

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

September 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 Survey of Economic Projections (SEP) following the June FOMC meeting. The table below summarizes revisions to the staff economic projection since the June Tealbook and extends the projection to 2015.

The staff projection for real activity is little changed since June. Both the downward revision to the projection for real GDP growth in the second half of 2012 and the upward revision to growth in 2013 largely reflect the effect of the drought on farm production this year and its expected return to normal next year. Accordingly, the projection for the unemployment rate through 2014 is about unchanged from the June Tealbook. In 2015, the staff projects a further strengthening of GDP growth and a somewhat more pronounced decline in the unemployment rate, reflecting a further waning of the headwinds that have been restraining activity. Nonetheless, significant slack remains even at the end of 2015.

The staff projection for core PCE inflation is also about unchanged since June. The projection for overall PCE inflation has been revised up in the second half of this year, primarily reflecting the upward movement in crude oil prices since the time of the June Tealbook. But these effects are projected to be short-lived, and overall PCE inflation after this year remains a touch below core inflation, about the same as the staff projected in June. In 2015, with a smaller degree of slack, inflation is projected to edge up closer to the FOMC's long-run objective of 2 percent.

With the economic outlook about unchanged, the outcome-based policy rule calls for the federal funds rate to move above its effective lower bound in the third quarter of 2014, the same as in the June Tealbook. By the end of 2015, the federal funds rate is now projected to reach about 2¼ percent.

Staff Economic Projections Compared with the June Tealbook

| Variable | 2012 | | 2012 | 2013 | 2014 | 2015 | Longer run |
|---------------------------------|------|-----|------|------|------|------|------------|
| | H1 | H2 | | | | | |
| Real GDP ¹ | 1.8 | 1.5 | 1.6 | 2.4 | 3.2 | 3.6 | 2.5 |
| June Tealbook | 1.8 | 1.9 | 1.9 | 2.2 | 3.1 | | 2.5 |
| Unemployment rate ² | 8.2 | 8.3 | 8.3 | 8.0 | 7.6 | 6.7 | 5.2 |
| June Tealbook | 8.2 | 8.2 | 8.2 | 8.0 | 7.7 | | 5.2 |
| PCE inflation ¹ | 1.6 | 1.8 | 1.7 | 1.4 | 1.4 | 1.5 | 2.0 |
| June Tealbook | 1.5 | .8 | 1.2 | 1.5 | 1.5 | | 2.0 |
| Core PCE inflation ¹ | 2.0 | 1.4 | 1.7 | 1.6 | 1.6 | 1.7 | n.a. |
| June Tealbook | 1.9 | 1.5 | 1.7 | 1.6 | 1.6 | | n.a. |
| Federal funds rate ² | .15 | .13 | .13 | .13 | .65 | 2.06 | 4.25 |
| June Tealbook | .15 | .13 | .13 | .13 | .50 | | 4.25 |
| Memo: | | | | | | | |
| Federal funds rate, | | | | | | | |
| end of period | .13 | .13 | .13 | .13 | .75 | 2.25 | 4.25 |
| June Tealbook | .13 | .13 | .13 | .13 | .50 | | 4.25 |

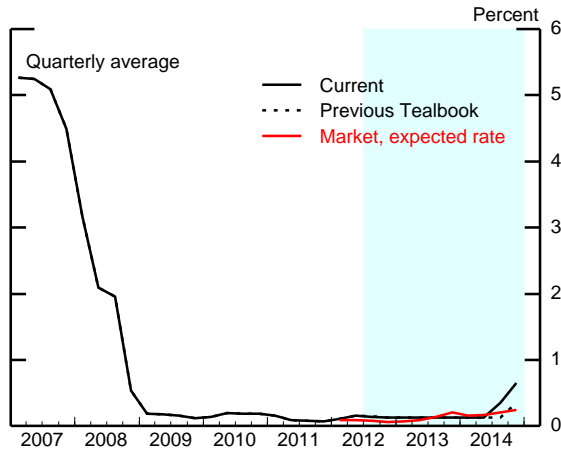
1. Percent change from final quarter of preceding period to final quarter of period indicated.

2. Percent, final quarter of period indicated.

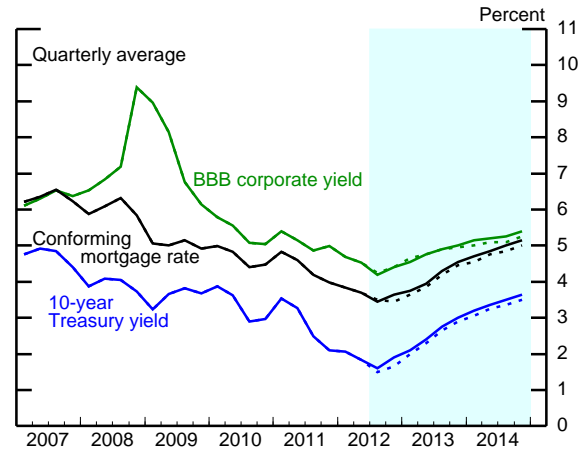
n.a. Not available.

Key Background Factors underlying the Baseline Staff Projection

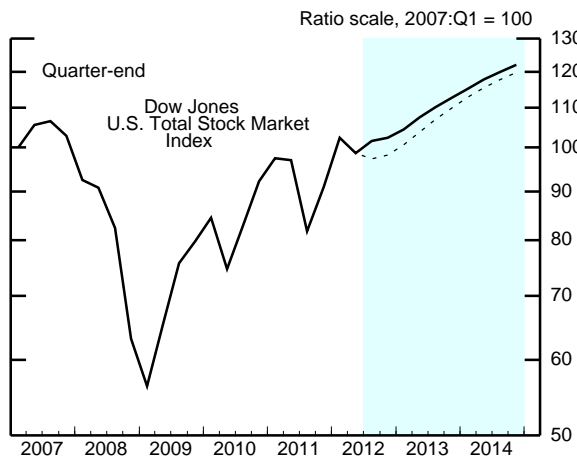
Federal Funds Rate



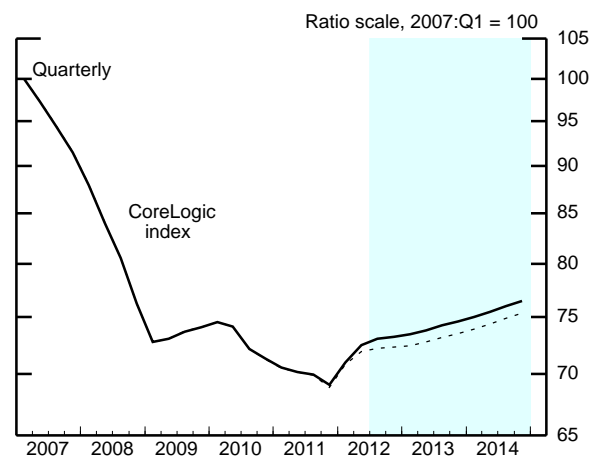
Long-Term Interest Rates



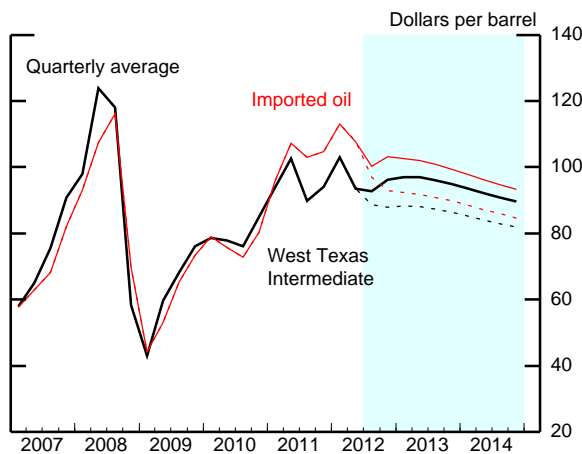
Equity Prices



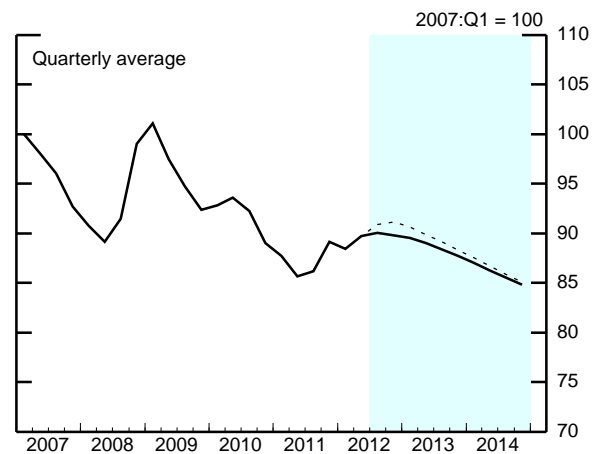
House Prices



Crude Oil Prices



Broad Real Dollar

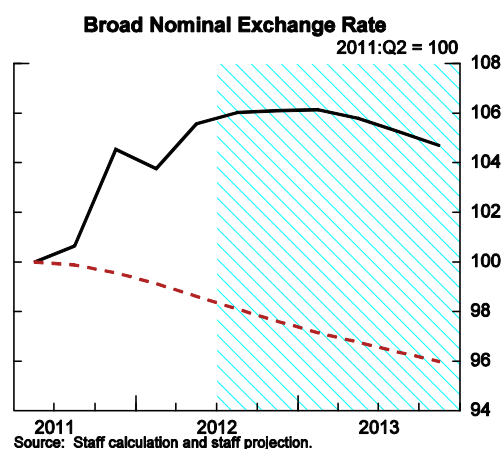
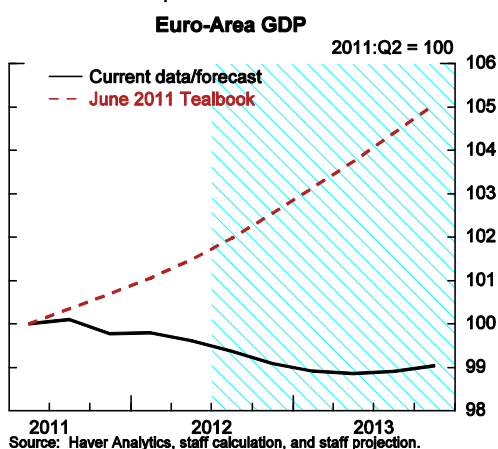


Effects of the European Situation on the U.S. Outlook

Concerns about the fiscal and financial crisis in Europe increased sharply in the summer of 2011 as financial stresses spread to Italy and Spain. On balance since a year ago, the foreign exchange value of the dollar has increased and the European and global economic outlook has deteriorated, with adverse effects for U.S. foreign trade. Heightened concerns about the European situation have also affected U.S. asset prices. To gauge the consequences of these developments for the overall U.S. economic outlook, we use staff models to simulate the implications for U.S. real GDP, the unemployment rate, and inflation.

Prior to the intensification of the crisis, the staff projected in the June 2011 Tealbook that real GDP growth in the euro area would be moderate (the red line of the lower-left figure). However, real GDP in the euro area has actually declined (the black line), and it is currently projected to fall further this year and part of next year. The staff's outlook for foreign economic growth outside the euro area (not shown) is also considerably weaker than a year ago, in part because of spillovers from the crisis. In addition, safe-haven demands stemming from the crisis have contributed to a steep appreciation of the broad nominal exchange value of the dollar (shown in the lower-right figure).

The intensification of the crisis in Europe since June 2011 has also left an imprint on U.S. asset prices. The staff estimates that the European crisis has had a cumulative negative effect on domestic equity prices of about 10 percent. The staff also believes that this downward pressure on equity prices resulted from revisions by market participants to their outlooks for corporate profits over the medium term in addition to an increase in the rate of return required by investors to hold equities because the downside risks to the global economic outlook increased. In addition, these concerns are calculated to have lowered the term-premium component of yields on long-term nominal Treasury securities about 80 basis points as the European crisis exacerbated flight-to-safety demands. The staff estimates that yields of private domestic securities have also been held down by the European situation, though not by as much as Treasury yields. In particular, yields on BBB-rated corporate bonds are judged to have decreased only about 40 basis points, while the comparable figure for 30-year residential mortgage rates is about 60 basis points.



The table below shows the aggregate effects on U.S. economic activity and inflation of the changes in both foreign conditions and U.S. financial conditions that the staff judges to have occurred because of the intensification of the European crisis since June 2011.¹ The simulation indicates that the rate of real U.S. GDP growth (line 1) was held down about $\frac{1}{4}$ percentage point last year, and will be about $\frac{3}{4}$ percentage point lower both this year and next.² The appreciation of the exchange value of the dollar, which boosts imports and lowers exports, is estimated to have the largest negative effect (line 2) on U.S. economic activity, reducing the rate of real GDP growth about $\frac{1}{2}$ percentage point in both 2012 and 2013. The staff estimates that lower economic activity in the euro area (line 3), which also lowers U.S. exports, has reduced and will continue to reduce the rate of U.S. real GDP growth about 0.1 percentage point, on average, from 2011 through 2013. Negative spillovers to economic activity in other trading partners contribute a similar amount (line 4).³ The net effects of the changes in domestic financial conditions (line 5) on U.S. GDP are small because the drag from lower equity prices is essentially offset by the boost from lower private long-term interest rates.

All told, the unemployment rate (line 6) is expected to be almost $\frac{1}{2}$ percentage point higher by the end of this year and is anticipated to be about $\frac{3}{4}$ percentage point higher by the end of next year as a result of the European crisis. Inflation (line 7) is slightly lower, reflecting both the higher exchange value of the dollar and lower resource utilization.

| Aggregate Effects of European Crisis on U.S. Economic Activity (percentage point changes) | | | | |
|------------------------------------------------------------------------------------------------------|------|------|------|--|
| | 2011 | 2012 | 2013 | |
| 1. Real GDP (Q4/Q4) | -.2 | -.8 | -.7 | |
| <i>Contributions to Q4/Q4 change in real GDP:^a</i> | | | | |
| 2. Exchange rate | -.1 | -.5 | -.5 | |
| 3. Euro-area GDP | -.1 | -.1 | -.1 | |
| 4. Rest-of-world GDP spillovers | -.1 | -.1 | -.1 | |
| 5. Domestic asset prices | .0 | -.1 | .0 | |
| 6. Unemployment rate (Q4 level) | .1 | .4 | .8 | |
| 7. PCE inflation (Q4/Q4) | -.1 | -.1 | -.1 | |

^a Contributions include estimated general equilibrium effects. Contributions may not add to the total because of rounding.

¹ The table reflects calculations from several staff models. In particular, the decomposition of the trade effects uses the trade model maintained by the International Finance Division, while the estimate of the overall macroeconomic effects is based on simulations of the FRB/US model. In the FRB/US simulations, the federal funds rate is set using the same estimated policy rule that is used in the staff baseline projection, and nonconventional policy retains its baseline setting.

² These adverse effects are slightly smaller than would have been estimated at the time of the July Tealbook as the situation in Europe appears to have improved a bit recently.

³ The effect of negative spillovers from other trading partners is estimated by assuming that a 1 percentage point reduction in the rate of change in euro-area real GDP translates to a $\frac{1}{4}$ percentage point reduction in the rate of real GDP growth in the rest of the world. Because the rest of the world makes up a much larger share of U.S. exports than the euro area, this spillover effect ends up roughly the same as the euro-area effect.

Summary of the Near-Term Outlook

(Percent change at annual rate except as noted)

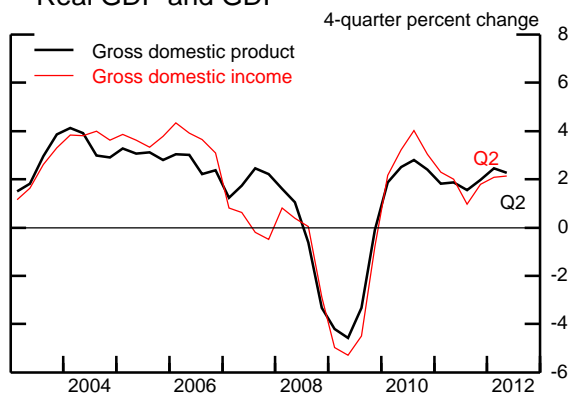
| Measure | 2012:Q2 | | 2012:Q3 | | 2012:Q4 | |
|--------------------------------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | Previous Tealbook | Current Tealbook | Previous Tealbook | Current Tealbook | Previous Tealbook | Current Tealbook |
| Real GDP | 1.0 | 1.7 | 1.5 | 1.3 | 1.8 | 1.7 |
| Private domestic final purchases | 1.8 | 2.0 | 2.2 | 2.1 | 2.5 | 2.2 |
| Personal consumption expenditures | 1.1 | 1.7 | 2.1 | 2.3 | 2.4 | 2.2 |
| Residential investment | 8.9 | 8.4 | 12.3 | 9.7 | 3.3 | 5.5 |
| Business fixed investment | 5.1 | 3.1 | .6 | -1.0 | 3.1 | 1.5 |
| Government purchases | -3.0 | -.7 | -1.4 | -1.7 | -1.4 | -1.1 |
| <i>Contributions to change in real GDP</i> | | | | | | |
| Inventory investment ¹ | .0 | -.2 | .3 | -.1 | .3 | .2 |
| Net exports ¹ | .0 | .3 | -.4 | .0 | -.4 | -.2 |
| Unemployment Rate² | 8.2 | 8.2 | 8.3 | 8.3 | 8.3 | 8.3 |
| PCE Chain Price Index | .8 | .7 | .8 | 1.9 | 1.5 | 1.7 |
| Ex. food and energy | 1.8 | 1.8 | 1.6 | 1.3 | 1.5 | 1.5 |

1. Percentage points.

2. Percent.

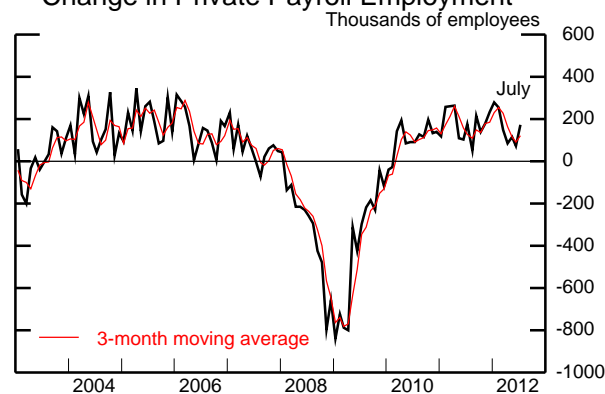
Recent Nonfinancial Developments (1)

Real GDP and GDI



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

Change in Private Payroll Employment



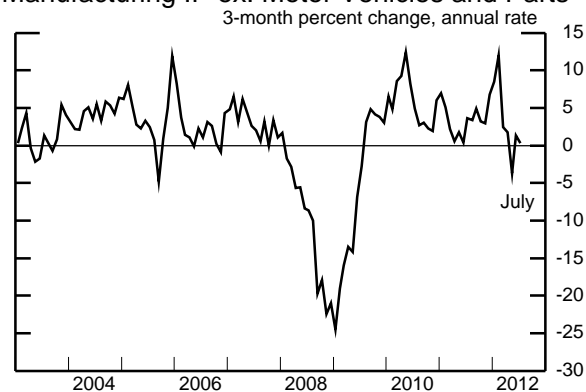
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Unemployment Rate



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

Manufacturing IP ex. Motor Vehicles and Parts

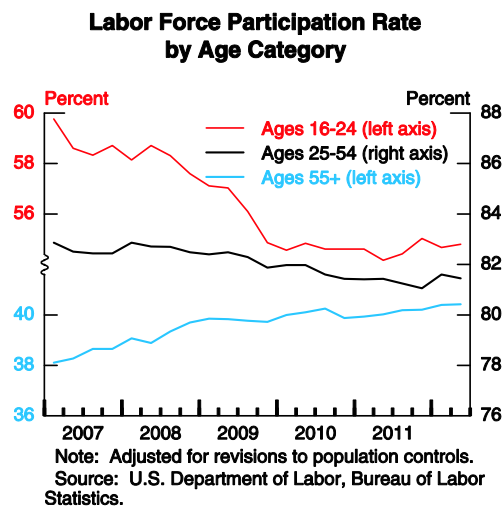
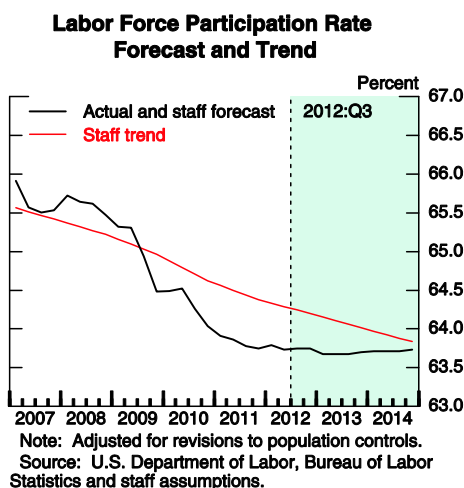


Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

The Labor Force Participation Rate

The labor force participation rate (the black line in the lower-left figure) fell 1¾ percentage points from the business cycle peak in the last quarter of 2007 through the second quarter of this year.¹ The staff estimates that a little over 1 percentage point of this decline can be attributed to the long-term trend in participation (the red line). This long-term downtrend has two major components. First, the share of the population at older ages, which has lower-than-average participation rates, has been rising.² Second, the participation rates of young persons (the red line, on the left scale, in the lower-right figure), especially teenagers, have been falling for more than a decade. This downtrend among young persons is likely a response to increased incentives for education and to shrinking job opportunities for their age group as the ongoing polarization of the labor market has led to jobs traditionally held by young workers being increasingly taken by older workers.³

The participation rate also seems to have been influenced by the financial crisis, the recession, and their aftermath. For example, early in the recession, the drop in household wealth and the many job losses may have led some workers to delay retirement and others to enter the labor force. In addition, the introduction of extended and emergency unemployment compensation likely led some job losers to remain in the labor force longer than they would have otherwise.⁴ By 2009, however, these influences were probably far overshadowed by the downward pressure on participation rates associated with the decision of some prospective workers not to search for work in the face of poor job opportunities. The staff believes that this cyclical response by prospective workers explains a large portion of the overall decline in the participation rate since 2007.



¹ This figure adjusts for revisions to population weighting in the published data. On a published basis, the rate has fallen 2¾ percentage points. The discussion in this box abstracts from these revisions.

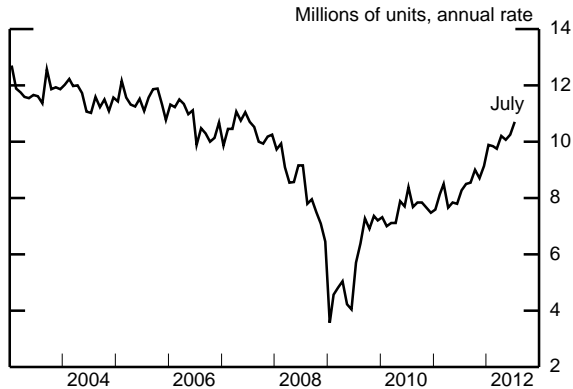
² Although the participation rates at older ages (the blue line, on the left scale, in the lower-right figure) have risen over the past few years, they remain well below the average at lower ages, so the aging of the population has resulted in a lower overall participation rate.

³ More education tends to lead to greater participation later in life. However, the net effect of the increased incentives for education is likely to be to depress the aggregate participation rate. Polarization refers to the shifting of the demand for labor away from middle-skilled jobs and toward both higher- and lower-skilled jobs.

⁴ The staff estimates that these programs boosted the level of participation last quarter by 0.1 percentage point.

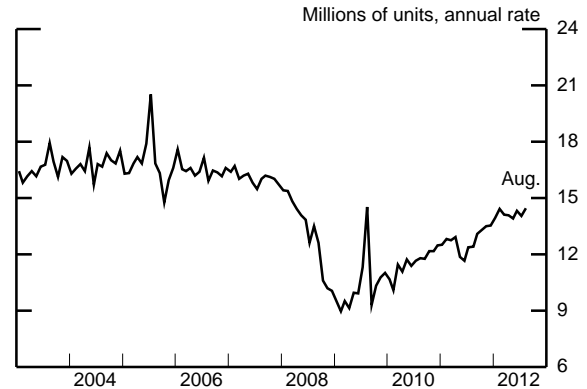
Recent Nonfinancial Developments (2)

Production of Light Motor Vehicles



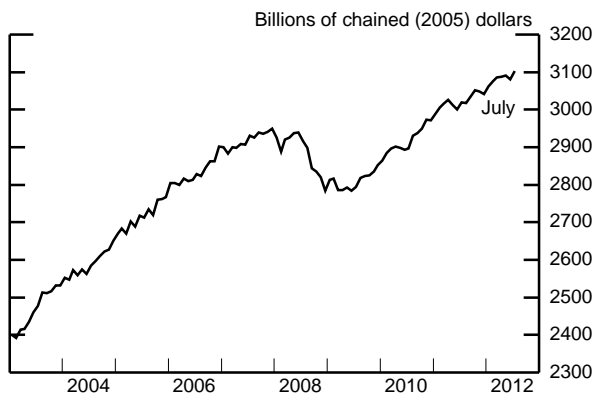
Source: Ward's Auto Infobank.

Sales of Light Motor Vehicles



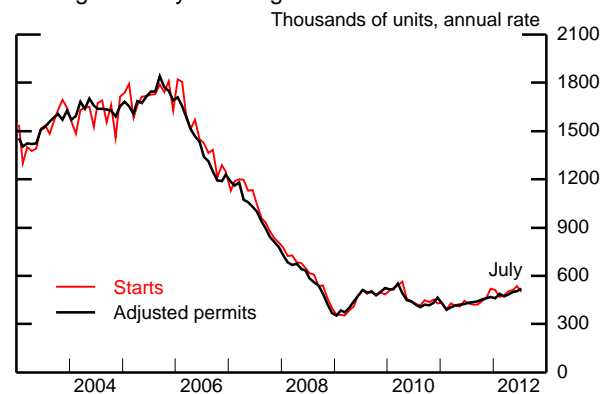
Source: Ward's Auto Infobank.

Real PCE Goods ex. Motor Vehicles



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

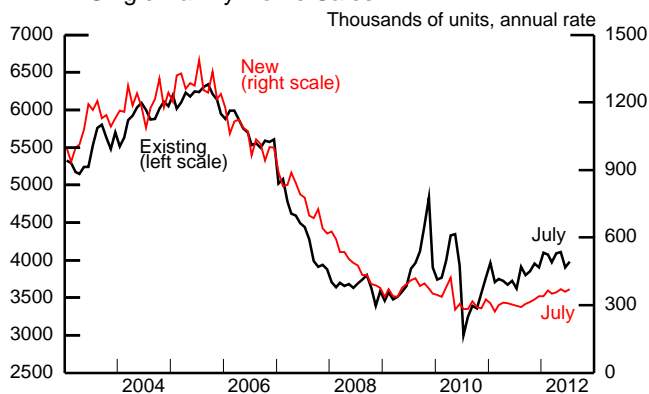
Single-Family Housing Starts



Note: Adjusted permits equal permits plus starts outside of permit-issuing areas.

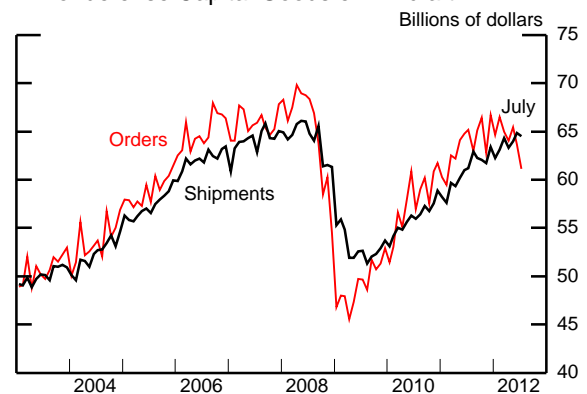
Source: U.S. Census Bureau.

Single-Family Home Sales



Source: For existing, National Association of Realtors; for new, U.S. Census Bureau.

Nondefense Capital Goods ex. Aircraft

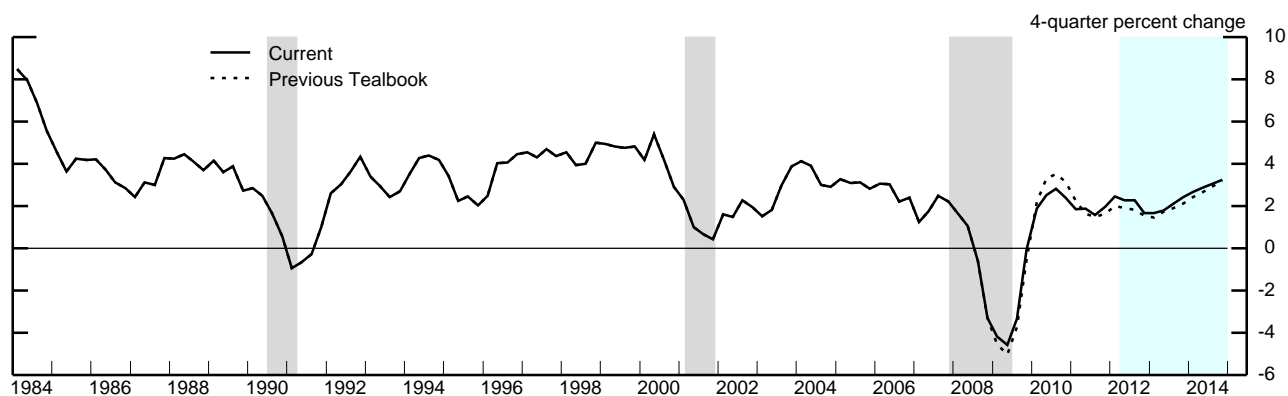


Source: U.S. Census Bureau.

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

| Measure | 2011 | 2012 | | 2013 | 2014 |
|------------------------------------------------------------|------------|------------|------------|------------|------------|
| | | H1 | H2 | | |
| Real GDP | 2.0 | 1.8 | 1.5 | 2.4 | 3.2 |
| Previous Tealbook | 1.6 | 1.4 | 1.6 | 2.1 | 3.2 |
| Final sales | 1.7 | 2.1 | 1.4 | 2.1 | 3.1 |
| Previous Tealbook | 1.5 | 1.4 | 1.3 | 1.8 | 3.0 |
| Personal consumption expenditures | 1.9 | 2.1 | 2.3 | 2.4 | 3.4 |
| Previous Tealbook | 1.6 | 1.8 | 2.3 | 2.2 | 3.3 |
| Residential investment | 3.9 | 14.3 | 7.6 | 11.9 | 12.4 |
| Previous Tealbook | 3.5 | 14.3 | 7.7 | 10.0 | 11.2 |
| Nonresidential structures | 6.9 | 6.5 | -2.3 | 2.2 | 2.2 |
| Previous Tealbook | 4.4 | 1.2 | -.6 | .8 | 1.6 |
| Equipment and software | 11.4 | 4.8 | 1.3 | 5.1 | 7.2 |
| Previous Tealbook | 9.6 | 5.2 | 2.7 | 4.6 | 6.7 |
| Federal purchases | -4.2 | -2.2 | -2.8 | -4.2 | -4.3 |
| Previous Tealbook | -3.2 | -5.2 | -2.5 | -4.1 | -4.2 |
| State and local purchases | -2.7 | -1.6 | -.5 | .3 | .9 |
| Previous Tealbook | -2.5 | -2.3 | -.6 | .4 | 1.3 |
| Exports | 4.3 | 5.2 | 3.3 | 4.5 | 5.7 |
| Previous Tealbook | 4.7 | 4.3 | 3.2 | 3.7 | 5.6 |
| Imports | 3.5 | 3.0 | 3.3 | 4.2 | 4.8 |
| Previous Tealbook | 3.6 | 3.0 | 4.8 | 4.1 | 4.7 |
| Contributions to change in real GDP (percentage points) | | | | | |
| Inventory change | .3 | -.3 | .0 | .3 | .1 |
| Previous Tealbook | .1 | .1 | .3 | .3 | .2 |
| Net exports | .0 | .2 | -.1 | -.1 | .0 |
| Previous Tealbook | .0 | .1 | -.4 | -.2 | -.1 |

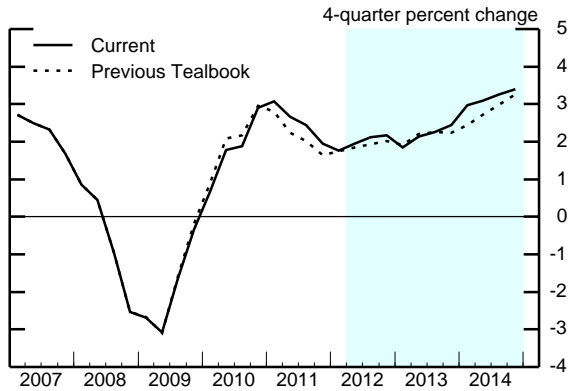
Real GDP



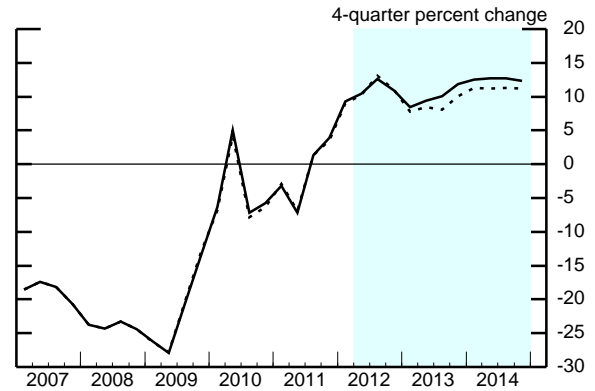
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

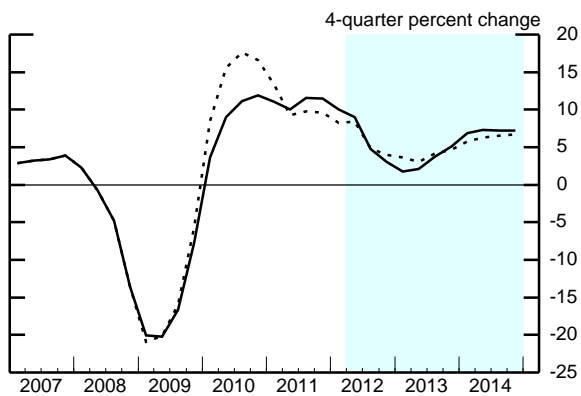
Personal Consumption Expenditures



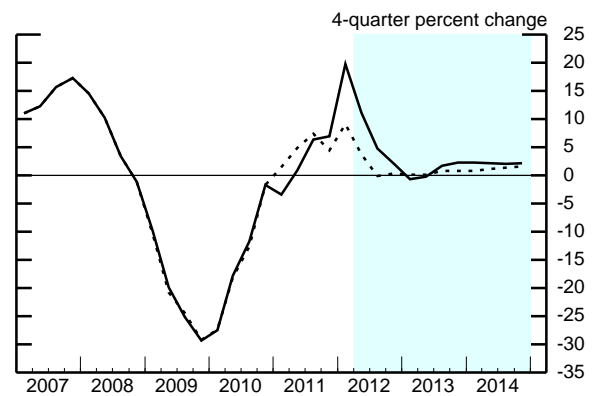
Residential Investment



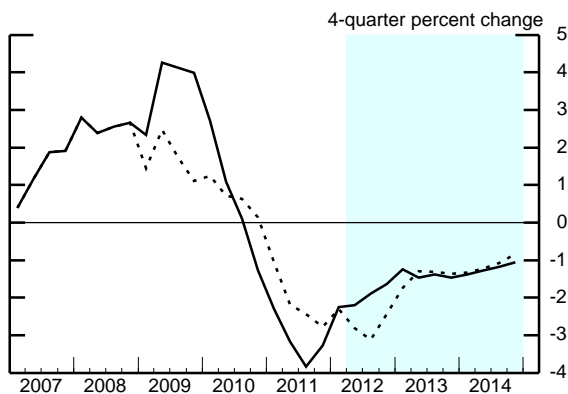
Equipment and Software



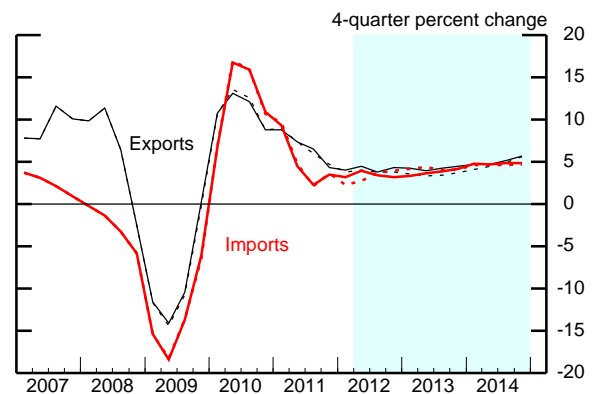
Nonresidential Structures



Government Consumption & Investment



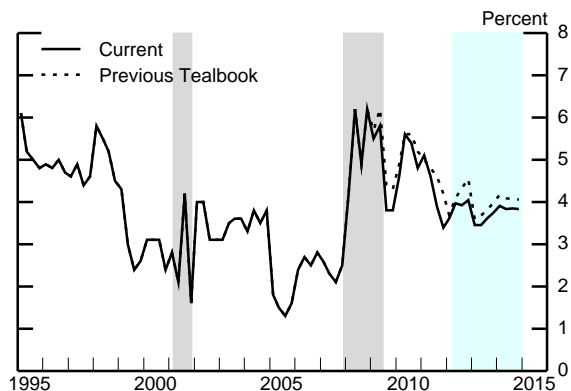
Exports and Imports



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

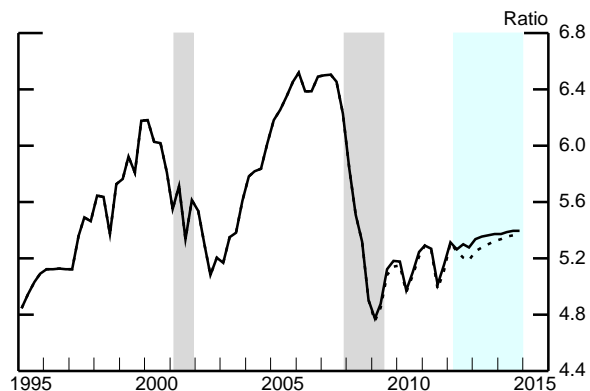
Aspects of the Medium-Term Projection

Personal Saving Rate



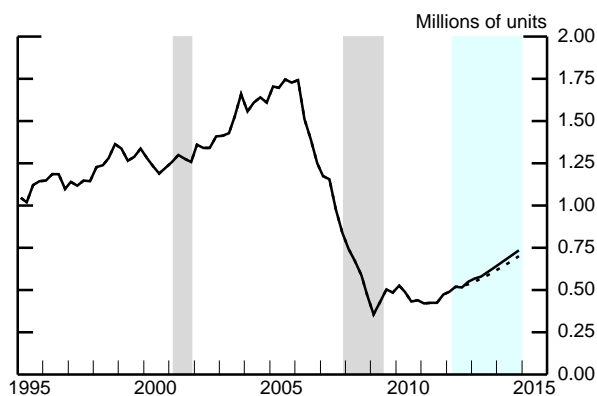
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Wealth-to-Income Ratio



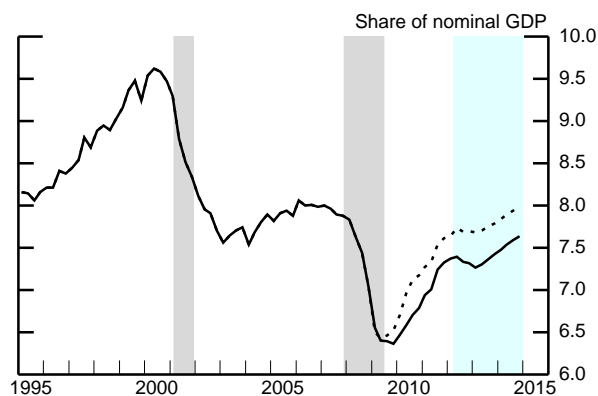
Note: Household net worth as a ratio to disposable personal income.
Source: For net worth, Federal Reserve Board, flow of funds data; for income, Dept. of Commerce, Bureau of Economic Analysis.

Single-Family Housing Starts



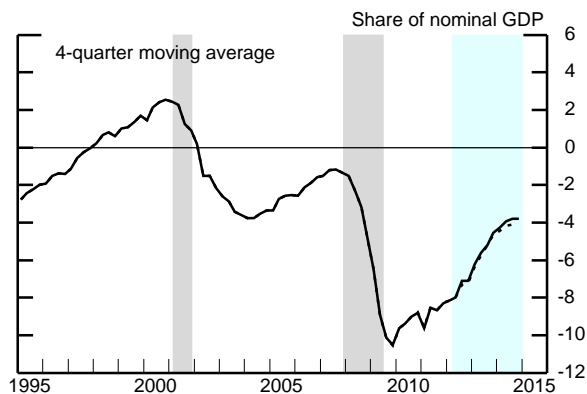
Source: U.S. Census Bureau.

Equipment and Software Spending



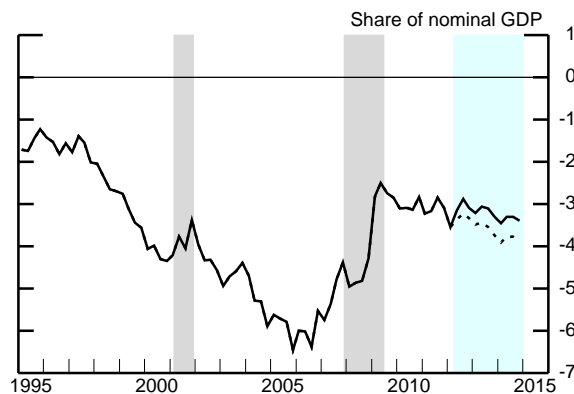
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Federal Surplus/Deficit



Source: Monthly Treasury Statement.

Current Account Surplus/Deficit



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

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

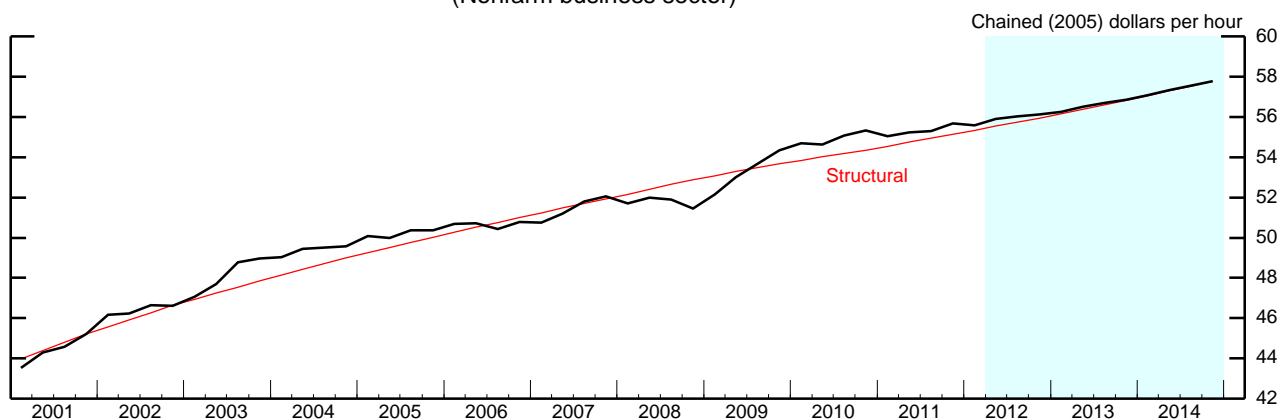
Decomposition of Potential GDP
(Percent change, Q4 to Q4, except as noted)

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

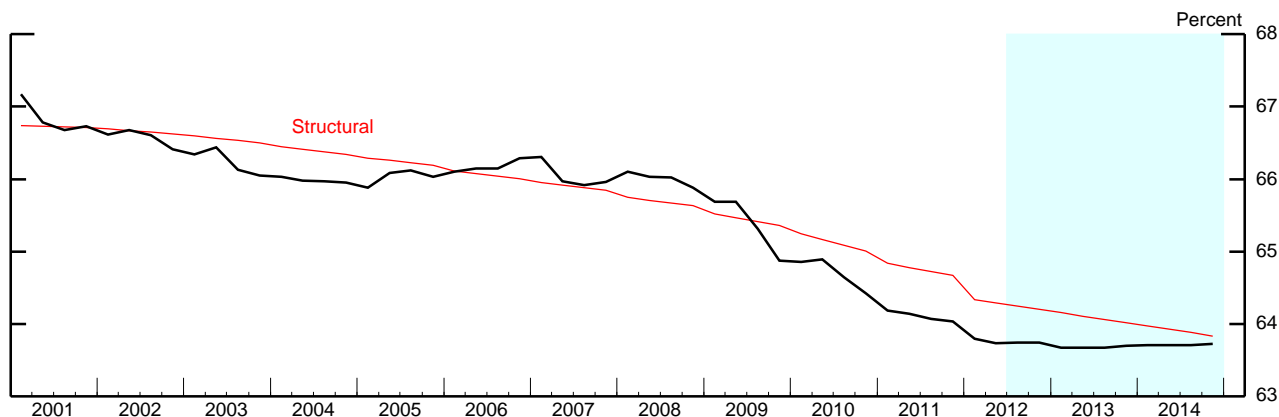
Note: Components may not sum to totals because of rounding. For multiyear periods, the percent change is the annual average from Q4 of the year preceding the first year shown to Q4 of the last year shown.

1. Percentage points.

Structural and Actual Labor Productivity
(Nonfarm business sector)



Structural and Actual Labor Force Participation Rate



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

The Outlook for the Labor Market and Resource Utilization

(Percent change from final quarter of preceding period)

| Measure | 2011 | 2012 | | 2013 | 2014 |
|---------------------------------------------|------|------|------|------|------|
| | | H1 | H2 | | |
| Output per hour, nonfarm business | .6 | .8 | .9 | 1.3 | 1.6 |
| Previous Tealbook | .4 | -.5 | 1.3 | 1.5 | 1.8 |
| Nonfarm private employment ¹ | 175 | 159 | 145 | 153 | 218 |
| Previous Tealbook | 175 | 159 | 110 | 122 | 200 |
| Labor force participation rate ² | 64.0 | 63.7 | 63.7 | 63.7 | 63.7 |
| Previous Tealbook | 64.0 | 63.7 | 63.8 | 63.7 | 63.7 |
| Civilian unemployment rate ² | 8.7 | 8.2 | 8.3 | 8.0 | 7.6 |
| Previous Tealbook | 8.7 | 8.2 | 8.3 | 8.1 | 7.8 |
| Memo: GDP gap ³ | -4.4 | -4.4 | -4.6 | -4.1 | -3.1 |
| Previous Tealbook | -4.5 | -4.7 | -4.8 | -4.6 | -3.6 |

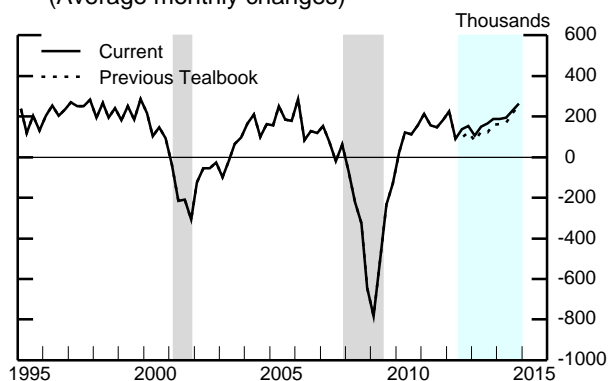
1. Thousands, average monthly changes.

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.

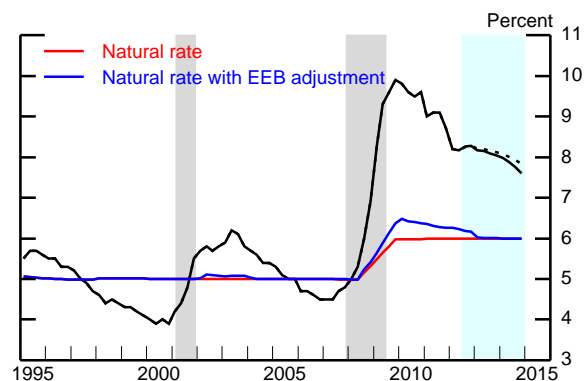
Source: U.S. Department of Labor, BLS; staff assumptions.

Nonfarm Private Employment (Average monthly changes)



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

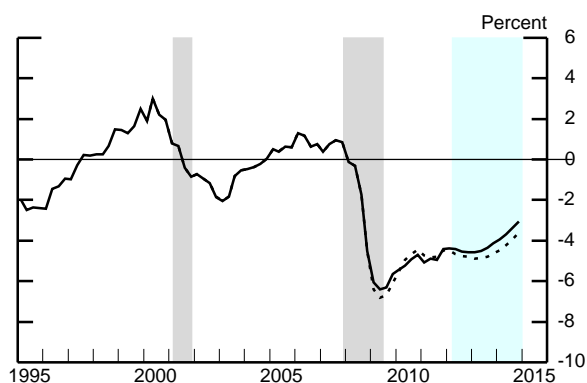
Unemployment Rate



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

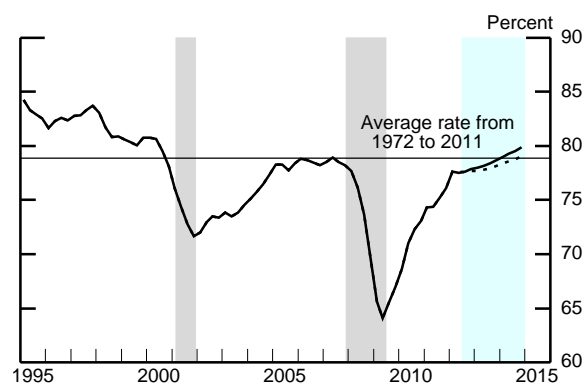


Note: The GDP gap is the percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

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

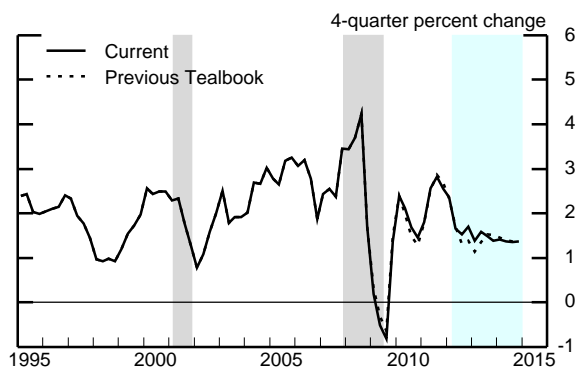
(Percent change at annual rate from final quarter of preceding period)

| Measure | 2011 | 2012 | | 2013 | 2014 |
|-------------------------------------------|------|------|------|------|------|
| | | H1 | H2 | | |
| PCE chain-weighted price index | 2.5 | 1.6 | 1.8 | 1.4 | 1.4 |
| Previous Tealbook | 2.7 | 1.7 | 1.1 | 1.5 | 1.4 |
| Food and beverages | 5.1 | 1.0 | 2.4 | 2.6 | .9 |
| Previous Tealbook | 5.2 | 1.0 | 2.7 | 2.4 | .9 |
| Energy | 11.9 | -3.3 | 6.3 | -3.4 | -2.2 |
| Previous Tealbook | 12.8 | -3.4 | -6.7 | -1.2 | -1.7 |
| Excluding food and energy | 1.7 | 2.0 | 1.4 | 1.6 | 1.6 |
| Previous Tealbook | 1.8 | 2.1 | 1.5 | 1.6 | 1.6 |
| Prices of core goods imports ¹ | 4.3 | .5 | -1.1 | 1.1 | 1.4 |
| Previous Tealbook | 4.3 | 1.1 | -.5 | 1.1 | 1.4 |

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

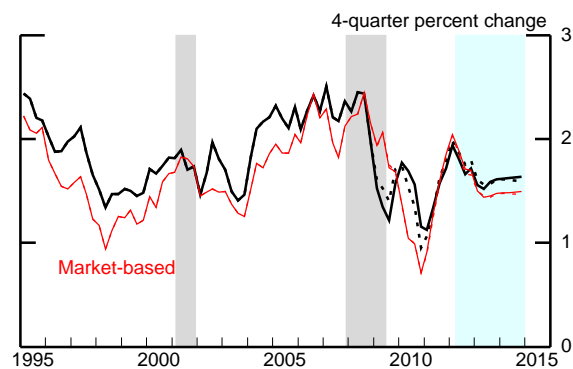
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE Prices



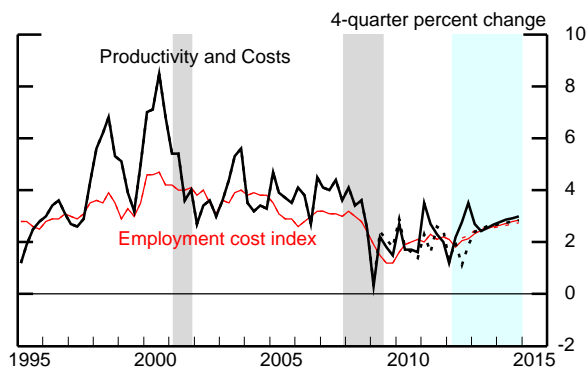
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices ex. Food and Energy



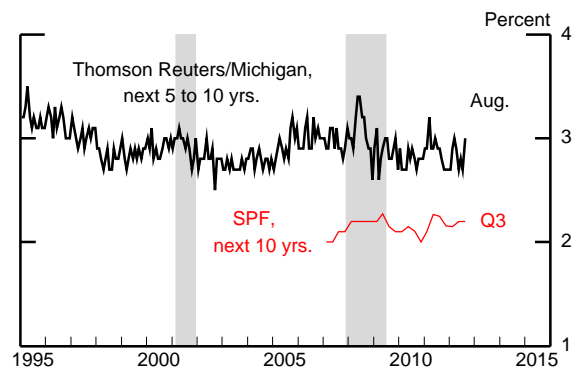
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Compensation per Hour



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

Long-Term Inflation Expectations



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

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

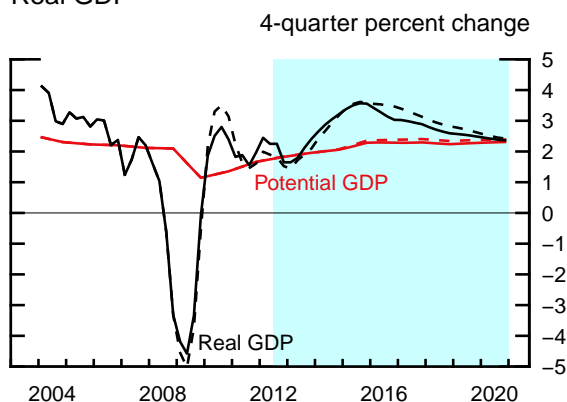
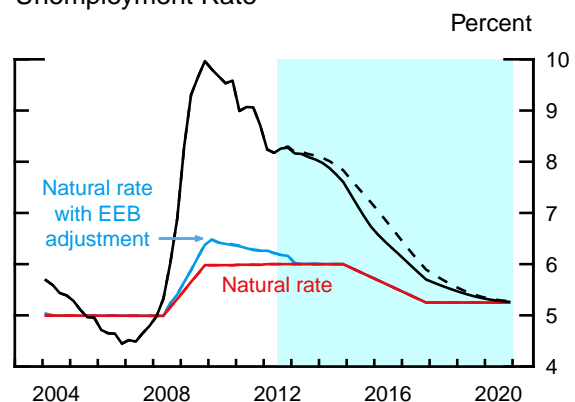
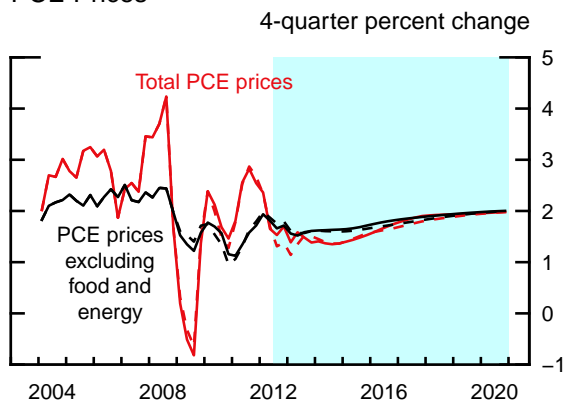
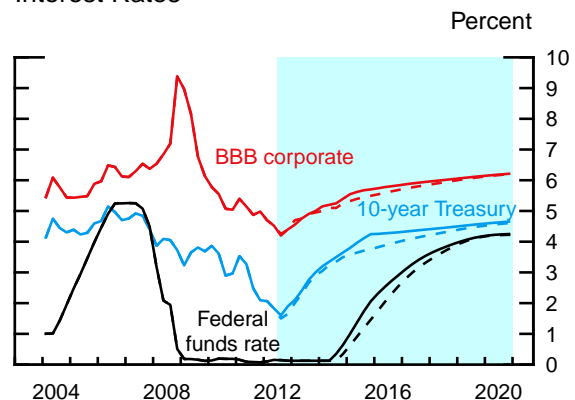
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.

The Long-Term Outlook

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

| Measure | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------------------|------|------|------|------|------|------|
| Real GDP | 1.6 | 2.4 | 3.2 | 3.6 | 3.0 | 2.9 |
| Previous Tealbook | 1.5 | 2.1 | 3.2 | 3.6 | 3.5 | 3.1 |
| Civilian unemployment rate ¹ | 8.3 | 8.0 | 7.6 | 6.7 | 6.2 | 5.7 |
| Previous Tealbook | 8.3 | 8.1 | 7.8 | 7.2 | 6.5 | 5.9 |
| PCE prices, total | 1.7 | 1.4 | 1.4 | 1.5 | 1.8 | 1.9 |
| Previous Tealbook | 1.4 | 1.5 | 1.4 | 1.6 | 1.7 | 1.8 |
| Core PCE prices | 1.7 | 1.6 | 1.6 | 1.7 | 1.8 | 1.9 |
| Previous Tealbook | 1.8 | 1.6 | 1.6 | 1.7 | 1.7 | 1.8 |
| Federal funds rate ¹ | .1 | .1 | .6 | 2.1 | 2.9 | 3.5 |
| Previous Tealbook | .1 | .1 | .4 | 1.5 | 2.6 | 3.3 |
| 10-year Treasury yield ¹ | 1.9 | 3.0 | 3.7 | 4.2 | 4.3 | 4.4 |
| Previous Tealbook | 1.7 | 2.9 | 3.5 | 3.8 | 4.0 | 4.2 |

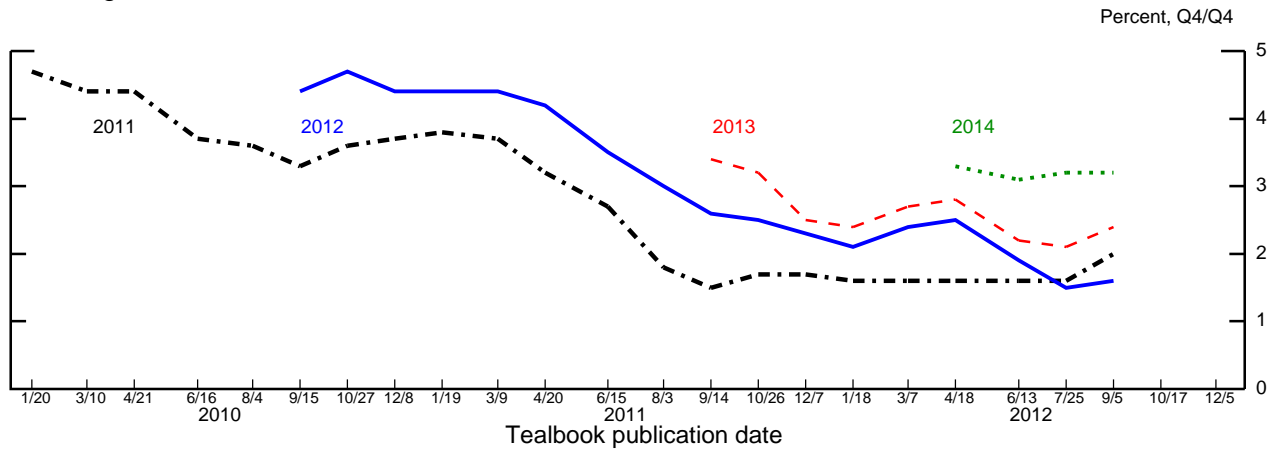
1. Percent, average for the final quarter of the period.

Real GDP**Unemployment Rate****PCE Prices****Interest Rates**

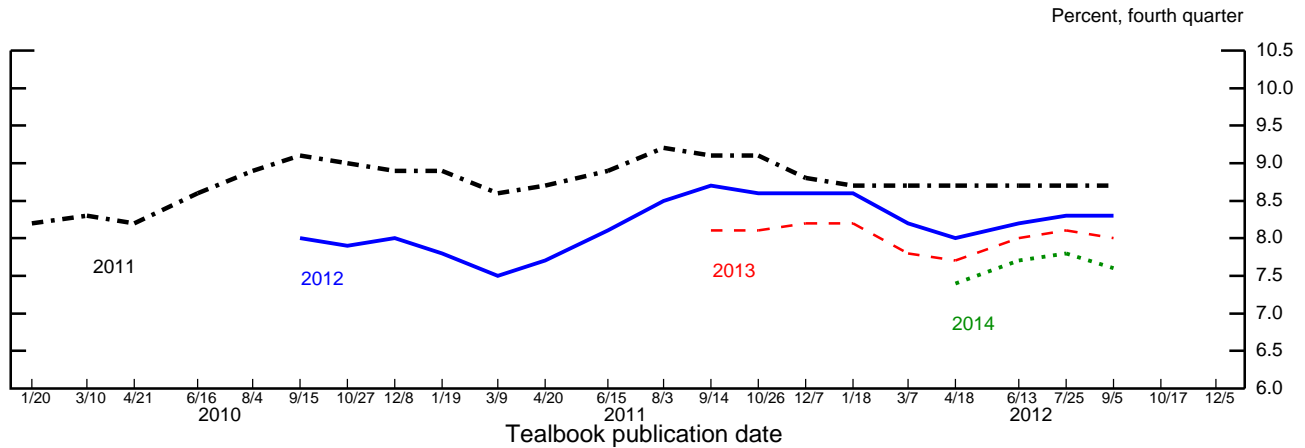
Note: In each panel, shading represents the projection period, and dashed lines are the previous Tealbook.

Evolution of the Staff Forecast

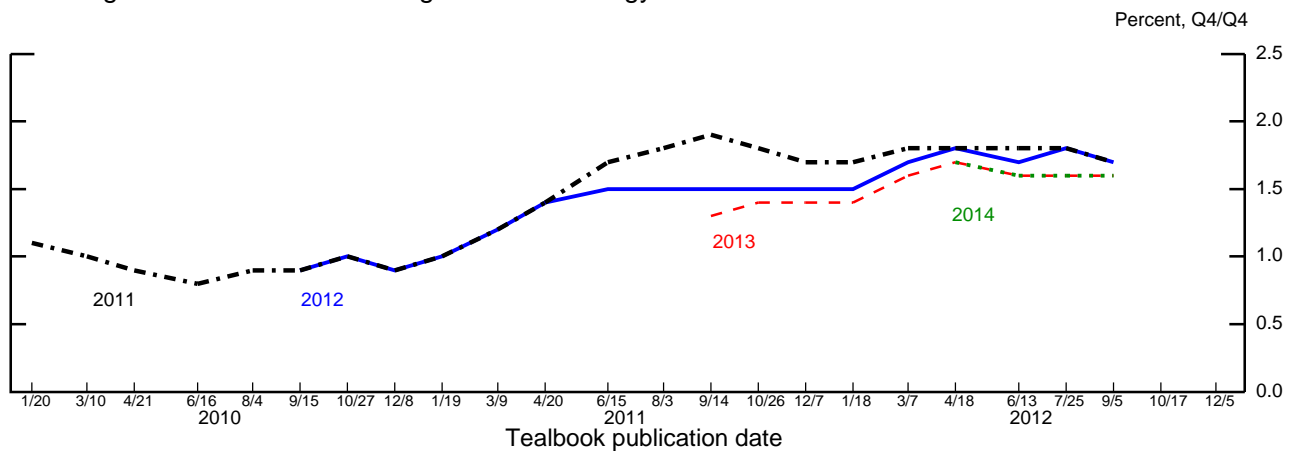
Change in Real GDP



Unemployment Rate



Change in PCE Prices excluding Food and Energy



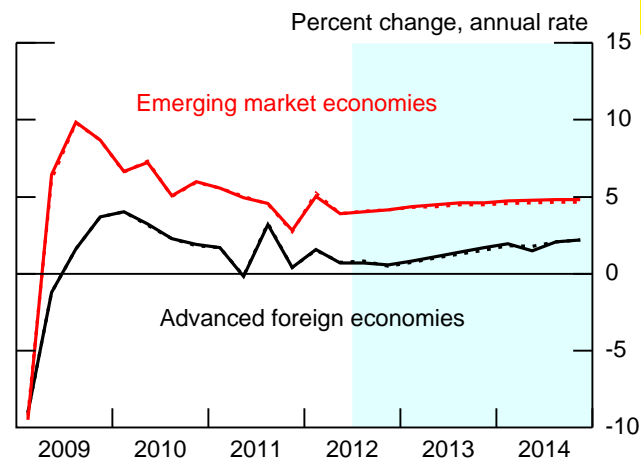
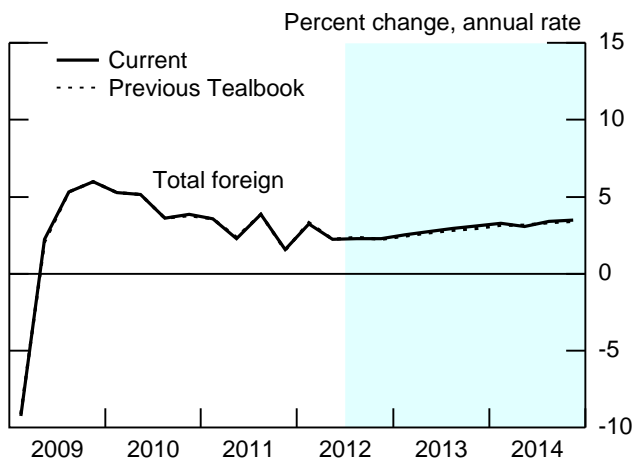
The Foreign Outlook

(Percent change, annual rate)

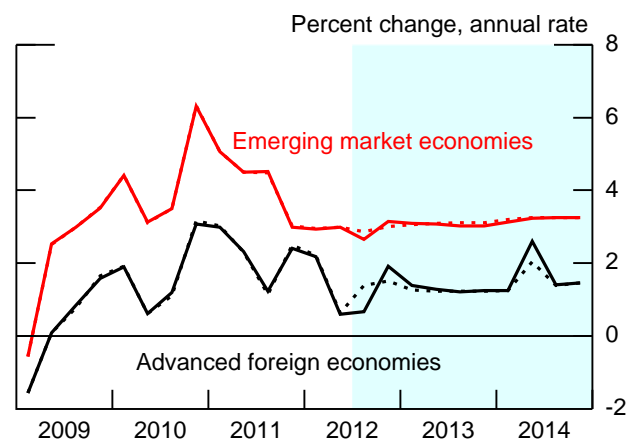
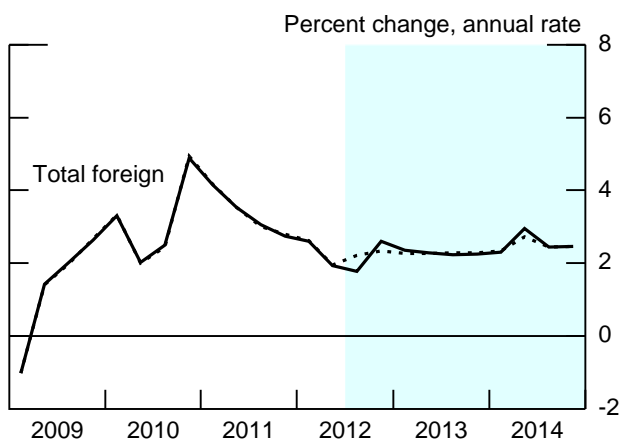
| | 2011 | 2012 | | | | 2013 | | | 2014 |
|----------------------------|------|------|-----|-----|-----|------|-----|-----|------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | H2 | |
| Real GDP | | | | | | | | | |
| Total foreign | 2.8 | 3.2 | 2.3 | 2.3 | 2.3 | 2.5 | 2.7 | 3.0 | 3.3 |
| Previous Tealbook | 2.8 | 3.3 | 2.3 | 2.4 | 2.2 | 2.5 | 2.6 | 2.9 | 3.2 |
| Advanced foreign economies | 1.3 | 1.6 | .7 | .7 | .6 | .8 | 1.1 | 1.5 | 1.9 |
| Previous Tealbook | 1.3 | 1.5 | .7 | .8 | .5 | .7 | 1.0 | 1.4 | 2.0 |
| Emerging market economies | 4.5 | 5.0 | 3.9 | 4.0 | 4.1 | 4.4 | 4.5 | 4.6 | 4.8 |
| Previous Tealbook | 4.5 | 5.2 | 3.9 | 4.1 | 4.2 | 4.3 | 4.4 | 4.5 | 4.6 |
| Consumer Prices | | | | | | | | | |
| Total foreign | 3.4 | 2.6 | 1.9 | 1.8 | 2.6 | 2.3 | 2.3 | 2.2 | 2.5 |
| Previous Tealbook | 3.4 | 2.6 | 2.0 | 2.2 | 2.3 | 2.3 | 2.3 | 2.3 | 2.5 |
| Advanced foreign economies | 2.2 | 2.2 | .6 | .7 | 1.9 | 1.4 | 1.3 | 1.2 | 1.7 |
| Previous Tealbook | 2.2 | 2.2 | .6 | 1.4 | 1.5 | 1.3 | 1.2 | 1.2 | 1.5 |
| Emerging market economies | 4.3 | 2.9 | 3.0 | 2.7 | 3.2 | 3.1 | 3.1 | 3.0 | 3.2 |
| Previous Tealbook | 4.3 | 3.0 | 3.0 | 2.9 | 3.0 | 3.1 | 3.1 | 3.1 | 3.2 |

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

Real GDP

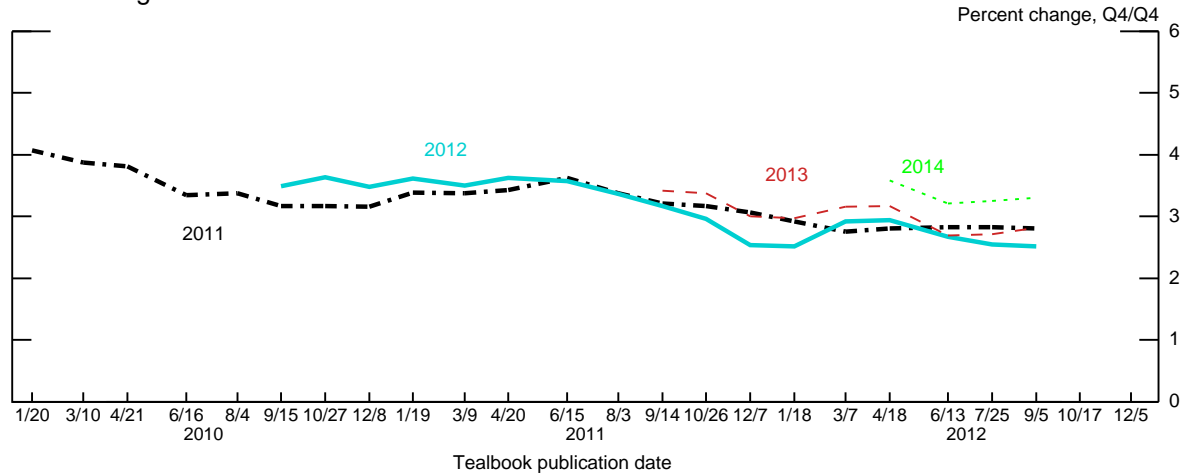


Consumer Prices

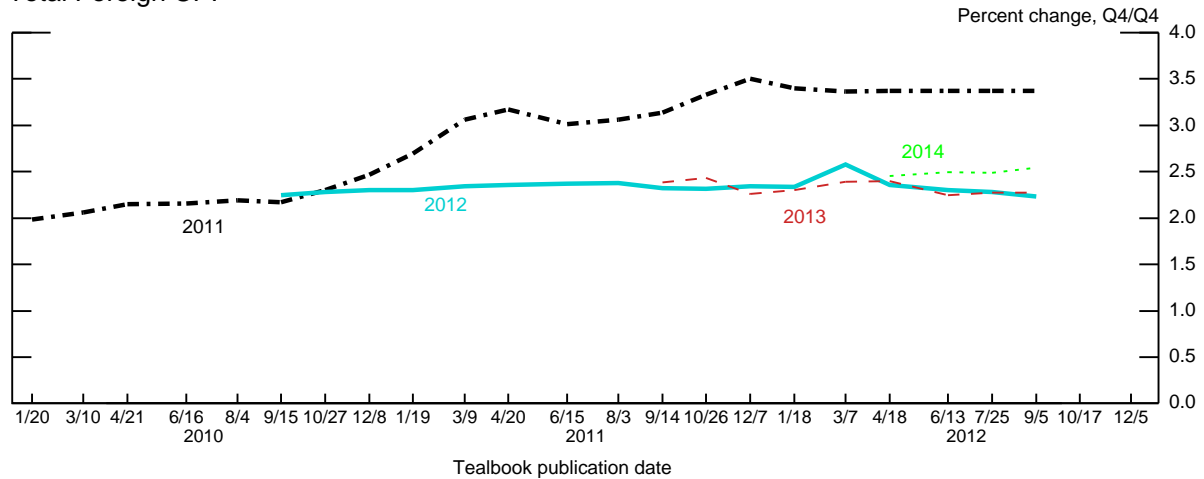


Evolution of Staff's International Forecast

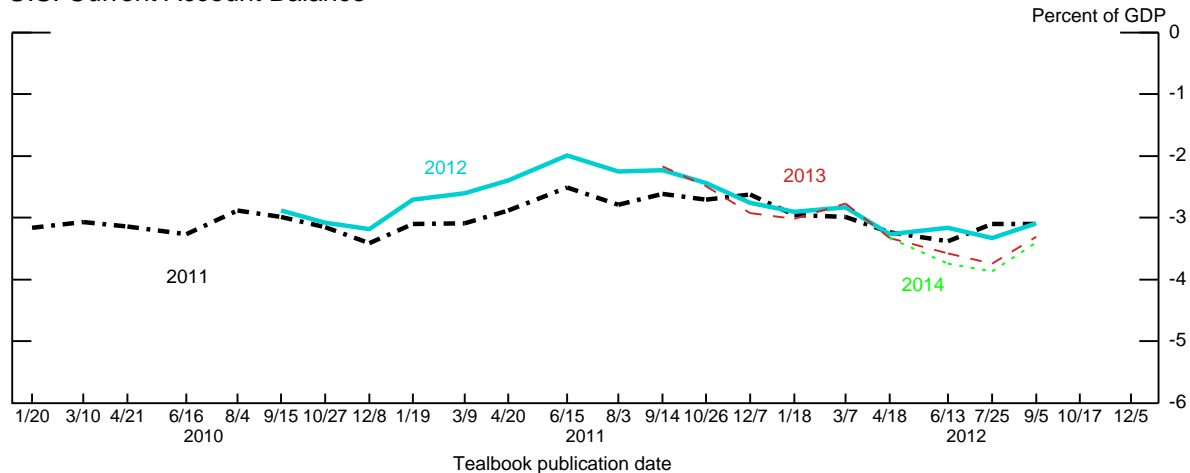
Total Foreign GDP



Total Foreign CPI

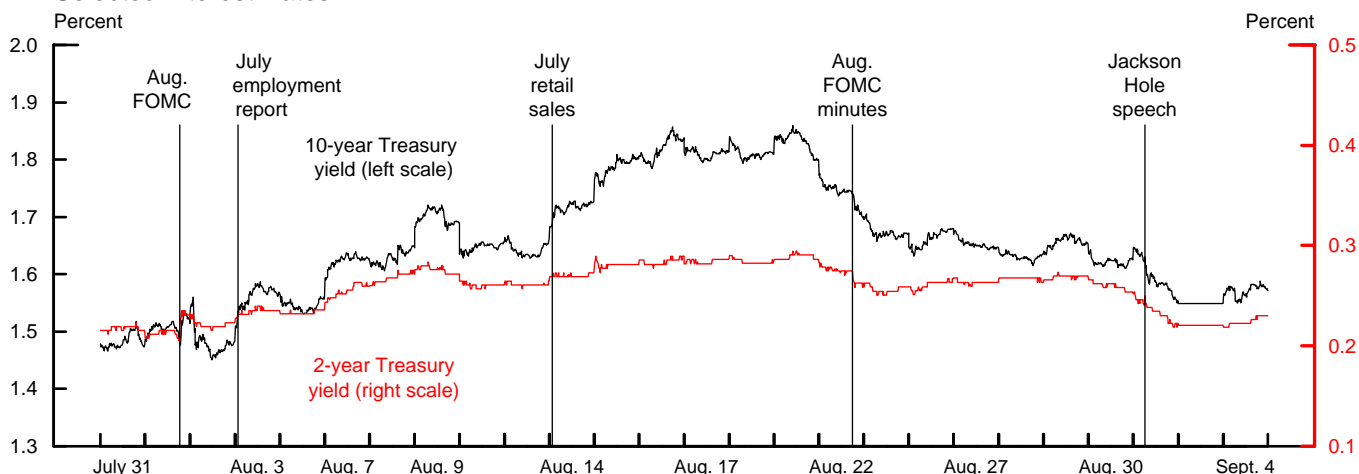


U.S. Current Account Balance



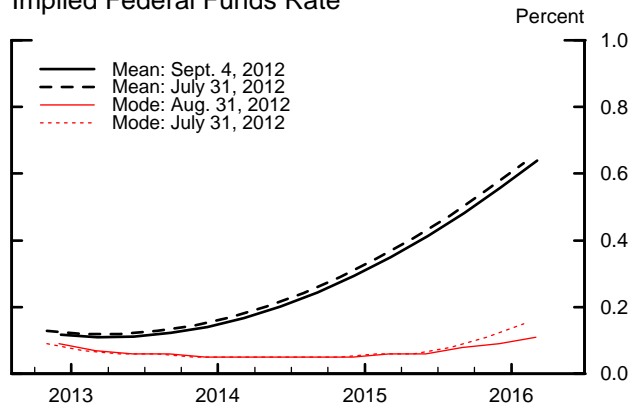
Policy Expectations and Treasury Yields

Selected Interest Rates



Note: 5-minute intervals. 8:00 a.m. to 4:00 p.m. No adjustments for term premiums.
Source: Bloomberg.

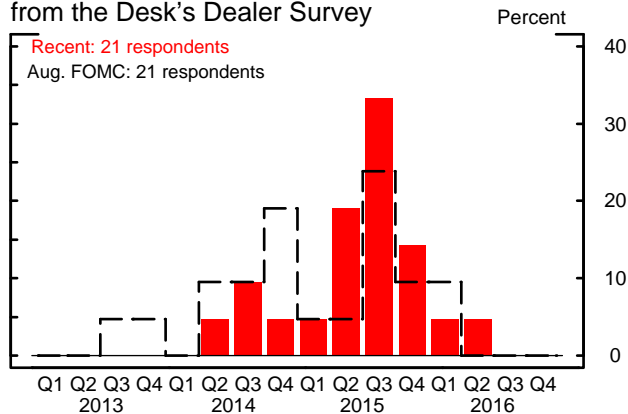
Implied Federal Funds Rate



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

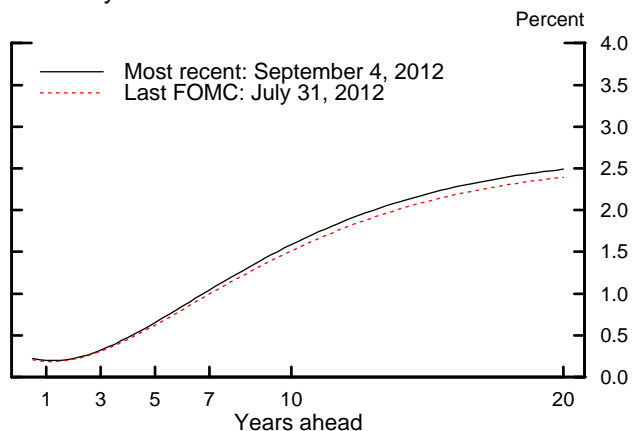
Source: Bloomberg and CME Group.

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



Source: Desk's Dealer Survey from September 3, 2012.

Treasury Yield Curve



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

Inflation Compensation



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

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

Source: Barclays PLC and staff estimates.

Alternative Scenarios

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

| Measure and scenario | 2012 | | 2013 | 2014 | 2015 | 2016-17 |
|----------------------------------------|------|------|------|------|------|---------|
| | H1 | H2 | | | | |
| <i>Real GDP</i> | | | | | | |
| Extended Tealbook baseline | 1.8 | 1.5 | 2.4 | 3.2 | 3.6 | 3.0 |
| Fiscal cliff | 1.8 | 1.5 | 1.1 | 2.4 | 4.1 | 3.8 |
| European crisis with severe spillovers | 1.8 | -1.2 | -3.1 | 2.0 | 4.4 | 4.0 |
| Faster European recovery | 1.8 | 1.6 | 3.1 | 3.9 | 3.7 | 2.7 |
| Faster domestic recovery | 1.8 | 2.4 | 4.4 | 3.2 | 2.8 | 2.4 |
| Higher oil prices | 1.8 | 1.3 | 1.8 | 3.0 | 3.6 | 3.3 |
| Damaged labor market | 1.8 | 1.3 | 2.2 | 2.4 | 2.7 | 2.0 |
| Protracted headwinds | 1.8 | 1.5 | 1.9 | 2.1 | 2.4 | 2.6 |
| <i>Unemployment rate¹</i> | | | | | | |
| Extended Tealbook baseline | 8.2 | 8.3 | 8.0 | 7.6 | 6.7 | 5.7 |
| Fiscal cliff | 8.2 | 8.3 | 8.5 | 8.6 | 7.7 | 5.8 |
| European crisis with severe spillovers | 8.2 | 8.6 | 10.4 | 10.8 | 9.6 | 7.7 |
| Faster European recovery | 8.2 | 8.3 | 7.8 | 7.0 | 6.0 | 5.2 |
| Faster domestic recovery | 8.2 | 8.2 | 7.0 | 6.3 | 5.8 | 5.6 |
| Higher oil prices | 8.2 | 8.3 | 8.3 | 8.0 | 7.1 | 5.9 |
| Damaged labor market | 8.2 | 8.3 | 8.2 | 8.0 | 7.5 | 7.4 |
| Protracted headwinds | 8.2 | 8.3 | 8.2 | 8.2 | 7.9 | 7.4 |
| <i>Total PCE prices</i> | | | | | | |
| Extended Tealbook baseline | 1.6 | 1.8 | 1.4 | 1.4 | 1.5 | 1.8 |
| Fiscal cliff | 1.6 | 1.8 | 1.4 | 1.2 | 1.1 | 1.4 |
| European crisis with severe spillovers | 1.6 | .3 | -.8 | .7 | 1.7 | 2.1 |
| Faster European recovery | 1.6 | 2.0 | 2.2 | 2.0 | 1.8 | 1.9 |
| Faster domestic recovery | 1.6 | 1.8 | 1.4 | 1.6 | 1.9 | 2.2 |
| Higher oil prices | 1.6 | 3.5 | 1.8 | 1.5 | 1.6 | 1.9 |
| Damaged labor market | 1.6 | 1.9 | 1.6 | 1.9 | 2.2 | 2.4 |
| Protracted headwinds | 1.6 | 1.8 | 1.2 | .8 | .7 | .8 |
| <i>Core PCE prices</i> | | | | | | |
| Extended Tealbook baseline | 2.0 | 1.4 | 1.6 | 1.6 | 1.7 | 1.9 |
| Fiscal cliff | 2.0 | 1.4 | 1.6 | 1.4 | 1.3 | 1.5 |
| European crisis with severe spillovers | 2.0 | .9 | .3 | .9 | 1.5 | 2.0 |
| Faster European recovery | 2.0 | 1.5 | 2.0 | 2.1 | 2.0 | 2.1 |
| Faster domestic recovery | 2.0 | 1.4 | 1.6 | 1.8 | 2.1 | 2.3 |
| Higher oil prices | 2.0 | 1.4 | 1.8 | 1.8 | 1.8 | 1.9 |
| Damaged labor market | 2.0 | 1.5 | 1.8 | 2.1 | 2.4 | 2.5 |
| Protracted headwinds | 2.0 | 1.4 | 1.4 | 1.0 | .9 | .9 |
| <i>Federal funds rate¹</i> | | | | | | |
| Extended Tealbook baseline | .2 | .1 | .1 | .6 | 2.1 | 3.5 |
| Fiscal cliff | .2 | .1 | .1 | .1 | .7 | 3.3 |
| European crisis with severe spillovers | .2 | .1 | .1 | .1 | .1 | 1.6 |
| Faster European recovery | .2 | .1 | .1 | 1.1 | 2.7 | 4.3 |
| Faster domestic recovery | .2 | .2 | 1.9 | 3.0 | 3.5 | 4.0 |
| Higher oil prices | .2 | .1 | .1 | .4 | 1.5 | 3.1 |
| Damaged labor market | .2 | .1 | .6 | 1.9 | 3.4 | 4.5 |
| Protracted headwinds | .2 | .1 | .1 | .1 | .1 | .1 |

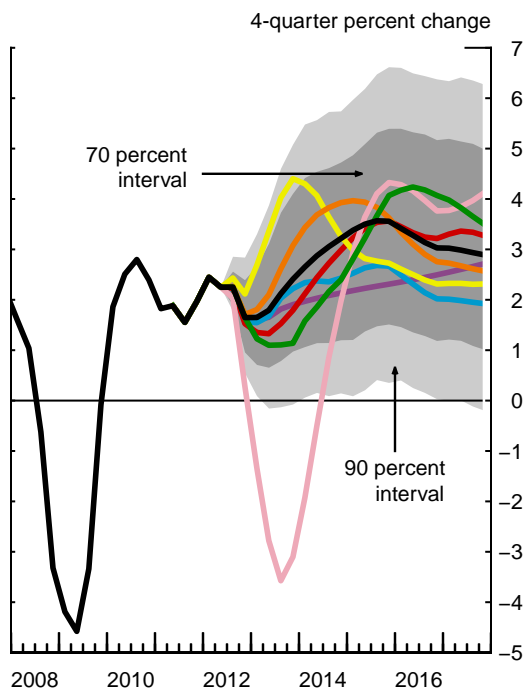
1. Percent, average for the final quarter of the period.

Forecast Confidence Intervals and Alternative Scenarios

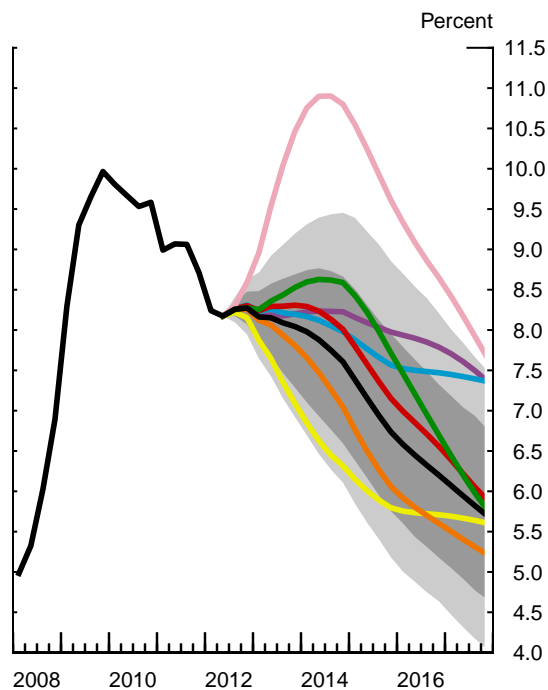
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- Faster European recovery
- Damaged labor market
- Fiscal cliff
- Faster domestic recovery
- Protracted headwinds
- European crisis with severe spillovers
- Higher oil prices

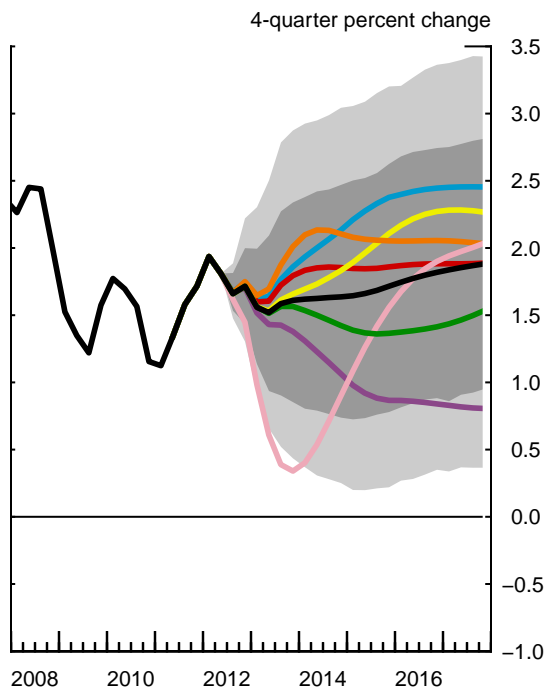
Real GDP



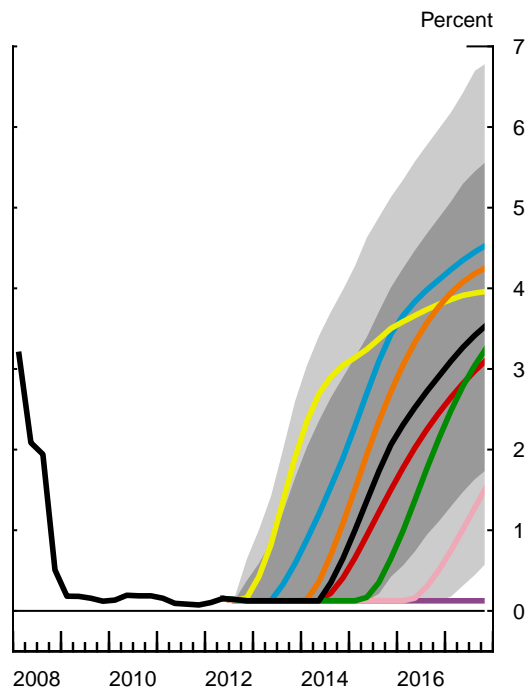
Unemployment Rate



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 | 1.6 | 2.4 | 3.2 | 3.6 | 3.0 | 2.9 |
| Confidence interval | | | | | | |
| Tealbook forecast errors | .8–2.5 | .6–4.3 | 1.2–5.3 | ... | ... | ... |
| FRB/US stochastic simulations | 1.0–2.4 | 1.0–4.1 | 1.2–4.7 | 1.5–5.4 | 1.2–5.2 | 1.0–5.0 |
| <i>Civilian unemployment rate</i> (percent, Q4) | | | | | | |
| Projection | 8.3 | 8.0 | 7.6 | 6.7 | 6.2 | 5.7 |
| Confidence interval | | | | | | |
| Tealbook forecast errors | 7.9–8.6 | 7.2–8.8 | 6.3–9.0 | ... | ... | ... |
| FRB/US stochastic simulations | 8.1–8.5 | 7.3–8.7 | 6.6–8.7 | 5.8–8.0 | 5.2–7.3 | 4.7–6.8 |
| <i>PCE prices, total</i> (percent change, Q4 to Q4) | | | | | | |
| Projection | 1.7 | 1.4 | 1.4 | 1.5 | 1.8 | 1.9 |
| Confidence interval | | | | | | |
| Tealbook forecast errors | 1.2–2.2 | .3–2.5 | .1–2.6 | ... | ... | ... |
| FRB/US stochastic simulations | 1.2–2.2 | .4–2.4 | .2–2.5 | .3–2.7 | .5–2.9 | .7–3.1 |
| <i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4) | | | | | | |
| Projection | 1.7 | 1.6 | 1.6 | 1.7 | 1.8 | 1.9 |
| Confidence interval | | | | | | |
| Tealbook forecast errors | 1.4–2.0 | .9–2.3 | .6–2.7 | ... | ... | ... |
| FRB/US stochastic simulations | 1.4–2.0 | .9–2.3 | .7–2.5 | .8–2.6 | .9–2.7 | 1.0–2.8 |
| <i>Federal funds rate</i> (percent, Q4) | | | | | | |
| Projection | .1 | .1 | .6 | 2.1 | 2.9 | 3.5 |
| Confidence interval | | | | | | |
| FRB/US stochastic simulations | .1–.4 | .1–1.6 | .1–2.9 | .4–4.0 | 1.1–4.9 | 1.8–5.6 |

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

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

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

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

| Measure and projection | 2012 | | 2013 | | 2014 | |
|---------------------------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | Previous Tealbook | Current Tealbook | Previous Tealbook | Current Tealbook | Previous Tealbook | Current Tealbook |
| <i>Real GDP</i> | | | | | | |
| Staff | 1.5 | 1.6 | 2.1 | 2.4 | 3.2 | 3.2 |
| FRB/US | 1.4 | 1.5 | 2.2 | 1.7 | 3.6 | 2.9 |
| EDO | 2.3 | 1.9 | 3.3 | 3.1 | 3.1 | 3.1 |
| Blue Chip | 2.0 | 1.8 | 2.5 | 2.4 | ... | ... |
| <i>Unemployment rate¹</i> | | | | | | |
| Staff | 8.3 | 8.3 | 8.1 | 8.0 | 7.8 | 7.6 |
| FRB/US | 8.4 | 8.4 | 8.8 | 8.8 | 8.2 | 8.5 |
| EDO | 8.0 | 8.2 | 7.6 | 7.8 | 7.3 | 7.4 |
| Blue Chip | 8.1 | 8.1 | 7.7 | 7.7 | ... | ... |
| <i>Total PCE prices</i> | | | | | | |
| Staff | 1.4 | 1.7 | 1.5 | 1.4 | 1.4 | 1.4 |
| FRB/US | 1.2 | 1.7 | 1.1 | 1.2 | 1.0 | 1.0 |
| EDO | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| Blue Chip ² | 1.8 | 1.9 | 2.2 | 2.2 | ... | ... |
| <i>Core PCE prices</i> | | | | | | |
| Staff | 1.8 | 1.7 | 1.6 | 1.6 | 1.6 | 1.6 |
| FRB/US | 1.6 | 1.7 | 1.2 | 1.5 | 1.2 | 1.2 |
| EDO | 1.8 | 1.7 | 1.6 | 1.6 | 1.6 | 1.6 |
| Blue Chip | ... | ... | ... | ... | ... | ... |
| <i>Federal funds rate¹</i> | | | | | | |
| Staff | .1 | .1 | .1 | .1 | .4 | .6 |
| FRB/US | .0 | .2 | .1 | .2 | 1.3 | .9 |
| EDO | .6 | .4 | 1.5 | 1.2 | 2.1 | 1.9 |
| Blue Chip ³ | .1 | .1 | .3 | .2 | ... | ... |

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

1. Percent, average for Q4.

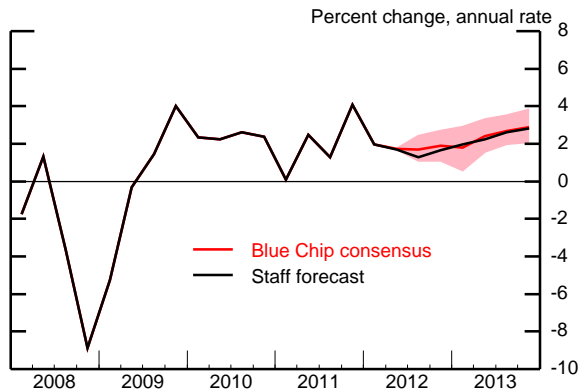
2. Consumer price index.

3. Treasury bill rate.

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

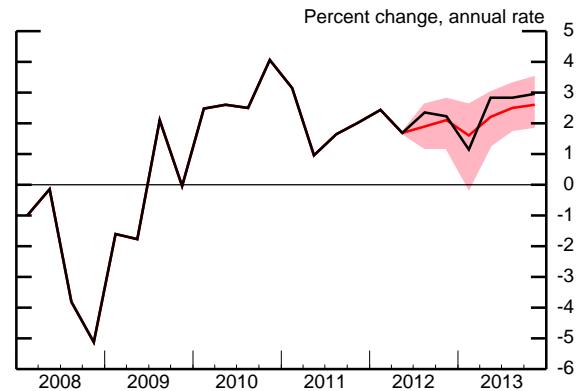
Tealbook Forecast Compared with Blue Chip (Blue Chip survey released August 10, 2012)

Real GDP

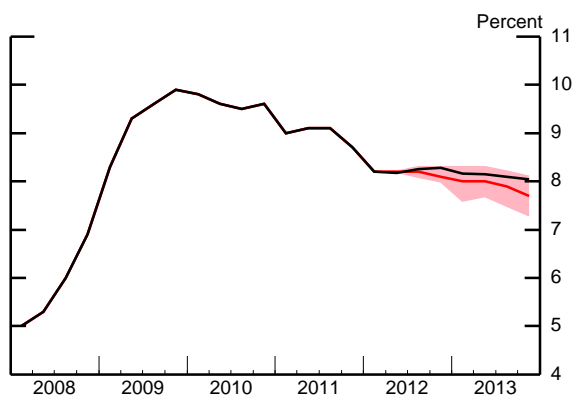


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

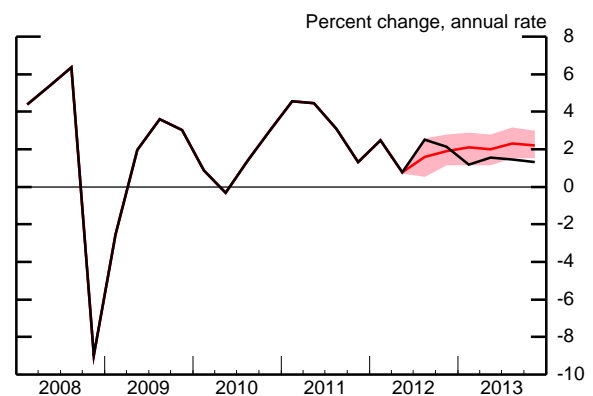
Real PCE



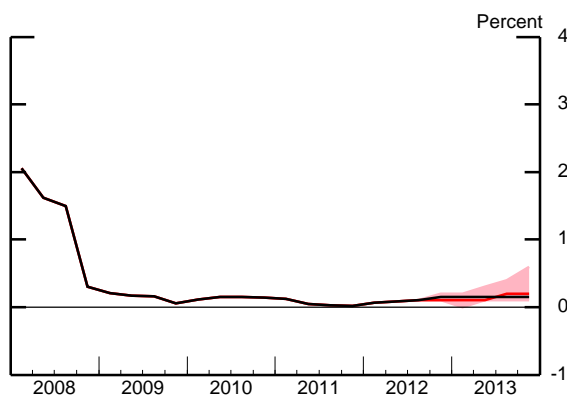
Unemployment Rate



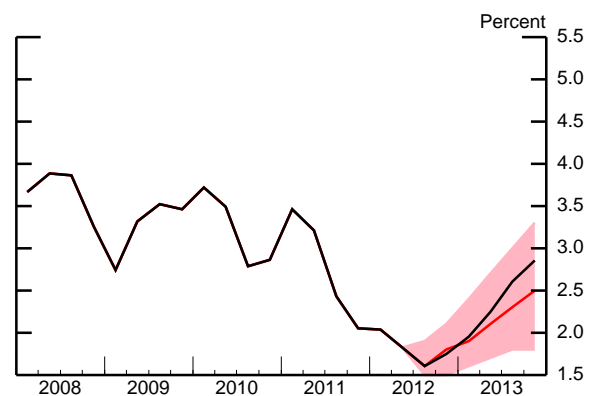
Consumer Price Index



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:Q3)

| 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 | .07 | .06 | .11 | .14 |
| Previous Tealbook | .05 | .03 | .10 | .04 |
| <i>Less than 1 percent</i> | | | | |
| Current Tealbook | .27 | .31 | .32 | .10 |
| Previous Tealbook | .33 | .49 | .31 | .23 |

Probability of Unemployment Events

(4 quarters ahead—2013:Q3)

| Probability that the unemployment rate will ... | Staff | FRB/US | EDO | BVAR |
|-------------------------------------------------|-------|--------|-----|------|
| <i>Increase by 1 percentage point</i> | | | | |
| Current Tealbook | .02 | .16 | .16 | .02 |
| Previous Tealbook | .04 | .17 | .17 | .02 |
| <i>Decrease by 1 percentage point</i> | | | | |
| Current Tealbook | .06 | .00 | .32 | .14 |
| Previous Tealbook | .02 | .00 | .32 | .19 |

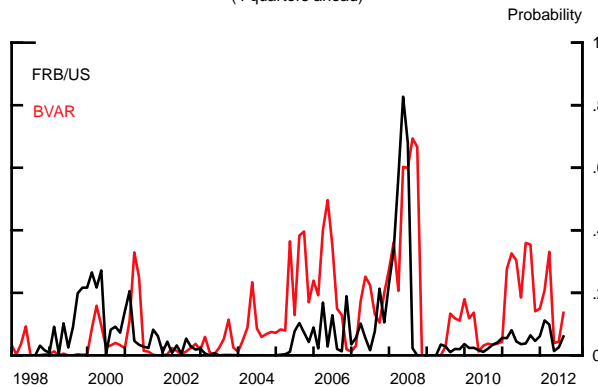
Probability of Near-Term Recession

| Probability that real GDP declines in each of 2012:Q4 and 2013:Q1 | Staff | FRB/US | EDO | BVAR | Factor Model |
|-------------------------------------------------------------------|-------|--------|-----|------|--------------|
| Current Tealbook | .03 | .07 | .05 | .03 | .20 |
| Previous Tealbook | .07 | .10 | .05 | .07 | .21 |

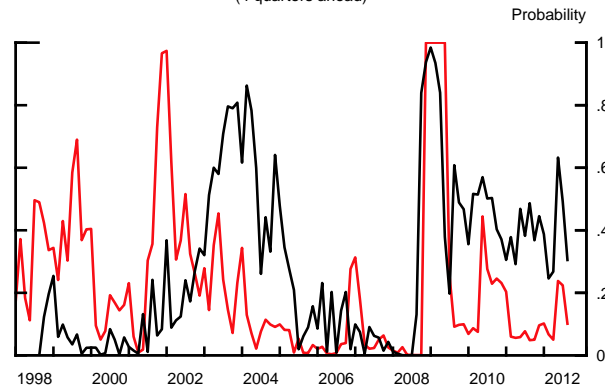
Note: "Staff" represents Tealbook forecast errors applied to the Tealbook baseline; baselines for FRB/US, BVAR, EDO, and the factor model are generated by those models themselves, up to the current-quarter estimate. The current quarter is taken as data from the staff estimate for the second Tealbook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

Assessment of Key Macroeconomic Risks (2)

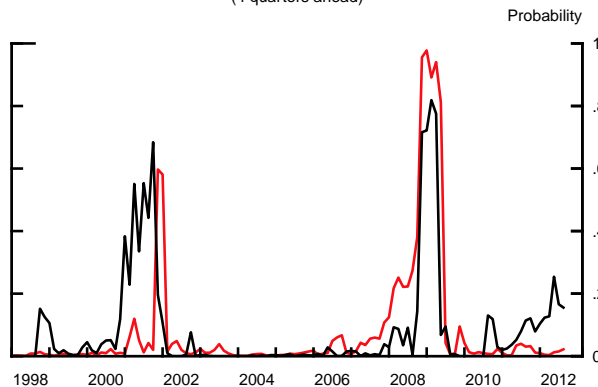
Probability that Total PCE Inflation Is above 3 Percent
(4 quarters ahead)



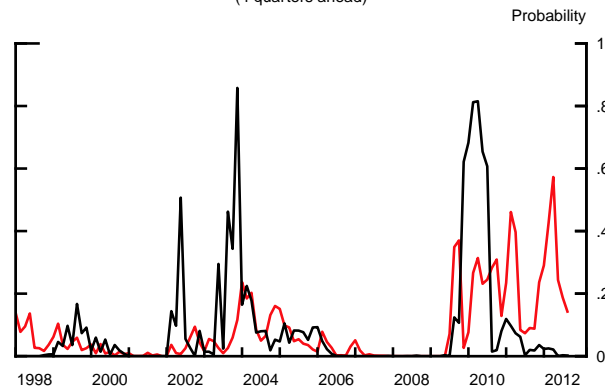
Probability that Total PCE Inflation Is below 1 Percent
(4 quarters ahead)



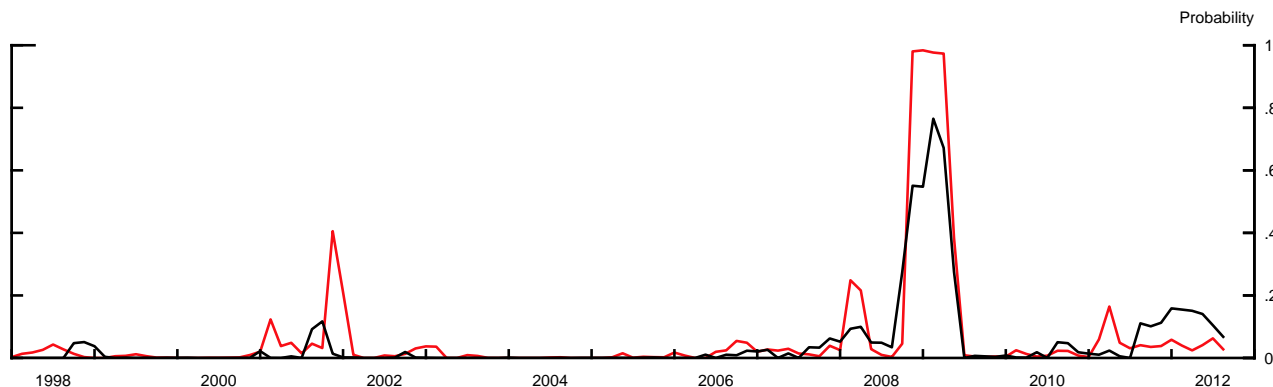
Probability that the Unemployment Rate Increases 1 ppt
(4 quarters ahead)



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 | |
|---------------------------------|-------------|----------|----------|----------|-----------------|----------|----------------------|----------|--------------------------------|----------|
| | 07/25/12 | 09/05/12 | 07/25/12 | 09/05/12 | 07/25/12 | 09/05/12 | 07/25/12 | 09/05/12 | 07/25/12 | 09/05/12 |
| <i>Quarterly</i> | | | | | | | | | | |
| 2011:Q1 | 3.1 | 2.2 | .4 | .1 | 3.9 | 3.2 | 1.6 | 1.3 | 9.0 | 9.0 |
| Q2 | 4.0 | 5.2 | 1.3 | 2.5 | 3.3 | 3.6 | 2.3 | 2.3 | 9.1 | 9.1 |
| Q3 | 4.4 | 4.3 | 1.8 | 1.3 | 2.3 | 2.3 | 2.1 | 1.9 | 9.1 | 9.1 |
| Q4 | 3.8 | 4.2 | 3.0 | 4.1 | 1.2 | 1.1 | 1.3 | 1.3 | 8.7 | 8.7 |
| 2012:Q1 | 3.9 | 4.2 | 1.9 | 2.0 | 2.6 | 2.5 | 2.3 | 2.2 | 8.2 | 8.2 |
| Q2 | 1.8 | 3.3 | 1.0 | 1.7 | .8 | .7 | 1.8 | 1.8 | 8.2 | 8.2 |
| Q3 | 3.8 | 4.3 | 1.5 | 1.3 | .8 | 1.9 | 1.6 | 1.3 | 8.3 | 8.3 |
| Q4 | 3.7 | 3.1 | 1.8 | 1.7 | 1.5 | 1.7 | 1.5 | 1.5 | 8.3 | 8.3 |
| 2013:Q1 | 3.2 | 3.4 | 1.6 | 2.0 | 1.6 | 1.2 | 1.6 | 1.6 | 8.2 | 8.2 |
| Q2 | 3.6 | 3.8 | 2.0 | 2.3 | 1.6 | 1.5 | 1.6 | 1.6 | 8.2 | 8.2 |
| Q3 | 3.7 | 4.1 | 2.2 | 2.6 | 1.5 | 1.4 | 1.6 | 1.6 | 8.1 | 8.1 |
| Q4 | 4.0 | 4.3 | 2.5 | 2.8 | 1.4 | 1.3 | 1.6 | 1.6 | 8.1 | 8.0 |
| <i>Two-quarter²</i> | | | | | | | | | | |
| 2011:Q2 | 3.5 | 3.7 | .8 | 1.3 | 3.6 | 3.4 | 1.9 | 1.8 | -5 | -5 |
| Q4 | 4.1 | 4.3 | 2.4 | 2.7 | 1.8 | 1.7 | 1.7 | 1.6 | -4 | -4 |
| 2012:Q2 | 2.8 | 3.7 | 1.4 | 1.8 | 1.7 | 1.6 | 2.1 | 2.0 | -5 | -5 |
| Q4 | 3.7 | 3.7 | 1.6 | 1.5 | 1.1 | 1.8 | 1.5 | 1.4 | .1 | .1 |
| 2013:Q2 | 3.4 | 3.6 | 1.8 | 2.1 | 1.6 | 1.4 | 1.6 | 1.6 | -1 | -1 |
| Q4 | 3.9 | 4.2 | 2.4 | 2.7 | 1.4 | 1.4 | 1.6 | 1.6 | -1 | -2 |
| <i>Four-quarter³</i> | | | | | | | | | | |
| 2010:Q4 | 4.7 | 4.3 | 3.1 | 2.4 | 1.3 | 1.5 | 1.0 | 1.2 | -3 | -3 |
| 2011:Q4 | 3.8 | 4.0 | 1.6 | 2.0 | 2.7 | 2.5 | 1.8 | 1.7 | -9 | -9 |
| 2012:Q4 | 3.3 | 3.7 | 1.5 | 1.6 | 1.4 | 1.7 | 1.8 | 1.7 | -4 | -4 |
| 2013:Q4 | 3.6 | 3.9 | 2.1 | 2.4 | 1.5 | 1.4 | 1.6 | 1.6 | -2 | -3 |
| 2014:Q4 | 4.7 | 4.7 | 3.2 | 3.2 | 1.4 | 1.4 | 1.6 | 1.6 | -3 | -4 |
| <i>Annual</i> | | | | | | | | | | |
| 2010 | 4.2 | 3.8 | 3.0 | 2.4 | 1.8 | 1.9 | 1.4 | 1.5 | 9.6 | 9.6 |
| 2011 | 3.9 | 4.0 | 1.7 | 1.8 | 2.5 | 2.4 | 1.4 | 1.4 | 8.9 | 8.9 |
| 2012 | 3.5 | 4.0 | 1.8 | 2.1 | 1.7 | 1.8 | 1.9 | 1.8 | 8.2 | 8.2 |
| 2013 | 3.5 | 3.7 | 1.8 | 2.0 | 1.4 | 1.5 | 1.6 | 1.6 | 8.2 | 8.1 |
| 2014 | 4.3 | 4.5 | 2.8 | 3.0 | 1.4 | 1.4 | 1.6 | 1.6 | 8.0 | 7.8 |

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

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

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

Changes in Real Gross Domestic Product and Related Items

(Percent, annual rate except as noted)

| Item | 2011 | | | | 2012 | | | | 2013 | | | | 2011 ¹ | 2012 ¹ | 2013 ¹ | 2014 ¹ |
|----------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------|-------------------|-------------------|-------------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | | |
| | | | | | | | | | | | | | | | | |
| Real GDP <i>Previous Tealbook</i> | 2.5 1.3 | 1.3 1.8 | 4.1 3.0 | 2.0 1.9 | 1.7 1.0 | 1.3 1.5 | 1.7 1.8 | 2.0 1.6 | 2.3 2.0 | 2.6 2.2 | 2.8 2.5 | 2.0 1.6 | 1.6 1.5 | 2.4 2.1 | 3.2 3.2 | |
| Final sales <i>Previous Tealbook</i> | 2.4 1.6 | 2.3 3.2 | 1.5 1.1 | 2.4 1.8 | 1.9 .9 | 1.4 1.2 | 1.4 1.5 | .8 1.4 | 2.4 1.8 | 2.7 2.0 | 2.5 1.9 | 1.7 1.5 | 1.8 1.4 | 2.1 1.8 | 3.1 3.0 | |
| Priv. dom. final purch. <i>Previous Tealbook</i> | 2.5 1.9 | 3.6 3.3 | 3.2 2.7 | 3.5 3.0 | 2.0 1.8 | 2.1 2.2 | 2.2 2.5 | 1.3 2.2 | 3.3 2.7 | 3.5 2.8 | 3.6 2.9 | 2.9 2.5 | 2.5 2.4 | 2.9 2.6 | 4.0 3.8 | |
| Personal cons. expend. <i>Previous Tealbook</i> | 1.0 .7 | 1.7 1.7 | 2.0 2.1 | 2.4 2.5 | 1.7 1.1 | 2.3 2.1 | 2.2 2.4 | 1.1 2.0 | 2.8 2.2 | 2.8 2.3 | 3.0 2.4 | 1.9 1.6 | 2.2 2.0 | 2.4 2.2 | 3.4 3.3 | |
| Durables | -2.3 | 5.4 | 13.9 | 11.5 | .0 | 7.5 | 6.6 | 2.0 | 9.1 | 8.7 | 9.0 | 5.9 | 6.3 | 7.2 | 8.1 | |
| Nondurables | -3 | -4 | 1.8 | 1.6 | .5 | .9 | 1.9 | 1.0 | 1.8 | 1.9 | 2.0 | 1.4 | 1.2 | 1.7 | 2.7 | |
| Services | 1.9 | 1.8 | .3 | 1.3 | 2.4 | 2.0 | 1.6 | 1.0 | 2.2 | 2.2 | 2.3 | 1.5 | 1.8 | 2.0 | 2.9 | |
| Residential investment <i>Previous Tealbook</i> | 4.1 4.2 | 1.4 1.3 | 12.1 11.6 | 20.5 20.0 | 8.4 8.9 | 9.7 12.3 | 5.5 3.3 | 10.5 6.8 | 12.0 11.6 | 12.4 10.8 | 12.6 10.9 | 3.9 3.5 | 10.9 11.0 | 11.9 10.0 | 12.4 11.2 | |
| Business fixed invest. <i>Previous Tealbook</i> | 14.5 10.3 | 19.0 15.7 | 9.5 5.2 | 7.5 3.1 | 3.1 5.1 | -1.0 .6 | 1.5 3.1 | .6 1.9 | 4.5 3.5 | 6.1 4.5 | 5.9 4.4 | 10.2 8.2 | 2.7 2.9 | 4.2 3.6 | 5.7 5.3 | |
| Equipment & software <i>Previous Tealbook</i> | 7.8 6.2 | 18.3 16.2 | 8.8 7.5 | 5.4 3.5 | 4.1 6.8 | .7 1.5 | 2.0 3.9 | .2 2.2 | 5.4 4.5 | 7.5 5.9 | 7.3 5.8 | 11.4 9.6 | 3.0 3.9 | 5.1 4.6 | 7.2 6.7 | |
| Nonres. structures <i>Previous Tealbook</i> | 35.2 22.6 | 20.7 14.4 | 11.5 -9 | 12.9 1.9 | .5 .5 | -5.0 -1.8 | .5 .7 | 1.4 1.0 | 2.3 .8 | 2.6 .8 | 2.6 .7 | 6.9 4.4 | 2.0 .3 | 2.2 .8 | 2.2 1.6 | |
| Net exports ² <i>Previous Tealbook</i> ² | -400 -416 | -398 -403 | -418 -411 | -416 -407 | -405 -405 | -405 -417 | -411 -429 | -412 -434 | -414 -442 | -414 -444 | -423 -453 | -408 -414 | -409 -414 | -416 -443 | -430 -462 | |
| Exports | 4.1 | 6.1 | 1.4 | 4.4 | 6.0 | 3.3 | 3.4 | 4.3 | 4.7 | 4.3 | 4.5 | 4.3 | 4.3 | 4.5 | 5.7 | |
| Imports | .1 | 4.7 | 4.9 | 3.1 | 2.9 | 2.8 | 3.9 | 3.7 | 4.2 | 3.4 | 5.3 | 3.5 | 3.2 | 4.2 | 4.8 | |
| Gov't. cons. & invest. <i>Previous Tealbook</i> | -8 -9 | -2.9 -1 | -2.2 -4.2 | -3.0 -4.0 | -7 -3.0 | -1.7 -1.4 | -1.1 -1.4 | -1.5 -1.2 | -1.5 -1.2 | -1.4 -1.4 | -1.4 -1.6 | -3.3 -2.8 | -1.6 -2.4 | -1.5 -1.4 | -1.1 -.8 | |
| Federal | 2.8 | -4.3 | -4.4 | -4.2 | -1 | -3.2 | -2.5 | -3.9 | -4.3 | -4.1 | -4.4 | -4.2 | -2.5 | -4.2 | -4.3 | |
| Defense | 8.3 | 2.6 | -10.6 | -7.1 | -1 | -3.5 | -2.4 | -4.6 | -5.1 | -4.8 | -5.1 | -4.0 | -3.3 | -4.9 | -5.0 | |
| Nondefense | -7.5 | -17.4 | 10.2 | 1.8 | -3 | -2.4 | -2.7 | -2.7 | -2.7 | -2.8 | -2.8 | -4.6 | -9 | -2.7 | -2.9 | |
| State & local | -3.2 | -2.0 | -7 | -2.2 | -1.0 | -7 | -2 | .1 | .3 | .3 | .4 | -2.7 | -1.0 | .3 | .9 | |
| Change in bus. inventories ² <i>Previous Tealbook</i> ² | 28 39 | -4 -2 | 71 52 | 57 54 | 53 59 | 47 69 | 54 79 | 94 84 | 90 93 | 87 100 | 97 120 | 31 35 | 53 65 | 92 99 | 107 140 | |
| Nonfarm ² | 36 | -1 | 74 | 62 | 55 | 68 | 76 | 91 | 87 | 84 | 94 | 36 | 65 | 89 | 106 | |
| Farm ² | -6 | -3 | -2 | -3 | -2 | -21 | -21 | 3 | 3 | 3 | 3 | -4 | -12 | 3 | 1 | |

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

2. Billions of chained (2005) dollars.

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

| Item | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------------------------------------------------------------------|-------------------|-------------------|-------------------|------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Real GDP <i>Previous Tealbook</i> | 2.8 2.8 | 2.4 2.4 | 2.2 2.2 | -3.3 -3.3 | -1 -5 | 2.4 3.1 | 2.0 1.6 | 1.6 1.5 | 2.4 2.1 | 3.2 3.2 |
| Final sales <i>Previous Tealbook</i> | 2.7 | 2.8 | 2.4 | -2.6 | -5 | 1.7 | 1.7 | 1.8 | 2.1 | 3.1 |
| Priv. dom. final purch. <i>Previous Tealbook</i> | 2.7 3.2 3.2 | 2.8 2.4 2.4 | 2.4 1.2 1.2 | -2.6 -2.6 -4.5 -4.5 | -8 -2.8 -2.5 | 2.4 3.2 3.6 | 1.5 2.9 2.5 | 1.4 2.5 2.4 | 1.8 2.9 2.6 | 3.0 4.0 3.8 |
| Personal cons. expend. <i>Previous Tealbook</i> | 2.8 | 3.2 | 1.7 | -2.5 | -3 | 2.9 | 1.9 | 2.2 | 2.4 | 3.4 |
| Durables | 2.8 | 3.2 | 1.7 | -2.5 | -2 | 3.0 | 1.6 | 2.0 | 2.2 | 3.3 |
| Nondurables | 2.8 | 7.0 | 4.6 | -13.0 | 3.0 | 9.5 | 5.9 | 6.3 | 7.2 | 8.1 |
| Services | 3.1 2.7 | 2.9 2.6 | .8 1.4 | -3.1 -5 | .4 -1.1 | 3.0 1.9 | 1.4 1.5 | 1.2 1.8 | 1.7 2.0 | 2.7 2.9 |
| Residential investment <i>Previous Tealbook</i> | 5.3 5.3 | -15.7 -15.7 | -20.7 -20.7 | -24.4 -24.4 | -13.3 -12.9 | -5.7 -6.3 | 3.9 3.5 | 10.9 11.0 | 11.9 10.0 | 12.4 11.2 |
| Business fixed invest. <i>Previous Tealbook</i> | 4.5 4.5 | 7.8 7.8 | 7.9 7.9 | -9.4 -9.4 | -15.7 -14.4 | 7.7 11.1 | 10.2 8.2 | 2.7 2.9 | 4.2 3.6 | 5.7 5.3 |
| Equipment & software <i>Previous Tealbook</i> | 6.2 6.2 | 6.0 6.0 | 3.9 3.9 | -13.6 -13.6 | -7.8 -5.8 | 11.9 16.6 | 11.4 9.6 | 3.0 3.9 | 5.1 4.6 | 7.2 6.7 |
| Nontres. structures <i>Previous Tealbook</i> | -1 -1 | 13.0 13.0 | 17.3 17.3 | -1.2 -1.2 | -29.4 -29.3 | -1.8 -1.8 | 6.9 4.4 | 2.0 .3 | 2.2 .8 | 2.2 1.6 |
| Net exports ¹ <i>Previous Tealbook</i> ¹ | -723 -723 | -729 -729 | -649 -649 | -495 -495 | -355 -359 | -420 -422 | -408 -414 | -409 -414 | -416 -443 | -430 -462 |
| Exports | 6.7 | 10.2 | 10.1 | -2.5 | .3 | 8.8 | 4.3 | 4.3 | 4.5 | 5.7 |
| Imports | 5.2 | 4.1 | .8 | -5.9 | -6.1 | 10.9 | 3.5 | 3.2 | 4.2 | 4.8 |
| Gov't. cons. & invest. <i>Previous Tealbook</i> | .7 .7 | 1.5 1.5 | 1.9 1.9 | 2.7 2.7 | 4.0 1.1 | -1.3 .1 | -3.3 -2.8 | -1.6 -2.4 | -1.5 -1.4 | -1.1 -.8 |
| Federal | 1.2 | 2.2 | 3.1 | 8.8 | 5.1 | 2.3 | -4.2 | -2.5 | -4.2 | -4.3 |
| Defense | .4 | 4.4 | 2.6 | 9.8 | 4.1 | 1.0 | -4.0 | -3.3 | -4.9 | -5.0 |
| Nondefense | 2.6 | -2.3 | 4.2 | 6.8 | 7.2 | 5.2 | -4.6 | -.9 | -2.7 | -2.9 |
| State & local | .4 | 1.2 | 1.2 | -.9 | 3.3 | -3.6 | -2.7 | -1.0 | .3 | .9 |
| Change in bus. inventories ¹ <i>Previous Tealbook</i> ¹ | 50 50 | 59 59 | 28 28 | -36 -36 | -139 -145 | 51 59 | 31 35 | 53 65 | 92 99 | 107 140 |
| Nonfarm ¹ | 50 | 63 | 29 | -38 | -138 | 58 | 36 | 65 | 89 | 106 |
| Farm ¹ | 0 | -4 | -1 | 1 | -1 | -6 | -4 | -12 | 3 | 1 |

1. Billions of chained (2005) dollars.

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

| Item | 2011 | | | 2012 | | | | 2013 | | | | 2011 ¹ | 2012 ¹ | 2013 ¹ | 2014 ¹ |
|--------------------------------------------------------|------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------------|-------------------|-------------------|-------------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| Real GDP <i>Previous Tealbook</i> | 2.5 1.3 | 1.3 1.8 | 4.1 3.0 | 2.0 1.9 | 1.7 1.0 | 1.3 1.5 | 1.7 1.8 | 2.0 1.6 | 2.3 2.0 | 2.6 2.2 | 2.8 2.5 | 2.0 1.6 | 1.6 1.5 | 2.4 2.1 | 3.2 3.2 |
| Final sales <i>Previous Tealbook</i> | 2.5 1.6 | 2.3 3.2 | 1.6 1.2 | 2.4 1.8 | 1.9 .9 | 1.4 1.2 | 1.4 1.5 | .8 1.4 | 2.4 1.8 | 2.7 2.0 | 2.5 1.9 | 1.7 1.5 | 1.8 1.3 | 2.1 1.8 | 3.1 3.0 |
| Priv. dom. final purch. <i>Previous Tealbook</i> | 2.1 1.6 | 2.9 2.8 | 2.7 2.3 | 2.9 2.5 | 1.7 1.5 | 1.8 1.9 | 1.9 2.1 | 1.1 1.8 | 2.7 2.2 | 2.9 2.4 | 3.0 2.5 | 2.4 2.0 | 2.1 2.0 | 2.5 2.2 | 3.3 3.2 |
| Personal cons. expend. <i>Previous Tealbook</i> | .7 .5 | 1.2 1.2 | 1.5 1.5 | 1.7 1.7 | 1.2 .8 | 1.7 1.5 | 1.6 1.7 | .8 1.4 | 2.0 1.6 | 2.0 1.6 | 2.1 1.7 | 1.4 1.2 | 1.5 1.4 | 1.7 1.6 | 2.4 2.3 |
| Durables | -2 -1 | .4 -1 | 1.0 .3 | .9 .3 | .0 .1 | .6 .1 | .5 .8 | .2 .2 | .7 .3 | .7 .3 | .7 .3 | .4 .2 | .5 .2 | .5 .3 | .6 .4 |
| Nondurables | .9 .1 | .9 .0 | .2 .3 | .6 .4 | 1.1 .2 | 1.0 .3 | .8 .1 | .5 .2 | 1.0 .7 | 1.1 .7 | 1.1 .7 | .7 .4 | .9 .2 | .9 .3 | 1.4 .4 |
| Services | | | | | | | | | | | | | | | |
| Residential investment <i>Previous Tealbook</i> | .1 .1 | .0 .0 | .3 .3 | .4 .4 | .2 .2 | .2 .3 | .1 .1 | .2 .2 | .3 .3 | .3 .3 | .3 .3 | .1 .1 | .2 .2 | .3 .2 | .3 .3 |
| Business fixed invest. <i>Previous Tealbook</i> | 1.3 1.0 | 1.7 1.5 | .9 .5 | .7 .3 | .3 .5 | -1 .1 | .2 .3 | .1 .2 | .5 .4 | .6 .5 | .6 .5 | 1.0 .8 | .3 .3 | .4 .4 | .6 .6 |
| Equipment & software <i>Previous Tealbook</i> | .5 .4 | 1.2 1.1 | .6 .6 | .4 .3 | .3 .5 | .0 .1 | .1 .3 | .0 .2 | .4 .3 | .5 .4 | .5 .4 | .8 .7 | .2 .3 | .4 .4 | .5 .5 |
| Nonres. structures <i>Previous Tealbook</i> | .8 .5 | .5 .4 | .3 .0 | .4 .1 | .0 .0 | -1 -1 | .0 .0 | .0 .0 | .1 .0 | .1 .0 | .1 .0 | .2 .1 | .1 .0 | .1 .0 | .1 .0 |
| Net exports <i>Previous Tealbook</i> | .5 .2 | .0 .4 | -6 -3 | .1 .1 | .3 .0 | .0 -4 | -2 -4 | .0 -2 | -1 -2 | .0 -1 | -3 -3 | .0 .0 | .0 -2 | -1 -2 | .0 -1 |
| Exports | .6 .0 | .8 -8 | .2 -9 | .6 -5 | .8 -5 | .5 -5 | .5 -7 | .6 -6 | .6 -7 | .6 -6 | .6 -9 | .6 -6 | .6 -6 | .6 -7 | .8 -8 |
| Imports | | | | | | | | | | | | | | | |
| Gov't. cons. & invest. <i>Previous Tealbook</i> | -2 -2 | -6 .0 | -4 -8 | -6 -8 | -1 -6 | -3 -3 | -2 -3 | -3 -2 | -3 -2 | -3 -3 | -3 -3 | -7 -6 | -3 -5 | -3 -3 | -2 -2 |
| Federal | .2 .5 | -4 .2 | -4 -6 | -3 -4 | .0 .0 | -2 -2 | -2 -1 | -3 -2 | -3 -3 | -3 -2 | -3 -2 | -4 -2 | -2 -2 | -3 -2 | -3 -2 |
| Defense | -2 -4 | -5 -2 | .3 -1 | .1 -3 | .0 -1 | -1 -1 | -1 .0 | -1 .0 | -1 .0 | -1 .0 | -1 .1 | -1 -3 | .0 -1 | -1 .0 | -1 .1 |
| Nondefense | | | | | | | | | | | | | | | |
| State & local | | | | | | | | | | | | | | | |
| Change in bus. inventories <i>Previous Tealbook</i> | .0 -3 | -1.1 -1.4 | 2.5 1.8 | -4 .1 | -2 .0 | -1 .3 | .2 .3 | 1.2 .2 | -1 .3 | -1 .2 | .3 .6 | .3 .1 | -1 .0 | .3 .3 | .1 .2 |
| Nonfarm | .0 .0 | -1.2 .1 | 2.5 .1 | -4 .0 | -2 .0 | .4 -5 | .2 .0 | .5 .7 | -1 .0 | -1 .0 | .3 .0 | .1 .1 | .0 -1 | .1 .2 | .1 .0 |
| Farm | | | | | | | | | | | | | | | |

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

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

| Item | 2011 | | | 2012 | | | | 2013 | | | | 2011 ¹ | 2012 ¹ | 2013 ¹ | 2014 ¹ |
|------------------------------------------------------------------------------------------------|--------------|------------|--------------|------------|----------------|---------------|------------|------------|--------------|--------------|--------------|-------------------|-------------------|-------------------|-------------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| | | | | | | | | | | | | | | | |
| GDP chain-wt. price index <i>Previous Tealbook</i> | 2.6 2.5 | 3.0 2.6 | .4 .9 | 2.0 2.0 | 1.6 .8 | 2.9 2.2 | 1.4 1.9 | 1.4 1.6 | 1.5 1.5 | 1.4 1.4 | 1.4 1.4 | 2.0 2.1 | 2.0 1.7 | 1.5 1.5 | 1.5 1.5 |
| PCE chain-wt. price index <i>Previous Tealbook</i> | 3.6 3.3 | 2.3 2.3 | 1.1 1.2 | 2.5 2.6 | .7 .8 | 1.9 .8 | 1.7 1.5 | 1.2 1.6 | 1.5 1.6 | 1.4 1.5 | 1.3 1.4 | 2.5 2.7 | 1.7 1.4 | 1.4 1.5 | 1.4 1.4 |
| Energy <i>Previous Tealbook</i> | 20.5 15.0 | 4.7 3.3 | -5.0 -3.2 | 8.1 7.9 | -13.5 -13.6 | 10.3 -12.1 | 2.5 -9 | -6.5 -7 | -2.4 -1.1 | -2.5 -1.6 | -2.2 -1.3 | 11.9 12.8 | 1.4 -5.1 | -3.4 -1.2 | -2.2 -1.7 |
| Food <i>Previous Tealbook</i> | 6.0 6.4 | 5.1 4.7 | 3.3 3.3 | 1.3 1.3 | .7 .7 | 1.4 2.1 | 3.4 3.3 | 3.6 3.4 | 3.4 3.2 | 2.5 2.2 | .8 .9 | 5.1 5.2 | 1.7 1.8 | 2.6 2.4 | .9 .9 |
| Ex. food & energy <i>Previous Tealbook</i> | 2.3 2.3 | 1.9 2.1 | 1.3 1.3 | 2.2 2.3 | 1.8 1.8 | 1.3 1.6 | 1.5 1.5 | 1.6 1.6 | 1.6 1.6 | 1.6 1.6 | 1.6 1.6 | 1.7 1.8 | 1.7 1.8 | 1.6 1.6 | 1.6 1.6 |
| Ex. food & energy, market based <i>Previous Tealbook</i> | 2.3 2.4 | 2.1 2.3 | 1.5 1.4 | 2.2 2.1 | 1.7 1.7 | 1.4 1.5 | 1.4 1.4 | 1.5 1.5 | 1.5 1.5 | 1.5 1.5 | 1.5 1.5 | 1.9 1.8 | 1.7 1.7 | 1.5 1.5 | 1.5 1.5 |
| CPI <i>Previous Tealbook</i> | 4.4 4.4 | 3.1 3.1 | 1.3 1.3 | 2.5 2.5 | .8 .8 | 2.5 .7 | 2.1 1.6 | 1.2 1.7 | 1.6 1.7 | 1.4 1.5 | 1.3 1.4 | 3.3 3.3 | 2.0 1.4 | 1.4 1.6 | 1.3 1.4 |
| Ex. food & energy <i>Previous Tealbook</i> | 2.4 2.4 | 2.5 2.5 | 1.9 1.9 | 2.1 2.1 | 2.6 2.6 | 1.8 2.1 | 1.8 1.5 | 1.7 1.7 | 1.7 1.7 | 1.7 1.7 | 1.7 1.7 | 2.2 2.2 | 2.1 2.0 | 1.7 1.7 | 1.7 1.7 |
| ECL, hourly compensation ² <i>Previous Tealbook</i> ² | 3.2 3.2 | 1.4 1.4 | 2.1 2.1 | 1.7 1.7 | 2.1 2.3 | 2.3 2.5 | 2.4 2.5 | 2.5 2.6 | 2.6 2.5 | 2.6 2.6 | 2.7 2.6 | 2.2 2.2 | 2.1 2.3 | 2.6 2.6 | 2.9 2.8 |
| Nonfarm business sector Output per hour <i>Previous Tealbook</i> | 1.2 -3 | .6 1.8 | 2.8 1.2 | -5 -8 | 2.2 -1 | 1.0 1.2 | .8 1.5 | .9 .9 | 1.8 1.7 | 1.3 1.7 | 1.2 1.7 | .6 .4 | .8 .4 | 1.3 1.5 | 1.6 1.8 |
| Compensation per hour <i>Previous Tealbook</i> | -2 -5 | .0 5.7 | -7 -4 | 5.8 .5 | 3.7 2.1 | 2.3 2.2 | 2.3 2.6 | 2.5 2.6 | 2.6 2.6 | 2.7 2.7 | 2.8 2.7 | 2.0 2.5 | 3.5 1.9 | 2.7 2.6 | 3.0 2.9 |
| Unit labor costs <i>Previous Tealbook</i> | -1.3 -1 | -6 3.9 | -3.3 -1.5 | 6.4 1.3 | 1.5 2.3 | 1.3 1.0 | 1.5 1.2 | 1.6 1.7 | .8 .9 | 1.5 1.0 | 1.6 1.0 | 1.4 2.1 | 2.6 1.4 | 1.4 1.1 | 1.4 1.0 |
| Core goods imports chain-wt. price index ³ <i>Previous Tealbook</i> ³ | 7.2 7.2 | 2.3 2.4 | -6 -4 | -2 .4 | 1.2 1.7 | -2.6 -1.1 | .4 .1 | .9 .8 | 1.0 1.2 | 1.2 1.3 | 1.3 1.3 | 4.3 4.3 | -3 .3 | 1.1 1.1 | 1.4 1.4 |

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

2. Private-industry workers.

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

Greensheets

Changes in Prices and Costs

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

| Item | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------------------------------------------------------------------------------------|------|------|------|------|------|------|------|------|------|------|
| GDP chain-wt. price index <i>Previous Tealbook</i> | 3.5 | 2.9 | 2.6 | 2.1 | .5 | 1.8 | 2.0 | 2.0 | 1.5 | 1.5 |
| PCE chain-wt. price index <i>Previous Tealbook</i> | 3.2 | 1.9 | 3.5 | 1.7 | 1.4 | 1.5 | 2.5 | 1.7 | 1.4 | 1.4 |
| Energy <i>Previous Tealbook</i> | 21.5 | -3.7 | 19.3 | -8.8 | 2.7 | 6.5 | 11.9 | 1.4 | -3.4 | -2.2 |
| Food <i>Previous Tealbook</i> | 21.5 | -3.7 | 19.3 | -8.8 | 2.6 | 6.2 | 12.8 | -5.1 | -1.2 | -1.7 |
| Ex. food & energy <i>Previous Tealbook</i> | 1.5 | 1.7 | 4.7 | 7.0 | -1.7 | 1.3 | 5.1 | 1.7 | 2.6 | .9 |
| Ex. food & energy, market based <i>Previous Tealbook</i> | 1.5 | 1.7 | 4.7 | 7.0 | -1.7 | 1.3 | 5.2 | 1.8 | 2.4 | .9 |
| CPI <i>Previous Tealbook</i> | 2.3 | 2.3 | 2.4 | 2.0 | 1.6 | 1.2 | 1.7 | 1.7 | 1.6 | 1.6 |
| Ex. food & energy <i>Previous Tealbook</i> | 2.3 | 2.3 | 2.4 | 2.0 | 1.7 | 1.0 | 1.8 | 1.8 | 1.6 | 1.6 |
| Ex. food & energy, market based <i>Previous Tealbook</i> | 2.0 | 2.2 | 2.1 | 2.2 | 1.7 | .7 | 1.9 | 1.7 | 1.5 | 1.5 |
| CPI <i>Previous Tealbook</i> | 2.0 | 2.2 | 2.1 | 2.2 | 1.7 | .7 | 1.8 | 1.7 | 1.5 | 1.5 |
| Ex. food & energy <i>Previous Tealbook</i> | 3.7 | 2.0 | 4.0 | 1.6 | 1.5 | 1.2 | 3.3 | 2.0 | 1.4 | 1.3 |
| ECL, hourly compensation ¹ <i>Previous Tealbook</i> ¹ | 3.7 | 2.0 | 4.0 | 1.6 | 1.5 | 1.2 | 3.3 | 1.4 | 1.6 | 1.4 |
| Nonfarm business sector Output per hour <i>Previous Tealbook</i> | 2.1 | 2.7 | 2.3 | 2.0 | 1.7 | .6 | 2.2 | 2.1 | 1.7 | 1.7 |
| Compensation per hour <i>Previous Tealbook</i> | 2.1 | 2.7 | 2.3 | 2.0 | 1.7 | .6 | 2.2 | 2.0 | 1.7 | 1.7 |
| Unit labor costs <i>Previous Tealbook</i> | 2.9 | 3.2 | 3.0 | 2.4 | 1.2 | 2.1 | 2.2 | 2.1 | 2.6 | 2.9 |
| Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ² | 2.9 | 3.2 | 3.0 | 2.4 | 1.2 | 2.1 | 2.2 | 2.3 | 2.6 | 2.8 |
| Nonfarm business sector Output per hour <i>Previous Tealbook</i> | 1.6 | .8 | 2.5 | -1.1 | 5.6 | 1.8 | .6 | .8 | 1.3 | 1.6 |
| Compensation per hour <i>Previous Tealbook</i> | 1.6 | .8 | 2.5 | -1.1 | 5.3 | 2.3 | .4 | .4 | 1.5 | 1.8 |
| Unit labor costs <i>Previous Tealbook</i> | 3.5 | 4.5 | 3.6 | 2.5 | 1.5 | 1.6 | 2.0 | 3.5 | 2.7 | 3.0 |
| Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ² | 3.5 | 4.5 | 3.6 | 2.5 | 1.8 | 1.4 | 2.5 | 1.9 | 2.6 | 2.9 |
| Unit labor costs <i>Previous Tealbook</i> | 1.9 | 3.6 | 1.1 | 3.7 | -3.9 | -2 | 1.4 | 2.6 | 1.4 | 1.4 |
| Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ² | 1.9 | 3.6 | 1.1 | 3.7 | -3.3 | -9 | 2.1 | 1.4 | 1.1 | 1.0 |
| Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ² | 2.2 | 2.5 | 2.9 | 3.7 | -1.7 | 2.7 | 4.3 | -.3 | 1.1 | 1.4 |
| Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ² | 2.2 | 2.5 | 2.9 | 3.7 | -1.7 | 2.6 | 4.3 | .3 | 1.1 | 1.4 |

1. Private-industry workers.

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

Other Macroeconomic Indicators

| Item | 2011 | | | 2012 | | | | 2013 | | | | 2011 ¹ | 2012 ¹ | 2013 ¹ | 2014 ¹ |
|-----------------------------------------------|--------|--------|--------|--------|--------|--------|--------|------|------|------|------|-------------------|-------------------|-------------------|-------------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| <i>Employment and production</i> | | | | | | | | | | | | | | | |
| Nonfarm payroll employment ² | .6 | .3 | .5 | .7 | .3 | .3 | .4 | .4 | .4 | .5 | .5 | 1.8 | 1.8 | 1.8 | 2.6 |
| Unemployment rate ³ | 9.1 | 9.1 | 8.7 | 8.2 | 8.2 | 8.3 | 8.3 | 8.2 | 8.2 | 8.1 | 8.0 | 8.7 | 8.3 | 8.0 | 7.6 |
| <i>Previous Tealbook³</i> | 9.1 | 9.1 | 8.7 | 8.2 | 8.2 | 8.3 | 8.3 | 8.2 | 8.2 | 8.1 | 8.1 | 8.7 | 8.3 | 8.1 | 7.8 |
| NAIRU ³ | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| <i>Previous Tealbook³</i> | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| GDP gap ⁴ | -4.9 | -5.0 | -4.4 | -4.4 | -4.4 | -4.5 | -4.6 | -4.6 | -4.5 | -4.3 | -4.1 | -4.4 | -4.6 | -4.1 | -3.1 |
| <i>Previous Tealbook⁴</i> | -4.8 | -4.8 | -4.5 | -4.5 | -4.7 | -4.8 | -4.8 | -4.9 | -4.9 | -4.8 | -4.6 | -4.5 | -4.8 | -4.6 | -3.6 |
| Industrial production ⁵ | 1.2 | 5.6 | 5.1 | 5.8 | 2.5 | 1.2 | 4.8 | 4.1 | 2.9 | 3.0 | 3.1 | 4.1 | 3.5 | 3.3 | 3.5 |
| <i>Previous Tealbook⁵</i> | 1.2 | 5.6 | 5.1 | 5.8 | 2.2 | 3.4 | 2.5 | 2.5 | 2.4 | 2.5 | 2.7 | 4.1 | 3.5 | 2.5 | 3.1 |
| Manufacturing industr. prod. ⁵ | .2 | 5.1 | 5.6 | 9.7 | 1.0 | 1.9 | 2.8 | 2.6 | 2.7 | 3.1 | 3.5 | 4.2 | 3.8 | 3.0 | 3.9 |
| <i>Previous Tealbook⁵</i> | .2 | 5.1 | 5.6 | 9.8 | 1.4 | 1.2 | 2.2 | 1.8 | 2.4 | 2.7 | 3.1 | 4.2 | 3.6 | 2.5 | 3.4 |
| Capacity utilization rate - mfg. ³ | 74.4 | 75.2 | 76.1 | 77.6 | 77.5 | 77.6 | 77.8 | 78.0 | 78.2 | 78.4 | 78.7 | 76.1 | 77.8 | 78.7 | 79.9 |
| <i>Previous Tealbook³</i> | 74.4 | 75.2 | 76.1 | 77.6 | 77.6 | 77.5 | 77.7 | 77.7 | 77.8 | 77.9 | 78.2 | 76.1 | 77.7 | 78.2 | 79.0 |
| Housing starts ⁶ | .6 | .6 | .7 | .7 | .7 | .8 | .8 | .9 | .9 | 1.0 | 1.0 | .6 | .8 | .9 | 1.1 |
| Light motor vehicle sales ⁶ | 12.2 | 12.6 | 13.4 | 14.2 | 14.1 | 14.3 | 14.4 | 14.6 | 14.9 | 15.1 | 15.3 | 12.7 | 14.2 | 15.0 | 15.8 |
| <i>Income and saving</i> | | | | | | | | | | | | | | | |
| Nominal GDP ⁵ | 5.2 | 4.3 | 4.2 | 4.2 | 3.3 | 4.3 | 3.1 | 3.4 | 3.8 | 4.1 | 4.3 | 4.0 | 3.7 | 3.9 | 4.7 |
| Real disposable pers. income ⁵ | -1.5 | -1.3 | -2 | 3.7 | 3.1 | 1.9 | 2.8 | -1.3 | 2.9 | 3.6 | 3.5 | .3 | 2.9 | 2.2 | 3.5 |
| <i>Previous Tealbook⁵</i> | -5 | .7 | .2 | .7 | 2.6 | 3.3 | 3.5 | -1.9 | 2.7 | 2.9 | 3.2 | .4 | 2.5 | 1.7 | 3.3 |
| Personal saving rate ³ | 4.6 | 3.9 | 3.4 | 3.6 | 4.0 | 3.9 | 4.1 | 3.5 | 3.5 | 3.6 | 3.7 | 3.4 | 4.1 | 3.7 | 3.8 |
| <i>Previous Tealbook³</i> | 4.8 | 4.6 | 4.2 | 3.7 | 4.1 | 4.3 | 4.6 | 3.6 | 3.7 | 3.8 | 4.0 | 4.2 | 4.6 | 4.0 | 4.1 |
| Corporate profits ⁷ | 19.3 | 6.7 | 29.6 | -10.4 | 2.2 | .3 | -3.9 | -6.0 | -1.9 | -2.4 | -1.1 | 9.2 | -3.1 | -2.9 | .5 |
| Profit share of GNP ³ | 11.8 | 11.9 | 12.5 | 12.1 | 12.1 | 12.0 | 11.7 | 11.5 | 11.3 | 11.1 | 11.0 | 12.5 | 11.7 | 11.0 | 10.6 |
| Net federal saving ⁸ | -1,308 | -1,232 | -1,183 | -1,059 | -1,095 | -1,035 | -1,057 | -801 | -781 | -765 | -753 | -1,237 | -1,061 | -775 | -715 |
| Net state & local savings ⁸ | -75 | -118 | -117 | -128 | -113 | -110 | -108 | -103 | -84 | -78 | -70 | -102 | -115 | -84 | -46 |
| Gross national saving rate ³ | 11.8 | 11.8 | 12.4 | 12.4 | 12.5 | 12.7 | 12.3 | 12.6 | 12.6 | 12.6 | 12.7 | 12.4 | 12.3 | 12.7 | 13.2 |
| Net national saving rate ³ | -1.0 | -1.0 | -3 | -3 | .0 | .2 | -2 | .1 | .1 | .2 | .3 | -3 | -2 | .3 | .8 |

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

2. Change, millions.

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

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

5. Percent change, annual rate.

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

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

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

Greensheets

Other Macroeconomic Indicators

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

| Item | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------------------------------|------|------|------|-------|-------|-------|-------|-------|------|------|
| <i>Employment and production</i> | | | | | | | | | | |
| Nonfarm payroll employment ¹ | 2.4 | 2.1 | 1.2 | -2.8 | -5.6 | .8 | 1.8 | 1.8 | 1.8 | 2.6 |
| Unemployment rate ² | 5.0 | 4.5 | 4.8 | 6.9 | 9.9 | 9.6 | 8.7 | 8.3 | 8.0 | 7.6 |
| <i>Previous Tealbook²</i> | 5.0 | 4.5 | 4.8 | 6.9 | 9.9 | 9.6 | 8.7 | 8.3 | 8.1 | 7.8 |
| NAIRU ² | 5.0 | 5.0 | 5.0 | 5.3 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| <i>Previous Tealbook²</i> | 5.0 | 5.0 | 5.0 | 5.3 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| GDP gap ³ | .6 | .8 | .8 | -4.5 | -5.7 | -4.7 | -4.4 | -4.6 | -4.1 | -3.1 |
| <i>Previous Tealbook³</i> | .6 | .8 | .9 | -4.5 | -6.1 | -4.4 | -4.5 | -4.8 | -4.6 | -3.6 |
| Industrial production ⁴ | 2.3 | 2.1 | 2.5 | -9.0 | -5.7 | 6.3 | 4.1 | 3.5 | 3.3 | 3.5 |
| <i>Previous Tealbook⁴</i> | 2.3 | 2.1 | 2.5 | -9.0 | -5.7 | 6.3 | 4.1 | 3.5 | 2.5 | 3.1 |
| Manufacturing industr. prod. ⁴ | 3.4 | 1.8 | 2.8 | -11.8 | -6.5 | 6.5 | 4.2 | 3.8 | 3.0 | 3.9 |
| <i>Previous Tealbook⁴</i> | 3.4 | 1.8 | 2.8 | -11.8 | -6.5 | 6.5 | 4.2 | 3.6 | 2.5 | 3.4 |
| Capacity utilization rate - mfg. ² | 78.4 | 78.2 | 78.2 | 69.7 | 67.0 | 73.1 | 76.1 | 77.8 | 78.7 | 79.9 |
| <i>Previous Tealbook²</i> | 78.4 | 78.2 | 78.2 | 69.7 | 67.0 | 73.1 | 76.1 | 77.7 | 78.2 | 79.0 |
| Housing starts ⁵ | 2.1 | 1.8 | 1.4 | .9 | .6 | .6 | .6 | .8 | .9 | 1.1 |
| Light motor vehicle sales ⁵ | 16.9 | 16.5 | 16.1 | 13.1 | 10.4 | 11.5 | 12.7 | 14.2 | 15.0 | 15.8 |
| <i>Income and saving</i> | | | | | | | | | | |
| Nominal GDP ⁴ | 6.4 | 5.3 | 4.9 | -1.2 | .4 | 4.3 | 4.0 | 3.7 | 3.9 | 4.7 |
| Real disposable pers. income ⁴ | .6 | 4.6 | 1.6 | 1.0 | -3.0 | 3.5 | .3 | 2.9 | 2.2 | 3.5 |
| <i>Previous Tealbook⁴</i> | .6 | 4.6 | 1.6 | 1.0 | -2.4 | 3.5 | .4 | 2.5 | 1.7 | 3.3 |
| Personal saving rate ² | 1.6 | 2.8 | 2.5 | 6.2 | 3.8 | 4.8 | 3.4 | 4.1 | 3.7 | 3.8 |
| <i>Previous Tealbook²</i> | 1.6 | 2.8 | 2.5 | 6.2 | 4.3 | 5.2 | 4.2 | 4.6 | 4.0 | 4.1 |
| Corporate profits ⁶ | 19.6 | 3.7 | -8.1 | -33.5 | 57.0 | 17.3 | 9.2 | -3.1 | -2.9 | .5 |
| Profit share of GNP ² | 11.8 | 11.6 | 10.1 | 6.8 | 10.7 | 12.0 | 12.5 | 11.7 | 11.0 | 10.6 |
| Net federal saving ⁷ | -283 | -204 | -245 | -613 | -1229 | -1308 | -1237 | -1061 | -775 | -715 |
| Net state & local saving ⁷ | 26 | 51 | 12 | -72 | -113 | -90 | -102 | -115 | -84 | -46 |
| Gross national saving rate ² | 15.6 | 16.5 | 13.9 | 12.6 | 11.0 | 12.1 | 12.4 | 12.3 | 12.7 | 13.2 |
| Net national saving rate ² | 3.6 | 4.4 | 1.7 | -6 | -2.3 | -6 | -3 | -2 | .3 | .8 |

1. Change, millions.

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

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

4. Percent change.

5. Level, millions; values are annual averages.

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

7. Billions of dollars; values are annual averages.

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

| Item | Fiscal year | | | | 2011 | | | | 2012 | | | | 2013 | | | |
|-------------------------------------------------|-------------------|-------|------|------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------|------|------|------|
| | 2011 ^a | 2012 | 2013 | 2014 | Q1 ^a | Q2 ^a | Q3 ^a | Q4 ^a | Q1 ^a | Q2 ^a | Q3 ^a | Q4 ^a | Q1 | Q2 | Q3 | Q4 |
| Unified budget | | | | | | | | | | | | | | | | |
| Receipts ¹ | 2302 | 2440 | 2680 | 2927 | 488 | 714 | 568 | 555 | 509 | 760 | 616 | 578 | 568 | 833 | 701 | 669 |
| Outlays ¹ | 3599 | 3547 | 3517 | 3564 | 949 | 855 | 895 | 877 | 966 | 885 | 818 | 909 | 896 | 867 | 845 | 901 |
| Surplus/deficit ¹ | -1297 | -1106 | -837 | -638 | -460 | -141 | -326 | -322 | -457 | -125 | -202 | -331 | -328 | -34 | -144 | -232 |
| <i>Previous Tealbook</i> | -1297 | -1132 | -831 | -683 | -460 | -141 | -326 | -322 | -457 | -125 | -227 | -318 | -332 | -34 | -146 | -236 |
| On-budget | -1364 | -1154 | -835 | -640 | -451 | -202 | -311 | -346 | -458 | -187 | -163 | -336 | -308 | -80 | -110 | -253 |
| Off-budget | 67 | 48 | -2 | 2 | -10 | 61 | -15 | 24 | 1 | 62 | -39 | 6 | -20 | 46 | -34 | 21 |
| Means of financing | | | | | | | | | | | | | | | | |
| Borrowing | 1110 | 1210 | 879 | 718 | 260 | 93 | 389 | 326 | 398 | 198 | 287 | 298 | 313 | 104 | 164 | 252 |
| Cash decrease | 252 | -7 | -5 | 0 | 225 | -19 | 79 | -28 | 42 | -48 | 26 | 20 | 25 | -50 | 0 | 0 |
| Other ² | -65 | -96 | -37 | -80 | -24 | 67 | -142 | 23 | 17 | -25 | -111 | 12 | -10 | -20 | -20 | -20 |
| Cash operating balance, end of period | 58 | 65 | 70 | 70 | 118 | 137 | 58 | 86 | 43 | 91 | 65 | 45 | 20 | 70 | 70 | 70 |
| NIPA federal sector | | | | | | | | | | | | | | | | |
| Receipts | 2501 | 2644 | 2930 | 3147 | 2510 | 2523 | 2511 | 2534 | 2665 | 2681 | 2695 | 2730 | 2963 | 2996 | 3031 | 3067 |
| Expenditures | 3767 | 3736 | 3781 | 3872 | 3737 | 3831 | 3743 | 3717 | 3724 | 3775 | 3730 | 3787 | 3764 | 3776 | 3796 | 3820 |
| Consumption expenditures | 1064 | 1053 | 1040 | 1014 | 1054 | 1071 | 1069 | 1052 | 1056 | 1055 | 1049 | 1046 | 1044 | 1037 | 1031 | 1024 |
| Defense | 713 | 701 | 689 | 668 | 697 | 717 | 731 | 704 | 703 | 701 | 696 | 694 | 693 | 687 | 682 | 676 |
| Nondefense | 352 | 352 | 351 | 346 | 357 | 354 | 338 | 348 | 352 | 354 | 353 | 352 | 352 | 350 | 349 | 348 |
| Other spending | 2702 | 2683 | 2741 | 2858 | 2683 | 2760 | 2674 | 2665 | 2668 | 2720 | 2681 | 2741 | 2719 | 2739 | 2765 | 2796 |
| Current account surplus | -1265 | -1093 | -851 | -725 | -1227 | -1308 | -1232 | -1183 | -1059 | -1094 | -1035 | -1057 | -801 | -781 | -765 | -753 |
| Gross investment | 163 | 155 | 150 | 141 | 161 | 163 | 159 | 159 | 152 | 156 | 154 | 153 | 151 | 148 | 146 | 144 |
| Gross saving less gross investment ³ | -1293 | -1107 | -855 | -716 | -1254 | -1335 | -1252 | -1203 | -1071 | -1109 | -1047 | -1067 | -807 | -783 | -765 | -749 |
| Fiscal indicators⁴ | | | | | | | | | | | | | | | | |
| High-employment (HEB) surplus/deficit | -1018 | -863 | -587 | -491 | -974 | -1062 | -981 | -947 | -830 | -870 | -805 | -814 | -531 | -508 | -494 | -486 |
| Change in HEB, percent of potential GDP | -4 | -1.2 | -1.8 | -7 | -6 | .5 | -6 | -2 | -8 | .2 | -5 | .0 | -1.7 | -2 | -1 | -1 |
| Fiscal impetus (FI), percent of GDP | -0.5 | -0.6 | -1.2 | -0.5 | -0.8 | 0.3 | -0.6 | -0.7 | -0.7 | -0.7 | -0.6 | -0.5 | -2.0 | -1.1 | -0.9 | -0.8 |
| <i>Previous Tealbook</i> | -0.4 | -0.8 | -1.2 | -0.5 | -0.7 | 0.2 | -0.1 | -0.9 | -0.9 | -1.1 | -0.6 | -0.6 | -2.0 | -1.1 | -0.9 | -0.8 |

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.

Change in Debt of the Domestic Nonfinancial Sectors
(Percent)

| Period ¹ | Total | Households | | | Business | State and local governments | Federal government | Memo: Nominal GDP |
|---------------------|-------|------------|----------------|-----------------|----------|-----------------------------|--------------------|-------------------|
| | | Total | Home mortgages | Consumer credit | | | | |
| <i>Year</i> | | | | | | | | |
| 2007 | 8.4 | 6.6 | 6.8 | 5.9 | 13.6 | 5.4 | 4.9 | 4.9 |
| 2008 | 5.9 | -1 | -5 | .8 | 6.1 | .7 | 24.2 | -1.2 |
| 2009 | 3.1 | -1.7 | -1.4 | -4.5 | -2.3 | 3.9 | 22.7 | .4 |
| 2010 | 4.1 | -2.2 | -2.9 | -1.3 | .8 | 2.2 | 20.2 | 4.3 |
| 2011 | 3.6 | -1.5 | -2.3 | 4.0 | 4.5 | -1.9 | 11.4 | 4.0 |
| 2012 | 4.8 | .3 | -1.3 | 5.4 | 5.3 | -1 | 11.3 | 3.7 |
| 2013 | 4.1 | 1.9 | .6 | 6.6 | 4.3 | .6 | 7.2 | 3.9 |
| 2014 | 3.9 | 2.4 | .9 | 7.4 | 4.5 | .9 | 5.8 | 4.7 |
| <i>Quarter</i> | | | | | | | | |
| 2010:1 | 3.7 | -2.8 | -4.4 | -3.1 | .1 | 2.4 | 20.6 | 3.9 |
| 2 | 3.7 | -2.2 | -2.6 | -3.5 | -2.0 | -5 | 22.5 | 4.1 |
| 3 | 4.0 | -2.2 | -3.0 | -.6 | 2.7 | 2.1 | 16.0 | 4.6 |
| 4 | 4.6 | -1.5 | -1.7 | 2.2 | 2.3 | 4.8 | 16.4 | 4.5 |
| 2011:1 | 2.4 | -1.6 | -2.2 | 3.5 | 4.1 | -3.3 | 7.9 | 2.2 |
| 2 | 2.4 | -3.0 | -3.1 | 3.3 | 5.0 | -3.5 | 8.6 | 5.2 |
| 3 | 4.5 | -1.1 | -2.3 | 2.3 | 3.8 | .0 | 14.1 | 4.3 |
| 4 | 4.8 | -.2 | -1.7 | 6.7 | 4.8 | -1.0 | 13.1 | 4.2 |
| 2012:1 | 4.8 | -.4 | -2.9 | 5.9 | 5.3 | -1.8 | 12.4 | 4.2 |
| 2 | 5.1 | .0 | -1.4 | 5.0 | 5.7 | 1.0 | 11.6 | 3.3 |
| 3 | 4.2 | .4 | -.8 | 4.5 | 5.0 | -.1 | 8.8 | 4.3 |
| 4 | 4.9 | 1.3 | .0 | 5.6 | 4.6 | .3 | 10.7 | 3.1 |
| 2013:1 | 4.3 | 1.7 | .6 | 5.3 | 4.3 | .6 | 8.2 | 3.4 |
| 2 | 4.1 | 1.9 | .6 | 6.5 | 4.2 | .6 | 7.3 | 3.8 |
| 3 | 3.2 | 2.0 | .6 | 6.9 | 4.2 | .6 | 4.0 | 4.1 |
| 4 | 4.5 | 2.1 | .6 | 7.1 | 4.2 | .6 | 8.4 | 4.3 |

Note: Quarterly data are at seasonally adjusted annual rates.

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

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

| Category | 2011 | 2012 | 2013 | 2014 | 2011 | | | | 2012 | | | | 2013 | | | |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----|----|
| | | | | | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| <i>Domestic nonfinancial sectors</i> | | | | | | | | | | | | | | | | |
| Net funds raised | | | | | | | | | | | | | | | | |
| Total | 854.7 | 1456.8 | 1293.1 | 1280.0 | 1068.7 | 1391.5 | 1479.7 | 1498.1 | 1259.4 | 1589.8 | 1380.6 | 1319.9 | 951.0 | 1521.0 | | |
| Net equity issuance | -472.7 | -387.2 | -340.0 | -360.0 | -617.5 | -438.2 | -344.9 | -463.9 | -380.0 | -360.0 | -340.0 | -340.0 | -340.0 | -340.0 | | |
| Net debt issuance | 1327.3 | 1844.0 | 1633.1 | 1640.0 | 1686.3 | 1829.7 | 1824.6 | 1962.0 | 1639.4 | 1949.8 | 1720.6 | 1659.9 | 1291.0 | 1861.0 | | |
| <i>Borrowing indicators</i> | | | | | | | | | | | | | | | | |
| Debt (percent of GDP) ¹ | 248.9 | 249.4 | 251.3 | 250.2 | 247.5 | 247.8 | 248.2 | 249.3 | 249.5 | 250.4 | 251.2 | 251.5 | 251.2 | 251.0 | | |
| Borrowing (percent of GDP) | 8.8 | 11.8 | 10.0 | 9.7 | 11.1 | 11.9 | 11.8 | 12.6 | 10.4 | 12.3 | 10.7 | 10.3 | 7.9 | 11.3 | | |
| <i>Households</i> | | | | | | | | | | | | | | | | |
| Net borrowing ² | -191.0 | 42.8 | 250.6 | 311.7 | -136.4 | -26.6 | -51.7 | 5.0 | 54.5 | 163.4 | 216.4 | 249.0 | 263.7 | 273.4 | | |
| Home mortgages | -232.6 | -124.9 | 58.3 | 83.2 | -230.0 | -168.0 | -285.3 | -136.5 | -77.7 | 0.0 | 58.2 | 58.3 | 58.3 | 58.4 | | |
| Consumer credit | 96.6 | 134.8 | 174.0 | 207.3 | 56.5 | 164.8 | 149.0 | 126.6 | 116.6 | 147.0 | 141.0 | 172.8 | 186.7 | 195.5 | | |
| Debt/DPI (percent) ³ | 112.8 | 108.4 | 106.1 | 103.3 | 111.9 | 111.5 | 109.8 | 108.7 | 107.7 | 106.8 | 107.2 | 106.5 | 105.7 | 105.0 | | |
| <i>Business</i> | | | | | | | | | | | | | | | | |
| Financing gap ⁴ | -171.2 | -79.7 | 157.8 | 286.6 | -209.4 | -140.0 | -72.5 | -93.6 | -107.1 | -45.5 | 108.1 | 136.7 | 171.9 | 214.6 | | |
| Net equity issuance | -472.7 | -387.2 | -340.0 | -360.0 | -617.5 | -438.2 | -344.9 | -463.9 | -380.0 | -360.0 | -340.0 | -340.0 | -340.0 | -340.0 | | |
| Credit market borrowing | 509.0 | 621.3 | 531.7 | 577.5 | 439.0 | 564.3 | 629.9 | 677.7 | 610.8 | 566.7 | 534.3 | 521.1 | 527.2 | 544.1 | | |
| <i>State and local governments</i> | | | | | | | | | | | | | | | | |
| Net borrowing | -58.6 | -3.7 | 17.8 | 25.8 | 1.0 | -29.1 | -53.5 | 31.0 | -2.2 | 9.8 | 17.8 | 17.8 | 17.8 | 17.8 | | |
| Current surplus ⁵ | 182.9 | 138.3 | 163.8 | 209.9 | 168.8 | 174.4 | 160.1 | 126.8 | 131.0 | 135.1 | 141.7 | 162.8 | 170.3 | 180.3 | | |
| <i>Federal government</i> | | | | | | | | | | | | | | | | |
| Net borrowing | 1067.9 | 1182.1 | 833.0 | 724.9 | 1382.6 | 1321.2 | 1300.0 | 1248.4 | 976.3 | 1209.9 | 952.1 | 871.9 | 482.2 | 1025.7 | | |
| Net borrowing (n.s.a.) | 1067.9 | 1182.1 | 833.0 | 724.9 | 389.1 | 326.0 | 398.3 | 198.2 | 287.5 | 298.2 | 312.9 | 104.1 | 164.0 | 252.1 | | |
| Unified deficit (n.s.a.) | 1249.6 | 1115.4 | 738.3 | 644.9 | 326.3 | 321.7 | 457.3 | 125.3 | 202.1 | 330.8 | 328.1 | 34.2 | 144.0 | 232.1 | | |
| <i>Depository institutions</i> | | | | | | | | | | | | | | | | |
| Funds supplied | 195.0 | 390.8 | 499.9 | 613.9 | 499.1 | 575.1 | 286.2 | 351.6 | 463.5 | 462.0 | 481.1 | 478.7 | 501.6 | 538.3 | | |

Note: Data after 2012:Q1 are staff projections.

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

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

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

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

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

n.s.a. Not seasonally adjusted.

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

| Measure and country | 2011 | | | | 2012 | | | | Projected-----2013 | | | |
|-------------------------------------|------|------|-----|------|------|------|------|------|--------------------|-----|-----|-----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | | | | | | | |
| Real GDP ¹ | | | | | | | | | | | | |
| Total foreign | 3.5 | 2.3 | 3.9 | 1.6 | 3.2 | 2.3 | 2.3 | 2.3 | 2.5 | 2.7 | 2.9 | 3.1 |
| <i>Previous Tealbook</i> | 3.6 | 2.3 | 3.9 | 1.5 | 3.3 | 2.3 | 2.4 | 2.2 | 2.5 | 2.6 | 2.8 | 3.0 |
| Advanced foreign economies | 1.7 | -2 | 3.2 | .4 | 1.6 | .7 | .7 | .6 | .8 | 1.1 | 1.4 | 1.7 |
| Canada | 3.6 | -1.0 | 4.5 | 1.9 | 1.8 | 1.8 | 1.8 | 1.7 | 1.7 | 1.9 | 2.1 | 2.4 |
| Japan | -7.7 | -1.9 | 7.4 | .3 | 5.5 | 1.4 | -5 | .5 | .9 | 1.1 | 1.2 | 1.5 |
| United Kingdom | 1.9 | -4 | 2.4 | -1.4 | -1.3 | -1.8 | 2.5 | .1 | 1.1 | 1.4 | 1.9 | 2.1 |
| Euro area | 2.9 | .7 | .4 | -1.3 | .1 | -7 | -1.1 | -1.2 | -7 | -2 | .2 | .6 |
| Germany | 5.0 | 1.8 | 1.5 | -6 | 2.0 | 1.1 | -2 | -4 | -1 | .4 | .7 | 1.3 |
| Emerging market economies | 5.6 | 4.9 | 4.6 | 2.8 | 5.0 | 3.9 | 4.0 | 4.1 | 4.4 | 4.5 | 4.6 | 4.6 |
| Asia | 7.6 | 5.1 | 5.0 | 2.5 | 5.8 | 4.7 | 4.9 | 4.9 | 5.3 | 5.5 | 5.6 | 5.7 |
| Korea | 5.3 | 3.4 | 3.4 | 1.3 | 3.5 | 1.5 | 2.6 | 3.0 | 3.3 | 3.5 | 3.7 | 3.9 |
| China | 9.1 | 10.0 | 9.5 | 7.8 | 6.6 | 7.4 | 7.4 | 7.5 | 7.8 | 7.9 | 8.0 | 8.0 |
| Latin America | 3.3 | 4.9 | 4.0 | 3.0 | 4.3 | 3.2 | 3.1 | 3.3 | 3.4 | 3.4 | 3.5 | 3.6 |
| Mexico | 2.1 | 5.5 | 4.9 | 3.0 | 4.9 | 3.5 | 3.2 | 3.4 | 3.4 | 3.4 | 3.5 | 3.5 |
| Brazil | 3.3 | 2.3 | -6 | .5 | .5 | 1.6 | 2.5 | 3.1 | 3.3 | 3.4 | 3.7 | 3.7 |
| Consumer prices ² | | | | | | | | | | | | |
| Total foreign | 4.1 | 3.5 | 3.1 | 2.7 | 2.6 | 1.9 | 1.8 | 2.6 | 2.3 | 2.3 | 2.2 | 2.2 |
| <i>Previous Tealbook</i> | 4.2 | 3.5 | 3.0 | 2.8 | 2.6 | 2.0 | 2.2 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| Advanced foreign economies | 3.0 | 2.3 | 1.2 | 2.4 | 2.2 | .6 | .7 | 1.9 | 1.4 | 1.3 | 1.2 | 1.3 |
| Canada | 3.3 | 3.4 | 1.0 | 2.9 | 2.1 | .1 | -5 | 2.4 | 1.7 | 1.6 | 1.7 | 1.8 |
| Japan | .0 | -7 | .1 | -7 | 2.3 | -9 | -1.0 | .6 | .1 | -1 | -1 | -1 |
| United Kingdom | 6.8 | 4.0 | 3.8 | 4.1 | 2.0 | 1.1 | 2.7 | 3.6 | 2.0 | 1.5 | 1.5 | 1.9 |
| Euro Area | 3.5 | 2.8 | 1.7 | 3.7 | 2.5 | 1.9 | 2.2 | 2.0 | 1.7 | 1.7 | 1.4 | 1.3 |
| Germany | 3.3 | 2.5 | 1.9 | 2.8 | 2.4 | 1.4 | 2.6 | 2.5 | 2.2 | 2.1 | 1.7 | 1.6 |
| Emerging market economies | 5.1 | 4.5 | 4.5 | 3.0 | 2.9 | 3.0 | 2.7 | 3.2 | 3.1 | 3.1 | 3.0 | 3.0 |
| Asia | 5.5 | 5.2 | 4.9 | 2.1 | 2.3 | 3.2 | 1.6 | 3.0 | 2.8 | 2.9 | 2.9 | 2.9 |
| Korea | 5.5 | 3.4 | 4.4 | 2.6 | 1.6 | 1.2 | 1.7 | 2.4 | 2.7 | 2.8 | 2.8 | 2.8 |
| China | 5.1 | 6.1 | 5.7 | 1.4 | 2.0 | 2.5 | 1.2 | 2.7 | 2.7 | 2.8 | 2.8 | 2.8 |
| Latin America | 3.7 | 2.9 | 3.9 | 5.2 | 4.6 | 2.6 | 5.1 | 3.5 | 3.8 | 3.6 | 3.4 | 3.3 |
| Mexico | 3.2 | 2.4 | 3.5 | 4.9 | 4.5 | 2.5 | 5.2 | 3.4 | 3.6 | 3.4 | 3.1 | 3.0 |
| Brazil | 7.8 | 6.8 | 6.2 | 6.0 | 4.0 | 3.8 | 6.0 | 4.9 | 5.2 | 5.4 | 5.6 | 5.6 |

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

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

| Measure and country | -----Projected----- | | | | | | | | | |
|-------------------------------------|---------------------|------|------|------|------|------|------|------|------|--|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| Real GDP ¹ | | | | | | | | | | |
| Total foreign | 4.2 | 4.3 | -9 | .9 | 4.5 | 2.8 | 2.5 | 2.8 | 3.3 | |
| <i>Previous Tealbook</i> | 4.2 | 4.3 | -9 | .9 | 4.4 | 2.8 | 2.5 | 2.7 | 3.2 | |
| Advanced foreign economies | 2.6 | 2.6 | -1.9 | -1.4 | 2.9 | 1.3 | .9 | 1.2 | 1.9 | |
| Canada | 1.9 | 2.5 | -7 | -1.4 | 3.3 | 2.2 | 1.8 | 2.0 | 2.6 | |
| Japan | 2.1 | 1.7 | -4.8 | -6 | 3.4 | -6 | 1.7 | 1.2 | .7 | |
| United Kingdom | 2.0 | 3.8 | -4.6 | -9 | 1.5 | .6 | -1 | 1.6 | 2.3 | |
| Euro area | 3.8 | 2.3 | -2.2 | -2.3 | 2.2 | .7 | -7 | .0 | 1.2 | |
| Germany | 4.9 | 2.4 | -1.9 | -2.2 | 4.2 | 1.9 | .6 | .6 | 1.8 | |
| Emerging market economies | 6.3 | 6.7 | .4 | 3.6 | 6.2 | 4.5 | 4.3 | 4.5 | 4.8 | |
| Asia | 7.8 | 8.8 | .8 | 8.0 | 7.7 | 5.0 | 5.1 | 5.5 | 5.8 | |
| Korea | 4.6 | 5.8 | -3.2 | 6.3 | 5.0 | 3.4 | 2.6 | 3.6 | 4.2 | |
| China | 12.8 | 13.7 | 7.7 | 11.3 | 9.7 | 9.1 | 7.2 | 7.9 | 8.1 | |
| Latin America | 4.8 | 4.4 | -2 | -7 | 4.6 | 3.8 | 3.5 | 3.5 | 3.7 | |
| Mexico | 4.1 | 3.5 | -1.1 | -2.1 | 4.3 | 3.9 | 3.7 | 3.4 | 3.6 | |
| Brazil | 4.9 | 6.6 | .9 | 5.3 | 5.3 | 1.4 | 1.9 | 3.5 | 4.0 | |
| Consumer prices ² | | | | | | | | | | |
| Total foreign | 2.2 | 3.7 | 3.3 | 1.3 | 3.2 | 3.4 | 2.2 | 2.3 | 2.5 | |
| <i>Previous Tealbook</i> | 2.2 | 3.7 | 3.3 | 1.3 | 3.2 | 3.4 | 2.3 | 2.3 | 2.5 | |
| Advanced foreign economies | 1.4 | 2.2 | 2.0 | .2 | 1.7 | 2.2 | 1.3 | 1.3 | 1.7 | |
| Canada | 1.4 | 2.5 | 1.8 | .8 | 2.2 | 2.7 | 1.0 | 1.7 | 2.0 | |
| Japan | .3 | .5 | 1.1 | -2.0 | -3 | -3 | .2 | -1 | 1.7 | |
| United Kingdom | 2.7 | 2.1 | 3.9 | 2.2 | 3.4 | 4.7 | 2.3 | 1.7 | 1.6 | |
| Euro Area | 1.8 | 2.9 | 2.3 | .4 | 2.0 | 2.9 | 2.2 | 1.5 | 1.5 | |
| Germany | 1.3 | 3.1 | 1.7 | .3 | 1.6 | 2.6 | 2.2 | 1.9 | 1.7 | |
| Emerging market economies | 2.9 | 5.1 | 4.6 | 2.1 | 4.3 | 4.3 | 2.9 | 3.1 | 3.2 | |
| Asia | 2.4 | 5.5 | 3.6 | 1.3 | 4.3 | 4.4 | 2.5 | 2.9 | 3.1 | |
| Korea | 2.1 | 3.4 | 4.5 | 2.4 | 3.2 | 4.0 | 1.7 | 2.8 | 3.0 | |
| China | 2.1 | 6.7 | 2.5 | .6 | 4.6 | 4.6 | 2.1 | 2.8 | 3.0 | |
| Latin America | 4.1 | 4.2 | 6.7 | 3.9 | 4.4 | 3.9 | 4.0 | 3.5 | 3.6 | |
| Mexico | 4.1 | 3.8 | 6.2 | 4.0 | 4.3 | 3.5 | 3.9 | 3.3 | 3.3 | |
| Brazil | 3.1 | 4.3 | 6.3 | 4.3 | 5.6 | 6.7 | 4.6 | 5.4 | 5.6 | |

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

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

U.S. Current Account

Quarterly Data

| | 2011 | | | | 2012 | | | | Projected-----2013 | | | |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------|---------------|---------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| <i>Billions of dollars, s.a.a.r.</i> | | | | | | | | | | | | |
| U.S. current account balance | -480.0 | -476.5 | -432.6 | -474.6 | -549.3 | -493.3 | -455.5 | -491.7 | -514.4 | -496.7 | -509.4 | -547.0 |
| <i>Previous Tealbook</i> | -480.0 | -476.5 | -432.6 | -474.6 | -549.3 | -523.4 | -505.9 | -527.2 | -557.4 | -554.9 | -575.5 | -613.8 |
| Current account as percent of GDP | -3.2 | -3.2 | -2.9 | -3.1 | -3.5 | -3.2 | -2.9 | -3.1 | -3.2 | -3.1 | -3.1 | -3.3 |
| <i>Previous Tealbook</i> | -3.2 | -3.2 | -2.9 | -3.1 | -3.6 | -3.4 | -3.2 | -3.3 | -3.5 | -3.4 | -3.5 | -3.7 |
| Net goods & services | -548.9 | -566.2 | -539.3 | -585.1 | -604.0 | -566.3 | -528.0 | -563.9 | -582.3 | -558.3 | -558.1 | -582.9 |
| Investment income, net | 217.9 | 232.8 | 241.9 | 247.4 | 197.8 | 220.0 | 214.6 | 216.5 | 210.6 | 200.5 | 190.8 | 180.1 |
| Direct, net | 314.9 | 318.2 | 323.4 | 330.2 | 283.9 | 294.3 | 276.4 | 270.5 | 267.2 | 260.7 | 259.9 | 260.9 |
| Portfolio, net | -97.1 | -85.4 | -81.4 | -82.8 | -86.0 | -74.3 | -61.8 | -53.9 | -56.6 | -60.2 | -69.0 | -80.7 |
| Other income and transfers, net | -148.9 | -143.1 | -135.3 | -136.9 | -143.1 | -147.1 | -142.2 | -144.3 | -142.8 | -138.9 | -142.2 | -144.3 |

Annual Data

| | -----Projected----- | | | | | | | | | |
|-------------------------------------|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| <i>Billions of dollars</i> | | | | | | | | | | |
| U.S. current account balance | -800.6 | -710.3 | -677.1 | -381.9 | -442.0 | -465.9 | -497.4 | -516.9 | -572.1 | |
| <i>Previous Tealbook</i> | -800.6 | -710.3 | -677.1 | -381.9 | -442.0 | -465.9 | -526.4 | -575.4 | -646.6 | |
| Current account as percent of GDP | -6.0 | -5.1 | -4.7 | -2.7 | -3.0 | -3.1 | -3.2 | -3.2 | -3.4 | |
| <i>Previous Tealbook</i> | -6.0 | -5.1 | -4.7 | -2.7 | -3.0 | -3.1 | -3.4 | -3.6 | -3.8 | |
| Net goods & services | -753.3 | -696.7 | -698.3 | -379.2 | -494.7 | -559.9 | -565.5 | -570.4 | -586.6 | |
| Investment income, net | 54.7 | 111.1 | 157.8 | 127.6 | 191.0 | 235.0 | 212.2 | 195.5 | 156.5 | |
| Direct, net | 174.0 | 244.6 | 284.3 | 253.0 | 297.9 | 321.7 | 281.2 | 262.1 | 268.9 | |
| Portfolio, net | -119.4 | -133.5 | -126.5 | -125.4 | -106.9 | -86.7 | -69.0 | -66.6 | -112.5 | |
| Other income and transfers, net | -102.0 | -124.7 | -136.6 | -130.3 | -138.2 | -141.1 | -144.2 | -142.0 | -142.0 | |

Class I FOMC – Restricted Controlled (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book B Monetary Policy: Strategies and Alternatives

September 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

Strategies

Near-Term Prescriptions of Selected Policy Rules

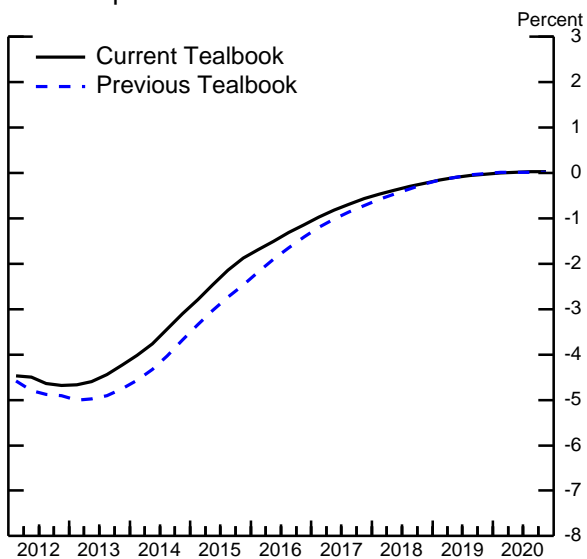
| | Constrained Policy | | Unconstrained Policy | |
|----------------------------------|--------------------|---------------|----------------------|---------------|
| | <u>2012Q4</u> | <u>2013Q1</u> | <u>2012Q4</u> | <u>2013Q1</u> |
| Taylor (1993) rule | 1.53 | 1.30 | 1.53 | 1.30 |
| <i>Previous Tealbook</i> | 1.55 | 1.23 | 1.55 | 1.23 |
| Taylor (1999) rule | 0.13 | 0.13 | -0.76 | -0.98 |
| <i>Previous Tealbook</i> | 0.13 | 0.13 | -0.84 | -1.21 |
| Inertial Taylor (1999) rule | 0.13 | 0.13 | 0.01 | -0.14 |
| <i>Previous Tealbook Outlook</i> | 0.13 | 0.13 | -0.01 | -0.19 |
| Outcome-based rule | 0.13 | 0.13 | -0.02 | -0.23 |
| <i>Previous Tealbook Outlook</i> | 0.13 | 0.13 | -0.02 | -0.31 |
| First-difference rule | 0.13 | 0.13 | 0.03 | 0.04 |
| <i>Previous Tealbook Outlook</i> | 0.13 | 0.13 | -0.09 | -0.21 |
| Nominal income targeting rule | 0.13 | 0.13 | -0.41 | -0.86 |
| <i>Previous Tealbook Outlook</i> | 0.13 | 0.13 | -0.52 | -1.06 |

Memo: Equilibrium and Actual Real Federal Funds Rate

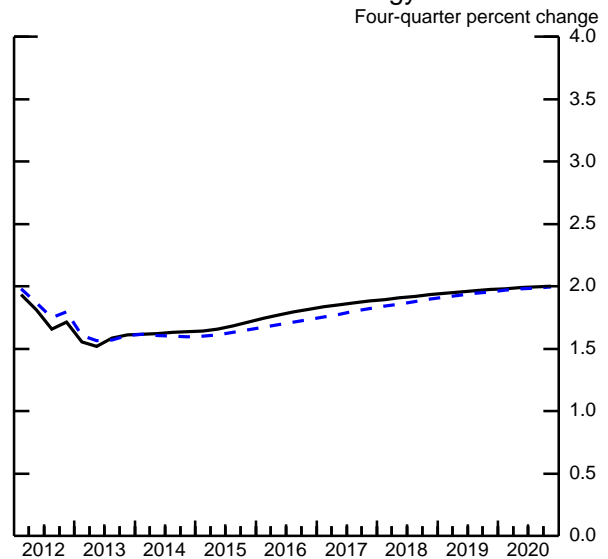
| | Current Tealbook | <i>Previous Tealbook</i> |
|-------------------------------------------|---------------------|------------------------------|
| Tealbook-consistent FRB/US r^* estimate | -2.39 | -2.79 |
| Actual real federal funds rate | -1.67 | -1.73 |

Key Elements of the Staff Projection

GDP Gap



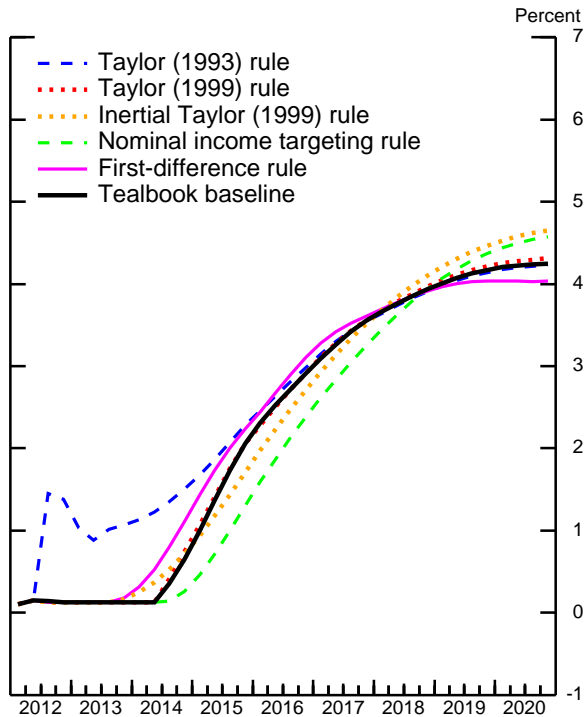
PCE Prices ex. Food and Energy



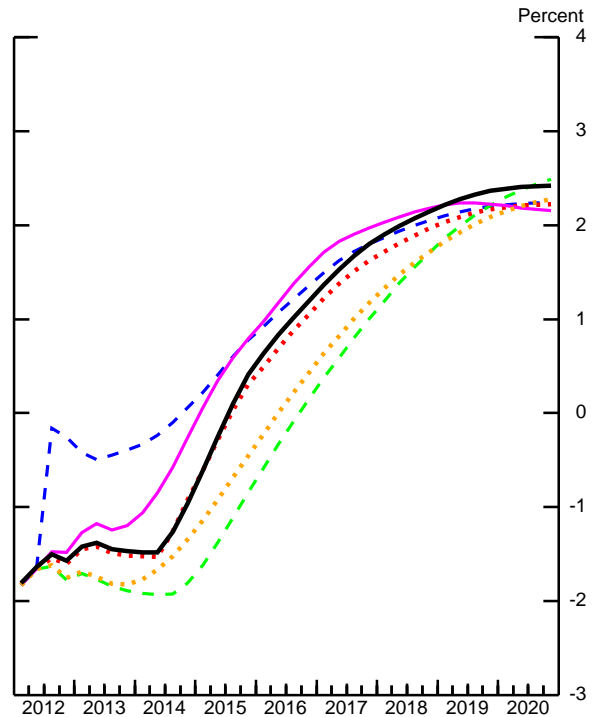
Note: For rules which have the lagged policy rate as a right-hand-side variable, the lines denoted "Previous Tealbook Outlook" report rule prescriptions based on the previous Tealbook's staff outlook, but jumping off from the average value for the policy rate thus far in the quarter.

Policy Rule Simulations

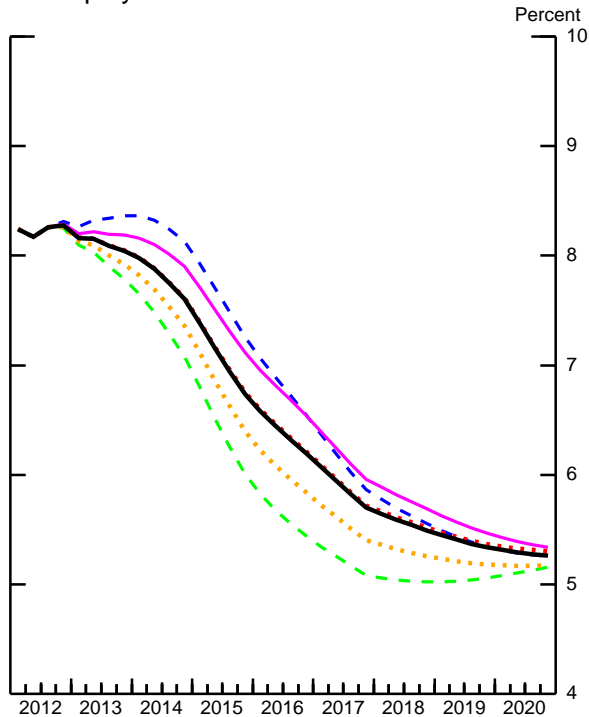
Nominal Federal Funds Rate



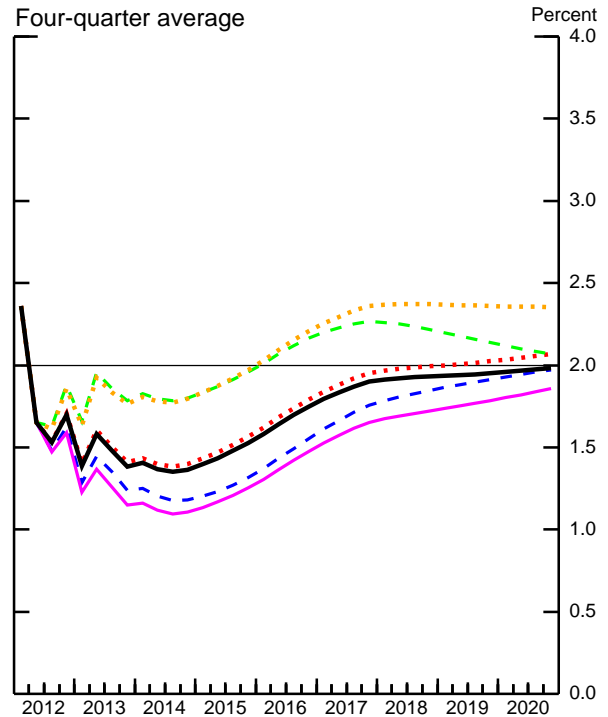
Real Federal Funds Rate



Unemployment Rate



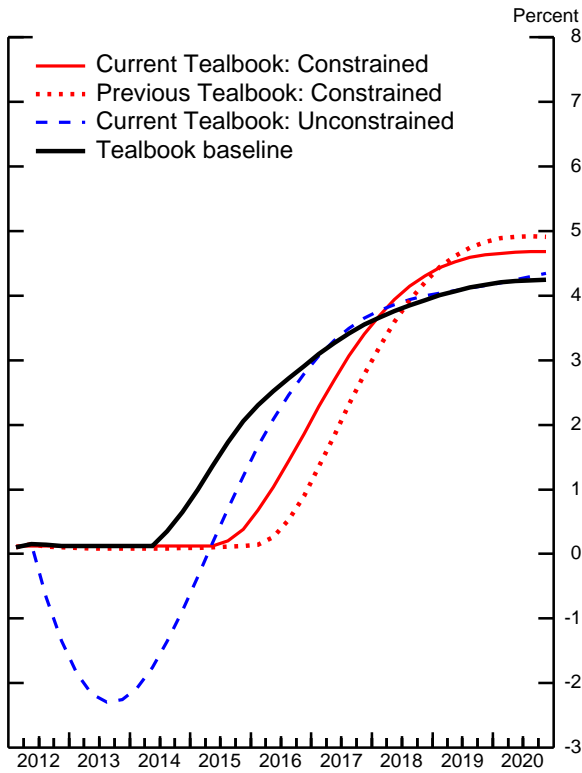
PCE Inflation
Four-quarter average



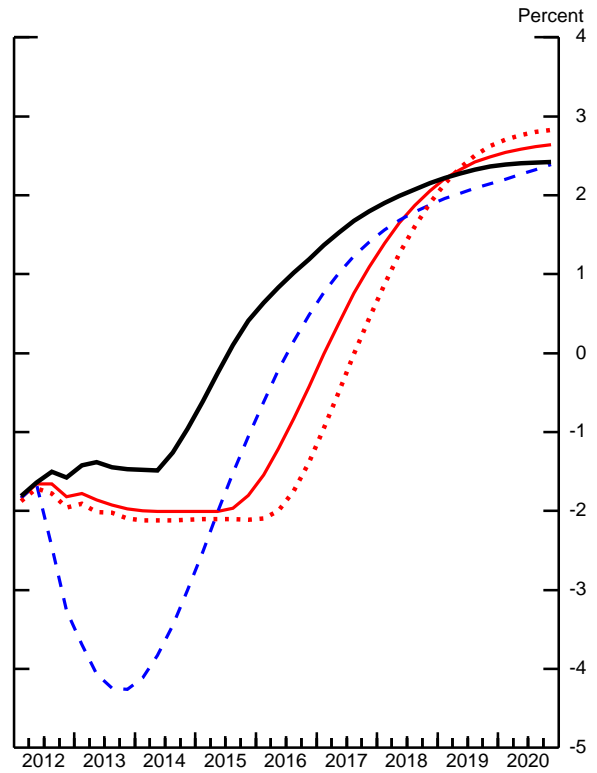
Note: The policy rule simulations in this exhibit are based on rules that respond to core inflation. This choice of rule specification was made in light of the tendency for current and near-term core inflation rates to outperform headline inflation rates as predictors of the medium-term behavior of headline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

Constrained vs. Unconstrained Optimal Control Policy

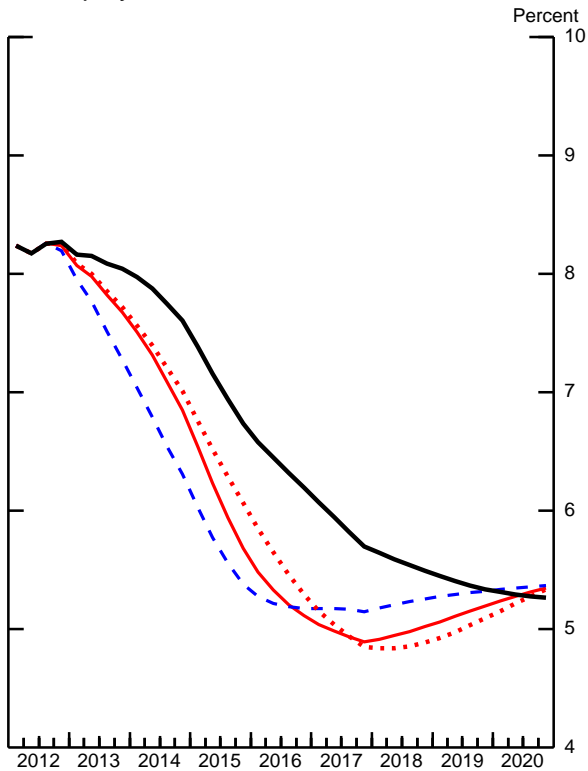
Nominal Federal Funds Rate



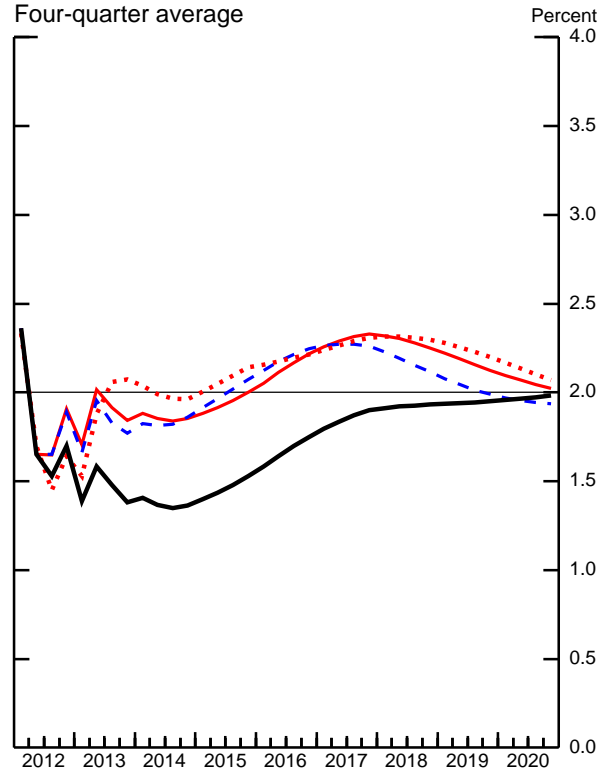
Real Federal Funds Rate



Unemployment Rate

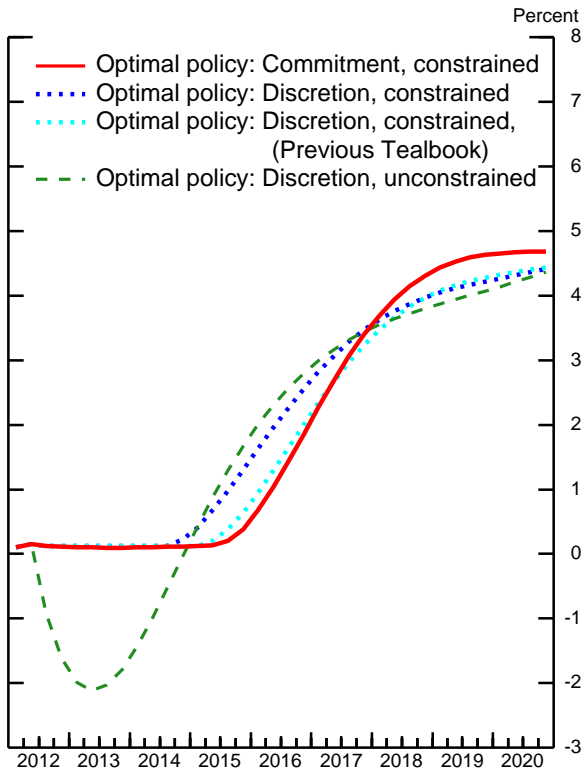


PCE Inflation
Four-quarter average

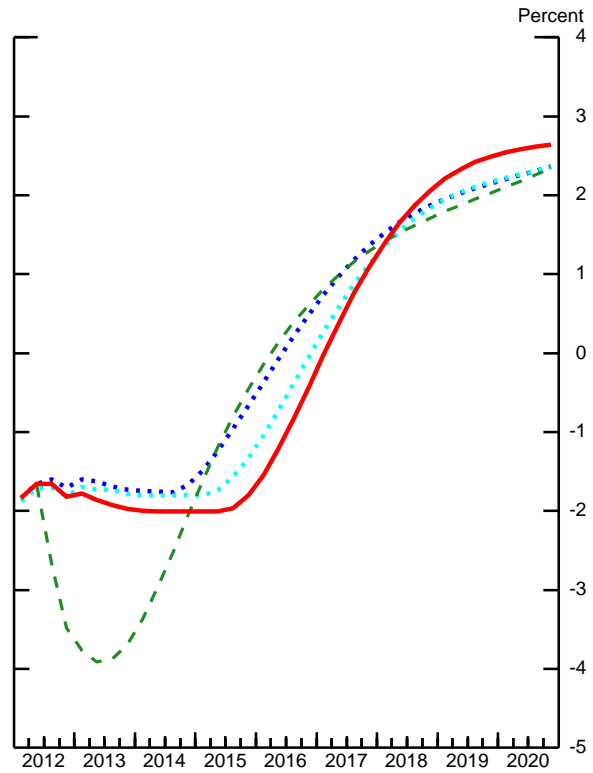


Optimal Control Policy: Commitment vs. Discretion

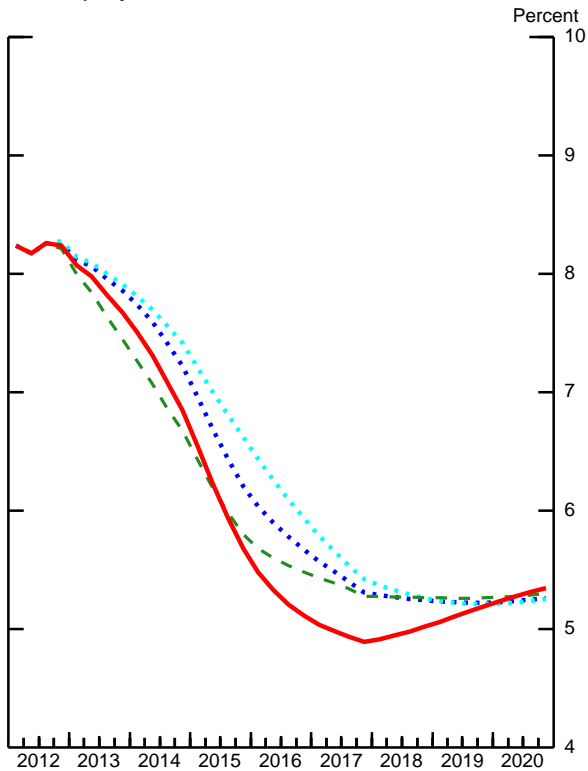
Nominal Federal Funds Rate



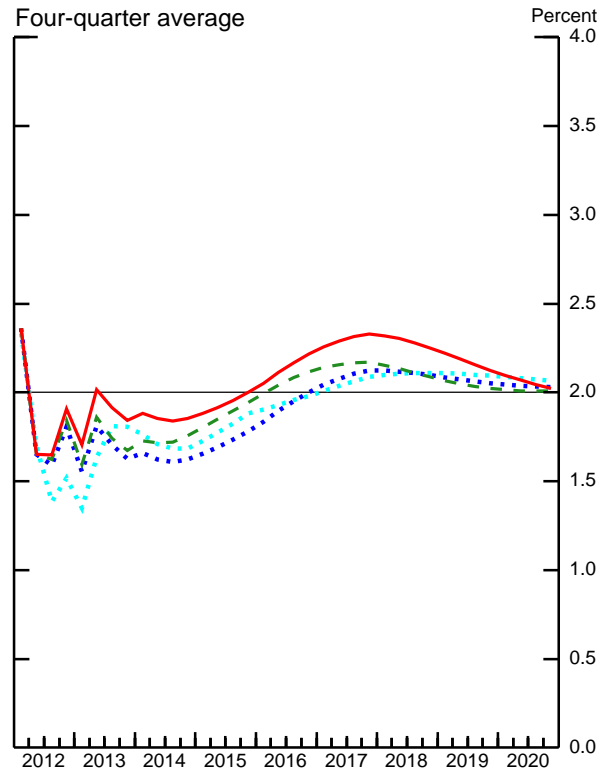
Real Federal Funds Rate



Unemployment Rate



PCE Inflation
Four-quarter average



Outcomes under Alternative Policies

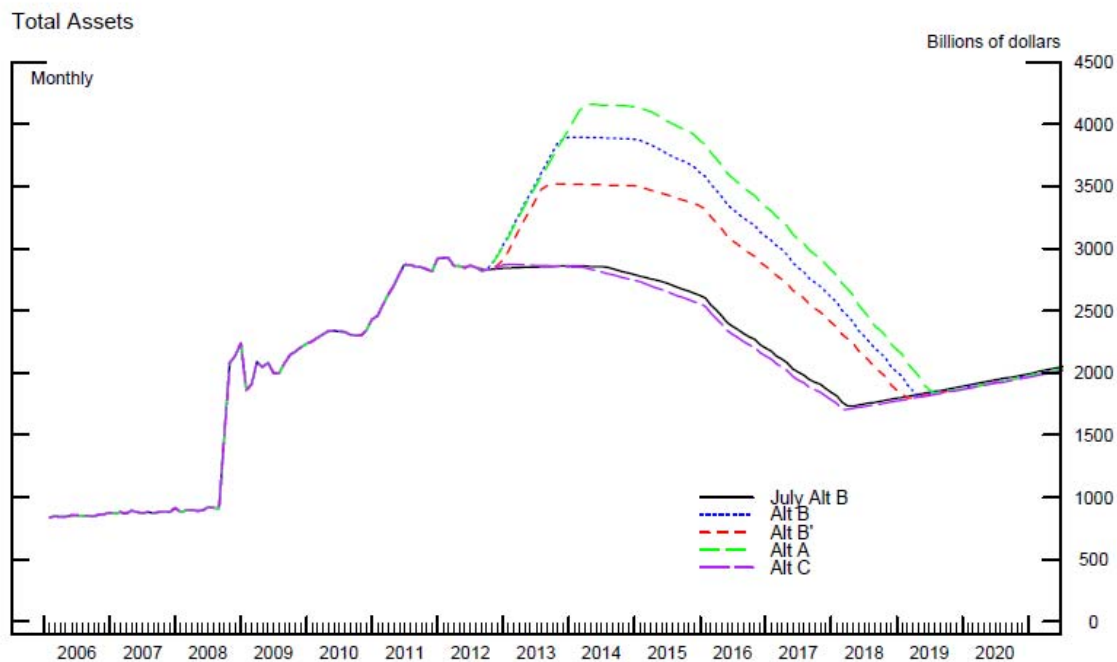
(Percent change, annual rate, from end of preceding period except as noted)

| Measure and scenario | 2012 | | 2013 | 2014 | 2015 | 2016 |
|---------------------------------------|------|-----|------|------|------|------|
| | H1 | H2 | | | | |
| <i>Real GDP</i> | | | | | | |
| Extended Tealbook baseline | 1.8 | 1.5 | 2.4 | 3.2 | 3.6 | 3.0 |
| Taylor (1993) | 1.8 | 1.1 | 1.8 | 2.9 | 3.7 | 3.4 |
| Taylor (1999) | 1.8 | 1.5 | 2.4 | 3.2 | 3.5 | 3.0 |
| Inertial Taylor (1999) | 1.8 | 1.6 | 2.7 | 3.4 | 3.7 | 3.0 |
| First-difference | 1.8 | 1.4 | 2.1 | 2.9 | 3.5 | 3.1 |
| Nominal income targeting | 1.8 | 1.7 | 3.0 | 3.7 | 3.9 | 3.0 |
| Constrained optimal control | 1.8 | 1.8 | 3.2 | 3.9 | 4.1 | 2.9 |
| <i>Unemployment rate¹</i> | | | | | | |
| Extended Tealbook baseline | 8.2 | 8.3 | 8.0 | 7.6 | 6.7 | 6.2 |
| Taylor (1993) | 8.2 | 8.3 | 8.4 | 8.1 | 7.3 | 6.5 |
| Taylor (1999) | 8.2 | 8.3 | 8.0 | 7.6 | 6.8 | 6.2 |
| Inertial Taylor (1999) | 8.2 | 8.3 | 7.9 | 7.4 | 6.4 | 5.8 |
| First-difference | 8.2 | 8.3 | 8.2 | 7.9 | 7.1 | 6.5 |
| Nominal income targeting | 8.2 | 8.3 | 7.8 | 7.1 | 6.0 | 5.4 |
| Constrained optimal control | 8.2 | 8.2 | 7.7 | 6.9 | 5.7 | 5.1 |
| <i>Total PCE prices</i> | | | | | | |
| Extended Tealbook baseline | 1.6 | 1.8 | 1.4 | 1.4 | 1.5 | 1.8 |
| Taylor (1993) | 1.6 | 1.6 | 1.2 | 1.2 | 1.3 | 1.6 |
| Taylor (1999) | 1.6 | 1.8 | 1.4 | 1.4 | 1.6 | 1.8 |
| Inertial Taylor (1999) | 1.6 | 2.1 | 1.8 | 1.8 | 2.0 | 2.2 |
| First-difference | 1.6 | 1.6 | 1.1 | 1.1 | 1.3 | 1.5 |
| Nominal income targeting | 1.6 | 2.2 | 1.8 | 1.8 | 2.0 | 2.2 |
| Constrained optimal control | 1.6 | 2.2 | 1.8 | 1.9 | 2.0 | 2.2 |
| <i>Core PCE prices</i> | | | | | | |
| Extended Tealbook baseline | 2.0 | 1.4 | 1.6 | 1.6 | 1.7 | 1.8 |
| Taylor (1993) | 2.0 | 1.3 | 1.5 | 1.5 | 1.5 | 1.6 |
| Taylor (1999) | 2.0 | 1.5 | 1.6 | 1.7 | 1.8 | 1.9 |
| Inertial Taylor (1999) | 2.0 | 1.8 | 2.0 | 2.1 | 2.2 | 2.3 |
| First-difference | 2.0 | 1.2 | 1.4 | 1.4 | 1.4 | 1.5 |
| Nominal income targeting | 2.0 | 1.8 | 2.0 | 2.1 | 2.1 | 2.2 |
| Constrained optimal control | 2.0 | 1.9 | 2.1 | 2.1 | 2.2 | 2.3 |
| <i>Federal funds rate¹</i> | | | | | | |
| Extended Tealbook baseline | 0.2 | 0.1 | 0.1 | 0.6 | 2.1 | 2.9 |
| Taylor (1993) | 0.2 | 1.4 | 1.1 | 1.5 | 2.3 | 3.0 |
| Taylor (1999) | 0.2 | 0.1 | 0.1 | 0.7 | 2.1 | 2.9 |
| Inertial Taylor (1999) | 0.2 | 0.1 | 0.2 | 0.7 | 1.7 | 2.7 |
| First-difference | 0.2 | 0.1 | 0.2 | 1.1 | 2.2 | 3.1 |
| Nominal income targeting | 0.2 | 0.1 | 0.1 | 0.3 | 1.3 | 2.4 |
| Constrained optimal control | 0.2 | 0.1 | 0.1 | 0.1 | 0.4 | 1.9 |

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

LONG-RUN PROJECTIONS OF THE BALANCE SHEET AND MONETARY BASE

The staff has prepared four scenarios for the Federal Reserve's balance sheet that correspond to the policy alternatives A, B, B', and C.¹ Alternatives A, B, and B' include new asset purchase programs and extend the period over which the Committee anticipates maintaining an exceptionally low funds rate to June 2015, while Alternative C continues the MEP through year-end with no additional purchase program and has the federal funds rate lift off from its lower bound in August 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.



For the balance sheet scenario that corresponds to Alternative B, the Committee is assumed to end the MEP at the end of September and begin a flow-based purchase program that ultimately expands the SOMA portfolio's holdings of longer-term securities by \$1 trillion.² This scenario is roughly consistent with the open-ended purchase

¹ A balance sheet projection for Alternative B' will be provided under separate cover.

² This scenario is nearly identical to the \$1 trillion LSAP scenario presented in FOMC memo "Options for an Additional LSAP Program" by Board and FRBNY staff. The scenario is also similar to the example presented in the memo to the FOMC "Flow-Based Balance-Sheet Policies: Communication Issues

| Growth Rates for the Monetary Base | | | | | |
|------------------------------------|---------------|----------------|---------------|---------------|------------|
| Date | Alternative B | Alternative B' | Alternative A | Alternative C | July Alt B |
| Percent, annual rate | | | | | |
| Monthly | | | | | |
| Apr-12 | -12.2 | -12.2 | -12.2 | -12.2 | -12.2 |
| May-12 | -8.7 | -8.7 | -8.7 | -8.7 | -8.7 |
| Jun-12 | -5.1 | -5.1 | -5.1 | -5.1 | -4.6 |
| Jul-12 | 7.7 | 7.7 | 7.7 | 7.7 | 6.2 |
| Aug-12 | 18.7 | 18.7 | 19.0 | 18.7 | 12.2 |
| Sep-12 | 6.0 | 6.0 | 6.4 | 5.7 | -4.3 |
| Oct-12 | 8.5 | -1.1 | 7.6 | -2.0 | -11.9 |
| Nov-12 | 33.4 | 16.0 | 31.4 | 12.4 | 8.8 |
| Dec-12 | 32.5 | 17.3 | 30.9 | 8.7 | 1.2 |
| Quarterly | | | | | |
| 2011 Q3 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 |
| 2011 Q4 | -5.9 | -5.9 | -5.9 | -5.9 | -5.9 |
| 2012 Q1 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| 2012 Q2 | -3.9 | -3.9 | -3.9 | -3.9 | -3.9 |
| 2012 Q3 | 5.3 | 5.3 | 5.4 | 5.2 | 2.3 |
| 2012 Q4 | 17.6 | 8.6 | 16.7 | 6.4 | -1.5 |
| 2013 Q1 | 30.6 | 22.8 | 29.5 | 1.5 | -2.2 |
| 2013 Q2 | 25.3 | 25.3 | 24.3 | -8.8 | -2.4 |
| Annual - Q4 to Q4 | | | | | |
| 2010 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| 2011 | 32.9 | 32.9 | 32.9 | 32.9 | 32.9 |
| 2012 | 6.2 | 3.9 | 6.0 | 3.3 | 0.6 |
| 2013 | 32.6 | 23.6 | 32.6 | 0.0 | 0.6 |
| 2014 | 0.5 | -0.7 | 7.8 | -2.4 | -1.8 |
| 2015 | -5.1 | -3.2 | -4.9 | -7.2 | -4.4 |
| 2016 | -14.7 | -14.5 | -14.2 | -16.7 | -16.6 |
| 2017 | -16.7 | -16.7 | -16.1 | -18.2 | -18.0 |
| 2018 | -24.2 | -23.9 | -23.6 | -5.0 | -7.3 |

Note: Not seasonally adjusted.

Growth Rates for M2

(Percent, seasonally adjusted annual rate)

| Monthly Growth Rates | Tealbook Forecast* |
|------------------------|--------------------|
| Jan-12 | 16.4 |
| Feb-12 | 3.7 |
| Mar-12 | 4.2 |
| Apr-12 | 5.8 |
| May-12 | 4.3 |
| Jun-12 | 5.7 |
| Jul-12 | 9.2 |
| Aug-12 | 3.7 |
| Sep-12 | 4.2 |
| Oct-12 | 3.9 |
| Nov-12 | 4.0 |
| Dec-12 | 4.0 |
| Quarterly Growth Rates | |
| 2012 Q1 | 8.7 |
| 2012 Q2 | 4.9 |
| 2012 Q3 | 6.2 |
| 2012 Q4 | 4.0 |
| 2013 Q1 | 2.1 |
| 2013 Q2 | 2.5 |
| 2013 Q3 | 3.6 |
| 2013 Q4 | 3.9 |
| 2014 Q1 | 3.3 |
| 2014 Q2 | 2.7 |
| 2014 Q3 | -0.4 |
| 2014 Q4 | -2.2 |
| Annual Growth Rates | |
| 2012 | 6.1 |
| 2013 | 3.1 |
| 2014 | 0.8 |

* This forecast is consistent with nominal GDP and interest rates in the Tealbook forecast. Actual data through August 27, 2012; projections thereafter.

| 10-Year Treasury Term Premium Effect | | | | | |
|--------------------------------------|---------------|----------------|---------------|---------------|-------------------------------|
| Date | Alternative B | Alternative B' | Alternative A | Alternative C | <i>July Alternative B</i> |

Basis Points

Quarterly Averages

| | | | | | |
|---------|------|-----|------|-----|-----|
| 2012 Q4 | -102 | -93 | -111 | -64 | -66 |
| 2013 Q1 | -99 | -89 | -108 | -60 | -63 |
| 2013 Q2 | -95 | -86 | -104 | -56 | -59 |
| 2013 Q3 | -91 | -81 | -100 | -52 | -55 |
| 2013 Q4 | -86 | -76 | -96 | -48 | -51 |
| 2014 Q1 | -81 | -71 | -90 | -44 | -47 |
| 2014 Q2 | -75 | -66 | -85 | -40 | -43 |
| 2014 Q3 | -70 | -61 | -79 | -37 | -40 |
| 2014 Q4 | -64 | -57 | -73 | -33 | -36 |
| 2015 Q1 | -59 | -52 | -67 | -30 | -33 |
| 2015 Q2 | -54 | -48 | -62 | -27 | -29 |
| 2015 Q3 | -50 | -43 | -57 | -24 | -26 |
| 2015 Q4 | -45 | -39 | -52 | -22 | -24 |
| 2016 Q1 | -41 | -35 | -47 | -19 | -21 |
| 2016 Q2 | -37 | -32 | -42 | -17 | -19 |
| 2016 Q3 | -33 | -29 | -38 | -15 | -17 |
| 2016 Q4 | -30 | -25 | -34 | -13 | -15 |
| 2017 Q1 | -26 | -23 | -30 | -12 | -13 |
| 2017 Q2 | -23 | -20 | -27 | -10 | -11 |
| 2017 Q3 | -20 | -17 | -24 | -9 | -10 |
| 2017 Q4 | -18 | -15 | -21 | -8 | -9 |
| 2018 Q1 | -16 | -13 | -18 | -7 | -8 |
| 2018 Q2 | -14 | -12 | -16 | -6 | -7 |
| 2018 Q3 | -12 | -10 | -14 | -6 | -7 |
| 2018 Q4 | -10 | -9 | -12 | -5 | -6 |
| 2019 Q1 | -9 | -8 | -11 | -5 | -6 |
| 2019 Q2 | -8 | -7 | -9 | -5 | -6 |
| 2019 Q3 | -7 | -6 | -8 | -5 | -5 |
| 2019 Q4 | -6 | -6 | -7 | -5 | -5 |
| 2020 Q1 | -6 | -5 | -6 | -4 | -5 |
| 2020 Q2 | -5 | -5 | -6 | -4 | -4 |
| 2020 Q3 | -5 | -5 | -5 | -4 | -4 |
| 2020 Q4 | -4 | -4 | -5 | -3 | -4 |

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

Billions of dollars

| | <u>Jul 31, 2012</u> | <u>2012</u> | <u>2014</u> | <u>2016</u> | <u>2018</u> | <u>2020</u> |
|-------------------------------------------------------------------------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|
| Total assets | 2,849 | 3,030 | 3,878 | 3,101 | 2,009 | 1,977 |
| Selected assets | | | | | | |
| Liquidity programs for financial firms | 31 | 25 | 0 | 0 | 0 | 0 |
| Primary, secondary, and seasonal credit | 0 | 0 | 0 | 0 | 0 | 0 |
| Central bank liquidity swaps | 31 | 25 | 0 | 0 | 0 | 0 |
| Term Asset-Backed Securities Loan Facility (TALF) | 5 | 2 | 0 | 0 | 0 | 0 |
| Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC | 9 | 1 | 0 | 0 | 0 | 0 |
| Securities held outright | 2,589 | 2,753 | 3,600 | 2,876 | 1,831 | 1,834 |
| U.S. Treasury securities | 1,645 | 1,777 | 2,237 | 1,917 | 1,367 | 1,834 |
| Agency debt securities | 91 | 77 | 39 | 16 | 2 | 0 |
| Agency mortgage-backed securities | 853 | 899 | 1,324 | 943 | 461 | 0 |
| Net portfolio holdings of TALF LLC | 1 | 1 | 1 | 0 | 0 | 0 |
| Total other assets | 214 | 248 | 277 | 225 | 178 | 142 |
| Total liabilities | 2,795 | 2,969 | 3,797 | 2,993 | 1,866 | 1,788 |
| Selected liabilities | | | | | | |
| Federal Reserve notes in circulation | 1,072 | 1,104 | 1,245 | 1,379 | 1,516 | 1,662 |
| Reverse repurchase agreements | 70 | 70 | 70 | 70 | 70 | 70 |
| Deposits with Federal Reserve Banks | 1,637 | 1,778 | 2,454 | 1,519 | 257 | 34 |
| Reserve balances held by depository institutions | 1,523 | 1,729 | 2,405 | 1,510 | 248 | 25 |
| U.S. Treasury, General Account | 90 | 44 | 44 | 5 | 5 | 5 |
| Other Deposits | 23 | 4 | 4 | 4 | 4 | 4 |
| Interest on Federal Reserve Notes due to U.S. Treasury | 4 | 0 | 0 | 0 | 0 | 0 |
| Total capital | 55 | 62 | 82 | 108 | 143 | 189 |

Explanatory Notes

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

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

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

Billions of dollars

| | <u>Jul 31, 2012</u> | <u>2012</u> | <u>2014</u> | <u>2016</u> | <u>2018</u> | <u>2020</u> |
|-------------------------------------------------------------------------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|
| Total assets | 2,849 | 2,911 | 3,503 | 2,858 | 1,863 | 1,972 |
| Selected assets | | | | | | |
| Liquidity programs for financial firms | 31 | 25 | 0 | 0 | 0 | 0 |
| Primary, secondary, and seasonal credit | 0 | 0 | 0 | 0 | 0 | 0 |
| Central bank liquidity swaps | 31 | 25 | 0 | 0 | 0 | 0 |
| Term Asset-Backed Securities Loan Facility (TALF) | 5 | 2 | 0 | 0 | 0 | 0 |
| Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC | 9 | 1 | 0 | 0 | 0 | 0 |
| Securities held outright | 2,589 | 2,632 | 3,236 | 2,641 | 1,689 | 1,832 |
| U.S. Treasury securities | 1,645 | 1,656 | 1,973 | 1,753 | 1,261 | 1,832 |
| Agency debt securities | 91 | 77 | 39 | 16 | 2 | 0 |
| Agency mortgage-backed securities | 853 | 899 | 1,225 | 871 | 426 | 0 |
| Net portfolio holdings of TALF LLC | 1 | 1 | 1 | 0 | 0 | 0 |
| Total other assets | 214 | 250 | 265 | 217 | 174 | 140 |
| Total liabilities | 2,795 | 2,849 | 3,421 | 2,750 | 1,720 | 1,782 |
| Selected liabilities | | | | | | |
| Federal Reserve notes in circulation | 1,072 | 1,104 | 1,245 | 1,379 | 1,516 | 1,662 |
| Reverse repurchase agreements | 70 | 70 | 70 | 70 | 70 | 70 |
| Deposits with Federal Reserve Banks | 1,637 | 1,663 | 2,086 | 1,283 | 116 | 34 |
| Reserve balances held by depository institutions | 1,523 | 1,614 | 2,038 | 1,273 | 107 | 25 |
| U.S. Treasury, General Account | 90 | 44 | 44 | 5 | 5 | 5 |
| Other Deposits | 23 | 4 | 4 | 4 | 4 | 4 |
| Interest on Federal Reserve Notes due to U.S. Treasury | 4 | 0 | 0 | 0 | 0 | 0 |
| Total capital | 55 | 62 | 82 | 108 | 143 | 189 |

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

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

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

Billions of dollars

| | <u>Jul 31, 2012</u> | <u>2012</u> | <u>2014</u> | <u>2016</u> | <u>2018</u> | <u>2020</u> |
|-------------------------------------------------------------------------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|
| Total assets | 2,849 | 3,020 | 4,143 | 3,338 | 2,188 | 1,973 |
| Selected assets | | | | | | |
| Liquidity programs for financial firms | 31 | 25 | 0 | 0 | 0 | 0 |
| Primary, secondary, and seasonal credit | 0 | 0 | 0 | 0 | 0 | 0 |
| Central bank liquidity swaps | 31 | 25 | 0 | 0 | 0 | 0 |
| Term Asset-Backed Securities Loan Facility (TALF) | 5 | 2 | 0 | 0 | 0 | 0 |
| Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC | 9 | 1 | 0 | 0 | 0 | 0 |
| Securities held outright | 2,589 | 2,743 | 3,849 | 3,101 | 2,001 | 1,825 |
| U.S. Treasury securities | 1,645 | 1,771 | 2,387 | 2,067 | 1,500 | 1,825 |
| Agency debt securities | 91 | 77 | 39 | 16 | 2 | 0 |
| Agency mortgage-backed securities | 853 | 895 | 1,424 | 1,018 | 498 | 0 |
| Net portfolio holdings of TALF LLC | 1 | 1 | 1 | 0 | 0 | 0 |
| Total other assets | 214 | 248 | 292 | 237 | 187 | 148 |
| Total liabilities | 2,795 | 2,958 | 4,061 | 3,230 | 2,045 | 1,784 |
| Selected liabilities | | | | | | |
| Federal Reserve notes in circulation | 1,072 | 1,104 | 1,245 | 1,379 | 1,516 | 1,662 |
| Reverse repurchase agreements | 70 | 70 | 70 | 70 | 70 | 70 |
| Deposits with Federal Reserve Banks | 1,637 | 1,768 | 2,714 | 1,753 | 437 | 34 |
| Reserve balances held by depository institutions | 1,523 | 1,719 | 2,666 | 1,743 | 427 | 25 |
| U.S. Treasury, General Account | 90 | 44 | 44 | 5 | 5 | 5 |
| Other Deposits | 23 | 4 | 4 | 4 | 4 | 4 |
| Interest on Federal Reserve Notes due to U.S. Treasury | 4 | 0 | 0 | 0 | -6 | -3 |
| Total capital | 55 | 62 | 82 | 108 | 143 | 189 |

Explanatory Notes

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

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

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

Billions of dollars

| | <u>Jul 31, 2012</u> | <u>2012</u> | <u>2014</u> | <u>2016</u> | <u>2018</u> | <u>2020</u> |
|-------------------------------------------------------------------------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|
| Total assets | 2,849 | 2,869 | 2,744 | 2,136 | 1,774 | 1,966 |
| Selected assets | | | | | | |
| Liquidity programs for financial firms | 31 | 25 | 0 | 0 | 0 | 0 |
| Primary, secondary, and seasonal credit | 0 | 0 | 0 | 0 | 0 | 0 |
| Central bank liquidity swaps | 31 | 25 | 0 | 0 | 0 | 0 |
| Term Asset-Backed Securities Loan Facility (TALF) | 5 | 2 | 0 | 0 | 0 | 0 |
| Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC | 9 | 1 | 0 | 0 | 0 | 0 |
| Securities held outright | 2,589 | 2,600 | 2,530 | 1,962 | 1,633 | 1,846 |
| U.S. Treasury securities | 1,645 | 1,656 | 1,655 | 1,436 | 1,451 | 1,846 |
| Agency debt securities | 91 | 77 | 39 | 16 | 2 | 0 |
| Agency mortgage-backed securities | 853 | 868 | 836 | 510 | 179 | 0 |
| Net portfolio holdings of TALF LLC | 1 | 1 | 1 | 0 | 0 | 0 |
| Total other assets | 214 | 239 | 212 | 174 | 142 | 120 |
| Total liabilities | 2,795 | 2,807 | 2,662 | 2,028 | 1,631 | 1,777 |
| Selected liabilities | | | | | | |
| Federal Reserve notes in circulation | 1,072 | 1,104 | 1,245 | 1,379 | 1,516 | 1,662 |
| Reverse repurchase agreements | 70 | 70 | 70 | 70 | 70 | 70 |
| Deposits with Federal Reserve Banks | 1,637 | 1,620 | 1,334 | 568 | 34 | 34 |
| Reserve balances held by depository institutions | 1,523 | 1,571 | 1,325 | 559 | 25 | 25 |
| U.S. Treasury, General Account | 90 | 44 | 5 | 5 | 5 | 5 |
| Other Deposits | 23 | 4 | 4 | 4 | 4 | 4 |
| Interest on Federal Reserve Notes due to U.S. Treasury | 4 | 0 | 0 | 0 | 0 | 0 |
| Total capital | 55 | 62 | 82 | 108 | 143 | 189 |

Explanatory Notes

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

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