

Prefatory Note

The attached document represents the most complete and accurate version available based on original files from the FOMC Secretariat at the Board of Governors of the Federal Reserve System.

Please note that some material may have been redacted from this document if that material was received on a confidential basis. Redacted material is indicated by occasional gaps in the text or by gray boxes around non-text content. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

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

January 19, 2011

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

Domestic Economic Developments and Outlook

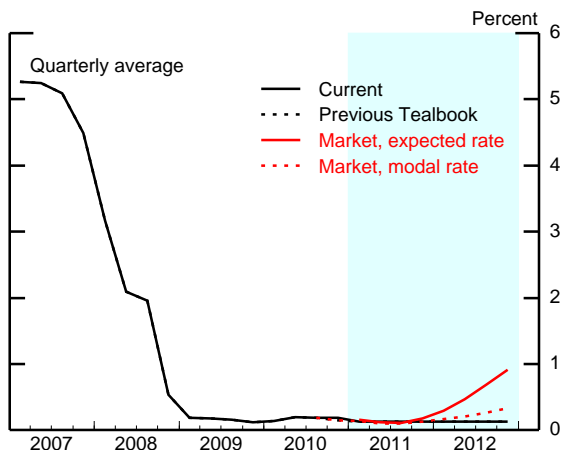
On balance, the incoming news on economic activity has taken on a stronger tenor since the December Tealbook. Consumer spending picked up sharply in the fourth quarter of 2010, and—apart from its volatile motor vehicle component—business investment in equipment and software has exhibited considerable vigor. Industrial production (IP) has also posted solid gains in recent months. By contrast, conditions in the labor market have improved only modestly, and the housing market remains moribund. After weighing the various indicators, we estimate that real GDP increased at an annual rate of 3¾ percent in the fourth quarter, 1¼ percentage points faster than we had projected in the most recent Tealbook.

Because the economy appears to have entered 2011 with a bit more momentum than we had anticipated in our previous forecast, we have nudged up our projections for growth over the next few quarters. However, we did not make any other material changes to the medium-term outlook, which had already featured an appreciable acceleration in real GDP this year and a further step-up in growth in 2012. The conditioning assumptions underlying the forecast are virtually the same as those in the December Tealbook, and given the limited improvement in the labor market to date and the financial constraints and other headwinds that continue to weigh on spending and production (as well as the usual noisiness of the high-frequency data), we were reluctant to extrapolate more than a little of the positive surprise going forward. As a result, our point estimates for real GDP growth, at 3.8 percent in 2011 and 4.4 percent in 2012, are nearly unchanged from our previous projection. Nevertheless, the level of real GDP is a little higher throughout the projection period. Furthermore, we see the incoming information as suggesting that the downside risks to the outlook have diminished and that the recovery is on a somewhat firmer footing than was apparent in December.

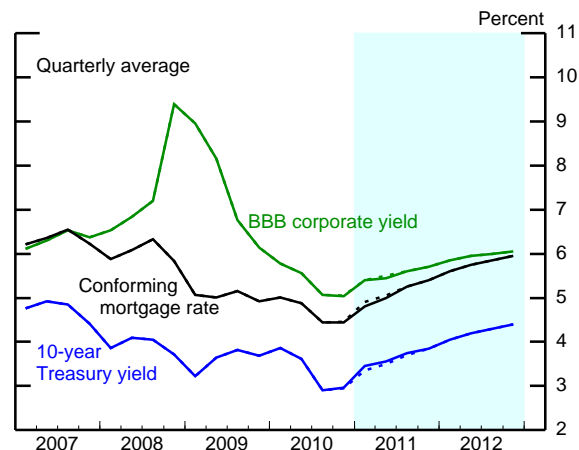
As for inflation, the incoming data on core consumer prices have been about in line with our expectations. But with the projected margin of slack a little smaller than in the December Tealbook, and with some additional upward pressure on domestic prices from the pass-through of higher energy and import prices, we have added 0.1 percentage point to our forecast for core inflation, which is now expected to be 1 percent in both 2011 and 2012. Given our projections for consumer food and energy prices, overall

Key Background Factors underlying the Baseline Staff Projection

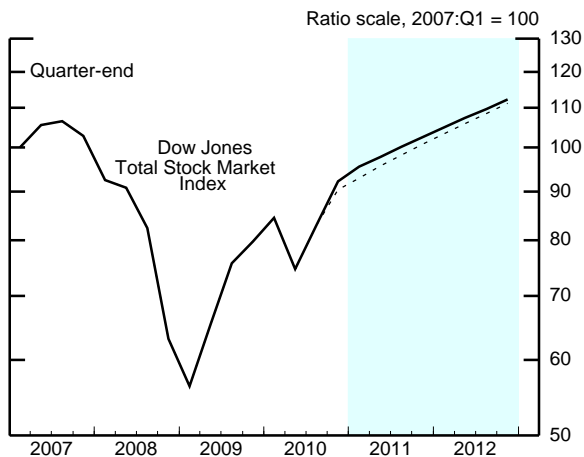
Federal Funds Rate



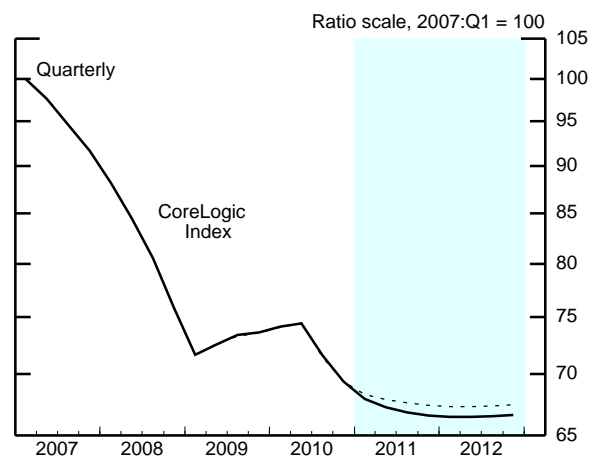
Long-Term Interest Rates



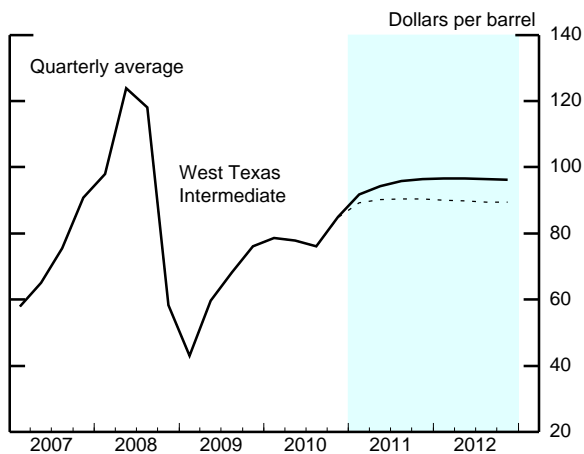
Equity Prices



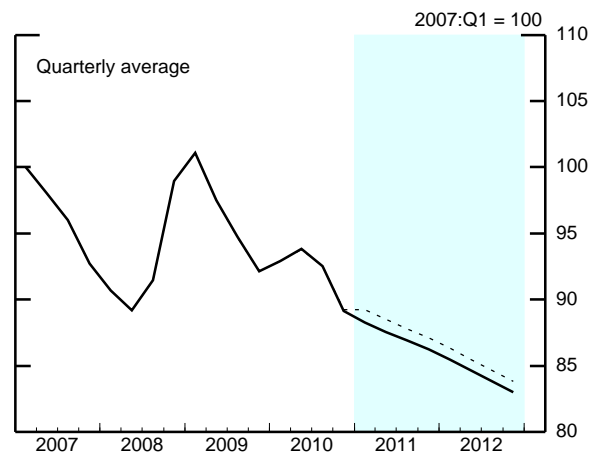
House Prices



Crude Oil Prices



Broad Real Dollar

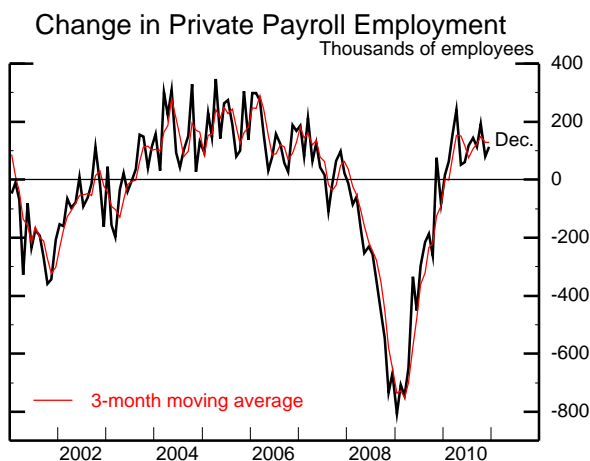


Note: In the upper-left panel that reports the federal funds rate, the black dotted line is not apparent because the federal funds rate in the December and the current Tealbooks are the same.

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

Measure	2010:Q4		2011:Q1		2011:Q2	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
Real GDP	2.5	3.8	3.4	3.6	3.5	3.7
Private domestic final purchases	2.7	4.0	3.5	3.9	4.1	4.3
Personal consumption expenditures	2.7	4.1	3.2	3.1	3.3	3.5
Residential investment	-3.8	.7	2.9	3.2	8.0	9.2
Nonres. structures	-.9	3.7	-3.5	-.8	-.7	.0
Equipment and software	5.8	3.7	9.4	13.3	12.7	13.0
Federal purchases	2.1	1.1	1.1	2.1	1.0	.9
State and local purchases	.1	-.9	.1	-.1	.3	.2
Contribution to change in real GDP (percentage points)						
Inventory investment	-1.6	-3.0	.1	.5	-.2	.3
Net exports	1.7	3.5	.3	-.2	.2	-.3

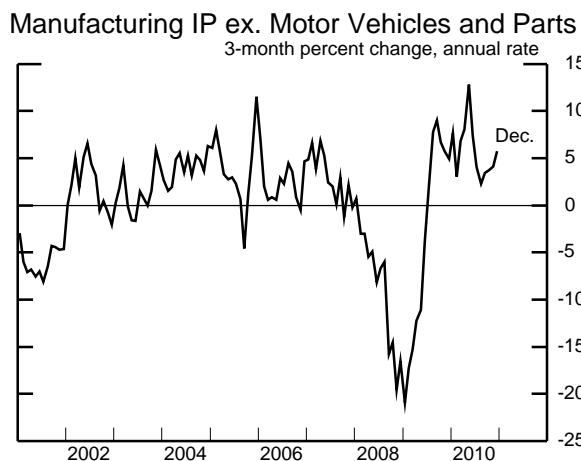
Recent Nonfinancial Developments (1)



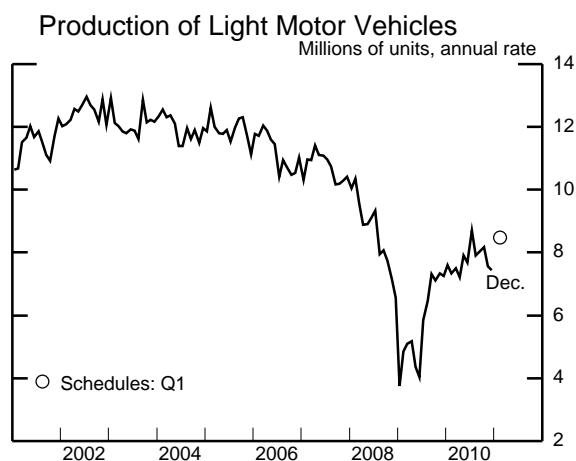
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.



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



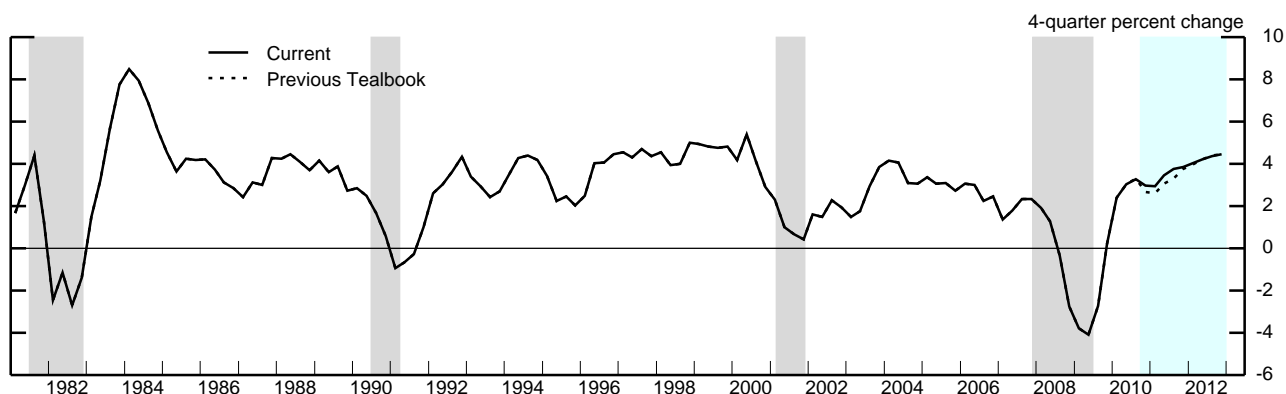
Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Note: Schedules data are from Ward's Communications.
Source: Ward's Auto Infobank.

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

Measure	2009	2010		2011	2012
		H1	H2		
Real GDP	.2	2.7	3.2	3.8	4.4
Previous Tealbook	.2	2.7	2.6	3.7	4.4
Final sales	-.3	1.0	3.9	3.8	4.1
Previous Tealbook	-.3	1.0	2.7	3.9	4.1
Personal consumption expenditures	.2	2.0	3.3	3.5	3.8
Previous Tealbook	.2	2.0	2.8	3.5	4.0
Residential investment	-13.4	5.0	-14.4	9.1	13.5
Previous Tealbook	-13.4	5.0	-16.7	10.0	13.6
Nonresidential structures	-26.5	-9.5	.0	-.4	.0
Previous Tealbook	-26.5	-9.5	-3.0	-1.4	-.8
Equipment and software	-4.9	22.6	9.4	13.6	10.6
Previous Tealbook	-4.9	22.6	10.9	12.0	9.7
Federal purchases	3.6	5.4	4.9	1.0	.0
Previous Tealbook	3.6	5.4	5.4	1.0	.2
State and local purchases	-1.0	-1.6	-.1	.3	1.2
Previous Tealbook	-1.0	-1.6	.4	.4	1.3
Exports	-.1	10.2	7.8	9.2	8.6
Previous Tealbook	-.1	10.2	7.2	8.3	8.1
Imports	-7.2	21.8	.3	6.7	6.0
Previous Tealbook	-7.2	21.8	5.7	5.3	6.2
Contributions to change in real GDP (percentage points)					
Inventory change	.5	1.7	-.7	.0	.3
Previous Tealbook	.5	1.7	-.1	-.1	.4
Net exports	1.2	-1.9	.9	.1	.2
Previous Tealbook	1.2	-1.9	.0	.2	.0

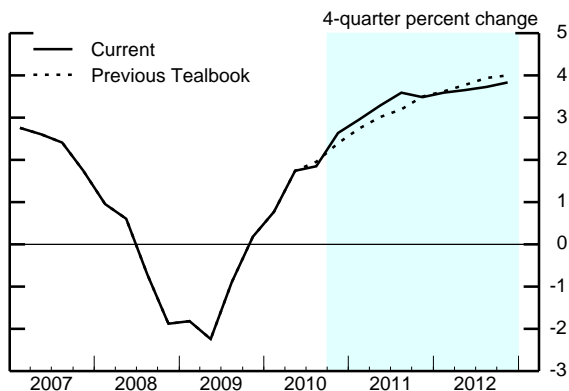
Real GDP



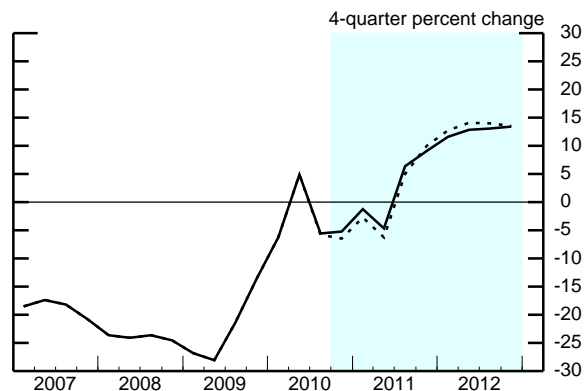
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

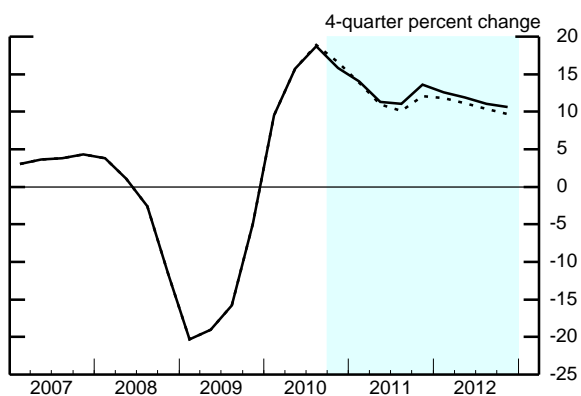
Personal Consumption Expenditures



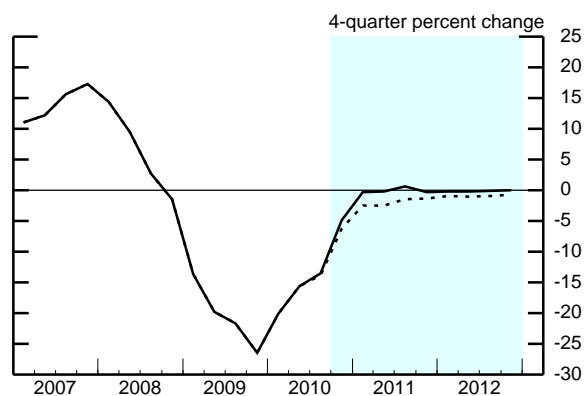
Residential Investment



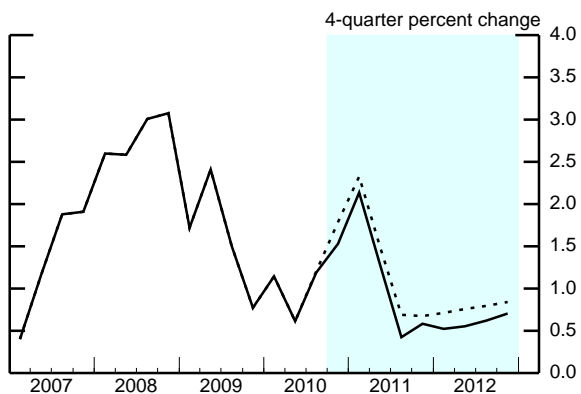
Equipment and Software



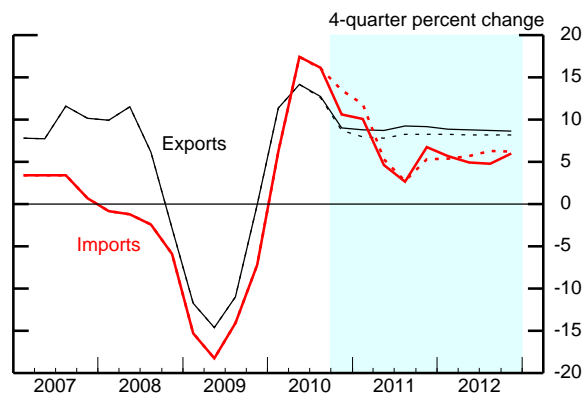
Nonresidential Structures



Government Consumption & Investment



Exports and Imports



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

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

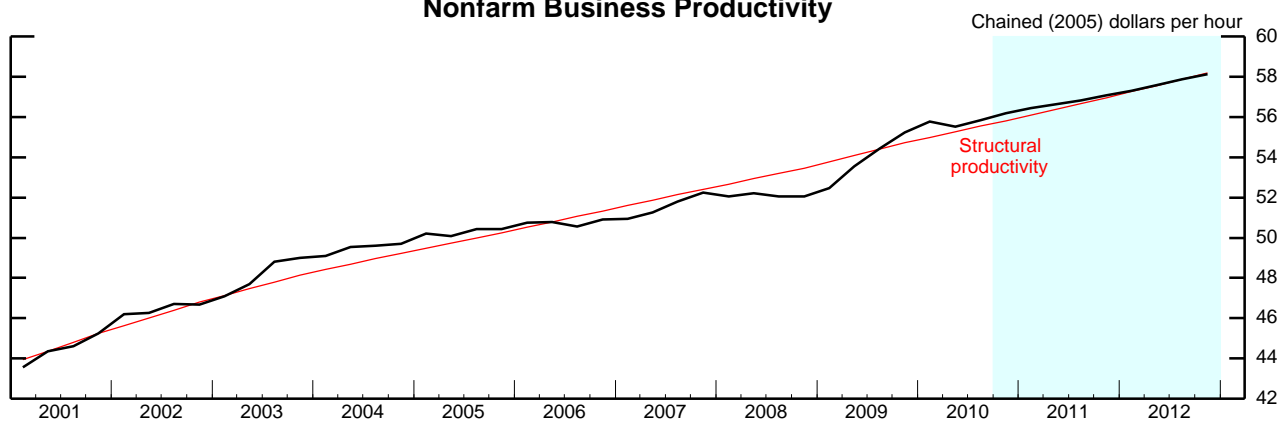
Measure	1974-1995	1996-2000	2001-2008	2009	2010	2011	2012
Potential GDP	3.0	3.5	2.7	2.2	2.5	2.5	2.6
Previous Tealbook	3.0	3.5	2.7	2.2	2.5	2.5	2.6
<i>Selected contributions¹</i>							
Structural labor productivity	1.5	2.7	2.5	2.3	2.0	2.0	2.1
Previous Tealbook	1.5	2.7	2.5	2.3	2.0	2.1	2.1
Capital deepening	.7	1.5	.7	.3	.4	.7	.9
Previous Tealbook	.7	1.5	.7	.3	.4	.7	.9
Multifactor productivity	.5	.9	1.6	1.9	1.5	1.3	1.2
Previous Tealbook	.5	.9	1.6	1.9	1.5	1.3	1.2
Trend hours	1.5	1.1	.8	.0	.7	.7	.7
Previous Tealbook	1.5	1.1	.8	.0	.7	.7	.7
Labor force participation	.4	.0	-.2	-.2	-.2	-.2	-.2
Previous Tealbook	.4	.0	-.2	-.2	-.2	-.2	-.2

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

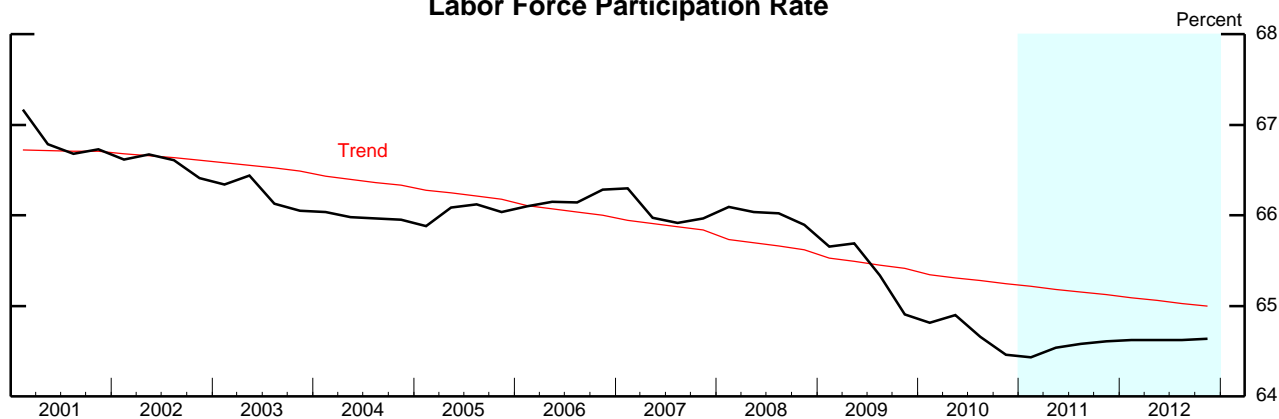
1. Percentage points.

Source: Staff assumptions.

Nonfarm Business Productivity



Labor Force Participation Rate



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

The Outlook for the Labor Market

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

Measure	2009	2010	2011	2012
Output per hour, nonfarm business	6.2	1.7	1.5	1.9
Previous Tealbook	6.2	1.3	1.7	2.1
Nonfarm private employment	-4.7	1.1	2.3	3.2
Previous Tealbook	-4.7	1.1	2.4	3.0
Labor force participation rate ¹	64.9	64.5	64.6	64.6
Previous Tealbook	64.9	64.5	64.6	64.6
Civilian unemployment rate ¹	10.0	9.6	8.9	7.8
Previous Tealbook	10.0	9.7	8.9	8.0
Memo: GDP gap ²	-6.7	-6.3	-5.1	-3.3
Previous Tealbook	-6.7	-6.6	-5.5	-3.7

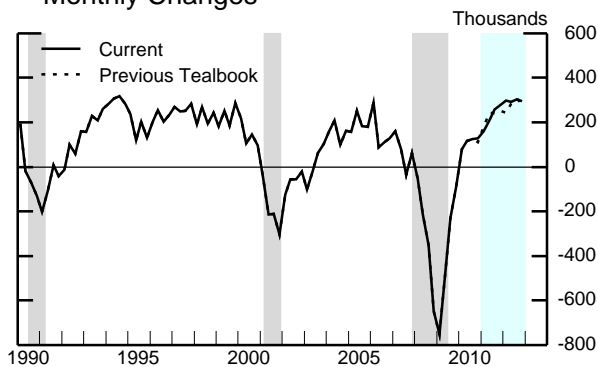
Note: A negative number indicates that the economy is operating below potential.

1. Percent, average for the fourth quarter.

2. Percent difference between actual and potential GDP in the fourth quarter of the year indicated.

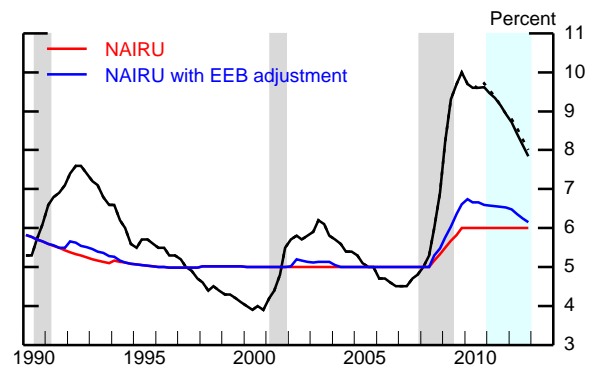
Source: U.S. Department of Labor, Bureau of Labor Statistics; staff assumptions.

Private Payroll Employment, Average
Monthly Changes



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

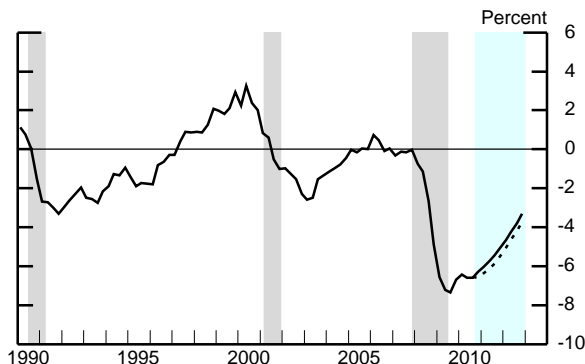
Unemployment Rate



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

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

GDP Gap

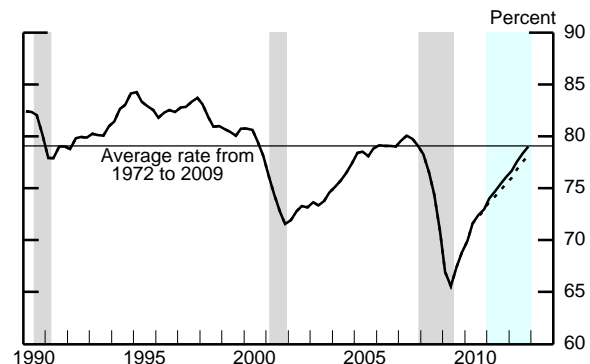


Note: The GDP gap is the percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

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

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

Manufacturing Capacity Utilization Rate



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

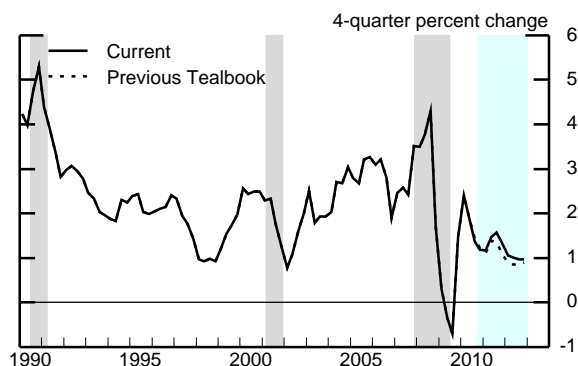
Inflation Projections (Percent change, Q4 to Q4)

Measure	2009	2010	2011	2012
PCE chain-weighted price index	1.5	1.2	1.3	1.0
Previous Tealbook	1.5	1.2	1.1	.9
Food and beverages	-1.6	1.3	1.7	1.1
Previous Tealbook	-1.6	1.4	1.1	1.1
Energy	2.7	6.3	6.2	.1
Previous Tealbook	2.7	5.7	3.8	.0
Excluding food and energy	1.7	.8	1.0	1.0
Previous Tealbook	1.7	.9	.9	.9
Prices of core goods imports ¹	-1.9	3.1	3.2	1.4
Previous Tealbook	-1.9	3.0	2.5	1.4

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

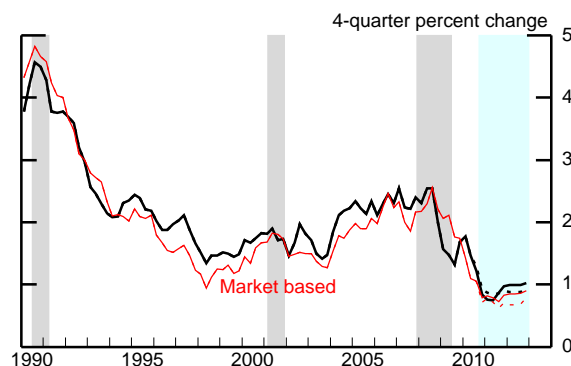
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE Prices



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

PCE Prices ex. Food and Energy



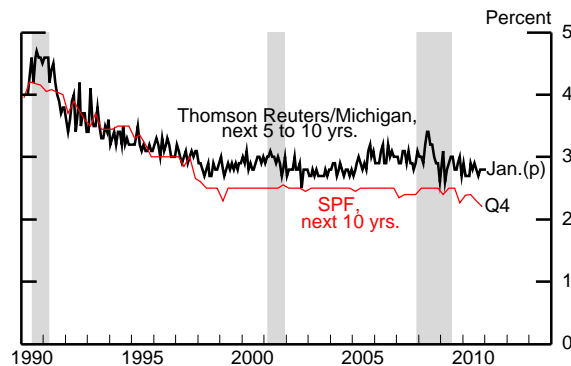
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Compensation per Hour



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

Long-Term Inflation Expectations



Note: The Survey of Professional Forecasters (SPF) projection is for the CPI.
p Preliminary.

Source: Thomson Reuters/University of Michigan Surveys of Consumers; The Federal Reserve Bank of Philadelphia.

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

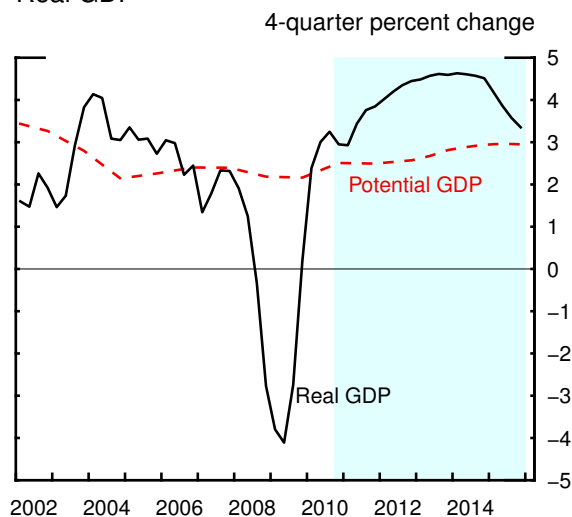
The Long-Term Outlook

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

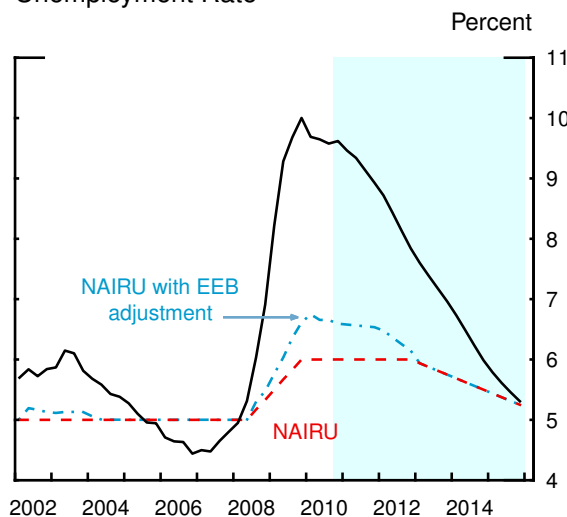
Item	2010	2011	2012	2013	2014	2015
Real GDP	2.9	3.8	4.4	4.6	4.5	3.4
Civilian unemployment rate ¹	9.6	8.9	7.8	7.0	6.0	5.3
PCE prices, total	1.2	1.3	1.0	1.2	1.5	1.6
Core PCE prices	.8	1.0	1.0	1.2	1.4	1.5
Federal funds rate ¹	.2	.1	.1	1.7	3.5	4.1
10-year Treasury yield ¹	3.0	3.8	4.4	4.7	5.0	5.1

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

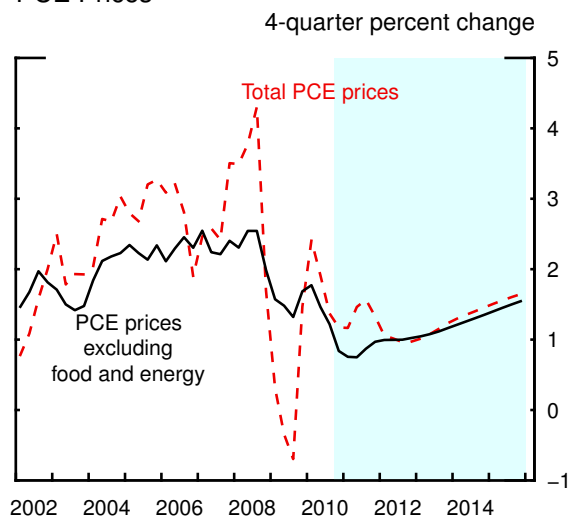
Real GDP



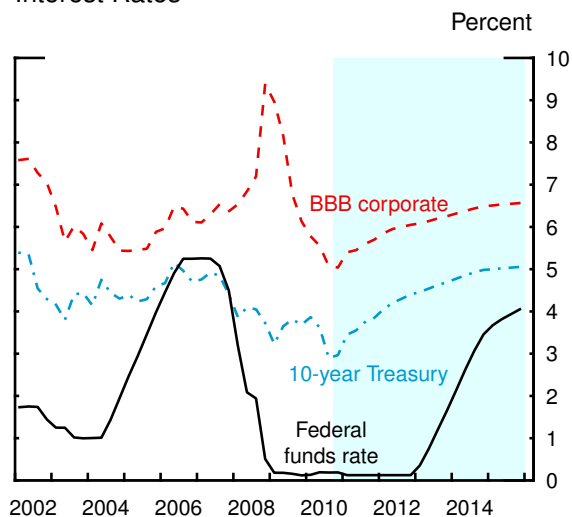
Unemployment Rate



PCE Prices



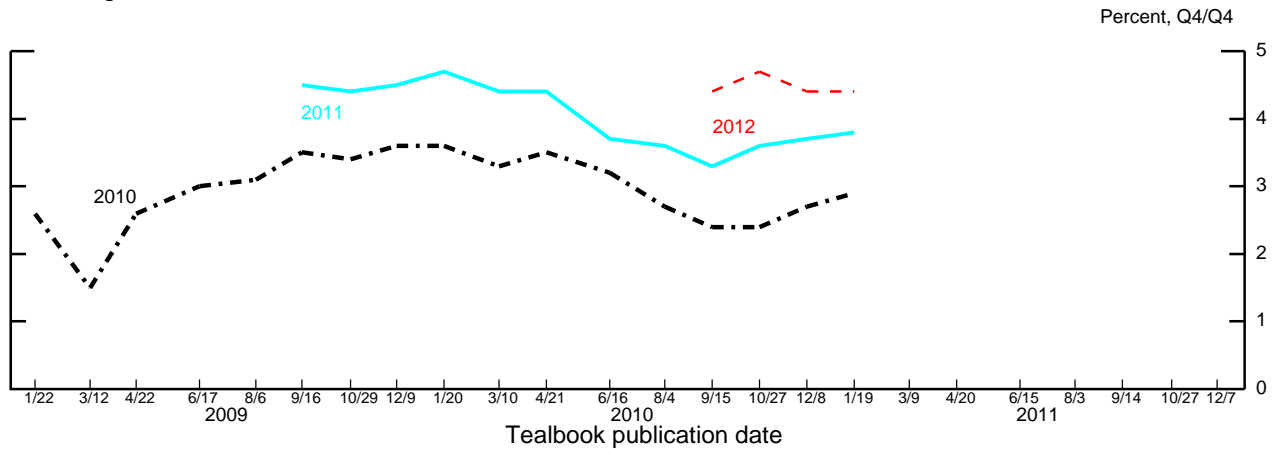
Interest Rates



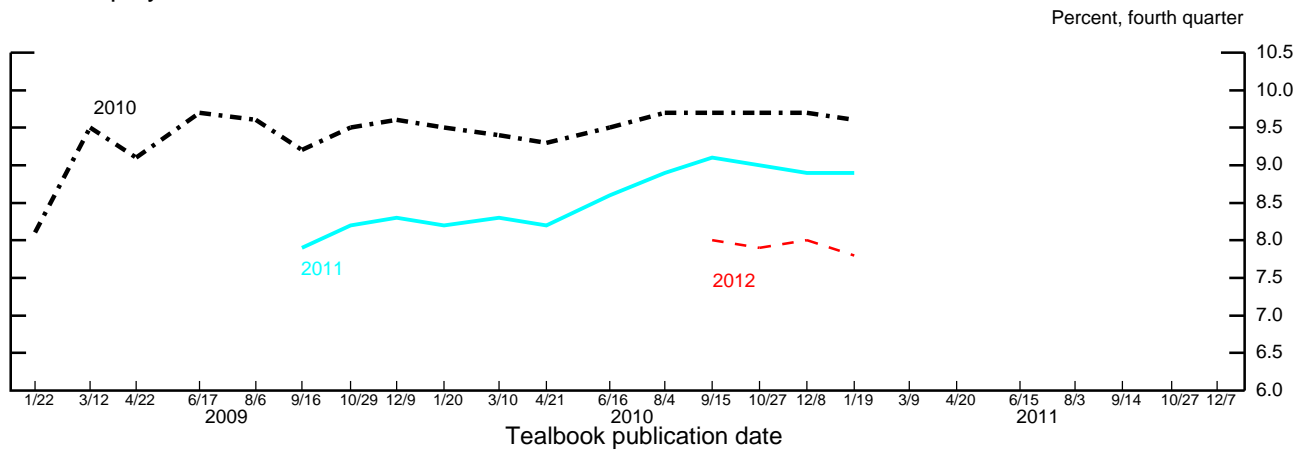
Note: In each panel, shading represents the projection period.

Evolution of the Staff Forecast

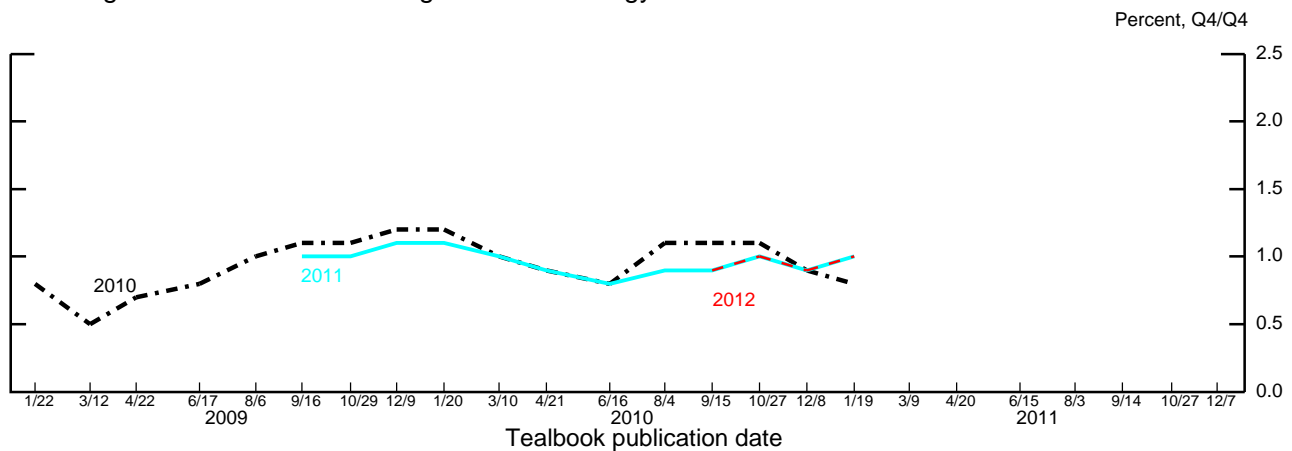
Change in Real GDP



Unemployment Rate



Change in PCE Prices excluding Food and Energy*



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

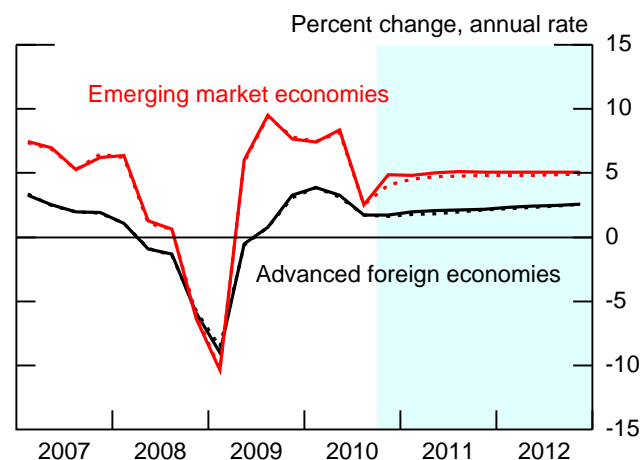
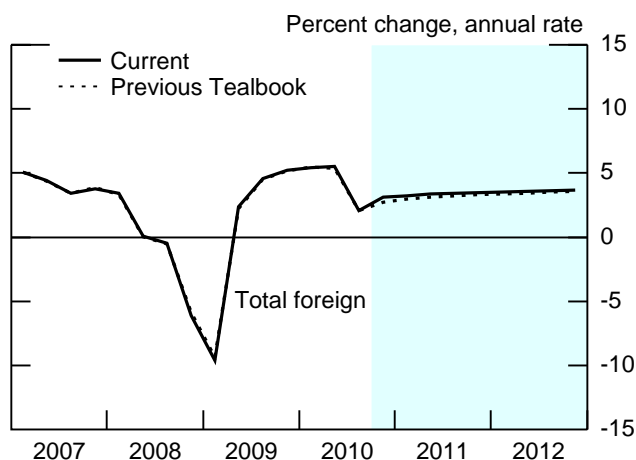
The Foreign Outlook

(Percent change, annual rate)

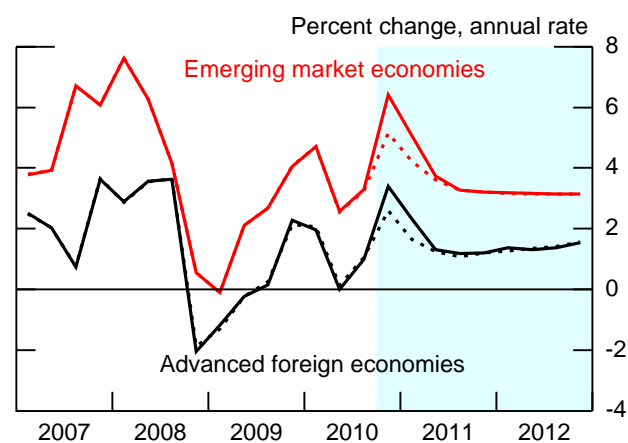
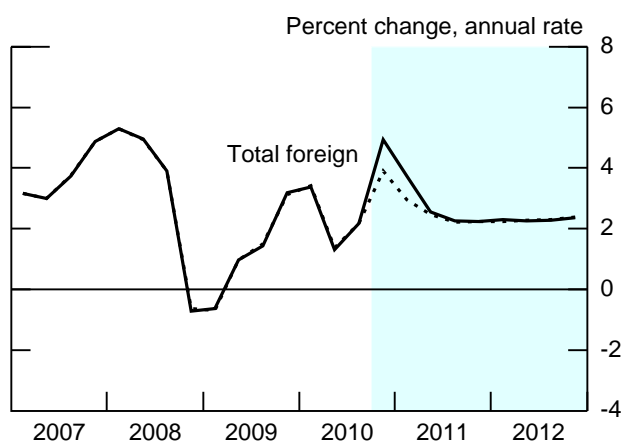
	2010			2011			2012 ^P
	H1	Q3	Q4 ^e	Q1 ^P	Q2 ^P	H2 ^P	
Real GDP							
Total foreign	5.5	2.1	3.1	3.2	3.4	3.5	3.6
Previous Tealbook	5.4	2.1	2.7	3.0	3.1	3.3	3.5
Advanced foreign economies	3.6	1.7	1.7	2.0	2.1	2.2	2.4
Previous Tealbook	3.5	1.7	1.6	1.8	1.8	2.1	2.4
Emerging market economies	7.9	2.5	4.9	4.8	5.0	5.1	5.1
Previous Tealbook	7.8	2.5	4.1	4.5	4.7	4.8	4.9
Consumer Prices							
Total foreign	2.3	2.2	4.9	3.7	2.6	2.2	2.3
Previous Tealbook	2.4	2.2	3.9	3.0	2.5	2.2	2.3
Advanced foreign economies	1.0	1.0	3.4	2.3	1.3	1.2	1.4
Previous Tealbook	1.1	1.1	2.6	1.6	1.3	1.1	1.4
Emerging market economies	3.6	3.3	6.4	5.1	3.7	3.2	3.2
Previous Tealbook	3.6	3.3	5.1	4.2	3.6	3.2	3.2

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

Real GDP

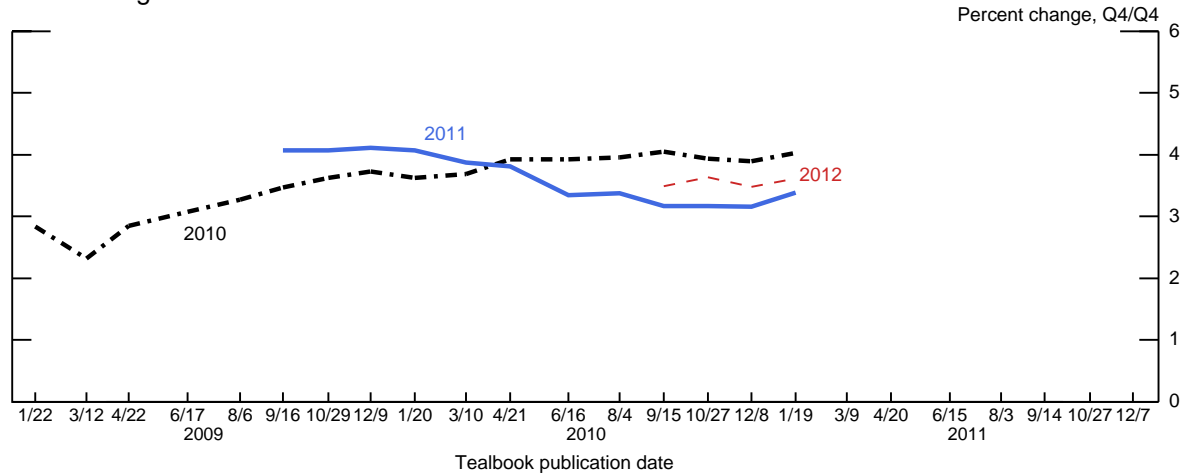


Consumer Prices

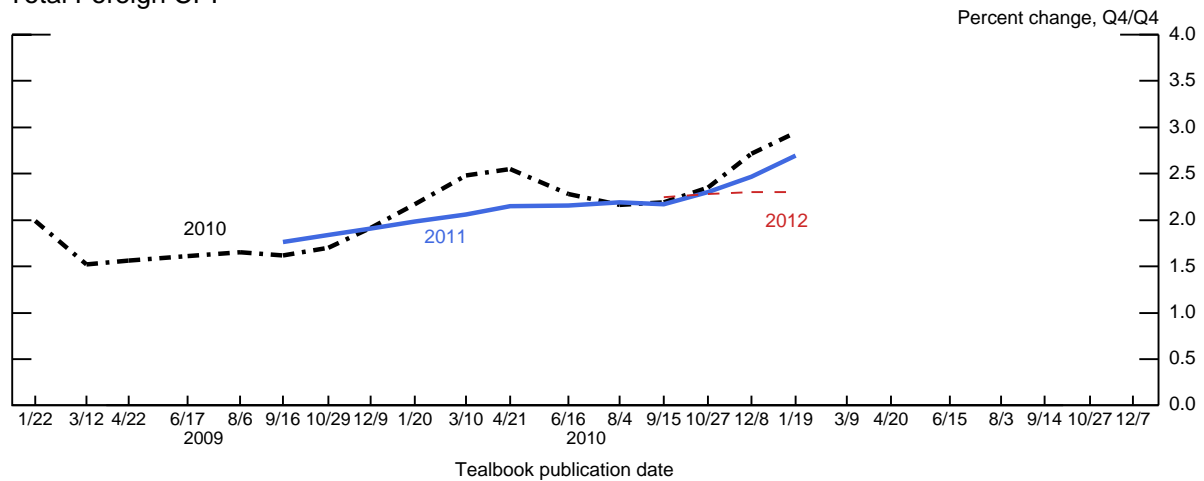


Evolution of Staff's International Forecast

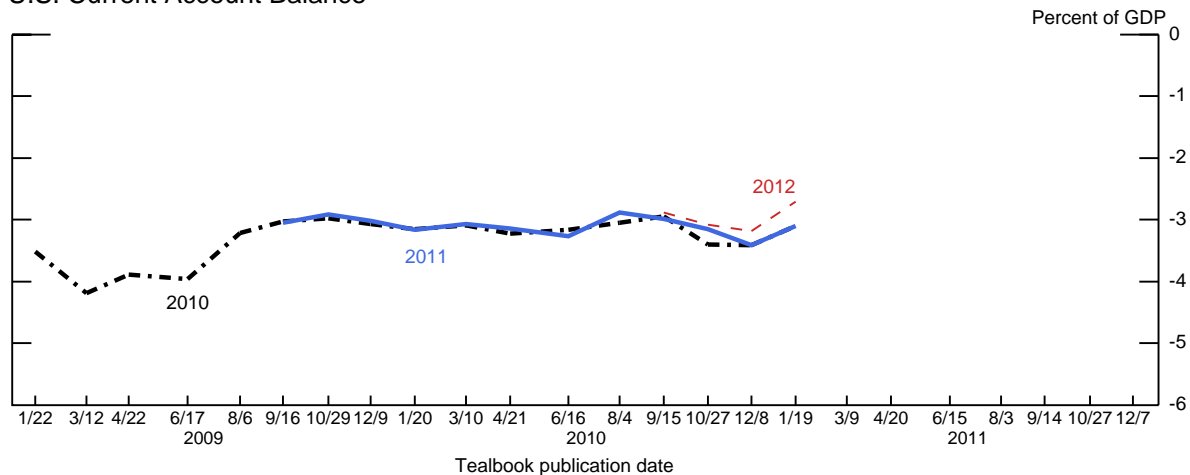
Total Foreign GDP



Total Foreign CPI

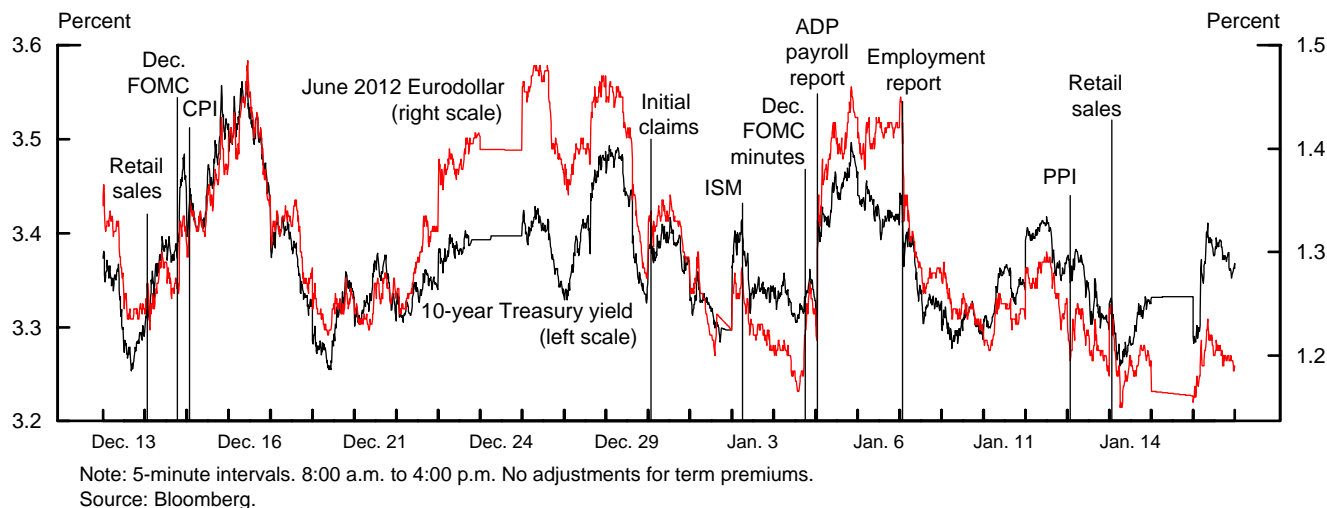


U.S. Current Account Balance

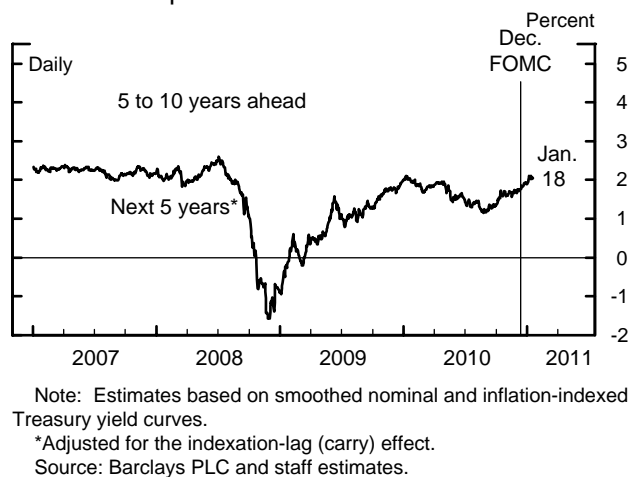


Policy Expectations and Treasury Yields

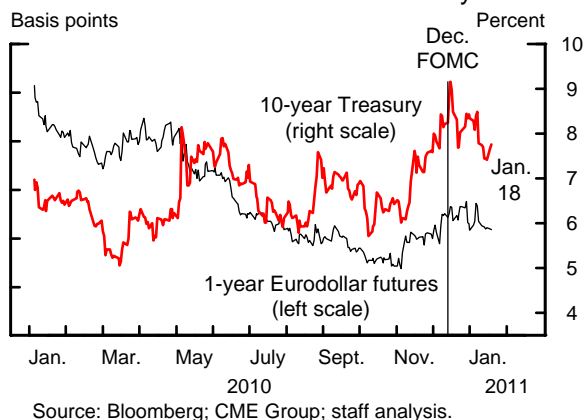
Selected Interest Rates



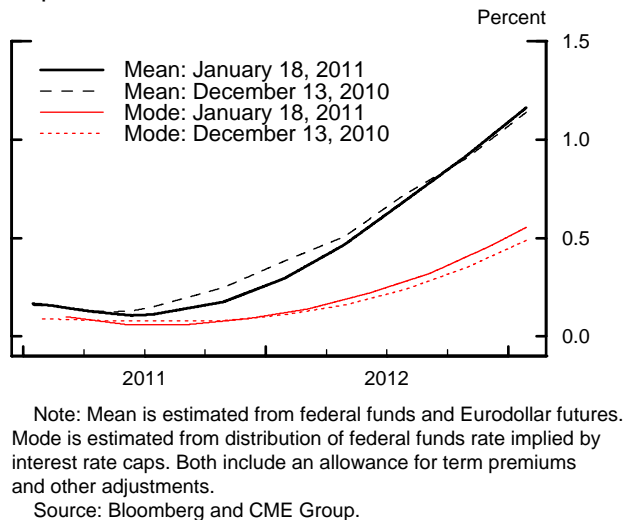
Inflation Compensation



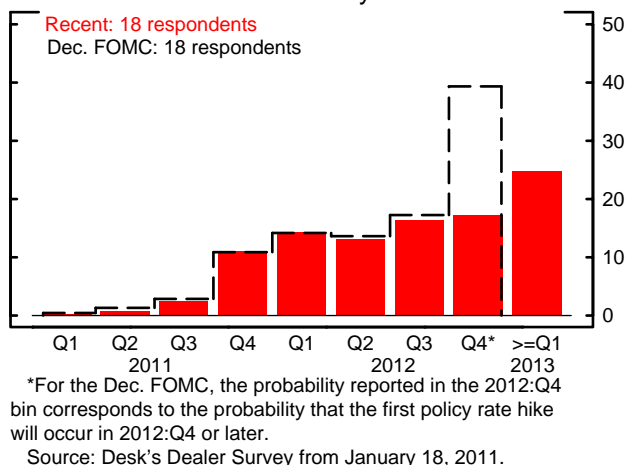
Market-Based Measures of Uncertainty



Implied Federal Funds Rate

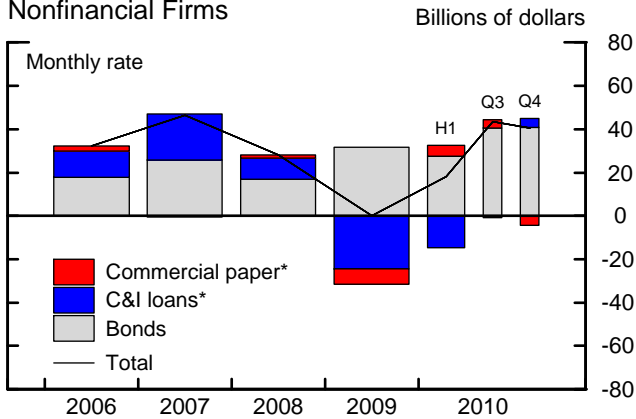


Distribution of the Quarter of First Rate Increase from the Desk's Dealer Survey



Business Finance

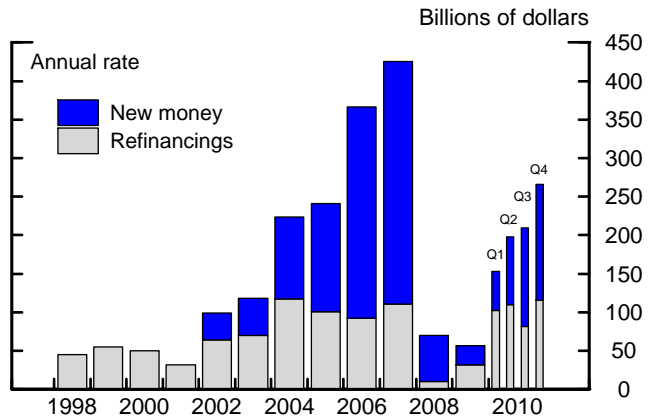
Selected Components of Net Debt Financing, Nonfinancial Firms



* Seasonally adjusted, period-end basis.

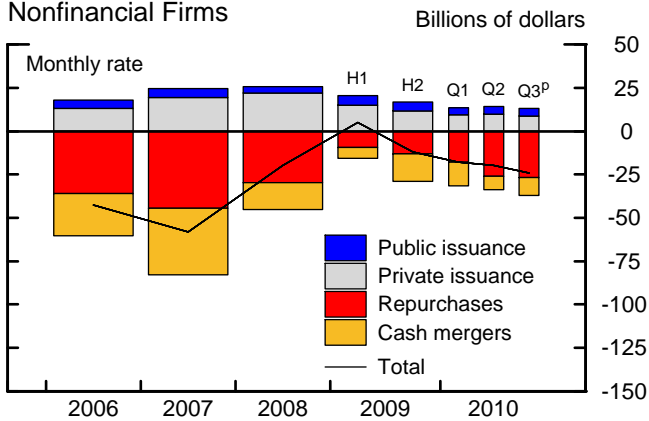
Source: Depository Trust & Clearing Corporation; Thomson Financial; Federal Reserve Board.

Syndicated Loan Issuance by Institutional Investors



Source: Reuters LPC.

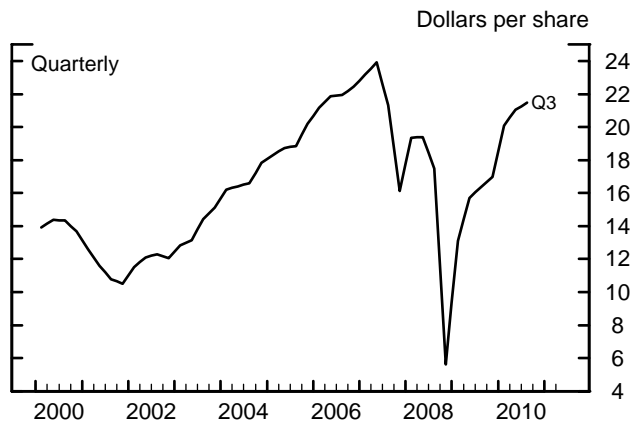
Selected Components of Net Equity Issuance, Nonfinancial Firms



p Preliminary.

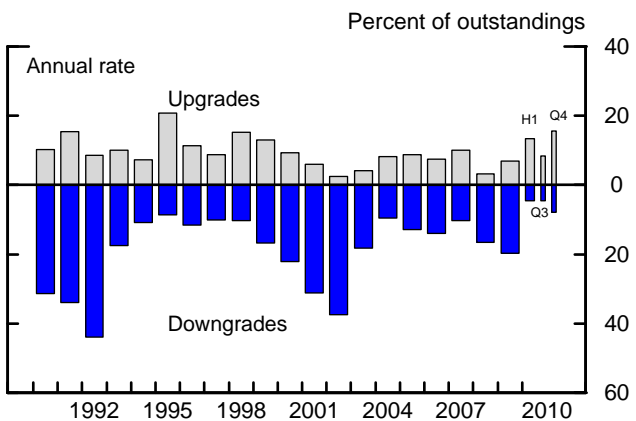
Source: Thomson Financial, Investment Benchmark Report; Money Tree Report by PricewaterhouseCoopers, National Venture Capital Association, and Venture Economics.

S&P 500 Earnings Per Share



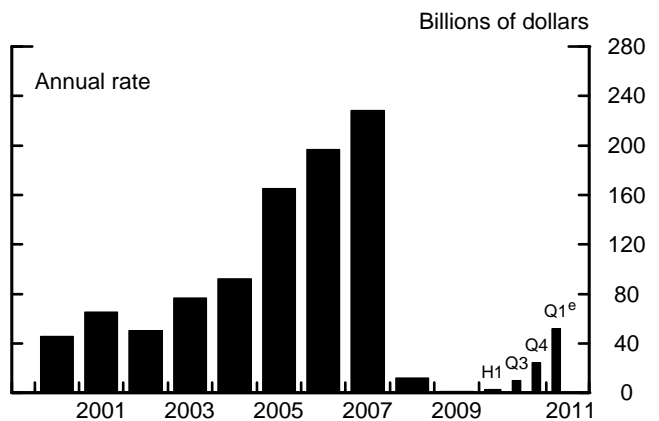
Note: Data are seasonally adjusted by staff.
Source: Thomson Financial.

Bond Ratings Changes of Nonfinancial Firms



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

CMBS Issuance

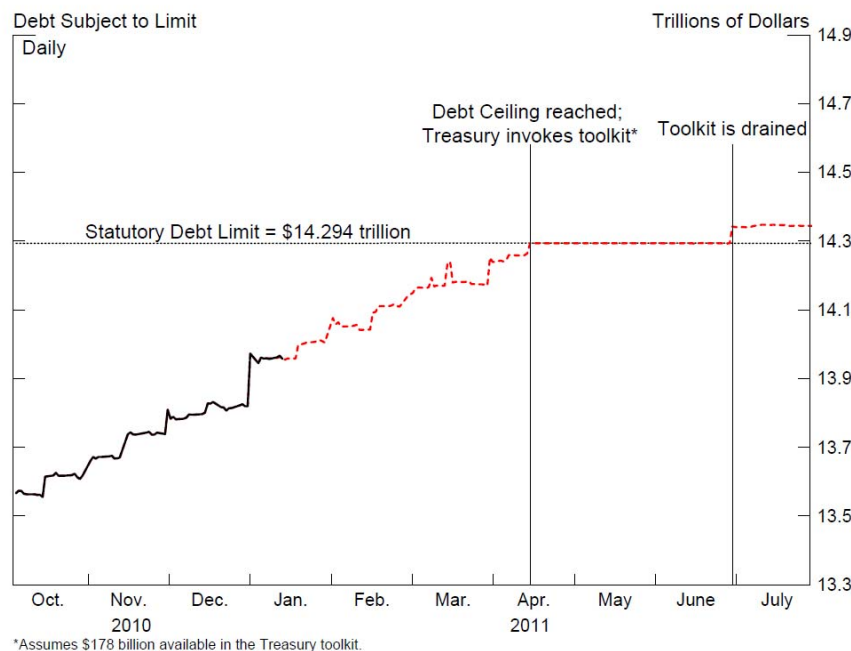


e Estimate from deals in 2011:Q1 pipeline.
Source: Commercial Mortgage Alert.

Debt Subject to Limit

The level of public debt outstanding that is subject to the federal debt limit is approaching the statutory ceiling of \$14.294 trillion set by the Congress in February 2010. As of December 31, 2010, debt subject to limit was \$13.973 trillion.

An increase in the debt limit requires an act of the Congress. On January 6, 2011, Treasury Secretary Timothy Geithner made a formal request to the Congress that it raise the debt limit by the end of the first quarter. Under our baseline forecast, federal debt will reach the debt limit by mid-April 2011. Our baseline forecast is consistent with the Tealbook projection for government spending, debt issuance, and Supplementary Financing Program (SFP) bill issuance. As a result of the minimal room currently left under the ceiling, the baseline forecast assumes that new issuance of SFP bills ceases in early February and the Supplementary Financing Account (SFA) balance falls to \$5 billion by the end of March.¹ The draining of the SFA is consistent with the actions of the Treasury during the fall of 2009, which is the last time Treasury debt outstanding approached the debt limit.

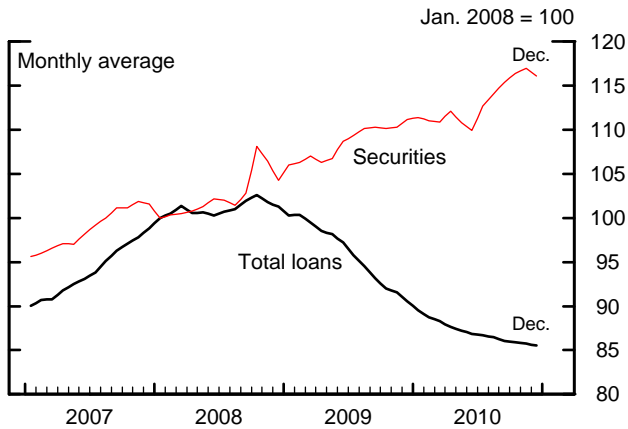


Should the Congress fail to raise the debt limit, the Treasury has a toolkit of possible accounting actions that it can use to delay reaching the debt limit for a time. These actions

¹ At the request of the Federal Reserve, the Treasury Department initiated the SFP in September 2008. It consists of a series of Treasury bill auctions, with the proceeds of these auctions maintained in the SFA held at the Federal Reserve Bank of New York. The transfer of funds into this account acts to drain reserves from the banking system, thereby offsetting some of the reserve effect of the Federal Reserve's balance sheet expansion. SFP bills are counted as marketable debt and are included in debt subject to limit.

Commercial Banking and Money

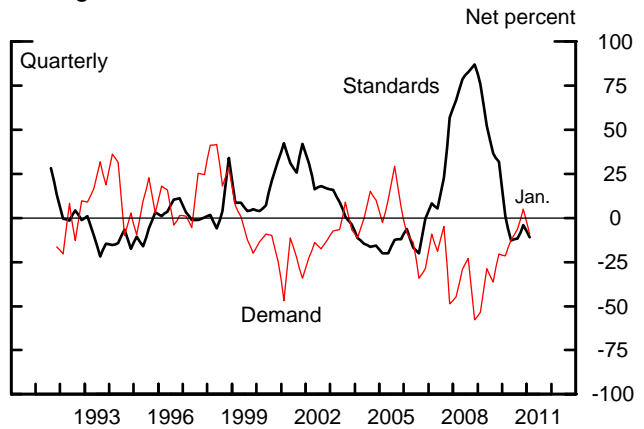
Bank Credit



Note: The data have been adjusted to remove the estimated effects of marking certain securities to market (FAS 115); the initial consolidations of assets under FIN 46, FAS 166, and FAS 167; and nonbank structure activity of \$5 billion or more.

Source: Federal Reserve Board.

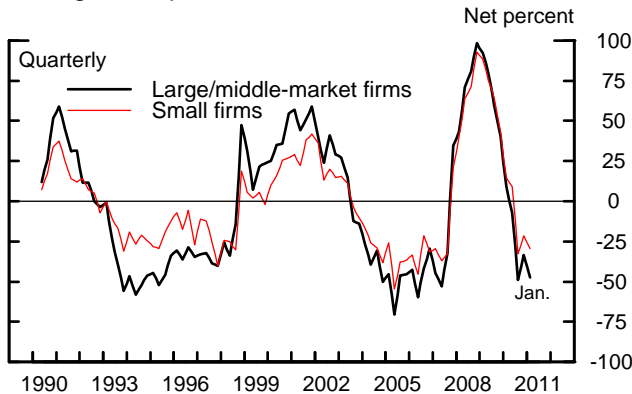
Changes in Standards and Demand for Bank Loans



Note: A composite index of changes in standards or loan demand that represents the net percentage of loans on respondents' balance sheets that were in categories for which banks reported tighter lending standards or stronger loan demand over the past 3 months.

Source: Federal Reserve Board, Senior Loan Officer Opinion Survey on Bank Lending Practices.

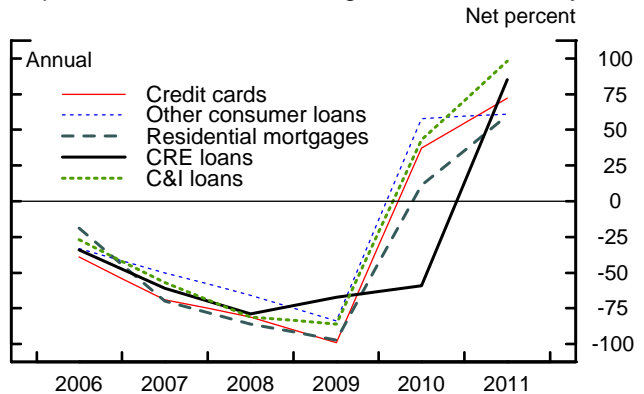
Changes in Spreads on C&I Loans



Note: Net percent of respondents that widened spreads over the past three months.

Source: Federal Reserve Board, Senior Loan Officer Opinion Survey on Bank Lending Practices.

Expected Year-Ahead Changes in Credit Quality



Note: Results shown are the net fraction of banks reporting that credit quality is expected to improve and are weighted at the bank level by outstanding loans in each category.

Source: Federal Reserve Board, Senior Loan Officer Opinion Survey on Bank Lending Practices.

Growth of M2 and Its Components

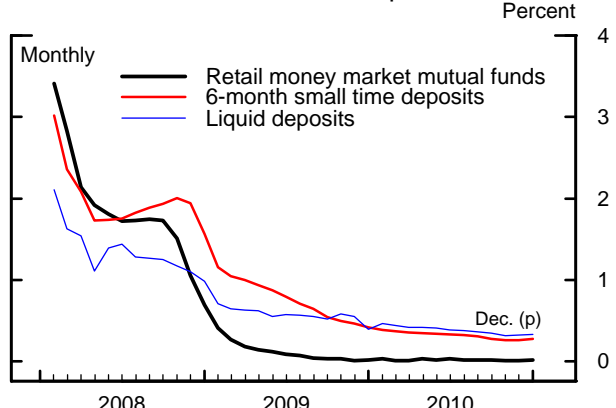
	Percent, s.a.a.r.	M2	Liquid deposits	Small time deposits	RMMF	Curr.
2008		8.5	6.9	12.3	13.6	5.8
2009						
H1		8.0	17.1	-6.4	-15.0	11.0
H2		2.0	15.7	-25.8	-31.4	2.7
2010						
H1		1.3	9.6	-22.4	-22.9	4.5
Q3		4.5	10.6	-21.3	-7.5	5.9
Oct.		5.5	12.7	-27.8	-13.2	8.9
Nov.		5.1	12.3	-27.8	-16.1	8.6
Dec. (p)		4.2	10.7	-24.5	-13.7	3.8

RMMF Retail money market mutual funds.

p Preliminary.

Source: Federal Reserve Board.

Interest Rates on Selected Components of M2



Note: Interest rates on small time deposits and liquid deposits reflect the deposit-weighted average interest rate paid at banks and thrifts for each component.

p Preliminary.

Source: Federal Reserve Board.

Alternative Scenarios

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

Measure and scenario	2010	2011	2012	2013	2014-15
	H2				
<i>Real GDP</i>					
Extended Tealbook baseline	3.2	3.8	4.4	4.6	3.9
Stronger expansion	3.2	4.5	5.4	4.8	3.0
Higher inflation	3.2	4.7	5.9	4.8	2.6
Intensified real estate slump	3.2	3.4	3.5	4.0	4.1
With spillovers	3.2	2.4	2.8	3.9	5.0
Further disinflation	3.2	3.6	3.9	4.2	4.6
Severe European recession	3.2	2.6	3.4	4.8	4.3
Foreign boom with higher oil prices	3.2	4.3	4.7	4.2	3.5
<i>Unemployment rate¹</i>					
Extended Tealbook baseline	9.6	8.9	7.8	7.0	5.3
Stronger expansion	9.6	8.7	7.0	6.0	5.1
Higher inflation	9.6	8.5	6.7	5.5	5.0
Intensified real estate slump	9.6	9.0	8.3	7.9	6.0
With spillovers	9.6	9.4	9.1	8.9	6.3
Further disinflation	9.6	8.9	8.0	7.4	5.1
Severe European recession	9.6	9.3	8.7	7.9	5.9
Foreign boom with higher oil prices	9.6	8.8	7.4	6.7	5.3
<i>Core PCE inflation</i>					
Extended Tealbook baseline	.5	1.0	1.0	1.2	1.4
Stronger expansion	.5	1.0	1.0	1.4	1.8
Higher inflation	.5	1.4	2.1	2.7	2.9
Intensified real estate slump	.5	1.0	.9	1.0	1.1
With spillovers	.5	1.0	.8	.7	.7
Further disinflation	.5	.5	.1	-.1	-.3
Severe European recession	.5	.4	.4	1.0	1.4
Foreign boom with higher oil prices	.5	1.3	1.3	1.2	1.3
<i>Federal funds rate¹</i>					
Extended Tealbook baseline	.2	.1	.1	1.7	4.1
Stronger expansion	.2	.7	1.5	3.2	4.1
Higher inflation	.2	1.2	3.4	5.8	5.7
Intensified real estate slump	.2	.1	.1	.3	2.7
With spillovers	.2	.1	.1	.1	2.2
Further disinflation	.2	.1	.1	.1	1.9
Severe European recession	.2	.1	.1	.9	3.6
Foreign boom with higher oil prices	.2	.1	.4	1.9	4.0

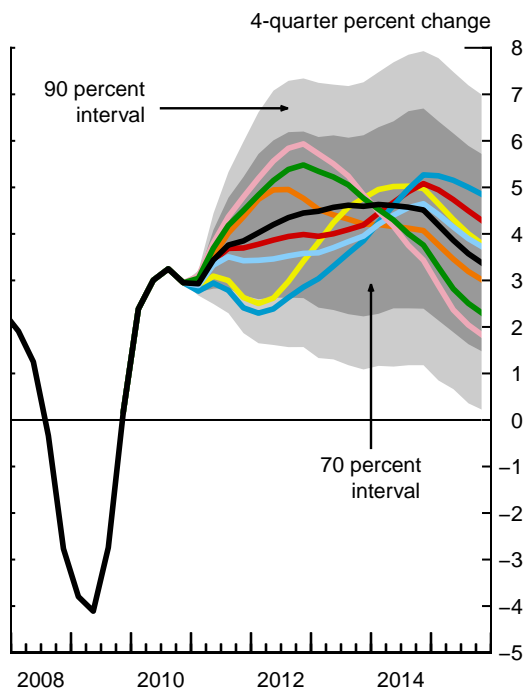
1. Percent, average for the final quarter of the period.

Forecast Confidence Intervals and Alternative Scenarios

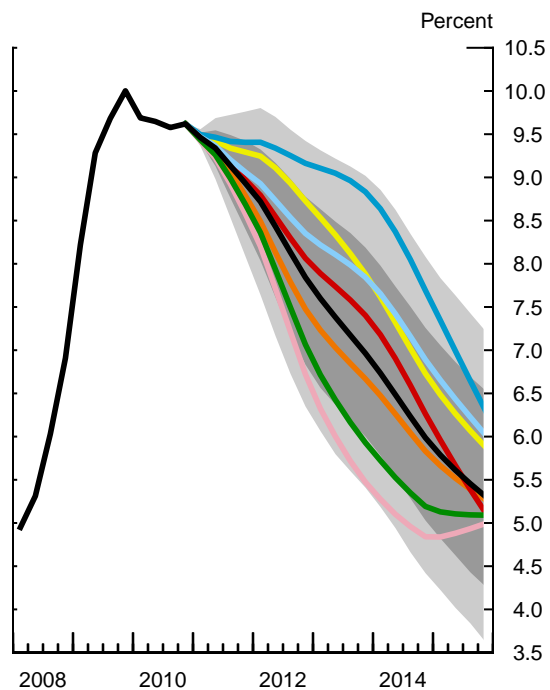
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- Stronger expansion
- Higher inflation
- Intensified real estate slump
- With spillovers
- Further disinflation
- Severe European recession
- Foreign boom with higher oil prices

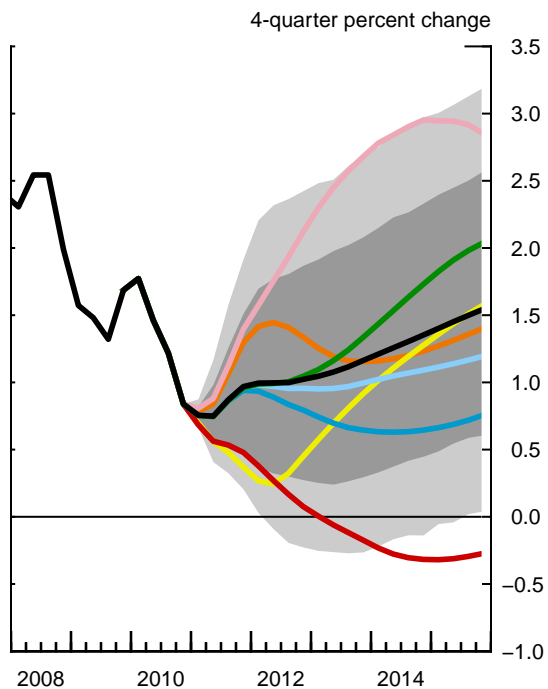
Real GDP



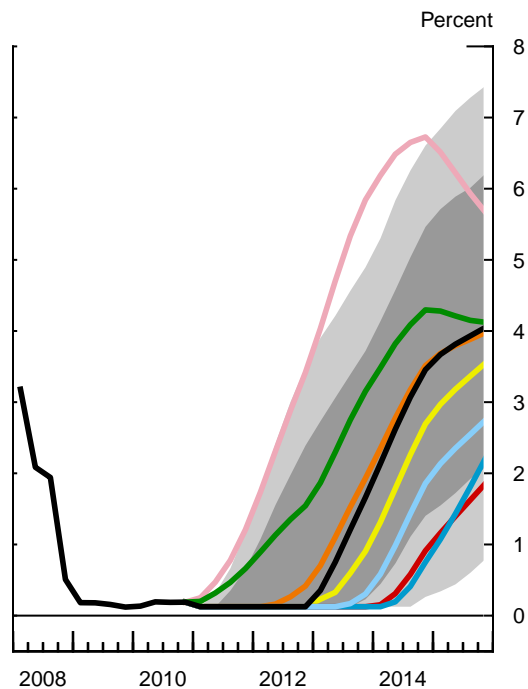
Unemployment Rate



PCE Prices excluding Food and Energy



Federal Funds Rate



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

Measure	2011	2012	2013	2014	2015
<i>Real GDP</i> (percent change, Q4 to Q4)					
Projection	3.8	4.4	4.6	4.5	3.4
Confidence interval					
Tealbook forecast errors	2.3–5.4	2.8–6.1	...	...	...
FRB/US stochastic simulations	2.7–5.2	2.6–6.2	2.2–6.1	2.4–6.7	1.5–5.7
<i>Civilian unemployment rate</i> (percent, Q4)					
Projection	8.9	7.8	7.0	6.0	5.3
Confidence interval					
Tealbook forecast errors	8.3–9.5	6.8–8.8	...	...	...
FRB/US stochastic simulations	8.4–9.4	6.8–8.8	6.0–8.2	5.0–7.3	4.3–6.5
<i>PCE prices, total</i> (percent change, Q4 to Q4)					
Projection	1.3	1.0	1.2	1.5	1.6
Confidence interval					
Tealbook forecast errors	.3–2.3	-.1–2.1	...	...	...
FRB/US stochastic simulations	.6–2.2	-.1–2.2	.1–2.5	.2–2.7	.4–3.0
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)					
Projection	1.0	1.0	1.2	1.4	1.5
Confidence interval					
Tealbook forecast errors	.4–1.5	.2–1.8	...	...	...
FRB/US stochastic simulations	.5–1.5	.3–1.9	.3–2.1	.4–2.3	.6–2.6
<i>Federal funds rate</i> (percent, Q4)					
Projection	.1	.1	1.7	3.5	4.1
Confidence interval					
FRB/US stochastic simulations	.1–.7	.1–2.4	.2–3.7	1.4–5.5	2.1–6.2

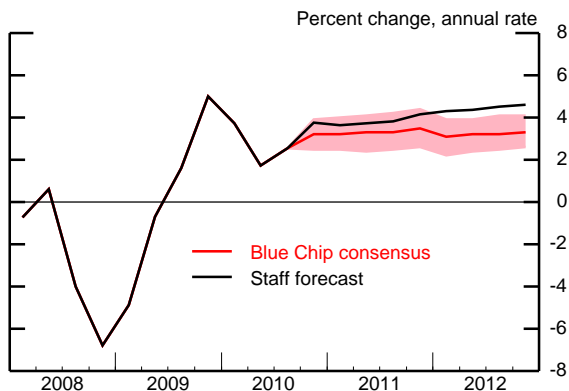
Note: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969–2009 set of model equation residuals.

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

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

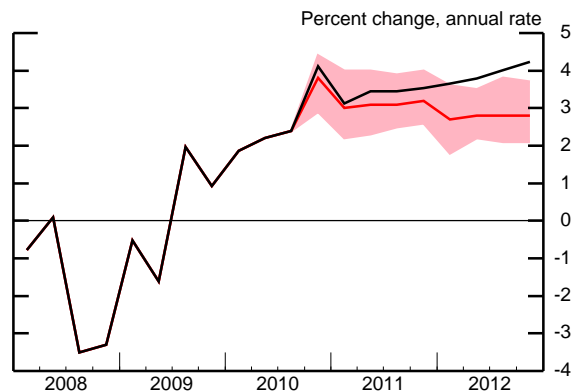
Tealbook Forecast Compared with Blue Chip (Blue Chip survey released January 10, 2011)

Real GDP

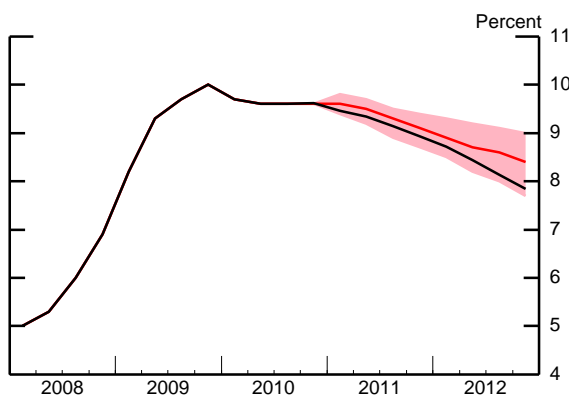


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

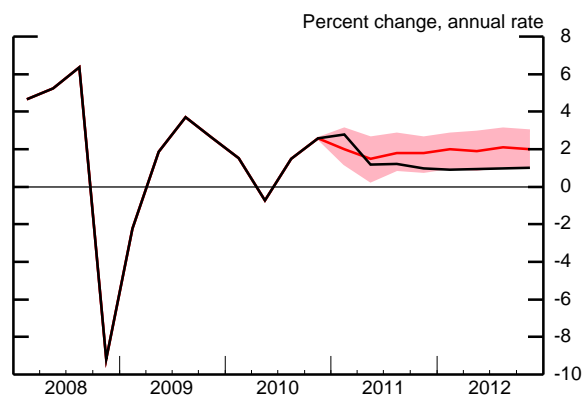
Real PCE



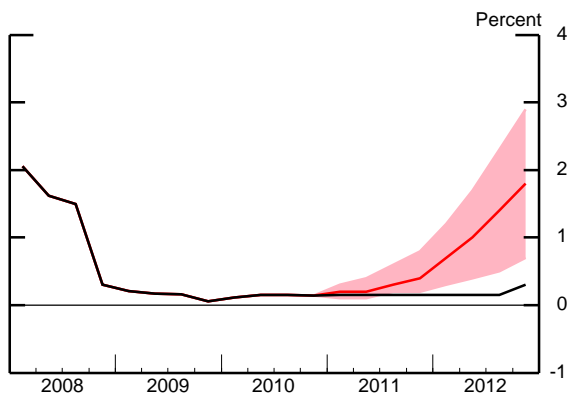
Unemployment Rate



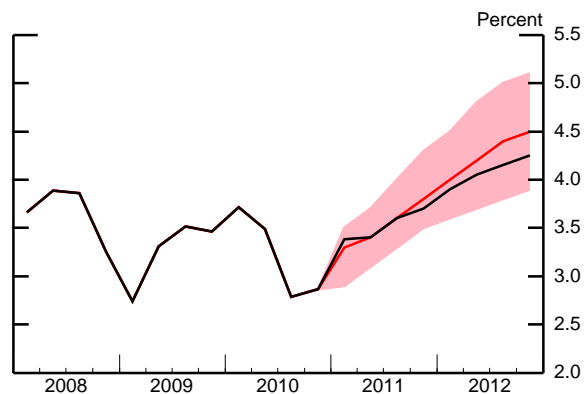
Consumer Price Index



Treasury Bill Rate



10-Year Treasury Yield



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

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

Interval	Nominal GDP		Real GDP		PCE price index		Core PCE price index		Unemployment rate ¹	
	12/08/10	01/19/11	12/08/10	01/19/11	12/08/10	01/19/11	12/08/10	01/19/11	12/08/10	01/19/11
<i>Quarterly</i>										
2010:Q1	4.8	4.8	3.7	3.7	2.1	2.1	1.2	1.2	9.7	9.7
Q2	3.7	3.7	1.7	1.7	.0	.0	1.0	1.0	9.7	9.6
Q3	5.0	4.6	2.7	2.6	.8	.8	.8	.5	9.6	9.6
Q4	2.8	3.8	2.5	3.8	1.8	1.9	.6	.6	9.7	9.6
2011:Q1	4.6	5.7	3.4	3.6	1.6	2.0	1.0	.9	9.5	9.5
Q2	4.5	4.7	3.5	3.7	1.0	1.1	.9	1.0	9.4	9.3
Q3	4.6	4.9	3.7	3.8	.9	1.2	.9	1.0	9.1	9.1
Q4	5.1	5.1	4.3	4.2	.7	1.0	.8	.9	8.9	8.9
2012:Q1	5.5	5.5	4.3	4.3	.9	1.0	.9	1.0	8.8	8.7
Q2	5.6	5.6	4.4	4.4	.9	1.0	.9	1.0	8.6	8.4
Q3	5.6	5.6	4.5	4.5	.9	1.0	.9	1.0	8.3	8.1
Q4	5.6	5.7	4.5	4.6	.9	1.0	.9	1.0	8.0	7.8
<i>Two-quarter²</i>										
2010:Q2	4.3	4.3	2.7	2.7	1.0	1.0	1.1	1.1	-3	-4
Q4	3.9	4.2	2.6	3.2	1.4	1.3	.7	.5	.0	.0
2011:Q2	4.5	5.2	3.5	3.7	1.3	1.6	1.0	1.0	-3	-3
Q4	4.9	5.0	4.0	4.0	.8	1.1	.8	1.0	-5	-4
2012:Q2	5.6	5.6	4.4	4.4	.9	1.0	.9	1.0	-3	-5
Q4	5.6	5.7	4.5	4.5	.9	1.0	.9	1.0	-6	-6
<i>Four-quarter³</i>										
2009:Q4	.6	.6	.2	.2	1.5	1.5	1.7	1.7	3.1	3.1
2010:Q4	4.1	4.3	2.7	2.9	1.2	1.2	.9	.8	-3	-4
2011:Q4	4.7	5.1	3.7	3.8	1.1	1.3	.9	1.0	-8	-7
2012:Q4	5.6	5.6	4.4	4.4	.9	1.0	.9	1.0	-9	-1.1
<i>Annual</i>										
2009	-1.7	-1.7	-2.6	-2.6	.2	.2	1.5	1.5	9.3	9.3
2010	3.8	3.9	2.8	2.9	1.7	1.7	1.4	1.3	9.7	9.6
2011	4.3	4.8	3.2	3.5	1.2	1.4	.9	.8	9.2	9.2
2012	5.3	5.4	4.3	4.3	.9	1.0	.9	1.0	8.4	8.3

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	2010				2011				2012				2010 ¹	2011 ¹	2012 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Tealbook</i>	3.7 3.7	1.7 1.7	2.6 2.7	3.8 2.5	3.6 3.4	3.7 3.5	3.8 3.7	4.2 4.3	4.3 4.3	4.4 4.4	4.5 4.5	4.6 4.5	2.9 2.7	3.8 3.7	4.4 4.4
Final sales <i>Previous Tealbook</i>	1.1 1.1	.9 .9	.9 1.2	7.0 4.2	3.1 3.3	3.4 3.8	3.7 4.0	5.1 4.4	4.0 3.9	4.1 4.0	4.0 4.0	4.6 4.5	2.4 1.8	3.8 3.9	4.1 4.1
Priv. dom. final purch. <i>Previous Tealbook</i>	2.1 2.1	4.4 4.4	2.3 2.6	4.0 2.7	3.9 3.5	4.3 4.1	4.7 4.5	4.7 5.0	4.2 4.2	4.5 4.5	4.7 4.8	5.0 5.0	3.2 3.0	4.4 4.3	4.6 4.7
Personal cons. expend. <i>Previous Tealbook</i>	1.9 1.9	2.2 2.2	2.4 2.8	4.1 2.7	3.1 3.2	3.5 3.3	3.6 3.5	3.7 4.0	3.5 3.7	3.7 3.9	3.9 4.2	4.2 4.2	2.6 2.4	3.5 3.5	3.8 4.0
Durables	8.8	6.8	7.6	22.2	4.9	6.8	8.6	8.6	9.5	11.3	11.0	9.8	11.2	7.2	10.4
Nondurables	4.2	1.9	2.5	4.3	4.3	3.5	3.3	2.8	2.8	2.8	3.2	3.6	3.2	3.5	3.1
Services	.1	1.6	1.6	1.4	2.5	3.0	3.0	3.2	2.8	2.8	3.0	3.5	1.2	2.9	3.0
Residential investment <i>Previous Tealbook</i>	-12.3 -12.3	25.7 25.7	-27.3 -27.8	.7 -3.8	3.2 2.9	9.2 8.0	12.5 14.0	11.9 15.6	13.0 13.5	13.9 13.6	13.5 13.5	13.5 13.7	-5.2 -6.5	9.1 10.0	13.5 13.6
Business fixed invest. <i>Previous Tealbook</i>	7.8 7.8	17.2 17.2	10.0 10.1	3.7 4.0	9.4 5.9	9.5 9.1	10.4 9.1	10.1 9.8	6.8 5.9	7.9 7.2	8.1 7.3	8.9 8.1	9.6 9.7	9.8 8.5	7.9 7.1
Equipment & software <i>Previous Tealbook</i>	20.4 20.4	24.8 24.8	15.4 16.1	3.7 5.8	13.3 9.4	13.0 12.7	14.3 12.6	13.8 13.3	9.2 8.5	10.5 10.0	10.8 9.8	11.8 10.6	15.8 16.6	13.6 12.0	10.6 9.7
Nonres. structures <i>Previous Tealbook</i>	-17.8 -17.8	-5 -5	-3.5 -4.9	3.7 -9	-8 -3.5	.0 -7	-3 -7	-4 -5	-3 -1.8	.0 -1.3	.0 -4	.2 .4	-4.9 -6.3	-4 -1.4	.0 -8
Net exports ² <i>Previous Tealbook</i> ²	-338 -338	-449 -449	-505 -506	-389 -450	-395 -441	-402 -432	-408 -426	-373 -422	-360 -413	-353 -411	-355 -418	-346 -412	-420 -436	-394 -430	-354 -413
Exports	11.4	9.1	6.8	8.9	10.1	9.1	8.7	8.8	8.9	8.6	8.4	8.5	9.0	9.2	8.6
Imports	11.2	33.5	16.8	-13.8	9.3	8.8	8.3	.8	5.0	5.8	7.5	5.6	10.6	6.7	6.0
Gov't. cons. & invest. <i>Previous Tealbook</i>	-1.6 -1.6	3.9 3.9	3.9 4.0	-1 .9	.8 .5	.5 .6	.5 .8	.6 .8	.5 .7	.6 .8	.7 .9	.9 1.0	1.5 1.8	.6 .7	.7 .8
Federal	1.8	9.1	8.8	1.1	2.1	.9	.6	.4	.0	.0	-1	.0	5.2	1.0	.0
Defense	.4	7.4	8.5	1.0	1.2	.0	.0	.1	.0	.0	-1	.1	4.2	.3	.0
Nondefense	5.0	12.8	9.5	1.4	4.0	3.0	2.0	1.0	.1	.0	.0	.0	7.1	2.5	.0
State & local	-3.8	.6	.7	-9	-1	.2	.4	.7	.9	1.0	1.3	1.5	-.8	.3	1.2
Change in bus. inventories ² <i>Previous Tealbook</i> ²	44 44	69 69	121 116	26 66	42 69	53 62	57 53	28 50	41 65	54 81	70 98	69 99	65 74	45 58	59 86
Nonfarm ²	37	61	117	22	39	49	54	24	37	50	67	66	59	41	55
Farm ²	8	8	5	4	4	4	4	4	4	4	4	4	6	4	4

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

2. Billions of chained (2005) dollars.

Changes in Real Gross Domestic Product and Related Items
(Change from fourth quarter of previous year to fourth quarter of year indicated, unless otherwise noted)

Item	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real GDP <i>Previous Tealbook</i>	3.1 3.1	2.7 2.7	2.4 2.4	2.3 2.3	-2.8 -2.8	.2 .2	2.9 2.7	3.8 3.7	4.4 4.4
Final sales <i>Previous Tealbook</i>	2.8 2.8	2.7 2.7	2.8 2.8	2.5 2.5	-1.9 -1.9	-.3 -.3	2.4 1.8	3.8 3.9	4.1 4.1
Priv. dom. final purch. <i>Previous Tealbook</i>	4.2 4.2	3.1 3.1	2.5 2.5	1.3 1.3	-3.8 -3.8	-2.0 -2.0	3.2 3.0	4.4 4.3	4.6 4.7
Personal cons. expend. <i>Previous Tealbook</i>	3.5 3.5	2.7 2.7	3.3 3.3	1.7 1.7	-1.9 -1.9	.2 .2	2.6 2.4	3.5 3.5	3.8 4.0
Durables	5.5	2.1	6.3	3.9	-12.3	4.8	11.2	7.2	10.4
Nondurables	3.0	3.3	3.2	.8	-2.9	1.1	3.2	3.5	3.1
Services	3.4	2.6	2.8	1.7	.3	-.8	1.2	2.9	3.0
Residential investment <i>Previous Tealbook</i>	6.6 6.6	5.3 5.3	-15.7 -15.7	-20.7 -20.7	-24.6 -24.6	-13.4 -13.4	-5.2 -6.5	9.1 10.0	13.5 13.6
Business fixed invest. <i>Previous Tealbook</i>	7.0 7.0	4.4 4.4	7.8 7.8	8.2 8.2	-8.3 -8.3	-12.7 -12.7	9.6 9.7	9.8 8.5	7.9 7.1
Equipment & software <i>Previous Tealbook</i>	8.8 8.8	6.1 6.1	6.0 6.0	4.3 4.3	-11.8 -11.8	-4.9 -4.9	15.8 16.6	13.6 12.0	10.6 9.7
Nonres. structures <i>Previous Tealbook</i>	1.7 1.7	-.1 -.1	13.0 13.0	17.3 17.3	-1.5 -1.5	-26.5 -26.5	-4.9 -6.3	-.4 -1.4	.0 -.8
Net exports ¹ <i>Previous Tealbook</i> ¹	-688 -688	-723 -723	-729 -729	-655 -655	-504 -504	-363 -363	-420 -436	-394 -430	-354 -413
Exports	7.1	6.7	10.2	10.1	-2.9	-.1	9.0	9.2	8.6
Imports	10.9	5.2	4.1	.7	-6.0	-7.2	10.6	6.7	6.0
Gov't. cons. & invest. <i>Previous Tealbook</i>	.6 .6	.7 .7	1.5 1.5	1.9 1.9	3.1 3.1	.8 .8	1.5 1.8	.6 .7	.7 .8
Federal	2.3	1.2	2.2	3.1	9.2	3.6	5.2	1.0	.0
Defense	2.4	.4	4.4	2.6	9.5	3.3	4.2	.3	.0
Nondefense	2.3	2.6	-2.3	4.2	8.5	4.5	7.1	2.5	.0
State & local	-.4	.4	1.2	1.2	-.4	-1.0	-.8	.3	1.2
Change in bus. inventories ¹ <i>Previous Tealbook</i> ¹	66 66	50 50	59 59	28 28	-38 -38	-113 -113	65 74	45 58	59 86
Nonfarm ¹	58	50	63	29	-39	-117	59	41	55
Farm ¹	8	0	-4	-1	1	3	6	4	4

1. Billions of chained (2005) dollars.

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

Item	2010				2011				2012				2010 ¹	2011 ¹	2012 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Tealbook</i>	3.7 3.7	1.7 1.7	2.6 2.7	3.8 2.5	3.6 3.4	3.7 3.5	3.8 3.7	4.2 4.3	4.3 4.3	4.4 4.4	4.5 4.5	4.6 4.5	2.9 2.7	3.8 3.7	4.4 4.4
Final sales <i>Previous Tealbook</i>	1.1 1.1	.9 .9	.9 1.2	6.8 4.1	3.2 3.3	3.4 3.7	3.7 4.0	5.0 4.4	4.0 3.9	4.1 4.0	4.0 4.0	4.6 4.5	2.4 1.8	3.8 3.9	4.1 4.1
Priv. dom. final purch. <i>Previous Tealbook</i>	1.7 1.7	3.6 3.6	1.9 2.2	3.3 2.2	3.2 2.9	3.6 3.4	3.8 3.7	3.9 4.1	3.5 3.5	3.7 3.8	3.9 4.0	4.2 4.1	2.6 2.4	3.6 3.5	3.8 3.9
Personal cons. expend. <i>Previous Tealbook</i>	1.3 1.3	1.5 1.5	1.7 2.0	2.9 1.9	2.2 2.3	2.5 2.3	2.6 2.5	2.6 2.8	2.5 2.6	2.6 2.7	2.8 3.0	2.9 3.0	1.9 1.7	2.5 2.5	2.7 2.8
Durables	.6	.5	.5	1.5	.4	.5	.6	.6	.7	.8	.8	.7	.8	.5	.8
Nondurables	.7	.3	.4	.7	.7	.6	.5	.5	.5	.5	.5	.6	.5	.6	.5
Services	.0	.8	.7	.7	1.2	1.4	1.4	1.5	1.3	1.3	1.4	1.6	.6	1.4	1.4
Residential investment <i>Previous Tealbook</i>	-3 -3	.6 .6	-8 -8	.0 -1	.1 .1	.2 .2	.3 .3	.3 .3	.3 .3	.3 .3	.3 .3	.3 .3	-.1 -.2	.2 .2	.3 .3
Business fixed invest. <i>Previous Tealbook</i>	.7 .7	1.5 1.5	.9 .9	.4 .4	.9 .6	.9 .9	1.0 .9	1.0 1.0	.7 .6	.8 .7	.8 .7	.9 .8	.9 .9	1.0 .8	.8 .7
Equipment & software <i>Previous Tealbook</i>	1.2 1.2	1.5 1.5	1.0 1.1	.3 .4	.9 .7	.9 .9	1.0 .9	1.0 1.0	.7 .6	.8 .8	.8 .7	.9 .8	1.0 1.1	1.0 .9	.8 .7
Nonres. structures <i>Previous Tealbook</i>	-5 -5	.0 .0	-1 -1	.1 .0	.0 -1	.0 .0	.0 .0	.0 .0	.0 .0	.0 .0	.0 .0	.0 .0	-.1 -.2	.0 .0	.0 .0
Net exports <i>Previous Tealbook</i>	-3 -3	-3.5 -3.5	-1.7 -1.7	3.5 1.7	-2 .3	-3 .2	-2 .1	1.0 .1	.4 .3	.2 .0	-.1 -.2	.2 .1	-.5 -1.0	.1 .2	.2 .0
Exports	1.3	1.1	.8	1.1	1.3	1.2	1.1	1.2	1.2	1.2	1.2	1.2	1.1	1.2	1.2
Imports	-1.6	-4.6	-2.5	2.4	-1.5	-1.4	-1.4	-.1	-.8	-1.0	-1.3	-1.0	-1.6	-1.1	-1.0
Gov't. cons. & invest. <i>Previous Tealbook</i>	-3 -3	.8 .8	.8 .8	.0 .2	.2 .1	.1 .1	.1 .2	.1 .2	.1 .1	.1 .2	.2 .2	.2 .2	.3 .4	.1 .1	.1 .2
Federal	.2	.7	.7	.1	.2	.1	.1	.0	.0	.0	.0	.0	.4	.1	.0
Defense	.0	.4	.5	.1	.1	.0	.0	.0	.0	.0	.0	.0	.2	.0	.0
Nondefense	.1	.3	.3	.0	.1	.1	.1	.0	.0	.0	.0	.0	.2	.1	.0
State & local	-5	.1	.1	-.1	.0	.0	.0	.1	.1	.1	.2	.2	-.1	.0	.1
Change in bus. inventories <i>Previous Tealbook</i>	2.6 2.6	.8 .8	1.6 1.5	-3.0 -1.6	.5 .1	.3 -2	.1 -3	-.9 -1	.4 .4	.4 .5	.5 .5	.0 .0	.5 .8	.0 -1	.3 .4
Nonfarm	2.6	.8	1.7	-2.9	.5	.3	.1	-.9	.4	.4	.5	.0	.5	.0	.3
Farm	.1	.0	-.1	-.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0

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

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

Item	2010				2011				2012				2010 ¹	2011 ¹	2012 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
GDP chain-wt. price index <i>Previous Tealbook</i>	1.0 1.0	1.9 1.9	2.1 2.3	.0 .2	2.0 1.2	1.0 .9	1.0 .8	.9 .8	1.1 1.1	1.1 1.1	1.1 1.1	1.1 1.1	1.3 1.4	1.2 .9	1.1 1.1
PCE chain-wt. price index <i>Previous Tealbook</i>	2.1 2.1	.0 .0	.8 1.0	1.9 1.8	2.0 1.6	1.1 1.0	1.2 .9	1.0 .7	1.0 .9	1.0 .9	1.0 .9	1.0 .9	1.2 1.2	1.3 1.1	1.0 .9
Energy <i>Previous Tealbook</i>	16.4 16.4	-17.5 -17.5	5.4 5.6	25.9 23.0	20.5 11.7	1.7 2.5	2.8 1.2	1.0 .4	.4 .1	.0 -3	-1 .0	.3 .3	6.3 5.7	6.2 3.8	.1 .0
Food <i>Previous Tealbook</i>	1.8 1.8	1.6 1.6	.3 .3	1.5 1.8	2.1 1.6	2.1 1.2	1.6 .9	1.1 .8	1.0 1.0	1.1 1.1	1.2 1.2	1.2 1.2	1.3 1.4	1.7 1.1	1.1 1.1
Ex. food & energy <i>Previous Tealbook</i>	1.2 1.2	1.0 1.0	.5 .8	.6 .6	.9 1.0	1.0 .9	1.0 .9	.9 .8	1.0 .9	1.0 .9	1.0 .9	1.0 .9	.8 .9	1.0 .9	1.0 .9
Ex. food & energy, market based <i>Previous Tealbook</i>	.7 .7	1.0 1.0	1.1 1.1	.3 .1	.8 .9	.9 .8	.9 .8	.7 .4	.9 .8	.9 .8	.9 .8	.9 .8	.8 .7	.8 .7	.9 .8
CPI <i>Previous Tealbook</i>	1.5 1.5	-.7 -.7	1.5 1.5	2.6 2.2	2.7 1.8	1.1 1.1	1.2 1.0	1.0 .9	.9 .9	.9 .9	1.0 .9	1.0 1.0	1.2 1.1	1.5 1.2	.9 .9
Ex. food & energy <i>Previous Tealbook</i>	.0 .0	.9 .9	1.2 1.2	.4 .3	1.0 .9	1.0 .9	1.0 .9	.9 .9	1.0 .9	1.0 1.0	1.1 1.0	1.1 1.1	.6 .6	1.0 .9	1.0 1.0
ECI, hourly compensation ² <i>Previous Tealbook</i> ²	2.6 2.6	1.8 1.8	1.8 1.8	2.0 2.0	2.3 2.3	2.1 2.1	2.1 2.0	2.1 2.1	2.6 2.5	2.4 2.2	2.4 2.2	2.4 2.2	2.0 2.0	2.1 2.1	2.4 2.3
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	3.9 3.9	-1.8 -1.8	2.3 2.5	2.6 .9	1.8 2.0	1.4 1.2	1.3 1.3	1.6 2.1	1.8 2.1	2.0 2.1	1.9 2.1	2.0 2.1	1.7 1.3	1.5 1.7	1.9 2.1
Compensation per hour <i>Previous Tealbook</i>	-.9 -.9	2.9 2.9	2.1 2.2	2.1 2.1	2.4 2.4	1.8 1.8	1.8 1.7	1.8 1.7	2.5 2.3	2.2 2.0	2.2 2.0	2.3 2.1	1.5 1.6	1.9 1.9	2.3 2.1
Unit labor costs <i>Previous Tealbook</i>	-4.6 -4.6	4.9 4.9	-2 -3	-4 1.2	.6 .4	.4 .6	.5 .4	.1 -4	.7 .2	.2 -1	.3 -1	.3 .0	-.2 .2	.4 .2	.4 .0
Core goods imports chain-wt. price index ³ <i>Previous Tealbook</i> ³	4.2 4.2	3.1 3.1	-.8 -4	6.2 5.2	5.5 4.7	3.6 2.2	2.2 1.8	1.5 1.2	1.3 1.3	1.4 1.4	1.4 1.4	1.4 1.4	3.1 3.0	3.2 2.5	1.4 1.4

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	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP chain-wt. price index <i>Previous Tealbook</i>	3.2 3.2	3.5 3.5	2.9 2.9	2.6 2.6	2.1 2.1	.5 .5	1.3 1.4	1.2 .9	1.1 1.1
PCE chain-wt. price index <i>Previous Tealbook</i>	3.0 3.0	3.3 3.3	1.9 1.9	3.5 3.5	1.7 1.7	1.5 1.5	1.2 1.2	1.3 1.1	1.0 .9
Energy <i>Previous Tealbook</i>	18.6 18.6	21.5 21.5	-3.7 -3.7	19.4 19.4	-9.0 -9.0	2.7 2.7	6.3 5.7	6.2 3.8	.1 .0
Food <i>Previous Tealbook</i>	2.7 2.7	1.5 1.5	1.7 1.7	4.8 4.8	6.9 6.9	-1.6 -1.6	1.3 1.4	1.7 1.1	1.1 1.1
Ex. food & energy <i>Previous Tealbook</i>	2.2 2.2	2.3 2.3	2.3 2.3	2.4 2.4	2.0 2.0	1.7 1.7	.8 .9	1.0 .9	1.0 .9
Ex. food & energy, market based <i>Previous Tealbook</i>	1.9 1.9	2.1 2.1	2.2 2.2	2.2 2.2	2.2 2.2	1.7 1.7	.8 .7	.8 .7	.9 .8
CPI <i>Previous Tealbook</i>	3.4 3.4	3.7 3.7	1.9 1.9	4.0 4.0	1.6 1.6	1.5 1.5	1.2 1.1	1.5 1.2	.9 .9
Ex. food & energy <i>Previous Tealbook</i>	2.2 2.2	2.1 2.1	2.7 2.7	2.3 2.3	2.0 2.0	1.7 1.7	.6 .6	1.0 .9	1.0 1.0
ECL, hourly compensation ¹ <i>Previous Tealbook</i> ¹	3.8 3.8	2.9 2.9	3.2 3.2	3.0 3.0	2.4 2.4	1.2 1.2	2.0 2.0	2.1 2.1	2.4 2.3
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	1.5 1.5	1.4 1.4	.9 .9	2.6 2.6	-.4 -.4	6.2 6.2	1.7 1.3	1.5 1.7	1.9 2.1
Compensation per hour <i>Previous Tealbook</i>	3.3 3.3	3.5 3.5	4.5 4.5	3.6 3.6	2.3 2.3	2.5 2.5	1.5 1.6	1.9 1.9	2.3 2.1
Unit labor costs <i>Previous Tealbook</i>	1.9 1.9	2.0 2.0	3.5 3.5	.9 .9	2.7 2.7	-3.5 -3.5	-.2 .2	.4 .2	.4 .0
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ²	3.6 3.6	2.2 2.2	2.5 2.5	2.9 2.9	3.5 3.5	-1.9 -1.9	3.1 3.0	3.2 2.5	1.4 1.4

1. Private-industry workers.

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

Other Macroeconomic Indicators

Item	2010				2011				2012				2010 ¹	2011 ¹	2012 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Employment and production</i>															
Nonfarm payroll employment ²	.1	.7	.0	.3	.4	.6	.7	.8	.9	.9	.9	.9	1.0	2.6	3.7
Unemployment rate ³	9.7	9.6	9.6	9.6	9.5	9.3	9.1	8.9	8.7	8.4	8.1	7.8	9.6	8.9	7.8
<i>Previous Tealbook³</i>	9.7	9.7	9.6	9.7	9.5	9.4	9.1	8.9	8.8	8.6	8.3	8.0	9.7	8.9	8.0
NAIRU ³	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
<i>Previous Tealbook³</i>	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
GDP gap ⁴	-6.4	-6.6	-6.6	-6.3	-6.0	-5.8	-5.4	-5.1	-4.7	-4.2	-3.8	-3.3	-6.3	-5.1	-3.3
<i>Previous Tealbook⁴</i>	-6.4	-6.6	-6.6	-6.6	-6.4	-6.1	-5.9	-5.5	-5.1	-4.6	-4.2	-3.7	-6.6	-5.5	-3.7
Industrial production ⁵	7.1	7.2	6.5	2.4	6.7	3.2	4.3	3.6	4.1	5.3	5.2	4.3	5.8	4.4	4.7
<i>Previous Tealbook⁵</i>	7.1	7.1	5.2	1.8	5.9	3.5	3.7	3.5	3.8	4.8	4.8	4.2	5.3	4.1	4.4
Manufacturing industr. prod. ⁵	6.2	9.4	4.5	3.3	6.9	4.7	4.8	4.3	5.0	6.2	5.9	5.1	5.8	5.2	5.5
<i>Previous Tealbook⁵</i>	6.2	9.3	3.7	3.8	5.4	3.7	4.2	4.3	4.4	5.7	5.5	4.7	5.7	4.4	5.1
Capacity utilization rate - mfg. ³	70.0	71.6	72.4	73.0	74.0	74.7	75.4	76.1	76.7	77.5	78.4	79.0	73.0	76.1	79.0
<i>Previous Tealbook³</i>	70.0	71.6	72.3	72.9	73.7	74.2	74.8	75.5	76.0	76.8	77.6	78.2	72.9	75.5	78.2
Housing starts ⁶	.6	.6	.6	.5	.6	.6	.7	.7	.8	.8	.9	1.0	.6	.6	.9
Light motor vehicle sales ⁶	11.0	11.3	11.6	12.3	12.3	12.6	13.0	13.5	13.9	14.7	15.2	15.7	11.5	12.9	14.9
<i>Income and saving</i>															
Nominal GDP ⁵	4.8	3.7	4.6	3.8	5.7	4.7	4.9	5.1	5.5	5.6	5.6	5.7	4.3	5.1	5.6
Real disposable pers. income ⁵	1.3	5.6	.9	1.3	5.3	3.4	3.6	4.1	.1	3.9	4.1	4.3	2.3	4.1	3.1
<i>Previous Tealbook⁵</i>	1.3	5.6	.9	1.5	5.2	3.3	3.7	4.1	.1	4.3	3.9	4.3	2.3	4.1	3.1
Personal saving rate ³	5.5	6.2	5.9	5.4	5.9	5.9	5.9	6.0	5.2	5.2	5.2	5.2	5.4	6.0	5.2
<i>Previous Tealbook³</i>	5.5	6.2	5.8	5.6	6.1	6.1	6.2	6.2	5.4	5.4	5.3	5.3	5.6	6.2	5.3
Corporate profits ⁷	48.9	12.7	6.6	20.9	9.8	2.8	5.4	5.5	4.1	5.9	6.0	7.3	21.3	5.9	5.8
Profit share of GNP ³	10.7	10.9	11.0	11.4	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.4	11.5	11.5
Net federal saving ⁸	-1,314	-1,337	-1,344	-1,333	-1,409	-1,375	-1,357	-1,336	-1,170	-1,124	-1,100	-1,071	-1,332	-1,369	-1,116
Net state & local saving ⁸	29	16	48	69	33	40	34	30	36	44	54	59	40	34	48
Gross national saving rate ³	11.1	11.7	11.6	11.7	11.8	12.1	12.3	12.5	12.7	13.1	13.4	13.7	11.7	12.5	13.7
Net national saving rate ³	-1.8	-1.1	-1.1	-7	-5	-2	.0	.3	.5	1.0	1.3	1.7	-7	.3	1.7

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

2. Change, millions.

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

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

Annual values are for the fourth quarter of the year indicated.

5. Percent change, annual rate.

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

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

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

Greensheets

Other Macroeconomic Indicators

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

Item	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Employment and production</i>									
Nonfarm payroll employment ¹	2.0	2.4	2.1	1.2	-2.8	-5.4	1.0	2.6	3.7
Unemployment rate ²	5.4	5.0	4.5	4.8	6.9	10.0	9.6	8.9	7.8
<i>Previous Tealbook²</i>	5.4	5.0	4.5	4.8	6.9	10.0	9.7	8.9	8.0
NAIRU ²	5.0	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0
<i>Previous Tealbook²</i>	5.0	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0
GDP gap ³	-4	.0	.0	.0	-4.9	-6.7	-6.3	-5.1	-3.3
<i>Previous Tealbook³</i>	-5	.0	.0	.0	-4.9	-6.7	-6.6	-5.5	-3.7
Industrial production ⁴	2.9	2.3	2.5	2.3	-7.6	-3.8	5.8	4.4	4.7
<i>Previous Tealbook⁴</i>	2.9	2.3	2.5	2.3	-7.6	-3.8	5.3	4.1	4.4
Manufacturing industr. prod. ⁴	3.5	3.5	2.0	2.6	-10.0	-4.1	5.8	5.2	5.5
<i>Previous Tealbook⁴</i>	3.5	3.5	2.0	2.6	-10.0	-4.1	5.7	4.4	5.1
Capacity utilization rate - mfg. ²	77.4	78.8	79.0	79.1	70.9	68.8	73.0	76.1	79.0
<i>Previous Tealbook²</i>	77.4	78.8	79.0	79.1	70.9	68.8	72.9	75.5	78.2
Housing starts ⁵	2.0	2.1	1.8	1.4	.9	.6	.6	.6	.9
Light motor vehicle sales ⁵	16.8	16.9	16.5	16.1	13.1	10.3	11.5	12.9	14.9
<i>Income and saving</i>									
Nominal GDP ⁴	6.4	6.3	5.4	5.0	-7	.6	4.3	5.1	5.6
Real disposable pers. income ⁴	3.5	.6	4.6	1.5	1.0	.4	2.3	4.1	3.1
<i>Previous Tealbook⁴</i>	3.5	.6	4.6	1.5	1.0	.4	2.3	4.1	3.1
Personal saving rate ²	3.6	1.5	2.5	2.1	5.2	5.5	5.4	6.0	5.2
<i>Previous Tealbook²</i>	3.6	1.5	2.5	2.1	5.2	5.5	5.6	6.2	5.3
Corporate profits ⁶	21.9	19.6	3.7	-8.1	-31.9	42.5	21.3	5.9	5.8
Profit share of GNP ²	10.5	11.8	11.6	10.1	6.9	9.8	11.4	11.5	11.5
Net federal saving ⁷	-379	-283	-204	-245	-616	-1252	-1332	-1369	-1116
Net state & local saving ⁷	-8	26	51	12	-47	-20	40	34	48
Gross national saving rate ²	14.3	15.5	16.3	13.6	11.8	10.8	11.7	12.5	13.7
Net national saving rate ²	2.7	3.5	4.2	1.3	-1.4	-2.3	-7	.3	1.7

1. Change, millions.

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

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

4. Percent change.

5. Level, millions; values are annual averages.

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

7. Billions of dollars; values are annual averages.

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

Item	Fiscal year				2010				2011				2012				
	2009 ^a	2010 ^a	2011	2012	Q1 ^a	Q2 ^a	Q3 ^a	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Unified budget	Receipts ¹	2104	2162	2274	2576	466	643	565	532	476	674	593	559	786	671	642	
	Outlays ¹	3520	3456	3668	3681	795	930	855	903	935	923	908	929	916	867	968	
	Surplus/deficit ¹	-1416	-1294	-1394	-1105	-329	-287	-290	-371	-459	-249	-315	-370	-129	-197	-325	
	<i>Previous Tealbook</i>	<i>-1416</i>	<i>-1294</i>	<i>-1389</i>	<i>-1074</i>	<i>-329</i>	<i>-287</i>	<i>-290</i>	<i>-384</i>	<i>-451</i>	<i>-236</i>	<i>-318</i>	<i>-368</i>	<i>-114</i>	<i>-188</i>	<i>-317</i>	
	On-budget	-1553	-1371	-1398	-1183	-359	-351	-267	-392	-434	-289	-282	-395	-406	-198	-184	
	Off-budget	137	77	4	79	30	64	-23	21	-25	40	-33	25	-2	69	-13	
	Means of financing																
	Borrowing	1743	1474	1375	1185	478	344	390	368	253	234	520	375	413	169	227	330
	Cash decrease	96	-35	60	0	-25	-71	-20	-33	268	9	-185	15	15	-20	-10	15
Other ²	-424	-145	-41	-80	-124	14	-80	36	-62	5	-20	-20	-20	-20	-20	-20	
Cash operating balance, end of period	275	310	250	250	219	290	310	343	75	65	250	235	220	240	250	235	
NIPA federal sector	Receipts	2261	2334	2448	2708	2323	2365	2416	2457	2407	2444	2484	2524	2724	2769	2815	2863
	Expenditures	3355	3660	3817	3890	3637	3701	3761	3791	3816	3819	3841	3860	3894	3892	3915	3934
	Consumption expenditures	977	1030	1089	1118	1017	1038	1062	1070	1087	1095	1102	1107	1117	1121	1125	1130
	Defense	659	691	726	743	684	695	711	717	727	730	733	735	742	745	748	751
	Nondefense	318	339	362	375	333	343	350	353	361	365	369	371	375	376	377	379
	Other spending	2378	2630	2728	2773	2620	2663	2699	2721	2729	2723	2739	2753	2777	2771	2790	2805
	Current account surplus	-1094	-1326	-1368	-1182	-1314	-1337	-1344	-1333	-1409	-1375	-1357	-1336	-1170	-1124	-1100	-1071
	Gross investment	151	165	174	175	161	168	172	173	174	175	175	175	175	175	175	175
	Gross saving less gross investment ³	-1122	-1363	-1409	-1217	-1348	-1376	-1386	-1375	-1450	-1415	-1395	-1373	-1205	-1158	-1132	-1103
	Fiscal indicators ⁴	High-employment (HEB) surplus/deficit	-839	-1019	-1091	-960	-1011	-1032	-1041	-1031	-1127	-1104	-1100	-1095	-931	-907	-907	-904
Change in HEB, percent of potential GDP		2.2	1.0	.2	-1.0	.1	.1	.0	-.1	.5	-.2	-.1	-.1	-1.0	-.2	-.1	-.1
Fiscal impetus (FI), percent of GDP		1.1	1.0	.3	-.7	.3	.3	.2	.0	.1	.0	.0	.0	-.4	-.2	-.2	-.2
<i>Previous Tealbook</i>		<i>1.1</i>	<i>1.1</i>	<i>.2</i>	<i>-.6</i>	<i>.3</i>	<i>.3</i>	<i>.2</i>	<i>.0</i>	<i>.0</i>	<i>.0</i>	<i>.0</i>	<i>.0</i>	<i>-.3</i>	<i>-.1</i>	<i>-.3</i>	<i>-.2</i>

1. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) categories. The OASDI surplus and the Postal Service surplus are excluded from the on-budget surplus and shown separately as off-budget, as classified under current law.
2. Other means of financing are checks issued less checks paid, accrued items, and changes in other financial assets and liabilities.
3. Gross saving is the current account surplus plus consumption of fixed capital of the general government as well as government enterprises.
4. HEB is gross saving less gross investment (NIPA) of the federal government in current dollars, with cyclically sensitive receipts and outlays adjusted to the staff's measure of potential output and the changes in federal spending and taxes in chained (2005) dollars, scaled by real GDP. The sign on Change in HEB, as a percent of nominal potential GDP, is reversed. FI is the weighted difference of discretionary aggregate demand stimulus.

^a Actual.

Change in Debt of the Domestic Nonfinancial Sectors
(Percent)

Period ¹	Total	Households			Business	State and local governments	Federal government	Memo: Nominal GDP
		Total	Home mortgages	Consumer credit				
<i>Year</i>								
2005	9.5	11.1	13.3	4.5	8.6	10.2	7.0	6.3
2006	9.0	10.1	11.2	4.1	10.5	8.3	3.9	5.4
2007	8.6	6.8	6.8	5.8	13.1	9.5	4.9	5.0
2008	6.0	.3	-.4	1.5	5.5	2.3	24.2	-.7
2009	3.0	-1.7	-1.5	-4.4	-2.6	4.9	22.7	.6
2010	4.5	-2.0	-3.1	-2.0	1.3	5.2	20.2	4.3
2011	5.0	.2	-1.5	3.5	2.7	4.3	14.7	5.1
2012	5.3	2.2	-.1	7.9	4.1	4.8	10.6	5.6
<i>Quarter</i>								
2009:1	4.7	-.8	-.2	-3.7	.1	5.6	24.4	-3.9
2	4.4	-1.9	-1.9	-4.8	-2.6	4.3	28.9	-.4
3	2.1	-2.2	-2.6	-3.9	-4.3	5.8	19.0	2.3
4	.9	-2.0	-1.5	-5.6	-3.7	3.8	11.9	4.7
2010:1	4.3	-2.1	-4.4	-3.9	.4	5.6	20.5	4.8
2	4.7	-2.2	-2.3	-3.3	-.1	-1.5	24.4	3.7
3	4.1	-1.8	-2.5	-1.7	1.7	5.4	16.0	4.6
4	4.6	-1.9	-3.6	.9	3.1	11.0	14.6	3.8
2011:1	2.7	-.7	-2.2	1.5	2.6	3.9	7.5	5.7
2	5.3	.1	-1.4	2.9	2.4	4.2	16.3	4.7
3	6.5	.6	-1.2	4.2	2.6	4.3	19.2	4.9
4	5.1	.9	-1.1	5.3	3.1	4.6	12.9	5.1
2012:1	5.5	1.6	-.4	6.4	3.6	4.8	12.5	5.5
2	5.5	2.0	-.2	7.4	3.9	4.8	11.7	5.6
3	4.3	2.4	.1	8.2	4.2	4.7	6.5	5.6
4	5.5	2.6	.2	8.7	4.4	4.7	10.1	5.7

Note: Quarterly data are at seasonally adjusted annual rates.

1. Data after 2010:Q3 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

Flow of Funds Projections: Highlights

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

Category	2009	2010	2011	2012	2010				2011				2012			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	958.6	1302.8	1569.7	1770.0	1120.7	1359.3	767.4	1731.0	2119.7	1660.6	1850.7	1887.2	1433.6	1908.5		
Net equity issuance	-64.6	-267.3	-244.0	-248.0	-348.3	-305.6	-220.0	-220.0	-268.0	-268.0	-248.0	-248.0	-248.0	-248.0		
Net debt issuance	1023.2	1570.1	1813.7	2018.0	1468.9	1664.9	987.4	1951.0	2387.7	1928.6	2098.7	2135.2	1681.6	2156.5		
Borrowing indicators																
Debt (percent of GDP) ¹	241.7	241.8	242.0	241.5	241.9	242.3	241.2	240.8	241.5	242.0	241.9	241.9	241.5	241.1		
Borrowing (percent of GDP)	7.2	10.7	11.8	12.5	10.0	11.2	6.5	12.8	15.5	12.3	13.2	13.3	10.3	13.1		
Households																
Net borrowing ²	-240.0	-270.0	27.3	289.2	-236.9	-257.1	-98.6	19.4	73.7	114.8	216.2	265.1	323.3	352.3		
Home mortgages	-161.2	-325.1	-146.9	-7.4	-255.8	-363.7	-220.2	-139.4	-119.0	-108.8	-39.5	-19.7	9.8	19.7		
Consumer credit	-115.3	-49.3	85.7	198.9	-41.9	21.6	37.2	71.4	102.9	131.2	161.4	188.5	214.2	231.8		
Debt/DPI (percent) ³	124.4	118.5	112.2	109.2	117.9	116.4	114.0	112.6	111.4	110.2	110.3	109.4	108.7	107.9		
Business																
Financing gap ⁴	-44.7	45.3	-13.8	120.0	156.6	-39.2	-55.1	-16.5	10.8	5.7	67.3	103.2	144.3	165.2		
Net equity issuance	-64.6	-267.3	-244.0	-248.0	-348.3	-305.6	-220.0	-220.0	-268.0	-268.0	-248.0	-248.0	-248.0	-248.0		
Credit market borrowing	-292.0	136.6	296.1	463.6	181.3	335.7	283.0	264.3	290.1	347.0	411.6	443.1	489.9	509.9		
State and local governments																
Net borrowing	111.3	123.4	107.6	125.6	128.6	266.9	97.6	105.6	109.6	117.6	125.6	125.6	125.6	125.6		
Current surplus ⁵	248.2	298.3	264.9	285.7	327.4	296.4	261.2	270.1	265.4	263.1	270.4	280.3	292.6	299.5		
Federal government																
Net borrowing	1443.9	1580.2	1382.7	1139.6	1395.9	1319.5	705.4	1561.8	1914.4	1349.3	1345.3	1301.4	742.8	1168.9		
Net borrowing (n.s.a.)	1443.9	1580.2	1382.7	1139.6	390.1	367.9	253.4	234.4	519.6	375.3	413.3	169.3	226.7	330.2		
Unified deficit (n.s.a.)	1471.3	1277.0	1393.6	1059.6	290.2	370.8	459.5	248.8	315.0	370.3	408.3	129.3	196.7	325.2		
<i>Depository institutions</i>																
Funds supplied	-639.9	-135.8	70.9	247.6	772.5	-313.4	-196.7	79.0	190.8	210.4	230.6	260.8	277.4	221.5		

Note: Data after 2010:Q3 are staff projections.

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

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

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

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

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

n.s.a. Not seasonally adjusted.

Foreign Real GDP and Consumer Prices: Selected Countries

(Quarterly percent changes at an annual rate)

Measure and country	2010				2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP ¹												
Total foreign	5.4	5.5	2.1	3.1	3.2	3.4	3.4	3.5	3.5	3.6	3.6	3.7
<i>Previous Tealbook</i>	5.5	5.4	2.1	2.7	3.0	3.1	3.2	3.3	3.4	3.4	3.5	3.6
Advanced foreign economies	3.9	3.3	1.7	1.7	2.0	2.1	2.1	2.2	2.3	2.4	2.5	2.6
Canada	5.6	2.3	1.0	2.7	2.7	2.8	2.8	2.8	2.7	2.7	2.6	2.6
Japan	6.8	3.0	4.5	-1.6	1.5	1.6	1.7	1.8	1.8	1.9	2.0	2.1
United Kingdom	1.2	4.6	2.9	1.9	1.3	2.1	2.3	2.4	2.5	2.5	2.5	2.6
Euro area	1.5	4.1	1.4	1.5	1.3	1.2	1.2	1.4	1.7	2.0	2.3	2.7
Germany	2.3	9.5	2.8	2.5	2.1	1.9	1.8	1.8	2.1	2.4	2.7	3.0
Emerging market economies	7.4	8.4	2.5	4.9	4.8	5.0	5.1	5.1	5.1	5.1	5.1	5.1
Asia	14.4	8.0	2.1	6.1	5.8	6.0	6.0	6.0	6.0	6.0	6.0	6.1
Korea	8.8	5.8	3.0	3.4	3.8	4.2	4.3	4.4	4.4	4.4	4.5	4.6
China	10.1	6.8	9.8	9.1	8.7	8.7	8.6	8.6	8.5	8.5	8.5	8.5
Latin America	1.4	9.3	2.8	3.1	3.9	4.2	4.3	4.2	4.2	4.2	4.1	4.1
Mexico	-2	9.5	3.0	3.2	3.7	4.0	4.3	4.3	4.3	4.3	4.3	4.3
Brazil	9.4	7.2	2.1	3.8	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Consumer prices ²												
Total foreign	3.4	1.3	2.2	4.9	3.7	2.6	2.3	2.2	2.3	2.3	2.3	2.4
<i>Previous Tealbook</i>	3.4	1.4	2.2	3.9	3.0	2.5	2.2	2.2	2.2	2.3	2.3	2.4
Advanced foreign economies	2.0	-0	1.0	3.4	2.3	1.3	1.2	1.2	1.4	1.3	1.4	1.5
Canada	2.3	-9	2.4	3.5	2.3	1.8	1.9	2.0	2.3	2.1	2.1	2.1
Japan	.0	-1.9	-1.9	2.9	-8	-8	-8	-7	-7	-6	-5	-4
United Kingdom	5.4	2.4	1.3	4.5	8.1	1.8	1.8	1.8	1.8	1.8	2.0	3.4
Euro Area	1.9	1.5	1.2	3.5	3.0	1.8	1.3	1.3	1.4	1.4	1.5	1.6
Germany	1.5	.8	.9	3.2	1.9	1.7	1.3	1.2	1.3	1.4	1.4	1.6
Emerging market economies	4.7	2.6	3.3	6.4	5.1	3.7	3.3	3.2	3.2	3.2	3.2	3.1
Asia	3.6	2.1	3.6	7.0	4.7	3.3	2.8	2.8	2.8	2.8	2.8	2.8
Korea	3.3	1.9	3.4	6.0	4.4	2.9	2.6	2.4	2.4	2.4	2.4	2.4
China	3.0	2.6	4.3	8.4	4.6	3.1	2.7	2.7	2.7	2.7	2.7	2.7
Latin America	7.8	3.6	2.3	4.8	6.1	4.9	4.3	4.3	4.2	4.1	4.1	4.1
Mexico	7.9	2.7	2.1	4.3	5.6	4.4	3.9	3.9	3.7	3.7	3.7	3.7
Brazil	7.4	5.9	1.1	7.4	7.8	6.6	5.3	4.9	4.9	4.9	4.9	4.9

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

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

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

Measure and country	-----Projected-----									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Real GDP ¹										
Total foreign	3.9	4.0	4.0	4.2	-8	.5	4.0	3.4	3.6	
<i>Previous Tealbook</i>	3.9	4.1	4.0	4.2	-8	.5	3.9	3.2	3.5	
Advanced foreign economies	2.6	2.8	2.6	2.4	-1.8	-1.5	2.6	2.1	2.4	
Canada	3.7	3.1	1.9	2.5	-9	-1.1	2.9	2.8	2.7	
Japan	1.1	2.9	2.1	1.8	-4.7	-1.8	3.1	1.7	2.0	
United Kingdom	2.4	2.4	2.7	2.4	-2.7	-2.8	2.7	2.0	2.5	
Euro area	1.7	2.1	3.6	2.2	-2.1	-2.0	2.1	1.2	2.2	
Germany	.2	1.6	4.5	1.8	-2.0	-2.0	4.2	1.9	2.5	
Emerging market economies	5.6	5.8	6.0	6.5	.4	2.9	5.8	5.0	5.1	
Asia	6.1	7.8	7.2	8.4	.7	7.2	7.6	6.0	6.0	
Korea	2.7	5.2	4.6	5.7	-3.2	6.1	5.2	4.2	4.5	
China	10.0	10.5	11.0	12.6	7.2	11.5	8.9	8.6	8.5	
Latin America	5.2	3.9	4.8	4.5	-2	-8	4.1	4.2	4.2	
Mexico	4.6	3.6	4.1	3.7	-9	-2.2	3.8	4.0	4.3	
Brazil	6.1	2.2	4.8	6.6	.7	4.9	5.6	4.0	4.0	
Consumer prices ²										
Total foreign	2.8	2.3	2.1	3.7	3.3	1.2	2.9	2.7	2.3	
<i>Previous Tealbook</i>	2.8	2.3	2.1	3.7	3.4	1.2	2.7	2.5	2.3	
Advanced foreign economies	1.8	1.6	1.4	2.2	2.0	.2	1.6	1.5	1.4	
Canada	2.3	2.3	1.4	2.5	1.9	.8	1.8	2.0	2.1	
Japan	.5	-1.0	.3	.6	.8	-1.8	-.2	-.8	-.5	
United Kingdom	1.4	2.1	2.7	2.1	3.9	2.1	3.4	3.3	2.2	
Euro Area	2.3	2.3	1.8	2.9	2.3	.4	2.0	1.9	1.5	
Germany	2.1	2.2	1.3	3.1	1.7	.3	1.6	1.5	1.4	
Emerging market economies	3.9	3.0	2.9	5.1	4.6	2.2	4.2	3.8	3.2	
Asia	3.1	2.6	2.4	5.5	3.7	1.3	4.1	3.4	2.8	
Korea	3.4	2.5	2.1	3.4	4.5	2.4	3.6	3.1	2.4	
China	3.2	1.4	2.1	6.6	2.6	.6	4.5	3.3	2.7	
Latin America	5.6	3.7	4.1	4.2	6.6	4.0	4.6	4.9	4.1	
Mexico	5.3	3.1	4.1	3.8	6.2	4.0	4.2	4.4	3.7	
Brazil	7.2	6.1	3.2	4.3	6.2	4.2	5.4	6.2	4.9	

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

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

U.S. Current Account

Quarterly Data

	2010				2011				Projected			
	2010		2011		2011		2012		2012		2012	
	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	-436.6	-492.9	-508.9	-461.6	-503.6	-508.2	-525.6	-486.0	-483.6	-461.6	-465.9	-448.2
<i>Previous Tealbook</i>	-436.6	-493.1	-514.9	-506.3	-544.2	-531.2	-531.6	-530.2	-535.5	-523.0	-535.2	-522.7
Current account as percent of GDP	-3.0	-3.4	-3.5	-3.1	-3.3	-3.3	-3.4	-3.1	-3.1	-2.9	-2.9	-2.7
<i>Previous Tealbook</i>	-3.0	-3.4	-3.5	-3.4	-3.6	-3.5	-3.5	-3.4	-3.4	-3.3	-3.3	-3.2
Net goods & services	-457.8	-532.3	-537.6	-489.4	-505.3	-524.8	-541.6	-507.5	-497.2	-490.0	-495.6	-489.4
Investment income, net	168.8	180.4	172.6	148.5	135.3	134.2	135.1	136.3	142.1	142.8	147.8	155.9
Direct, net	275.9	286.6	276.0	265.5	254.9	259.7	263.9	271.2	281.5	290.9	300.0	313.5
Portfolio, net	-107.1	-106.2	-103.4	-117.0	-119.5	-125.5	-128.8	-134.9	-139.3	-148.0	-152.2	-157.6
Other income and transfers, net	-147.6	-141.0	-143.9	-120.7	-133.6	-117.5	-119.1	-114.7	-128.6	-114.5	-118.1	-114.7

Annual Data

	Projected									
	2010		2011		2011		2012		2012	
	2004	2005	2006	2007	2008	2009	2010	2011	2011	2012
<i>Billions of dollars</i>										
U.S. current account balance	-630.5	-747.6	-802.6	-718.1	-668.9	-378.4	-475.0	-505.8	-464.8	
<i>Previous Tealbook</i>	-630.5	-747.6	-802.6	-718.1	-668.9	-378.4	-487.7	-534.3	-529.1	
Current account as percent of GDP	-5.3	-5.9	-6.0	-5.1	-4.7	-2.7	-3.2	-3.3	-2.9	
<i>Previous Tealbook</i>	-5.3	-5.9	-6.0	-5.1	-4.7	-2.7	-3.3	-3.5	-3.3	
Net goods & services	-609.3	-714.2	-759.2	-702.1	-698.8	-374.9	-504.3	-519.8	-493.0	
Investment income, net	73.4	78.8	54.7	106.6	159.3	129.2	167.6	135.2	147.2	
Direct, net	150.9	173.2	174.0	241.6	287.7	252.1	276.0	262.4	296.5	
Portfolio, net	-77.5	-94.4	-119.4	-134.9	-128.4	-122.8	-108.4	-127.2	-149.3	
Other income and transfers, net	-94.5	-112.2	-98.1	-122.6	-129.3	-132.8	-138.3	-121.2	-119.0	

Class I FOMC – Restricted Controlled (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



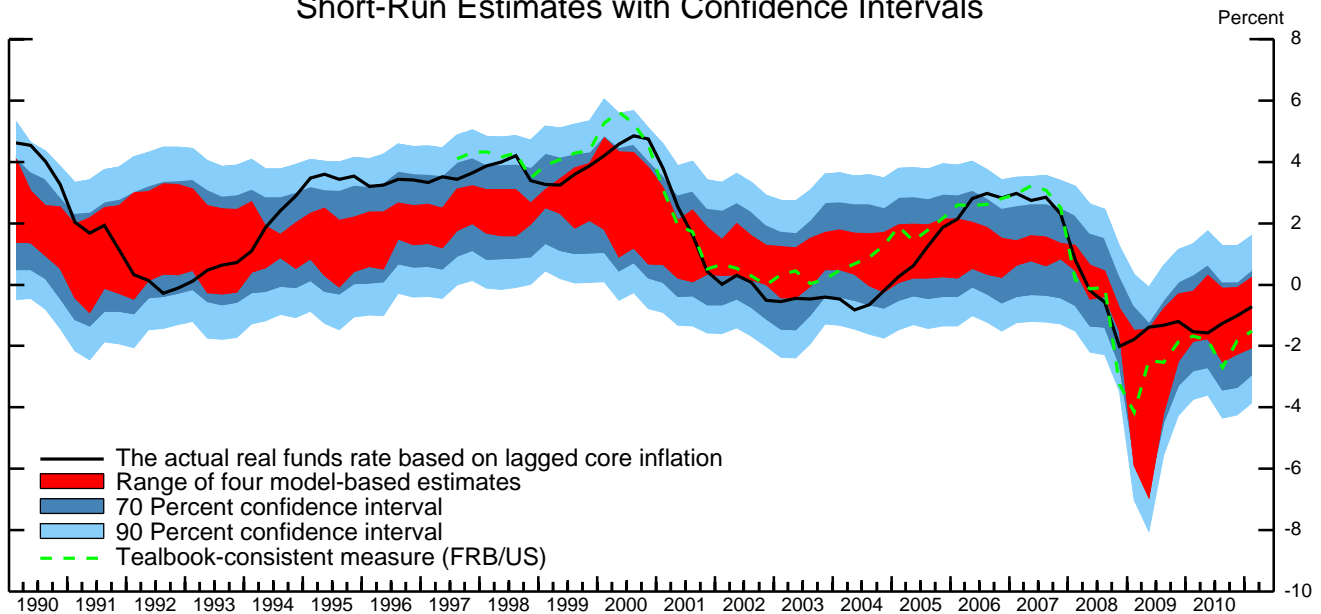
Book B Monetary Policy: Strategies and Alternatives

January 20, 2011

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

Equilibrium Real Federal Funds Rate

Short-Run Estimates with Confidence Intervals



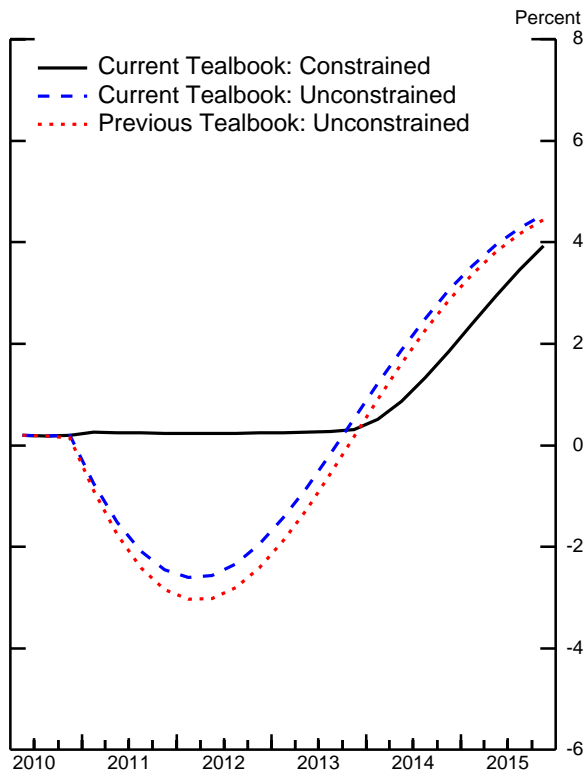
Short-Run and Medium-Run Measures (Percent)

	Current Tealbook	Current Quarter Estimate as of Previous Tealbook	Previous Tealbook
Short-Run Measures			
Single-equation model	-1.6	-1.9	-2.0
Small structural model	-1.5	-2.1	-2.4
EDO model	0.2	0.2	-0.1
FRB/US model	-2.1	-2.4	-2.5
Confidence intervals for four model-based estimates			
70 percent confidence interval	-2.9 to 0.5		
90 percent confidence interval	-3.9 to 1.6		
Tealbook-consistent measures			
EDO model	-1.4	-1.9	-2.8
FRB/US model	-1.5	-1.6	-2.0
Medium-Run Measures			
Single-equation model	1.1	1.1	1.1
Small structural model	1.4	1.4	1.3
Confidence intervals for two model-based estimates			
70 percent confidence interval	0.3 to 2.2		
90 percent confidence interval	-0.4 to 2.7		
TIPS-based factor model	2.0		2.0
Memo			
Actual real federal funds rate	-0.7		-0.8

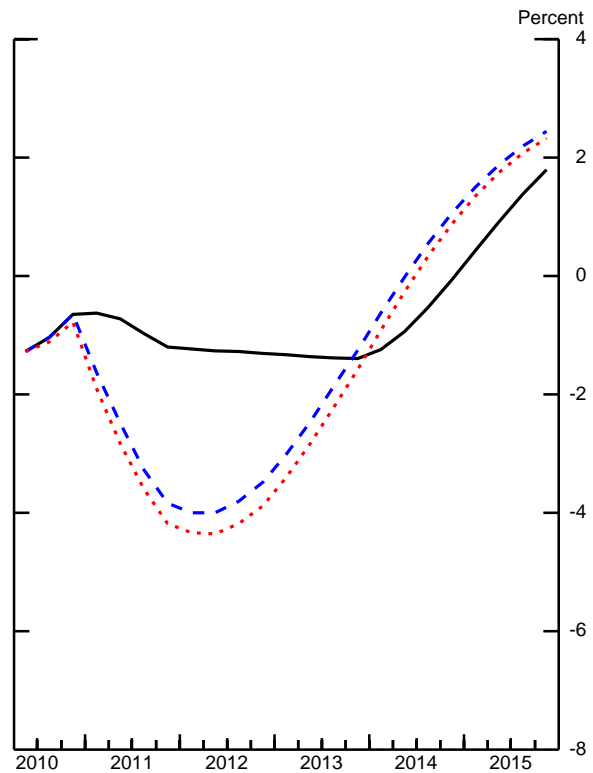
Note: Explanatory Note A provides background information regarding the construction of these measures and confidence intervals. The actual real federal funds rate shown is based on lagged core inflation as a proxy for inflation expectations. For information regarding alternative measures, see Explanatory Note A. Estimates of r^* may change at the beginning of a quarter even when there is no shift in the staff outlook because the twelve quarter horizon covered by the calculation has rolled forward one quarter. Therefore, whenever the Tealbook is published early in the quarter, this table includes a third column labeled "Current Quarter Estimate as of Previous Tealbook."

Constrained vs. Unconstrained Monetary Policy (2 Percent Inflation Goal)

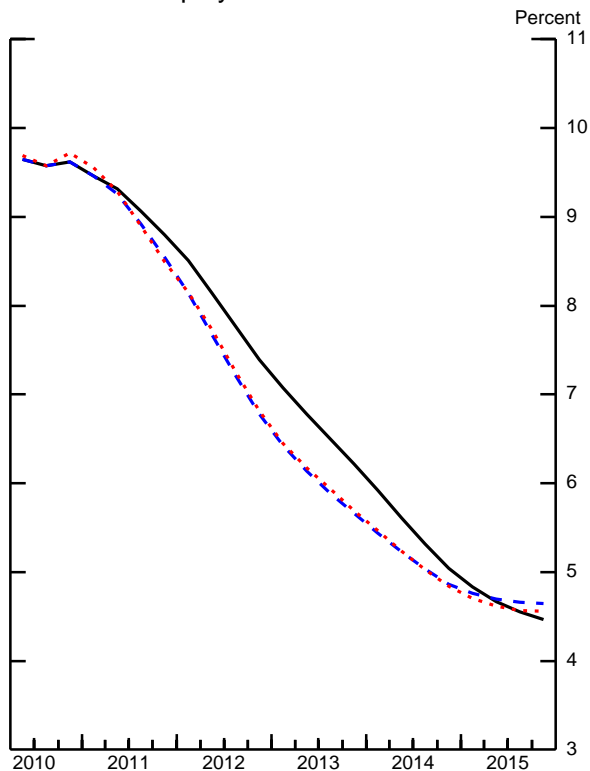
Nominal Federal Funds Rate



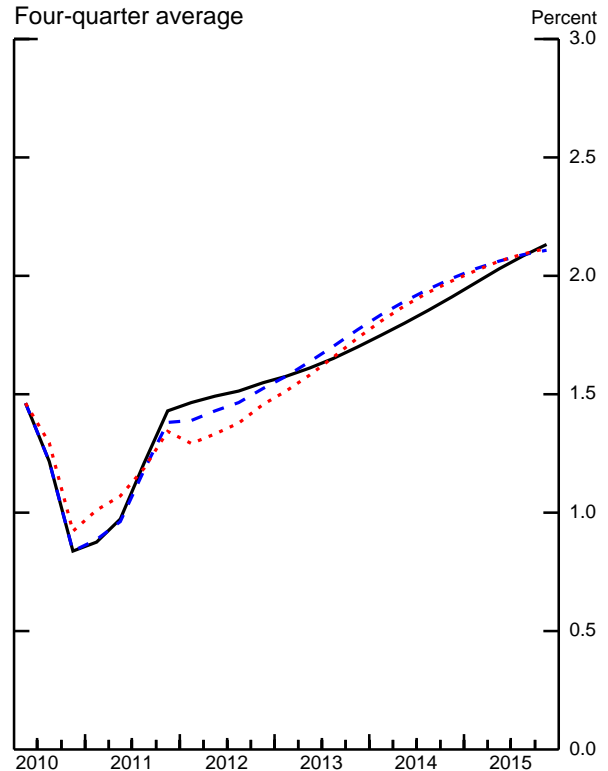
Real Federal Funds Rate



Civilian Unemployment Rate

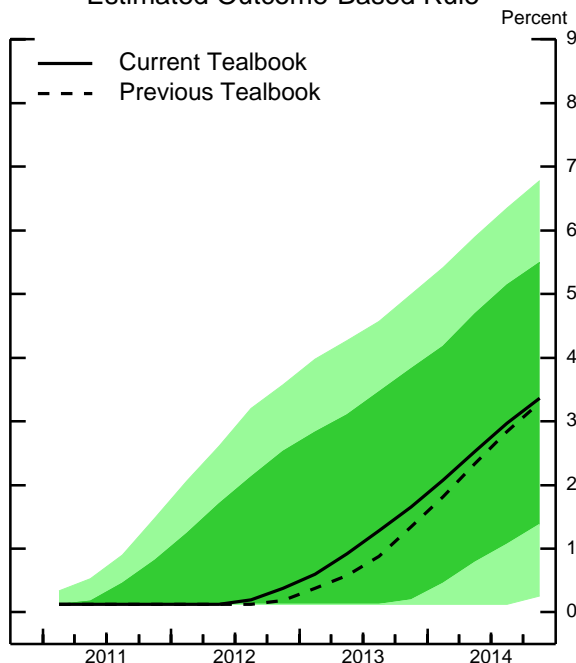


Core PCE Inflation
Four-quarter average

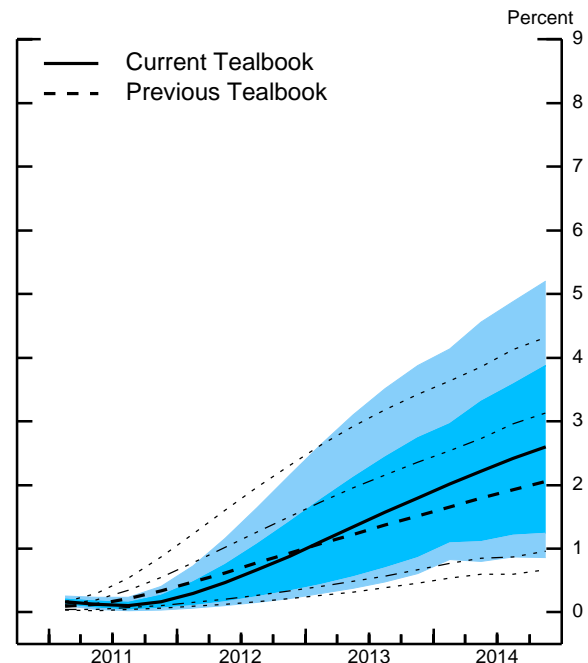


Note: As discussed in the text note, the lines "Previous Tealbook" depict optimal control paths based on the previous Tealbook's staff outlook, but using the re-specified model under the new expectational assumptions.

The Policy Outlook in an Uncertain Environment

FRB/US Model Simulations of
Estimated Outcome-Based Rule

Information from Financial Markets



Note: In both panels, the dark and light shading represent the 70 and 90 percent confidence intervals respectively. As in the December Tealbook, the staff baseline projection for the federal funds rate is based on the outcome-based policy rule. Accordingly, the top-left panel does not report a separate series for the staff's projected funds rate. Financial market quotes are as of January 19.

Near-Term Prescriptions of Simple Policy Rules

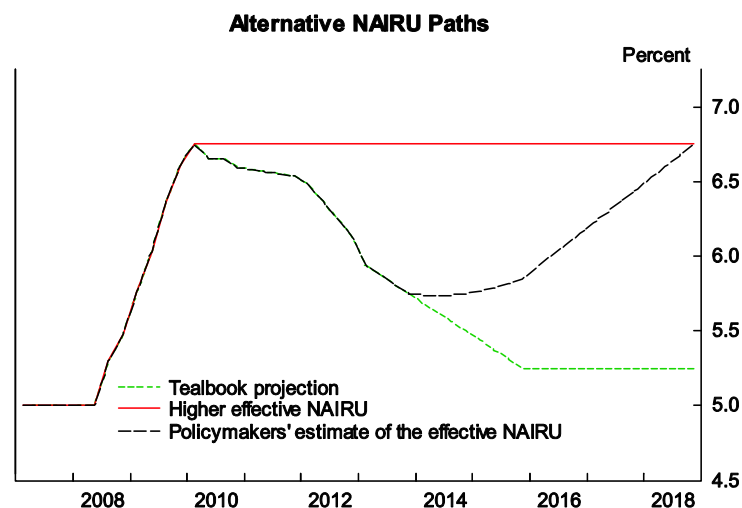
	Constrained Policy		Unconstrained Policy	
	<u>2011Q1</u>	<u>2011Q2</u>	<u>2011Q1</u>	<u>2011Q2</u>
Taylor (1993) rule	0.13	0.13	-0.91	-0.77
<i>Previous Tealbook</i>	0.13	0.13	-0.90	-0.81
Taylor (1999) rule	0.13	0.13	-3.93	-3.64
<i>Previous Tealbook</i>	0.13	0.13	-4.09	-3.89
Estimated outcome-based rule	0.13	0.13	-0.32	-0.88
<i>Previous Tealbook</i>	0.13	0.13	-0.42	-1.05
Estimated forecast-based rule	0.13	0.13	-0.26	-0.69
<i>Previous Tealbook</i>	0.13	0.13	-0.42	-0.98
First-difference rule	0.29	0.48	0.29	0.48
<i>Previous Tealbook</i>	0.16	0.26	0.16	0.26
Memo				
	<u>2011Q1</u>	<u>2011Q2</u>		
Staff assumption	0.13	0.13		
Fed funds futures	0.15	0.12		
Median expectation of primary dealers	0.13	0.13		
Blue Chip forecast (January 1, 2011)	0.18	0.18		

Note: In calculating the near-term prescriptions of these simple policy rules, policymakers' long-run inflation objective is assumed to be 2 percent. Explanatory Note B provides further background information.

Possible Implications of Misestimating the NAIRU

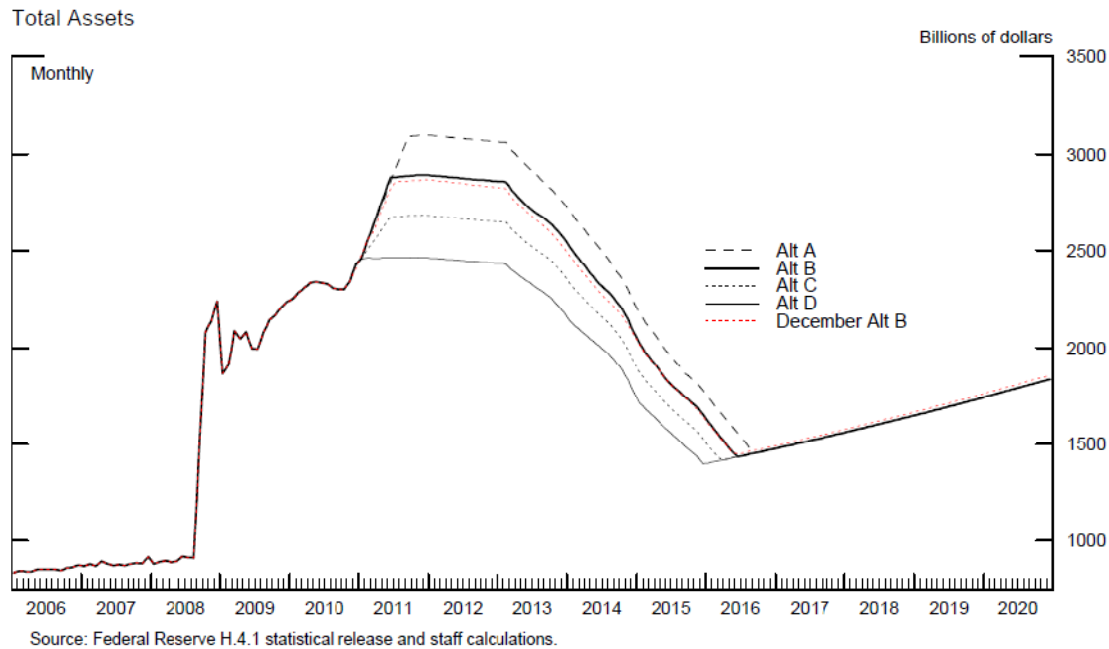
In the staff's assessment, the effective NAIRU—which includes the effect of emergency and extended unemployment insurance (EEUI) on the unemployment rate—has risen since the onset of the financial crisis and reached a peak of 6¾ percent last year. But the staff expects much of the recent increase in the effective NAIRU to unwind over time, bringing the NAIRU down to 5¼ percent at the end of 2015 (the green line in the chart below). The steep drop in 2012 reflects the expiration of EEUI; the decline after 2012 reflects a gradual return of labor-market functioning to a state similar to that prevailing prior to the financial crisis. Of course, we could be overly optimistic about the improvement in supply-side conditions; in particular, we may be underestimating the persistence of the disruption to labor market functioning caused by the financial crisis and the deep recession. If so, a policymaker who accepted the staff estimates of the effective NAIRU would run the risk of making a persistent policy error.

To illustrate the consequences of this error, we consider a situation in which the effective NAIRU remains at 6¾ percent through the end of the decade, as indicated by the red line in the chart. We assume policymakers have an inflation target of 2 percent that the private sector takes as given. Private agents are assumed to recognize that the NAIRU will stay elevated for many years, but policymakers learn about the less favorable supply-side conditions only gradually. Specifically, policymakers' estimates of the effective NAIRU follow the path mapped out by the black dashed line. As a result of their real-time underestimation of the NAIRU and corresponding overestimation of economic slack, policymakers—following the prescriptions of the outcomes-based policy rule—keep the federal funds lower than they would if they immediately recognized that the NAIRU would remain higher for the rest of the decade. (Of course, the difference in policy stance only emerges during the period after the zero lower bound no longer constrains monetary policy.)



LONG-RUN PROJECTIONS OF THE BALANCE SHEET AND MONETARY BASE

The staff has prepared four scenarios for the Federal Reserve's balance sheet that correspond to the policy alternatives A, B, C, and D. Projections under each scenario are based on assumptions about various components of the balance sheet. Details of these assumptions as well as projections for each major component of the balance sheet can be found in Explanatory Note C.



Alternatives

For the scenario that corresponds to Alternative B, we assume that the FOMC completes the intended expansion of its holdings of longer-term securities by \$600 billion by the end of the second quarter of 2011 (an average pace of about \$75 billion per month). The proceeds from principal repayments from Treasury securities and agency securities continue to be reinvested in Treasury securities. Under these assumptions, the size of the balance sheet peaks at about \$2.9 trillion in mid-2011. During 2012 and the first quarter of 2013, the size of the balance sheet declines gradually as the credit extended through TALF and the Maiden Lanes is repaid. The target federal funds rate increases in the first quarter of 2013, and immediately thereafter all maturing securities and prepayments of securities are allowed to roll off the portfolio. Six months after the assumed rise in the target federal funds rate, the Committee begins to sell remaining holdings of agency MBS and agency debt securities at a pace that reduces the amount of

With loan demand improving, banks' securities holdings are projected to expand more slowly than in 2010 over the forecast period.

M2 growth is projected to fall to about 1¾ percent in 2011 but then pickup somewhat in 2012. The contour of this forecast assumes that households will reallocate their portfolios away from safe and liquid M2 assets toward higher-yielding investments that are outside of M2 as the economic recovery gains strength over the coming year. Thereafter, M2 growth is projected to be more closely aligned with the expansion in nominal GDP. Growth in liquid deposits is expected to continue to decelerate from the robust rate posted in 2009, but remain at a solid pace over the forecast period. We expect small time deposits and retail money market mutual funds to continue to contract through the projection period though the rate of contraction diminishes over time. Currency is anticipated to expand moderately, reflecting a waning of demand from abroad.

Growth Rates of M2	
(Percent, seasonally adjusted annual rate)	
Monthly Growth Rates	Tealbook Forecast*
Jun-10	4.3
Jul-10	2.3
Aug-10	6.3
Sep-10	6.6
Oct-10	5.5
Nov-10	5.1
Dec-10	4.2
Jan-11	2.7
Feb-11	1.5
Mar-11	1.0
Apr-11	1.0
May-11	1.0
Jun-11	1.2
Quarterly Growth Rates	
2010 Q3	4.5
2010 Q4	5.6
2011 Q1	2.8
2011 Q2	1.1
Annual Growth Rates	
2009	5.0
2010	3.2
2011	1.8
2012	5.1

* This forecast is consistent with nominal GDP and interest rates in the Tealbook forecast. Actual data through December 2010; projections thereafter

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

	Dec 31, 2010	End-of-Year				
		2012	2014	2016	2018	2020
		\$ Billions				
Total assets	2,428	2,858	2,079	1,430	1,592	1,779
Selected assets:						
Liquidity programs for financial firms	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	0	0	0	0	0	0
Lending through other credit facilities	25	9	1	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	25	9	1	0	0	0
Support for specific institutions	113	47	35	23	10	7
Credit extended to AIG	46	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III	66	47	35	23	10	7
Securities held outright	2,161	2,651	1,920	1,303	1,488	1,683
U.S. Treasury securities	1,021	1,830	1,358	1,043	1,488	1,683
Agency debt securities	147	77	39	16	0	0
Agency mortgage-backed securities	992	743	523	244	0	0
Special drawing rights certificate account	5	7	7	7	7	7
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	124	143	115	96	87	82
Total liabilities	2,375	2,788	1,986	1,307	1,430	1,565
Selected liabilities:						
Federal Reserve notes in circulation	942	993	1,080	1,200	1,323	1,457
Reverse repurchase agreements	63	59	59	59	59	59
Deposits with Federal Reserve Banks	1,323	1,720	831	33	33	33
Reserve balances held by depository institutions	977	1,512	623	25	25	25
U.S. Treasury, general account	141	5	5	5	5	5
U.S. Treasury, supplementary financing account	200	200	200	0	0	0
Other balances	3	3	3	3	3	3
Total capital	53	70	93	123	162	215

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

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

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

	Dec 31, 2010	End-of-Year				
		2012	2014	2016	2018	2020
		\$ Billions				
Total assets	2,428	3,066	2,231	1,430	1,592	1,779
Selected assets:						
Liquidity programs for financial firms	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	0	0	0	0	0	0
Lending through other credit facilities	25	9	1	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	25	9	1	0	0	0
Support for specific institutions	113	47	35	23	10	7
Credit extended to AIG	46	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III	66	47	35	23	10	7
Securities held outright	2,161	2,851	2,068	1,302	1,487	1,683
U.S. Treasury securities	1,021	2,030	1,506	1,041	1,487	1,683
Agency debt securities	147	77	39	16	0	0
Agency mortgage-backed securities	992	743	523	244	0	0
Special drawing rights certificate account	5	7	7	7	7	7
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	124	152	120	98	88	82
Total liabilities	2,375	2,996	2,139	1,307	1,430	1,565
Selected liabilities:						
Federal Reserve notes in circulation	942	993	1,080	1,200	1,323	1,457
Reverse repurchase agreements	63	59	59	59	59	59
Deposits with Federal Reserve Banks	1,323	1,928	984	33	33	33
Reserve balances held by depository institutions	977	1,720	776	25	25	25
U.S. Treasury, general account	141	5	5	5	5	5
U.S. Treasury, supplementary financing account	200	200	200	0	0	0
Other balances	3	3	3	3	3	3
Total capital	53	70	93	123	162	215

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

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

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

	Dec 31, 2010	End-of-Year				
		2012	2014	2016	2018	2020
		\$ Billions				
Total assets	2,428	2,649	1,922	1,430	1,592	1,779
Selected assets:						
Liquidity programs for financial firms	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	0	0	0	0	0	0
Lending through other credit facilities	25	9	1	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	25	9	1	0	0	0
Support for specific institutions	113	47	35	23	10	7
Credit extended to AIG	46	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III	66	47	35	23	10	7
Securities held outright	2,161	2,451	1,768	1,305	1,489	1,683
U.S. Treasury securities	1,021	1,630	1,206	1,045	1,489	1,683
Agency debt securities	147	77	39	16	0	0
Agency mortgage-backed securities	992	743	523	244	0	0
Special drawing rights certificate account	5	7	7	7	7	7
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	124	134	110	94	87	82
Total liabilities	2,375	2,578	1,829	1,307	1,430	1,565
Selected liabilities:						
Federal Reserve notes in circulation	942	993	1,080	1,200	1,323	1,457
Reverse repurchase agreements	63	59	59	59	59	59
Deposits with Federal Reserve Banks	1,323	1,511	674	33	33	33
Reserve balances held by depository institutions	977	1,302	466	25	25	25
U.S. Treasury, general account	141	5	5	5	5	5
U.S. Treasury, supplementary financing account	200	200	200	0	0	0
Other balances	3	3	3	3	3	3
Total capital	53	70	93	123	162	215

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

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

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

	Dec 31, 2010	End-of-Year				
		2012	2014	2016	2018	2020
		\$ Billions				
Total assets	2,428	2,435	1,762	1,428	1,591	1,777
Selected assets:						
Liquidity programs for financial firms	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	0	0	0	0	0	0
Lending through other credit facilities	25	9	1	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	25	9	1	0	0	0
Support for specific institutions	113	47	35	23	10	7
Credit extended to AIG	46	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III	66	47	35	23	10	7
Securities held outright	2,161	2,247	1,612	1,306	1,488	1,681
U.S. Treasury securities	1,021	1,426	1,051	1,045	1,488	1,681
Agency debt securities	147	77	39	16	0	0
Agency mortgage-backed securities	992	743	523	244	0	0
Special drawing rights certificate account	5	7	7	7	7	7
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	124	125	105	93	86	82
Total liabilities	2,375	2,365	1,669	1,306	1,428	1,563
Selected liabilities:						
Federal Reserve notes in circulation	942	995	1,079	1,198	1,321	1,456
Reverse repurchase agreements	63	59	59	59	59	59
Deposits with Federal Reserve Banks	1,323	1,295	516	33	33	33
Reserve balances held by depository institutions	977	1,087	307	25	25	25
U.S. Treasury, general account	141	5	5	5	5	5
U.S. Treasury, supplementary financing account	200	200	200	0	0	0
Other balances	3	3	3	3	3	3
Total capital	53	70	93	123	162	215

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

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