

Report to the FOMC on Economic Conditions and Monetary Policy



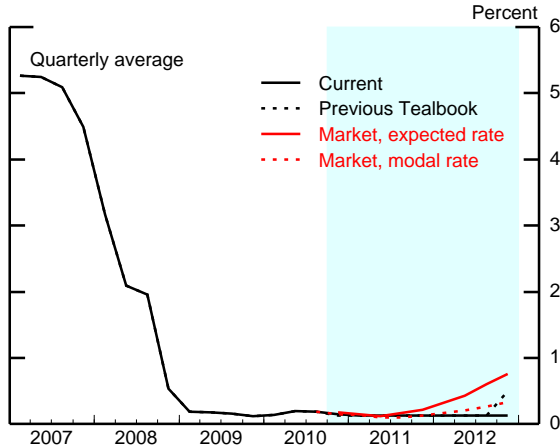
Book A

Economic and Financial Conditions: Current Situation and Outlook

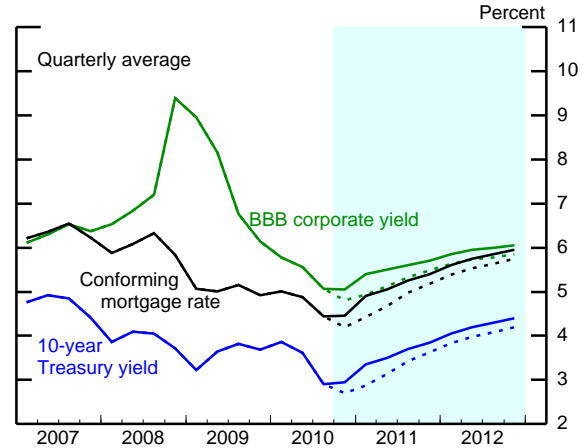
December 8, 2010

Key Background Factors underlying the Baseline Staff Projection

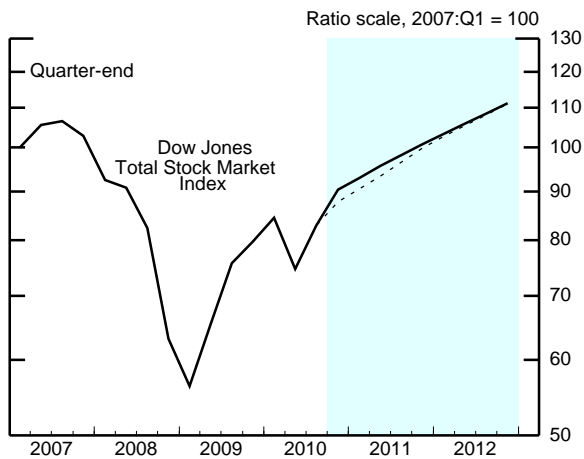
Federal Funds Rate



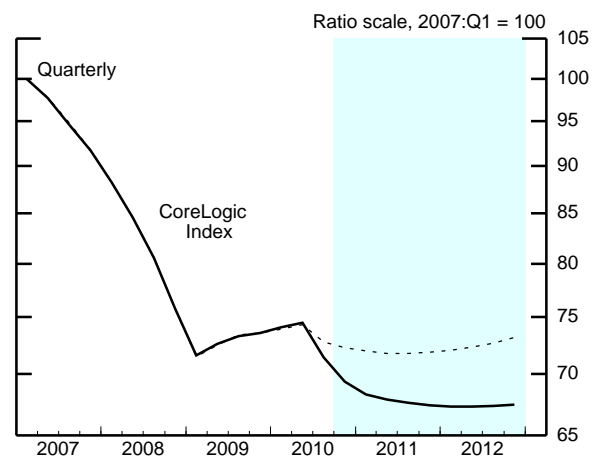
Long-Term Interest Rates



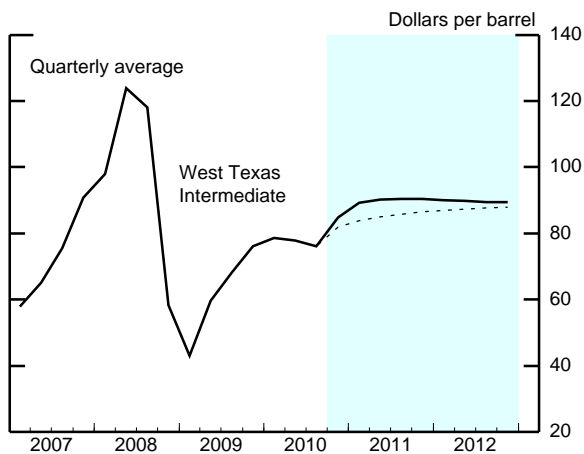
Equity Prices



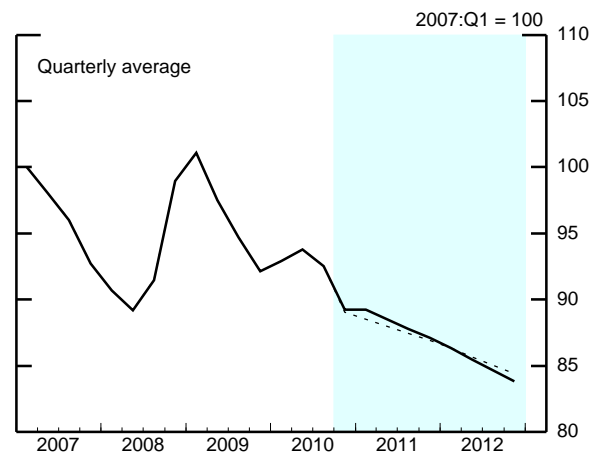
House Prices



Crude Oil Prices



Broad Real Dollar

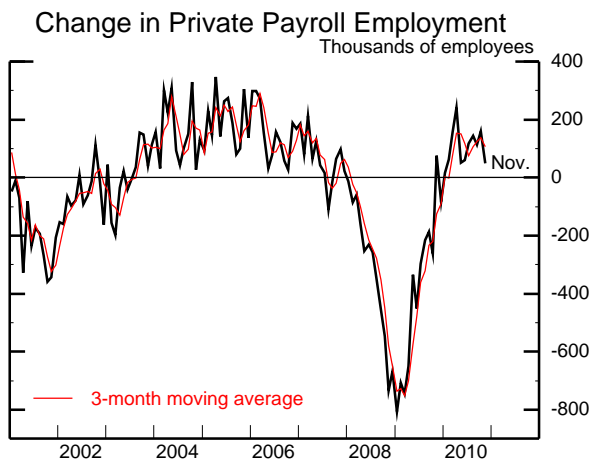


Summary of the Near-Term Outlook

(Percent change at annual rate except as noted)

Measure	2010:Q3		2010:Q4		2011:Q1	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
Real GDP	1.7	2.7	2.4	2.5	2.7	3.4
Private domestic final purchases	1.9	2.6	2.1	2.7	3.0	3.5
Personal consumption expenditures	2.6	2.8	2.2	2.7	2.4	3.2
Residential investment	-29.9	-27.8	-4.7	-3.8	13.5	2.9
Nonres. structures	-5.1	-4.9	-2.4	-.9	-2.8	-3.5
Equipment and software	9.7	16.1	5.6	5.8	8.3	9.4
Federal purchases	4.3	8.9	3.7	2.1	1.0	1.1
State and local purchases	-.6	.8	-.7	.1	.1	.1
Contribution to change in real GDP (percentage points)						
Inventory investment	1.4	1.5	-1.3	-1.6	-.5	.1
Net exports	-1.5	-1.7	1.6	1.7	.6	.3

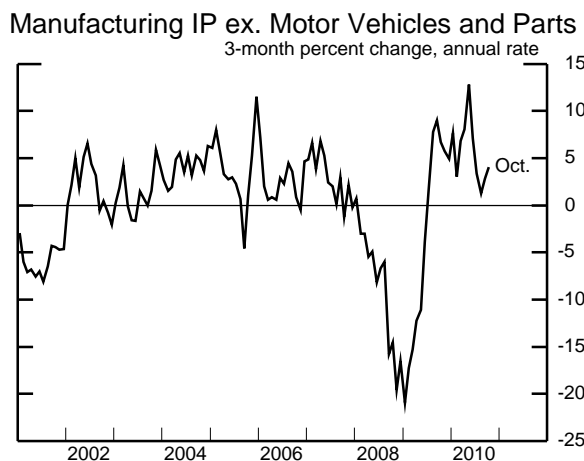
Recent Nonfinancial Developments (1)



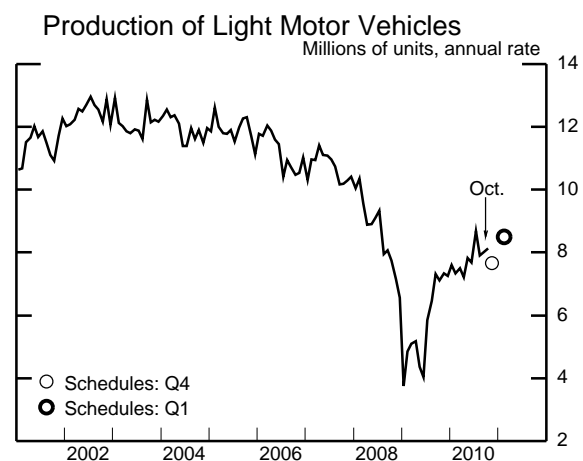
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.



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

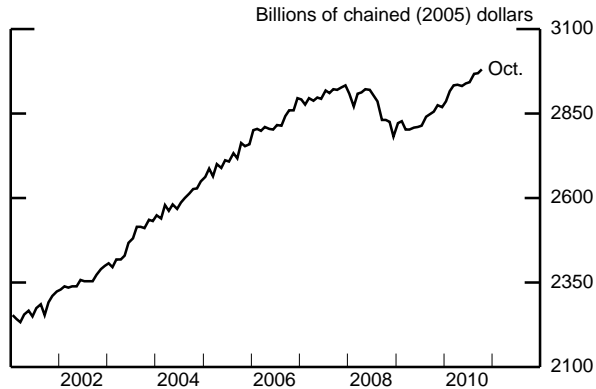


Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Note: Schedules data are from Ward's Communications.
Source: Ward's Auto Infobank.

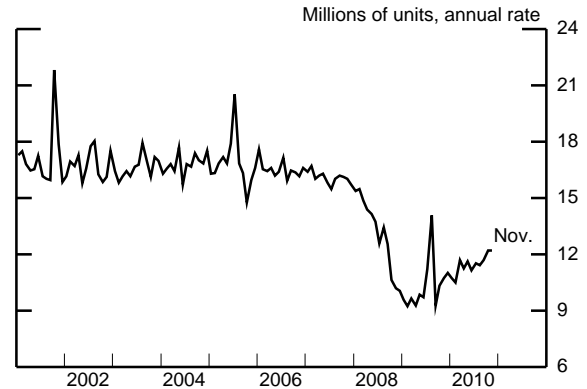
Recent Nonfinancial Developments (2)

Real PCE Goods ex. Motor Vehicles



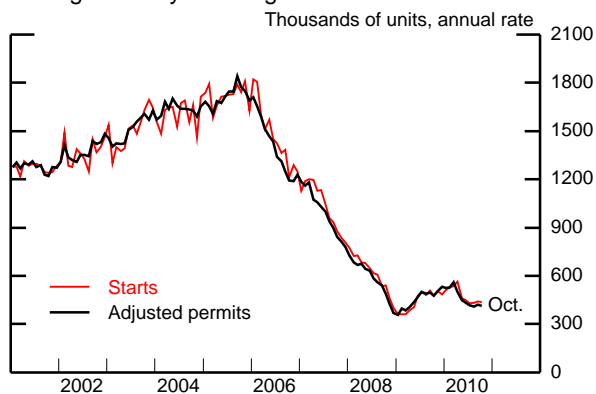
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis

Sales of Light Motor Vehicles



Source: Ward's Auto Infobank.

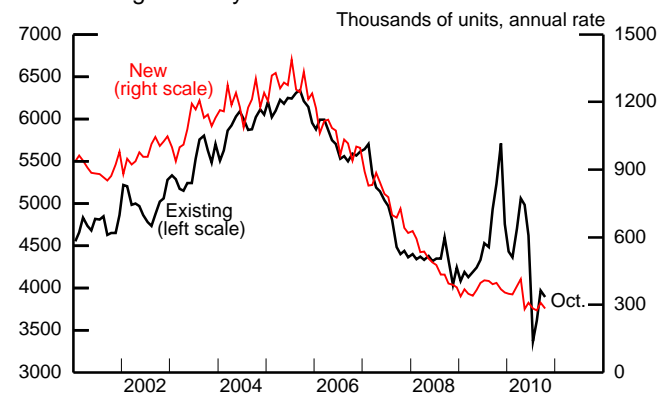
Single-Family Housing Starts



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

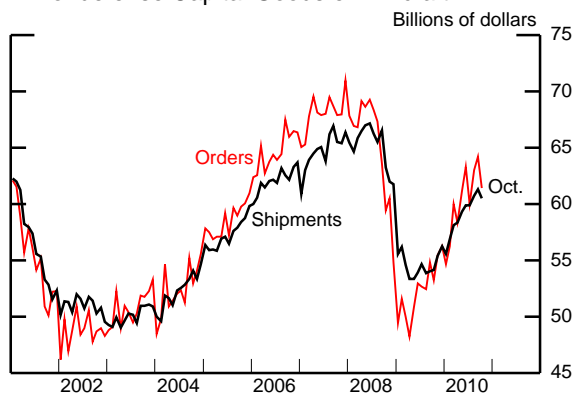
Source: U.S. Census Bureau.

Single-Family Home Sales



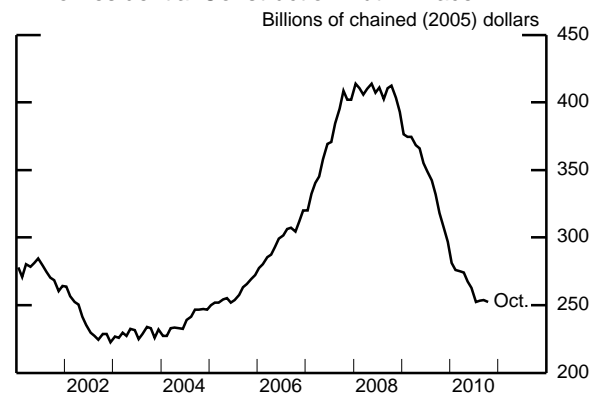
Source: For existing, National Association of Realtors; for new, U.S. Census Bureau.

Nondefense Capital Goods ex. Aircraft



Source: U.S. Census Bureau.

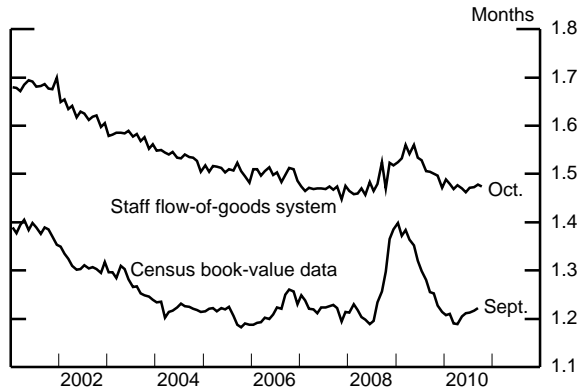
Nonresidential Construction Put in Place



Source: U.S. Census Bureau.

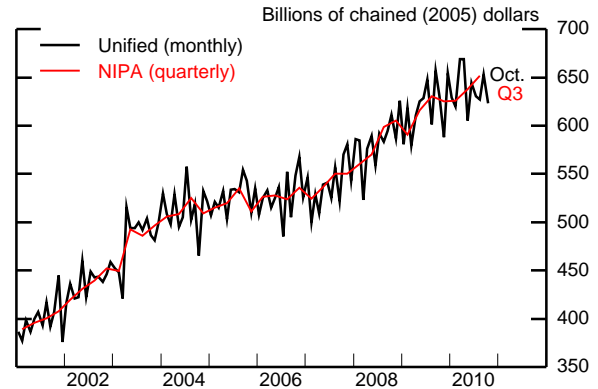
Recent Nonfinancial Developments (3)

Inventory Ratios ex. Motor Vehicles



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

Defense Spending



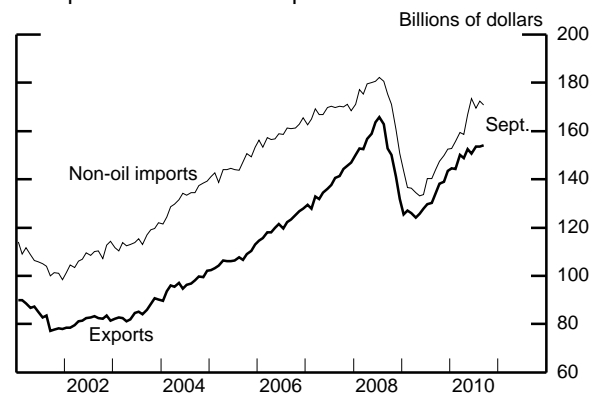
Note: The unified series is seasonally adjusted and deflated by BEA prices. The NIPA series excludes the consumption of fixed capital.
Source: Monthly Treasury Statement; U.S. Dept. of Commerce, Bureau of Economic Analysis.

Trade Balance



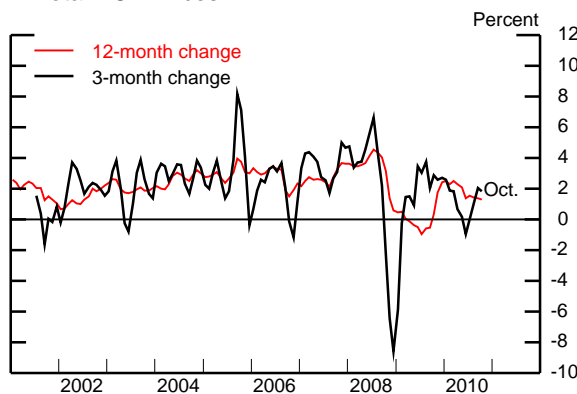
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; U.S. Census Bureau.

Exports and Non-Oil Imports



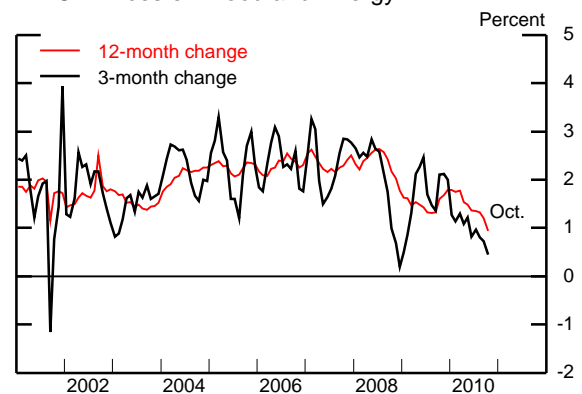
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; U.S. Census Bureau.

Total PCE Prices



Note: 3-month changes are at an annual rate.
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices ex. Food and Energy

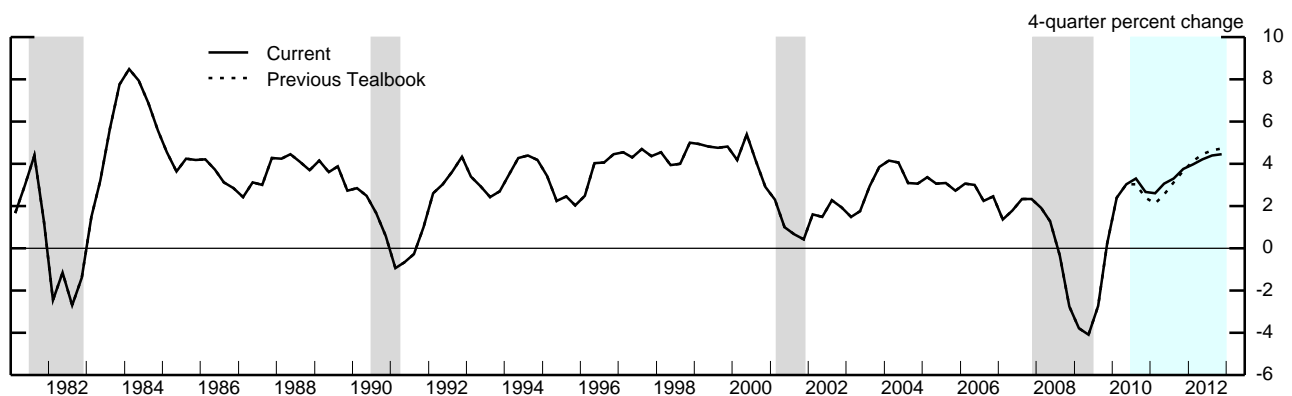


Note: 3-month changes are at an annual rate.
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

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

Measure	2009	2010		2011	2012
		H1	H2		
Real GDP	.2	2.7	2.6	3.7	4.4
Previous Tealbook	.2	2.7	2.0	3.6	4.7
Final sales	-.3	1.0	2.7	3.9	4.1
Previous Tealbook	-.3	1.0	2.0	3.8	4.6
Personal consumption expenditures	.2	2.0	2.8	3.5	4.0
Previous Tealbook	.2	2.0	2.4	3.1	4.4
Residential investment	-13.4	5.0	-16.7	10.0	13.6
Previous Tealbook	-13.4	5.0	-18.2	21.5	17.0
Nonresidential structures	-26.5	-9.5	-3.0	-1.4	-.8
Previous Tealbook	-26.5	-9.5	-3.8	-3.0	.0
Equipment and software	-4.9	22.6	10.9	12.0	9.7
Previous Tealbook	-4.9	22.6	7.6	10.1	11.6
Federal purchases	3.6	5.4	5.4	1.0	.2
Previous Tealbook	3.6	5.4	4.0	1.0	.2
State and local purchases	-1.0	-1.6	.4	.4	1.3
Previous Tealbook	-1.0	-1.6	-.6	.4	1.3
Exports	-.1	10.2	7.2	8.3	8.1
Previous Tealbook	-.1	10.2	7.5	8.6	8.3
Imports	-7.2	21.8	5.7	5.3	6.2
Previous Tealbook	-7.2	21.8	5.5	4.7	6.7
Contributions to change in real GDP (percentage points)					
Inventory change	.5	1.7	-.1	-.1	.4
Previous Tealbook	.5	1.7	.1	-.1	.2
Net exports	1.2	-1.9	.0	.2	.0
Previous Tealbook	1.2	-1.9	.0	.3	.0

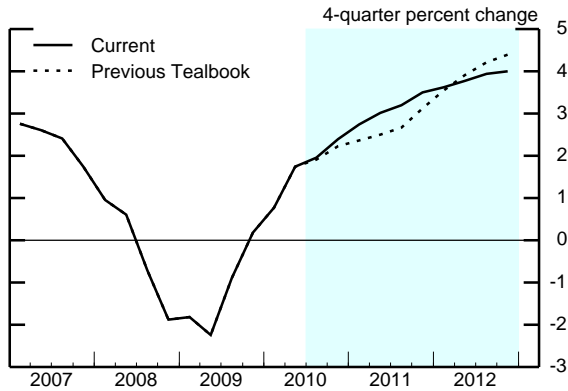
Real GDP



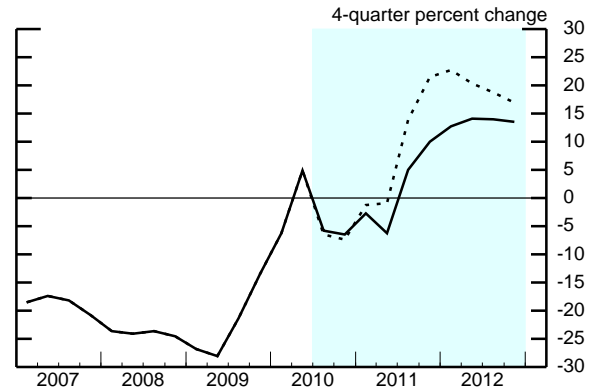
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

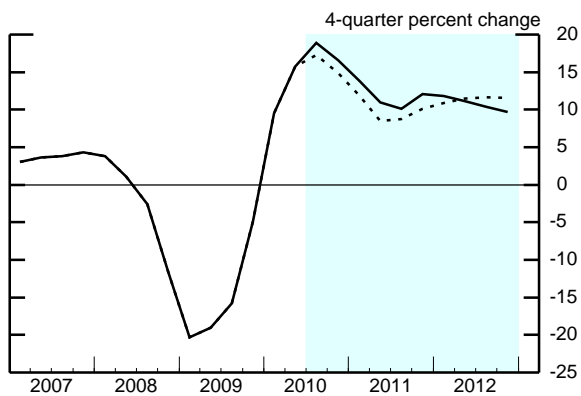
Personal Consumption Expenditures



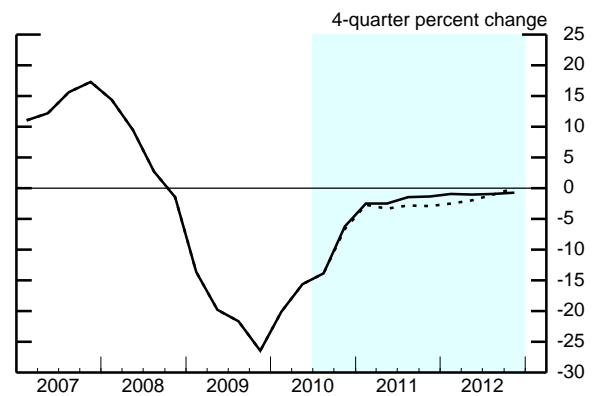
Residential Investment



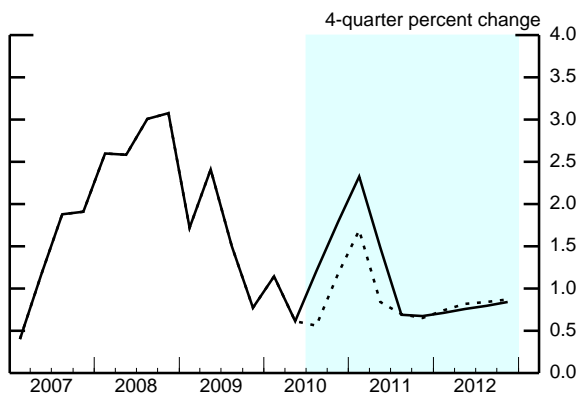
Equipment and Software



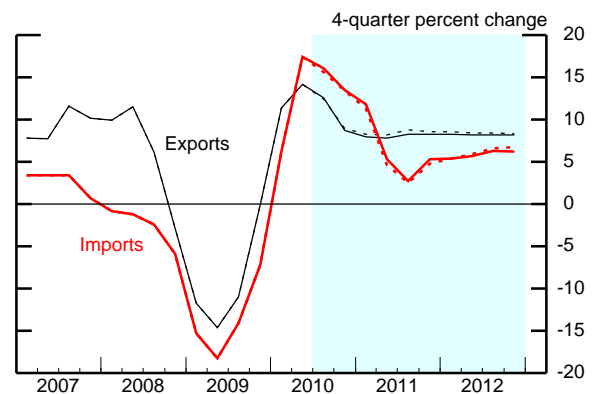
Nonresidential Structures



Government Consumption & Investment



Exports and Imports



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

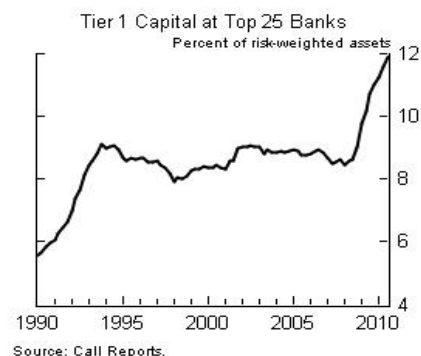
effects.¹ That said, this research also pointed to downside risks to this assessment if banks were to feel competitive pressure to raise capital more quickly than required or if the overall macroeconomic environment weakened banks' ability to meet capital needs through retained earnings or resulted in further capital losses. In such adverse scenarios, the drag on real activity could prove several times as large as we currently anticipate.

The introduction of liquidity requirements, in the form of a liquidity coverage ratio (LCR), should help ensure that banks adequately manage their exposures to liquidity risk and also help the authorities to manage the orderly resolution of insolvent institutions. The LCR requires an institution to have enough unencumbered, high-quality liquid assets to cover, at a minimum, the institution's projected net cash outflows over a 30-day horizon under a stress scenario that combines a substantial idiosyncratic shock with a moderate systemic disturbance. Moreover, the stress scenario penalizes a variety of short-term commitments, such as lines of credit for financial institutions and back-up lines for commercial paper programs, which will make pricing of such programs significantly less attractive. Banks may also face higher funding costs as a result of the LCR, part of which they would pass on to loan customers. As a result, borrowing costs for the nonfinancial business sector are likely to increase somewhat, implying a small drag on real GDP.

Perhaps a more substantial concern about the LCR is its effect on financial stability. While the new liquidity requirements probably will discourage banks from providing credit lines without adequate resources to meet potential draws, the higher cost to banks of providing such services is likely to push some of these activities outside of the regulated financial sector, where they are more difficult to monitor and where liquidity crises may be more costly to address. Moreover, once banking institutions are subject to the LCR, in financial crises they would presumably demand an increased buffer of liquid assets above the level required to satisfy the regulatory requirement. Without an increase in liquidity provided by the central bank, the result would likely be significant pressures in funding markets despite the LCR.

New Capital Framework (Minimums, percent of risk-weighted assets)			
Model	2013	2015	2019
Common equity	3.5	4.5	4.5
Plus conservation buffer	3.5	4.5	7.0
Tier 1 capital	4.5	6.0	6.0

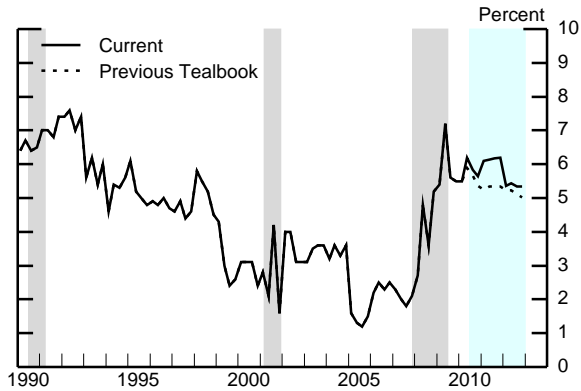
Source: Basel Committee on Banking Supervision.



¹ Financial Stability Board and the Basel Committee on Banking Supervision, Macroeconomic Assessment Group (2010), *Assessing the Macroeconomic Impact of the Transition to Stronger Capital and Liquidity Requirements*, interim report (Basel: Bank for International Settlements, August), available at www.bis.org/publ/othp10.htm. These estimates presume no offsetting monetary policy response in the medium term.

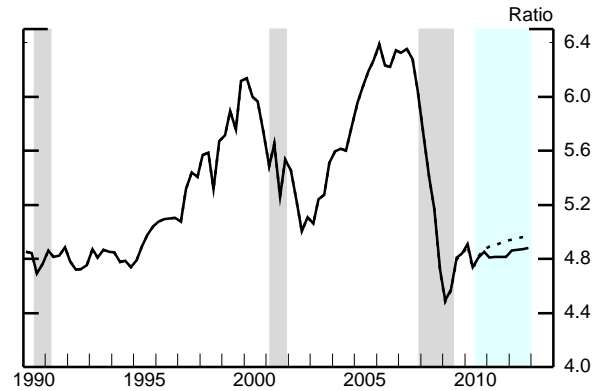
Aspects of the Medium-Term Projection

Personal Saving Rate



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

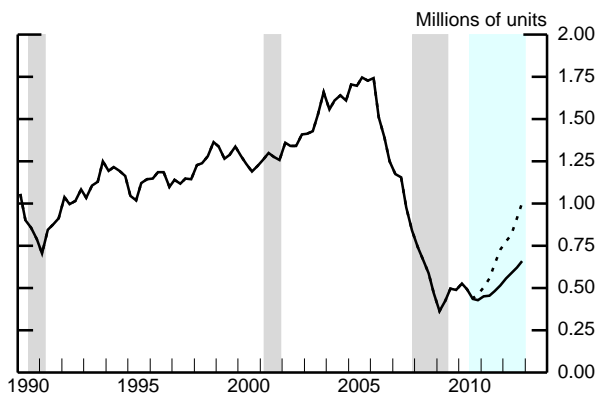
Wealth-to-Income Ratio



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

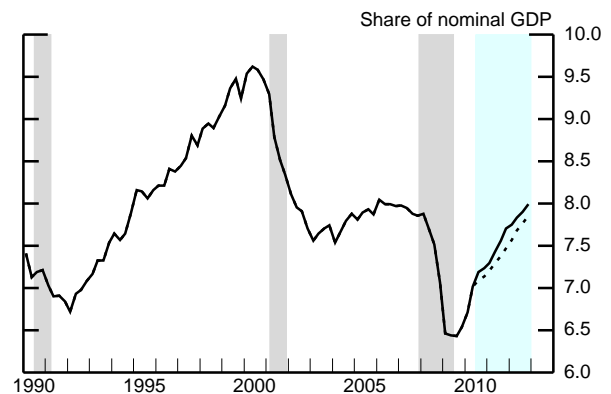
Source: For net worth, Federal Reserve Board, flow of funds data; for income, Dept. of Commerce, Bureau of Economic Analysis.

Single-Family Housing Starts



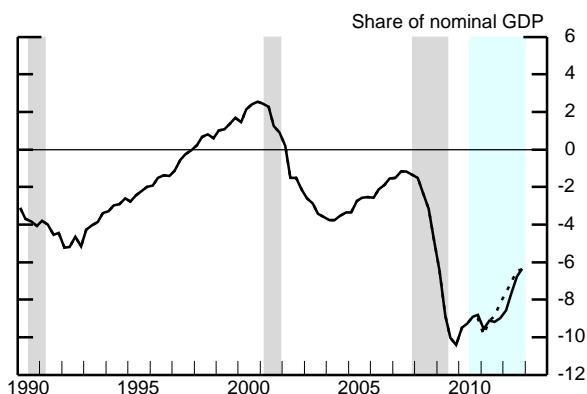
Source: U.S. Census Bureau.

Equipment and Software Spending



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

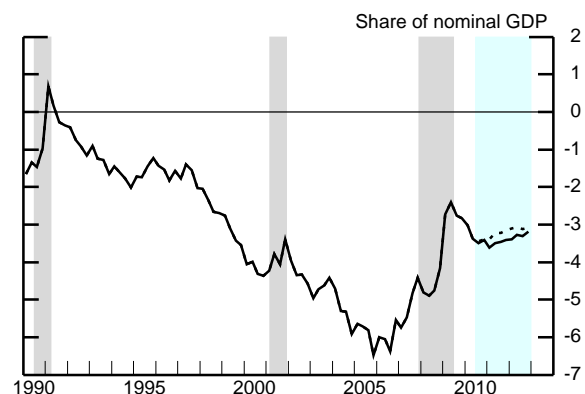
Federal Surplus/Deficit



Note: Share of federal government surplus/deficit is shown as a 4-quarter moving average.

Source: Monthly Treasury Statement.

Current Account Surplus/Deficit



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

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

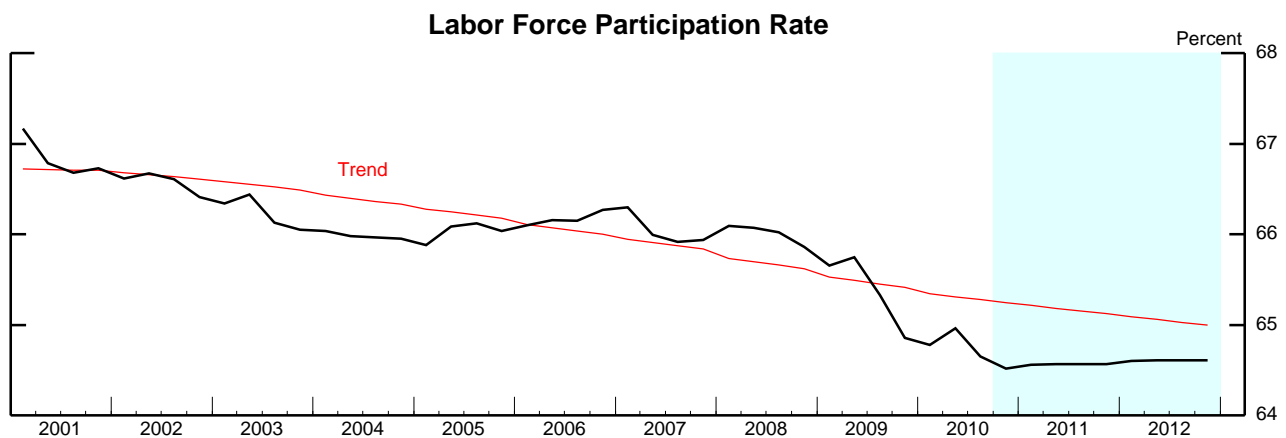
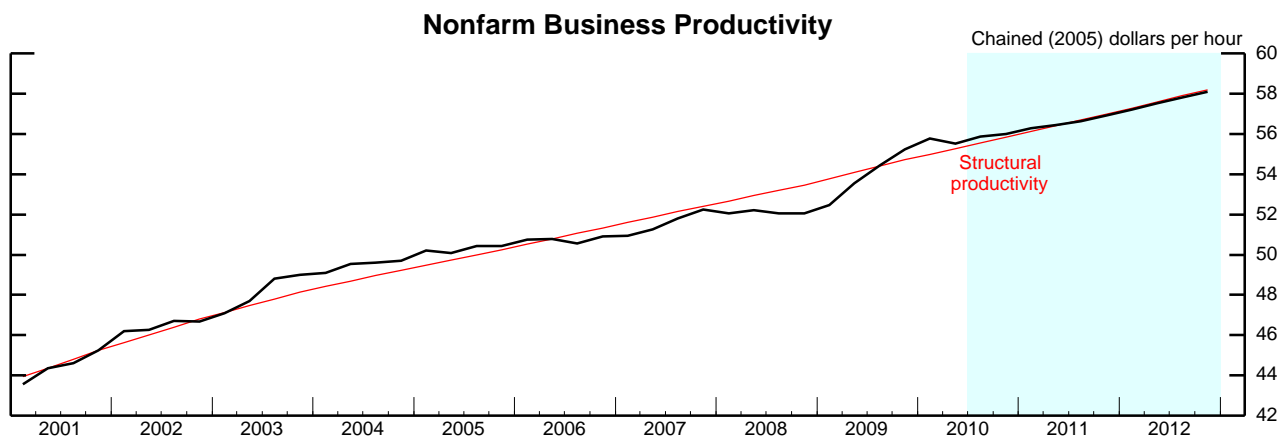
Decomposition of Potential GDP
(Percent change, Q4 to Q4, except as noted)

Measure	1974-1995	1996-2000	2001-2008	2009	2010	2011	2012
Potential GDP	3.0	3.5	2.7	2.2	2.5	2.5	2.6
Previous Tealbook	3.0	3.5	2.7	2.2	2.5	2.5	2.6
<i>Selected contributions¹</i>							
Structural labor productivity	1.5	2.7	2.5	2.3	2.0	2.1	2.1
Previous Tealbook	1.5	2.7	2.5	2.3	2.0	2.0	2.2
Capital deepening	.7	1.5	.7	.3	.4	.7	.9
Previous Tealbook	.7	1.5	.7	.3	.4	.6	.9
Multifactor productivity	.5	.9	1.6	1.9	1.5	1.3	1.2
Previous Tealbook	.5	.9	1.4	1.9	1.5	1.3	1.2
Trend hours	1.5	1.1	.8	.0	.7	.7	.7
Previous Tealbook	1.7	1.1	.8	.0	.7	.7	.7
Labor force participation	.4	.0	-.2	-.2	-.2	-.2	-.2
Previous Tealbook	.5	.0	-.2	-.2	-.2	-.2	-.2

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.

Source: Staff assumptions.



Source: For both figures, U.S. Department of Labor, Bureau of Labor Statistics; staff assumptions.

The Outlook for the Labor Market

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

Measure	2009	2010	2011	2012
Output per hour, nonfarm business	6.2	1.3	1.7	2.1
Previous Tealbook	6.2	1.5	1.5	2.0
Nonfarm private employment	-4.7	1.1	2.4	3.0
Previous Tealbook	-4.7	.9	2.3	3.1
Labor force participation rate ¹	64.9	64.5	64.6	64.6
Previous Tealbook	64.9	64.7	64.7	64.8
Civilian unemployment rate ¹	10.0	9.7	8.9	8.0
Previous Tealbook	10.0	9.7	9.0	7.9
Memo: GDP gap ²	-6.7	-6.6	-5.5	-3.7
Previous Tealbook	-6.7	-6.8	-5.8	-3.8

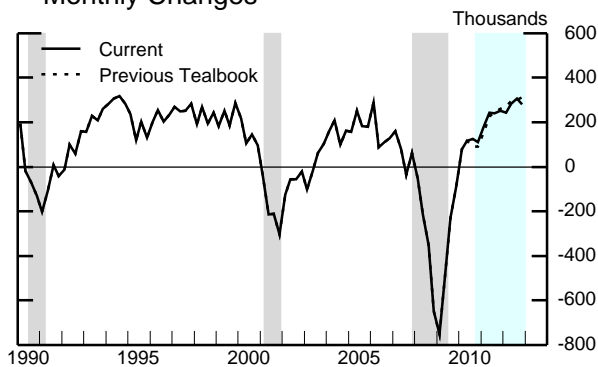
Note: A negative number indicates that the economy is operating below potential.

1. Percent, average for the fourth quarter.

2. Percent difference between actual and potential GDP in the fourth quarter of the year indicated.

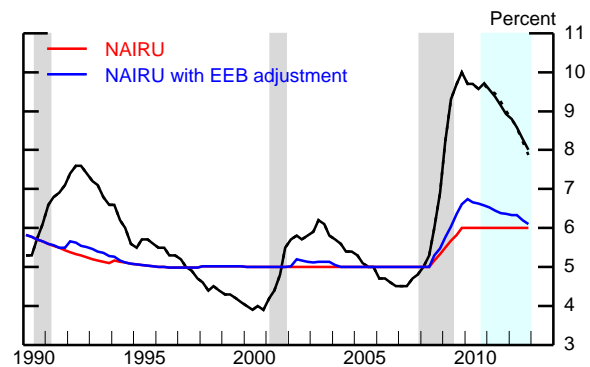
Source: U.S. Department of Labor, Bureau of Labor Statistics; staff assumptions.

Private Payroll Employment, Average
Monthly Changes



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

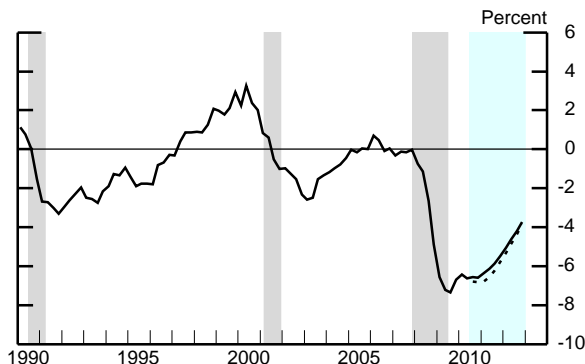
Unemployment Rate



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

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

GDP Gap

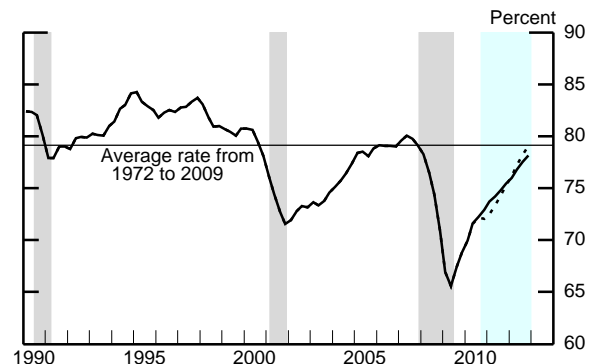


Note: The GDP gap is the percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

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

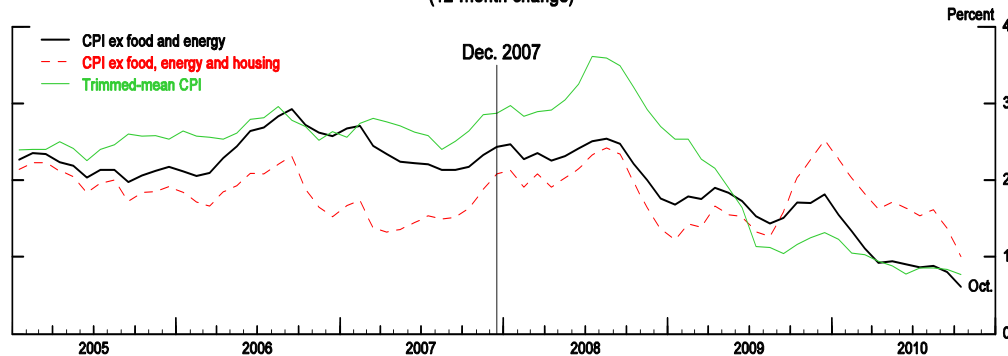
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.

Manufacturing Capacity Utilization Rate



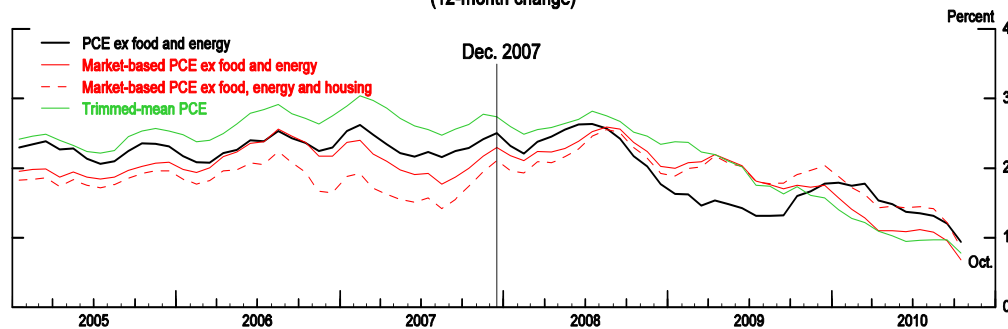
Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Consumer Price Index (12-month change)



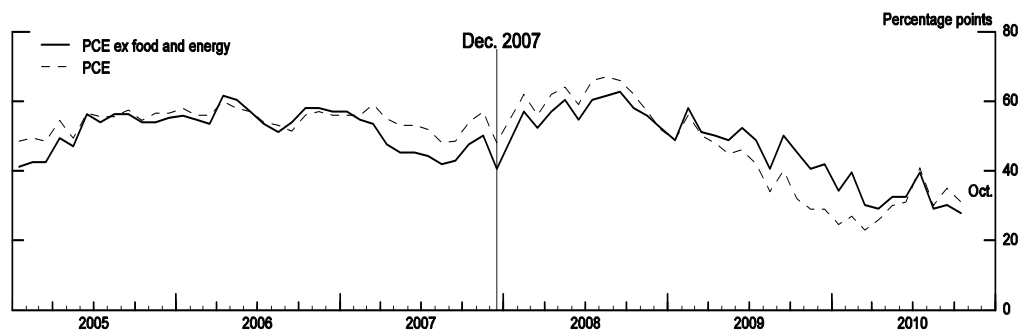
Note: CPI housing includes rent of tenant and owner-occupied housing. The trimmed-mean CPI is based on 45 components. Source: For trimmed-mean, Federal Reserve Bank of Cleveland; for all else, U.S. Dept. of Labor, Bureau of Labor Statistics.

PCE Prices (12-month change)



Note: Market-based PCE housing includes rent of tenant, owner-occupied, and group housing. The trimmed-mean PCE price index is based on 178 components. Source: For trimmed-mean, Federal Reserve Bank of Dallas; for all else, U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices Diffusion Index



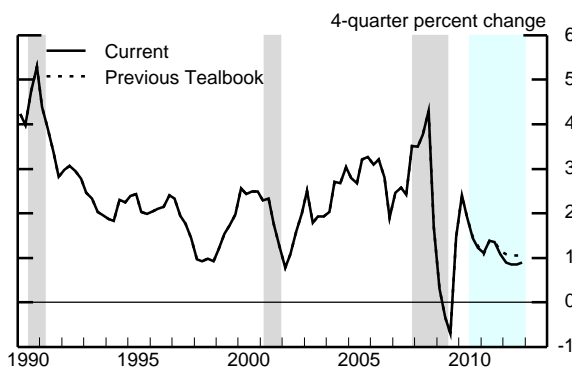
Note: The diffusion index is the share of price indexes that have increased over the past 12 months minus the share that have decreased. PCE is based on 200 components and PCE excluding food and energy on 176 components. Source: FRB staff calculations.

Inflation Projections (Percent change, Q4 to Q4)

Measure	2009	2010	2011	2012
PCE chain-weighted price index	1.5	1.2	1.1	.9
Previous Tealbook	1.5	1.3	1.1	1.1
Food and beverages	-1.6	1.4	1.1	1.1
Previous Tealbook	-1.6	1.3	1.0	1.1
Energy	2.7	5.7	3.8	.0
Previous Tealbook	2.7	4.0	3.2	1.3
Excluding food and energy	1.7	.9	.9	.9
Previous Tealbook	1.7	1.1	1.0	1.0
Prices of core goods imports ¹	-1.9	3.0	2.5	1.4
Previous Tealbook	-1.9	3.5	2.1	1.3

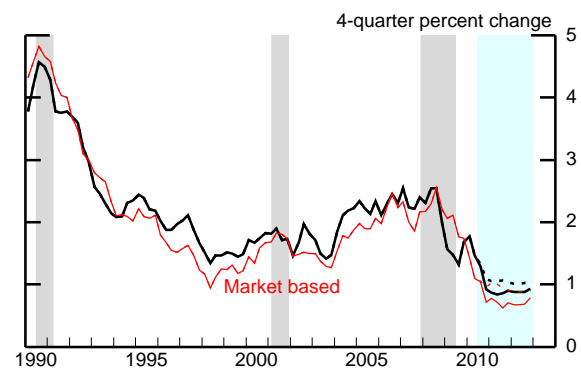
1. Core goods imports exclude computers, semiconductors, oil, and natural gas.
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE Prices



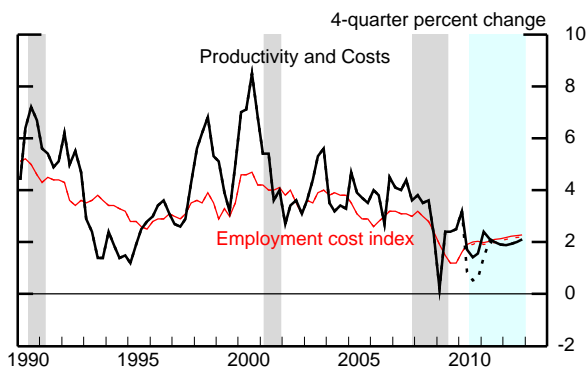
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices ex. Food and Energy



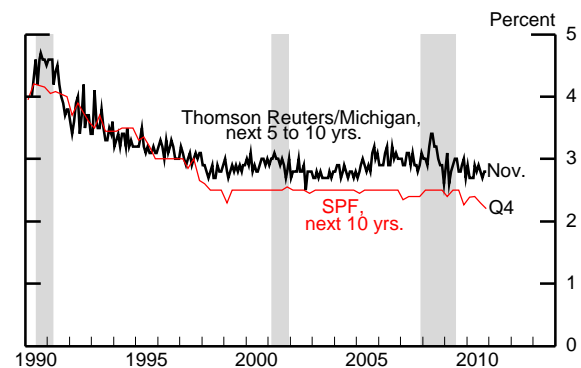
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Compensation per Hour



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

Long-Term Inflation Expectations



Note: The Survey of Professional Forecasters (SPF) projection is for the CPI.

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

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

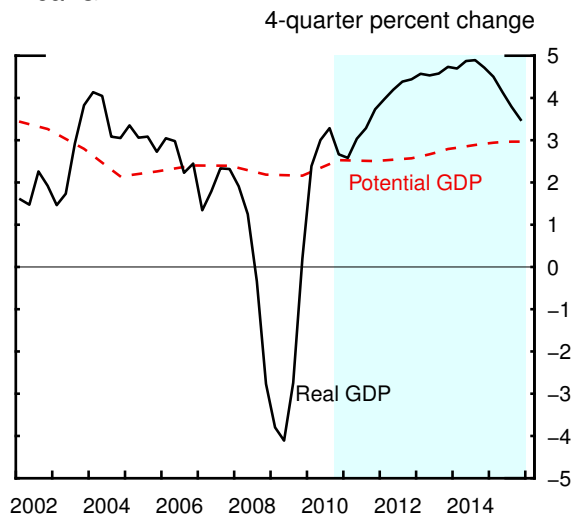
The Long-Term Outlook

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

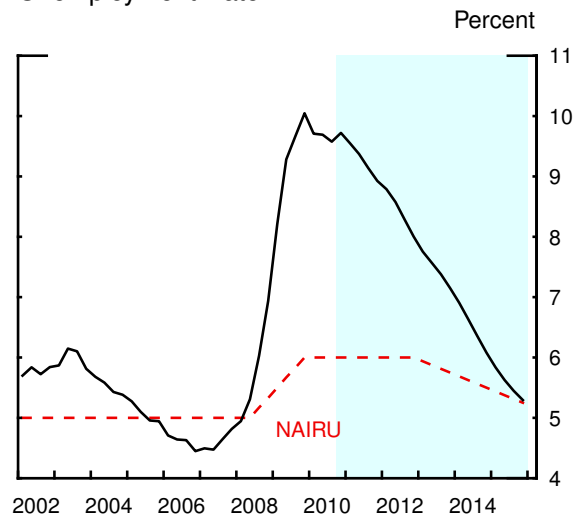
Item	2010	2011	2012	2013	2014	2015
Real GDP	2.7	3.7	4.4	4.7	4.7	3.5
Civilian unemployment rate ¹	9.7	8.9	8.0	7.1	6.1	5.3
PCE prices, total	1.2	1.1	.9	1.1	1.4	1.6
Core PCE prices	.9	.9	.9	1.1	1.3	1.5
Federal funds rate ¹	.2	.1	.1	1.3	3.3	4.1
10-year Treasury yield ¹	3.0	3.8	4.4	4.6	4.9	5.0

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

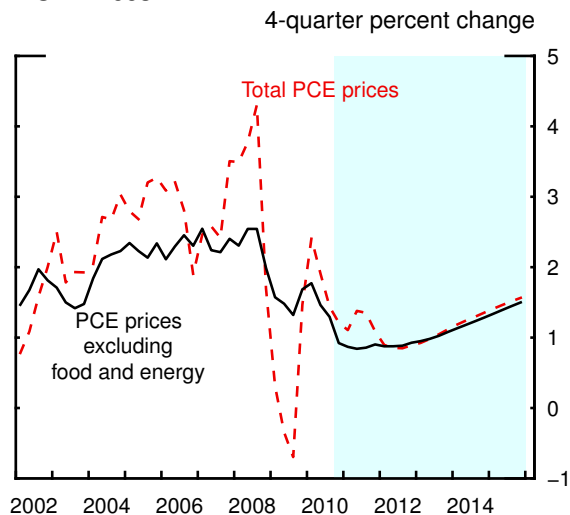
Real GDP



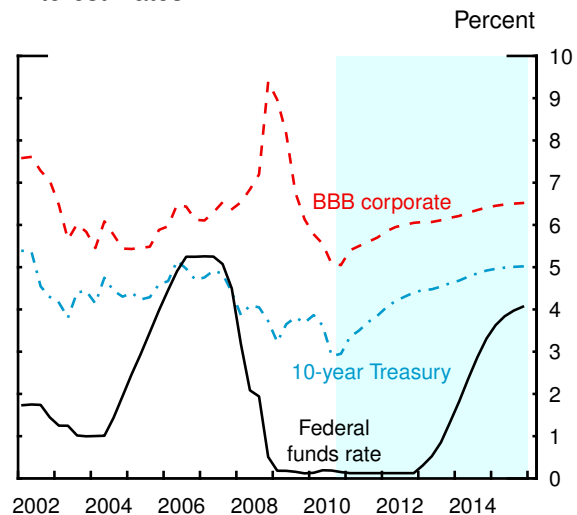
Unemployment Rate



PCE Prices



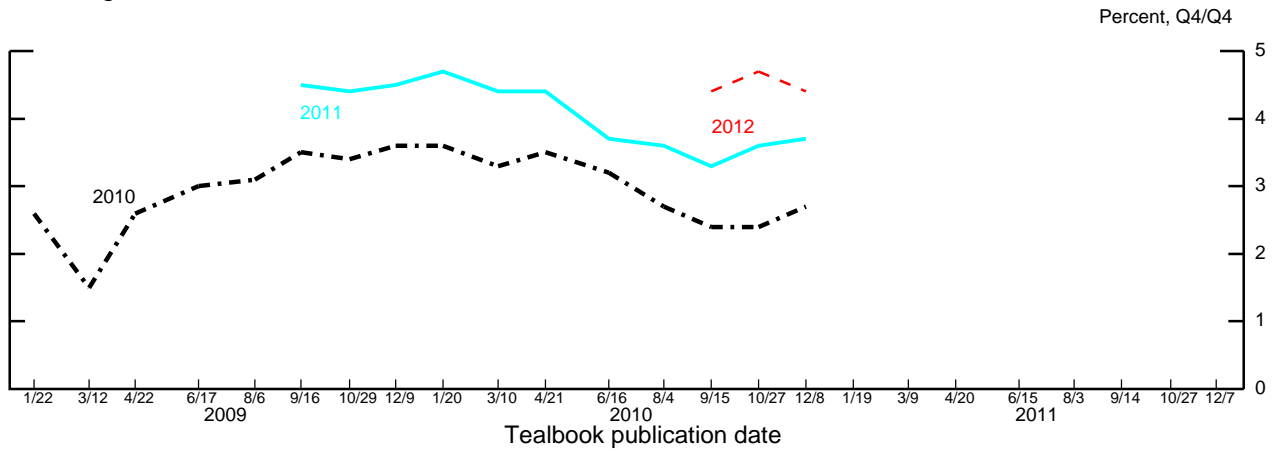
Interest Rates



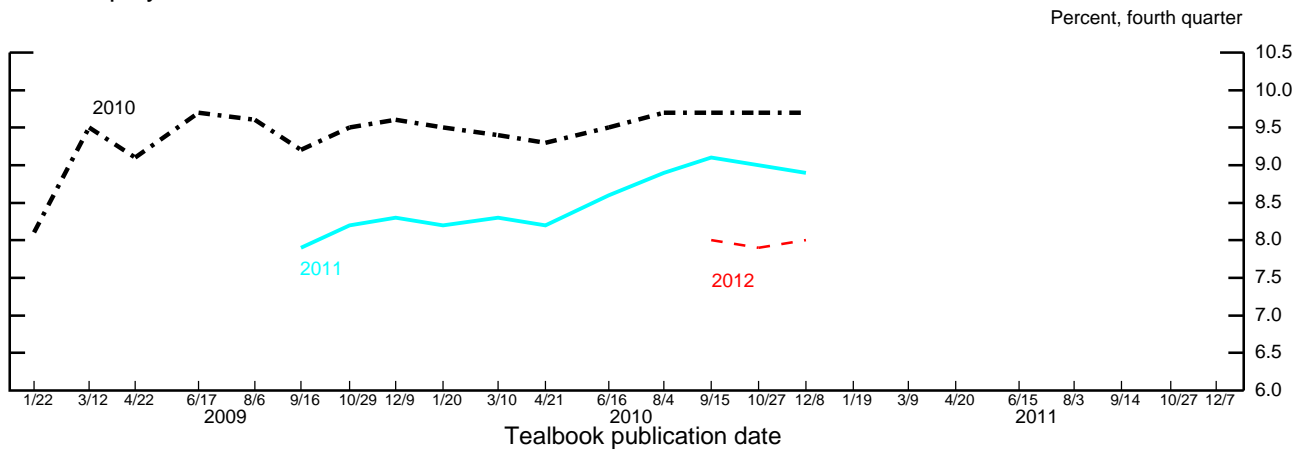
Note: In each panel, shading represents the projection period.

Evolution of the Staff Forecast

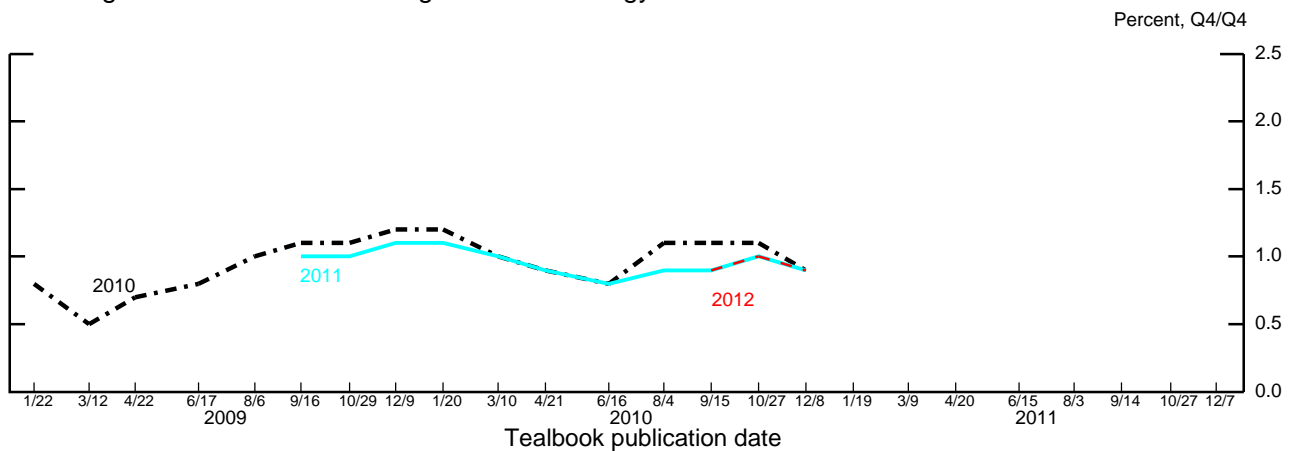
Change in Real GDP



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 Tealbook are not strictly comparable with more recent projections.

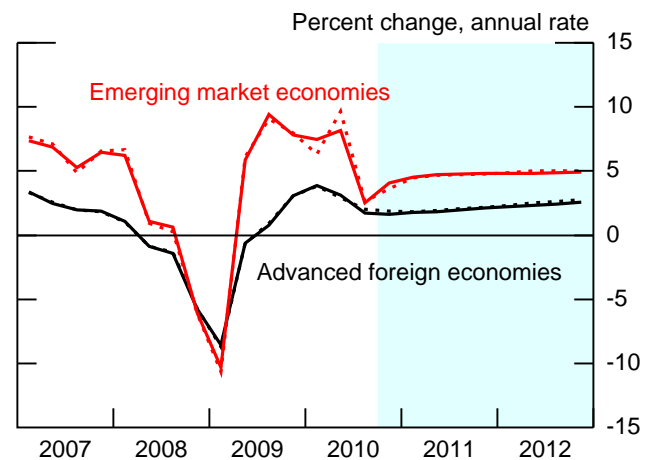
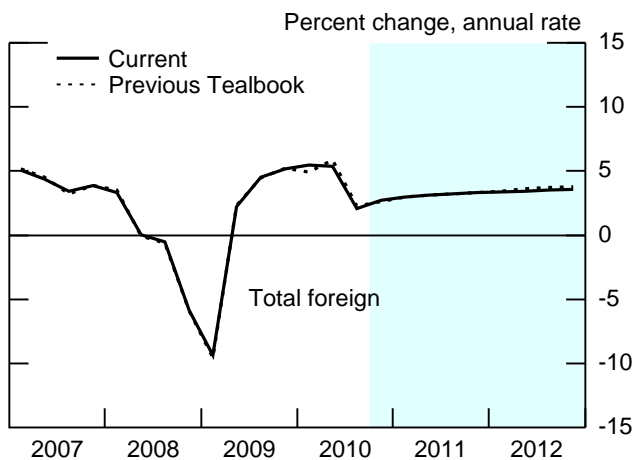
The Foreign Outlook

(Percent change, annual rate)

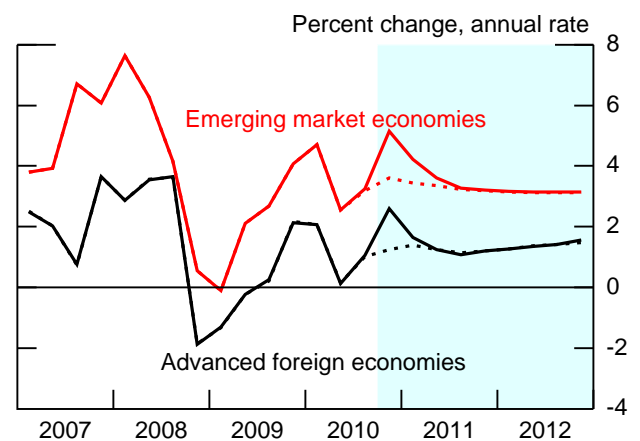
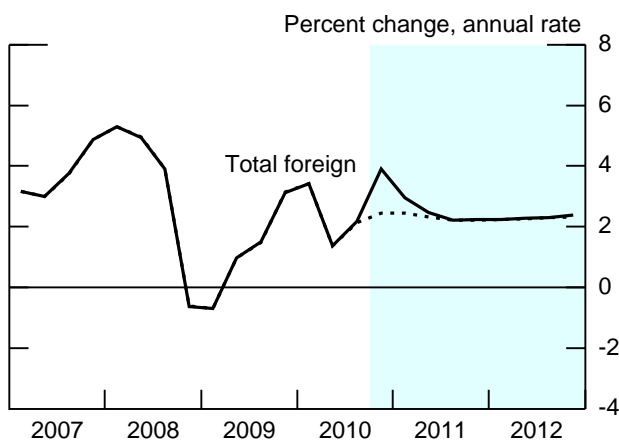
	2009	2010			2011 ^P	2012 ^P
		H1	Q3 ^e	Q4 ^P		
Real GDP						
Total foreign	.5	5.4	2.1	2.7	3.2	3.5
Previous Tealbook	.4	5.4	2.3	2.6	3.2	3.6
Advanced foreign economies	-1.4	3.5	1.7	1.6	1.9	2.4
Previous Tealbook	-1.4	3.4	2.0	1.9	2.0	2.6
Emerging market economies	2.9	7.8	2.5	4.1	4.7	4.9
Previous Tealbook	2.8	8.0	2.6	3.6	4.7	5.0
Consumer Prices						
Total foreign	1.2	2.4	2.2	3.9	2.5	2.3
Previous Tealbook	1.2	2.4	2.1	2.5	2.3	2.3
Advanced foreign economies	.2	1.1	1.1	2.6	1.3	1.4
Previous Tealbook	.2	1.1	1.0	1.2	1.2	1.4
Emerging market economies	2.2	3.6	3.3	5.1	3.6	3.2
Previous Tealbook	2.2	3.6	3.2	3.6	3.3	3.1

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

Real GDP

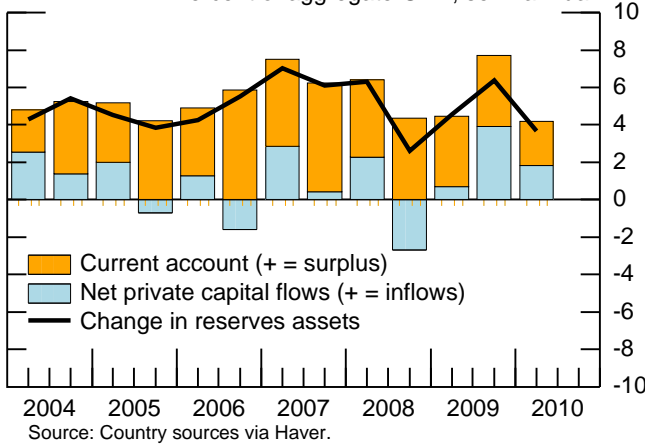


Consumer Prices

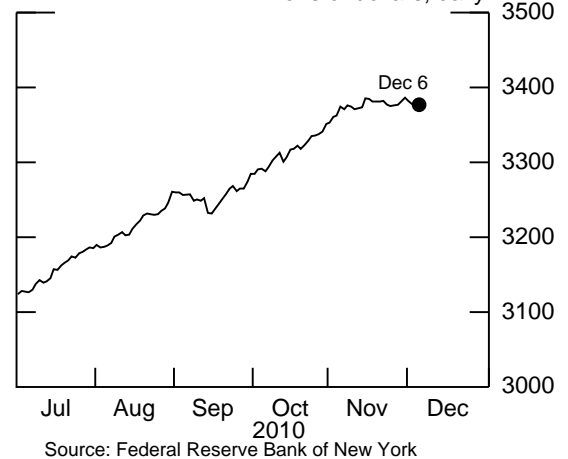


Emerging Market International Financial Flows

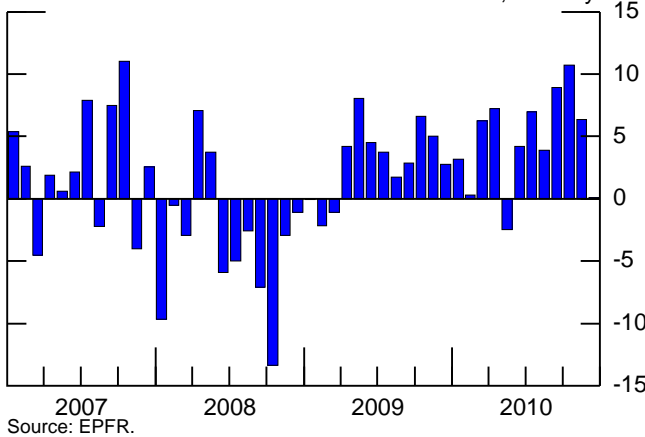
Percent of aggregate GDP, semi-annual

**Foreign Official Balances Held at the Federal Reserve Bank of New York**

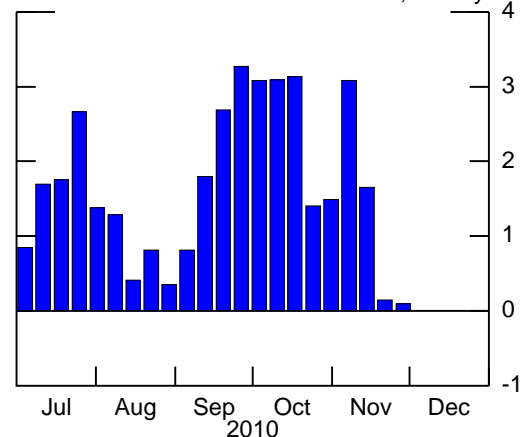
Billions of dollars, daily

**Flows to Latin American and Asian Emerging Market Mutual Funds**

Billions of dollars, monthly

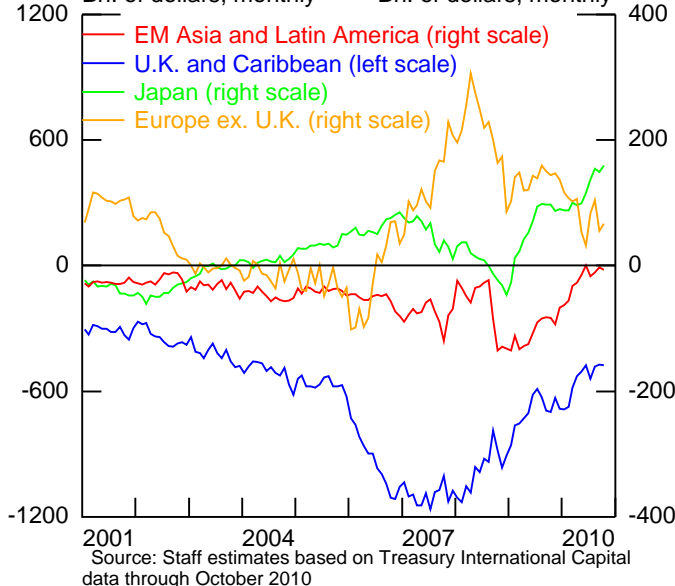


Billions of dollars, weekly

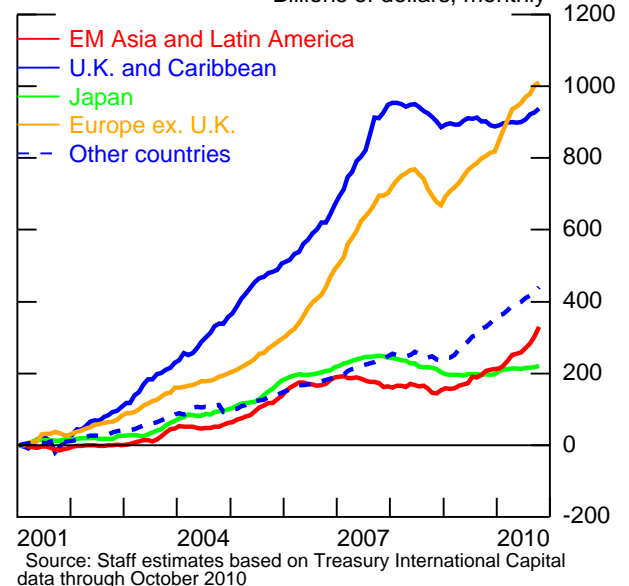
**Net Cross-Border Claims of U.S.-Resident Banks**

Bn. of dollars, monthly

Bn. of dollars, monthly

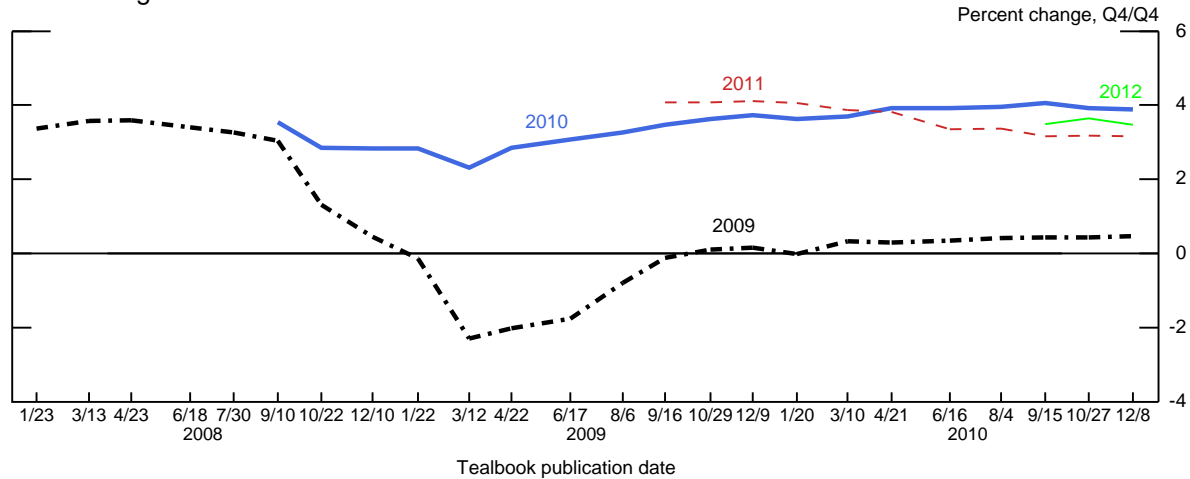
**Cumulative U.S. Purchases of Foreign Securities**

Billions of dollars, monthly

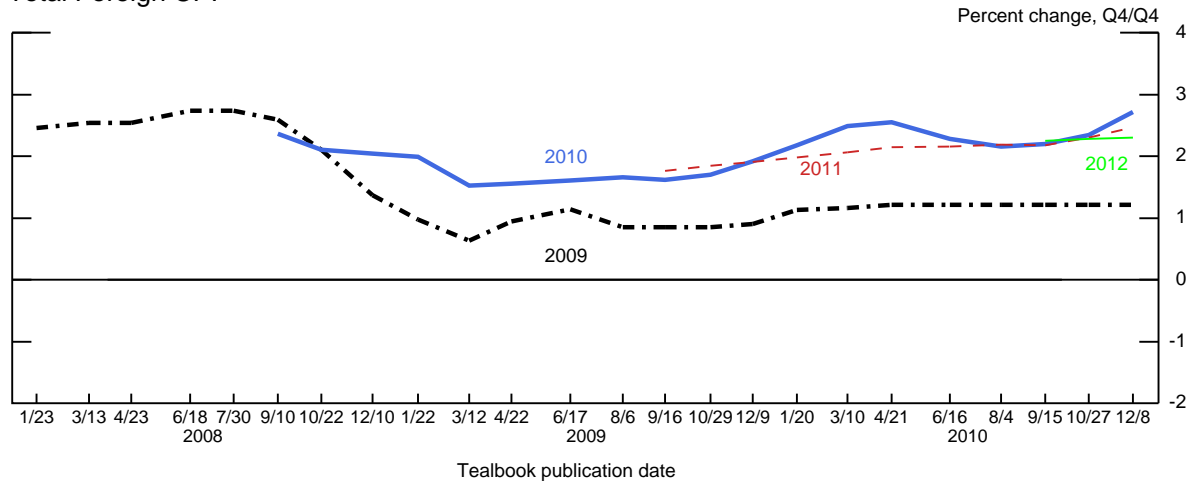


Evolution of Staff's International Forecast

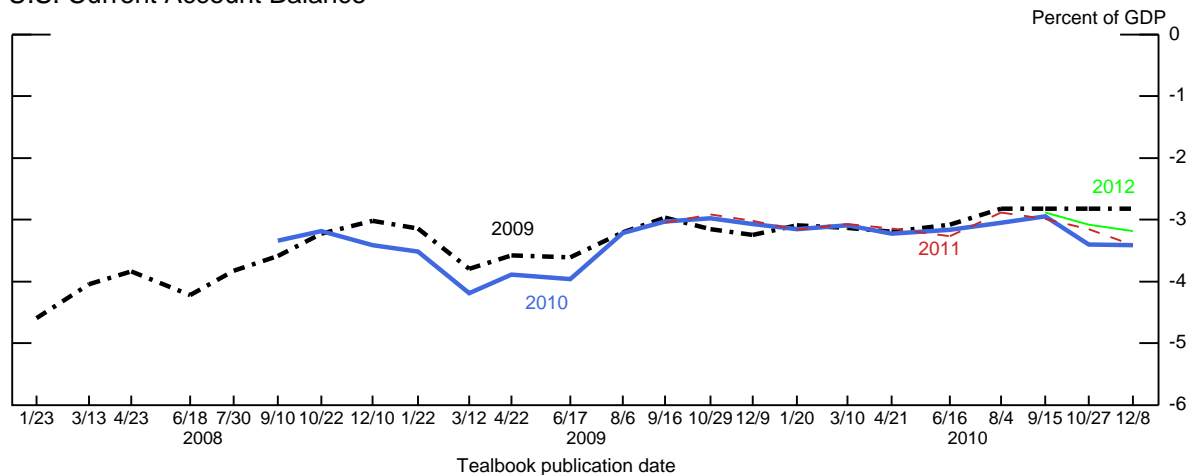
Total Foreign GDP



Total Foreign CPI

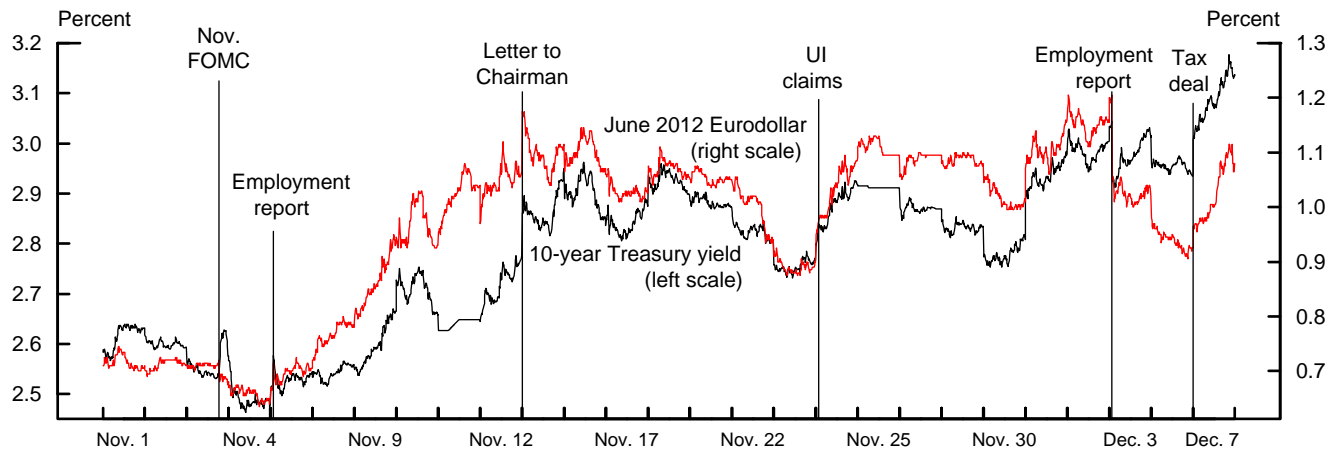


U.S. Current Account Balance



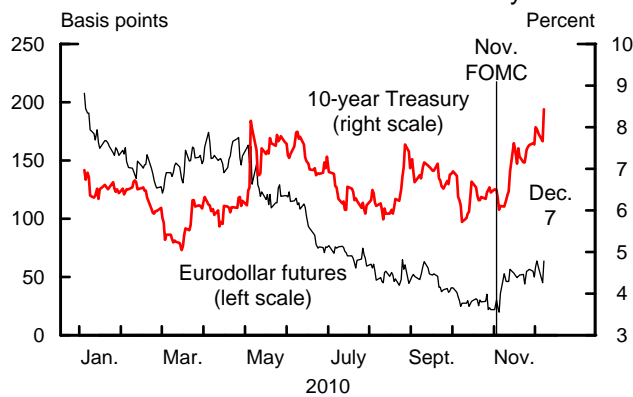
Policy Expectations and Treasury Yields

Interest Rates



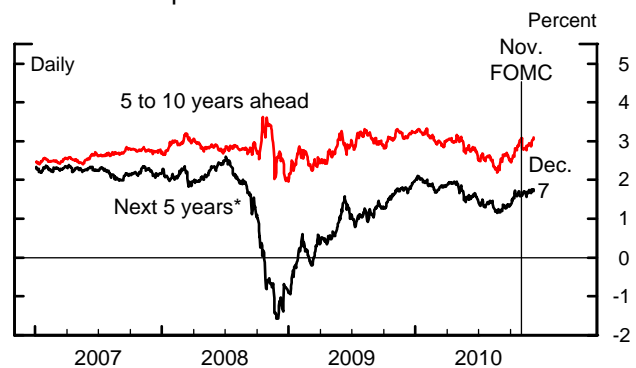
Note: 5-minute intervals. 8:00 a.m. to 4:00 p.m. No adjustments for term premiums.
Source: Bloomberg.

Market-Based Measures of Uncertainty



Source: Bloomberg; CME Group; staff analysis.

Inflation Compensation

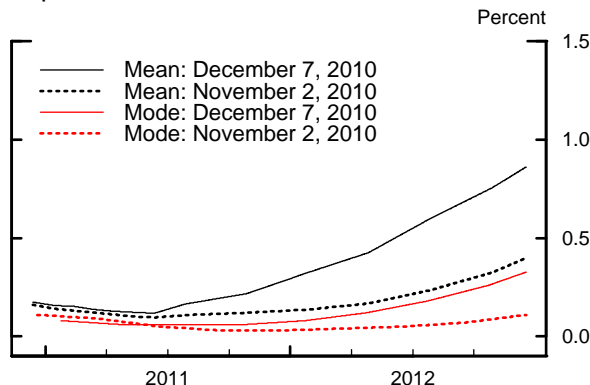


Note: Estimates based on smoothed nominal and inflation-indexed Treasury yield curves.

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

Source: Barclays PLC and staff estimates.

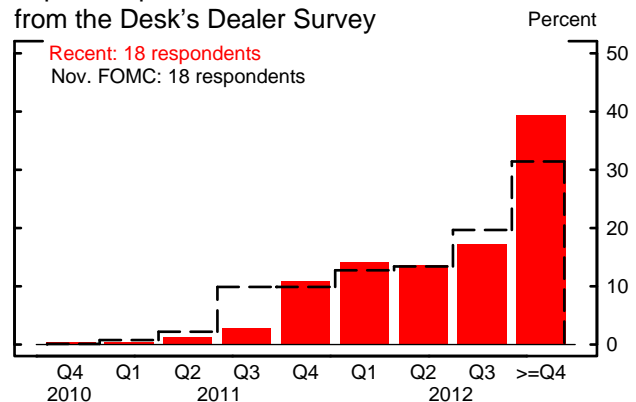
Implied Federal Funds Rate



Note: Mean is estimated from federal funds and Eurodollar futures. Mode is estimated from distribution of federal funds rate implied by interest rate caps. Both include an allowance for term premiums and other adjustments.

Source: Bloomberg and CME Group.

Implied Expectation of Quarter of First Rate Increase from the Desk's Dealer Survey



Source: Desk Dealer Survey from December 7, 2010.

Nominal 1-year Implied Forward Rates
(percent)

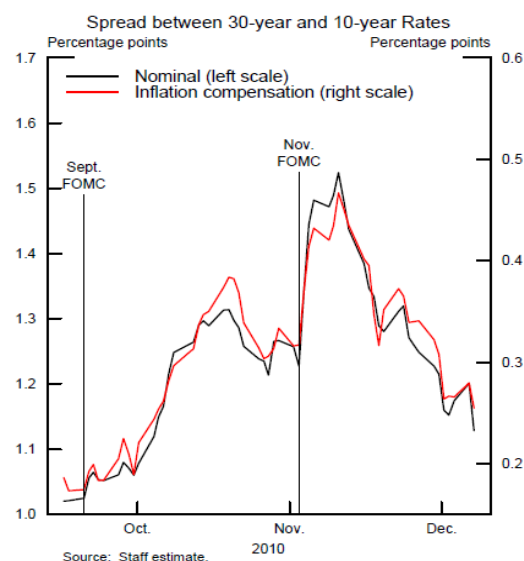
	Sep. 20	Nov. 2	Nov. 10	Dec. 7	Change (2)-(1)	Change (3)-(2)	Change (4)-(3)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Horizon							
2-year	1.36	.99	1.09	1.67	-.37	.10	.58
5-year	3.69	3.47	3.28	4.28	-.22	-.19	1.00
7-year	4.59	4.60	4.54	5.25	.01	-.06	.71
10-year	5.08	5.35	5.73	5.79	.26	.39	.06
15-year	4.97	5.33	6.22	5.71	.36	.89	-.51
20-year	4.72	4.99	5.81	5.46	.27	.82	-.35
25-year	4.59	4.77	5.24	5.29	.18	.47	.05
30-year	4.54	4.67	4.79	5.21	.13	.12	.42

Source: Staff estimate.

In response to those statements, the 30-year nominal Treasury yield increased 14 basis points while the 10-year yield was about unchanged. The shift in investor sentiment away from the 30-year bond seemed to carry over to the auction of that security conducted on November 10, which was not very well received. On net, as shown in column 6 in the table above, forward rates at horizons of 15 to 20 years increased 80 to 90 basis points during the period from the day before the November FOMC meeting to November 10.

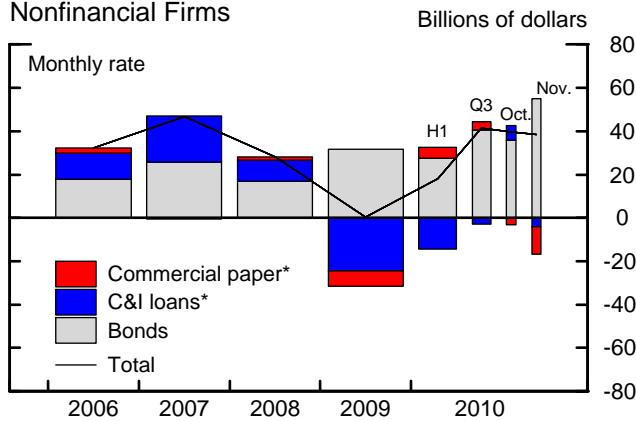
However, since November 10 (column 7), 1-year forward rates in the 2- to 7-year range have risen sharply, apparently as investors have reassessed the ultimate scale of additional Federal Reserve purchases of Treasury securities and reacted to the potential bipartisan agreement on tax cuts announced on the evening of December 6. At the same time, forward rates further out the term structure have declined substantially, except in the 25- to 30-year sector, where rates more than retraced their declines on December 7.

Changes in the outlook for inflation at different horizons also appear to have contributed to the recent behavior of the spread between 30- and 10-year yields. As illustrated in the figure to the right, the spread between 30- and 10-year nominal rates—the black line—has moved closely with the spread between 30- and 10-year inflation compensation, the red line. That pattern could suggest that confidence in the Federal Reserve's ability and commitment to move inflation back, over time, close to mandate-consistent levels increased through early November, boosting longer-term inflation compensation. However, greater uncertainty about the ultimate impact of Federal Reserve asset purchases on inflation may have tempered that confidence more recently.



Business Finance

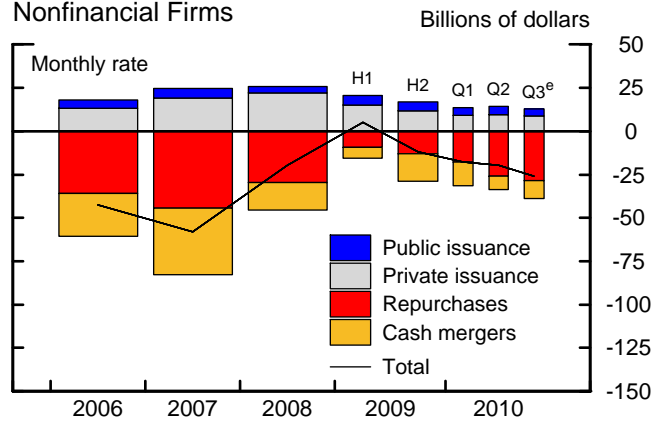
Selected Components of Net Debt Financing,
Nonfinancial Firms



* Seasonally adjusted, period-end basis.

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

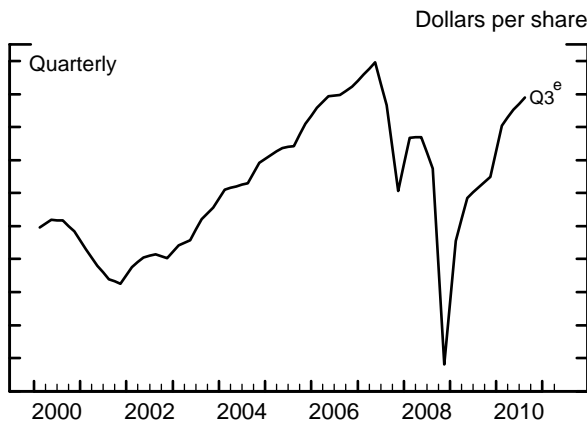
Selected Components of Net Equity Issuance,
Nonfinancial Firms



^e Estimate.

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

S&P 500 Earnings Per Share

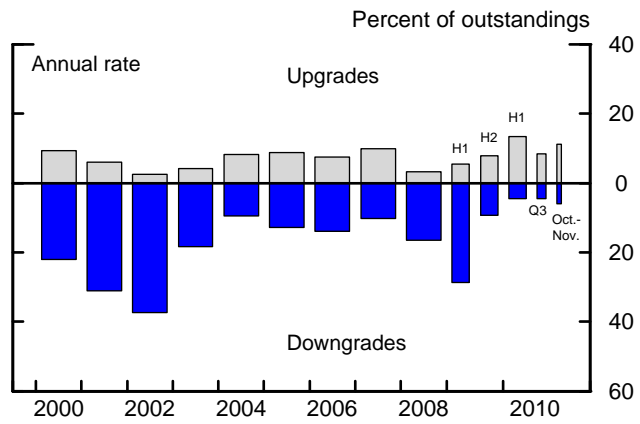


Note: Data are seasonally adjusted by staff.

^e Staff estimate.

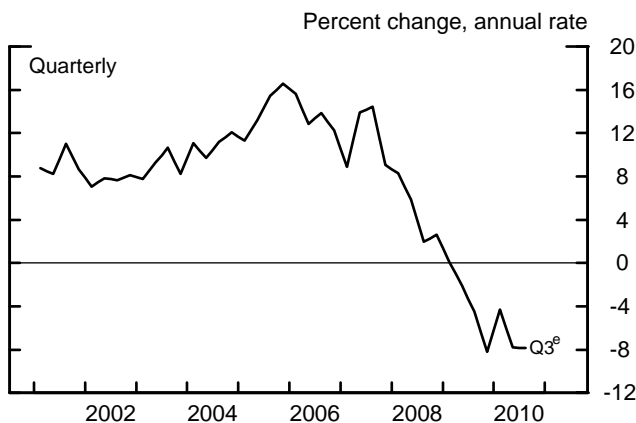
Source: Thomson Financial.

Bond Ratings Changes of Nonfinancial Firms



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

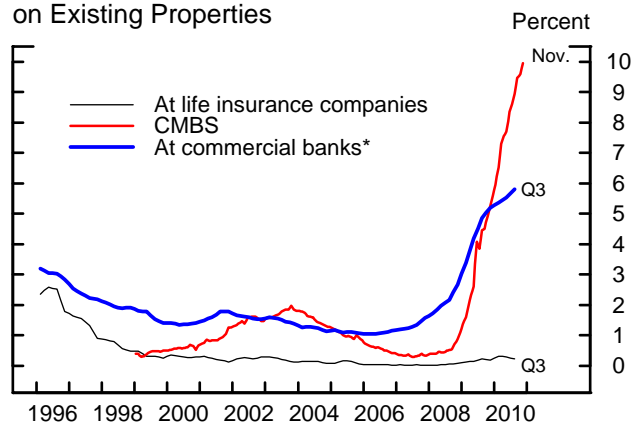
Commercial Mortgage Debt



^e Estimate.

Source: Federal Reserve.

Delinquency Rates on Commercial Mortgages
on Existing Properties



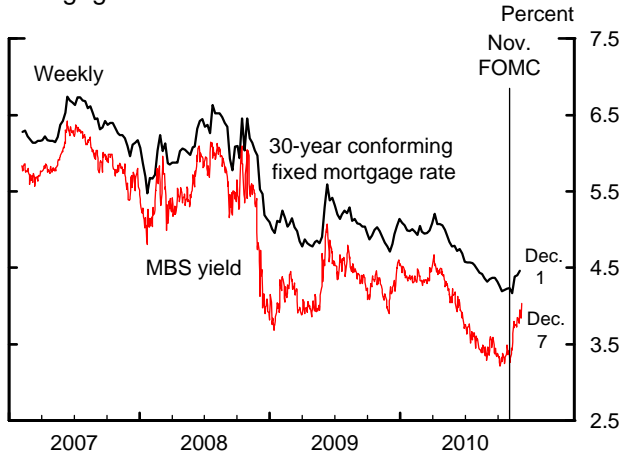
Note: CMBS are commercial mortgage-backed securities. All series are seasonally adjusted.

* Excluding farmland.

Source: Citigroup; Call Report; ACLI.

Household Finance

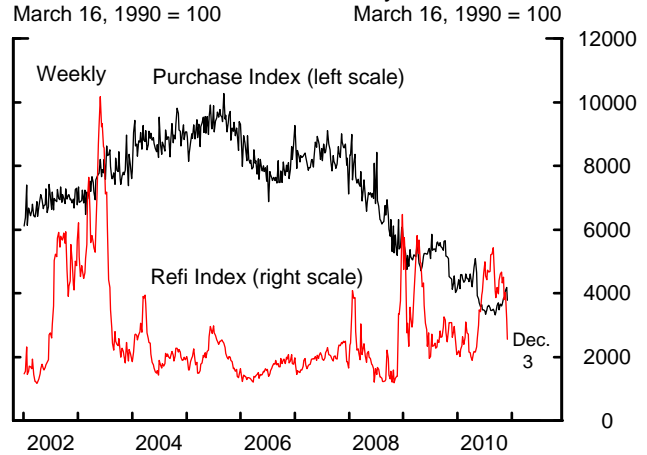
Mortgage Rate and MBS Yield



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

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

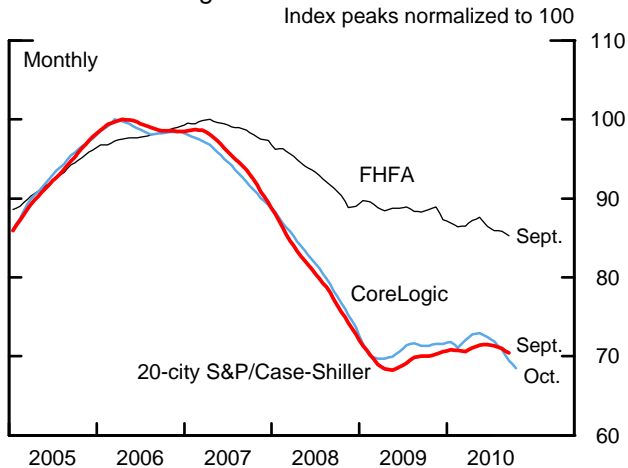
Purchase and Refinance Activity



Note: Seasonally adjusted by FRB staff.

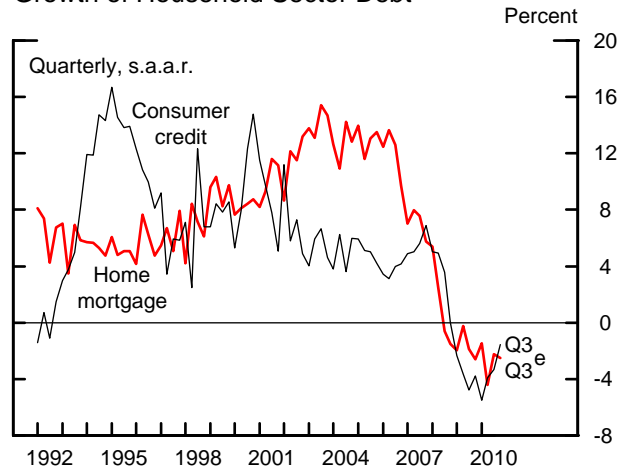
Source: Mortgage Bankers Association.

Prices of Existing Homes



Source: For FHFA, Federal Housing Finance Agency; for CoreLogic, CoreLogic; for S&P/Case-Shiller, Standard & Poor's.

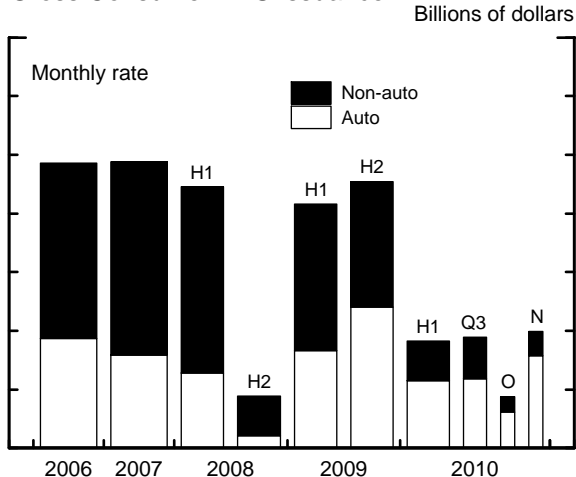
Growth of Household Sector Debt



e Estimate.

Source: Federal Reserve Board.

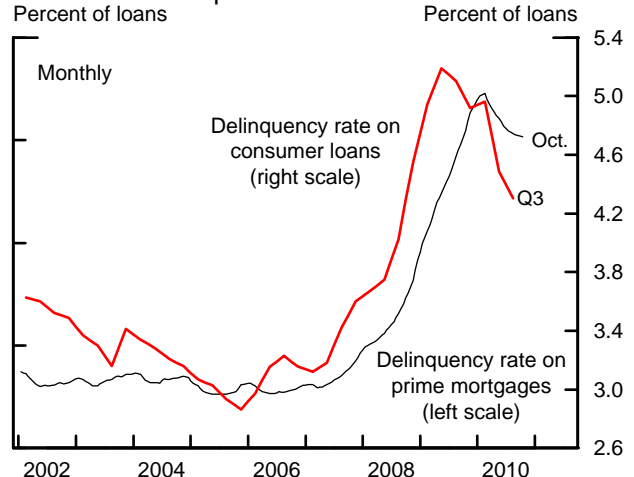
Gross Consumer ABS Issuance



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

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

Consumer Delinquencies

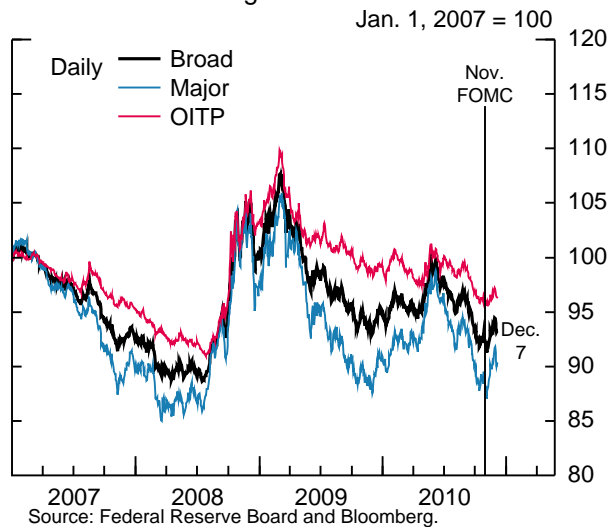


Note: For mortgage delinquency rate, percent of loans 90 or more days past due or in foreclosure.

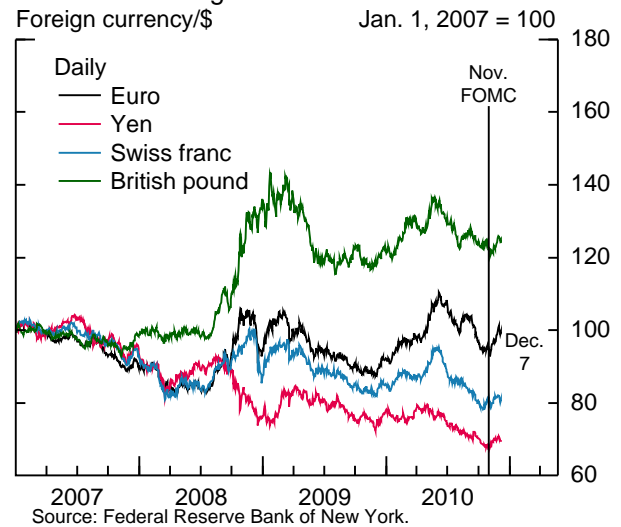
Source: For mortgage rate, LPS Applied Analytics; for consumer rate, Call Report.

Foreign Developments

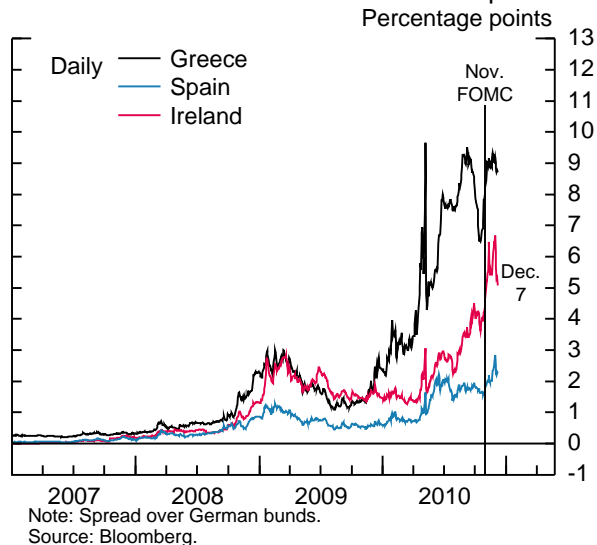
Nominal Trade-Weighted Dollar Indexes



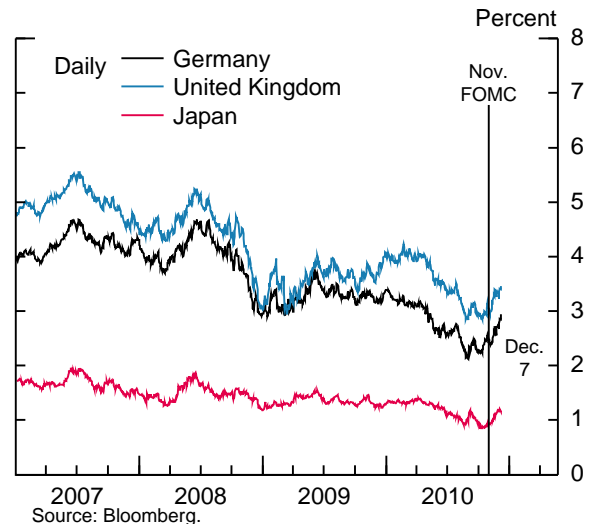
Bilateral Exchange Rates



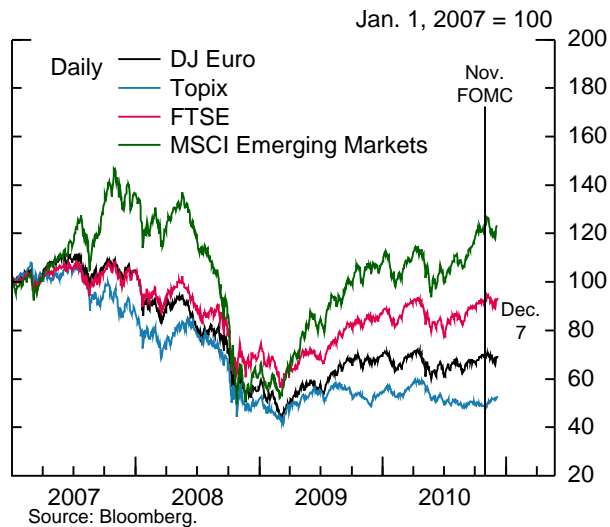
Euro-Area 10-Year Government Bond Spreads



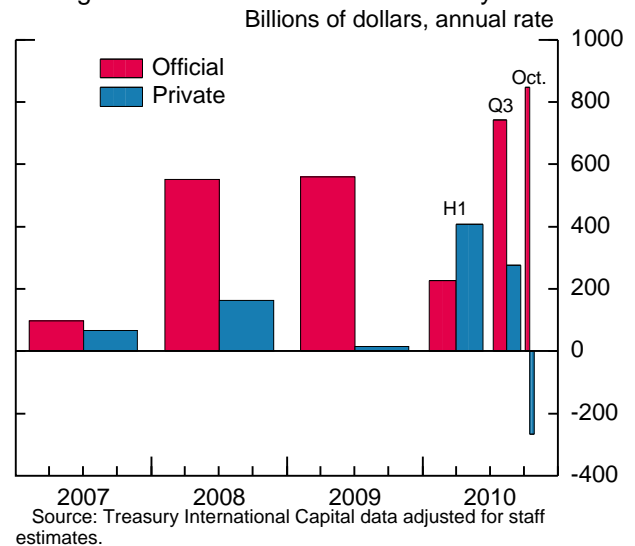
Nominal 10-Year Government Bond Yields



Stock Price Indexes

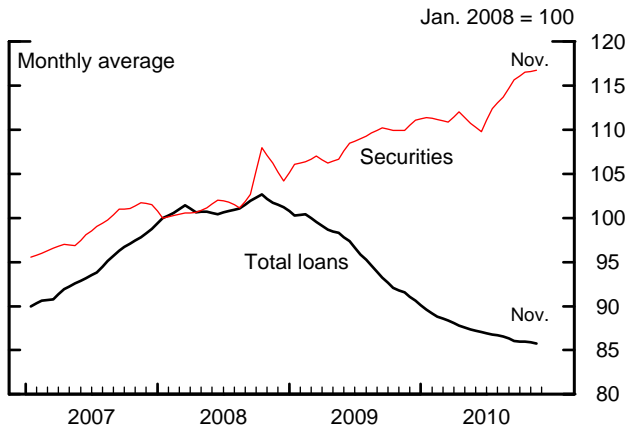


Foreign Net Purchases of U.S. Treasury Securities



Commercial Banking and Money

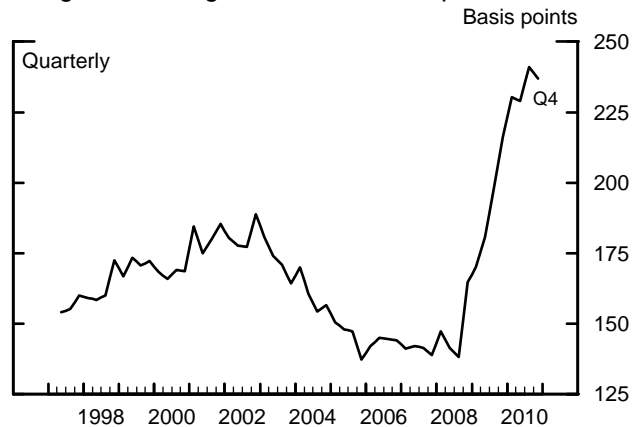
Bank Credit



Note: The data have been adjusted to remove the estimated effects of marking certain securities to market (FAS 115); the initial consolidations of assets under FIN 46, FAS 166, and FAS 167; and nonbank structure activity of \$5 billion or more.

Source: Federal Reserve Board.

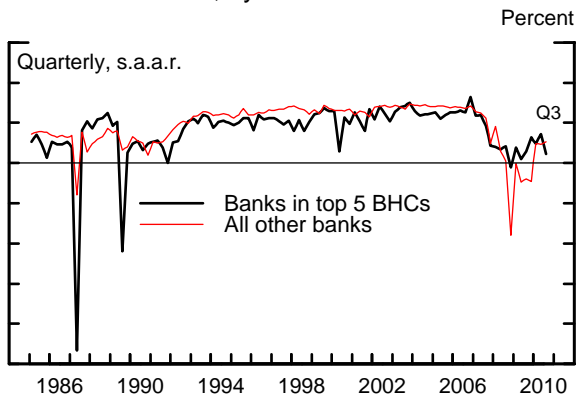
Weighted-Average C&I Loan Rate Spread



Note: The rate on C&I loans of less than \$25 million over a market interest rate on an instrument of comparable maturity, adjusted for changes in nonprice loan characteristics.

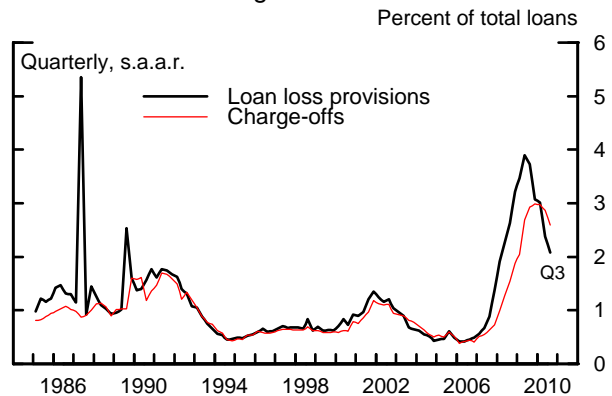
Source: Survey of Terms of Business Lending.

Return on Assets, by Bank Size



Source: Call Report.

Provisions and Charge-Offs



Source: Call Report.

Growth of M2 and Its Components

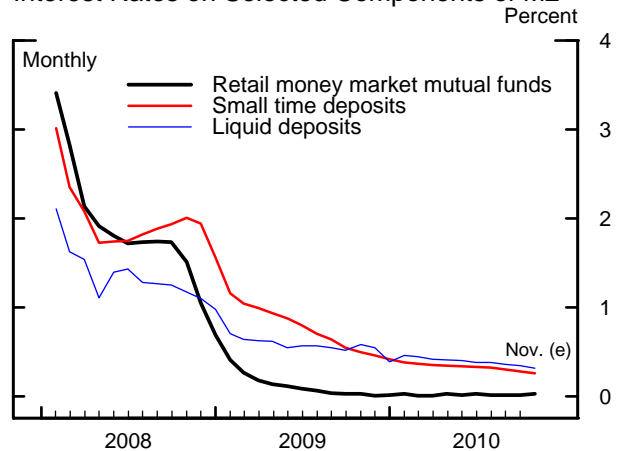
	Percent, s.a.a.r.	M2	Liquid deposits	Small time deposits	RMMF	Curr.
2008		8.6	6.9	12.4	13.7	5.8
2009						
H1		7.6	16.4	-6.1	-15.4	10.8
H2		2.4	16.5	-26.4	-31.0	2.9
2010						
H1		.9	8.8	-22.3	-22.3	4.2
Q3		4.6	10.3	-19.9	-5.9	5.7
Oct.		8.0	16.8	-30.3	-16.6	10.5
Nov.(e)		5.1	12.6	-30.4	-17.0	9.9

Note: RMMF are retail money market mutual funds.

e Estimate.

Source: Federal Reserve Board.

Interest Rates on Selected Components of M2



e Estimate.

Source: Federal Reserve Board.

Alternative Scenarios

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

Measure and scenario	2010	2011	2012	2013	2014-15
	H2				
<i>Real GDP</i>					
Extended Tealbook baseline	2.6	3.7	4.4	4.7	4.1
Stronger recovery	3.0	5.2	5.3	4.1	3.4
Weaker recovery	2.5	2.2	2.9	4.1	5.3
Greater disinflation	2.6	3.6	4.0	4.3	4.8
Higher inflation	2.6	3.4	3.8	4.0	3.9
Mild European recession	2.6	3.4	4.1	4.8	4.2
Severe European recession	2.6	2.5	3.4	4.9	4.5
<i>Unemployment rate¹</i>					
Extended Tealbook baseline	9.7	8.9	8.0	7.1	5.3
Stronger recovery	9.7	8.3	6.9	6.1	5.2
Weaker recovery	9.7	9.4	9.4	9.0	6.1
Greater disinflation	9.7	8.9	8.2	7.5	5.2
Higher inflation	9.7	9.0	8.4	7.8	6.3
Mild European recession	9.7	9.0	8.3	7.4	5.5
Severe European recession	9.7	9.3	8.9	8.0	5.9
<i>Core PCE inflation</i>					
Extended Tealbook baseline	.7	.9	.9	1.1	1.4
Stronger recovery	.7	.9	1.1	1.4	1.8
Weaker recovery	.7	.9	.6	.5	.7
Greater disinflation	.7	.5	.0	-.2	-.3
Higher inflation	.8	1.4	2.2	2.8	3.0
Mild European recession	.7	.7	.7	1.0	1.4
Severe European recession	.7	.3	.3	.9	1.4
<i>Federal funds rate¹</i>					
Extended Tealbook baseline	.2	.1	.1	1.3	4.1
Stronger recovery	.2	.3	1.8	2.9	4.5
Weaker recovery	.2	.1	.1	.1	2.5
Greater disinflation	.2	.1	.1	.1	1.9
Higher inflation	.2	.1	.5	2.5	5.4
Mild European recession	.2	.1	.1	1.1	3.9
Severe European recession	.2	.1	.1	.6	3.6

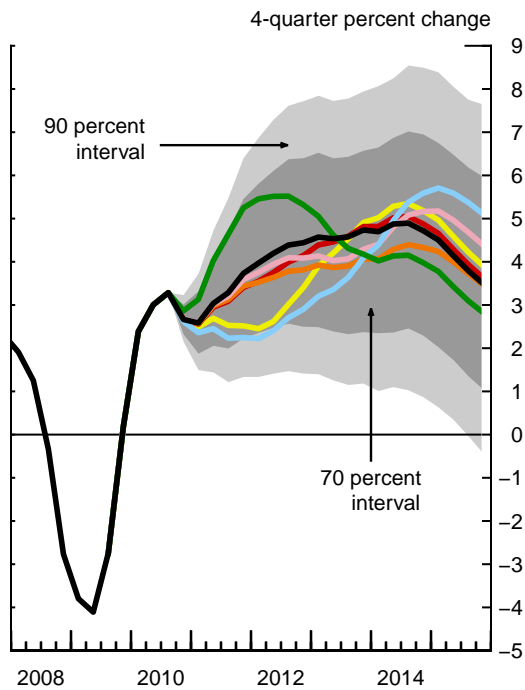
1. Percent, average for the final quarter of the period.

Forecast Confidence Intervals and Alternative Scenarios

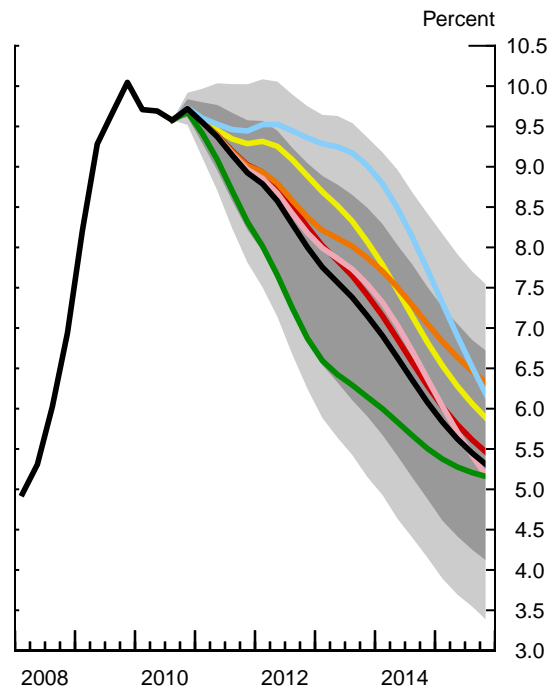
Confidence Intervals Based on FRB/US Stochastic Simulations

- | | | |
|------------------------------|------------------------|-----------------------------|
| ■ Extended Tealbook baseline | ■ Greater disinflation | ■ Mild European recession |
| ■ Stronger recovery | ■ Higher inflation | ■ Severe European recession |
| ■ Weaker recovery | | |

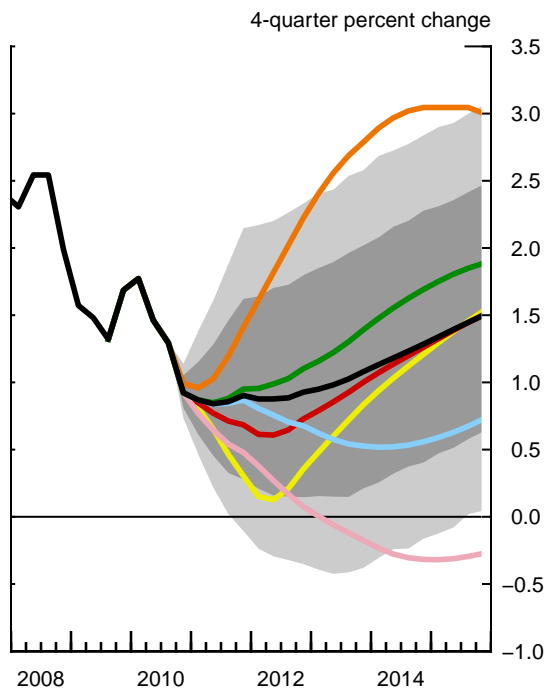
Real GDP



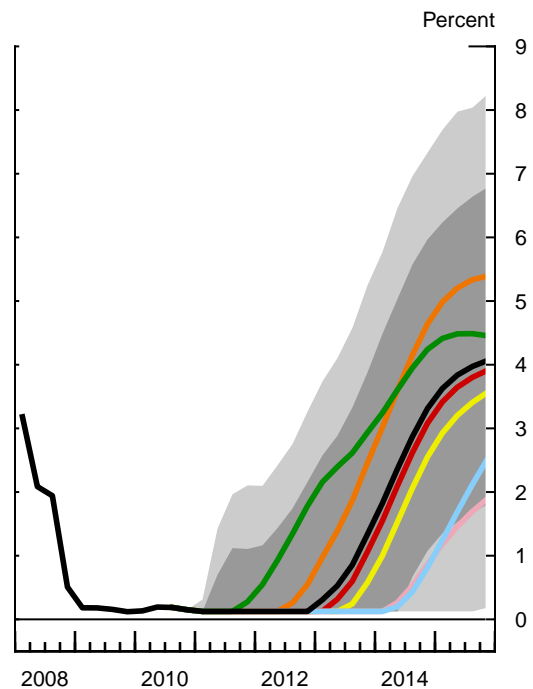
Unemployment Rate



PCE Prices excluding Food and Energy



Federal Funds Rate



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

Measure	2010	2011	2012	2013	2014	2015
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	2.7	3.7	4.4	4.7	4.7	3.5
Confidence interval						
Tealbook forecast errors	2.1–3.2	2.0–5.5	2.7–6.2	...	...	...
FRB/US stochastic simulations	2.3–3.0	2.2–5.5	2.5–6.4	2.4–6.6	2.3–6.9	1.0–6.0
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	9.7	8.9	8.0	7.1	6.1	5.3
Confidence interval						
Tealbook forecast errors	9.6–9.8	8.2–9.6	6.9–9.1	...	...	...
FRB/US stochastic simulations	9.6–9.8	8.2–9.6	6.8–9.0	5.9–8.5	4.9–7.5	4.1–6.7
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	1.2	1.1	.9	1.1	1.4	1.6
Confidence interval						
Tealbook forecast errors	1.0–1.4	-.2–2.3	-.4–2.2	...	...	...
FRB/US stochastic simulations	1.0–1.4	.2–2.2	-.2–2.1	.0–2.3	.2–2.6	.5–2.9
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)						
Projection	.9	.9	.9	1.1	1.3	1.5
Confidence interval						
Tealbook forecast errors	.7–1.1	.2–1.6	.1–1.7	...	...	...
FRB/US stochastic simulations	.8–1.1	.3–1.6	.1–1.8	.2–2.0	.4–2.3	.6–2.5
<i>Federal funds rate</i> (percent, Q4)						
Projection	.2	.1	.1	1.3	3.3	4.1
Confidence interval						
FRB/US stochastic simulations	.2–.2	.1–1.1	.1–2.2	.1–3.9	1.1–6.0	1.8–6.8

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

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

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

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

Interval	Nominal GDP		Real GDP		PCE price index		Core PCE price index		Unemployment rate ¹	
	10/27/10	12/08/10	10/27/10	12/08/10	10/27/10	12/08/10	10/27/10	12/08/10	10/27/10	12/08/10
<i>Quarterly</i>										
2010:Q1	4.8	4.8	3.7	3.7	2.1	2.1	1.2	1.2	9.7	9.7
Q2	3.7	3.7	1.7	1.7	.0	.0	1.0	1.0	9.7	9.7
Q3	3.8	5.0	1.7	2.7	1.2	1.0	1.0	.8	9.6	9.6
Q4	2.8	2.8	2.4	2.5	1.9	1.8	1.1	.6	9.7	9.7
2011:Q1	4.0	4.6	2.7	3.4	1.3	1.6	1.1	1.0	9.5	9.5
Q2	4.5	4.5	3.4	3.5	1.1	1.0	1.0	.9	9.5	9.4
Q3	5.0	4.6	4.0	3.7	1.1	.9	1.0	.9	9.2	9.1
Q4	5.5	5.1	4.4	4.3	1.0	.7	1.0	.8	9.0	8.9
2012:Q1	6.0	5.5	4.6	4.3	1.1	.9	1.0	.9	8.8	8.8
Q2	6.0	5.6	4.7	4.4	1.1	.9	1.0	.9	8.6	8.6
Q3	6.0	5.6	4.8	4.5	1.1	.9	1.0	.9	8.2	8.3
Q4	6.0	5.6	4.8	4.5	1.1	.9	1.0	.9	7.9	8.0
<i>Two-quarter²</i>										
2010:Q2	4.3	4.3	2.7	2.7	1.0	1.0	1.1	1.1	-3	-3
Q4	3.3	3.9	2.0	2.6	1.5	1.4	1.0	.7	.0	.0
2011:Q2	4.2	4.5	3.1	3.5	1.2	1.3	1.1	1.0	-2	-3
Q4	5.2	4.9	4.2	4.0	1.1	.8	1.0	.8	-5	-5
2012:Q2	6.0	5.6	4.6	4.4	1.1	.9	1.0	.9	-4	-3
Q4	6.0	5.6	4.8	4.5	1.1	.9	1.0	.9	-7	-6
<i>Four-quarter³</i>										
2009:Q4	.6	.6	.2	.2	1.5	1.5	1.7	1.7	3.1	3.1
2010:Q4	3.8	4.1	2.4	2.7	1.3	1.2	1.1	.9	-3	-3
2011:Q4	4.7	4.7	3.6	3.7	1.1	1.1	1.0	.9	-7	-8
2012:Q4	6.0	5.6	4.7	4.4	1.1	.9	1.0	.9	-1.1	-9
<i>Annual</i>										
2009	-1.7	-1.7	-2.6	-2.6	.2	.2	1.5	1.5	9.3	9.3
2010	3.7	3.8	2.7	2.8	1.8	1.7	1.4	1.4	9.7	9.7
2011	4.0	4.3	2.9	3.2	1.2	1.2	1.1	.9	9.3	9.2
2012	5.7	5.3	4.5	4.3	1.1	.9	1.0	.9	8.4	8.4

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	2010				2011				2012				2010 ¹	2011 ¹	2012 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Tealbook</i>	3.7 3.7	1.7 1.7	2.7 1.7	2.5 2.4	3.4 2.7	3.5 3.4	3.7 4.0	4.3 4.4	4.3 4.6	4.4 4.7	4.5 4.8	4.5 4.8	2.7 2.4	3.7 3.6	4.4 4.7
Final sales <i>Previous Tealbook</i>	1.1 1.1	.9 .9	1.2 .3	4.2 3.7	3.3 3.2	3.8 3.7	4.0 3.8	4.4 4.4	3.9 4.5	4.0 4.6	4.0 4.3	4.5 4.9	1.8 1.5	3.9 3.8	4.1 4.6
Priv. dom. final purch. <i>Previous Tealbook</i>	2.1 2.1	4.4 4.4	2.6 1.9	2.7 2.1	3.5 3.0	4.1 3.9	4.5 4.2	5.0 5.0	4.2 5.0	4.5 5.3	4.8 5.3	5.0 5.6	3.0 2.6	4.3 4.0	4.7 5.3
Personal cons. expend. <i>Previous Tealbook</i>	1.9 1.9	2.2 2.2	2.8 2.6	2.7 2.2	3.2 2.4	3.3 2.8	3.5 3.3	4.0 4.0	3.7 4.1	3.9 4.3	4.2 4.5	4.2 4.8	2.4 2.2	3.5 3.1	4.0 4.4
Durables	8.8	6.8	7.4	15.5	6.6	7.4	8.9	8.9	10.2	11.4	11.6	10.2	9.6	7.9	10.8
Nondurables	4.2	1.9	1.8	3.0	4.2	3.3	3.1	3.1	2.9	3.0	3.5	3.6	2.7	3.4	3.3
Services	.1	1.6	2.5	.7	2.4	2.6	2.8	3.5	2.9	3.0	3.3	3.5	1.2	2.8	3.2
Residential investment <i>Previous Tealbook</i>	-12.3 -12.3	25.7 25.7	-27.8 -29.9	-3.8 -4.7	2.9 13.5	8.0 27.2	14.0 22.3	15.6 23.3	13.5 18.4	13.6 17.5	13.5 16.0	13.7 16.1	-6.5 -7.3	10.0 21.5	13.6 17.0
Business fixed invest. <i>Previous Tealbook</i>	7.8 7.8	17.2 17.2	10.1 5.5	4.0 3.4	5.9 5.3	9.1 6.8	9.1 7.0	9.8 7.4	5.9 8.3	7.2 9.3	7.3 8.6	8.1 8.6	9.7 8.4	8.5 6.6	7.1 8.7
Equipment & software <i>Previous Tealbook</i>	20.4 20.4	24.8 24.8	16.1 9.7	5.8 5.6	9.4 8.3	12.7 10.4	12.6 10.6	13.3 11.1	8.5 11.6	10.0 12.6	9.8 11.3	10.6 10.9	16.6 14.9	12.0 10.1	9.7 11.6
Nonres. structures <i>Previous Tealbook</i>	-17.8 -17.8	-5 -5	-4.9 -5.1	-9 -2.4	-3.5 -2.8	-7 -2.9	-7 -3.1	-5 -3.1	-1.8 -1.1	-1.3 -.6	-.4 .4	.4 1.2	-6.3 -6.7	-1.4 -3.0	-8 .0
Net exports ² <i>Previous Tealbook</i> ²	-338 -338	-449 -449	-506 -499	-450 -445	-441 -425	-432 -412	-426 -405	-422 -401	-413 -393	-411 -391	-418 -400	-412 -398	-436 -433	-430 -411	-413 -395
Exports	11.4	9.1	6.2	8.2	8.3	8.4	8.1	8.2	8.3	8.1	8.0	8.1	8.7	8.3	8.1
Imports	11.2	33.5	16.5	-4.1	4.7	5.0	5.4	6.0	5.0	6.2	7.8	5.7	13.5	5.3	6.2
Gov't. cons. & invest. <i>Previous Tealbook</i>	-1.6 -1.6	3.9 3.9	4.0 1.3	.9 1.1	.5 .4	.6 .5	.8 .8	.8 .9	.7 .8	.8 .8	.9 .8	1.0 1.0	1.8 1.2	.7 .6	.8 .9
Federal	1.8	9.1	8.9	2.1	1.1	1.0	1.1	1.0	.1	.2	.2	.2	5.4	1.0	.2
Defense	.4	7.4	8.5	2.5	.2	.0	.2	-1	-1	.0	.0	.0	4.6	.1	.0
Nondefense	5.0	12.8	9.5	1.4	2.9	3.1	3.1	3.1	.6	.6	.6	.6	7.1	3.0	.6
State & local	-3.8	.6	.8	.1	.1	.3	.5	.8	1.0	1.1	1.4	1.6	-.6	.4	1.3
Change in bus. inventories ² <i>Previous Tealbook</i> ²	44 44	69 69	116 114	66 75	69 60	62 52	53 58	50 59	65 62	81 68	98 84	99 81	74 76	58 57	86 74
Nonfarm ²	37	61	110	62	66	59	49	47	61	78	95	96	68	55	83
Farm ²	8	8	6	4	4	4	4	4	4	4	4	4	6	4	4

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	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real GDP <i>Previous Tealbook</i>	3.1 3.1	2.7 2.7	2.4 2.4	2.3 2.3	-2.8 -2.8	.2 .2	2.7 2.4	3.7 3.6	4.4 4.7
Final sales <i>Previous Tealbook</i>	2.8 2.8	2.7 2.7	2.8 2.8	2.5 2.5	-1.9 -1.9	-.3 -.3	1.8 1.5	3.9 3.8	4.1 4.6
Priv. dom. final purch. <i>Previous Tealbook</i>	4.2 4.2	3.1 3.1	2.5 2.5	1.3 1.3	-3.8 -3.8	-2.0 -2.0	3.0 2.6	4.3 4.0	4.7 5.3
Personal cons. expend. <i>Previous Tealbook</i>	3.5 3.5	2.7 2.7	3.3 3.3	1.7 1.7	-1.9 -1.9	.2 .2	2.4 2.2	3.5 3.1	4.0 4.4
Durables	5.5	2.1	6.3	3.9	-12.3	4.8	9.6	7.9	10.8
Nondurables	3.0	3.3	3.2	.8	-2.9	1.1	2.7	3.4	3.3
Services	3.4	2.6	2.8	1.7	.3	-.8	1.2	2.8	3.2
Residential investment <i>Previous Tealbook</i>	6.6 6.6	5.3 5.3	-15.7 -15.7	-20.7 -20.7	-24.6 -24.6	-13.4 -13.4	-6.5 -7.3	10.0 21.5	13.6 17.0
Business fixed invest. <i>Previous Tealbook</i>	7.0 7.0	4.4 4.4	7.8 7.8	8.2 8.2	-8.3 -8.3	-12.7 -12.7	9.7 8.4	8.5 6.6	7.1 8.7
Equipment & software <i>Previous Tealbook</i>	8.8 8.8	6.1 6.1	6.0 6.0	4.3 4.3	-11.8 -11.8	-4.9 -4.9	16.6 14.9	12.0 10.1	9.7 11.6
Nonres. structures <i>Previous Tealbook</i>	1.7 1.7	-.1 -.1	13.0 13.0	17.3 17.3	-1.5 -1.5	-26.5 -26.5	-6.3 -6.7	-1.4 -3.0	-.8 .0
Net exports ¹ <i>Previous Tealbook</i> ¹	-688 -688	-723 -723	-729 -729	-655 -655	-504 -504	-363 -363	-436 -433	-430 -411	-413 -395
Exports	7.1	6.7	10.2	10.1	-2.9	-.1	8.7	8.3	8.1
Imports	10.9	5.2	4.1	.7	-6.0	-7.2	13.5	5.3	6.2
Gov't. cons. & invest. <i>Previous Tealbook</i>	.6 .6	.7 .7	1.5 1.5	1.9 1.9	3.1 3.1	.8 .8	1.8 1.2	.7 .6	.8 .9
Federal	2.3	1.2	2.2	3.1	9.2	3.6	5.4	1.0	.2
Defense	2.4	.4	4.4	2.6	9.5	3.3	4.6	.1	.0
Nondefense	2.3	2.6	-2.3	4.2	8.5	4.5	7.1	3.0	.6
State & local	-.4	.4	1.2	1.2	-.4	-1.0	-.6	.4	1.3
Change in bus. inventories ¹ <i>Previous Tealbook</i> ¹	66 66	50 50	59 59	28 28	-38 -38	-113 -113	74 76	58 57	86 74
Nonfarm ¹	58	50	63	29	-39	-117	68	55	83
Farm ¹	8	0	-4	-1	1	3	6	4	4

1. Billions of chained (2005) dollars.

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

Item	2010				2011				2012				2010 ¹	2011 ¹	2012 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Tealbook</i>	3.7	1.7	2.7	2.5	3.4	3.5	3.7	4.3	4.3	4.4	4.5	4.5	2.7	3.7	4.4
Final sales <i>Previous Tealbook</i>	3.7	1.7	1.7	2.4	2.7	3.4	4.0	4.4	4.6	4.7	4.8	4.8	2.4	3.6	4.7
Priv. dom. final purch. <i>Previous Tealbook</i>	1.1	.9	1.2	4.1	3.3	3.7	4.0	4.4	3.9	4.0	4.0	4.5	1.8	3.9	4.1
Personal cons. expend. <i>Previous Tealbook</i>	1.1	.9	.3	3.6	3.2	3.7	3.8	4.4	4.5	4.5	4.3	4.9	1.5	3.8	4.5
Durables	1.7	3.6	2.2	2.2	2.9	3.4	3.7	4.1	3.5	3.8	4.0	4.1	2.4	3.5	3.9
Nondurables	1.7	3.6	1.5	1.8	2.5	3.2	3.5	4.1	4.1	4.3	4.4	4.6	2.2	3.3	4.4
Services	1.3	1.5	2.0	1.9	2.3	2.3	2.5	2.8	2.6	2.7	3.0	3.0	1.7	2.5	2.8
Residential investment <i>Previous Tealbook</i>	1.3	1.5	1.8	1.5	1.7	2.0	2.3	2.9	2.9	3.0	3.1	3.3	1.6	2.2	3.1
Business fixed invest. <i>Previous Tealbook</i>	.6	.5	.5	1.1	.5	.5	.7	.7	.8	.8	.9	.8	.7	.6	.8
Equipment & software <i>Previous Tealbook</i>	.7	.3	.3	.5	.7	.5	.5	.5	.5	.5	.6	.6	.4	.6	.5
Nonres. structures <i>Previous Tealbook</i>	.0	.8	1.2	.4	1.1	1.2	1.3	1.7	1.4	1.4	1.5	1.6	.6	1.3	1.5
Net exports <i>Previous Tealbook</i>	-3	.6	-8	-1	.1	.2	.3	.3	.3	.3	.3	.3	-2	.2	.3
Exports	-3	.6	-8	-1	.3	.6	.5	.5	.4	.4	.4	.4	-2	.5	.4
Imports	.7	1.5	.9	.4	.6	.9	.9	1.0	.6	.7	.7	.8	.9	.8	.7
Gov't. cons. & invest. <i>Previous Tealbook</i>	.7	1.5	.5	.3	.5	.6	.7	.7	.8	.9	.8	.8	.8	.6	.9
Federal	1.2	1.5	1.1	.4	.7	.9	.9	1.0	.6	.8	.7	.8	1.1	.9	.7
Defense	1.2	1.5	.7	.4	.6	.7	.8	.8	.8	.9	.8	.8	1.0	.7	.9
Nondefense	-5	.0	-1	.0	-1	.0	.0	.0	.0	.0	.0	.0	-2	.0	.0
State & local	-5	.0	-1	-1	-1	-1	-1	-1	.0	.0	.0	.0	-2	-1	.0
Change in bus. inventories <i>Previous Tealbook</i>	-3	-3.5	-1.7	1.7	.3	.2	.1	.1	.3	.0	-2	.1	-1.0	.2	.0
Nonfarm	-3	-3.5	-1.5	1.6	.6	.4	.2	.1	.2	.0	-3	.0	-.9	.3	.0
Farm	1.3	1.1	.8	1.0	1.0	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.0	1.1	1.1
	-1.6	-4.6	-2.5	.7	-8	-8	-9	-1.0	-8	-1.0	-1.3	-1.0	-2.0	-.9	-1.1
Gov't. cons. & invest. <i>Previous Tealbook</i>	-3	.8	.8	.2	.1	.1	.2	.2	.1	.2	.2	.2	.4	.1	.2
Federal	-3	.8	.3	.2	.1	.1	.2	.2	.2	.2	.2	.2	.2	.1	.2
Defense	.2	.7	.7	.2	.1	.1	.1	.1	.0	.0	.0	.0	.4	.1	.0
Nondefense	.0	.4	.5	.1	.0	.0	.0	.0	.0	.0	.0	.0	.3	.0	.0
State & local	.1	.3	.2	.0	.1	.1	.1	.1	.0	.0	.0	.0	.2	.1	.0
Change in bus. inventories <i>Previous Tealbook</i>	-5	.1	.1	.0	.0	.0	.1	.1	.1	.1	.2	.2	-.1	.0	.2
Nonfarm	2.6	.8	1.5	-1.6	.1	-2	-3	-1	.4	.5	.5	.0	.8	-.1	.4
Farm	2.6	.8	1.4	-1.3	-.5	-2	.2	.0	.1	.2	.5	-.1	.9	-.1	.2
	2.6	.8	1.5	-1.5	.1	-2	-3	-1	.4	.5	.5	.0	.8	-.1	.4
	.1	.0	-.1	-.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.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	2010				2011				2012				2010 ¹	2011 ¹	2012 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
GDP chain-wt. price index <i>Previous Tealbook</i>	1.0	1.9	2.3	.2	1.2	.9	.8	.8	1.1	1.1	1.1	1.1	1.4	.9	1.1
PCE chain-wt. price index <i>Previous Tealbook</i>	1.0	1.9	2.1	.4	1.2	1.1	1.0	1.0	1.3	1.2	1.2	1.2	1.3	1.1	1.2
Energy <i>Previous Tealbook</i>	2.1	.0	1.0	1.8	1.6	1.0	.9	.7	.9	.9	.9	.9	1.2	1.1	.9
Food <i>Previous Tealbook</i>	2.1	.0	1.2	1.9	1.3	1.1	1.1	1.0	1.1	1.1	1.1	1.1	1.3	1.1	1.1
Ex. food & energy <i>Previous Tealbook</i>	16.4	-17.5	5.6	23.0	11.7	2.5	1.2	.4	.1	-.3	.0	.3	5.7	3.8	.0
CPI <i>Previous Tealbook</i>	16.4	-17.5	5.2	15.6	5.2	3.6	2.2	1.8	1.8	1.2	1.1	1.1	4.0	3.2	1.3
Ex. food & energy <i>Previous Tealbook</i>	1.8	1.6	.3	1.8	1.6	1.2	.9	.8	1.0	1.1	1.2	1.2	1.4	1.1	1.1
CPI <i>Previous Tealbook</i>	1.8	1.6	.2	1.7	1.1	.9	.9	.9	1.0	1.1	1.2	1.3	1.3	1.0	1.1
ECL, hourly compensation ² <i>Previous Tealbook</i> ²	1.2	1.0	.8	.6	1.0	.9	.9	.8	.9	.9	.9	.9	.9	.9	.9
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	1.2	1.0	1.0	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.0	1.0
Compensation per hour <i>Previous Tealbook</i>	1.5	-.7	1.5	2.2	1.8	1.1	1.0	.9	.9	.9	.9	1.0	1.1	1.2	.9
Unit labor costs <i>Previous Tealbook</i>	1.5	-.7	1.5	2.1	1.4	1.2	1.1	1.1	1.1	1.1	1.1	1.2	1.1	1.2	1.1
Core goods imports chain-wt. price index ³ <i>Previous Tealbook</i> ³	.0	.9	1.2	.3	.9	.9	.9	.9	.9	1.0	1.0	1.1	.6	.9	1.0
	.0	.9	1.2	.9	1.1	1.0	1.0	1.0	1.0	1.1	1.1	1.2	.7	1.0	1.1
	2.6	1.8	1.8	2.0	2.3	2.1	2.0	2.1	2.5	2.2	2.2	2.2	2.0	2.1	2.3
	2.6	1.8	1.8	1.8	2.2	2.0	2.0	2.0	2.4	2.2	2.1	2.1	2.0	2.1	2.2
	3.9	-1.8	2.5	.9	2.0	1.2	1.3	2.1	2.1	2.1	2.1	2.1	1.3	1.7	2.1
	3.9	-1.9	2.0	2.0	1.2	1.2	1.6	1.9	2.1	2.0	2.0	1.9	1.5	1.5	2.0
	-.9	2.9	2.2	2.1	2.4	1.8	1.7	1.7	2.3	2.0	2.0	2.1	1.6	1.9	2.1
	-.9	-6	2.1	1.8	2.4	1.8	1.7	1.7	2.3	2.0	2.0	2.1	.6	1.9	2.1
	-4.6	4.9	-.3	1.2	.4	.6	.4	-.4	.2	-.1	-.1	.0	.2	.2	.0
	-4.6	1.3	.1	-.2	1.2	.6	.1	-.2	.2	.0	.0	.2	-.9	.4	.1
	4.2	3.1	-.4	5.2	4.7	2.2	1.8	1.2	1.3	1.4	1.4	1.4	3.0	2.5	1.4
	4.2	3.1	2.1	4.8	4.0	1.9	1.6	1.1	1.2	1.3	1.3	1.3	3.5	2.1	1.3

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

2. Private-industry workers.

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

Greensheets

Changes in Prices and Costs

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

Item	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP chain-wt. price index <i>Previous Tealbook</i>	3.2 3.2	3.5 3.5	2.9 2.9	2.6 2.6	2.1 2.1	.5 .5	1.4 1.3	.9 1.1	1.1 1.2
PCE chain-wt. price index <i>Previous Tealbook</i>	3.0 3.0	3.3 3.3	1.9 1.9	3.5 3.5	1.7 1.7	1.5 1.5	1.2 1.3	1.1 1.1	.9 1.1
Energy <i>Previous Tealbook</i>	18.6 18.6	21.5 21.5	-3.7 -3.7	19.4 19.4	-9.0 -9.0	2.7 2.7	5.7 4.0	3.8 3.2	.0 1.3
Food <i>Previous Tealbook</i>	2.7 2.7	1.5 1.5	1.7 1.7	4.8 4.8	6.9 6.9	-1.6 -1.6	1.4 1.3	1.1 1.0	1.1 1.1
Ex. food & energy <i>Previous Tealbook</i>	2.2 2.2	2.3 2.3	2.3 2.3	2.4 2.4	2.0 2.0	1.7 1.7	.9 1.1	.9 1.0	.9 1.0
CPI <i>Previous Tealbook</i>	3.4 3.4	3.7 3.7	1.9 1.9	4.0 4.0	1.6 1.6	1.5 1.5	1.1 1.1	1.2 1.2	.9 1.1
Ex. food & energy <i>Previous Tealbook</i>	2.2 2.2	2.1 2.1	2.7 2.7	2.3 2.3	2.0 2.0	1.7 1.7	.6 .7	.9 1.0	1.0 1.1
ECL, hourly compensation ¹ <i>Previous Tealbook¹</i>	3.8 3.8	2.9 2.9	3.2 3.2	3.0 3.0	2.4 2.4	1.2 1.2	2.0 2.0	2.1 2.1	2.3 2.2
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	1.5 1.5	1.4 1.4	.9 .9	2.6 2.6	-.4 -.4	6.2 6.2	1.3 1.5	1.7 1.5	2.1 2.0
Compensation per hour <i>Previous Tealbook</i>	3.3 3.3	3.5 3.5	4.5 4.5	3.6 3.6	2.3 2.3	2.5 2.5	1.6 .6	1.9 1.9	2.1 2.1
Unit labor costs <i>Previous Tealbook</i>	1.9 1.9	2.0 2.0	3.5 3.5	.9 .9	2.7 2.7	-3.5 -3.5	.2 -.9	.2 .4	.0 .1
Core goods imports chain-wt. price index ² <i>Previous Tealbook²</i>	3.6 3.6	2.2 2.2	2.5 2.5	2.9 2.9	3.5 3.5	-1.9 -1.9	3.0 3.5	2.5 2.1	1.4 1.3

1. Private-industry workers.

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

Other Macroeconomic Indicators

Item	2010				2011				2012				2010 ¹	2011 ¹	2012 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Employment and production</i>															
Nonfarm payroll employment ²	.1	.7	.0	.2	.4	.7	.8	.8	.8	.8	.9	.9	.9	2.7	3.5
Unemployment rate ³	9.7	9.7	9.6	9.7	9.5	9.4	9.1	8.9	8.8	8.6	8.3	8.0	9.7	8.9	8.0
<i>Previous Tealbook³</i>	9.7	9.7	9.6	9.7	9.5	9.5	9.2	9.0	8.8	8.6	8.2	7.9	9.7	9.0	7.9
NAIRU ³	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
<i>Previous Tealbook³</i>	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
GDP gap ⁴	-6.4	-6.6	-6.6	-6.6	-6.4	-6.1	-5.9	-5.5	-5.1	-4.6	-4.2	-3.7	-6.6	-5.5	-3.7
<i>Previous Tealbook⁴</i>	-6.4	-6.6	-6.8	-6.8	-6.8	-6.6	-6.2	-5.8	-5.3	-4.8	-4.3	-3.8	-6.8	-5.8	-3.8
Industrial production ⁵	7.1	7.1	5.2	1.8	5.9	3.5	3.7	3.5	3.8	4.8	4.8	4.2	5.3	4.1	4.4
<i>Previous Tealbook⁵</i>	7.1	7.0	4.8	-1.5	3.5	4.0	4.7	4.5	5.0	5.6	5.5	4.8	4.3	4.2	5.2
Manufacturing industr. prod. ⁵	6.2	9.3	3.7	3.8	5.4	3.7	4.2	4.3	4.4	5.7	5.5	4.7	5.7	4.4	5.1
<i>Previous Tealbook⁵</i>	6.2	9.1	3.6	-7	2.8	4.9	5.8	5.5	6.0	6.6	6.4	5.6	4.5	4.7	6.1
Capacity utilization rate - mfg. ³	70.0	71.6	72.3	72.9	73.7	74.2	74.8	75.5	76.0	76.8	77.6	78.2	72.9	75.5	78.2
<i>Previous Tealbook³</i>	70.0	71.6	72.2	72.0	72.5	73.3	74.3	75.3	76.2	77.2	78.2	79.1	72.0	75.3	79.1
Housing starts ⁶	.6	.6	.6	.5	.6	.7	.7	.8	.8	.9	.9	1.0	.6	.7	.9
Light motor vehicle sales ⁶	11.0	11.3	11.6	12.2	12.3	12.6	13.1	13.5	14.0	14.7	15.3	15.8	11.5	12.9	15.0
<i>Income and saving</i>															
Nominal GDP ⁵	4.8	3.7	5.0	2.8	4.6	4.5	4.6	5.1	5.5	5.6	5.6	5.6	4.1	4.7	5.6
Real disposable pers. income ⁵	1.3	5.6	.9	1.5	5.2	3.3	3.7	4.1	.1	4.3	3.9	4.3	2.3	4.1	3.1
<i>Previous Tealbook⁵</i>	1.3	4.4	1.0	.6	1.9	3.1	3.2	3.9	3.7	4.3	4.0	4.4	1.8	3.0	4.1
Personal saving rate ³	5.5	6.2	5.8	5.6	6.1	6.1	6.2	6.2	5.4	5.4	5.3	5.3	5.6	6.2	5.3
<i>Previous Tealbook³</i>	5.5	5.9	5.7	5.4	5.3	5.3	5.3	5.3	5.2	5.2	5.1	5.0	5.4	5.3	5.0
Corporate profits ⁷	48.9	12.7	11.6	8.7	6.5	3.2	3.6	5.0	3.3	5.7	6.6	4.0	19.4	4.6	4.9
Profit share of GNP ³	10.7	10.9	11.1	11.3	11.3	11.3	11.3	11.3	11.2	11.2	11.2	11.2	11.3	11.3	11.2
Net federal saving ⁸	-1,314	-1,337	-1,338	-1,317	-1,417	-1,365	-1,344	-1,327	-1,141	-1,111	-1,086	-1,064	-1,326	-1,363	-1,100
Net state & local saving ⁸	29	16	50	45	46	34	26	22	32	39	49	52	35	32	43
Gross national saving rate ³	11.1	11.7	11.6	11.8	11.9	12.2	12.3	12.5	12.7	13.0	13.2	13.3	11.8	12.5	13.3
Net national saving rate ³	-1.8	-1.1	-9	-7	-5	-2	.0	.2	.4	.8	1.0	1.2	-7	.2	1.2

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

2. Change, millions.

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

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

Annual values are for the fourth quarter of the year indicated.

5. Percent change, annual rate.

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

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

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

Greensheets

Other Macroeconomic Indicators

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

Item	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Employment and production</i>									
Nonfarm payroll employment ¹	2.0	2.4	2.1	1.2	-2.8	-5.4	.9	2.7	3.5
Unemployment rate ²	5.4	5.0	4.5	4.8	6.9	10.0	9.7	8.9	8.0
<i>Previous Tealbook²</i>	5.4	5.0	4.5	4.8	6.9	10.0	9.7	9.0	7.9
NAIRU ²	5.0	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0
<i>Previous Tealbook²</i>	5.0	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0
GDP gap ³	-5	.0	.0	.0	-4.9	-6.7	-6.6	-5.5	-3.7
<i>Previous Tealbook³</i>	-4	.1	.1	.0	-4.9	-6.7	-6.8	-5.8	-3.8
Industrial production ⁴	2.9	2.3	2.5	2.3	-7.6	-3.8	5.3	4.1	4.4
<i>Previous Tealbook⁴</i>	2.9	2.3	2.5	2.3	-7.6	-3.8	4.3	4.2	5.2
Manufacturing industr. prod. ⁴	3.5	3.5	2.0	2.6	-10.0	-4.1	5.7	4.4	5.1
<i>Previous Tealbook⁴</i>	3.5	3.5	2.0	2.6	-10.0	-4.1	4.5	4.7	6.1
Capacity utilization rate - mfg. ²	77.4	78.8	79.0	79.1	70.9	68.8	72.9	75.5	78.2
<i>Previous Tealbook²</i>	77.4	78.8	79.0	79.1	70.9	68.8	72.0	75.3	79.1
Housing starts ⁵	2.0	2.1	1.8	1.4	.9	.6	.6	.7	.9
Light motor vehicle sales ⁵	16.8	16.9	16.5	16.1	13.1	10.3	11.5	12.9	15.0
<i>Income and saving</i>									
Nominal GDP ⁴	6.4	6.3	5.4	5.0	-7	.6	4.1	4.7	5.6
Real disposable pers. income ⁴	3.5	.6	4.6	1.5	1.0	.4	2.3	4.1	3.1
<i>Previous Tealbook⁴</i>	3.5	.6	4.6	1.5	1.0	.4	1.8	3.0	4.1
Personal saving rate ²	3.6	1.5	2.5	2.1	5.2	5.5	5.6	6.2	5.3
<i>Previous Tealbook²</i>	3.6	1.5	2.5	2.1	5.2	5.5	5.4	5.3	5.0
Corporate profits ⁶	21.9	19.6	3.7	-8.1	-31.9	42.5	19.4	4.6	4.9
Profit share of GNP ²	10.5	11.8	11.6	10.1	6.9	9.8	11.3	11.3	11.2
Net federal saving ⁷	-379	-283	-204	-245	-616	-1252	-1326	-1363	-1100
Net state & local saving ⁷	-8	26	51	12	-47	-20	35	32	43
Gross national saving rate ²	14.3	15.5	16.3	13.6	11.8	10.8	11.8	12.5	13.3
Net national saving rate ²	2.7	3.5	4.2	1.3	-1.4	-2.3	-7	.2	1.2

1. Change, millions.

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

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

4. Percent change.

5. Level, millions; values are annual averages.

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

7. Billions of dollars; values are annual averages.

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

Item	Fiscal year				2010				2011				2012				
	2009 ^a	2010	2011	2012	Q1 ^a	Q2 ^a	Q3 ^a	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Unified budget	Receipts ¹	2104	2162	2268	2588	466	643	565	540	465	674	589	554	558	799	676	648
	Outlays ¹	3520	3456	3657	3661	795	930	855	924	916	910	907	923	962	913	864	964
	Surplus/deficit ¹	-1416	-1294	-1389	-1074	-329	-287	-290	-384	-451	-236	-318	-368	-403	-114	-188	-317
	<i>Previous Tealbook</i>	-1416	-1294	-1337	-1026	-329	-287	-290	-412	-470	-186	-269	-319	-403	-115	-189	-319
	On-budget	-1553	-1371	-1417	-1158	-359	-351	-267	-426	-427	-278	-286	-395	-403	-184	-176	-370
	Off-budget	137	77	27	85	30	64	-23	42	-24	42	-32	27	-1	70	-12	54
	Means of financing																
	Borrowing	1743	1474	1418	1094	478	344	390	373	516	216	313	358	393	139	203	307
	Cash decrease	96	-35	60	0	-25	-71	-20	10	29	11	10	15	15	-20	-10	15
	Other ²	-424	-145	-88	-20	-124	14	-80	1	-94	10	-5	-5	-5	-5	-5	-5
Cash operating balance, end of period	275	310	250	250	219	290	310	300	270	260	250	235	220	240	250	235	
NIPA federal sector																	
Receipts	2261	2335	2438	2706	2323	2365	2422	2453	2397	2433	2470	2508	2729	2771	2817	2860	
Expenditures	3355	3660	3799	3873	3637	3701	3760	3769	3814	3798	3815	3835	3870	3883	3903	3923	
Consumption expenditures	977	1030	1088	1119	1017	1038	1062	1072	1086	1093	1101	1108	1118	1123	1128	1133	
Defense	659	691	726	742	684	695	711	718	726	729	732	734	741	744	747	749	
Nondefense	318	339	362	378	333	343	351	354	360	364	369	374	377	379	381	383	
Other spending	2378	2630	2711	2753	2620	2663	2698	2697	2729	2705	2714	2727	2751	2759	2775	2791	
Current account surplus	-1094	-1325	-1361	-1166	-1314	-1337	-1338	-1317	-1417	-1365	-1344	-1327	-1141	-1111	-1086	-1064	
Gross investment	151	165	174	174	161	168	172	174	174	174	174	174	174	174	175	175	
Gross saving less gross investment ³	-1122	-1361	-1401	-1201	-1348	-1376	-1380	-1359	-1458	-1405	-1383	-1363	-1176	-1145	-1118	-1095	
Fiscal indicators ⁴																	
High-employment (HEB) surplus/deficit	-838	-1017	-1069	-921	-1011	-1030	-1034	-1007	-1122	-1078	-1069	-1067	-880	-870	-868	-871	
Change in HEB, percent of potential GDP	2.2	1.0	.1	-1.1	.1	.1	-1	-2	.7	-3	-1	-1	-1.2	-1	-1	.0	
Fiscal impetus (FI), percent of GDP	1.1	1.1	.2	-6	.3	.3	.2	.0	.0	.0	.0	.0	-.3	-1	-.3	-2	
<i>Previous Tealbook</i>	1.1	1.0	-.1	-.5	.3	.3	.1	.1	-.2	-.1	.0	-.1	-.1	-.1	-.3	-2	

- 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.
 - Other means of financing are checks issued less checks paid, accrued items, and changes in other financial assets and liabilities.
 - Gross saving is the current account surplus plus consumption of fixed capital of the general government as well as government enterprises.
 - 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 changes in federal spending and taxes in chained (2005) dollars, scaled by real GDP. The sign on Change in HEB, as a percent of nominal potential GDP, is reversed. FI is the weighted difference of discretionary aggregate demand stimulus.
- ^a Actual.

Change in Debt of the Domestic Nonfinancial Sectors
(Percent)

Period ¹	Total	Households			Business	State and local governments	Federal government	Memo: Nominal GDP
		Total	Home mortgages	Consumer credit				
<i>Year</i>								
2005	9.5	11.1	13.3	4.5	8.6	10.2	7.0	6.3
2006	9.0	10.1	11.2	4.1	10.5	8.3	3.9	5.4
2007	8.6	6.8	6.8	5.8	13.1	9.5	4.9	5.0
2008	6.0	.3	-.4	1.5	5.5	2.3	24.2	-.7
2009	3.0	-1.7	-1.5	-4.4	-2.6	4.9	22.7	.6
2010	4.4	-2.0	-3.1	-2.1	1.1	4.1	20.3	4.1
2011	4.9	.3	-1.4	3.5	1.9	4.6	14.9	4.7
2012	4.9	2.3	.0	8.0	3.6	4.9	9.7	5.6
<i>Quarter</i>								
2009:1	4.7	-.8	-.2	-3.7	.1	5.6	24.4	-3.9
2	4.4	-1.9	-1.9	-4.8	-2.6	4.3	28.9	-.4
3	2.1	-2.2	-2.6	-3.9	-4.3	5.8	19.0	2.3
4	.9	-2.0	-1.5	-5.6	-3.7	3.8	11.9	4.7
2010:1	4.3	-2.1	-4.4	-3.9	.4	5.6	20.5	4.8
2	4.7	-2.2	-2.3	-3.3	-.1	-1.5	24.4	3.7
3	4.2	-1.7	-2.5	-1.5	1.7	5.2	16.0	4.8
4	4.2	-1.9	-3.5	.2	2.3	7.0	14.8	3.0
2011:1	5.2	-.7	-2.1	1.5	1.1	4.3	18.7	4.6
2	4.9	.2	-1.3	2.8	1.6	4.6	15.1	4.5
3	4.1	.6	-1.1	4.2	2.3	4.5	10.7	4.6
4	4.9	.9	-1.0	5.3	2.7	4.8	12.2	5.1
2012:1	5.2	1.7	-.3	6.5	3.1	4.9	11.7	5.5
2	5.1	2.1	-.1	7.5	3.4	4.8	10.6	5.6
3	4.0	2.5	.2	8.4	3.8	4.8	5.7	5.6
4	5.1	2.7	.3	8.9	3.9	4.7	9.3	5.6

Note: Quarterly data are at seasonally adjusted annual rates.

1. Data after 2010:Q2 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

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

Category	2009	2010	2011	2012	2010				2011				2012			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	958.6	1254.1	1520.9	1627.0	1104.8	1174.3	1673.5	1580.9	1270.2	1558.9	1719.9	1718.9	1296.9	1772.6	1718.9	1772.6
Net equity issuance	-64.6	-277.9	-244.0	-248.0	-368.4	-328.0	-220.0	-220.0	-268.0	-268.0	-248.0	-248.0	-248.0	-248.0	-248.0	-248.0
Net debt issuance	1023.2	1532.0	1764.9	1875.0	1473.1	1502.3	1893.5	1800.9	1538.2	1826.9	1967.9	1966.9	1544.9	2020.6	1967.9	2020.6
Borrowing indicators																
Debt (percent of GDP) ¹	241.7	241.8	242.8	241.9	241.9	242.6	242.7	243.1	243.1	242.8	242.6	242.4	241.8	241.2	242.6	241.2
Borrowing (percent of GDP)	7.2	10.5	11.5	11.7	10.0	10.1	12.6	11.9	10.0	11.7	12.5	12.3	9.5	12.3	12.5	12.3
Households																
Net borrowing ²	-240.0	-269.9	37.1	302.0	-232.0	-261.8	-88.5	26.2	84.5	126.1	229.0	277.1	336.4	365.3	229.0	277.1
Home mortgages	-161.2	-322.0	-136.1	2.4	-255.8	-351.3	-208.9	-128.6	-108.5	-98.4	-29.4	-9.8	19.6	29.4	-29.4	-9.8
Consumer credit	-115.3	-52.4	84.7	201.8	-37.0	4.6	36.0	67.5	103.2	132.1	164.1	190.6	217.5	235.1	164.1	190.6
Debt/DPI (percent) ³	124.4	118.5	112.4	109.5	117.8	116.3	114.0	112.8	111.6	110.5	110.6	109.7	109.0	108.4	110.6	109.7
Business																
Financing gap ⁴	-44.7	51.7	1.0	146.5	127.9	15.2	-17.3	-5.1	4.3	22.1	100.7	132.8	164.0	188.4	100.7	132.8
Net equity issuance	-64.6	-277.9	-244.0	-248.0	-368.4	-328.0	-220.0	-220.0	-268.0	-268.0	-248.0	-248.0	-248.0	-248.0	-248.0	-248.0
Credit market borrowing	-292.0	119.1	211.5	405.6	185.2	253.2	120.3	174.9	253.4	297.5	347.4	384.6	435.5	454.8	347.4	384.6
State and local governments																
Net borrowing	111.3	97.3	113.6	125.6	124.1	169.6	105.6	113.6	113.6	121.6	125.6	125.6	125.6	125.6	125.6	125.6
Current surplus ⁵	248.2	292.7	262.4	280.8	329.7	271.9	274.3	263.4	257.3	254.7	266.9	276.0	287.5	292.9	266.9	276.0
Federal government																
Net borrowing	1443.9	1585.7	1402.7	1042.0	1395.9	1341.3	1756.2	1486.2	1086.8	1281.7	1265.9	1179.6	647.4	1074.9	1265.9	1179.6
Net borrowing (n.s.a.)	1443.9	1585.7	1402.7	1042.0	390.1	373.3	516.0	215.6	312.7	358.4	393.5	138.9	202.8	306.7	393.5	138.9
Unified deficit (n.s.a.)	1471.3	1290.6	1373.4	1022.0	290.2	384.5	451.4	236.1	317.6	368.4	403.5	113.9	187.8	316.7	403.5	113.9
<i>Depository institutions</i>																
Funds supplied	-639.9	-89.7	102.0	213.1	772.5	-129.2	-12.5	90.0	167.1	163.4	177.5	220.3	247.4	207.1	177.5	220.3

Note: Data after 2010:Q2 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.

Greensheets

Foreign Real GDP and Consumer Prices: Selected Countries

(Quarterly percent changes at an annual rate)

Measure and country	2010				2011				2012			
	-----				-----				-----			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP ¹												
Total foreign	5.5	5.4	2.1	2.7	3.0	3.1	3.2	3.3	3.4	3.4	3.5	3.6
<i>Previous Tealbook</i>	4.9	5.9	2.3	2.6	3.0	3.1	3.2	3.3	3.4	3.6	3.7	3.8
Advanced foreign economies	3.9	3.1	1.7	1.6	1.8	1.8	2.0	2.1	2.2	2.3	2.4	2.6
Canada	5.6	2.3	1.0	2.3	2.5	2.5	2.6	2.6	2.6	2.6	2.6	2.6
Japan	6.6	1.8	3.9	-1.5	1.5	1.6	1.7	1.7	1.8	1.8	1.9	2.0
United Kingdom	1.8	4.7	3.1	2.1	1.0	2.0	2.4	2.4	2.5	2.5	2.5	2.6
Euro area	1.5	4.0	1.5	1.5	1.0	.8	1.0	1.3	1.6	2.0	2.3	2.7
Germany	2.3	9.5	2.8	2.5	1.8	1.7	1.7	1.8	2.1	2.4	2.7	3.0
Emerging market economies	7.5	8.2	2.5	4.1	4.5	4.7	4.8	4.8	4.8	4.8	4.9	4.9
Asia	14.4	8.0	2.1	5.0	5.6	5.7	5.8	5.9	5.9	5.9	5.9	6.0
Korea	8.8	5.8	3.0	3.4	3.7	4.1	4.2	4.3	4.3	4.4	4.5	4.6
China	10.1	6.8	9.8	8.8	8.5	8.5	8.4	8.4	8.4	8.4	8.4	8.5
Latin America	1.5	9.0	3.1	3.1	3.4	3.8	3.8	3.8	3.7	3.8	3.8	3.9
Mexico	-2	9.5	3.0	3.3	3.6	3.7	3.8	3.8	3.8	3.9	3.9	3.9
Brazil	11.3	5.1	3.5	3.8	4.0	4.0	3.5	3.5	3.5	3.5	3.8	4.0
Consumer prices ²												
Total foreign	3.4	1.4	2.2	3.9	3.0	2.5	2.2	2.2	2.2	2.3	2.3	2.4
<i>Previous Tealbook</i>	3.4	1.4	2.1	2.5	2.4	2.3	2.2	2.2	2.2	2.3	2.3	2.3
Advanced foreign economies	2.1	.1	1.1	2.6	1.6	1.3	1.1	1.2	1.3	1.4	1.4	1.6
Canada	2.3	-9	2.4	2.5	1.9	1.9	2.1	2.1	2.1	2.2	2.2	2.2
Japan	.7	-9	-1.7	2.4	-8	-8	-8	-7	-6	-6	-5	-4
United Kingdom	5.4	2.4	1.4	2.8	6.0	1.7	1.6	1.6	1.7	1.8	2.0	3.3
Euro Area	1.8	1.4	1.3	2.9	1.9	1.5	.9	1.2	1.3	1.4	1.5	1.6
Germany	1.4	.8	.9	2.0	1.5	1.3	1.1	1.2	1.2	1.4	1.5	1.6
Emerging market economies	4.7	2.6	3.3	5.1	4.2	3.6	3.3	3.2	3.2	3.1	3.1	3.1
Asia	3.6	2.1	3.6	5.3	4.0	3.2	2.8	2.8	2.8	2.8	2.8	2.8
Korea	3.3	1.9	3.4	5.3	3.0	2.8	2.6	2.4	2.4	2.4	2.4	2.4
China	3.0	2.6	4.3	6.1	4.1	3.1	2.7	2.7	2.7	2.7	2.7	2.7
Latin America	7.8	3.6	2.3	4.7	4.8	4.5	4.3	4.3	4.2	4.1	4.1	4.1
Mexico	7.9	2.7	2.1	4.3	4.2	3.9	3.9	3.9	3.7	3.7	3.7	3.7
Brazil	7.4	5.9	1.1	6.8	7.4	6.6	5.3	4.9	4.9	4.9	4.9	4.9

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

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

Measure and country	2004	2005	2006	2007	2008	2009	2010	-----Projected-----	
								2011	2012
Real GDP ¹									
Total foreign	3.9	4.1	4.0	4.2	-8	.5	3.9	3.2	3.5
<i>Previous Tealbook</i>	3.9	4.1	4.0	4.2	-8	.4	3.9	3.2	3.6
Advanced foreign economies	2.6	2.8	2.5	2.4	-1.8	-1.4	2.6	1.9	2.4
Canada	3.7	3.1	1.9	2.5	-9	-1.1	2.8	2.6	2.6
Japan	1.1	2.9	2.1	1.8	-4.4	-1.3	2.6	1.6	1.9
United Kingdom	2.4	2.4	2.7	2.4	-2.7	-3.0	2.9	2.0	2.5
Euro area	1.7	2.1	3.6	2.2	-2.1	-2.0	2.1	1.0	2.2
Germany	.2	1.6	4.5	1.8	-2.0	-2.0	4.2	1.7	2.5
Emerging market economies	5.6	5.9	6.0	6.5	.4	2.9	5.5	4.7	4.9
Asia	6.1	7.8	7.2	8.4	.7	7.2	7.3	5.8	5.9
Korea	2.7	5.2	4.6	5.7	-3.2	6.1	5.2	4.1	4.4
China	10.0	10.5	11.0	12.6	7.2	11.5	8.8	8.4	8.4
Latin America	5.1	4.0	4.8	4.6	-2	-9	4.1	3.7	3.8
Mexico	4.6	3.6	4.1	3.7	-9	-2.2	3.8	3.7	3.9
Brazil	5.1	3.5	4.8	6.8	1.0	4.4	5.9	3.7	3.7
Consumer prices ²									
Total foreign	2.8	2.3	2.1	3.7	3.4	1.2	2.7	2.5	2.3
<i>Previous Tealbook</i>	2.8	2.3	2.1	3.7	3.4	1.2	2.3	2.3	2.3
Advanced foreign economies	1.8	1.6	1.4	2.2	2.0	.2	1.5	1.3	1.4
Canada	2.3	2.3	1.4	2.5	1.9	.8	1.6	2.0	2.1
Japan	.5	-1.0	.3	.6	1.0	-2.0	.1	-8	-5
United Kingdom	1.4	2.1	2.7	2.1	3.9	2.1	3.0	2.7	2.2
Euro Area	2.3	2.3	1.8	2.9	2.3	.4	1.9	1.4	1.5
Germany	2.1	2.2	1.3	3.1	1.7	.3	1.3	1.3	1.4
Emerging market economies	3.9	3.0	2.9	5.1	4.6	2.2	3.9	3.6	3.2
Asia	3.1	2.6	2.4	5.5	3.7	1.3	3.6	3.2	2.8
Korea	3.4	2.5	2.1	3.4	4.5	2.4	3.4	2.7	2.4
China	3.2	1.4	2.1	6.6	2.6	.6	4.0	3.1	2.7
Latin America	5.6	3.7	4.1	4.2	6.6	4.0	4.6	4.5	4.1
Mexico	5.3	3.1	4.1	3.8	6.2	4.0	4.2	4.0	3.7
Brazil	7.2	6.1	3.2	4.3	6.2	4.2	5.3	6.1	4.9

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

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

Greensheets

U.S. Current Account

Quarterly Data

	2010				2011				Projected			
	-----				-----				-----			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Billions of dollars, s.a.a.r.</i>												
U.S. current account balance	-436.6	-493.1	-514.9	-506.3	-544.2	-531.2	-531.6	-530.2	-535.5	-523.0	-535.2	-522.7
<i>Previous Tealbook</i>	-436.6	-493.1	-505.6	-503.8	-507.0	-487.4	-492.2	-489.3	-487.5	-490.8	-505.0	-506.8
Current account as percent of GDP	-3.0	-3.4	-3.5	-3.4	-3.6	-3.5	-3.5	-3.4	-3.4	-3.3	-3.3	-3.2
<i>Previous Tealbook</i>	-3.0	-3.4	-3.4	-3.4	-3.4	-3.2	-3.2	-3.2	-3.1	-3.1	-3.1	-3.1
Net goods & services	-457.8	-526.4	-532.3	-535.1	-547.4	-545.3	-545.1	-545.8	-538.8	-537.2	-548.5	-546.7
Investment income, net	168.8	173.1	158.6	149.3	136.6	131.4	132.4	130.1	131.7	128.4	131.2	138.5
Direct, net	275.9	283.8	274.5	268.6	259.5	260.7	264.6	269.1	276.2	282.0	289.1	302.0
Portfolio, net	-107.1	-110.7	-115.9	-119.4	-122.9	-129.3	-132.2	-139.0	-144.6	-153.6	-157.9	-163.5
Other income and transfers, net	-147.6	-139.8	-141.2	-120.4	-133.3	-117.2	-118.8	-114.4	-128.3	-114.2	-117.8	-114.4

Annual Data

	2004	2005	2006	2007	2008	2009	2010	2011	2012
	-----Projected-----								
	Billions of dollars								
U.S. current account balance	-630.5	-747.6	-802.6	-718.1	-668.9	-378.4	-487.7	-534.3	-529.1
Previous Tealbook	-630.5	-747.6	-802.6	-718.1	-668.9	-378.4	-484.8	-494.0	-497.5
Current account as percent of GDP	-5.3	-5.9	-6.0	-5.1	-4.7	-2.7	-3.3	-3.5	-3.3
Previous Tealbook	-5.3	-5.9	-6.0	-5.1	-4.7	-2.7	-3.3	-3.2	-3.1
Net goods & services	-609.3	-714.2	-759.2	-702.1	-698.8	-374.9	-512.9	-545.9	-542.8
Investment income, net	73.4	78.8	54.7	106.6	159.3	129.2	162.4	132.6	132.4
Direct, net	150.9	173.2	174.0	241.6	287.7	252.1	275.7	263.5	287.3
Portfolio, net	-77.5	-94.4	-119.4	-134.9	-128.4	-122.8	-113.3	-130.8	-154.9
Other income and transfers, net	-94.5	-112.2	-98.1	-122.6	-129.3	-132.8	-137.3	-121.0	-118.7

Report to the FOMC on Economic Conditions and Monetary Policy



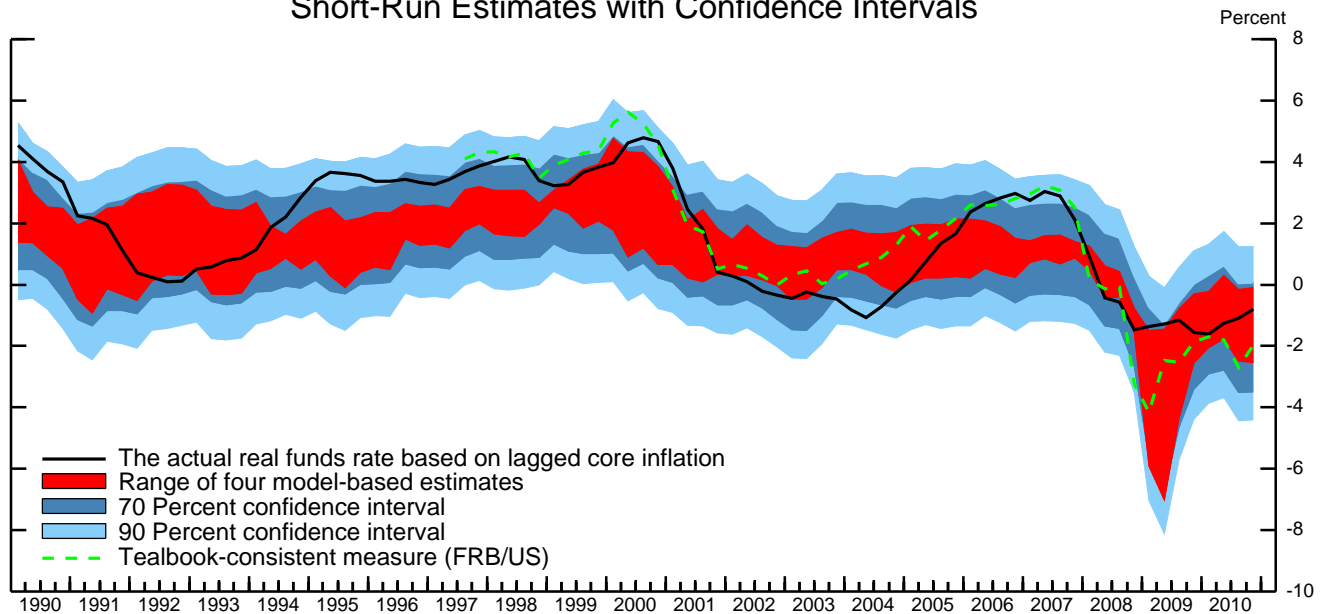
Book B

Monetary Policy: Strategies and Alternatives

December 9, 2010

Equilibrium Real Federal Funds Rate

Short-Run Estimates with Confidence Intervals



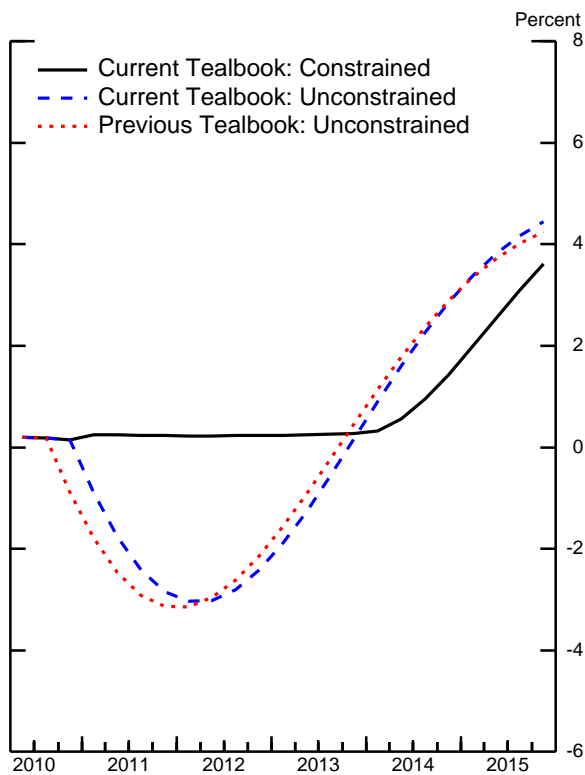
Short-Run and Medium-Run Measures

	Current Tealbook	Previous Tealbook
Short-Run Measures		
Single-equation model	-2.0	-2.4
Small structural model	-2.4	-2.7
EDO model	-0.1	0.1
FRB/US model	-2.5	-3.1
Confidence intervals for four model-based estimates		
70 percent confidence interval	-3.5 to 0.1	
90 percent confidence interval	-4.4 to 1.2	
Tealbook-consistent measures		
EDO model	-2.8	-2.3
FRB/US model	-2.0	-1.9
Medium-Run Measures		
Single-equation model	1.1	1.2
Small structural model	1.3	1.2
Confidence intervals for two model-based estimates		
70 percent confidence interval	0.3 to 2.1	
90 percent confidence interval	-0.5 to 2.7	
TIPS-based factor model	2.0	2.0
Memo		
Actual real federal funds rate	-0.8	-1.2

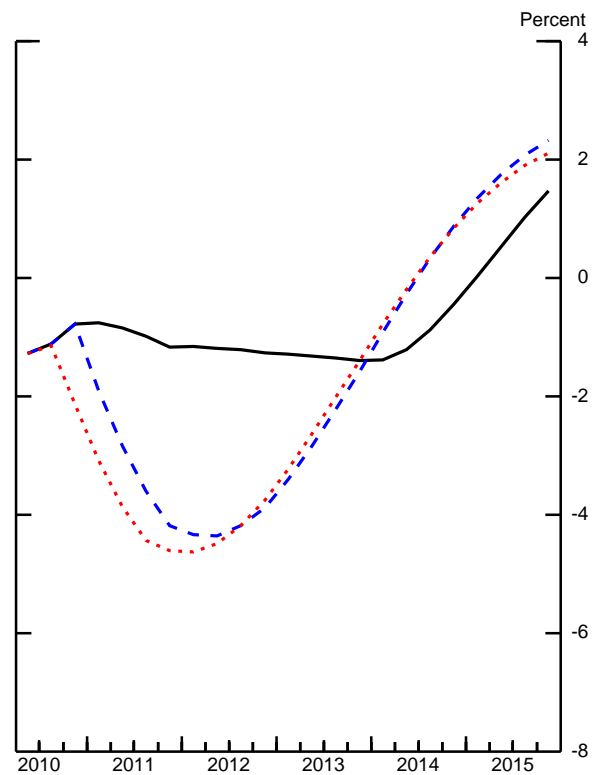
Note: Explanatory Note A provides background information regarding the construction of these measures and confidence intervals. The actual real federal funds rate shown is based on lagged core inflation as a proxy for inflation expectations. For information regarding alternative measures, see Explanatory Note A. Estimates of r^* may change at the beginning of a quarter even when there is no shift in the staff outlook because the twelve quarter horizon covered by the calculation has rolled forward one quarter. Therefore, whenever the Tealbook is published early in the quarter, this table includes a third column labeled "Current Quarter Estimate as of Previous Tealbook."

Constrained vs. Unconstrained Monetary Policy (2 Percent Inflation Goal)

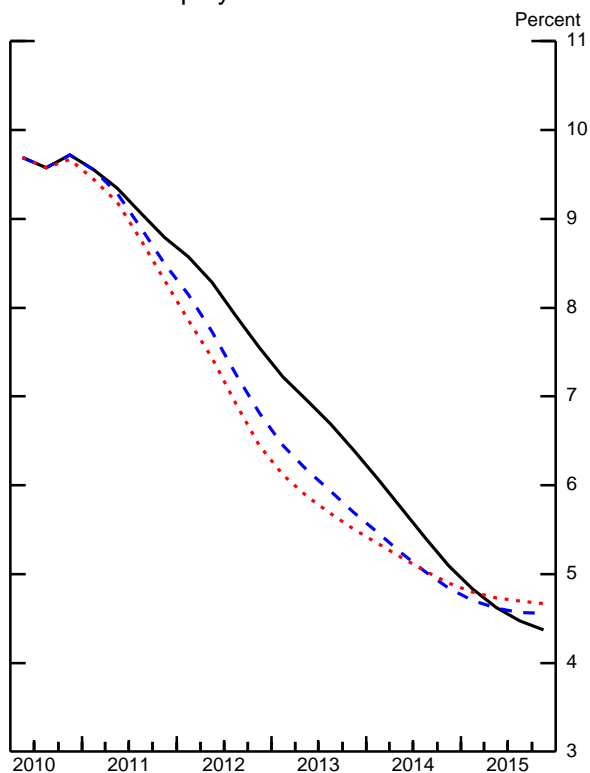
Nominal Federal Funds Rate



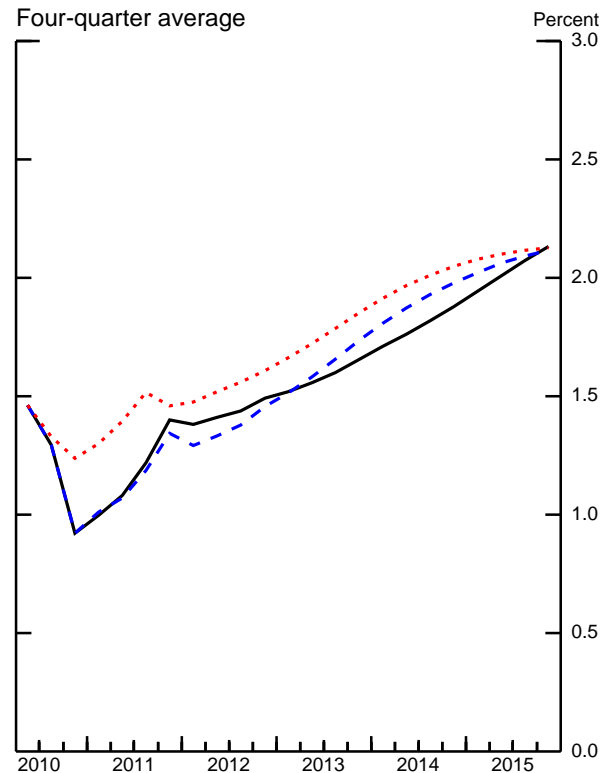
Real Federal Funds Rate



Civilian Unemployment Rate



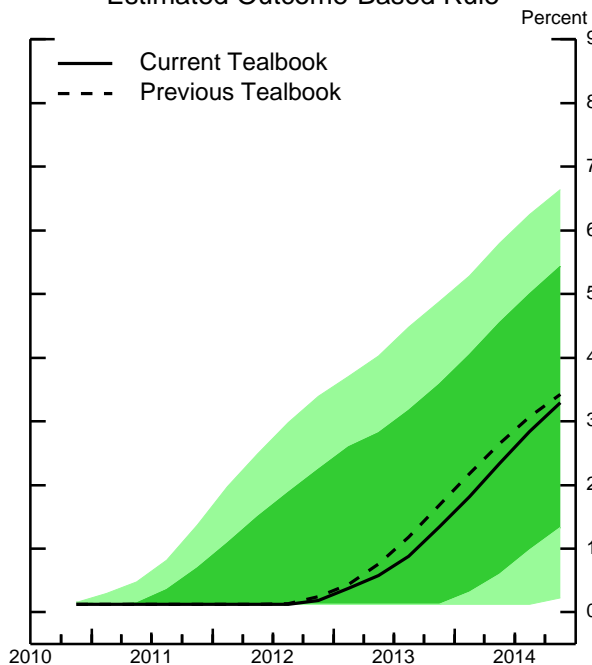
Core PCE Inflation Four-quarter average



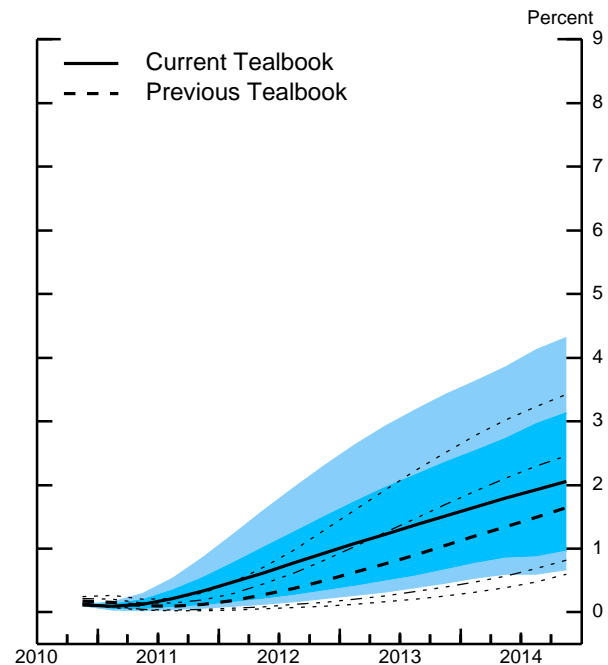
Note: As discussed in the text note, the lines "Previous Tealbook" depict optimal control paths based on the previous Tealbook's staff outlook, but using the re-specified model under the new expectational assumptions.

The Policy Outlook in an Uncertain Environment

FRB/US Model Simulations of
Estimated Outcome-Based Rule



Information from Financial Markets



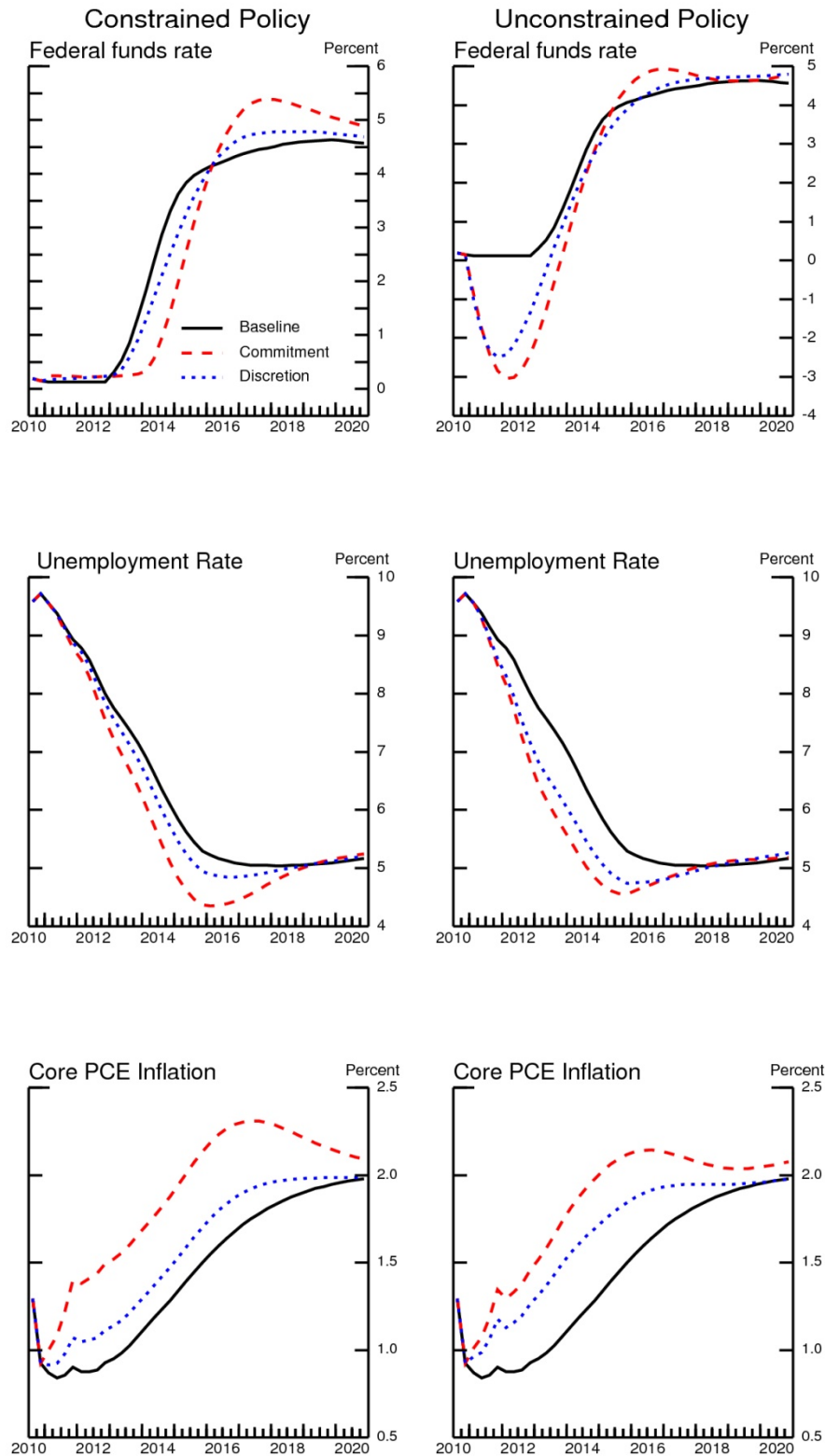
Note: In both panels, the dark and light shading represent the 70 and 90 percent confidence intervals respectively. Financial market quotes are as of December 8.

Near-Term Prescriptions of Simple Policy Rules

	Constrained Policy		Unconstrained Policy	
	<u>2011Q1</u>	<u>2011Q2</u>	<u>2011Q1</u>	<u>2011Q2</u>
Taylor (1993) rule	0.13	0.13	-0.90	-0.81
<i>Previous Tealbook</i>	0.13	0.13	-0.82	-0.71
Taylor (1999) rule	0.13	0.13	-4.09	-3.89
<i>Previous Tealbook</i>	0.13	0.13	-4.21	-4.00
Estimated outcome-based rule	0.13	0.13	-0.42	-1.05
<i>Previous Tealbook Outlook</i>	0.13	0.13	-0.51	-1.17
Estimated forecast-based rule	0.13	0.13	-0.42	-0.98
<i>Previous Tealbook Outlook</i>	0.13	0.13	-0.47	-1.05
First-difference rule	0.16	0.26	0.16	0.26
<i>Previous Tealbook Outlook</i>	0.19	0.43	0.19	0.43
 Memo				
	<u>2011Q1</u>	<u>2011Q2</u>		
Staff assumption		0.13	0.13	
Fed funds futures		0.15	0.13	
Median expectation of primary dealers		0.13	0.13	
Blue Chip forecast (December 1, 2010)		0.20	0.20	

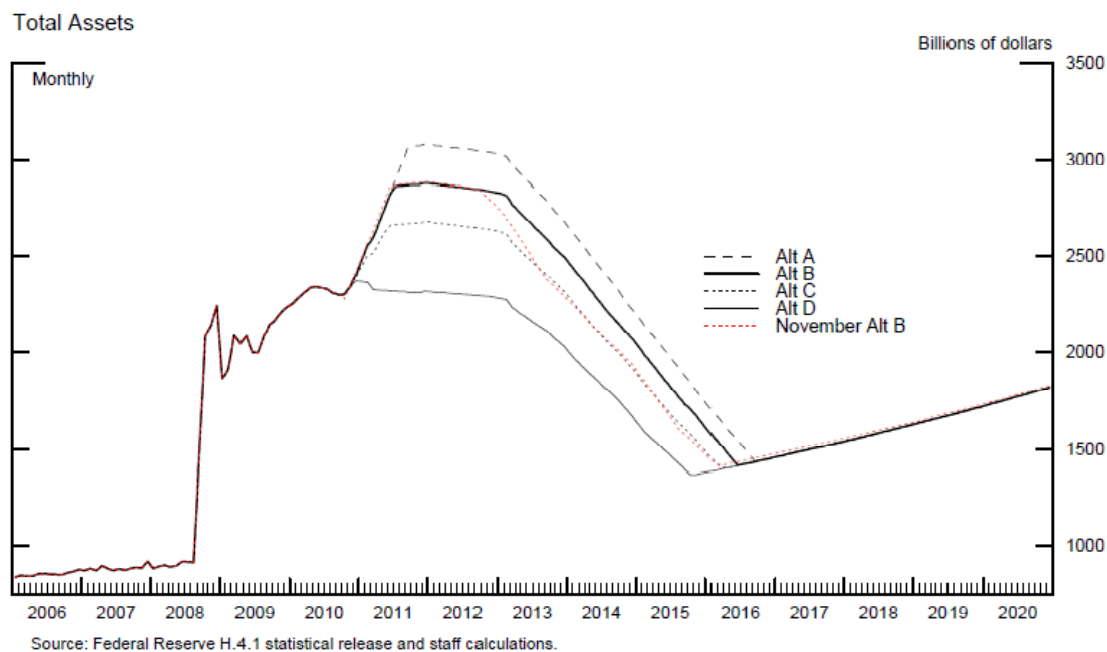
Note: In calculating the near-term prescriptions of these simple policy rules, policymakers' long-run inflation objective is assumed to be 2 percent. Explanatory Note B provides further background information. The first-difference rule, the estimated outcome-based rule and the estimated forecast-based rule include the lagged policy rate as a right-hand-side variable. Since this Tealbook is published late in the quarter, the lines denoted "Previous Tealbook Outlook" report rule prescriptions based on the previous Tealbook's staff outlook, but jumping off from the average value for the policy rate thus far this quarter.

Comparing Optimal Policies: Commitment versus Discretion



LONG-RUN PROJECTIONS OF THE BALANCE SHEET AND MONETARY BASE

The staff has prepared four scenarios for the Federal Reserve's balance sheet that correspond to the policy alternatives A, B, C, and D. Projections under each scenario are based on assumptions about each component of the balance sheet. Details of these assumptions as well as projections for each major component of the balance sheet can be found in Explanatory Note C.



Alternatives

Under Alternative B, the FOMC continues the expansion of its holdings of longer-term securities by \$600 billion (at an average pace of about \$75 billion per month) by the end of the second quarter of 2011, as announced at the November FOMC meeting. The proceeds from principal repayments from Treasury securities and agency securities continue to be reinvested into Treasury securities. Under these assumptions, the balance sheet peaks at about \$2.9 trillion in 2011. Over 2012 and the first quarter of 2013, the balance sheet declines gradually as the credit extended through TALF and the Maiden Lanes is repaid. The target federal funds rate increases in the first quarter of 2013, and immediately thereafter all maturing securities and prepayments of securities are allowed to roll off the portfolio. Finally, six months after the assumed rise in the target federal

expanding in 2011, the monetary base is projected to contract through 2015 reflecting the decline in reserve balances.

Growth Rates for the Monetary Base					
Date	Alternative B	Alternative A	Alternative C	Alternative D	<i>Memo:</i> November Alternative B
Percent, annual rate					
Monthly					
Apr-10	-37.6	-37.6	-37.6	-37.6	-37.6
May-10	-2.0	-2.0	-2.0	-2.0	-2.0
Jun-10	-5.8	-5.8	-5.8	-5.8	-5.8
Jul-10	-2.2	-2.2	-2.2	-2.2	-2.2
Aug-10	-2.4	-2.4	-2.4	-2.4	-2.4
Sep-10	-10.1	-10.1	-10.1	-10.1	-10.1
Oct-10	-9.8	-9.8	-9.8	-9.8	-9.8
Nov-10	4.6	4.6	4.6	4.6	4.6
Dec-10	15.4	15.4	13.5	5.6	27.6
Jan-11	24.1	24.1	15.2	-9.5	18.4
Feb-11	66.7	66.7	53.1	20.6	41.6
Mar-11	57.9	57.9	45.5	14.7	57.0
Quarterly					
2010 Q2	-10.4	-10.4	-10.4	-10.4	-10.4
2010 Q3	-3.9	-3.9	-3.9	-3.9	-3.9
2010 Q4	-3.1	-3.1	-3.3	-4.2	9.5
2011 Q1	34.3	34.3	26.1	4.8	31.7
Annual - Q4 to Q4					
2009	41.5	41.5	41.5	41.5	41.5
2010	-1.0	-1.0	-1.0	-1.2	2.2
2011	30.9	41.0	20.8	2.9	28.7
2012	-1.2	-1.1	-1.3	-1.0	-2.6
2013	-12.2	-11.6	-12.4	-11.6	-19.0
2014	-19.6	-19.3	-20.0	-20.8	-18.1
2015	-24.7	-24.1	-24.1	-11.5	-23.7

Note: Not seasonally adjusted.

expand at a solid pace over the forecast period. We expect small time deposits and retail money market mutual funds to continue to contract through most of the projection period, though the rate of contraction diminishes over time. Currency is anticipated to expand moderately as recent robust demand for currency from abroad wanes.

Growth Rates for M2	
(Percent, seasonally adjusted annual rate)	
Monthly Growth Rates	Tealbook Forecast*
Apr-10	-4.1
May-10	11.6
Jun-10	4.4
Jul-10	-0.2
Aug-10	6.4
Sep-10	8.3
Oct-10	8.0
Nov-10	5.1
Dec-10	1.6
Jan-11	1.3
Feb-11	1.2
Mar-11	1.1
Quarterly Growth Rates	
2010 Q2	1.8
2010 Q3	4.6
2010 Q4	6.6
2011 Q1	1.8
Annual Growth Rates	
2009	5.1
2010	3.2
2011	1.4
2012	5.1

* This forecast is consistent with nominal GDP and interest rates in the Tealbook forecast. Actual data through November 2010; projections thereafter.

Federal Reserve Balance Sheet							
End-of-Year Projections -- Alternative B							
	Nov 30, 2010	End-of-Year					
		2010	2012	2014	2016	2018	2020
		\$ Billions					
Total assets	2,342	2,403	2,835	2,077	1,455	1,623	1,816
Selected assets:							
Liquidity programs for financial firms	0	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0	0
Central bank liquidity swaps	0	0	0	0	0	0	0
Lending through other credit facilities	26	27	9	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	26	27	9	0	0	0	0
Support for specific institutions	115	96	32	3	2	0	0
Credit extended to AIG	48	43	3	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III	67	53	29	3	2	0	0
Securities held outright	2,081	2,156	2,640	1,954	1,360	1,542	1,742
U.S. Treasury securities	911	1,016	1,923	1,473	1,137	1,542	1,742
Agency debt securities	148	147	77	39	16	0	0
Agency mortgage-backed securities	1,023	992	640	443	207	0	0
Special drawing rights certificate account	5	5	7	7	7	7	7
Net portfolio holdings of TALF LLC	1	1	1	1	0	0	0
Total other assets	115	118	148	111	86	74	67
Total liabilities	2,285	2,344	2,757	1,974	1,319	1,442	1,577
Selected liabilities:							
Federal Reserve notes in circulation	937	941	1,000	1,088	1,209	1,333	1,468
Reverse repurchase agreements	57	54	59	59	59	59	59
Deposits with Federal Reserve Banks	1,247	1,302	1,681	810	35	35	35
Reserve balances held by depository institutions	963	995	1,471	600	25	25	25
U.S. Treasury, general account	79	100	5	5	5	5	5
U.S. Treasury, supplementary financing account	200	200	200	200	0	0	0
Other balances	3	2	5	5	5	5	5
Total capital	57	59	78	103	136	180	239

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

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

Federal Reserve Balance Sheet							
End-of-Year Projections -- Alternative A							
	Nov 30, 2010	End-of-Year					
		2010	2012	2014	2016	2018	2020
		\$ Billions					
Total assets	2,342	2,403	3,036	2,232	1,455	1,623	1,816
Selected assets:							
Liquidity programs for financial firms	0	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0	0
Central bank liquidity swaps	0	0	0	0	0	0	0
Lending through other credit facilities	26	27	9	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	26	27	9	0	0	0	0
Support for specific institutions	115	96	32	3	2	0	0
Credit extended to AIG	48	43	3	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III	67	53	29	3	2	0	0
Securities held outright	2,081	2,156	2,840	2,110	1,360	1,542	1,742
U.S. Treasury securities	911	1,016	2,123	1,628	1,137	1,542	1,742
Agency debt securities	148	147	77	39	16	0	0
Agency mortgage-backed securities	1,023	992	640	443	207	0	0
Special drawing rights certificate account	5	5	7	7	7	7	7
Net portfolio holdings of TALF LLC	1	1	1	1	0	0	0
Total other assets	115	118	148	111	86	74	67
Total liabilities	2,285	2,344	2,958	2,129	1,319	1,442	1,577
Selected liabilities:							
Federal Reserve notes in circulation	937	941	1,000	1,088	1,209	1,333	1,468
Reverse repurchase agreements	57	54	59	59	59	59	59
Deposits with Federal Reserve Banks	1,247	1,302	1,882	965	35	35	35
Reserve balances held by depository institutions	963	995	1,672	755	25	25	25
U.S. Treasury, general account	79	100	5	5	5	5	5
U.S. Treasury, supplementary financing account	200	200	200	200	0	0	0
Other balances	3	2	5	5	5	5	5
Total capital	57	59	78	103	136	180	239

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

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

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

	Nov 30, 2010	End-of-Year					
		2010	2012	2014	2016	2018	2020
		\$ Billions					
Total assets	2,342	2,397	2,636	1,925	1,455	1,623	1,816
Selected assets:							
Liquidity programs for financial firms	0	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0	0
Central bank liquidity swaps	0	0	0	0	0	0	0
Lending through other credit facilities	26	27	9	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	26	27	9	0	0	0	0
Support for specific institutions	115	96	32	3	2	0	0
Credit extended to AIG	48	43	3	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III	67	53	29	3	2	0	0
Securities held outright	2,081	2,150	2,440	1,802	1,360	1,542	1,742
U.S. Treasury securities	911	1,010	1,723	1,321	1,137	1,542	1,742
Agency debt securities	148	147	77	39	16	0	0
Agency mortgage-backed securities	1,023	992	640	443	207	0	0
Special drawing rights certificate account	5	5	7	7	7	7	7
Net portfolio holdings of TALF LLC	1	1	1	1	0	0	0
Total other assets	115	118	148	111	86	74	67
Total liabilities	2,285	2,338	2,558	1,822	1,319	1,442	1,577
Selected liabilities:							
Federal Reserve notes in circulation	937	941	1,000	1,088	1,209	1,333	1,468
Reverse repurchase agreements	57	54	59	59	59	59	59
Deposits with Federal Reserve Banks	1,247	1,296	1,482	658	35	35	35
Reserve balances held by depository institutions	963	989	1,272	448	25	25	25
U.S. Treasury, general account	79	100	5	5	5	5	5
U.S. Treasury, supplementary financing account	200	200	200	200	0	0	0
Other balances	3	2	5	5	5	5	5
Total capital	57	59	78	103	136	180	239

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

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

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

	Nov 30, 2010	End-of-Year					
		2010	2012	2014	2016	2018	2020
		\$ Billions					
Total assets	2,342	2,371	2,289	1,677	1,455	1,622	1,815
Selected assets:							
Liquidity programs for financial firms	0	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0	0
Central bank liquidity swaps	0	0	0	0	0	0	0
Lending through other credit facilities	26	27	9	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	26	27	9	0	0	0	0
Support for specific institutions	115	96	32	3	2	0	0
Credit extended to AIG	48	43	3	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III	67	53	29	3	2	0	0
Securities held outright	2,081	2,125	2,125	1,560	1,372	1,554	1,754
U.S. Treasury securities	911	985	1,408	1,079	1,149	1,554	1,754
Agency debt securities	148	147	77	39	16	0	0
Agency mortgage-backed securities	1,023	992	640	443	207	0	0
Special drawing rights certificate account	5	5	7	7	7	7	7
Net portfolio holdings of TALF LLC	1	1	1	1	0	0	0
Total other assets	115	118	116	106	74	61	55
Total liabilities	2,285	2,312	2,211	1,574	1,318	1,442	1,577
Selected liabilities:							
Federal Reserve notes in circulation	937	941	1,000	1,088	1,209	1,333	1,468
Reverse repurchase agreements	57	54	59	59	59	59	59
Deposits with Federal Reserve Banks	1,247	1,270	1,135	411	35	35	35
Reserve balances held by depository institutions	963	963	925	201	25	25	25
U.S. Treasury, general account	79	100	5	5	5	5	5
U.S. Treasury, supplementary financing account	200	200	200	200	0	0	0
Other balances	3	2	5	5	5	5	5
Total capital	57	59	78	103	136	180	239

Source: Federal Reserve H.4.1 statistical release and staff calculations.
Note: Components may not sum to totals due to rounding.