

## **Part 1**

December 9, 2009

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Summary and Outlook**

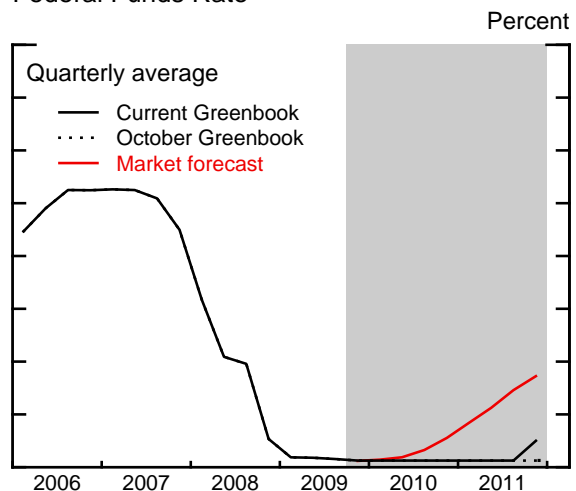
December 9, 2009

## **Summary and Outlook**

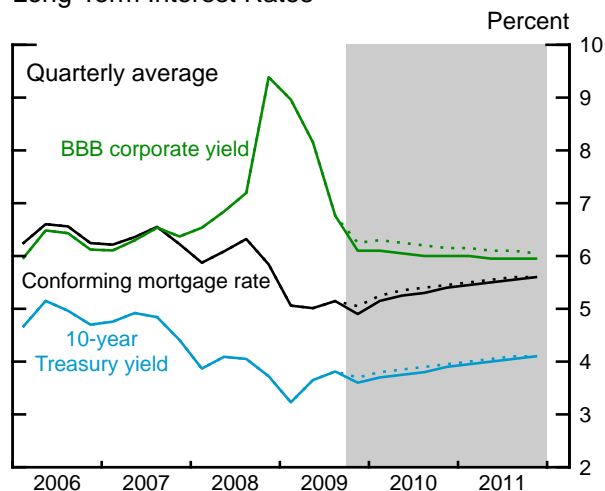
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## Key Background Factors Underlying the Baseline Staff Projection

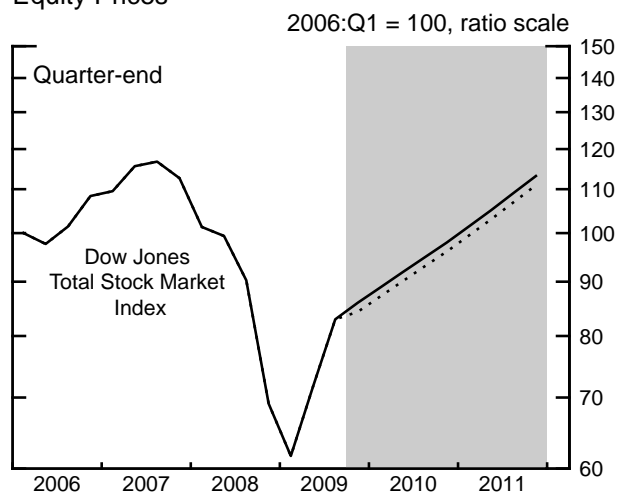
Federal Funds Rate



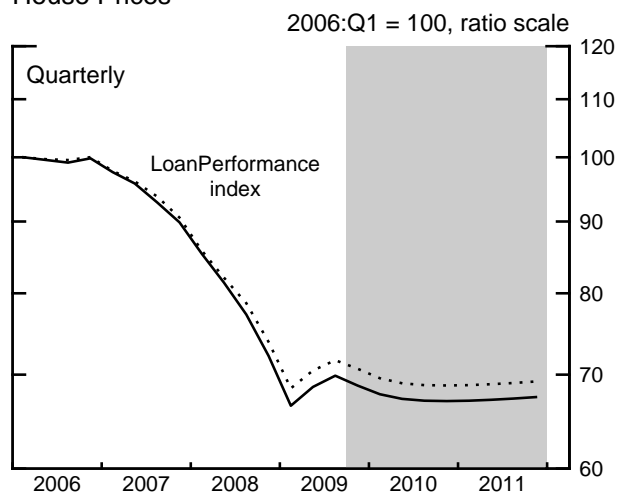
Long-Term Interest Rates



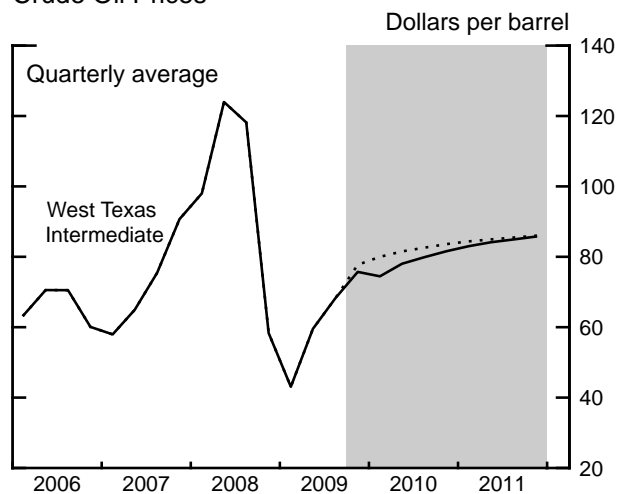
Equity Prices



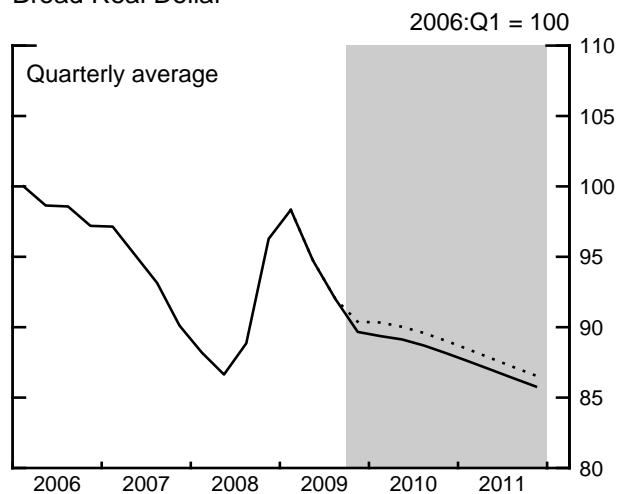
House Prices



Crude Oil Prices



Broad Real Dollar



Note: In each panel, shading represents the projection period, which begins in 2009:Q4.

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

Measure	2009:Q3		2009:Q4	
	October Greenbook	December Greenbook	October Greenbook	December Greenbook
<b>Real GDP</b>	<b>3.4</b>	<b>2.5</b>	<b>2.8</b>	<b>3.8</b>
Private domestic final purchases	3.0	2.4	-.1	1.2
Personal consumption expenditures	3.4	3.0	.7	1.9
Residential investment	20.9	18.9	.1	8.1
Nonresidential structures	-12.3	-18.9	-23.3	-25.8
Equipment and software	1.1	2.4	3.5	5.9
Government outlays for consumption and investment	2.3	2.8	1.8	.6
	Contribution to growth (percentage points)			
Inventory investment	.9	.7	2.3	2.3
Net exports	-.6	-.9	.1	.4

unemployment rate for October and November—at 10.1 percent—was in line with our previous projection. We expect the unemployment rate to remain at about this level in the first quarter.

Output in the manufacturing sector rose at an annual rate of nearly 8 percent in the third quarter, led by an increase in motor vehicle production from its low level in the second quarter. Automakers raised assemblies further this quarter, and current plans call for another step-up in production in the first quarter of next year. In addition, the available information suggests that manufacturing output outside of motor vehicles rose noticeably in November, and forward-looking indicators—such as national and regional business surveys—are consistent with further increases in factory output in coming months. All told, we expect manufacturing production to rise at an annual rate of 7 percent in the current quarter and 5½ percent in the first quarter of next year; both figures are stronger than we had expected in October. With this pace of production, capacity utilization in manufacturing is expected to move up to about 70 percent by March, nearly 5 percentage points above its trough in June 2009 but still far below its long-run average of about 80 percent.

Consumer spending has continued to hold up surprisingly well despite the adverse influences of high unemployment, the previous declines in wealth, and tight credit. Excluding motor vehicles, real consumption has posted solid monthly increases since it

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

Measure	2009: H2	2010: H1	2010	2011
<b>Real GDP</b>	<b>3.1</b>	<b>3.5</b>	<b>3.6</b>	<b>4.5</b>
Previous Greenbook	3.1	3.2	3.4	4.4
Final sales	1.6	2.7	2.9	4.0
Previous Greenbook	1.4	2.7	2.7	3.9
Personal consumption expenditures	2.4	2.5	2.6	3.4
Previous Greenbook	2.0	2.4	2.3	3.4
Residential investment	13.4	13.2	9.9	20.2
Previous Greenbook	10.0	9.5	10.0	22.6
Nonresidential structures	-22.4	-7.8	-3.8	1.1
Previous Greenbook	-18.0	-6.9	-3.2	0.3
Equipment and software	4.1	6.8	10.7	14.6
Previous Greenbook	2.3	8.2	10.0	13.6
Government purchases	1.7	3.1	1.9	.9
Previous Greenbook	2.1	2.6	1.7	.9
Exports	14.5	9.0	9.3	8.9
Previous Greenbook	12.2	8.4	8.7	8.8
Imports	13.5	8.5	8.0	7.5
Previous Greenbook	11.3	6.4	7.0	7.7
	Contribution to growth (percentage points)			
Inventory change	1.5	.8	.7	.5
Previous Greenbook	1.7	.4	.7	.5
Net exports	-.3	-.2	-.1	-.1
Previous Greenbook	-.2	.0	-.0	-.1

### 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>2.5</b>	<b>1.6</b>	<b>1.9</b>
Previous Greenbook	1.5	2.5	2.8	2.3	2.5	1.6	1.9
<i>Contributions<sup>1</sup></i>							
Capital deepening	.7	1.4	.7	.5	-.0	-.1	.5
Previous Greenbook	.7	1.4	.7	.5	-.0	-.1	.5
Multifactor productivity	.5	.7	1.7	1.6	2.4	1.6	1.4
Previous Greenbook	.5	.7	1.6	1.6	2.4	1.6	1.4
Labor composition	.3	.3	.3	.2	.2	.1	.1
MEMO							
Potential GDP	3.0	3.4	2.7	2.7	2.7	2.1	2.4
Previous Greenbook	3.0	3.4	2.8	2.7	2.7	2.1	2.4

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	.9	4.7	.9	1.0
Previous Greenbook	.9	4.6	1.1	.8
Nonfarm private payroll employment	-2.1	-4.2	2.1	3.5
Previous Greenbook	-2.1	-4.4	1.8	3.4
Household survey employment	-1.5	-3.9	1.4	2.2
Previous Greenbook	-1.5	-3.7	1.6	2.4
Labor force participation rate <sup>1</sup>	65.9	65.0	64.9	64.8
Previous Greenbook	65.9	65.2	65.1	65.0
Civilian unemployment rate <sup>1</sup>	6.9	10.1	9.6	8.3
Previous Greenbook	6.9	10.1	9.5	8.2
MEMO				
GDP gap <sup>2</sup>	-4.8	-7.6	-6.2	-4.2
Previous Greenbook	-4.8	-7.6	-6.4	-4.5

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	1.3	1.3	1.2
Previous Greenbook	1.7	1.1	1.4	1.0
Food and beverages	6.8	-1.6	1.3	.7
Previous Greenbook	6.8	-1.9	1.3	.7
Energy	-9.1	2.8	4.3	3.5
Previous Greenbook	-9.1	1.3	7.7	2.4
Excluding food and energy	2.0	1.5	1.2	1.1
Previous Greenbook	2.0	1.4	1.1	1.0
Consumer price index	1.5	1.4	1.6	1.4
Previous Greenbook	1.5	1.3	1.7	1.2
Excluding food and energy	2.0	1.8	1.3	1.2
Previous Greenbook	2.0	1.7	1.2	1.1
GDP chain-weighted price index	1.9	.8	1.3	1.1
Previous Greenbook	1.9	.7	1.3	1.1
ECI for compensation of private industry workers <sup>1</sup>	2.4	1.2	1.8	1.9
Previous Greenbook	2.4	1.2	1.8	2.0
Compensation per hour, nonfarm business sector	2.6	2.4	2.0	2.0
Previous Greenbook	2.6	-.2	1.8	2.1
Prices of core goods imports <sup>2</sup>	3.8	-1.4	1.9	1.0
Previous Greenbook	3.8	-1.7	1.5	1.0

1. December to December.

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

well above core inflation, and rising energy prices are expected to continue to push up headline inflation somewhat over the next two years.

Hourly compensation costs have decelerated this year, although this slowdown now appears to have been much less pronounced than we had previously thought. Data on wages and salaries in the second and third quarters of this year were revised up considerably, and we now project that the productivity and cost measure of compensation per hour will rise about 2½ percent over the four quarters of 2009, compared with a projection of almost no change over the same period in the October Greenbook. In response to the high rates of unemployment and low rates of overall price inflation in our

### The Long-Term Outlook

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

Measure	2009	2010	2011	2012	2013	2014
Real GDP	-.3	3.6	4.5	4.7	4.7	3.2
Civilian unemployment rate <sup>1</sup>	10.1	9.6	8.3	6.2	5.0	4.8
PCE prices, total	1.3	1.3	1.2	1.2	1.5	1.7
Core PCE prices	1.5	1.2	1.1	1.1	1.4	1.6
Federal funds rate <sup>1</sup>	.1	.1	.5	2.1	3.5	3.8

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

extension, the federal funds rate continues to rise, reaching 2 percent by the end of 2012 and 3¾ percent in 2014.<sup>2</sup> A further acceleration in investment boosts GDP growth close to 4¾ percent in 2012 and 2013. The unemployment rate falls to the NAIRU by the end of 2013. By 2014, shortfalls in capital stocks are narrower and interest rates are higher, so output growth decelerates toward its potential rate and unemployment stabilizes. 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. The first two scenarios feature opposing risks to aggregate demand—either that a stronger rebound in outlays on durable goods will cause real activity to recover more rapidly than in the baseline, or that the recovery will be more anemic because of greater restraint on overall spending from impaired household and business balance sheets. We then turn to risks to the supply side. The third scenario explores the ramifications of a jobless recovery, in which labor demand is weaker because productivity continues to expand at a rapid pace, rather than decelerating as in the baseline forecast. In contrast, in the fourth scenario, we assume that the deceleration in

<sup>2</sup> In the long-run outlook, the federal funds rate ( $R$ ) follows the prescriptions of a Taylor-type 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 NAIRU (with an adjustment for the temporary effects on unemployment of the extended and emergency unemployment benefit programs). In essence, this is just the traditional Taylor rule, rewritten in terms of the unemployment gap, with the coefficient on resource utilization appropriately rescaled. The same policy rule is used to set the federal funds rate in the alternative scenarios discussed below.



**Alternative Scenarios**

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

Measure and scenario	2009	2010	2011	2012	2013-14
	H2				
<i>Real GDP</i>					
Extended Greenbook baseline	3.1	3.6	4.5	4.7	3.9
Stronger recovery	3.1	5.3	5.8	4.4	3.2
Weaker aggregate demand	3.1	1.8	4.1	5.2	4.5
Jobless recovery	3.1	4.1	5.5	6.2	4.4
Weaker productivity	3.1	3.3	3.6	3.6	4.1
Labor market damage	2.9	2.8	3.9	4.5	4.2
Higher inflation expectations	3.1	3.7	4.6	4.2	3.5
Greater disinflation	3.1	3.7	4.5	5.2	4.8
<i>Unemployment rate<sup>1</sup></i>					
Extended Greenbook baseline	10.1	9.6	8.3	6.2	4.8
Stronger recovery	10.1	9.1	7.3	5.4	4.7
Weaker aggregate demand	10.1	10.2	9.2	6.8	4.9
Jobless recovery	10.1	10.6	9.9	7.0	4.5
Weaker productivity	10.1	9.0	7.4	6.2	5.0
Labor market damage	10.1	10.4	9.5	7.3	5.2
Higher inflation expectations	10.1	9.6	8.2	6.3	5.2
Greater disinflation	10.1	9.6	8.3	6.0	4.0
<i>Core PCE inflation</i>					
Extended Greenbook baseline	1.4	1.2	1.1	1.1	1.5
Stronger recovery	1.4	1.2	1.1	1.1	1.7
Weaker aggregate demand	1.4	1.1	.8	.9	1.3
Jobless recovery	1.4	1.0	.4	.3	1.1
Weaker productivity	1.4	1.3	1.4	1.4	1.6
Labor market damage	1.4	1.4	1.2	1.2	1.5
Higher inflation expectations	1.4	1.4	2.0	2.2	2.7
Greater disinflation	1.4	.5	-.1	-.5	-.1
<i>Federal funds rate<sup>1</sup></i>					
Extended Greenbook baseline	.1	.1	.5	2.1	3.8
Stronger recovery	.1	.1	1.5	3.0	4.2
Weaker aggregate demand	.1	.1	.1	1.1	3.5
Jobless recovery	.1	.1	.1	.1	3.7
Weaker productivity	.1	.2	1.8	2.5	3.7
Labor market damage	.1	.2	.7	2.0	3.6
Higher inflation expectations	.1	.1	1.7	3.5	5.0
Greater disinflation	.1	.1	.1	.1	2.4

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	2009	2010	2011	2012	2013	2014
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	-.3	3.6	4.5	4.7	4.7	3.2
Confidence interval						
Greenbook forecast errors	-.8-.2	1.9-5.3	3.1-5.9	...	...	...
FRB/US stochastic simulations	-.6-.0	2.3-5.2	2.7-6.3	2.6-6.8	2.5-7.0	.9-5.5
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	10.1	9.6	8.3	6.2	5.0	4.8
Confidence interval						
Greenbook forecast errors	10.0-10.2	8.9-10.3	7.3-9.3	...	...	...
FRB/US stochastic simulations	10.0-10.2	9.0-10.2	7.5-9.1	5.2-7.2	3.8-6.1	3.6-5.9
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	1.3	1.3	1.2	1.2	1.5	1.7
Confidence interval						
Greenbook forecast errors	1.1-1.6	.1-2.6	.0-2.4	...	...	...
FRB/US stochastic simulations	1.2-1.5	.5-2.2	.2-2.2	.2-2.3	.5-2.6	.6-2.8
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)						
Projection	1.5	1.2	1.1	1.1	1.4	1.6
Confidence interval						
Greenbook forecast errors	1.3-1.7	.5-1.8	.1-2.0	...	...	...
FRB/US stochastic simulations	1.4-1.6	.6-1.8	.3-1.8	.4-2.0	.7-2.3	.9-2.5
<i>Federal funds rate</i> (percent, Q4)						
Projection	.1	.1	.5	2.1	3.5	3.8
Confidence interval						
FRB/US stochastic simulations	.1-.1	.1-.8	.1-2.1	.5-3.8	2.1-5.2	2.4-5.5

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.

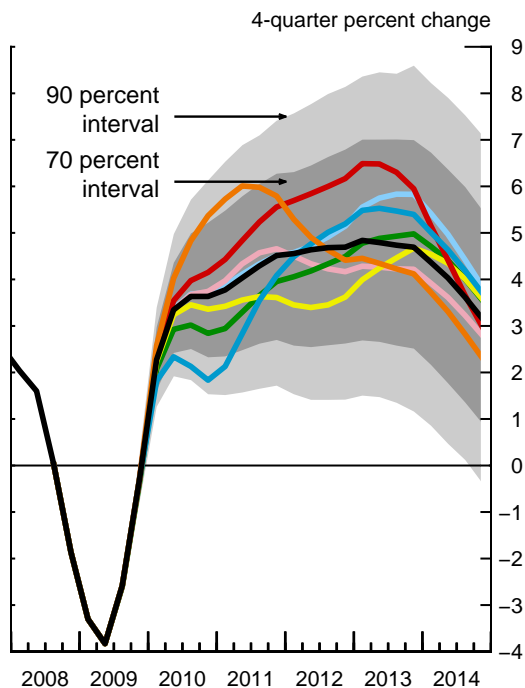
... Not applicable. The Greenbook forecast horizon has typically extended about two years.

## Forecast Confidence Intervals and Alternative Scenarios

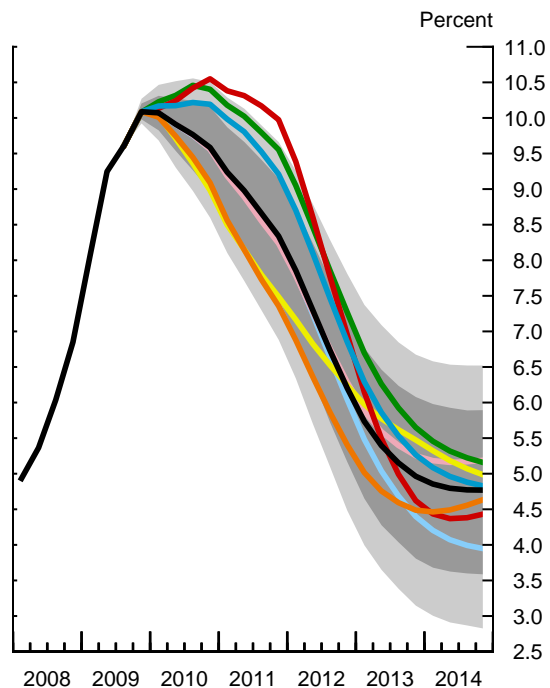
Confidence Intervals Based on FRB/US Stochastic Simulations

- |                               |                       |                                 |
|-------------------------------|-----------------------|---------------------------------|
| ■ Extended Greenbook baseline | ■ Jobless recovery    | ■ Higher inflation expectations |
| ■ Stronger recovery           | ■ Weaker productivity | ■ Greater disinflation          |
| ■ Weaker aggregate demand     | ■ Labor market damage |                                 |

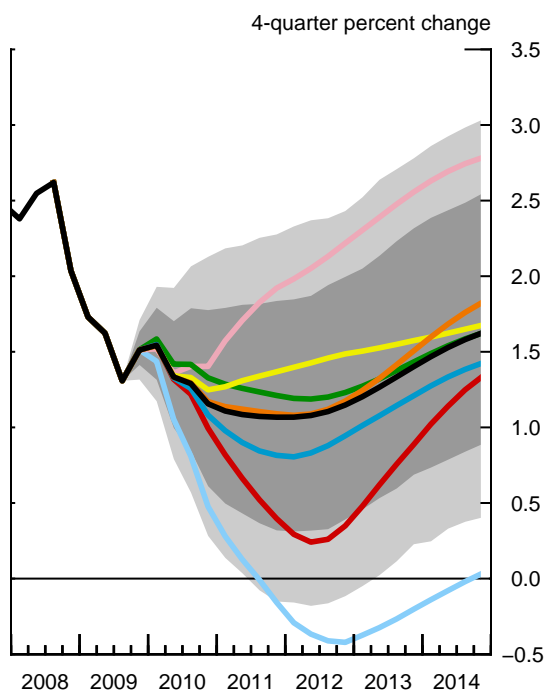
Real GDP



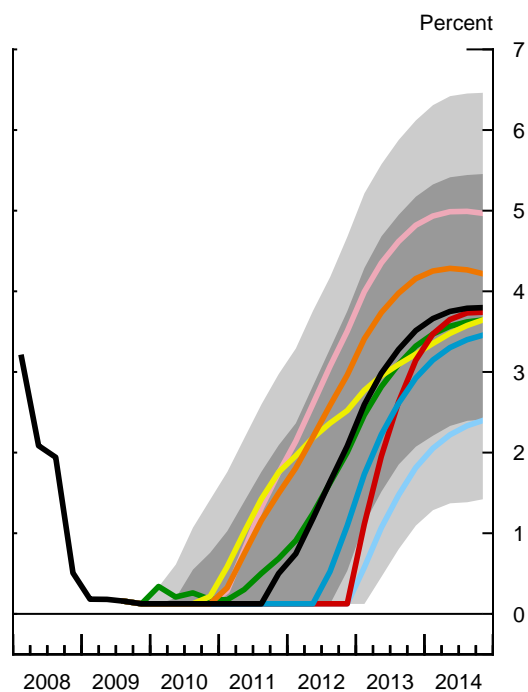
Unemployment Rate



PCE Prices excluding Food and Energy



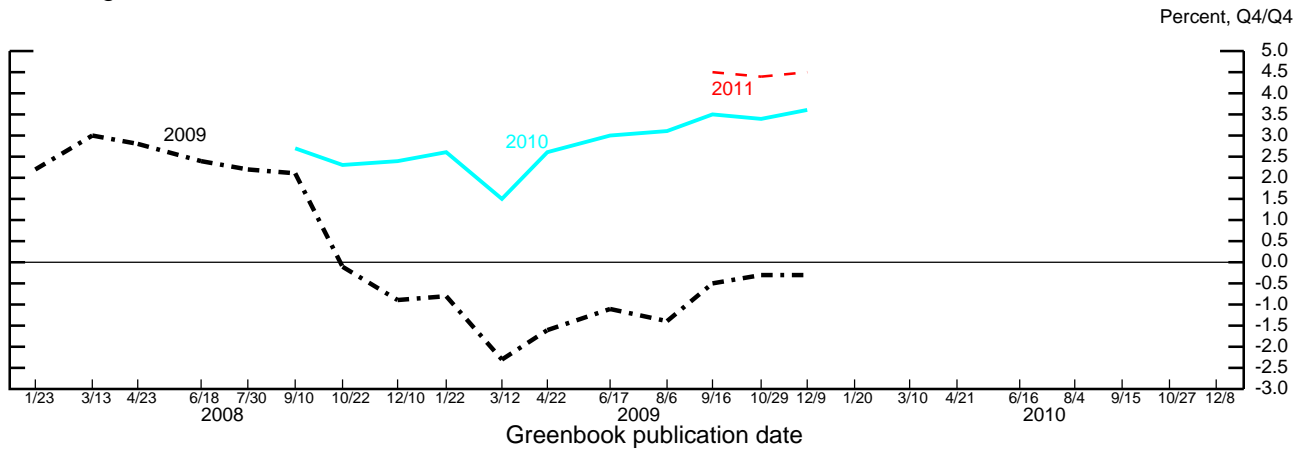
Federal Funds Rate



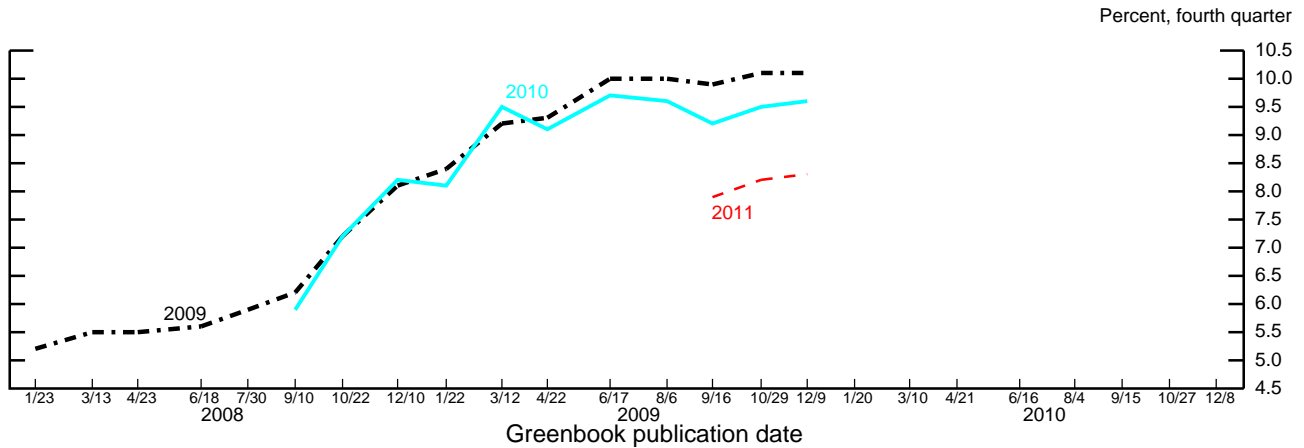
Class II FOMC - Restricted (FR)

## Evolution of the Staff Forecast

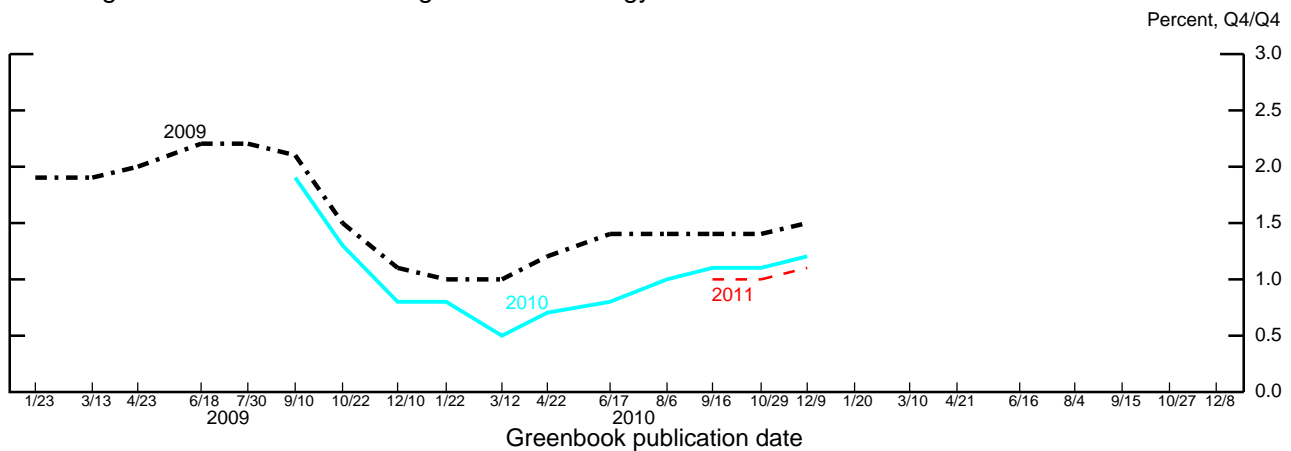
### Change in Real GDP



### Unemployment Rate



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



\*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>	
	10/29/09	12/09/09	10/29/09	12/09/09	10/29/09	12/09/09	10/29/09	12/09/09	10/29/09	12/09/09
<i>Quarterly</i>										
2009:Q1	-4.6	-4.6	-6.4	-6.4	-1.5	-1.5	1.1	1.1	8.1	8.1
Q2	-8	-8	-7	-7	1.4	1.4	2.0	2.0	9.2	9.2
Q3	4.2	3.0	3.4	2.5	2.7	2.7	1.4	1.3	9.6	9.6
Q4	3.1	4.6	2.8	3.8	2.0	2.8	1.2	1.6	10.1	10.1
2010:Q1	5.0	5.0	3.2	3.6	1.8	1.1	1.0	1.3	10.1	10.1
Q2	4.5	5.1	3.2	3.5	1.5	1.6	1.1	1.2	9.9	9.9
Q3	4.7	4.9	3.5	3.6	1.3	1.4	1.1	1.1	9.7	9.8
Q4	5.0	5.0	3.9	3.8	1.2	1.3	1.1	1.1	9.5	9.6
2011:Q1	5.4	5.5	4.2	4.2	1.1	1.3	1.0	1.1	9.2	9.2
Q2	5.5	5.7	4.4	4.5	1.0	1.2	1.0	1.1	8.9	9.0
Q3	5.6	5.8	4.5	4.6	1.0	1.1	1.0	1.1	8.6	8.7
Q4	5.5	5.8	4.5	4.7	1.0	1.1	1.0	1.1	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	2.3	2.3
Q4	3.7	3.8	3.1	3.1	2.4	2.7	1.3	1.4	.9	.9
2010:Q2	4.7	5.0	3.2	3.5	1.6	1.4	1.0	1.2	-2	-2
Q4	4.9	5.0	3.7	3.7	1.3	1.3	1.1	1.1	-4	-3
2011:Q2	5.5	5.6	4.3	4.3	1.1	1.2	1.0	1.1	-6	-6
Q4	5.6	5.8	4.5	4.7	1.0	1.1	1.0	1.1	-7	-7
<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	.4	.5	-3	-3	1.1	1.3	1.4	1.5	3.2	3.2
2010:Q4	4.8	5.0	3.4	3.6	1.4	1.3	1.1	1.2	-6	-5
2011:Q4	5.5	5.7	4.4	4.5	1.0	1.2	1.0	1.1	-1.3	-1.3
<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	-2.5	.2	.2	1.5	1.5	9.2	9.3
2010	4.1	4.3	3.0	3.2	1.8	1.8	1.2	1.3	9.8	9.8
2011	5.3	5.4	4.1	4.2	1.1	1.3	1.0	1.1	8.7	8.8

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

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

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

**Changes in Real Gross Domestic Product and Related Items**  
(Percent, annual rate except as noted)

Item	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	2.5	3.8	3.6	3.5	3.6	3.8	4.2	4.5	4.6	4.7	-3	3.6	4.5
Final sales <i>Previous Greenbook</i>	-6.4	-7	3.4	2.8	3.2	3.2	3.5	3.9	4.2	4.4	4.5	4.5	-3	3.4	4.4
Priv. dom. final purch. <i>Previous Greenbook</i>	-4.1	.7	1.7	1.5	2.6	2.9	2.9	3.3	3.6	4.1	4.2	4.2	-1	2.9	4.0
Personal cons. expend. <i>Previous Greenbook</i>	-4.1	.7	2.4	.4	2.5	3.0	2.5	3.0	3.4	3.9	4.2	4.3	-2	2.7	3.9
Durables	-7.2	-2.7	2.4	1.2	2.6	3.0	3.4	3.7	4.3	4.8	5.0	4.9	-1.7	3.2	4.8
Nondurables	-7.2	-2.7	3.0	-1	2.4	2.9	2.9	3.5	4.1	4.5	5.0	5.0	-1.9	2.9	4.7
Services	.6	-9	3.0	1.9	2.7	2.4	2.6	2.6	3.0	3.4	3.7	3.6	1.1	2.6	3.4
Residential investment <i>Previous Greenbook</i>	.6	-9	3.4	.7	2.4	2.3	2.1	2.4	3.0	3.3	3.6	3.6	.9	2.3	3.4
Business fixed invest. <i>Previous Greenbook</i>	3.9	-5.6	20.1	-2.3	9.5	7.6	9.4	9.1	9.1	11.8	12.1	11.9	3.6	8.9	11.2
Equipment & software <i>Previous Greenbook</i>	1.9	-1.9	1.7	3.8	2.4	2.4	2.4	2.4	3.0	3.2	3.3	3.3	1.3	2.4	3.2
Nonres. structures <i>Previous Greenbook</i>	-3	.2	1.0	2.0	1.8	1.6	1.6	1.7	2.0	2.1	2.5	2.4	.7	1.7	2.3
Net exports <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	-38.2	-23.3	18.9	8.1	8.7	17.8	4.3	9.1	15.4	23.0	22.0	20.7	-11.6	9.9	20.2
Exports	-38.2	-23.3	20.9	.1	9.3	9.7	8.1	13.1	15.5	22.4	24.1	28.7	-13.0	10.0	22.6
Imports	-39.2	-9.6	-5.5	-5.8	.1	4.0	9.7	10.9	11.5	10.7	10.5	9.9	-16.4	6.1	10.7
Gov't. cons. & invest. <i>Previous Greenbook</i>	-39.2	-9.6	-3.8	-6.4	.9	5.5	7.2	9.4	9.8	9.0	10.4	9.0	-16.1	5.7	9.5
Federal	-36.4	-4.9	2.4	5.9	5.5	8.1	14.8	14.8	15.1	14.8	14.6	13.8	-10.0	10.7	14.6
Defense	-36.4	-4.9	1.1	3.5	6.2	10.3	10.9	12.7	13.5	12.9	15.0	12.9	-10.8	10.0	13.6
Nondefense	-43.6	-17.3	-18.9	-25.8	-10.7	-4.8	-1.4	2.0	3.0	1.0	.4	.1	-27.2	-3.8	1.1
State & local	-43.6	-17.3	-12.3	-23.3	-9.4	-4.3	-8	2.3	1.7	.2	-4	-3	-25.1	-3.2	.3
Change in bus. inventories <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	-386	-330	-358	-345	-357	-357	-358	-352	-356	-357	-360	-356	-355	-356	-357
Nonfarm <sup>2</sup>	-386	-330	-348	-343	-346	-340	-341	-341	-348	-348	-351	-350	-352	-342	-349
Farm <sup>2</sup>	-29.9	-4.1	17.0	12.1	8.9	9.1	9.4	9.8	9.4	8.9	8.8	8.5	-3.1	9.3	8.9
Gov't. cons. & invest. <i>Previous Greenbook</i>	-36.4	-14.7	20.8	6.7	9.9	7.2	7.9	6.8	8.5	7.3	8.0	6.3	-8.6	8.0	7.5
Federal	-2.6	6.7	2.8	.6	4.1	2.2	.9	.6	1.0	1.0	1.0	.5	1.8	1.9	.9
Defense	-2.6	6.7	2.3	1.8	3.0	2.1	1.0	.6	1.0	1.0	1.0	.5	2.0	1.7	.9
Nondefense	-4.3	11.4	8.3	.9	9.1	3.6	.6	-4	1.3	1.1	1.2	.5	3.9	3.2	1.0
State & local	-5.1	14.0	8.9	-3.1	8.7	2.4	1.9	.3	.6	.3	.5	-.5	3.4	3.3	.2
Change in bus. inventories <sup>2</sup> <i>Previous Greenbook</i> <sup>2</sup>	-2.5	6.1	6.9	9.8	10.0	6.3	-2.1	-1.9	2.6	2.6	2.6	2.6	5.0	3.0	2.6
Nonfarm <sup>2</sup>	-1.5	3.9	-5	.5	.9	1.2	1.2	1.3	.9	.9	.9	.5	.6	1.1	.8
Farm <sup>2</sup>	-114	-160	-137	-66	-34	-15	7	24	42	55	69	85	-119	-5	63
Nonfarm <sup>2</sup>	-114	-160	-131	-60	-36	-30	0	29	55	70	80	89	-116	-9	73
Farm <sup>2</sup>	-115	-163	-140	-71	-39	-19	3	20	39	52	66	83	-122	-9	60
	0	2	3	4	4	3	3	3	3	3	3	3	2	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	-3 -3	3.6 3.4	4.5 4.4
<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 4.2 4.2	2.8 4.2 4.2	2.7 3.1 3.1	2.8 2.5 2.5	2.7 1.4 1.4	-1.4 -3.2 -3.2	-2 -1.7 -1.9	2.7 3.2 2.9	3.9 4.8 4.7
Personal cons. expend. <i>Previous Greenbook</i>	3.4 3.4	3.5 3.5	2.7 2.7	3.3 3.3	2.0 2.0	-1.8 -1.8	1.1 .9	2.6 2.3	3.4 3.4
Durables	8.9	5.5	2.1	6.3	4.6	-11.8	3.6	8.9	11.2
Nondurables	3.9	3.0	3.3	3.2	1.5	-2.9	1.3	2.4	3.2
Services	2.2	3.4	2.6	2.8	1.7	.3	.7	1.7	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	-11.6 -13.0	9.9 10.0	20.2 22.6
<b>Business fixed invest.</b> <i>Previous Greenbook</i>	5.9	7.0	4.4	7.8	7.9	-6.0	-16.4	6.1	10.7
Equipment & software <i>Previous Greenbook</i>	5.9 7.5 7.5	7.0 8.8 8.8	4.4 6.1 6.1	7.8 6.0 6.0	7.9 3.2 3.2	-6.0 -10.7 -10.7	-16.1 -10.0 -10.8	5.7 10.7 10.0	9.5 14.6 13.6
Nonres. structures <i>Previous Greenbook</i>	1.3 1.3	1.7 1.7	-1 -1	13.0 13.0	18.9 18.9	3.2 3.2	-27.2 -25.1	-3.8 -3.2	1.1 .3
<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 -352	-356 -342	-357 -349
Exports	6.2	7.1	6.7	10.2	10.2	-3.4	-3.1	9.3	8.9
Imports	5.1	10.9	5.2	4.1	.9	-6.8	-8.6	8.0	7.5
<b>Gov't. cons. &amp; invest.</b> <i>Previous Greenbook</i>	1.6 1.6	.6 .6	.7 .7	1.5 1.5	2.5 2.5	3.0 3.0	1.8 2.0	1.9 1.7	.9 .9
Federal	5.7	2.3	1.2	2.2	3.4	8.9	3.9	3.2	1.0
Defense	8.4	2.4	.4	4.4	2.6	9.5	3.4	3.3	.2
Nondefense	.7	2.3	2.6	-2.3	5.2	7.5	5.0	3.0	2.6
State & local	-.5	-.4	.4	1.2	1.9	-.3	.6	1.1	.8
<b>Change in bus. inventories<sup>1</sup></b> <i>Previous Greenbook<sup>1</sup></i>	17 17	66 66	50 50	59 59	19 19	-26 -26	-119 -116	-5 -9	63 73
Nonfarm <sup>1</sup>	17	58	50	63	20	-20	-122	-9	60
Farm <sup>1</sup>	0	8	0	-4	-1	-5	2	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	2.5	3.8	3.6	3.5	3.6	3.8	4.2	4.5	4.6	4.7	-3	3.6	4.5
Final sales <i>Previous Greenbook</i>	-6.4	-7	3.4	2.8	3.2	3.2	3.5	3.9	4.2	4.4	4.5	4.5	-3	3.4	4.4
Priv. dom. final purch. <i>Previous Greenbook</i>	-4.1	.7	1.7	1.5	2.6	2.9	2.9	3.3	3.6	4.1	4.2	4.2	-1	2.9	4.0
Personal cons. expend. <i>Previous Greenbook</i>	-4.1	.7	2.4	.4	2.5	3.0	2.5	3.0	3.4	3.9	4.2	4.2	-2	2.8	3.9
Durables	-6.1	-2.3	2.0	1.0	2.2	2.5	2.8	3.1	3.5	3.9	4.1	4.0	-1.4	2.6	3.9
Nondurables	-6.1	-2.3	2.5	-1	2.0	2.4	2.4	2.9	3.4	3.7	4.1	4.1	-1.6	2.4	3.8
Services	.4	-6	2.1	1.4	1.9	1.7	1.8	1.9	2.1	2.4	2.6	2.5	.8	1.8	2.4
Residential investment <i>Previous Greenbook</i>	.4	-6	2.4	.5	1.7	1.7	1.5	1.7	2.1	2.3	2.5	2.5	.7	1.7	2.4
Durables	.3	-4	1.3	-2	.7	.5	.7	.7	.7	.8	.9	.9	.3	.6	.8
Nondurables	.3	-3	.3	.6	.4	.4	.4	.4	.5	.5	.5	.5	.2	.4	.5
Services	-1	.1	.5	1.0	.9	.8	.8	.8	1.0	1.0	1.2	1.2	.3	.8	1.1
Business fixed invest. <i>Previous Greenbook</i>	-1.3	-7	.4	.2	.2	.4	.1	.2	.4	.6	.6	.6	-3	.2	.5
Equipment & software <i>Previous Greenbook</i>	-1.3	-7	.5	.0	.2	.2	.2	.3	.4	.6	.6	.8	-4	.2	.6
Nonres. structures <i>Previous Greenbook</i>	-5.3	-1.0	-6	-6	.0	.4	.9	1.0	1.0	1.0	1.0	.9	-1.8	.6	1.0
Net exports <i>Previous Greenbook</i>	-5.3	-1.0	-4	-6	.1	.5	.6	.9	.9	.8	1.0	.8	-1.8	.5	.9
Exports	-3.0	-3	.2	.4	.3	.5	.9	.9	1.0	1.0	1.0	.9	-7	.7	1.0
Imports	-3.0	-3	.1	.2	.4	.6	.7	.8	.8	.8	1.0	.8	-8	.6	.9
Gov't. cons. & invest. <i>Previous Greenbook</i>	-2.3	-7	-7	-9	-3	-1	.0	.1	.1	.0	.0	.0	-1.1	-1	.0
Federal	-2.3	-7	-4	-8	-3	-1	.0	.1	.1	.0	.0	.0	-1.1	-1	.0
Defense	2.6	1.7	-9	.4	-4	.0	-1	.1	-2	.0	-1	.1	1.0	.4	.2
Nondefense	2.6	1.7	-6	.1	-1	.2	-1	.0	-3	.0	-1	.0	1.0	.0	-1
State & local	-4.0	-5	1.7	1.3	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.0	-4	1.1	1.1
Change in bus. inventories <i>Previous Greenbook</i>	6.6	2.1	-2.6	-9	-1.4	-1.0	-1.1	-1.0	-1.3	-1.1	-1.2	-1.0	1.4	-1.2	-1.1
Nonfarm	-5	1.3	.6	.1	.8	.5	.2	.1	.2	.2	.2	.1	.4	.4	.2
Farm	-5	1.3	.5	.4	.6	.5	.2	.1	.2	.2	.2	.1	.4	.3	.2
Nonfarm	-3	.9	.6	.1	.7	.3	.1	.0	.1	.1	.1	.0	.3	.3	.1
Farm	-3	.7	.5	-2	.5	.1	.1	.0	.0	.0	.0	.0	.2	.2	.0
Nonfarm	-1	.2	.2	.2	.3	.2	-1	.0	.1	.1	.1	.1	.1	.1	.1
Farm	-2	.5	-1	.1	.1	.2	.2	.2	.1	.1	.1	.1	.1	.1	.1
Change in bus. inventories <i>Previous Greenbook</i>	-2.4	-1.4	.7	2.3	1.0	.6	.7	.5	.6	.4	.4	.5	-2	.7	.5
Nonfarm	-2.4	-1.4	.9	2.3	.7	.2	1.0	.9	.8	.5	.3	.3	-1	.7	.5
Farm	-2.4	-1.5	.7	2.2	1.0	.6	.7	.5	.6	.4	.4	.5	-3	.7	.5
Farm	.1	.1	.0	.1	.0	.0	.0	.0	.0	.0	.0	.0	.1	.0	.0

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



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

Item	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	.5	.7	1.3	1.5	1.3	1.1	1.3	1.1	1.1	1.0	.8	1.3	1.1
PCE chain-wt. price index <i>Previous Greenbook</i>	1.9	.0	.8	.3	1.7	1.3	1.2	1.1	1.2	1.1	1.0	1.0	.7	1.3	1.1
Energy <i>Previous Greenbook</i>	-1.5	1.4	2.7	2.8	1.1	1.6	1.4	1.3	1.3	1.2	1.1	1.1	1.3	1.3	1.2
Food <i>Previous Greenbook</i>	-1.5	1.4	2.8	2.0	1.8	1.5	1.3	1.2	1.1	1.0	1.0	1.0	1.1	1.4	1.0
Ex. food & energy <i>Previous Greenbook</i>	-36.7	-2.0	40.8	27.9	-1.2	8.4	5.3	5.0	4.8	3.7	2.8	2.7	2.8	4.3	3.5
CPI <i>Previous Greenbook</i>	-36.7	-2.0	41.1	20.3	15.2	7.8	4.5	3.7	3.2	2.3	2.1	2.0	1.3	7.7	2.4
Ex. food & energy <i>Previous Greenbook</i>	-1.1	-3.6	-2.1	.5	1.2	1.6	1.5	1.0	.7	.7	.7	.7	-1.6	1.3	.7
Unit labor costs <i>Previous Greenbook</i>	-1.1	-3.6	-2.1	-.8	1.3	1.5	1.5	1.0	.7	.7	.7	.7	-1.9	1.3	.7
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	1.1	2.0	1.3	1.6	1.3	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.5	1.2	1.1
Output per hour <i>Previous Greenbook</i>	1.1	2.0	1.4	1.2	1.0	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.4	1.1	1.0
Compensation per hour <i>Previous Greenbook</i>	-2.4	1.3	3.6	3.3	1.2	1.9	1.6	1.5	1.5	1.4	1.3	1.3	1.4	1.6	1.4
Unit labor costs <i>Previous Greenbook</i>	-2.4	1.3	3.6	2.6	2.3	1.8	1.5	1.4	1.3	1.2	1.2	1.2	1.3	1.7	1.2
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	1.5	2.4	1.5	1.7	1.4	1.3	1.2	1.2	1.2	1.2	1.2	1.3	1.8	1.3	1.2
Output per hour <i>Previous Greenbook</i>	1.5	2.4	1.5	1.5	1.2	1.1	1.2	1.2	1.1	1.1	1.1	1.2	1.7	1.2	1.1
Compensation per hour <i>Previous Greenbook</i>	.7	.7	1.8	1.6	1.7	1.7	1.8	1.9	1.9	1.9	1.9	1.9	1.2	1.8	1.9
Unit labor costs <i>Previous Greenbook</i>	.7	.7	1.7	1.6	1.7	1.7	1.8	1.9	2.0	2.0	2.1	2.1	1.2	1.8	2.0
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	.3	6.9	7.4	4.4	2.2	.9	.4	.3	.5	1.0	1.1	1.2	4.7	.9	1.0
Output per hour <i>Previous Greenbook</i>	.3	7.0	7.2	4.2	2.4	.8	.6	.7	.7	.8	.9	.9	4.6	1.1	.8
Compensation per hour <i>Previous Greenbook</i>	-4.7	6.9	5.4	2.2	1.8	2.0	2.0	2.0	2.0	2.0	1.9	1.9	2.4	2.0	2.0
Unit labor costs <i>Previous Greenbook</i>	-4.7	.4	1.9	1.6	1.6	1.7	1.8	1.9	2.0	2.0	2.1	2.1	-.2	1.8	2.1
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Greenbook</i>	-5.0	.0	-1.9	-2.1	-.4	1.1	1.6	1.7	1.5	1.0	.8	.6	-2.3	1.0	1.0
Output per hour <i>Previous Greenbook</i>	-5.0	-6.2	-5.0	-2.5	-.8	.9	1.2	1.3	1.3	1.2	1.2	1.2	-4.7	.7	1.2
Compensation per hour <i>Previous Greenbook</i>	-9.4	-2.3	1.2	5.4	3.5	1.7	1.2	1.1	1.0	1.0	1.0	1.0	-1.4	1.9	1.0
Unit labor costs <i>Previous Greenbook</i>	-9.4	-2.3	1.0	4.4	2.6	1.4	1.0	1.0	1.0	1.0	1.0	1.0	-1.7	1.5	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	.8 .7	1.3 1.3	1.1 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	1.3 1.1	1.3 1.4	1.2 1.0
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	2.8 1.3	4.3 7.7	3.5 2.4
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	-1.6 -1.9	1.3 1.3	.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 1.4	1.2 1.1	1.1 1.0
CPI <i>Previous Greenbook</i>	2.0 2.0	3.4 3.4	3.8 3.8	1.9 1.9	4.0 4.0	1.5 1.5	1.4 1.3	1.6 1.7	1.4 1.2
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	1.8 1.7	1.3 1.2	1.2 1.1
ECI, hourly compensation <sup>1</sup> <i>Previous Greenbook</i> <sup>1</sup>	4.0 4.0	3.8 3.8	2.9 2.9	3.2 3.2	3.0 3.0	2.4 2.4	1.2 1.2	1.8 1.8	1.9 2.0
Nonfarm business sector Output per hour <i>Previous Greenbook</i>	5.0 5.0	1.5 1.5	1.4 1.4	.9 .9	2.8 2.8	.9 .9	4.7 4.6	.9 1.1	1.0 .8
Compensation per hour <i>Previous Greenbook</i>	5.7 5.7	3.4 3.4	3.5 3.5	4.5 4.5	3.6 3.6	2.6 2.6	2.4 -2	2.0 1.8	2.0 2.1
Unit labor costs <i>Previous Greenbook</i>	.6 .6	1.9 1.9	2.0 2.0	3.5 3.5	.7 .7	1.6 1.6	-2.3 -4.7	1.0 .7	1.0 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	-1.4 -1.7	1.9 1.5	1.0 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>	-2.1	-1.5	-9	-3	.1	.8	.6	.8	1.0	.9	1.0	1.0	-4.7	2.3	4.0
Unemployment rate <sup>3</sup>	8.1	9.2	9.6	10.1	10.1	9.9	9.8	9.6	9.2	9.0	8.7	8.3	10.1	9.6	8.3
<i>Previous Greenbook<sup>3</sup></i>	8.1	9.2	9.6	10.1	10.1	9.9	9.7	9.5	9.2	8.9	8.6	8.2	10.1	9.5	8.2
GDP gap <sup>4</sup>	-7.0	-7.8	-7.8	-7.6	-7.2	-6.9	-6.6	-6.2	-5.8	-5.3	-4.8	-4.2	-7.6	-6.2	-4.2
<i>Previous Greenbook<sup>4</sup></i>	-7.0	-7.8	-7.6	-7.6	-7.3	-7.1	-6.8	-6.4	-6.0	-5.5	-5.0	-4.5	-7.6	-6.4	-4.5
Industrial production <sup>5</sup>	-19.0	-10.3	5.6	7.1	6.2	5.8	4.8	5.2	5.8	5.9	6.1	6.1	-4.8	5.5	6.0
<i>Previous Greenbook<sup>5</sup></i>	-19.0	-10.3	5.2	6.4	3.9	4.5	5.0	6.3	5.9	5.5	7.2	8.2	-5.0	4.9	6.7
Manufacturing industr. prod. <sup>5</sup>	-22.0	-8.7	7.7	7.1	5.5	6.4	5.1	5.7	6.5	6.6	6.8	6.8	-4.8	5.7	6.6
<i>Previous Greenbook<sup>5</sup></i>	-22.0	-8.7	7.1	6.2	3.7	4.9	5.2	7.0	6.6	6.1	8.2	9.3	-5.2	5.2	7.5
Capacity utilization rate - mfg. <sup>3</sup>	66.7	65.4	66.9	68.3	69.4	70.8	71.9	73.1	74.4	75.6	77.0	78.4	68.3	73.1	78.4
<i>Previous Greenbook<sup>3</sup></i>	66.7	65.4	66.8	68.1	69.0	70.1	71.3	72.8	74.2	75.4	77.1	79.0	68.1	72.8	79.0
Housing starts <sup>6</sup>	.5	.5	.6	.6	.7	.8	.8	.9	1.0	1.1	1.2	1.3	.6	.8	1.1
Light motor vehicle sales <sup>6</sup>	9.5	9.6	11.5	10.7	11.2	11.8	12.5	13.2	13.8	14.3	14.8	15.3	10.3	12.2	14.5
<i>Income and saving</i>															
Nominal GDP <sup>5</sup>	-4.6	-8	3.0	4.6	5.0	5.1	4.9	5.0	5.5	5.7	5.8	5.8	.5	5.0	5.7
Real disposable pers. income <sup>5</sup>	.2	6.2	-1.3	-1	3.4	-2	3.2	3.2	1.4	3.9	4.4	3.7	1.2	2.4	3.3
<i>Previous Greenbook<sup>5</sup></i>	.2	3.8	-3.5	-1	3.6	.3	3.2	3.7	1.0	4.1	4.4	4.3	.1	2.7	3.4
Personal saving rate <sup>3</sup>	3.7	5.4	4.5	4.0	4.2	3.7	3.9	4.0	3.7	3.8	4.0	4.0	4.0	4.0	4.0
<i>Previous Greenbook<sup>3</sup></i>	3.7	4.9	3.3	3.3	3.6	3.2	3.4	3.7	3.3	3.5	3.7	3.8	3.3	3.7	3.8
Corporate profits <sup>7</sup>	22.8	15.6	37.6	-21.6	101.3	15.6	10.9	7.6	-1.8	6.8	7.2	10.7	11.2	29.1	5.6
Profit share of GNP <sup>3</sup>	8.3	8.6	9.2	8.6	10.1	10.4	10.5	10.6	10.4	10.4	10.4	10.6	8.6	10.6	10.6
Net federal saving <sup>8</sup>	-969	-1,269	-1,347	-1,213	-1,439	-1,366	-1,380	-1,375	-1,261	-1,225	-1,218	-1,198	-1,199	-1,390	-1,225
Net state & local saving <sup>8</sup>	-37	-25	-18	4	35	42	48	51	3	-1	-8	-12	-19	44	-5
Gross national saving rate <sup>3</sup>	11.2	10.7	10.1	10.4	10.2	10.5	10.8	11.2	11.4	11.8	12.1	12.4	10.4	11.2	12.4
Net national saving rate <sup>3</sup>	-2.5	-2.7	-3.0	-2.5	-2.6	-2.2	-1.8	-1.3	-1.2	-7	-4	.0	-2.5	-1.3	.0

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

2. Change, millions.

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

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

5. Percent change, annual rate.

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

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

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

## 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	-2.3	-4.7	2.3	4.0
Unemployment rate <sup>2</sup>	5.8	5.4	4.9	4.4	4.8	6.9	10.1	9.6	8.3
<i>Previous Greenbook<sup>2</sup></i>	5.8	5.4	4.9	4.4	4.8	6.9	10.1	9.5	8.2
GDP gap <sup>3</sup>	-1.6	-8	-3	-3	-4	-4.8	-7.6	-6.2	-4.2
<i>Previous Greenbook<sup>3</sup></i>	-1.6	-7	-3	-3	-4	-4.8	-7.6	-6.4	-4.5
Industrial production <sup>4</sup>	1.6	3.0	2.6	1.8	1.8	-6.7	-4.8	5.5	6.0
<i>Previous Greenbook<sup>4</sup></i>	1.6	3.0	2.6	1.8	1.8	-6.7	-5.0	4.9	6.7
Manufacturing industr. prod. <sup>4</sup>	1.8	3.6	3.8	1.2	1.9	-8.7	-4.8	5.7	6.6
<i>Previous Greenbook<sup>4</sup></i>	1.8	3.6	3.8	1.2	1.9	-8.7	-5.2	5.2	7.5
Capacity utilization rate - mfg. <sup>2</sup>	74.6	77.3	79.2	79.0	78.7	70.9	68.3	73.1	78.4
<i>Previous Greenbook<sup>2</sup></i>	74.6	77.3	79.2	79.0	78.7	70.9	68.1	72.8	79.0
Housing starts <sup>5</sup>	1.8	2.0	2.1	1.8	1.4	.9	.6	.8	1.1
Light motor vehicle sales <sup>5</sup>	16.6	16.8	16.9	16.5	16.1	13.1	10.3	12.2	14.5
<i>Income and saving</i>									
Nominal GDP <sup>4</sup>	6.0	6.4	6.3	5.4	5.3	.1	.5	5.0	5.7
Real disposable pers. income <sup>4</sup>	3.9	3.5	.6	4.6	1.0	.3	1.2	2.4	3.3
<i>Previous Greenbook<sup>4</sup></i>	3.9	3.5	.6	4.6	1.0	.3	.1	2.7	3.4
Personal saving rate <sup>2</sup>	3.6	3.6	1.5	2.5	1.5	3.8	4.0	4.0	4.0
<i>Previous Greenbook<sup>2</sup></i>	3.6	3.6	1.5	2.5	1.5	3.8	3.3	3.7	3.8
Corporate profits <sup>6</sup>	12.2	21.9	19.6	3.7	-5.7	-25.1	11.2	29.1	5.6
Profit share of GNP <sup>2</sup>	9.1	10.5	11.8	11.6	10.3	7.8	8.6	10.6	10.6
Net federal saving <sup>7</sup>	-376	-379	-283	-204	-236	-643	-1199	-1390	-1225
Net state & local saving <sup>7</sup>	-39	-8	26	51	22	-40	-19	44	-5
Gross national saving rate <sup>2</sup>	14.3	14.3	15.5	16.3	13.8	12.2	10.4	11.2	12.4
Net national saving rate <sup>2</sup>	2.5	2.7	3.5	4.2	1.6	-7	-2.5	-1.3	.0

1. Change, millions.

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

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

Values are for the fourth quarter of the year indicated.

4. Percent change.

5. Level, millions, values are annual averages.

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

7. Billions of dollars, values are annual averages.

**Class II FOMC  
Restricted (FR)**

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

December 9, 2009

Item	Fiscal year				2009				2010				2011			
	2008 <sup>a</sup>	2009 <sup>a</sup>	2010	2011	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>	Not seasonally adjusted															
Receipts <sup>1</sup>	2524	2105	2213	2502	442	599	516	499	484	669	560	563	533	767	640	614
Outlays <sup>1</sup>	2983	3522	3663	3674	891	904	847	867	977	924	895	925	936	906	908	928
Surplus/deficit <sup>1</sup>	-459	-1417	-1450	-1172	-449	-305	-331	-367	-493	-255	-335	-362	-402	-140	-268	-314
<i>Previous Greenbook</i>	-459	-1417	-1454	-1187	-449	-305	-331	-378	-494	-251	-332	-359	-406	-147	-275	-319
On-budget	-642	-1554	-1555	-1312	-468	-382	-320	-412	-485	-329	-330	-415	-410	-219	-268	-365
Off-budget	183	137	105	140	19	77	-11	44	-8	74	-5	52	8	80	-1	51
<b>Means of financing</b>																
Borrowing	768	1743	1503	1192	465	338	379	213	679	281	331	352	392	165	283	304
Cash decrease	-296	96	25	0	98	-49	43	190	-145	-29	10	15	15	-20	-10	15
Other <sup>2</sup>	-13	-423	-78	-20	-114	16	-90	-36	-41	3	-5	-5	-5	-5	-5	-5
Cash operating balance, end of period	372	275	250	250	269	318	275	85	230	260	250	235	220	240	250	235
<b>NIPA federal sector</b>	Seasonally adjusted annual rates															
Receipts	2534	2286	2353	2531	2251	2237	2208	2371	2311	2347	2381	2418	2525	2567	2612	2658
Expenditures	3074	3351	3702	3800	3220	3506	3555	3584	3750	3714	3762	3793	3786	3792	3831	3856
Consumption expenditures	914	973	1045	1084	954	979	1002	1009	1047	1060	1064	1067	1082	1089	1096	1102
Defense	620	659	699	722	643	663	680	678	700	706	711	713	722	725	727	729
Nondefense	294	314	346	362	311	316	322	331	347	354	353	353	361	365	369	373
Other spending	2160	2378	2657	2717	2266	2527	2553	2575	2703	2654	2697	2727	2704	2703	2734	2754
Current account surplus	-540	-1065	-1350	-1270	-969	-1269	-1347	-1213	-1439	-1366	-1380	-1375	-1261	-1225	-1218	-1198
Gross investment	141	159	166	168	152	159	164	162	166	167	168	168	168	168	169	168
Gross saving less gross investment <sup>3</sup>	-563	-1100	-1386	-1303	-999	-1304	-1384	-1247	-1476	-1403	-1417	-1410	-1294	-1257	-1249	-1226
<b>Fiscal indicators<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-489	-703	-863	-869	-638	-844	-870	-710	-942	-883	-915	-928	-845	-838	-865	-881
Change in HEB, percent of potential GDP	1.8	1.3	0.9	-0.1	1.1	1.3	0.1	-1.1	1.4	-0.4	0.2	0.0	-0.6	-0.1	0.1	0.1
Fiscal impetus (FI), percent of GDP	0.8	1.0	1.0	-0.2	0.0	0.7	0.3	0.2	0.4	0.2	0.1	0.0	-0.2	-0.0	-0.1	-0.2
<i>Previous Greenbook</i>	0.8	1.0	1.0	-0.2	0.0	0.7	0.3	0.3	0.3	0.2	0.1	0.0	-0.2	-0.0	-0.1	-0.2

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** **December 9, 2009**  
(Percent)

Period <sup>1</sup>	Total	Households			Business	State and local governments	Federal government	Memo: Nominal GDP
		Total	Home mortgages	Consumer credit				
<i>Year</i>								
2004	8.9	11.1	13.5	5.6	6.3	7.4	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	8.2	3.9	5.4
2007	8.7	6.7	6.7	5.7	13.4	9.3	4.9	5.3
2008	5.9	.3	-.6	1.6	5.2	2.0	24.2	.1
2009	3.3	-1.8	-1.8	-3.7	-1.3	5.0	21.9	.5
2010	5.8	.4	-.1	1.4	1.9	4.8	21.2	5.0
2011	5.2	2.1	.6	7.4	3.2	4.5	12.2	5.7
<i>Quarter</i>								
2008:1	5.5	3.1	2.6	4.5	7.8	3.6	8.1	1.0
2	3.3	.2	-.5	4.1	6.4	1.1	5.9	3.5
3	8.2	-.4	-2.4	.6	5.2	3.3	39.2	1.4
4	6.1	-1.8	-1.9	-2.9	1.0	-.2	37.0	-5.4
2009:1	4.3	-1.2	-.2	-3.4	.5	4.4	22.6	-4.6
2	4.5	-1.6	-1.6	-4.7	-2.2	3.6	28.2	-.8
3	2.8	-2.6	-3.6	-3.2	-2.6	5.1	20.6	3.0
4	1.7	-1.9	-1.8	-3.5	-.7	6.7	10.1	4.6
2010:1	7.0	-.3	-.5	-1.0	.7	4.7	29.5	5.0
2	5.6	.1	-.2	.5	1.5	4.6	20.0	5.1
3	4.9	.7	.0	2.3	2.4	4.7	14.8	4.9
4	5.2	1.1	.2	3.9	2.8	4.7	14.6	5.0
2011:1	4.9	1.6	.5	5.3	3.0	4.5	12.2	5.5
2	5.2	1.9	.6	6.7	3.3	4.4	12.4	5.7
3	5.0	2.3	.6	8.0	3.2	4.4	11.1	5.8
4	5.1	2.5	.7	8.9	3.3	4.3	11.0	5.8

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 2009:Q3 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

2.6.3 FOF

**Class II FOMC Restricted (FR)** **Flow of Funds Projections: Highlights** **December 9, 2009**  
(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	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	1535.3	1097.2	1942.5	1802.4	1056.9	377.3	2421.2	1885.6	1662.0	1801.2	1705.0	1850.5	1794.3	1859.9		
Net equity issuance	-335.1	-24.5	-75.0	-100.0	91.3	-200.0	-20.0	-80.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0		
Net debt issuance	1870.4	1121.7	2017.5	1902.4	965.6	577.3	2441.2	1965.6	1762.0	1901.2	1805.0	1950.5	1894.3	1959.9		
Borrowing indicators																
Debt (percent of GDP) <sup>1</sup>	225.9	239.5	240.2	240.4	241.5	240.2	239.9	240.6	240.9	241.0	240.8	240.5	240.2	239.9		
Borrowing (percent of GDP)	13.0	7.9	13.6	12.1	6.8	4.0	16.7	13.3	11.8	12.6	11.8	12.5	12.0	12.3		
Households																
Net borrowing <sup>2</sup>	37.0	-245.9	56.0	283.7	-351.3	-257.6	-42.4	19.8	91.2	155.2	214.8	263.0	309.4	347.5		
Home mortgages	-58.1	-187.7	-11.9	61.8	-369.9	-190.2	-47.6	-23.8	0.0	23.8	47.6	57.1	66.6	76.1		
Consumer credit	40.2	-94.9	35.7	187.6	-81.6	-88.5	-25.0	11.6	58.2	97.9	133.2	171.8	208.4	236.9		
Debt/DPI (percent) <sup>3</sup>	127.5	124.8	119.9	116.6	124.1	122.6	120.9	120.5	119.3	118.3	117.9	116.9	116.0	115.3		
Business																
Financing gap <sup>4</sup>	232.4	-144.5	-155.7	-49.3	-194.3	-192.6	-168.0	-173.2	-151.6	-130.0	-82.4	-57.4	-35.1	-22.5		
Net equity issuance	-335.1	-24.5	-75.0	-100.0	91.3	-200.0	-20.0	-80.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0		
Credit market borrowing	551.0	-140.3	206.8	365.2	-283.9	-81.1	82.6	170.6	262.3	311.5	335.9	379.1	371.0	374.7		
State and local governments																
Net borrowing	43.3	112.4	111.7	109.7	115.9	153.7	109.7	109.7	113.7	113.7	109.7	109.7	109.7	109.7		
Current surplus <sup>5</sup>	212.7	221.8	265.0	222.1	208.9	222.3	254.3	262.1	269.6	274.1	227.9	224.8	219.3	216.5		
Federal government																
Net borrowing	1239.2	1395.0	1643.1	1143.9	1484.9	762.3	2291.3	1665.5	1294.8	1320.8	1144.6	1198.7	1104.2	1128.0		
Net borrowing (n.s.a.)	1239.2	1395.0	1643.1	1143.9	378.7	212.6	678.8	281.4	330.7	352.2	392.2	164.7	283.1	304.0		
Unified deficit (n.s.a.)	680.5	1451.8	1445.3	1123.9	330.8	367.2	492.8	255.0	335.3	362.2	402.2	139.7	268.1	314.0		
<i>Depository institutions</i>																
Funds supplied	409.1	-461.7	346.9	358.4	-1090.5	247.2	68.3	277.9	-459.1	1500.4	336.1	210.2	521.8	365.7		

Note. Data after 2009:Q3 are staff projections.

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

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

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

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

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

n.s.a. Not seasonally adjusted.

2.6.4 FOF

## International Developments

The foreign economic recovery has become more widespread, with aggregate GDP growth in the advanced economies finally turning positive in the third quarter. We expect foreign growth to slow in the current quarter as rebounds in emerging Asia and Latin America give way to more sustainable growth rates. Over the coming two years, foreign growth should firm, reaching 4 percent in 2011, bolstered by improving sentiment and financial conditions. Foreign inflation has picked up noticeably in recent months, largely reflecting increases in energy and other commodity prices. We anticipate that inflation will settle down early next year as commodity prices flatten out and resource slack remains considerable.

### 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
				H1	H2	
Foreign output	-3.5	4.3	3.6	3.6	3.9	4.1
Previous Greenbook	-3.6	4.4	3.6	3.4	3.8	4.1
Foreign CPI	.0	1.4	2.2	2.0	1.8	1.9
Previous Greenbook	.0	1.5	2.0	1.7	1.7	1.8
Contribution to growth (percentage points)						
U.S. net exports	2.1	-.9	.4	-.2	.0	-.1
Previous Greenbook	2.1	-.6	.1	.0	.0	-.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, which had been positive for most of the past two years, turned down markedly in the third quarter; a robust cyclical rebound in exports was more than offset by an even sharper rebound in imports, leading net exports to subtract nearly a percentage point from growth. In the current quarter and beyond, as the cyclical recovery in trade plays out and the recent depreciation of the dollar exerts increasingly strong effects, we expect exports to continue to grow rapidly while import growth slows modestly. Because imports grow from a higher base, however, the contribution of net exports to U.S. GDP growth is roughly neutral over the forecast period.



We judge that fiscal stimulus is making a positive contribution to economic growth in the second half of this year. The effect of fiscal policy shrinks to zero next year, on average, and subtracts about ½ percentage point from AFE growth in 2011, as attention increasingly turns to controlling rising debt.

**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
				H1	H2	
Advanced foreign economies	-4.7	.8	2.6	2.6	3.0	3.3
Previous Greenbook	-4.8	1.8	2.5	2.4	2.8	3.2
Emerging market economies	-2.1	9.1	5.0	4.9	5.1	5.2
Previous Greenbook	-2.1	7.7	5.0	4.7	5.1	5.2

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

### Emerging Market Economies

We estimate that economic growth in the emerging market economies (EMEs) picked up to 9 percent at an annual rate in the third quarter, a stronger pace than was projected in the October Greenbook. Although growth in emerging Asia stepped down from the unsustainably rapid rate of the second quarter, it was still near 10 percent and stronger than we had expected. Mexican growth also surprised on the upside, coming in at more than 12 percent, as the rebound from the effects of the swine flu in the second quarter and the recovery of auto exports to the United States were stronger than we had anticipated.

Industrial production data for October point to a softer start to the fourth quarter in several Asian economies, in line with our view that growth in the emerging Asian economies will dip to 5½ percent. We project that growth in the region will average roughly 6 percent thereafter, as the boost to exports from the recovery in global trade and some improvement in private domestic demand more than offsets the gradual withdrawal of policy support.

In Mexico, growth is expected to slow in the near term from the very strong third-quarter pace, to 4 percent by the first quarter. After that, the economy should accelerate modestly, following the contour of the projected U.S. recovery. Growth in Brazil is

We project core export price inflation to moderate to 3¾ percent in the current quarter, in line with a step-down in the pace of growth in commodity prices. We project core export price inflation to slow further to a bit above 1 percent by the end of the forecast period, consistent with the projected path for commodity prices and U.S. domestic prices.

### 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
				H1	H2	
<i>Imports</i>						
Core goods	-5.9	1.2	5.4	2.6	1.1	1.0
Previous Greenbook	-5.9	1.0	4.4	2.0	1.0	1.0
Oil (dollars per barrel)	53.71	66.28	73.49	74.81	77.11	81.24
Previous Greenbook	53.71	65.34	74.10	77.12	79.11	81.49
<i>Exports</i>						
Core goods	-5.3	5.2	3.7	3.7	1.7	1.3
Previous Greenbook	-5.3	5.3	4.5	2.7	1.5	1.2

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 products.

### Trade in Goods and Services

Following the October Greenbook, we received the September trade data, which indicated that both exports and imports rose faster than we had anticipated. For the third quarter as a whole, real exports of goods and services jumped 17 percent at an annual rate. A partial rebound in exports of automotive products contributed importantly to this increase, although most other categories of exports also rose. The cyclical rebound in exports is expected to continue at a more moderate 12 percent rate in the current quarter. Exports are then expected to expand at roughly a 9 percent pace in 2010 and 2011, supported by the recovery in foreign demand and recent and projected declines in the dollar. This forecast is a touch stronger than in the previous Greenbook, primarily owing to the lower path of the dollar.

Real imports of goods and services surged a stronger-than-expected 21 percent at an annual rate in the third quarter, with imports of automotive products accounting for

roughly half of the gain. In the current quarter, we expect import growth to fall to 6¾ percent, as auto imports decelerate and real oil imports fall. The pace of import growth is then expected to pick up to an average of 7¾ percent in 2010 and 2011, supported by strong U.S. GDP growth and the cyclical rebound in trade. We revised up import growth in 2010, as the higher path of U.S. GDP more than offsets the negative effect of the lower dollar. However, in 2011, import growth has been revised down a bit as the effect of the dollar wins out.

**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
				H1	H2	
Real exports	-18.1	17.0	12.1	9.0	9.6	8.9
Previous Greenbook	-18.1	14.7	9.6	8.4	9.1	8.8
Real imports	-26.3	20.8	6.7	8.5	7.4	7.5
Previous Greenbook	-26.3	16.3	6.4	6.4	7.6	7.7

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

### Alternative Simulations

We used the SIGMA model to examine two alternative scenarios involving weaker-than-projected growth in the AFEs, with one a demand shock and the other a supply shock.<sup>1</sup> In each scenario, a shock lowers AFE GDP growth 1 percentage point from baseline in 2010; subsequently, growth reverts gradually to baseline, leaving the level of GDP about 2 percent below baseline by the end of 2012. These simulations highlight that the implications for the U.S. economy and the dollar of a slowdown in growth abroad depend crucially on the source of the shock.

**Weaker AFE demand.** In this scenario, the AFEs experience a negative domestic demand shock. As a result, U.S. real GDP growth falls 0.2 percentage point on average in 2010 and 2011. The contraction in U.S. GDP is mainly due to a fall in U.S. exports, which decline both in response to weaker foreign activity and an appreciation of the dollar. The dollar appreciates because foreign monetary authorities are expected to

<sup>1</sup> We used the SIGMA model with three country blocs: the United States, the AFEs, and the EMEs. The United States and the AFEs have a zero lower bound constraint, but the EMEs do not.

reduce interest rates relative to their baseline path once the zero bound constraint no longer binds. U.S. core PCE price inflation falls 0.1 percentage point in both 2010 and 2011, reflecting lower resource utilization and the lower import prices that result from dollar appreciation.

**Alternative Scenario:  
Lower AFE Demand and Lower AFE TFP**

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

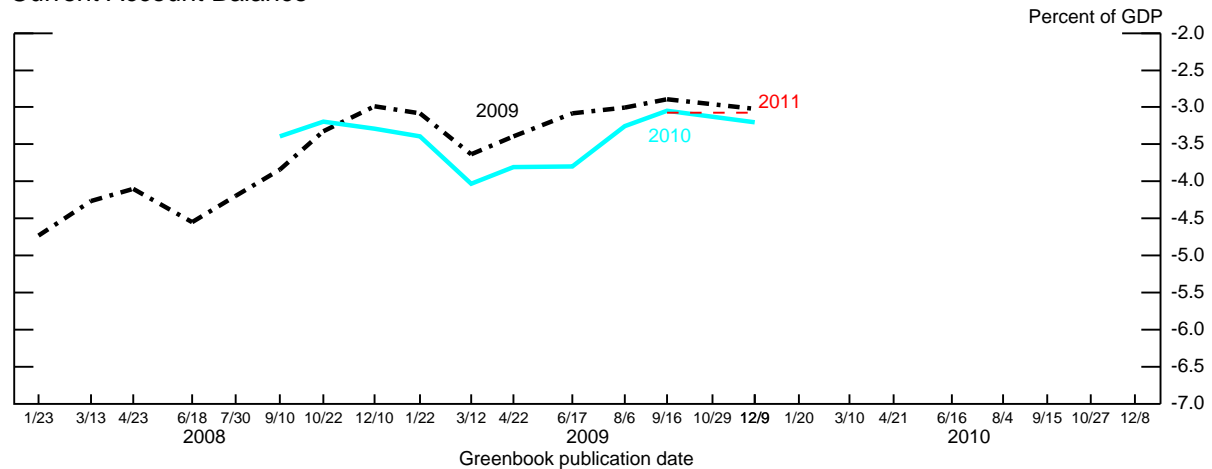
Indicator and simulation	2010		2011		2012	2013-14
	H1	H2	H1	H2		
<i>U.S. real GDP</i>						
Baseline	3.5	3.7	4.3	4.7	4.7	3.9
Lower AFE demand	3.4	3.4	4.1	4.6	4.3	3.5
Lower AFE TFP	3.6	3.8	4.3	4.7	4.7	3.9
<i>U.S. PCE prices (excluding food and energy)</i>						
Baseline	1.2	1.1	1.1	1.1	1.2	1.5
Lower AFE demand	1.1	.9	1.0	1.0	1.1	1.4
Lower AFE TFP	1.3	1.1	1.1	1.1	1.2	1.5
<i>U.S. federal funds rate (percent)</i>						
Baseline	.1	.1	.5	.5	2.1	3.8
Lower AFE demand	.1	.1	.5	.5	1.7	3.5
Lower AFE TFP	.1	.1	.5	.5	2.1	3.8
<i>U.S. trade balance (percent share of GDP)</i>						
Baseline	-3.1	-3.0	-3.0	-3.0	-2.8	-2.6
Lower AFE demand	-3.2	-3.2	-3.2	-3.2	-3.1	-2.8
Lower AFE TFP	-2.9	-2.8	-2.9	-2.8	-2.7	-2.5

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.

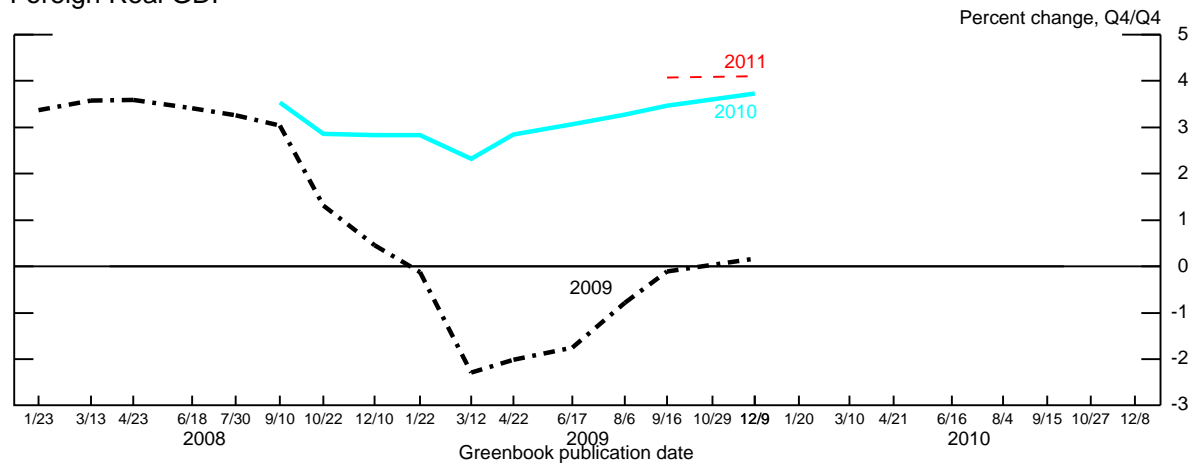
**Lower AFE potential output.** In this scenario, a fall in total factor productivity in the AFEs lowers GDP. The scenario is motivated by the sharp drop in labor productivity in the AFEs that we have witnessed through the crisis. We see this drop as largely reflecting labor hoarding and a reduced pace of capital deepening, but it may also reflect a more severe slowing in the pace of total factor productivity growth than is embedded in our baseline.

## Evolution of the Staff Forecast

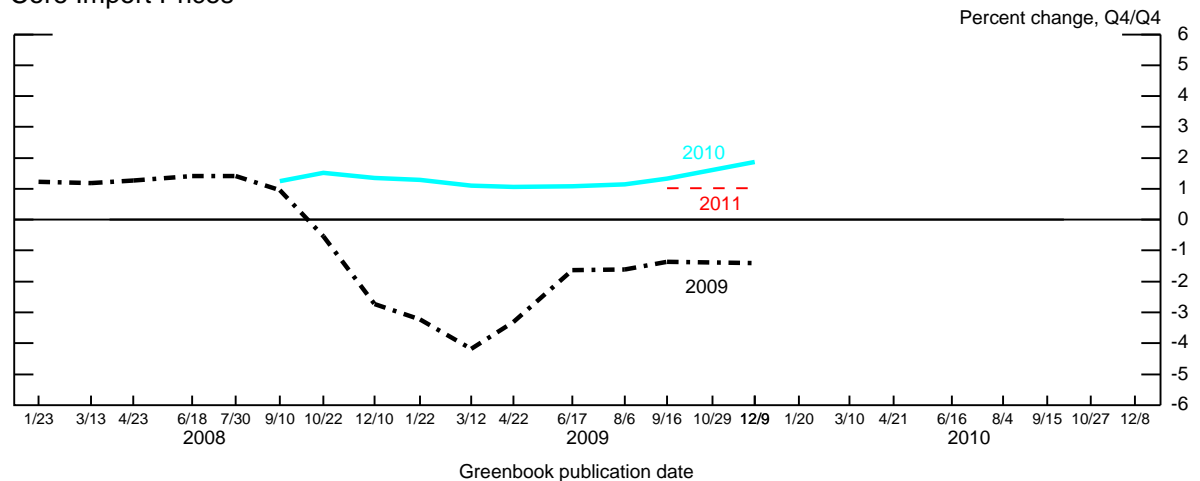
Current Account Balance



Foreign Real GDP



Core Import Prices\*



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

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

Measure and country	2009				Projected 2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
REAL GDP (1)	Quarterly changes at an annual rate											
Total Foreign	-9.1	2.4	4.3	3.6	3.5	3.6	3.8	3.9	4.0	4.1	4.1	4.2
Advanced Foreign Economies	-7.8	-1.4	0.8	2.6	2.5	2.7	2.9	3.0	3.2	3.2	3.3	3.4
of which:												
Canada	-6.2	-3.1	0.4	3.2	3.2	3.2	3.2	3.3	3.8	3.8	3.9	3.9
Japan	-11.9	2.7	1.3	2.4	2.0	2.1	2.4	2.4	2.2	2.0	1.9	1.8
United Kingdom	-9.6	-2.3	-1.2	2.9	2.7	3.2	3.5	3.5	3.3	3.3	3.4	3.2
Euro Area (2)	-9.4	-0.6	1.5	1.7	1.8	2.0	2.3	2.6	2.7	2.8	3.0	3.1
Germany	-13.4	1.8	2.9	2.5	2.3	2.2	2.4	2.7	2.8	3.0	3.5	3.6
Emerging Market Economies	-10.8	7.5	9.1	5.0	4.8	4.9	5.0	5.1	5.1	5.2	5.2	5.2
Asia	-3.5	15.1	9.9	5.5	5.9	5.9	5.9	6.1	6.1	6.1	6.1	6.1
Korea	0.5	11.0	13.6	3.8	3.8	4.4	4.4	4.4	4.4	4.4	4.4	4.4
China	6.5	18.5	9.8	10.0	9.0	8.3	8.3	8.6	8.8	8.9	8.9	8.9
Latin America	-18.4	0.6	9.0	4.8	3.9	4.1	4.2	4.2	4.2	4.2	4.3	4.3
Mexico	-23.4	-1.1	12.2	5.2	4.0	4.2	4.3	4.4	4.5	4.5	4.5	4.5
Brazil	-3.8	7.8	6.0	6.0	5.0	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	0.9	1.7	1.9	2.0	1.9	1.9	1.8	1.9	1.9
Advanced Foreign Economies	1.0	0.0	-0.8	-0.1	0.5	0.8	1.0	1.0	1.0	1.1	1.2	1.2
of which:												
Canada	1.2	0.1	-0.9	0.3	0.9	1.2	1.6	1.6	1.7	1.7	1.8	1.8
Japan	-0.1	-1.0	-2.2	-1.8	-1.3	-1.0	-0.8	-0.7	-0.7	-0.6	-0.6	-0.6
United Kingdom (4)	3.0	2.1	1.5	1.8	2.5	2.3	1.8	1.7	1.2	1.4	1.6	1.8
Euro Area (2)	1.0	0.2	-0.4	0.2	0.8	1.0	1.2	1.2	1.2	1.3	1.3	1.3
Germany	0.8	0.2	-0.4	0.1	0.4	0.7	0.9	1.0	1.1	1.2	1.2	1.2
Emerging Market Economies	2.7	1.7	1.2	1.8	2.8	3.0	3.0	2.8	2.7	2.6	2.6	2.6
Asia	1.0	-0.3	-0.5	0.8	2.0	2.4	2.4	2.1	2.1	2.2	2.2	2.2
Korea	3.9	2.8	2.0	2.3	2.6	2.5	2.5	2.4	2.2	2.3	2.3	2.3
China	-0.6	-1.5	-0.0	-0.0	1.5	1.9	2.0	1.7	1.7	1.8	1.9	1.9
Latin America	6.3	5.9	4.9	4.1	4.3	4.2	4.3	4.3	3.8	3.4	3.4	3.4
Mexico	6.2	6.0	5.1	4.2	4.4	4.3	4.2	4.3	3.6	3.1	3.0	3.0
Brazil	5.9	5.3	4.3	4.1	3.8	3.4	3.5	3.7	3.7	3.7	3.7	3.7

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) December 9, 2009  
OUTLOOK FOR FOREIGN REAL GDP AND CONSUMER PRICES: SELECTED COUNTRIES  
(Percent, Q4 to Q4)

Measure and country	2003	2004	2005	2006	2007	2008	2009	2010	2011
REAL GDP (1)									
-----									
Total Foreign	2.8	3.8	4.1	4.0	4.2	-0.9	0.2	3.7	4.1
Advanced Foreign Economies	1.8	2.6	2.8	2.5	2.5	-1.6	-1.5	2.8	3.3
of which:									
Canada	1.5	3.7	3.1	1.9	2.8	-1.0	-1.5	3.3	3.8
Japan	2.4	1.1	2.8	2.0	1.7	-4.4	-1.5	2.2	2.0
United Kingdom	3.2	2.4	2.4	2.8	2.4	-2.0	-2.7	3.2	3.3
Euro Area (2)	1.2	1.8	2.2	3.5	2.1	-1.8	-1.8	2.2	2.9
Germany	0.1	0.2	1.6	4.3	1.6	-1.8	-1.8	2.4	3.2
Emerging Market Economies	4.5	5.5	5.9	5.9	6.4	0.0	2.4	5.0	5.2
Asia	6.9	6.0	7.7	7.2	8.2	0.5	6.5	5.9	6.1
Korea	3.7	2.6	5.2	4.6	5.7	-3.4	7.1	4.2	4.4
China	10.3	9.9	10.3	10.8	12.3	6.9	11.1	8.5	8.9
Latin America	1.8	5.0	4.1	4.7	4.5	-0.8	-1.6	4.1	4.3
Mexico	1.2	4.5	3.6	4.0	3.7	-1.7	-2.7	4.2	4.5
Brazil	1.0	4.7	3.7	4.6	6.1	1.2	3.9	4.9	4.0
CONSUMER PRICES (3)									
-----									
Total Foreign	2.1	2.8	2.3	2.1	3.7	3.3	0.9	1.9	1.9
Advanced Foreign Economies	1.3	1.8	1.6	1.4	2.2	2.0	-0.1	1.0	1.2
of which:									
Canada	1.7	2.3	2.3	1.4	2.5	1.9	0.3	1.6	1.8
Japan	-0.3	0.5	-1.0	0.3	0.5	1.0	-1.8	-0.7	-0.6
United Kingdom (4)	1.3	1.4	2.1	2.7	2.1	3.8	1.8	1.7	1.8
Euro Area (2)	2.0	2.3	2.3	1.8	2.9	2.3	0.2	1.2	1.3
Germany	1.1	2.1	2.2	1.3	3.1	1.7	0.1	1.0	1.2
Emerging Market Economies	3.1	3.9	3.0	2.9	5.1	4.6	1.8	2.8	2.6
Asia	2.3	3.1	2.6	2.4	5.5	3.7	0.8	2.1	2.2
Korea	3.5	3.4	2.5	2.1	3.4	4.5	2.3	2.4	2.3
China	2.7	3.3	1.4	2.1	6.7	2.7	-0.0	1.7	1.9
Latin America	4.9	5.6	3.8	4.1	4.2	6.5	4.1	4.3	3.4
Mexico	3.9	5.3	3.1	4.1	3.8	6.2	4.2	4.3	3.0
Brazil	11.5	7.2	6.1	3.2	4.3	6.2	4.1	3.7	3.7

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)

December 9, 2009

## 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	-0.4	1.1	1.1
Imports of G&S	-0.7	-1.6	-0.8	-0.7	-0.2	1.2	1.4	-1.2	-1.1
	Percentage change, Q4/Q4								
Exports of G&S	6.2	7.1	6.7	10.2	10.2	-3.4	-3.1	9.3	8.9
Services	4.3	9.1	3.6	12.0	13.0	-3.5	-1.2	6.6	6.1
Computers	11.3	5.8	14.2	8.4	1.3	-2.4	3.0	9.5	9.5
Semiconductors	38.3	-6.0	17.6	2.1	29.1	-12.7	15.1	11.0	11.0
Core Goods 1/	4.8	7.2	7.2	9.9	8.4	-3.1	-5.0	10.7	10.3
Imports of G&S	5.1	10.9	5.2	4.1	0.9	-6.8	-8.6	8.0	7.5
Services	3.3	8.8	2.3	7.1	2.0	0.2	-3.3	4.0	6.0
Oil	1.3	10.7	1.3	-8.2	0.0	0.3	-14.1	-2.0	-0.5
Natural Gas	1.3	4.9	13.7	-10.1	13.4	-24.0	3.9	-0.2	0.1
Computers	17.1	23.2	12.5	14.3	8.8	-11.3	15.0	15.5	15.5
Semiconductors	-0.1	9.8	7.5	-0.8	3.6	-9.7	5.0	5.0	5.0
Core Goods 2/	5.3	10.9	5.8	5.8	0.2	-9.8	-10.6	11.3	9.4
	Billions of Chained 2005 Dollars								
Net Goods & Services	-603.9	-688.0	-722.7	-729.2	-647.7	-494.3	-355.1	-356.2	-357.1
Exports of G&S	1116.8	1222.8	1305.1	1422.0	1546.1	1629.3	1462.4	1604.9	1753.0
Imports of G&S	1720.7	1910.8	2027.8	2151.2	2193.8	2123.5	1817.5	1961.0	2110.2
	Billions of dollars								
US CURRENT ACCOUNT BALANCE	-521.5	-631.1	-748.7	-803.5	-726.6	-706.1	-430.5	-476.7	-480.8
Current Acct as Percent of GDP	-4.7	-5.3	-5.9	-6.0	-5.2	-4.9	-3.0	-3.2	-3.1
Net Goods & Services (BOP)	-495.0	-610.0	-715.3	-760.4	-701.4	-695.9	-384.3	-454.3	-466.2
Investment Income, Net	51.0	73.4	78.8	54.7	97.9	125.5	86.6	108.4	116.2
Direct, Net	112.7	150.9	173.2	174.0	236.7	249.9	206.5	229.5	252.0
Portfolio, Net	-61.7	-77.5	-94.4	-119.4	-138.8	-124.3	-119.8	-121.1	-135.8
Other Income & Transfers, Net	-77.5	-94.5	-112.2	-97.9	-123.1	-135.7	-132.8	-130.8	-130.8

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.

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2009				2010				Projected 2011			
	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	-0.9	0.4	-0.4	-0.0	-0.1	0.1	-0.2	-0.0	-0.1	0.1
Exports of G&S	-4.0	-0.5	1.7	1.3	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.0
Imports of G&S	6.6	2.1	-2.6	-0.9	-1.4	-1.0	-1.1	-1.0	-1.3	-1.1	-1.2	-1.0
	Percentage change from previous period, s.a.a.r.											
Exports of G&S	-29.9	-4.1	17.0	12.1	8.9	9.1	9.4	9.8	9.4	8.9	8.8	8.5
Services	-13.6	0.1	3.8	6.2	6.0	6.4	6.9	7.1	6.6	6.0	5.9	5.8
Computers	-14.0	-10.8	25.2	17.0	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Semiconductors	-17.1	27.7	41.8	17.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Core Goods 1/	-38.3	-7.2	23.8	15.0	10.4	10.4	10.7	11.2	10.8	10.4	10.3	9.8
Imports of G&S	-36.4	-14.7	20.8	6.7	9.9	7.2	7.9	6.8	8.5	7.3	8.0	6.3
Services	-11.5	-7.5	3.0	3.5	6.6	0.0	4.3	5.0	5.6	5.9	6.3	6.4
Oil	-15.9	-21.9	5.5	-21.3	-2.3	-1.2	-1.8	-2.6	4.6	-0.8	-1.1	-4.4
Natural Gas	5.9	-2.4	-1.5	14.4	37.0	-31.8	41.5	-25.0	23.9	-28.9	46.8	-22.5
Computers	-22.3	24.7	59.7	12.9	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Semiconductors	-47.8	24.7	50.9	23.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Core Goods 2/	-46.7	-18.6	28.0	15.0	13.4	11.8	10.4	9.6	9.6	9.8	9.5	8.5
	Billions of Chained 2005 Dollars, s.a.a.r.											
Net Goods & Services	-386.5	-330.4	-358.0	-345.5	-357.2	-356.9	-358.0	-352.5	-356.5	-356.5	-359.8	-355.7
Exports of G&S	1434.5	1419.5	1476.4	1519.0	1551.7	1585.7	1621.9	1660.3	1697.8	1734.5	1771.6	1808.2
Imports of G&S	1821.0	1749.8	1834.4	1864.5	1908.9	1942.6	1979.8	2012.8	2054.3	2091.0	2131.4	2163.9
	Billions of dollars, s.a.a.r.											
US CURRENT ACCOUNT BALANCE	-417.8	-395.2	-441.4	-467.4	-495.6	-473.4	-473.1	-464.5	-485.9	-471.0	-482.9	-483.4
Current Account as % of GDP	-2.9	-2.8	-3.1	-3.2	-3.4	-3.2	-3.2	-3.1	-3.2	-3.0	-3.1	-3.0
Net Goods & Services (BOP)	-369.6	-332.0	-396.7	-438.9	-456.5	-453.0	-454.4	-453.3	-463.8	-464.6	-469.4	-467.0
Investment Income, Net	80.4	72.8	95.3	98.0	101.3	105.9	111.2	115.4	118.3	119.9	116.4	110.1
Direct, Net	204.8	196.8	211.2	213.1	220.5	226.5	232.1	239.1	245.9	251.9	254.2	256.1
Portfolio, Net	-124.4	-124.0	-115.9	-115.1	-119.2	-120.6	-120.8	-123.8	-127.6	-132.0	-137.8	-146.1
Other Inc. & Transfers, Net	-128.6	-135.9	-140.0	-126.5	-140.4	-126.3	-129.9	-126.5	-140.4	-126.3	-129.9	-126.5

1. Merchandise exports excluding computers and semiconductors.

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

## **Part 2**

December 9, 2009

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Recent Developments**

December 9, 2009

## **Recent Developments**

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## **Domestic Nonfinancial Developments**

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

Item	2009			2010	2009			
	Q2	Q3	Q4	Q1	Aug.	Sept.	Oct.	Nov.
U.S. production <sup>1</sup>	4.5	6.4	7.0	7.4	6.3	7.1	6.8	6.9
Autos	1.9	2.5	2.9	3.1	2.5	2.8	2.9	2.8
Light trucks	2.5	3.8	4.2	4.3	3.8	4.3	3.9	4.1
Days' supply <sup>2</sup>	70	50	n.a.	n.a.	36	63	57	55
Autos	78	46	n.a.	n.a.	32	59	56	54
Light trucks	64	55	n.a.	n.a.	40	66	58	55
Inventories <sup>3</sup>	1.63	1.38	n.a.	n.a.	1.20	1.38	1.46	1.48
Autos	.82	.63	n.a.	n.a.	.56	.63	.66	.67
Light trucks	.81	.75	n.a.	n.a.	.64	.75	.79	.81
Memo: U.S. production, total motor vehicles <sup>4</sup>	4.6	6.5	7.2	7.6	6.5	7.3	7.0	7.1

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

1. Production rates for November and the fourth quarter of 2009 and the first quarter of 2010 reflect the latest industry schedules.

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

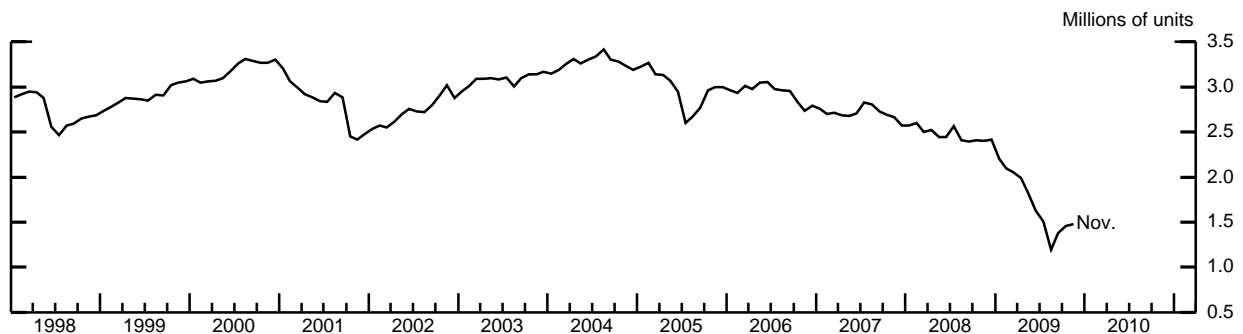
3. End-of-period stocks.

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.

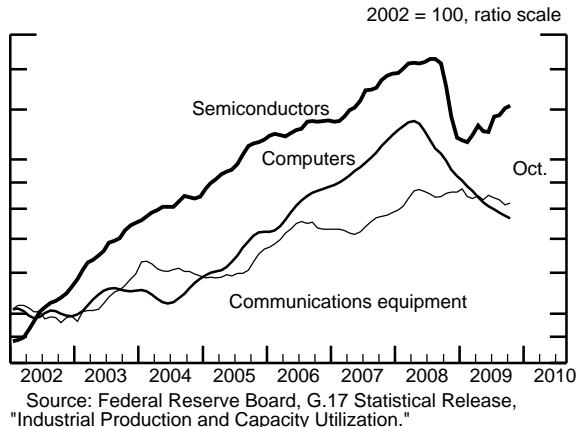
**Days' Supply of Light Vehicles**



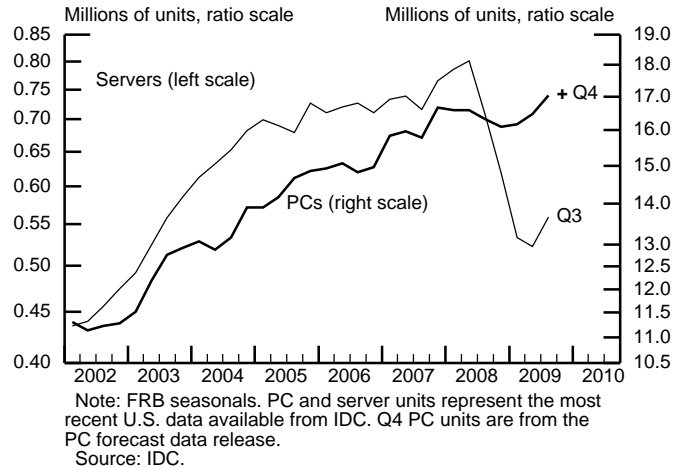
Source: Constructed from Ward's Communications data. Adjusted using FRB seasonals.

## Indicators of High-Tech Manufacturing Activity

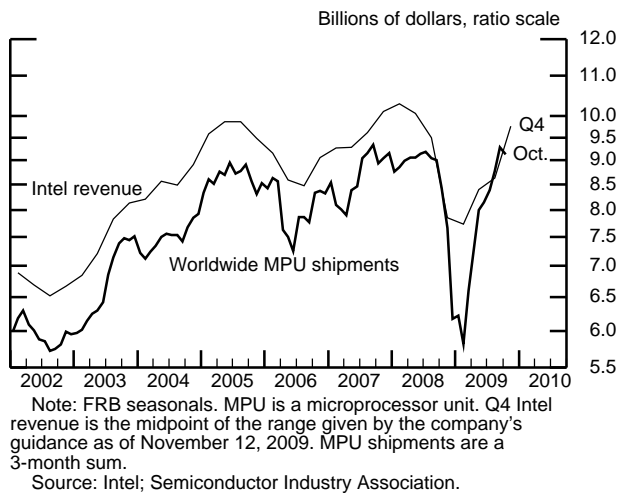
### Industrial Production in the High-Tech Sector



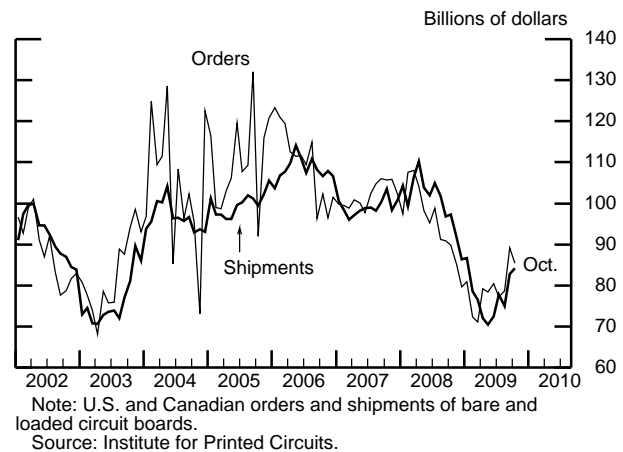
### U.S. Personal Computer and Server Absorption



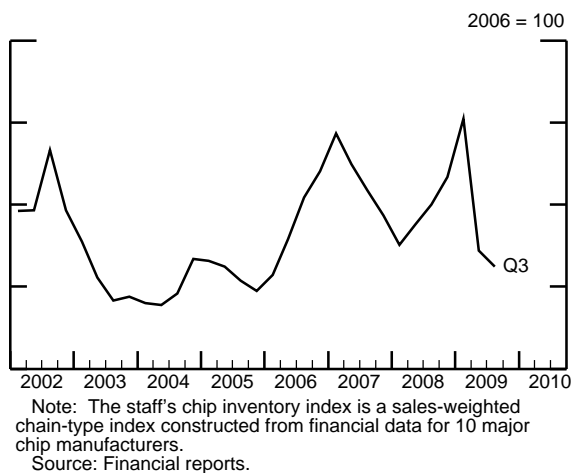
### MPU Shipments and Intel Revenue



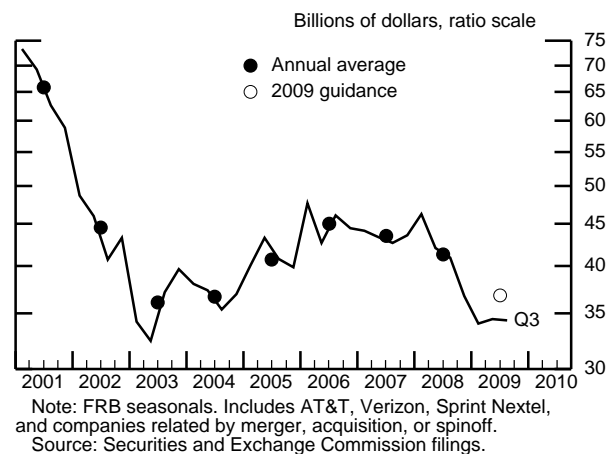
### Circuit Board Orders and Shipments



### FRB Chip Inventory Index

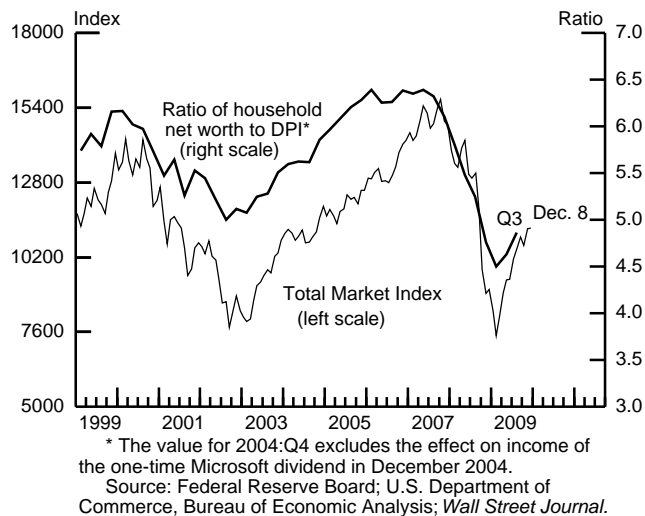


### Capital Expenditures by Selected Telecommunications Service Providers

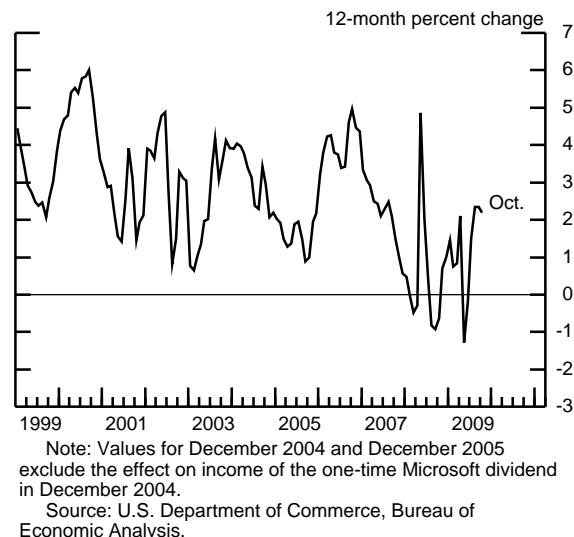


## Fundamentals of Household Spending

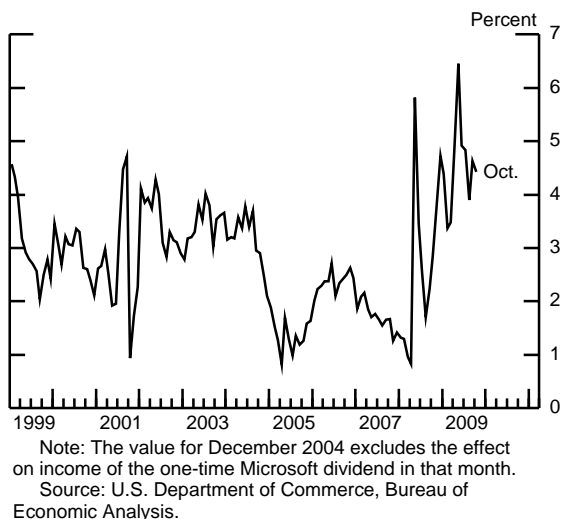
Household Net Worth  
and Dow Jones Total Market Index



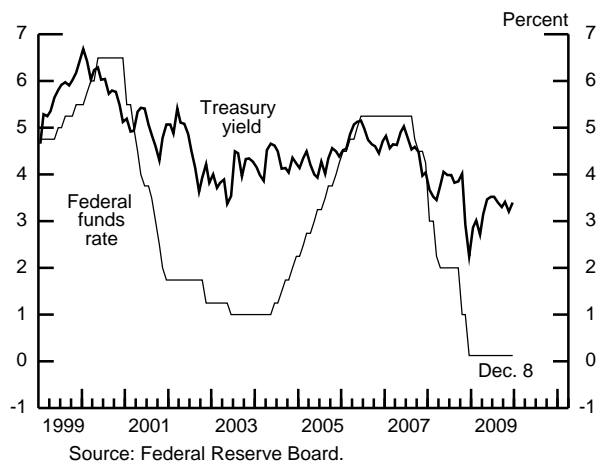
Change in Real Disposable Personal Income



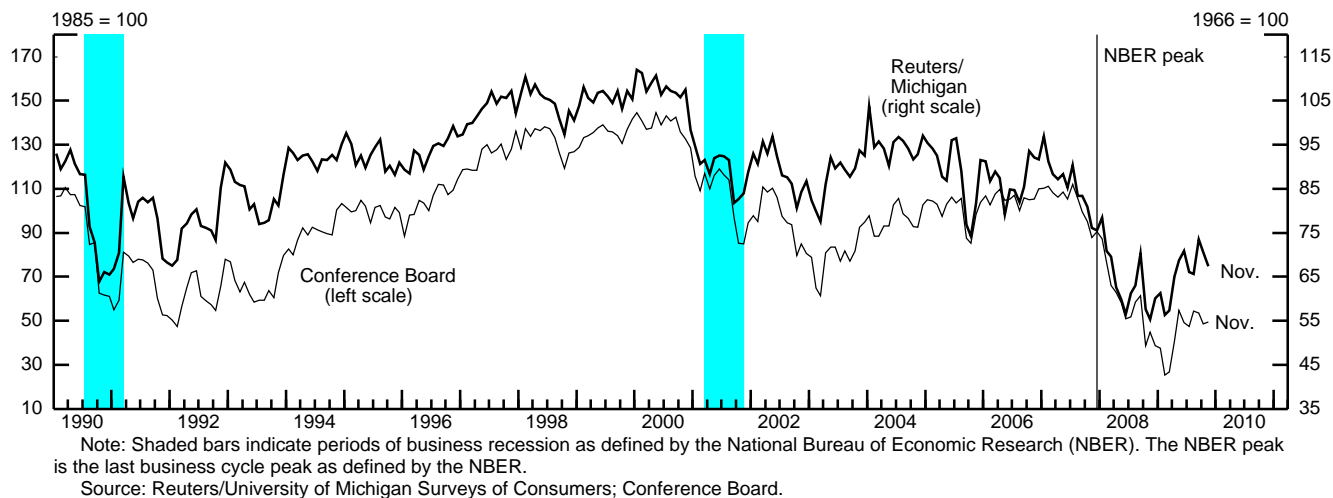
Personal Saving Rate



Target Federal Funds Rate  
and 10-Year Treasury Yield

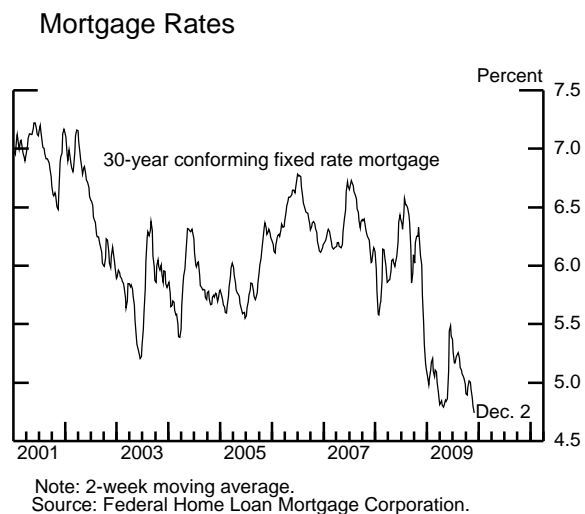
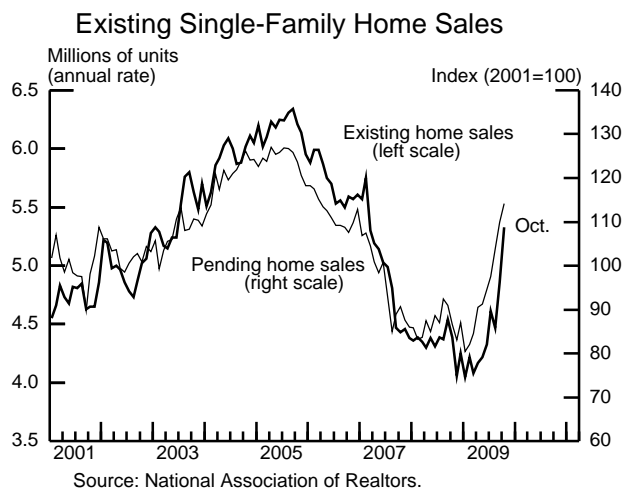
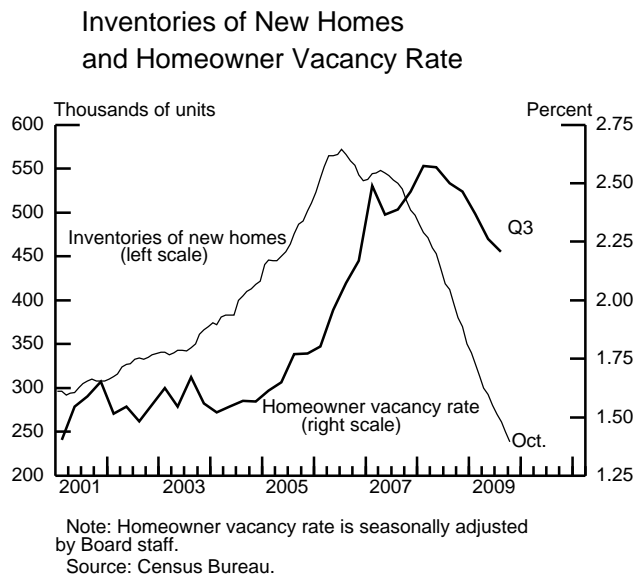
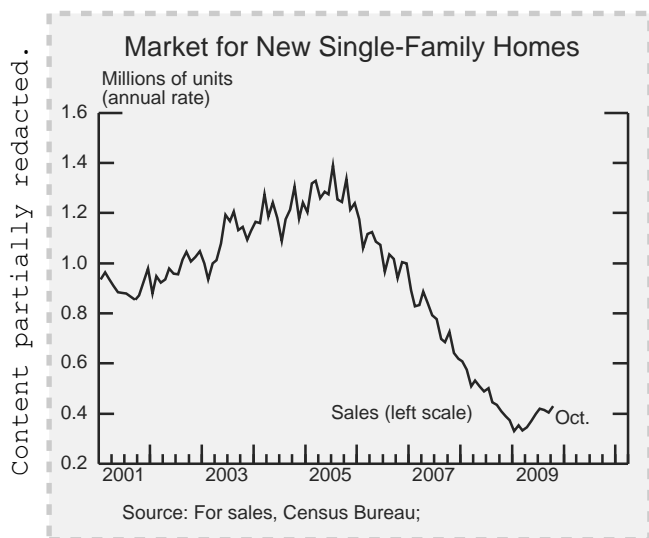


Consumer Confidence

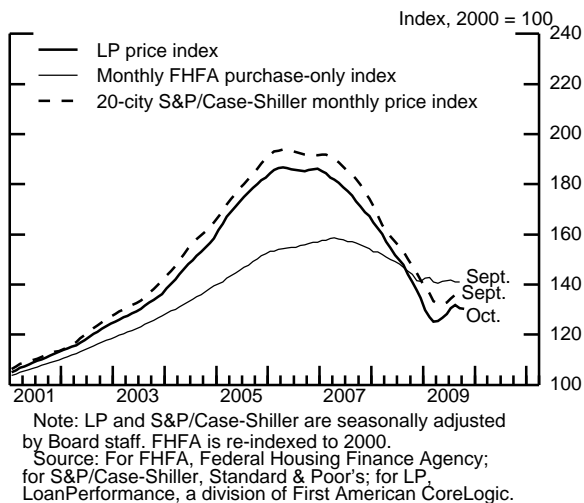




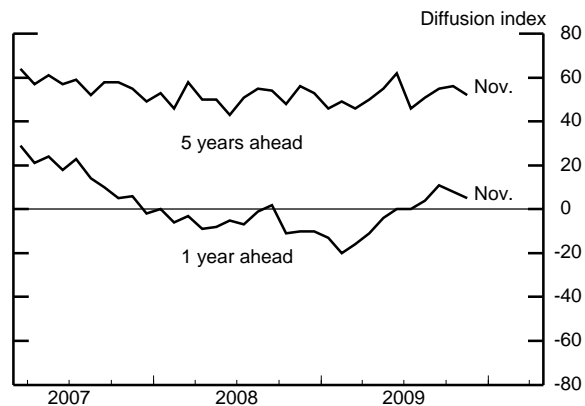
## Indicators of Single-Family Housing



### Prices of Existing Homes

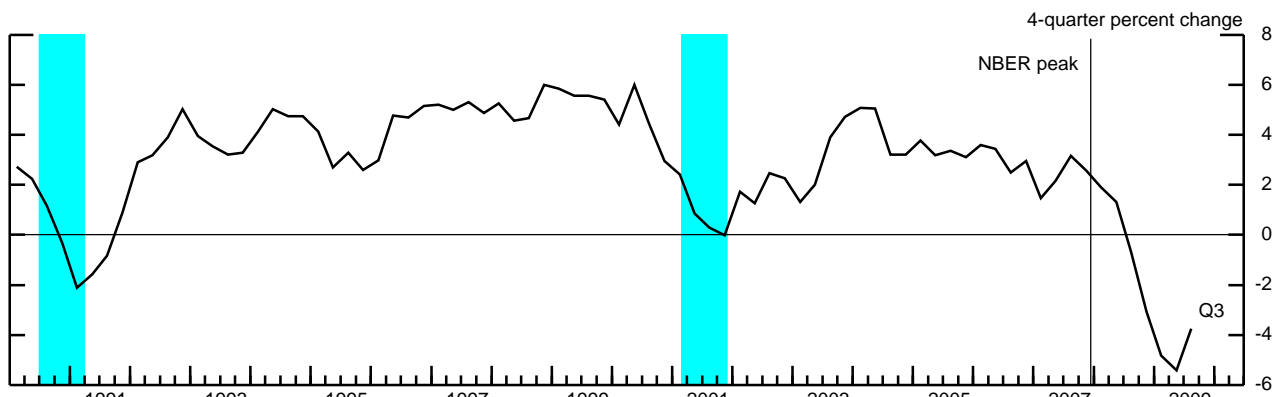


### House Price Expectations



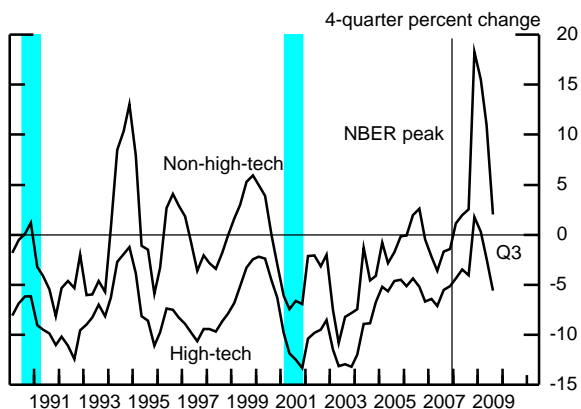
## Fundamentals of Equipment and Software Investment

Real Business Output



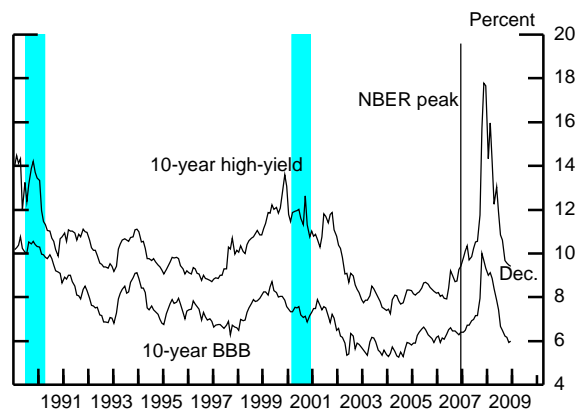
Note: Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research (NBER). The NBER peak is the last business cycle peak as defined by the NBER.  
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

User Cost of Capital



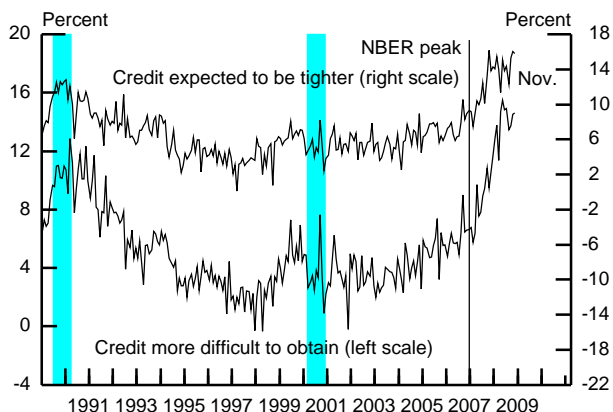
Source: Staff calculation.

Corporate Bond Yields



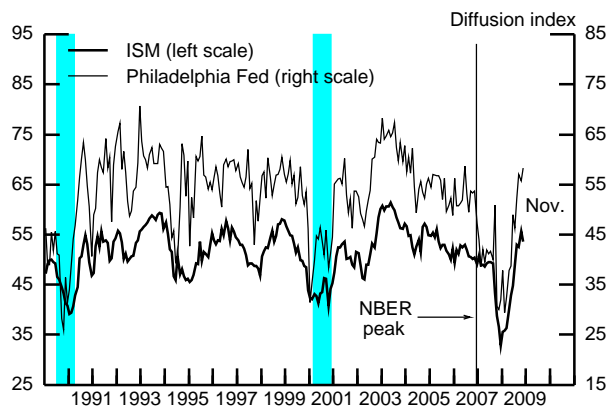
Note: End of month. December value as of December 8.  
Source: Merrill Lynch.

NFIB: Survey on Loan Availability



Note: Of borrowers who sought credit in the past 3 months, the proportion that reported or expected more difficulty in obtaining credit less the proportion that reported or expected more ease in obtaining credit. Seasonally adjusted.  
Source: National Federation of Independent Business (NFIB).

Surveys of Business Conditions

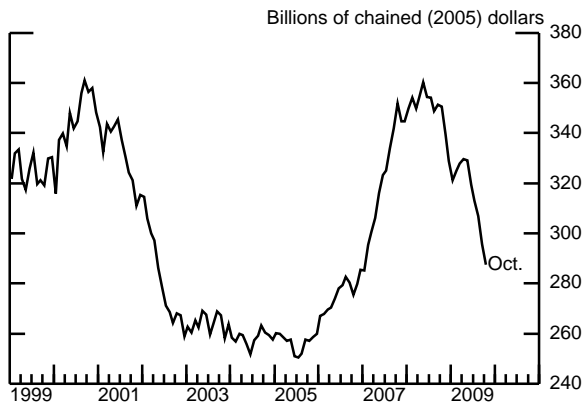


Source: Institute for Supply Management (ISM), Manufacturing ISM Report on Business; Philadelphia Fed Business Outlook Survey.

## Nonresidential Construction and Indicators

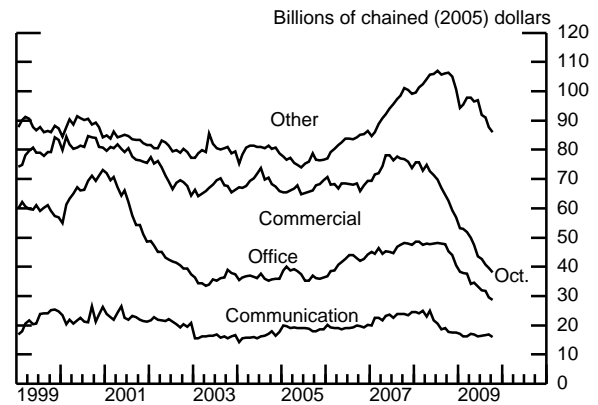
(All spending series are seasonally adjusted at an annual rate; nominal CPIP deflated by BEA prices through Q3 and by staff projection thereafter)

### Total Structures



Source: Census Bureau.

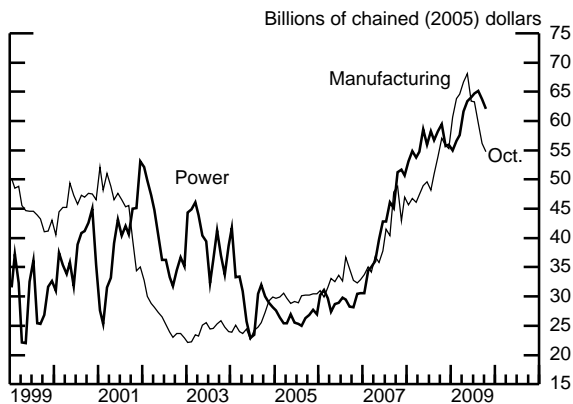
### Office, Commercial, Communication, and Other



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

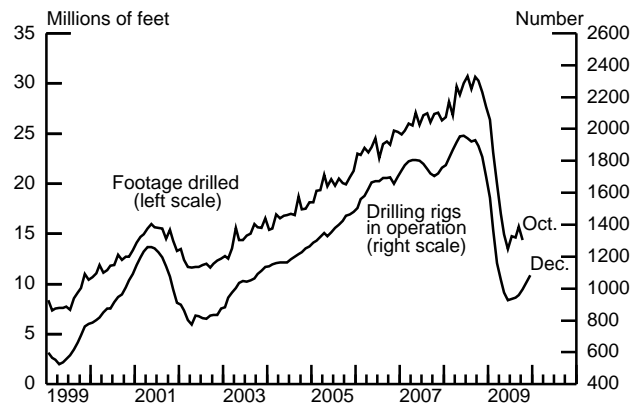
Source: Census Bureau.

### Manufacturing and Power



Source: Census Bureau.

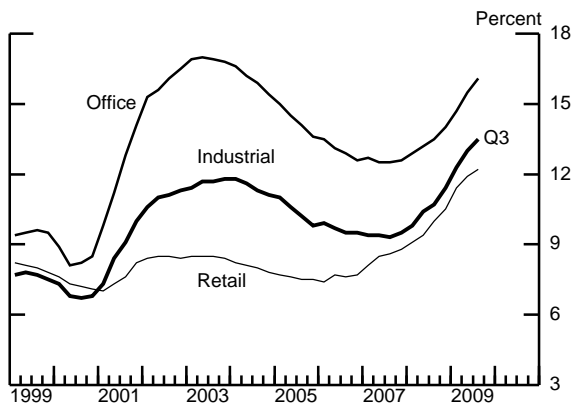
### Drilling and Mining Indicators



Note: The December readings for drilling rigs are based on data through December 4, 2009. 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.

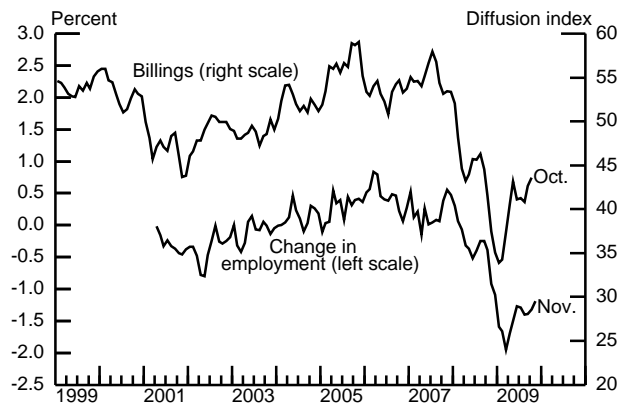
### Vacancy Rates



Note: Industrial space includes both manufacturing structures and warehouses.

Source: Torto Wheaton Research.

### Architectural Billings and Nonresidential Construction Employment

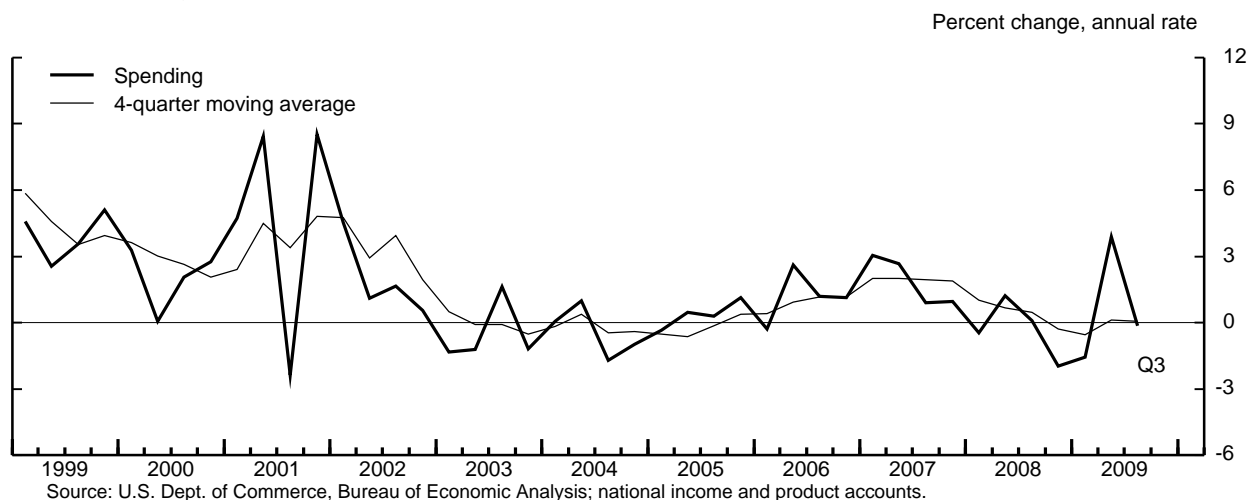


Note: Both series are 3-month moving averages. Employment consists of industrial, commercial, and specialty trade construction.

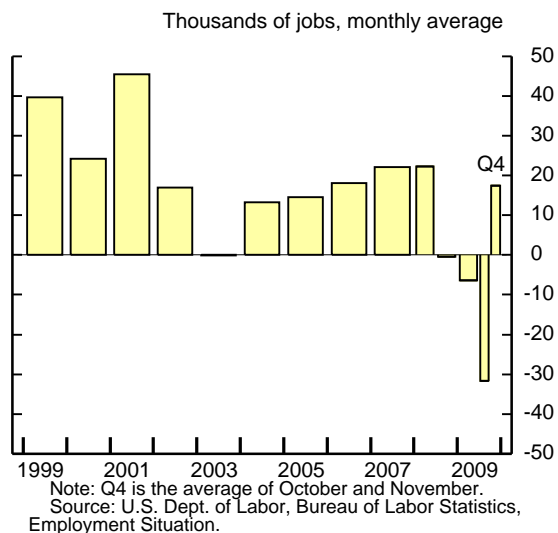
Source: For billings, American Institute of Architects; for employment, U.S. Department of Labor, Bureau of Labor Statistics.

## State and Local Indicators

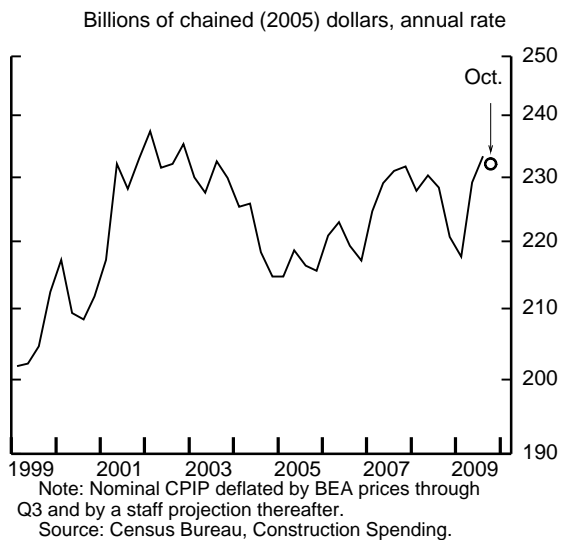
### Real Spending on Consumption and Investment



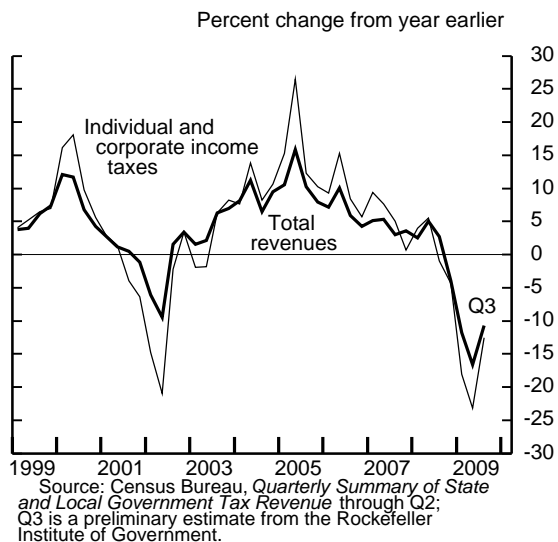
### Net Change in Employment



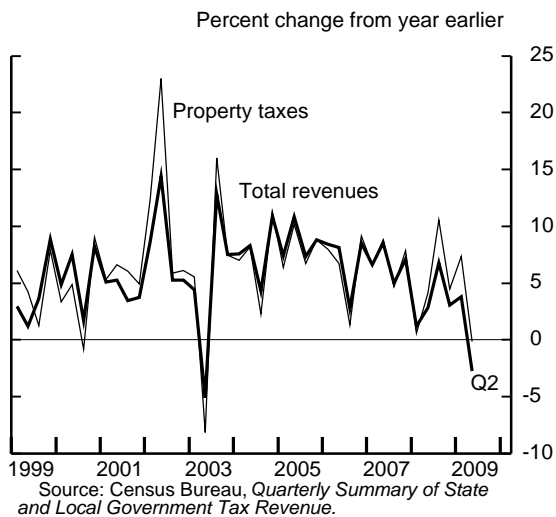
### Real Construction



### State Revenues



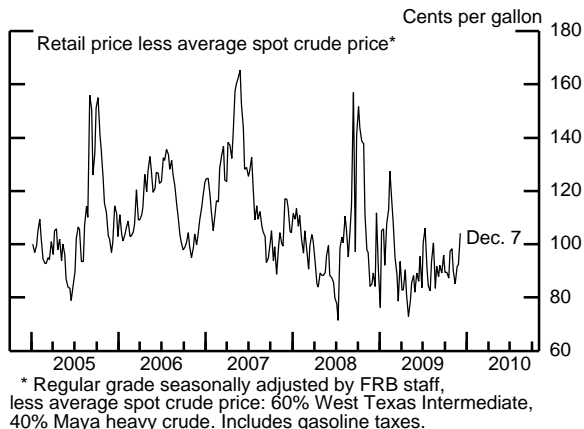
### Local Revenues



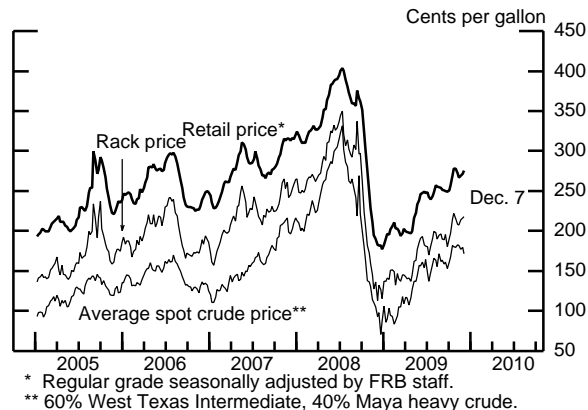
## Energy and Food Price Indicators

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

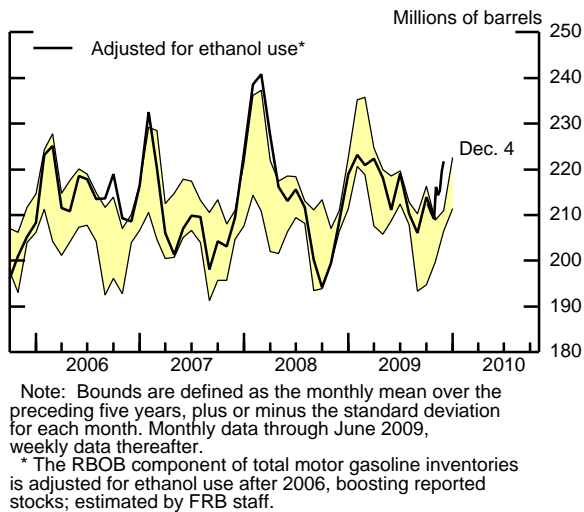
### Total Gasoline Margin



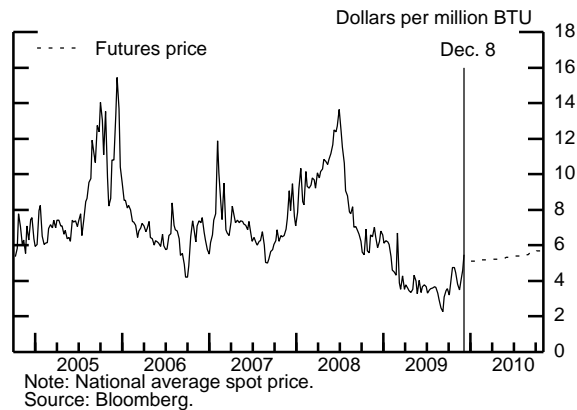
### Gasoline Price Decomposition



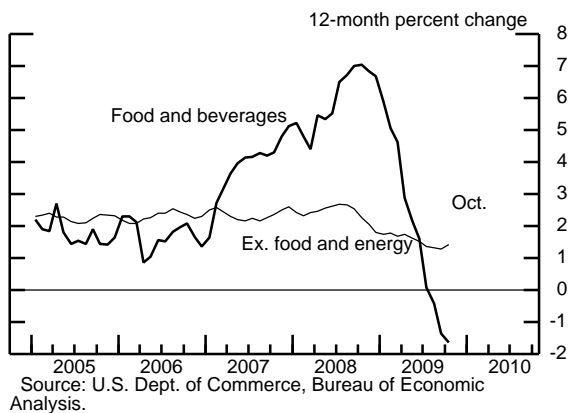
### Gasoline Inventories



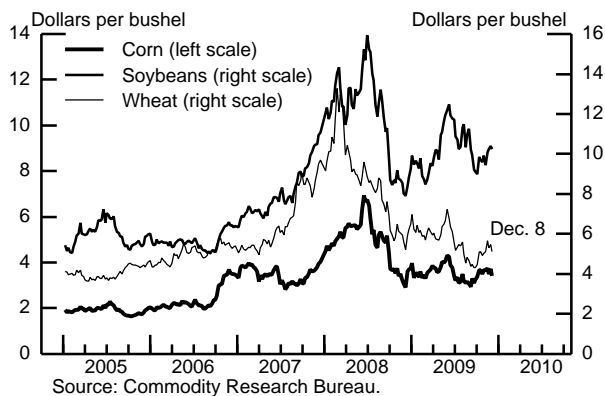
### Natural Gas Prices



### PCE: Food at Home and Core Prices

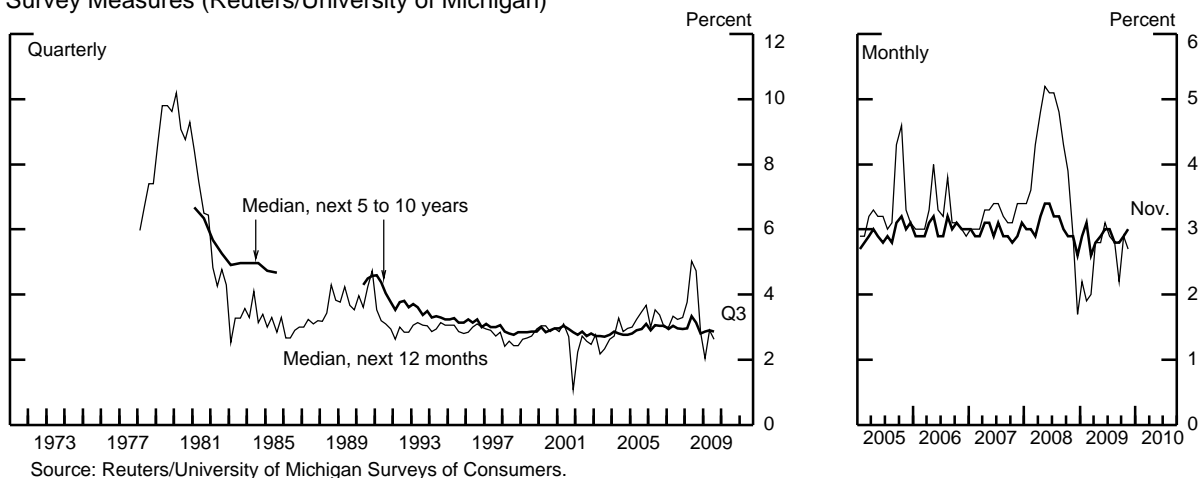


### Spot Prices of Agricultural Commodities

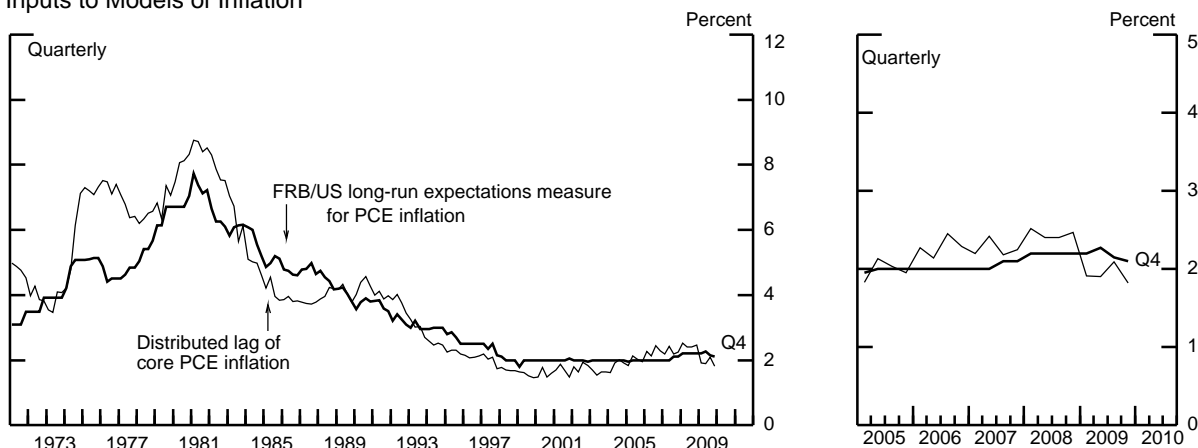


## Measures of Expected Inflation

Survey Measures (Reuters/University of Michigan)

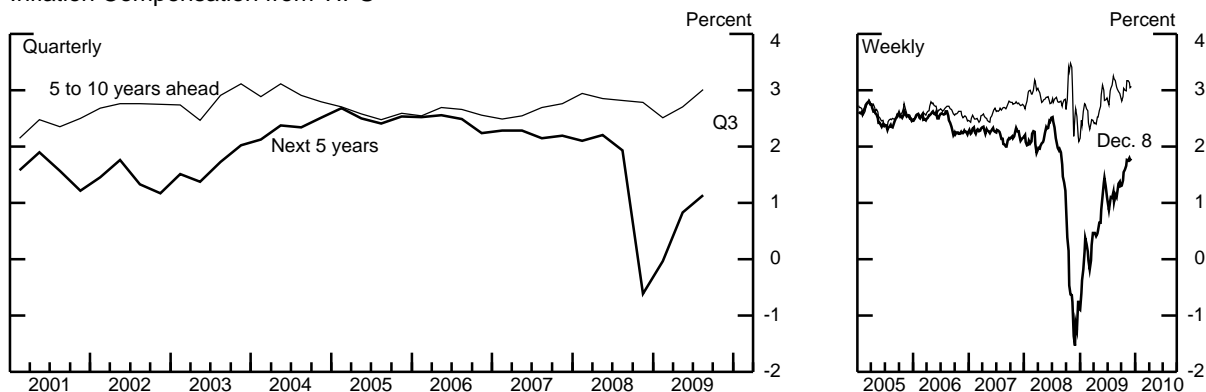


Inputs to Models of Inflation



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

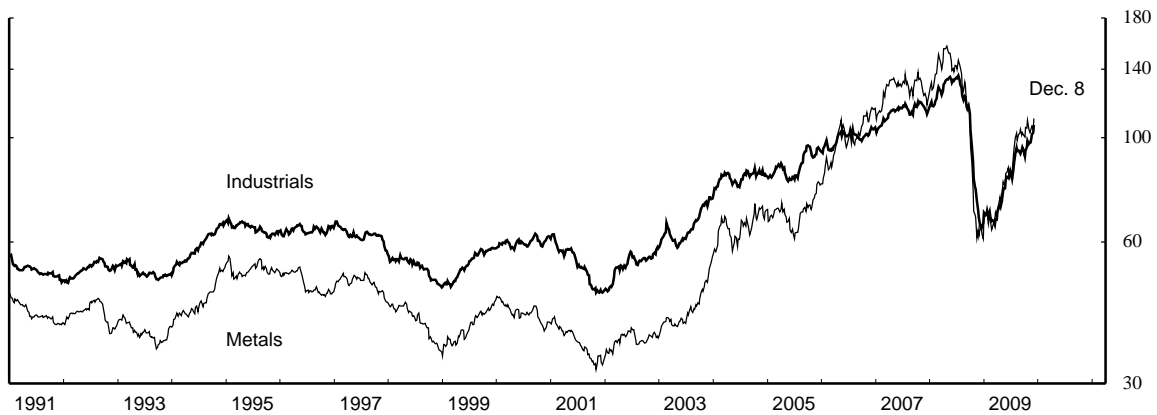


Note: Based on a comparison of an estimated TIPS (Treasury inflation-protected securities) yield curve with an estimated nominal off-the-run Treasury yield curve, with an adjustment for the indexation-lag effect.  
 Source: FRB staff calculations.

## Commodity Price Indexes

Journal of Commerce

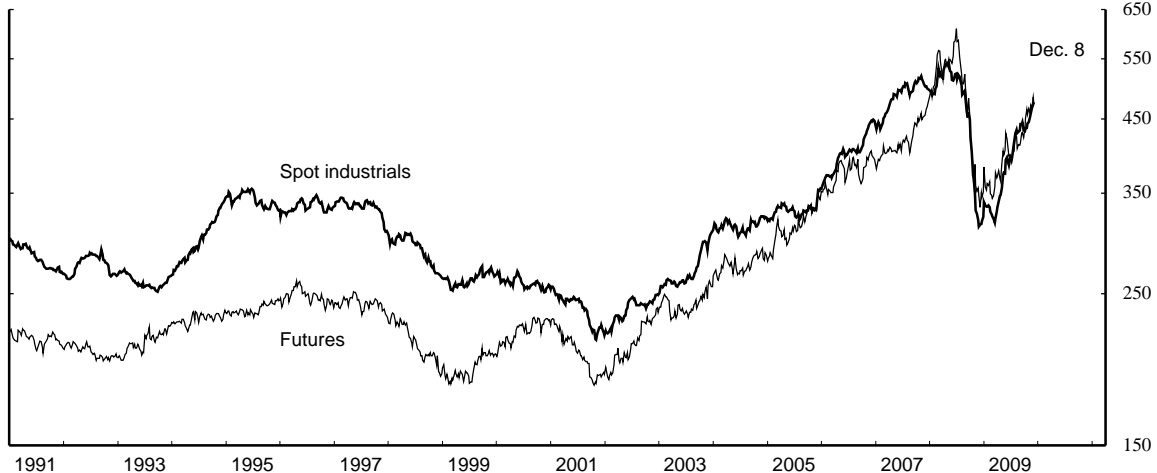
Ratio scale, 2006 = 100



Note: The *Journal of Commerce* (JOC) industrial price index is based almost entirely on industrial commodities, with a small weight given to energy commodities. Copyright for JOC data is held by CIBCR, 1994.

Commodity Research Bureau

Ratio scale, 1967 = 100



Note: The Commodity Research Bureau (CRB) spot industrials index consists entirely of industrial commodities, excluding energy. The CRB futures index gives about a 60 percent weight to food commodities and splits the remaining weight roughly equally among energy commodities, industrial commodities, and precious metals.

### Selected Commodity Price Indexes (Percent change)

Index	2008 <sup>1</sup>	12/30/08 to 10/27/09 <sup>2</sup>	10/27/09 <sup>2</sup> to 12/8/09	52-week change to 12/8/09
JOC industrials	-41.4	49.4	8.4	64.1
JOC metals	-48.2	79.1	.8	70.8
CRB spot industrials	-35.1	36.8	7.5	51.0
CRB spot foodstuffs	-14.1	11.7	3.7	22.6
CRB futures	-24.7	29.5	3.8	41.9

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

2. October 27, 2009, is the Tuesday preceding publication of the October Greenbook.

**Broad Measures of Inflation**  
(Percent change, Q3 to Q3)

Measure	2006	2007	2008	2009
<i>Product prices</i>				
GDP price index	3.3	2.6	2.5	.6
Less food and energy	3.3	2.6	2.7	.3
Nonfarm business chain price index	3.0	2.1	1.9	.7
<i>Expenditure prices</i>				
Gross domestic purchases price index	3.4	2.6	4.0	-.9
Less food and energy	3.2	2.6	2.9	.2
PCE price index	2.8	2.3	4.3	-.7
Less food and energy	2.5	2.2	2.6	1.3
PCE price index, market-based components	2.9	2.0	4.6	-.6
Less food and energy	2.5	1.9	2.6	1.7
CPI	3.3	2.3	5.2	-1.6
Less food and energy	2.8	2.1	2.5	1.5
Chained CPI	3.1	2.0	4.5	-1.6
Less food and energy	2.6	1.7	2.1	1.1
Median CPI	3.0	2.9	3.2	1.7
Trimmed mean CPI	2.8	2.5	3.6	1.1
Trimmed mean PCE	2.8	2.5	2.9	1.6

Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; for median and trimmed mean CPI, Federal Reserve Bank of Cleveland; for all else, U.S. Dept. of Commerce, Bureau of Economic Analysis.

**Surveys of Inflation Expectations**  
(Percent)

Period	Actual CPI inflation <sup>1</sup>	Reuters/Michigan Survey				Professional forecasters (10 years) <sup>4</sup>	
		1 year <sup>2</sup>		5 to 10 years <sup>3</sup>			
		Mean	Median	Mean	Median	CPI	PCE
2008:Q1	4.1	4.2	3.8	3.3	3.0	2.5	2.2
Q2	4.4	6.4	5.0	3.8	3.3	2.5	2.2
Q3	5.3	5.4	4.7	3.6	3.1	2.5	2.2
Q4	1.6	3.0	2.8	2.9	2.8	2.5	2.2
2009:Q1	.0	2.4	2.0	3.3	2.9	2.4	2.2
Q2	-1.2	3.4	2.9	3.1	2.9	2.5	2.3
Q3	-1.6	3.1	2.6	3.2	2.9	2.5	2.2
Q4	n.a.	n.a.	n.a.	n.a.	n.a.	2.3	2.1
2009:July	-2.1	3.6	2.9	3.4	3.0	...	...
Aug.	-1.5	3.0	2.8	3.1	2.8	2.5	2.2
Sept.	-1.3	2.8	2.2	3.2	2.8	...	...
Oct.	-.2	3.2	2.9	3.2	2.9	...	...
Nov.	n.a.	3.1	2.7	3.2	3.0	2.3	2.1

1. Percent change from the same period in the preceding year.

2. Responses to the question, By about what percent do you expect prices to go up, on average, during the next 12 months?

3. Responses to the question, By about what percent per year do you expect prices to go up, on average, during the next 5 to 10 years?

4. Median CPI and PCE price projections.

... Not applicable.

n.a. Not available.

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



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## **Domestic Financial Developments**

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**Selected Financial Market Quotations**

(One-day quotes in percent except as noted)

Instrument	2008	2009			Change to Dec. 8 from selected dates (percentage points)			
	Sept. 12	Sept. 22	Nov. 3	Dec. 8	2008 Sept. 12	2009 Sept. 22	2009 Nov. 3	
<i>Short-term</i>								
FOMC intended federal funds rate	2.00	.13	.13	.13	-1.87	.00	.00	
Treasury bills <sup>1</sup>								
3-month	1.46	.11	.06	.03	-1.43	-.08	-.03	
6-month	1.80	.20	.17	.15	-1.65	-.05	-.02	
Commercial paper (A1/P1 rates) <sup>2</sup>								
1-month	2.39	.18	.16	.13	-2.26	-.05	-.03	
3-month	2.75	.21	.18	.20	-2.55	-.01	.02	
Large negotiable CDs <sup>1</sup>								
3-month	2.79	.25	.22	.22	-2.57	-.03	.00	
6-month	3.09	.35	.32	.30	-2.79	-.05	-.02	
Eurodollar deposits <sup>3</sup>								
1-month	2.60	.40	.30	.32	-2.28	-.08	.02	
3-month	3.00	.55	.45	.45	-2.55	-.10	.00	
Bank prime rate	5.00	3.25	3.25	3.25	-1.75	.00	.00	
<i>Intermediate- and long-term</i>								
U.S. Treasury <sup>4</sup>								
2-year	2.24	.99	.93	.71	-1.53	-.28	-.22	
5-year	2.97	2.44	2.37	2.12	-.85	-.32	-.25	
10-year	3.93	3.74	3.73	3.61	-.32	-.13	-.12	
U.S. Treasury indexed notes <sup>5</sup>								
5-year	1.33	1.11	.70	.41	-.92	-.70	-.29	
10-year	1.77	1.69	1.48	1.33	-.44	-.36	-.15	
Municipal general obligations (Bond Buyer) <sup>6</sup>	4.54	4.20	4.39	4.24	-.30	.04	-.15	
Private instruments								
10-year swap	4.26	3.67	3.62	3.52	-.74	-.15	-.10	
10-year FNMA <sup>7</sup>	4.36	4.12	4.06	3.85	-.51	-.27	-.21	
10-year AA <sup>8</sup>	6.62	5.11	5.12	4.96	-1.66	-.15	-.16	
10-year BBB <sup>8</sup>	7.22	6.36	6.25	6.00	-1.22	-.36	-.25	
10-year high yield <sup>8</sup>	10.66	9.90	9.48	9.42	-1.24	-.48	-.06	
Home mortgages (FHLMC survey rate)								
30-year fixed	5.78	5.04	4.98	4.71	-1.07	-.33	-.27	
1-year adjustable	5.03	4.52	4.47	4.25	-.78	-.27	-.22	
Stock exchange index	Record high		2009			Change to Dec. 8 from selected dates (percent)		
	Level	Date	Sept. 22	Nov. 3	Dec. 8	Record high	2009 Sept. 22	2009 Nov. 3
Dow Jones Industrial	14,165	10-9-07	9,830	9,772	10,286	-27.38	4.64	5.26
S&P 500 Composite	1,565	10-9-07	1,072	1,045	1,092	-30.23	1.89	4.45
Nasdaq	5,049	3-10-00	2,146	2,057	2,173	-56.96	1.24	5.62
Russell 2000	856	7-13-07	621	571	598	-30.16	-3.70	4.75
D.J. Total Stock Index	15,807	10-9-07	11,083	10,729	11,207	-29.10	1.12	4.46

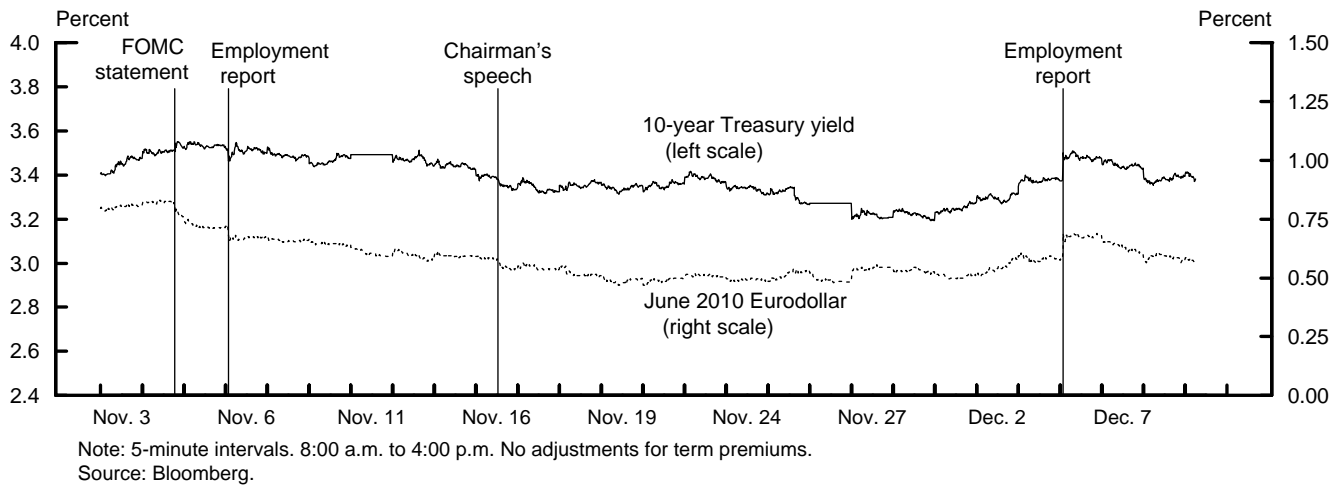
1. Secondary market.
2. Financial commercial paper.
3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Derived from a smoothed Treasury yield curve estimated using all outstanding securities and adjusted for the carry effect.
6. Most recent Thursday quote.
7. Constant-maturity yields estimated from Fannie Mae domestic noncallable coupon securities.
8. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.

**NOTES:**

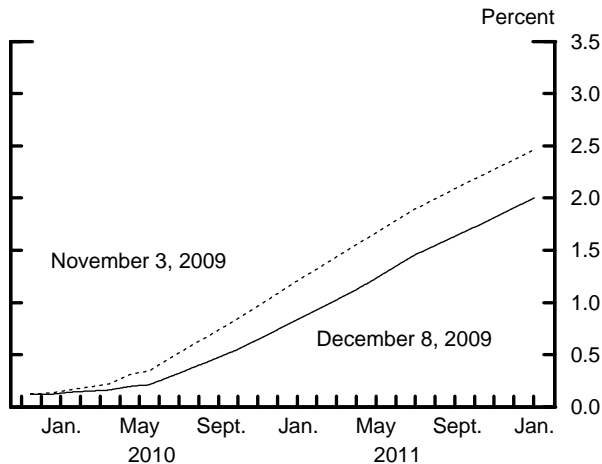
September 12, 2008, is the last business day before Lehman Brothers Holdings filed for bankruptcy.  
September 22, 2009, is the day before the September 2009 FOMC monetary policy announcement.  
November 3, 2009, is the day before the most recent FOMC monetary policy announcement.

## Policy Expectations and Treasury Yields

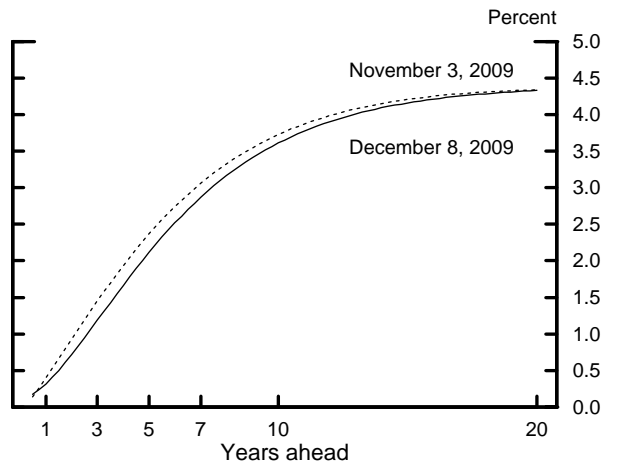
### Interest Rates



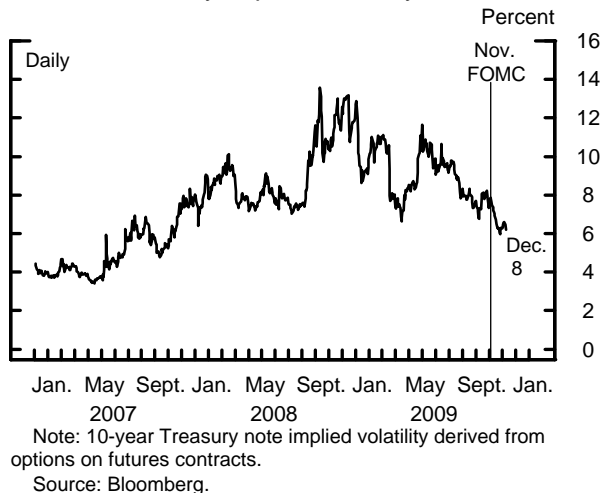
### Implied Federal Funds Rate



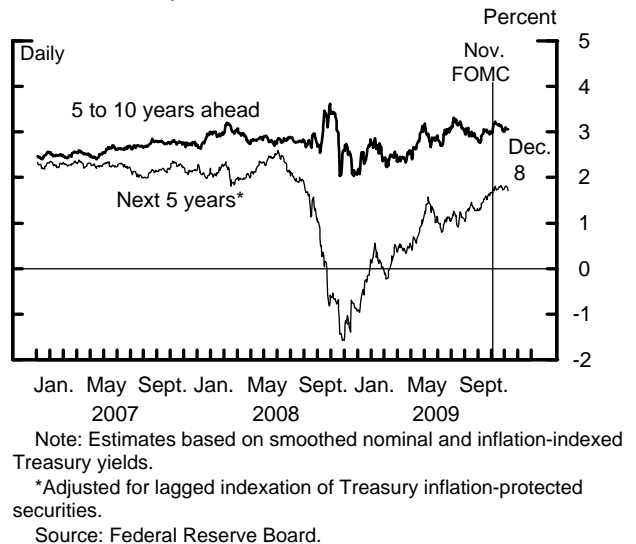
### Treasury Yield Curve



### 10-Year Treasury Implied Volatility

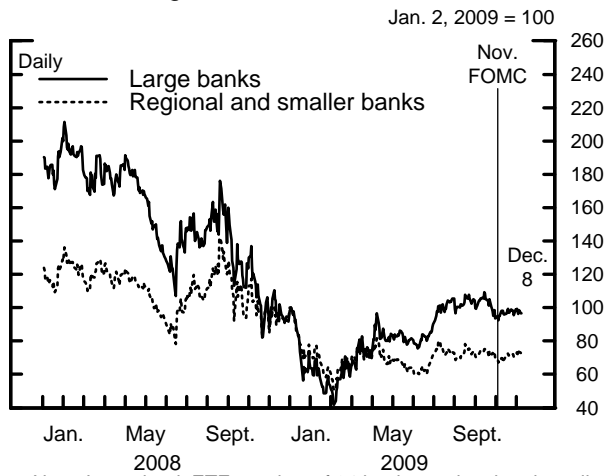


### Inflation Compensation



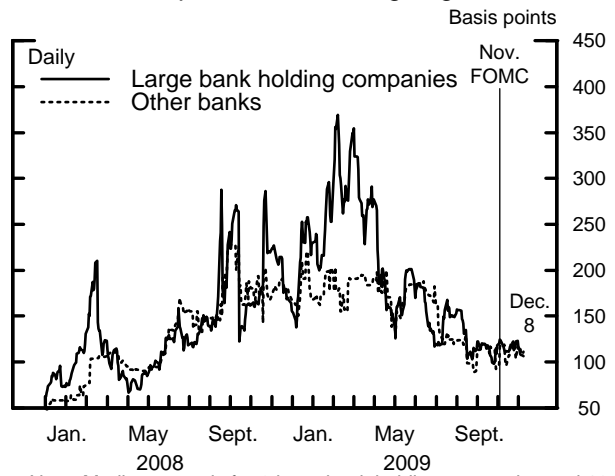
# Financial Institutions, Short-Term Funding Markets, and Liquidity Facilities

## Bank Exchange-Traded Funds



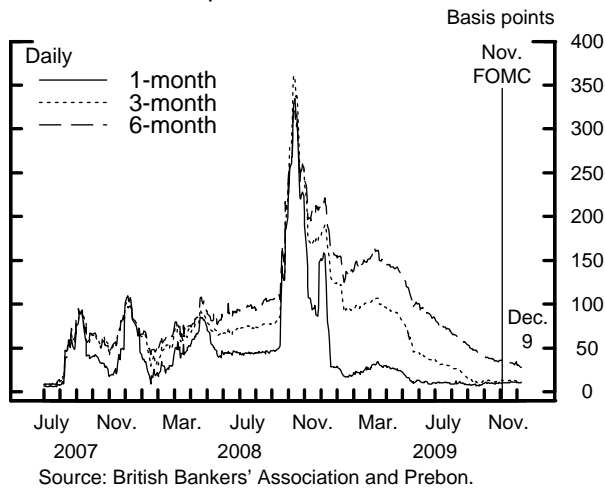
Note: Large bank ETF consists of 24 banks; regional and smaller bank ETF consists of 51 banks.  
Source: Keefe, Bruyette & Woods (KBW) and Bloomberg.

## Senior CDS Spreads for Banking Organizations



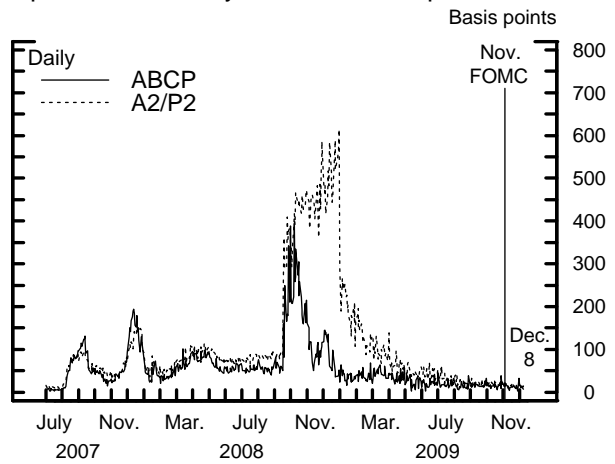
Note: Median spreads for 6 large bank holding companies and 10 other banks.  
Source: Markit.

## Libor over OIS Spread



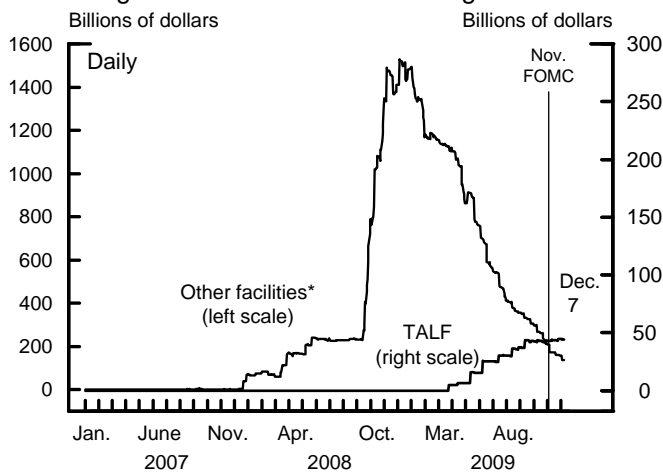
Source: British Bankers' Association and Prebon.

## Spreads on 30-day Commercial Paper



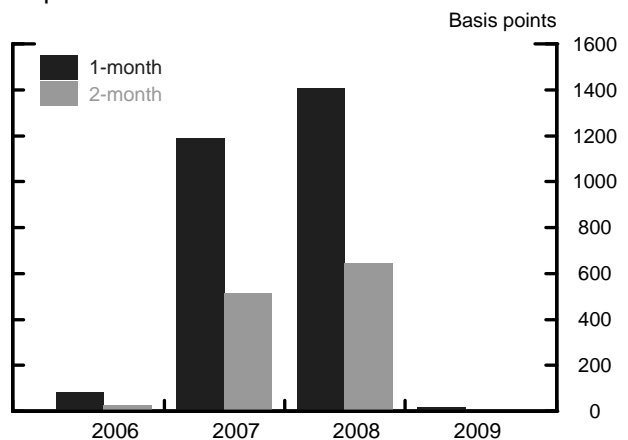
Note: The ABCP spread is the AA ABCP rate minus the AA nonfinancial rate. The A2/P2 spread is the A2/P2 nonfinancial rate minus the AA nonfinancial rate.  
Source: Depository Trust & Clearing Corporation.

## Usage of TALF and Other Lending Facilities



\* Includes primary, secondary, and seasonal credit; TAF; PDCF; dollar liquidity swaps; CPFF; and AMLF.  
Source: Federal Reserve Board.

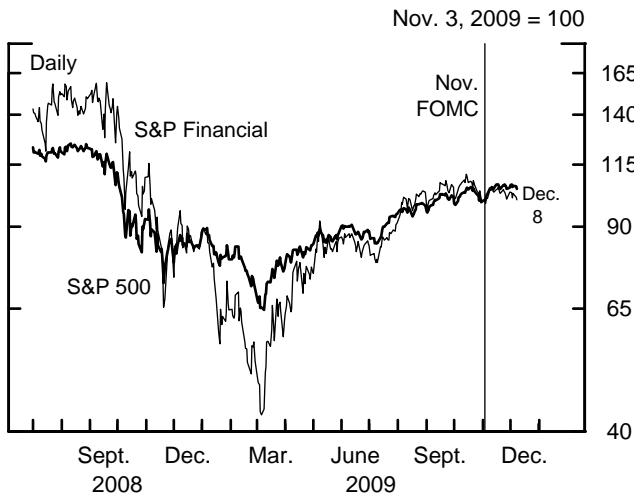
## Expected Year-End Premiums in Libor



Note: Premiums measured from the change in Libor rates when these contracts first rolled forward to settle past the year-end.  
Source: Bloomberg and staff estimates.

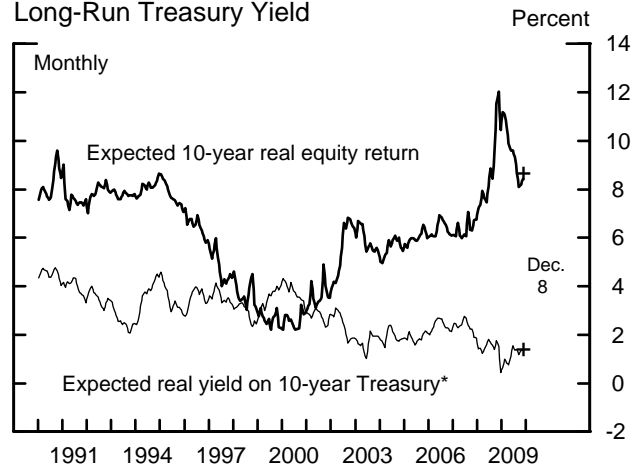
## Corporate Yields, Risk Spreads, and Stock Prices

Selected Stock Price Indexes



Source: Standard & Poor's.

Expected Real Equity Return and Long-Run Treasury Yield

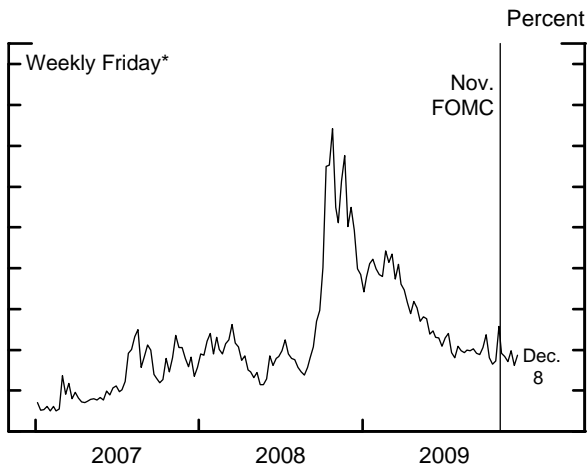


\* Off-the-run 10-year Treasury yield less Philadelphia Fed 10-year expected inflation.

+ Denotes the latest observation using daily interest rates and stock prices and latest earnings data from I/B/E/S.

Source: Thomson Financial.

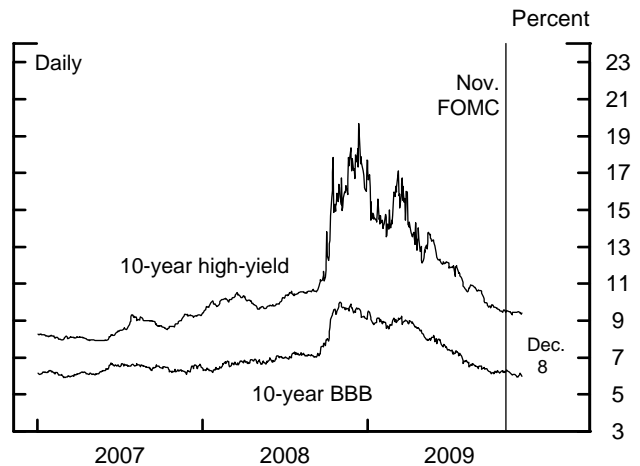
Implied Volatility on S&P 500 (VIX)



\* Latest observation is for most recent business day.

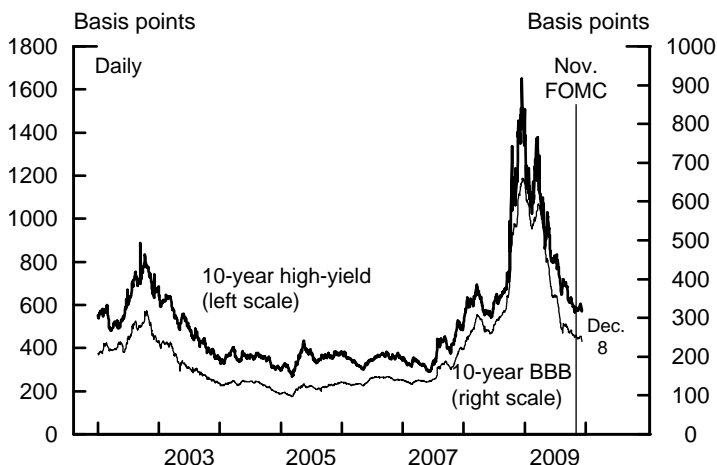
Source: Chicago Board of Exchange.

Corporate Bond Yields



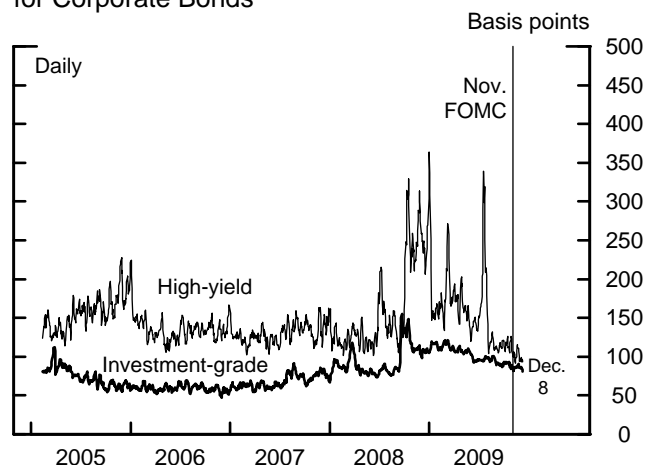
Note: Yields from smoothed yield curves based on Merrill Lynch bond data.

Corporate Bond Spreads



Note: Corporate yields from smoothed yield curves based on Merrill Lynch bond data and spreads measured relative to comparable-maturity Treasury securities.

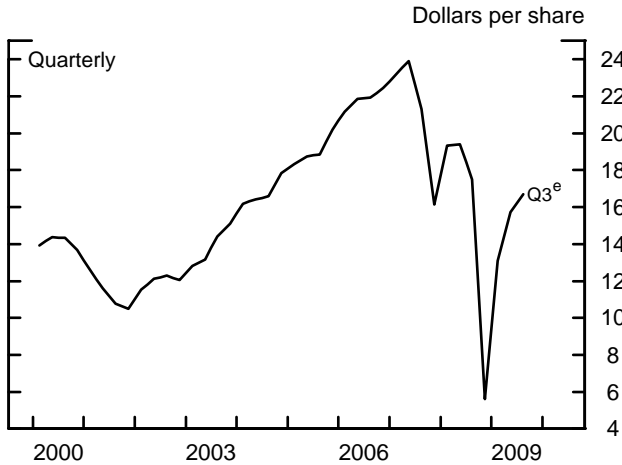
Estimated Median Bid-Asked Spread for Corporate Bonds



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

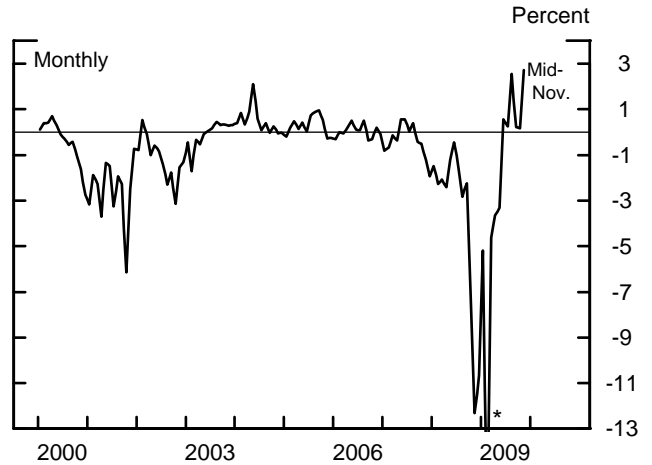
## Corporate Earnings and Credit Quality

### S&P 500 Earnings Per Share



Note: Data are seasonally adjusted by Board staff.  
e Estimate.  
Source: Thomson Financial.

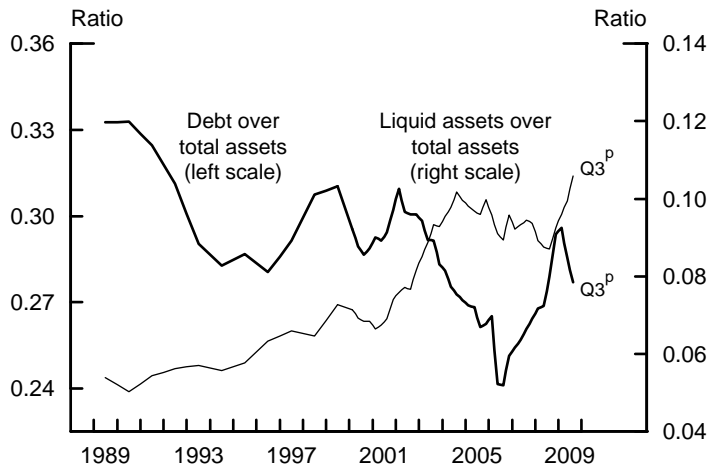
### Revisions to Expected S&P 500 Earnings



Note: Index is a weighted average of the percent change in the consensus forecasts of current-year and following-year earnings per share for a fixed sample.  
\* Revision in Feb. 2009 was -17.2%.

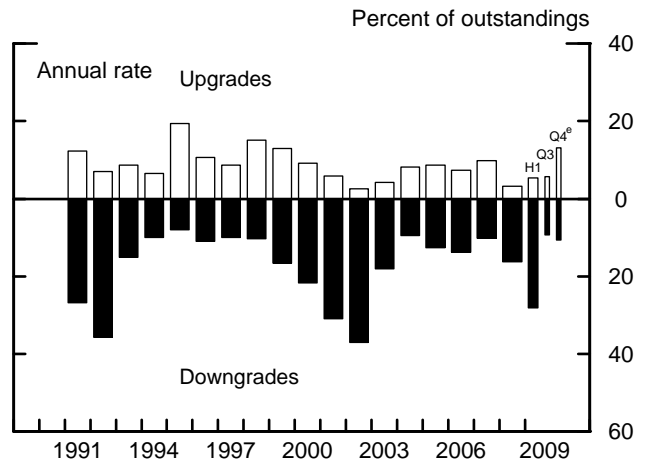
Source: Thomson Financial.

### Financial Ratios for Nonfinancial Corporations



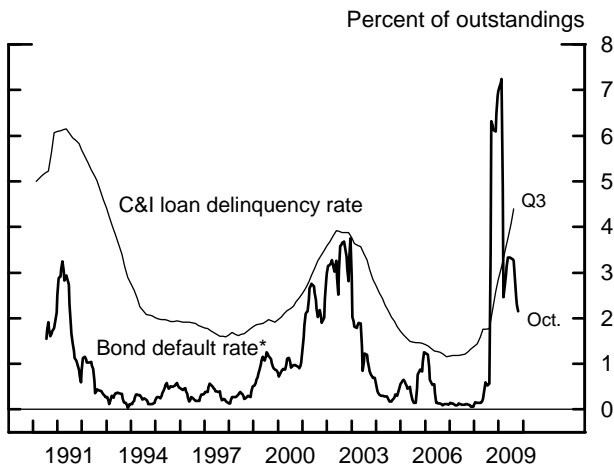
Note: Data are annual through 1999 and quarterly thereafter.  
p Preliminary.  
Source: Compustat.

### Bond Ratings Changes of Nonfinancial Companies



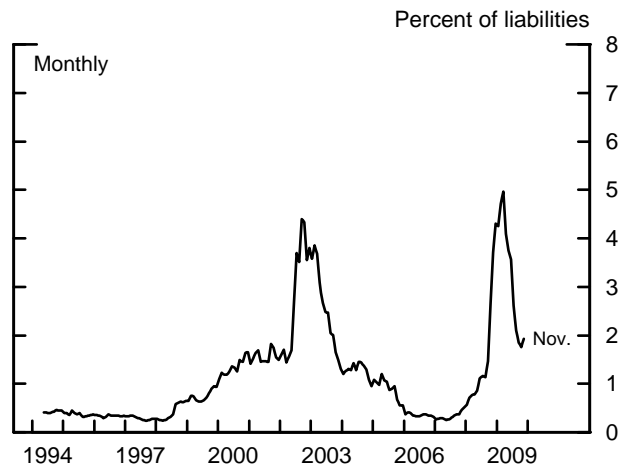
e Estimate.  
Source: Calculated using data from Moody's Investors Service.

### Selected Default and Delinquency Rates



\* 6-month trailing defaults divided by beginning-of-period outstandings, at an annual rate.  
Source: For default rate, Moody's Investors Service; for delinquency rate, Call Report data.

### Expected Nonfinancial Year-Ahead Defaults



Note: Firm-level estimates of default weighted by firm liabilities as a percent of total liabilities, excluding defaulted firms.  
Source: Calculated using firm-level data from Moody's KMV.

## Business Finance

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

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

Type of security	2005	2006	2007	2008	2009			
					H1	Q3	Oct.	Nov. <sup>p</sup>
<i>Nonfinancial corporations</i>								
Stocks <sup>1</sup>	4.6	4.7	5.5	3.7	5.3	5.4	4.7	5.0
Initial public offerings	1.7	1.8	1.6	.3	.2	.6	1.8	1.5
Seasoned offerings	2.8	2.9	3.8	3.4	5.1	4.8	2.9	3.5
Bonds <sup>2</sup>	18.7	29.3	35.1	27.7	50.1	30.4	21.4	45.8
Investment grade	8.7	13.1	17.5	19.5	32.6	13.4	4.7	28.3
Speculative grade	5.2	6.2	7.5	1.8	5.3	7.4	6.7	8.3
Other (sold abroad/unrated)	4.8	10.1	10.0	6.4	12.2	9.7	10.0	9.2
<i>Memo</i>								
Net issuance of commercial paper <sup>3</sup>	-.2	2.4	-.4	1.6	-12.4	-.9	4.2	-13.2
Change in C&I loans at commercial banks <sup>3</sup>	10.2	11.1	21.2	12.8	-17.7	-34.6	-22.2	-19.5
<i>Financial corporations</i>								
Stocks <sup>1</sup>	5.0	5.3	8.6	13.5	15.9	5.5	2.7	2.1
Bonds <sup>2</sup>	170.4	180.6	151.7	45.4	44.5	38.9	31.0	23.7

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

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

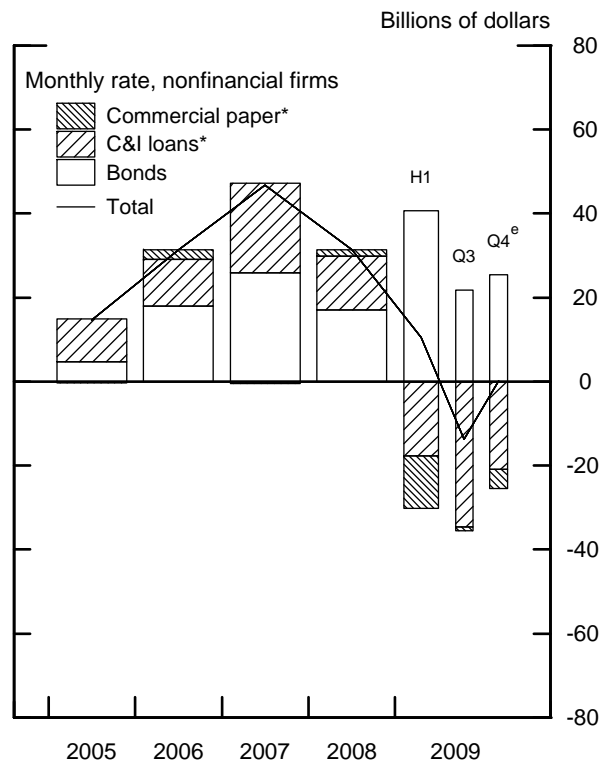
2. Data include regular and 144a private placements. Bond totals reflect gross proceeds rather than par value of original discount bonds. Bonds are categorized according to Moody's bond ratings or to Standard & Poor's if unrated by Moody's.

3. For all nonfinancial firms; End-of-period basis, seasonally adjusted.

p Forecast based on preliminary data.

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

### Selected Components of Net Debt Financing

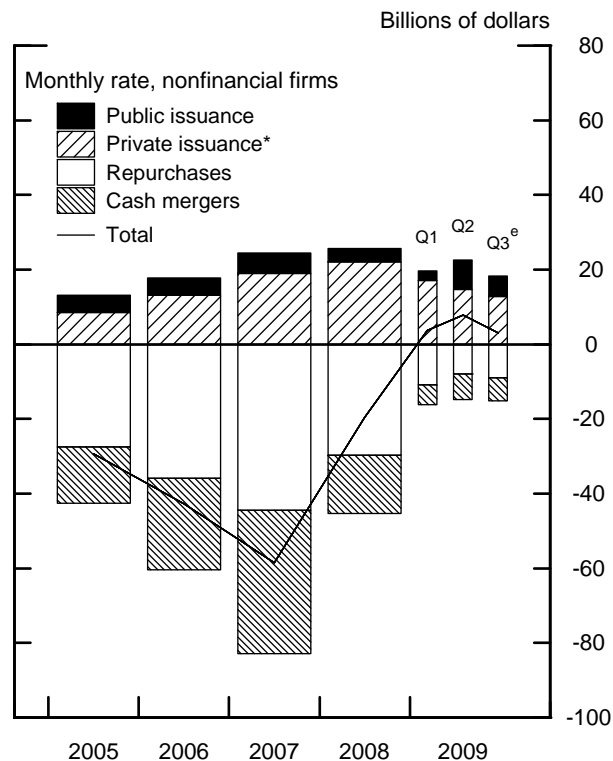


\* Seasonally adjusted, period-end basis.

e Estimate.

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

### Components of Net Equity Issuance



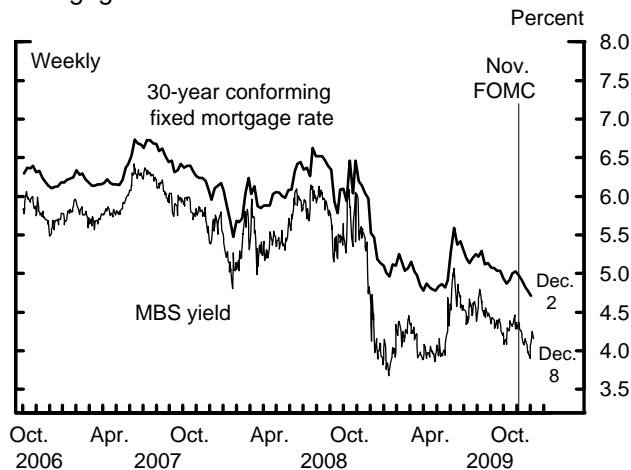
\* Private issuance was revised back to 2005.

e Estimate.

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

## Residential Mortgages

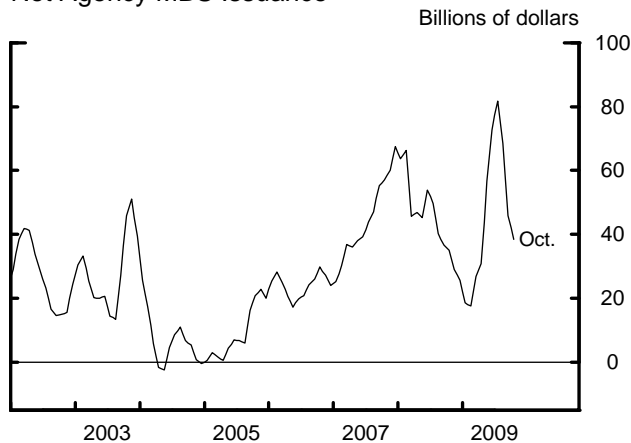
### Mortgage Rate and MBS Yield



Note: For MBS yield, Fannie Mae 30-year current coupon rate.

Source: For mortgage rate, Freddie Mac; for MBS yield, Bloomberg.

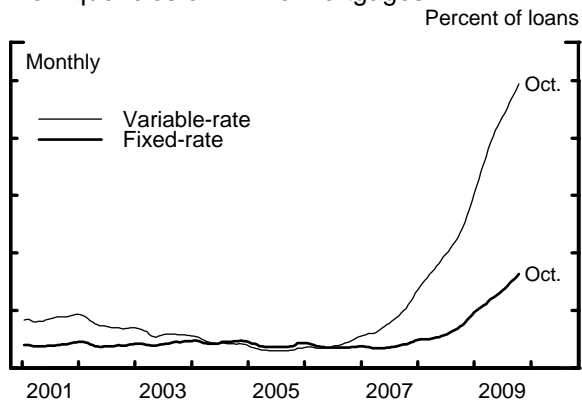
### Net Agency MBS Issuance



Note: 3-month moving average

Source: FHLMC, FNMA, and GNMA.

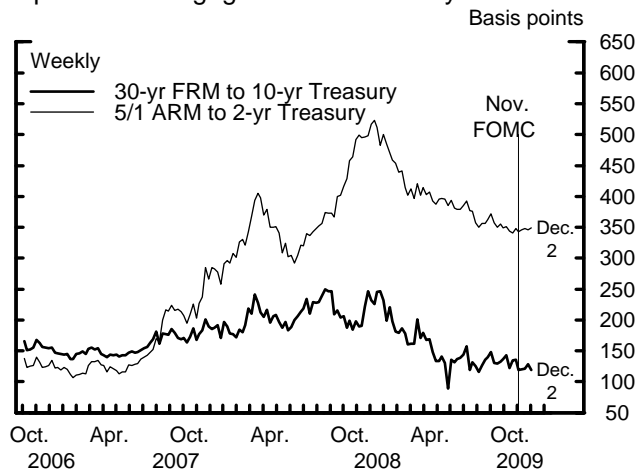
### Delinquencies on Prime Mortgages



Note: Percent of loans 90 or more days past due or in foreclosure. Prime includes near-prime mortgages.

Source: McDash Analytics.

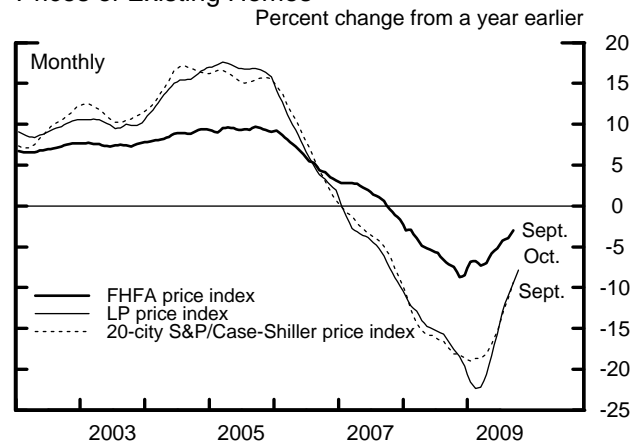
### Spread of Mortgage Rate to Treasury Yield



Note: Spreads are relative to corresponding off-the-run Treasury yields.

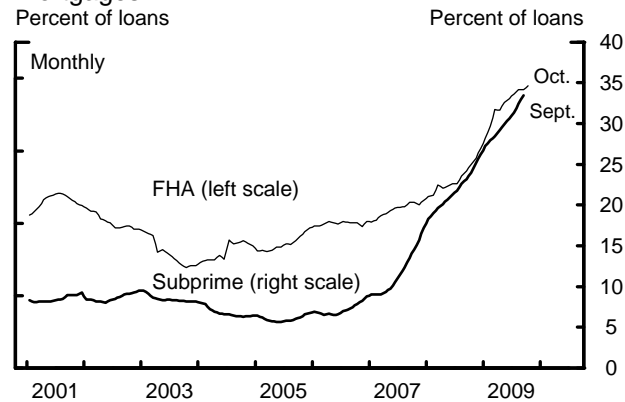
Source: Bloomberg; Freddie Mac.

### Prices of Existing Homes



Source: For FHFA, Federal Housing Finance Agency; for LP, LoanPerformance, a division of First American CoreLogic; for S&P/Case-Shiller, Standard & Poor's.

### Delinquencies on Subprime and FHA-Backed Mortgages



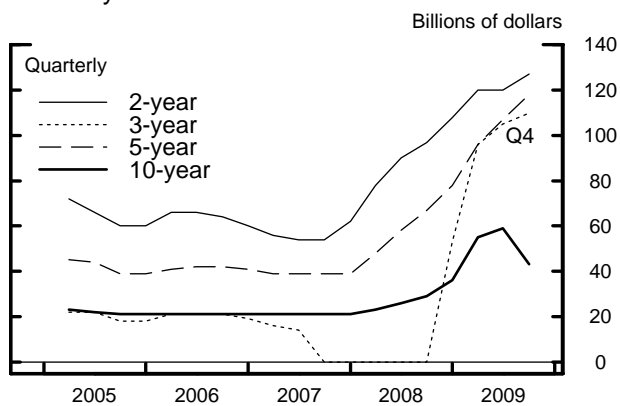
Note: Percent of loans 90 or more days past due or in foreclosure. For subprime mortgages, rates are for securitized loans.

Source: For FHA-backed mortgages, McDash Analytics; for subprime mortgages, LoanPerformance, a division of First American CoreLogic.



## Treasury Finance

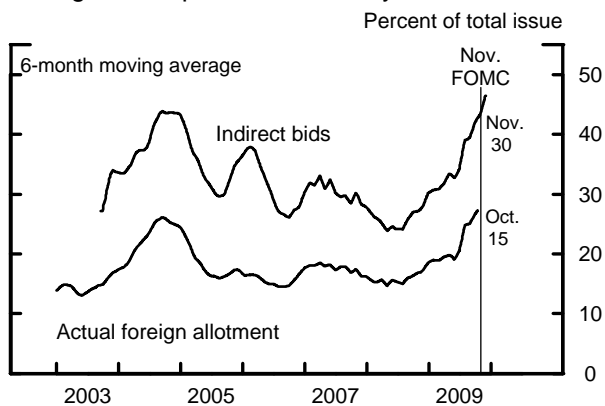
### Treasury Auction Amounts



Note: No 3-year issuance between Q3 2007 and Q3 2008.

Source: U.S. Treasury.

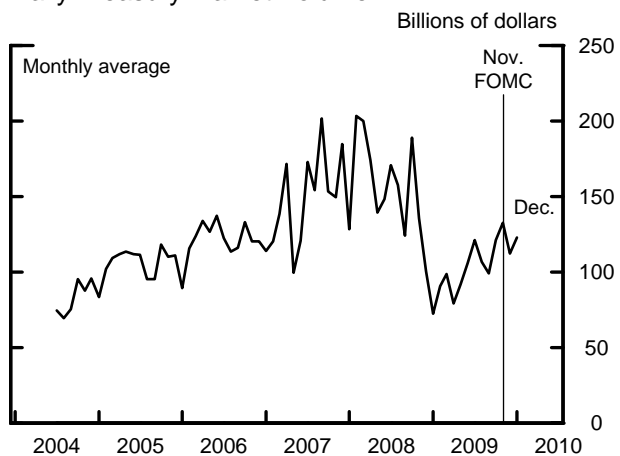
### Foreign Participation in Treasury Auctions



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.

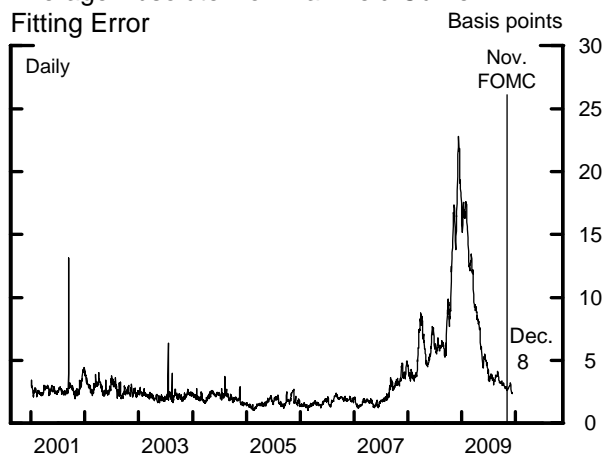
### Daily Treasury Market Volume



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

Source: Bloomberg.

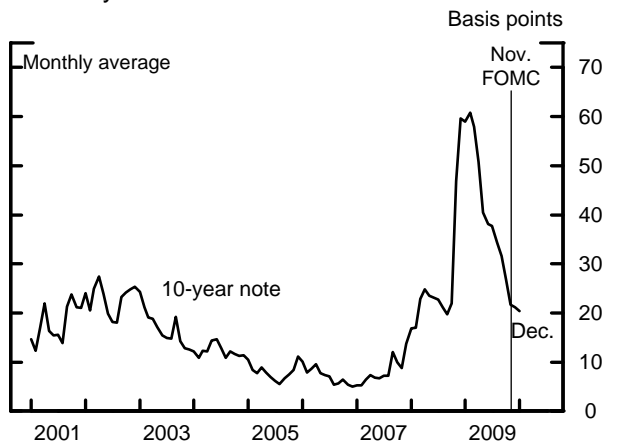
### Average Absolute Nominal Yield Curve Fitting Error



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.

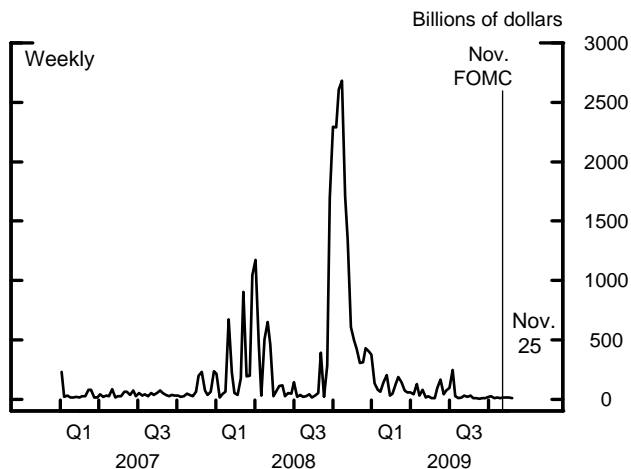
### Treasury On-the-Run Premium



Note: Computed as the spread of the yield read from an estimated off-the-run yield curve over the on-the-run Treasury yield. December 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)

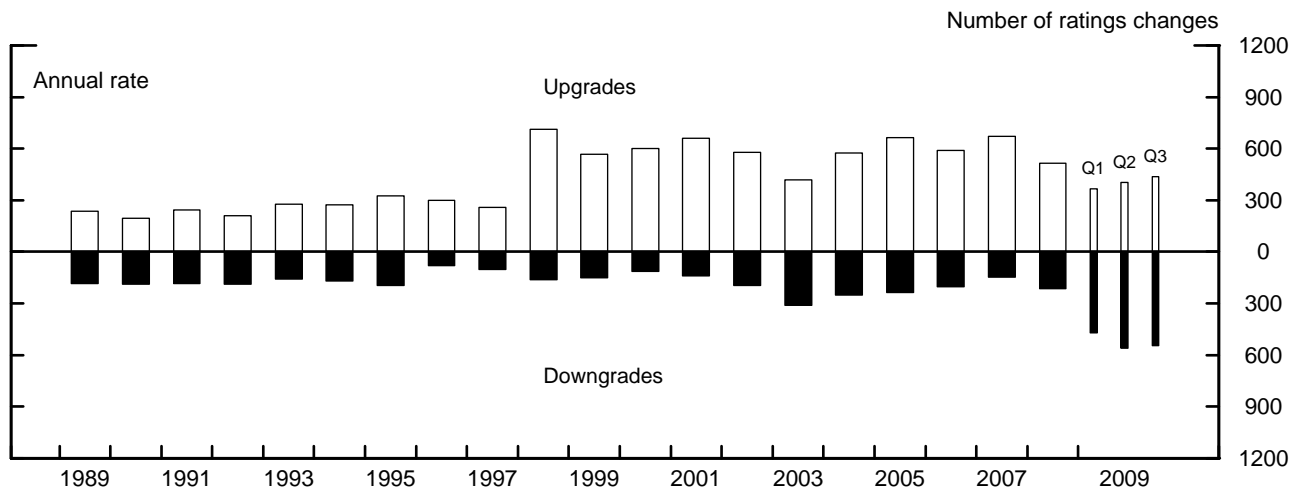
Type of security	2005	2006	2007	2008	2009			
					H1	Q3	Oct.	Nov.
Total	38.4	36.1	40.4	37.6	36.5	41.9	48.7	39.7
Long-term <sup>1</sup>	34.2	32.5	35.5	32.5	32.9	30.6	45.8	38.2
Refundings <sup>2</sup>	15.6	10.6	12.6	14.6	12.5	11.1	22.7	14.5
New capital	18.6	21.9	22.9	17.9	20.4	19.5	23.1	23.7
Short-term	4.2	3.7	4.9	5.0	3.6	11.2	2.9	1.5
Memo: Long-term taxable	2.1	2.5	2.4	2.3	4.5	7.9	15.9	9.0

1. Includes issues for public and private purposes.

2. All issues that include any refunding bonds.

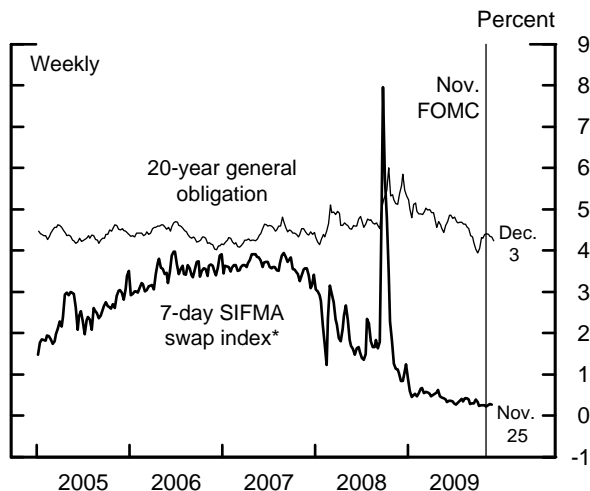
Source: Thomson Financial.

### Ratings Changes



Source: Moody's Credit Trends.

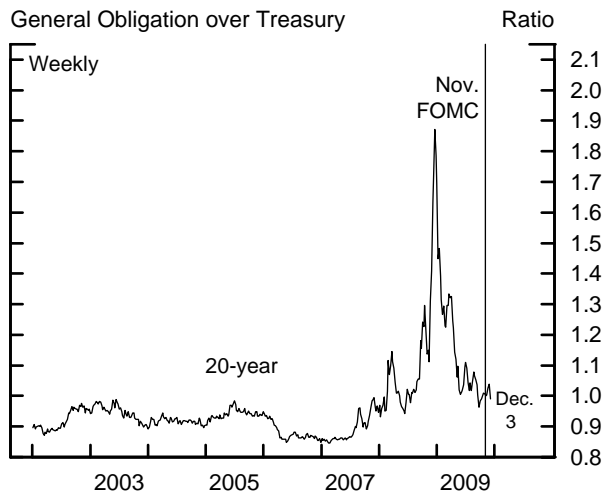
### Municipal Bond Yields



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

Source: Municipal Market Advisors; Bond Buyer.

### Municipal Bond Yield Ratio



Source: Bond Buyer.

## Commercial Bank Credit

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

Type of credit	2007	2008	H2 2008	H1 2009	Q3 2009	Oct. 2009	Nov. 2009 <sup>e</sup>	Level <sup>1</sup> Nov. 2009 <sup>e</sup>
<b>Total</b>	9.9	5.0	4.8	-5.5	-7.3	-12.0	-4.3	9,107
<i>Loans<sup>2</sup></i>								
<b>Total</b>	10.6	4.4	3.0	-7.4	-12.9	-15.5	-5.0	6,773
<b>Core</b>	9.5	5.0	3.2	-4.7	-9.7	-14.4	-7.3	6,017
<b>To businesses</b>								
Commercial and industrial	19.0	16.3	14.1	-14.1	-20.0	-28.7	-15.7	1,362
Commercial real estate	9.4	6.0	3.2	-1.6	-5.5	-11.6	-10.2	1,654
<b>To households</b>								
Residential real estate	5.3	-3.3	-5.5	-2.0	-8.2	-11.8	-.1	2,159
Revolving home equity	5.6	13.0	12.9	6.5	-5.2	-5.1	-6.7	604
Closed-end mortgages	5.3	-8.0	-11.2	-5.1	-9.3	-14.4	2.6	1,556
<b>Consumer</b>	6.8	7.1	7.6	.0	-3.4	-2.7	-6.1	843
Memo: Originated <sup>3</sup>	6.5	5.6	4.5	-1.7	-4.3	-3.8	-12.4	1,228
<b>Other</b>	18.7	.8	1.7	-25.4	-37.0	-25.0	13.0	756
<i>Securities</i>								
<b>Total</b>	7.6	6.9	11.1	.7	10.7	-1.5	-2.1	2,334
Treasury and agency	-5.5	16.4	31.4	.5	20.5	.8	5.1	1,412
Other <sup>4</sup>	28.0	-4.1	-12.0	1.0	-3.0	-5.0	-13.0	922

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). 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.

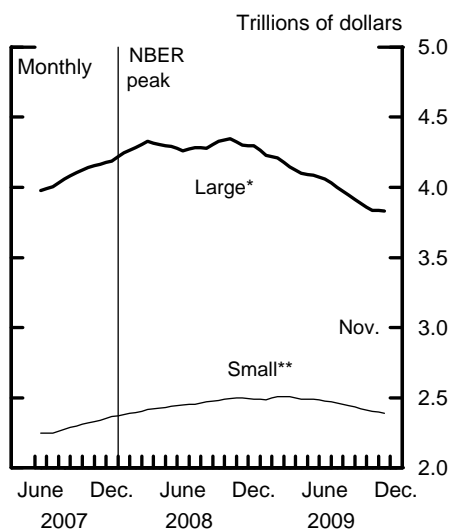
3. Includes an estimate of outstanding loans securitized by commercial banks that retained recourse or servicing rights.

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.

e Estimate.

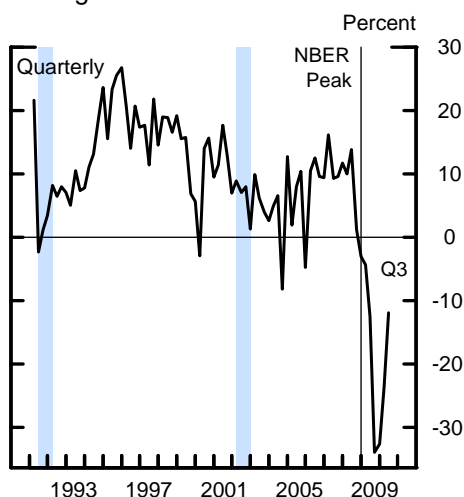
Source: Federal Reserve Board.

**Total Loans at Commercial Banks**



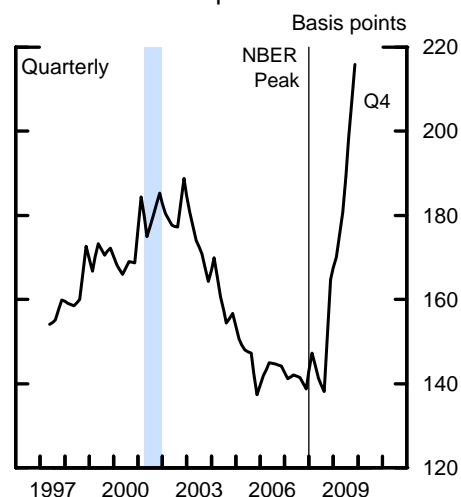
\*Large are the top 25 domestic commercial banks ranked by assets as of the last Call Report.  
 \*\*Small are all other domestic commercial banks.  
 Source: Federal Reserve Board.

**Change in Unused Commitments**



Source: Call Report data, adjusted for the effects of merger and failure activity involving large thrift institutions.

**C&I Loan Rate Spreads\***



\*The spread over market interest rate on an instrument of comparable maturity, adjusted for changes in nonprice loan characteristics.  
 Source: Survey of Terms of Business Lending.

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## **International Developments**

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## Exchange Value of the Dollar and Stock Market Indexes

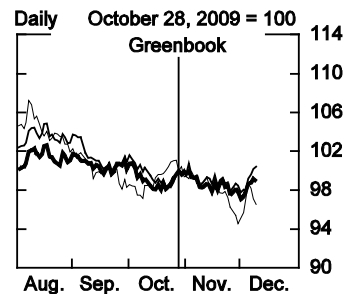
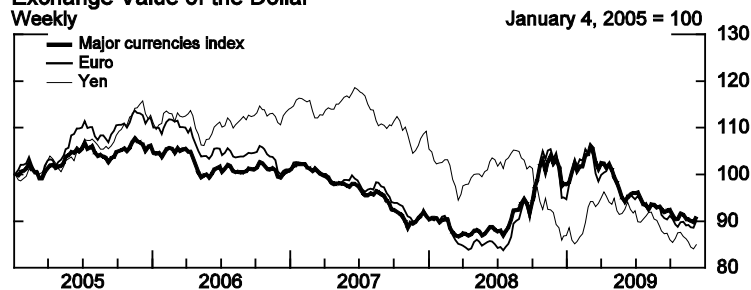
	Latest	Percent change since October Greenbook
<i>Exchange rates*</i>		
Euro (\$/euro)	1.4741	0.1
Yen (¥/\$)	88.410	-2.9
Sterling (\$/£)	1.6302	0.4
Canadian dollar (C\$/\\$)	1.0599	-1.5
<i>Nominal dollar indexes**</i>		
Broad index	101.4	-1.0
Major Currencies index	73.5	-0.9
OITP index	132.4	-1.0
<i>Stock market indexes</i>		
DJ Euro Stoxx	266	2.7
TOPIX	897	0.9
FTSE 100	5223	2.8
S&P 500	1092	4.7

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

\*\* Indexed to 100 in Jan. 1997 for the Broad and OITP indexes and Mar. 1973 for the Major Currencies index.

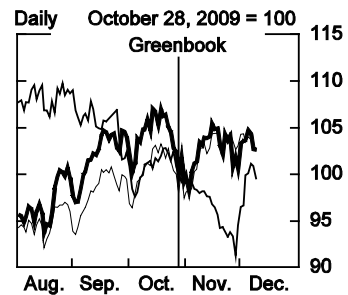
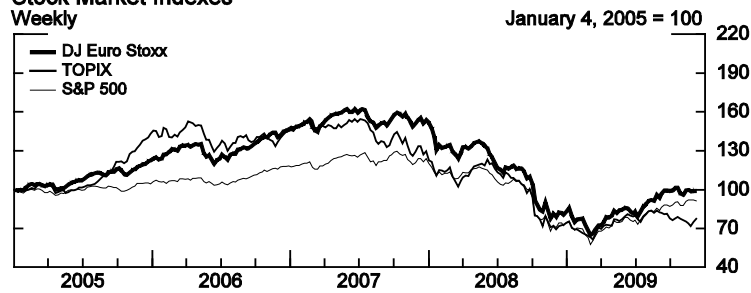
### Exchange Value of the Dollar

Weekly



### Stock Market Indexes

Weekly



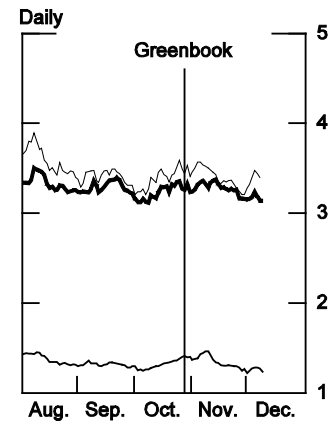
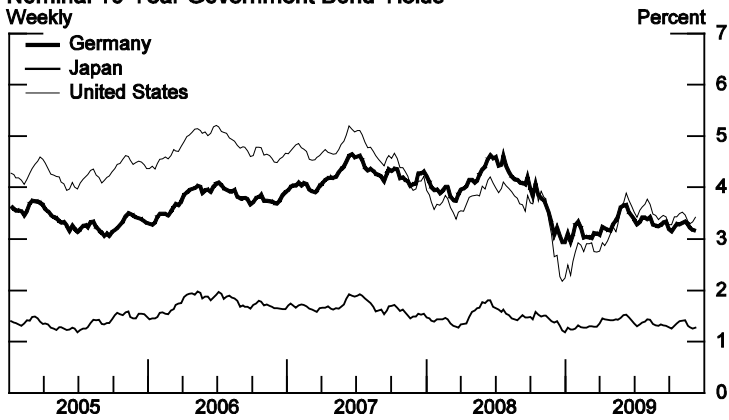
### Industrial Countries: Nominal and Real Interest Rates

	3-month Libor		10-year nominal		10-year indexed		Percent
	Latest	Change since Oct. Greenbook	Latest	Change since Oct. Greenbook	Latest	Change since Oct. Greenbook	
Germany	0.68	0.01	3.14	-0.12	0.84	-0.20	
Japan	0.28	-0.04	1.27	-0.14	1.99	-0.27	
United Kingdom	0.61	0.02	3.70	0.09	0.71	-0.02	
Canada	0.47	-0.03	3.29	-0.17	...	...	
United States	0.26	-0.02	3.40	-0.04	1.39	-0.19	

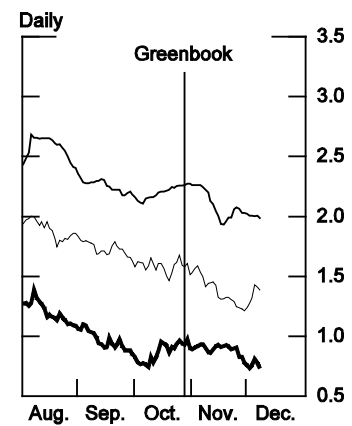
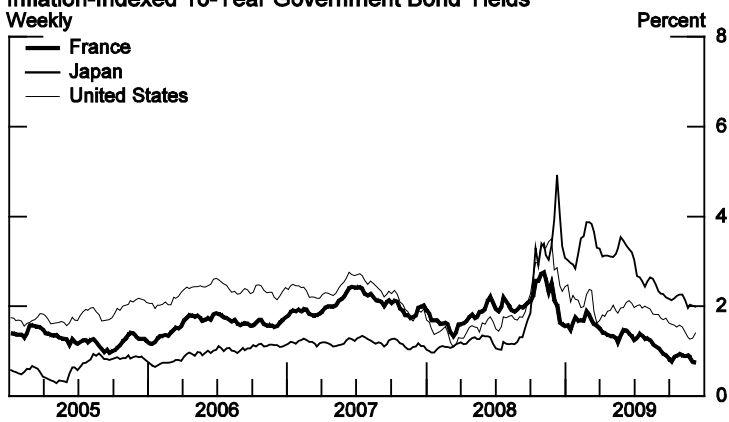
... Not applicable.

Libor: London interbank offered rate.

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



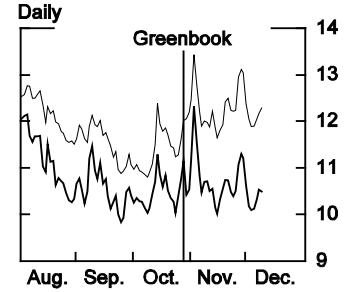
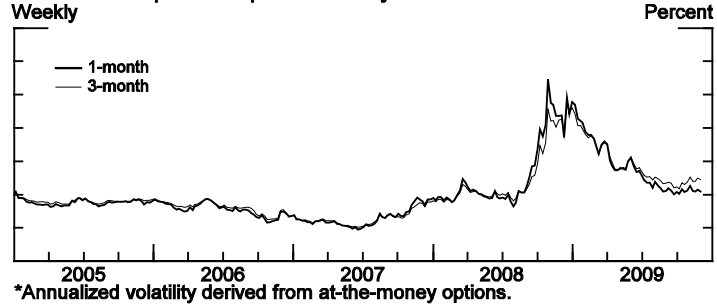
**Inflation-Indexed 10-Year Government Bond Yields**  
Weekly



## Measures of Market Volatility

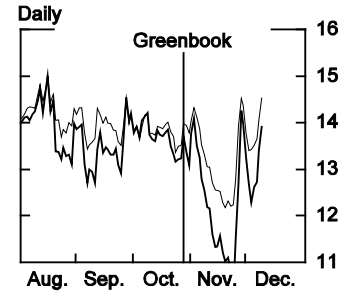
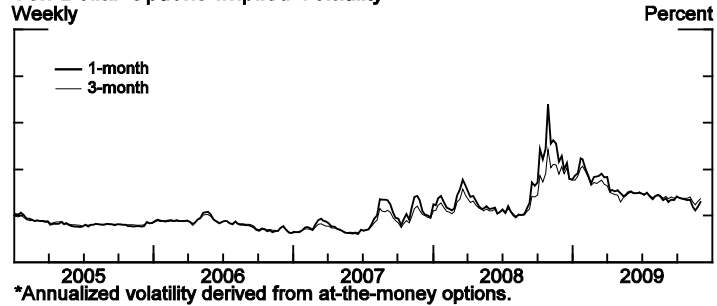
### Dollar-Euro Options-Implied Volatility\*

Weekly



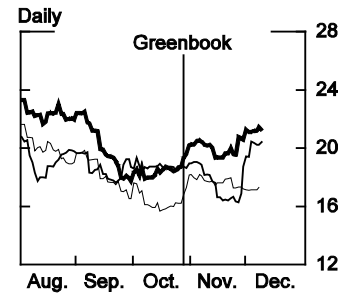
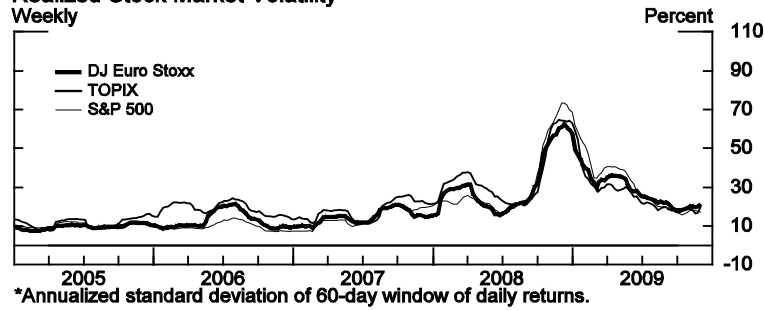
### Yen-Dollar Options-Implied Volatility\*

Weekly



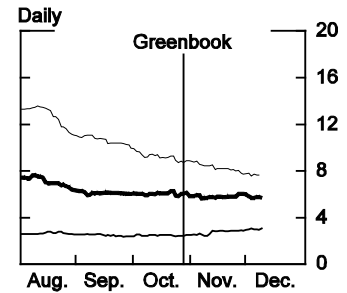
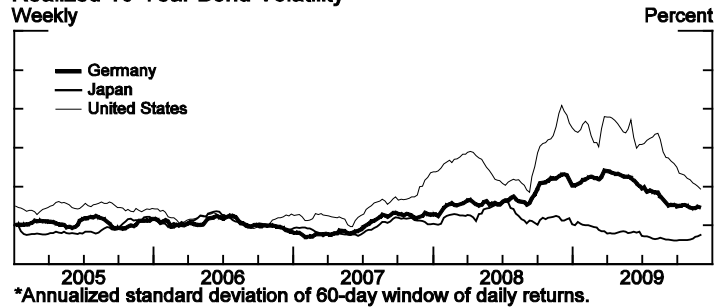
### Realized Stock Market Volatility\*

Weekly



### Realized 10-Year Bond Volatility\*

Weekly

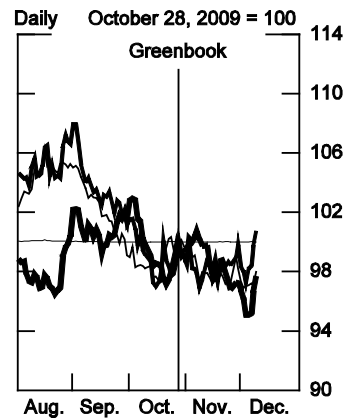
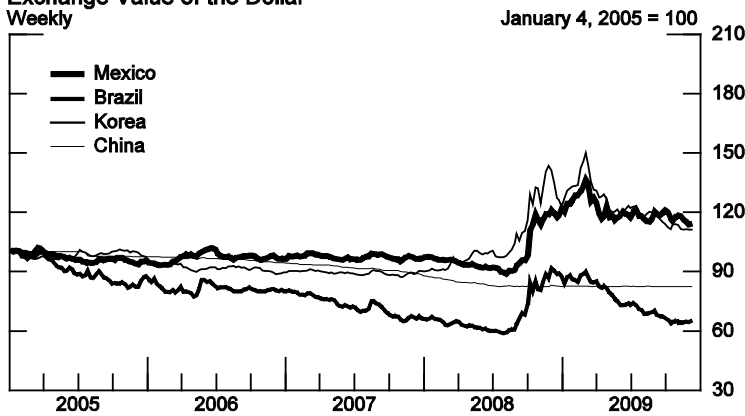


## Emerging Markets: Exchange Rates and Stock Market Indexes

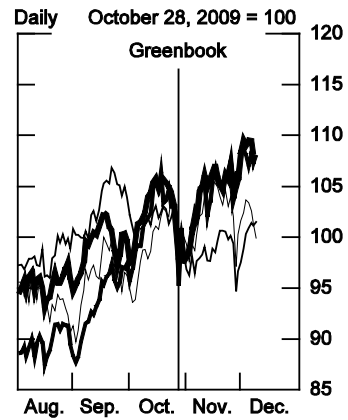
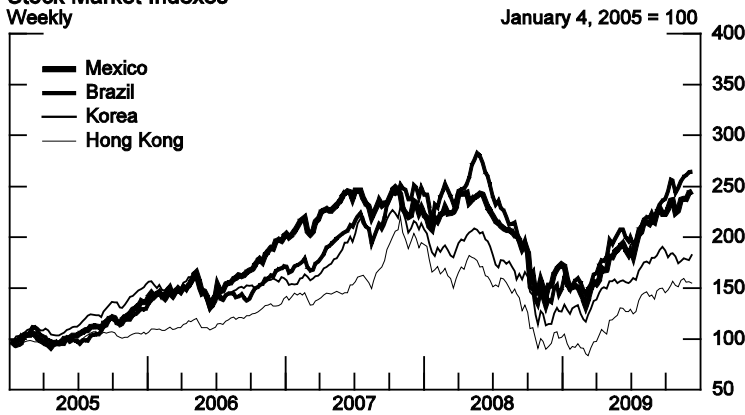
	Exchange value of the dollar		Stock market index	
	Latest	Percent change since Oct. Greenbook*	Latest	Percent change since Oct. Greenbook
Mexico	12.8410	-3.3	31710	10.6
Brazil	1.7500	-0.2	67729	12.6
Venezuela	2.14	0.0	53161	5.1
China	6.8275	0.0	3297	8.8
Hong Kong	7.7504	0.0	22061	1.4
Korea	1151.2	-2.9	1628	1.1
Taiwan	32.22	-0.7	7769	3.1
Thailand	33.15	-0.9	699	-0.7

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

Exchange Value of the Dollar  
Weekly



Stock Market Indexes  
Weekly





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

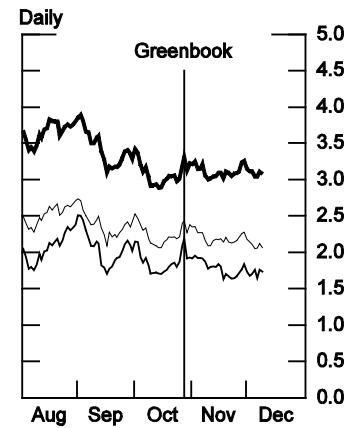
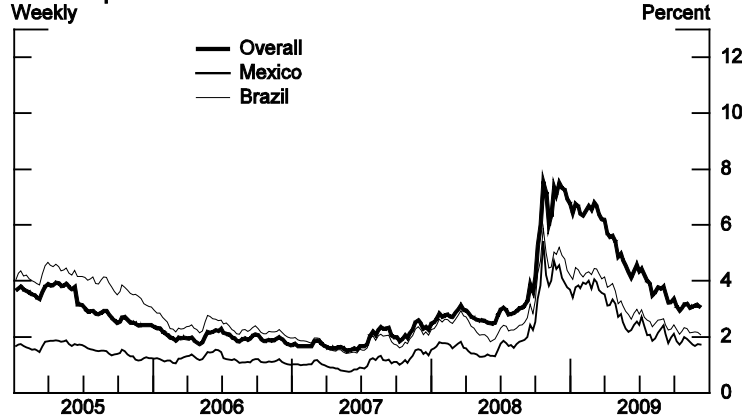
	Short-term interest rates*		Dollar-denominated bond spreads**		Percent
	Latest	Change since Oct. Greenbook	Latest	Change since Oct. Greenbook	
Mexico	4.47	-0.06	1.76	-0.43	
Brazil	8.60	0.00	2.12	-0.31	
Argentina	...	...	7.67	0.73	
China	...	...	0.74	-0.09	
Korea	2.10	0.00	...	...	
Taiwan	1.20	0.06	...	...	
Singapore	0.31	0.00	...	...	
Hong Kong	0.05	-0.02	...	...	

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

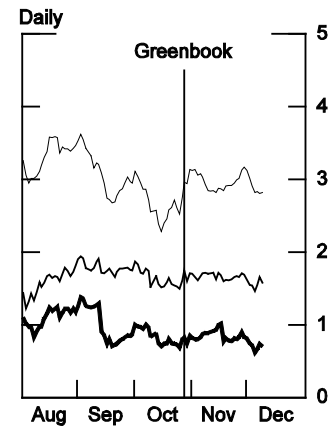
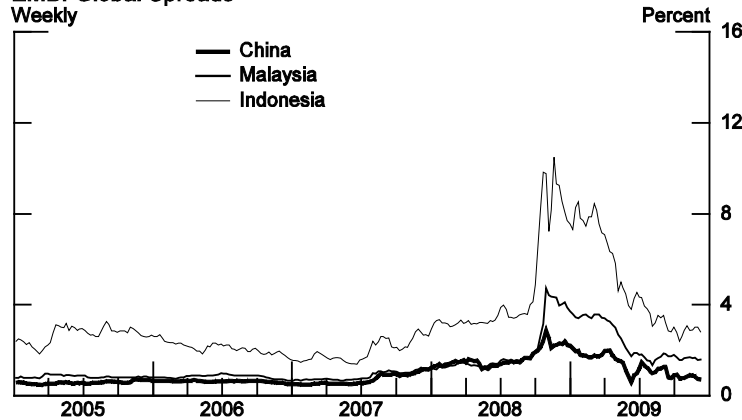
\*\*EMBI+ Spreads or EMBI Global Spreads over similar-maturity U.S. Treasury securities.

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

## EMBI+ Spreads

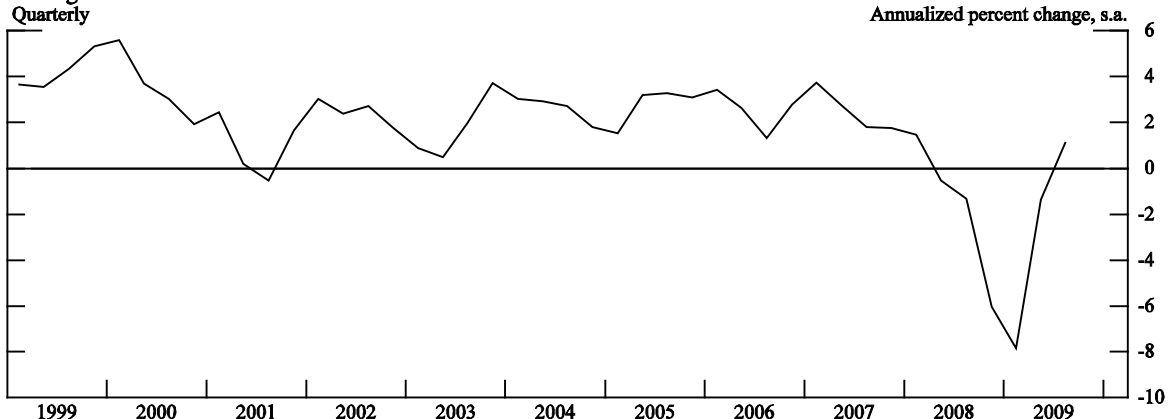


## EMBI Global Spreads

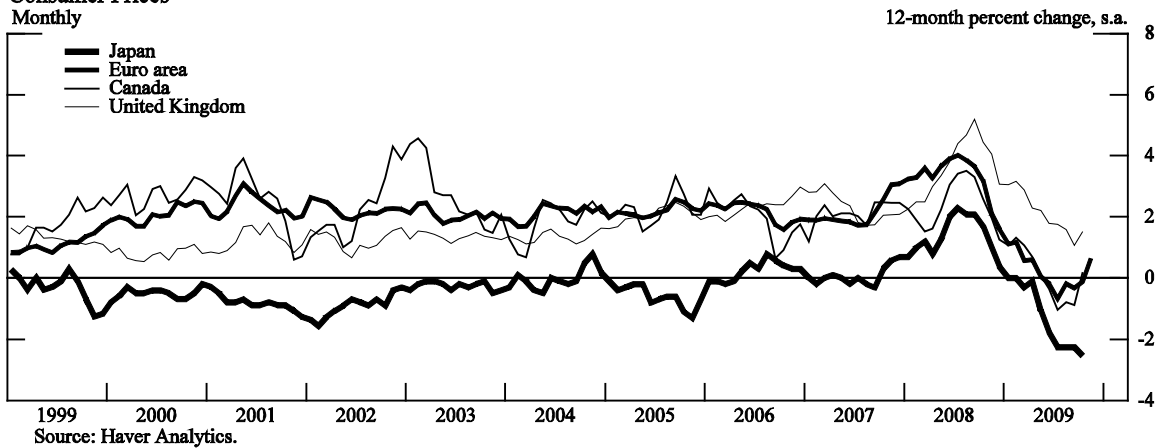


## Advanced Foreign Economies

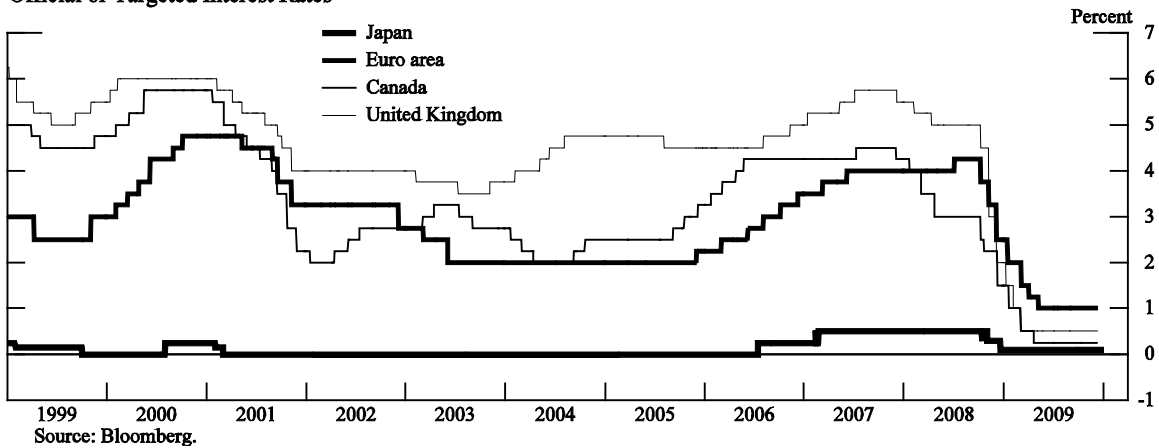
**Average Real Gross Domestic Product**  
Quarterly



**Consumer Prices**  
Monthly



**Official or Targeted Interest Rates**



December 11, 2009

# CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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## **Supplemental Notes**

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

December 11, 2009

**Reuters/University of Michigan Survey of Consumers**  
Indexes of consumer sentiment  
(Not seasonally adjusted)

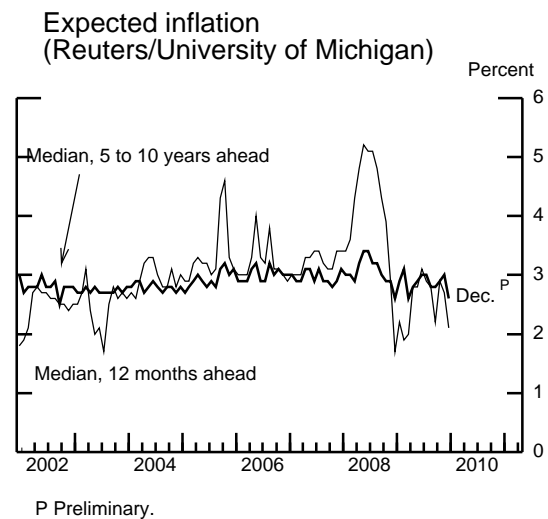
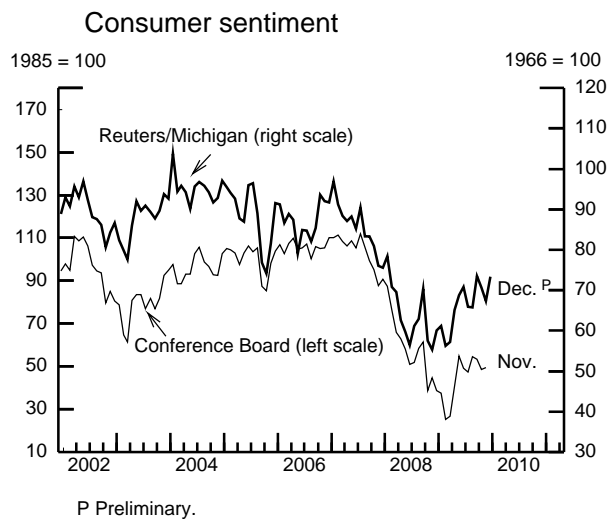
Category	2009							
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec. <sup>P</sup>
Composite of current and expected conditions <sup>1</sup>	68.7	70.8	66.0	65.7	73.5	70.6	67.4	73.4
Current conditions <sup>1</sup>	67.7	73.2	70.5	66.6	73.4	73.7	68.8	79.1
Expected conditions <sup>1</sup>	69.4	69.2	63.2	65.0	73.5	68.6	66.5	69.7
Personal financial situation								
Now compared with 12 months ago <sup>2</sup>	61	67	70	58	69	69	63	72
Expected in 12 months <sup>2</sup>	114	121	110	111	115	117	112	114
Expected business conditions								
Next 12 months <sup>2</sup>	75	69	69	69	88	81	70	80
Next 5 years <sup>2</sup>	88	86	73	80	91	76	83	84
Appraisal of buying conditions								
Cars	132	139	131	139	126	124	126	132
Large household appliances <sup>2</sup>	113	121	111	113	120	120	114	132
Houses	162	157	147	156	156	156	154	154
Expected unemployment change - next 12 months	132	133	136	124	110	120	124	113
Prob. household will lose a job - next 5 years	27	27	26	27	27	24	26	25
Expected inflation - next 12 months								
Mean	3.2	3.9	3.6	3.0	2.8	3.2	3.1	3.1
Median	2.8	3.1	2.9	2.8	2.2	2.9	2.7	2.1
Expected inflation - next 5 to 10 years								
Mean	3.1	3.2	3.4	3.1	3.2	3.2	3.2	3.1
Median	2.9	3.0	3.0	2.8	2.8	2.9	3.0	2.6

Note. Figures on financial, business, and buying conditions are the percent reporting 'good times' (or 'better') minus the percent reporting 'bad times' (or 'worse'), plus 100. Expected change in unemployment is the fraction expecting unemployment to rise minus the fraction expecting unemployment to fall, plus 100.

P Preliminary.

1. Feb. 1966 = 100.

2. Indicates the question is one of the five equally-weighted components of the index of sentiment.



### Selected Financial Market Quotations

(One-day quotes in percent except as noted)

Instrument	2008	2009			Change to Dec. 10 from selected dates (percentage points)			
	Sept. 12	Sept. 22	Nov. 3	Dec. 10	2008 Sept. 12	2009 Sept. 22	2009 Nov. 3	
<i>Short-term</i>								
FOMC intended federal funds rate	2.00	.13	.13	.13	-1.87	.00	.00	
Treasury bills <sup>1</sup>								
3-month	1.46	.11	.06	.02	-1.44	-.09	-.04	
6-month	1.80	.20	.17	.15	-1.65	-.05	-.02	
Commercial paper (A1/P1 rates) <sup>2</sup>								
1-month	2.39	.18	.16	.15	-2.24	-.03	-.01	
3-month	2.75	.21	.18	.18	-2.57	-.03	.00	
Large negotiable CDs <sup>1</sup>								
3-month	2.79	.25	.22	.22	-2.57	-.03	.00	
6-month	3.09	.35	.32	.30	-2.79	-.05	-.02	
Eurodollar deposits <sup>3</sup>								
1-month	2.60	.40	.30	.32	-2.28	-.08	.02	
3-month	3.00	.55	.45	.45	-2.55	-.10	.00	
Bank prime rate	5.00	3.25	3.25	3.25	-1.75	.00	.00	
<i>Intermediate- and long-term</i>								
U.S. Treasury <sup>4</sup>								
2-year	2.24	.99	.93	.75	-1.49	-.24	-.18	
5-year	2.97	2.44	2.37	2.19	-.78	-.25	-.18	
10-year	3.93	3.74	3.73	3.69	-.24	-.05	-.04	
U.S. Treasury indexed notes <sup>5</sup>								
5-year	1.33	1.11	.70	.50	-.83	-.61	-.20	
10-year	1.77	1.69	1.48	1.43	-.34	-.26	-.05	
Municipal general obligations (Bond Buyer) <sup>6</sup>	4.54	4.20	4.39	4.19	-.35	-.01	-.20	
Private instruments								
10-year swap	4.26	3.67	3.62	3.61	-.65	-.06	-.01	
10-year FNMA <sup>7</sup>	4.36	4.12	4.06	3.92	-.44	-.20	-.14	
10-year AA <sup>8</sup>	6.62	5.11	5.12	5.02	-1.60	-.09	-.10	
10-year BBB <sup>8</sup>	7.22	6.36	6.25	6.06	-1.16	-.30	-.19	
10-year high yield <sup>8</sup>	10.66	9.90	9.48	9.38	-1.28	-.52	-.10	
Home mortgages (FHLMC survey rate)								
30-year fixed	5.78	5.04	4.98	4.81	-.97	-.23	-.17	
1-year adjustable	5.03	4.52	4.47	4.24	-.79	-.28	-.23	
Stock exchange index	Record high		2009			Change to Dec. 10 from selected dates (percent)		
	Level	Date	Sept. 22	Nov. 3	Dec. 10	Record high	2009 Sept. 22	2009 Nov. 3
Dow Jones Industrial	14,165	10-9-07	9,830	9,772	10,406	-26.54	5.86	6.49
S&P 500 Composite	1,565	10-9-07	1,072	1,045	1,102	-29.57	2.86	5.45
Nasdaq	5,049	3-10-00	2,146	2,057	2,191	-56.60	2.08	6.49
Russell 2000	856	7-13-07	621	571	595	-30.43	-4.08	4.34
D.J. Total Stock Index	15,807	10-9-07	11,083	10,729	11,296	-28.54	1.93	5.29

1. Secondary market.
2. Financial commercial paper.
3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Derived from a smoothed Treasury yield curve estimated using all outstanding securities and adjusted for the carry effect.
6. Most recent Thursday quote.
7. Constant-maturity yields estimated from Fannie Mae domestic noncallable coupon securities.
8. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.

#### NOTES:

September 12, 2008, is the last business day before Lehman Brothers Holdings filed for bankruptcy.  
September 22, 2009, is the day before the September 2009 FOMC monetary policy announcement.  
November 3, 2009, is the day before the most recent FOMC monetary policy announcement.

## Commercial Bank Credit

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

Type of credit	2007	2008	H2 2008	H1 2009	Q3 2009	Oct. 2009	Nov. 2009	Level <sup>1</sup> Nov. 2009
<b>Total</b>	9.9	5.0	4.8	-5.5	-7.3	-12.0	-3.9	9,109
<i>Loans<sup>2</sup></i>								
<b>Total</b>	10.6	4.4	3.0	-7.4	-12.9	-15.5	-4.4	6,777
Core	9.5	5.0	3.2	-4.7	-9.7	-14.4	-6.6	6,021
To businesses								
Commercial and industrial	19.0	16.3	14.1	-14.1	-20.0	-28.7	-16.1	1,361
Commercial real estate	9.4	6.0	3.2	-1.6	-5.6	-11.5	-10.0	1,654
To households								
Residential real estate	5.3	-3.2	-5.4	-2.0	-8.1	-11.8	2.2	2,164
Revolving home equity	5.6	13.0	12.9	6.5	-5.2	-5.1	-6.3	604
Closed-end mortgages	5.3	-8.0	-11.3	-5.1	-9.3	-14.4	5.5	1,560
Consumer	6.8	7.1	7.6	.0	-3.4	-2.7	-7.2	842
Memo: Originated <sup>3</sup>	6.5	5.6	4.5	-1.7	-4.3	-3.8	-12.9	1,227
Other	18.7	.8	1.7	-25.4	-37.0	-24.8	14.1	756
<i>Securities</i>								
<b>Total</b>	7.6	6.9	11.1	.7	10.7	-1.6	-2.6	2,332
Treasury and agency	-5.5	16.4	31.4	.5	20.5	.8	6.1	1,413
Other <sup>4</sup>	28.0	-4.1	-12.0	1.0	-3.0	-5.4	-16.0	919

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). 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.

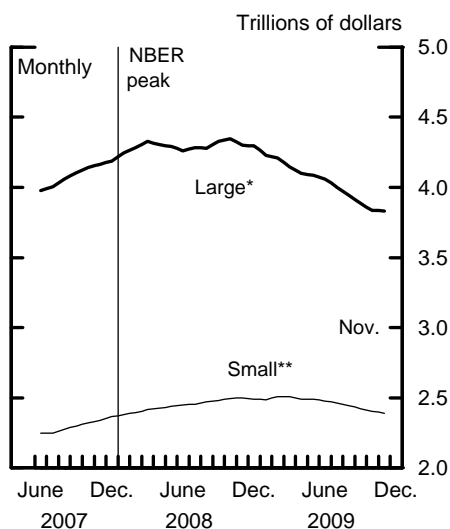
2. Excludes interbank loans.

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.

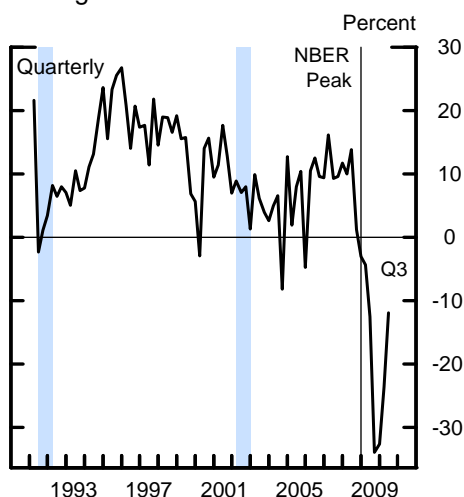
Source: Federal Reserve Board.

Total Loans at Commercial Banks



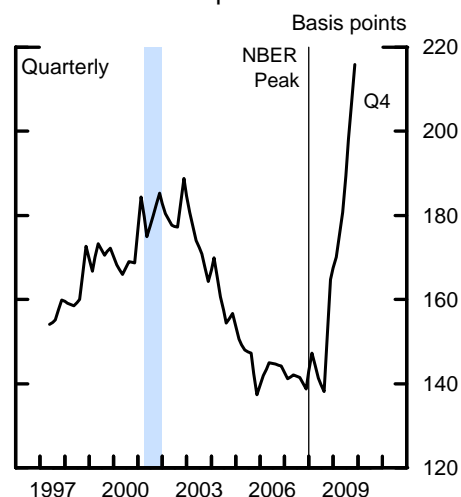
\*Large are the top 25 domestic commercial banks ranked by assets as of the last Call Report.  
 \*\*Small are all other domestic commercial banks.  
 Source: Federal Reserve Board.

Change in Unused Commitments



Source: Call Report data, adjusted for the effects of merger and failure activity involving large thrift institutions.

C&I Loan Rate Spreads\*



\*The spread over market interest rate on an instrument of comparable maturity, adjusted for changes in nonprice loan characteristics.  
 Source: Survey of Terms of Business Lending.