

Part 1

June 18, 2008

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

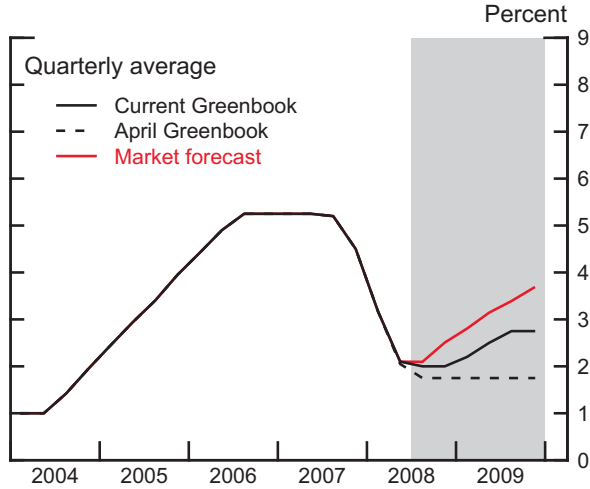
Summary and Outlook

June 18, 2008

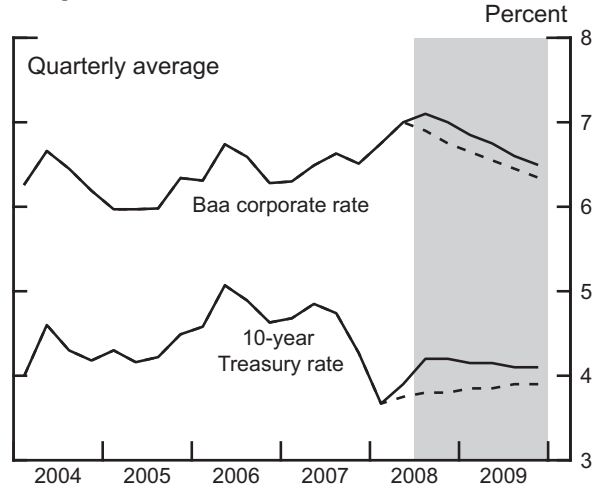
Summary and Outlook

Key Background Factors Underlying the Baseline Staff Projection

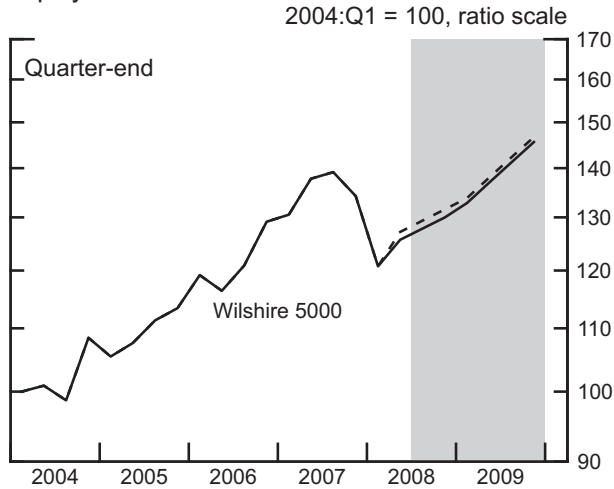
Federal Funds Rate



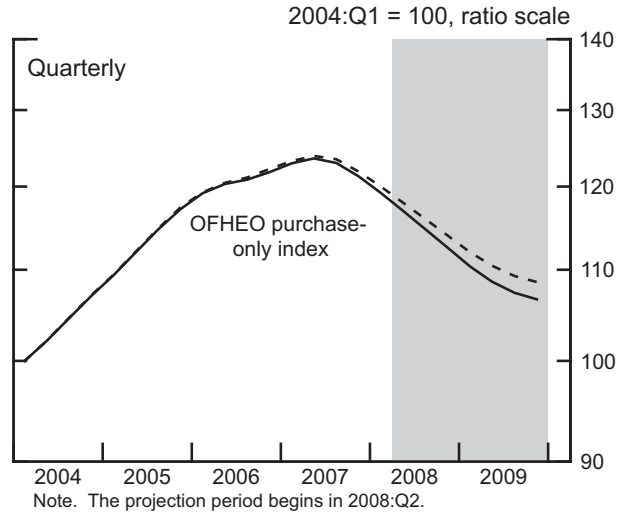
Long-Term Interest Rates



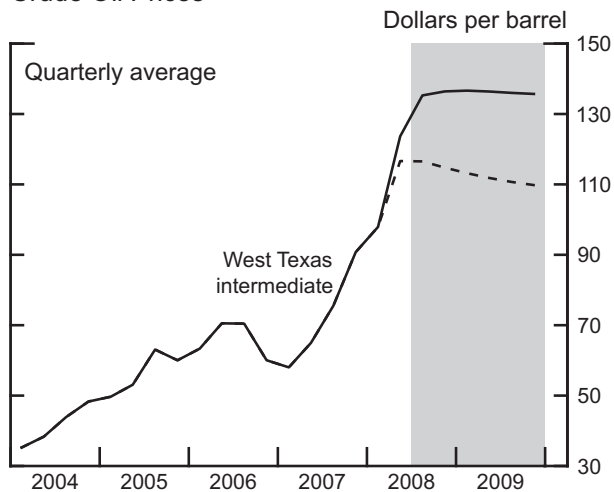
Equity Prices



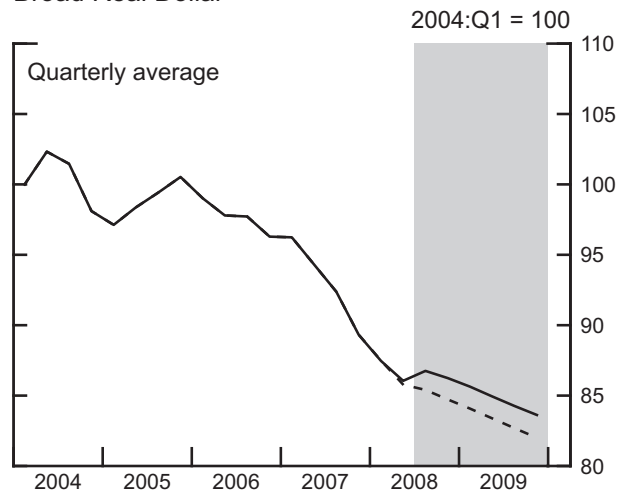
House Prices



Crude Oil Prices



Broad Real Dollar



Note. In each panel, shading represents the projection period, which begins in 2008:Q3 except as noted.

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

Measure	2008:Q1		2008:Q2	
	Apr GB	June GB	Apr GB	June GB
Real GDP	.4	1.1	-1.4	1.7
Private domestic final purchases	-1.0	-.4	-2.2	.5
Personal consumption expenditures	1.0	1.2	.2	2.2
Residential investment	-30.9	-24.7	-32.0	-23.7
Business fixed investment	-1.1	-.2	-6.7	-1.2
Government outlays for consumption and investment	0.7	2.1	2.8	3.1
	Contribution to growth (percentage points)			
Inventory investment	.7	.3	-2.4	-1.5
Net exports	.3	.8	2.3	2.1

upward drift in the unemployment rate as employers adjust to the weak pace of economic activity.

Consumer spending appears to have been much stronger than we projected in the last Greenbook. After posting a meager $1\frac{1}{4}$ percent increase in the first quarter, real PCE looks to be on track to increase $2\frac{1}{4}$ percent in the current quarter, well above the $\frac{1}{4}$ percent rate projected in the April Greenbook. This performance is especially surprising given the further increase in energy prices and the deterioration in consumer sentiment that have taken place since the turn of the year. At this point, we are not interpreting the evidence as suggesting that the effects of the tax rebates are larger than we had assumed; much of the upward revisions to spending occurred in March and April—before the rebates were sent out—and we have little reason to believe that consumers raised their spending in anticipation of the rebates.¹ Instead, we think that underlying household demand is probably stronger than we assumed in the last forecast, and in reaction, we have removed some of the recession-like behavior that we built into our April projection for the second half of the year.

¹In any case, the implications for our forecast of a larger response to the rebate checks are ambiguous. If the larger-than-expected second-quarter jump in consumption was due to a higher propensity to consume out of the rebates, we would raise our estimate of third-quarter consumption. On the other hand, if the surprise was due to a faster response to the rebates than we had assumed, we would lower it. Regardless, the longer-run effect on consumption would be essentially zero.

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

Measure	2008		2009
	H1	H2	
Real GDP	1.4	.7	2.4
Previous	-.5	.9	2.8
Final sales	2.0	-.5	1.9
Previous	.3	-.2	2.1
PCE	1.7	-.7	1.5
Previous	.6	-.7	2.0
Residential investment	-24.2	-25.8	-6.4
Previous	-31.5	-22.1	-3.9
BFI	-.7	-1.1	1.9
Previous	-3.9	-3.7	1.3
Government purchases	2.6	1.8	1.5
Previous	1.8	2.2	1.5
Exports	6.4	7.2	7.5
Previous	6.3	7.3	8.2
Imports	-3.7	1.0	2.8
Previous	-3.0	-.3	3.9
Contribution to growth (percentage points)			
Inventory change	-.6	1.1	.5
Previous	-.8	1.2	.7
Net exports	1.5	.7	.5
Previous	1.3	1.0	.4

our previous forecast, we expect that the cutbacks in residential construction will need to be even deeper than we previously assumed. Our updated projection has single-family housing starts bottoming out at an annual rate of 510,000 units in the fourth quarter of this year—about 10 percent below our last Greenbook forecast—and then gradually moving up to a 610,000 unit pace by the end of next year. Meanwhile, multifamily housing starts are projected to average about 300,000 units over the next year and a half. Overall, residential investment is projected to subtract about 1 percentage point from real GDP growth in the second half of this year and 0.2 percentage point next year.

Decomposition of Structural Labor Productivity Nonfarm Business Sector

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

Measure	1974-95	1996-2000	2001-05	2006	2007	2008	2009
Structural labor productivity	1.5	2.5	2.8	2.1	2.1	2.0	2.0
Previous	1.5	2.5	2.8	2.1	2.1	1.9	1.8
<i>Contributions</i> ¹							
Capital deepening	.7	1.4	.7	.7	.6	.5	.6
Previous	.7	1.4	.7	.7	.7	.5	.5
Multifactor productivity	.5	.7	1.8	1.1	1.2	1.3	1.3
Previous	.5	.7	1.8	1.1	1.2	1.2	1.2
Labor composition	.3	.3	.3	.2	.2	.2	.2
MEMO							
Potential GDP	3.0	3.4	2.8	2.4	2.5	2.5	2.5
Previous	3.0	3.4	2.8	2.4	2.4	2.3	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.

The Outlook for the Labor Market

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

Measure	2006	2007	2008	2009
Output per hour, nonfarm business	.8	2.9	1.8	2.1
Previous	.9	2.9	1.0	2.7
Nonfarm private payroll employment	1.7	.9	-.6	1.0
Previous	1.7	.9	-.9	1.0
Household survey employment	2.1	.4	-.3	.8
Previous	2.1	.4	-.6	1.0
Labor force participation rate ¹	66.3	66.0	65.8	65.6
Previous	66.3	66.0	65.6	65.4
Civilian unemployment rate ¹	4.4	4.8	5.6	5.6
Previous	4.4	4.8	5.7	5.5
MEMO				
GDP gap ²	.1	.1	-1.4	-1.5
Previous	.1	.1	-1.9	-1.3

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	2006	2007	2008	2009
PCE chain-weighted price index	1.9	3.4	4.2	2.1
Previous	1.9	3.4	3.3	1.8
Food and beverages	2.3	4.5	4.1	2.3
Previous	2.3	4.5	3.0	2.2
Energy	-4.0	19.6	28.0	.8
Previous	-4.0	19.6	16.2	-1.4
Excluding food and energy	2.3	2.1	2.3	2.2
Previous	2.3	2.1	2.3	2.0
Consumer price index	1.9	4.0	5.0	2.2
Previous	1.9	4.0	3.8	1.8
Excluding food and energy	2.7	2.3	2.4	2.4
Previous	2.7	2.3	2.5	2.2
GDP chain-weighted price index	2.7	2.6	2.0	2.2
Previous	2.7	2.6	2.0	2.0
ECI for compensation of private industry workers ¹	3.2	3.0	3.4	3.4
Previous	3.2	3.0	3.4	3.3
Compensation per hour, nonfarm business sector	5.0	4.4	4.1	4.1
Previous	5.0	3.9	4.0	3.8
Prices of core nonfuel imports	2.4	3.3	5.8	1.4
Previous	2.4	3.3	4.6	1.3

1. December to December.

Prices and labor costs. We have marked up our forecast for core inflation in the second half of this year and in 2009. The upward revisions to prices for energy and other commodities imply a larger contribution of these factors to core inflation. In addition, while the recent indicators of long-run inflation expectations have been mixed, we view them as, on balance, pointing to a slight updrift, which we have allowed to show through to our projection for core inflation. The indirect effects of energy prices and higher inflation expectations continue to put upward pressure on core inflation next year, but these influences are counterbalanced by a projected deceleration in import prices and by the widening gap in resource utilization. In all, core PCE inflation is projected to step up from an annual rate of 2 percent in the first half of this year to a 2½ percent pace in the second half before dropping back to 2¼ percent next year.

The Long-Term Outlook
(Percent change, Q4 to Q4, except as noted)

Measure	2007	2008	2009	2010	2011	2012
Real GDP	2.5	1.0	2.4	3.1	3.0	3.0
Civilian unemployment rate ¹	4.8	5.6	5.6	5.4	5.1	4.9
PCE prices, total	3.4	4.2	2.1	1.9	1.8	1.7
Core PCE prices	2.1	2.3	2.2	2.0	1.8	1.7
Federal funds rate ¹	4.5	2.0	2.8	3.3	3.5	4.2

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

With core inflation entering 2010 close to 2 percent, the federal funds rate continues to inch up, reaching 4¼ percent by the end of 2012. This monetary policy stance generates enough persistent (albeit declining) economic slack to bring inflation down to 1¾ percent in 2011 and 2012, with the unemployment rate poised to settle in at the NAIRU in 2013. Real GDP advances 3 percent per year, on average, from 2010 to 2012, nearly ½ percentage point above its projected potential growth rate over that period.

Financial Flows and Conditions

Domestic nonfinancial debt growth is expected to slow sharply from its 8¼ percent pace last year to an annual rate of 3¾ percent in the second quarter, then maintain an average annual pace of about 4½ percent in the second half of this year and next. This projection of subdued growth in nonfinancial debt in part reflects our view that significant financial headwinds will linger for some time.

After having increased 6¾ percent in 2007, household debt rose at an annual rate of only 3½ percent in the first quarter of this year and is expected to decelerate further to an average annual increase of about 2½ percent through the end of 2009. The substantial drop in debt growth stems mainly from a slowdown in home mortgage borrowing as home prices continue to fall and terms and standards on mortgage loans remain tight. Tighter lending conditions for other types of household debt and sluggish increases in consumer spending are expected to temper the growth of consumer credit.

Debt of the nonfinancial business sector is expected to expand at an average annual rate of about 5 percent through 2009, down considerably from the double-digit rise recorded last year. Net equity retirements are expected to slow during the forecast period, reducing the demand for debt financing. In addition, business borrowing is anticipated to be restrained by relatively tight bank-lending standards, particularly over the next few

Alternative Scenarios

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

Measure and scenario	2008		2009	2010	2011-12
	H1	H2			
<i>Real GDP</i>					
Greenbook baseline	1.4	0.7	2.4	3.1	3.0
Upside risk	1.4	2.8	2.7	2.5	2.6
Recession	1.4	-0.8	1.8	3.8	3.5
Delayed credit recovery	1.4	0.4	2.0	2.8	3.2
Higher inflation expectations	1.4	0.6	2.5	3.0	2.8
Ongoing commodity price pressures	1.4	0.5	2.2	3.2	2.8
Less worker bargaining power	1.4	0.5	2.2	3.5	3.3
<i>Civilian unemployment rate</i> ¹					
Greenbook baseline	5.3	5.6	5.6	5.4	4.9
Upside risk	5.3	5.3	5.0	5.1	5.0
Recession	5.3	5.8	6.1	5.8	4.8
Delayed credit recovery	5.3	5.6	5.8	5.7	5.0
Higher inflation expectations	5.3	5.6	5.6	5.4	5.0
Ongoing commodity price pressures	5.3	5.6	5.7	5.5	4.9
Less worker bargaining power	5.3	5.6	5.7	5.4	4.7
<i>Core PCE inflation</i>					
Greenbook baseline	2.1	2.5	2.2	2.0	1.8
Upside risk	2.1	2.5	2.3	2.1	2.0
Recession	2.1	2.5	2.1	1.8	1.6
Delayed credit recovery	2.1	2.5	2.2	2.0	1.7
Higher inflation expectations	2.1	2.6	2.6	2.4	2.2
Ongoing commodity price pressures	2.1	2.6	2.6	2.4	1.8
Less worker bargaining power	2.1	2.5	2.0	1.6	1.5
<i>Federal funds rate</i> ¹					
Greenbook baseline	2.1	2.0	2.8	3.3	4.2
Upside risk	2.1	2.9	4.2	3.8	4.2
Recession	2.1	1.4	1.4	2.6	4.3
Delayed credit recovery	2.1	1.9	2.3	2.6	4.0
Higher inflation expectations	2.1	2.0	3.2	4.0	4.6
Ongoing commodity price pressures	2.1	1.9	2.8	3.9	4.1
Less worker bargaining power	2.1	1.9	2.4	2.9	4.3

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

1½ percent annual rate rather than declining. As a consequence, real GDP rises at a 2¾ percent average annual rate over the second half of the year and through 2009, outstripping the growth of potential output and bringing the unemployment rate down to 5 percent by the end of next year. Inflation in 2009 is a bit higher than in the staff forecast. In response, the federal funds rate rises close to 3 percent by the end of this year and to 4¼ percent by the end of 2009. This tighter policy keeps GDP growth near

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

Measure	2008	2009	2010	2011	2012
<i>Real GDP</i> (percent change, Q4 to Q4)					
Projection	1.0	2.4	3.1	3.0	3.0
Confidence interval					
Greenbook forecast errors	-.1-2.2	.9-4.0	...	...	...
FRB/US stochastic simulations	.2-1.9	1.1-3.9	1.6-4.9	1.3-4.8	1.2-4.8
<i>Civilian unemployment rate</i> (percent, Q4)					
Projection	5.6	5.6	5.4	5.1	4.9
Confidence interval					
Greenbook forecast errors	5.3-5.9	4.9-6.4	...	...	...
FRB/US stochastic simulations	5.3-5.9	5.1-6.1	4.7-6.0	4.3-5.8	4.0-5.6
<i>PCE prices, total</i> (percent change, Q4 to Q4)					
Projection	4.2	2.1	1.9	1.8	1.7
Confidence interval					
Greenbook forecast errors	3.5-4.8	1.2-3.0	...	...	...
FRB/US stochastic simulations	3.6-4.8	1.2-3.1	.9-3.0	.8-3.0	.7-2.9
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)					
Projection	2.3	2.2	2.0	1.8	1.7
Confidence interval					
Greenbook forecast errors	1.9-2.7	1.5-3.0	...	...	...
FRB/US stochastic simulations	2.0-2.6	1.7-2.8	1.3-2.7	1.1-2.6	1.0-2.6
<i>Federal funds rate</i> (percent, Q4)					
Projection	2.0	2.8	3.3	3.5	4.2
Confidence interval					
FRB/US stochastic simulations	1.4-2.7	1.4-4.2	1.9-5.0	2.1-5.4	2.7-6.1

Notes: Intervals derived from Greenbook forecast errors are based on projections made from 1987-2007. Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1987-2007 set of model equation residuals.

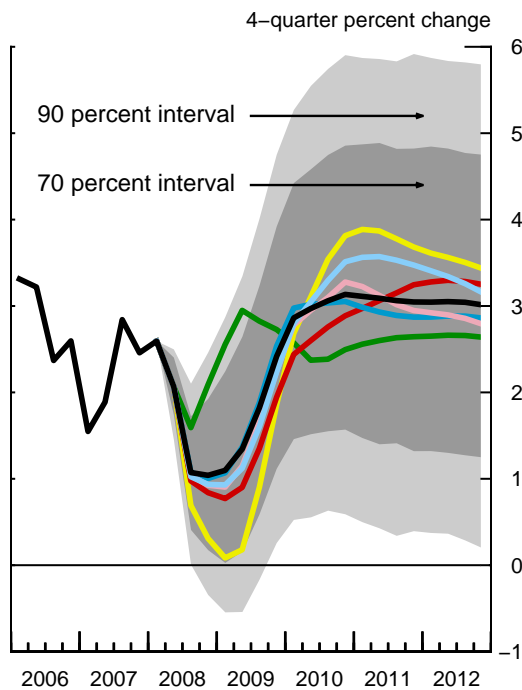
... Not applicable. The Greenbook forecast horizon has typically extended about two years.

Forecast Confidence Intervals and Alternative Scenarios under the Assumption that Monetary Policy Follows an Estimated Taylor Rule

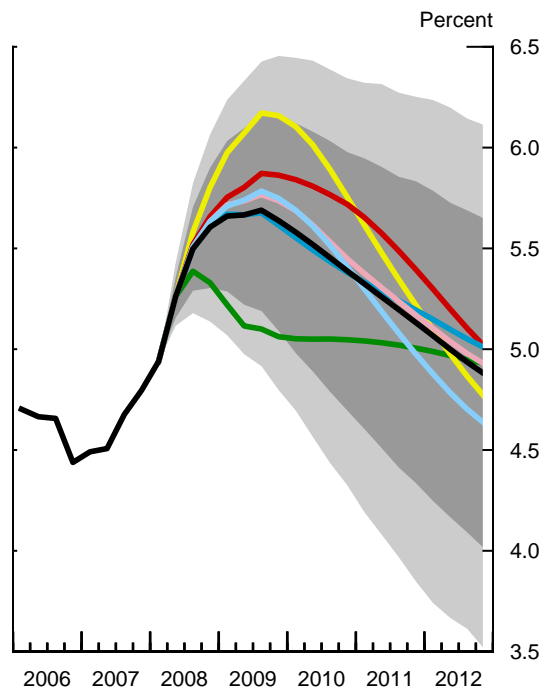
Confidence Intervals based on FRB/US Stochastic Simulations

- | | | |
|----------------------|---------------------------------|-------------------------------------|
| ■ Greenbook baseline | ■ Delayed credit recovery | ■ Ongoing commodity price pressures |
| ■ Upside risk | ■ Higher inflation expectations | ■ Less worker bargaining power |
| ■ Recession | | |

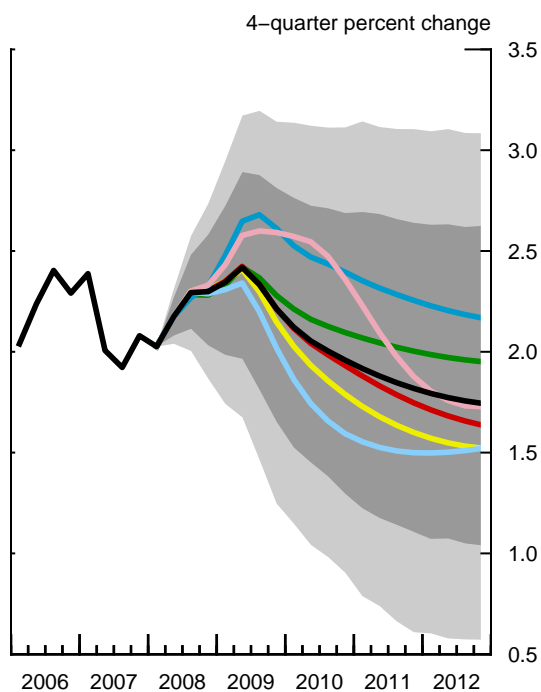
Real GDP



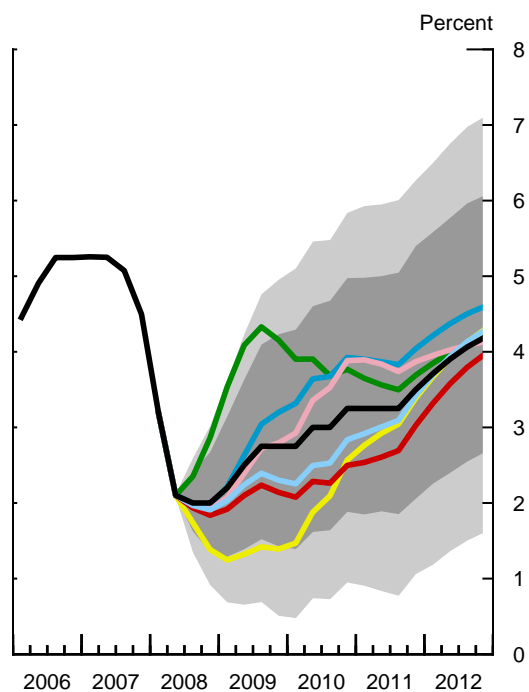
Unemployment Rate



PCE Prices excluding Food and Energy



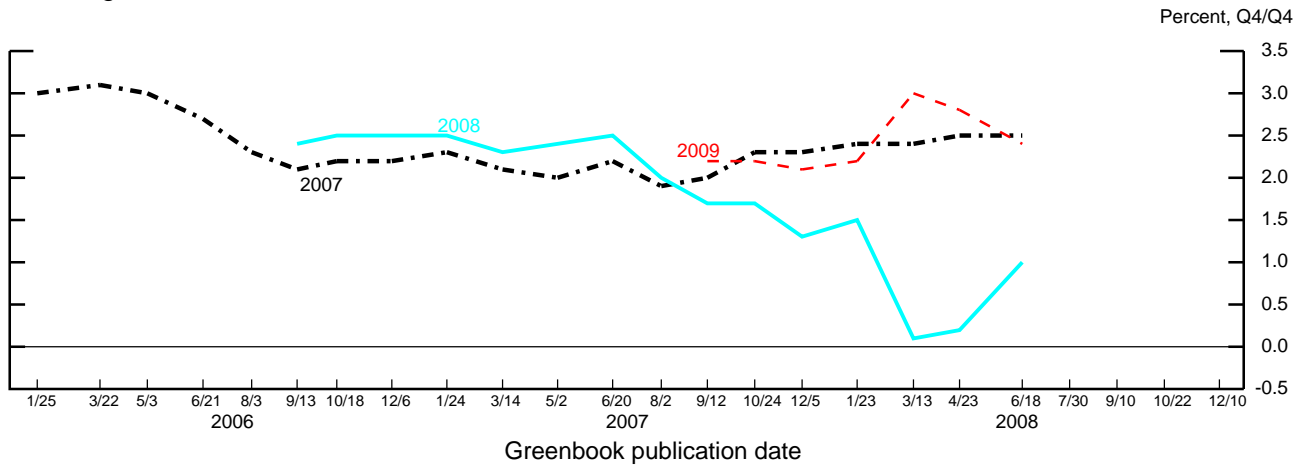
Federal Funds Rate



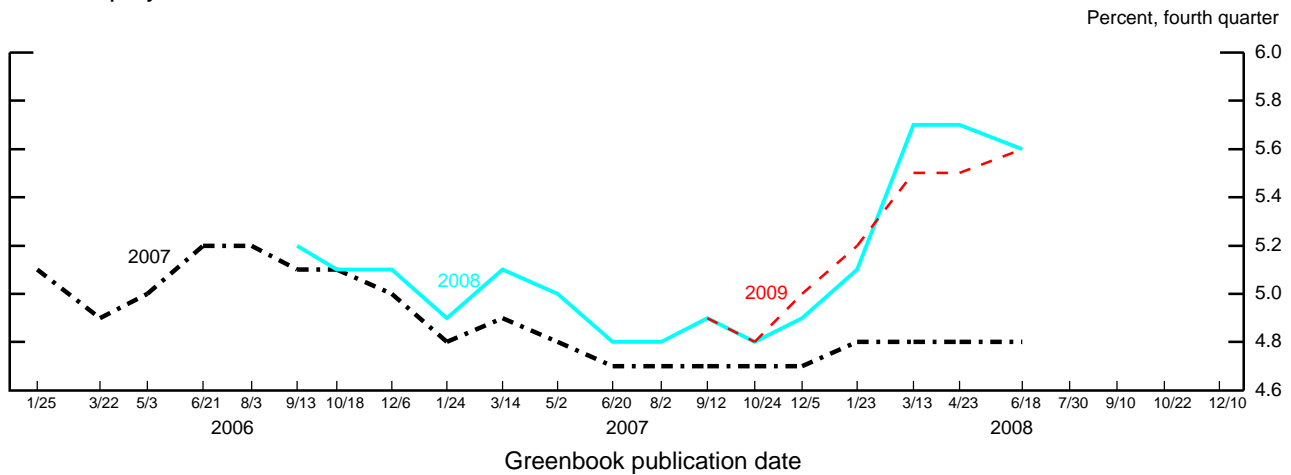
Class II FOMC - Restricted (FR)

Evolution of the Staff Forecast

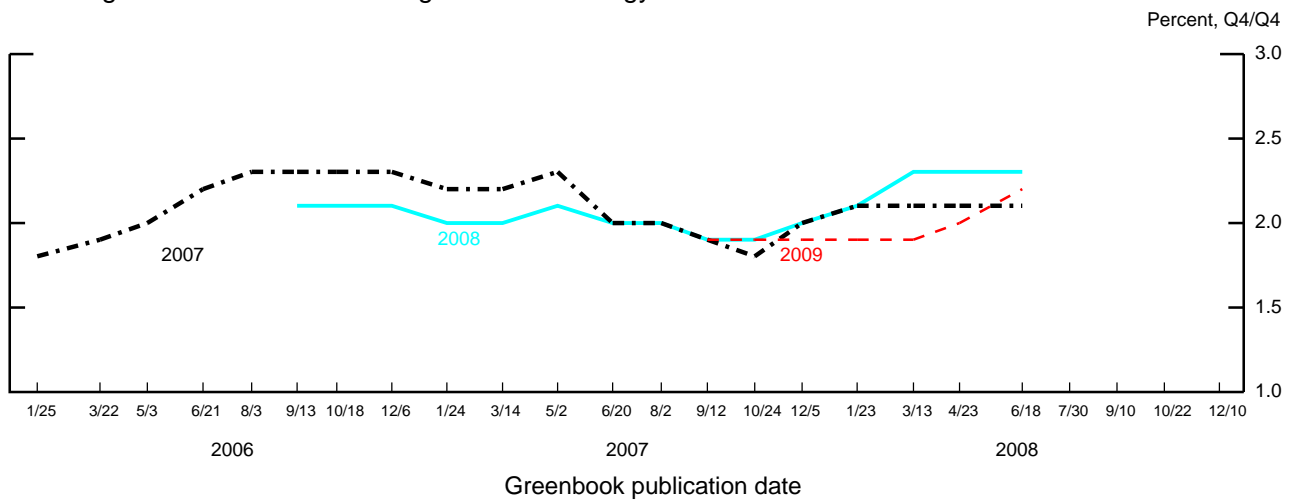
Change in Real GDP



Unemployment Rate



Change in PCE Prices excluding Food and Energy



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	
	04/23/08	06/18/08	04/23/08	06/18/08	04/23/08	06/18/08	04/23/08	06/18/08	04/23/08	06/18/08
<i>Quarterly</i>										
2007:Q1	4.9	4.9	.6	.6	3.5	3.5	2.4	2.4	4.5	4.5
2007:Q2	6.6	6.6	3.8	3.8	4.3	4.3	1.4	1.4	4.5	4.5
2007:Q3	6.0	6.0	4.9	4.9	1.8	1.8	2.0	2.0	4.7	4.7
2007:Q4	3.0	3.0	.6	.6	3.9	3.9	2.5	2.5	4.8	4.8
2008:Q1	3.0	3.9	.4	1.1	3.5	3.6	2.1	2.2	4.9	4.9
2008:Q2	-6	1.9	-1.4	1.7	4.3	4.1	2.3	2.0	5.2	5.3
2008:Q3	3.7	3.9	1.2	.9	3.2	5.9	2.4	2.5	5.5	5.5
2008:Q4	2.8	2.7	.7	.5	2.2	3.1	2.4	2.6	5.7	5.6
2009:Q1	4.0	3.8	1.7	1.4	2.0	2.5	2.2	2.4	5.7	5.7
2009:Q2	5.3	5.1	3.1	2.7	1.7	2.1	2.0	2.3	5.6	5.7
2009:Q3	5.2	4.9	3.2	2.8	1.6	2.0	1.9	2.1	5.6	5.7
2009:Q4	5.2	4.8	3.3	2.8	1.7	2.0	1.9	2.1	5.5	5.6
<i>Two-quarter²</i>										
2007:Q2	5.7	5.7	2.2	2.2	3.9	3.9	1.9	1.9	.1	.1
2007:Q4	4.5	4.5	2.7	2.7	2.9	2.9	2.3	2.3	.3	.3
2008:Q2	1.2	2.9	-.5	1.4	3.9	3.8	2.2	2.1	.4	.5
2008:Q4	3.2	3.3	.9	.7	2.7	4.5	2.4	2.5	.5	.3
2009:Q2	4.6	4.4	2.4	2.0	1.9	2.3	2.1	2.3	-.1	.1
2009:Q4	5.2	4.9	3.3	2.8	1.7	2.0	1.9	2.1	-.1	-.1
<i>Four-quarter³</i>										
2006:Q4	5.4	5.4	2.6	2.6	1.9	1.9	2.3	2.3	-.5	-.5
2007:Q4	5.1	5.1	2.5	2.5	3.4	3.4	2.1	2.1	.4	.4
2008:Q4	2.2	3.1	.2	1.0	3.3	4.2	2.3	2.3	.9	.8
2009:Q4	4.9	4.6	2.8	2.4	1.8	2.1	2.0	2.2	-.2	.0
<i>Annual</i>										
2006	6.1	6.1	2.9	2.9	2.8	2.8	2.2	2.2	4.6	4.6
2007	4.9	4.9	2.2	2.2	2.5	2.5	2.1	2.1	4.6	4.6
2008	3.0	3.7	1.0	1.7	3.4	3.8	2.2	2.2	5.3	5.3
2009	3.9	3.9	1.8	1.7	2.2	2.9	2.2	2.3	5.6	5.7

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

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

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

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

Item	2007				2008				2009				2007 ¹	2008 ¹	2009 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous</i>	.6	3.8	4.9	.6	1.1	1.7	.9	.5	1.4	2.7	2.8	2.8	2.5	1.0	2.4
Final sales <i>Previous</i>	.6	3.8	4.9	.6	.4	-1.4	1.2	.7	1.7	3.1	3.2	3.3	2.5	.2	2.8
Priv. dom. final purch. <i>Previous</i>	1.3	3.6	4.0	2.4	.9	3.2	1.7	-2.6	.6	2.8	2.5	1.6	2.8	.8	1.9
	1.3	3.6	4.0	2.4	-3	.9	2.1	-2.5	.3	3.3	2.9	2.0	2.8	.0	2.1
	2.2	1.7	2.2	1.1	-4	.5	.9	-4.4	-2	1.2	1.9	2.2	1.8	-9	1.3
	2.2	1.7	2.2	1.1	-1.0	-2.2	.3	-4.1	-2	2.0	2.2	2.8	1.8	-1.8	1.7
Personal cons. expend. <i>Previous</i>	3.7	1.4	2.8	2.3	1.2	2.2	2.6	-3.8	1.0	1.5	1.7	1.9	2.6	.5	1.5
Durables	3.7	1.4	2.8	2.3	1.0	.2	2.7	-3.9	.6	2.3	2.2	2.7	2.6	.0	2.0
Nondurables	8.8	1.7	4.5	2.0	-5.8	.1	8.2	.9	3.6	4.1	4.8	4.9	4.2	.7	4.4
Services	3.0	-5	2.2	1.2	.1	4.5	2.5	-5.2	1.2	1.7	1.9	2.3	1.5	.4	1.8
	3.1	2.3	2.8	2.8	3.0	1.4	1.7	-3.9	.4	.9	1.1	1.2	2.8	.5	.9
Residential investment <i>Previous</i>	-16.3	-11.8	-20.5	-25.2	-24.7	-23.7	-24.8	-26.9	-22.0	-4.1	.5	2.2	-18.6	-25.0	-6.4
	-16.3	-11.8	-20.5	-25.2	-30.9	-32.0	-26.5	-17.5	-11.5	-3.3	-8	.7	-18.6	-26.9	-3.9
Business fixed invest. <i>Previous</i>	2.1	11.0	9.3	6.0	-2	-1.2	-9	-1.2	-1.3	.8	3.6	4.4	7.1	-9	1.9
Equipment & software <i>Previous</i>	2.1	11.0	9.3	6.0	-1.1	-6.7	-6.2	-1.1	-2.8	1.3	2.9	4.1	7.1	-3.8	1.3
	.3	4.7	6.2	3.1	-1.1	-5.4	-1.3	-1.1	-1.2	1.3	4.8	5.7	3.6	-2.2	2.6
	.3	4.7	6.2	3.1	-2	-8.4	-7.7	-3	-2.6	3.3	5.6	7.3	3.6	-4.2	3.3
Nonres. structures <i>Previous</i>	6.4	26.2	16.4	12.4	1.7	7.8	-1	-1.4	-1.4	.0	1.4	2.0	15.1	1.9	.5
	6.4	26.2	16.4	12.4	-2.8	-3.2	-2.9	-2.7	-3.1	-2.7	-2.4	-2.1	15.1	-2.9	-2.6
Net exports ² <i>Previous</i> ²	-612	-574	-533	-503	-481	-421	-401	-377	-366	-327	-307	-315	-556	-420	-329
Exports	-612	-574	-533	-503	-492	-428	-388	-371	-366	-330	-306	-318	-556	-420	-330
Imports	1.1	7.5	19.1	6.5	5.6	7.2	7.1	7.2	7.3	7.5	7.5	7.6	8.4	6.8	7.5
	3.9	-2.7	4.4	-1.4	-5	-6.7	1.2	.7	3.6	-2.1	1.9	8.1	1.0	-1.4	2.8
Govt. cons. & invest. <i>Previous</i>	-5	4.1	3.8	2.0	2.1	3.1	1.6	1.9	2.1	1.7	1.2	1.1	2.3	2.2	1.5
Federal	-5	4.1	3.8	2.0	.7	2.8	2.1	2.3	2.0	1.7	1.3	1.1	2.3	2.0	1.5
Defense	-6.3	6.0	7.1	.5	4.4	6.2	2.7	3.9	4.5	3.1	2.7	2.3	1.7	4.3	3.2
Nondefense	-10.8	8.5	10.1	-5	5.6	8.9	4.0	5.3	6.1	4.1	3.4	2.9	1.5	5.9	4.1
State & local	3.8	.9	1.1	2.8	1.8	.7	.1	.9	1.0	1.0	1.0	1.0	2.1	.9	1.0
	3.0	3.0	1.9	2.8	.8	1.4	.9	.8	.8	.8	.4	.4	2.7	1.0	.6
Change in bus. inventories ² <i>Previous</i> ²	0	6	31	-18	-13	-54	-78	7	28	25	33	66	5	-35	38
Nonfarm ²	0	6	31	-18	-1	-68	-93	-3	36	32	40	75	5	-41	46
Farm ²	-6	1	26	-22	-12	-56	-81	6	28	25	33	67	0	-36	38
	5	4	4	2	-1	1	1	1	1	1	1	1	4	0	1

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

2. Billions of chained (2000) dollars.

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

Item	2001 ¹	2002 ¹	2003 ¹	2004 ¹	2005 ¹	2006 ¹	2007 ¹	2008 ¹	2009 ¹
Real GDP <i>Previous</i>	.2	1.9	3.7	3.1	2.9	2.6	2.5	1.0	2.4
	.2	1.9	3.7	3.1	2.9	2.6	2.5	.2	2.8
Final sales <i>Previous</i>	1.5	.8	3.7	2.8	2.9	3.0	2.8	.8	1.9
Priv. dom. final purch. <i>Previous</i>	1.5	.8	3.7	2.8	2.9	3.0	2.8	.0	2.1
	1.0	1.1	4.1	4.3	3.3	2.4	1.8	-.9	1.3
	1.0	1.1	4.1	4.3	3.3	2.4	1.8	-1.8	1.7
Personal cons. expend. <i>Previous</i>	2.8	1.9	3.4	3.7	2.8	3.4	2.6	.5	1.5
	2.8	1.9	3.4	3.7	2.8	3.4	2.6	.0	2.0
Durables	10.8	1.2	8.3	5.6	1.2	6.6	4.2	.7	4.4
Nondurables	1.9	2.1	3.9	3.5	3.6	3.6	1.5	.4	1.8
Services	1.6	1.9	2.2	3.3	2.7	2.6	2.8	.5	.9
Residential investment <i>Previous</i>	1.4	7.0	11.7	6.7	6.4	-12.8	-18.6	-25.0	-6.4
	1.4	7.0	11.7	6.7	6.4	-12.8	-18.6	-26.9	-3.9
Business fixed invest. <i>Previous</i>	-9.6	-6.5	4.9	7.5	5.1	5.2	7.1	-.9	1.9
	-9.6	-6.5	4.9	7.5	5.1	5.2	7.1	-3.8	1.3
Equipment & software <i>Previous</i>	-9.0	-3.4	6.6	9.4	7.1	2.5	3.6	-2.2	2.6
	-9.0	-3.4	6.6	9.4	7.1	2.5	3.6	-4.2	3.3
Nonres. structures <i>Previous</i>	-11.1	-14.9	.2	2.3	-.3	12.3	15.1	1.9	.5
	-11.1	-14.9	.2	2.3	-.3	12.3	15.1	-2.9	-2.6
Net exports ² <i>Previous</i> ²	-399	-471	-519	-594	-618	-624	-556	-420	-329
	-399	-471	-519	-594	-618	-624	-556	-420	-330
Exports	-11.9	3.8	5.8	7.4	7.0	9.3	8.4	6.8	7.5
Imports	-7.6	9.7	4.8	11.5	5.1	3.7	1.0	-1.4	2.8
Govt. cons. & invest. <i>Previous</i>	5.0	4.0	1.7	.7	.9	2.5	2.3	2.2	1.5
	5.0	4.0	1.7	.7	.9	2.5	2.3	2.0	1.5
Federal	6.4	7.8	5.5	2.4	1.3	3.7	1.7	4.3	3.2
Defense	6.5	8.4	7.5	2.5	1.1	5.9	1.5	5.9	4.1
Nondefense	6.3	6.8	1.9	2.3	1.9	-.7	2.1	.9	1.0
State & local	4.2	2.1	-.4	-.4	.7	1.8	2.7	1.0	.6
Change in bus. inventories ² <i>Previous</i> ²	-32	12	14	54	33	40	5	-35	38
	-32	12	14	54	33	40	5	-41	46
Nonfarm ²	-32	15	14	48	34	42	0	-36	38
Farm ²	0	-2	0	6	-0	-1	4	0	1

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

2. Billions of chained (2000) dollars.

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

Item	2007				2008				2009				2007 ¹	2008 ¹	2009 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous</i>	.6	3.8	4.9	.6	1.1	1.7	.9	.5	1.4	2.7	2.8	2.8	2.5	1.0	2.4
Final sales <i>Previous</i>	.6	3.8	4.9	.6	.4	-1.4	1.2	.7	1.7	3.1	3.2	3.3	2.5	.2	2.8
Priv. dom. final purch. <i>Previous</i>	1.3	3.6	4.0	2.4	.9	3.2	1.7	-2.7	.6	2.8	2.5	1.7	2.8	.8	1.9
Personal cons. expend. <i>Previous</i>	1.3	3.6	4.0	2.4	-3	1.0	2.1	-2.5	.3	3.3	2.9	2.1	2.8	.0	2.1
Durables	1.9	1.5	1.9	1.0	-3	.4	.8	-3.9	-1	1.1	1.6	1.9	1.6	-8	1.1
Nondurables	1.9	1.5	1.9	1.0	-8	-1.9	.3	-3.6	-2	1.7	1.9	2.4	1.6	-1.5	1.4
Services	2.6	1.0	2.0	1.6	.8	1.5	1.8	-2.8	.7	1.1	1.2	1.4	1.8	.4	1.1
Residential investment <i>Previous</i>	2.6	1.0	2.0	1.6	.7	.2	1.9	-2.9	.4	1.7	1.6	1.9	1.8	.0	1.4
Business fixed invest. <i>Previous</i>	.7	.1	.4	.2	-5	.0	.6	.1	.3	.3	.3	.4	.3	.1	.3
Equipment & software <i>Previous</i>	.6	-1	.5	.3	.0	.9	.5	-1.1	.3	.4	.4	.5	.3	.1	.4
Nonres. structures <i>Previous</i>	1.3	1.0	1.2	1.2	1.3	.6	.7	-1.7	.2	.4	.5	.5	1.2	.2	.4
Net exports <i>Previous</i>	-9	-6	-1.1	-1.3	-1.1	-1.0	-1.0	-1.0	-7	-1	.0	.1	-1.0	-1.0	-2
Exports	-9	-6	-1.1	-1.3	-1.5	-1.4	-1.0	-6	-4	-1	.0	.0	-1.0	-1.1	-1
Imports	.2	1.1	1.0	.6	.0	-1	-1	-1	-1	.1	.4	.4	.7	-1	.2
Govt. cons. & invest. <i>Previous</i>	.2	1.1	1.0	.6	-1	-7	-7	-1	-3	.1	.3	.4	.7	-4	.1
Federal	.0	.3	.4	.2	-1	-4	-1	-1	-1	.1	.3	.4	.3	-2	.2
Defense	.0	.3	.4	.2	.0	-6	-6	.0	-2	.2	.4	.5	.3	-3	.2
Nondefense	.2	.8	.5	.4	.1	.3	.0	.0	.0	.0	.0	.1	.5	.1	.0
State & local	.2	.8	.5	.4	-1	-1	-1	-1	-1	-1	-1	-1	.5	-1	-1
Change in bus. inventories <i>Previous</i>	-5	1.3	1.4	1.0	.8	2.1	.7	.8	.3	1.4	.7	-4	.8	1.1	.5
Nonfarm	-5	1.3	1.4	1.0	.3	2.3	1.4	.6	.1	1.2	.8	-5	.8	1.2	.4
Farm	.1	.9	2.1	.8	.7	.9	.9	.9	1.0	1.0	1.0	1.0	1.0	.9	1.0
	-6	.5	-7	.2	.1	1.3	-2	-1	-7	.4	-4	-1.5	-2	.3	-5
Govt. cons. & invest. <i>Previous</i>	-1	.8	.7	.4	.4	.6	.3	.4	.4	.3	.3	.2	.4	.4	.3
Federal	-1	.8	.7	.4	.1	.6	.4	.5	.4	.4	.3	.2	.4	.4	.3
Defense	-5	.4	.5	.0	.3	.4	.2	.3	.3	.2	.2	.2	.1	.3	.2
Nondefense	-5	.4	.5	.0	.3	.4	.2	.3	.3	.2	.2	.2	.1	.3	.2
State & local	.1	.0	.0	.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
Change in bus. inventories <i>Previous</i>	.4	.4	.2	.3	.1	.2	.1	.1	.1	.1	.1	.1	.3	.1	.1
Nonfarm	-7	.2	.9	-1.8	.3	-1.5	-9	3.1	.8	-1	.3	1.2	-3	.3	.5
Farm	-7	.2	.9	-1.8	.7	-2.4	-9	3.2	1.4	-1	.3	1.2	-3	.2	.7
	-7	.3	.9	-1.7	.3	-1.6	-9	3.2	.8	-1	.3	1.2	-3	.2	.5
	.0	-1	.0	-1	-1	.1	.0	.0	.0	.0	.0	.0	.0	.0	.0

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

Class II FOMC
Restricted (FR)

June 18, 2008

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

Item	2007				2008				2009				2007 ¹	2008 ¹	2009 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
GDP chain-wt. price index <i>Previous</i>	4.2	2.6	1.0	2.4	2.7	.2	3.0	2.3	2.4	2.3	2.1	2.0	2.6	2.0	2.2
PCE chain-wt. price index <i>Previous</i>	4.2	2.6	1.0	2.4	2.6	.9	2.4	2.1	2.3		1.9	1.8	2.6	2.0	2.0
Energy <i>Previous</i>	3.5	4.3	1.8	3.9	3.6	4.1	5.9	3.1	2.5	2.1	2.0	2.0	3.4	4.2	2.1
Food <i>Previous</i>	3.5	4.3	1.8	3.9	3.5	4.3	3.2	2.2	2.0	1.7	1.6	1.7	3.4	3.3	1.8
Ex. food & energy <i>Previous</i>	16.1	51.3	-6.7	24.9	18.6	27.4	61.7	10.0	3.5	.0	-.5	.2	19.6	28.0	.8
CPI <i>Previous</i>	16.1	51.3	-6.7	24.9	18.7	35.7	13.8	-6	-7	-2.2	-1.8	-1.0	19.6	16.2	-1.4
Ex. food & energy <i>Previous</i>	4.8	4.7	4.7	3.6	4.8	6.1	3.0	2.7	2.5	2.4	2.3	2.2	4.5	4.1	2.3
CPI <i>Previous</i>	4.8	4.7	4.7	3.6	4.8	2.5	2.4	2.5	2.4	2.2	2.1	2.0	4.5	3.0	2.2
Ex. food & energy <i>Previous</i>	2.4	1.4	2.0	2.5	2.2	2.0	2.5	2.6	2.4	2.3	2.1	2.1	2.1	2.3	2.2
CPI <i>Previous</i>	2.4	1.4	2.0	2.5	2.1	2.3	2.4	2.4	2.2	2.0	1.9	1.9	2.1	2.3	2.0
Ex. food & energy <i>Previous</i>	3.7	4.6	2.8	5.0	4.3	4.7	7.6	3.5	2.7	2.1	2.0	2.1	4.0	5.0	2.2
ECL, hourly compensation ² <i>Previous</i> ²	3.7	4.6	2.8	5.0	4.3	5.2	3.7	2.2	2.1	1.7	1.7	1.8	4.0	3.8	1.8
Nonfarm business sector Output per hour <i>Previous</i>	2.3	2.0	2.5	2.5	2.5	1.7	2.6	2.7	2.5	2.4	2.3	2.3	2.3	2.4	2.4
Compensation per hour <i>Previous</i>	2.3	2.0	2.5	2.5	2.5	2.3	2.6	2.5	2.4	2.2	2.1	2.1	2.3	2.5	2.2
Unit labor costs <i>Previous</i>	2.7	3.1	3.1	3.5	3.0	3.3	3.5	3.5	3.4	3.4	3.4	3.4	3.0	3.4	3.4
	2.3	3.5	3.1	3.1	3.3	3.3	3.4	3.4	3.3	3.3	3.3	3.3	3.0	3.4	3.3
	1.3	2.7	6.0	1.8	2.9	2.3	1.2	.8	1.3	2.4	2.3	2.2	2.9	1.8	2.1
	1.0	2.6	6.3	1.9	1.0	-.5	2.3	1.3	2.1	3.2	2.8	2.7	2.9	1.0	2.7
	6.4	1.3	3.3	6.6	4.9	3.9	4.0	3.9	4.1	4.1	4.1	4.1	4.4	4.1	4.1
	6.4	1.3	3.4	4.7	4.1	3.9	4.0	3.9	3.8	3.8	3.7	3.7	3.9	4.0	3.8
	5.0	-1.3	-2.5	4.7	2.0	1.5	2.7	3.0	2.8	1.7	1.8	1.8	1.4	2.3	2.0
	5.4	-1.3	-2.7	2.7	3.1	4.4	1.7	2.5	1.7	.7	.9	.9	.9	2.9	1.0

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

2. Private-industry workers.

Other Macroeconomic Indicators

Item	2007				2008				2009				2007 ¹	2008 ¹	2009 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Employment and production</i>															
Nonfarm payroll employment ²	4	.3	.3	.3	-1	-1	-1	-1	.2	.3	.3	.4	1.2	-.5	1.2
Unemployment rate ³	4.5	4.5	4.7	4.8	4.9	5.3	5.5	5.6	5.7	5.7	5.7	5.6	4.8	5.6	5.6
<i>Previous³</i>	4.5	4.5	4.7	4.8	4.9	5.2	5.5	5.7	5.7	5.6	5.6	5.5	4.8	5.7	5.5
GDP gap ⁴	-4	.0	.5	.1	-3	-5	-9	-1.4	-1.6	-1.6	-1.5	-1.5	.1	-1.4	-1.5
<i>Previous⁴</i>	-3	.0	.6	.1	-3	-1.2	-1.5	-1.9	-2.0	-1.8	-1.6	-1.3	.1	-1.9	-1.3
Industrial production ⁵	1.5	3.2	3.6	.3	-3	-3.2	1.8	2.4	2.6	1.9	2.4	3.8	2.1	.1	2.7
<i>Previous⁵</i>	1.5	3.2	3.6	.4	-1	-8	.2	2.7	2.4	2.3	2.4	3.1	2.2	.5	2.6
Manufacturing industr. prod. ⁵	1.1	4.7	4.0	-6	-1.2	-3.5	.7	.9	1.8	2.2	2.7	3.8	2.3	-.8	2.6
<i>Previous⁵</i>	1.1	4.7	4.0	-6	-5	-1.4	-.8	1.9	2.2	2.8	2.7	3.5	2.3	-.2	2.8
Capacity utilization rate - mfg. ³	78.9	79.5	79.8	79.3	78.6	77.6	77.4	77.3	77.4	77.5	77.7	78.1	79.3	77.3	78.1
<i>Previous³</i>	78.9	79.5	79.8	79.3	78.8	78.1	77.7	77.8	77.9	78.2	78.4	78.8	79.3	77.8	78.8
Housing starts ⁶	1.5	1.5	1.3	1.2	1.1	1.0	.9	.8	.8	.8	.9	.9	1.4	.9	.9
Light motor vehicle sales ⁶	16.3	16.0	15.9	16.1	15.2	14.1	14.4	14.6	14.8	15.0	15.2	15.4	16.1	14.6	15.1
<i>Income and saving</i>															
Nominal GDP ⁵	4.9	6.6	6.0	3.0	3.9	1.9	3.9	2.7	3.8	5.1	4.9	4.8	5.1	3.1	4.6
Real disposable pers. income ⁵	5.4	-.8	4.0	.9	1.7	12.0	-10.4	-2.8	3.7	1.7	1.4	2.4	2.4	-.2	2.3
<i>Previous⁵</i>	5.4	-.8	4.0	.1	2.1	9.5	-8.4	-1.5	4.2	2.1	1.5	2.5	2.2	.2	2.6
Personal saving rate ³	1.0	.3	.4	.2	.5	2.8	-.5	-.3	.4	.4	.4	.5	.2	-.3	.5
<i>Previous³</i>	1.0	.3	.4	.0	.2	2.4	-.4	.2	1.1	1.1	.9	.9	.0	.2	.9
Corporate profits ⁷	4.4	26.8	-4.9	-12.4	-4.1	3.2	.2	1.9	4.6	5.8	6.6	9.2	2.5	.3	6.5
Profit share of GNP ³	11.4	11.9	11.5	11.0	10.8	10.9	10.8	10.7	10.8	10.8	10.8	10.9	11.0	10.7	10.9
Net federal saving ⁸	-219	-207	-230	-218	-312	-663	-470	-426	-455	-438	-419	-420	-221	-467	-433
Net state & local saving ⁸	-6	13	-13	-42	-64	-77	-72	-79	-79	-76	-70	-64	-12	-73	-72
Gross national saving rate ³	13.8	13.8	13.2	12.6	11.8	11.4	10.3	10.8	10.8	11.0	11.2	11.3	12.6	10.8	11.3
Net national saving rate ³	1.7	1.7	1.2	.4	-.3	-.9	-2.1	-1.5	-1.5	-1.2	-1.0	-.7	.4	-1.5	-.7

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. (In previous Greenbooks, we expressed the GDP gap with the opposite sign, so that a positive number indicated that actual output fell short of 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.

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

June 18, 2008

Item	Fiscal year				2007				2008				2009			
	2006 ^a	2007 ^a	2008	2009	Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^a	Q1 ^a	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget	Not seasonally adjusted															
Receipts ¹	2407	2568	2550	2685	547	824	622	606	540	778	626	626	537	846	676	649
Outlays ¹	2655	2729	2920	3079	725	687	663	713	746	739	722	769	777	774	759	814
Surplus/deficit ¹	-248	-162	-370	-394	-178	137	-41	-107	-206	39	-96	-142	-240	72	-83	-165
<i>Previous</i>	-248	-162	-375	-408	-178	137	-42	-106	-206	35	-99	-133	-261	68	-82	-161
On-budget	-434	-343	-560	-576	-212	53	-48	-166	-237	-50	-106	-211	-257	-19	-89	-234
Off-budget	186	181	190	182	34	85	7	59	31	89	11	69	17	91	6	68
Means of financing																
Borrowing	237	206	329	408	152	-110	106	89	200	-65	105	123	235	-47	97	155
Cash decrease	-16	-23	30	-5	25	-19	-50	18	11	1	0	16	10	-20	-10	15
Other ²	28	-22	11	-10	1	-8	-15	-1	-5	26	-9	4	-5	-5	-5	-5
Cash operating balance, end of period	52	75	45	50	6	25	75	57	46	45	45	30	20	40	50	35
NIPA federal sector	Seasonally adjusted annual rates															
Receipts	2437	2635	2603	2774	2620	2670	2689	2715	2698	2370	2630	2703	2755	2788	2852	2890
Expenditures	2685	2845	3019	3209	2838	2877	2920	2933	3010	3032	3100	3129	3210	3226	3271	3310
Consumption expenditures	798	843	906	967	830	850	868	877	901	917	929	942	964	976	987	997
Defense	533	570	619	668	556	574	590	596	614	628	638	649	665	674	682	690
Nondefense	266	273	287	299	274	276	278	281	287	289	291	293	299	301	304	307
Other spending	1887	2001	2113	2242	2008	2027	2052	2056	2109	2115	2171	2187	2246	2250	2284	2313
Current account surplus	-248	-209	-416	-434	-219	-207	-230	-218	-312	-663	-470	-426	-455	-438	-419	-420
Gross investment	117	121	125	135	117	120	123	121	123	127	129	132	135	137	139	140
Gross saving less gross investment ³	-262	-221	-426	-450	-227	-216	-242	-227	-321	-675	-483	-440	-470	-454	-435	-436
Fiscal indicators⁴																
High-employment (HEB) surplus/deficit	-278	-233	-412	-369	-233	-223	-259	-233	-315	-658	-442	-376	-390	-367	-343	-346
Change in HEB, percent of potential GDP	-0.5	-0.4	1.2	-0.4	0.1	-0.1	0.2	-0.2	0.6	2.4	-1.6	-0.5	0.1	-0.2	-0.2	-0.0
Fiscal impetus (FI), percent of GDP	0.3	0.2	0.6	-0.0	-0.0	0.1	0.1	0.0	0.1	0.4	0.7	-0.5	-0.1	0.1	-0.0	-0.0
<i>Previous</i>	0.3	0.2	0.6	-0.0	-0.0	0.1	0.1	0.0	0.1	0.3	0.7	-0.5	-0.2	0.1	-0.0	-0.0

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 (2000) 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** **June 18, 2008**
(Percent)

Period ¹	Total	Households			Business	State and local governments	Federal government	Memo: Nominal GDP
		Total	Home mortgages	Consumer credit				
<i>Year</i>								
2002	7.3	10.8	13.3	5.7	2.4	11.0	7.6	3.6
2003	8.1	11.5	14.2	5.2	2.5	8.3	10.9	5.9
2004	8.8	11.2	13.7	5.5	5.8	7.4	9.0	6.5
2005	9.3	11.2	13.1	4.3	7.8	10.2	7.0	6.3
2006	8.8	10.2	11.2	4.5	9.8	8.2	3.9	5.4
2007	8.2	6.8	6.8	5.7	11.7	9.2	4.9	5.1
2008	4.7	2.8	2.5	3.6	5.7	6.5	6.9	3.1
2009	4.5	2.5	2.1	3.0	5.1	6.4	8.0	4.6
<i>Quarter</i>								
2007:1	8.0	7.0	7.9	4.8	9.4	11.2	6.7	4.9
2	7.2	7.2	7.4	5.6	11.1	10.3	-1.4	6.6
3	9.1	6.4	5.3	8.1	13.7	6.5	8.8	6.0
4	7.5	6.1	5.8	3.9	10.8	7.7	5.1	3.0
2008:1	6.1	3.4	3.0	5.1	8.1	6.4	9.5	3.9
2	3.8	2.7	2.4	2.9	5.5	7.1	2.1	1.9
3	4.4	2.7	2.2	3.4	4.5	6.1	8.2	3.9
4	4.1	2.5	2.1	2.9	4.3	6.0	7.3	2.7
2009:1	5.0	2.4	2.0	2.8	4.5	6.2	12.0	3.8
2	3.6	2.4	2.0	2.9	4.9	6.1	3.2	5.1
3	4.5	2.5	2.0	3.1	5.3	6.4	7.1	4.9
4	4.8	2.6	2.2	3.3	5.2	6.3	9.0	4.8

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 2008:Q1 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

2.6.3 FOF

**Class II FOMC
Restricted (FR)**

Flow of Funds Projections: Highlights

June 18, 2008

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

Category	2006	2007	2008	2009	2007				2008				2009			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	1723.5	1533.6	1072.1	1249.1	1908.1	1191.8	1346.1	803.0	1076.2	1062.9	1387.3	955.9	1255.9	1397.2		
Net equity issuance	-614.1	-835.7	-397.6	-236.0	-831.2	-1124.8	-562.2	-416.0	-336.0	-276.0	-236.0	-236.0	-236.0	-236.0		
Net debt issuance	2337.6	2369.3	1469.6	1485.1	2739.3	2316.6	1908.3	1219.0	1412.2	1338.9	1623.3	1191.9	1491.9	1633.2		
Borrowing indicators																
Debt (percent of GDP) ¹	210.2	217.4	223.1	224.5	217.3	220.2	221.8	223.5	223.7	224.5	225.0	224.6	224.2	224.1		
Borrowing (percent of GDP)	17.7	17.1	10.2	10.0	19.6	16.5	13.4	8.5	9.8	9.2	11.1	8.0	9.9	10.8		
Households																
Net borrowing ²	1196.9	883.6	392.3	353.9	856.2	829.9	464.3	379.5	373.6	351.8	340.8	339.3	355.1	380.6		
Home mortgages	990.2	668.8	259.6	223.1	547.1	604.9	320.9	255.0	236.1	226.6	217.2	212.5	221.9	240.8		
Consumer credit	104.4	138.4	91.8	80.3	202.1	98.5	129.4	74.4	87.9	75.6	73.5	76.7	82.6	88.6		
Debt/DPI (percent) ³	128.3	131.6	130.7	129.8	132.0	132.5	132.3	128.3	130.9	131.6	130.4	130.0	129.7	129.1		
Business																
Financing gap ⁴	186.6	253.7	233.7	317.9	271.4	302.6	283.4	211.4	175.5	264.5	323.3	304.1	306.8	337.4		
Net equity issuance	-614.1	-835.7	-397.6	-236.0	-831.2	-1124.8	-562.2	-416.0	-336.0	-276.0	-236.0	-236.0	-236.0	-236.0		
Credit market borrowing	806.1	1063.5	578.5	541.7	1309.6	1064.0	815.7	571.8	469.5	457.1	479.6	526.1	581.2	580.0		
State and local governments																
Net borrowing	151.2	185.2	143.3	149.5	138.5	164.8	139.5	158.8	137.5	137.5	145.5	145.5	153.5	153.5		
Current surplus ⁵	243.8	223.7	131.2	140.6	229.2	200.6	133.9	127.6	134.2	129.2	131.1	135.5	143.9	151.9		
Federal government																
Net borrowing	183.4	237.1	362.8	439.8	435.0	257.8	488.8	108.9	431.6	392.4	657.3	180.9	402.0	519.0		
Net borrowing (n.s.a.)	183.4	237.1	362.8	439.8	105.7	89.4	200.2	-65.4	104.9	123.1	235.0	-47.3	97.5	154.7		
Unified deficit (n.s.a.)	209.2	187.9	405.4	416.5	41.8	105.5	205.9	-38.6	95.7	142.4	240.1	-71.8	83.0	165.2		
<i>Depository institutions</i>																
Funds supplied	693.7	851.7	345.5	504.4	1141.1	1062.4	645.7	97.6	383.8	254.9	356.3	466.6	607.7	586.8		

Note. Data after 2008:Q1 are staff projections.

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

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

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

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

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

n.s.a. Not seasonally adjusted.

International Developments

Surging food and energy prices have continued to exert upward pressures on headline inflation abroad, and core inflation has also moved up in some countries. As a result, we now expect considerably higher inflation in foreign economies for the remainder of this year than we had forecast in the April Greenbook. Our outlook for foreign growth this year is also higher, largely in reaction to the upward revision to the U.S. outlook. Nevertheless, we continue to expect the pace of economic activity abroad to remain relatively subdued through the end of this year and then recover to about 3½ percent next year.

Summary of Staff Projections

(Percent change from end of previous period except as noted, s.a.a.r.)

Indicator	2007		2008	Projection		
	H1	H2	Q1	2008		2009
				Q2	H2	
Foreign output	4.6	3.6	2.9	2.2	2.6	3.4
April GB	4.6	3.7	2.7	1.9	2.2	3.6
Foreign CPI	3.0	4.2	4.8	4.8	3.8	2.7
April GB	3.0	4.2	4.7	3.3	2.8	2.5
Contribution to U.S. real GDP growth (percentage points)						
U.S. net exports	.4	1.2	.8	2.1	.7	.5
April GB	.4	1.2	.3	2.3	1.0	.4

NOTE. Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2.

Sovereign bond yields have risen in many foreign economies amid growing concerns about inflation and increasing expectations of monetary policy tightening. Money market conditions in advanced foreign economies have remained strained but have not deteriorated further since the time of the April Greenbook. The trade-weighted nominal dollar has increased 1 percent but has moved within a narrow range in the face of the relative calm in money markets and similar shifts in policy expectations for most countries.

In the third quarter, we project that core import prices will increase only 2½ percent, a pace consistent with the projected paths of commodity prices and the dollar. Compared with the April Greenbook, we marked down our projection for core import price inflation ½ percentage point as the current projected path for the dollar is stronger than in the previous Greenbook. We project that core import price inflation will fall further to 2 percent in the last quarter of 2008 and stabilize at 1½ percent in 2009, as commodity prices are projected to level off and as the dollar depreciates at a modest pace. Relative to the April Greenbook, the forecast for 2009 is little changed.

Staff Projections of Selected Trade Prices

(Percent change from end of previous period excepted as noted, s.a.a.r.)

Indicator	2007		2008	Projection		
	H1	H2	Q1	2008		2009
				Q2	H2	
<i>Imports</i>						
Core goods	3.1	3.5	8.3	10.5	2.3	1.4
April GB	3.1	3.5	7.5	6.0	2.5	1.3
Oil (dollars per barrel)	63.51	80.11	87.44	109.88	131.05	131.20
April GB	63.84	80.34	88.02	108.30	109.96	105.31
<i>Exports</i>						
Core goods	6.7	6.0	12.4	8.6	3.7	1.3
April GB	6.7	6.0	11.5	7.5	2.4	1.0

NOTE. Prices for core exports exclude computers and semiconductors. Prices for core imports exclude computers, semiconductors, oil, and natural gas. Both price series are on a NIPA 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.

After increasing 12½ percent in the first quarter, we project that core export prices will rise 8½ percent in the second quarter. The deceleration largely reflects developments in the prices of agricultural exports (particularly wheat and soybeans), which fell sharply in April following 11 months of large increases. In May, prices of soybeans recovered sufficiently to offset the continued decline in wheat prices. We expect core export price inflation to slow further in the third quarter to 5½ percent, reflecting lower rates of inflation for metals and nonfuel intermediate inputs. Over the remainder of the forecast period, the projected flattening out of commodity prices should push core export price inflation down further.

Trade in Goods and Services

Real exports of goods and services grew $5\frac{1}{2}$ percent at an annual rate in the first quarter, boosted by a robust increase in exports of services. We project that real exports will increase $7\frac{1}{4}$ percent in the current quarter and then continue to expand at about that pace through the end of the forecast period, supported by generally solid foreign GDP growth and past and prospective dollar depreciation. Relative to the April Greenbook, we increased our projection for real export growth nearly 1 percentage point in the second quarter, as the April trade data showed exports, particularly of capital goods, to have been stronger than we had expected. In 2009, we revised down our forecast $\frac{3}{4}$ percentage point on account of the higher level of the dollar.

Staff Projections for Trade in Goods and Services
(Percent change from end of previous period, s.a.a.r.)

Indicator	2007		2008	Projection		
	H1	H2	Q1	2008		2009
				Q2	H2	
Real exports	4.3	12.6	5.6	7.2	7.2	7.5
April GB	4.3	12.6	6.2	6.3	7.3	8.2
Real imports	.5	1.4	-.5	-6.7	1.0	2.8
April GB	.5	1.4	2.4	-8.2	-.3	3.9

NOTE. Changes for years are measured as Q4/Q4; for half-years, Q2/Q4 or Q4/Q2.

Real imports of goods and services are estimated to have fallen $\frac{1}{2}$ percent in the first quarter, with imports of automotive products showing particular weakness. This estimate is almost 3 percentage points lower than in the previous Greenbook, as weaker-than-expected imports of goods in March more than offset stronger-than-expected imports of services. In the current quarter, real imports are projected to fall $6\frac{3}{4}$ percent, reflecting a steep decline in real oil imports, largely due to residual seasonality. Non-oil imports are projected to be roughly flat in the second quarter, in line with weak U.S. growth and high non-oil import price inflation. We have revised up our forecast for overall real import growth $1\frac{1}{2}$ percentage points in the second quarter, largely on account of stronger-than-expected imports of non-oil goods in April.

Real imports are expected to rise modestly in the second half of 2008 and then gain momentum, accelerating to nearly a 3 percent pace in 2009, as U.S. growth strengthens and non-oil import price inflation steps down. Our forecast for the second half of 2008 is

associated with a reduction in permanent income, and in business investment, in reaction to the elevated input costs. Core PCE price inflation increases 0.3 percentage point relative to baseline in 2008:H2 and 0.5 percentage point in 2009. Following our specification of the Taylor rule, the U.S. federal funds rate rises 25 basis points relative to baseline in the second half of 2008 and remains elevated through 2009. Rising energy costs also contribute to a persistently wider U.S. trade deficit, with the ratio of the trade deficit to GDP almost 1 percentage point higher than baseline in 2009 and 0.4 percentage point higher in 2012.

Alternative Scenarios:
Higher Foreign Demand and Higher Oil Prices
 (Percent change from previous period, annual rate, except as noted)

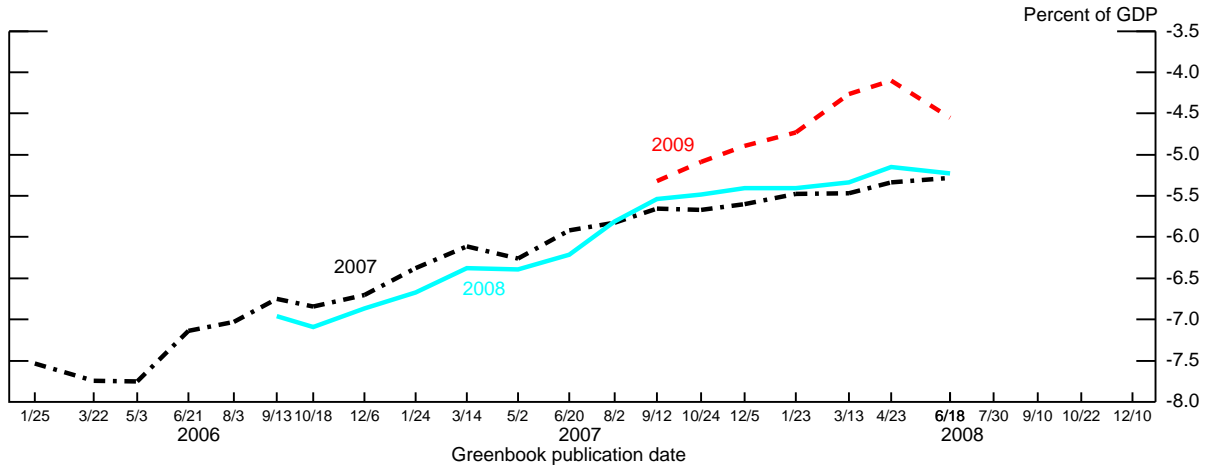
Indicator and simulation	2008		2009		2010	2011-12
	H1	H2	H1	H2		
<i>U.S. real GDP</i>						
Baseline	1.4	0.7	2.0	2.8	3.1	3.0
Higher Foreign Demand	1.4	1.0	2.3	3.0	2.9	2.7
Higher Oil Prices	1.4	0.2	1.6	2.6	3.0	3.0
<i>U.S. PCE prices excluding food and energy</i>						
Baseline	2.1	2.5	2.3	2.1	2.0	1.8
Higher Foreign Demand	2.1	2.5	2.4	2.3	2.2	1.8
Higher Oil Prices	2.1	2.8	2.7	2.6	2.4	1.9
<i>U.S. federal funds rate (percent)</i>						
Baseline	2.1	2.0	2.5	2.8	3.3	4.2
Higher Foreign Demand	2.1	2.0	2.6	3.1	3.8	4.5
Higher Oil Prices	2.1	2.3	2.8	3.1	3.4	4.0
<i>U.S. trade balance (percent share of GDP)</i>						
Baseline	-5.1	-5.5	-5.1	-4.6	-4.4	-3.9
Higher Foreign Demand	-5.1	-5.3	-4.7	-4.0	-3.6	-3.3
Higher Oil Prices	-5.1	-6.5	-6.1	-5.5	-5.2	-4.4

NOTE. H1 is Q2/Q4; H2 is Q4/Q2. The federal funds rate is the average rate for the final quarter of the period.

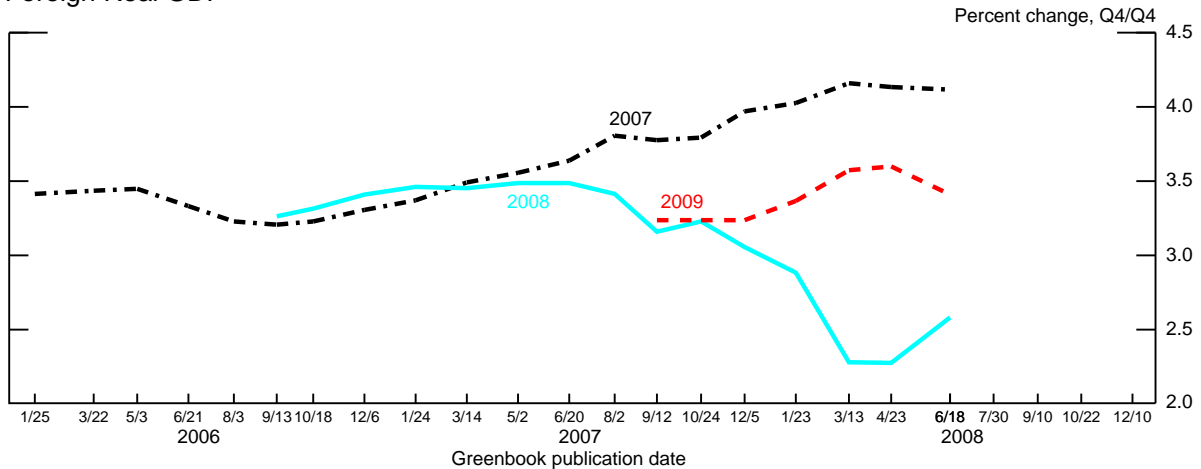
Class II FOMC -- Restricted (FR)

Evolution of the Staff Forecast

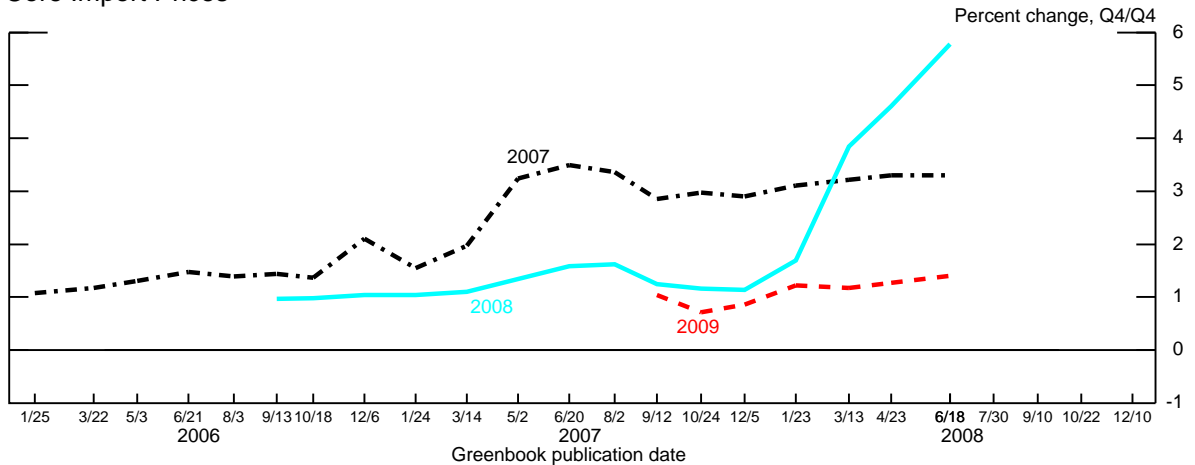
Current Account Balance



Foreign Real GDP



Core Import Prices*



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

June 18, 2008

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

Measure and country	2007				2008				Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarterly changes at an annual rate												
REAL GDP (1)												
Total Foreign	4.7	4.5	4.2	3.0	2.9	2.2	2.5	2.7	2.9	3.4	3.6	3.7
Advanced Foreign Economies	3.8	2.4	2.4	1.4	1.5	1.0	1.1	1.3	1.5	2.2	2.3	2.5
of which:												
Canada	4.1	3.9	2.3	0.8	-0.3	1.0	1.2	1.2	1.3	2.4	2.5	2.7
Japan	4.5	-2.5	0.9	2.9	4.0	0.6	0.8	1.3	1.6	1.6	1.6	1.7
United Kingdom	2.8	3.4	2.6	2.5	1.6	1.0	0.8	0.6	1.2	1.8	2.0	2.1
Euro Area (2)	3.2	1.5	2.7	1.3	3.2	0.7	0.9	1.3	1.6	2.1	2.3	2.5
Germany	2.6	0.7	2.7	1.1	6.3	0.4	0.7	1.4	1.6	2.2	2.6	2.9
Emerging Market Economies	6.0	7.2	6.7	5.1	4.8	3.8	4.4	4.6	4.8	5.1	5.3	5.4
Asia	8.6	9.3	7.7	5.6	7.7	5.3	5.5	5.6	6.1	6.3	6.4	6.4
Korea	4.0	7.1	6.0	6.4	3.3	3.5	3.7	3.7	3.8	4.2	4.2	4.3
China	15.1	11.4	8.2	10.6	11.7	8.7	9.0	8.7	9.6	9.6	9.7	9.7
Latin America	3.5	5.2	5.7	4.3	1.9	2.1	3.1	3.4	3.4	3.8	4.1	4.4
Mexico	2.7	4.8	5.0	3.3	2.1	1.2	2.5	3.0	3.0	3.5	3.9	4.2
Brazil	4.0	6.2	7.5	6.6	2.9	4.0	4.3	4.0	4.0	4.2	4.2	4.3
Four-quarter changes												
CONSUMER PRICES (3)												
Total Foreign	2.3	2.5	3.0	3.6	4.1	4.5	4.6	4.3	3.8	3.3	2.9	2.7
Advanced Foreign Economies	1.5	1.6	1.5	2.2	2.2	2.4	2.9	2.7	2.5	2.3	2.0	1.9
of which:												
Canada	1.9	2.1	2.1	2.4	1.8	1.7	2.6	2.6	2.7	2.5	2.0	2.0
Japan	-0.1	-0.1	-0.1	0.5	1.0	1.1	1.2	1.0	0.9	0.8	0.6	0.5
United Kingdom (4)	2.9	2.5	1.8	2.1	2.4	3.2	4.0	4.1	3.9	3.2	2.7	2.4
Euro Area (2)	1.9	1.9	1.9	2.9	3.4	3.7	4.1	3.4	3.1	2.8	2.6	2.5
Germany	1.9	2.0	2.2	3.1	3.1	3.3	3.5	3.1	3.0	2.8	2.6	2.4
Emerging Market Economies	3.1	3.3	4.5	5.1	5.9	6.6	6.3	5.9	5.0	4.3	3.8	3.6
Asia	2.7	3.1	4.6	5.4	6.5	7.0	6.6	6.1	5.1	4.4	3.7	3.4
Korea	2.0	2.5	2.3	3.4	3.8	4.6	5.1	4.6	4.6	3.6	3.2	3.1
China	2.7	3.6	6.1	6.6	8.0	7.9	6.5	6.0	4.5	4.2	3.8	3.4
Latin America	4.2	4.1	4.3	4.3	4.5	5.4	5.3	5.1	4.8	4.1	3.9	3.8
Mexico	4.1	4.0	4.0	3.8	3.9	4.8	4.7	4.5	4.3	3.6	3.4	3.3
Brazil	3.1	3.4	4.2	4.3	4.6	5.4	5.9	6.1	5.8	5.3	5.0	4.9

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) June 18, 2008

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

Measure and country	2001	2002	2003	2004	2005	2006	2007	Projected 2008	2009
REAL GDP (1)									

Total Foreign	0.4	3.0	2.9	3.8	4.0	4.0	4.1	2.6	3.4
Advanced Foreign Economies	0.9	2.5	1.8	2.6	2.6	2.7	2.5	1.2	2.1
Of which:									
Canada	1.3	3.5	1.5	3.7	3.0	2.2	2.8	0.8	2.2
Japan	-1.7	2.0	2.4	1.1	2.9	2.5	1.4	1.7	1.6
United Kingdom	2.1	2.3	3.4	2.6	1.8	3.2	2.8	1.0	1.7
Euro Area (2)	1.0	1.1	1.2	1.7	2.0	3.3	2.1	1.5	2.1
Germany	1.1	-0.0	0.1	0.1	1.6	3.9	1.7	2.2	2.3
Emerging Market Economies	-0.3	3.9	4.5	5.4	5.8	5.7	6.3	4.4	5.1
Asia	1.0	6.4	6.9	6.0	7.6	7.0	7.8	6.0	6.3
Korea	4.7	7.7	4.1	2.9	5.6	4.2	5.9	3.6	4.1
China	7.2	8.6	10.3	9.8	10.2	10.6	11.3	9.5	9.6
Latin America	-1.3	1.6	1.8	4.7	3.9	4.5	4.7	2.6	3.9
Mexico	-1.3	2.0	1.4	4.1	3.5	3.7	4.0	2.2	3.6
Brazil	-0.6	4.9	1.0	4.5	3.4	4.9	6.1	3.8	4.2
CONSUMER PRICES (3)									

Total Foreign	1.7	2.5	2.1	2.8	2.3	2.1	3.6	4.3	2.7
Advanced Foreign Economies	0.9	2.1	1.3	1.8	1.6	1.4	2.2	2.7	1.9
Of which:									
Canada	1.1	3.8	1.7	2.3	2.3	1.3	2.4	2.6	2.0
Japan	-1.1	-0.5	-0.3	0.5	-1.0	0.3	0.5	1.0	0.5
United Kingdom (4)	1.0	1.5	1.3	1.4	2.1	2.7	2.1	4.1	2.4
Euro Area (2)	2.1	2.3	2.0	2.3	2.3	1.8	2.9	3.4	2.5
Germany	1.5	1.2	1.1	2.1	2.2	1.3	3.1	3.1	2.4
Emerging Market Economies	2.8	2.9	3.1	3.9	3.0	2.9	5.1	5.9	3.6
Asia	1.2	0.8	2.3	3.1	2.6	2.3	5.4	6.1	3.4
Korea	3.3	3.4	3.5	3.4	2.5	2.1	3.4	4.6	3.1
China	-0.1	-0.6	2.7	3.2	1.4	2.1	6.6	6.0	3.4
Latin America	5.3	6.4	4.9	5.7	3.8	4.1	4.3	5.1	3.8
Mexico	5.1	5.2	3.9	5.3	3.1	4.1	3.8	4.5	3.3
Brazil	7.5	10.7	11.5	7.2	6.1	3.2	4.3	6.1	4.9

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2001	2002	2003	2004	2005	2006	2007	Projected 2008	Projected 2009
NIPA REAL EXPORTS and IMPORTS									
	Percentage point contribution to GDP growth, Q4/Q4								
Net Goods & Services	-0.2	-0.9	-0.1	-0.9	-0.1	0.4	0.8	1.1	0.5
Exports of G&S	-1.3	0.4	0.6	0.7	0.7	1.0	1.0	0.9	1.0
Imports of G&S	1.1	-1.3	-0.7	-1.7	-0.8	-0.6	-0.2	0.3	-0.5
	Percentage change, Q4/Q4								
Exports of G&S	-11.9	3.8	5.8	7.4	7.0	9.3	8.4	6.8	7.5
Services	-8.9	10.2	3.0	8.3	4.1	8.3	7.0	6.6	6.2
Computers	-23.5	-1.1	11.3	5.8	14.0	8.2	-5.9	9.1	9.9
Semiconductors	-34.6	10.1	38.3	-6.0	17.5	2.4	27.6	6.2	11.1
Core Goods 1/	-10.2	0.6	4.9	8.0	7.5	10.2	8.8	6.8	7.8
Imports of G&S	-7.6	9.7	4.8	11.5	5.1	3.7	1.0	-1.4	2.8
Services	-5.9	8.8	2.2	9.3	1.4	6.1	2.0	2.5	3.4
Oil	3.7	3.8	1.2	10.8	1.2	-9.0	1.3	-4.2	-0.5
Natural Gas	-6.5	19.5	1.3	4.9	11.3	-13.4	-18.0	11.6	-1.7
Computers	-13.6	13.2	17.0	23.2	12.2	13.6	6.8	12.3	15.6
Semiconductors	-51.1	11.0	-0.1	9.8	7.6	-0.5	4.1	4.7	5.0
Core Goods 2/	-6.5	10.0	5.2	11.4	6.0	5.9	0.3	-2.8	3.2
	Billions of Chained 2000 Dollars								
Net Goods & Services	-399.1	-471.3	-518.9	-593.8	-618.0	-624.5	-555.6	-419.6	-328.6
Exports of G&S	1036.7	1013.3	1026.1	1126.1	1203.4	1304.1	1409.9	1523.5	1635.2
Imports of G&S	1435.8	1484.6	1545.0	1719.9	1821.5	1928.6	1965.4	1943.1	1963.8
Billions of dollars									
US CURRENT ACCOUNT BALANCE	-384.7	-461.3	-523.4	-625.0	-729.0	-788.1	-731.2	-750.1	-679.1
Current Acct as Percent of GDP	-3.8	-4.4	-4.8	-5.3	-5.9	-6.0	-5.3	-5.2	-4.6
Net Goods & Services (BOP)	-365.1	-423.7	-496.9	-607.7	-711.6	-753.3	-700.3	-758.7	-726.4
Investment Income, Net	36.9	33.0	51.0	73.4	78.8	63.8	88.8	128.1	169.8
Direct, Net	115.9	102.4	112.7	150.9	173.2	184.1	233.9	291.7	329.9
Portfolio, Net	-79.0	-69.4	-61.7	-77.5	-94.4	-120.3	-145.1	-163.6	-160.1
Other Income & Transfers, Net	-56.5	-70.5	-77.5	-90.6	-96.2	-98.6	-119.7	-119.6	-122.5

1. Merchandise exports excluding computers and semiconductors.

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2004				2005				2006			
	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	-0.8	-1.5	-0.4	-1.1	0.3	0.8	-0.1	-1.4	0.1	0.5	-0.2	1.2
Exports of G&S	0.9	0.6	0.3	1.0	0.6	0.9	0.2	1.1	1.2	0.6	0.6	1.5
Imports of G&S	-1.7	-2.1	-0.7	-2.0	-0.3	-0.1	-0.3	-2.5	-1.1	-0.1	-0.9	-0.3
	Percentage change from previous period, s.a.a.r.											
Exports of G&S	10.0	6.5	3.1	10.0	6.0	9.5	2.1	10.6	11.5	5.7	5.7	14.3
Services	16.2	5.1	-3.4	16.8	6.5	0.9	2.6	6.3	2.9	3.9	2.0	26.0
Computers	-7.0	1.7	16.7	13.4	17.4	24.9	12.8	2.0	14.6	13.0	-3.9	9.9
Semiconductors	16.7	-13.4	-20.9	-2.4	-1.7	9.3	23.2	43.8	25.3	14.5	-11.5	-13.5
Core Goods 1/	7.8	9.2	7.7	7.4	5.6	13.1	0.2	11.6	14.9	5.7	9.2	11.0
Imports of G&S	12.3	15.2	4.8	13.8	2.1	0.8	2.1	16.2	6.9	0.9	5.4	1.6
Services	16.5	8.9	1.8	10.5	-3.5	-0.5	0.0	10.3	9.5	-0.1	1.3	14.2
Oil	39.2	-26.3	-7.1	58.3	5.4	-26.2	-14.2	57.1	-3.6	-26.1	3.3	-6.9
Natural Gas	33.4	43.1	48.5	-57.3	53.9	-4.0	108.6	-50.2	-49.4	123.0	24.1	-59.8
Computers	20.7	30.1	25.6	17.0	5.7	9.8	17.0	16.6	27.0	16.9	16.0	-3.2
Semiconductors	43.0	18.5	3.9	-17.4	-9.5	7.7	15.7	18.8	0.1	-1.5	20.9	-17.9
Core Goods 2/	6.5	23.0	5.4	11.6	2.3	6.1	2.8	13.1	9.7	5.4	5.5	3.1
	Billions of Chained 2000 Dollars, s.a.a.r.											
Net Goods & Services	-549.1	-591.1	-602.7	-632.3	-624.4	-601.0	-604.1	-642.6	-640.1	-626.6	-633.8	-597.3
Exports of G&S	1101.8	1119.4	1128.0	1155.3	1172.4	1199.3	1205.6	1236.4	1270.6	1288.4	1306.6	1350.9
Imports of G&S	1650.9	1710.5	1730.8	1787.7	1796.8	1800.3	1809.7	1879.0	1910.7	1915.0	1940.4	1948.2
	Billions of dollars, s.a.a.r.											
US CURRENT ACCOUNT BALANCE	-545.8	-622.7	-617.9	-713.6	-696.2	-711.3	-675.6	-832.9	-783.8	-799.6	-843.6	-725.4
Current Account as % of GDP	-4.8	-5.4	-5.2	-6.0	-5.7	-5.8	-5.4	-6.6	-6.0	-6.1	-6.4	-5.4
Net Goods & Services (BOP)	-540.6	-599.1	-621.5	-669.7	-664.0	-682.9	-721.4	-778.0	-756.3	-767.4	-789.9	-699.5
Investment Income, Net	92.7	68.2	78.7	53.8	88.6	77.8	88.7	59.9	65.2	70.7	51.7	67.7
Direct, Net	157.1	139.0	153.7	153.6	170.2	168.5	187.8	166.3	177.2	189.2	171.9	198.2
Portfolio, Net	-64.3	-70.9	-75.0	-99.8	-81.6	-90.7	-99.0	-106.5	-112.0	-118.5	-120.3	-130.5
Other Inc. & Transfers, Net	-97.9	-91.8	-75.1	-97.7	-120.9	-106.2	-42.9	-114.8	-92.6	-103.0	-105.4	-93.6

1. Merchandise exports excluding computers and semiconductors.

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

June 18, 2008

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2007				2008				Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
	Percentage point contribution to GDP growth											
Net Goods & Services	-0.5	1.3	1.4	1.0	0.8	2.1	0.7	0.8	0.3	1.4	0.7	-0.4
Exports of G&S	0.1	0.9	2.1	0.8	0.7	0.9	0.9	0.9	1.0	1.0	1.0	1.0
Imports of G&S	-0.6	0.5	-0.7	0.2	0.1	1.3	-0.2	-0.1	-0.7	0.4	-0.4	-1.5
Percentage change from previous period, s.a.a.r.												
Exports of G&S	1.1	7.5	19.1	6.5	5.6	7.2	7.1	7.2	7.3	7.5	7.5	7.6
Services	1.6	9.6	4.0	13.2	8.8	5.5	6.2	6.1	6.1	6.4	6.2	6.2
Computers	-8.2	-17.8	19.9	-13.3	-0.8	18.5	9.9	9.9	9.9	9.9	9.9	9.9
Semiconductors	25.4	23.2	6.3	61.4	7.5	-4.0	11.1	11.1	11.1	11.1	11.1	11.1
Core Goods 1/	0.3	7.1	27.4	2.5	4.3	8.1	7.2	7.5	7.6	7.8	7.8	8.0
Imports of G&S	3.9	-2.7	4.4	-1.4	-0.5	-6.7	1.2	0.7	3.6	-2.1	1.9	8.1
Services	2.3	-1.7	1.7	5.5	7.1	3.4	4.0	-4.2	1.9	3.9	4.0	4.1
Oil	29.6	-22.3	-18.2	28.1	16.9	-36.8	0.7	13.5	11.2	-19.9	-10.0	22.2
Natural Gas	8.3	258.5	-16.7	-86.0	-37.9	202.3	64.6	-49.8	11.3	8.0	30.7	-40.5
Computers	41.1	-13.1	-3.8	10.3	6.0	12.1	15.7	15.7	15.7	15.7	15.6	15.6
Semiconductors	4.0	3.3	3.4	5.5	-3.2	12.5	5.0	5.0	5.0	5.0	5.0	5.0
Core Goods 2/	-2.3	-0.5	11.8	-6.7	-6.5	-1.2	-1.5	-1.7	0.1	2.9	4.6	5.2
Billions of Chained 2000 Dollars, s.a.a.r.												
Net Goods & Services	-612.1	-573.9	-533.1	-503.2	-480.5	-420.6	-400.5	-376.8	-366.3	-327.0	-306.6	-314.6
Exports of G&S	1354.7	1379.5	1441.2	1464.1	1484.2	1510.1	1536.2	1563.3	1591.0	1620.1	1649.6	1680.0
Imports of G&S	1966.8	1953.4	1974.3	1967.3	1964.8	1930.8	1936.8	1940.1	1957.3	1947.2	1956.3	1994.6
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-787.7	-776.4	-691.8	-669.0	-705.5	-734.4	-787.8	-772.9	-762.1	-677.6	-636.0	-640.6
Current Account as % of GDP	-5.8	-5.6	-5.0	-4.8	-5.0	-5.1	-5.5	-5.3	-5.2	-4.6	-4.2	-4.2
Net Goods & Services (BOP)	-718.2	-715.3	-672.5	-695.1	-699.7	-748.0	-798.7	-788.3	-782.8	-722.2	-693.0	-707.6
Investment Income, Net	57.8	45.8	98.9	152.6	126.3	119.5	127.4	139.1	151.3	164.4	176.8	186.8
Direct, Net	201.1	196.2	238.8	299.3	267.4	282.8	302.3	314.3	322.2	328.1	332.1	337.2
Portfolio, Net	-143.2	-150.4	-139.9	-146.7	-141.1	-163.3	-174.9	-175.1	-170.9	-163.7	-155.3	-150.4
Other Inc. & Transfers, Net	-127.4	-106.9	-118.3	-126.4	-132.1	-106.0	-116.5	-123.7	-130.6	-119.8	-119.8	-119.8

1. Merchandise exports excluding computers and semiconductors.

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

Part 2

June 18, 2008

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

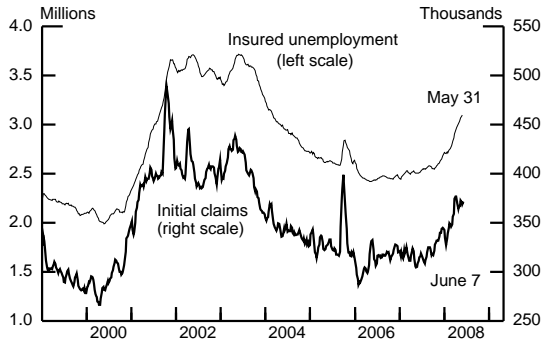
Recent Developments

June 18, 2008

Recent Developments

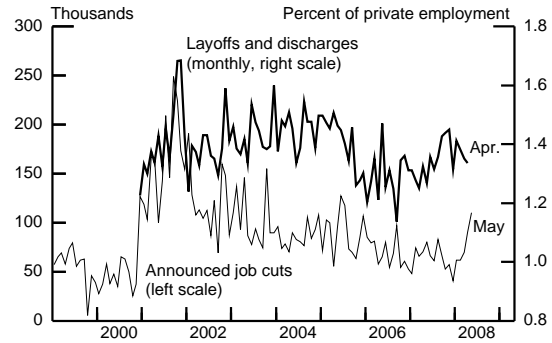
Labor Market Indicators

Unemployment Insurance



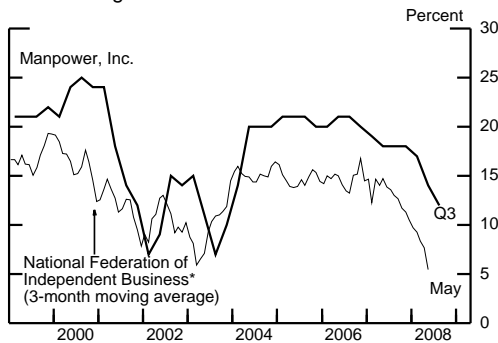
Note. 4-week moving averages.

Layoffs and Job Cuts



Note. Both series are seasonally adjusted by FRB staff. Source. For layoffs and discharges, Job Openings and Labor Turnover Survey; for job cuts, Challenger, Gray, and Christmas, Inc.

Net Hiring Plans



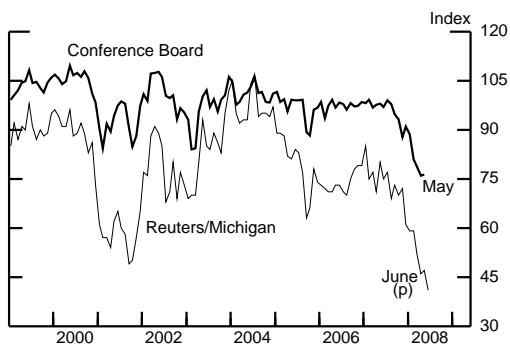
Note. Percent planning an increase in employment minus percent planning a reduction. *Seasonally adjusted by FRB staff.

Job Openings and Hires



Source. Job Openings and Labor Turnover Survey.

Expected Labor Market Conditions



Note. The proportion of households expecting labor market conditions to improve, minus the proportion expecting conditions to worsen, plus 100. p Preliminary.

Job Availability and Hard-to-Fill Positions



*Proportion of households believing jobs are plentiful, minus the proportion believing jobs are hard to get, plus 100.

**Percent of small businesses surveyed with at least one "hard-to-fill" job opening. Seasonally adjusted by FRB staff.

Source. For job availability, Conference Board; for hard-to-fill, National Federation of Independent Business.

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

Item	2007	2008						
	Q4	Q1	Q2	Q3	Apr.	May	June	July
U.S. production ¹	10.3	9.7	8.8	10.3	8.2	8.4	9.8	10.2
Autos	4.0	3.9	3.8	4.6	3.5	3.6	4.3	4.6
Light trucks	6.3	5.7	5.0	5.7	4.7	4.8	5.5	5.6
Days' supply ²	64	65	n.a.	n.a.	72	69	n.a.	n.a.
Autos	51	51	n.a.	n.a.	53	44	n.a.	n.a.
Light trucks	76	76	n.a.	n.a.	88	95	n.a.	n.a.
Inventories ³	2.59	2.45	n.a.	n.a.	2.47	2.35	n.a.	n.a.
Autos	.90	.84	n.a.	n.a.	.85	.77	n.a.	n.a.
Light trucks	1.69	1.61	n.a.	n.a.	1.62	1.58	n.a.	n.a.
Memo: U.S. production, total motor vehicles ⁴	10.5	9.9	9.0	10.5	8.4	8.6	10.1	10.5

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

1. Production rates for the second and third quarters reflect the latest industry schedules.

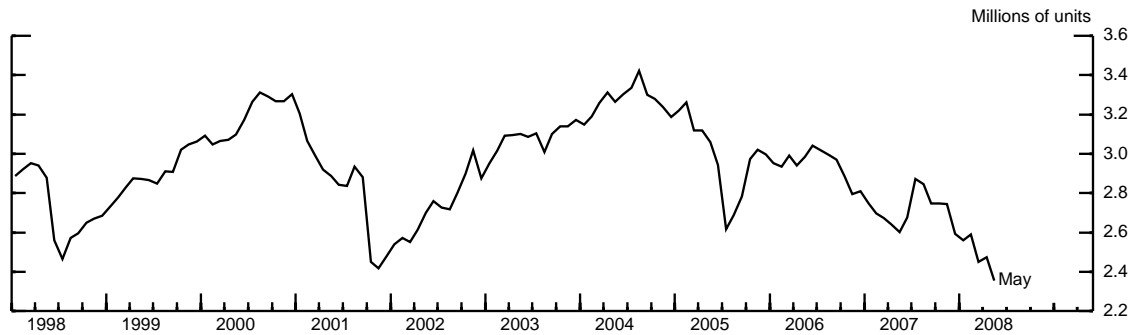
2. Quarterly values are calculated with end-of-period stocks and average reported sales.

3. End-of-period stocks.

4. Includes medium and heavy trucks.

n.a. Not available.

Inventories of Light Vehicles

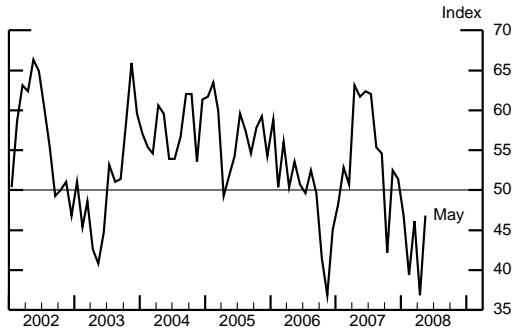


Days' Supply of Light Vehicles



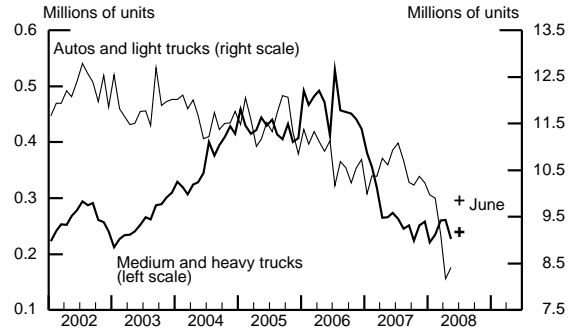
Indicators of Industrial Activity

Manufacturing IP Diffusion Index



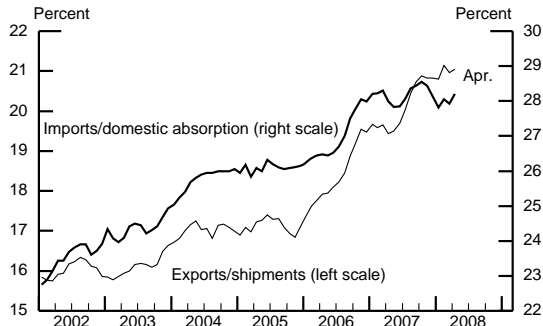
Note. The diffusion index equals the percentage of series that increased over 3 months plus one-half the percentage that were unchanged.

Motor Vehicle Assemblies



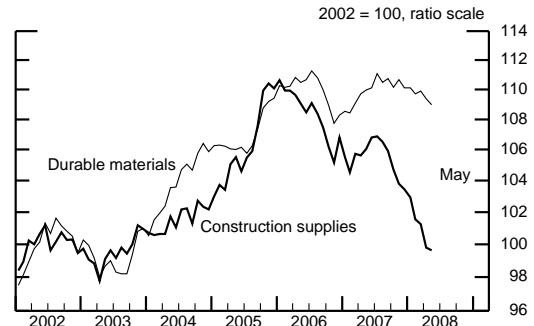
Note. June values are based on latest industry schedules.

Trade Shares



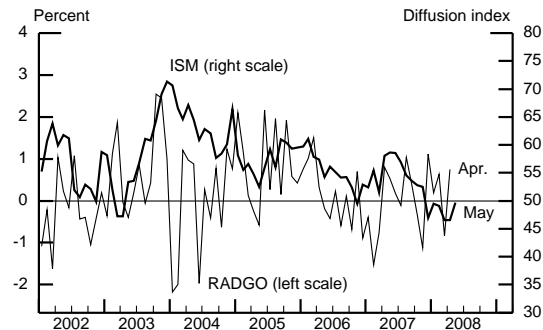
Note. Trade shares are 3-month moving averages. Source. Department of Commerce.

IP: Construction Supplies and Durable Materials



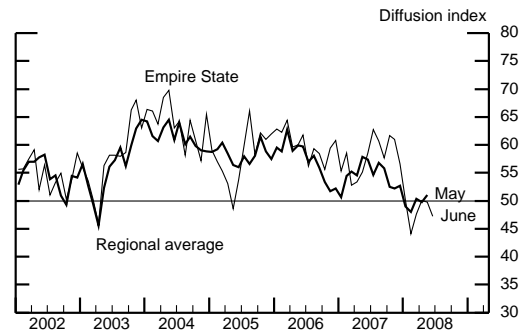
Note. Data exclude motor vehicle parts, high-tech, and aircraft parts industries.

New Orders: ISM Survey and Change in Real Adjusted Durable Goods Orders



Note. The measure for real adjusted durable goods orders (RADGO) is a 3-month moving average. The diffusion index equals the percentage of respondents reporting greater levels of new orders plus one-half the percentage of respondents reporting that new orders were unchanged.

New Orders Diffusion Indexes: Empire State and Average of Regional Surveys



Note. Regional average includes new orders indexes from the Chicago, Dallas, Kansas City, New York (Empire State), Philadelphia, and Richmond surveys.

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

Category	2007	2007		2008			
		Q3	Q4	Q1	Mar.	Apr.	May
Total	16.1	15.9	16.1	15.2	15.0	14.4	14.3
Autos	7.6	7.4	7.8	7.4	7.5	7.5	8.0
Light trucks	8.5	8.5	8.3	7.8	7.5	6.9	6.2
North American ¹	12.3	12.3	12.3	11.5	11.1	10.6	10.4
Autos	5.3	5.1	5.5	5.0	5.0	4.9	5.3
Light trucks	7.1	7.2	6.9	6.5	6.2	5.7	5.1
Foreign-produced	3.8	3.6	3.8	3.7	3.9	3.8	3.8
Autos	2.4	2.3	2.3	2.4	2.6	2.6	2.7
Light trucks	1.4	1.3	1.4	1.3	1.3	1.2	1.1
Memo: Detroit Three domestic market share (percent) ²	51.2	50.4	50.4	50.1	48.2	47.2	44.1

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

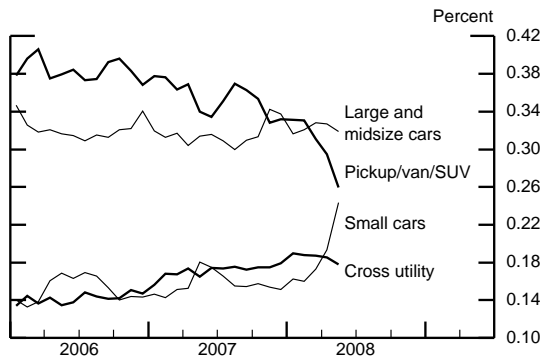
1. Excludes some vehicles produced in Canada that are classified as imports by the industry.

2. Domestic market share excludes sales of foreign brands affiliated with the Detroit Three.

Content redacted.

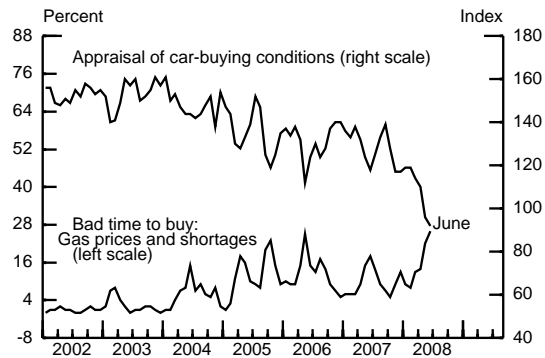
Content redacted.

Market Share of Light Vehicles by Segment



Note. Data through May. FRB seasonals.

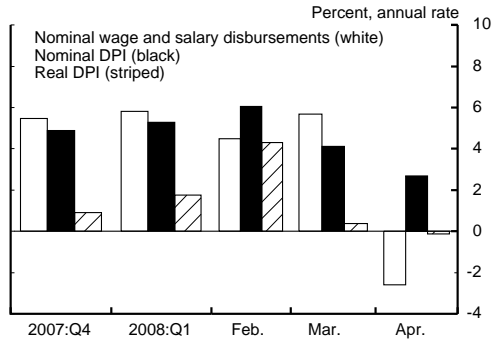
Car-Buying Attitudes



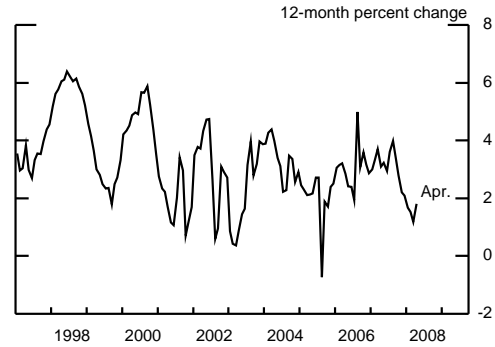
Source. Reuters/University of Michigan Survey.

Fundamentals of Household Spending

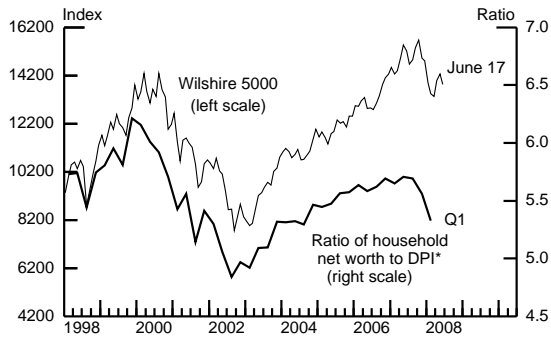
Changes in Wages and Salaries and in Disposable Income



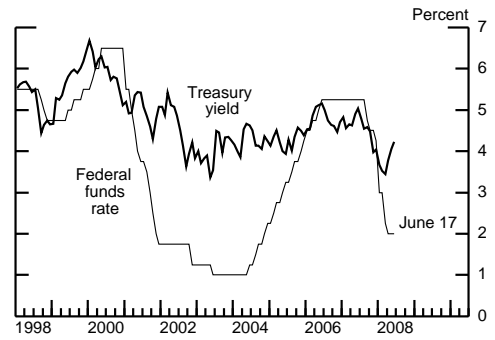
Changes in Real DPI



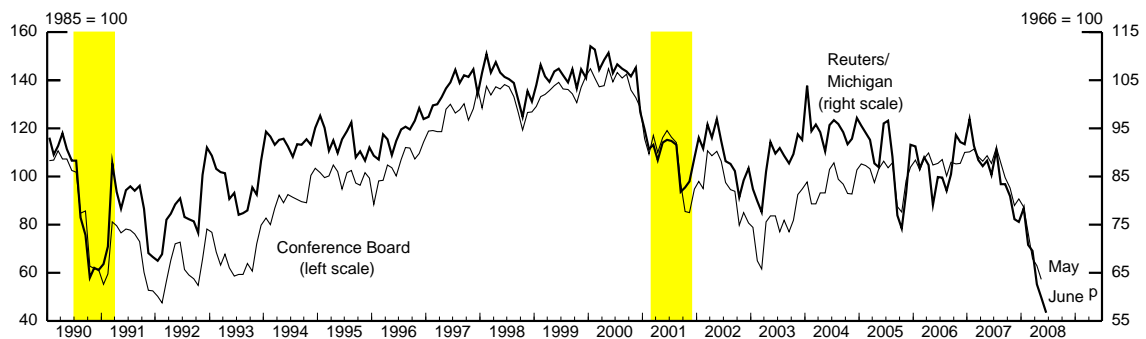
Household Net Worth and Wilshire 5000



Target Federal Funds Rate and 10-Year Treasury Yield



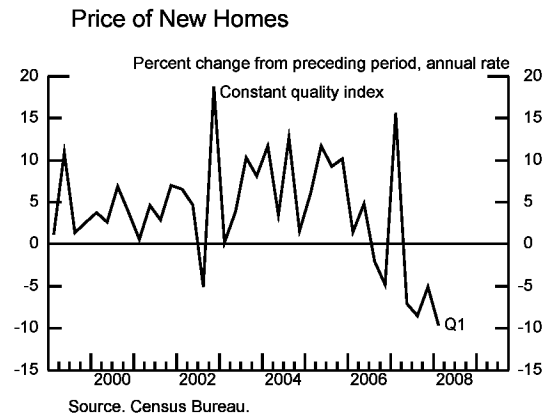
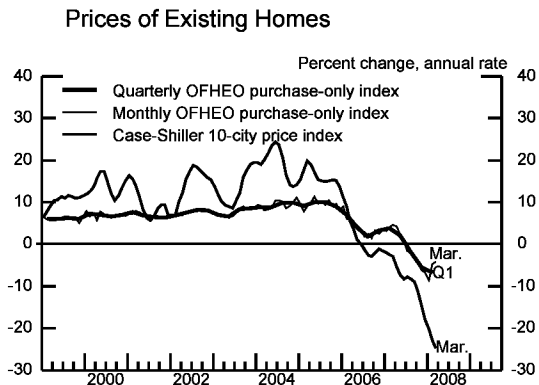
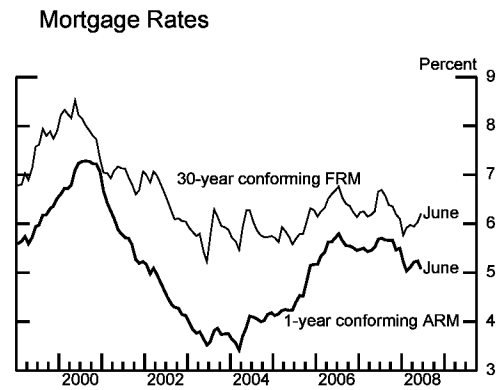
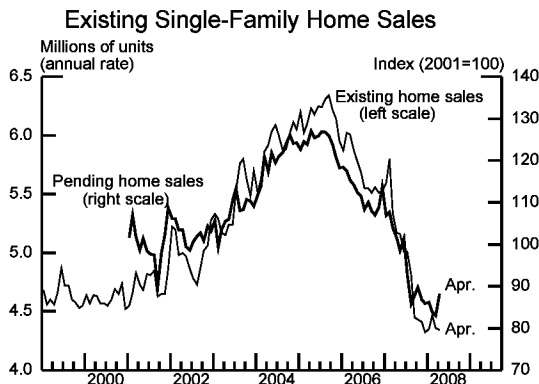
Consumer Confidence



Note. Shaded bars indicate periods of recession as defined by the National Bureau of Economic Research.

p Preliminary.

Indicators of Single-Family Housing

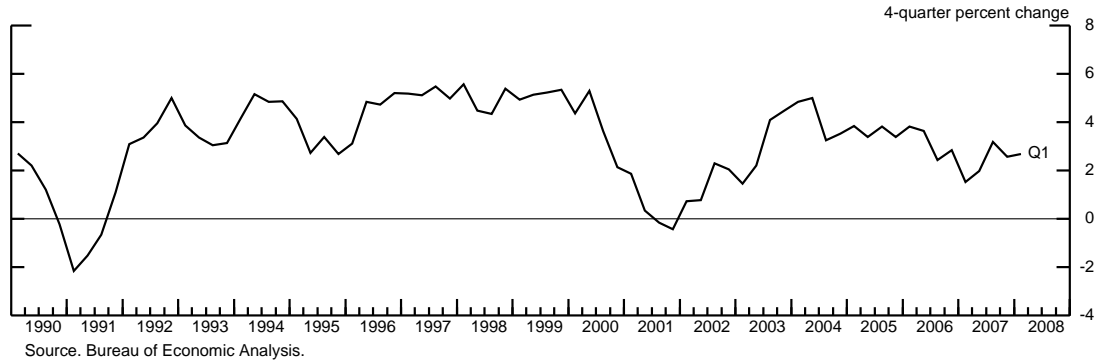


Content partially redacted.

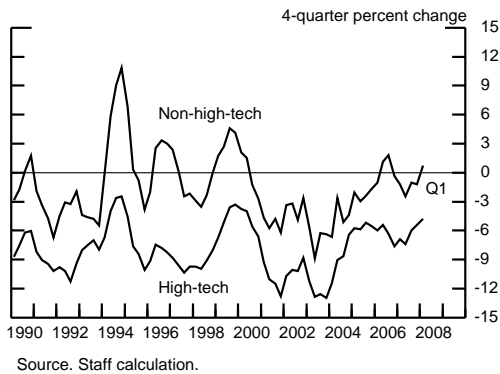
Content partially redacted.

Fundamentals of Equipment and Software Investment

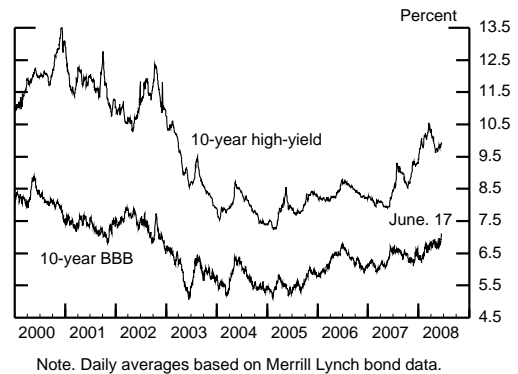
Real Business Output



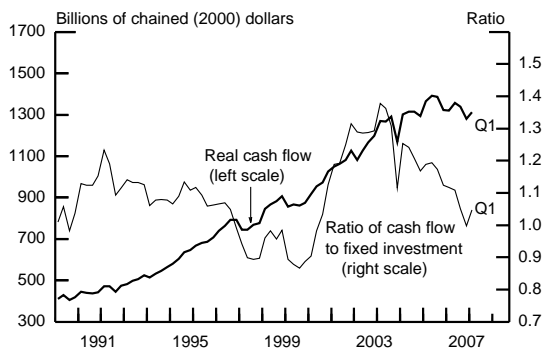
User Cost of Capital



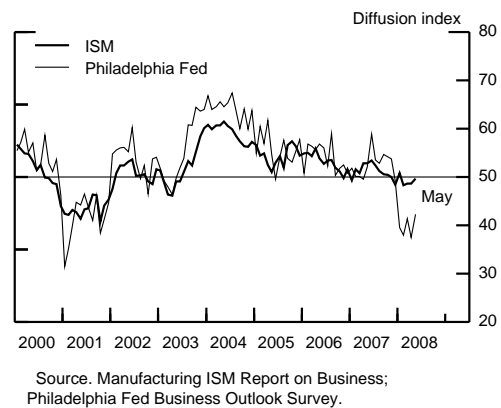
Corporate Bond Yields



Corporate Cash Flow



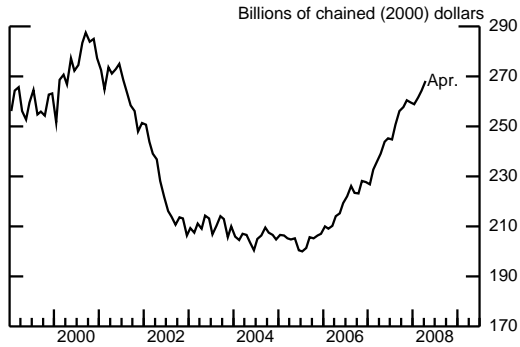
Surveys of Business Conditions



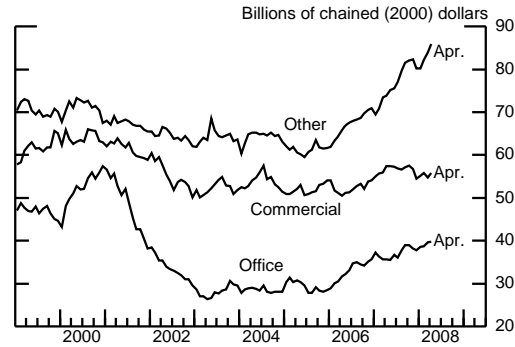
Nonresidential Construction and Indicators

(All spending series are seasonally adjusted at an annual rate; nominal CPIP deflated by BEA prices through Q4 and by staff projection thereafter)

Total Structures

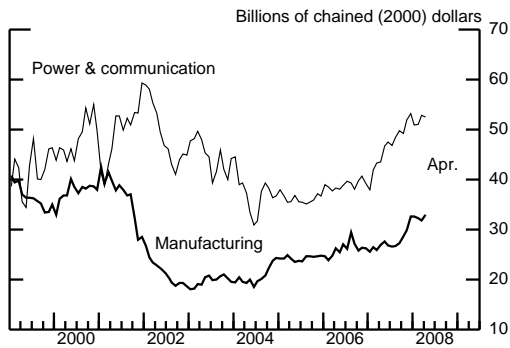


Office, Commercial, and Other

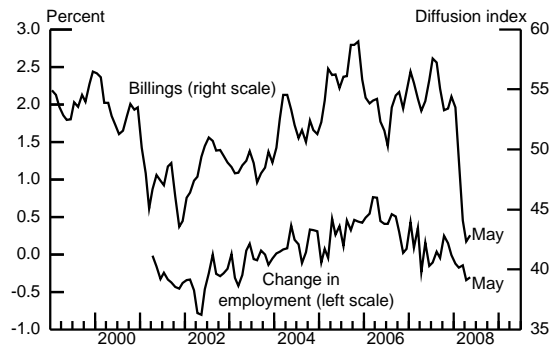


Note. Other consists of structures for religious organizations, education, lodging, amusement and recreation, transportation, and health care.

Manufacturing and Power & Communication

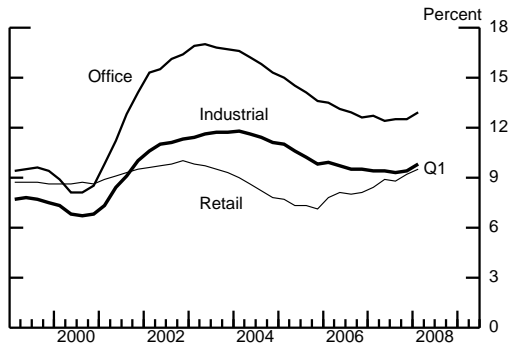


Architectural Billings and Nonresidential Construction Employment



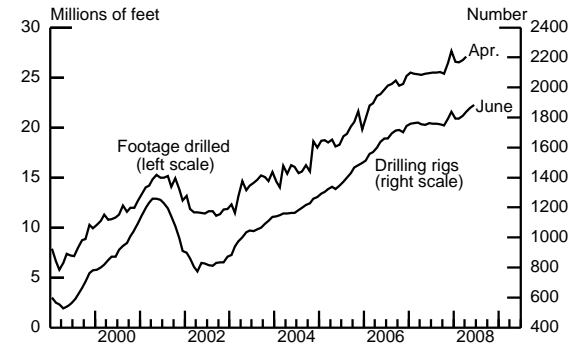
Note. Both series are 3-month moving averages. Employment consists of industrial, commercial, and specialty trade construction. Source. For billings, American Institute of Architects; for employment, Bureau of Labor Statistics.

Vacancy Rates



Note. Industrial space includes both manufacturing structures and warehouses. Source. Torto Wheaton Research.

Drilling and Mining Indicators

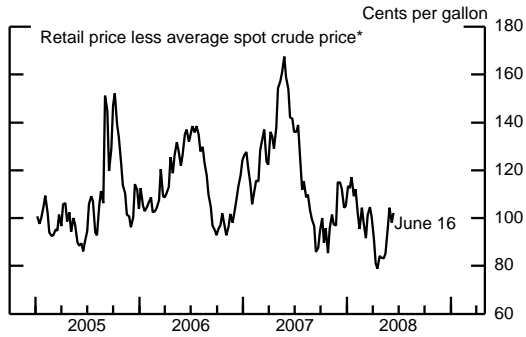


Note. The June readings for drilling rigs are based on data through June 13, 2008. Both series are seasonally adjusted by FRB staff. Source. DOE/Baker Hughes.

Energy and Food Price Indicators

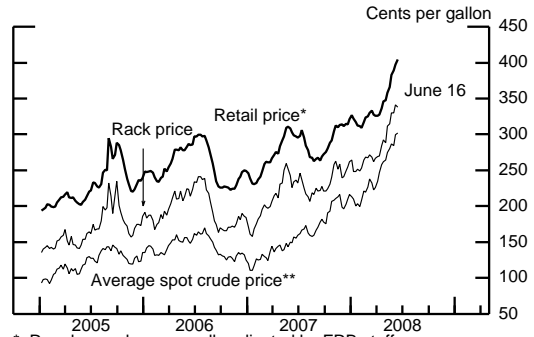
(Data from Energy Information Administration except as noted)

Total Gasoline Margin



* Regular grade seasonally adjusted by FRB staff, less average spot crude price: 60% WTI, 40% Maya heavy crude. Includes gasoline taxes.

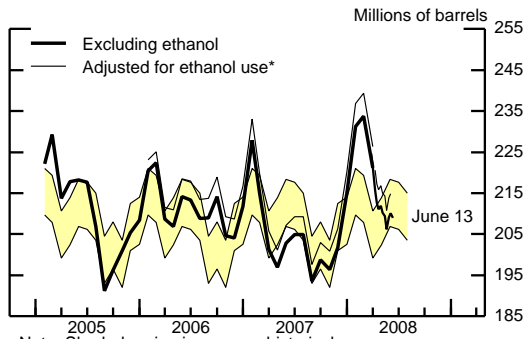
Gasoline Price Decomposition



* Regular grade seasonally adjusted by FRB staff.

** 60% WTI, 40% Maya heavy crude.

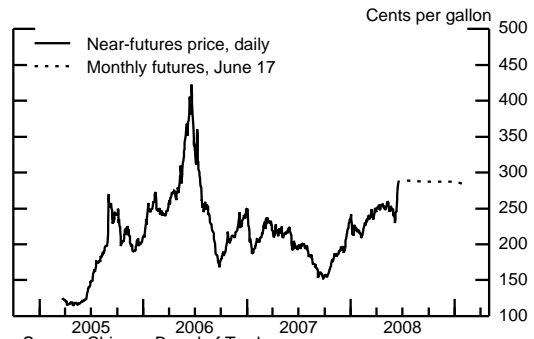
Gasoline Inventories



Note. Shaded region is average historical range as calculated by DOE. Monthly data through March 2008, weekly data thereafter, as indicated by line weights.

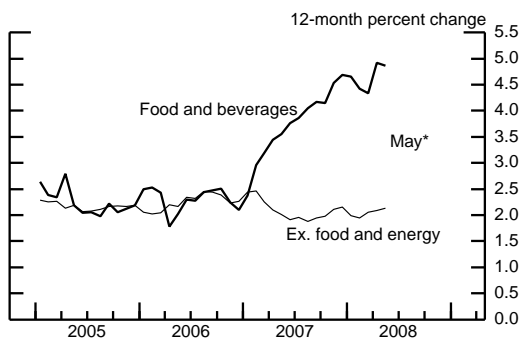
* Adjustment for approximate amount of fuel ethanol to be blended with RBOB component of inventories; estimated by FRB staff.

Ethanol Prices



Source. Chicago Board of Trade.

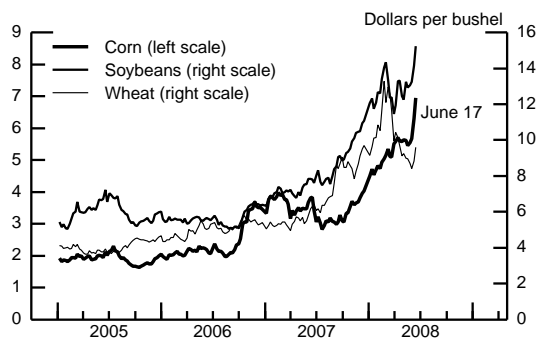
PCE Food Prices



*Staff estimate.

Source. Bureau of Economic Analysis.

Spot Agricultural Commodity Prices



Source. Commodity Research Bureau.

Broad Measures of Inflation

(Percent change, Q1 to Q1)

Measure	2005	2006	2007	2008
<i>Product prices</i>				
GDP price index	3.3	3.2	2.9	2.2
Less food and energy	3.3	3.1	2.9	1.9
Nonfarm business chain price index	3.3	3.3	2.3	1.5
<i>Expenditure prices</i>				
Gross domestic purchases price index	3.5	3.6	2.6	3.2
Less food and energy	3.2	2.9	2.8	2.0
PCE price index	2.8	3.1	2.3	3.4
Less food and energy	2.3	2.0	2.4	2.0
PCE price index, market-based components	2.4	2.9	2.2	3.4
Less food and energy	1.8	1.6	2.2	1.8
CPI	3.0	3.7	2.4	4.2
Less food and energy	2.3	2.1	2.6	2.4
Chained CPI	2.6	3.2	2.2	3.7
Less food and energy	2.1	1.9	2.2	2.1
Median CPI	2.5	2.7	3.2	3.1
Trimmed mean CPI	2.4	2.6	2.7	2.9
Trimmed mean PCE	2.5	2.4	2.7	2.3

Surveys of Inflation Expectations

(Percent)

Period	Actual CPI inflation ¹	Reuters/Michigan Survey				Professional forecasters (10 years) ⁴	
		1 year ²		5 to 10 years ³			
		Mean	Median	Mean	Median	CPI	PCE
2006:Q3	3.3	4.0	3.4	3.3	3.0	2.5	...
Q4	1.9	3.5	3.0	3.5	3.0	2.5	...
2007:Q1	2.4	3.6	3.0	3.4	2.9	2.4	2.0
Q2	2.7	4.2	3.3	3.5	3.0	2.4	2.0
Q3	2.4	4.1	3.2	3.5	3.0	2.4	2.1
Q4	4.0	4.1	3.3	3.3	2.9	2.4	2.1
2008:Q1	4.1	4.2	3.8	3.3	3.0	2.5	2.2
Q2	n.a.	6.4	5.0	3.8	3.3	2.5	2.2
2008:Feb.	4.0	3.9	3.6	3.4	3.0	2.5	2.2
Mar.	4.0	4.6	4.3	3.2	2.9	...	...
Apr.	3.9	5.7	4.8	3.5	3.2	...	...
May	4.2	7.0	5.2	4.0	3.4	2.5	2.2
June	n.a.	6.6	5.1	3.9	3.4	...	...

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?

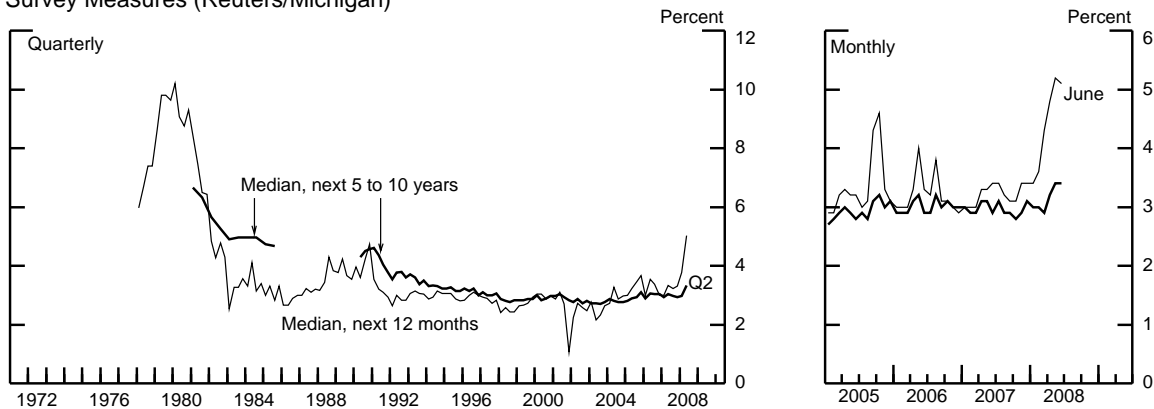
4. Median CPI and PCE price projections compiled by the Federal Reserve Bank of Philadelphia.

... Not applicable.

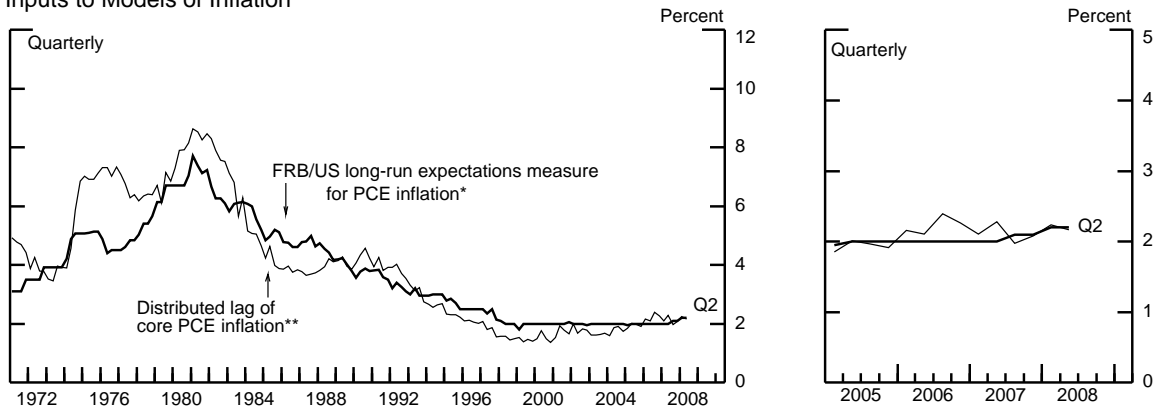
n.a. Not available.

Measures of Expected Inflation

Survey Measures (Reuters/Michigan)



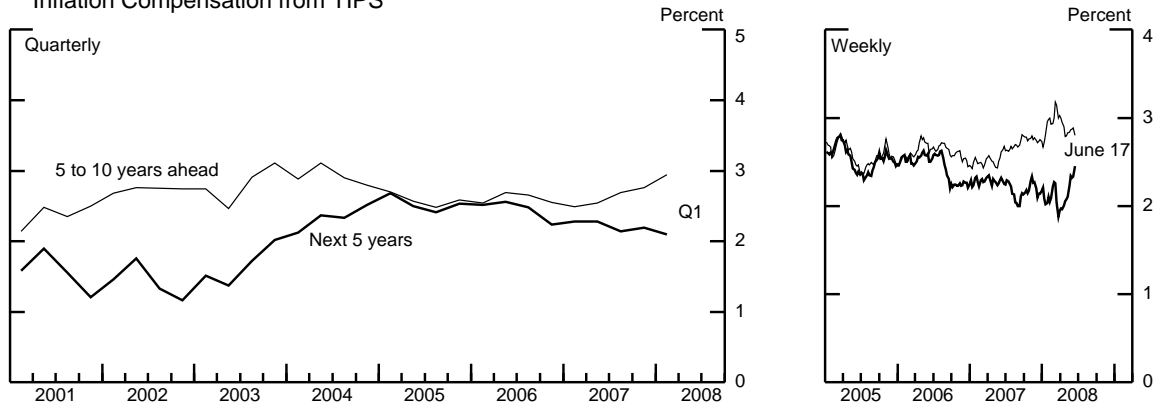
Inputs to Models of Inflation



*For 2007 forward, the median projection for PCE inflation over the next 10 years from the Survey of Professional Forecasters (SPF); for 1991 to 2006, the equivalent SPF projection for the CPI; for 1981 to 1991, a related survey for the CPI conducted by Richard Hovey; 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.

**Derived from one of the reduced-form Phillips curves used by Board staff.

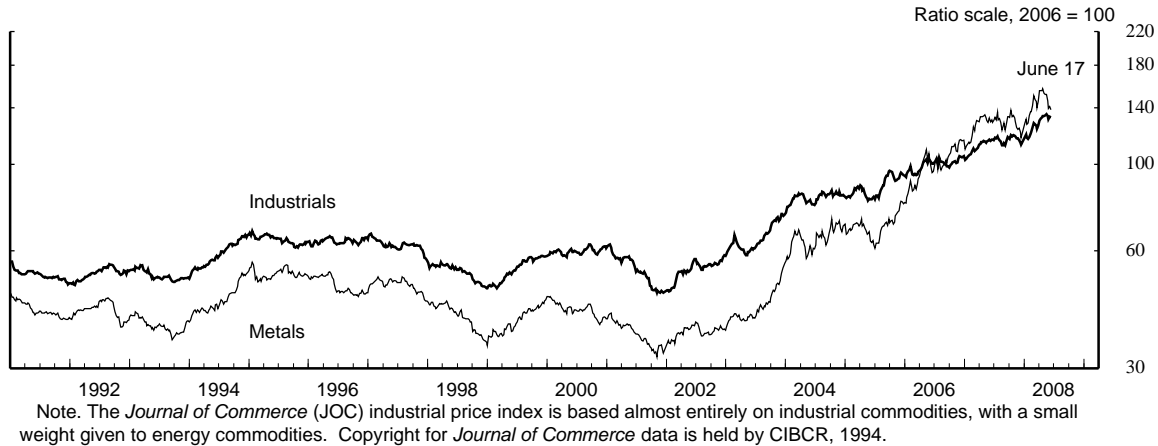
Inflation Compensation from TIPS



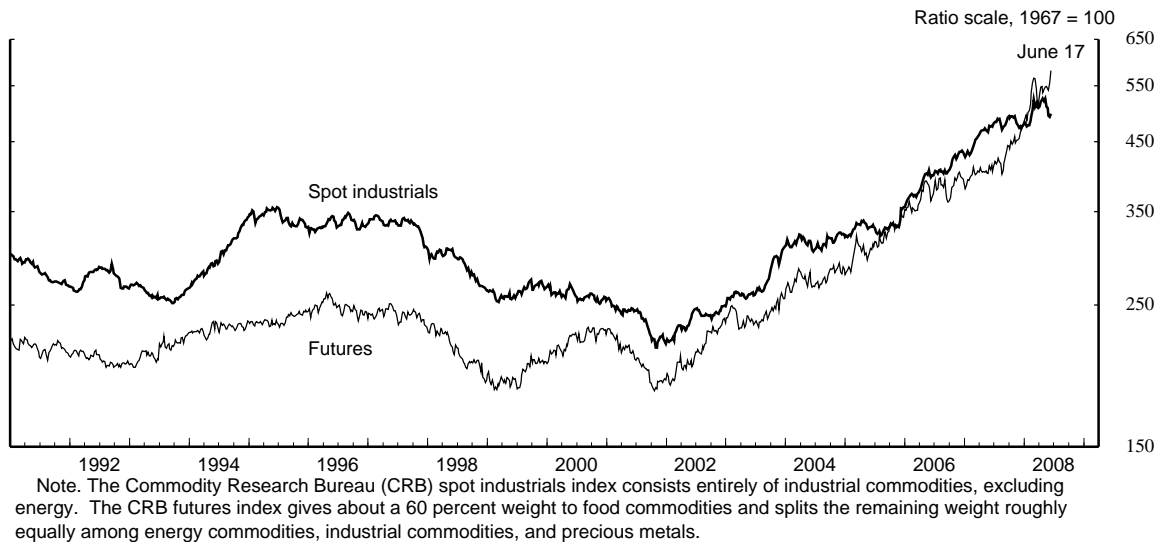
Note. Based on a comparison of an estimated TIPS yield curve with an estimated nominal off-the-run Treasury yield curve, with an adjustment for the indexation-lag effect.

Commodity Price Indexes

Journal of Commerce



Commodity Research Bureau



Selected Commodity Price Indexes (Percent change)

Index	2007 ¹	12/18/07 to 4/22/08 ²	4/22/08 ² to 6/17/08	52-week change to 6/17/08
JOC industrials	7.6	17.6	.2	14.2
JOC metals	2.1	31.9	-10.7	6.1
CRB spot industrials	8.2	10.8	-4.8	4.5
CRB spot foodstuffs	25.5	17.4	7.1	31.3
CRB futures	18.2	17.5	5.8	40.6

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

2. April 22, 2008, is the Tuesday preceding publication of the April Greenbook.

III-T-1
Selected Financial Market Quotations
(One-day quotes in percent except as noted)

Instrument	2007	2008			Change to June 17 from selected dates (percentage points)		
	Aug. 6	Jan. 31	Apr. 29	June 17	2007 Aug. 6	2008 Jan. 31	2008 Apr. 29
<i>Short-term</i>							
FOMC intended federal funds rate	5.25	3.00	2.25	2.00	-3.25	-1.00	-.25
Treasury bills ¹							
3-month	4.74	1.92	1.44	1.96	-2.78	.04	.52
6-month	4.72	2.02	1.70	2.27	-2.45	.25	.57
Commercial paper (A1/P1 rates) ²							
1-month	5.26	2.95	2.50	2.40	-2.86	-.55	-.10
3-month	5.29	2.98	2.83	2.84	-2.45	-.14	.01
Large negotiable CDs ¹							
3-month	5.34	3.01	2.84	2.80	-2.54	-.21	-.04
6-month	5.27	2.93	2.98	3.22	-2.05	.29	.24
Eurodollar deposits ³							
1-month	5.33	3.15	2.90	2.70	-2.63	-.45	-.20
3-month	5.35	3.15	3.15	3.05	-2.30	-.10	-.10
Bank prime rate	8.25	6.00	5.25	5.00	-3.25	-1.00	-.25
<i>Intermediate- and long-term</i>							
U.S. Treasury ⁴							
2-year	4.49	2.16	2.28	2.90	-1.59	.74	.62
5-year	4.52	2.83	3.11	3.68	-.84	.85	.57
10-year	4.82	3.86	4.04	4.45	-.37	.59	.41
U.S. Treasury indexed notes ⁵							
5-year	2.43	.68	1.10	1.24	-1.19	.56	.14
10-year	2.48	1.35	1.71	1.86	-.62	.51	.15
Municipal general obligations (Bond Buyer) ⁶	4.51	4.39	4.68	4.59	.08	.20	-.09
Private instruments							
10-year swap	5.44	4.23	4.39	4.92	-.52	.69	.53
10-year FNMA ⁷	5.34	4.28	4.53	5.06	-.28	.78	.53
10-year AA ⁸	6.12	5.62	6.01	6.49	.37	.87	.48
10-year BBB ⁸	6.57	6.39	6.82	7.07	.50	.68	.25
10-year high yield ⁸	9.21	9.80	9.80	9.91	.70	.11	.11
Home mortgages (FHLMC survey rate) ⁹							
30-year fixed	6.59	5.68	6.06	6.32	-.27	.64	.26
1-year adjustable	5.65	5.05	5.29	5.09	-.56	.04	-.20

Stock exchange index	Record high		2008			Change to June 17 from selected dates (percent)		
	Level	Date	Jan. 31	Apr. 29	June 17	Record high	2008 Jan. 31	2008 Apr. 29
Dow Jones Industrial	14,165	10-9-07	12,650	12,832	12,160	-14.15	-3.87	-5.23
S&P 500 Composite	1,565	10-9-07	1,379	1,391	1,351	-13.69	-2.00	-2.88
Nasdaq	5,049	3-10-00	2,390	2,426	2,458	-51.32	2.84	1.30
Russell 2000	856	7-13-07	713	719	737	-13.93	3.26	2.45
Wilshire 5000	15,807	10-9-07	13,897	14,033	13,841	-12.44	-.40	-1.37

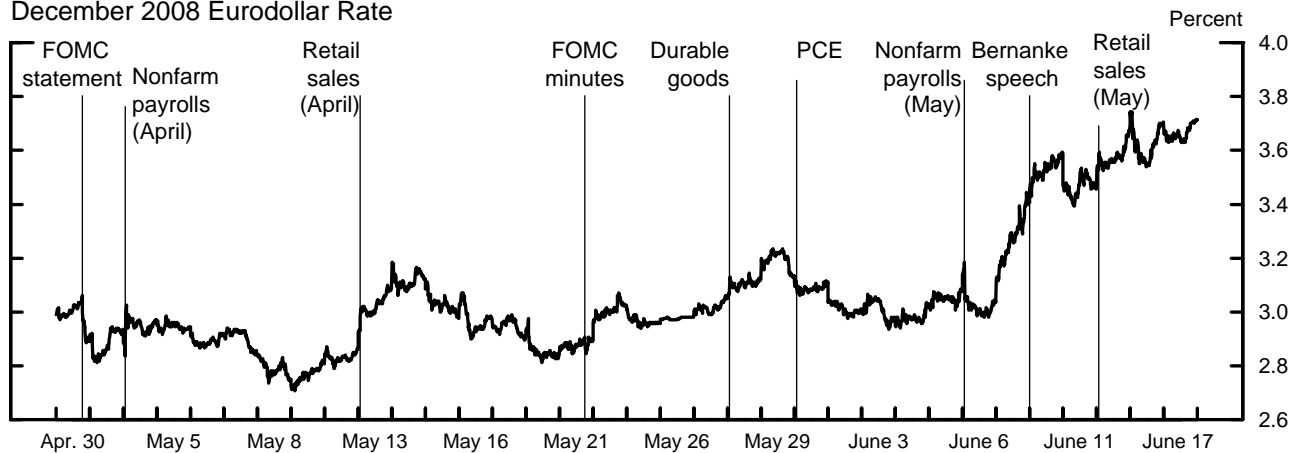
1. Secondary market.
2. Financial commercial paper.
3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Derived from a smoothed Treasury yield curve estimated using all outstanding securities 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.
9. Home mortgage rates for June 17, 2008, are for the week ending June 12, 2008.

NOTES:

August 6, 2007, is the day before the August 2007 FOMC meeting.
January 31, 2008, is the day after the January 2008 FOMC meeting.
April 29, 2008, is the day before the most recent FOMC monetary policy announcement.

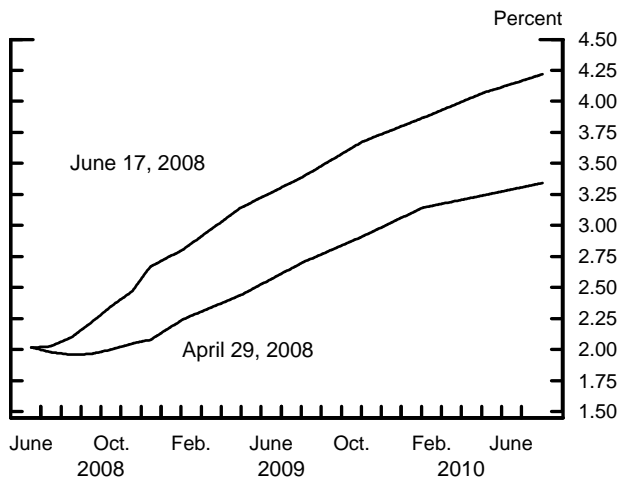
Policy Expectations and Treasury Yields

December 2008 Eurodollar Rate



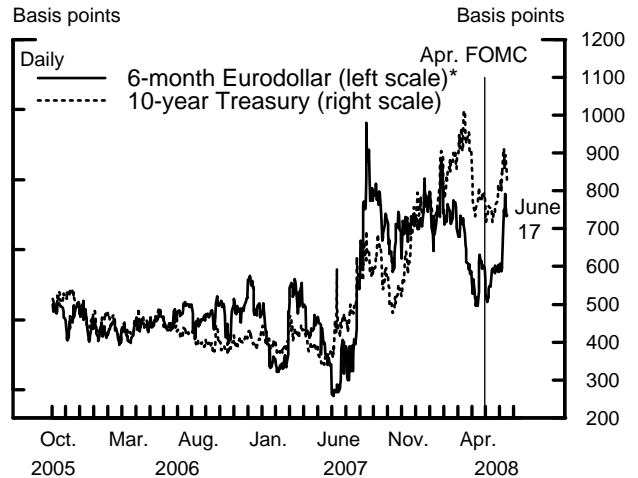
Note. 5-minute intervals. 8:00 a.m. to 4:00 p.m. No adjustments for term premiums.

Implied Federal Funds Rate



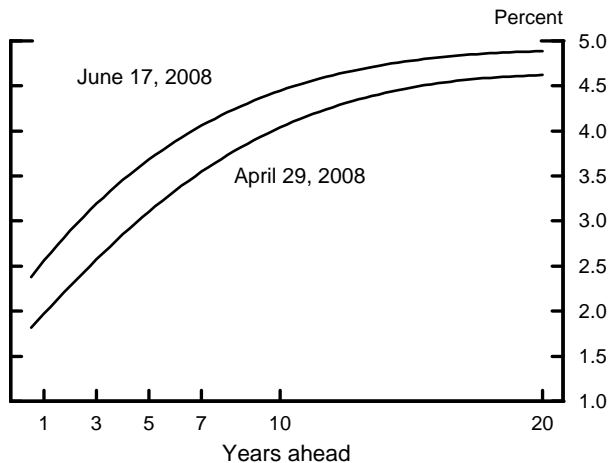
Note. Estimated from federal funds and Eurodollar futures, with an allowance for term premiums and other adjustments.

Implied Volatility of Interest Rates



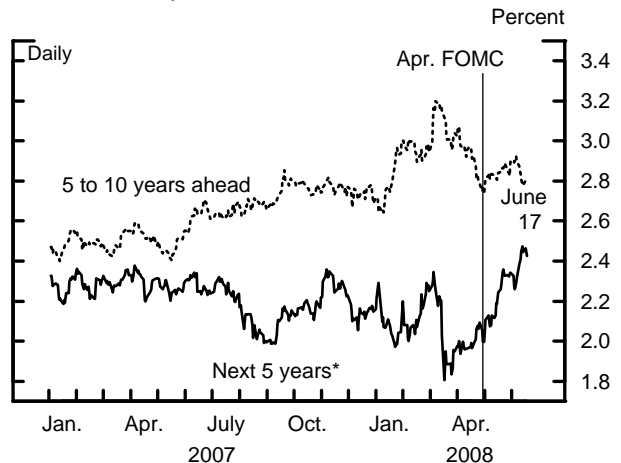
*Width of a 90 percent confidence interval computed from the term structures for the expected federal funds rate and implied volatility.

Treasury Yield Curve



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

Inflation Compensation

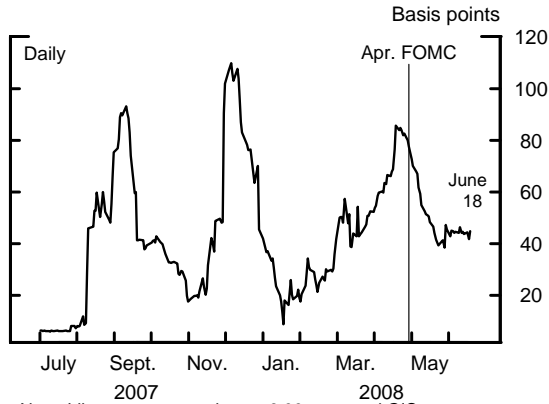


Note. Estimates based on smoothed nominal and inflation-indexed Treasury yields.

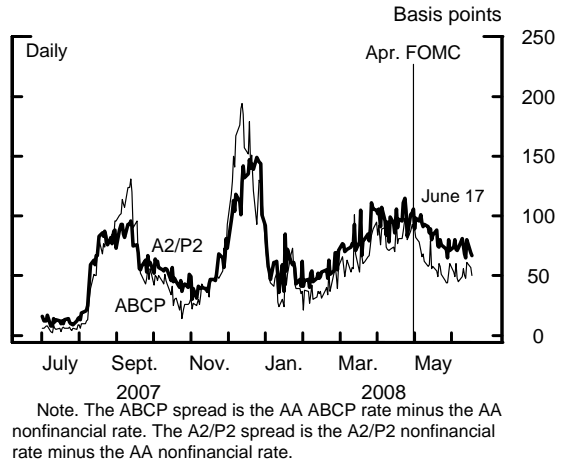
*Adjusted for lagged indexation of TIPS.

Short-Term Funding and Interbank Markets

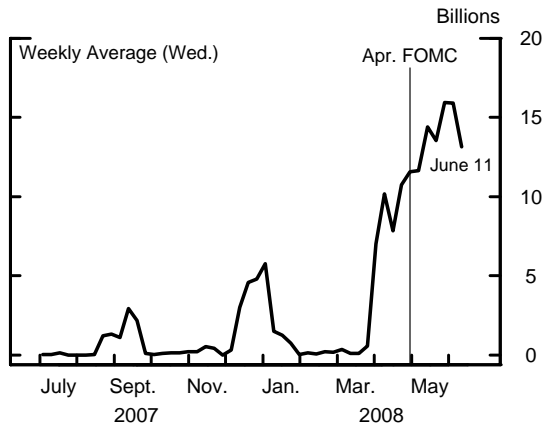
Spread between 30-Day Libor and OIS Rates



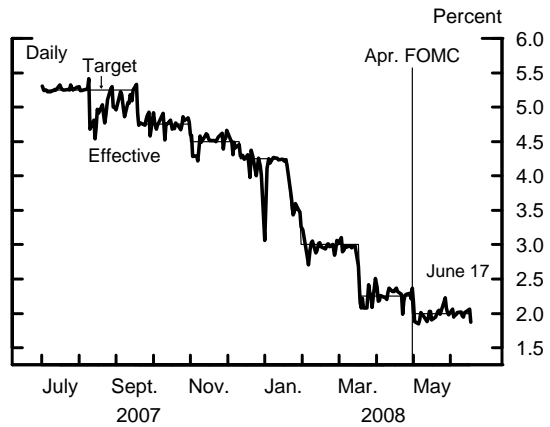
Spreads on 30-Day Commercial Paper



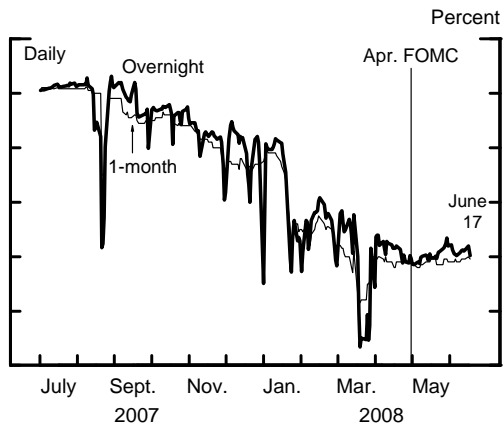
Primary Credit Borrowing



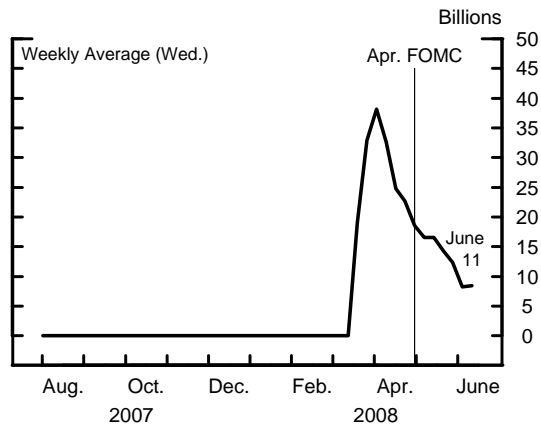
Federal Funds Rates



Treasury Repo Rates for General Collateral

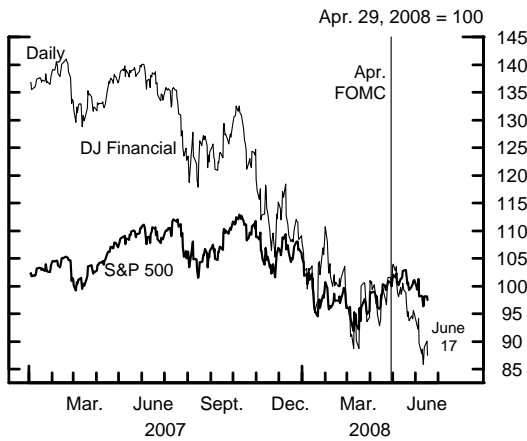


Primary Dealer Credit Facility

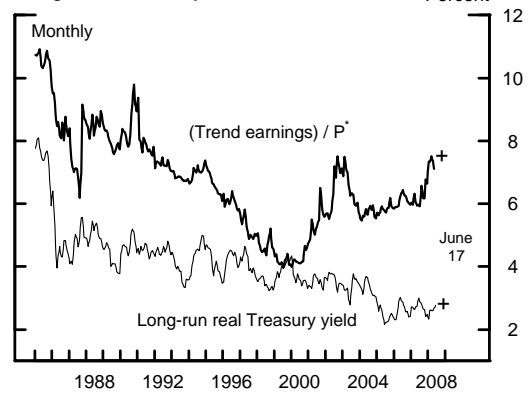


Corporate Yields, Risk Spreads, and Stock Prices

Selected Stock Price Indexes

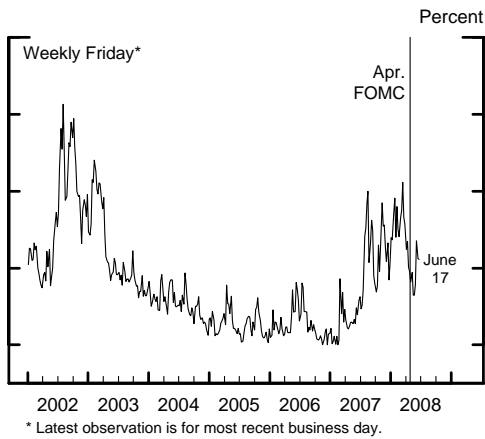


Ratio of Trend Earnings to Price for S&P 500 and Long-Run Treasury Yield

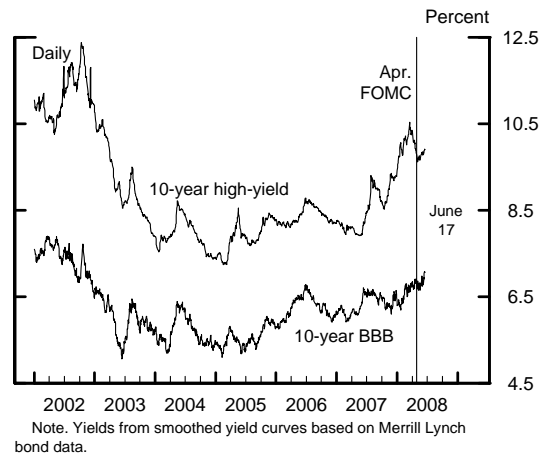


* Trend earnings are estimated using analysts' forecasts of year-ahead earnings from I/B/E/S.
+ Denotes the latest observation using daily interest rates and stock prices and latest earnings data from I/B/E/S.

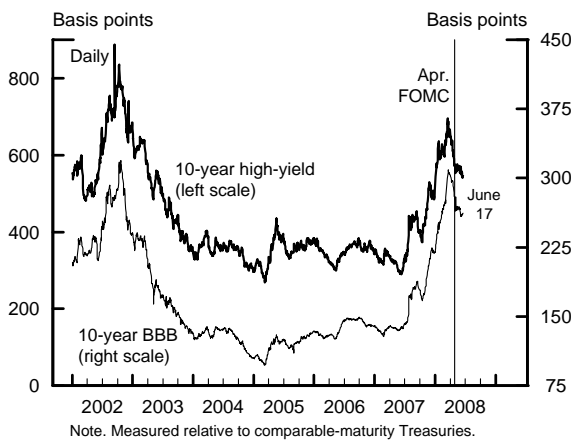
Implied Volatility on S&P 500 (VIX)



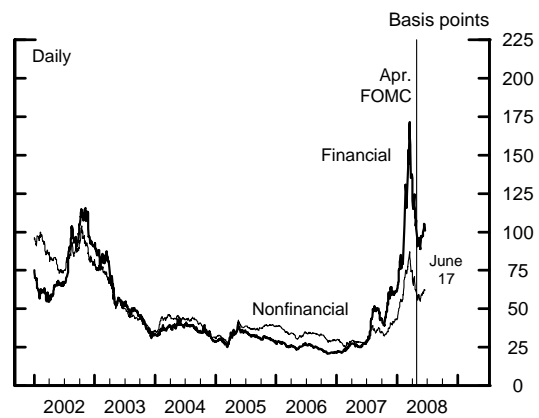
Corporate Bond Yields



Corporate Bond Spreads

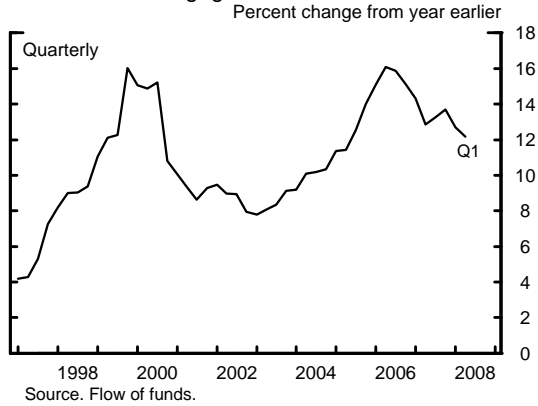


Investment-Grade CDS Indexes

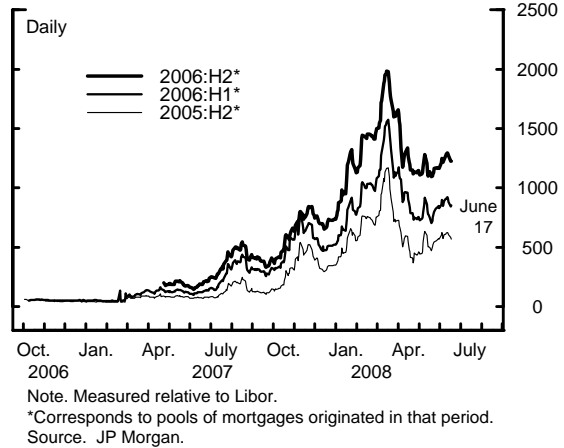


Commercial Real Estate

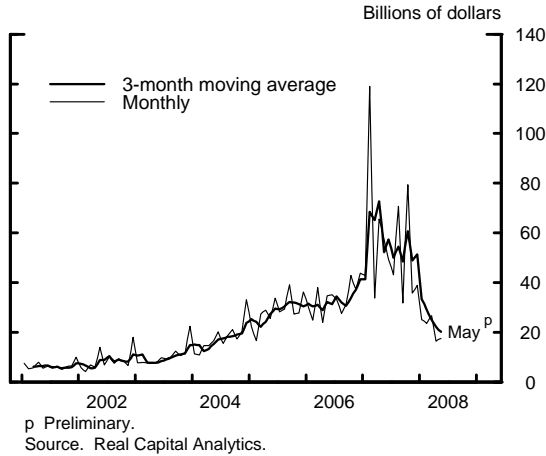
Commercial Mortgage Debt



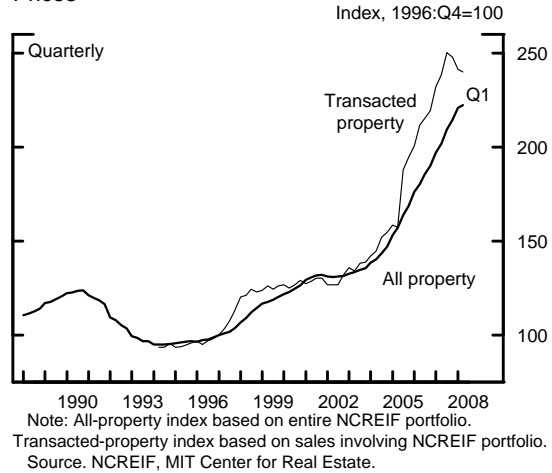
BBB Commercial Mortgage CDS Index Spreads
CMBX.NA



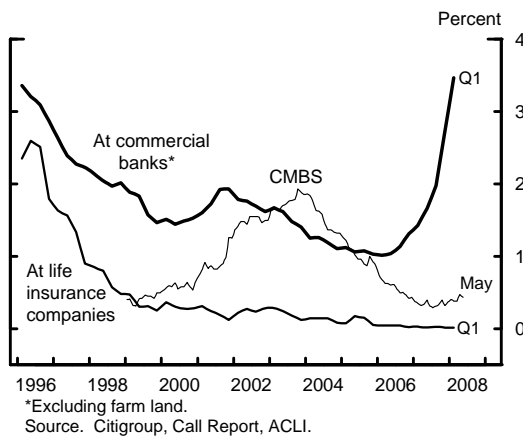
Sales of Commercial Real Estate



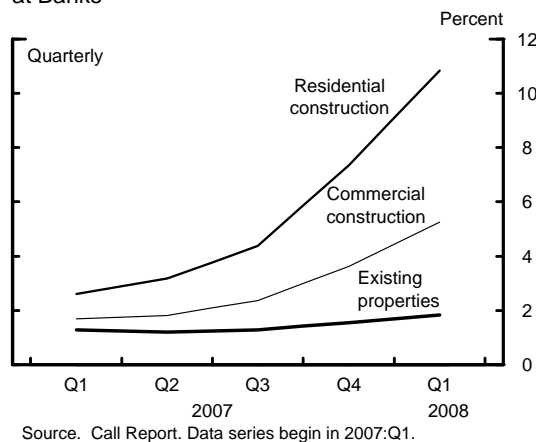
Prices



Delinquency Rates on Commercial Mortgages

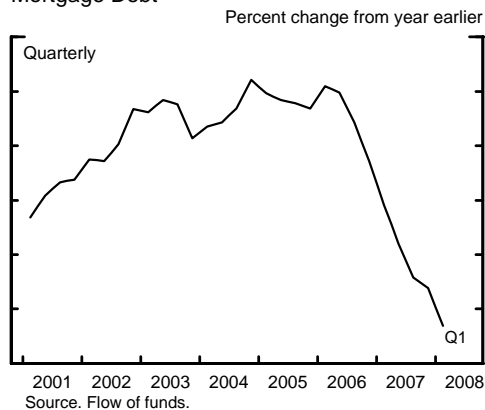


Delinquency Rates on Commercial Mortgages
at Banks

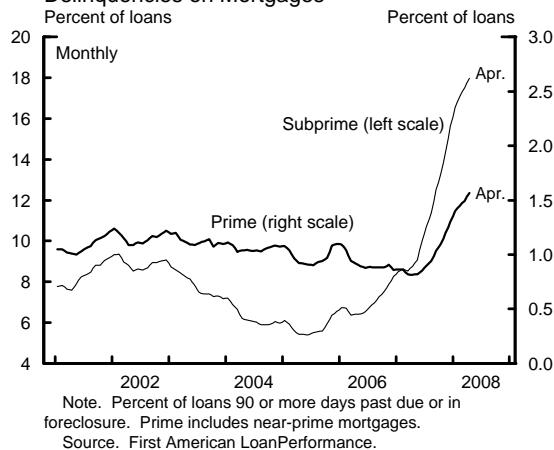


Residential Mortgages

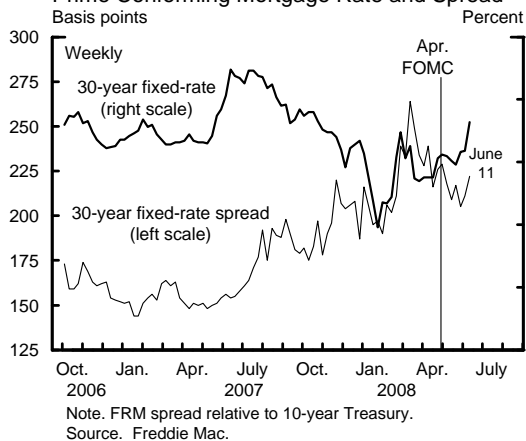
Mortgage Debt



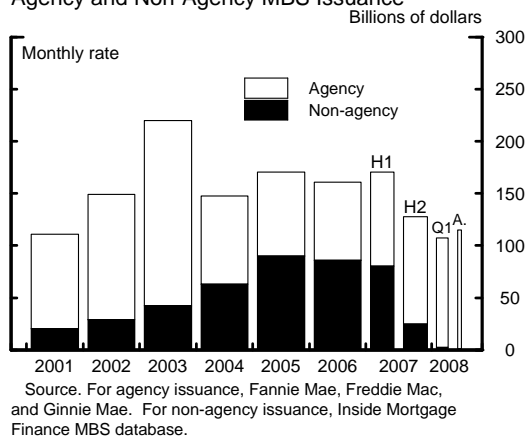
Delinquencies on Mortgages



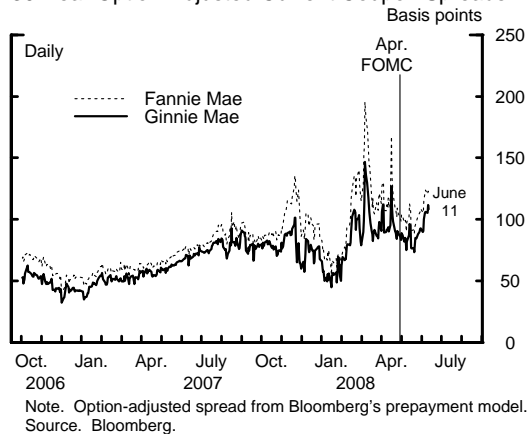
Prime Conforming Mortgage Rate and Spread



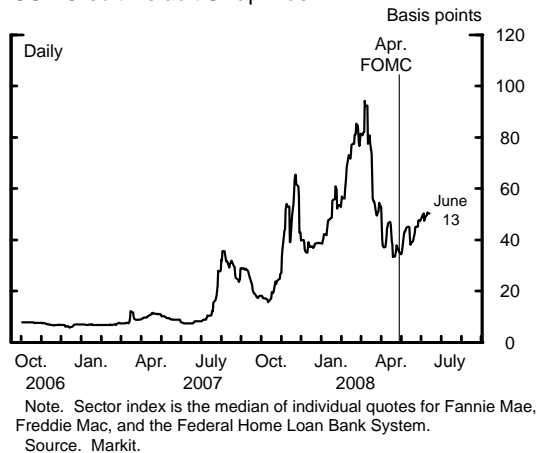
Agency and Non-Agency MBS Issuance



30-Year Option-Adjusted Current Coupon Spreads

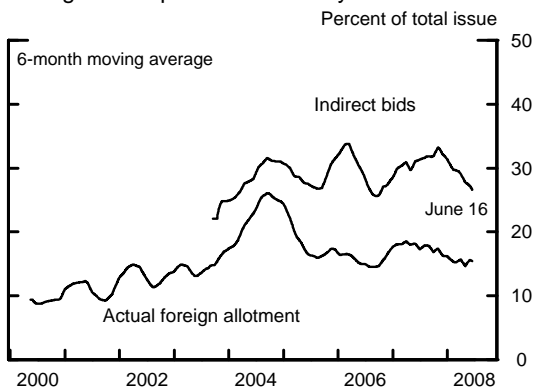


GSE Credit Default Swap Index



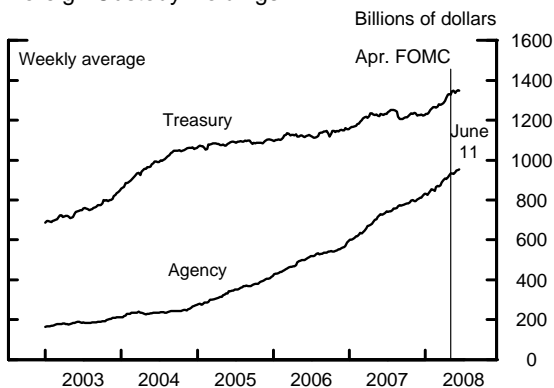
Treasury Finance

Foreign Participation in Treasury Auctions



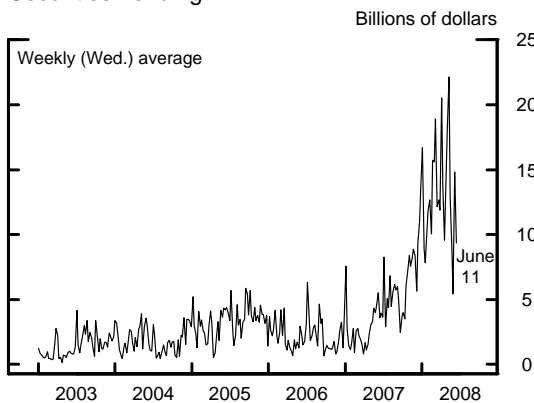
Note. Indirect bids and actual allotment are a percentage of the total amount accepted, including the amount tendered to the Federal Reserve. Moving averages include 2-, 5-, and 10-year original auctions and reopenings.

Foreign Custody Holdings



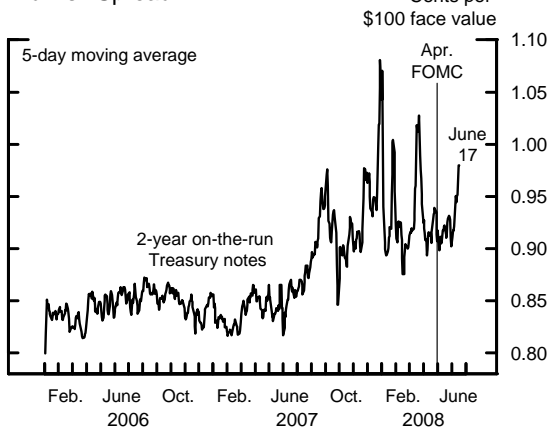
Note. Securities held in custody at the Federal Reserve Bank of New York on behalf of foreign official institutions.

Securities Lending



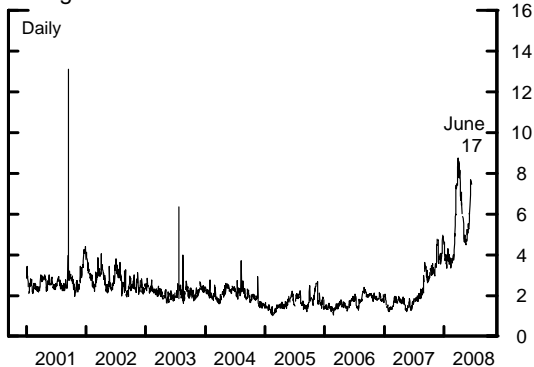
Note. Volume of securities lent to market participants from the System Open Market Account portfolio through the overnight facility.

Bid-Ask Spread



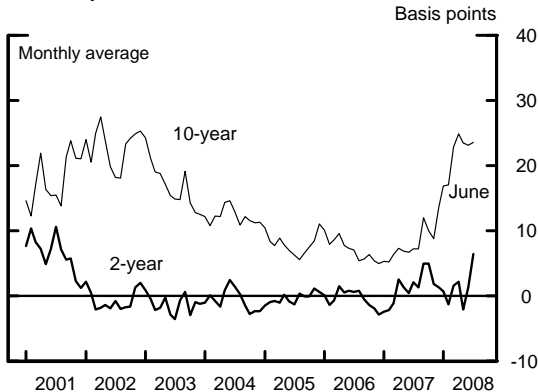
Source. BrokerTec Interdealer Market Data.

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.

Treasury On-the-Run Premiums



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

State and Local Government Finance

Gross Offerings of Municipal Securities

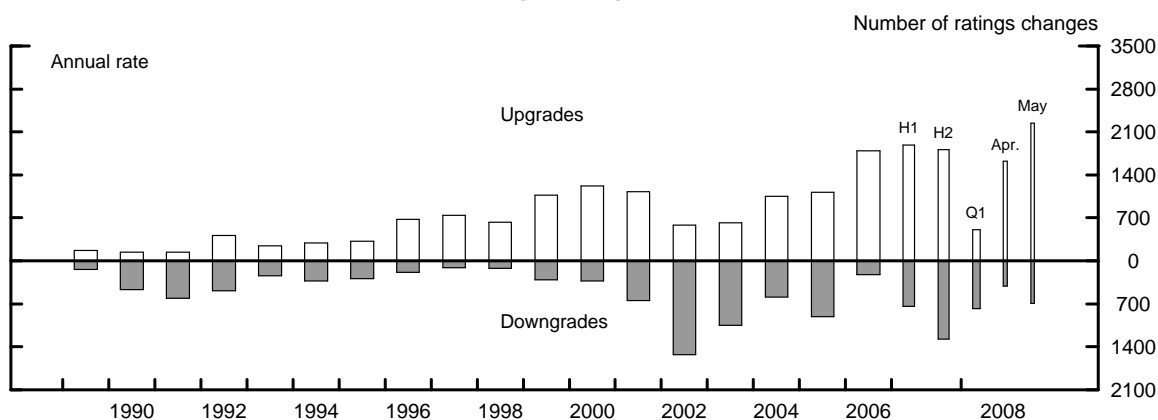
(Billions of dollars; monthly rate, not seasonally adjusted)

Type of security	2004	2005	2006	2007		2008		
				H1	H2	Q1	Apr.	May
Total	34.7	38.4	36.1	41.9	38.9	29.0	54.3	42.6
Long-term ¹	29.8	34.2	32.5	38.5	32.6	27.6	51.8	40.9
Refundings ²	10.8	15.6	10.6	16.5	8.7	10.7	26.8	20.7
New capital	19.0	18.6	21.9	22.0	23.9	16.9	25.0	20.1
Short-term	4.9	4.2	3.7	3.4	6.3	1.3	2.5	1.7
Memo: Long-term taxable	2.0	2.1	2.5	2.2	2.6	1.8	5.0	1.9

1. Includes issues for public and private purposes.

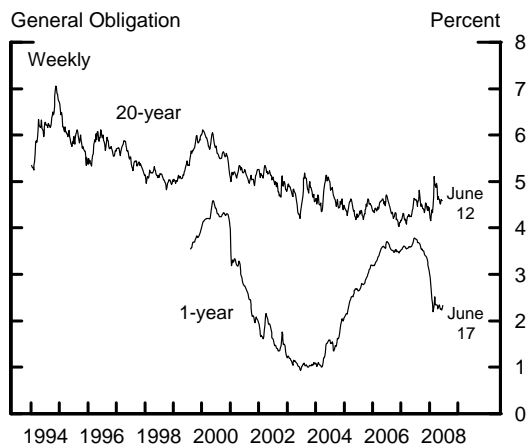
2. All issues that include any refunding bonds.

Ratings Changes



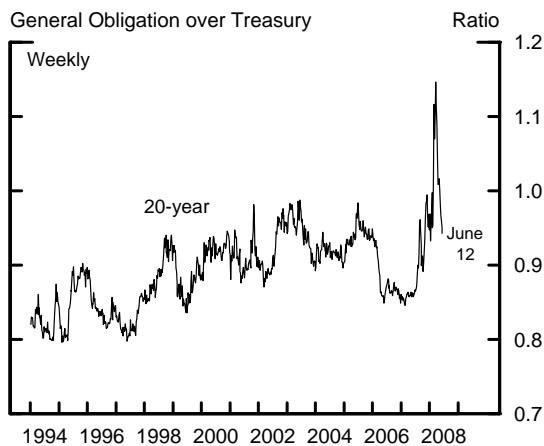
Source: S&P's Credit Week Municipal and Ratings Direct.

Municipal Bond Yields



Source: Municipal Market Advisors and Bond Buyer.

Municipal Bond Yield Ratio



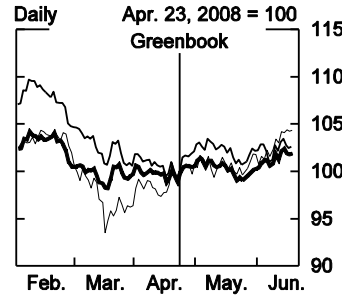
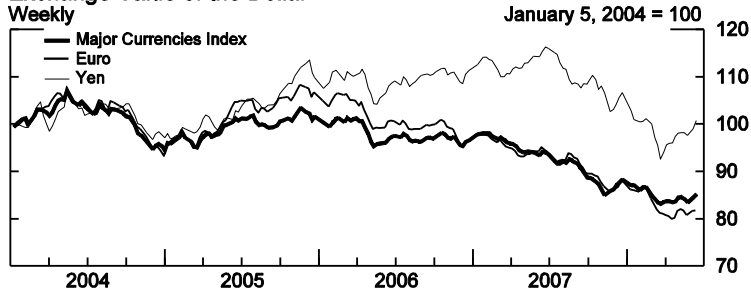
Source: Bond Buyer.

Exchange Value of the Dollar and Stock Market Indexes

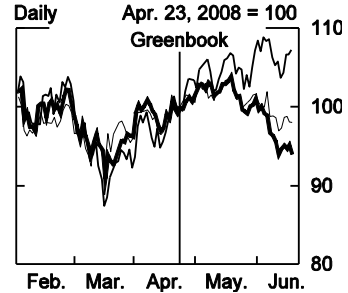
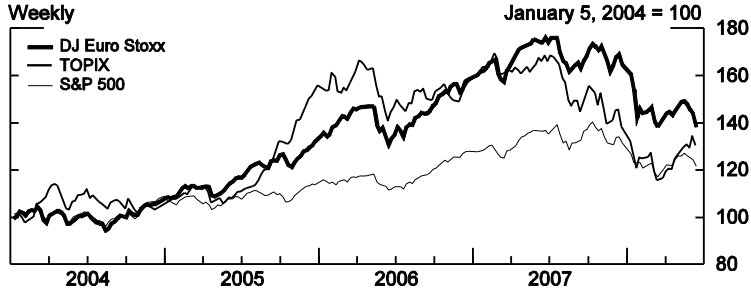
	Latest	Percent change since April Greenbook
<i>Exchange rates*</i>		
Euro (\$/euro)	1.5492	2.6
Yen (¥/\$)	108.1	4.4
Sterling (\$/£)	1.9533	1.3
Canadian dollar (C\$/\\$)	1.0197	0.0
<i>Nominal dollar indexes*</i>		
Broad index	96.3	1.0
Major currencies index	71.8	2.0
OITP index	122.5	-0.0
<i>Stock market indexes</i>		
DJ Euro Stoxx	339.4	-5.9
TOPIX	1409.6	7.2
FTSE 100	5771.1	-5.1
S&P 500	1349.6	-1.9

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

Exchange Value of the Dollar



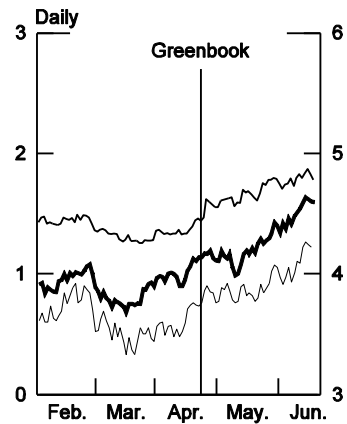
Stock Market Indexes



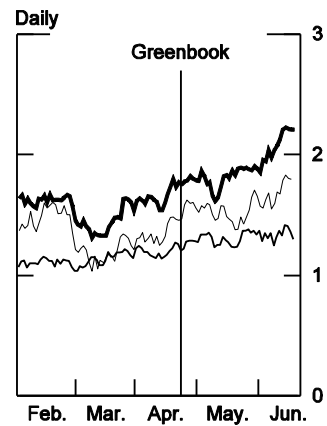
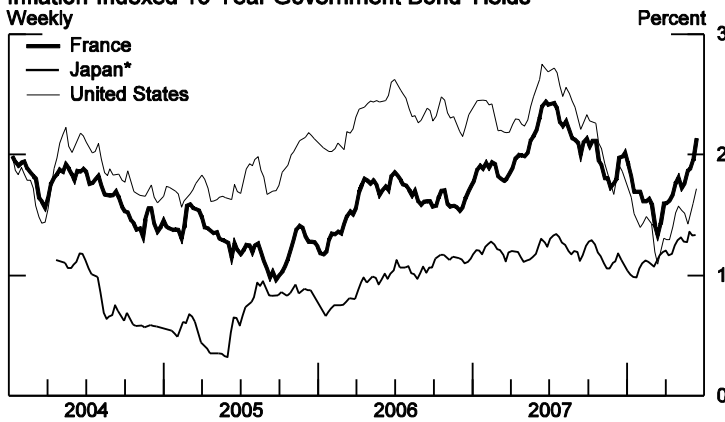
Industrial Countries: Nominal and Real Interest Rates

	3-month LIBOR		10-year nominal		10-year indexed		Percent
	Latest	Change since April Greenbook	Latest	Change since April Greenbook	Latest	Change since April Greenbook	
Germany	4.96	0.13	4.60	0.46	2.20	0.41	
Japan	0.92	0.01	1.78	0.34	1.30	0.09	
United Kingdom	5.95	0.06	5.17	0.50	1.31	-0.01	
Canada	3.45	-0.10	3.84	0.19	...	...
United States	2.80	-0.12	4.23	0.49	1.80	0.34	

Nominal 10-Year Government Bond Yields
Weekly



Inflation-Indexed 10-Year Government Bond Yields
Weekly

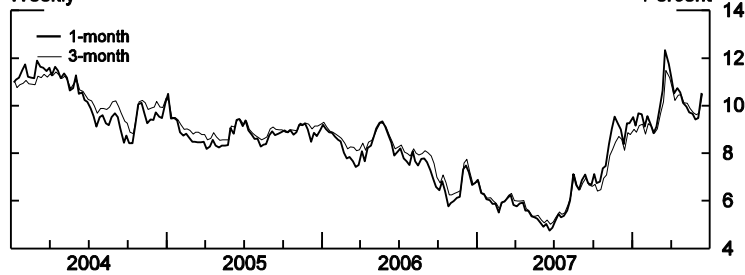


*Japan first issued inflation-indexed debt in March 2004.

Measures of Market Volatility

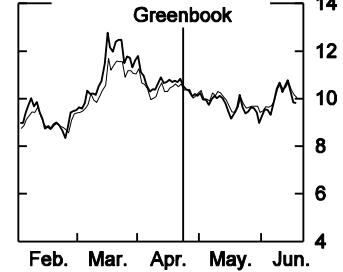
Dollar-Euro Options-Implied Volatility*

Weekly



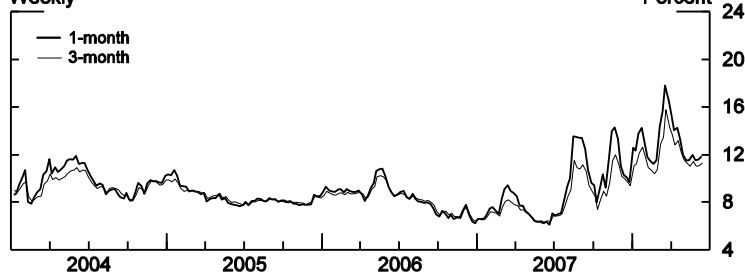
*Derived from at-the-money options.

Daily



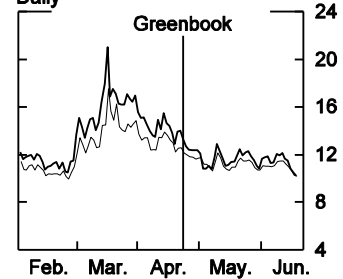
Yen-Dollar Options-Implied Volatility*

Weekly



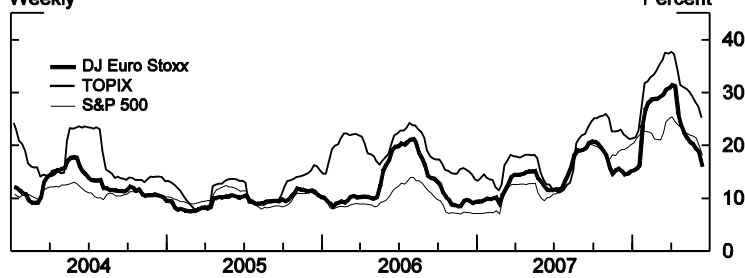
*Derived from at-the-money options.

Daily



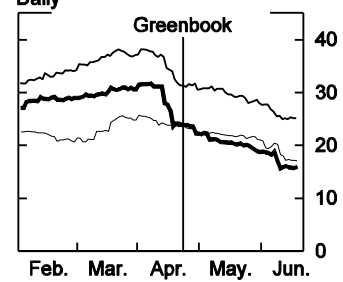
Realized Stock Market Volatility*

Weekly



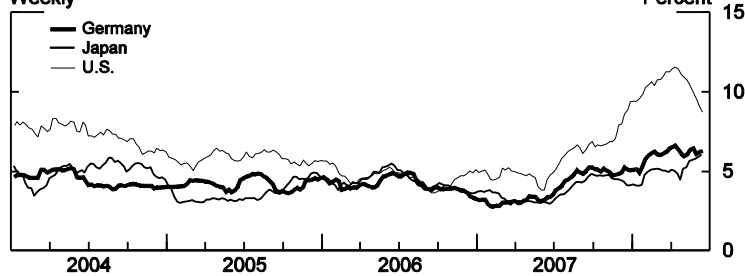
*Annualized standard deviation of 60-day window of daily returns.

Daily



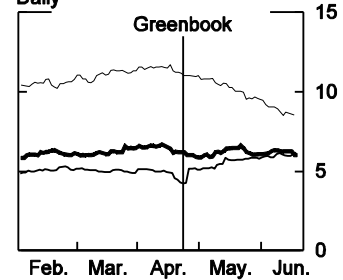
Realized 10-Year Bond Volatility*

Weekly



*Annualized standard deviation of 60-day window of daily returns.

Daily

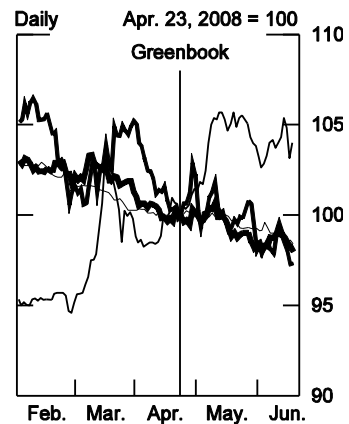
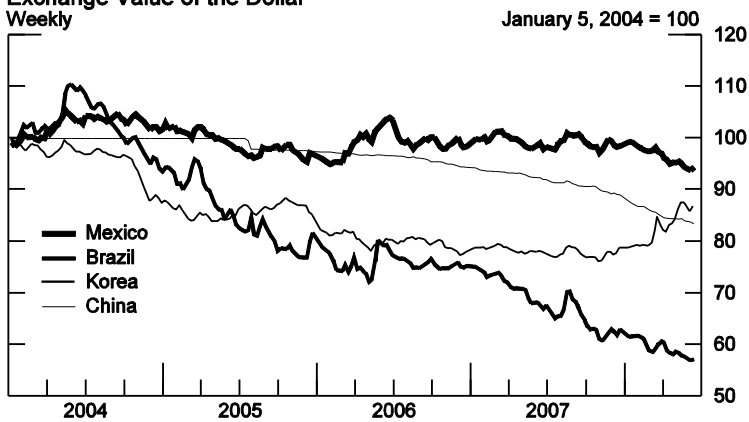


Emerging Markets: Exchange Rates and Stock Market Indexes

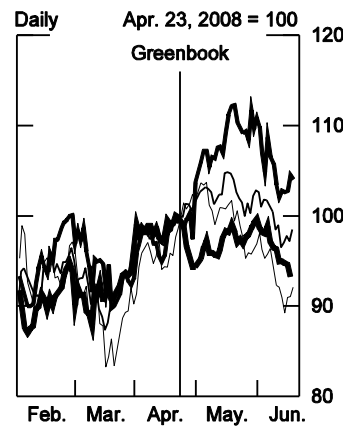
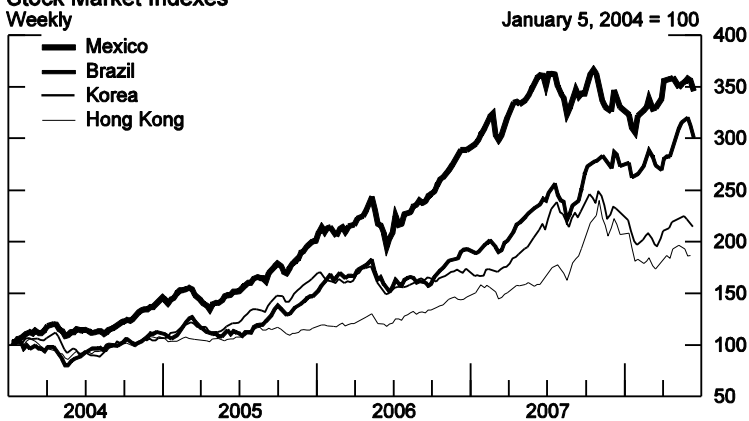
	Exchange value of the dollar		Stock market index	
	Latest	Percent change since April Greenbook*	Latest	Percent change since April Greenbook
Mexico	10.2886	-1.9	29925	-6.6
Brazil	1.6138	-2.6	68144	4.2
Venezuela	2.14	-0.1	36664	-3.3
China	6.8821	-1.5	2941	-10.3
Hong Kong	7.8055	0.1	23326	-7.8
Korea	1030.5	4.0	1774	-1.5
Taiwan	30.37	0.3	8218	-8.8
Singapore	1.3697	1.3	940	0.0
Thailand	33.28	5.8	766	-8.6

* 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

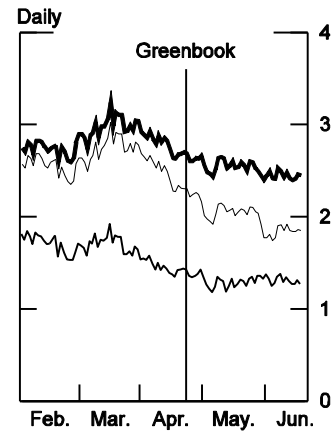
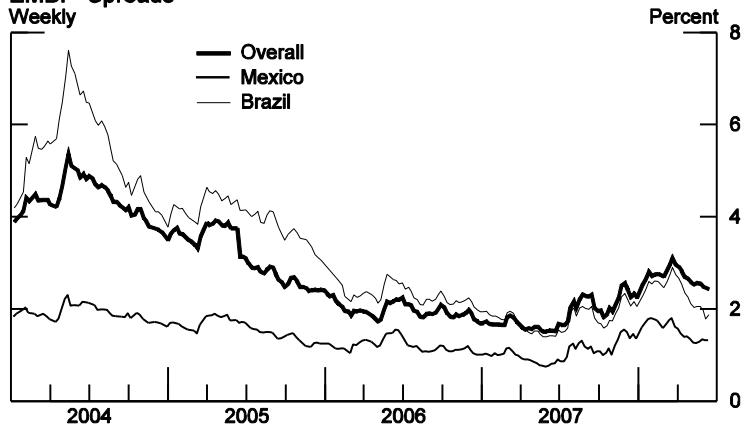
	Short-term interest rates*		Dollar-denominated bond spreads**		Percent
	Latest	Change since April Greenbook	Latest	Change since April Greenbook	
Mexico	7.34	0.00	1.27	-0.17	
Brazil	12.10	0.23	1.86	-0.45	
Argentina	15.56	5.69	5.63	-0.08	
China	...	...	1.32	-0.26	
Korea	5.10	0.00	...	...
Taiwan	2.54	-0.04	...	...
Singapore	3.50	0.00	...	...
Hong Kong	1.91	0.25	...	...

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

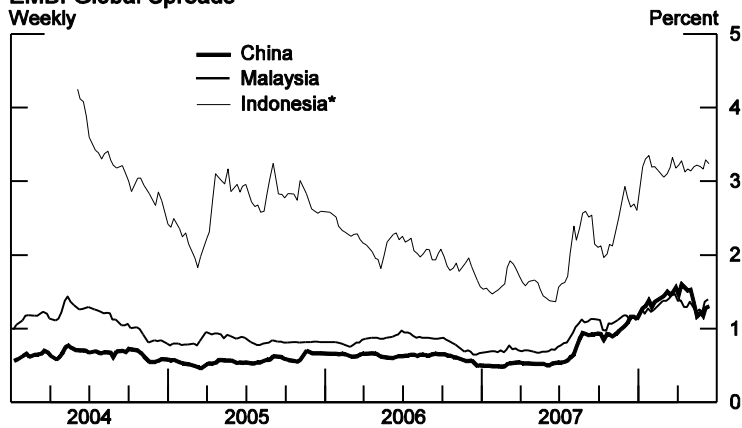
**EMBI+ or EMBI Global Spreads over similar-maturity U.S. Treasuries.

... Korea, Taiwan, Singapore, and Hong Kong have no outstanding dollar-denominated sovereign bonds.

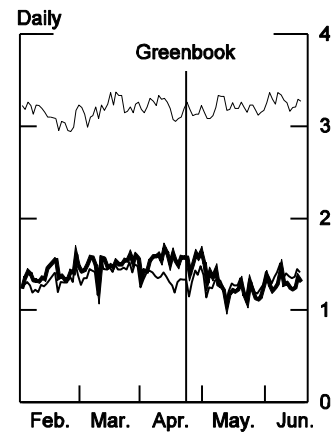
EMBI+ Spreads
Weekly



EMBI Global Spreads
Weekly



*Begins May 2004.



June 20, 2008

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Supplemental Notes

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

III-T-1
Selected Financial Market Quotations
(One-day quotes in percent except as noted)

Instrument	2007	2008			Change to June 19 from selected dates (percentage points)		
	Aug. 6	Jan. 31	Apr. 29	June 19	2007 Aug. 6	2008 Jan. 31	2008 Apr. 29
<i>Short-term</i>							
FOMC intended federal funds rate	5.25	3.00	2.25	2.00	-3.25	-1.00	-.25
Treasury bills ¹							
3-month	4.74	1.92	1.44	1.87	-2.87	-.05	.43
6-month	4.72	2.02	1.70	2.23	-2.49	.21	.53
Commercial paper (A1/P1 rates) ²							
1-month	5.26	2.95	2.50	2.36	-2.90	-.59	-.14
3-month	5.29	2.98	2.83	2.72	-2.57	-.26	-.11
Large negotiable CDs ¹							
3-month	5.34	3.01	2.84	2.78	-2.56	-.23	-.06
6-month	5.27	2.93	2.98	3.17	-2.10	.24	.19
Eurodollar deposits ³							
1-month	5.33	3.15	2.90	2.70	-2.63	-.45	-.20
3-month	5.35	3.15	3.15	2.95	-2.40	-.20	-.20
Bank prime rate	8.25	6.00	5.25	5.00	-3.25	-1.00	-.25
<i>Intermediate- and long-term</i>							
U.S. Treasury ⁴							
2-year	4.49	2.16	2.28	2.94	-1.55	.78	.66
5-year	4.52	2.83	3.11	3.70	-.82	.87	.59
10-year	4.82	3.86	4.04	4.44	-.38	.58	.40
U.S. Treasury indexed notes ⁵							
5-year	2.43	.68	1.10	1.24	-1.19	.56	.14
10-year	2.48	1.35	1.71	1.84	-.64	.49	.13
Municipal general obligations (Bond Buyer) ⁶	4.51	4.39	4.68	4.76	.25	.37	.08
Private instruments							
10-year swap	5.44	4.23	4.39	4.86	-.58	.63	.47
10-year FNMA ⁷	5.34	4.28	4.53	5.01	-.33	.73	.48
10-year AA ⁸	6.12	5.62	6.01	6.51	.39	.89	.50
10-year BBB ⁸	6.57	6.39	6.82	7.06	.49	.67	.24
10-year high yield ⁸	9.21	9.80	9.80	9.95	.74	.15	.15
Home mortgages (FHLMC survey rate)							
30-year fixed	6.59	5.68	6.06	6.42	-.17	.74	.36
1-year adjustable	5.65	5.05	5.29	5.19	-.46	.14	-.10

Stock exchange index	Record high		2008			Change to June 19 from selected dates (percent)		
	Level	Date	Jan. 31	Apr. 29	June 19	Record high	2008 Jan. 31	2008 Apr. 29
Dow Jones Industrial	14,165	10-9-07	12,650	12,832	12,063	-14.84	-4.64	-5.99
S&P 500 Composite	1,565	10-9-07	1,379	1,391	1,343	-14.20	-2.59	-3.46
Nasdaq	5,049	3-10-00	2,390	2,426	2,462	-51.23	3.02	1.48
Russell 2000	856	7-13-07	713	719	738	-13.78	3.44	2.63
Wilshire 5000	15,807	10-9-07	13,897	14,033	13,759	-12.96	-.99	-1.95

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:

August 6, 2007, is the day before the August 2007 FOMC meeting.
January 31, 2008, is the day after the January 2008 FOMC meeting.
April 29, 2008, is the day before the most recent FOMC monetary policy announcement.