

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

September 11, 2013

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 last published its Summary of Economic Projections (SEP) following the June FOMC meeting. The table below summarizes revisions to the staff economic projection since the June Tealbook.

The staff projection for real GDP growth is somewhat weaker than in the June Tealbook, the result of both weaker indicators for the near term and less favorable financial assumptions. However, the projection for the unemployment rate is little revised on net: It ends 2013 a bit lower, reflecting the incoming data, and it is unrevised thereafter, reflecting the offsetting influences of the weaker GDP growth outlook and a small further downward revision to our estimate of the natural rate of unemployment. In 2016, the staff projects another year of above-trend GDP growth and a further decline in the unemployment rate to 5¼ percent—close to our estimate of the natural rate.

The staff projection for overall PCE inflation has revised up this year relative to the June projection, reflecting the rise in oil prices over the summer. Beyond this year, however, the projection for both core and headline inflation is revised slightly lower, largely the result of a change in the BEA's methodology for measuring the nonmarket component of prices. In 2016, we project inflation to continue to edge higher but still to be below 2 percent.

The unemployment rate is still projected to cross the Committee's 6½ percent threshold in early 2015, and the policy rule that governs our assumption for the federal funds rate calls for the rate to lift off from the effective lower bound in the second quarter of 2015, the same as in June.

Staff Economic Projections Compared with the June Tealbook

Variable	2013		2013	2014	2015	2016	Longer run
	H1	H2					
Real GDP ¹	2.0	2.5	2.3	3.1	3.4	3.2	2.3
June Tealbook	2.0	2.9	2.5	3.4	3.6		2.3
Unemployment rate ²	7.5	7.2	7.2	6.6	5.8	5.3	5.2
June Tealbook	7.5	7.3	7.3	6.6	5.8		5.2
PCE inflation ¹	.6	1.6	1.1	1.2	1.4	1.6	2.0
June Tealbook	.4	1.3	.9	1.4	1.6		2.0
Core PCE inflation ¹	1.1	1.4	1.2	1.5	1.6	1.7	n.a.
June Tealbook	1.0	1.4	1.2	1.6	1.8		n.a.
Federal funds rate ²	.12	.13	.13	.13	.85	1.90	4.00
June Tealbook	.12	.13	.13	.13	1.04		4.00
Memo:							
Federal funds rate, end of period	.13	.13	.13	.13	1.00	2.00	4.00
June Tealbook	.13	.13	.13	.13	1.25		4.00

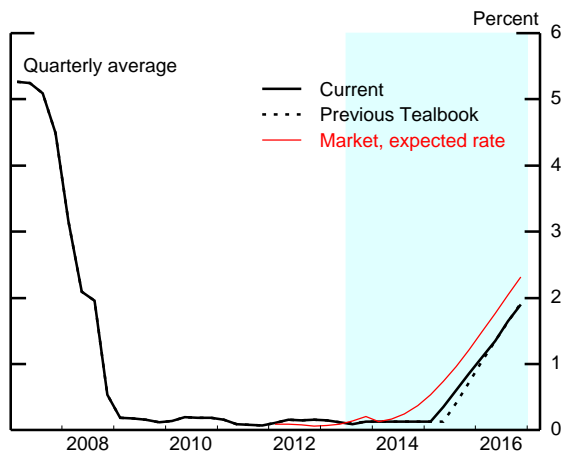
1. Percent change from final quarter of preceding period to final quarter of period indicated.

2. Percent, final quarter of period indicated.

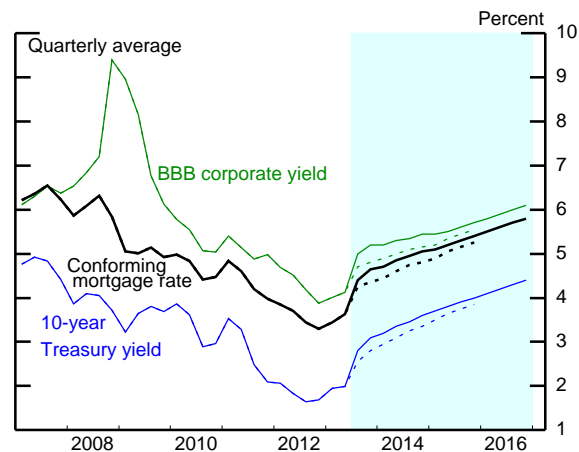
n.a. Not available.

Key Background Factors underlying the Baseline Staff Projection

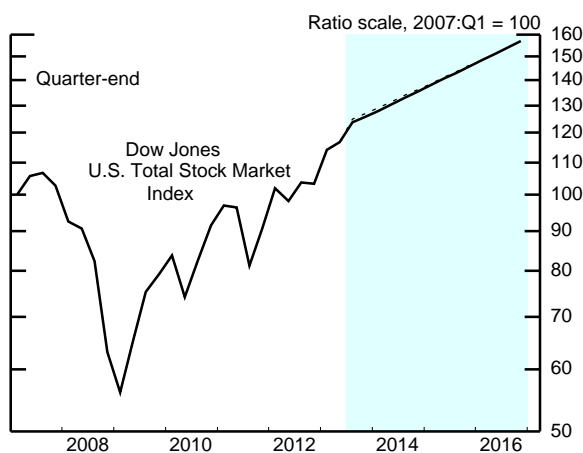
Federal Funds Rate



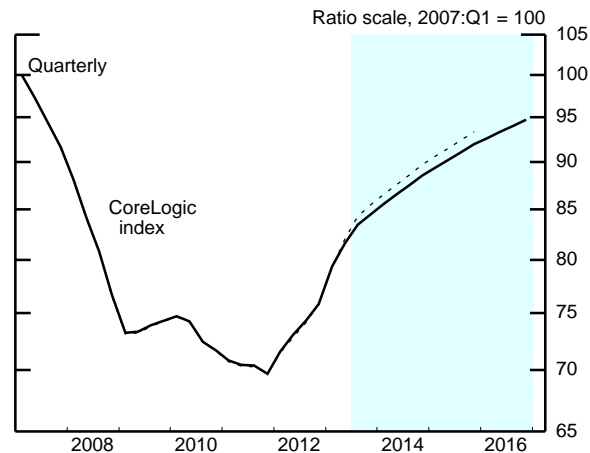
Long-Term Interest Rates



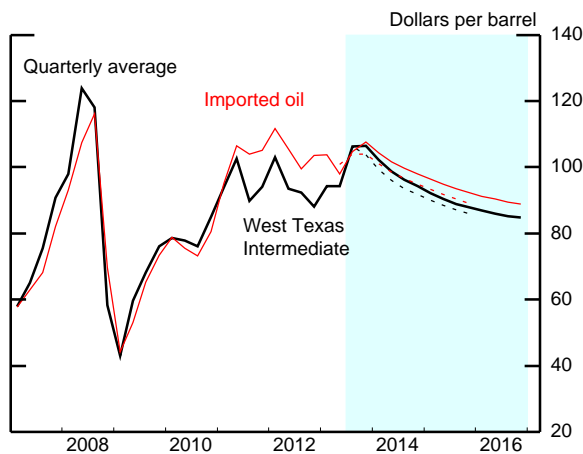
Equity Prices



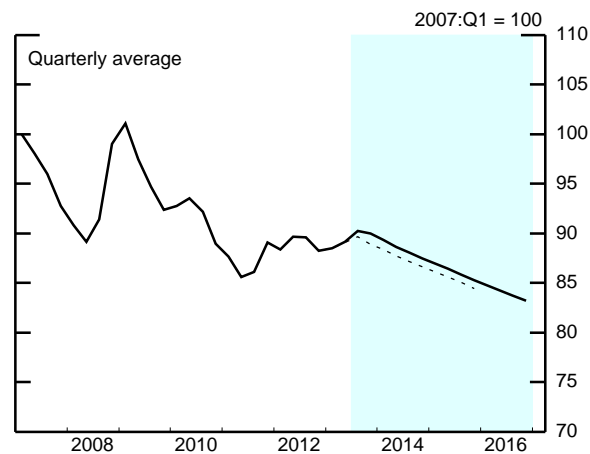
House Prices



Crude Oil Prices



Broad Real Dollar



Summary of the Near-Term Outlook

(Percent change at annual rate except as noted)

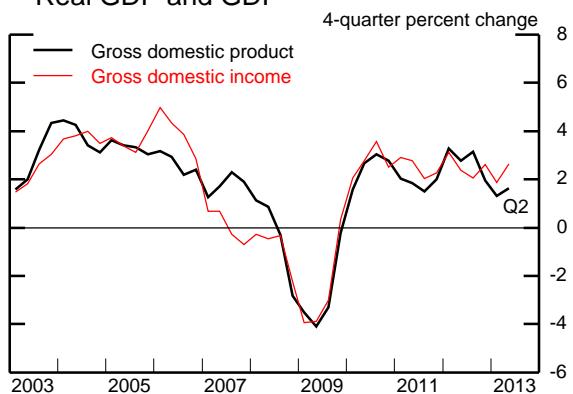
Measure	2013:H1		2013:Q3		2013:Q4	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
Real GDP	1.4	2.0	2.3	2.2	3.3	2.7
Private domestic final purchases	2.6	2.2	2.8	2.3	4.0	3.7
Personal consumption expenditures	2.1	2.2	2.6	2.0	3.5	3.1
Residential investment	11.9	13.3	4.2	2.6	17.3	12.0
Nonres. private fixed investment	3.7	-.2	3.7	3.7	4.0	5.1
Government purchases	-4.2	-2.3	-3.2	-2.5	-2.0	-2.7
<i>Contributions to change in real GDP</i>						
Inventory investment ¹	-.1	.8	.2	.4	.6	.2
Net exports ¹	.1	-.1	.4	.4	-.2	-.1
Unemployment rate²	7.5	7.5	7.5	7.3	7.4	7.2
PCE chain price index	.5	.6	1.8	1.9	1.0	1.3
Ex. food and energy	1.1	1.1	1.5	1.5	1.4	1.3

1. Percentage points.

2. Percent. For 2013:H1, the 2013:Q2 value is shown.

Recent Nonfinancial Developments (1)

Real GDP and GDI



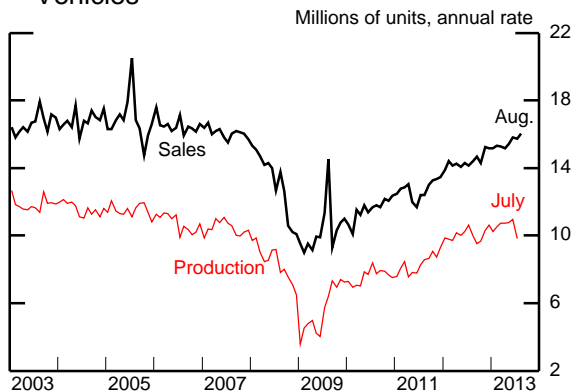
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Manufacturing IP ex. Motor Vehicles and Parts



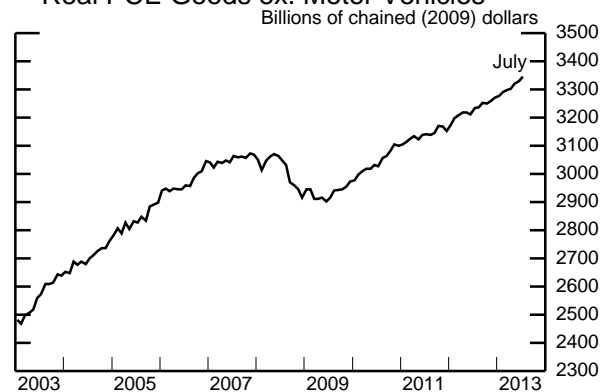
Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Sales and Production of Light Motor Vehicles



Source: Ward's Auto Infobank.

Real PCE Goods ex. Motor Vehicles



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

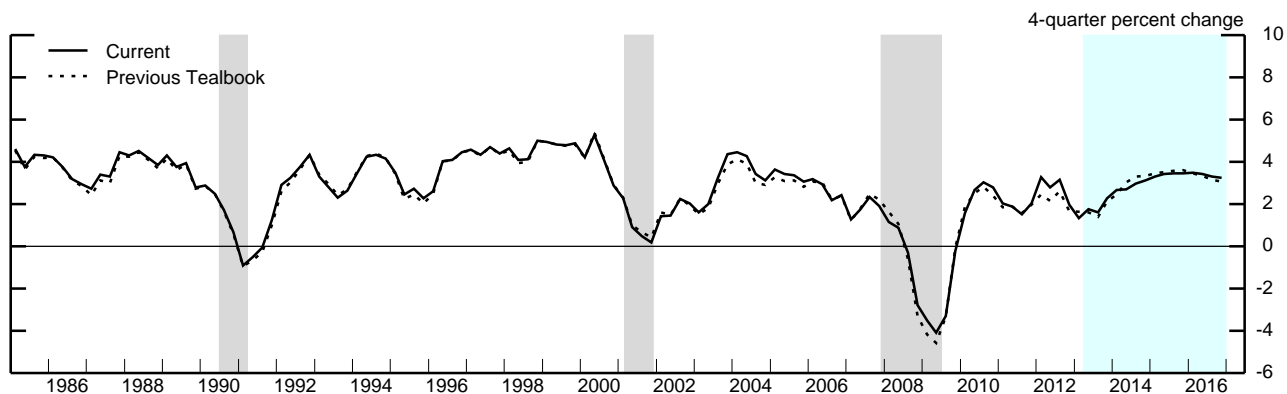
Projections of Real GDP and Related Components

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

Measure	2013	2013		2014	2015	2016
		H1	H2			
Real GDP	2.3	2.0	2.5	3.1	3.4	3.2
Previous Tealbook	2.1	1.4	2.8	3.3	3.6	3.0
Final sales	1.7	1.3	2.2	3.1	3.6	3.5
Previous Tealbook	1.8	1.2	2.4	3.2	3.8	
Personal consumption expenditures	2.4	2.2	2.6	3.6	3.8	3.1
Previous Tealbook	2.5	2.1	3.0	3.7	3.9	
Residential investment	10.2	13.3	7.2	15.8	14.8	8.9
Previous Tealbook	11.2	11.9	10.6	18.9	16.0	
Nonresidential structures	-1.0	-6.4	4.6	2.7	2.7	2.5
Previous Tealbook	1.3	-1.2	3.9	2.5	3.1	
Equipment and intangibles	3.0	1.7	4.4	5.3	5.9	5.7
Previous Tealbook ¹	4.8	5.8	3.8	5.7	6.2	
Federal purchases	-5.8	-5.1	-6.5	-5.4	-3.8	.0
Previous Tealbook	-7.6	-8.9	-6.3	-5.5	-3.8	
State and local purchases	-.2	-.4	.1	.3	1.1	1.5
Previous Tealbook	-.7	-1.1	-.3	.0	1.0	
Exports	3.5	3.2	3.8	4.4	6.1	7.0
Previous Tealbook	3.4	3.0	3.8	4.8	6.4	
Imports	2.8	3.4	2.1	4.4	5.1	4.6
Previous Tealbook	2.9	3.2	2.7	4.7	5.4	
Contributions to change in real GDP (percentage points)						
Inventory change	.5	.8	.3	.0	-.2	-.2
Previous Tealbook	.3	.3	.4	.1	-.2	
Net exports	.0	-.1	.2	-.1	.0	.2
Previous Tealbook	.0	-.1	.1	-.1	.0	

1. Reflects the values for equipment and software, the most comparable series prior to the comprehensive revision.

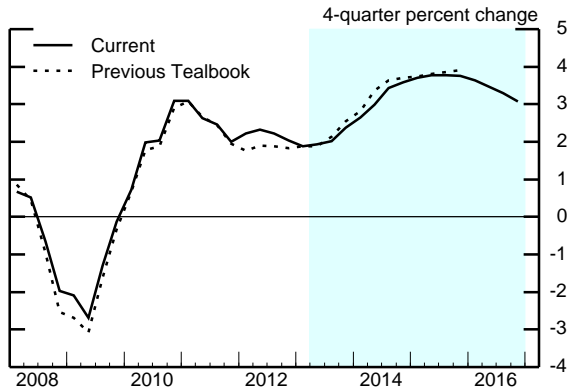
Real GDP



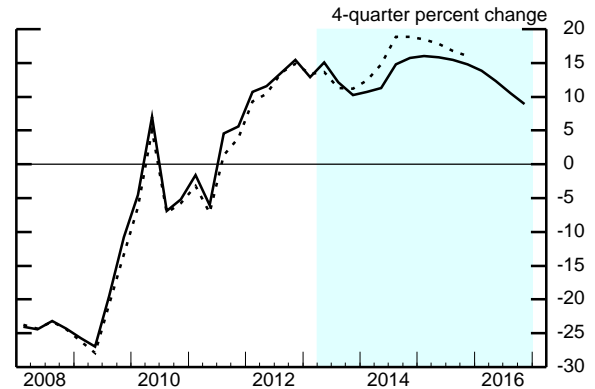
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

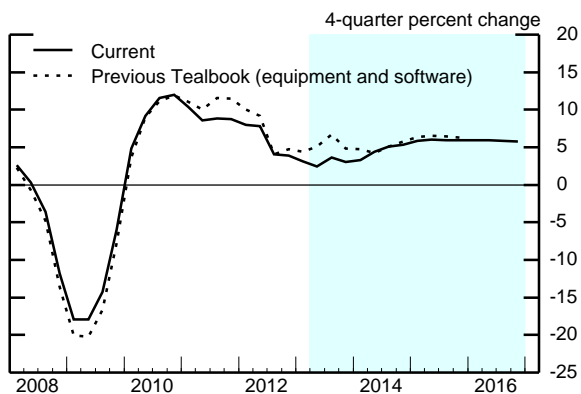
Personal Consumption Expenditures



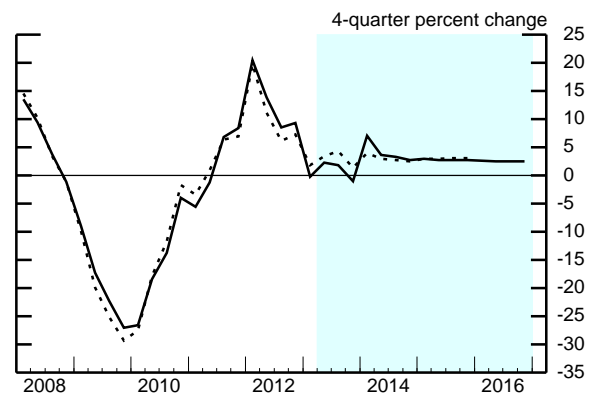
Residential Investment



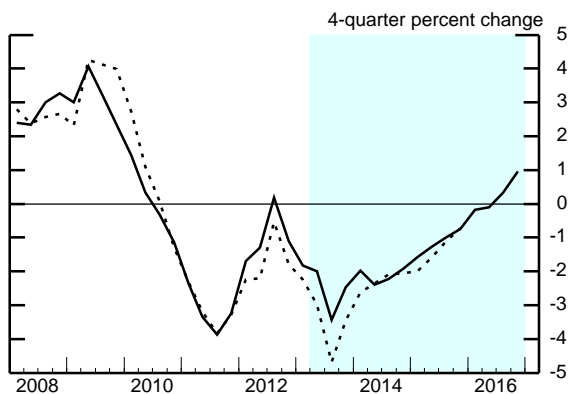
Equipment and Intangibles



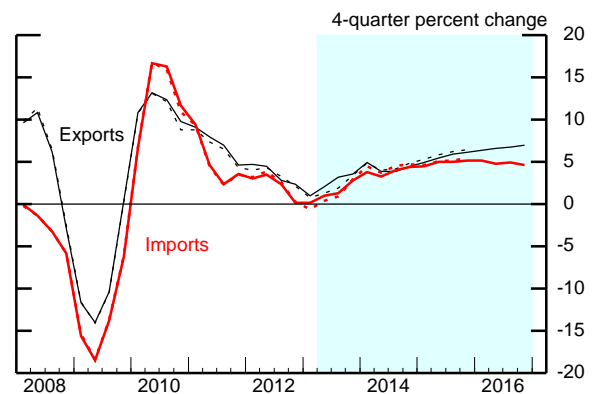
Nonresidential Structures



Government Consumption & Investment



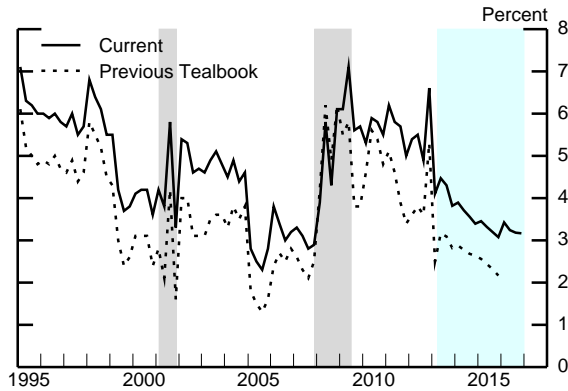
Exports and Imports



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

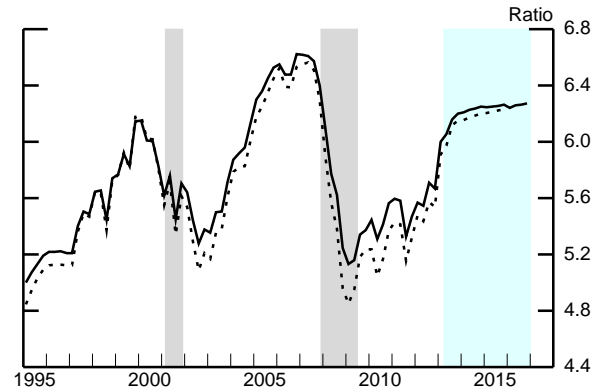
Aspects of the Medium-Term Projection

Personal Saving Rate



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

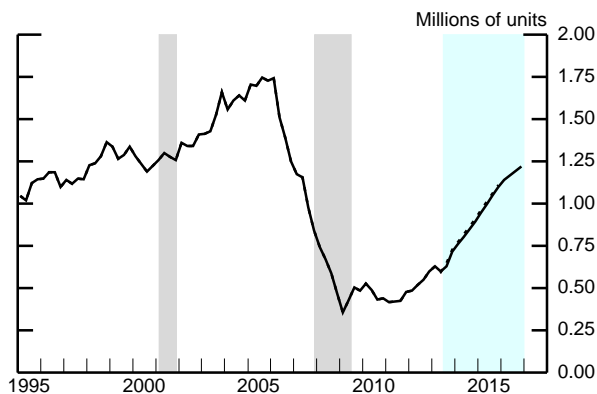
Wealth-to-Income Ratio



Note: Household net worth as a ratio to disposable personal income.

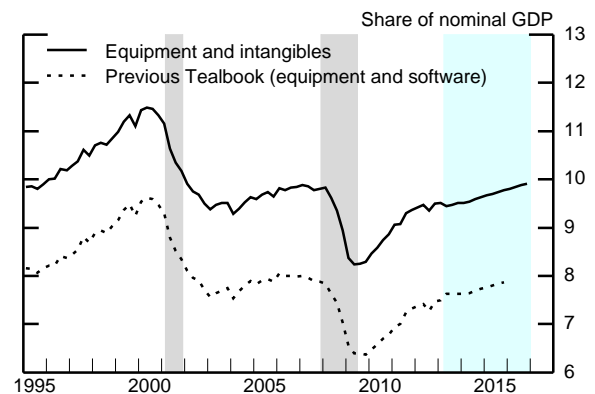
Source: For net worth, Federal Reserve Board, flow of funds data; for income, U.S. Dept. of Commerce, Bureau of Economic Analysis.

Single-Family Housing Starts



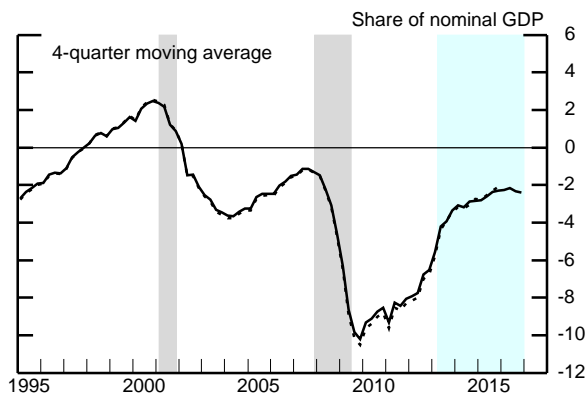
Source: U.S. Census Bureau.

Equipment and Intangibles Spending



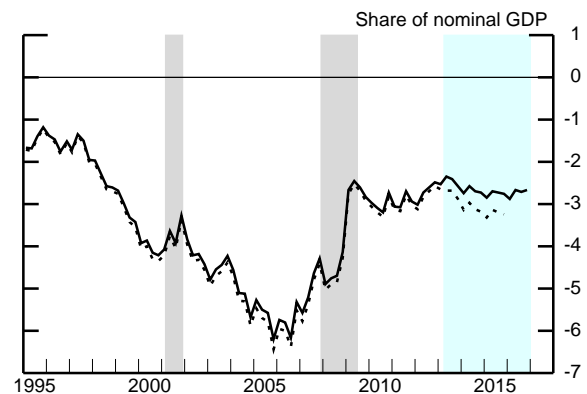
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

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.

Decomposition of Potential GDP

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

Measure	1974-95	1996-2000	2001-11	2012	2013	2014	2015	2016
Potential real GDP	3.1	3.4	2.2	1.9	2.1	2.2	2.2	2.1
Previous Tealbook	3.0	3.4	2.1	1.9	2.0	2.1	2.1	
<i>Selected contributions¹</i>								
Structural labor productivity ²	1.5	2.7	2.2	1.4	1.5	1.7	1.8	1.9
Previous Tealbook	1.4	2.6	2.1	1.4	1.5	1.7	1.7	
Structural hours	1.5	1.0	.6	.7	.7	.6	.6	.5
Previous Tealbook	1.5	1.0	.6	.7	.7	.6	.6	
Labor force participation	.4	.0	-.3	-.3	-.5	-.3	-.3	-.3
Previous Tealbook	.4	.0	-.3	-.3	-.4	-.3	-.3	
<i>Memo:</i>								
GDP gap ³	-2.4	1.9	-3.6	-3.6	-3.4	-2.5	-1.3	-.2
Previous Tealbook	-2.4	1.9	-3.6	-3.9	-3.8	-2.6	-1.2	

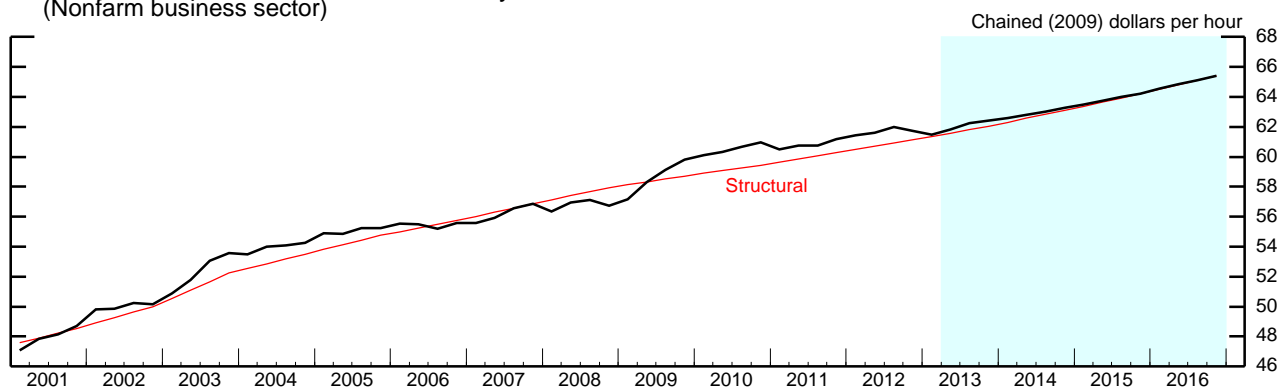
Note: For multiyear periods, the percent change is the annual average from Q4 of the year preceding the first year shown to Q4 of the last year shown.

1. Percentage points.

2. Due to substantial revisions from the Bureau of Economic Analysis to productive investment as part of the latest comprehensive revision, staff estimates of the components of structural productivity are not available for this Tealbook.

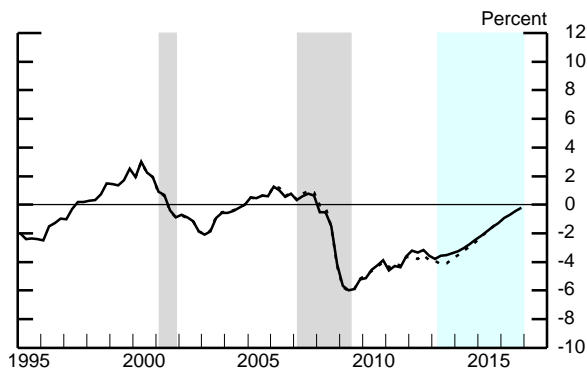
3. Percent difference between actual and potential GDP in the final quarter of the period indicated. A negative number indicates that the economy is operating below potential.

Structural and Actual Labor Productivity (Nonfarm business sector)



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

GDP Gap

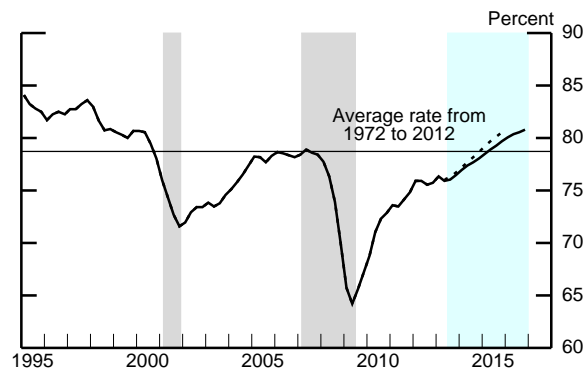


Note: The GDP gap is the percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

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."

The Outlook for the Labor Market

Measure	2013	2013		2014	2015	2016
		H1	H2			
Output per hour, nonfarm business ¹	1.1	.3	1.9	1.4	1.5	1.8
Previous Tealbook	.3	-.7	1.4	1.6	1.7	
Nonfarm private employment ²	181	201	162	202	241	198
Previous Tealbook	198	206	190	209	250	
Labor force participation rate ³	63.3	63.4	63.3	63.3	63.2	63.1
Previous Tealbook	63.4	63.4	63.4	63.3	63.3	
Civilian unemployment rate ³	7.2	7.5	7.2	6.6	5.8	5.3
Previous Tealbook	7.4	7.5	7.4	6.8	6.0	5.5

1. Percent change from final quarter of preceding period at annual rate.

2. Thousands, average monthly changes.

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

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

Inflation Projections

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

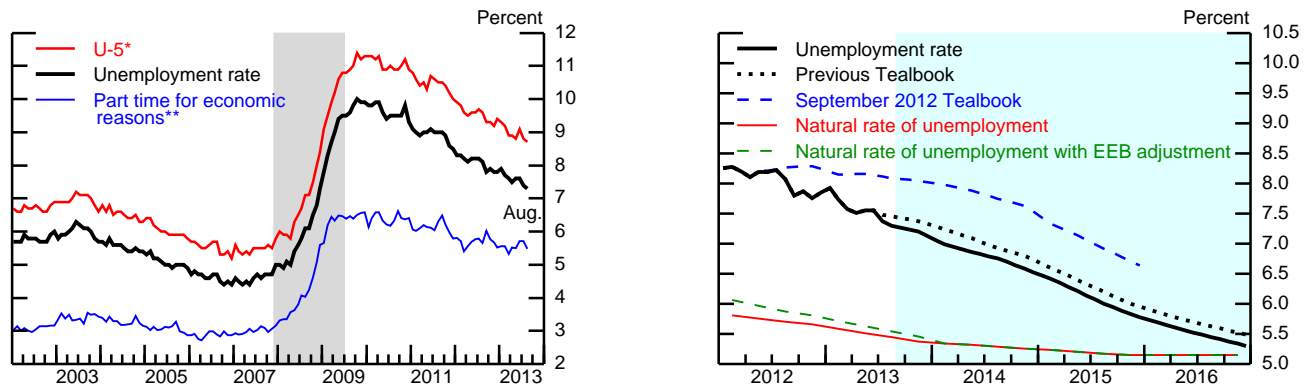
Measure	2013	2013		2014	2015	2016
		H1	H2			
PCE chain-weighted price index	1.1	.6	1.6	1.2	1.4	1.6
Previous Tealbook	.9	.5	1.4	1.3	1.5	1.7
Food and beverages	.9	.9	1.0	.7	1.3	1.4
Previous Tealbook	1.0	.9	1.1	.8	1.3	
Energy	-1.1	-7.7	6.0	-3.1	-1.4	-.7
Previous Tealbook	-4.0	-8.5	.8	-2.4	-1.6	
Excluding food and energy	1.2	1.1	1.4	1.5	1.6	1.7
Previous Tealbook	1.3	1.1	1.5	1.6	1.7	1.8
Prices of core goods imports ¹	-1.0	-1.0	-1.0	1.5	1.5	1.6
Previous Tealbook	-.4	-.9	.1	1.4	1.5	

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

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

Labor Market Developments and Outlook

Measures of Labor Underutilization



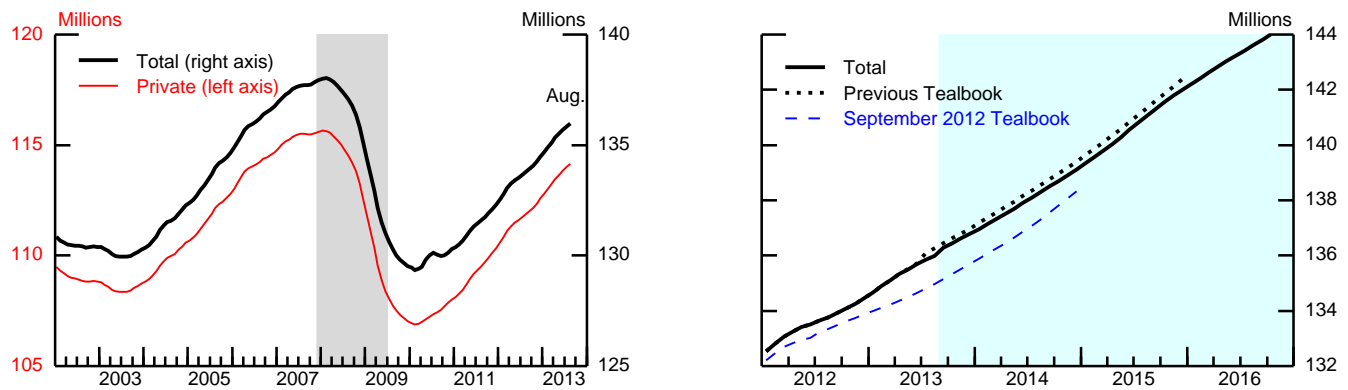
* U-5 measures total unemployed plus all marginally attached to the labor force, as a percent of the labor force plus persons marginally attached to the labor force.

** Percent of Current Population Survey employment.

EEB Extended and emergency unemployment benefits.

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

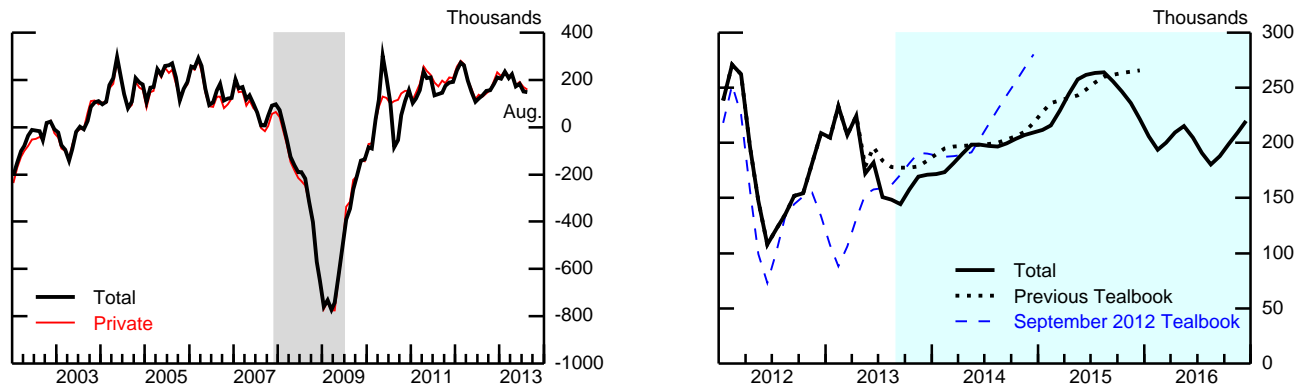
Level of Payroll Employment*



* 3-month moving averages in history; average levels in each quarter during the forecast period.

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

Change in Payroll Employment*



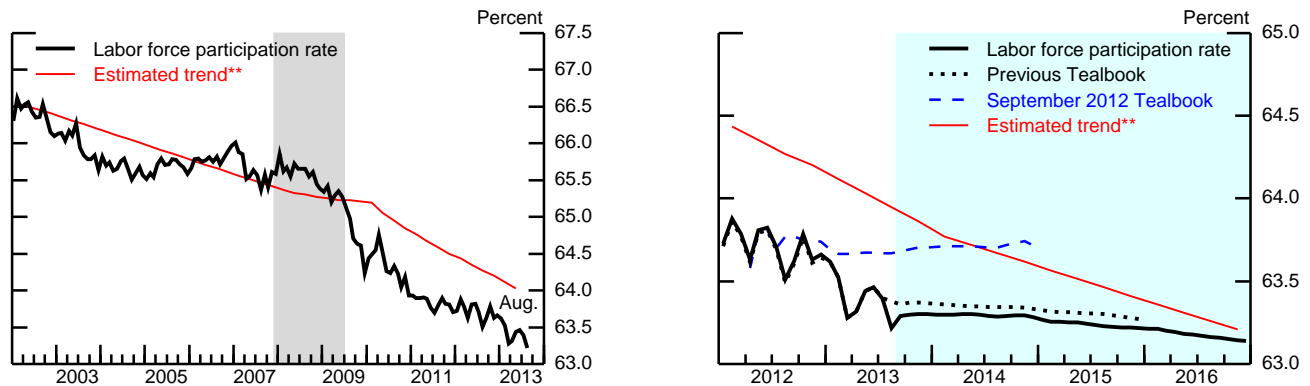
* 3-month moving averages in history; average monthly changes in each quarter during the forecast period.

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

Note: In September 2012, judgmental projections were prepared through 2015 for the Summary of Economic Projections variables, including the unemployment rate, while projections for other variables, including the labor force participation rate and payroll employment, were prepared only through 2014. This exhibit therefore reports a 2015 projection from the September 2012 Tealbook only for the unemployment rate.

Labor Market Developments and Outlook (2)

Labor Force Participation Rate*

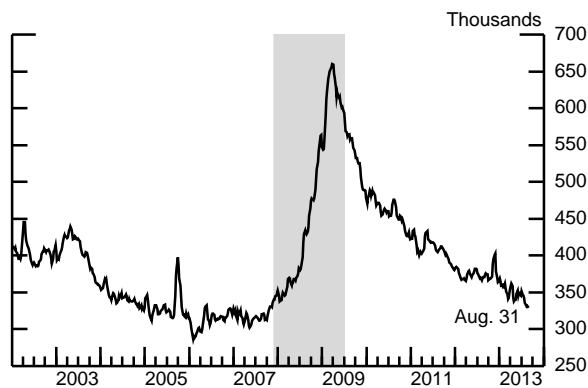


* Published data adjusted by staff to account for changes in population weights.

** Includes staff estimate of the effect of extended and emergency unemployment benefits.

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

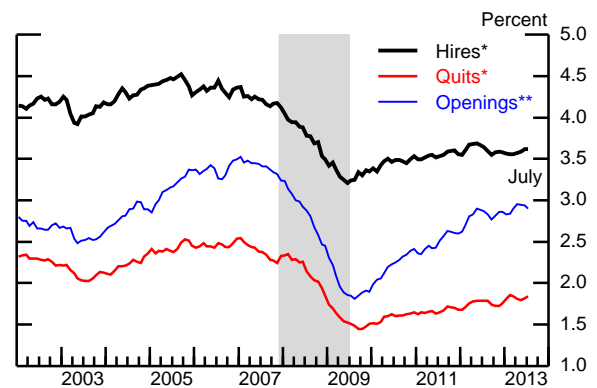
Initial Unemployment Insurance Claims*



* 4-week moving average.

Source: U.S. Department of Labor, Employment and Training Administration.

Private Hires, Quits, and Job Openings

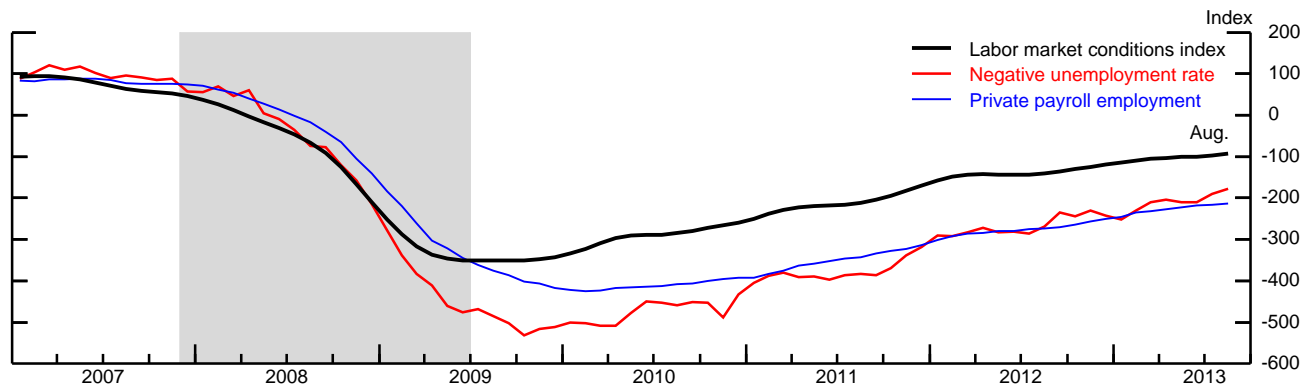


* Percent of private nonfarm payroll employment, 3-month moving average.

** Percent of private nonfarm payroll employment plus unfilled jobs, 3-month moving average.

Source: Job Openings and Labor Turnover Survey.

Indexes of Selected Labor Market Indicators



Note: Labor market conditions index estimated by staff; indexes for unemployment rate and private payroll employment are deviation from estimated trend normalized to have mean zero and unit standard deviation over the period July 1976 to September 2008, multiplied by 100.

Labor Market Data and Projections

Indicator	Aug. 2012 ¹	Projection for mid-2014 ² in the Tealbook dated:			
		Sept. 2012	Dec. 2012	June 2013 ³	Sept. 2013 ³
Unemployment rate (percent)	8.1	7.8	7.6	6.9	6.8
Labor force participation rate (percent)	63.5	63.7	63.7	63.3	63.3
<i>Monthly change in payroll employment (thousands, three-month averages)</i>					
Total	94	212	197	211	197
Private	109	210	195	219	205
Level of total payroll employment (millions)	133.3	137.0	137.1	138.1	138.0
Total hours worked (percent change) ⁴	1.0	2.3	2.0	2.6	2.5
Total hours worked (billions) ⁴	184.6	190.3	190.8	193.2	193.0

1. The figures for August 2012 refer to data as originally published in the September employment situation release along with the staff's real-time translation of those data into hours worked. These were the latest available data at the time of the September FOMC meeting.

2. Calculated as the mean of the 2014:Q2 and 2014:Q3 projections.

3. Projections of payrolls and hours worked include the effects of the benchmark revision to the payroll survey.

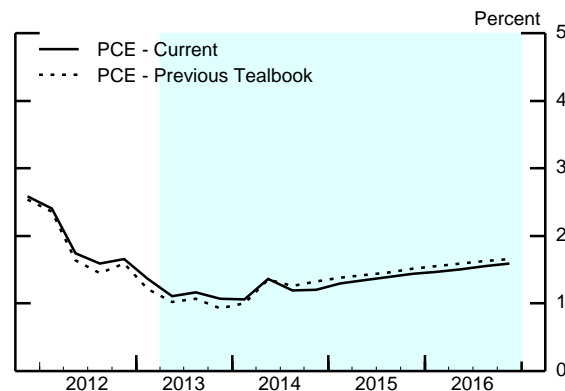
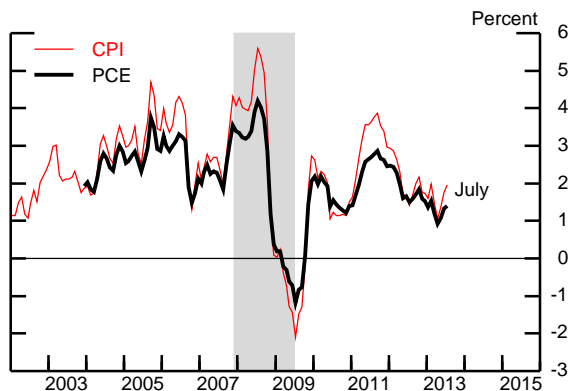
4. Total hours worked are aggregate hours in the nonfarm business sector. Because that series is available only on a quarterly basis, the August 2012 figures refer to the quarterly percent change and level in 2012:Q3. The percent changes and levels in hours are at annual rates.

Source: U.S. Department of Labor, Bureau of Labor Statistics; staff projections.

Inflation Developments and Outlook

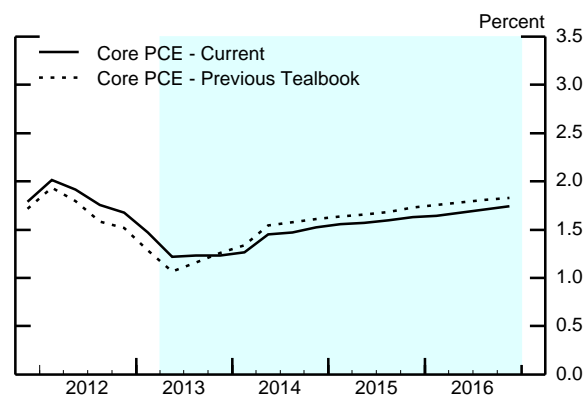
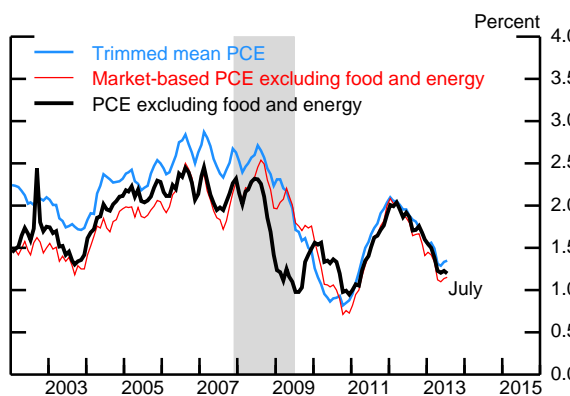
(Percent change from year-earlier period)

Headline Consumer Price Inflation



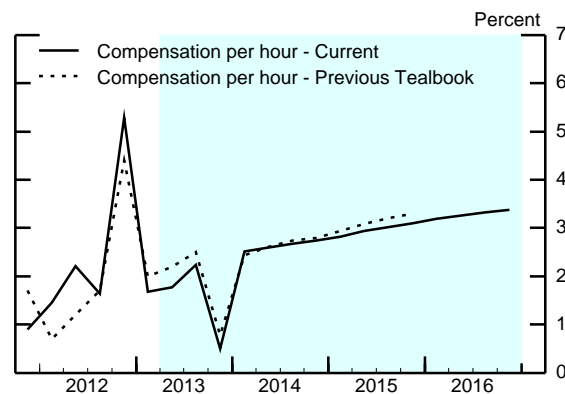
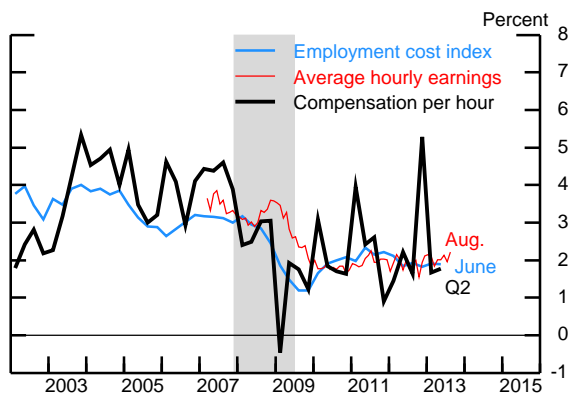
Source: For CPI, U.S. Department of Labor, Bureau of Labor Statistics; for PCE, U.S. Department of Commerce, Bureau of Economic Analysis.

Measures of Underlying PCE Price Inflation



Source: For trimmed mean PCE, Federal Reserve Bank of Dallas; otherwise, U.S. Department of Commerce, Bureau of Economic Analysis.

Labor Cost Growth (Private Industry)



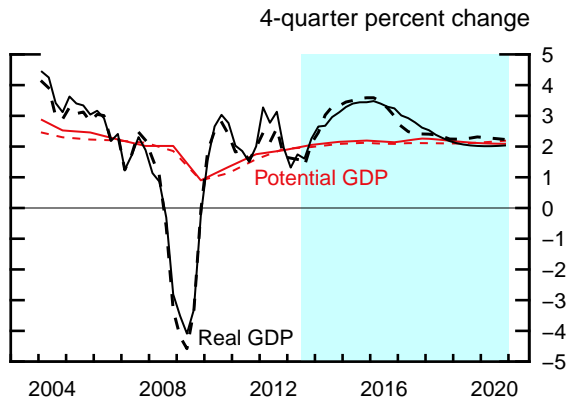
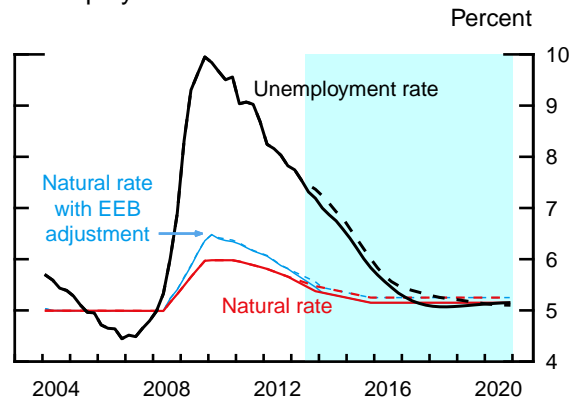
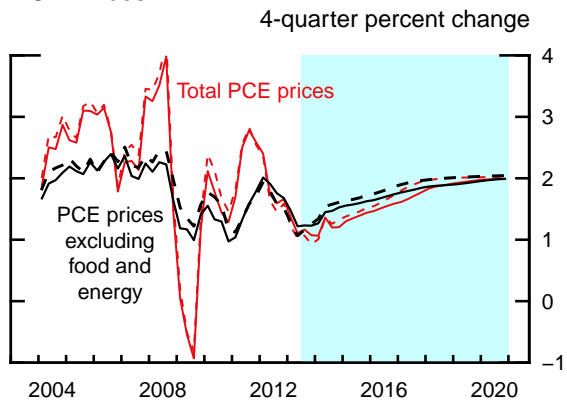
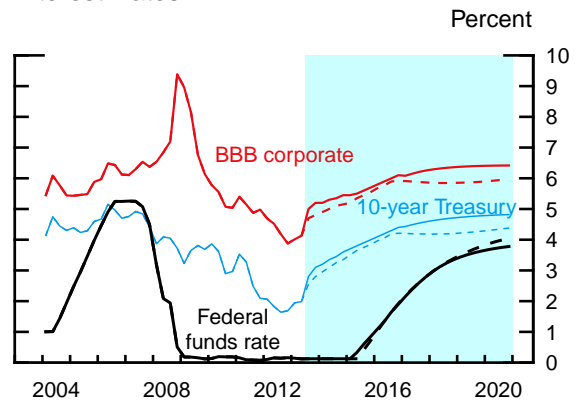
Note: The compensation per hour value for 2013:Q2 is a staff estimate.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

The Long-Term Outlook

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

Measure	2013	2014	2015	2016	2017	2018	Longer run
Real GDP	2.3	3.1	3.4	3.2	2.6	2.2	2.3
Previous Tealbook	2.1	3.3	3.6	3.0	2.4	2.2	2.3
Civilian unemployment rate ¹	7.2	6.6	5.8	5.3	5.1	5.1	5.2
Previous Tealbook	7.4	6.8	6.0	5.5	5.3	5.2	5.2
PCE prices, total	1.1	1.2	1.4	1.6	1.8	1.9	2.0
Previous Tealbook	.9	1.3	1.5	1.7	2.0	2.0	2.0
Core PCE prices	1.2	1.5	1.6	1.7	1.8	1.9	2.0
Previous Tealbook	1.3	1.6	1.7	1.9	2.0	2.0	2.0
Federal funds rate ¹	.1	.1	.8	1.9	2.8	3.3	4.0
Previous Tealbook	.1	.1	.7	1.9	2.8	3.4	4.0
10-year Treasury yield ¹	3.1	3.6	4.0	4.4	4.6	4.7	4.8
Previous Tealbook	2.8	3.4	3.9	4.2	4.2	4.2	4.8

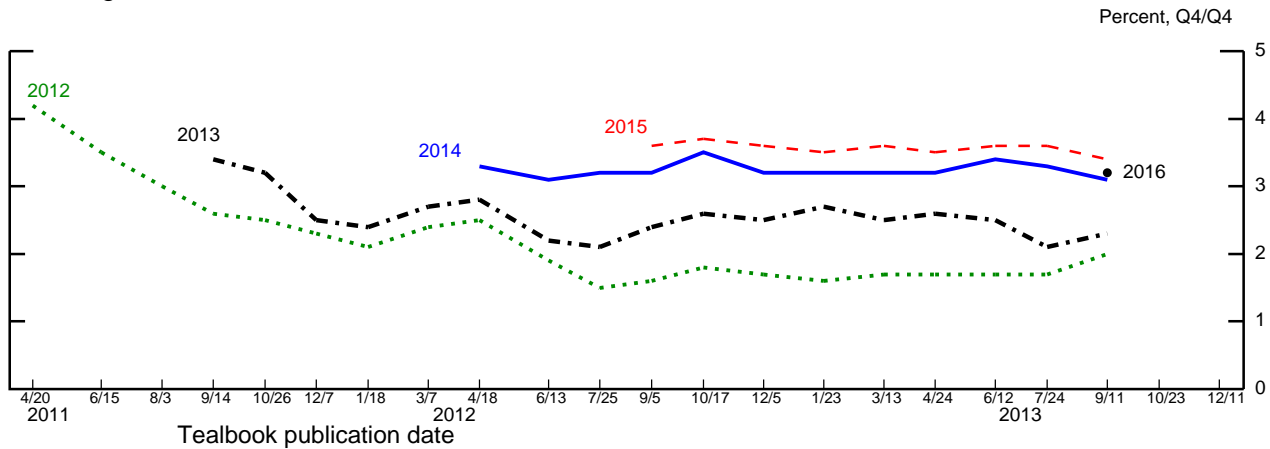
1. Percent, average for the final quarter of the period.

Real GDP**Unemployment Rate****PCE Prices****Interest Rates**

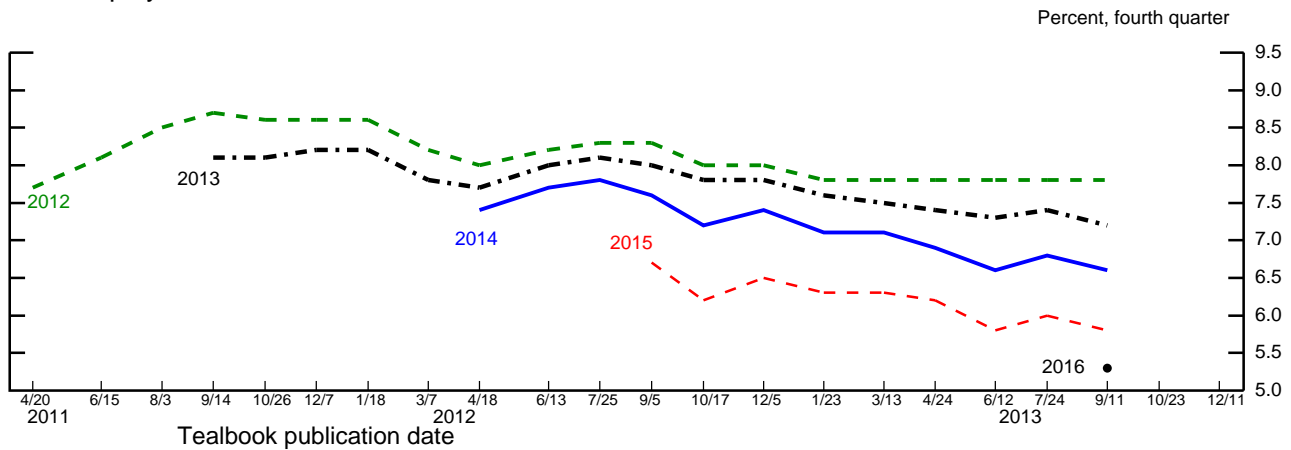
Note: In each panel, shading represents the projection period, and dashed lines are the previous Tealbook.

Evolution of the Staff Forecast

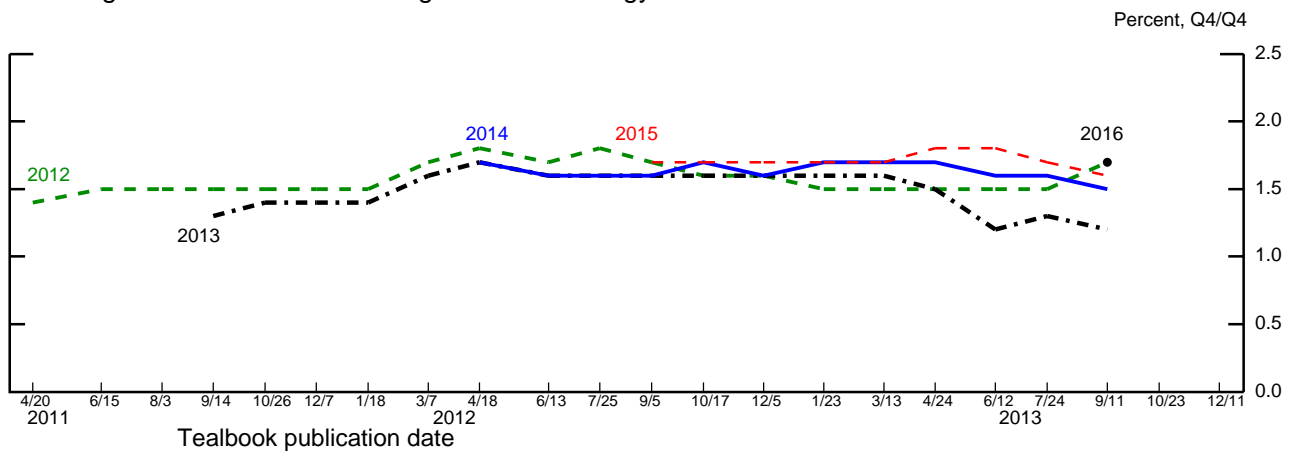
Change in Real GDP



Unemployment Rate



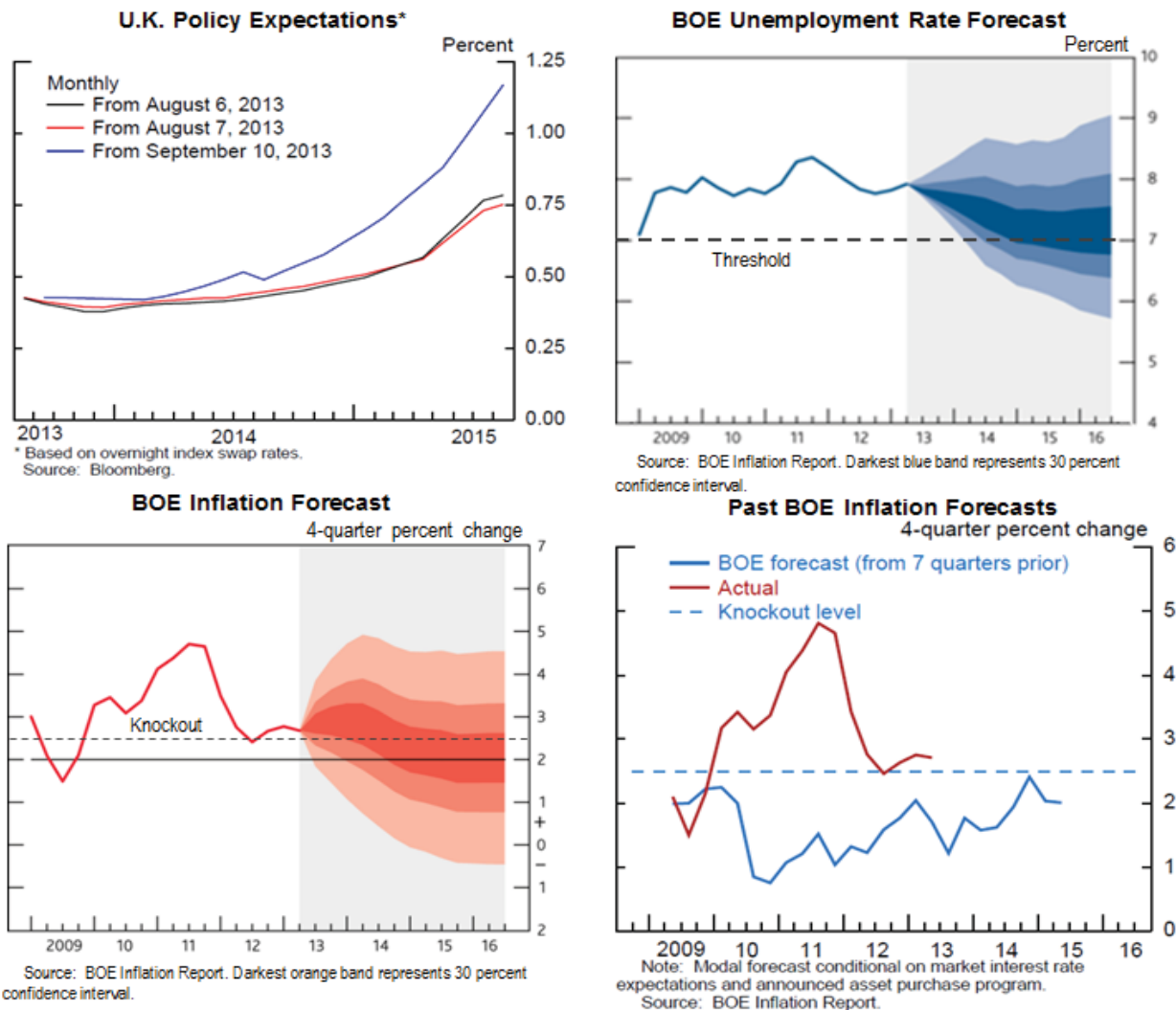
Change in PCE Prices excluding Food and Energy



unemployment, even as GDP growth picks up. However, market participants may expect productivity to underperform and the unemployment rate to fall more rapidly.

Markets also may be assigning some probability to the prospect that one of the inflation knockouts could be triggered before the unemployment rate crosses the 7 percent threshold. In particular, the BOE's current inflation forecast, shown in the lower-left figure, has a central tendency within the 18-to-24-month window of just above 2 percent. However, with U.K. inflation running persistently above 2½ percent, markets may be concerned that inflation could fall more slowly than currently forecast. In addition, as shown in the lower-right figure, the BOE's forecast for inflation 18 to 24 months ahead, which over the past six years has almost uniformly underpredicted actual inflation, has been rising over time and is currently quite near the 2½ percent knockout level.

Our projection for the path of the U.K. policy rate falls between that of the market and that implied by the BOE's forecast for the unemployment rate. In our baseline forecast, which assumes some pickup in labor productivity, the unemployment rate falls below 7 percent in 2015, and we see the first BOE rate hike late that year.



The Foreign GDP Outlook

Real GDP*

Percent change, annual rate

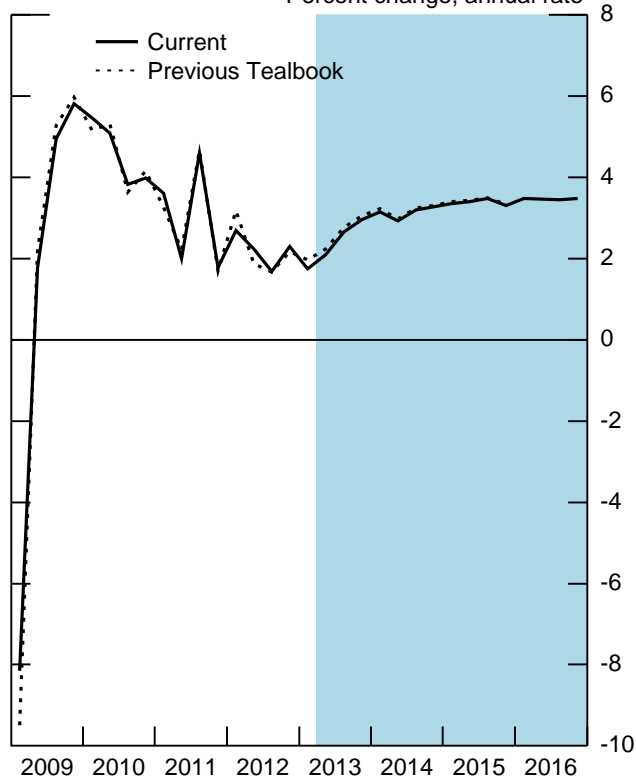
	2012	2013				2014	2015	2016
		Q1	Q2	Q3	Q4			
1. Total Foreign	2.2	1.8	2.1	2.7	3.0	3.1	3.4	3.5
<i>Previous Tealbook</i>	2.2	2.0	2.2	2.8	3.1	3.2	3.4	...
2. Advanced Foreign Economies	0.4	1.4	1.9	1.8	1.9	1.9	2.2	2.4
<i>Previous Tealbook</i>	0.4	1.4	1.4	1.8	1.8	1.9	2.2	...
3. Canada	1.0	2.2	1.7	2.5	2.2	2.5	2.6	2.8
4. Euro Area	-1.0	-0.6	1.2	0.3	0.9	1.3	1.9	2.1
5. Japan	0.3	4.1	3.8	2.5	3.1	0.8	1.0	1.2
6. United Kingdom	-0.0	1.1	2.9	2.9	2.5	2.3	2.5	2.5
7. Emerging Market Economies	4.2	2.1	2.3	3.5	4.1	4.4	4.6	4.6
<i>Previous Tealbook</i>	4.1	2.5	3.1	3.8	4.4	4.5	4.6	...
8. China	7.8	7.0	6.9	7.6	7.9	7.8	7.7	7.5
9. Emerging Asia ex. China	3.9	1.8	3.8	3.4	3.9	4.1	4.5	4.6
10. Mexico	3.2	0.1	-2.9	2.4	3.1	3.6	3.6	3.5
11. Brazil	1.4	2.6	6.0	0.5	2.0	3.0	3.5	3.7

* GDP aggregates weighted by shares of U.S. merchandise exports.

... Not applicable.

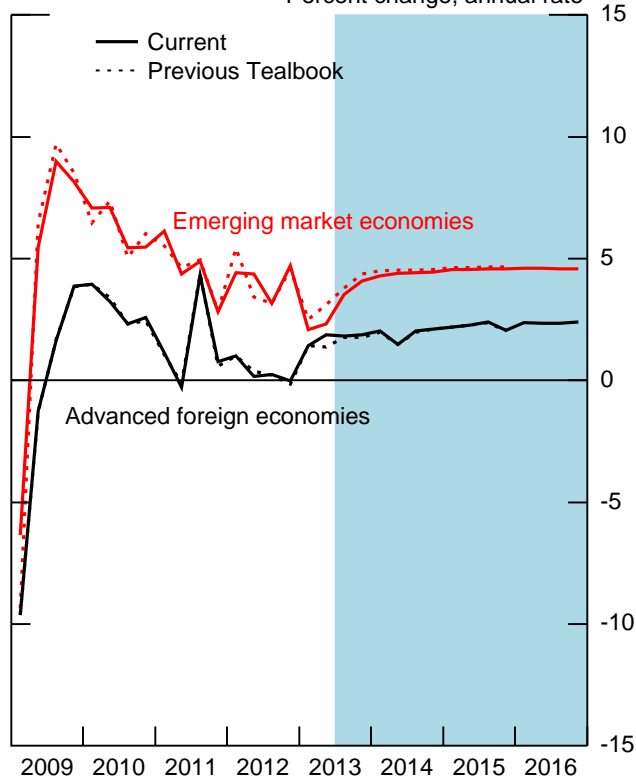
Total Foreign GDP

Percent change, annual rate



Foreign GDP

Percent change, annual rate



The Foreign Inflation Outlook

Consumer Prices*

Percent change, annual rate

	2012	2013				2014	2015	2016
		Q1	Q2	Q3	Q4			
1. Total Foreign	2.3	2.2	1.9	2.6	2.6	2.6	2.7	2.6
<i>Previous Tealbook</i>	2.3	2.3	1.9	2.3	2.3	2.6	2.7	...
2. Advanced Foreign Economies	1.3	0.9	0.5	1.9	1.5	1.8	1.8	1.8
<i>Previous Tealbook</i>	1.3	0.9	0.5	1.3	1.3	1.7	1.8	...
3. Canada	0.9	1.6	0.0	1.7	1.9	1.8	1.8	2.1
4. Euro Area	2.3	0.7	0.6	1.7	1.5	1.4	1.6	1.7
5. Japan	-0.2	-0.4	0.8	3.0	0.6	2.7	2.5	1.5
6. United Kingdom	2.6	2.3	1.5	2.7	2.7	1.9	1.9	1.8
7. Emerging Market Economies	3.1	3.3	3.0	3.1	3.4	3.3	3.3	3.3
<i>Previous Tealbook</i>	3.1	3.4	3.0	3.0	3.1	3.3	3.3	...
8. China	2.1	3.2	2.1	2.8	2.9	3.0	3.0	3.0
9. Emerging Asia ex. China	3.5	3.5	1.8	3.8	3.6	3.4	3.4	3.4
10. Mexico	4.1	3.2	5.3	2.1	3.8	3.4	3.4	3.4
11. Brazil	5.6	7.0	5.8	4.7	5.7	5.5	5.3	5.3

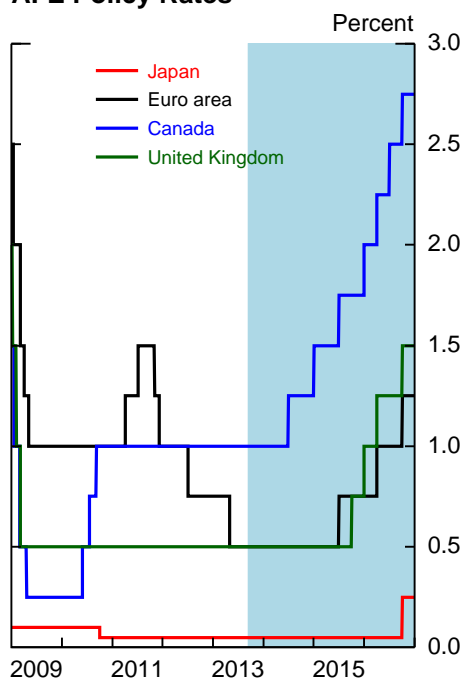
* CPI aggregates weighted by shares of U.S. non-oil imports.

... Not applicable.

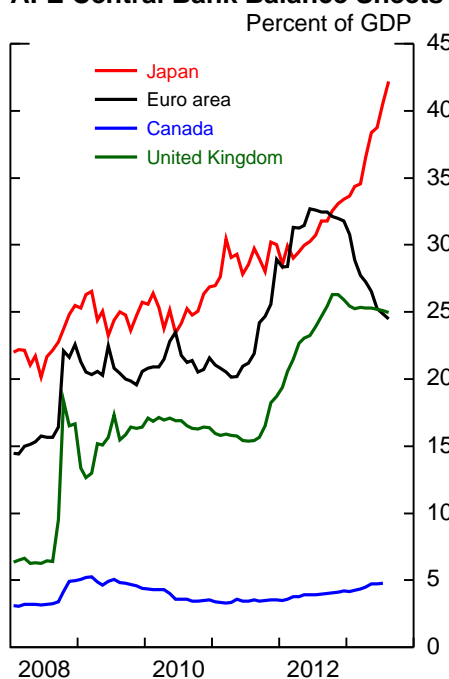
Int'l Econ Devel & Outlook

Foreign Monetary Policy

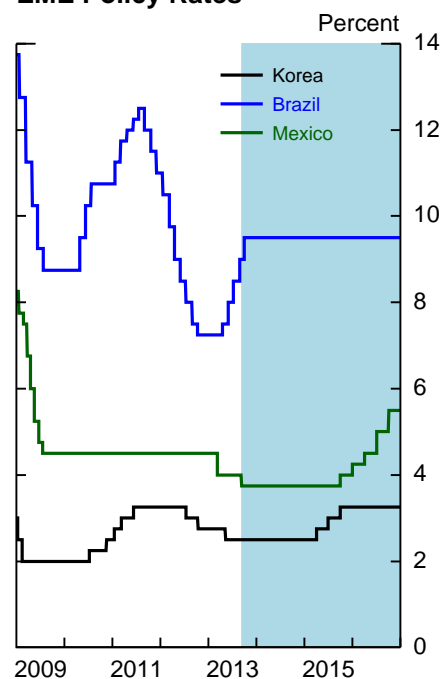
AFE Policy Rates



AFE Central Bank Balance Sheets

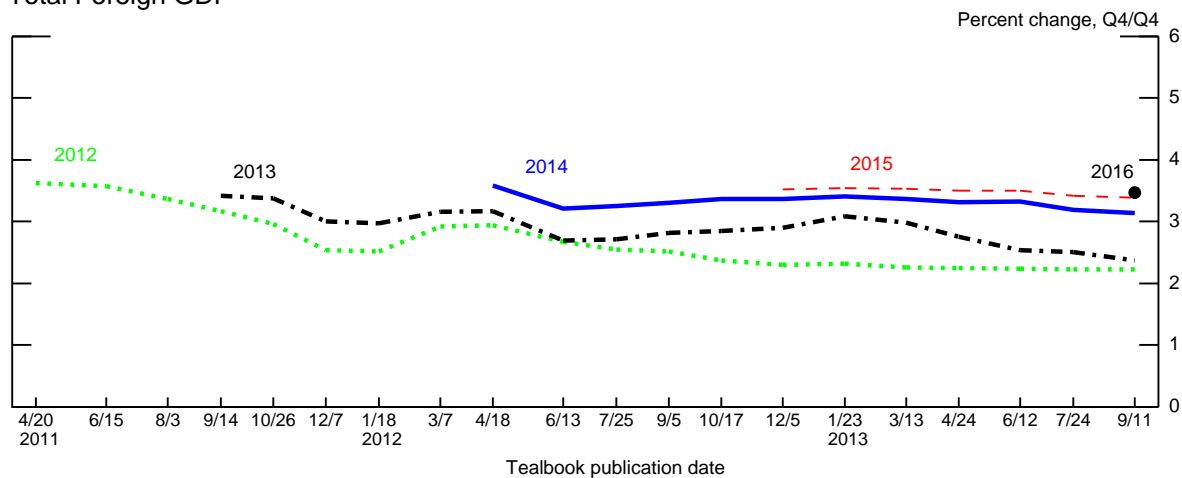


EME Policy Rates

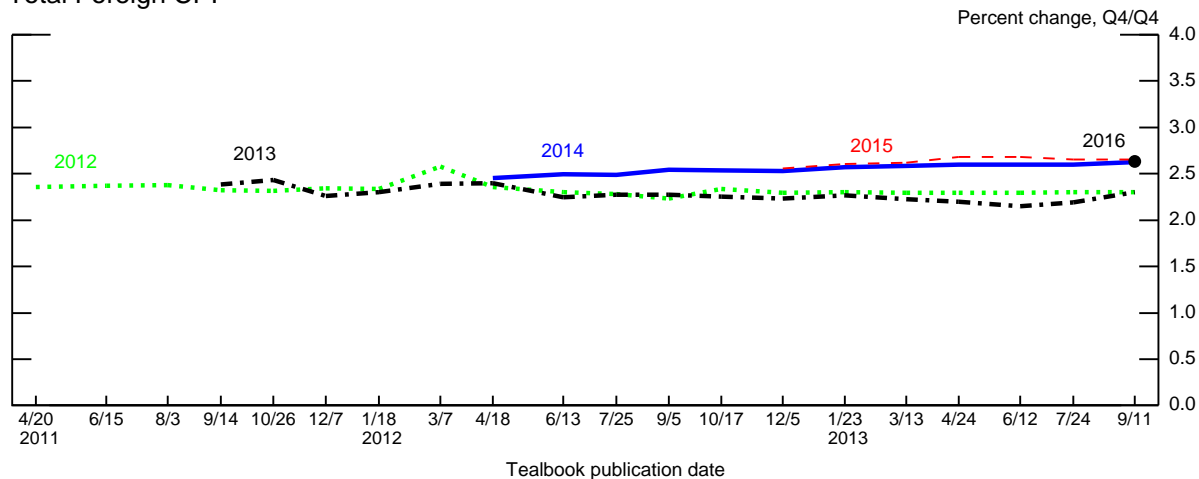


Evolution of Staff's International Forecast

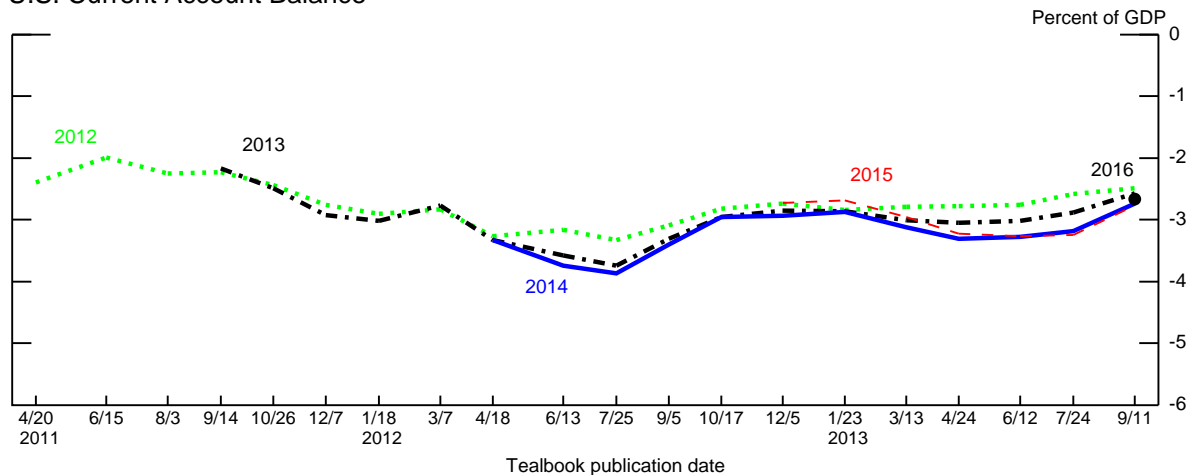
Total Foreign GDP



Total Foreign CPI

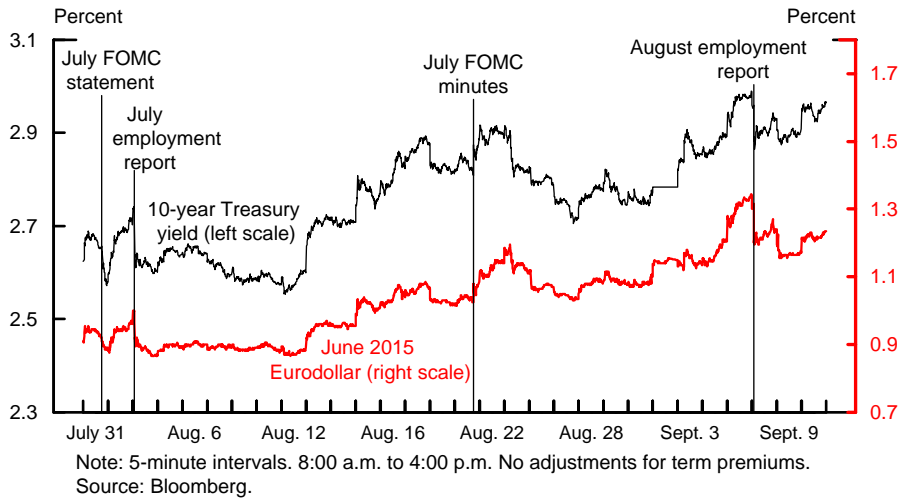


U.S. Current Account Balance

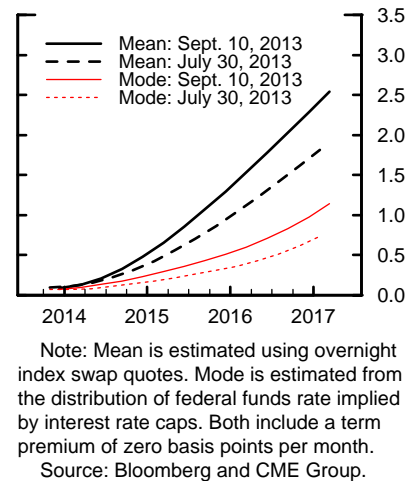


Longer-Term Interest Rates and Policy Expectations

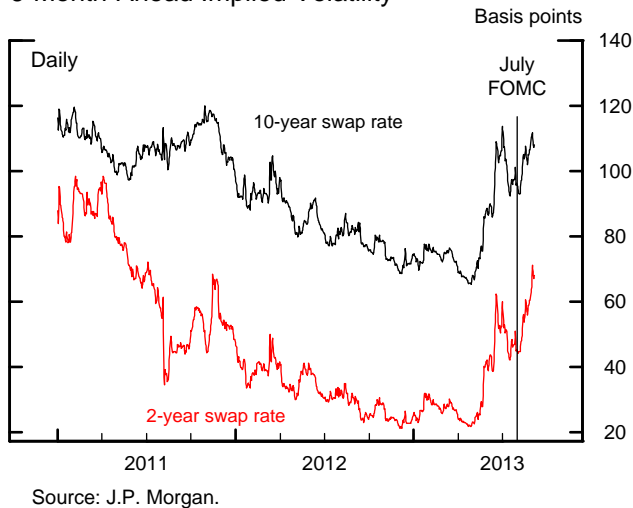
Selected Interest Rates



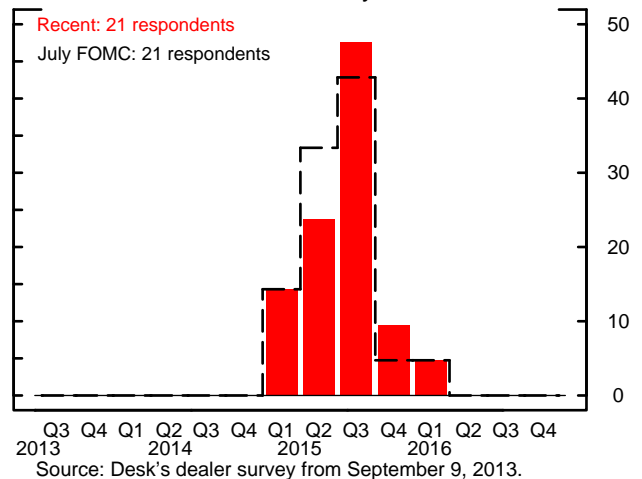
Implied Federal Funds Rate



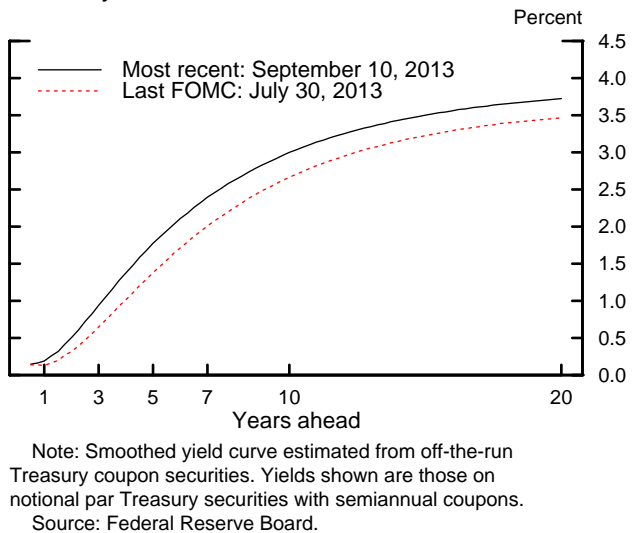
6-Month-Ahead Implied Volatility



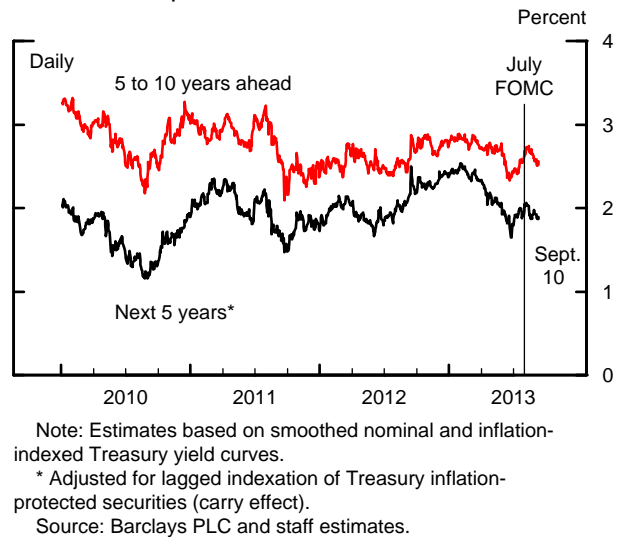
Distribution of Modal Timing of First Rate Increase from the Desk's Dealer Survey



Treasury Yield Curve

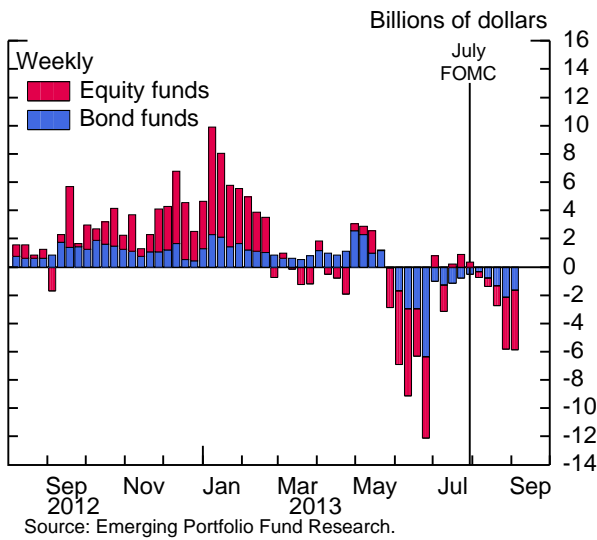


Inflation Compensation

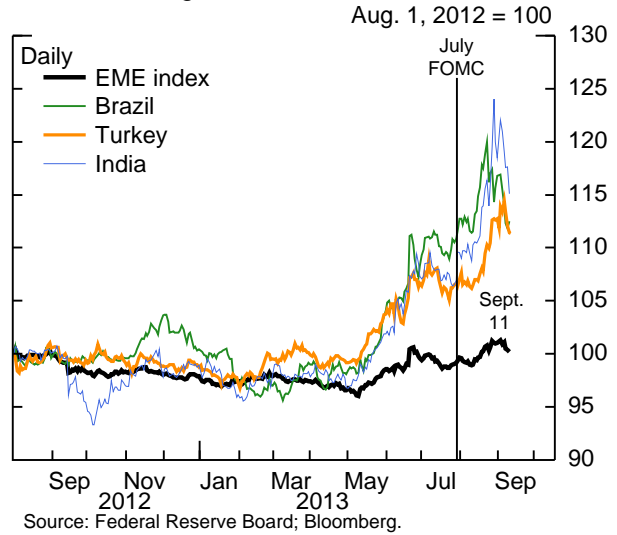


Foreign Developments

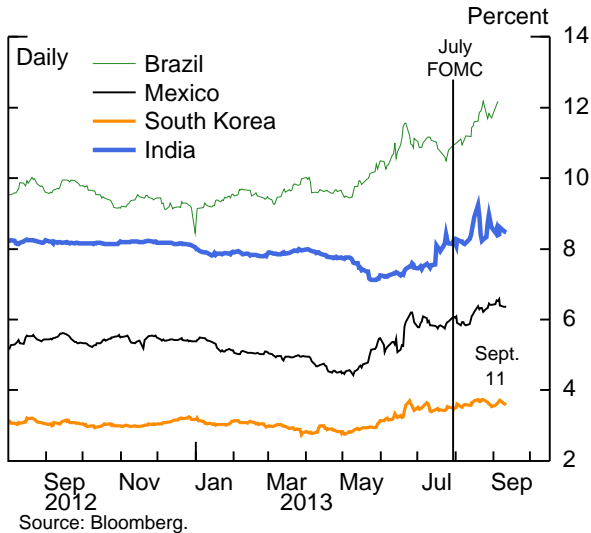
Flows to Emerging Market Economies Funds



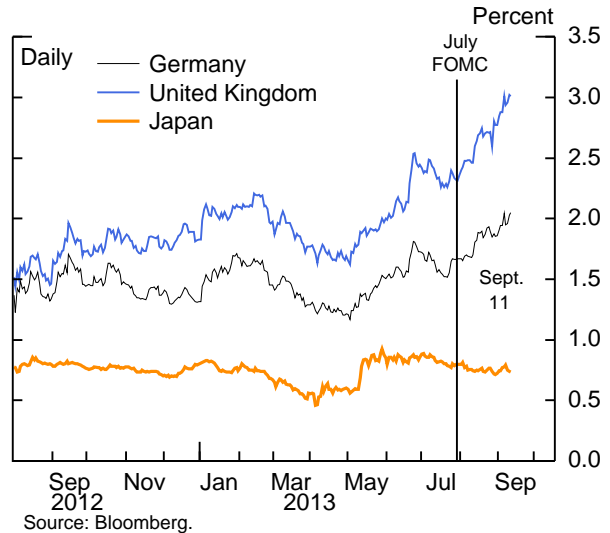
Dollar Exchange Rates



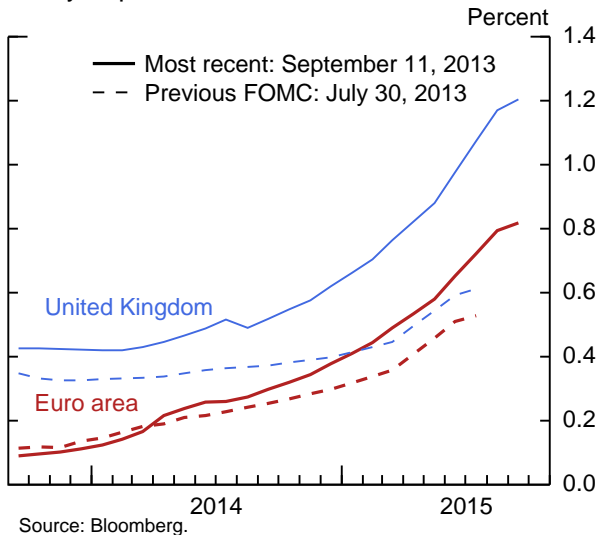
EME 10-Year Nominal Benchmark Yields



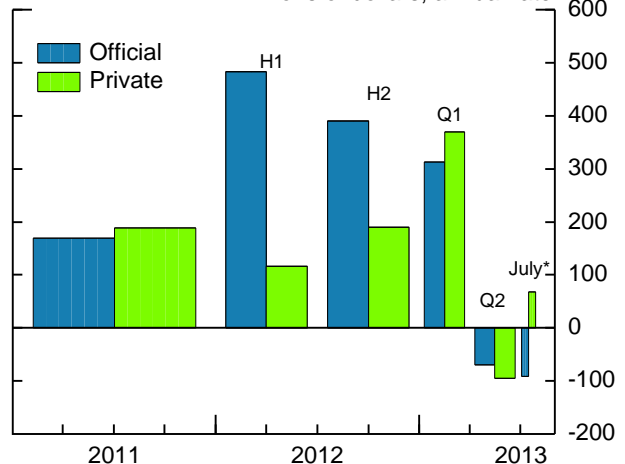
AFE 10-Year Nominal Benchmark Yields



Policy Expectations Based on OIS Rates



Foreign Net Purchases of U.S. Treasury Securities



Alternative Scenarios

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

Measure and scenario	2013		2014	2015	2016	2017-18
	H1	H2				
<i>Real GDP</i>						
Extended Tealbook baseline	2.0	2.5	3.1	3.4	3.2	2.4
Higher interest rates with spillovers	2.0	2.3	2.3	2.7	3.0	2.5
Faster recovery	2.0	4.0	3.7	3.1	2.7	2.1
Supply-side damage	2.0	2.4	2.7	2.5	2.0	1.6
Low inflation	2.0	2.4	2.7	2.8	3.0	2.8
EME financial crisis	2.0	2.2	1.8	3.4	3.7	2.7
Higher oil prices	2.0	2.2	2.7	3.1	3.1	2.6
<i>Unemployment rate¹</i>						
Extended Tealbook baseline	7.5	7.2	6.6	5.8	5.3	5.1
Higher interest rates with spillovers	7.5	7.2	6.9	6.5	6.1	5.7
Faster recovery	7.5	7.0	6.0	5.3	5.1	5.2
Supply-side damage	7.5	7.1	6.1	5.0	4.8	5.2
Low inflation	7.5	7.2	6.8	6.2	5.8	5.1
EME financial crisis	7.5	7.2	7.1	6.4	5.8	5.3
Higher oil prices	7.5	7.2	6.8	6.1	5.6	5.3
<i>Total PCE prices</i>						
Extended Tealbook baseline	.6	1.6	1.2	1.4	1.6	1.8
Higher interest rates with spillovers	.6	1.6	1.2	1.3	1.5	1.6
Faster recovery	.6	1.6	1.2	1.4	1.7	1.9
Supply-side damage	.6	1.7	1.4	1.8	2.0	2.1
Low inflation	.6	1.2	.3	.2	.2	.3
EME financial crisis	.6	.6	.1	1.3	1.9	2.2
Higher oil prices	.6	4.4	1.0	1.4	1.7	1.8
<i>Core PCE prices</i>						
Extended Tealbook baseline	1.1	1.4	1.5	1.6	1.7	1.9
Higher interest rates with spillovers	1.1	1.4	1.5	1.5	1.6	1.7
Faster recovery	1.1	1.4	1.5	1.6	1.8	2.0
Supply-side damage	1.1	1.5	1.7	2.0	2.1	2.2
Low inflation	1.1	1.0	.6	.4	.3	.4
EME financial crisis	1.1	1.3	1.0	1.4	1.8	2.1
Higher oil prices	1.1	1.5	1.8	1.8	1.8	1.9
<i>Federal funds rate¹</i>						
Extended Tealbook baseline	.1	.1	.1	.8	1.9	3.3
Higher interest rates with spillovers	.1	.1	.1	.1	.8	2.1
Faster recovery	.1	.1	.7	1.8	2.8	3.5
Supply-side damage	.1	.1	.7	2.3	3.5	4.1
Low inflation	.1	.1	.1	.1	.4	1.2
EME financial crisis	.1	.1	.1	.2	1.3	3.3
Higher oil prices	.1	.1	.1	.8	1.7	3.0

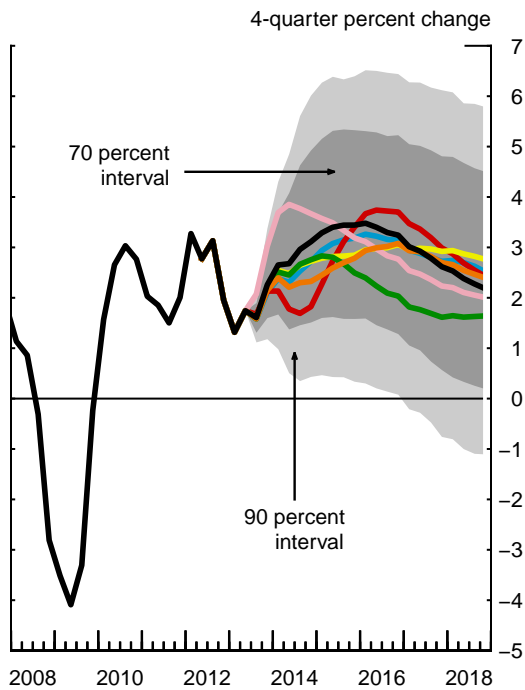
1. Percent, average for the final quarter of the period.

Forecast Confidence Intervals and Alternative Scenarios

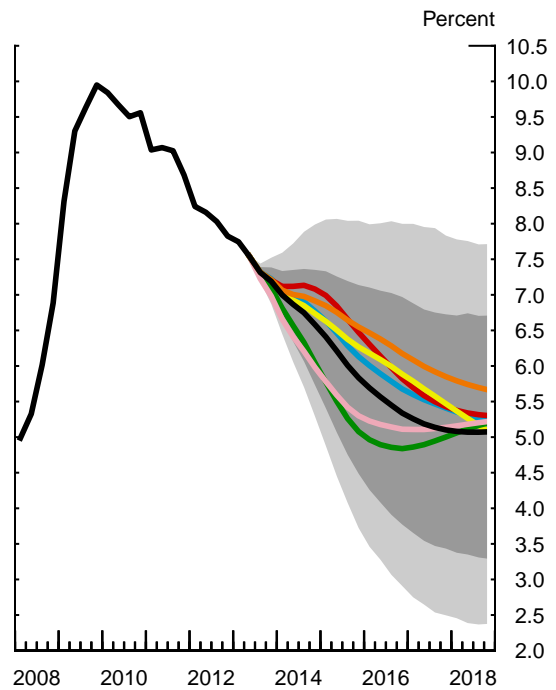
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- Supply-side damage
- EME financial crisis
- Higher interest rates with spillovers
- Low inflation
- Higher oil prices
- Faster recovery

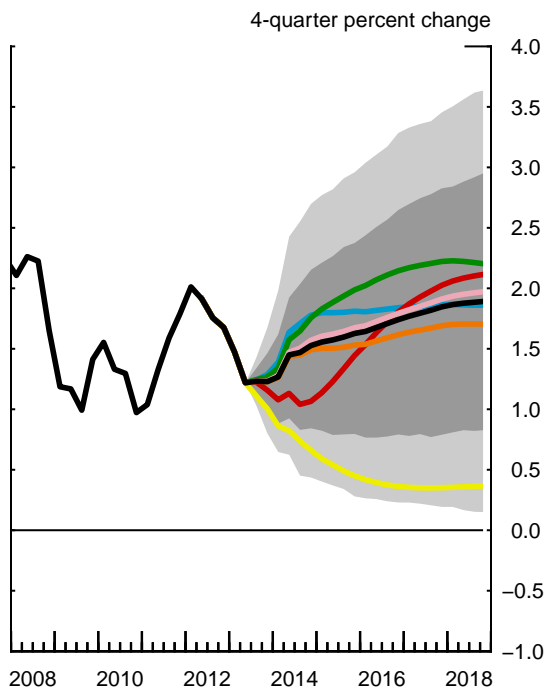
Real GDP



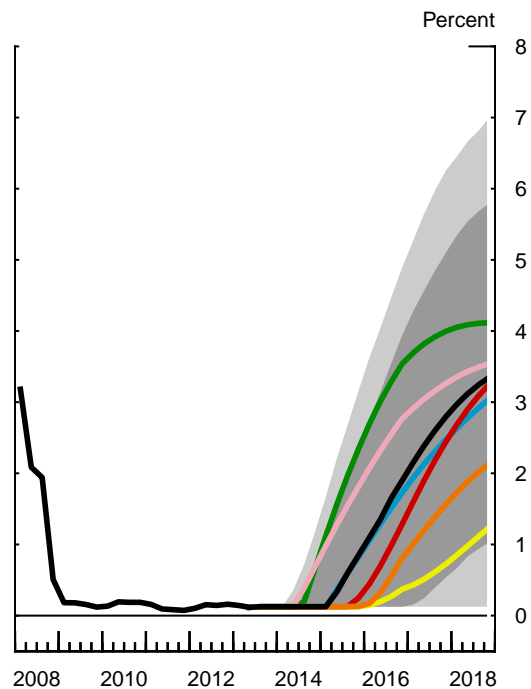
Unemployment Rate



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	2013	2014	2015	2016	2017	2018
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	2.3	3.1	3.4	3.2	2.6	2.2
Confidence interval						
Tealbook forecast errors	1.4–3.1	1.2–5.0	1.3–5.6	...	...	...
FRB/US stochastic simulations	1.6–2.9	1.5–4.9	1.6–5.3	1.3–5.2	.6–4.8	.2–4.5
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	7.2	6.6	5.8	5.3	5.1	5.1
Confidence interval						
Tealbook forecast errors	6.8–7.6	5.8–7.4	4.5–7.2	...	...	...
FRB/US stochastic simulations	7.0–7.4	5.7–7.4	4.5–7.1	3.8–7.0	3.4–6.7	3.3–6.7
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	1.1	1.2	1.4	1.6	1.8	1.9
Confidence interval						
Tealbook forecast errors	.6–1.5	.0–2.4	.2–2.6	...	...	...
FRB/US stochastic simulations	.7–1.5	.3–2.1	.4–2.5	.4–2.7	.6–2.9	.7–3.1
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)						
Projection	1.2	1.5	1.6	1.7	1.8	1.9
Confidence interval						
Tealbook forecast errors	.9–1.5	.8–2.2	.6–2.6	...	...	...
FRB/US stochastic simulations	1.0–1.5	.8–2.2	.8–2.4	.8–2.6	.8–2.8	.8–3.0
<i>Federal funds rate</i> (percent, Q4)						
Projection	.1	.1	.8	1.9	2.8	3.3
Confidence interval						
FRB/US stochastic simulations	.1–.1	.1–.8	.1–2.4	.1–3.9	.5–5.1	1.0–5.8

Note: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969–2012 set of model equation residuals.

Intervals derived from Tealbook forecast errors are based on projections made from 1979 to 2012, except for PCE prices excluding food and energy, where the sample is 1981–2012.

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

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

Measure and projection	2013		2014		2015	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
<i>Real GDP</i>						
Staff	2.1	2.3	3.3	3.1	3.6	3.4
FRB/US	1.6	1.7	3.0	1.8	3.5	2.3
EDO	2.1	2.2	3.0	3.0	2.9	3.0
Blue Chip	2.1	2.1	2.8	2.8	...	...
<i>Unemployment rate¹</i>						
Staff	7.4	7.2	6.8	6.6	6.0	5.8
FRB/US	7.6	7.4	7.7	7.9	7.1	7.9
EDO	7.6	7.5	7.3	7.3	7.1	7.1
Blue Chip	7.3	7.3	6.9	6.8	...	...
<i>Total PCE prices</i>						
Staff	.9	1.1	1.3	1.2	1.5	1.4
FRB/US	.9	1.0	1.0	.8	.9	.8
EDO	.9	1.1	1.5	1.4	1.5	1.5
Blue Chip ²	1.3	1.5	2.0	2.0	...	...
<i>Core PCE prices</i>						
Staff	1.3	1.2	1.6	1.5	1.7	1.6
FRB/US	1.2	1.2	1.2	1.1	1.1	1.0
EDO	1.2	1.2	1.5	1.4	1.5	1.5
Blue Chip	...	...	...	...	...	...
<i>Federal funds rate¹</i>						
Staff	.1	.1	.1	.1	.7	.8
FRB/US	.1	.1	.1	.1	.1	.1
EDO	.7	.4	1.6	1.4	2.3	2.1
Blue Chip ³	.1	.1	.2	.2	...	...

Note: Blue Chip forecast completed on September 10, 2013.

1. Percent, average for Q4.

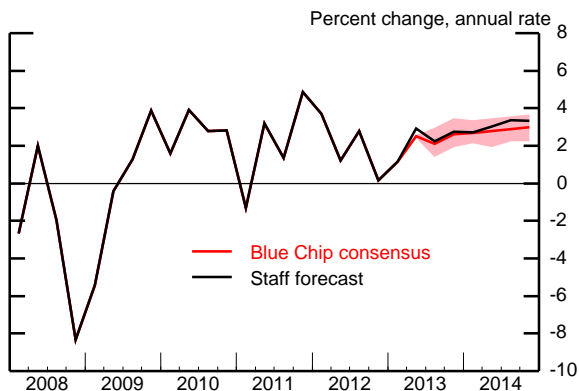
2. Consumer price index.

3. Treasury bill rate.

... Not applicable. The Blue Chip forecast typically extends about 2 years.

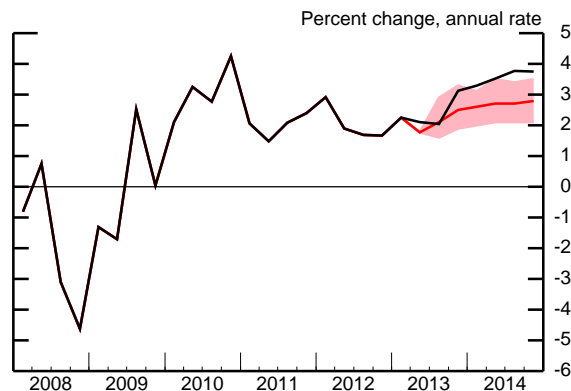
Tealbook Forecast Compared with Blue Chip (Blue Chip survey released September 10, 2013)

Real GDP

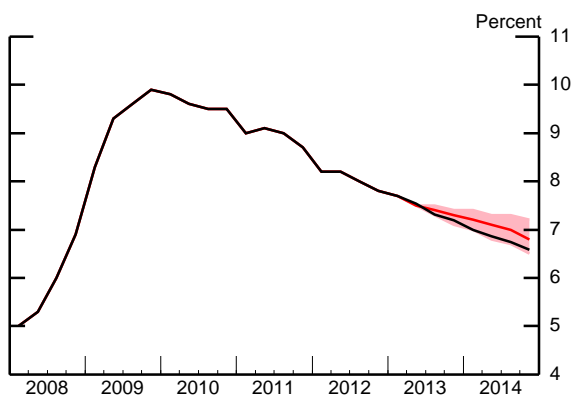


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

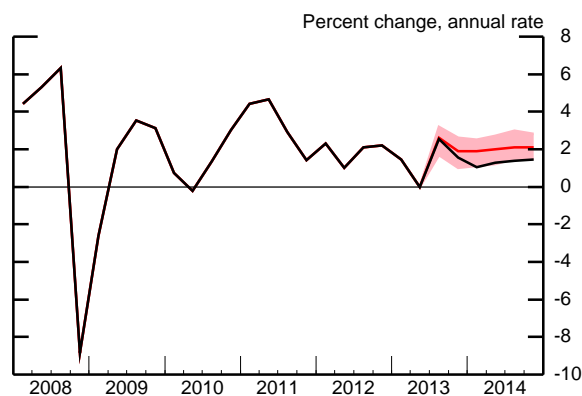
Real PCE



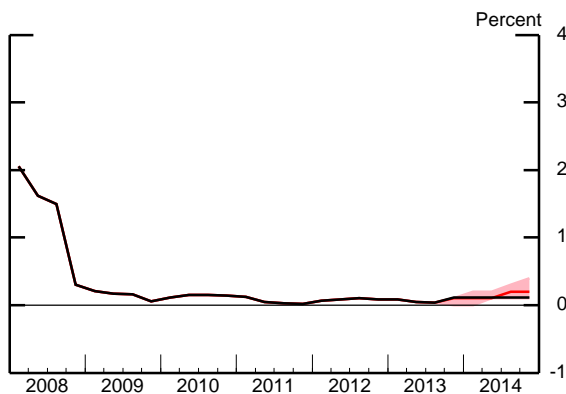
Unemployment Rate



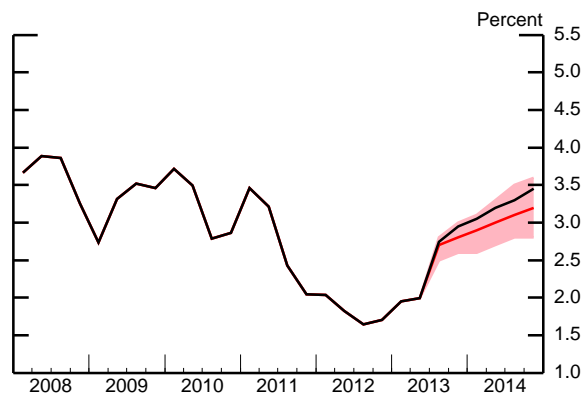
Consumer Price Index



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.

Assessment of Key Macroeconomic Risks (1)**Probability of Inflation Events**

(4 quarters ahead—2014:Q3)

Probability that the 4-quarter change in total PCE prices will be ...	Staff	FRB/US	EDO	BVAR
<i>Greater than 3 percent</i>				
Current Tealbook	.02	.01	.06	.04
Previous Tealbook	.05	.04	.10	.01
<i>Less than 1 percent</i>				
Current Tealbook	.39	.56	.37	.21
Previous Tealbook	.32	.41	.34	.45

Probability of Unemployment Events

(4 quarters ahead—2014:Q3)

Probability that the unemployment rate will ...	Staff	FRB/US	EDO	BVAR
<i>Increase by 1 percentage point</i>				
Current Tealbook	.01	.15	.19	.02
Previous Tealbook	.01	.09	.22	.02
<i>Decrease by 1 percentage point</i>				
Current Tealbook	.25	.01	.21	.16
Previous Tealbook	.19	.03	.21	.17

Probability of Near-Term Recession

Probability that real GDP declines in each of 2013:Q4 and 2014:Q1	Staff	FRB/US	EDO	BVAR	Factor Model
Current Tealbook	.02	.08	.04	.05	.09
Previous Tealbook	.02	.04	.05	.09	.16

Note: "Staff" represents Tealbook forecast errors applied to the Tealbook baseline; baselines for FRB/US, BVAR, EDO, and the factor model are generated by those models themselves, up to the current-quarter estimate. Data for the current quarter are taken from the staff estimate for the second Tealbook in each quarter; if the second Tealbook for the current quarter has not yet been published, the preceding quarter is taken as the latest historical observation.

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	
	07/24/13	09/11/13	07/24/13	09/11/13	07/24/13	09/11/13	07/24/13	09/11/13	07/24/13	09/11/13
<i>Quarterly</i>										
2013:Q1	3.1	2.8	1.8	1.1	1.0	1.1	1.3	1.4	7.7	7.7
Q2	1.1	3.7	1.1	2.9	-1.1	.0	.8	.8	7.5	7.5
Q3	4.3	4.2	2.3	2.2	1.8	1.9	1.5	1.5	7.5	7.3
Q4	4.4	4.1	3.3	2.7	1.0	1.3	1.4	1.3	7.4	7.2
2014:Q1	4.9	4.2	3.2	2.7	1.3	1.0	1.6	1.5	7.2	7.0
Q2	5.0	4.5	3.3	3.0	1.3	1.2	1.6	1.5	7.1	6.9
Q3	4.9	4.8	3.3	3.4	1.3	1.3	1.6	1.5	6.9	6.7
Q4	5.0	4.8	3.4	3.3	1.3	1.3	1.6	1.5	6.8	6.6
2015:Q1	5.4	5.0	3.7	3.4	1.5	1.4	1.7	1.6	6.6	6.4
Q2	5.2	5.1	3.5	3.5	1.5	1.4	1.7	1.6	6.4	6.2
Q3	5.3	5.2	3.6	3.5	1.5	1.4	1.7	1.6	6.2	6.0
Q4	5.2	5.0	3.5	3.4	1.5	1.5	1.7	1.6	6.0	5.8
<i>Two-quarter²</i>										
2013:Q2	2.1	3.3	1.4	2.0	.5	.6	1.1	1.1	-3	-3
Q4	4.4	4.1	2.8	2.5	1.4	1.6	1.5	1.4	-1	-3
2014:Q2	4.9	4.3	3.3	2.9	1.3	1.1	1.6	1.5	-3	-3
Q4	4.9	4.8	3.4	3.4	1.3	1.3	1.6	1.5	-3	-3
2015:Q2	5.3	5.1	3.6	3.4	1.5	1.4	1.7	1.6	-4	-4
Q4	5.2	5.1	3.6	3.4	1.5	1.5	1.7	1.6	-4	-4
<i>Four-quarter³</i>										
2012:Q4	3.5	3.8	1.7	2.0	1.6	1.7	1.5	1.7	-9	-9
2013:Q4	3.2	3.7	2.1	2.3	.9	1.1	1.3	1.2	-4	-6
2014:Q4	4.9	4.6	3.3	3.1	1.3	1.2	1.6	1.5	-6	-6
2015:Q4	5.3	5.1	3.6	3.4	1.5	1.4	1.7	1.6	-8	-8
2016:Q4	5.0	5.0	3.0	3.2	1.7	1.6	1.8	1.7	-5	-5
<i>Annual</i>										
2012	4.0	4.6	2.2	2.8	1.8	1.8	1.7	1.8	8.1	8.1
2013	2.9	3.3	1.7	1.7	1.1	1.2	1.2	1.3	7.5	7.4
2014	4.5	4.3	3.0	2.9	1.2	1.2	1.5	1.4	7.0	6.8
2015	5.2	5.0	3.5	3.4	1.4	1.4	1.7	1.6	6.3	6.1
2016	5.0	5.0	3.2	3.4	1.6	1.5	1.8	1.7	5.7	5.5

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	2013				2014				2015				2013 ¹	2014 ¹	2015 ¹	2016 ¹	
	Q2	Q3	Q4		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
Real GDP <i>Previous Tealbook</i>	2.9 1.1	2.2 2.3	2.7 3.3		2.7 3.2	3.0 3.3	3.4 3.3	3.3 3.4		3.4 3.7	3.5 3.5	3.5 3.6	3.4 3.5	2.3 2.1	3.1 3.3	3.4 3.6	3.2 3.0
Final sales <i>Previous Tealbook</i>	2.4 1.1	1.9 2.1	2.5 2.7		2.5 2.9	3.0 3.1	3.4 3.3	3.5 3.5		3.6 3.6	3.5 3.7	3.8 4.0	3.7 3.8	1.7 1.8	3.1 3.2	3.6 3.8	3.5 3.6
Priv. dom. final purch. <i>Previous Tealbook</i>	2.9 2.5	2.3 2.8	3.7 4.0		3.7 4.1	4.2 4.3	4.5 4.5	4.5 4.5		4.5 4.6	4.5 4.6	4.5 4.6	4.4 4.5	2.6 3.0	4.2 4.4	4.4 4.6	3.6 3.6
Personal cons. expend. <i>Previous Tealbook</i>	2.1 1.5	2.0 2.6	3.1 3.5		3.3 3.7	3.5 3.7	3.8 3.7	3.8 3.7		3.8 3.9	3.8 3.9	3.8 3.9	3.7 3.9	2.4 2.5	3.6 3.7	3.8 3.9	3.1 3.1
Durables	6.1	7.1	8.7		7.7	9.1	9.8	9.3		8.9	8.8	8.9	8.9	6.9	9.0	8.9	6.3
Nondurables	1.8	3.4	2.8		2.8	2.8	3.0	2.9		3.0	3.1	3.0	2.9	2.6	2.9	3.0	2.5
Services	1.6	.8	2.3		2.8	2.9	3.0	3.1		3.2	3.2	3.2	3.1	1.6	2.9	3.2	2.7
Residential investment <i>Previous Tealbook</i>	14.1 9.8	2.6 4.2	12.0 17.3		14.7 19.2	16.3 19.3	16.3 19.6	15.9 17.4		15.9 17.8	15.3 16.6	14.6 15.6	13.4 14.2	10.2 11.2	15.8 18.9	14.8 16.0	8.9
Nonres. priv. fixed invest. <i>Previous Tealbook</i> ²	4.4 7.2	3.7 3.7	5.1 4.0		3.2 3.1	4.9 4.7	5.6 5.7	5.3 5.6		5.1 5.3	5.2 5.4	5.2 5.5	5.3 5.1	2.1 3.8	4.7 4.8	5.2 5.3	5.0
Equipment & intangibles <i>Previous Tealbook</i> ²	.9 7.4	3.6 3.6	5.2 4.1		3.6 3.8	5.3 5.5	6.4 6.9	6.0 6.7		5.8 6.1	5.9 6.4	6.0 6.5	6.1 6.0	3.0 4.8	5.3 5.7	5.9 6.2	5.7
Nonres. structures <i>Previous Tealbook</i>	18.1 6.6	4.2 3.8	5.0 3.9		1.8 1.4	3.5 2.9	2.7 2.8	2.8 2.7		2.9 3.1	2.7 3.0	2.6 3.2	2.5 3.0	-1.0 1.3	2.7 2.5	2.7 3.1	2.5
Net exports ³ <i>Previous Tealbook</i> ³	-420 -393	-406 -381	-408 -388		-416 -399	-421 -402	-426 -405	-425 -402		-425 -405	-433 -408	-428 -405	-426 -404	-414 -387	-422 -402	-428 -405	-409
Exports	8.0	4.9	2.7		4.0	3.8	4.7	5.3		5.7	6.1	6.4	6.2	3.5	4.4	6.1	7.0
Imports	6.2	1.6	2.7		4.7	4.0	4.6	4.3		4.7	6.3	4.5	4.9	2.8	4.4	5.1	4.6
Gov't. cons. & invest. <i>Previous Tealbook</i>	-4 -3.7	-2.5 -3.2	-2.7 -2.0		-2.3 -1.5	-2.1 -2.7	-1.8 -2.2	-1.5 -1.9		-9 -1.2	-8 -1.0	-7 -3	-5 -3	-2.5 -3.4	-1.9 -2.1	-7 -7	1.0
Federal	-1.6	-6.0	-7.0		-6.2	-5.7	-5.1	-4.6		-4.1	-3.9	-3.8	-3.3	-5.8	-5.4	-3.8	.0
Defense	-6	-6.6	-8.2		-7.0	-6.3	-5.7	-5.3		-4.7	-4.3	-4.0	-3.4	-6.8	-6.1	-4.1	.0
Nondefense	-3.2	-5.1	-4.9		-4.9	-4.7	-4.2	-3.6		-3.1	-3.3	-3.5	-3.1	-4.2	-4.3	-3.3	.0
State & local	.4	.0	.1		.3	.3	.3	.4		1.0	1.1	1.1	1.1	-.2	.3	1.1	1.5
Change in priv. inventories ³ <i>Previous Tealbook</i> ³	58 32	75 38	81 56		95 67	97 75	97 76	91 73		90 76	91 73	81 62	69 52	64 41	95 73	83 66	51
Nonfarm ³	39	55	62		80	84	84	79		88	88	79	67	44	82	81	48
Farm ³	20	20	20		15	13	13	13		2	2	2	2	19	13	2	2

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

2. Previous Tealbook lines for nonresidential private fixed investment and equipment and intangibles reflect the values for business fixed investment and equipment and software, respectively, the most comparable series prior to the comprehensive revision.

3. Billions of chained (2009) dollars; Previous Tealbook lines in 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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real GDP <i>Previous Tealbook</i>	1.9 2.2	-2.8 -3.3	-2 -1	2.8 2.4	2.0 2.0	2.0 1.7	2.3 2.1	3.1 3.3	3.4 3.6	3.2 3.0
Final sales <i>Previous Tealbook</i>	2.0 2.4	-2.2 -2.6	-4 -5	2.0 1.7	1.8 1.7	2.5 2.1	1.7 1.8	3.1 3.2	3.6 3.8	3.5 3.6
Priv. dom. final purch. <i>Previous Tealbook</i>	.8 1.2	-4.1 -4.5	-2.3 -2.8	3.5 3.2	3.0 2.9	2.9 2.6	2.6 3.0	4.2 4.4	4.4 4.6	3.6 3.6
Personal cons. expend. <i>Previous Tealbook</i>	1.5 1.7	-2.0 -2.5	-1 -3	3.1 2.9	2.0 1.9	2.0 1.8	2.4 2.5	3.6 3.7	3.8 3.9	3.1 3.1
Durables	4.1	-12.9	2.5	9.3	5.7	7.8	6.9	9.0	8.9	6.3
Nondurables	.1	-2.7	.2	3.3	.7	1.6	2.6	2.9	3.0	2.5
Services	1.5	.2	-6	2.1	1.9	1.3	1.6	2.9	3.2	2.7
Residential investment <i>Previous Tealbook</i>	-21.3 -20.7	-24.3 -24.4	-10.8 -13.3	-5.2 -5.7	5.6 3.9	15.5 14.9	10.2 11.2	15.8 18.9	14.8 16.0	8.9 8.9
Nonres. priv. fixed invest. <i>Previous Tealbook</i> ¹	7.1 7.9	-8.9 -9.4	-12.2 -15.7	8.1 7.7	8.6 10.2	5.0 5.4	2.1 3.8	4.7 4.8	5.2 5.3	5.0 5.7
Equipment & intangibles <i>Previous Tealbook</i> ¹	3.9 3.9	-11.8 -13.6	-6.0 -7.8	12.0 11.9	8.7 11.4	3.9 4.7	3.0 4.8	5.3 5.7	5.9 6.2	5.7 2.5
Nonres. structures <i>Previous Tealbook</i>	17.1 17.3	-1.2 -1.2	-27.1 -29.4	-4.0 -1.8	8.3 6.9	9.3 7.3	-1.0 1.3	2.7 2.5	2.7 3.1	2.5 3.1
Net exports ² <i>Previous Tealbook</i> ²	-704 -649	-547 -495	-392 -355	-463 -420	-446 -408	-431 -401	-414 -387	-422 -402	-428 -405	-409 7.0
Exports	9.8	-2.9	.4	9.8	4.6	2.4	3.5	4.4	6.1	4.6
Imports	.7	-5.9	-6.2	11.7	3.5	.1	2.8	4.4	5.1	4.6
Gov't. cons. & invest. <i>Previous Tealbook</i>	1.8 1.9	3.3 2.7	2.3 4.0	-1.1 -1.3	-3.3 -3.3	-1.1 -1.8	-2.5 -3.4	-1.9 -2.1	-.7 -.7	1.0 1.0
Federal	2.7	8.4	3.9	3.2	-3.9	-2.3	-5.8	-5.4	-3.8	.0
Defense	2.5	9.4	3.6	2.0	-4.2	-5.0	-6.8	-6.1	-4.1	.0
Nondefense	2.9	6.5	4.6	5.5	-3.3	2.6	-4.2	-4.3	-3.3	.0
State & local	1.2	.2	1.3	-4.0	-2.8	-.3	-.2	.3	1.1	1.5
Change in priv. inventories ² <i>Previous Tealbook</i> ²	36 28	-34 -36	-148 -139	58 51	34 31	58 43	64 41	95 73	83 66	51 48
Nonfarm ²	37	-35	-146	66	40	69	44	82	81	2
Farm ²	-1	1	-2	-7	-4	-7	19	13	2	2

1. Previous Tealbook lines for nonresidential private fixed investment and equipment and intangibles reflect the values for business fixed investment and equipment and software, respectively, the most comparable series prior to the comprehensive revision.

2. Billions of chained (2009) dollars; Previous Tealbook lines in billions of chained (2005) dollars.

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

Item	2013			2014				2015				2013 ¹	2014 ¹	2015 ¹	2016 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP <i>Previous Tealbook</i>	2.9 1.1	2.2 2.3	2.7 3.3	2.7 3.2	3.0 3.3	3.4 3.3	3.3 3.4	3.4 3.7	3.5 3.5	3.5 3.6	3.4 3.5	2.3 2.1	3.1 3.3	3.4 3.6	3.2 3.0
Final sales <i>Previous Tealbook</i>	2.4 1.1	1.9 2.1	2.5 2.7	2.4 2.9	3.0 3.1	3.4 3.3	3.5 3.5	3.6 3.6	3.5 3.6	3.8 3.9	3.7 3.8	1.7 1.8	3.1 3.2	3.6 3.7	3.5
Priv. dom. final purch. <i>Previous Tealbook</i>	2.4 2.1	1.9 2.4	3.1 3.3	3.1 3.5	3.5 3.7	3.8 3.8	3.8 3.8	3.8 3.9	3.8 3.9	3.8 3.9	3.7 3.9	2.2 2.5	3.5 3.7	3.8 3.9	3.1
Personal cons. expend. <i>Previous Tealbook</i>	1.5 1.1	1.4 1.9	2.1 2.5	2.3 2.6	2.4 2.6	2.6 2.6	2.6 2.7	2.6 2.8	2.6 2.8	2.6 2.8	2.5 2.8	1.6 1.8	2.5 2.6	2.6 2.8	2.1
Durables	.5	.5	.6	.6	.7	.7	.7	.7	.7	.7	.7	.5	.7	.7	.5
Nondurables	.3	.5	.4	.4	.4	.5	.5	.5	.5	.5	.4	.4	.4	.5	.4
Services	.7	.4	1.1	1.2	1.3	1.4	1.4	1.5	1.5	1.4	1.4	.7	1.3	1.4	1.2
Residential investment <i>Previous Tealbook</i>	.4 .3	.1 .1	.4 .5	.4 .5	.5 .6	.5 .6	.5 .5	.6 .6	.5 .6	.5 .5	.5 .5	.3 .3	.5 .6	.5 .5	.4
Nonres. priv. fixed invest. <i>Previous Tealbook</i> ²	.5 .7	.5 .4	.6 .4	.4 .3	.6 .5	.7 .6	.6 .6	.6 .6	.6 .6	.6 .6	.7 .6	.3 .4	.6 .5	.6 .6	.6
Equipment & intangibles <i>Previous Tealbook</i> ²	.1 .5	.3 .3	.5 .3	.3 .3	.5 .4	.6 .5	.6 .5	.5 .5	.6 .5	.6 .5	.6 .5	.3 .4	.5 .4	.6 .5	.6
Nonres. structures <i>Previous Tealbook</i>	.4 .2	.1 .1	.1 .1	.1 .0	.1 .1	.1 .1	.1 .1	.1 .1	.1 .1	.1 .1	.1 .1	.0 .0	.1 .1	.1 .1	.1
Net exports <i>Previous Tealbook</i>	.0 -2	.4 .4	-1 -2	-2 -3	-1 -1	-1 .1	.0 .1	.0 -1	-2 -1	.1 .1	.0 .0	.0 .0	-1 -1	.0 .0	.2
Exports	1.0	.7	.4	.5	.5	.6	.7	.8	.8	.8	.8	.5	.6	.8	.9
Imports	-1.0	-3	-4	-8	-6	-7	-7	-8	-1.0	-7	-8	-5	-7	-8	-7
Gov't. cons. & invest. <i>Previous Tealbook</i>	-1 -7	-5 -6	-5 -4	-4 -3	-4 -5	-3 -4	-3 -3	-2 -2	-1 -2	-1 .0	-1 .0	-5 -7	-4 -4	-1 -1	.2
Federal	-1	-5	-5	-5	-4	-4	-3	-3	-3	-2	-2	-5	-4	-2	.0
Defense	.0	-3	-4	-3	-3	-2	-2	-2	-2	-2	-1	-3	-3	-2	.0
Nondefense	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	.0
State & local	.1	.0	.0	.0	.0	.0	.0	.1	.1	.1	.1	.0	.0	.1	.2
Change in priv. inventories <i>Previous Tealbook</i>	.6 -1	.4 .2	.2 .6	.3 .3	.0 .3	.0 .0	-1 -1	-2 .1	.0 -1	-2 -3	-3 -3	.5 .3	.0 .1	-2 -2	-2
Nonfarm	.5	.4	.2	.5	.1	.0	-1	.2	.0	-2	-3	.3	.1	-1	-2
Farm	.1	-1	.0	-2	-1	.0	.0	-4	.0	.0	.0	.2	-1	-1	.0

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

2. Previous Tealbook lines for nonresidential private fixed investment and equipment and intangibles reflect the values for business fixed investment and equipment and software, respectively, the most comparable series prior to the comprehensive revision.

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

Item	2013			2014				2015				2013 ¹	2014 ¹	2015 ¹	2016 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
GDP chain-wt. price index <i>Previous Tealbook</i>	.8 .0	1.9 2.0	1.3 1.1	1.4 1.6	1.5 1.6	1.4 1.5	1.4 1.5	1.6 1.6	1.6 1.6	1.6 1.6	1.6 1.6	1.4 1.1	1.4 1.5	1.6 1.6	1.7
PCE chain-wt. price index <i>Previous Tealbook</i>	.0 -1	1.9 1.8	1.3 1.0	1.0 1.3	1.2 1.3	1.3 1.3	1.3 1.3	1.4 1.5	1.4 1.5	1.4 1.5	1.5 1.5	1.1 .9	1.2 1.3	1.4 1.5	1.6 1.7
Energy <i>Previous Tealbook</i>	-11.9 -13.1	10.6 6.6	1.5 -4.7	-5.4 -2.7	-3.1 -2.5	-2.1 -2.2	-1.7 -2.0	-1.3 -1.6	-1.7 -1.7	-1.5 -1.7	-1.1 -1.5	-1.1 -4.0	-3.1 -2.4	-1.4 -1.6	-7
Food <i>Previous Tealbook</i>	.5 .4	1.2 1.3	.8 .9	.6 .7	.6 .8	.7 .8	.8 1.0	1.1 1.2	1.3 1.4	1.3 1.4	1.4 1.4	.9 1.0	.7 .8	1.3 1.3	1.4
Ex. food & energy <i>Previous Tealbook</i>	.8 .8	1.5 1.5	1.3 1.4	1.5 1.6	1.5 1.6	1.5 1.6	1.5 1.6	1.6 1.7	1.6 1.7	1.6 1.7	1.6 1.7	1.2 1.3	1.5 1.6	1.6 1.7	1.7 1.8
Ex. food & energy, market based <i>Previous Tealbook</i>	.6 .6	1.5 1.4	1.2 1.3	1.5 1.5	1.5 1.5	1.5 1.5	1.5 1.4	1.6 1.6	1.6 1.6	1.6 1.6	1.6 1.6	1.2 1.2	1.5 1.5	1.6 1.6	1.7
CPI <i>Previous Tealbook</i>	.0 .0	2.5 2.2	1.5 1.1	1.0 1.3	1.3 1.3	1.4 1.4	1.4 1.4	1.6 1.6	1.6 1.6	1.6 1.6	1.5 1.5	1.4 1.2	1.3 1.4	1.6 1.6	1.7
Ex. food & energy <i>Previous Tealbook</i>	1.4 1.4	1.8 1.8	1.6 1.7	1.8 1.8	1.8 1.8	1.8 1.8	1.9 1.8	2.0 2.0	1.9 1.9	1.9 1.9	1.8 1.8	1.7 1.8	1.8 1.8	1.9 1.9	1.9
EEL, hourly compensation ² <i>Previous Tealbook</i> ²	2.4 2.4	2.4 2.5	2.4 2.5	2.5 2.6	2.5 2.6	2.6 2.7	2.6 2.7	2.7 2.9	2.7 2.9	2.7 2.9	2.7 2.9	2.2 2.3	2.5 2.6	2.7 2.9	3.0
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	2.5 -1.1	2.7 1.2	1.1 1.5	1.1 1.7	1.3 1.8	1.6 1.6	1.5 1.6	1.4 1.8	1.6 1.6	1.7 1.6	1.5 1.6	1.1 .3	1.4 1.6	1.5 1.7	1.8
Compensation per hour <i>Previous Tealbook</i>	2.3 2.0	2.5 2.4	2.6 2.7	2.7 2.7	2.7 2.7	2.8 2.9	2.9 2.9	3.0 3.3	3.1 3.3	3.1 3.3	3.2 3.3	.5 .8	2.7 2.8	3.1 3.3	3.4
Unit labor costs <i>Previous Tealbook</i>	-1 3.1	-1 1.1	1.5 1.2	1.6 1.0	1.3 .9	1.2 1.3	1.4 1.3	1.6 1.4	1.5 1.6	1.4 1.6	1.7 1.7	-6 .4	1.4 1.1	1.6 1.6	1.5
Core goods imports chain-wt. price index ³ <i>Previous Tealbook</i> ³	-2.5 -2.0	-2.3 -3	.2 .6	1.1 1.2	1.5 1.4	1.8 1.7	1.5 1.5	1.6 1.5	1.5 1.5	1.5 1.5	1.5 1.4	-1.0 -4	1.5 1.4	1.5 1.5	1.6

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP chain-wt. price index <i>Previous Tealbook</i>	2.5 2.6	1.9 2.1	.4 .5	1.8 1.8	1.8 2.0	1.8 1.8	1.4 1.1	1.4 1.5	1.6 1.6	1.7
PCE chain-wt. price index <i>Previous Tealbook</i>	3.3 3.5	1.5 1.7	1.2 1.4	1.3 1.5	2.6 2.5	1.7 1.6	1.1 .9	1.2 1.3	1.4 1.5	1.6 1.7
Energy <i>Previous Tealbook</i>	19.1 19.3	-8.2 -8.8	2.3 2.7	6.4 6.5	11.7 11.9	2.1 3.2	-1.1 -4.0	-3.1 -2.4	-1.4 -1.6	-7
Food <i>Previous Tealbook</i>	4.9 4.7	6.9 7.0	-1.8 -1.7	1.3 1.3	5.1 5.1	1.2 1.1	.9 1.0	.7 .8	1.3 1.3	1.4
Ex. food & energy <i>Previous Tealbook</i>	2.2 2.4	1.6 2.0	1.4 1.6	1.0 1.2	1.8 1.7	1.7 1.5	1.2 1.3	1.5 1.6	1.6 1.7	1.7 1.8
Ex. food & energy, market based <i>Previous Tealbook</i>	2.1 2.1	2.2 2.2	1.8 1.7	.7 .7	1.9 1.9	1.5 1.6	1.2 1.2	1.5 1.5	1.6 1.6	1.7
CPI <i>Previous Tealbook</i>	4.0 4.0	1.6 1.6	1.5 1.5	1.2 1.2	3.3 3.3	1.9 1.9	1.4 1.2	1.3 1.4	1.6 1.6	1.7
Ex. food & energy <i>Previous Tealbook</i>	2.3 2.3	2.0 2.0	1.7 1.7	.6 .6	2.2 2.2	1.9 1.9	1.7 1.8	1.8 1.8	1.9 1.9	1.9
ECL, hourly compensation ¹ <i>Previous Tealbook</i> ¹	3.0 3.0	2.4 2.4	1.2 1.2	2.1 2.1	2.2 2.2	1.8 1.8	2.2 2.3	2.5 2.6	2.7 2.9	3.0
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	2.3 2.4	-.2 -1.2	5.4 5.6	1.9 1.9	.4 .4	.9 .6	1.1 .3	1.4 1.6	1.5 1.7	1.8
Compensation per hour <i>Previous Tealbook</i>	3.9 3.6	3.0 2.5	1.2 1.5	1.6 1.6	.9 1.7	5.3 4.4	.5 .8	2.7 2.8	3.1 3.3	3.4
Unit labor costs <i>Previous Tealbook</i>	1.6 1.1	3.2 3.7	-4.0 -3.9	-.3 -.2	.5 1.3	4.4 3.8	-.6 .4	1.4 1.1	1.6 1.6	1.5
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ²	3.0 2.9	3.9 3.7	-1.9 -1.7	2.3 2.7	4.2 4.3	.1 .1	-1.0 -.4	1.5 1.4	1.5 1.5	1.6

1. Private-industry workers.

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

Other Macroeconomic Indicators

Item	2013			2014				2015				2013 ¹	2014 ¹	2015 ¹	2016 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
<i>Employment and production</i>															
Nonfarm payroll employment ²	.6	.4	.5	.5	.6	.6	.6	.6	.7	.8	.7	2.2	2.3	2.9	2.4
Unemployment rate ³	7.5	7.3	7.2	7.0	6.9	6.7	6.6	6.4	6.2	6.0	5.8	7.2	6.6	5.8	5.3
<i>Previous Tealbook³</i>	7.5	7.5	7.4	7.2	7.1	6.9	6.8	6.6	6.4	6.2	6.0	7.4	6.8	6.0	5.5
Natural rate of unemployment ³	5.5	5.4	5.4	5.3	5.3	5.3	5.3	5.2	5.2	5.2	5.2	5.4	5.3	5.2	5.2
<i>Previous Tealbook³</i>	5.6	5.5	5.5	5.4	5.4	5.4	5.4	5.3	5.3	5.3	5.3	5.5	5.4	5.3	
GDP gap ⁴	-3.6	-3.5	-3.4	-3.2	-3.0	-2.7	-2.5	-2.2	-1.9	-1.5	-1.3	-3.4	-2.5	-1.3	-2
<i>Previous Tealbook⁴</i>	-4.2	-4.1	-3.8	-3.5	-3.2	-2.9	-2.6	-2.2	-1.9	-1.5	-1.2	-3.8	-2.6	-1.2	
Industrial production ⁵	.4	2.5	5.6	5.9	5.0	4.0	3.4	4.3	4.1	3.7	3.8	3.1	4.6	4.0	3.5
<i>Previous Tealbook⁵</i>	.6	4.4	4.4	5.3	5.1	4.4	3.4	4.5	4.8	4.3	3.2	3.4	4.6	4.2	
Manufacturing industr. prod. ⁵	-7	2.2	4.0	4.5	3.9	3.5	3.6	4.1	4.5	3.9	4.1	2.6	3.9	4.2	3.7
<i>Previous Tealbook⁵</i>	-2	2.9	3.7	4.4	4.5	4.4	4.1	4.9	4.8	4.4	4.0	2.9	4.4	4.5	
Capacity utilization rate - mfg. ³	75.9	76.0	76.5	77.0	77.4	77.7	78.1	78.5	78.9	79.3	79.7	76.5	78.1	79.7	80.8
<i>Previous Tealbook³</i>	76.0	76.3	76.7	77.2	77.7	78.2	78.6	79.2	79.7	80.1	80.5	76.7	78.6	80.5	
Housing starts ⁶	.9	.9	1.1	1.1	1.2	1.3	1.3	1.4	1.5	1.5	1.6	1.0	1.2	1.5	1.7
Light motor vehicle sales ⁶	15.5	15.8	15.8	15.9	15.9	16.0	16.0	16.1	16.2	16.3	16.5	15.6	15.9	16.3	16.5
<i>Income and saving</i>															
Nominal GDP ⁵	3.7	4.2	4.1	4.2	4.5	4.8	4.8	5.0	5.1	5.2	5.0	3.7	4.6	5.1	5.0
Real disposable pers. income ⁵	3.4	1.3	1.0	3.6	2.8	3.1	3.1	4.0	3.3	3.2	3.2	-7	3.1	3.4	3.2
<i>Previous Tealbook⁵</i>	4.6	2.2	2.3	3.9	3.2	3.3	3.5	3.6	3.5	3.4	3.3	.0	3.5	3.5	
Personal saving rate ³	4.5	4.3	3.8	3.9	3.7	3.6	3.4	3.5	3.3	3.2	3.1	3.8	3.4	3.1	3.2
<i>Previous Tealbook³</i>	3.2	3.1	2.8	2.9	2.8	2.7	2.6	2.6	2.4	2.3	2.2	2.8	2.6	2.2	
Corporate profits ⁷	16.4	1.3	3.5	.1	4.3	6.5	6.9	3.3	6.4	6.9	4.9	3.7	4.4	5.4	6.7
Profit share of GNP ³	12.4	12.3	12.3	12.2	12.2	12.3	12.3	12.3	12.3	12.4	12.4	12.3	12.3	12.4	12.6
Net federal saving ⁸	-653	-711	-758	-690	-670	-667	-660	-663	-644	-631	-617	-744	-671	-639	-671
Net state & local savings ⁸	-197	-206	-205	-200	-179	-167	-154	-148	-130	-124	-114	-210	-175	-129	-100
Gross national saving rate ³	17.6	17.6	17.7	17.7	17.8	17.9	18.0	18.0	18.1	18.2	18.3	17.7	18.0	18.3	18.6
Net national saving rate ³	4.3	3.5	2.8	2.7	2.9	3.0	3.1	3.1	3.4	3.5	3.6	2.8	3.1	3.6	4.1

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

2. Change, millions.

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

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

5. Percent change, annual rate.

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

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

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

Other Macroeconomic Indicators

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

Item	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Employment and production</i>										
Nonfarm payroll employment ¹	1.2	-2.8	-5.6	.8	2.0	2.2	2.2	2.3	2.9	2.4
Unemployment rate ²	4.8	6.9	9.9	9.5	8.7	7.8	7.2	6.6	5.8	5.3
<i>Previous Tealbook²</i>	4.8	6.9	9.9	9.5	8.7	7.8	7.4	6.8	6.0	5.5
Natural rate of unemployment ²	5.0	5.3	6.0	6.0	5.8	5.7	5.4	5.3	5.2	5.2
<i>Previous Tealbook²</i>	5.0	5.3	6.0	6.0	5.8	5.7	5.5	5.4	5.3	5.2
GDP gap ³	.6	-4.1	-5.2	-3.9	-3.6	-3.6	-3.4	-2.5	-1.3	-2
<i>Previous Tealbook³</i>	.9	-4.3	-5.2	-4.0	-3.6	-3.9	-3.8	-2.6	-1.2	
Industrial production ⁴	2.7	-8.9	-5.5	6.2	3.3	2.8	3.1	4.6	4.0	3.5
<i>Previous Tealbook⁴</i>	2.7	-8.9	-5.5	6.2	3.3	2.8	3.4	4.6	4.2	
Manufacturing industr. prod. ⁴	2.9	-11.6	-6.1	6.4	3.3	2.8	2.6	3.9	4.2	3.7
<i>Previous Tealbook⁴</i>	2.9	-11.6	-6.1	6.4	3.3	2.8	2.9	4.4	4.5	
Capacity utilization rate - mfg. ²	78.4	69.9	67.2	72.9	74.8	75.7	76.5	78.1	79.7	80.8
<i>Previous Tealbook²</i>	78.4	69.9	67.2	72.9	74.8	75.7	76.7	78.6	80.5	
Housing starts ⁵	1.4	.9	.6	.6	.6	.8	1.0	1.2	1.5	1.7
Light motor vehicle sales ⁵	16.1	13.1	10.4	11.5	12.7	14.4	15.6	15.9	16.3	16.5
<i>Income and saving</i>										
Nominal GDP ⁴	4.4	-1.0	.1	4.6	3.9	3.8	3.7	4.6	5.1	5.0
Real disposable pers. income ⁴	1.2	1.1	-6	2.5	1.4	3.6	-7	3.1	3.4	3.2
<i>Previous Tealbook⁴</i>	1.6	1.0	-3.0	3.5	.3	3.8	.0	3.5	3.5	
Personal saving rate ²	2.9	6.1	5.7	5.5	5.0	6.6	3.8	3.4	3.1	3.2
<i>Previous Tealbook²</i>	2.5	6.2	3.8	4.8	3.4	5.3	2.8	2.6	2.2	
Corporate profits ⁶	-9.0	-30.8	54.5	17.0	8.4	2.7	3.7	4.4	5.4	6.7
Profit share of GNP ²	9.9	6.9	10.7	11.9	12.4	12.3	12.3	12.3	12.4	12.6
Net federal saving ⁷	-267	-635	-1,250	-1,330	-1,248	-1,110	-744	-671	-639	-671
Net state & local saving ⁷	-73	-165	-272	-237	-213	-253	-210	-175	-129	-100
Gross national saving rate ²	16.3	15.0	14.7	15.2	15.8	16.9	17.7	18.0	18.3	18.6
Net national saving rate ²	1.0	-1.6	-1.6	-.4	.5	1.7	2.8	3.1	3.6	4.1

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				2013				2014				2015			
	2013	2014	2015	2016	Q1 ^a	Q2 ^a	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget																
Receipts ¹	2,786	3,032	3,254	3,452	581	891	699	672	638	956	765	740	669	1,019	827	779
Outlays ¹	3,439	3,532	3,683	3,894	888	800	842	873	908	886	865	936	938	919	889	967
Surplus/deficit ¹	-653	-500	-428	-442	-307	91	-143	-201	-270	69	-99	-196	-269	99	-62	-188
<i>Previous Tealbook</i>	-626	-507	-403	-444	-307	91	-116	-219	-274	76	-89	-176	-282	108	-53	-146
On-budget	-695	-533	-446	-444	-303	36	-117	-228	-255	18	-68	-219	-250	51	-28	-205
Off-budget	42	33	18	2	-4	55	-25	27	-15	52	-31	23	-19	49	-35	18
Means of financing:																
Borrowing	696	807	548	562	336	-17	63	427	290	-39	129	226	299	-69	92	218
Cash decrease	-4	19	0	0	14	-56	46	10	10	0	0	0	0	0	0	0
Other ²	-39	-326	-120	-120	-43	-18	34	-236	-30	-30	-30	-30	-30	-30	-30	-30
Cash operating balance, end of period	89	70	70	70	79	135	89	80	70	70	70	70	70	70	70	70
NIPA federal sector																
Receipts	2,969	3,150	3,350	3,532	2,900	3,164	3,104	3,031	3,153	3,188	3,226	3,270	3,330	3,375	3,423	3,468
Expenditures	3,794	3,846	3,999	4,191	3,753	3,820	3,815	3,789	3,842	3,859	3,893	3,930	3,994	4,019	4,054	4,085
Consumption expenditures	978	937	908	899	982	976	961	951	941	932	923	916	911	905	900	895
Defense	618	592	575	568	620	616	606	601	594	589	584	580	577	573	571	569
Nondefense	360	345	333	331	363	360	355	351	347	343	339	336	334	332	329	327
Other spending	2,816	2,909	3,091	3,291	2,771	2,844	2,854	2,837	2,927	2,970	2,970	3,013	3,082	3,114	3,155	3,189
Current account surplus	-825	-696	-650	-659	-853	-656	-711	-758	-690	-670	-667	-660	-663	-644	-631	-617
Gross investment	277	261	248	242	273	277	276	268	263	259	255	252	249	247	245	243
Gross saving less gross investment ³	-835	-686	-620	-618	-860	-666	-718	-756	-681	-657	-648	-636	-636	-612	-596	-579
Fiscal indicators⁴																
High-employment (HEB) surplus/deficit	-632.0	-488.8	-482.2	-560.7	-649.4	-459.8	-509.3	-552.4	-475.1	-460.2	-467.4	-471.8	-485.2	-482.8	-489.0	-493.1
Change in HEB, percent of potential GDP	-2.2	-9	-1	.3	-1.6	-1.1	.3	.2	-.5	-.1	.0	.0	.0	.0	.0	.0
Fiscal impetus (FI), percent of GDP	-1.2	-7	-4	-1	-2.0	-7	-1.1	-1.0	-1.0	-.8	-.6	-.4	-.6	-.4	-.2	-.2
<i>Previous Tealbook</i>	-1.4	-7	-4	-1	-2.0	-1.4	-1.2	-.9	-.9	-.8	-.7	-.5	-.7	-.4	-.1	-.2

1. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) surplus and the Postal Service surplus are excluded from the on-budget 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 natural rate of unemployment. 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.

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

Measure and country	2013				Projected			
	2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP¹								
Total foreign	1.8	2.1	2.7	3.0	3.2	2.9	3.4	3.3
<i>Previous Tealbook</i>	2.0	2.2	2.8	3.1	3.2	3.0	3.4	3.3
Advanced foreign economies	1.4	1.9	1.8	1.9	2.0	1.5	2.2	2.1
Canada	2.2	1.7	2.5	2.2	2.3	2.4	2.6	2.6
Japan	4.1	3.8	2.5	3.1	3.8	-2.5	1.3	-1.0
United Kingdom	1.1	2.9	2.9	2.5	2.3	2.2	2.5	2.3
Euro area	-6	1.2	.3	.9	1.0	1.3	1.8	1.9
Germany	.0	2.9	1.2	1.6	1.7	1.8	2.2	2.5
Emerging market economies	2.1	2.3	3.5	4.1	4.3	4.4	4.6	4.6
Asia	3.6	4.9	4.8	5.3	5.2	5.4	5.6	5.7
Korea	3.4	4.5	3.4	3.7	3.6	3.8	4.2	4.6
China	7.0	6.9	7.6	7.9	7.9	7.9	7.7	7.7
Latin America	.6	-4	2.2	2.9	3.4	3.5	3.5	3.5
Mexico	.1	-2.9	2.4	3.1	3.7	3.7	3.6	3.6
Brazil	2.6	6.0	.5	2.0	2.7	3.0	3.5	3.5
Consumer prices²								
Total foreign	2.2	1.9	2.6	2.6	2.4	3.1	2.5	2.6
<i>Previous Tealbook</i>	2.3	1.9	2.3	2.3	2.4	3.0	2.5	2.6
Advanced foreign economies	.9	.5	1.9	1.5	1.4	2.8	1.5	1.6
Canada	1.6	.0	1.7	1.9	1.8	1.8	1.8	1.9
Japan	-4	.8	3.0	.6	.6	8.7	1.0	1.2
United Kingdom	2.3	1.5	2.7	2.7	1.6	1.6	1.7	2.7
Euro area	.7	.6	1.7	1.5	1.4	1.4	1.5	1.6
Germany	1.4	.7	1.9	1.8	1.7	1.7	1.8	1.8
Emerging market economies	3.3	3.0	3.1	3.4	3.3	3.3	3.3	3.3
Asia	3.3	2.0	3.1	3.2	3.1	3.1	3.2	3.2
Korea	.6	.3	1.8	2.8	3.0	3.0	3.2	3.1
China	3.2	2.1	2.8	2.9	2.9	3.0	3.0	3.0
Latin America	3.5	5.4	2.7	4.0	3.8	3.7	3.7	3.7
Mexico	3.2	5.3	2.1	3.8	3.5	3.4	3.4	3.4
Brazil	7.0	5.8	4.7	5.7	5.7	5.6	5.3	5.3

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	2008	2009	2010	2011	2012	2013	Projected			
							2014	2015	2016	
Real GDP¹										
Total foreign	-7	.9	4.6	3.0	2.2	2.4	3.1	3.4	3.5	
<i>Previous Tealbook</i>	-7	.8	4.6	3.0	2.2	2.5	3.2	3.4		
Advanced foreign economies	-1.5	-1.5	3.0	1.5	.4	1.7	1.9	2.2	2.4	
Canada	.1	-1.4	3.6	2.4	1.0	2.2	2.5	2.6	2.8	
Japan	-4.8	-.5	3.5	.1	.3	3.4	.8	1.0	1.2	
United Kingdom	-4.3	-2.5	1.8	1.1	.0	2.3	2.3	2.5	2.5	
Euro area	-2.1	-2.2	2.2	.7	-1.0	.4	1.3	1.9	2.1	
Germany	-1.8	-2.2	4.2	2.2	.3	1.4	1.9	2.4	2.5	
Emerging market economies	.3	3.9	6.3	4.5	4.2	3.0	4.4	4.6	4.6	
Asia	.8	8.0	7.8	4.9	5.3	4.6	5.4	5.6	5.6	
Korea	-3.2	6.3	5.0	3.4	1.4	3.8	3.9	4.4	4.4	
China	7.6	11.3	9.7	8.7	7.8	7.4	7.8	7.7	7.5	
Latin America	-4	-1	4.7	4.0	3.1	1.3	3.4	3.5	3.5	
Mexico	-1.3	-1.2	4.4	4.1	3.2	.6	3.6	3.6	3.5	
Brazil	.9	5.3	5.3	1.4	1.4	2.7	3.0	3.5	3.7	
Consumer prices²										
Total foreign	3.3	1.2	3.2	3.4	2.3	2.3	2.6	2.7	2.6	
<i>Previous Tealbook</i>	3.3	1.2	3.2	3.4	2.3	2.2	2.6	2.7		
Advanced foreign economies	2.0	.2	1.7	2.2	1.3	1.2	1.8	1.8	1.8	
Canada	1.8	.8	2.2	2.7	.9	1.3	1.8	1.8	2.1	
Japan	1.1	-2.0	-.2	-.3	-.2	1.0	2.7	2.5	1.5	
United Kingdom	3.9	2.2	3.4	4.6	2.6	2.3	1.9	1.9	1.8	
Euro area	2.3	.4	2.0	2.9	2.3	1.1	1.4	1.6	1.7	
Germany	1.7	.3	1.6	2.6	2.0	1.4	1.7	1.8	1.9	
Emerging market economies	4.6	2.1	4.3	4.3	3.1	3.2	3.3	3.3	3.3	
Asia	3.7	1.3	4.3	4.5	2.6	2.9	3.1	3.2	3.2	
Korea	4.5	2.4	3.2	3.9	1.7	1.4	3.0	3.2	3.2	
China	2.5	.6	4.7	4.6	2.1	2.7	3.0	3.0	3.0	
Latin America	6.6	3.9	4.4	4.0	4.3	3.9	3.7	3.7	3.7	
Mexico	6.2	4.0	4.3	3.5	4.1	3.6	3.4	3.4	3.4	
Brazil	6.2	4.2	5.6	6.7	5.6	5.8	5.5	5.3	5.3	

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

	2013				2014				2015			
	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	-420.5	-393.4	-406.9	-438.6	-473.3	-448.5	-474.9	-487.7	-514.3	-494.3	-505.9	-518.2
<i>Previous Tealbook</i>	<i>-424.6</i>	<i>-429.7</i>	<i>-435.6</i>	<i>-471.7</i>	<i>-520.2</i>	<i>-499.7</i>	<i>-531.5</i>	<i>-547.9</i>	<i>-578.7</i>	<i>-554.8</i>	<i>-572.4</i>	<i>-587.8</i>
Current account as percent of GDP	-2.5	-2.4	-2.4	-2.6	-2.8	-2.6	-2.7	-2.7	-2.9	-2.7	-2.7	-2.8
<i>Previous Tealbook</i>	<i>-2.7</i>	<i>-2.7</i>	<i>-2.7</i>	<i>-2.9</i>	<i>-3.1</i>	<i>-3.0</i>	<i>-3.1</i>	<i>-3.2</i>	<i>-3.3</i>	<i>-3.1</i>	<i>-3.2</i>	<i>-3.3</i>
Net goods & services	-490.5	-471.1	-479.7	-499.7	-505.2	-484.0	-495.6	-504.5	-508.1	-496.3	-497.4	-506.1
Investment income, net	215.7	226.2	227.0	206.8	194.4	180.9	169.8	162.5	156.2	147.5	140.5	133.6
Direct, net	281.9	281.5	289.4	289.3	287.9	284.0	281.9	283.3	287.6	291.0	296.1	302.8
Portfolio, net	-66.2	-55.3	-62.4	-82.5	-93.6	-103.0	-112.0	-120.8	-131.4	-143.4	-155.6	-169.1
Other income and transfers, net	-145.7	-148.4	-154.2	-145.7	-162.5	-145.5	-149.1	-145.7	-162.5	-145.5	-149.1	-145.7

Annual Data

											Projected				
	2008	2009	2010	2011	2012	2013	2014	2015	2016						
<i>Billions of dollars</i>															
U.S. current account balance	-681.3	-381.6	-449.5	-457.7	-440.4	-414.8	-471.1	-508.2		-527.6					
<i>Previous Tealbook</i>	-681.3	-381.6	-449.5	-457.7	-440.4	-440.4	-524.8	-573.4							
Current account as percent of GDP	-4.6	-2.6	-3.0	-2.9	-2.7	-2.5	-2.7	-2.8		-2.7					
<i>Previous Tealbook</i>	-4.8	-2.7	-3.1	-3.0	-2.8	-2.7	-3.1	-3.2		-2.7					
Net goods & services	-702.3	-383.7	-499.4	-556.8	-534.7	-485.3	-497.3	-502.0		-484.3					
Investment income, net	157.8	132.3	185.7	240.7	232.3	218.9	176.9	144.5		107.3					
Direct, net	284.3	257.7	288.0	310.6	293.5	285.5	284.3	294.4		315.4					
Portfolio, net	-126.5	-125.4	-102.3	-69.8	-61.2	-66.6	-107.4	-149.9		-208.1					
Other income and transfers, net	-136.9	-130.2	-135.8	-141.6	-138.0	-148.5	-150.7	-150.7		-150.7					

Class I FOMC – Restricted Controlled (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book B Monetary Policy: Strategies and Alternatives

September 12, 2013

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

Near-Term Prescriptions of Selected Policy Rules

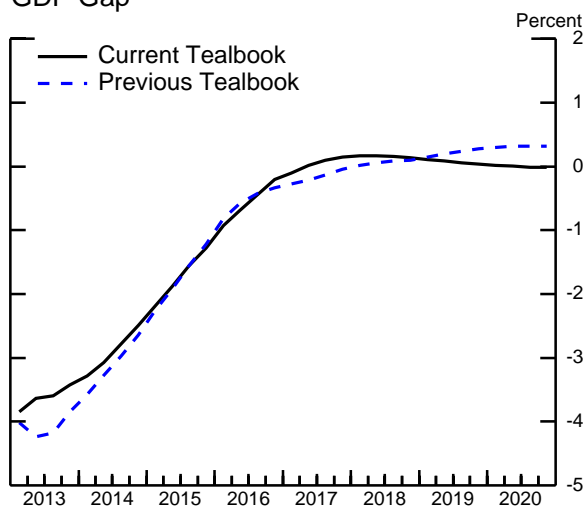
	Constrained Policy		Unconstrained Policy	
	2013Q4	2014Q1	2013Q4	2014Q1
Taylor (1993) rule	1.18	1.28	1.18	1.28
<i>Previous Tealbook</i>	1.00	1.25	1.00	1.25
Taylor (1999) rule	0.13	0.13	-0.51	-0.33
<i>Previous Tealbook</i>	0.13	0.13	-0.89	-0.50
Inertial Taylor (1999) rule	0.13	0.13	0.03	-0.02
<i>Previous Tealbook outlook</i>	0.13	0.13	-0.03	-0.10
Outcome-based rule	0.13	0.13	0.10	0.08
<i>Previous Tealbook outlook</i>	0.13	0.13	0.11	0.13
First-difference rule	0.25	0.47	0.25	0.47
<i>Previous Tealbook outlook</i>	0.49	0.88	0.49	0.88
Nominal income targeting rule	0.13	0.13	-0.70	-1.32
<i>Previous Tealbook outlook</i>	0.13	0.13	-0.74	-1.32

Memo: Equilibrium and Actual Real Federal Funds Rate

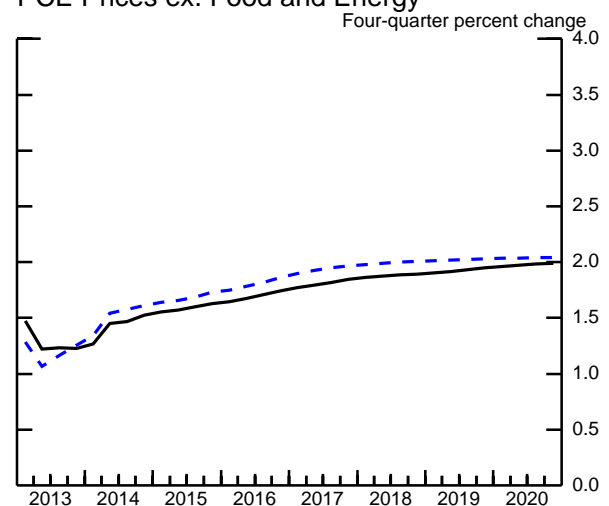
	Current Tealbook	<i>Previous Tealbook</i>
Tealbook-consistent FRB/US r^* estimate	-1.60	-1.57
Actual real federal funds rate	-1.09	-0.93

Key Elements of the Staff Projection

GDP Gap



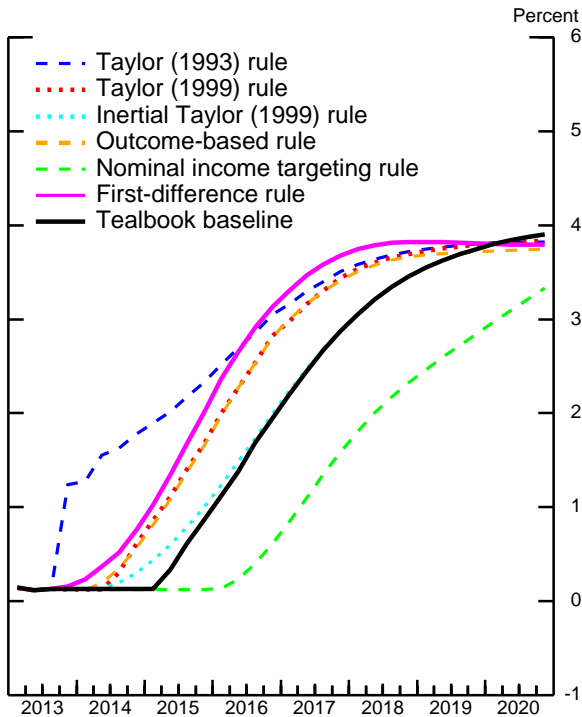
PCE Prices ex. Food and Energy



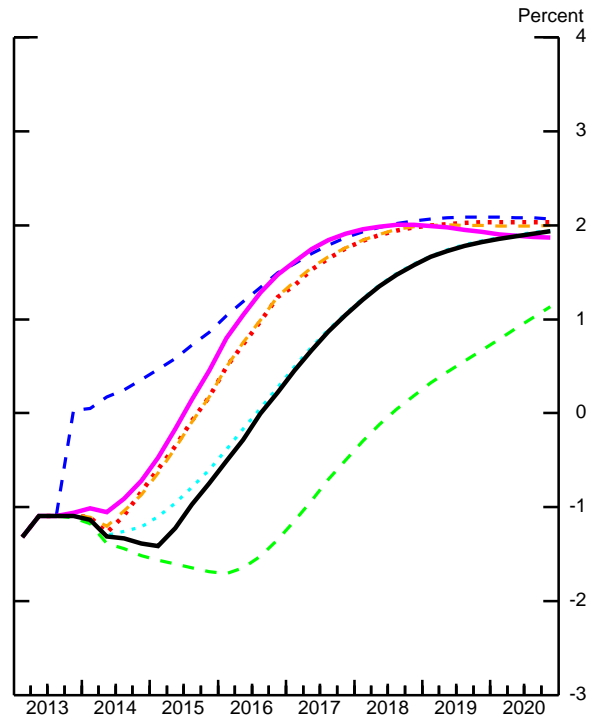
Note: For rules that have the lagged policy rate as a right-hand-side variable, the lines denoted "Previous Tealbook outlook" report rule prescriptions based on the previous Tealbook's staff outlook, but jumping off from the average value for the policy rate thus far in the current quarter.

Policy Rule Simulations without Thresholds

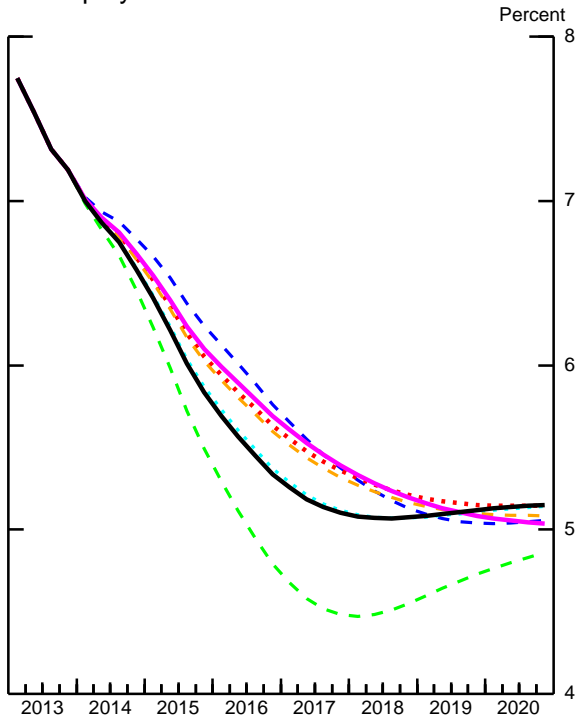
Effective Nominal Federal Funds Rate



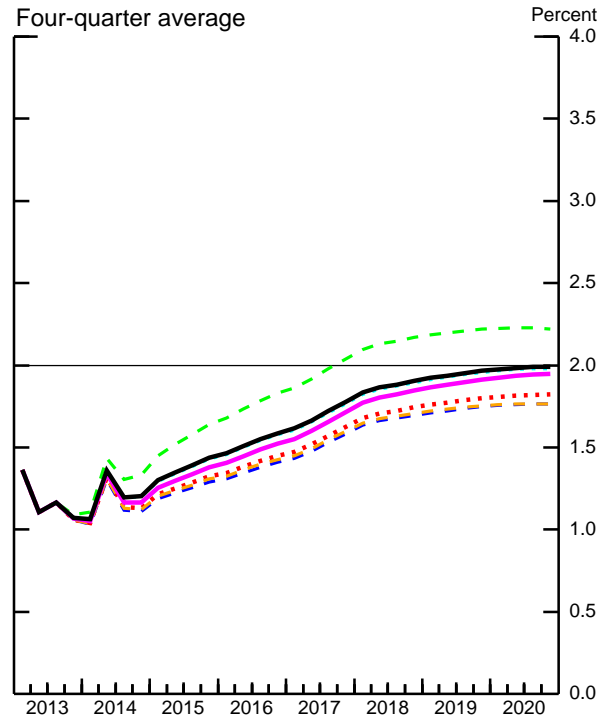
Real Federal Funds Rate



Unemployment Rate



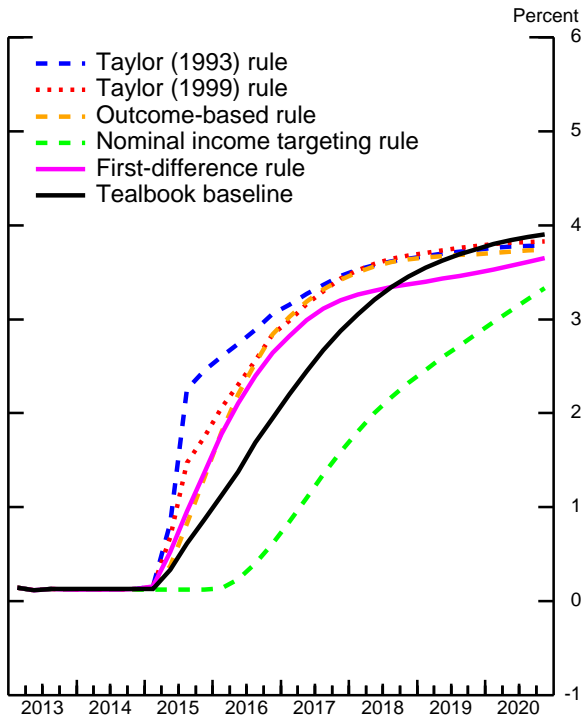
PCE Inflation
Four-quarter average



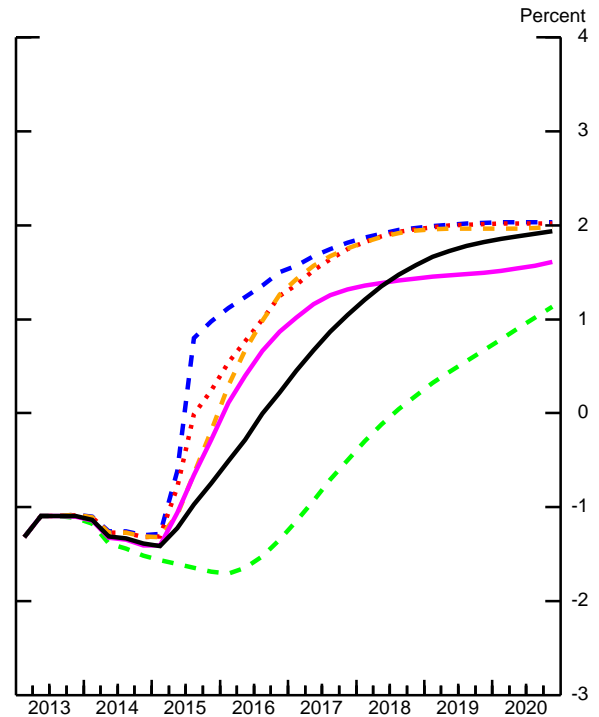
Note: The policy rule simulations in this exhibit are based on rules that respond to core inflation. This choice of rule specification was made in light of the tendency for current and near-term core inflation rates to outperform headline inflation rates as predictors of the medium-term behavior of headline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

Policy Rule Simulations with Thresholds

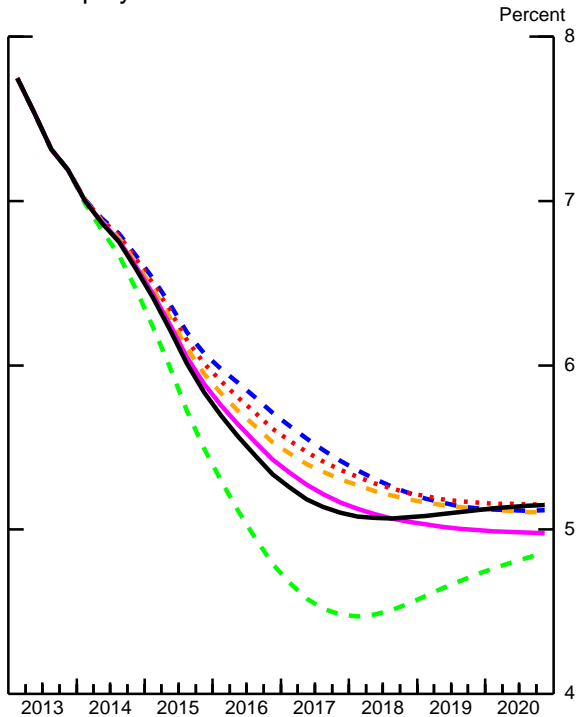
Effective Nominal Federal Funds Rate



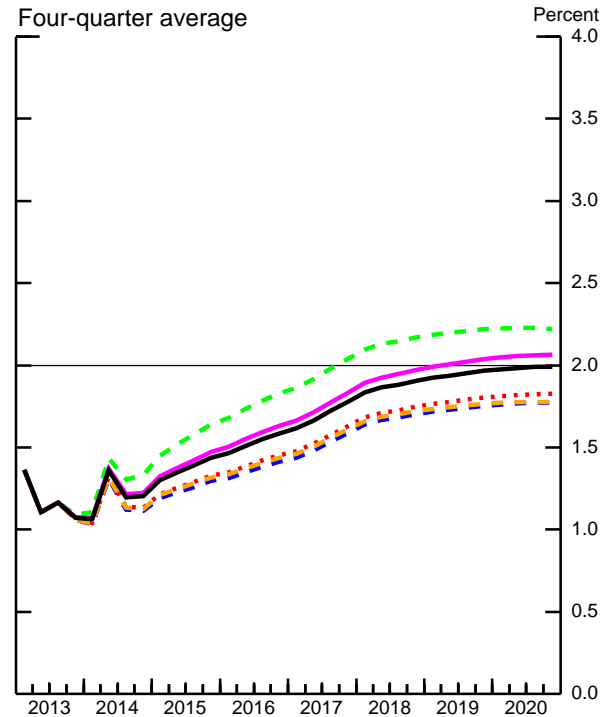
Real Federal Funds Rate



Unemployment Rate



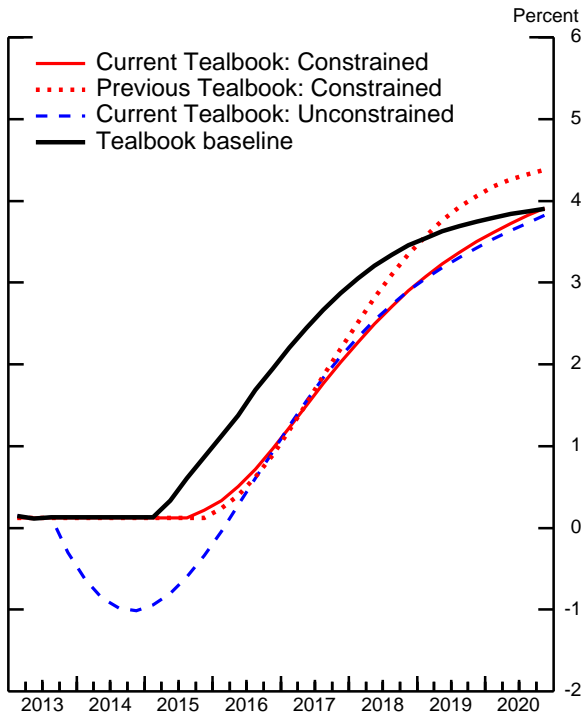
PCE Inflation
Four-quarter average



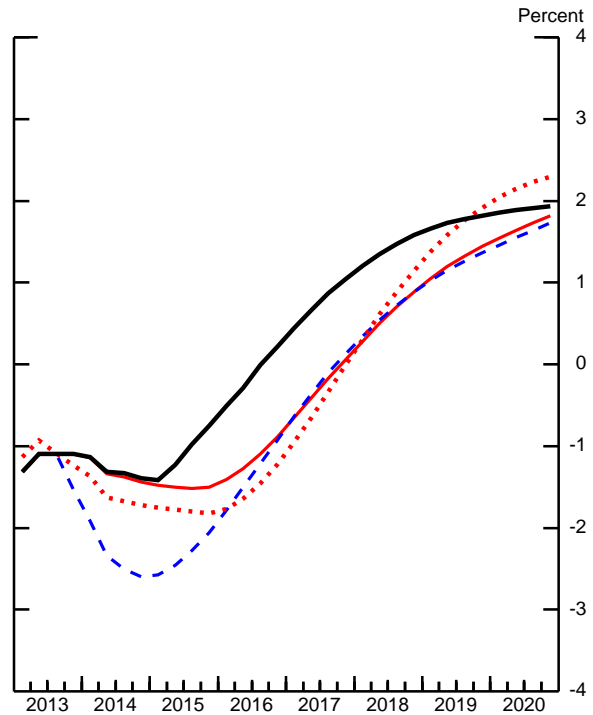
Note: The policy rule simulations in this exhibit are based on rules that respond to core inflation. This choice of rule specification was made in light of the tendency for current and near-term core inflation rates to outperform headline inflation rates as predictors of the medium-term behavior of headline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

Constrained vs. Unconstrained Optimal Control Policy

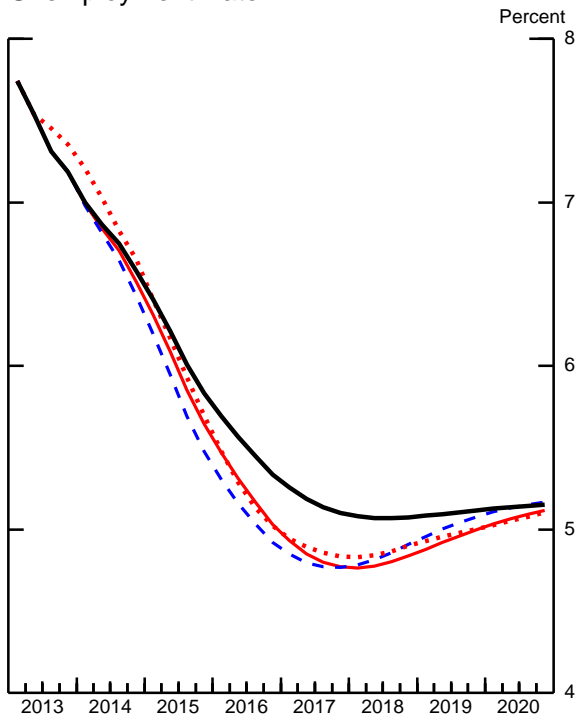
Effective Nominal Federal Funds Rate



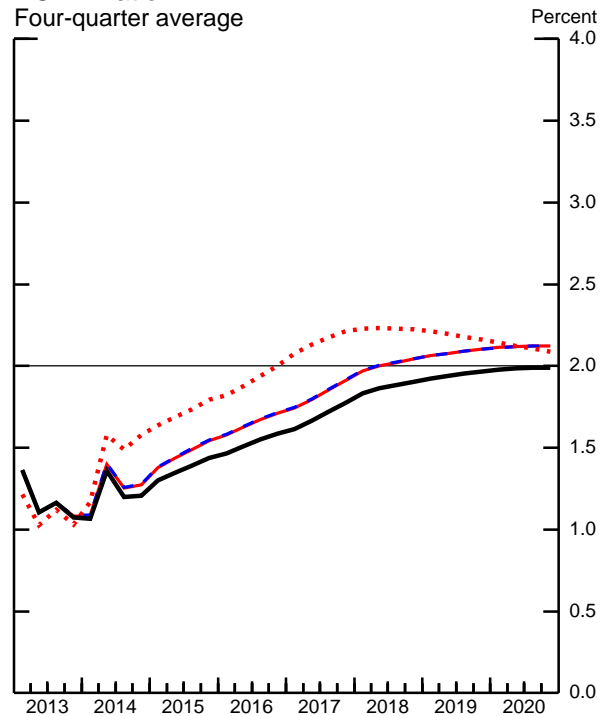
Real Federal Funds Rate



Unemployment Rate



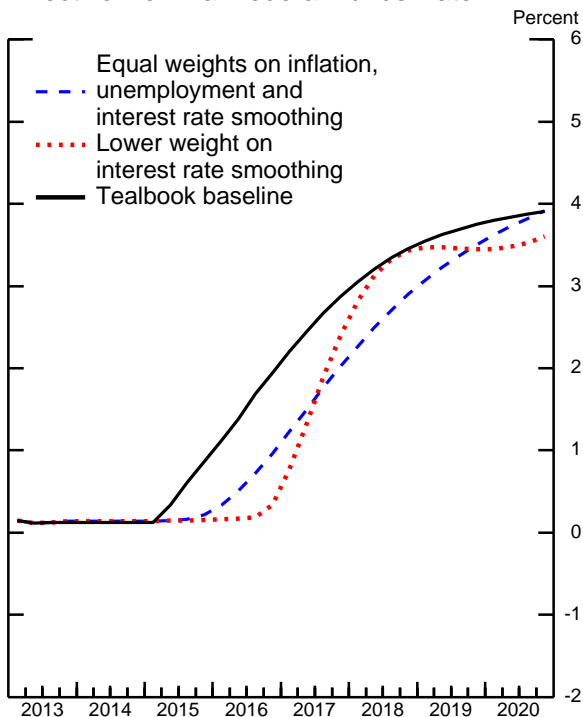
PCE Inflation
Four-quarter average



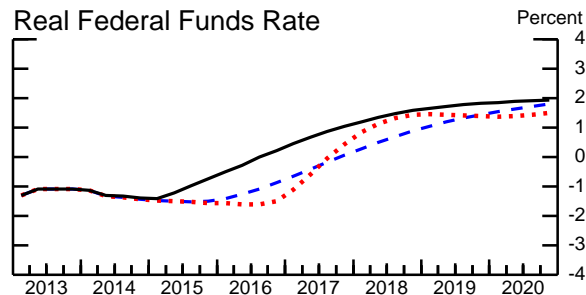
Note: The way policy simulations are generated in FRB/US has changed since June. The paths labeled "Previous Tealbook" in the exhibit have been computed under the new model assumptions, using the June baseline forecast. See footnotes 3 and 8 in the Monetary Policy Strategies text for further details.

Optimal Control Policy with Lower Weight on Interest Rate Smoothing under Commitment

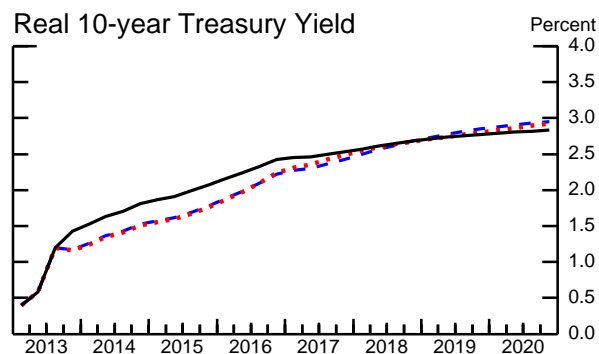
Effective Nominal Federal Funds Rate



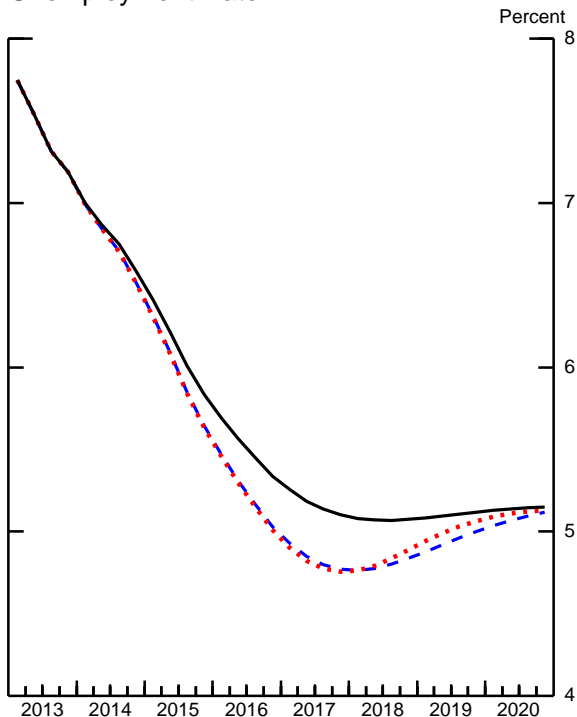
Real Federal Funds Rate



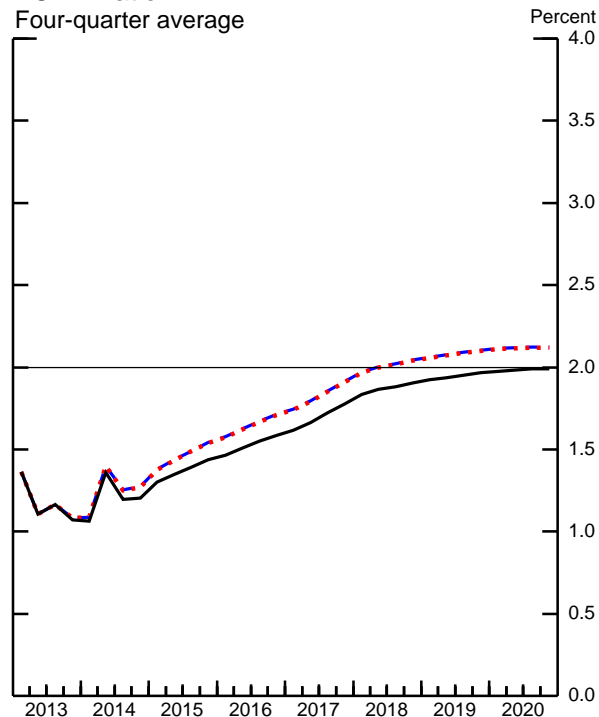
Real 10-year Treasury Yield



Unemployment Rate

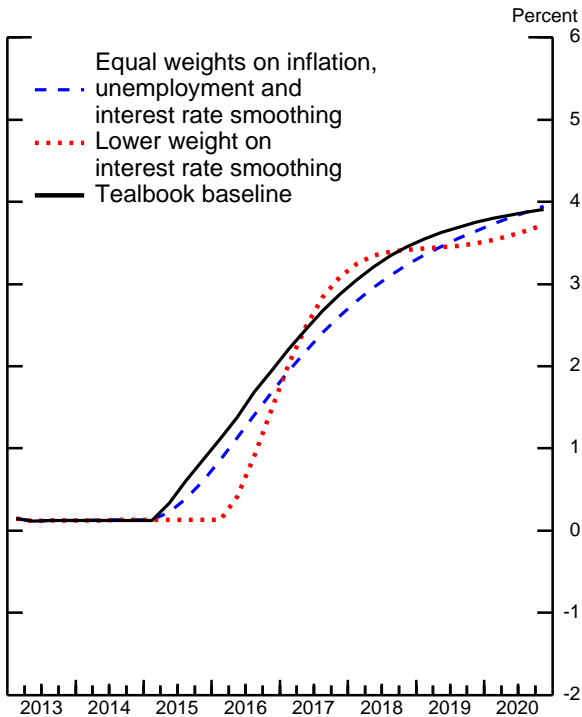


PCE Inflation
Four-quarter average

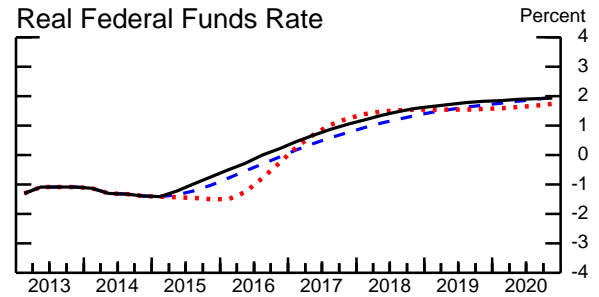


Optimal Control Policy with Lower Weight on Interest Rate Smoothing under Discretion

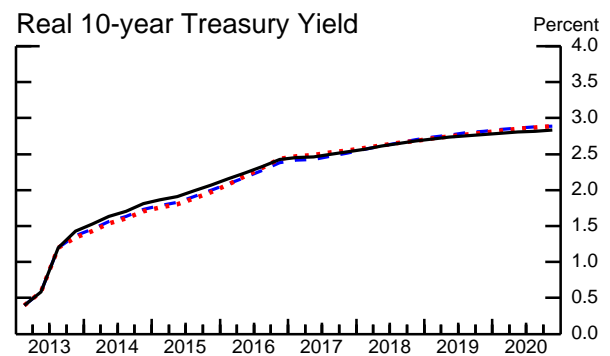
Effective Nominal Federal Funds Rate



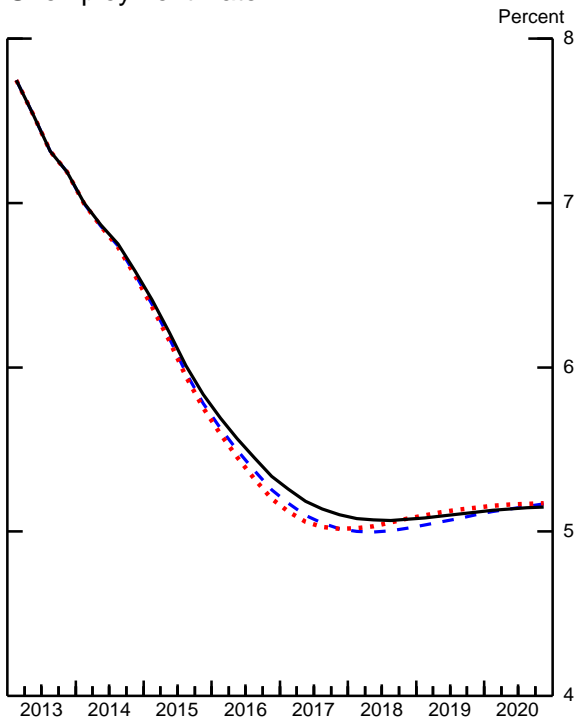
Real Federal Funds Rate



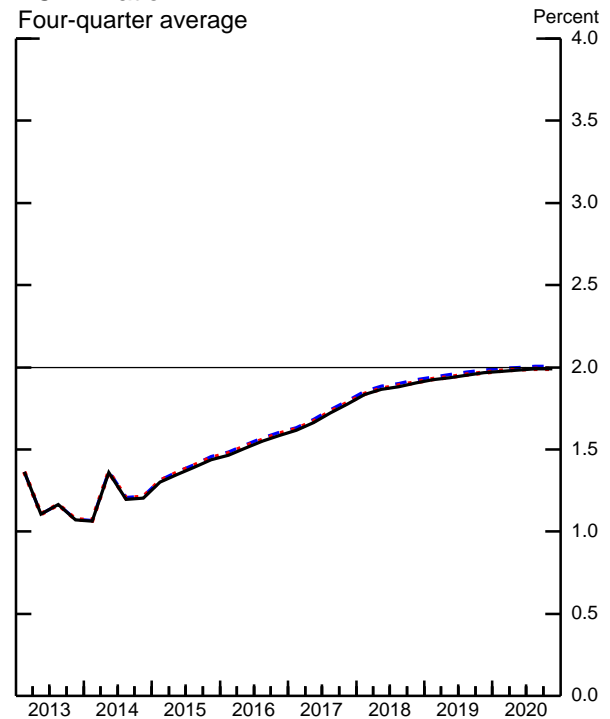
Real 10-year Treasury Yield



Unemployment Rate



PCE Inflation
Four-quarter average



Outcomes under Alternative Policies without Thresholds

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

Measure and scenario	2013		2014	2015	2016	2017
	H1	H2				
<i>Real GDP</i>						
Extended Tealbook baseline ¹	2.0	2.5	3.1	3.4	3.2	2.6
Taylor (1993)	2.0	2.5	2.6	3.1	3.3	2.9
Taylor (1999)	2.0	2.5	2.9	3.2	3.1	2.7
Inertial Taylor (1999)	2.0	2.5	3.1	3.4	3.3	2.6
Outcome based	2.0	2.5	2.9	3.2	3.1	2.7
First difference	2.0	2.5	2.8	3.1	3.1	2.7
Nominal income targeting	2.0	2.5	3.5	3.9	3.7	2.8
Constrained optimal control	2.0	2.5	3.3	3.7	3.5	2.6
<i>Unemployment rate²</i>						
Extended Tealbook baseline ¹	7.5	7.2	6.6	5.8	5.3	5.1
Taylor (1993)	7.5	7.2	6.8	6.2	5.8	5.4
Taylor (1999)	7.5	7.2	6.7	6.1	5.6	5.4
Inertial Taylor (1999)	7.5	7.2	6.6	5.9	5.4	5.1
Outcome based	7.5	7.2	6.6	6.0	5.6	5.3
First difference	7.5	7.2	6.7	6.1	5.7	5.4
Nominal income targeting	7.5	7.2	6.5	5.5	4.8	4.5
Constrained optimal control	7.5	7.2	6.5	5.6	5.0	4.8
<i>Total PCE prices</i>						
Extended Tealbook baseline ¹	0.6	1.6	1.2	1.4	1.6	1.8
Taylor (1993)	0.6	1.6	1.1	1.3	1.4	1.6
Taylor (1999)	0.6	1.6	1.1	1.3	1.5	1.6
Inertial Taylor (1999)	0.6	1.6	1.2	1.4	1.6	1.8
Outcome based	0.6	1.6	1.1	1.3	1.4	1.6
First difference	0.6	1.6	1.2	1.4	1.5	1.7
Nominal income targeting	0.6	1.6	1.3	1.6	1.8	2.0
Constrained optimal control	0.6	1.6	1.3	1.5	1.7	1.9
<i>Core PCE prices</i>						
Extended Tealbook baseline ¹	1.1	1.4	1.5	1.6	1.7	1.8
Taylor (1993)	1.1	1.3	1.4	1.5	1.6	1.7
Taylor (1999)	1.1	1.3	1.5	1.5	1.6	1.7
Inertial Taylor (1999)	1.1	1.4	1.5	1.6	1.7	1.8
Outcome based	1.1	1.3	1.4	1.5	1.6	1.7
First difference	1.1	1.4	1.5	1.6	1.7	1.8
Nominal income targeting	1.1	1.4	1.7	1.8	2.0	2.1
Constrained optimal control	1.1	1.4	1.6	1.7	1.9	2.0
<i>Effective federal funds rate²</i>						
Extended Tealbook baseline ¹	0.1	0.1	0.1	0.9	1.9	2.9
Taylor (1993)	0.1	1.2	1.8	2.3	3.0	3.5
Taylor (1999)	0.1	0.1	0.6	1.7	2.8	3.4
Inertial Taylor (1999)	0.1	0.1	0.3	1.0	2.0	2.9
Outcome based	0.1	0.1	0.6	1.7	2.8	3.4
First difference	0.1	0.2	0.8	2.0	3.1	3.7
Nominal income targeting	0.1	0.1	0.1	0.1	0.6	1.6
Constrained optimal control	0.1	0.1	0.1	0.2	0.9	2.0

1. Policy in the Tealbook baseline keeps the federal funds rate at its effective lower bound of 12.5 basis points as long as the unemployment rate is above 6.5 percent and projected one-year-ahead inflation is less than 2.5 percent. Once either threshold is crossed, the federal funds rate follows the prescription of the inertial Taylor (1999) rule.

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

Outcomes under Alternative Policies with Thresholds¹

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

Measure and scenario	2013		2014	2015	2016	2017
	H1	H2				
<i>Real GDP</i>						
Extended Tealbook baseline ¹	2.0	2.5	3.1	3.4	3.2	2.6
Taylor (1993)	2.0	2.5	2.9	3.1	3.0	2.7
Taylor (1999)	2.0	2.5	2.9	3.2	3.1	2.7
Outcome based	2.0	2.5	3.0	3.3	3.1	2.6
First difference	2.0	2.5	3.1	3.4	3.2	2.7
Nominal income targeting	2.0	2.5	3.5	3.9	3.7	2.8
Constrained optimal control	2.0	2.5	3.3	3.7	3.5	2.6
<i>Unemployment rate²</i>						
Extended Tealbook baseline ¹	7.5	7.2	6.6	5.8	5.3	5.1
Taylor (1993)	7.5	7.2	6.7	6.1	5.7	5.4
Taylor (1999)	7.5	7.2	6.6	6.0	5.6	5.4
Outcome based	7.5	7.2	6.6	5.9	5.5	5.3
First difference	7.5	7.2	6.6	5.9	5.4	5.2
Nominal income targeting	7.5	7.2	6.5	5.5	4.8	4.5
Constrained optimal control	7.5	7.2	6.5	5.6	5.0	4.8
<i>Total PCE prices</i>						
Extended Tealbook baseline ¹	0.6	1.6	1.2	1.4	1.6	1.8
Taylor (1993)	0.6	1.6	1.1	1.3	1.4	1.6
Taylor (1999)	0.6	1.6	1.1	1.3	1.5	1.6
Outcome based	0.6	1.6	1.1	1.3	1.4	1.6
First difference	0.6	1.6	1.2	1.5	1.6	1.8
Nominal income targeting	0.6	1.6	1.3	1.6	1.8	2.0
Constrained optimal control	0.6	1.6	1.3	1.5	1.7	1.9
<i>Core PCE prices</i>						
Extended Tealbook baseline ¹	1.1	1.4	1.5	1.6	1.7	1.8
Taylor (1993)	1.1	1.3	1.4	1.5	1.6	1.7
Taylor (1999)	1.1	1.4	1.5	1.5	1.6	1.7
Outcome based	1.1	1.3	1.4	1.5	1.6	1.7
First difference	1.1	1.4	1.5	1.7	1.8	1.9
Nominal income targeting	1.1	1.4	1.7	1.8	2.0	2.1
Constrained optimal control	1.1	1.4	1.6	1.7	1.9	2.0
<i>Effective federal funds rate²</i>						
Extended Tealbook baseline ¹	0.1	0.1	0.1	0.9	1.9	2.9
Taylor (1993)	0.1	0.1	0.1	2.5	3.1	3.5
Taylor (1999)	0.1	0.1	0.1	1.7	2.8	3.4
Outcome based	0.1	0.1	0.1	1.3	2.8	3.4
First difference	0.1	0.1	0.1	1.4	2.6	3.2
Nominal income targeting	0.1	0.1	0.1	0.1	0.6	1.6
Constrained optimal control	0.1	0.1	0.1	0.2	0.9	2.0

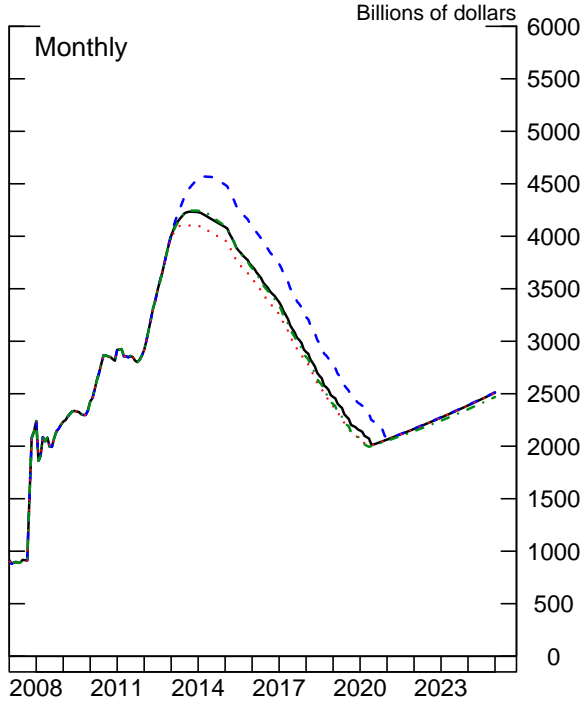
1. With the exception of constrained optimal control, monetary policy is specified to keep the federal funds rate at its effective lower bound of 12.5 basis points as long as the unemployment rate is above 6.5 percent and projected one-year-ahead inflation is less than 2.5 percent. Once either of these thresholds is crossed, the federal funds rate follows the prescriptions of the specified rule. Policy in the Tealbook baseline also uses these threshold conditions and switches to the inertial Taylor (1999) rule once either of these thresholds is crossed.

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

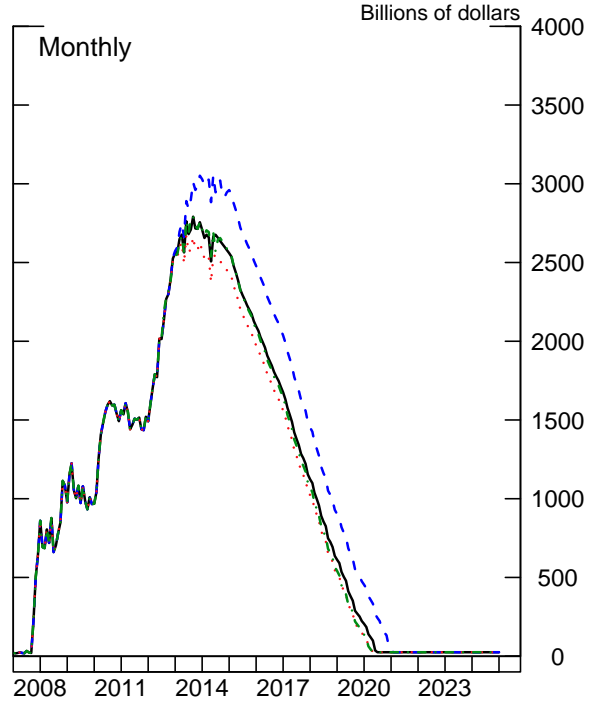
Total Assets and Selected Balance Sheet Items

— Alternative B
 - - - Alternative A
 . . . Alternative C
 - - - July Tealbook Alternative B

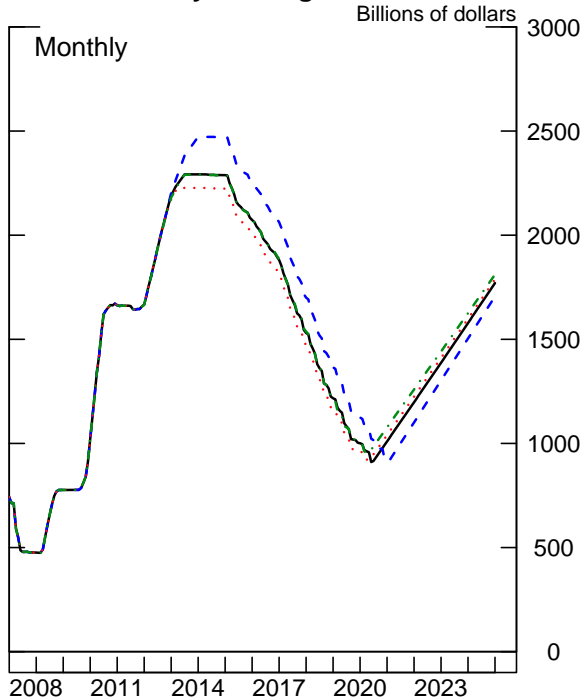
Total Assets



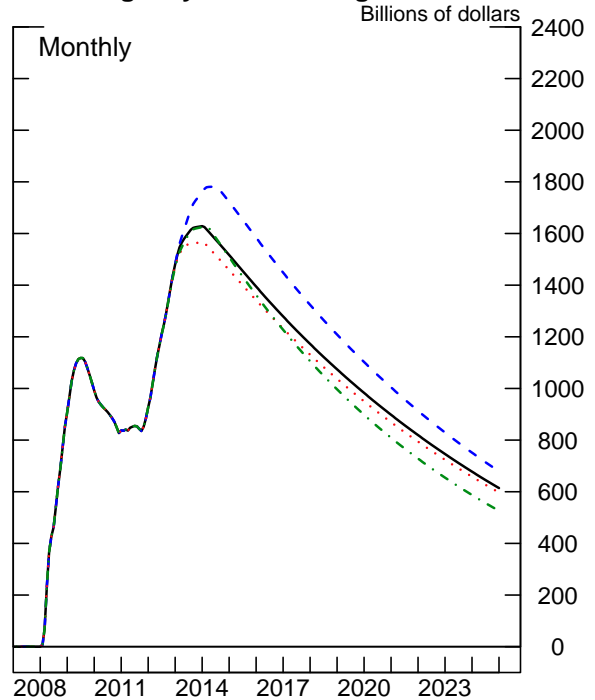
Reserve Balances



SOMA Treasury Holdings



SOMA Agency MBS Holdings

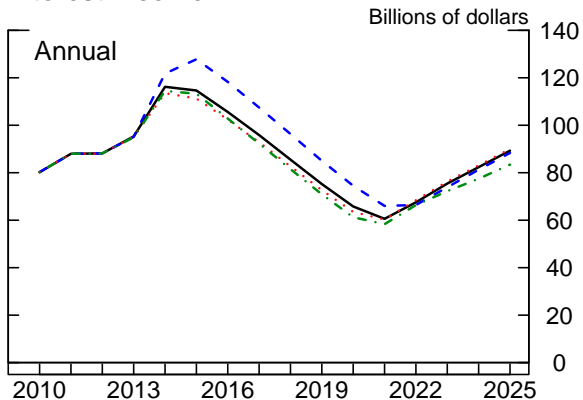


Projections

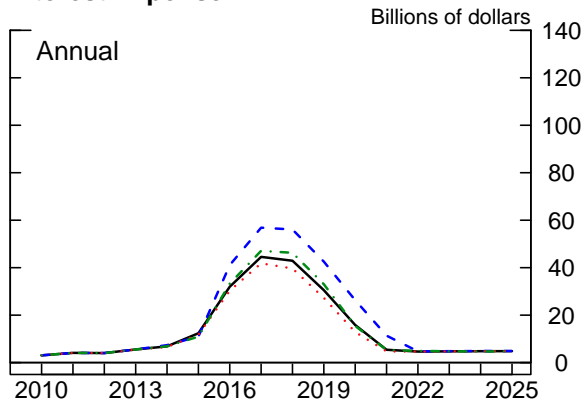
Income Projections

— Alternative B
 - - Alternative A
 . . . Alternative C
 - - - July Tealbook Alternative B

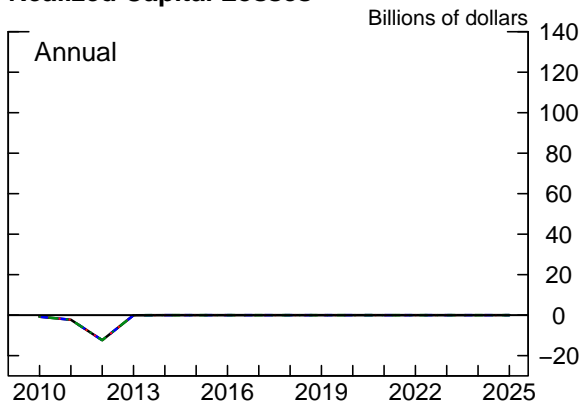
Interest Income



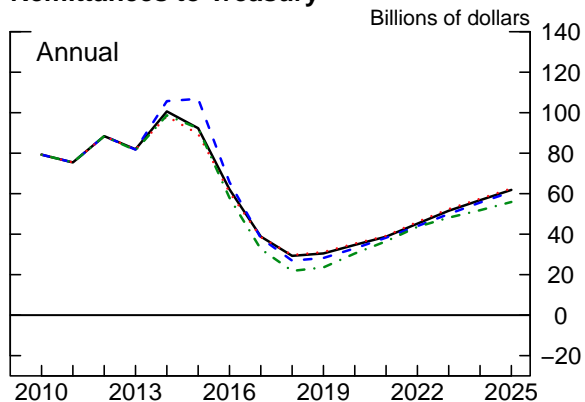
Interest Expense



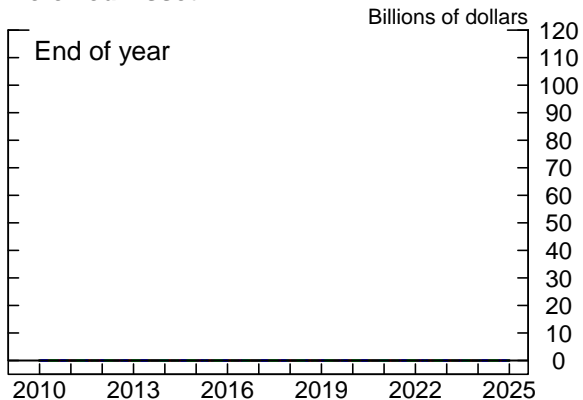
Realized Capital Losses



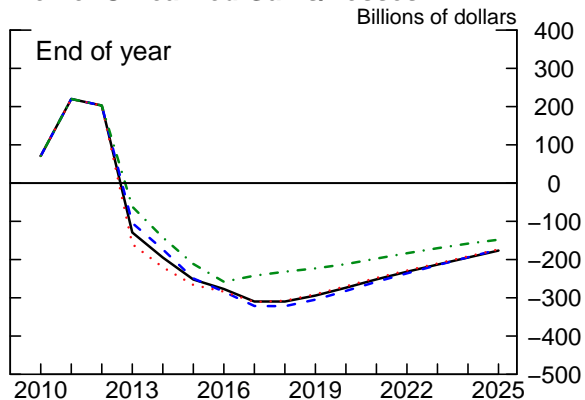
Remittances to Treasury



Deferred Asset



Memo: Unrealized Gains/Losses



Alternative Projections for the Monetary Base

Percent change, annual rate; not seasonally adjusted

Date	Alternative B	Alternative C	Alternative A	July Alternative B
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Monthly

2013: May	35.6	35.6	35.6	35.6
Jun	36.3	36.3	36.3	36.3
Jul	33.3	33.3	33.3	50.0
Aug	36.9	36.9	36.9	50.3
Sep	25.5	25.3	25.6	24.6
Oct	24.4	23.2	24.6	21.3
Nov	41.1	38.8	42.0	35.2
Dec	29.4	25.7	31.6	26.8
2014: Jan	9.2	6.0	12.9	8.9

Quarterly

2013: Q2	38.6	38.6	38.6	38.6
Q3	35.1	35.1	35.1	44.1
Q4	31.1	29.6	31.6	29.6
2014: Q1	20.1	17.0	23.9	18.9
Q2	7.9	3.7	15.6	9.2
Q3	8.6	3.9	17.4	11.6
Q4	1.3	0.9	8.9	-1.2

Annual

2013	36.6	36.1	36.8	38.9
2014	9.7	6.5	17.5	9.9
2015	-1.5	-1.5	0.1	-1.3
2016	-9.2	-9.4	-7.5	-9.7
2017	-9.8	-10.0	-9.4	-10.2
2018	-14.8	-15.0	-14.1	-15.1
2019	-16.6	-16.8	-16.1	-17.3
2020	-15.6	-15.7	-15.4	-15.9
2021	-7.0	-3.0	-14.5	-3.8
2022	4.8	4.8	0.7	4.1
2023	4.9	4.9	4.9	4.3
2024	4.9	4.9	4.9	4.5
2025	4.9	4.9	4.9	4.6

Note: For years, Q4 to Q4; for historical months and quarters and for projected quarters, calculated from corresponding average levels; for projected months, calculated from corresponding month-end levels.

MONEY

M2 is estimated to have expanded briskly over the third quarter, as investors apparently tilted their portfolios toward safe and liquid assets in M2 amid the sell-off in fixed income markets. We anticipate that M2 will grow more in line with nominal GDP for the remainder of 2013. Beginning in 2014, M2 is projected to grow more slowly than nominal GDP in part because investors are assumed to reallocate a portion of their elevated M2 balances to riskier investments as financial and economic conditions improve; this shift in portfolio composition is expected to persist through the remainder of the forecast horizon.¹¹ M2 growth is further depressed in 2015 and 2016 as the opportunity cost of holding M2 assets is increased by the assumed rise in short-term market rates.

M2 Monetary Aggregate Projections (Percent change, annual rate; seasonally adjusted) ¹		
<i>Quarterly</i>		
2013:	Q3	7.9
	Q4	4.9
2014:	Q1	2.7
	Q2	2.1
	Q3	2.4
	Q4	2.5
2015:	Q1	0.4
	Q2	-1.4
	Q3	-1.9
	Q4	-2.2
2016:	Q1	-1.5
	Q2	-1.3
	Q3	-0.7
	Q4	-0.3
<i>Annual</i>		
	2013	5.7
	2014	2.4
	2015	-1.3
	2016	-1.0

Note: This forecast is consistent with nominal GDP and interest rates in the Tealbook forecast. Actual data through September 2, 2013; projections thereafter.

1. Quarterly growth rates are computed from quarter averages. Annual growth rates are calculated using the change from fourth quarter of previous year to fourth quarter of year indicated.

¹¹ The staff's judgmental forecasts of M2 are constructed using the staff's forecast of nominal income growth and model-based estimates of interest rate effects.

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

Billions of dollars

	<u>Aug 30, 2013</u>	<u>2013</u>	<u>2015</u>	<u>2017</u>	<u>2019</u>	<u>2021</u>	<u>2023</u>	<u>2025</u>
Total assets	3,649	4,004	4,088	3,373	2,470	2,063	2,273	2,510
Selected assets								
Liquidity programs for financial firms	0	1	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0	0	0
Central bank liquidity swaps	0	1	0	0	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	1	0	0	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	1	0	0	0	0	0	0	0
Securities held outright	3,386	3,730	3,838	3,164	2,293	1,910	2,135	2,387
U.S. Treasury securities	2,028	2,192	2,288	1,881	1,217	1,009	1,387	1,770
Agency debt securities	66	57	33	4	2	2	2	2
Agency mortgage-backed securities	1,291	1,480	1,517	1,279	1,074	898	746	614
Net portfolio holdings of TALF LLC	0	0	0	0	0	0	0	0
Unamortized premiums	203	216	193	151	117	92	75	61
Unamortized discounts	-5	-9	-9	-7	-6	-4	-4	-3
Total other assets	64	65	65	65	65	65	65	65
Total liabilities	3,594	3,949	4,026	3,296	2,372	1,940	2,116	2,312
Selected liabilities								
Federal Reserve notes in circulation	1,165	1,189	1,340	1,496	1,636	1,793	1,970	2,166
Reverse repurchase agreements	95	100	100	100	100	100	100	100
Deposits with Federal Reserve Banks	2,325	2,649	2,575	1,691	628	40	40	40
Reserve balances held by depository institutions	2,267	2,559	2,560	1,676	612	25	25	25
U.S. Treasury, General Account	26	80	5	5	5	5	5	5
Other Deposits	32	10	10	10	10	10	10	10
Interest on Federal Reserve Notes due to U.S. Treasury	2	0	0	0	0	0	0	0
Total capital	55	55	62	77	98	124	156	198

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>Aug 30, 2013</u>	<u>2013</u>	<u>2015</u>	<u>2017</u>	<u>2019</u>	<u>2021</u>	<u>2023</u>	<u>2025</u>
Total assets	3,649	3,975	3,961	3,259	2,381	2,063	2,272	2,510
Selected assets								
Liquidity programs for financial firms	0	1	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0	0	0
Central bank liquidity swaps	0	1	0	0	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	1	0	0	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	1	0	0	0	0	0	0	0
Securities held outright	3,386	3,703	3,715	3,053	2,207	1,911	2,137	2,387
U.S. Treasury securities	2,028	2,172	2,223	1,816	1,167	1,040	1,410	1,788
Agency debt securities	66	57	33	4	2	2	2	2
Agency mortgage-backed securities	1,291	1,474	1,459	1,232	1,037	869	724	597
Net portfolio holdings of TALF LLC	0	0	0	0	0	0	0	0
Unamortized premiums	203	215	189	148	114	90	74	60
Unamortized discounts	-5	-9	-9	-7	-5	-4	-3	-3
Total other assets	64	65	65	65	65	65	65	65
Total liabilities	3,594	3,920	3,899	3,182	2,284	1,939	2,116	2,312
Selected liabilities								
Federal Reserve notes in circulation	1,165	1,189	1,340	1,496	1,636	1,793	1,970	2,166
Reverse repurchase agreements	95	100	100	100	100	100	100	100
Deposits with Federal Reserve Banks	2,325	2,620	2,448	1,577	540	40	40	40
Reserve balances held by depository institutions	2,267	2,530	2,433	1,561	524	25	25	25
U.S. Treasury, General Account	26	80	5	5	5	5	5	5
Other Deposits	32	10	10	10	10	10	10	10
Interest on Federal Reserve Notes due to U.S. Treasury	2	0	0	0	0	0	0	0
Total capital	55	55	62	77	98	124	156	198

Projections

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 A

Billions of dollars

	<u>Aug 30, 2013</u>	<u>2013</u>	<u>2015</u>	<u>2017</u>	<u>2019</u>	<u>2021</u>	<u>2023</u>	<u>2025</u>
Total assets	3,649	4,018	4,491	3,737	2,762	2,085	2,276	2,514
Selected assets								
Liquidity programs for financial firms	0	1	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0	0	0
Central bank liquidity swaps	0	1	0	0	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	1	0	0	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	1	0	0	0	0	0	0	0
Securities held outright	3,386	3,741	4,226	3,516	2,576	1,925	2,134	2,387
U.S. Treasury securities	2,028	2,202	2,470	2,062	1,365	918	1,302	1,706
Agency debt securities	66	57	33	4	2	2	2	2
Agency mortgage-backed securities	1,291	1,482	1,723	1,449	1,209	1,004	829	679
Net portfolio holdings of TALF LLC	0	0	0	0	0	0	0	0
Unamortized premiums	203	218	211	165	128	100	81	65
Unamortized discounts	-5	-8	-11	-9	-7	-6	-4	-4
Total other assets	64	65	65	65	65	65	65	65
Total liabilities	3,594	3,963	4,429	3,660	2,664	1,962	2,120	2,316
Selected liabilities								
Federal Reserve notes in circulation	1,165	1,189	1,340	1,496	1,637	1,794	1,972	2,169
Reverse repurchase agreements	95	100	100	100	100	100	100	100
Deposits with Federal Reserve Banks	2,325	2,664	2,976	2,052	917	59	40	40
Reserve balances held by depository institutions	2,267	2,573	2,960	2,037	902	44	25	25
U.S. Treasury, General Account	26	80	5	5	5	5	5	5
Other Deposits	32	10	10	10	10	10	10	10
Interest on Federal Reserve Notes due to U.S. Treasury	2	0	0	0	0	0	0	0
Total capital	55	55	62	77	98	124	156	198

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

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

Alternative Projections for the 10-Year Treasury Term Premium Effect

Date	Alternative B	Alternative C	Alternative A	July Alternative B
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Basis Points

Quarterly Averages

2013: Q3	-121	-116	-134	-125
Q4	-117	-112	-131	-121
2014: Q1	-112	-107	-127	-116
Q2	-107	-102	-123	-111
Q3	-102	-97	-118	-106
Q4	-97	-93	-112	-100
2015: Q1	-92	-88	-107	-95
Q2	-87	-83	-102	-90
Q3	-83	-78	-96	-85
Q4	-78	-74	-91	-80
2016: Q4	-62	-59	-73	-63
2017: Q4	-49	-46	-58	-49
2018: Q4	-38	-36	-45	-39
2019: Q4	-30	-28	-35	-30
2020: Q4	-23	-22	-27	-24
2021: Q4	-18	-18	-21	-19
2022: Q4	-15	-14	-17	-16
2023: Q4	-11	-11	-13	-13
2024: Q4	-8	-8	-10	-9
2025: Q4	-6	-6	-7	-7