

Prefatory Note

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Class II FOMC – Restricted (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book A

Economic and Financial Conditions: Current Situation and Outlook

April 18, 2012

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

Revisions to the Staff Projection since the Previous SEP

The FOMC published its most recent Survey of Economic Projections (SEP) following the January FOMC meeting. The table below summarizes revisions to the staff economic projection since the January Tealbook.

The staff projection for real GDP growth has strengthened, on net, since January, with most of the revisions occurring in the March Tealbook. The revisions mainly reflect stronger incoming spending data, primarily affecting the first half of 2012, and revisions to the assumptions for equity prices, the exchange rate, and foreign growth that affect the projection throughout the medium term. The lower projected unemployment rate reflects both the stronger outlook for aggregate demand and incoming data that leave the unemployment rate jumping off from a lower level than we had anticipated in January.

The staff projection for core PCE inflation has revised up about $\frac{1}{4}$ percentage point per year since January, the result of both incoming data and the stronger projection for real activity. The revision to overall PCE inflation also reflects the rise since January in crude oil prices, but with our oil price projection now sloping more noticeably downward, overall PCE inflation is currently projected to run a little below core inflation in 2013 and 2014.

With these changes to the economic outlook, the outcome-based policy rule now calls for the federal funds rate to move above its effective lower bound in the first quarter of 2014, three quarters earlier than was the case in the January Tealbook.

Staff Economic Projections Compared with the January Tealbook

Variable	2012		2012	2013	2014 ³	Longer run
	H1	H2				
Real GDP ¹	2.3	2.7	2.5	2.8	3.3	2.5
January Tealbook	1.7	2.5	2.1	2.4	3.6	2.5
Unemployment rate ²	8.2	8.0	8.0	7.7	7.4	5.2
January Tealbook	8.7	8.6	8.6	8.2	7.8	5.2
PCE inflation ¹	2.0	1.7	1.9	1.5	1.5	2.0
January Tealbook	1.5	1.3	1.4	1.3	1.5	2.0
Core PCE inflation ¹	2.0	1.7	1.8	1.7	1.7	n.a.
January Tealbook	1.5	1.4	1.5	1.4	1.4	n.a.
Federal funds rate ²	.12	.13	.13	.13	1.20	4.25
January Tealbook	.10	.13	.13	.13	.32	4.25
Memo: Federal funds rate, end of period	.13	.13	.13	.13	1.25	4.25
January Tealbook	.13	.13	.13	.13	.50	4.25

1. Percent change from final quarter of preceding period to final quarter of period indicated.

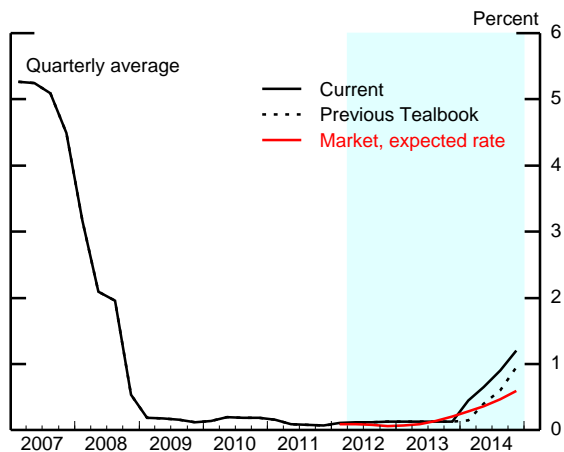
2. Percent, final quarter of period indicated.

3. Figures for 2014 in the January Tealbook refer to projections in the long-run outlook.

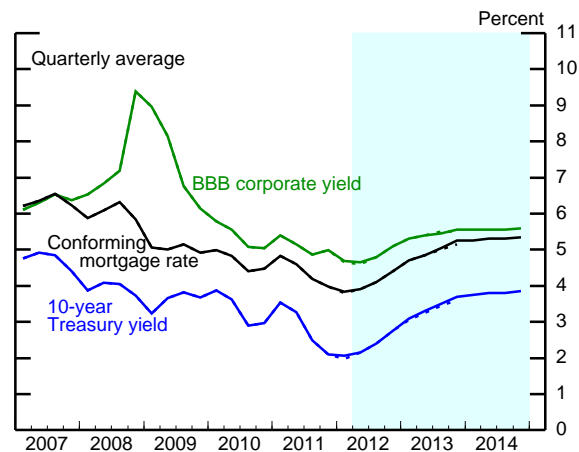
n.a. Not available.

Key Background Factors underlying the Baseline Staff Projection

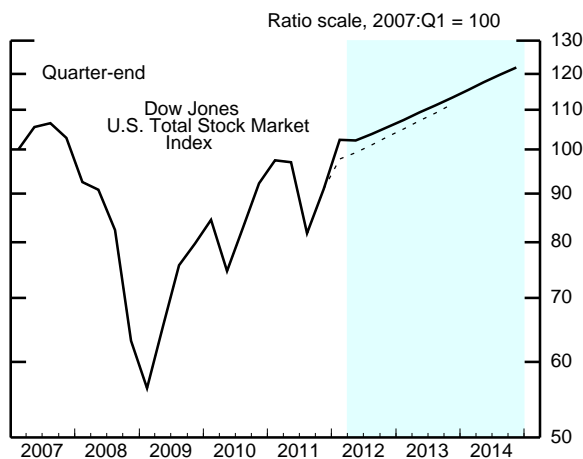
Federal Funds Rate



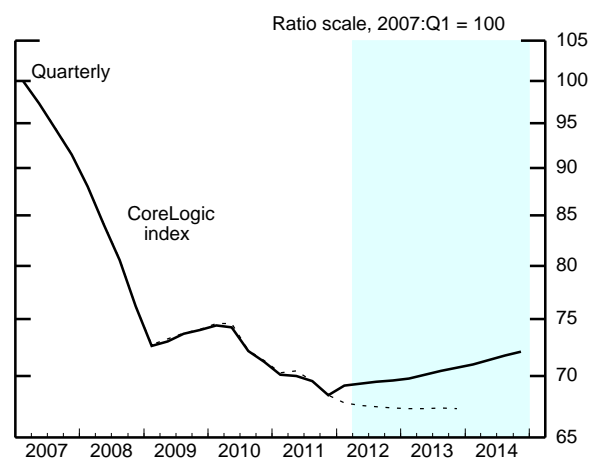
Long-Term Interest Rates



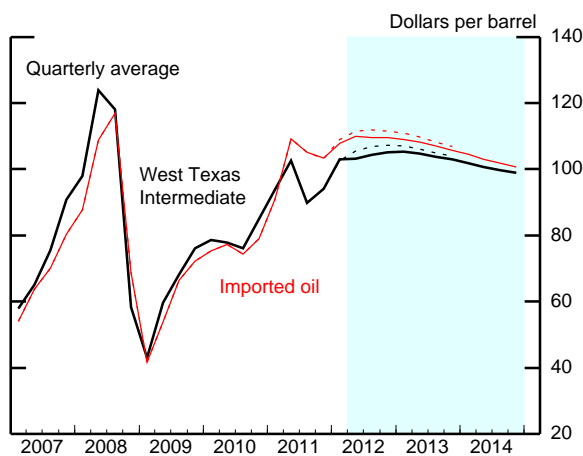
Equity Prices



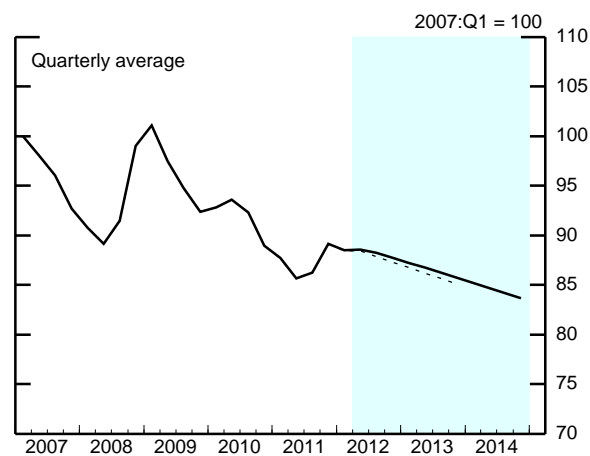
House Prices



Crude Oil Prices



Broad Real Dollar



Summary of the Near-Term Outlook

(Percent change at annual rate except as noted)

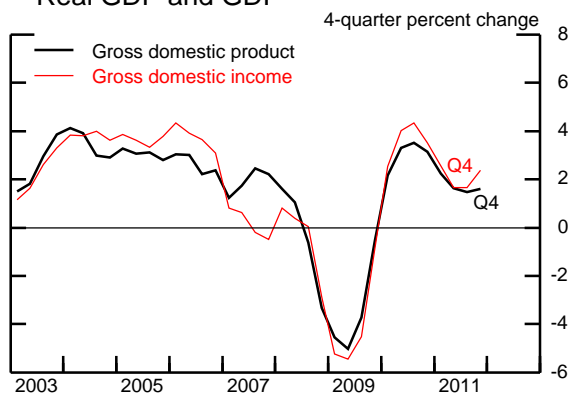
Measure	2012:Q1		2012:Q2		2012:Q3	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
Real GDP	1.8	2.5	2.2	2.1	2.6	2.5
Private domestic final purchases	1.9	2.4	2.9	3.2	3.0	3.3
Personal consumption expenditures	1.2	2.2	2.6	2.5	2.8	2.9
Residential investment	13.9	17.8	7.7	11.6	8.7	9.7
Business fixed investment	4.5	.6	3.9	6.1	3.6	4.5
Government purchases	-1.4	.1	-.3	-.9	-.9	-1.0
<i>Contributions to change in real GDP</i>						
Inventory investment ¹	.0	.2	-.4	-.4	.2	.2
Net exports ¹	.5	.3	.2	.0	.0	-.3
Unemployment Rate²	8.4	8.2	8.4	8.2	8.3	8.1
PCE Chain Price Index	2.1	2.5	2.2	1.6	1.5	1.8
Ex. food and energy	1.8	2.2	1.7	1.8	1.6	1.7

1. Percentage points.

2. Percent.

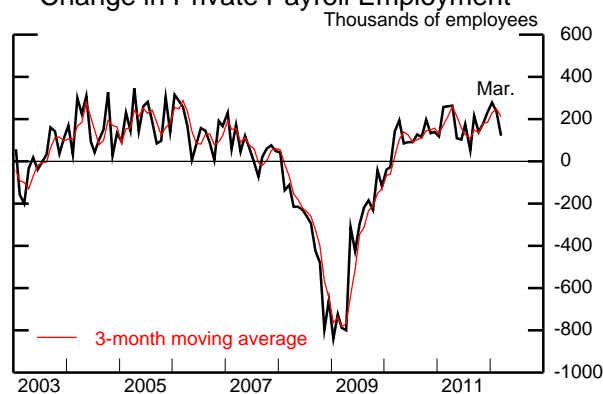
Recent Nonfinancial Developments (1)

Real GDP and GDI



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

Change in Private Payroll Employment



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

Unemployment Rate



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

Manufacturing IP ex. Motor Vehicles and Parts

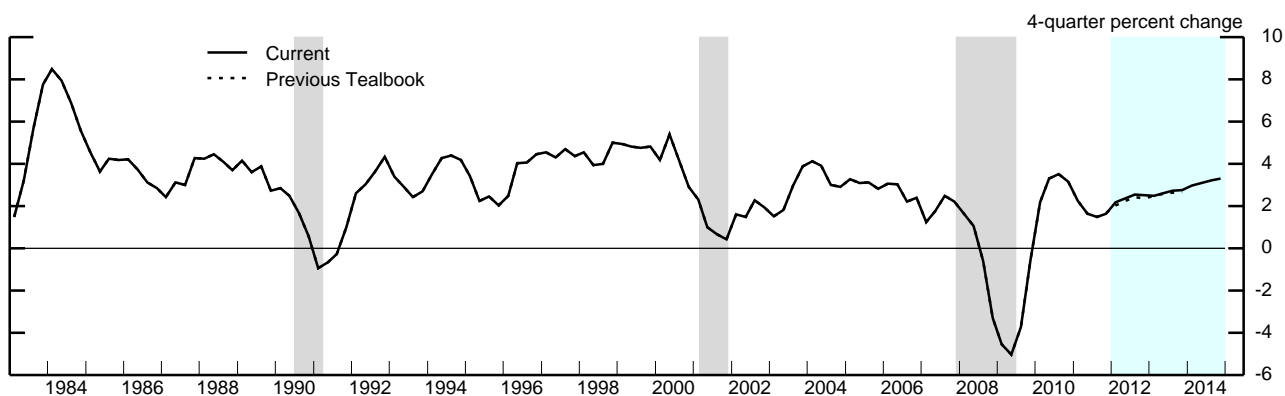


Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

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

Measure	2011	2012		2013	2014
		H1	H2		
Real GDP	1.6	2.3	2.7	2.8	3.3
Previous Tealbook	1.6	2.0	2.7	2.7	
Final sales	1.5	2.4	2.4	2.5	3.2
Previous Tealbook	1.5	2.2	2.4	2.4	
Personal consumption expenditures	1.6	2.4	3.0	2.7	3.2
Previous Tealbook	1.7	1.9	2.8	2.6	
Residential investment	3.5	14.6	8.2	9.3	13.0
Previous Tealbook	3.5	10.8	8.4	8.2	
Nonresidential structures	4.4	-1.6	.4	2.7	3.5
Previous Tealbook	4.4	.4	.8	2.0	
Equipment and software	9.6	5.2	5.9	6.2	6.5
Previous Tealbook	8.9	5.7	4.9	5.6	
Federal purchases	-3.2	-.7	-2.6	-4.1	-4.4
Previous Tealbook	-3.2	-1.2	-2.0	-4.1	
State and local purchases	-2.5	-.2	.0	.7	2.1
Previous Tealbook	-2.5	-.6	-.2	.7	
Exports	4.7	5.9	5.3	5.6	6.4
Previous Tealbook	5.1	6.3	5.5	5.7	
Imports	3.6	3.7	5.2	4.2	4.9
Previous Tealbook	3.6	2.9	4.5	3.9	
Contributions to change in real GDP (percentage points)					
Inventory change	.1	-.1	.3	.3	.1
Previous Tealbook	.1	-.2	.3	.3	
Net exports	.0	.1	-.2	.0	.0
Previous Tealbook	.1	.4	.0	.1	

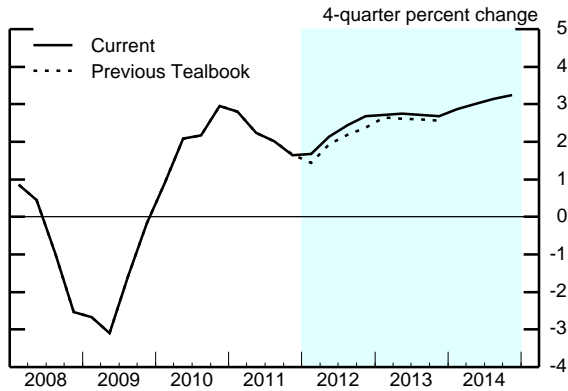
Real GDP



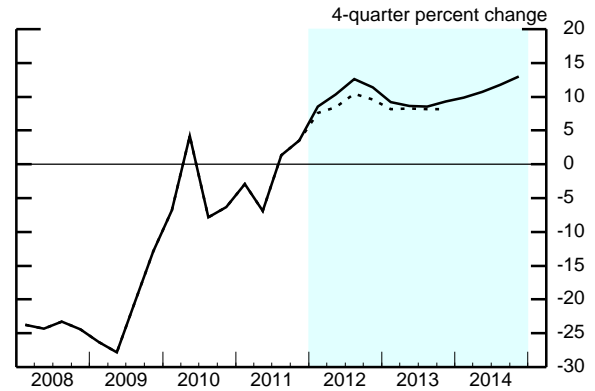
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

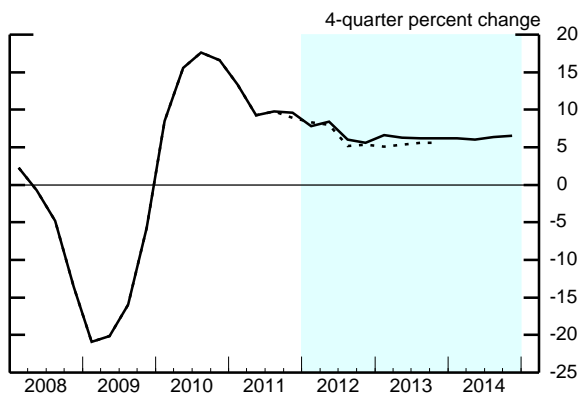
Personal Consumption Expenditures



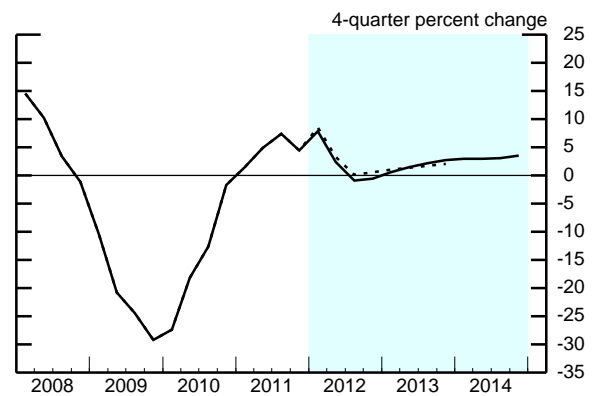
Residential Investment



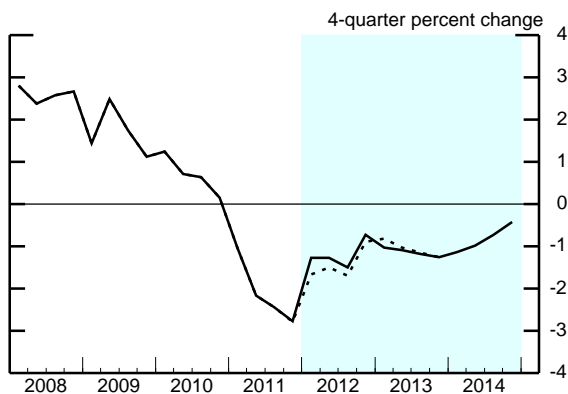
Equipment and Software



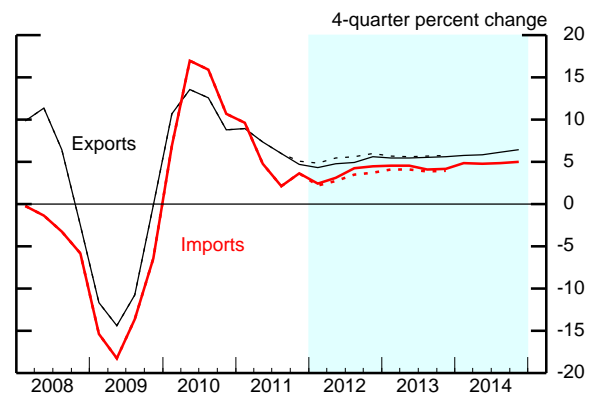
Nonresidential Structures



Government Consumption & Investment



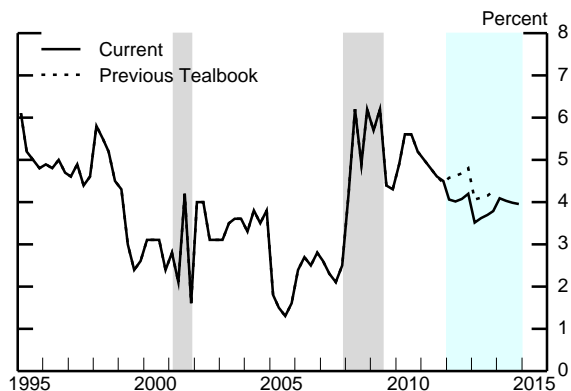
Exports and Imports



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

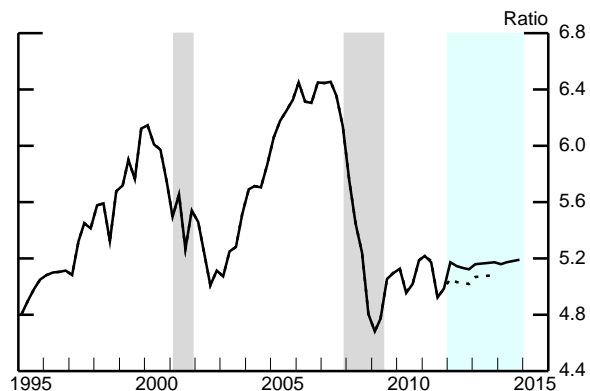
Aspects of the Medium-Term Projection

Personal Saving Rate



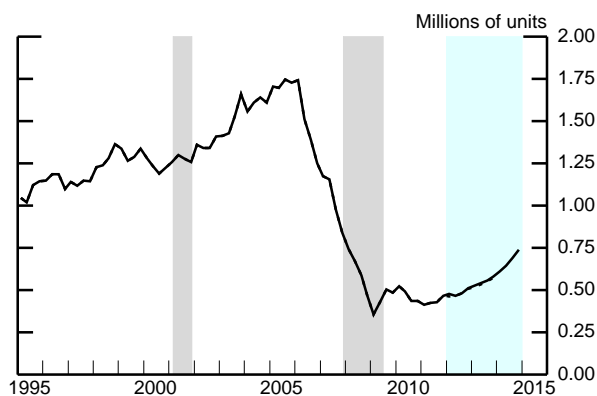
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Wealth-to-Income Ratio



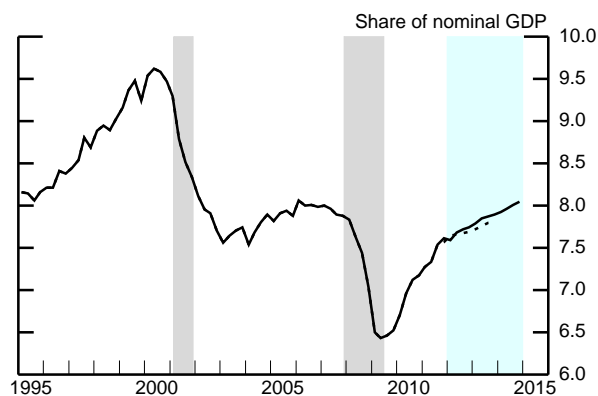
Note: Household net worth as a ratio to disposable personal income.
Source: For net worth, Federal Reserve Board, flow of funds data; for income, Dept. of Commerce, Bureau of Economic Analysis.

Single-Family Housing Starts



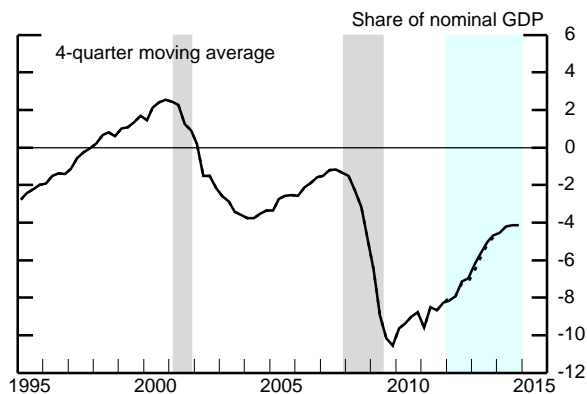
Source: U.S. Census Bureau.

Equipment and Software Spending



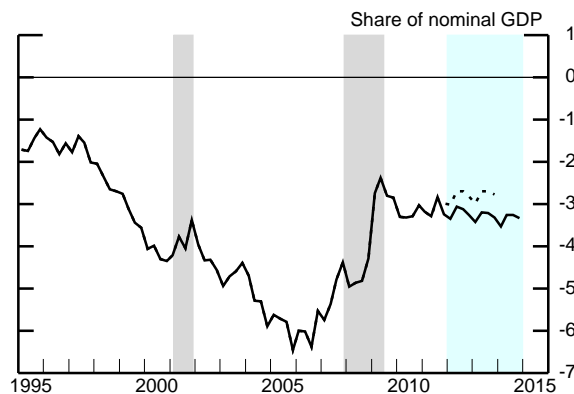
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Federal Surplus/Deficit



Source: Monthly Treasury Statement.

Current Account Surplus/Deficit



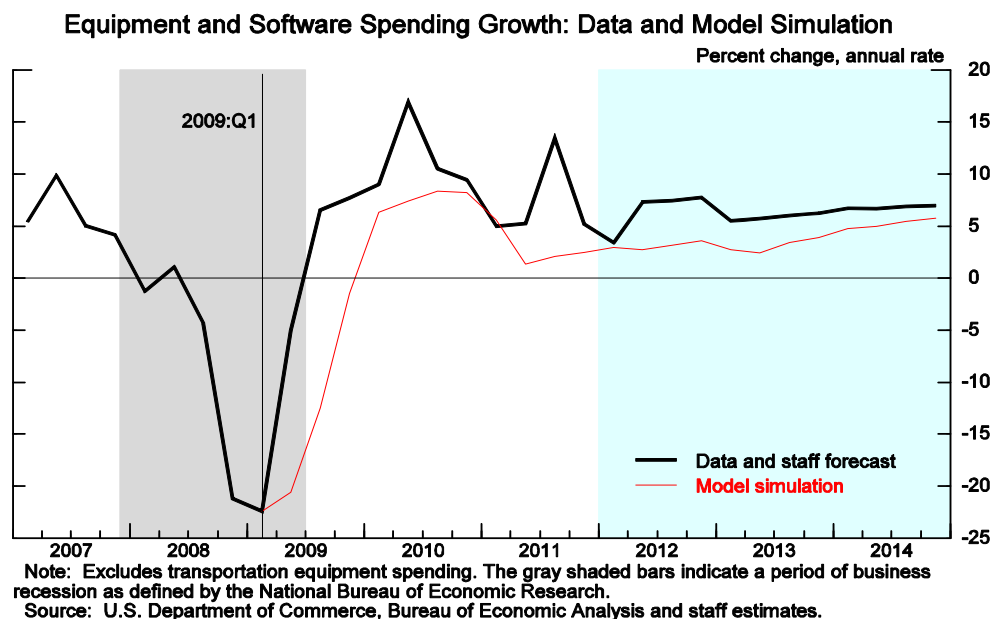
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

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

However, the growth rate of actual spending (the black line) significantly outpaced the model prediction. We have interpreted this surprising strength largely as the release of pent-up demand that had built up during the crisis and recession as credit supply restrictions and extraordinary uncertainty caused firms to defer many investment projects. Indeed, some alternative models that explicitly incorporate the low level of the capital stock, which may proxy for pent-up demand, predicted a stronger rebound than our standard models. However, we have had little success in quantifying the magnitude of this pent-up demand with much precision, and the atypically brisk recovery in E&S spending might also have been driven by other factors.

Over the medium-term forecast horizon, we expect only moderate increases in E&S spending, as sluggish sales growth provides limited motivation for firms to expand capacity. Although we expect the impetus to spending from pent-up demand or other factors to persist, we project that it will wane in magnitude in the coming years. Reflecting this view, our forecast for E&S growth is somewhat above the predictions of the model throughout the forecast period, but the size of this residual diminishes over time (see the figure below). All told, we expect E&S outlays, which contributed about 1 percentage point and $\frac{3}{4}$ percentage point to GDP growth in 2010 and 2011, respectively, to contribute only about $\frac{1}{2}$ percentage point in each year from 2012 to 2014.

The spending data that we have received in recent months are consistent with our projection for a moderation in the rate of increase in capital expenditures this year. However, considerable uncertainty attends our forecast. Given our limited understanding of the factors that have driven spending above our model's prediction, our forecast for their persistence is largely judgmental. Thus, there are ample risks to the forecast on both the upside and the downside.



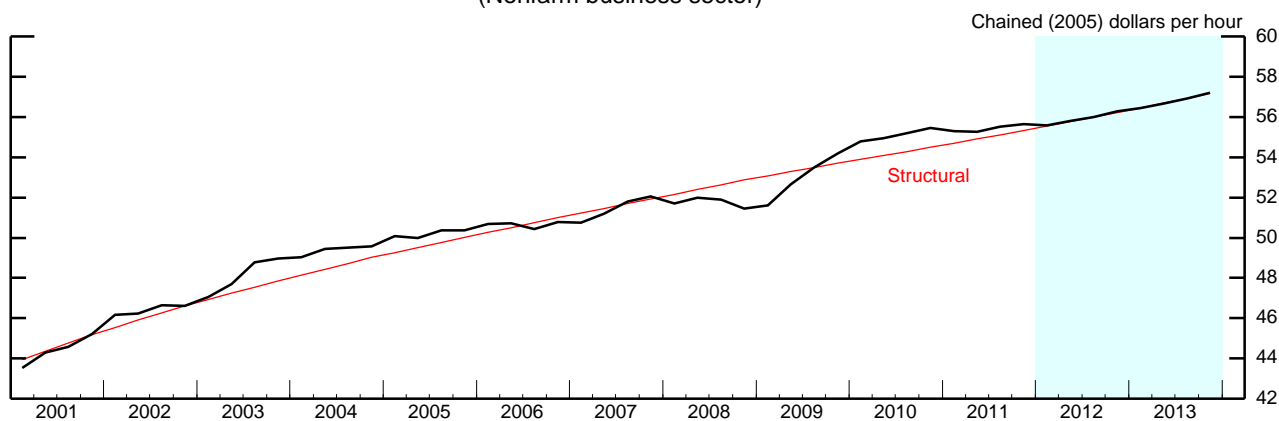
Decomposition of Potential GDP
(Percent change, Q4 to Q4, except as noted)

Measure	1974-1995	1996-2000	2001-2010	2011	2012	2013	2014
Potential real GDP	3.0	3.4	2.2	1.7	2.0	2.1	2.3
Previous Tealbook	3.0	3.4	2.3	1.7	2.0	2.1	
<i>Selected contributions¹</i>							
Structural labor productivity	1.4	2.6	2.2	1.5	1.6	1.7	1.9
Previous Tealbook	1.4	2.6	2.3	1.5	1.6	1.7	
Capital deepening	.7	1.5	.7	.6	.6	.8	.9
Previous Tealbook	.7	1.5	.8	.6	.6	.7	
Multifactor productivity	.5	.8	1.2	.8	.9	.9	.9
Previous Tealbook	.5	.8	1.3	.8	.9	.9	
Structural hours	1.5	1.0	.6	.5	.6	.6	.6
Previous Tealbook	1.5	1.0	.6	.5	.6	.6	
Labor force participation	.4	.0	-.3	-.4	-.3	-.3	-.3
Previous Tealbook	.4	.0	-.3	-.4	-.3	-.3	

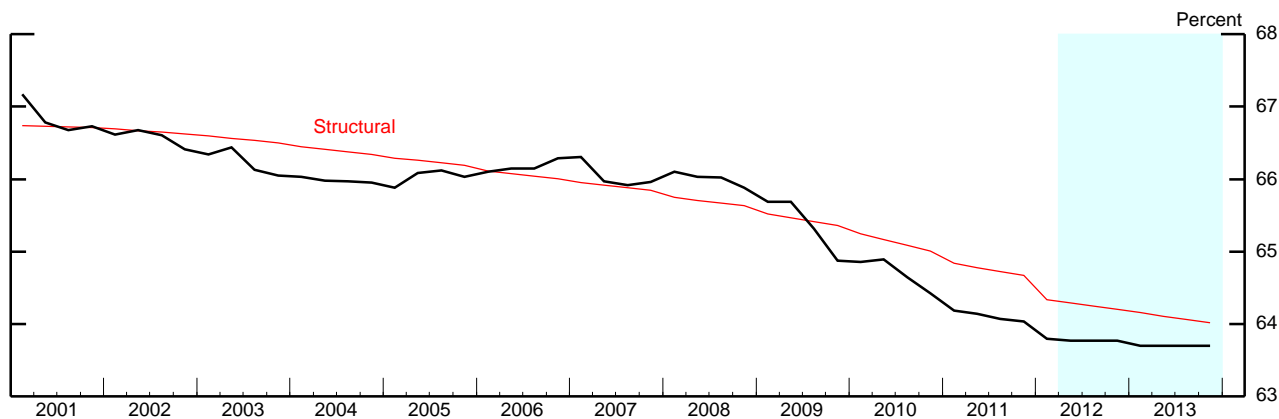
Note: Components may not sum to totals because of rounding. For multiyear periods, the percent change is the annual average from Q4 of the year preceding the first year shown to Q4 of the last year shown.

1. Percentage points.

Structural and Actual Labor Productivity
(Nonfarm business sector)



Structural and Actual Labor Force Participation Rate

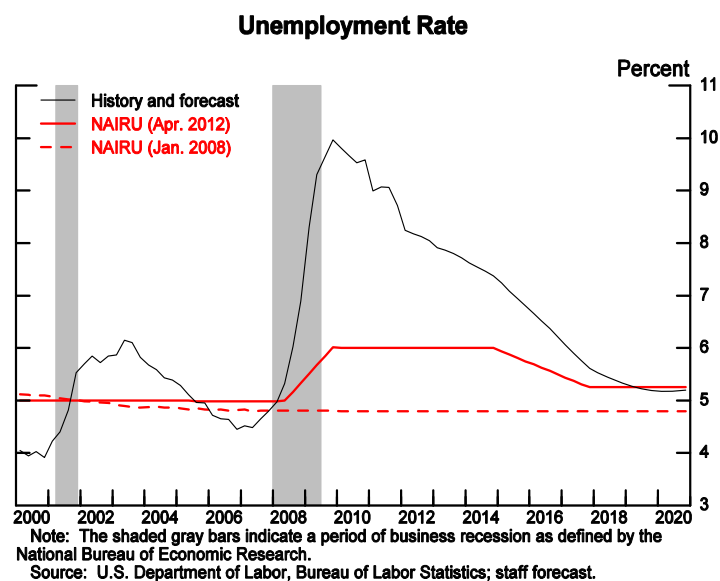


Source: U.S. Department of Labor, Bureau of Labor Statistics; Bureau of Economic Analysis; and staff assumptions.

Revisions to Measures of Economic Capacity

The slow pace of the recovery raises the question of whether a significant portion of the output loss inflicted by the recession and financial crisis is permanent. Although we believe that the amount of economic slack has been and remains substantial, we have also marked down considerably our assessment of the capacity of the economy compared with our projection in January 2008.¹

One way to measure economic capacity is in the labor market. As shown in the figure below, our current assumption (which we have held since late 2010) is that the NAIRU (the solid red line) increased from 5 percent to 6 percent over 2008 and 2009, on the view that the mismatch between available jobs and unemployed workers likely rose during the recession. Over time, we expect the NAIRU to retrace most of that increase and to fall to 5¼ percent by late 2017, as a strengthening labor market encourages workers and firms to make adjustments to improve matching and as some unemployed individuals permanently exit the labor force. That ultimate figure of 5¼ percent is ½ percentage point higher than we had assumed in 2008 (the dashed red line), partly reflecting permanent labor market scarring associated with the extraordinarily high level of long-term unemployment.

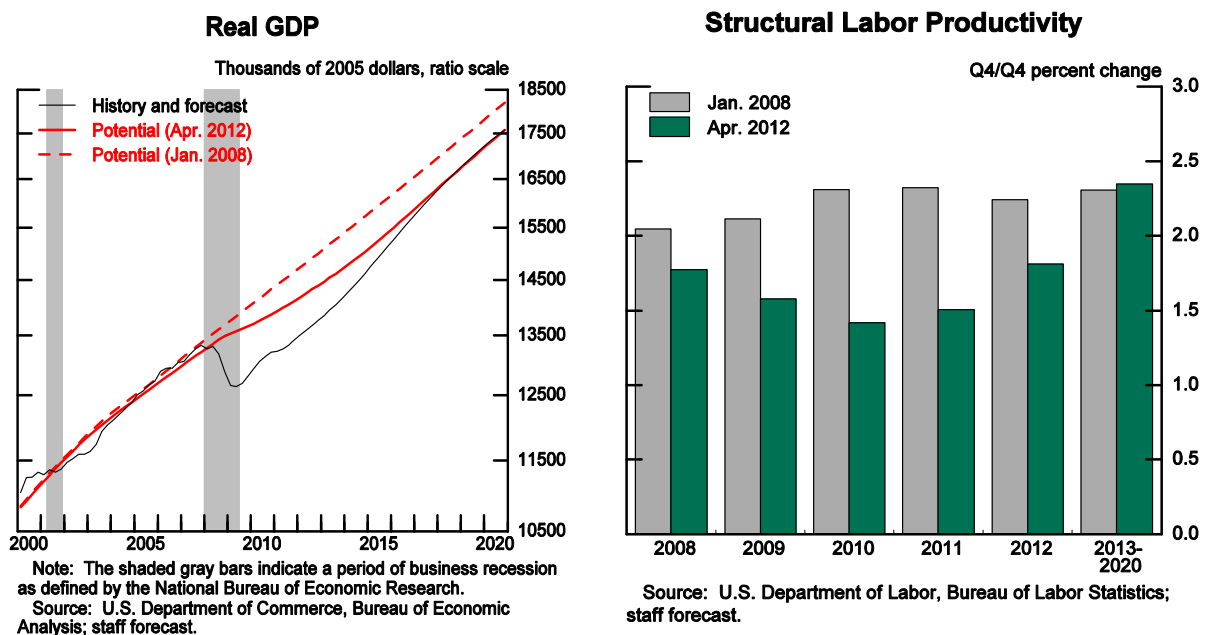


¹ This analysis uses the January 2008 Greenbook as the point of comparison because it was the first to include a long-run forecast. Although that projection reflected the incipient economic weakness, the staff did not forecast a recession and had not marked down potential GDP. The long-run forecast presented in the January 2008 Tealbook ended in 2012; however, the staff created a projection beyond 2012 for use in the optimal-control exercises reported in the Bluebook. For this analysis, the January 2008 assumptions for the NAIRU, potential GDP, and structural labor productivity beyond 2012 are taken from this longer-run projection.

Additionally, we have lowered our assumption about the trend labor force, reflecting a net downward revision to the working-age population in recent years and surprisingly weak readings on the labor force participation rate (LFPR). Although we think much of the decline in the LFPR reflects cyclical and other factors, we also view it as suggesting that the downtrend in participation has been somewhat steeper than we had previously assumed and so marked down our trend participation rate a bit beginning in 2009 in response (not shown).

Another way to measure economic capacity is potential GDP, shown by the red lines in the lower-left figure. We now estimate that the level of potential GDP at the end of 2011 was nearly 4 percent lower than in our January 2008 projection. By way of comparison, the actual level of GDP at the end of 2011 came in about 8 percent lower than our 2008 forecast.

A decomposition of potential GDP can help provide insight about the sources of the revision. In the staff's accounting, potential GDP comprises trend labor input and structural labor productivity. Much of the downward revision to our estimate of potential GDP through 2011 reflects lower trend labor input—in particular, the revisions to our assumptions about the NAIRU and the trend labor force discussed earlier. In addition, we revised down our estimate of structural productivity growth, shown in the lower-right figure. Some of the downward revision to structural productivity growth since the onset of the recession comes from a smaller contribution from capital input during and after the recession. The remainder reflects a lower estimate of the growth rate of structural multifactor productivity, the part of productivity not attributed to other inputs.



The Outlook for the Labor Market and Resource Utilization

(Percent change from final quarter of preceding period)

Measure	2011	2012		2013	2014
		H1	H2		
Output per hour, nonfarm business	.3	.6	1.7	1.7	1.9
Previous Tealbook	.4	.1	2.1	1.6	
Nonfarm private employment ¹	175	193	193	186	191
Previous Tealbook	174	201	185	195	
Labor force participation rate ²	64.0	63.8	63.8	63.7	63.7
Previous Tealbook	64.0	63.7	63.7	63.7	
Civilian unemployment rate ²	8.7	8.2	8.0	7.7	7.4
Previous Tealbook	8.7	8.4	8.2	7.8	
Memo: GDP gap ³	-4.8	-4.7	-4.3	-3.7	-2.7
Previous Tealbook	-5.0	-5.0	-4.6	-4.0	

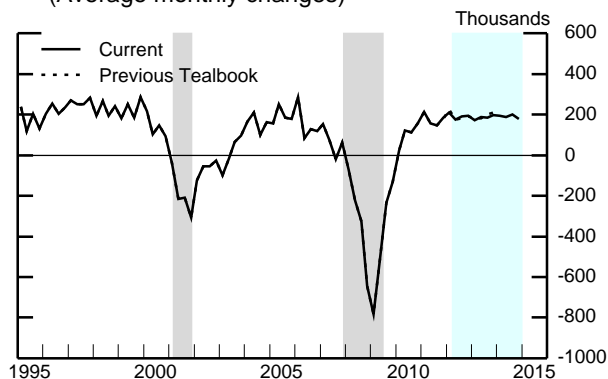
1. Thousands, average monthly changes.

2. Percent, average for the final quarter in the period.

3. Percent difference between actual and potential GDP in the final quarter of the period indicated. A negative number indicates that the economy is operating below potential.

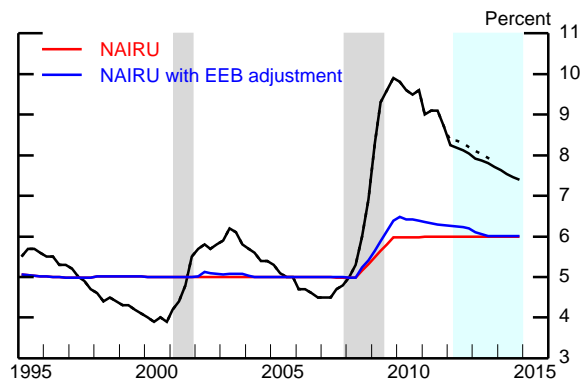
Source: U.S. Department of Labor, BLS; staff assumptions.

Nonfarm Private Employment (Average monthly changes)



Source: U.S. Dept. of Labor, BLS.

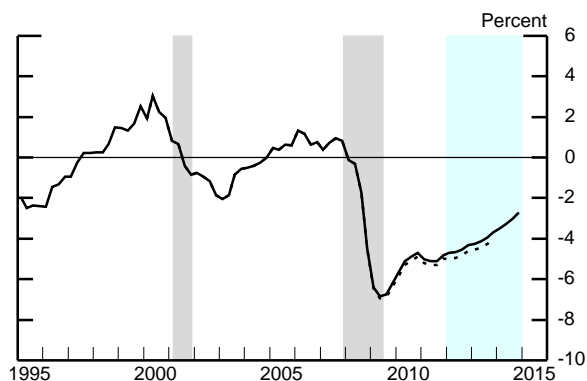
Unemployment Rate



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

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

GDP Gap

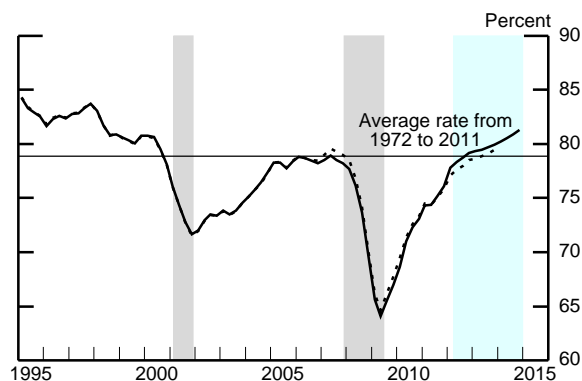


Note: The GDP gap is the percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

Source: U.S. Dept. of Commerce, BEA; staff assumptions.

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

Manufacturing Capacity Utilization Rate



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

Inflation Projections

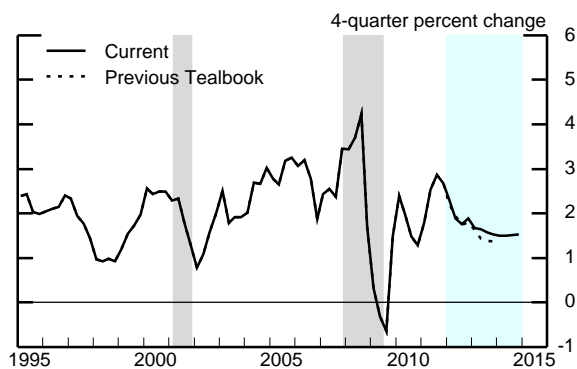
(Percent change at annual rate from final quarter of preceding period)

Measure	2011	2012		2013	2014
		H1	H2		
PCE chain-weighted price index	2.7	2.0	1.7	1.5	1.5
Previous Tealbook	2.7	2.1	1.5	1.4	
Food and beverages	5.2	1.4	1.7	1.6	1.5
Previous Tealbook	5.2	1.7	1.4	1.2	
Energy	12.8	3.2	2.8	-1.1	-1.7
Previous Tealbook	12.8	7.9	-.2	-1.6	
Excluding food and energy	1.8	2.0	1.7	1.7	1.7
Previous Tealbook	1.8	1.8	1.6	1.6	
Prices of core goods imports ¹	4.3	.7	1.1	1.5	1.5
Previous Tealbook	4.3	.5	1.4	1.5	

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

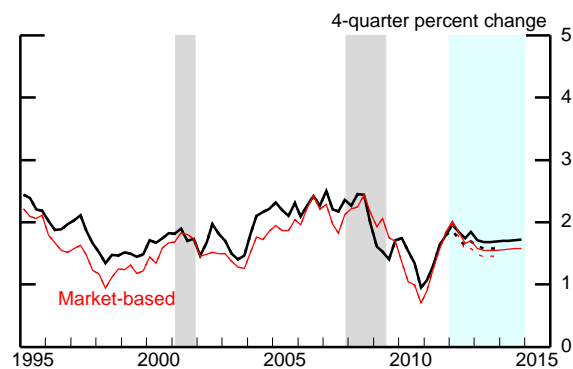
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE Prices



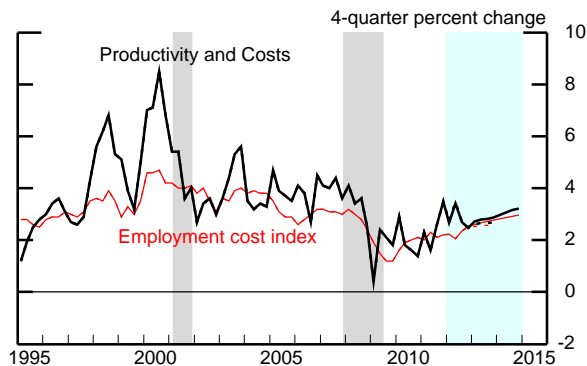
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices ex. Food and Energy



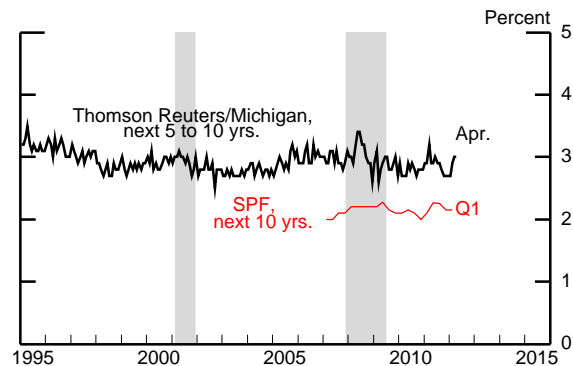
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Compensation per Hour



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

Long-Term Inflation Expectations



Note: The Survey of Professional Forecasters (SPF) projection is for the PCE price index.
Source: Thomson Reuters/University of Michigan Surveys of Consumers; Federal Reserve Bank of Philadelphia.

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

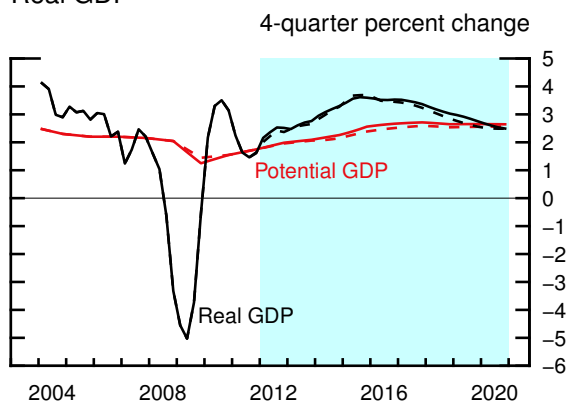
The Long-Term Outlook

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

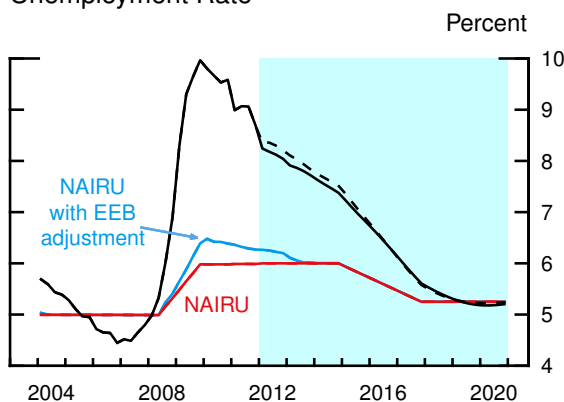
Measure	2012	2013	2014	2015	2016	2017
Real GDP	2.5	2.8	3.3	3.6	3.5	3.4
Previous Tealbook	2.4	2.7	3.3	3.7	3.4	3.2
Civilian unemployment rate ¹	8.0	7.7	7.4	6.8	6.2	5.6
Previous Tealbook	8.2	7.8	7.5	6.9	6.2	5.6
PCE prices, total	1.9	1.5	1.5	1.7	1.7	1.9
Previous Tealbook	1.8	1.4	1.4	1.5	1.6	1.8
Core PCE prices	1.8	1.7	1.7	1.8	1.8	1.9
Previous Tealbook	1.7	1.6	1.6	1.6	1.7	1.8
Federal funds rate ¹	.1	.1	1.2	2.3	3.1	3.8
Previous Tealbook	.1	.1	.8	2.1	3.0	3.7
10-year Treasury yield ¹	2.8	3.7	3.9	4.1	4.2	4.4
Previous Tealbook	2.8	3.6	3.7	4.0	4.1	4.3

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

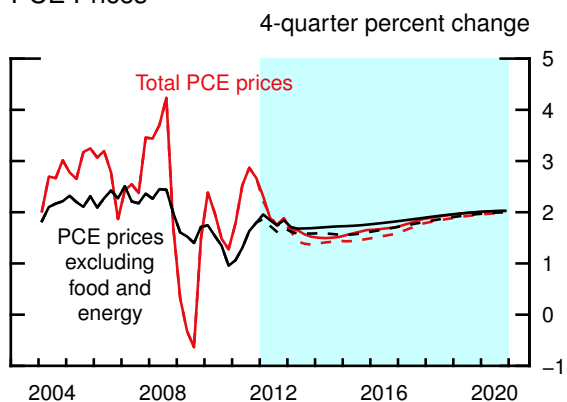
Real GDP



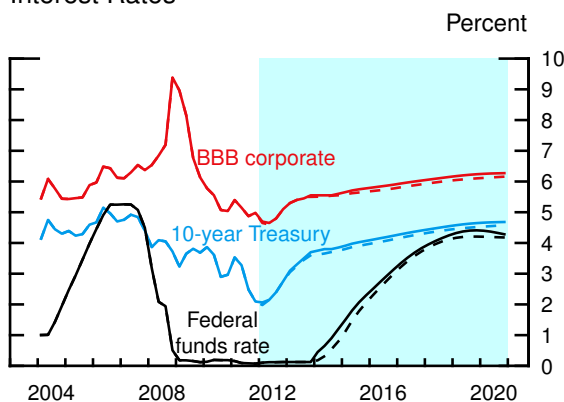
Unemployment Rate



PCE Prices

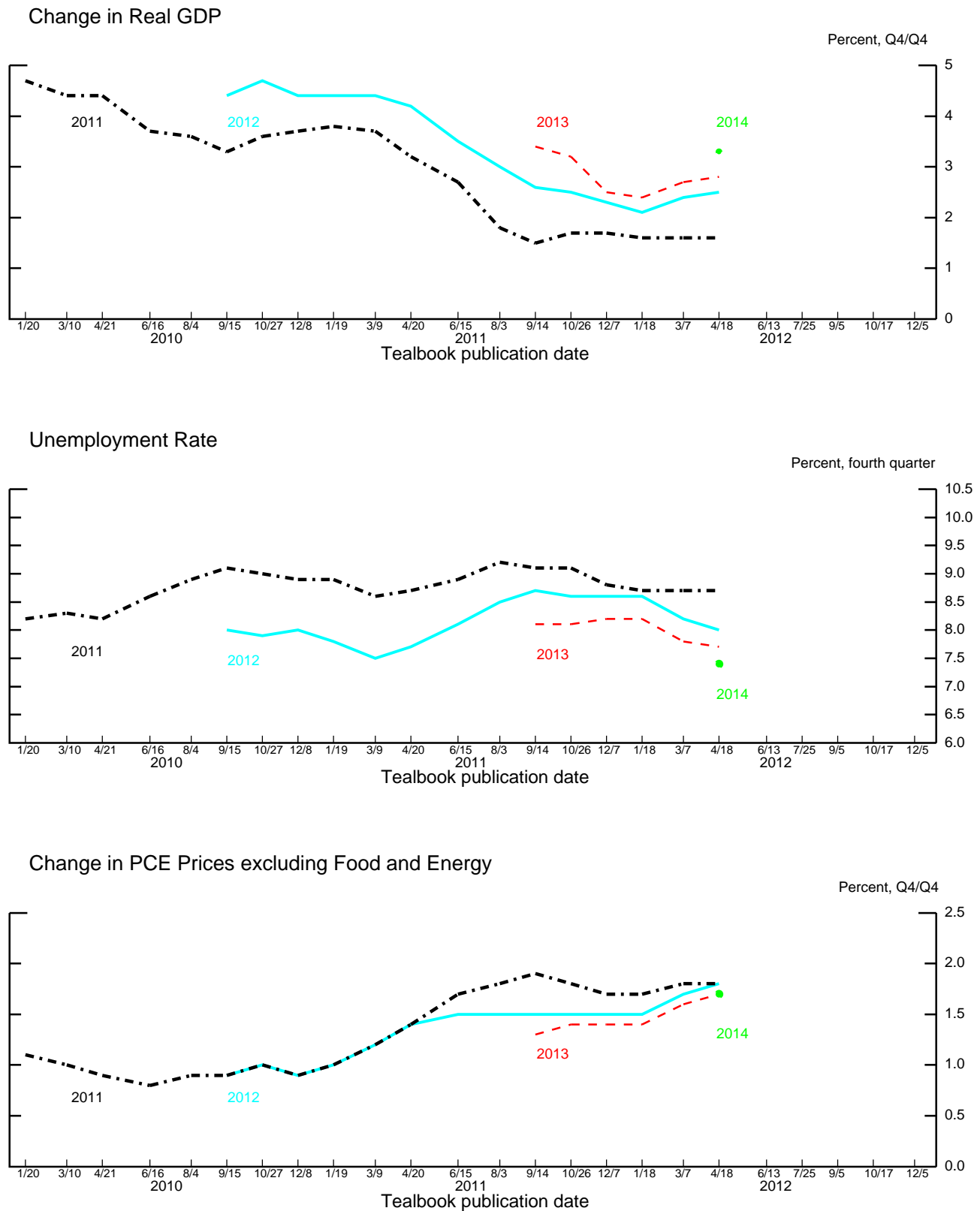


Interest Rates



Note: In each panel, shading represents the projection period, dashed lines are the previous Tealbook.

Evolution of the Staff Forecast



The Foreign Outlook

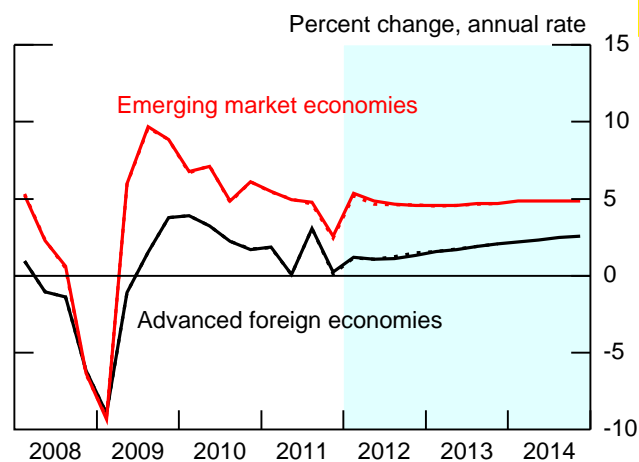
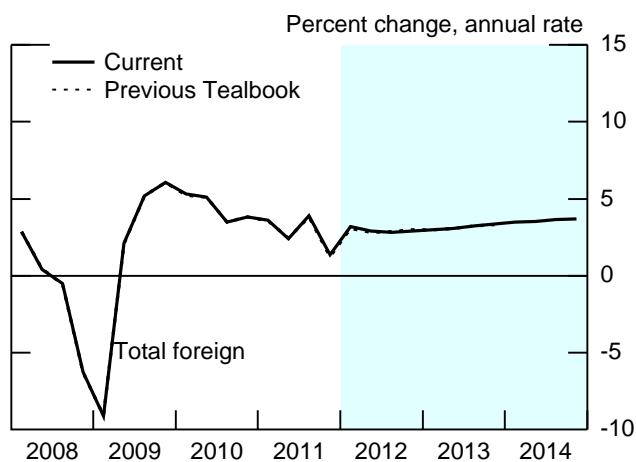
(Percent change, annual rate)

	2011			2012				2013	2014
	H1	Q3	Q4	Q1	Q2	Q3	Q4		
Real GDP									
Total foreign	3.0	3.9	1.4	3.2	2.9	2.8	2.9	3.2	3.6
Previous Tealbook	3.0	3.8	1.2	3.1	2.8	2.8	3.0	3.2	n.a.
Advanced foreign economies	1.0	3.1	.2	1.2	1.1	1.1	1.3	1.8	2.4
Previous Tealbook	.9	3.1	.1	1.1	1.1	1.2	1.5	1.8	n.a.
Emerging market economies	5.2	4.8	2.6	5.3	4.8	4.6	4.6	4.6	4.9
Previous Tealbook	5.2	4.6	2.4	5.2	4.7	4.6	4.6	4.6	n.a.
Consumer Prices									
Total foreign	3.7	3.1	2.9	2.5	2.1	2.4	2.4	2.4	2.5
Previous Tealbook	3.7	3.1	2.9	3.1	2.4	2.4	2.4	2.4	n.a.
Advanced foreign economies	2.7	1.1	2.5	2.1	1.5	1.4	1.4	1.3	1.4
Previous Tealbook	2.7	1.1	2.5	2.1	1.4	1.4	1.4	1.3	n.a.
Emerging market economies	4.6	4.7	3.2	2.7	2.7	3.2	3.2	3.2	3.3
Previous Tealbook	4.6	4.6	3.2	3.8	3.2	3.2	3.2	3.2	n.a.

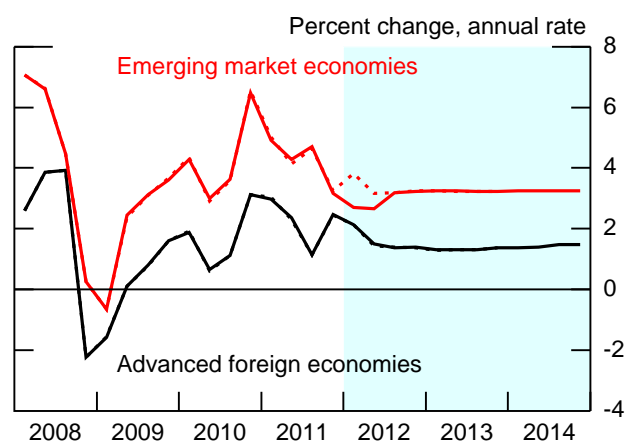
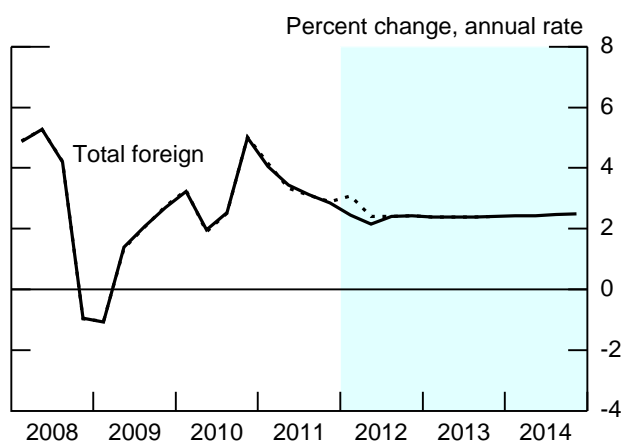
n.a. Not available.

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

Real GDP



Consumer Prices

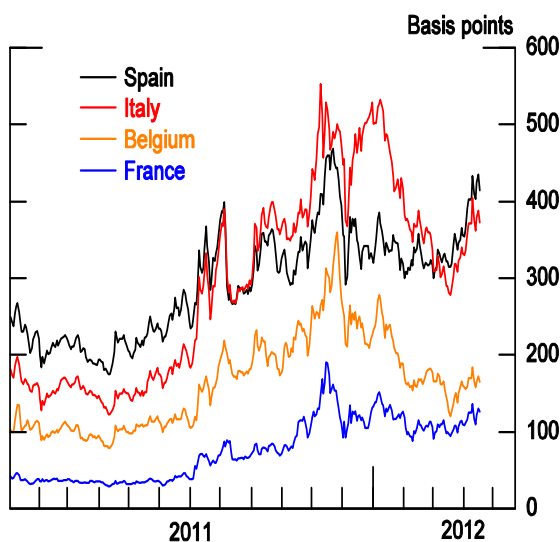


80 percent of GDP in 2012, about 6 percentage points more than previously anticipated. This revision still leaves the debt-to-GDP ratio of Spain well below that of Italy's but suggests the potential for rapid increases in debt.

Third, markets worry that public debt could be significantly boosted by further bank bailouts, importantly related to the on-going bust in the property market. Housing sales have remained severely depressed, and house prices in March were down 11.5 percent over the previous 12 months and almost 30 percent below their peak in December 2007. About 8 percent of loans at Spanish banks are nonperforming, the majority of which are related to construction and real estate. In early February, the Spanish government gave banks until the end of 2012 to increase loan loss provisions and capital buffers by up to €50 billion. This increase appears likely to cover embedded losses in the system, though a few individual banks, especially those already in receivership, might require more public assistance this year. Additional provisioning will likely be necessary in 2013 and 2014 as real estate values decline further and unemployment remains high. Although Spanish authorities hope banks will be able to handle such provisions through earnings retention, capital raising, and mergers, significant additional public capital injections may be necessary if the severity of macroeconomic stress worsens.

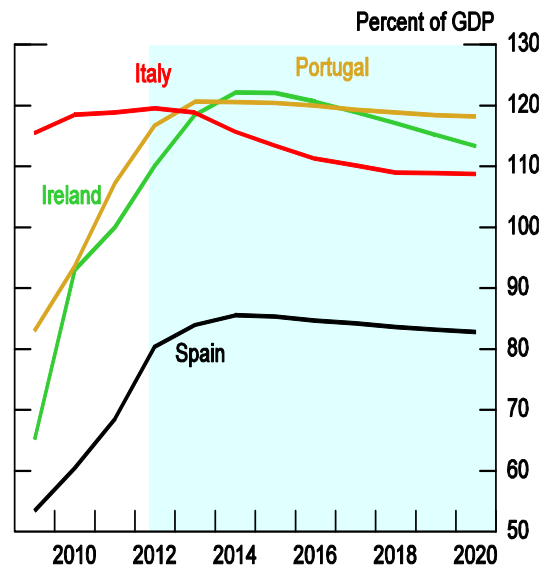
As indicated in the lower-right figure, even under the staff's somewhat pessimistic assumptions for GDP growth and fiscal performance, Spain's debt-to-GDP path is relatively favorable. Even so, a deeper recession and greater deterioration of banking conditions than we currently anticipate would have the potential to burden the government's balance sheet with significant additional debt, further weakening prospects for fiscal stabilization. Markets are clearly focused on these downside risks at present.

10-Year Sovereign Bond Spreads*



*Relative to Germany.
Source: Bloomberg.

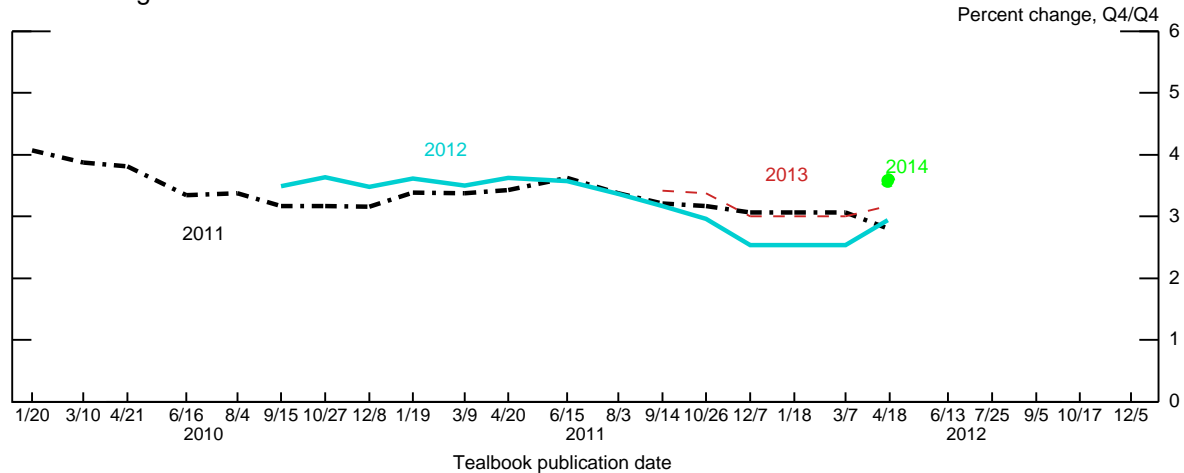
Projected Debt-to-GDP Ratio*



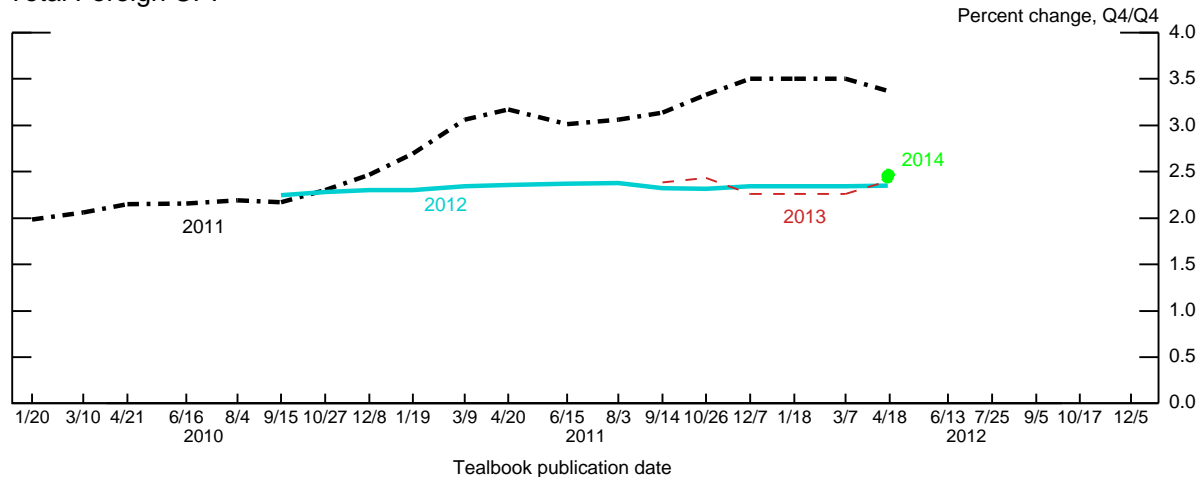
* Assumes Greece, Ireland, and Portugal are able to access market financing on the timeline set out in their respective IMF programs.
Source: Staff estimate.

Evolution of Staff's International Forecast

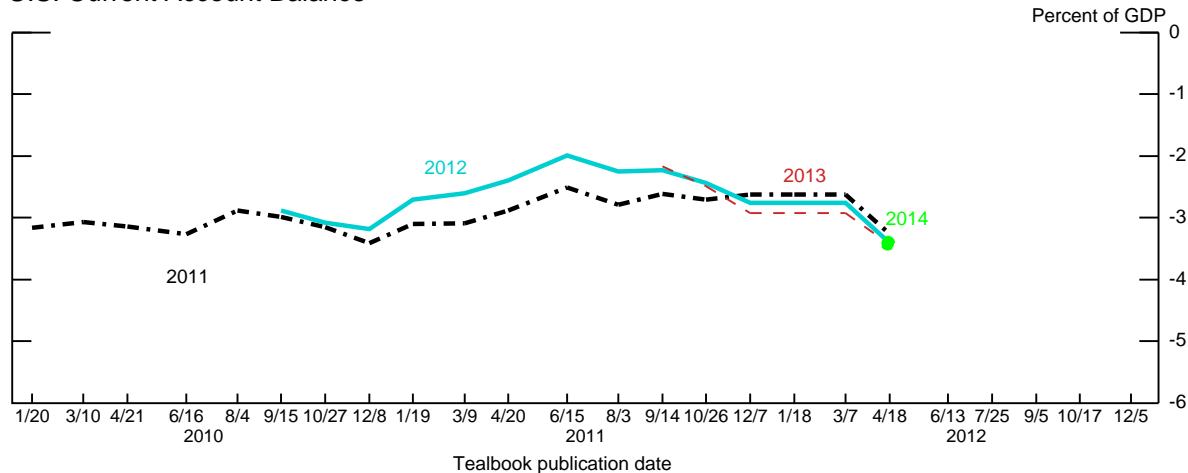
Total Foreign GDP



Total Foreign CPI

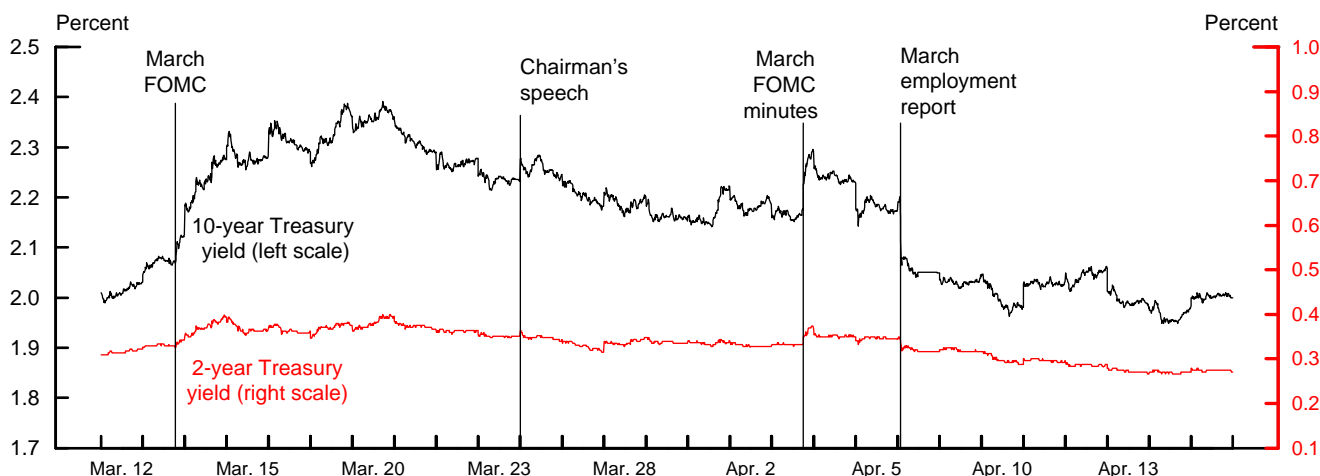


U.S. Current Account Balance



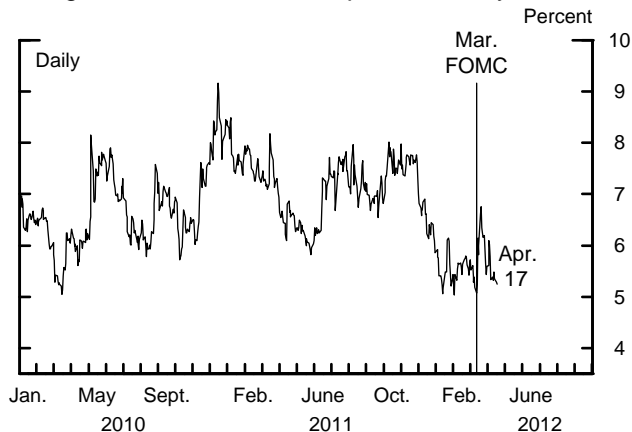
Policy Expectations and Treasury Yields

Selected Interest Rates



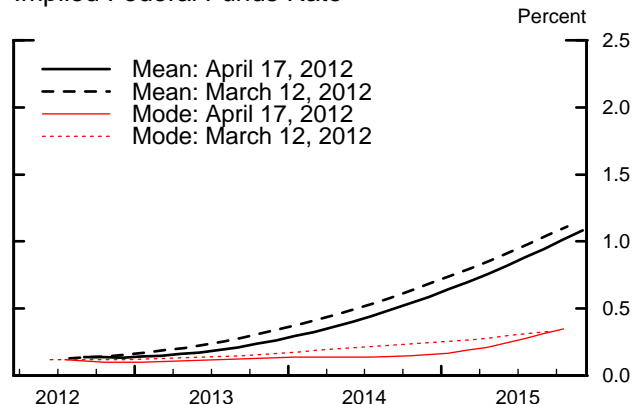
Note: 5-minute intervals. 8:00 a.m. to 4:00 p.m. No adjustments for term premiums.
Source: Bloomberg.

Long-Term Interest Rate Implied Volatility



Note: Derived from options on 10-year Treasury note futures.
Source: Bloomberg.

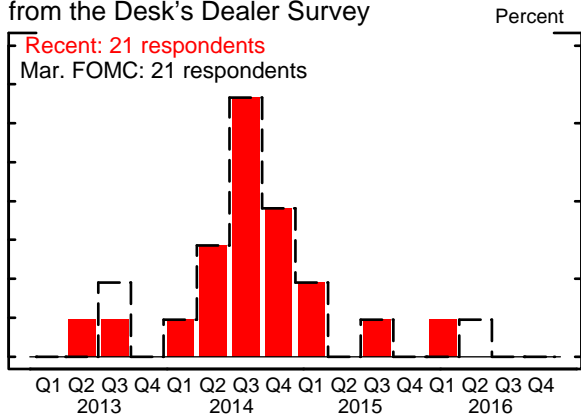
Implied Federal Funds Rate



Note: Mean is estimated using overnight index swap quotes. Mode is estimated from the distribution of federal funds rate implied by interest rate caps. Both include a term premium of zero basis points per month.

Source: Bloomberg and CME Group.

Distribution of Modal Timing of First Rate Increase from the Desk's Dealer Survey



Source: Desk's Dealer Survey from April 16, 2012.

Inflation Compensation



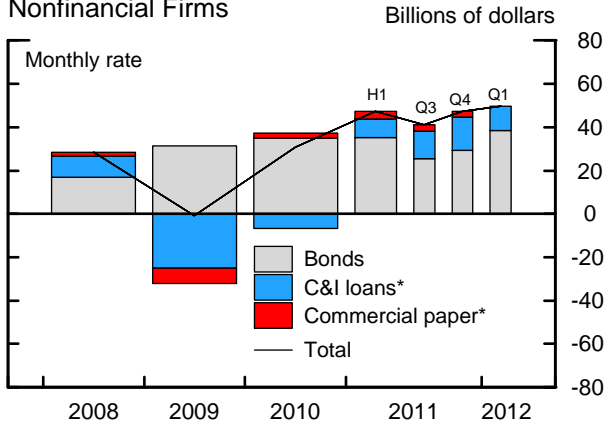
Note: Estimates based on smoothed nominal and inflation-indexed Treasury yield curves.

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

Source: Barclays PLC and staff estimates.

Business Finance

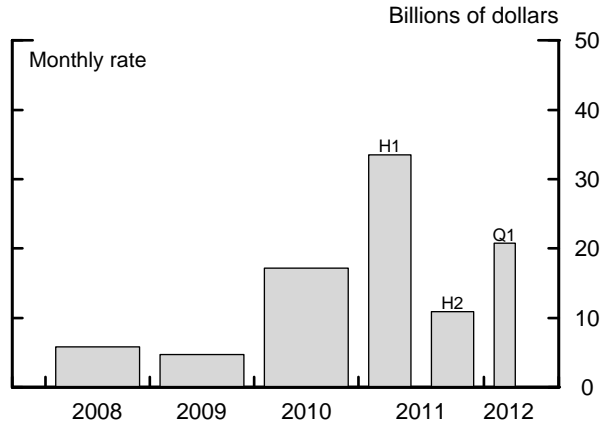
Selected Components of Net Debt Financing,
Nonfinancial Firms



* Period-end basis, seasonally adjusted.

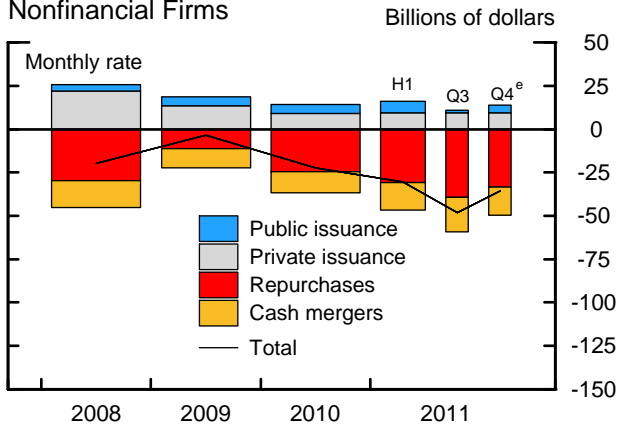
Source: Depository Trust & Clearing Corporation; Thomson Financial; Federal Reserve Board.

Gross Issuance of Institutional Leveraged Loans



Source: Reuters Loan Pricing Corporation.

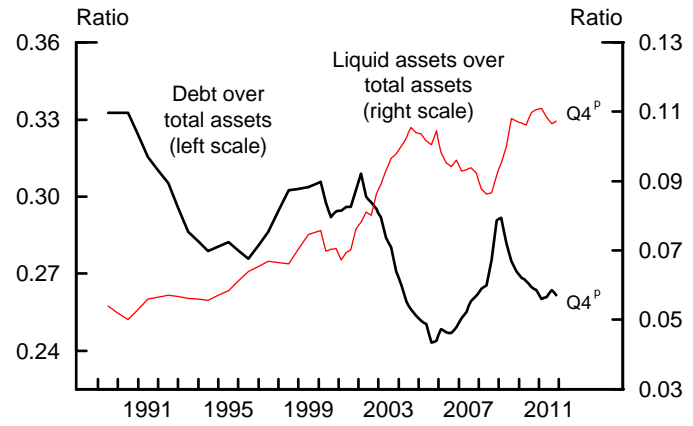
Selected Components of Net Equity Issuance,
Nonfinancial Firms



^e Estimate.

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

Financial Ratios for Nonfinancial Corporations

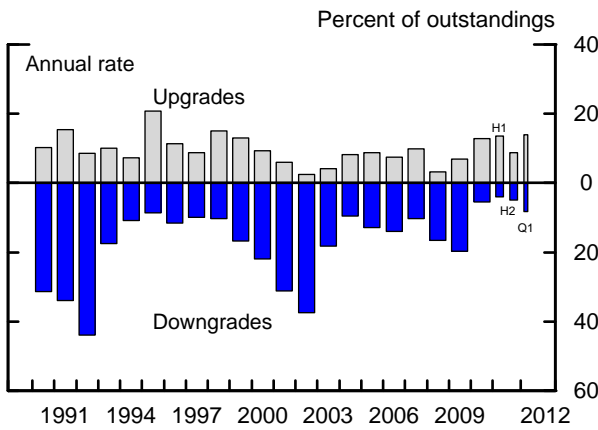


Note: Data are annual through 1999 and quarterly thereafter.

^p Preliminary.

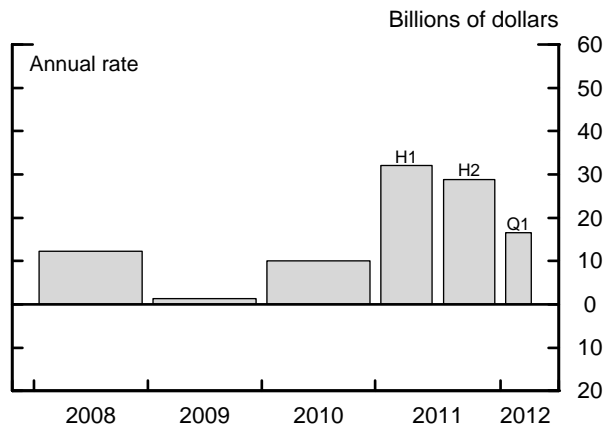
Source: Compustat.

Bond Ratings Changes of Nonfinancial Firms



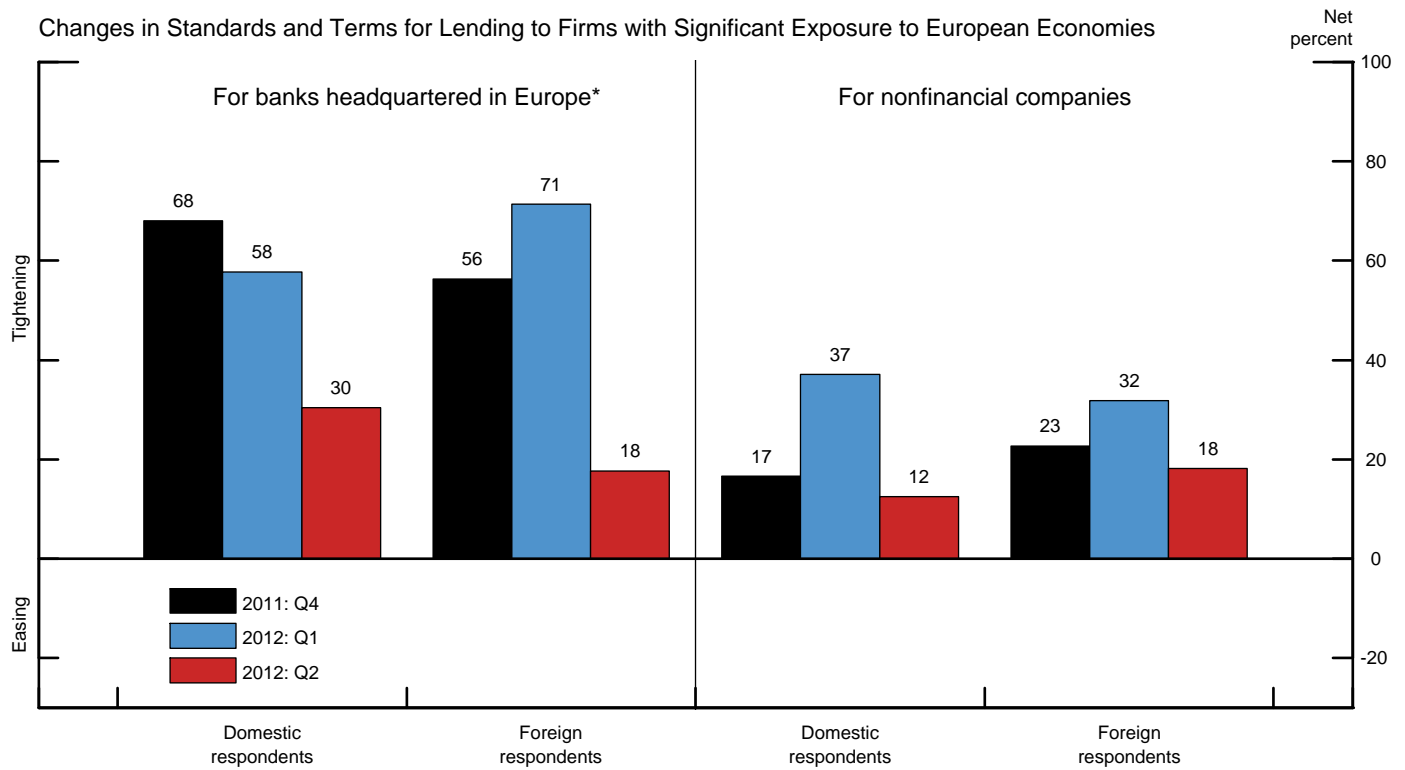
Source: Calculated using data from Moody's Investors Service.

CMBS Issuance

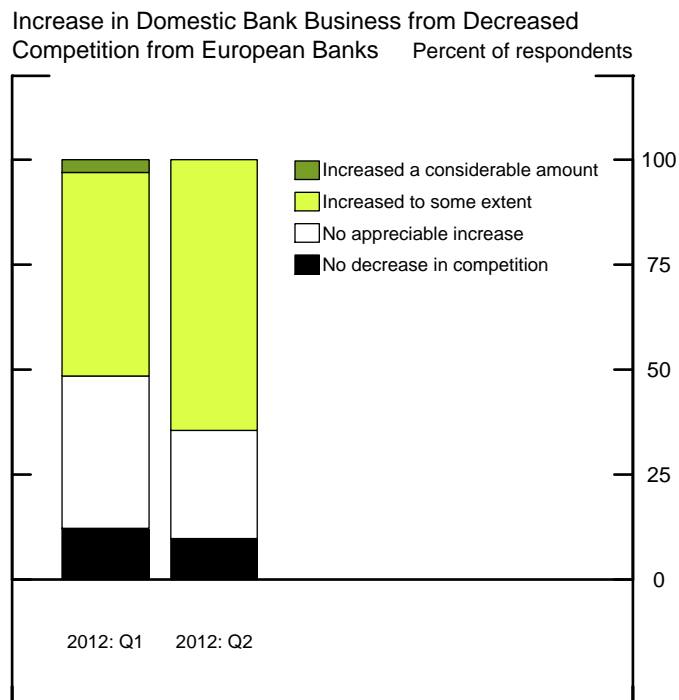


Source: Commercial Mortgage Alert.

Special Questions on Lending to Firms with Exposures to European Economies



Financial Developments



Alternative Scenarios

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

Measure and scenario	2012		2013	2014	2015	2016-17
	H1	H2				
<i>Real GDP</i>						
Extended Tealbook baseline	2.3	2.7	2.8	3.3	3.6	3.4
Virtuous circle	2.5	3.6	4.4	3.4	3.2	3.1
Virtuous circle with higher inflation	2.5	3.6	4.3	3.2	2.9	3.0
Fiscal cliff	2.3	2.7	1.6	2.7	4.2	4.0
Corrosion	2.3	2.4	2.0	2.2	2.6	2.8
Disinflation	2.3	2.6	2.4	2.8	3.7	3.9
European crisis with severe spillovers	.9	-2.7	-1.5	2.8	4.5	4.4
Higher oil prices	1.9	1.8	2.3	3.2	3.7	3.8
<i>Unemployment rate¹</i>						
Extended Tealbook baseline	8.2	8.0	7.7	7.4	6.8	5.6
Virtuous circle	8.2	7.8	6.9	6.3	5.9	5.3
Virtuous circle with higher inflation	8.2	7.8	6.9	6.4	6.2	5.7
Fiscal cliff	8.2	8.0	8.2	8.3	7.6	5.6
Corrosion	8.3	8.2	8.3	8.6	8.4	7.7
Disinflation	8.2	8.0	7.9	7.8	7.2	5.5
European crisis with severe spillovers	8.3	9.0	10.5	10.6	9.5	7.4
Higher oil prices	8.2	8.2	8.1	7.9	7.3	5.8
<i>Total PCE prices</i>						
Extended Tealbook baseline	2.0	1.7	1.5	1.5	1.7	1.8
Virtuous circle	2.0	1.7	1.5	1.6	2.0	2.2
Virtuous circle with higher inflation	2.1	1.9	2.1	2.6	3.0	2.9
Fiscal cliff	2.0	1.7	1.5	1.3	1.4	1.5
Corrosion	2.0	1.7	1.5	1.5	1.8	1.9
Disinflation	1.6	1.1	.6	.3	.4	.4
European crisis with severe spillovers	1.4	-.5	-.2	1.1	1.9	2.1
Higher oil prices	5.7	1.2	1.4	1.4	1.8	1.9
<i>Core PCE prices</i>						
Extended Tealbook baseline	2.0	1.7	1.7	1.7	1.8	1.9
Virtuous circle	2.0	1.7	1.7	1.8	2.1	2.3
Virtuous circle with higher inflation	2.0	1.9	2.3	2.8	3.1	3.0
Fiscal cliff	2.0	1.7	1.7	1.5	1.5	1.6
Corrosion	2.0	1.7	1.7	1.7	1.9	2.0
Disinflation	1.6	1.1	.8	.5	.5	.5
European crisis with severe spillovers	1.8	.7	.5	1.1	1.7	2.0
Higher oil prices	2.0	1.9	2.0	1.9	1.9	2.0
<i>Federal funds rate¹</i>						
Extended Tealbook baseline	.1	.1	.1	1.2	2.3	3.8
Virtuous circle	.1	.5	2.2	3.1	3.7	4.6
Virtuous circle with higher inflation	.1	.5	2.7	4.1	4.7	5.2
Fiscal cliff	.1	.1	.1	.1	1.1	3.6
Corrosion	.1	.2	.1	.8	1.7	3.4
Disinflation	.1	.1	.1	.1	.1	1.8
European crisis with severe spillovers	.1	.1	.1	.1	.1	1.2
Higher oil prices	.1	.1	.1	.8	1.6	2.8

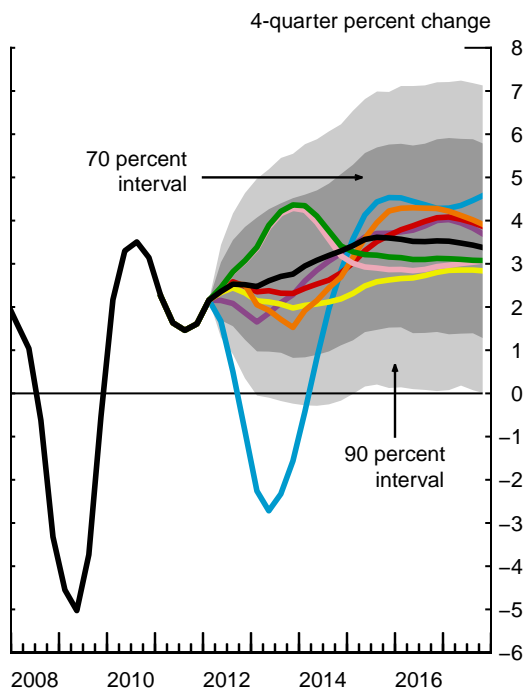
1. Percent, average for the final quarter of the period.

Forecast Confidence Intervals and Alternative Scenarios

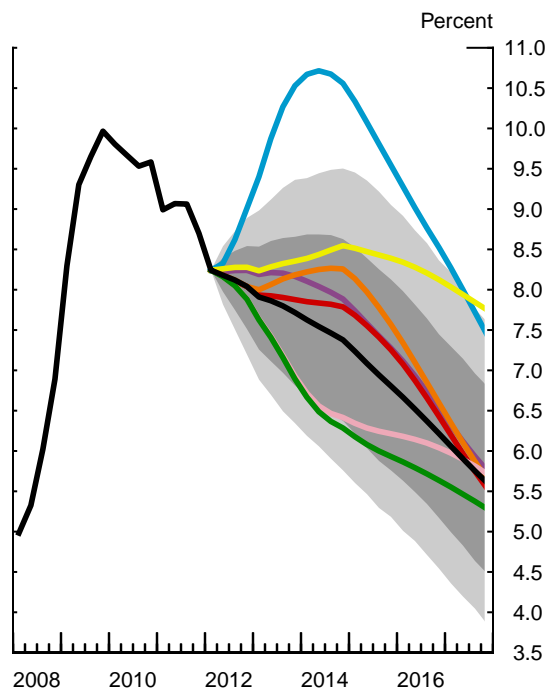
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- Virtuous circle
- Virtuous circle with higher inflation
- Fiscal cliff
- Corrosion
- Disinflation
- European crisis with severe spillovers
- Higher oil prices

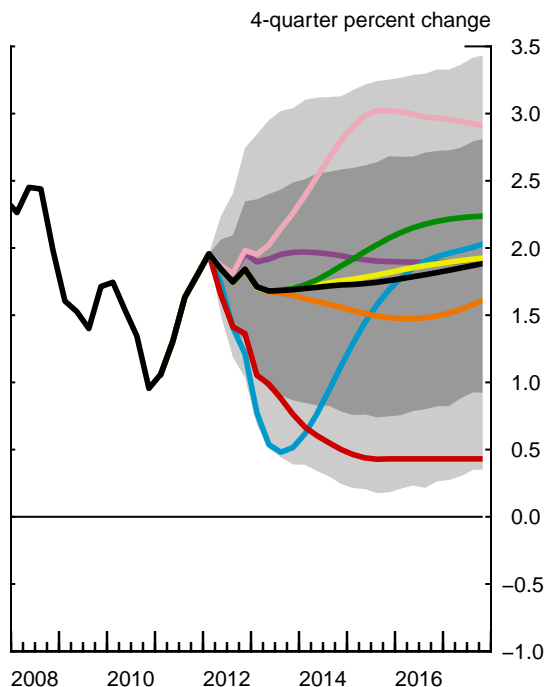
Real GDP



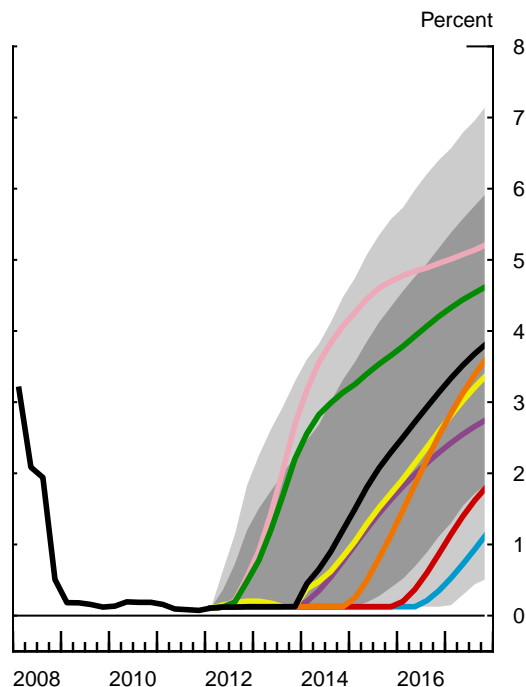
Unemployment Rate



PCE Prices excluding Food and Energy



Federal Funds Rate



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

Measure	2012	2013	2014	2015	2016	2017
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	2.5	2.8	3.3	3.6	3.5	3.4
Confidence interval						
Tealbook forecast errors	1.2–3.8	1.0–4.5	...	...	...	...
FRB/US stochastic simulations	1.2–3.9	.8–4.5	1.1–5.1	1.5–5.8	1.4–5.9	1.3–5.8
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	8.0	7.7	7.4	6.8	6.2	5.6
Confidence interval						
Tealbook forecast errors	7.5–8.5	6.9–8.5	...	...	...	...
FRB/US stochastic simulations	7.5–8.5	6.8–8.7	6.4–8.6	5.8–8.1	5.2–7.4	4.5–6.8
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	1.9	1.5	1.5	1.7	1.7	1.9
Confidence interval						
Tealbook forecast errors	1.2–2.6	.3–2.7	...	...	...	...
FRB/US stochastic simulations	1.0–2.8	.4–2.7	.2–2.7	.3–2.9	.4–2.9	.6–3.1
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)						
Projection	1.8	1.7	1.7	1.8	1.8	1.9
Confidence interval						
Tealbook forecast errors	1.4–2.3	1.0–2.4	...	...	...	...
FRB/US stochastic simulations	1.3–2.3	.9–2.5	.8–2.6	.7–2.7	.8–2.7	.9–2.8
<i>Federal funds rate</i> (percent, Q4)						
Projection	.1	.1	1.2	2.3	3.1	3.8
Confidence interval						
FRB/US stochastic simulations	.1–1.2	.1–2.2	.1–3.3	.4–4.3	1.1–5.2	1.9–5.9

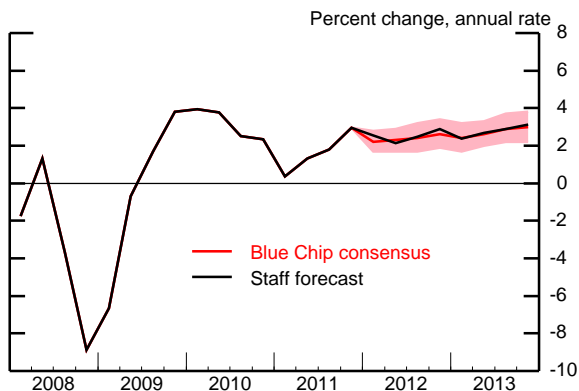
Note: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969–2009 set of model equation residuals.

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

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

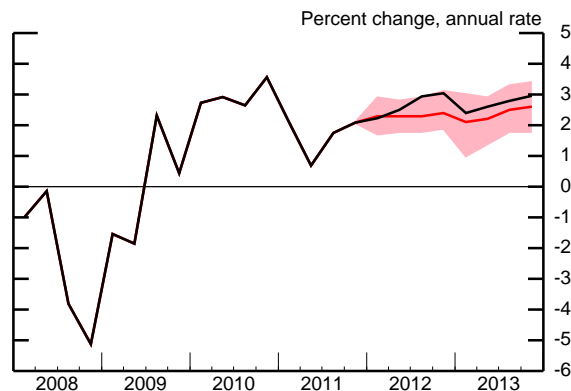
Tealbook Forecast Compared with Blue Chip (Blue Chip survey released April 10, 2012)

Real GDP

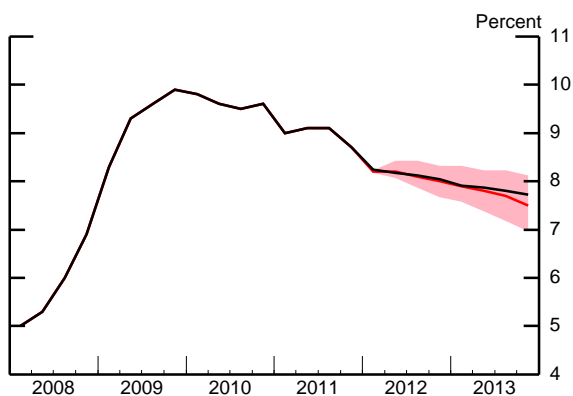


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

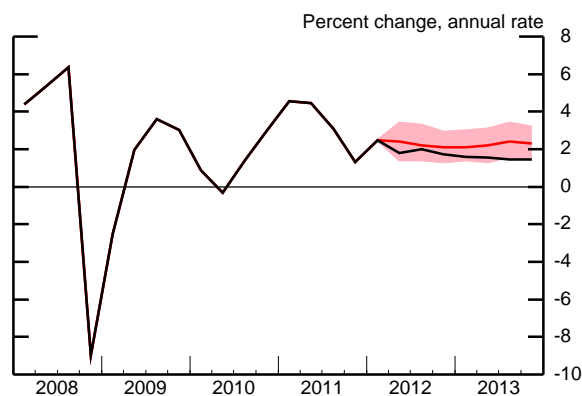
Real PCE



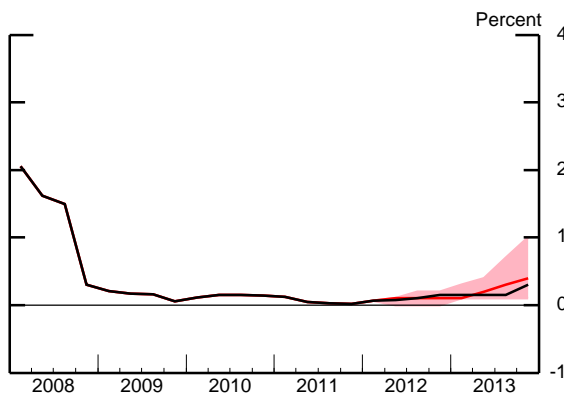
Unemployment Rate



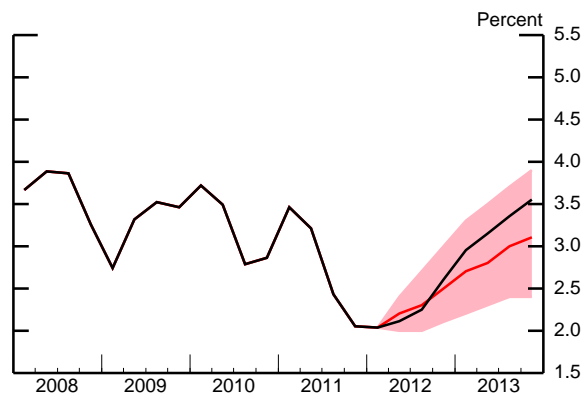
Consumer Price Index



Treasury Bill Rate



10-Year Treasury Yield



Note: The yield is for on-the-run Treasury securities. Over the forecast period, the staff's projected yield is assumed to be 15 basis points below the off-the-run yield.

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

Interval	Nominal GDP		Real GDP		PCE price index		Core PCE price index		Unemployment rate ¹	
	03/07/12	04/18/12	03/07/12	04/18/12	03/07/12	04/18/12	03/07/12	04/18/12	03/07/12	04/18/12
<i>Quarterly</i>										
2011:Q1	3.1	3.1	.4	.4	3.9	3.9	1.6	1.6	9.0	9.0
Q2	4.0	4.0	1.3	1.3	3.3	3.3	2.3	2.3	9.1	9.1
Q3	4.4	4.4	1.8	1.8	2.3	2.3	2.1	2.1	9.1	9.1
Q4	4.0	3.8	3.1	3.0	1.2	1.2	1.3	1.3	8.7	8.7
2012:Q1	3.4	4.6	1.8	2.5	2.1	2.5	1.8	2.2	8.4	8.2
Q2	4.2	3.5	2.2	2.1	2.2	1.6	1.7	1.8	8.4	8.2
Q3	4.1	4.3	2.6	2.5	1.5	1.8	1.6	1.7	8.3	8.1
Q4	4.3	4.5	2.9	2.9	1.4	1.7	1.6	1.7	8.2	8.0
2013:Q1	3.8	4.0	2.3	2.4	1.4	1.6	1.6	1.7	8.1	7.9
Q2	4.1	4.3	2.6	2.7	1.4	1.5	1.6	1.7	8.0	7.9
Q3	4.3	4.5	2.8	2.9	1.4	1.5	1.6	1.7	7.9	7.8
Q4	4.6	4.7	3.0	3.1	1.4	1.5	1.6	1.7	7.8	7.7
<i>Two-quarter²</i>										
2011:Q2	3.5	3.5	.8	.8	3.6	3.6	1.9	1.9	-5	-5
Q4	4.2	4.1	2.4	2.4	1.8	1.8	1.7	1.7	-4	-4
2012:Q2	3.8	4.1	2.0	2.3	2.1	2.0	1.8	2.0	-3	-5
Q4	4.2	4.4	2.7	2.7	1.5	1.7	1.6	1.7	-2	-2
2013:Q2	3.9	4.2	2.4	2.5	1.4	1.6	1.6	1.7	-2	-1
Q4	4.4	4.6	2.9	3.0	1.4	1.5	1.6	1.7	-2	-2
<i>Four-quarter³</i>										
2010:Q4	4.7	4.7	3.1	3.1	1.3	1.3	1.0	1.0	-3	-3
2011:Q4	3.9	3.8	1.6	1.6	2.7	2.7	1.8	1.8	-9	-9
2012:Q4	4.0	4.2	2.4	2.5	1.8	1.9	1.7	1.8	-5	-7
2013:Q4	4.2	4.4	2.7	2.8	1.4	1.5	1.6	1.7	-4	-3
2014:Q4	...	5.0	...	3.3	...	1.5	...	1.7	...	-3
<i>Annual</i>										
2010	4.2	4.2	3.0	3.0	1.8	1.8	1.4	1.4	9.6	9.6
2011	3.9	3.9	1.7	1.7	2.5	2.5	1.5	1.4	8.9	8.9
2012	4.0	4.1	2.3	2.4	1.9	2.0	1.7	1.8	8.3	8.1
2013	4.1	4.3	2.6	2.6	1.5	1.6	1.6	1.7	8.0	7.8
2014	...	4.8	...	3.1	...	1.5	...	1.7	...	7.5

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	2011			2012				2013				2011 ¹	2012 ¹	2013 ¹	2014 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP <i>Previous Tealbook</i>	1.3 1.3	1.8 1.8	3.0 3.1	2.5 1.8	2.1 2.2	2.5 2.6	2.9 2.9	2.4 2.3	2.7 2.6	2.9 2.8	3.1 3.0	1.6 1.6	2.5 2.4	2.8 2.7	3.3
Final sales <i>Previous Tealbook</i>	1.6	3.2	1.1	2.3	2.5	2.3	2.5	2.3	2.6	2.6	2.5	1.5	2.4	2.5	3.2
Priv. dom. final purch. <i>Previous Tealbook</i>	1.6 1.9 1.9	3.2 3.3 3.3	1.2 2.7 2.5	1.9 2.4 1.9	2.6 3.2 2.9	2.4 3.3 3.0	2.5 3.3 3.2	2.2 2.9 2.7	2.5 3.2 3.0	2.5 3.3 3.1	2.4 3.4 3.1	1.5 2.5 2.4	2.3 3.1 2.8	2.4 3.2 3.0	3.9
Personal cons. expend. <i>Previous Tealbook</i>	.7 .7	1.7 1.7	2.1 2.1	2.2 1.2	2.5 2.6	2.9 2.8	3.0 2.9	2.4 2.3	2.6 2.5	2.8 2.7	3.0 2.8	1.6 1.7	2.7 2.4	2.7 2.6	3.2
Durables	-5.3	5.7	16.1	13.9	4.7	6.3	6.5	6.0	7.5	5.7	6.5	6.8	7.8	6.4	7.4
Nondurables	.2	-.5	.8	.5	1.4	2.9	2.9	1.8	1.9	2.3	2.4	.5	1.9	2.1	2.6
Services	1.9	1.9	.4	1.0	2.5	2.4	2.5	2.0	2.0	2.5	2.6	1.2	2.1	2.3	2.7
Residential investment <i>Previous Tealbook</i>	4.2 4.2	1.3 1.3	11.6 11.5	17.8 13.9	11.6 7.7	9.7 8.7	6.7 8.0	9.0 8.1	9.3 8.2	9.4 8.2	9.6 8.3	3.5 3.5	11.3 9.6	9.3 8.2	13.0
Business fixed invest. <i>Previous Tealbook</i>	10.3 10.3	15.7 15.7	5.2 3.2	.6 4.5	6.1 3.9	4.5 3.6	4.4 4.0	4.9 4.4	6.2 4.9	4.9 4.9	5.0 4.2	8.2 7.7	3.9 4.0	5.3 4.6	5.7
Equipment & software	6.2	16.2	7.5	1.9	8.6	6.0	5.8	6.0	7.3	5.5	5.9	9.6	5.6	6.2	6.5
<i>Previous Tealbook</i>	6.2	16.2	4.8	6.2	5.1	4.6	5.2	5.4	6.0	5.8	5.0	8.9	5.3	5.6	
Nonres. structures	22.6	14.4	-.9	-2.8	-.4	.2	.6	1.9	3.1	3.2	2.7	4.4	-.6	2.7	3.5
<i>Previous Tealbook</i>	22.6	14.4	-1.1	.0	.7	.8	.8	1.7	1.9	2.2	2.2	4.4	.6	2.0	
Net exports ²	-416	-403	-411	-402	-399	-406	-408	-404	-401	-396	-398	-414	-404	-400	-395
<i>Previous Tealbook</i> ²	-416	-403	-404	-387	-380	-379	-379	-373	-366	-359	-358	-412	-381	-364	
Exports	3.6	4.7	2.7	6.3	5.4	5.3	5.3	5.5	5.6	5.7	5.7	4.7	5.6	5.6	6.4
Imports	1.4	1.2	3.7	3.4	4.1	5.6	4.7	3.7	4.0	3.9	5.0	3.6	4.4	4.2	4.9
Gov't. cons. & invest. <i>Previous Tealbook</i>	-.9 -.9	-.1 -.1	-4.2 -4.2	.1 -1.4	-.9 -.3	-1.0 -.9	-1.1 -1.0	-1.1 -1.2	-1.1 -1.1	-1.3 -1.3	-1.4 -1.4	-2.8 -2.8	-.7 -.9	-1.3 -1.3	-.4
Federal	1.9	2.1	-6.9	.8	-2.1	-2.4	-2.8	-3.4	-3.6	-4.5	-4.9	-3.2	-1.7	-4.1	-4.4
Defense	7.0	5.0	-12.1	1.6	-2.1	-2.4	-3.0	-3.8	-4.2	-5.5	-6.1	-3.6	-1.5	-4.9	-5.0
Nondefense	-7.6	-3.8	4.5	-1.0	-2.2	-2.5	-2.5	-2.5	-2.6	-2.6	-2.6	-2.5	-2.0	-2.6	-3.4
State & local	-2.8	-1.6	-2.2	-.4	-.1	.0	.0	.4	.6	.8	.9	-2.5	-.1	.7	2.1
Change in bus. inventories ²	39	-2	52	62	50	55	68	70	73	82	102	35	59	82	113
<i>Previous Tealbook</i> ²	39	-2	57	57	45	53	66	68	71	79	100	36	55	80	
Nonfarm ²	51	6	61	63	50	54	67	69	72	81	101	44	59	81	112
Farm ²	-9	-6	-6	-1	0	1	1	1	1	1	1	-7	0	1	1

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Real GDP <i>Previous Tealbook</i>	2.8 2.8	2.4 2.4	2.2 2.2	-3.3 -3.3	-5 -5	3.1 3.1	1.6 1.6	2.5 2.4	2.8 2.7	3.3
Final sales <i>Previous Tealbook</i>	2.7 2.7	2.8 2.8	2.4 2.4	-2.6 -2.6	-8 -8	2.4 2.4	1.5 1.5	2.4 2.3	2.5 2.4	3.2
Priv. dom. final purch. <i>Previous Tealbook</i>	3.2 3.2	2.4 2.4	1.2 1.2	-4.5 -4.5	-2.5 -2.5	3.6 3.6	2.5 2.4	3.1 2.8	3.2 3.0	3.9
Personal cons. expend. <i>Previous Tealbook</i>	2.8 2.8	3.2 3.2	1.7 1.7	-2.5 -2.5	-2 -2	3.0 3.0	1.6 1.7	2.7 2.4	2.7 2.6	3.2
Durables	2.8	7.0	4.6	-13.0	3.0	10.9	6.8	7.8	6.4	7.4
Nondurables	3.1	2.9	.8	-3.1	.6	3.5	.5	1.9	2.1	2.6
Services	2.7	2.6	1.4	-.5	-.9	1.6	1.2	2.1	2.3	2.7
Residential investment <i>Previous Tealbook</i>	5.3 5.3	-15.7 -15.7	-20.7 -20.7	-24.4 -24.4	-12.9 -12.9	-6.3 -6.3	3.5 3.5	11.3 9.6	9.3 8.2	13.0
Business fixed invest. <i>Previous Tealbook</i>	4.5 4.5	7.8 7.8	7.9 7.9	-9.4 -9.4	-14.4 -14.4	11.1 11.1	8.2 7.7	3.9 4.0	5.3 4.6	5.7
Equipment & software <i>Previous Tealbook</i>	6.2 6.2	6.0 6.0	3.9 3.9	-13.6 -13.6	-5.8 -5.8	16.6 16.6	9.6 8.9	5.6 5.3	6.2 5.6	6.5
Nonres. structures <i>Previous Tealbook</i>	-1 -1	13.0 13.0	17.3 17.3	-1.2 -1.2	-29.3 -29.3	-1.8 -1.8	4.4 4.4	-.6 .6	2.7 2.0	3.5
Net exports ¹ <i>Previous Tealbook</i> ¹	-723 -723	-729 -729	-649 -649	-495 -495	-359 -359	-422 -422	-414 -412	-404 -381	-400 -364	-395
Exports	6.7	10.2	10.1	-2.5	-.1	8.8	4.7	5.6	5.6	6.4
Imports	5.2	4.1	.8	-5.9	-6.5	10.7	3.6	4.4	4.2	4.9
Gov't. cons. & invest. <i>Previous Tealbook</i>	.7 .7	1.5 1.5	1.9 1.9	2.7 2.7	1.1 1.1	.1 .1	-2.8 -2.8	-.7 -.9	-1.3 -1.3	-.4
Federal	1.2	2.2	3.1	8.8	4.6	2.9	-3.2	-1.7	-4.1	-4.4
Defense	.4	4.4	2.6	9.8	3.5	1.5	-3.6	-1.5	-4.9	-5.0
Nondefense	2.6	-2.3	4.2	6.8	6.9	5.7	-2.5	-2.0	-2.6	-3.4
State & local	.4	1.2	1.2	-.9	-1.1	-1.7	-2.5	-.1	.7	2.1
Change in bus. inventories ¹ <i>Previous Tealbook</i> ¹	50 50	59 59	28 28	-36 -36	-145 -145	59 59	35 36	59 55	82 80	113
Nonfarm ¹	50	63	29	-38	-144	61	44	59	81	112
Farm ¹	0	-4	-1	1	-1	-1	-7	0	1	1

1. Billions of chained (2005) dollars.

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

Item	2011			2012				2013				2011 ¹	2012 ¹	2013 ¹	2014 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP <i>Previous Tealbook</i>	1.3 1.3	1.8 1.8	3.0 3.1	2.5 1.8	2.1 2.2	2.5 2.6	2.9 2.9	2.4 2.3	2.7 2.6	2.9 2.8	3.1 3.0	1.6 1.6	2.5 2.4	2.8 2.7	3.3
Final sales <i>Previous Tealbook</i>	1.6 1.6	3.2 3.2	1.2 1.2	2.3 1.9	2.5 2.6	2.3 2.4	2.5 2.5	2.3 2.2	2.6 2.4	2.6 2.5	2.5 2.4	1.5 1.5	2.4 2.3	2.5 2.4	3.2
Priv. dom. final purch. <i>Previous Tealbook</i>	1.6 1.6	2.8 2.8	2.3 2.1	2.0 1.6	2.7 2.4	2.8 2.5	2.8 2.7	2.4 2.3	2.7 2.5	2.7 2.6	2.9 2.6	2.0 2.0	2.6 2.3	2.7 2.5	3.3
Personal cons. expend. <i>Previous Tealbook</i>	.5 .5	1.2 1.2	1.5 1.5	1.6 .9	1.8 1.9	2.1 2.0	2.2 2.1	1.7 1.6	1.9 1.8	2.0 1.9	2.1 2.0	1.2 1.2	1.9 1.7	1.9 1.8	2.3
Durables	-.4	.4	1.2	1.0	.4	.5	.5	.5	.6	.4	.5	.5	.6	.5	.6
Nondurables	.0	-.1	.1	.1	.2	.5	.5	.3	.3	.4	.4	.1	.3	.3	.4
Services	.9	.9	.2	.5	1.2	1.1	1.2	.9	1.0	1.2	1.2	.6	1.0	1.1	1.3
Residential investment <i>Previous Tealbook</i>	.1 .1	.0 .0	.3 .2	.4 .3	.3 .2	.2 .2	.2 .2	.2 .2	.2 .2	.2 .2	.2 .2	.1 .1	.3 .2	.2 .2	.3
Business fixed invest. <i>Previous Tealbook</i>	1.0 1.0	1.5 1.5	.5 .3	.1 .5	.6 .4	.5 .4	.5 .4	.5 .5	.6 .5	.5 .5	.5 .4	.8 .8	.4 .4	.6 .5	.6
Equipment & software <i>Previous Tealbook</i>	.4 .4	1.1 1.1	.6 .4	.1 .5	.6 .4	.5 .4	.4 .4	.5 .4	.6 .5	.4 .4	.5 .4	.7 .6	.4 .4	.5 .4	.5
Nonres. structures <i>Previous Tealbook</i>	.5 .5	.4 .4	.0 .0	-.1 .0	.0 .0	.0 .0	.0 .0	.1 .0	.1 .1	.1 .1	.1 .1	.1 .1	.0 .0	.1 .1	.1
Net exports <i>Previous Tealbook</i>	.2 .2	.4 .4	-.3 -.1	.3 .5	.0 .2	-.3 .0	-.1 .0	.1 .1	.1 .2	.1 .2	-.1 .0	.0 .1	.0 .2	.0 .1	.0
Exports	.5	.6	.4	.9	.7	.7	.7	.8	.8	.8	.8	.6	.8	.8	.9
Imports	-.2	-.2	-.6	-.6	-.7	-.1	-.8	-.7	-.7	-.7	-.9	-.6	-.8	-.7	-.9
Gov't. cons. & invest. <i>Previous Tealbook</i>	-.2 -.2	.0 .0	-.8 -.8	.0 -.3	-.2 .0	-.2 -.2	-.2 -.2	-.2 -.2	-.2 -.2	-.2 -.2	-.3 -.3	-.6 -.6	-.1 -.2	-.2 -.2	-.1
Federal	.2	.2	-.6	.1	-.2	-.2	-.2	-.3	-.3	-.3	-.4	-.3	-.1	-.3	-.3
Defense	.4	.3	-.7	.1	-.1	-.1	-.2	-.2	-.2	-.3	-.3	-.2	-.1	-.3	-.2
Nondefense	-.2	-.1	.1	.0	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1
State & local	-.3	-.2	-.3	.0	.0	.0	.0	.0	.1	.1	.1	-.3	.0	.1	.2
Change in bus. inventories <i>Previous Tealbook</i>	-.3 -.3	-.1 -.1	1.8 1.9	.2 .0	-.4 -.4	.2 .2	.4 .4	.0 .1	.1 .1	.3 .2	.6 .7	.1 .1	.1 .1	.3 .3	.1
Nonfarm	-.3	-.1	1.8	.1	-.4	.1	.4	.0	.1	.3	.6	.1	.1	.3	.1
Farm	.0	.1	.0	.2	.0	.0	.0	.0	.0	.0	.0	.0	.1	.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	2011			2012				2013				2011 ¹	2012 ¹	2013 ¹	2014 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
GDP chain-wt. price index <i>Previous Tealbook</i>	2.5 2.5	2.6 2.6	.9 .9	2.0 1.5	1.4 2.0	1.8 1.5	1.5 1.4	1.6 1.5	1.6 1.5	1.6 1.5	1.6 1.5	2.1 2.1	1.7 1.6	1.6 1.5	1.6
PCE chain-wt. price index <i>Previous Tealbook</i>	3.3 3.3	2.3 2.3	1.2 1.2	2.5 2.1	1.6 2.2	1.8 1.5	1.7 1.4	1.5 1.4	1.5 1.4	1.5 1.4	1.5 1.4	2.7 2.7	1.9 1.8	1.5 1.4	1.5
Energy <i>Previous Tealbook</i>	15.0 15.0	3.3 3.3	-3.2 -3.2	7.8 6.3	-1.3 9.5	3.9 .7	1.7 -1.0	-2 -9	-8 -1.5	-1.7 -1.9	-1.6 -1.9	12.8 12.8	3.0 3.8	-1.1 -1.6	-1.7
Food <i>Previous Tealbook</i>	6.4 6.4	4.7 4.7	3.3 3.3	1.3 1.7	1.5 1.6	1.7 1.5	1.7 1.3	1.6 1.2	1.6 1.2	1.5 1.2	1.5 1.2	5.2 5.2	1.5 1.6	1.6 1.2	1.5
Ex. food & energy <i>Previous Tealbook</i>	2.3 2.3	2.1 2.1	1.3 1.3	2.2 1.8	1.8 1.7	1.7 1.6	1.7 1.6	1.6 1.6	1.6 1.6	1.7 1.7	1.7 1.6	1.8 1.8	1.8 1.7	1.7 1.6	1.7
Ex. food & energy, market based <i>Previous Tealbook</i>	2.4 2.4	2.3 2.3	1.4 1.4	2.0 1.8	1.7 1.6	1.6 1.5	1.6 1.5	1.6 1.4	1.6 1.4	1.6 1.5	1.6 1.5	1.8 1.8	1.7 1.6	1.6 1.5	1.6
CPI <i>Previous Tealbook</i>	4.4 4.4	3.1 3.1	1.3 1.3	2.5 2.4	1.8 2.6	2.0 1.5	1.7 1.3	1.6 1.4	1.6 1.3	1.5 1.3	1.5 1.3	3.3 3.3	2.0 2.0	1.5 1.3	1.5
Ex. food & energy <i>Previous Tealbook</i>	2.4 2.4	2.5 2.5	1.9 1.9	2.1 2.1	2.2 2.0	1.8 1.6	1.7 1.6	1.7 1.6	1.8 1.7	1.8 1.7	1.8 1.7	2.2 2.2	1.9 1.8	1.8 1.7	1.8
ECI, hourly compensation ² <i>Previous Tealbook</i> ²	3.2 3.2	1.4 1.4	1.8 1.8	2.5 2.6	2.5 2.5	2.6 2.5	2.6 2.5	2.7 2.6	2.7 2.6	2.8 2.6	2.8 2.6	2.2 2.2	2.6 2.5	2.8 2.6	3.0
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	-3 -3	1.8 1.8	1.0 1.1	-5 -1.6	1.7 1.8	1.4 1.9	1.9 2.2	1.2 1.3	1.6 1.5	1.9 1.7	2.0 1.8	.3 .4	1.1 1.1	1.7 1.6	1.9
Compensation per hour <i>Previous Tealbook</i>	-5 -5	5.7 5.7	3.7 3.7	1.8 2.1	2.5 2.3	2.8 2.7	2.8 2.7	2.8 2.6	2.8 2.6	2.9 2.7	3.0 2.7	3.5 3.5	2.5 2.5	2.9 2.7	3.2
Unit labor costs <i>Previous Tealbook</i>	-1 -1	3.9 3.9	2.7 2.6	2.3 3.8	.8 .5	1.4 .8	.9 .5	1.5 1.4	1.2 1.1	1.0 1.0	1.0 .9	3.1 3.1	1.3 1.4	1.2 1.1	1.3
Core goods imports chain-wt. price index ³ <i>Previous Tealbook</i> ³	7.2 7.2	2.4 2.4	-4 -4	.3 -5	1.1 1.5	.7 1.1	1.5 1.7	1.5 1.6	1.5 1.6	1.5 1.5	1.5 1.5	4.3 4.3	.9 .9	1.5 1.5	1.5

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

2. Private-industry workers.

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

Greensheets

Changes in Prices and Costs

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

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GDP chain-wt. price index <i>Previous Tealbook</i>	3.5	2.9	2.6	2.1	.7	1.6	2.1	1.7	1.6	1.6
PCE chain-wt. price index <i>Previous Tealbook</i>	3.5	2.9	2.6	2.1	.7	1.6	2.1	1.6	1.5	
Energy <i>Previous Tealbook</i>	3.2	1.9	3.5	1.7	1.5	1.3	2.7	1.9	1.5	1.5
Food <i>Previous Tealbook</i>	3.2	1.9	3.5	1.7	1.5	1.3	2.7	1.8	1.4	
Ex. food & energy <i>Previous Tealbook</i>	21.5	-3.7	19.3	-8.8	2.6	6.2	12.8	3.0	-1.1	-1.7
Ex. food & energy, market based <i>Previous Tealbook</i>	21.5	-3.7	19.3	-8.8	2.6	6.2	12.8	3.8	-1.6	
	1.5	1.7	4.7	7.0	-1.7	1.3	5.2	1.5	1.6	1.5
	1.5	1.7	4.7	7.0	-1.7	1.3	5.2	1.6	1.2	
	2.3	2.3	2.4	2.0	1.7	1.0	1.8	1.8	1.7	1.7
	2.3	2.3	2.4	2.0	1.7	1.0	1.8	1.7	1.6	
	2.0	2.2	2.1	2.2	1.7	.7	1.8	1.7	1.6	1.6
	2.0	2.2	2.1	2.2	1.7	.7	1.8	1.6	1.5	
CPI <i>Previous Tealbook</i>	3.7	2.0	4.0	1.6	1.5	1.2	3.3	2.0	1.5	1.5
Ex. food & energy <i>Previous Tealbook</i>	3.7	2.0	4.0	1.6	1.5	1.2	3.3	2.0	1.3	
	2.1	2.7	2.3	2.0	1.7	.6	2.2	1.9	1.8	1.8
	2.1	2.7	2.3	2.0	1.7	.6	2.2	1.8	1.7	
ECL, hourly compensation ¹ <i>Previous Tealbook</i> ¹	2.9	3.2	3.0	2.4	1.2	2.1	2.2	2.6	2.8	3.0
	2.9	3.2	3.0	2.4	1.2	2.1	2.2	2.5	2.6	
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	1.6	.8	2.5	-1.1	5.3	2.3	.3	1.1	1.7	1.9
Compensation per hour <i>Previous Tealbook</i>	1.6	.8	2.5	-1.1	5.3	2.3	.4	1.1	1.6	
Unit labor costs <i>Previous Tealbook</i>	3.5	4.5	3.6	2.5	1.8	1.4	3.5	2.5	2.9	3.2
	3.5	4.5	3.6	2.5	1.8	1.4	3.5	2.5	2.7	
	1.9	3.6	1.1	3.7	-3.3	-9	3.1	1.3	1.2	1.3
	1.9	3.6	1.1	3.7	-3.3	-9	3.1	1.4	1.1	
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ²	2.2	2.5	2.9	3.7	-1.7	2.6	4.3	.9	1.5	1.5
	2.2	2.5	2.9	3.7	-1.7	2.6	4.3	.9	1.5	

1. Private-industry workers.

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

Other Macroeconomic Indicators

Item	2011			2012				2013				2011 ¹	2012 ¹	2013 ¹	2014 ¹	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
<i>Employment and production</i>																
Nonfarm payroll employment ²	.6	.3	.5	.7	.5	.5	.6	.5	.6	.6	.6	1.8	2.2	2.3	2.5	
Unemployment rate ³	9.1	9.1	8.7	8.2	8.2	8.1	8.0	7.9	7.9	7.8	7.7	8.7	8.0	7.7	7.4	
<i>Previous Tealbook³</i>	9.1	9.1	8.7	8.4	8.4	8.3	8.2	8.1	8.0	7.9	7.8	8.7	8.2	7.8		
NAIRU ³	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	
<i>Previous Tealbook³</i>	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	
GDP gap ⁴	-5.1	-5.1	-4.8	-4.7	-4.7	-4.5	-4.3	-4.3	-4.1	-3.9	-3.7	-4.8	-4.3	-3.7	-2.7	
<i>Previous Tealbook⁴</i>	-5.3	-5.3	-5.0	-5.0	-5.0	-4.8	-4.6	-4.6	-4.4	-4.3	-4.0	-5.0	-4.6	-4.0		
Industrial production ⁵	1.2	5.6	5.0	5.4	5.8	4.3	3.0	2.7	2.3	2.7	2.9	4.0	4.6	2.6	3.7	
<i>Previous Tealbook⁵</i>	.7	6.2	3.9	3.5	5.5	3.9	3.7	2.5	2.4	2.7	3.0	3.9	4.1	2.6		
Manufacturing industr. prod. ⁵	.2	5.1	5.6	10.4	4.0	3.2	2.9	2.6	2.4	3.0	3.2	4.2	5.1	2.8	4.1	
<i>Previous Tealbook⁵</i>	.1	4.9	5.1	8.0	3.8	2.8	3.6	2.3	2.6	3.1	3.4	4.3	4.5	2.9		
Capacity utilization rate - mfg. ³	74.4	75.2	76.1	77.8	78.3	78.8	79.2	79.3	79.4	79.7	79.9	76.1	79.2	79.9	81.3	
<i>Previous Tealbook³</i>	74.4	75.1	75.8	77.1	77.6	78.0	78.5	78.7	78.8	79.1	79.5	75.8	78.5	79.5		
Housing starts ⁶	.6	.6	.7	.7	.7	.7	.8	.8	.9	.9	1.0	.6	.7	.9	1.1	
Light motor vehicle sales ⁶	12.1	12.4	13.4	14.5	14.3	14.5	14.5	14.8	15.2	15.2	15.3	12.7	14.5	15.1	15.8	
<i>Income and saving</i>																
Nominal GDP ⁵	4.0	4.4	3.8	4.6	3.5	4.3	4.5	4.0	4.3	4.5	4.7	3.8	4.2	4.4	5.0	
Real disposable pers. income ⁵	-5	.7	1.7	.3	2.3	3.2	3.6	-4	3.1	3.2	3.4	.8	2.4	2.3	3.4	
<i>Previous Tealbook⁵</i>	-5	.7	1.4	1.6	2.8	3.1	3.5	-8	2.7	2.9	3.3	.7	2.8	2.0		
Personal saving rate ³	4.8	4.6	4.5	4.1	4.0	4.1	4.2	3.5	3.6	3.7	3.8	4.5	4.2	3.8	4.0	
<i>Previous Tealbook³</i>	4.8	4.6	4.5	4.6	4.6	4.7	4.8	4.1	4.1	4.2	4.3	4.5	4.8	4.3		
Corporate profits ⁷	13.7	6.9	3.5	4.1	4.5	.1	-7	-2.6	-1.1	.8	1.5	7.0	2.0	-4	3.7	
Profit share of GNP ³	12.7	12.8	12.8	12.8	12.8	12.7	12.5	12.3	12.2	12.1	12.0	12.8	12.5	12.0	11.9	
Net federal saving ⁸	-1,275	-1,161	-1,095	-1,020	-1,019	-1,000	-981	-809	-787	-761	-743	-1,183	-1,005	-775	-708	
Net state & local savings ⁸	-40	-83	-81	-63	-42	-35	-24	-15	0	1	4	-66	-41	-2	-22	
Gross national saving rate ³	12.4	12.9	13.4	13.3	13.3	13.4	13.4	13.5	13.6	13.8	13.9	13.4	13.4	13.9	14.4	
Net national saving rate ³	-4	.2	.7	.8	.9	.9	1.0	1.1	1.2	1.4	1.5	.7	1.0	1.5	2.2	

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

2. Change, millions.

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

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

5. Percent change, annual rate.

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

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

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

Greensheets

Other Macroeconomic Indicators

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

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Employment and production</i>										
Nonfarm payroll employment ¹	2.4	2.1	1.2	-2.8	-5.6	.8	1.8	2.2	2.3	2.5
Unemployment rate ²	5.0	4.5	4.8	6.9	9.9	9.6	8.7	8.0	7.7	7.4
<i>Previous Tealbook²</i>	5.0	4.5	4.8	6.9	9.9	9.6	8.7	8.2	7.8	
NAIRU ²	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0	6.0	6.0
<i>Previous Tealbook²</i>	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0	6.0	
GDP gap ³	.6	.8	.8	-4.5	-6.2	-4.7	-4.8	-4.3	-3.7	-2.7
<i>Previous Tealbook³</i>	.6	.8	.8	-4.5	-6.4	-4.9	-5.0	-4.6	-4.0	
Industrial production ⁴	2.3	2.1	2.5	-9.0	-5.7	6.3	4.0	4.6	2.6	3.7
<i>Previous Tealbook⁴</i>	2.3	2.3	2.5	-9.1	-5.5	6.2	3.9	4.1	2.6	
Manufacturing industr. prod. ⁴	3.4	1.8	2.8	-11.8	-6.5	6.5	4.2	5.1	2.8	4.1
<i>Previous Tealbook⁴</i>	3.4	2.0	2.8	-11.8	-6.1	6.1	4.3	4.5	2.9	
Capacity utilization rate - mfg. ²	78.4	78.2	78.2	69.7	67.0	73.1	76.1	79.2	79.9	81.3
<i>Previous Tealbook²</i>	78.5	78.4	79.0	70.1	67.7	73.3	75.8	78.5	79.5	
Housing starts ⁵	2.1	1.8	1.4	.9	.6	.6	.6	.7	.9	1.1
Light motor vehicle sales ⁵	16.9	16.5	16.1	13.1	10.3	11.5	12.7	14.5	15.1	15.8
<i>Income and saving</i>										
Nominal GDP ⁴	6.4	5.3	4.9	-1.2	.0	4.7	3.8	4.2	4.4	5.0
Real disposable pers. income ⁴	.6	4.6	1.6	1.0	-2.4	3.5	.8	2.4	2.3	3.4
<i>Previous Tealbook⁴</i>	.6	4.6	1.6	1.0	-2.4	3.5	.7	2.8	2.0	
Personal saving rate ²	1.6	2.8	2.5	6.2	4.3	5.2	4.5	4.2	3.8	4.0
<i>Previous Tealbook²</i>	1.6	2.8	2.5	6.2	4.3	5.2	4.5	4.8	4.3	
Corporate profits ⁶	19.6	3.7	-8.1	-33.5	61.8	18.2	7.0	2.0	-4	3.7
Profit share of GNP ²	11.8	11.6	10.1	6.8	11.0	12.4	12.8	12.5	12.0	11.9
Net federal saving ⁷	-283	-204	-245	-613	-1218	-1274	-1183	-1005	-775	-708
Net state & local saving ⁷	26	51	12	-72	-78	-25	-66	-41	-2	-22
Gross national saving rate ²	15.6	16.5	13.9	12.6	11.3	12.3	13.4	13.4	13.9	14.4
Net national saving rate ²	3.6	4.4	1.7	-6	-1.9	-4	.7	1.0	1.5	2.2

1. Change, millions.

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

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

4. Percent change.

5. Level, millions; values are annual averages.

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

7. Billions of dollars; values are annual averages.

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

Item	Fiscal year				2011				2012				2013			
	2011 ^a	2012	2013	2014	Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^a	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget																
Receipts ¹	2302	2478	2757	2959	488	714	568	555	509	782	632	617	572	853	715	672
Outlays ¹	3599	3590	3574	3663	949	855	895	877	966	897	849	925	920	882	848	932
Surplus/deficit ¹	-1297	-1112	-817	-704	-460	-141	-326	-322	-457	-116	-217	-307	-348	-29	-133	-260
<i>Previous Tealbook</i>	-1300	-1127	-834	-729	-460	-141	-326	-322	-432	-140	-233	-318	-347	-31	-138	-267
On-budget	-1364	-1113	-807	-699	-451	-202	-311	-346	-458	-142	-167	-312	-324	-71	-100	-279
Off-budget	67	1	-11	-5	-10	61	-15	24	1	26	-51	5	-24	42	-34	19
Means of financing																
Borrowing	1110	1138	877	784	260	93	389	326	398	162	251	308	368	49	153	280
Cash decrease	252	-12	20	0	225	-19	79	-28	42	-37	10	20	0	0	0	0
Other ²	-65	-14	-80	-80	-24	67	-142	23	17	-10	-44	-20	-20	-20	-20	-20
Cash operating balance, end of period	58	70	50	50	118	137	58	86	43	80	70	50	50	50	50	50
NIPA federal sector																
Receipts	2534	2713	2978	3205	2528	2554	2583	2613	2713	2747	2779	2814	2996	3032	3070	3110
Expenditures	3765	3746	3813	3924	3729	3829	3744	3708	3732	3766	3778	3795	3805	3819	3832	3852
Consumption expenditures	1070	1075	1068	1041	1059	1078	1085	1067	1078	1078	1075	1072	1072	1067	1060	1052
Defense	715	717	713	692	701	723	733	710	720	719	718	716	716	713	707	700
Nondefense	355	358	355	350	358	354	352	357	359	358	357	356	356	355	353	352
Other spending	2695	2672	2745	2883	2670	2752	2659	2641	2654	2689	2703	2723	2733	2752	2772	2800
Current account surplus	-1231	-1033	-834	-719	-1201	-1275	-1161	-1095	-1020	-1019	-1000	-981	-809	-787	-761	-743
Gross investment	165	159	154	143	161	160	164	159	160	159	158	157	155	153	150	147
Gross saving less gross investment ³	-1260	-1048	-834	-699	-1227	-1298	-1185	-1113	-1036	-1033	-1010	-987	-811	-785	-754	-730
Fiscal indicators⁴																
High-employment (HEB) surplus/deficit	-979	-782	-585	-502	-951	-1014	-899	-832	-768	-772	-755	-738	-554	-535	-513	-499
Change in HEB, percent of potential GDP	-3	-1.4	-1.3	-6	-7	.3	-8	-5	-4	.0	-1	-1	-1.1	-1	-2	-1
Fiscal impetus (FI), percent of GDP	-0.3	-0.6	-1.2	-0.6	-0.6	0.4	-0.1	-1.0	-0.4	-0.7	-0.6	-0.6	-2.0	-1.0	-1.1	-0.8
<i>Previous Tealbook</i>	-0.3	-0.5	-1.1	-0.6	-0.6	0.4	-0.1	-1.0	-0.7	-0.5	-0.5	-0.5	-1.8	-0.9	-0.9	-0.7

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. 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 FI estimates are calendar year contributions to Q4/Q4 real GDP growth. Also, for FI and the change in HEB, positive values indicate aggregate demand stimulus. Quarterly figures for change in HEB and FI are not at annual rates.

a Actual.

Change in Debt of the Domestic Nonfinancial Sectors
(Percent)

Period ¹	Total	Households			Business	State and local governments	Federal government	Memo: Nominal GDP
		Total	Home mortgages	Consumer credit				
<i>Year</i>								
2007	8.5	6.7	6.9	5.8	13.6	5.4	4.9	4.9
2008	6.0	.1	-.5	1.5	6.2	.7	24.2	-1.2
2009	3.1	-1.7	-1.4	-4.4	-2.4	3.9	22.7	.0
2010	4.1	-2.1	-2.9	-1.8	.7	2.2	20.2	4.7
2011	3.7	-.9	-2.1	3.5	4.2	-1.9	11.4	3.8
2012	4.5	1.0	-.8	6.9	4.3	-.5	10.7	4.3
2013	4.1	2.2	.4	7.5	4.0	.6	7.3	4.4
2014	4.1	2.6	.8	7.7	4.2	1.0	6.3	5.0
<i>Quarter</i>								
2010:1	3.5	-3.1	-4.8	-3.9	-.1	2.4	20.6	5.5
2	3.9	-2.2	-2.5	-3.3	-1.3	-.5	22.5	5.4
3	3.7	-2.2	-2.5	-2.2	1.8	2.1	16.0	3.9
4	4.9	-.7	-1.8	2.3	2.5	4.8	16.4	4.2
2011:1	2.3	-1.9	-2.7	2.2	4.1	-3.3	7.9	3.1
2	3.0	-.6	-2.4	3.6	4.4	-3.5	8.6	4.0
3	4.4	-1.2	-1.9	1.4	3.6	.0	14.1	4.4
4	4.9	.3	-1.5	6.9	4.6	-1.0	13.1	3.8
2012:1	5.0	.4	-1.6	6.5	5.4	-1.8	12.4	4.6
2	4.3	.9	-.9	6.4	3.9	-.3	10.3	3.5
3	3.7	1.3	-.5	7.0	3.8	-.1	7.5	4.4
4	4.8	1.6	-.2	7.1	3.7	.3	11.1	4.6
2013:1	4.8	1.9	.2	7.2	3.8	.6	10.1	4.0
2	3.5	2.0	.3	7.3	3.8	.6	5.5	4.3
3	3.0	2.2	.5	7.4	3.9	.6	3.7	4.5
4	4.8	2.3	.6	7.4	4.0	.6	9.4	4.8

Note: Quarterly data are at seasonally adjusted annual rates.

1. Data after 2011:Q4 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

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

Category	2011	2012	2013	2014	2011				2012				2013			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	893.6	1355.0	1295.0	1345.1	1030.8	1408.4	1557.0	1287.8	1055.9	1519.2	1571.1	1070.6	905.2	1632.9	1632.9	1632.9
Net equity issuance	-474.8	-385.2	-340.0	-360.0	-605.3	-458.7	-360.8	-380.0	-400.0	-400.0	-340.0	-340.0	-340.0	-340.0	-340.0	-340.0
Net debt issuance	1368.4	1740.2	1635.0	1705.1	1636.1	1867.1	1917.9	1667.8	1455.9	1919.2	1911.1	1410.6	1245.2	1972.9	1972.9	1972.9
Borrowing indicators																
Debt (percent of GDP) ¹	249.3	249.2	249.3	247.6	248.0	248.6	248.8	249.6	249.4	249.3	249.8	249.8	249.0	248.6	248.6	248.6
Borrowing (percent of GDP)	9.1	11.1	10.0	9.9	10.8	12.2	12.4	10.7	9.2	12.0	11.8	8.7	7.6	11.8	11.8	11.8
Households																
Net borrowing ²	-113.9	138.7	287.9	353.7	-159.3	43.1	49.3	116.9	176.2	212.2	258.2	275.0	301.9	316.4	316.4	316.4
Home mortgages	-213.2	-78.5	39.1	81.2	-184.8	-150.3	-157.3	-88.3	-48.9	-19.5	19.5	29.3	48.9	58.8	58.8	58.8
Consumer credit	86.3	174.4	202.8	223.7	34.6	170.4	165.0	162.8	181.9	187.8	193.9	200.2	206.7	210.6	210.6	210.6
Debt/DPI (percent) ³	114.4	110.6	108.2	105.4	113.6	112.7	112.0	111.1	110.0	109.0	109.1	108.5	107.8	107.1	107.1	107.1
Business																
Financing gap ⁴	-192.3	-128.2	44.1	109.1	-252.9	-173.1	-167.7	-154.8	-121.2	-69.1	5.9	30.9	51.6	88.0	88.0	88.0
Net equity issuance	-474.8	-385.2	-340.0	-360.0	-605.3	-458.7	-360.8	-380.0	-400.0	-400.0	-340.0	-340.0	-340.0	-340.0	-340.0	-340.0
Credit market borrowing	473.0	496.2	479.6	533.7	411.8	532.0	628.5	456.3	450.7	449.4	464.1	466.5	486.2	501.6	501.6	501.6
State and local governments																
Net borrowing	-58.6	-14.1	17.8	29.8	1.0	-29.1	-53.9	-10.2	-2.2	9.8	17.8	17.8	17.8	17.8	17.8	17.8
Current surplus ⁵	224.9	206.2	253.1	241.9	212.1	215.2	180.0	204.3	213.8	226.7	237.6	254.0	257.9	263.0	263.0	263.0
Federal government																
Net borrowing	1067.9	1119.5	849.7	787.9	1382.6	1321.2	1293.9	1104.8	831.3	1247.8	1171.1	651.3	439.4	1137.2	1137.2	1137.2
Net borrowing (n.s.a.)	1067.9	1119.5	849.7	787.9	389.1	326.0	398.3	162.3	251.2	307.6	367.6	48.9	153.2	280.0	280.0	280.0
Unified deficit (n.s.a.)	1251.4	1097.7	769.7	707.9	328.1	321.7	457.3	115.7	217.2	307.5	347.6	28.9	133.2	260.0	260.0	260.0
<i>Depository institutions</i>																
Funds supplied	200.5	542.1	499.1	620.1	498.1	606.2	861.2	415.7	415.7	475.8	486.4	481.8	502.3	526.1	526.1	526.1

Note: Data after 2011:Q4 are staff projections.

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

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

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

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

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

n.s.a. Not seasonally adjusted.

Foreign Real GDP and Consumer Prices: Selected Countries
(Quarterly percent changes at an annual rate)

Measure and country	2011				2012				Projected-----2013			
	2011		2012		2012		2012		2013		2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP ¹												
Total foreign	3.6	2.4	3.9	1.4	3.2	2.9	2.8	2.9	3.0	3.1	3.2	3.3
<i>Previous Tealbook</i>	3.6	2.4	3.8	1.2	3.1	2.8	2.8	3.0	3.0	3.1	3.2	3.3
Advanced foreign economies	1.8	.1	3.1	.2	1.2	1.1	1.1	1.3	1.5	1.7	1.9	2.1
Canada	3.7	-6	4.2	1.8	2.2	2.0	2.2	2.3	2.2	2.3	2.3	2.5
Japan	-6.9	-1.2	7.1	-7	2.7	2.1	1.6	1.5	1.3	1.4	1.5	1.5
United Kingdom	1.0	-2	2.3	-1.2	.9	1.6	1.2	1.3	1.7	1.9	2.3	2.5
Euro area	3.1	.6	.5	-1.3	-8	-9	-7	-3	.5	.8	1.3	1.4
Germany	5.5	1.1	2.3	-7	.3	.5	.7	1.0	1.3	1.5	1.8	2.0
Emerging market economies	5.5	4.9	4.8	2.6	5.3	4.8	4.6	4.6	4.6	4.6	4.7	4.7
Asia	7.7	4.8	5.3	2.6	6.8	6.0	5.7	5.5	5.8	5.8	5.9	5.9
Korea	5.3	3.4	3.4	1.3	3.4	3.5	3.5	3.5	3.7	3.8	4.0	4.1
China	9.1	9.5	10.0	7.8	7.4	8.4	8.0	8.0	8.2	8.2	8.2	8.2
Latin America	3.1	5.2	4.2	2.3	3.9	3.6	3.5	3.5	3.2	3.2	3.4	3.4
Mexico	2.1	6.0	5.1	1.7	4.0	3.5	3.4	3.4	3.0	3.0	3.2	3.2
Brazil	2.5	2.0	-2	1.3	3.2	3.5	3.8	3.8	3.7	3.8	4.0	4.0
Consumer prices ²												
Total foreign	4.1	3.4	3.1	2.9	2.5	2.1	2.4	2.4	2.4	2.4	2.4	2.4
<i>Previous Tealbook</i>	4.1	3.3	3.1	2.9	3.1	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Advanced foreign economies	3.0	2.4	1.1	2.5	2.1	1.5	1.4	1.4	1.3	1.3	1.3	1.4
Canada	3.3	3.4	1.0	2.9	2.6	2.1	2.0	1.8	1.8	1.8	1.8	1.9
Japan	.0	-7	.1	-7	1.0	-1	-2	-2	-1	-1	-1	.0
United Kingdom	6.7	4.0	3.7	4.2	1.9	1.9	2.2	3.4	1.7	1.6	1.6	2.0
Euro Area	3.5	3.0	1.5	3.8	2.5	1.8	1.5	1.5	1.5	1.5	1.5	1.5
Germany	3.4	2.4	1.9	2.8	2.4	2.2	1.9	1.9	1.9	1.9	1.7	1.7
Emerging market economies	4.9	4.3	4.7	3.2	2.7	2.7	3.2	3.2	3.2	3.2	3.2	3.2
Asia	5.2	4.9	5.3	2.4	2.0	2.7	3.0	3.0	3.0	3.0	3.0	3.0
Korea	6.0	2.8	4.8	2.3	2.3	2.5	2.7	2.8	2.9	3.0	3.0	3.0
China	4.6	5.8	6.2	1.8	1.4	2.1	2.8	2.9	2.9	2.9	2.9	2.9
Latin America	3.8	2.9	3.7	5.2	4.7	2.5	3.7	3.8	3.8	3.8	3.8	3.8
Mexico	3.2	2.4	3.5	4.9	4.5	2.2	3.4	3.5	3.5	3.5	3.5	3.5
Brazil	8.1	7.1	5.3	6.4	4.3	4.1	5.5	6.3	6.0	5.4	5.2	5.0

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

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

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

Measure and country	-----Projected-----									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Real GDP ¹										
Total foreign	4.2	4.4	-9	.9	4.4	2.8	2.9	3.2	3.6	
<i>Previous Tealbook</i>	4.2	4.4	-9	.9	4.4	2.8	2.9	3.2	...	
Advanced foreign economies	2.6	2.6	-2.0	-1.3	2.8	1.3	1.2	1.8	2.4	
Canada	1.9	2.5	-7	-1.4	3.3	2.2	2.2	2.3	2.8	
Japan	2.1	1.6	-4.8	-6	3.2	-6	2.0	1.4	1.6	
United Kingdom	2.1	4.1	-5.4	-8	1.7	.5	1.2	2.1	2.8	
Euro area	3.8	2.3	-2.1	-2.1	2.0	.7	-7	1.0	1.9	
Germany	4.9	2.4	-1.9	-2.2	3.8	2.0	.6	1.6	2.2	
Emerging market economies	6.3	6.7	.4	3.5	6.2	4.4	4.8	4.6	4.9	
Asia	7.8	8.9	.8	8.0	7.7	5.1	6.0	5.8	6.0	
Korea	4.6	5.8	-3.2	6.3	5.0	3.4	3.5	3.9	4.5	
China	12.8	13.7	7.7	11.4	9.6	9.1	7.9	8.2	8.3	
Latin America	4.8	4.5	-3	-9	4.6	3.7	3.6	3.3	3.5	
Mexico	4.1	3.5	-1.2	-2.4	4.3	3.7	3.6	3.1	3.4	
Brazil	4.9	6.6	.9	5.3	5.4	1.4	3.6	3.9	4.1	
Consumer prices ²										
Total foreign	2.2	3.7	3.3	1.3	3.2	3.4	2.4	2.4	2.5	
<i>Previous Tealbook</i>	2.2	3.7	3.3	1.3	3.2	3.4	2.6	2.4	...	
Advanced foreign economies	1.4	2.2	2.0	.2	1.7	2.2	1.6	1.3	1.4	
Canada	1.4	2.5	1.8	.8	2.2	2.7	2.1	1.8	2.0	
Japan	.3	.5	1.1	-2.0	-.3	-.3	.1	-.1	.0	
United Kingdom	2.7	2.1	3.9	2.2	3.4	4.7	2.3	1.7	1.7	
Euro Area	1.8	2.9	2.3	.4	2.0	2.9	1.8	1.5	1.6	
Germany	1.3	3.1	1.7	.3	1.6	2.6	2.1	1.8	1.7	
Emerging market economies	2.9	5.1	4.6	2.1	4.3	4.3	2.9	3.2	3.3	
Asia	2.4	5.5	3.6	1.3	4.3	4.4	2.7	3.0	3.1	
Korea	2.1	3.4	4.5	2.4	3.2	4.0	2.6	3.0	3.0	
China	2.1	6.7	2.5	.6	4.7	4.6	2.3	2.9	3.0	
Latin America	4.1	4.2	6.7	3.9	4.4	3.9	3.7	3.8	3.7	
Mexico	4.1	3.8	6.2	4.0	4.3	3.5	3.4	3.5	3.4	
Brazil	3.1	4.3	6.3	4.3	5.6	6.7	5.0	5.4	4.9	

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

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

U.S. Current Account

Quarterly Data

	2011				2012				Projected-----2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Billions of dollars, s.a.a.r.</i>												
U.S. current account balance	-473.1	-493.7	-430.5	-496.4	-520.4	-478.3	-493.9	-522.0	-553.9	-521.0	-530.7	-554.2
<i>Previous Tealbook</i>	-474.9	-495.4	-437.7	-458.5	-467.4	-422.7	-426.3	-450.7	-480.4	-438.4	-444.0	-460.7
Current account as percent of GDP	-3.2	-3.3	-2.8	-3.2	-3.4	-3.1	-3.1	-3.3	-3.4	-3.2	-3.2	-3.3
<i>Previous Tealbook</i>	-3.2	-3.3	-2.9	-3.0	-3.0	-2.7	-2.7	-2.8	-3.0	-2.7	-2.7	-2.8
Net goods & services	-555.8	-580.9	-538.9	-564.3	-589.7	-556.2	-566.4	-583.3	-607.8	-565.0	-561.3	-572.4
Investment income, net	220.7	238.0	251.2	210.1	216.8	221.5	219.4	210.2	201.4	187.5	177.4	167.2
Direct, net	317.1	323.6	331.8	294.3	291.0	288.0	283.9	280.6	279.8	274.5	273.2	273.8
Portfolio, net	-96.4	-85.6	-80.6	-84.3	-74.2	-66.5	-64.5	-70.4	-78.4	-87.0	-95.7	-106.6
Other income and transfers, net	-138.0	-150.9	-142.9	-142.2	-147.4	-143.5	-146.8	-148.9	-147.4	-143.5	-146.8	-148.9

Annual Data

	-----Projected-----									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	
<i>Billions of dollars</i>										
U.S. current account balance	-800.6	-710.3	-677.1	-376.6	-470.9	-473.4	-503.6	-540.0	-574.7	
<i>Previous Tealbook</i>	-800.6	-710.3	-677.1	-376.6	-470.9	-466.6	-441.8	-455.9	...	
Current account as percent of GDP	-6.0	-5.1	-4.7	-2.7	-3.2	-3.1	-3.2	-3.3	-3.3	
<i>Previous Tealbook</i>	-6.0	-5.1	-4.7	-2.7	-3.2	-3.1	-2.8	-2.8	...	
Net goods & services	-753.3	-696.7	-698.3	-381.3	-500.0	-560.0	-573.9	-576.6	-566.9	
Investment income, net	54.7	111.1	157.8	137.1	174.5	230.0	217.0	183.4	139.0	
Direct, net	174.0	244.6	284.3	262.2	280.6	316.7	285.9	275.3	273.2	
Portfolio, net	-119.4	-133.5	-126.5	-125.1	-106.2	-86.7	-68.9	-91.9	-134.2	
Other income and transfers, net	-102.0	-124.7	-136.6	-132.3	-145.3	-143.5	-146.7	-146.7	-146.7	

Class I FOMC – Restricted Controlled (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book B Monetary Policy: Strategies and Alternatives

April 19, 2012

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

Policy Rules and the Staff Projection

Strategies

Near-Term Prescriptions of Selected Policy Rules

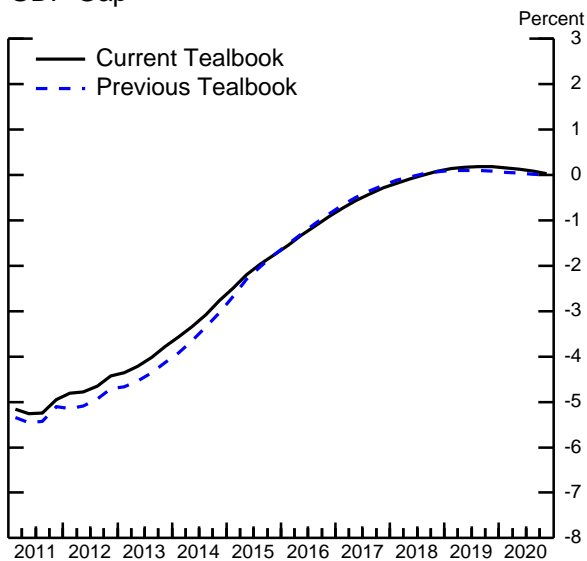
	Constrained Policy		Unconstrained Policy	
	<u>2012Q2</u>	<u>2012Q3</u>	<u>2012Q2</u>	<u>2012Q3</u>
Taylor (1993) rule	1.70	1.60	1.70	1.60
<i>Previous Tealbook</i>	1.38	1.27	1.38	1.27
Taylor (1999) rule	0.13	0.13	-0.63	-0.67
<i>Previous Tealbook</i>	0.13	0.13	-1.10	-1.14
Outcome-based rule	0.13	0.13	0.04	-0.01
<i>Previous Tealbook</i>	0.13	0.13	-0.05	-0.20
First-difference rule	0.18	0.28	0.18	0.28
<i>Previous Tealbook</i>	0.14	0.20	0.14	0.20
Nominal income targeting rule	0.13	0.13	-0.48	-0.91
<i>Previous Tealbook</i>	0.13	0.13	-0.55	-1.04

Memo: Equilibrium and Actual Real Federal Funds Rate

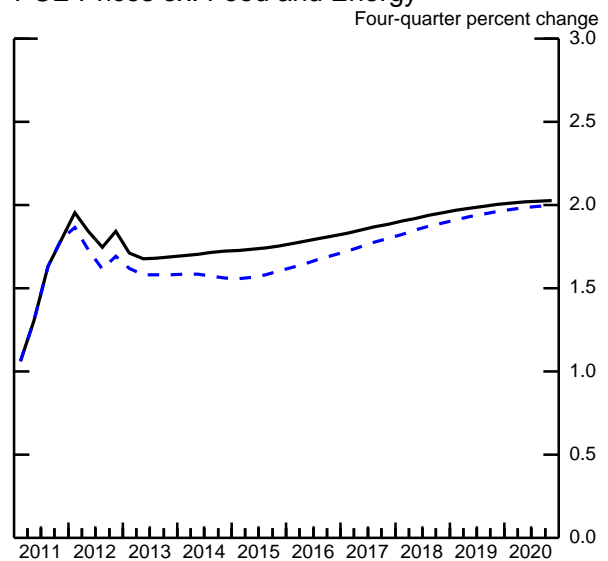
	Current Tealbook	<i>Previous Tealbook</i>
Tealbook-consistent FRB/US r^* estimate	-2.5	-2.9
Actual real federal funds rate	-1.8	-1.7

Key Elements of the Staff Projection

GDP Gap



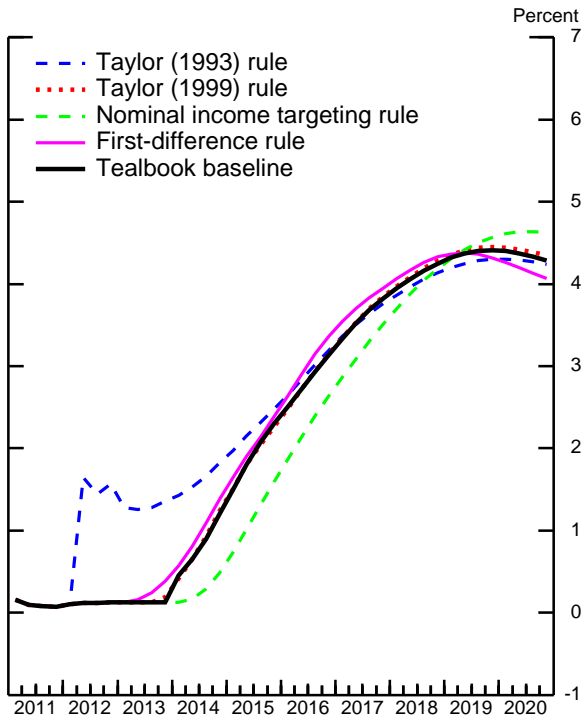
PCE Prices ex. Food and Energy



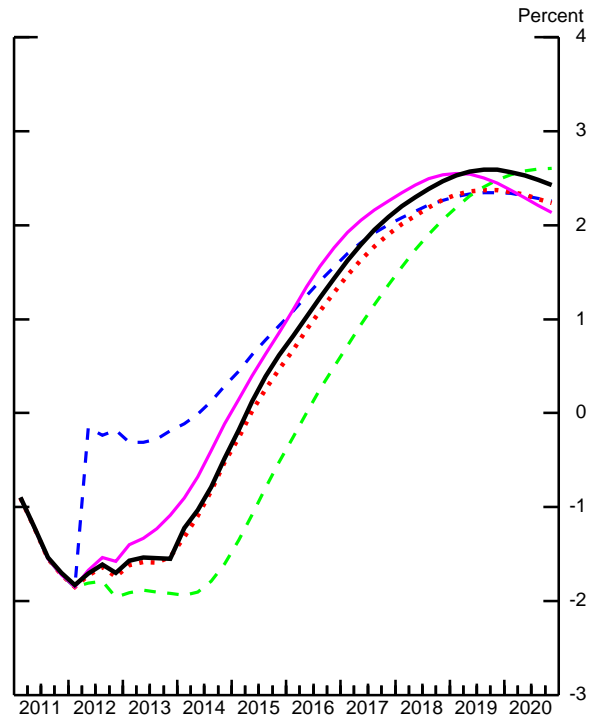
Policy Rule Simulations

Strategies

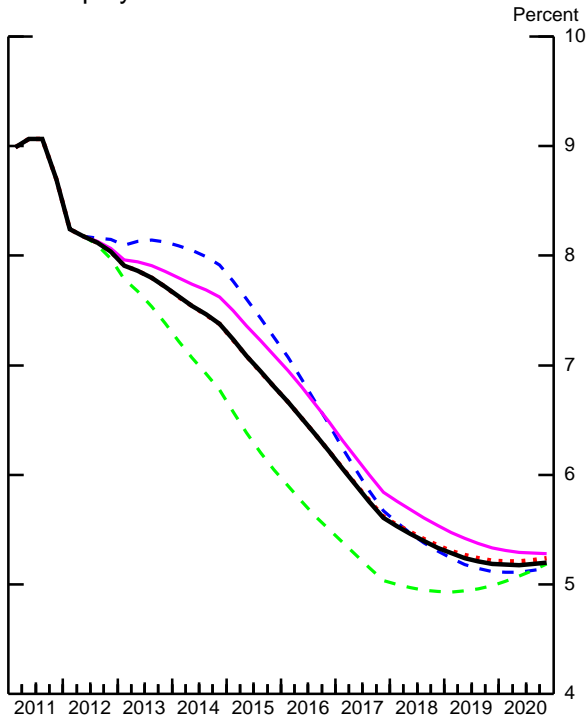
Nominal Federal Funds Rate



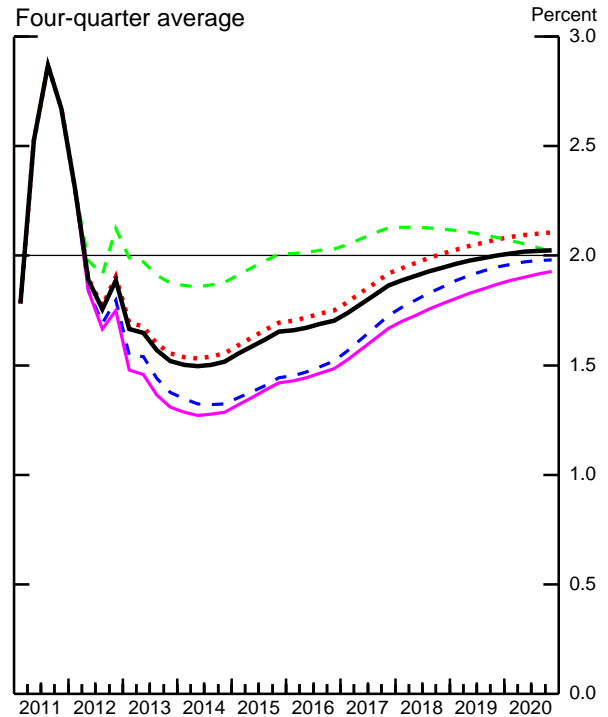
Real Federal Funds Rate



Unemployment Rate



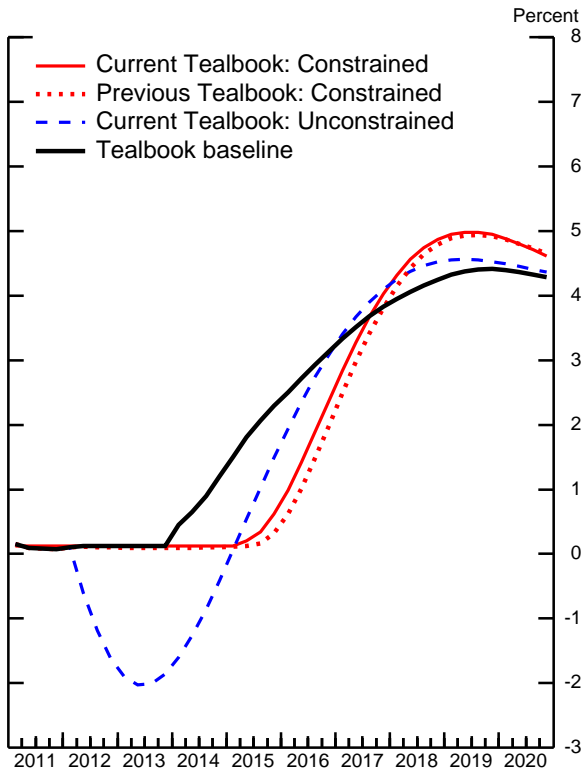
PCE Inflation
Four-quarter average



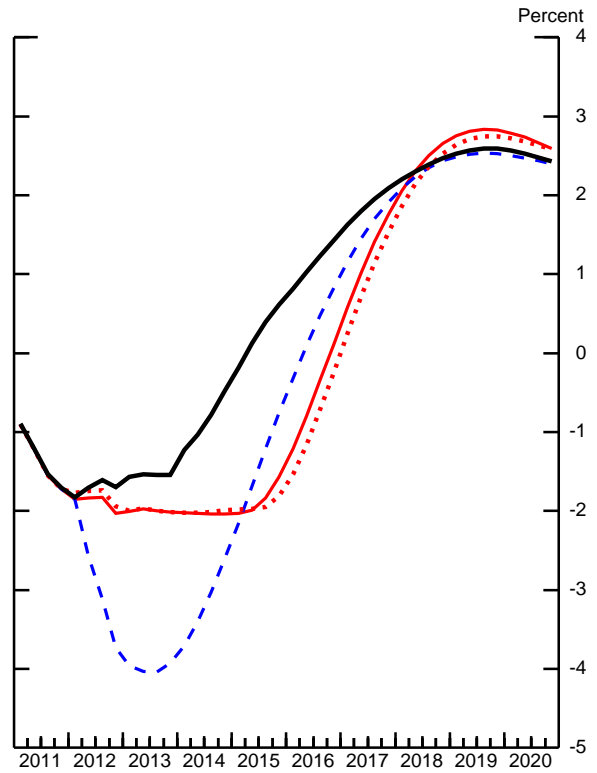
Note: The policy rule simulations in this exhibit are based on rules that respond to core inflation. This choice of rule specification was made in light of the tendency for current and near-term core inflation rates to outperform headline inflation rates as predictors of the medium-term behavior of headline inflation.

Constrained vs. Unconstrained Optimal Monetary Policy

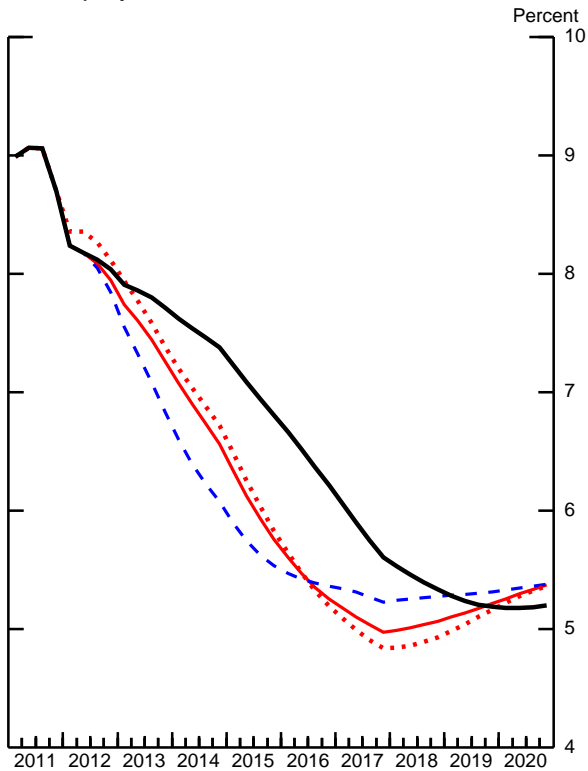
Nominal Federal Funds Rate



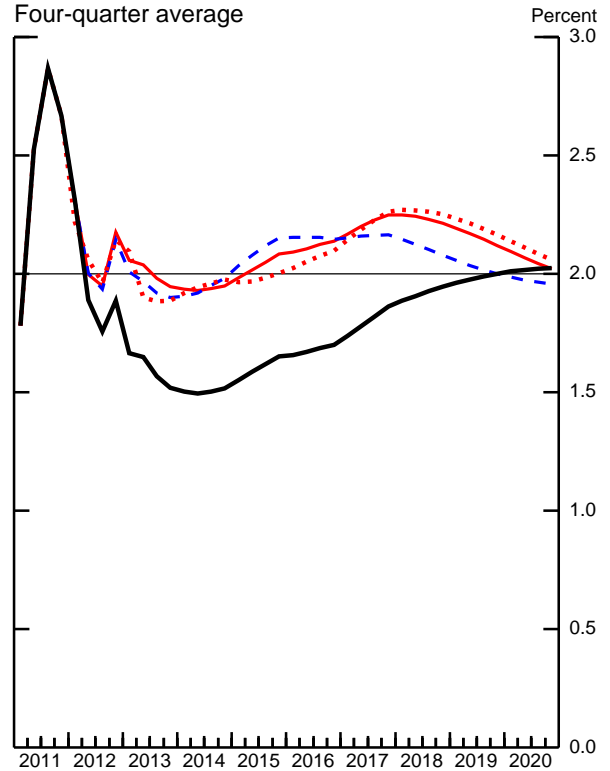
Real Federal Funds Rate



Unemployment Rate



PCE Inflation
Four-quarter average



Outcomes under Alternative Policies

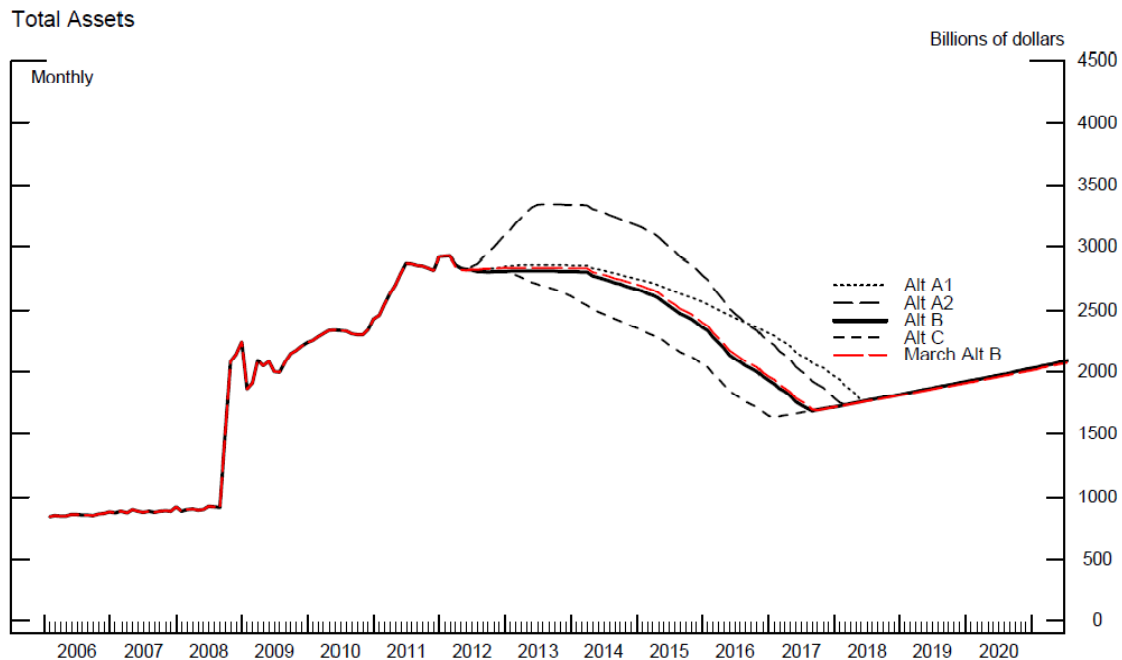
(Percent change, annual rate, from end of preceding period except as noted)

Measure and scenario	2011	2012	2013	2014	2015	2016
	H2					
<i>Real GDP</i>						
Extended Tealbook baseline	2.4	2.5	2.8	3.3	3.6	3.5
Taylor (1993)	2.4	2.1	2.2	3.2	3.8	3.9
Taylor (1999)	2.4	2.5	2.8	3.3	3.6	3.5
First-difference	2.4	2.4	2.6	3.1	3.5	3.5
Nominal income targeting	2.4	2.8	3.4	3.8	3.8	3.4
Constrained optimal control	2.4	2.8	3.6	4.0	4.0	3.2
<i>Unemployment rate¹</i>						
Extended Tealbook baseline	8.7	8.0	7.7	7.4	6.8	6.2
Taylor (1993)	8.7	8.1	8.1	7.9	7.2	6.4
Taylor (1999)	8.7	8.0	7.7	7.4	6.8	6.2
First-difference	8.7	8.0	7.8	7.6	7.1	6.5
Nominal income targeting	8.7	7.9	7.4	6.8	6.0	5.5
Constrained optimal control	8.7	7.9	7.2	6.6	5.8	5.2
<i>Total PCE prices</i>						
Extended Tealbook baseline	1.7	1.9	1.5	1.5	1.7	1.7
Taylor (1993)	1.7	1.8	1.4	1.3	1.5	1.5
Taylor (1999)	1.7	1.9	1.5	1.5	1.7	1.7
First-difference	1.7	1.8	1.3	1.3	1.5	1.5
Nominal income targeting	1.7	2.1	1.9	1.9	2.1	2.0
Constrained optimal control	1.7	2.2	1.9	1.9	2.1	2.1
<i>Core PCE prices</i>						
Extended Tealbook baseline	1.7	1.8	1.7	1.7	1.8	1.8
Taylor (1993)	1.7	1.7	1.6	1.5	1.6	1.6
Taylor (1999)	1.7	1.8	1.7	1.7	1.8	1.8
First-difference	1.7	1.7	1.5	1.5	1.6	1.6
Nominal income targeting	1.7	2.0	2.1	2.1	2.2	2.1
Constrained optimal control	1.7	2.1	2.1	2.1	2.2	2.2
<i>Federal funds rate¹</i>						
Extended Tealbook baseline	0.1	0.1	0.1	1.2	2.3	3.1
Taylor (1993)	0.1	1.6	1.4	1.8	2.5	3.2
Taylor (1999)	0.1	0.1	0.2	1.2	2.3	3.2
First-difference	0.1	0.1	0.4	1.4	2.4	3.4
Nominal income targeting	0.1	0.1	0.1	0.5	1.6	2.6
Constrained optimal control	0.1	0.1	0.1	0.1	0.6	2.4

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

LONG-RUN PROJECTIONS OF THE BALANCE SHEET AND MONETARY BASE

The staff has prepared four scenarios for the Federal Reserve's balance sheet: two for Alternative A and one each for Alternative B and Alternative C. The first scenario for Alternative A, referenced as Alternative A1 below, is consistent with the \$400 billion expansion of the maturity extension program (MEP) described in paragraph 3.1 of the draft statement for that alternative. Alternative A2 instead incorporates the \$500 billion agency MBS purchase program included in paragraph 3.2 of that draft statement. Projections under each scenario are based on assumptions about the trajectory of various components of the balance sheet. Details of these assumptions, as well as projections for each major component of the balance sheet, can be found in Explanatory Note D.



For the balance sheet scenario that corresponds to Alternative B, the Committee is assumed to complete the current MEP that it announced last September, purchasing a total of \$400 billion (par value) of Treasury securities with remaining maturities of six years or more and selling the same par amount of securities with remaining maturities of three years or less by the end of June 2012. The Committee also continues to reinvest principal payments from its holdings of agency debt and MBS into agency MBS, while principal from maturing Treasury securities is reinvested at auction according to the

Growth Rates for the Monetary Base					
Date	Alternative B	Alternative A1	Alternative A2	Alternative C	<i>Memo: March Tealbook</i>
Percent, annual rate					
Monthly					
Jan-12	9.2	9.2	9.2	9.2	9.2
Feb-12	17.8	17.8	17.8	17.8	18.0
Mar-12	3.1	3.1	3.1	3.1	11.3
Apr-12	-23.8	-24.5	-24.4	-24.2	-31.7
May-12	2.5	1.8	1.9	1.7	-13.7
Jun-12	13.8	13.9	18.2	13.1	16.2
Jul-12	1.3	2.7	14.1	1.1	6.8
Aug-12	5.7	8.3	23.3	5.8	10.0
Sep-12	-6.2	-3.9	12.3	-6.3	-5.1
Quarterly					
2011 Q1	36.8	36.8	36.8	36.8	36.8
2011 Q2	69.3	69.3	69.3	69.3	69.3
2011 Q3	21.0	21.0	21.0	21.0	21.0
2011 Q4	-5.9	-5.9	-5.9	-5.9	-5.9
2012 Q1	5.5	5.5	5.5	5.5	6.4
2012 Q2	-3.3	-3.6	-3.1	-3.6	-7.4
2012 Q3	4.4	5.6	15.7	4.0	6.0
2012 Q4	-5.3	-3.4	13.4	-5.4	-4.5
Annual - Q4 to Q4					
2010	0.9	0.9	0.9	0.9	0.9
2011	32.9	32.9	32.9	32.9	32.9
2012	0.3	1.0	8.0	0.1	0.1
2013	-0.2	0.5	10.9	-3.8	-0.3
2014	-2.4	-1.2	-2.7	-10.5	-2.0
2015	-10.8	-6.6	-11.6	-13.0	-10.7
2016	-19.6	-10.4	-20.2	-21.5	-19.8
2017	-15.9	-16.2	-22.2	-0.1	-17.7
2018	5.2	-12.0	-3.4	5.2	5.0

Note: Not seasonally adjusted.

Growth Rates for M2	
(Percent, seasonally adjusted annual rate)	
Monthly Growth Rates	Tealbook Forecast*
Jan-12	15.9
Feb-12	3.0
Mar-12	3.6
Apr-12	7.4
May-12	3.3
Jun-12	3.3
Jul-12	4.8
Aug-12	4.8
Sep-12	4.8
Oct-12	4.3
Nov-12	4.2
Dec-12	4.2
Quarterly Growth Rates	
2012 Q1	8.4
2012 Q2	4.7
2012 Q3	4.3
2012 Q4	4.5
2013 Q1	1.4
2013 Q2	3.0
2013 Q3	3.2
2013 Q4	1.9
Annual Growth Rates	
2012	5.6
2013	2.4
2014	-1.8

* This forecast is consistent with nominal GDP and interest rates in the Tealbook forecast. Actual data through March 2012; projections thereafter.

Term Premium Effect				
Date	Alternative B	Alternative A1	Alternative A2	Alternative C

Basis Points
Quarterly Averages

2012 Q2	-61	-77	-77	-54
2012 Q3	-58	-74	-74	-51
2012 Q4	-55	-71	-71	-48
2013 Q1	-51	-67	-67	-44
2013 Q2	-48	-64	-63	-41
2013 Q3	-45	-60	-59	-37
2013 Q4	-41	-56	-55	-34
2014 Q1	-38	-52	-51	-31
2014 Q2	-35	-48	-47	-28
2014 Q3	-32	-45	-43	-26
2014 Q4	-29	-41	-39	-23
2015 Q1	-27	-38	-35	-21
2015 Q2	-24	-35	-32	-19
2015 Q3	-22	-32	-29	-17
2015 Q4	-20	-29	-26	-15
2016 Q1	-18	-27	-23	-14
2016 Q2	-16	-25	-21	-13
2016 Q3	-15	-22	-19	-11
2016 Q4	-13	-20	-17	-10
2017 Q1	-12	-19	-15	-10
2017 Q2	-11	-17	-13	-9
2017 Q3	-10	-15	-12	-8
2017 Q4	-10	-14	-11	-8
2018 Q1	-9	-13	-10	-8
2018 Q2	-8	-12	-9	-8
2018 Q3	-8	-11	-9	-7
2018 Q4	-8	-10	-8	-7
2019 Q1	-7	-10	-8	-7
2019 Q2	-7	-9	-7	-7
2019 Q3	-7	-9	-7	-6
2019 Q4	-6	-8	-6	-6
2020 Q1	-6	-8	-6	-6
2020 Q2	-5	-7	-5	-5
2020 Q3	-5	-7	-5	-5
2020 Q4	-5	-6	-5	-5

Federal Reserve Balance Sheet End-of-Year Projections -- Alternative A1

Billions of dollars

	<u>Mar 30, 2012</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,859	2,857	2,758	2,324	1,820	2,028
Selected assets						
Liquidity programs for financial firms	46	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	46	0	0	0	0	0
Lending through other credit facilities	7	3	1	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	7	3	1	0	0	0
Support for specific institutions	23	20	16	12	7	4
Credit extended to AIG	0	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	23	20	16	12	7	4
Securities held outright	2,594	2,589	2,515	2,121	1,653	1,882
U.S. Treasury securities	1,661	1,650	1,629	1,570	1,445	1,882
Agency debt securities	96	77	39	16	2	0
Agency mortgage-backed securities	837	862	847	535	206	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	187	244	225	190	160	142
Total liabilities	2,805	2,795	2,676	2,215	1,677	1,839
Selected liabilities						
Federal Reserve notes in circulation	1,057	1,115	1,257	1,403	1,561	1,723
Reverse repurchase agreements	97	70	70	70	70	70
Deposits with Federal Reserve Banks	1,631	1,593	1,333	726	30	30
Reserve balances held by depository institutions	1,550	1,507	1,328	721	25	25
U.S. Treasury, General Account	43	86	5	5	5	5
Other Deposits	37	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	3	0	0	0	0	0
Total capital	54	62	82	108	143	189

Explanatory Notes

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

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

Federal Reserve Balance Sheet End-of-Year Projections -- Alternative A2

Billions of dollars

	<u>Mar 30, 2012</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,859	3,094	3,171	2,251	1,821	2,028
Selected assets						
Liquidity programs for financial firms	46	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	46	0	0	0	0	0
Lending through other credit facilities	7	3	1	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	7	3	1	0	0	0
Support for specific institutions	23	20	16	12	7	4
Credit extended to AIG	0	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	23	20	16	12	7	4
Securities held outright	2,594	2,850	2,952	2,077	1,685	1,915
U.S. Treasury securities	1,661	1,650	1,596	1,228	1,362	1,915
Agency debt securities	96	77	39	16	2	0
Agency mortgage-backed securities	837	1,123	1,318	833	320	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	187	220	201	161	129	110
Total liabilities	2,805	3,032	3,089	2,142	1,677	1,839
Selected liabilities						
Federal Reserve notes in circulation	1,057	1,115	1,257	1,403	1,561	1,723
Reverse repurchase agreements	97	70	70	70	70	70
Deposits with Federal Reserve Banks	1,631	1,830	1,745	654	30	30
Reserve balances held by depository institutions	1,550	1,744	1,740	648	25	25
U.S. Treasury, General Account	43	86	5	5	5	5
Other Deposits	37	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	3	0	0	0	0	0
Total capital	54	62	82	108	143	189

Explanatory Notes

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

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

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

Billions of dollars

	<u>Mar 30, 2012</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,859	2,819	2,674	1,936	1,821	2,028
Selected assets						
Liquidity programs for financial firms	46	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	46	0	0	0	0	0
Lending through other credit facilities	7	3	1	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	7	3	1	0	0	0
Support for specific institutions	23	20	16	12	7	4
Credit extended to AIG	0	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	23	20	16	12	7	4
Securities held outright	2,594	2,589	2,482	1,779	1,692	1,915
U.S. Treasury securities	1,661	1,650	1,596	1,228	1,483	1,915
Agency debt securities	96	77	39	16	2	0
Agency mortgage-backed securities	837	862	847	535	206	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	187	207	175	145	122	109
Total liabilities	2,805	2,757	2,593	1,828	1,677	1,839
Selected liabilities						
Federal Reserve notes in circulation	1,057	1,115	1,257	1,403	1,561	1,723
Reverse repurchase agreements	97	70	70	70	70	70
Deposits with Federal Reserve Banks	1,631	1,555	1,249	339	30	30
Reserve balances held by depository institutions	1,550	1,469	1,244	334	25	25
U.S. Treasury, General Account	43	86	5	5	5	5
Other Deposits	37	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	3	0	0	0	0	0
Total capital	54	62	82	108	143	189

Explanatory Notes

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

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

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

Billions of dollars

	<u>Mar 30, 2012</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,859	2,814	2,357	1,649	1,820	2,028
Selected assets						
Liquidity programs for financial firms	46	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	46	0	0	0	0	0
Lending through other credit facilities	7	3	1	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	7	3	1	0	0	0
Support for specific institutions	23	20	16	12	7	4
Credit extended to AIG	0	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	23	20	16	12	7	4
Securities held outright	2,594	2,589	2,171	1,499	1,698	1,918
U.S. Treasury securities	1,661	1,650	1,519	1,176	1,698	1,918
Agency debt securities	96	77	39	16	0	0
Agency mortgage-backed securities	837	862	613	306	0	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	187	202	169	138	115	106
Total liabilities	2,805	2,752	2,275	1,541	1,677	1,839
Selected liabilities						
Federal Reserve notes in circulation	1,057	1,115	1,257	1,403	1,561	1,723
Reverse repurchase agreements	97	70	70	70	70	70
Deposits with Federal Reserve Banks	1,631	1,550	932	52	30	30
Reserve balances held by depository institutions	1,550	1,464	926	47	25	25
U.S. Treasury, General Account	43	86	5	5	5	5
Other Deposits	37	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	3	0	0	0	0	0
Total capital	54	62	82	108	143	189

Explanatory Notes

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

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