

Part 1

April 23, 2008

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Summary and Outlook

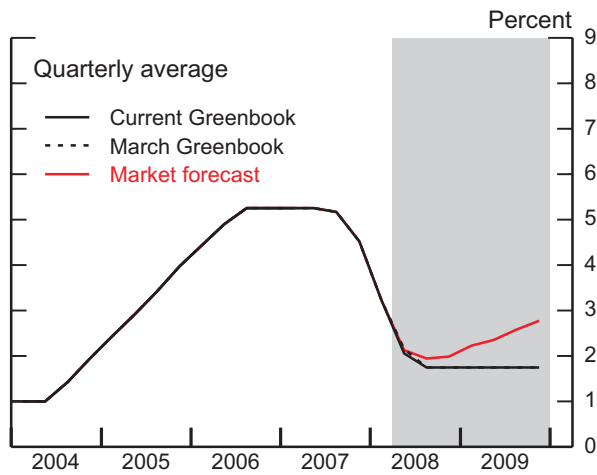
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Summary and Outlook

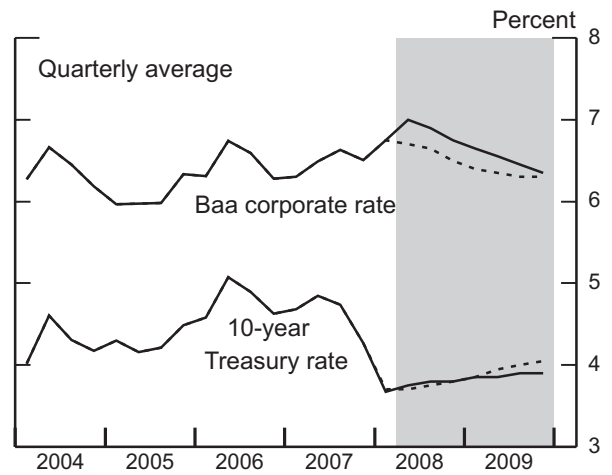
Class II FOMC -- Restricted (FR)

Key Background Factors Underlying the Baseline Staff Projection

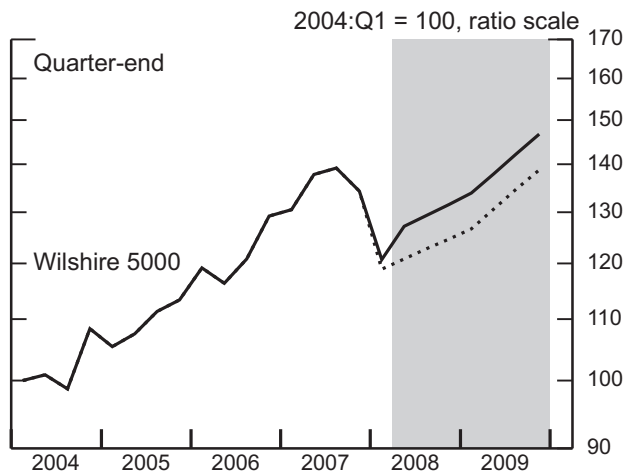
Federal Funds Rate



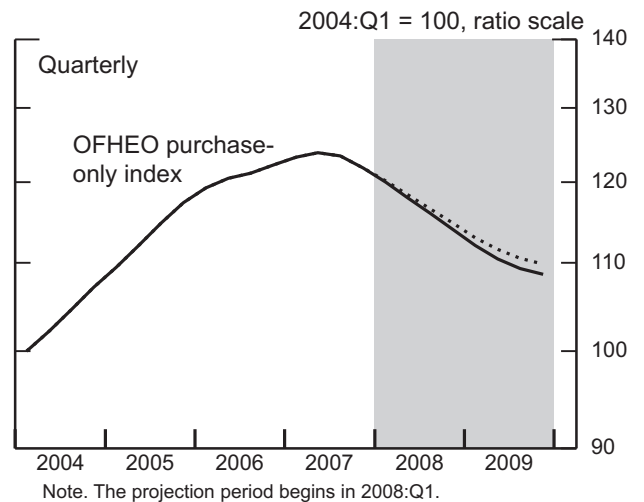
Long-Term Interest Rates



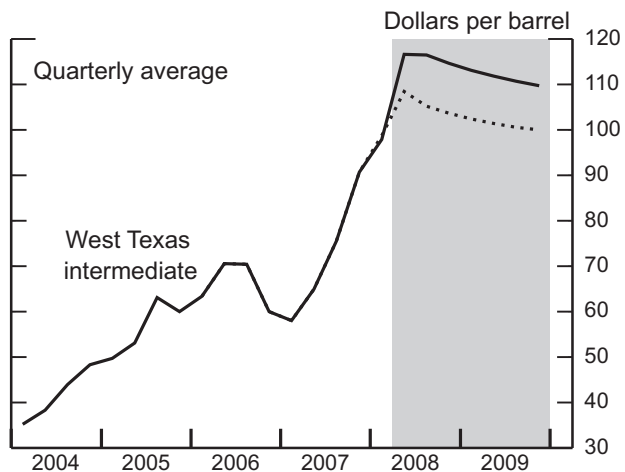
Equity Prices



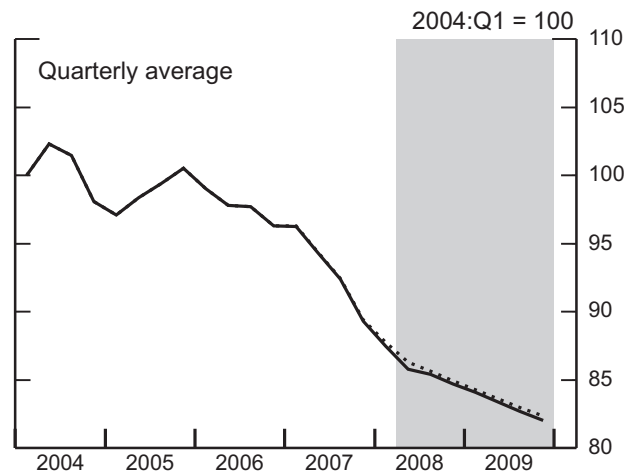
House Prices



Crude Oil Prices



Broad Real Dollar



Note. In each panel, shading represents the projection period, which begins in 2008:Q2 except as noted.

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

Measure	2008:Q1		2008:Q2	
	Mar GB	Apr GB	Mar GB	Apr GB
Real GDP	.1	.4	-1.0	-1.4
Private domestic final purchases	-1.4	-1.0	-2.0	-2.2
Personal consumption expenditures	.2	1.0	.5	.2
Residential investment	-33.1	-30.9	-33.3	-32.0
Business fixed investment	2.0	-1.1	-6.5	-6.7
Government outlays for consumption and investment	3.1	0.7	1.4	2.8
	Contribution to growth (percentage points)			
Inventory investment	.1	.7	-1.7	-2.4
Net exports	.7	.3	2.2	2.3

show similar declines. In addition, the unemployment rate rose to 5.1 percent last month, and claims for unemployment insurance remained at elevated levels through mid-April. Given our forecast for a downturn in business output, we expect additional cuts in private payrolls of roughly 160,000 workers per month, on average, this quarter, and an increase in the unemployment rate to 5.3 percent by June.

Real personal consumption expenditures have been moving essentially sideways since late last year. With mounting job losses and outsized increases in energy prices holding down real income, falling home values cutting into household net worth, and consumer sentiment deteriorating further, we would, all else equal, expect a noticeable decline in PCE in the second quarter. However, the tax rebates are anticipated to boost the change in spending by 1½ percentage points in the second quarter, leading us to project PCE to increase at an annual rate of ¼ percent.

As we had expected, activity in the housing sector continues to contract sharply. Starts of single-family homes fell to an annual rate of 680,000 units in March, and given the low level of new permit issuance, we are looking for starts to fall to a rate of 600,000 units in the second quarter. As a result, we expect residential investment to drop at an annual rate of more than 30 percent in both the first and second quarters. The cutbacks in new construction over the past year have enabled builders to make some progress in reducing the stock of unsold new homes. Nevertheless, with sales down sharply over that period

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

Measure	2008		2009
	H1	H2	
Real GDP	-.5	.9	2.8
Previous	-.4	.7	3.0
Final sales	.3	-.2	2.1
Previous	.4	.2	2.2
PCE	.6	-.7	2.0
Previous	.4	-.4	2.0
Residential investment	-31.5	-22.1	-3.9
Previous	-33.2	-18.8	-3.9
BFI	-3.9	-3.7	1.3
Previous	-2.4	-2.7	2.1
Government purchases	1.8	2.2	1.5
Previous	2.2	2.1	1.6
Exports	6.3	7.3	8.2
Previous	6.3	7.5	8.1
Imports	-3.0	-.3	3.9
Previous	-3.7	-.0	4.2
	Contribution to growth (percentage points)		
Inventory change	-.8	1.2	.7
Previous	-.8	.5	.8
Net exports	1.3	1.0	.4
Previous	1.4	1.0	.3

this year. We then expect starts to begin to show some signs of modest improvement in 2009 as demand conditions improve and inventories become better aligned with sales. Meanwhile, multifamily starts are projected to hold steady at a 300,000 unit pace over the projection period.

Business investment. We anticipate that real business investment on equipment and software will decline at an annual rate of 4 percent over the second half of this year as the weak pace of output growth, reduced credit availability, and continued uncertainty about

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	2.1	1.9	1.8
<i>Contributions</i> ¹							
Capital deepening	.7	1.4	.7	.7	.7	.5	.5
Previous	.7	1.4	.7	.7	.6	.4	.4
Multifactor productivity	.5	.7	1.8	1.1	1.2	1.2	1.2
Previous	.5	.7	1.8	1.2	1.3	1.3	1.3
Labor composition	.3	.3	.3	.2	.2	.2	.1
MEMO							
Potential GDP	3.0	3.4	2.8	2.4	2.4	2.3	2.2
Previous	3.0	3.3	2.7	2.4	2.4	2.3	2.2

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

1. Percentage points.

The Outlook for the Labor Market

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

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

1. Percent, average for the fourth quarter.

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

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

Measure	2007	2008	2009	2010	2011	2012
Real GDP	2.5	0.2	2.8	3.1	3.0	2.8
Civilian unemployment rate ¹	4.8	5.7	5.5	5.2	4.9	4.7
PCE prices, total	3.4	3.3	1.8	1.8	1.7	1.6
Core PCE prices	2.1	2.3	2.0	1.8	1.7	1.7
Federal funds rate ¹	4.5	1.8	1.8	2.0	3.2	4.1

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

- Monetary policy is assumed to aim at stabilizing PCE inflation at 1¾ percent, the midpoint of the range of longer-term inflation forecasts provided by FOMC participants in January.
- Risk premiums on corporate bonds and equity continue falling back to historically more normal levels as current financial market strains abate further. Similarly, the unusually restrictive lending standards and other factors now restraining household and business spending continue to ease after 2009.
- Fiscal policy is an essentially neutral factor. Cyclically adjusted, the deficit of the federal government remains about flat as a percent of GDP, while the fiscal balance of state and local governments improves somewhat.
- Beyond 2009, foreign real GDP expands 3¼ percent per year while the dollar depreciates 1 percent per year in real terms; real oil prices edge down slightly, as is consistent with far-dated futures prices. Under these assumptions, the current account deficit diminishes to about 3 percent of GDP by 2012, and movements in energy and import prices have only minor implications for domestic inflation.
- The non-accelerating inflation rate of unemployment (NAIRU) remains flat at 4¾ percent, and potential GDP expands a little less than 2½ percent per year from 2010 to 2012.

Together, these assumptions imply that real GDP growth will average a bit less than 3 percent per year from 2010 to 2012. These increases are well above those of potential GDP, and as a result, the unemployment rate falls steadily and reaches the NAIRU in 2012. Inflation edges down a bit over this period and is near the target rate from 2010 to 2012. Monetary policy gradually tightens past 2010 as the economy recovers, and by the end of 2012, the nominal federal funds rate reaches 4 percent.

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	2.7	-0.5	0.9	2.8	3.1	2.9
Greater financial stress	2.7	-1.1	-0.6	0.9	3.2	3.5
More-cautious consumers	2.7	-1.3	-0.3	2.6	3.7	3.2
Near-term upside risk	2.7	0.8	2.4	2.3	2.9	2.6
Less financial restraint	2.7	0.8	2.8	3.0	2.5	2.5
Greater inflationary pressures	2.7	-0.5	0.7	2.8	3.2	2.6
Lower inflation	2.7	-0.5	0.9	2.8	3.2	3.0
More room to grow	2.7	-0.4	1.5	3.4	3.6	3.4
<i>Civilian unemployment rate¹</i>						
Greenbook baseline	4.8	5.2	5.7	5.5	5.2	4.7
Greater financial stress	4.8	5.3	6.0	6.5	6.2	5.1
More-cautious consumers	4.8	5.3	6.0	6.0	5.6	4.7
Near-term upside risk	4.8	5.1	5.3	5.1	5.0	4.7
Less financial restraint	4.8	5.1	5.2	4.8	4.7	4.7
Greater inflationary pressures	4.8	5.2	5.7	5.6	5.2	4.8
Lower inflation	4.8	5.2	5.7	5.5	5.2	4.6
More room to grow	4.8	5.2	5.7	5.5	5.2	4.7
<i>Core PCE inflation</i>						
Greenbook baseline	2.3	2.2	2.4	2.0	1.8	1.7
Greater financial stress	2.3	2.2	2.4	2.0	1.7	1.4
More-cautious consumers	2.3	2.2	2.4	1.9	1.6	1.5
Near-term upside risk	2.3	2.2	2.4	2.0	1.9	1.9
Less financial restraint	2.3	2.2	2.3	2.0	2.0	2.0
Greater inflationary pressures	2.3	2.2	2.6	2.5	2.3	2.0
Lower inflation	2.3	2.2	2.2	1.8	1.6	1.5
More room to grow	2.3	2.2	2.3	1.8	1.7	1.5
<i>Federal funds rate¹</i>						
Greenbook baseline	4.5	2.1	1.8	1.8	2.0	4.1
Greater financial stress	4.5	1.9	0.9	0.0	0.3	3.4
More-cautious consumers	4.5	1.8	0.9	0.5	1.3	3.9
Near-term upside risk	4.5	2.5	3.1	2.5	2.3	4.1
Less financial restraint	4.5	2.5	3.2	3.3	2.8	4.3
Greater inflationary pressures	4.5	2.1	1.7	2.1	2.9	4.3
Lower inflation	4.5	2.1	1.8	1.5	1.6	3.9
More room to grow	4.5	2.0	1.7	1.7	1.9	3.8

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

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

Measure	2008	2009	2010	2011	2012
<i>Real GDP</i> (percent change, Q4 to Q4)					
Projection	0.2	2.8	3.1	3.0	2.8
Confidence interval					
Greenbook forecast errors	-1.2-1.6	1.4-4.2	...	...	...
FRB/US stochastic simulations	-.8-1.2	1.5-4.3	1.5-4.7	1.3-4.8	1.1-4.6
<i>Civilian unemployment rate</i> (percent, Q4)					
Projection	5.7	5.5	5.2	4.9	4.7
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	4.5-5.9	4.1-5.7	3.9-5.5
<i>PCE prices, total</i> (percent change, Q4 to Q4)					
Projection	3.3	1.8	1.8	1.7	1.6
Confidence interval					
Greenbook forecast errors	2.5-4.1	.9-2.7	...	...	...
FRB/US stochastic simulations	2.6-4.0	.9-2.7	.8-2.8	.7-2.7	.7-2.7
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)					
Projection	2.3	2.0	1.8	1.7	1.7
Confidence interval					
Greenbook forecast errors	1.8-2.8	1.1-2.8	...	...	...
FRB/US stochastic simulations	2.0-2.6	1.4-2.6	1.1-2.5	1.0-2.5	.9-2.5
<i>Federal funds rate</i> (percent, Q4)					
Projection	1.7	1.7	2.0	3.2	4.1
Confidence interval					
FRB/US stochastic simulations	1.0-2.6	.4-3.3	.6-3.8	1.6-5.0	2.5-6.0

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.

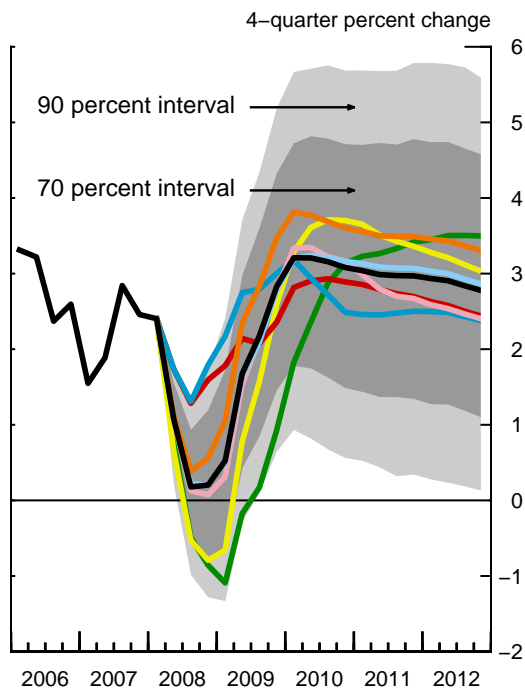
... Not applicable. The Greenbook forecast horizon has typically extended about two years.

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

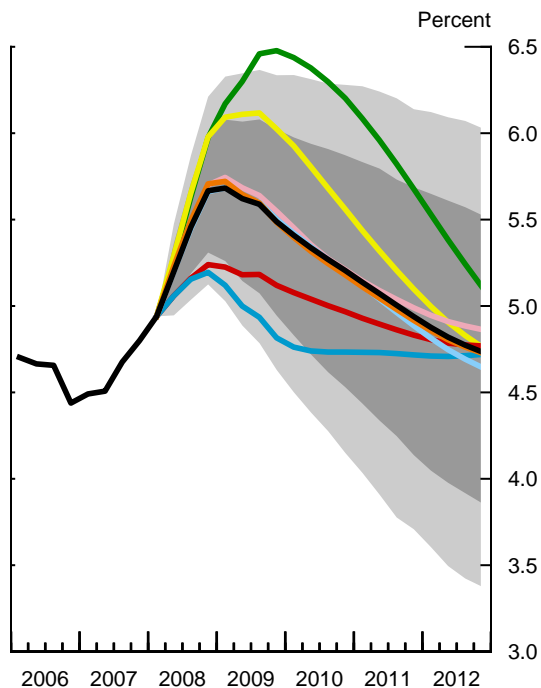
Confidence Intervals based on FRB/US Stochastic Simulations

- | | | |
|----------------------------|----------------------------------|---------------------|
| ■ Greenbook baseline | ■ Near-term upside risk | ■ Lower inflation |
| ■ Greater financial stress | ■ Less financial restraint | ■ More room to grow |
| ■ More-cautious consumers | ■ Greater inflationary pressures | |

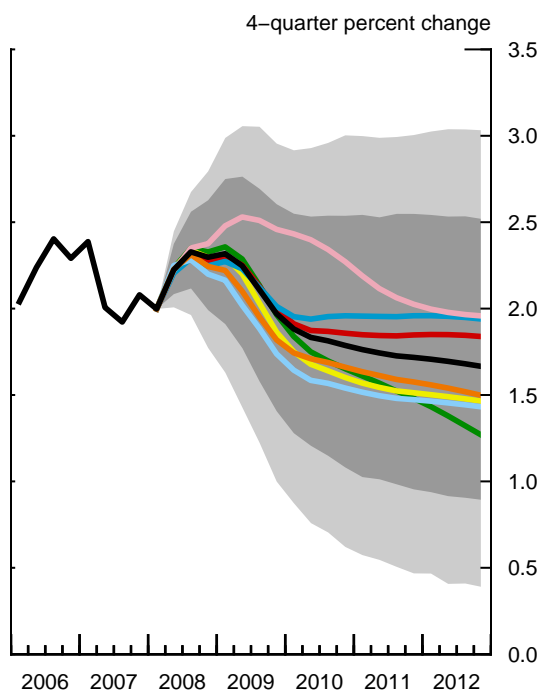
Real GDP



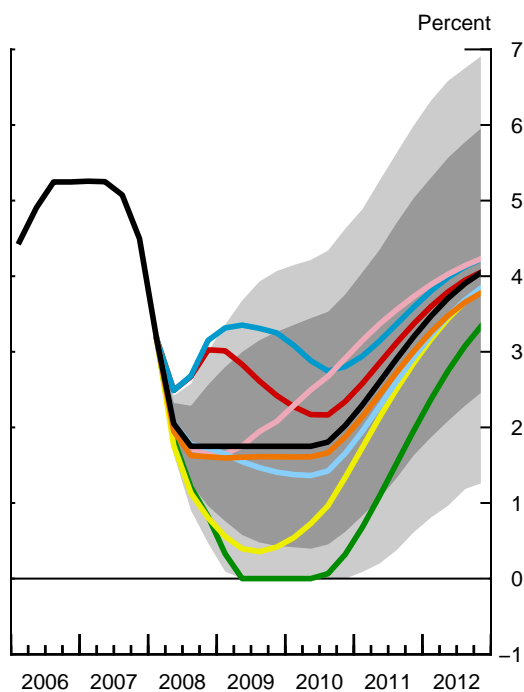
Unemployment Rate



PCE Prices excluding Food and Energy



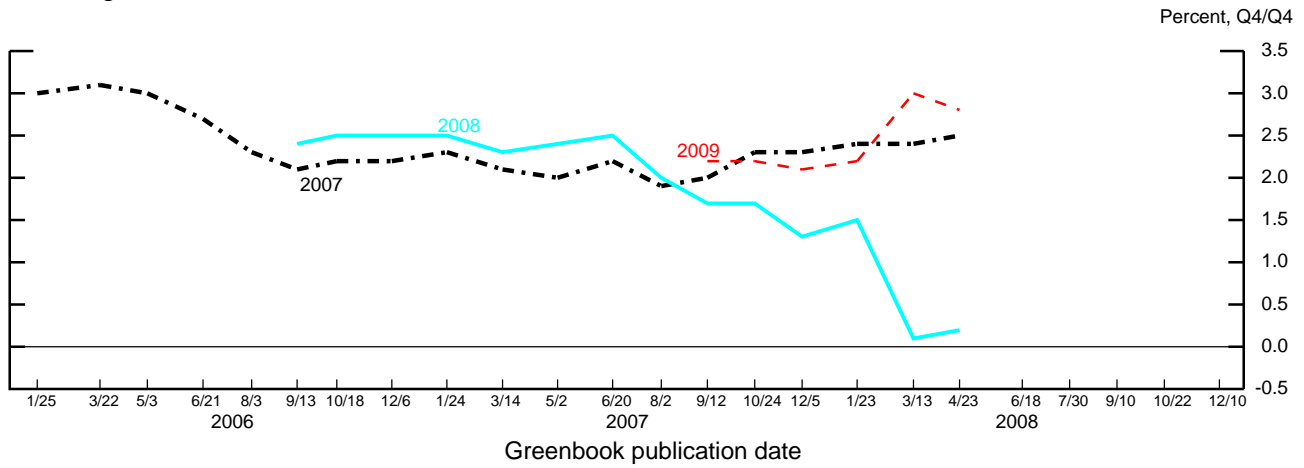
Federal Funds Rate



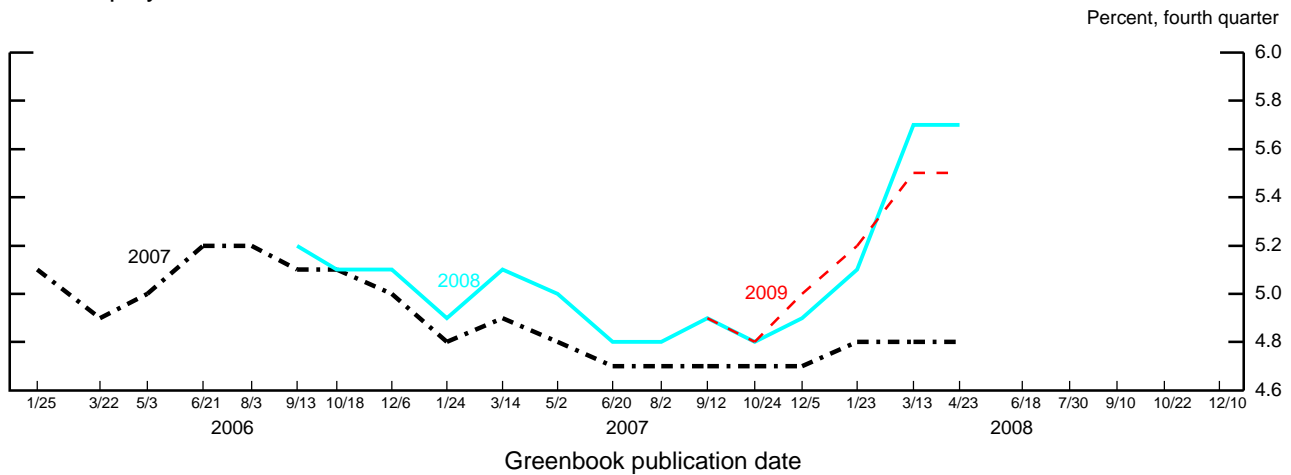
Class II FOMC - Restricted (FR)

Evolution of the Staff Forecast

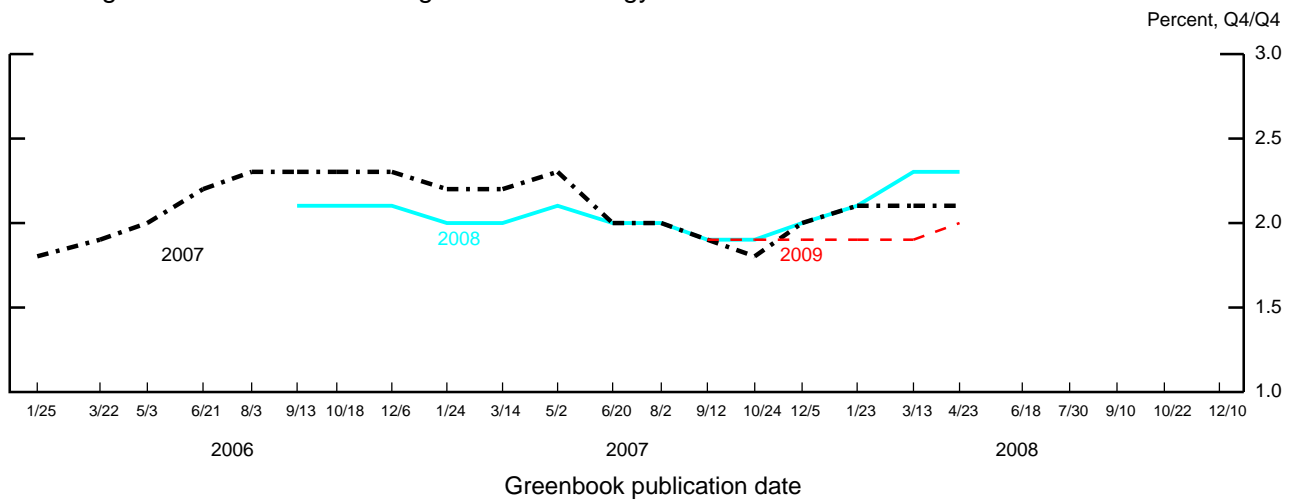
Change in Real GDP



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	
	03/13/08	04/23/08	03/13/08	04/23/08	03/13/08	04/23/08	03/13/08	04/23/08	03/13/08	04/23/08
<i>Quarterly</i>										
2007:Q1	4.9	4.9	.6	.6	3.5	3.5	2.4	2.4	4.5	4.5
Q2	6.6	6.6	3.8	3.8	4.3	4.3	1.4	1.4	4.5	4.5
Q3	6.0	6.0	4.9	4.9	1.8	1.8	2.0	2.0	4.7	4.7
Q4	3.1	3.0	.4	.6	4.1	3.9	2.7	2.5	4.8	4.8
2008:Q1	2.7	3.0	.1	.4	4.1	3.5	2.7	2.1	4.9	4.9
Q2	.6	-6	-1.0	-1.4	4.0	4.3	2.3	2.3	5.2	5.2
Q3	2.8	3.7	.9	1.2	1.7	3.2	2.2	2.4	5.5	5.5
Q4	2.5	2.8	.5	.7	1.8	2.2	2.1	2.4	5.7	5.7
2009:Q1	4.4	4.0	2.3	1.7	1.8	2.0	2.0	2.2	5.7	5.7
Q2	5.3	5.3	3.2	3.1	1.7	1.7	2.0	2.0	5.6	5.6
Q3	5.2	5.2	3.3	3.2	1.7	1.6	1.9	1.9	5.6	5.6
Q4	5.2	5.2	3.3	3.3	1.8	1.7	1.9	1.9	5.5	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
Q4	4.5	4.5	2.6	2.7	2.9	2.9	2.4	2.3	.3	.3
2008:Q2	1.6	1.2	-.4	-.5	4.0	3.9	2.5	2.2	.4	.4
Q4	2.7	3.2	.7	.9	1.8	2.7	2.1	2.4	.5	.5
2009:Q2	4.8	4.6	2.7	2.4	1.7	1.9	2.0	2.1	-.1	-.1
Q4	5.2	5.2	3.3	3.3	1.7	1.7	1.9	1.9	-.1	-.1
<i>Four-quarter³</i>										
2006:Q4	5.4	5.4	2.6	2.6	1.9	1.9	2.3	2.3	-.5	-.5
2007:Q4	5.1	5.1	2.4	2.5	3.4	3.4	2.1	2.1	.4	.4
2008:Q4	2.2	2.2	.1	.2	2.9	3.3	2.3	2.3	.9	.9
2009:Q4	5.0	4.9	3.0	2.8	1.7	1.8	1.9	2.0	-.2	-.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	2.6	2.5	2.1	2.1	4.6	4.6
2008	3.0	3.0	.9	1.0	3.3	3.4	2.4	2.2	5.3	5.3
2009	3.9	3.9	1.9	1.8	1.9	2.2	2.0	2.2	5.6	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	.6	.4	-1.4	1.2	.7	1.7	3.1	3.2	3.3	2.5	.2	2.8
Final sales <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
Priv. dom. final purch. <i>Previous</i>	1.3	3.6	4.0	2.4	-.3	.9	2.1	-2.5	.3	3.3	2.9	2.0	2.8	.0	2.1
	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
	2.2	1.7	2.2	1.1	-1.0	-2.2	.3	-4.1	-2	2.0	2.2	2.8	1.8	-1.8	1.7
	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
Personal cons. expend. <i>Previous</i>	3.7	1.4	2.8	2.3	1.0	.2	2.7	-3.9	.6	2.3	2.2	2.7	2.6	.0	2.0
Durables	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
Nondurables	8.8	1.7	4.5	2.0	-7.0	-3.4	10.1	3.9	-.1	1.3	3.0	3.7	4.2	.7	2.0
Services	3.0	-.5	2.2	1.2	-.9	-.3	-1.0	1.1	.1	.3	1.6	1.5	1.5	-.3	.9
	3.1	2.3	2.8	2.8	3.6	1.2	3.3	-7.6	1.0	3.5	2.4	3.2	2.8	.0	2.5
Residential investment <i>Previous</i>	-16.3	-11.8	-20.5	-25.2	-30.9	-32.0	-26.5	-17.5	-11.5	-3.3	-.8	.7	-18.6	-26.9	-3.9
	-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
Business fixed invest. <i>Previous</i>	2.1	11.0	9.3	6.0	-1.1	-6.7	-6.2	-1.1	-2.8	1.3	2.9	4.1	7.1	-3.8	1.3
Equipment & software <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
	.3	4.7	6.2	3.1	-.2	-8.4	-7.7	-.3	-2.6	3.3	5.6	7.3	3.6	-4.2	3.3
	.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
Nonres. structures <i>Previous</i>	6.4	26.2	16.4	12.4	-2.8	-3.2	-2.9	-2.7	-3.1	-2.7	-2.4	-2.1	15.1	-2.9	-2.6
	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
Net exports ² <i>Previous</i> ²	-612	-574	-533	-503	-492	-428	-388	-371	-366	-330	-306	-318	-556	-420	-330
Exports	-612	-574	-533	-504	-485	-422	-385	-367	-361	-329	-308	-320	-556	-415	-330
Imports	1.1	7.5	19.1	6.5	6.2	6.3	7.1	7.5	8.3	8.2	8.2	8.2	8.4	6.8	8.2
	3.9	-2.7	4.4	-1.4	2.4	-8.2	-2.7	2.1	5.6	-.8	1.6	9.5	1.0	-1.7	3.9
Govt. cons. & invest. <i>Previous</i>	-.5	4.1	3.8	2.0	.7	2.8	2.1	2.3	2.0	1.7	1.3	1.1	2.3	2.0	1.5
Federal	-.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
Defense	-6.3	6.0	7.1	.5	1.9	5.1	4.4	5.0	4.0	3.3	2.8	2.2	1.7	4.1	3.1
Nondefense	-10.8	8.5	10.1	-.5	2.4	7.6	6.5	7.0	5.4	4.4	3.6	2.7	1.5	5.8	4.0
State & local	3.8	-.9	1.1	2.8	.8	.1	-.1	-.9	1.0	1.0	1.0	1.0	2.1	-.5	1.0
	3.0	3.0	1.9	2.8	.1	1.5	.9	.8	.8	.8	.4	.4	2.7	.8	.6
Change in bus. inventories ² <i>Previous</i> ²	0	6	31	-18	-.1	-68	-93	-.3	36	32	40	75	5	-41	46
Nonfarm ²	0	6	31	-10	-11	-59	-82	-29	12	13	24	58	7	-45	26
Farm ²	-6	1	26	-22	-2	-72	-99	-.4	36	32	40	77	0	-44	46
	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	2.5	.2	2.8
Final sales <i>Previous</i>	.2	1.9	3.7	3.1	2.9	2.6	2.4	.1	3.0
Priv. dom. final purch. <i>Previous</i>	1.5	.8	3.7	2.8	2.9	3.0	2.8	.0	2.1
Personal cons. expend. <i>Previous</i>	1.5	.8	3.7	2.8	2.9	3.0	2.7	.3	2.2
Durables	1.0	1.1	4.1	4.3	3.3	2.4	1.8	-1.8	1.7
Nondurables	1.0	1.1	4.1	4.3	3.3	2.4	1.7	-1.6	1.8
Services	2.8	1.9	3.4	3.7	2.8	3.4	2.6	.0	2.0
Residential investment <i>Previous</i>	2.8	1.9	3.4	3.7	2.8	3.4	2.4	.0	2.0
Business fixed invest. <i>Previous</i>	10.8	1.2	8.3	5.6	1.2	6.6	4.2	.7	2.0
Equipment & software <i>Previous</i>	1.9	2.1	3.9	3.5	3.6	3.6	1.5	-3	.9
Nonres. structures <i>Previous</i>	1.6	1.9	2.2	3.3	2.7	2.6	2.8	.0	2.5
Net exports ² <i>Previous</i> ²	1.4	7.0	11.7	6.7	6.4	-12.8	-18.6	-26.9	-3.9
Exports	1.4	7.0	11.7	6.7	6.4	-12.8	-18.8	-26.3	-3.9
Imports	-9.6	-6.5	4.9	7.5	5.1	5.2	7.1	-3.8	1.3
Govt. cons. & invest. <i>Previous</i>	-9.6	-6.5	4.9	7.5	5.1	5.2	6.9	-2.5	2.1
Federal	-9.0	-3.4	6.6	9.4	7.1	2.5	3.6	-4.2	3.3
Defense	-9.0	-3.4	6.6	9.4	7.1	2.5	3.3	-4.5	3.8
Nondefense	-11.1	-14.9	.2	2.3	-3	12.3	15.1	-2.9	-2.6
State & local	-11.1	-14.9	.2	2.3	-3	12.3	15.1	1.4	-1.0
Change in bus. inventories ² <i>Previous</i> ²	-399	-471	-519	-594	-618	-624	-556	-420	-330
Nonfarm ²	-399	-471	-519	-594	-618	-624	-556	-415	-330
Farm ²	-11.9	3.8	5.8	7.4	7.0	9.3	8.4	6.8	8.2
Govt. cons. & invest. <i>Previous</i>	-7.6	9.7	4.8	11.5	5.1	3.7	1.0	-1.7	3.9
Federal	5.0	4.0	1.7	.7	.9	2.5	2.3	2.0	1.5
Defense	5.0	4.0	1.7	.7	.9	2.5	2.3	2.2	1.6
Nondefense	6.4	7.8	5.5	2.4	1.3	3.7	1.7	4.1	3.1
State & local	6.5	8.4	7.5	2.5	1.1	5.9	1.5	5.8	4.0
Change in bus. inventories ² <i>Previous</i> ²	6.3	6.8	1.9	2.3	1.9	-7	2.1	.5	1.0
Nonfarm ²	4.2	2.1	-4	-4	.7	1.8	2.7	.8	.6
Farm ²	-32	12	14	54	33	40	5	-41	46
Nonfarm ²	-32	12	14	54	33	40	7	-45	26
Farm ²	-32	15	14	48	34	42	0	-44	46
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	.6	.4	-1.4	1.2	.7	1.7	3.1	3.2	3.3	2.5	.2	2.8
	.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>	1.3	3.6	4.0	2.4	-3	1.0	2.1	-2.5	.3	3.3	2.9	2.1	2.8	.0	2.1
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
	1.9	1.5	1.9	1.0	-8	-1.9	.3	-3.6	-2	1.7	1.9	2.4	1.6	-1.5	1.4
	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
Personal cons. expend. <i>Previous</i>	2.6	1.0	2.0	1.6	.7	.2	1.9	-2.9	.4	1.7	1.6	1.9	1.8	.0	1.4
Durables	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
Nondurables	.7	.1	.4	.2	-6	-3	.7	.3	.0	.1	.2	.3	.3	.1	.1
Services	.6	-1	.5	.3	-2	-1	-2	.2	.0	.1	.3	.3	.3	-1	.2
	1.3	1.0	1.2	1.2	1.5	.5	1.4	-3.4	.4	1.5	1.0	1.4	1.2	.0	1.1
Residential investment <i>Previous</i>	-9	-6	-1.1	-1.3	-1.5	-1.4	-1.0	-6	-4	-1	.0	.0	-1.0	-1.1	-1
	-9	-6	-1.1	-1.3	-1.6	-1.4	-8	-5	-2	-2	.0	.0	-1.0	-1.1	-1
Business fixed invest. <i>Previous</i>	.2	1.1	1.0	.6	-1	-7	-7	-1	-3	.1	.3	.4	.7	-4	.1
Equipment & software <i>Previous</i>	.2	1.1	1.0	.6	.2	-7	-5	-1	-1	.2	.4	.5	.7	-3	.2
	.0	.3	.4	.2	.0	-6	-6	.0	-2	.2	.4	.5	.3	-3	.2
	.0	.3	.4	.2	.0	-8	-5	.0	-1	.2	.4	.4	.2	-3	.3
Nonres. structures <i>Previous</i>	.2	.8	.5	.4	-1	-1	-1	-1	-1	-1	-1	-1	.5	-1	-1
	.2	.8	.5	.4	.2	.1	.0	.0	-1	.0	.0	.0	.5	.1	.0
Net exports <i>Previous</i>	-5	1.3	1.4	1.0	.3	2.3	1.4	.6	.1	1.2	.8	-5	.8	1.2	.4
Exports	-5	1.3	1.4	1.0	.7	2.2	1.3	.6	.1	1.1	.7	-5	.8	1.2	.3
Imports	.1	.9	2.1	.8	.8	.8	.9	1.0	1.1	1.1	1.1	1.1	1.0	.9	1.1
	-6	.5	-7	.2	-4	1.5	.5	-4	-1.0	.1	-3	-1.7	-2	.3	-7
Govt. cons. & invest. <i>Previous</i>	-1	.8	.7	.4	.1	.6	.4	.5	.4	.4	.3	.2	.4	.4	.3
Federal	-1	.8	.7	.4	.6	.3	.4	.5	.4	.4	.3	.2	.5	.4	.3
Defense	-5	.4	.5	.0	.1	.4	.3	.4	.3	.3	.2	.2	.1	.3	.2
Nondefense	-5	.4	.5	.0	.1	.4	.3	.3	.3	.2	.2	.1	.1	.3	.2
State & local	.1	.0	.0	.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
	.4	.4	.2	.3	.0	.2	.1	.1	.1	.1	.1	.1	.3	.1	.1
Change in bus. inventories <i>Previous</i>	-7	.2	.9	-1.8	.7	-2.4	-9	3.2	1.4	-1	.3	1.2	-3	.2	.7
Nonfarm	-7	.2	.9	-1.5	.1	-1.7	-8	1.9	1.5	.0	.4	1.2	-3	-2	.8
Farm	-7	.3	.9	-1.7	.7	-2.4	-9	3.2	1.4	-1	.3	1.2	-3	.1	.7
	.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)

April 23, 2008

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

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

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

2. Private-industry workers.

Other Macroeconomic Indicators

Item	2007				2008				2009				2007 ¹	2008 ¹	2009 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Employment and production</i>															
Nonfarm payroll employment ²	.4	.3	.3	.3	-1	-.4	-.2	-.1	.2	.2	.5	.4	1.2	-.9	1.3
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	4.9	5.2	5.5	5.7	5.7	5.6	5.6	5.5	4.8	5.7	5.5
GDP gap ⁴	-.3	.0	.6	.1	-.3	-1.2	-1.5	-1.9	-2.0	-1.8	-1.6	-1.3	.1	-1.9	-1.3
<i>Previous⁴</i>	-.4	.0	.6	.1	-.4	-1.3	-1.6	-2.0	-2.0	-1.8	-1.6	-1.3	.1	-2.0	-1.3
Industrial production ⁵	1.5	3.2	3.6	.4	-1	-.8	.2	2.7	2.4	2.3	2.4	3.1	2.2	.5	2.6
<i>Previous⁵</i>	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
Manufacturing industr. prod. ⁵	1.1	4.7	4.0	-.6	-.5	-1.4	-.8	1.9	2.2	2.8	2.7	3.5	2.3	-.2	2.8
<i>Previous⁵</i>	.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
Capacity utilization rate - mfg. ³	78.9	79.5	79.8	79.3	78.8	78.1	77.7	77.8	77.9	78.2	78.4	78.8	79.3	77.8	78.8
<i>Previous³</i>	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
Housing starts ⁶	1.5	1.5	1.3	1.2	1.0	.9	.9	.9	.9	.9	.9	.9	1.4	.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	15.7	15.8	15.9	16.1	15.2	15.7
<i>Income and saving</i>															
Nominal GDP ⁵	4.9	6.6	6.0	3.0	3.0	-.6	3.7	2.8	4.0	5.3	5.2	5.2	5.1	2.2	4.9
Real disposable pers. income ⁵	5.4	-.8	4.0	.1	2.1	9.5	-8.4	-1.5	4.2	2.1	1.5	2.5	2.2	.2	2.6
<i>Previous⁵</i>	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
Personal saving rate ³	1.0	.3	.4	.0	.2	2.4	-.4	.2	1.1	1.1	.9	.9	.0	.2	.9
<i>Previous³</i>	1.0	.3	.4	.0	.1	2.4	.0	.4	1.2	1.2	1.1	1.0	.0	.4	1.0
Corporate profits ⁷	4.4	26.8	-4.9	-12.4	-3.5	-1.5	-.8	.5	-.6	11.0	11.7	10.3	2.5	-1.3	8.0
Profit share of GNP ³	11.4	11.9	11.5	11.0	10.9	10.8	10.7	10.7	10.5	10.7	10.8	11.0	11.0	10.7	11.0
Net federal saving ⁸	-219	-207	-230	-227	-356	-684	-474	-428	-443	-434	-404	-404	-221	-485	-421
Net state & local saving ⁸	-6	13	-13	-42	-33	-67	-61	-65	-65	-58	-49	-40	-12	-56	-53
Gross national saving rate ³	13.8	13.8	13.2	12.4	11.8	11.3	10.8	11.5	11.6	11.8	12.1	12.2	12.4	11.5	12.2
Net national saving rate ³	1.7	1.7	1.2	.1	-.3	-1.2	-1.9	-1.0	-.9	-.6	-.3	-.1	.1	-1.0	-.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.

(Billions of dollars except as noted)

April 23, 2008

Item	Fiscal year				2007				2008				2009			
	2006 ^a	2007 ^a	2008	2009	Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^a	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget	Not seasonally adjusted															
Receipts ¹	2407	2568	2502	2634	547	824	622	606	540	742	614	608	528	832	666	641
Outlays ¹	2655	2730	2877	3042	725	687	664	712	746	707	713	741	789	765	748	802
Surplus/deficit ¹	-248	-162	-375	-408	-178	137	-42	-106	-206	35	-99	-133	-261	68	-82	-161
<i>Previous</i>	-248	-162	-418	-393	-178	137	-42	-106	-219	9	-102	-138	-245	69	-80	-160
On-budget	-434	-343	-566	-589	-212	53	-49	-165	-237	-55	-109	-201	-277	-23	-88	-229
Off-budget	186	181	191	181	34	85	7	59	31	90	10	68	16	91	6	68
Means of financing																
Borrowing	237	206	348	436	152	-110	106	89	200	-50	108	132	250	-43	97	151
Cash decrease	-16	-23	35	-10	25	-19	-50	18	11	6	-0	5	15	-20	-10	15
Other ²	28	-21	-7	-18	1	-8	-14	-2	-5	9	-9	-5	-5	-5	-5	-5
Cash operating balance, end of period	52	75	40	50	6	25	75	57	46	40	40	35	20	40	50	35
NIPA federal sector	Seasonally adjusted annual rates															
Receipts	2437	2635	2567	2728	2620	2670	2689	2706	2649	2327	2585	2656	2704	2741	2809	2848
Expenditures	2685	2845	3002	3155	2838	2877	2920	2934	3005	3011	3059	3083	3147	3175	3213	3252
Consumption expenditures	798	843	903	963	830	850	868	877	897	911	925	939	960	972	982	992
Defense	533	570	616	665	556	574	590	596	610	623	635	647	662	671	679	686
Nondefense	266	273	287	299	274	276	278	281	287	289	290	293	298	301	303	306
Other spending	1887	2001	2100	2191	2008	2027	2052	2057	2108	2099	2134	2144	2187	2204	2231	2261
Current account surplus	-248	-209	-435	-427	-219	-207	-230	-227	-356	-684	-474	-428	-443	-434	-404	-404
Gross investment	117	121	124	135	117	120	123	121	122	126	129	132	134	136	138	140
Gross saving less gross investment ³	-262	-221	-445	-442	-227	-216	-242	-236	-365	-694	-487	-442	-458	-450	-420	-420
Fiscal indicators⁴																
High-employment (HEB) surplus/deficit	-280	-235	-418	-334	-231	-224	-266	-245	-357	-654	-414	-342	-340	-338	-315	-328
Change in HEB, percent of potential GDP	-0.5	-0.4	1.2	-0.7	0.1	-0.1	0.3	-0.2	0.8	2.1	-1.7	-0.5	-0.0	-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	-0.2	0.1	-0.0	-0.0
<i>Previous</i>	0.3	0.2	0.6	-0.0	-0.0	0.1	0.1	0.0	0.1	0.3	0.7	-0.5	-0.1	0.1	-0.0	-0.0

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

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

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

4. HEB is gross saving less gross investment (NIPA) of the federal government in current dollars, with cyclically sensitive receipts and outlays adjusted to the staff's measure of potential output and the NAIRU. Quarterly figures for change in HEB and FI are not at annual rates. The sign on Change in HEB, as a percent of nominal potential GDP, is reversed. FI is the weighted difference of discretionary changes in federal spending and taxes in chained (2000) dollars, scaled by real GDP. The annual FI estimates are on a calendar year basis. Also, for FI and the change in HEB, positive values indicate aggregate demand stimulus.

a--Actual

Class II FOMC Restricted (FR) **Change in Debt of the Domestic Nonfinancial Sectors** **April 23, 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	8.8	10.2	11.1	4.5	9.7	8.2	3.9	5.4
2007	8.1	6.9	6.7	5.7	11.5	9.2	4.9	5.1
2008	4.6	3.1	3.0	2.6	4.7	6.1	7.6	2.3
2009	4.6	2.8	2.5	2.6	4.7	5.9	8.2	5.0
<i>Quarter</i>								
2007:1	8.1	6.8	7.4	4.8	10.0	11.2	6.7	4.9
2	7.2	7.2	7.4	5.6	11.0	10.3	-1.4	6.6
3	9.1	7.0	6.3	8.1	12.8	6.5	8.8	6.0
4	7.3	5.7	5.1	4.0	10.6	7.6	5.1	3.0
2008:1	5.8	3.6	3.5	3.2	6.5	5.9	10.1	3.0
2	3.7	3.1	3.0	2.2	4.1	6.7	3.2	-5
3	4.3	2.9	2.7	2.4	3.8	5.7	8.4	3.8
4	4.3	2.8	2.6	2.5	4.0	5.7	7.9	2.8
2009:1	5.2	2.7	2.5	2.4	4.4	5.8	13.0	4.0
2	3.7	2.7	2.5	2.4	4.6	5.7	3.5	5.3
3	4.4	2.8	2.5	2.7	4.8	5.9	7.0	5.3
4	4.7	2.9	2.6	3.0	4.9	5.8	8.6	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

April 23, 2008

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

Category	2006	2007	2008	2009	2007				2008				2009			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	1713.0	1498.9	1038.2	1220.5	1896.8	1078.7	1352.4	672.3	1038.4	1089.6	1427.2	943.5	1185.7	1325.7		
Net equity issuance	-614.1	-847.8	-394.3	-272.0	-834.8	-1157.6	-457.2	-496.0	-332.0	-292.0	-272.0	-272.0	-272.0	-272.0		
Net debt issuance	2327.1	2346.7	1432.5	1492.5	2731.6	2236.3	1809.6	1168.3	1370.4	1381.6	1699.2	1215.5	1457.7	1597.7		
Borrowing indicators																
Debt (percent of GDP) ¹	210.0	217.1	224.0	225.3	217.1	219.9	221.8	224.7	224.8	225.7	226.1	225.6	225.0	224.7		
Borrowing (percent of GDP)	17.6	17.0	10.0	10.1	19.6	15.9	12.8	8.2	9.6	9.6	11.7	8.3	9.8	10.6		
Households																
Net borrowing ²	1194.2	887.4	434.7	399.5	944.9	770.9	502.1	430.8	403.8	402.0	386.0	391.3	403.8	417.0		
Home mortgages	987.8	658.4	313.8	276.0	640.0	527.1	363.3	320.9	287.8	283.1	269.0	273.7	278.4	283.1		
Consumer credit	104.4	139.0	67.1	69.4	202.1	101.1	82.6	56.9	62.9	65.9	63.4	63.5	71.3	79.3		
Debt/DPI (percent) ³	128.3	131.6	131.5	131.2	132.0	132.8	132.5	129.2	132.0	132.7	131.6	131.3	131.1	130.7		
Business																
Financing gap ⁴	186.6	254.3	178.0	273.4	271.4	305.1	262.2	149.2	100.9	199.6	289.4	266.4	254.7	283.3		
Net equity issuance	-614.1	-847.8	-394.3	-272.0	-834.8	-1157.6	-457.2	-496.0	-332.0	-292.0	-272.0	-272.0	-272.0	-272.0		
Credit market borrowing	798.4	1038.0	473.0	500.8	1215.2	1043.8	659.9	419.3	391.1	422.0	461.7	493.1	512.7	535.7		
State and local governments																
Net borrowing	151.2	184.2	134.6	137.7	136.4	163.8	129.3	149.7	129.7	129.7	133.7	133.7	141.7	141.7		
Current surplus ⁵	243.8	223.7	140.0	151.0	229.2	200.6	161.0	128.0	136.6	134.4	136.5	144.6	156.1	166.6		
Federal government																
Net borrowing	183.4	237.1	390.2	454.5	435.0	257.8	518.4	168.6	445.9	427.9	717.8	197.4	399.6	503.3		
Net borrowing (n.s.a.)	183.4	237.1	390.2	454.5	105.7	89.4	200.2	-50.4	108.5	131.9	250.1	-43.2	96.9	150.8		
Unified deficit (n.s.a.)	209.2	187.9	402.4	436.5	41.8	105.5	205.9	-35.1	99.1	132.6	260.6	-67.7	82.4	161.3		
<i>Depository institutions</i>																
Funds supplied	693.7	852.9	346.4	471.0	1146.2	1061.8	587.5	234.3	314.3	249.4	342.1	434.6	575.3	532.1		

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.

2.6.4 FOF

International Developments

We continue to see evidence that growth abroad is moderating. In the advanced foreign economies, incoming data were mixed, but the tenor generally accords with our view that economic activity in those economies is slowing. In most emerging market economies, real GDP growth also appears to be softening, as exports decelerate in line with economic activity in the United States and other major economies. However, domestic demand remains solid in emerging market economies and is supporting oil and other commodity prices. On balance, the information received since the March Greenbook has not materially altered our outlook for foreign economic activity. Our forecast for foreign inflation is a bit higher this year in response to the recent increase in oil prices.

Summary of Staff Projections

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

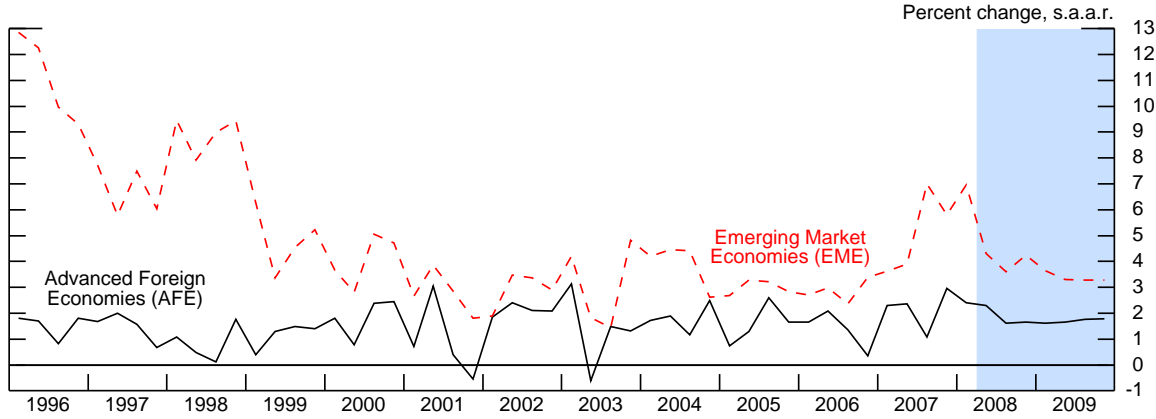
Indicator	2007		Projection			
	H1	H2	2008			2009
			Q1	Q2	H2	
Foreign output	4.6	3.7	2.7	1.9	2.2	3.6
March GB	4.5	3.8	2.5	1.9	2.3	3.6
Foreign CPI	3.0	4.2	4.7	3.3	2.8	2.5
March GB	3.1	4.2	4.6	2.9	2.6	2.5
Contribution to U.S. real GDP growth (percentage points)						
U.S. net exports	0.4	1.2	0.3	2.3	1.0	0.4
March GB	0.4	1.2	0.7	2.2	1.0	0.3

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

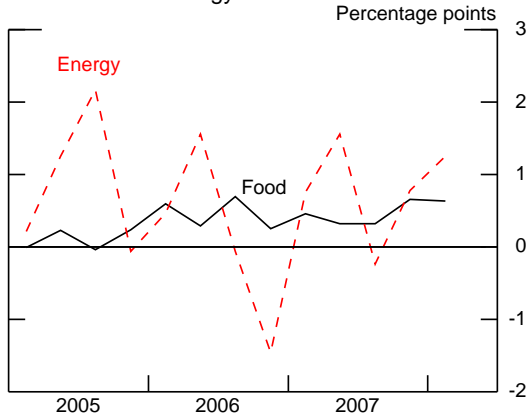
Foreign equity markets and government bond yields have moved higher since our March forecast, and credit default swap premiums have narrowed, suggesting that market participants are somewhat more confident about financial prospects. Nonetheless, conditions remain strained in major money markets abroad, particularly in the United Kingdom and the euro area, where term interbank lending spreads have risen since the March FOMC meeting, notwithstanding steps taken by their central banks to help

Box continued: Commodity Prices and the Outlook for Foreign Inflation

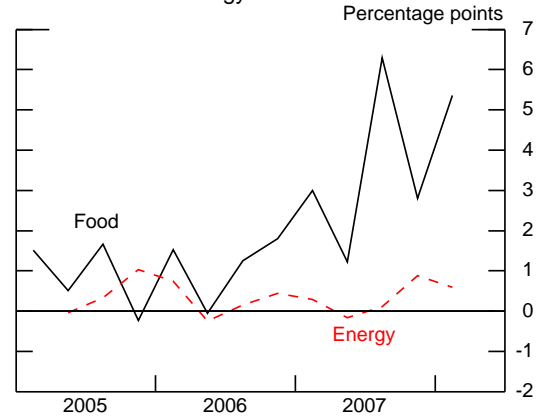
Headline Inflation



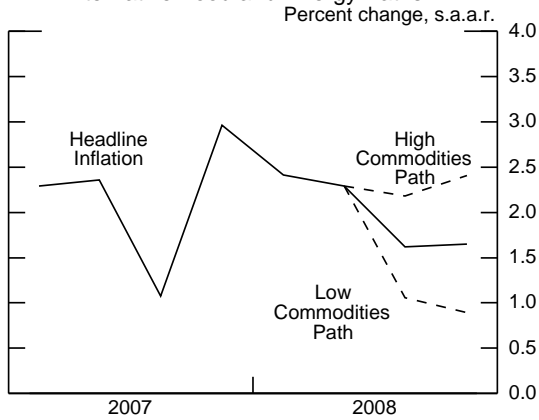
AFE Food and Energy Contributions



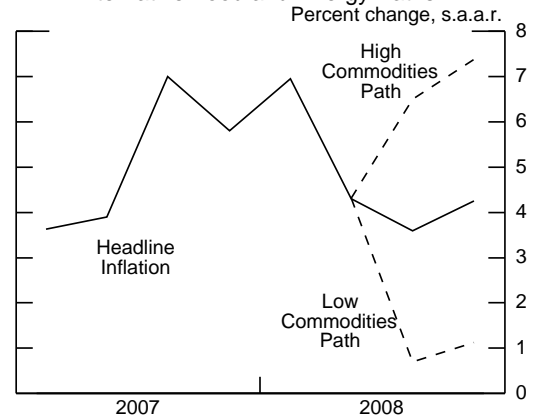
EME Food and Energy Contributions



AFE: Alternative Food and Energy Paths



EME: Alternative Food and Energy Paths



Staff Projections of Selected Trade Prices

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

Indicator	2007		Projection			
	H1	H2	2008			2009
			Q1	Q2	H2	
<i>Imports</i>						
Core goods	3.1	3.5	7.5	6.0	2.5	1.3
March GB	3.1	3.3	5.8	4.8	2.4	1.2
Oil (dollars per barrel)	63.84	80.34	88.02	108.30	109.96	105.31
March GB	63.84	80.34	91.85	103.44	99.21	95.58
<i>Exports</i>						
Core goods	6.7	6.0	11.5	7.5	2.4	1.0
March GB	6.7	6.0	9.5	4.6	1.5	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 estimate that core export prices rose 11½ percent (a.r.) in the first quarter, much faster than in the fourth quarter and the largest increase since 1988. The increase reflects sharply higher agricultural prices, especially for corn, wheat, and soybeans. Prices for nonagricultural industrial supplies also rose sharply, as prices for metals, chemicals, and petroleum products increased. We expect core export price inflation to slow to 7½ percent in the second quarter, reflecting lower rates of inflation for agricultural products. Going forward, the flattening out of commodity prices should push core export price inflation down further. Compared with the March Greenbook, the forecast for core export price inflation in the current quarter has been revised up almost 3 percentage points because of higher prices for intermediate inputs and agricultural products. For the remainder of the forecast period, the forecast is somewhat stronger because of higher projected domestic prices for intermediate inputs.

Trade in Goods and Services

We estimate that real exports of goods and services grew at an annual rate of 6¼ percent in the first quarter, about unchanged from our estimate in the March Greenbook. Exports in February grew in line with our expectations. We expect real export growth to remain at its first-quarter pace in the current quarter, as the increasing effect of past dollar depreciation offsets the impact of weakening foreign GDP growth. Beyond the current quarter, we project real export growth to strengthen further, reaching 8¼ percent next

year, as foreign growth recovers and past and projected dollar depreciation provides a boost. Our projection for export growth is little changed from the March Greenbook.

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

Indicator	2007		Projection			
	H1	H2	2008			2009
			Q1	Q2	H2	
Real exports	4.3	12.6	6.2	6.3	7.3	8.2
March GB	4.3	12.6	6.0	6.6	7.5	8.1
Real imports	0.5	1.4	2.4	-8.2	-0.3	3.9
March GB	0.5	1.5	0.3	-7.5	0.0	4.2

NOTE. Changes for years are measured as q4/q4; for half-years, Q2/Q4 or Q4/Q2.

Real imports of goods and services are estimated to have risen 2½ percent at an annual rate in the first quarter, though the increase is wholly attributable to higher oil imports. After sharp declines in December and January, nominal imports of non-oil goods jumped up in February, with most major categories registering large gains. February's increase was stronger than expected, leading us to revise up our projection for real import growth in the first quarter. In the second quarter, we expect imports to decline at an annual rate of 8¼ percent, as oil imports drop, in part reflecting residual seasonality, and non-oil imports plunge further, reflecting weak U.S. GDP and higher import prices.

The projected recovery in the United States and the slower pace of import price inflation should lift import growth into positive territory by the end of the year and to an annual rate of about 4 percent in 2009. Real import growth in the remainder of this year is slightly weaker than in the March Greenbook, owing to faster projected import price inflation, but it is basically unchanged next year.

Alternative Simulations

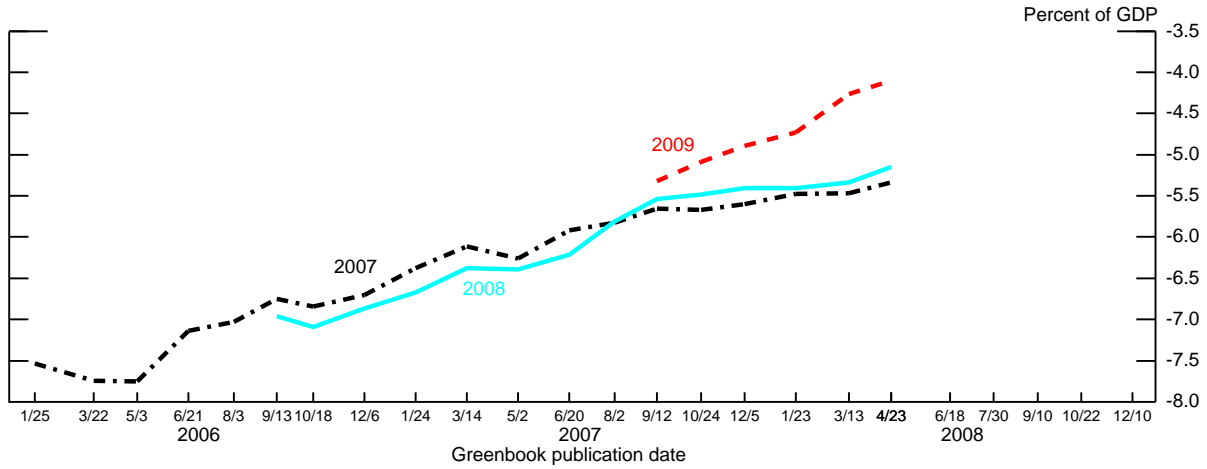
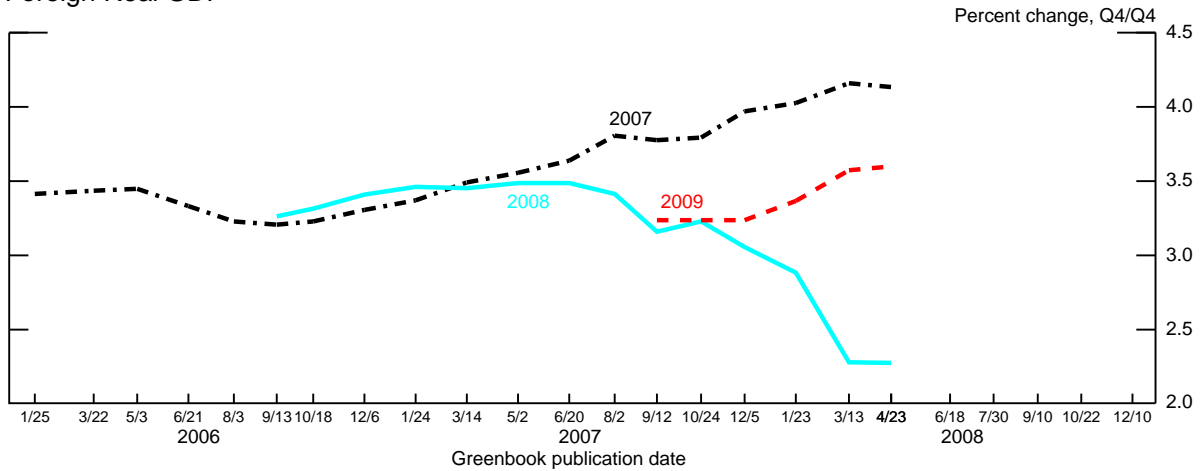
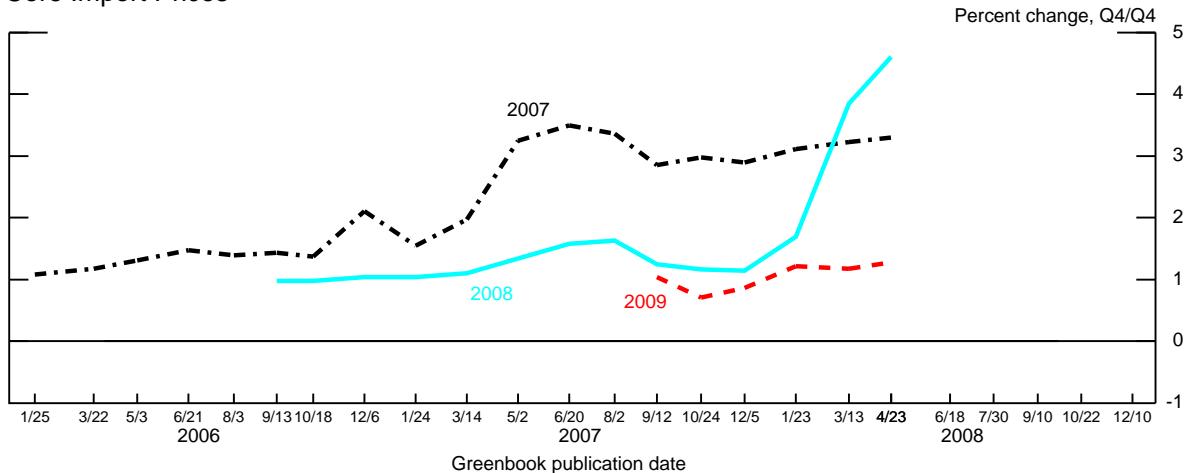
Concerns about the sustainability of the U.S. trade deficit or stresses in the financial sector could trigger a shift away from dollar-denominated assets, precipitating a much larger decline in the dollar than in our baseline forecast. To investigate this possibility, we use the SIGMA model to examine the effects of a risk-premium shock that would generate a cumulative decline in the dollar of 10 percent in the absence of endogenous adjustments of domestic and foreign interest rates. The shock begins in 2008:Q2 and is

Alternative Scenarios:
Dollar Depreciation under Low and High Pass-through
(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	-0.5	0.9	2.4	3.3	3.1	2.9
Low pass-through (benchmark)	-0.4	1.2	2.6	3.5	2.9	2.5
High pass-through	-0.4	1.3	2.7	3.5	2.8	2.5
<i>U.S. PCE prices excluding food and energy</i>						
Baseline	2.2	2.4	2.1	1.9	1.8	1.7
Low pass-through (benchmark)	2.2	2.5	2.2	2.1	1.9	1.5
High pass-through	2.2	2.6	2.4	2.3	2.2	1.6
<i>U.S. federal funds rate (percent)</i>						
Baseline	2.1	1.8	1.8	1.8	2.0	4.1
Low pass-through (benchmark)	2.1	1.9	2.0	2.2	2.6	4.4
High pass-through	2.1	1.9	2.1	2.4	2.8	4.4
<i>U.S. trade balance (percent share of GDP)</i>						
Baseline	-5.3	-4.9	-4.5	-4.0	-3.4	-3.1
Low pass-through (benchmark)	-5.1	-4.4	-3.6	-2.8	-2.0	-1.5
High pass-through	-5.1	-4.4	-3.6	-2.8	-1.9	-1.4

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

Class II FOMC -- Restricted (FR)

Evolution of the Staff Forecast**Current Account Balance****Foreign Real GDP****Core Import Prices***

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

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	4.4	4.7	4.5	3.0	2.7	1.9	2.1	2.4	3.4	3.6	3.7	3.8
Advanced Foreign Economies	3.6	2.4	2.8	1.6	1.1	0.4	0.7	1.0	2.2	2.3	2.4	2.6
of which:												
Canada	4.0	3.8	3.0	0.8	0.8	-0.5	0.0	0.3	2.4	2.5	2.6	2.7
Japan	3.8	-1.5	1.2	3.5	1.0	0.7	0.7	1.3	1.6	1.5	1.6	1.8
United Kingdom	2.8	3.4	2.6	2.5	1.6	1.4	1.5	1.8	2.1	2.3	2.5	2.6
Euro Area (2)	3.0	1.3	2.9	1.4	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	5.6	7.7	6.7	4.9	4.8	3.9	3.9	4.3	5.0	5.2	5.3	5.4
Asia	8.4	9.9	7.5	5.3	6.7	5.1	5.3	5.5	6.3	6.5	6.5	6.6
Korea	4.0	7.1	6.0	6.4	4.4	3.6	3.6	3.6	4.2	4.6	4.6	4.7
China	13.4	14.0	8.1	9.6	10.8	8.5	8.8	8.5	9.8	9.8	9.8	9.8
Latin America	2.7	5.6	5.9	4.0	3.0	2.4	2.2	3.0	3.7	3.9	4.1	4.2
Mexico	1.7	5.4	5.3	3.0	2.4	1.7	1.4	2.4	3.3	3.6	3.8	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	4.1	4.1	3.7	3.4	2.9	2.7	2.7	2.5
Advanced Foreign Economies	1.5	1.6	1.5	2.2	2.2	2.2	2.3	2.0	1.8	1.6	1.7	1.7
of which:												
Canada	1.9	2.1	2.1	2.4	1.8	1.4	1.7	1.6	1.7	1.7	1.9	2.0
Japan	-0.1	-0.1	-0.1	0.5	0.9	0.9	0.8	0.6	0.5	0.4	0.5	0.4
United Kingdom (4)	2.9	2.6	1.8	2.1	2.4	2.6	3.0	2.8	2.4	2.2	2.2	2.1
Euro Area (2)	1.9	1.9	1.9	2.9	3.4	3.7	3.7	3.0	2.6	2.1	2.0	2.0
Germany	1.9	2.0	2.2	3.1	3.1	3.0	2.9	2.3	2.0	1.9	1.9	2.0
Emerging Market Economies	3.1	3.3	4.5	5.1	5.9	6.0	5.2	4.8	3.9	3.7	3.6	3.4
Asia	2.7	3.1	4.6	5.4	6.5	6.3	5.2	4.8	3.8	3.6	3.6	3.2
Korea	2.0	2.5	2.3	3.4	3.8	3.6	3.8	3.3	3.2	3.1	3.0	2.9
China	2.7	3.6	6.1	6.6	8.0	7.5	5.6	5.3	3.9	3.8	3.8	3.2
Latin America	4.2	4.1	4.3	4.3	4.5	5.1	4.8	4.6	4.3	3.9	3.8	3.7
Mexico	4.1	4.0	4.0	3.8	3.9	4.5	4.3	4.2	3.9	3.5	3.4	3.3
Brazil	3.1	3.4	4.2	4.3	4.6	4.9	5.0	4.9	4.4	4.3	4.3	4.3

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

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

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

Total Foreign	0.4	3.0	3.0	3.8	3.8	4.0	4.1	2.3	3.6
Advanced Foreign Economies	0.9	2.4	1.8	2.5	2.7	2.5	2.6	0.8	2.4
Of which:									
Canada	1.3	3.5	1.5	3.5	3.2	1.9	2.9	0.2	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	3.2	2.8	1.6	2.4
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	-0.3	3.9	4.8	5.6	5.4	5.9	6.2	4.2	5.2
Asia	1.0	6.4	6.9	6.0	7.6	7.0	7.8	5.6	6.5
Korea	4.7	7.7	4.1	2.9	5.6	4.2	5.9	3.8	4.5
China	7.1	8.5	10.1	9.7	10.0	10.5	11.2	9.2	9.8
Latin America	-1.3	1.6	2.4	5.3	3.1	5.0	4.6	2.6	4.0
Mexico	-1.3	2.0	2.1	4.8	2.5	4.3	3.8	2.0	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	2.3	2.1	3.6	3.4	2.5
Advanced Foreign Economies	0.9	2.1	1.3	1.8	1.6	1.4	2.2	2.0	1.7
Of which:									
Canada	1.1	3.8	1.7	2.3	2.3	1.3	2.4	1.6	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	2.8	2.1
Euro Area (2)	2.1	2.3	2.0	2.3	2.3	1.8	2.9	3.0	2.0
Germany	1.5	1.2	1.1	2.1	2.2	1.3	3.1	2.3	2.0
Emerging Market Economies	2.8	2.9	3.1	3.9	3.0	2.9	5.1	4.8	3.4
Asia	1.2	0.8	2.3	3.1	2.6	2.3	5.4	4.8	3.2
Korea	3.3	3.4	3.5	3.4	2.5	2.1	3.4	3.3	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	4.6	3.7
Mexico	5.1	5.2	3.9	5.3	3.1	4.1	3.8	4.2	3.3
Brazil	7.5	10.7	11.5	7.2	6.1	3.2	4.3	4.9	4.3

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

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2001	2002	2003	2004	2005	2006	2007	2008	Projected 2009
NIPA REAL EXPORTS and IMPORTS									
Percentage point contribution to GDP growth, Q4/Q4									
Net Goods & Services	-0.2	-0.9	-0.1	-0.9	-0.1	0.4	0.8	1.2	0.4
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	6.8	8.2
Services	-8.9	10.2	3.0	8.3	4.1	8.3	7.0	7.0	6.8
Computers	-23.5	-1.1	11.3	5.8	14.0	8.2	-5.9	13.2	9.5
Semiconductors	-34.6	10.1	38.3	-6.0	17.5	2.4	27.6	5.5	11.0
Core Goods 1/	-10.2	0.6	4.9	8.0	7.5	10.2	8.8	6.6	8.7
Imports of G&S	-7.6	9.7	4.8	11.5	5.1	3.7	1.0	-1.7	3.9
Services	-5.9	8.8	2.2	9.3	1.4	6.1	2.0	-1.1	4.0
Oil	3.7	3.8	1.2	10.8	1.2	-9.0	1.3	-2.4	0.9
Natural Gas	-6.5	19.5	1.3	4.9	11.3	-13.4	-18.0	36.7	1.7
Computers	-13.6	13.2	17.0	23.2	12.2	13.6	6.8	14.8	15.5
Semiconductors	-51.1	11.0	-0.1	9.8	7.6	-0.5	4.1	4.2	5.0
Core Goods 2/	-6.5	10.0	5.2	11.4	6.0	5.9	0.3	-3.2	4.1
Billions of Chained 2000 Dollars									
Net Goods & Services	-399.1	-471.3	-518.9	-593.8	-618.0	-624.5	-555.6	-419.8	-330.0
Exports of G&S	1036.7	1013.3	1026.1	1126.1	1203.4	1304.1	1409.9	1523.8	1643.4
Imports of G&S	1435.8	1484.6	1545.0	1719.9	1821.5	1928.6	1965.4	1943.6	1973.4
Billions of dollars									
US CURRENT ACCOUNT BALANCE	-384.7	-459.6	-522.1	-640.2	-754.8	-811.5	-738.6	-734.4	-607.5
Current Acct as Percent of GDP	-3.8	-4.4	-4.8	-5.5	-6.1	-6.2	-5.3	-5.2	-4.1
Net Goods & Services (BOP)	-365.1	-423.7	-496.9	-612.1	-714.4	-758.5	-708.5	-726.4	-628.1
Investment Income, Net	36.9	33.2	51.1	62.5	54.5	43.2	81.1	107.9	130.7
Direct, Net	115.9	102.4	112.7	139.4	152.5	174.2	223.6	305.9	329.6
Portfolio, Net	-79.0	-69.1	-61.5	-76.9	-98.1	-131.0	-142.5	-198.0	-198.9
Other Income & Transfers, Net	-56.5	-69.2	-76.3	-90.6	-94.9	-96.1	-111.2	-116.0	-110.0

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	0.3	2.3	1.4	0.6	0.1	1.2	0.8	-0.5
Exports of G&S	0.1	0.8	2.1	0.8	0.8	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	-0.4	1.5	0.5	-0.4	-1.0	0.1	-0.3	-1.7
Percentage change from previous period, s.a.a.r.												
Exports of G&S	1.1	7.5	19.1	6.5	6.2	6.3	7.1	7.5	8.3	8.2	8.2	8.2
Services	1.6	9.6	4.0	13.2	7.8	7.1	6.6	6.6	7.1	6.9	6.7	6.5
Computers	-8.2	-17.8	19.9	-13.3	34.2	1.9	9.5	9.5	9.5	9.5	9.5	9.5
Semiconductors	25.4	23.2	6.3	61.4	2.0	-1.3	11.0	11.0	11.0	11.0	11.0	11.0
Core Goods 1/	0.3	7.1	27.4	2.5	4.8	6.5	7.1	7.8	8.7	8.7	8.7	8.8
Imports of G&S	3.9	-2.7	4.4	-1.4	2.4	-8.2	-2.7	2.1	5.6	-0.8	1.6	9.5
Services	2.3	-1.7	1.7	5.5	0.7	-5.2	4.4	-4.3	2.0	4.6	4.8	4.8
Oil	29.6	-22.3	-18.2	28.1	21.9	-27.0	-15.2	20.4	20.8	-22.7	-16.5	32.7
Natural Gas	8.3	258.5	-16.7	-86.0	193.7	50.9	51.3	-47.9	7.9	55.4	22.6	-48.0
Computers	41.1	-13.1	-3.8	10.3	19.2	9.1	15.5	15.5	15.5	15.5	15.5	15.5
Semiconductors	4.0	3.3	3.4	5.5	-0.3	7.1	5.0	5.0	5.0	5.0	5.0	5.0
Core Goods 2/	-2.3	-0.5	11.8	-6.7	-4.9	-4.5	-2.6	-0.6	1.0	3.9	5.6	6.1
Billions of Chained 2000 Dollars, s.a.a.r.												
Net Goods & Services	-612.1	-573.9	-533.1	-503.2	-492.4	-427.7	-388.4	-370.6	-365.7	-330.3	-305.9	-318.2
Exports of G&S	1354.7	1379.5	1441.2	1464.1	1486.4	1509.5	1535.6	1563.7	1595.3	1627.0	1659.2	1692.1
Imports of G&S	1966.8	1953.4	1974.3	1967.3	1978.8	1937.2	1924.1	1934.3	1961.0	1957.3	1965.1	2010.3
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-792.8	-760.2	-709.8	-691.7	-742.0	-764.0	-728.4	-703.2	-678.2	-609.0	-563.4	-579.3
Current Account as % of GDP	-5.9	-5.5	-5.1	-4.9	-5.2	-5.4	-5.1	-4.9	-4.7	-4.1	-3.8	-3.8
Net Goods & Services (BOP)	-714.5	-717.9	-690.3	-711.4	-731.7	-758.4	-719.3	-696.1	-688.0	-628.5	-590.3	-605.7
Investment Income, Net	36.1	57.1	92.1	139.0	105.6	110.4	106.9	108.9	118.0	127.7	135.1	141.7
Direct, Net	190.9	201.2	224.3	278.0	276.8	308.7	317.9	320.2	324.6	328.3	331.1	334.5
Portfolio, Net	-154.8	-144.2	-132.2	-139.0	-171.2	-198.3	-211.1	-211.3	-206.5	-200.5	-195.9	-192.8
Other Inc. & Transfers, Net	-114.4	-99.4	-111.6	-119.3	-116.0	-116.0	-116.0	-116.0	-108.3	-108.3	-108.3	-115.3

1. Merchandise exports excluding computers and semiconductors.

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

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

Measure	2006	2007	2008	2009
PCE chain-weighted price index	1.9	3.4	3.3	1.8
Previous	1.9	3.4	2.9	1.7
Food and beverages	2.3	4.5	3.0	2.2
Previous	2.3	4.5	2.8	2.0
Energy	-4.0	19.6	16.2	-1.4
Previous	-4.0	19.6	10.4	-1.5
Excluding food and energy	2.3	2.1	2.3	2.0
Previous	2.3	2.1	2.3	1.9
Consumer price index	1.9	4.0	3.8	1.8
Previous	1.9	4.0	3.3	1.8
Excluding food and energy	2.7	2.3	2.5	2.2
Previous	2.7	2.3	2.5	2.1
GDP chain-weighted price index	2.7	2.6	2.0	2.0
Previous	2.7	2.6	2.0	2.0
ECI for compensation of private industry workers ¹	3.2	3.0	3.4	3.3
Previous	3.2	3.0	3.4	3.3
Compensation per hour, nonfarm business sector	5.0	3.9	4.0	3.8
Previous	5.0	3.9	4.0	3.8
Prices of core nonfuel imports	2.4	3.3	4.6	1.3
Previous	2.4	3.2	3.8	1.2

1. December to December.

Part 2

April 23, 2008

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

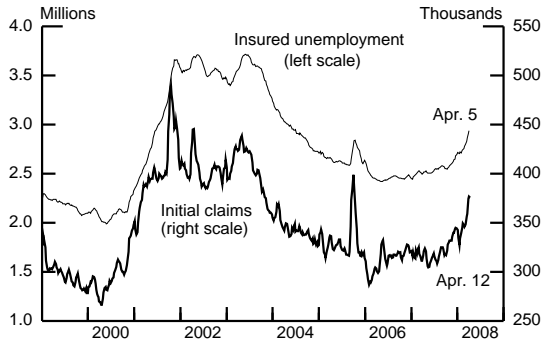
Recent Developments

April 23, 2008

Recent Developments

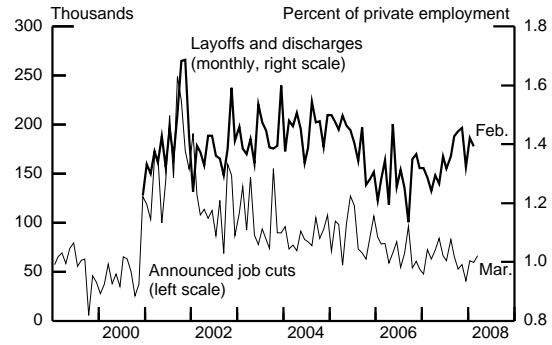
Labor Market Indicators

Unemployment Insurance



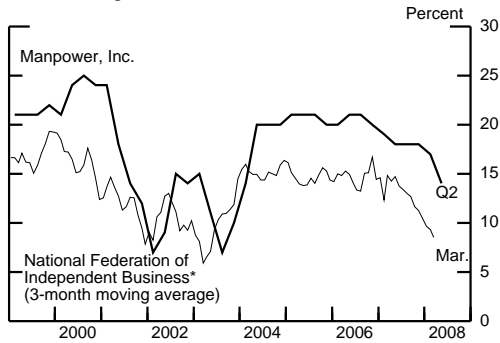
Note. 4-week moving averages.

Layoffs and Job Cuts



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

Net Hiring Plans



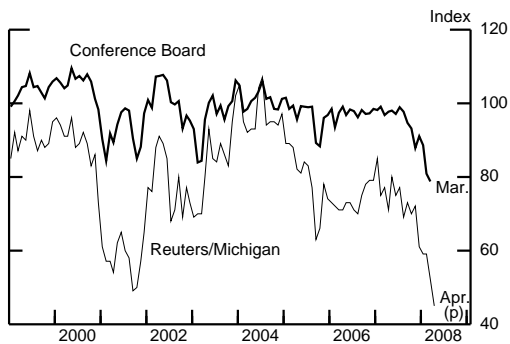
Note. Percent planning an increase in employment minus percent planning a reduction. *Seasonally adjusted by FRB staff.

Job Openings and Hires



Source. Job Openings and Labor Turnover Survey.

Expected Labor Market Conditions



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

Job Availability and Hard-to-Fill Positions



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

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

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

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

Item	2007		2008					
	Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.	May
U.S. production ¹	10.7	10.3	9.7	10.0	9.9	9.2	9.5	10.3
Autos	3.9	4.0	4.0	4.0	3.9	4.2	3.8	4.2
Light trucks	6.8	6.3	5.7	6.0	6.0	5.0	5.7	6.1
Days' supply ²	69	64	65	n.a.	68	67	n.a.	n.a.
Autos	59	51	51	n.a.	54	52	n.a.	n.a.
Light trucks	75	76	76	n.a.	79	80	n.a.	n.a.
Inventories ³	2.75	2.59	2.45	n.a.	2.59	2.45	n.a.	n.a.
Autos	.99	.90	.84	n.a.	.88	.84	n.a.	n.a.
Light trucks	1.76	1.69	1.61	n.a.	1.70	1.61	n.a.	n.a.
Memo: U.S. production, total motor vehicles ⁴	10.9	10.5	9.9	10.3	10.1	9.4	9.7	10.5

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

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

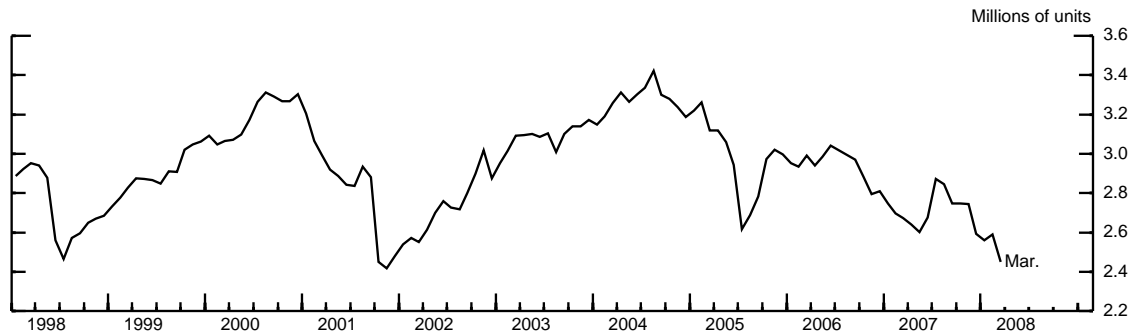
2. Quarterly values are calculated with end-of-period stocks and average reported sales.

3. End-of-period stocks.

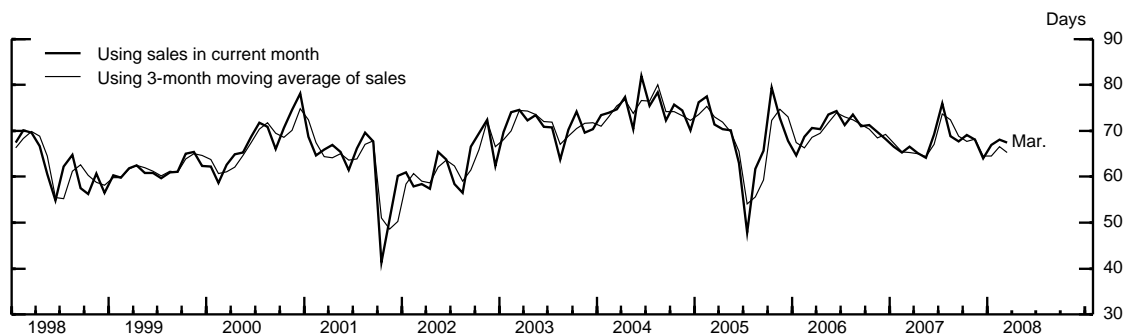
4. Includes medium and heavy trucks.

n.a. Not available.

Inventories of Light Vehicles

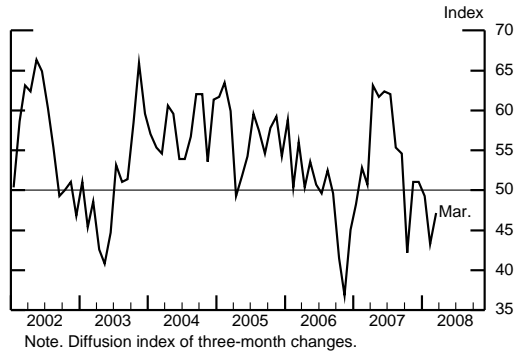


Days' Supply of Light Vehicles

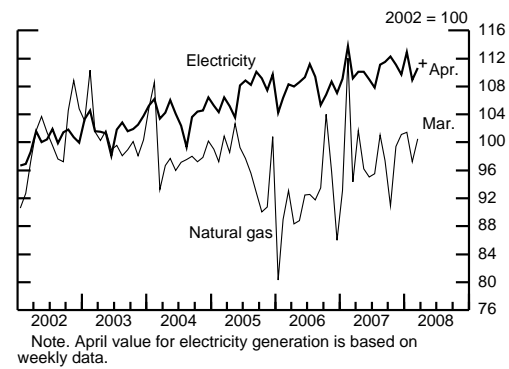


Indicators of Industrial Activity

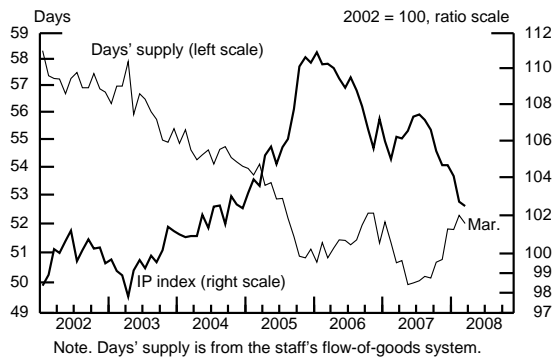
Manufacturing IP Diffusion Index



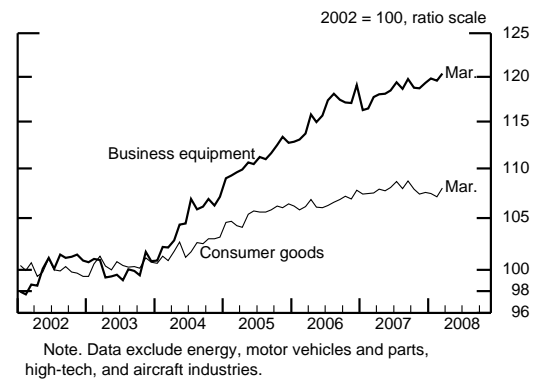
Utilities Output



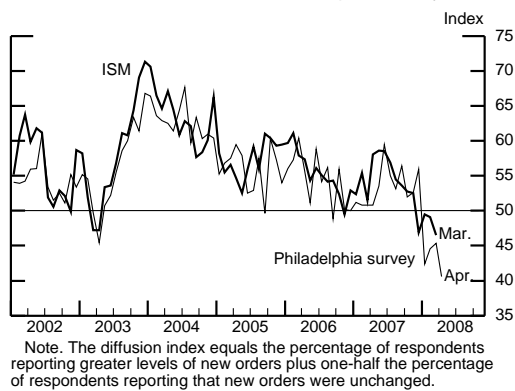
Construction Supplies



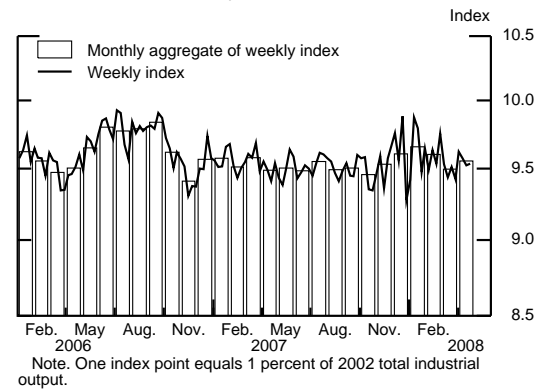
IP: Equipment and Consumer Goods



New Orders: ISM and FRB Philadelphia Surveys



Weekly Production Index excluding Motor Vehicles and Electricity Generation



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

Category	2007	2007		2008			
		Q3	Q4	Q1	Jan.	Feb.	Mar.
Total	16.1	15.9	16.1	15.2	15.3	15.3	15.1
Autos	7.6	7.4	7.8	7.4	7.3	7.4	7.5
Light trucks	8.5	8.5	8.3	7.8	8.0	7.9	7.5
North American ¹	12.4	12.3	12.3	11.5	11.8	11.7	11.2
Autos	5.3	5.1	5.5	5.0	5.1	5.0	5.0
Light trucks	7.1	7.2	6.9	6.5	6.6	6.6	6.2
Foreign-produced	3.8	3.6	3.8	3.7	3.5	3.6	3.9
Autos	2.4	2.3	2.3	2.4	2.2	2.3	2.6
Light trucks	1.4	1.3	1.4	1.3	1.3	1.3	1.3
Memo: Detroit Three domestic market share (percent) ²	51.2	50.4	50.4	50.0	51.3	50.6	48.2

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

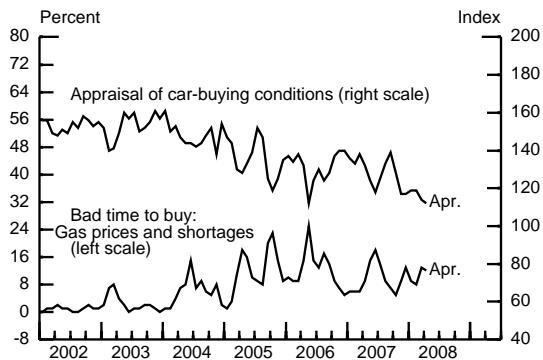
1. Excludes some vehicles produced in Canada that are classified as imports by the industry.

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

Content redacted.

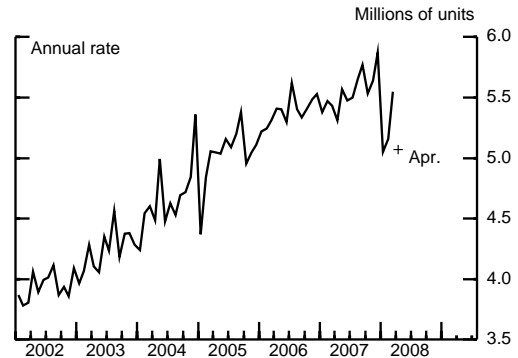
Content redacted.

Car-Buying Attitudes



Source. Reuters/University of Michigan Survey.

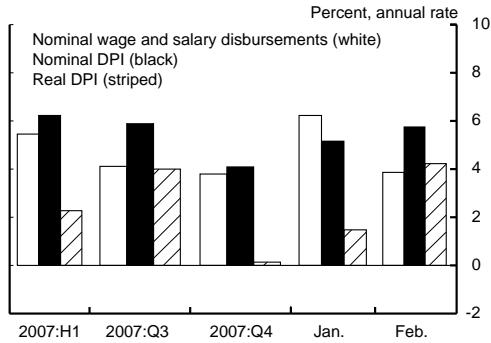
**U.S. Light Vehicle Sales for
Toyota, Honda, Nissan, and Mazda**



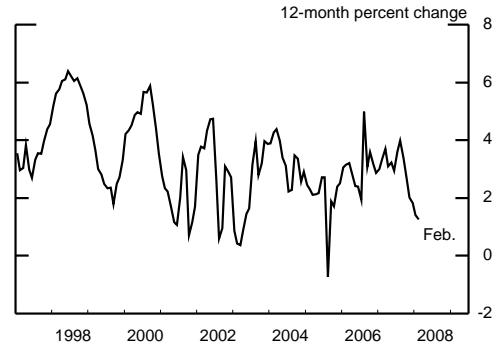
Note. April value is based on sales through April 20, 2008.
Source. Nissan North America.

Fundamentals of Household Spending

Changes in Wages and Salaries and in Disposable Income

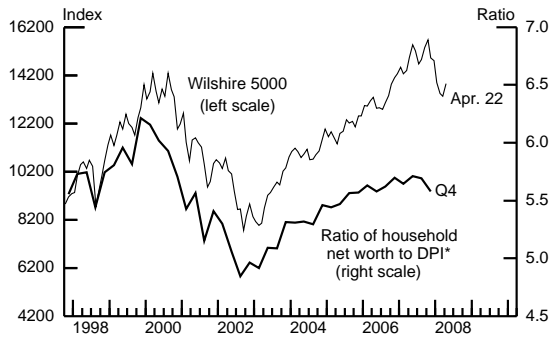


Changes in Real DPI



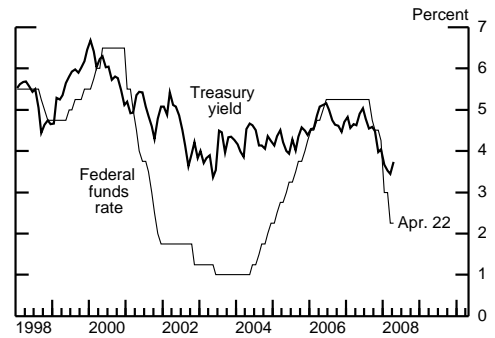
Note. Values for December 2004 and December 2005 exclude the effect on income of the one-time Microsoft dividend in December 2004.

Household Net Worth and Wilshire 5000

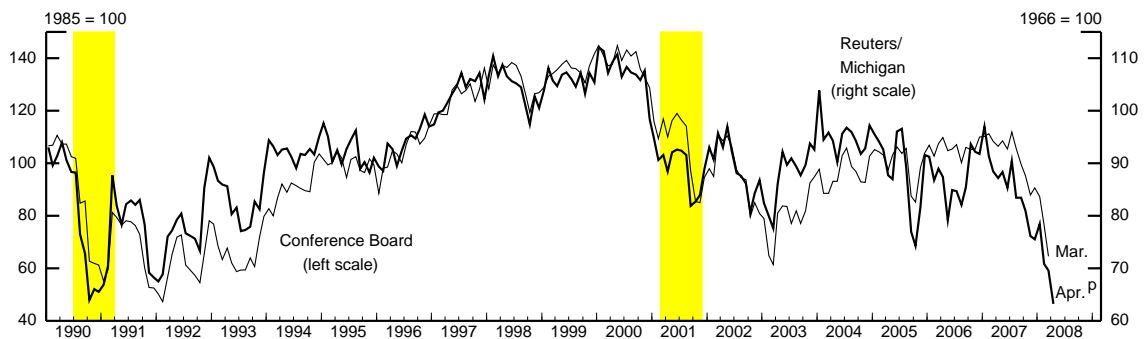


*The value for 2004:Q4 excludes the effect on income of the one-time Microsoft dividend in December 2004.

Target Federal Funds Rate and 10-Year Treasury Yield



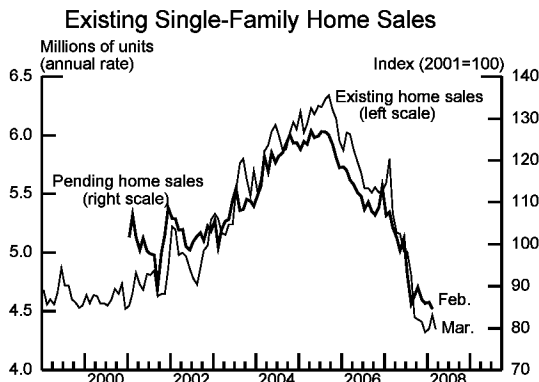
Consumer Confidence



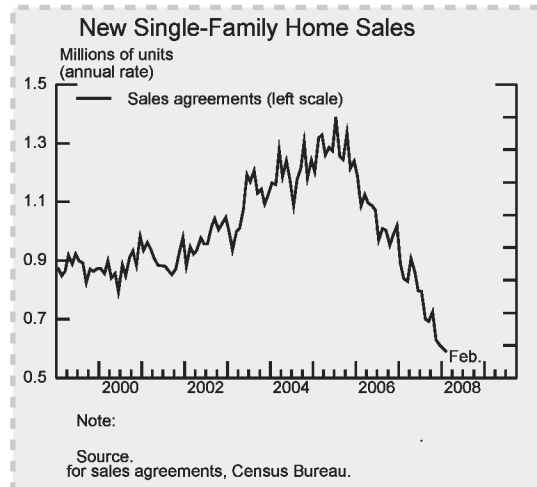
Note. Shaded bars indicate periods of recession as defined by the National Bureau of Economic Research.

p Preliminary.

Indicators of Single-Family Housing



Source. National Association of Realtors.

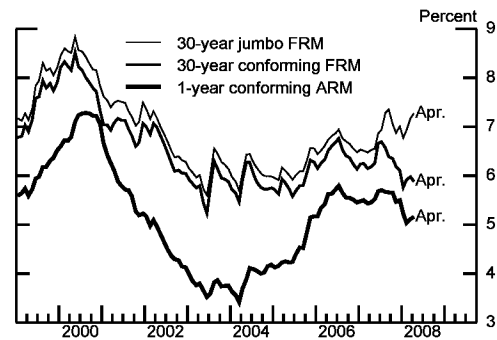


Content partially redacted.



Content partially redacted.

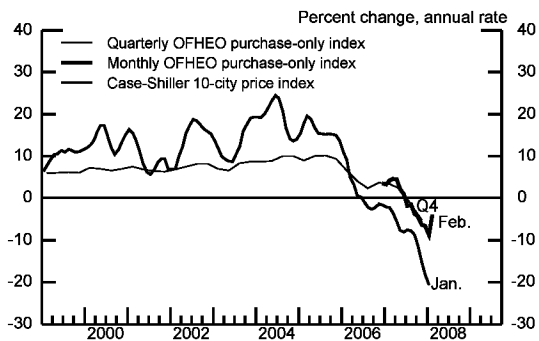
Mortgage Rates



Note. The Apr. readings are for data through Apr. 16, 2008.

Source. Conforming rates are from Freddie Mac. The jumbo rate is the sum of the 30-year conforming FRM rate and the jumbo conforming spread from bankrate.com.

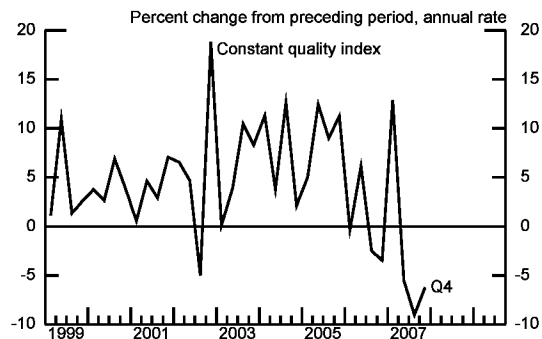
Prices of Existing Homes



Note. The Case-Shiller and monthly OFHEO indexes are 3-month percent changes.

Source. For purchase-only indexes, OFHEO; for Case-Shiller, Chicago Mercantile Exchange.

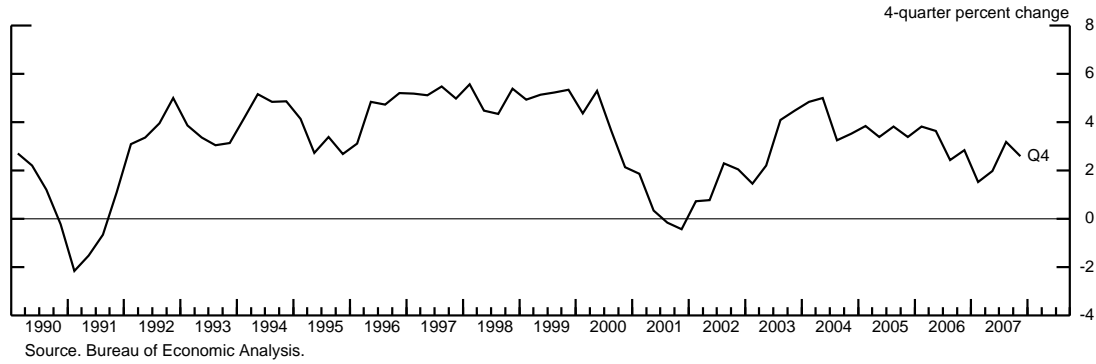
Price of New Homes



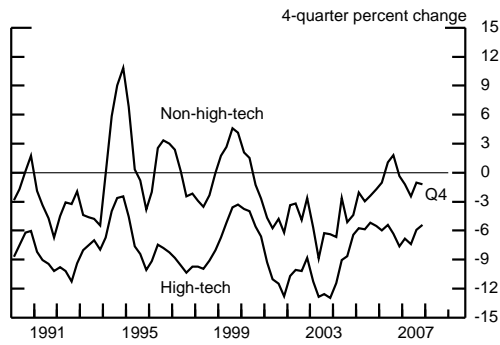
Source. Census Bureau.

Fundamentals of Equipment and Software Investment

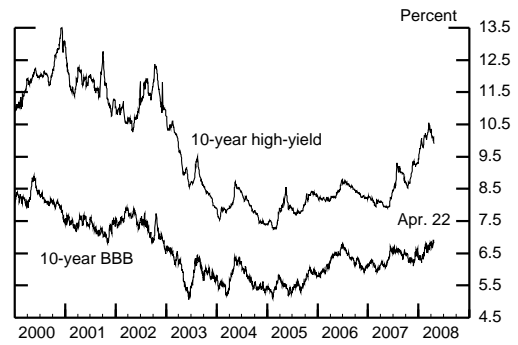
Real Business Output



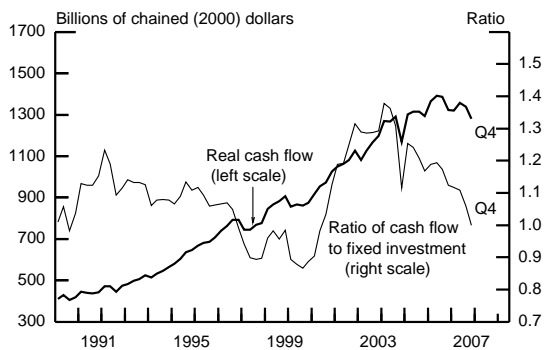
User Cost of Capital



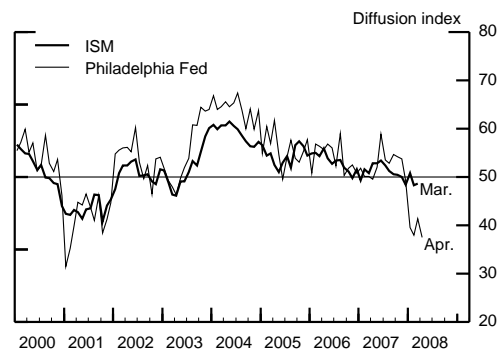
Corporate Bond Yields



Corporate Cash Flow



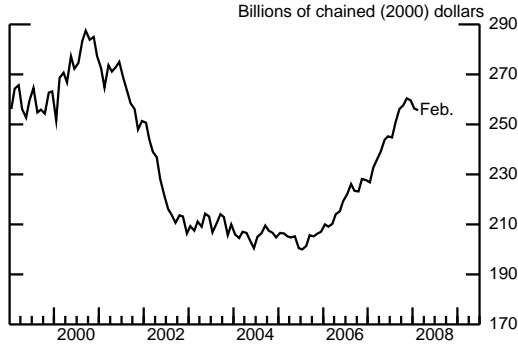
Surveys of Business Conditions



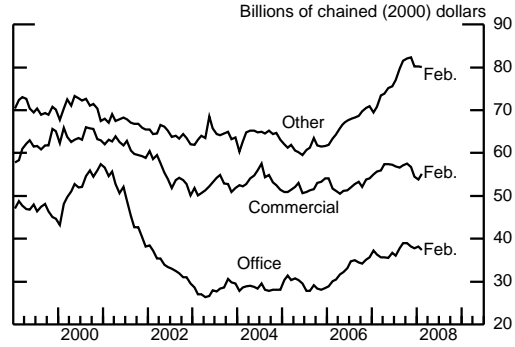
Nonresidential Construction and Indicators

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

Total Structures

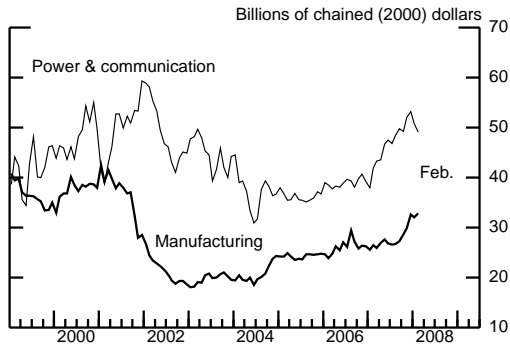


Office, Commercial, and Other

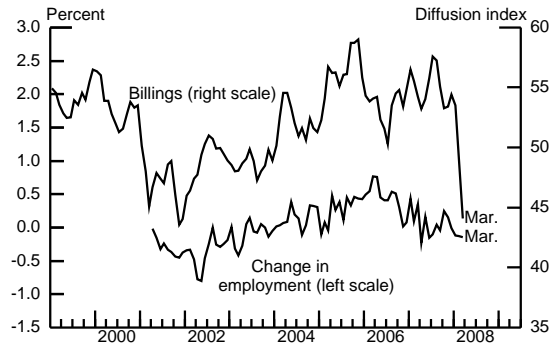


Note. Other consists of structures for religious organizations, education, lodging, amusement and recreation, transportation, and health care.

Manufacturing and Power & Communication

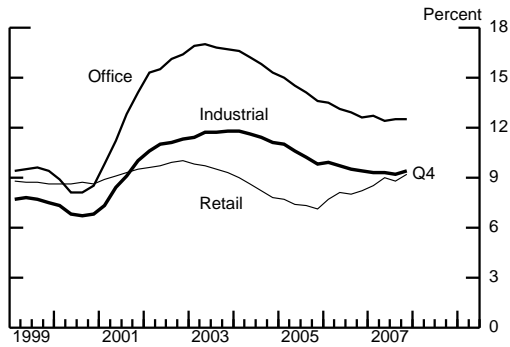


Architectural Billings and Nonresidential Construction Employment



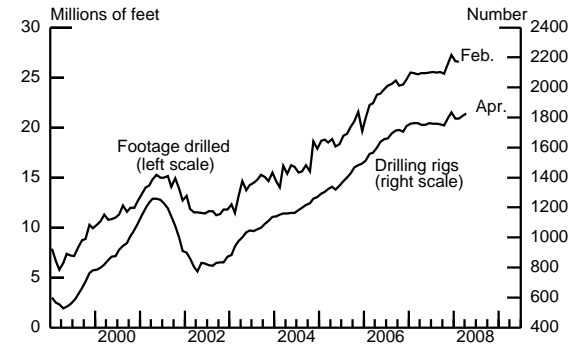
Note. Both series are 3-month moving averages. Employment consists of industrial, commercial, and specialty trade construction. Source. For billings, American Institute of Architects; for employment, Bureau of Labor Statistics.

Vacancy Rates



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

Drilling and Mining Indicators

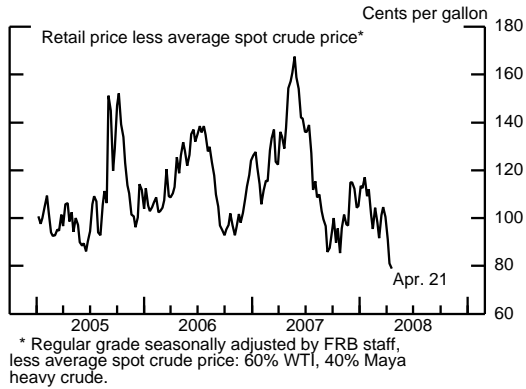


Note. The April readings for drilling rigs are based on data through April 18, 2008. Both series are seasonally adjusted by FRB staff. Source. DOE/Baker Hughes.

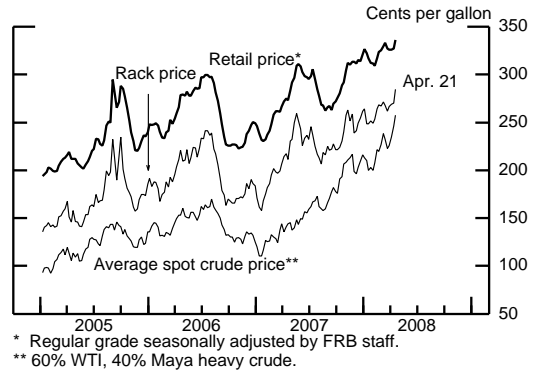
Energy and Food Price Indicators

(Data from Energy Information Administration except as noted)

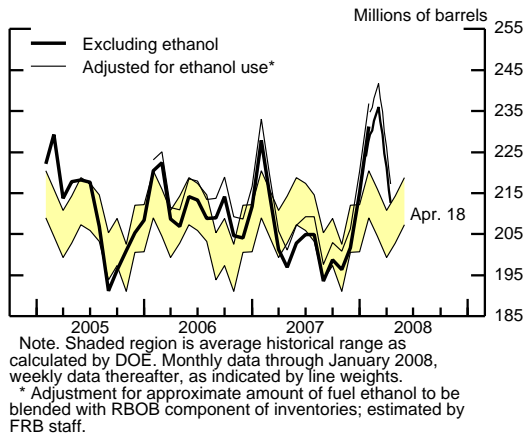
Total Gasoline Margin



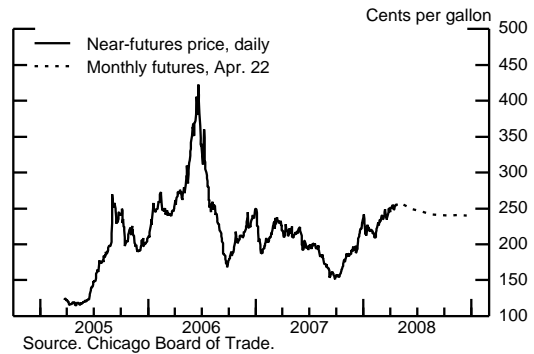
Gasoline Price Decomposition



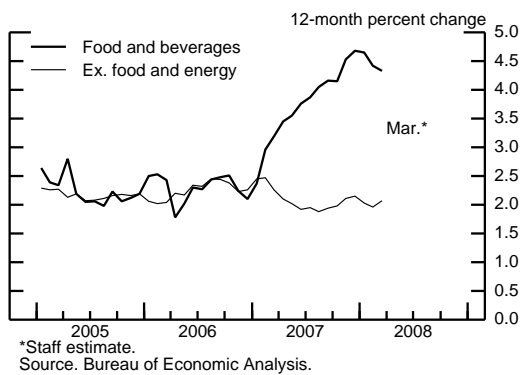
Gasoline Inventories



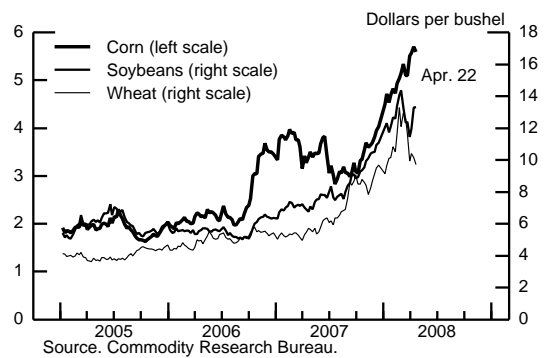
Ethanol Prices



PCE Food Prices



Spot Agricultural Commodity Prices



Broad Measures of Inflation

(Percent change, Q4 to Q4)

Measure	2004	2005	2006	2007
<i>Product prices</i>				
GDP price index	3.2	3.4	2.7	2.6
Less food and energy	3.2	3.3	2.9	2.2
Nonfarm business chain price index	3.2	3.5	2.2	1.8
<i>Expenditure prices</i>				
Gross domestic purchases price index	3.7	3.8	2.4	3.3
Less food and energy	3.1	3.1	2.8	2.2
PCE price index	3.1	3.2	1.9	3.4
Less food and energy	2.2	2.2	2.3	2.1
PCE price index, market-based components	2.8	3.0	1.6	3.4
Less food and energy	1.6	1.7	2.0	1.9
CPI	3.4	3.8	1.9	4.0
Less food and energy	2.1	2.1	2.7	2.3
Chained CPI	3.1	3.2	1.7	3.6
Less food and energy	2.1	1.8	2.3	2.0
Median CPI	2.3	2.7	3.1	3.1
Trimmed mean CPI	2.3	2.6	2.7	2.8
Trimmed mean PCE	2.4	2.5	2.7	2.4

Surveys of Inflation Expectations

(Percent)

Period	Actual CPI inflation ¹	Reuters/Michigan Survey				Professional forecasters (10 years) ⁴	
		1 year ²		5 to 10 years ³			
		Mean	Median	Mean	Median	CPI	PCE
2006:Q2	4.0	4.5	3.5	3.6	3.1	2.5	...
Q3	3.3	4.0	3.4	3.3	3.0	2.5	...
Q4	1.9	3.5	3.0	3.5	3.0	2.5	...
2007:Q1	2.4	3.6	3.0	3.4	2.9	2.4	2.0
Q2	2.7	4.2	3.3	3.5	3.0	2.4	2.0
Q3	2.4	4.1	3.2	3.5	3.0	2.4	2.1
Q4	4.0	4.1	3.3	3.3	2.9	2.4	2.1
2008:Q1	4.1	4.2	3.8	3.3	3.0	2.5	2.2
2007:Dec.	4.1	4.4	3.4	3.5	3.1	...	...
2008:Jan.	4.3	4.0	3.4	3.4	3.0	...	...
Feb.	4.0	3.9	3.6	3.4	3.0	2.5	2.2
Mar.	4.0	4.6	4.3	3.2	2.9	...	...
Apr.	n.a.	5.6	4.8	3.4	3.1	...	...

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

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

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

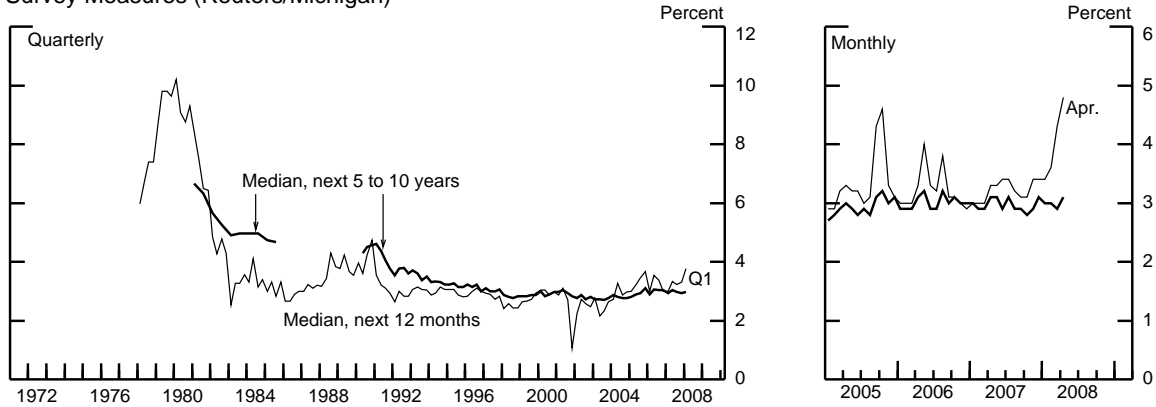
4. Median CPI and PCE price projections compiled by the Federal Reserve Bank of Philadelphia.

... Not applicable.

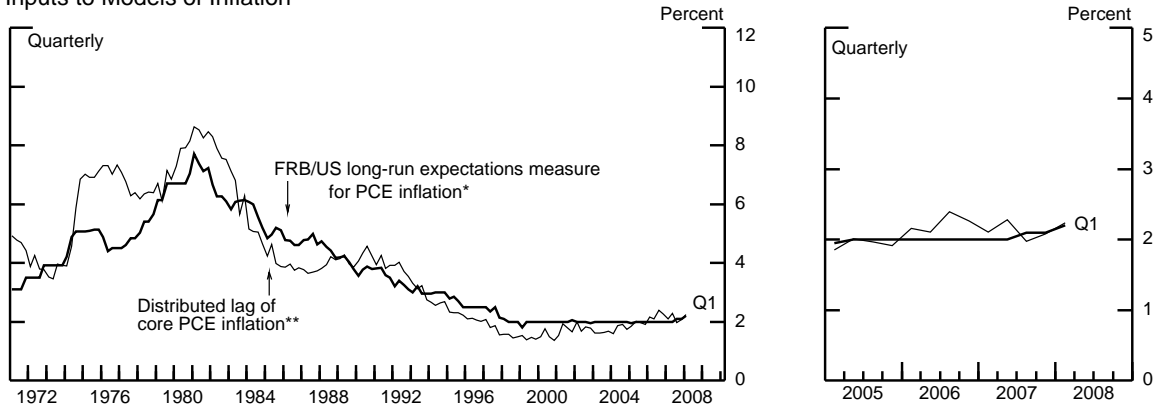
n.a. Not available.

Measures of Expected Inflation

Survey Measures (Reuters/Michigan)



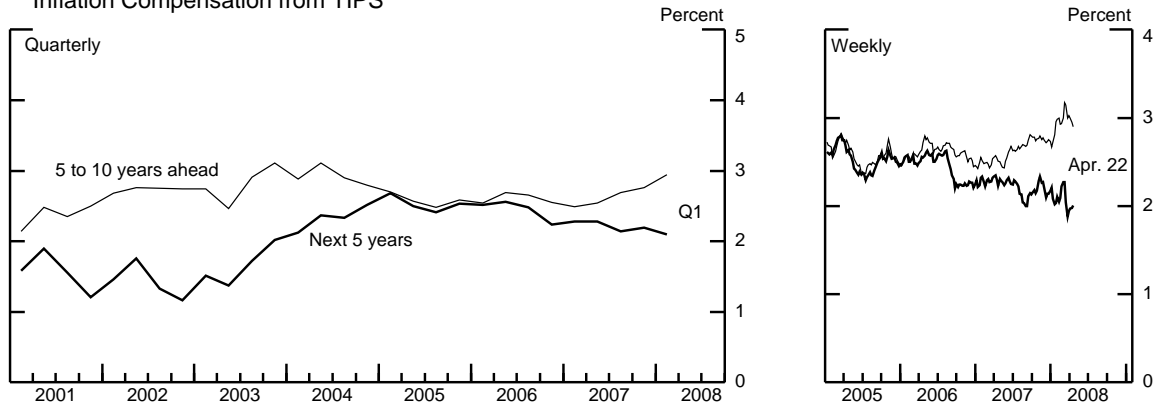
Inputs to Models of Inflation



*For 2007 forward, the median projection for PCE inflation over the next 10 years from the Survey of Professional Forecasters (SPF); for 1991 to 2006, the equivalent SPF projection for the CPI; for 1981 to 1991, a related survey for the CPI conducted by Richard Hovey; and for the period preceding 1981, a model-based estimate constructed by Board staff. The survey data before 2007 are adjusted down 0.5 percentage point to put the CPI projections approximately on a PCE basis.

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

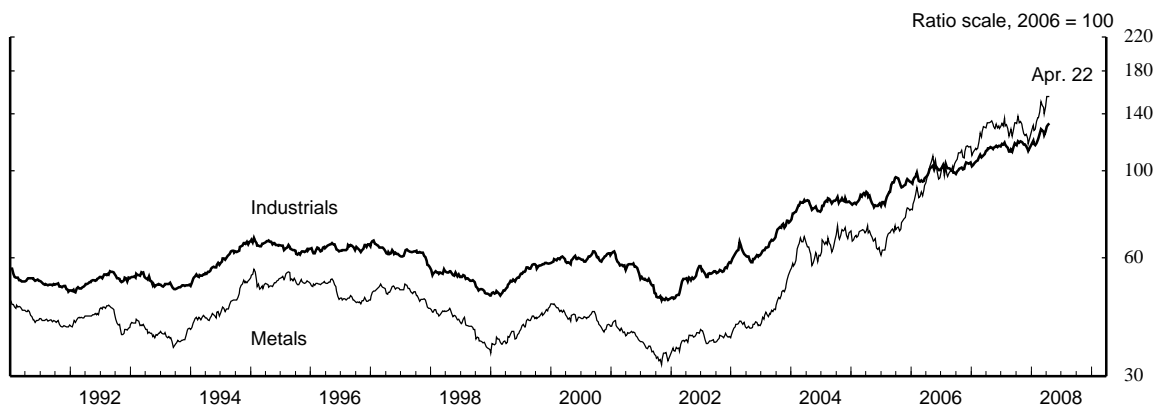
Inflation Compensation from TIPS



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

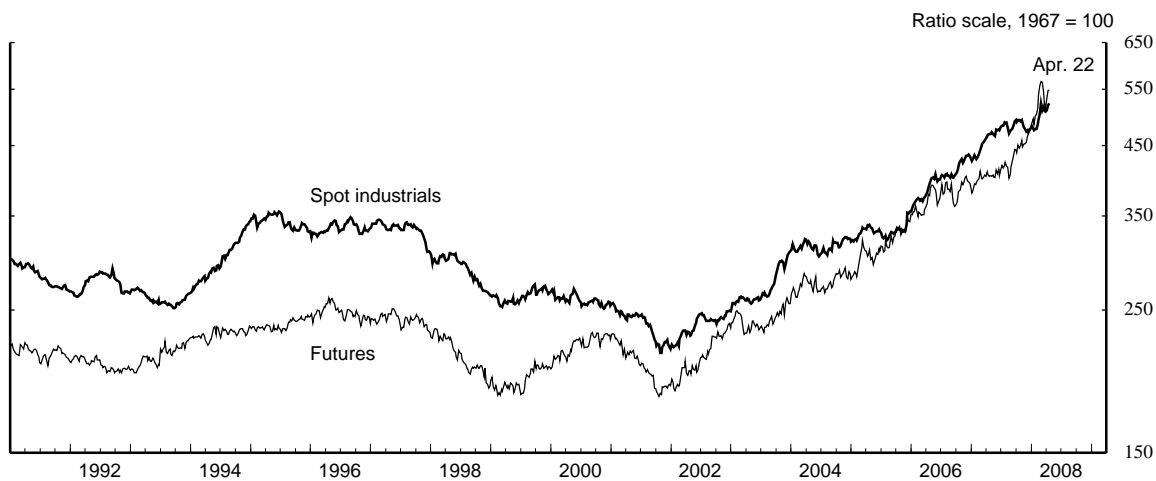
Commodity Price Indexes

Journal of Commerce



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

Commodity Research Bureau



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

Selected Commodity Price Indexes (Percent change)

Index	2007 ¹	12/18/07 to 3/11/08 ²	3/11/08 ² to 4/22/08	52-week change to 4/22/08
JOC industrials	7.6	12.8	4.3	15.6
JOC metals	2.1	25.1	5.5	16.5
CRB spot industrials	8.2	8.2	2.4	11.5
CRB spot foodstuffs	25.5	17.0	.3	32.6
CRB futures	18.2	20.8	-2.7	36.3

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

2. March 11, 2008, is the Tuesday preceding publication of the March Greenbook.

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

Instrument	2006	2007	2008		Change to Apr. 22 from selected dates (percentage points)		
	June 29	Sept. 17	Mar. 17	Apr. 22	2006 June 29	2007 Sept. 17	2008 Mar. 17
<i>Short-term</i>							
FOMC intended federal funds rate	5.25	5.25	3.00	2.25	-3.00	-3.00	-.75
Treasury bills ¹							
3-month	4.88	4.05	1.09	1.26	-3.62	-2.79	.17
6-month	5.06	4.15	1.28	1.61	-3.45	-2.54	.33
Commercial paper (A1/P1 rates) ²							
1-month	5.27	5.23	2.41	2.59	-2.68	-2.64	.18
3-month	5.37	5.25	2.50	2.76	-2.61	-2.49	.26
Large negotiable CDs ¹							
3-month	5.47	5.52	2.63	2.96	-2.51	-2.56	.33
6-month	5.59	5.36	2.45	3.02	-2.57	-2.34	.57
Eurodollar deposits ³							
1-month	5.33	5.55	2.60	3.00	-2.33	-2.55	.40
3-month	5.49	5.60	2.55	3.10	-2.39	-2.50	.55
Bank prime rate	8.25	8.25	6.00	5.25	-3.00	-3.00	-.75
<i>Intermediate- and long-term</i>							
U.S. Treasury ⁴							
2-year	5.26	4.12	1.36	2.16	-3.10	-1.96	.80
5-year	5.15	4.18	2.20	2.98	-2.17	-1.20	.78
10-year	5.28	4.58	3.58	3.94	-1.34	-.64	.36
U.S. Treasury indexed notes ⁵							
5-year	2.51	2.04	.39	.90	-1.61	-1.14	.51
10-year	2.61	2.15	1.20	1.55	-1.06	-.60	.35
Municipal general obligations (Bond Buyer) ⁶	4.71	4.46	4.94	4.62	-.09	.16	-.32
Private instruments							
10-year swap	5.81	5.17	4.02	4.34	-1.47	-.83	.32
10-year FNMA ⁷	5.59	5.01	4.43	4.43	-1.16	-.58	.00
10-year AA ⁸	6.20	6.05	6.04	5.95	-.25	-.10	-.09
10-year BBB ⁸	6.74	6.46	6.61	6.82	.08	.36	.21
10-year high yield ⁸	8.74	8.95	10.54	9.90	1.16	.95	-.64
Home mortgages (FHLMC survey rate) ⁹							
30-year fixed	6.78	6.34	5.87	5.88	-.90	-.46	.01
1-year adjustable	5.82	5.65	5.15	5.10	-.72	-.55	-.05

Stock exchange index	Record high		2007	2008		Change to Apr. 22 from selected dates (percent)		
	Level	Date	Sept. 17	Mar. 17	Apr. 22	Record high	2007 Sept. 17	2008 Mar. 17
Dow Jones Industrial	14,165	10-9-07	13,403	11,972	12,720	-10.20	-5.10	6.25
S&P 500 Composite	1,565	10-9-07	1,477	1,277	1,376	-12.09	-6.82	7.78
Nasdaq	5,049	3-10-00	2,582	2,177	2,377	-52.92	-7.93	9.18
Russell 2000	856	7-13-07	776	650	704	-17.77	-9.29	8.18
Wilshire 5000	15,807	10-9-07	14,839	12,828	13,863	-12.29	-6.58	8.07

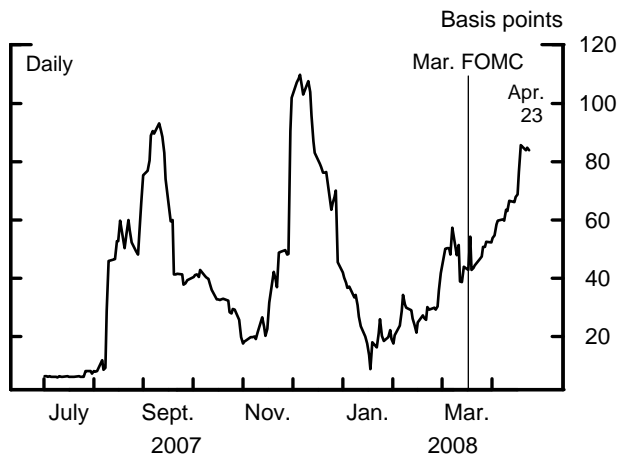
1. Secondary market.
2. Financial commercial paper.
3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Derived from a smoothed Treasury yield curve estimated using all outstanding securities and adjusted for the carry effect.
6. Most recent Thursday quote.
7. Constant-maturity yields estimated from Fannie Mae domestic noncallable coupon securities.
8. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.
9. Home mortgage rates for April 22, 2008, are for the week ending April 17, 2008.

NOTES:

June 29, 2006, is the day the most recent policy tightening ended.
September 17, 2007, is the day before the most recent policy easing began.
March 17, 2008, is the day before the most recent FOMC monetary policy announcement.

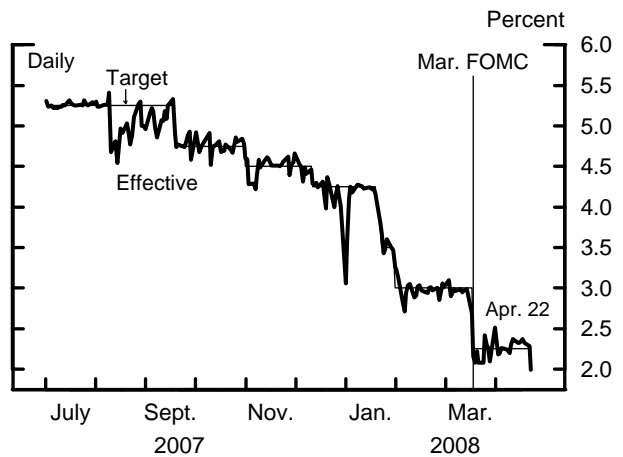
III-C-1 Short-Term Funding and Interbank Markets

Spread between 30-Day Libor and OIS Rates

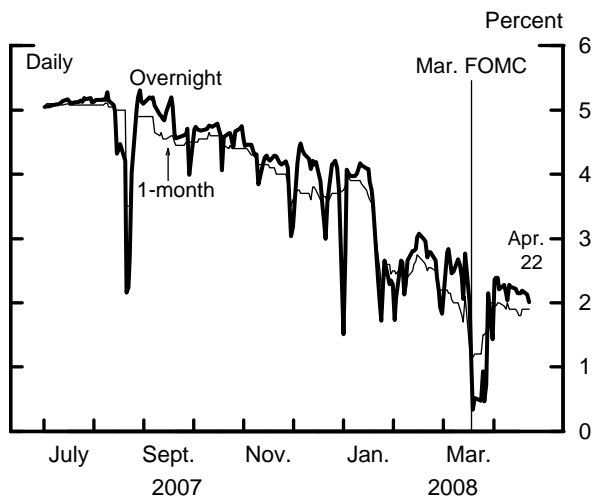


Note. Libor quotes are taken at 6:00 a.m., and OIS quotes are observed at the close of business of the previous trading day.

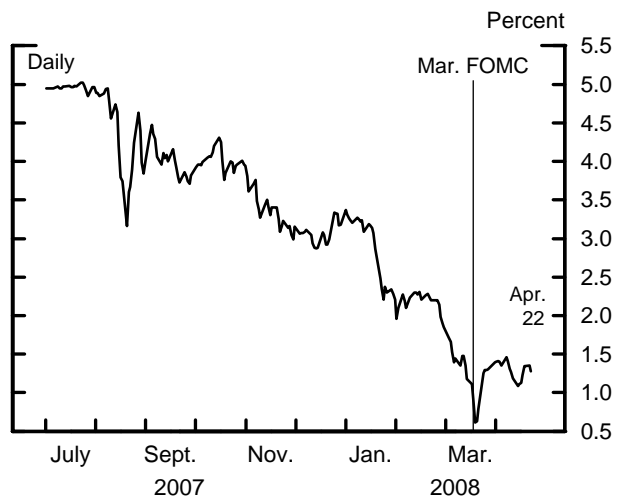
Federal Funds Rates



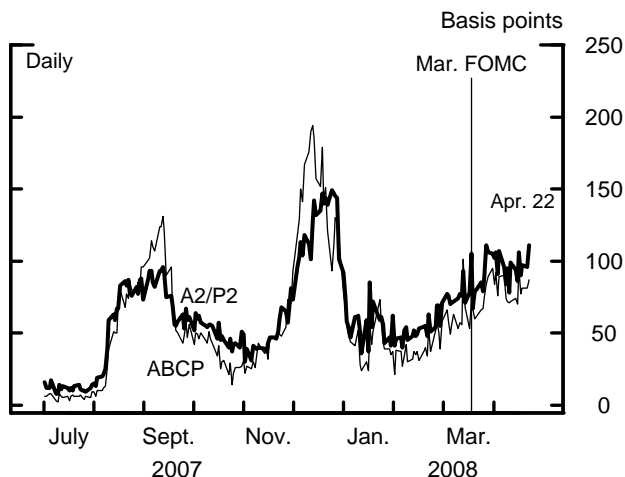
Treasury Repo Rates for General Collateral



3-Month Treasury Bill Rate

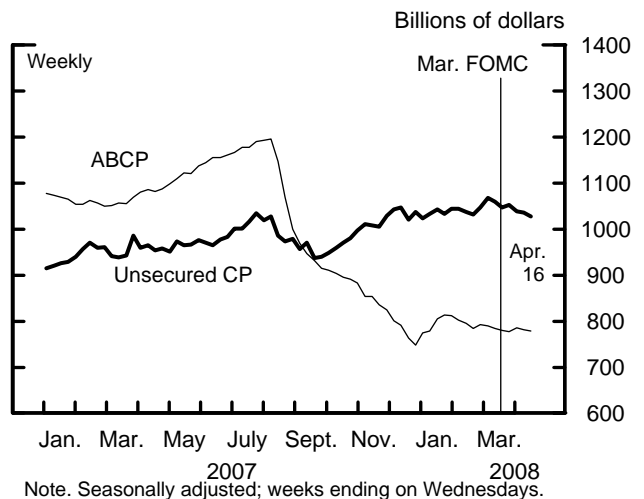


Spreads on 30-Day Commercial Paper



Note. The ABCP spread is the AA ABCP rate minus the AA nonfinancial rate. The A2/P2 spread is the A2/P2 nonfinancial rate minus the AA nonfinancial rate.

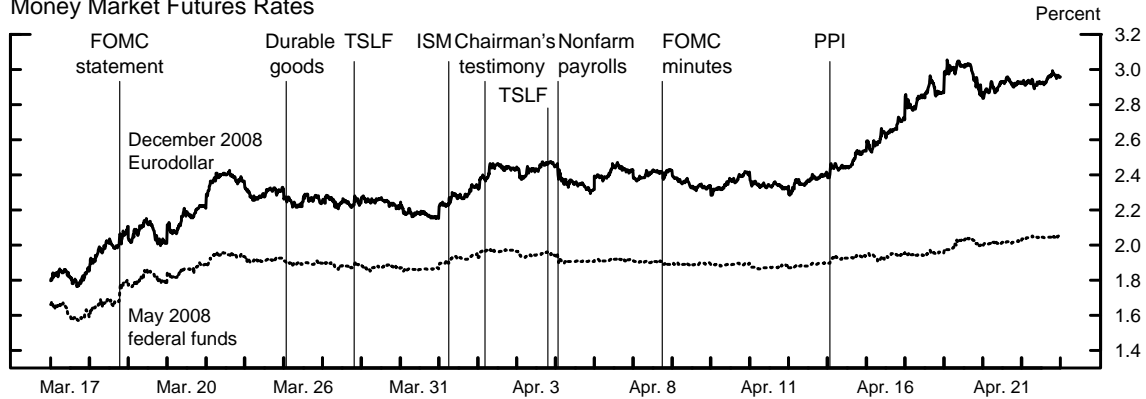
Commercial Paper Outstandings



Note. Seasonally adjusted; weeks ending on Wednesdays.

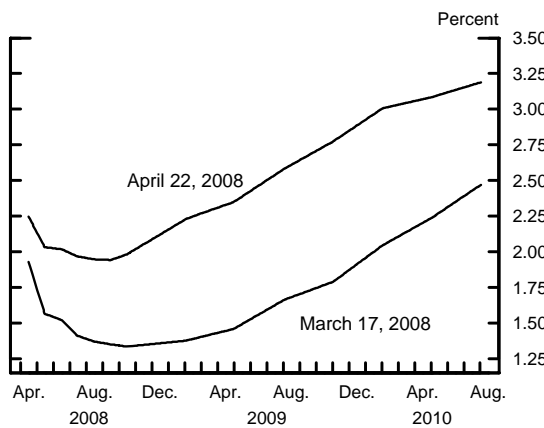
Policy Expectations and Treasury Yields

Money Market Futures Rates



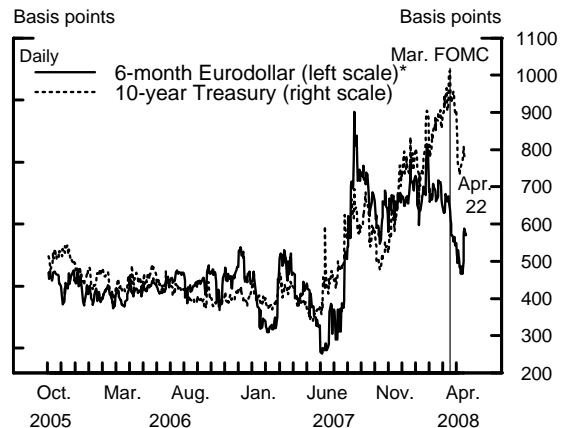
Note. 5-minute intervals. 8:00 a.m. to 4:00 p.m. No adjustments for term premiums.

Implied Federal Funds Rate



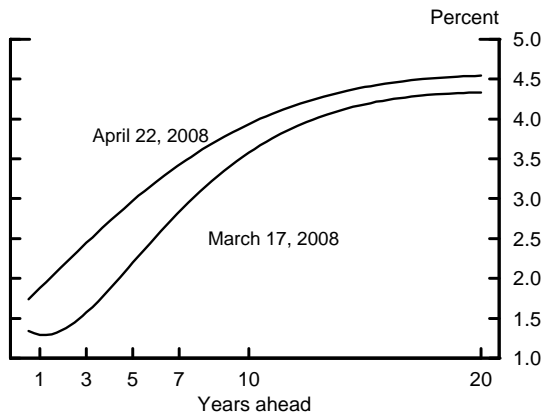
Note. Estimated from federal funds and Eurodollar futures, with an allowance for term premiums and other adjustments.

Implied Volatility of Interest Rates



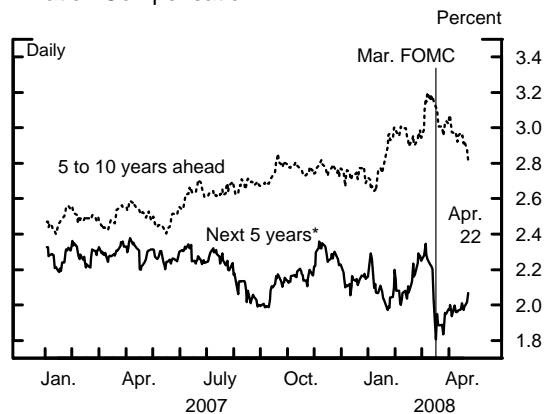
*Width of a 90 percent confidence interval computed from the term structures for the expected federal funds rate and implied volatility.

Treasury Yield Curve



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

Inflation Compensation

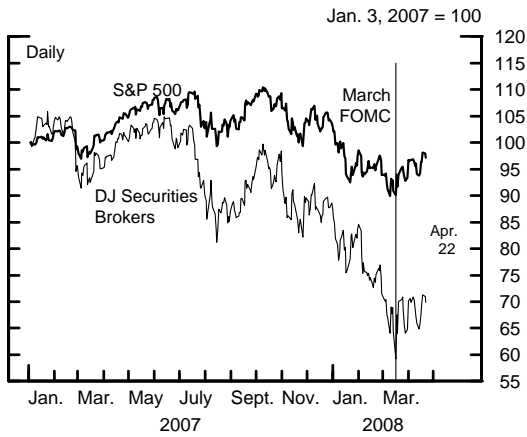


Note. Estimates based on smoothed nominal and inflation-indexed Treasury yields.

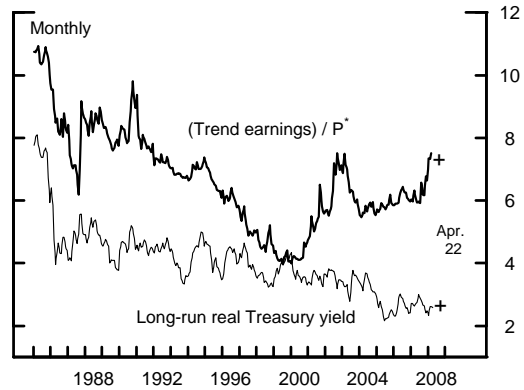
*Adjusted for lagged indexation of TIPS.

Corporate Yields, Risk Spreads, and Stock Prices

Selected Stock Price Indexes



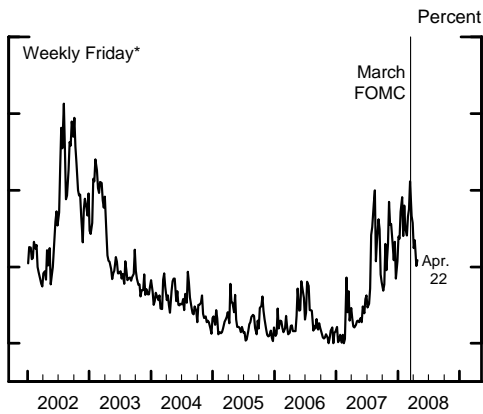
Ratio of Trend Earnings to Price for S&P 500 and Long-Run Treasury Yield



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

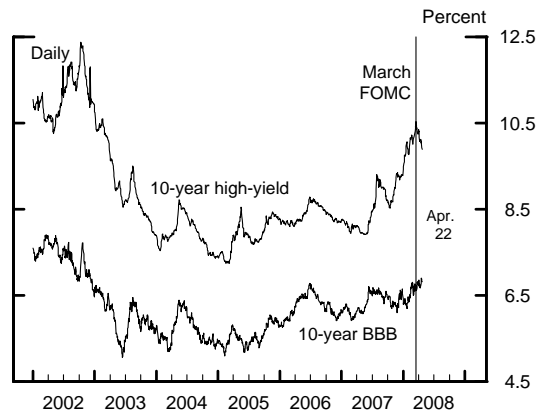
+ Denotes the latest observation using daily interest rates and stock prices and latest earnings data from I/B/E/S.

Implied Volatility on S&P 500 (VIX)



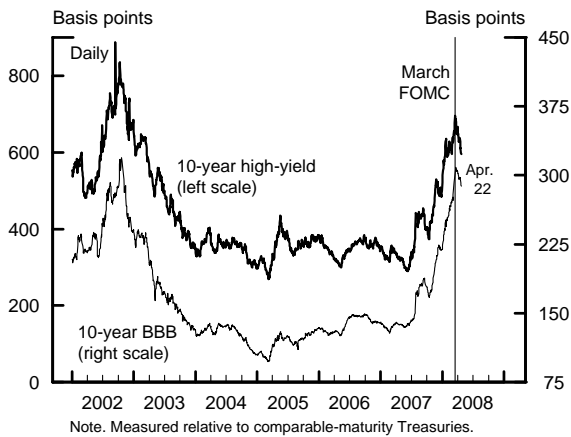
* Latest observation is for most recent business day.

Corporate Bond Yields



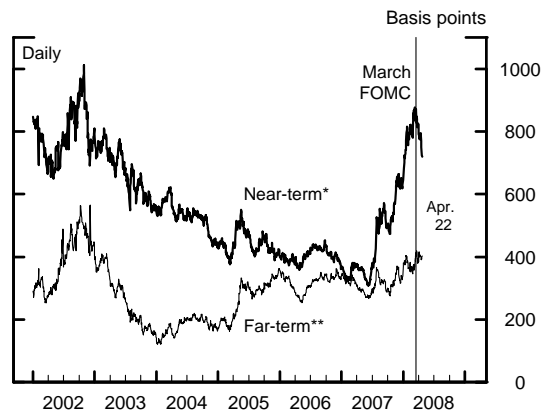
Note. Yields from smoothed yield curves based on Merrill Lynch bond data.

Corporate Bond Spreads



Note. Measured relative to comparable-maturity Treasuries.

Forward Credit Spreads on Spec.-Grade Bonds



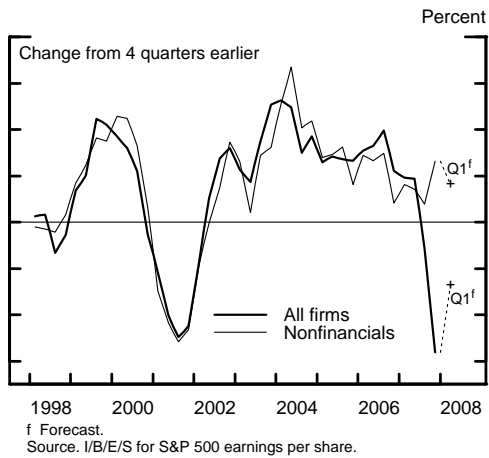
* Forward spread between years 2 and 3.

** Forward spread between years 9 and 10.

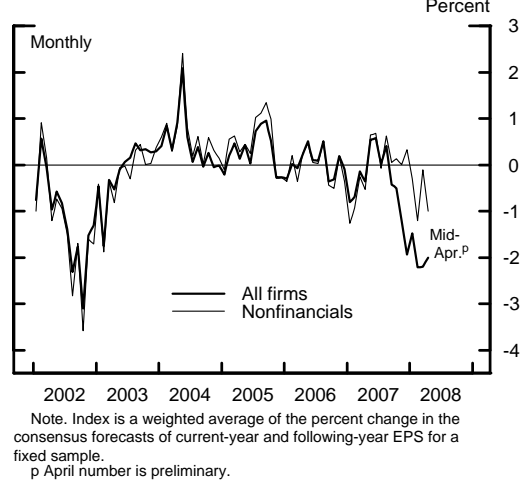
Source. Staff estimates.

Corporate Earnings and Credit Quality

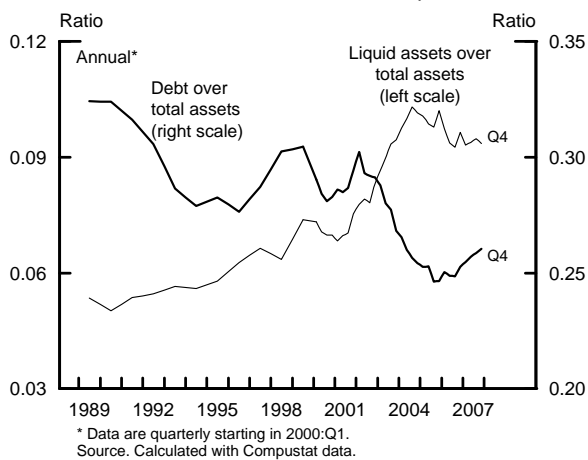
S&P 500 Earnings Per Share



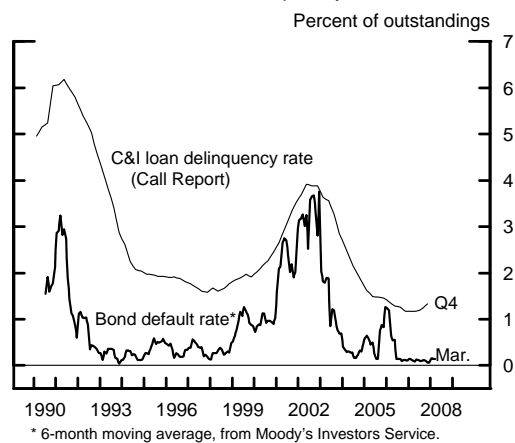
Revisions to Expected S&P 500 Earnings



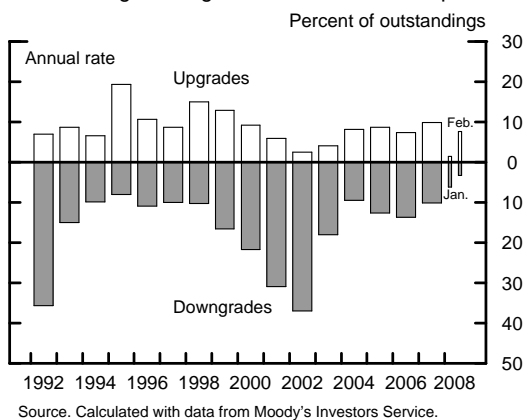
Financial Ratios for Nonfinancial Corporations



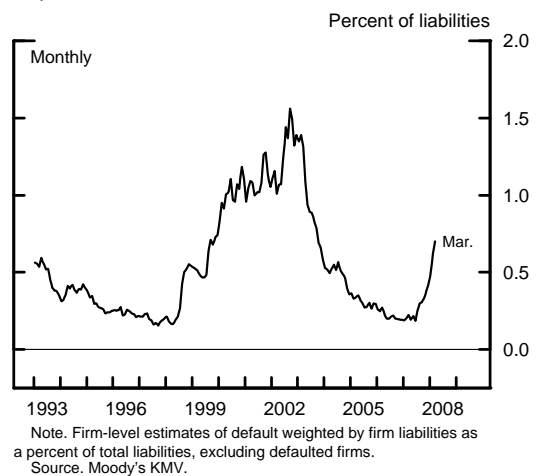
Selected Default and Delinquency Rates



Bond Ratings Changes of Nonfinancial Companies



Expected Year-Ahead Defaults



Business Finance

Gross Issuance of Securities by U.S. Corporations

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

Type of security	2004	2005	2006	2007	2008			
					Jan.	Feb.	Mar.	Apr. ^P
<i>Nonfinancial corporations</i>								
Stocks ¹	5.4	4.6	4.7	5.5	2.0	3.1	21.5	2.5
Initial public offerings	1.6	1.7	1.8	1.6	.6	.1	19.7	1.0
Seasoned offerings	3.8	2.8	2.9	3.8	1.3	3.0	1.8	1.5
Bonds ²	22.7	19.1	29.8	35.6	28.3	22.6	36.9	36.0
Investment grade	8.2	8.4	13.0	17.2	24.8	19.0	28.1	28.0
Speculative grade	9.7	6.4	8.0	10.3	1.0	.8	3.2	4.0
Other (sold abroad/unrated)	4.9	4.3	8.8	8.2	2.5	2.7	5.6	4.0
<i>Memo</i>								
Net issuance of commercial paper ³	1.5	-.4	3.9	-.4	9.9	6.6	-3.6	4.4
Change in C&I loans at commercial banks ^{3,4}	2.4	9.6	11.6	20.9	12.8	12.4	21.7	-1.0
<i>Financial corporations</i>								
Stocks ¹	6.9	5.0	5.3	8.6	25.1	9.1	5.1	11.0
Bonds ²	139.3	176.3	187.7	156.0	93.0	44.3	33.4	48.0

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

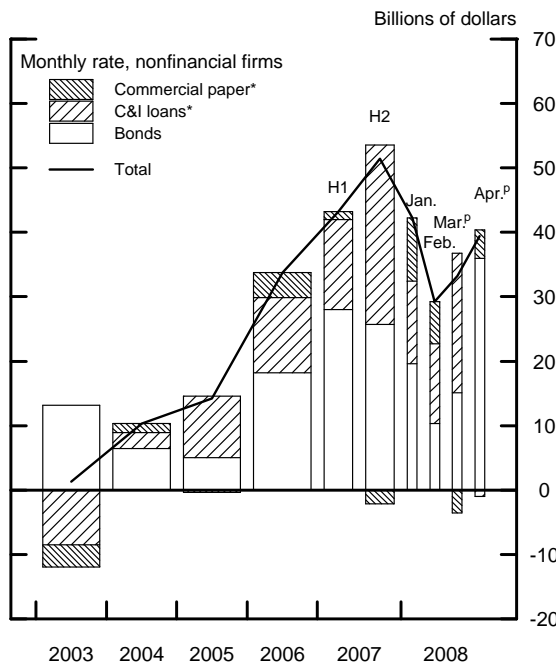
1. Excludes private placements and equity-for-equity swaps that occur in restructurings.

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

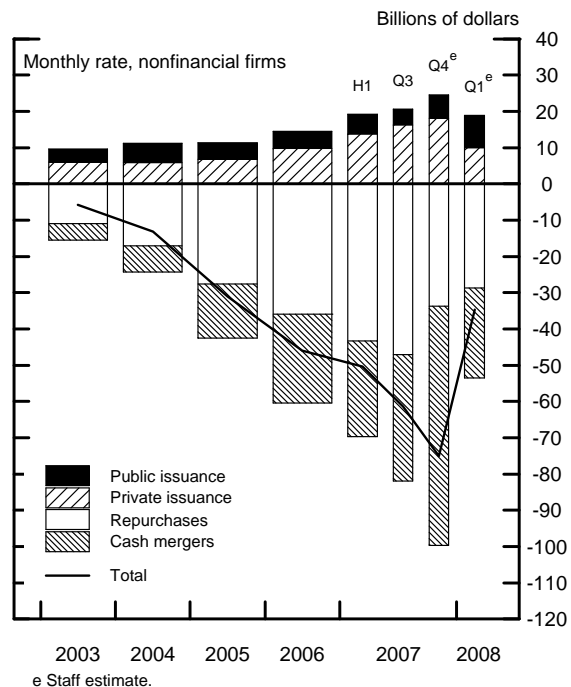
3. End-of-period basis, seasonally adjusted.

4. Based on adjusted commercial bank credit data through April 9th.

Selected Components of Net Debt Financing

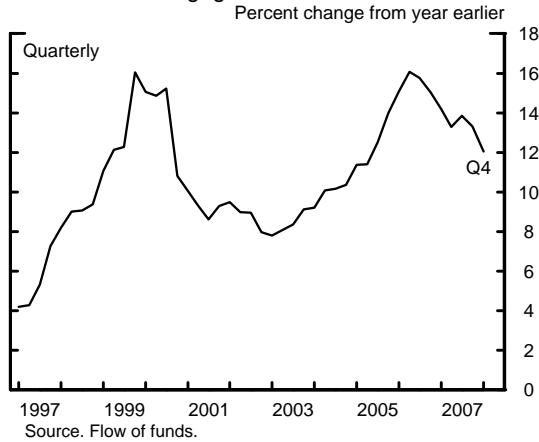


Components of Net Equity Issuance

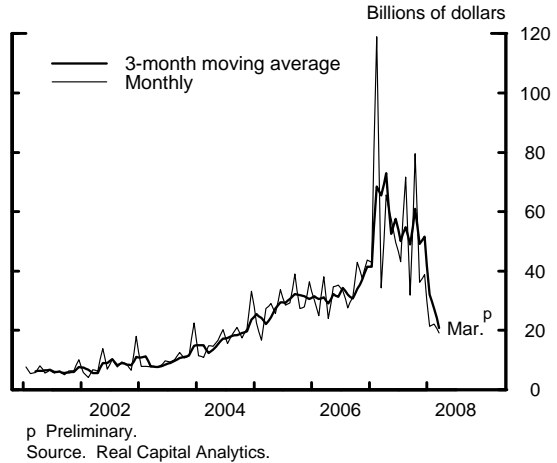


Commercial Real Estate

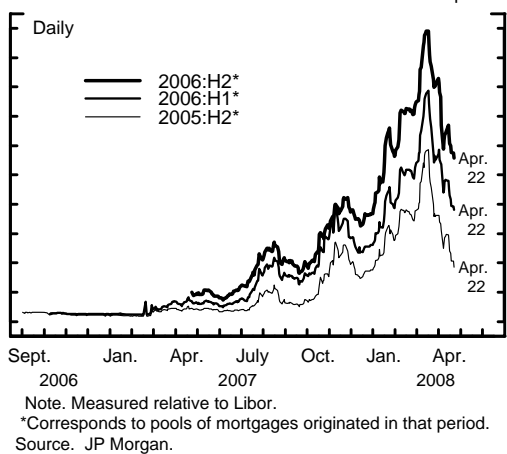
Commercial Mortgage Debt



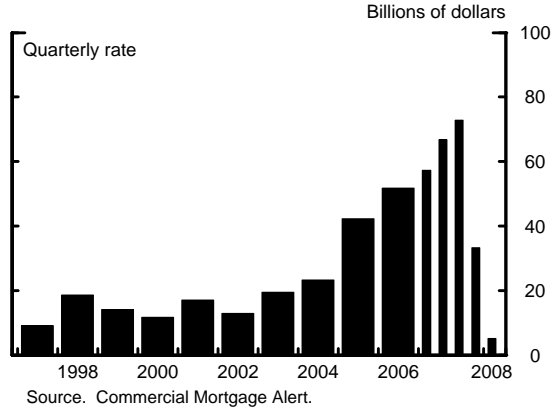
Sales of Commercial Real Estate



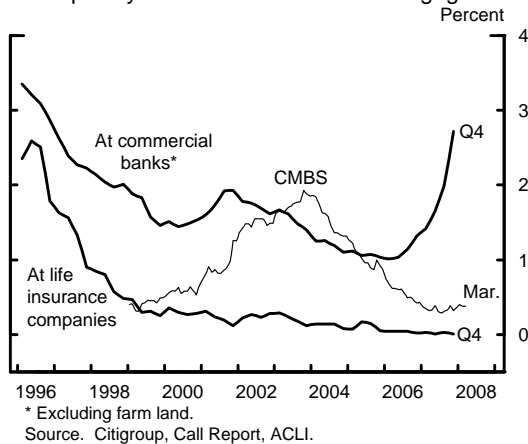
BBB Commercial Mortgage CDS Index Spreads



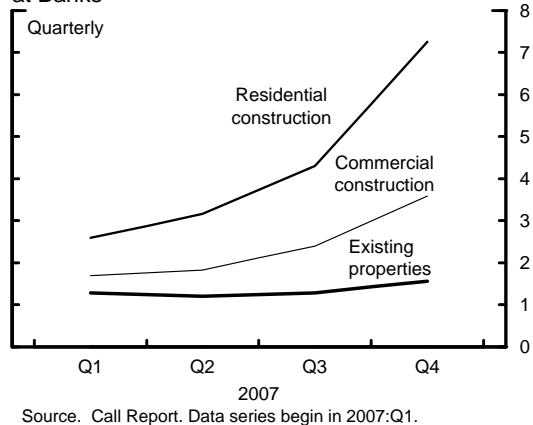
CMBS Issuance



Delinquency Rates on Commercial Mortgages

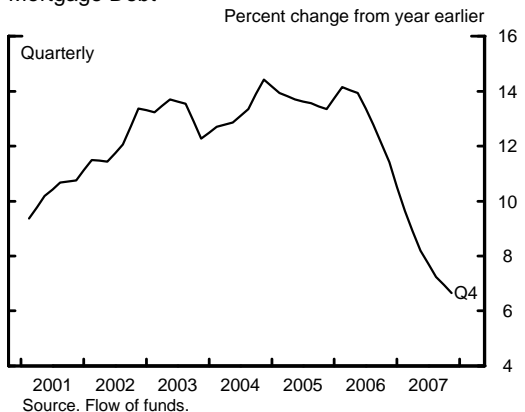


Delinquency Rates on Commercial Mortgages at Banks

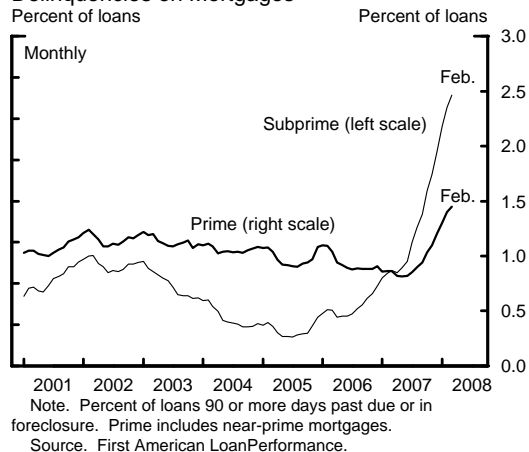


Residential Mortgages

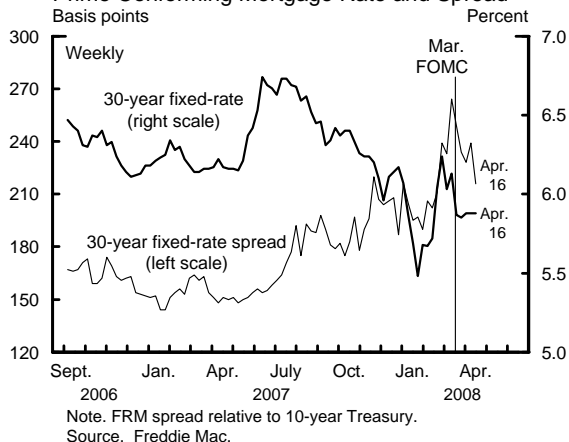
Mortgage Debt



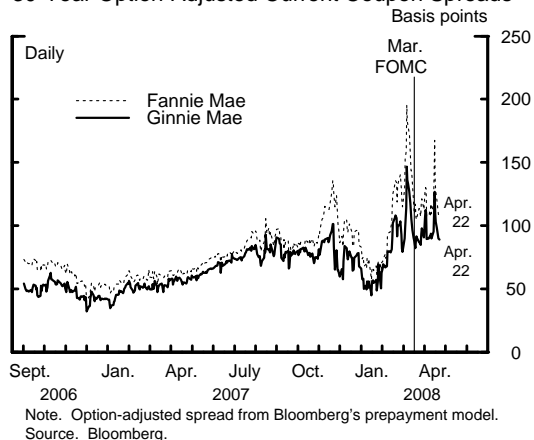
Delinquencies on Mortgages



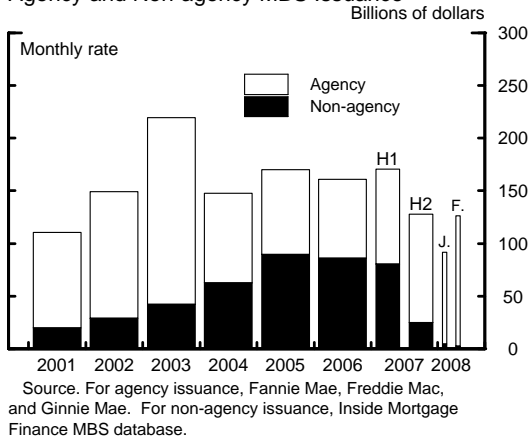
Prime Conforming Mortgage Rate and Spread



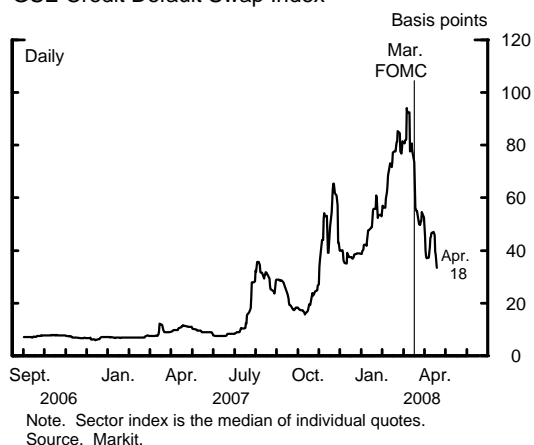
30-Year Option-Adjusted Current Coupon Spreads



Agency and Non-agency MBS Issuance

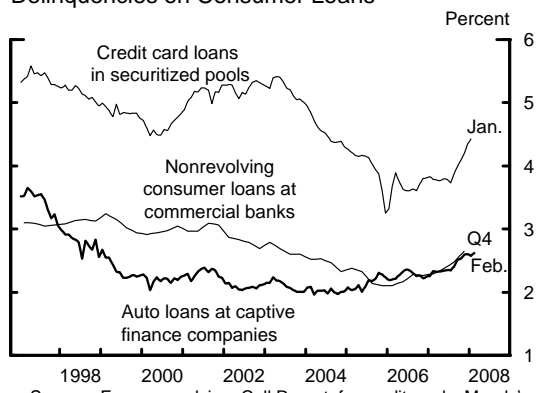


GSE Credit Default Swap Index

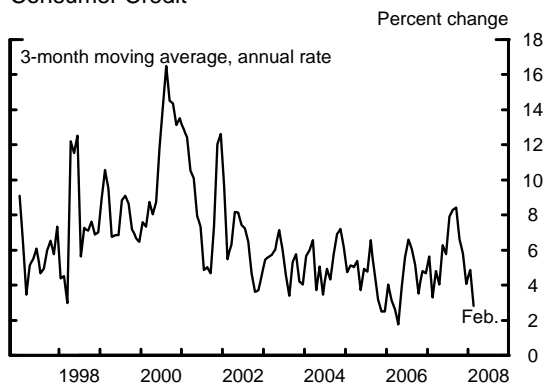


Consumer Credit and Household Wealth

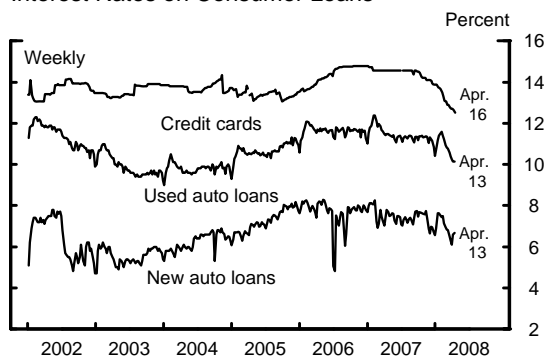
Delinquencies on Consumer Loans



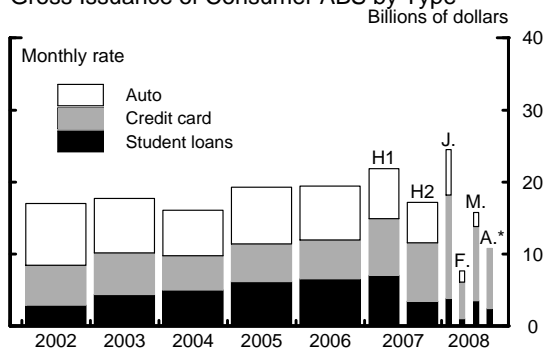
Consumer Credit



Interest Rates on Consumer Loans



Gross Issuance of Consumer ABS by Type



Net Flows into Mutual Funds

(Billions of dollars, monthly rate)

Fund type	2006	2007			2008			Assets Feb.
		H1	Q3	Q4	Jan.	Feb.	Mar. ^e	
Total long-term funds	18.9	32.0	4.6	7.0	-22.1	27.6	3.4	8,360
Equity funds	13.3	14.8	1.2	1.2	-44.9	9.5	-10.7	5,967
Domestic	0.9	1.3	-8.3	-8.5	-35.6	3.6	-9.5	4,424
International	12.4	13.5	9.5	9.7	-9.2	5.9	-1.2	1,543
Hybrid funds	0.6	2.6	1.0	1.2	-1.5	3.3	0.9	682
Bond funds	5.0	14.6	2.5	4.6	24.2	14.9	13.2	1,711
High-yield	-0.2	0.2	-0.8	-0.6	-2.2	-0.5	-0.8	149
Other taxable	4.0	11.9	3.1	6.5	23.9	14.2	11.7	1,200
Municipals	1.3	2.4	0.2	-1.3	2.5	1.2	2.3	362
Money market funds	27.8	26.3	110.9	86.6	178.4	112.2	68.1	3,435

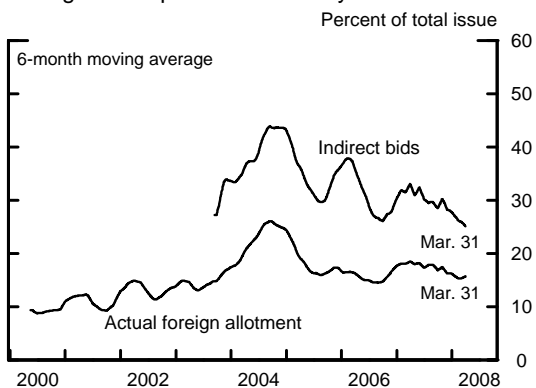
Note. Excludes reinvested dividends.

^e Staff estimate based on confidential weekly data.

Source. Investment Company Institute.

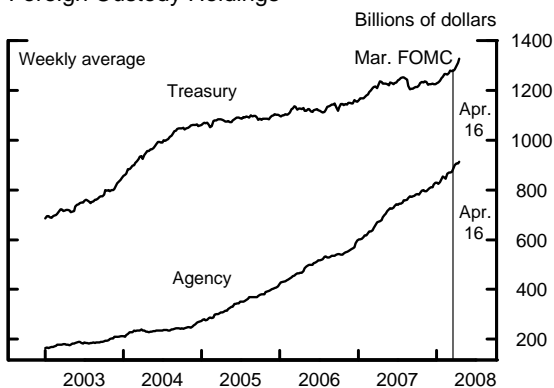
Treasury Finance

Foreign Participation in Treasury Auctions



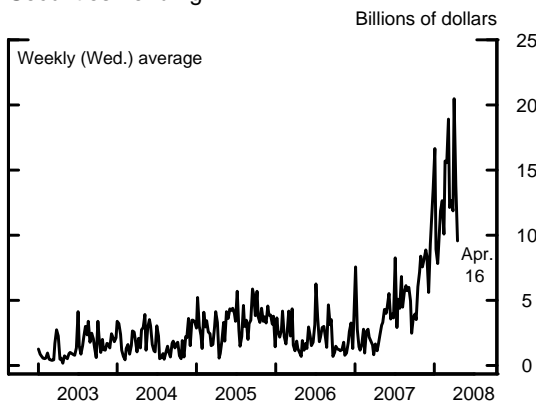
Note. Indirect bids and actual allotment are a percentage of the total amount accepted, including the amount tendered to the Federal Reserve. Moving averages include 2-, 5-, and 10-year original auctions and reopenings.

Foreign Custody Holdings



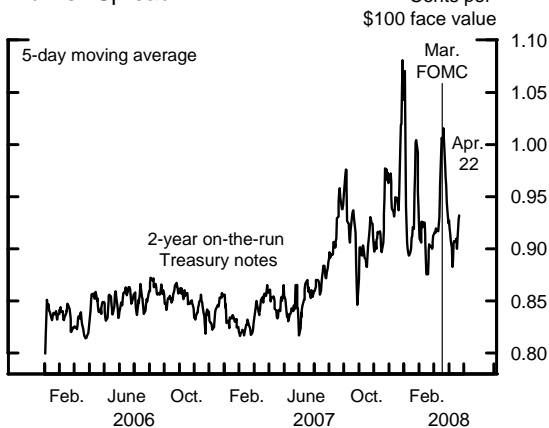
Note. Securities held in custody at the Federal Reserve Bank of New York on behalf of foreign official institutions.

Securities Lending



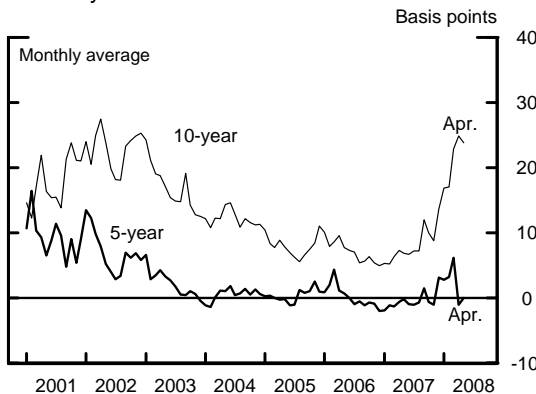
Note. Volume of securities lent to market participants from the System Open Market Account portfolio through the overnight facility.

Bid-Ask Spread



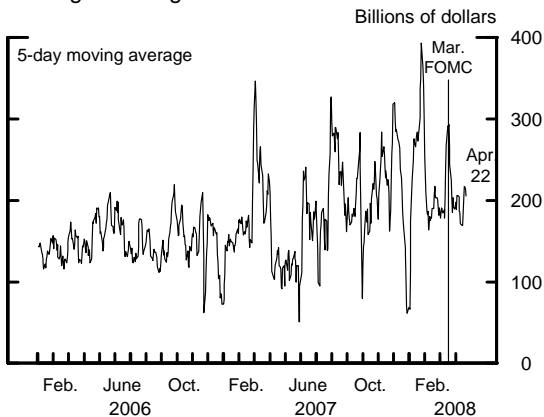
Source. BrokerTec Interdealer Market Data.

Treasury On-the-Run Premiums



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

Average Trading Volume



Note. 5-day moving average of daily trading volume in 2-, 5-, and 10-year on-the-run coupon securities in interdealer market. Source. BrokerTec Interdealer Market Data.

State and Local Government Finance

Gross Offerings of Municipal Securities

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

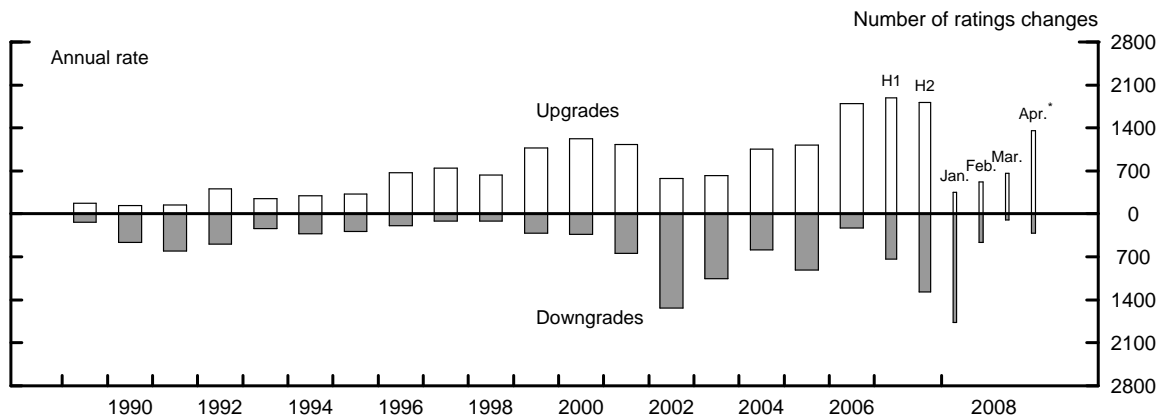
Type of security	2004	2005	2006	2007	2008			
					Jan.	Feb.	Mar.	Apr. ^p
Total	34.7	38.4	36.1	40.3	21.1	22.2	42.5	37.0
Long-term ¹	29.8	34.2	32.5	35.5	19.4	21.2	41.1	36.0
Refundings ²	10.8	15.6	10.6	12.5	3.9	6.3	19.9	18.0
New capital	19.0	18.6	21.9	23.0	15.4	14.9	21.2	18.0
Short-term	4.9	4.2	3.7	4.9	1.7	.9	1.4	1.0
Memo: Long-term taxable	2.0	2.1	2.5	2.4	1.0	.9	3.5	3.0

1. Includes issues for public and private purposes.

2. All issues that include any refunding bonds.

p Based on preliminary data through April 17, 2008.

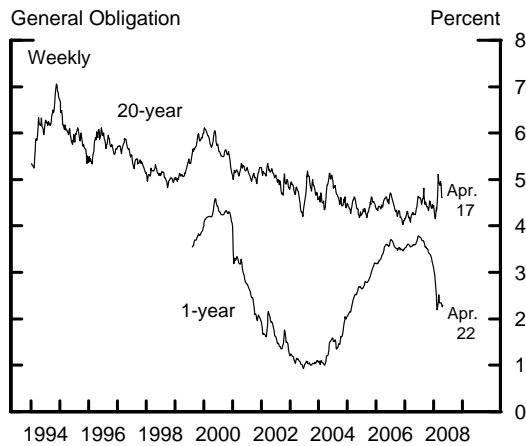
Ratings Changes



* Staff estimate based on data through April 16, 2008.

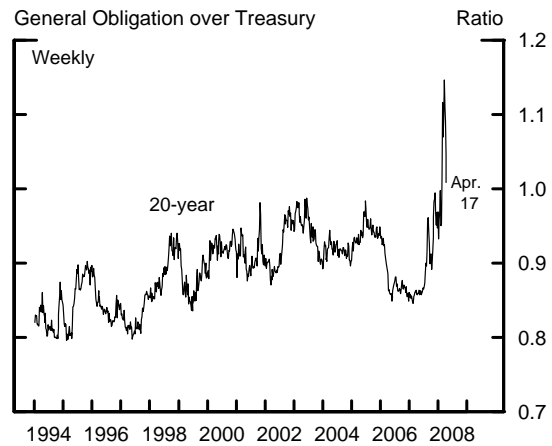
Source: S&P's Credit Week Municipal and Ratings Direct.

Municipal Bond Yields



Source: Municipal Market Advisors and Bond Buyer.

Municipal Bond Yield Ratio



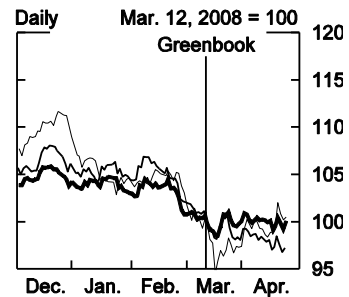
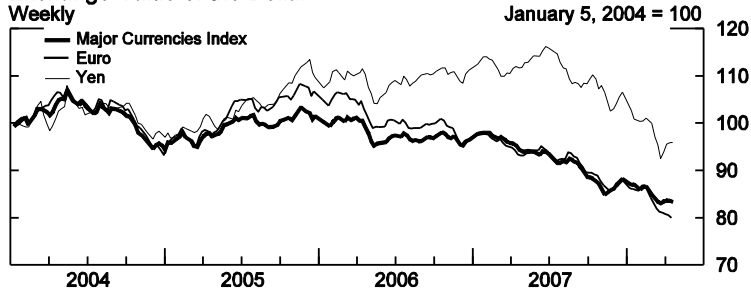
Source: Bond Buyer.

Exchange Value of the Dollar and Stock Market Indexes

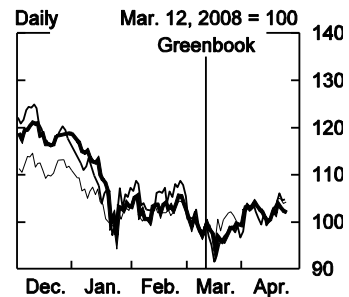
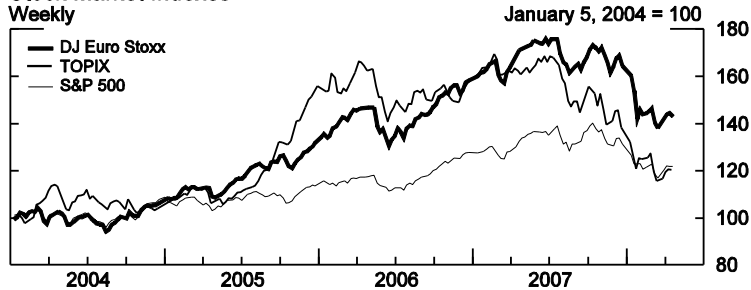
	Latest	Percent change since March Greenbook
<i>Exchange rates*</i>		
Euro (\$/euro)	1.5941	-2.8
Yen (¥/\$)	103.0	0.6
Sterling (\$/£)	1.9825	1.9
Canadian dollar (C\$/\\$)	1.0202	3.1
<i>Nominal dollar indexes*</i>		
Broad index	95.2	-0.5
Major currencies index	70.3	0.1
OITP index	122.4	-1.3
<i>Stock market indexes</i>		
DJ Euro Stoxx	356.9	2.3
TOPIX	1314.4	4.7
FTSE 100	6018.9	4.2
S&P 500	1378.4	4.4

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

Exchange Value of the Dollar



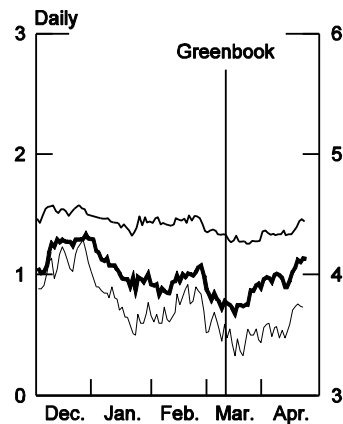
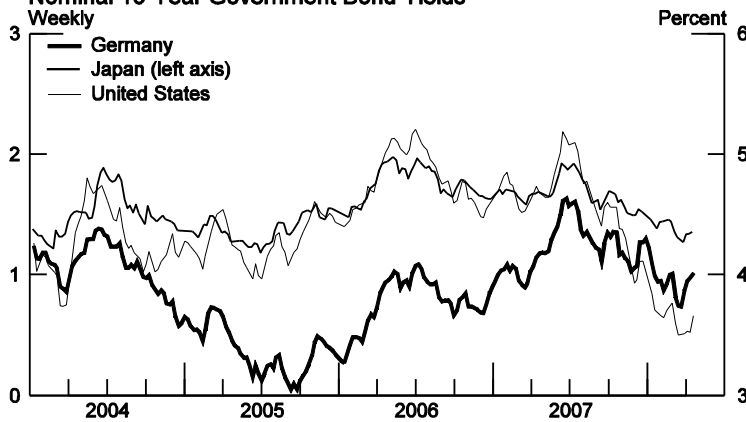
Stock Market Indexes



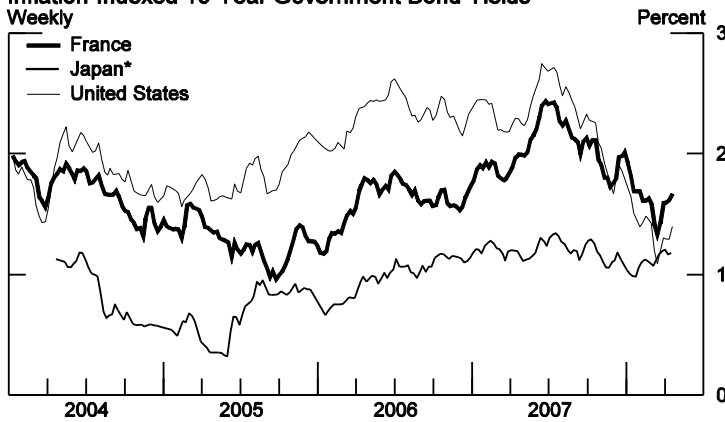
Industrial Countries: Nominal and Real Interest Rates

	3-month LIBOR		10-year nominal		10-year indexed		Percent
	Latest	Change since March Greenbook	Latest	Change since March Greenbook	Latest	Change since March Greenbook	
Germany	4.83	0.23	4.15	0.37	1.79	0.39	
Japan	0.92	-0.06	1.44	0.11	1.21	0.08	
United Kingdom	5.89	0.09	4.67	0.25	1.32	0.20	
Canada	3.50	-0.22	3.65	0.06	...	...
United States	2.92	0.05	3.74	0.14	1.46	0.30	

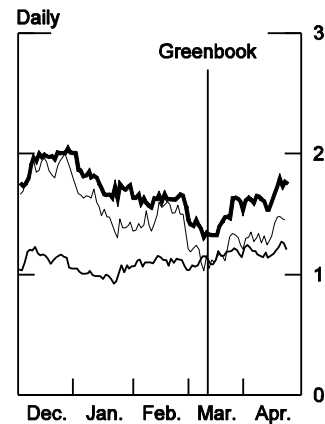
Nominal 10-Year Government Bond Yields
Weekly



Inflation-Indexed 10-Year Government Bond Yields
Weekly



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

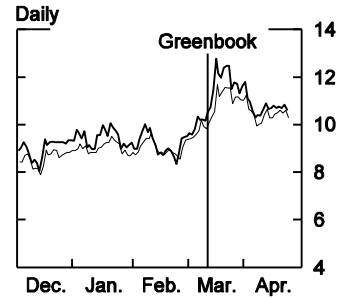


Measures of Market Volatility

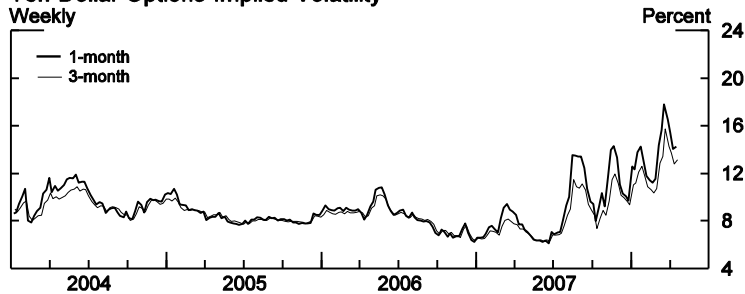
Dollar-Euro Options-Implied Volatility*
Weekly



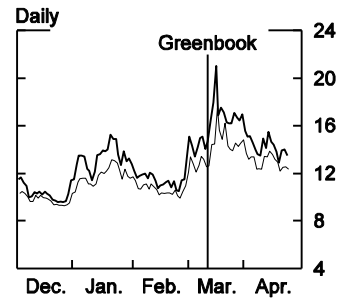
*Derived from at-the-money options.



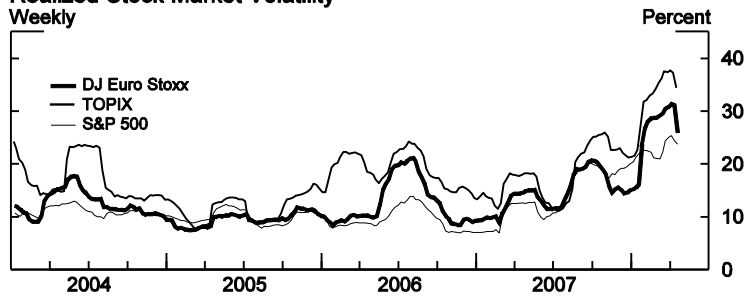
Yen-Dollar Options-Implied Volatility*
Weekly



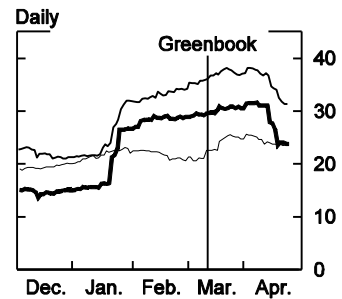
*Derived from at-the-money options.



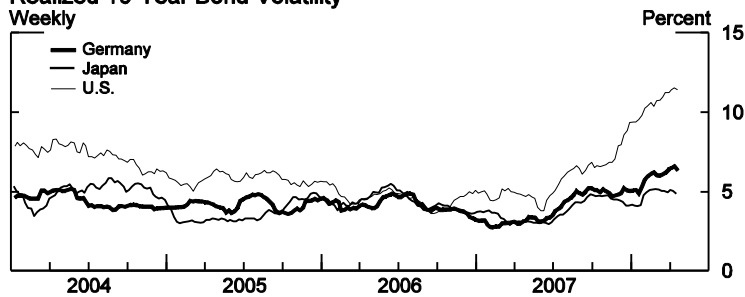
Realized Stock Market Volatility*
Weekly



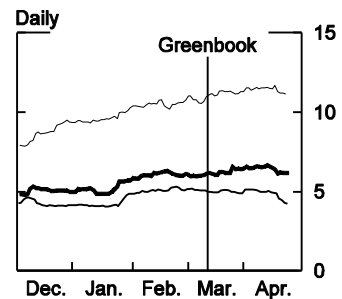
*Annualized standard deviation of 60-day window of daily returns.



Realized 10-Year Bond Volatility*
Weekly



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

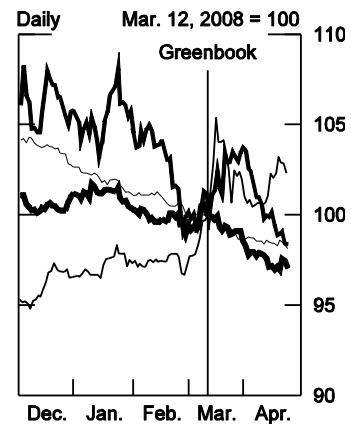
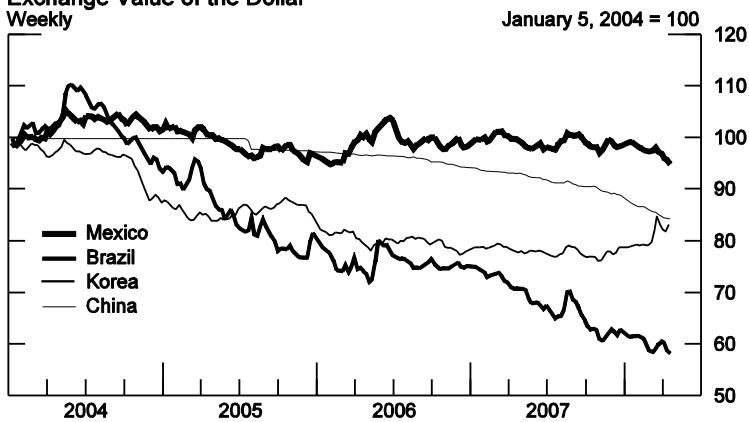


Emerging Markets: Exchange Rates and Stock Market Indexes

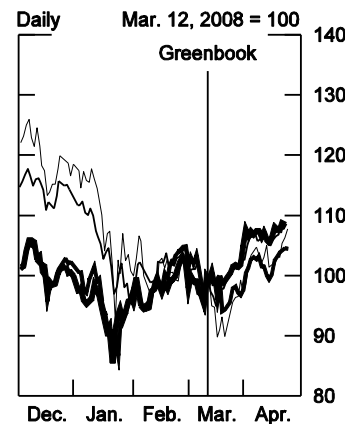
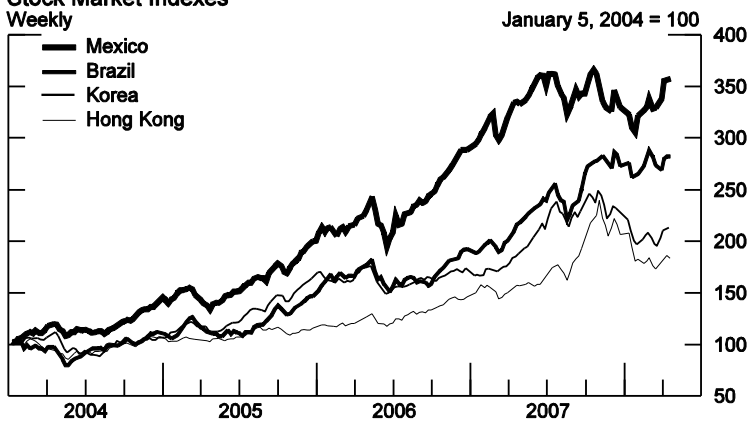
	Exchange value of the dollar		Stock market index	
	Latest	Percent change since March Greenbook*	Latest	Percent change since March Greenbook
Mexico	10.4685	-2.9	32040	8.7
Brazil	1.6540	-1.6	65321	4.7
Venezuela	2.14	-0.1	37929	11.0
China	6.9738	-1.8	3278	-19.5
Hong Kong	7.7949	0.1	25289	8.0
Korea	991.5	2.3	1801	8.6
Taiwan	30.29	-1.3	9008	6.8
Singapore	1.3497	-2.6	940	0.0
Thailand	31.42	-0.4	838	1.3

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

Exchange Value of the Dollar
Weekly



Stock Market Indexes
Weekly



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

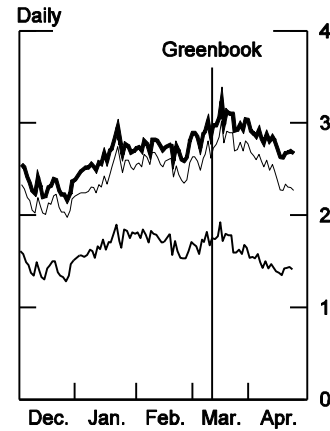
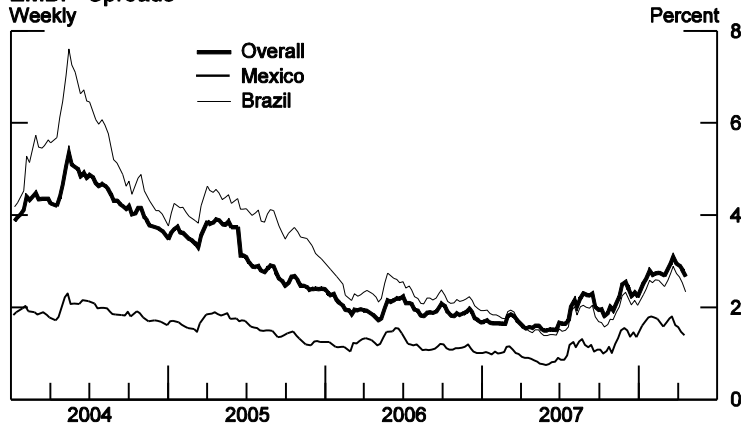
	Short-term interest rates*		Dollar-denominated bond spreads**		Percent
	Latest	Change since March Greenbook	Latest	Change since March Greenbook	
Mexico	7.34	0.00	1.41	-0.26	
Brazil	11.87	0.77	2.28	-0.35	
Argentina	9.88	0.25	5.75	0.81	
China	...	...	1.57	0.32	
Korea	5.10	0.00	...	...
Taiwan	2.58	0.02	...	...
Singapore	3.50	0.00	...	...
Hong Kong	1.66	-0.44	...	...

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

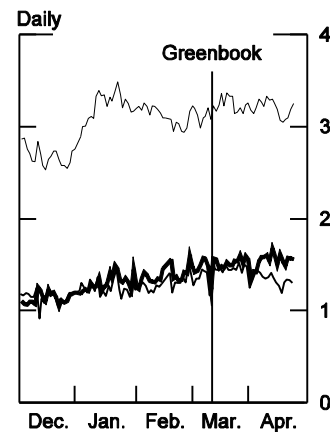
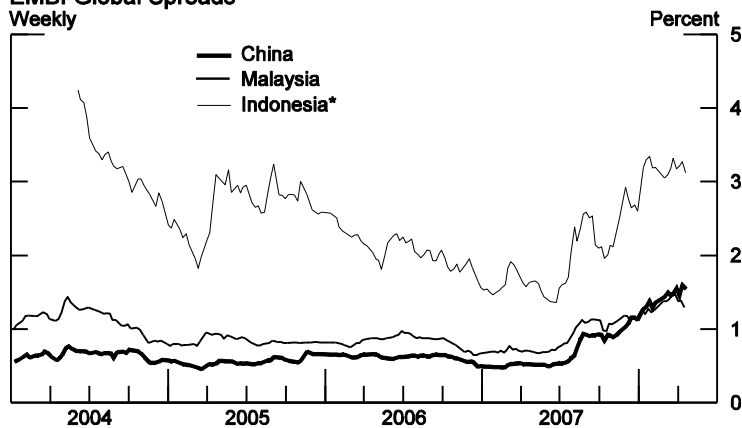
**EMBI+ or EMBI Global Spreads over similar-maturity U.S. Treasuries.

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

EMBI+ Spreads
Weekly



EMBI Global Spreads
Weekly



*Begins May 2004.

April 25, 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

April 25, 2008

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

Category	2007				2008				
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ^P	Apr. ^F
Composite of current and expected conditions ¹	83.4	80.9	76.1	75.5	78.4	70.8	69.5	63.2	62.6
Current conditions ¹	97.9	97.6	91.5	91.0	94.4	83.8	84.2	78.4	77.0
Expected conditions ¹	74.1	70.1	66.2	65.6	68.1	62.4	60.1	53.4	53.3
Personal financial situation									
Now compared with 12 months ago ²	109	111	101	98	98	94	93	87	86
Expected in 12 months ²	119	119	115	112	116	112	112	97	100
Expected business conditions									
Next 12 months ²	82	78	73	68	68	54	46	42	40
Next 5 years ²	96	84	76	81	88	83	81	72	71
Appraisal of buying conditions									
Cars	139	128	117	117	119	119	114	112	110
Large household appliances ²	144	142	136	137	146	123	124	115	112
Houses	123	131	122	128	124	140	129	135	136
Expected unemployment change - next 12 months	127	130	128	139	141	141	148	155	154
Prob. household will lose a job - next 5 years	21	21	19	23	21	24	22	24	23
Expected inflation - next 12 months									
Mean	4.0	3.7	4.3	4.4	4.0	3.9	4.6	5.6	5.7
Median	3.1	3.1	3.4	3.4	3.4	3.6	4.3	4.8	4.8
Expected inflation - next 5 to 10 years									
Mean	3.4	3.1	3.4	3.5	3.4	3.4	3.2	3.4	3.5
Median	2.9	2.8	2.9	3.1	3.0	3.0	2.9	3.1	3.2

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.

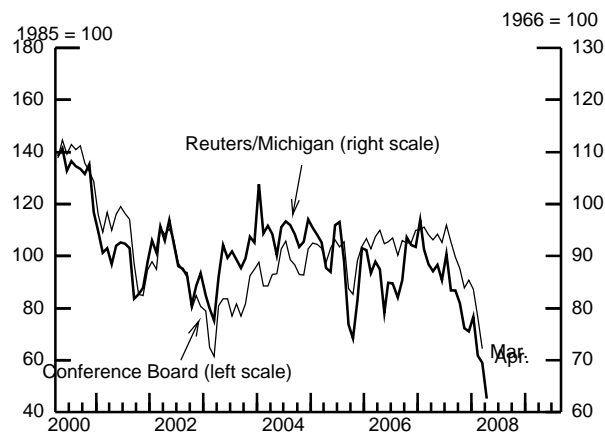
P Preliminary.

F Final.

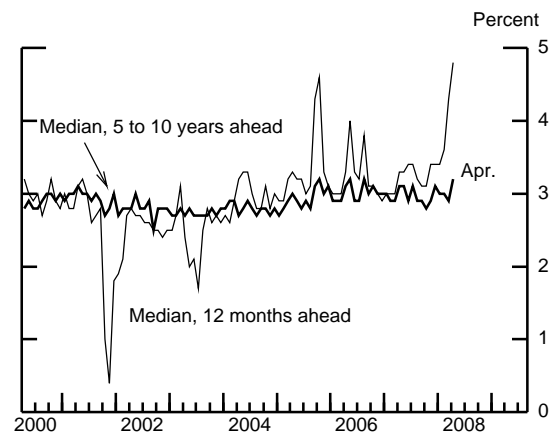
1. Feb. 1966 = 100.

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

Consumer sentiment

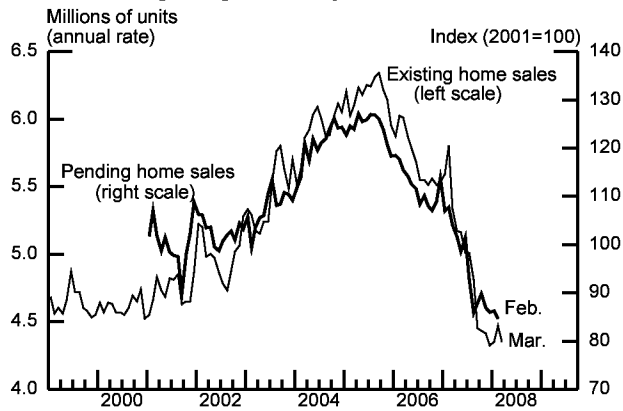


Expected inflation



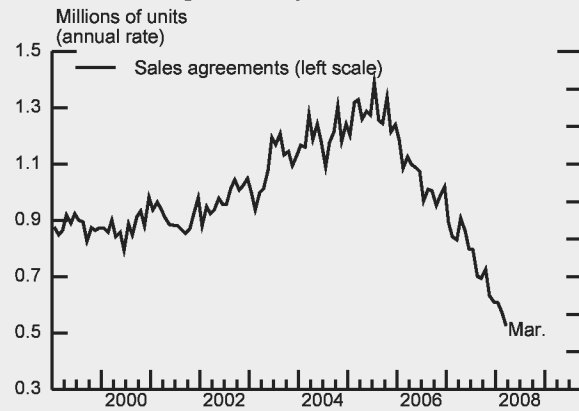
Indicators of Single-Family Housing

Existing Single-Family Home Sales



Source. National Association of Realtors.

New Single-Family Home Sales



Note:

Source. for sales agreements, Census Bureau

Content partially redacted.

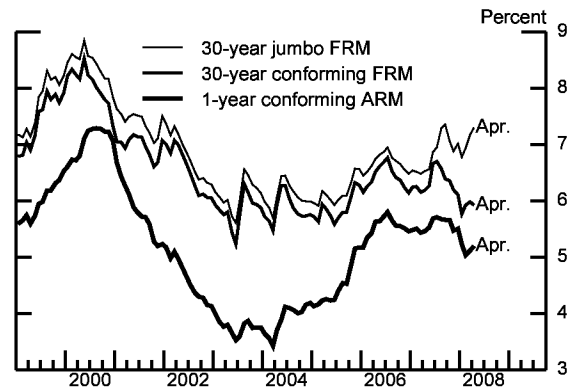
New Home Sales Months' Supply



Note. supply is calculated using the 3-month moving average of sales.
Source. for months' supply, Census Bureau.

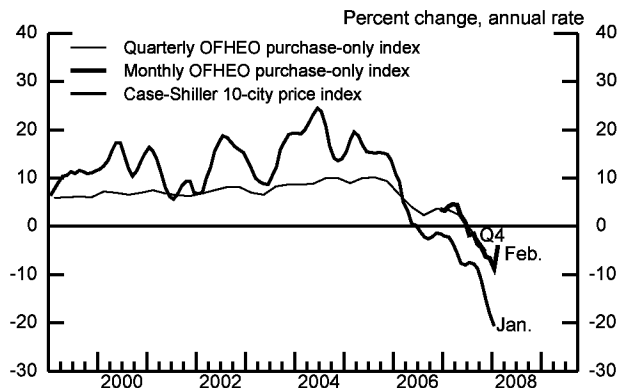
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Mortgage Rates



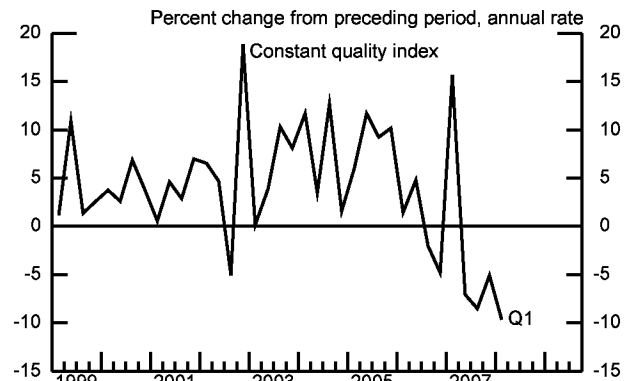
Note. The Apr. readings are for data through Apr. 23, 2008.
Source. Conforming rates are from Freddie Mac. The jumbo rate is the sum of the 30-year conforming FRM rate and the jumbo conforming spread from bankrate.com.

Prices of Existing Homes



Note. The Case-Shiller and monthly OFHEO indexes are 3-month percent changes.
Source. For purchase-only indexes, OFHEO; for Case-Shiller, Chicago Mercantile Exchange.

Price of New Homes



Source. Census Bureau.

Commercial Bank Credit

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

Type of credit	H1 2007	Q3 2007	Q4 2007	Q1 2008	Mar. 2008	Apr. 2008 ^e	Level ¹ Apr. 2008 ^e
Total	11.1	12.4	9.5	6.7	13.4	-6.4	8,978
<i>Loans²</i>							
Total	11.2	11.7	10.5	9.8	8.4	.2	6,798
To businesses							
Commercial and industrial	25.1	21.4	27.3	15.9	19.9	11.5	1,481
Commercial real estate	9.8	10.4	9.1	9.4	13.1	7.4	1,631
To households							
Residential real estate	-1.4	2.6	-5.4	5.4	14.0	4.5	1,889
Revolving home equity	6.4	5.4	7.3	10.8	18.5	16.0	500
Other	-4.0	1.7	-9.6	3.5	12.5	.4	1,389
Consumer	10.8	10.7	10.6	7.4	4.6	7.7	817
Originated ³	9.4	10.1	8.4	7.8	4.0	8.6	1,228
Other ⁴	20.8	19.7	21.0	12.1	-21.8	-41.5	981
<i>Securities</i>							
Total	10.7	14.8	6.3	-2.5	29.0	-26.6	2,180
Treasury and agency	-5.0	7.7	-17.5	-6.8	43.2	-14.6	1,115
Other ⁵	29.9	23.4	34.4	2.0	14.9	-38.9	1,066

Note. Yearly annual rates are Q4 to Q4; quarterly and monthly annual rates use corresponding average levels. Data have been adjusted to remove the effects of mark-to-market accounting rules (FIN 39 and FAS 115), the initial consolidation of certain variable interest entities (FIN 46), the initial adoption of fair value accounting (FAS 159), and the effects of sizable thrift-to-bank and bank-to-thrift structure activity in October 2006, March 2007, and October 2007. Data also account for breaks caused by reclassifications.

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

2. Excludes interbank loans.

3. Includes an estimate of outstanding loans securitized by commercial banks.

4. Includes security loans and loans to farmers, state and local governments, and all others not elsewhere classified. Also includes lease financing receivables.

5. Includes private mortgage-backed securities, securities of corporations, state and local governments, foreign governments, and any trading account assets that are not Treasury or agency securities, including revaluation gains on derivative contracts.

e Estimated.