 2.8 | 3.6 | 4.2 | 4.4 | 4.4 | 5.1 |
| Previous Tealbook | 1.8 | 2.7 | 3.5 | 4.1 | 4.4 | 4.6 | 5.1 |

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

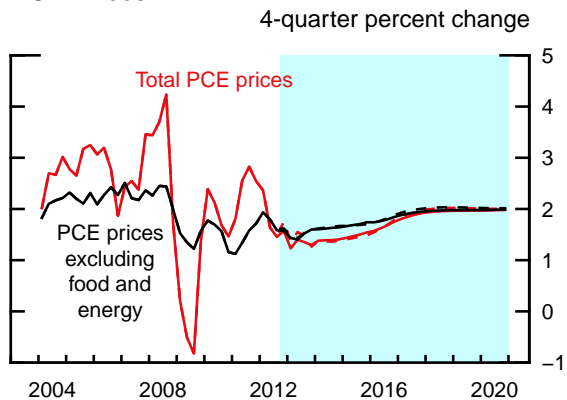
Real GDP



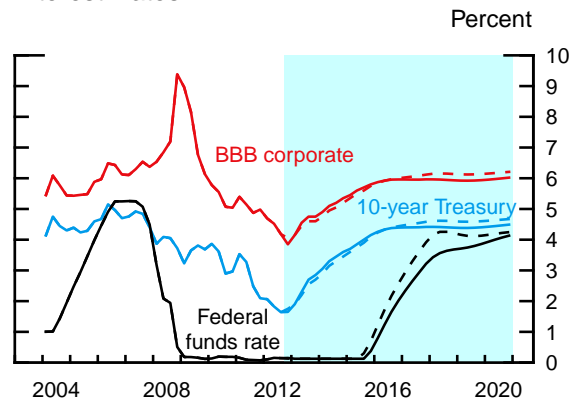
Unemployment Rate



PCE Prices



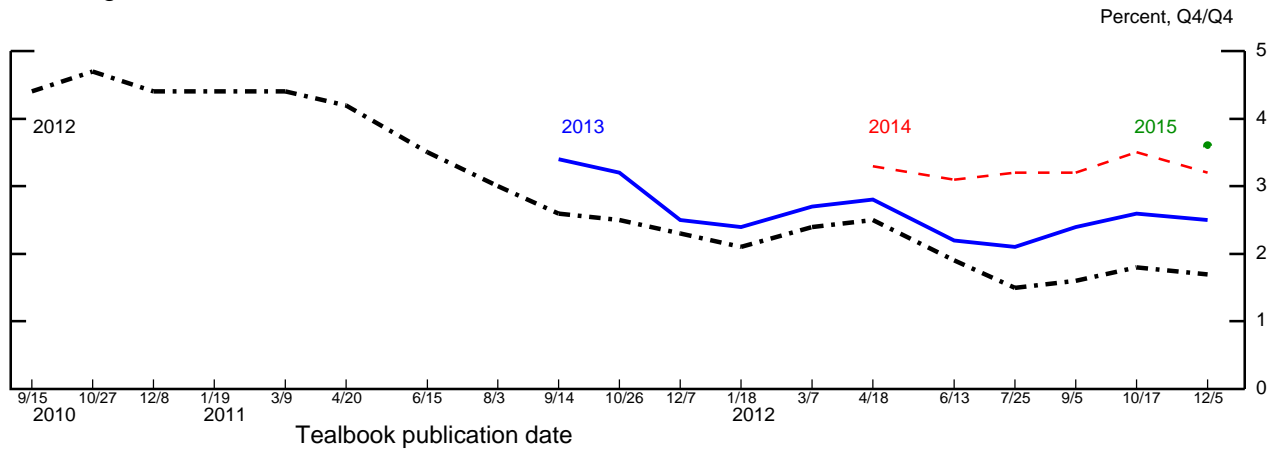
Interest Rates



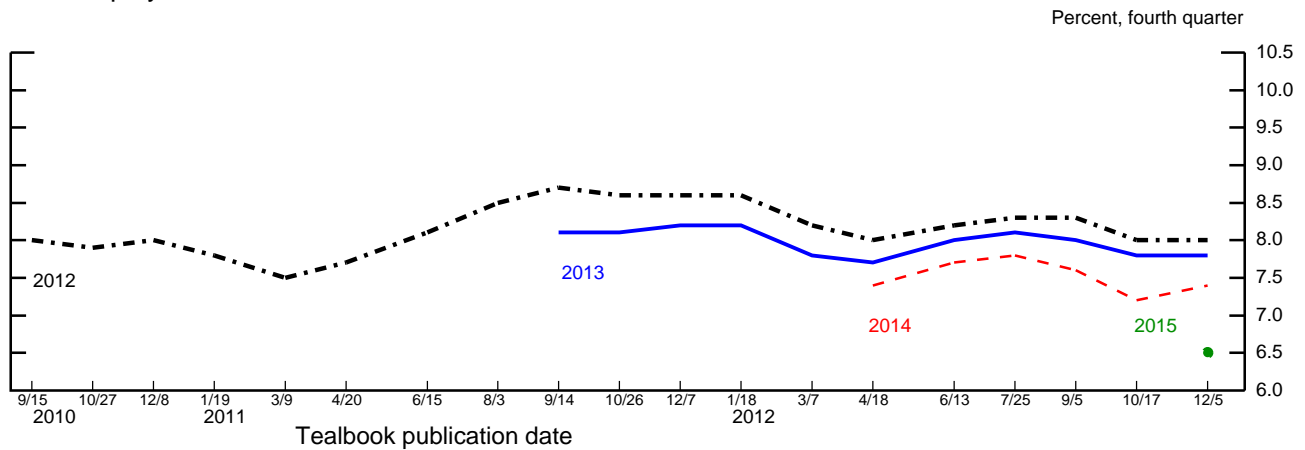
Note: In each panel, shading represents the projection period, and dashed lines are the previous Tealbook.

Evolution of the Staff Forecast

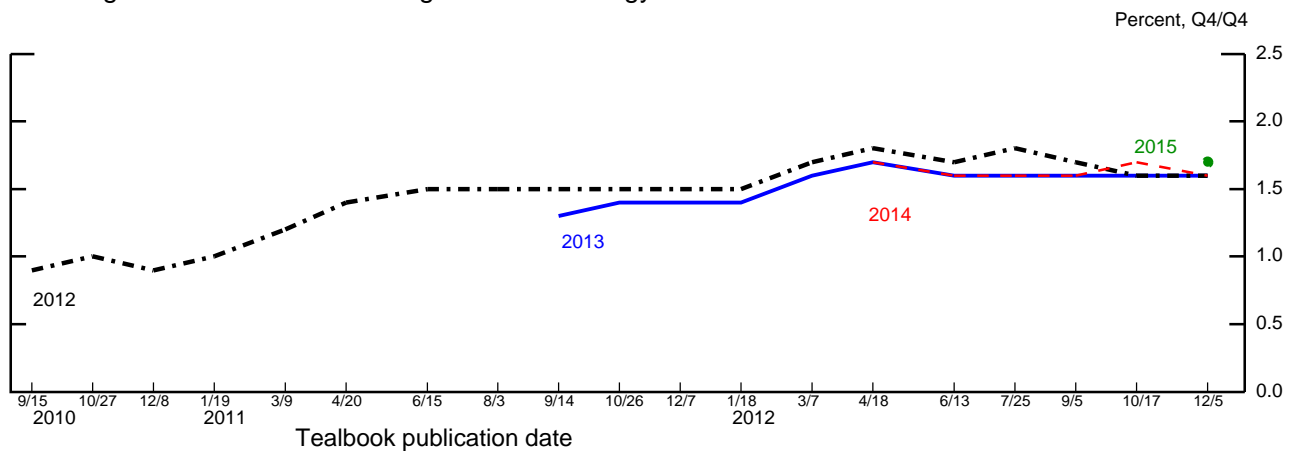
Change in Real GDP



Unemployment Rate



Change in PCE Prices excluding Food and Energy



The Foreign Outlook

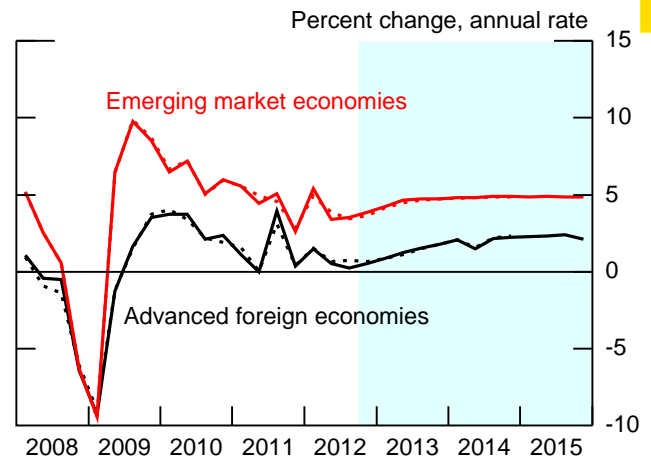
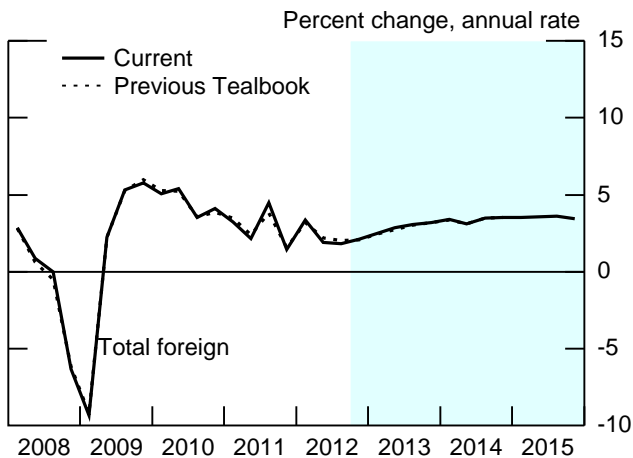
(Percent change, annual rate)

| | 2011 | 2012 | | | | 2013 | | | 2014 | 2015 |
|----------------------------|------|------|-----|-----|-----|------|-----|-----|------|------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | H2 | | |
| Real GDP | | | | | | | | | | |
| Total foreign | 2.8 | 3.4 | 1.9 | 1.8 | 2.1 | 2.5 | 2.9 | 3.1 | 3.4 | 3.5 |
| Previous Tealbook | 2.8 | 3.2 | 2.2 | 2.0 | 2.1 | 2.4 | 2.7 | 3.1 | 3.4 | n.a. |
| Advanced foreign economies | 1.3 | 1.5 | .5 | .2 | .5 | .8 | 1.2 | 1.6 | 2.0 | 2.3 |
| Previous Tealbook | 1.3 | 1.5 | .6 | .7 | .6 | .9 | 1.1 | 1.6 | 2.0 | n.a. |
| Emerging market economies | 4.4 | 5.4 | 3.4 | 3.5 | 3.9 | 4.2 | 4.6 | 4.7 | 4.9 | 4.9 |
| Previous Tealbook | 4.5 | 5.0 | 3.9 | 3.4 | 3.6 | 4.1 | 4.5 | 4.7 | 4.8 | n.a. |
| Consumer Prices | | | | | | | | | | |
| Total foreign | 3.4 | 2.6 | 1.9 | 2.2 | 2.5 | 2.3 | 2.2 | 2.2 | 2.5 | 2.6 |
| Previous Tealbook | 3.4 | 2.6 | 1.9 | 2.2 | 2.7 | 2.3 | 2.2 | 2.2 | 2.5 | n.a. |
| Advanced foreign economies | 2.2 | 2.1 | .6 | .8 | 1.7 | 1.2 | 1.2 | 1.2 | 1.6 | 1.7 |
| Previous Tealbook | 2.2 | 2.1 | .6 | .7 | 1.8 | 1.3 | 1.2 | 1.2 | 1.7 | n.a. |
| Emerging market economies | 4.3 | 2.9 | 3.0 | 3.3 | 3.1 | 3.1 | 3.0 | 3.1 | 3.2 | 3.3 |
| Previous Tealbook | 4.3 | 2.9 | 3.0 | 3.3 | 3.3 | 3.1 | 3.1 | 3.1 | 3.2 | n.a. |

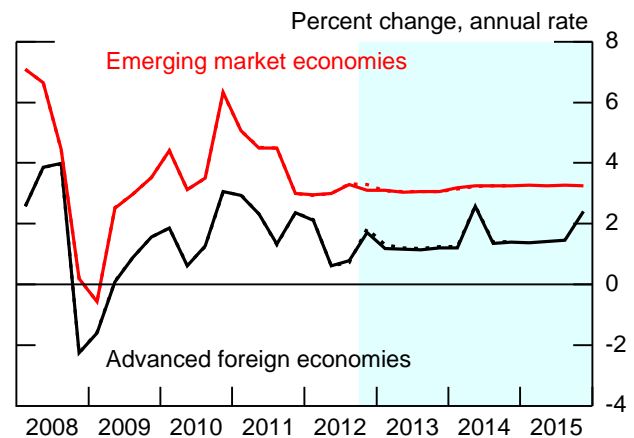
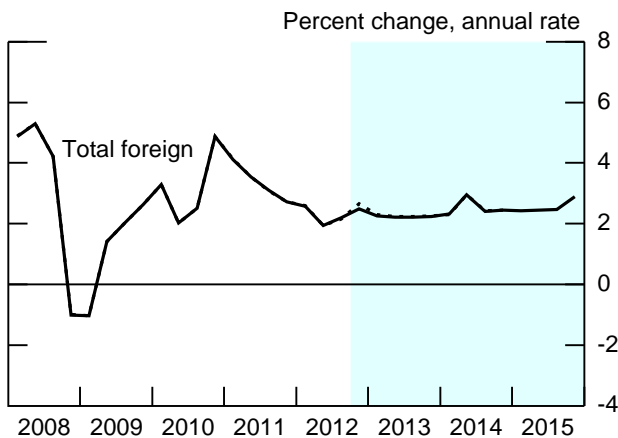
n.a. Not available.

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

Real GDP

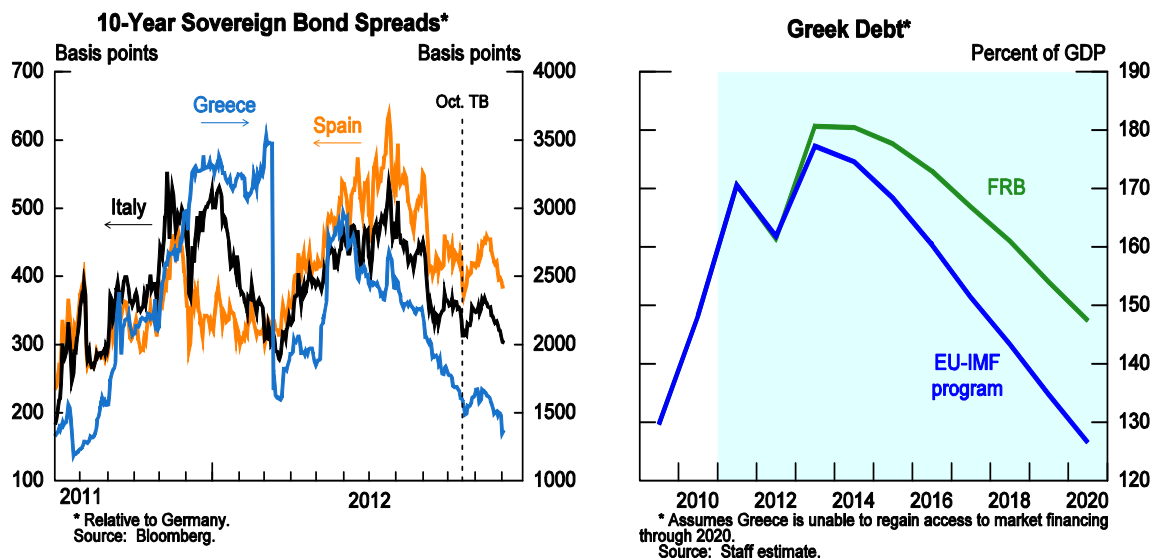


Consumer Prices



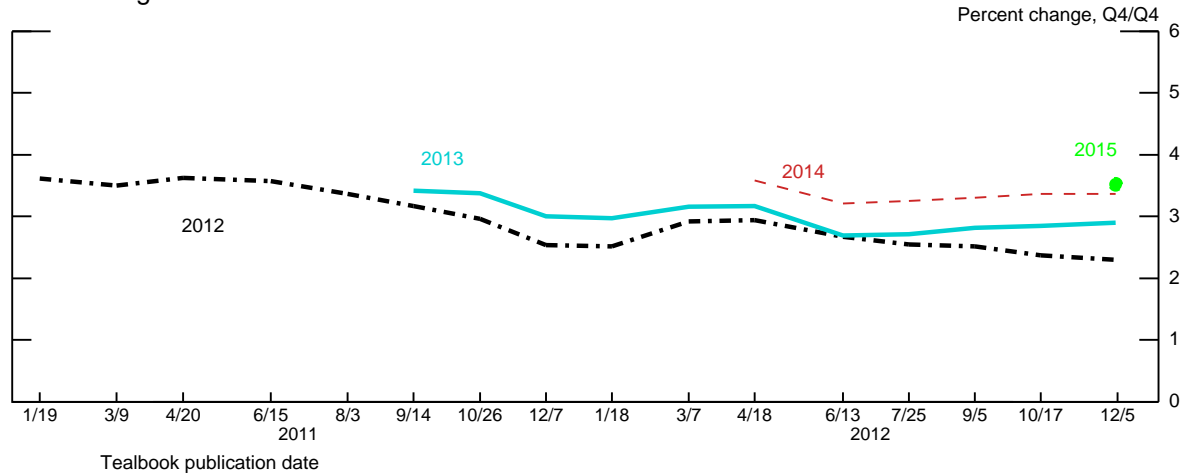
stated that Spain's plans to reduce the deficit and to implement structural reforms may be sufficient to meet the conditionality associated with a financial assistance program. However, Spanish authorities continue to be deterred by the possible stigma associated with a request for aid; concerns that the ECB would not intervene in Spanish debt markets with sufficient force to make a request worthwhile; and recent improvements in financial conditions, which diminish the apparent need for external assistance. Even so, Spain's situation remains challenging. The Spanish government is likely to miss its fiscal target for the year, an outcome that could trigger increases in its funding costs. In addition, gains by separatist parties in recent Catalan elections highlighted the difficulties Spain faces in reining in spending by regional governments. Spain's fiscal situation will likely remain challenging in the coming year as its recession deepens. On a positive note, the recapitalization of Spain's four weakest banks, which is expected to total about €40 billion, is proceeding according to plan.

Political and legal hurdles continue to impede progress toward European banking union and direct recapitalization of banks by the European Stability Mechanism (ESM). Disagreement continues over the ECB's role as potential supervisor, primarily in the scope and coverage of ECB supervision and the powers that will be conferred on the ECB. Although leaders remain committed to the transfer of at least some supervisory responsibilities to the ECB in early 2013, it will take time before the ECB can become fully operational in its new role. Meanwhile, the establishment of pan-European deposit insurance and bank resolution schemes remains tabled, increasing doubts about prospects for the near-term creation of an effective backstop for banks. In addition, European authorities have yet to agree on the conditions for direct recapitalization of banks by the ESM, a step critical to reducing the fiscal burden on governments of vulnerable euro-area countries with extensive banking-sector problems.

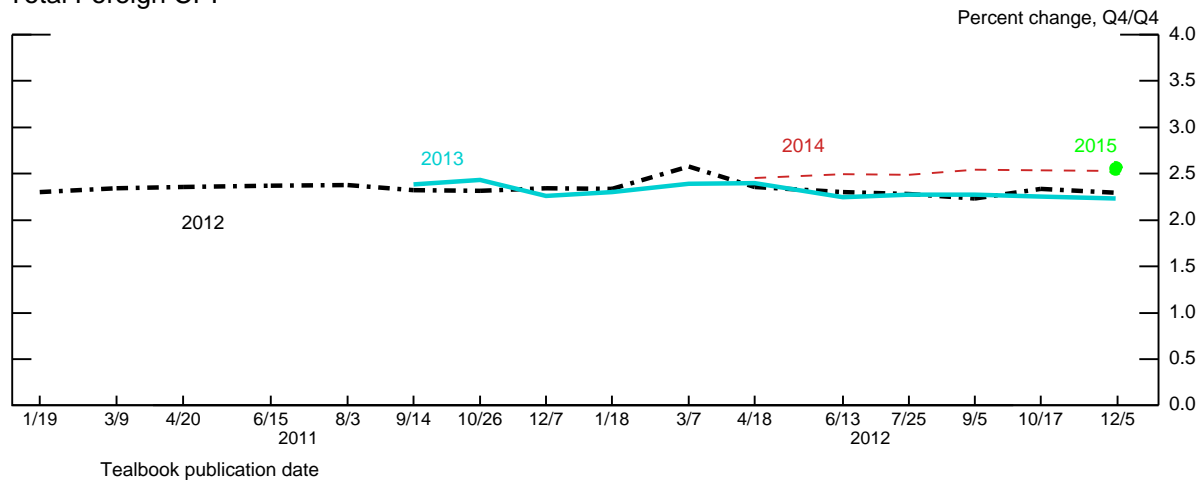


Evolution of Staff's International Forecast

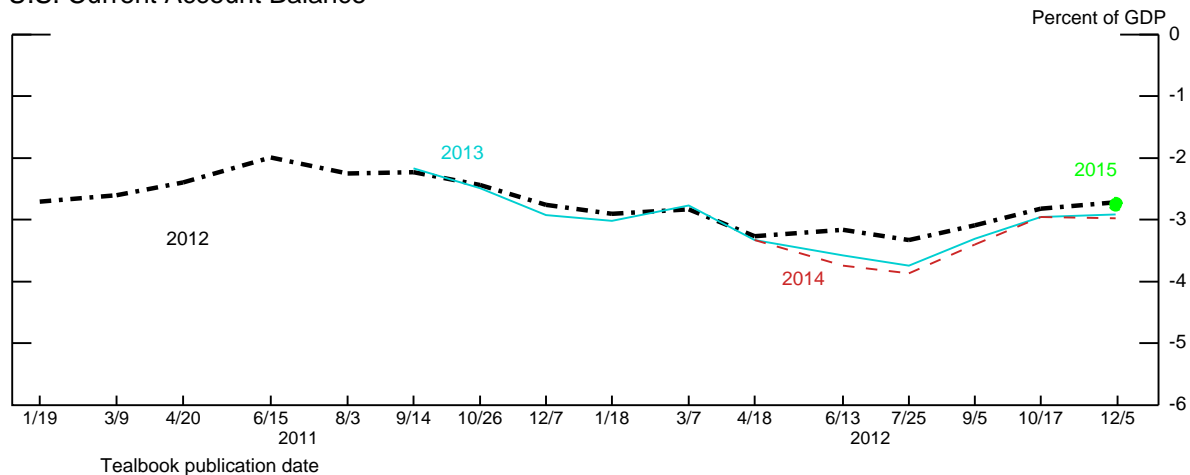
Total Foreign GDP



Total Foreign CPI

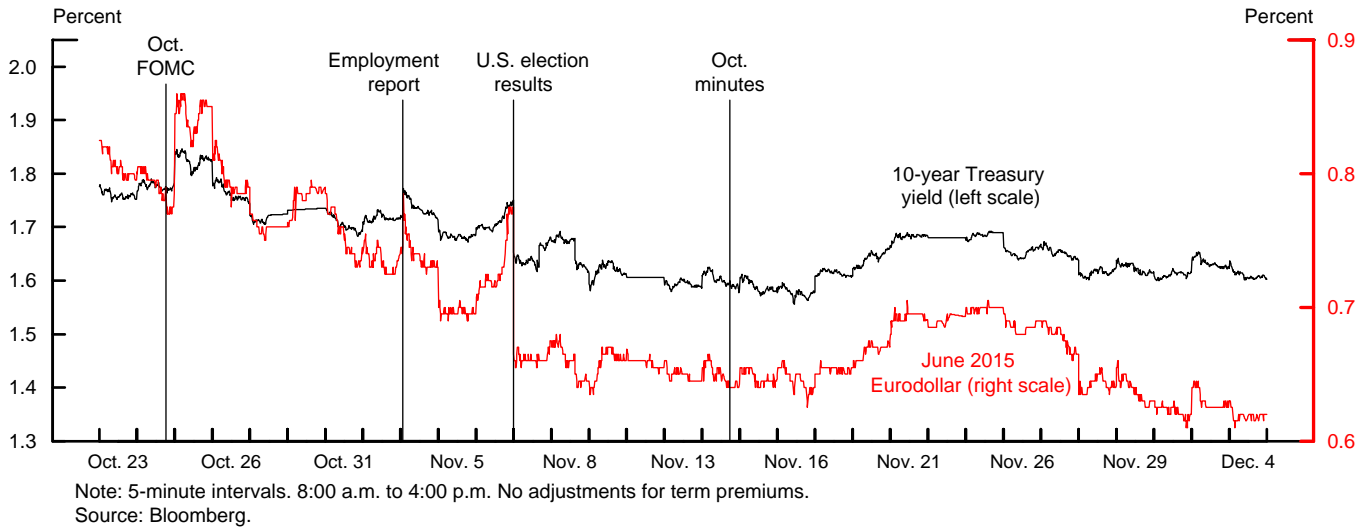


U.S. Current Account Balance



Policy Expectations and Treasury Yields

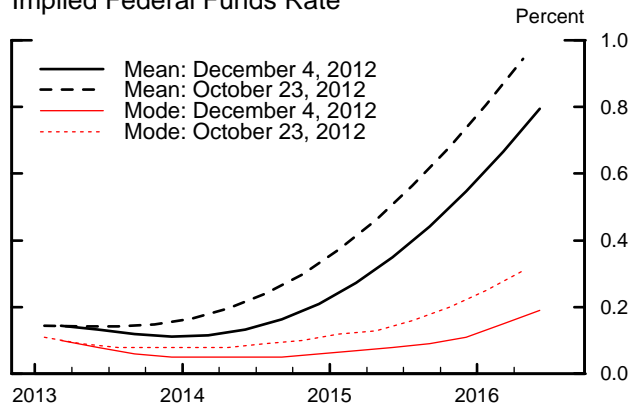
Selected Interest Rates



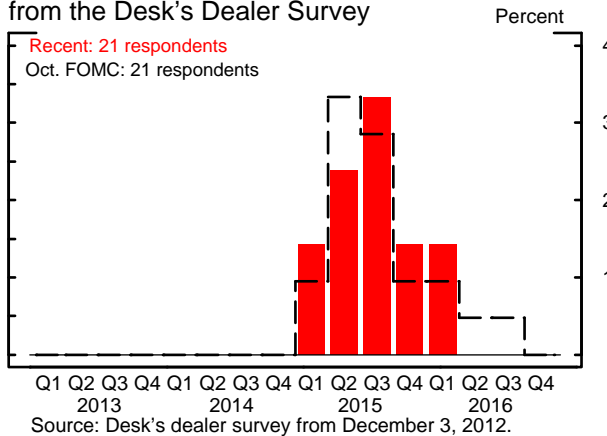
Inflation Compensation



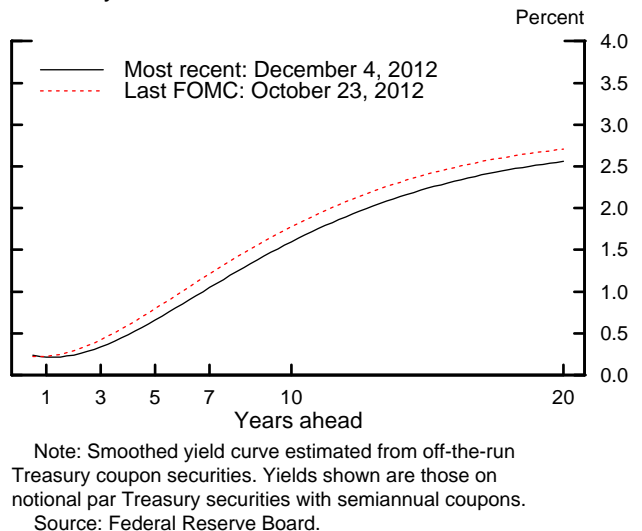
Implied Federal Funds Rate



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



Treasury Yield Curve



Alternative Scenarios

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

| Measure and scenario | 2012 | 2013 | 2014 | 2015 | 2016-17 |
|---|------|------|------|------|---------|
| | H2 | | | | |
| <i>Real GDP</i> | | | | | |
| Extended Tealbook baseline | 1.8 | 2.5 | 3.2 | 3.6 | 2.9 |
| Fiscal cliff | 1.8 | 1.1 | 2.3 | 3.4 | 3.9 |
| Robust housing recovery | 1.8 | 2.7 | 3.8 | 3.7 | 2.5 |
| Housing reverberations | 1.8 | 4.4 | 4.1 | 2.8 | 2.0 |
| Headwinds | 1.8 | 2.1 | 2.4 | 2.6 | 2.9 |
| Higher inflation with unanchored expectations | 1.8 | 2.4 | 3.1 | 3.2 | 2.8 |
| European crisis with severe spillovers | 1.7 | -3.3 | .5 | 3.9 | 3.6 |
| Weaker growth in emerging market economies | 1.8 | 1.7 | 2.4 | 3.6 | 3.4 |
| <i>Unemployment rate¹</i> | | | | | |
| Extended Tealbook baseline | 8.0 | 7.8 | 7.4 | 6.5 | 5.4 |
| Fiscal cliff | 8.0 | 8.3 | 8.5 | 7.8 | 5.9 |
| Robust housing recovery | 8.0 | 7.7 | 7.1 | 6.0 | 5.3 |
| Housing reverberations | 8.0 | 7.2 | 6.1 | 5.4 | 5.3 |
| Headwinds | 8.0 | 7.9 | 7.9 | 7.4 | 6.5 |
| Higher inflation with unanchored expectations | 8.0 | 7.8 | 7.5 | 6.7 | 5.8 |
| European crisis with severe spillovers | 8.0 | 9.7 | 10.7 | 9.8 | 7.9 |
| Weaker growth in emerging market economies | 8.0 | 8.1 | 8.0 | 7.2 | 5.8 |
| <i>Total PCE prices</i> | | | | | |
| Extended Tealbook baseline | 1.6 | 1.3 | 1.4 | 1.5 | 1.8 |
| Fiscal cliff | 1.6 | 1.2 | 1.2 | 1.0 | 1.3 |
| Robust housing recovery | 1.6 | 1.3 | 1.4 | 1.6 | 1.9 |
| Housing reverberations | 1.6 | 1.3 | 1.6 | 1.9 | 2.2 |
| Headwinds | 1.6 | 1.3 | 1.3 | 1.3 | 1.4 |
| Higher inflation with unanchored expectations | 1.6 | 2.1 | 2.8 | 2.5 | 2.3 |
| European crisis with severe spillovers | 1.5 | -1.3 | .2 | 1.5 | 2.1 |
| Weaker growth in emerging market economies | 1.6 | .6 | .5 | 1.2 | 1.9 |
| <i>Core PCE prices</i> | | | | | |
| Extended Tealbook baseline | 1.2 | 1.6 | 1.6 | 1.7 | 1.9 |
| Fiscal cliff | 1.2 | 1.5 | 1.4 | 1.2 | 1.4 |
| Robust housing recovery | 1.2 | 1.6 | 1.6 | 1.8 | 2.0 |
| Housing reverberations | 1.2 | 1.6 | 1.8 | 2.1 | 2.3 |
| Headwinds | 1.2 | 1.6 | 1.5 | 1.5 | 1.5 |
| Higher inflation with unanchored expectations | 1.2 | 2.4 | 3.0 | 2.7 | 2.4 |
| European crisis with severe spillovers | 1.2 | .3 | .6 | 1.4 | 2.0 |
| Weaker growth in emerging market economies | 1.2 | 1.3 | 1.2 | 1.4 | 1.9 |
| <i>Federal funds rate¹</i> | | | | | |
| Extended Tealbook baseline | .2 | .1 | .1 | .4 | 3.2 |
| Fiscal cliff | .2 | .1 | .1 | .1 | 2.4 |
| Robust housing recovery | .2 | .1 | .2 | 1.2 | 3.4 |
| Housing reverberations | .2 | .3 | 1.4 | 2.0 | 3.4 |
| Headwinds | .2 | .1 | .1 | .1 | 1.3 |
| Higher inflation with unanchored expectations | .2 | .1 | .8 | 1.7 | 3.6 |
| European crisis with severe spillovers | .1 | .1 | .1 | .1 | .8 |
| Weaker growth in emerging market economies | .1 | .1 | .1 | .1 | 2.4 |

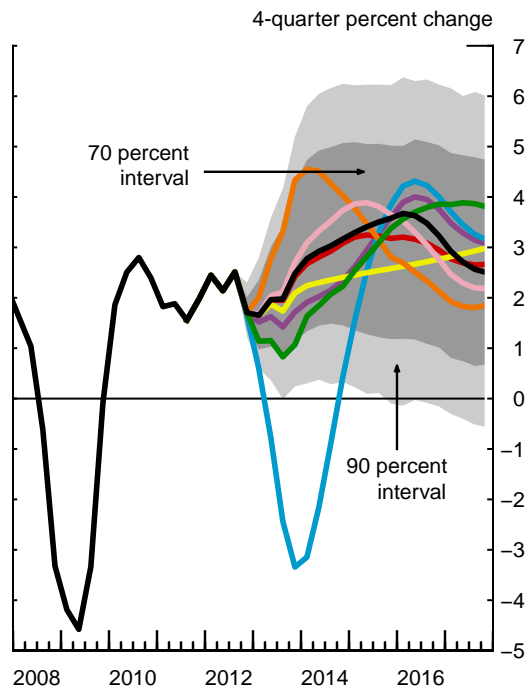
1. Percent, average for the final quarter of the period.

Forecast Confidence Intervals and Alternative Scenarios

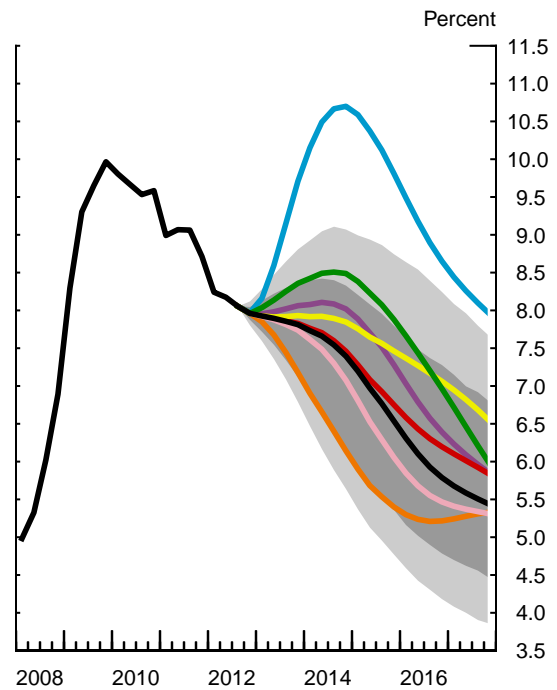
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- Housing reverberations
- European crisis with severe spillovers
- Fiscal cliff
- Headwinds
- Weaker growth in emerging market economies
- Robust housing recovery
- Higher inflation with unanchored expectations

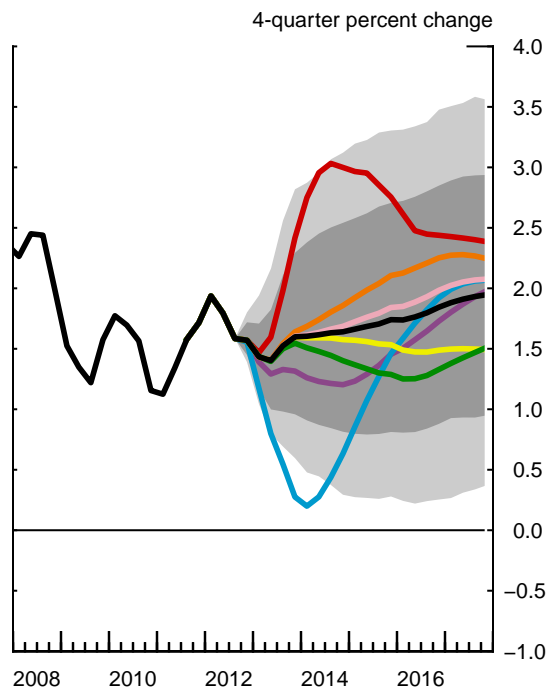
Real GDP



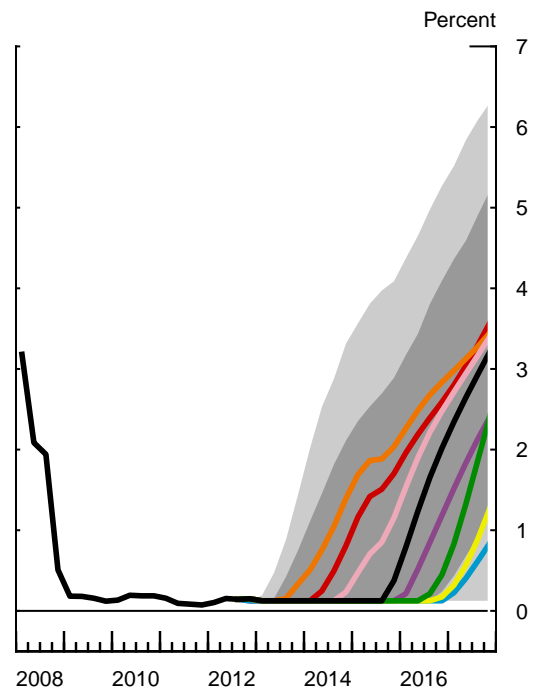
Unemployment Rate



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 | 1.7 | 2.5 | 3.2 | 3.6 | 3.2 | 2.5 |
| Confidence interval | | | | | | |
| Tealbook forecast errors | 1.2–2.2 | .7–4.2 | 1.3–5.0 | ... | ... | ... |
| FRB/US stochastic simulations | 1.4–2.0 | 1.2–4.3 | 1.5–5.1 | 1.2–5.0 | 1.0–5.0 | .7–4.7 |
| <i>Civilian unemployment rate</i> (percent, Q4) | | | | | | |
| Projection | 8.0 | 7.8 | 7.4 | 6.5 | 5.8 | 5.4 |
| Confidence interval | | | | | | |
| Tealbook forecast errors | 7.8–8.1 | 7.1–8.5 | 6.2–8.6 | ... | ... | ... |
| FRB/US stochastic simulations | 7.9–8.0 | 7.1–8.4 | 6.2–8.3 | 5.4–7.8 | 4.8–7.3 | 4.5–6.8 |
| <i>PCE prices, total</i> (percent change, Q4 to Q4) | | | | | | |
| Projection | 1.6 | 1.3 | 1.4 | 1.5 | 1.8 | 1.9 |
| Confidence interval | | | | | | |
| Tealbook forecast errors | 1.3–1.8 | .0–2.6 | .1–2.7 | ... | ... | ... |
| FRB/US stochastic simulations | 1.4–1.8 | .4–2.3 | .3–2.6 | .4–2.8 | .6–3.0 | .7–3.1 |
| <i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4) | | | | | | |
| Projection | 1.6 | 1.6 | 1.6 | 1.7 | 1.8 | 1.9 |
| Confidence interval | | | | | | |
| Tealbook forecast errors | 1.3–1.8 | .9–2.3 | .8–2.5 | ... | ... | ... |
| FRB/US stochastic simulations | 1.4–1.7 | 1.0–2.3 | .8–2.5 | .8–2.7 | .9–2.8 | 1.0–2.9 |
| <i>Federal funds rate</i> (percent, Q4) | | | | | | |
| Projection | .2 | .1 | .1 | .4 | 2.0 | 3.2 |
| Confidence interval | | | | | | |
| FRB/US stochastic simulations | .1–.1 | .1–.8 | .1–2.1 | .1–2.9 | .2–4.1 | 1.2–5.2 |

Note: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969–2011 set of model equation residuals.

Intervals derived from Tealbook forecast errors are based on projections made from 1979–2011, except for PCE prices excluding food and energy, where the sample is 1981–2011.

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

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

| Measure and projection | 2012 | | 2013 | | 2014 | |
|---------------------------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | Previous Tealbook | Current Tealbook | Previous Tealbook | Current Tealbook | Previous Tealbook | Current Tealbook |
| <i>Real GDP</i> | | | | | | |
| Staff | 1.8 | 1.7 | 2.6 | 2.5 | 3.5 | 3.2 |
| FRB/US | 1.4 | 1.7 | 1.9 | 1.4 | 3.1 | 2.9 |
| EDO | 2.0 | 1.7 | 3.2 | 3.0 | 3.2 | 3.3 |
| Blue Chip | 1.7 | 1.7 | 2.3 | 2.3 | ... | ... |
| <i>Unemployment rate¹</i> | | | | | | |
| Staff | 8.0 | 8.0 | 7.8 | 7.8 | 7.2 | 7.4 |
| FRB/US | 8.1 | 8.0 | 8.5 | 8.3 | 8.1 | 8.1 |
| EDO | 8.1 | 8.0 | 7.7 | 7.7 | 7.4 | 7.3 |
| Blue Chip | 8.1 | 7.9 | 7.8 | 7.6 | ... | ... |
| <i>Total PCE prices</i> | | | | | | |
| Staff | 1.7 | 1.6 | 1.3 | 1.3 | 1.4 | 1.4 |
| FRB/US | 1.8 | 1.6 | 1.2 | 1.0 | 1.0 | 1.1 |
| EDO | 1.6 | 1.6 | 1.5 | 1.3 | 1.6 | 1.5 |
| Blue Chip ² | 1.9 | 2.0 | 2.1 | 2.0 | ... | ... |
| <i>Core PCE prices</i> | | | | | | |
| Staff | 1.6 | 1.6 | 1.6 | 1.6 | 1.7 | 1.6 |
| FRB/US | 1.7 | 1.6 | 1.5 | 1.3 | 1.3 | 1.3 |
| EDO | 1.6 | 1.6 | 1.5 | 1.3 | 1.6 | 1.5 |
| Blue Chip | ... | ... | ... | ... | ... | ... |
| <i>Federal funds rate¹</i> | | | | | | |
| Staff | .1 | .2 | .1 | .1 | .1 | .1 |
| FRB/US | .3 | .2 | .5 | .2 | 1.6 | 1.3 |
| EDO | .3 | .2 | 1.2 | .9 | 1.9 | 1.7 |
| Blue Chip ³ | .1 | .1 | .2 | .2 | ... | ... |

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

1. Percent, average for Q4.

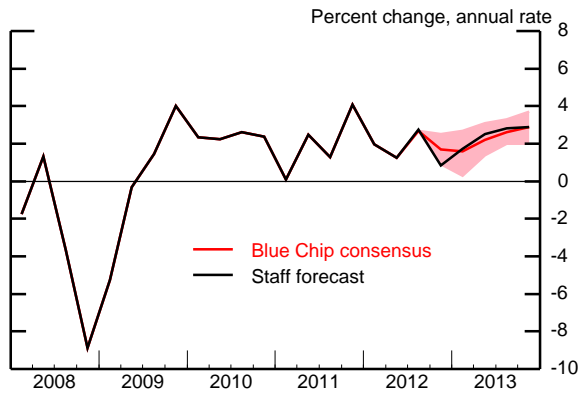
2. Consumer price index.

3. Treasury bill rate.

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

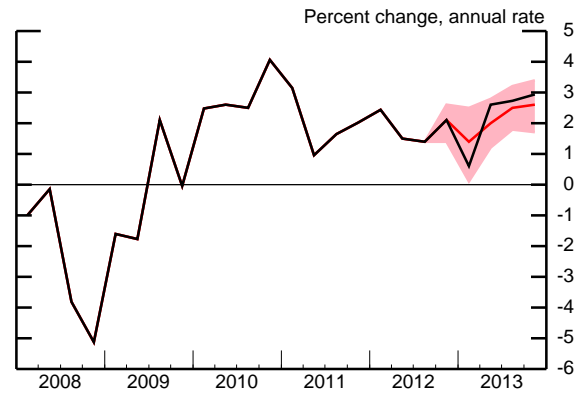
Tealbook Forecast Compared with Blue Chip (Blue Chip survey released November 10, 2012)

Real GDP

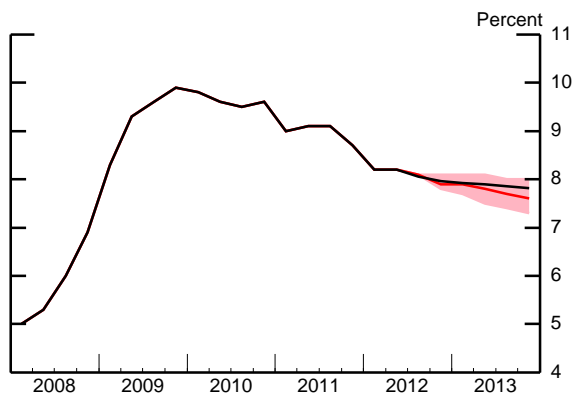


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

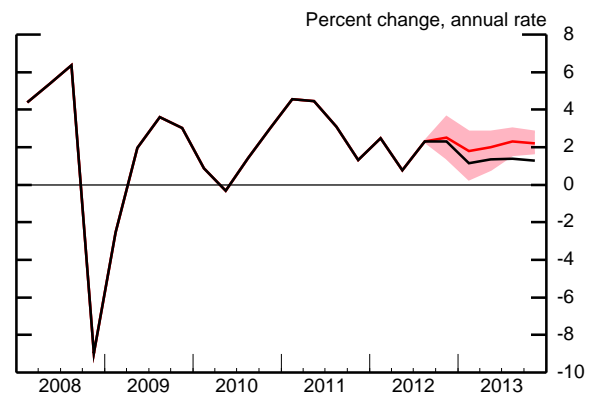
Real PCE



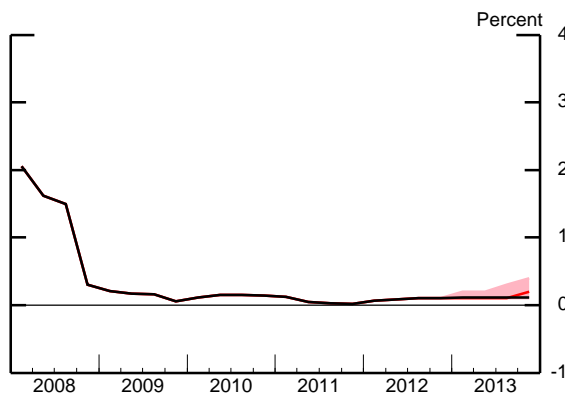
Unemployment Rate



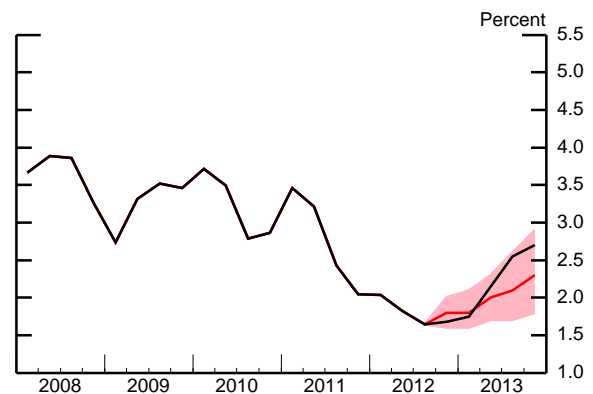
Consumer Price Index



Treasury Bill Rate



10-Year Treasury Yield



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

Assessment of Key Macroeconomic Risks (1)

Probability of Inflation Events

(4 quarters ahead—2013:Q4)

| Probability that the 4-quarter change in total PCE prices will be ... | Staff | FRB/US | EDO | BVAR |
|---|-------|--------|-----|------|
| <i>Greater than 3 percent</i> | | | | |
| Current Tealbook | .04 | .03 | .10 | .09 |
| Previous Tealbook | .06 | .07 | .11 | .14 |
| <i>Less than 1 percent</i> | | | | |
| Current Tealbook | .36 | .47 | .30 | .13 |
| Previous Tealbook | .29 | .26 | .32 | .09 |

Probability of Unemployment Events

(4 quarters ahead—2013:Q4)

| Probability that the unemployment rate will ... | Staff | FRB/US | EDO | BVAR |
|---|-------|--------|-----|------|
| <i>Increase by 1 percentage point</i> | | | | |
| Current Tealbook | .02 | .13 | .17 | .02 |
| Previous Tealbook | .02 | .15 | .17 | .01 |
| <i>Decrease by 1 percentage point</i> | | | | |
| Current Tealbook | .04 | .00 | .28 | .18 |
| Previous Tealbook | .04 | .00 | .29 | .30 |

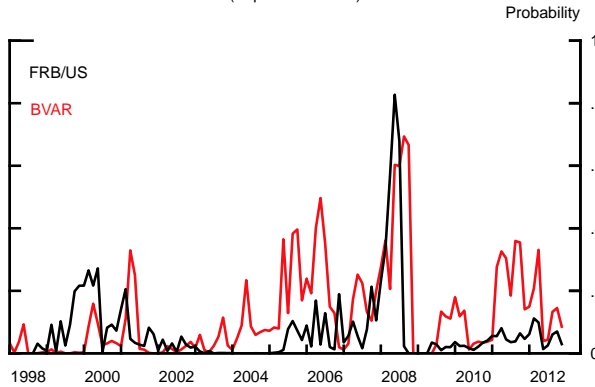
Probability of Near-Term Recession

| Probability that real GDP declines in each of 2013:Q1 and 2013:Q2 | Staff | FRB/US | EDO | BVAR | Factor Model |
|---|-------|--------|-----|------|--------------|
| Current Tealbook | .03 | .05 | .05 | .04 | .25 |
| Previous Tealbook | .03 | .06 | .06 | .03 | .19 |

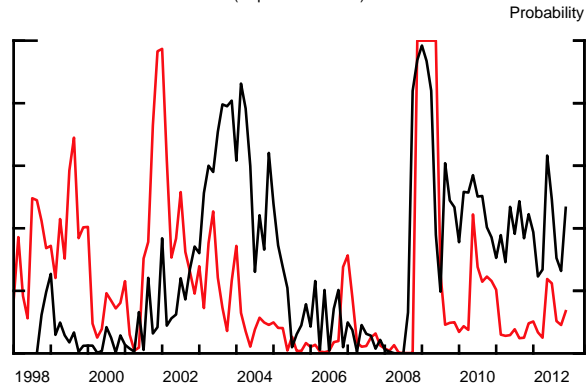
Note: "Staff" represents Tealbook forecast errors applied to the Tealbook baseline; baselines for FRB/US, BVAR, EDO, and the factor model are generated by those models themselves, up to the current-quarter estimate. The current quarter is taken as data from the staff estimate for the second Tealbook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

Assessment of Key Macroeconomic Risks (2)

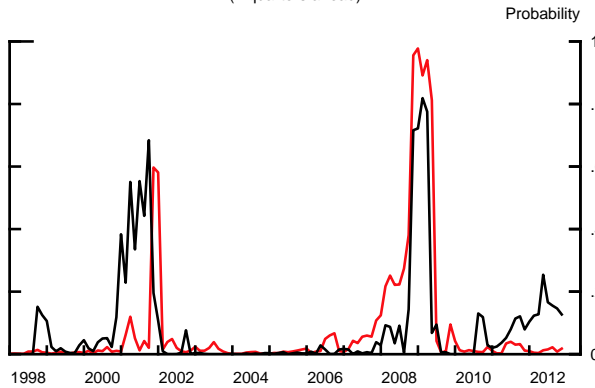
Probability that Total PCE Inflation Is above 3 Percent
(4 quarters ahead)



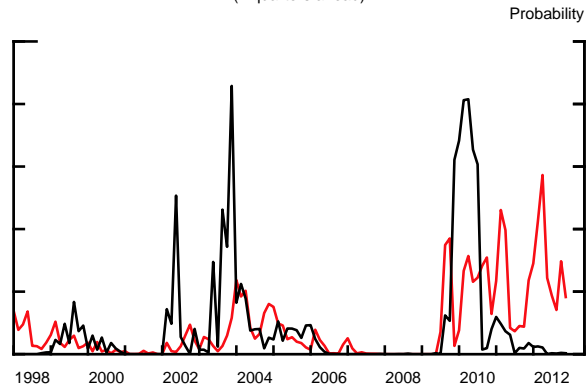
Probability that Total PCE Inflation Is below 1 Percent
(4 quarters ahead)



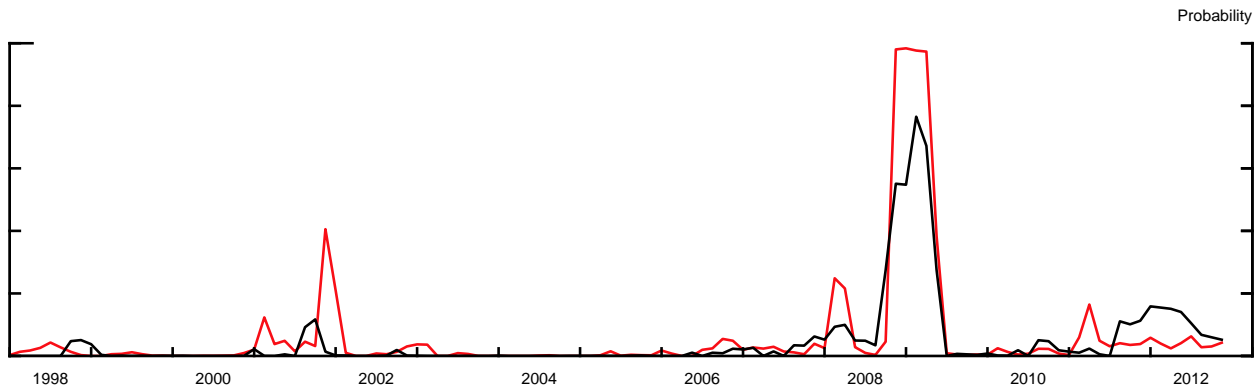
Probability that the Unemployment Rate Increases 1 ppt
(4 quarters ahead)



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



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



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

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

| Interval | Nominal GDP | | Real GDP | | PCE price index | | Core PCE price index | | Unemployment rate ¹ | |
|---------------------------------|-------------|----------|----------|----------|-----------------|----------|----------------------|----------|--------------------------------|----------|
| | 10/17/12 | 12/05/12 | 10/17/12 | 12/05/12 | 10/17/12 | 12/05/12 | 10/17/12 | 12/05/12 | 10/17/12 | 12/05/12 |
| <i>Quarterly</i> | | | | | | | | | | |
| 2012:Q1 | 4.2 | 4.2 | 2.0 | 2.0 | 2.5 | 2.5 | 2.2 | 2.2 | 8.2 | 8.2 |
| 2012:Q2 | 2.8 | 2.8 | 1.3 | 1.3 | .7 | .7 | 1.7 | 1.7 | 8.2 | 8.2 |
| 2012:Q3 | 5.2 | 5.7 | 2.0 | 2.8 | 1.6 | 1.6 | 1.2 | 1.1 | 8.1 | 8.1 |
| 2012:Q4 | 4.3 | 2.6 | 2.0 | .9 | 2.1 | 1.5 | 1.4 | 1.2 | 8.0 | 8.0 |
| 2013:Q1 | 2.8 | 3.1 | 1.8 | 1.7 | .9 | 1.1 | 1.6 | 1.7 | 8.0 | 7.9 |
| 2013:Q2 | 4.0 | 3.9 | 2.5 | 2.5 | 1.4 | 1.4 | 1.6 | 1.6 | 8.0 | 7.9 |
| 2013:Q3 | 4.4 | 4.2 | 3.0 | 2.8 | 1.4 | 1.4 | 1.6 | 1.6 | 7.9 | 7.9 |
| 2013:Q4 | 4.5 | 4.2 | 3.1 | 2.9 | 1.3 | 1.3 | 1.6 | 1.5 | 7.8 | 7.8 |
| 2014:Q1 | 4.9 | 4.4 | 3.4 | 2.9 | 1.4 | 1.5 | 1.7 | 1.7 | 7.6 | 7.7 |
| 2014:Q2 | 5.0 | 4.6 | 3.5 | 3.1 | 1.4 | 1.4 | 1.7 | 1.6 | 7.5 | 7.7 |
| 2014:Q3 | 5.0 | 4.7 | 3.5 | 3.3 | 1.4 | 1.4 | 1.7 | 1.7 | 7.3 | 7.5 |
| 2014:Q4 | 5.1 | 4.9 | 3.6 | 3.4 | 1.4 | 1.4 | 1.7 | 1.6 | 7.2 | 7.4 |
| <i>Two-quarter²</i> | | | | | | | | | | |
| 2012:Q2 | 3.5 | 3.5 | 1.6 | 1.6 | 1.6 | 1.6 | 2.0 | 2.0 | -5 | -5 |
| 2012:Q4 | 4.7 | 4.1 | 2.0 | 1.8 | 1.9 | 1.6 | 1.3 | 1.2 | -2 | -2 |
| 2013:Q2 | 3.4 | 3.5 | 2.2 | 2.1 | 1.2 | 1.2 | 1.6 | 1.6 | .0 | -1 |
| 2013:Q4 | 4.5 | 4.2 | 3.1 | 2.8 | 1.4 | 1.3 | 1.6 | 1.6 | -2 | -1 |
| 2014:Q2 | 5.0 | 4.5 | 3.4 | 3.0 | 1.4 | 1.4 | 1.7 | 1.7 | -3 | -1 |
| 2014:Q4 | 5.0 | 4.8 | 3.5 | 3.3 | 1.4 | 1.4 | 1.7 | 1.6 | -3 | -3 |
| <i>Four-quarter³</i> | | | | | | | | | | |
| 2011:Q4 | 4.0 | 4.0 | 2.0 | 2.0 | 2.5 | 2.5 | 1.7 | 1.7 | -9 | -9 |
| 2012:Q4 | 4.1 | 3.8 | 1.8 | 1.7 | 1.7 | 1.6 | 1.6 | 1.6 | -7 | -7 |
| 2013:Q4 | 3.9 | 3.9 | 2.6 | 2.5 | 1.3 | 1.3 | 1.6 | 1.6 | -2 | -2 |
| 2014:Q4 | 5.0 | 4.6 | 3.5 | 3.2 | 1.4 | 1.4 | 1.7 | 1.6 | -6 | -4 |
| 2015:Q4 | ... | 5.2 | 3.7 | 3.6 | 1.5 | 1.5 | 1.7 | 1.7 | -1.0 | -9 |
| <i>Annual</i> | | | | | | | | | | |
| 2011 | 4.0 | 4.0 | 1.8 | 1.8 | 2.4 | 2.4 | 1.4 | 1.4 | 8.9 | 8.9 |
| 2012 | 4.1 | 4.1 | 2.2 | 2.2 | 1.8 | 1.8 | 1.7 | 1.7 | 8.1 | 8.1 |
| 2013 | 3.9 | 3.7 | 2.2 | 2.0 | 1.4 | 1.3 | 1.5 | 1.5 | 7.9 | 7.9 |
| 2014 | 4.8 | 4.4 | 3.3 | 3.0 | 1.4 | 1.4 | 1.6 | 1.6 | 7.4 | 7.6 |
| 2015 | ... | 5.0 | 3.7 | 3.4 | 1.5 | 1.5 | 1.7 | 1.7 | 6.6 | 6.9 |

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 | 2012 | | | | 2013 | | | | 2014 | | | | 2012 ¹ | 2013 ¹ | 2014 ¹ | 2015 ¹ |
|--|-------------------|-------------------|-------------------|----|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Q2 | Q3 | Q4 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| | | | | | | | | | | | | | | | | |
| Real GDP <i>Previous Tealbook</i> | 1.3 1.3 | 2.8 2.0 | .9 2.0 | | 1.7 1.8 | 2.5 2.5 | 2.8 3.0 | 2.9 3.1 | 2.9 3.4 | 3.1 3.5 | 3.3 3.5 | 3.4 3.6 | 1.7 1.8 | 2.5 2.6 | 3.2 3.5 | 3.6 3.7 |
| Final sales <i>Previous Tealbook</i> | 1.7 | 2.0 | 1.7 | | .8 | 2.8 | 2.8 | 2.6 | 2.6 | 3.1 | 3.5 | 3.3 | 1.9 | 2.3 | 3.1 | 3.6 |
| Priv. dom. final purch. <i>Previous Tealbook</i> | 1.7 1.9 1.9 | 1.9 1.3 2.1 | 2.1 2.9 3.1 | | 1.0 1.1 1.4 | 2.7 3.7 3.5 | 3.2 3.6 4.0 | 3.0 3.7 4.1 | 3.1 3.6 4.3 | 3.4 3.9 4.3 | 3.7 4.0 4.4 | 3.6 4.1 4.4 | 2.0 2.4 2.7 | 2.5 3.0 3.2 | 3.5 3.9 4.3 | 4.1 |
| Personal cons. expend. <i>Previous Tealbook</i> | 1.5 1.5 | 1.4 2.3 | 2.1 3.1 | | .6 1.1 | 2.6 3.0 | 2.7 3.4 | 2.9 3.5 | 3.1 3.7 | 3.3 3.7 | 3.4 3.8 | 3.5 3.8 | 1.9 2.3 | 2.2 2.8 | 3.3 3.7 | 3.6 |
| Durables | -2 | 8.7 | 9.1 | | -1 | 10.4 | 9.4 | 9.8 | 9.1 | 8.9 | 9.2 | 8.8 | 7.2 | 7.3 | 9.0 | 8.5 |
| Nondurables | .6 | 1.1 | 1.8 | | .8 | 1.2 | 1.6 | 1.9 | 2.2 | 2.6 | 2.6 | 2.7 | 1.3 | 1.4 | 2.5 | 2.9 |
| Services | 2.1 | .3 | 1.1 | | .7 | 1.8 | 2.0 | 2.2 | 2.4 | 2.6 | 2.7 | 2.9 | 1.2 | 1.7 | 2.6 | 3.0 |
| Residential investment <i>Previous Tealbook</i> | 8.5 8.5 | 13.8 14.3 | 14.8 13.9 | | 17.0 13.4 | 22.6 14.9 | 14.7 15.6 | 13.0 15.2 | 10.3 14.1 | 12.3 13.1 | 12.7 12.9 | 11.9 12.6 | 14.3 14.2 | 16.8 14.8 | 11.8 13.2 | 12.7 |
| Business fixed invest. <i>Previous Tealbook</i> | 3.6 | -2.2 | 5.4 | | 1.1 | 6.4 | 6.7 | 6.5 | 5.7 | 5.5 | 5.9 | 5.7 | 3.5 | 5.2 | 5.7 | 5.0 |
| Equipment & software <i>Previous Tealbook</i> | 3.6 | -2.5 | .8 | | 1.0 | 3.7 | 5.2 | 5.2 | 6.0 | 5.9 | 6.2 | 5.9 | 2.3 | 3.8 | 6.0 | |
| Nonres. structures <i>Previous Tealbook</i> | 4.8 4.8 | -3.1 -1.0 | 7.3 2.0 | | .4 1.0 | 7.9 4.2 | 7.8 5.5 | 8.5 6.1 | 7.5 7.5 | 6.7 7.3 | 7.0 7.7 | 6.8 7.4 | 3.5 2.8 | 6.1 4.2 | 7.0 7.5 | 6.2 |
| Net exports ² <i>Previous Tealbook</i> ² | .6 .6 | -2 -6.1 | .9 -2.2 | | 2.9 .9 | 2.8 2.7 | 4.0 4.4 | 1.8 3.0 | 1.3 2.4 | 2.6 2.3 | 3.0 2.3 | 3.1 2.3 | 3.4 1.0 | 2.9 2.7 | 2.5 2.3 | 2.1 |
| Exports | -407 | -403 | -403 | | -395 | -393 | -390 | -396 | -403 | -402 | -393 | -391 | -407 | -393 | -397 | -379 |
| Imports | -407 | -406 | -413 | | -409 | -406 | -402 | -408 | -416 | -416 | -408 | -405 | -411 | -406 | -411 | |
| Gov't. cons. & invest. <i>Previous Tealbook</i> | 5.3 2.8 | 1.1 .1 | 3.1 2.5 | | 5.1 2.8 | 5.3 4.0 | 4.8 3.4 | 5.0 5.2 | 5.4 5.8 | 5.2 4.1 | 6.3 3.8 | 6.8 5.4 | 3.4 2.1 | 5.1 3.8 | 5.9 4.8 | 7.3 5.2 |
| Federal | -7 | 4.0 | -3.5 | | -1.8 | -1.5 | -1.6 | -1.5 | -1.1 | -1.2 | -1.0 | -1.0 | -8 | -1.6 | -1.1 | -1 |
| Defense | -7 | .6 | -1.6 | | -1.5 | -1.5 | -1.4 | -1.4 | -1.1 | -1.1 | -1.0 | -1.0 | -1.2 | -1.5 | -1.1 | |
| Nondefense | -2 | 9.5 | -8.6 | | -4.7 | -4.1 | -4.6 | -4.5 | -4.2 | -4.4 | -4.2 | -4.3 | -1.1 | -4.5 | -4.3 | -2.3 |
| State & local | -2 | 12.9 | -11.7 | | -6.0 | -5.1 | -4.7 | -5.4 | -4.7 | -5.2 | -4.9 | -5.1 | -1.9 | -5.3 | -5.0 | -2.0 |
| Change in bus. inventories ² <i>Previous Tealbook</i> ² | -4 -1.0 | 2.9 .4 | -2.2 .1 | | -2.0 .2 | -2.1 .3 | -4.5 .3 | -2.8 .4 | -3.2 .8 | -2.8 .9 | -2.8 .9 | -2.8 1.0 | .5 -7 | -2.9 .3 | -2.9 .9 | -2.8 1.2 |
| Nonfarm ² | 41 | 61 | 35 | | 75 | 66 | 66 | 74 | 83 | 83 | 77 | 81 | 49 | 70 | 81 | 75 |
| Farm ² | 41 | 48 | 48 | | 74 | 69 | 64 | 70 | 80 | 83 | 76 | 75 | 49 | 69 | 78 | |
| | 53 | 90 | 64 | | 69 | 58 | 59 | 67 | 78 | 78 | 72 | 77 | 67 | 63 | 76 | 75 |
| | -8 | -19 | -19 | | 7 | 7 | 7 | 7 | 5 | 5 | 5 | 5 | -12 | 7 | 5 | 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 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|----------------|----------------|----------------|----------------|--------------|--------------|--------------|--------------|--------------|------------|
| Real GDP <i>Previous Tealbook</i> | 2.4 2.4 | 2.2 2.2 | -3.3 -3.3 | -1 -1 | 2.4 2.4 | 2.0 2.0 | 1.7 1.8 | 2.5 2.6 | 3.2 3.5 | 3.6 3.7 |
| Final sales <i>Previous Tealbook</i> | 2.8 2.8 | 2.4 2.4 | -2.6 -2.6 | -5 -5 | 1.7 1.7 | 1.7 1.7 | 1.9 2.0 | 2.3 2.5 | 3.1 3.5 | 3.6 4.1 |
| Priv. dom. final purch. <i>Previous Tealbook</i> | 2.4 2.4 | 1.2 1.2 | -4.5 -4.5 | -2.8 -2.8 | 3.2 3.2 | 2.9 2.9 | 2.4 2.7 | 3.0 3.2 | 3.9 4.3 | 4.1 4.3 |
| Personal cons. expend. <i>Previous Tealbook</i> | 3.2 3.2 | 1.7 1.7 | -2.5 -2.5 | -3 -3 | 2.9 2.9 | 1.9 1.9 | 1.9 2.3 | 2.2 2.8 | 3.3 3.7 | 3.6 3.7 |
| Durables | 7.0 | 4.6 | -13.0 | 3.0 | 9.5 | 5.9 | 7.2 | 7.3 | 9.0 | 8.5 |
| Nondurables | 2.9 | .8 | -3.1 | .4 | 3.0 | 1.4 | 1.3 | 1.4 | 2.5 | 2.9 |
| Services | 2.6 | 1.4 | -.5 | -1.1 | 1.9 | 1.5 | 1.2 | 1.7 | 2.6 | 3.0 |
| Residential investment <i>Previous Tealbook</i> | -15.7 -15.7 | -20.7 -20.7 | -24.4 -24.4 | -13.3 -13.3 | -5.7 -5.7 | 3.9 3.9 | 14.3 14.2 | 16.8 14.8 | 11.8 13.2 | 12.7 |
| Business fixed invest. <i>Previous Tealbook</i> | 7.8 7.8 | 7.9 7.9 | -9.4 -9.4 | -15.7 -15.7 | 7.7 7.7 | 10.2 10.2 | 3.5 2.3 | 5.2 3.8 | 5.7 6.0 | 5.0 |
| Equipment & software <i>Previous Tealbook</i> | 6.0 6.0 | 3.9 3.9 | -13.6 -13.6 | -7.8 -7.8 | 11.9 11.9 | 11.4 11.4 | 3.5 2.8 | 6.1 4.2 | 7.0 7.5 | 6.2 |
| Nonres. structures <i>Previous Tealbook</i> | 13.0 13.0 | 17.3 17.3 | -1.2 -1.2 | -29.4 -29.4 | -1.8 -1.8 | 6.9 6.9 | 3.4 1.0 | 2.9 2.7 | 2.5 2.3 | 2.1 |
| Net exports ¹ <i>Previous Tealbook</i> ¹ | -729 -729 | -649 -649 | -495 -495 | -355 -355 | -420 -420 | -408 -408 | -407 -411 | -393 -406 | -397 -411 | -379 |
| Exports | 10.2 | 10.1 | -2.5 | .3 | 8.8 | 4.3 | 3.4 | 5.1 | 5.9 | 7.3 |
| Imports | 4.1 | .8 | -5.9 | -6.1 | 10.9 | 3.5 | 2.1 | 3.8 | 4.8 | 5.2 |
| Gov't. cons. & invest. <i>Previous Tealbook</i> | 1.5 1.5 | 1.9 1.9 | 2.7 2.7 | 4.0 4.0 | -1.3 -1.3 | -3.3 -3.3 | -.8 -1.2 | -1.6 -1.5 | -1.1 -1.1 | -.1 |
| Federal | 2.2 | 3.1 | 8.8 | 5.1 | 2.3 | -4.2 | -1.1 | -4.5 | -4.3 | -2.3 |
| Defense | 4.4 | 2.6 | 9.8 | 4.1 | 1.0 | -4.0 | -1.9 | -5.3 | -5.0 | -2.0 |
| Nondefense | -2.3 | 4.2 | 6.8 | 7.2 | 5.2 | -4.6 | .5 | -2.9 | -2.9 | -2.8 |
| State & local | 1.2 | 1.2 | -.9 | 3.3 | -3.6 | -2.7 | -.7 | .3 | .9 | 1.2 |
| Change in bus. inventories ¹ <i>Previous Tealbook</i> ¹ | 59 59 | 28 28 | -36 -36 | -139 -139 | 51 51 | 31 31 | 49 49 | 70 69 | 81 78 | 75 |
| Nonfarm ¹ | 63 | 29 | -38 | -138 | 58 | 36 | 67 | 63 | 76 | 75 |
| Farm ¹ | -4 | -1 | 1 | -1 | -6 | -4 | -12 | 7 | 5 | 1 |

1. Billions of chained (2005) dollars.

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

| Item | 2012 | | | 2013 | | | | 2014 | | | | 2012 ¹ | 2013 ¹ | 2014 ¹ | 2015 ¹ |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------------|-------------------|-------------------|-------------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| | | | | | | | | | | | | | | | |
| Real GDP <i>Previous Tealbook</i> | 1.3 1.3 | 2.8 2.0 | .9 2.0 | 1.7 1.8 | 2.5 2.5 | 2.8 3.0 | 2.9 3.1 | 2.9 3.4 | 3.1 3.5 | 3.3 3.5 | 3.4 3.6 | 1.7 1.8 | 2.5 2.6 | 3.2 3.5 | 3.6 3.7 |
| Final sales <i>Previous Tealbook</i> | 1.7 | 2.0 | 1.7 | .8 | 2.8 | 2.8 | 2.6 | 2.6 | 3.1 | 3.4 | 3.3 | 1.9 | 2.3 | 3.1 | 3.6 |
| Priv. dom. final purch. <i>Previous Tealbook</i> | 1.6 1.6 | 1.1 1.7 | 2.4 2.6 | 1.0 1.2 | 3.0 2.9 | 3.0 3.3 | 3.1 3.4 | 3.0 3.6 | 3.2 3.6 | 3.4 3.7 | 3.4 3.7 | 2.0 2.2 | 2.5 2.7 | 3.3 3.6 | 3.5 |
| Personal cons. expend. <i>Previous Tealbook</i> | 1.1 1.1 | 1.0 1.7 | 1.5 2.2 | .4 .8 | 1.8 2.2 | 1.9 2.4 | 2.1 2.5 | 2.2 2.6 | 2.3 2.6 | 2.4 2.7 | 2.5 2.7 | 1.3 1.7 | 1.6 2.0 | 2.3 2.7 | 2.6 |
| Durables | .0 | .7 | .7 | .0 | .8 | .7 | .7 | .7 | .7 | .7 | .7 | .5 | .6 | .7 | .7 |
| Nondurables | .1 | .2 | .3 | .1 | .2 | .3 | .3 | .3 | .4 | .4 | .4 | .2 | .2 | .4 | .4 |
| Services | 1.0 | .2 | .5 | .3 | .9 | 1.0 | 1.0 | 1.1 | 1.2 | 1.3 | 1.3 | .6 | .8 | 1.2 | 1.4 |
| Residential investment <i>Previous Tealbook</i> | .2 .2 | .3 .3 | .3 .3 | .4 .3 | .6 .4 | .4 .4 | .4 .4 | .3 .4 | .4 .4 | .4 .4 | .4 .4 | .3 .3 | .4 .4 | .3 .4 | .4 |
| Business fixed invest. <i>Previous Tealbook</i> | .4 .4 | -.2 -.3 | .5 .1 | .1 .1 | .6 .4 | .7 .5 | .7 .5 | .6 .6 | .6 .6 | .6 .6 | .6 .6 | .4 .2 | .5 .4 | .6 .6 | .5 |
| Equipment & software <i>Previous Tealbook</i> | .4 .4 | -.2 -.1 | .5 .1 | .0 .1 | .6 .3 | .6 .4 | .6 .4 | .5 .5 | .5 .5 | .5 .6 | .5 .5 | .3 .2 | .4 .3 | .5 .5 | .5 |
| Nonres. structures <i>Previous Tealbook</i> | .0 .0 | .0 -.2 | .0 -.1 | .1 .0 | .1 .1 | .1 .1 | .1 .1 | .0 .1 | .1 .1 | .1 .1 | .1 .1 | .1 .0 | .1 .1 | .1 .1 | .1 |
| Net exports <i>Previous Tealbook</i> | .2 .2 | .1 .0 | .0 -.2 | .2 .1 | .1 .1 | .1 .1 | -.2 -.2 | -.2 -.3 | .0 .0 | .2 .2 | .0 .1 | .1 .0 | .0 .0 | .0 .0 | .1 |
| Exports | .7 | .2 | .4 | .7 | .7 | .7 | .7 | .8 | .7 | .9 | 1.0 | .5 | .7 | .8 | 1.0 |
| Imports | -.5 | .0 | -.4 | -.5 | -.7 | -.6 | -.9 | -.1 | -.7 | -.6 | -.9 | -.4 | -.7 | -.8 | -.9 |
| Gov't. cons. & invest. <i>Previous Tealbook</i> | -.1 -.1 | .8 .1 | -.7 -.3 | -.3 -.3 | -.3 -.3 | -.3 -.3 | -.3 -.3 | -.2 -.2 | -.2 -.2 | -.2 -.2 | -.2 -.2 | -.2 -.2 | -.3 -.3 | -.2 -.2 | .0 |
| Federal | .0 | .7 | -.7 | -.4 | -.3 | -.3 | -.3 | -.3 | -.3 | -.3 | -.3 | -.1 | -.3 | -.3 | -.2 |
| Defense | .0 | .6 | -.6 | -.3 | -.3 | -.2 | -.3 | -.2 | -.2 | -.2 | -.2 | -.1 | -.3 | -.2 | -.1 |
| Nondefense | .0 | .1 | -.1 | -.1 | -.1 | -.1 | -.1 | -.1 | -.1 | -.1 | -.1 | .0 | -.1 | -.1 | -.1 |
| State & local | -.1 | .1 | .0 | .0 | .0 | .0 | .0 | .1 | .1 | .1 | .1 | -.1 | .0 | .1 | .1 |
| Change in bus. inventories <i>Previous Tealbook</i> | -.5 -.5 | .8 .1 | -.8 .0 | .9 .8 | -.3 -.2 | .0 -.1 | .3 .2 | .3 .3 | .0 .1 | -.2 -.2 | .1 .0 | -.2 -.2 | .2 .2 | .1 .0 | .0 |
| Nonfarm | -.3 | 1.2 | -.8 | .2 | -.3 | .0 | .2 | .3 | .0 | -.2 | .1 | -.1 | .0 | .1 | .0 |
| Farm | -.2 | -.4 | .0 | .7 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | -.1 | .2 | .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 | 2012 | | | 2013 | | | | 2014 | | | | 2012 ¹ | 2013 ¹ | 2014 ¹ | 2015 ¹ |
|--|----------------|--------------|-------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------|-------------------|-------------------|-------------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| | | | | | | | | | | | | | | | |
| GDP chain-wt. price index <i>Previous Tealbook</i> | 1.6 1.6 | 2.7 3.0 | 1.7 2.1 | 1.4 1.0 | 1.4 1.4 | 1.4 1.3 | 1.3 1.3 | 1.5 1.4 | 1.4 1.5 | 1.4 1.4 | 1.4 1.5 | 2.0 2.2 | 1.3 1.3 | 1.4 1.4 | 1.5 |
| PCE chain-wt. price index <i>Previous Tealbook</i> | .7 .7 | 1.6 1.7 | 1.5 2.1 | 1.1 .9 | 1.4 1.4 | 1.4 1.4 | 1.3 1.3 | 1.5 1.4 | 1.4 1.4 | 1.4 1.4 | 1.4 1.4 | 1.6 1.7 | 1.3 1.3 | 1.4 1.4 | 1.5 |
| Energy <i>Previous Tealbook</i> | -13.6 -13.6 | 10.5 10.5 | 4.6 11.6 | -9.3 -10.7 | -3.7 -3.0 | -2.4 -2.6 | -1.9 -2.4 | -1.4 -2.1 | -1.7 -2.4 | -2.0 -2.5 | -1.8 -2.1 | 1.9 3.6 | -4.4 -4.7 | -1.7 -2.3 | -1.6 |
| Food <i>Previous Tealbook</i> | .7 .7 | .6 .6 | 2.4 2.6 | 3.4 3.5 | 2.8 2.9 | 2.1 2.2 | 1.1 1.0 | .9 .8 | 1.0 .9 | 1.1 1.0 | 1.3 1.2 | 1.2 1.3 | 2.3 2.4 | 1.1 1.0 | 1.5 |
| Ex. food & energy <i>Previous Tealbook</i> | 1.7 1.7 | 1.1 1.2 | 1.2 1.4 | 1.7 1.6 | 1.6 1.6 | 1.6 1.6 | 1.5 1.6 | 1.7 1.6 | 1.7 1.7 | 1.7 1.7 | 1.6 1.7 | 1.6 1.6 | 1.6 1.6 | 1.6 1.7 | 1.7 |
| Ex. food & energy, market based <i>Previous Tealbook</i> | 1.8 1.8 | 1.3 1.3 | 1.3 1.2 | 1.6 1.5 | 1.5 1.5 | 1.5 1.5 | 1.4 1.5 | 1.6 1.6 | 1.5 1.6 | 1.5 1.6 | 1.4 1.5 | 1.7 1.6 | 1.5 1.5 | 1.5 1.6 | 1.6 |
| CPI <i>Previous Tealbook</i> | .8 .8 | 2.3 2.3 | 2.3 2.9 | 1.2 .8 | 1.3 1.5 | 1.4 1.4 | 1.3 1.3 | 1.4 1.3 | 1.4 1.4 | 1.4 1.4 | 1.4 1.4 | 2.0 2.1 | 1.3 1.2 | 1.4 1.4 | 1.5 |
| Ex. food & energy <i>Previous Tealbook</i> | 2.6 2.6 | 1.5 1.5 | 1.8 1.7 | 2.0 1.7 | 1.7 1.7 | 1.7 1.7 | 1.6 1.7 | 1.8 1.8 | 1.8 1.8 | 1.8 1.8 | 1.7 1.8 | 2.0 2.0 | 1.7 1.7 | 1.7 1.8 | 1.8 |
| ECL, hourly compensation ² <i>Previous Tealbook</i> ² | 2.1 2.1 | 1.7 2.3 | 2.1 2.4 | 2.3 2.5 | 2.5 2.6 | 2.6 2.7 | 2.7 2.7 | 2.7 2.8 | 2.8 2.9 | 2.9 2.9 | 2.9 3.0 | 1.9 2.1 | 2.5 2.6 | 2.8 2.9 | 3.0 |
| Nonfarm business sector Output per hour <i>Previous Tealbook</i> | 1.9 1.9 | 3.0 1.6 | -6 .7 | -1.0 .4 | 1.9 1.7 | 1.7 1.7 | 1.5 1.2 | 1.7 1.5 | 1.9 1.7 | 1.8 1.6 | 1.9 1.6 | .9 .9 | 1.0 1.3 | 1.8 1.6 | 1.9 |
| Compensation per hour <i>Previous Tealbook</i> | 1.3 3.5 | .9 2.2 | 1.8 2.4 | 2.4 2.6 | 2.6 2.7 | 2.8 2.8 | 2.9 2.9 | 2.9 2.9 | 3.0 3.0 | 3.1 3.1 | 3.2 3.2 | 2.4 3.5 | 2.7 2.8 | 3.0 3.1 | 3.3 |
| Unit labor costs <i>Previous Tealbook</i> | -5 1.6 | -2.0 .6 | 2.4 1.7 | 3.5 2.2 | .7 1.0 | 1.1 1.1 | 1.3 1.6 | 1.2 1.4 | 1.1 1.4 | 1.3 1.5 | 1.2 1.6 | 1.5 2.6 | 1.7 1.5 | 1.2 1.5 | 1.4 |
| Core goods imports chain-wt. price index ³ <i>Previous Tealbook</i> ³ | 1.2 1.2 | -2.4 -3.4 | 2.2 1.6 | 1.5 1.8 | .8 1.1 | 1.0 1.4 | 1.1 1.3 | 1.3 1.4 | 1.4 1.4 | 1.7 1.7 | 1.4 1.4 | .2 -2 | 1.1 1.4 | 1.5 1.5 | 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 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|--------------|--------------|--------------|--------------|------------|--------------|------------|--------------|--------------|------------|
| GDP chain-wt. price index <i>Previous Tealbook</i> | 2.9 2.9 | 2.6 2.6 | 2.1 2.1 | .5 .5 | 1.8 1.8 | 2.0 2.0 | 2.0 2.2 | 1.3 1.3 | 1.4 1.4 | 1.5 |
| PCE chain-wt. price index <i>Previous Tealbook</i> | 1.9 1.9 | 3.5 3.5 | 1.7 1.7 | 1.4 1.4 | 1.5 1.5 | 2.5 2.5 | 1.6 1.7 | 1.3 1.3 | 1.4 1.4 | 1.5 1.5 |
| Energy <i>Previous Tealbook</i> | -3.7 -3.7 | 19.3 19.3 | -8.8 -8.8 | 2.7 2.7 | 6.5 6.5 | 11.9 11.9 | 1.9 3.6 | -4.4 -4.7 | -1.7 -2.3 | -1.6 |
| Food <i>Previous Tealbook</i> | 1.7 1.7 | 4.7 4.7 | 7.0 7.0 | -1.7 -1.7 | 1.3 1.3 | 5.1 5.1 | 1.2 1.3 | 2.3 2.4 | 1.1 1.0 | 1.5 |
| Ex. food & energy <i>Previous Tealbook</i> | 2.3 2.3 | 2.4 2.4 | 2.0 2.0 | 1.6 1.6 | 1.2 1.2 | 1.7 1.7 | 1.6 1.6 | 1.6 1.6 | 1.6 1.7 | 1.7 1.7 |
| Ex. food & energy, market based <i>Previous Tealbook</i> | 2.2 2.2 | 2.1 2.1 | 2.2 2.2 | 1.7 1.7 | .7 .7 | 1.9 1.9 | 1.7 1.6 | 1.5 1.5 | 1.5 1.6 | 1.6 |
| CPI <i>Previous Tealbook</i> | 2.0 2.0 | 4.0 4.0 | 1.6 1.6 | 1.5 1.5 | 1.2 1.2 | 3.3 3.3 | 2.0 2.1 | 1.3 1.2 | 1.4 1.4 | 1.5 |
| Ex. food & energy <i>Previous Tealbook</i> | 2.7 2.7 | 2.3 2.3 | 2.0 2.0 | 1.7 1.7 | .6 .6 | 2.2 2.2 | 2.0 2.0 | 1.7 1.7 | 1.7 1.8 | 1.8 |
| ECL, hourly compensation ¹ <i>Previous Tealbook</i> ¹ | 3.2 3.2 | 3.0 3.0 | 2.4 2.4 | 1.2 1.2 | 2.1 2.1 | 2.2 2.2 | 1.9 2.1 | 2.5 2.6 | 2.8 2.9 | 3.0 |
| Nonfarm business sector Output per hour <i>Previous Tealbook</i> | .8 .8 | 2.5 2.5 | -1.1 -1.1 | 5.6 5.6 | 1.8 1.8 | .6 .6 | .9 .9 | 1.0 1.3 | 1.8 1.6 | 1.9 |
| Compensation per hour <i>Previous Tealbook</i> | 4.5 4.5 | 3.6 3.6 | 2.5 2.5 | 1.5 1.5 | 1.6 1.6 | 2.0 2.0 | 2.4 3.5 | 2.7 2.8 | 3.0 3.1 | 3.3 |
| Unit labor costs <i>Previous Tealbook</i> | 3.6 3.6 | 1.1 1.1 | 3.7 3.7 | -3.9 -3.9 | -2 -2 | 1.4 1.4 | 1.5 2.6 | 1.7 1.5 | 1.2 1.5 | 1.4 |
| Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ² | 2.5 2.5 | 2.9 2.9 | 3.7 3.7 | -1.7 -1.7 | 2.7 2.7 | 4.3 4.3 | .2 -2 | 1.1 1.4 | 1.5 1.5 | 1.5 |

1. Private-industry workers.

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

Other Macroeconomic Indicators

| Item | 2012 | | | | 2013 | | | | 2014 | | | | 2012 ¹ | 2013 ¹ | 2014 ¹ | 2015 ¹ |
|---|--------|--------|--------|--|-------|------|------|------|------|------|------|------|-------------------|-------------------|-------------------|-------------------|
| | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| <i>Employment and production</i> | | | | | | | | | | | | | | | | |
| Nonfarm payroll employment ² | .3 | .4 | .5 | | .5 | .4 | .5 | .5 | .5 | .5 | .6 | .7 | 1.9 | 1.9 | 2.4 | 3.2 |
| Unemployment rate ³ | 8.2 | 8.1 | 8.0 | | 7.9 | 7.9 | 7.9 | 7.8 | 7.7 | 7.7 | 7.5 | 7.4 | 8.0 | 7.8 | 7.4 | 6.5 |
| <i>Previous Tealbook³</i> | 8.2 | 8.1 | 8.0 | | 8.0 | 8.0 | 7.9 | 7.8 | 7.6 | 7.5 | 7.3 | 7.2 | 8.0 | 7.8 | 7.2 | 6.2 |
| Natural rate of unemployment 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 | 5.8 |
| <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 | 5.8 |
| GDP gap ⁴ | -4.1 | -3.9 | -4.1 | | -4.2 | -4.1 | -3.9 | -3.6 | -3.4 | -3.2 | -2.9 | -2.6 | -4.1 | -3.6 | -2.6 | -1.3 |
| <i>Previous Tealbook⁴</i> | -4.1 | -4.1 | -4.0 | | -4.1 | -3.9 | -3.7 | -3.4 | -3.1 | -2.7 | -2.4 | -2.0 | -4.0 | -3.4 | -2.0 | |
| Industrial production ⁵ | 2.3 | .0 | 1.0 | | 4.0 | 4.6 | 4.2 | 3.8 | 3.7 | 3.6 | 3.6 | 3.9 | 2.3 | 4.2 | 3.7 | 4.0 |
| <i>Previous Tealbook⁵</i> | 2.6 | -4 | 2.8 | | 5.0 | 3.7 | 3.4 | 3.6 | 4.0 | 3.9 | 3.7 | 3.9 | 2.7 | 4.0 | 3.9 | |
| Manufacturing industr. prod. ⁵ | .7 | -1.1 | -3 | | 2.9 | 4.4 | 4.3 | 4.2 | 4.0 | 3.9 | 3.9 | 4.3 | 2.2 | 4.0 | 4.0 | 4.3 |
| <i>Previous Tealbook⁵</i> | 1.0 | -9 | 1.6 | | 4.0 | 3.7 | 3.6 | 4.0 | 4.5 | 4.3 | 4.1 | 4.3 | 2.8 | 3.8 | 4.3 | |
| Capacity utilization rate - mfg. ³ | 77.5 | 77.0 | 76.6 | | 76.8 | 77.3 | 77.8 | 78.2 | 78.6 | 78.9 | 79.1 | 79.5 | 76.6 | 78.2 | 79.5 | 80.7 |
| <i>Previous Tealbook³</i> | 77.5 | 77.1 | 77.1 | | 77.5 | 77.9 | 78.2 | 78.7 | 79.1 | 79.4 | 79.8 | 80.1 | 77.1 | 78.7 | 80.1 | |
| Housing starts ⁶ | .7 | .8 | .9 | | .9 | 1.0 | 1.0 | 1.1 | 1.2 | 1.2 | 1.3 | 1.3 | .8 | 1.0 | 1.2 | 1.4 |
| Light motor vehicle sales ⁶ | 14.1 | 14.5 | 14.9 | | 14.6 | 14.9 | 15.0 | 15.3 | 15.6 | 15.7 | 16.0 | 16.1 | 14.4 | 15.0 | 15.9 | 16.4 |
| <i>Income and saving</i> | | | | | | | | | | | | | | | | |
| Nominal GDP ⁵ | 2.8 | 5.7 | 2.6 | | 3.1 | 3.9 | 4.2 | 4.2 | 4.4 | 4.6 | 4.7 | 4.9 | 3.8 | 3.9 | 4.6 | 5.2 |
| Real disposable pers. income ⁵ | 2.2 | .5 | 2.1 | | -3.5 | 2.8 | 2.5 | 3.2 | 5.3 | 3.3 | 3.6 | 4.0 | 2.1 | 1.2 | 4.0 | 3.1 |
| <i>Previous Tealbook⁵</i> | 3.1 | 2.0 | 2.1 | | -1.6 | 3.0 | 3.6 | 3.7 | 5.1 | 3.9 | 4.0 | 3.8 | 2.7 | 2.2 | 4.2 | |
| Personal saving rate ³ | 3.8 | 3.6 | 3.6 | | 2.6 | 2.6 | 2.5 | 2.6 | 3.1 | 3.1 | 3.1 | 3.2 | 3.6 | 2.6 | 3.2 | 2.6 |
| <i>Previous Tealbook³</i> | 4.0 | 4.0 | 3.8 | | 3.1 | 3.1 | 3.1 | 3.1 | 3.5 | 3.5 | 3.6 | 3.5 | 3.8 | 3.1 | 3.5 | |
| Corporate profits ⁷ | 4.7 | 14.7 | -2.3 | | -12.7 | .8 | 3.6 | 1.6 | -3.9 | .9 | 3.5 | 4.2 | 1.3 | -1.9 | 1.1 | 2.5 |
| Profit share of GNP ³ | 12.1 | 12.4 | 12.3 | | 11.8 | 11.7 | 11.7 | 11.6 | 11.4 | 11.3 | 11.3 | 11.2 | 12.3 | 11.6 | 11.2 | 11.0 |
| Net federal saving ⁸ | -1,115 | -1,074 | -1,151 | | -834 | -821 | -796 | -779 | -745 | -737 | -731 | -732 | -1,100 | -808 | -736 | -625 |
| Net state & local saving ⁸ | -124 | -139 | -134 | | -127 | -105 | -95 | -86 | -90 | -69 | -62 | -53 | -131 | -103 | -69 | -28 |
| Gross national saving rate ³ | 12.3 | 12.5 | 12.0 | | 12.5 | 12.7 | 12.8 | 13.0 | 13.1 | 13.2 | 13.3 | 13.4 | 12.0 | 13.0 | 13.4 | 14.0 |
| Net national saving rate ³ | -4 | .0 | -6 | | .1 | .2 | .4 | .6 | .8 | .9 | 1.0 | 1.2 | -6 | .6 | 1.2 | 2.0 |

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 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------|------|-------|-------|-------|-------|-------|------|------|------|
| <i>Employment and production</i> | | | | | | | | | | |
| Nonfarm payroll employment ¹ | 2.1 | 1.2 | -2.8 | -5.6 | .8 | 1.8 | 1.9 | 1.9 | 2.4 | 3.2 |
| Unemployment rate ² | 4.5 | 4.8 | 6.9 | 9.9 | 9.6 | 8.7 | 8.0 | 7.8 | 7.4 | 6.5 |
| <i>Previous Tealbook²</i> | 4.5 | 4.8 | 6.9 | 9.9 | 9.6 | 8.7 | 8.0 | 7.8 | 7.2 | 6.2 |
| Natural rate of unemployment ² | 5.0 | 5.0 | 5.3 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 5.8 |
| <i>Previous Tealbook²</i> | 5.0 | 5.0 | 5.3 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 5.8 |
| GDP gap ³ | .8 | .8 | -4.4 | -5.5 | -4.4 | -4.0 | -4.1 | -3.6 | -2.6 | -1.3 |
| <i>Previous Tealbook³</i> | .8 | .8 | -4.4 | -5.5 | -4.4 | -4.0 | -4.0 | -3.4 | -2.0 | |
| Industrial production ⁴ | 2.1 | 2.5 | -9.0 | -5.7 | 6.3 | 4.1 | 2.3 | 4.2 | 3.7 | 4.0 |
| <i>Previous Tealbook⁴</i> | 2.1 | 2.5 | -9.0 | -5.7 | 6.3 | 4.1 | 2.7 | 4.0 | 3.9 | |
| Manufacturing industr. prod. ⁴ | 1.8 | 2.8 | -11.8 | -6.5 | 6.5 | 4.2 | 2.2 | 4.0 | 4.0 | 4.3 |
| <i>Previous Tealbook⁴</i> | 1.8 | 2.8 | -11.8 | -6.5 | 6.5 | 4.2 | 2.8 | 3.8 | 4.3 | |
| Capacity utilization rate - mfg. ² | 78.2 | 78.2 | 69.7 | 67.0 | 73.1 | 76.1 | 76.6 | 78.2 | 79.5 | 80.7 |
| <i>Previous Tealbook²</i> | 78.2 | 78.2 | 69.7 | 67.0 | 73.1 | 76.1 | 77.1 | 78.7 | 80.1 | |
| Housing starts ⁵ | 1.8 | 1.4 | .9 | .6 | .6 | .6 | .8 | 1.0 | 1.2 | 1.4 |
| Light motor vehicle sales ⁵ | 16.5 | 16.1 | 13.1 | 10.4 | 11.5 | 12.7 | 14.4 | 15.0 | 15.9 | 16.4 |
| <i>Income and saving</i> | | | | | | | | | | |
| Nominal GDP ⁴ | 5.3 | 4.9 | -1.2 | .4 | 4.3 | 4.0 | 3.8 | 3.9 | 4.6 | 5.2 |
| Real disposable pers. income ⁴ | 4.6 | 1.6 | 1.0 | -3.0 | 3.5 | .3 | 2.1 | 1.2 | 4.0 | 3.1 |
| <i>Previous Tealbook⁴</i> | 4.6 | 1.6 | 1.0 | -3.0 | 3.5 | .3 | 2.7 | 2.2 | 4.2 | |
| Personal saving rate ² | 2.8 | 2.5 | 6.2 | 3.8 | 4.8 | 3.4 | 3.6 | 2.6 | 3.2 | 2.6 |
| <i>Previous Tealbook²</i> | 2.8 | 2.5 | 6.2 | 3.8 | 4.8 | 3.4 | 3.8 | 3.1 | 3.5 | |
| Corporate profits ⁶ | 3.7 | -8.1 | -33.5 | 57.0 | 17.3 | 9.2 | 1.3 | -1.9 | 1.1 | 2.5 |
| Profit share of GNP ² | 11.6 | 10.1 | 6.8 | 10.7 | 12.0 | 12.5 | 12.3 | 11.6 | 11.2 | 11.0 |
| Net federal saving ⁷ | -204 | -245 | -613 | -1229 | -1308 | -1237 | -1100 | -808 | -736 | -625 |
| Net state & local saving ⁷ | 51 | 12 | -72 | -113 | -90 | -102 | -131 | -103 | -69 | -28 |
| Gross national saving rate ² | 16.5 | 13.9 | 12.6 | 11.0 | 12.1 | 12.4 | 12.0 | 13.0 | 13.4 | 14.0 |
| Net national saving rate ² | 4.4 | 1.7 | -6 | -2.3 | -6 | -3 | -6 | .6 | 1.2 | 2.0 |

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 | | | | 2012 | | | | 2013 | | | | 2014 | | | |
|---|-------------------|--------|--------|--------|-----------------|-----------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2012 ^a | 2013 | 2014 | 2015 | Q1 ^a | Q2 ^a | Q3 ^a | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Unified budget | | | | | | | | | | | | | | | | |
| Receipts ¹ | 2,449 | 2,794 | 2,999 | 3,225 | 509 | 760 | 625 | 630 | 595 | 855 | 715 | 677 | 631 | 936 | 756 | 724 |
| Outlays ¹ | 3,538 | 3,535 | 3,630 | 3,804 | 966 | 885 | 810 | 930 | 890 | 869 | 846 | 917 | 928 | 902 | 883 | 970 |
| Surplus/deficit ¹ | -1,089 | -741 | -630 | -579 | -457 | -125 | -185 | -300 | -296 | -14 | -131 | -241 | -297 | 34 | -127 | -246 |
| <i>Previous Tealbook</i> | -1,089 | -795 | -617 | -554 | -457 | -125 | -185 | -324 | -317 | -26 | -128 | -233 | -294 | 28 | -118 | -237 |
| On-budget | -1,151 | -752 | -634 | -571 | -458 | -187 | -160 | -316 | -277 | -61 | -98 | -262 | -274 | -10 | -89 | -263 |
| Off-budget | 62 | 11 | 4 | -8 | 1 | 62 | -25 | 16 | -18 | 46 | -33 | 21 | -23 | 44 | -38 | 17 |
| Means of financing | | | | | | | | | | | | | | | | |
| Borrowing | 1,152 | 732 | 710 | 659 | 398 | 198 | 230 | 276 | 280 | 15 | 161 | 261 | 317 | -14 | 147 | 266 |
| Cash decrease | -27 | 15 | 0 | 0 | 42 | -48 | 6 | 26 | 30 | -31 | -10 | 0 | 0 | 0 | 0 | 0 |
| Other ² | -36 | -6 | -80 | -80 | 17 | -25 | -51 | -1 | -15 | 30 | -20 | -20 | -20 | -20 | -20 | -20 |
| Cash operating balance, end of period | 85 | 70 | 70 | 70 | 43 | 91 | 85 | 60 | 30 | 60 | 70 | 70 | 70 | 70 | 70 | 70 |
| NIPA federal sector | | | | | | | | | | | | | | | | |
| Receipts | 2,635 | 2,904 | 3,135 | 3,356 | 2,665 | 2,659 | 2,683 | 2,679 | 2,942 | 2,978 | 3,017 | 3,054 | 3,123 | 3,159 | 3,205 | 3,246 |
| Expenditures | 3,743 | 3,804 | 3,884 | 4,016 | 3,724 | 3,775 | 3,757 | 3,830 | 3,776 | 3,799 | 3,813 | 3,833 | 3,869 | 3,897 | 3,936 | 3,978 |
| Consumption expenditures | 1,062 | 1,060 | 1,030 | 1,008 | 1,056 | 1,055 | 1,086 | 1,070 | 1,064 | 1,057 | 1,048 | 1,040 | 1,034 | 1,026 | 1,019 | 1,012 |
| Defense | 709 | 703 | 679 | 663 | 703 | 701 | 728 | 711 | 706 | 700 | 694 | 688 | 682 | 676 | 671 | 665 |
| Nondefense | 353 | 357 | 351 | 345 | 352 | 354 | 358 | 359 | 358 | 357 | 354 | 352 | 351 | 350 | 348 | 347 |
| Other spending | 2,681 | 2,745 | 2,854 | 3,008 | 2,668 | 2,720 | 2,671 | 2,760 | 2,712 | 2,742 | 2,765 | 2,792 | 2,835 | 2,871 | 2,917 | 2,966 |
| Current account surplus | -1,108 | -901 | -748 | -660 | -1,059 | -1,115 | -1,073 | -1,151 | -834 | -821 | -796 | -779 | -745 | -737 | -731 | -732 |
| Gross investment | 156 | 146 | 137 | 131 | 152 | 156 | 155 | 150 | 147 | 144 | 143 | 140 | 138 | 136 | 134 | 132 |
| Gross saving less gross investment ³ | -1,123 | -902 | -738 | -641 | -1,071 | -1,130 | -1,087 | -1,158 | -837 | -821 | -793 | -773 | -736 | -725 | -717 | -714 |
| Fiscal indicators⁴ | | | | | | | | | | | | | | | | |
| High-employment (HEB) surplus/deficit | -901.3 | -666.5 | -544.2 | -508.8 | -851.8 | -910.1 | -876.9 | -938.9 | -592.0 | -579.4 | -555.6 | -544.5 | -542.6 | -542.7 | -547.0 | -560.8 |
| Change in HEB, percent of potential GDP | -1.0 | -1.6 | -8 | -3 | -8 | .3 | -.3 | .3 | -2.1 | -.1 | -.2 | -.1 | .0 | .0 | .0 | .1 |
| Fiscal impetus (FI), percent of GDP | -.5 | -1.2 | -.5 | -.3 | -.7 | -.7 | .3 | -1.0 | -2.1 | -1.1 | -.9 | -.8 | -.6 | -.5 | -.5 | -.4 |
| <i>Previous Tealbook</i> | -.6 | -1.2 | -.5 | -.3 | -.7 | -.7 | -.3 | -.6 | -2.0 | -1.1 | -.9 | -.8 | -.6 | -.6 | -.5 | -.4 |

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 natural rate of unemployment. 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.

Foreign Real GDP and Consumer Prices: Selected Countries

(Quarterly percent changes at an annual rate)

| Measure and country | 2012 | | | | 2013 | | | | 2014 | | | |
|-------------------------------------|------|------|------|------|------|-----|-----|-----|------|------|-----|-----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Real GDP ¹ | | | | | | | | | | | | |
| Total foreign | 3.4 | 1.9 | 1.8 | 2.1 | 2.5 | 2.9 | 3.1 | 3.2 | 3.4 | 3.1 | 3.5 | 3.5 |
| <i>Previous Tealbook</i> | 3.2 | 2.2 | 2.0 | 2.1 | 2.4 | 2.7 | 3.0 | 3.2 | 3.4 | 3.1 | 3.5 | 3.5 |
| Advanced foreign economies | 1.5 | .5 | .2 | .5 | .8 | 1.2 | 1.5 | 1.8 | 2.1 | 1.5 | 2.1 | 2.2 |
| Canada | 1.7 | 1.7 | .6 | 1.9 | 1.7 | 1.8 | 2.1 | 2.2 | 2.4 | 2.5 | 2.7 | 2.8 |
| Japan | 5.2 | .3 | -3.5 | -6 | .8 | 1.1 | 1.2 | 1.5 | 2.9 | -2.7 | 1.4 | 1.3 |
| United Kingdom | -1.2 | -1.5 | 3.9 | -1 | .8 | 1.3 | 1.8 | 2.0 | 2.1 | 2.2 | 2.3 | 2.4 |
| Euro area | .0 | -7 | -2 | -1.0 | -5 | .3 | .7 | 1.1 | 1.2 | 1.2 | 1.6 | 1.7 |
| Germany | 2.0 | 1.1 | .9 | -.3 | .2 | .9 | 1.2 | 1.7 | 1.7 | 1.8 | 2.1 | 2.1 |
| Emerging market economies | 5.4 | 3.4 | 3.5 | 3.9 | 4.2 | 4.6 | 4.7 | 4.7 | 4.8 | 4.8 | 4.9 | 4.9 |
| Asia | 6.3 | 3.8 | 4.6 | 4.9 | 5.0 | 5.6 | 5.6 | 5.7 | 5.8 | 5.8 | 5.9 | 5.9 |
| Korea | 3.5 | 1.1 | .6 | 2.7 | 3.0 | 3.7 | 3.8 | 4.0 | 4.1 | 4.2 | 4.3 | 4.4 |
| China | 7.0 | 6.5 | 8.4 | 8.2 | 8.0 | 8.0 | 8.0 | 8.0 | 8.1 | 8.1 | 8.2 | 8.2 |
| Latin America | 4.6 | 3.0 | 2.3 | 2.8 | 3.4 | 3.7 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 |
| Mexico | 5.4 | 3.3 | 1.8 | 2.5 | 3.4 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 |
| Brazil | .2 | 1.0 | 2.4 | 3.3 | 3.4 | 3.5 | 3.8 | 3.8 | 3.9 | 3.9 | 4.1 | 4.1 |
| Consumer prices ² | | | | | | | | | | | | |
| Total foreign | 2.6 | 1.9 | 2.2 | 2.5 | 2.3 | 2.2 | 2.2 | 2.2 | 2.3 | 3.0 | 2.4 | 2.4 |
| <i>Previous Tealbook</i> | 2.6 | 1.9 | 2.2 | 2.7 | 2.3 | 2.2 | 2.2 | 2.3 | 2.3 | 3.0 | 2.4 | 2.5 |
| Advanced foreign economies | 2.1 | .6 | .8 | 1.7 | 1.2 | 1.2 | 1.1 | 1.2 | 1.2 | 2.6 | 1.4 | 1.4 |
| Canada | 2.1 | .1 | .1 | 2.0 | 1.5 | 1.5 | 1.6 | 1.6 | 1.7 | 1.8 | 1.9 | 1.9 |
| Japan | 2.3 | -9 | -2.0 | -.5 | -.2 | -.2 | -.2 | -.1 | -.1 | 7.0 | .0 | .0 |
| United Kingdom | 1.8 | 1.1 | 3.0 | 4.2 | 1.8 | 1.5 | 1.5 | 2.0 | 1.4 | 1.5 | 1.6 | 2.1 |
| Euro Area | 2.4 | 2.0 | 2.3 | 2.3 | 1.5 | 1.5 | 1.3 | 1.4 | 1.4 | 1.4 | 1.5 | 1.5 |
| Germany | 2.2 | 1.3 | 2.0 | 2.2 | 2.1 | 2.0 | 1.7 | 1.7 | 1.7 | 1.7 | 1.8 | 1.9 |
| Emerging market economies | 2.9 | 3.0 | 3.3 | 3.1 | 3.1 | 3.0 | 3.1 | 3.1 | 3.2 | 3.2 | 3.3 | 3.3 |
| Asia | 2.3 | 3.2 | 2.0 | 2.6 | 2.9 | 2.9 | 2.9 | 2.9 | 3.0 | 3.1 | 3.1 | 3.1 |
| Korea | 1.6 | 1.2 | 1.0 | 2.6 | 2.7 | 2.8 | 2.8 | 2.8 | 3.0 | 3.0 | 3.0 | 3.1 |
| China | 2.0 | 2.5 | 1.7 | 1.9 | 2.8 | 2.8 | 2.8 | 2.8 | 3.0 | 3.0 | 3.0 | 3.0 |
| Latin America | 4.6 | 2.6 | 6.3 | 4.2 | 3.6 | 3.5 | 3.5 | 3.5 | 3.6 | 3.7 | 3.7 | 3.7 |
| Mexico | 4.5 | 2.5 | 6.5 | 3.8 | 3.3 | 3.2 | 3.2 | 3.2 | 3.4 | 3.4 | 3.4 | 3.4 |
| Brazil | 4.0 | 3.8 | 7.3 | 6.8 | 5.2 | 5.4 | 5.6 | 5.6 | 5.6 | 5.6 | 5.5 | 5.5 |

¹ Foreign GDP aggregates calculated using shares of U.S. exports.² Foreign CPI aggregates calculated using shares of U.S. non-oil imports.

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

| Measure and country | 2007 | 2008 | 2009 | 2010 | 2011 | -----Projected----- | | | | |
|-------------------------------------|------|------|------|------|------|---------------------|------|------|------|--|
| | | | | | | 2012 | 2013 | 2014 | 2015 | |
| Real GDP ¹ | | | | | | | | | | |
| Total foreign | 4.3 | -7 | .8 | 4.5 | 2.8 | 2.3 | 2.9 | 3.4 | 3.5 | |
| <i>Previous Tealbook</i> | 4.3 | -9 | .9 | 4.5 | 2.8 | 2.4 | 2.8 | 3.4 | ... | |
| Advanced foreign economies | 2.5 | -1.6 | -1.5 | 3.0 | 1.3 | .7 | 1.3 | 2.0 | 2.3 | |
| Canada | 2.3 | .0 | -1.6 | 3.6 | 2.4 | 1.5 | 2.0 | 2.6 | 2.9 | |
| Japan | 1.6 | -4.8 | -6 | 3.4 | -6 | .3 | 1.1 | .7 | .7 | |
| United Kingdom | 3.8 | -4.6 | -9 | 1.5 | .7 | .2 | 1.5 | 2.3 | 2.4 | |
| Euro area | 2.3 | -2.1 | -2.3 | 2.2 | .6 | -.5 | .4 | 1.4 | 1.8 | |
| Germany | 2.4 | -1.9 | -2.2 | 4.2 | 1.9 | .9 | 1.0 | 1.9 | 2.2 | |
| Emerging market economies | 6.7 | .4 | 3.5 | 6.2 | 4.4 | 4.0 | 4.6 | 4.9 | 4.9 | |
| Asia | 8.9 | .8 | 8.0 | 7.7 | 4.9 | 4.9 | 5.5 | 5.8 | 5.9 | |
| Korea | 5.8 | -3.2 | 6.3 | 5.0 | 3.4 | 2.0 | 3.6 | 4.2 | 4.6 | |
| China | 13.7 | 7.7 | 11.3 | 9.7 | 8.8 | 7.5 | 8.0 | 8.1 | 8.0 | |
| Latin America | 4.4 | -2 | -8 | 4.5 | 3.8 | 3.2 | 3.7 | 3.8 | 3.8 | |
| Mexico | 3.5 | -1.1 | -2.2 | 4.1 | 3.9 | 3.2 | 3.7 | 3.8 | 3.8 | |
| Brazil | 6.6 | .9 | 5.3 | 5.3 | 1.4 | 1.7 | 3.6 | 4.0 | 4.1 | |
| Consumer prices ² | | | | | | | | | | |
| Total foreign | 3.7 | 3.3 | 1.3 | 3.2 | 3.4 | 2.3 | 2.2 | 2.5 | 2.6 | |
| <i>Previous Tealbook</i> | 3.7 | 3.3 | 1.3 | 3.2 | 3.4 | 2.3 | 2.3 | 2.5 | ... | |
| Advanced foreign economies | 2.2 | 2.0 | .2 | 1.7 | 2.2 | 1.3 | 1.2 | 1.6 | 1.7 | |
| Canada | 2.5 | 1.8 | .8 | 2.2 | 2.7 | 1.1 | 1.5 | 1.8 | 1.9 | |
| Japan | .5 | 1.1 | -2.0 | -3 | -3 | -3 | -.2 | 1.7 | 1.2 | |
| United Kingdom | 2.1 | 3.9 | 2.2 | 3.4 | 4.7 | 2.5 | 1.7 | 1.6 | 1.8 | |
| Euro Area | 2.9 | 2.3 | .4 | 2.0 | 2.9 | 2.2 | 1.4 | 1.5 | 1.6 | |
| Germany | 3.1 | 1.7 | .3 | 1.6 | 2.6 | 1.9 | 1.9 | 1.8 | 1.9 | |
| Emerging market economies | 5.1 | 4.6 | 2.1 | 4.3 | 4.3 | 3.1 | 3.1 | 3.2 | 3.3 | |
| Asia | 5.5 | 3.6 | 1.3 | 4.3 | 4.4 | 2.5 | 2.9 | 3.1 | 3.1 | |
| Korea | 3.4 | 4.5 | 2.4 | 3.2 | 4.0 | 1.6 | 2.8 | 3.0 | 3.2 | |
| China | 6.7 | 2.5 | .6 | 4.6 | 4.6 | 2.0 | 2.8 | 3.0 | 3.0 | |
| Latin America | 4.2 | 6.7 | 3.9 | 4.4 | 3.9 | 4.4 | 3.5 | 3.7 | 3.7 | |
| Mexico | 3.8 | 6.2 | 4.0 | 4.3 | 3.5 | 4.3 | 3.2 | 3.4 | 3.4 | |
| Brazil | 4.3 | 6.3 | 4.3 | 5.6 | 6.7 | 5.4 | 5.4 | 5.6 | 5.5 | |

¹ Foreign GDP aggregates calculated using shares of U.S. exports.² Foreign CPI aggregates calculated using shares of U.S. non-oil imports.

... Not applicable.

U.S. Current Account

Quarterly Data

| | 2012 | | | | 2013 | | | | 2014 | | | |
|-------------------------------------|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | -----Projected----- | | | | | | | | | | | |
| | Billions of dollars, s.a.a.r. | | | | | | | | | | | |
| U.S. current account balance | -534.5 | -469.6 | -418.4 | -436.3 | -432.0 | -415.0 | -433.8 | -471.6 | -500.2 | -482.0 | -489.1 | -508.2 |
| <i>Previous Tealbook</i> | -534.5 | -469.6 | -436.6 | -449.4 | -465.7 | -442.9 | -455.3 | -490.0 | -516.8 | -495.5 | -499.9 | -515.4 |
| Current account as percent of GDP | -3.5 | -3.0 | -2.6 | -2.7 | -2.7 | -2.6 | -2.7 | -2.9 | -3.0 | -2.9 | -2.9 | -2.9 |
| <i>Previous Tealbook</i> | -3.5 | -3.0 | -2.8 | -2.8 | -2.9 | -2.7 | -2.8 | -3.0 | -3.1 | -2.9 | -2.9 | -3.0 |
| Net goods & services | -593.5 | -557.3 | -511.2 | -514.6 | -512.1 | -483.7 | -482.2 | -505.1 | -529.9 | -503.1 | -495.1 | -507.1 |
| Investment income, net | 197.4 | 229.7 | 236.2 | 221.2 | 221.5 | 206.2 | 189.1 | 176.5 | 171.1 | 158.6 | 146.8 | 141.8 |
| Direct, net | 282.9 | 305.5 | 300.4 | 277.5 | 275.2 | 264.5 | 258.4 | 257.9 | 262.2 | 261.6 | 262.9 | 269.9 |
| Portfolio, net | -85.6 | -75.8 | -64.1 | -56.4 | -53.7 | -58.3 | -69.3 | -81.5 | -91.1 | -103.0 | -116.2 | -128.0 |
| Other income and transfers, net | -138.4 | -142.0 | -143.4 | -142.9 | -141.4 | -137.5 | -140.8 | -142.9 | -141.4 | -137.5 | -140.8 | -142.9 |

Annual Data

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------------|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | -----Projected----- | | | | | | | | |
| | Billions of dollars | | | | | | | | |
| U.S. current account balance | -710.3 | -677.1 | -381.9 | -442.0 | -465.9 | -464.7 | -438.1 | -494.9 | -497.7 |
| <i>Previous Tealbook</i> | -710.3 | -677.1 | -381.9 | -442.0 | -465.9 | -472.5 | -463.5 | -506.9 | ... |
| Current account as percent of GDP | -5.1 | -4.7 | -2.7 | -3.0 | -3.1 | -3.0 | -2.7 | -2.9 | -2.8 |
| <i>Previous Tealbook</i> | -5.1 | -4.7 | -2.7 | -3.0 | -3.1 | -3.0 | -2.8 | -3.0 | ... |
| Net goods & services | -696.7 | -698.3 | -379.2 | -494.7 | -559.9 | -544.1 | -495.8 | -508.8 | -493.0 |
| Investment income, net | 111.1 | 157.8 | 127.6 | 191.0 | 235.0 | 221.1 | 198.3 | 154.6 | 134.9 |
| Direct, net | 244.6 | 284.3 | 253.0 | 297.9 | 321.7 | 291.6 | 264.0 | 264.1 | 293.2 |
| Portfolio, net | -133.5 | -126.5 | -125.4 | -106.9 | -86.7 | -70.5 | -65.7 | -109.6 | -158.3 |
| Other income and transfers, net | -124.7 | -136.6 | -130.3 | -138.2 | -141.1 | -141.7 | -140.6 | -140.6 | -139.6 |

... Not applicable.

Class I FOMC – Restricted Controlled (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book B

Monetary Policy: Strategies and Alternatives

December 6, 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

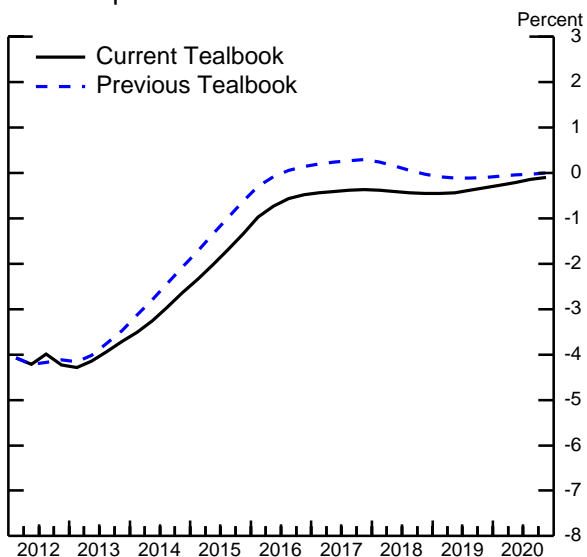
| | Constrained Policy | | Unconstrained Policy | |
|----------------------------------|--------------------|-------------|----------------------|--------------|
| | 2013Q1 | 2013Q2 | 2013Q1 | 2013Q2 |
| Taylor (1993) rule | 1.30 | 1.32 | 1.30 | 1.32 |
| <i>Previous Tealbook</i> | 1.40 | 1.43 | 1.40 | 1.43 |
| Taylor (1999) rule | 0.13 | 0.13 | -0.79 | -0.71 |
| <i>Previous Tealbook</i> | 0.13 | 0.13 | -0.63 | -0.54 |
| Inertial Taylor (1999) rule | 0.13 | 0.13 | 0.01 | -0.10 |
| <i>Previous Tealbook Outlook</i> | 0.13 | 0.13 | 0.03 | -0.05 |
| Outcome-based rule | 0.13 | 0.13 | -0.03 | -0.14 |
| <i>Previous Tealbook Outlook</i> | 0.13 | 0.13 | 0.01 | -0.06 |
| First-difference rule | 0.20 | 0.37 | 0.20 | 0.37 |
| <i>Previous Tealbook Outlook</i> | 0.26 | 0.56 | 0.26 | 0.56 |
| Nominal income targeting rule | 0.13 | 0.13 | -0.48 | -0.96 |
| <i>Previous Tealbook Outlook</i> | 0.13 | 0.13 | -0.42 | -0.86 |

Memo: Equilibrium and Actual Real Federal Funds Rate

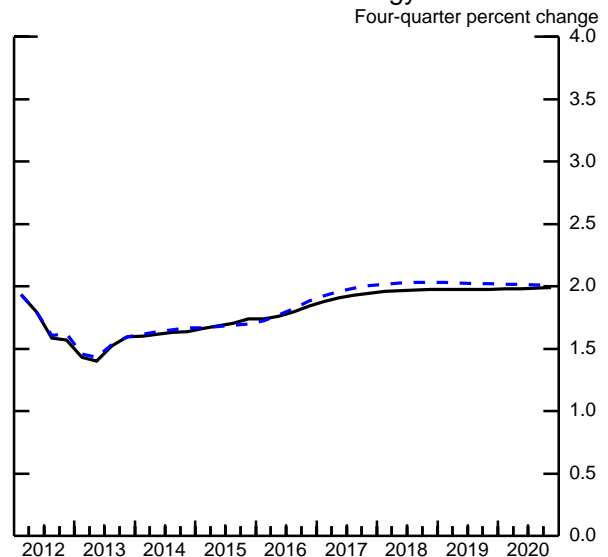
| | Current Tealbook | <i>Previous Tealbook</i> |
|---|---------------------|------------------------------|
| Tealbook-consistent FRB/US r^* estimate | -2.21 | -1.90 |
| Actual real federal funds rate | -1.45 | -1.47 |

Key Elements of the Staff Projection

GDP Gap



PCE Prices ex. Food and Energy

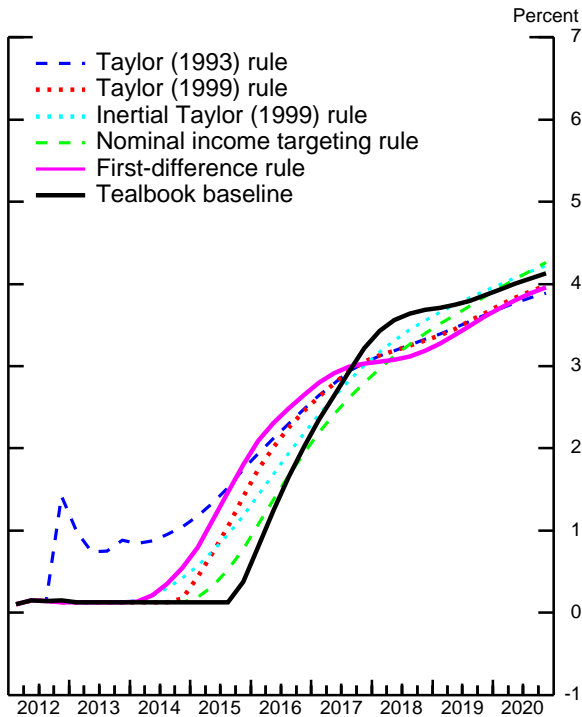


Note: For rules which have the lagged policy rate as a right-hand-side variable, the lines denoted "Previous Tealbook Outlook" report rule prescriptions based on the previous Tealbook's staff outlook, but jumping off from the average value for the policy rate thus far in the quarter.

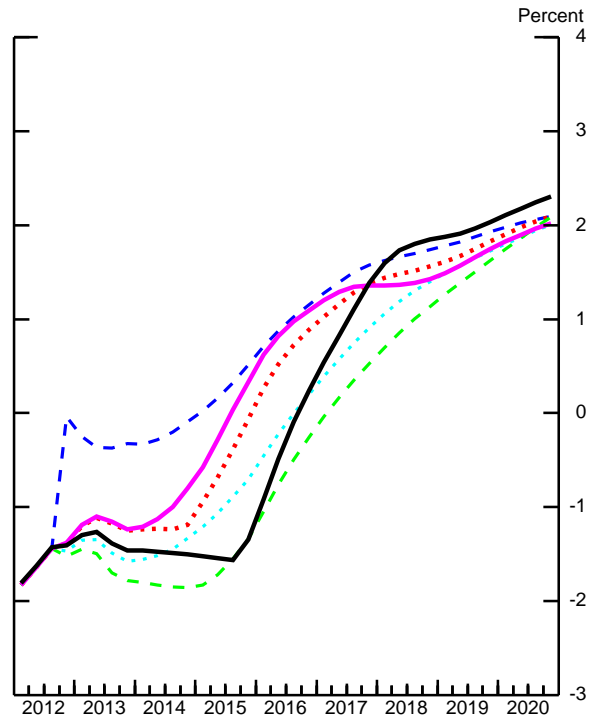
Policy Rule Simulations

Strategies

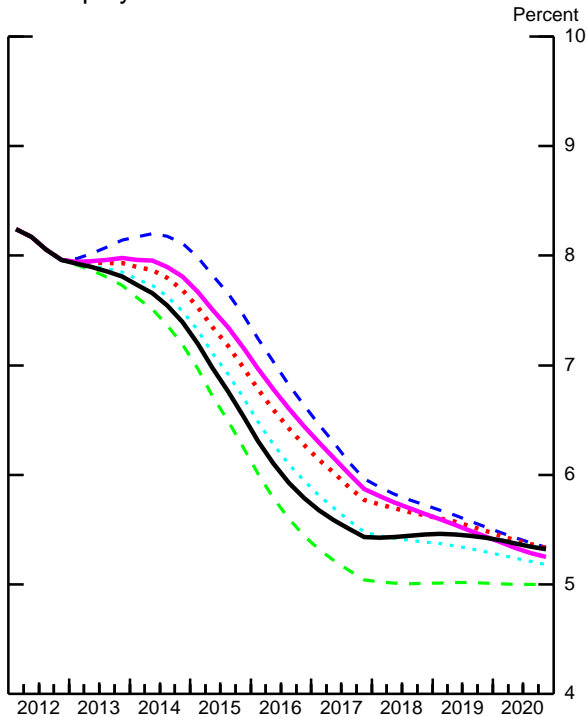
Nominal Federal Funds Rate



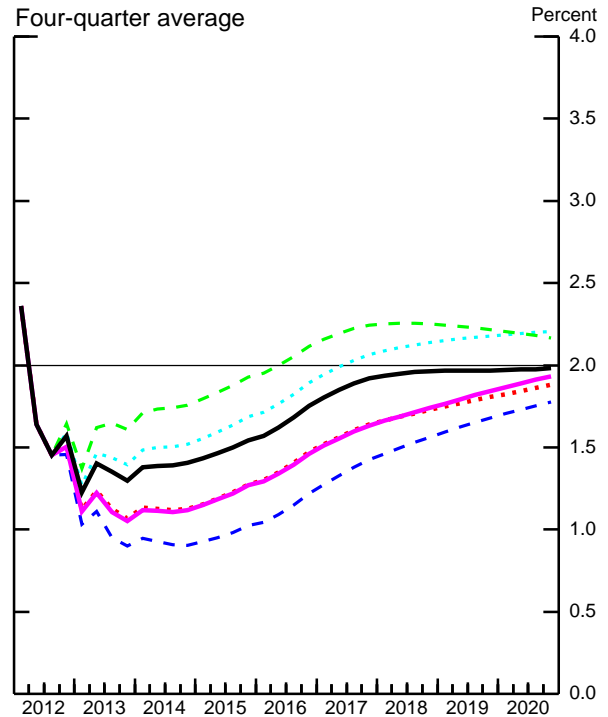
Real Federal Funds Rate



Unemployment Rate



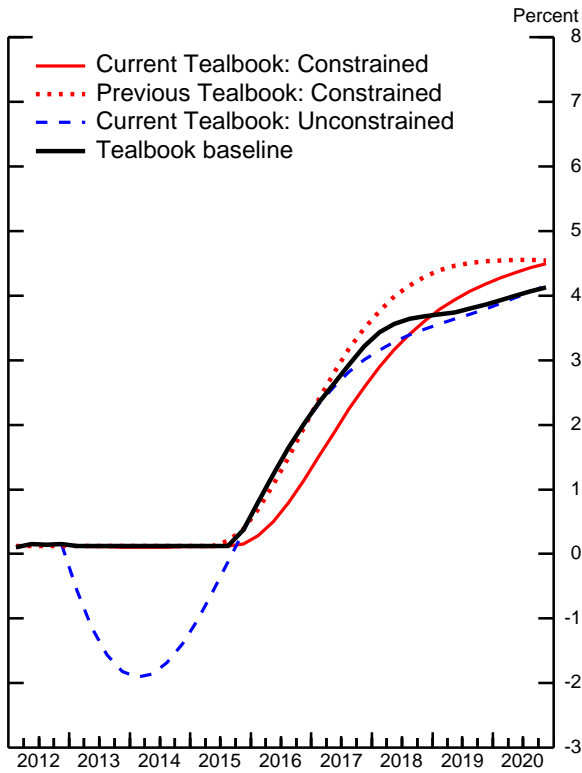
PCE Inflation
Four-quarter average



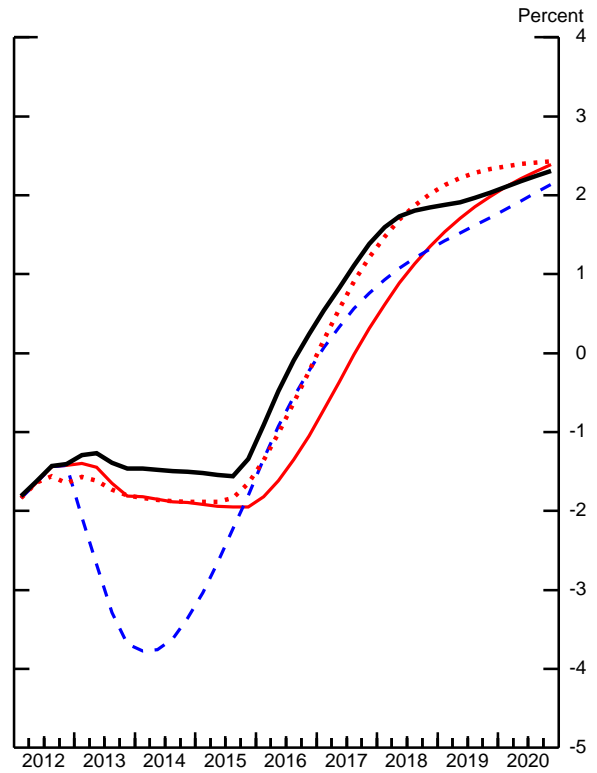
Note: The policy rule simulations in this exhibit are based on rules that respond to core inflation. This choice of rule specification was made in light of the tendency for current and near-term core inflation rates to outperform headline inflation rates as predictors of the medium-term behavior of headline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

Constrained vs. Unconstrained Optimal Control Policy

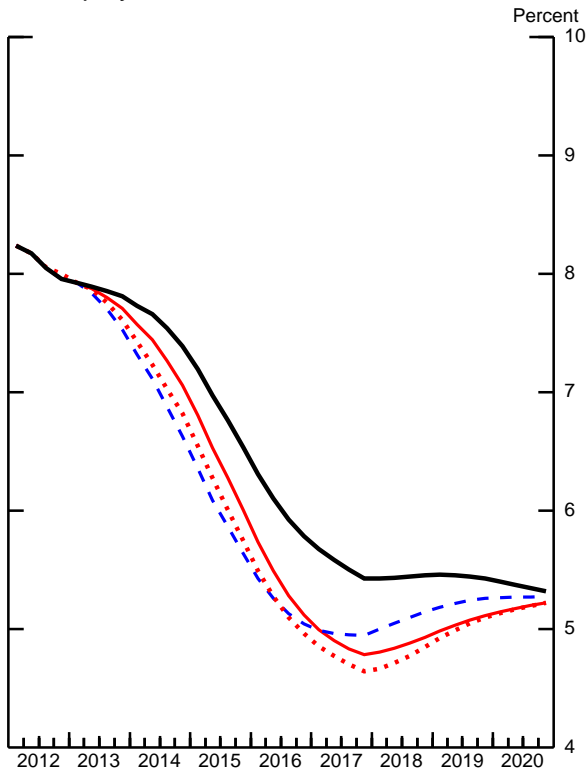
Nominal Federal Funds Rate



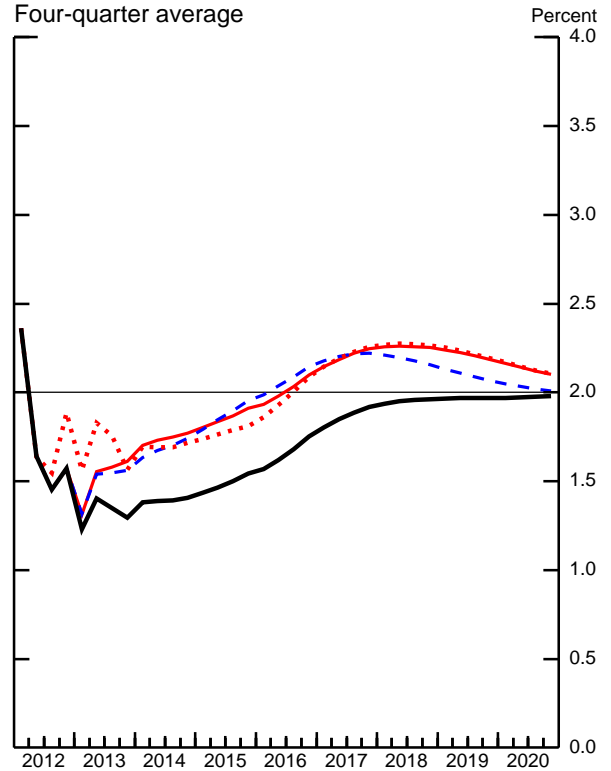
Real Federal Funds Rate



Unemployment Rate

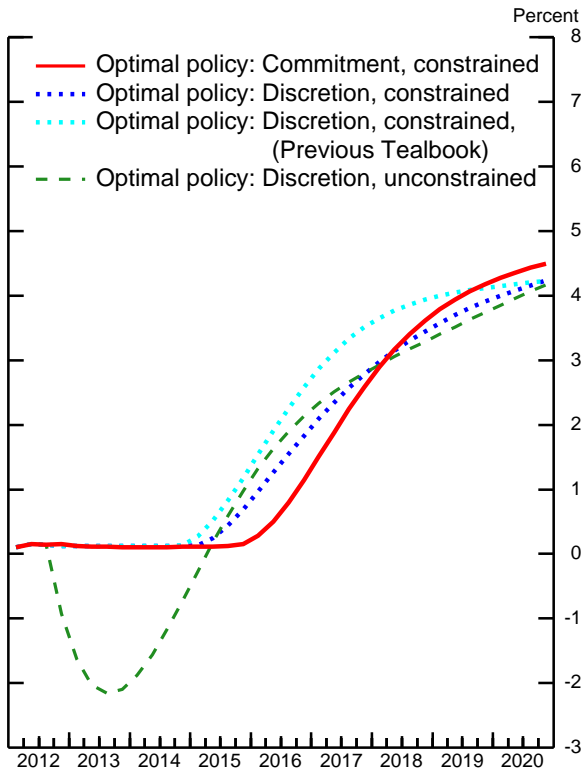


PCE Inflation
Four-quarter average

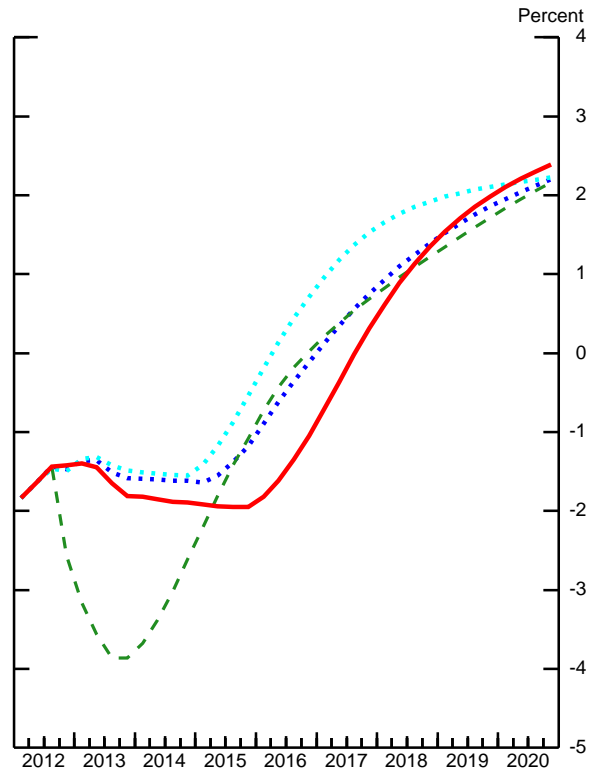


Optimal Control Policy: Commitment vs. Discretion

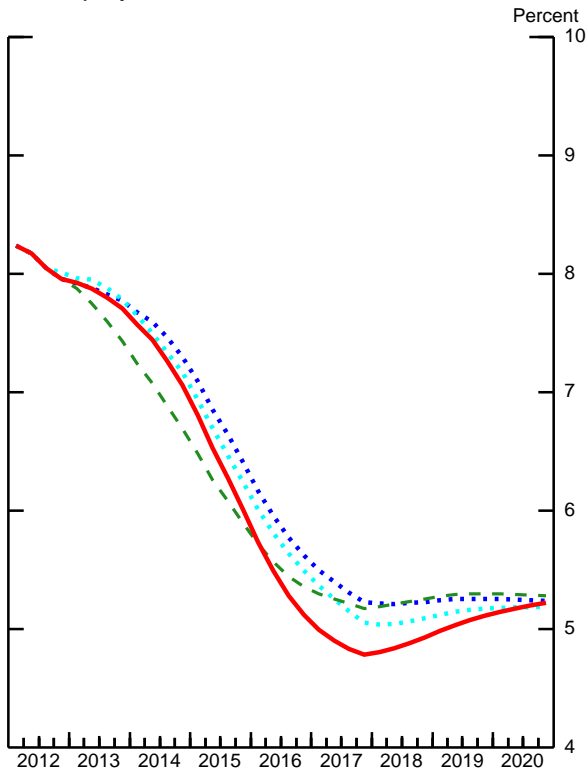
Nominal Federal Funds Rate



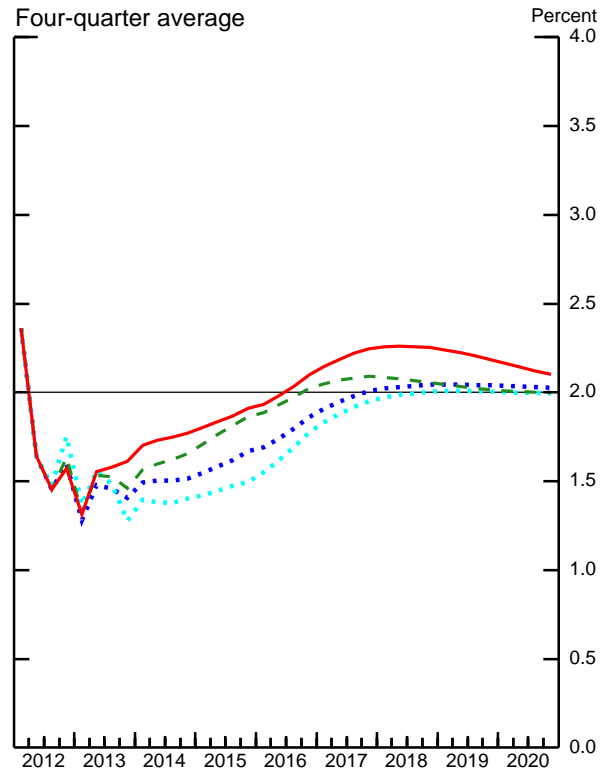
Real Federal Funds Rate



Unemployment Rate



PCE Inflation
Four-quarter average



Outcomes under Alternative Policies

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

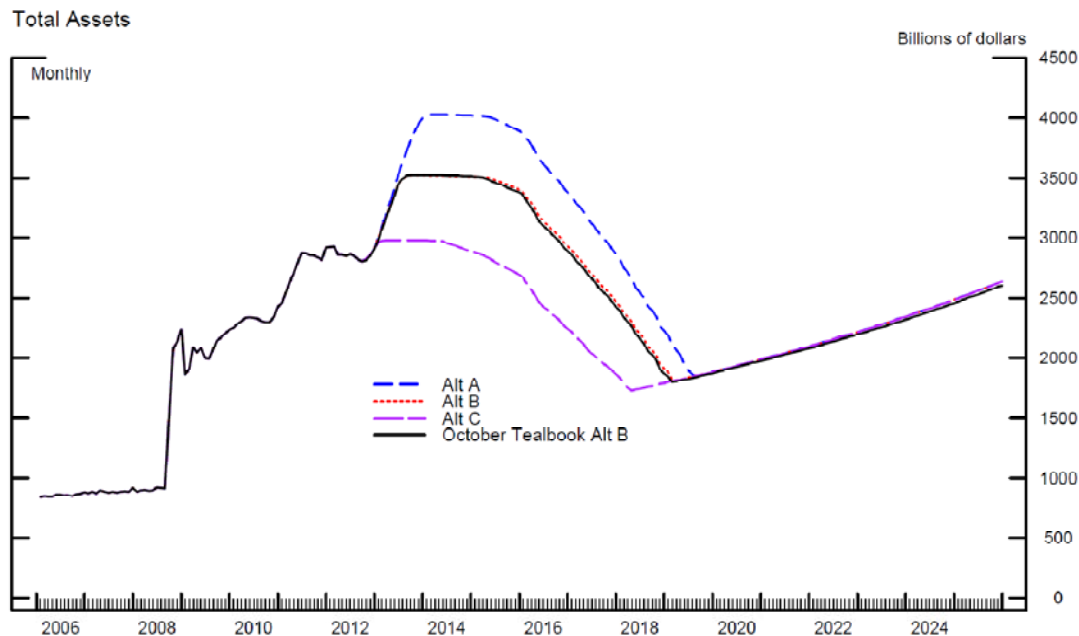
| Measure and scenario | 2012 | | 2013 | 2014 | 2015 | 2016 |
|---------------------------------------|------|-----|------|------|------|------|
| | H1 | H2 | | | | |
| <i>Real GDP</i> | | | | | | |
| Extended Tealbook baseline | 1.6 | 1.8 | 2.5 | 3.2 | 3.6 | 3.2 |
| Taylor (1993) | 1.6 | 1.8 | 1.6 | 2.5 | 3.3 | 3.5 |
| Taylor (1999) | 1.6 | 1.8 | 2.1 | 2.8 | 3.3 | 3.2 |
| Inertial Taylor (1999) | 1.6 | 1.8 | 2.4 | 3.0 | 3.5 | 3.3 |
| First-difference | 1.6 | 1.8 | 2.0 | 2.7 | 3.2 | 3.3 |
| Nominal income targeting | 1.6 | 1.7 | 2.7 | 3.4 | 3.7 | 3.4 |
| Constrained optimal control | 1.6 | 1.8 | 2.8 | 3.6 | 3.9 | 3.5 |
| <i>Unemployment rate¹</i> | | | | | | |
| Extended Tealbook baseline | 8.2 | 8.0 | 7.8 | 7.4 | 6.5 | 5.8 |
| Taylor (1993) | 8.2 | 8.0 | 8.1 | 8.1 | 7.5 | 6.6 |
| Taylor (1999) | 8.2 | 8.0 | 7.9 | 7.7 | 7.0 | 6.3 |
| Inertial Taylor (1999) | 8.2 | 8.0 | 7.9 | 7.5 | 6.7 | 5.9 |
| First-difference | 8.2 | 8.0 | 8.0 | 7.8 | 7.2 | 6.4 |
| Nominal income targeting | 8.2 | 8.0 | 7.7 | 7.2 | 6.3 | 5.4 |
| Constrained optimal control | 8.2 | 8.0 | 7.7 | 7.1 | 6.0 | 5.1 |
| <i>Total PCE prices</i> | | | | | | |
| Extended Tealbook baseline | 1.6 | 1.6 | 1.3 | 1.4 | 1.5 | 1.8 |
| Taylor (1993) | 1.6 | 1.3 | 0.9 | 0.9 | 1.0 | 1.2 |
| Taylor (1999) | 1.6 | 1.4 | 1.1 | 1.1 | 1.3 | 1.5 |
| Inertial Taylor (1999) | 1.6 | 1.6 | 1.4 | 1.5 | 1.7 | 1.9 |
| First-difference | 1.6 | 1.4 | 1.1 | 1.1 | 1.3 | 1.5 |
| Nominal income targeting | 1.6 | 1.7 | 1.6 | 1.8 | 1.9 | 2.1 |
| Constrained optimal control | 1.6 | 1.6 | 1.6 | 1.8 | 1.9 | 2.1 |
| <i>Core PCE prices</i> | | | | | | |
| Extended Tealbook baseline | 2.0 | 1.2 | 1.6 | 1.6 | 1.7 | 1.8 |
| Taylor (1993) | 2.0 | 0.9 | 1.2 | 1.1 | 1.2 | 1.3 |
| Taylor (1999) | 2.0 | 1.1 | 1.4 | 1.4 | 1.5 | 1.6 |
| Inertial Taylor (1999) | 2.0 | 1.2 | 1.7 | 1.7 | 1.9 | 2.0 |
| First-difference | 2.0 | 1.0 | 1.4 | 1.3 | 1.5 | 1.6 |
| Nominal income targeting | 2.0 | 1.3 | 1.9 | 2.0 | 2.1 | 2.2 |
| Constrained optimal control | 2.0 | 1.2 | 1.9 | 2.0 | 2.1 | 2.2 |
| <i>Federal funds rate¹</i> | | | | | | |
| Extended Tealbook baseline | 0.2 | 0.2 | 0.1 | 0.1 | 0.4 | 2.0 |
| Taylor (1993) | 0.2 | 1.4 | 0.9 | 1.0 | 1.7 | 2.5 |
| Taylor (1999) | 0.2 | 0.1 | 0.1 | 0.2 | 1.4 | 2.5 |
| Inertial Taylor (1999) | 0.2 | 0.1 | 0.1 | 0.4 | 1.2 | 2.2 |
| First-difference | 0.2 | 0.1 | 0.1 | 0.5 | 1.8 | 2.6 |
| Nominal income targeting | 0.2 | 0.1 | 0.1 | 0.1 | 0.8 | 1.9 |
| Constrained optimal control | 0.2 | 0.2 | 0.1 | 0.1 | 0.2 | 1.1 |

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

LONG-RUN PROJECTIONS OF THE BALANCE SHEET AND MONETARY BASE

The staff has prepared three scenarios for the Federal Reserve’s balance sheet that correspond to Alternatives A, B, and C.⁷ All options assume that the maturity extension program is completed at the end of December and that \$40 billion of agency mortgage-backed securities (MBS) are purchased in December, resulting in about \$250 billion in purchases of longer-term securities from October to December 2012. Alternatives A and B include asset purchases that continue beyond the end of the year and assume that the Committee maintains an exceptionally low federal funds rate until October 2015. In contrast, Alternative C ends purchases at the end of this year and has the federal funds rate lift off from its lower bound in October 2014. 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.

Alternatives



⁷ For additional analysis of a number of possible asset purchase options, see the memo titled “Options for Continuation of Open-Ended Asset Purchases in 2013” by Board and FRBNY staff sent to the Committee on November 30, 2012 (hereafter “the options memo for the December FOMC”).

| Growth Rates for the Monetary Base | | | | |
|------------------------------------|---------------|---------------|---------------|--------------------------|
| Date | Alternative B | Alternative A | Alternative C | October Alternative B |
| Percent, annual rate | | | | |
| Monthly | | | | |
| Apr-12 | -12.2 | -12.2 | -12.2 | -12.3 |
| May-12 | -8.7 | -8.7 | -8.7 | -8.7 |
| Jun-12 | -5.1 | -5.1 | -5.1 | -5.1 |
| Jul-12 | 7.7 | 7.7 | 7.7 | 7.7 |
| Aug-12 | 7.8 | 7.8 | 7.8 | 7.7 |
| Sep-12 | -12.4 | -12.4 | -12.4 | -12.4 |
| Oct-12 | -8.9 | -8.9 | -8.9 | 1.1 |
| Nov-12 | 32.6 | 32.5 | 32.5 | 28.9 |
| Dec-12 | 37.9 | 37.8 | 38.5 | 23.1 |
| Quarterly | | | | |
| 2011 Q3 | 21.0 | 21.0 | 21.0 | 21.0 |
| 2011 Q4 | -5.9 | -5.9 | -5.9 | -5.9 |
| 2012 Q1 | 5.5 | 5.5 | 5.5 | 5.5 |
| 2012 Q2 | -3.9 | -3.9 | -3.9 | -3.9 |
| 2012 Q3 | 0.8 | 0.8 | 0.8 | 0.8 |
| 2012 Q4 | 6.6 | 6.5 | 6.6 | 7.5 |
| 2013 Q1 | 36.4 | 38.2 | 24.0 | 28.3 |
| 2013 Q2 | 30.2 | 38.6 | -4.2 | 30.1 |
| Annual - Q4 to Q4 | | | | |
| 2010 | 0.9 | 0.9 | 0.9 | 0.9 |
| 2011 | 32.9 | 32.9 | 32.9 | 32.9 |
| 2012 | 2.2 | 2.2 | 2.2 | 2.5 |
| 2013 | 25.7 | 40.4 | 5.5 | 25.1 |
| 2014 | -0.6 | 2.5 | -1.0 | -0.6 |
| 2015 | -1.3 | -1.5 | -6.6 | -2.4 |
| 2016 | -13.2 | -12.5 | -16.7 | -14.3 |
| 2017 | -16.5 | -15.9 | -18.3 | -16.9 |
| 2018 | -23.4 | -22.8 | -8.5 | -23.9 |
| 2019 | -7.4 | -21.3 | 4.4 | -6.2 |
| 2020 | 4.6 | 4.6 | 4.6 | 4.4 |
| 2021 | 4.6 | 4.6 | 4.6 | 4.4 |
| 2022 | 4.6 | 4.6 | 4.6 | 4.5 |
| 2023 | 4.7 | 4.7 | 4.7 | 4.6 |
| 2024 | 4.7 | 4.7 | 4.7 | 4.7 |
| 2025 | 4.7 | 4.7 | 4.7 | 4.7 |

Note: Not seasonally adjusted.

Growth Rates for M2

(Percent, seasonally adjusted annual rate)

| Monthly Growth Rates | Tealbook Forecast* |
|------------------------|--------------------|
| Apr-12 | 5.5 |
| May-12 | 3.8 |
| Jun-12 | 5.1 |
| Jul-12 | 9.0 |
| Aug-12 | 4.5 |
| Sep-12 | 10.1 |
| Oct-12 | 11.2 |
| Nov-12 | 5.9 |
| Dec-12 | 7.3 |
| Jan-13 | -7.5 |
| Feb-13 | -4.0 |
| Mar-13 | 2.0 |
| Quarterly Growth Rates | |
| 2012 Q3 | 6.7 |
| 2012 Q4 | 8.7 |
| 2013 Q1 | -0.9 |
| 2013 Q2 | 1.6 |
| 2013 Q3 | 2.1 |
| 2013 Q4 | 2.0 |
| 2014 Q1 | 2.0 |
| 2014 Q2 | 2.3 |
| 2014 Q3 | 2.5 |
| 2014 Q4 | 2.6 |
| 2015 Q1 | 2.8 |
| 2015 Q2 | 2.4 |
| 2015 Q3 | 0.9 |
| 2015 Q4 | -0.4 |
| Annual Growth Rates | |
| 2012 | 7.3 |
| 2013 | 1.2 |
| 2014 | 2.4 |
| 2015 | 1.4 |

* This forecast is consistent with nominal GDP and interest rates in the Tealbook forecast. Actual data through November 26, 2012; projections thereafter.

| 10-Year Treasury Term Premium Effect | | | | |
|--------------------------------------|---------------|---------------|---------------|--------------------------|
| Date | Alternative B | Alternative A | Alternative C | October Alternative B |

Basis Points
Quarterly Averages

| | | | | |
|---------|------|------|-----|-----|
| 2012 Q4 | -113 | -113 | -69 | -93 |
| 2013 Q1 | -104 | -110 | -65 | -90 |
| 2013 Q2 | -94 | -107 | -61 | -86 |
| 2013 Q3 | -83 | -103 | -57 | -81 |
| 2013 Q4 | -78 | -98 | -53 | -76 |
| 2014 Q1 | -73 | -92 | -49 | -72 |
| 2014 Q2 | -69 | -86 | -45 | -67 |
| 2014 Q3 | -64 | -81 | -41 | -62 |
| 2014 Q4 | -59 | -75 | -38 | -57 |
| 2015 Q1 | -55 | -70 | -34 | -53 |
| 2015 Q2 | -51 | -64 | -31 | -49 |
| 2015 Q3 | -47 | -59 | -28 | -44 |
| 2015 Q4 | -43 | -54 | -25 | -40 |
| 2016 Q4 | -29 | -37 | -17 | -27 |
| 2017 Q4 | -20 | -24 | -11 | -17 |
| 2018 Q4 | -14 | -16 | -9 | -10 |
| 2019 Q4 | -11 | -11 | -9 | -7 |
| 2020 Q4 | -10 | -9 | -8 | -5 |
| 2021 Q4 | -9 | -8 | -7 | |
| 2022 Q4 | -8 | -6 | -6 | |
| 2023 Q4 | -6 | -5 | -5 | |
| 2024 Q4 | -4 | -4 | -4 | |
| 2025 Q4 | -3 | -3 | -3 | |

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

Billions of dollars

| | <u>Oct 31, 2012</u> | <u>2013</u> | <u>2015</u> | <u>2017</u> | <u>2019</u> | <u>2021</u> | <u>2023</u> | <u>2025</u> |
|---|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total assets | 2,825 | 3,521 | 3,402 | 2,469 | 1,884 | 2,097 | 2,345 | 2,635 |
| Selected assets | | | | | | | | |
| Liquidity programs for financial firms | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Primary, secondary, and seasonal credit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Central bank liquidity swaps | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Term Asset-Backed Securities Loan Facility (TALF) | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Securities held outright | 2,579 | 3,253 | 3,170 | 2,283 | 1,736 | 1,973 | 2,230 | 2,527 |
| U.S. Treasury securities | 1,645 | 1,923 | 1,923 | 1,511 | 1,439 | 1,973 | 2,230 | 2,527 |
| Agency debt securities | 82 | 57 | 33 | 4 | 2 | 0 | 0 | 0 |
| Agency mortgage-backed securities | 852 | 1,273 | 1,215 | 768 | 295 | 0 | 0 | 0 |
| Net portfolio holdings of TALF LLC | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total other assets | 229 | 266 | 231 | 186 | 148 | 125 | 116 | 108 |
| Total liabilities | 2,771 | 3,450 | 3,307 | 2,344 | 1,720 | 1,880 | 2,057 | 2,254 |
| Selected liabilities | | | | | | | | |
| Federal Reserve notes in circulation | 1,100 | 1,179 | 1,329 | 1,466 | 1,604 | 1,764 | 1,942 | 2,138 |
| Reverse repurchase agreements | 100 | 70 | 70 | 70 | 70 | 70 | 70 | 70 |
| Deposits with Federal Reserve Banks | 1,559 | 2,190 | 1,898 | 798 | 36 | 36 | 36 | 36 |
| Reserve balances held by depository institutions | 1,435 | 2,123 | 1,887 | 787 | 25 | 25 | 25 | 25 |
| U.S. Treasury, General Account | 100 | 61 | 5 | 5 | 5 | 5 | 5 | 5 |
| Other Deposits | 24 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Interest on Federal Reserve Notes due to U.S. Treasury | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total capital | 55 | 71 | 94 | 124 | 165 | 218 | 288 | 381 |

Explanatory Notes

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

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

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

Billions of dollars

| | <u>Oct 31, 2012</u> | <u>2013</u> | <u>2015</u> | <u>2017</u> | <u>2019</u> | <u>2021</u> | <u>2023</u> | <u>2025</u> |
|---|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total assets | 2,825 | 3,998 | 3,895 | 2,863 | 1,883 | 2,099 | 2,346 | 2,636 |
| Selected assets | | | | | | | | |
| Liquidity programs for financial firms | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Primary, secondary, and seasonal credit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Central bank liquidity swaps | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Term Asset-Backed Securities Loan Facility (TALF) | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Securities held outright | 2,579 | 3,709 | 3,645 | 2,664 | 1,727 | 1,969 | 2,226 | 2,524 |
| U.S. Treasury securities | 1,645 | 2,153 | 2,153 | 1,737 | 1,370 | 1,969 | 2,226 | 2,524 |
| Agency debt securities | 82 | 57 | 33 | 4 | 2 | 0 | 0 | 0 |
| Agency mortgage-backed securities | 852 | 1,499 | 1,459 | 922 | 355 | 0 | 0 | 0 |
| Net portfolio holdings of TALF LLC | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total other assets | 229 | 287 | 250 | 199 | 156 | 130 | 120 | 111 |
| Total liabilities | 2,771 | 3,927 | 3,801 | 2,738 | 1,718 | 1,881 | 2,059 | 2,255 |
| Selected liabilities | | | | | | | | |
| Federal Reserve notes in circulation | 1,100 | 1,179 | 1,329 | 1,466 | 1,604 | 1,764 | 1,942 | 2,138 |
| Reverse repurchase agreements | 100 | 70 | 70 | 70 | 70 | 70 | 70 | 70 |
| Deposits with Federal Reserve Banks | 1,559 | 2,664 | 2,389 | 1,190 | 36 | 36 | 36 | 36 |
| Reserve balances held by depository institutions | 1,435 | 2,598 | 2,378 | 1,179 | 25 | 25 | 25 | 25 |
| U.S. Treasury, General Account | 100 | 61 | 5 | 5 | 5 | 5 | 5 | 5 |
| Other Deposits | 24 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Interest on Federal Reserve Notes due to U.S. Treasury | 2 | 0 | 0 | 0 | -2 | 0 | 0 | 0 |
| Total capital | 55 | 71 | 94 | 124 | 165 | 218 | 288 | 381 |

Explanatory Notes

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

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

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

Billions of dollars

| | <u>Oct 31, 2012</u> | <u>2013</u> | <u>2015</u> | <u>2017</u> | <u>2019</u> | <u>2021</u> | <u>2023</u> | <u>2025</u> |
|---|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total assets | 2,825 | 2,979 | 2,692 | 1,866 | 1,884 | 2,097 | 2,345 | 2,634 |
| Selected assets | | | | | | | | |
| Liquidity programs for financial firms | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Primary, secondary, and seasonal credit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Central bank liquidity swaps | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Term Asset-Backed Securities Loan Facility (TALF) | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Securities held outright | 2,579 | 2,750 | 2,501 | 1,711 | 1,758 | 1,985 | 2,240 | 2,536 |
| U.S. Treasury securities | 1,645 | 1,653 | 1,652 | 1,275 | 1,709 | 1,985 | 2,240 | 2,536 |
| Agency debt securities | 82 | 57 | 33 | 4 | 1 | 0 | 0 | 0 |
| Agency mortgage-backed securities | 852 | 1,040 | 816 | 432 | 48 | 0 | 0 | 0 |
| Net portfolio holdings of TALF LLC | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total other assets | 229 | 227 | 191 | 155 | 126 | 112 | 105 | 99 |
| Total liabilities | 2,771 | 2,908 | 2,598 | 1,742 | 1,719 | 1,880 | 2,057 | 2,254 |
| Selected liabilities | | | | | | | | |
| Federal Reserve notes in circulation | 1,100 | 1,179 | 1,329 | 1,466 | 1,604 | 1,764 | 1,942 | 2,138 |
| Reverse repurchase agreements | 100 | 70 | 70 | 70 | 70 | 70 | 70 | 70 |
| Deposits with Federal Reserve Banks | 1,559 | 1,648 | 1,189 | 195 | 36 | 36 | 36 | 36 |
| Reserve balances held by depository institutions | 1,435 | 1,581 | 1,178 | 184 | 25 | 25 | 25 | 25 |
| U.S. Treasury, General Account | 100 | 61 | 5 | 5 | 5 | 5 | 5 | 5 |
| Other Deposits | 24 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Interest on Federal Reserve Notes due to U.S. Treasury | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total capital | 55 | 71 | 94 | 124 | 165 | 218 | 288 | 381 |

Explanatory Notes

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

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