

### **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)

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# Report to the FOMC on Economic Conditions and Monetary Policy



## Book A

### Economic and Financial Conditions: Current Situation and Outlook

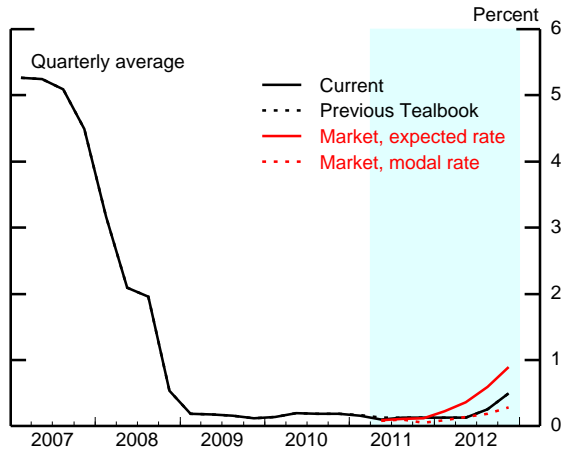
April 20, 2011

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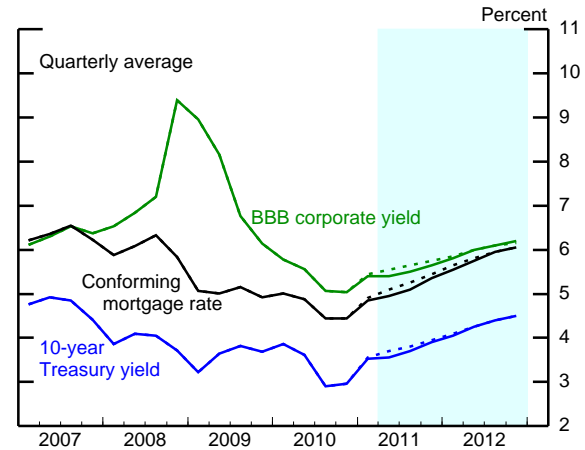
Prepared for the Federal Open Market Committee  
by the staff of the Board of Governors of the Federal Reserve System

## Key Background Factors underlying the Baseline Staff Projection

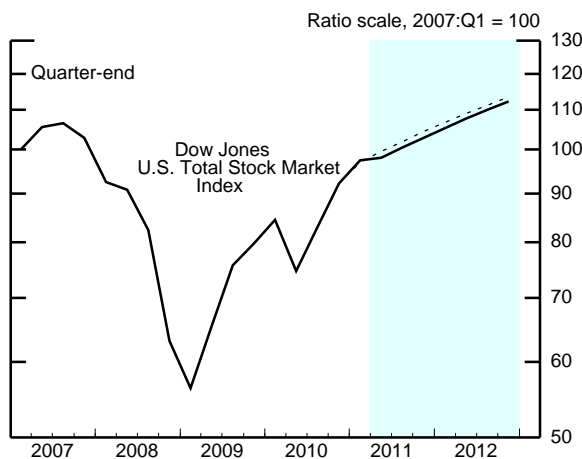
Federal Funds Rate



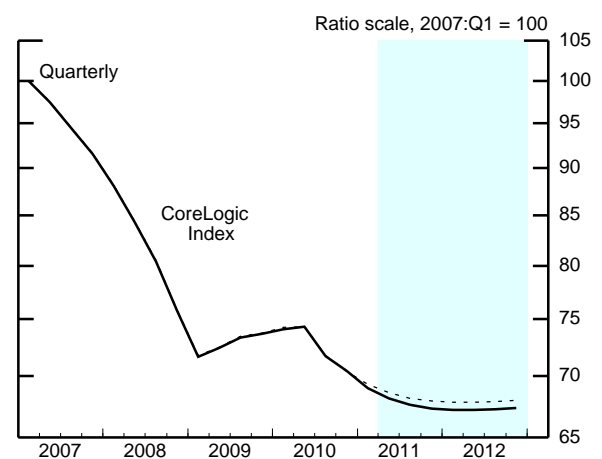
Long-Term Interest Rates



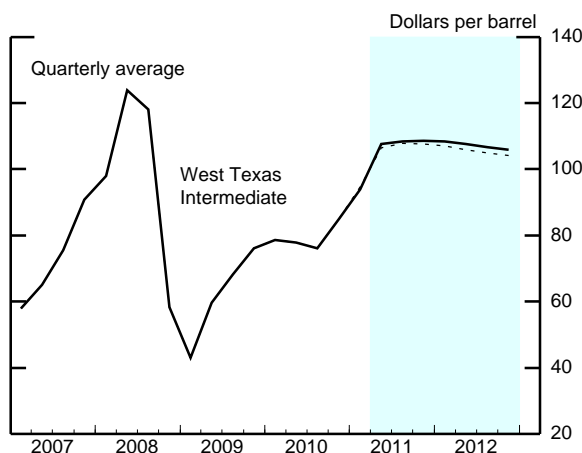
Equity Prices



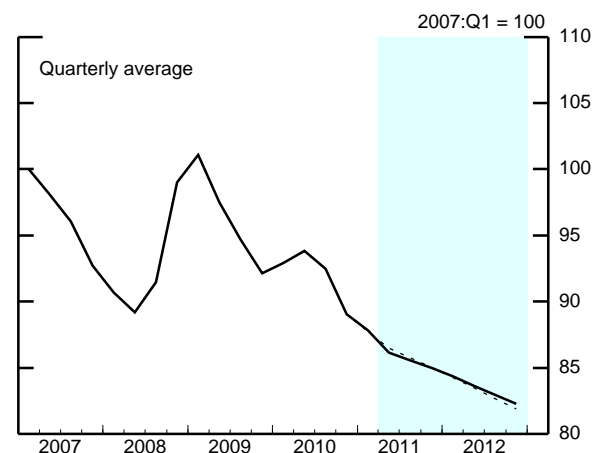
House Prices



Crude Oil Prices



Broad Real Dollar

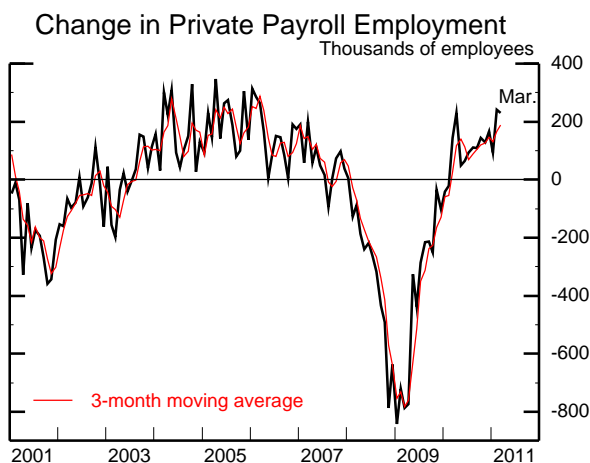


Note: In the upper-left panel that reports the federal funds rate, the black dotted line is not apparent because the federal funds rate in the March and the current Tealbooks are the same.

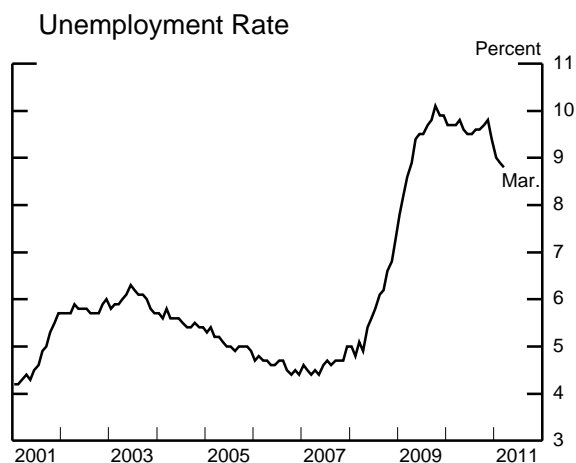
**Summary of the Near-Term Outlook**  
(Percent change at annual rate except as noted)

Measure	2011:Q1		2011:Q2		2011:Q3	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
<b>Real GDP</b>	<b>3.2</b>	<b>1.7</b>	<b>3.8</b>	<b>3.1</b>	<b>3.9</b>	<b>4.1</b>
Private domestic final purchases	3.0	2.3	4.2	3.6	4.4	3.8
Personal consumption expenditures	2.5	2.5	3.5	3.0	3.5	3.1
Residential investment	3.7	-1.8	7.3	.4	10.9	2.6
Nonres. structures	-10.4	-17.3	-.9	-1.4	-.9	-.7
Equipment and software	12.7	10.1	12.5	12.2	13.2	12.6
Federal purchases	-4.7	-11.5	4.6	8.0	2.0	3.9
State and local purchases	-2.1	-3.9	-.7	-1.2	-.2	-.4
Contribution to change in real GDP (percentage points)						
Inventory investment	1.1	1.1	.1	-.3	.3	1.1
Net exports	.2	.1	-.1	-.1	-.1	-.4

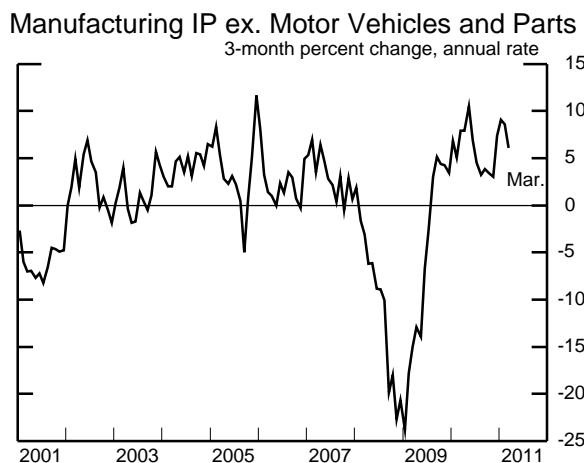
**Recent Nonfinancial Developments (1)**



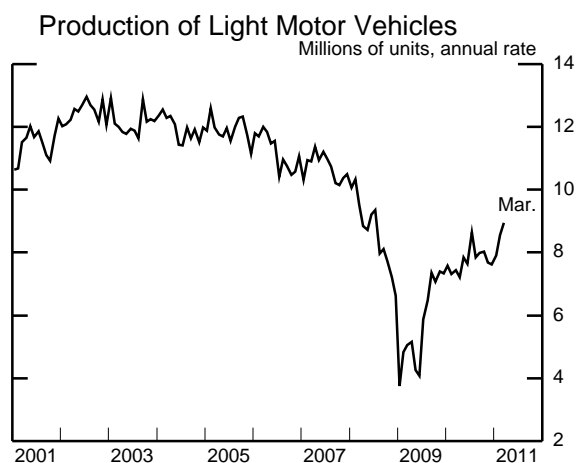
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.



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



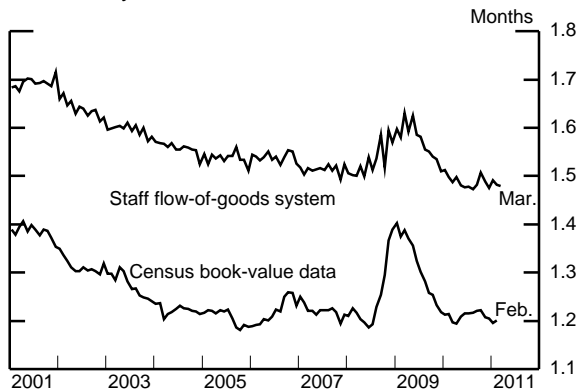
Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."



Source: Ward's Auto Infobank.

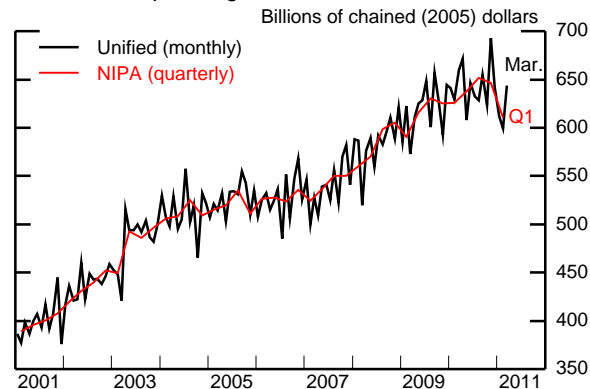
## Recent Nonfinancial Developments (3)

Inventory Ratios ex. Motor Vehicles



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

Defense Spending



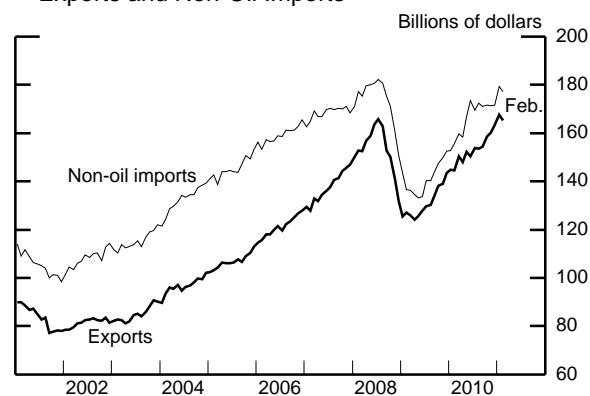
Note: The unified series is seasonally adjusted and deflated by BEA prices. The NIPA series excludes the consumption of fixed capital.  
Source: *Monthly Treasury Statement*; U.S. Dept. of Commerce, Bureau of Economic Analysis.

Trade Balance



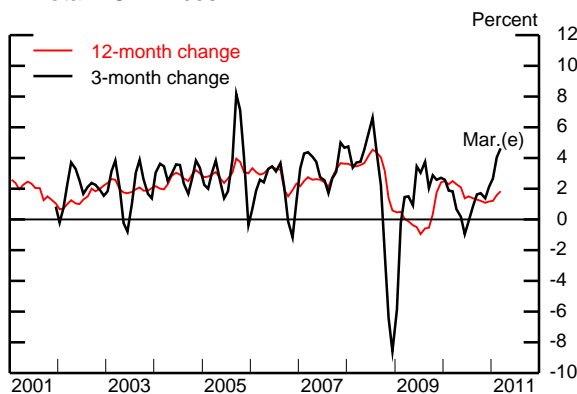
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; U.S. Census Bureau.

Exports and Non-Oil Imports



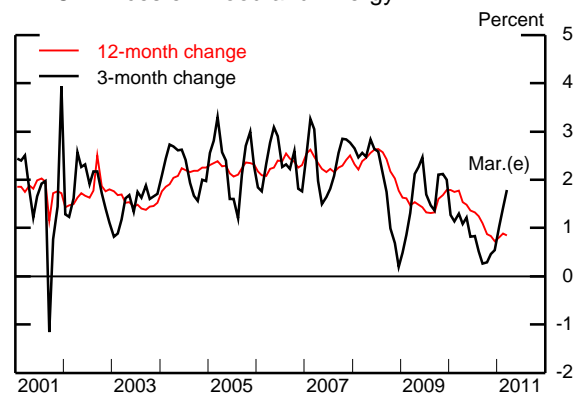
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; U.S. Census Bureau.

Total PCE Prices



Note: 3-month changes are at an annual rate.  
e Staff estimate.  
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices ex. Food and Energy

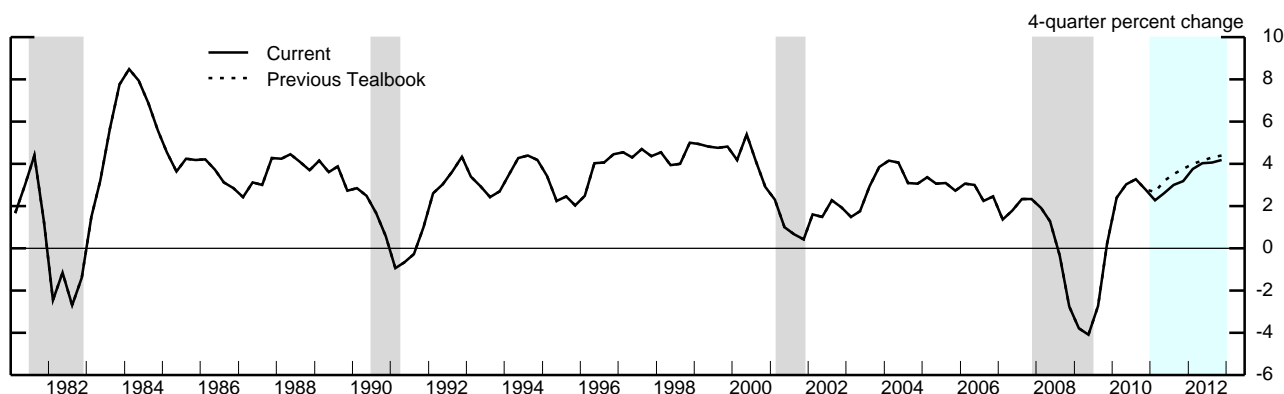


Note: 3-month changes are at an annual rate.  
e Staff estimate.  
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

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

Measure	2010	2011		2012
		H1	H2	
<b>Real GDP</b>	<b>2.8</b>	<b>2.4</b>	<b>4.0</b>	<b>4.2</b>
Previous Tealbook	2.8	3.5	4.0	4.4
Final sales	2.4	1.9	3.9	3.9
Previous Tealbook	2.4	2.9	4.3	4.1
Personal consumption expenditures	2.6	2.8	3.1	3.7
Previous Tealbook	2.6	3.0	3.5	3.9
Residential investment	-4.6	-.7	4.0	8.7
Previous Tealbook	-4.7	5.5	11.5	13.4
Nonresidential structures	-4.0	-9.7	.0	-.4
Previous Tealbook	-4.2	-5.7	-.2	-.1
Equipment and software	16.9	11.1	13.0	9.1
Previous Tealbook	16.6	12.6	13.4	9.6
Federal purchases	4.8	-2.2	1.7	-.8
Previous Tealbook	4.8	-.2	.8	-.8
State and local purchases	-1.3	-2.6	-.3	.4
Previous Tealbook	-1.3	-1.4	-.1	.5
Exports	9.0	7.6	9.4	9.0
Previous Tealbook	9.2	10.9	9.1	9.0
Imports	11.0	6.0	3.9	5.1
Previous Tealbook	11.0	8.0	3.8	5.5
Contributions to change in real GDP (percentage points)				
Inventory change	.4	.4	.0	.3
Previous Tealbook	.4	.6	-.3	.3
Net exports	-.6	.0	.6	.4
Previous Tealbook	-.5	.1	.6	.3

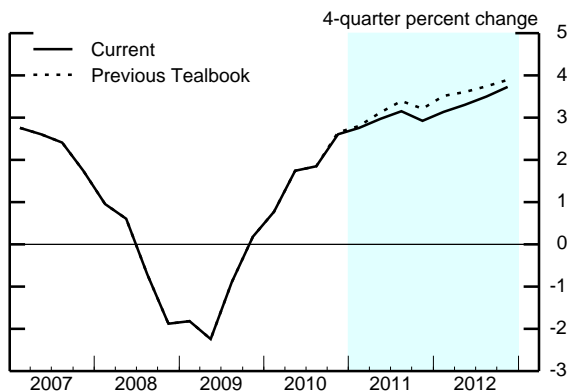
### Real GDP



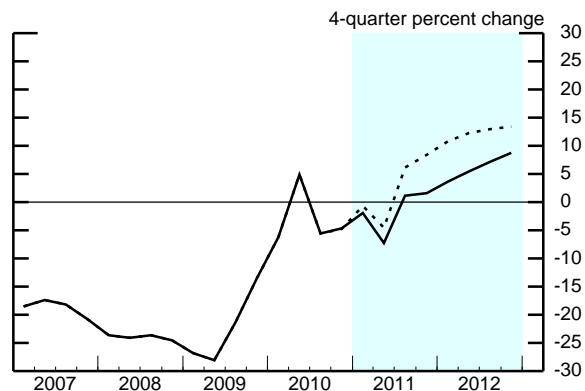
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.  
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Components of Final Demand

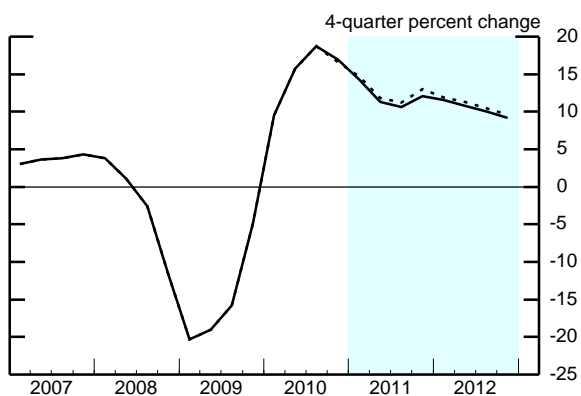
Personal Consumption Expenditures



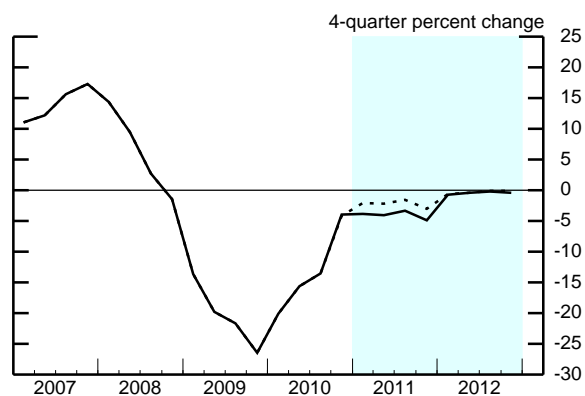
Residential Investment



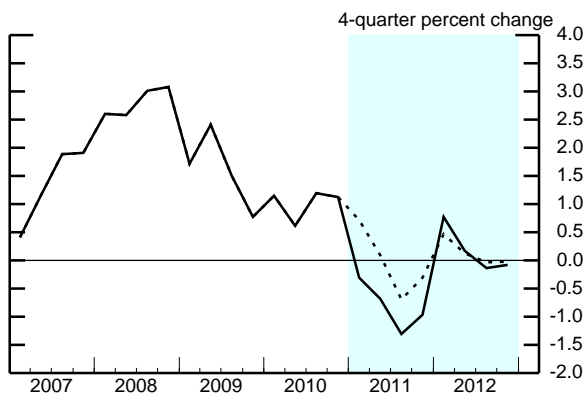
Equipment and Software



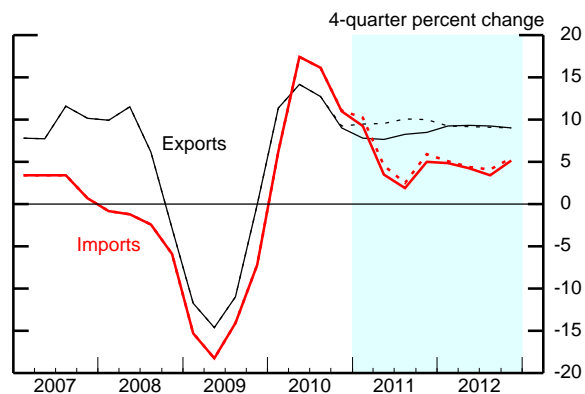
Nonresidential Structures



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)

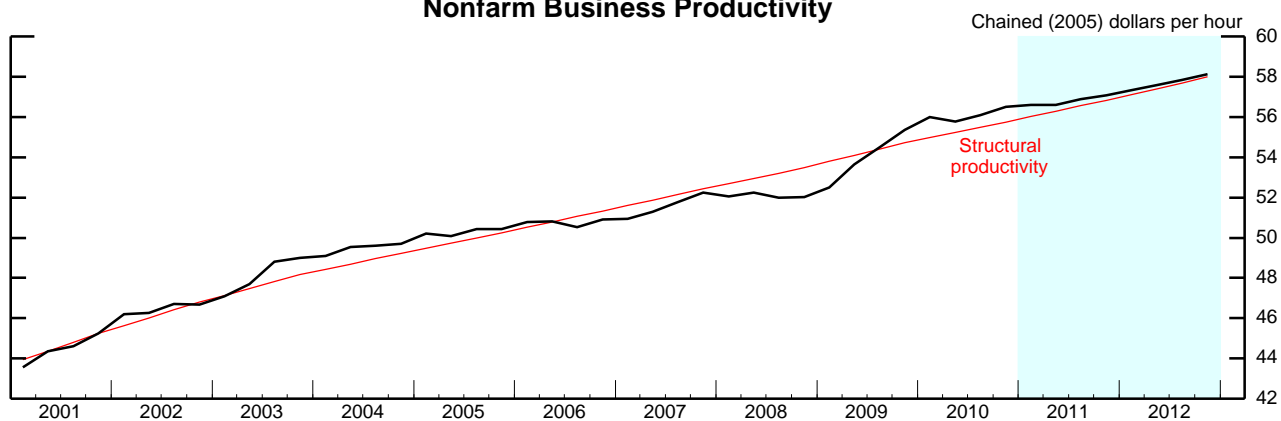
Measure	1974-1995	1996-2000	2001-2008	2009	2010	2011	2012
Potential GDP	3.0	3.5	2.7	2.0	2.0	2.3	2.5
Previous Tealbook	3.0	3.5	2.7	2.0	2.1	2.4	2.6
<i>Selected contributions<sup>1</sup></i>							
Structural labor productivity	1.5	2.7	2.5	2.3	1.9	1.9	2.0
Previous Tealbook	1.5	2.7	2.5	2.3	2.0	2.0	2.1
Capital deepening	.7	1.5	.7	.3	.4	.6	.8
Previous Tealbook	.7	1.5	.7	.4	.5	.7	.9
Multifactor productivity	.5	.9	1.6	1.9	1.3	1.2	1.2
Previous Tealbook	.5	.9	1.6	1.8	1.3	1.2	1.2
Trend hours	1.5	1.0	.8	-.1	.5	.6	.7
Previous Tealbook	1.5	1.1	.8	-.1	.5	.6	.7
Labor force participation	.4	.0	-.2	-.3	-.4	-.3	-.2
Previous Tealbook	.4	.0	-.2	-.3	-.4	-.3	-.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.

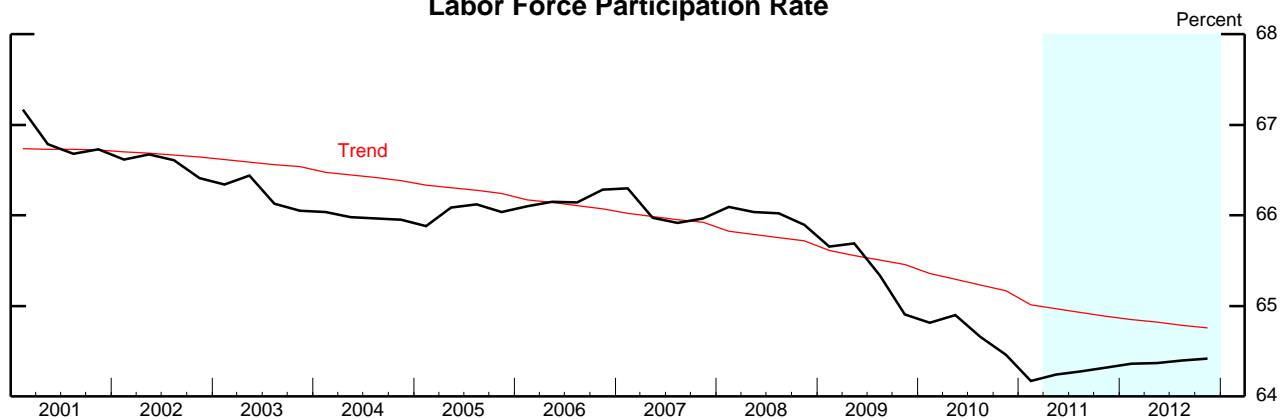
1. Percentage points.

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	6.5	2.0	1.1	1.8
Previous Tealbook	6.5	2.0	1.4	1.7
Nonfarm private employment	-5.0	.9	2.5	2.9
Previous Tealbook	-5.0	.9	2.4	3.2
Labor force participation rate <sup>1</sup>	64.9	64.5	64.3	64.4
Previous Tealbook	64.9	64.5	64.3	64.4
Civilian unemployment rate <sup>1</sup>	10.0	9.6	8.7	7.7
Previous Tealbook	10.0	9.6	8.6	7.5
Memo: GDP gap <sup>2</sup>	-6.6	-5.9	-5.0	-3.5
Previous Tealbook	-6.6	-5.9	-4.7	-3.0

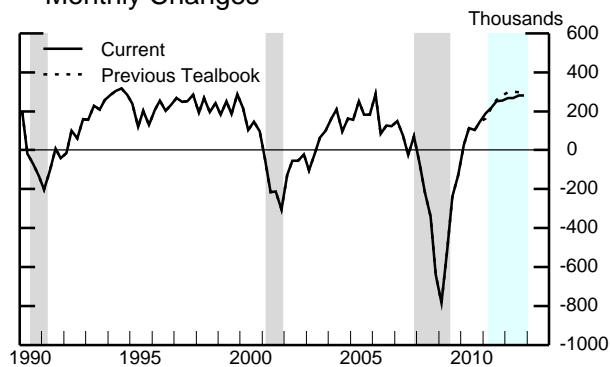
Note: A negative number indicates that the economy is operating below potential.

1. Percent, average for the fourth quarter.

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

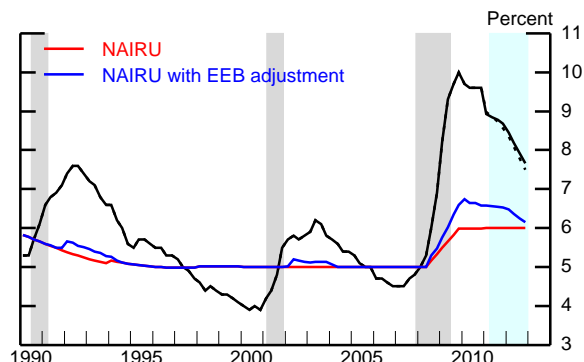
Source: U.S. Department of Labor, Bureau of Labor Statistics; staff assumptions.

Private Payroll Employment, Average  
Monthly Changes



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

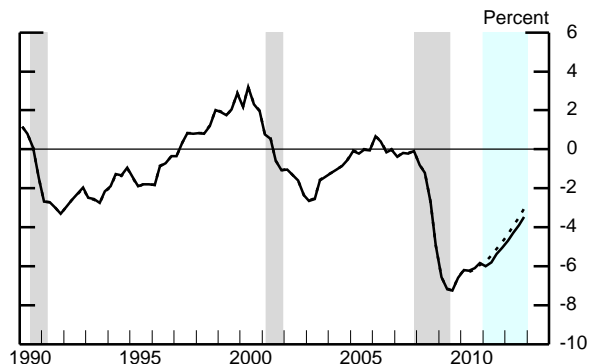
Unemployment Rate



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

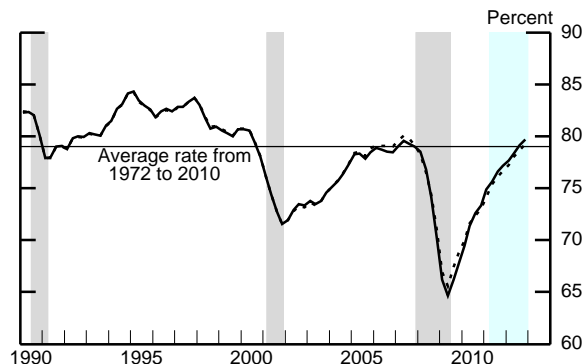


Note: The GDP gap is the percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

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



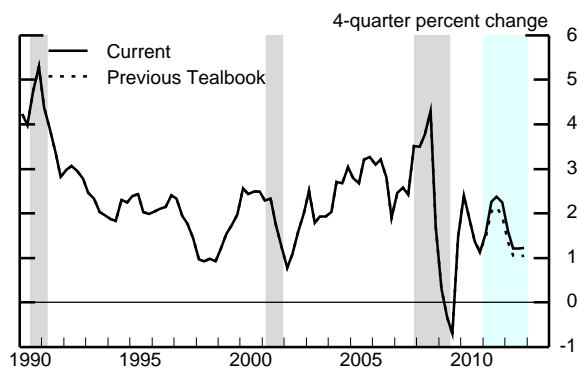
Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

### Inflation Projections (Percent change, Q4 to Q4)

Measure	2009	2010	2011	2012
PCE chain-weighted price index	1.5	1.1	2.2	1.2
Previous Tealbook	1.5	1.2	1.9	1.1
Food and beverages	-1.6	1.3	4.3	1.4
Previous Tealbook	-1.6	1.3	3.4	1.3
Energy	2.7	5.9	12.9	-1.1
Previous Tealbook	2.7	5.9	11.0	-1.3
Excluding food and energy	1.7	.8	1.4	1.4
Previous Tealbook	1.7	.8	1.2	1.2
Prices of core goods imports <sup>1</sup>	-1.9	2.7	4.9	1.4
Previous Tealbook	-1.9	2.7	4.6	1.4

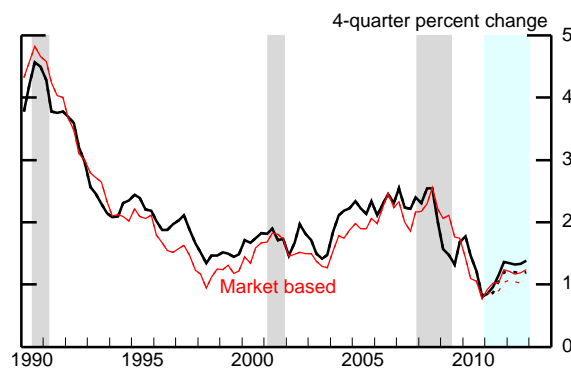
1. Core goods imports exclude computers, semiconductors, oil, and natural gas.  
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE Prices



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

PCE Prices ex. Food and Energy



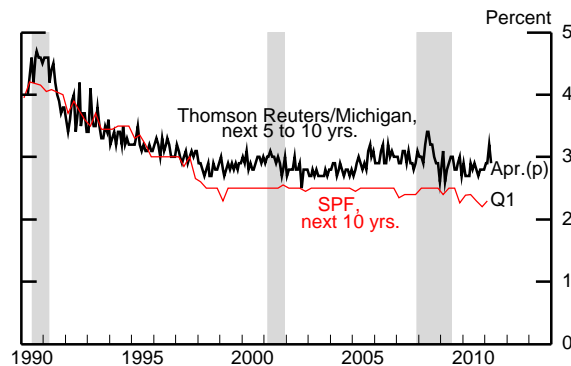
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

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.

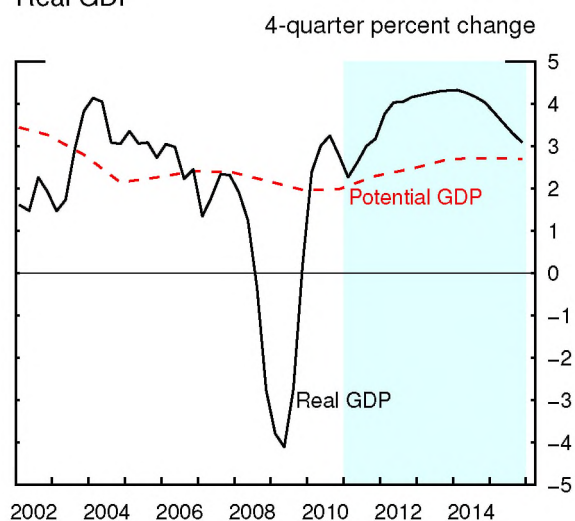
## The Long-Term Outlook

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

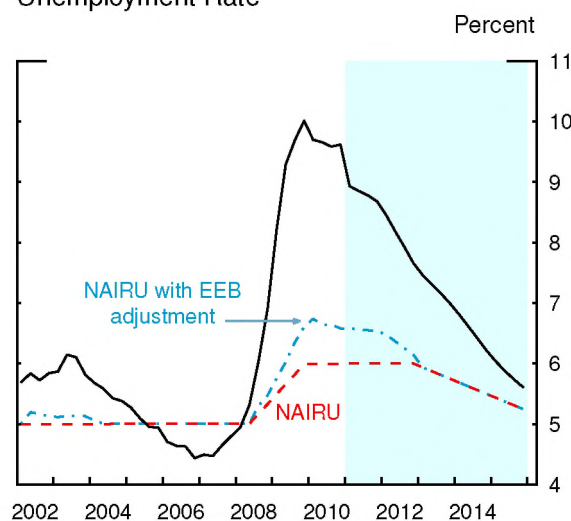
Item	2010	2011	2012	2013	2014	2015
Real GDP	2.8	3.2	4.2	4.3	4.0	3.1
Civilian unemployment rate <sup>1</sup>	9.6	8.7	7.7	7.0	6.2	5.6
PCE prices, total	1.1	2.2	1.2	1.5	1.6	1.7
Core PCE prices	.8	1.4	1.4	1.5	1.6	1.7
Federal funds rate <sup>1</sup>	.2	.1	.5	2.0	3.3	3.8
10-year Treasury yield <sup>1</sup>	3.0	3.9	4.5	4.8	5.0	5.0

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

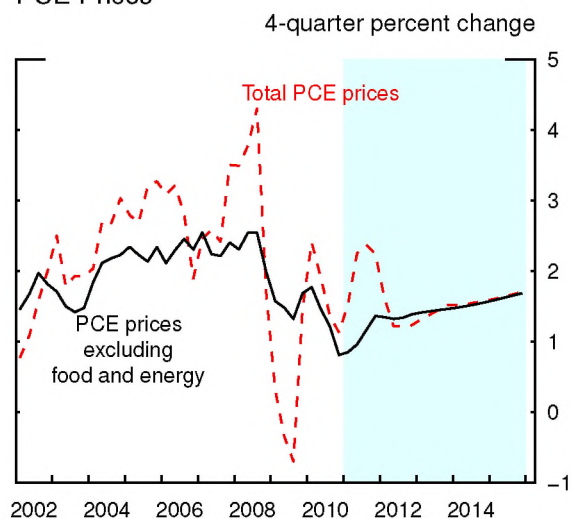
Real GDP



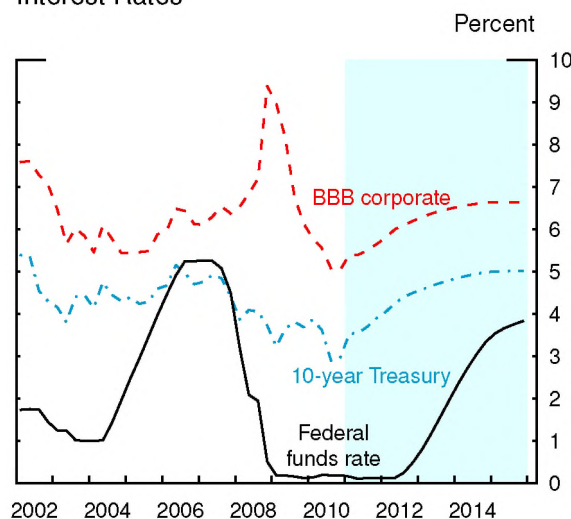
Unemployment Rate



PCE Prices



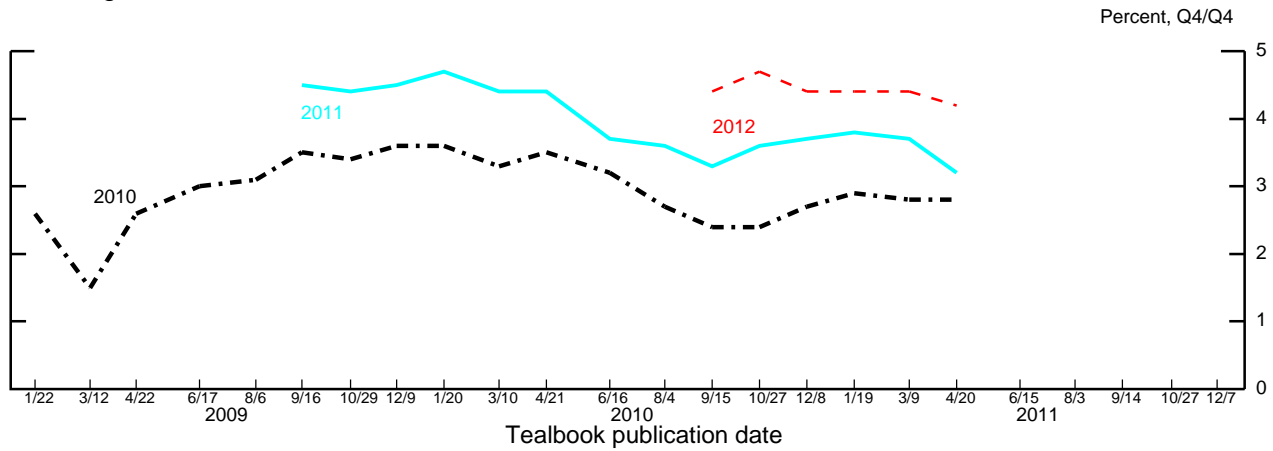
Interest Rates



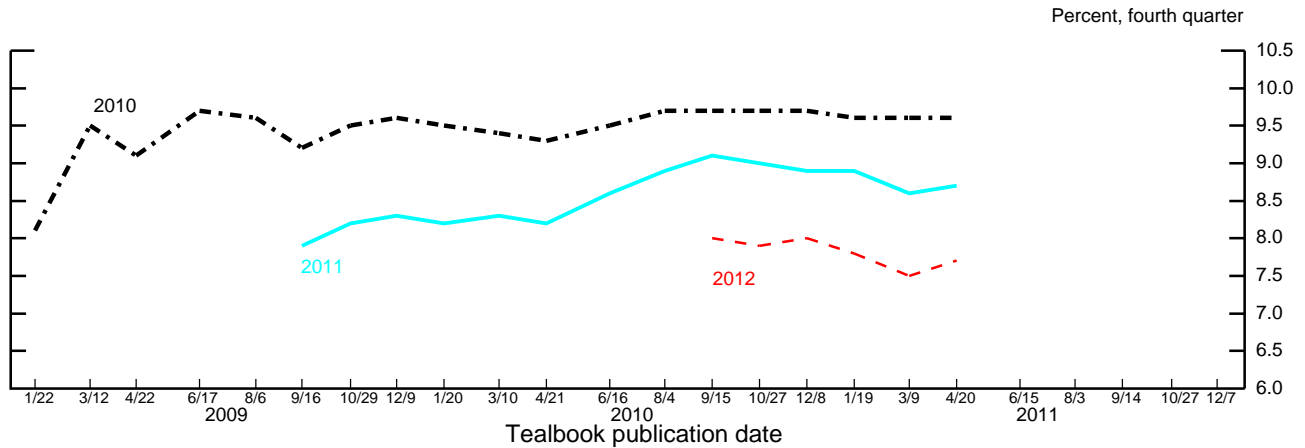
Note: In each panel, shading represents the projection period.

## Evolution of the Staff Forecast

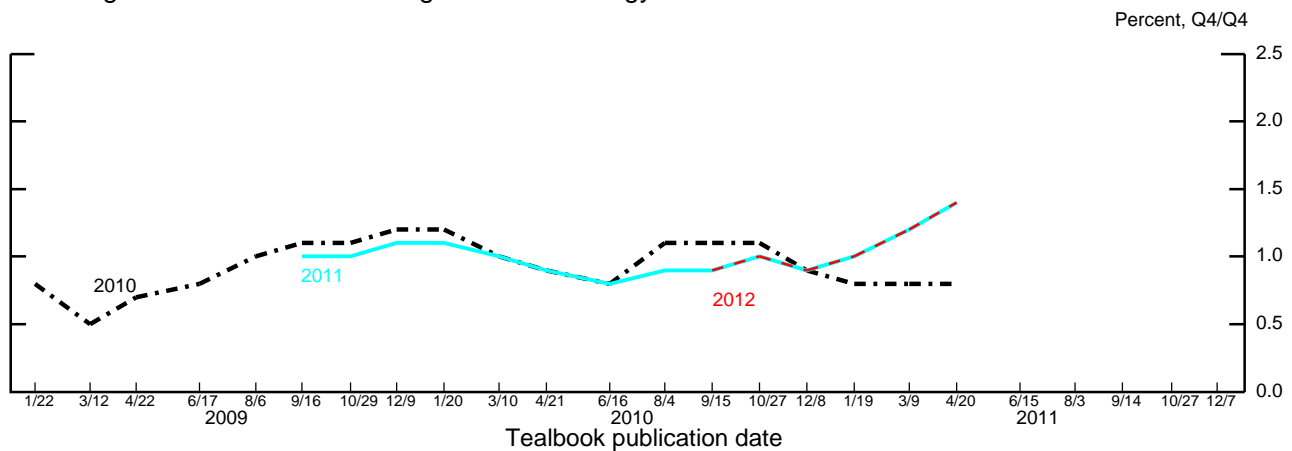
### Change in Real GDP



### 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.

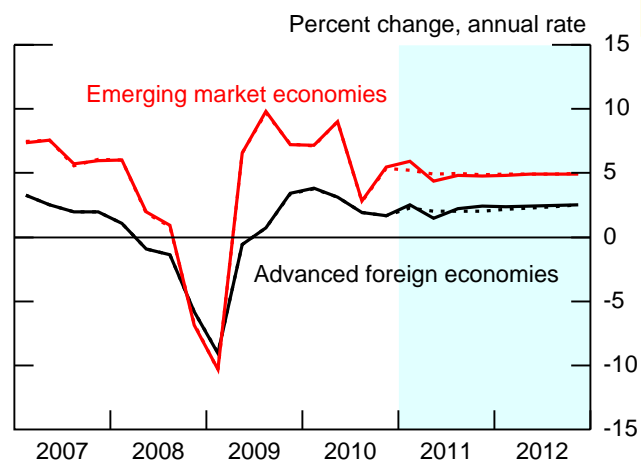
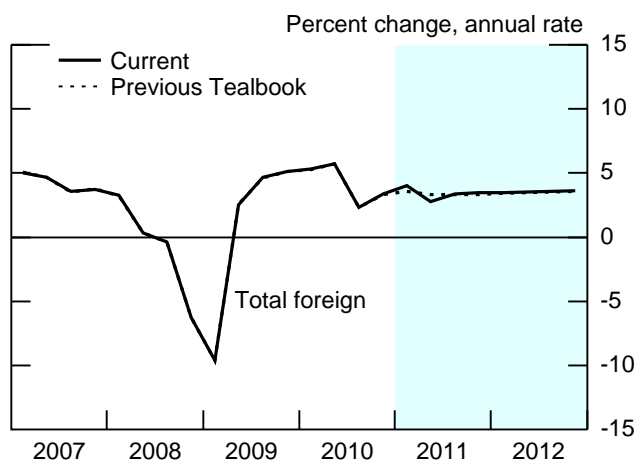
## The Foreign Outlook

(Percent change, annual rate)

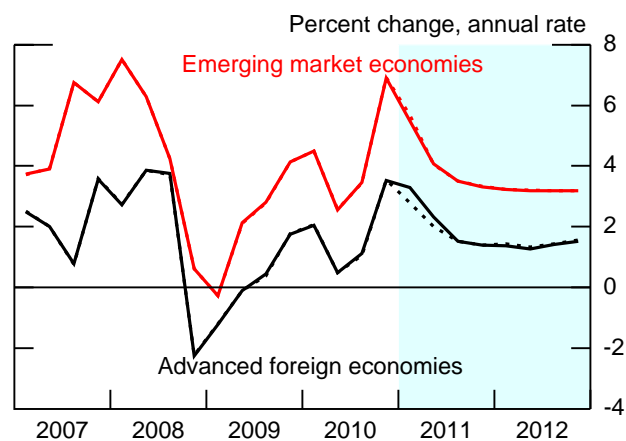
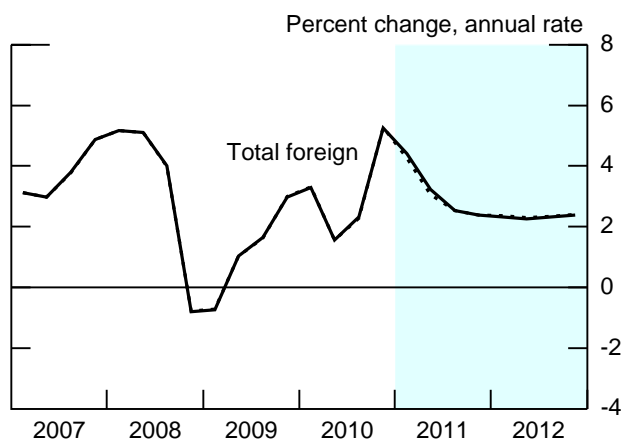
	2010			2011			2012
	H1	Q3	Q4	Q1	Q2	H2	
<b>Real GDP</b>							
Total foreign	5.5	2.3	3.4	4.0	2.8	3.4	3.5
Previous Tealbook	5.5	2.3	3.3	3.6	3.3	3.3	3.5
Advanced foreign economies	3.5	1.9	1.7	2.5	1.5	2.3	2.4
Previous Tealbook	3.5	1.9	1.7	2.3	2.0	2.0	2.3
Emerging market economies	8.1	2.8	5.5	5.9	4.4	4.8	4.9
Previous Tealbook	8.1	2.8	5.4	5.2	4.9	4.9	4.9
<b>Consumer Prices</b>							
Total foreign	2.4	2.3	5.3	4.4	3.2	2.5	2.3
Previous Tealbook	2.4	2.3	5.3	4.3	3.1	2.5	2.3
Advanced foreign economies	1.3	1.1	3.5	3.3	2.3	1.5	1.4
Previous Tealbook	1.3	1.1	3.6	2.8	2.0	1.5	1.4
Emerging market economies	3.5	3.5	6.9	5.5	4.1	3.4	3.2
Previous Tealbook	3.5	3.4	6.9	5.7	4.0	3.4	3.2

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

### Real GDP

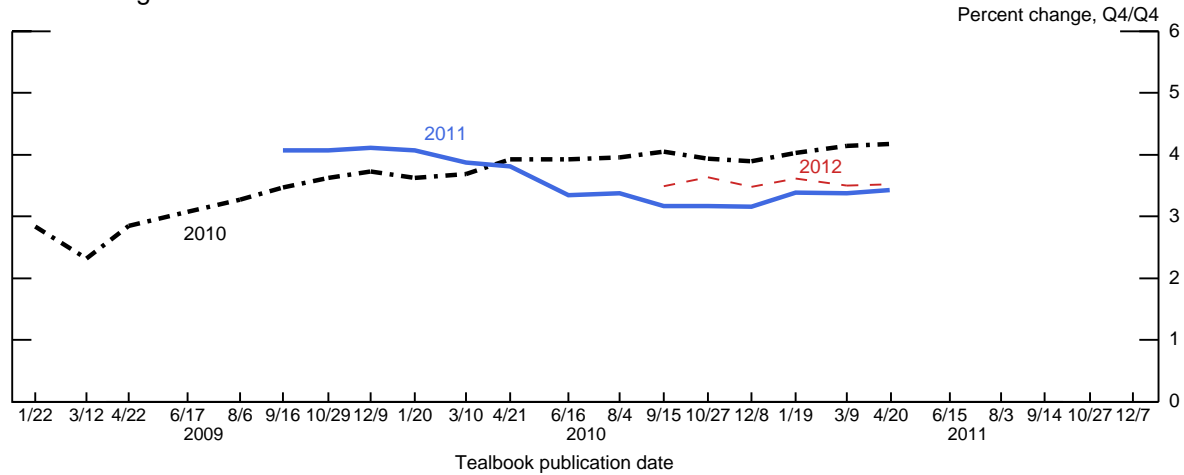


### Consumer Prices

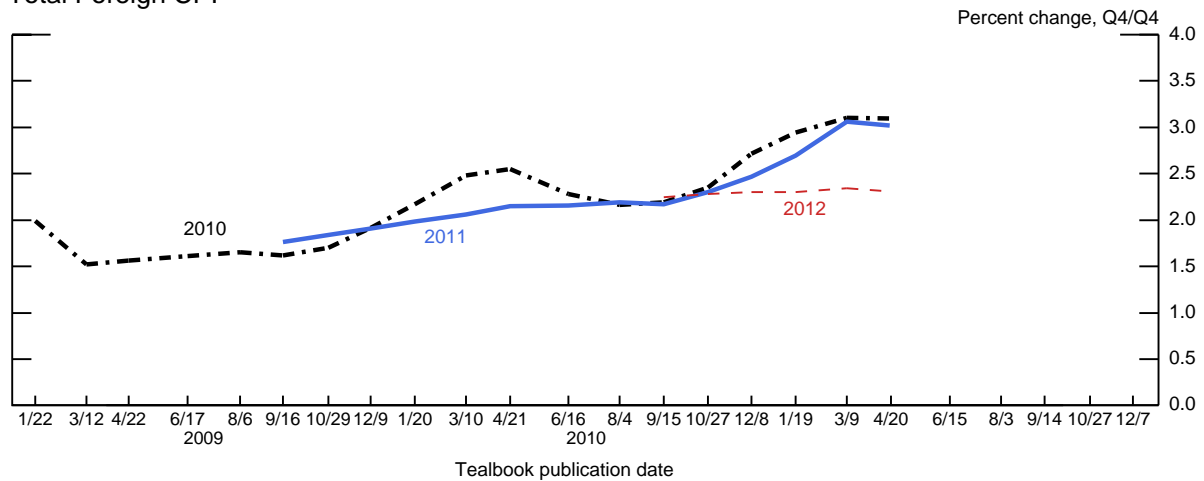


## Evolution of Staff's International Forecast

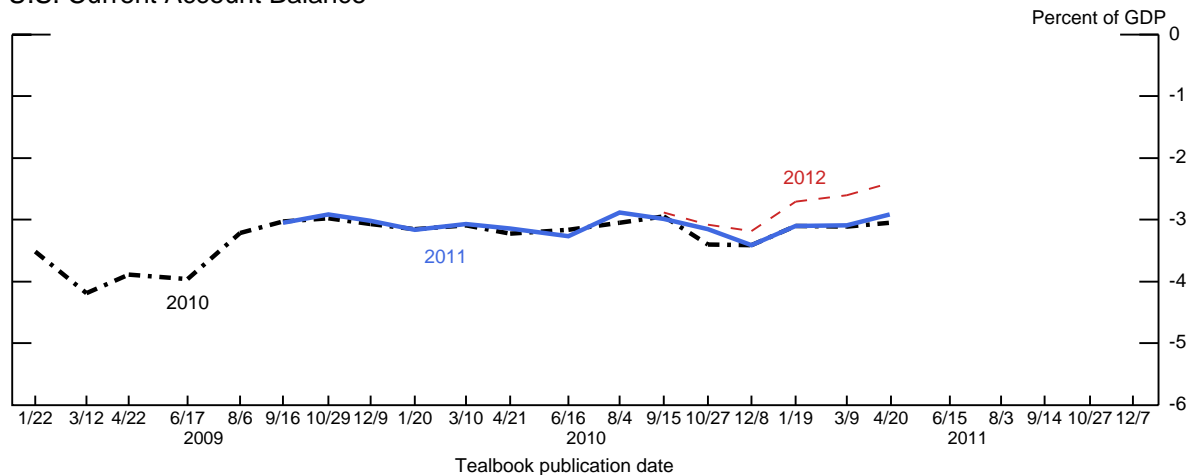
Total Foreign GDP



Total Foreign CPI

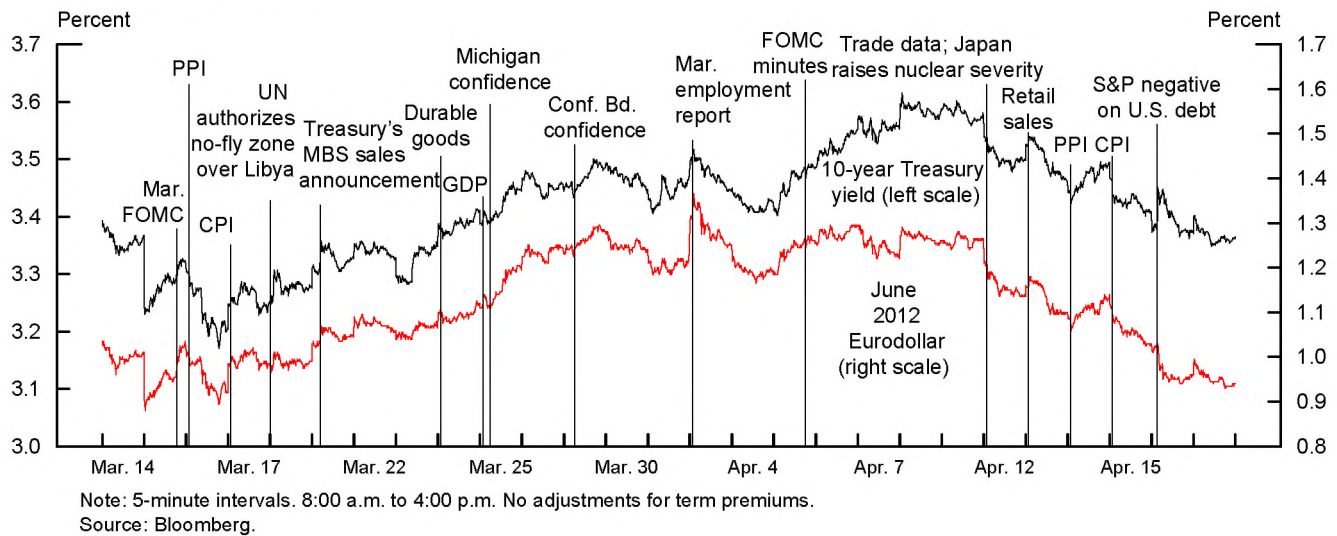


U.S. Current Account Balance

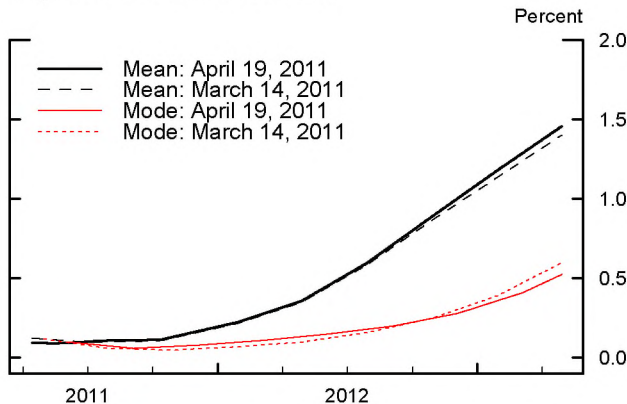


## Policy Expectations and Treasury Yields

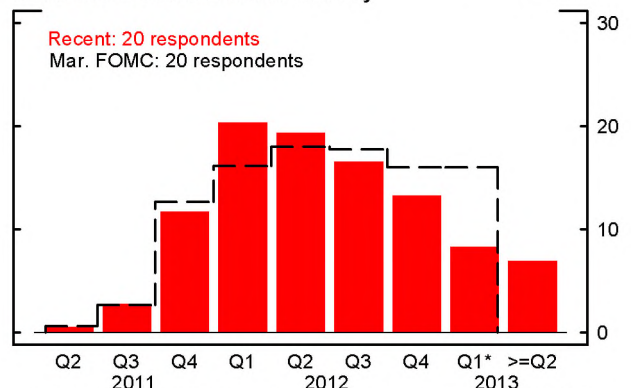
### Selected Interest Rates



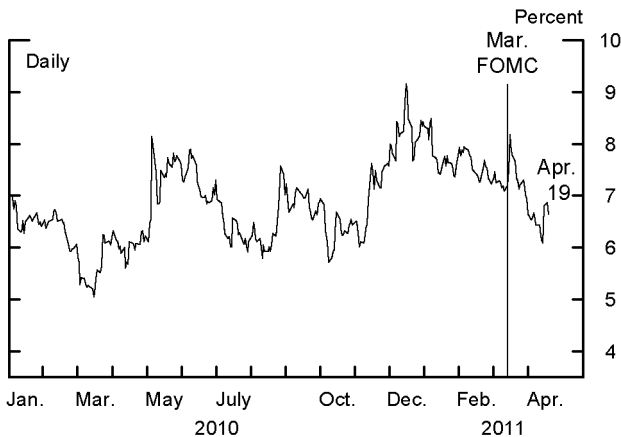
### Implied Federal Funds Rate



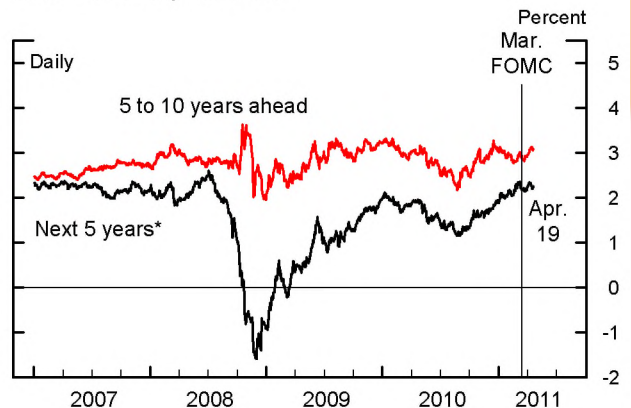
### Distribution of the Quarter of First Rate Increase from the Desk's Dealer Survey



### Long-Term Interest Rate Implied Volatility



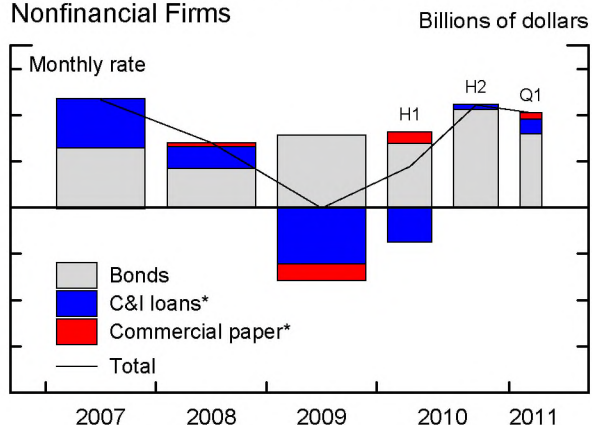
### Inflation Compensation





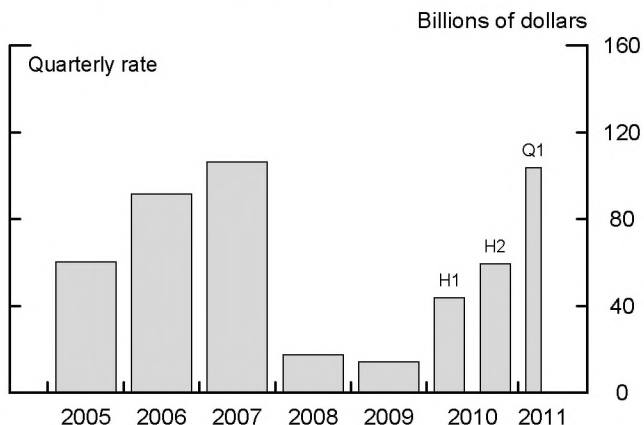
## Business Finance

Selected Components of Net Debt Financing,  
Nonfinancial Firms



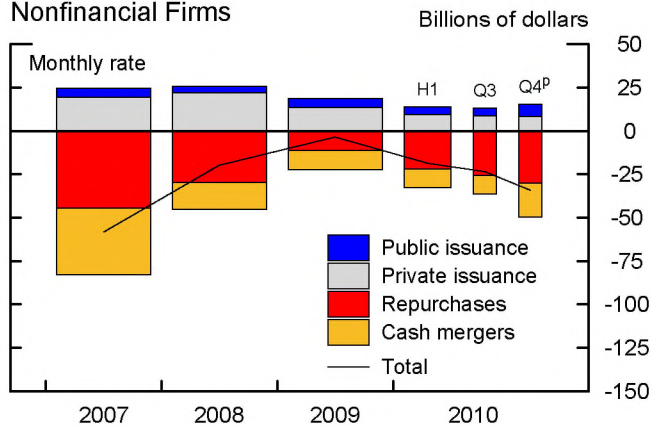
\* Period-end basis, seasonally adjusted.  
Source: Depository Trust & Clearing Corporation; Thomson Financial; Federal Reserve Board.

Institutional Leveraged Loan Issuance



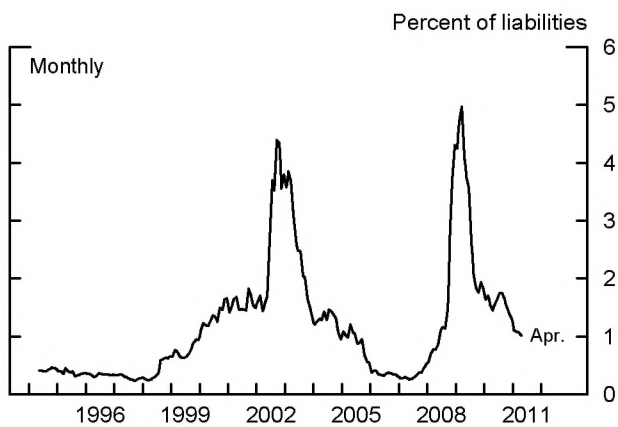
Source: Reuters Loan Pricing Corporation.

Selected Components of Net Equity Issuance,  
Nonfinancial Firms



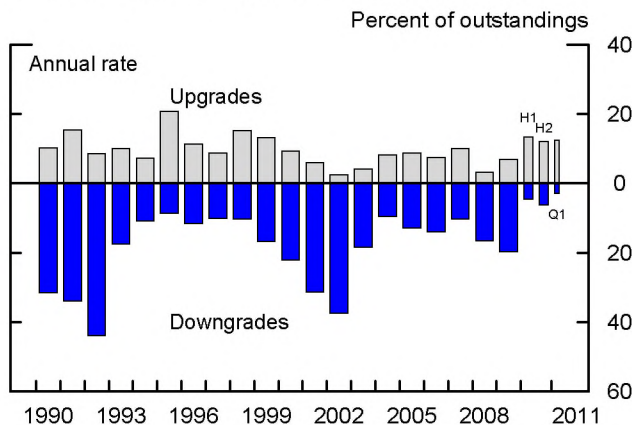
p Preliminary.  
Source: Thomson Financial, Investment Benchmark Report; Money Tree Report by PricewaterhouseCoopers, National Venture Capital Association, and Venture Economics.

Expected Nonfinancial Year-Ahead Defaults



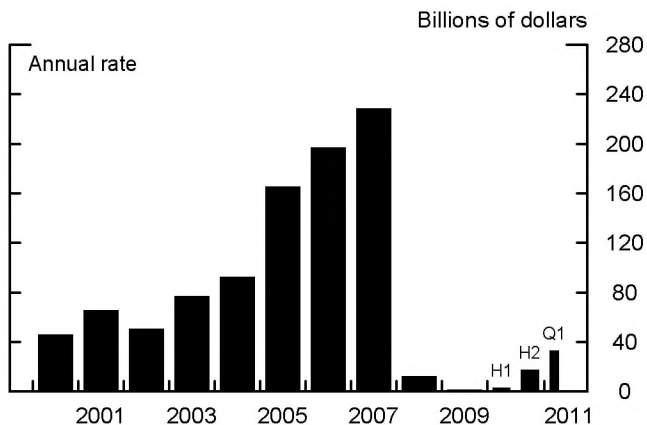
Note: Firm-level estimates of default weighted by firm liabilities as a percent of total liabilities, excluding defaulted firms.  
Source: Calculated using firm-level data from Moody's KMV.

Bond Ratings Changes of Nonfinancial Firms



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

CMBS Issuance

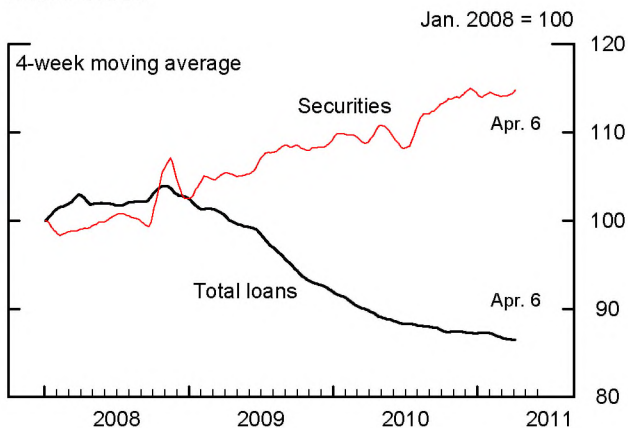


Source: Commercial Mortgage Alert.



## Commercial Banking and Money

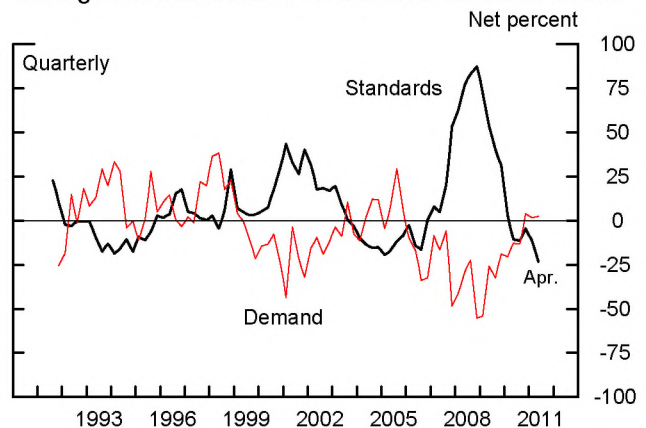
### Bank Credit



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.

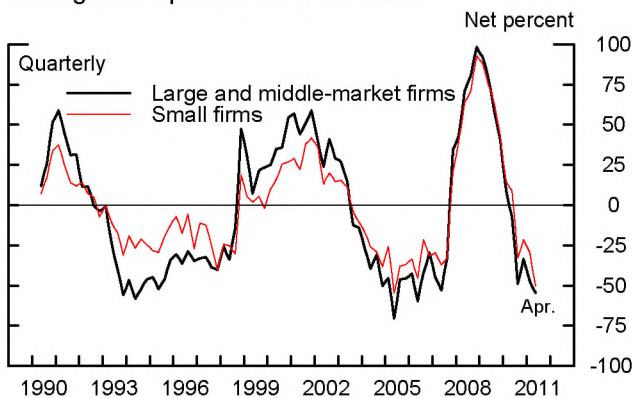
### Changes in Standards and Demand for Bank Loans



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.

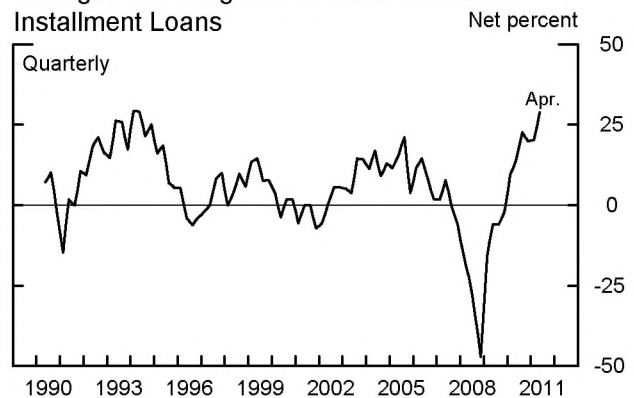
### Changes in Spreads on C&I Loans



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.

### Changes in Willingness to Make Consumer Installment Loans



Note: Net percent of respondents that reported increased willingness to make consumer installment loans over the past three months.

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

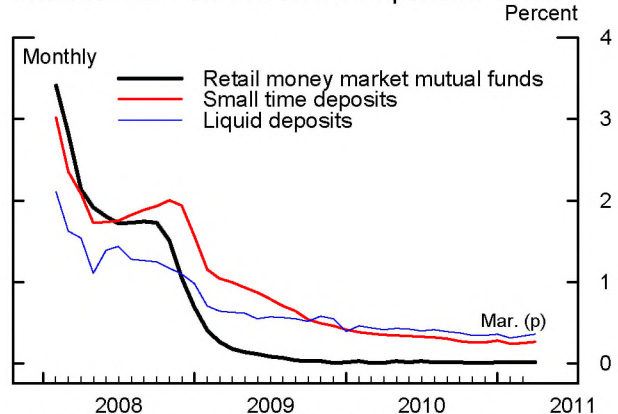
### Growth of M2 and Its Components

	Percent, s.a.a.r.				
	M2	Liquid deposits	Small time deposits	RMMF	Curr.
2008	8.6	6.9	12.3	13.8	5.8
2009	5.0	17.1	-15.7	-22.1	6.9
2010					
H1	1.3	9.6	-22.4	-22.8	4.5
H2	5.1	11.9	-23.4	-9.4	7.0
2011					
Jan.	2.7	6.8	-24.1	-2.7	5.6
Feb.	7.4	12.8	-17.9	-13.6	11.3
Mar. (p)	3.0	6.4	-20.1	-11.5	12.5

Note: RMMF are 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	2011		2012	2013	2014-15
	H1	H2			
<i>Real GDP</i>					
Extended Greenbook baseline	2.4	4.0	4.2	4.3	3.6
Lower potential	1.8	2.8	2.8	3.7	3.4
Stronger recovery	2.6	4.6	5.2	4.6	2.8
Weaker recovery	2.2	3.3	2.8	3.4	4.6
With further disinflation	2.1	3.2	2.8	3.3	4.7
Higher oil prices	2.3	3.5	3.7	4.1	3.6
With weaker dollar	2.3	3.5	3.9	4.1	3.5
<i>Unemployment rate<sup>1</sup></i>					
Extended Greenbook baseline	8.9	8.7	7.7	7.0	5.6
Lower potential	9.1	8.7	8.0	7.4	5.9
Stronger recovery	8.9	8.6	7.1	6.0	5.3
Weaker recovery	8.9	8.8	8.4	8.4	6.3
With further disinflation	8.9	8.9	8.5	8.5	6.4
Higher oil prices	8.9	8.8	8.0	7.4	5.9
With weaker dollar	8.9	8.8	7.9	7.2	5.8
<i>Core PCE inflation</i>					
Extended Greenbook baseline	1.4	1.3	1.4	1.5	1.6
Lower potential	1.5	2.2	2.5	2.6	2.4
Stronger recovery	1.4	1.3	1.4	1.6	2.0
Weaker recovery	1.4	1.3	1.3	1.3	1.1
With further disinflation	1.4	1.1	.8	.4	.4
Higher oil prices	1.5	1.7	1.6	1.5	1.6
With weaker dollar	1.5	1.9	1.8	1.6	1.6
<i>Federal funds rate<sup>1</sup></i>					
Extended Greenbook baseline	.1	.1	.5	2.0	3.8
Lower potential	.1	.6	1.5	2.8	4.4
Stronger recovery	.2	.4	1.7	3.4	4.0
Weaker recovery	.1	.1	.1	.2	3.2
With further disinflation	.1	.1	.1	.1	2.1
Higher oil prices	.1	.1	.5	1.8	3.5
With weaker dollar	.1	.1	.7	1.9	3.7

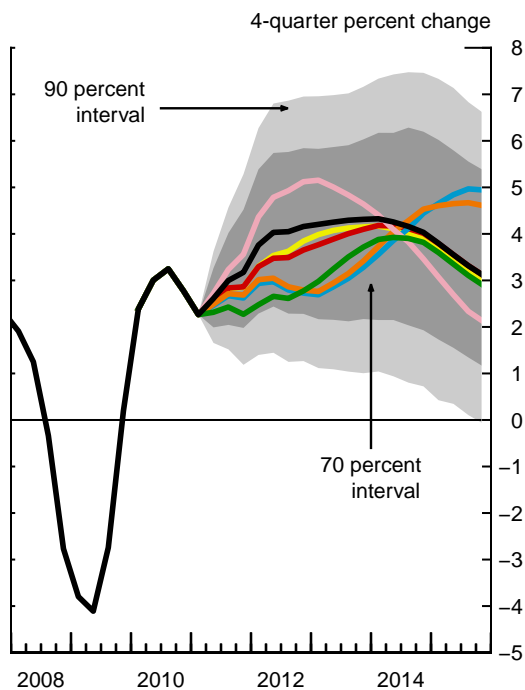
1. Percent, average for the final quarter of the period.

## Forecast Confidence Intervals and Alternative Scenarios

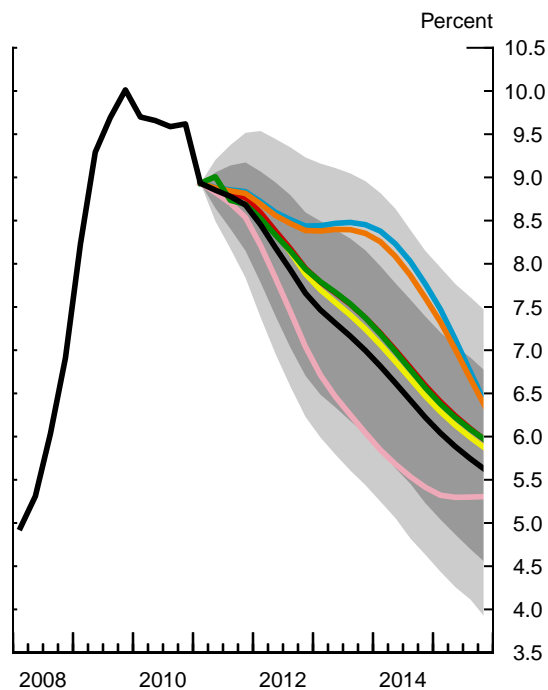
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Greenbook baseline
- Weaker recovery
- Higher oil prices
- Lower potential
- Weaker recovery, further disinflation
- Higher oil prices, weaker dollar
- Stronger recovery

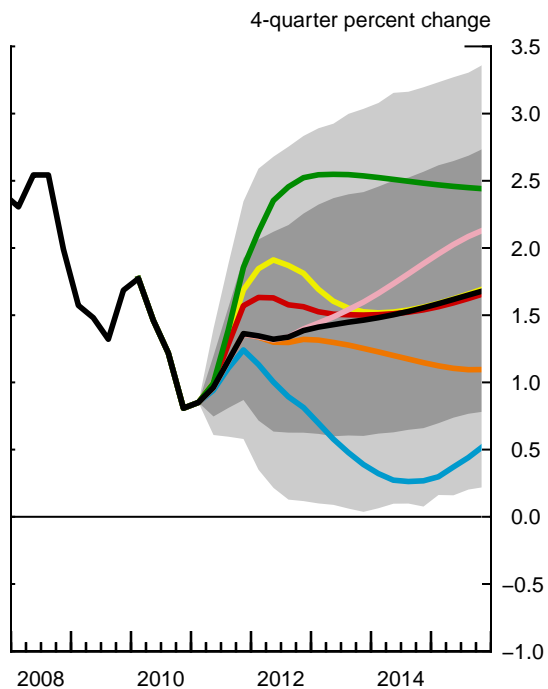
Real GDP



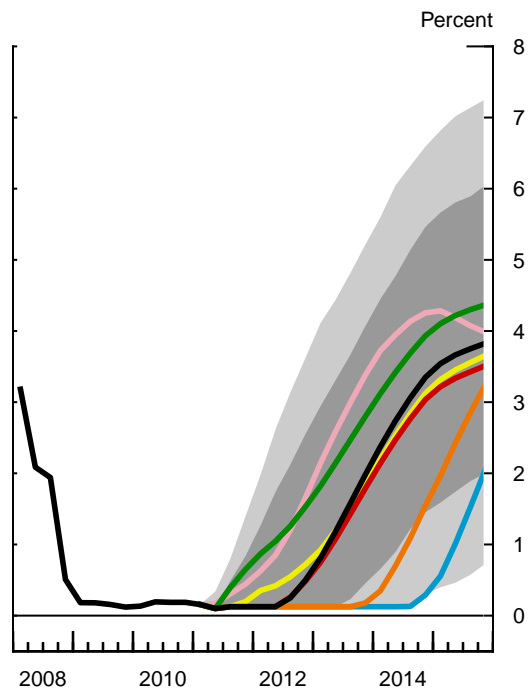
Unemployment Rate



PCE Prices excluding Food and Energy



Federal Funds Rate



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

Measure	2011	2012	2013	2014	2015
<i>Real GDP</i> (percent change, Q4 to Q4)					
Projection	3.2	4.2	4.3	4.0	3.1
Confidence interval					
Tealbook forecast errors	1.9–4.5	2.4–5.9	...	...	...
FRB/US stochastic simulations	2.0–4.5	2.3–5.8	2.2–6.0	1.9–6.2	1.1–5.4
<i>Civilian unemployment rate</i> (percent, Q4)					
Projection	8.7	7.7	7.0	6.2	5.6
Confidence interval					
Tealbook forecast errors	8.2–9.2	6.9–8.5	...	...	...
FRB/US stochastic simulations	8.2–9.2	6.7–8.6	6.0–8.2	5.2–7.4	4.5–6.8
<i>PCE prices, total</i> (percent change, Q4 to Q4)					
Projection	2.2	1.2	1.5	1.6	1.7
Confidence interval					
Tealbook forecast errors	1.5–3.0	.0–2.5	...	...	...
FRB/US stochastic simulations	1.4–3.2	.1–2.5	.3–2.9	.3–3.0	.5–3.1
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)					
Projection	1.4	1.4	1.5	1.6	1.7
Confidence interval					
Tealbook forecast errors	.9–1.8	.7–2.1	...	...	...
FRB/US stochastic simulations	.9–1.9	.6–2.3	.6–2.4	.7–2.6	.8–2.7
<i>Federal funds rate</i> (percent, Q4)					
Projection	.1	.5	2.0	3.3	3.8
Confidence interval					
FRB/US stochastic simulations	.1–.8	.1–2.6	.5–4.1	1.5–5.5	2.0–6.1

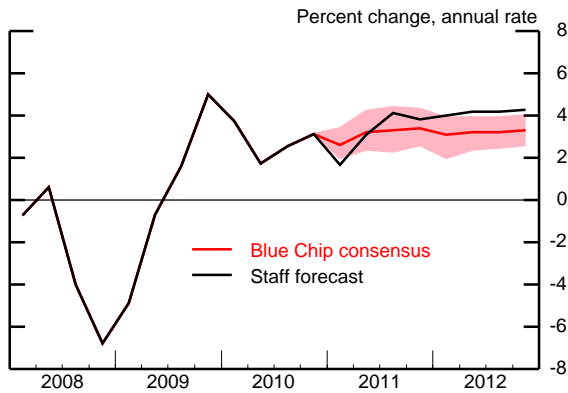
Note: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969–2009 set of model equation residuals.

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

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

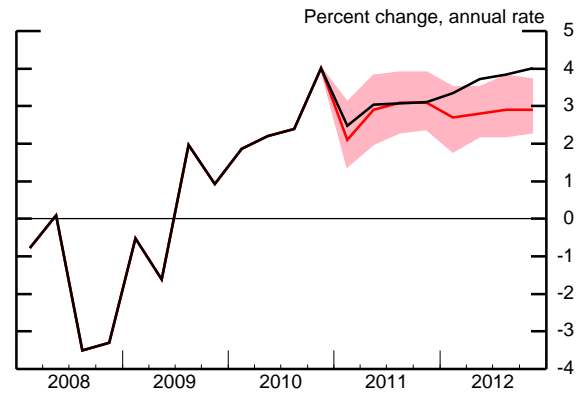
## Tealbook Forecast Compared with Blue Chip (Blue Chip survey released April 10, 2011)

Real GDP

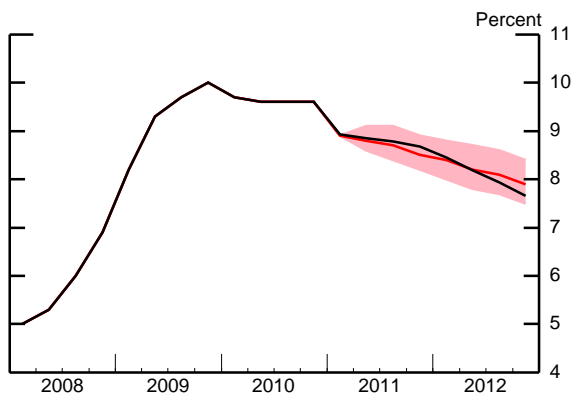


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

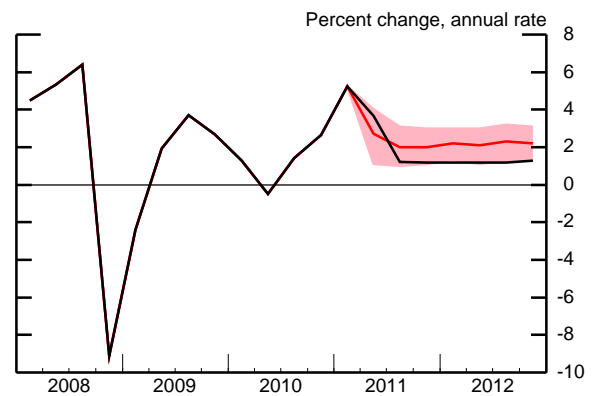
Real PCE



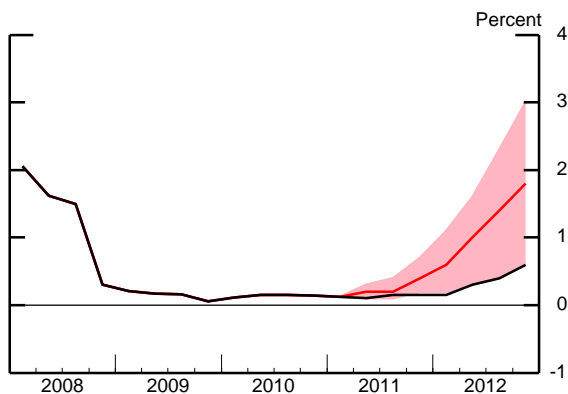
Unemployment Rate



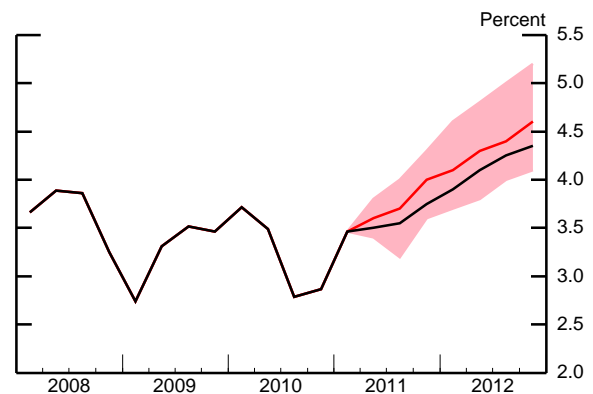
Consumer Price Index



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 <sup>1</sup>	
	03/09/11	04/20/11	03/09/11	04/20/11	03/09/11	04/20/11	03/09/11	04/20/11	03/09/11	04/20/11
<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	9.6	9.6
Q3	4.6	4.6	2.6	2.6	.8	.8	.5	.5	9.6	9.6
Q4	3.6	3.5	3.2	3.1	1.8	1.7	.5	.4	9.6	9.6
2011:Q1	4.8	3.6	3.2	1.7	3.3	3.8	1.1	1.4	9.0	8.9
Q2	6.2	6.1	3.8	3.1	2.3	2.8	1.2	1.5	8.9	8.9
Q3	4.9	5.4	3.9	4.1	1.2	1.2	1.3	1.3	8.7	8.8
Q4	5.0	5.1	4.0	3.8	1.0	1.2	1.1	1.2	8.6	8.7
2012:Q1	5.6	5.5	4.2	4.0	1.0	1.2	1.2	1.3	8.4	8.5
Q2	5.8	5.6	4.4	4.2	1.0	1.2	1.2	1.4	8.1	8.2
Q3	5.8	5.6	4.4	4.2	1.1	1.2	1.2	1.4	7.8	7.9
Q4	5.8	5.7	4.5	4.3	1.1	1.3	1.2	1.4	7.5	7.7
<i>Two-quarter<sup>2</sup></i>										
2010:Q2	4.3	4.3	2.7	2.7	1.0	1.0	1.1	1.1	-4	-4
Q4	4.1	4.1	2.9	2.8	1.3	1.2	.5	.5	.0	.0
2011:Q2	5.5	4.8	3.5	2.4	2.8	3.3	1.2	1.4	-7	-7
Q4	5.0	5.3	4.0	4.0	1.1	1.2	1.2	1.3	-3	-2
2012:Q2	5.7	5.6	4.3	4.1	1.0	1.2	1.2	1.4	-5	-5
Q4	5.8	5.7	4.5	4.2	1.1	1.2	1.2	1.4	-6	-5
<i>Four-quarter<sup>3</sup></i>										
2009:Q4	.6	.6	.2	.2	1.5	1.5	1.7	1.7	3.1	3.1
2010:Q4	4.2	4.2	2.8	2.8	1.2	1.1	.8	.8	-4	-4
2011:Q4	5.2	5.0	3.7	3.2	1.9	2.2	1.2	1.4	-1.0	-9
2012:Q4	5.8	5.6	4.4	4.2	1.1	1.2	1.2	1.4	-1.1	-1.0
<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	3.8	2.9	2.9	1.7	1.7	1.3	1.3	9.6	9.6
2011	4.8	4.5	3.3	2.8	1.9	2.1	1.0	1.1	8.8	8.8
2012	5.5	5.5	4.2	4.0	1.1	1.3	1.2	1.3	7.9	8.1

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 <sup>1</sup>	2011 <sup>1</sup>	2012 <sup>1</sup>
	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 2.6	3.1 3.2	1.7 3.2	3.1 3.8	4.1 3.9	3.8 4.0	4.0 4.2	4.2 4.4	4.2 4.4	4.3 4.5	2.8 2.8	3.2 3.7	4.2 4.4
Final sales <i>Previous Tealbook</i>	1.1 1.1	.9 .9	.9 .9	6.7 6.8	.5 2.0	3.4 3.7	3.0 3.6	4.9 5.0	3.6 4.0	3.9 4.1	3.8 4.0	4.2 4.3	2.4 2.4	2.9 3.6	3.9 4.1
Priv. dom. final purch. <i>Previous Tealbook</i>	2.1 2.1	4.4 4.4	2.3 2.3	4.2 4.4	2.3 3.0	3.6 4.2	3.8 4.4	4.0 4.5	3.7 4.3	4.2 4.5	4.4 4.7	4.6 4.8	3.2 3.3	3.4 4.0	4.2 4.6
Personal cons. expend. <i>Previous Tealbook</i>	1.9 1.9	2.2 2.2	2.4 2.4	4.0 4.1	2.5 2.5	3.0 3.5	3.1 3.5	3.1 3.5	3.3 3.7	3.7 3.8	3.9 4.0	4.0 4.1	2.6 2.6	2.9 3.2	3.7 3.9
Durables	8.8	6.8	7.6	21.1	10.4	5.3	7.9	7.8	10.6	12.2	12.9	11.8	10.9	7.8	11.9
Nondurables	4.2	1.9	2.5	4.1	2.2	2.8	2.6	1.9	1.7	1.5	1.4	1.5	3.2	2.4	1.5
Services	.1	1.6	1.6	1.5	1.3	2.7	2.5	2.8	2.8	3.1	3.2	3.6	1.2	2.3	3.2
Residential investment <i>Previous Tealbook</i>	-12.3 -12.3	25.7 25.7	-27.3 -27.3	3.3 2.8	-1.8 3.7	.4 7.3	2.6 10.9	5.3 12.0	6.1 13.1	7.8 13.2	9.3 13.4	11.8 13.8	-4.6 -4.7	1.6 8.4	8.7 13.4
Business fixed invest. <i>Previous Tealbook</i>	7.8 7.8	17.2 17.2	10.0 10.0	7.7 6.7	2.2 6.2	8.6 8.9	9.2 9.5	10.2 10.2	5.7 6.1	7.0 7.5	7.3 7.4	7.3 7.8	10.6 10.3	7.5 8.7	6.8 7.2
Equipment & software	20.4	24.8	15.4	7.7	10.1	12.2	12.6	13.4	8.0	9.3	9.6	9.7	16.9	12.1	9.1
<i>Previous Tealbook</i>	20.4	24.8	15.4	6.6	12.7	12.5	13.2	13.6	8.5	10.0	9.7	10.1	16.6	13.0	9.6
Nonres. structures	-17.8	-5	-3.5	7.6	-17.3	-1.4	-7	.8	-1.4	-3	.1	.1	-4.0	-5.0	-4
<i>Previous Tealbook</i>	-17.8	-5	-3.5	6.7	-10.4	-9	-9	.4	-1.1	.0	.3	.3	-4.2	-3.0	-1
Net exports <sup>2</sup>	-338	-449	-505	-398	-393	-396	-407	-357	-336	-321	-316	-302	-422	-388	-319
<i>Previous Tealbook</i> <sup>2</sup>	-338	-449	-505	-395	-386	-387	-390	-348	-331	-318	-313	-301	-422	-378	-316
Exports	11.4	9.1	6.8	8.6	6.5	8.6	9.3	9.5	9.5	9.1	8.8	8.8	9.0	8.5	9.0
Imports	11.2	33.5	16.8	-12.6	4.4	7.5	9.7	-1.6	4.1	4.8	6.5	5.1	11.0	4.9	5.1
Gov't. cons. & invest. <i>Previous Tealbook</i>	-1.6 -1.6	3.9 3.9	3.9 3.9	-1.7 -1.7	-7.0 -3.1	2.4 1.4	1.3 .7	-3 -1	-3 -1	.0 .0	.1 .1	-1 -1	1.1 1.1	-1.0 -3	-1 .0
Federal	1.8	9.1	8.8	-3	-11.5	8.0	3.9	-4	-7	-7	-7	-1.1	4.8	-3	-8
Defense	.4	7.4	8.5	-2.2	-18.4	11.3	6.0	-1	.0	.0	.0	.0	3.4	-1.0	.0
Nondefense	5.0	12.8	9.5	3.7	4.0	1.8	-2	-1.2	-2.2	-2.2	-2.2	-3.3	7.7	1.1	-2.5
State & local	-3.8	.6	.7	-2.6	-3.9	-1.2	-4	-2	.0	.5	.7	.7	-1.3	-1.4	.4
Change in bus. inventories <sup>2</sup> <i>Previous Tealbook</i> <sup>2</sup>	44 44	69 69	121 121	16 15	51 51	44 55	79 63	46 34	58 41	66 50	78 65	80 71	63 62	55 51	70 57
Nonfarm <sup>2</sup>	37	61	117	15	47	40	75	43	55	62	75	76	57	51	67
Farm <sup>2</sup>	8	8	5	1	4	4	4	4	4	4	4	4	5	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
<b>Real GDP</b>	3.1	2.7	2.4	2.3	-2.8	.2	2.8	3.2	4.2
<i>Previous Tealbook</i>	3.1	2.7	2.4	2.3	-2.8	.2	2.8	3.7	4.4
<b>Final sales</b>	2.8	2.7	2.8	2.5	-1.9	-3	2.4	2.9	3.9
<i>Previous Tealbook</i>	2.8	2.7	2.8	2.5	-1.9	-3	2.4	3.6	4.1
Priv. dom. final purch.	4.2	3.1	2.5	1.3	-3.8	-2.0	3.2	3.4	4.2
<i>Previous Tealbook</i>	4.2	3.1	2.5	1.3	-3.8	-2.0	3.3	4.0	4.6
Personal cons. expend.	3.5	2.7	3.3	1.7	-1.9	.2	2.6	2.9	3.7
<i>Previous Tealbook</i>	3.5	2.7	3.3	1.7	-1.9	.2	2.6	3.2	3.9
Durables	5.5	2.1	6.3	3.9	-12.3	4.8	10.9	7.8	11.9
Nondurables	3.0	3.3	3.2	.8	-2.9	1.1	3.2	2.4	1.5
Services	3.4	2.6	2.8	1.7	.3	-.8	1.2	2.3	3.2
Residential investment	6.6	5.3	-15.7	-20.7	-24.6	-13.4	-4.6	1.6	8.7
<i>Previous Tealbook</i>	6.6	5.3	-15.7	-20.7	-24.6	-13.4	-4.7	8.4	13.4
Business fixed invest.	7.0	4.4	7.8	8.2	-8.3	-12.7	10.6	7.5	6.8
<i>Previous Tealbook</i>	7.0	4.4	7.8	8.2	-8.3	-12.7	10.3	8.7	7.2
Equipment & software	8.8	6.1	6.0	4.3	-11.8	-4.9	16.9	12.1	9.1
<i>Previous Tealbook</i>	8.8	6.1	6.0	4.3	-11.8	-4.9	16.6	13.0	9.6
Nonres. structures	1.7	-.1	13.0	17.3	-1.5	-26.5	-4.0	-5.0	-.4
<i>Previous Tealbook</i>	1.7	-.1	13.0	17.3	-1.5	-26.5	-4.2	-3.0	-.1
Net exports <sup>1</sup>	-688	-723	-729	-655	-504	-363	-422	-388	-319
<i>Previous Tealbook</i> <sup>1</sup>	-688	-723	-729	-655	-504	-363	-422	-378	-316
Exports	7.1	6.7	10.2	10.1	-2.9	-.1	9.0	8.5	9.0
Imports	10.9	5.2	4.1	.7	-6.0	-7.2	11.0	4.9	5.1
Gov't. cons. & invest.	.6	.7	1.5	1.9	3.1	.8	1.1	-1.0	-.1
<i>Previous Tealbook</i>	.6	.7	1.5	1.9	3.1	.8	1.1	-.3	.0
Federal	2.3	1.2	2.2	3.1	9.2	3.6	4.8	-.3	-.8
Defense	2.4	.4	4.4	2.6	9.5	3.3	3.4	-1.0	.0
Nondefense	2.3	2.6	-2.3	4.2	8.5	4.5	7.7	1.1	-2.5
State & local	-.4	.4	1.2	1.2	-.4	-1.0	-1.3	-1.4	.4
Change in bus. inventories <sup>1</sup>	66	50	59	28	-38	-113	63	55	70
<i>Previous Tealbook</i> <sup>1</sup>	66	50	59	28	-38	-113	62	51	57
Nonfarm <sup>1</sup>	58	50	63	29	-39	-117	57	51	67
Farm <sup>1</sup>	8	0	-4	-1	1	3	5	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 <sup>1</sup>	2011 <sup>1</sup>	2012 <sup>1</sup>
	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 2.6	3.1 3.2	1.7 3.2	3.1 3.8	4.1 3.9	3.8 4.0	4.0 4.2	4.2 4.4	4.2 4.4	4.3 4.5	2.8 2.8	3.2 3.7	4.2 4.4
Final sales <i>Previous Tealbook</i>	1.1 1.1	.9 .9	.9 .9	6.5 6.6	.5 2.1	3.3 3.7	3.0 3.6	4.8 4.9	3.6 4.0	3.9 4.1	3.8 4.0	4.2 4.3	2.4 2.4	2.9 3.6	3.9 4.1
Priv. dom. final purch. <i>Previous Tealbook</i>	1.7 1.7	3.6 3.6	1.9 1.9	3.5 3.6	1.9 2.5	3.0 3.5	3.2 3.6	3.3 3.7	3.1 3.6	3.5 3.8	3.7 3.9	3.8 4.0	2.7 2.7	2.8 3.3	3.5 3.8
Personal cons. expend. <i>Previous Tealbook</i>	1.3 1.3	1.5 1.5	1.7 1.7	2.8 2.9	1.7 1.8	2.2 2.5	2.2 2.5	2.2 2.5	2.4 2.7	2.6 2.7	2.7 2.8	2.8 2.9	1.9 1.9	2.1 2.3	2.6 2.8
Durables	.6	.5	.5	1.5	.8	.4	.6	.6	.8	.9	1.0	.9	.8	.6	.9
Nondurables	.7	.3	.4	.7	.4	.5	.4	.3	.3	.3	.2	.2	.5	.4	.2
Services	.0	.8	.7	.7	.6	1.3	1.2	1.3	1.3	1.5	1.5	1.7	.6	1.1	1.5
Residential investment <i>Previous Tealbook</i>	-3 -3	.6 .6	-8 -8	.1 .1	.0 .1	.0 .2	.1 .2	.1 .3	.1 .3	.2 .3	.2 .3	.3 .3	-1 -1	.0 .2	.2 .3
Business fixed invest. <i>Previous Tealbook</i>	.7 .7	1.5 1.5	.9 .9	.7 .6	.2 .6	.8 .9	.9 .9	1.0 1.0	.6 .6	.7 .8	.7 .8	.7 .8	1.0 1.0	.7 .9	.7 .7
Equipment & software <i>Previous Tealbook</i>	1.2 1.2	1.5 1.5	1.0 1.0	.5 .5	.7 .9	.9 .9	.9 .9	1.0 1.0	.6 .6	.7 .8	.7 .7	.7 .8	1.1 1.1	.9 .9	.7 .7
Nonres. structures <i>Previous Tealbook</i>	-5 -5	.0 .0	-1 -1	.2 .2	-5 -3	.0 .0	.0 .0	.0 .0	.0 .0	.0 .0	.0 .0	.0 .0	-1 -1	-1 -1	.0 .0
Net exports <i>Previous Tealbook</i>	-3 -3	-3.5 -3.5	-1.7 -1.7	3.3 3.3	.1 .2	-1 -1	-4 -1	1.6 1.3	.6 .5	.4 .4	.1 .1	.4 .3	-6 -5	.3 .3	.4 .3
Exports	1.3	1.1	.8	1.1	.8	1.1	1.2	1.3	1.3	1.3	1.2	1.2	1.1	1.1	1.3
Imports	-1.6	-4.6	-2.5	2.2	-7	-1.3	-1.6	.3	-7	-8	-1.1	-9	-1.6	-8	-9
Gov't. cons. & invest. <i>Previous Tealbook</i>	-3 -3	.8 .8	.8 .8	-3 -3	-1.5 -6	.5 .3	.3 .1	-1 .0	-1 .0	.0 .0	.0 .0	.0 .0	.2 .2	-2 -1	.0 .0
Federal	.2	.7	.7	.0	-1.0	.6	.3	.0	-1	-1	-1	-1	.4	.0	-1
Defense	.0	.4	.5	-1	-1.1	.6	.3	.0	.0	.0	.0	.0	.2	-1	.0
Nondefense	.1	.3	.3	.1	.1	.0	.0	.0	-1	-1	-1	-1	.2	.0	-1
State & local	-5	.1	.1	-3	-5	-1	.0	.0	.0	.1	.1	.1	-2	-2	.1
Change in bus. inventories <i>Previous Tealbook</i>	2.6 2.6	.8 .8	1.6 1.6	-3.4 -3.5	1.1 1.1	-3 .1	1.1 .3	-1.0 -9	.4 .2	.2 .3	.4 .5	.1 .2	.4 .4	.2 .2	.3 .3
Nonfarm	2.6	.8	1.7	-3.3	1.0	-2	1.1	-1.0	.4	.2	.4	.1	.5	.2	.3
Farm	.1	.0	-1	-2	.1	.0	.0	.0	.0	.0	.0	.0	-1	.0	.0

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

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

Item	2010				2011				2012				2010 <sup>1</sup>	2011 <sup>1</sup>	2012 <sup>1</sup>
	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 2.1	.4 .4	1.9 1.6	2.9 2.4	1.2 1.0	1.2 1.0	1.5 1.3	1.4 1.3	1.4 1.3	1.4 1.3	1.3 1.4	1.8 1.5	1.4 1.3
PCE chain-wt. price index <i>Previous Tealbook</i>	2.1 2.1	.0 .0	.8 .8	1.7 1.8	3.8 3.3	2.8 2.3	1.2 1.2	1.2 1.0	1.2 1.0	1.2 1.0	1.2 1.1	1.3 1.1	1.1 1.2	2.2 1.9	1.2 1.1
Energy <i>Previous Tealbook</i>	16.4 16.4	-17.5 -17.5	5.4 5.4	24.3 24.3	40.6 37.9	18.8 14.7	-2.1 -2.2	-5 -1.7	-7 -1.4	-1.0 -1.6	-1.4 -8	-1.1 -8	5.9 5.9	12.9 11.0	-1.1 -1.3
Food <i>Previous Tealbook</i>	1.8 1.8	1.6 1.6	.3 .3	1.4 1.4	6.4 4.9	5.5 4.5	2.9 2.5	2.2 1.5	1.4 1.3	1.3 1.3	1.4 1.4	1.4 1.4	1.3 1.3	4.3 3.4	1.4 1.3
Ex. food & energy <i>Previous Tealbook</i>	1.2 1.2	1.0 1.0	.5 .5	.4 .5	1.4 1.1	1.5 1.2	1.3 1.3	1.2 1.1	1.3 1.2	1.4 1.2	1.4 1.2	1.4 1.2	.8 .8	1.4 1.2	1.4 1.2
Ex. food & energy, market based <i>Previous Tealbook</i>	.7 .7	1.0 1.0	1.1 1.1	.3 .4	1.3 .9	1.4 1.2	1.2 1.2	1.1 .9	1.2 1.0	1.2 1.1	1.3 1.1	1.3 1.1	.8 .8	1.2 1.0	1.2 1.1
CPI <i>Previous Tealbook</i>	1.3 1.3	-5 -5	1.4 1.4	2.6 2.6	5.2 4.6	3.7 2.8	1.2 .9	1.2 .9	1.2 .9	1.2 .9	1.2 1.0	1.3 1.1	1.2 1.2	2.8 2.3	1.2 1.0
Ex. food & energy <i>Previous Tealbook</i>	.0 .0	.8 .8	1.1 1.1	.6 .6	1.7 1.5	1.8 1.3	1.3 1.0	1.2 1.0	1.4 1.1	1.4 1.2	1.5 1.2	1.5 1.3	.6 .6	1.5 1.2	1.5 1.2
ECI, hourly compensation <sup>2</sup> <i>Previous Tealbook</i> <sup>2</sup>	2.6 2.6	1.8 1.8	1.8 1.8	1.8 1.8	2.5 2.5	2.2 2.2	2.3 2.2	2.3 2.2	3.0 2.8	2.7 2.5	2.7 2.5	2.7 2.5	2.1 2.1	2.3 2.3	2.8 2.6
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	4.6 4.6	-1.7 -1.7	2.3 2.3	2.9 3.0	.8 2.7	.0 .4	2.0 1.2	1.5 1.4	1.7 1.4	1.8 1.8	1.8 2.0	1.9 2.0	2.0 2.0	1.1 1.4	1.8 1.7
Compensation per hour <i>Previous Tealbook</i>	-2 -2	3.1 3.1	2.5 2.5	2.1 2.0	2.8 3.0	1.7 1.7	2.1 1.8	2.2 1.9	2.8 2.6	2.6 2.4	2.7 2.4	2.7 2.5	1.9 1.8	2.2 2.1	2.7 2.5
Unit labor costs <i>Previous Tealbook</i>	-4.6 -4.6	4.9 4.9	.1 .1	-.8 -1.0	2.0 .2	1.7 1.2	.1 .6	.7 .4	1.1 1.2	.8 .5	.8 .6	.8 .5	-2 -2	1.1 .6	.9 .7
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Tealbook</i> <sup>3</sup>	4.2 4.2	3.1 3.1	-.8 -.8	4.3 4.3	8.2 7.5	5.7 5.5	3.6 3.3	2.0 2.0	1.5 1.4	1.4 1.4	1.4 1.4	1.4 1.4	2.7 2.7	4.9 4.6	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	1.8 1.5	1.4 1.3
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	1.1 1.2	2.2 1.9	1.2 1.1
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	5.9 5.9	12.9 11.0	-1.1 -1.3
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 1.3	4.3 3.4	1.4 1.3
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 .8	1.4 1.2	1.4 1.2
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 .8	1.2 1.0	1.2 1.1
CPI <i>Previous Tealbook</i>	3.4 3.4	3.7 3.7	2.0 2.0	4.0 4.0	1.6 1.6	1.5 1.5	1.2 1.2	2.8 2.3	1.2 1.0
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	1.5 1.2	1.5 1.2
ECL, hourly compensation <sup>1</sup> <i>Previous Tealbook</i> <sup>1</sup>	3.8 3.8	2.9 2.9	3.2 3.2	3.0 3.0	2.4 2.4	1.2 1.2	2.1 2.1	2.3 2.3	2.8 2.6
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	6.5 6.5	2.0 2.0	1.1 1.4	1.8 1.7
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	2.8 2.8	1.9 1.8	2.2 2.1	2.7 2.5
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	1.1 .6	.9 .7
Core goods imports chain-wt. price index <sup>2</sup> <i>Previous Tealbook</i> <sup>2</sup>	3.6 3.6	2.2 2.2	2.5 2.5	2.9 2.9	3.5 3.5	-1.9 -1.9	2.7 2.7	4.9 4.6	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 <sup>1</sup>	2011 <sup>1</sup>	2012 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Employment and production</i>															
Nonfarm payroll employment <sup>2</sup>	-1	.6	-1	.2	.4	.6	.7	.7	.8	.8	.8	.8	.7	2.4	3.2
Unemployment rate <sup>3</sup>	9.7	9.6	9.6	9.6	8.9	8.9	8.8	8.7	8.5	8.2	7.9	7.7	9.6	8.7	7.7
<i>Previous Tealbook</i> <sup>3</sup>	9.7	9.6	9.6	9.6	9.0	8.9	8.7	8.6	8.4	8.1	7.8	7.5	9.6	8.6	7.5
NAIRU <sup>3</sup>	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 Tealbook</i> <sup>3</sup>	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 <sup>4</sup>	-6.2	-6.2	-6.1	-5.9	-6.0	-5.8	-5.4	-5.0	-4.7	-4.3	-3.9	-3.5	-5.9	-5.0	-3.5
<i>Previous Tealbook</i> <sup>4</sup>	-6.2	-6.3	-6.2	-5.9	-5.8	-5.5	-5.1	-4.7	-4.4	-3.9	-3.5	-3.0	-5.9	-4.7	-3.0
Industrial production <sup>5</sup>	8.1	7.1	6.7	3.2	6.0	5.4	5.7	3.6	3.1	4.7	5.1	4.3	6.3	5.2	4.3
<i>Previous Tealbook</i> <sup>5</sup>	7.1	7.2	6.2	3.2	4.7	7.2	4.4	3.3	3.6	4.6	4.7	3.9	5.9	4.9	4.2
Manufacturing industr. prod. <sup>5</sup>	7.1	8.7	5.1	3.5	9.1	5.0	6.3	4.2	4.0	5.6	5.6	4.8	6.1	6.1	5.0
<i>Previous Tealbook</i> <sup>5</sup>	6.2	9.4	4.3	4.0	6.8	7.5	4.7	3.8	4.6	5.6	5.0	4.5	6.0	5.7	4.9
Capacity utilization rate - mfg. <sup>3</sup>	69.4	71.4	72.6	73.3	74.9	75.6	76.6	77.2	77.6	78.4	79.1	79.7	73.3	77.2	79.7
<i>Previous Tealbook</i> <sup>3</sup>	70.0	71.6	72.4	73.0	74.1	75.4	76.1	76.7	77.2	78.0	78.7	79.2	73.0	76.7	79.2
Housing starts <sup>6</sup>	.6	.6	.6	.5	.6	.6	.6	.6	.7	.7	.8	.9	.6	.6	.8
Light motor vehicle sales <sup>6</sup>	11.0	11.3	11.6	12.3	13.0	13.0	13.2	13.4	13.9	14.5	15.1	15.5	11.5	13.1	14.7
<i>Income and saving</i>															
Nominal GDP <sup>5</sup>	4.8	3.7	4.6	3.5	3.6	6.1	5.4	5.1	5.5	5.6	5.6	5.7	4.2	5.0	5.6
Real disposable pers. income <sup>5</sup>	1.3	5.6	1.0	1.9	2.7	3.2	3.3	3.7	.5	4.2	4.0	4.5	2.4	3.2	3.3
<i>Previous Tealbook</i> <sup>5</sup>	1.3	5.6	1.0	1.2	3.7	3.0	3.5	4.4	.8	4.3	4.0	4.1	2.3	3.7	3.3
Personal saving rate <sup>3</sup>	5.5	6.2	6.0	5.6	5.7	5.7	5.8	5.9	5.3	5.3	5.4	5.5	5.6	5.9	5.5
<i>Previous Tealbook</i> <sup>3</sup>	5.5	6.2	6.0	5.4	5.7	5.6	5.6	5.8	5.1	5.2	5.2	5.2	5.4	5.8	5.2
Corporate profits <sup>7</sup>	48.9	12.7	6.6	9.7	12.8	12.2	12.6	13.0	5.4	4.2	3.8	3.8	18.3	12.6	4.3
Profit share of GNP <sup>3</sup>	10.7	10.9	11.0	11.2	11.4	11.5	11.7	11.9	11.9	11.9	11.9	11.8	11.2	11.9	11.8
Net federal saving <sup>8</sup>	-1,314	-1,337	-1,343	-1,334	-1,356	-1,367	-1,336	-1,309	-1,155	-1,110	-1,088	-1,061	-1,332	-1,342	-1,104
Net state & local saving <sup>8</sup>	29	16	48	40	47	40	36	34	42	52	64	70	33	39	57
Gross national saving rate <sup>3</sup>	11.1	11.7	11.6	11.6	11.8	11.9	12.3	12.8	13.1	13.5	13.6	13.9	11.6	12.8	13.9
Net national saving rate <sup>3</sup>	-1.8	-1.1	-1.1	-1.1	-.7	-.5	.1	.7	1.0	1.5	1.7	1.9	-1.1	.7	1.9

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 <sup>1</sup>	2.0	2.4	2.1	1.2	-2.8	-5.6	.7	2.4	3.2
Unemployment rate <sup>2</sup>	5.4	5.0	4.5	4.8	6.9	10.0	9.6	8.7	7.7
<i>Previous Tealbook<sup>2</sup></i>	5.4	5.0	4.5	4.8	6.9	10.0	9.6	8.6	7.5
NAIRU <sup>2</sup>	5.0	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0
<i>Previous Tealbook<sup>2</sup></i>	5.0	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0
GDP gap <sup>3</sup>	-5	-1	.0	-1	-4.9	-6.6	-5.9	-5.0	-3.5
<i>Previous Tealbook<sup>3</sup></i>	-5	.0	.0	-1	-4.9	-6.6	-5.9	-4.7	-3.0
Industrial production <sup>4</sup>	3.1	2.3	2.3	2.5	-9.1	-5.5	6.3	5.2	4.3
<i>Previous Tealbook<sup>4</sup></i>	2.9	2.3	2.5	2.3	-7.6	-3.8	5.9	4.9	4.2
Manufacturing industr. prod. <sup>4</sup>	3.7	3.4	2.0	2.8	-11.8	-6.1	6.1	6.1	5.0
<i>Previous Tealbook<sup>4</sup></i>	3.5	3.5	2.0	2.6	-10.0	-4.1	6.0	5.7	4.9
Capacity utilization rate - mfg. <sup>2</sup>	77.3	78.5	78.4	79.0	70.1	67.7	73.3	77.2	79.7
<i>Previous Tealbook<sup>2</sup></i>	77.4	78.8	79.0	79.1	70.9	68.8	73.0	76.7	79.2
Housing starts <sup>5</sup>	2.0	2.1	1.8	1.4	.9	.6	.6	.6	.8
Light motor vehicle sales <sup>5</sup>	16.8	16.9	16.5	16.1	13.1	10.3	11.5	13.1	14.7
<i>Income and saving</i>									
Nominal GDP <sup>4</sup>	6.4	6.3	5.4	5.0	-7	.6	4.2	5.0	5.6
Real disposable pers. income <sup>4</sup>	3.5	.6	4.6	1.5	1.0	.4	2.4	3.2	3.3
<i>Previous Tealbook<sup>4</sup></i>	3.5	.6	4.6	1.5	1.0	.4	2.3	3.7	3.3
Personal saving rate <sup>2</sup>	3.6	1.5	2.5	2.1	5.2	5.5	5.6	5.9	5.5
<i>Previous Tealbook<sup>2</sup></i>	3.6	1.5	2.5	2.1	5.2	5.5	5.4	5.8	5.2
Corporate profits <sup>6</sup>	21.9	19.6	3.7	-8.1	-31.9	42.5	18.3	12.6	4.3
Profit share of GNP <sup>2</sup>	10.5	11.8	11.6	10.1	6.9	9.8	11.2	11.9	11.8
Net federal saving <sup>7</sup>	-379	-283	-204	-245	-616	-1252	-1332	-1342	-1104
Net state & local saving <sup>7</sup>	-8	26	51	12	-47	-20	33	39	57
Gross national saving rate <sup>2</sup>	14.3	15.5	16.3	13.6	11.8	10.8	11.6	12.8	13.9
Net national saving rate <sup>2</sup>	2.7	3.5	4.2	1.3	-1.4	-2.3	-1.1	.7	1.9

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 <sup>a</sup>	2010 <sup>a</sup>	2011	2012	Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget	Not seasonally adjusted															
	2105	2163	2280	2542	466	643	565	532	488	666	594	562	548	762	671	642
	3518	3456	3673	3674	795	930	855	901	949	894	929	921	967	916	869	965
	-1413	-1293	-1393	-1132	-329	-287	-290	-369	-460	-228	-335	-360	-419	-155	-199	-324
	-1413	-1293	-1424	-1113	-329	-287	-290	-369	-448	-268	-339	-360	-413	-142	-198	-324
	-1550	-1370	-1410	-1195	-359	-351	-267	-390	-451	-268	-301	-384	-411	-218	-182	-372
	137	77	18	64	30	64	-23	21	-10	40	-34	24	-8	64	-17	48
Means of financing																
Borrowing	1743	1474	1389	1182	478	344	390	368	260	243	517	334	424	195	229	329
Cash decrease	96	-35	29	30	-25	-71	-20	-33	225	23	-185	45	15	-20	-10	15
Other <sup>2</sup>	-427	-146	-26	-80	-124	14	-80	34	-24	-38	3	-20	-20	-20	-20	-20
Cash operating balance, end of period	275	310	280	250	219	290	310	343	118	95	280	235	220	240	250	235
NIPA federal sector																
Receipts	2261	2334	2456	2721	2323	2365	2417	2441	2422	2461	2498	2542	2735	2781	2827	2875
Expenditures	3355	3660	3804	3887	3637	3701	3761	3776	3778	3828	3834	3851	3890	3890	3916	3936
Consumption expenditures	977	1030	1062	1092	1017	1038	1062	1056	1044	1068	1081	1084	1092	1094	1096	1097
Defense	659	691	701	725	684	695	711	703	683	703	714	717	724	727	730	733
Nondefense	318	339	362	367	333	343	350	354	361	365	367	367	368	367	366	364
Other spending	2378	2630	2742	2795	2620	2663	2699	2720	2734	2760	2753	2767	2798	2796	2819	2839
Current account surplus	-1094	-1326	-1348	-1165	-1314	-1337	-1343	-1334	-1356	-1367	-1336	-1309	-1155	-1110	-1088	-1061
Gross investment	151	165	178	182	161	168	172	182	171	178	182	182	182	182	182	182
Gross saving less gross investment <sup>3</sup>	-1122	-1363	-1392	-1205	-1348	-1376	-1385	-1384	-1393	-1409	-1380	-1351	-1196	-1148	-1125	-1096
Fiscal indicators <sup>4</sup>																
High-employment (HEB) surplus/deficit	-838	-1030	-1089	-950	-1019	-1045	-1059	-1062	-1088	-1111	-1095	-1076	-924	-900	-899	-893
Change in HEB, percent of potential GDP	2.2	1.1	.1	-1.1	.1	.1	.0	.0	.1	.1	-2	-2	-1.0	-2	-1	-1
Fiscal impetus (FI), percent of GDP	1.2	0.6	-0.0	-1.1	1.0	1.0	0.6	-0.2	-0.6	0.6	0.3	-0.3	-1.6	-0.9	-0.9	-0.8
Previous Tealbook	1.2	0.6	0.0	-1.1	1.0	1.0	0.6	-0.2	-0.0	0.4	0.1	-0.3	-1.6	-1.0	-0.9	-0.8

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 <sup>1</sup>	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	13.0	9.5	4.9	5.0
2008	6.0	-1	-5	1.5	5.8	2.3	24.2	-7
2009	3.0	-1.7	-1.5	-4.4	-2.7	4.8	22.7	.6
2010	4.7	-1.8	-2.6	-1.8	1.5	4.4	20.2	4.2
2011	5.0	.5	-1.4	4.4	3.2	1.4	14.4	5.0
2012	5.5	2.2	-1	8.2	4.5	4.1	10.9	5.6
<i>Quarter</i>								
2009:1	4.6	-8	-2	-3.7	-2	5.6	24.4	-3.9
2	4.5	-1.9	-1.9	-4.8	-2.2	4.2	28.9	-4
3	2.1	-2.2	-2.6	-3.9	-4.4	5.7	19.0	2.3
4	.8	-1.9	-1.3	-5.6	-4.0	3.6	11.9	4.7
2010:1	4.3	-2.1	-4.4	-4.1	.3	5.7	20.5	4.8
2	4.6	-2.4	-2.2	-3.1	-1	-1.4	24.4	3.7
3	4.2	-2.0	-2.6	-1.9	2.2	5.4	16.0	4.6
4	5.1	-6	-1.2	2.0	3.6	7.9	14.6	3.5
2011:1	2.7	-1	-1.7	3.0	3.3	-3.8	7.8	3.6
2	5.3	.3	-1.5	3.9	2.7	-4	16.7	6.1
3	6.4	.7	-1.2	4.9	3.1	1.4	19.1	5.4
4	5.1	1.0	-1.1	5.7	3.4	8.4	11.3	5.1
2012:1	5.7	1.7	-4	6.7	4.0	4.1	12.9	5.5
2	5.9	2.1	-2	7.7	4.3	4.0	12.6	5.6
3	4.4	2.5	.1	8.6	4.7	4.0	6.6	5.6
4	5.5	2.7	.2	8.9	4.8	4.0	10.0	5.7

Note: Quarterly data are at seasonally adjusted annual rates.

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

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

Category	2009	2010	2011	2012	2010			2011			2012			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Domestic nonfinancial sectors														
Net funds raised														
Total	953.7	1327.3	1490.1	1776.7	1160.4	1449.7	708.0	1645.3	2041.9	1565.4	1869.9	1981.9	1396.2	1858.7
Net equity issuance	-64.6	-284.0	-311.0	-320.0	-337.6	-384.0	-283.9	-280.0	-340.0	-340.0	-300.0	-300.0	-340.0	-340.0
Net debt issuance	1018.3	1611.4	1801.1	2096.7	1498.1	1833.8	991.8	1925.3	2381.9	1905.4	2169.9	2281.9	1736.2	2198.7
Borrowing indicators														
Debt (percent of GDP) <sup>1</sup>	241.6	241.9	242.8	242.2	241.8	242.5	242.7	241.6	241.9	242.3	242.3	242.5	242.3	241.9
Borrowing (percent of GDP)	7.2	11.0	11.8	13.0	10.2	12.3	6.6	12.6	15.4	12.2	13.7	14.2	10.7	13.3
Households														
Net borrowing <sup>2</sup>	-234.5	-237.9	61.1	301.7	-272.2	-75.0	-10.9	34.8	93.0	127.6	227.4	278.5	338.4	362.6
Home mortgages	-155.7	-268.3	-137.8	-7.5	-268.3	-125.5	-171.2	-150.4	-119.9	-109.6	-39.7	-19.8	9.9	19.8
Consumer credit	-115.3	-44.0	107.7	208.8	-47.1	48.5	72.5	95.1	120.8	142.3	169.9	198.8	226.7	239.8
Debt/DPI (percent) <sup>3</sup>	124.0	118.3	112.2	108.9	117.5	116.1	114.1	112.5	111.4	110.3	110.1	109.2	108.4	107.6
Business														
Financing gap <sup>4</sup>	-44.7	66.9	82.5	169.0	156.4	47.2	85.3	80.5	104.2	59.8	114.2	148.3	191.0	222.4
Net equity issuance	-64.6	-284.0	-311.0	-320.0	-337.6	-384.0	-283.9	-280.0	-340.0	-340.0	-300.0	-300.0	-340.0	-340.0
Credit market borrowing	-300.3	164.1	350.9	517.3	245.2	397.4	362.7	303.3	350.4	387.0	452.1	499.4	545.6	572.2
State and local governments														
Net borrowing	109.1	104.9	34.1	101.8	129.1	191.2	-92.8	-10.2	33.8	205.8	101.8	101.8	101.8	101.8
Current surplus <sup>5</sup>	248.2	304.5	269.5	294.7	327.4	321.1	274.9	269.2	267.4	266.3	276.5	288.8	302.7	310.8
Federal government														
Net borrowing	1443.9	1580.2	1355.0	1175.8	1395.9	1320.2	732.8	1597.4	1904.8	1185.0	1388.6	1402.2	750.4	1162.1
Net borrowing (n.s.a.)	1443.9	1580.2	1355.0	1175.8	390.1	367.9	260.2	243.4	517.2	334.2	424.2	194.5	228.6	328.5
Unified deficit (n.s.a.)	1471.3	1275.1	1383.2	1095.8	290.2	369.0	460.4	228.4	334.8	359.6	419.2	154.5	198.6	323.5
Depository institutions														
Funds supplied	-639.6	-199.1	115.7	311.3	729.2	-522.2	-267.4	166.8	273.2	290.2	305.4	315.8	342.7	281.1

Note: Data after 2010:Q4 are staff projections.

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

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

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

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

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

n.s.a. Not seasonally adjusted.



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

Measure and country	2010				2011				Projected-----2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Real GDP</b> <sup>1</sup>												
Total foreign	5.3	5.7	2.3	3.4	4.0	2.8	3.4	3.5	3.5	3.5	3.6	3.6
<i>Previous Tealbook</i>	5.3	5.7	2.3	3.3	3.6	3.3	3.3	3.3	3.4	3.5	3.5	3.6
Advanced foreign economies	3.8	3.1	1.9	1.7	2.5	1.5	2.2	2.4	2.4	2.4	2.5	2.5
Canada	5.5	2.2	1.8	3.3	3.3	2.4	2.6	2.6	2.6	2.6	2.6	2.6
Japan	6.1	2.1	3.3	-1.3	-0	-3.5	2.5	4.5	3.3	2.9	2.6	2.4
United Kingdom	1.3	4.2	2.8	-2.3	3.1	1.7	2.2	2.3	2.4	2.4	2.5	2.5
Euro area	1.6	4.0	1.4	1.1	2.2	1.6	1.5	1.5	1.6	1.8	2.1	2.4
Germany	2.6	9.2	2.8	1.5	2.8	2.2	1.9	1.9	2.1	2.2	2.5	2.7
Emerging market economies	7.2	9.0	2.8	5.5	5.9	4.4	4.8	4.8	4.8	4.9	4.9	4.9
Asia	13.7	9.2	2.5	5.5	7.7	4.9	5.9	5.9	5.9	5.9	5.9	5.9
Korea	8.6	5.7	2.6	2.0	5.0	3.6	4.1	4.1	4.2	4.3	4.4	4.4
China	9.3	8.9	10.1	10.0	8.7	8.1	8.6	8.6	8.4	8.4	8.4	8.4
Latin America	1.3	9.6	2.8	4.7	4.4	3.9	3.8	3.7	3.8	3.9	4.0	4.0
Mexico	-3	9.9	3.2	5.1	4.2	3.7	3.6	3.5	3.8	4.0	4.1	4.1
Brazil	9.0	6.5	1.6	3.0	3.8	3.6	3.7	3.7	3.7	3.8	3.8	3.8
<b>Consumer prices</b> <sup>2</sup>												
Total foreign	3.3	1.6	2.3	5.3	4.4	3.2	2.5	2.4	2.3	2.3	2.3	2.4
<i>Previous Tealbook</i>	3.3	1.6	2.3	5.3	4.3	3.1	2.5	2.4	2.4	2.3	2.3	2.4
Advanced foreign economies	2.0	.5	1.1	3.5	3.3	2.3	1.5	1.4	1.4	1.3	1.4	1.5
Canada	2.2	-1	2.4	4.4	3.6	3.2	2.0	1.9	2.1	1.8	1.9	1.9
Japan	.7	-1.2	-1.3	2.3	.1	-4	-5	-6	-6	-4	-5	-4
United Kingdom	4.9	2.7	1.7	4.3	7.8	2.4	1.9	1.7	1.7	1.7	1.9	3.3
Euro Area	2.0	1.7	1.2	3.3	3.8	2.9	2.1	1.8	1.6	1.5	1.9	1.8
Germany	1.5	.7	1.1	3.0	3.9	3.0	2.2	1.9	1.6	1.6	1.7	1.7
Emerging market economies	4.5	2.6	3.5	6.9	5.5	4.1	3.5	3.3	3.2	3.2	3.2	3.2
Asia	3.6	2.2	3.6	7.6	5.7	4.1	3.2	2.9	2.9	2.8	2.8	2.8
Korea	3.3	1.9	3.4	6.0	6.7	3.9	3.1	2.9	2.8	2.8	2.8	2.7
China	3.0	2.6	4.3	9.0	4.6	4.5	3.1	2.8	2.7	2.7	2.7	2.7
Latin America	7.0	3.4	3.0	5.1	4.6	4.1	4.3	4.3	4.2	4.1	4.1	4.1
Mexico	6.9	2.5	2.9	4.8	3.6	3.4	3.9	3.9	3.7	3.7	3.7	3.7
Brazil	7.4	5.9	1.1	7.4	9.6	6.5	4.9	4.9	4.9	4.9	4.9	4.9

<sup>1</sup> Foreign GDP aggregates calculated using shares of U.S. exports.<sup>2</sup> 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	2004	2005	2006	2007	2008	2009	2010	2011	Projected----- 2012
<b>Real GDP</b> <sup>1</sup>									
Total foreign	3.9	4.0	4.1	4.3	-8	.5	4.2	3.4	3.5
<i>Previous Tealbook</i>	3.9	4.0	4.1	4.3	-8	.5	4.1	3.4	3.5
Advanced foreign economies	2.6	2.8	2.6	2.4	-1.8	-1.5	2.6	2.2	2.4
Canada	3.7	3.1	1.9	2.5	-9	-1.1	3.2	2.7	2.6
Japan	1.1	2.9	2.1	1.8	-4.6	-1.8	2.5	.8	2.8
United Kingdom	2.4	2.4	2.7	2.4	-2.7	-2.8	1.5	2.3	2.4
Euro area	1.7	2.1	3.6	2.2	-2.1	-2.1	2.0	1.7	2.0
Germany	.2	1.6	4.5	1.8	-2.0	-2.0	4.0	2.2	2.4
Emerging market economies	5.6	5.8	6.2	6.7	.4	3.0	6.1	5.0	4.9
Asia	5.9	7.7	7.8	8.8	.8	7.4	7.6	6.1	5.9
Korea	2.7	5.2	4.6	5.8	-3.2	6.3	4.7	4.2	4.3
China	9.9	10.3	12.8	13.7	7.7	11.4	9.6	8.5	8.4
Latin America	5.2	3.9	4.8	4.5	-2	-8	4.6	3.9	3.9
Mexico	4.6	3.6	4.1	3.7	-9	-2.2	4.4	3.7	4.0
Brazil	6.1	2.1	4.9	6.6	.8	5.0	5.0	3.7	3.8
<b>Consumer prices</b> <sup>2</sup>									
Total foreign	2.8	2.3	2.2	3.7	3.3	1.2	3.1	3.1	2.3
<i>Previous Tealbook</i>	2.8	2.3	2.2	3.7	3.3	1.2	3.1	3.1	2.3
Advanced foreign economies	1.8	1.6	1.4	2.2	2.0	.2	1.8	2.1	1.4
Canada	2.3	2.3	1.4	2.5	1.8	.8	2.2	2.7	1.9
Japan	.5	-1.0	.3	.5	1.0	-1.9	.1	-.4	-.5
United Kingdom	1.4	2.1	2.7	2.1	3.9	2.1	3.4	3.4	2.1
Euro Area	2.3	2.3	1.8	2.9	2.3	.4	2.0	2.7	1.7
Germany	2.1	2.2	1.3	3.1	1.7	.3	1.6	2.7	1.6
Emerging market economies	3.9	3.0	2.9	5.1	4.6	2.2	4.3	4.1	3.2
Asia	3.1	2.6	2.4	5.5	3.7	1.3	4.2	4.0	2.8
Korea	3.4	2.5	2.1	3.4	4.5	2.4	3.6	4.1	2.8
China	3.2	1.4	2.1	6.6	2.6	.6	4.7	3.7	2.7
Latin America	5.6	3.8	4.2	4.2	6.7	4.0	4.6	4.3	4.1
Mexico	5.3	3.1	4.1	3.8	6.2	4.0	4.3	3.7	3.7
Brazil	7.2	6.1	3.2	4.3	6.2	4.2	5.4	6.5	4.9

<sup>1</sup> Foreign GDP aggregates calculated using shares of U.S. exports.

<sup>2</sup> Foreign CPI aggregates calculated using shares of U.S. non-oil imports.

## U.S. Current Account

## Quarterly Data

	2010				2011				Projected-----2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Billions of dollars, s.a.a.r.											
<b>U.S. current account balance</b>	<b>-434.7</b>	<b>-490.9</b>	<b>-502.0</b>	<b>-453.4</b>	<b>-515.1</b>	<b>-499.3</b>	<b>-515.5</b>	<b>-450.9</b>	<b>-439.7</b>	<b>-409.1</b>	<b>-408.4</b>	<b>-395.4</b>
<i>Previous Tealbook</i>	-434.9	-491.2	-507.2	-462.5	-510.1	-509.6	-528.2	-483.8	-480.9	-451.4	-449.0	-430.5
Current account as percent of GDP	-3.0	-3.4	-3.4	-3.0	-3.4	-3.3	-3.3	-2.9	-2.8	-2.5	-2.5	-2.4
<i>Previous Tealbook</i>	-3.0	-3.4	-3.4	-3.1	-3.4	-3.3	-3.4	-3.1	-3.0	-2.8	-2.8	-2.6
Net goods & services	-455.5	-530.0	-530.5	-466.9	-541.3	-549.0	-567.4	-506.9	-482.4	-463.1	-455.7	-440.1
Investment income, net	168.5	180.1	173.8	162.8	165.4	174.9	180.6	181.4	182.0	179.1	176.0	170.0
Direct, net	275.6	286.3	276.6	261.2	286.2	283.0	284.9	288.7	296.2	306.6	314.8	324.8
Portfolio, net	-107.1	-106.2	-102.8	-98.4	-120.8	-108.1	-104.3	-107.4	-114.2	-127.4	-138.8	-154.8
Other income and transfers, net	-147.7	-141.0	-145.3	-149.3	-139.2	-125.1	-128.7	-125.3	-139.2	-125.1	-128.7	-125.3

## Annual Data

	2004	2005	2006	2007	2008	2009	2010	2011	2012	
								-----Projected-----		
					Billions of dollars					
U.S. current account balance	-630.5	-747.6	-802.6	-718.1	-668.9	-378.4	-470.2	-495.2	-413.2	
Previous Tealbook	-630.5	-747.6	-802.6	-718.1	-668.9	-378.4	-473.9	-507.9	-453.0	
Current account as percent of GDP	-5.3	-5.9	-6.0	-5.1	-4.7	-2.7	-3.2	-3.2	-2.6	
Previous Tealbook	-5.3	-5.9	-6.0	-5.1	-4.7	-2.7	-3.2	-3.3	-2.8	
Net goods & services	-609.3	-714.2	-759.2	-702.1	-698.8	-374.9	-495.7	-541.2	-460.3	
Investment income, net	73.4	78.8	54.7	106.6	159.3	129.2	171.3	175.6	176.8	
Direct, net	150.9	173.2	174.0	241.6	287.7	252.1	274.9	285.7	310.6	
Portfolio, net	-77.5	-94.4	-119.4	-134.9	-128.4	-122.8	-103.6	-110.2	-133.8	
Other income and transfers, net	-94.5	-112.2	-98.1	-122.6	-129.3	-132.8	-145.8	-129.6	-129.6	

Class I FOMC – Restricted Controlled (FR)

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# Report to the FOMC on Economic Conditions and Monetary Policy



## Book B

### Monetary Policy: Strategies and Alternatives

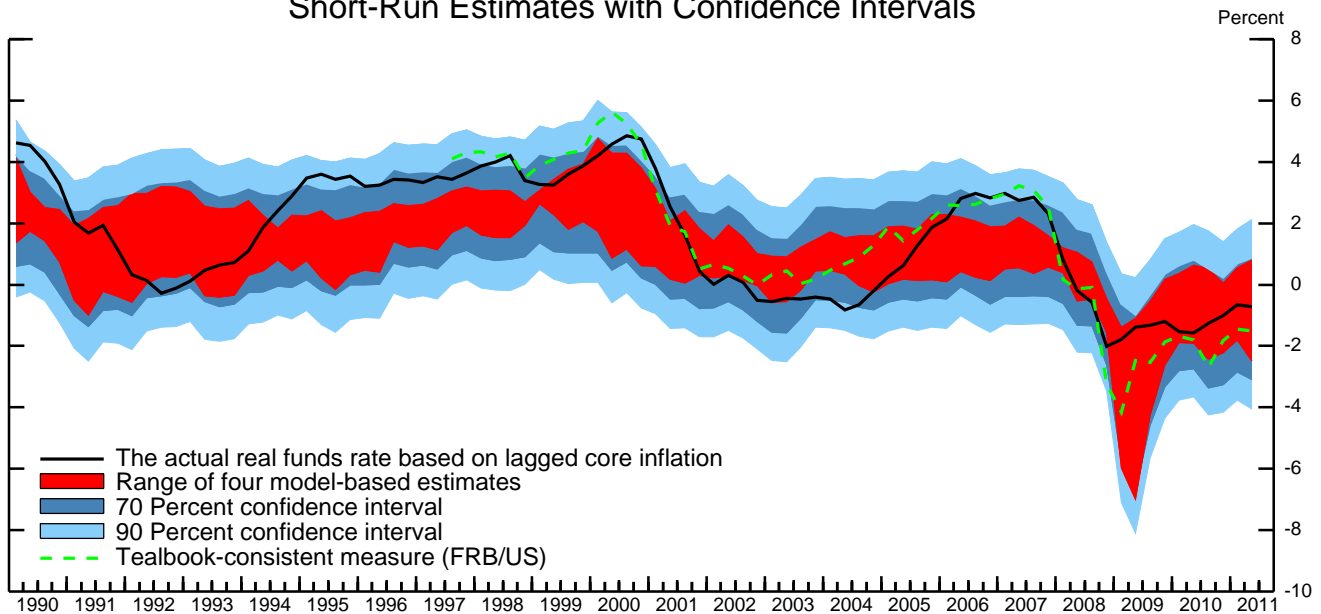
April 21, 2011

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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



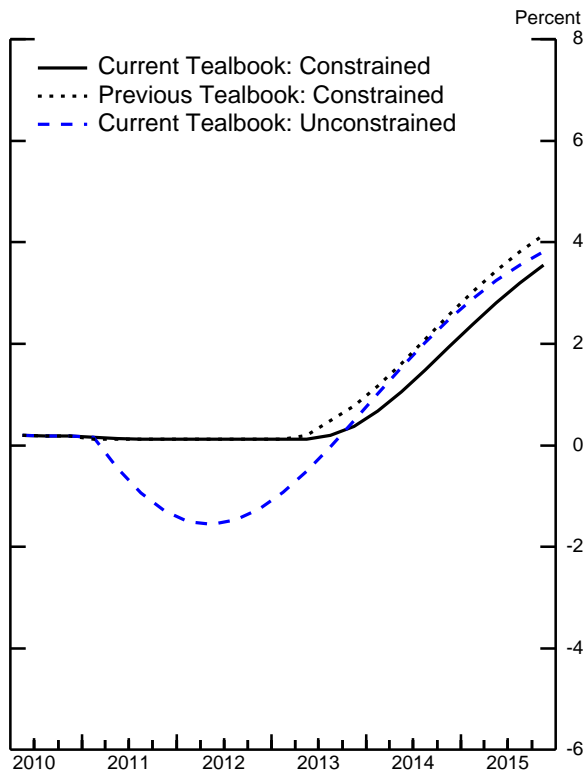
## Short-Run and Medium-Run Measures (Percent)

	Current Tealbook	Current Quarter Estimate as of Previous Tealbook	Previous Tealbook
Short-Run Measures			
Single-equation model	-1.8	-1.3	-1.4
Small structural model	-1.1	-0.6	-1.2
EDO model	0.8	0.9	0.7
FRB/US model	-2.5	-2.3	-2.4
Confidence intervals for four model-based estimates			
70 percent confidence interval	-3.1 to 0.9		
90 percent confidence interval	-4.1 to 2.1		
Tealbook-consistent measures			
EDO model	-0.3	0.2	-0.3
FRB/US model	-1.5	-1.1	-1.4
Medium-Run Measures			
Single-equation model	1.0	1.1	1.1
Small structural model	1.2	1.3	1.2
Confidence intervals for two model-based estimates			
70 percent confidence interval	0.2 to 2.0		
90 percent confidence interval	-0.5 to 2.6		
TIPS-based factor model	2.0		2.0
Memo			
Actual real federal funds rate	-0.7		-0.7

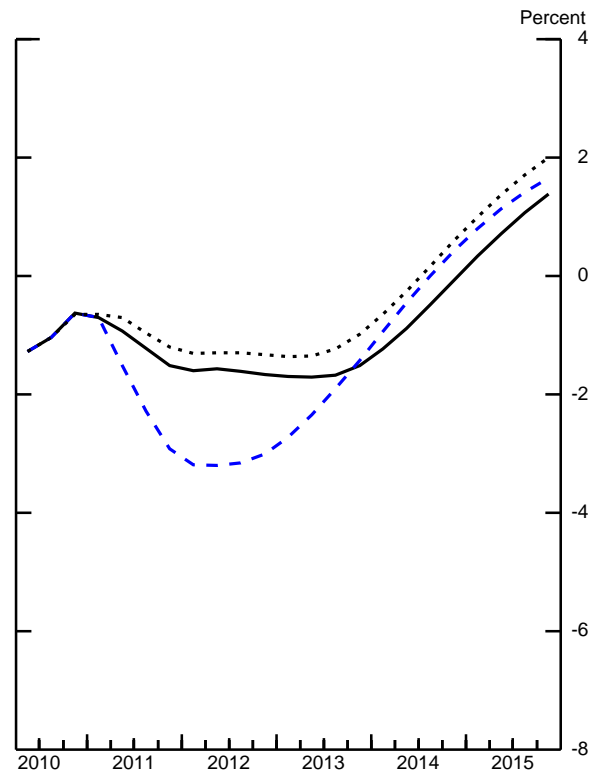
Note: Explanatory Note A provides background information regarding the construction of these measures and confidence intervals. The actual real federal funds rate shown is based on lagged core inflation as a proxy for inflation expectations. For information regarding alternative measures, see Explanatory Note A. Estimates of  $r^*$  may change at the beginning of a quarter even when the staff outlook is unchanged 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)

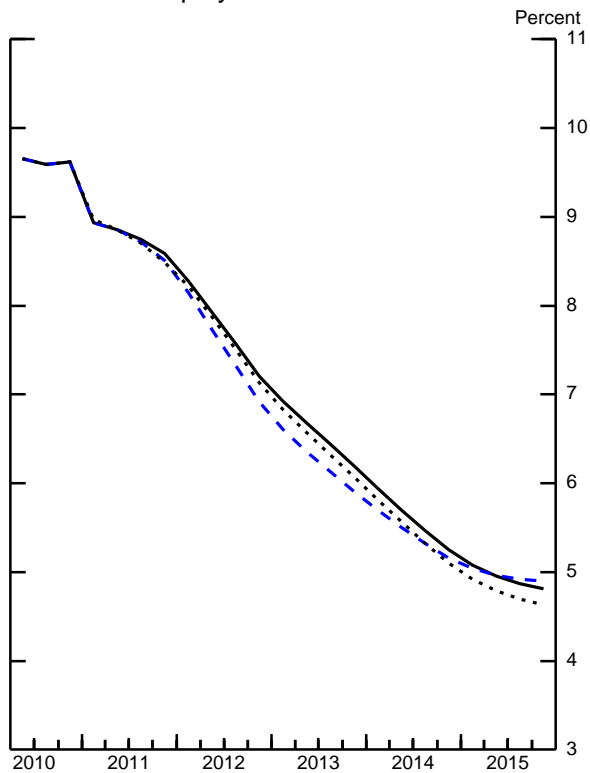
Nominal Federal Funds Rate



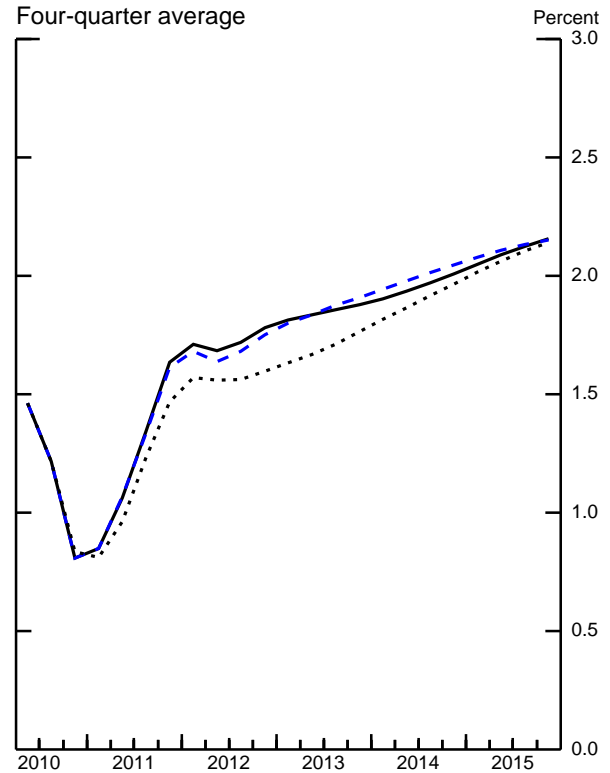
Real Federal Funds Rate



Civilian Unemployment Rate

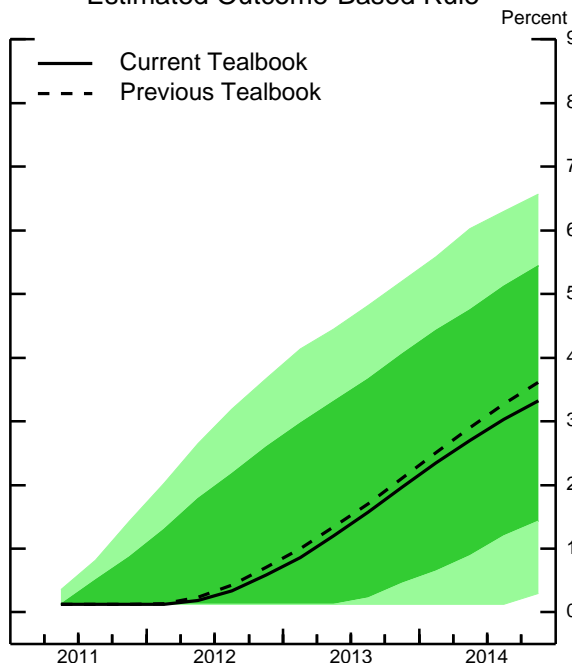


Core PCE Inflation  
Four-quarter average

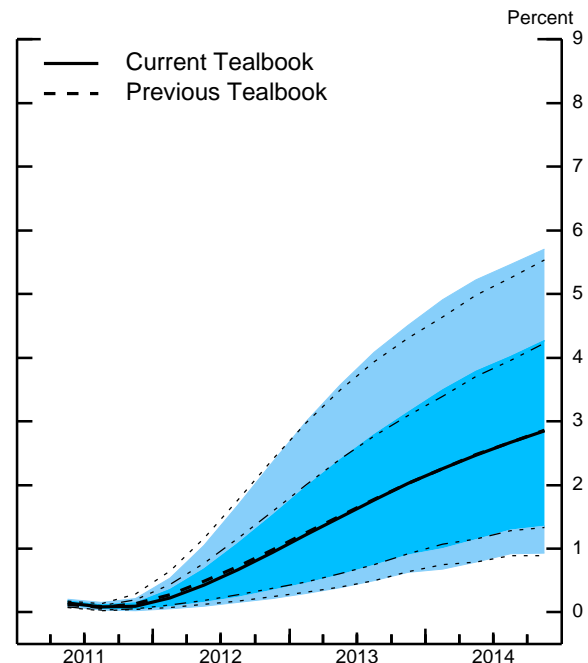


## The Policy Outlook in an Uncertain Environment

FRB/US Model Simulations of  
Estimated Outcome-Based Rule



Information from Financial Markets



Note: As in the March 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. In both panels, the dark and light shading represent the 70 and 90 percent confidence intervals respectively. Financial market quotes are as of April 20.

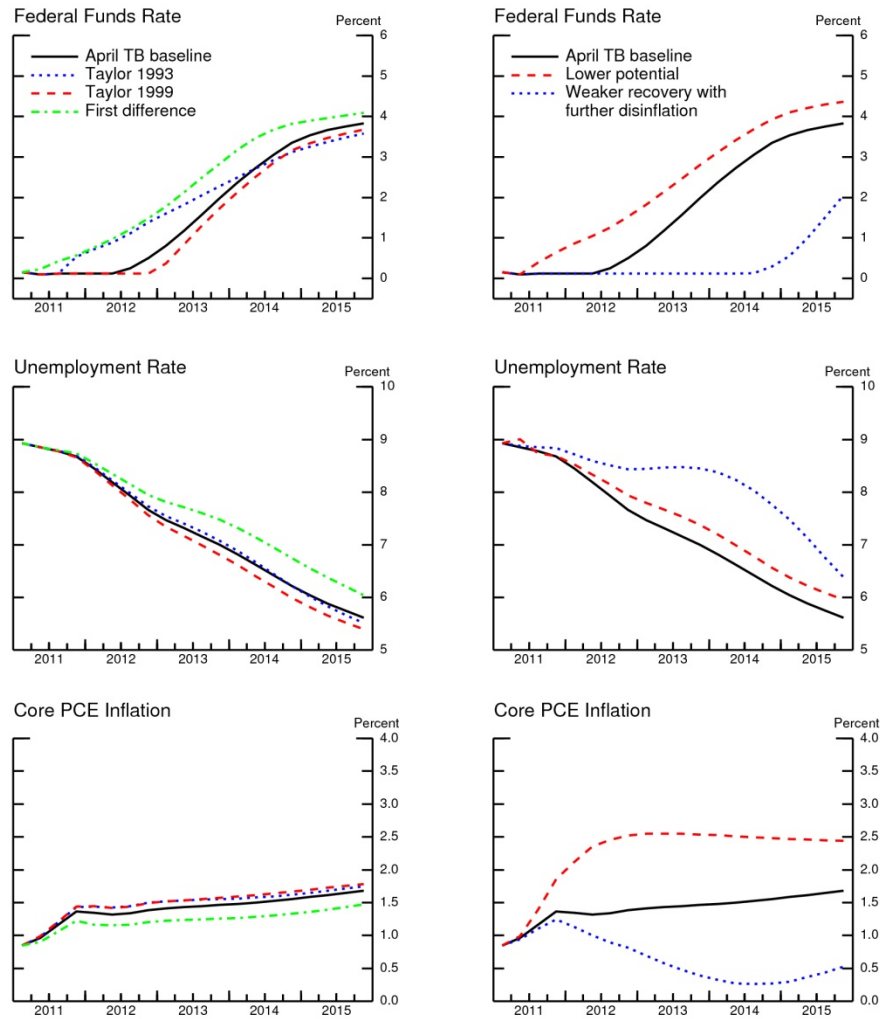
### Near-Term Prescriptions of Simple Policy Rules

	Constrained Policy		Unconstrained Policy	
	<u>2011Q2</u>	<u>2011Q3</u>	<u>2011Q2</u>	<u>2011Q3</u>
Taylor (1993) rule	<b>0.13</b>	<b>0.13</b>	<b>-0.49</b>	<b>0.03</b>
<i>Previous Tealbook</i>	0.13	0.13	-0.44	0.02
Taylor (1999) rule	<b>0.13</b>	<b>0.13</b>	<b>-3.40</b>	<b>-2.66</b>
<i>Previous Tealbook</i>	0.13	0.13	-3.17	-2.53
Estimated outcome-based rule	<b>0.13</b>	<b>0.13</b>	<b>-0.30</b>	<b>-0.56</b>
<i>Previous Tealbook</i>	0.13	0.13	-0.18	-0.45
Estimated forecast-based rule	<b>0.13</b>	<b>0.13</b>	<b>-0.05</b>	<b>-0.18</b>
<i>Previous Tealbook</i>	0.13	0.13	-0.03	-0.16
First-difference rule	<b>0.48</b>	<b>0.90</b>	<b>0.48</b>	<b>0.90</b>
<i>Previous Tealbook</i>	0.48	0.84	0.48	0.84
<b>Memo</b>				
	<u>2011Q2</u>	<u>2011Q3</u>		
Staff assumption		0.10		0.13
Fed funds futures		0.10		0.11
Median expectation of primary dealers		0.13		0.13
Blue Chip forecast (April 1, 2011)		0.20		0.20

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.

trajectory of SOMA holdings of longer-term securities as given. The FOMC could also adjust the overall stance of policy through changes in those holdings, and such changes—as well as the stimulus currently being provided by previous asset purchases—would presumably have implications for the appropriate setting of the funds rate.

### Pace and Timing of Policy Firming under Different Scenarios

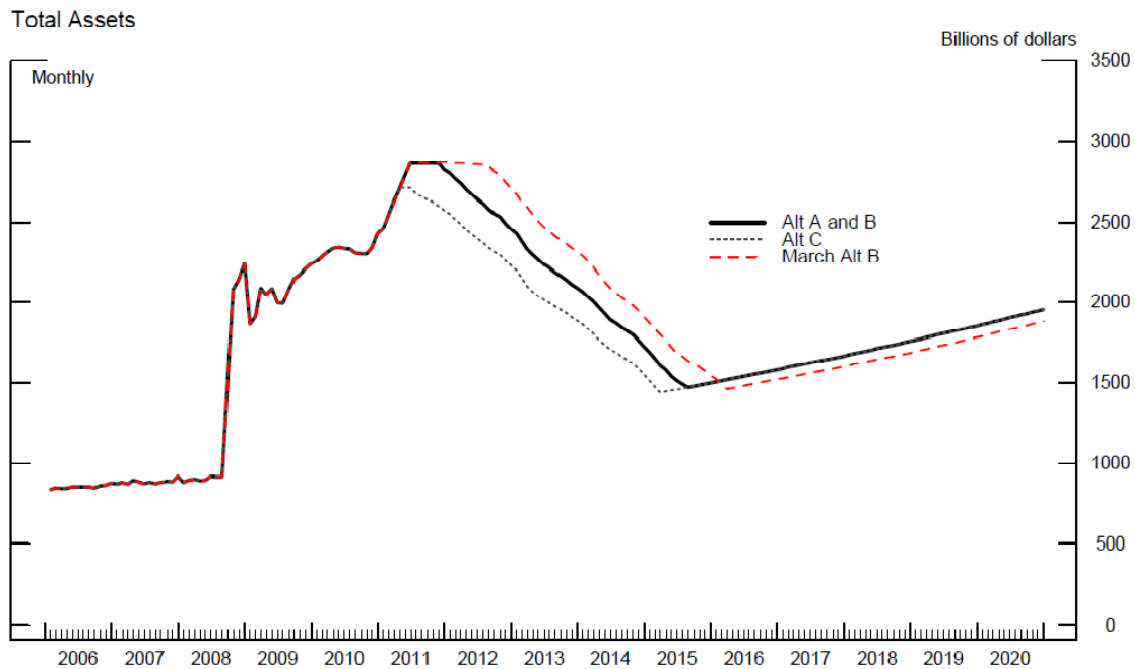


Note: Results shown on the left, which are all conditioned on the staff's baseline assumptions for underlying economic conditions, report the simulated implications for unemployment, inflation and interest rates of those baseline assumptions when the federal funds rate follows the prescriptions of the indicated policy rule. Results shown in the panels on the right, which all assume that monetary policy follows the prescriptions of the estimated outcomes-based rule, represent different scenarios for the evolution of underlying economic conditions.



## LONG-RUN PROJECTIONS OF THE BALANCE SHEET AND MONETARY BASE

The staff has prepared two scenarios for the Federal Reserve's balance sheet that correspond to the policy Alternatives A, B, and C (though the language in the statements differs, Alternatives A and B have the same balance sheet projection). Projections under each scenario are based on assumptions about various components of the balance sheet.<sup>4</sup> Details of these assumptions, as well as projections for each major component of the balance sheet, can be found in Explanatory Note C.



For the scenario that corresponds to Alternatives A and B, we assume that the FOMC completes the intended expansion of its holdings of longer-term securities of \$600 billion by the end of the second quarter of 2011. The proceeds from principal repayments from Treasury securities and agency securities continue to be reinvested in Treasury securities until December 2011. Under these assumptions, the size of the balance sheet reaches about \$2.9 trillion by the end of the second quarter and remains at about that level until the end of the year. In December, all principal paydowns of securities are assumed to roll off the portfolio, and the balance sheet begins to contract. In March 2013, six months after the assumed rise in the target federal funds rate, the Committee begins to sell its remaining holdings of agency MBS and agency debt securities at a pace that reduces the amount of these securities in the portfolio to zero in five years—that is,

<sup>4</sup> All scenarios assume the same path for the federal funds rate.

portfolio. On the liability side of the balance sheet, reserve balances are lower than in the previous Tealbook in the near term, largely reflecting the earlier start of rolling securities off the portfolio.

After expanding in 2011, on net, the monetary base is projected to contract through 2015 in Alternatives A and B, reflecting the decline in Federal Reserve assets and the associated downward trend in reserve balances. Alternative C has the monetary base expand slightly in 2015 as the balance sheet begins to expand.

Growth Rates for the Monetary Base			
Date	Alternatives A and B	Alternative C	Memo : March Tealbook
Percent, annual rate			
Monthly			
Jan-11	23.3	23.3	23.3
Feb-11	57.6	57.6	57.6
Mar-11	99.1	99.1	103.4
Apr-11	81.5	83.4	70.9
May-11	56.6	38.9	44.4
Jun-11	31.7	-5.4	35.8
Jul-11	12.8	-13.9	13.0
Aug-11	-20.8	-35.4	-16.4
Sep-11	-49.4	-62.1	-35.7
Oct-11	-19.4	-29.2	-13.2
Nov-11	5.9	-3.7	4.6
Dec-11	-4.1	-6.2	2.7
Quarterly			
2011 Q1	37.0	37.0	37.5
2011 Q2	75.4	66.7	69.9
2011 Q3	7.1	-16.1	9.3
2011 Q4	-18.9	-28.7	-12.9
2012 Q1	-6.0	-6.6	0.6
2012 Q2	-12.7	-13.8	-1.4
Annual - Q4 to Q4			
2011	25.9	13.5	27.3
2012	-11.9	-12.5	-4.1
2013	-18.0	-18.8	-17.5
2014	-20.3	-19.8	-20.2
2015	-7.3	3.9	-21.6

Note: Not seasonally adjusted.

# Federal Reserve Balance Sheet

## End-of-Year Projections -- Alternatives A & B

Billions of dollars

	<u>Mar 31, 2011</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,633	2,463	1,725	1,579	1,752	1,952
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	19	7	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	19	7	0	0	0	0
Support for specific institutions	64	38	29	21	9	5
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	64	38	29	21	9	5
Securities held outright	2,410	2,280	1,579	1,456	1,649	1,857
U.S. Treasury securities	1,340	1,422	1,051	1,260	1,649	1,857
Agency debt securities	132	77	39	16	0	0
Agency mortgage-backed securities	937	781	489	180	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	139	137	116	102	94	90
Total liabilities	2,581	2,392	1,632	1,456	1,590	1,737
Selected liabilities						
Federal Reserve notes in circulation	964	1,080	1,219	1,349	1,483	1,631
Reverse repurchase agreements	62	60	60	60	60	60
Deposits with Federal Reserve Banks	1,525	1,234	336	30	30	30
Reserve balances held by depository institutions	1,408	1,029	131	25	25	25
U.S. Treasury, General Account	111	5	5	5	5	5
U.S. Treasury, Supplementary Financing Account	5	200	200	0	0	0
Other balances	0	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	0	0	0	0	0	0
Total capital	53	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>Mar 31, 2011</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,633	2,237	1,557	1,579	1,752	1,952
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	19	7	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	19	7	0	0	0	0
Support for specific institutions	64	38	29	21	9	5
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	64	38	29	21	9	5
Securities held outright	2,410	2,057	1,411	1,454	1,646	1,854
U.S. Treasury securities	1,340	1,199	883	1,257	1,646	1,854
Agency debt securities	132	77	39	16	0	0
Agency mortgage-backed securities	937	781	489	180	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	139	134	116	104	97	93
Total liabilities	2,581	2,167	1,464	1,456	1,590	1,737
Selected liabilities						
Federal Reserve notes in circulation	964	1,080	1,219	1,349	1,483	1,631
Reverse repurchase agreements	62	60	60	60	60	60
Deposits with Federal Reserve Banks	1,525	1,008	168	30	30	30
Reserve balances held by depository institutions	1,408	803	25	25	25	25
U.S. Treasury, General Account	111	5	5	5	5	5
U.S. Treasury, Supplementary Financing Account	5	200	137	0	0	0
Other balances	0	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	0	0	0	0	0	0
Total capital	53	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.