

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



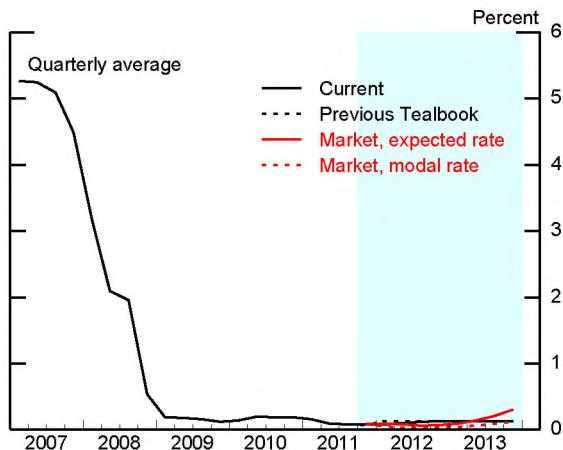
Book A Economic and Financial Conditions: Current Situation and Outlook

December 7, 2011

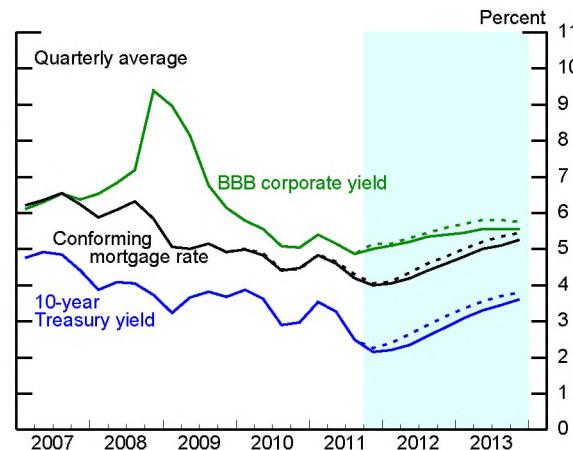
Prepared for the Federal Open Market Committee
by the staff of the Board of Governors of the Federal Reserve System

Key Background Factors underlying the Baseline Staff Projection

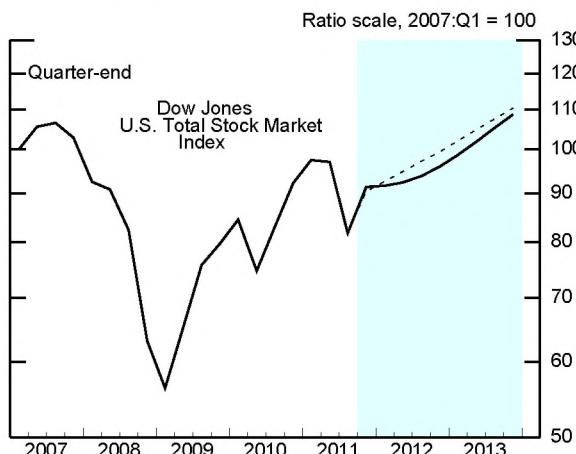
Federal Funds Rate



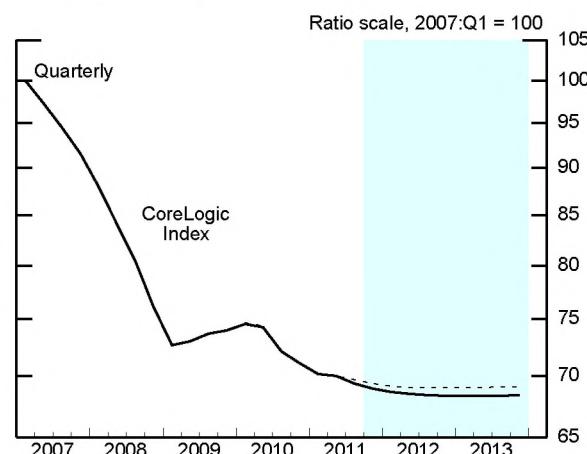
Long-Term Interest Rates



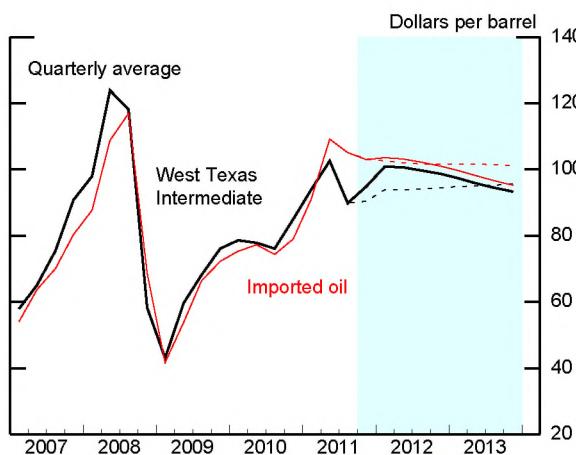
Equity Prices



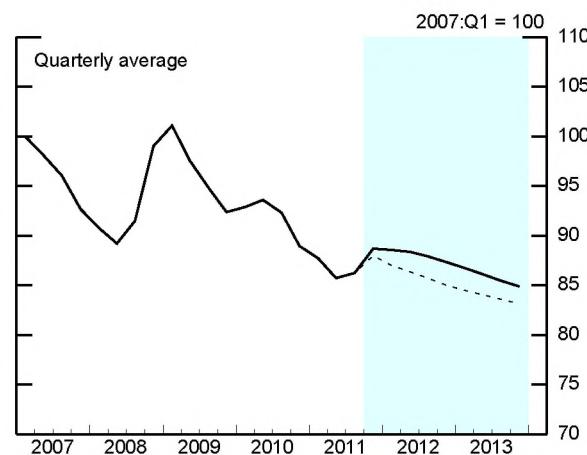
House Prices



Crude Oil Prices



Broad Real Dollar



Summary of the Near-Term Outlook

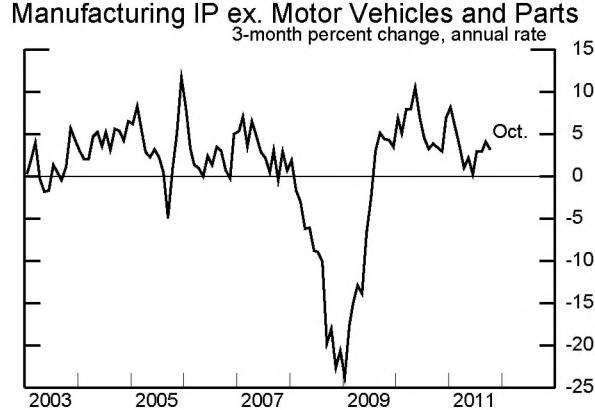
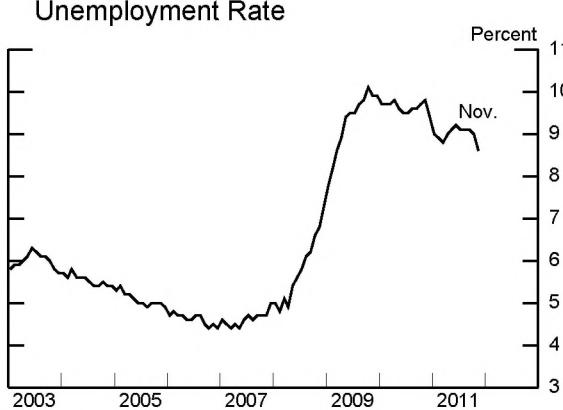
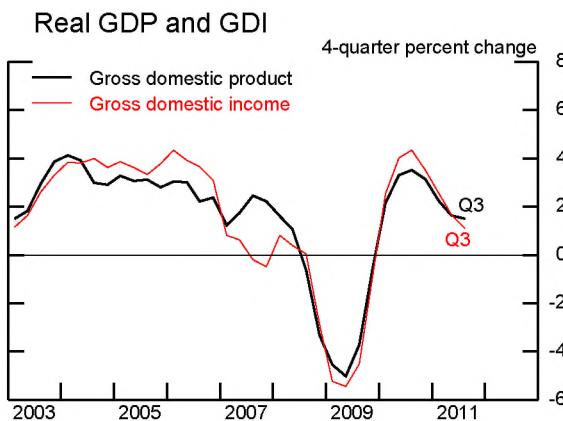
(Percent change at annual rate except as noted)

Measure	2011:Q3		2011:Q4		2012:Q1	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
Real GDP	2.7	1.9	2.5	3.2	2.4	2.1
Private domestic final purchases	3.4	3.6	1.9	2.6	1.8	1.9
Personal consumption expenditures	2.2	2.1	2.0	2.4	1.9	2.3
Residential investment	1.2	1.7	3.2	3.1	3.5	3.6
Business Fixed Investment	12.8	15.8	1.3	3.7	.3	-1.2
Government Purchases	-1.2	-.2	1.4	-1.9	-.8	1.1
<i>Contributions to change in real GDP</i>						
Inventory investment ¹	-.3	-1.5	.4	1.2	.6	.1
Net exports ¹	.4	.5	.2	.2	.4	.1
Unemployment Rate²	9.1	9.1	9.1	8.8	9.0	8.8
PCE Chain Price Index	2.3	2.3	1.2	.7	1.4	1.4
Ex. food and energy	2.1	2.0	1.5	1.1	1.6	1.6

1. Percentage points.

2. Percent.

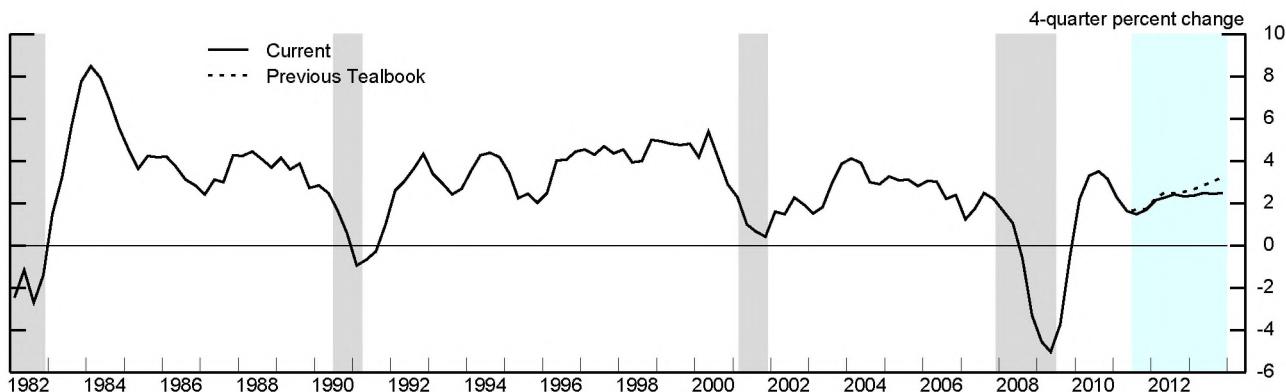
Recent Nonfinancial Developments (1)



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

Measure	2010	2011		2012	2013
		H1	H2		
Real GDP	3.1	.8	2.6	2.3	2.5
Previous Tealbook	3.1	.8	2.6	2.5	3.2
Final sales	2.4	.8	2.7	2.1	2.2
Previous Tealbook	2.4	.8	2.5	2.3	2.8
Personal consumption expenditures	3.0	1.4	2.2	2.4	2.3
Previous Tealbook	3.0	1.4	2.1	2.4	3.1
Residential investment	-6.3	.8	2.4	5.8	7.9
Previous Tealbook	-6.3	.8	2.2	6.2	9.2
Nonresidential structures	-1.8	2.5	10.2	-1.1	.9
Previous Tealbook	-1.8	2.5	4.0	-3.4	.3
Equipment and software	16.6	7.5	9.4	3.2	6.4
Previous Tealbook	16.6	7.5	8.0	5.3	6.7
Federal purchases	2.9	-3.9	-.8	.4	-3.9
Previous Tealbook	2.9	-3.9	1.1	-.7	-4.1
State and local purchases	-1.7	-3.1	-1.2	-.4	.8
Previous Tealbook	-1.7	-3.1	-.7	-.4	.8
Exports	8.8	5.7	5.4	5.1	5.5
Previous Tealbook	8.8	5.7	6.8	6.8	6.7
Imports	10.7	4.8	2.3	3.8	4.2
Previous Tealbook	10.7	4.8	3.6	3.7	4.9
Contributions to change in real GDP (percentage points)					
Inventory change	.7	.0	-.2	.3	.3
Previous Tealbook	.7	.0	.1	.2	.4
Net exports	-.6	-.1	.3	.0	.0
Previous Tealbook	-.6	-.1	.3	.3	.1

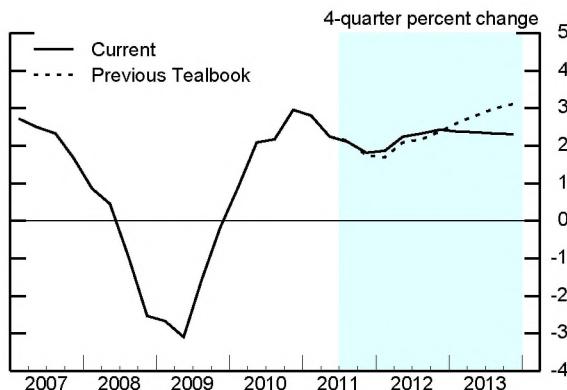
Real GDP



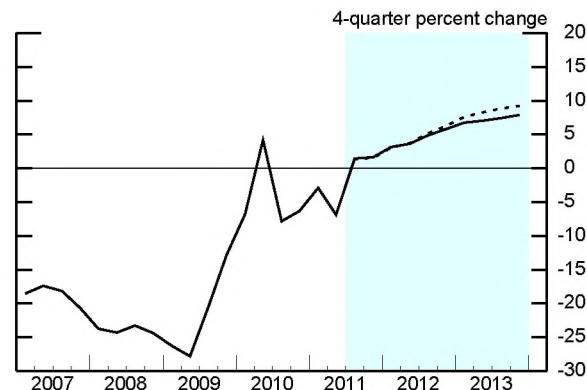
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.
 Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

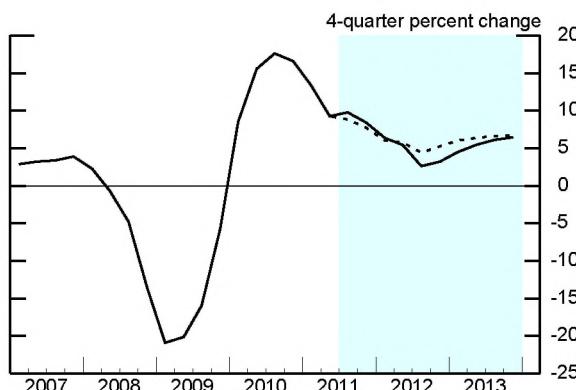
Personal Consumption Expenditures



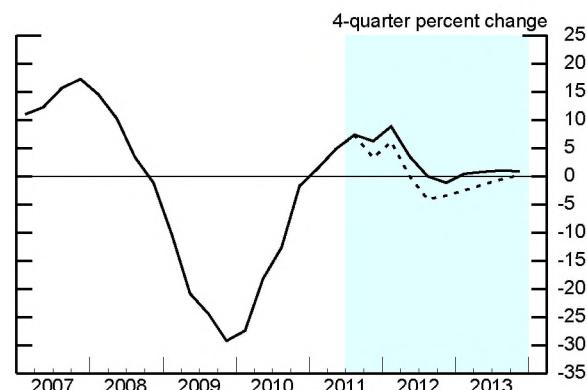
Residential Investment



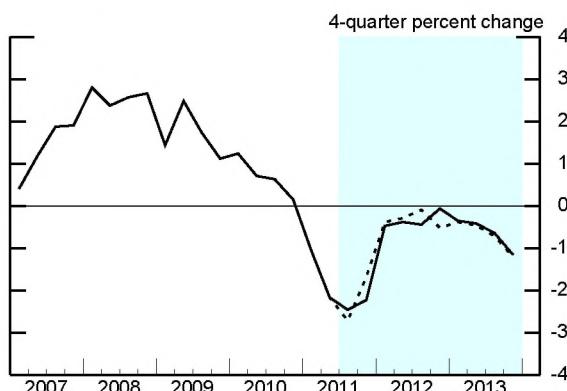
Equipment and Software



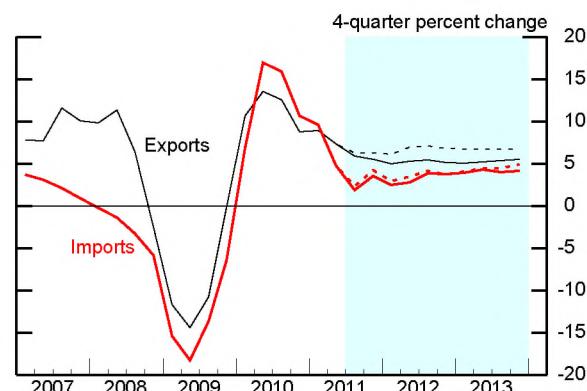
Nonresidential Structures



Government Consumption & Investment



Exports and Imports



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

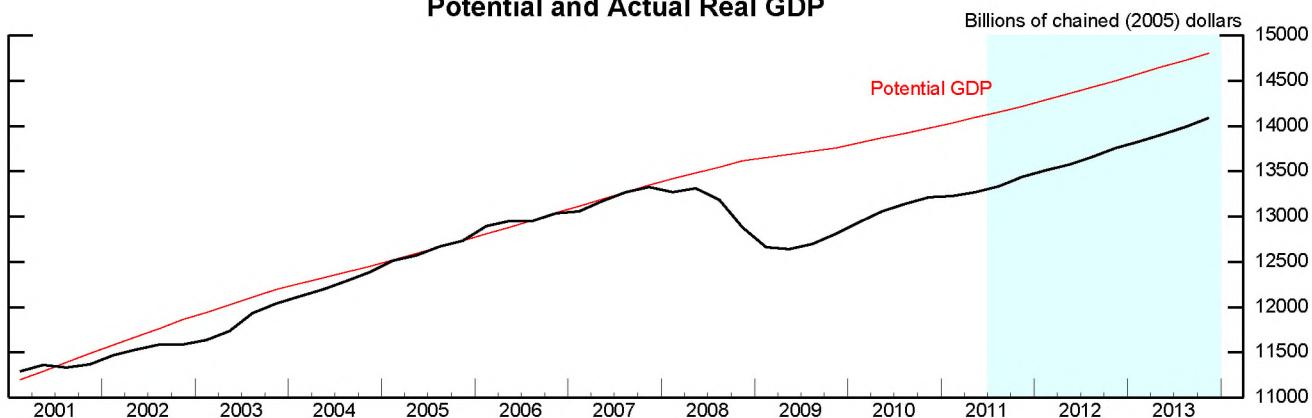
Decomposition of Potential GDP
(Percent change, Q4 to Q4, except as noted)

Measure	1974-1995	1996-2000	2001-2009	2010	2011	2012	2013
Potential Real GDP	3.0	3.5	2.4	1.6	1.7	2.0	2.1
Previous Tealbook	3.0	3.5	2.5	1.7	2.1	2.1	2.2
<i>Selected contributions</i> ¹							
Structural labor productivity	1.5	2.7	2.4	1.4	1.5	1.6	1.7
Previous Tealbook	1.5	2.7	2.4	1.5	1.7	1.7	1.9
Capital deepening	.7	1.5	.8	.4	.5	.5	.7
Previous Tealbook	.7	1.5	.8	.4	.6	.6	.8
Multifactor productivity	.5	.9	1.4	.9	.8	.9	.9
Previous Tealbook	.5	.9	1.4	1.0	1.0	1.0	1.0
Structural hours	1.5	1.0	.6	.5	.6	.7	.6
Previous Tealbook	1.5	1.0	.6	.5	.6	.7	.6
Labor force participation	.4	.0	-.3	-.4	-.3	-.2	-.3
Previous Tealbook	.4	.0	-.3	-.4	-.3	-.2	-.3

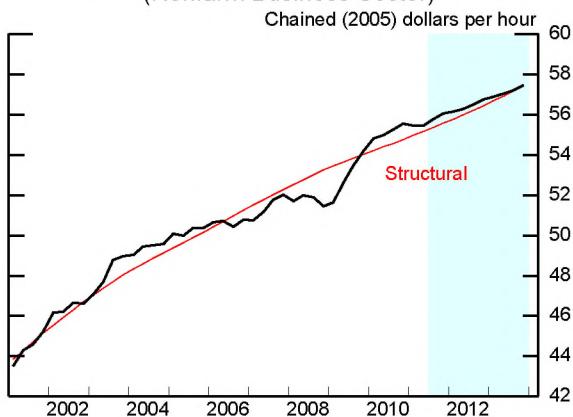
Note: Components may not sum to totals because of rounding. For multiyear periods, the percent change is the annual average from Q4 of the year preceding the first year shown to Q4 of the last year shown.

1. Percentage points.

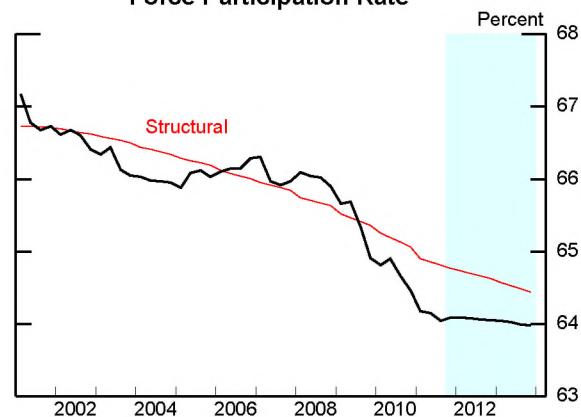
Potential and Actual Real GDP



Structural and Actual Labor Productivity
(Nonfarm Business Sector)



Structural and Actual Labor Force Participation Rate



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

The Outlook for the Labor Market and Resource Utilization

(Percent change from final quarter of preceding period)

Measure	2010	2011		2012	2013
		H1	H2		
Output per hour, nonfarm business Previous Tealbook	2.5 2.5	-.4 -.3	2.1 2.4	1.3 1.2	1.2 1.7
Nonfarm private employment ¹ Previous Tealbook	98 98	165 165	145 119	168 174	173 220
Labor force participation rate ² Previous Tealbook	64.5 64.5	64.1 64.1	64.1 64.1	64.1 64.0	64.0 64.1
Civilian unemployment rate ² Previous Tealbook	9.6 9.6	9.1 9.1	8.8 9.1	8.6 8.6	8.2 8.1
Memo: GDP gap ³ Previous Tealbook	-5.4 -5.6	-5.8 -6.2	-5.5 -6.0	-5.2 -5.6	-4.8 -4.7

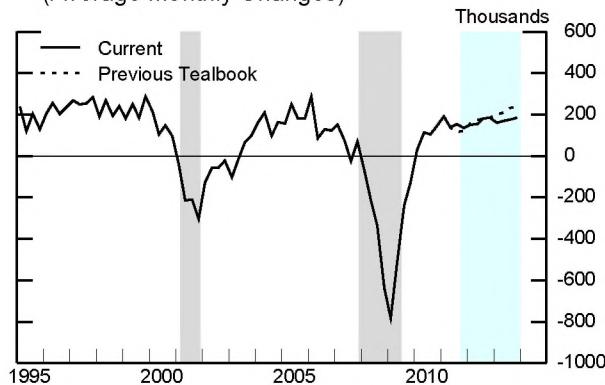
1. Thousands, average monthly changes.

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

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

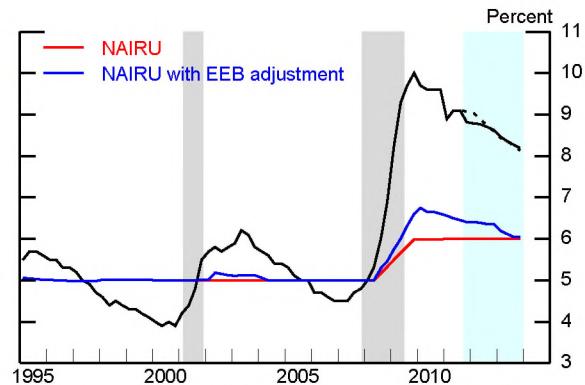
Source: U.S. Department of Labor, Bureau of Labor Statistics; staff assumptions.

Nonfarm Private Employment (Average Monthly Changes)



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

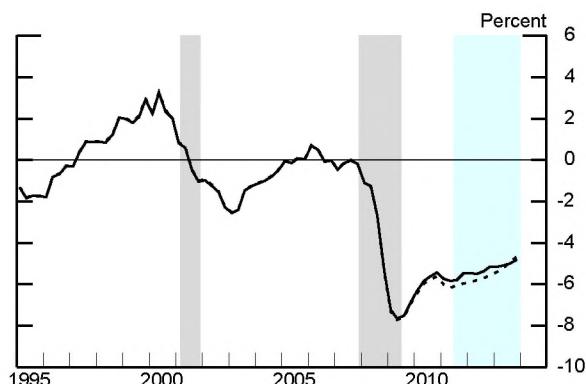
Unemployment Rate



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

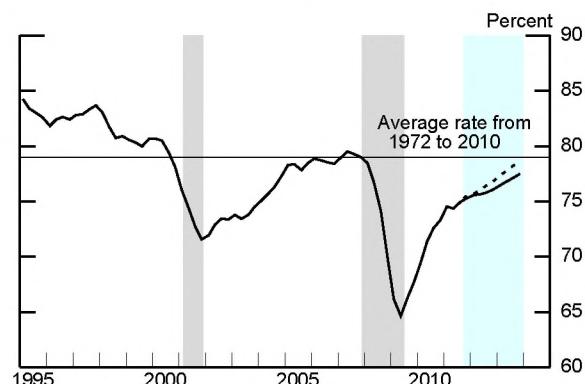


Note: The GDP gap is the percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

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

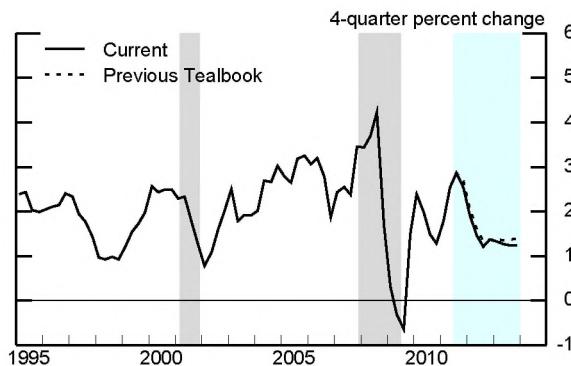
(Percent change at annual rate from final quarter of preceding period)

Measure	2010	2011		2012	2013
		H1	H2		
PCE chain-weighted price index	1.3	3.6	1.5	1.4	1.2
Previous Tealbook	1.3	3.6	1.8	1.4	1.4
Food and beverages	1.3	6.4	4.1	1.2	1.2
Previous Tealbook	1.3	6.4	4.2	1.2	1.2
Energy	6.2	27.2	-2.6	-.3	-1.6
Previous Tealbook	6.2	27.2	-1.3	-.4	1.2
Excluding food and energy	1.0	1.9	1.6	1.5	1.4
Previous Tealbook	1.0	1.9	1.8	1.5	1.4
Prices of core goods imports ¹	2.6	7.7	.8	.4	1.4
Previous Tealbook	2.6	7.7	1.2	1.2	1.7

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

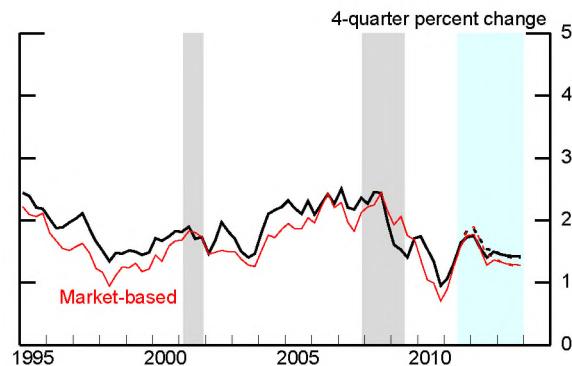
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE Prices



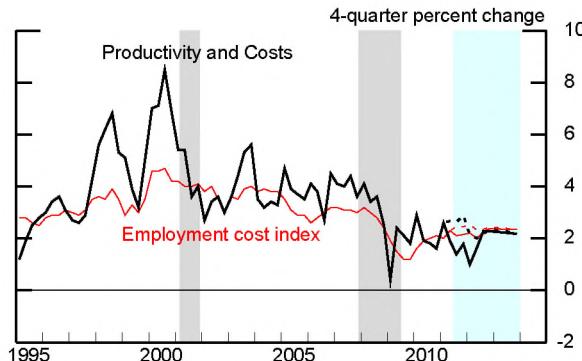
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices ex. Food and Energy



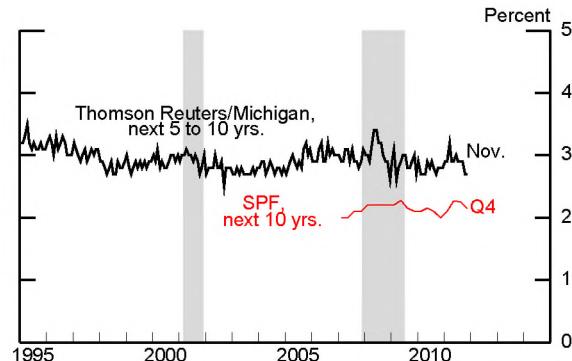
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Compensation per Hour



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

Long-Term Inflation Expectations



Note: The Survey of Professional Forecasters (SPF) projection is for the PCE price index.

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

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

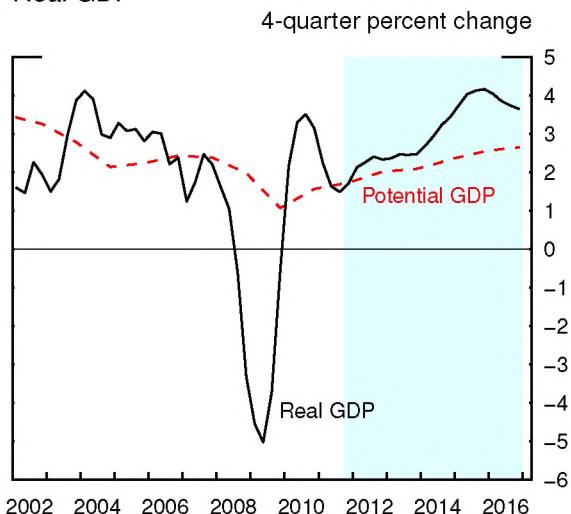
The Long-Term Outlook

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

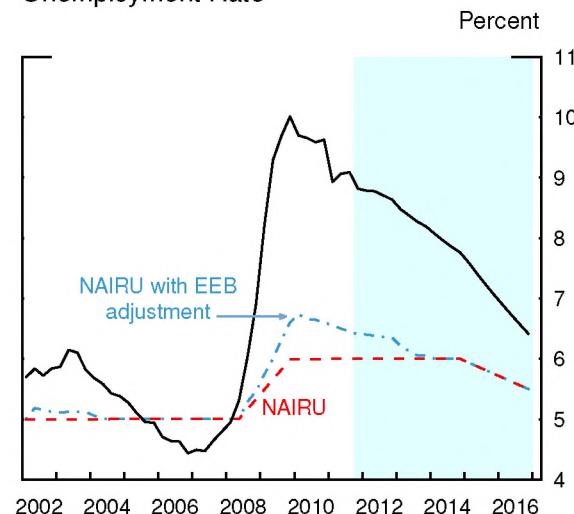
Item	2011	2012	2013	2014	2015	2016
Real GDP	1.7	2.3	2.5	3.4	4.2	3.7
Civilian unemployment rate ¹	8.8	8.6	8.2	7.8	7.1	6.4
PCE prices, total	2.5	1.4	1.2	1.4	1.5	1.6
Core PCE prices	1.7	1.5	1.4	1.4	1.5	1.6
Federal funds rate ¹	.1	.1	.1	.4	1.7	2.7
10-year Treasury yield ¹	2.2	2.9	3.6	3.8	4.0	4.2

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

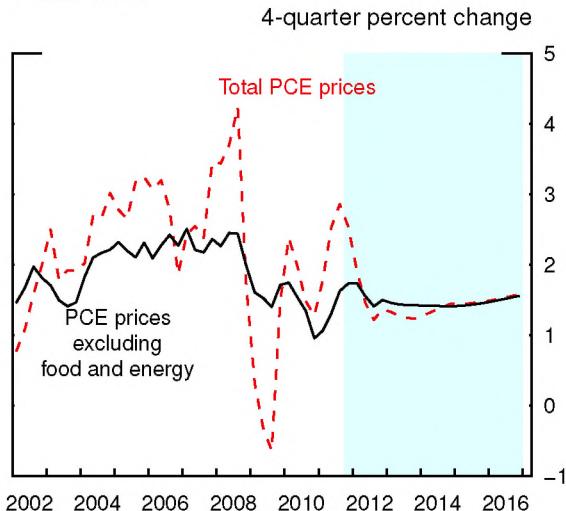
Real GDP



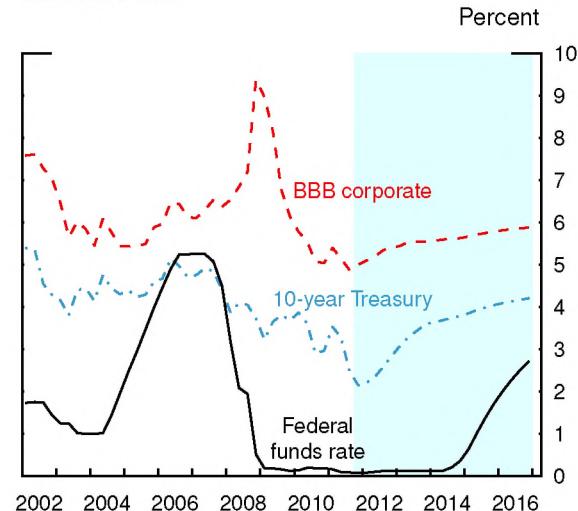
Unemployment Rate



PCE Prices



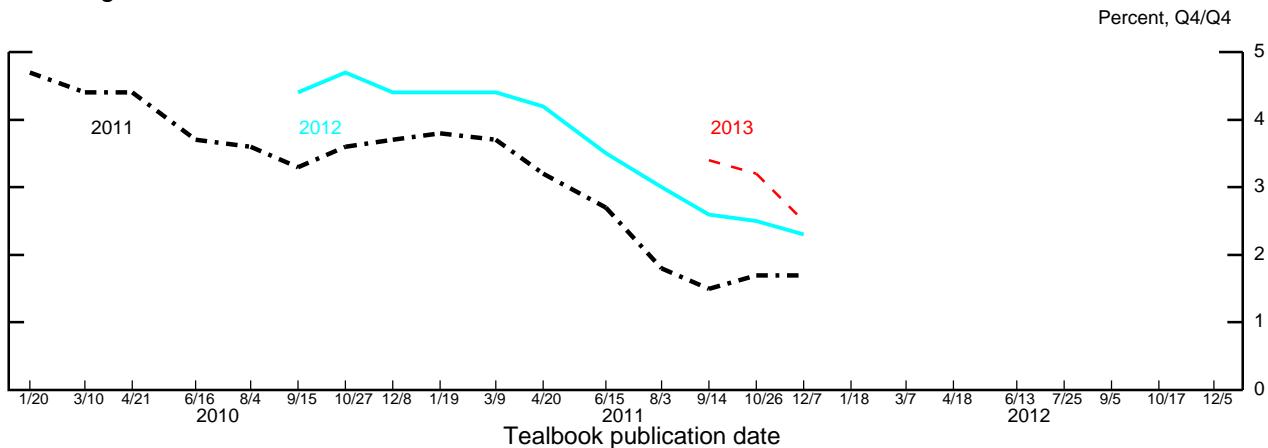
Interest Rates



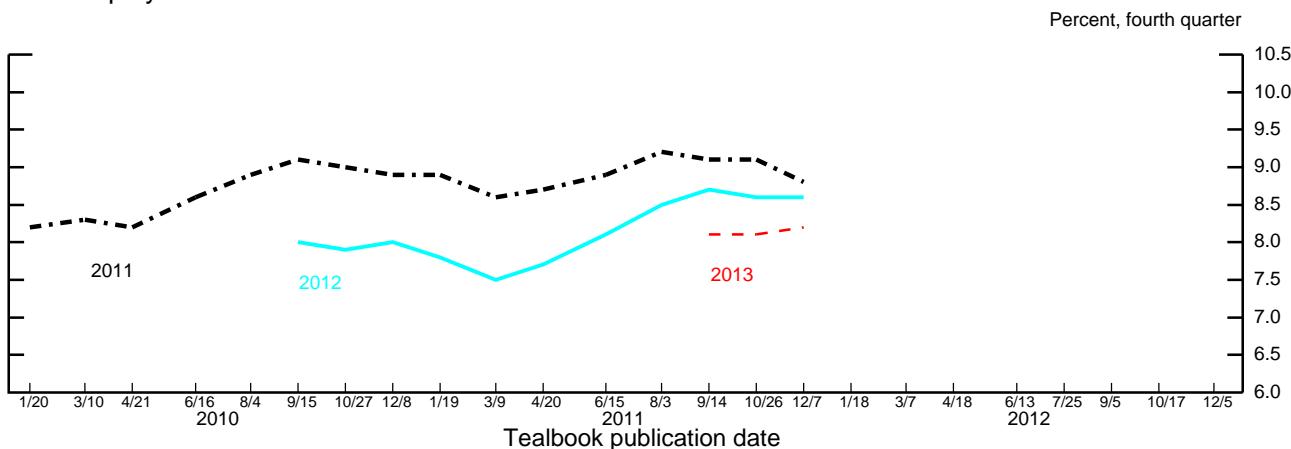
Note: In each panel, shading represents the projection period.

Evolution of the Staff Forecast

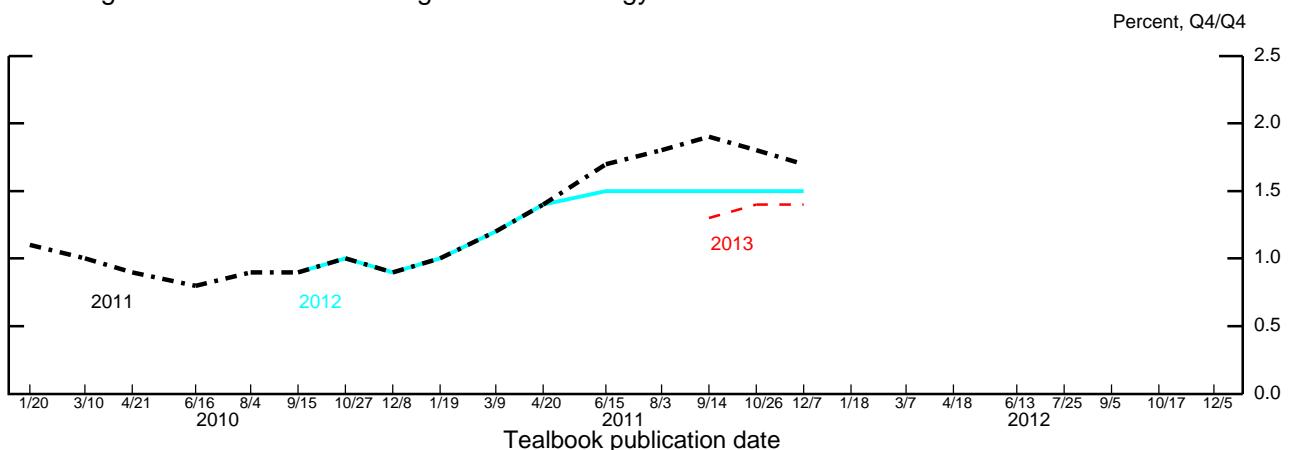
Change in Real GDP



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.

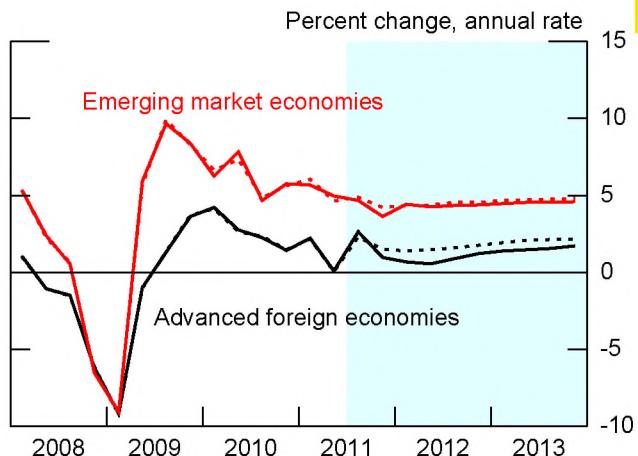
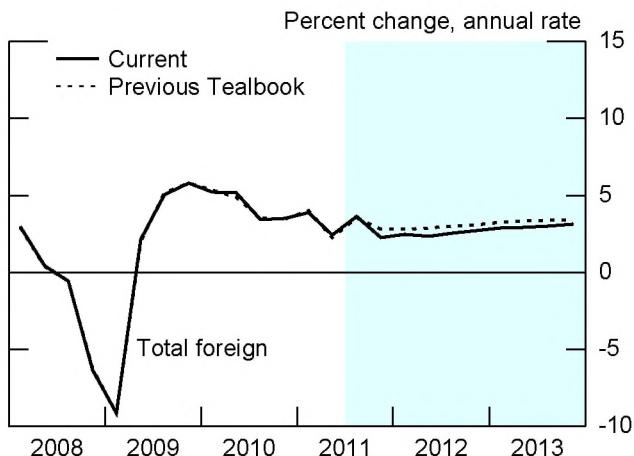
The Foreign Outlook

(Percent change, annual rate)

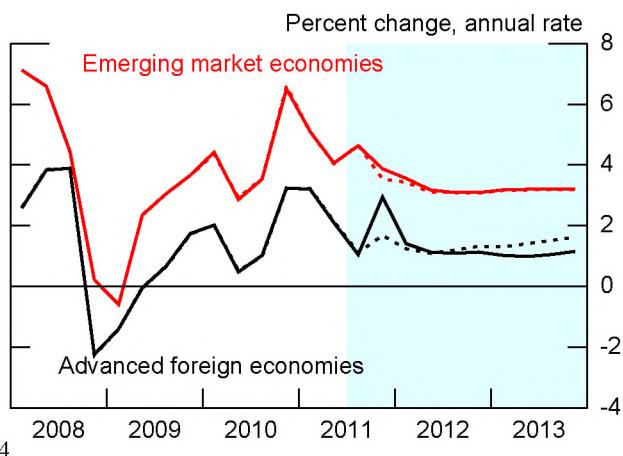
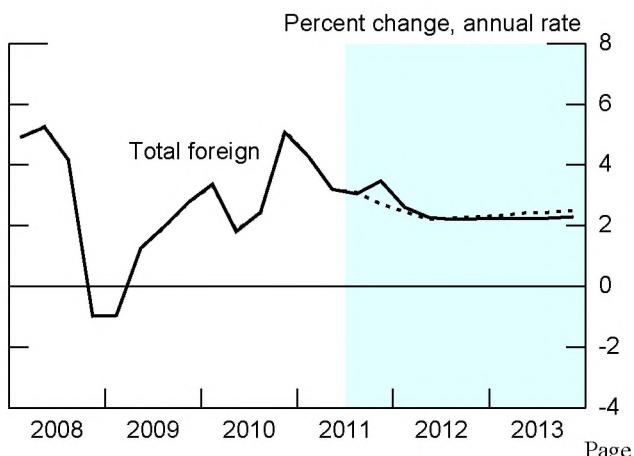
	2010	2011				2012	2013
		Q1	Q2	Q3	Q4		
Real GDP							
Total foreign	4.3	3.9	2.4	3.6	2.3	2.5	3.0
Previous Tealbook	4.3	4.0	2.3	3.6	2.8	3.0	3.4
Advanced foreign economies	2.7	2.2	.1	2.7	1.0	.8	1.6
Previous Tealbook	2.7	2.2	.1	2.3	1.5	1.6	2.1
Emerging market economies	6.1	5.7	5.0	4.7	3.7	4.4	4.6
Previous Tealbook	6.1	6.0	4.7	4.9	4.2	4.5	4.8
Consumer Prices							
Total foreign	3.2	4.3	3.2	3.1	3.5	2.3	2.3
Previous Tealbook	3.2	4.3	3.2	3.1	2.7	2.3	2.4
Advanced foreign economies	1.7	3.2	2.1	1.1	2.9	1.2	1.1
Previous Tealbook	1.7	3.2	2.1	1.1	1.7	1.2	1.5
Emerging market economies	4.3	5.1	4.1	4.6	3.9	3.2	3.2
Previous Tealbook	4.4	5.1	4.0	4.7	3.6	3.2	3.2

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

Real GDP

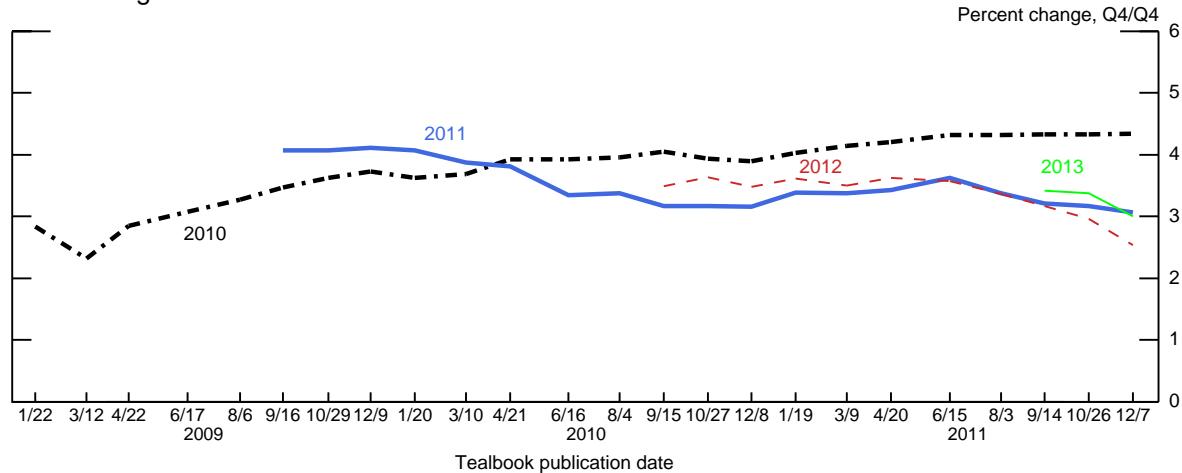


Consumer Prices

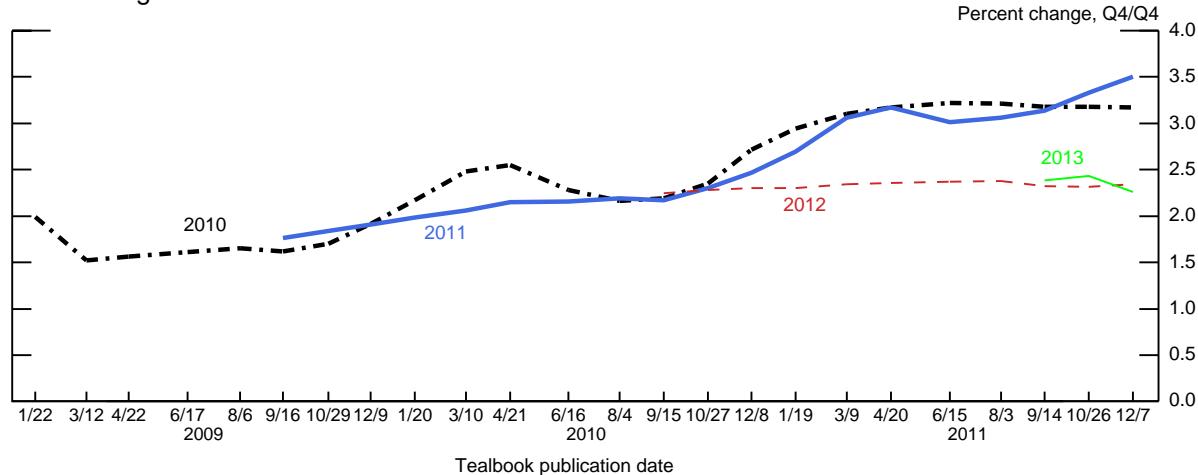


Evolution of Staff's International Forecast

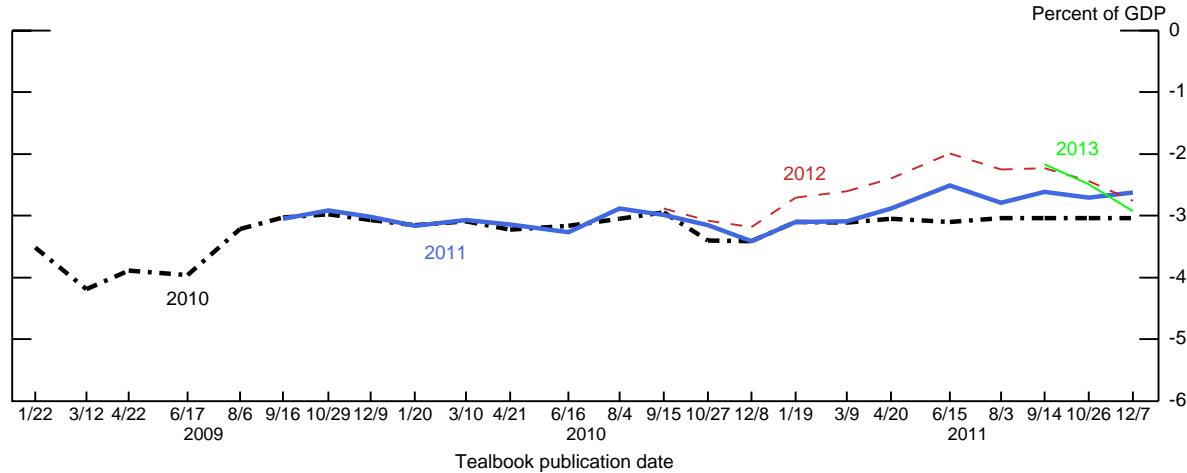
Total Foreign GDP



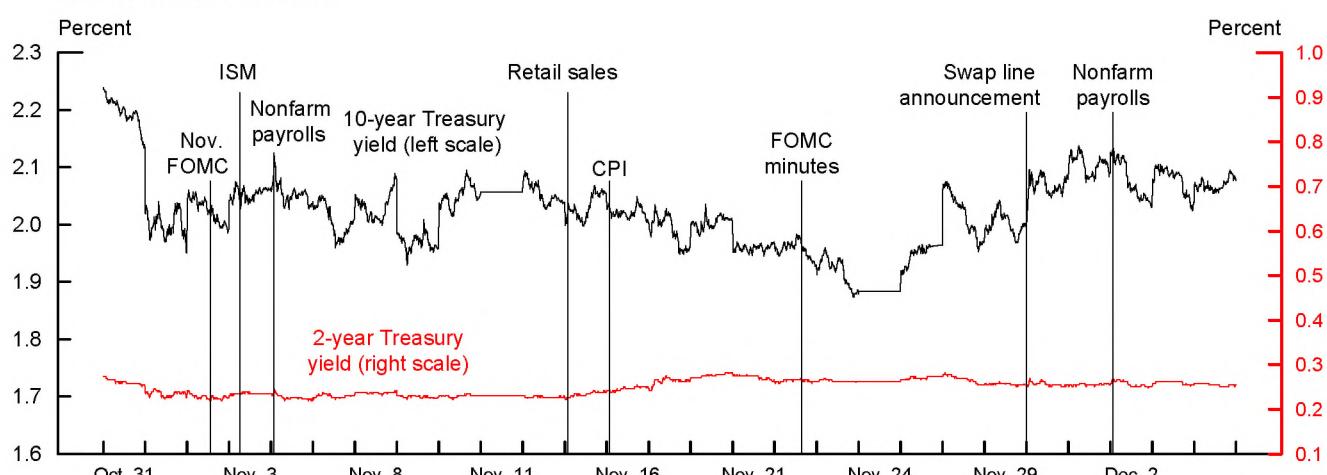
Total Foreign CPI



U.S. Current Account Balance



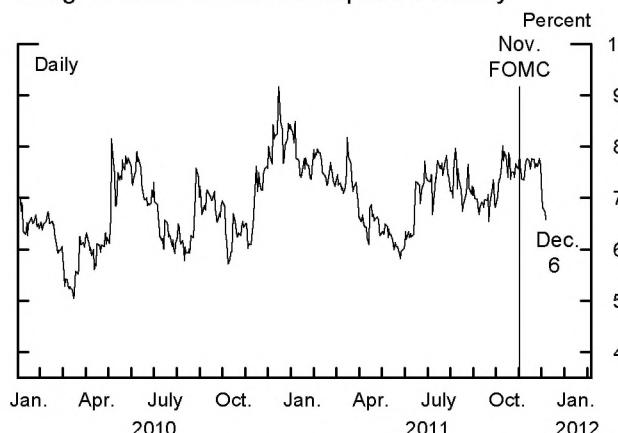
Selected Interest Rates



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

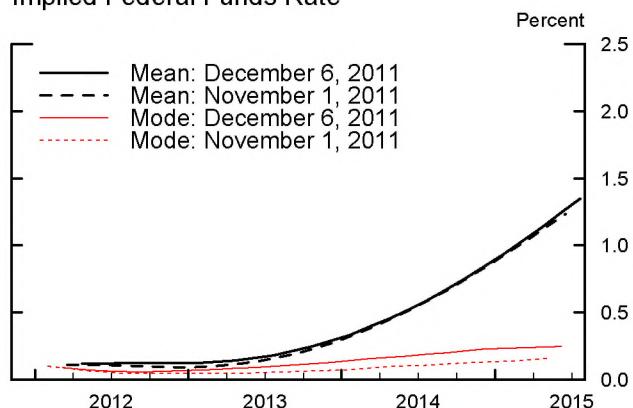
Source: Bloomberg.

Long-Term Interest Rate Implied Volatility



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

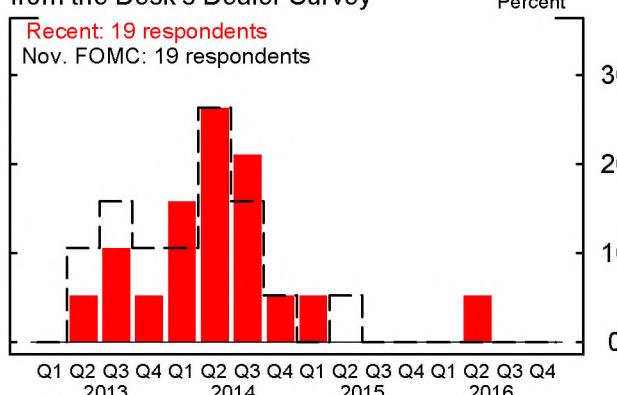
Implied Federal Funds Rate



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

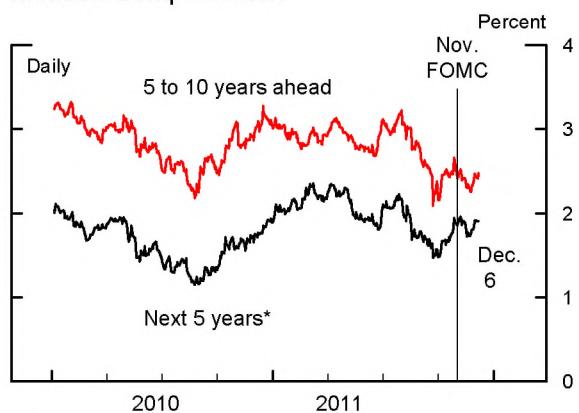
Source: Bloomberg and CME Group.

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



Source: Desk's Dealer Survey from December 5, 2011.

Inflation Compensation

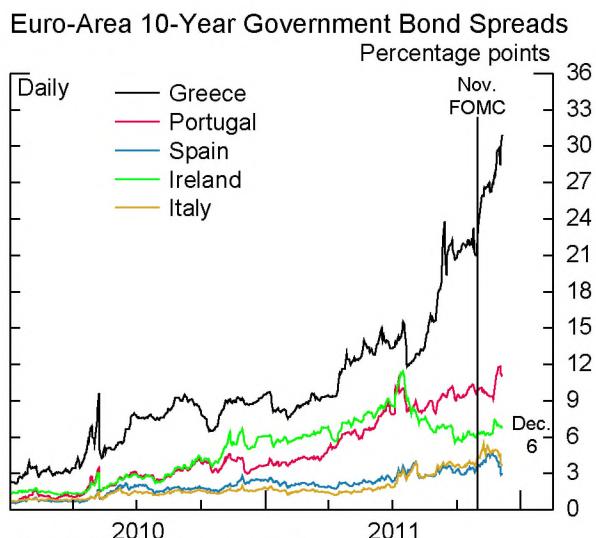


Note: Estimates based on smoothed nominal and inflation-indexed Treasury yield curves.

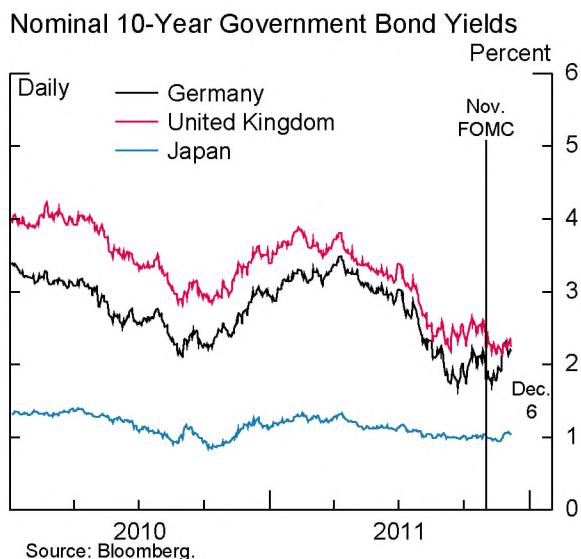
*Adjusted for the indexation-lag (carry) effect.

Source: Barclays PLC and staff estimates.

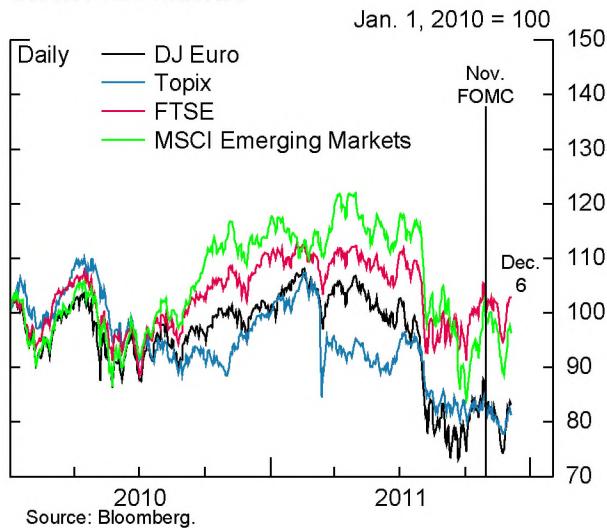
Foreign Developments



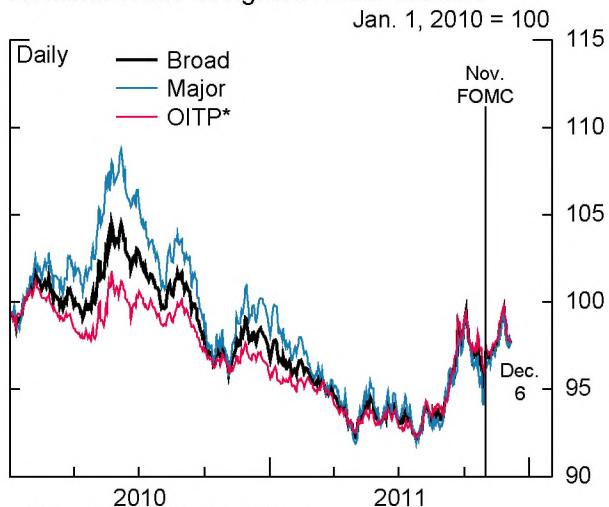
Note: Spread over German bunds.
Source: Bloomberg.



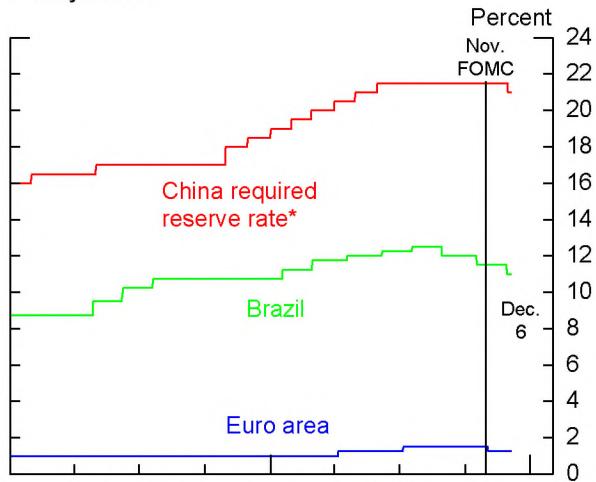
Stock Price Indexes



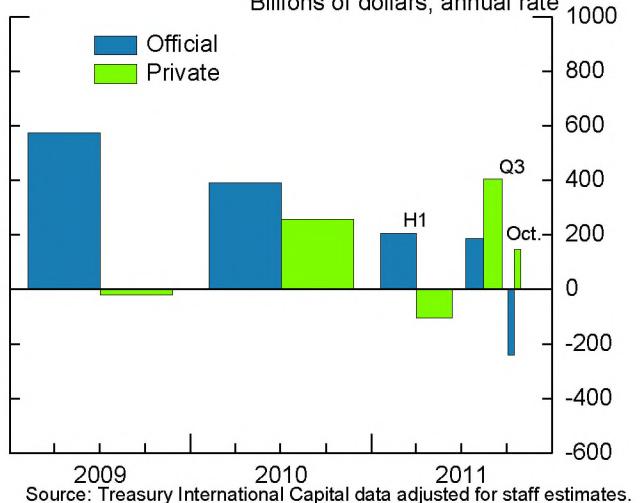
Nominal Trade-Weighted Dollar Indexes



Policy Rates

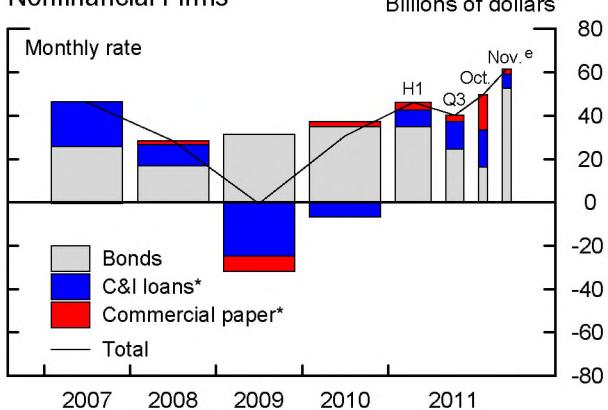


Foreign Net Purchases of U.S. Treasury Securities



Business Finance

**Selected Components of Net Debt Financing,
Nonfinancial Firms**

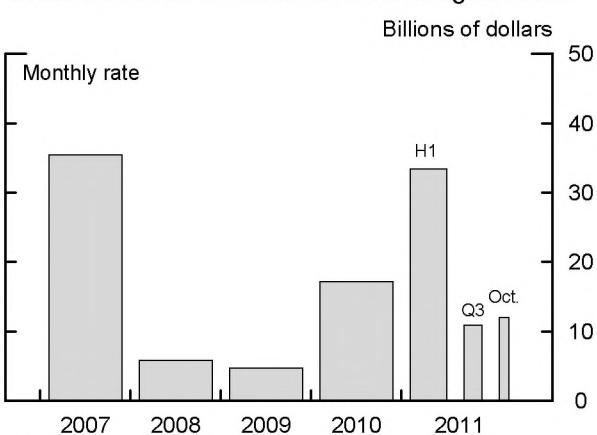


* Period-end basis, seasonally adjusted.

e Estimate.

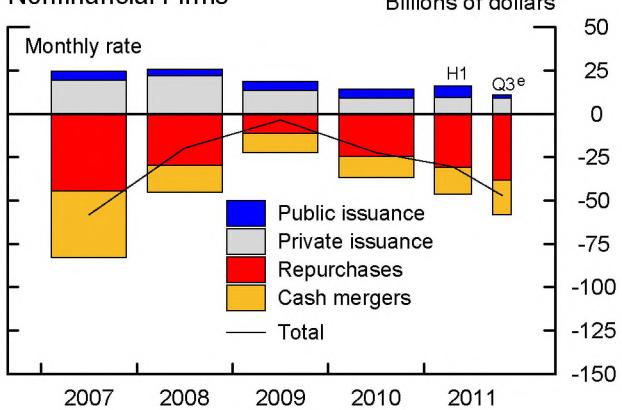
Source: Depository Trust & Clearing Corporation; Thomson Financial; Federal Reserve Board.

Gross Issuance of Institutional Leveraged Loans



Source: Reuters Loan Pricing Corporation.

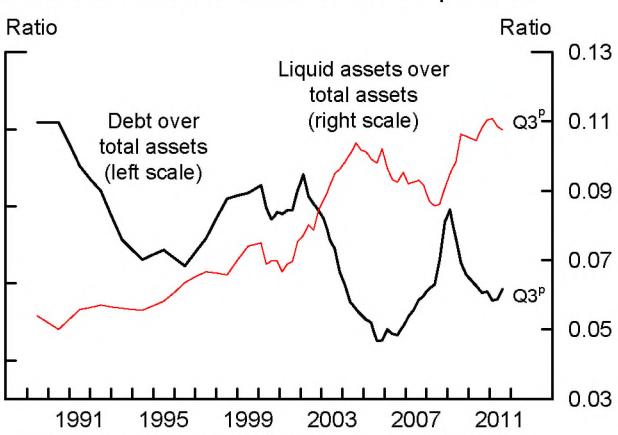
**Selected Components of Net Equity Issuance,
Nonfinancial Firms**



e Estimate.

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

Financial Ratios for Nonfinancial Corporations

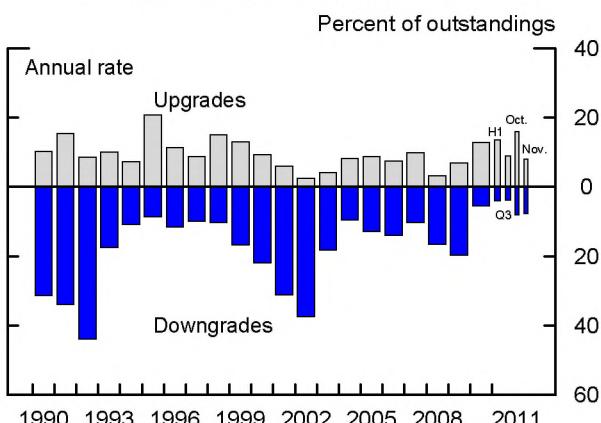


Note: Data are annual through 1999 and quarterly thereafter.

p Preliminary.

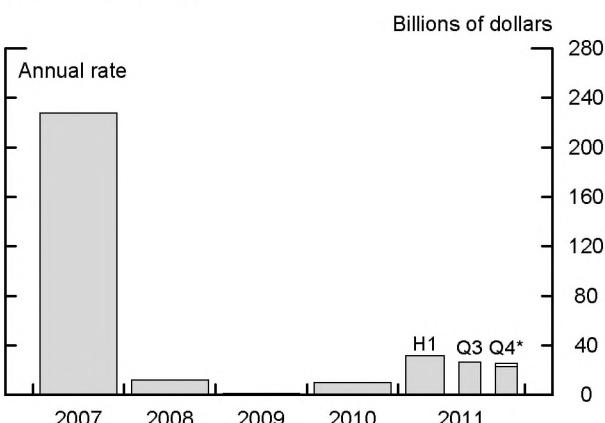
Source: Compustat.

Bond Ratings Changes of Nonfinancial Firms



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

CMBS Issuance

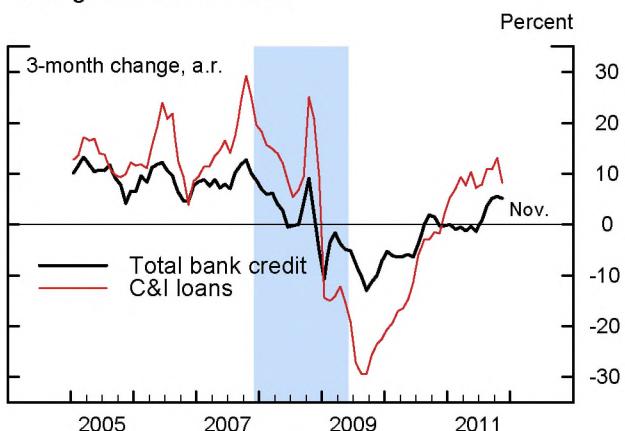


* Hollow bar indicates issuance in the pipeline.

Source: Commercial Mortgage Alert.

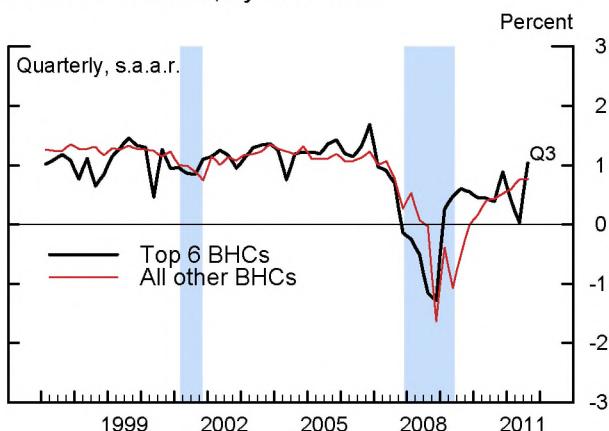
Commercial Banking and Money

Changes in Bank Credit



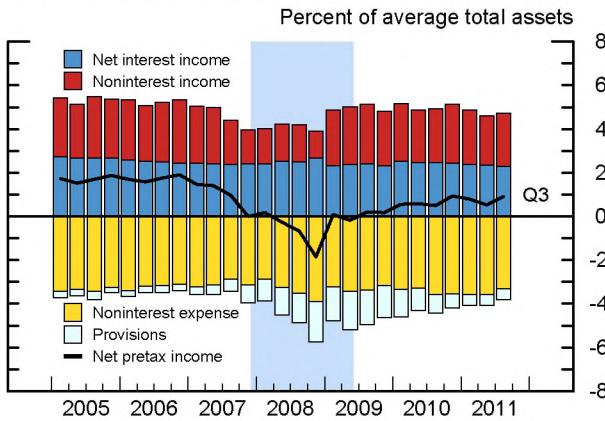
Source: Federal Reserve Board.

Return on Assets, by BHC Size



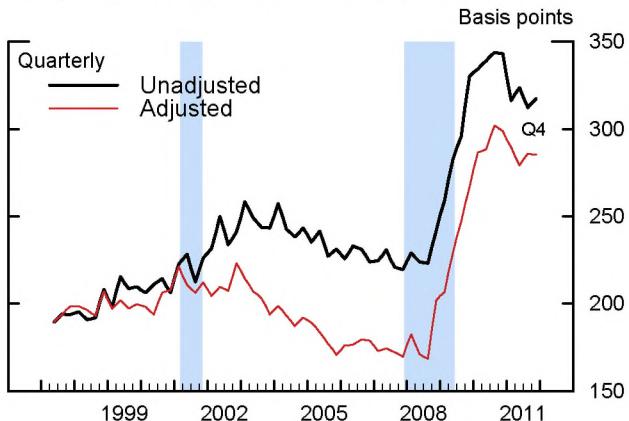
Note: BHC is a bank holding company.
Source: Federal Reserve Board.

Bank Holding Company Pretax Income



Note: Quarterly, s.a.a.r.
Source: Federal Reserve Board.

Weighted-Average C&I Loan Rate Spread



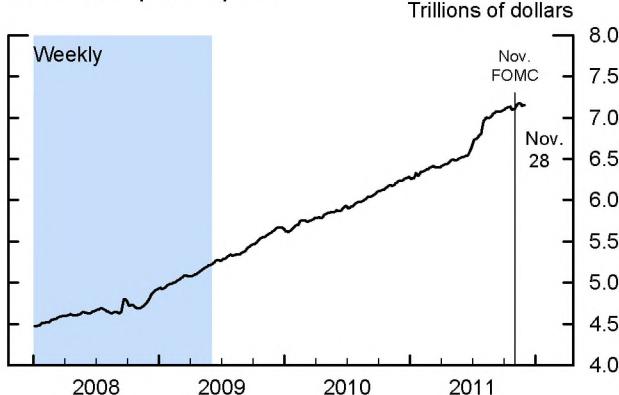
Note: The rate on C&I loans of less than \$25 million over a market interest rate on an instrument of comparable maturity, adjusted for changes in nonprice loan characteristics.
Source: Survey of Terms of Business Lending.

Growth of M2 and Its Components

	Percent, s.a.a.r.				
	M2	Liquid deposits	Small time deposits	Retail MMMFs	Curr.
2010	3.2	10.9	-21.5	-15.5	5.9
2011:H1	5.6	10.0	-18.9	-6.7	10.1
2011:Q3	19.9	27.9	-20.5	11.2	7.9
Sept.	6.0	9.7	-21.0	-1.2	6.4
Oct.	3.7	5.9	-21.8	10.9	2.9
Nov.(e)	4.8	9.1	-22.8	-13.0	8.3

Note: Retail MMMFs are retail money market mutual funds.
e Estimate.
Source: Federal Reserve Board.

Level of Liquid Deposits



Note: Seasonally adjusted.
Source: Federal Reserve Board.

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

Federal Reserve Balance Sheet
Billions of dollars

	Change since last FOMC	Current (12/05/11)
Total assets	-21	2,812
Selected assets:		
Liquidity programs for financial firms	+0	2
Primary, secondary, and seasonal credit	+0	+0
Foreign central bank liquidity swaps	+0	2
Term Asset-Backed Securities Loan Facility (TALF)	-1	10
Net portfolio holdings of Maiden Lane LLCs	-3	38
Maiden Lane	-2	11
Maiden Lane II	-0	9
Maiden Lane III	-0	18
Securities held outright*	-21	2,599
U.S. Treasury securities	3	1,666
Agency debt securities	-2	106
Agency mortgage-backed securities	-22	827
Total liabilities	-23	2,758
Selected liabilities:		
Federal Reserve notes in circulation	13	1,020
Reverse repurchase agreements	4	87
Foreign official and international accounts	4	87
Others	0	0
Reserve balances of depository institutions**	-30	1,546
Term deposits held by depository institutions	5	5
U.S. Treasury, General Account	-34	27
U.S. Treasury, Supplementary Financing Account	0	0
Other deposits	17	54
Total capital	2	54

Note: +0 (-0) denotes positive (negative) value rounded to zero.

* Par value.

** Includes required clearing balances and overdrafts. Excludes as-of adjustments.

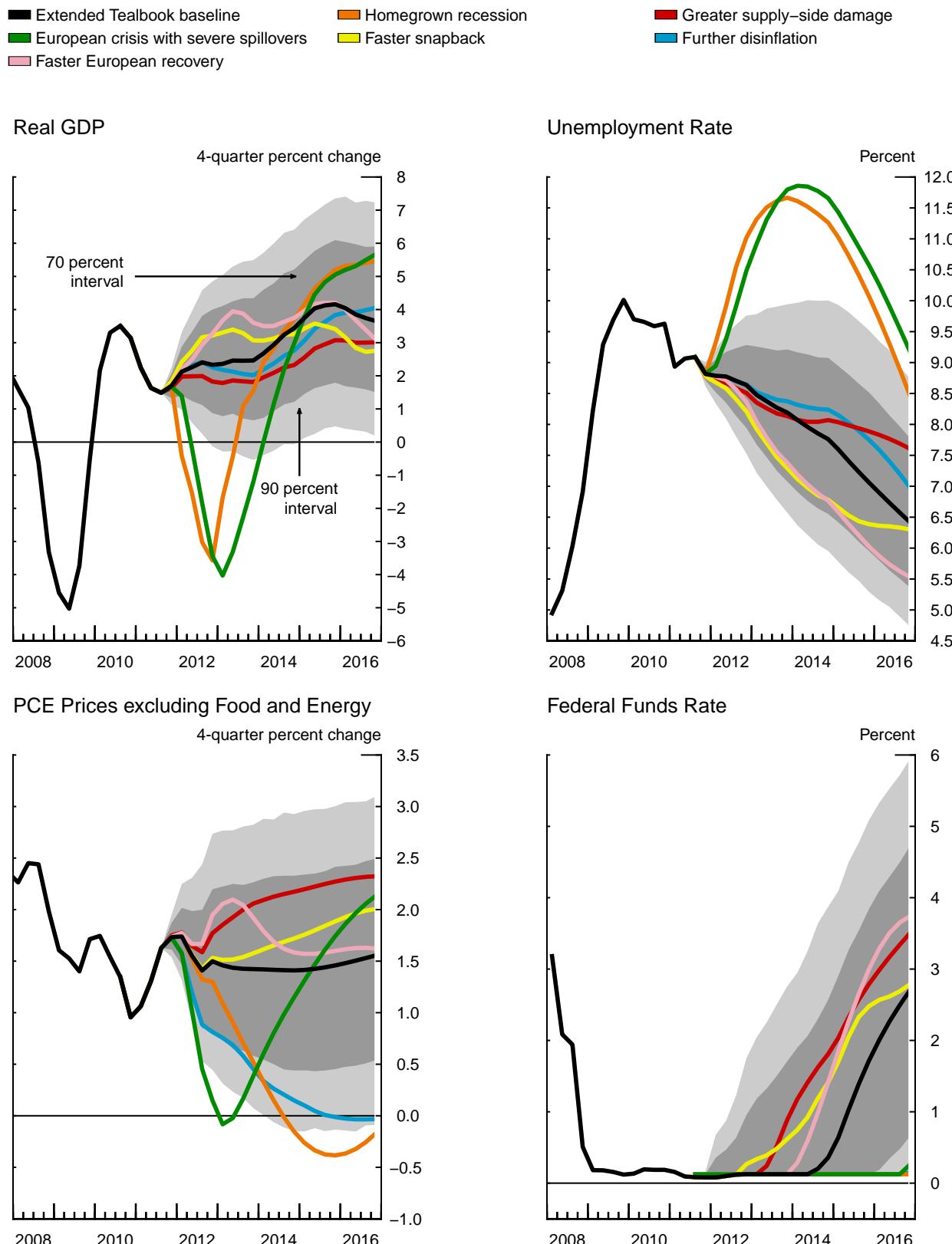
Alternative Scenarios
 (Percent change, annual rate, from end of preceding period except as noted)

Measure and scenario	2011	2012	2013	2014	2015-16
	H2				
<i>Real GDP</i>					
Extended Tealbook baseline	2.6	2.3	2.5	3.4	3.9
European crisis with severe spillovers	2.5	-3.5	-1.2	2.9	5.4
Faster European recovery	2.6	3.2	3.6	3.7	3.6
Homegrown recession	2.6	-3.6	1.6	3.7	5.3
Faster snapback	2.9	3.2	3.1	3.2	3.1
Greater supply-side damage	2.5	1.8	1.8	2.3	3.0
Further disinflation	2.6	2.2	2.1	2.7	3.9
<i>Unemployment rate¹</i>					
Extended Tealbook baseline	8.8	8.6	8.2	7.8	6.4
European crisis with severe spillovers	8.8	10.4	11.8	11.7	9.2
Faster European recovery	8.8	8.3	7.4	6.8	5.5
Homegrown recession	8.8	11.0	11.7	11.3	8.4
Faster snapback	8.8	8.2	7.3	6.8	6.3
Greater supply-side damage	8.8	8.5	8.1	8.1	7.6
Further disinflation	8.8	8.6	8.4	8.3	7.0
<i>Total PCE prices</i>					
Extended Tealbook baseline	1.5	1.4	1.2	1.4	1.5
European crisis with severe spillovers	1.5	-1.2	-.1	1.3	2.2
Faster European recovery	1.5	2.5	1.8	1.7	1.6
Homegrown recession	1.5	1.2	.3	-.2	-.3
Faster snapback	1.5	1.4	1.4	1.7	1.9
Greater supply-side damage	1.5	1.7	1.8	2.2	2.3
Further disinflation	1.5	.7	.2	.1	.0
<i>Core PCE prices</i>					
Extended Tealbook baseline	1.6	1.5	1.4	1.4	1.5
European crisis with severe spillovers	1.6	.2	.4	1.1	1.9
Faster European recovery	1.6	1.9	1.9	1.6	1.6
Homegrown recession	1.6	1.3	.5	-.2	-.3
Faster snapback	1.6	1.5	1.6	1.7	1.9
Greater supply-side damage	1.6	1.8	2.0	2.2	2.3
Further disinflation	1.6	.8	.4	.1	.0
<i>Federal funds rate¹</i>					
Extended Tealbook baseline	.1	.1	.1	.4	2.7
European crisis with severe spillovers	.1	.1	.1	.1	.3
Faster European recovery	.1	.1	.1	1.4	3.7
Homegrown recession	.1	.1	.1	.1	.1
Faster snapback	.1	.3	.6	1.4	2.8
Greater supply-side damage	.1	.1	.9	1.8	3.5
Further disinflation	.1	.1	.1	.1	.1

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

Forecast Confidence Intervals and Alternative Scenarios

Confidence Intervals Based on FRB/US Stochastic Simulations



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

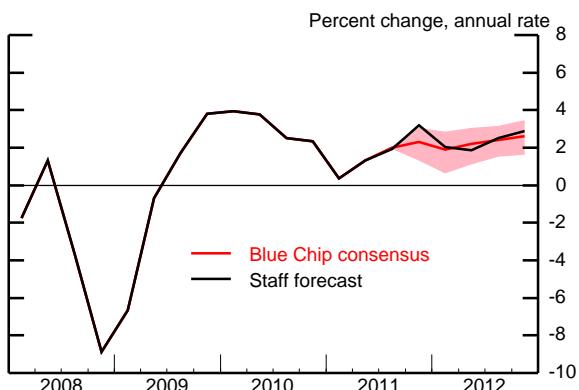
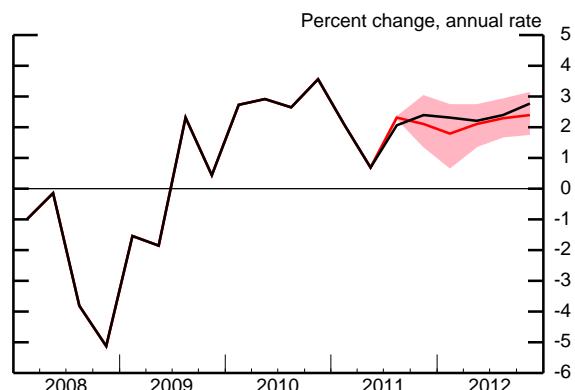
Measure	2011	2012	2013	2014	2015	2016
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	1.7	2.3	2.5	3.4	4.2	3.7
Confidence interval						
Tealbook forecast errors	1.2–2.2	.6–4.0	.7–4.2
FRB/US stochastic simulations	1.3–2.1	.9–4.0	.7–4.3	1.2–5.2	1.8–6.1	1.5–5.9
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	8.8	8.6	8.2	7.8	7.1	6.4
Confidence interval						
Tealbook forecast errors	8.7–8.9	7.9–9.3	7.0–9.4
FRB/US stochastic simulations	8.7–8.9	7.9–9.3	7.1–9.2	6.6–9.1	6.0–8.5	5.4–7.8
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	2.5	1.4	1.2	1.4	1.5	1.6
Confidence interval						
Tealbook forecast errors	2.3–2.8	.1–2.6	.0–2.4
FRB/US stochastic simulations	2.3–2.8	.4–2.5	.0–2.4	.1–2.7	.2–2.8	.2–2.9
<i>PCE prices excluding</i> <i>food and energy</i> (percent change, Q4 to Q4)						
Projection	1.7	1.5	1.4	1.4	1.5	1.6
Confidence interval						
Tealbook forecast errors	1.5–2.0	.8–2.2	.6–2.2
FRB/US stochastic simulations	1.6–1.9	.8–2.2	.6–2.3	.4–2.3	.5–2.4	.5–2.5
<i>Federal funds rate</i> (percent, Q4)						
Projection	.1	.1	.1	.4	1.7	2.7
Confidence interval						
FRB/US stochastic simulations	.1–1	.1–1.0	.1–1.7	.1–2.6	.1–3.8	.7–4.7

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

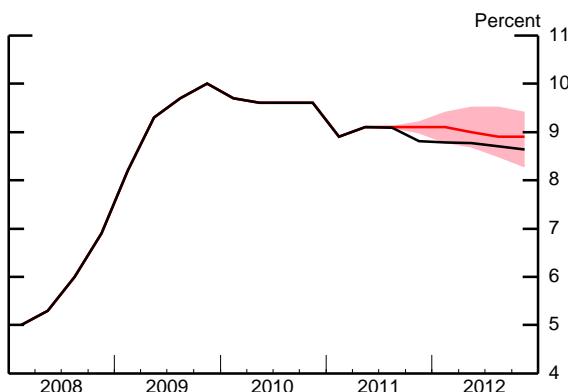
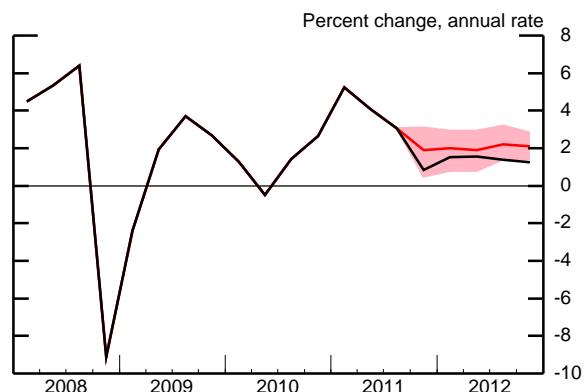
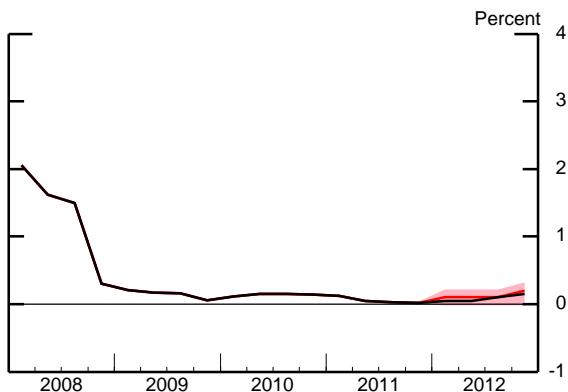
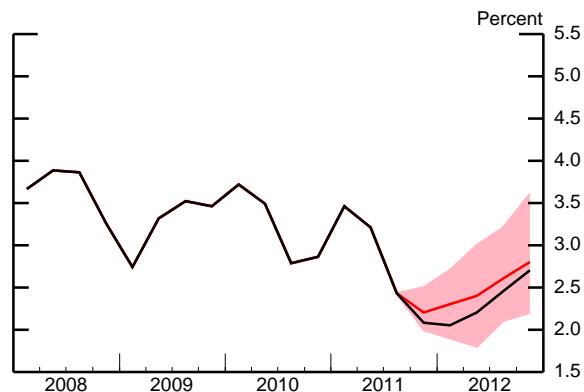
Intervals derived from Tealbook forecast errors are based on projections made from 1979–2009, except for PCE prices excluding food and energy, where the sample is 1981–2009.

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

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

Real GDP**Real PCE**

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

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)

Class II FOMC - Restricted (FR)

Authorized for Public Release

December 7, 2011

	Nominal GDP		Real GDP		PCE price index		Core PCE price index		Unemployment rate ¹	
Interval	10/26/11	12/07/11	10/26/11	12/07/11	10/26/11	12/07/11	10/26/11	12/07/11	10/26/11	12/07/11
<i>Quarterly</i>										
2011:Q1	3.1	3.1	.4		3.9		3.9		1.6	8.9
Q2	4.0	4.0	1.3	1.3	3.3	2.3	2.3	2.3	9.1	9.1
Q3	5.2	4.5	2.7	1.9	2.3	2.1	2.1	2.0	9.1	9.1
Q4	3.9	4.3	2.5	3.2	1.2	.7	1.5	1.1	9.1	8.8
2012:Q1	3.5	3.8	2.4	2.1	1.4	1.4	1.6	1.6	9.0	8.8
Q2	5.0	3.5	2.5	1.9	1.4	1.5	1.6	1.5	8.9	8.8
Q3	4.0	4.1	2.6	2.5	1.3	1.3	1.5	1.5	8.8	8.7
Q4	3.9	4.4	2.7	2.9	1.3	1.3	1.4	1.4	8.6	8.6
2013:Q1	4.0	3.7	2.9	2.2	1.4	1.3	1.4	1.4	8.4	8.5
Q2	5.5	3.7	3.1	2.3	1.4	1.2	1.4	1.4	8.4	8.4
Q3	4.8	3.9	3.4	2.5	1.4	1.2	1.4	1.4	8.3	8.3
Q4	4.8	4.4	3.5	2.9	1.4	1.2	1.4	1.4	8.1	8.2
<i>Two-quarter²</i>										
2011:Q2	3.5	3.5	.8	.8	3.6	3.6	1.9	1.9	-.5	-.5
Q4	4.6	4.4	2.6	2.6	1.8	1.5	1.8	1.6	0	-.3
2012:Q2	4.2	3.6	2.4	2.0	1.4	1.4	1.6	1.5	-.2	0
Q4	4.0	4.2	2.6	2.7	1.3	1.3	1.4	1.4	-.3	-.2
2013:Q2	4.7	3.7	3.0	2.2	1.4	1.2	1.4	1.4	-.2	-.2
Q4	4.8	4.2	3.4	2.7	1.4	1.2	1.4	1.4	-.3	-.2
<i>Four-quarter³</i>										
2010:Q4	4.7	4.7	3.1	3.1	1.3	1.3	1.0	1.0	-.4	-.4
2011:Q4	4.1	4.0	1.7	1.7	2.7	2.5	1.8	1.7	-.5	-.8
2012:Q4	4.1	3.9	2.5	2.3	1.4	1.4	1.5	1.5	-.5	-.2
2013:Q4	4.8	3.9	3.2	2.5	1.4	1.2	1.4	1.4	-.5	-.4
<i>Annual</i>										
2010	4.2	4.2	3.0	3.0	1.8	1.8	1.4	1.4	9.6	9.6
2011	4.0	3.9	1.8	1.8	2.5	2.4	1.5	1.4	9.0	9.0
2012	4.2	4.0	2.4	2.3	1.6	1.5	1.6	1.5	8.8	8.7
2013	4.5	3.9	2.9	2.4	1.4	1.3	1.4	1.4	8.3	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.

Greensheets

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

Item	2011				2012				2013				2011 ¹	2012 ¹	2013 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Tealbook</i>	.4	1.3	1.9	3.2	2.1	1.9	2.5	2.9	2.2	2.3	2.5	2.9	1.7	2.3	2.5
Final sales <i>Previous Tealbook</i>	.0	1.6	3.5	1.9	1.9	2.0	1.9	2.5	2.1	2.2	2.2	2.8	1.8	2.1	2.2
Priv. dom. final purch. <i>Previous Tealbook</i>	2.0	1.9	3.6	2.6	1.7	2.3	2.3	2.9	2.7	2.8	2.9	2.8	1.7	2.3	2.8
Personal cons. expend. <i>Previous Tealbook</i>	2.1	.7	2.1	2.4	2.3	2.2	2.4	2.8	2.1	2.3	2.7	2.7	1.8	2.4	2.3
Durables <i>Previous Tealbook</i>	11.7	-5.3	5.5	16.2	4.9	5.7	5.5	6.9	8.5	7.2	7.9	8.0	6.7	5.8	7.9
Nondurables <i>Previous Tealbook</i>	1.6	.2	-6	2.0	3.2	1.4	1.6	1.8	.9	1.1	1.2	1.8	.8	2.0	1.2
Services <i>Previous Tealbook</i>	.8	1.9	2.5	4	1.6	1.9	2.2	2.4	1.5	1.7	2.2	1.4	2.0	1.8	
Residential investment <i>Previous Tealbook</i>	-2.4	4.2	1.7	3.1	3.6	6.3	6.5	6.9	7.2	7.6	8.1	8.5	1.6	5.8	7.9
Business fixed invest. <i>Previous Tealbook</i>	2.1	10.3	15.8	3.7	-1.2	1.8	3.3	4.1	4.4	4.8	5.4	5.1	7.8	2.0	4.9
Equipment & software <i>Previous Tealbook</i>	8.7	6.2	16.2	3.0	.3	2.6	4.0	4.7	3.4	4.8	5.9	6.5	2.9	5.0	
Nonres. structures <i>Previous Tealbook</i>	-14.3	22.6	14.7	5.8	-5.6	.0	.0	1.2	.6	1.4	1.0	.8	6.2	-1.1	.9
Net exports ² <i>Previous Tealbook</i> ²	-424	-416	-401	-394	-391	-384	-388	-386	-386	-383	-378	-377	-409	-387	-381
Exports Imports	7.9	3.6	4.3	6.4	5.7	4.8	4.8	5.1	5.5	5.5	5.5	5.5	-410	-368	-341
Gov't. cons. & invest. <i>Previous Tealbook</i>	-5.9	-9	-2	-1.9	1.1	-5	-4	-4	0	-8	-1.3	-2.5	-2.2	-1	-1.2
Federal Defense Nondefense State & local	-5.9	-9	-1.2	1.4	-8	-5	-4	-3	-3	-8	-1.5	-2.2	-1.7	-5	-1.2
Change in bus. inventories ² <i>Previous Tealbook</i> ²	49	39	-5	32	37	34	53	66	68	73	82	106	29	47	82
Nonfarm ² Farm ²	49	39	34	47	67	73	80	72	81	91	105	130	42	73	102
	60	51	5	35	38	34	52	65	67	72	81	105	38	47	81
	-8	-9	-11	-3	-1	0	1	1	1	1	1	1	-8	0	1

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

2. Billions of chained (2005) dollars.

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

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013
Real GDP <i>Previous Tealbook</i>	2.8 2.8	2.4 2.4	2.2 2.2	-3.3 -3.3	-.5 -.5	3.1 3.1	1.7 1.7	2.3 2.5	2.5 3.2
Final sales <i>Previous Tealbook</i>	2.7 2.7	2.8 2.8	2.4 2.4	-2.6 -2.6	-.8 -.8	2.4 2.4	1.8 1.7	2.1 2.3	2.2 2.8
Priv. dom. final purch. <i>Previous Tealbook</i>	3.2 3.2	2.4 2.4	1.2 1.2	-4.5 -4.5	-2.5 -2.5	3.6 3.6	2.5 2.3	2.5 2.5	2.8 3.5
Personal cons. expend. <i>Previous Tealbook</i>	2.8 2.8	3.2 3.2	1.7 1.7	-2.5 -2.5	-.2 -.2	3.0 3.0	1.8 1.7	2.4 2.4	2.3 3.1
Durables	2.8	7.0	4.6	-13.0	3.0	10.9	6.7	5.8	7.9
Nondurables	3.1	2.9	.8	-3.1	.6	3.5	.8	2.0	1.2
Services	2.7	2.6	1.4	-.5	-.9	1.6	1.4	2.0	1.8
Residential investment <i>Previous Tealbook</i>	5.3 5.3	-15.7 -15.7	-20.7 -20.7	-24.4 -24.4	-12.9 -12.9	-6.3 -6.3	1.6 1.5	5.8 6.2	7.9 9.2
Business fixed invest. <i>Previous Tealbook</i>	4.5 4.5	7.8 7.8	7.9 7.9	-9.4 -9.4	-14.4 -14.4	11.1 11.1	7.8 6.5	2.0 2.9	4.9 5.0
Equipment & software <i>Previous Tealbook</i>	6.2 6.2	6.0 6.0	3.9 3.9	-13.6 -13.6	-5.8 -5.8	16.6 16.6	8.4 7.7	3.2 7.7	6.4 6.7
Nonres. structures <i>Previous Tealbook</i>	-1 -1	13.0 13.0	17.3 17.3	-1.2 -1.2	-29.3 -29.3	-1.8 -1.8	6.2 3.2	-1.1 -3.4	.9 .3
Net exports ¹ <i>Previous Tealbook</i>	-723 -723	-729 -729	-649 -649	-495 -495	-359 -359	-422 -422	-409 -410	-387 -368	-381 -341
Exports	6.7	10.2	10.1	-2.5	-.1	8.8	5.5	5.1	5.5
Imports	5.2	4.1	.8	-5.9	-6.5	10.7	3.5	3.8	4.2
Gov't. cons. & invest. <i>Previous Tealbook</i>	.7 .7	1.5 1.5	1.9 1.9	2.7 2.7	1.1 1.1	.1 .1	-2.2 -1.7	-.1 -.5	-1.2 -1.2
Federal	1.2	2.2	3.1	8.8	4.6	2.9	-2.3	.4	-3.9
Defense	.4	4.4	2.6	9.8	3.5	1.5	-2.1	1.7	-4.6
Nondefense	2.6	-2.3	4.2	6.8	6.9	5.7	-2.7	-2.1	-2.6
State & local	.4	1.2	1.2	-.9	-1.1	-1.7	-2.2	-.4	.8
Change in bus. inventories ¹ <i>Previous Tealbook</i>	50 50	59 59	28 28	-36 -36	-145 -145	59 59	29 42	47 73	82 102
Nonfarm ¹	50	63	29	-38	-144	61	38	47	81
Farm ¹	0	-4	-1	1	-1	-8	0	0	1

1. Billions of chained (2005) dollars.

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

Item	2011				2012				2013				2011 ¹	2012 ¹	2013 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Tealbook</i>	.4	1.3	1.9	3.2	2.1	1.9	2.5	2.9	2.2	2.3	2.5	2.9	1.7	2.3	2.5
Final sales <i>Previous Tealbook</i>	.0	1.6	3.5	2.0	1.9	2.0	1.9	2.5	2.1	2.1	2.2	1.8	2.1	2.1	2.1
Priv. dom. final purch. <i>Previous Tealbook</i>	1.6	1.6	3.0	2.1	1.7	2.3	2.3	2.9	2.7	2.8	2.9	2.8	1.7	2.3	2.8
Personal cons. expend. <i>Previous Tealbook</i>	1.5	5	1.5	1.7	1.6	1.6	1.7	2.0	1.5	1.5	1.6	1.9	1.3	1.7	1.6
Durables	1.5	5	1.6	1.4	1.4	1.6	1.8	2.0	2.0	2.1	2.3	2.4	1.2	1.7	2.2
Nondurables	.9	-4	.4	1.2	.4	.4	.4	.5	.6	.6	.6	.5	.4	.6	.6
Services	.3	0	-1.1	3	.5	.2	.3	.3	.1	.2	.2	.3	.1	.3	.2
Residential investment <i>Previous Tealbook</i>	-1	1	0	1	1	1	1	.2	.2	.2	.2	.2	0	.1	.2
Business fixed invest. <i>Previous Tealbook</i>	.2	1.0	1.5	4	-1	.2	.3	4	4	4	5	.6	.8	.2	.5
Equipment & software <i>Previous Tealbook</i>	.2	1.0	1.2	1	0	.0	.3	4	5	3	5	.6	.6	.3	.5
Nonres. structures <i>Previous Tealbook</i>	.6	.4	1.1	2	0	.2	.3	4	4	4	5	.5	.6	.2	.5
Gov't. cons. & invest. <i>Previous Tealbook</i>	-1.2	-2	0	-4	2	4	4	5	5	4	5	.6	.5	.4	.5
Federal	-1.2	-2	-2	3	-2	-1	0	-1	-1	0	-1	-2	-4	-2	-3
Defense	-8	2	2	-3	3	0	-1	-1	-1	0	-1	-3	-4	-1	-2
Nondefense	-7	4	3	-4	4	0	-1	-1	-1	0	-1	-5	-1	-1	-3
State & local	-1	-2	-1	-1	-1	-1	0	0	0	0	0	1	1	0	1
Change in bus. inventories <i>Previous Tealbook</i>	3	-3	-1.5	1.2	1	-1	6	4	1	2	3	.7	-1	.3	.3
Nonfarm	3	-3	-1.5	4	.6	2	-2	3	3	4	.7	.0	.2	.4	.4
Farm	4	-3	-1.5	1.0	1	-1	6	4	1	2	3	.7	-1	.2	.3
	-1	0	0	3	1	0	0	0	0	0	0	0	0	0	0

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

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

Item	2011				2012				2013				2011 ¹	2012 ¹	2013 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
GDP chain-wt. price index <i>Previous Tealbook</i>	2.5	2.5	2.5	1.0	1.7	1.6	1.4	1.5	1.4	1.4	1.4	1.4	2.1	1.6	1.4
PCE chain-wt. price index <i>Previous Tealbook</i>	2.5	2.5	1.4	1.1	2.4	1.4	1.2	1.0	2.3	1.4	1.3	1.3	2.2	1.5	1.5
Energy <i>Previous Tealbook</i>	3.9	3.3	2.3	.7	1.4	1.5	1.3	1.3	1.4	1.4	1.4	1.4	2.5	1.4	1.2
Food <i>Previous Tealbook</i>	3.9	3.3	2.3	1.2	1.4	1.4	1.3	1.3	1.4	1.4	1.4	1.4	2.7	1.4	1.4
Ex. food & energy <i>Previous Tealbook</i>	40.7	15.0	3.3	-8.2	-9	1.3	-4	-1.2	-1.2	-1.7	-1.7	-1.6	11.3	-3	-1.6
Ex. food & energy, market based <i>Previous Tealbook</i>	40.7	15.0	3.2	-5.6	-1.2	-9	-.1	.7	1.4	1.0	1.0	1.3	12.1	-4	1.2
CPI <i>Previous Tealbook</i>	6.5	6.4	4.7	3.5	1.3	1.1	1.2	1.2	1.2	1.2	1.2	1.2	5.2	1.2	1.2
Ex. food & energy <i>Previous Tealbook</i>	6.5	6.4	4.7	3.8	1.3	1.1	1.2	1.2	1.2	1.2	1.2	1.2	5.3	1.2	1.2
ECL, hourly compensation ² <i>Previous Tealbook</i>	2.1	3.2	1.4	1.9	1.5	1.5	1.4	1.2	1.2	1.2	1.2	1.2	3.3	1.4	1.2
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	-.6	-.1	2.2	2.1	.7	.9	1.5	1.9	1.0	1.1	1.2	1.6	.9	1.3	1.2
Compensation per hour <i>Previous Tealbook</i>	5.6	-.3	-.2	2.2	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	1.8	2.3	2.2
Unit labor costs <i>Previous Tealbook</i>	5.6	2.7	1.7	1.7	2.4	2.2	2.3	2.3	2.2	2.2	2.2	2.2	2.9	2.3	2.2
Core goods imports chain-wt. price index ³ <i>Previous Tealbook</i>	8.3	7.2	2.3	-.7	-.9	.4	.7	1.2	1.4	1.4	1.4	1.4	4.2	.4	1.4
	8.3	7.2	2.6	-.3	.0	1.5	1.5	1.8	1.8	1.7	1.6	1.6	4.4	1.2	1.7

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

2. Private-industry workers.

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

Greensheets

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

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013
GDP chain-wt. price index <i>Previous Tealbook</i>	3.5 3.5	2.9 2.6	2.6 2.1	2.1 .7	.7 1.6	1.6 2.2	2.1 1.5	1.6 1.5	1.4 1.5
PCE chain-wt. price index <i>Previous Tealbook</i>	3.2 3.2	1.9 1.9	3.5 3.5	1.7 1.7	1.5 1.5	1.3 1.3	2.5 2.7	1.4 1.4	1.2 1.4
Energy <i>Previous Tealbook</i>	21.5 21.5	-3.7 -3.7	19.3 19.3	-8.8 -8.8	2.6 2.6	6.2 6.2	11.3 12.1	-.3 -.4	-1.6 -1.2
Food <i>Previous Tealbook</i>	1.5 1.5	1.7 1.7	4.7 4.7	7.0 7.0	-1.7 -1.7	1.3 1.3	5.2 5.3	1.2 1.2	1.2 1.2
Ex. food & energy <i>Previous Tealbook</i>	2.3 2.3	2.3 2.3	2.4 2.4	2.0 2.0	1.7 1.7	1.0 1.0	1.7 1.8	1.5 1.5	1.4 1.4
Ex. food & energy, market based <i>Previous Tealbook</i>	2.0 2.0	2.2 2.2	2.1 2.1	2.2 2.2	1.7 1.7	.7 .7	1.7 1.8	1.4 1.4	1.3 1.3
CPI <i>Previous Tealbook</i>	3.7 3.7	2.0 2.0	4.0 4.0	1.6 1.6	1.5 1.5	1.2 1.2	3.3 3.4	1.4 1.4	1.2 1.5
Ex. food & energy <i>Previous Tealbook</i>	2.1 2.1	2.7 2.7	2.3 2.3	2.0 2.0	1.7 1.7	.6 .6	2.2 2.2	1.6 1.6	1.5 1.5
ECL, hourly compensation ¹ <i>Previous Tealbook</i>	2.9 2.9	3.2 3.2	3.0 3.0	2.4 2.4	1.2 1.2	2.1 2.1	2.2 2.5	2.4 2.4	2.3 2.3
Nonfarm business sector									
Output per hour <i>Previous Tealbook</i>	1.6 1.6	.8 .8	2.5 2.5	-1.1 -1.1	5.3 5.3	2.5 2.5	.9 1.0	1.3 1.2	1.2 1.7
Compensation per hour <i>Previous Tealbook</i>	3.5 3.5	4.5 4.5	3.6 3.6	2.5 2.5	1.8 1.8	1.6 1.6	1.8 2.9	2.3 2.3	2.2 2.2
Unit labor costs <i>Previous Tealbook</i>	1.9 1.9	3.6 3.6	1.1 1.1	3.7 3.7	-3.3 -3.3	-.9 -.9	.9 1.9	1.0 1.1	.9 .6
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i>	2.2 2.2	2.5 2.5	2.9 2.9	3.7 3.7	-1.7 -1.7	2.6 2.6	4.2 4.4	.4 1.2	1.4 1.7

1. Private-industry workers.
 2. Core goods imports exclude computers, semiconductors, oil, and natural gas.

Other Macroeconomic Indicators

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Item	2011				2012				2013				2011 ¹	2012 ¹	2013 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Employment and production</i>															
Nonfarm payroll employment ²	.4	.5	.3	.4	.4	.4	.5	.5	.5	.5	.6	.6	1.6	1.8	2.2
Unemployment rate ³	8.9	9.1	9.1	8.8	8.8	8.8	8.7	.5	8.5	8.4	8.3	8.2	8.8	8.6	8.2
<i>Previous Tealbook</i> ³	8.9	9.1	9.1	9.0	9.0	8.9	8.8	.5	8.4	8.4	8.3	8.1	9.1	8.6	8.1
NAIRU ³	6.0	6.0	6.0	6.0	6.0	6.0	6.0	.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0
<i>Previous Tealbook</i> ³	6.0	6.0	6.0	6.0	6.0	6.0	6.0	.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0
GDP gap ⁴	-5.8	-5.8	-5.8	-5.5	-5.4	-5.5	-5.4	-5.2	-5.1	-5.1	-5.0	-4.8	-5.5	-5.2	-4.8
<i>Previous Tealbook</i> ⁴	-6.0	-6.2	-6.1	-6.0	-5.9	-5.8	-5.7	-5.6	-5.4	-5.2	-4.9	-4.7	-6.0	-5.6	-4.7
Industrial production ⁵	4.8	.6	5.2	2.6	2.4	2.3	2.3	2.2	3.2	3.2	3.2	3.3	3.3	2.3	3.2
<i>Previous Tealbook</i> ⁵	4.8	.5	5.1	4.5	2.4	2.8	2.7	2.5	3.5	3.5	3.6	3.5	3.7	2.6	3.5
Manufacturing industr. prod. ⁵	7.2	.0	4.3	2.7	2.7	1.6	2.0	2.5	3.3	3.3	3.3	3.5	3.5	2.2	3.4
<i>Previous Tealbook</i> ⁵	7.2	-.1	4.3	4.4	2.0	3.0	3.2	3.0	3.9	4.1	3.9	3.8	3.9	2.8	3.9
Capacity utilization rate - mfg. ³	74.5	74.4	74.9	75.3	75.6	75.7	75.8	76.1	76.4	76.8	77.1	77.5	75.3	76.1	77.5
<i>Previous Tealbook</i> ³	74.5	74.3	74.9	75.5	75.7	76.1	76.5	76.8	77.3	77.8	78.2	78.7	75.5	76.8	78.7
Housing starts ⁶	.6	.6	.6	.6	.7	.7	.8	.8	.8	.9	.9	1.0	.6	.7	.9
Light motor vehicle sales ⁶	13.0	12.1	12.5	13.4	13.4	13.4	13.4	13.5	13.9	14.1	14.3	14.4	12.7	13.4	14.2
<i>Income and saving</i>															
Nominal GDP ⁵	3.1	4.0	4.5	4.3	3.8	3.5	4.1	4.4	3.7	3.7	3.9	4.4	4.0	3.9	3.9
Real disposable pers. income ⁵	1.2	-.5	-2.1	4.3	2.9	3.0	3.3	3.6	-1.3	2.4	2.7	3.2	.7	3.2	1.7
<i>Previous Tealbook</i> ⁵	1.2	.6	.6	3.8	-.6	3.3	3.7	3.5	2.7	2.9	3.3	3.5	1.5	2.5	3.1
Personal saving rate ³	5.0	4.8	3.8	4.3	4.4	4.6	4.8	5.0	4.1	4.2	4.3	4.4	4.3	5.0	4.4
<i>Previous Tealbook</i> ³	5.0	5.1	4.7	5.1	4.5	4.7	5.0	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Corporate profits ⁷	4.2	13.7	8.4	-1.6	3.9	-5.8	-.2	-3.4	.1	-1.2	.0	-.1	6.0	-1.4	-.3
Profit share of GNP ³	12.4	12.7	12.8	12.6	12.6	12.3	12.2	12.0	11.9	11.8	11.7	11.6	12.6	12.0	11.6
Net federal saving ⁸	-1,201	-1,275	-1,175	-1,168	-1,106	-1,099	-1,083	-1,077	-899	-873	-846	-818	-1,205	-1,091	-859
Net state & local saving ⁸	-57	-40	-79	-74	-62	-48	-44	-39	-37	-25	-25	-25	-63	-48	-28
Gross national saving rate ³	12.6	12.4	12.2	12.4	12.6	12.5	12.6	12.6	12.7	12.8	13.0	13.1	12.4	12.6	13.1
Net national saving rate ³	-.1	-.4	-.4	-.1	.0	.0	.1	.0	.2	.3	.5	.6	-.1	.0	.6

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

2. Change, millions.

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

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

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

5. Percent change, annual rate.

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

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

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

Greensheets

Other Macroeconomic Indicators

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

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>Employment and production</i>									
Nonfarm payroll employment ¹	2.4	2.1	1.2	-2.8	-5.6	.7	1.6	1.8	2.2
Unemployment rate ²	5.0	4.5	4.8	6.9	10.0	9.6	8.8	8.6	8.2
<i>Previous Tealbook</i> ²	5.0	4.5	4.8	6.9	10.0	9.6	9.1	8.6	8.1
NAIRU ²	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0	6.0
<i>Previous Tealbook</i> ²	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0	6.0
GDP gap ³	.0	.0	-.2	-5.4	-6.9	-5.4	-5.5	-5.2	-4.8
<i>Previous Tealbook</i> ³	.1	.0	-.2	-5.4	-7.0	-5.6	-6.0	-5.6	-4.7
Industrial production ⁴	2.3	2.3	2.5	-9.1	-5.5	6.2	3.3	2.3	3.2
<i>Previous Tealbook</i> ⁴	2.3	2.3	2.5	-9.1	-5.5	6.2	3.7	2.6	3.5
Manufacturing, industr. prod. ⁴	3.4	2.0	2.8	-11.8	-6.1	6.1	3.5	2.2	3.4
<i>Previous Tealbook</i> ⁴	3.4	2.0	2.8	-11.8	-6.1	6.1	3.9	2.8	3.9
Capacity utilization rate - mfg. ²	78.5	78.4	79.0	70.1	67.7	73.3	75.3	76.1	77.5
<i>Previous Tealbook</i> ²	78.5	78.4	79.0	70.1	67.7	73.3	75.5	76.8	78.7
Housing starts ⁵	2.1	1.8	1.4	.9	.6	.6	.6	.7	.9
Light motor vehicle sales ⁵	16.9	16.5	16.1	13.1	10.3	11.5	12.7	13.4	14.2
<i>Income and saving</i>									
Nominal GDP ⁴	6.4	5.3	4.9	-1.2	.0	4.7	4.0	3.9	3.9
Real disposable pers. income ⁴	.6	4.6	1.6	1.0	-2.4	3.5	.7	3.2	1.7
<i>Previous Tealbook</i> ⁴	.6	4.6	1.6	1.0	-2.4	3.5	1.5	2.5	3.1
Personal saving rate ²	1.6	2.8	2.5	6.2	4.3	5.2	4.3	5.0	4.4
<i>Previous Tealbook</i> ²	1.6	2.8	2.5	6.2	4.3	5.2	5.1	5.1	5.1
Corporate profits ⁶	19.6	3.7	-8.1	-33.5	61.8	18.2	6.0	-1.4	-.3
Profit share of GNP ²	11.8	11.6	10.1	6.8	11.0	12.4	12.6	12.0	11.6
Net federal saving ⁷	-283	-204	-245	-613	-1218	-1274	-1205	-1091	-859
Net state & local saving ⁷	26	51	12	-72	-78	-25	-63	-48	-28
Gross national saving rate ²	15.6	16.5	13.9	12.6	11.3	12.3	12.4	12.6	13.1
Net national saving rate ²	3.6	4.4	1.7	-.6	-1.9	-.4	-.1	.0	.6

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)

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Item	Fiscal year				2011				2012				2013			
	2010 ^a	2011 ^a	2012	2013	Q1 ^a	Q2 ^a	Q3 ^a	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget																
Receipts ¹	2163	2302	2459	2716	488	714	568	554	520	760	625	607	569	839	701	650
Outlays ¹	3456	3598	3608	3620	949	855	894	902	957	895	854	934	933	892	861	938
Surplus/deficit ¹	-1293	-1149	-904	-460	-141	-325	-348	-437	-135	-228	-328	-364	-53	-159	-159	-288
<i>Previous Tealbook</i>	<i>-1293</i>	<i>-1299</i>	<i>-1048</i>	<i>-845</i>	<i>-460</i>	<i>-141</i>	<i>-328</i>	<i>-408</i>	<i>-98</i>	<i>-93</i>	<i>-298</i>	<i>-357</i>	<i>-38</i>	<i>-152</i>	<i>-152</i>	<i>-282</i>
On-budget	-1370	-1123	-917	-451	-202	-310	-372	-403	-166	-182	-338	-346	-101	-132	-132	-315
Off-budget	77	67	-25	14	-10	61	-15	24	-34	31	-46	10	-18	48	-27	27
Means of financing																
Borrowing	1474	1110	1136	984	260	93	389	320	449	159	208	348	384	73	179	308
Cash decrease	-35	252	8	0	225	-19	79	-2	0	-30	40	0	0	0	0	0
Other ²	-146	-66	5	-80	-24	67	-143	31	-12	6	-20	-20	-20	-20	-20	-20
Cash operating balance, end of period	310	58	50	50	118	137	58	60	60	90	50	50	50	50	50	50
NIPA federal sector																
Receipts	2379	2531	2690	2943	2528	2554	2570	2597	2691	2719	2754	2786	2964	2994	3028	3061
Expenditures	3648	3765	3804	3867	3729	3829	3745	3765	3797	3818	3837	3863	3863	3868	3874	3879
Consumption expenditures	1042	1070	1098	1109	1059	1078	1085	1085	1082	1101	1106	1107	1113	1113	1103	1089
Defense	697	715	740	753	701	723	733	725	742	745	748	751	757	756	750	737
Nondefense	346	355	358	355	358	354	352	358	359	358	357	356	356	355	355	352
Other spending	2606	2695	2706	2758	2670	2752	2660	2683	2696	2714	2732	2755	2749	2758	2771	2790
Current account surplus	-1269	-1234	-1114	-924	-1201	-1275	-1175	-1168	-1106	-1099	-1083	-1077	-899	-873	-846	-818
Gross investment	165	165	163	162	161	160	164	160	163	164	164	164	164	162	159	154
Gross saving less gross investment ³	-1305	-1263	-1131	-931	-1227	-1298	-1199	-1186	-1125	-1116	-1098	-1090	-909	-880	-847	-812
Fiscal indicators⁴																
High-employment (HEB) surplus/deficit	-943	-929	-790	-596	-906	-962	-844	-840	-784	-774	-760	-757	-568	-543	-516	-489
Change in HEB, percent of potential GDP	1.1	-3	-1.1	-1.3	-7	.3	-.8	-.1	-.4	-.1	-.1	-.1	-1.2	-1.2	-.2	-.2
Fiscal impetus (FI), percent of GDP	0.5	-0.3	-0.3	-1.1	-0.6	0.4	-0.1	-0.7	-0.5	-0.4	-0.3	-0.3	-1.6	-0.8	-1.0	-0.9
<i>Previous Tealbook</i>	<i>0.5</i>	<i>-0.1</i>	<i>-0.9</i>	<i>-0.8</i>	<i>-0.6</i>	<i>0.4</i>	<i>-0.4</i>	<i>0.2</i>	<i>-1.4</i>	<i>-0.9</i>	<i>-0.7</i>	<i>-0.7</i>	<i>-0.8</i>	<i>-0.6</i>	<i>-0.8</i>	<i>-0.8</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 NAIRU. The sign on Change in HEB, as a percent of nominal potential GDP, is reversed. FI is the weighted difference of discretionary changes in federal spending and taxes in chained (2005) dollars, scaled by real GDP. The FI estimates are calendar year contributions to Q4/Q4 real GDP growth. Also, for FI and the change in HEB, positive values indicate aggregate demand stimulus. Quarterly figures for change in HEB and FI are not at annual rates.

a Actual.

Change in Debt of the Domestic Nonfinancial Sectors
(Percent)

Period ¹	Total	Households			Business	State and local governments	Federal government	Memo: Nominal GDP
		Total	Home mortgages	Consumer credit				
<i>Year</i>								
2006	8.7	9.9	11.1	4.1	11.1	3.7	3.9	5.3
2007	8.5	6.7	6.9	5.8	13.6	5.4	4.9	4.9
2008	6.0	.1	.5	1.5	6.2	.7	24.2	-1.2
2009	3.0	-1.7	-1.4	-4.4	-2.4	3.9	22.7	.0
2010	4.1	-2.1	-2.9	-1.8	.7	2.2	20.2	4.7
2011	3.7	-.9	-2.0	2.6	4.0	-1.2	11.3	4.0
2012	4.6	1.0	-.2	4.7	3.4	2.0	11.1	3.9
2013	4.2	1.6	.1	6.1	3.9	1.9	8.1	3.9
<i>Quarter</i>								
2010:1	3.5	-3.1	-4.8	-3.9	-.1	2.4	20.6	5.5
2	3.9	-2.2	-2.5	-3.3	-1.3	-.5	22.5	5.4
3	3.7	-2.2	-2.5	-2.2	1.8	2.1	16.0	3.9
4	4.9	-.7	-1.8	2.3	2.4	4.8	16.4	4.2
2011:1	2.3	-1.8	-2.6	2.2	4.2	-3.3	7.9	3.1
2	3.1	-.6	-2.4	3.4	4.5	-3.5	8.6	4.0
3	4.3	-1.2	-1.8	1.2	3.5	.0	14.1	4.5
4	4.7	.0	-1.2	3.3	3.8	1.9	12.8	4.3
2012:1	5.2	.5	-.7	3.6	3.1	2.2	14.3	3.8
2	4.3	.9	-.3	4.4	3.3	2.0	10.1	3.5
3	3.3	1.3	.0	4.8	3.4	1.9	5.9	4.1
4	5.3	1.5	.1	5.5	3.5	1.9	12.5	4.4
2013:1	4.9	1.6	.1	5.9	3.7	1.9	10.7	3.7
2	3.6	1.6	.1	6.0	3.8	1.9	6.3	3.7
3	3.2	1.6	.1	6.1	3.9	1.9	4.5	3.9
4	4.9	1.7	.1	6.1	3.9	1.9	10.2	4.4

Note: Quarterly data are at seasonally adjusted annual rates.

1. Data after 2011: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	2010	2011	2012	2013	2011				2012				2013			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	1167.1	882.8	1352.6	1343.2	1029.5	1332.3	1608.2	1282.2	864.3	1655.5	1627.2	1157.9	935.2	1652.3		
Net equity issuance	-278.0	-472.4	-340.0	-593.4	-460.0	-380.0	-420.0	-420.0	-380.0	-420.0	-320.0	-320.0	-360.0	-360.0		
Net debt issuance	1445.1	1355.2	1752.6	1683.2	1622.9	1792.3	1988.2	1662.2	1284.3	2075.5	1947.2	1477.9	1295.2	2012.3		
Borrowing indicators																
Debt (percent of GDP) ¹	249.1	249.1	249.4	250.5	248.0	248.2	248.9	249.7	249.6	249.5	250.4	250.8	250.5	250.3		
Borrowing (percent of GDP)	9.9	9.0	11.2	10.3	10.7	11.7	12.8	10.6	8.1	13.0	12.1	9.1	7.9	12.1		
Households																
Net borrowing ²	-278.4	-121.0	136.6	217.1	-158.8	3.7	62.2	123.4	165.7	195.1	208.7	214.8	220.7	224.0		
Home mortgages	-298.2	-200.9	-22.2	9.8	-181.4	-118.7	-69.0	-29.5	0.0	9.8	9.8	9.8	9.8	9.8		
Consumer credit	-44.2	62.1	116.6	160.7	29.5	82.4	90.6	111.6	123.0	141.3	153.8	158.7	163.8	166.3		
Debt/DPI (percent) ³	120.3	114.6	110.3	108.3	114.4	112.8	111.7	110.7	109.7	108.8	109.2	108.7	108.0	107.3		
Business																
Financing gap ⁴	-197.1	-210.3	-105.5	72.7	-278.0	-209.0	-173.0	-134.3	-85.0	-29.7	22.4	49.1	82.2	137.2		
Net equity issuance	-278.0	-472.4	-400.0	-340.0	-593.4	-460.0	-380.0	-380.0	-420.0	-420.0	-320.0	-320.0	-360.0	-360.0		
Credit market borrowing	77.0	451.2	391.6	464.1	398.0	433.7	364.6	385.4	401.4	415.0	443.0	459.1	473.6	480.8		
State and local governments																
Net borrowing	66.2	-36.9	61.0	58.0	1.0	58.0	66.0	62.0	58.0	58.0	58.0	58.0	58.0	58.0		
Current surplus ⁵	257.0	201.5	200.2	228.0	163.6	169.9	183.6	199.2	205.6	212.4	216.1	230.0	231.7	234.1		
Federal government																
Net borrowing	1580.2	1061.9	1163.4	944.0	1382.6	1296.9	1495.5	1091.4	659.3	1407.5	1237.6	746.0	543.0	1249.6		
Net borrowing (n.s.a.)	1580.2	1061.9	1163.4	944.0	389.1	319.9	448.7	159.0	208.2	347.5	384.2	72.6	179.1	308.1		
Unified deficit (n.s.a.)	1275.1	1278.1	1127.9	864.0	328.1	348.4	436.8	135.2	228.4	327.5	364.2	52.6	159.1	288.1		
Depository institutions																
Funds supplied	-181.1	182.8	352.8	374.7	785.2	248.5	398.2	323.9	342.5	346.5	352.2	358.2	392.9	395.4		

Note: Data after 2011: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	2011				2012				Projected 2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP¹												
Total foreign	3.9	2.4	3.6	2.3	2.5	2.4	2.6	2.7	2.9	3.0	3.0	3.1
<i>Previous Tealbook</i>	4.0	2.3	3.6	2.8	2.8	2.9	3.0	3.1	3.3	3.4	3.4	3.4
Advanced foreign economies	2.2	.1	2.7	1.0	.7	.6	.9	1.2	1.4	1.5	1.6	1.8
Canada	3.5	-.5	3.5	2.1	2.1	1.8	2.0	2.2	2.1	2.0	2.0	2.1
Japan	-2.7	-1.3	6.0	1.9	2.3	1.8	1.7	1.6	1.5	1.4	1.3	1.3
United Kingdom	1.6	.4	2.0	.5	.4	.7	1.0	1.2	1.5	1.7	1.9	2.1
Euro area	3.1	.7	.6	-1.0	-2.0	-1.8	-1.2	-.5	.1	.4	.6	1.0
Germany	5.5	1.1	2.0	.0	-1.2	-1.0	-.4	.1	.7	1.1	1.2	1.7
Emerging market economies	5.7	5.0	4.7	3.7	4.4	4.3	4.4	4.4	4.5	4.5	4.6	4.6
Asia	7.9	5.3	4.9	4.3	5.7	5.5	5.5	5.5	5.6	5.7	5.8	5.8
Korea	5.4	3.6	3.3	3.9	3.5	3.5	3.5	3.5	3.6	3.8	4.0	4.2
China	8.2	10.0	9.5	8.2	8.0	7.9	7.9	7.9	8.0	8.1	8.1	8.1
Latin America	3.5	4.9	4.5	3.0	3.2	3.0	3.2	3.2	3.2	3.2	3.2	3.3
Mexico	2.3	5.2	5.5	3.0	3.1	2.8	3.1	3.1	3.1	3.1	3.1	3.1
Brazil	3.2	2.9	-.2	2.3	3.0	3.1	3.1	3.1	3.5	3.6	3.6	3.8
<i>Consumer prices²</i>												
Total foreign	4.3	3.2	3.1	3.5	2.6	2.3	2.2	2.2	2.2	2.2	2.2	2.3
<i>Previous Tealbook</i>	4.3	3.2	3.1	2.7	2.5	2.2	2.3	2.3	2.3	2.4	2.4	2.5
Advanced foreign economies	3.2	2.1	1.1	2.9	1.4	1.1	1.1	1.2	1.0	1.0	1.0	1.2
Canada	3.6	3.1	1.1	3.8	2.3	1.9	1.7	1.6	1.6	1.6	1.7	1.7
Japan	.4	-.8	-.3	-.6	-.5	-.4	-.4	-.3	-.3	-.3	-.3	-.3
United Kingdom	7.2	3.8	3.5	4.3	1.7	1.3	1.3	2.6	1.5	1.3	1.5	2.8
Euro Area	3.6	2.7	1.4	4.1	1.5	1.3	1.2	1.2	1.1	1.0	1.0	1.1
Germany	3.5	2.2	1.7	4.3	2.0	2.0	1.8	1.7	1.5	1.4	1.5	1.6
Emerging market economies	5.1	4.1	4.6	3.9	3.6	3.2	3.1	3.1	3.2	3.2	3.2	3.2
Asia	5.3	4.8	5.3	3.5	3.3	2.9	2.9	2.9	3.0	3.0	3.0	3.0
Korea	6.0	2.8	4.8	3.2	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
China	4.6	5.8	6.2	3.5	3.2	2.7	2.7	2.7	2.8	2.9	2.9	2.9
Latin America	4.3	2.5	3.6	4.8	4.4	3.9	3.7	3.7	3.7	3.7	3.7	3.7
Mexico	3.6	1.8	3.3	4.6	4.2	3.6	3.4	3.4	3.4	3.4	3.4	3.4
Brazil	9.5	7.5	5.6	6.2	5.7	5.3	4.9	4.9	5.3	5.1	4.9	4.9

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

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

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

Class II FOMC - Restricted (FR)

Authorized for Public Release

December 7, 2011

Measure and country	2005	2006	2007	2008	2009	2010	2011	2012	2013	Projected
Real GDP¹										
Total foreign	4.1	4.1	4.4	-9	.8	4.3	3.1	2.5	3.0	3.0
<i>Previous Tealbook</i>	4.1	4.2	4.4	-9	.8	4.3	3.2	3.0	3.4	3.4
Advanced foreign economies	2.8	2.6	2.6	-1.9	-1.4	2.7	1.5	.8	1.6	1.6
Canada	3.1	1.9	2.5	-.7	-1.4	3.3	2.1	2.1	2.1	2.1
Japan	2.9	2.1	1.7	-4.7	-1.9	2.5	.9	1.9	1.4	1.4
United Kingdom	2.8	2.1	4.1	-5.4	-.8	1.3	1.1	.8	1.8	1.8
Euro area	2.1	3.8	2.4	-2.1	1.9	.8	-1.4	-.6	.6	.6
Germany	1.6	4.9	2.4	-1.9	-2.2	3.8	2.1	-.6	1.2	1.2
Emerging market economies	5.8	6.3	6.7	.4	3.5	6.1	4.8	4.4	4.6	4.6
Asia	7.6	7.8	8.8	.9	8.0	7.6	5.6	5.5	5.7	5.7
Korea	5.2	4.6	5.8	-3.2	6.3	4.7	4.0	3.5	3.9	3.9
China	10.3	12.8	13.7	7.7	11.4	9.6	9.0	7.9	8.1	8.1
Latin America	3.9	4.8	4.4	-.4	-.9	4.5	4.0	3.1	3.2	3.2
Mexico	3.6	4.1	3.5	-1.2	-2.3	4.2	4.0	3.0	3.1	3.1
Brazil	2.2	4.8	6.6	.9	5.3	5.4	2.0	3.1	3.6	3.6
<i>Consumer prices²</i>										
Total foreign	2.3	2.2	3.7	3.3	1.3	3.2	3.5	2.3	2.3	2.3
<i>Previous Tealbook</i>	2.3	2.2	3.7	3.3	1.3	3.2	3.3	2.3	2.4	2.4
Advanced foreign economies	1.6	1.4	2.2	2.0	.2	1.7	2.3	1.2	1.1	1.1
Canada	2.3	1.4	2.5	1.8	.8	2.2	2.9	1.9	1.6	1.6
Japan	-.7	.3	.5	1.0	-2.0	-.3	-.3	-.4	-.3	-.3
United Kingdom	2.1	2.7	2.1	3.9	2.2	3.4	4.7	1.7	1.8	1.8
Euro Area	2.3	1.8	2.9	2.3	.4	2.0	3.0	1.3	1.0	1.0
Germany	2.2	1.3	3.1	1.7	.3	1.6	2.9	1.9	1.5	1.5
Emerging market economies	3.0	2.9	5.1	4.6	2.1	4.3	4.4	3.2	3.2	3.2
Asia	2.5	2.4	5.5	3.6	1.3	4.3	4.7	3.0	3.0	3.0
Korea	2.5	2.1	3.4	4.5	2.4	3.2	4.2	3.0	3.0	3.0
China	1.4	2.1	6.7	2.5	.6	4.7	5.0	2.8	2.9	2.9
Latin America	3.8	4.2	4.2	6.7	3.9	4.4	3.8	3.9	3.7	3.7
Mexico	3.1	4.1	3.8	6.2	4.0	4.3	3.3	3.7	3.4	3.4
Brazil	6.1	3.2	4.3	6.2	4.2	5.4	7.2	5.2	5.1	5.1

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

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

**U.S. Current Account
Quarterly Data**

	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Billions of dollars, s.a.a.r.</i>												
U.S. current account balance	-478.4	-472.0	-390.7	-402.7	-439.8	-396.8	-416.6	-440.7	-477.6	-448.4	-463.9	-485.2
<i>Previous Tealbook</i>	-478.4	-472.0	-426.8	-416.4	-422.7	-376.4	-381.9	-390.2	-416.1	-386.0	-397.7	-416.4
Current account as percent of GDP	-3.2	-3.1	-2.6	-2.6	-2.8	-2.5	-2.6	-2.8	-3.0	-2.8	-2.8	-2.9
<i>Previous Tealbook</i>	-3.2	-3.1	-2.8	-2.7	-2.7	-2.4	-2.4	-2.4	-2.6	-2.4	-2.4	-2.5
Net goods & services	-559.9	-580.0	-534.6	-545.0	-577.7	-523.9	-527.0	-532.6	-554.0	-508.9	-501.9	-508.2
Investment income, net	219.5	253.5	279.5	279.6	273.7	258.9	245.6	229.3	212.2	192.4	173.3	160.3
Direct, net	315.9	339.3	352.7	333.4	316.2	302.9	291.8	280.9	271.4	259.6	249.1	244.8
Portfolio, net	-96.4	-85.8	-73.2	-53.8	-42.5	-43.9	-46.2	-51.6	-59.2	-67.2	-75.8	-84.5
Other income and transfers, net	-138.0	-145.5	-135.6	-137.3	-135.8	-131.9	-135.2	-137.3	-135.8	-131.9	-135.2	-137.3
<i>Annual Data</i>												
	2005	2006	2007	2008	2009	2010	2011	2012	2013			
U.S. current account balance	-745.8	800.6	710.3	-677.1	-376.6	-470.9	-435.9	-423.5	-468.8			
<i>Previous Tealbook</i>	-745.8	-800.6	-710.3	-677.1	-376.6	-470.9	-448.4	-423.5	-468.8	-404.1		
Current account as percent of GDP	-5.9	-6.0	-5.1	-4.7	-2.7	-3.2	-2.9	-2.7	-2.7	-2.7	-2.7	-2.9
<i>Previous Tealbook</i>	-5.9	-6.0	-5.1	-4.7	-2.7	-3.2	-3.0	-2.5	-2.5	-2.5	-2.5	-2.5
Net goods & services	-708.6	-753.3	-696.7	-698.3	-381.3	-500.0	-554.9	-540.3	-540.3	-518.2		
Investment income, net	78.7	54.7	111.1	157.8	137.1	174.5	258.0	251.9	251.9	184.5		
Direct, net	173.2	174.0	244.6	284.3	262.2	280.6	335.3	297.9	297.9	256.2		
Portfolio, net	-94.5	-119.4	-133.5	-126.5	-125.1	-106.2	-77.3	-46.1	-46.1	-71.7		
Other income and transfers, net	-115.9	-102.0	-124.7	-136.6	-132.3	-145.3	-139.1	-135.1	-135.1	-135.1		

Class I FOMC – Restricted Controlled (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



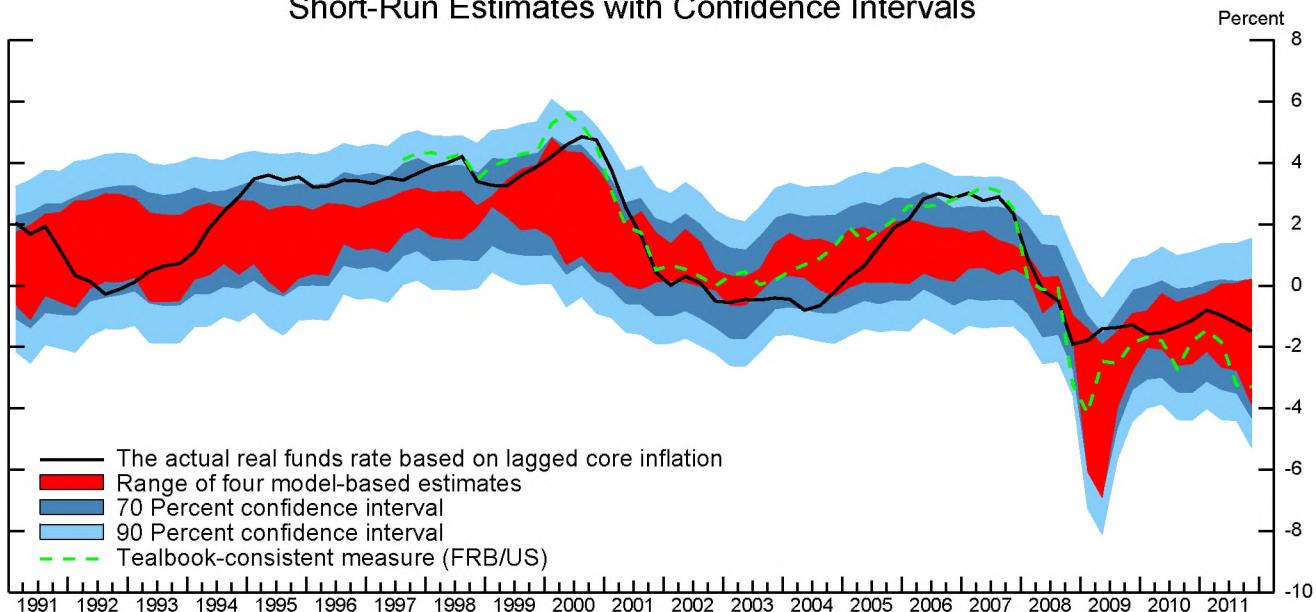
Book B Monetary Policy: Strategies and Alternatives

December 8, 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



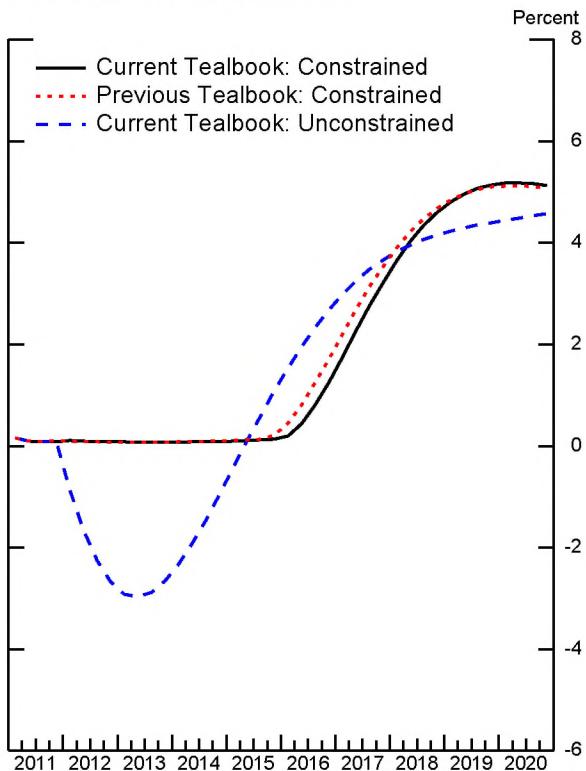
Short-Run and Medium-Run Measures

	Current Tealbook	Previous Tealbook
Short-Run Measures		
Single-equation model	-1.8	-2.2
Small structural model	-3.9	-4.2
EDO model	0.3	-0.3
FRB/US model	-3.1	-3.2
Confidence intervals for four model-based estimates		
70 percent confidence interval	-4.3 to 0.2	
90 percent confidence interval	-5.3 to 1.5	
Tealbook-consistent measures		
EDO model	-4.4	-4.3
FRB/US model	-3.3	-3.3
Medium-Run Measures		
Single-equation model	0.9	0.9
Small structural model	0.5	0.6
Confidence intervals for two model-based estimates		
70 percent confidence interval	-0.2 to 1.6	
90 percent confidence interval	-0.7 to 2.4	
TIPS-based factor model	1.7	1.8
Memo		
Actual real federal funds rate	-1.5	-1.5

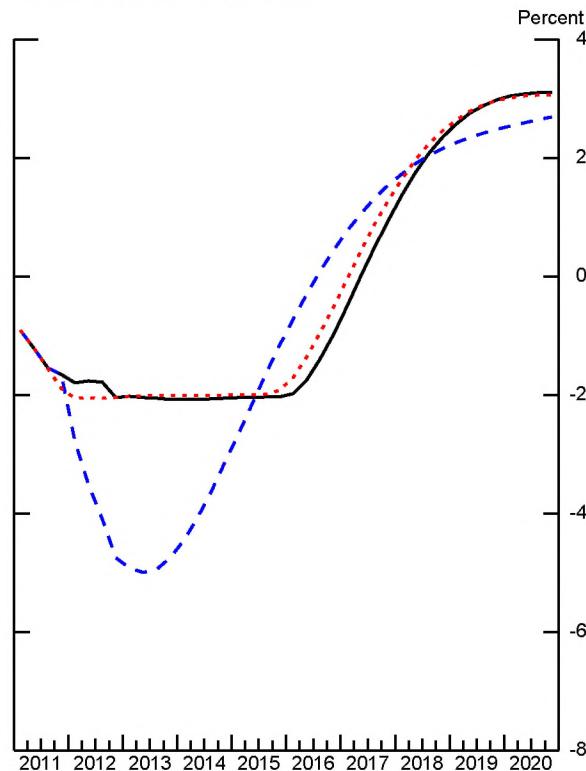
Note: Explanatory Note A provides background information regarding the construction of these measures and confidence intervals. The actual real federal funds rate shown is generated using lagged core inflation as a proxy for inflation expectations. For information regarding alternative measures, see Explanatory Note A.

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

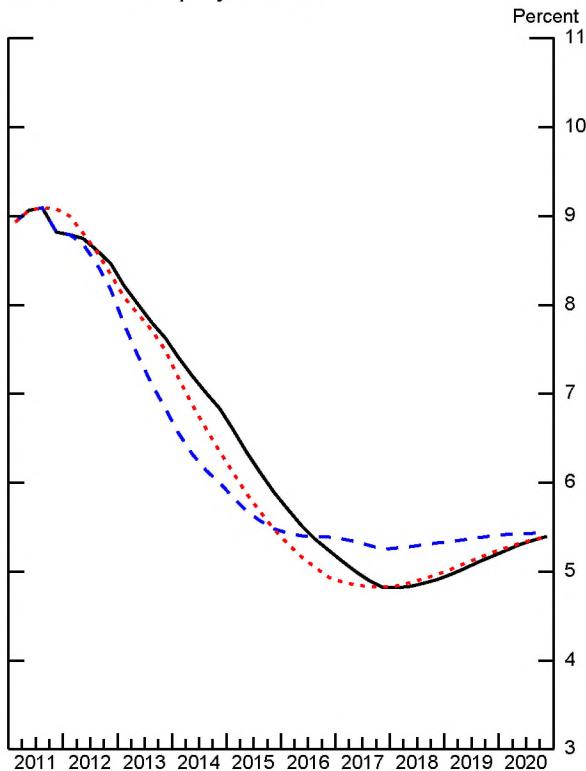
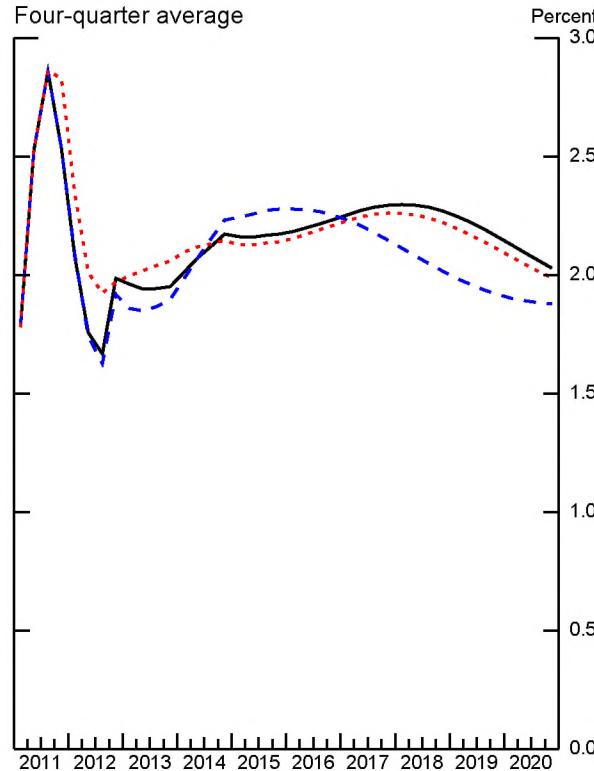
Nominal Federal Funds Rate



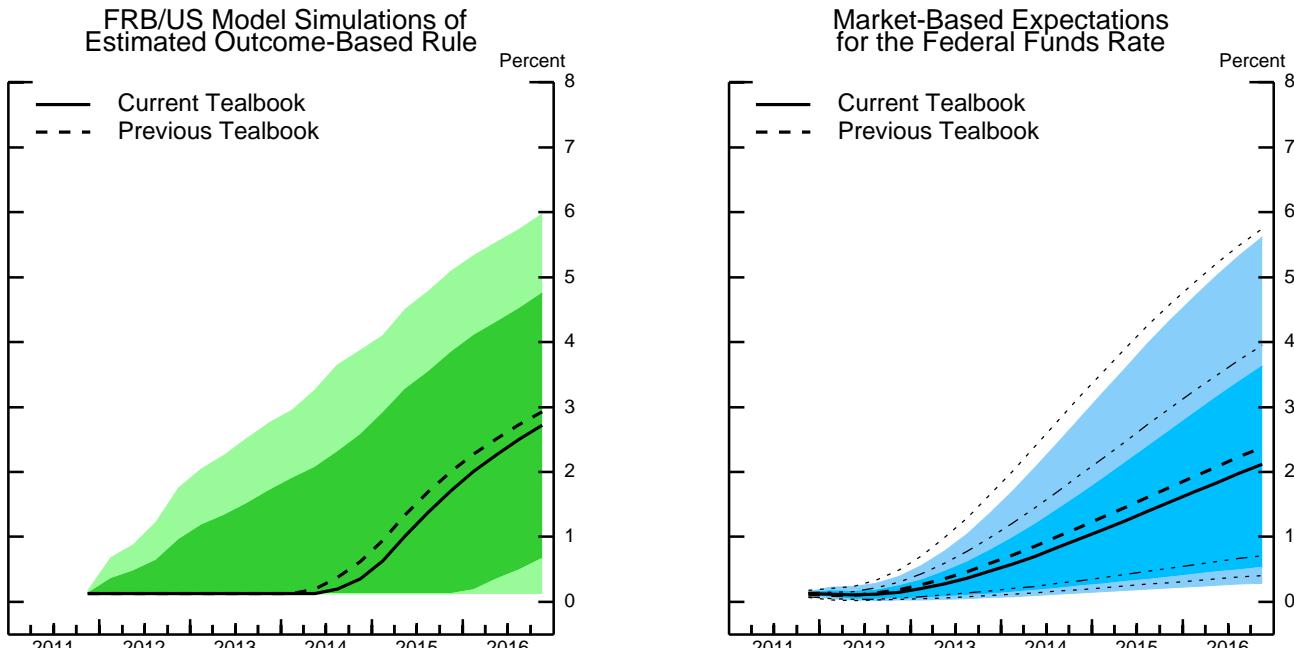
Real Federal Funds Rate



Civilian Unemployment Rate

PCE Inflation
Four-quarter average

Policy Rules and Market-Based Expectations for the Federal Funds Rate



Note: The staff baseline projection for the federal funds rate is derived from the outcome-based policy rule shown in the top-left panel. The top-right panel depicts the mean path and confidence intervals of future federal funds rates derived from market quotes as of December 7. In both panels, dark and light shadings represent the 70 and 90 percent confidence intervals respectively. Explanatory Note B provides further background information.

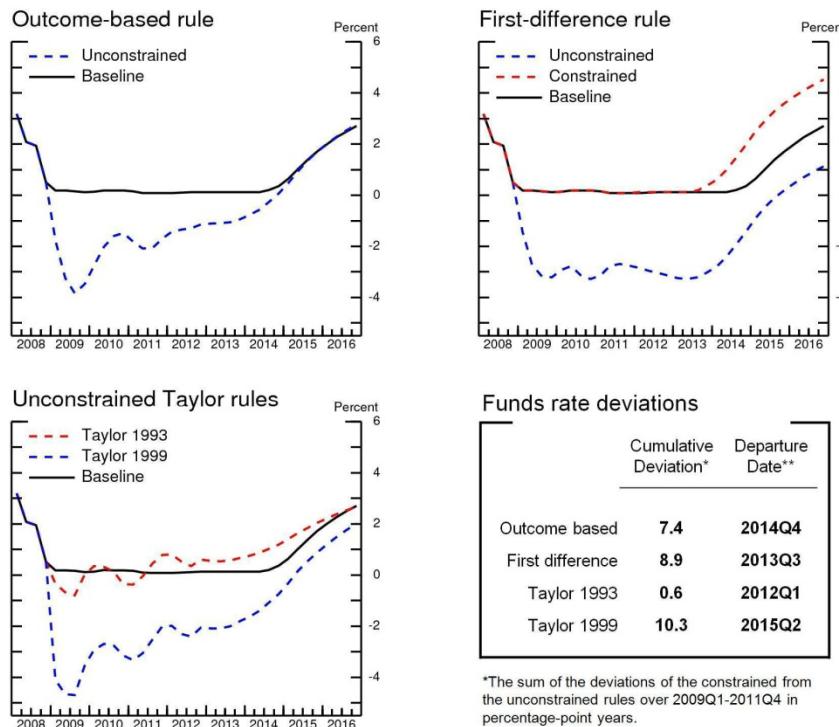
Near-Term Prescriptions of Simple Policy Rules

	Constrained Policy		Unconstrained Policy	
	2012Q1	2012Q2	2012Q1	2012Q2
Taylor (1993) rule	0.90	0.59	0.90	0.59
<i>Previous Tealbook</i>	0.86	0.62	0.86	0.62
Taylor (1999) rule	0.13	0.13	-1.82	-2.15
<i>Previous Tealbook</i>	0.13	0.13	-2.09	-2.28
Estimated outcome-based rule	0.13	0.13	-0.11	-0.42
<i>Previous Tealbook Outlook</i>	0.13	0.13	-0.12	-0.39
Estimated forecast-based rule	0.13	0.13	-0.27	-0.61
<i>Previous Tealbook Outlook</i>	0.13	0.13	-0.24	-0.60
First-difference rule	0.13	0.13	-0.02	-0.14
<i>Previous Tealbook Outlook</i>	0.13	0.13	0.03	0.01
 Memo			<u>2012Q1</u>	<u>2012Q2</u>
Staff assumption			0.08	0.10
Fed funds futures			0.10	0.13
Median expectation of primary dealers			0.13	0.13
Blue Chip forecast (December 1, 2011)			0.10	0.10

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. For rules which 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 quarter.

Policy Rule Prescriptions and the Lower Bound on Interest Rates

Since late 2008, the lower bound on nominal interest rates has kept the federal funds rate above the prescriptions of almost all of the simple policy rules reported in the Tealbook. This fact is illustrated in the figures below, which show with blue lines the unconstrained prescriptions of the outcome-based rule (upper-left panel), the first-difference rule (upper-right panel), and the Taylor 1999 rule (lower-left panel).¹ The unconstrained prescriptions of these three rules have been markedly below the actual funds rate since early 2009, and are projected to remain so through 2014. In contrast, the Taylor 1993 rule (the red line in the lower-left panel), because of its weaker response to economic slack, has consistently prescribed levels of the funds rate close to actual values.²



*The sum of the deviations of the constrained from the unconstrained rules over 2009Q1-2011Q4 in percentage-point years.

**The date that the unadjusted, constrained rule rises above the effective lower bound.

In the research literature, a standard response to the lower bound problem is to substitute future policy accommodation for the easing that would have occurred in the absence of the lower bound. Prior research suggests that one way to achieve this outcome is to promise to make up, over time, some or all of the deviations from the rule that result from hitting the lower bound, as economic circumstances and the easing of the constraint allow.

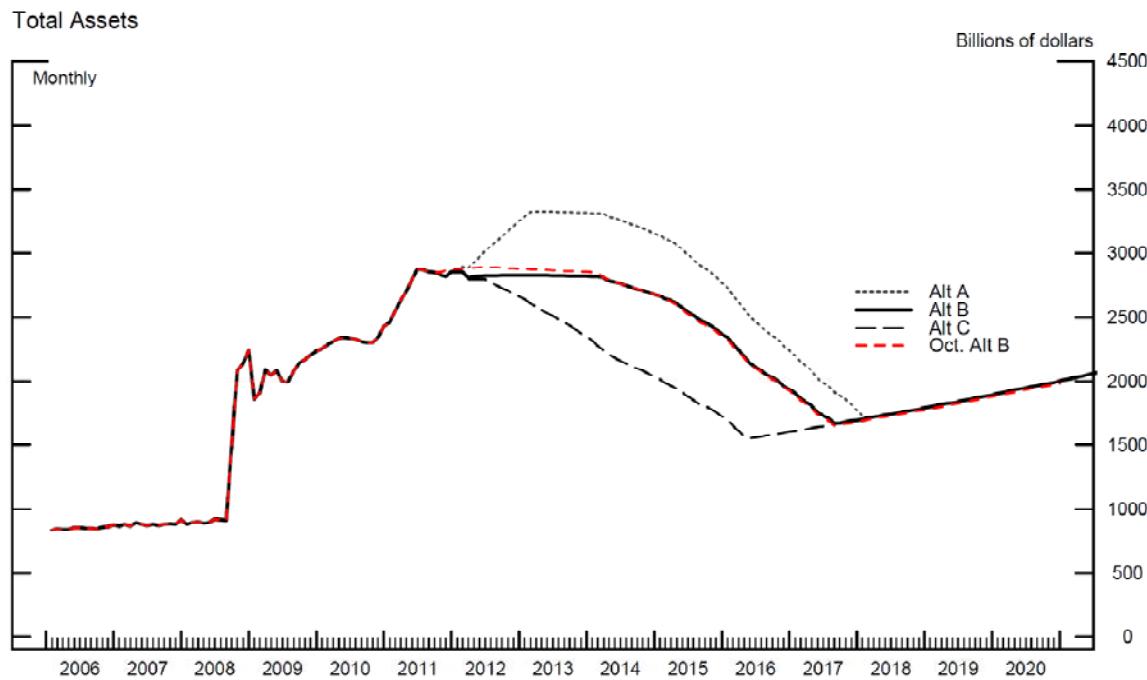
¹ The rules used in this box are described in Explanatory Note B. The unconstrained prescriptions of the outcome-based and first-difference rules are dynamically simulated from 2008Q4, while those reported in the Monetary Policy Strategies section of Tealbook B are calculated using the actual lagged federal funds rate from the most recent quarter.

² The staff's baseline forecast incorporates the effects of the large-scale asset purchase program that was completed at the end of June, as well as the effects of the maturity extension program and the modifications to the Federal Reserve's investment policies announced in September. No adjustment is made to the intercept or coefficient terms of the simple rules to account for these policies.

LONG-RUN PROJECTIONS OF THE BALANCE SHEET AND MONETARY BASE

The staff has prepared three scenarios for the Federal Reserve's balance sheet that correspond to the policy alternatives A, B, and C. The scenario for Alternative A reflects the \$500 billion agency MBS purchase program included in paragraph 3, but is consistent with the open-ended purchase program in paragraph 3' if purchases last, and are expected to last, for one year. Projections under each scenario are based on assumptions about the trajectory of various components of the balance sheet. Details of these assumptions, as well as projections for each major component of the balance sheet, can be found in Explanatory Note C.

Alternatives



For the balance sheet scenario that corresponds to Alternative B, the Committee is assumed to complete the maturity extension program (MEP) that it announced in September, purchasing a total of \$400 billion (par value) of Treasury securities with remaining maturities of six years or more and selling the same par amount of securities with remaining maturities of three years or less by the end of June 2012. The Committee also continues to reinvest principal payments from its holdings of agency debt and MBS into agency MBS, while principal from maturing Treasury securities is reinvested at auction according to the Desk's current practice (that is, reinvesting roughly proportionally across all Treasury securities that are being issued on the date the securities mature). These policy choices would keep System Open Market Account

Date	Growth Rates for the Monetary Base			<i>Memo :</i> October Tealbook
	Alternative B	Alternative A	Alternative C	
Percent, annual rate				
				Monthly
Jan-11	23.3	23.3	23.3	23.3
Feb-11	57.6	57.6	57.6	57.6
Mar-11	97.8	97.8	97.8	97.8
Apr-11	74.4	74.4	74.4	74.4
May-11	42.1	42.1	42.1	42.1
Jun-11	35.9	35.9	35.9	35.9
Jul-11	27.0	27.0	27.0	27.0
Aug-11	2.0	2.0	2.0	2.0
Sep-11	-10.6	-10.6	-10.6	-10.5
Oct-11	-4.5	-4.5	-4.5	1.5
Nov-11	-8.0	-8.0	-8.0	10.6
Dec-11	12.1	11.9	11.5	0.8
Jan-12	15.1	16.5	14.0	-8.8
Feb-12	10.3	18.8	9.2	9.8
Mar-12	4.4	19.8	3.4	16.6
Apr-12	-29.5	-12.1	-31.2	3.5
May-12	0.9	18.0	-1.4	3.3
Jun-12	15.4	31.6	13.2	3.2
Quarterly				
2011 Q1	36.8	36.8	36.8	36.8
2011 Q2	69.3	69.3	69.3	69.4
2011 Q3	21.0	21.0	21.0	21.1
2011 Q4	-4.1	-4.1	-4.1	0.8
2012 Q1	9.7	13.8	8.8	2.4
2012 Q2	-5.9	10.0	-7.6	7.1
2012 Q3	4.7	21.2	-2.2	2.0
2012 Q4	5.4	20.7	-4.9	0.8
Annual - Q4 to Q4				
2010	0.9	0.9	0.9	0.9
2011	33.5	33.5	33.5	35.2
2012	3.5	17.4	-1.5	3.1
2013	0.5	4.7	-10.8	-0.8
2014	-4.8	-4.5	-14.6	-6.1
2015	-11.3	-11.9	-15.8	-12.2
2016	-19.6	-20.1	-11.7	-19.9

Note: Not seasonally adjusted.

The staff forecasts that M2, which has expanded at a robust rate in 2011, will grow at a pace broadly in line with that of nominal income in 2012 as heightened uncertainty about European financial developments, a moderate growth outlook, and very low short-term market interest rates keep investors from unwinding their current elevated M2 asset allocations. Subsequently, M2 growth slows to a pace slightly below that of nominal GDP as financial strains begin to fade and investors slowly shift their portfolios toward riskier assets. M2 growth in 2013 is also held down by the expiration of unlimited FDIC insurance on non-interest bearing demand deposits at the end of 2012. Currency is projected to expand at its historical average rate throughout the forecast period.

Growth Rates for M2	
(Percent, seasonally adjusted annual rate)	
Monthly Growth Rates	Tealbook Forecast*
Apr-11	4.3
May-11	6.9
Jun-11	11.6
Jul-11	26.6
Aug-11	30.0
Sep-11	6.0
Oct-11	3.7
Nov-11	4.8
Dec-11	5.0
Jan-12	3.3
Feb-12	3.3
Mar-12	3.3
Quarterly Growth Rates	
2011 Q2	6.0
2011 Q3	19.9
2011 Q4	7.5
2012 Q1	3.8
Annual Growth Rates	
2010	3.2
2011	9.9
2012	3.9
2013	3.1

* This forecast is consistent with nominal GDP and interest rates in the Tealbook forecast. Actual data through November 2011; projections thereafter.

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

Billions of dollars

	<u>Nov 30, 2011</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,817	3,252	3,158	2,240	1,793	2,002
Selected assets						
Liquidity programs for financial firms	3	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	2	0	0	0	0	0
Lending through other credit facilities	10	4	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	10	4	0	0	0	0
Support for specific institutions	38	29	21	11	7	4
Credit extended to AIG	0	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	38	29	21	11	7	4
Securities held outright	2,605	3,030	2,979	2,098	1,674	1,896
U.S. Treasury securities	1,672	1,662	1,611	1,238	1,347	1,896
Agency debt securities	106	77	39	16	2	0
Agency mortgage-backed securities	827	1,291	1,330	843	324	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	161	188	157	130	112	103
Total liabilities	2,763	3,182	3,066	2,117	1,630	1,788
Selected liabilities						
Federal Reserve notes in circulation	1,020	1,090	1,217	1,365	1,515	1,673
Reverse repurchase agreements	93	70	70	70	70	70
Deposits with Federal Reserve Banks	1,578	2,006	1,762	666	30	30
Reserve balances held by depository institutions	1,492	1,988	1,757	661	25	25
U.S. Treasury, General Account	86	17	5	5	5	5
U.S. Treasury, Supplementary Financing Account	0	0	0	0	0	0
Other balances	0	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	1	0	0	0	0	0
Total capital	54	70	93	123	162	215

Explanatory Notes

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

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

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

Billions of dollars

	<u>Nov 30, 2011</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,817	2,828	2,680	1,934	1,793	2,002
Selected assets						
Liquidity programs for financial firms	3	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	2	0	0	0	0	0
Lending through other credit facilities	10	4	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	10	4	0	0	0	0
Support for specific institutions	38	29	21	11	7	4
Credit extended to AIG	0	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	38	29	21	11	7	4
Securities held outright	2,605	2,610	2,504	1,795	1,675	1,897
U.S. Treasury securities	1,672	1,662	1,611	1,238	1,465	1,897
Agency debt securities	106	77	39	16	2	0
Agency mortgage-backed securities	827	871	855	540	208	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	161	185	154	128	110	101
Total liabilities	2,763	2,758	2,587	1,811	1,630	1,788
Selected liabilities						
Federal Reserve notes in circulation	1,020	1,090	1,217	1,365	1,515	1,673
Reverse repurchase agreements	93	70	70	70	70	70
Deposits with Federal Reserve Banks	1,578	1,582	1,284	361	30	30
Reserve balances held by depository institutions	1,492	1,564	1,279	356	25	25
U.S. Treasury, General Account	86	17	5	5	5	5
U.S. Treasury, Supplementary Financing Account	0	0	0	0	0	0
Other balances	0	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	1	0	0	0	0	0
Total capital	54	70	93	123	162	215

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>Nov 30, 2011</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,817	2,662	2,038	1,603	1,793	2,002
Selected assets						
Liquidity programs for financial firms	3	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	2	0	0	0	0	0
Lending through other credit facilities	10	4	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	10	4	0	0	0	0
Support for specific institutions	38	29	16	11	7	4
Credit extended to AIG	0	0	0	0	0	0
Net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC	38	29	16	11	7	4
Securities held outright	2,605	2,469	1,890	1,482	1,689	1,908
U.S. Treasury securities	1,672	1,598	1,338	1,246	1,689	1,908
Agency debt securities	106	77	39	16	0	0
Agency mortgage-backed securities	827	794	513	220	0	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	161	159	131	110	97	90
Total liabilities	2,763	2,592	1,945	1,481	1,630	1,788
Selected liabilities						
Federal Reserve notes in circulation	1,020	1,090	1,217	1,365	1,515	1,673
Reverse repurchase agreements	93	70	70	70	70	70
Deposits with Federal Reserve Banks	1,578	1,416	642	30	30	30
Reserve balances held by depository institutions	1,492	1,398	637	25	25	25
U.S. Treasury, General Account	86	17	5	5	5	5
U.S. Treasury, Supplementary Financing Account	0	0	0	0	0	0
Other balances	0	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	1	0	0	0	0	0
Total capital	54	70	93	123	162	215

Explanatory Notes

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

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