

## **Part 1**

January 20, 2010

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Summary and Outlook**

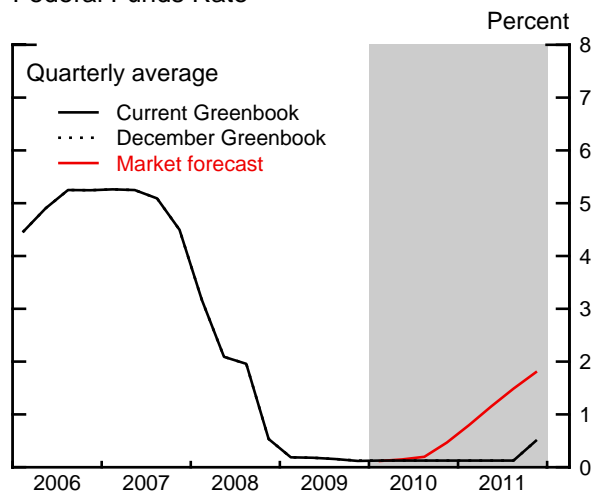
January 20, 2010

## **Summary and Outlook**

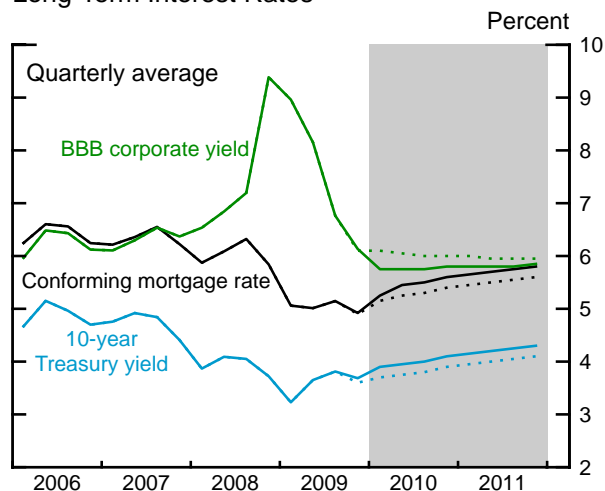
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## Key Background Factors Underlying the Baseline Staff Projection

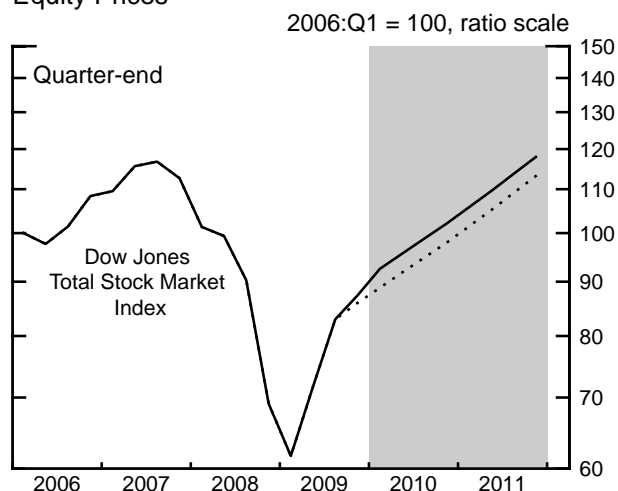
Federal Funds Rate



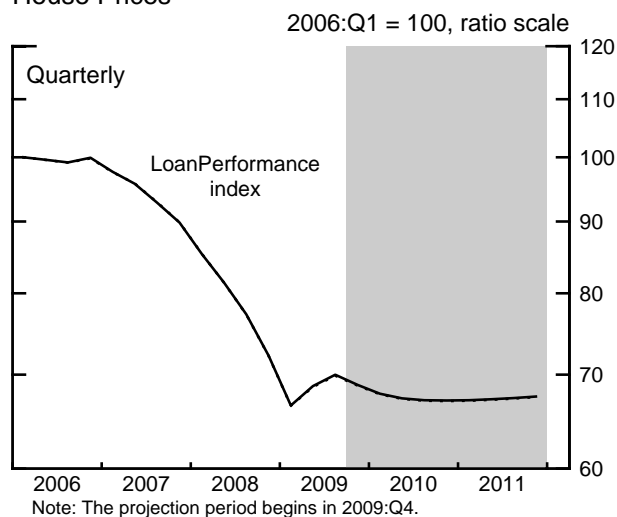
Long-Term Interest Rates



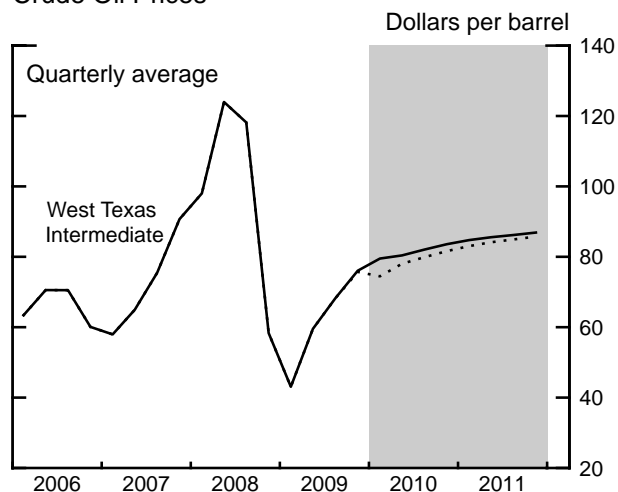
Equity Prices



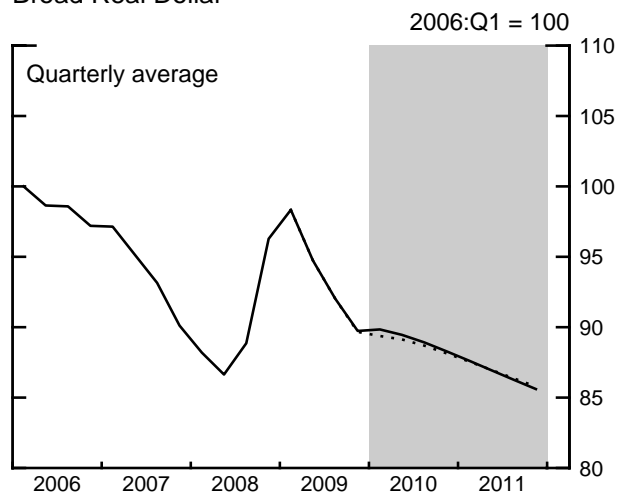
House Prices



Crude Oil Prices



Broad Real Dollar



Note: In each panel, shading represents the projection period, which begins in 2010:Q1, except where noted. In the upper-left panel that reports the federal funds rate, the dashed line is not apparent because the paths of the federal funds rate in the December and current Greenbooks are the same.

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

| Measure   | 2009:Q4                                    |                   | 2010:Q1            |                   |
|---|--|-------------------|--------------------|-------------------|
|   | December Greenbook                         | January Greenbook | December Greenbook | January Greenbook |
| <b>Real GDP</b>                                   | <b>3.8</b>                                 | <b>5.3</b>        | <b>3.6</b>         | <b>2.8</b>        |
| Private domestic final purchases                  | 1.2  | 1.9               | 2.6                | 2.5               |
| Personal consumption expenditures                 | 1.9  | 2.1               | 2.7                | 2.7               |
| Residential investment                            | 8.1  | 4.0               | 8.7                | 1.3               |
| Nonresidential structures                         | -25.8                                      | -22.4             | -10.7              | -13.8             |
| Equipment and software                            | 5.9  | 12.4              | 5.5                | 8.4               |
| Government outlays for consumption and investment | .6   | -1.2              | 4.1                | 4.4               |
|   | Contribution to growth (percentage points) |                   |                    |                   |
| Inventory investment                              | 2.3  | 3.7               | 1.0                | .3                |
| Net exports                                       | .4   | .2                | -.4                | -.5               |

current quarter. Apart from motor vehicles, manufacturing IP rose at an annual rate of 5 percent last quarter as firms boosted production to meet rising export demand and to slow the pace of business inventory liquidation. We expect factory output to post another solid increase in the first quarter, in line with the pattern of new orders and other forward-looking indicators.

Consumer spending appears to have ended 2009 on a reasonably positive note. Sales of light vehicles rose to an annual rate of 11¼ million units in December, their highest level since the end of last summer's "cash for clunkers" program. And although retail sales of non-auto goods ticked down last month, that decline followed a strong, upwardly revised gain in November; in addition, spending in December may have been held down by bad weather in some regions. With the fundamentals continuing to improve modestly, we expect real PCE growth to pick up from an annual rate of 2 percent in the fourth quarter to 2¾ percent in the current quarter.

The recovery in the housing sector lost some steam toward the end of last year. On the demand side, sales of new homes fell sharply in November after several months of little change, and although sales of existing homes recorded dramatic gains over the autumn, a steep drop in pending sales in November suggests that much of this increase was transitory, perhaps partly reflecting sales that were pulled forward in anticipation of the presumed expiration of the tax credit for first-time homebuyers. Meanwhile, despite a

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

| Measure                           | 2009:<br>H2                                   | 2010:<br>H1 | 2010       | 2011       |
|-----------------------------------|---|-------------|------------|------------|
| <b>Real GDP</b>                   | <b>3.8</b>                                    | <b>3.3</b>  | <b>3.6</b> | <b>4.7</b> |
| Previous Greenbook                | 3.1   | 3.5         | 3.6        | 4.5        |
| Final sales                       | 1.5   | 2.9         | 3.2        | 4.4        |
| Previous Greenbook                | 1.6   | 2.7         | 2.9        | 4.0        |
| Personal consumption expenditures | 2.4   | 2.7         | 2.8        | 3.7        |
| Previous Greenbook                | 2.4   | 2.5         | 2.6        | 3.4        |
| Residential investment            | 11.2  | 7.1         | 5.4        | 24.8       |
| Previous Greenbook                | 13.4  | 13.2        | 9.9        | 20.2       |
| Nonresidential structures         | -20.4   | -8.0        | -3.1       | 1.1        |
| Previous Greenbook                | -22.4   | -7.8        | -3.8       | 1.1        |
| Equipment and software            | 6.8   | 10.7        | 12.9       | 14.4       |
| Previous Greenbook                | 4.1   | 6.8         | 10.7       | 14.6       |
| Government purchases              | .7  | 3.5         | 2.5        | 1.3        |
| Previous Greenbook                | 1.7   | 3.1         | 1.9        | .9         |
| Exports                           | 17.6  | 9.3         | 9.5        | 9.3        |
| Previous Greenbook                | 14.5  | 9.0         | 9.3        | 8.9        |
| Imports                           | 16.5  | 9.6         | 8.8        | 8.3        |
| Previous Greenbook                | 13.5  | 8.5         | 8.0        | 7.5        |
|                                   | Contribution to growth<br>(percentage points) |             |            |            |
| Inventory change                  | 2.2   | .4          | .4         | .4         |
| Previous Greenbook                | 1.5   | .8          | .7         | .5         |
| Net exports                       | -.3   | -.3         | -.2        | -.1        |
| Previous Greenbook                | -.3   | -.2         | -.1        | -.1        |

remain in the neighborhood of 4 percent through the end of 2011, similar to its level in the fourth quarter of 2009.

Although we have lowered the starting point for the housing projection, we still expect activity in this sector to pick up gradually in coming quarters. Stronger gains in real

**Decomposition of Structural Labor Productivity**  
**Nonfarm Business Sector**

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

| Measure                              | 1974-95    | 1996-2000  | 2001-07    | 2008       | 2009       | 2010       | 2011       |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Structural labor productivity</b> | <b>1.5</b> | <b>2.5</b> | <b>2.7</b> | <b>2.3</b> | <b>2.6</b> | <b>1.7</b> | <b>2.0</b> |
| Previous Greenbook                   | 1.5        | 2.5        | 2.7        | 2.3        | 2.5        | 1.6        | 1.9        |
| <i>Contributions<sup>1</sup></i>     |            |            |            |            |            |            |            |
| Capital deepening                    | .7         | 1.4        | .7         | .5         | -.0        | .1         | .6         |
| Previous Greenbook                   | .7         | 1.4        | .7         | .5         | -.0        | -.1        | .5         |
| Multifactor productivity             | .5         | .7         | 1.7        | 1.6        | 2.4        | 1.5        | 1.4        |
| Previous Greenbook                   | .5         | .7         | 1.7        | 1.6        | 2.4        | 1.6        | 1.4        |
| Labor composition                    | .3         | .3         | .3         | .2         | .2         | .1         | .1         |
| MEMO                                 |            |            |            |            |            |            |            |
| Potential GDP                        | 3.0        | 3.4        | 2.7        | 2.7        | 2.7        | 2.2        | 2.5        |
| Previous Greenbook                   | 3.0        | 3.4        | 2.7        | 2.7        | 2.7        | 2.1        | 2.4        |

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

1. Percentage points.

**The Outlook for the Labor Market**  
(Percent change, Q4 to Q4, except as noted)

| Measure                                     | 2008 | 2009 | 2010 | 2011 |
|---|------|------|------|------|
| Output per hour, nonfarm business           | .9   | 5.1  | .8   | 1.1  |
| Previous Greenbook                          | .9   | 4.7  | .9   | 1.0  |
| Nonfarm private payroll employment          | -2.1 | -4.2 | 2.3  | 3.6  |
| Previous Greenbook                          | -2.1 | -4.2 | 2.1  | 3.5  |
| Household survey employment                 | -1.5 | -4.0 | 1.6  | 2.3  |
| Previous Greenbook                          | -1.5 | -3.9 | 1.4  | 2.2  |
| Labor force participation rate <sup>1</sup> | 65.9 | 64.9 | 64.8 | 64.7 |
| Previous Greenbook                          | 65.9 | 65.0 | 64.9 | 64.8 |
| Civilian unemployment rate <sup>1</sup>     | 6.9  | 10.0 | 9.5  | 8.2  |
| Previous Greenbook                          | 6.9  | 10.1 | 9.6  | 8.3  |
| MEMO  |      |      |      |      |
| GDP gap <sup>2</sup>                        | -4.8 | -7.3 | -6.0 | -3.9 |
| Previous Greenbook                          | -4.8 | -7.6 | -6.2 | -4.2 |

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.

average in 2011. The unemployment rate is expected to remain in the neighborhood of 10 percent through mid-2010 and then to decline to 9½ percent by the end of 2010 and to 8¼ percent by the end of 2011.

**Prices and labor costs.** As in the December Greenbook, we expect core PCE prices to rise 1.2 percent in 2010 and 1.1 percent in 2011, after an increase of 1.5 percent in 2009. The basic story is unchanged—namely that while the substantial slack in resource utilization will continue to exert downward pressure on inflation over the projection period, that influence will be muted by the continuing stability of long-run inflation

### Inflation Projections

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

| Measure   | 2008 | 2009 | 2010 | 2011 |
|---|------|------|------|------|
| PCE chain-weighted price index                                | 1.7  | 1.3  | 1.4  | 1.1  |
| Previous Greenbook  | 1.7  | 1.3  | 1.3  | 1.2  |
| Food and beverages  | 6.8  | -1.6 | 1.6  | .7   |
| Previous Greenbook  | 6.8  | -1.6 | 1.3  | .7   |
| Energy  | -9.1 | 3.3  | 5.6  | 2.8  |
| Previous Greenbook  | -9.1 | 2.8  | 4.3  | 3.5  |
| Excluding food and energy                                     | 2.0  | 1.5  | 1.2  | 1.1  |
| Previous Greenbook  | 2.0  | 1.5  | 1.2  | 1.1  |
| Consumer price index  | 1.5  | 1.5  | 1.7  | 1.3  |
| Previous Greenbook  | 1.5  | 1.4  | 1.6  | 1.4  |
| Excluding food and energy                                     | 2.0  | 1.7  | 1.3  | 1.2  |
| Previous Greenbook  | 2.0  | 1.8  | 1.3  | 1.2  |
| GDP chain-weighted price index                                | 1.9  | .8   | 1.3  | 1.1  |
| Previous Greenbook  | 1.9  | .8   | 1.3  | 1.1  |
| ECI for compensation of private industry workers <sup>1</sup> | 2.4  | 1.3  | 2.1  | 2.0  |
| Previous Greenbook  | 2.4  | 1.2  | 1.8  | 1.9  |
| Compensation per hour, nonfarm business sector                | 2.6  | 2.4  | 2.4  | 2.2  |
| Previous Greenbook  | 2.6  | 2.4  | 2.0  | 2.0  |
| Prices of core goods imports <sup>2</sup>                     | 3.8  | -1.3 | 2.4  | 1.0  |
| Previous Greenbook  | 3.8  | -1.4 | 1.9  | 1.0  |

1. December to December.

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

- From 2012 to 2014, the foreign exchange value of the dollar is assumed to depreciate 1½ percent per year in real terms. The price of WTI crude oil rises gradually to about \$95 per barrel by the end of 2014, consistent with futures prices. Under these assumptions, movements in the prices of energy and imports have only minor implications for domestic inflation. Foreign real GDP expands about 3¾ percent per year, on average, as foreign output gaps continue to narrow.
- We expect emergency and extended unemployment benefit programs to wind down over 2012, so that the “effective” NAIRU falls from 6¼ percent at the end of 2011 to 5¼ percent by early 2013 and remains there through 2014. Potential GDP is assumed to expand 2½ percent per year, on average, from 2012 to 2014.

The unemployment rate enters 2012 still at a very high level, and inflation is well below the assumed long-run target. Under the assumptions used to construct the baseline extension, the federal funds rate rises steadily, reaching 2¼ percent by the end of 2012 and 3¾ percent in 2014.<sup>4</sup> GDP continues to grow faster than potential, though it decelerates gradually as pent-up demand dissipates and interest rates rise. The unemployment rate falls to near the NAIRU by 2013 and then levels out. Core PCE inflation moves up modestly after 2011 as economic activity recovers and long-run inflation expectations are assumed to remain well anchored.

### The Long-Term Outlook

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

| Measure                                 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|------|------|------|------|------|------|
| Real GDP                                | .0   | 3.6  | 4.7  | 4.5  | 3.8  | 3.3  |
| Civilian unemployment rate <sup>1</sup> | 10.0 | 9.5  | 8.2  | 6.1  | 5.3  | 5.2  |
| PCE prices, total                       | 1.3  | 1.4  | 1.1  | 1.3  | 1.5  | 1.7  |
| Core PCE prices                         | 1.5  | 1.2  | 1.1  | 1.2  | 1.4  | 1.6  |
| Federal funds rate <sup>1</sup>         | .1   | .1   | .5   | 2.2  | 3.4  | 3.8  |

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

<sup>4</sup> In the long-run outlook, the federal funds rate ( $R$ ) follows a simple policy rule of the form  $R = 2.5 + \pi - 1.1(u - u^*) + 0.5(\pi - 2)$ , subject to the zero lower bound constraint. In this expression,  $\pi$  denotes the four-quarter rate of core PCE inflation,  $u$  is the civilian unemployment rate, and  $u^*$  is the staff estimate of the effective NAIRU. The same policy rule is used to set the federal funds rate in the alternative scenarios discussed later.



**Alternative Scenarios**

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

| Measure and scenario                  | 2009 | 2010 | 2011 | 2012 | 2013-14 |
|---------------------------------------|------|------|------|------|---------|
|                                       | H2   |      |      |      |         |
| <i>Real GDP</i>                       |      |      |      |      |         |
| Extended Greenbook baseline           | 3.8  | 3.6  | 4.7  | 4.5  | 3.6     |
| Stronger recovery                     | 3.8  | 5.3  | 5.9  | 4.3  | 2.9     |
| Weaker aggregate demand               | 3.8  | 1.9  | 4.0  | 4.9  | 4.5     |
| Stronger productivity                 | 3.8  | 4.1  | 5.7  | 6.0  | 4.1     |
| Lower potential output                | 3.9  | 3.1  | 4.1  | 4.1  | 3.6     |
| Impaired credibility                  | 3.9  | 2.9  | 3.5  | 3.6  | 3.5     |
| Greater disinflation                  | 3.8  | 3.6  | 4.7  | 5.1  | 4.3     |
| <i>Unemployment rate<sup>1</sup></i>  |      |      |      |      |         |
| Extended Greenbook baseline           | 10.0 | 9.5  | 8.2  | 6.1  | 5.2     |
| Stronger recovery                     | 10.0 | 9.0  | 7.3  | 5.4  | 5.1     |
| Weaker aggregate demand               | 10.0 | 10.1 | 9.1  | 6.9  | 5.2     |
| Stronger productivity                 | 10.0 | 10.5 | 9.8  | 6.8  | 4.9     |
| Lower potential output                | 10.0 | 9.6  | 8.6  | 6.7  | 5.8     |
| Impaired credibility                  | 10.0 | 9.7  | 8.9  | 7.2  | 6.3     |
| Greater disinflation                  | 10.0 | 9.5  | 8.2  | 5.9  | 4.5     |
| <i>Core PCE inflation</i>             |      |      |      |      |         |
| Extended Greenbook baseline           | 1.4  | 1.2  | 1.1  | 1.2  | 1.5     |
| Stronger recovery                     | 1.4  | 1.2  | 1.1  | 1.2  | 1.6     |
| Weaker aggregate demand               | 1.4  | 1.1  | .9   | 1.0  | 1.3     |
| Stronger productivity                 | 1.4  | 1.0  | .4   | .4   | 1.1     |
| Lower potential output                | 1.4  | 1.5  | 1.4  | 1.5  | 1.8     |
| Impaired credibility                  | 1.4  | 1.6  | 2.1  | 2.3  | 2.5     |
| Greater disinflation                  | 1.4  | .9   | .3   | .0   | .2      |
| <i>Federal funds rate<sup>1</sup></i> |      |      |      |      |         |
| Extended Greenbook baseline           | .1   | .1   | .5   | 2.2  | 3.8     |
| Stronger recovery                     | .1   | .1   | 1.5  | 3.0  | 4.1     |
| Weaker aggregate demand               | .1   | .1   | .1   | 1.1  | 3.5     |
| Stronger productivity                 | .1   | .1   | .1   | .3   | 3.7     |
| Lower potential output                | .1   | .1   | 1.0  | 2.5  | 4.3     |
| Impaired credibility                  | .1   | .1   | 1.6  | 3.1  | 4.7     |
| Greater disinflation                  | .1   | .1   | .1   | .6   | 2.6     |

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

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

| Measure   | 2009      | 2010     | 2011    | 2012    | 2013    | 2014    |
|---|-----------|----------|---------|---------|---------|---------|
| <i>Real GDP</i><br>(percent change, Q4 to Q4)                                 |           |          |         |         |         |         |
| Projection  | .0        | 3.6      | 4.7     | 4.5     | 3.8     | 3.3     |
| Confidence interval   |           |          |         |         |         |         |
| Greenbook forecast errors   | -.2-.2    | 2.0-5.2  | 3.1-6.4 | ...     | ...     | ...     |
| FRB/US stochastic simulations   | -.2-.2    | 2.3-5.2  | 2.9-6.5 | 2.5-6.5 | 1.7-6.0 | 1.1-5.5 |
| <i>Civilian unemployment rate</i><br>(percent, Q4)                            |           |          |         |         |         |         |
| Projection  | 10.0      | 9.5      | 8.2     | 6.1     | 5.3     | 5.2     |
| Confidence interval   |           |          |         |         |         |         |
| Greenbook forecast errors   | 10.0-10.0 | 8.9-10.1 | 7.3-9.1 | ...     | ...     | ...     |
| FRB/US stochastic simulations   | 10.0-10.1 | 8.9-10.1 | 7.3-9.0 | 5.1-7.1 | 4.2-6.4 | 4.1-6.3 |
| <i>PCE prices, total</i><br>(percent change, Q4 to Q4)                        |           |          |         |         |         |         |
| Projection  | 1.3       | 1.4      | 1.1     | 1.3     | 1.5     | 1.7     |
| Confidence interval   |           |          |         |         |         |         |
| Greenbook forecast errors   | 1.2-1.4   | .4-2.4   | .0-2.2  | ...     | ...     | ...     |
| FRB/US stochastic simulations   | 1.2-1.4   | .6-2.3   | .2-2.1  | .2-2.4  | .5-2.7  | .6-2.8  |
| <i>PCE prices excluding<br/>food and energy</i><br>(percent change, Q4 to Q4) |           |          |         |         |         |         |
| Projection  | 1.5       | 1.2      | 1.1     | 1.2     | 1.4     | 1.6     |
| Confidence interval   |           |          |         |         |         |         |
| Greenbook forecast errors   | 1.3-1.6   | .6-1.7   | .2-1.9  | ...     | ...     | ...     |
| FRB/US stochastic simulations   | 1.4-1.5   | .6-1.8   | .3-1.8  | .4-2.0  | .7-2.3  | .9-2.5  |
| <i>Federal funds rate</i><br>(percent, Q4)                                    |           |          |         |         |         |         |
| Projection  | .1        | .1       | .5      | 2.2     | 3.4     | 3.8     |
| Confidence interval   |           |          |         |         |         |         |
| FRB/US stochastic simulations   | .1-.1     | .1-.7    | .1-2.1  | .7-3.9  | 2.0-5.1 | 2.4-5.4 |

Notes: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969-2008 set of model equation residuals.

Intervals derived from Greenbook forecast errors are based on projections made from 1979-2008, except for PCE prices excluding food and energy, where the sample is 1981-2008.

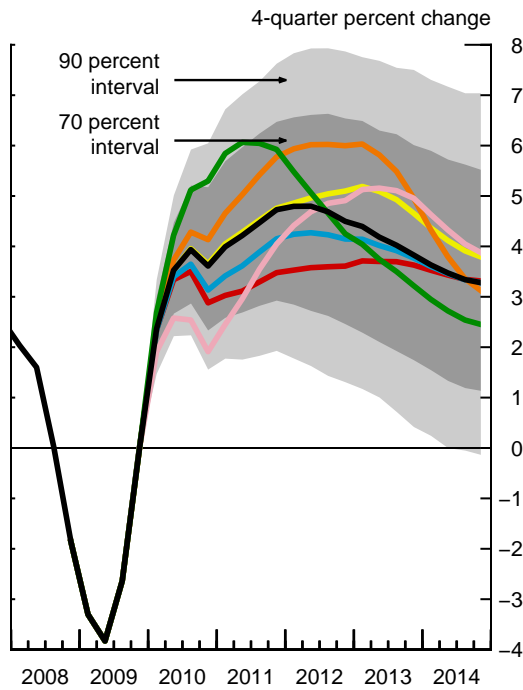
... Not applicable. The Greenbook forecast horizon has typically extended about two years.

## Forecast Confidence Intervals and Alternative Scenarios

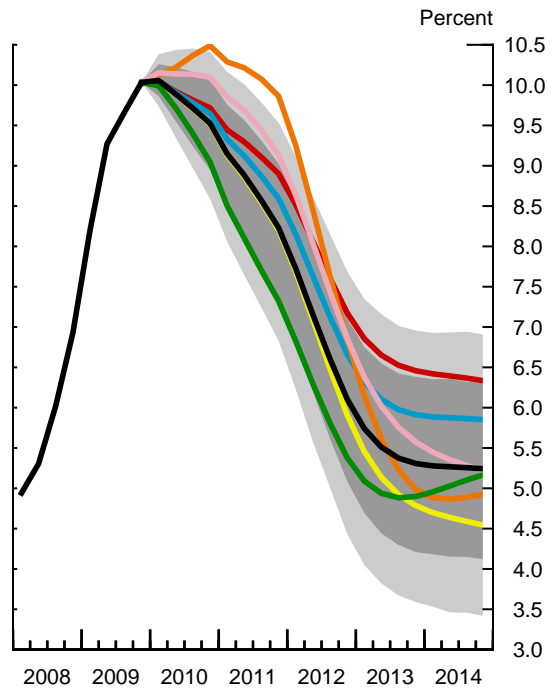
Confidence Intervals Based on FRB/US Stochastic Simulations

- |                               |                          |                        |
|-------------------------------|--------------------------|------------------------|
| ■ Extended Greenbook baseline | ■ Stronger productivity  | ■ Impaired credibility |
| ■ Stronger recovery           | ■ Lower potential output | ■ Greater disinflation |
| ■ Weaker aggregate demand     |                          |                        |

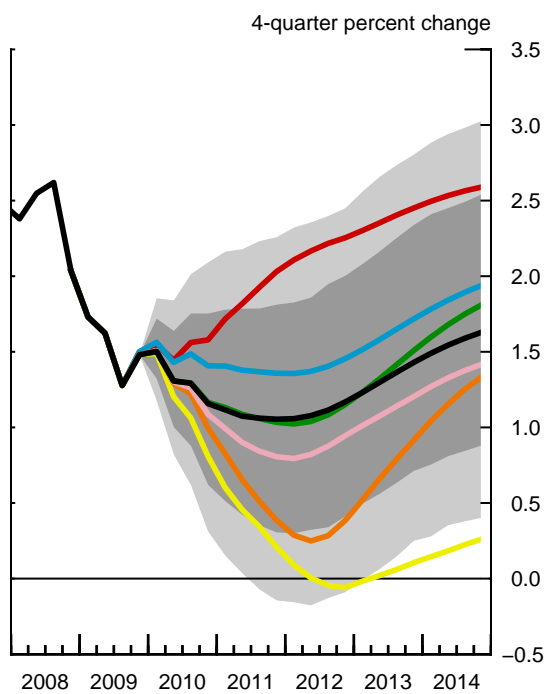
Real GDP



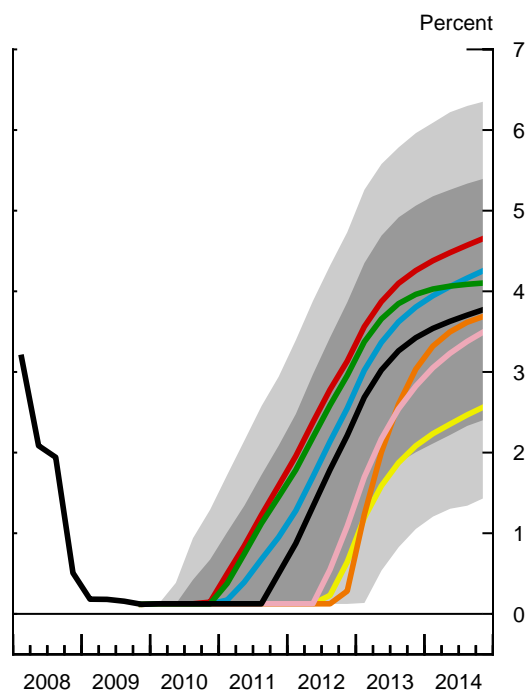
Unemployment Rate



PCE Prices excluding Food and Energy

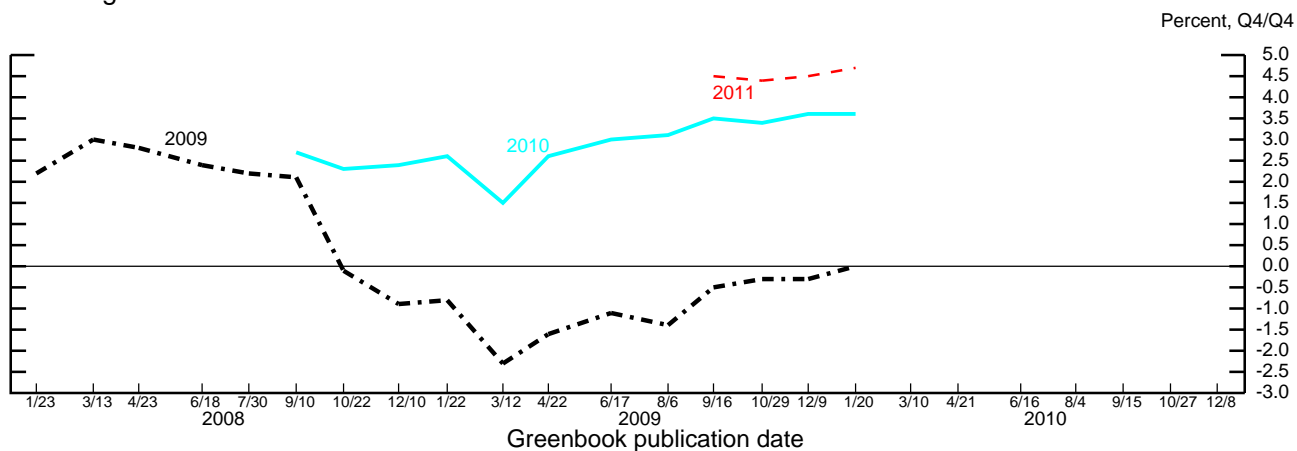


Federal Funds Rate

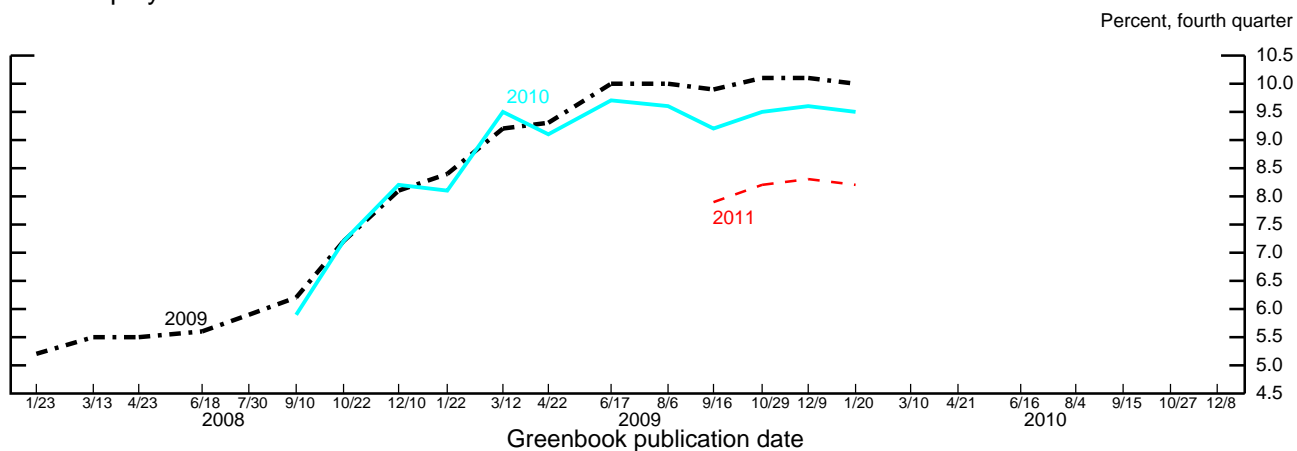


## Evolution of the Staff Forecast

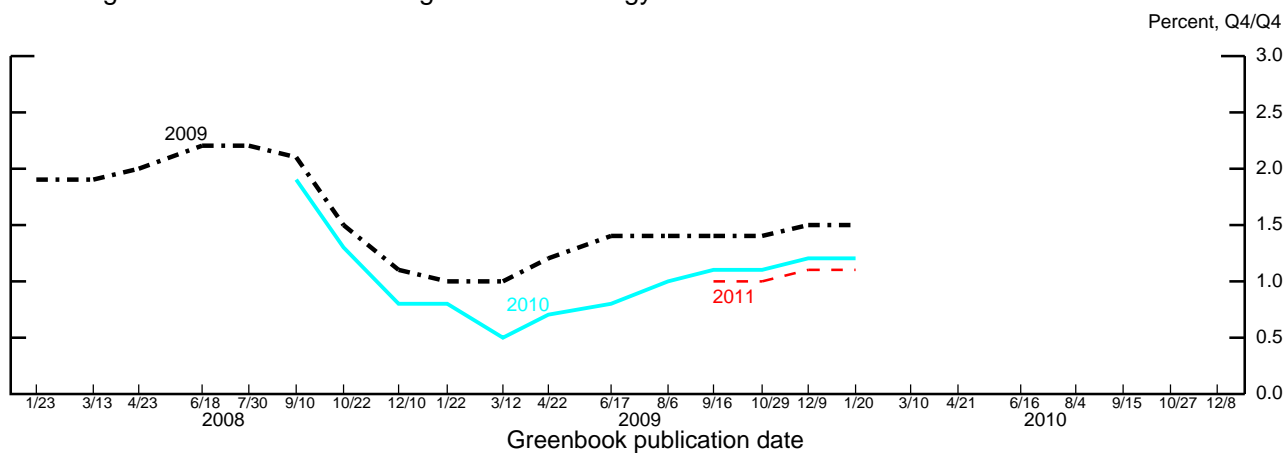
### Change in Real GDP



### Unemployment Rate



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



\*Because the core PCE price index was redefined as part of the comprehensive revisions to the NIPA, projections prior to the August 2009 Greenbook are not strictly comparable with more recent projections.

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

| Interval                        | Nominal GDP |          | Real GDP |          | PCE price index |          | Core PCE price index |          | Unemployment rate <sup>1</sup> |          |
|---------------------------------|-------------|----------|----------|----------|-----------------|----------|----------------------|----------|--------------------------------|----------|
|                                 | 12/09/09    | 01/20/10 | 12/09/09 | 01/20/10 | 12/09/09        | 01/20/10 | 12/09/09             | 01/20/10 | 12/09/09                       | 01/20/10 |
| <i>Quarterly</i>                |             |          |          |          |                 |          |                      |          |                                |          |
| 2009:Q1                         | -4.6        | -4.6     | -6.4     | -6.4     | -1.5            | -1.5     | 1.1                  | 1.1      | 8.1                            | 8.2      |
| Q2                              | -8          | -8       | -7       | -7       | 1.4             | 1.4      | 2.0                  | 2.0      | 9.2                            | 9.3      |
| Q3                              | 3.0         | 2.6      | 2.5      | 2.2      | 2.7             | 2.6      | 1.3                  | 1.2      | 9.6                            | 9.7      |
| Q4                              | 4.6         | 6.2      | 3.8      | 5.3      | 2.8             | 2.9      | 1.6                  | 1.6      | 10.1                           | 10.0     |
| 2010:Q1                         | 5.0         | 4.7      | 3.6      | 2.8      | 1.1             | 2.0      | 1.3                  | 1.2      | 10.1                           | 10.1     |
| Q2                              | 5.1         | 5.0      | 3.5      | 3.8      | 1.6             | 1.2      | 1.2                  | 1.2      | 9.9                            | 9.9      |
| Q3                              | 4.9         | 5.1      | 3.6      | 3.9      | 1.4             | 1.3      | 1.1                  | 1.1      | 9.8                            | 9.7      |
| Q4                              | 5.0         | 5.1      | 3.8      | 4.0      | 1.3             | 1.3      | 1.1                  | 1.1      | 9.6                            | 9.5      |
| 2011:Q1                         | 5.5         | 5.6      | 4.2      | 4.3      | 1.3             | 1.2      | 1.1                  | 1.1      | 9.2                            | 9.1      |
| Q2                              | 5.7         | 5.9      | 4.5      | 4.7      | 1.2             | 1.1      | 1.1                  | 1.1      | 9.0                            | 8.9      |
| Q3                              | 5.8         | 5.9      | 4.6      | 4.9      | 1.1             | 1.1      | 1.1                  | 1.1      | 8.7                            | 8.6      |
| Q4                              | 5.8         | 6.0      | 4.7      | 5.0      | 1.1             | 1.1      | 1.1                  | 1.0      | 8.3                            | 8.2      |
| <i>Two-quarter<sup>2</sup></i>  |             |          |          |          |                 |          |                      |          |                                |          |
| 2009:Q2                         | -2.7        | -2.7     | -3.6     | -3.6     | -1              | -1       | 1.6                  | 1.6      | 2.3                            | 2.4      |
| Q4                              | 3.8         | 4.4      | 3.1      | 3.8      | 2.7             | 2.7      | 1.4                  | 1.4      | .9                             | .7       |
| 2010:Q2                         | 5.0         | 4.8      | 3.5      | 3.3      | 1.4             | 1.6      | 1.2                  | 1.2      | -2                             | -1       |
| Q4                              | 5.0         | 5.1      | 3.7      | 3.9      | 1.3             | 1.3      | 1.1                  | 1.1      | -3                             | -4       |
| 2011:Q2                         | 5.6         | 5.7      | 4.3      | 4.5      | 1.2             | 1.2      | 1.1                  | 1.1      | -6                             | -6       |
| Q4                              | 5.8         | 6.0      | 4.7      | 4.9      | 1.1             | 1.1      | 1.1                  | 1.0      | -7                             | -7       |
| <i>Four-quarter<sup>3</sup></i> |             |          |          |          |                 |          |                      |          |                                |          |
| 2008:Q4                         | .1          | .1       | -1.9     | -1.9     | 1.7             | 1.7      | 2.0                  | 2.0      | 2.1                            | 2.1      |
| 2009:Q4                         | .5          | .8       | -3       | .0       | 1.3             | 1.3      | 1.5                  | 1.5      | 3.2                            | 3.1      |
| 2010:Q4                         | 5.0         | 5.0      | 3.6      | 3.6      | 1.3             | 1.4      | 1.2                  | 1.2      | -5                             | -5       |
| 2011:Q4                         | 5.7         | 5.8      | 4.5      | 4.7      | 1.2             | 1.1      | 1.1                  | 1.1      | -1.3                           | -1.3     |
| <i>Annual</i>                   |             |          |          |          |                 |          |                      |          |                                |          |
| 2008                            | 2.6         | 2.6      | .4       | .4       | 3.3             | 3.3      | 2.4                  | 2.4      | 5.8                            | 5.8      |
| 2009                            | -1.3        | -1.3     | -2.5     | -2.5     | .2              | .2       | 1.5                  | 1.5      | 9.3                            | 9.3      |
| 2010                            | 4.3         | 4.5      | 3.2      | 3.4      | 1.8             | 1.9      | 1.3                  | 1.3      | 9.8                            | 9.8      |
| 2011                            | 5.4         | 5.5      | 4.2      | 4.4      | 1.3             | 1.2      | 1.1                  | 1.1      | 8.8                            | 8.7      |

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

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

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

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

| Item  | 2009  |       |       |       | 2010  |      |      |      | 2011 |      |      |      | 2009 <sup>1</sup> | 2010 <sup>1</sup> | 2011 <sup>1</sup> |
|---|-------|-------|-------|-------|-------|------|------|------|------|------|------|------|-------------------|-------------------|-------------------|
|   | Q1    | Q2    | Q3    | Q4    | Q1    | Q2   | Q3   | Q4   | Q1   | Q2   | Q3   | Q4   |                   |                   |                   |
| Real GDP<br><i>Previous Greenbook</i>   | -6.4  | -7    | 2.2   | 5.3   | 2.8   | 3.8  | 3.9  | 4.0  | 4.3  | 4.7  | 4.9  | 5.0  | .0                | 3.6               | 4.7               |
| Final sales<br><i>Previous Greenbook</i>  | -6.4  | -7    | 2.5   | 3.8   | 3.6   | 3.5  | 3.6  | 3.8  | 4.2  | 4.5  | 4.6  | 4.7  | -3                | 3.6               | 4.5               |
| Priv. dom. final purch.<br><i>Previous Greenbook</i>                              | -4.1  | .7    | 1.5   | 1.5   | 2.5   | 3.4  | 3.1  | 3.7  | 3.9  | 4.4  | 4.4  | 4.8  | -1                | 3.2               | 4.4               |
|   | -4.1  | .7    | 1.7   | 1.5   | 2.6   | 2.9  | 2.9  | 3.3  | 3.6  | 4.1  | 4.2  | 4.2  | -1                | 2.9               | 4.0               |
|   | -7.2  | -2.7  | 2.2   | 1.9   | 2.5   | 3.7  | 3.6  | 4.0  | 4.7  | 5.1  | 5.4  | 5.4  | -1.6              | 3.4               | 5.1               |
|   | -7.2  | -2.7  | 2.4   | 1.2   | 2.6   | 3.0  | 3.4  | 3.7  | 4.3  | 4.8  | 5.0  | 4.9  | -1.7              | 3.2               | 4.8               |
| Personal cons. expend.<br><i>Previous Greenbook</i>                               | .6    | -9    | 2.8   | 2.1   | 2.7   | 2.7  | 2.9  | 2.9  | 3.3  | 3.6  | 3.9  | 4.0  | 1.1               | 2.8               | 3.7               |
|   | .6    | -9    | 3.0   | 1.9   | 2.7   | 2.4  | 2.6  | 2.6  | 3.0  | 3.4  | 3.7  | 3.6  | 1.1               | 2.6               | 3.4               |
| Durables  | 3.9   | -5.6  | 20.4  | 1.0   | 9.4   | 9.7  | 10.5 | 9.8  | 10.0 | 12.1 | 12.0 | 13.2 | 4.5               | 9.9               | 11.8              |
| Nondurables   | 1.9   | -1.9  | 1.5   | 4.1   | 1.8   | 2.7  | 2.8  | 2.9  | 3.1  | 3.5  | 3.5  | 3.6  | 1.4               | 2.6               | 3.4               |
| Services  | -3    | .2    | .8    | 1.6   | 2.1   | 1.7  | 1.8  | 1.8  | 2.3  | 2.4  | 2.7  | 2.7  | .6                | 1.8               | 2.5               |
| Residential investment<br><i>Previous Greenbook</i>                               | -38.2 | -23.3 | 18.9  | 4.0   | 1.3   | 13.1 | -4.0 | 12.3 | 19.2 | 28.5 | 27.8 | 24.1 | -12.5             | 5.4               | 24.8              |
|   | -38.2 | -23.3 | 18.9  | 8.1   | 8.7   | 17.8 | 4.3  | 9.1  | 15.4 | 23.0 | 22.0 | 20.7 | -11.6             | 9.9               | 20.2              |
| Business fixed invest.<br><i>Previous Greenbook</i>                               | -39.2 | -9.6  | -5.9  | -5    | .9    | 8.4  | 11.5 | 10.7 | 11.5 | 10.4 | 10.3 | 10.0 | -15.3             | 7.8               | 10.6              |
|   | -39.2 | -9.6  | -5.5  | -5.8  | .1    | 4.0  | 9.7  | 10.9 | 11.5 | 10.7 | 10.5 | 9.9  | -16.4             | 6.1               | 10.7              |
| Equipment & software<br><i>Previous Greenbook</i>                                 | -36.4 | -4.9  | 1.5   | 12.4  | 8.4   | 13.2 | 15.7 | 14.4 | 15.3 | 14.4 | 14.3 | 13.7 | -8.8              | 12.9              | 14.4              |
|   | -36.4 | -4.9  | 2.4   | 5.9   | 5.5   | 8.1  | 14.8 | 14.8 | 15.1 | 14.8 | 14.6 | 13.8 | -10.0             | 10.7              | 14.6              |
| Nonres. structures<br><i>Previous Greenbook</i>                                   | -43.6 | -17.3 | -18.4 | -22.4 | -13.8 | -1.8 | 2.0  | 2.2  | 2.6  | .9   | .5   | .3   | -26.3             | -3.1              | 1.1               |
|   | -43.6 | -17.3 | -18.9 | -25.8 | -10.7 | -4.8 | -1.4 | 2.0  | 3.0  | 1.0  | .4   | .1   | -27.2             | -3.8              | 1.1               |
| Net exports <sup>2</sup><br><i>Previous Greenbook</i> <sup>2</sup>                | -386  | -330  | -357  | -349  | -363  | -368 | -374 | -369 | -375 | -378 | -385 | -381 | -356              | -368              | -380              |
|   | -386  | -330  | -358  | -345  | -357  | -357 | -358 | -352 | -356 | -357 | -360 | -356 | -355              | -356              | -357              |
| Exports   | -29.9 | -4.1  | 17.8  | 17.3  | 9.8   | 8.8  | 9.4  | 10.0 | 9.7  | 9.3  | 9.3  | 9.1  | -1.9              | 9.5               | 9.3               |
| Imports   | -36.4 | -14.7 | 21.3  | 11.8  | 11.0  | 8.2  | 9.0  | 7.0  | 9.2  | 8.2  | 9.1  | 6.6  | -7.4              | 8.8               | 8.3               |
| Gov't. cons. & invest.<br><i>Previous Greenbook</i>                               | -2.6  | 6.7   | 2.6   | -1.2  | 4.4   | 2.7  | 1.7  | 1.2  | 1.3  | 1.3  | 1.2  | 1.2  | 1.3               | 2.5               | 1.3               |
|   | -2.6  | 6.7   | 2.8   | .6    | 4.1   | 2.2  | .9   | .6   | 1.0  | 1.0  | 1.0  | .5   | 1.8               | 1.9               | .9                |
| Federal   | -4.3  | 11.4  | 8.0   | -2.7  | 10.6  | 5.0  | 1.8  | .1   | 1.0  | 1.0  | 1.0  | 1.0  | 2.9               | 4.3               | 1.0               |
| Defense   | -5.1  | 14.0  | 8.4   | -7.8  | 10.6  | 3.4  | 2.9  | 2.0  | .3   | .3   | .3   | .1   | 1.9               | 4.7               | .2                |
| Nondefense  | -2.5  | 6.1   | 7.0   | 9.2   | 10.7  | 8.3  | -2   | -3.7 | 2.6  | 2.6  | 2.6  | 2.6  | 4.8               | 3.6               | 2.6               |
| State & local   | -1.5  | 3.9   | -6    | -2    | .5    | 1.1  | 1.6  | 1.9  | 1.5  | 1.5  | 1.3  | 1.4  | .3                | 1.3               | 1.4               |
| Change in bus. inventories <sup>2</sup><br><i>Previous Greenbook</i> <sup>2</sup> | -114  | -160  | -139  | -24   | -16   | -2   | 22   | 32   | 45   | 56   | 71   | 79   | -109              | 9                 | 63                |
|   | -114  | -160  | -137  | -66   | -34   | -15  | 7    | 24   | 42   | 55   | 69   | 85   | -119              | -5                | 63                |
| Nonfarm <sup>2</sup>  | -115  | -163  | -141  | -24   | -20   | -6   | 19   | 29   | 42   | 54   | 70   | 77   | -111              | 5                 | 61                |
| Farm <sup>2</sup>   | 0     | 2     | 2     | 0     | 4     | 3    | 3    | 3    | 3    | 3    | 3    | 3    | 1                 | 3                 | 3                 |

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

2. Billions of chained (2005) dollars.

**Changes in Real Gross Domestic Product and Related Items**

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

| Item   | 2003         | 2004         | 2005         | 2006           | 2007           | 2008           | 2009           | 2010         | 2011         |
|--|--------------|--------------|--------------|----------------|----------------|----------------|----------------|--------------|--------------|
| <b>Real GDP</b><br><i>Previous Greenbook</i>   | 3.8<br>3.8   | 3.1<br>3.1   | 2.7<br>2.7   | 2.4<br>2.4     | 2.5<br>2.5     | -1.9<br>-1.9   | .0<br>-3       | 3.6<br>3.6   | 4.7<br>4.5   |
| <b>Final sales</b><br><i>Previous Greenbook</i>  | 3.8<br>3.8   | 2.8<br>2.8   | 2.7<br>2.7   | 2.8<br>2.8     | 2.7<br>2.7     | -1.4<br>-1.4   | -1<br>-1       | 3.2<br>2.9   | 4.4<br>4.0   |
| Priv. dom. final purch.<br><i>Previous Greenbook</i>                                   | 4.2<br>4.2   | 4.2<br>4.2   | 3.1<br>3.1   | 2.5<br>2.5     | 1.4<br>1.4     | -3.2<br>-3.2   | -1.6<br>-1.7   | 3.4<br>3.2   | 5.1<br>4.8   |
| Personal cons. expend.<br><i>Previous Greenbook</i>                                    | 3.4<br>3.4   | 3.5<br>3.5   | 2.7<br>2.7   | 3.3<br>3.3     | 2.0<br>2.0     | -1.8<br>-1.8   | 1.1<br>1.1     | 2.8<br>2.6   | 3.7<br>3.4   |
| Durables   | 8.9          | 5.5          | 2.1          | 6.3            | 4.6            | -11.8          | 4.5            | 9.9          | 11.8         |
| Nondurables  | 3.9          | 3.0          | 3.3          | 3.2            | 1.5            | -2.9           | 1.4            | 2.6          | 3.4          |
| Services   | 2.2          | 3.4          | 2.6          | 2.8            | 1.7            | .3             | .6             | 1.8          | 2.5          |
| <b>Residential investment</b><br><i>Previous Greenbook</i>                             | 11.5<br>11.5 | 6.6<br>6.6   | 5.3<br>5.3   | -15.7<br>-15.7 | -20.5<br>-20.5 | -21.0<br>-21.0 | -12.5<br>-11.6 | 5.4<br>9.9   | 24.8<br>20.2 |
| <b>Business fixed invest.</b><br><i>Previous Greenbook</i>                             | 5.9<br>5.9   | 7.0<br>7.0   | 4.4<br>4.4   | 7.8<br>7.8     | 7.9<br>7.9     | -6.0<br>-6.0   | -15.3<br>-16.4 | 7.8<br>6.1   | 10.6<br>10.7 |
| Equipment & software<br><i>Previous Greenbook</i>                                      | 7.5<br>7.5   | 8.8<br>8.8   | 6.1<br>6.1   | 6.0<br>6.0     | 3.2<br>3.2     | -10.7<br>-10.7 | -8.8<br>-10.0  | 12.9<br>10.7 | 14.4<br>14.6 |
| Nonres. structures<br><i>Previous Greenbook</i>  | 1.3<br>1.3   | 1.7<br>1.7   | -1<br>-1     | 13.0<br>13.0   | 18.9<br>18.9   | 3.2<br>3.2     | -26.3<br>-27.2 | -3.1<br>-3.8 | 1.1<br>1.1   |
| <b>Net exports<sup>1</sup></b><br><i>Previous Greenbook<sup>1</sup></i>                | -604<br>-604 | -688<br>-688 | -723<br>-723 | -729<br>-729   | -648<br>-648   | -494<br>-494   | -356<br>-355   | -368<br>-356 | -380<br>-357 |
| Exports  | 6.2          | 7.1          | 6.7          | 10.2           | 10.2           | -3.4           | -1.9           | 9.5          | 9.3          |
| Imports  | 5.1          | 10.9         | 5.2          | 4.1            | .9             | -6.8           | -7.4           | 8.8          | 8.3          |
| <b>Gov't. cons. &amp; invest.</b><br><i>Previous Greenbook</i>                         | 1.6<br>1.6   | .6<br>.6     | .7<br>.7     | 1.5<br>1.5     | 2.5<br>2.5     | 3.0<br>3.0     | 1.3<br>1.8     | 2.5<br>1.9   | 1.3<br>.9    |
| Federal  | 5.7          | 2.3          | 1.2          | 2.2            | 3.4            | 8.9            | 2.9            | 4.3          | 1.0          |
| Defense  | 8.4          | 2.4          | .4           | 4.4            | 2.6            | 9.5            | 1.9            | 4.7          | .2           |
| Nondefense   | .7           | 2.3          | 2.6          | -2.3           | 5.2            | 7.5            | 4.8            | 3.6          | 2.6          |
| State & local  | -.5          | -.4          | .4           | 1.2            | 1.9            | -.3            | .3             | 1.3          | 1.4          |
| <b>Change in bus. inventories<sup>1</sup></b><br><i>Previous Greenbook<sup>1</sup></i> | 17<br>17     | 66<br>66     | 50<br>50     | 59<br>59       | 19<br>19       | -26<br>-26     | -109<br>-119   | 9<br>-5      | 63<br>63     |
| Nonfarm <sup>1</sup>   | 17           | 58           | 50           | 63             | 20             | -20            | -111           | 5            | 61           |
| Farm <sup>1</sup>  | 0            | 8            | 0            | -4             | -1             | -5             | 1              | 3            | 3            |

1. Billions of chained (2005) dollars.

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

| Item  | 2009 |      |      |      | 2010 |      |      |      | 2011 |      |      |      | 2009 <sup>1</sup> | 2010 <sup>1</sup> | 2011 <sup>1</sup> |
|---|------|------|------|------|------|------|------|------|------|------|------|------|-------------------|-------------------|-------------------|
|   | Q1   | Q2   | Q3   | Q4   | Q1   | Q2   | Q3   | Q4   | Q1   | Q2   | Q3   | Q4   |                   |                   |                   |
| Real GDP<br><i>Previous Greenbook</i>                   | -6.4 | -7   | 2.2  | 5.3  | 2.8  | 3.8  | 3.9  | 4.0  | 4.3  | 4.7  | 4.9  | 5.0  | .0                | 3.6               | 4.7               |
|   | -6.4 | -7   | 2.5  | 3.8  | 3.6  | 3.5  | 3.6  | 3.8  | 4.2  | 4.5  | 4.6  | 4.7  | -3                | 3.6               | 4.5               |
| Final sales<br><i>Previous Greenbook</i>                | -4.1 | .7   | 1.5  | 1.6  | 2.5  | 3.4  | 3.1  | 3.7  | 3.9  | 4.4  | 4.4  | 4.8  | -.1               | 3.2               | 4.4               |
| Priv. dom. final purch.<br><i>Previous Greenbook</i>    | -4.1 | .7   | 1.7  | 1.5  | 2.6  | 2.9  | 2.9  | 3.3  | 3.6  | 4.1  | 4.2  | 4.2  | -.1               | 2.9               | 4.0               |
|   | -6.1 | -2.3 | 1.8  | 1.6  | 2.1  | 3.0  | 3.0  | 3.3  | 3.8  | 4.2  | 4.4  | 4.4  | -1.3              | 2.8               | 4.2               |
|   | -6.1 | -2.3 | 2.0  | 1.0  | 2.2  | 2.5  | 2.8  | 3.1  | 3.5  | 3.9  | 4.1  | 4.0  | -1.4              | 2.6               | 3.9               |
| Personal cons. expend.<br><i>Previous Greenbook</i>     | .4   | -6   | 2.0  | 1.6  | 1.9  | 2.0  | 2.1  | 2.0  | 2.3  | 2.6  | 2.8  | 2.8  | .8                | 2.0               | 2.6               |
|   | .4   | -6   | 2.1  | 1.4  | 1.9  | 1.7  | 1.8  | 1.9  | 2.1  | 2.4  | 2.6  | 2.5  | .8                | 1.8               | 2.4               |
| Durables  | .3   | -4   | 1.4  | .1   | .7   | .7   | .8   | .7   | .7   | .9   | .9   | 1.0  | .3                | .7                | .9                |
| Nondurables   | .3   | -3   | .2   | .6   | .3   | .4   | .5   | .5   | .5   | .6   | .6   | .6   | .2                | .4                | .5                |
| Services  | -.1  | .1   | .4   | .8   | 1.0  | .8   | .9   | .9   | 1.1  | 1.1  | 1.3  | 1.3  | .3                | .9                | 1.2               |
| Residential investment<br><i>Previous Greenbook</i>     | -1.3 | -7   | .4   | .1   | .0   | .3   | -.1  | .3   | .5   | .7   | .7   | .6   | -.4               | .1                | .6                |
|   | -1.3 | -7   | .4   | .2   | .2   | .4   | .1   | .2   | .4   | .6   | .6   | .6   | -.3               | .2                | .5                |
| Business fixed invest.<br><i>Previous Greenbook</i>     | -5.3 | -1.0 | -.6  | .0   | .1   | .8   | 1.0  | 1.0  | 1.1  | 1.0  | 1.0  | 1.0  | -1.7              | .7                | 1.0               |
|   | -5.3 | -1.0 | -.6  | -.6  | .0   | .4   | .9   | 1.0  | 1.0  | 1.0  | 1.0  | .9   | -1.8              | .6                | 1.0               |
| Equipment & software<br><i>Previous Greenbook</i>       | -3.0 | -.3  | .1   | .8   | .5   | .8   | 1.0  | .9   | 1.0  | 1.0  | 1.0  | .9   | -.6               | .8                | 1.0               |
|   | -3.0 | -.3  | .2   | .4   | .3   | .5   | .9   | .9   | 1.0  | 1.0  | 1.0  | .9   | -.7               | .7                | 1.0               |
| Nonres. structures<br><i>Previous Greenbook</i>         | -2.3 | -7   | -.7  | -.8  | -.4  | .0   | .1   | .1   | .1   | .0   | .0   | .0   | -1.1              | -.1               | .0                |
|   | -2.3 | -7   | -.7  | -.9  | -.3  | -.1  | .0   | .1   | .1   | .0   | .0   | .0   | -1.1              | -.1               | .0                |
| Net exports<br><i>Previous Greenbook</i>                | 2.6  | 1.7  | -.8  | .2   | -.5  | -.2  | -.2  | .1   | -.2  | -.1  | -.3  | .1   | 1.0               | -.2               | -.1               |
|   | 2.6  | 1.7  | -.9  | .4   | -.4  | .0   | -.1  | .1   | -.2  | .0   | -.1  | .1   | 1.0               | -.1               | -.1               |
| Exports   | -4.0 | -.5  | 1.8  | 1.8  | 1.1  | 1.0  | 1.1  | 1.2  | 1.2  | 1.1  | 1.1  | 1.1  | -.2               | 1.1               | 1.1               |
| Imports   | 6.6  | 2.1  | -2.6 | -1.6 | -1.6 | -1.2 | -1.3 | -1.0 | -1.4 | -1.2 | -1.4 | -1.0 | 1.2               | -1.3              | -1.3              |
| Gov't. cons. & invest.<br><i>Previous Greenbook</i>     | -.5  | 1.3  | .6   | -.2  | .9   | .6   | .4   | .3   | .3   | .3   | .3   | .3   | .3                | .5                | .3                |
|   | -.5  | 1.3  | .6   | .1   | .8   | .5   | .2   | .1   | .2   | .2   | .2   | .1   | .4                | .4                | .2                |
| Federal   | -.3  | .9   | .6   | -.2  | .8   | .4   | .2   | .0   | .1   | .1   | .1   | .1   | .2                | .3                | .1                |
| Defense   | -.3  | .7   | .5   | -.4  | .6   | .2   | .2   | .1   | .0   | .0   | .0   | .0   | .1                | .3                | .0                |
| Nondefense  | -.1  | .2   | .2   | .2   | .3   | .2   | .0   | -.1  | .1   | .1   | .1   | .1   | .1                | .1                | .1                |
| State & local   | -.2  | .5   | -.1  | .0   | .1   | .1   | .2   | .2   | .2   | .2   | .2   | .2   | .0                | .2                | .2                |
| Change in bus. inventories<br><i>Previous Greenbook</i> | -2.4 | -1.4 | .7   | 3.7  | .3   | .4   | .8   | .3   | .4   | .4   | .5   | .2   | .1                | .4                | .4                |
|   | -2.4 | -1.4 | .7   | 2.3  | 1.0  | .6   | .7   | .5   | .6   | .4   | .4   | .5   | -.2               | .7                | .5                |
| Nonfarm   | -2.4 | -1.5 | .7   | 3.7  | .1   | .5   | .8   | .3   | .4   | .4   | .5   | .2   | .1                | .4                | .4                |
| Farm  | .1   | .1   | .0   | .0   | .1   | .0   | .0   | .0   | .0   | .0   | .0   | .0   | .0                | .0                | .0                |

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



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

| Item  | 2009  |      |      |      | 2010 |     |     |     | 2011 |     |     |     | 2009 <sup>1</sup> | 2010 <sup>1</sup> | 2011 <sup>1</sup> |
|---|-------|------|------|------|------|-----|-----|-----|------|-----|-----|-----|-------------------|-------------------|-------------------|
|   | Q1    | Q2   | Q3   | Q4   | Q1   | Q2  | Q3  | Q4  | Q1   | Q2  | Q3  | Q4  |                   |                   |                   |
| GDP chain-wt. price index<br><i>Previous Greenbook</i>  | 1.9   | .0   | .4   | .8   | 1.9  | 1.1 | 1.2 | 1.1 | 1.2  | 1.1 | 1.0 | 1.0 | .8                | 1.3               | 1.1               |
| PCE chain-wt. price index<br><i>Previous Greenbook</i>  | 1.9   | .0   | .5   | .7   | 1.3  | 1.5 | 1.3 | 1.1 | 1.3  | 1.1 | 1.1 | 1.0 | .8                | 1.3               | 1.1               |
| Energy<br><i>Previous Greenbook</i>   | -1.5  | 1.4  | 2.6  | 2.9  | 2.0  | 1.2 | 1.3 | 1.3 | 1.2  | 1.1 | 1.1 | 1.1 | 1.3               | 1.4               | 1.1               |
| Food<br><i>Previous Greenbook</i>   | -1.5  | 1.4  | 2.7  | 2.8  | 1.1  | 1.6 | 1.4 | 1.3 | 1.3  | 1.2 | 1.1 | 1.1 | 1.3               | 1.3               | 1.2               |
| Ex. food & energy<br><i>Previous Greenbook</i>  | -36.7 | -2.0 | 40.6 | 30.5 | 13.1 | .4  | 4.8 | 4.4 | 3.8  | 2.8 | 2.3 | 2.3 | 3.3               | 5.6               | 2.8               |
| CPI<br><i>Previous Greenbook</i>  | -36.7 | -2.0 | 40.8 | 27.9 | -1.2 | 8.4 | 5.3 | 5.0 | 4.8  | 3.7 | 2.8 | 2.7 | 2.8               | 4.3               | 3.5               |
| Ex. food & energy<br><i>Previous Greenbook</i>  | -1.1  | -3.6 | -2.1 | .3   | 2.8  | 1.1 | 1.4 | 1.0 | .7   | .7  | .7  | .7  | -1.6              | 1.6               | .7                |
| Ex. food & energy<br><i>Previous Greenbook</i>  | -1.1  | -3.6 | -2.1 | .5   | 1.2  | 1.6 | 1.5 | 1.0 | .7   | .7  | .7  | .7  | -1.6              | 1.3               | .7                |
| Ex. food & energy<br><i>Previous Greenbook</i>  | 1.1   | 2.0  | 1.2  | 1.6  | 1.2  | 1.2 | 1.1 | 1.1 | 1.1  | 1.1 | 1.1 | 1.0 | 1.5               | 1.2               | 1.1               |
| Ex. food & energy<br><i>Previous Greenbook</i>  | 1.1   | 2.0  | 1.3  | 1.6  | 1.3  | 1.2 | 1.1 | 1.1 | 1.1  | 1.1 | 1.1 | 1.1 | 1.5               | 1.2               | 1.1               |
| CPI<br><i>Previous Greenbook</i>  | -2.4  | 1.3  | 3.6  | 3.4  | 2.4  | 1.3 | 1.5 | 1.5 | 1.4  | 1.3 | 1.3 | 1.3 | 1.5               | 1.7               | 1.3               |
| Ex. food & energy<br><i>Previous Greenbook</i>  | -2.4  | 1.3  | 3.6  | 3.3  | 1.2  | 1.9 | 1.6 | 1.5 | 1.5  | 1.4 | 1.3 | 1.3 | 1.4               | 1.6               | 1.4               |
| ECL, hourly compensation <sup>2</sup><br><i>Previous Greenbook</i> <sup>2</sup>                 | 1.5   | 2.4  | 1.5  | 1.5  | 1.3  | 1.3 | 1.2 | 1.2 | 1.2  | 1.2 | 1.2 | 1.2 | 1.7               | 1.3               | 1.2               |
| ECL, hourly compensation <sup>2</sup><br><i>Previous Greenbook</i> <sup>2</sup>                 | 1.5   | 2.4  | 1.5  | 1.7  | 1.4  | 1.3 | 1.2 | 1.2 | 1.2  | 1.2 | 1.2 | 1.3 | 1.8               | 1.3               | 1.2               |
| Nonfarm business sector<br>Output per hour<br><i>Previous Greenbook</i>                         | .7    | .7   | 1.8  | 1.7  | 2.1  | 2.1 | 2.0 | 2.0 | 2.0  | 2.0 | 2.0 | 2.0 | 1.3               | 2.1               | 2.0               |
| Output per hour<br><i>Previous Greenbook</i>  | .7    | .7   | 1.8  | 1.6  | 1.7  | 1.7 | 1.8 | 1.9 | 1.9  | 1.9 | 1.9 | 1.9 | 1.2               | 1.8               | 1.9               |
| Compensation per hour<br><i>Previous Greenbook</i>  | .3    | 6.9  | 7.1  | 6.0  | 1.1  | 1.1 | .6  | .3  | .5   | 1.1 | 1.2 | 1.4 | 5.1               | .8                | 1.1               |
| Compensation per hour<br><i>Previous Greenbook</i>  | .3    | 6.9  | 7.4  | 4.4  | 2.2  | .9  | .4  | .3  | .5   | 1.0 | 1.1 | 1.2 | 4.7               | .9                | 1.0               |
| Unit labor costs<br><i>Previous Greenbook</i>   | -4.7  | 6.9  | 5.4  | 2.5  | 3.0  | 2.2 | 2.2 | 2.2 | 2.8  | 2.2 | 2.0 | 2.0 | 2.4               | 2.4               | 2.2               |
| Unit labor costs<br><i>Previous Greenbook</i>   | -4.7  | 6.9  | 5.4  | 2.2  | 1.8  | 2.0 | 2.0 | 2.0 | 2.0  | 2.0 | 1.9 | 1.9 | 2.4               | 2.0               | 2.0               |
| Core goods imports chain-wt. price index <sup>3</sup><br><i>Previous Greenbook</i> <sup>3</sup> | -5.0  | .0   | -1.6 | -3.3 | 1.9  | 1.0 | 1.6 | 1.9 | 2.3  | 1.1 | .7  | .5  | -2.5              | 1.6               | 1.2               |
| Core goods imports chain-wt. price index <sup>3</sup><br><i>Previous Greenbook</i> <sup>3</sup> | -5.0  | .0   | -1.9 | -2.1 | -.4  | 1.1 | 1.6 | 1.7 | 1.5  | 1.0 | .8  | .6  | -2.3              | 1.0               | 1.0               |
| Core goods imports chain-wt. price index <sup>3</sup><br><i>Previous Greenbook</i> <sup>3</sup> | -9.4  | -2.3 | 1.3  | 5.7  | 4.5  | 2.3 | 1.5 | 1.2 | 1.0  | 1.0 | 1.0 | 1.0 | -1.3              | 2.4               | 1.0               |
| Core goods imports chain-wt. price index <sup>3</sup><br><i>Previous Greenbook</i> <sup>3</sup> | -9.4  | -2.3 | 1.2  | 5.4  | 3.5  | 1.7 | 1.2 | 1.1 | 1.0  | 1.0 | 1.0 | 1.0 | -1.4              | 1.9               | 1.0               |

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

2. Private-industry workers.

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

**Changes in Prices and Costs**  
(Change from fourth quarter of previous year to fourth quarter of year indicated, unless otherwise noted)

| Item  | 2003       | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         | 2010       | 2011       |
|---|------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|
| GDP chain-wt. price index<br><i>Previous Greenbook</i>  | 2.1<br>2.1 | 3.2<br>3.2   | 3.5<br>3.5   | 2.9<br>2.9   | 2.7<br>2.7   | 1.9<br>1.9   | .8<br>.8     | 1.3<br>1.3 | 1.1<br>1.1 |
| PCE chain-wt. price index<br><i>Previous Greenbook</i>  | 1.9<br>1.9 | 3.0<br>3.0   | 3.3<br>3.3   | 1.9<br>1.9   | 3.6<br>3.6   | 1.7<br>1.7   | 1.3<br>1.3   | 1.4<br>1.3 | 1.1<br>1.2 |
| Energy<br><i>Previous Greenbook</i>   | 8.6<br>8.6 | 18.6<br>18.6 | 21.5<br>21.5 | -3.7<br>-3.7 | 19.7<br>19.7 | -9.1<br>-9.1 | 3.3<br>2.8   | 5.6<br>4.3 | 2.8<br>3.5 |
| Food<br><i>Previous Greenbook</i>   | 3.2<br>3.2 | 2.7<br>2.7   | 1.5<br>1.5   | 1.7<br>1.7   | 4.7<br>4.7   | 6.8<br>6.8   | -1.6<br>-1.6 | 1.6<br>1.3 | .7<br>.7   |
| Ex. food & energy<br><i>Previous Greenbook</i>  | 1.5<br>1.5 | 2.2<br>2.2   | 2.3<br>2.3   | 2.3<br>2.3   | 2.5<br>2.5   | 2.0<br>2.0   | 1.5<br>1.5   | 1.2<br>1.2 | 1.1<br>1.1 |
| CPI<br><i>Previous Greenbook</i>  | 2.0<br>2.0 | 3.4<br>3.4   | 3.8<br>3.8   | 1.9<br>1.9   | 4.0<br>4.0   | 1.5<br>1.5   | 1.5<br>1.4   | 1.7<br>1.6 | 1.3<br>1.4 |
| Ex. food & energy<br><i>Previous Greenbook</i>  | 1.2<br>1.2 | 2.2<br>2.2   | 2.1<br>2.1   | 2.7<br>2.7   | 2.3<br>2.3   | 2.0<br>2.0   | 1.7<br>1.8   | 1.3<br>1.3 | 1.2<br>1.2 |
| ECI, hourly compensation <sup>1</sup><br><i>Previous Greenbook</i> <sup>1</sup>                 | 4.0<br>4.0 | 3.7<br>3.8   | 3.0<br>2.9   | 3.2<br>3.2   | 3.0<br>3.0   | 2.4<br>2.4   | 1.3<br>1.2   | 2.1<br>1.8 | 2.0<br>1.9 |
| Nonfarm business sector<br>Output per hour<br><i>Previous Greenbook</i>                         | 5.0<br>5.0 | 1.5<br>1.5   | 1.4<br>1.4   | .9<br>.9     | 2.8<br>2.8   | .9<br>.9     | 5.1<br>4.7   | .8<br>.9   | 1.1<br>1.0 |
| Compensation per hour<br><i>Previous Greenbook</i>  | 5.7<br>5.7 | 3.4<br>3.4   | 3.5<br>3.5   | 4.5<br>4.5   | 3.6<br>3.6   | 2.6<br>2.6   | 2.4<br>2.4   | 2.4<br>2.0 | 2.2<br>2.0 |
| Unit labor costs<br><i>Previous Greenbook</i>   | .6<br>.6   | 1.9<br>1.9   | 2.0<br>2.0   | 3.5<br>3.5   | .7<br>.7     | 1.6<br>1.6   | -2.5<br>-2.3 | 1.6<br>1.0 | 1.2<br>1.0 |
| Core goods imports chain-wt. price index <sup>2</sup><br><i>Previous Greenbook</i> <sup>2</sup> | 1.6<br>1.6 | 3.6<br>3.6   | 2.2<br>2.2   | 2.5<br>2.5   | 3.5<br>3.5   | 3.8<br>3.8   | -1.3<br>-1.4 | 2.4<br>1.9 | 1.0<br>1.0 |

1. Private-industry workers.

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

## Other Macroeconomic Indicators

| Item  | 2009  |        |        |        | 2010   |        |        |        | 2011   |        |        |        | 2009 <sup>1</sup> | 2010 <sup>1</sup> | 2011 <sup>1</sup> |
|---|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------------|-------------------|-------------------|
|   | Q1    | Q2     | Q3     | Q4     | Q1     | Q2     | Q3     | Q4     | Q1     | Q2     | Q3     | Q4     |                   |                   |                   |
| <i>Employment and production</i>              |       |        |        |        |        |        |        |        |        |        |        |        |                   |                   |                   |
| Nonfarm payroll employment <sup>2</sup>       | -2.1  | -1.5   | -9     | -3     | .0     | .8     | .7     | .9     | 1.1    | 1.0    | 1.1    | 1.1    | -4.8              | 2.5               | 4.2               |
| Unemployment rate <sup>3</sup>                | 8.2   | 9.3    | 9.7    | 10.0   | 10.1   | 9.9    | 9.7    | 9.5    | 9.1    | 8.9    | 8.6    | 8.2    | 10.0              | 9.5               | 8.2               |
| <i>Previous Greenbook<sup>3</sup></i>         | 8.1   | 9.2    | 9.6    | 10.1   | 10.1   | 9.9    | 9.8    | 9.6    | 9.2    | 9.0    | 8.7    | 8.3    | 10.1              | 9.6               | 8.3               |
| GDP gap <sup>4</sup>                          | -7.0  | -7.8   | -7.9   | -7.3   | -7.2   | -6.8   | -6.4   | -6.0   | -5.6   | -5.1   | -4.5   | -3.9   | -7.3              | -6.0              | -3.9              |
| <i>Previous Greenbook<sup>4</sup></i>         | -7.0  | -7.8   | -7.8   | -7.6   | -7.2   | -6.9   | -6.6   | -6.2   | -5.8   | -5.3   | -4.8   | -4.2   | -7.6              | -6.2              | -4.2              |
| Industrial production <sup>5</sup>            | -19.0 | -10.4  | 6.9    | 7.0    | 5.6    | 4.5    | 5.3    | 5.6    | 6.3    | 6.1    | 6.2    | 6.1    | -4.5              | 5.2               | 6.2               |
| <i>Previous Greenbook<sup>5</sup></i>         | -19.0 | -10.3  | 5.6    | 7.1    | 6.2    | 5.8    | 4.8    | 5.2    | 5.8    | 5.9    | 6.1    | 6.1    | -4.8              | 5.5               | 6.0               |
| Manufacturing industr. prod. <sup>5</sup>     | -22.0 | -8.8   | 9.0    | 5.7    | 5.2    | 5.5    | 5.7    | 6.2    | 7.0    | 6.9    | 7.0    | 6.9    | -4.8              | 5.6               | 7.0               |
| <i>Previous Greenbook<sup>5</sup></i>         | -22.0 | -8.7   | 7.7    | 7.1    | 5.5    | 6.4    | 5.1    | 5.7    | 6.5    | 6.6    | 6.8    | 6.8    | -4.8              | 5.7               | 6.6               |
| Capacity utilization rate - mfg. <sup>3</sup> | 66.7  | 65.4   | 67.1   | 68.3   | 69.3   | 70.5   | 71.7   | 72.9   | 74.3   | 75.6   | 77.0   | 78.4   | 68.3              | 72.9              | 78.4              |
| <i>Previous Greenbook<sup>3</sup></i>         | 66.7  | 65.4   | 66.9   | 68.3   | 69.4   | 70.8   | 71.9   | 73.1   | 74.4   | 75.6   | 77.0   | 78.4   | 68.3              | 73.1              | 78.4              |
| Housing starts <sup>6</sup>                   | .5    | .5     | .6     | .6     | .6     | .7     | .7     | .8     | .9     | 1.0    | 1.1    | 1.2    | .6                | .7                | 1.1               |
| Light motor vehicle sales <sup>6</sup>        | 9.5   | 9.6    | 11.5   | 10.8   | 11.0   | 11.7   | 12.5   | 13.1   | 13.8   | 14.3   | 14.8   | 15.3   | 10.3              | 12.1              | 14.6              |
| <i>Income and saving</i>                      |       |        |        |        |        |        |        |        |        |        |        |        |                   |                   |                   |
| Nominal GDP <sup>5</sup>                      | -4.6  | -8     | 2.6    | 6.2    | 4.7    | 5.0    | 5.1    | 5.1    | 5.6    | 5.9    | 5.9    | 6.0    | .8                | 5.0               | 5.8               |
| Real disposable pers. income <sup>5</sup>     | .2    | 6.2    | -1.4   | .7     | 2.6    | .2     | 3.2    | 3.3    | 2.2    | 3.6    | 4.3    | 4.3    | 1.4               | 2.3               | 3.6               |
| <i>Previous Greenbook<sup>5</sup></i>         | .2    | 6.2    | -1.3   | -1     | 3.4    | -2     | 3.2    | 3.2    | 1.4    | 3.9    | 4.4    | 3.7    | 1.2               | 2.4               | 3.3               |
| Personal saving rate <sup>3</sup>             | 3.7   | 5.4    | 4.5    | 4.3    | 4.3    | 3.7    | 3.8    | 4.0    | 3.8    | 3.8    | 3.9    | 4.0    | 4.3               | 4.0               | 4.0               |
| <i>Previous Greenbook<sup>3</sup></i>         | 3.7   | 5.4    | 4.5    | 4.0    | 4.2    | 3.7    | 3.9    | 4.0    | 3.7    | 3.8    | 4.0    | 4.0    | 4.0               | 4.0               | 4.0               |
| Corporate profits <sup>7</sup>                | 22.8  | 15.6   | 50.7   | -28.4  | 93.9   | 6.2    | 3.0    | 2.0    | 2.3    | 6.5    | 6.3    | 2.4    | 11.2              | 21.3              | 4.3               |
| Profit share of GNP <sup>3</sup>              | 8.3   | 8.6    | 9.5    | 8.6    | 10.0   | 10.0   | 10.0   | 9.9    | 9.8    | 9.8    | 9.8    | 9.8    | 8.6               | 9.9               | 9.8               |
| Net federal saving <sup>8</sup>               | -969  | -1,269 | -1,327 | -1,168 | -1,385 | -1,321 | -1,352 | -1,357 | -1,254 | -1,215 | -1,172 | -1,154 | -1,183            | -1,353            | -1,199            |
| Net state & local saving <sup>8</sup>         | -37   | -25    | -15    | 3      | 20     | 34     | 47     | 47     | 34     | 25     | -18    | -28    | -18               | 37                | 3                 |
| Gross national saving rate <sup>3</sup>       | 11.2  | 10.7   | 10.4   | 10.5   | 10.1   | 10.2   | 10.3   | 10.5   | 11.0   | 11.3   | 11.5   | 11.7   | 10.5              | 10.5              | 11.7              |
| Net national saving rate <sup>3</sup>         | -2.5  | -2.7   | -2.9   | -2.3   | -2.7   | -2.4   | -2.3   | -2.1   | -1.6   | -1.2   | -9     | -7     | -2.3              | -2.1              | -7                |

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

2. Change, millions.

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

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

5. Percent change, annual rate.

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

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

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

## Other Macroeconomic Indicators

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

| Item  | 2003 | 2004 | 2005 | 2006 | 2007 | 2008  | 2009  | 2010  | 2011  |
|---|------|------|------|------|------|-------|-------|-------|-------|
| <i>Employment and production</i>              |      |      |      |      |      |       |       |       |       |
| Nonfarm payroll employment <sup>1</sup>       | -1   | 2.0  | 2.4  | 2.1  | 1.2  | -2.3  | -4.8  | 2.5   | 4.2   |
| Unemployment rate <sup>2</sup>                | 5.8  | 5.4  | 5.0  | 4.5  | 4.8  | 6.9   | 10.0  | 9.5   | 8.2   |
| <i>Previous Greenbook<sup>2</sup></i>         | 5.8  | 5.4  | 4.9  | 4.4  | 4.8  | 6.9   | 10.1  | 9.6   | 8.3   |
| GDP gap <sup>3</sup>                          | -1.6 | -8   | -3   | -3   | -4   | -4.8  | -7.3  | -6.0  | -3.9  |
| <i>Previous Greenbook<sup>3</sup></i>         | -1.6 | -8   | -3   | -3   | -4   | -4.8  | -7.6  | -6.2  | -4.2  |
| Industrial production <sup>4</sup>            | 1.6  | 3.0  | 2.6  | 1.8  | 1.8  | -6.7  | -4.5  | 5.2   | 6.2   |
| <i>Previous Greenbook<sup>4</sup></i>         | 1.6  | 3.0  | 2.6  | 1.8  | 1.8  | -6.7  | -4.8  | 5.5   | 6.0   |
| Manufacturing industr. prod. <sup>4</sup>     | 1.8  | 3.6  | 3.8  | 1.2  | 1.9  | -8.7  | -4.8  | 5.6   | 7.0   |
| <i>Previous Greenbook<sup>4</sup></i>         | 1.8  | 3.6  | 3.8  | 1.2  | 1.9  | -8.7  | -4.8  | 5.7   | 6.6   |
| Capacity utilization rate - mfg. <sup>2</sup> | 74.6 | 77.3 | 79.2 | 79.0 | 78.7 | 70.9  | 68.3  | 72.9  | 78.4  |
| <i>Previous Greenbook<sup>2</sup></i>         | 74.6 | 77.3 | 79.2 | 79.0 | 78.7 | 70.9  | 68.3  | 73.1  | 78.4  |
| Housing starts <sup>5</sup>                   | 1.8  | 2.0  | 2.1  | 1.8  | 1.4  | .9    | .6    | .7    | 1.1   |
| Light motor vehicle sales <sup>5</sup>        | 16.6 | 16.8 | 16.9 | 16.5 | 16.1 | 13.1  | 10.3  | 12.1  | 14.6  |
| <i>Income and saving</i>                      |      |      |      |      |      |       |       |       |       |
| Nominal GDP <sup>4</sup>                      | 6.0  | 6.4  | 6.3  | 5.4  | 5.3  | .1    | .8    | 5.0   | 5.8   |
| Real disposable pers. income <sup>4</sup>     | 3.9  | 3.5  | .6   | 4.6  | 1.0  | .3    | 1.4   | 2.3   | 3.6   |
| <i>Previous Greenbook<sup>4</sup></i>         | 3.9  | 3.5  | .6   | 4.6  | 1.0  | .3    | 1.2   | 2.4   | 3.3   |
| Personal saving rate <sup>2</sup>             | 3.6  | 3.6  | 1.5  | 2.5  | 1.5  | 3.8   | 4.3   | 4.0   | 4.0   |
| <i>Previous Greenbook<sup>2</sup></i>         | 3.6  | 3.6  | 1.5  | 2.5  | 1.5  | 3.8   | 4.0   | 4.0   | 4.0   |
| Corporate profits <sup>6</sup>                | 12.2 | 21.9 | 19.6 | 3.7  | -5.7 | -25.1 | 11.2  | 21.3  | 4.3   |
| Profit share of GNP <sup>2</sup>              | 9.1  | 10.5 | 11.8 | 11.6 | 10.3 | 7.8   | 8.6   | 9.9   | 9.8   |
| Net federal saving <sup>7</sup>               | -376 | -379 | -283 | -204 | -236 | -643  | -1183 | -1353 | -1199 |
| Net state & local saving <sup>7</sup>         | -39  | -8   | 26   | 51   | 22   | -40   | -18   | 37    | 3     |
| Gross national saving rate <sup>2</sup>       | 14.3 | 14.3 | 15.5 | 16.3 | 13.8 | 12.2  | 10.5  | 10.5  | 11.7  |
| Net national saving rate <sup>2</sup>         | 2.5  | 2.7  | 3.5  | 4.2  | 1.6  | -.7   | -2.3  | -2.1  | -.7   |

1. Change, millions.

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

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

Values are for the fourth quarter of the year indicated.

4. Percent change.

5. Level, millions, values are annual averages.

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

7. Billions of dollars, values are annual averages.

**Class II FOMC  
Restricted (FR)**

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

January 20, 2010

| Item  | Fiscal year                      |                   |       |       | 2009            |                 |                 |       | 2010  |       |       |       | 2011  |       |       |       |      |
|---|----------------------------------|-------------------|-------|-------|-----------------|-----------------|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
|   | 2008 <sup>a</sup>                | 2009 <sup>a</sup> | 2010  | 2011  | Q1 <sup>a</sup> | Q2 <sup>a</sup> | Q3 <sup>a</sup> | Q4    | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    | Q3    | Q4    |      |
| Unified budget                                  | Not seasonally adjusted          |                   |       |       |                 |                 |                 |       |       |       |       |       |       |       |       |       |      |
|   | Receipts <sup>1</sup>            | 2524              | 2105  | 2201  | 2531            | 442             | 599             | 516   | 488   | 486   | 670   | 557   | 540   | 555   | 800   | 636   | 602  |
|   | Outlays <sup>1</sup>             | 2983              | 3520  | 3634  | 3740            | 891             | 904             | 845   | 876   | 945   | 924   | 889   | 951   | 952   | 923   | 915   | 931  |
|   | Surplus/deficit <sup>1</sup>     | -459              | -1416 | -1434 | -1209           | -449            | -305            | -329  | -389  | -459  | -254  | -332  | -411  | -397  | -123  | -279  | -329 |
|   | Previous Greenbook               | -459              | -1417 | -1450 | -1172           | -449            | -305            | -331  | -367  | -493  | -255  | -335  | -362  | -402  | -140  | -268  | -314 |
|   | On-budget                        | -642              | -1553 | -1539 | -1364           | -468            | -382            | -318  | -395  | -484  | -330  | -331  | -465  | -409  | -207  | -283  | -390 |
|   | Off-budget                       | 183               | 137   | 106   | 155             | 19              | 77              | -11   | 6     | 25    | 76    | -1    | 55    | 12    | 84    | 4     | 61   |
|   | Means of financing               |                   |       |       |                 |                 |                 |       |       |       |       |       |       |       |       |       |      |
|   | Borrowing                        | 768               | 1743  | 1388  | 1229            | 465             | 338             | 379   | 261   | 327   | 277   | 522   | 401   | 387   | 148   | 294   | 319  |
|   | Cash decrease                    | -296              | 96    | 25    | 0               | 98              | -49             | 43    | 82    | 159   | -30   | -185  | 15    | 15    | -20   | -10   | 15   |
| Other <sup>2</sup>                              | -13                              | -424              | 20    | -20   | -114            | 16              | -92             | 45    | -27   | 7     | -5    | -5    | -5    | -5    | -5    | -5    |      |
| Cash operating balance, end of period           | 372                              | 275               | 250   | 250   | 269             | 318             | 275             | 194   | 35    | 65    | 250   | 235   | 220   | 240   | 250   | 235   |      |
| NIPA federal sector                             | Seasonally adjusted annual rates |                   |       |       |                 |                 |                 |       |       |       |       |       |       |       |       |       |      |
| Receipts  | 2534                             | 2288              | 2385  | 2566  | 2251            | 2237            | 2215            | 2393  | 2352  | 2383  | 2412  | 2436  | 2566  | 2609  | 2654  | 2696  |      |
| Expenditures                                    | 3074                             | 3348              | 3691  | 3816  | 3220            | 3506            | 3542            | 3560  | 3737  | 3704  | 3763  | 3793  | 3820  | 3824  | 3826  | 3850  |      |
| Consumption expenditures                        | 914                              | 972               | 1042  | 1085  | 954             | 979             | 1001            | 1001  | 1042  | 1058  | 1066  | 1069  | 1084  | 1091  | 1098  | 1104  |      |
| Defense   | 620                              | 658               | 694   | 721   | 643             | 663             | 679             | 670   | 694   | 702   | 708   | 713   | 721   | 724   | 726   | 728   |      |
| Nondefense                                      | 294                              | 314               | 348   | 364   | 311             | 316             | 322             | 331   | 347   | 356   | 358   | 355   | 363   | 367   | 371   | 376   |      |
| Other spending                                  | 2160                             | 2375              | 2649  | 2731  | 2266            | 2527            | 2541            | 2559  | 2695  | 2645  | 2697  | 2724  | 2736  | 2734  | 2728  | 2746  |      |
| Current account surplus                         | -540                             | -1060             | -1306 | -1250 | -969            | -1269           | -1327           | -1168 | -1385 | -1321 | -1352 | -1357 | -1254 | -1215 | -1172 | -1154 |      |
| Gross investment                                | 141                              | 158               | 164   | 168   | 152             | 159             | 163             | 159   | 164   | 166   | 167   | 168   | 168   | 168   | 168   | 168   |      |
| Gross saving less gross investment <sup>3</sup> | -563                             | -1095             | -1340 | -1282 | -999            | -1304           | -1364           | -1198 | -1419 | -1356 | -1387 | -1392 | -1287 | -1247 | -1202 | -1182 |      |
| Fiscal indicators <sup>4</sup>                  |                                  |                   |       |       |                 |                 |                 |       |       |       |       |       |       |       |       |       |      |
| High-employment (HEB) surplus/deficit           | -499                             | -757              | -914  | -939  | -684            | -914            | -939            | -763  | -981  | -932  | -982  | -1005 | -929  | -917  | -904  | -920  |      |
| Change in HEB, percent of potential GDP         | 1.9                              | 1.5               | 0.8   | -0.0  | 1.2             | 1.5             | 0.1             | -1.2  | 1.3   | -0.4  | 0.3   | 0.1   | -0.5  | -0.1  | -0.1  | 0.0   |      |
| Fiscal impetus (FI), percent of GDP             | 0.8                              | 1.0               | 1.1   | -0.1  | 0.0             | 0.7             | 0.3             | 0.1   | 0.4   | 0.2   | 0.2   | 0.0   | -0.2  | -0.0  | -0.1  | -0.1  |      |
| Previous Greenbook                              | 0.8                              | 1.0               | 1.0   | -0.2  | 0.0             | 0.7             | 0.3             | 0.2   | 0.4   | 0.2   | 0.1   | 0.0   | 0.2   | -0.0  | -0.1  | -0.2  |      |

Seasonally adjusted annual rates

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

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

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

4. HEB is gross saving less gross investment (NIPA) of the federal government in current dollars, with cyclically sensitive receipts and outlays adjusted to the staff's measure of potential output and the NAIRU. Quarterly figures for change in HEB and FI are not at annual rates. The sign on Change in HEB, as a percent of nominal potential GDP, is reversed. FI is the weighted difference of discretionary changes in federal spending and taxes in chained (2005) dollars, scaled by real GDP. The annual FI estimates are on a calendar year basis. Also, for FI and the change in HEB, positive values indicate aggregate demand stimulus.

a--Actual

**Class II FOMC Restricted (FR)** **Change in Debt of the Domestic Nonfinancial Sectors** **January 20, 2010**  
(Percent)

| Period <sup>1</sup> | Total | Households |                |                 | Business | State and local governments | Federal government | Memo: Nominal GDP |
|---------------------|-------|------------|----------------|-----------------|----------|-----------------------------|--------------------|-------------------|
|                     |       | Total      | Home mortgages | Consumer credit |          |                             |                    |                   |
| <i>Year</i>         |       |            |                |                 |          |                             |                    |                   |
| 2004                | 8.9   | 11.1       | 13.5           | 5.6             | 6.3      | 7.3                         | 9.0                | 6.4               |
| 2005                | 9.5   | 11.1       | 13.2           | 4.5             | 8.7      | 10.2                        | 7.0                | 6.3               |
| 2006                | 9.0   | 10.0       | 11.0           | 4.1             | 10.5     | 8.3                         | 3.9                | 5.4               |
| 2007                | 8.7   | 6.6        | 6.7            | 5.7             | 13.4     | 9.5                         | 4.9                | 5.3               |
| 2008                | 5.9   | .2         | -.6            | 1.6             | 5.1      | 2.5                         | 24.2               | .1                |
| 2009                | 3.5   | -1.9       | -1.8           | -4.0            | -1.1     | 4.7                         | 22.7               | .8                |
| 2010                | 5.3   | .2         | -.1            | .4              | 1.8      | 4.1                         | 19.6               | 5.0               |
| 2011                | 5.2   | 2.0        | .7             | 7.0             | 3.3      | 4.0                         | 12.3               | 5.8               |
| <i>Quarter</i>      |       |            |                |                 |          |                             |                    |                   |
| 2008:1              | 5.5   | 3.1        | 2.6            | 4.5             | 7.7      | 3.9                         | 8.1                | 1.0               |
| 2                   | 3.3   | .1         | -.5            | 4.1             | 6.3      | 2.0                         | 5.9                | 3.5               |
| 3                   | 8.2   | -.5        | -2.4           | .6              | 5.2      | 3.9                         | 39.2               | 1.4               |
| 4                   | 6.1   | -1.9       | -1.9           | -2.9            | 1.0      | .3                          | 37.0               | -5.4              |
| 2009:1              | 4.3   | -1.2       | -.2            | -3.4            | .6       | 4.7                         | 22.6               | -4.6              |
| 2                   | 4.5   | -1.6       | -1.6           | -4.7            | -2.1     | 4.0                         | 28.2               | -.8               |
| 3                   | 2.8   | -2.7       | -3.6           | -3.2            | -2.4     | 5.5                         | 20.6               | 2.6               |
| 4                   | 2.0   | -2.2       | -1.8           | -4.9            | -.6      | 4.3                         | 12.7               | 6.2               |
| 2010:1              | 2.8   | -.6        | -.5            | -2.7            | .7       | 3.6                         | 11.3               | 4.7               |
| 2                   | 5.5   | -.0        | -.2            | -.5             | 1.7      | 4.1                         | 20.5               | 5.0               |
| 3                   | 7.0   | .5         | .0             | 1.4             | 2.2      | 4.2                         | 24.4               | 5.1               |
| 4                   | 5.7   | 1.0        | .2             | 3.2             | 2.7      | 4.2                         | 16.9               | 5.1               |
| 2011:1              | 4.8   | 1.5        | .5             | 4.7             | 3.1      | 4.0                         | 12.0               | 5.6               |
| 2                   | 5.0   | 1.9        | .6             | 6.3             | 3.1      | 3.9                         | 11.8               | 5.9               |
| 3                   | 5.2   | 2.2        | .7             | 7.6             | 3.4      | 3.9                         | 11.6               | 5.9               |
| 4                   | 5.3   | 2.5        | .8             | 8.8             | 3.4      | 3.9                         | 11.7               | 6.0               |

Note. Quarterly data are at seasonally adjusted annual rates.

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

2.6.3 FOF

**Class II FOMC  
Restricted (FR)**

**Flow of Funds Projections: Highlights**

**January 20, 2010**

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

| Category                             | 2008   | 2009   | 2010   | 2011   | 2009    |        |        |        | 2010   |        |        |        | 2011   |        |    |    |
|--------------------------------------|--------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----|----|
|                                      |        |        |        |        | Q3      | Q4     | Q1     | Q2     | Q3     | Q4     | Q1     | Q2     | Q3     | Q4     | Q1 | Q2 |
| <i>Domestic nonfinancial sectors</i> |        |        |        |        |         |        |        |        |        |        |        |        |        |        |    |    |
| Net funds raised                     |        |        |        |        |         |        |        |        |        |        |        |        |        |        |    |    |
| Total                                | 1531.0 | 1117.1 | 1775.4 | 1788.8 | 1042.0  | 445.3  | 923.5  | 1847.0 | 2374.8 | 1956.3 | 1668.8 | 1738.0 | 1831.4 | 1917.1 |    |    |
| Net equity issuance                  | -335.1 | -44.6  | -80.0  | -100.0 | 67.5    | -256.7 | -40.0  | -80.0  | -100.0 | -100.0 | -100.0 | -100.0 | -100.0 | -100.0 |    |    |
| Net debt issuance                    | 1866.1 | 1161.7 | 1855.4 | 1888.8 | 974.5   | 702.0  | 963.5  | 1927.0 | 2474.8 | 2056.3 | 1768.8 | 1838.0 | 1931.4 | 2017.1 |    |    |
| Borrowing indicators                 |        |        |        |        |         |        |        |        |        |        |        |        |        |        |    |    |
| Debt (percent of GDP) <sup>1</sup>   | 226.0  | 239.6  | 239.4  | 238.9  | 241.9   | 239.7  | 238.4  | 238.0  | 238.7  | 239.5  | 239.4  | 238.9  | 238.5  | 238.1  |    |    |
| Borrowing (percent of GDP)           | 12.9   | 8.1    | 12.5   | 12.0   | 6.8     | 4.9    | 6.6    | 13.0   | 16.5   | 13.6   | 11.5   | 11.8   | 12.2   | 12.6   |    |    |
| Households                           |        |        |        |        |         |        |        |        |        |        |        |        |        |        |    |    |
| Net borrowing <sup>2</sup>           | 25.6   | -262.1 | 29.1   | 276.6  | -364.0  | -292.6 | -84.1  | -5.0   | 68.7   | 136.8  | 204.6  | 254.9  | 301.5  | 345.5  |    |    |
| Home mortgages                       | -58.0  | -187.6 | -11.9  | 66.6   | -369.5  | -190.2 | -47.6  | -23.8  | 0.0    | 23.8   | 52.3   | 61.8   | 71.3   | 80.8   |    |    |
| Consumer credit                      | 40.2   | -103.7 | 8.8    | 175.5  | -81.9   | -123.5 | -66.7  | -13.3  | 35.7   | 79.5   | 118.3  | 158.5  | 195.5  | 229.8  |    |    |
| Debt/DPI (percent) <sup>3</sup>      | 127.3  | 124.5  | 119.2  | 115.6  | 123.9   | 122.1  | 120.3  | 119.8  | 118.6  | 117.4  | 116.8  | 116.0  | 115.0  | 114.2  |    |    |
| Business                             |        |        |        |        |         |        |        |        |        |        |        |        |        |        |    |    |
| Financing gap <sup>4</sup>           | 232.4  | -123.9 | -63.2  | 40.8   | -200.0  | -104.5 | -101.7 | -85.4  | -42.4  | -23.3  | 7.7    | 27.4   | 50.8   | 77.4   |    |    |
| Net equity issuance                  | -335.1 | -44.6  | -80.0  | -100.0 | 67.5    | -256.7 | -40.0  | -80.0  | -100.0 | -100.0 | -100.0 | -100.0 | -100.0 | -100.0 |    |    |
| Credit market borrowing              | 545.8  | -126.9 | 202.5  | 367.8  | -272.9  | -64.1  | 77.7   | 185.6  | 243.2  | 303.5  | 344.5  | 354.7  | 384.5  | 387.4  |    |    |
| State and local governments          |        |        |        |        |         |        |        |        |        |        |        |        |        |        |    |    |
| Net borrowing                        | 55.5   | 106.3  | 96.7   | 97.7   | 126.6   | 100.9  | 85.7   | 97.7   | 101.7  | 101.7  | 97.7   | 97.7   | 97.7   | 97.7   |    |    |
| Current surplus <sup>5</sup>         | 212.7  | 233.4  | 257.2  | 228.8  | 258.0   | 220.0  | 238.6  | 253.6  | 267.6  | 269.2  | 257.7  | 250.2  | 207.7  | 199.6  |    |    |
| Federal government                   |        |        |        |        |         |        |        |        |        |        |        |        |        |        |    |    |
| Net borrowing                        | 1239.2 | 1443.9 | 1527.2 | 1146.8 | 1484.9  | 957.7  | 884.3  | 1648.7 | 2061.2 | 1514.4 | 1122.0 | 1130.8 | 1147.7 | 1186.6 |    |    |
| Net borrowing (n.s.a.)               | 1239.2 | 1443.9 | 1527.2 | 1146.8 | 378.7   | 261.4  | 327.1  | 277.2  | 522.3  | 400.6  | 386.5  | 147.7  | 293.9  | 318.6  |    |    |
| Unified deficit (n.s.a.)             | 680.5  | 1471.7 | 1455.6 | 1126.8 | 329.4   | 388.5  | 459.0  | 253.9  | 332.0  | 410.6  | 396.5  | 122.7  | 278.9  | 328.6  |    |    |
| <i>Depository institutions</i>       |        |        |        |        |         |        |        |        |        |        |        |        |        |        |    |    |
| Funds supplied                       | 409.1  | -446.5 | 247.6  | 256.6  | -1018.6 | 236.1  | -2.7   | 199.0  | -585.3 | 1379.5 | 205.1  | 61.9   | 414.6  | 344.7  |    |    |

Note. Data after 2009:Q3 are staff projections.

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

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

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

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

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

n.s.a. Not seasonally adjusted.

2.6.4 FOF

## International Developments

Since the last Greenbook, the news we have received has not materially changed our outlook for the global economy and the U.S. external sector. Foreign economic activity appears to have continued to expand in the fourth quarter, albeit at a slower rate than in the third and somewhat below our expectations. Real GDP growth in the emerging market economies (EMEs) moderated notably from its elevated third-quarter pace, but recovery in the advanced foreign economies (AFEs) picked up some steam. We project that foreign growth overall will firm going forward, reaching 4 percent in 2011, as policy accommodation, abating financial headwinds, and improving sentiment continue to support domestic spending and global trade. Foreign headline inflation has moved up further in recent months, mainly reflecting increases in energy and food prices. These increases are expected to moderate going forward, and we see inflation abroad retreating to 2 percent in the second half of this year and in 2011.

### Summary of Staff Projections

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

| Indicator                                  | 2009 |     | Projection  |      |     |     |      |
|--|------|-----|-------------|------|-----|-----|------|
|  | H1   | Q3  | 2009:<br>Q4 | 2010 |     |     | 2011 |
|  |      |     |             | Q1   | Q2  | H2  |      |
| Foreign output                             | -3.6 | 4.4 | 2.9         | 3.4  | 3.5 | 3.8 | 4.1  |
| Previous Greenbook                         | -3.5 | 4.3 | 3.6         | 3.5  | 3.6 | 3.9 | 4.1  |
| Foreign consumer prices                    | .0   | 1.4 | 3.1         | 2.6  | 2.2 | 2.0 | 2.0  |
| Previous Greenbook                         | .0   | 1.4 | 2.2         | 2.1  | 2.0 | 1.8 | 1.9  |
| Contribution to growth (percentage points) |      |     |             |      |     |     |      |
| U.S. net exports                           | 2.1  | -.8 | .2          | -.5  | -.2 | -.1 | -.1  |
| Previous Greenbook                         | 2.1  | -.9 | .4          | -.4  | .0  | .0  | -.1  |

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

The contribution of net exports to U.S. real GDP growth is estimated to have been slightly positive in the fourth quarter, as a strong further increase in imports appears to have been more than offset by an even greater increase in exports. We expect the growth of both exports and imports to moderate in 2010 and beyond as the cyclical recovery in trade plays out, with past and projected declines in the dollar pushing export growth somewhat above that of imports. However, due to the higher level of imports, we expect



expectations have so far been relatively stable. We thus continue to project that consumer prices will rise at an annual rate of about 1 percent in 2010 and 2011.

We assume that all major central banks, except the Bank of Japan, will begin tightening monetary policy over this year and next. The Bank of Canada is expected to increase its target for the overnight rate late this year, consistent with its conditional commitment to keep its target at 25 basis points through the second quarter of 2010. The Bank of England is also forecast to begin tightening by the end of 2010. The European Central Bank has already taken some initial steps to scale back its extraordinary lending programs. We expect that the ECB will guide the overnight rate, currently at around 35 basis points, back up toward its 1 percent policy rate during the current year and that it will raise that rate in 2011. In contrast, the BOJ is assumed to maintain its policy target near zero throughout the forecast period. The BOJ has injected about half of the ¥10 trillion it made available under a three-month secured lending facility set up in December, which has drawn more demand than expected.

We judge that fiscal policy was an important driver of the recovery during the second half of 2009. Going forward, we project that fiscal measures will add about ½ percentage point to AFE GDP growth in 2010 but then subtract 1¼ percentage points in 2011, as fiscal stimulus tapers off and the effects of automatic stabilizers moderate.

**Staff Projections for Foreign GDP Growth by Region**  
(Percent change from end of previous period, annual rate)

| Indicator                  | 2009 |     | Projection  |      |     |     |      |
|----------------------------|------|-----|-------------|------|-----|-----|------|
|                            | H1   | Q3  | 2009:<br>Q4 | 2010 |     |     | 2011 |
|                            |      |     |             | Q1   | Q2  | H2  |      |
| Advanced foreign economies | -4.6 | .8  | 2.2         | 2.3  | 2.6 | 2.9 | 3.2  |
| Previous Greenbook         | -4.6 | .8  | 2.6         | 2.5  | 2.7 | 3.0 | 3.3  |
| Emerging market economies  | -2.2 | 9.1 | 3.9         | 4.7  | 4.7 | 5.0 | 5.2  |
| Previous Greenbook         | -2.1 | 9.1 | 5.0         | 4.8  | 4.9 | 5.1 | 5.2  |

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

### Prices of Internationally Traded Goods

Core import prices are estimated to have risen at an annual rate of 5¾ percent in the fourth quarter, boosted by recent dollar depreciation and gains in commodity prices. In the current quarter, we expect core import price inflation to decline to 4½ percent, in line with a slower projected pace of dollar depreciation. Core import price inflation is projected to move down to just over 1 percent during the second half of 2010 and in 2011, as commodity prices flatten out and the dollar depreciates only moderately. Our forecast for 2010 is slightly higher in reaction to the recent run-up in commodity prices.

Core export prices are estimated to have risen at an annual rate of 5¼ percent in the fourth quarter. In line with the continuing rise in commodity prices, core export price inflation in the current quarter is projected to come in at 7 percent. As commodity prices stabilize, export price inflation should decline to about 2 percent over the remainder of 2010 and to 1½ percent in 2011.

### Staff Projections of Selected Trade Prices

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

| Trade category           | 2009  |       | Projection  |       |       |       |       |
|--------------------------|-------|-------|-------------|-------|-------|-------|-------|
|                          | H1    | Q3    | 2009:<br>Q4 | 2010  |       |       | 2011  |
|                          |       |       |             | Q1    | Q2    | H2    |       |
| <i>Imports</i>           |       |       |             |       |       |       |       |
| Core goods               | -5.9  | 1.3   | 5.7         | 4.5   | 2.3   | 1.3   | 1.0   |
| Previous Greenbook       | -5.9  | 1.2   | 5.4         | 3.5   | 1.7   | 1.1   | 1.0   |
| Oil (dollars per barrel) | 53.71 | 66.28 | 72.12       | 76.55 | 76.71 | 79.07 | 82.38 |
| Previous Greenbook       | 53.71 | 66.28 | 73.49       | 74.35 | 74.81 | 77.11 | 81.24 |
| <i>Exports</i>           |       |       |             |       |       |       |       |
| Core goods               | -5.3  | 5.1   | 5.2         | 7.0   | 3.0   | 1.8   | 1.4   |
| Previous Greenbook       | -5.3  | 5.2   | 3.7         | 4.2   | 3.2   | 1.7   | 1.3   |

Note: Prices for core exports exclude computers and semiconductors. Prices for core imports exclude computers, semiconductors, oil, and natural gas. Both prices are on a national income and product account chain-weighted basis.

The price of imported oil for multi-quarter periods is the price for the final quarter of the period. Imported oil includes both crude oil and refined.

### Trade in Goods and Services

Trade data for October and November indicate that both exports and imports rose faster than we had anticipated in our previous forecast. For the fourth quarter as a whole, we now estimate that real exports of goods and services jumped 17¼ percent at an annual

rate, reflecting a continued strong rebound in exports of capital goods and automotive products. The cyclical rebound in exports is expected to moderate but remain robust, with growth at a 9½ percent rate in 2010 and 2011, supported by a continued recovery in foreign demand and ongoing support from the dollar. Outside of the fourth quarter, this forecast is little changed from the previous Greenbook, as the trajectory for both the dollar and foreign growth are about the same.

Real imports of goods and services are estimated to have increased at a 12 percent annual rate in the fourth quarter, boosted by strong gains in most categories. The exception was real imports of oil, which declined substantially. In 2010 and 2011, we expect import growth to continue at a rate of about 8½ percent, supported by strong U.S. GDP growth and a cyclical rebound in trade. As with exports, recent trade data have led us to revise up our estimate for import growth in the fourth quarter. We also have raised our forecast for real import growth in 2010, by about ¾ percentage point, as imports of oil are expected to recover from their weaker-than-expected level in late 2009. Our forecast for 2011 has been revised up by a similar amount due in part to the slightly stronger outlook for U.S. GDP growth.

**Staff Projections for  
Trade in Goods and Services**  
(Percent change from end of previous period, annual rate)

| Measure            | 2009  |      | Projection  |      |     |     |      |
|--------------------|-------|------|-------------|------|-----|-----|------|
|                    | H1    | Q3   | 2009:<br>Q4 | 2010 |     |     | 2011 |
|                    |       |      |             | Q1   | Q2  | H2  |      |
| Real exports       | -18.1 | 17.8 | 17.3        | 9.8  | 8.8 | 9.7 | 9.3  |
| Previous Greenbook | -18.1 | 17.0 | 12.1        | 8.9  | 9.1 | 9.6 | 8.9  |
| Real imports       | -26.3 | 21.3 | 11.8        | 11.0 | 8.2 | 8.0 | 8.3  |
| Previous Greenbook | -26.3 | 20.8 | 6.7         | 9.9  | 7.2 | 7.4 | 7.5  |

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

### Alternative Simulations

The average fiscal deficit for the advanced foreign economies is projected to rise from 1 percent of GDP in 2007 to 7½ percent this year. Our outlook assumes only a gradual reduction of these deficits starting in 2011, principally reflecting cyclical factors and the completion of fiscal stimulus programs. However, policymakers may take earlier and more substantial measures to correct their budgets in order to forestall a heightening of

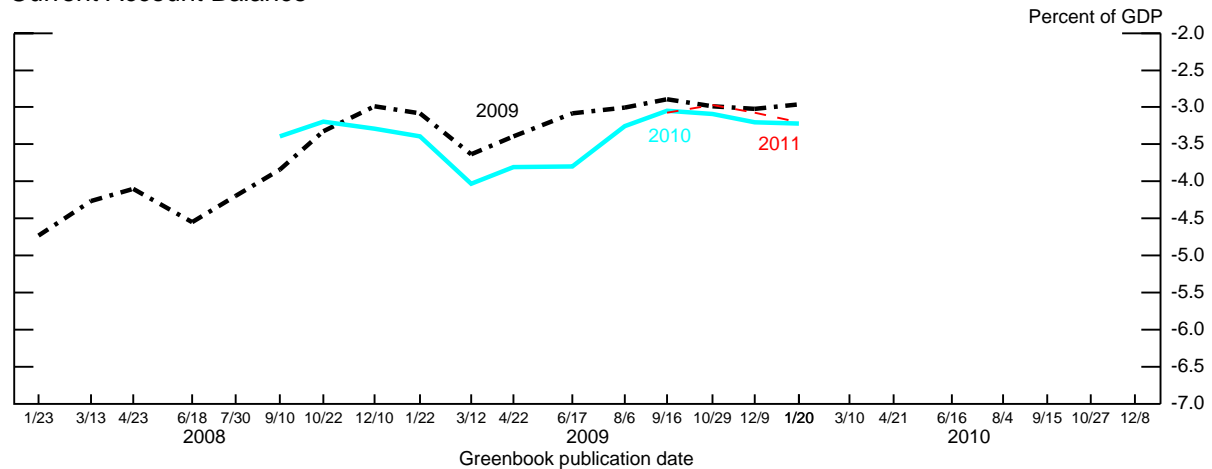
**Alternative Scenario:**  
**Fiscal Consolidation in the Advanced Foreign Economies**  
 (Percent change from previous period, annual rate, except as noted)

| Indicator and simulation                             | 2010 |      | 2011 |      | 2012 | 2013-14 |
|--|------|------|------|------|------|---------|
|  | H1   | H2   | H1   | H2   |      |         |
| <i>U.S. real GDP</i>                                 |      |      |      |      |      |         |
| Baseline   | 3.3  | 3.9  | 4.5  | 4.9  | 4.5  | 3.6     |
| AFE Fiscal Tightening                                | 2.7  | 3.4  | 4.3  | 4.9  | 4.6  | 3.6     |
| <i>U.S. PCE prices<br/>excluding food and energy</i> |      |      |      |      |      |         |
| Baseline   | 1.2  | 1.1  | 1.1  | 1.0  | 1.2  | 1.5     |
| AFE Fiscal Tightening                                | .8   | .9   | .9   | .9   | 1.1  | 1.4     |
| <i>U.S. federal funds rate<br/>(percent)</i>         |      |      |      |      |      |         |
| Baseline   | .1   | .1   | .1   | .5   | 2.2  | 3.8     |
| AFE Fiscal Tightening                                | .1   | .1   | .1   | .5   | 1.8  | 3.5     |
| <i>U.S. trade balance<br/>(percent share of GDP)</i> |      |      |      |      |      |         |
| Baseline   | -3.1 | -3.2 | -3.2 | -3.3 | -3.1 | -2.6    |
| AFE Fiscal Tightening                                | -3.5 | -3.6 | -3.6 | -3.7 | -3.5 | -2.8    |

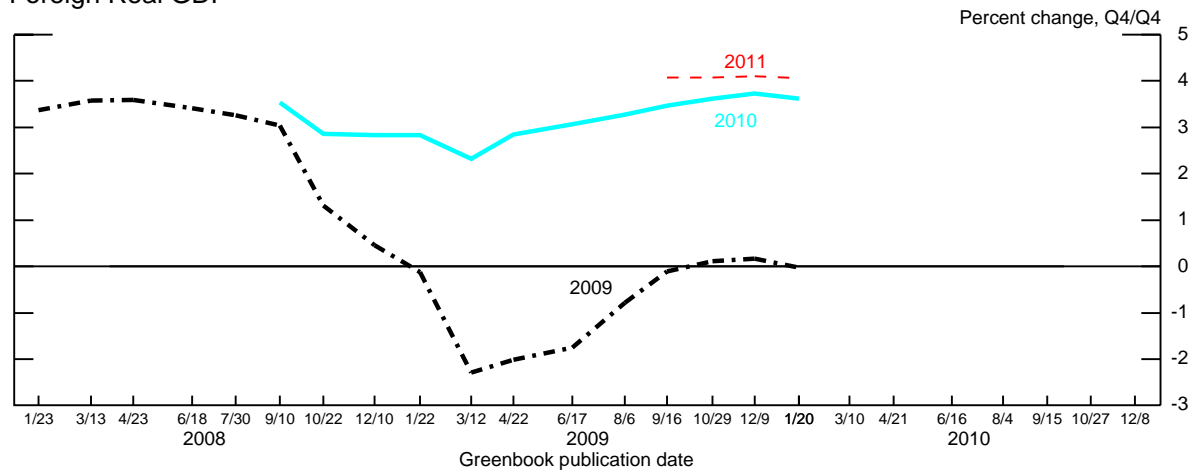
NOTE: H1 is Q2/Q4; H2 is Q4/Q2. U.S. real GDP and U.S. PCE prices are the average rates over the period. The federal funds rate and the trade balance are the values for the final quarter of the period.

## Evolution of the Staff Forecast

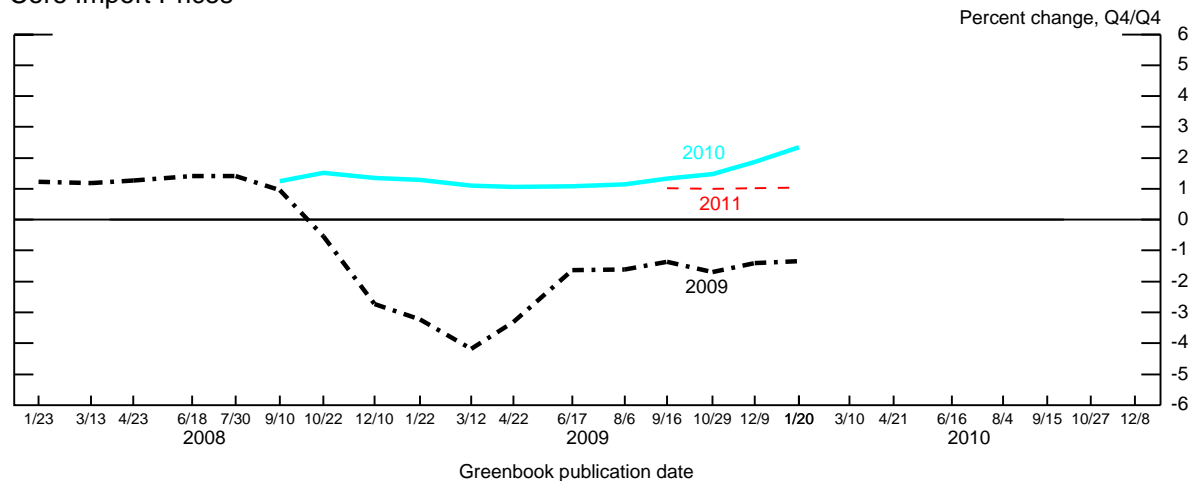
Current Account Balance



Foreign Real GDP



Core Import Prices\*



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

Class II FOMC  
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January 20, 2010

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

| Measure and country        | 2009  |      |      |      | 2010 |      |      |      | Projected 2011 |      |      |      |
|----------------------------|---|------|------|------|------|------|------|------|----------------|------|------|------|
|                            | Q1  | Q2   | Q3   | Q4   | Q1   | Q2   | Q3   | Q4   | Q1             | Q2   | Q3   | Q4   |
| REAL GDP (1)               | ----- Quarterly changes at an annual rate ----- |      |      |      |      |      |      |      |                |      |      |      |
| Total Foreign              | -9.1  | 2.4  | 4.4  | 2.9  | 3.4  | 3.5  | 3.7  | 3.9  | 4.0            | 4.0  | 4.1  | 4.1  |
| Advanced Foreign Economies | -7.8  | -1.4 | 0.8  | 2.2  | 2.3  | 2.6  | 2.8  | 2.9  | 3.1            | 3.2  | 3.2  | 3.2  |
| of which:                  |   |      |      |      |      |      |      |      |                |      |      |      |
| Canada                     | -6.2  | -3.1 | 0.4  | 3.2  | 3.2  | 3.2  | 3.2  | 3.3  | 3.8            | 3.8  | 3.9  | 3.9  |
| Japan                      | -11.9   | 2.7  | 1.3  | 1.8  | 1.7  | 2.0  | 2.2  | 2.3  | 2.1            | 2.0  | 1.8  | 1.8  |
| United Kingdom             | -9.7  | -2.7 | -0.6 | 2.6  | 1.7  | 2.9  | 3.1  | 3.2  | 3.1            | 3.0  | 3.1  | 3.1  |
| Euro Area (2)              | -9.5  | -0.5 | 1.7  | 1.0  | 1.6  | 1.9  | 2.3  | 2.5  | 2.6            | 2.6  | 2.7  | 2.7  |
| Germany                    | -13.4   | 1.8  | 2.9  | 0.3  | 1.8  | 2.0  | 2.4  | 2.7  | 2.7            | 2.7  | 3.2  | 3.3  |
| Emerging Market Economies  | -10.8   | 7.3  | 9.1  | 3.9  | 4.7  | 4.7  | 4.9  | 5.1  | 5.2            | 5.2  | 5.2  | 5.3  |
| Asia                       | -3.5  | 15.1 | 9.9  | 4.8  | 6.2  | 5.9  | 5.9  | 6.1  | 6.1            | 6.1  | 6.1  | 6.1  |
| Korea                      | 0.5   | 11.0 | 13.6 | 3.8  | 3.8  | 4.4  | 4.4  | 4.4  | 4.4            | 4.4  | 4.4  | 4.4  |
| China                      | 6.5   | 18.5 | 9.8  | 10.5 | 9.2  | 8.5  | 8.3  | 8.4  | 8.7            | 8.8  | 8.9  | 8.9  |
| Latin America              | -18.4   | 0.2  | 8.8  | 2.8  | 3.3  | 3.6  | 4.0  | 4.1  | 4.3            | 4.3  | 4.4  | 4.4  |
| Mexico                     | -23.4   | -1.1 | 12.2 | 2.5  | 3.3  | 3.6  | 4.0  | 4.2  | 4.6            | 4.6  | 4.6  | 4.6  |
| Brazil                     | -3.5  | 4.4  | 5.1  | 6.0  | 5.0  | 5.0  | 5.0  | 4.5  | 4.0            | 4.0  | 4.0  | 4.0  |
| CONSUMER PRICES (3)        | ----- Four-quarter changes -----                |      |      |      |      |      |      |      |                |      |      |      |
| Total Foreign              | 1.8   | 0.9  | 0.2  | 1.1  | 2.0  | 2.3  | 2.4  | 2.2  | 2.0            | 2.0  | 2.0  | 2.0  |
| Advanced Foreign Economies | 1.0   | 0.0  | -0.8 | 0.2  | 0.8  | 1.0  | 1.2  | 1.0  | 1.0            | 1.0  | 1.1  | 1.2  |
| of which:                  |   |      |      |      |      |      |      |      |                |      |      |      |
| Canada                     | 1.2   | 0.1  | -0.9 | 0.8  | 1.4  | 1.7  | 2.1  | 1.6  | 1.7            | 1.8  | 1.8  | 1.8  |
| Japan                      | -0.1  | -1.0 | -2.2 | -2.0 | -1.6 | -1.5 | -1.4 | -1.3 | -1.2           | -1.1 | -1.0 | -0.9 |
| United Kingdom (4)         | 3.0   | 2.1  | 1.5  | 2.1  | 3.1  | 3.0  | 2.6  | 2.3  | 1.5            | 1.6  | 1.7  | 1.8  |
| Euro Area (2)              | 1.0   | 0.2  | -0.4 | 0.4  | 1.1  | 1.3  | 1.5  | 1.3  | 1.2            | 1.3  | 1.3  | 1.4  |
| Germany                    | 0.8   | 0.2  | -0.4 | 0.3  | 0.8  | 1.1  | 1.3  | 1.1  | 1.1            | 1.1  | 1.2  | 1.2  |
| Emerging Market Economies  | 2.7   | 1.7  | 1.2  | 2.1  | 3.2  | 3.5  | 3.6  | 3.3  | 3.0            | 2.9  | 2.8  | 2.8  |
| Asia                       | 1.0   | -0.3 | -0.5 | 1.1  | 2.7  | 3.3  | 3.5  | 3.0  | 2.7            | 2.6  | 2.5  | 2.5  |
| Korea                      | 3.9   | 2.8  | 2.0  | 2.4  | 3.1  | 3.0  | 3.1  | 2.9  | 2.4            | 2.3  | 2.3  | 2.3  |
| China                      | -0.6  | -1.5 | -1.3 | 0.5  | 2.5  | 3.2  | 3.5  | 2.9  | 2.6            | 2.4  | 2.3  | 2.3  |
| Latin America              | 6.3   | 5.9  | 4.9  | 3.9  | 4.1  | 4.0  | 4.1  | 4.3  | 3.9            | 3.4  | 3.4  | 3.4  |
| Mexico                     | 6.2   | 6.0  | 5.1  | 4.0  | 4.1  | 3.9  | 3.9  | 4.1  | 3.6            | 3.1  | 3.0  | 3.0  |
| Brazil                     | 5.9   | 5.3  | 4.3  | 4.2  | 4.2  | 4.0  | 4.3  | 4.5  | 4.3            | 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.

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

| Measure and country        | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------------|------|------|------|------|------|------|------|------|------|
| REAL GDP (1)               |      |      |      |      |      |      |      |      |      |
| -----                      |      |      |      |      |      |      |      |      |      |
| Total Foreign              | 2.8  | 3.8  | 4.1  | 4.0  | 4.2  | -0.9 | -0.0 | 3.6  | 4.1  |
| Advanced Foreign Economies | 1.7  | 2.6  | 2.8  | 2.5  | 2.5  | -1.6 | -1.6 | 2.7  | 3.2  |
| Of which:                  |      |      |      |      |      |      |      |      |      |
| Canada                     | 1.5  | 3.7  | 3.1  | 1.9  | 2.8  | -1.0 | -1.5 | 3.2  | 3.8  |
| Japan                      | 2.4  | 1.1  | 2.8  | 2.0  | 1.7  | -4.4 | -1.7 | 2.0  | 1.9  |
| United Kingdom             | 3.2  | 2.4  | 2.4  | 2.8  | 2.4  | -2.1 | -2.7 | 2.7  | 3.1  |
| Euro Area (2)              | 1.2  | 1.8  | 2.1  | 3.5  | 2.2  | -1.8 | -1.9 | 2.1  | 2.7  |
| Germany                    | 0.1  | 0.2  | 1.6  | 4.3  | 1.6  | -1.8 | -2.3 | 2.2  | 3.0  |
| Emerging Market Economies  | 4.5  | 5.6  | 5.9  | 5.9  | 6.5  | 0.0  | 2.0  | 4.9  | 5.2  |
| Asia                       | 6.9  | 6.0  | 7.7  | 7.2  | 8.2  | 0.5  | 6.3  | 6.1  | 6.1  |
| Korea                      | 3.7  | 2.6  | 5.2  | 4.6  | 5.7  | -3.4 | 7.1  | 4.2  | 4.4  |
| China                      | 10.3 | 9.9  | 10.3 | 10.8 | 12.3 | 6.9  | 11.2 | 8.6  | 8.8  |
| Latin America              | 1.8  | 5.1  | 4.1  | 4.7  | 4.6  | -0.8 | -2.2 | 3.7  | 4.3  |
| Mexico                     | 1.2  | 4.5  | 3.6  | 4.0  | 3.7  | -1.7 | -3.4 | 3.8  | 4.6  |
| Brazil                     | 0.8  | 5.1  | 3.5  | 4.8  | 6.7  | 0.9  | 2.9  | 4.9  | 4.0  |
| CONSUMER PRICES (3)        |      |      |      |      |      |      |      |      |      |
| -----                      |      |      |      |      |      |      |      |      |      |
| Total Foreign              | 2.1  | 2.8  | 2.3  | 2.1  | 3.7  | 3.3  | 1.1  | 2.2  | 2.0  |
| Advanced Foreign Economies | 1.3  | 1.8  | 1.6  | 1.4  | 2.2  | 2.0  | 0.2  | 1.0  | 1.2  |
| Of which:                  |      |      |      |      |      |      |      |      |      |
| Canada                     | 1.7  | 2.3  | 2.3  | 1.4  | 2.5  | 1.9  | 0.8  | 1.6  | 1.8  |
| Japan                      | -0.3 | 0.5  | -1.0 | 0.3  | 0.5  | 1.0  | -2.0 | -1.3 | -0.9 |
| United Kingdom (4)         | 1.3  | 1.4  | 2.1  | 2.7  | 2.1  | 3.8  | 2.1  | 2.3  | 1.8  |
| Euro Area (2)              | 2.0  | 2.3  | 2.3  | 1.8  | 2.9  | 2.3  | 0.4  | 1.3  | 1.4  |
| Germany                    | 1.1  | 2.1  | 2.2  | 1.3  | 3.1  | 1.7  | 0.3  | 1.1  | 1.2  |
| Emerging Market Economies  | 3.1  | 3.9  | 3.0  | 2.9  | 5.1  | 4.6  | 2.1  | 3.3  | 2.8  |
| Asia                       | 2.3  | 3.1  | 2.6  | 2.4  | 5.5  | 3.7  | 1.1  | 3.0  | 2.5  |
| Korea                      | 3.5  | 3.4  | 2.5  | 2.1  | 3.4  | 4.5  | 2.4  | 2.9  | 2.3  |
| China                      | 2.7  | 3.3  | 1.4  | 2.1  | 6.7  | 2.7  | 0.5  | 2.9  | 2.3  |
| Latin America              | 4.9  | 5.6  | 3.8  | 4.1  | 4.2  | 6.5  | 3.9  | 4.3  | 3.4  |
| Mexico                     | 3.9  | 5.3  | 3.1  | 4.1  | 3.8  | 6.2  | 4.0  | 4.1  | 3.0  |
| Brazil                     | 11.5 | 7.2  | 6.1  | 3.2  | 4.3  | 6.2  | 4.2  | 4.5  | 4.3  |

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

2.2. Harmonized data for euro area from Eurostat.

2. Harmonized data for euro area from Eurostat.

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

3. Foreign CFI aggregates calculated using shares of U.S. non-OII imports.

4. CPI excluding mortgage interest payments, which is the targeted inflation rate.

Class II FOMC  
Restricted (FR)

January 20, 2010

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

|                                | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | -----<br>2009 | Projected<br>2010 | -----<br>2011 |
|--------------------------------|--|--------|--------|--------|--------|--------|---------------|-------------------|---------------|
| NIPA REAL EXPORTS and IMPORTS  |  |        |        |        |        |        |               |                   |               |
|                                | Percentage point contribution to GDP growth, Q4/Q4 |        |        |        |        |        |               |                   |               |
| Net Goods & Services           | -0.1   | -0.9   | -0.2   | 0.4    | 1.0    | 0.7    | 1.0           | -0.2              | -0.1          |
| Exports of G&S                 | 0.6  | 0.7    | 0.7    | 1.1    | 1.2    | -0.4   | -0.2          | 1.1               | 1.1           |
| Imports of G&S                 | -0.7   | -1.6   | -0.8   | -0.7   | -0.2   | 1.2    | 1.2           | -1.3              | -1.3          |
|                                | Percentage change, Q4/Q4                           |        |        |        |        |        |               |                   |               |
| Exports of G&S                 | 6.2  | 7.1    | 6.7    | 10.2   | 10.2   | -3.4   | -1.9          | 9.5               | 9.3           |
| Services                       | 4.3  | 9.1    | 3.6    | 12.0   | 13.0   | -3.5   | -2.0          | 6.8               | 7.4           |
| Computers                      | 11.3   | 5.8    | 14.2   | 8.4    | 1.3    | -2.4   | 5.2           | 9.5               | 9.5           |
| Semiconductors                 | 38.3   | -6.0   | 17.6   | 2.1    | 29.1   | -12.7  | 28.2          | 11.0              | 11.0          |
| Core Goods 1/                  | 4.8  | 7.2    | 7.2    | 9.9    | 8.4    | -3.1   | -3.1          | 10.8              | 10.2          |
| Imports of G&S                 | 5.1  | 10.9   | 5.2    | 4.1    | 0.9    | -6.8   | -7.4          | 8.8               | 8.3           |
| Services                       | 3.3  | 8.8    | 2.3    | 7.1    | 2.0    | 0.2    | -3.1          | 4.4               | 6.7           |
| Oil                            | 1.3  | 10.7   | 1.3    | -8.2   | 0.0    | 0.3    | -18.9         | 2.0               | 1.0           |
| Natural Gas                    | 1.3  | 4.9    | 13.7   | -10.1  | 13.4   | -24.0  | -12.8         | 17.4              | 1.2           |
| Computers                      | 17.1   | 23.2   | 12.5   | 14.3   | 8.8    | -11.3  | 27.8          | 13.6              | 15.5          |
| Semiconductors                 | -0.1   | 9.8    | 7.5    | -0.8   | 3.6    | -9.7   | 5.6           | 5.0               | 5.0           |
| Core Goods 2/                  | 5.3  | 10.9   | 5.8    | 5.8    | 0.2    | -9.8   | -8.3          | 11.3              | 9.9           |
|                                | Billions of Chained 2005 Dollars                   |        |        |        |        |        |               |                   |               |
| Net Goods & Services           | -603.9   | -688.0 | -722.7 | -729.2 | -647.7 | -494.3 | -355.9        | -368.2            | -379.7        |
| Exports of G&S                 | 1116.8   | 1222.8 | 1305.1 | 1422.0 | 1546.1 | 1629.3 | 1468.0        | 1628.9            | 1783.5        |
| Imports of G&S                 | 1720.7   | 1910.8 | 2027.8 | 2151.2 | 2193.8 | 2123.5 | 1823.9        | 1997.1            | 2163.1        |
|                                | Billions of dollars                                |        |        |        |        |        |               |                   |               |
| US CURRENT ACCOUNT BALANCE     | -521.5   | -631.1 | -748.7 | -803.5 | -726.6 | -706.1 | -422.1        | -479.2            | -502.8        |
| Current Acct as Percent of GDP | -4.7   | -5.3   | -5.9   | -6.0   | -5.2   | -4.9   | -3.0          | -3.2              | -3.2          |
| Net Goods & Services (BOP)     | -495.0   | -610.0 | -715.3 | -760.4 | -701.4 | -695.9 | -379.2        | -470.4            | -500.9        |
| Investment Income, Net         | 51.0   | 73.4   | 78.8   | 54.7   | 97.9   | 125.5  | 92.8          | 122.3             | 125.3         |
| Direct, Net                    | 112.7  | 150.9  | 173.2  | 174.0  | 236.7  | 249.9  | 204.1         | 226.1             | 246.4         |
| Portfolio, Net                 | -61.7  | -77.5  | -94.4  | -119.4 | -138.8 | -124.3 | -111.2        | -103.8            | -121.1        |
| Other Income & Transfers, Net  | -77.5  | -94.5  | -112.2 | -97.9  | -123.1 | -135.7 | -135.8        | -131.1            | -127.2        |

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



January 20, 2010

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

|  | 2006   |        |        |        | 2007   |        |        |        | 2008   |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|  | Q1     | Q2     | Q3     | Q4     | Q1     | Q2     | Q3     | Q4     | Q1     | Q2     | Q3     | Q4     |
| NIPA REAL EXPORTS and IMPORTS                    |        |        |        |        |        |        |        |        |        |        |        |        |
| Percentage point contribution to GDP growth      |        |        |        |        |        |        |        |        |        |        |        |        |
| Net Goods & Services                             | 0.4    | 0.0    | -0.7   | 1.9    | -0.3   | 0.7    | 1.4    | 2.2    | 0.4    | 2.4    | -0.1   | 0.5    |
| Exports of G&S                                   | 1.6    | 0.7    | 0.1    | 1.8    | 0.4    | 0.6    | 2.0    | 1.6    | -0.0   | 1.5    | -0.5   | -2.7   |
| Imports of G&S                                   | -1.2   | -0.7   | -0.8   | 0.1    | -0.7   | 0.1    | -0.6   | 0.6    | 0.4    | 0.9    | 0.4    | 3.1    |
| Percentage change from previous period, s.a.a.r. |        |        |        |        |        |        |        |        |        |        |        |        |
| Exports of G&S                                   | 16.5   | 6.9    | 0.6    | 17.8   | 3.5    | 5.2    | 18.5   | 14.5   | -0.1   | 12.1   | -3.6   | -19.5  |
| Services   | 13.6   | 5.6    | 1.5    | 29.1   | 4.7    | 2.8    | 27.2   | 19.2   | -9.0   | 7.8    | -7.7   | -4.3   |
| Computers  | 18.1   | 8.9    | -9.6   | 19.0   | 11.6   | -15.4  | 11.5   | 0.0    | 8.7    | 33.5   | 1.3    | -38.3  |
| Semiconductors                                   | 22.1   | 19.5   | -14.2  | -13.3  | 23.7   | 26.3   | 4.7    | 69.9   | 15.0   | -3.8   | 6.5    | -50.7  |
| Core Goods 1/                                    | 17.6   | 6.7    | 1.6    | 14.5   | 1.5    | 6.4    | 15.4   | 10.8   | 3.5    | 14.3   | -2.2   | -23.7  |
| Imports of G&S                                   | 7.8    | 4.5    | 4.9    | -0.5   | 4.3    | -0.5   | 3.7    | -3.6   | -2.5   | -5.0   | -2.2   | -16.7  |
| Services   | 16.1   | 1.8    | 1.3    | 10.0   | 0.4    | 2.1    | 8.6    | -2.9   | 3.0    | -7.1   | 6.1    | -0.9   |
| Oil  | -20.8  | 5.0    | 22.1   | -30.1  | 0.8    | 14.7   | -3.4   | -10.4  | -1.5   | -9.3   | 2.7    | 10.3   |
| Natural Gas                                      | -50.2  | 80.0   | 26.1   | -42.2  | 52.8   | 54.0   | 36.5   | -48.5  | -5.0   | -38.2  | 12.2   | -49.5  |
| Computers  | 24.8   | 13.0   | 17.3   | 3.1    | 39.0   | -15.4  | -2.2   | 21.6   | 12.7   | 8.6    | -15.9  | -39.9  |
| Semiconductors                                   | 2.4    | -2.8   | 17.4   | -17.3  | 7.3    | 2.6    | -0.4   | 4.9    | 5.6    | 8.9    | -6.3   | -38.2  |
| Core Goods 2/                                    | 14.0   | 3.1    | 0.6    | 5.8    | 3.1    | -3.6   | 4.1    | -2.5   | -5.1   | -3.2   | -5.1   | -24.2  |
| Billions of Chained 2005 Dollars, s.a.a.r.       |        |        |        |        |        |        |        |        |        |        |        |        |
| Net Goods & Services                             | -732.6 | -732.8 | -756.5 | -694.9 | -705.0 | -683.4 | -638.4 | -564.0 | -550.9 | -476.0 | -479.2 | -470.9 |
| Exports of G&S                                   | 1388.8 | 1412.1 | 1414.1 | 1473.2 | 1485.9 | 1504.8 | 1569.9 | 1624.0 | 1623.4 | 1670.4 | 1655.2 | 1568.0 |
| Imports of G&S                                   | 2121.3 | 2144.9 | 2170.5 | 2168.1 | 2190.8 | 2188.1 | 2208.3 | 2188.0 | 2174.3 | 2146.5 | 2134.4 | 2038.9 |
| Billions of dollars, s.a.a.r.                    |        |        |        |        |        |        |        |        |        |        |        |        |
| US CURRENT ACCOUNT BALANCE                       | -794.6 | -808.3 | -859.2 | -752.1 | -796.4 | -762.1 | -686.5 | -661.3 | -717.2 | -750.9 | -736.7 | -619.5 |
| Current Account as % of GDP                      | -6.0   | -6.1   | -6.4   | -5.5   | -5.8   | -5.4   | -4.8   | -4.6   | -5.0   | -5.2   | -5.1   | -4.3   |
| Net Goods & Services (BOP)                       | -766.5 | -764.7 | -797.2 | -713.1 | -712.2 | -710.2 | -685.9 | -697.4 | -730.6 | -731.4 | -743.8 | -578.0 |
| Investment Income, Net                           | 62.4   | 57.7   | 44.0   | 54.6   | 45.8   | 58.2   | 120.7  | 167.0  | 154.0  | 112.3  | 143.7  | 92.1   |
| Direct, Net                                      | 173.9  | 175.2  | 163.1  | 183.9  | 186.7  | 204.4  | 252.7  | 303.0  | 284.6  | 241.9  | 268.0  | 205.1  |
| Portfolio, Net                                   | -111.5 | -117.5 | -119.1 | -129.3 | -140.9 | -146.2 | -132.0 | -136.0 | -130.6 | -129.6 | -124.2 | -113.0 |
| Other Inc. & Transfers, Net                      | -90.5  | -101.3 | -106.0 | -93.6  | -130.0 | -110.1 | -121.3 | -130.9 | -140.6 | -131.8 | -136.7 | -133.6 |

1. Merchandise exports excluding computers and semiconductors.

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

Class II FOMC  
Restricted (FR)

January 20, 2010

## OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

|  | 2009   |        |        |        | 2010   |        |        |        | Projected |        |           |        | 2011   |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|-----------|--------|-----------|--------|--------|--------|--------|--------|
|  | 2009   |        | 2009   |        | 2010   |        | 2010   |        | Projected |        | Projected |        | 2011   |        | 2011   |        |
|  | Q1     | Q2     | Q3     | Q4     | Q1     | Q2     | Q3     | Q4     | Q1        | Q2     | Q3        | Q4     | Q1     | Q2     | Q3     | Q4     |
| NIPA REAL EXPORTS and IMPORTS                    |        |        |        |        |        |        |        |        |           |        |           |        |        |        |        |        |
| Percentage point contribution to GDP growth      |        |        |        |        |        |        |        |        |           |        |           |        |        |        |        |        |
| Net Goods & Services                             | 2.6    | 1.7    | -0.8   | 0.2    | -0.5   | -0.2   | -0.2   | 0.1    | -0.2      | -0.1   | -0.3      | 0.1    | -0.2   | -0.1   | -0.3   | 0.1    |
| Exports of G&S                                   | -4.0   | -0.5   | 1.8    | 1.8    | 1.1    | 1.0    | 1.1    | 1.2    | 1.2       | 1.1    | 1.1       | 1.2    | 1.2    | 1.1    | 1.1    | 1.1    |
| Imports of G&S                                   | 6.6    | 2.1    | -2.6   | -1.6   | -1.6   | -1.2   | -1.3   | -1.0   | -1.4      | -1.2   | -1.4      | -1.0   | -1.4   | -1.2   | -1.4   | -1.0   |
| Percentage change from previous period, s.a.a.r. |        |        |        |        |        |        |        |        |           |        |           |        |        |        |        |        |
| Exports of G&S                                   | -29.9  | -4.1   | 17.8   | 17.3   | 9.8    | 8.8    | 9.4    | 10.0   | 9.7       | 9.3    | 9.3       | 9.1    | 9.7    | 9.3    | 9.3    | 9.1    |
| Services   | -11.5  | -7.5   | 7.0    | 0.8    | 6.0    | 0.9    | 5.1    | 5.7    | 6.0       | 6.7    | 6.9       | 7.1    | 7.7    | 7.3    | 7.2    | 7.3    |
| Oil  | -15.9  | -21.9  | 5.3    | -37.5  | 16.3   | 1.0    | -1.5   | -6.5   | 7.2       | -0.4   | 2.4       | -2.4   | 7.2    | 9.5    | 9.5    | 9.5    |
| Natural Gas                                      | 5.9    | -2.4   | -1.9   | -43.0  | 80.2   | -17.9  | 61.6   | -20.4  | 27.1      | -28.2  | 47.6      | -22.2  | 27.1   | 11.0   | 11.0   | 11.0   |
| Computers  | -22.3  | 24.7   | 60.0   | 72.1   | 8.2    | 15.5   | 15.5   | 15.5   | 15.5      | 15.5   | 15.5      | 15.5   | 15.5   | 15.5   | 15.5   | 15.5   |
| Semiconductors                                   | -47.8  | 24.7   | 48.8   | 28.3   | 5.0    | 5.0    | 5.0    | 5.0    | 5.0       | 5.0    | 5.0       | 5.0    | 5.0    | 5.0    | 5.0    | 5.0    |
| Core Goods 1/                                    | -38.3  | -7.2   | 23.8   | 24.6   | 12.0   | 9.9    | 10.4   | 11.0   | 10.6      | 10.2   | 10.2      | 10.2   | 10.6   | 10.2   | 10.2   | 9.8    |
| Imports of G&S                                   | -36.4  | -14.7  | 21.3   | 11.8   | 11.0   | 8.2    | 9.0    | 7.0    | 9.2       | 8.2    | 9.1       | 6.6    | 9.2    | 8.2    | 9.1    | 6.6    |
| Services   | -11.5  | -7.5   | 7.0    | 0.8    | 6.0    | 0.9    | 5.1    | 5.7    | 6.0       | 6.7    | 6.9       | 7.1    | 6.0    | 6.7    | 6.9    | 7.1    |
| Oil  | -15.9  | -21.9  | 5.3    | -37.5  | 16.3   | 1.0    | -1.5   | -6.5   | 7.2       | -0.4   | 2.4       | -2.4   | 7.2    | 9.5    | 9.5    | 9.5    |
| Natural Gas                                      | 5.9    | -2.4   | -1.9   | -43.0  | 80.2   | -17.9  | 61.6   | -20.4  | 27.1      | -28.2  | 47.6      | -22.2  | 27.1   | 11.0   | 11.0   | 11.0   |
| Computers  | -22.3  | 24.7   | 60.0   | 72.1   | 8.2    | 15.5   | 15.5   | 15.5   | 15.5      | 15.5   | 15.5      | 15.5   | 15.5   | 15.5   | 15.5   | 15.5   |
| Semiconductors                                   | -47.8  | 24.7   | 48.8   | 28.3   | 5.0    | 5.0    | 5.0    | 5.0    | 5.0       | 5.0    | 5.0       | 5.0    | 5.0    | 5.0    | 5.0    | 5.0    |
| Core Goods 2/                                    | -46.7  | -18.6  | 27.3   | 27.9   | 11.0   | 12.1   | 11.6   | 10.4   | 9.8       | 10.7   | 10.3      | 8.9    | 9.8    | 10.7   | 10.3   | 8.9    |
| Billions of Chained 2005 Dollars, s.a.a.r.       |        |        |        |        |        |        |        |        |           |        |           |        |        |        |        |        |
| Net Goods & Services                             | -386.5 | -330.4 | -357.4 | -349.4 | -362.7 | -367.5 | -373.8 | -368.6 | -374.8    | -377.7 | -385.2    | -380.9 | -374.8 | -377.7 | -385.2 | -380.9 |
| Exports of G&S                                   | 1434.5 | 1419.5 | 1478.8 | 1539.0 | 1575.4 | 1609.2 | 1645.8 | 1685.3 | 1724.7    | 1763.5 | 1803.1    | 1842.7 | 1724.7 | 1763.5 | 1803.1 | 1842.7 |
| Imports of G&S                                   | 1821.0 | 1749.8 | 1836.2 | 1888.4 | 1938.2 | 1976.7 | 2019.6 | 2053.9 | 2099.5    | 2141.1 | 2188.3    | 2223.6 | 2099.5 | 2141.1 | 2188.3 | 2223.6 |
| Billions of dollars, s.a.a.r.                    |        |        |        |        |        |        |        |        |           |        |           |        |        |        |        |        |
| US CURRENT ACCOUNT BALANCE                       | -417.8 | -391.9 | -432.1 | -446.6 | -481.7 | -472.2 | -484.2 | -478.8 | -503.4    | -492.6 | -507.7    | -507.4 | -503.4 | -492.6 | -507.7 | -507.4 |
| Current Account as % of GDP                      | -2.9   | -2.8   | -3.0   | -3.1   | -3.3   | -3.2   | -3.2   | -3.2   | -3.3      | -3.2   | -3.2      | -3.2   | -3.3   | -3.2   | -3.2   | -3.2   |
| Net Goods & Services (BOP)                       | -369.6 | -325.0 | -389.5 | -432.5 | -460.5 | -466.0 | -477.4 | -477.7 | -491.6    | -496.4 | -508.0    | -507.5 | -491.6 | -496.4 | -508.0 | -507.5 |
| Investment Income, Net                           | 80.4   | 73.7   | 101.9  | 115.3  | 120.9  | 121.0  | 123.0  | 124.1  | 126.6     | 127.0  | 126.0     | 121.6  | 126.6  | 127.0  | 126.0  | 121.6  |
| Direct, Net                                      | 204.8  | 190.9  | 205.6  | 215.0  | 220.2  | 224.2  | 227.8  | 232.0  | 237.3     | 243.1  | 249.3     | 255.7  | 237.3  | 243.1  | 249.3  | 255.7  |
| Portfolio, Net                                   | -124.4 | -117.2 | -103.7 | -99.7  | -99.2  | -103.2 | -104.8 | -107.9 | -110.7    | -116.2 | -123.3    | -134.1 | -110.7 | -116.2 | -123.3 | -134.1 |
| Other Inc. & Transfers, Net                      | -128.6 | -140.7 | -144.5 | -129.3 | -142.1 | -127.2 | -129.7 | -125.2 | -138.4    | -123.1 | -125.6    | -121.4 | -138.4 | -123.1 | -125.6 | -121.4 |

1. Merchandise exports excluding computers and semiconductors.

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

## Abbreviations

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|       |  |
|-------|--|
| AFE   | advanced foreign economy                               |
| BOE   | Bank of England  |
| BOJ   | Bank of Japan  |
| C&I   | commercial and industrial                              |
| CPI   | consumer price index                                   |
| E&S   | equipment and software                                 |
| ECB   | European Central Bank                                  |
| EEB   | extended and emergency unemployment benefits           |
| EME   | emerging market economy                                |
| FOMC  | Federal Open Market Committee; also, the Committee     |
| GDP   | gross domestic product                                 |
| IP    | industrial production                                  |
| LP    | LoanPerformance  |
| MBS   | mortgage-backed securities                             |
| NAIRU | non-accelerating inflation rate of unemployment        |
| OECD  | Organisation for Economic Co-operation and Development |
| PCE   | personal consumption expenditures                      |
| PMI   | purchasing managers index                              |
| WTI   | West Texas Intermediate                                |

## **Part 2**

January 20, 2010

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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## **Recent Developments**

January 20, 2010

## **Recent Developments**

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## **Domestic Nonfinancial Developments**

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## Changes in Employment

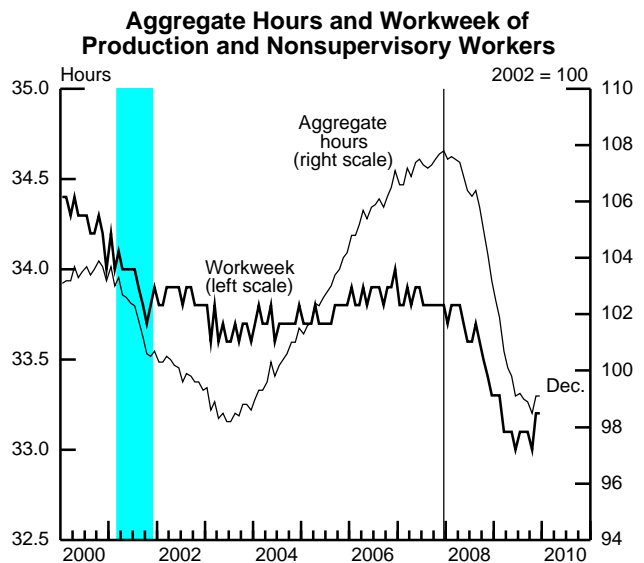
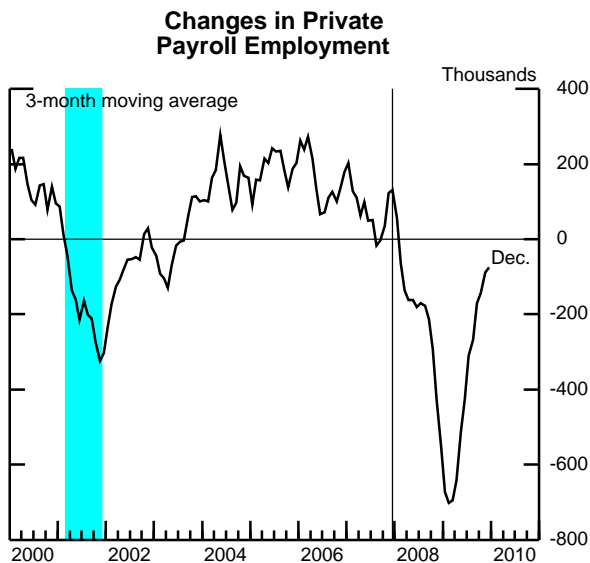
(Thousands of employees; seasonally adjusted)

| Measure and sector  | 2009 | 2009                   |      |      |                |      |      |
|---|------|------------------------|------|------|----------------|------|------|
|   |      | Q2                     | Q3   | Q4   | Oct.           | Nov. | Dec. |
|   |      | Average monthly change |      |      | Monthly change |      |      |
| Nonfarm payroll employment (establishment survey)                           | -347 | -428                   | -199 | -69  | -127           | 4    | -85  |
| Private   | -342 | -425                   | -171 | -76  | -163           | 0    | -64  |
| Natural resources and mining  | -7   | -11                    | -5   | -1   | -5             | 4    | -1   |
| Manufacturing   | -106 | -140                   | -46  | -37  | -48            | -35  | -27  |
| Ex. motor vehicles  | -95  | -117                   | -55  | -35  | -52            | -31  | -22  |
| Construction  | -78  | -80                    | -63  | -45  | -56            | -27  | -53  |
| Residential   | -27  | -26                    | -15  | -12  | -14            | -4   | -19  |
| Nonresidential  | -51  | -54                    | -48  | -33  | -42            | -23  | -35  |
| Wholesale trade   | -19  | -20                    | -9   | -12  | -7             | -11  | -18  |
| Retail trade  | -35  | -27                    | -35  | -21  | -40            | -14  | -10  |
| Financial activities  | -26  | -35                    | -16  | -3   | -6             | -6   | 4    |
| Temporary help services   | -12  | -28                    | 5    | 49   | 44             | 55   | 47   |
| Nonbusiness services <sup>1</sup>   | 5    | 19                     | 25   | 2    | -20            | 21   | 6    |
| Total government  | -5   | -3                     | -28  | 6    | 36             | 4    | -21  |
| Federal government  | 4    | 3                      | 3    | 1    | 17             | -5   | -9   |
| Total employment (household survey)   | -450 | -272                   | -423 | -325 | -526           | 139  | -589 |
| Memo:   |      |                        |      |      |                |      |      |
| Aggregate hours of private production workers (percent change) <sup>2</sup> | -5.0 | -7.8                   | -2.5 | -.5  | -.4            | .6   | .0   |
| Average workweek (hours) <sup>3</sup>                                       | 33.1 | 33.1                   | 33.1 | 33.1 | 33.0           | 33.2 | 33.2 |
| Manufacturing (hours)   | 39.8 | 39.5                   | 39.9 | 40.3 | 40.1           | 40.4 | 40.4 |

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

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

3. Establishment survey.



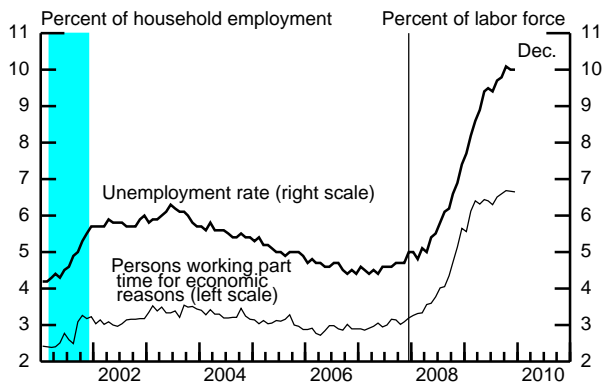
Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical lines represent the last business cycle peak as defined by the NBER.  
Source: U.S. Department of Labor, Bureau of Labor Statistics.

## Selected Unemployment and Labor Force Participation Rates

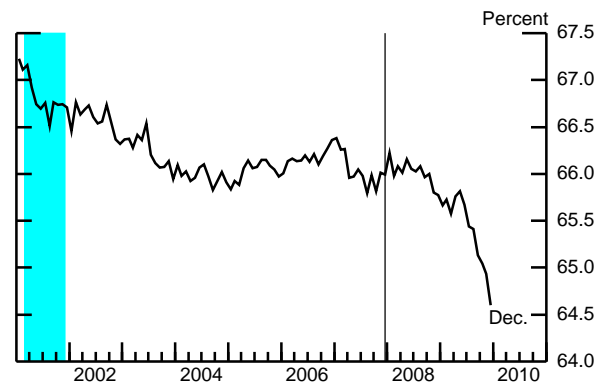
(Percent; seasonally adjusted)

| Rate and group                        | 2009 | 2009 |      |      |      |      |      |
|---------------------------------------|------|------|------|------|------|------|------|
|                                       |      | Q2   | Q3   | Q4   | Oct. | Nov. | Dec. |
| <i>Civilian unemployment rate</i>     |      |      |      |      |      |      |      |
| Total                                 | 9.3  | 9.3  | 9.7  | 10.0 | 10.1 | 10.0 | 10.0 |
| Teenagers                             | 24.3 | 23.1 | 25.4 | 27.2 | 27.6 | 26.8 | 27.1 |
| 20-24 years old                       | 14.8 | 14.9 | 15.1 | 15.7 | 15.6 | 15.9 | 15.6 |
| Men, 25 years and older               | 8.8  | 8.9  | 9.4  | 9.5  | 9.7  | 9.5  | 9.2  |
| Women, 25 years and older             | 6.9  | 6.9  | 7.1  | 7.5  | 7.6  | 7.3  | 7.6  |
| <i>Labor force participation rate</i> |      |      |      |      |      |      |      |
| Total                                 | 65.4 | 65.7 | 65.3 | 64.9 | 65.0 | 64.9 | 64.6 |
| Teenagers                             | 37.5 | 38.3 | 37.4 | 35.8 | 36.1 | 35.8 | 35.6 |
| 20-24 years old                       | 73.0 | 73.9 | 72.8 | 71.4 | 71.4 | 71.8 | 71.1 |
| Men, 25 years and older               | 74.7 | 74.9 | 74.8 | 74.3 | 74.7 | 74.3 | 73.8 |
| Women, 25 years and older             | 59.9 | 60.2 | 59.8 | 59.6 | 59.6 | 59.6 | 59.5 |

**Unemployment Rate and Persons Working Part Time for Economic Reasons**



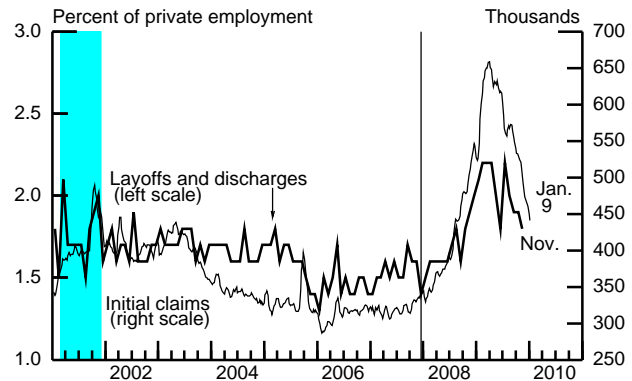
**Labor Force Participation Rate**



**Job Losers Unemployed Less Than 5 Weeks**



**Layoffs and Initial Claims**

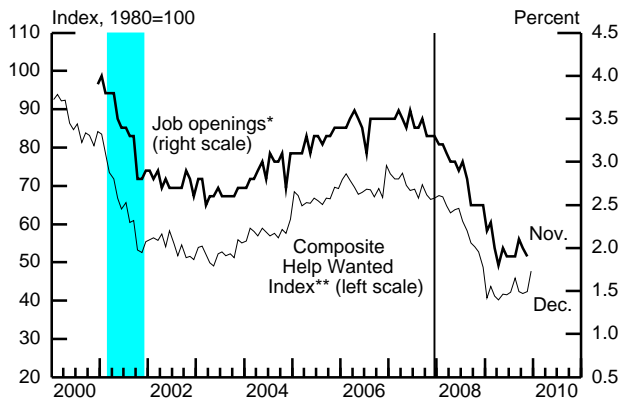


Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical lines represent the last business cycle peak as defined by the NBER.



## Labor Market Indicators

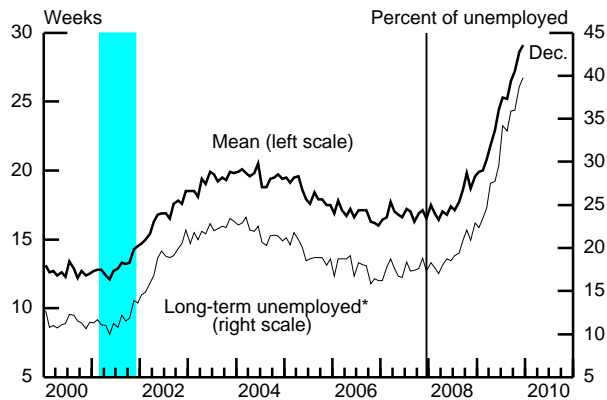
### Job Openings



\*Percent of private employment plus job openings.  
 \*\*Index of staff composite help-wanted advertising as a percent of payroll employment.

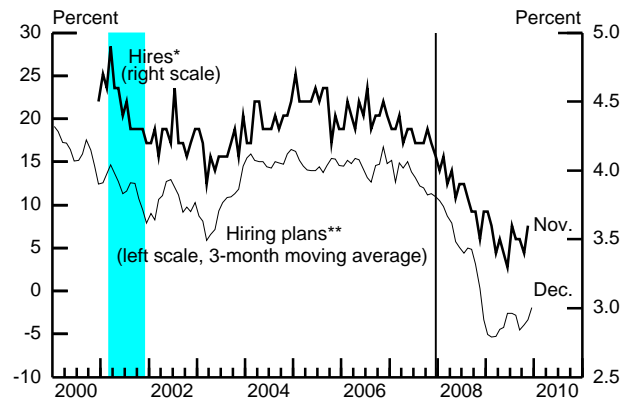
Source: For job openings, Job Openings and Labor Turnover Survey; for Composite Help Wanted Index, Conference Board and staff calculations.

### Duration of Unemployment



\*Unemployed more than 26 weeks.  
 Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

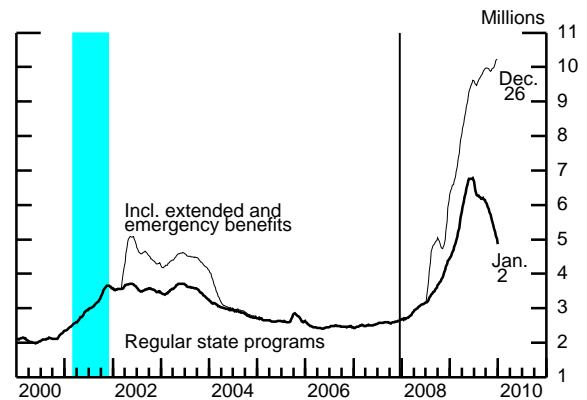
### Hires and Hiring Plans



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

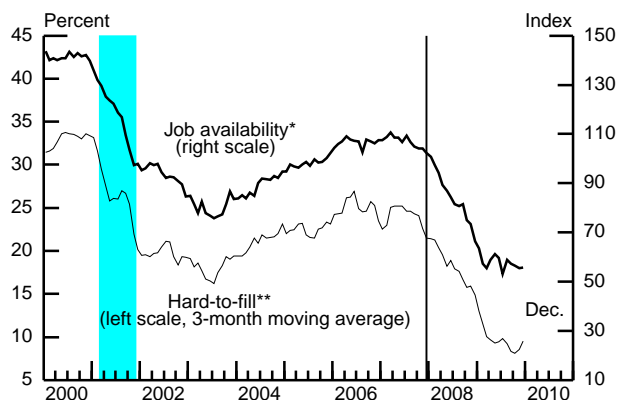
Source: For hires, Job Openings and Labor Turnover Survey; for hiring plans, National Federation of Independent Business.

### Insured Unemployment



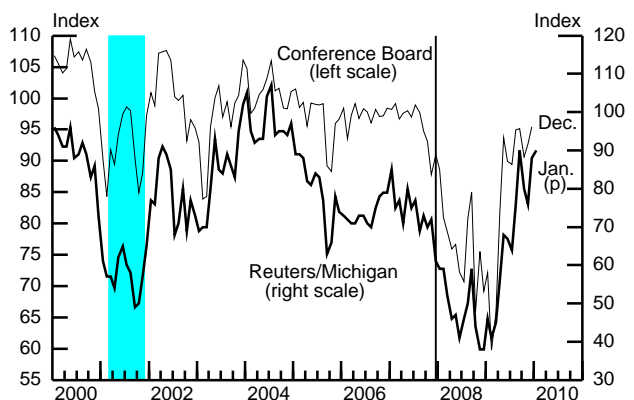
Note: 4-week moving averages.  
 Source: U.S. Dept. of Labor, Employment and Training Administration.

### 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.

### 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.  
 Source: Conference Board; Reuters/University of Michigan Surveys of Consumers.

Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical lines represent the last business cycle peak as defined by the NBER.

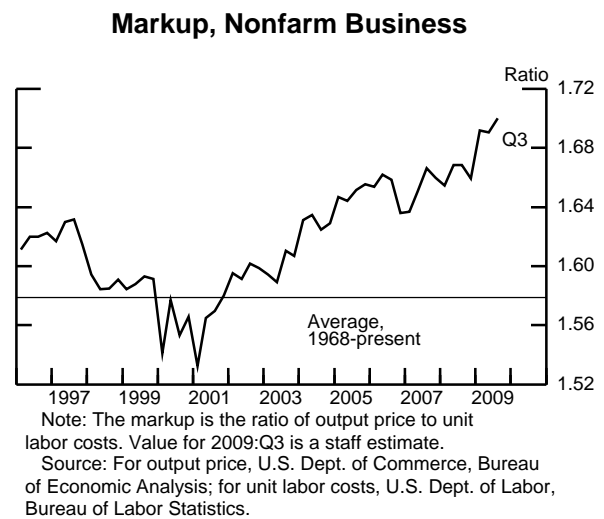
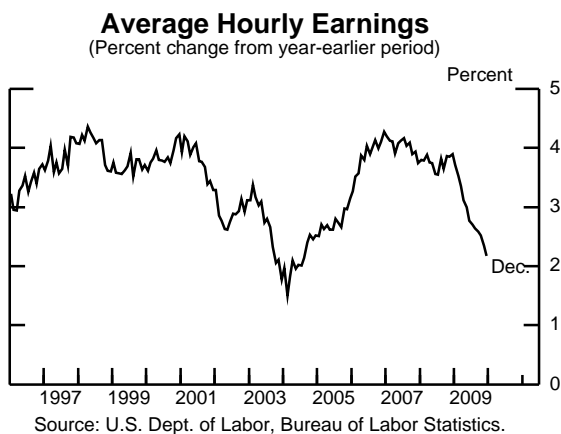
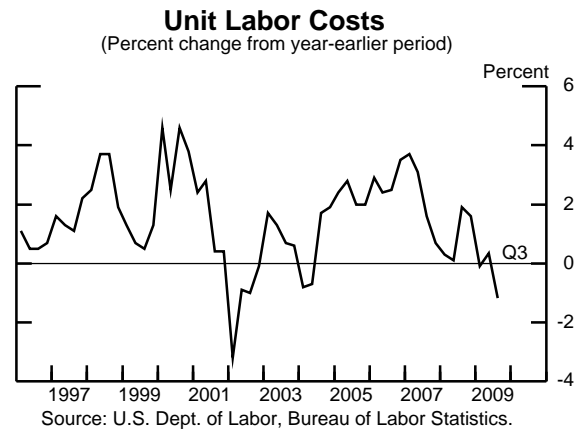
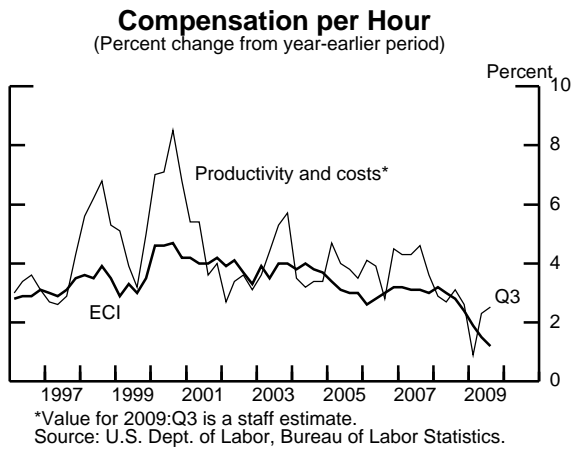
## Hourly Compensation and Unit Labor Costs

(Percent change from preceding period at compound annual rate; based on seasonally adjusted data)

| Category   | 2007:Q3<br>to<br>2008:Q3 | 2008:Q3<br>to<br>2009:Q3 <sup>e</sup> | 2008 | 2009 |     |                 |
|--|--------------------------|---------------------------------------|------|------|-----|-----------------|
|  |                          |                                       | Q4   | Q1   | Q2  | Q3 <sup>e</sup> |
| <i>Compensation per hour</i><br>Nonfarm business | 3.1                      | 2.5                                   | 2.9  | -4.7 | 6.9 | 5.4             |
| <i>Output per hour</i><br>Nonfarm business       | 1.2                      | 3.7                                   | .8   | .3   | 6.9 | 7.1             |
| <i>Unit labor costs</i><br>Nonfarm business      | 1.9                      | -1.2                                  | 2.0  | -5.0 | .0  | -1.6            |

<sup>e</sup> Staff estimate.

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



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

| Component  | Proportion<br>2009<br>(percent) | 2009 <sup>1</sup> | 2009        |            | 2009         |            |            |
|--|---------------------------------|-------------------|-------------|------------|--------------|------------|------------|
|  |                                 |                   | Q3          | Q4         | Oct.         | Nov.       | Dec.       |
|  |                                 |                   | Annual rate |            | Monthly rate |            |            |
| <b>Total</b>                                     | <b>100.0</b>                    | <b>-4.5</b>       | <b>6.9</b>  | <b>7.0</b> | <b>.2</b>    | <b>.6</b>  | <b>.6</b>  |
| Previous   | 100.0                           | ...               | 6.1         | ...        | .0           | .8         | ...        |
| Manufacturing                                    | 79.0                            | -4.8              | 9.0         | 5.7        | -1           | .9         | -1         |
| Ex. motor veh. and parts                         | 74.5                            | -4.7              | 5.3         | 4.9        | .0           | .9         | -1         |
| Mining   | 10.6                            | -5.8              | 5.8         | 7.5        | .0           | 1.9        | .2         |
| Utilities  | 10.4                            | -1.8              | -5.3        | 15.2       | 2.6          | -2.4       | 5.9        |
| <i>Selected industries</i>                       |                                 |                   |             |            |              |            |            |
| Energy   | 23.9                            | -3.2              | -1.6        | 11.5       | 1.4          | -.9        | 3.1        |
| High technology                                  | 4.2                             | -3.7              | 9.2         | 5.5        | .9           | .1         | 2.4        |
| Computers  | 1.0                             | -10.5             | 10.6        | 2.7        | .4           | .8         | 1.2        |
| Communications equipment                         | 1.3                             | -5.1              | -12.2       | 1.4        | 1.5          | .5         | 2.9        |
| Semiconductors <sup>2</sup>                      | 1.8                             | 1.8               | 31.8        | 10.6       | .6           | -.7        | 2.7        |
| Motor vehicles and parts                         | 4.5                             | -7.4              | 123.2       | 22.9       | -2.4         | 1.5        | -1         |
| Aircraft and parts                               | 2.3                             | 10.9              | 8.6         | 3.9        | -.6          | -.5        | 1.4        |
| <i>Total ex. selected industries<sup>3</sup></i> | <i>65.1</i>                     | <i>-5.7</i>       | <i>5.2</i>  | <i>4.9</i> | <i>.0</i>    | <i>1.1</i> | <i>-.2</i> |
| Consumer goods                                   | 20.7                            | -1.9              | 2.3         | 4.6        | .3           | .4         | -.2        |
| Durables   | 3.5                             | -9.6              | 1.9         | .8         | .4           | 1.1        | -1.4       |
| Nondurables                                      | 17.1                            | -.4               | 2.4         | 5.3        | .3           | .3         | .0         |
| Business equipment                               | 6.6                             | -12.0             | .0          | 1.3        | .6           | -.7        | .5         |
| Defense and space equipment                      | 1.1                             | 2.2               | 16.6        | -5.4       | -1.8         | -.9        | -1.6       |
| Construction supplies                            | 4.8                             | -13.7             | 1.8         | -7.6       | -1.6         | 1.5        | -2.1       |
| Business supplies                                | 7.3                             | -8.5              | 1.2         | 3.2        | .0           | 1.4        | -.8        |
| Materials  | 24.6                            | -5.0              | 11.0        | 9.9        | .0           | 2.1        | .2         |
| Durables   | 12.4                            | -13.0             | 11.3        | 9.2        | .1           | 1.5        | .4         |
| Nondurables                                      | 12.2                            | 3.1               | 10.8        | 10.5       | -.1          | 2.6        | .0         |

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

2. Includes related electronic components.

3. Includes manufactured homes (not shown separately).

... Not applicable.

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

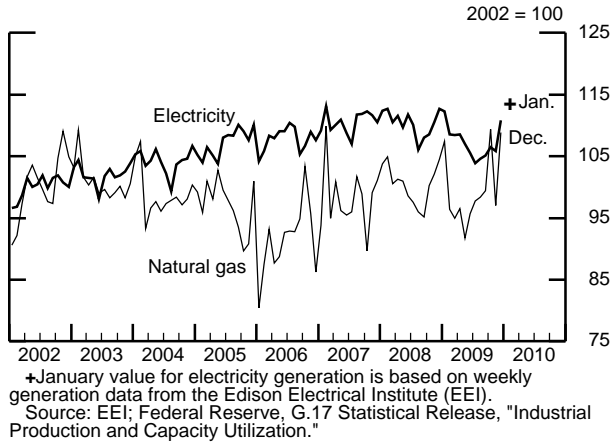
**Capacity Utilization**  
(Percent of capacity)

| Sector                         | 1972-<br>2008<br>average | 1994-<br>95<br>high | 2001-<br>02<br>low | 2009        |             |             |             |             |
|--------------------------------|--------------------------|---------------------|--------------------|-------------|-------------|-------------|-------------|-------------|
|                                |                          |                     |                    | Q2          | Q3          | Q4          | Nov.        | Dec.        |
| <b>Total industry</b>          | <b>80.9</b>              | <b>84.9</b>         | <b>73.5</b>        | <b>68.7</b> | <b>70.1</b> | <b>71.5</b> | <b>71.5</b> | <b>72.0</b> |
| Manufacturing                  | 79.6                     | 84.5                | 71.4               | 65.4        | 67.1        | 68.3        | 68.5        | 68.6        |
| Mining                         | 87.6                     | 89.1                | 84.9               | 81.8        | 83.2        | 85.0        | 85.5        | 85.7        |
| Utilities                      | 86.8                     | 93.3                | 84.2               | 79.6        | 78.2        | 80.6        | 78.4        | 82.9        |
| <i>Stage-of-process groups</i> |                          |                     |                    |             |             |             |             |             |
| Crude                          | 86.6                     | 89.9                | 81.7               | 79.6        | 82.5        | 85.2        | 85.6        | 86.1        |
| Primary and semifinished       | 82.0                     | 87.9                | 74.3               | 66.2        | 67.1        | 68.3        | 68.2        | 68.9        |
| Finished                       | 77.7                     | 80.3                | 70.0               | 67.1        | 68.6        | 69.9        | 69.9        | 70.2        |

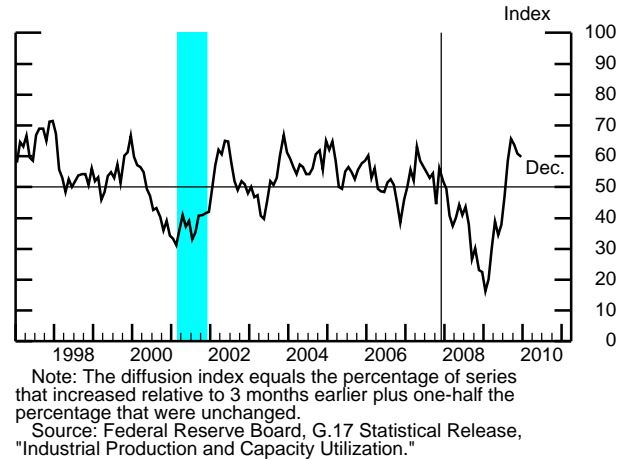
Source: Federal Reserve, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

## Indicators of Industrial Activity

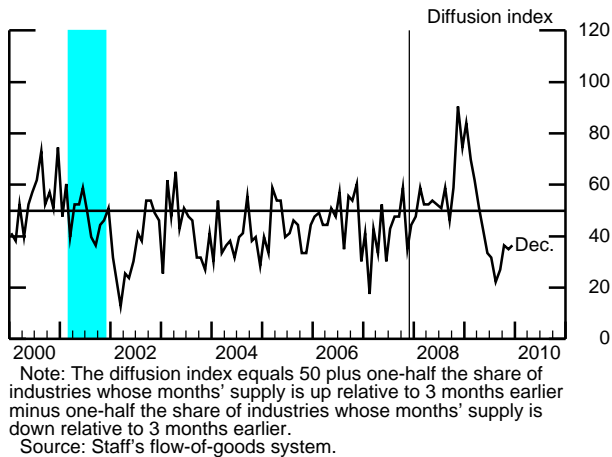
Utilities Output



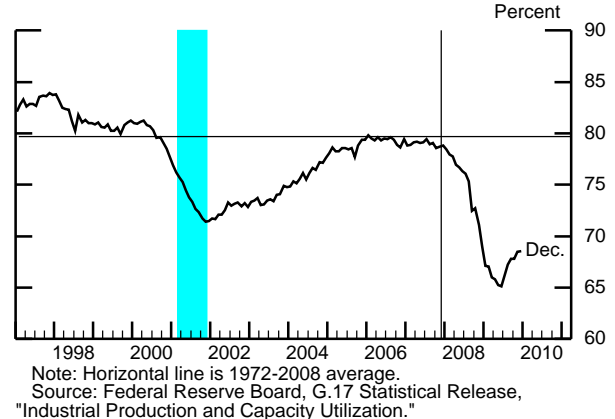
IP Diffusion Index



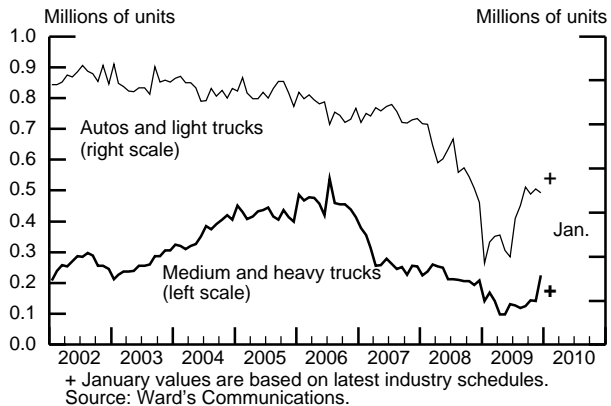
3-Month Changes in Months' Supply



Manufacturing Capacity Utilization



Motor Vehicle Assemblies



New Orders: ISM, FRB New York, and FRB Philadelphia Surveys



Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical lines represent the last business cycle peak as defined by the NBER.

### Production of Domestic Light Vehicles

(Millions of units at an annual rate except as noted)

| Item   | 2009 |      |      | 2010 | 2009  |      |      |      |
|--|------|------|------|------|-------|------|------|------|
|  | Q2   | Q3   | Q4   | Q1   | Sept. | Oct. | Nov. | Dec. |
| U.S. production <sup>1</sup>                             | 4.4  | 6.4  | 6.9  | 7.3  | 7.2   | 6.8  | 7.1  | 6.9  |
| Autos  | 1.9  | 2.5  | 2.8  | 3.0  | 2.8   | 2.9  | 2.7  | 2.8  |
| Light trucks   | 2.5  | 3.9  | 4.1  | 4.3  | 4.3   | 4.0  | 4.3  | 4.1  |
| Days' supply <sup>2</sup>                                | 70   | 50   | 53   | n.a. | 63    | 57   | 55   | 52   |
| Autos  | 78   | 46   | 51   | n.a. | 59    | 56   | 54   | 48   |
| Light trucks   | 64   | 55   | 55   | n.a. | 66    | 58   | 55   | 55   |
| Inventories <sup>3</sup>                                 | 1.63 | 1.38 | 1.44 | n.a. | 1.38  | 1.46 | 1.48 | 1.44 |
| Autos  | .82  | .63  | .65  | n.a. | .63   | .66  | .67  | .65  |
| Light trucks   | .81  | .75  | .79  | n.a. | .75   | .79  | .81  | .79  |
| Memo: U.S. production, total motor vehicles <sup>4</sup> | 4.5  | 6.5  | 7.1  | 7.5  | 7.3   | 7.0  | 7.2  | 7.1  |

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

1. Production rates for the first quarter of 2010 reflect the latest industry schedules.

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

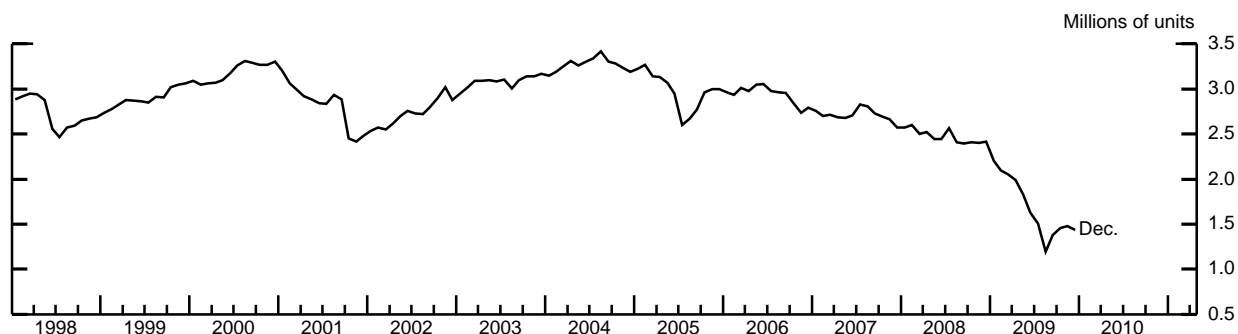
3. End-of-period stocks.

4. Includes medium and heavy trucks.

n.a. Not available.

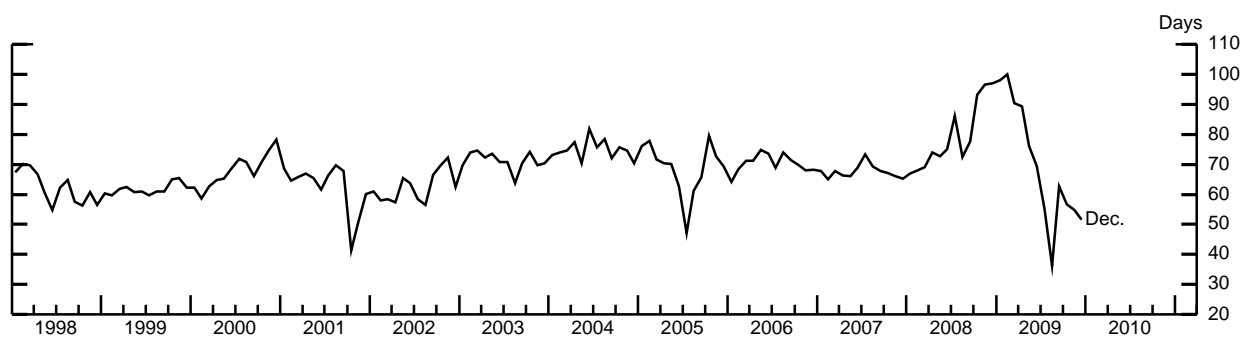
Source: Ward's Communications.

### Inventories of Light Vehicles



Source: Ward's Communications. Adjusted using FRB seasonals.

### Days' Supply of Light Vehicles



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

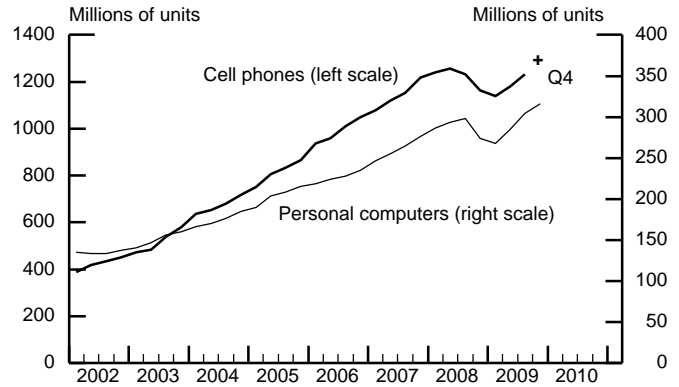
## Indicators of High-Tech Manufacturing Activity

### High-Tech Exports



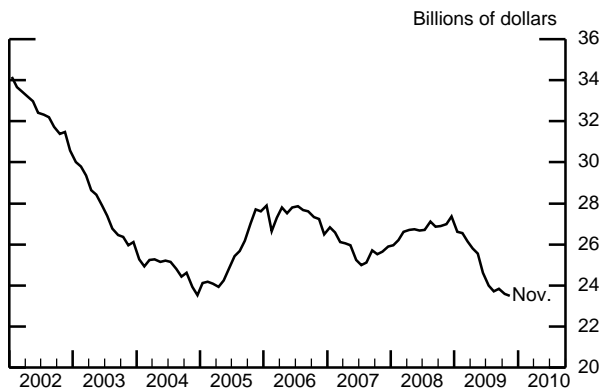
Note: Includes semiconductors and related equipment, communications equipment, and computers and peripherals.  
Source: U.S. International Trade Commission.

### Worldwide Shipments of Personal Computers and of Cell Phones



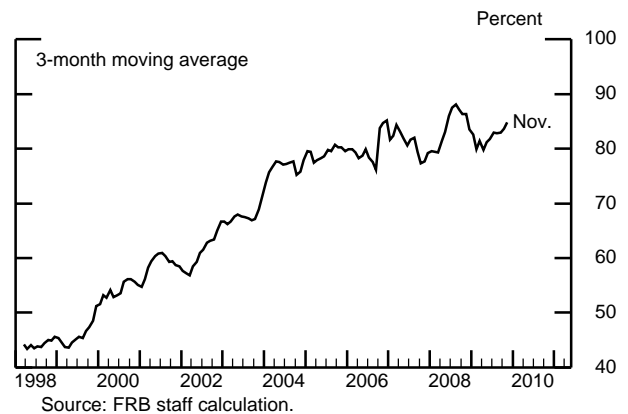
Note: FRB seasonals.  
+ Q4 cell phone units are a Gartner forecast.  
Source: IDC (personal computers); Gartner (cell phones).

### High-Tech Inventories



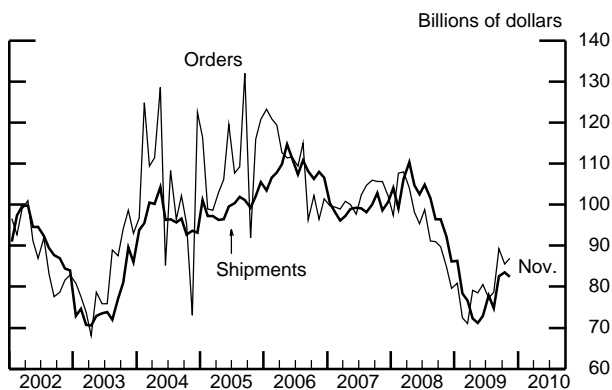
Note: Includes semiconductors and related equipment, communications equipment, computers and peripherals, and magnetic and optical media.  
Source: U.S. Census Bureau.

### Import Penetration of Computer and Peripheral Equipment



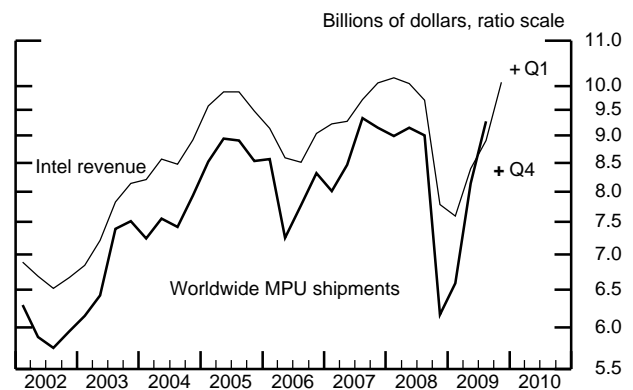
Source: FRB staff calculation.

### Circuit Board Orders and Shipments



Note: U.S. and Canadian orders and shipments of bare and loaded circuit boards.  
Source: IPC.

### MPU Shipments and Intel Revenue



Note: FRB seasonals. MPU is a microprocessor unit. MPU shipments are a quarterly sum.  
+ Q4 MPU shipments are based on October and November.  
+ Q1 Intel revenue is the midpoint of the range given by the company's guidance as of January 14, 2010.  
Source: Intel; Semiconductor Industry Association.

## Real Personal Consumption Expenditures

(Percent change from preceding comparable period)

| Category                            | 2009        |            |                 | 2009              |                   |                   |
|-------------------------------------|-------------|------------|-----------------|-------------------|-------------------|-------------------|
|                                     | Q2          | Q3         | Q4 <sup>e</sup> | Oct. <sup>e</sup> | Nov. <sup>e</sup> | Dec. <sup>e</sup> |
|                                     | Annual rate |            |                 | Monthly rate      |                   |                   |
| <b>Total real PCE</b>               | <b>-.9</b>  | <b>2.8</b> | <b>n.a.</b>     | <b>.4</b>         | <b>.3</b>         | <b>n.a.</b>       |
| Motor vehicles                      | -6.3        | 53.7       | -21.7           | 9.8               | 2.0               | 5.3               |
| Goods ex. motor vehicles            | -2.8        | 3.8        | 5.6             | .1                | .9                | -.2               |
| Services                            | .2          | .8         | n.a.            | .2                | .0                | n.a.              |
| Ex. energy                          | .7          | .8         | n.a.            | .1                | .1                | n.a.              |
| Memo:                               |             |            |                 |                   |                   |                   |
| Real PCE control <sup>1</sup>       | -2.5        | 3.2        | 5.6             | .2                | .8                | -.3               |
| Nominal retail control <sup>2</sup> | -2.8        | 1.4        | 5.2             | .2                | .8                | -.3               |

1. Durables excluding motor vehicles, nondurables excluding gasoline, and food services.

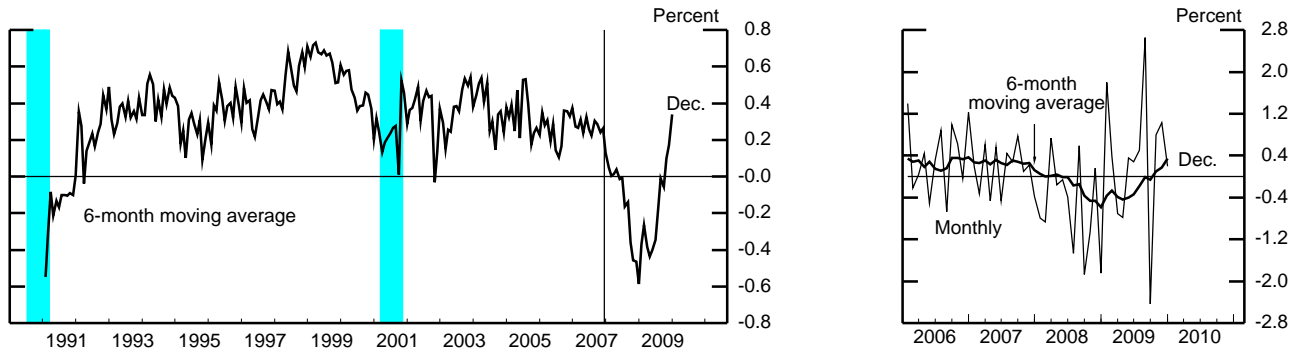
2. Total sales less outlays at building material and supply stores, automobile and other motor vehicle dealers, and gasoline stations.

<sup>e</sup> Staff estimate.

n.a. Not available.

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

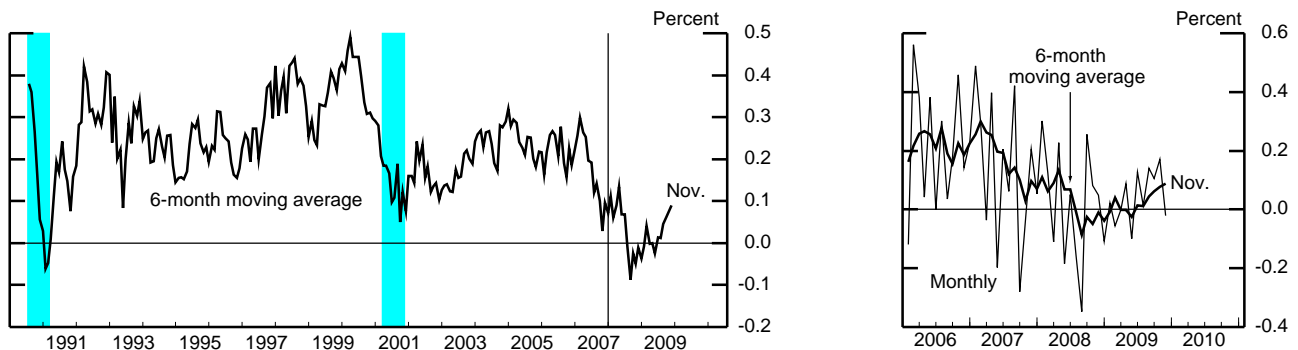
### Change in Real PCE Goods



Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical line represents the last business cycle peak as defined by the NBER.

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

### Change in Real PCE Services



Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical line represents the last business cycle peak as defined by the NBER.

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

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

| Category  | 2009 | 2009 |      |      |      |      |      |
|---|------|------|------|------|------|------|------|
|   |      | Q2   | Q3   | Q4   | Oct. | Nov. | Dec. |
| Total   | 10.3 | 9.6  | 11.5 | 10.8 | 10.4 | 10.9 | 11.2 |
| Autos   | 5.4  | 4.9  | 6.4  | 5.7  | 5.4  | 5.6  | 5.9  |
| Light trucks  | 4.9  | 4.7  | 5.1  | 5.2  | 5.0  | 5.3  | 5.3  |
| North American <sup>1</sup>                                   | 7.6  | 7.1  | 8.4  | 8.2  | 7.9  | 8.3  | 8.6  |
| Autos   | 3.6  | 3.2  | 4.2  | 3.9  | 3.7  | 3.8  | 4.1  |
| Light trucks  | 4.0  | 3.9  | 4.2  | 4.4  | 4.2  | 4.5  | 4.4  |
| Foreign-produced  | 2.7  | 2.4  | 3.1  | 2.6  | 2.6  | 2.6  | 2.6  |
| Autos   | 1.8  | 1.6  | 2.1  | 1.8  | 1.8  | 1.8  | 1.8  |
| Light trucks  | .9   | .8   | .9   | .8   | .8   | .8   | .8   |
| Memo:<br>Detroit Three<br>market share (percent) <sup>2</sup> | 44.7 | 46.8 | 43.1 | 45.0 | 44.8 | 44.9 | 45.3 |

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

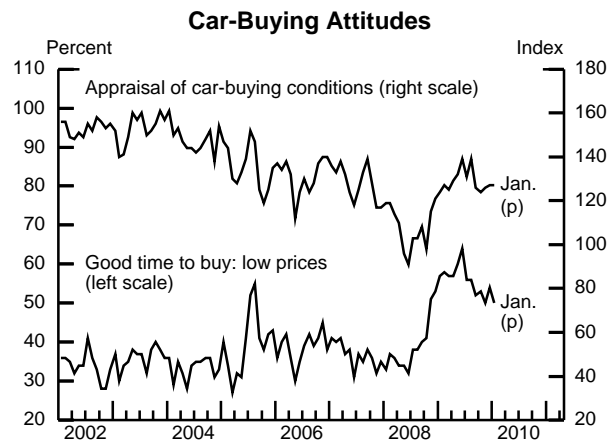
1. Excludes some vehicles produced in Canada that are classified as imports by the industry.

2. Includes domestic and foreign brands affiliated with the Detroit Three.

Source: Ward's Communications. Adjusted using FRB seasonals.

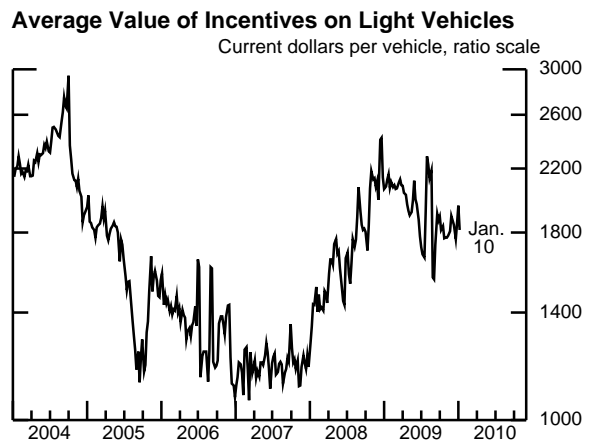
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Source: Reuters/University of Michigan Surveys of Consumers.



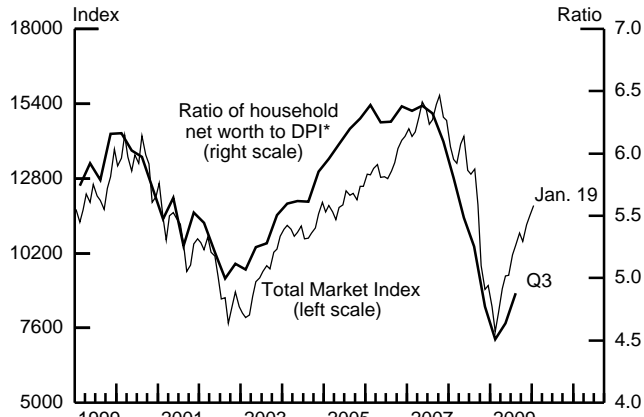
Note: Weekly weighted average of customer cash rebate and the present value of interest rate reduction.

Source: J.D. Power and Associates. Adjusted using FRB seasonals.



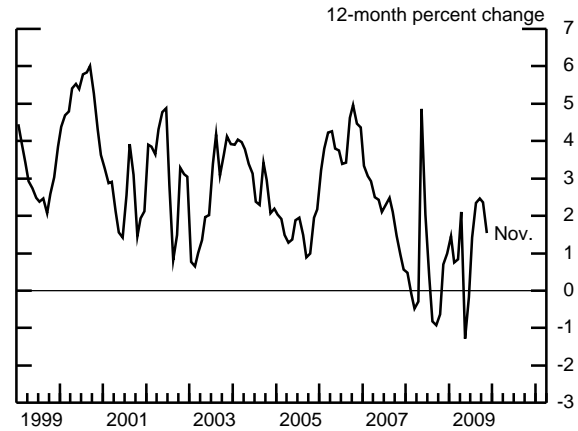
## Fundamentals of Household Spending

Household Net Worth  
and Dow Jones Total Market Index



\* The value for 2004:Q4 excludes the effect on income of the one-time Microsoft dividend in December 2004.  
Source: Federal Reserve Board; U.S. Department of Commerce, Bureau of Economic Analysis; *Wall Street Journal*.

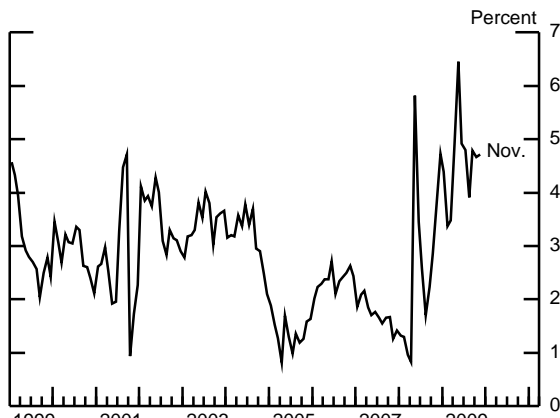
Change in Real Disposable Personal Income



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

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

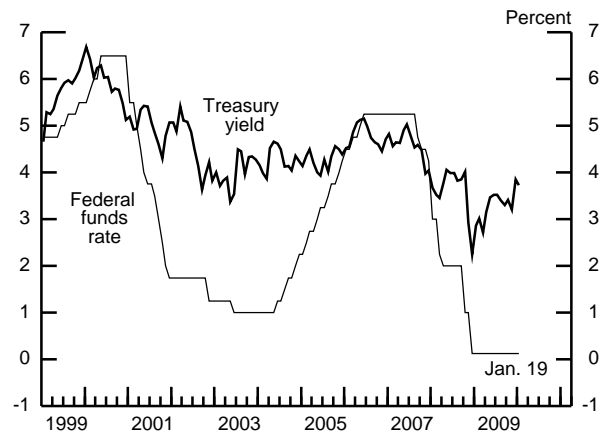
Personal Saving Rate



Note: The value for December 2004 excludes the effect on income of the one-time Microsoft dividend in that month.

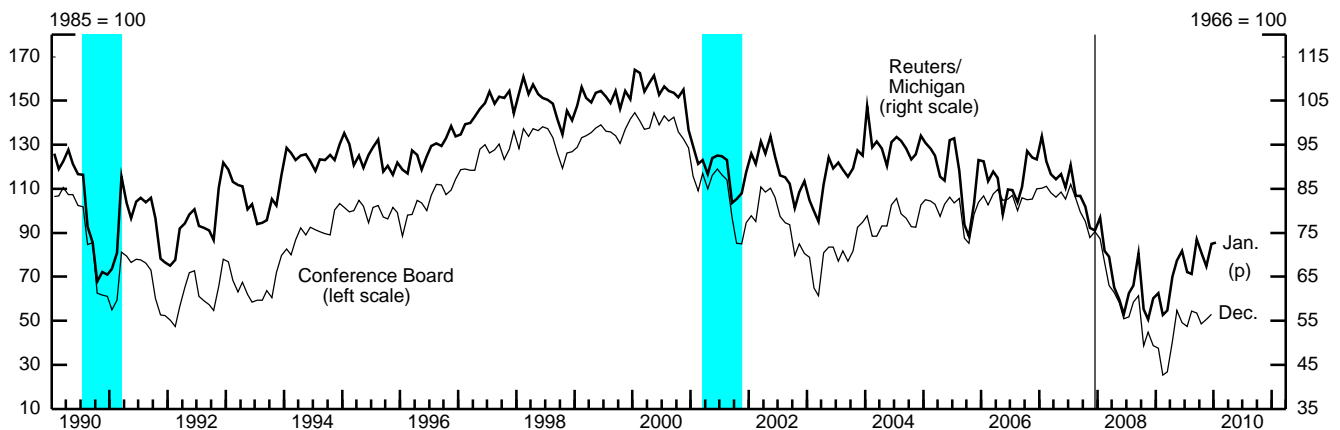
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Target Federal Funds Rate  
and 10-Year Treasury Yield



Source: Federal Reserve Board.

Consumer Confidence

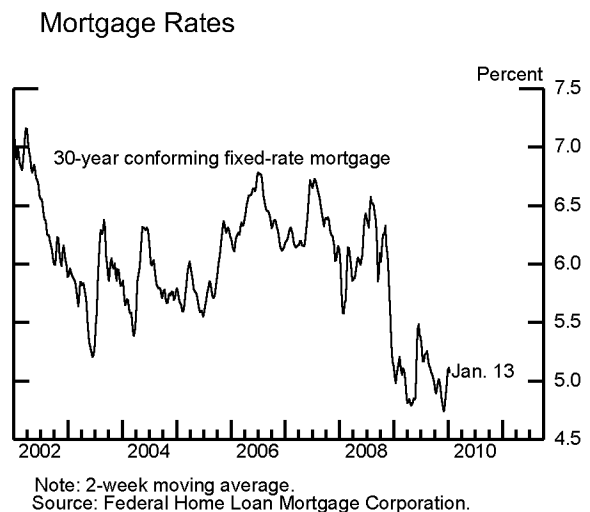
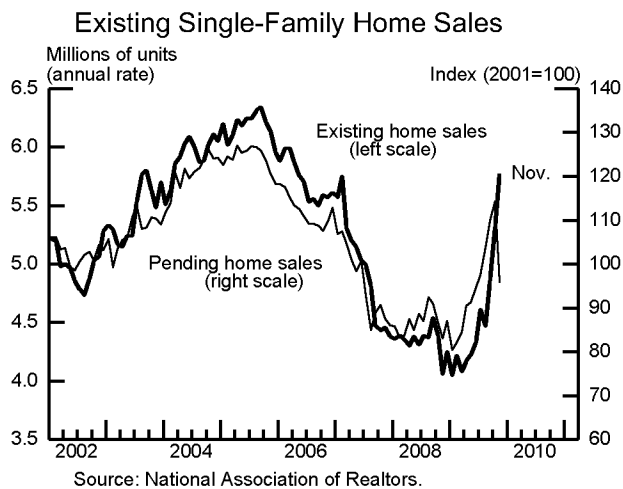
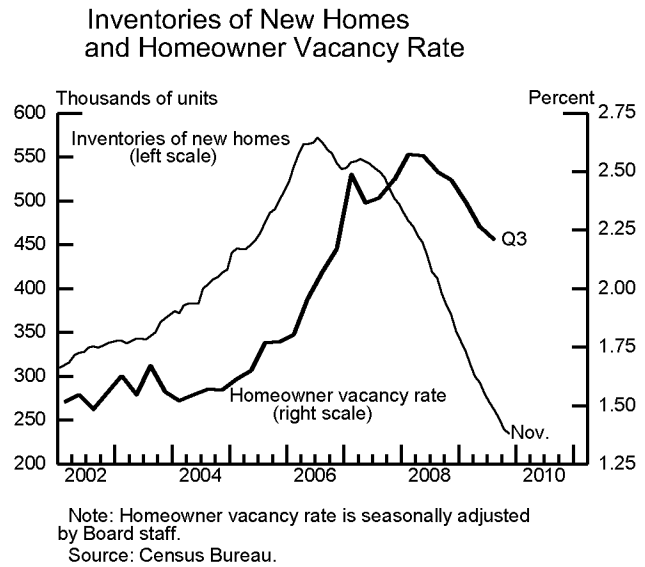
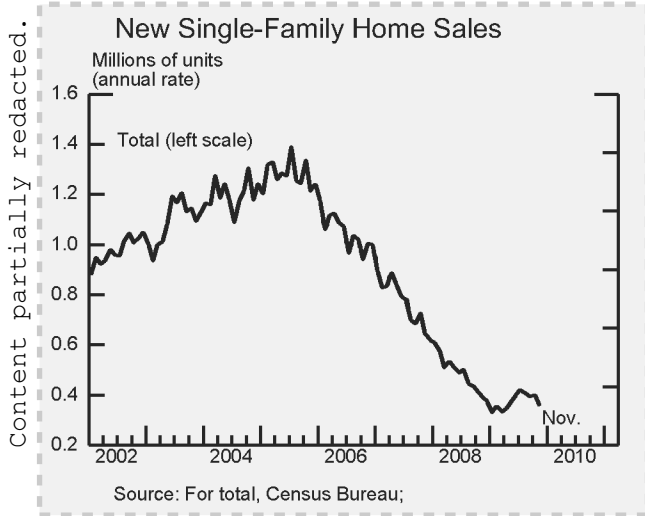


Note: The shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research (NBER). The vertical line represents the last business cycle peak as defined by the NBER.

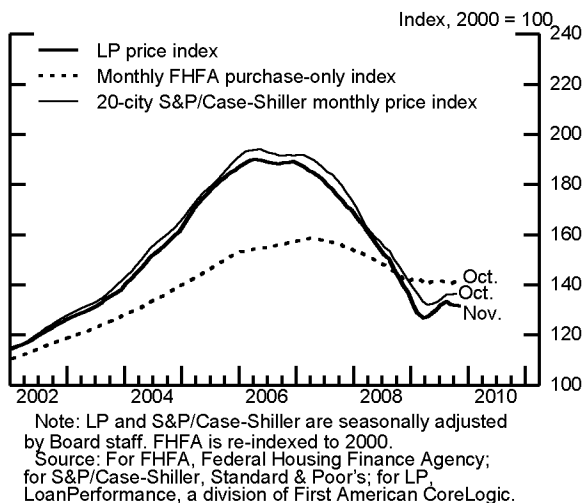
p Preliminary.

Source: Reuters/University of Michigan Surveys of Consumers; Conference Board.

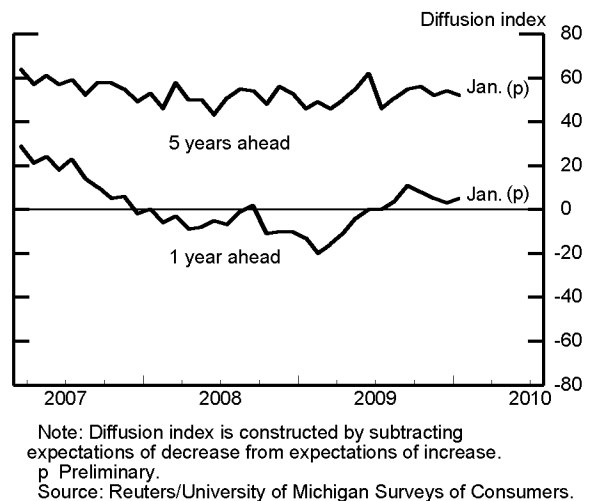
## Indicators of Single-Family Housing



### Prices of Existing Homes



### House Price Expectations



### Private Housing Activity

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

| Sector                        | 2009 | 2009 |      |      |      |      |      |
|-------------------------------|------|------|------|------|------|------|------|
|                               |      | Q2   | Q3   | Q4   | Oct. | Nov. | Dec. |
| <i>All units</i>              |      |      |      |      |      |      |      |
| Starts                        | .55  | .54  | .59  | .55  | .52  | .58  | .56  |
| Permits                       | .57  | .53  | .57  | .60  | .55  | .59  | .65  |
| <i>Single-family units</i>    |      |      |      |      |      |      |      |
| Starts                        | .44  | .43  | .50  | .47  | .47  | .49  | .46  |
| Permits                       | .44  | .41  | .46  | .48  | .45  | .47  | .51  |
| Adjusted permits <sup>1</sup> | .44  | .42  | .48  | .49  | .46  | .48  | .52  |
| New homes                     |      |      |      |      |      |      |      |
| Sales                         | n.a. | .37  | .41  | n.a. | .40  | .36  | n.a. |
| Months' supply <sup>2</sup>   | n.a. | 9.44 | 7.71 | n.a. | 7.20 | 7.94 | n.a. |
| Existing homes                |      |      |      |      |      |      |      |
| Sales                         | n.a. | 4.24 | 4.65 | n.a. | 5.32 | 5.77 | n.a. |
| Months' supply <sup>2</sup>   | n.a. | 8.80 | 8.05 | n.a. | 6.68 | 6.20 | n.a. |
| <i>Multifamily units</i>      |      |      |      |      |      |      |      |
| Starts                        | .11  | .12  | .09  | .08  | .05  | .09  | .10  |
| Built for rent                | n.a. | .10  | .07  | n.a. | n.a. | n.a. | n.a. |
| Built for sale                | n.a. | .01  | .02  | n.a. | n.a. | n.a. | n.a. |
| Permits                       | .14  | .12  | .11  | .12  | .10  | .12  | .15  |
| <i>Condos and co-ops</i>      |      |      |      |      |      |      |      |
| Existing home sales           | n.a. | .52  | .64  | n.a. | .77  | .77  | n.a. |

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

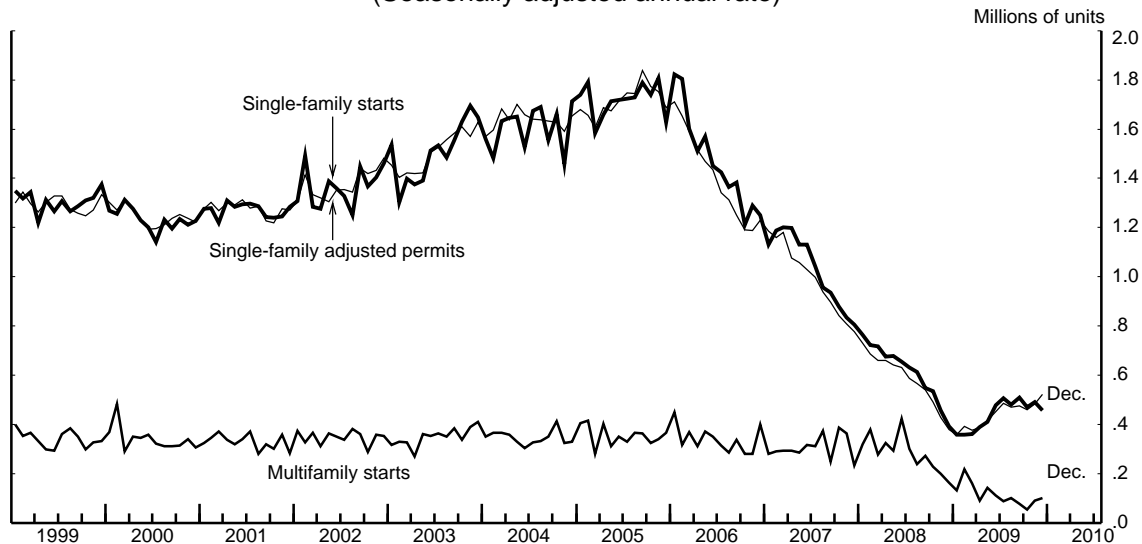
2. At current sales rate; expressed as the ratio of seasonally adjusted inventories to seasonally adjusted sales. Quarterly and annual figures are averages of monthly figures.

n.a. Not available.

Source: Census Bureau.

### Private Housing Starts and Permits

(Seasonally adjusted annual rate)

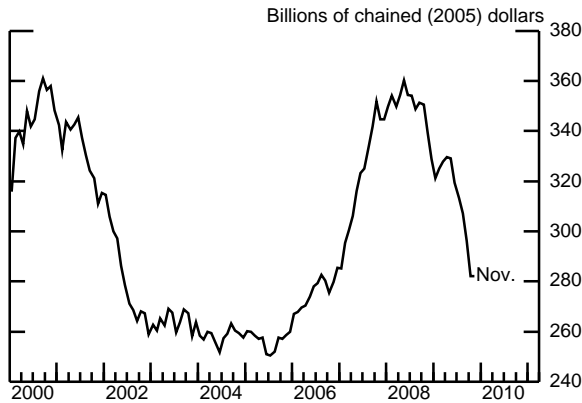


Note: Adjusted permits equal permit issuance plus total starts outside of permit-issuing areas.  
Source: Census Bureau.

## Nonresidential Construction and Indicators

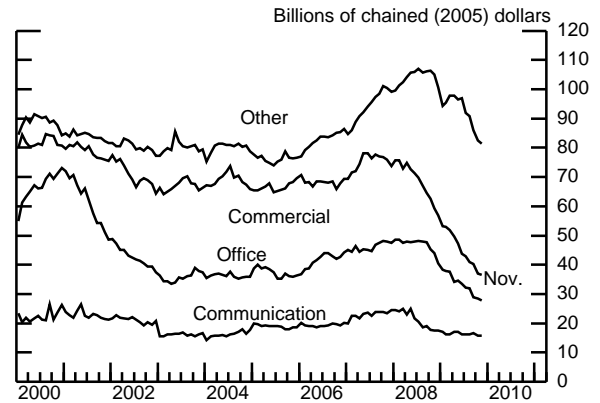
(All spending series are seasonally adjusted at an annual rate; nominal CPIP deflated by BEA prices through Q4 and by staff projection thereafter)

### Total Structures



Source: Census Bureau.

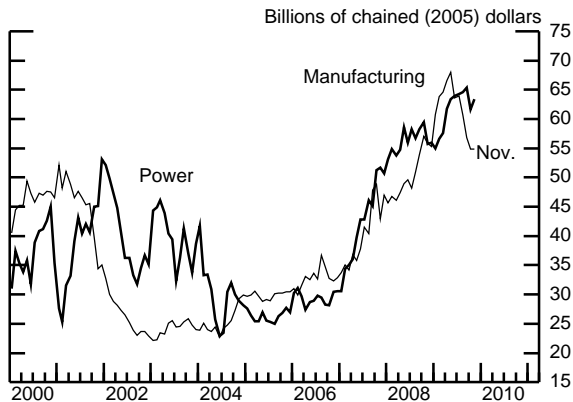
### Office, Commercial, Communication, and Other



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

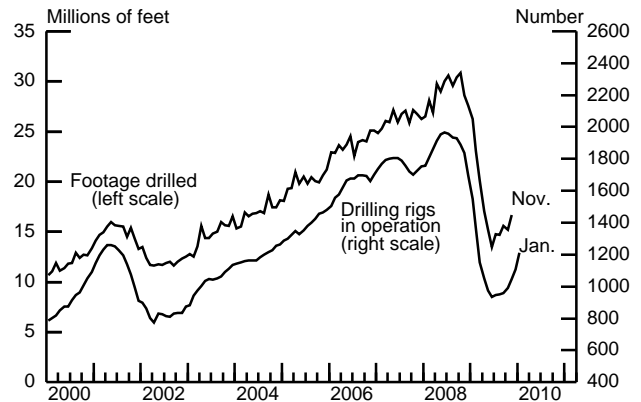
Source: Census Bureau.

### Manufacturing and Power



Source: Census Bureau.

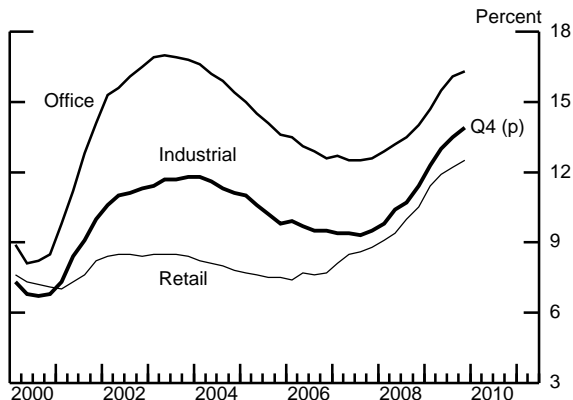
### Drilling and Mining Indicators



Note: The January readings for drilling rigs are based on data through January 15, 2010. Both series are seasonally adjusted by FRB staff.

Source: For footage drilled, U.S. Department of Energy, Energy Information Agency; for drilling rigs, Baker Hughes.

### Vacancy Rates

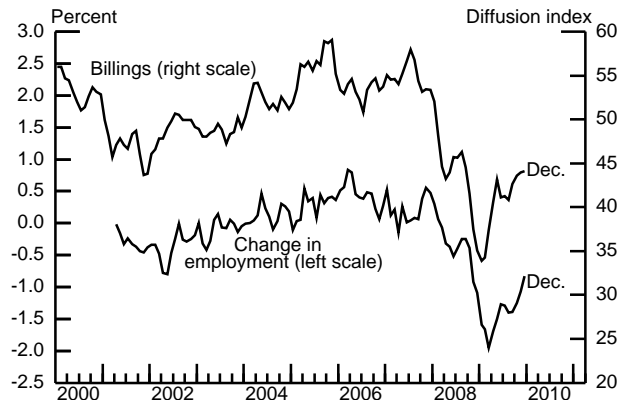


Note: Industrial space includes both manufacturing structures and warehouses.

p. Preliminary.

Source: Torto Wheaton Research.

### Architectural Billings and Nonresidential Construction Employment



Note: Both series are 3-month moving averages.

Employment consists of industrial, commercial, and specialty trade construction.

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

### Nonfarm Inventory Investment

(Billions of dollars; seasonally adjusted annual rate)

| Measure and sector   | 2009          |               |                           |               |                          |             |
|--|---------------|---------------|---------------------------|---------------|--------------------------|-------------|
|  | Q1            | Q2            | Q3                        | Sept.         | Oct.                     | Nov.        |
| <i>Real inventory investment</i><br>(chained 2005 dollars)                       |               |               |                           |               |                          |             |
| <b>Total nonfarm business</b>  | <b>-114.9</b> | <b>-163.1</b> | <b>-141.4</b>             | ...           | ...                      | ...         |
| Motor vehicles   | -63.6         | -48.1         | -4.6                      | ...           | ...                      | ...         |
| Nonfarm ex. motor vehicles   | -51.3         | -115.1        | -136.9                    | ...           | ...                      | ...         |
| <b>Manufacturing and trade ex. wholesale and retail motor vehicles and parts</b> | <b>-49.3</b>  | <b>-110.9</b> | <b>-129.3<sup>e</sup></b> | <b>-166.3</b> | <b>-12.1<sup>e</sup></b> | <b>n.a.</b> |
| Manufacturing  | -28.9         | -39.8         | -55.3 <sup>e</sup>        | -83.8         | 4.3 <sup>e</sup>         | n.a.        |
| Wholesale trade ex. motor vehicles & parts                                       | -8.8          | -52.5         | -51.9 <sup>e</sup>        | -51.2         | -4.8 <sup>e</sup>        | n.a.        |
| Retail trade ex. motor vehicles & parts  | -11.6         | -18.6         | -22.1 <sup>e</sup>        | -31.2         | -11.6 <sup>e</sup>       | n.a.        |
| <i>Book-value inventory investment</i><br>(current dollars)                      |               |               |                           |               |                          |             |
| <b>Manufacturing and trade ex. wholesale and retail motor vehicles and parts</b> | <b>-146.9</b> | <b>-152.6</b> | <b>-124.7</b>             | <b>-109.2</b> | <b>33.1</b>              | <b>62.9</b> |
| Manufacturing  | -81.1         | -66.0         | -49.8                     | -47.9         | 22.1                     | 9.0         |
| Wholesale trade ex. motor vehicles & parts                                       | -47.3         | -62.9         | -50.7                     | -34.5         | 19.8                     | 68.5        |
| Retail trade ex. motor vehicles & parts  | -18.6         | -23.7         | -24.2                     | -26.8         | -8.8                     | -14.5       |

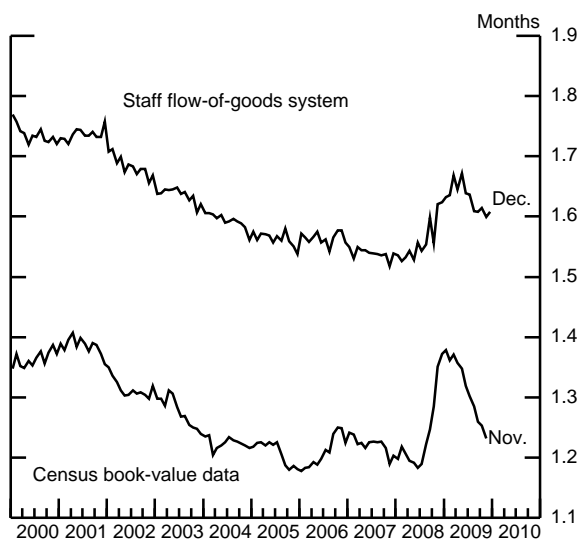
n.a. Not available.

... Not applicable.

<sup>e</sup> Staff estimate of real inventory investment based on revised book-value data.

Source: For real inventory investment, U.S. Dept. of Commerce, Bureau of Economic Analysis; for book-value data, Census Bureau.

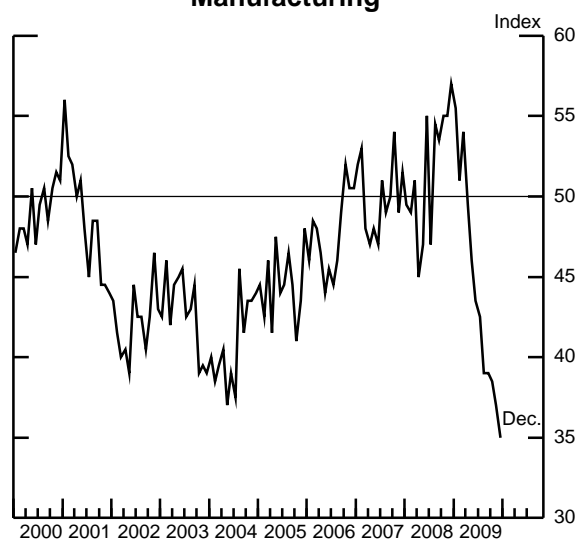
#### Inventory Ratios ex. Motor Vehicles



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

Source: Census Bureau; staff calculation.

#### ISM Customers' Inventories: Manufacturing



Note: A number below 50 indicates inventories are "too low."  
Source: Institute for Supply Management (ISM), Manufacturing ISM Report on Business.

**Price Measures**  
(Percent change)

| Measures                          | 12-month change |              | 3-month change |              | 1-month change |              |
|-----------------------------------|-----------------|--------------|----------------|--------------|----------------|--------------|
|                                   | Dec.<br>2008    | Dec.<br>2009 | Annual rate    |              | Monthly rate   |              |
|                                   |                 |              | Sept.<br>2009  | Dec.<br>2009 | Nov.<br>2009   | Dec.<br>2009 |
| <i>CPI</i>                        |                 |              |                |              |                |              |
| <b>Total</b>                      | <b>.1</b>       | <b>2.7</b>   | <b>2.5</b>     | <b>3.3</b>   | <b>.4</b>      | <b>.1</b>    |
| Food                              | 5.9             | -.5          | -1.1           | 1.2          | .1             | .2           |
| Energy                            | -21.3           | 18.2         | 21.1           | 25.8         | 4.1            | .2           |
| <b>Ex. food and energy</b>        | <b>1.8</b>      | <b>1.8</b>   | <b>1.3</b>     | <b>1.3</b>   | <b>.0</b>      | <b>.1</b>    |
| Core goods                        | -.6             | 3.0          | .9             | 3.2          | .2             | .2           |
| Core services                     | 2.7             | 1.4          | 1.4            | .6           | .0             | .1           |
| Shelter                           | 1.9             | .3           | -.1            | -.3          | -.2            | .1           |
| Other services                    | 3.7             | 2.9          | 4.0            | 2.6          | .2             | .2           |
| Memo: core ex. tobacco            | 1.7             | 1.5          | 1.1            | 1.2          | .0             | .1           |
| Chained CPI (n.s.a.) <sup>1</sup> | -.5             | 2.8          | ...            | ...          | ...            | ...          |
| Ex. food and energy <sup>1</sup>  | 1.3             | 1.5          | ...            | ...          | ...            | ...          |
| <i>PCE prices</i> <sup>2</sup>    |                 |              |                |              |                |              |
| <b>Total</b>                      | <b>.6</b>       | <b>2.2</b>   | <b>1.7</b>     | <b>2.8</b>   | <b>.2</b>      | <b>.1</b>    |
| Food and bev. at home             | 6.7             | -1.5         | -2.8           | 2.1          | .1             | .3           |
| Energy                            | -23.5           | 21.0         | 23.2           | 27.8         | 4.4            | .2           |
| <b>Ex. food and energy</b>        | <b>1.8</b>      | <b>1.5</b>   | <b>1.0</b>     | <b>1.5</b>   | <b>.0</b>      | <b>.1</b>    |
| Core goods                        | .0              | 1.4          | .0             | -.9          | -.1            | -.1          |
| Core services                     | 2.5             | 1.5          | 1.3            | 2.2          | .1             | .1           |
| Housing services                  | 2.4             | .7           | -.4            | -.6          | -.1            | .0           |
| Other services                    | 2.5             | 1.8          | 1.9            | 3.1          | .1             | .2           |
| Memo: core ex. tobacco            | 1.8             | 1.3          | .9             | 1.4          | .0             | .1           |
| Core market-based                 | 2.1             | 1.6          | 1.1            | .8           | .0             | .1           |
| Core non-market-based             | .2              | 1.1          | .2             | 5.3          | .1             | .2           |
| <i>PPI</i>                        |                 |              |                |              |                |              |
| <b>Total finished goods</b>       | <b>-.9</b>      | <b>4.4</b>   | <b>.7</b>      | <b>9.5</b>   | <b>1.8</b>     | <b>.2</b>    |
| Food                              | 3.2             | 1.1          | -5.1           | 15.0         | .5             | 1.4          |
| Energy                            | -20.3           | 20.1         | 8.1            | 36.6         | 6.9            | -.4          |
| <b>Ex. food and energy</b>        | <b>4.5</b>      | <b>.9</b>    | <b>.2</b>      | <b>-.5</b>   | <b>.5</b>      | <b>.0</b>    |
| Core consumer goods               | 4.6             | 1.6          | .2             | .4           | .6             | .1           |
| Capital equipment                 | 4.3             | .0           | .0             | -1.5         | .4             | -.1          |
| Intermediate materials            | -2.3            | 3.0          | 6.9            | 9.0          | 1.4            | .5           |
| Ex. food and energy               | 2.9             | -.1          | 6.9            | 2.3          | .3             | .5           |
| Crude materials                   | -24.6           | 12.3         | -9.3           | 60.9         | 5.7            | 1.0          |
| Ex. food and energy               | -24.1           | 28.4         | 58.8           | 20.5         | -.8            | 5.0          |

1. Higher-frequency figures are not applicable for data that are not seasonally adjusted (n.s.a.).

2. PCE prices in December 2009 are staff estimates.

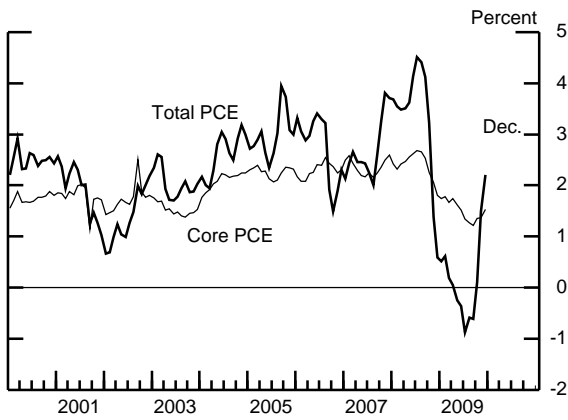
... Not applicable.

Source: For consumer price index (CPI) and producer price index (PPI), U.S. Dept. of Labor, Bureau of Labor Statistics; for personal consumption expenditures (PCE), U.S. Dept. of Commerce, Bureau of Economic Analysis.

## Consumer Prices

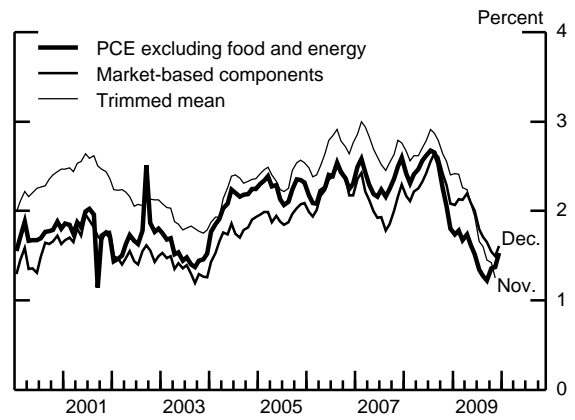
(12-month change except as noted; PCE prices in December are staff estimates)

PCE Prices



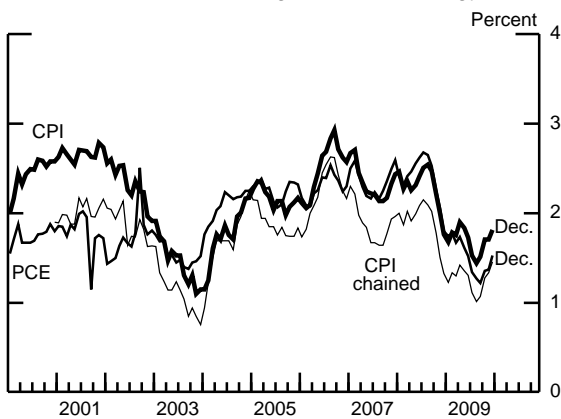
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Measures of Core PCE



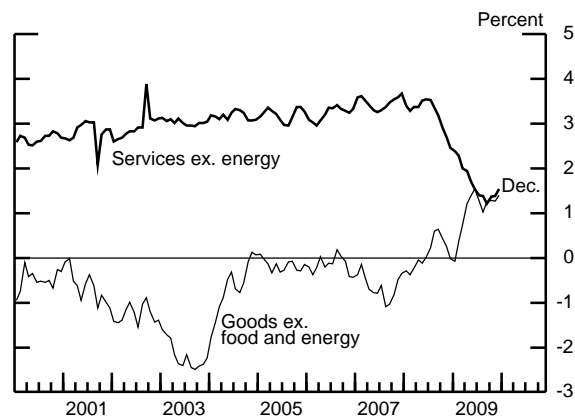
Source: For trimmed mean, Federal Reserve Bank of Dallas; for all else, U.S. Dept. of Commerce, Bureau of Economic Analysis.

CPI and PCE excluding Food and Energy



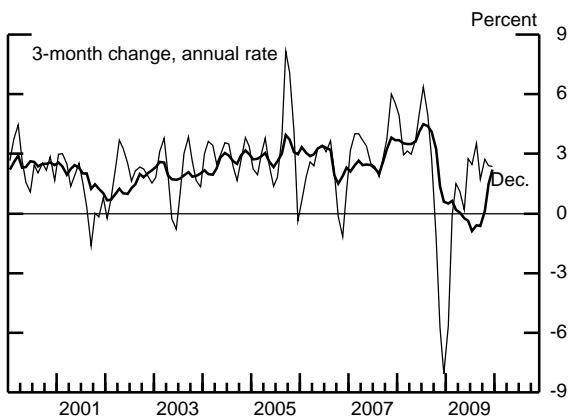
Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; for PCE, U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Goods and Services



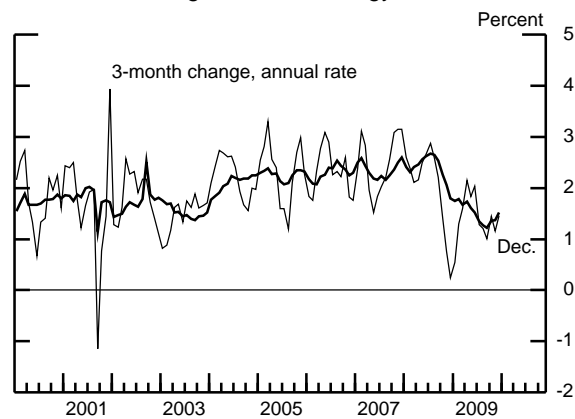
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE



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

PCE excluding Food and Energy

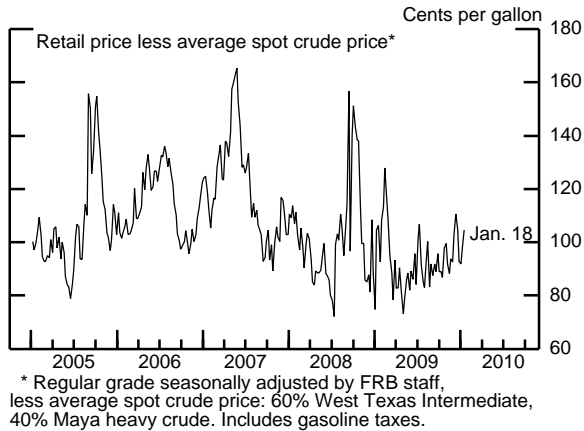


Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

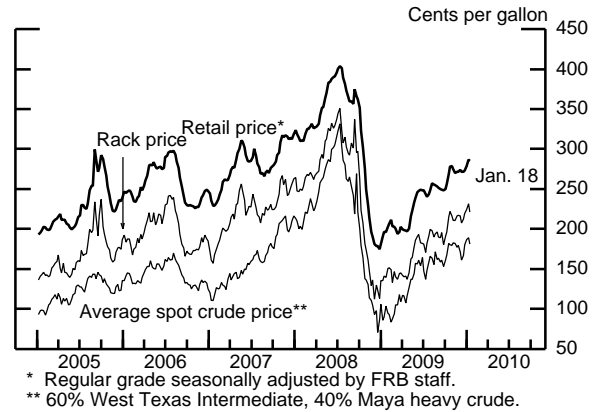
## Energy and Food Price Indicators

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

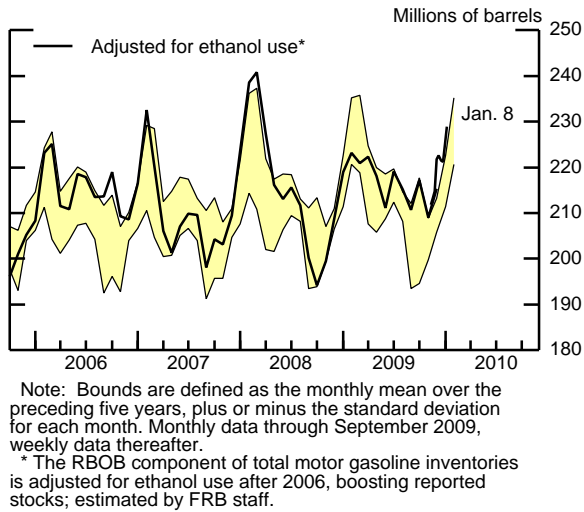
### Total Gasoline Margin



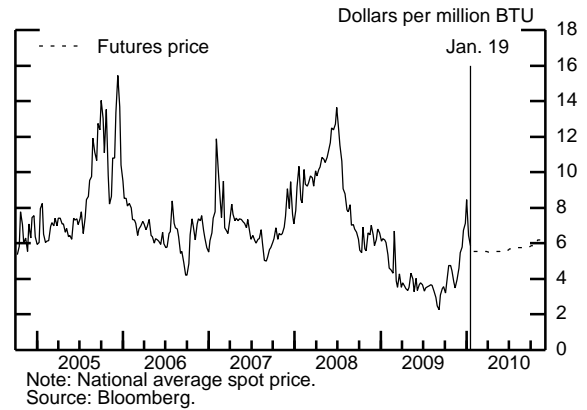
### Gasoline Price Decomposition



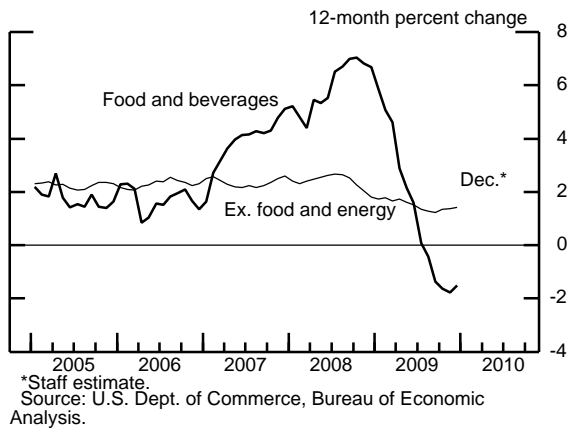
### Gasoline Inventories



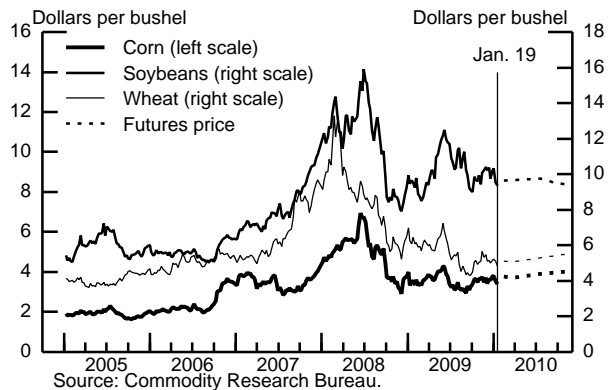
### Natural Gas Prices



### PCE: Food at Home and Core Prices



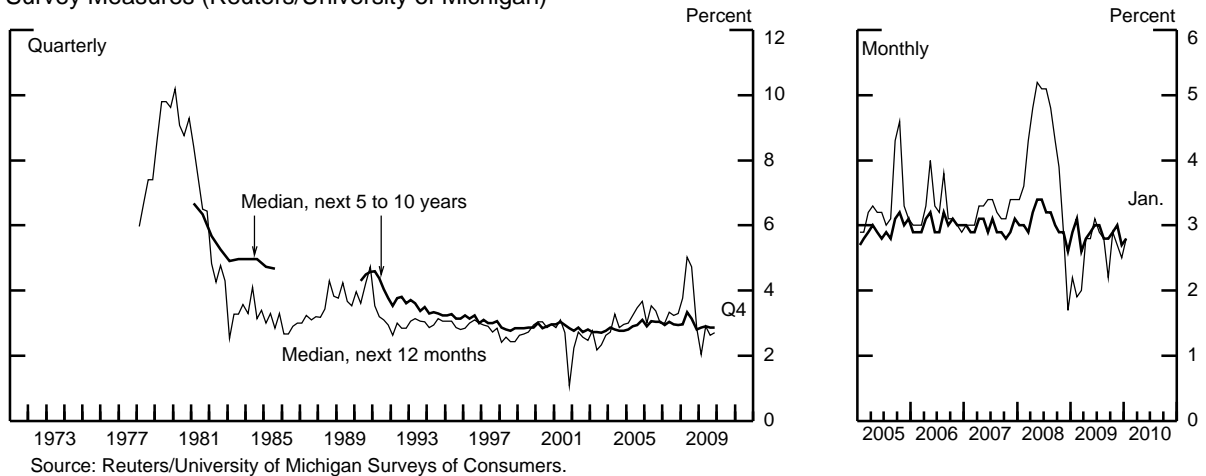
### Spot Prices of Agricultural Commodities



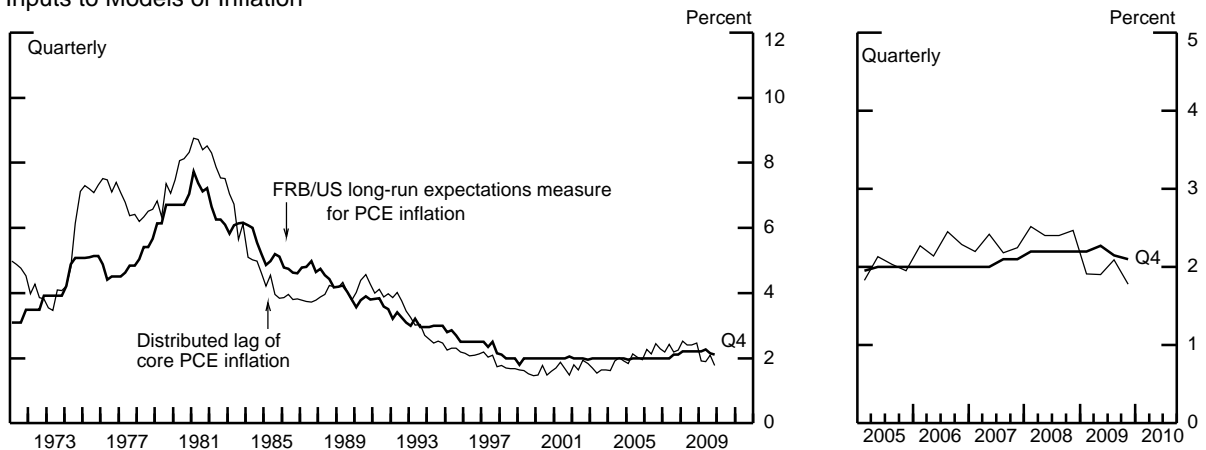


## Measures of Expected Inflation

### Survey Measures (Reuters/University of Michigan)



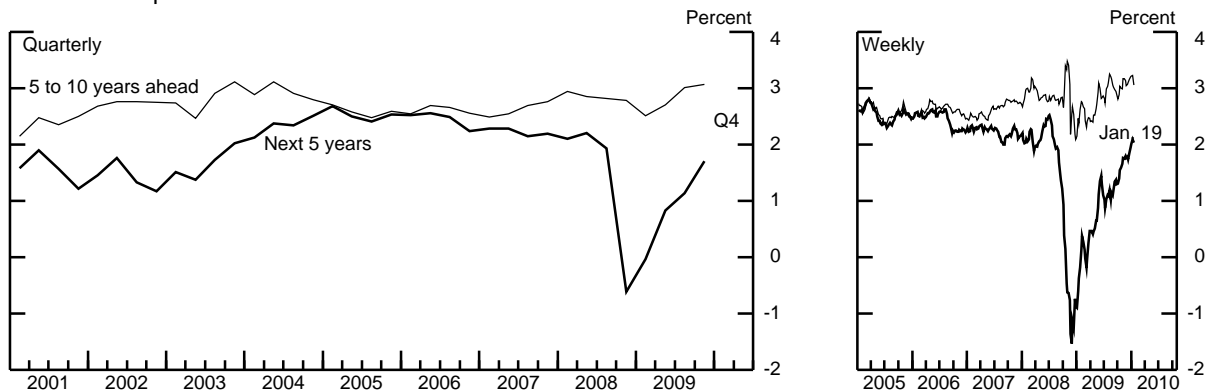
### Inputs to Models of Inflation



Note: The distributed lag of core PCE inflation is derived from one of the reduced-form Phillips curves used by Board staff.

Source: For the distributed lag of core PCE inflation, FRB staff calculations; for the FRB/US measure, for 2007 forward, the median projection for PCE inflation over the next 10 years from the Survey of Professional Forecasters (SPF); for 1990 to 2006, the equivalent SPF projection for the CPI; for 1981 to 1989, a related survey for the CPI conducted by Richard Hoey; and for the period preceding 1981, a model-based estimate constructed by Board staff. The survey data before 2007 are adjusted down 0.5 percentage point to put the CPI projections approximately on a PCE basis.

### Inflation Compensation from TIPS



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

Source: FRB staff calculations.

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

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

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

**Surveys of Inflation Expectations**  
(Percent)

| Period     | Actual<br>CPI<br>inflation <sup>1</sup> | Reuters/Michigan Survey |        |                            |        | Professional<br>forecasters<br>(10 years) <sup>4</sup> |     |
|------------|---|-------------------------|--------|----------------------------|--------|--|-----|
|            |   | 1 year <sup>2</sup>     |        | 5 to 10 years <sup>3</sup> |        |  |     |
|            |   | Mean                    | Median | Mean                       | Median | CPI  | PCE |
| 2008:Q1    | 4.1                                     | 4.2                     | 3.8    | 3.3                        | 3.0    | 2.5  | 2.2 |
| Q2         | 4.4                                     | 6.4                     | 5.0    | 3.8                        | 3.3    | 2.5  | 2.2 |
| Q3         | 5.3                                     | 5.4                     | 4.7    | 3.6                        | 3.1    | 2.5  | 2.2 |
| Q4         | 1.6                                     | 3.0                     | 2.8    | 2.9                        | 2.8    | 2.5  | 2.2 |
| 2009:Q1    | .0                                      | 2.4                     | 2.0    | 3.3                        | 2.9    | 2.4  | 2.2 |
| Q2         | -1.2                                    | 3.4                     | 2.9    | 3.1                        | 2.9    | 2.5  | 2.3 |
| Q3         | -1.6                                    | 3.1                     | 2.6    | 3.2                        | 2.9    | 2.5  | 2.2 |
| Q4         | 1.4                                     | 3.1                     | 2.7    | 3.1                        | 2.9    | 2.3  | 2.1 |
| 2009:Sept. | -1.3                                    | 2.8                     | 2.2    | 3.2                        | 2.8    | ...  | ... |
| Oct.       | -.2                                     | 3.2                     | 2.9    | 3.2                        | 2.9    | ...  | ... |
| Nov.       | 1.8                                     | 3.1                     | 2.7    | 3.2                        | 3.0    | 2.3  | 2.1 |
| Dec.       | 2.7                                     | 3.0                     | 2.5    | 3.0                        | 2.7    | ...  | ... |
| 2010:Jan.  | n.a.                                    | 3.3                     | 2.8    | 3.2                        | 2.8    | ...  | ... |

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

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

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

4. Median CPI and PCE price projections.

... Not applicable.

n.a. Not available.

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

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## **Domestic Financial Developments**

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**Selected Financial Market Quotations**

(One-day quotes in percent except as noted)

| Instrument  | 2008        | 2009    |         | 2010    | Change to Jan. 19 from<br>selected dates (percentage points) |  |                 |                 |
|---|-------------|---------|---------|---------|--|--|-----------------|-----------------|
|   | Sept. 12    | Nov. 3  | Dec. 15 | Jan. 19 | 2008<br>Sept. 12   | 2009<br>Nov. 3                                     | 2009<br>Dec. 15 |                 |
| <i>Short-term</i>                                       |             |         |         |         |  |  |                 |                 |
| FOMC intended federal funds rate                        | 2.00        | .13     | .13     | .13     | -1.87  | .00  | .00             |                 |
| Treasury bills <sup>1</sup>                             |             |         |         |         |  |  |                 |                 |
| 3-month   | 1.46        | .06     | .05     | .06     | -1.40  | .00  | .01             |                 |
| 6-month   | 1.80        | .17     | .17     | .14     | -1.66  | -.03   | -.03            |                 |
| Commercial paper (A1/P1 rates) <sup>2</sup>             |             |         |         |         |  |  |                 |                 |
| 1-month   | 2.39        | .16     | .13     | .10     | -2.29  | -.06   | -.03            |                 |
| 3-month   | 2.75        | .18     | .20     | .17     | -2.58  | -.01   | -.03            |                 |
| Large negotiable CDs <sup>1</sup>                       |             |         |         |         |  |  |                 |                 |
| 3-month   | 2.79        | .22     | .22     | .20     | -2.59  | -.02   | -.02            |                 |
| 6-month   | 3.09        | .32     | .31     | .29     | -2.80  | -.03   | -.02            |                 |
| Eurodollar deposits <sup>3</sup>                        |             |         |         |         |  |  |                 |                 |
| 1-month   | 2.60        | .30     | .32     | .30     | -2.30  | .00  | -.02            |                 |
| 3-month   | 3.00        | .45     | .45     | .45     | -2.55  | .00  | .00             |                 |
| Bank prime rate   | 5.00        | 3.25    | 3.25    | 3.25    | -1.75  | .00  | .00             |                 |
| <i>Intermediate- and long-term</i>                      |             |         |         |         |  |  |                 |                 |
| U.S. Treasury <sup>4</sup>                              |             |         |         |         |  |  |                 |                 |
| 2-year  | 2.24        | .93     | .87     | .91     | -1.33  | -.02   | .04             |                 |
| 5-year  | 2.97        | 2.37    | 2.33    | 2.46    | -.51   | .09  | .13             |                 |
| 10-year   | 3.93        | 3.73    | 3.79    | 3.89    | -.04   | .16  | .10             |                 |
| U.S. Treasury indexed notes <sup>5</sup>                |             |         |         |         |  |  |                 |                 |
| 5-year  | 1.33        | .70     | .50     | .42     | -.91   | -.28   | -.08            |                 |
| 10-year   | 1.77        | 1.48    | 1.42    | 1.45    | -.32   | -.03   | .03             |                 |
| Municipal general obligations (Bond Buyer) <sup>6</sup> | 4.54        | 4.39    | 4.19    | 4.31    | -.23   | -.08   | .12             |                 |
| Private instruments                                     |             |         |         |         |  |  |                 |                 |
| 10-year swap  | 4.26        | 3.62    | 3.74    | 3.82    | -.44   | .20  | .08             |                 |
| 10-year FNMA <sup>7</sup>                               | 4.36        | 4.06    | 4.08    | 4.19    | -.17   | .13  | .11             |                 |
| 10-year AA <sup>8</sup>                                 | 6.62        | 5.12    | 5.04    | 5.04    | -1.58  | -.08   | .00             |                 |
| 10-year BBB <sup>8</sup>                                | 7.22        | 6.25    | 6.09    | 5.75    | -1.47  | -.50   | -.34            |                 |
| 10-year high yield <sup>8</sup>                         | 10.66       | 9.48    | 9.29    | 8.62    | -2.04  | -.86   | -.67            |                 |
| Home mortgages (FHLMC survey rate)                      |             |         |         |         |  |  |                 |                 |
| 30-year fixed   | 5.78        | 4.98    | 4.94    | 5.06    | -.72   | .08  | .12             |                 |
| 1-year adjustable                                       | 5.03        | 4.47    | 4.34    | 4.39    | -.64   | -.08   | .05             |                 |
| Stock exchange index                                    | Record high |         | 2009    |         | 2010   | Change to Jan. 19<br>from selected dates (percent) |                 |                 |
|   | Level       | Date    | Nov. 3  | Dec. 15 | Jan. 19  | Record<br>high                                     | 2009<br>Nov. 3  | 2009<br>Dec. 15 |
| Dow Jones Industrial                                    | 14,165      | 10-9-07 | 9,772   | 10,452  | 10,725   | -24.28   | 9.76            | 2.62            |
| S&P 500 Composite                                       | 1,565       | 10-9-07 | 1,045   | 1,108   | 1,150  | -26.51   | 10.03           | 3.82            |
| Nasdaq  | 5,049       | 3-10-00 | 2,057   | 2,201   | 2,320  | -54.04   | 12.79           | 5.42            |
| Russell 2000  | 856         | 7-13-07 | 571     | 606     | 649  | -24.14   | 13.76           | 7.07            |
| D.J. Total Stock Index                                  | 15,807      | 10-9-07 | 10,729  | 11,385  | 11,865   | -24.93   | 10.59           | 4.22            |

1. Secondary market.

2. Financial commercial paper.

3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.

4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.

5. Derived from a smoothed Treasury yield curve estimated using all outstanding securities and adjusted for the carry effect.

6. Most recent Thursday quote.

7. Constant-maturity yields estimated from Fannie Mae domestic noncallable coupon securities.

8. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.

**NOTES:**

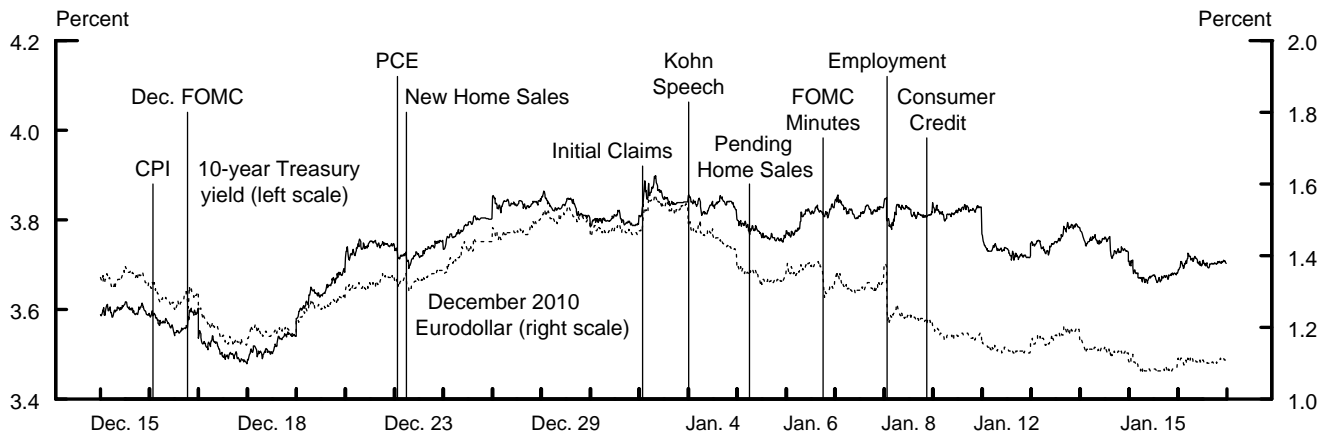
September 12, 2008, is the last business day before Lehman Brothers Holdings filed for bankruptcy.

November 3, 2009, is the day before the November 2009 FOMC monetary policy announcement.

December 15, 2009, is the day before the most recent FOMC monetary policy announcement.

## Policy Expectations and Treasury Yields

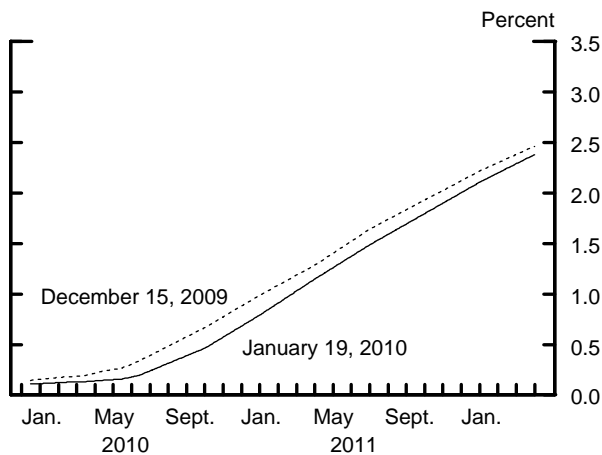
### Interest Rates



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

Source: Bloomberg.

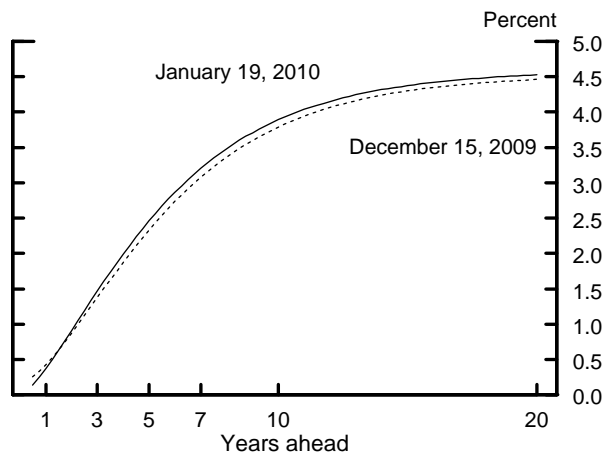
### Implied Federal Funds Rate



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

Source: CME Group.

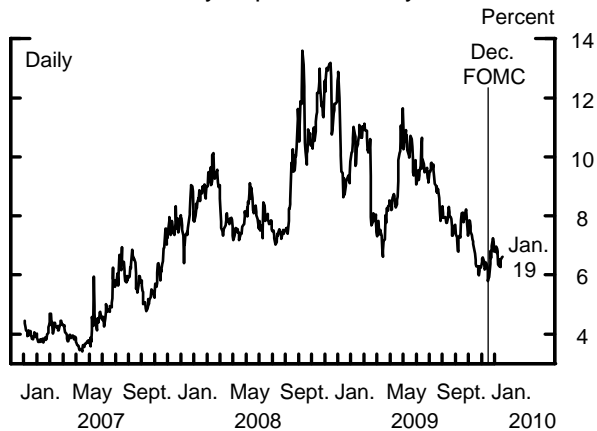
### Treasury Yield Curve



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

Source: Federal Reserve Board.

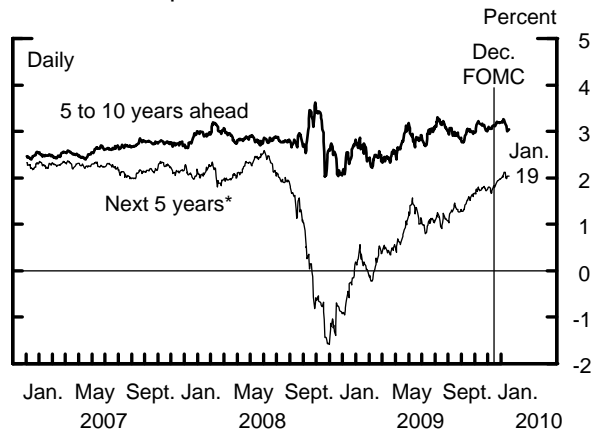
### 10-Year Treasury Implied Volatility



Note: 10-year Treasury note implied volatility derived from options on futures contracts.

Source: Bloomberg.

### Inflation Compensation



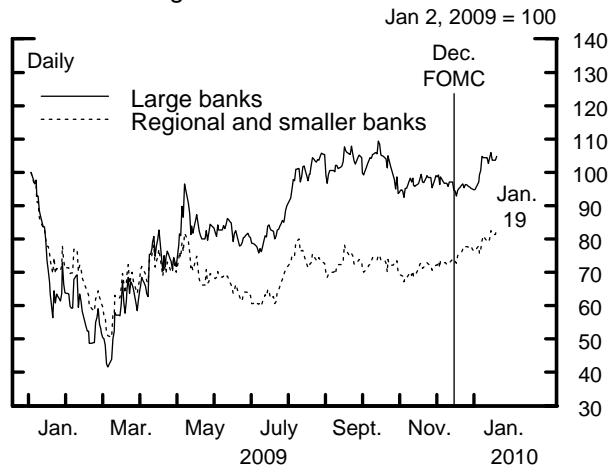
Note: Estimates based on smoothed nominal and inflation-indexed Treasury yields.

\*Adjusted for lagged indexation of Treasury inflation-protected securities.

Source: Federal Reserve Board.

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

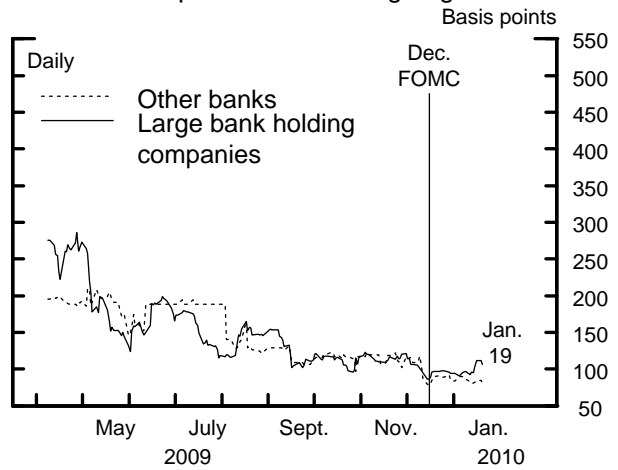
Bank Exchange-Traded Funds



Note: Large banks ETF includes 24 banks. Small banks ETF includes 51 banks.

Source: Keefe, Bruyette & Woods (KBW) and Bloomberg.

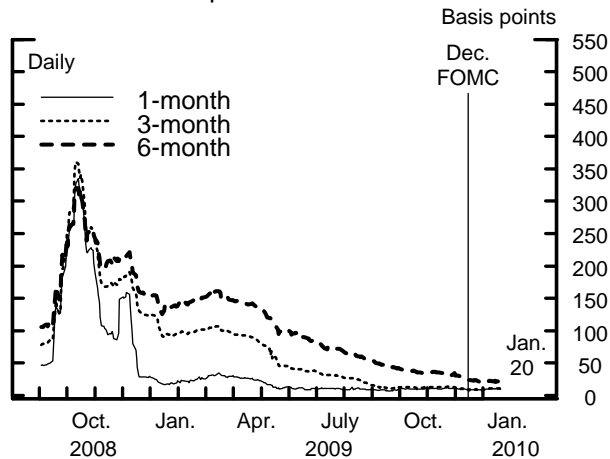
Senior CDS Spreads for Banking Organizations



Note: Median spreads for 6 large bank holding companies and 8 other banks.

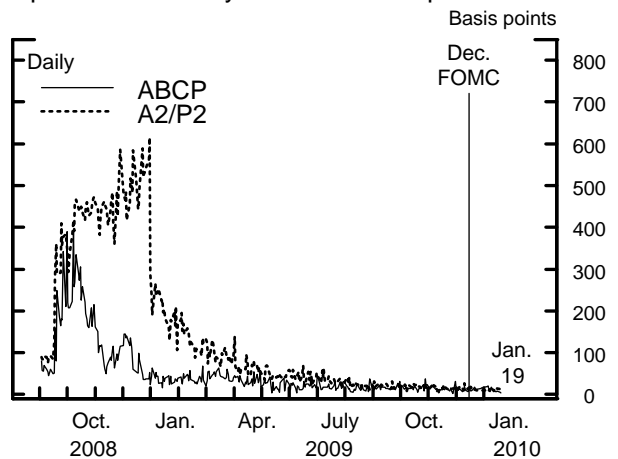
Source: Markit.

Libor over OIS Spread



Source: British Bankers' Association and Prebon.

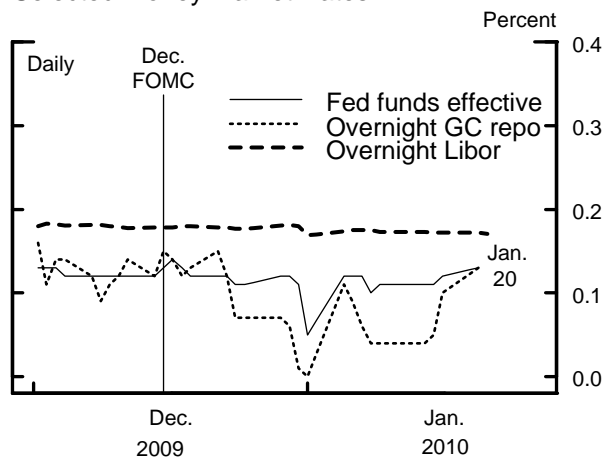
Spreads on 30-day Commercial Paper



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

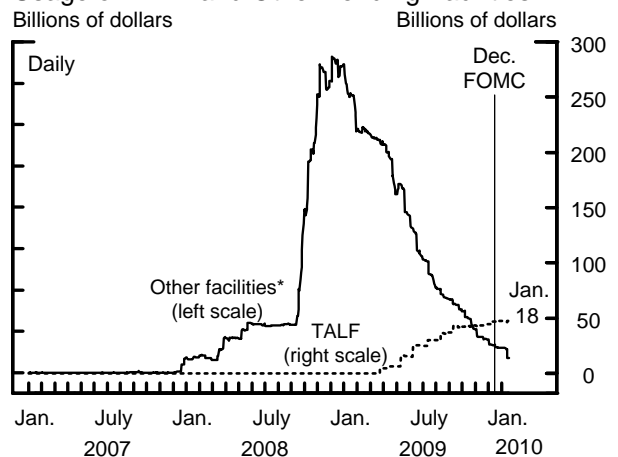
Source: Depository Trust & Clearing Corporation.

Selected Money Market Rates



Source: Federal Reserve Board.

Usage of TALF and Other Lending Facilities

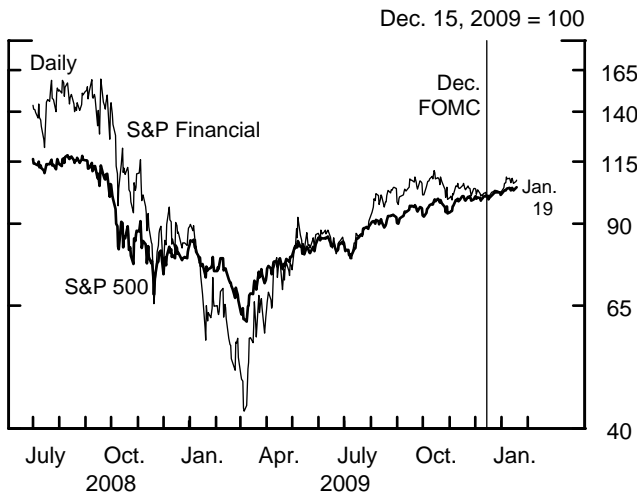


\* Includes primary, secondary, and seasonal credit; TAF; PDCF; dollar liquidity swaps; CPFF; and AMLF.

Source: Federal Reserve Board.

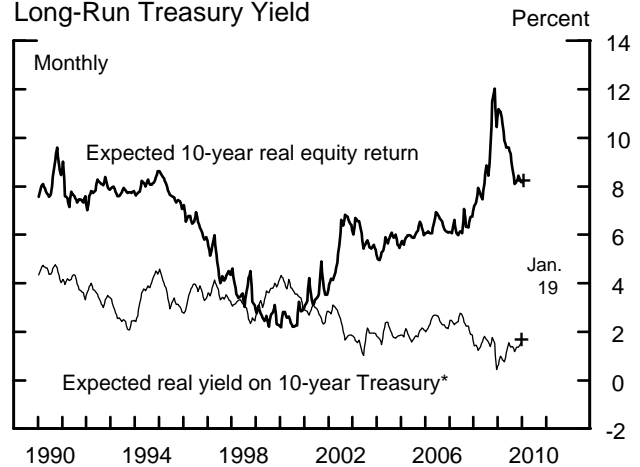
## Corporate Yields, Risk Spreads, and Stock Prices

### Selected Stock Price Indexes



Source: Standard & Poor's.

### Expected Real Equity Return and Long-Run Treasury Yield

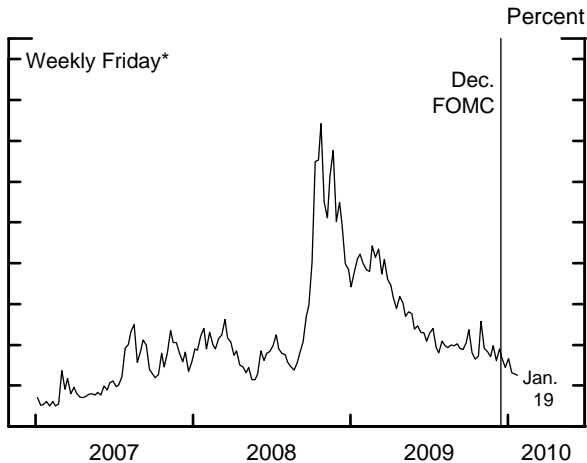


\* Off-the-run 10-year Treasury yield less Philadelphia Fed 10-year expected inflation.

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

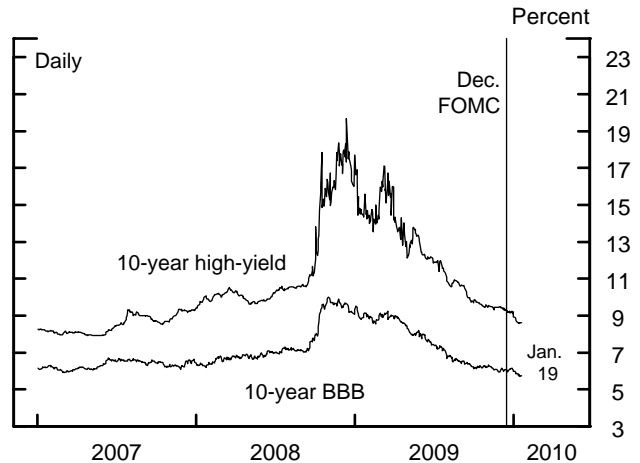
Source: Thomson Financial.

### Implied Volatility on S&P 500 (VIX)



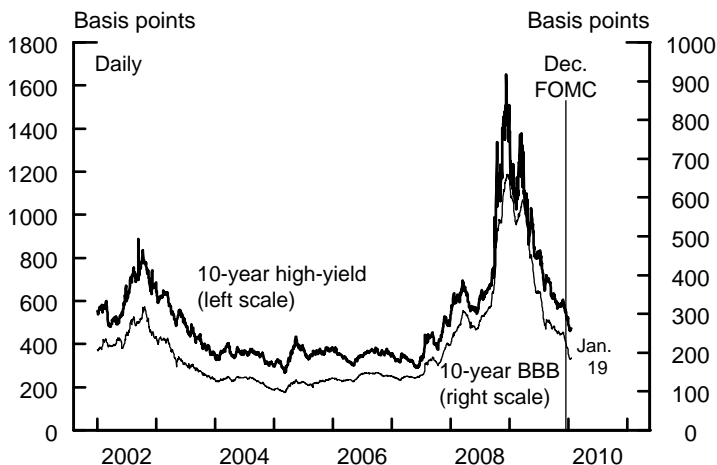
\* Latest observation is for most recent business day.  
Source: Chicago Board of Exchange.

### Corporate Bond Yields



Source: Staff estimates of smoothed yield curves based on Merrill Lynch bond data.

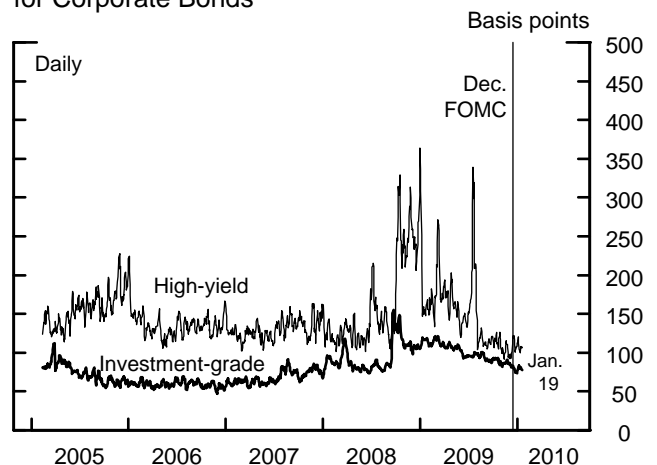
### Corporate Bond Spreads



Note: Spreads over 10-year Treasury yield.

Source: Staff estimates of smoothed corporate yield curves based on Merrill Lynch data and smoothed Treasury yield curve.

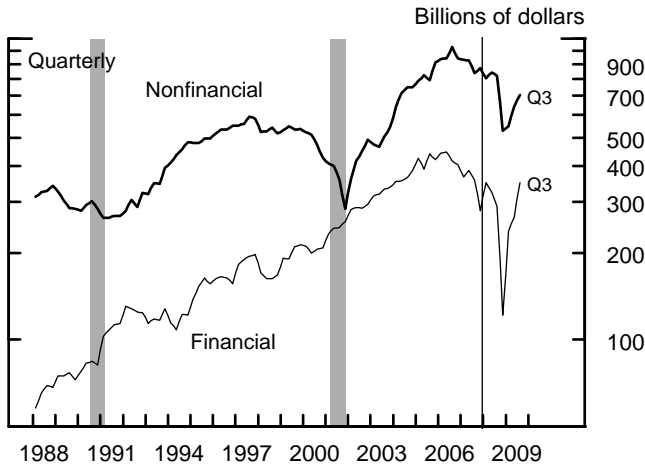
### Estimated Median Bid-Asked Spread for Corporate Bonds



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

## Corporate Earnings and Credit Quality

### Domestic Corporate Profits before Tax\*

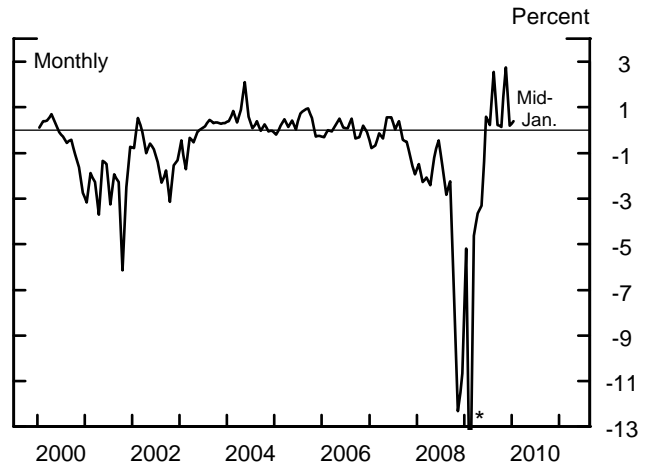


Note: Shaded bars indicate periods of business recessions defined by the National Bureau of Economic Research (NBER). Vertical line represents the last NBER business cycle peak.

\* Profits before tax plus capital consumption adjustment.

Source: Bureau of Economic Analysis.

### Revisions to Expected S&P 500 Earnings

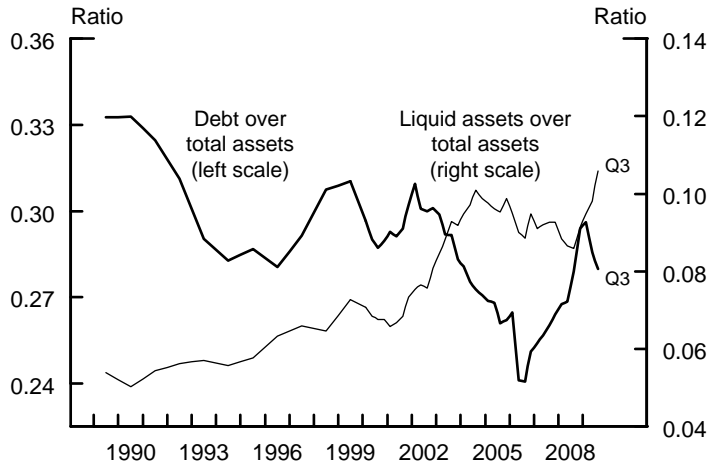


Note: Index is a weighted average of the percent change in the consensus forecasts of current-year and following-year earnings per share for a fixed sample.

\* Revision in Feb. 2009 was -17.2%.

Source: Thomson Financial.

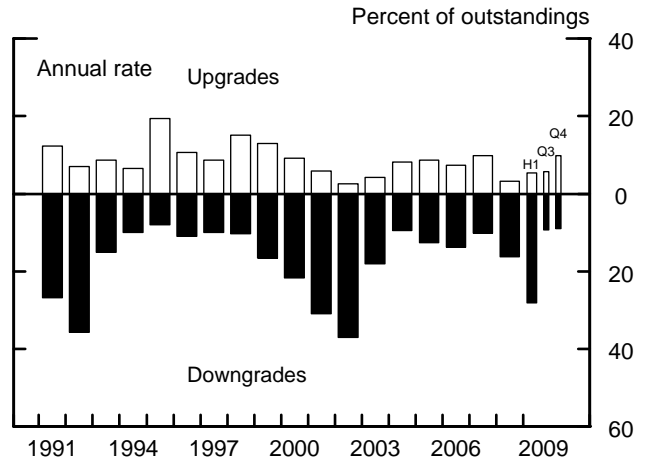
### Financial Ratios for Nonfinancial Corporations



Note: Data are annual through 1999 and quarterly thereafter.

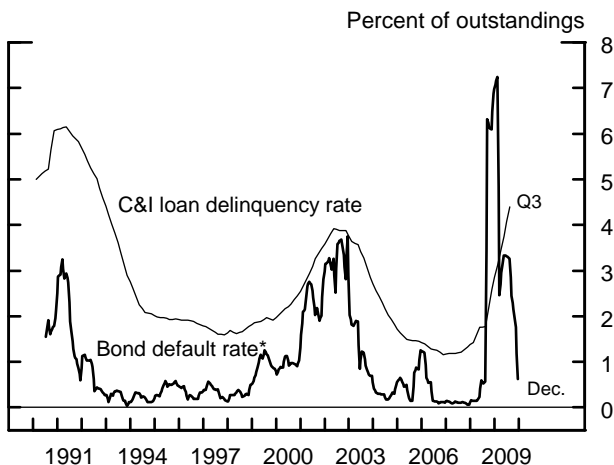
Source: Compustat.

### Bond Ratings Changes of Nonfinancial Companies



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

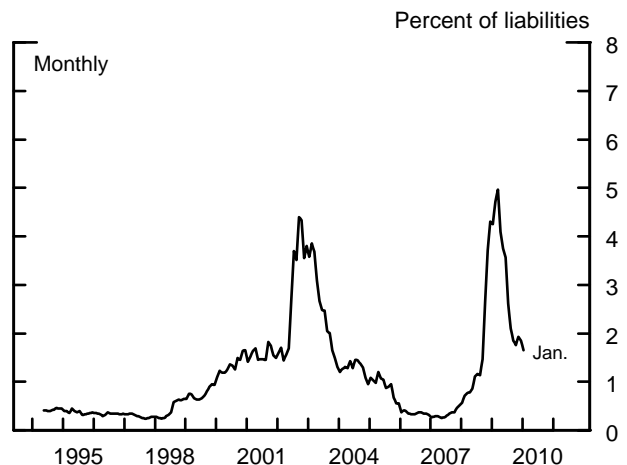
### Selected Default and Delinquency Rates



\* 6-month trailing defaults divided by beginning-of-period outstandings, at an annual rate.

Source: For default rate, Moody's Investors Service; for delinquency rate, Call Report data.

### Expected Nonfinancial Year-Ahead Defaults



Note: Firm-level estimates of default weighted by firm liabilities as a percent of total liabilities, excluding defaulted firms.

Source: Calculated using firm-level data from Moody's KMV.



## Business Finance

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

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

| Type of security                                     | 2005  | 2006  | 2007  | 2008 | 2009  |       |       |       |
|--|-------|-------|-------|------|-------|-------|-------|-------|
|  |       |       |       |      | H1    | Q3    | Q4    | Dec.  |
| <i>Nonfinancial corporations</i>                     |       |       |       |      |       |       |       |       |
| Stocks <sup>1</sup>                                  | 4.6   | 4.7   | 5.5   | 3.7  | 5.3   | 5.4   | 5.0   | 4.8   |
| Initial public offerings                             | 1.7   | 1.8   | 1.6   | .3   | .2    | .6    | 1.6   | 1.5   |
| Seasoned offerings                                   | 2.8   | 2.9   | 3.8   | 3.4  | 5.1   | 4.8   | 3.4   | 3.3   |
| Bonds <sup>2</sup>                                   | 18.7  | 29.3  | 35.1  | 27.7 | 50.1  | 30.4  | 30.3  | 24.0  |
| Investment grade                                     | 8.7   | 13.1  | 17.5  | 19.5 | 32.6  | 13.4  | 14.3  | 10.0  |
| Speculative grade                                    | 5.2   | 6.2   | 7.5   | 1.8  | 5.3   | 7.4   | 8.2   | 9.7   |
| Other (sold abroad/unrated)                          | 4.8   | 10.1  | 10.0  | 6.4  | 12.2  | 9.7   | 7.8   | 4.3   |
| <i>Memo</i>  |       |       |       |      |       |       |       |       |
| Net issuance of commercial paper <sup>3</sup>        | -.2   | 2.4   | -.4   | 1.6  | -12.4 | -.9   | -2.9  | .3    |
| Change in C&I loans at commercial banks <sup>3</sup> | 10.2  | 11.0  | 21.2  | 12.8 | -17.4 | -33.8 | -20.9 | -22.0 |
| <i>Financial corporations</i>                        |       |       |       |      |       |       |       |       |
| Stocks <sup>1</sup>                                  | 5.0   | 5.3   | 8.6   | 13.5 | 15.9  | 5.5   | 19.5  | 53.7  |
| Bonds <sup>2</sup>                                   | 170.4 | 180.6 | 151.7 | 45.4 | 44.5  | 38.9  | 28.0  | 29.3  |

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

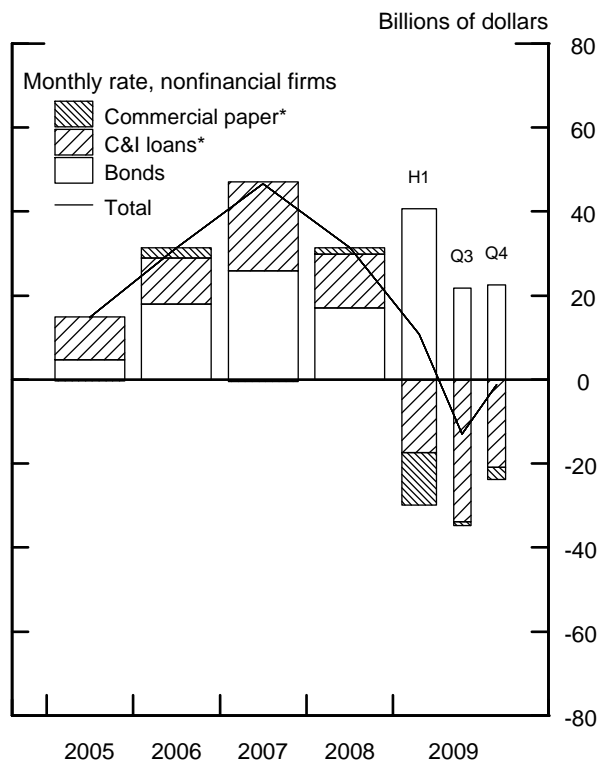
1. Excludes private placements and equity-for-equity swaps that occur in restructurings.

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

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

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

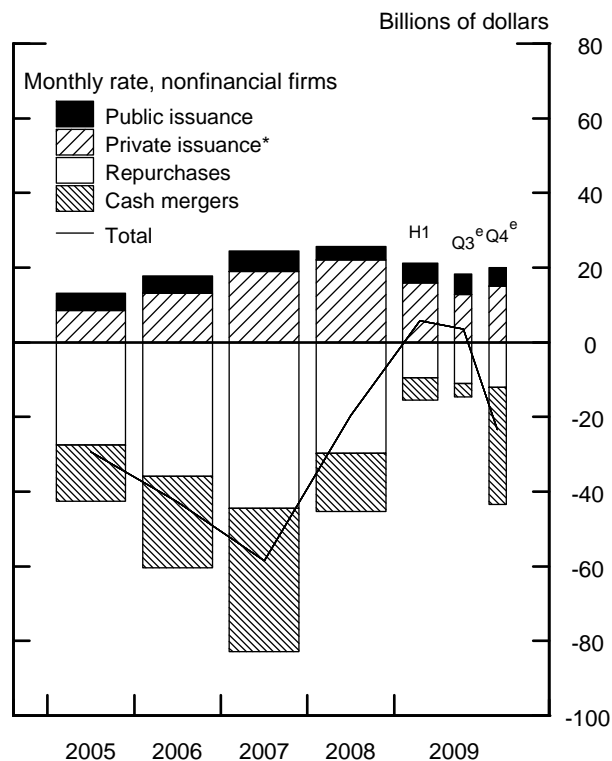
#### Selected Components of Net Debt Financing



\* Seasonally adjusted, period-end basis.

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

#### Components of Net Equity Issuance



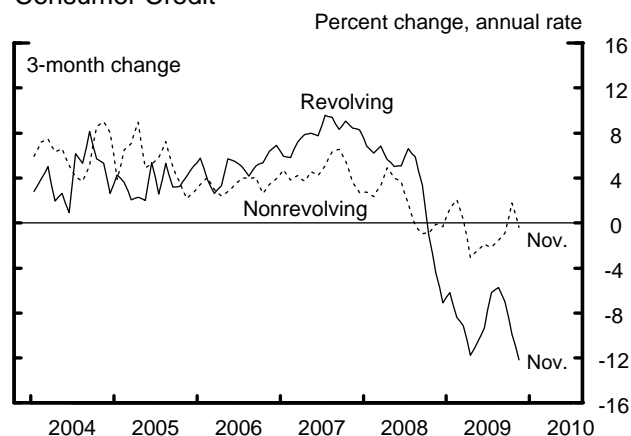
\* Private issuance was revised back to 2005.

<sup>e</sup> Estimate.

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

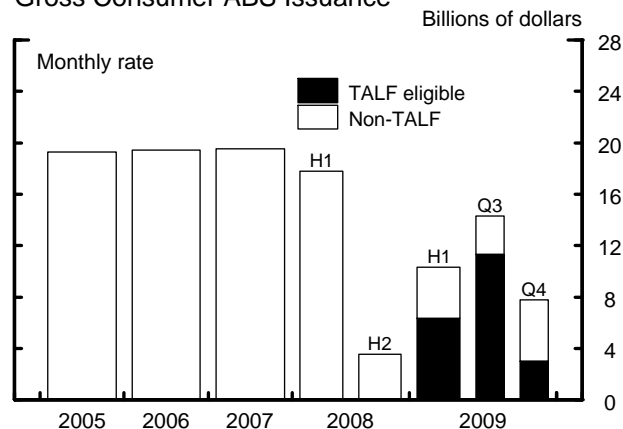
## Consumer Credit and Mutual Funds

### Consumer Credit



Source: Federal Reserve Board.

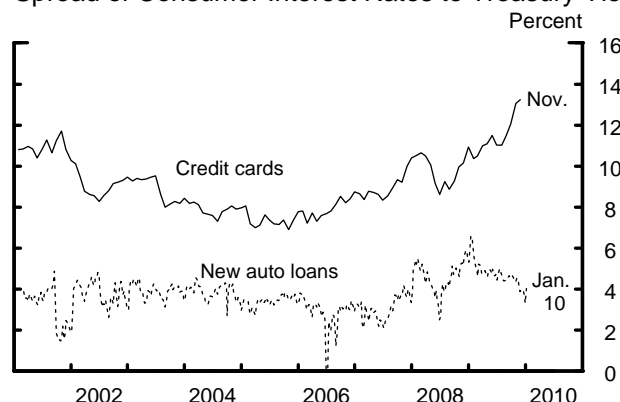
### Gross Consumer ABS Issuance



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

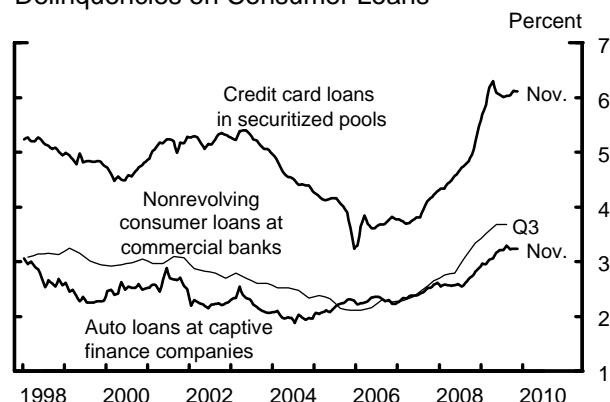
Source: Inside MBS & ABS; Merrill Lynch; Bloomberg; Federal Reserve Board.

### Spread of Consumer Interest Rates to Treasury Yield



Note: Spreads are relative to 2-yr Treasury yields.  
Source: For credit cards, Mintel; for auto loans, PIN.

### Delinquencies on Consumer Loans



Source: For auto loans, Federal Reserve Board; for credit cards, Moody's Investors Service; for nonrevolving consumer loans, Call Report.

## Net Flows into Mutual Funds

(Billions of dollars, monthly rate)

| Fund type                    | 2008        |              |              |              | 2009         |              |                   | Assets<br>Nov. |
|------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|-------------------|----------------|
|                              | H1          | H2           | H1           | Q3           | Oct.         | Nov.         | Dec. <sup>e</sup> |                |
| <b>Total long-term funds</b> | <b>11.8</b> | <b>-49.4</b> | <b>23.3</b>  | <b>47.9</b>  | <b>40.7</b>  | <b>36.8</b>  | <b>26.9</b>       | <b>7,641</b>   |
| <b>Equity funds</b>          | <b>-3.6</b> | <b>-35.2</b> | <b>-0.1</b>  | <b>0.9</b>   | <b>-7.1</b>  | <b>-2.8</b>  | <b>-4.2</b>       | <b>4,825</b>   |
| Domestic                     | -5.0        | -20.2        | 0.9          | -3.7         | -14.8        | -8.8         | -8.1              | 3,580          |
| International                | 1.3         | -15.1        | -1.0         | 4.6          | 7.8          | 6.0          | 3.9               | 1,245          |
| <b>Hybrid funds</b>          | <b>1.7</b>  | <b>-5.0</b>  | <b>-0.3</b>  | <b>5.2</b>   | <b>2.9</b>   | <b>3.4</b>   | <b>2.6</b>        | <b>629</b>     |
| <b>Bond funds</b>            | <b>13.8</b> | <b>-9.2</b>  | <b>23.8</b>  | <b>41.8</b>  | <b>44.9</b>  | <b>36.2</b>  | <b>28.6</b>       | <b>2,186</b>   |
| High-yield                   | -0.2        | 0.1          | 2.8          | 1.4          | 0.7          | 0.3          | 1.2               | 182            |
| Other taxable                | 11.1        | -7.7         | 16.2         | 31.8         | 39.5         | 31.0         | 22.5              | 1,554          |
| Municipals                   | 2.9         | -1.6         | 4.8          | 8.7          | 4.8          | 5.0          | 4.8               | 450            |
| <b>Money market funds</b>    | <b>56.1</b> | <b>59.6</b>  | <b>-27.3</b> | <b>-81.1</b> | <b>-70.9</b> | <b>-33.7</b> | <b>-30.7</b>      | <b>3,327</b>   |

Note: Excludes reinvested dividends.

<sup>e</sup> Staff estimate.

Source: Investment Company Institute.

**M2 Monetary Aggregate**  
(Based on seasonally adjusted data)

| Aggregate and components         | Percent change (annual rate) <sup>1</sup> |             |       |           |       |             | Level<br>(billions<br>of dollars), |
|----------------------------------|---|-------------|-------|-----------|-------|-------------|------------------------------------|
|                                  | 2008                                      | 2009<br>(p) | 2009  |           |       |             | Dec.<br>(p)                        |
|                                  |   |             | Q3    | Q4<br>(p) | Nov.  | Dec.<br>(p) |                                    |
| M2                               | 8.5                                       | 4.9         | 1.6   | 3.4       | 3.9   | 2.1         | 8,524                              |
| Components <sup>2</sup>          |   |             |       |           |       |             |                                    |
| Currency                         | 5.8                                       | 6.9         | 3.8   | 2.0       | -1.3  | .6          | 862                                |
| Liquid deposits <sup>3</sup>     | 6.9                                       | 17.2        | 14.5  | 18.7      | 18.3  | 14.7        | 5,676                              |
| Small time deposits              | 12.3                                      | -16.0       | -23.6 | -31.9     | -30.9 | -30.0       | 1,168                              |
| Retail money market funds        | 13.0                                      | -23.0       | -32.2 | -34.8     | -33.3 | -34.9       | 814                                |
| Memo:                            |   |             |       |           |       |             |                                    |
| Institutional money market funds | 24.9                                      | -1.9        | -11.0 | -27.6     | -29.9 | -32.2       | 2,220                              |
| Monetary base                    | 70.3                                      | 41.6        | -1.9  | 62.1      | 51.0  | -.7         | 2,018                              |

1. For years, Q4 to Q4; for quarters and months, calculated from corresponding average levels.

2. Nonbank traveler's checks are not listed.

3. Sum of demand deposits, other checkable deposits, and savings deposits.

p Preliminary.

Source: Federal Reserve Board.

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## **International Developments**

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## International Developments

### U.S. International Transactions

#### Trade in Goods and Services

The U.S. international trade deficit widened to \$36.4 billion in November, from \$33.2 billion in October, as a sharp rise in nominal imports outpaced an increase in exports.

#### Trade in Goods and Services

|                    | 2008<br>Q2 | Annual rate         |        |                 | Monthly rate |       |       |
|--------------------|------------|---------------------|--------|-----------------|--------------|-------|-------|
|                    |            | 2009                |        |                 | 2009         |       |       |
|                    |            |                     | Q3     | Q4 <sup>e</sup> | Sept.        | Oct.  | Nov.  |
|                    |            | Percent change      |        |                 |              |       |       |
| <i>Nominal BOP</i> |            |                     |        |                 |              |       |       |
| Exports            | -3.4       | -.8                 | 24.8   | 22.4            | 2.8          | 2.7   | .9    |
| Imports            | -7.3       | -9.9                | 37.2   | 24.3            | 5.6          | .7    | 2.6   |
| <i>Real NIPA</i>   |            |                     |        |                 |              |       |       |
| Exports            | -3.4       | -4.1                | 17.8   | ...             | ...          | ...   | ...   |
| Imports            | -6.8       | -14.7               | 21.3   | ...             | ...          | ...   | ...   |
|                    |            | Billions of dollars |        |                 |              |       |       |
| <i>Nominal BOP</i> |            |                     |        |                 |              |       |       |
| Net exports        | -695.9     | -325.0              | -389.5 | -417.6          | -35.7        | -33.2 | -36.4 |
| Goods, net         | -840.2     | -461.9              | -528.6 | -561.3          | -47.4        | -45.2 | -48.4 |
| Services, net      | 144.3      | 137.0               | 139.0  | 143.8           | 11.7         | 12.0  | 12.0  |

BOP Balance of payments.

NIPA National income and product accounts.

<sup>e</sup> BOP data are two months at an annual rate.

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

The value of exports of goods and services moved up 0.9 percent in November after increasing by almost 3 percent in both September and October. The November increase was driven primarily by a surge in agricultural exports, which was partially offset by a decline in consumer goods after a robust October. Exports of capital goods rose, as computers and semiconductors built further on increases in October. Exports of automotive products were boosted by strong exports to Canada, while exports of industrial supplies were flat.

In the first two months of the fourth quarter, nominal exports jumped a robust 22 percent at an annual rate, continuing to retrace the declines recorded in late 2008 and the first half of 2009. The fourth-quarter increase was broad-based across capital goods, consumer goods, industrial supplies, automotive products, and services. Agricultural products also had a notable increase, reflecting rising quantities and prices.

**U.S. Exports and Imports of Goods and Services**  
(Billions of dollars; annual rate, balance of payments basis)

|                                      | Levels        |                 |               |               | Change <sup>1</sup> |                 |             |             |
|--------------------------------------|---------------|-----------------|---------------|---------------|---------------------|-----------------|-------------|-------------|
|                                      | 2009          |                 | 2009          |               | 2009                |                 | 2009        |             |
|                                      | Q3            | Q4 <sup>e</sup> | Oct.          | Nov.          | Q3                  | Q4 <sup>e</sup> | Oct.        | Nov.        |
| <b>Exports of goods and services</b> | <b>1570.1</b> | <b>1651.5</b>   | <b>1644.1</b> | <b>1658.8</b> | <b>84.5</b>         | <b>81.4</b>     | <b>43.5</b> | <b>14.7</b> |
| Goods exports                        | 1055.6        | 1128.6          | 1121.6        | 1135.6        | 71.1                | 73.0            | 38.1        | 13.9        |
| Gold                                 | 14.3          | 14.3            | 16.8          | 11.8          | 2.0                 | -.0             | 1.8         | -5.0        |
| Other goods                          | 1041.4        | 1114.3          | 1104.9        | 1123.8        | 69.1                | 73.0            | 36.3        | 18.9        |
| Capital goods                        | 382.2         | 406.8           | 404.7         | 409.0         | 9.1                 | 24.6            | 14.6        | 4.3         |
| Aircraft & parts                     | 70.4          | 73.2            | 75.8          | 70.6          | -3.0                | 2.8             | 2.3         | -5.2        |
| Computers & accessories              | 37.4          | 40.4            | 39.6          | 41.1          | 1.9                 | 3.0             | 3.1         | 1.6         |
| Semiconductors                       | 38.5          | 43.2            | 41.6          | 44.7          | 3.5                 | 4.7             | 3.4         | 3.2         |
| Other capital goods                  | 235.9         | 250.1           | 247.7         | 252.5         | 6.7                 | 14.2            | 5.7         | 4.8         |
| Automotive                           | 86.4          | 99.4            | 95.1          | 103.7         | 19.7                | 13.0            | 5.0         | 8.6         |
| Ind. supplies (ex. ag., gold)        | 283.3         | 300.0           | 300.4         | 299.6         | 33.5                | 16.7            | 3.4         | -.8         |
| Consumer goods                       | 150.0         | 160.6           | 164.9         | 156.3         | 5.8                 | 10.6            | 11.8        | -8.6        |
| Agricultural                         | 99.0          | 106.8           | 99.1          | 114.5         | -1.9                | 7.8             | 2.1         | 15.4        |
| All other goods                      | 40.4          | 40.7            | 40.7          | 40.7          | 3.0                 | .3              | 2.8         | -.0         |
| Services exports                     | 514.5         | 522.9           | 522.5         | 523.3         | 13.4                | 8.4             | 5.5         | .8          |
| <b>Imports of goods and services</b> | <b>1959.7</b> | <b>2069.0</b>   | <b>2042.4</b> | <b>2095.7</b> | <b>149.1</b>        | <b>109.4</b>    | <b>14.0</b> | <b>53.3</b> |
| Goods imports                        | 1584.2        | 1689.9          | 1663.8        | 1716.1        | 137.7               | 105.7           | 11.6        | 52.3        |
| Oil                                  | 275.5         | 283.3           | 273.3         | 293.2         | 47.7                | 7.8             | -32.3       | 19.8        |
| Gold                                 | 8.8           | 11.1            | 10.8          | 11.4          | .4                  | 2.3             | 2.4         | .5          |
| Other goods                          | 1299.9        | 1395.6          | 1379.6        | 1411.5        | 89.6                | 95.6            | 41.5        | 31.9        |
| Capital goods                        | 364.2         | 390.7           | 383.4         | 398.0         | 18.6                | 26.5            | 12.5        | 14.6        |
| Aircraft & parts                     | 29.1          | 29.9            | 30.6          | 29.2          | -2.3                | .8              | 1.8         | -1.3        |
| Computers & accessories              | 95.0          | 110.6           | 106.2         | 115.1         | 10.6                | 15.6            | 10.2        | 8.9         |
| Semiconductors                       | 22.2          | 23.9            | 24.5          | 23.3          | 1.8                 | 1.7             | 1.8         | -1.2        |
| Other capital goods                  | 217.9         | 226.3           | 222.2         | 230.4         | 8.4                 | 8.4             | -1.3        | 8.2         |
| Automotive                           | 178.0         | 202.6           | 202.9         | 202.3         | 51.2                | 24.6            | 6.8         | -.6         |
| Ind. supplies (ex. oil, gold)        | 190.5         | 210.7           | 208.5         | 213.0         | 11.8                | 20.3            | 8.2         | 4.6         |
| Consumer goods                       | 422.6         | 447.4           | 439.2         | 455.5         | 3.5                 | 24.7            | 14.6        | 16.3        |
| Foods, feeds, beverages              | 81.0          | 82.1            | 83.0          | 81.1          | -.5                 | 1.1             | 2.6         | -1.9        |
| All other goods                      | 63.6          | 62.1            | 62.6          | 61.6          | 5.1                 | -1.5            | -3.1        | -1.0        |
| Services imports                     | 375.5         | 379.1           | 378.6         | 379.6         | 11.3                | 3.7             | 2.4         | 1.0         |
| Memo:                                |               |                 |               |               |                     |                 |             |             |
| Oil quantity (mb/d)                  | 11.36         | 10.92           | 10.89         | 10.94         | -.26                | -.45            | -1.22       | .05         |
| Oil import price (\$/bbl)            | 66.25         | 71.02           | 68.69         | 73.34         | 12.55               | 4.73            | -3.38       | 4.65        |

1. Change from previous quarter or month.

e Estimate based on average of two months.

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