

## **Part 1**

March 10, 2010

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

---

## **Summary and Outlook**

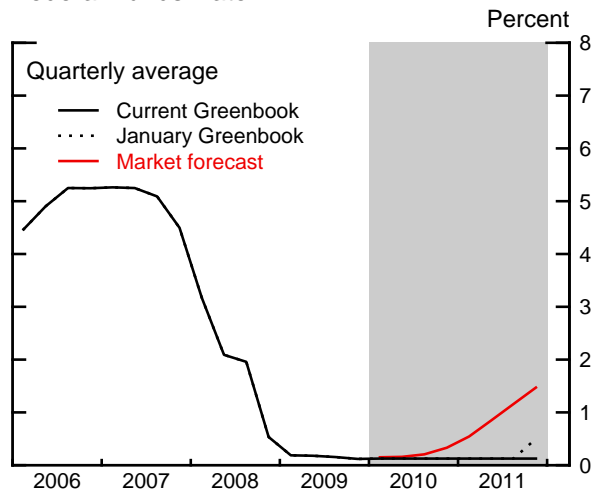
March 10, 2010

## **Summary and Outlook**

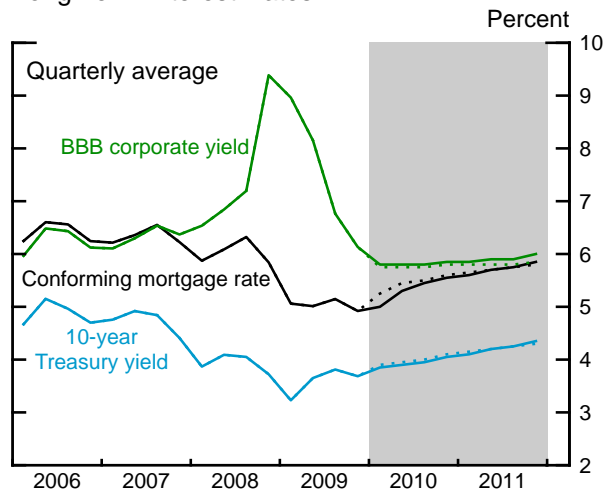
---

## Key Background Factors Underlying the Baseline Staff Projection

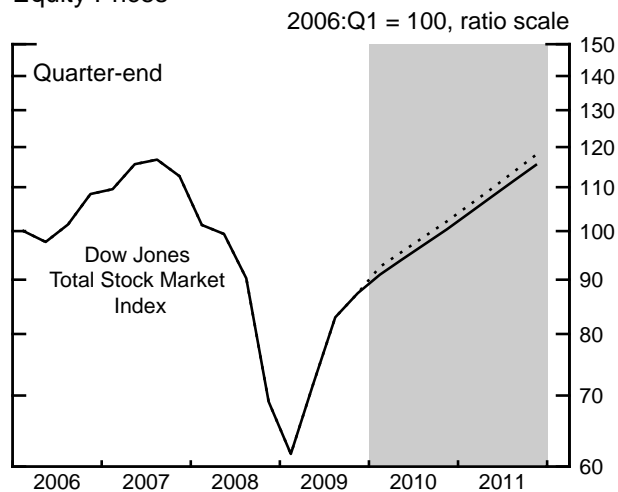
Federal Funds Rate



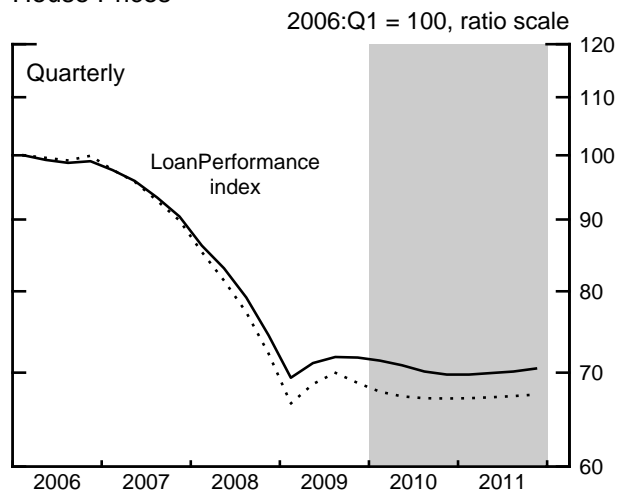
Long-Term Interest Rates



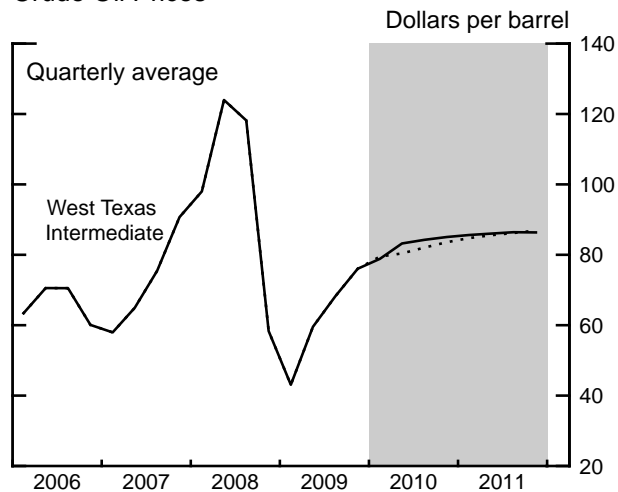
Equity Prices



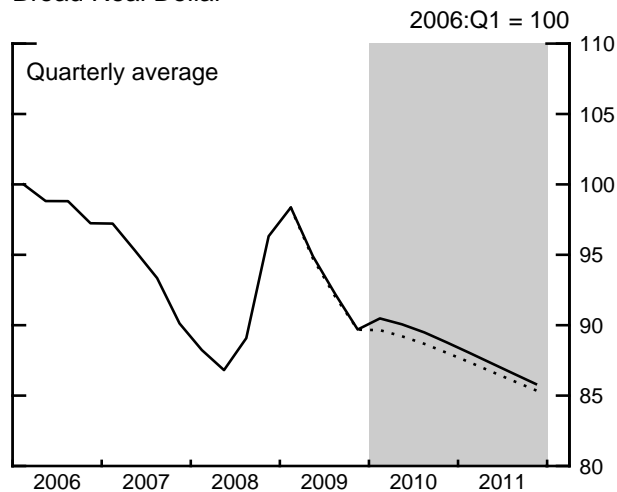
House Prices



Crude Oil Prices



Broad Real Dollar



Note: In each panel, shading represents the projection period, which begins in 2010:Q1.

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

Measure	2010:Q1		2010:Q2	
	January Greenbook	March Greenbook	January Greenbook	March Greenbook
<b>Real GDP</b>	<b>2.8</b>	<b>2.2</b>	<b>3.8</b>	<b>3.6</b>
Private domestic final purchases	2.5	2.0	3.7	3.8
Personal consumption expenditures	2.7	2.4	2.7	2.4
Residential investment	1.3	-17.4	13.1	18.3
Nonresidential structures	-13.8	-8.6	-1.8	-4.6
Equipment and software	8.4	11.8	13.2	18.5
Government outlays for consumption and investment	4.4	.2	2.7	3.9
	Contribution to growth (percentage points)			
Inventory investment	.3	.6	.4	-.3
Net exports	-.5	-.1	-.2	.0

from inventory investment will diminish considerably this quarter. The slower pace of economic growth projected for the current quarter also reflects evidence of a weakening in the pace of activity in the housing sector. We project that real GDP growth will step up to an annual rate of 3½ percent in the second quarter as increases in business spending pick up, home sales jump in advance of the expiration of the extended homebuyer tax credit, and government spending rises rapidly.

Available indicators offer tentative signs that the labor market is bottoming out. Declines in private payrolls have slowed markedly in recent months, and we think that in the absence of the snowstorms, private employment probably would have risen 75,000 in February—though the range of uncertainty around this estimate is wide. In addition, the unemployment rate, which fell from 10 percent at the end of last year to 9.7 percent in January, held at that lower level last month. That said, recent readings on initial claims for unemployment insurance benefits suggest some caution in extrapolating the more favorable news, and as a result, we are projecting a more gradual upturn in employment in the near term. In particular, we expect private payrolls to increase about 175,000 in March—with that figure boosted noticeably by an expected rebound from the storm-

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

Measure	2009: H2	2010: H1	2010: H2	2011
<b>Real GDP</b>	<b>3.9</b>	<b>2.9</b>	<b>3.7</b>	<b>4.4</b>
Previous Greenbook	3.8	3.3	3.9	4.7
Final sales	1.6	2.8	3.0	4.0
Previous Greenbook	1.5	2.9	3.4	4.4
Personal consumption expenditures	2.2	2.4	2.8	3.5
Previous Greenbook	2.4	2.7	2.9	3.7
Residential investment	10.8	-1.1	3.9	20.4
Previous Greenbook	11.2	7.1	3.8	24.8
Nonresidential structures	-18.3	-6.6	1.3	.1
Previous Greenbook	-20.4	-8.0	2.1	1.1
Equipment and software	9.7	15.1	12.8	13.7
Previous Greenbook	6.8	10.7	15.0	14.4
Government purchases	.6	2.0	1.1	.9
Previous Greenbook	.7	3.5	1.5	1.3
Exports	20.1	9.2	9.0	8.7
Previous Greenbook	17.6	9.3	9.7	9.3
Imports	18.2	7.5	8.5	7.7
Previous Greenbook	16.5	9.6	8.0	8.3
	Contribution to growth (percentage points)			
Inventory change	2.3	.1	.7	.4
Previous Greenbook	2.2	.4	.5	.4
Net exports	-.3	-.0	-.2	-.1
Previous Greenbook	-.3	-.3	-.1	-.1

availability, a lessening drag from the earlier declines in wealth, and improving household and business confidence. However, we anticipate that the pace of economic recovery will be modest by historical standards. Accordingly, economic slack diminishes only gradually over the forecast period, and the level of real GDP remains almost 5 percent below the level of potential output at the end of 2011.

### Decomposition of Structural Labor Productivity Nonfarm Business Sector

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

Measure	1974-95	1996-2000	2001-07	2008	2009	2010	2011
<b>Structural labor productivity</b>	<b>1.5</b>	<b>2.5</b>	<b>2.7</b>	<b>2.3</b>	<b>2.6</b>	<b>1.8</b>	<b>2.1</b>
Previous Greenbook	1.5	2.5	2.7	2.3	2.6	1.7	2.0
<i>Contributions<sup>1</sup></i>							
Capital deepening	.7	1.5	.7	.5	.0	.2	.6
Previous Greenbook	.7	1.4	.7	.5	-.0	.1	.6
Multifactor productivity	.5	.7	1.7	1.6	2.4	1.5	1.4
Previous Greenbook	.5	.7	1.7	1.6	2.4	1.5	1.4
Labor composition	.3	.3	.3	.2	.2	.1	.1
MEMO							
Potential GDP	3.0	3.4	2.7	2.7	2.7	2.3	2.5
Previous Greenbook	3.0	3.4	2.7	2.7	2.7	2.2	2.5

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

1. Percentage points.

### The Outlook for the Labor Market

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

Measure	2008	2009	2010	2011
Output per hour, nonfarm business	1.4	5.7	.8	1.2
Previous Greenbook	.9	5.1	.8	1.1
Nonfarm private payroll employment	-2.7	-4.7	2.1	3.3
Previous Greenbook	-2.1	-4.2	2.3	3.6
Household survey employment	-1.5	-4.0	1.4	2.1
Previous Greenbook	-1.5	-4.0	1.6	2.3
Labor force participation rate <sup>1</sup>	65.9	64.9	64.7	64.6
Previous Greenbook	65.9	64.9	64.8	64.7
Civilian unemployment rate <sup>1</sup>	6.9	10.0	9.4	8.3
Previous Greenbook	6.9	10.0	9.5	8.2
MEMO				
GDP gap <sup>2</sup>	-4.9	-7.3	-6.4	-4.7
Previous Greenbook	-4.8	-7.3	-6.0	-3.9

1. Percent, average for the fourth quarter.

2. Actual less potential GDP in the fourth quarter of the year indicated as a percent of potential GDP. A negative number thus indicates that the economy is operating below potential.

**Inflation Projections**  
(Percent change, Q4 to Q4, except as noted)

Measure	2008	2009	2010	2011
PCE chain-weighted price index	1.7	1.2	1.3	1.0
Previous Greenbook	1.7	1.3	1.4	1.1
Food and beverages	6.8	-1.7	1.5	.7
Previous Greenbook	6.8	-1.6	1.6	.7
Energy	-9.1	1.1	6.6	1.5
Previous Greenbook	-9.1	3.3	5.6	2.8
Excluding food and energy	2.0	1.5	1.0	1.0
Previous Greenbook	2.0	1.5	1.2	1.1
Consumer price index	1.6	1.5	1.5	1.1
Previous Greenbook	1.5	1.5	1.7	1.3
Excluding food and energy	2.0	1.7	.9	1.0
Previous Greenbook	2.0	1.7	1.3	1.2
GDP chain-weighted price index	1.9	.7	1.2	.9
Previous Greenbook	1.9	.8	1.3	1.1
ECI for compensation of private industry workers <sup>1</sup>	2.4	1.2	2.1	2.1
Previous Greenbook	2.4	1.3	2.1	2.0
Compensation per hour, nonfarm business sector	3.1	.8	2.2	2.5
Previous Greenbook	2.6	2.4	2.4	2.2
Prices of core goods imports <sup>2</sup>	3.8	-1.6	2.4	1.1
Previous Greenbook	3.8	-1.3	2.4	1.0

1. December to December.

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

years, the output gap is projected to shrink from 7¼ percent at the end of 2009 to 4¾ percent at the end of 2011; the gap at the end of next year is about ¾ percentage point wider than in our last forecast, reflecting the slower pace of recovery in the current

### The Long-Term Outlook

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

Measure	2009	2010	2011	2012	2013	2014
Real GDP	.1	3.3	4.4	4.7	4.4	3.4
Civilian unemployment rate <sup>1</sup>	10.0	9.4	8.3	6.6	5.5	5.3
PCE prices, total	1.2	1.3	1.0	1.1	1.4	1.6
Core PCE prices	1.5	1.0	1.0	1.1	1.3	1.5
Federal funds rate <sup>1</sup>	.1	.1	.1	1.6	3.0	3.6

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

The unemployment rate enters 2012 still at a very high level, and inflation is well below the assumed long-run target. Under the assumptions used to construct the baseline extension, the federal funds rate climbs steadily after 2011, reaching 1½ percent by the end of 2012 and 3½ percent in 2014.<sup>7</sup> Real GDP continues to rise faster than potential, though it decelerates gradually as pent-up demand dissipates and interest rates rise. The unemployment rate falls to near the NAIRU by the end of 2014. Core PCE inflation moves up modestly after 2011 as economic activity recovers and long-run inflation expectations are assumed to remain well anchored.

#### Alternative Scenarios

In this section, we consider alternatives to the baseline projection using simulations of the FRB/US model. We begin with two scenarios featuring opposing risks to aggregate demand. In the first scenario, households and firms are more pessimistic about the persistence of the fallout from the financial crisis and recession than in the baseline forecast, and thus are more cautious about spending. In the second scenario, by contrast, a stronger rebound in outlays on household and business durable goods causes real activity to recover more rapidly than in the baseline. The third and fourth scenarios consider the implications of stronger gains in structural productivity in the next few years under two different aggregate demand responses. The fifth and sixth scenarios consider the risk that we may be currently overestimating the amount of slack in the economy.

<sup>7</sup> In the long-run outlook, the federal funds rate ( $R$ ) follows a simple policy rule of the form  $R = 2.5 + \pi - 1.1(u - u^*) + 0.5(\pi - 2)$ , subject to the zero lower bound constraint. In this expression,  $\pi$  denotes the four-quarter rate of core PCE inflation,  $u$  is the civilian unemployment rate, and  $u^*$  is the staff estimate of the effective NAIRU. We use the same policy rule to set the federal funds rate in the alternative scenarios discussed later.



**Alternative Scenarios**

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

Measure and scenario	2010		2011	2012	2013-14
	H1	H2			
<i>Real GDP</i>					
Extended Greenbook baseline	2.9	3.7	4.4	4.7	3.9
Persistent caution	1.5	1.9	3.9	5.2	4.5
Stronger recovery	3.9	6.1	6.0	4.5	3.1
Stronger productivity	3.3	5.5	5.6	5.9	4.7
Weaker consumption	2.9	3.7	4.3	5.2	5.7
Lower potential output	2.8	3.1	3.5	3.5	3.0
Impaired credibility	2.8	3.2	3.5	3.1	2.8
Greater disinflation	2.9	3.8	4.4	5.0	4.7
<i>Unemployment rate<sup>1</sup></i>					
Extended Greenbook baseline	9.6	9.4	8.3	6.6	5.3
Persistent caution	9.7	9.9	9.0	7.0	5.2
Stronger recovery	9.5	8.9	7.2	5.7	5.2
Stronger productivity	9.7	9.8	9.2	7.1	4.9
Weaker consumption	9.8	10.2	10.1	8.2	5.3
Lower potential output	9.6	9.4	8.4	7.0	6.2
Impaired credibility	9.6	9.4	8.3	7.1	6.5
Greater disinflation	9.6	9.4	8.3	6.5	4.6
<i>Core PCE inflation</i>					
Extended Greenbook baseline	.9	1.1	1.0	1.1	1.4
Persistent caution	.9	1.1	1.0	1.1	1.3
Stronger recovery	.9	1.1	1.0	1.1	1.5
Stronger productivity	.9	.9	.4	.5	1.0
Weaker consumption	.9	.8	.2	-.1	.5
Lower potential output	1.0	1.4	1.4	1.6	1.8
Impaired credibility	.9	1.6	2.1	2.4	2.5
Greater disinflation	.8	.7	.3	-.1	.0
<i>Federal funds rate<sup>1</sup></i>					
Extended Greenbook baseline	.1	.1	.1	1.6	3.6
Persistent caution	.1	.1	.1	1.1	3.5
Stronger recovery	.1	.1	1.3	2.5	4.0
Stronger productivity	.1	.1	.1	.1	3.5
Weaker consumption	.1	.1	.1	.1	2.3
Lower potential output	.1	.1	1.0	2.4	4.3
Impaired credibility	.1	.1	2.1	3.3	4.8
Greater disinflation	.1	.1	.1	.1	2.3

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

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

Measure	2010	2011	2012	2013	2014
<i>Real GDP</i> (percent change, Q4 to Q4)					
Projection	3.3	4.4	4.7	4.4	3.4
Confidence interval					
Greenbook forecast errors	1.7–4.9	2.7–6.1	...	...	...
FRB/US stochastic simulations	2.1–4.6	2.6–6.2	2.6–6.5	2.4–6.7	1.4–5.8
<i>Civilian unemployment rate</i> (percent, Q4)					
Projection	9.4	8.3	6.6	5.5	5.3
Confidence interval					
Greenbook forecast errors	8.8–10.0	7.4–9.2	...	...	...
FRB/US stochastic simulations	8.8–9.8	7.5–9.1	5.7–7.6	4.5–6.6	4.2–6.3
<i>PCE prices, total</i> (percent change, Q4 to Q4)					
Projection	1.3	1.0	1.1	1.4	1.6
Confidence interval					
Greenbook forecast errors	.3–2.3	-.2–2.2	...	...	...
FRB/US stochastic simulations	.6–2.2	.1–2.0	.1–2.2	.3–2.5	.6–2.7
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)					
Projection	1.0	1.0	1.1	1.3	1.5
Confidence interval					
Greenbook forecast errors	.4–1.6	.1–1.8	...	...	...
FRB/US stochastic simulations	.6–1.5	.3–1.7	.3–1.9	.6–2.2	.8–2.5
<i>Federal funds rate</i> (percent, Q4)					
Projection	.1	.1	1.6	3.0	3.6
Confidence interval					
FRB/US stochastic simulations	.1–.5	.1–1.8	.1–3.2	1.6–4.7	2.2–5.3

Notes: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969-2008 set of model equation residuals.

Intervals derived from Greenbook forecast errors are based on projections made from 1979-2008, except for PCE prices excluding food and energy, where the sample is 1981-2008.

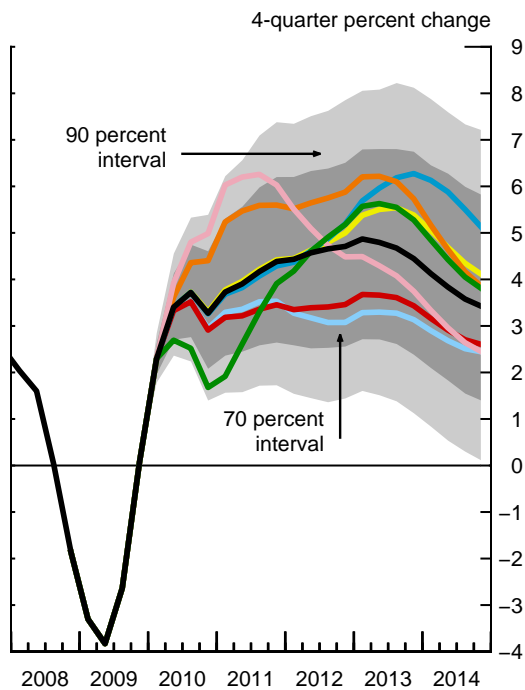
... Not applicable. The Greenbook forecast horizon has typically extended about two years.

## Forecast Confidence Intervals and Alternative Scenarios

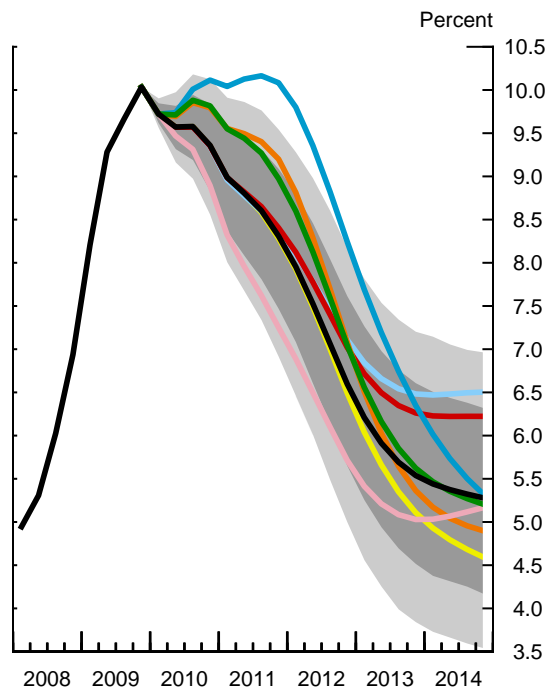
Confidence Intervals Based on FRB/US Stochastic Simulations

- |                               |                          |                        |
|-------------------------------|--------------------------|------------------------|
| ■ Extended Greenbook baseline | ■ Stronger productivity  | ■ Impaired credibility |
| ■ Persistent caution          | ■ Weaker consumption     | ■ Greater disinflation |
| ■ Stronger recovery           | ■ Lower potential output |                        |

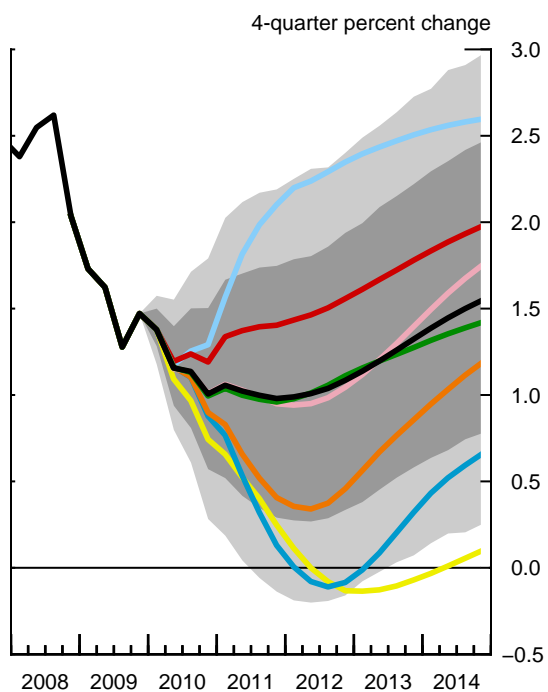
Real GDP



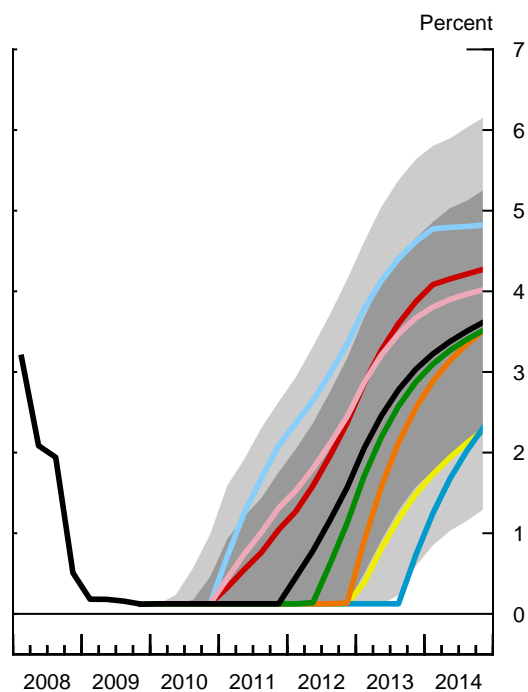
Unemployment Rate



PCE Prices excluding Food and Energy

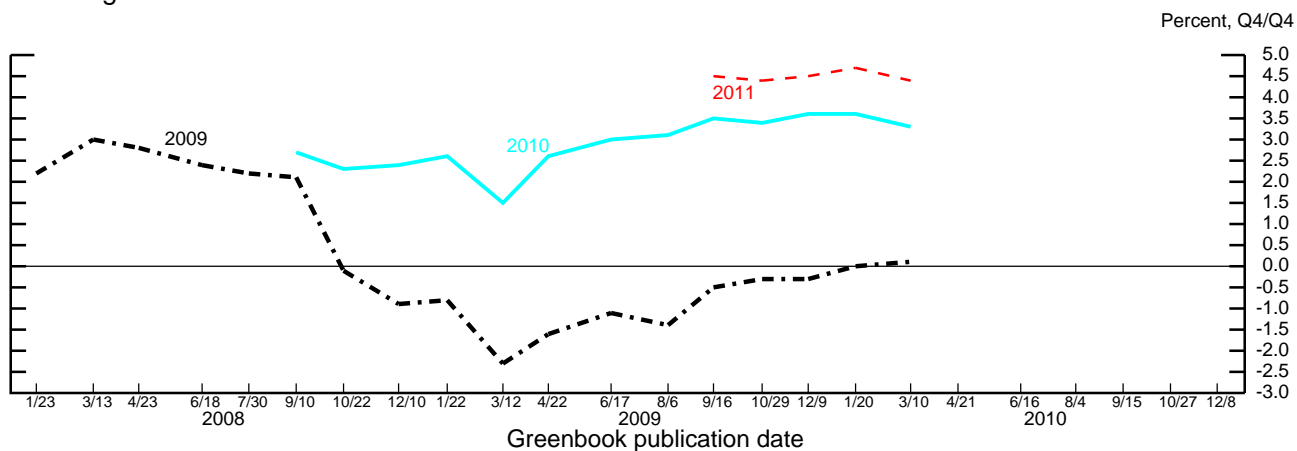


Federal Funds Rate

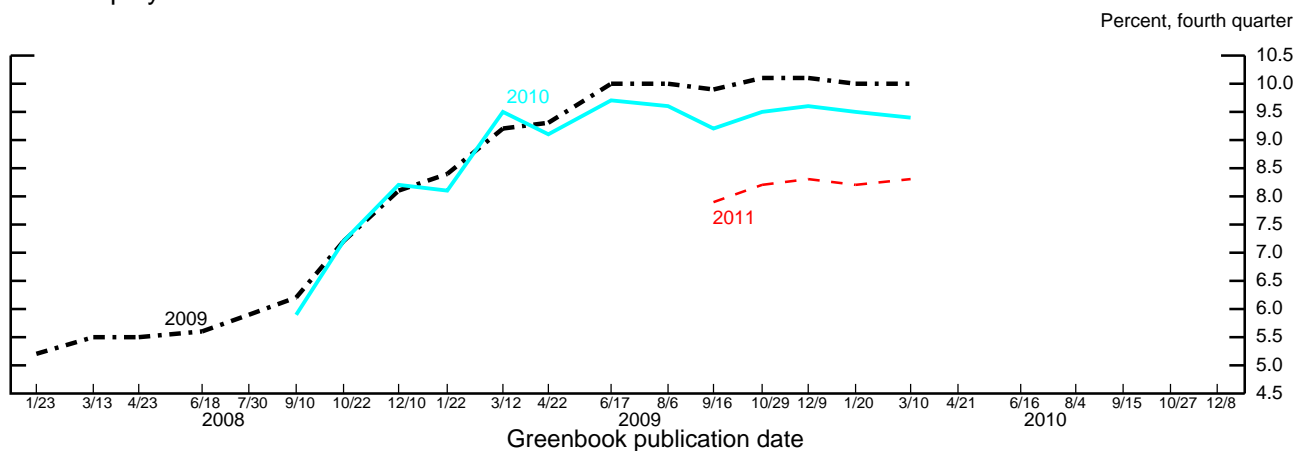


## Evolution of the Staff Forecast

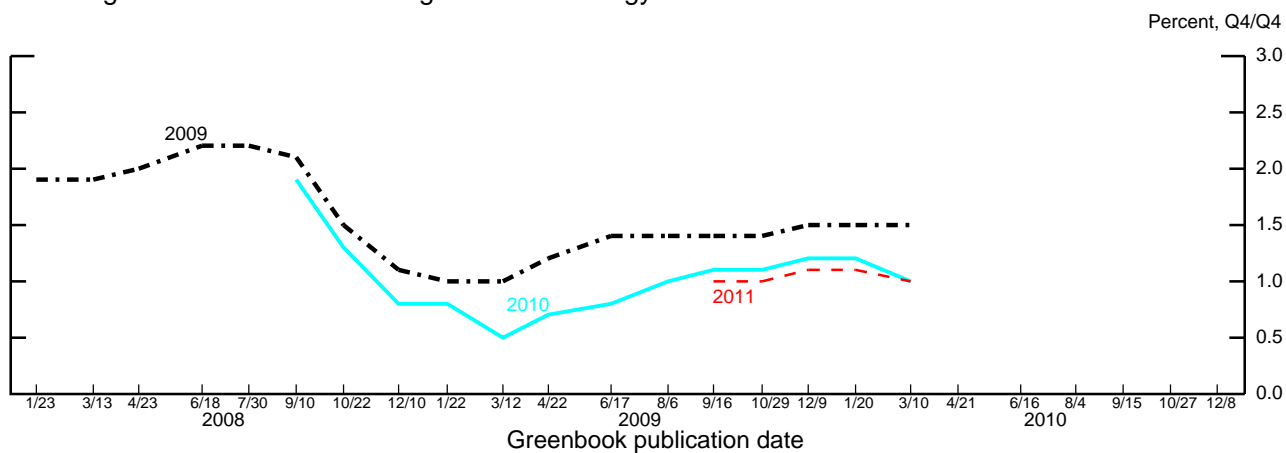
### Change in Real GDP



### Unemployment Rate



### Change in PCE Prices excluding Food and Energy\*



\*Because the core PCE price index was redefined as part of the comprehensive revisions to the NIPA, projections prior to the August 2009 Greenbook are not strictly comparable with more recent projections.

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

Interval	Nominal GDP		Real GDP		PCE price index		Core PCE price index		Unemployment rate <sup>1</sup>	
	01/20/10	03/10/10	01/20/10	03/10/10	01/20/10	03/10/10	01/20/10	03/10/10	01/20/10	03/10/10
<i>Quarterly</i>										
2009:Q1	-4.6	-4.6	-6.4	-6.4	-1.5	-1.5	1.1	1.1	8.2	8.2
Q2	-8	-8	-7	-7	1.4	1.4	2.0	2.0	9.3	9.3
Q3	2.6	2.6	2.2	2.2	2.6	2.6	1.2	1.2	9.7	9.7
Q4	6.2	6.0	5.3	5.6	2.9	2.3	1.6	1.6	10.0	10.0
2010:Q1	4.7	4.2	2.8	2.2	2.0	1.5	1.2	.8	10.1	9.7
Q2	5.0	4.5	3.8	3.6	1.2	1.3	1.2	1.1	9.9	9.6
Q3	5.1	4.7	3.9	3.5	1.3	1.4	1.1	1.1	9.7	9.6
Q4	5.1	4.7	4.0	3.8	1.3	1.1	1.1	1.0	9.5	9.4
2011:Q1	5.6	5.0	4.3	4.0	1.2	1.0	1.1	1.0	9.1	9.0
Q2	5.9	5.3	4.7	4.3	1.1	1.0	1.1	1.0	8.9	8.8
Q3	5.9	5.5	4.9	4.6	1.1	1.0	1.1	1.0	8.6	8.6
Q4	6.0	5.6	5.0	4.7	1.1	.9	1.0	1.0	8.2	8.3
<i>Two-quarter<sup>2</sup></i>										
2009:Q2	-2.7	-2.7	-3.6	-3.6	-1	-1	1.6	1.6	2.4	2.4
Q4	4.4	4.3	3.8	3.9	2.7	2.5	1.4	1.4	.7	.7
2010:Q2	4.8	4.3	3.3	2.9	1.6	1.4	1.2	.9	-1	-4
Q4	5.1	4.7	3.9	3.7	1.3	1.3	1.1	1.1	-4	-2
2011:Q2	5.7	5.2	4.5	4.2	1.2	1.0	1.1	1.0	-6	-6
Q4	6.0	5.5	4.9	4.6	1.1	1.0	1.0	1.0	-7	-5
<i>Four-quarter<sup>3</sup></i>										
2008:Q4	.1	.1	-1.9	-1.9	1.7	1.7	2.0	2.0	2.1	2.1
2009:Q4	.8	.7	.0	.1	1.3	1.2	1.5	1.5	3.1	3.1
2010:Q4	5.0	4.5	3.6	3.3	1.4	1.3	1.2	1.0	-5	-6
2011:Q4	5.8	5.3	4.7	4.4	1.1	1.0	1.1	1.0	-1.3	-1.1
<i>Annual</i>										
2008	2.6	2.6	.4	.4	3.3	3.3	2.4	2.4	5.8	5.8
2009	-1.3	-1.3	-2.5	-2.4	.2	.2	1.5	1.5	9.3	9.3
2010	4.5	4.2	3.4	3.2	1.9	1.7	1.3	1.2	9.8	9.6
2011	5.5	5.0	4.4	4.0	1.2	1.1	1.1	1.0	8.7	8.7

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	2009				2010				2011				2009 <sup>1</sup>	2010 <sup>1</sup>	2011 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Greenbook</i>	-6.4	-7	2.2	5.6	2.2	3.6	3.5	3.8	4.0	4.3	4.6	4.7	.1	3.3	4.4
Final sales <i>Previous Greenbook</i>	-6.4	-7	2.2	5.3	2.8	3.8	3.9	4.0	4.3	4.7	4.9	5.0	.0	3.6	4.7
Priv. dom. final purch. <i>Previous Greenbook</i>	-4.1	.7	1.5	1.7	1.6	3.9	2.5	3.4	3.5	4.1	4.0	4.4	-1	2.9	4.0
	-4.1	.7	1.5	1.5	2.5	3.4	3.1	3.7	3.9	4.4	4.4	4.8	-1	3.2	4.4
	-7.2	-2.7	2.2	2.1	2.0	3.8	3.2	4.0	4.2	4.7	4.9	5.1	-1.5	3.2	4.7
	-7.2	-2.7	2.2	1.9	2.5	3.7	3.6	4.0	4.7	5.1	5.4	5.4	-1.6	3.4	5.1
Personal cons. expend. <i>Previous Greenbook</i>	.6	-9	2.8	1.7	2.4	2.4	2.7	2.9	3.1	3.5	3.6	3.8	1.0	2.6	3.5
	.6	-9	2.8	2.1	2.7	2.7	2.9	2.9	3.3	3.6	3.9	4.0	1.1	2.8	3.7
Durables	3.9	-5.6	20.4	.2	7.9	9.6	8.5	9.7	9.6	11.9	11.7	12.6	4.3	8.9	11.4
Nondurables	1.9	-1.9	1.5	4.1	2.3	3.4	2.7	2.8	3.0	3.3	3.5	3.6	1.4	2.8	3.4
Services	-3	.2	.8	1.2	1.6	.9	1.9	2.0	2.2	2.2	2.3	2.5	.5	1.6	2.3
Residential investment <i>Previous Greenbook</i>	-38.2	-23.3	18.9	3.3	-17.4	18.3	-2.7	11.0	13.4	21.5	23.4	23.5	-12.6	1.4	20.4
	-38.2	-23.3	18.9	4.0	1.3	13.1	-4.0	12.3	19.2	28.5	27.8	24.1	-12.5	5.4	24.8
Business fixed invest. <i>Previous Greenbook</i>	-39.2	-9.6	-5.9	5.0	4.9	11.0	8.2	10.4	10.2	9.8	9.7	9.3	-14.1	8.6	9.7
	-39.2	-9.6	-5.9	-5	.9	8.4	11.5	10.7	11.5	10.4	10.3	10.0	-15.3	7.8	10.6
Equipment & software <i>Previous Greenbook</i>	-36.4	-4.9	1.5	18.6	11.8	18.5	11.4	14.3	14.1	14.0	13.6	12.9	-7.6	14.0	13.7
	-36.4	-4.9	1.5	12.4	8.4	13.2	15.7	14.4	15.3	14.4	14.3	13.7	-8.8	12.9	14.4
Nonres. structures <i>Previous Greenbook</i>	-43.6	-17.3	-18.4	-18.1	-8.6	-4.6	1.0	1.5	1.1	-3	-1	-1	-25.3	-2.8	.1
	-43.6	-17.3	-18.4	-22.4	-13.8	-1.8	2.0	2.2	2.6	.9	.5	.3	-26.3	-3.1	1.1
Net exports <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	-386	-330	-357	-347	-349	-347	-357	-358	-362	-362	-370	-368	-355	-353	-365
	-386	-330	-357	-349	-363	-368	-374	-369	-375	-378	-385	-381	-356	-368	-380
Exports	-29.9	-4.1	17.8	22.4	9.9	8.4	8.8	9.3	9.0	8.7	8.7	8.5	-8	9.1	8.7
Imports	-36.4	-14.7	21.3	15.3	8.6	6.5	9.3	7.8	8.1	7.1	8.7	6.7	-6.7	8.0	7.7
Gov't. cons. & invest. <i>Previous Greenbook</i>	-2.6	6.7	2.6	-1.3	.2	3.9	1.2	.9	.9	.9	1.0	.9	1.3	1.5	.9
	-2.6	6.7	2.6	-1.2	4.4	2.7	1.7	1.2	1.3	1.3	1.2	1.2	1.3	2.5	1.3
Federal	-4.3	11.4	8.0	.1	2.7	9.5	1.8	.7	.9	1.0	1.1	1.0	3.6	3.6	1.0
Defense	-5.1	14.0	8.4	-3.5	.4	10.2	3.6	1.9	.2	.3	.4	.2	3.1	3.9	.3
Nondefense	-2.5	6.1	7.0	8.3	7.8	7.9	-1.9	-1.7	2.6	2.6	2.6	2.6	4.6	2.9	2.6
State & local	-1.5	3.9	-6	-2.3	-1.5	.3	.8	1.1	.8	.9	.9	.9	-2	.2	.9
Change in bus. inventories <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	-114	-160	-139	-19	-2	-12	18	30	44	52	71	80	-108	9	62
	-114	-160	-139	-24	-16	-2	22	32	45	56	71	79	-109	9	63
Nonfarm <sup>2</sup>	-115	-163	-141	-14	-7	-16	15	26	41	49	69	78	-108	4	59
Farm <sup>2</sup>	0	2	2	-6	4	3	3	3	3	3	3	3	-0	3	3

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	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Real GDP</b> <i>Previous Greenbook</i>	3.8 3.8	3.1 3.1	2.7 2.7	2.4 2.4	2.5 2.5	-1.9 -1.9	.1 .0	3.3 3.6	4.4 4.7
<b>Final sales</b> <i>Previous Greenbook</i>	3.8	2.8	2.7	2.8	2.7	-1.4	-1	2.9	4.0
Priv. dom. final purch. <i>Previous Greenbook</i>	3.8	2.8	2.7	2.8	2.7	-1.4	-1	3.2	4.4
	4.2	4.2	3.1	2.5	1.4	-3.2	-1.5	3.2	4.7
	4.2	4.2	3.1	2.5	1.4	-3.2	-1.6	3.4	5.1
<b>Personal cons. expend.</b> <i>Previous Greenbook</i>	3.4	3.5	2.7	3.3	2.0	-1.8	1.0	2.6	3.5
Durables	3.4	3.5	2.7	3.3	2.0	-1.8	1.1	2.8	3.7
Nondurables	8.9	5.5	2.1	6.3	4.6	-11.8	4.3	8.9	11.4
Services	3.9	3.0	3.3	3.2	1.5	-2.9	1.4	2.8	3.4
	2.2	3.4	2.6	2.8	1.7	.3	.5	1.6	2.3
<b>Residential investment</b> <i>Previous Greenbook</i>	11.5 11.5	6.6 6.6	5.3 5.3	-15.7 -15.7	-20.5 -20.5	-21.0 -21.0	-12.6 -12.5	1.4 5.4	20.4 24.8
<b>Business fixed invest.</b> <i>Previous Greenbook</i>	5.9	7.0	4.4	7.8	7.9	-6.0	-14.1	8.6	9.7
Equipment & software	5.9	7.0	4.4	7.8	7.9	-6.0	-15.3	7.8	10.6
<i>Previous Greenbook</i>	7.5	8.8	6.1	6.0	3.2	-10.7	-7.6	14.0	13.7
	7.5	8.8	6.1	6.0	3.2	-10.7	-8.8	12.9	14.4
<b>Nonres. structures</b> <i>Previous Greenbook</i>	1.3	1.7	-1	13.0	18.9	3.2	-25.3	-2.8	.1
	1.3	1.7	-1	13.0	18.9	3.2	-26.3	-3.1	1.1
<b>Net exports<sup>1</sup></b> <i>Previous Greenbook<sup>1</sup></i>	-604 -604	-688 -688	-723 -723	-729 -729	-648 -648	-494 -494	-355 -356	-353 -368	-365 -380
Exports	6.2	7.1	6.7	10.2	10.2	-3.4	-8	9.1	8.7
Imports	5.1	10.9	5.2	4.1	.9	-6.8	-6.7	8.0	7.7
<b>Gov't. cons. &amp; invest.</b> <i>Previous Greenbook</i>	1.6	.6	.7	1.5	2.5	3.0	1.3	1.5	.9
Federal	1.6	.6	.7	1.5	2.5	3.0	1.3	2.5	1.3
Defense	5.7	2.3	1.2	2.2	3.4	8.9	3.6	3.6	1.0
Nondefense	8.4	2.4	.4	4.4	2.6	9.5	3.1	3.9	.3
State & local	.7	2.3	2.6	-2.3	5.2	7.5	4.6	2.9	2.6
	-.5	-.4	.4	1.2	1.9	-.3	-.2	.2	.9
<b>Change in bus. inventories<sup>1</sup></b> <i>Previous Greenbook<sup>1</sup></i>	17	66	50	59	19	-26	-108	9	62
Nonfarm <sup>1</sup>	17	66	50	59	19	-26	-109	9	63
Farm <sup>1</sup>	0	58	50	63	20	-20	-108	4	59
		8	0	-4	-1	-5	0	3	3

1. Billions of chained (2005) dollars.

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

Item	2009				2010				2011				2009 <sup>1</sup>	2010 <sup>1</sup>	2011 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Greenbook</i>	-6.4	-7	2.2	5.6	2.2	3.6	3.5	3.8	4.0	4.3	4.6	4.7	.1	3.3	4.4
Final sales <i>Previous Greenbook</i>	-6.4	-7	2.2	5.3	2.8	3.8	3.9	4.0	4.3	4.7	4.9	5.0	.0	3.6	4.7
Priv. dom. final purch. <i>Previous Greenbook</i>	-4.1	.7	1.5	1.8	1.6	3.9	2.6	3.4	3.5	4.1	4.0	4.4	-.1	2.9	4.0
Personal cons. expend. <i>Previous Greenbook</i>	-4.1	.7	1.5	1.6	2.5	3.4	3.1	3.7	3.9	4.4	4.4	4.8	-.1	3.2	4.4
Durables	-6.1	-2.3	1.8	1.8	1.7	3.1	2.6	3.3	3.5	3.9	4.0	4.2	-1.3	2.7	3.9
Nondurables	-6.1	-2.3	1.8	1.6	2.1	3.0	3.0	3.3	3.8	4.2	4.4	4.4	-1.3	2.8	4.2
Services	.4	-6	2.0	1.3	1.7	1.7	1.9	2.1	2.2	2.5	2.5	2.7	.7	1.8	2.5
Residential investment <i>Previous Greenbook</i>	.4	-6	2.0	1.6	1.9	2.0	2.1	2.0	2.3	2.6	2.8	2.8	.8	2.0	2.6
Durables	.3	-4	1.4	.0	.6	.7	.6	.7	.7	.9	.9	.9	.3	.6	.8
Nondurables	.3	-3	.2	.6	.4	.5	.4	.4	.5	.5	.6	.6	.2	.4	.5
Services	-.1	.1	.4	.6	.8	.5	.9	.9	1.0	1.1	1.1	1.2	.2	.8	1.1
Nonres. structures <i>Previous Greenbook</i>	-1.3	-7	.4	.1	-.5	.4	-.1	.3	.3	.5	.6	.6	-.4	.0	.5
Business fixed invest. <i>Previous Greenbook</i>	-1.3	-7	.4	.1	.0	.3	-.1	.3	.5	.7	.7	.6	-.4	.1	.6
Equipment & software <i>Previous Greenbook</i>	-.5	-1.0	-.6	.5	.5	1.0	.8	1.0	1.0	.9	.9	.9	-.1	.8	.9
Nonres. structures <i>Previous Greenbook</i>	-.5	-1.0	-.6	.0	.1	.8	1.0	1.0	1.1	1.0	1.0	1.0	-.1	.7	1.0
Net exports <i>Previous Greenbook</i>	-3.0	-3	.1	1.1	.7	1.1	.7	.9	.9	.9	.9	.9	-.5	.9	.9
Exports	-3.0	-3	.1	.8	.5	.8	1.0	.9	1.0	1.0	1.0	.9	-.6	.8	1.0
Imports	-2.3	-7	-.7	-.6	-.3	-.1	.0	.0	.0	.0	.0	.0	-.1	-.1	.0
Gov't. cons. & invest. <i>Previous Greenbook</i>	-2.3	-7	-.7	-.8	-.4	.0	.1	.1	.1	.0	.0	.0	-.1	-.1	.0
Federal	2.6	1.7	-.8	.2	-.1	.0	-.3	-.1	-.1	.0	-.3	.0	1.0	-.1	-.1
Defense	2.6	1.7	-.8	.2	-.5	-.2	-.2	.1	-.2	-.1	-.3	.1	1.0	-.2	-.1
Nondefense	-4.0	-.5	1.8	2.3	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.1	-.1	1.1	1.1
State & local	6.6	2.1	-2.6	-2.1	-1.2	-1.0	-1.4	-1.2	-1.2	-1.1	-1.3	-1.1	1.1	-1.2	-1.2
Change in bus. inventories <i>Previous Greenbook</i>	-.5	1.3	.6	-.3	.0	.8	.3	.2	.2	.2	.2	.2	.3	.3	.2
Nonfarm	-.5	1.3	.6	-.2	.9	.6	.4	.3	.3	.3	.3	.3	.3	.5	.3
Farm	-.3	.9	.6	.0	.2	.8	.1	.1	.1	.1	.1	.1	.3	.3	.1
	-3	.7	.5	-.2	.0	.5	.2	.1	.0	.0	.0	.0	.2	.2	.0
	-1	.2	.2	-.2	.2	.2	-.1	.0	.1	.1	.1	.1	.1	.1	.1
	-2	.5	-.1	-.3	-.2	.0	.1	.1	.1	.1	.1	.1	.0	.0	.1
	-2.4	-1.4	.7	3.8	.6	-.3	.9	.4	.5	.2	.6	.3	.1	.4	.4
	-2.4	-1.4	.7	3.7	.3	.4	.8	.3	.4	.4	.5	.2	.1	.4	.4
	-2.4	-1.5	.7	4.1	.2	-.3	.9	.4	.5	.2	.6	.3	.2	.3	.4
	.1	.1	.0	-.3	.4	.0	.0	.0	.0	.0	.0	.0	.0	.1	.0

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



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

Item	2009				2010				2011				2009 <sup>1</sup>	2010 <sup>1</sup>	2011 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
GDP chain-wt. price index <i>Previous Greenbook</i>	1.9	.0	.4	.4	2.0	.8	1.2	.9	1.0	.9	.9	.9	.7	1.2	.9
PCE chain-wt. price index <i>Previous Greenbook</i>	1.9	.0	.4	.8	1.9	1.1	1.2	1.1	1.2	1.1	1.0	1.0	.8	1.3	1.1
Energy <i>Previous Greenbook</i>	-1.5	1.4	2.6	2.3	1.5	1.3	1.4	1.1	1.0	1.0	1.0	.9	1.2	1.3	1.0
Food <i>Previous Greenbook</i>	-1.5	1.4	2.6	2.9	2.0	1.2	1.3	1.3	1.2	1.1	1.1	1.1	1.3	1.4	1.1
Ex. food & energy <i>Previous Greenbook</i>	-36.7	-2.0	40.6	19.9	14.0	4.1	5.8	2.7	2.0	1.8	1.5	.8	1.1	6.6	1.5
CPI <i>Previous Greenbook</i>	-36.7	-2.0	40.6	30.5	13.1	.4	4.8	4.4	3.8	2.8	2.3	2.3	3.3	5.6	2.8
Ex. food & energy <i>Previous Greenbook</i>	-1.1	-3.6	-2.1	-1	1.8	1.4	1.7	1.1	.8	.7	.7	.7	-1.7	1.5	.7
Unit labor costs <i>Previous Greenbook</i>	-1.1	-3.6	-2.1	.3	2.8	1.1	1.4	1.0	.7	.7	.7	.7	-1.6	1.6	.7
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	1.1	2.0	1.2	1.6	.8	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.5	1.0	1.0
Output per hour <i>Previous Greenbook</i>	1.1	2.0	1.2	1.6	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.0	1.5	1.2	1.1
Compensation per hour <i>Previous Greenbook</i>	-2.2	1.9	3.7	2.6	1.6	1.4	1.6	1.2	1.1	1.1	1.1	1.0	1.5	1.5	1.1
Unit labor costs <i>Previous Greenbook</i>	-2.4	1.3	3.6	3.4	2.4	1.3	1.5	1.5	1.4	1.3	1.3	1.3	1.5	1.7	1.3
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	1.6	2.3	1.5	1.5	.2	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.7	.9	1.0
Output per hour <i>Previous Greenbook</i>	1.5	2.4	1.5	1.5	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.7	1.3	1.2
Compensation per hour <i>Previous Greenbook</i>	.7	.7	1.8	1.5	2.2	2.1	2.1	2.1	2.2	2.1	2.1	2.1	1.2	2.1	2.1
Unit labor costs <i>Previous Greenbook</i>	.7	.7	1.8	1.7	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	1.3	2.1	2.0
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	.9	7.6	7.8	6.5	1.7	.9	.3	.5	.6	1.1	1.4	1.6	5.7	.8	1.2
Output per hour <i>Previous Greenbook</i>	.3	6.9	7.1	6.0	1.1	1.1	.6	.3	.5	1.1	1.2	1.4	5.1	.8	1.1
Compensation per hour <i>Previous Greenbook</i>	-4.2	7.7	-4	.4	2.1	1.8	2.4	2.4	3.3	2.4	2.2	2.2	.8	2.2	2.5
Unit labor costs <i>Previous Greenbook</i>	-4.7	6.9	5.4	2.5	3.0	2.2	2.2	2.2	2.8	2.2	2.0	2.0	2.4	2.4	2.2
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	-5.0	.1	-7.6	-5.7	.4	.9	2.1	1.9	2.7	1.3	.8	.6	-4.6	1.3	1.3
Output per hour <i>Previous Greenbook</i>	-5.0	.0	-1.6	-3.3	1.9	1.0	1.6	1.9	2.3	1.1	.7	.5	-2.5	1.6	1.2
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	-9.4	-2.3	1.3	4.7	4.2	2.2	1.7	1.3	1.1	1.1	1.1	1.1	-1.6	2.4	1.1
Output per hour <i>Previous Greenbook</i>	-9.4	-2.3	1.3	5.7	4.5	2.3	1.5	1.2	1.0	1.0	1.0	1.0	-1.3	2.4	1.0

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

2. Private-industry workers.

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

**Changes in Prices and Costs**  
(Change from fourth quarter of previous year to fourth quarter of year indicated, unless otherwise noted)

Item	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP chain-wt. price index <i>Previous Greenbook</i>	2.1 2.1	3.2 3.2	3.5 3.5	2.9 2.9	2.7 2.7	1.9 1.9	.7 .8	1.2 1.3	.9 1.1
PCE chain-wt. price index <i>Previous Greenbook</i>	1.9 1.9	3.0 3.0	3.3 3.3	1.9 1.9	3.6 3.6	1.7 1.7	1.2 1.3	1.3 1.4	1.0 1.1
Energy <i>Previous Greenbook</i>	8.6 8.6	18.6 18.6	21.5 21.5	-3.7 -3.7	19.7 19.7	-9.1 -9.1	1.1 3.3	6.6 5.6	1.5 2.8
Food <i>Previous Greenbook</i>	3.2 3.2	2.7 2.7	1.5 1.5	1.7 1.7	4.7 4.7	6.8 6.8	-1.7 -1.6	1.5 1.6	.7 .7
Ex. food & energy <i>Previous Greenbook</i>	1.5 1.5	2.2 2.2	2.3 2.3	2.3 2.3	2.5 2.5	2.0 2.0	1.5 1.5	1.0 1.2	1.0 1.1
CPI <i>Previous Greenbook</i>	2.0 2.0	3.4 3.4	3.7 3.8	1.9 1.9	4.0 4.0	1.6 1.5	1.5 1.5	1.5 1.7	1.1 1.3
Ex. food & energy <i>Previous Greenbook</i>	1.2 1.2	2.2 2.2	2.1 2.1	2.7 2.7	2.3 2.3	2.0 2.0	1.7 1.7	.9 1.3	1.0 1.2
ECI, hourly compensation <sup>1</sup> <i>Previous Greenbook</i> <sup>1</sup>	4.0 4.0	3.8 3.7	2.9 3.0	3.2 3.2	3.0 3.0	2.4 2.4	1.2 1.3	2.1 2.1	2.1 2.0
Nonfarm business sector Output per hour <i>Previous Greenbook</i>	5.0 5.0	1.5 1.5	1.5 1.4	1.0 .9	2.9 2.8	1.4 .9	5.7 5.1	.8 .8	1.2 1.1
Compensation per hour <i>Previous Greenbook</i>	5.7 5.7	3.4 3.4	3.6 3.5	4.5 4.5	3.6 3.6	3.1 2.6	.8 2.4	2.2 2.4	2.5 2.2
Unit labor costs <i>Previous Greenbook</i>	.6 .6	1.9 1.9	2.0 2.0	3.5 3.5	.7 .7	1.7 1.6	-4.6 -2.5	1.3 1.6	1.3 1.2
Core goods imports chain-wt. price index <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	1.6 1.6	3.6 3.6	2.2 2.2	2.5 2.5	3.5 3.5	3.8 3.8	-1.6 -1.3	2.4 2.4	1.1 1.0

1. Private-industry workers.

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

## Other Macroeconomic Indicators

Item	2009				2010				2011				2009 <sup>1</sup>	2010 <sup>1</sup>	2011 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Employment and production</i>															
Nonfarm payroll employment <sup>2</sup>	-2.2	-1.7	-1.0	-4	.0	.7	.7	.8	.9	.9	.9	.9	-5.4	2.2	3.7
Unemployment rate <sup>3</sup>	8.2	9.3	9.7	10.0	9.7	9.6	9.6	9.4	9.0	8.8	8.6	8.3	10.0	9.4	8.3
<i>Previous Greenbook<sup>3</sup></i>	8.2	9.3	9.7	10.0	10.1	9.9	9.7	9.5	9.1	8.9	8.6	8.2	10.0	9.5	8.2
GDP gap <sup>4</sup>	-7.1	-7.8	-8.0	-7.3	-7.3	-7.0	-6.8	-6.4	-6.1	-5.7	-5.2	-4.7	-7.3	-6.4	-4.7
<i>Previous Greenbook<sup>4</sup></i>	-7.0	-7.8	-7.9	-7.3	-7.2	-6.8	-6.4	-6.0	-5.6	-5.1	-4.5	-3.9	-7.3	-6.0	-3.9
Industrial production <sup>5</sup>	-19.0	-10.4	6.4	6.6	7.4	3.2	4.2	5.9	6.0	5.2	6.0	6.1	-4.7	5.1	5.8
<i>Previous Greenbook<sup>5</sup></i>	-19.0	-10.4	6.9	7.0	5.6	4.5	5.3	5.6	6.3	6.1	6.2	6.1	-4.5	5.2	6.2
Manufacturing industr. prod. <sup>5</sup>	-22.0	-8.8	8.4	5.5	5.9	4.1	4.6	6.7	6.9	6.0	6.9	6.8	-5.0	5.3	6.7
<i>Previous Greenbook<sup>5</sup></i>	-22.0	-8.8	9.0	5.7	5.2	5.5	5.7	6.2	7.0	6.9	7.0	6.9	-4.8	5.6	7.0
Capacity utilization rate - mfg. <sup>3</sup>	66.7	65.4	67.0	68.2	69.4	70.3	71.2	72.5	73.7	74.8	76.1	77.3	68.2	72.5	77.3
<i>Previous Greenbook<sup>3</sup></i>	66.7	65.4	67.1	68.3	69.3	70.5	71.7	72.9	74.3	75.6	77.0	78.4	68.3	72.9	78.4
Housing starts <sup>6</sup>	.5	.5	.6	.6	.6	.6	.7	.8	.9	.9	1.0	1.2	.6	.7	1.0
Light motor vehicle sales <sup>6</sup>	9.5	9.6	11.5	10.8	10.7	11.5	12.1	12.9	13.5	14.1	14.6	15.1	10.3	11.8	14.3
<i>Income and saving</i>															
Nominal GDP <sup>5</sup>	-4.6	-8	2.6	6.0	4.2	4.5	4.7	4.7	5.0	5.3	5.5	5.6	.7	4.5	5.3
Real disposable pers. income <sup>5</sup>	.2	6.2	-3.6	1.8	-4	2.7	3.4	3.4	.9	3.9	4.4	4.6	1.1	2.3	3.4
<i>Previous Greenbook<sup>5</sup></i>	.2	6.2	-1.4	.7	2.6	.2	3.2	3.3	2.2	3.6	4.3	4.3	1.4	2.3	3.6
Personal saving rate <sup>3</sup>	3.7	5.4	3.9	4.1	3.5	3.6	3.8	4.0	3.5	3.6	3.8	4.0	4.1	4.0	4.0
<i>Previous Greenbook<sup>3</sup></i>	3.7	5.4	4.5	4.3	4.3	3.7	3.8	4.0	3.8	3.8	3.9	4.0	4.3	4.0	4.0
Corporate profits <sup>7</sup>	22.8	15.6	50.7	33.5	20.5	4.0	3.3	2.5	7.0	3.7	4.2	6.2	30.0	7.4	5.3
Profit share of GNP <sup>3</sup>	8.3	8.6	9.5	10.0	10.4	10.4	10.3	10.3	10.3	10.3	10.3	10.3	10.0	10.3	10.3
Net federal saving <sup>8</sup>	-969	-1,269	-1,354	-1,313	-1,308	-1,356	-1,391	-1,404	-1,287	-1,256	-1,218	-1,203	-1,226	-1,365	-1,241
Net state & local saving <sup>8</sup>	-37	-25	-15	-13	12	26	47	56	50	43	4	-3	-22	35	23
Gross national saving rate <sup>3</sup>	11.2	10.7	9.8	10.2	10.1	10.2	10.3	10.6	11.0	11.4	11.7	12.0	10.2	10.6	12.0
Net national saving rate <sup>3</sup>	-2.5	-2.7	-3.6	-2.7	-2.6	-2.6	-2.4	-2.1	-1.6	-1.2	-9	-6	-2.7	-2.1	-6

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

2. Change, millions.

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

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

5. Percent change, annual rate.

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

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

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

## Other Macroeconomic Indicators

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

Item	2003	2004	2005	2006	2007	2008	2009	2010	2011
<i>Employment and production</i>									
Nonfarm payroll employment <sup>1</sup>	-1	2.0	2.4	2.1	1.2	-2.8	-5.4	2.2	3.7
Unemployment rate <sup>2</sup>	5.8	5.4	5.0	4.5	4.8	6.9	10.0	9.4	8.3
<i>Previous Greenbook<sup>2</sup></i>	5.8	5.4	5.0	4.5	4.8	6.9	10.0	9.5	8.2
GDP gap <sup>3</sup>	-1.7	-8	-4	-4	-4	-4.9	-7.3	-6.4	-4.7
<i>Previous Greenbook<sup>3</sup></i>	-1.6	-8	-3	-3	-4	-4.8	-7.3	-6.0	-3.9
Industrial production <sup>4</sup>	1.6	3.0	2.6	1.8	1.8	-6.7	-4.7	5.1	5.8
<i>Previous Greenbook<sup>4</sup></i>	1.6	3.0	2.6	1.8	1.8	-6.7	-4.5	5.2	6.2
Manufacturing industr. prod. <sup>4</sup>	1.8	3.6	3.8	1.2	1.9	-8.7	-5.0	5.3	6.7
<i>Previous Greenbook<sup>4</sup></i>	1.8	3.6	3.8	1.2	1.9	-8.7	-4.8	5.6	7.0
Capacity utilization rate - mfg. <sup>2</sup>	74.6	77.3	79.2	79.0	78.7	70.9	68.2	72.5	77.3
<i>Previous Greenbook<sup>2</sup></i>	74.6	77.3	79.2	79.0	78.7	70.9	68.3	72.9	78.4
Housing starts <sup>5</sup>	1.8	2.0	2.1	1.8	1.4	.9	.6	.7	1.0
Light motor vehicle sales <sup>5</sup>	16.6	16.8	16.9	16.5	16.1	13.1	10.3	11.8	14.3
<i>Income and saving</i>									
Nominal GDP <sup>4</sup>	6.0	6.4	6.3	5.4	5.3	.1	.7	4.5	5.3
Real disposable pers. income <sup>4</sup>	3.9	3.5	.6	4.6	1.0	.3	1.1	2.3	3.4
<i>Previous Greenbook<sup>4</sup></i>	3.9	3.5	.6	4.6	1.0	.3	1.4	2.3	3.6
Personal saving rate <sup>2</sup>	3.6	3.6	1.5	2.5	1.5	3.8	4.1	4.0	4.0
<i>Previous Greenbook<sup>2</sup></i>	3.6	3.6	1.5	2.5	1.5	3.8	4.3	4.0	4.0
Corporate profits <sup>6</sup>	12.2	21.9	19.6	3.7	-5.7	-25.1	30.0	7.4	5.3
Profit share of GNP <sup>2</sup>	9.1	10.5	11.8	11.6	10.3	7.8	10.0	10.3	10.3
Net federal saving <sup>7</sup>	-376	-379	-283	-204	-236	-643	-1226	-1365	-1241
Net state & local saving <sup>7</sup>	-39	-8	26	51	22	-40	-22	35	23
Gross national saving rate <sup>2</sup>	14.3	14.3	15.5	16.3	13.8	12.2	10.2	10.6	12.0
Net national saving rate <sup>2</sup>	2.5	2.7	3.5	4.2	1.6	-7	-2.7	-2.1	-6

1. Change, millions.

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

3. Percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

Values are for the fourth quarter of the year indicated.

4. Percent change.

5. Level, millions, values are annual averages.

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

7. Billions of dollars, values are annual averages.

**Class II FOMC  
Restricted (FR)**

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

**March 10, 2010**

Item	Fiscal year			2011	2009				2010				2011			
	2008 <sup>a</sup>	2009 <sup>a</sup>	2010		Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Unified budget</b>																
Receipts <sup>1</sup>	2524	2105	2113	2432	442	599	516	488	434	645	546	529	523	752	628	600
Outlays <sup>1</sup>	2983	3520	3509	3727	891	904	845	876	908	916	810	939	950	922	915	931
Surplus/deficit <sup>1</sup>	-459	-1415	-1395	-1295	-449	-305	-329	-388	-474	-271	-263	-411	-427	-170	-287	-331
<i>Previous Greenbook</i>	-459	-1416	-1434	-1209	-449	-305	-329	-389	-459	-254	-332	-411	-397	-123	-279	-329
On-budget	-642	-1552	-1499	-1410	-468	-382	-318	-394	-510	-341	-253	-457	-429	-244	-281	-382
Off-budget	183	137	103	115	19	77	-11	6	36	71	-10	46	2	73	-6	51
Means of financing																
Borrowing	768	1743	1491	1280	465	338	379	261	495	328	407	366	417	195	302	321
Cash decrease	-296	96	-9	35	98	-49	43	82	-22	-65	-4	50	15	-20	-10	15
Other <sup>2</sup>	-13	-424	-86	-20	-114	16	-92	45	1	7	-139	-5	-5	-5	-5	-5
Cash operating balance, end of period	372	275	285	250	269	318	275	194	215	280	285	235	220	240	250	235
<b>NIPA federal sector</b>																
Receipts	2534	2281	2333	2542	2251	2237	2189	2242	2349	2356	2386	2409	2549	2585	2625	2669
Expenditures	3074	3348	3675	3833	3220	3506	3542	3555	3658	3712	3777	3813	3835	3841	3843	3872
Consumption expenditures	914	972	1044	1089	954	979	1001	1011	1037	1061	1068	1073	1088	1095	1102	1109
Defense	620	658	700	731	643	663	679	682	693	710	717	723	731	734	737	739
Nondefense	294	314	344	359	311	316	322	329	345	351	350	350	357	361	366	370
Other spending	2160	2375	2631	2744	2266	2527	2541	2544	2620	2651	2709	2740	2747	2746	2741	2763
Current account surplus	-540	-1066	-1342	-1291	-969	-1269	-1354	-1313	-1308	-1356	-1391	-1404	-1287	-1256	-1218	-1203
Gross investment	141	158	162	166	152	159	163	160	159	164	166	167	166	166	166	166
Gross saving less gross investment <sup>3</sup>	-563	-1101	-1371	-1314	-999	-1304	-1391	-1343	-1335	-1385	-1420	-1431	-1311	-1278	-1237	-1220
<b>Fiscal indicators<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-496	-761	-946	-951	-681	-911	-967	-905	-902	-967	-1012	-1035	-936	-925	-909	-919
Change in HEB, percent of potential GDP	1.9	1.6	1.0	-0.2	1.2	1.5	0.3	-0.4	-0.1	0.4	0.2	0.1	-0.7	-0.1	-0.1	0.0
Fiscal impetus (FI), percent of GDP	0.8	1.0	0.9	-0.0	0.0	0.7	0.3	0.1	0.2	0.3	0.2	0.1	-0.2	-0.0	-0.1	-0.1
<i>Previous Greenbook</i>	0.8	1.0	1.1	-0.1	0.0	0.7	0.3	0.1	0.4	0.2	0.2	0.0	-0.2	-0.0	-0.1	-0.1

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

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

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

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

a--Actual

**Class II FOMC Restricted (FR)** **Change in Debt of the Domestic Nonfinancial Sectors** **March 10, 2010**  
(Percent)

Period <sup>1</sup>	Total	Households			Business	State and local governments	Federal government	Memo: Nominal GDP
		Total	Home mortgages	Consumer credit				
<i>Year</i>								
2004	8.9	11.0	13.4	5.6	6.3	7.3	9.0	6.4
2005	9.5	11.1	13.2	4.5	8.8	10.2	7.0	6.3
2006	9.0	10.0	11.0	4.1	10.5	8.3	3.9	5.4
2007	8.7	6.7	6.7	5.8	13.4	9.5	4.9	5.3
2008	5.9	.1	-.6	1.5	5.2	2.5	24.2	.1
2009	3.3	-1.7	-1.6	-4.3	-1.8	4.8	22.7	.7
2010	5.4	.4	-.1	.7	1.1	4.3	20.4	4.5
2011	5.4	2.1	.7	7.0	3.1	3.6	13.1	5.3
<i>Quarter</i>								
2008:1	5.5	3.1	2.6	4.6	7.8	3.9	8.1	1.0
2	3.2	-.0	-.6	3.5	6.4	1.8	5.9	3.5
3	8.1	-.6	-2.5	.7	5.0	3.9	39.2	1.4
4	6.1	-1.9	-1.9	-2.7	1.2	.2	37.0	-5.4
2009:1	4.2	-1.3	-.2	-3.9	.4	4.7	22.6	-4.6
2	4.5	-1.7	-1.7	-4.8	-2.1	4.1	28.2	-.8
3	2.9	-2.7	-3.6	-3.1	-2.3	5.5	20.6	2.6
4	1.6	-1.2	-.8	-5.8	-3.2	4.7	12.6	6.0
2010:1	4.7	.3	.5	-2.0	-.4	4.0	19.9	4.2
2	6.1	.5	.2	.2	.9	4.4	22.6	4.5
3	5.3	.2	-.5	1.5	1.6	4.2	18.5	4.7
4	5.0	.5	-.5	3.3	2.3	4.2	15.2	4.7
2011:1	5.0	1.2	.0	4.9	2.8	3.6	13.2	5.0
2	5.5	2.1	.8	6.3	3.0	3.6	13.6	5.3
3	5.2	2.4	.8	7.6	3.3	3.6	11.7	5.5
4	5.4	2.7	1.0	8.6	3.3	3.5	11.6	5.6

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 2009:Q4 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

2.6.3 FOF

**Class II FOMC  
Restricted (FR)**

**Flow of Funds Projections: Highlights**

**March 10, 2010**

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

Category	2008	2009	2010	2011	2009		2010			2011				
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Domestic nonfinancial sectors														
Net funds raised														
Total	1526.7	1050.7	1760.8	1864.1	1052.7	225.9	1546.2	2027.6	1779.3	1690.0	1714.0	1938.7	1864.6	1939.0
Net equity issuance	-336.0	-65.1	-110.0	-100.0	65.5	-319.3	-100.0	-100.0	-120.0	-120.0	-100.0	-100.0	-100.0	-100.0
Net debt issuance	1862.7	1115.8	1870.8	1964.1	987.2	545.1	1646.2	2127.6	1899.3	1810.0	1814.0	2038.7	1964.6	2039.0
Borrowing indicators														
Debt (percent of GDP) <sup>1</sup>	226.1	239.5	240.0	240.8	241.8	239.7	239.1	239.7	240.3	240.6	240.6	240.7	240.7	240.6
Borrowing (percent of GDP)	12.9	7.8	12.6	12.6	6.9	3.8	11.3	14.4	12.7	12.0	11.9	13.2	12.5	12.8
Households														
Net borrowing <sup>2</sup>	20.2	-237.0	50.9	290.3	-366.1	-168.4	38.8	64.7	26.5	73.5	167.9	288.9	326.6	378.0
Home mortgages	-62.2	-164.6	-7.7	66.8	-376.8	-86.1	51.3	20.5	-51.4	-51.3	0.0	82.0	82.2	102.9
Consumer credit	38.8	-112.7	18.5	175.1	-79.5	-145.3	-48.9	4.9	36.7	81.2	121.8	158.8	194.9	225.0
Debt/DPI (percent) <sup>3</sup>	127.3	124.9	120.5	117.1	124.6	122.7	122.3	121.2	119.8	118.6	118.3	117.4	116.5	115.6
Business														
Financing gap <sup>4</sup>	232.4	-135.8	-89.1	-2.0	-204.6	-147.7	-105.1	-116.3	-76.4	-58.7	-35.0	-16.5	14.7	28.6
Net equity issuance	-336.0	-65.1	-110.0	-100.0	65.5	-319.3	-100.0	-100.0	-120.0	-120.0	-100.0	-100.0	-100.0	-100.0
Credit market borrowing	549.0	-199.7	123.6	348.6	-259.3	-351.0	-40.6	103.7	172.8	258.4	311.3	338.2	369.9	375.1
State and local governments														
Net borrowing	54.3	108.6	100.7	89.7	127.7	108.7	93.7	105.7	101.7	101.7	89.7	89.7	89.7	89.7
Current surplus <sup>5</sup>	212.7	229.2	254.6	245.8	258.0	203.2	230.4	244.5	267.0	276.6	270.5	265.0	226.6	221.1
Federal government														
Net borrowing	1239.2	1443.9	1595.6	1235.4	1484.9	955.8	1554.4	1853.5	1598.3	1376.4	1245.1	1321.9	1178.3	1196.2
Net borrowing (n.s.a.)	1239.2	1443.9	1595.6	1235.4	378.7	261.4	494.6	328.4	406.6	366.1	417.3	195.5	301.6	321.0
Unified deficit (n.s.a.)	680.5	1471.3	1418.1	1215.4	329.4	388.1	473.7	270.5	263.2	410.7	427.3	170.5	286.6	331.0
Depository institutions														
Funds supplied	407.6	-643.4	-14.3	96.9	-1001.3	-444.4	-580.0	126.3	-755.7	1152.3	53.4	-83.9	247.1	171.1

Note. Data after 2009:Q4 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.

2.6.4 FOF

## International Developments

Average foreign growth was noticeably stronger in the fourth quarter than we had anticipated, reflecting upbeat readings in Canada, Latin America, and much of Asia. However, growth in Europe was disappointing. As much of the fourth-quarter strength appears to reflect transitory factors, including swings in inventories, we have made only modest upward revisions to our near-term outlook. Further out, we have nudged down the foreign growth projection in response to the somewhat weaker U.S. outlook. Sovereign risk concerns and the apparent fragility of the economic recovery in Europe represent notable downside risks to the outlook.

Our projection for foreign inflation has been marked up in the near term, as food and energy prices boosted consumer prices by more than we had expected. Even so, we continue to project that inflation abroad will ease to a 2 percent rate by the second half of this year, as energy and food price increases moderate. Oil prices are up a touch since the January Greenbook, while nonfuel commodity prices are little changed.

### Summary of Staff Projections

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

Indicator	2009		Projection				
	H1	Q3	2009: Q4	2010			2011
				Q1	Q2	H2	
Foreign output	-3.6	4.1	4.8	3.6	3.7	3.7	3.9
Previous Greenbook	-3.6	4.4	2.9	3.4	3.5	3.8	4.1
Foreign consumer prices	.1	1.4	3.0	3.4	2.5	2.0	2.1
Previous Greenbook	.0	1.4	3.1	2.6	2.2	2.0	2.0
Contribution to growth (percentage points)							
U.S. net exports	2.1	-.8	.2	-.1	.0	-.2	-.1
Previous Greenbook	2.1	-.8	.2	-.5	-.2	-.1	-.1

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

The contribution of net exports to U.S. real GDP growth is expected to be just slightly negative in the first quarter and throughout the forecast period, as imports and exports expand robustly, but with imports growing off of a larger base. The contribution in the first half of this year is less negative than our previous forecast on account of lower real



We assume that all major foreign central banks except the Bank of Japan (BOJ) will begin tightening monetary policy over this year and next. The Bank of Canada is assumed to tighten late this year. In light of the weaker outlook, we now expect the BOE to start raising its policy rate at the beginning of 2011 and then raise it only gradually to 1¾ percent by year-end, a full percentage point below what we had assumed previously. Similarly, we have pushed back the first hike by the ECB of its main refinancing rate to the third quarter of 2011, and we expect only 50 basis points of tightening by the end of that year. As for the BOJ, its policy rate target is assumed to remain near zero throughout the forecast period.

We assume that governments in the AFEs, especially in Europe, will gradually implement fiscal consolidation plans over the forecast period. Thus, we project that, after having provided important support to demand in 2009, fiscal measures (including automatic stabilizers) will add only about ½ percentage point to AFE GDP growth in 2010 and then subtract 1¼ percentage points in 2011.

**Staff Projections for Foreign GDP Growth by Region**  
(Percent change from end of previous period, annual rate)

Indicator	2009		Projection				
	H1	Q3	2009: Q4	2010			2011
				Q1	Q2	H2	
Advanced foreign economies	-4.8	.9	3.1	2.4	2.5	2.8	3.0
Previous Greenbook	-4.6	.8	2.2	2.3	2.6	2.9	3.2
Emerging market economies	-2.0	8.3	7.1	5.3	5.1	5.0	5.0
Previous Greenbook	-2.2	9.1	3.9	4.7	4.7	5.0	5.2

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

### Emerging Market Economies

With most of the fourth-quarter GDP releases in hand, we now estimate that economic growth in the emerging market economies (EMEs) was 7 percent, 3¼ percentage points higher than projected in the January Greenbook.

In several emerging Asian countries, substantial upside surprises largely reflect two factors—a stronger boost from inventory accumulation, which is likely to prove

\$97 per barrel. The flatter futures curve likely reflects improved supply prospects as market participants appear to place greater weight on the possibility of increased production from Iraq in coming years. Consistent with futures prices, we project that the spot price of WTI will rise to \$86 per barrel by the end of 2011, a bit lower than in the January Greenbook.

Nonfuel commodity prices have flattened out, on average, after having risen rapidly late last year. Consistent with quotes from futures markets, we project nonfuel commodity prices to show only modest growth of 1½ percent, on average, through the remainder of the forecast period. The box beginning on the next page explores the contour of our commodity price forecast in greater detail.

### Prices of Internationally Traded Goods

Core import prices rose at an annual rate of 4¾ percent in the last quarter of 2009, boosted by both a weaker dollar and rising commodity prices. In the current quarter we project core import inflation to ease to 4¼ percent, in line with the recent appreciation of the dollar and smaller rises in commodity prices. Core import prices are projected to decelerate further to 1 percent by 2011, as commodity prices level out and the dollar depreciates only moderately.

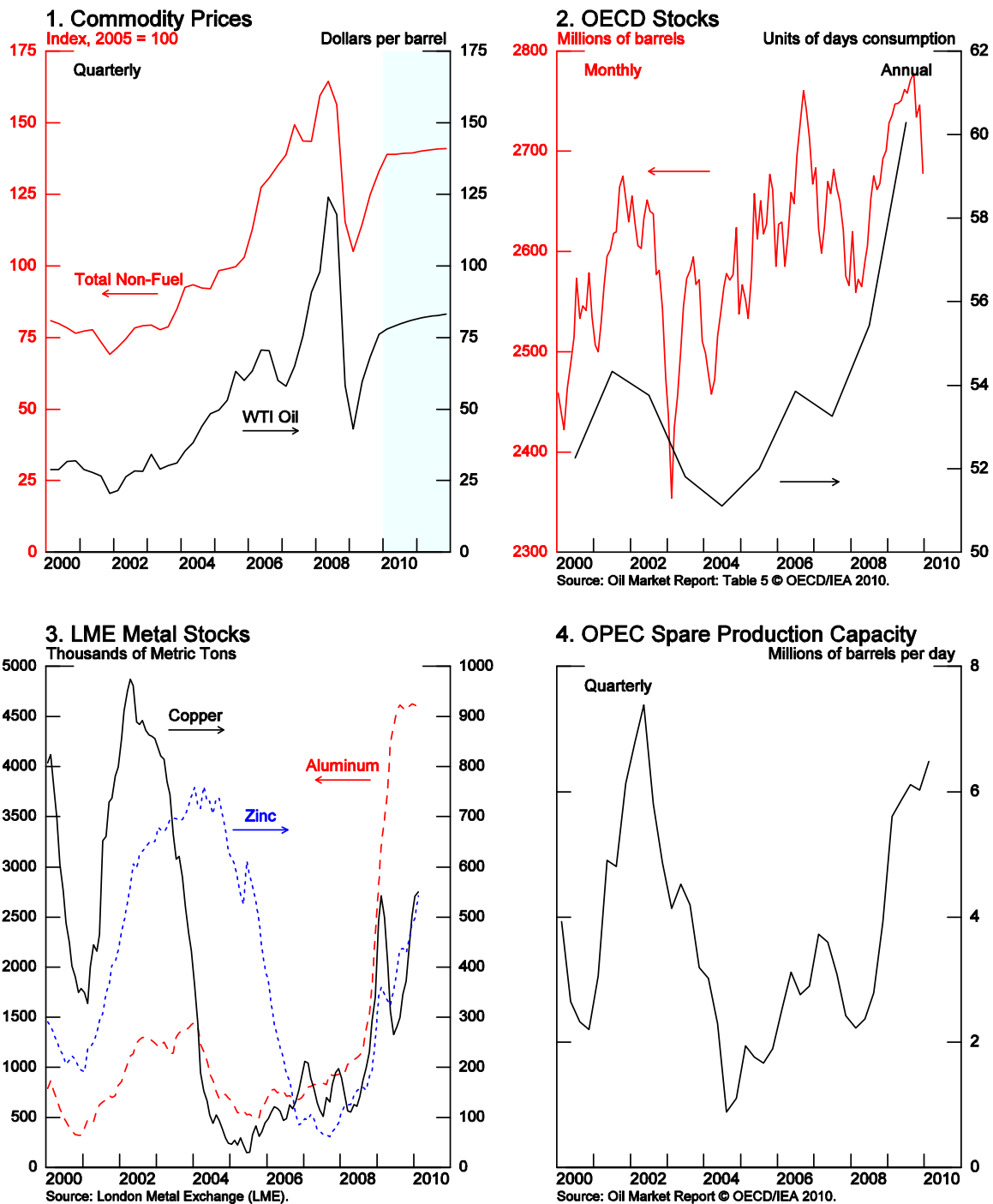
### Staff Projections of Selected Trade Prices

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

Trade category	2009		Projection				
	H1	Q3	2009: Q4	2010			2011
				Q1	Q2	H2	
<i>Imports</i>							
Core goods	-5.9	1.3	4.7	4.2	2.2	1.5	1.1
Previous Greenbook	-5.9	1.3	5.7	4.5	2.3	1.3	1.0
Oil (dollars per barrel)	53.71	66.28	71.94	75.86	79.62	80.55	81.85
Previous Greenbook	53.71	66.28	72.12	76.55	76.71	79.07	82.38
<i>Exports</i>							
Core goods	-5.3	5.1	5.7	8.6	3.1	2.0	1.3
Previous Greenbook	-5.3	5.1	5.2	7.0	3.0	1.8	1.4

Note: Prices for core exports exclude computers and semiconductors. Prices for core imports exclude computers, semiconductors, oil, and natural gas. Both prices are on a national income and product account chain-weighted basis.

The price of imported oil for multiquarter periods is the price for the final quarter of the period. Imported oil includes both crude oil and refined.



We expect past commodity price increases to boost core export prices 8½ percent in the current quarter. Thereafter, as commodity prices stabilize, we expect export price inflation to fall to 1¼ percent in 2011.

### Trade in Goods and Services

In 2010, growth of both exports and imports is expected to remain robust but to step down from the exceptionally high rates seen in the second half of 2009 as the cyclical recovery in trade matures. Real exports are expected to grow at an annual rate of 10 percent in the first quarter and just under 9 percent in the remainder of 2010 and 2011. We have revised down our forecast for exports due to the stronger dollar and, in 2011, slightly weaker foreign growth.

Real imports are expected to grow at an annual rate of 8½ percent in the first quarter, as increased imports of non-oil goods and services more than offset declining oil imports. Import growth is expected to average about 7¾ percent for the remainder of the year and in 2011. As with exports, the assumed cyclical bounceback plays less of a role over time, and so projected import growth weakens in spite of strengthening U.S. activity. We have revised down our import forecast a little, as the weaker U.S. outlook more than offsets the stronger dollar.

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

Measure	2009		Projection				
	H1	Q3	2009: Q4	2010			2011
				Q1	Q2	H2	
Real exports	-18.1	17.8	22.4	9.9	8.4	9.0	8.7
Previous Greenbook	-18.1	17.8	17.3	9.8	8.8	9.7	9.3
Real imports	-26.3	21.3	15.3	8.6	6.5	8.5	7.7
Previous Greenbook	-26.3	21.3	11.8	11.0	8.2	8.0	8.3

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

deteriorates almost 1.5 percentage points in 2011 in response to the stronger dollar and weaker European activity.

**Alternative Scenarios:  
Financial Crisis in Europe**

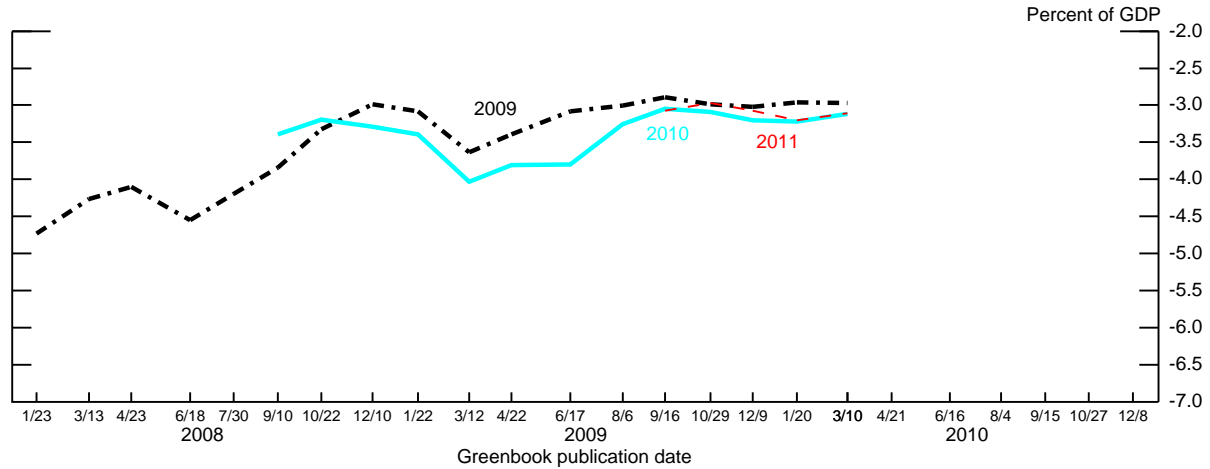
(Percent change from previous period, annual rate, except as noted)

Indicator and simulation	2010		2011		2012	2013-14
	H1	H2	H1	H2		
<i>U.S. real GDP</i>						
Baseline	2.9	3.7	4.2	4.6	4.7	3.9
Weaker Demand and Higher Risk Premiums in Europe	2.8	3.5	4.1	4.6	4.7	3.9
With Additional Dollar Appreciation	2.6	2.2	2.9	4.2	4.9	4.1
<i>U.S. PCE prices excluding food and energy</i>						
Baseline	.9	1.1	1.0	1.0	1.1	1.4
Weaker Demand and Higher Risk Premiums in Europe	.8	1.0	.9	.9	1.0	1.3
With Additional Dollar Appreciation	.3	0	.4	.6	.8	1.2
<i>U.S. federal funds rate (percent)</i>						
Baseline	.1	.1	.1	.1	1.6	3.6
Weaker Demand and Higher Risk Premiums in Europe	.1	.1	.1	.1	1.3	3.4
With Additional Dollar Appreciation	.1	.1	.1	.1	.4	2.8
<i>U.S. trade balance (percent share of GDP)</i>						
Baseline	-3.0	-3.1	-3.1	-3.1	-3.0	-2.9
Weaker Demand and Higher Risk Premiums in Europe	-3.1	-3.2	-3.2	-3.3	-3.2	-3.0
With Additional Dollar Appreciation	-3.6	-4.6	-4.6	-4.5	-4.1	-3.5

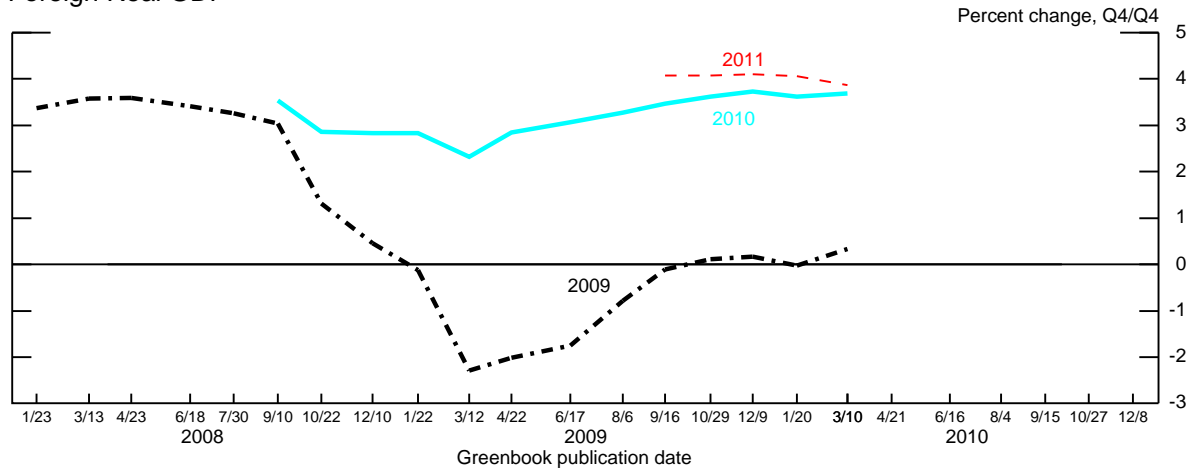
NOTE: H1 is Q2/Q4; H2 is Q4/Q2. U.S. real GDP and U.S. PCE prices are the average rates over the period. The federal funds rate and the trade balance are the values for the final quarter of the period.

## Evolution of the Staff Forecast

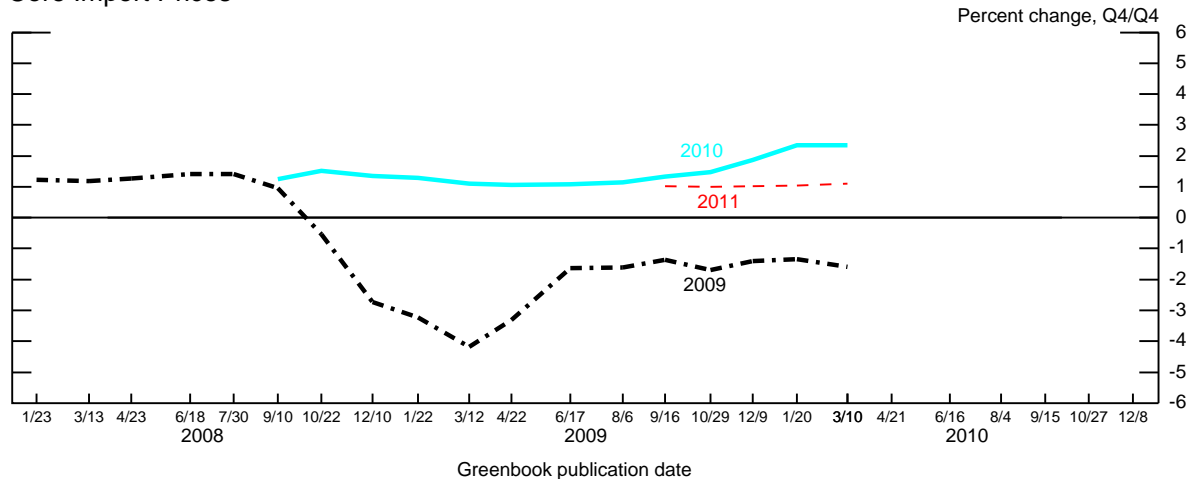
Current Account Balance



Foreign Real GDP



Core Import Prices\*



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

Class II FOMC  
Restricted (FR)

March 10, 2010

OUTLOOK FOR FOREIGN REAL GDP AND CONSUMER PRICES: SELECTED COUNTRIES  
(Percent changes)

Measure and country	2009				2010				Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
REAL GDP (1)	Quarterly changes at an annual rate											
Total Foreign	-9.3	2.4	4.1	4.8	3.6	3.7	3.7	3.8	3.8	3.9	3.9	3.9
Advanced Foreign Economies	-8.2	-1.3	0.9	3.1	2.4	2.5	2.7	2.8	2.9	3.0	3.0	3.0
of which:												
Canada	-7.0	-3.5	0.9	5.0	3.6	3.4	3.4	3.4	3.6	3.7	3.7	3.7
Japan	-12.3	5.2	0.0	4.6	2.2	1.8	2.0	2.3	2.1	2.0	1.8	1.8
United Kingdom	-10.2	-2.5	-1.2	1.1	1.3	2.4	2.8	2.9	2.9	3.0	2.9	2.9
Euro Area (2)	-9.6	-0.5	1.7	0.5	1.0	1.6	1.9	2.1	2.2	2.2	2.3	2.3
Germany	-13.4	1.8	2.9	0.0	0.8	1.7	2.0	2.3	2.3	2.4	2.5	2.6
Emerging Market Economies	-10.6	7.3	8.3	7.1	5.3	5.1	5.0	5.0	5.0	5.0	5.1	5.1
Asia	-2.0	13.7	9.6	7.0	6.9	6.2	5.9	5.9	6.0	6.0	6.0	6.0
Korea	0.5	11.0	13.6	0.7	3.5	4.1	4.1	4.1	4.1	4.1	4.1	4.1
China	7.1	15.6	10.8	10.1	9.1	8.5	8.3	8.4	8.6	8.7	8.8	8.8
Latin America	-19.5	1.7	7.6	7.3	3.9	4.2	4.1	4.1	4.0	4.1	4.1	4.1
Mexico	-24.9	1.1	10.4	8.4	4.5	4.4	4.0	4.0	4.2	4.2	4.2	4.2
Brazil	-3.5	4.4	5.1	6.8	6.0	5.0	5.0	4.5	4.0	4.0	4.0	4.0
CONSUMER PRICES (3)	Four-quarter changes											
Total Foreign	1.8	0.9	0.2	1.2	2.2	2.6	2.7	2.5	2.1	2.0	2.0	2.1
Advanced Foreign Economies	1.0	0.0	-0.8	0.2	1.0	1.4	1.6	1.3	1.1	1.0	1.1	1.2
of which:												
Canada	1.2	0.1	-0.9	0.8	1.8	2.3	2.7	2.2	2.0	1.9	1.9	2.0
Japan	-0.1	-1.0	-2.2	-2.0	-1.5	-1.4	-1.1	-1.1	-1.1	-1.0	-1.0	-0.9
United Kingdom (4)	3.0	2.1	1.5	2.1	3.2	3.1	2.8	2.4	1.5	1.6	1.7	1.8
Euro Area (2)	1.0	0.2	-0.4	0.4	1.1	1.5	1.6	1.3	1.2	1.1	1.2	1.2
Germany	0.8	0.2	-0.4	0.3	0.8	1.2	1.3	1.1	1.1	1.1	1.1	1.2
Emerging Market Economies	2.7	1.7	1.3	2.1	3.3	3.8	3.9	3.7	3.2	3.0	2.9	2.9
Asia	1.1	-0.2	-0.4	1.2	2.8	3.4	3.5	3.1	2.7	2.6	2.5	2.5
Korea	3.9	2.8	2.0	2.4	2.8	2.7	2.8	2.6	2.3	2.3	2.3	2.3
China	-0.6	-1.5	-1.3	0.6	2.2	3.0	3.4	2.8	2.6	2.4	2.3	2.3
Latin America	6.3	5.9	4.9	3.9	4.6	4.7	4.9	5.3	4.4	4.0	4.0	4.0
Mexico	6.2	6.0	5.1	4.0	4.7	4.6	4.7	5.1	4.1	3.7	3.7	3.7
Brazil	5.9	5.3	4.3	4.2	4.7	4.7	5.0	5.2	4.6	4.5	4.5	4.5

1. Foreign GDP aggregates calculated using shares of U.S. exports.
2. Harmonized data for euro area from Eurostat.
3. Foreign CPI aggregates calculated using shares of U.S. non-oil imports.
4. CPI excluding mortgage interest payments, which is the targeted inflation rate.

OUTLOOK FOR FOREIGN REAL GDP AND CONSUMER PRICES: SELECTED COUNTRIES  
(Percent, Q4 to Q4)

1. Foreign GDP aggregates calculated using shares of U.S. exports.
2. Harmonized data for euro area from Eurostat.
3. Foreign CPI aggregates calculated using shares of U.S. non-oil imports.
4. CPI excluding mortgage interest payments, which is the targeted inflation rate.



Class II FOMC  
Restricted (FR)

March 10, 2010

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2003	2004	2005	2006	2007	2008	----- 2009	Projected 2010	----- 2011
NIPA REAL EXPORTS and IMPORTS									
	Percentage point contribution to GDP growth, Q4/Q4								
Net Goods & Services	-0.1	-0.9	-0.2	0.4	1.0	0.7	1.0	-0.1	-0.1
Exports of G&S	0.6	0.7	0.7	1.1	1.2	-0.4	-0.1	1.1	1.1
Imports of G&S	-0.7	-1.6	-0.8	-0.7	-0.2	1.2	1.1	-1.2	-1.2
	Percentage change, Q4/Q4								
Exports of G&S	6.2	7.1	6.7	10.2	10.2	-3.4	-0.8	9.1	8.7
Services	4.3	9.1	3.6	12.0	13.0	-3.5	-1.9	5.7	6.7
Computers	11.3	5.8	14.2	8.4	1.3	-2.4	7.0	11.2	9.5
Semiconductors	38.3	-6.0	17.6	2.1	29.1	-12.7	21.9	11.7	11.0
Core Goods 1/	4.8	7.2	7.2	9.9	8.4	-3.1	-1.3	10.6	9.5
Imports of G&S	5.1	10.9	5.2	4.1	0.9	-6.8	-6.7	8.0	7.7
Services	3.3	8.8	2.3	7.1	2.0	0.2	-4.2	4.3	6.1
Oil	1.3	10.7	1.3	-8.2	0.0	0.3	-16.9	-1.8	0.1
Natural Gas	1.3	4.9	13.7	-10.1	13.4	-24.0	-7.6	13.7	0.4
Computers	17.1	23.2	12.5	14.3	8.8	-11.3	35.3	15.9	15.5
Semiconductors	-0.1	9.8	7.5	-0.8	3.6	-9.7	5.6	5.8	5.0
Core Goods 2/	5.3	10.9	5.8	5.8	0.2	-9.8	-7.8	10.8	9.3
	Billions of Chained 2005 Dollars								
Net Goods & Services	-603.9	-688.0	-722.7	-729.2	-647.7	-494.3	-355.4	-353.0	-365.3
Exports of G&S	1116.8	1222.8	1305.1	1422.0	1546.1	1629.3	1472.1	1643.8	1789.1
Imports of G&S	1720.7	1910.8	2027.8	2151.2	2193.8	2123.5	1827.4	1996.8	2154.3
	Billions of dollars								
US CURRENT ACCOUNT BALANCE	-521.5	-631.1	-748.7	-803.5	-726.6	-706.1	-423.6	-463.0	-484.5
Current Acct as Percent of GDP	-4.7	-5.3	-5.9	-6.0	-5.2	-4.9	-3.0	-3.1	-3.1
Net Goods & Services (BOP)	-495.0	-610.0	-715.3	-760.4	-701.4	-695.9	-380.7	-452.1	-478.6
Investment Income, Net	51.0	73.4	78.8	54.7	97.9	125.5	93.0	120.2	121.2
Direct, Net	112.7	150.9	173.2	174.0	236.7	249.9	204.2	223.3	241.3
Portfolio, Net	-61.7	-77.5	-94.4	-119.4	-138.8	-124.3	-111.2	-103.1	-120.1
Other Income & Transfers, Net	-77.5	-94.5	-112.2	-97.9	-123.1	-135.7	-135.9	-131.1	-127.2

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

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
	Percentage point contribution to GDP growth											
Net Goods & Services	0.4	0.0	-0.7	1.9	-0.3	0.7	1.4	2.2	0.4	2.4	-0.1	0.5
Exports of G&S	1.6	0.7	0.1	1.8	0.4	0.6	2.0	1.6	-0.0	1.5	-0.5	-2.7
Imports of G&S	-1.2	-0.7	-0.8	0.1	-0.7	0.1	-0.6	0.6	0.4	0.9	0.4	3.1
	Percentage change from previous period, s.a.a.r.											
Exports of G&S	16.5	6.9	0.6	17.8	3.5	5.2	18.5	14.5	-0.1	12.1	-3.6	-19.5
Services	13.6	5.6	1.5	29.1	4.7	2.8	27.2	19.2	-9.0	7.8	-7.7	-4.3
Computers	18.1	8.9	-9.6	19.0	11.6	-15.4	11.5	0.0	8.7	33.5	1.3	-38.3
Semiconductors	22.1	19.5	-14.2	-13.3	23.7	26.3	4.7	69.9	15.0	-3.8	6.5	-50.7
Core Goods 1/	17.6	6.7	1.6	14.5	1.5	6.4	15.4	10.8	3.5	14.3	-2.2	-23.7
Imports of G&S	7.8	4.5	4.9	-0.5	4.3	-0.5	3.7	-3.6	-2.5	-5.0	-2.2	-16.7
Services	16.1	1.8	1.3	10.0	0.4	2.1	8.6	-2.9	3.0	-7.1	6.1	-0.9
Oil	-20.8	5.0	22.1	-30.1	0.8	14.7	-3.4	-10.4	-1.5	-9.3	2.7	10.3
Natural Gas	-50.2	80.0	26.1	-42.2	52.8	54.0	36.5	-48.5	-5.0	-38.2	12.2	-49.5
Computers	24.8	13.0	17.3	3.1	39.0	-15.4	-2.2	21.6	12.7	8.6	-15.9	-39.9
Semiconductors	2.4	-2.8	17.4	-17.3	7.3	2.6	-0.4	4.9	5.6	8.9	-6.3	-38.2
Core Goods 2/	14.0	3.1	0.6	5.8	3.1	-3.6	4.1	-2.5	-5.1	-3.2	-5.1	-24.2
	Billions of Chained 2005 Dollars, s.a.a.r.											
Net Goods & Services	-732.6	-732.8	-756.5	-694.9	-705.0	-683.4	-638.4	-564.0	-550.9	-476.0	-479.2	-470.9
Exports of G&S	1388.8	1412.1	1414.1	1473.2	1485.9	1504.8	1569.9	1624.0	1623.4	1670.4	1655.2	1568.0
Imports of G&S	2121.3	2144.9	2170.5	2168.1	2190.8	2188.1	2208.3	2188.0	2174.3	2146.5	2134.4	2038.9
	Billions of dollars, s.a.a.r.											
US CURRENT ACCOUNT BALANCE	-794.6	-808.3	-859.2	-752.1	-796.4	-762.1	-686.5	-661.3	-717.2	-750.9	-736.7	-619.5
Current Account as % of GDP	-6.0	-6.1	-6.4	-5.5	-5.8	-5.4	-4.8	-4.6	-5.0	-5.2	-5.1	-4.3
Net Goods & Services (BOP)	-766.5	-764.7	-797.2	-713.1	-712.2	-710.2	-685.9	-697.4	-730.6	-731.4	-743.8	-578.0
Investment Income, Net	62.4	57.7	44.0	54.6	45.8	58.2	120.7	167.0	154.0	112.3	143.7	92.1
Direct, Net	173.9	175.2	163.1	183.9	186.7	204.4	252.7	303.0	284.6	241.9	268.0	205.1
Portfolio, Net	-111.5	-117.5	-119.1	-129.3	-140.9	-146.2	-132.0	-136.0	-130.6	-129.6	-124.2	-113.0
Other Inc. & Transfers, Net	-90.5	-101.3	-106.0	-93.6	-130.0	-110.1	-121.3	-130.9	-140.6	-131.8	-136.7	-133.6

1. Merchandise exports excluding computers and semiconductors.

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

March 10, 2010

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2009				2010				Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
	Percentage point contribution to GDP growth											
Net Goods & Services	2.6	1.7	-0.8	0.2	-0.1	0.0	-0.3	-0.1	-0.1	-0.0	-0.3	0.0
Exports of G&S	-4.0	-0.5	1.8	2.3	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.1
Imports of G&S	6.6	2.1	-2.6	-2.1	-1.2	-1.0	-1.4	-1.2	-1.2	-1.1	-1.3	-1.1
	Percentage change from previous period, s.a.a.r.											
Exports of G&S	-29.9	-4.1	17.8	22.4	9.9	8.4	8.8	9.3	9.0	8.7	8.7	8.5
Services	-13.6	0.1	5.6	1.4	4.7	5.2	6.2	6.8	6.8	6.5	6.6	6.9
Computers	-14.0	-10.8	26.5	34.8	16.2	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Semiconductors	-17.1	27.7	45.8	43.3	13.6	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Core Goods 1/	-38.3	-7.2	23.8	33.8	12.2	9.9	10.0	10.4	9.9	9.6	9.5	9.2
Imports of G&S	-36.4	-14.7	21.3	15.3	8.6	6.5	9.3	7.8	8.1	7.1	8.7	6.7
Services	-11.5	-7.5	7.0	-3.9	6.2	0.8	4.9	5.6	5.5	6.0	6.3	6.5
Oil	-15.9	-21.9	5.3	-31.1	-2.4	-6.5	2.8	-1.0	2.7	-3.6	3.6	-2.1
Natural Gas	5.9	-2.4	-1.9	-28.0	82.0	-31.7	51.4	-11.4	11.1	-36.5	48.2	-2.8
Computers	-22.3	24.7	60.0	116.1	17.0	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Semiconductors	-47.8	24.7	48.8	28.5	8.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Core Goods 2/	-46.7	-18.6	27.3	30.9	10.5	11.4	11.2	10.1	9.5	10.0	9.5	8.1
	Billions of Chained 2005 Dollars, s.a.a.r.											
Net Goods & Services	-386.5	-330.4	-357.4	-347.1	-349.3	-347.5	-357.1	-358.1	-361.7	-361.8	-369.6	-367.9
Exports of G&S	1434.5	1419.5	1478.8	1555.5	1592.8	1625.3	1660.0	1697.1	1733.9	1770.3	1807.4	1844.7
Imports of G&S	1821.0	1749.8	1836.2	1902.7	1942.1	1972.8	2017.0	2055.2	2095.6	2132.1	2177.0	2212.6
	Billions of dollars, s.a.a.r.											
US CURRENT ACCOUNT BALANCE	-417.7	-391.8	-432.0	-452.9	-461.9	-454.3	-468.6	-467.3	-488.0	-473.4	-488.3	-488.4
Current Account as % of GDP	-2.9	-2.8	-3.0	-3.1	-3.2	-3.1	-3.1	-3.1	-3.2	-3.1	-3.1	-3.1
Net Goods & Services (BOP)	-369.5	-324.8	-389.4	-439.0	-439.4	-446.7	-458.8	-463.5	-472.5	-473.4	-484.4	-484.0
Investment Income, Net	80.4	73.7	101.9	115.9	119.7	119.6	120.0	121.4	123.0	123.1	121.7	117.0
Direct, Net	204.8	190.9	205.6	215.6	218.5	222.4	224.0	228.3	232.4	237.8	244.2	250.6
Portfolio, Net	-124.4	-117.2	-103.7	-99.7	-98.8	-102.8	-104.0	-106.9	-109.5	-114.7	-122.4	-133.6
Other Inc. & Transfers, Net	-128.6	-140.7	-144.5	-129.8	-142.1	-127.2	-129.7	-125.2	-138.4	-123.1	-125.6	-121.4

1. Merchandise exports excluding computers and semiconductors.

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

## **Part 2**

March 10, 2010

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

---

## **Recent Developments**

March 10, 2010

## **Recent Developments**

---

---

## **Domestic Nonfinancial Developments**

---

## Changes in Employment

(Thousands of employees; seasonally adjusted)

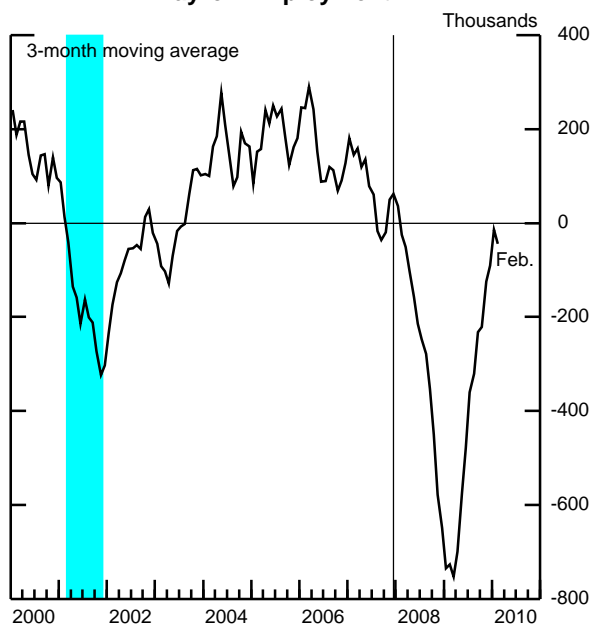
Measure and sector	2009	2009				2010	
		Q2	Q3	Q4	Dec.	Jan.	Feb.
	Average monthly change				Monthly change		
Nonfarm payroll employment (establishment survey)	-395	-477	-261	-90	-109	-26	-36
Private	-388	-478	-233	-90	-83	-33	-18
Natural resources and mining	-8	-12	-5	0	0	4	3
Manufacturing	-107	-143	-49	-33	-18	20	1
Ex. motor vehicles	-97	-118	-59	-33	-17	-7	11
Construction	-84	-88	-72	-39	-36	-77	-64
Residential	-32	-37	-22	-6	-2	-15	-11
Nonresidential	-52	-51	-50	-33	-35	-61	-54
Wholesale trade	-19	-20	-11	-5	-4	-16	-1
Retail trade	-42	-30	-39	-23	-15	42	0
Financial activities	-29	-37	-20	-9	-9	-13	-10
Temporary help services	-12	-38	-11	62	50	50	48
Nonbusiness services <sup>1</sup>	-6	7	18	-12	-3	23	33
Total government	-7	2	-28	0	-26	7	-18
Federal government	4	4	3	2	-9	27	7
Total employment (household survey)	-450	-272	-423	-325	-589	541	308
Memo:							
Aggregate hours (percent change) <sup>2</sup>							
All employees	-6.1	-8.8	-4.1	-1.5	-.4	.3	-.3
Production workers	-5.6	-8.0	-2.9	-1.4	.0	.3	-.6
Average workweek (hours) <sup>3</sup>							
All employees	33.9	33.9	33.8	33.8	33.8	33.9	33.8
Production workers	33.1	33.1	33.1	33.1	33.2	33.3	33.1
Manufacturing	39.8	39.5	39.9	40.3	40.5	40.7	40.3

1. Nonbusiness services comprises education and health, leisure and hospitality, and "other."

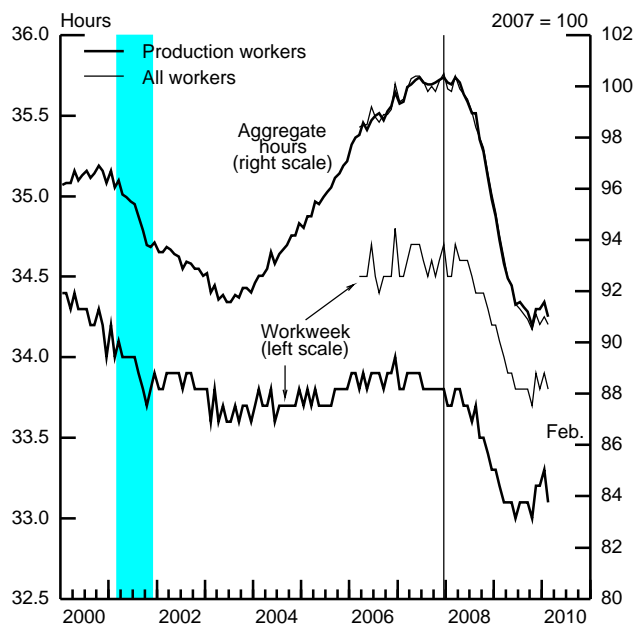
2. Establishment survey. Annual data are percent changes from Q4 to Q4. Quarterly data are percent changes from preceding quarter at an annual rate. Monthly data are percent changes from preceding month.

3. Establishment survey.

**Changes in Private Payroll Employment**



**Aggregate Hours and Workweek**



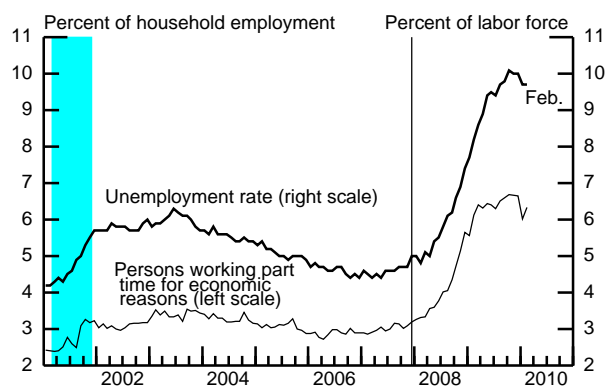
Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical lines represent the last business cycle peak as defined by the NBER.  
Source: U.S. Department of Labor, Bureau of Labor Statistics.

## Selected Unemployment and Labor Force Participation Rates

(Percent; seasonally adjusted)

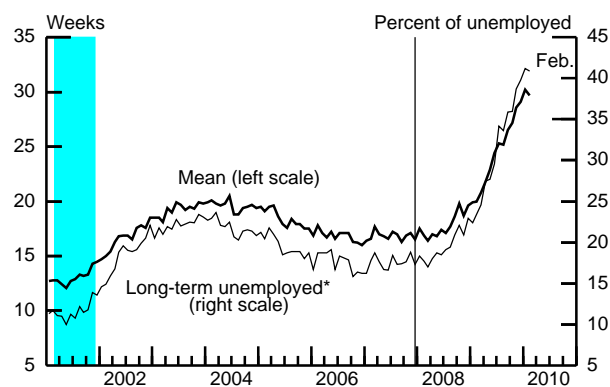
Rate and group	2009	2009				2010	
		Q2	Q3	Q4	Dec.	Jan.	Feb.
<i>Civilian unemployment rate</i>							
Total	9.3	9.3	9.7	10.0	10.0	9.7	9.7
Teenagers	24.3	23.1	25.4	27.2	27.1	26.4	25.0
20-24 years old	14.8	14.9	15.1	15.7	15.6	15.8	16.0
Men, 25 years and older	8.8	8.9	9.4	9.5	9.2	9.0	9.1
Women, 25 years and older	6.9	6.9	7.1	7.5	7.6	7.3	7.4
<i>Labor force participation rate</i>							
Total	65.4	65.7	65.3	64.9	64.6	64.7	64.8
Teenagers	37.5	38.3	37.4	35.8	35.6	35.2	35.1
20-24 years old	73.0	73.9	72.8	71.4	71.1	70.7	71.3
Men, 25 years and older	74.7	74.9	74.8	74.3	73.8	73.7	74.0
Women, 25 years and older	59.9	60.2	59.8	59.6	59.5	59.8	59.7

### Unemployment Rate and Persons Working Part Time for Economic Reasons



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

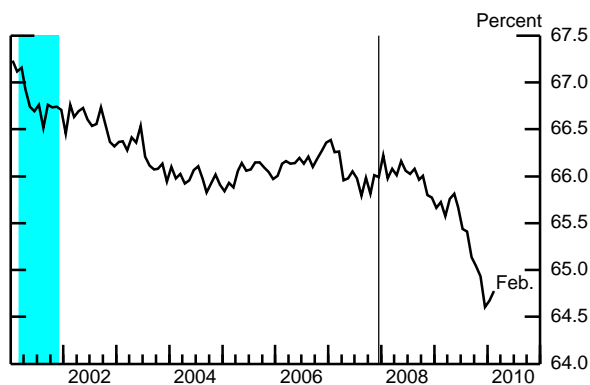
### Duration of Unemployment



\*Unemployed more than 26 weeks.

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

### Labor Force Participation Rate



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

### Job Losers Unemployed Less Than 5 Weeks



Note: Thick line is the 3-month moving average.

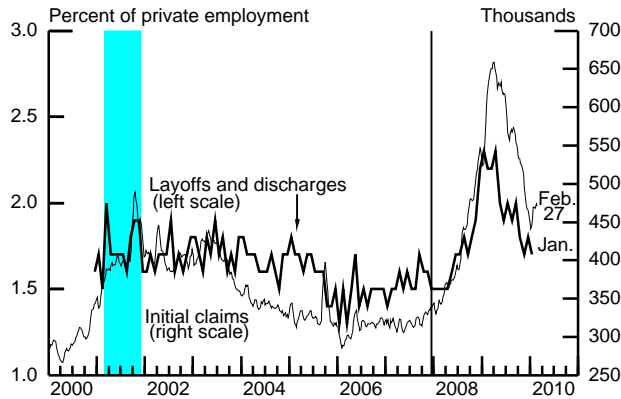
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical lines represent the last business cycle peak as defined by the NBER.



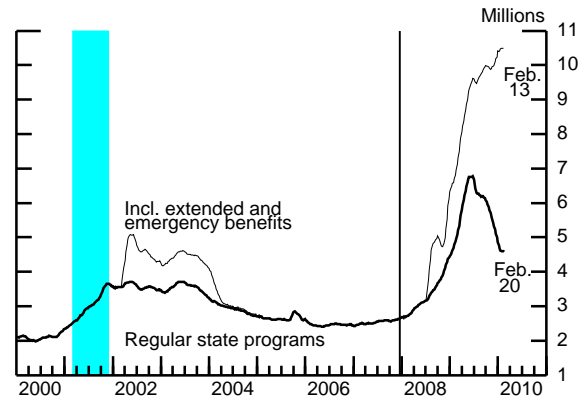
## Labor Market Indicators

### Layoffs and Initial Claims



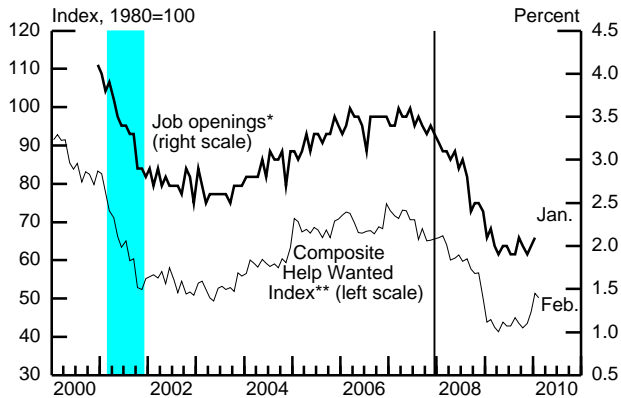
Note: Data for initial claims are 4-week moving averages.  
Source: For layoffs and discharges, Job Openings and Labor Turnover Survey; for initial claims, U.S. Dept. of Labor, Employment and Training Administration.

### Insured Unemployment



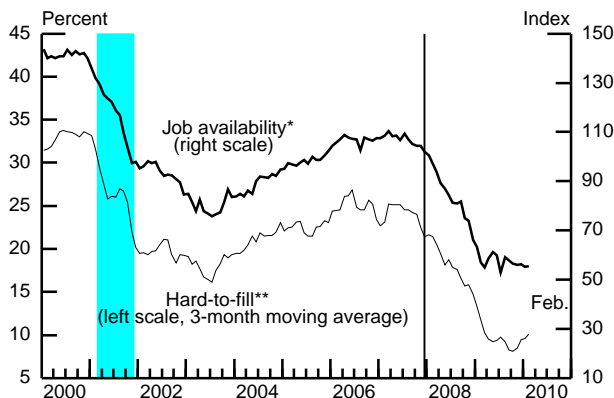
Note: 4-week moving averages.  
Source: U.S. Dept. of Labor, Employment and Training Administration.

### Job Openings



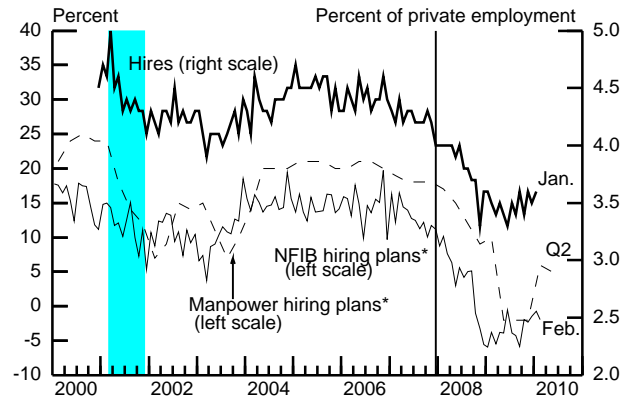
\*Percent of private employment plus job openings.  
\*\*Index of staff composite help-wanted advertising as a percent of payroll employment.  
Source: For job openings, Job Openings and Labor Turnover Survey; for Composite Help Wanted Index, Conference Board and staff calculations.

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



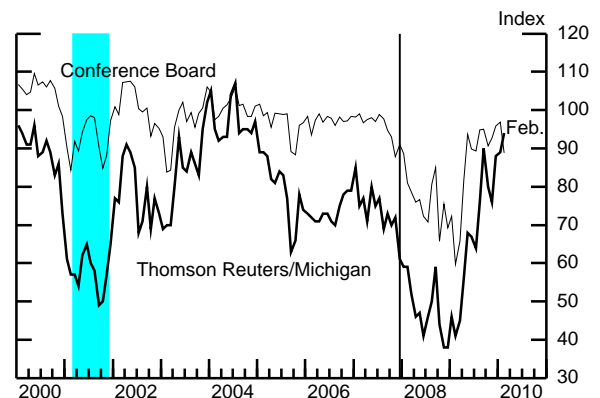
\*Proportion of households believing jobs are plentiful, minus the proportion believing jobs are hard to get, plus 100.  
\*\*Percent of small businesses surveyed with at least one "hard-to-fill" job opening. Seasonally adjusted by FRB staff.  
Source: For job availability, Conference Board; for hard-to-fill,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

### Hiring and Hiring Plans



\*Percent planning an increase in employment minus percent planning a reduction. Seasonally adjusted by FRB staff.  
Source: For hires, Job Openings and Labor Turnover Survey; for hiring plans, National Federation of Independent Business; Manpower, Inc.

### Expected Labor Market Conditions



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

Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical lines represent the last business cycle peak as defined by the NBER.

**Output per Hour**  
(Percent change from preceding period at an annual rate;  
seasonally adjusted)

Sector	2007:Q4 to 2008:Q4	2008:Q4 to 2009:Q4 <sup>1</sup>	2009			
			Q1	Q2	Q3	Q4 <sup>1</sup>
Nonfarm business						
All person	1.4	5.7	.9	7.6	7.8	6.5
All employees <sup>2</sup>	.9	6.3	1.7	8.5	7.7	7.4

1. Staff estimates.

2. Assumes that the growth rate of hours of non-employees equals the growth rate of hours of employees.

Source: For output, U.S. Dept. of Commerce, Bureau of Economic Analysis; for hours, U.S. Dept. of Labor, Bureau of Labor Statistics.

The recent data from the household survey also point to a bottoming out in the labor market. After dipping to 9.7 percent in January, the unemployment rate held steady in February, and the fraction of workers on part-time schedules for economic reasons remained below the levels of late 2009. In addition, the number of new job losers as a fraction of employment continued to drop, while unemployment durations—as gauged by the average length of unemployment spells and the share of the unemployed who have been out of work for more than 26 weeks—fell back a bit from their historic highs in January. The labor force participation rate has inched up over the past two months. Nonetheless, on net, participation has fallen steeply since mid-2009 in response to the scarcity of employment opportunities; indeed, individuals' perceptions of job availability from February's Conference Board survey remain quite negative.

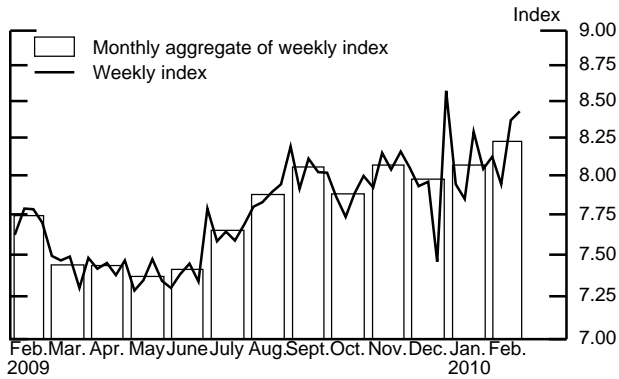
The message from other labor market indicators is mixed. After smoothing through the volatility induced by storms and various reporting problems, initial claims have risen a bit since the January Greenbook.<sup>3</sup> However, help-wanted advertising has risen noticeably of late, and readings on future hiring plans from the Manpower survey are up, on net, since the start of 2010. In contrast, information from JOLTS—the layoff, job openings, and hiring rates—indicates little recent improvement in labor market conditions. Both the number of firms with hard-to-fill positions and hiring plans as reported in the NFIB survey are also little changed since the end of last year. Households' expectations of future labor market conditions remain well above their lows from early 2009.

We estimate that output per hour of all persons in the nonfarm business sector rose at an annual rate of 6.5 percent in the fourth quarter of 2009—the result of a surge in output

<sup>3</sup> The continuing high level of initial claims, along with large numbers of unemployed individuals exhausting their regular benefits and shifting into emergency and extended benefits programs, has pushed up the total number of UI recipients to around 10½ million.

## Indicators of Industrial Activity

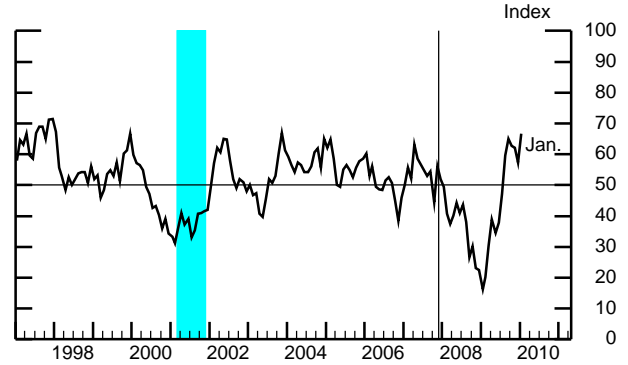
Weekly Production Index excluding Motor Vehicles and Electricity Generation



Note: One index point equals 1 percent of 2002 total industrial output.

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

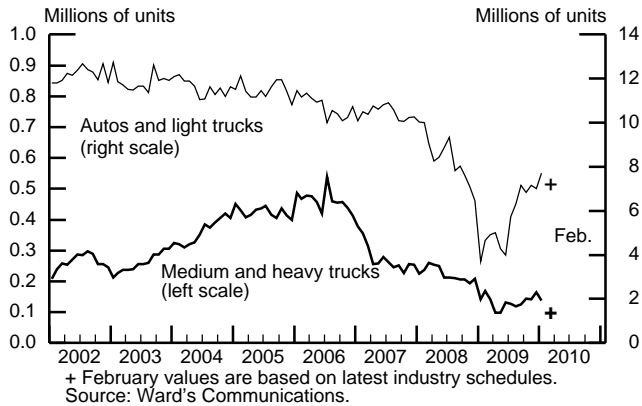
IP Diffusion Index



Note: The diffusion index equals the percentage of series that increased relative to 3 months earlier plus one-half the percentage that were unchanged.

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

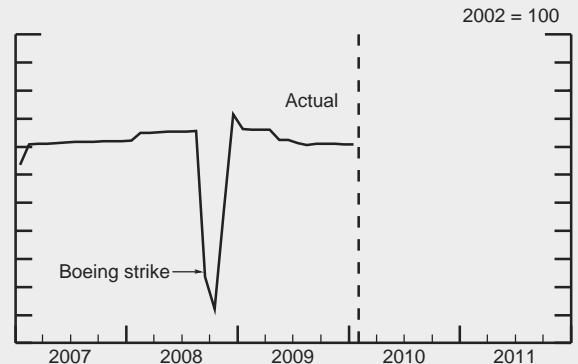
Motor Vehicle Assemblies



+ February values are based on latest industry schedules.

Source: Ward's Communications.

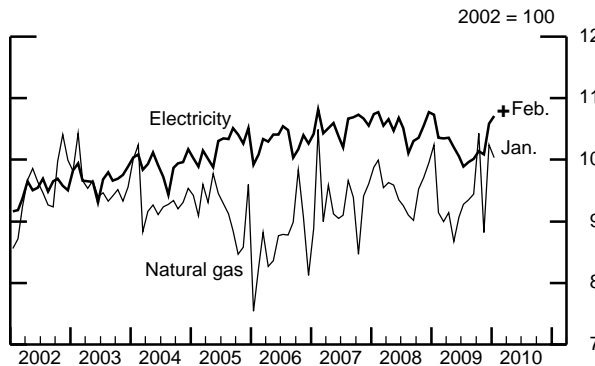
Boeing Commercial Aircraft Completions: Actual



Note: 1998 price-weighted index. Actual completions equal deliveries plus the change in the stock of finished aircraft.

Source: Boeing.

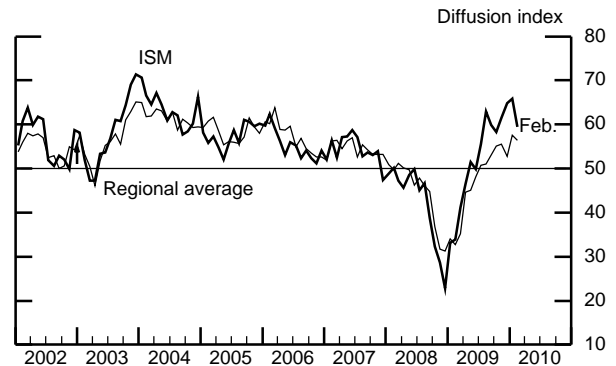
Utilities Output



+February value for electricity generation is based on weekly generation data from the Edison Electrical Institute (EEI).

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

ISM Diffusion Index and Average of Regional New Orders Diffusion Indexes



Note: Regional average consists of new orders indexes from the Chicago, Dallas, Kansas City, New York, Philadelphia, and Richmond surveys.

Source: Institute for Supply Management (ISM); Federal Reserve.

Content partially redacted.

Note: The shaded bar indicates a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical line represents the last business cycle peak as defined by the NBER.

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

Item	2009		2010		2009		2010	
	Q3	Q4	Q1	Q2	Nov.	Dec.	Jan.	Feb.
U.S. production <sup>1</sup>	6.4	7.0	7.4	7.4	7.2	7.0	7.7	7.2
Autos	2.5	2.8	3.0	3.2	2.7	2.8	2.9	3.0
Light trucks	3.9	4.2	4.5	4.2	4.4	4.2	4.8	4.2
Days' supply <sup>2</sup>	50	53	n.a.	n.a.	55	51	58	63
Autos	46	51	n.a.	n.a.	54	48	54	58
Light trucks	55	55	n.a.	n.a.	55	55	61	66
Inventories <sup>3</sup>	1.38	1.43	n.a.	n.a.	1.48	1.43	1.53	1.60
Autos	.63	.65	n.a.	n.a.	.67	.65	.67	.71
Light trucks	.75	.79	n.a.	n.a.	.81	.79	.86	.89
Memo: U.S. production, total motor vehicles <sup>4</sup>	6.5	7.2	7.6	7.6	7.3	7.2	7.8	7.3

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

1. Production rates for February and the first and second quarters of 2010 reflect the latest industry schedules.

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

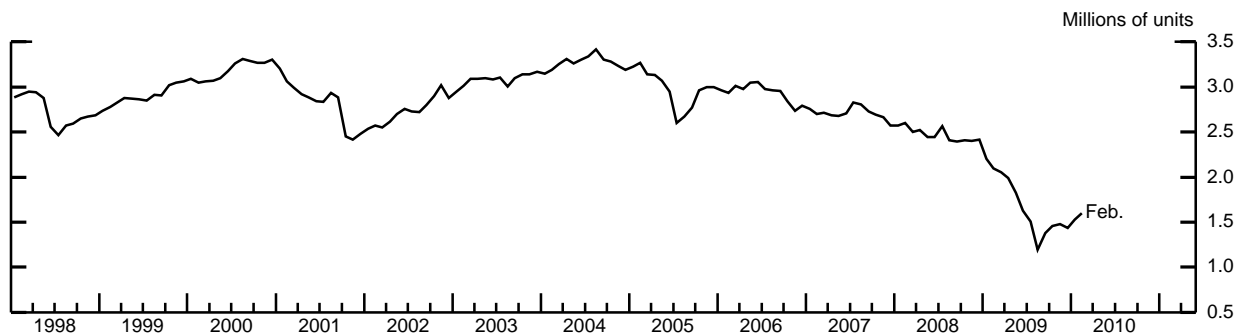
3. End-of-period stocks.

4. Includes medium and heavy trucks.

n.a. Not available.

Source: Ward's Communications.

**Inventories of Light Vehicles**



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

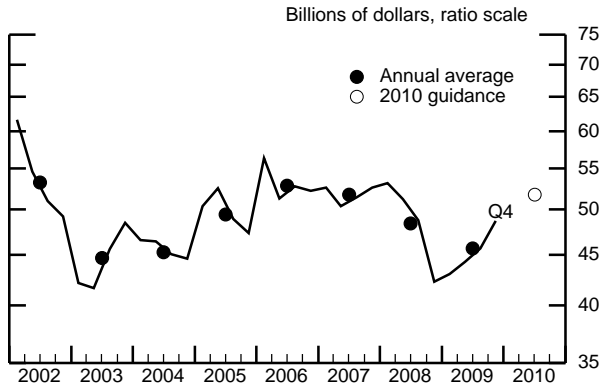
**Days' Supply of Light Vehicles**



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

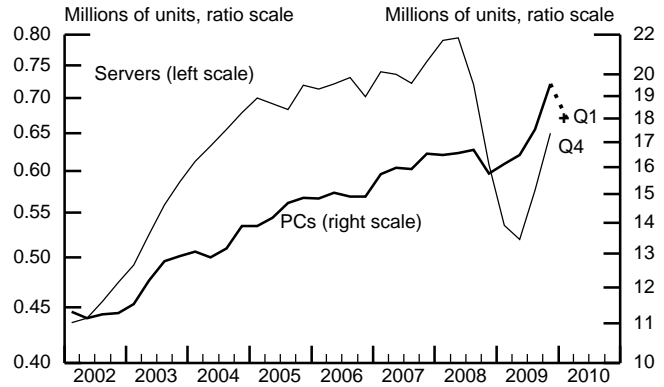
## Indicators of High-Tech Manufacturing Activity

Capital Expenditures by Selected Telecommunications Service Providers



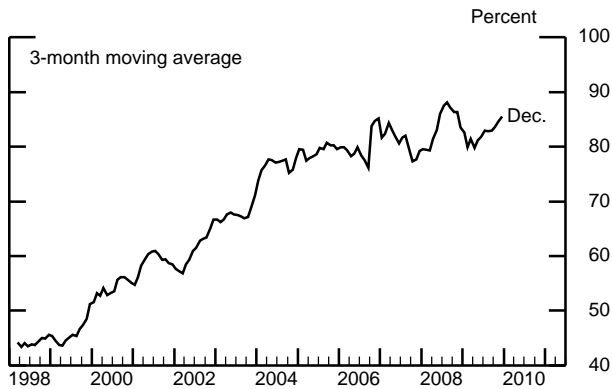
Note: FRB seasonals. Includes 11 North American service providers. 2010 outlook based on guidance from companies representing 89 percent of total capital expenditures in 2009.  
Source: Dell'Oro Group.

U.S. Personal Computer and Server Absorption



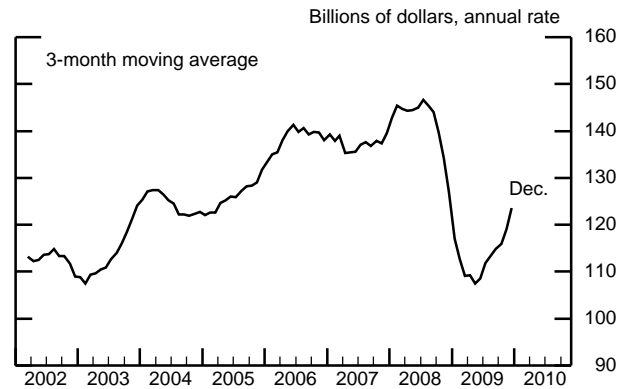
Note: FRB seasonals.  
+ Q1 PC units are from the PC forecast data release.  
Source: IDC.

Import Penetration for Computer and Peripheral Equipment



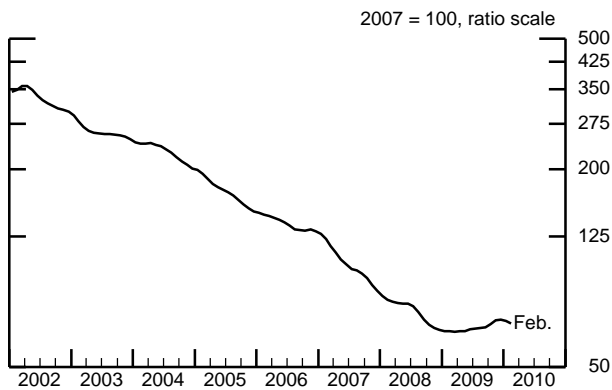
Note: Nominal imports relative to domestic absorption (shipments minus net exports plus change in inventories).  
Source: FRB staff calculation.

High-Tech Exports



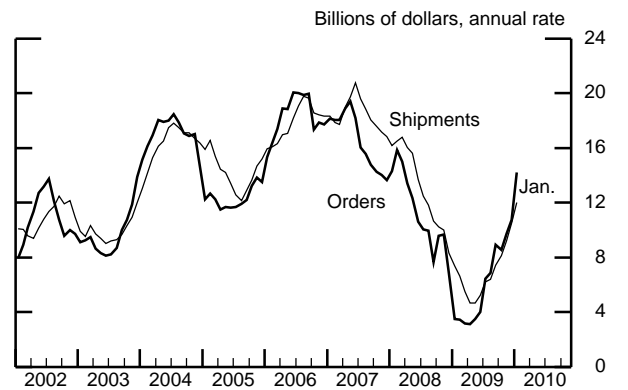
Note: Includes semiconductors and related equipment, communications equipment, and computers and peripherals.  
Source: U.S. International Trade Commission.

Global Semiconductor Prices



Source: FRB constant quality price index.

Semiconductor Manufacturing Equipment Orders and Shipments



Note: FRB seasonals. North American headquartered manufacturers.  
Source: SEMI's Book-to-Bill Report.

### Real Personal Consumption Expenditures

(Percent change from preceding comparable period)

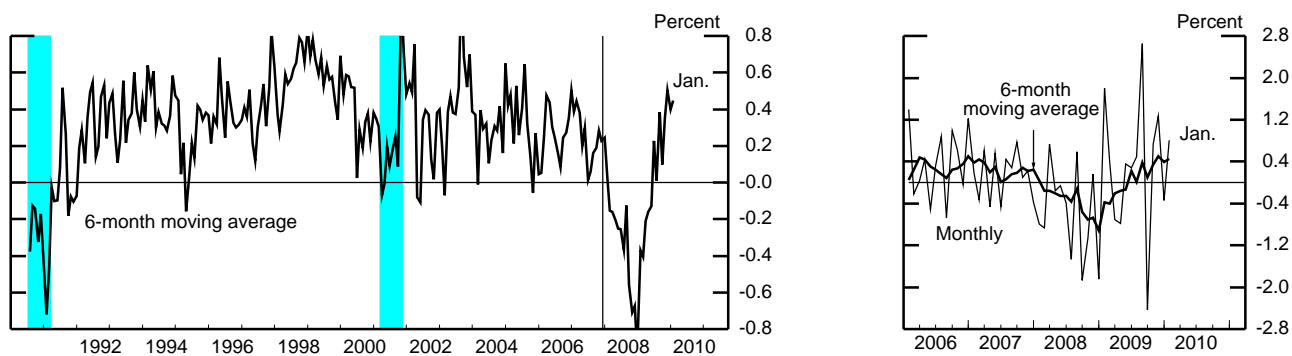
Category	2009			2009		2010
	Q2	Q3	Q4	Nov.	Dec.	Jan.
	Annual rate			Monthly rate		
<b>Total real PCE</b>	<b>-9</b>	<b>2.8</b>	<b>1.7</b>	<b>.4</b>	<b>.1</b>	<b>.3</b>
Motor vehicles	-6.2	53.9	-24.0	3.0	1.8	-1.5
Goods ex. motor vehicles	-2.8	3.8	5.6	1.1	-.5	1.0
Services	.2	.8	1.2	-.1	.3	.1
Ex. energy	.7	.8	.7	.1	.2	.1
Memo:						
Real PCE control <sup>1</sup>	-2.5	3.2	6.1	1.1	-.3	.8
Nominal retail control <sup>2</sup>	-2.1	1.4	5.4	.9	-.3	.8

1. Durables excluding motor vehicles, nondurables excluding gasoline, and food services.

2. Total sales less outlays at building material and supply stores, automobile and other motor vehicle dealers, and gasoline stations.

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

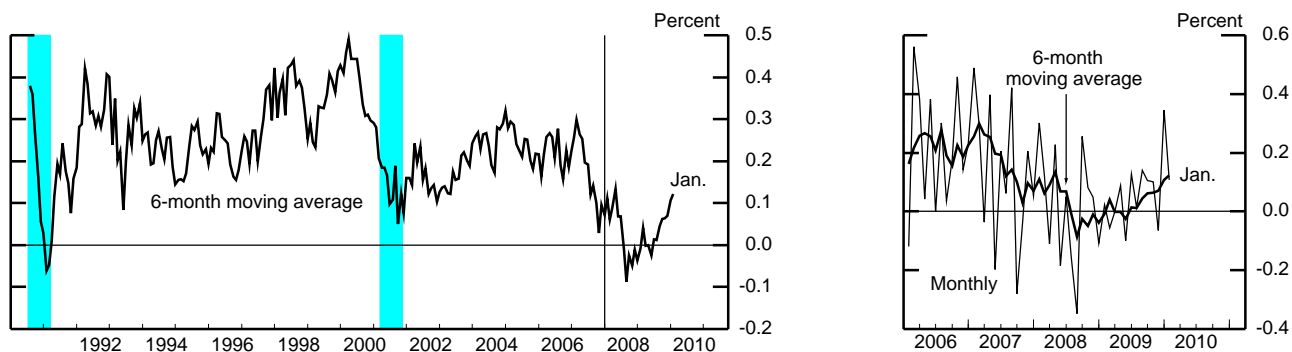
### Change in Real PCE Goods



Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical line represents the last business cycle peak as defined by the NBER.

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

### Change in Real PCE Services



Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical line represents the last business cycle peak as defined by the NBER.

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

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

Category	2009	2009				2010	
		Q2	Q3	Q4	Dec.	Jan.	Feb.
Total	10.3	9.6	11.5	10.8	11.2	10.8	10.3
Autos	5.4	4.9	6.4	5.7	5.9	5.7	5.4
Light trucks	4.9	4.7	5.1	5.2	5.3	5.1	4.9
North American <sup>1</sup>	7.6	7.1	8.4	8.2	8.6	8.1	7.9
Autos	3.6	3.2	4.2	3.9	4.1	3.8	3.7
Light trucks	4.0	3.9	4.2	4.4	4.4	4.3	4.1
Foreign-produced	2.7	2.4	3.1	2.6	2.6	2.6	2.5
Autos	1.8	1.6	2.1	1.8	1.8	1.9	1.7
Light trucks	.9	.8	.9	.8	.8	.8	.8
Memo: Detroit Three market share (percent) <sup>2</sup>	44.7	46.8	43.1	45.0	45.3	45.7	46.3

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

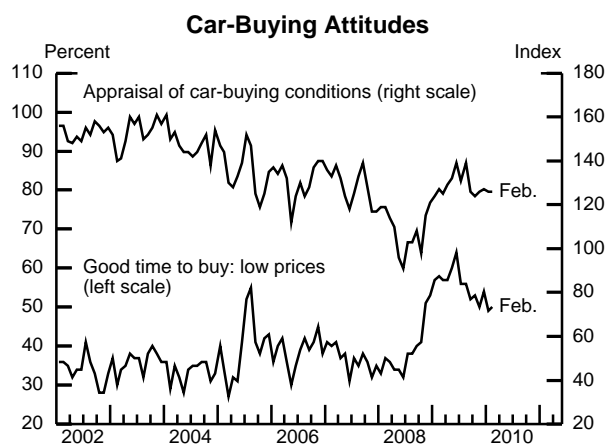
1. Excludes some vehicles produced in Canada that are classified as imports by the industry.

2. Includes domestic and foreign brands affiliated with the Detroit Three.

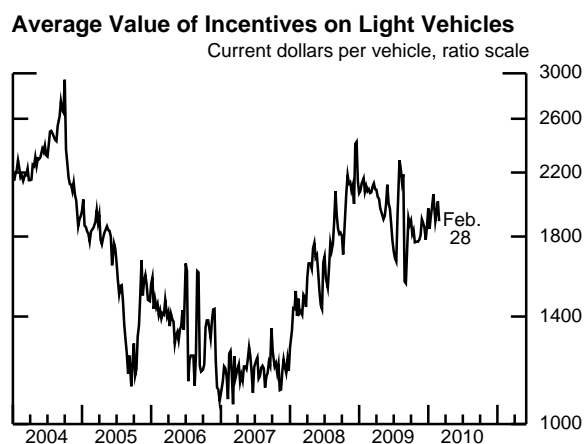
Source: Ward's Communications. Adjusted using FRB seasonals.

Content redacted.

Content redacted.



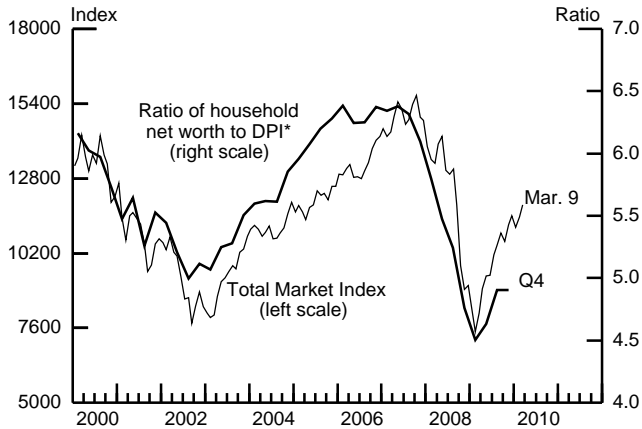
Source: Thomson Reuters/University of Michigan Surveys of Consumers.



Note: Weekly weighted average of customer cash rebate and the present value of interest rate reduction.  
Source: J.D. Power and Associates. Adjusted using FRB seasonals.

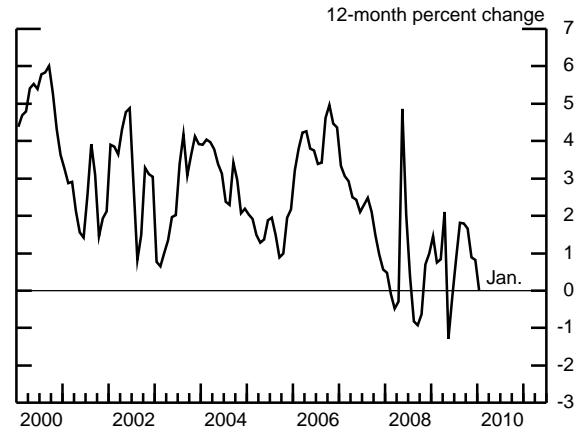
## Fundamentals of Household Spending

Household Net Worth  
and Dow Jones Total Market Index



\* The value for 2004:Q4 excludes the effect on income of the one-time Microsoft dividend in December 2004.  
Source: Federal Reserve Board; U.S. Department of Commerce, Bureau of Economic Analysis; *Wall Street Journal*.

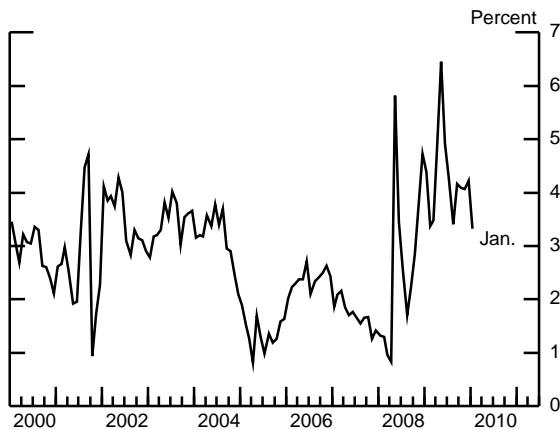
Change in Real Disposable Personal Income



Note: Values for December 2004 and December 2005 exclude the effect on income of the one-time Microsoft dividend in December 2004.

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

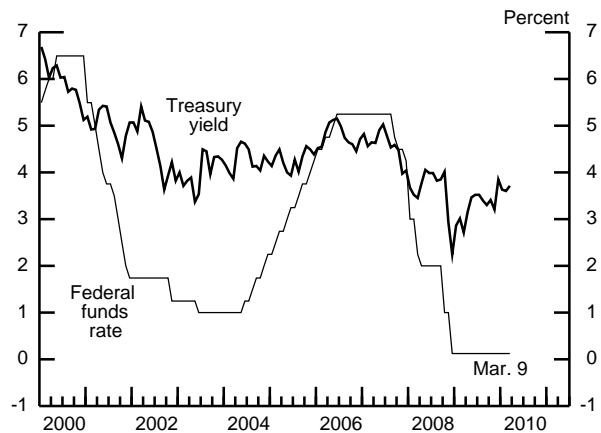
Personal Saving Rate



Note: The value for December 2004 excludes the effect on income of the one-time Microsoft dividend in that month.

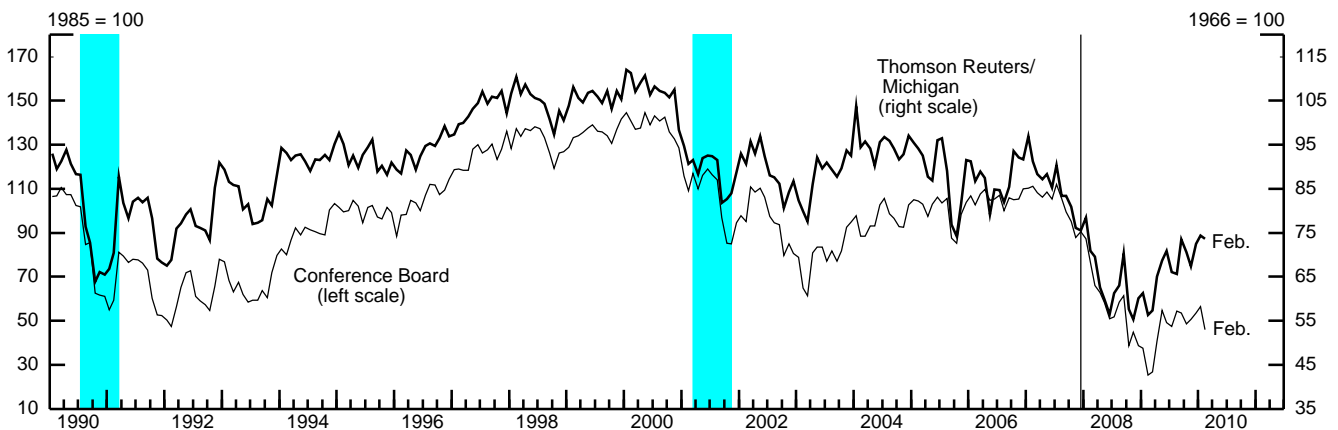
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Target Federal Funds Rate  
and 10-Year Treasury Yield



Source: Federal Reserve Board.

Consumer Confidence



Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical line represents the last business cycle peak as defined by the NBER.

Source: Thomson Reuters/University of Michigan Surveys of Consumers; Conference Board.



### Private Housing Activity

(Millions of units, seasonally adjusted; annual rate except as noted)

Sector	2009	2009				2010
		Q3	Q4	Nov.	Dec.	Jan.
<i>All units</i>						
Starts	.55	.59	.56	.58	.58	.59
Permits	.57	.57	.60	.59	.65	.62
<i>Single-family units</i>						
Starts	.45	.50	.48	.49	.48	.48
Permits	.44	.46	.47	.47	.51	.50
Adjusted permits <sup>1</sup>	.44	.48	.49	.49	.52	.52
New homes						
Sales	.37	.41	.37	.36	.35	.31
Months' supply <sup>2</sup>	9.12	7.72	7.71	7.82	8.03	9.09
Existing homes						
Sales	4.57	4.65	5.23	5.71	4.76	4.43
Months' supply <sup>2</sup>	8.34	8.06	6.89	6.26	7.62	8.15
<i>Multifamily units</i>						
Starts	.11	.09	.08	.09	.10	.11
Built for rent	.09	.08	.06	n.a.	n.a.	n.a.
Built for sale	.02	.01	.02	n.a.	n.a.	n.a.
Permits	.14	.11	.12	.12	.15	.12
<i>Condos and co-ops</i>						
Existing home sales	.59	.63	.73	.78	.68	.62

1. Adjusted permits equal permit issuance plus total starts outside of permit-issuing areas.

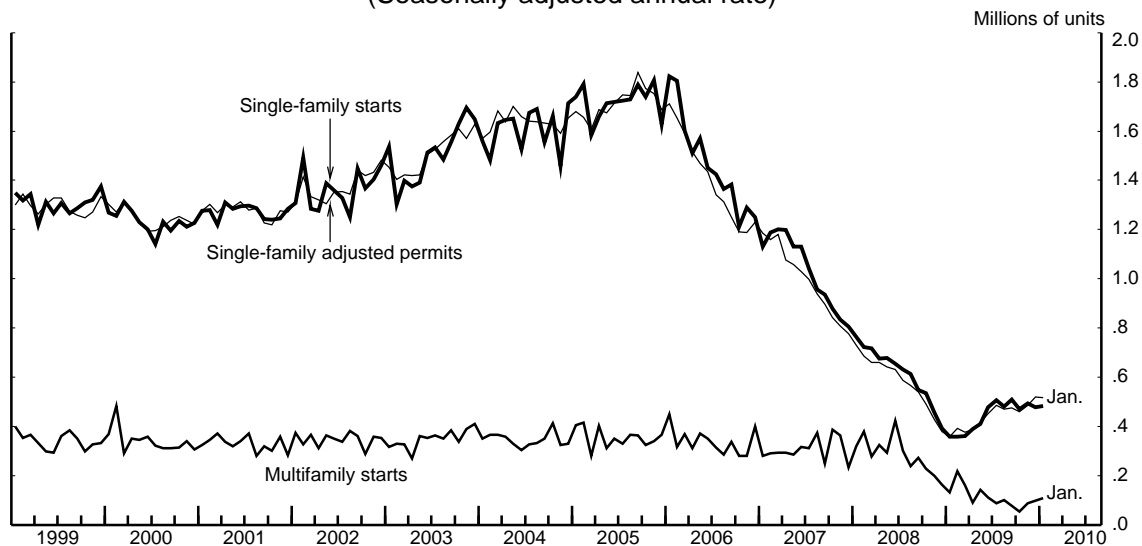
2. At current sales rate; expressed as the ratio of seasonally adjusted inventories to seasonally adjusted sales. Quarterly and annual figures are averages of monthly figures.

n.a. Not available.

Source: Census Bureau.

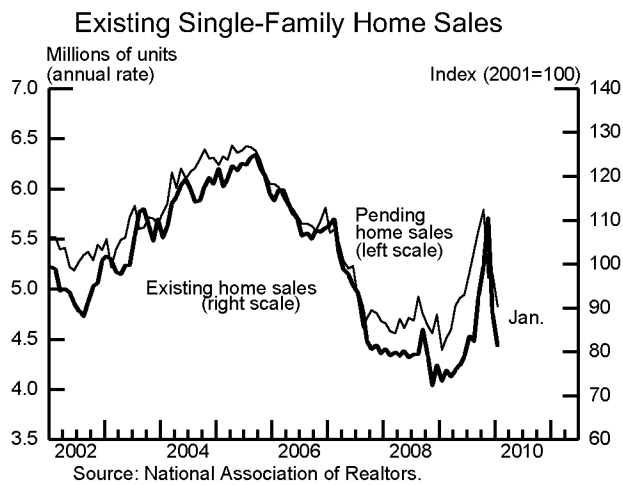
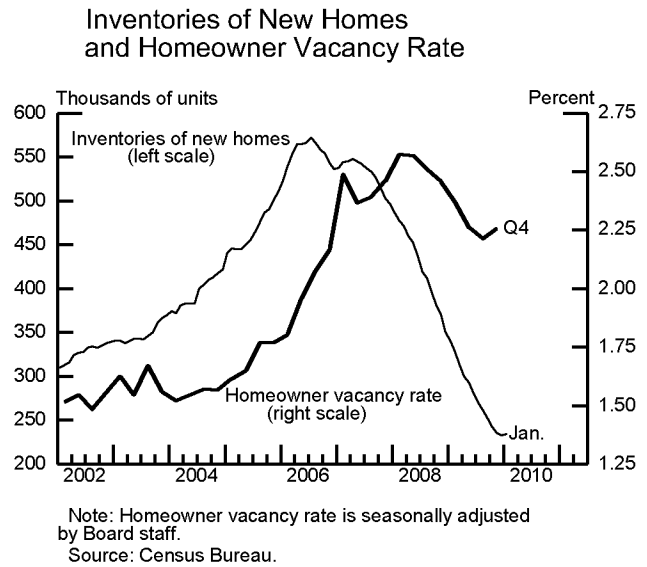
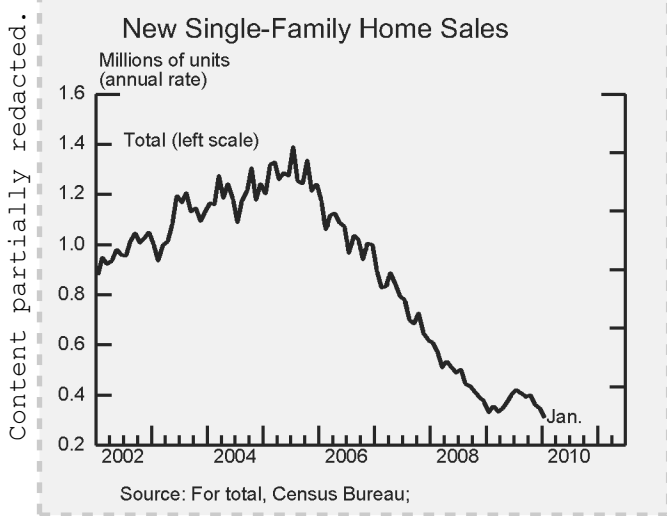
### Private Housing Starts and Permits

(Seasonally adjusted annual rate)

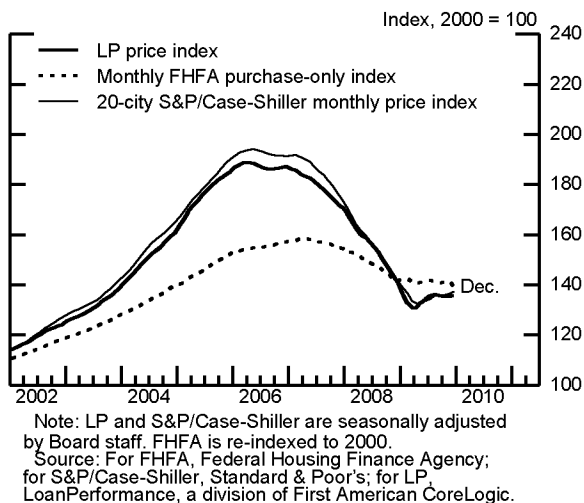


Note: Adjusted permits equal permit issuance plus total starts outside of permit-issuing areas.  
Source: Census Bureau.

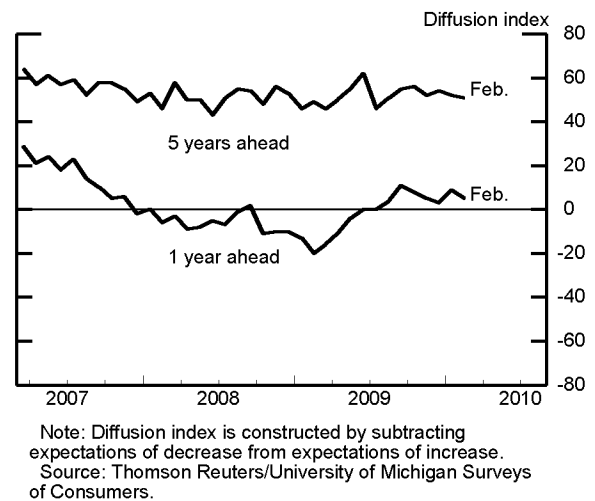
## Indicators of Single-Family Housing



### Prices of Existing Homes



### House Price Expectations



## Orders and Shipments of Nondefense Capital Goods

(Percent change; seasonally adjusted current dollars)

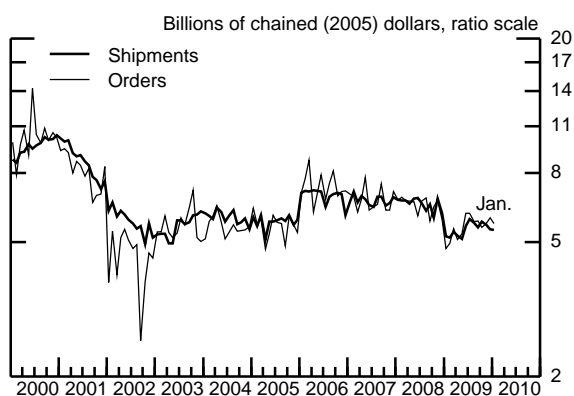
Category	2009				2010
	Q3	Q4	Nov.	Dec.	Jan.
	Annual rate		Monthly rate		
Shipments	3.8	9.0	1.1	4.1	-4.0
Excluding aircraft	2.2	8.7	1.6	2.3	-1.7
Computers and peripherals	.1	22.0	2.5	2.2	7.9
Communications equipment	33.5	-5.0	-2.2	-3.0	.2
All other categories <sup>1</sup>	-.2	8.8	1.9	2.8	-2.8
Orders	28.6	1.6	-3.0	2.2	3.1
Excluding aircraft	14.1	13.5	3.2	3.0	-4.1
Computers and peripherals	5.5	26.4	7.7	.4	-6.9
Communications equipment	31.2	-10.4	2.6	3.7	-3.4
All other categories <sup>1</sup>	13.4	14.9	2.8	3.3	-3.9
Memo: Shipments of complete aircraft <sup>2</sup>	36.4	39.8	37.0	48.3	32.1

1. Excludes most terrestrial transportation equipment.

2. From Census Bureau, Current Industrial Reports; billions of dollars, annual rate.

Source: Census Bureau.

### Communications Equipment



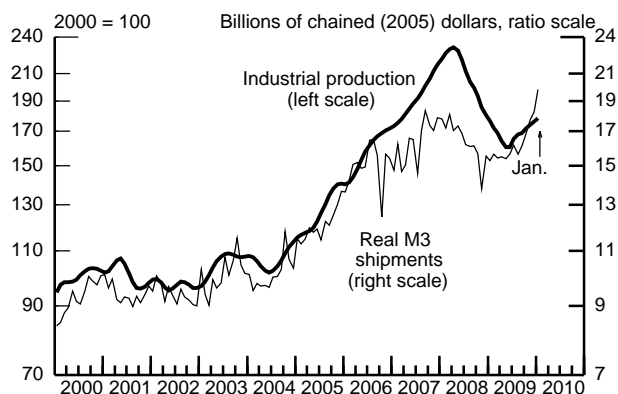
Note: Shipments and orders are deflated by a price index that is derived from the quality-adjusted price indexes of the Bureau of Economic Analysis and uses the producer price index for communications equipment for monthly interpolation.  
Source: Census Bureau.

### Non-High-Tech, Nontransportation Equipment



Note: Shipments and orders are deflated by the staff price indexes for the individual equipment types included in this category. Indexes are derived from the quality-adjusted price indexes of the Bureau of Economic Analysis.  
Source: Census Bureau.

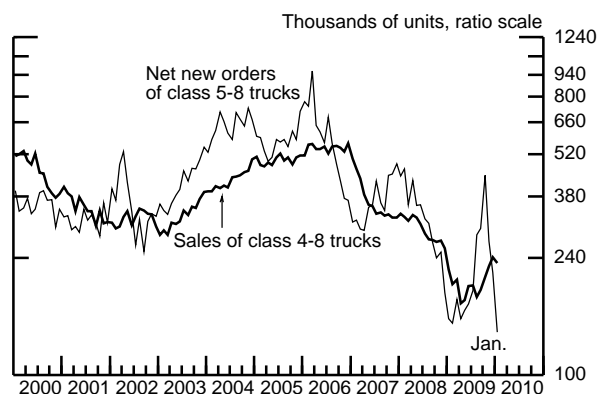
### Computers and Peripherals



Note: Shipments are deflated by the staff price index for computers and peripheral equipment, which is derived from the quality-adjusted price indexes of the Bureau of Economic Analysis.

Source: Census Bureau; FRB Industrial Production.

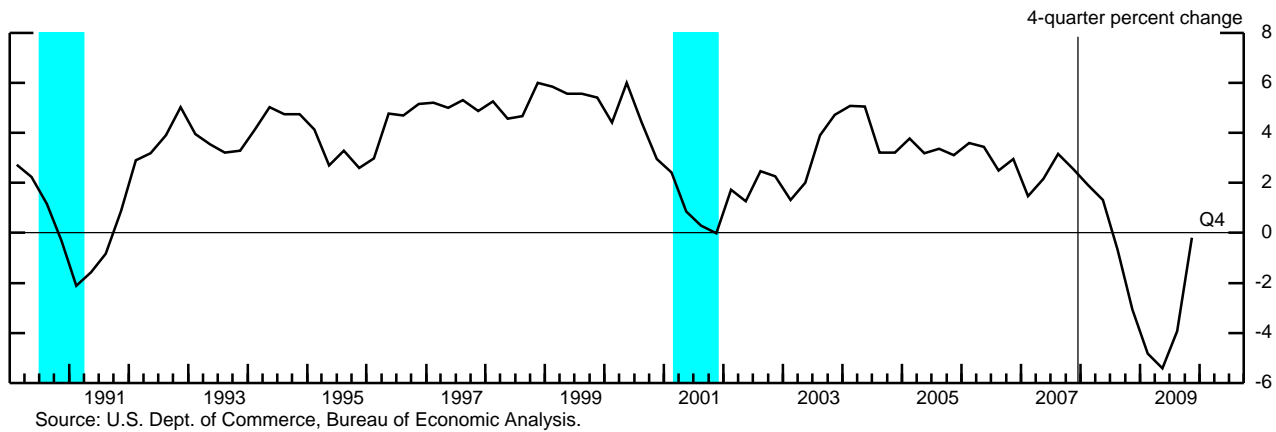
### Medium and Heavy Trucks



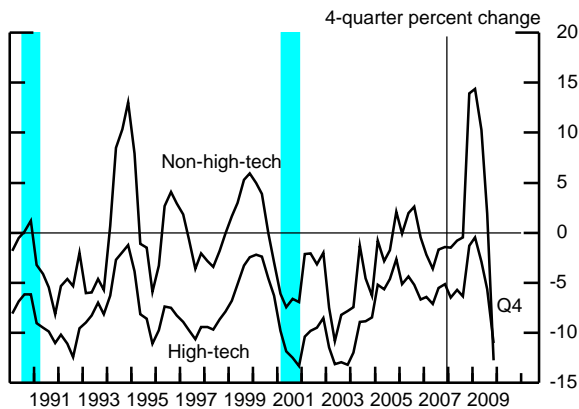
Note: Annual rate, FRB seasonals.  
Source: For sales, Ward's Communications; for orders, ACT Research.

## Fundamentals of Equipment and Software Investment

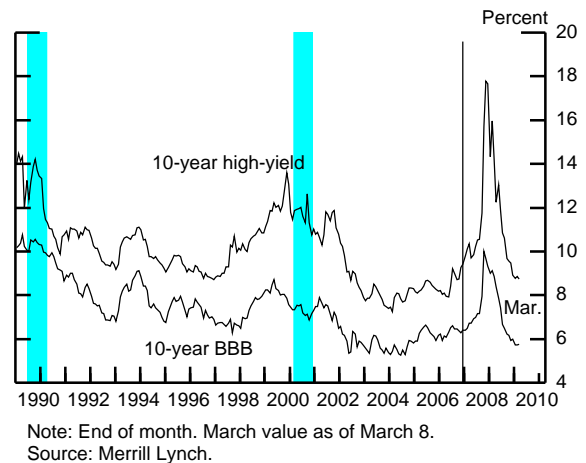
Real Business Output



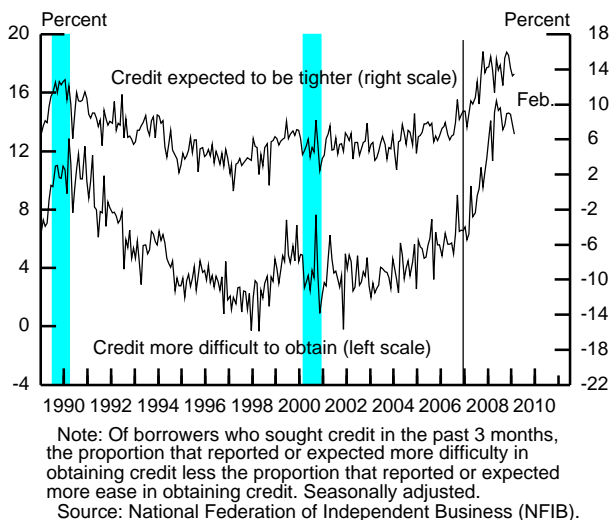
User Cost of Capital



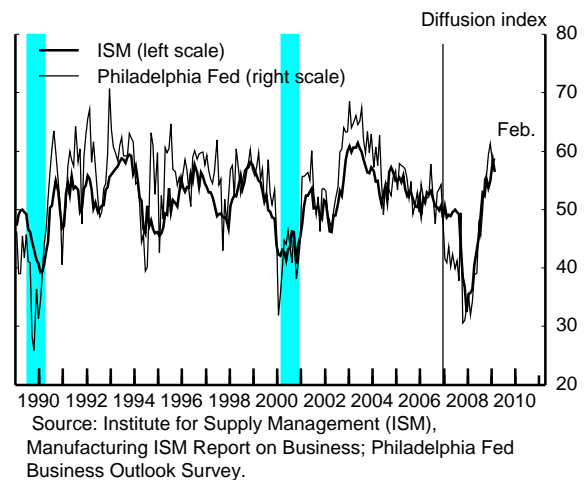
Corporate Bond Yields



NFIB: Survey on Loan Availability



Surveys of Business Conditions

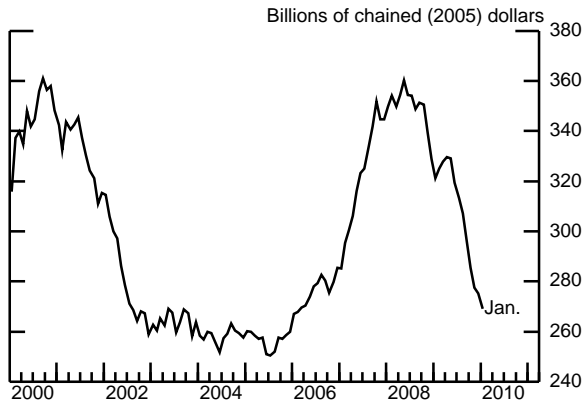


Note: Shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical lines represent the last business cycle peak as defined by the NBER.

## Nonresidential Construction and Indicators

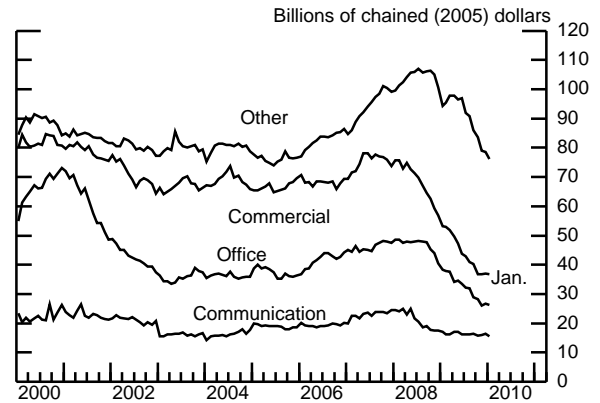
(All spending series are seasonally adjusted at an annual rate; nominal CPIP deflated by BEA prices through Q3 and by staff projection thereafter)

### Total Structures



Source: Census Bureau.

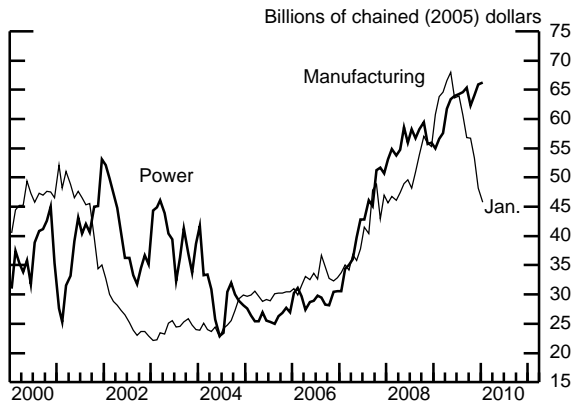
### Office, Commercial, Communication, and Other



Note: Other consists of structures for religious organizations, education, lodging, amusement and recreation, transportation, and health care.

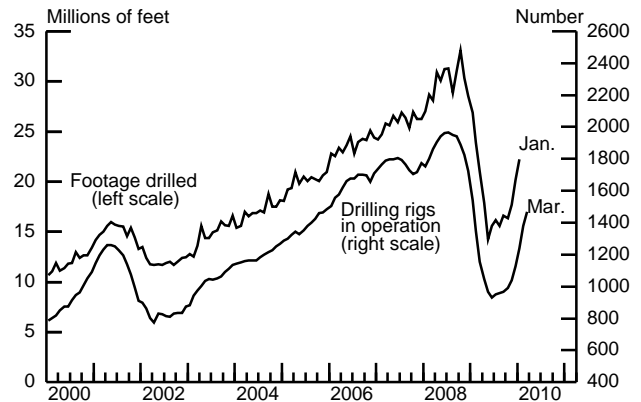
Source: Census Bureau.

### Manufacturing and Power



Source: Census Bureau.

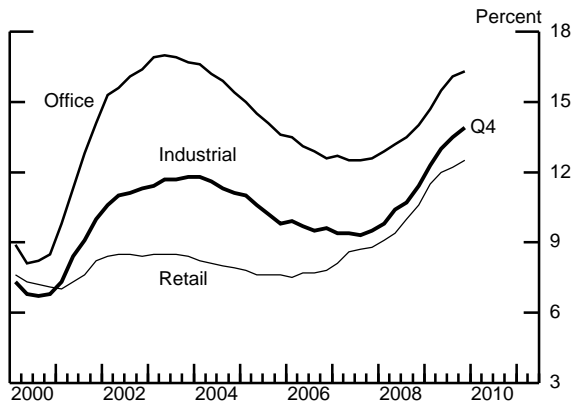
### Drilling and Mining Indicators



Note: The March readings for drilling rigs are based on data through March 5, 2010. Both series are seasonally adjusted by FRB staff.

Source: For footage drilled, U.S. Department of Energy, Energy Information Agency; for drilling rigs, Baker Hughes.

### Vacancy Rates

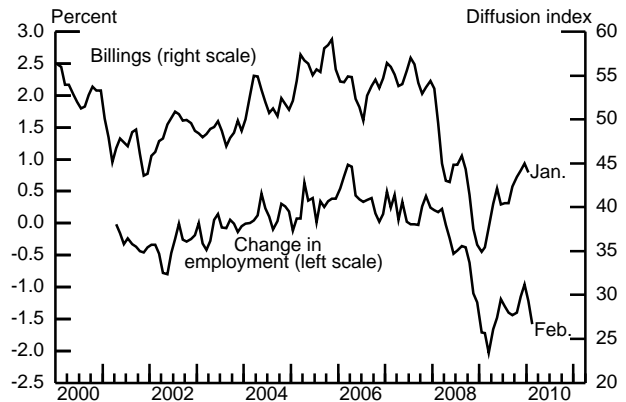


Note: Industrial space includes both manufacturing structures and warehouses.

p Preliminary.

Source: Torto Wheaton Research.

### Architectural Billings and Nonresidential Construction Employment



Note: Both series are 3-month moving averages.

Employment consists of industrial, commercial, and specialty trade construction.

Source: For billings, American Institute of Architects; for employment, U.S. Department of Labor, Bureau of Labor Statistics.

**Nonfarm Inventory Investment**  
(Billions of dollars; seasonally adjusted annual rate)

Measure and sector	2009					2010
	Q2	Q3	Q4	Nov.	Dec.	Jan.
<i>Real inventory investment</i> (chained 2005 dollars)						
<b>Total nonfarm business</b>	<b>-163.1</b>	<b>-141.4</b>	<b>-13.5<sup>e</sup></b>	...	...	...
Motor vehicles	-48.1	-4.6	20.9 <sup>e</sup>	...	...	...
Nonfarm ex. motor vehicles	-115.1	-136.9	-34.5 <sup>e</sup>	...	...	...
<b>Manufacturing and trade ex. wholesale and retail motor vehicles and parts</b>	<b>-110.9</b>	<b>-129.3</b>	<b>-17.8<sup>e</sup></b>	<b>17.4<sup>e</sup></b>	<b>-62.8<sup>e</sup></b>	<b>n.a.</b>
Manufacturing	-39.8	-55.3	-5.3 <sup>e</sup>	-1.9 <sup>e</sup>	-19.6 <sup>e</sup>	n.a.
Wholesale trade ex. motor vehicles & parts	-52.5	-51.9	-1.4 <sup>e</sup>	39.6 <sup>e</sup>	-42.2 <sup>e</sup>	n.a.
Retail trade ex. motor vehicles & parts	-18.6	-22.1	-11.2	-20.2	-1.1	n.a.
<i>Book-value inventory investment</i> (current dollars)						
<b>Manufacturing and trade ex. wholesale and retail motor vehicles and parts</b>	<b>-152.6</b>	<b>-124.7</b>	<b>23.2</b>	<b>74.0</b>	<b>-37.5</b>	<b>n.a.</b>
Manufacturing	-66.0	-49.8	7.5	10.5	-10.0	9.0
Wholesale trade ex. motor vehicles & parts	-62.9	-50.7	19.3	74.3	-36.3	-7.0
Retail trade ex. motor vehicles & parts	-23.7	-24.2	-3.6	-10.7	8.8	n.a.

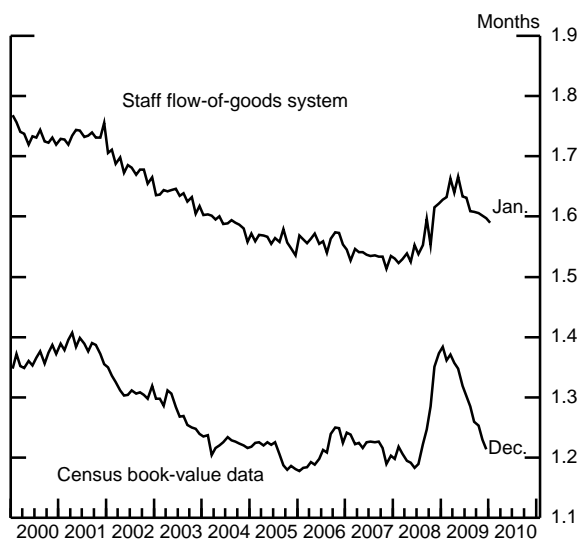
n.a. Not available.

... Not applicable.

<sup>e</sup> Staff estimate of real inventory investment based on revised book-value data.

Source: For real inventory investment, U.S. Dept. of Commerce, Bureau of Economic Analysis; for book-value data, Census Bureau.

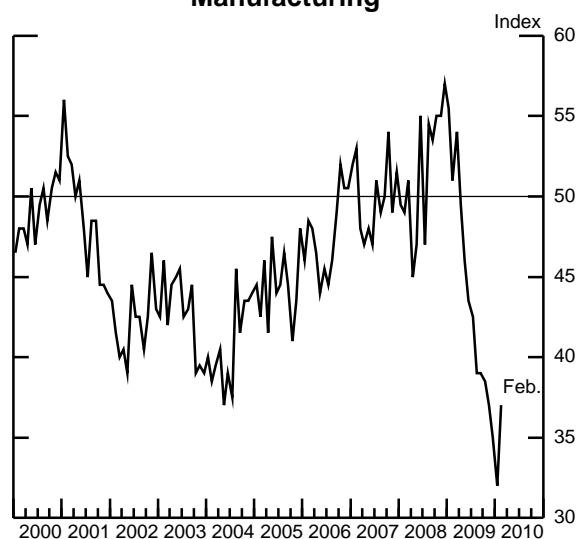
**Inventory Ratios ex. Motor Vehicles**



Note: Flow-of-goods system covers total industry ex. motor vehicles and parts, and inventories are relative to consumption. Census data cover manufacturing and trade ex. motor vehicles and parts, and inventories are relative to sales.

Source: Census Bureau; staff calculation.

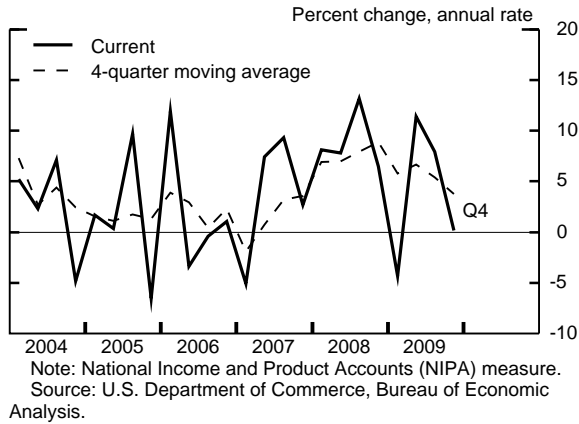
**ISM Customers' Inventories: Manufacturing**



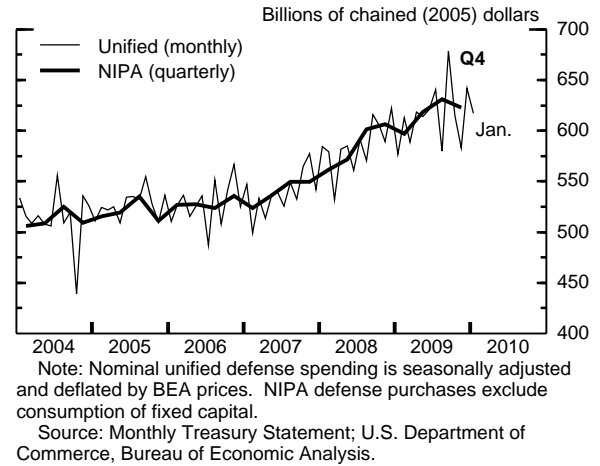
Note: A number below 50 indicates inventories are "too low."  
Source: Institute for Supply Management (ISM), Manufacturing ISM Report on Business.

## Federal Government Indicators

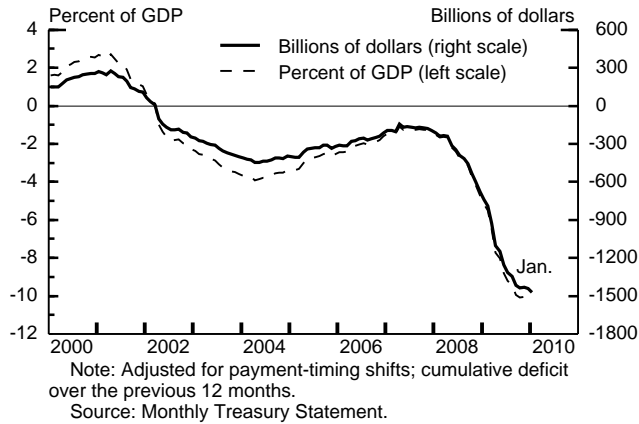
### Total Real Federal Purchases



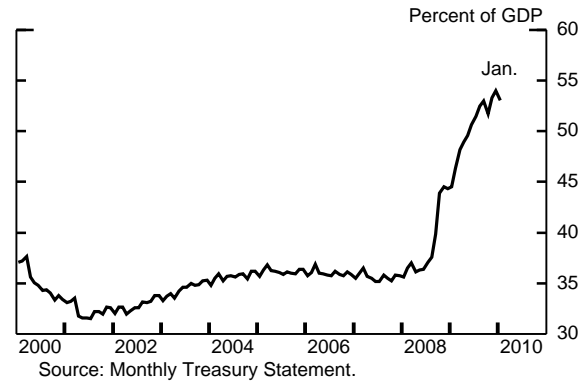
### Real Defense Spending



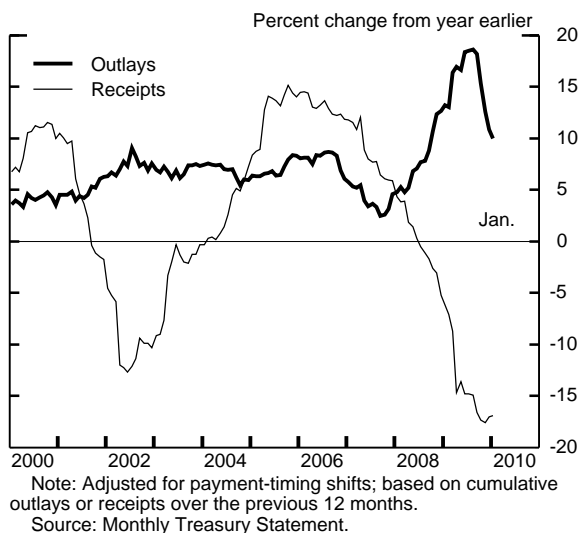
### Unified Budget Deficit



### Federal Debt Held by the Public



### Unified Outlays and Receipts



### Recent Unified Federal Outlays and Receipts

Function or source	Oct. 2009-Jan. 2010	
	Billions of dollars	Percent change*
Outlays	1124	-2.3
National defense	235	3.8
Major transfers <sup>1</sup>	651	14.9
Other primary spending	168	-43.0
Net interest	70	12.2
Receipts	693	-10.4
Individual income and payroll taxes	580	-11.5
Corporate income taxes	37	-32.3
Other	76	19.5
Deficit (-)	-431	14.5

Note: Adjusted for payment-timing shifts.

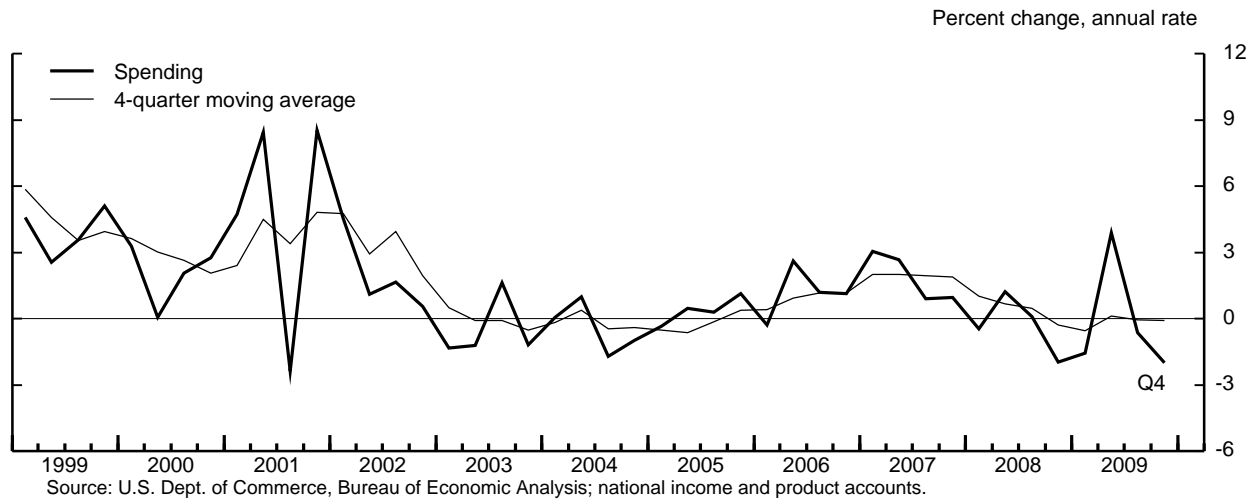
\* Relative to same year-earlier period. Percent change in deficit is calculated on an absolute-value basis.

1. Includes Social Security, Medicare, Medicaid, and income security programs.

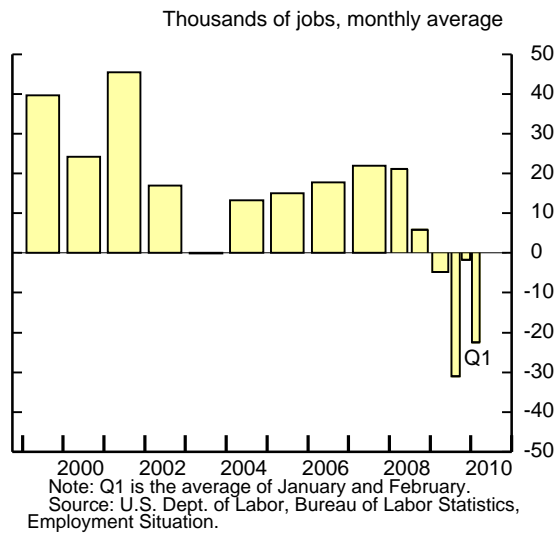
Source: Monthly Treasury Statement.

## State and Local Indicators

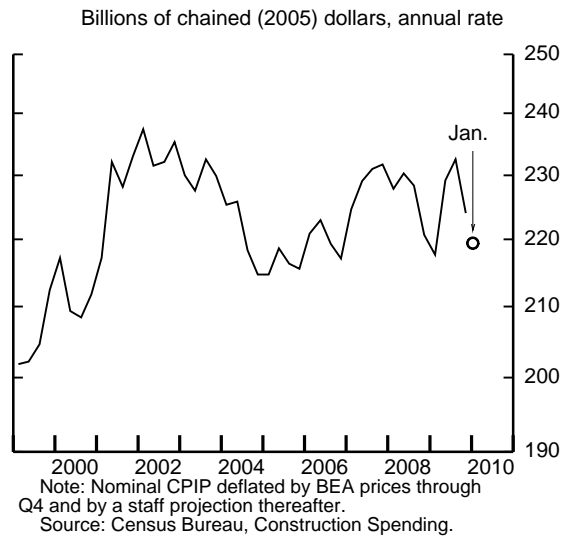
### Real Spending on Consumption and Investment



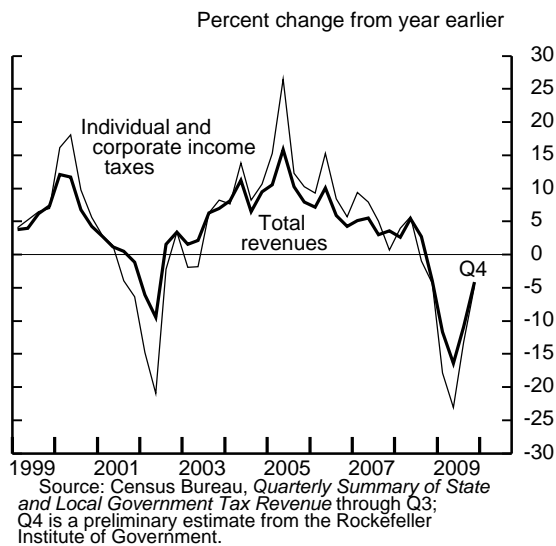
### Net Change in Employment



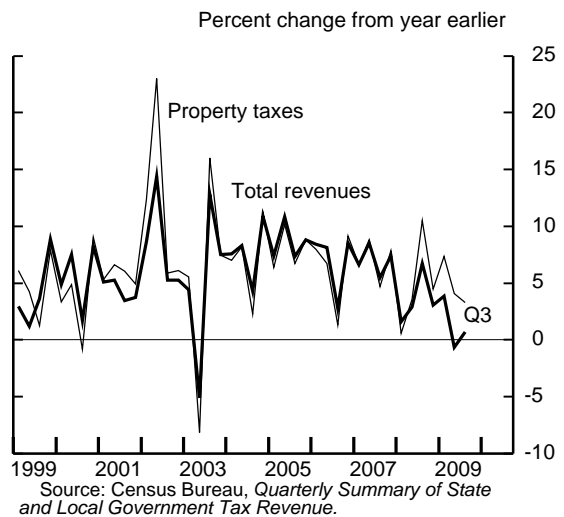
### Real Construction



### State Revenues



### Local Revenues

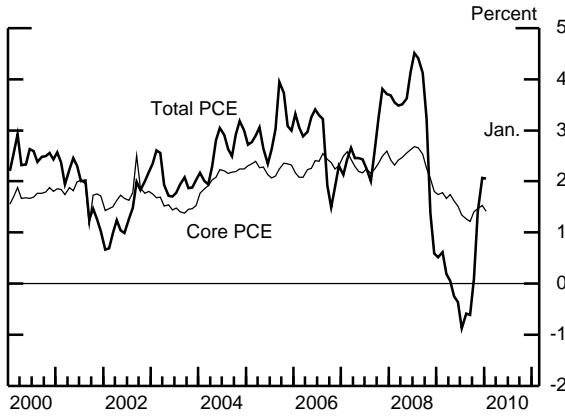




## Consumer Prices

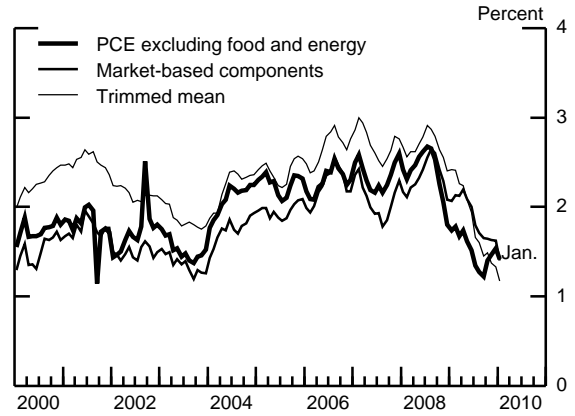
(12-month change except as noted)

PCE Prices



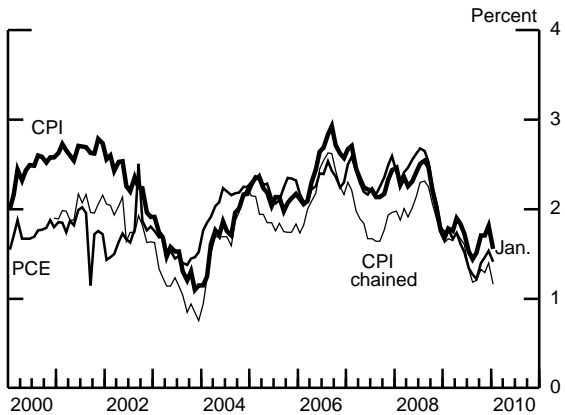
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Measures of Core PCE



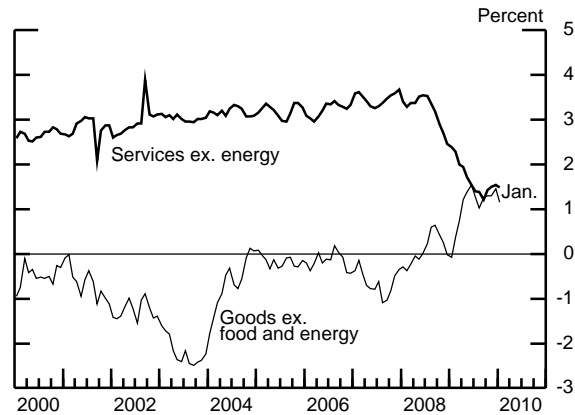
Source: For trimmed mean, Federal Reserve Bank of Dallas; for all else, U.S. Dept. of Commerce, Bureau of Economic Analysis.

CPI and PCE excluding Food and Energy



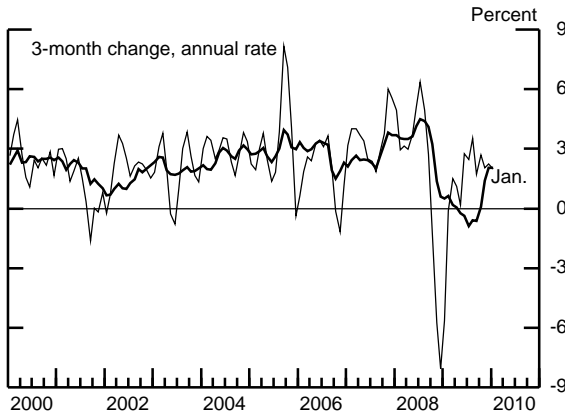
Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; for PCE, U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Goods and Services



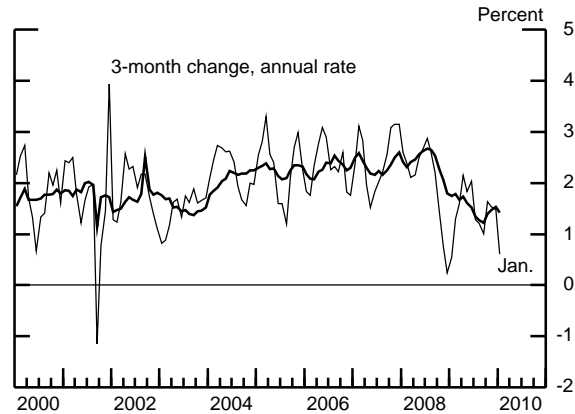
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE



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

PCE excluding Food and Energy

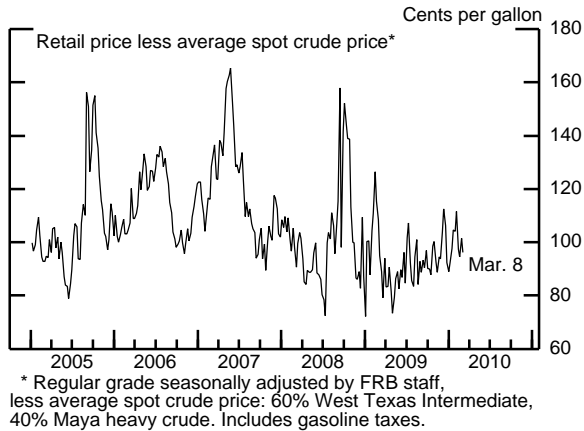


Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

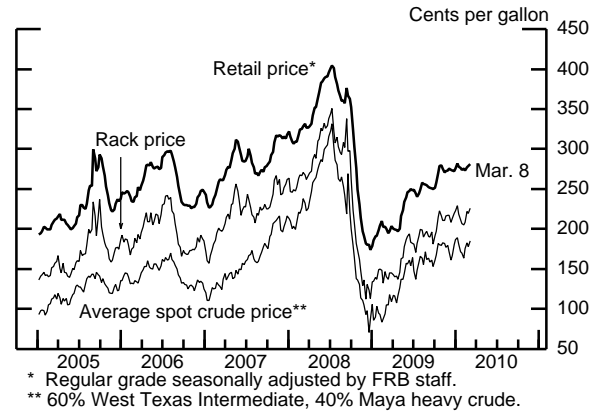
## Energy and Food Price Indicators

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

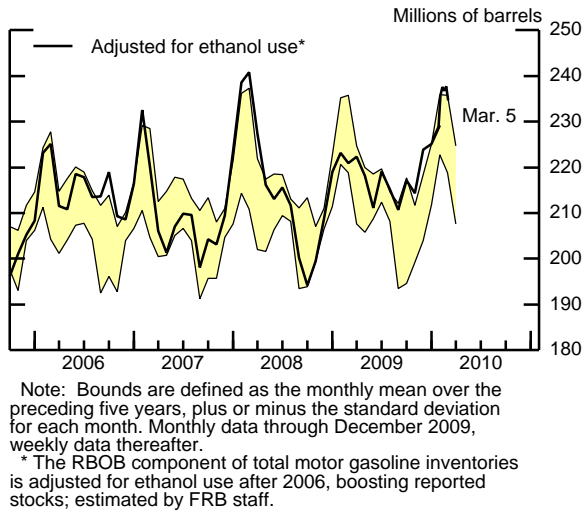
### Total Gasoline Margin



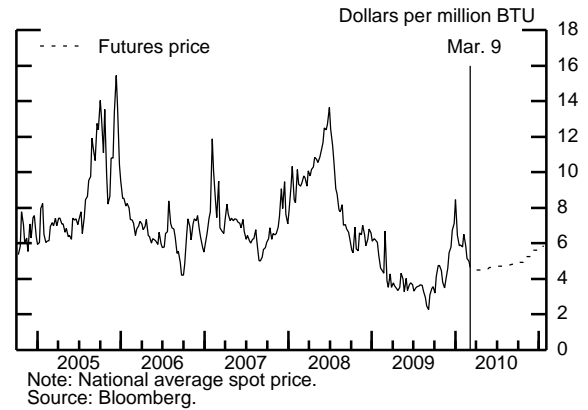
### Gasoline Price Decomposition



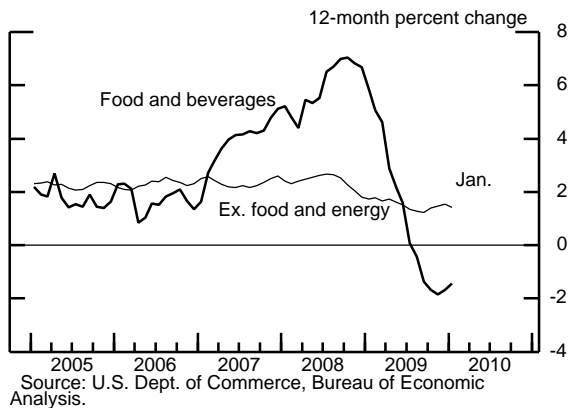
### Gasoline Inventories



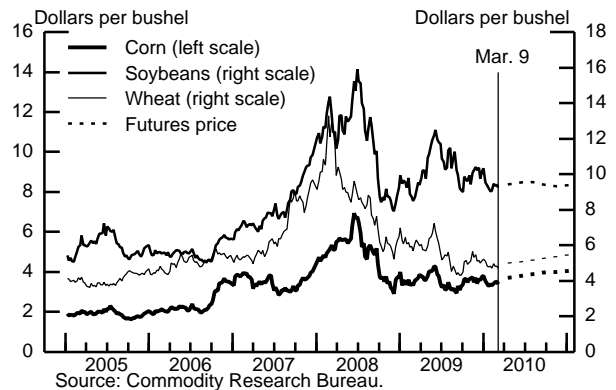
### Natural Gas Prices



### PCE: Food at Home and Core Prices

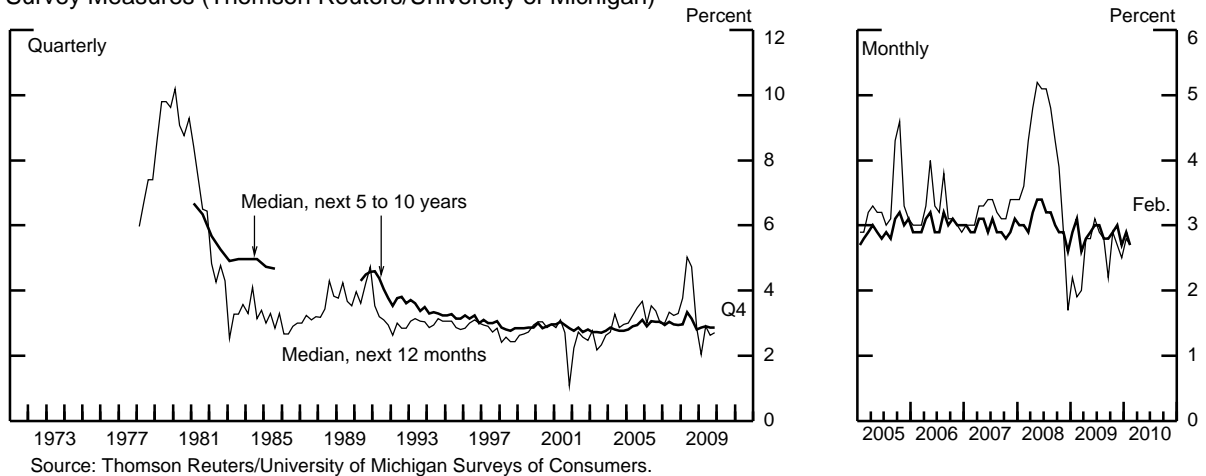


### Spot Prices of Agricultural Commodities

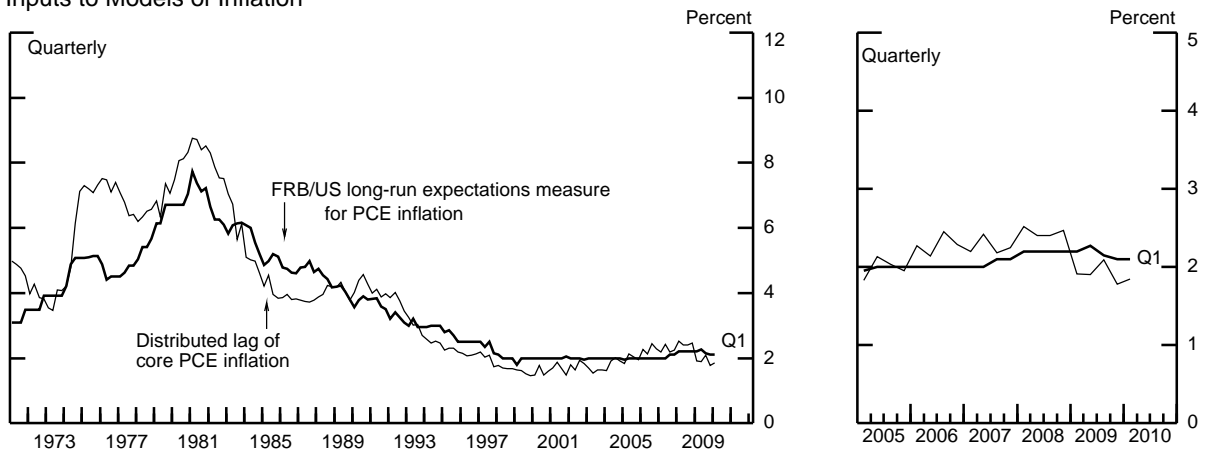


## Measures of Expected Inflation

Survey Measures (Thomson Reuters/University of Michigan)

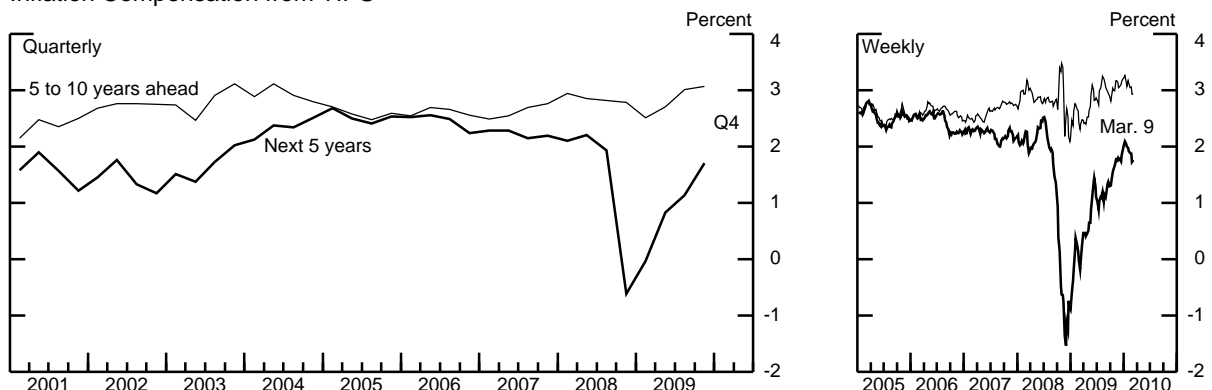


Inputs to Models of Inflation



Note: The distributed lag of core PCE inflation is derived from one of the reduced-form Phillips curves used by Board staff.  
 Source: For the distributed lag of core PCE inflation, FRB staff calculations; for the FRB/US measure, for 2007 forward, the median projection for PCE inflation over the next 10 years from the Survey of Professional Forecasters (SPF); for 1990 to 2006, the equivalent SPF projection for the CPI; for 1981 to 1989, a related survey for the CPI conducted by Richard Hoey; and for the period preceding 1981, a model-based estimate constructed by Board staff. The survey data before 2007 are adjusted down 0.5 percentage point to put the CPI projections approximately on a PCE basis.

Inflation Compensation from TIPS



Note: Based on a comparison of an estimated TIPS (Treasury inflation-protected securities) yield curve with an estimated nominal off-the-run Treasury yield curve, with an adjustment for the indexation-lag effect.  
 Source: FRB staff calculations.

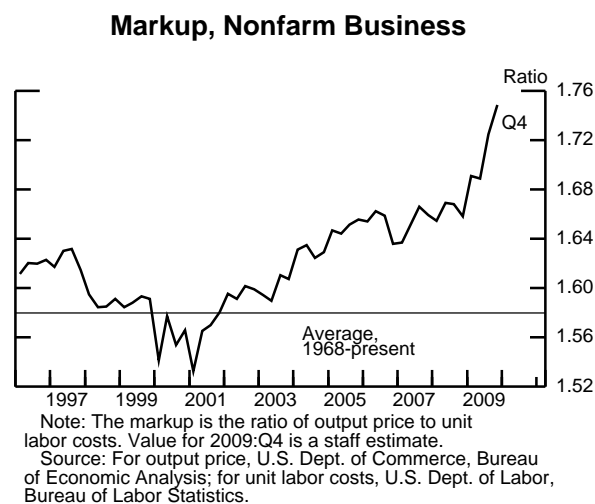
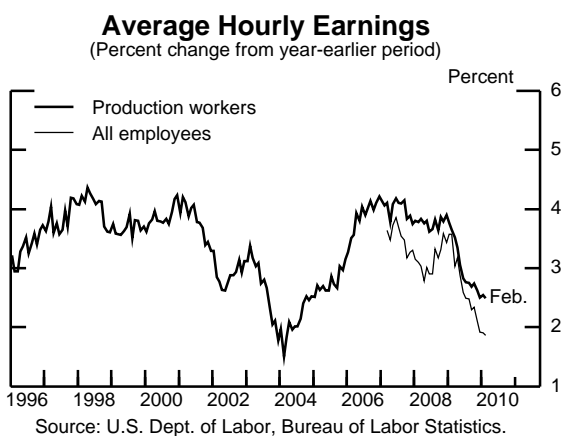
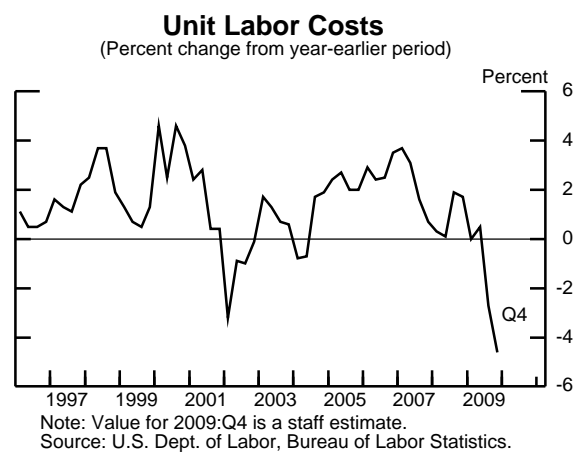
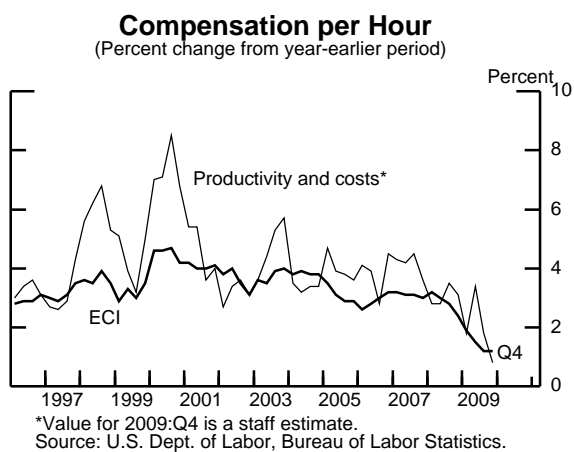
## Hourly Compensation and Unit Labor Costs

(Percent change from preceding period at compound annual rate; based on seasonally adjusted data)

Category	2007:Q4 to 2008:Q4	2008:Q4 to 2009:Q4 <sup>e</sup>	2009			
			Q1	Q2	Q3	Q4 <sup>e</sup>
<i>Compensation per hour</i> Nonfarm business	3.1	.8	-4.2	7.7	-.4	.4
<i>Output per hour</i> Nonfarm business	1.4	5.7	.9	7.6	7.8	6.5
<i>Unit labor costs</i> Nonfarm business	1.7	-4.6	-5.0	.1	-7.6	-5.7

<sup>e</sup> Staff estimate.

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



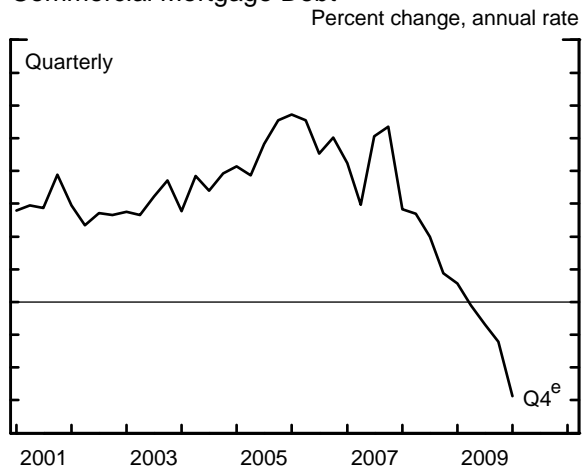
---

## **Domestic Financial Developments**

---

## Commercial Real Estate

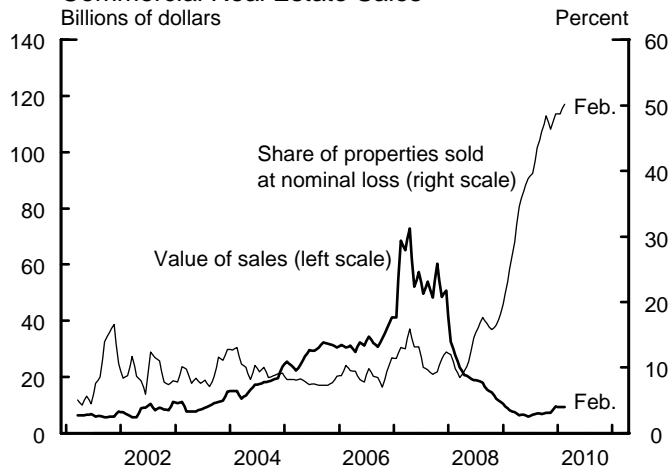
### Commercial Mortgage Debt



<sup>e</sup> Estimate.

Source: Federal Reserve.

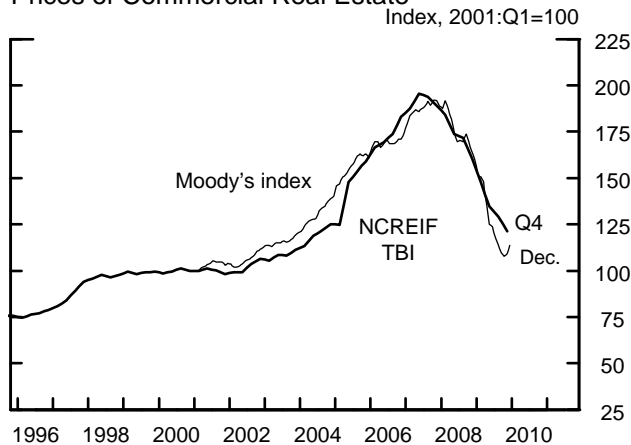
### Commercial Real Estate Sales



Note: 3-month moving averages.

Source: Real Capital Analytics.

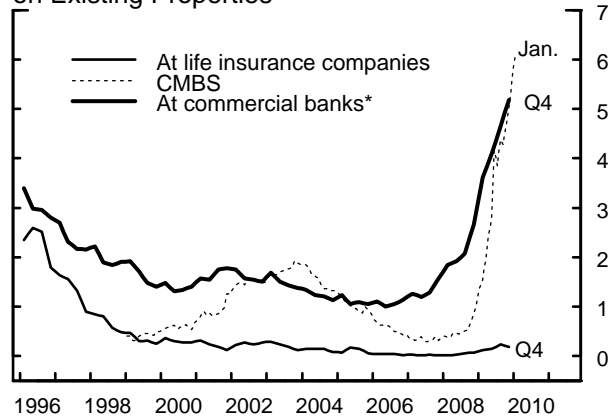
### Prices of Commercial Real Estate



Note: NCREIF TBI series re-weighted by staff to exclude multifamily.

Source: NCREIF; MIT Center for Real Estate; Moody's Investors Service.

### Delinquency Rates on Commercial Mortgages on Existing Properties

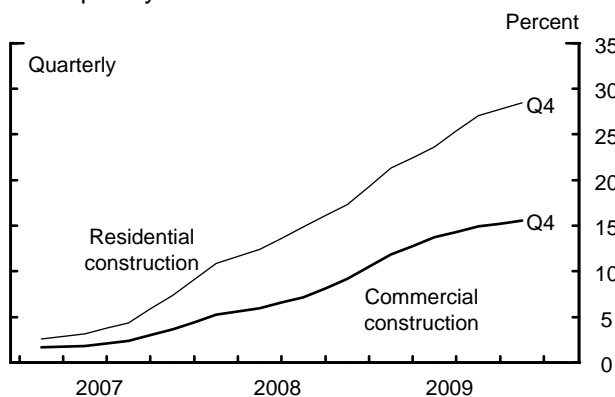


Note: CMBS are commercial mortgage-backed securities.

\* Excluding farmland.

Source: Citigroup; Call Report data; ACLI.

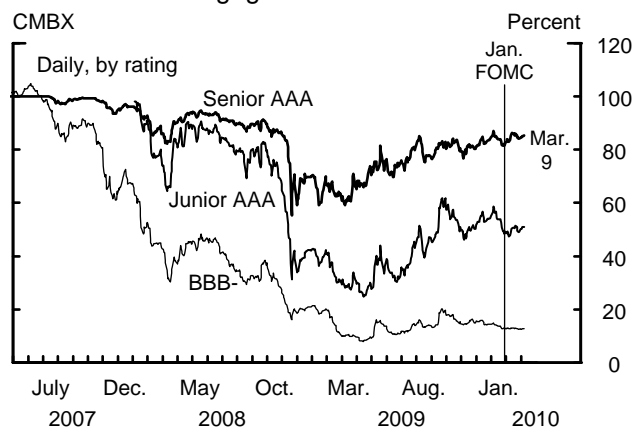
### Delinquency Rates on Construction Loans at Banks



Note: Data series begin in 2007:Q1.

Source: Call Report data.

### Commercial Mortgage CDS Index Prices

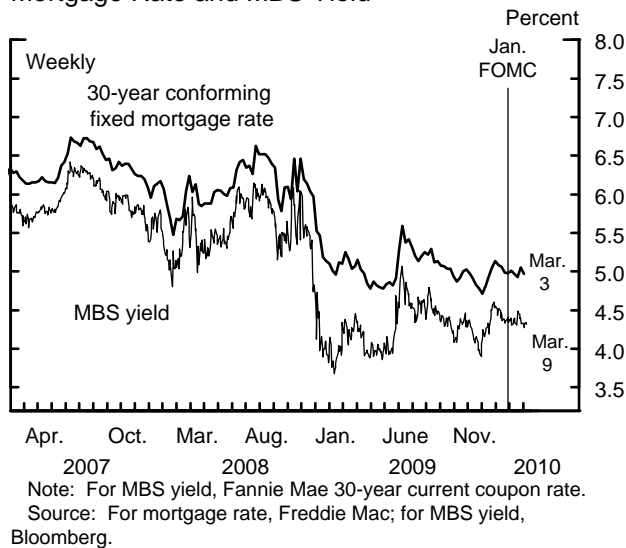


Note: Each index corresponds to pools of mortgages securitized in 2006:H1.

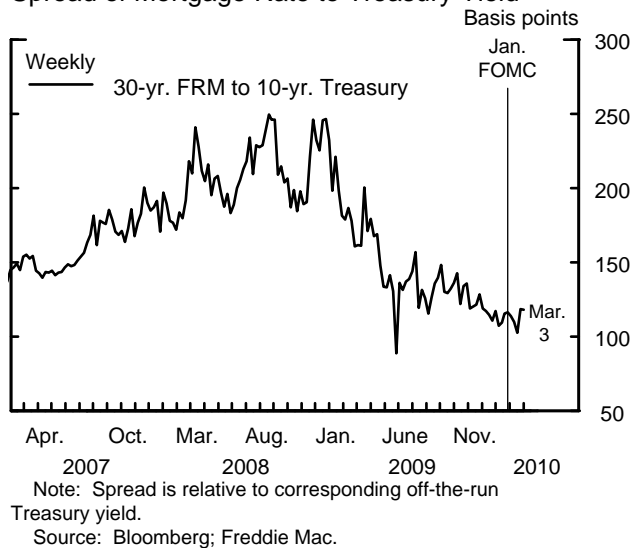
Source: JPMorgan Chase & Co.

## Residential Mortgages

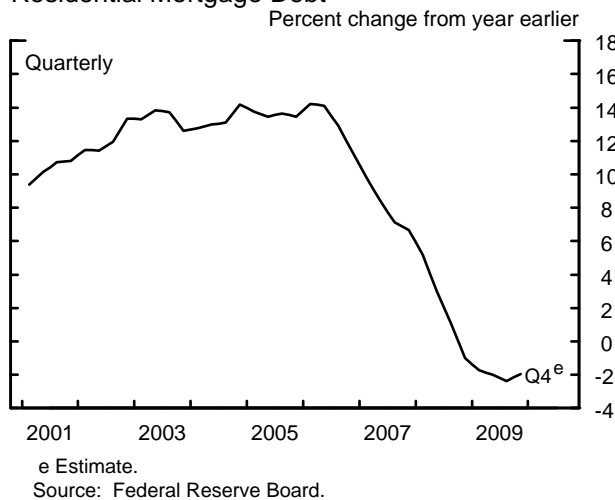
### Mortgage Rate and MBS Yield



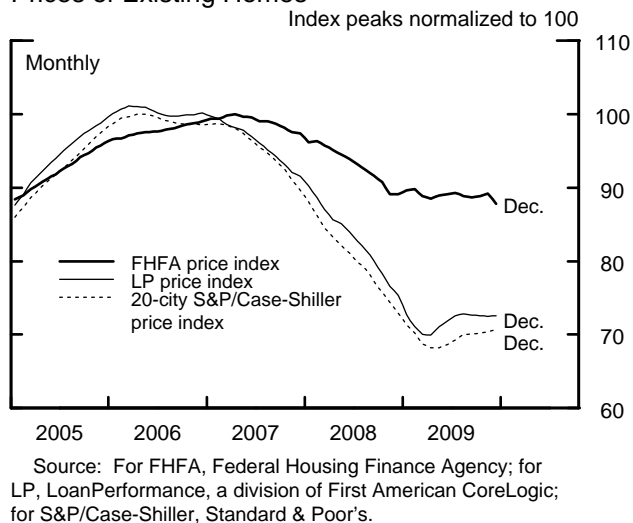
### Spread of Mortgage Rate to Treasury Yield



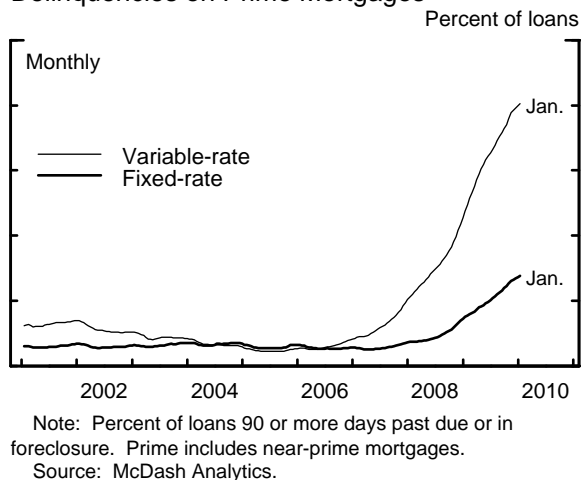
### Residential Mortgage Debt



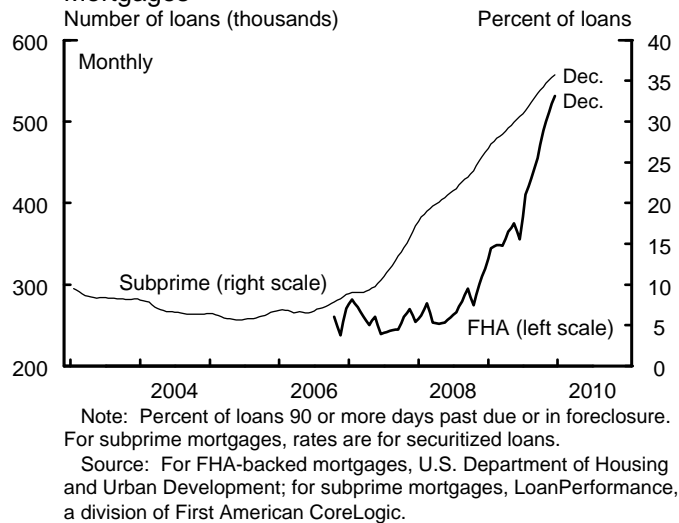
### Prices of Existing Homes



### Delinquencies on Prime Mortgages

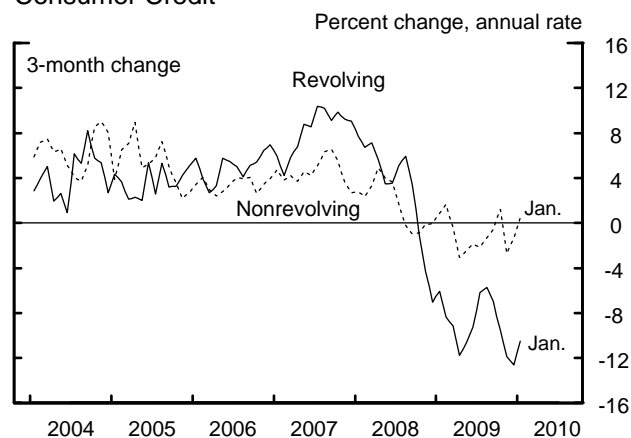


### Delinquencies on Subprime and FHA-Backed Mortgages



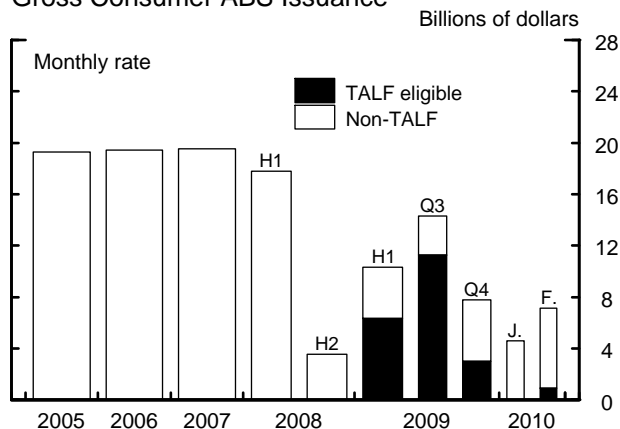
## Consumer Credit and Mutual Funds

### Consumer Credit



Source: Federal Reserve Board.

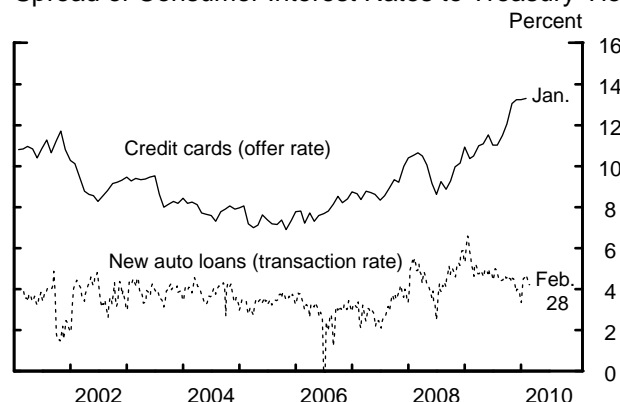
### Gross Consumer ABS Issuance



Note: Credit card, auto, and student loan ABS.

Source: Inside MBS & ABS; Merrill Lynch; Bloomberg; Federal Reserve Board.

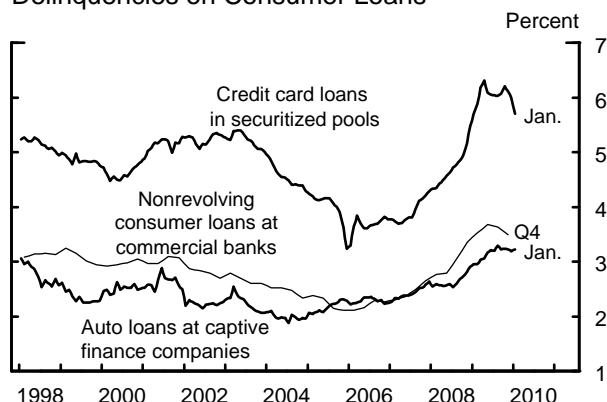
### Spread of Consumer Interest Rates to Treasury Yield



Note: Spreads are relative to 2-year Treasury yields. For credit cards, monthly; for auto loans, weekly.

Source: For credit cards, Mintel; for auto loans, PIN.

### Delinquencies on Consumer Loans



Source: For auto loans, Federal Reserve Board; for credit cards, Moody's Investors Service; for nonrevolving consumer loans, Call Report.

## Net Flows into Mutual Funds

(Billions of dollars, monthly rate)

Fund type	2008		2009					Assets Jan.
	H1	H2	H1	Q3	Q4	Jan.	Feb. <sup>e</sup>	
<b>Total long-term funds</b>	<b>11.8</b>	<b>-49.4</b>	<b>23.4</b>	<b>47.9</b>	<b>34.0</b>	<b>46.8</b>	<b>26.5</b>	<b>7,670</b>
<b>Equity funds</b>	<b>-3.6</b>	<b>-35.2</b>	<b>-0.1</b>	<b>0.9</b>	<b>-4.4</b>	<b>16.3</b>	<b>-2.3</b>	<b>4,777</b>
Domestic	-5.0	-20.1	1.0	-3.7	-10.8	6.2	-5.7	3,553
International	1.3	-15.1	-1.0	4.6	6.4	10.1	3.4	1,224
<b>Hybrid funds</b>	<b>1.7</b>	<b>-5.0</b>	<b>-0.3</b>	<b>5.2</b>	<b>2.8</b>	<b>3.5</b>	<b>2.1</b>	<b>633</b>
<b>Bond funds</b>	<b>13.8</b>	<b>-9.3</b>	<b>23.8</b>	<b>41.8</b>	<b>35.7</b>	<b>26.9</b>	<b>26.8</b>	<b>2,260</b>
High-yield	-0.2	0.1	2.8	1.4	0.5	0.7	-2.6	190
Other taxable	11.1	-7.7	16.2	31.8	30.4	21.7	24.5	1,606
Municipals	2.9	-1.6	4.8	8.7	4.8	4.5	4.9	464
<b>Money market funds</b>	<b>56.1</b>	<b>59.6</b>	<b>-27.3</b>	<b>-81.1</b>	<b>-43.0</b>	<b>-83.0</b>	<b>-69.0</b>	<b>3,219</b>

Note: Excludes reinvested dividends.

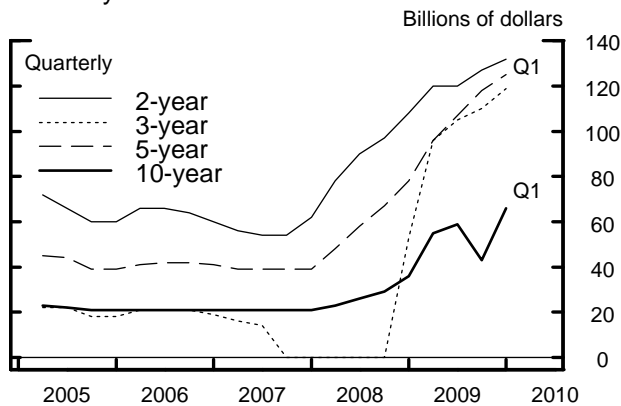
<sup>e</sup> Staff estimate.

Source: Investment Company Institute.



## Treasury Finance

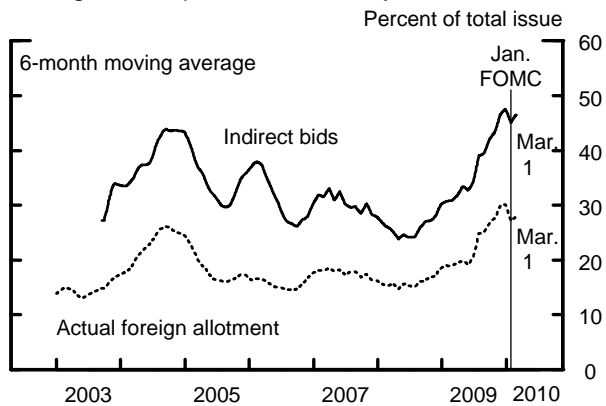
### Treasury Auction Amounts



Note: Data for 2010:Q1 are through February 2010. No 3-year issuance occurred between 2007:Q3 and 2008:Q3.

Source: U.S. Treasury.

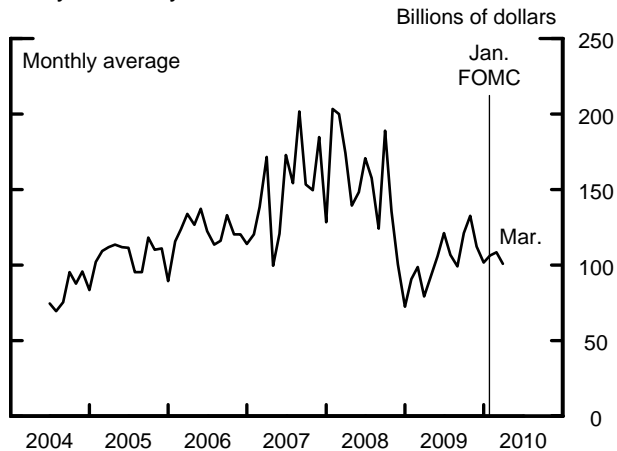
### Foreign Participation in Treasury Auctions



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

Source: Federal Reserve Board.

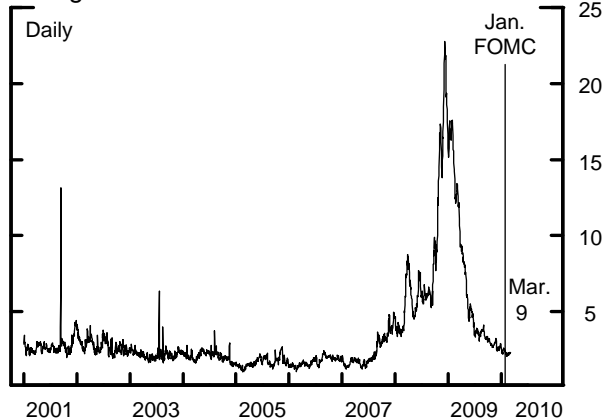
### Daily Treasury Market Volume



Note: March observation is the month-to-date average.

Source: Bloomberg.

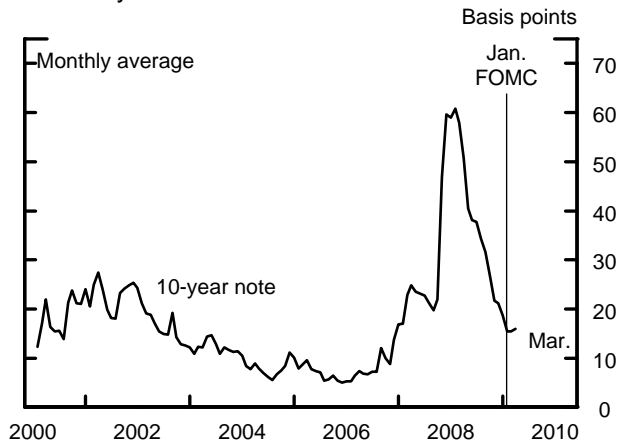
### Average Absolute Nominal Yield Curve Fitting Error



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

Source: Federal Reserve Board.

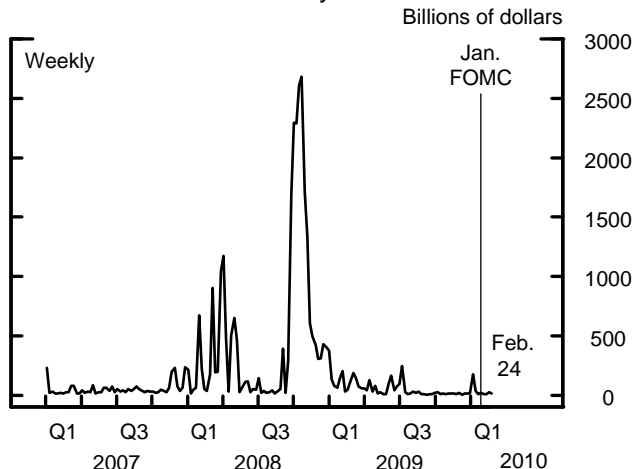
### Treasury On-the-Run Premium



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

Source: Federal Reserve Board.

### Fails-to-Deliver of Treasury Securities



Source: Federal Reserve Board, FR 2004, Government Securities Dealers Reports.

## State and Local Government Finance

### Gross Offerings of Municipal Securities

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

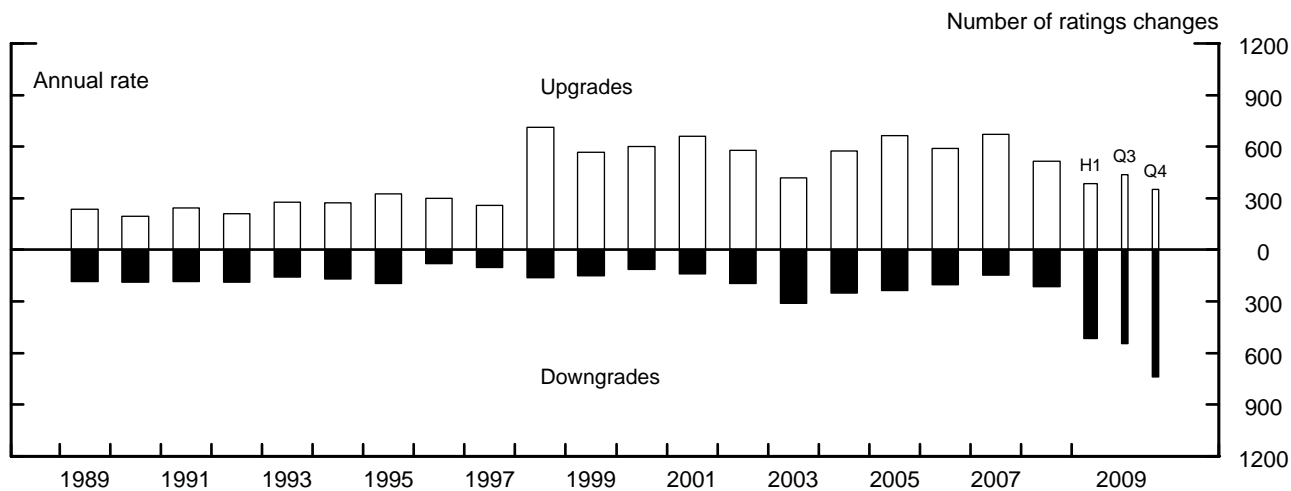
Type of security	2006	2007	2008	2009		2010	
				H1	H2	Jan.	Feb.
Total	36.1	40.4	37.6	36.6	42.7	34.7	28.0
Long-term <sup>1</sup>	32.5	35.5	32.6	33.0	35.5	32.6	26.9
Refundings <sup>2</sup>	10.6	12.6	14.6	11.6	13.1	10.1	12.0
New capital	21.9	22.9	17.9	21.3	22.5	22.6	14.9
Short-term	3.7	4.9	5.0	3.6	7.2	2.0	1.1
Memo: Long-term taxable	2.5	2.4	2.3	4.5	9.9	11.4	8.0

1. Includes issues for public and private purposes.

2. All issues that include any refunding bonds.

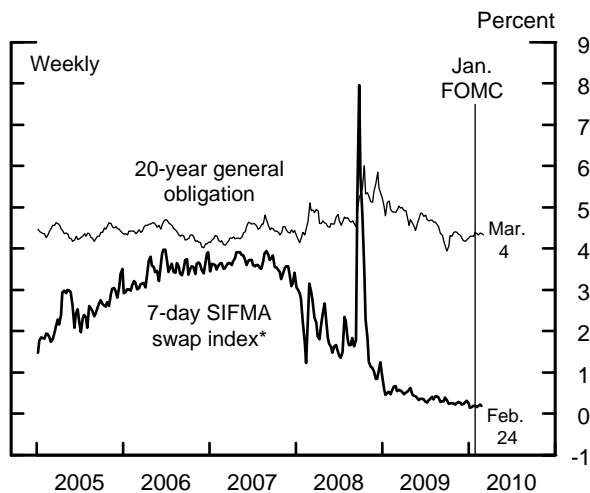
Source: Thomson Financial.

### Ratings Changes



Source: Moody's Credit Trends.

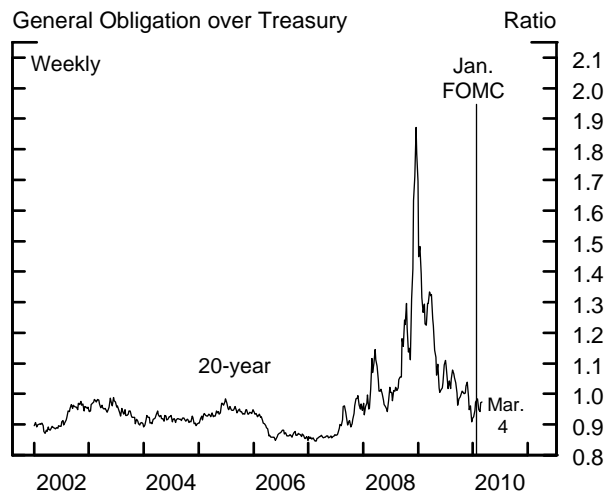
### Municipal Bond Yields



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

Source: Municipal Market Advisors; Bond Buyer.

### Municipal Bond Yield Ratio



Source: Bond Buyer.

**M2 Monetary Aggregate**  
(Based on seasonally adjusted data)

Aggregate and components	Percent change (annual rate) <sup>1</sup>						Level (billions of dollars),
	2008	2009	2009		2010		Feb. (p)
			Q3	Q4	Jan.	Feb. (p)	
M2	8.5	4.9	1.6	3.4	-8.6	7.9	8,519
Components <sup>2</sup>							
Currency	5.8	6.9	3.8	2.0	-1.4	8.5	867
Liquid deposits <sup>3</sup>	6.9	17.2	14.5	18.7	-1.8	17.5	5,749
Small time deposits	12.3	-16.0	-23.6	-31.8	-29.5	-18.4	1,122
Retail money market funds	13.0	-23.0	-32.2	-34.8	-33.6	-24.0	775
Memo:							
Institutional money market funds	24.9	-1.9	-11.0	-27.6	-23.1	-39.4	2,105
Monetary base	70.3	41.6	-1.9	62.1	-18.4	73.2	2,108

1. For years, Q4 to Q4; for quarters and months, calculated from corresponding average levels.

2. Nonbank traveler's checks are not listed.

3. Sum of demand deposits, other checkable deposits, and savings deposits.

p Preliminary.

Source: Federal Reserve Board.

## Commercial Bank Credit

(Percent change, annual rate, except as noted; seasonally adjusted)

Type of credit	2008	2009	H1 2009	Q3 2009	Q4 2009	Jan. 2010	Feb. <sup>e</sup> 2010	Level <sup>1</sup> Feb. <sup>e</sup> 2010
Total	4.9	-6.4	-5.4	-7.1	-8.3	-9.4	-13.4	8,921
<i>Loans<sup>2</sup></i>								
Total	4.4	-9.6	-7.4	-12.4	-12.3	-11.9	-15.0	6,581
Core	5.0	-7.6	-4.8	-9.5	-12.1	-14.5	-15.4	5,836
To businesses								
Commercial and industrial	16.3	-17.0	-14.1	-19.8	-24.3	-22.2	-15.3	1,301
Commercial real estate	6.1	-4.3	-1.6	-5.5	-8.8	-15.4	-5.6	1,620
To households								
Residential real estate	-3.2	-5.3	-2.2	-7.8	-9.5	-5.8	-27.0	2,101
Revolving home equity	13.0	.5	6.2	-4.5	-5.7	-5.2	-1.8	598
Closed-end mortgages	-8.0	-7.4	-5.1	-9.1	-11.0	-6.1	-36.8	1,503
Consumer	7.1	-2.2	-.2	-3.7	-4.8	-22.5	-4.3	814
Memo: Originated <sup>3</sup>	5.7	-3.6	-2.0	-4.6	-5.9	-12.0	-4.3	1,209
Other	.4	-22.8	-25.3	-33.5	-14.1	8.8	-12.4	745
<i>Securities</i>								
Total	6.8	4.1	1.3	9.6	4.0	-2.4	-8.8	2,341
Treasury and agency	16.3	8.0	2.2	18.0	9.1	5.2	-2.2	1,443
Other <sup>4</sup>	-4.2	-1.4	.1	-2.2	-3.5	-14.2	-19.5	898

Note: Yearly annual rates are Q4 to Q4; quarterly and monthly annual rates use corresponding average levels. Data have been adjusted to remove the effects of mark-to-market accounting rules (FAS 115) and the initial consolidation of certain variable interest entities (FIN 46) and off-balance-sheet vehicles (FAS 166 and 167). Data also account for the effects of nonbank structure activity of \$5 billion or more.

1. Billions of dollars. Pro rata averages of weekly (Wednesday) levels.

2. Excludes interbank loans.

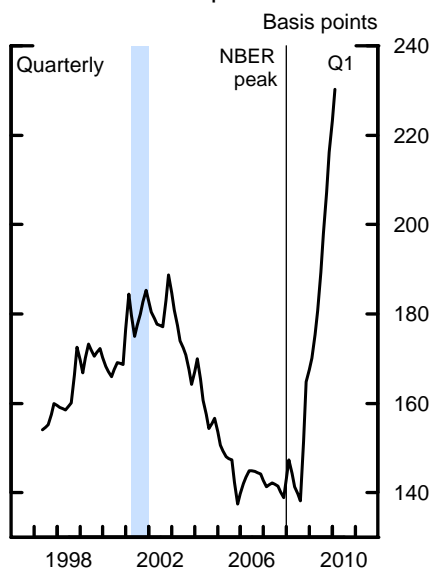
3. Includes an estimate of outstanding loans securitized by commercial banks that retained recourse or servicing rights.

4. Includes private mortgage-backed securities; securities of corporations, state and local governments, and foreign governments; and any trading account securities that are not Treasury or agency securities.

<sup>e</sup> Estimate.

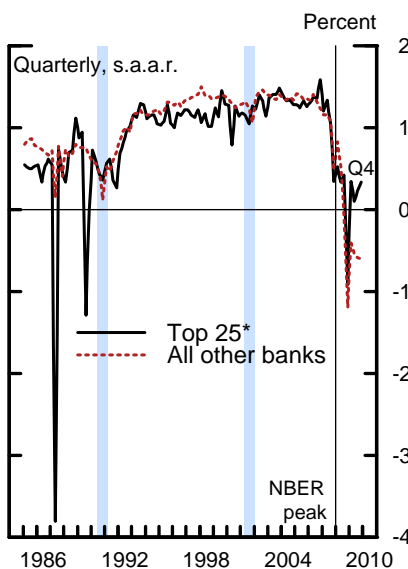
Source: Federal Reserve Board.

C&I Loan Rate Spread



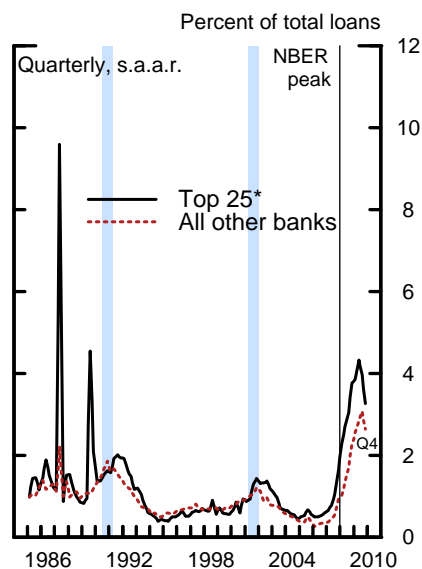
Weighted average for all banks, adjusted for changes in the nonprice loan characteristics.

Return on Assets



\*Top 25 refers to all commercial banks in the 25 largest bank holding companies.

Loan Loss Provisions



\*Top 25 refers to all commercial banks in the 25 largest bank holding companies.

Note: Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research (NBER). Vertical line represents the last business cycle peak, as defined by the NBER.