

Part 1

March 13, 2008

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Summary and Outlook

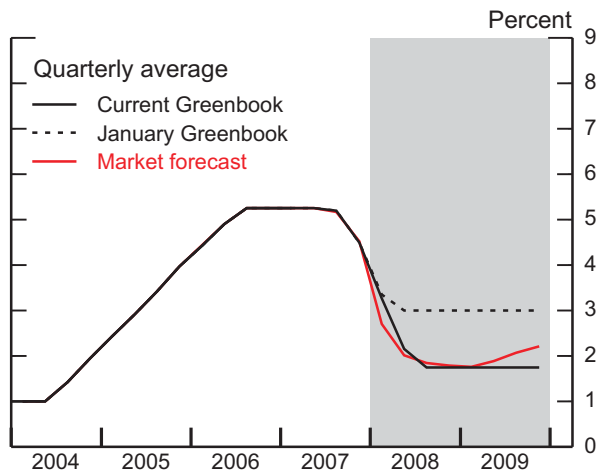
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Summary and Outlook

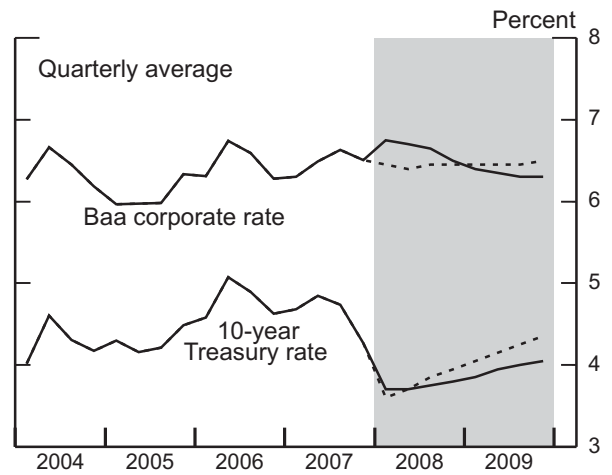
Class II FOMC -- Restricted (FR)

Key Background Factors Underlying the Baseline Staff Projection

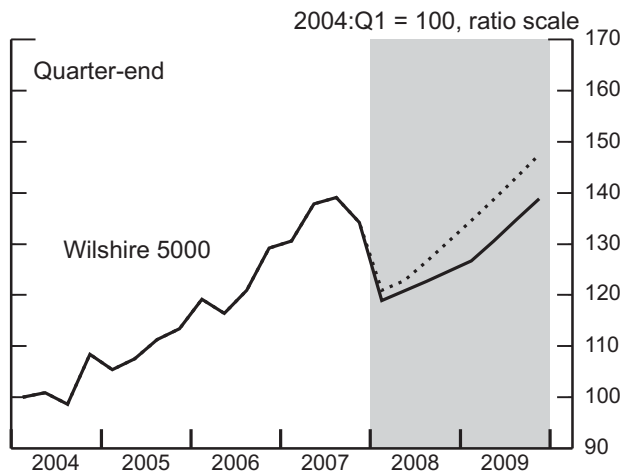
Federal Funds Rate



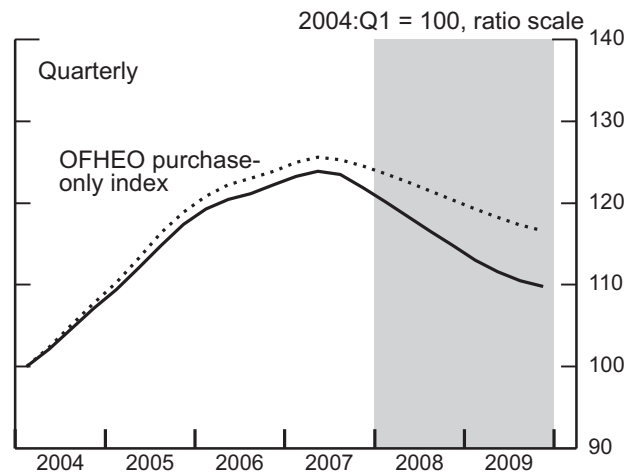
Long-Term Interest Rates



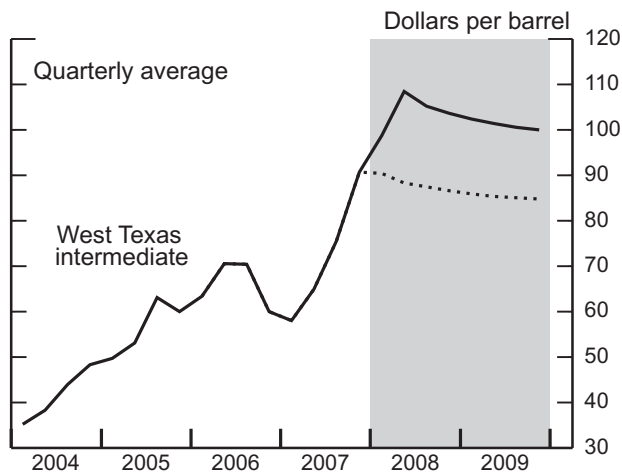
Equity Prices



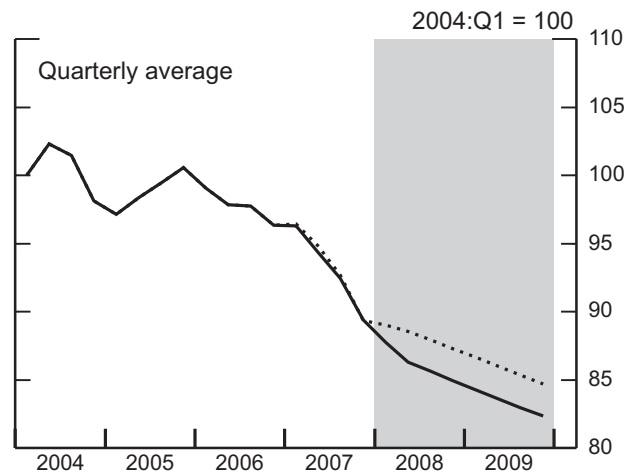
House Prices



Crude Oil Prices



Broad Real Dollar



Note. In each panel, shading represents the projection period, which begins in 2008:Q1.

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

Measure	2008:Q1		2008:Q2	
	Jan GB	Mar GB	Jan GB	Mar GB
Real GDP	.6	.1	1.2	-1.0
Private domestic final purchases	-.9	-1.4	-.4	-2.0
Personal consumption expenditures	1.3	.2	1.0	.5
Residential investment	-33.1	-33.1	-25.4	-33.3
Business fixed investment	-1.1	2.0	.0	-6.5
Government outlays for consumption and investment	1.6	3.1	1.8	1.4
	Contribution to growth (percentage points)			
Inventory investment	.9	.1	-.2	-1.7
Net exports	.1	.7	1.3	2.2

second quarter, we expect the weakness in the economy to become more pervasive, with business spending dropping sharply and consumption eking out a gain of only ½ percent at an annual rate despite the tax rebates. As a result, we now project real GDP to contract at an annual rate of 1 percent next quarter, in contrast to the increase of 1¼ percent we had forecast previously.²

As noted above, a wide variety of evidence has led us to the view that the economy has shifted into a recessionary state. Experience suggests that household and business demand declines in a recession by more than our models are able to explain, and accordingly, we have judgmentally marked down such spending in line with that experience.

Manufacturing output stalled in January, and the available information suggests that it declined in February—a picture consistent with recent readings from regional and manufacturing surveys. Motor vehicle assemblies in January and February—at an average annual rate of 10.1 million units—were somewhat below the 10.5 million unit pace of the fourth quarter. With automakers apparently anxious to keep schedules in line

² The contraction (and downward revision) in activity would be even greater in the absence of the fiscal stimulus, which boosts our forecast of the change in real GDP in the second quarter by roughly ½ percentage point (annual rate). In the previous projection, we had assumed a slower payout of the rebates such that spending would not be affected until the third quarter.

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

Measure	2007: H2	2008: H1	2008: H2	2009
Real GDP	2.6	-.4	.7	3.0
Previous	2.7	.9	2.2	2.2
Final sales	3.0	.4	.2	2.2
Previous	2.9	.5	2.8	1.7
PCE	2.3	.4	-.4	2.0
Previous	2.5	1.1	3.4	1.4
Residential investment	-23.2	-33.2	-18.8	-3.9
Previous	-25.7	-29.4	-9.9	-1.4
BFI	7.4	-2.4	-2.7	2.1
Previous	8.4	-.6	1.5	2.8
Government purchases	2.9	2.2	2.1	1.6
Previous	3.9	1.7	1.2	.9
Exports	12.6	6.3	7.5	8.1
Previous	11.6	7.0	7.4	7.3
Imports	1.5	-3.7	.0	4.2
Previous	3.2	.7	3.3	3.8
Contribution to growth (percentage points)				
Inventory change	-.3	-.8	.5	.8
Previous	-.2	.4	-.6	.5
Net exports	1.2	1.4	1.0	.3
Previous	.8	.7	.4	.3

boost to consumer spending around midyear, but most of this boost is projected to fade by the fourth quarter. In 2009, we project that real PCE will rise 2 percent, aided by stabilizing energy prices and an improvement in financial conditions and consumer confidence. With this projection, the personal saving rate rises to 1¼ percent in 2009.

Residential investment. We have again reduced our forecast for housing activity. Although the incoming information on sales and starts was largely consistent with our expectations, we took the steeper-than-anticipated drop in house prices in the fourth quarter of 2007 as a signal that the housing market was more fragile than evidenced by

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	1.9	1.8
Previous	1.5	2.5	2.8	2.1	2.0	1.9	1.9
<i>Contributions</i> ¹							
Capital deepening	.7	1.4	.7	.7	.6	.4	.4
Previous	.7	1.4	.7	.7	.6	.5	.5
Multifactor productivity	.5	.7	1.8	1.2	1.3	1.3	1.3
Previous	.5	.7	1.8	1.2	1.2	1.2	1.2
Labor composition	.3	.3	.3	.2	.2	.2	.1
MEMO							
Potential GDP	3.0	3.3	2.7	2.4	2.4	2.3	2.2
Previous	3.0	3.3	2.7	2.4	2.4	2.3	2.3

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

1. Percentage points.

The Outlook for the Labor Market

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

Measure	2006	2007	2008	2009
Output per hour, nonfarm business	.9	2.9	1.1	2.8
Previous	.9	2.7	1.6	1.9
Nonfarm private payroll employment	1.7	.9	-.9	.9
Previous	1.8	1.1	.2	.7
Household survey employment	2.1	.4	-.6	1.0
Previous	2.1	.4	.3	.8
Labor force participation rate ¹	66.3	66.0	65.6	65.4
Previous	66.3	66.0	65.7	65.5
Civilian unemployment rate ¹	4.4	4.8	5.7	5.5
Previous	4.4	4.8	5.1	5.2
MEMO				
GDP gap ²	.1	.1	-2.0	-1.3
Previous	.1	.1	-.7	-.8

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	2.9	1.7
Previous	1.9	3.4	2.2	1.7
Food and beverages	2.3	4.5	2.8	2.0
Previous	2.3	4.4	2.3	2.0
Energy	-4.0	19.6	10.4	-1.5
Previous	-4.0	18.8	3.2	-1.0
Excluding food and energy	2.3	2.1	2.3	1.9
Previous	2.3	2.1	2.1	1.9
Consumer price index	1.9	4.0	3.3	1.8
Previous	1.9	4.0	2.4	1.8
Excluding food and energy	2.7	2.3	2.5	2.1
Previous	2.7	2.3	2.3	2.1
GDP chain-weighted price index	2.7	2.6	2.0	2.0
Previous	2.7	2.6	2.2	1.9
ECI for compensation of private industry workers ¹	3.2	3.0	3.4	3.3
Previous	3.2	3.2	3.7	3.6
Compensation per hour, nonfarm business sector	5.0	3.9	4.0	3.8
Previous	5.0	3.9	4.4	4.1
Prices of core nonfuel imports	2.4	3.2	3.8	1.2
Previous	2.4	3.1	1.7	1.2

1. December to December.

Wages and prices. Over the first half of 2008, both core and headline inflation are on track to come in appreciably above our previous projection. But by the middle of this year and over 2009, the outlook for inflation is not materially different from what we had written down in January. We anticipate that the higher energy and import prices will impart a bit more upward pressure on core prices in coming quarters. In addition, we have taken on board a small step-up in inflation expectations that we see as consistent with the range of recent signals. However, we expect these inflationary pressures to be about offset by the considerably greater slack that we now project for product and labor markets. As a result, core PCE inflation is projected to slow from 2.3 percent in 2008 to 1.9 percent in 2009. Total PCE inflation is projected to average 2.9 percent this year, but

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

Measure	2007	2008	2009	2010	2011	2012
Real GDP	2.4	0.1	3.0	3.0	3.0	2.7
Civilian unemployment rate ¹	4.8	5.7	5.5	5.2	5.0	4.8
Total PCE prices	3.4	2.9	1.7	1.8	1.7	1.7
Core PCE prices	2.1	2.3	1.9	1.8	1.7	1.7
Federal funds rate ¹	4.5	1.8	1.8	2.0	3.0	3.9

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

strengthens, and the nominal federal funds rate climbs to just under 4 percent by the end of 2012.

Financial Flows and Conditions

Domestic nonfinancial debt is expected to increase at an annual rate of 5¼ percent in the first quarter and to then decelerate to an average annual rate of about 4½ percent over the balance of the projection period. The sharp pullback from the 8 percent pace seen last year is attributable in part to our view that financial headwinds will be stronger and will persist longer.

After having expanded 6¾ percent in 2007, household debt is expected to rise at an annual rate of just 3½ percent in the first quarter, the smallest quarterly increase in more than fifteen years. We expect household borrowing will moderate a bit more during the rest of this year and into 2009. This projected slowdown reflects in large part a curtailment of home mortgage borrowing in response to tighter terms and standards as well as to falling home prices and weak sales. We also anticipate more restrictive standards on consumer loans and relatively sluggish growth of household spending, which should result in lower nonmortgage borrowing.

We project that nonfinancial business debt will increase at an average annual rate of about 5 percent in 2008 and 2009, less than half of last year's pace. During much of 2007, the growth of business debt was boosted by robust financing for cash mergers and acquisitions and for share repurchases. We expect the substantial widening of credit spreads that has occurred will cut into borrowing, particularly for corporate restructurings, over the forecast period. Speculative-grade bond issuance already has slowed markedly this quarter, and we expect that net bond issuance will moderate from its robust pace in 2007. In addition, bank lending standards are expected to remain tight

Alternative Scenarios

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

Measure and scenario	2007	2008		2009	2010	2011-12
	H2	H1	H2			
<i>Real GDP</i>						
Greenbook baseline	2.6	-.4	.7	3.0	3.0	2.9
Greater housing correction	2.6	-.5	.4	2.5	3.0	3.2
With more financial fallout	2.6	-1.2	-.7	2.2	3.3	3.5
Near-term upside risk	2.6	1.1	1.9	2.6	2.8	2.6
Faster recovery	2.6	-.4	1.1	3.4	3.0	2.8
Greater inflationary pressure	2.6	-.5	.5	2.8	3.0	2.9
Worker insecurity	2.6	-.6	.5	3.0	3.4	3.0
<i>Civilian unemployment rate¹</i>						
Greenbook baseline	4.8	5.2	5.7	5.5	5.2	4.8
Greater housing correction	4.8	5.2	5.8	5.7	5.5	4.9
With more financial fallout	4.8	5.3	6.0	6.2	5.8	4.9
Near-term upside risk	4.8	5.0	5.3	5.1	5.0	4.8
Faster recovery	4.8	5.2	5.6	5.3	4.9	4.7
Greater inflationary pressure	4.8	5.2	5.8	5.6	5.3	4.9
Worker insecurity	4.8	5.2	5.8	5.6	5.2	4.6
<i>Core PCE inflation</i>						
Greenbook baseline	2.4	2.5	2.1	1.9	1.8	1.7
Greater housing correction	2.4	2.5	2.1	1.9	1.7	1.6
With more financial fall-out	2.4	2.5	2.1	1.9	1.7	1.4
Near-term upside risk	2.4	2.5	2.1	1.9	1.9	1.9
Faster recovery	2.4	2.5	2.1	1.9	1.9	1.8
Greater inflationary pressure	2.4	2.9	2.7	2.3	2.1	1.9
Worker insecurity	2.4	2.5	2.0	1.8	1.6	1.6
<i>Federal funds rate¹</i>						
Greenbook baseline	4.5	2.2	1.8	1.8	2.0	3.9
Greater housing correction	4.5	2.2	1.6	1.2	1.3	3.7
With more financial fall-out	4.5	1.9	.9	.2	.9	3.7
Near-term upside risk	4.5	2.8	3.0	2.4	2.3	3.9
Faster recovery	4.5	2.2	2.0	2.4	2.6	4.2
Greater inflationary pressure	4.5	2.3	2.0	2.2	2.3	4.1
Worker insecurity	4.5	2.1	1.6	1.4	1.9	4.1

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

consider opposing risks to the inflation outlook: first, that the baseline increases in the prices of energy and imports will put more upward pressure on expected and actual inflation than we project, and second, that the weak economy will lead to greater worker insecurity and thus smaller wage increases than in the baseline. In all of the scenarios, we assume that monetary policy responds to the change in the outlook as suggested by an estimated version of the Taylor rule.

**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	0.1	3.0	3.0	3.0	2.7
Confidence interval					
Greenbook forecast errors	-1.3-1.6	1.6-4.4	...	...	...
FRB/US stochastic simulations	-.9-1.2	1.6-4.5	1.4-4.6	1.4-4.8	1.0-4.5
<i>Civilian unemployment rate</i> (percent, Q4)					
Projection	5.7	5.5	5.2	5.0	4.8
Confidence interval					
Greenbook forecast errors	5.2-6.1	4.6-6.4	...	...	...
FRB/US stochastic simulations	5.3-6.0	4.9-6.0	4.6-5.9	4.2-5.7	3.9-5.6
<i>PCE prices, total</i> (percent change, Q4 to Q4)					
Projection	2.9	1.7	1.8	1.7	1.7
Confidence interval					
Greenbook forecast errors	2.1-3.7	.8-2.6	...	...	...
FRB/US stochastic simulations	2.2-3.6	.9-2.6	.9-2.8	.7-2.8	.7-2.8
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)					
Projection	2.3	1.9	1.8	1.7	1.7
Confidence interval					
Greenbook forecast errors	1.8-2.8	1.1-2.8	...	...	...
FRB/US stochastic simulations	2.0-2.7	1.4-2.6	1.1-2.6	1.0-2.6	.9-2.5
<i>Federal funds rate</i> (percent, Q4)					
Projection	1.7	1.7	2.0	3.0	3.9
Confidence interval					
FRB/US stochastic simulations	.9-2.7	.4-3.3	.6-3.7	1.4-4.9	2.3-5.8

Notes: Intervals derived from Greenbook forecast errors are based on projections made from 1986-2006. Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1986-2006 set of model equation residuals.

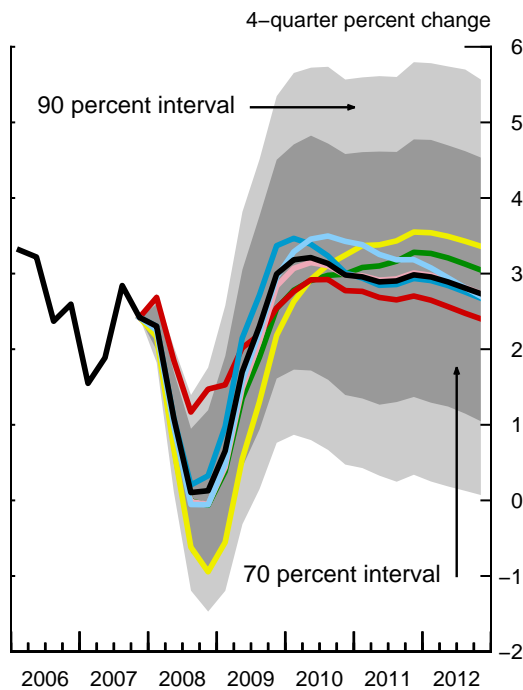
... Not applicable. The Greenbook forecast horizon has typically extended about two years.

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

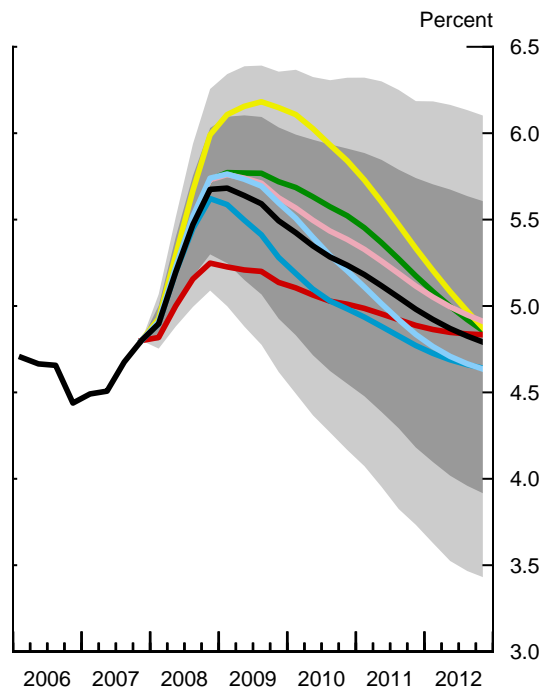
Confidence Intervals based on FRB/US Stochastic Simulations

- Greenbook baseline
- Near-term upside risk
- Greater inflationary pressure
- Greater housing correction (GHC)
- Faster recovery
- Worker insecurity
- GHC with more financial fallout

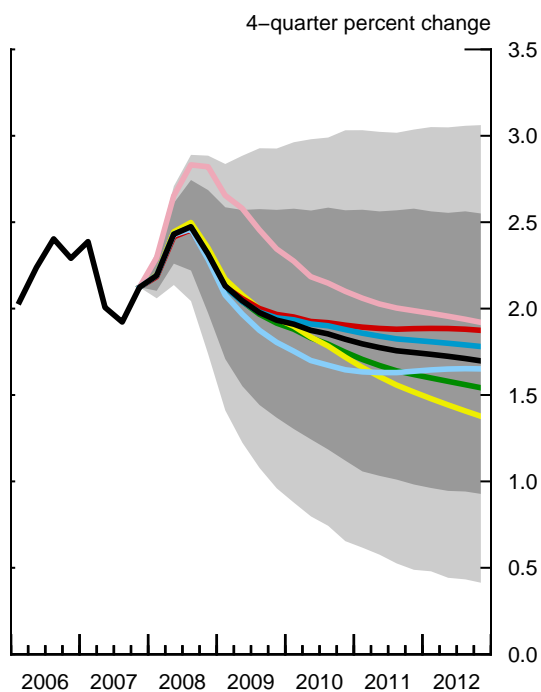
Real GDP



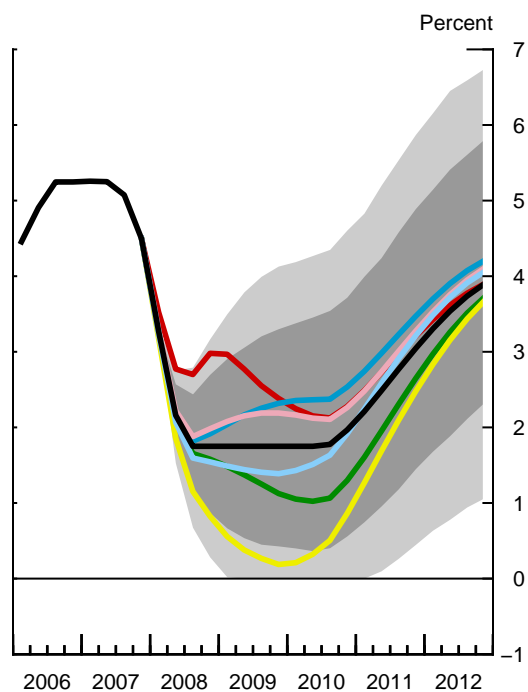
Unemployment Rate



PCE Prices excluding Food and Energy



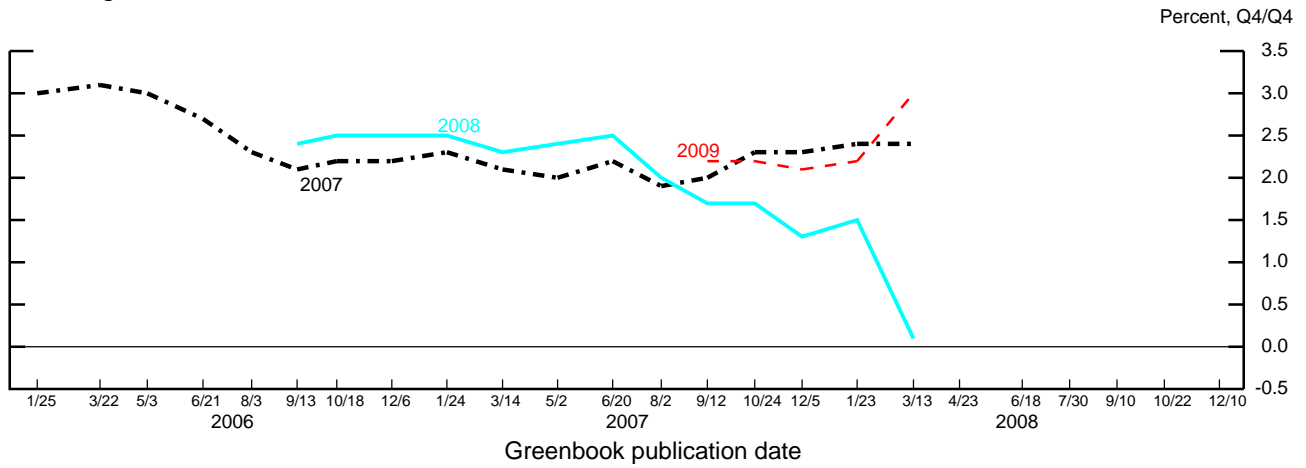
Federal Funds Rate



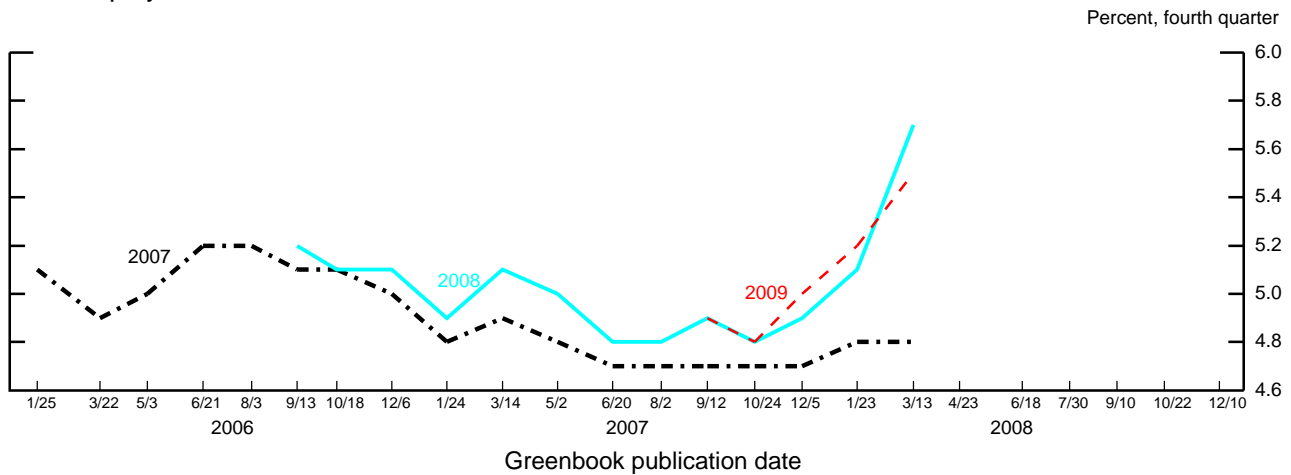
Class II FOMC - Restricted (FR)

Evolution of the Staff Forecast

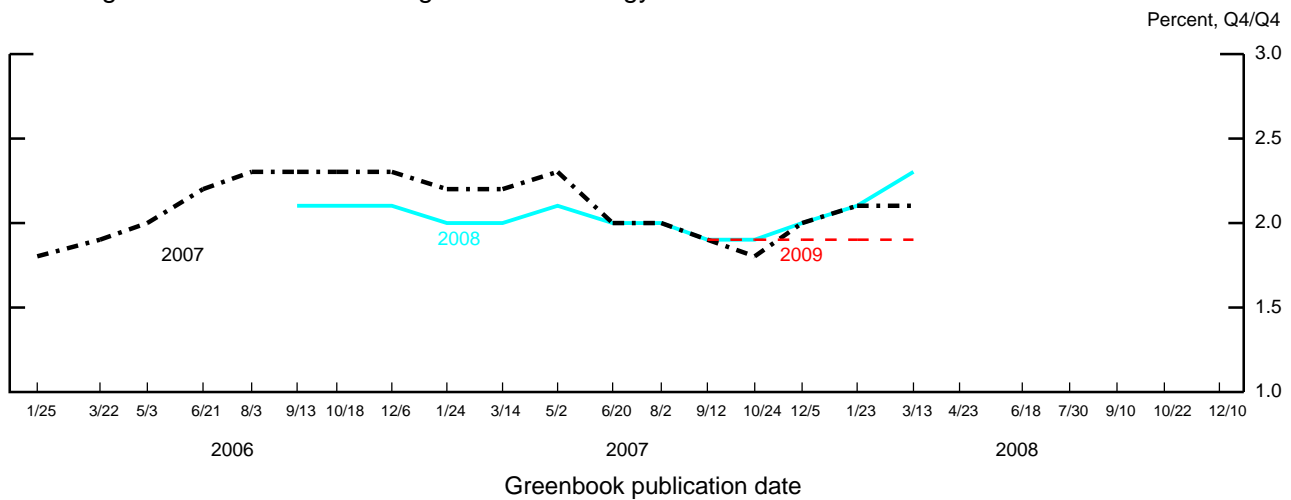
Change in Real GDP



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	
	01/23/08	03/13/08	01/23/08	03/13/08	01/23/08	03/13/08	01/23/08	03/13/08	01/23/08	03/13/08
<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	2.8	3.1	.5	.4	3.9	4.1	2.7	2.7	4.8	4.8
2008:Q1	3.3	2.7	.6	.1	3.0	4.1	2.4	2.7	5.0	4.9
2008:Q2	3.2	.6	1.2	-1.0	2.1	4.0	2.1	2.3	5.1	5.2
2008:Q3	3.9	2.8	1.9	.9	2.0	1.7	2.0	2.2	5.1	5.5
2008:Q4	4.5	2.5	2.4	.5	1.8	1.8	2.0	2.1	5.1	5.7
2009:Q1	3.7	4.4	1.6	2.3	1.8	1.8	2.0	2.0	5.2	5.7
2009:Q2	4.1	5.3	2.0	3.2	1.8	1.7	2.0	2.0	5.2	5.6
2009:Q3	4.4	5.2	2.5	3.3	1.7	1.7	1.9	1.9	5.2	5.6
2009:Q4	4.5	5.2	2.6	3.3	1.7	1.8	1.9	1.9	5.2	5.5
<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	4.4	4.5	2.7	2.6	2.9	2.9	2.4	2.4	.3	.3
2008:Q2	3.2	1.6	.9	-.4	2.5	4.0	2.3	2.5	.3	.4
2008:Q4	4.2	2.7	2.2	.7	1.9	1.8	2.0	2.1	.0	.5
2009:Q2	3.9	4.8	1.8	2.7	1.8	1.7	2.0	2.0	.1	-.1
2009:Q4	4.4	5.2	2.6	3.3	1.7	1.7	1.9	1.9	.0	-.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	5.0	5.1	2.4	2.4	3.4	3.4	2.1	2.1	.4	.4
2008:Q4	3.7	2.2	1.5	.1	2.2	2.9	2.1	2.3	.3	.9
2009:Q4	4.2	5.0	2.2	3.0	1.7	1.7	1.9	1.9	.0	-.2
<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	2.6	2.1	2.1	4.6	4.6
2008	3.9	3.0	1.7	.9	2.7	3.3	2.2	2.4	5.1	5.3
2009	4.0	3.9	2.0	1.9	1.8	1.9	2.0	2.0	5.2	5.6

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	.4	.1	-1.0	.9	.5	2.3	3.2	3.3	3.3	2.4	.1	3.0
Final sales <i>Previous</i>	.6	3.8	4.9	.5	.6	1.2	1.9	2.4	1.6	2.0	2.5	2.6	2.4	1.5	2.2
Priv. dom. final purch. <i>Previous</i>	1.3	3.6	4.0	1.9	.1	.7	1.7	-1.4	.8	3.1	2.9	2.1	2.7	.3	2.2
	1.3	3.6	4.0	1.7	-3	1.4	2.9	2.7	.4	1.9	2.8	1.8	2.6	1.7	1.7
	2.2	1.7	2.2	.6	-1.4	-2.0	.0	-2.8	.3	2.0	2.3	2.8	1.7	-1.6	1.8
	2.2	1.7	2.2	.9	-9	-4	2.4	2.9	.3	.8	2.4	2.4	1.7	1.0	1.5
Personal cons. expend. <i>Previous</i>	3.7	1.4	2.8	1.8	.2	.5	1.9	-2.6	.9	2.3	2.3	2.7	2.4	.0	2.0
Durables	3.7	1.4	2.8	2.2	1.3	1.0	3.4	3.4	.1	.7	2.4	2.4	2.5	2.3	1.4
Nondurables	8.8	1.7	4.5	2.1	-5.9	-3	8.4	3.3	.4	2.2	4.1	3.1	4.2	1.2	2.4
Services	3.0	-5	2.2	1.2	-2.4	-7	-1.3	2.8	.5	.5	2.1	2.1	1.5	-4	1.3
	3.1	2.3	2.8	2.1	2.7	1.3	2.4	-6.1	1.1	3.2	2.0	2.9	2.6	.0	2.3
Residential investment <i>Previous</i>	-16.3	-11.8	-20.5	-25.7	-33.1	-33.3	-23.1	-14.2	-7.6	-5.3	-1.5	-.9	-18.8	-26.3	-3.9
	-16.3	-11.8	-20.5	-30.6	-33.1	-25.4	-13.0	-6.8	-2.5	-6	-6	-1.7	-20.1	-20.2	-1.4
Business fixed invest. <i>Previous</i>	2.1	11.0	9.3	5.4	2.0	-6.5	-4.7	-.6	-1.4	1.9	3.5	4.4	6.9	-2.5	2.1
Equipment & software <i>Previous</i>	2.1	11.0	9.3	7.4	-1.1	.0	.7	2.3	2.5	2.3	3.1	3.4	7.4	.5	2.8
	.3	4.7	6.2	2.1	.7	-10.7	-6.9	-.6	-1.0	3.6	5.8	6.9	3.3	-4.5	3.8
	.3	4.7	6.2	3.8	-2.5	-1.4	.7	3.2	3.7	3.1	4.1	4.3	3.7	.0	3.8
Nonres. structures <i>Previous</i>	6.4	26.2	16.4	12.5	4.6	2.3	-.5	-.6	-2.3	-1.2	-.7	.0	15.1	1.4	-1.0
	6.4	26.2	16.4	15.3	1.7	3.0	.8	.7	.2	.7	1.2	1.7	15.9	1.5	.9
Net exports ² <i>Previous</i> ²	-612	-574	-533	-504	-485	-422	-385	-367	-361	-329	-308	-320	-556	-415	-330
Exports	-612	-574	-533	-527	-522	-484	-463	-461	-461	-431	-413	-423	-562	-482	-432
Imports	1.1	7.5	19.1	6.4	6.0	6.6	7.3	7.6	8.3	8.1	8.0	8.0	8.4	6.9	8.1
	3.9	-2.7	4.4	-1.2	.3	-7.5	-2.2	2.2	5.4	-.1	2.3	9.3	1.0	-1.9	4.2
Govt. cons. & invest. <i>Previous</i>	-.5	4.1	3.8	2.0	3.1	1.4	1.9	2.4	2.0	1.8	1.4	1.1	2.3	2.2	1.6
Federal	-.5	4.1	3.8	4.0	1.6	1.8	1.2	1.1	1.1	1.0	.8	.7	2.8	1.4	.9
Defense	-6.3	6.0	7.1	.9	6.2	1.4	3.8	5.1	4.1	3.4	2.8	2.2	1.8	4.1	3.1
Nondefense	-10.8	8.5	10.1	-.3	9.1	2.0	5.6	7.0	5.4	4.5	3.6	2.7	1.5	5.9	4.1
State & local	3.8	.9	1.1	3.4	.3	.1	.1	.9	1.0	1.0	1.0	1.0	2.3	.4	1.0
	3.0	3.0	1.9	2.7	1.4	1.3	.9	.8	.9	.8	.5	.5	2.7	1.1	.7
Change in bus. inventories ² <i>Previous</i> ²	0	6	31	-10	-11	-59	-82	-29	12	13	24	58	7	-45	26
Nonfarm ² Farm ²	0	6	31	-7	20	14	-15	-21	11	15	8	32	7	-1	16
	-6	1	26	-13	-12	-63	-88	-32	11	12	23	60	2	-49	26
	5	4	4	2	1	1	1	1	1	1	1	1	4	1	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	2.4	.1	3.0
	.2	1.9	3.7	3.1	2.9	2.6	2.4	1.5	2.2
Final sales <i>Previous</i>	1.5	.8	3.7	2.8	2.9	3.0	2.7	.3	2.2
Priv. dom. final purch. <i>Previous</i>	1.5	.8	3.7	2.8	2.9	3.0	2.6	1.7	1.7
	1.0	1.1	4.1	4.3	3.3	2.4	1.7	-1.6	1.8
	1.0	1.1	4.1	4.3	3.3	2.4	1.7	1.0	1.5
Personal cons. expend. <i>Previous</i>	2.8	1.9	3.4	3.7	2.8	3.4	2.4	.0	2.0
	2.8	1.9	3.4	3.7	2.8	3.4	2.5	2.3	1.4
Durables	10.8	1.2	8.3	5.6	1.2	6.6	4.2	1.2	2.4
Nondurables	1.9	2.1	3.9	3.5	3.6	3.6	1.5	-4	1.3
Services	1.6	1.9	2.2	3.3	2.7	2.6	2.6	.0	2.3
Residential investment <i>Previous</i>	1.4	7.0	11.7	6.7	6.4	-12.8	-18.8	-26.3	-3.9
	1.4	7.0	11.7	6.7	6.4	-12.8	-20.1	-20.2	-1.4
Business fixed invest. <i>Previous</i>	-9.6	-6.5	4.9	7.5	5.1	5.2	6.9	-2.5	2.1
	-9.6	-6.5	4.9	7.5	5.1	5.2	7.4	.5	2.8
Equipment & software <i>Previous</i>	-9.0	-3.4	6.6	9.4	7.1	2.5	3.3	-4.5	3.8
	-9.0	-3.4	6.6	9.4	7.1	2.5	3.7	.0	3.8
Nonres. structures <i>Previous</i>	-11.1	-14.9	.2	2.3	-.3	12.3	15.1	1.4	-1.0
	-11.1	-14.9	.2	2.3	-.3	12.3	15.9	1.5	.9
Net exports ² <i>Previous</i> ²	-399	-471	-519	-594	-618	-624	-556	-415	-330
	-399	-471	-519	-594	-618	-624	-562	-482	-432
Exports	-11.9	3.8	5.8	7.4	7.0	9.3	8.4	6.9	8.1
Imports	-7.6	9.7	4.8	11.5	5.1	3.7	1.0	-1.9	4.2
Govt. cons. & invest. <i>Previous</i>	5.0	4.0	1.7	.7	.9	2.5	2.3	2.2	1.6
	5.0	4.0	1.7	.7	.9	2.5	2.8	1.4	.9
Federal	6.4	7.8	5.5	2.4	1.3	3.7	1.8	4.1	3.1
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	2.3	.4	1.0
State & local	4.2	2.1	-.4	-.4	.7	1.8	2.7	1.1	.7
Change in bus. inventories ² <i>Previous</i> ²	-32	12	14	54	33	40	7	-45	26
	-32	12	14	54	33	40	7	-1	16
Nonfarm ²	-32	15	14	48	34	42	2	-49	26
Farm ²	0	-2	0	6	-0	-1	4	1	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	.4	.1	-1.0	.9	.5	2.3	3.2	3.3	3.3	2.4	.1	3.0
Final sales <i>Previous</i>	.6	3.8	4.9	.5	.6	1.2	1.9	2.4	1.6	2.0	2.5	2.6	2.4	1.5	2.2
Priv. dom. final purch. <i>Previous</i>	1.3	3.6	4.0	1.9	.1	.7	1.7	-1.4	.8	3.1	2.9	2.1	2.7	.3	2.2
Personal cons. expend. <i>Previous</i>	1.3	3.6	4.0	1.7	-.3	1.4	2.9	2.7	.4	1.9	2.7	1.8	2.6	1.7	1.7
Durables	1.9	1.5	1.9	.5	-1.2	-1.8	.0	-2.4	.2	1.7	1.9	2.3	1.4	-1.4	1.5
Nondurables	1.9	1.5	1.9	.8	-.8	-.3	2.0	2.4	.3	.7	2.0	2.0	1.5	.8	1.3
Services	2.6	1.0	2.0	1.3	.2	.4	1.3	-1.9	.6	1.6	1.6	1.9	1.7	.0	1.4
Residential investment <i>Previous</i>	2.6	1.0	2.0	1.6	.9	.7	2.4	2.4	.1	.5	1.7	1.7	1.8	1.6	1.0
Business fixed invest. <i>Previous</i>	.7	.1	.4	.2	-.5	.0	.6	.2	.0	.2	.3	.2	.3	.1	.2
Equipment & software <i>Previous</i>	.6	-.1	.5	.2	-.5	-.1	-.3	.6	.1	.1	.4	.4	.3	-.1	.3
Nonres. structures <i>Previous</i>	1.3	1.0	1.2	.9	1.1	.5	1.0	-2.7	.5	1.4	.9	1.2	1.1	.0	1.0
Net exports <i>Previous</i>	-.9	-.6	-1.1	-1.3	-1.6	-1.4	-.8	-.5	-.2	-.2	.0	.0	-1.0	-1.1	-.1
Exports	-.9	-.6	-1.1	-1.6	-1.6	-1.0	-.5	-.2	-.1	.0	.0	-.1	-1.1	-.8	.0
Imports	.2	1.1	1.0	.6	.2	-.7	-.5	-.1	-.1	.2	.4	.5	.7	-.3	.2
Govt. cons. & invest. <i>Previous</i>	.2	1.1	1.0	.8	-.1	.0	.1	.2	.3	.2	.3	.4	.8	.1	.3
Federal	.0	.3	.4	.2	.0	-.8	-.5	.0	-.1	.2	.4	.4	.2	-.3	.3
Defense	.0	.3	.4	.3	-.2	-.1	.0	.2	.3	.2	.3	.3	.3	.0	.3
Nondefense	.2	.8	.5	.4	.2	.1	.0	.0	-.1	.0	.0	.0	.5	.1	.0
State & local	.2	.8	.5	.5	.1	.1	.0	.0	.0	.0	.0	.1	.5	.1	.0
Change in bus. inventories <i>Previous</i>	-.5	1.3	1.4	1.0	.7	2.2	1.3	.6	.1	1.1	.7	-.5	.8	1.2	.3
Nonfarm	-.5	1.3	1.4	.2	.1	1.3	.7	.0	.0	1.0	.6	-.4	.6	.5	.3
Farm	.1	.9	2.1	.8	.7	.8	.9	1.0	1.1	1.1	1.1	1.1	1.0	.9	1.1
	-.6	.5	-.7	.2	-.1	1.4	.4	-.4	-.9	.0	-.4	-1.6	-.2	.3	-.7
Govt. cons. & invest. <i>Previous</i>	-.1	.8	.7	.4	.6	.3	.4	.5	.4	.4	.3	.2	.5	.4	.3
Federal	-.1	.8	.7	.8	.3	.4	.2	.2	.2	.2	.2	.1	.5	.3	.2
Defense	-.5	.4	.5	.1	.4	.1	.3	.4	.3	.3	.2	.2	.1	.3	.2
Nondefense	-.5	.4	.5	.0	.4	.1	.3	.3	.3	.2	.2	.1	.1	.3	.2
State & local	.1	.0	.0	.1	.0	.0	.0	.0	.0	.0	.0	.0	.1	.0	.0
Change in bus. inventories <i>Previous</i>	.4	.4	.2	.3	.2	.2	.1	.1	.1	.1	.1	.1	.3	.1	.1
Nonfarm	-.7	.2	.9	-1.5	.1	-1.7	-.8	1.9	1.5	.0	.4	1.2	-.3	-.2	.8
Farm	-.7	.2	.9	-1.3	.9	-.2	-1.0	-.2	1.1	.1	-.2	.8	-.2	-.1	.5
	-.7	.3	.9	-1.4	.0	-1.7	-.8	1.9	1.5	.0	.4	1.2	-.2	-.2	.8
	.0	-.1	.0	-.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0

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

Class II FOMC
Restricted (FR)

March 13, 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	2.7	2.5	1.6	2.0	2.0	2.1	2.1	1.9	1.9	2.6	2.0	2.0
PCE chain-wt. price index <i>Previous</i>	4.2	2.6	1.0	2.4	2.7	2.0	2.0	2.0	2.1	2.0	1.9	1.8	2.6	2.2	1.9
Energy <i>Previous</i>	3.5	4.3	1.8	4.1	4.1	4.0	1.7	1.8	1.8	1.7	1.7	1.8	3.4	2.9	1.7
Food <i>Previous</i>	3.5	4.3	1.8	3.9	3.0	2.1	2.0	1.8	1.8	1.8	1.7	1.7	3.4	2.2	1.7
Ex. food & energy <i>Previous</i>	16.1	51.3	-6.7	25.1	22.0	29.7	-4.3	-2.0	-1.2	-2.6	-1.8	-5	19.6	10.4	-1.5
CPI <i>Previous</i>	16.1	51.3	-6.7	21.6	11.8	1.2	.9	-7	-1.0	-1.2	-1.0	-7	18.8	3.2	-1.0
Ex. food & energy <i>Previous</i>	4.8	4.7	4.7	3.6	4.3	2.5	2.3	2.2	2.1	2.1	2.0	2.0	4.5	2.8	2.0
CPI <i>Previous</i>	4.8	4.7	4.7	3.5	2.6	2.3	2.2	2.1	2.0	2.0	1.9	1.9	4.4	2.3	2.0
Ex. food & energy <i>Previous</i>	2.4	1.4	2.0	2.7	2.7	2.3	2.2	2.1	2.0	2.0	1.9	1.9	2.1	2.3	1.9
ECL, hourly compensation ² <i>Previous</i> ²	2.4	1.4	2.0	2.7	2.4	2.1	2.0	2.0	2.0	2.0	1.9	1.9	2.1	2.1	1.9
Nonfarm business sector Output per hour <i>Previous</i>	3.7	4.6	2.8	5.0	5.0	4.8	1.7	1.8	1.8	1.7	1.7	1.8	4.0	3.3	1.8
Compensation per hour <i>Previous</i>	3.8	6.0	1.9	4.3	3.5	2.2	2.1	1.9	1.9	1.8	1.8	1.8	4.0	2.4	1.8
Unit labor costs <i>Previous</i>	2.3	2.0	2.5	2.5	3.0	2.4	2.4	2.3	2.2	2.2	2.1	2.1	2.3	2.5	2.1
	2.3	1.9	2.5	2.5	2.7	2.3	2.2	2.2	2.2	2.2	2.1	2.1	2.3	2.3	2.1
ECL, hourly compensation ² <i>Previous</i> ²	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
Nonfarm business sector Output per hour <i>Previous</i>	2.3	3.5	3.1	3.7	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.2	3.7	3.6
Compensation per hour <i>Previous</i>	1.0	2.6	6.3	1.8	1.7	-1	1.8	1.1	2.4	2.9	3.0	2.9	2.9	1.1	2.8
Unit labor costs <i>Previous</i>	.7	2.2	6.2	1.8	.3	1.4	2.0	2.6	1.3	1.9	2.2	2.3	2.7	1.6	1.9
	6.4	1.3	3.4	4.6	4.0	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.9	4.0	3.8
	5.9	1.0	4.3	4.4	4.3	4.5	4.5	4.4	4.3	4.2	4.1	4.0	3.9	4.4	4.1
	5.4	-1.3	-2.7	2.8	2.3	4.1	2.1	2.7	1.4	.9	.7	.7	1.0	2.8	.9
	5.2	-1.1	-1.8	2.5	3.9	3.1	2.5	1.8	2.9	2.3	1.9	1.7	1.2	2.8	2.2

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	4.4	4.3	4.3	4.3	-1.1	-4.4	-2.2	-2.2	.1	.3	.3	.3	1.2	-8	1.1
Unemployment rate ³	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
<i>Previous³</i>	4.5	4.5	4.7	4.8	5.0	5.1	5.1	5.1	5.2	5.2	5.2	5.2	4.8	5.1	5.2
GDP gap ⁴	-4.4	0	.6	.1	-4.4	-1.3	-1.6	-2.0	-2.0	-1.8	-1.6	-1.3	.1	-2.0	-1.3
<i>Previous⁴</i>	-3.3	0	.6	.1	-3.3	-6	-7	-7	-8	-9	-8	-8	.1	-7	-8
Industrial production ⁵	1.1	3.5	3.6	-1.0	-2	-7	-5	1.6	2.7	2.9	3.1	3.5	1.8	.0	3.1
<i>Previous⁵</i>	1.1	3.5	3.6	-1.0	-2	1.0	3.4	2.8	2.2	2.2	2.7	3.1	1.8	1.8	2.5
Manufacturing industr. prod. ⁵	.8	4.3	3.6	-1.7	.3	-1.2	-1.5	.9	2.7	3.3	3.4	3.8	1.7	-4	3.3
<i>Previous⁵</i>	.8	4.3	3.6	-1.9	-5	.8	3.3	2.8	2.4	2.4	3.0	3.4	1.7	1.6	2.8
Capacity utilization rate - mfg. ³	79.8	80.3	80.6	79.8	79.4	78.8	78.1	77.8	77.9	78.1	78.3	78.5	79.8	77.8	78.5
<i>Previous³</i>	79.8	80.3	80.6	79.8	79.2	78.9	79.1	79.2	79.2	79.2	79.3	79.5	79.8	79.2	79.5
Housing starts ⁶	1.5	1.5	1.3	1.2	1.0	.9	.9	.9	.9	.9	.9	1.0	1.3	.9	.9
Light motor vehicle sales ⁶	16.4	16.0	15.9	16.1	15.2	14.6	15.2	15.7	15.6	15.8	15.9	16.0	16.1	15.2	15.8
<i>Income and saving</i>															
Nominal GDP ⁵	4.9	6.6	6.0	3.1	2.7	.6	2.8	2.5	4.4	5.3	5.2	5.2	5.1	2.2	5.0
Real disposable pers. income ⁵	5.4	-8	4.0	-3	.7	10.2	-7.6	-9	4.3	2.4	1.6	2.6	2.0	.4	2.7
<i>Previous⁵</i>	5.4	-8	4.5	-6	1.8	1.0	14.7	-8.2	4.0	2.2	2.6	2.5	2.1	2.0	2.8
Personal saving rate ³	1.0	.3	.4	.0	.1	2.4	.0	.4	1.2	1.2	1.1	1.0	.0	.4	1.0
<i>Previous³</i>	1.0	.3	.6	-.1	.0	.0	2.6	-.4	.6	.9	1.0	1.0	-.1	-.4	1.0
Corporate profits ⁷	4.4	26.8	-4.9	-4.5	-2.3	-14.6	-2.6	-2.8	-8	11.4	11.3	12.0	4.7	-5.7	8.3
Profit share of GNP ³	11.4	11.9	11.5	11.3	11.2	10.7	10.6	10.5	10.3	10.5	10.6	10.8	11.3	10.5	10.8
Net federal saving ⁸	-219	-207	-230	-218	-362	-689	-466	-430	-435	-427	-400	-401	-218	-487	-416
Net state & local saving ⁸	-6	13	-13	-36	-45	-63	-60	-65	-61	-54	-46	-37	-10	-58	-50
Gross national saving rate ³	13.8	13.8	13.2	12.7	12.0	11.2	11.0	11.5	11.6	11.9	12.1	12.3	12.7	11.5	12.3
Net national saving rate ³	1.7	1.7	1.2	.4	-.2	-1.3	-1.7	-1.1	-1.0	-.6	-.3	-.1	.4	-1.1	-.1

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.

**Class II FOMC
Restricted (FR)**

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

March 13, 2008

Item	Fiscal year				2007				2008				2009			
	2007 ^a			2009	Q1 ^a	Q3 ^a			Q1	Q2			Q1	Q2		
	2006 ^a	2007 ^a	2008			Q2 ^a	Q3 ^a	Q4 ^a		Q2	Q3	Q4		Q2	Q3	Q4
Unified budget																
Receipts ¹	2407	2568	2471	2632	547	824	622	606	530	731	603	600	539	828	664	639
Outlays ¹	2655	2730	2889	3025	725	687	664	712	749	723	705	738	783	760	744	799
Surplus/deficit ¹	-248	-162	-418	-393	-178	137	-42	-106	-219	9	-102	-138	-245	69	-80	-160
<i>Previous</i>	-248	-163	-339	-293	-178	137	-42	-106	-188	100	-144	-123	-217	101	-55	-144
On-budget	-434	-343	-603	-578	-212	53	-49	-165	-246	-81	-112	-206	-263	-24	-87	-230
Off-budget	186	181	185	185	34	85	7	59	26	90	10	68	18	92	7	70
Means of financing																
Borrowing	237	206	383	421	152	-110	106	89	180	7	106	137	234	-44	94	149
Cash decrease	-16	-23	35	-10	25	-19	-50	18	27	-15	5	5	15	-20	-10	15
Other ²	28	-21	1	-18	1	-8	-14	-2	13	-1	-9	-5	-5	-5	-5	-5
Cash operating balance, end of period	52	75	40	50	6	25	75	57	30	45	40	35	20	40	50	35
NIPA federal sector																
Receipts	2437	2635	2569	2722	2620	2670	2689	2713	2657	2326	2581	2648	2699	2737	2804	2843
Expenditures	2685	2845	3003	3145	2838	2877	2920	2931	3019	3015	3047	3078	3134	3164	3204	3244
Consumption expenditures	798	843	905	963	830	850	868	877	906	913	925	939	960	972	982	992
Defense	533	570	619	665	556	574	590	597	618	625	635	647	662	671	679	686
Nondefense	266	273	287	299	274	276	278	280	287	289	290	293	298	301	303	306
Other spending	1887	2001	2098	2182	2008	2027	2052	2054	2113	2102	2122	2138	2174	2192	2221	2252
Current account surplus	-248	-209	-434	-423	-219	-207	-230	-218	-362	-689	-466	-430	-435	-427	-400	-401
Gross investment	117	121	125	135	117	120	123	121	125	126	129	132	134	137	138	140
Gross saving less gross investment ³	-262	-221	-445	-438	-227	-216	-242	-228	-373	-700	-479	-444	-450	-443	-416	-417
Fiscal indicators⁴																
High-employment (HEB) surplus/deficit	-279	-234	-414	-328	-230	-222	-264	-234	-362	-659	-402	-338	-333	-331	-312	-326
Change in HEB, percent of potential GDP	-0.5	-0.4	1.2	-0.7	0.1	-0.1	0.3	-0.2	0.9	2.0	-1.8	-0.5	-0.1	-0.0	-0.2	0.1
Fiscal impetus (FI), percent of GDP	0.3	0.2	0.6	-0.0	-0.0	0.1	0.1	0.0	0.1	0.3	0.7	-0.5	-0.1	0.1	-0.0	-0.0
<i>Previous</i>	0.3	0.2	0.5	-0.1	-0.0	0.1	0.1	0.1	0.0	0.0	0.4	0.4	-0.3	-0.3	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** **March 13, 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	10.9	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	9.2	11.1	13.1	4.3	7.7	10.2	7.0	6.3
2006	8.7	10.2	11.1	4.5	9.6	8.2	3.9	5.4
2007	8.1	6.8	6.6	5.5	11.6	9.2	4.9	5.1
2008	4.8	3.1	2.9	2.6	5.0	6.4	8.4	2.2
2009	4.6	2.7	2.5	2.7	5.1	6.1	7.8	5.0
<i>Quarter</i>								
2007:1	7.9	6.8	7.4	4.8	9.5	11.2	6.7	4.9
2	7.1	7.2	7.4	5.7	10.9	10.3	-1.4	6.6
3	8.8	6.8	6.2	6.9	12.0	6.5	8.8	6.0
4	7.7	5.6	5.0	4.0	12.0	7.6	5.1	3.1
2008:1	5.2	3.6	3.4	3.3	5.5	5.8	8.5	2.7
2	4.6	3.0	2.9	2.4	4.9	6.5	7.6	.6
3	4.6	2.8	2.7	2.4	4.7	6.5	8.2	2.8
4	4.5	2.7	2.5	2.3	4.5	6.4	8.2	2.5
2009:1	5.2	2.7	2.5	2.4	4.8	6.1	11.8	4.4
2	3.8	2.6	2.4	2.5	5.1	6.0	3.4	5.3
3	4.4	2.7	2.5	2.9	5.1	5.9	6.7	5.2
4	4.7	2.8	2.5	3.1	5.0	5.8	8.5	5.2

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 2007:Q4 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

2.6.3 FOF

**Class II FOMC
Restricted (FR)**

Flow of Funds Projections: Highlights

March 13, 2008

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

Category	2006	2007	2008	2009	2007				2008				2009			
					2007		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	1705.5	1507.5	1065.6	1230.2	1779.6	1197.7			1010.3	973.1	1127.2	1151.9	1413.8	989.2	1198.0	1319.8
Net equity issuance	-614.1	-836.6	-431.3	-272.0	-846.0	-1157.6			-605.0	-496.0	-332.0	-292.0	-272.0	-272.0	-272.0	-272.0
Net debt issuance	2319.6	2344.1	1496.9	1502.2	2625.6	2355.3			1615.3	1469.1	1459.2	1443.9	1685.8	1261.2	1470.0	1591.8
Borrowing indicators																
Debt (percent of GDP) ¹	210.0	217.0	224.1	225.8	216.9	219.6			221.7	224.1	225.0	226.2	226.5	226.1	225.5	225.2
Borrowing (percent of GDP)	17.6	16.9	10.5	10.1	18.8	16.7			11.4	10.4	10.2	10.0	11.6	8.6	9.9	10.5
Households																
Net borrowing ²	1194.2	877.1	422.0	387.9	912.0	759.1			493.3	421.2	392.0	381.6	378.0	378.1	392.2	403.3
Home mortgages	987.8	654.8	306.7	269.0	638.5	514.2			358.6	311.4	283.1	273.7	269.0	264.2	269.0	273.7
Consumer credit	104.4	132.3	67.0	71.3	170.7	102.2			84.4	61.6	61.2	60.8	62.0	66.3	75.6	81.5
Debt/DPI (percent) ³	128.3	131.6	131.7	131.3	132.0	132.8			132.8	129.4	132.3	132.9	131.9	131.4	131.2	130.7
Business																
Financing gap ⁴	186.6	257.3	211.9	334.2	271.4	317.2			233.2	203.6	170.3	240.7	342.7	322.7	323.0	348.6
Net equity issuance	-614.1	-836.6	-431.3	-272.0	-846.0	-1157.6			-605.0	-496.0	-332.0	-292.0	-272.0	-272.0	-272.0	-272.0
Credit market borrowing	790.8	1045.7	504.1	539.1	1142.2	1174.5			558.3	505.2	483.9	468.9	512.1	547.2	547.9	549.1
State and local governments																
Net borrowing	151.2	184.2	140.6	141.7	136.4	163.8			127.3	143.7	145.7	145.7	141.7	141.7	141.7	141.7
Current surplus ⁵	243.8	214.7	138.3	154.5	229.2	164.8			148.6	132.7	137.3	134.5	140.0	148.9	158.9	170.4
Federal government																
Net borrowing	183.4	237.1	430.2	433.5	435.0	257.8			436.4	399.0	437.6	447.7	654.0	194.2	388.2	497.7
Net borrowing (n.s.a.)	183.4	237.1	430.2	433.5	105.7	89.4			179.7	7.2	106.4	136.9	234.1	-44.0	94.0	149.4
Unified deficit (n.s.a.)	209.2	187.9	450.7	415.5	41.8	105.5			219.4	-8.8	102.3	137.8	244.6	-68.5	79.5	159.9
<i>Depository institutions</i>																
Funds supplied	693.7	852.9	443.3	476.3	1146.2	1061.8			618.9	480.4	414.0	259.9	507.9	517.2	494.9	385.1

Note. Data after 2007:Q4 are staff projections.

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

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

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

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

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

n.s.a. Not seasonally adjusted.

International Developments

The prospect of weaker-than-anticipated U.S. real activity, surges in oil and commodity prices to record highs, and renewed stresses in international financial markets have led us to mark down our outlook for foreign growth and to revise up our projection for foreign inflation this year. The further decline in the dollar will likely also weigh on foreign growth. Nevertheless, we consider the underlying conditions abroad to be sufficiently strong that total foreign activity will expand this year, albeit at a somewhat subdued pace. Indeed, estimates of real GDP growth for the fourth quarter of 2007 came in above our previous projection, especially in emerging market economies. Additionally, we view the elevated level of a wide range of commodity prices as in part reflecting continuing strength in foreign aggregate demand. We also note that financial conditions in emerging market economies have held up well in recent months, while financial conditions in advanced foreign economies have deteriorated a bit less markedly than in corresponding U.S. markets.

Summary of Staff Projections

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

Indicator	2007		Projection				
	H1	Q3	2007: Q4	2008			2009
				Q1	Q2	H2	
Foreign output	4.5	4.5	3.2	2.5	1.9	2.3	3.6
January GB	4.5	4.5	2.7	2.7	2.8	3.0	3.4
Foreign CPI	3.1	4.0	4.3	4.6	2.9	2.6	2.5
January GB	3.0	4.2	4.4	2.7	2.5	2.5	2.5
Contribution to U.S. real GDP growth (percentage points)							
U.S. net exports	0.4	1.4	1.0	0.7	2.2	1.0	0.3
January GB	0.4	1.4	0.2	0.1	1.3	0.4	0.3

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

The relatively resilient tone of the recent data for a number of foreign economies suggests that activity abroad may hold up better than we now expect. That said, important downside risks remain. A further deterioration in international financial conditions, and especially their spillover to emerging market economies, could lead to more serious and

incorporated into our projections, decelerated from January but nonetheless rose a bit more than expected (see Part 2 for further details). As a result, we now see import price inflation as likely to be a relatively modest ½ percentage point higher in the current quarter as compared with the Greenbook projection.

We expect core import price inflation to fall to 2½ percent in the second half of 2008 and to stabilize at 1¼ percent in 2009 as commodity prices level off and as the dollar depreciates at a more modest pace. Compared with the January Greenbook, the forecast for core import price inflation in the second half of 2008 has been revised up 1 percentage point because of the lagged effects of the recent drop in the dollar and the sharp rise in commodity prices. For 2009, the forecast 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		Projection				
	H1	Q3	2007: Q4	2008			2009
				Q1	Q2	H2	
<i>Imports</i>							
Core goods	3.1	3.1	3.6	5.8	4.8	2.4	1.2
January GB	3.1	3.1	3.1	3.0	1.2	1.3	1.2
Oil (dollars per barrel)	63.84	70.31	80.34	91.85	103.44	99.21	95.58
January GB	63.84	70.31	79.75	83.30	83.29	82.20	80.36
<i>Exports</i>							
Core goods	6.7	4.5	7.6	9.5	4.6	1.5	0.8
January GB	6.7	4.5	7.5	3.7	0.6	0.8	0.8

NOTE. Prices for core exports and nonfuel core imports, which exclude computers and semiconductors, 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.

We project that core export prices will surge 9½ percent (annual rate) in the first quarter, 2 percentage points greater than the rate of increase in the fourth quarter and the largest increase in more than a decade. The increase reflects sharply higher agricultural prices, especially for corn, wheat, and soybeans. Prices for nonagricultural industrial supplies also rose sharply as chemical and petroleum prices increased. We expect core export price inflation to slow to 4½ percent in the second quarter, reflecting lower rates of inflation for both agricultural and petroleum products. Going forward, the flattening out

of commodity prices should push core export price inflation down. Compared with the January Greenbook, the forecast for core export price inflation is higher in the near term, largely because of the recent jump in prices for petroleum products, intermediate inputs, and agricultural products.

Trade in Goods and Services

Following its extraordinary pace in the third quarter, real export growth slowed to a still-solid pace in the fourth quarter. The deceleration was especially pronounced in those categories that had surged in the third quarter: aircraft, agricultural products, and autos. Exports of semiconductors and services grew strongly. In the January trade data, services maintained their strength, but exports of core goods increased more slowly than expected. We expect export growth of 6 percent in the first quarter, a little less than in the January Greenbook.

We expect the growth of real exports to pick up to an 8 percent pace next year, reflecting past and projected dollar depreciation and strengthening foreign GDP growth. Compared with the January Greenbook, the outlook for real export growth is little changed for 2008, as the effects of the downward revision to foreign growth about offset the lower path of the dollar. Our projection is about $\frac{3}{4}$ percentage point higher for 2009.

Staff Projections for Trade in Goods and Services

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

Measure	2007		Projection				
	H1	Q3	2007: Q4	2008			2009
				Q1	Q2	H2	
Real exports	4.3	19.1	6.4	6.0	6.6	7.5	8.1
January GB	4.3	19.1	4.6	6.7	7.2	7.4	7.3
Real imports	0.5	4.4	-1.2	0.3	-7.5	-0.0	4.2
January GB	0.5	4.4	2.1	3.9	-2.4	3.3	3.8

NOTE. Change for year is measured as Q4/Q4; half-years are Q2/Q4 or Q4/Q2.

Real imports are estimated to have fallen $1\frac{1}{4}$ percent at an annual rate in the fourth quarter, with declines in imports of autos and nonfuel industrial supplies more than offsetting a seasonal surge in oil imports. In January, imports of consumer goods plunged, and imports of industrial supplies dropped. In the current quarter, we expect

In our second scenario, we consider the effects of an exogenous increase in the markups of exporters abroad. The rise in markups may reflect some “catch up” adjustment by foreign exporters seeking to let more of the past dollar depreciation pass through to the U.S. prices of their goods. It could also reflect a decision by foreign exporters to pass a higher percentage of rising commodity costs to U.S. buyers. The shock to markups occurs in the second quarter of 2008 and pushes up U.S. non-oil import price inflation by 2 percentage points in 2008 and 2009.

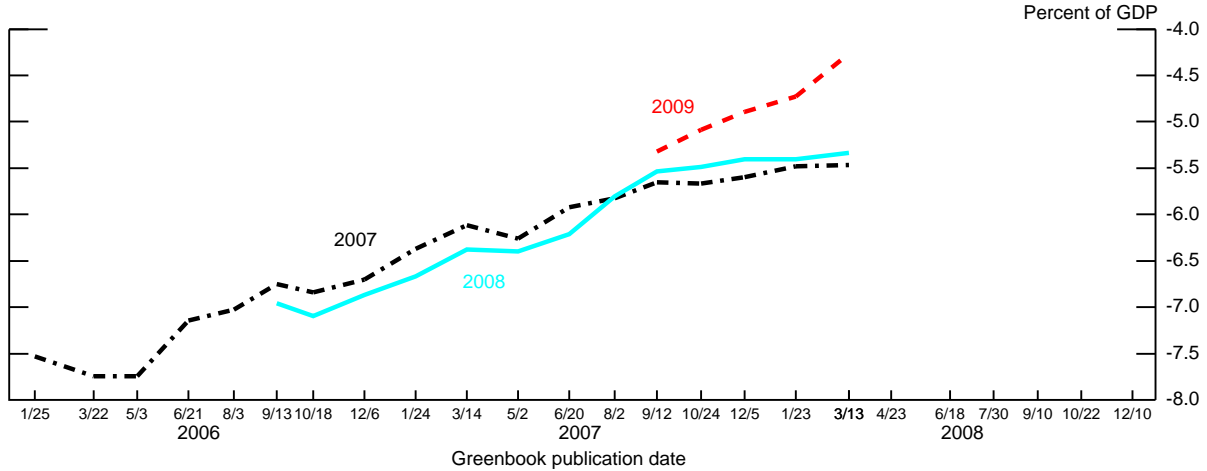
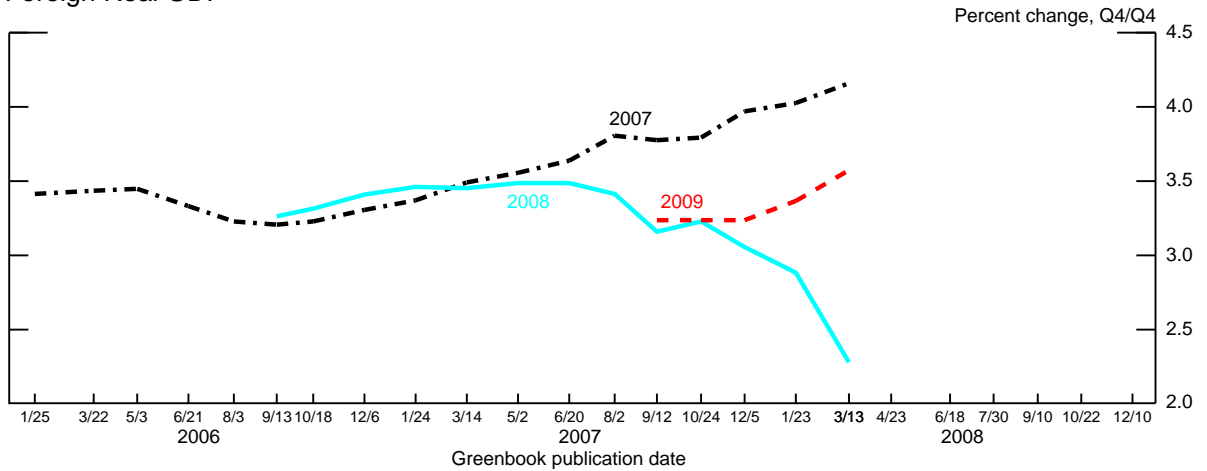
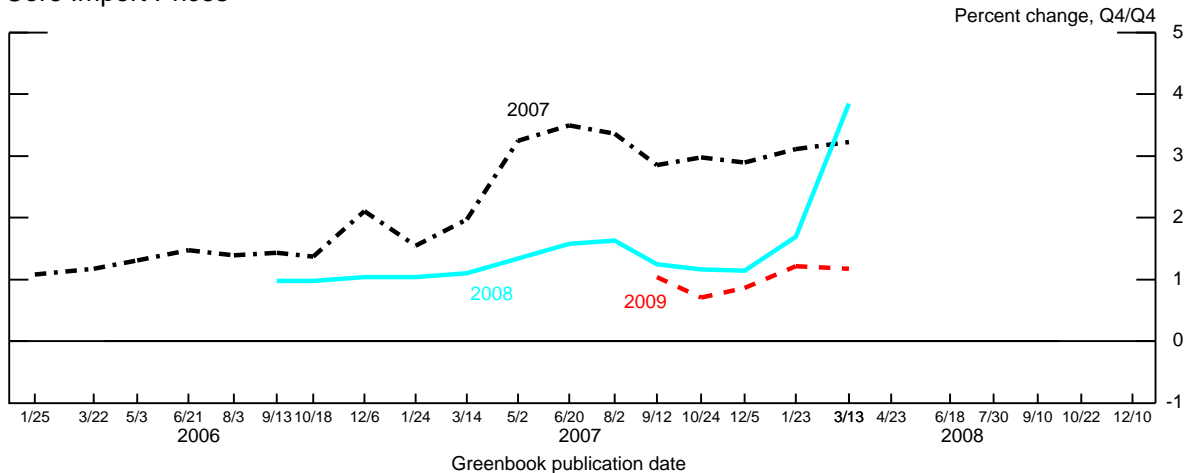
Alternative Scenarios:
Higher Oil Prices and Higher Foreign Export Markups
(Percent change from previous period, annual rate, except as noted)

Indicator and simulation	2008		2009		2010	2011-12
	H1	H2	H1	H2		
<i>U.S. real GDP</i>						
Baseline	-0.4	0.7	2.7	3.3	3.0	2.9
Higher oil prices	-0.7	0.2	2.4	3.2	3.1	3.0
Higher foreign export markups	-0.3	0.9	2.8	3.2	2.8	2.7
<i>U.S. PCE prices excluding food and energy</i>						
Baseline	2.5	2.1	2.0	1.9	1.8	1.7
Higher oil prices	2.6	2.3	2.3	2.1	1.9	1.5
Higher foreign export markups	2.6	2.4	2.3	2.1	1.9	1.5
<i>U.S federal funds rate (percent)</i>						
Baseline	2.7	1.8	1.8	1.8	2.0	3.5
Higher oil prices	2.8	2.0	2.0	1.9	1.9	3.2
Higher foreign export markups	2.8	2.2	2.4	2.3	2.2	3.3
<i>U.S. trade balance (percent share of GDP)</i>						
Baseline	-5.2	-4.6	-4.2	-3.7	-3.3	-2.9
Higher oil prices	-6.1	-5.5	-5.0	-4.5	-4.0	-3.4
Higher foreign export markups	-5.3	-4.8	-4.5	-3.9	-3.4	-2.9

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

In this scenario, rising import prices contribute to a 0.2 percentage point increase in core PCE inflation relative to baseline in 2008 and 2009. The markup shock initially stimulates U.S. GDP growth as consumers substitute away from foreign products to domestically produced goods. In the longer term, however, GDP growth falls below baseline as tighter monetary policy reduces investment spending, lowering the stock of

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.

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

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

Total Foreign	0.4	3.1	3.0	3.8	3.9	4.0	4.2	2.3	3.6
Advanced Foreign Economies	0.9	2.5	1.8	2.6	2.8	2.5	2.8	0.9	2.4
of which:									
Canada	1.3	3.5	1.5	3.5	3.2	1.9	2.9	0.1	2.5
Japan	-1.7	2.0	2.4	1.1	2.9	2.5	1.7	0.9	1.6
United Kingdom	2.1	2.3	3.4	2.6	1.8	3.3	2.9	1.6	2.5
Euro Area (2)	1.0	1.1	1.2	1.7	2.0	3.2	2.2	1.2	2.3
Germany	1.1	-0.0	0.1	0.1	1.6	3.9	1.7	1.2	2.6
Emerging Market Economies	-0.4	4.0	4.8	5.7	5.4	5.9	6.0	4.2	5.2
Asia	1.0	6.4	6.9	6.0	7.6	6.9	7.7	5.4	6.5
Korea	4.7	7.7	4.2	2.9	5.7	4.0	5.7	3.8	4.6
China	7.1	8.5	10.1	9.7	10.0	10.5	11.2	8.5	9.8
Latin America	-1.3	1.6	2.4	5.3	3.1	5.0	4.5	2.8	3.8
Mexico	-1.3	2.0	2.1	4.8	2.5	4.3	3.8	2.2	3.6
Brazil	-0.6	4.9	1.0	4.5	3.4	4.9	6.1	3.9	4.4
CONSUMER PRICES (3)									

Total Foreign	1.7	2.5	2.1	2.8	2.2	2.1	3.6	3.2	2.5
Advanced Foreign Economies	0.9	2.1	1.3	1.8	1.5	1.3	2.2	1.8	1.7
of which:									
Canada	1.1	3.8	1.7	2.3	2.3	1.3	2.4	1.8	2.0
Japan	-1.1	-0.5	-0.3	0.5	-1.0	0.3	0.5	0.6	0.4
United Kingdom (4)	1.0	1.5	1.3	1.4	2.1	2.7	2.1	2.7	2.0
Euro Area (2)	2.1	2.3	2.0	2.3	2.3	1.8	2.9	2.4	2.0
Germany	1.5	1.2	1.1	2.1	2.2	1.3	3.1	2.2	2.0
Emerging Market Economies	2.8	2.9	3.1	3.9	3.0	2.9	5.1	4.5	3.4
Asia	1.2	0.8	2.3	3.1	2.6	2.3	5.4	4.7	3.2
Korea	3.3	3.4	3.5	3.4	2.5	2.1	3.4	3.2	2.9
China	-0.1	-0.6	2.7	3.2	1.4	2.1	6.6	5.3	3.2
Latin America	5.3	6.4	4.9	5.7	3.8	4.1	4.3	4.2	3.7
Mexico	5.1	5.2	3.9	5.3	3.1	4.1	3.8	3.6	3.3
Brazil	7.5	10.7	11.5	7.2	6.1	3.2	4.3	4.8	3.8

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

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

Measure and country	2007				2008				Projected			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
REAL GDP (1)	Quarterly changes at an annual rate											
Total Foreign	4.6	4.5	4.5	3.2	2.5	1.9	2.2	2.5	3.4	3.5	3.6	3.8
Advanced Foreign Economies	3.9	2.3	3.1	1.8	1.1	0.5	0.8	1.1	2.2	2.3	2.4	2.6
of which:												
Canada	4.0	3.8	3.0	0.8	0.5	-0.5	0.1	0.4	2.4	2.5	2.5	2.6
Japan	3.8	-1.5	1.2	3.5	1.1	0.8	0.8	1.0	1.4	1.5	1.6	1.8
United Kingdom	3.1	3.2	3.0	2.3	1.4	1.3	1.7	2.0	2.3	2.4	2.5	2.7
Euro Area (2)	3.2	1.1	3.0	1.5	1.3	0.9	1.1	1.4	2.0	2.3	2.5	2.7
Germany	2.6	0.7	2.7	1.1	1.3	1.0	1.0	1.4	2.1	2.5	2.7	3.0
Emerging Market Economies	5.4	7.5	6.3	4.9	4.5	3.8	4.0	4.3	5.0	5.1	5.2	5.3
Asia	8.3	9.9	7.4	5.3	5.8	5.0	5.3	5.4	6.4	6.5	6.5	6.6
Korea	3.6	7.4	5.4	6.3	4.4	3.6	3.6	3.6	4.4	4.6	4.6	4.7
China	13.4	14.0	8.1	9.6	9.0	8.3	8.5	8.3	9.8	9.8	9.8	9.8
Latin America	2.7	5.5	5.8	4.2	3.0	2.3	2.5	3.2	3.7	3.6	3.9	4.1
Mexico	1.7	5.4	5.3	3.0	2.5	1.7	2.0	2.8	3.4	3.3	3.7	3.9
Brazil	4.0	6.3	7.4	6.6	4.0	3.8	3.8	4.2	4.2	4.5	4.5	4.5
CONSUMER PRICES (3)	Four-quarter changes											
Total Foreign	2.3	2.5	3.0	3.6	4.0	4.0	3.6	3.2	2.7	2.6	2.6	2.5
Advanced Foreign Economies	1.5	1.6	1.5	2.2	2.2	2.0	2.2	1.8	1.6	1.6	1.6	1.7
of which:												
Canada	1.9	2.1	2.1	2.4	2.0	1.6	1.9	1.8	1.7	1.7	1.9	2.0
Japan	-0.1	-0.1	-0.1	0.5	0.8	0.8	0.8	0.6	0.5	0.5	0.5	0.4
United Kingdom (4)	2.9	2.6	1.8	2.1	2.2	2.6	3.0	2.7	2.5	2.1	2.1	2.1
Euro Area (2)	1.9	1.9	1.9	2.9	3.2	3.2	3.1	2.4	2.0	1.9	1.9	2.0
Germany	1.9	2.0	2.2	3.1	3.1	3.0	2.9	2.2	1.9	1.8	1.9	2.0
Emerging Market Economies	3.1	3.3	4.5	5.1	5.9	5.9	5.0	4.5	3.7	3.6	3.6	3.4
Asia	2.7	3.1	4.6	5.4	6.4	6.3	5.1	4.7	3.7	3.5	3.5	3.2
Korea	2.0	2.5	2.3	3.4	3.8	3.5	3.7	3.2	3.2	3.1	3.0	2.9
China	2.7	3.6	6.1	6.6	8.1	7.6	5.6	5.3	3.6	3.6	3.6	3.2
Latin America	4.2	4.1	4.3	4.3	4.3	4.7	4.4	4.2	3.8	3.8	3.7	3.7
Mexico	4.1	4.0	4.0	3.8	3.7	4.1	3.8	3.6	3.6	3.5	3.4	3.3
Brazil	3.1	3.4	4.2	4.3	4.6	4.9	4.9	4.8	4.2	4.0	3.9	3.8

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

Class II FOMC
Restricted (FR)

March 13, 2008

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2001	2002	2003	2004	2005	2006	----- 2007	Projected 2008	----- 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	1.2	0.3
Exports of G&S	-1.3	0.4	0.6	0.7	0.7	1.0	1.0	0.9	1.1
Imports of G&S	1.1	-1.3	-0.7	-1.7	-0.8	-0.6	-0.2	0.3	-0.7
	Percentage change, Q4/Q4								
Exports of G&S	-11.9	3.8	5.8	7.4	7.0	9.3	8.4	6.9	8.1
Services	-8.9	10.2	3.0	8.3	4.1	8.3	6.9	7.0	6.9
Computers	-23.5	-1.1	11.3	5.8	14.0	8.2	-5.8	12.4	9.5
Semiconductors	-34.6	10.1	38.3	-6.0	17.5	2.4	26.9	5.5	11.0
Core Goods 1/	-10.2	0.6	4.9	8.0	7.5	10.2	8.8	6.7	8.6
Imports of G&S	-7.6	9.7	4.8	11.5	5.1	3.7	1.0	-1.9	4.2
Services	-5.9	8.8	2.2	9.3	1.4	6.1	1.9	-1.8	4.3
Oil	3.7	3.8	1.2	10.8	1.2	-9.0	1.4	-2.7	-0.1
Natural Gas	-6.5	19.5	1.3	4.9	11.3	-13.4	-18.0	36.5	2.6
Computers	-13.6	13.2	17.0	23.2	12.2	13.6	6.8	13.8	15.5
Semiconductors	-51.1	11.0	-0.1	9.8	7.6	-0.5	4.1	2.9	5.0
Core Goods 2/	-6.5	10.0	5.2	11.4	6.0	5.9	0.4	-3.1	4.6
	Billions of Chained 2000 Dollars								
Net Goods & Services	-399.1	-471.3	-518.9	-593.8	-618.0	-624.5	-555.9	-414.8	-329.6
Exports of G&S	1036.7	1013.3	1026.1	1126.1	1203.4	1304.1	1409.7	1523.8	1643.8
Imports of G&S	1435.8	1484.6	1545.0	1719.9	1821.5	1928.6	1965.6	1938.5	1973.4
	Billions of dollars								
US CURRENT ACCOUNT BALANCE	-384.7	-459.6	-522.1	-640.2	-754.8	-811.5	-757.1	-760.7	-632.4
Current Acct as Percent of GDP	-3.8	-4.4	-4.8	-5.5	-6.1	-6.2	-5.5	-5.3	-4.3
Net Goods & Services (BOP)	-365.1	-423.7	-496.9	-612.1	-714.4	-758.5	-708.5	-696.5	-585.2
Investment Income, Net	36.9	33.2	51.1	62.5	54.5	43.2	62.3	49.9	61.0
Direct, Net	115.9	102.4	112.7	139.4	152.5	174.2	210.9	274.1	296.2
Portfolio, Net	-79.0	-69.1	-61.5	-76.9	-98.1	-131.0	-148.6	-224.2	-235.1
Other Income & Transfers, Net	-56.5	-69.2	-76.3	-90.6	-94.9	-96.1	-110.9	-114.2	-108.2

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	-559.8	-634.7	-632.3	-733.8	-729.6	-732.9	-693.6	-863.2	-802.4	-822.4	-869.3	-751.8
Current Account as % of GDP	-4.9	-5.5	-5.4	-6.1	-6.0	-6.0	-5.5	-6.8	-6.2	-6.3	-6.6	-5.6
Net Goods & Services (BOP)	-544.1	-602.4	-626.4	-675.4	-666.6	-682.7	-723.8	-784.4	-758.8	-770.3	-797.2	-707.7
Investment Income, Net	82.2	59.4	69.2	39.2	56.2	53.5	72.8	35.3	48.3	49.2	30.0	45.3
Direct, Net	146.2	129.6	143.4	138.4	140.4	147.3	176.1	146.2	168.0	178.6	161.9	188.3
Portfolio, Net	-63.9	-70.3	-74.2	-99.2	-84.3	-93.8	-103.3	-110.9	-119.8	-129.4	-132.0	-143.0
Other Inc. & Transfers, Net	-97.8	-91.7	-75.1	-97.6	-119.2	-103.8	-42.6	-114.1	-91.8	-101.2	-102.1	-89.4

1. Merchandise exports excluding computers and semiconductors.

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

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	0.7	2.2	1.3	0.6	0.1	1.1	0.7	-0.5
Exports of G&S	0.1	0.9	2.1	0.8	0.7	0.8	0.9	1.0	1.1	1.1	1.1	1.1
Imports of G&S	-0.6	0.5	-0.7	0.2	-0.1	1.4	0.4	-0.4	-0.9	0.0	-0.4	-1.6
	Percentage change from previous period, s.a.a.r.											
Exports of G&S	1.1	7.5	19.1	6.4	6.0	6.6	7.3	7.6	8.3	8.1	8.0	8.0
Services	1.6	9.6	4.0	12.8	7.7	7.1	6.8	6.7	7.2	6.9	6.7	6.6
Computers	-8.2	-17.8	19.9	-12.9	25.9	5.6	9.5	9.5	9.5	9.5	9.5	9.5
Semiconductors	25.4	23.2	6.3	58.0	0.0	0.6	11.0	11.0	11.0	11.0	11.0	11.0
Core Goods 1/	0.3	7.1	27.4	2.5	4.9	6.8	7.3	7.9	8.7	8.5	8.4	8.6
Imports of G&S	3.9	-2.7	4.4	-1.2	0.3	-7.5	-2.2	2.2	5.4	-0.1	2.3	9.3
Services	2.3	-1.7	1.7	5.4	-2.6	-4.3	4.1	-4.4	3.0	4.7	4.8	4.8
Oil	29.6	-22.3	-18.2	28.2	24.3	-29.6	-14.7	20.4	16.8	-23.7	-15.7	32.2
Natural Gas	8.3	258.5	-16.7	-86.0	71.0	129.8	49.0	-40.7	9.1	57.5	19.8	-46.2
Computers	41.1	-13.1	-3.8	10.2	14.7	9.4	15.5	15.5	15.5	15.5	15.5	15.5
Semiconductors	4.0	3.3	3.4	5.9	-5.9	7.9	5.0	5.0	5.0	5.0	5.0	5.0
Core Goods 2/	-2.3	-0.5	11.8	-6.5	-6.6	-3.3	-2.0	-0.5	1.8	4.7	5.9	6.3
	Billions of Chained 2000 Dollars, s.a.a.r.											
Net Goods & Services	-612.1	-573.9	-533.1	-504.4	-484.5	-422.4	-385.1	-367.0	-360.8	-329.0	-308.5	-320.3
Exports of G&S	1354.7	1379.5	1441.2	1463.7	1485.2	1509.3	1536.0	1564.5	1596.2	1627.7	1659.4	1691.8
Imports of G&S	1966.8	1953.4	1974.3	1968.1	1969.7	1931.7	1921.1	1931.5	1957.0	1956.8	1967.8	2012.1
	Billions of dollars, s.a.a.r.											
US CURRENT ACCOUNT BALANCE	-792.5	-759.8	-711.5	-764.4	-800.3	-788.5	-739.8	-714.2	-691.1	-632.4	-594.5	-611.6
Current Account as % of GDP	-5.8	-5.5	-5.1	-5.4	-5.6	-5.6	-5.2	-5.0	-4.8	-4.3	-4.0	-4.0
Net Goods & Services (BOP)	-714.5	-717.9	-690.3	-711.4	-739.3	-729.0	-672.3	-645.3	-635.8	-584.2	-552.5	-568.4
Investment Income, Net	36.2	57.4	88.6	67.0	53.2	54.6	46.7	45.3	51.2	58.3	64.4	70.3
Direct, Net	191.0	201.5	221.0	230.0	251.5	276.1	282.6	286.2	290.7	294.5	297.6	301.8
Portfolio, Net	-154.8	-144.1	-132.4	-163.0	-198.3	-221.4	-236.0	-241.0	-239.5	-236.2	-233.1	-231.6
Other Inc. & Transfers, Net	-114.3	-99.4	-109.8	-120.0	-114.2	-114.2	-114.2	-114.2	-106.5	-106.5	-106.5	-113.5

1. Merchandise exports excluding computers and semiconductors.

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

Part 2

March 13, 2008

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Recent Developments

March 13, 2008

Recent Developments

Changes in Employment

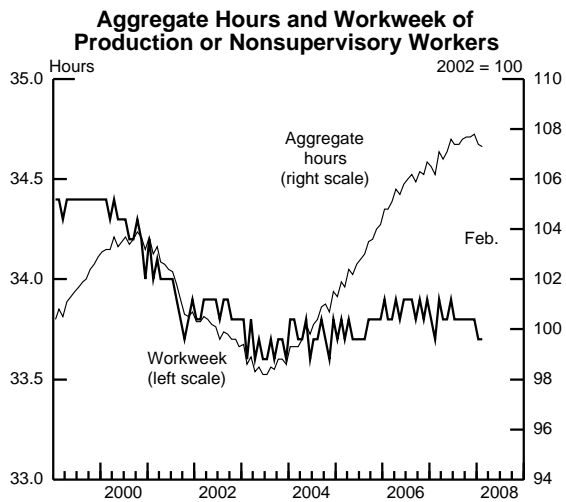
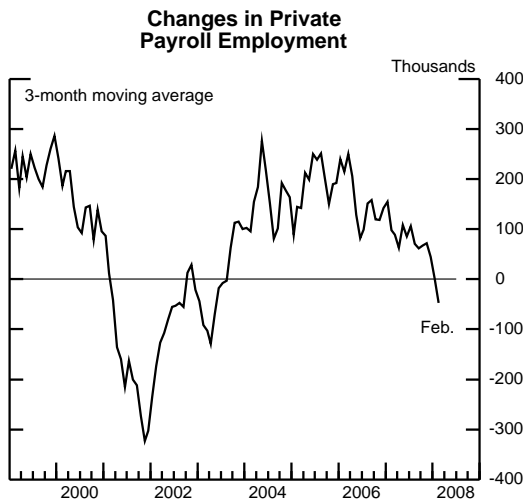
(Thousands of employees; seasonally adjusted)

Measure and sector	2006	2007				2008	
		H1	Q3	Q4	Dec.	Jan.	Feb.
		Average monthly change				Monthly change	
Nonfarm payroll employment (establishment survey)	175	107	71	80	41	-22	-63
Private	159	87	62	45	-14	-26	-101
Natural resources and mining	5	3	2	4	4	2	2
Manufacturing	-14	-24	-23	-17	-22	-31	-52
Construction	13	-7	-22	-41	-55	-25	-39
Wholesale trade	12	10	9	6	-2	-5	-7
Retail trade	5	12	1	0	-25	0	-34
Transportation and utilities	10	2	7	-3	-8	-7	2
Information	-2	0	-1	-4	-4	-4	1
Financial activities	9	-7	-8	-14	-8	-8	-12
Professional and business services	46	19	22	44	52	-9	-20
Temporary help services	1	-9	-13	4	-5	-11	-28
Nonbusiness services ¹	76	80	76	71	54	61	58
Total government	16	20	8	35	55	4	38
Total employment (household survey)	264	23	58	-16	-436	37	-255
Memo:							
Aggregate hours of private production workers (percent change) ²	2.4	1.4	1.1	1.0	.1	-.4	-.1
Average workweek (hours) ³	33.9	33.8	33.8	33.8	33.8	33.7	33.7
Manufacturing (hours)	41.1	41.1	41.4	41.2	41.1	41.1	41.1

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

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

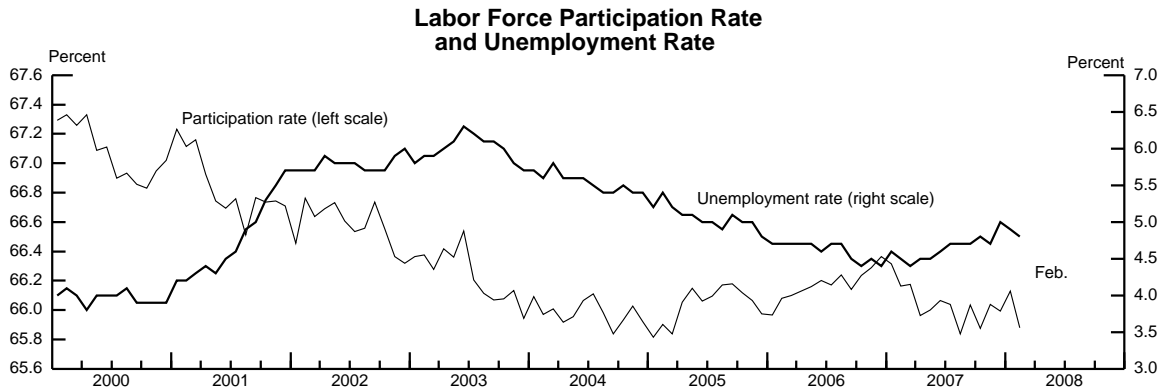
3. Establishment survey.



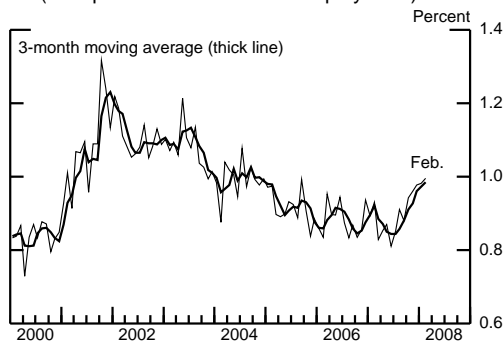
Selected Unemployment and Labor Force Participation Rates

(Percent; seasonally adjusted)

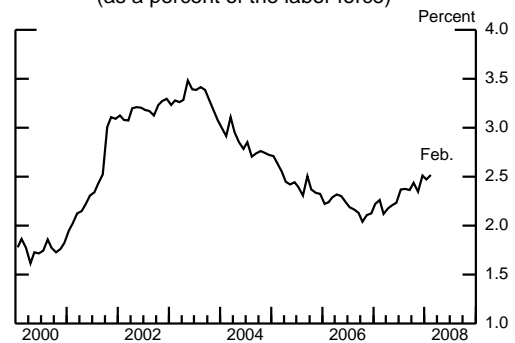
Rate and group	2007	2007				2008	
		Q2	Q3	Q4	Dec.	Jan.	Feb.
<i>Civilian unemployment rate</i>							
Total	4.6	4.5	4.7	4.8	5.0	4.9	4.8
Teenagers	15.7	15.7	15.8	16.4	17.1	18.0	16.6
20-24 years old	8.2	7.8	8.6	8.6	9.4	8.7	8.9
Men, 25 years and older	3.6	3.5	3.6	3.7	3.8	3.8	3.7
Women, 25 years and older	3.6	3.6	3.7	3.8	3.9	3.8	3.8
<i>Labor force participation rate</i>							
Total	66.0	66.0	66.0	66.0	66.0	66.1	65.9
Teenagers	41.3	41.5	40.7	41.0	41.0	41.0	40.0
20-24 years old	74.4	74.2	74.4	74.0	73.9	74.4	73.5
Men, 25 years and older	75.6	75.6	75.6	75.5	75.6	75.6	75.5
Women, 25 years and older	59.7	59.6	59.8	59.7	59.7	59.9	59.8



Job Losers Unemployed Less Than 5 Weeks
(as a percent of household employment)

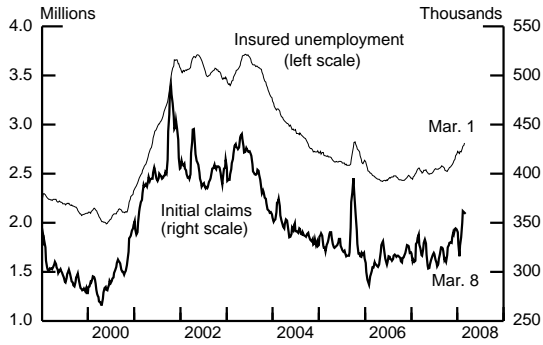


Unemployed Due to Job Loss
(as a percent of the labor force)



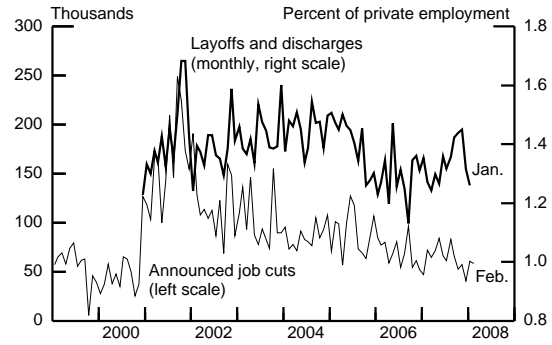
Labor Market Indicators

Unemployment Insurance



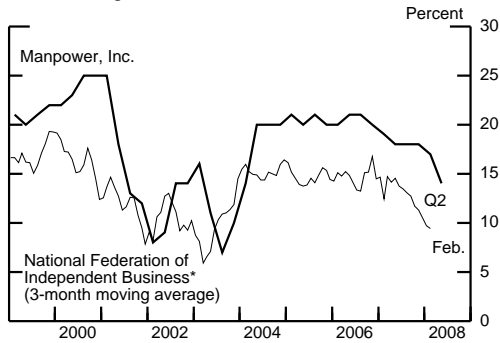
Note. 4-week moving averages.

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



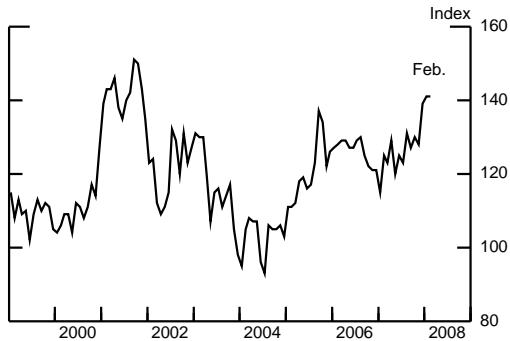
Note. Percent planning an increase in employment minus percent planning a reduction. *Seasonally adjusted by FRB staff.

Job Openings and Hires



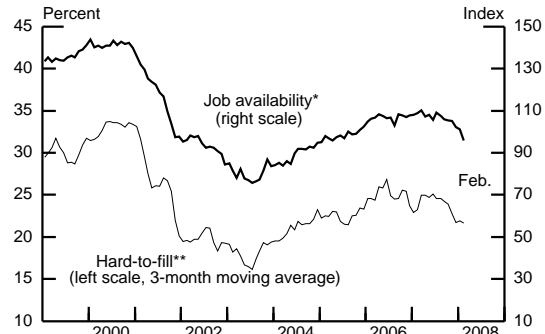
Source. Job Openings and Labor Turnover Survey.

Reuters/Michigan Expected Unemployment Change (next 12 months)



Note. The fraction of households expecting unemployment to rise, minus the fraction expecting unemployment to fall, plus 100.

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.

Selected Components of Industrial Production
(Percent change from preceding comparable period)

Component	Proportion 2007 (percent)	2007 ¹	2007		2007		2008
			Q3	Q4	Nov.	Dec.	Jan.
			Annual rate		Monthly rate		
Total	100.0	1.8	3.6	-1.0	.4	.1	.1
Previous	100.0	1.8	3.6	-1.0	.3	.0	...
Manufacturing	82.3	1.7	3.6	-1.7	.3	.2	.0
Ex. motor veh. and parts	77.0	2.0	3.8	-1.0	.2	.2	.1
Ex. high-tech industries	72.3	1.0	2.4	-2.2	.1	.1	.0
Mining	8.0	1.1	4.1	5.3	1.7	-.1	-1.8
Utilities	9.7	2.6	3.1	.1	.4	-.2	2.2
<i>Selected industries</i>							
Energy	19.8	2.6	4.8	2.4	.8	-.1	.9
High technology	4.7	17.2	26.4	17.2	1.3	1.0	1.9
Computers	1.3	24.3	14.0	13.1	1.8	1.0	1.3
Communications equipment	1.1	15.1	8.2	17.3	2.4	.7	1.9
Semiconductors ²	2.3	15.0	43.7	19.5	.5	1.2	2.2
Motor vehicles and parts	5.3	-1.8	1.2	-12.3	1.1	.2	-1.3
<i>Total ex. selected industries</i>	70.2	.7	2.0	-2.3	.1	.1	-.2
Consumer goods	21.1	.2	.8	-2.6	-.5	-.1	-.1
Durables	3.9	-1.8	.5	-7.6	-.1	-.1	-.6
Nondurables	17.1	.7	.9	-1.5	-.5	-.1	.0
Business equipment	8.1	2.4	7.3	1.3	.3	.9	.2
Defense and space equipment	1.7	-1.0	2.8	-2.1	1.3	.0	.9
Construction supplies	4.5	-.8	1.3	-6.6	-.5	1.1	-1.1
Business supplies	7.9	-.2	.1	-1.9	.0	-.1	-.1
Materials	26.9	1.3	2.1	-2.4	.6	.0	-.2
Durables	15.0	2.8	4.6	-.7	.7	-.2	-.4
Nondurables	11.8	-.5	-1.0	-4.5	.5	.1	.0

1. From fourth quarter of preceding year to fourth quarter of year shown.

2. Includes related electronic components.

... Not applicable.

Capacity Utilization
(Percent of capacity)

Sector	1972- 2007 average	1994- 95 high	2001- 02 low	2007				2008
				Q2	Q3	Q4	Dec.	Jan.
Total industry	81.0	85.1	73.6	81.7	82.0	81.5	81.5	81.5
Manufacturing	79.8	84.6	71.6	80.3	80.6	79.8	79.8	79.7
Ex. motor veh. and parts	80.0	84.3	71.4	80.5	80.8	80.1	80.0	80.0
Mining	87.5	88.9	84.8	89.9	90.8	91.9	92.4	90.6
Utilities	86.7	93.7	83.8	85.8	86.2	86.0	85.9	87.7
<i>Stage-of-process groups</i>								
Crude	86.6	89.5	82.0	89.2	89.7	90.2	90.7	89.8
Primary and semifinished	82.2	88.2	74.6	82.2	82.7	81.8	81.7	81.9
Finished	77.8	80.5	70.0	78.6	78.8	78.3	78.3	78.3

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

Item	2007		2008		2007	2008		
	Q3	Q4	Q1	Q2	Dec.	Jan.	Feb.	Mar.
U.S. production ¹	10.7	10.3	9.9	10.1	10.3	9.9	9.9	10.0
Autos	3.9	4.0	4.0	4.1	4.1	4.0	3.9	4.1
Light trucks	6.8	6.3	5.9	6.1	6.2	6.0	6.0	5.9
Days' supply ²	69	64	n.a.	n.a.	64	67	68	n.a.
Autos	59	51	n.a.	n.a.	50	53	54	n.a.
Light trucks	75	76	n.a.	n.a.	76	78	79	n.a.
Inventories ³	2.75	2.59	n.a.	n.a.	2.59	2.56	2.59	n.a.
Autos	.99	.90	n.a.	n.a.	.90	.88	.88	n.a.
Light trucks	1.76	1.69	n.a.	n.a.	1.69	1.68	1.70	n.a.
Memo: U.S. production, total motor vehicles ⁴	10.9	10.5	10.1	10.4	10.5	10.2	10.1	10.2

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

1. Production rates for March and the second quarter reflect the latest industry schedules.

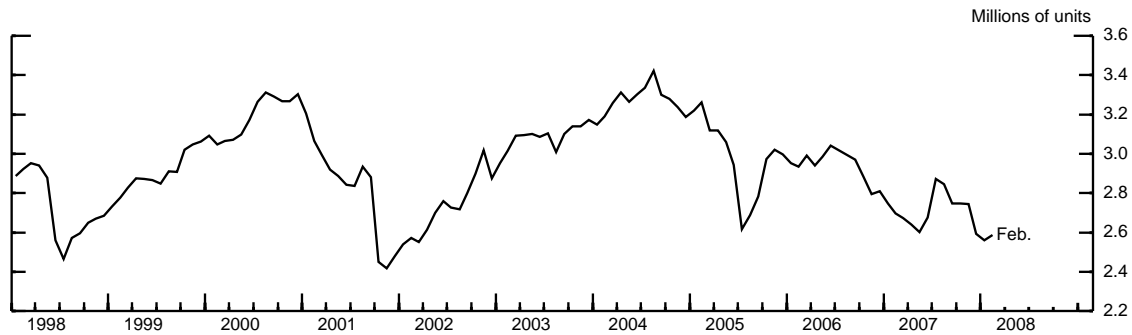
2. Quarterly values are calculated with end-of-period stocks and average reported sales.

3. End-of-period stocks.

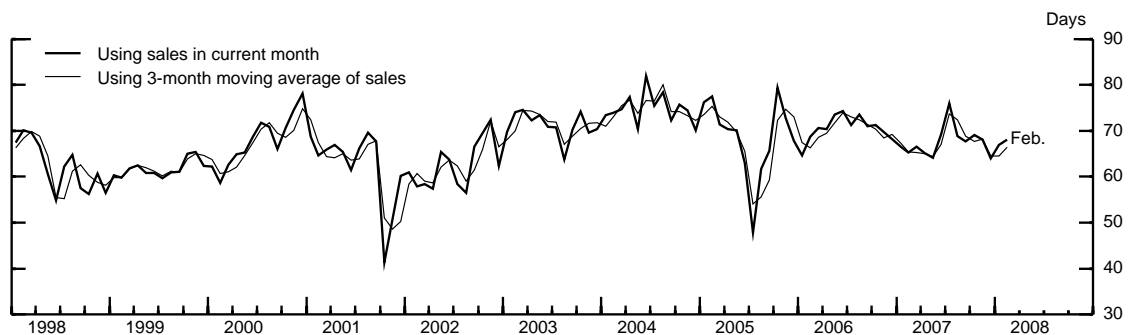
4. Includes medium and heavy trucks.

n.a. Not available.

Inventories of Light Vehicles

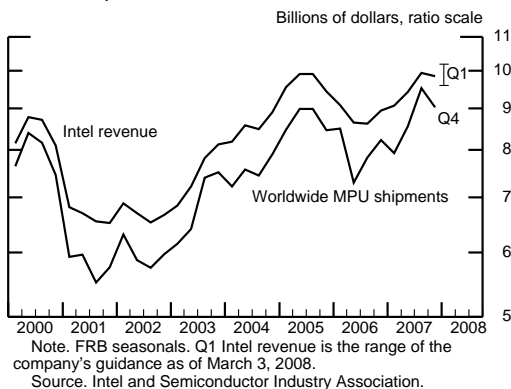


Days' Supply of Light Vehicles

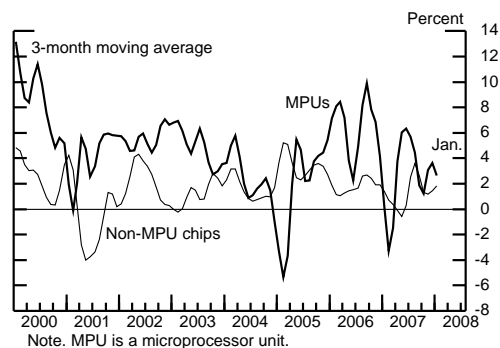


Indicators of High-Tech Manufacturing Activity

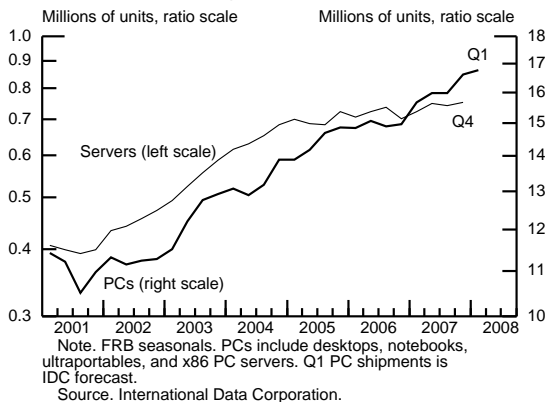
MPU Shipments and Intel Revenue



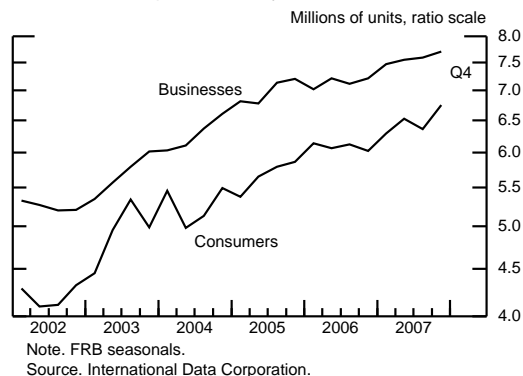
Rate of Change in Semiconductor Industrial Production



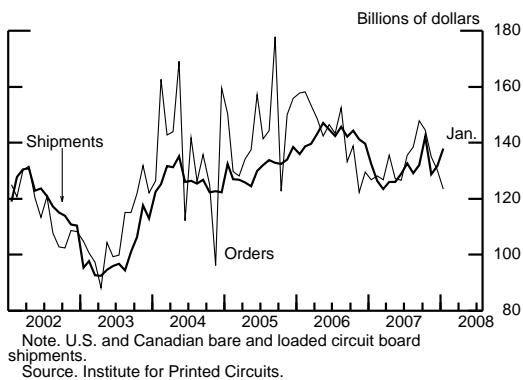
U.S. Personal Computer and Server Sales



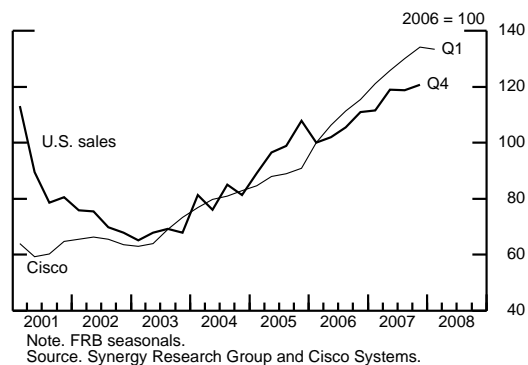
Personal Computer Sales by Market



Circuit Board Orders and Shipments

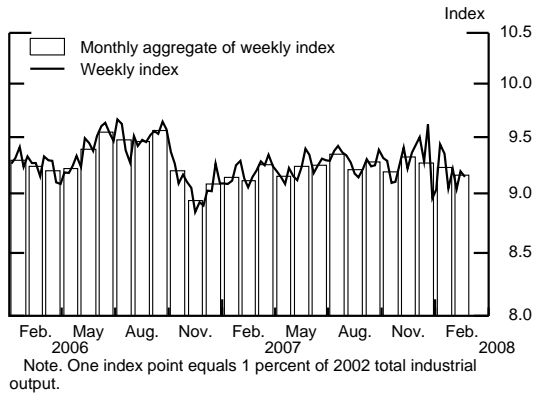


Cisco Revenue and U.S. Sales of High-End Data Networking Equipment

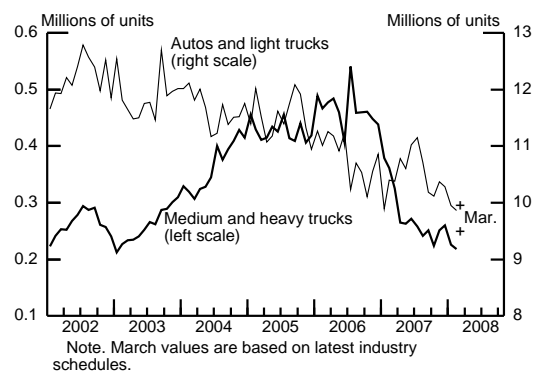


Indicators of Industrial Activity

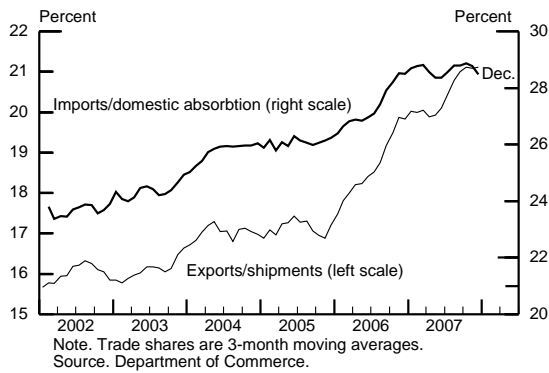
Weekly Production Index excluding Motor Vehicles and Electricity Generation



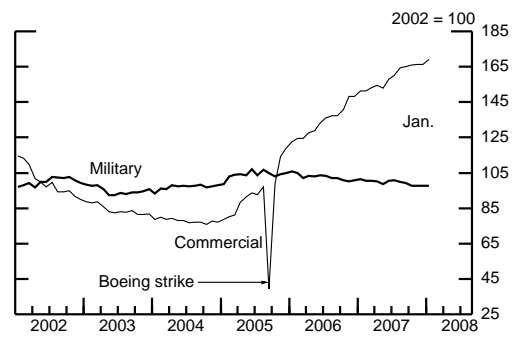
Motor Vehicle Assemblies



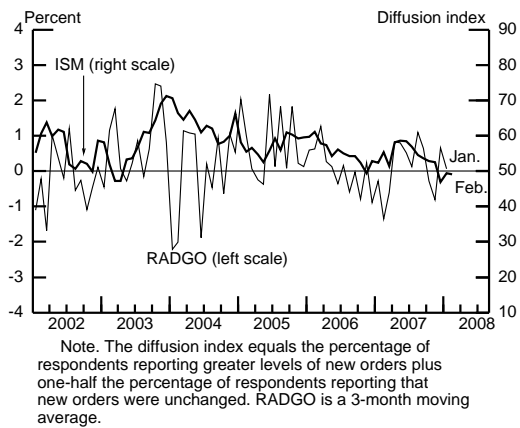
Trade Shares



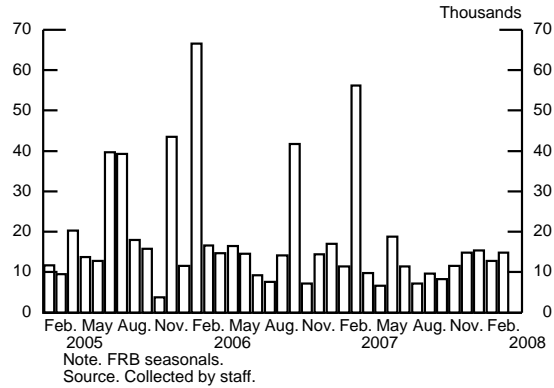
IP for Aircraft



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



Manufacturing Layoff Announcements



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

Category	2007	2007				2008	
		Q2	Q3	Q4	Dec.	Jan.	Feb.
Total	16.1	16.0	15.9	16.1	16.2	15.3	15.3
Autos	7.6	7.7	7.4	7.8	7.9	7.3	7.3
Light trucks	8.5	8.3	8.5	8.3	8.3	8.0	7.9
North American ¹	12.4	12.3	12.3	12.3	12.4	11.8	11.7
Autos	5.3	5.3	5.1	5.5	5.6	5.1	5.0
Light trucks	7.1	7.0	7.2	6.9	6.9	6.6	6.6
Foreign-produced	3.8	3.8	3.6	3.8	3.7	3.5	3.6
Autos	2.4	2.4	2.3	2.3	2.3	2.2	2.3
Light trucks	1.4	1.4	1.3	1.4	1.4	1.3	1.3
Memo: Detroit Three domestic market share (percent) ²	51.2	51.8	50.4	50.4	49.9	51.3	50.7

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

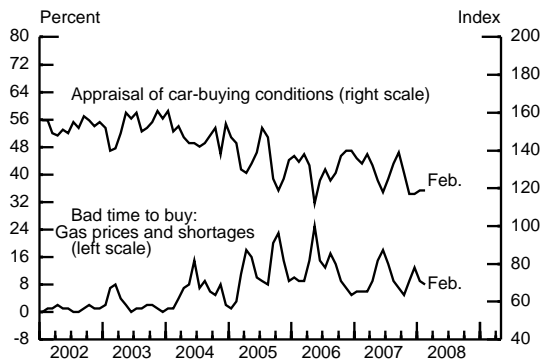
1. Excludes some vehicles produced in Canada that are classified as imports by the industry.

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

Content redacted.

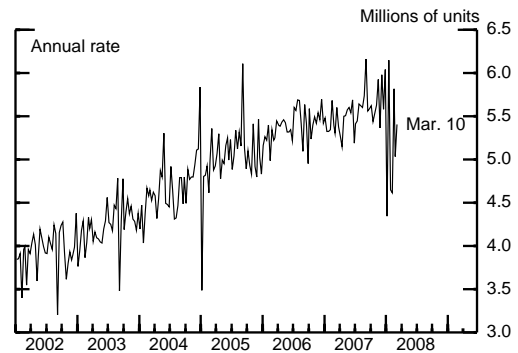
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Car-Buying Attitudes



Source. Reuters/University of Michigan Survey.

**Ten-Day U.S. Light Vehicle Sales
for Toyota, Honda, Nissan, and Mazda**



Source. Nissan North America.

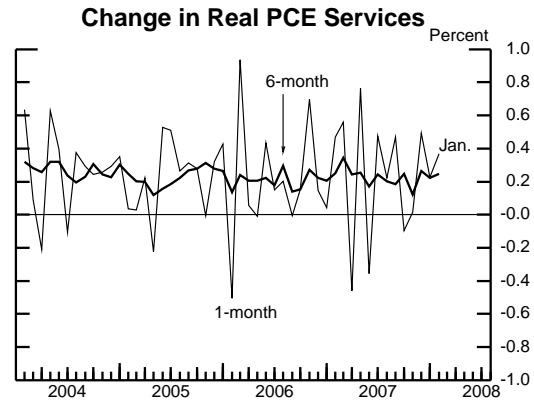
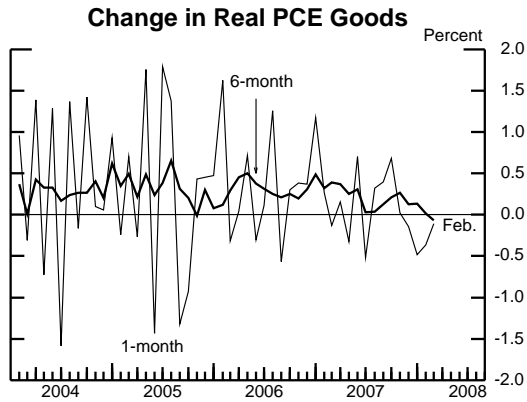
Retail and Food Services Sales

(Percent change from preceding period; seasonally adjusted current dollars)

Category	2007				2008	
	Q2	Q3	Q4	Dec.	Jan.	Feb.
	Annual rate			Monthly rate		
Total sales	4.8	3.7	3.6	-.7	.4	-.6
Retail control ¹	7.8	4.0	6.0	-.3	.6	-.2
Ex. sales at gasoline stations	4.7	5.0	1.9	-.3	.3	.0
Memo: Real PCE control ²	.3	4.1	1.0	-.6	.0	-.1

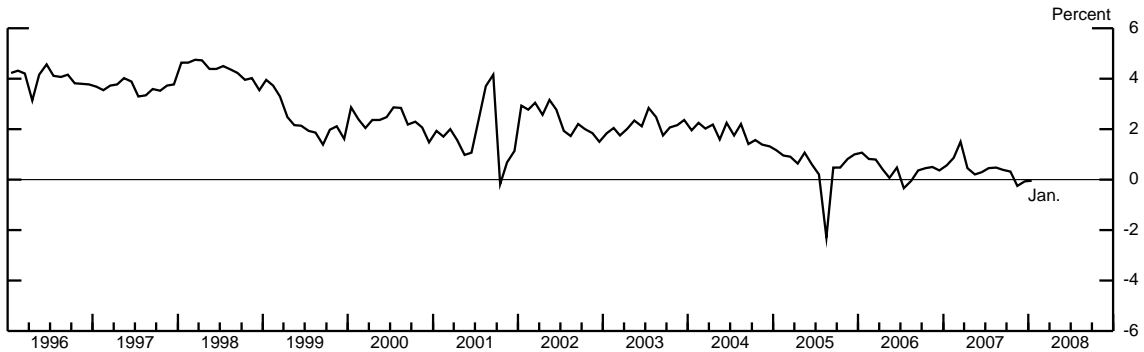
1. Total sales less outlays at building material and supply stores and automobile and other motor vehicle dealers.

2. Total goods spending excluding autos and trucks. The values for December and January are staff estimates. The value for February is a staff forecast.



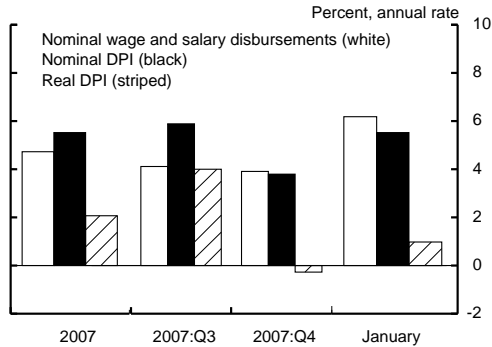
Note. The values for December and January are staff estimates. The value for February is a staff forecast.

Personal Saving Rate

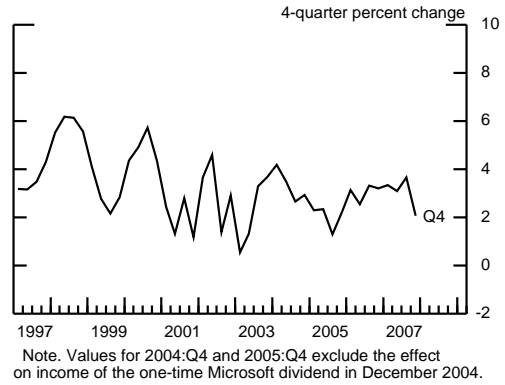


Fundamentals of Household Spending

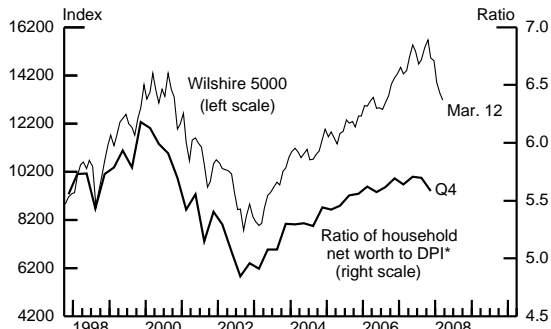
Changes in Wages, Salaries, and Disposable Income



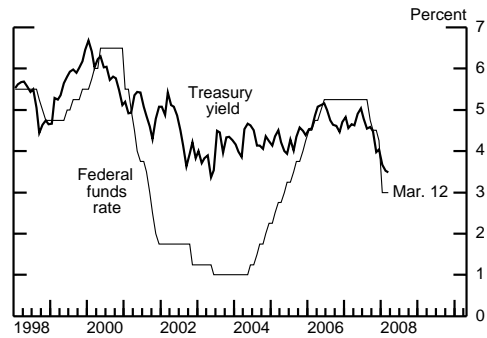
Changes in Real DPI



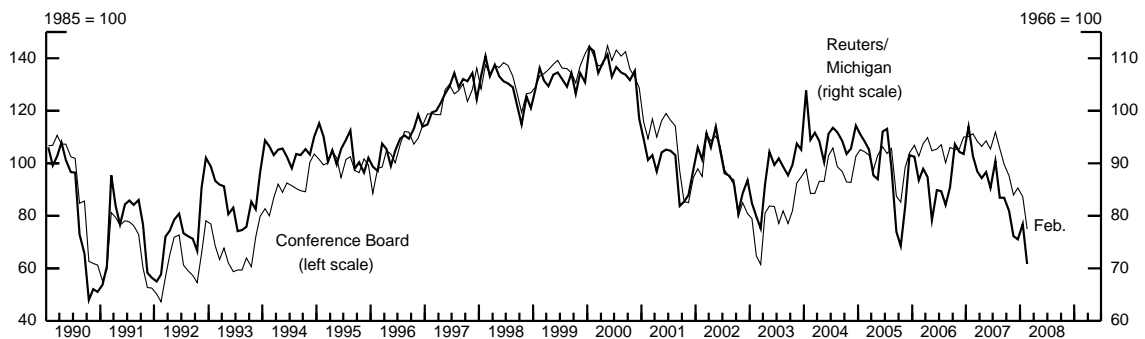
Household Net Worth and Wilshire 5000



Target Federal Funds Rate and 10-Year Treasury Yield



Consumer Confidence



Private Housing Activity

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

Sector	2007	2007				2008
		Q3	Q4	Nov.	Dec.	Jan.
<i>All units</i>						
Starts	1.36	1.30	1.15	1.18	1.00	1.01
Permits	1.38	1.32	1.14	1.16	1.08	1.06
<i>Single-family units</i>						
Starts	1.05	.99	.83	.82	.78	.74
Permits	.97	.94	.76	.77	.70	.68
Adjusted permits ¹	.99	.97	.78	.78	.74	.70
Permit backlog ²	.109	.114	.109	.113	.109	.110
New homes						
Sales	.78	.73	.65	.63	.61	.59
Months' supply ³	8.34	8.79	9.27	9.56	9.78	9.84
Existing homes						
Sales	4.94	4.76	4.39	4.41	4.32	4.34
Months' supply ³	8.68	9.15	10.02	9.74	10.32	10.77
<i>Multifamily units</i>						
Starts	.309	.310	.326	.362	.220	.269
Permits	.407	.384	.377	.392	.378	.380
Permit backlog ²	.074	.075	.074	.072	.074	.078
<i>Mobile homes</i>						
Shipments	.096	.096	.093	.093	.091	.091
<i>Condos and co-ops</i>						
Existing home sales	.713	.701	.608	.611	.588	.550

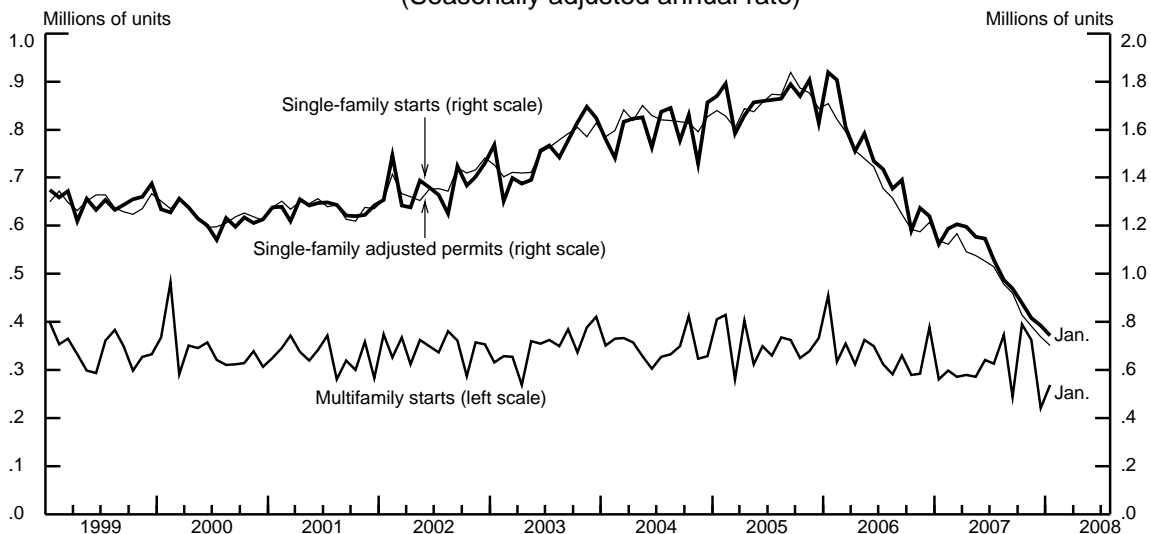
1. Adjusted permits equal permit issuance plus total starts outside of permit-issuing areas.

2. Number outstanding at end of period. Excludes permits that have expired or have been canceled, abandoned, or revoked. Not at an annual rate.

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

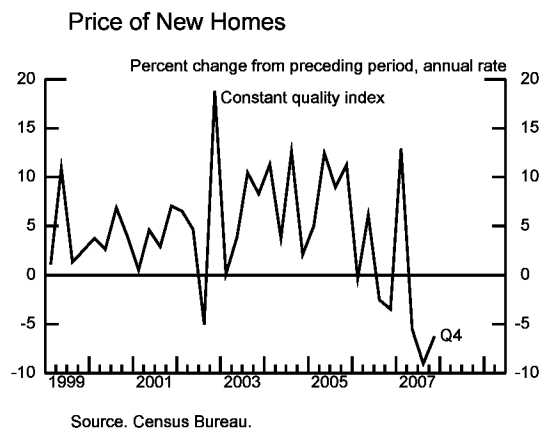
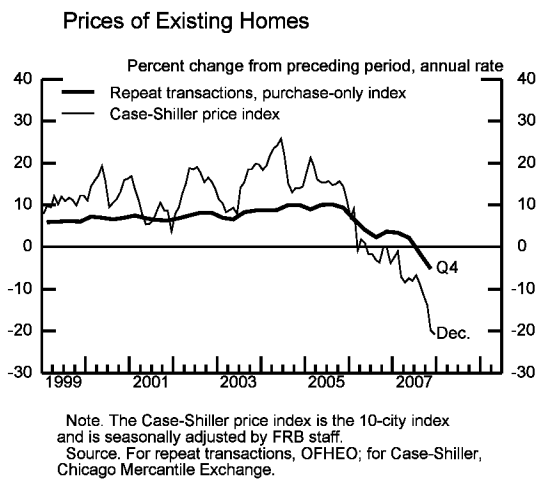
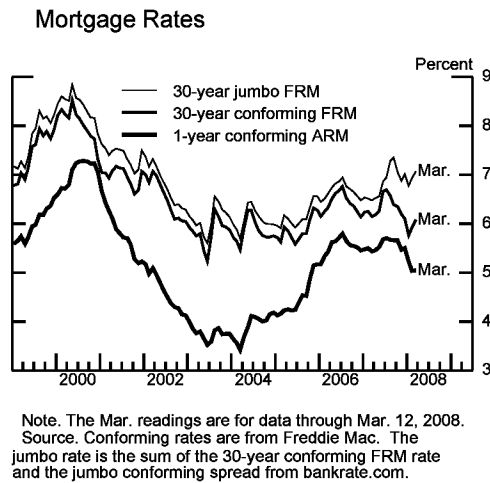
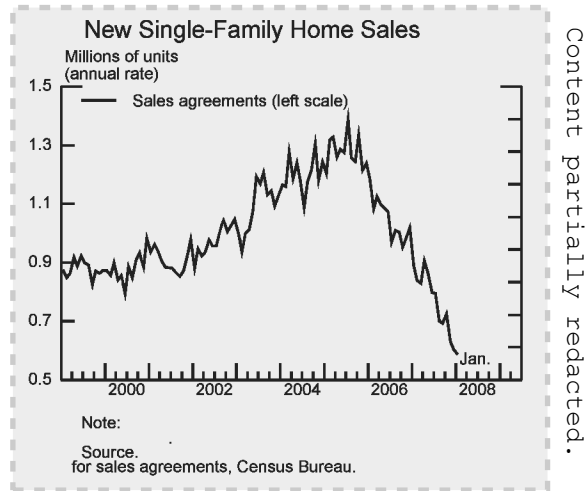
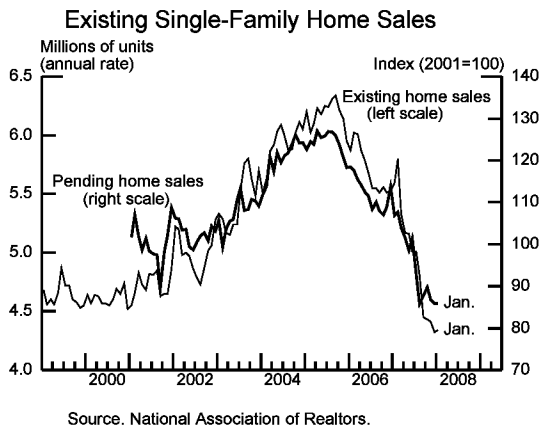
Private Housing Starts and Permits

(Seasonally adjusted annual rate)



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

Indicators of Single-Family Housing



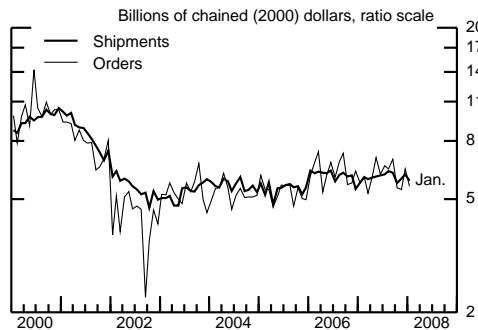
Orders and Shipments of Nondefense Capital Goods

(Percent change; seasonally adjusted current dollars)

Category	2007				2008
	Q3	Q4	Nov.	Dec.	Jan.
	Annual rate		Monthly rate		
Shipments	9.4	2.8	-.5	1.4	1.9
Excluding aircraft	6.1	4.9	.1	1.6	.0
Computers and peripherals	-15.2	36.6	-.9	3.6	-.1
Communications equipment	13.1	-16.9	3.4	4.0	-4.5
All other categories	8.0	4.4	-.1	1.2	.5
Orders	-1.5	6.6	5.4	5.4	-8.2
Excluding aircraft	3.4	-1.7	-.1	5.2	-1.5
Computers and peripherals	.7	8.2	11.6	5.1	-11.8
Communications equipment	17.3	-42.1	-1.0	18.5	-12.6
All other categories	2.4	2.5	-1.2	4.0	.7
Memo: Shipments of complete aircraft ¹	44.9	46.7	47.4	43.6	53.1

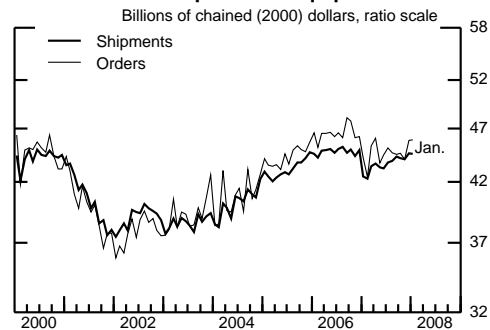
1. From Census Bureau, Current Industrial Reports; billions of dollars, annual rate.

Communications Equipment



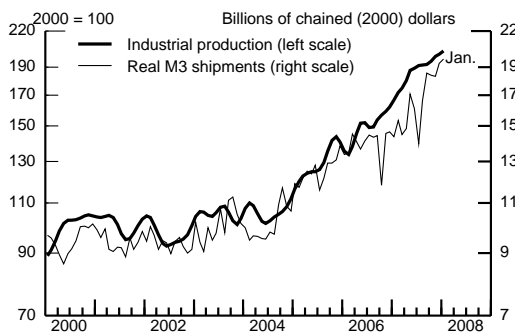
Note. Shipments and orders are deflated by a price index that is derived from the BEA's quality-adjusted price indexes and uses the PPI for communications equipment for monthly interpolation.

Non-High-Tech, Nontransportation Equipment



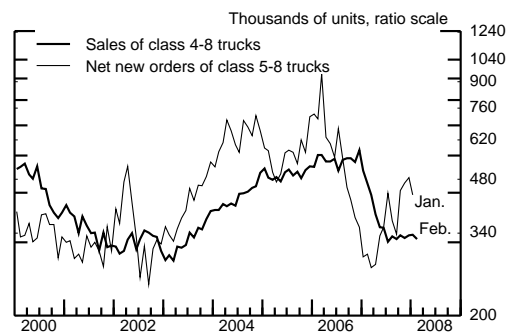
Note. Shipments and orders are deflated by the staff price indexes for the individual equipment types included in this category. Indexes are derived from the BEA's quality-adjusted price indexes.

Computers and Peripherals



Note. Ratio scales. Shipments are deflated by the staff price index for computers and peripheral equipment, which is derived from the BEA's quality-adjusted price indexes.

Medium and Heavy Trucks

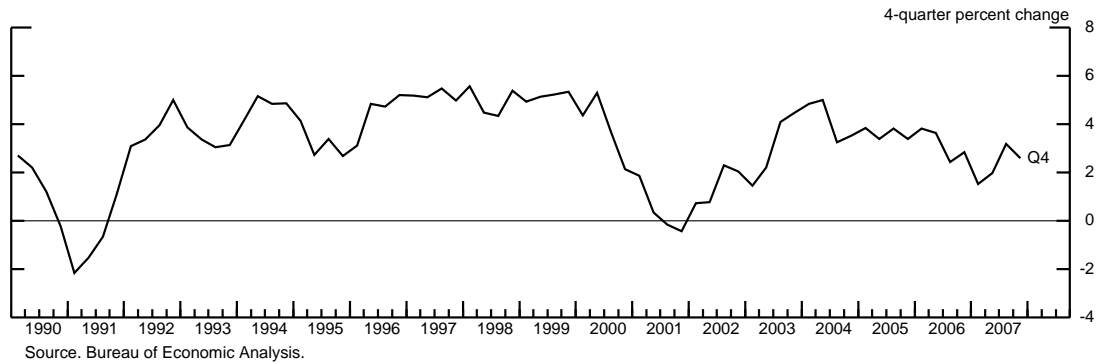


Note. Annual rate, FRB seasonals.

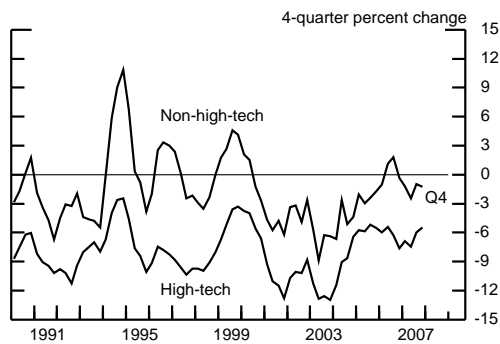
Source. For sales, Ward's Communications; for orders, ACT Research.

Fundamentals of Equipment and Software Investment

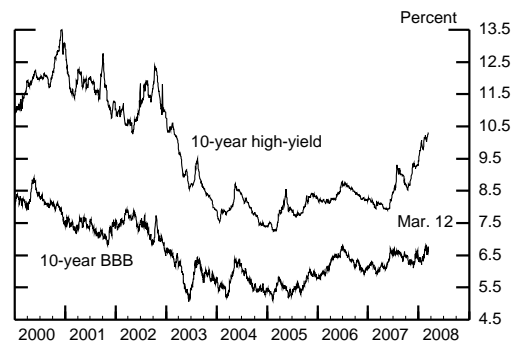
Real Business Output



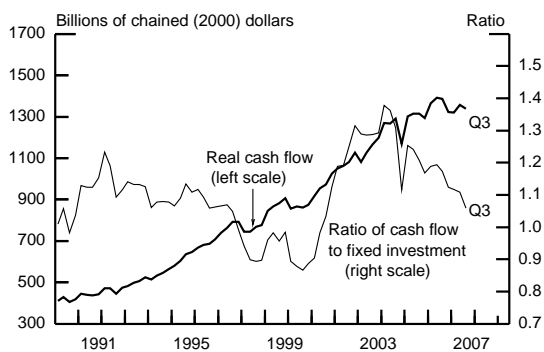
User Cost of Capital



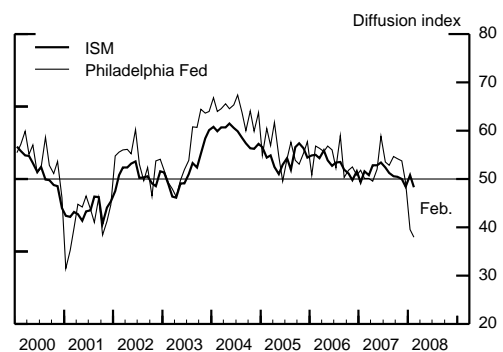
Corporate Bond Yields



Corporate Cash Flow



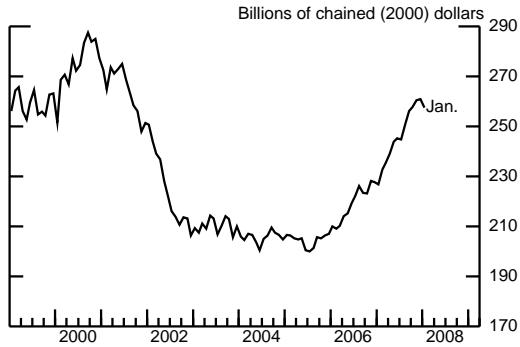
Surveys of Business Conditions



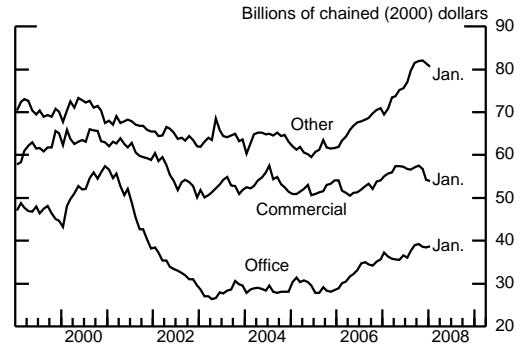
Nonresidential Construction and Indicators

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

Total Structures

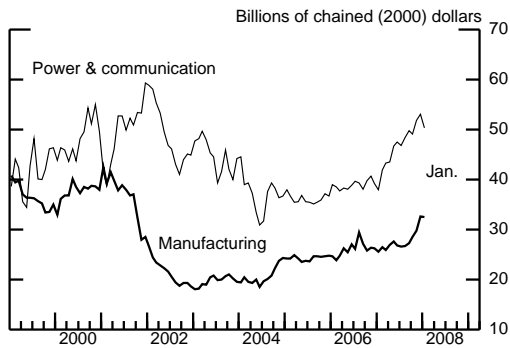


Office, Commercial, and Other

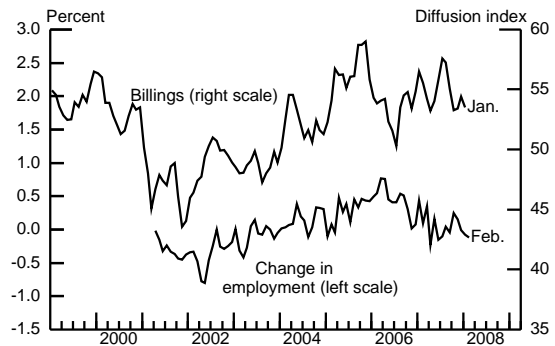


Note. Other consists of structures for religious organizations, education, lodging, amusement and recreation, transportation, and health care.

Manufacturing and Power & Communication

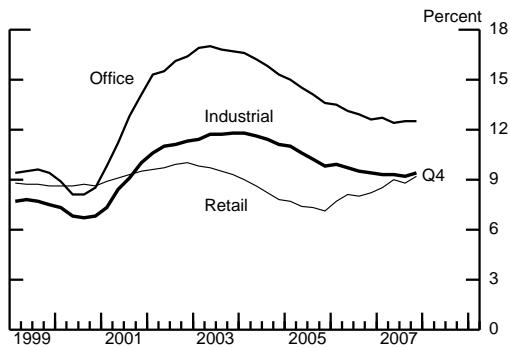


Architectural Billings and Nonresidential Construction Employment



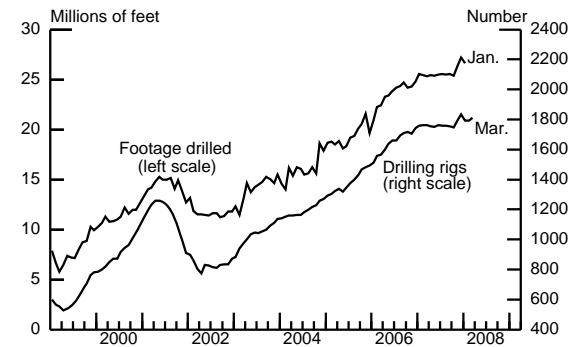
Note. Both series are 3-month moving averages. Employment consists of industrial, commercial, and specialty trade construction. Source. For billings, American Institute of Architects; for employment, Bureau of Labor Statistics.

Vacancy Rates



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

Drilling and Mining Indicators



Note. The March readings for drilling rigs are based on data through March 7, 2008. Both series are seasonally adjusted by FRB staff. Source. DOE/Baker Hughes.

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

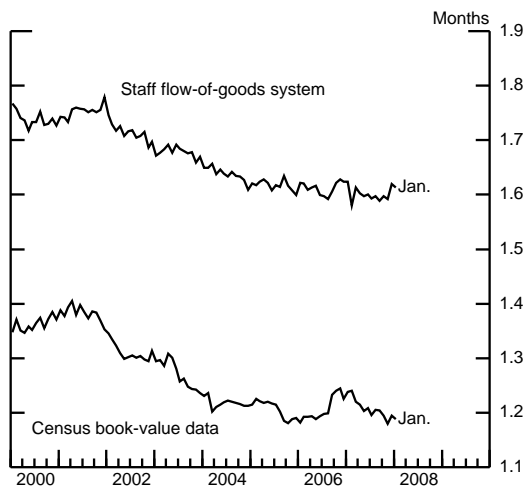
Measure and sector	2007					2008
	Q2	Q3	Q4	Nov.	Dec.	Jan.
<i>Real inventory investment</i> (chained 2000 dollars)						
Total nonfarm business	1.3	26.0	-13.4^e	n.a.	n.a.	n.a.
Motor vehicles	-9.6	13.3	-25.3	n.a.	n.a.	n.a.
Nonfarm ex. motor vehicles	10.9	12.7	11.9 ^e	n.a.	n.a.	n.a.
Manufacturing and trade ex. wholesale and retail motor vehicles and parts	10.8	18.1	8.5	-23.1	45.8^e	n.a.
Manufacturing	-4.2	3.1	9.9	14.2	21.0	n.a.
Wholesale trade ex. motor vehicles & parts	6.5	13.9	-7.7	-11.1	1.2 ^e	n.a.
Retail trade ex. motor vehicles & parts	8.5	1.1	6.4	-26.2	23.7	n.a.
<i>Book-value inventory investment</i> (current dollars)						
Manufacturing and trade ex. wholesale and retail motor vehicles and parts	60.7	38.3	74.3	54.0	128.5	139.8
Manufacturing	21.6	12.6	36.3	43.8	54.9	80.1
Wholesale trade ex. motor vehicles & parts	20.6	21.4	23.6	26.1	39.8	43.4
Retail trade ex. motor vehicles & parts	18.4	4.3	14.5	-15.9	33.7	16.4

n.a. Not available.

^e Staff estimate of real inventory investment based on revised book-value data.

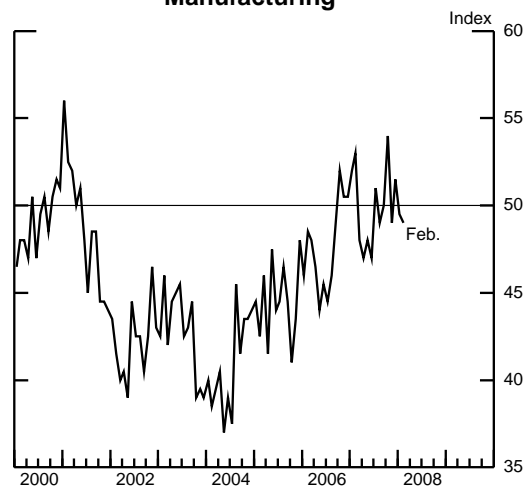
Source. For real inventory investment, BEA; for book-value data, Census Bureau.

Inventory Ratios ex. Motor Vehicles



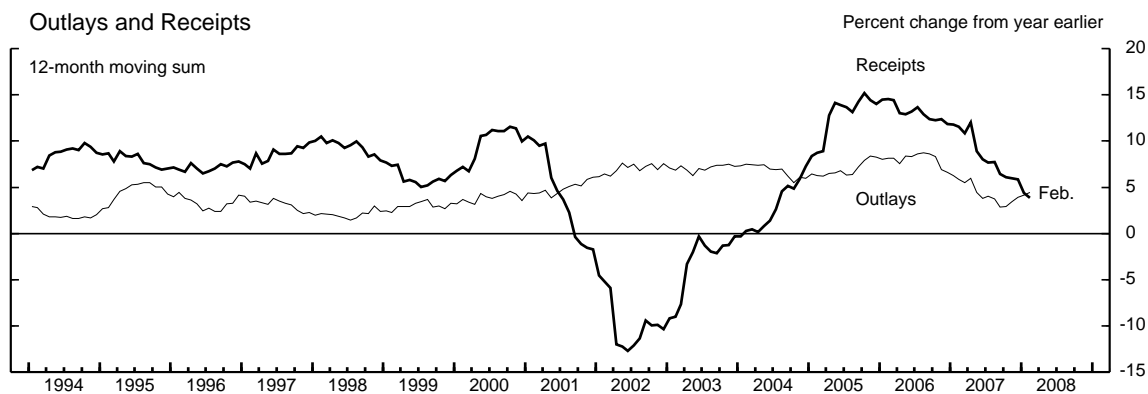
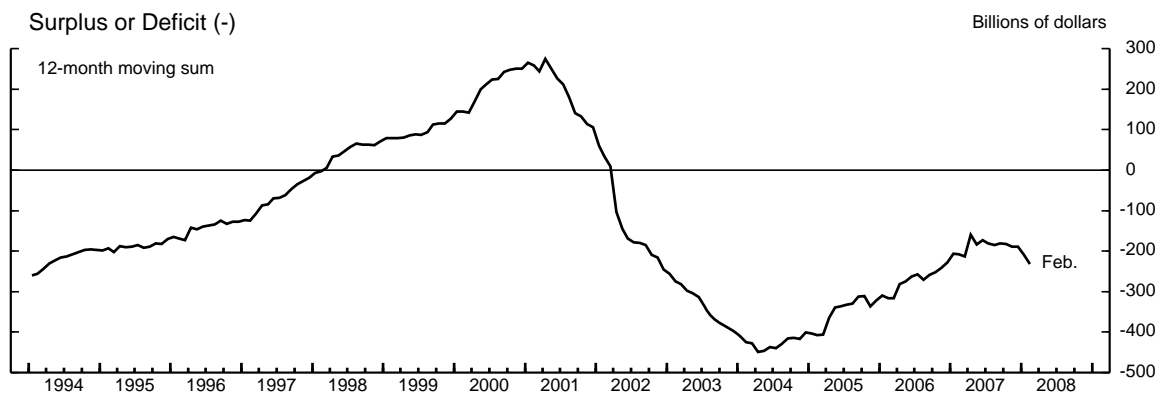
Note. Flow-of-goods system covers total industry ex. motor vehicles and parts, and inventories are relative to consumption. Census data cover manufacturing and trade ex. motor vehicles and parts, and inventories are relative to sales.

ISM Customer Inventories: Manufacturing



Note. A number above 50 indicates inventories are "too high."

Federal Government Budget
(Unified basis; adjusted for payment-timing shifts and financial transactions; data from Monthly Treasury Statement)



Recent Federal Outlays and Receipts

(Billions of dollars except as noted)

Function or source	January-February			12 months ending in February		
	2007	2008	Percent change	2007	2008	Percent change
Outlays	472.6	504.6	6.8	2,701.6	2,821.7	4.4
Net interest	38.9	43.0	10.4	227.7	251.9	10.6
National defense	87.2	99.7	14.3	544.4	586.4	7.7
Major transfers ¹	276.8	287.7	3.9	1,472.1	1,547.2	5.1
Other	69.7	74.3	6.6	457.4	436.1	-4.7
Receipts	380.9	370.9	-2.6	2,494.1	2,590.4	3.9
Individual income and payroll taxes	335.5	331.9	-1.1	1,904.5	2,014.5	5.8
Corporate income taxes	15.0	4.4	-70.8	373.4	353.4	-5.4
Other	30.5	34.7	13.9	216.2	222.5	2.9
Surplus or deficit (-)	-91.6	-133.7	...	-207.5	-231.3	...
Memo:						
Unadjusted surplus or deficit (-)	-81.8	-157.7	...	-192.7	-263.9	...

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

... Not applicable.

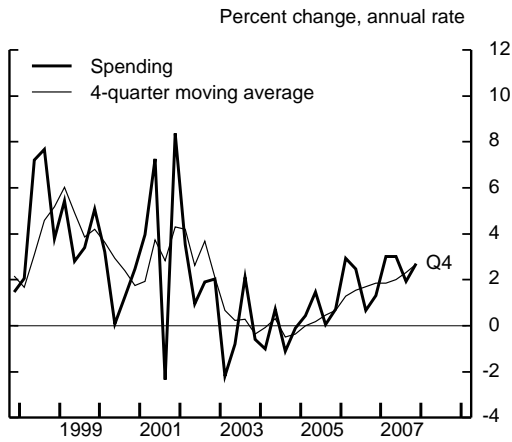
Administration Budget Projections and Economic Assumptions

Item	2008	2009	2010	2011	2012	2013
Budget projections (fiscal years)	Billions of dollars					
Receipts	2521	2700	2931	3076	3270	3428
Outlays	2931	3107	3091	3171	3222	3399
Surplus	-410	-407	-160	-95	48	29
	Percent of GDP					
Receipts	17.6	18.0	18.6	18.6	18.8	18.8
Outlays	20.5	20.7	19.6	19.1	18.5	18.6
Surplus	-2.9	-2.7	-1.0	-0.6	0.3	0.2
Economic assumptions (calendar years)	Percent change, fourth quarter to fourth quarter					
Real GDP	2.7	3.0	3.0	2.9	2.8	2.8
GDP price index	2.0	2.0	2.0	2.0	2.0	2.0
CPI-U	2.1	2.2	2.3	2.3	2.3	2.3
	Percent, annual average					
Unemployment rate	4.9	4.9	4.8	4.8	4.8	4.8
Treasury yields						
3-month	3.7	3.8	4.0	4.1	4.1	4.1
10-year	4.6	4.9	5.1	5.2	5.3	5.3

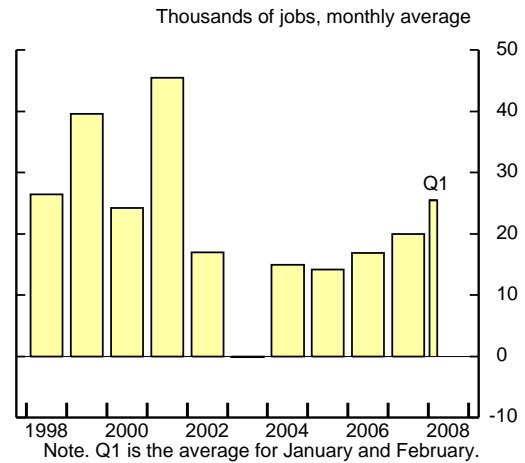
Source. Office of Management and Budget (2008), *Budget of the United States Government: Fiscal Year 2009* (February).

State and Local Indicators

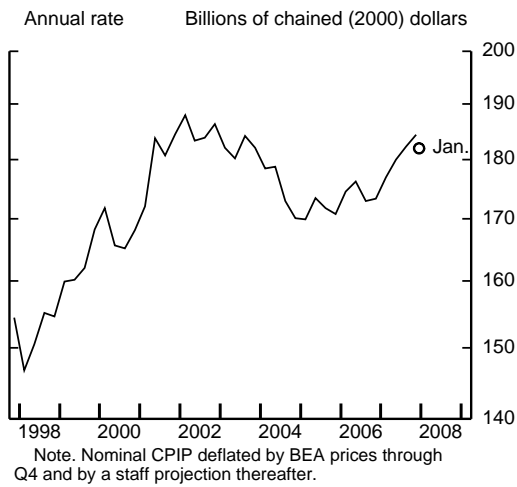
Real Spending on Consumption & Investment



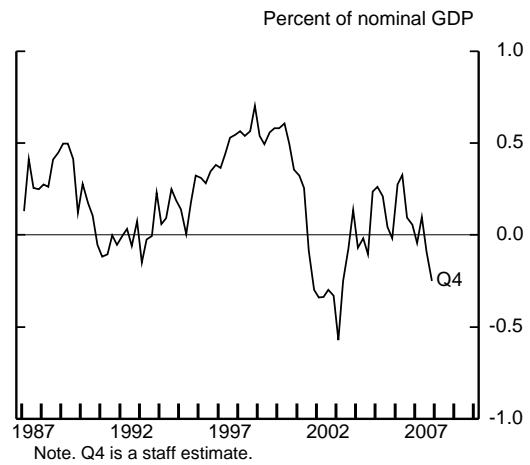
Net Change in Employment



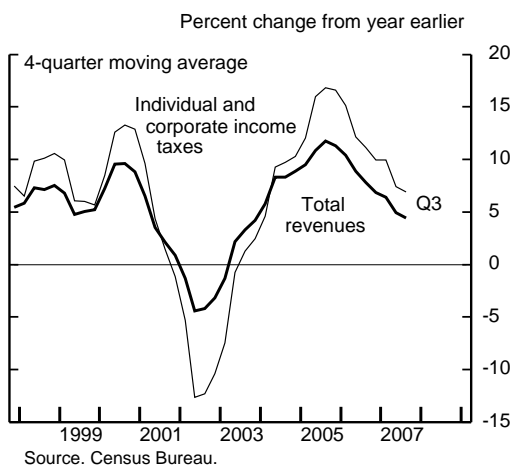
Real Construction



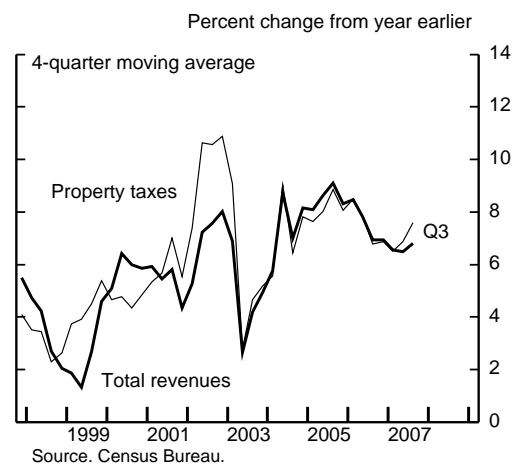
Net Saving



State Revenues



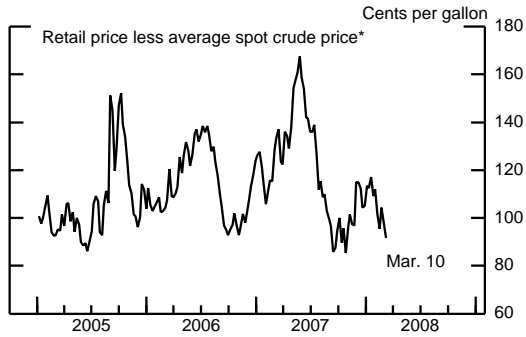
Local Revenues



Energy and Food Price Indicators

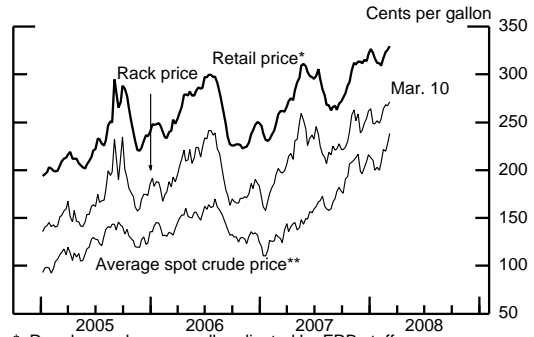
(Data from Energy Information Administration except as noted)

Total Gasoline Margin



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

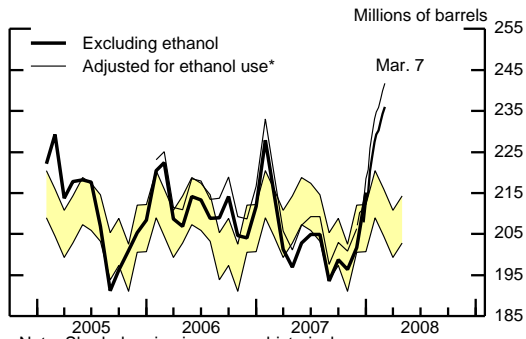
Gasoline Price Decomposition



* Regular grade seasonally adjusted by FRB staff.

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

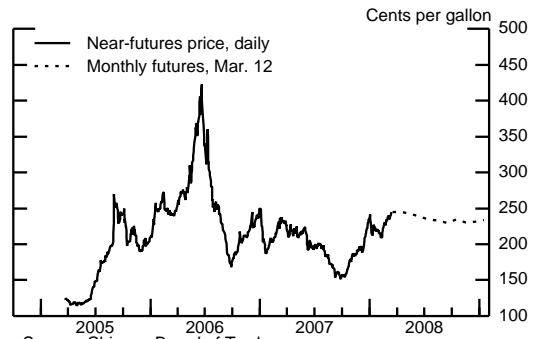
Gasoline Inventories



Note. Shaded region is average historical range as calculated by DOE. Monthly data through December 2007, weekly data thereafter, as indicated by line weights.

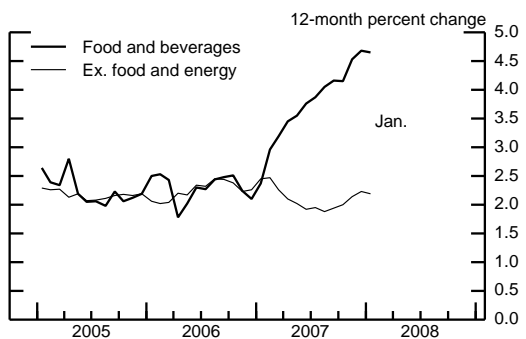
* Adjustment for approximate amount of fuel ethanol to be blended with RBOB component of inventories; estimated by FRB staff.

Ethanol Prices



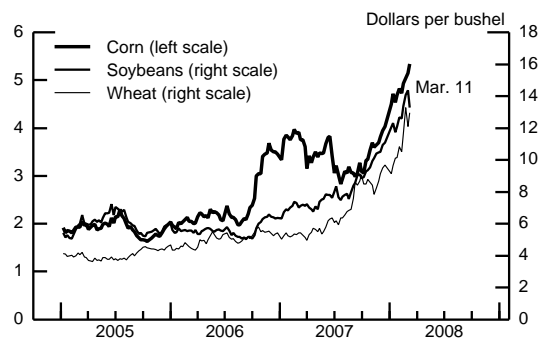
Source. Chicago Board of Trade.

PCE Food Prices



Source. Bureau of Economic Analysis.

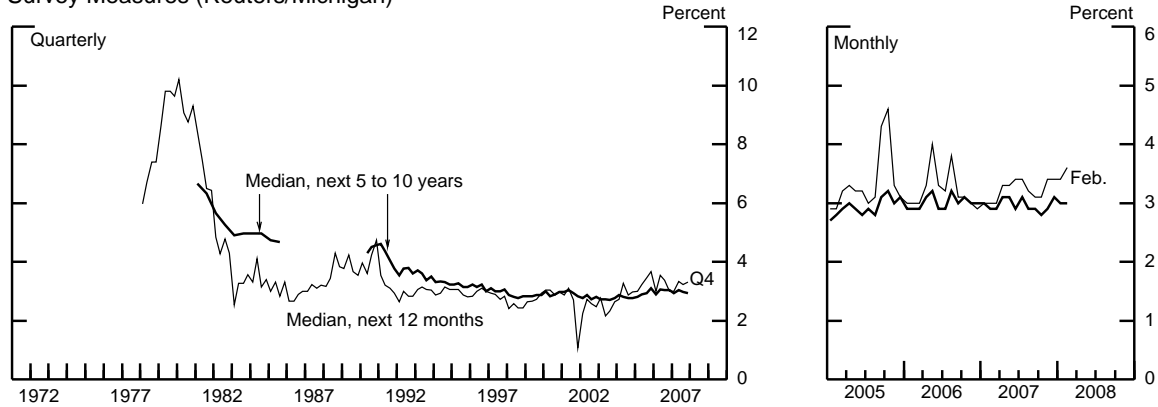
Spot Agricultural Commodity Prices



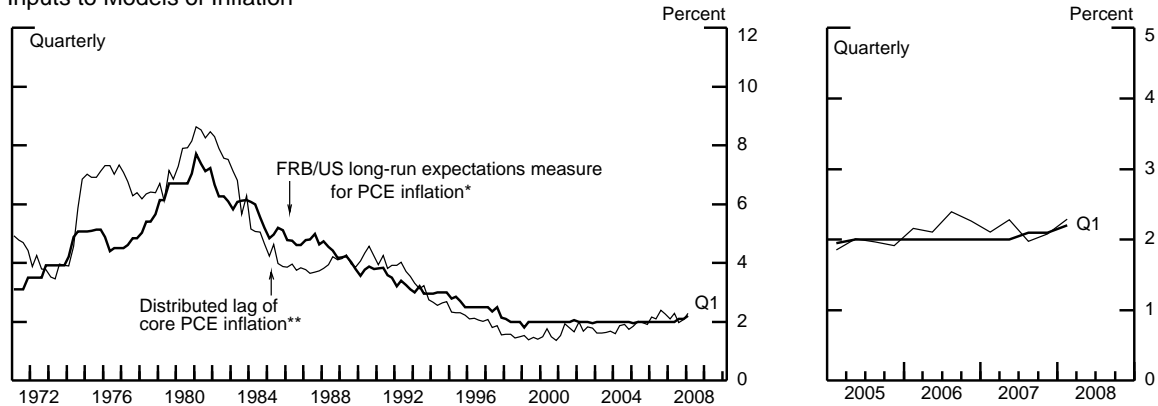
Source. Commodity Research Bureau.

Measures of Expected Inflation

Survey Measures (Reuters/Michigan)



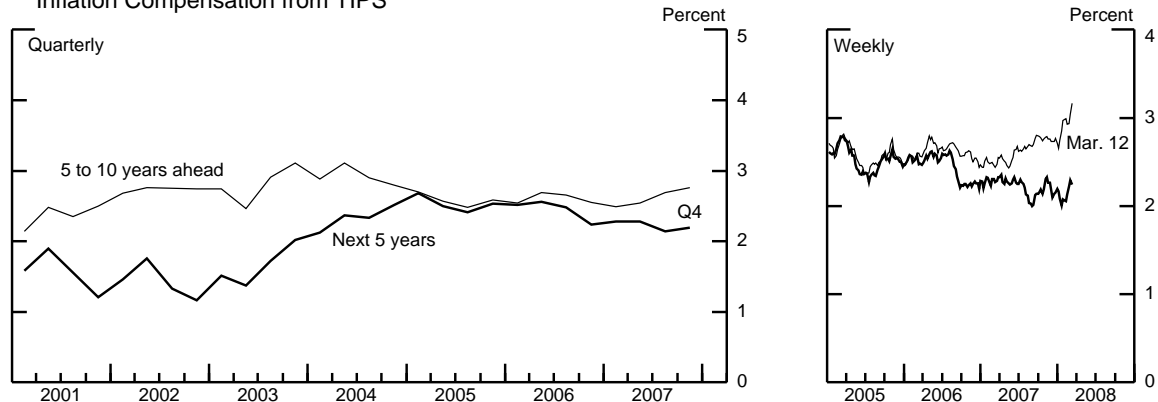
Inputs to Models of Inflation



*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 Hoey; and for the period preceding 1981, a model-based estimate constructed by Board staff. The survey data before 2007 are adjusted down 0.5 percentage point to put the CPI projections approximately on a PCE basis.

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

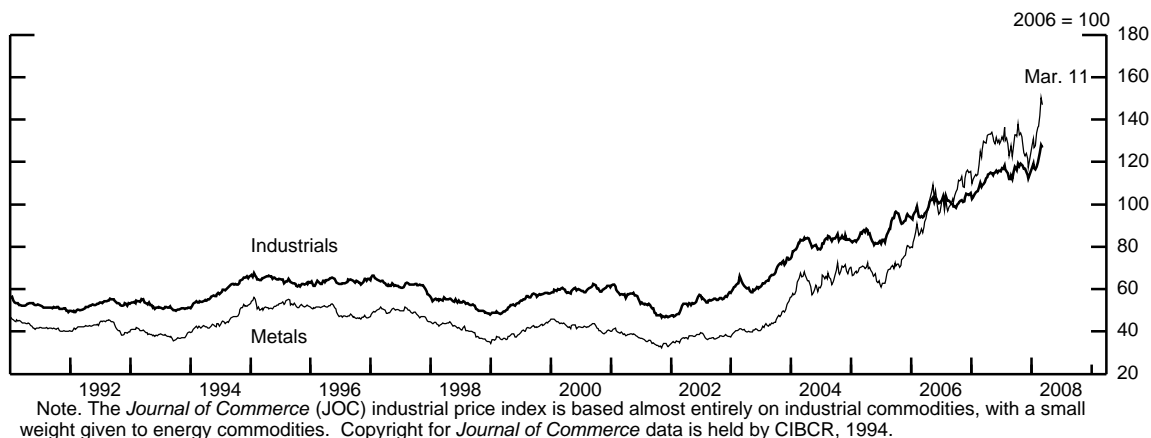
Inflation Compensation from TIPS



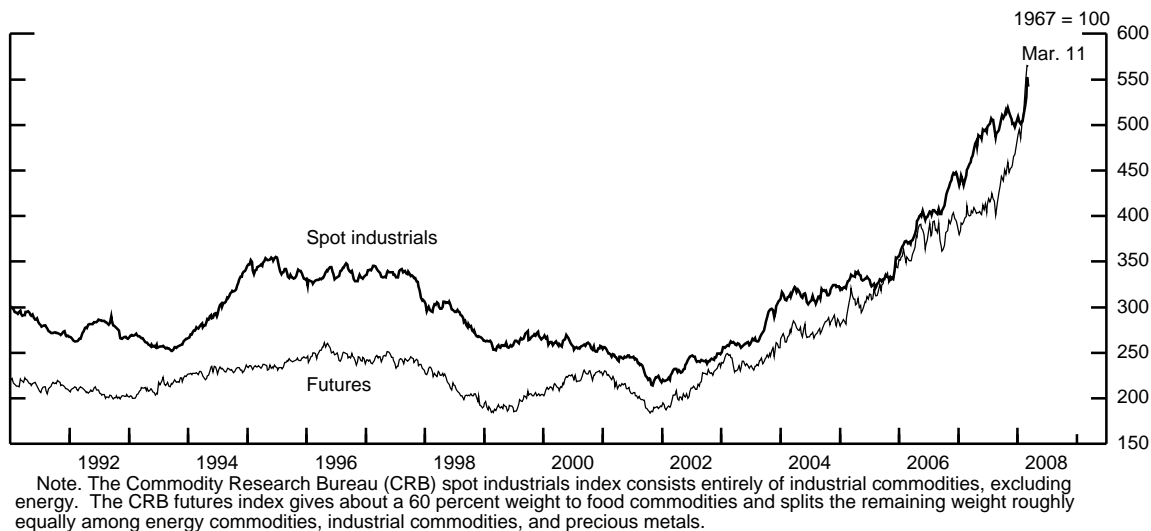
Note. Based on a comparison of an estimated TIPS yield curve with an estimated nominal off-the-run Treasury yield curve, with an adjustment for the indexation-lag effect.

Commodity Price Indexes

Journal of Commerce



Commodity Research Bureau



Selected Commodity Price Indexes (Percent change)

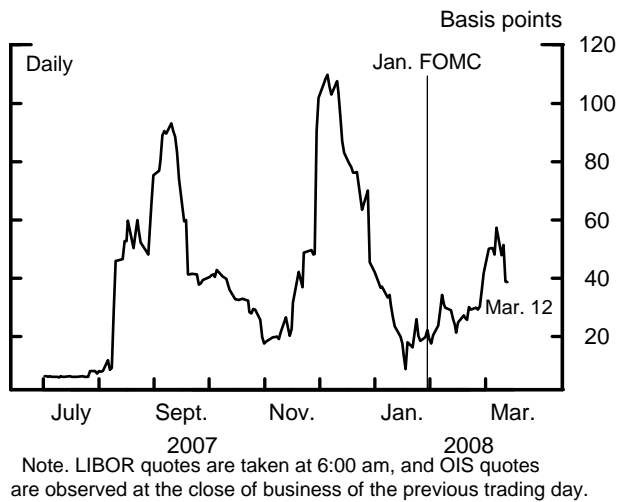
Index	2007 ¹	12/18/07 to 1/22/08 ²	1/22/08 ² to 3/11/08	52-week change to 3/11/08
JOC industrials	7.6	4.2	8.2	16.5
JOC metals	2.1	7.9	15.9	16.7
CRB spot industrials	11.0	.7	8.2	18.7
CRB spot foodstuffs	25.5	2.4	14.2	35.6
CRB futures	18.2	3.7	16.4	41.2

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

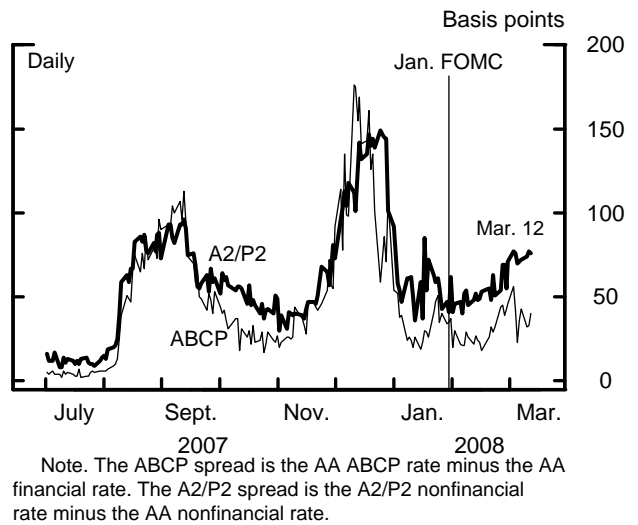
2. January 22, 2008, is the Tuesday preceding publication of the January Greenbook.

III-C-1 Short-Term Funding and Interbank Markets

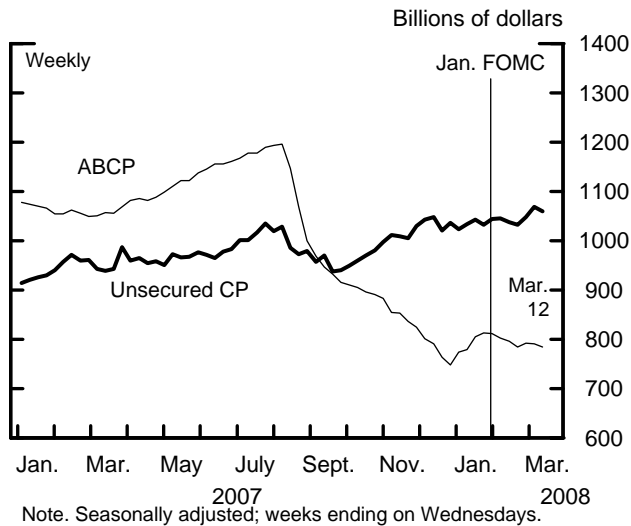
Spreads between 30-Day Libor and OIS Rates



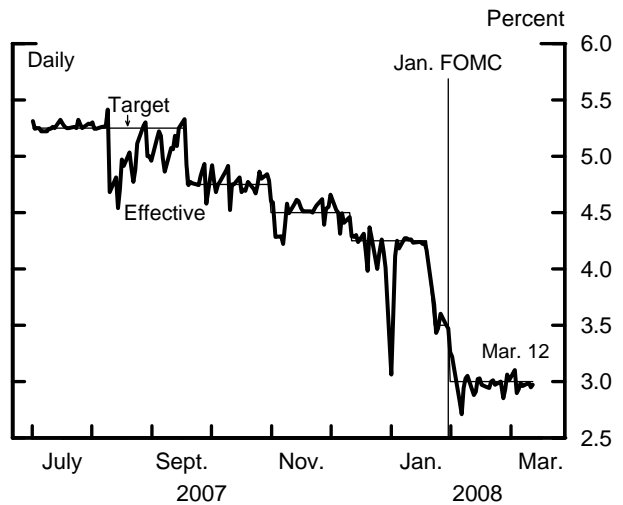
Spreads on 30-Day Commercial Paper



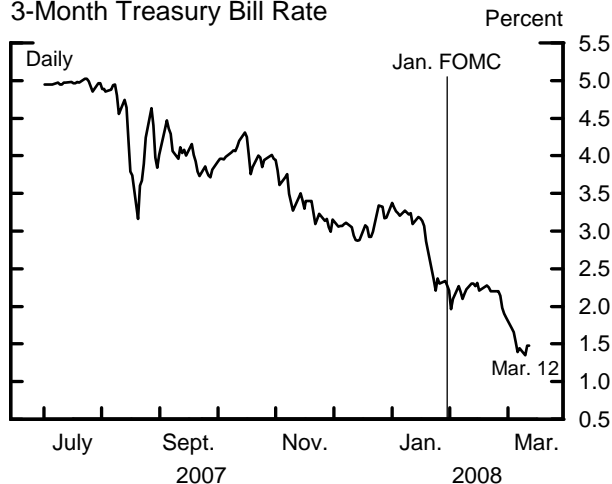
Commercial Paper Outstandings



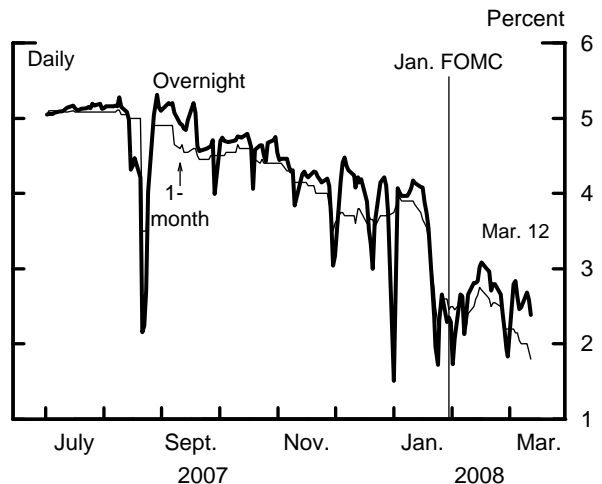
Federal Funds Rates



3-Month Treasury Bill Rate

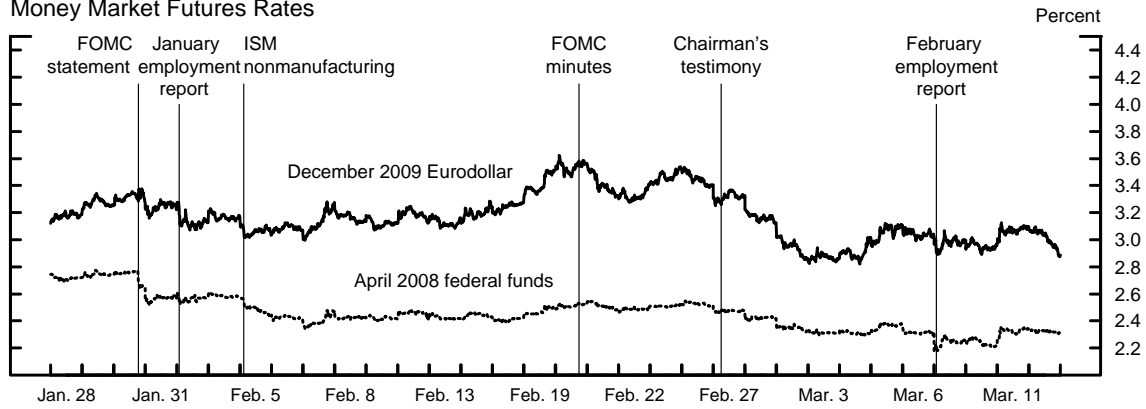


Treasury Repo Rates for General Collateral



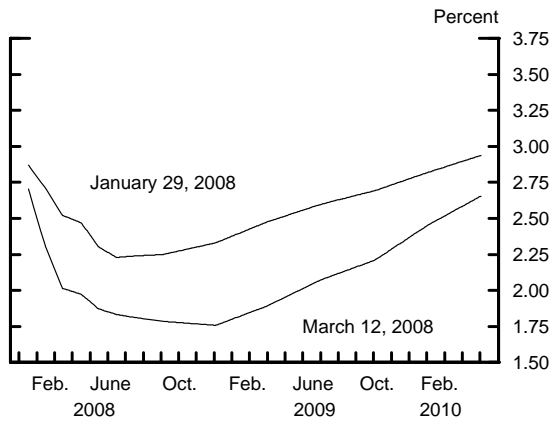
Policy Expectations and Treasury Yields

Money Market Futures Rates



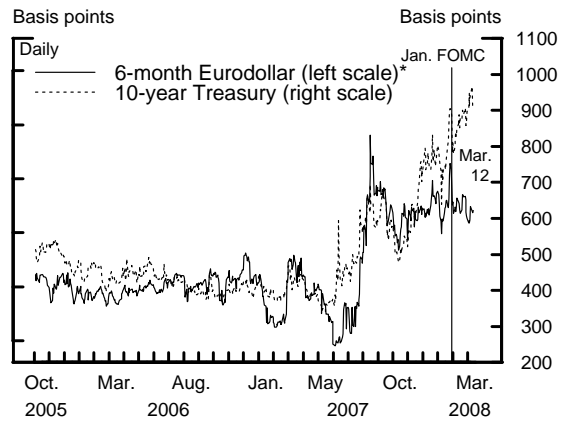
Note. 5-minute intervals. 8:00 a.m. to 4:00 p.m. No adjustments for term premiums.

Expected Federal Funds Rates



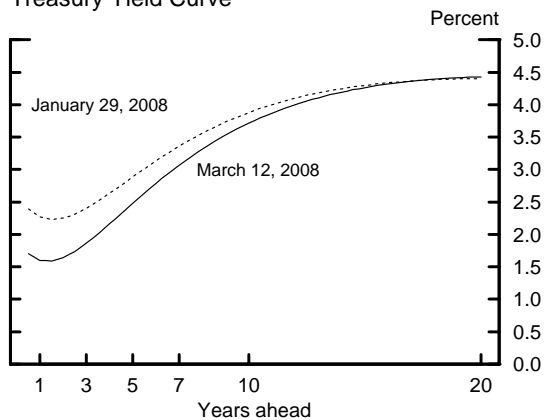
Note. Estimates from federal funds and Eurodollar futures.

Implied Volatility of Interest Rates



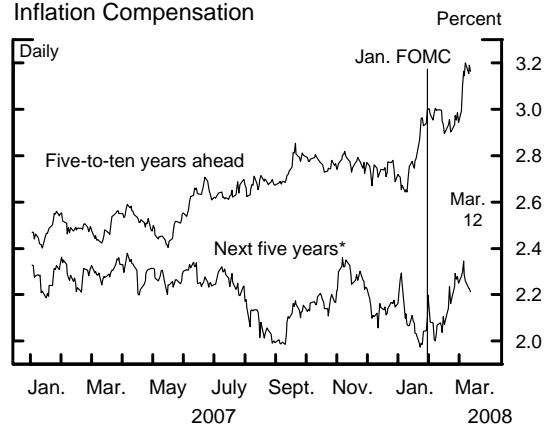
*Width of a 90 percent confidence interval computed from the term structures for the expected federal funds rate and implied volatility.

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

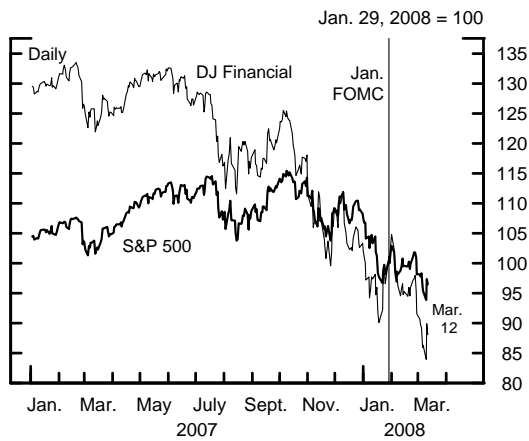


Note. Estimates based on smoothed nominal and inflation-indexed Treasury yields.

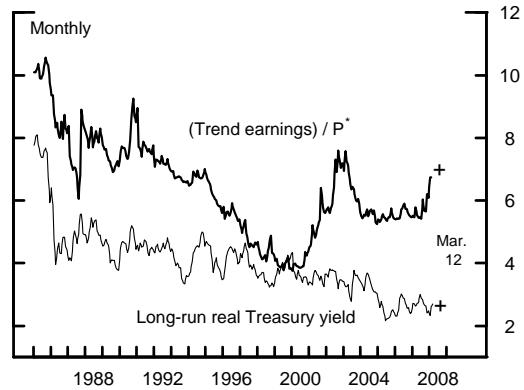
*Adjusted for lagged indexation of TIPS.

Corporate Yields, Risk Spreads, and Stock Prices

Selected Stock Price Indexes



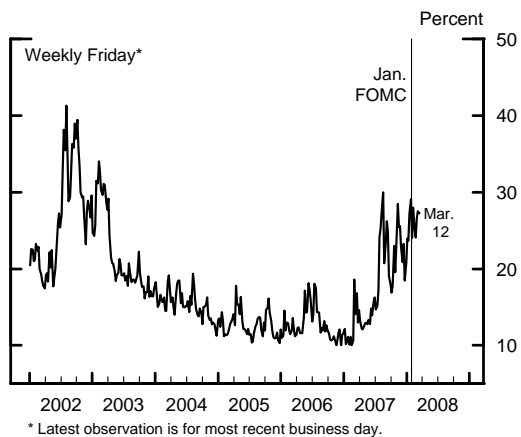
Ratio of Trend Earnings to Price for S&P 500 and Long-Run Treasury Yield



* Trend earnings are estimated using analysts' forecasts of year-ahead earnings from I/B/E/S.

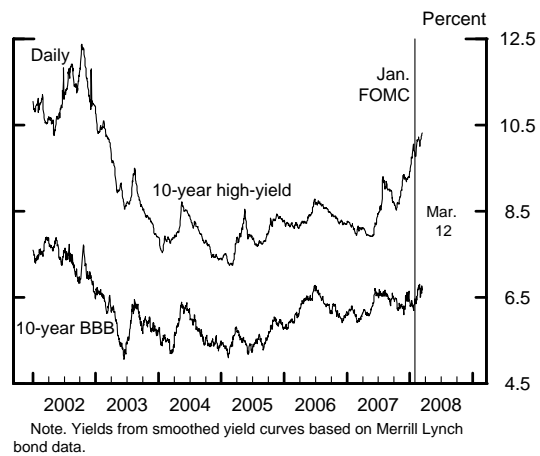
+ Denotes the latest observation using daily interest rates and stock prices and latest earnings data from I/B/E/S.

Implied Volatility on S&P 500 (VIX)



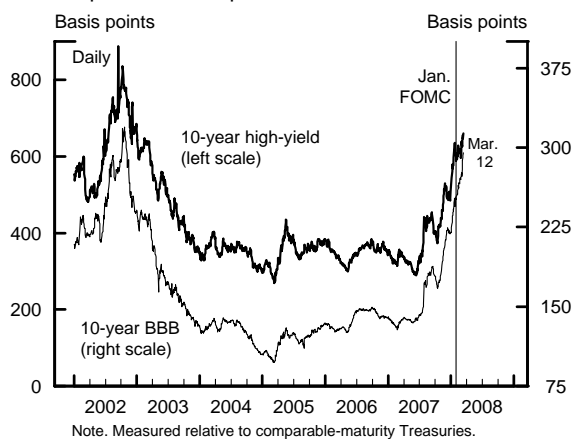
* Latest observation is for most recent business day.

Corporate Bond Yields



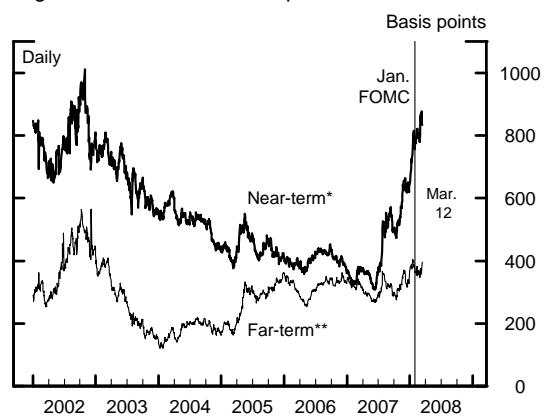
Note. Yields from smoothed yield curves based on Merrill Lynch bond data.

Corporate Bond Spreads



Note. Measured relative to comparable-maturity Treasuries.

High-Yield Forward Credit Spreads



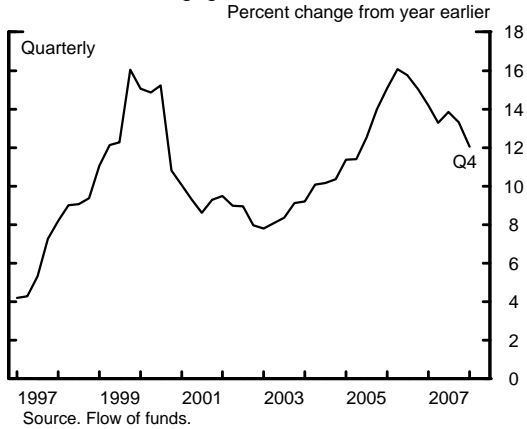
* Forward spread between years 2 and 3.

** Forward spread between years 9 and 10.

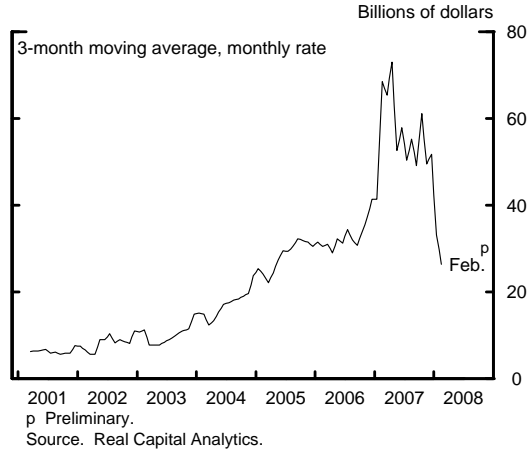
Source. Staff estimates.

Commercial Real Estate

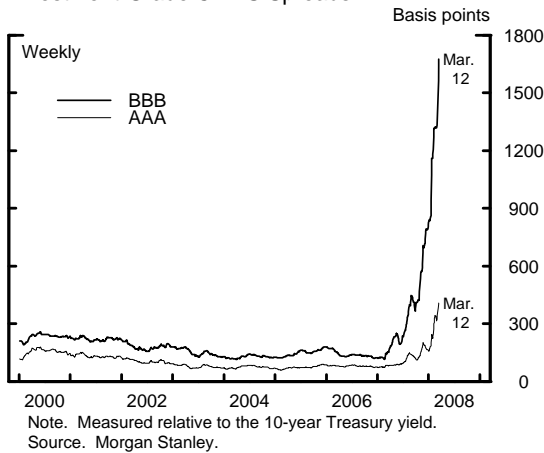
Commercial Mortgage Debt



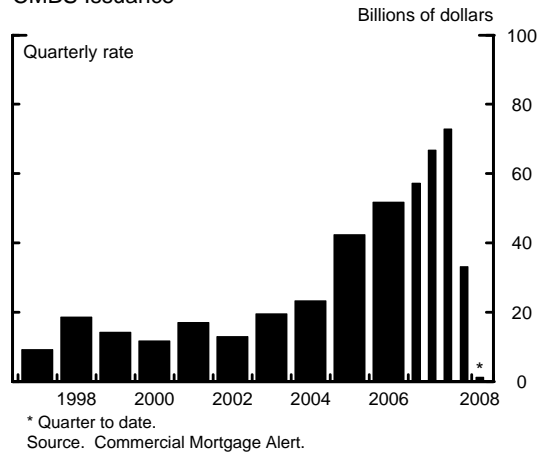
Sales of Commercial Real Estate



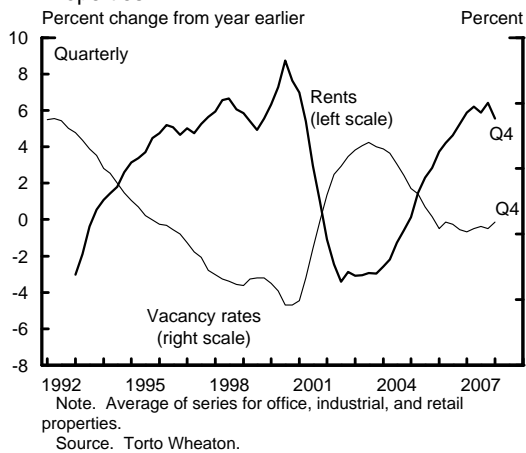
Investment-Grade CMBS Spreads



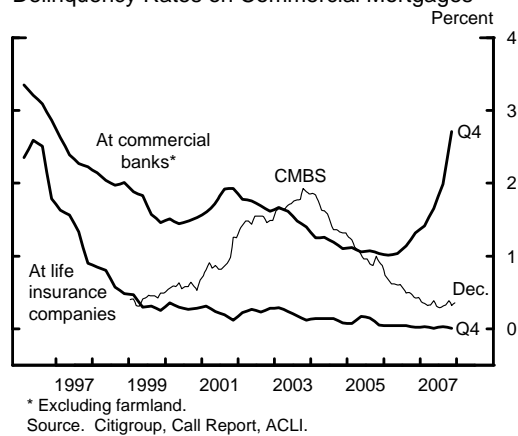
CMBS Issuance



Rents and Vacancy Rates on Commercial Properties

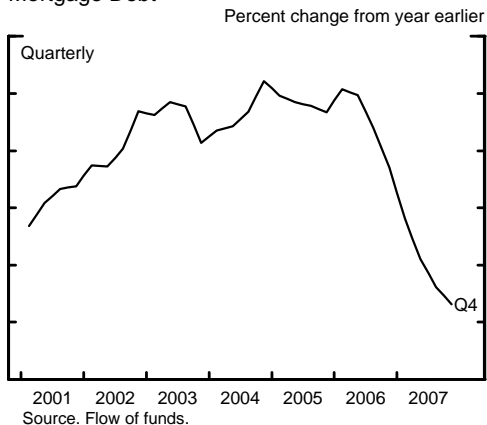


Delinquency Rates on Commercial Mortgages

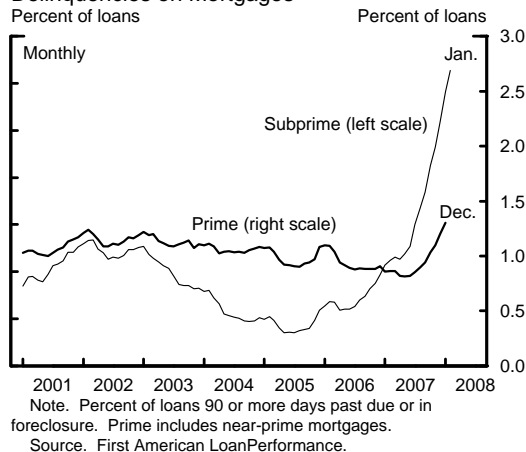


Residential Mortgages

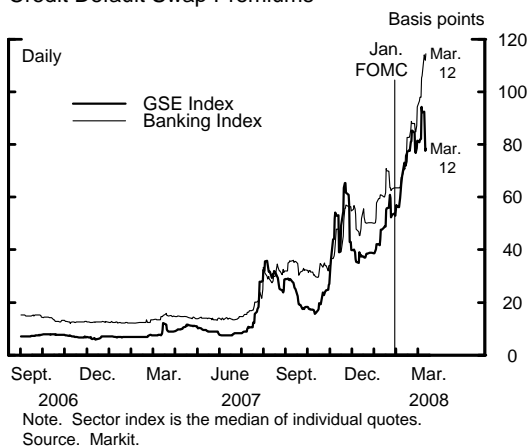
Mortgage Debt



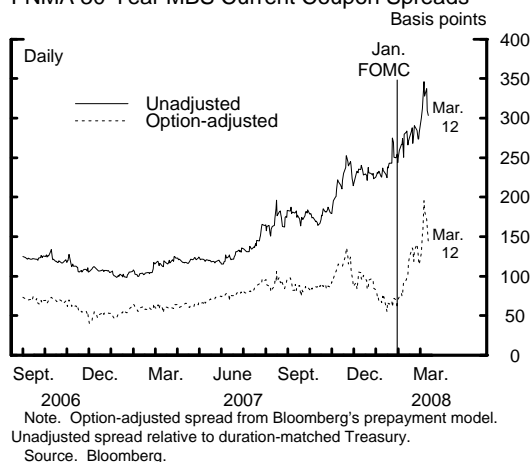
Delinquencies on Mortgages



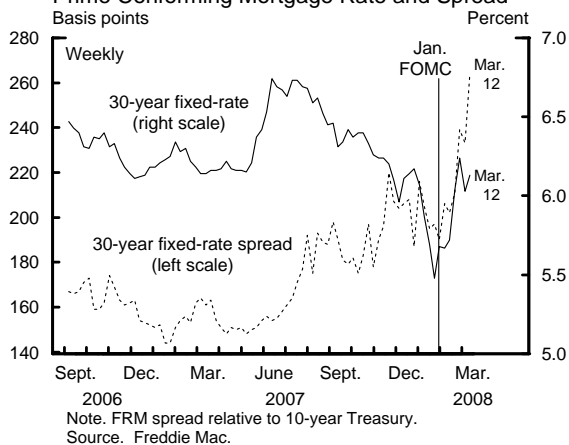
Credit Default Swap Premiums



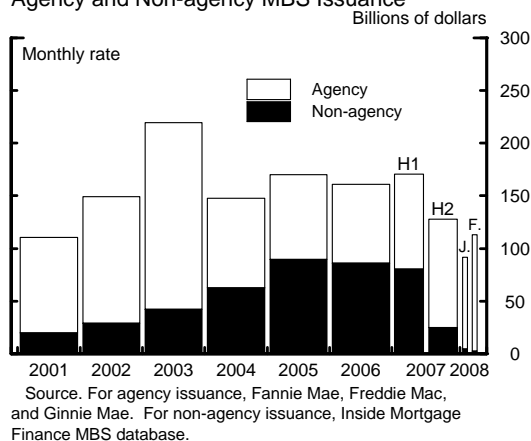
FNMA 30-Year MBS Current Coupon Spreads



Prime Conforming Mortgage Rate and Spread

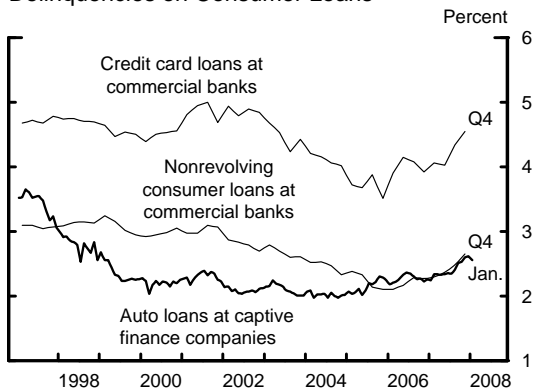


Agency and Non-agency MBS Issuance



Consumer Credit and Household Wealth

Delinquencies on Consumer Loans

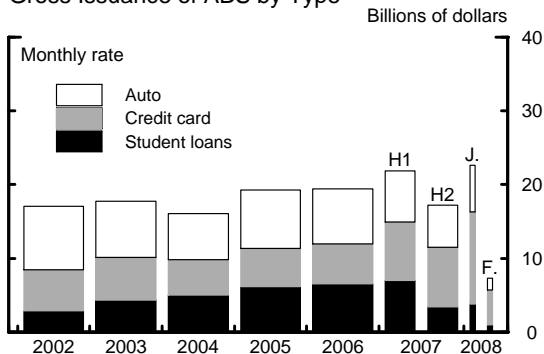


Source. For credit cards and nonrevolving, Call Report; for auto loans, Federal Reserve.

Consumer Credit



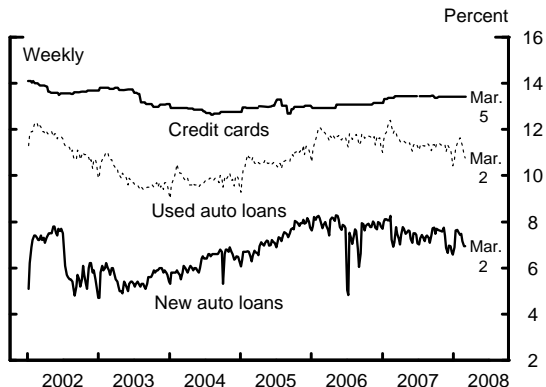
Gross Issuance of ABS by Type



Note. Auto includes car loans, leases, and financing for buyers of motorcycles, trucks, and other vehicles.

Source. Inside Mortgage Finance MBS database, Merrill Lynch.

Interest Rates on Consumer Loans



Source. For credit cards, Bank Rate Monitor; for auto, PIN.

Net Flows into Mutual Funds

(Billions of dollars, monthly rate)

Fund type	2006	2007			2008		Assets Jan.
		H1	Q3	Q4	Jan.	Feb. ^e	
Total long-term funds	18.9	31.9	4.6	7.0	-22.0	27.0	8,433
Equity funds	13.3	14.7	1.2	1.2	-44.8	10.2	6,023
Domestic	0.9	1.3	-8.3	-8.5	-35.7	3.9	4,511
International	12.4	13.4	9.5	9.7	-9.1	6.3	1,512
Hybrid funds	0.6	2.6	1.0	1.2	-1.5	3.5	690
Bond funds	5.0	14.6	2.5	4.6	24.3	13.3	1,720
High-yield	-0.2	0.2	-0.8	-0.6	-2.2	-0.5	152
Other taxable	4.0	11.9	3.1	6.5	24.0	12.1	1,189
Municipals	1.3	2.4	0.2	-1.3	2.5	1.7	380
Money market funds	27.8	26.3	110.9	87.2	178.8	112.3	3,325

Note. Excludes reinvested dividends.

^e Staff estimate based on confidential weekly data.

Source. Investment Company Institute.

State and Local Government Finance

Gross Offerings of Municipal Securities

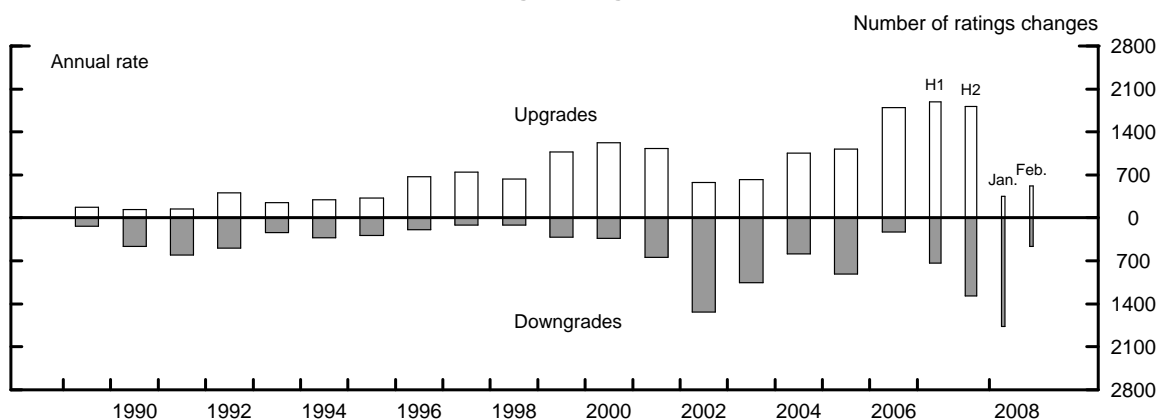
(Billions of dollars; monthly rate, not seasonally adjusted)

Type of security	2004	2005	2006	2007		2008	
				H1	H2	Jan.	Feb.
Total	34.7	38.4	36.1	41.8	38.8	20.7	22.0
Long-term ¹	29.8	34.2	32.5	38.5	32.5	19.1	21.2
Refundings ²	10.8	15.6	10.6	16.4	8.5	3.9	6.3
New capital	19.0	18.6	21.9	22.0	24.0	15.2	14.8
Short-term	4.9	4.2	3.7	3.4	6.3	1.6	.8
Memo: Long-term taxable	2.0	2.1	2.5	2.2	2.6	1.0	.9

1. Includes issues for public and private purposes.

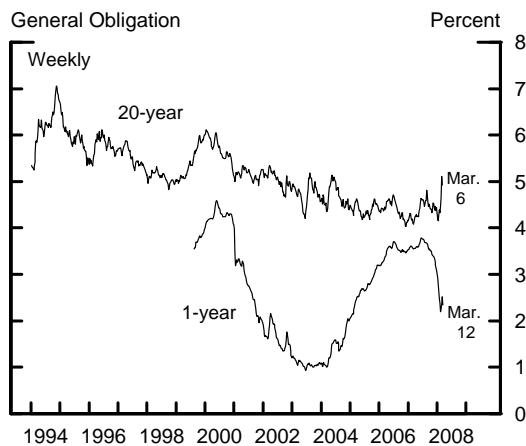
2. All issues that include any refunding bonds.

Ratings Changes



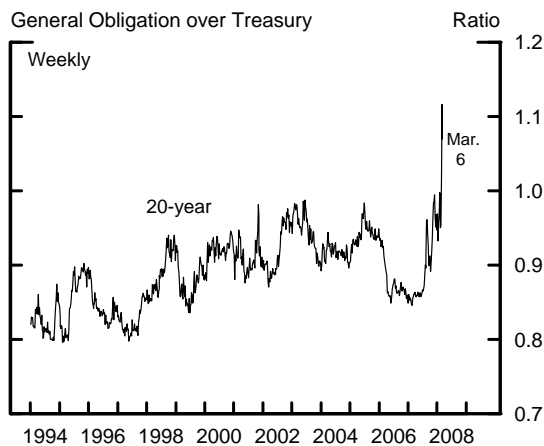
Source: S&P's Credit Week Municipal and Ratings Direct.

Municipal Bond Yields



Source: Municipal Market Advisors and Bond Buyer.

Municipal Bond Yield Ratio



Source: Bond Buyer.

March 14, 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

March 14, 2008

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

Category	2007					2008		
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar. ^P
Composite of current and expected conditions ¹	83.4	83.4	80.9	76.1	75.5	78.4	70.8	70.5
Current conditions ¹	98.4	97.9	97.6	91.5	91.0	94.4	83.8	84.6
Expected conditions ¹	73.7	74.1	70.1	66.2	65.6	68.1	62.4	61.4
Personal financial situation								
Now compared with 12 months ago ²	103	109	111	101	98	98	94	94
Expected in 12 months ²	120	119	119	115	112	116	112	110
Expected business conditions								
Next 12 months ²	87	82	78	73	68	68	54	48
Next 5 years ²	88	96	84	76	81	88	83	87
Appraisal of buying conditions								
Cars	133	139	128	117	117	119	119	115
Large household appliances ²	152	144	142	136	137	146	123	125
Houses	118	123	131	122	128	124	140	130
Expected unemployment change - next 12 months	131	127	130	128	139	141	141	145
Prob. household will lose a job - next 5 years	24	21	21	19	23	21	24	21
Expected inflation - next 12 months								
Mean	4.0	4.0	3.7	4.3	4.4	4.0	3.9	4.6
Median	3.2	3.1	3.1	3.4	3.4	3.4	3.6	4.5
Expected inflation - next 5 to 10 years								
Mean	3.4	3.4	3.1	3.4	3.5	3.4	3.4	3.3
Median	2.9	2.9	2.8	2.9	3.1	3.0	3.0	2.9

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

P Preliminary.

1. Feb. 1966 = 100.

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

