

### **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.

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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

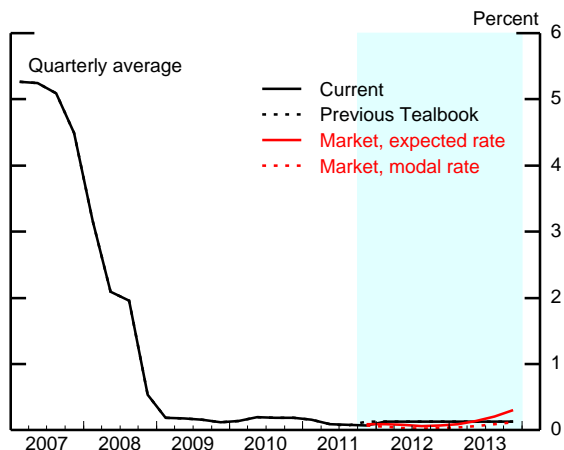
October 26, 2011

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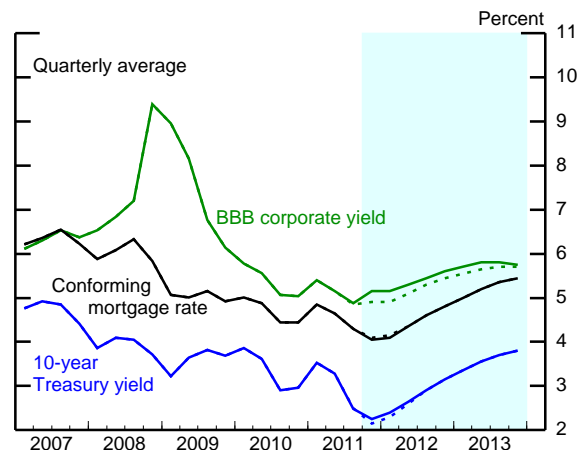
Prepared for the Federal Open Market Committee  
by the staff of the Board of Governors of the Federal Reserve System

## Key Background Factors underlying the Baseline Staff Projection

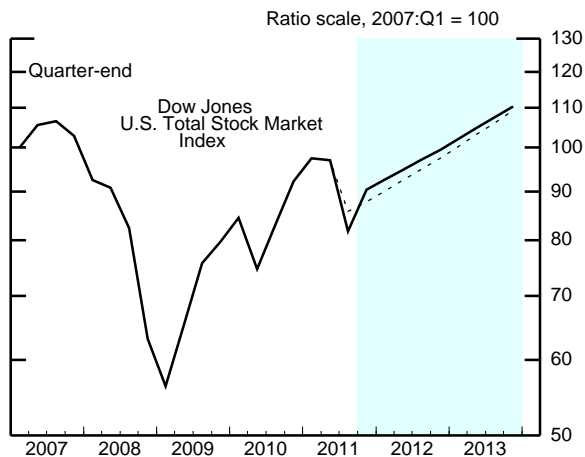
Federal Funds Rate



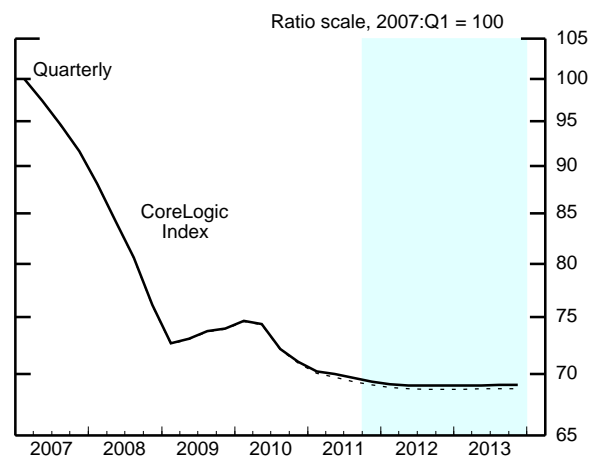
Long-Term Interest Rates



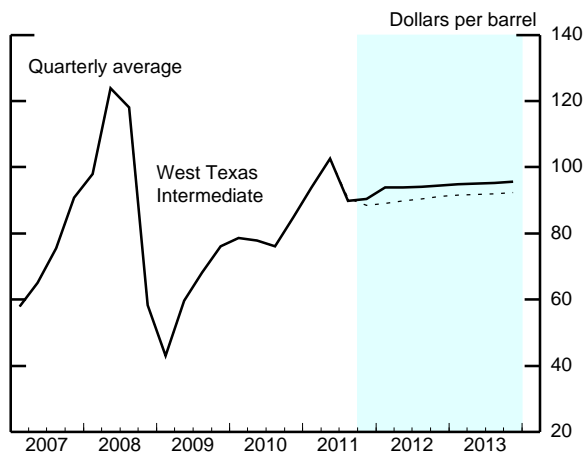
Equity Prices



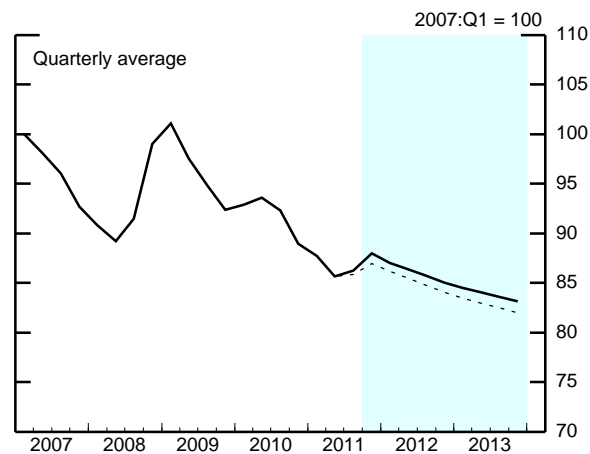
House Prices



Crude Oil Prices



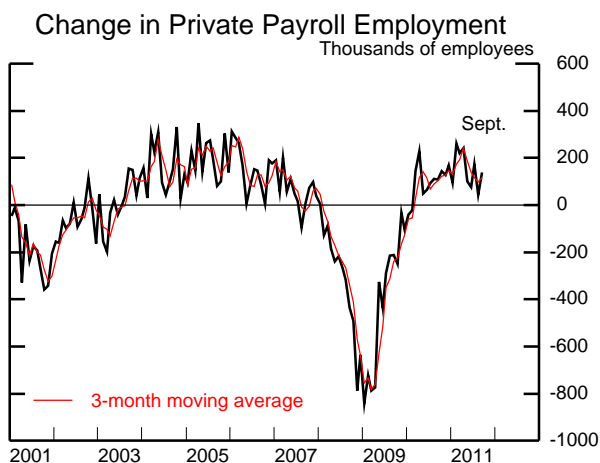
Broad Real Dollar



**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
<b>Real GDP</b>	<b>2.5</b>	<b>2.7</b>	<b>2.0</b>	<b>2.5</b>	<b>2.2</b>	<b>2.4</b>
Private domestic final purchases	2.1	3.4	1.2	1.9	1.8	1.8
Personal consumption expenditures	1.7	2.2	1.1	2.0	1.7	1.9
Residential investment	-1.3	1.2	-8	3.2	3.8	3.5
Nonres. structures	3.7	14.1	-1.6	-5.2	-4.8	-4.2
Equipment and software	6.0	12.3	4.2	3.8	4.0	2.0
Federal purchases	-.7	-2.2	3.7	4.6	-.7	-.7
State and local purchases	-2.6	-.6	-1.2	-.8	-.8	-.8
Contribution to change in real GDP (percentage points)						
Inventory investment	.8	-.3	.2	.4	.1	.6
Net exports	.3	.4	.6	.2	.7	.4

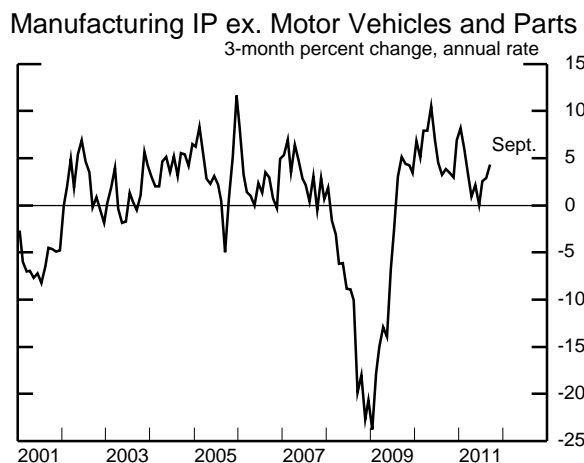
**Recent Nonfinancial Developments (1)**



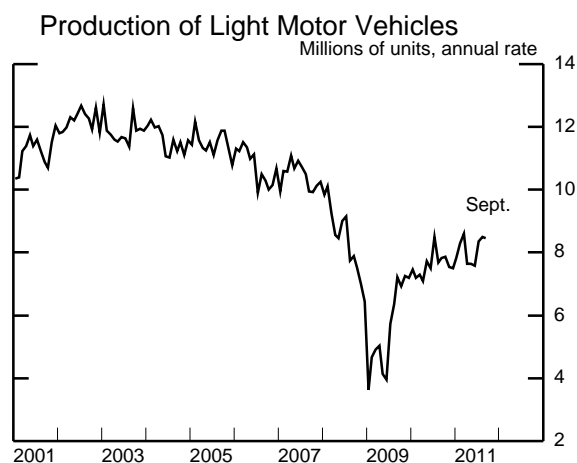
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.



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.

## Consumer Sentiment and Consumer Spending

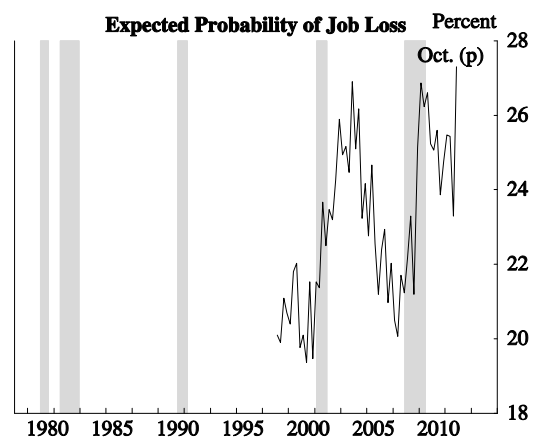
Measures of consumer sentiment play an important role in the Board staff forecast of consumption because they have some incremental predictive power for household spending, even when other conventional determinants (such as wealth, income, and interest rates) are taken into account. One hypothesis for why they have such power is that they may be capturing factors—such as expectations of and uncertainty about future income and wealth—that are difficult to measure directly but likely significantly influence consumer spending. For example, the weakening in consumption at the onset of recessions is likely due not only to already experienced changes in income and wealth, but also to changes in households' expectations of future income and wealth. As shown in the lower-left figure, a diffusion index of households' expectations of real income growth from the Michigan survey often drops at the beginning of recessions, as does an index of households' expectations of their future financial situations (not shown). In addition, for many households, uncertainty about future labor income likely rises during recessions, increasing precautionary saving and further damping spending. One measure of this uncertainty—the perceived probability of losing one's job in the next few years—jumped in the past two recessions (see lower-right figure).

The staff monitors several different measures of households' assessments of current and future economic conditions, all of which tend to move together. One measure we often highlight is the Michigan survey's composite index of consumer sentiment, shown in the top figure on the facing page. The figure shows that sentiment has experienced several sharp declines during the past 30 years, some of which are marked with vertical lines. These movements are often, but not always, followed by a weakening in economic activity. For example, in mid-1990, late 2000, late 2007, and September 2008, sharp drops in sentiment anticipated or coincided with the onset or intensification of recessions. In other cases—the stock market crash of 1987 and Hurricane Katrina—sentiment declined noticeably, but activity did not weaken significantly, and any effect on consumption was relatively short lived.

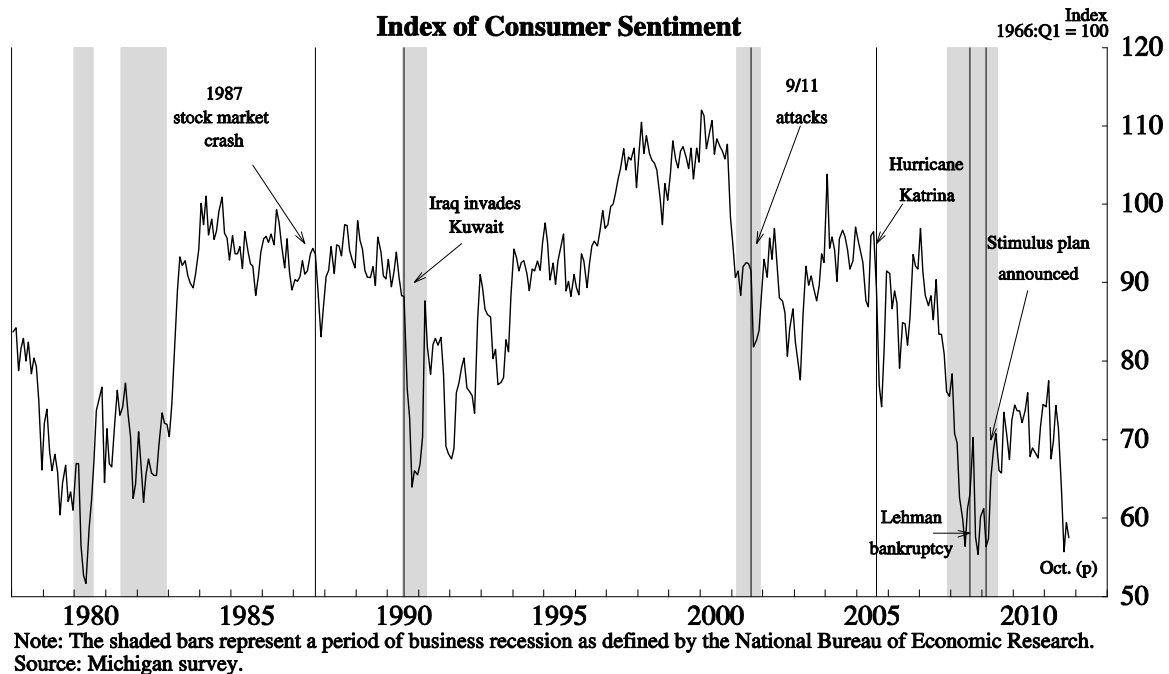
In July and August of this year, sentiment declined sharply, likely reflecting anxiety about the possibility that the economy was slipping back into recession, as well as heightened concerns about financial market stability—stemming, in large part, from sovereign debt problems in Europe—and increased doubts that



Note: Index is the percent of respondents answering "More" to the following question, "How about the next year or two—do you expect that your (family) income will go up more than prices will go up, about the same, or less than prices will go up?" minus the percent responding "Less," plus 100.  
p Preliminary.  
Source: Michigan survey.

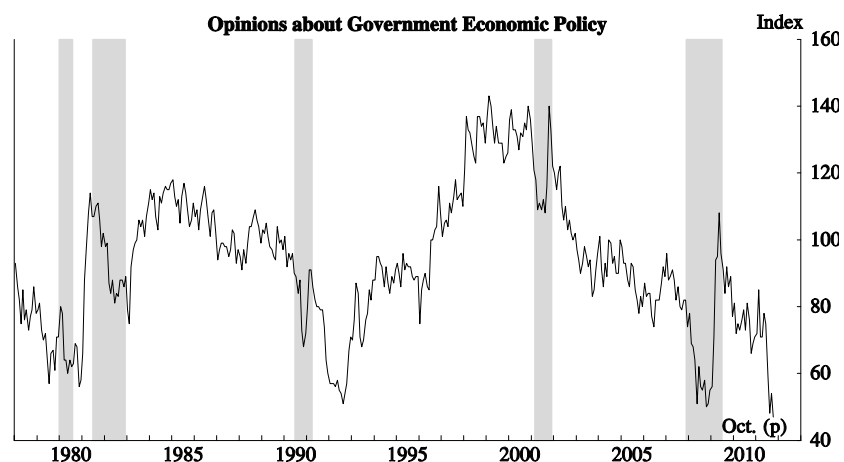


Note: Average response to "During the next 5 years, what do you think the chances are that you (or your husband/wife) will lose a job you wanted to keep?"  
p Preliminary.  
Source: Michigan survey.



government policy would address important economic problems. Indeed, responses to the Michigan survey show that households' views of government economic policy dropped sharply over the summer, and the preliminary reading for October was at an all-time low (see figure below).

In our forecast, we expect weak sentiment to weigh on consumer spending in the near term. But over time—as information accumulates that the economy, while weak, is not deteriorating further, and that policymakers in the United States and Europe are addressing concerns about fiscal sustainability and financial stability—we expect that sentiment will move back up from its recent lows, albeit only to levels that are still relatively weak historically. This projected increase in consumer sentiment contributes to our expectation that consumer spending will accelerate next year.



Note: Index is the percent of respondents answering "Good" to the following question, "As to the economic policy of the government—I mean steps taken to fight inflation or unemployment—would you say the government is doing a good job, only fair, or a poor job?" minus the percent responding "Poor," plus 100.

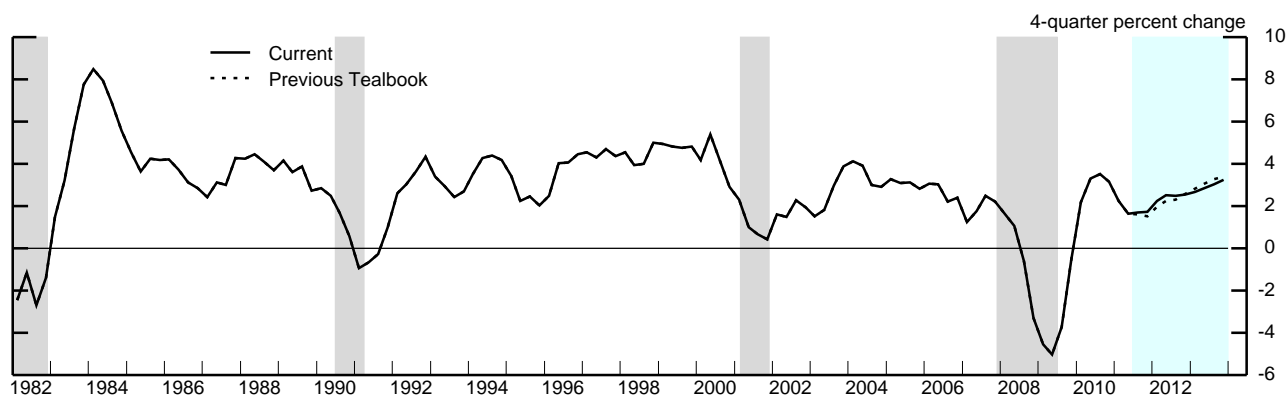
p Preliminary.

Source: Michigan survey.

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

Measure	2011		2012	2013
	H1	H2		
<b>Real GDP</b>	<b>.8</b>	<b>2.6</b>	<b>2.5</b>	<b>3.2</b>
Previous Tealbook	.8	2.2	2.6	3.4
Final sales	.8	2.5	2.3	2.8
Previous Tealbook	.7	1.7	2.4	2.9
Personal consumption expenditures	1.4	2.1	2.4	3.1
Previous Tealbook	1.2	1.4	2.3	3.1
Residential investment	.8	2.2	6.2	9.2
Previous Tealbook	.6	-1.0	7.2	9.6
Nonresidential structures	2.5	4.0	-3.4	.3
Previous Tealbook	2.5	1.0	-3.4	.6
Equipment and software	7.5	8.0	5.3	6.7
Previous Tealbook	7.7	5.1	5.3	6.7
Federal purchases	-3.9	1.1	-.7	-4.1
Previous Tealbook	-3.9	1.5	-.7	-4.0
State and local purchases	-3.1	-.7	-.4	.8
Previous Tealbook	-3.1	-1.9	-.4	.8
Exports	5.7	6.8	6.8	6.7
Previous Tealbook	5.7	8.8	7.4	7.1
Imports	4.8	3.6	3.7	4.9
Previous Tealbook	4.8	4.1	3.4	4.9
Contributions to change in real GDP (percentage points)				
Inventory change	.0	.1	.2	.4
Previous Tealbook	.1	.5	.2	.5
Net exports	-.1	.3	.3	.1
Previous Tealbook	.0	.5	.5	.2

### Real GDP

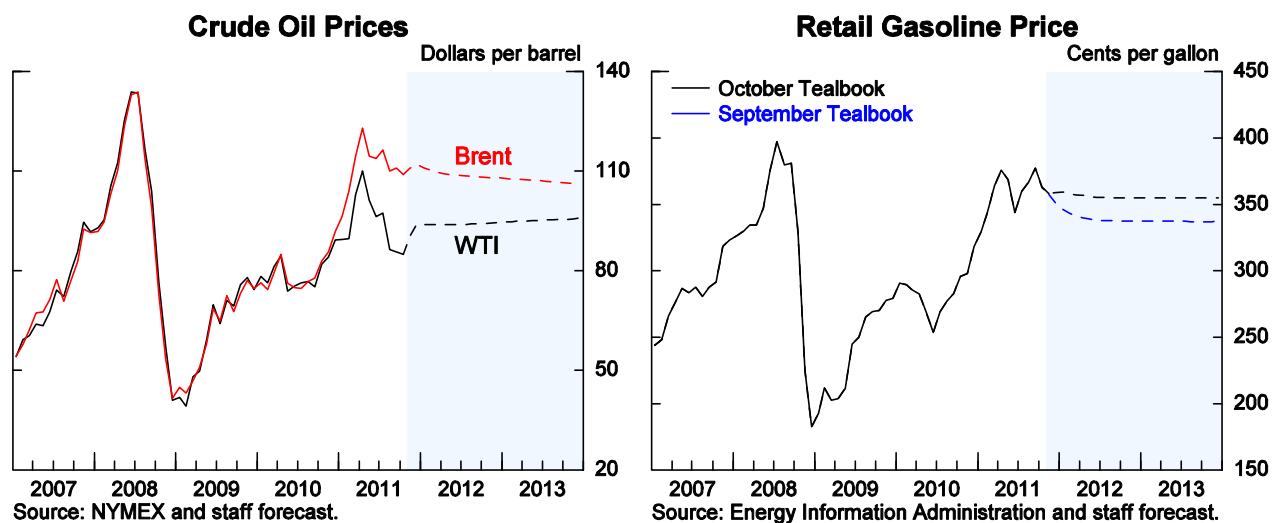


Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.  
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Why Haven't Gasoline Prices Fallen as Much as Oil Prices?

In recent months, gasoline prices have not fallen as much as would typically be expected given the decline in the main domestic benchmark grade of oil prices: Since April, the spot price of West Texas Intermediate (WTI) crude oil has fallen nearly \$20 per barrel (or 48 cents per gallon), while retail gasoline prices have declined only about 15 cents per gallon. The failure of gasoline prices to respond as much as usual this year to the decline in the price of WTI likely reflects a confluence of factors: First, owing to segmentation in the domestic market for crude oil and the sudden availability of more oil in the midsection of the country, the recent decline in the price of WTI overstates the fall in average crude input prices faced by domestic refiners. Second, localized capacity constraints in the refining sector have limited the pass-through of lower average crude input prices into gasoline prices. We anticipate that these factors will persist, and so are forecasting that the price of gasoline will remain high relative to the price of domestic crude over the forecast horizon.

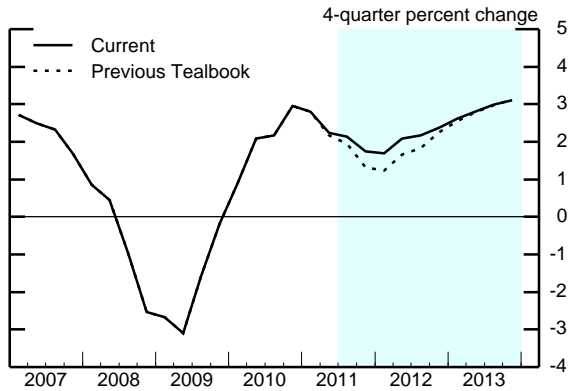
Over the past year or so, unusual divergences between the prices of different types of crude oil have emerged. As shown in the lower-left figure, the typical close co-movement in the spot prices of WTI and Brent, another important benchmark crude, has broken down. Since April, the price of WTI has fallen much more than Brent, largely reflecting continued increases in the supply of oil, primarily from Canada and North Dakota, that is available to flow into Cushing, Oklahoma—the delivery point for the futures contract on WTI crude oil. The existing infrastructure is insufficient to fully integrate this region to global markets. As a result, the influx of additional landlocked crude has depressed the price of oil in the Midwest relative to the rest of the country, where refiners are more reliant on seaborne crude.



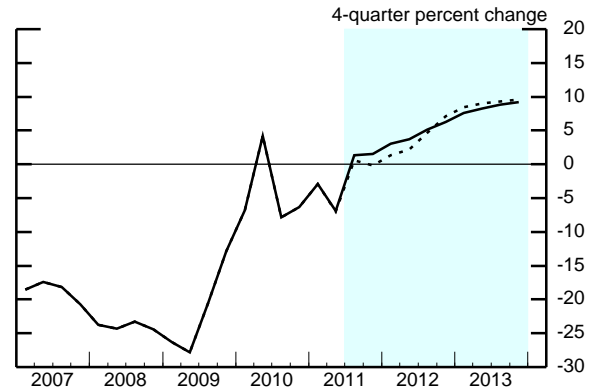


# Components of Final Demand

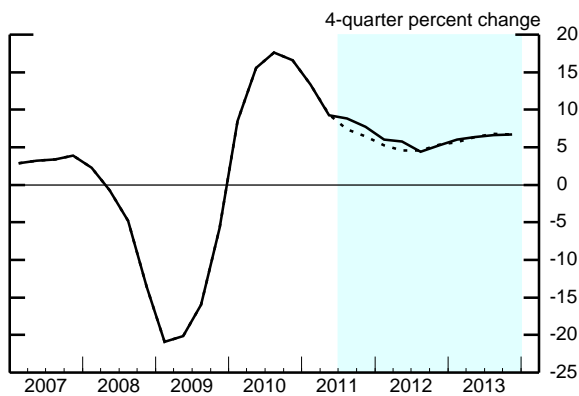
Personal Consumption Expenditures



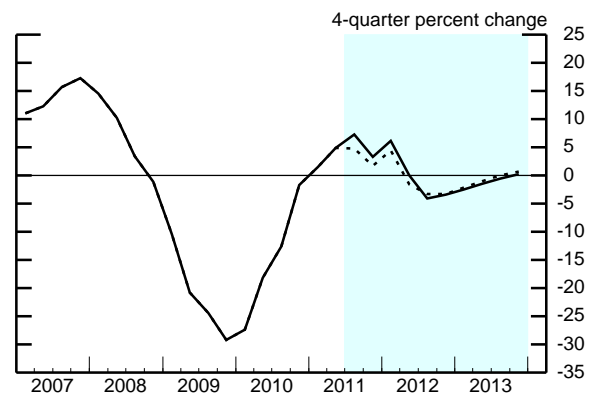
Residential Investment



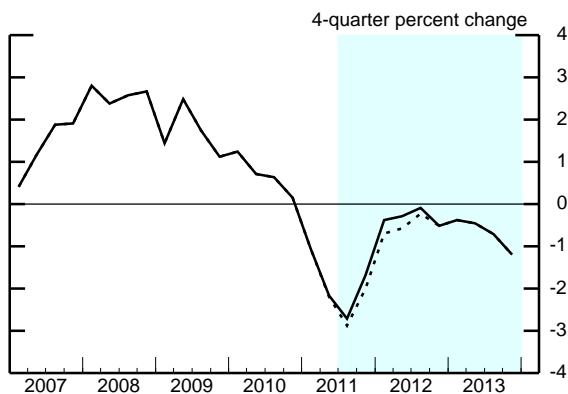
Equipment and Software



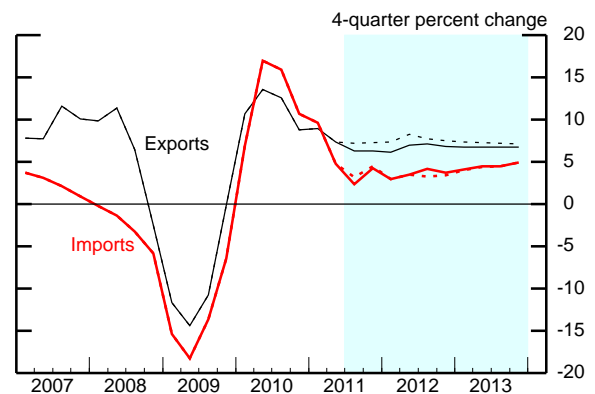
Nonresidential Structures



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)

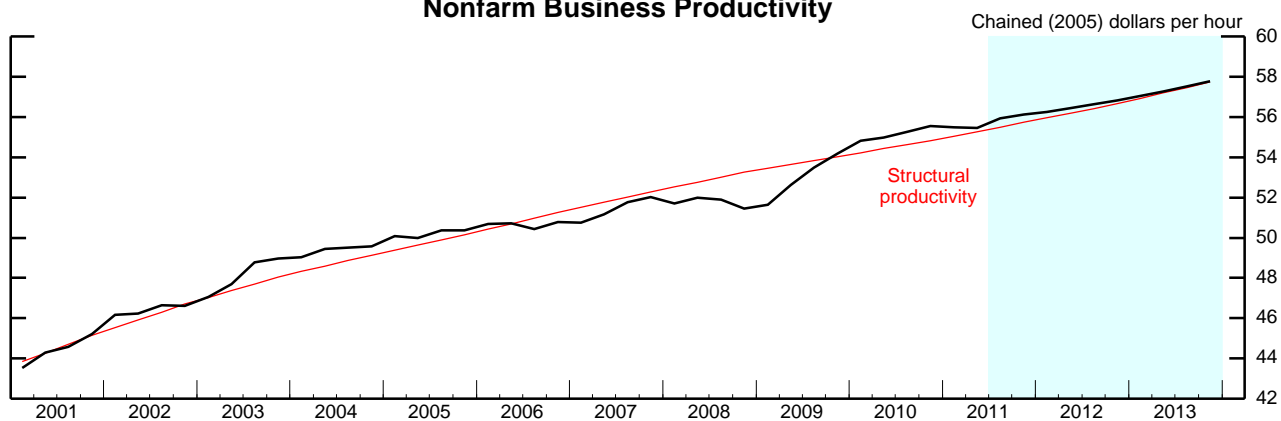
Measure	1974-1995	1996-2000	2001-2009	2010	2011	2012	2013
Potential GDP	3.0	3.5	2.4	1.7	2.1	2.1	2.2
Previous Tealbook	3.0	3.5	2.5	1.7	2.1	2.1	2.2
<i>Selected contributions<sup>1</sup></i>							
Structural labor productivity	1.5	2.7	2.4	1.5	1.7	1.7	1.9
Previous Tealbook	1.5	2.7	2.4	1.5	1.7	1.7	1.9
Capital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

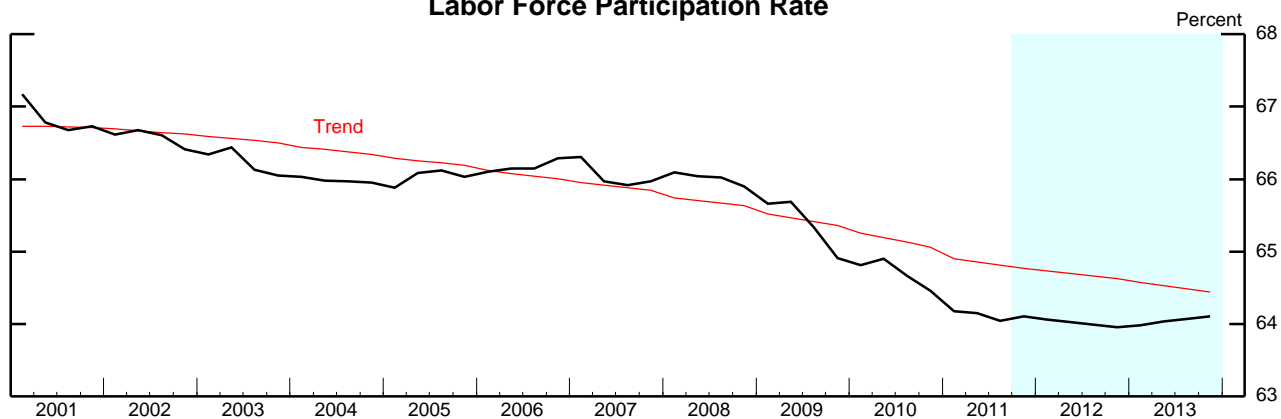
1. Percentage points.

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	2010	2011	2012	2013
Output per hour, nonfarm business	2.5	1.0	1.2	1.7
Previous Tealbook	2.5	.8	1.3	1.8
Nonfarm private employment	.9	1.6	1.8	2.3
Previous Tealbook	.9	1.5	1.8	2.3
Labor force participation rate <sup>1</sup>	64.5	64.1	64.0	64.1
Previous Tealbook	64.5	64.0	63.9	64.0
Civilian unemployment rate <sup>1</sup>	9.6	9.1	8.6	8.1
Previous Tealbook	9.6	9.1	8.7	8.1
Memo: GDP gap <sup>2</sup>	-5.6	-6.0	-5.6	-4.7
Previous Tealbook	-5.6	-6.2	-5.8	-4.7

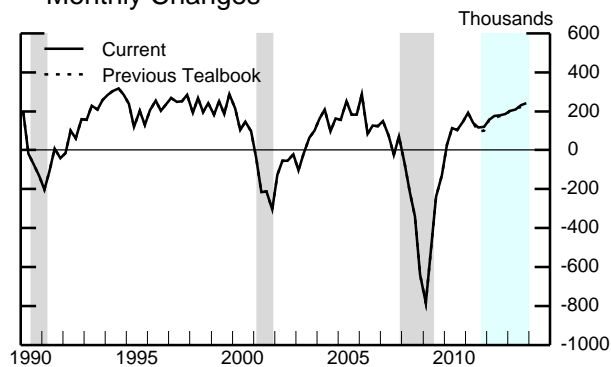
Note: A negative number indicates that the economy is operating below potential.

1. Percent, average for the fourth quarter.

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

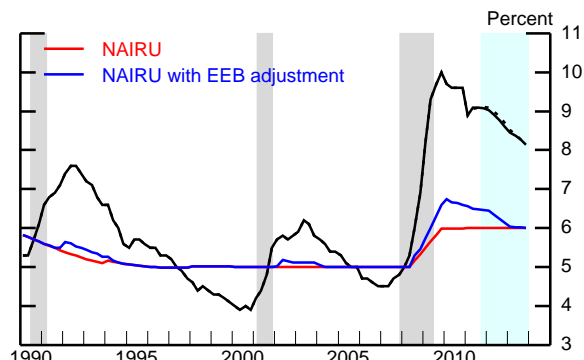
Source: U.S. Department of Labor, Bureau of Labor Statistics; staff assumptions.

Private Payroll Employment, Average Monthly Changes



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

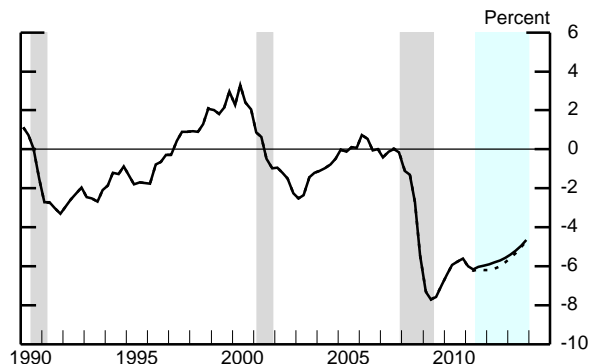
Unemployment Rate



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

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

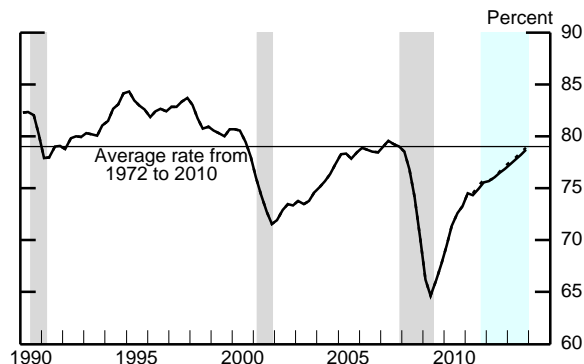
GDP Gap



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

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

Manufacturing Capacity Utilization Rate



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

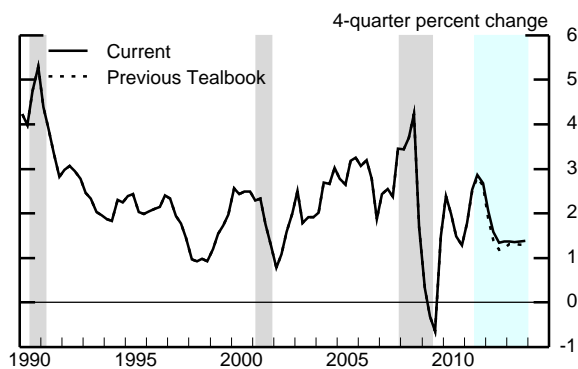
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.

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

Measure	2010	2011	2012	2013
PCE chain-weighted price index	1.3	2.7	1.4	1.4
Previous Tealbook	1.3	2.6	1.2	1.3
Food and beverages	1.3	5.3	1.2	1.2
Previous Tealbook	1.3	4.6	1.4	1.4
Energy	6.2	12.1	-.4	1.2
Previous Tealbook	6.2	11.6	-3.1	.6
Excluding food and energy	1.0	1.8	1.5	1.4
Previous Tealbook	1.0	1.9	1.5	1.3
Prices of core goods imports <sup>1</sup>	2.6	4.4	1.2	1.7
Previous Tealbook	2.6	4.8	1.4	1.5

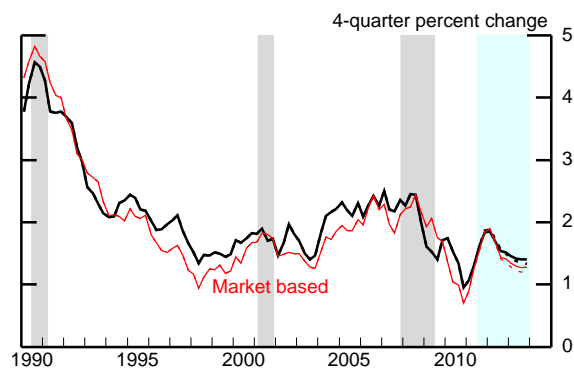
1. Core goods imports exclude computers, semiconductors, oil, and natural gas.  
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE Prices



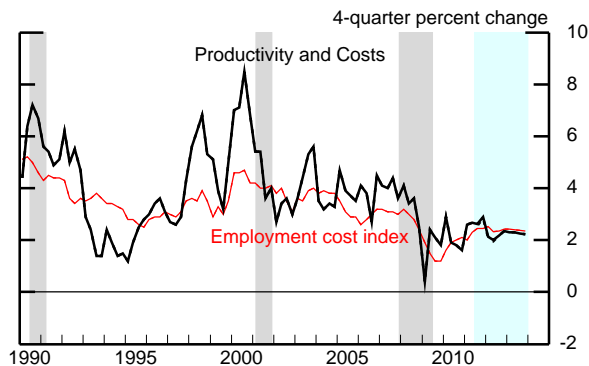
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices ex. Food and Energy



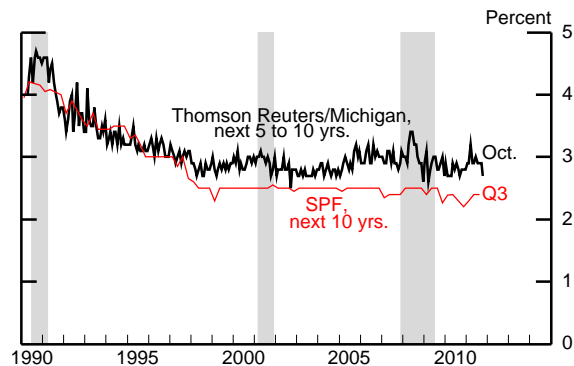
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Compensation per Hour



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

Long-Term Inflation Expectations



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

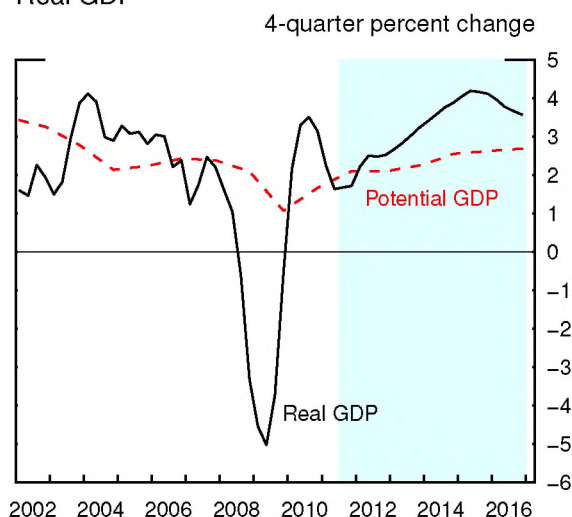
## The Long-Term Outlook

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

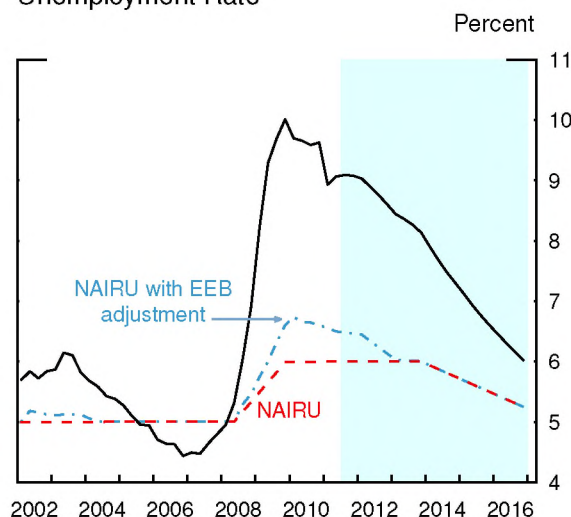
Item	2011	2012	2013	2014	2015	2016
Real GDP	1.7	2.5	3.2	3.9	4.1	3.6
Civilian unemployment rate <sup>1</sup>	9.1	8.6	8.1	7.3	6.6	6.0
PCE prices, total	2.7	1.4	1.4	1.5	1.5	1.6
Core PCE prices	1.8	1.5	1.4	1.4	1.5	1.6
Federal funds rate <sup>1</sup>	.1	.1	.1	.6	2.0	2.9
10-year Treasury yield <sup>1</sup>	2.3	3.2	3.8	4.0	4.3	4.4

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

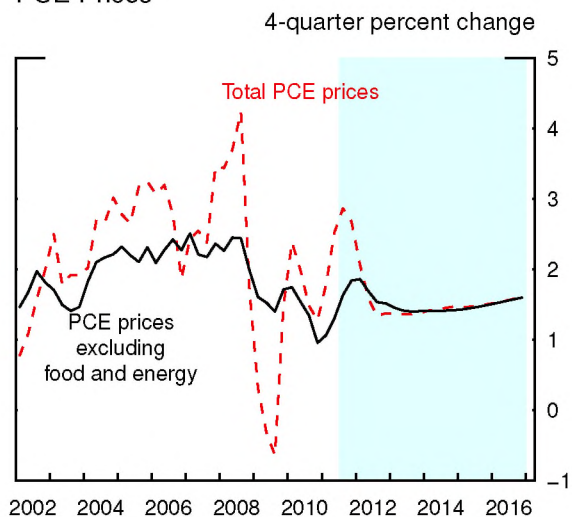
Real GDP



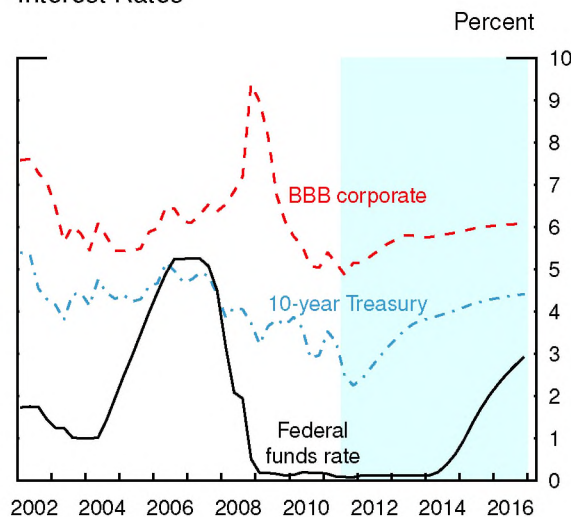
Unemployment Rate



PCE Prices



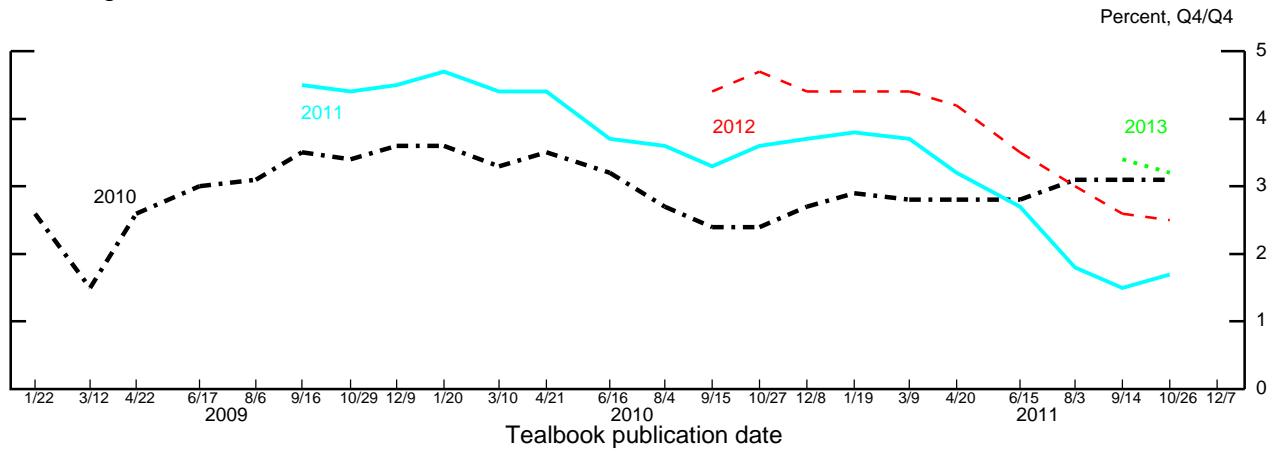
Interest Rates



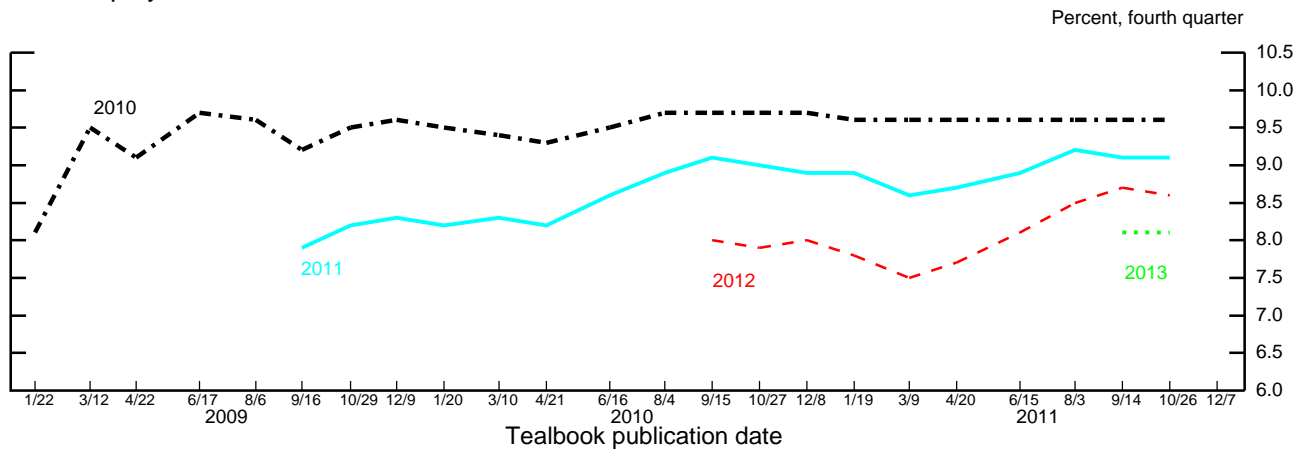
Note: In each panel, shading represents the projection period.

## Evolution of the Staff Forecast

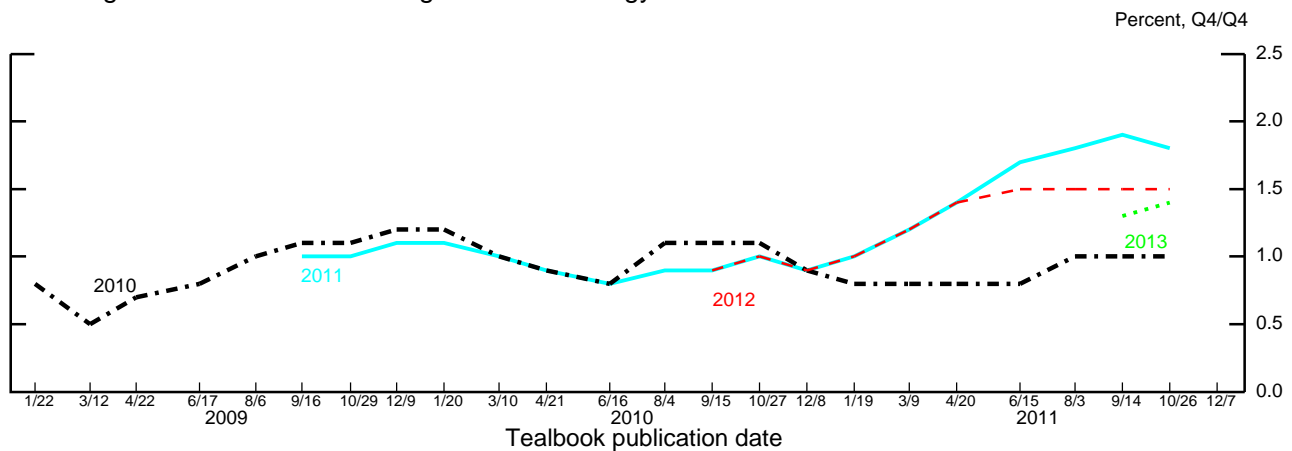
### Change in Real GDP



### 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.

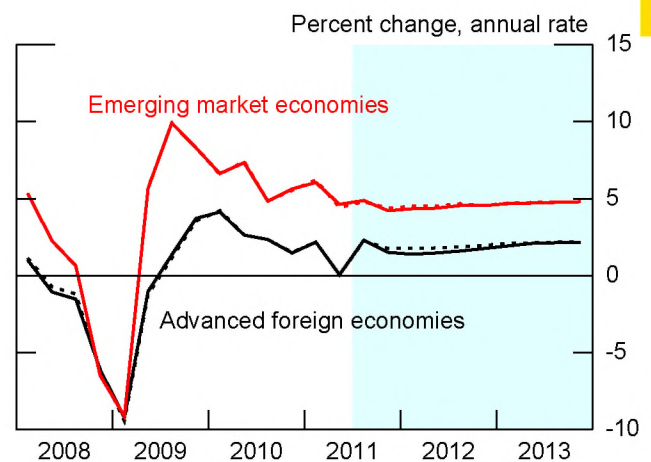
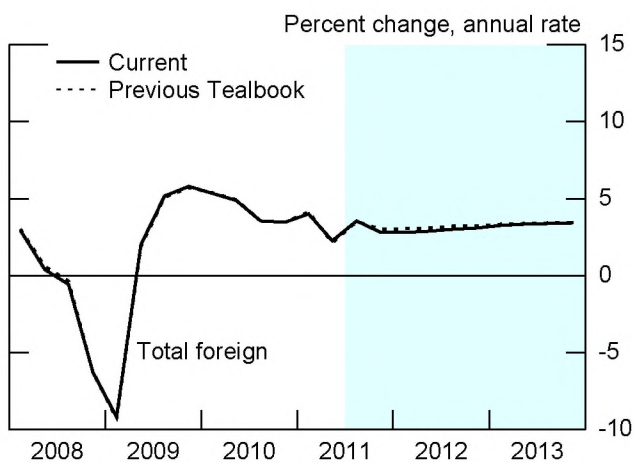
## The Foreign Outlook

(Percent change, annual rate)

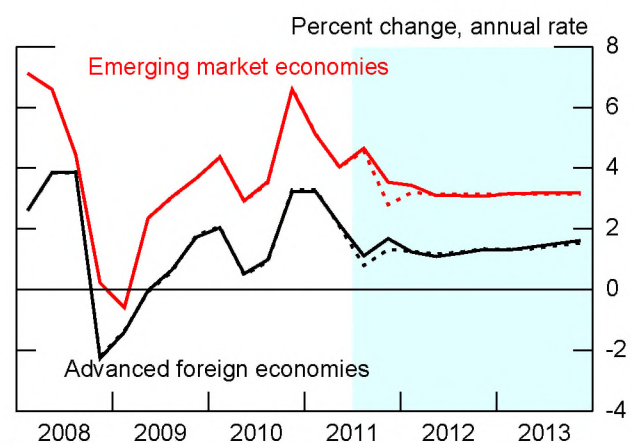
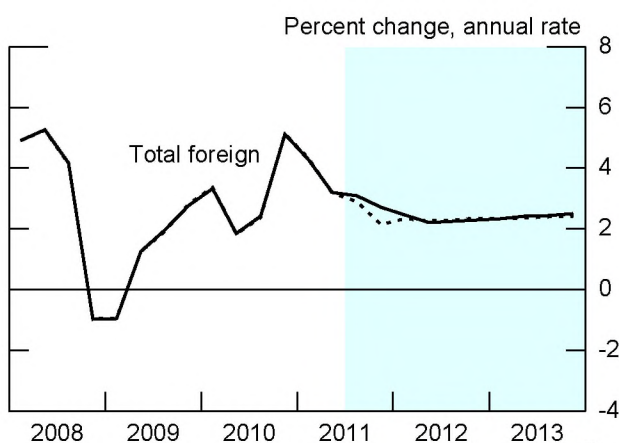
	2010	2011				2012	2013
		Q1	Q2	Q3	Q4		
<b>Real GDP</b>							
Total foreign	4.3	4.0	2.3	3.6	2.8	3.0	3.4
Previous Tealbook	4.3	4.1	2.2	3.5	3.0	3.2	3.4
Advanced foreign economies	2.7	2.2	.1	2.3	1.5	1.6	2.1
Previous Tealbook	2.7	2.2	.1	2.3	1.8	1.9	2.2
Emerging market economies	6.1	6.0	4.7	4.9	4.2	4.5	4.8
Previous Tealbook	6.1	6.2	4.4	4.8	4.4	4.6	4.8
<b>Consumer Prices</b>							
Total foreign	3.2	4.3	3.2	3.1	2.7	2.3	2.4
Previous Tealbook	3.2	4.3	3.2	2.9	2.2	2.3	2.4
Advanced foreign economies	1.7	3.2	2.1	1.1	1.7	1.2	1.5
Previous Tealbook	1.7	3.3	2.1	.8	1.3	1.3	1.4
Emerging market economies	4.4	5.1	4.0	4.7	3.6	3.2	3.2
Previous Tealbook	4.4	5.1	4.0	4.6	2.8	3.2	3.1

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

### Real GDP

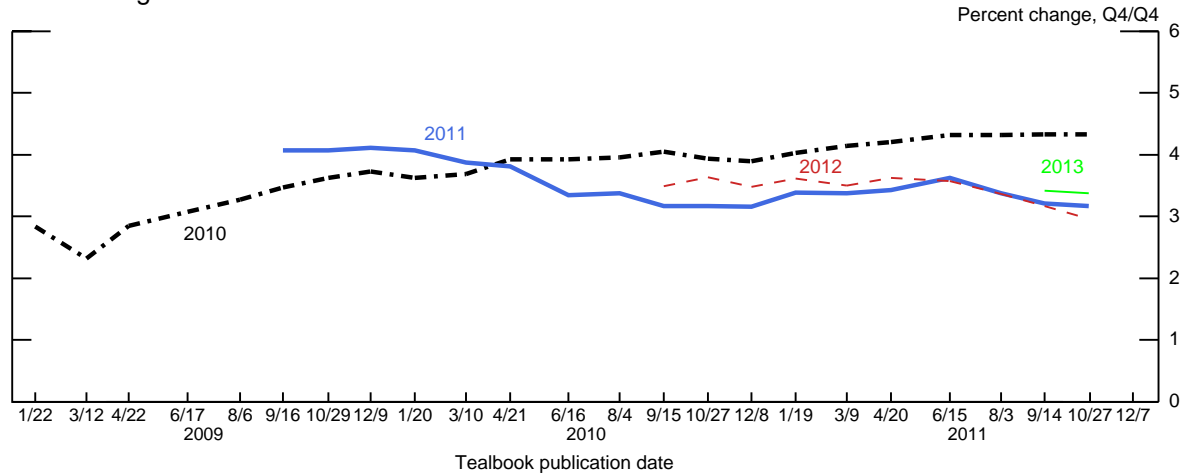


### Consumer Prices

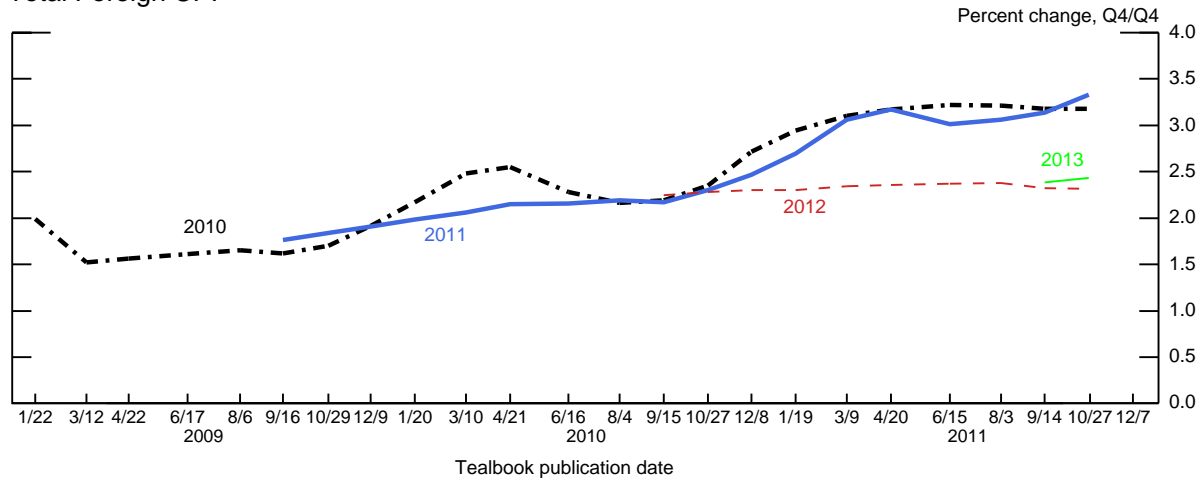


## Evolution of Staff's International Forecast

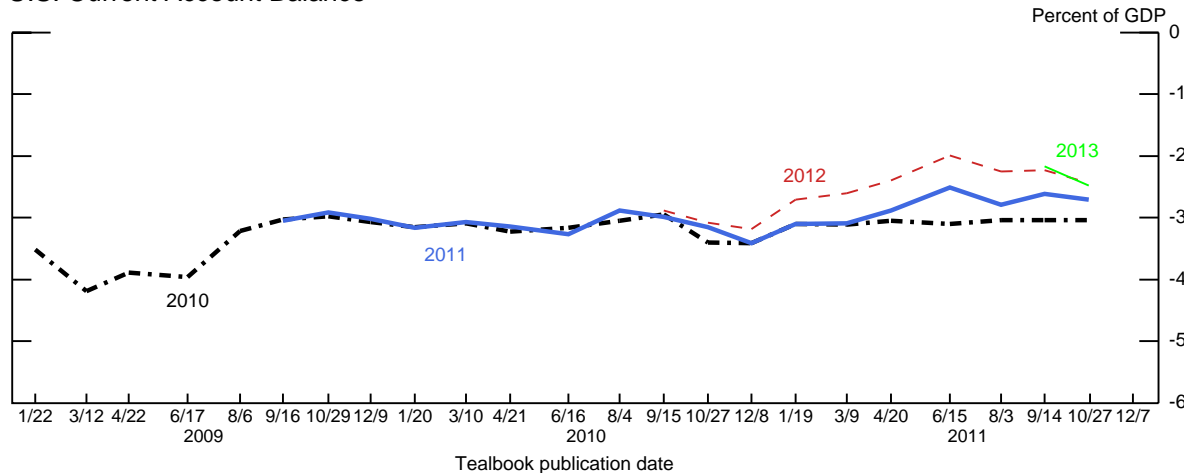
Total Foreign GDP



Total Foreign CPI



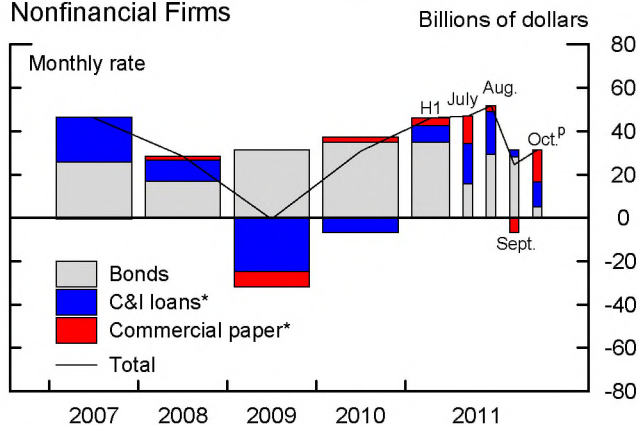
U.S. Current Account Balance





## Business Finance

Selected Components of Net Debt Financing,  
Nonfinancial Firms

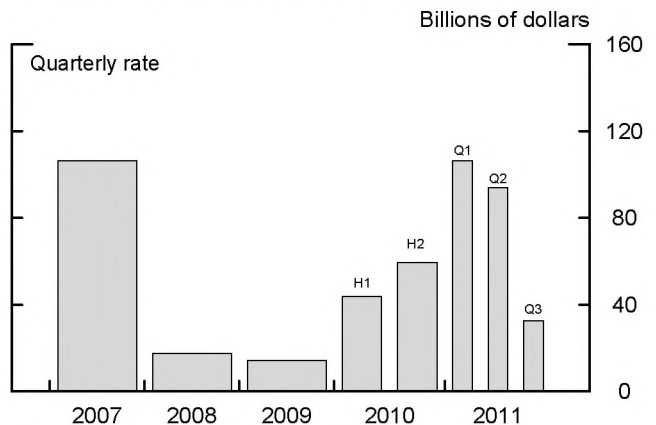


\* Period-end basis, seasonally adjusted.

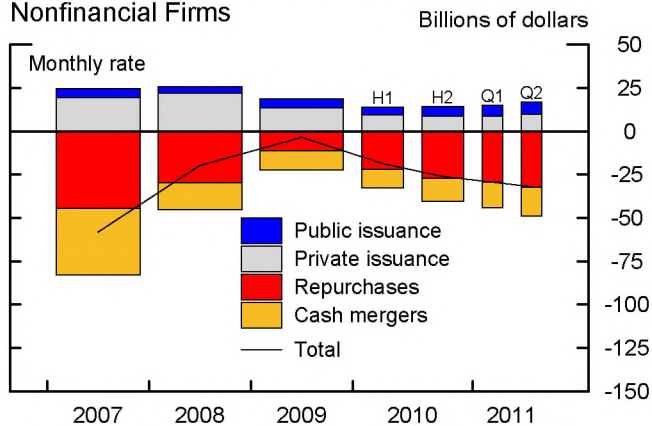
p Preliminary.

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

Institutional Leveraged Loan Issuance

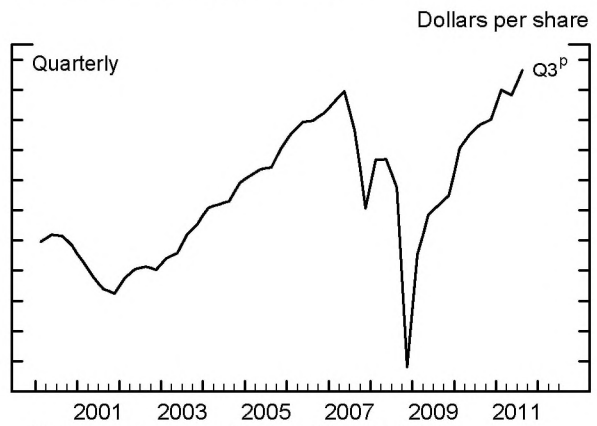


Selected Components of Net Equity Issuance,  
Nonfinancial Firms



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

S&P 500 Earnings per Share

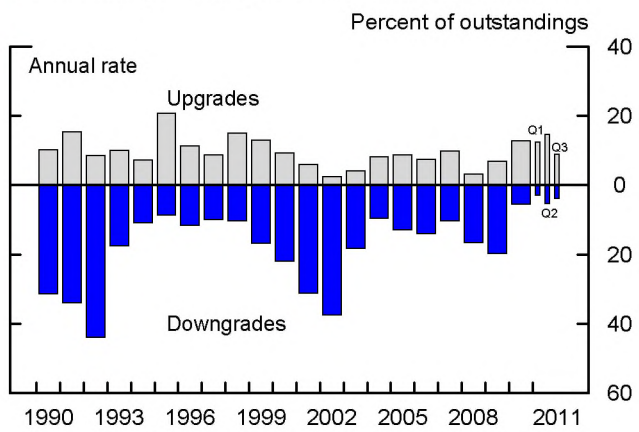


Note: Data are seasonally adjusted by Board staff.

p Preliminary.

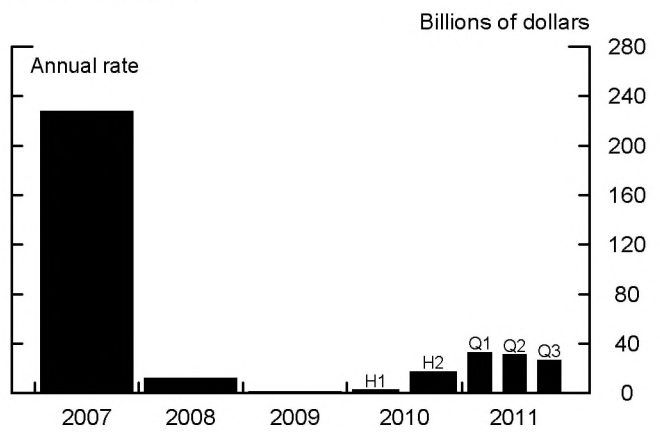
Source: Thomson Financial.

Bond Ratings Changes of Nonfinancial Firms



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

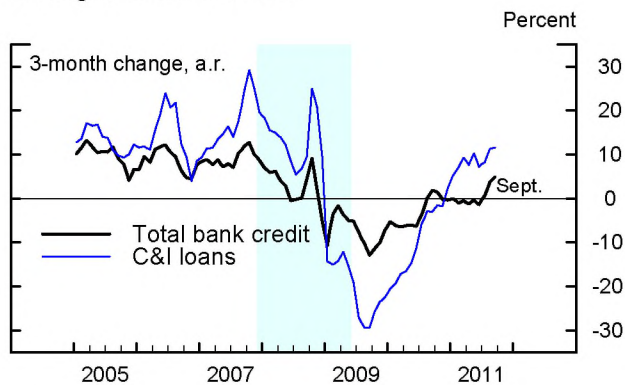
CMBS Issuance



Source: Commercial Mortgage Alert.

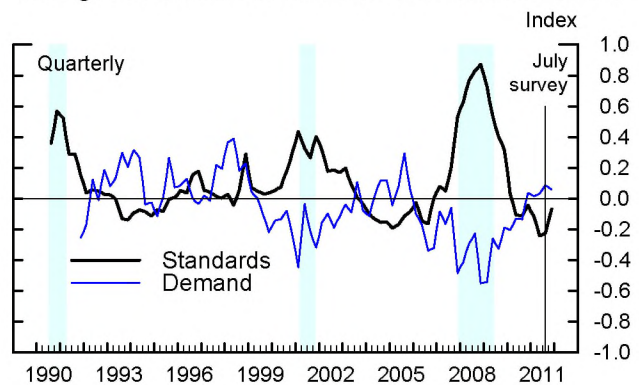
## Commercial Banking and Money

### Changes in Bank Credit



Source: Federal Reserve Board.

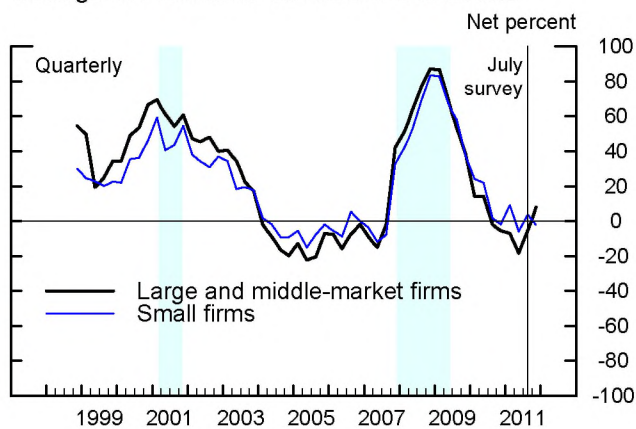
### Changes in Standards and Demand for Bank Loans



Note: A composite index 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.

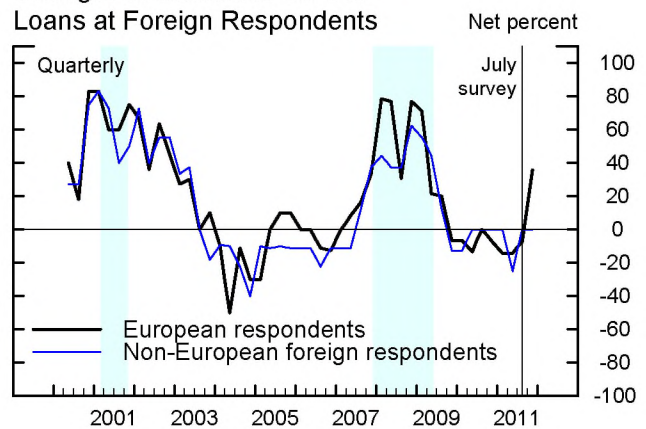
### Change in Premiums on Riskier C&I Loans



Note: Net percent of respondents that raised premiums on riskier loans over the past 3 months.

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

### Changes in Standards on C&I Loans at Foreign Respondents



Note: Net percent of respondents that tightened lending standards over the past 3 months.

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

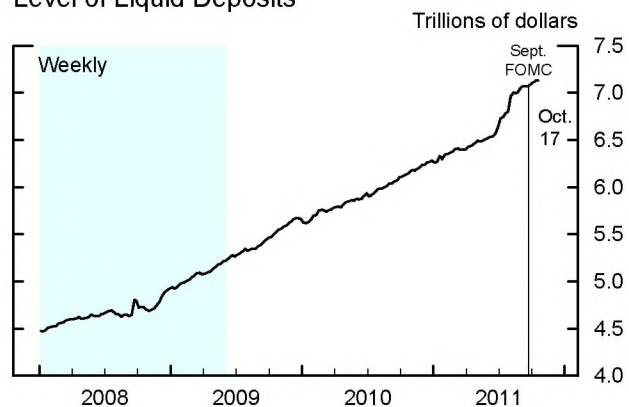
### Growth of M2 and Its Components

	Percent, s.a.a.r.	M2	Liquid deposits	Small time deposits	Retail MMMFs	Curr.
2010	3.2	10.9	-21.5	-15.5	5.9	
2011:H1	5.6	10.0	-18.8	-6.7	10.1	
2011:Q3	19.8	27.9	-20.6	11.2	7.9	
Aug.	30.0	39.1	-22.8	33.5	8.0	
Sept.	5.9	9.7	-21.4	-1.2	6.4	
Oct.(e)	4.3	6.5	-21.5	13.3	2.8	

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 (10/24/11)
<b>Total assets</b>	<b>-3</b>	<b>2,858</b>
Selected assets:		
Liquidity programs for financial firms	1	2
Primary, secondary, and seasonal credit	-0	+0
Foreign central bank liquidity swaps	1	2
Term Asset-Backed Securities Loan Facility (TALF)	-0	11
Net portfolio holdings of Maiden Lane LLCs	-3	44
Maiden Lane	-2	13
Maiden Lane II	-0	10
Maiden Lane III	-0	21
Securities held outright*	-10	2,640
U.S. Treasury securities	8	1,671
Agency debt securities	-1	108
Agency mortgage-backed securities	-18	862
<b>Total liabilities</b>	<b>-3</b>	<b>2,806</b>
Selected liabilities:		
Federal Reserve notes in circulation	5	1,000
Reverse repurchase agreements	-16	79
Foreign official and international accounts	-16	79
Others	0	0
Reserve balances of depository institutions**	-20	1,521
Term deposits held by depository institutions	0	0
U.S. Treasury, General Account	-12	68
U.S. Treasury, Supplementary Financing Account	0	0
Other deposits	43	118
<b>Total capital</b>	<b>+0</b>	<b>52</b>

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	2.5	3.2	3.9	3.8
Recession	-2.5	-1.9	3.7	4.6	5.5
Lost decade	2.3	1.9	1.9	2.1	2.4
Greater supply-side damage	2.3	1.6	1.8	1.8	2.2
Faster snapback	2.9	3.2	3.7	3.8	3.0
Faster global recovery	2.7	3.3	4.1	3.7	3.3
European crisis with severe spillovers	1.6	-3.8	.4	4.6	5.3
<i>Unemployment rate<sup>1</sup></i>					
Extended Tealbook baseline	9.1	8.6	8.1	7.3	6.0
Recession	9.6	11.6	11.5	10.4	7.3
Lost decade	9.2	9.0	8.9	9.1	9.3
Greater supply-side damage	9.1	8.6	8.4	8.5	8.9
Faster snapback	9.1	8.2	7.3	6.4	5.9
Faster global recovery	9.1	8.3	7.4	6.6	5.6
European crisis with severe spillovers	9.2	10.9	11.8	10.9	8.3
<i>Total PCE prices</i>					
Extended Tealbook baseline	1.8	1.4	1.4	1.5	1.6
Recession	1.8	1.0	.3	-.2	-.1
Lost decade	1.8	1.4	1.3	1.3	1.0
Greater supply-side damage	1.8	2.0	2.6	2.7	2.5
Faster snapback	1.8	1.4	1.5	1.8	2.0
Faster global recovery	1.9	2.2	2.2	1.6	1.4
European crisis with severe spillovers	1.1	-1.4	-.1	1.1	2.1
<i>Core PCE prices</i>					
Extended Tealbook baseline	1.8	1.5	1.4	1.4	1.5
Recession	1.8	1.1	.3	-.3	-.2
Lost decade	1.8	1.5	1.3	1.2	.9
Greater supply-side damage	1.8	2.1	2.6	2.6	2.4
Faster snapback	1.8	1.5	1.5	1.7	1.9
Faster global recovery	1.8	1.8	1.9	1.6	1.5
European crisis with severe spillovers	1.6	-.3	.1	.9	1.8
<i>Federal funds rate<sup>1</sup></i>					
Extended Tealbook baseline	.1	.1	.1	.6	2.9
Recession	.1	.1	.1	.1	.3
Lost decade	.1	.1	.1	.1	.1
Greater supply-side damage	.1	.1	1.0	1.7	1.8
Faster snapback	.1	.1	.7	1.7	2.9
Faster global recovery	.1	.1	.1	1.3	3.3
European crisis with severe spillovers	.1	.1	.1	.1	1.9

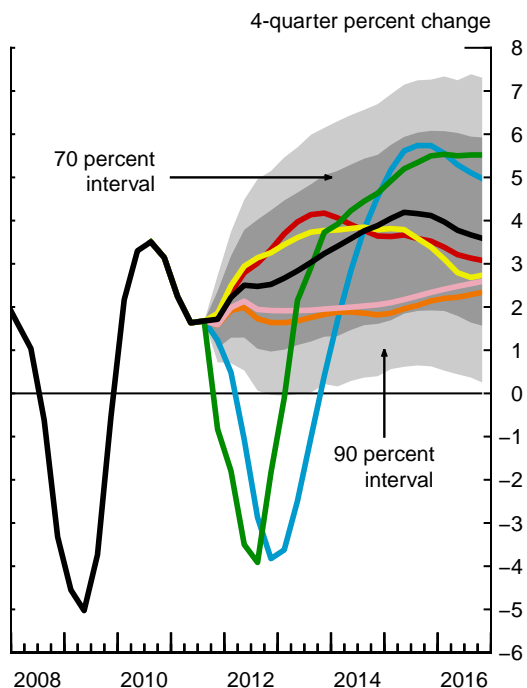
1. Percent, average for the final quarter of the period.

## Forecast Confidence Intervals and Alternative Scenarios

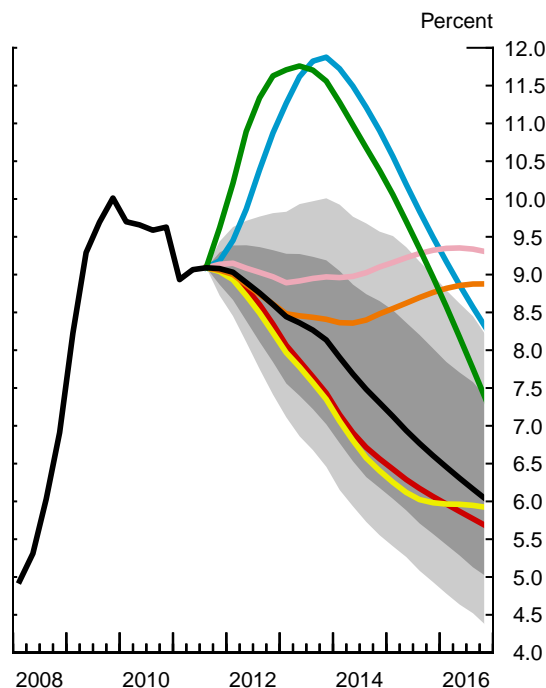
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- Greater supply-side damage
- Faster global recovery
- Recession
- Faster snapback
- European crisis with severe spillovers
- Lost decade

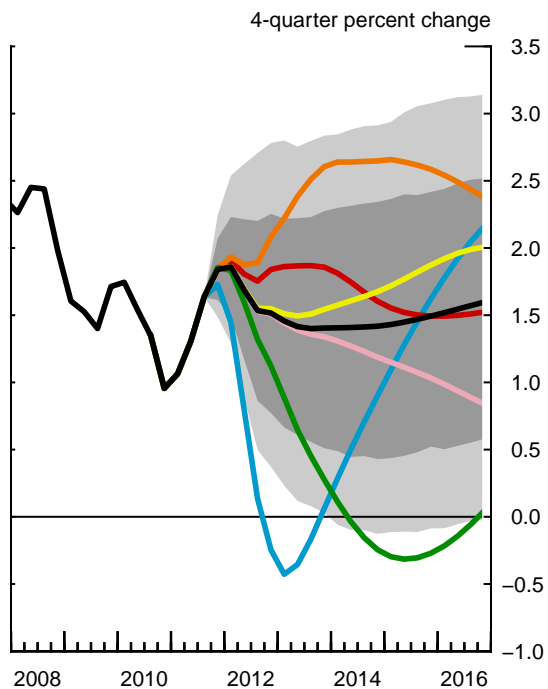
Real GDP



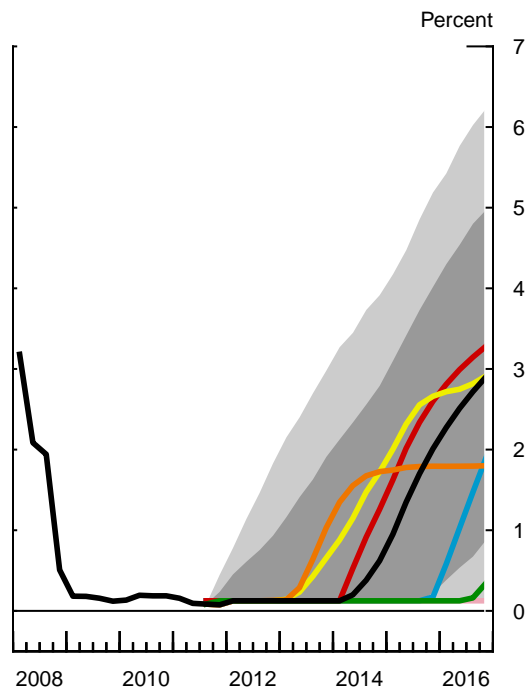
Unemployment Rate



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	2016
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	1.7	2.5	3.2	3.9	4.1	3.6
Confidence interval						
Tealbook forecast errors	1.2–2.2	.8–4.2	1.5–5.0	...	...	...
FRB/US stochastic simulations	1.0–2.4	1.0–4.2	1.3–5.1	1.6–5.5	1.9–6.1	1.6–5.9
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	9.1	8.6	8.1	7.3	6.6	6.0
Confidence interval						
Tealbook forecast errors	9.0–9.2	7.9–9.3	6.9–9.3	...	...	...
FRB/US stochastic simulations	8.9–9.3	7.8–9.3	7.0–9.2	6.2–8.6	5.6–8.0	5.0–7.4
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	2.7	1.4	1.4	1.5	1.5	1.6
Confidence interval						
Tealbook forecast errors	2.4–2.9	.1–2.6	.2–2.6	...	...	...
FRB/US stochastic simulations	2.2–3.1	.3–2.5	.1–2.6	.1–2.8	.1–2.8	.2–2.9
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)						
Projection	1.8	1.5	1.4	1.4	1.5	1.6
Confidence interval						
Tealbook forecast errors	1.6–2.1	.8–2.2	.6–2.2	...	...	...
FRB/US stochastic simulations	1.6–2.1	.8–2.3	.5–2.3	.4–2.3	.5–2.4	.6–2.5
<i>Federal funds rate</i> (percent, Q4)						
Projection	.1	.1	.1	.6	2.0	2.9
Confidence interval						
FRB/US stochastic simulations	.1–.2	.1–.9	.1–1.9	.1–2.8	.2–4.0	.9–5.0

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

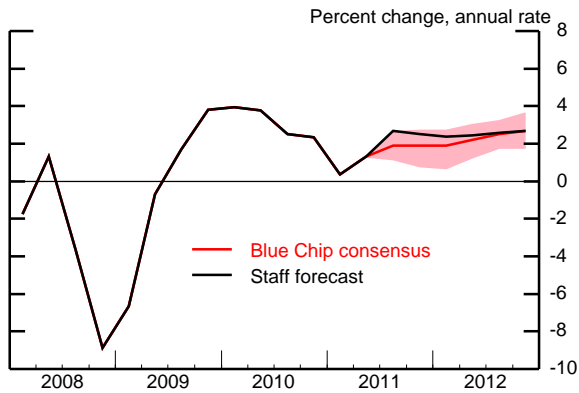
Intervals derived from Tealbook forecast errors are based on projections made from 1979–2009, except for PCE prices excluding food and energy, where the sample is 1981–2009.

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



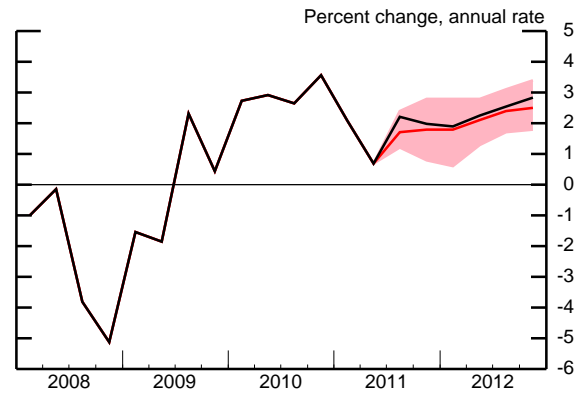
## Tealbook Forecast Compared with Blue Chip (Blue Chip survey released October 10, 2011)

Real GDP

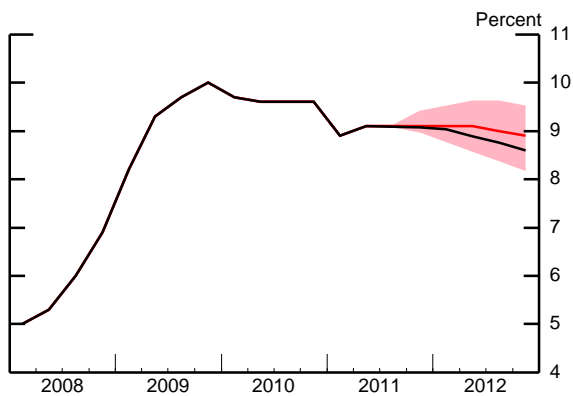


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

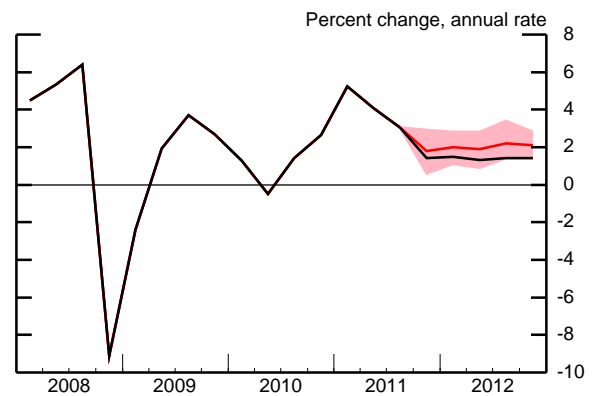
Real PCE



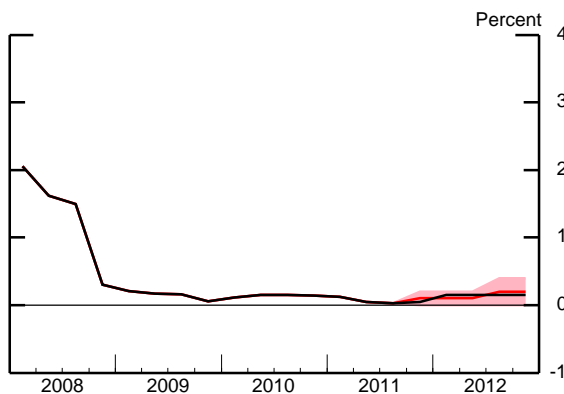
Unemployment Rate



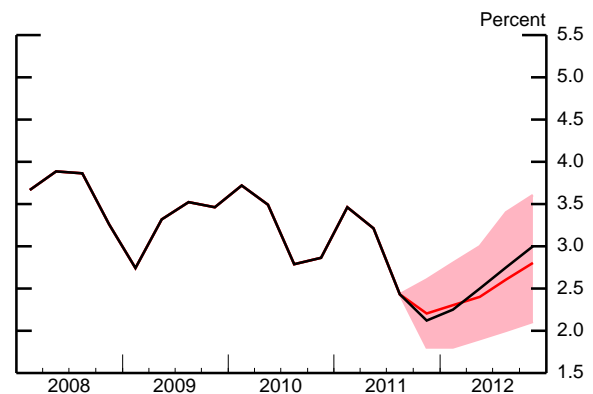
Consumer Price Index



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>	
	09/14/11	10/26/11	09/14/11	10/26/11	09/14/11	10/26/11	09/14/11	10/26/11	09/14/11	10/26/11
<i>Quarterly</i>										
2011:Q1	3.1	3.1	.4	.4	3.9	3.9	1.6	1.6	8.9	8.9
Q2	3.8	4.0	1.2	1.3	3.2	3.3	2.2	2.3	9.1	9.1
Q3	5.3	5.2	2.5	2.7	2.2	2.3	2.1	2.1	9.1	9.1
Q4	3.9	3.9	2.0	2.5	1.2	1.2	1.7	1.5	9.1	9.1
2012:Q1	2.9	3.5	2.2	2.4	.9	1.4	1.6	1.6	9.1	9.0
Q2	4.5	5.0	2.3	2.5	1.3	1.4	1.5	1.6	9.0	8.9
Q3	4.0	4.0	2.7	2.6	1.3	1.3	1.4	1.5	8.9	8.8
Q4	4.2	3.9	3.0	2.7	1.3	1.3	1.4	1.4	8.7	8.6
2013:Q1	4.1	4.0	3.2	2.9	1.3	1.4	1.3	1.4	8.5	8.4
Q2	5.5	5.5	3.3	3.1	1.3	1.4	1.3	1.4	8.4	8.4
Q3	4.9	4.8	3.5	3.4	1.3	1.4	1.3	1.4	8.3	8.3
Q4	4.8	4.8	3.6	3.5	1.3	1.4	1.4	1.4	8.1	8.1
<i>Two-quarter<sup>2</sup></i>										
2011:Q2	3.5	3.5	.8	.8	3.6	3.6	1.9	1.9	-5	-5
Q4	4.6	4.6	2.2	2.6	1.7	1.8	1.9	1.8	.0	.0
2012:Q2	3.7	4.2	2.3	2.4	1.1	1.4	1.6	1.6	-1	-2
Q4	4.1	4.0	2.9	2.6	1.3	1.3	1.4	1.4	-3	-3
2013:Q2	4.8	4.7	3.2	3.0	1.3	1.4	1.3	1.4	-3	-2
Q4	4.9	4.8	3.5	3.4	1.3	1.4	1.3	1.4	-3	-3
<i>Four-quarter<sup>3</sup></i>										
2010:Q4	4.7	4.7	3.1	3.1	1.3	1.3	1.0	1.0	-4	-4
2011:Q4	4.0	4.1	1.5	1.7	2.6	2.7	1.9	1.8	-5	-5
2012:Q4	3.9	4.1	2.6	2.5	1.2	1.4	1.5	1.5	-4	-5
2013:Q4	4.8	4.8	3.4	3.2	1.3	1.4	1.3	1.4	-6	-5
<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	4.0	1.7	1.8	2.4	2.5	1.5	1.5	9.0	9.0
2012	3.9	4.2	2.3	2.4	1.4	1.6	1.7	1.6	8.9	8.8
2013	4.6	4.5	3.1	2.9	1.3	1.4	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.



## Changes in Real Gross Domestic Product and Related Items

(Percent, annual rate except as noted)

Item	2011				2012				2013				2011 <sup>1</sup>	2012 <sup>1</sup>	2013 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Tealbook</i>	.4 .4	1.3 1.2	2.7 2.5	2.5 2.0	2.4 2.2	2.5 2.3	2.6 2.7	2.7 3.0	2.9 3.2	3.1 3.3	3.4 3.5	3.5 3.6	1.7 1.5	2.5 2.6	3.2 3.4
Final sales <i>Previous Tealbook</i>	.0	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
Priv. dom. final purch. <i>Previous Tealbook</i>	2.0 2.0	1.9 1.7	3.4 2.1	1.9 1.2	1.8 1.8	2.4 2.2	2.8 2.7	3.2 3.2	3.1 3.2	3.4 3.5	3.7 3.7	3.8 3.8	2.3 1.7	2.5 2.5	3.5 3.5
Personal cons. expend. <i>Previous Tealbook</i>	2.1 2.1	.7 .4	2.2 1.7	2.0 1.1	1.9 1.7	2.2 2.1	2.5 2.4	2.8 2.7	2.9 2.9	3.0 3.1	3.2 3.2	3.3 3.4	1.7 1.3	2.4 2.3	3.1 3.1
Durables	11.7	-5.3	9.4	10.7	4.8	6.2	6.6	7.7	7.8	8.5	8.6	8.7	6.4	6.3	8.4
Nondurables	1.6	.2	-2.1	.6	1.1	1.4	1.6	1.8	1.8	1.9	2.3	2.5	.1	1.5	2.1
Services	.8	1.9	2.6	1.1	1.7	1.9	2.2	2.4	2.4	2.5	2.7	2.7	1.6	2.0	2.6
Residential investment <i>Previous Tealbook</i>	-2.4 -2.4	4.2 3.8	1.2 -1.3	3.2 -8	3.5 3.8	6.9 7.2	7.1 8.7	7.5 9.1	8.9 8.8	9.5 9.7	9.3 9.7	9.1 10.3	1.5 -2	6.2 7.2	9.2 9.6
Business fixed invest. <i>Previous Tealbook</i>	2.1	10.3	12.8	1.3	.3	2.6	4.0	4.7	3.4	4.8	5.9	5.9	6.5	2.9	5.0
Equipment & software <i>Previous Tealbook</i>	2.1	10.7	5.4	2.6	1.6	1.9	3.6	4.7	4.0	5.2	5.9	5.4	5.1	2.9	5.1
Nonres. structures <i>Previous Tealbook</i>	8.7 8.7 -14.3 -14.3	6.2 6.7 22.6 22.6	12.3 6.0 14.1 3.7	3.8 4.2 -5.2 -1.6	2.0 4.0 -4.2 -4.8	5.1 3.9 -3.8 -3.6	6.7 6.1 -3.2 -3.2	7.3 7.1 -2.3 -1.8	4.8 5.5 -7 -1	6.4 7.7 .2 .8	7.9 7.7 .5 .9	7.6 7.0 1.1 1.0	7.7 6.4 3.2 1.7	5.3 5.3 -3.4 -3.4	6.7 6.7 .3 .6
Net exports <sup>2</sup> <i>Previous Tealbook</i> <sup>2</sup>	-424 -424	-416 -416	-403 -405	-397 -384	-382 -361	-369 -344	-366 -337	-354 -322	-348 -313	-342 -304	-338 -297	-336 -293	-410 -407	-368 -341	-341 -302
Exports	7.9	3.6	6.0	7.6	7.2	6.8	6.6	6.6	6.8	6.9	6.7	6.5	6.2	6.8	6.7
Imports	8.3	1.4	2.2	5.0	3.2	3.3	5.0	3.4	4.7	4.7	4.9	5.2	4.2	3.7	4.9
Gov't. cons. & invest. <i>Previous Tealbook</i>	-5.9 -5.9	-9 -1.0	-1.2 -1.8	1.4 .8	-8 -8	-5 -5	-4 -4	-3 -3	-3 -3	-8 -8	-1.5 -1.5	-2.2 -2.2	-1.7 -2.0	-5 -5	-1.2 -1.2
Federal	-9.4	1.9	-2.2	4.6	-7	-6	-8	-8	-1.4	-3.0	-5.0	-6.8	-1.4	-7	-4.1
Defense	-12.6	7.0	-2	5.1	-5	.2	.0	.1	-8	-3.1	-6.0	-8.7	-5	-1	-4.7
Nondefense	-2.7	-7.6	-6.2	3.6	-1.1	-2.2	-2.6	-2.6	-2.6	-2.7	-2.7	-2.7	-3.3	-2.2	-2.7
State & local	-3.4	-2.8	-6	-8	-8	-5	-2	.0	.5	.7	.9	.9	-1.9	-4	.8
Change in bus. inventories <sup>2</sup> <i>Previous Tealbook</i> <sup>2</sup>	49 49	39 45	34 69	47 75	67 79	73 83	80 92	72 93	81 105	91 114	105 132	130 158	42 59	73 87	102 127
Nonfarm <sup>2</sup>	60	51	36	49	66	72	79	71	80	90	104	129	49	72	101
Farm <sup>2</sup>	-8	-9	-2	-2	1	1	1	1	1	1	1	1	-5	1	1

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

2. Billions of chained (2005) dollars.

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

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Real GDP</b> <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 1.5	2.5 2.6	3.2 3.4
<b>Final sales</b> <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	1.7 1.2	2.3 2.4	2.8 2.9
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	2.3 1.7	2.5 2.5	3.5 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	1.7 1.3	2.4 2.3	3.1 3.1
Durables	2.8	7.0	4.6	-13.0	3.0	10.9	6.4	6.3	8.4
Nondurables	3.1	2.9	.8	-3.1	.6	3.5	.1	1.5	2.1
Services	2.7	2.6	1.4	-.5	-.9	1.6	1.6	2.0	2.6
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	1.5 -2	6.2 7.2	9.2 9.6
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	6.5 5.1	2.9 2.9	5.0 5.1
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	7.7 6.4	5.3 5.3	6.7 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	3.2 1.7	-3.4 -3.4	.3 .6
Net exports <sup>1</sup> <i>Previous Tealbook</i> <sup>1</sup>	-723 -723	-729 -729	-649 -649	-495 -495	-359 -359	-422 -422	-410 -407	-368 -341	-341 -302
Exports	6.7	10.2	10.1	-2.5	-.1	8.8	6.2	6.8	6.7
Imports	5.2	4.1	.8	-5.9	-6.5	10.7	4.2	3.7	4.9
Gov't. cons. & invest. <i>Previous Tealbook</i>	.7 .7	1.5 1.5	1.9 1.9	2.7 2.7	1.1 1.1	.1 .1	-1.7 -2.0	-.5 -.5	-1.2 -1.2
Federal	1.2	2.2	3.1	8.8	4.6	2.9	-1.4	-.7	-4.1
Defense	.4	4.4	2.6	9.8	3.5	1.5	-.5	-.1	-4.7
Nondefense	2.6	-2.3	4.2	6.8	6.9	5.7	-3.3	-2.2	-2.7
State & local	.4	1.2	1.2	-.9	-1.1	-1.7	-1.9	-.4	.8
Change in bus. inventories <sup>1</sup> <i>Previous Tealbook</i> <sup>1</sup>	50 50	59 59	28 28	-36 -36	-145 -145	59 59	42 59	73 87	102 127
Nonfarm <sup>1</sup>	50	63	29	-38	-144	61	49	72	101
Farm <sup>1</sup>	0	-4	-1	1	-1	-1	-5	1	1

1. Billions of chained (2005) dollars.

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

Item	2011				2012				2013				2011 <sup>1</sup>	2012 <sup>1</sup>	2013 <sup>1</sup>
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Tealbook</i>	.4	1.3	2.7	2.5	2.4	2.5	2.6	2.7	2.9	3.1	3.4	3.5	1.7	2.5	3.2
Final sales <i>Previous Tealbook</i>	.4	1.2	2.5	2.0	2.2	2.3	2.7	3.0	3.2	3.3	3.5	3.6	1.5	2.6	3.4
Priv. dom. final purch. <i>Previous Tealbook</i>	.0	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>	.0	1.5	1.7	1.8	2.0	2.2	2.4	3.0	2.8	3.0	2.9	2.8	1.2	2.4	2.9
Durables	1.6	1.6	2.8	1.6	1.5	2.0	2.4	2.6	2.6	2.8	3.1	3.2	1.9	2.1	2.9
Nondurables	1.6	1.4	1.8	1.0	1.5	1.8	2.3	2.6	2.6	2.9	3.0	3.1	1.4	2.0	2.9
Services	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
Residential investment <i>Previous Tealbook</i>	1.5	.3	1.2	.8	1.2	1.5	1.7	1.9	2.0	2.2	2.2	2.4	.9	1.6	2.2
Business fixed invest. <i>Previous Tealbook</i>	.9	-.4	.7	.8	.4	.5	.5	.6	.6	.7	.7	.7	.5	.5	.6
Equipment & software <i>Previous Tealbook</i>	.3	.0	-.3	.1	.2	.2	.3	.3	.3	.3	.4	.4	.0	.2	.3
Nonres. structures <i>Previous Tealbook</i>	.4	.9	1.2	.5	.8	.9	1.0	1.1	1.1	1.2	1.3	1.3	.7	1.0	1.2
Net exports <i>Previous Tealbook</i>	-.1	.1	.0	.1	.1	.2	.2	.2	.2	.2	.2	.2	.0	.1	.2
Exports	-.1	.1	.0	.0	.1	.2	.2	.2	.2	.2	.2	.2	.0	.2	.2
Imports	.2	1.0	1.2	.1	.0	.3	.4	.5	.3	.5	.6	.6	.6	.3	.5
Gov't. cons. & invest. <i>Previous Tealbook</i>	.2	1.0	.5	.3	.2	.2	.4	.5	.4	.5	.6	.5	.5	.3	.5
Federal	.6	.4	.9	.3	.2	.4	.5	.5	.4	.5	.6	.6	.5	.4	.5
Defense	.6	.5	.4	.3	.3	.3	.4	.5	.4	.5	.6	.5	.5	.4	.5
Nondefense	-.4	.5	.4	-.1	-.1	-.1	-.1	-.1	.0	.0	.0	.0	.1	-.1	.0
State & local	-.4	.5	.1	.0	-.1	-.1	-.1	.0	.0	.0	.0	.0	.0	-.1	.0
Change in bus. inventories <i>Previous Tealbook</i>	-.3	.2	.4	.2	.4	.4	.1	.3	.2	.2	.1	.0	.1	.3	.1
Nonfarm	-.3	.3	.3	.6	.7	.5	.2	.4	.2	.3	.2	.1	.2	.5	.2
Farm	.3	-.3	-.3	.4	.6	.2	.2	-.2	.3	.3	.4	.7	.0	.2	.4
	.3	-.2	.8	.2	.1	.1	.3	.0	.4	.3	.6	.8	.3	.2	.5
	.4	-.3	-.5	.4	.5	.2	.2	-.2	.3	.3	.4	.7	.0	.2	.4
	-.1	.0	.2	.0	.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 <sup>1</sup>	2012 <sup>1</sup>	2013 <sup>1</sup>
	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 2.4	2.5 2.8	1.4 1.8	1.1 .7	2.4 2.1	1.4 1.2	1.2 1.2	1.0 .9	2.3 2.2	1.4 1.3	1.3 1.2	2.2 2.4	1.5 1.3	1.5 1.4
PCE chain-wt. price index <i>Previous Tealbook</i>	3.9 3.9	3.3 3.2	2.3 2.2	1.2 1.2	1.4 .9	1.4 1.3	1.3 1.3	1.3 1.3	1.4 1.3	1.4 1.3	1.4 1.3	1.4 1.3	2.7 2.6	1.4 1.2	1.4 1.3
Energy <i>Previous Tealbook</i>	40.7 40.7	15.0 15.0	3.2 2.2	-5.6 -6.1	-1.2 -9.5	-9 -2.6	-1 -3	.7 .3	1.4 .7	1.0 .6	1.0 .4	1.3 .5	12.1 11.6	-4 -3.1	1.2 .6
Food <i>Previous Tealbook</i>	6.5 6.5	6.4 6.4	4.7 3.3	3.8 2.2	1.3 1.4	1.1 1.3	1.2 1.4	1.2 1.4	1.2 1.4	1.2 1.4	1.2 1.3	1.2 1.4	5.3 4.6	1.2 1.4	1.2 1.4
Ex. food & energy <i>Previous Tealbook</i>	1.6 1.6	2.3 2.2	2.1 2.1	1.5 1.7	1.6 1.6	1.6 1.5	1.5 1.4	1.4 1.4	1.4 1.3	1.4 1.3	1.4 1.3	1.4 1.4	1.8 1.9	1.5 1.5	1.4 1.3
Ex. food & energy, market based <i>Previous Tealbook</i>	1.3 1.3	2.4 2.4	2.3 2.2	1.4 1.5	1.6 1.5	1.5 1.4	1.3 1.3	1.3 1.3	1.3 1.2	1.3 1.1	1.3 1.2	1.3 1.2	1.8 1.9	1.4 1.4	1.3 1.2
CPI <i>Previous Tealbook</i>	5.2 5.2	4.1 4.1	3.1 2.7	1.4 1.2	1.5 .6	1.3 1.2	1.4 1.4	1.4 1.4	1.5 1.4	1.4 1.4	1.4 1.3	1.5 1.4	3.4 3.3	1.4 1.2	1.5 1.4
Ex. food & energy <i>Previous Tealbook</i>	1.7 1.7	2.5 2.5	2.7 2.6	1.9 2.0	1.8 1.7	1.6 1.6	1.6 1.5	1.5 1.5	1.5 1.4	1.5 1.4	1.5 1.4	1.5 1.4	2.2 2.2	1.6 1.6	1.5 1.4
ECI, hourly compensation <sup>2</sup> <i>Previous Tealbook</i> <sup>2</sup>	2.1 2.1	3.2 3.2	2.3 2.3	2.1 2.1	2.4 2.4	2.4 2.4	2.5 2.5	2.5 2.5	2.3 2.3	2.3 2.3	2.3 2.3	2.4 2.4	2.5 2.5	2.4 2.4	2.3 2.3
Nonfarm business sector															
Output per hour <i>Previous Tealbook</i>	-6 -6	-1 -3	3.4 3.0	1.5 1.0	.9 .8	1.2 1.2	1.3 1.6	1.4 1.7	1.5 1.7	1.7 1.6	1.7 1.8	1.8 1.8	1.0 .8	1.2 1.3	1.7 1.8
Compensation per hour <i>Previous Tealbook</i>	5.6 5.6	2.7 2.7	1.7 1.4	1.7 1.7	2.4 2.4	2.2 2.2	2.3 2.3	2.3 2.3	2.2 2.2	2.2 2.2	2.2 2.2	2.2 2.2	2.9 2.8	2.3 2.3	2.2 2.2
Unit labor costs <i>Previous Tealbook</i>	6.2 6.2	2.8 3.0	-1.6 -1.6	.2 .8	1.5 1.6	1.0 1.0	1.0 .8	.9 .6	.7 .5	.5 .6	.5 .4	.5 .4	1.9 2.1	1.1 1.0	.6 .5
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Tealbook</i> <sup>3</sup>	8.3 8.3	7.2 7.4	2.6 2.6	-3 1.0	.0 .9	1.5 1.4	1.5 1.6	1.8 1.6	1.8 1.6	1.7 1.5	1.6 1.4	1.6 1.4	4.4 4.8	1.2 1.4	1.7 1.5

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

2. Private-industry workers.

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

## Greensheets

## Changes in Prices and Costs

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

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013
GDP chain-wt. price index <i>Previous Tealbook</i>	3.5	2.9	2.6	2.1	.7	1.6	2.2	1.5	1.5
PCE chain-wt. price index <i>Previous Tealbook</i>	3.5	2.9	2.6	2.1	.7	1.6	2.4	1.3	1.4
Energy <i>Previous Tealbook</i>	3.2	1.9	3.5	1.7	1.5	1.3	2.7	1.4	1.4
Food <i>Previous Tealbook</i>	3.2	1.9	3.5	1.7	1.5	1.3	2.6	1.2	1.3
Ex. food & energy <i>Previous Tealbook</i>	21.5	-3.7	19.3	-8.8	2.6	6.2	12.1	-4	1.2
Ex. food & energy, market based <i>Previous Tealbook</i>	21.5	-3.7	19.3	-8.8	2.6	6.2	11.6	-3.1	.6
CPI <i>Previous Tealbook</i>	1.5	1.7	4.7	7.0	-1.7	1.3	5.3	1.2	1.2
Ex. food & energy <i>Previous Tealbook</i>	1.5	1.7	4.7	7.0	-1.7	1.3	4.6	1.4	1.4
Ex. food & energy, market based <i>Previous Tealbook</i>	2.3	2.3	2.4	2.0	1.7	1.0	1.8	1.5	1.4
CPI <i>Previous Tealbook</i>	2.3	2.3	2.4	2.0	1.7	1.0	1.9	1.5	1.3
Ex. food & energy <i>Previous Tealbook</i>	2.0	2.2	2.1	2.2	1.7	.7	1.8	1.4	1.3
Ex. food & energy, market based <i>Previous Tealbook</i>	2.0	2.2	2.1	2.2	1.7	.7	1.9	1.4	1.2
CPI <i>Previous Tealbook</i>	3.7	2.0	4.0	1.6	1.5	1.2	3.4	1.4	1.5
Ex. food & energy <i>Previous Tealbook</i>	3.7	2.0	4.0	1.6	1.5	1.2	3.3	1.2	1.4
Ex. food & energy, market based <i>Previous Tealbook</i>	2.1	2.7	2.3	2.0	1.7	.6	2.2	1.6	1.5
Ex. food & energy, market based <i>Previous Tealbook</i>	2.1	2.7	2.3	2.0	1.7	.6	2.2	1.6	1.4
ECL, hourly compensation <sup>1</sup> <i>Previous Tealbook</i> <sup>1</sup>	2.9	3.2	3.0	2.4	1.2	2.1	2.5	2.4	2.3
ECL, hourly compensation <sup>1</sup> <i>Previous Tealbook</i> <sup>1</sup>	2.9	3.2	3.0	2.4	1.2	2.1	2.5	2.4	2.3
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	1.6	.8	2.5	-1.1	5.3	2.5	1.0	1.2	1.7
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	1.6	.8	2.5	-1.1	5.3	2.5	.8	1.3	1.8
Compensation per hour <i>Previous Tealbook</i>	3.5	4.5	3.6	2.5	1.8	1.6	2.9	2.3	2.2
Compensation per hour <i>Previous Tealbook</i>	3.5	4.5	3.6	2.5	1.8	1.6	2.8	2.3	2.2
Unit labor costs <i>Previous Tealbook</i>	1.9	3.6	1.1	3.7	-3.3	-9	1.9	1.1	.6
Unit labor costs <i>Previous Tealbook</i>	1.9	3.6	1.1	3.7	-3.3	-9	2.1	1.0	.5
Core goods imports chain-wt. price index <sup>2</sup> <i>Previous Tealbook</i> <sup>2</sup>	2.2	2.5	2.9	3.7	-1.7	2.6	4.4	1.2	1.7
Core goods imports chain-wt. price index <sup>2</sup> <i>Previous Tealbook</i> <sup>2</sup>	2.2	2.5	2.9	3.7	-1.7	2.6	4.8	1.4	1.5

1. Private-industry workers.

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

## Other Macroeconomic Indicators

Item	2011				2012				2013				2011 <sup>1</sup>	2012 <sup>1</sup>	2013 <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>	.4	.5	.2	.3	.4	.4	.5	.5	.6	.6	.7	.8	1.4	1.8	2.7
Unemployment rate <sup>3</sup>	8.9	9.1	9.1	9.1	9.0	8.9	8.8	8.6	8.4	8.4	8.3	8.1	9.1	8.6	8.1
<i>Previous Tealbook<sup>3</sup></i>	8.9	9.1	9.1	9.1	9.1	9.0	8.9	8.7	8.5	8.4	8.3	8.1	9.1	8.7	8.1
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<sup>3</sup></i>	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
GDP gap <sup>4</sup>	-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
<i>Previous Tealbook<sup>4</sup></i>	-6.0	-6.2	-6.2	-6.2	-6.2	-6.1	-6.0	-5.8	-5.6	-5.3	-5.0	-4.7	-6.2	-5.8	-4.7
Industrial production <sup>5</sup>	4.8	.5	5.1	4.5	2.4	2.8	2.7	2.5	3.5	3.6	3.5	3.5	3.7	2.6	3.5
<i>Previous Tealbook<sup>5</sup></i>	4.8	1.0	5.9	4.2	1.2	2.4	3.7	3.0	3.4	3.7	3.5	3.6	4.0	2.6	3.5
Manufacturing industr. prod. <sup>5</sup>	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
<i>Previous Tealbook<sup>5</sup></i>	7.1	1.0	5.1	4.0	.6	2.6	4.5	3.6	3.7	4.1	3.9	3.9	4.3	2.8	3.9
Capacity utilization rate - mfg. <sup>3</sup>	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
<i>Previous Tealbook<sup>3</sup></i>	74.5	74.5	75.3	75.8	75.7	76.0	76.6	77.1	77.5	78.0	78.4	78.9	75.8	77.1	78.9
Housing starts <sup>6</sup>	.6	.6	.6	.6	.7	.7	.8	.8	.9	.9	1.0	1.0	.6	.7	.9
Light motor vehicle sales <sup>6</sup>	13.0	12.1	12.5	13.2	13.2	13.3	13.5	13.8	14.0	14.3	14.5	14.7	12.7	13.5	14.4
<i>Income and saving</i>															
Nominal GDP <sup>5</sup>	3.1	4.0	5.2	3.9	3.5	5.0	4.0	3.9	4.0	5.5	4.8	4.8	4.1	4.1	4.8
Real disposable pers. income <sup>5</sup>	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
<i>Previous Tealbook<sup>5</sup></i>	1.2	.9	.4	3.2	-1	3.4	3.8	3.7	2.4	2.9	3.0	3.1	1.4	2.7	2.9
Personal saving rate <sup>3</sup>	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
<i>Previous Tealbook<sup>3</sup></i>	5.0	5.2	5.0	5.4	5.0	5.3	5.5	5.7	5.6	5.6	5.5	5.5	5.4	5.7	5.5
Corporate profits <sup>7</sup>	4.2	13.7	10.8	2.7	-2.6	.2	-2.6	2.3	3.2	6.3	4.2	5.1	7.7	-7	4.7
Profit share of GNP <sup>3</sup>	12.4	12.7	12.8	12.8	12.6	12.5	12.3	12.2	12.2	12.3	12.2	12.3	12.8	12.2	12.3
Net federal saving <sup>8</sup>	-1,201	-1,265	-1,185	-1,194	-1,004	-980	-962	-939	-863	-836	-812	-777	-1,211	-971	-822
Net state & local saving <sup>8</sup>	-57	-40	-63	-68	-65	-53	-53	-48	-48	-38	-41	-42	-57	-55	-42
Gross national saving rate <sup>3</sup>	12.6	12.7	12.9	13.0	13.2	13.4	13.5	13.6	13.7	13.9	13.9	14.1	13.0	13.6	14.1
Net national saving rate <sup>3</sup>	-1	-1	.4	.5	.7	1.0	1.0	1.1	1.3	1.5	1.6	1.9	.5	1.1	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	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>Employment and production</i>									
Nonfarm payroll employment <sup>1</sup>	2.4	2.1	1.2	-2.8	-5.6	.7	1.4	1.8	2.7
Unemployment rate <sup>2</sup>	5.0	4.5	4.8	6.9	10.0	9.6	9.1	8.6	8.1
<i>Previous Tealbook<sup>2</sup></i>	5.0	4.5	4.8	6.9	10.0	9.6	9.1	8.7	8.1
NAIRU <sup>2</sup>	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0	6.0
<i>Previous Tealbook<sup>2</sup></i>	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0	6.0
GDP gap <sup>3</sup>	.1	.0	-2	-5.4	-7.0	-5.6	-6.0	-5.6	-4.7
<i>Previous Tealbook<sup>3</sup></i>	.1	.0	-1	-5.4	-6.9	-5.6	-6.2	-5.8	-4.7
Industrial production <sup>4</sup>	2.3	2.3	2.5	-9.1	-5.5	6.2	3.7	2.6	3.5
<i>Previous Tealbook<sup>4</sup></i>	2.3	2.3	2.5	-9.1	-5.5	6.2	4.0	2.6	3.5
Manufacturing industr. prod. <sup>4</sup>	3.4	2.0	2.8	-11.8	-6.1	6.1	3.9	2.8	3.9
<i>Previous Tealbook<sup>4</sup></i>	3.4	2.0	2.8	-11.8	-6.1	6.1	4.3	2.8	3.9
Capacity utilization rate - mfg. <sup>2</sup>	78.5	78.4	79.0	70.1	67.7	73.3	75.5	76.8	78.7
<i>Previous Tealbook<sup>2</sup></i>	78.5	78.4	79.0	70.1	67.7	73.3	75.8	77.1	78.9
Housing starts <sup>5</sup>	2.1	1.8	1.4	.9	.6	.6	.6	.7	.9
Light motor vehicle sales <sup>5</sup>	16.9	16.5	16.1	13.1	10.3	11.5	12.7	13.5	14.4
<i>Income and saving</i>									
Nominal GDP <sup>4</sup>	6.4	5.3	4.9	-1.2	.0	4.7	4.1	4.1	4.8
Real disposable pers. income <sup>4</sup>	.6	4.6	1.6	1.0	-2.4	3.5	1.5	2.5	3.1
<i>Previous Tealbook<sup>4</sup></i>	.6	4.6	1.6	1.0	-2.4	3.5	1.4	2.7	2.9
Personal saving rate <sup>2</sup>	1.6	2.8	2.5	6.2	4.3	5.2	5.1	5.1	5.1
<i>Previous Tealbook<sup>2</sup></i>	1.6	2.8	2.5	6.2	4.3	5.2	5.4	5.7	5.5
Corporate profits <sup>6</sup>	19.6	3.7	-8.1	-33.5	61.8	18.2	7.7	-7	4.7
Profit share of GNP <sup>2</sup>	11.8	11.6	10.1	6.8	11.0	12.4	12.8	12.2	12.3
Net federal saving <sup>7</sup>	-283	-204	-245	-613	-1218	-1274	-1211	-971	-822
Net state & local saving <sup>7</sup>	26	51	12	-72	-78	-25	-57	-55	-42
Gross national saving rate <sup>2</sup>	15.6	16.5	13.9	12.6	11.3	12.3	13.0	13.6	14.1
Net national saving rate <sup>2</sup>	3.6	4.4	1.7	-6	-1.9	-4	.5	1.1	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				2011				2012				2013			
	2010 <sup>a</sup>	2011 <sup>a</sup>	2012	2013	Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Unified budget</b>																
Receipts <sup>1</sup>	2163	2302	2578	2776	488	714	568	571	552	797	659	638	572	854	712	665
Outlays <sup>1</sup>	3456	3601	3626	3621	949	855	897	921	959	894	852	937	929	892	863	947
Surplus/deficit <sup>1</sup>	-1293	-1299	-1048	-845	-460	-141	-328	-350	-408	-98	-193	-298	-357	-38	-152	-282
<i>Previous Tealbook</i>																
On-budget	-1293	-1296	-1083	-865	-460	-141	-325	-369	-409	-108	-198	-302	-358	-47	-157	-286
Off-budget	-1370	-1366	-1079	-886	-451	-202	-313	-366	-395	-150	-168	-330	-340	-88	-127	-311
	77	67	31	41	-10	61	-15	16	-13	52	-25	32	-17	50	-25	30
<b>Means of financing</b>																
Borrowing	1474	1110	1048	925	260	93	389	339	378	118	213	318	377	58	172	302
Cash decrease	-35	252	8	0	225	-19	79	-32	40	-0	0	0	0	0	0	0
Other <sup>2</sup>	-146	-63	-8	-80	-24	67	-140	43	-10	-20	-20	-20	-20	-20	-20	-20
Cash operating balance, end of period	310	58	50	50	118	137	58	90	50	50	50	50	50	50	50	50
<b>NIPA federal sector</b>																
Receipts	2379	2538	2794	3014	2528	2564	2588	2619	2818	2853	2886	2925	3002	3044	3085	3127
Expenditures	3648	3772	3829	3877	3729	3829	3772	3813	3821	3833	3848	3864	3865	3881	3897	3905
Consumption expenditures	1042	1068	1098	1104	1059	1078	1075	1091	1099	1101	1103	1105	1109	1106	1098	1085
Defense	697	713	743	752	701	723	726	736	742	745	748	751	756	754	747	736
Nondefense	346	355	356	352	358	354	350	355	357	356	355	353	353	352	350	349
Other spending	2606	2704	2730	2772	2670	2752	2697	2721	2732	2732	2745	2759	2756	2775	2800	2820
Current account surplus	-1269	-1235	-1035	-863	-1201	-1265	-1185	-1194	-1004	-980	-962	-939	-863	-836	-812	-777
Gross investment	165	164	162	161	161	160	160	162	162	162	162	163	162	161	158	153
Gross saving less gross investment <sup>3</sup>	-1305	-1263	-1053	-872	-1227	-1288	-1205	-1215	-1023	-998	-977	-953	-874	-844	-815	-773
<b>Fiscal indicators<sup>4</sup></b>																
High-employment (HEB) surplus/deficit	-937	-919	-695	-533	-893	-933	-853	-857	-660	-639	-624	-605	-528	-508	-493	-468
Change in HEB, percent of potential GDP	1.1	-3	-1.6	-1.1	-7	2	-6	0	-1.2	-2	-1	-1	-5	-1	-1	-2
Fiscal impetus (FI), percent of GDP	0.5	-0.1	-0.9	-0.8	-0.6	0.4	-0.4	0.2	-1.4	-0.9	-0.7	-0.7	-0.8	-0.6	-0.8	-0.8
<i>Previous Tealbook</i>	0.5	-0.1	-1.0	-0.8	-0.6	0.4	-0.1	0.1	-1.4	-0.9	-0.8	-0.7	-0.8	-0.6	-0.8	-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>								
2006	9.0	10.0	11.1	4.1	10.6	8.3	3.9	5.3
2007	8.6	6.7	6.8	5.8	13.1	9.5	4.9	4.9
2008	6.0	.1	-5	1.5	5.6	2.3	24.2	-1.2
2009	3.1	-1.6	-1.4	-4.4	-2.7	4.9	22.7	.0
2010	4.2	-2.0	-2.9	-1.8	.3	4.5	20.2	4.7
2011	3.7	-6	-1.8	3.0	3.3	-5	11.5	4.1
2012	4.3	1.2	-2	5.1	3.3	2.9	9.8	4.1
2013	4.3	1.7	.1	6.4	4.0	2.8	7.9	4.8
<i>Quarter</i>								
2010:1	3.6	-3.1	-4.9	-3.9	-6	4.5	20.6	5.5
2	3.9	-2.1	-2.5	-3.3	-1.7	-3	22.5	5.4
3	3.9	-2.1	-2.5	-2.2	1.4	4.8	16.0	3.9
4	5.1	-7	-1.8	2.3	2.2	8.9	16.4	4.2
2011:1	1.9	-2.0	-2.7	2.2	2.8	-4.2	7.9	3.1
2	3.0	-6	-2.4	3.4	4.0	-3.1	8.6	4.0
3	4.9	-1	-1.2	2.5	3.3	1.8	14.1	5.2
4	5.0	.3	-1.0	3.8	3.2	3.7	13.6	3.9
2012:1	4.6	.7	-5	4.2	2.9	3.0	11.6	3.5
2	4.0	1.1	-2	4.7	3.2	2.8	8.6	5.0
3	3.4	1.3	.0	5.3	3.3	2.8	6.2	4.0
4	5.2	1.6	.1	6.0	3.7	2.8	11.6	3.9
2013:1	5.0	1.6	.1	6.2	3.8	2.8	10.5	4.0
2	3.6	1.7	.1	6.2	3.9	2.7	5.8	5.5
3	3.2	1.7	.1	6.3	4.1	2.7	4.3	4.8
4	5.0	1.7	.1	6.3	4.1	2.7	10.1	4.8

Note: Quarterly data are at seasonally adjusted annual rates.

1. Data after 2011:Q2 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	1173.2	914.0	1246.8	1333.2	1279.3	1439.2	1350.8	1140.2	901.8	1594.4	1623.3	1121.5	933.8	1654.3	1654.3	1654.3
Net equity issuance	-278.0	-437.4	-380.0	-340.0	-493.1	-420.0	-360.0	-360.0	-400.0	-400.0	-320.0	-320.0	-360.0	-360.0	-360.0	-360.0
Net debt issuance	1451.1	1351.4	1626.8	1673.2	1772.5	1859.2	1710.8	1500.2	1301.8	1994.4	1943.3	1441.5	1293.8	2014.3	2014.3	2014.3
<i>Borrowing indicators</i>																
Debt (percent of GDP) <sup>1</sup>	243.4	243.2	242.9	242.5	241.6	242.2	243.0	242.7	242.5	242.8	243.5	242.8	242.0	241.7	241.7	241.7
Borrowing (percent of GDP)	10.0	8.9	10.3	10.2	11.7	12.1	11.0	9.6	8.2	12.5	12.0	8.8	7.8	12.0	12.0	12.0
<i>Households</i>																
Net borrowing <sup>2</sup>	-272.2	-81.9	157.9	226.1	-16.9	37.9	98.3	143.0	179.5	210.6	219.4	223.1	229.3	232.8	232.8	232.8
Home mortgages	-298.3	-183.5	-14.8	9.9	-119.1	-99.0	-49.4	-19.7	0.0	9.9	9.9	9.9	9.9	9.9	9.9	9.9
Consumer credit	-44.2	73.2	129.1	168.4	61.3	95.1	105.5	119.8	135.4	155.5	163.1	165.7	171.0	173.7	173.7	173.7
Debt/DPI (percent) <sup>3</sup>	120.3	114.2	110.6	107.2	113.5	112.1	112.0	111.0	109.9	109.0	108.4	107.7	106.9	106.1	106.1	106.1
<i>Business</i>																
Financing gap <sup>4</sup>	-197.3	-215.0	-113.8	16.0	-255.9	-247.9	-163.6	-136.9	-86.1	-68.4	-15.2	-5.7	21.7	63.3	63.3	63.3
Net equity issuance	-278.0	-437.4	-380.0	-340.0	-493.1	-420.0	-360.0	-360.0	-400.0	-400.0	-320.0	-320.0	-360.0	-360.0	-360.0	-360.0
Credit market borrowing	36.2	364.5	371.1	468.8	363.6	358.6	325.9	359.3	375.8	423.5	445.2	462.6	480.8	486.6	486.6	486.6
<i>State and local governments</i>																
Net borrowing	106.8	-12.1	70.8	69.8	43.2	89.8	73.8	69.8	69.8	69.8	69.8	69.8	69.8	69.8	69.8	69.8
Current surplus <sup>5</sup>	257.0	207.3	195.4	215.5	179.8	176.9	182.2	195.7	198.6	205.1	206.9	218.7	217.5	219.0	219.0	219.0
<i>Federal government</i>																
Net borrowing	1580.2	1080.8	1027.0	908.5	1382.6	1372.9	1212.8	928.1	676.6	1290.5	1208.8	685.9	514.0	1225.1	1225.1	1225.1
Net borrowing (n.s.a.)	1580.2	1080.8	1027.0	908.5	389.1	338.9	378.0	118.1	212.6	318.3	377.0	57.6	171.9	302.0	302.0	302.0
Unified deficit (n.s.a.)	1275.1	1279.7	996.4	828.5	328.1	350.0	407.8	97.8	192.6	298.3	357.0	37.6	151.9	282.0	282.0	282.0
<i>Depository institutions</i>																
Funds supplied	-191.1	26.7	336.4	393.5	235.5	187.9	318.3	345.2	336.2	345.9	362.0	369.1	409.8	433.2	433.2	433.2

Note: Data after 2011:Q2 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				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Real GDP</b> <sup>1</sup>												
Total foreign	4.0	2.3	3.6	2.8	2.8	2.9	3.0	3.1	3.3	3.4	3.4	3.4
<i>Previous Tealbook</i>	4.1	2.2	3.5	3.0	3.1	3.1	3.2	3.2	3.4	3.4	3.4	3.5
Advanced foreign economies	2.2	.1	2.3	1.5	1.4	1.5	1.6	1.8	1.9	2.1	2.1	2.2
Canada	3.6	-4	2.4	2.5	2.1	2.1	2.1	2.2	2.4	2.4	2.5	2.5
Japan	-3.7	-2.1	6.7	2.2	2.3	2.0	1.8	1.7	1.6	1.6	1.6	1.6
United Kingdom	1.6	.4	1.6	1.0	1.4	1.7	1.9	2.1	2.4	2.5	2.6	2.6
Euro area	3.1	.7	.9	-.2	-.2	.2	.5	.8	1.2	1.5	1.6	1.6
Germany	5.5	.5	1.6	.7	.7	.9	1.2	1.6	1.9	2.2	2.4	2.4
Emerging market economies	6.0	4.7	4.9	4.2	4.4	4.4	4.6	4.6	4.7	4.7	4.8	4.8
Asia	8.3	5.1	6.1	5.2	5.5	5.5	5.7	5.7	5.9	5.9	6.0	6.0
Korea	5.4	3.6	4.3	3.6	3.6	3.7	3.8	3.8	3.9	4.1	4.3	4.5
China	8.2	10.0	9.5	8.5	8.2	8.1	8.1	8.1	8.2	8.2	8.3	8.3
Latin America	3.8	4.4	3.7	3.2	3.2	3.2	3.4	3.4	3.4	3.4	3.4	3.5
Mexico	2.4	4.5	4.0	3.2	3.1	3.1	3.3	3.3	3.3	3.3	3.3	3.3
Brazil	5.0	3.1	2.2	2.7	3.2	3.3	3.3	3.3	3.7	3.8	3.8	4.0
<b>Consumer prices</b> <sup>2</sup>												
Total foreign	4.3	3.2	3.1	2.7	2.5	2.2	2.3	2.3	2.3	2.4	2.5	2.5
<i>Previous Tealbook</i>	4.3	3.2	2.9	2.2	2.3	2.3	2.3	2.4	2.4	2.4	2.4	2.4
Advanced foreign economies	3.2	2.1	1.1	1.7	1.3	1.1	1.2	1.3	1.3	1.4	1.5	1.6
Canada	3.6	3.1	1.0	2.3	2.2	1.8	1.9	1.9	1.9	2.0	2.0	2.0
Japan	.4	-.8	.4	-.3	-.4	-.3	-.3	-.3	-.3	-.3	-.3	-.2
United Kingdom	7.5	3.8	3.3	4.0	1.8	1.3	1.5	2.9	1.9	1.7	1.9	3.2
Euro Area	3.6	2.8	1.3	1.8	1.1	1.1	1.2	1.3	1.4	1.7	1.9	2.0
Germany	3.6	2.2	1.6	1.8	1.5	1.6	1.6	1.6	1.6	1.8	1.9	2.0
Emerging market economies	5.1	4.0	4.7	3.6	3.4	3.1	3.1	3.1	3.2	3.2	3.2	3.2
Asia	5.3	4.7	5.3	3.3	3.2	2.9	2.9	2.8	3.0	3.0	3.0	3.0
Korea	5.7	2.2	6.1	4.0	3.1	2.9	2.9	2.9	3.0	2.9	2.9	2.9
China	4.6	5.8	6.2	3.2	3.2	2.7	2.7	2.7	2.8	2.9	2.9	2.9
Latin America	4.3	2.5	3.6	4.3	4.1	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Mexico	3.6	1.8	3.3	4.0	3.8	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Brazil	9.5	7.5	5.6	6.1	5.7	5.3	4.9	4.9	5.3	5.1	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	2005	2006	2007	2008	2009	2010	2011	2012	2013
	-----Projected-----								
<b>Real GDP</b> <sup>1</sup>									
Total foreign	4.1	4.2	4.4	-9	.8	4.3	3.2	3.0	3.4
<i>Previous Tealbook</i>	4.0	4.2	4.3	-8	.7	4.3	3.2	3.2	3.4
Advanced foreign economies	2.8	2.6	2.6	-1.9	-1.4	2.7	1.5	1.6	2.1
Canada	3.1	1.9	2.5	-7	-1.4	3.3	2.0	2.1	2.4
Japan	2.9	2.1	1.8	-4.7	-1.8	2.5	.7	2.0	1.6
United Kingdom	2.8	2.1	4.1	-5.4	-.8	1.3	1.2	1.8	2.5
Euro area	2.1	3.8	2.4	-2.1	-2.1	1.9	1.1	.3	1.5
Germany	1.6	4.9	2.4	-1.9	-2.2	3.8	2.0	1.1	2.2
Emerging market economies	5.8	6.3	6.7	.4	3.4	6.1	5.0	4.5	4.8
Asia	7.6	7.8	8.8	.9	7.9	7.5	6.2	5.6	6.0
Korea	5.2	4.6	5.8	-3.2	6.3	4.7	4.2	3.7	4.2
China	10.3	12.8	13.7	7.7	11.4	9.6	9.1	8.1	8.2
Latin America	3.9	4.8	4.4	-.4	-.9	4.5	3.8	3.3	3.4
Mexico	3.6	4.1	3.5	-1.2	-2.3	4.2	3.5	3.2	3.3
Brazil	2.2	4.8	6.6	.8	5.0	5.0	3.3	3.3	3.8
<b>Consumer prices</b> <sup>2</sup>									
Total foreign	2.3	2.2	3.7	3.3	1.3	3.2	3.3	2.3	2.4
<i>Previous Tealbook</i>	2.3	2.2	3.7	3.3	1.3	3.2	3.1	2.3	2.4
Advanced foreign economies	1.6	1.4	2.2	2.0	.2	1.7	2.0	1.2	1.5
Canada	2.3	1.4	2.5	1.8	.8	2.2	2.5	2.0	2.0
Japan	-.7	.3	.5	1.0	-2.0	-.3	-.1	-.4	-.3
United Kingdom	2.1	2.7	2.1	3.9	2.1	3.4	4.6	1.9	2.2
Euro Area	2.3	1.8	2.9	2.3	.4	2.0	2.4	1.2	1.7
Germany	2.2	1.3	3.1	1.7	.3	1.6	2.3	1.6	1.8
Emerging market economies	3.0	2.9	5.1	4.6	2.1	4.4	4.3	3.2	3.2
Asia	2.5	2.4	5.5	3.6	1.3	4.3	4.7	2.9	3.0
Korea	2.5	2.1	3.4	4.5	2.4	3.6	4.5	2.9	2.9
China	1.4	2.1	6.7	2.5	.6	4.7	4.9	2.8	2.9
Latin America	3.8	4.2	4.2	6.7	3.9	4.4	3.6	3.8	3.7
Mexico	3.1	4.1	3.8	6.2	4.0	4.3	3.2	3.5	3.4
Brazil	6.1	3.2	4.3	6.2	4.2	5.4	7.1	5.2	5.1

<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

	2011				2012				Projected 2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Billions of dollars, s.a.a.r.</i>												
<b>U.S. current account balance</b>	<b>-478.4</b>	<b>-472.0</b>	<b>-426.8</b>	<b>-416.4</b>	<b>-422.7</b>	<b>-376.4</b>	<b>-381.9</b>	<b>-390.2</b>	<b>-416.1</b>	<b>-386.0</b>	<b>-397.7</b>	<b>-416.4</b>
<i>Previous Tealbook</i>	-473.8	-476.6	-438.8	-401.5	-393.4	-346.9	-351.9	-355.2	-371.1	-340.1	-349.9	-363.2
Current account as percent of GDP	-3.2	-3.1	-2.8	-2.7	-2.7	-2.4	-2.4	-2.4	-2.6	-2.4	-2.4	-2.5
<i>Previous Tealbook</i>	-3.2	-3.2	-2.9	-2.6	-2.5	-2.2	-2.2	-2.2	-2.3	-2.1	-2.1	-2.2
Net goods & services	-559.9	-580.0	-549.1	-542.3	-553.3	-502.7	-501.6	-498.4	-516.7	-476.2	-474.5	-482.8
Investment income, net	219.5	253.5	259.4	265.0	268.2	260.0	256.8	247.4	238.2	223.9	213.8	205.6
Direct, net	315.9	339.3	332.3	320.2	316.4	311.7	313.5	310.6	309.5	302.8	301.4	301.3
Portfolio, net	-96.4	-85.8	-72.9	-55.1	-48.2	-51.6	-56.7	-63.2	-71.3	-78.8	-87.6	-95.7
Other income and transfers, net	-138.0	-145.5	-137.0	-139.1	-137.6	-133.7	-137.0	-139.1	-137.6	-133.7	-137.0	-139.1

## Annual Data

	Projected									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	
<i>Billions of dollars</i>										
<b>U.S. current account balance</b>	<b>-745.8</b>	<b>-800.6</b>	<b>-710.3</b>	<b>-677.1</b>	<b>-376.6</b>	<b>-470.9</b>	<b>-448.4</b>	<b>-392.8</b>	<b>-404.1</b>	
<i>Previous Tealbook</i>	-745.8	-800.6	-710.3	-677.1	-376.6	-470.9	-447.7	-361.8	-356.1	
Current account as percent of GDP	-5.9	-6.0	-5.1	-4.7	-2.7	-3.2	-3.0	-2.5	-2.5	
<i>Previous Tealbook</i>	-5.9	-6.0	-5.1	-4.7	-2.7	-3.2	-3.0	-2.3	-2.2	
Net goods & services	-708.6	-753.3	-696.7	-698.3	-381.3	-500.0	-557.8	-514.0	-487.5	
Investment income, net	78.7	54.7	111.1	157.8	137.1	174.5	249.4	258.1	220.4	
Direct, net	173.2	174.0	244.6	284.3	262.2	280.6	326.9	313.0	303.7	
Portfolio, net	-94.5	-119.4	-133.5	-126.5	-125.1	-106.2	-77.6	-55.0	-83.4	
Other income and transfers, net	-115.9	-102.0	-124.7	-136.6	-132.3	-145.3	-139.9	-136.9	-136.9	

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

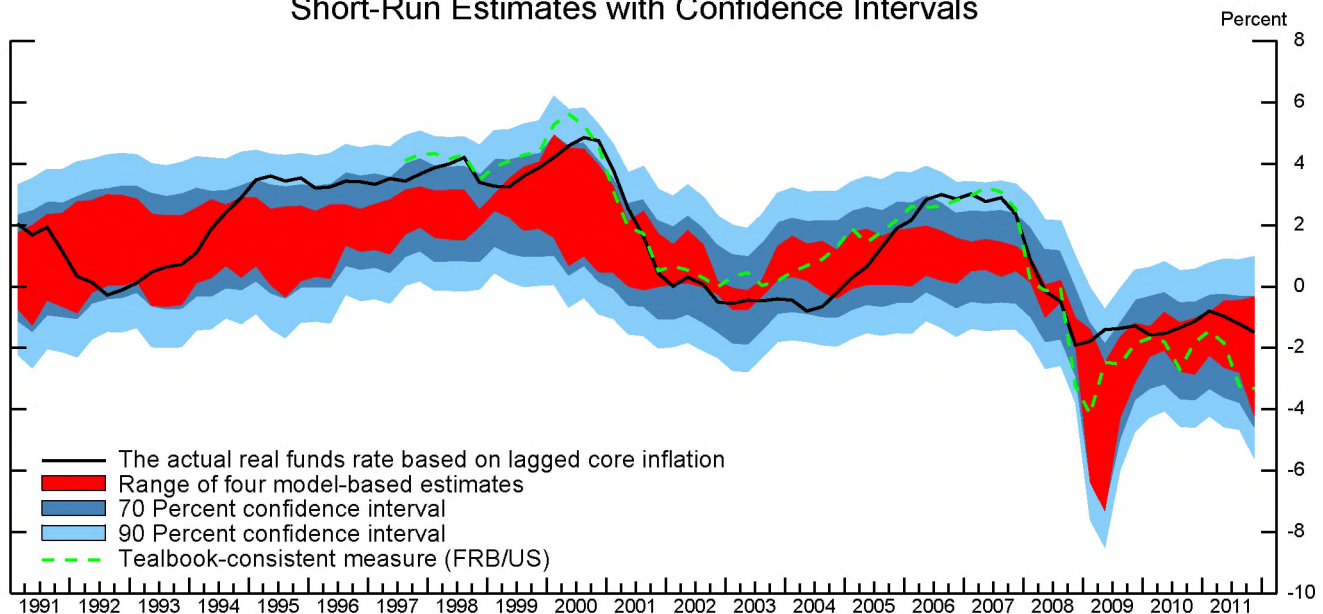
October 27, 2011

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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)

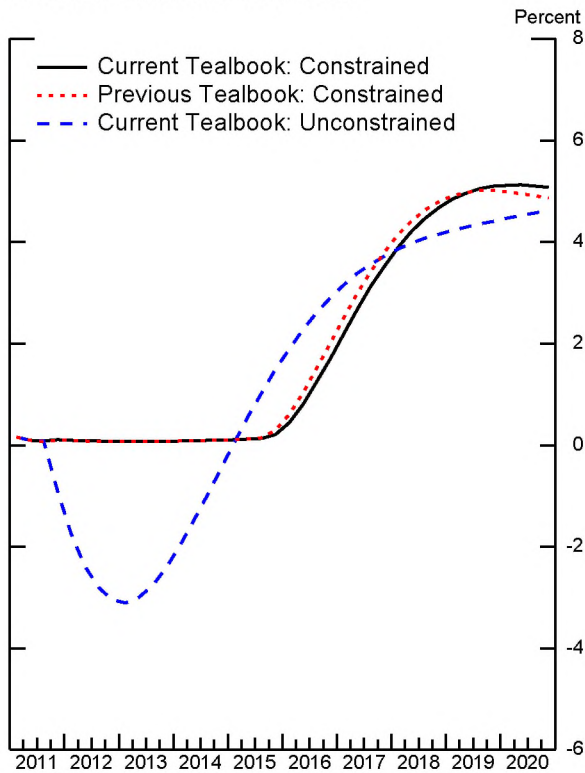
	Current Tealbook	Current Quarter Estimate as of Previous Tealbook	Previous Tealbook
Short-Run Measures			
Single-equation model	-2.2	-2.1	-2.4
Small structural model	-4.2	-3.8	-2.2
EDO model	-0.3	-0.2	-0.4
FRB/US model	-3.2	-3.2	-3.4
Confidence intervals for four model-based estimates			
70 percent confidence interval	-4.6 to -0.3		
90 percent confidence interval	-5.6 to 1.0		
Tealbook-consistent measures			
EDO model	-4.3	-4.3	-4.7
FRB/US model	-3.3	-3.3	-3.5
Medium-Run Measures			
Single-equation model	0.9	0.9	0.9
Small structural model	0.6	0.7	0.7
Confidence intervals for two model-based estimates			
70 percent confidence interval	-0.2 to 1.7		
90 percent confidence interval	-0.7 to 2.4		
TIPS-based factor model	1.8		1.7
Memo			
Actual real federal funds rate	-1.5		-1.1

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. 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."

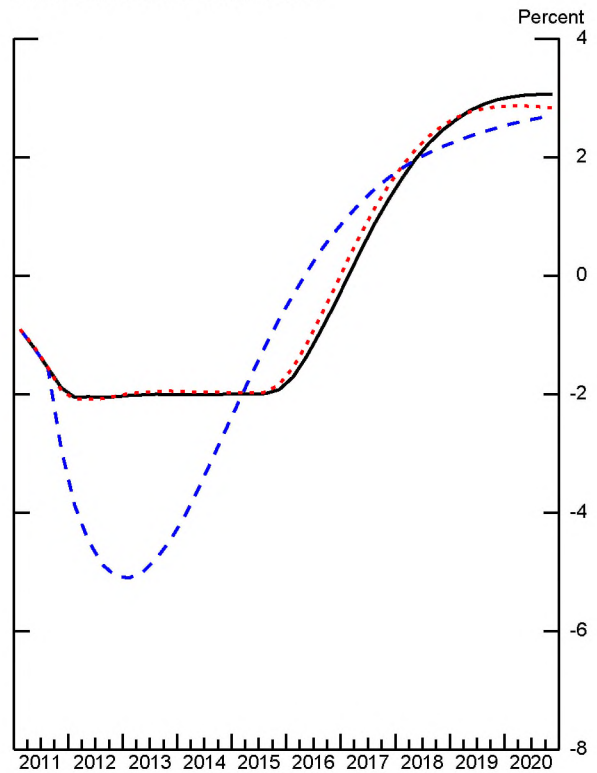


## Constrained vs. Unconstrained Monetary Policy (2 Percent Inflation Goal)

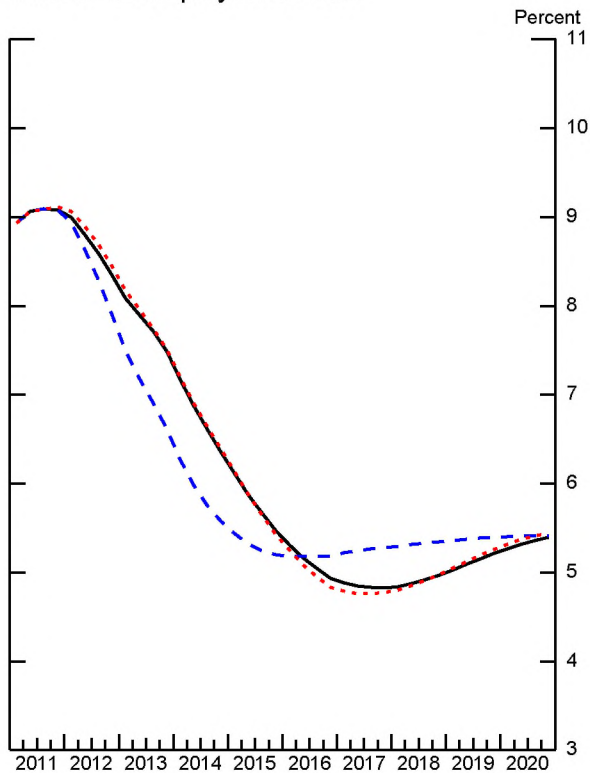
Nominal Federal Funds Rate



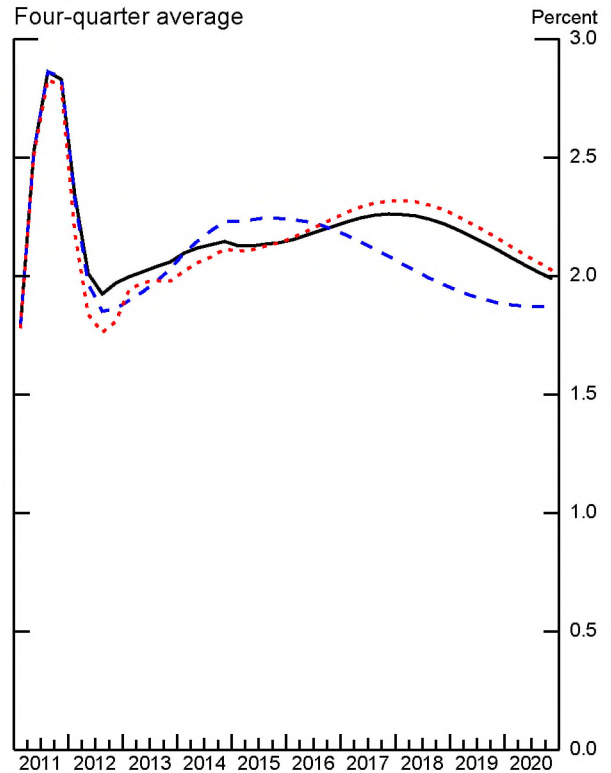
Real Federal Funds Rate



Civilian Unemployment Rate

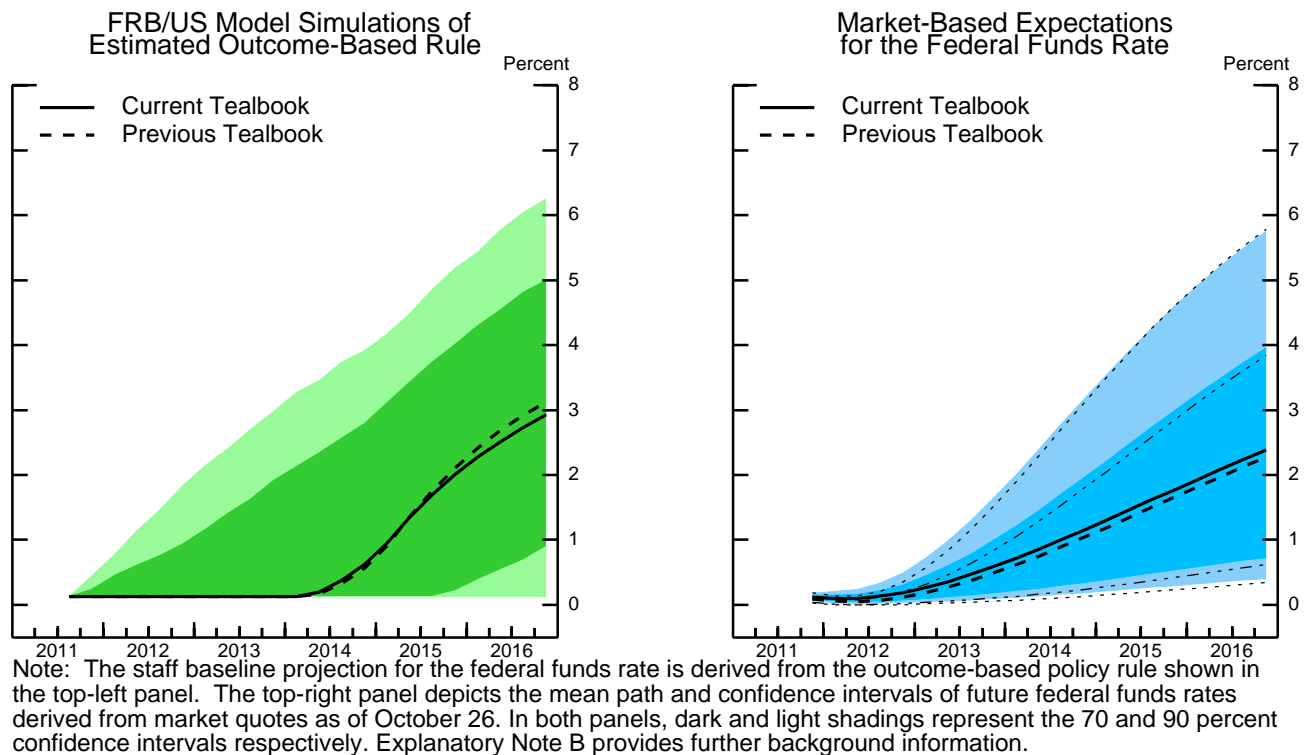


PCE Inflation  
Four-quarter average





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



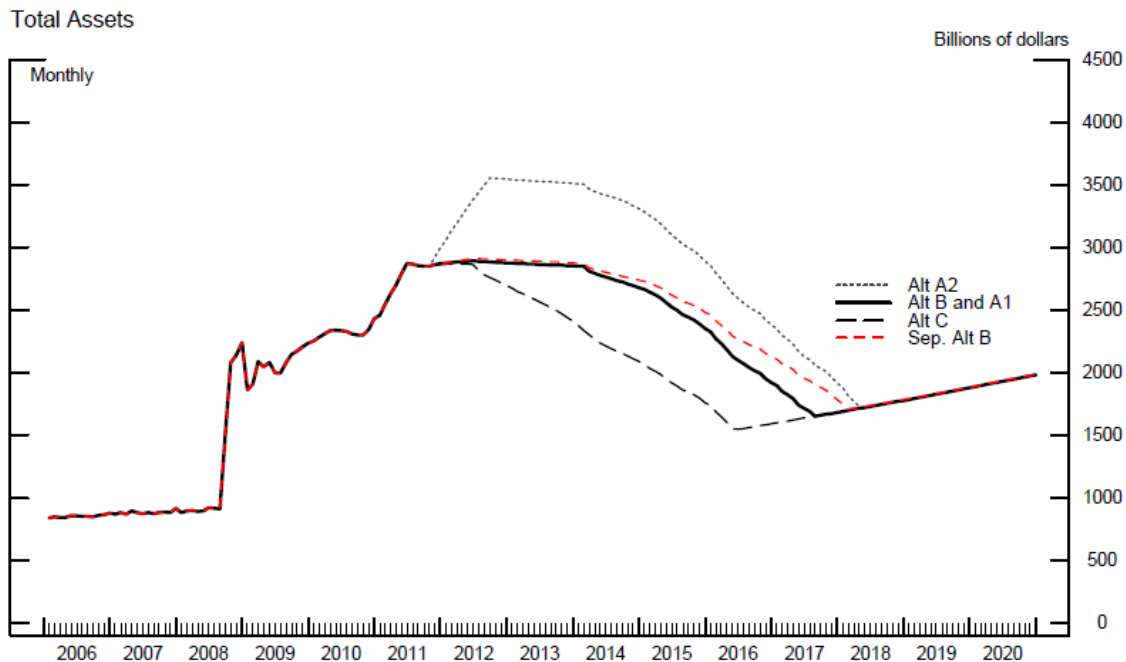
### Near-Term Prescriptions of Simple Policy Rules

	Constrained Policy		Unconstrained Policy	
	<u>2011Q4</u>	<u>2012Q1</u>	<u>2011Q4</u>	<u>2012Q1</u>
Taylor (1993) rule	<b>0.81</b>	<b>0.86</b>	<b>0.81</b>	<b>0.86</b>
<i>Previous Tealbook</i>	0.72	0.74	0.72	0.74
Taylor (1999) rule	<b>0.13</b>	<b>0.13</b>	<b>-2.17</b>	<b>-2.09</b>
<i>Previous Tealbook</i>	0.13	0.13	-2.37	-2.35
Estimated outcome-based rule	<b>0.13</b>	<b>0.13</b>	<b>-0.12</b>	<b>-0.36</b>
<i>Previous Tealbook</i>	0.13	0.13	-0.23	-0.57
Estimated forecast-based rule	<b>0.13</b>	<b>0.13</b>	<b>-0.20</b>	<b>-0.58</b>
<i>Previous Tealbook</i>	0.13	0.13	-0.30	-0.77
First-difference rule	<b>0.13</b>	<b>0.13</b>	<b>0.03</b>	<b>-0.02</b>
<i>Previous Tealbook</i>	0.13	0.13	-0.07	-0.14
<b>Memo</b>				
Staff assumption		0.08		0.13
Fed funds futures		0.08		0.10
Median expectation of primary dealers		0.13		0.13
Blue Chip forecast (October 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.

## 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 A1, A2, B, and C; although the language in the statements differs, Alternatives A1 and B share the same baseline balance sheet projection. 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.



For the balance sheet scenario that corresponds to Alternatives A1 and B (the baseline), the Committee is assumed to continue the Maturity Extension Program (MEP) announced in September, in which it will sell \$400 billion (par value) of Treasury securities with remaining maturities of 3 years or less and purchase the same amount of securities with remaining maturities of 6 years or more by the end of June 2012. It is also assumed that the Committee reinvests the proceeds from principal repayments of its holdings of agency debt and MBS into agency MBS, while Treasury securities that mature are reinvested at auction according to the Desk's current practice (reinvesting roughly proportionally across all Treasury securities that are being issued on those dates). These assumptions imply that the System Open Market Account (SOMA) security holdings remain constant at about \$2.6 trillion, and the size of the balance sheet, which includes other assets in addition to the SOMA portfolio, holds roughly steady at about \$2.9 trillion. In March 2014, six months before the assumed first increase in the target

Growth Rates for the Monetary Base				
Date	Alternatives B and A1	Alternative A2	Alternative C	<i>Memo :</i> September Tealbook
Percent, annual rate				
Monthly				
Aug-10	-2.4	-2.4	-2.4	-2.4
Sep-10	-10.2	-10.2	-10.2	-10.2
Oct-10	-9.8	-9.8	-9.8	-9.8
Nov-10	3.2	3.2	3.2	3.2
Dec-10	16.8	16.8	16.8	16.8
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	3.6
Sep-11	-10.5	-10.5	-10.5	-10.3
Oct-11	1.5	1.4	1.1	2.2
Nov-11	10.6	24.6	9.7	15.2
Dec-11	0.8	28.7	-0.1	4.5
Quarterly				
2010 Q3	-6.4	-6.4	-6.4	-6.4
2010 Q4	-3.2	-3.2	-3.2	-3.2
2011 Q1	36.8	36.8	36.8	36.8
2011 Q2	69.4	69.4	69.4	69.4
2011 Q3	21.1	21.1	21.1	21.4
2011 Q4	0.8	7.0	0.4	2.7
2012 Q1	2.4	28.5	1.5	12.5
2012 Q2	7.1	31.9	5.4	7.7
Annual - Q4 to Q4				
2009	52.5	52.5	52.5	52.5
2010	0.9	0.9	0.9	0.9
2011	35.2	37.3	35.0	35.9
2012	3.1	26.3	-2.6	5.0
2013	-0.8	-0.9	-10.3	-1.2
2014	-6.1	-5.4	-14.9	-4.9
2015	-12.2	-12.7	-16.5	-9.3

Note: Not seasonally adjusted.

money growth is held down by the assumption that households, institutional investors, and asset managers gradually begin to shift their portfolios away from safe M2 assets toward riskier assets outside of M2, as some of the financial market strains that contributed to rapid money growth this summer begin to fade. Later in the forecast period, improvements in both financial market conditions and the economic outlook are expected to lead households and businesses to continue shifting their portfolios toward riskier assets, further damping the rise in M2. Over the forecast period, liquid deposits are projected to expand at a solid rate, albeit well below the pace observed in recent years, while retail money market mutual funds and small time deposits are projected to contract. Currency is expected to expand at its historical average rate.

Growth Rates for M2	
(Percent, seasonally adjusted annual rate)	
Monthly Growth Rates	Tealbook Forecast*
Jan-11	3.3
Feb-11	8.3
Mar-11	3.8
Apr-11	4.3
May-11	6.9
Jun-11	11.7
Jul-11	26.6
Aug-11	30.0
Sep-11	5.9
Oct-11	4.3
Nov-11	3.0
Dec-11	2.0
Quarterly Growth Rates	
2011 Q1	5.0
2011 Q2	6.1
2011 Q3	19.8
2011 Q4	6.9
Annual Growth Rates	
2010	3.2
2011	9.8
2012	1.9
2013	3.0

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

# Federal Reserve Balance Sheet

## End-of-Year Projections -- Alternative A2

Billions of dollars

	<u>Sep 30, 2011</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,853	3,546	3,310	2,385	1,778	1,985
Selected assets						
Liquidity programs for financial firms	1	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	11	4	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	11	4	0	0	0	0
Support for specific institutions	47	46	32	18	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	47	46	32	18	7	4
Securities held outright	2,644	3,234	3,066	2,198	1,629	1,854
U.S. Treasury securities	1,665	2,255	2,175	1,651	1,432	1,854
Agency debt securities	108	77	39	16	2	0
Agency mortgage-backed securities	871	902	852	531	195	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	150	261	211	170	142	126
Total liabilities	2,801	3,476	3,218	2,263	1,616	1,770
Selected liabilities						
Federal Reserve notes in circulation	996	1,070	1,203	1,351	1,498	1,652
Reverse repurchase agreements	84	70	70	70	70	70
Deposits with Federal Reserve Banks	1,656	2,318	1,928	826	33	33
Reserve balances held by depository institutions	1,597	2,306	1,920	819	25	25
U.S. Treasury, General Account	56	10	5	5	5	5
U.S. Treasury, Supplementary Financing Account	0	0	0	0	0	0
Other balances	3	3	3	3	3	3
Interest on Federal Reserve Notes due to U.S. Treasury	1	0	0	0	0	0
Total capital	52	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 -- Alternatives B and A1

Billions of dollars

	<u>Sep 30, 2011</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,853	2,878	2,681	1,923	1,778	1,985
Selected assets						
Liquidity programs for financial firms	1	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	11	4	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	11	4	0	0	0	0
Support for specific institutions	47	46	32	18	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	47	46	32	18	7	4
Securities held outright	2,644	2,634	2,487	1,772	1,657	1,877
U.S. Treasury securities	1,665	1,655	1,597	1,226	1,460	1,877
Agency debt securities	108	77	39	16	2	0
Agency mortgage-backed securities	871	902	852	530	195	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	150	192	160	133	114	104
Total liabilities	2,801	2,808	2,588	1,800	1,616	1,770
Selected liabilities						
Federal Reserve notes in circulation	996	1,070	1,203	1,351	1,498	1,652
Reverse repurchase agreements	84	70	70	70	70	70
Deposits with Federal Reserve Banks	1,656	1,650	1,299	364	33	33
Reserve balances held by depository institutions	1,597	1,637	1,291	356	25	25
U.S. Treasury, General Account	56	10	5	5	5	5
U.S. Treasury, Supplementary Financing Account	0	0	0	0	0	0
Other balances	3	3	3	3	3	3
Interest on Federal Reserve Notes due to U.S. Treasury	1	0	0	0	0	0
Total capital	52	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 C

Billions of dollars

	<u>Sep 30, 2011</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,853	2,696	2,088	1,592	1,778	1,985
Selected assets						
Liquidity programs for financial firms	1	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	11	4	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	11	4	0	0	0	0
Support for specific institutions	47	46	28	18	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	47	46	28	18	7	4
Securities held outright	2,644	2,480	1,924	1,461	1,671	1,888
U.S. Treasury securities	1,665	1,595	1,356	1,218	1,671	1,888
Agency debt securities	108	77	39	16	0	0
Agency mortgage-backed securities	871	809	529	227	0	0
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	150	164	135	113	100	93
Total liabilities	2,801	2,625	1,995	1,469	1,616	1,770
Selected liabilities						
Federal Reserve notes in circulation	996	1,070	1,203	1,351	1,498	1,652
Reverse repurchase agreements	84	70	70	70	70	70
Deposits with Federal Reserve Banks	1,656	1,468	706	33	33	33
Reserve balances held by depository institutions	1,597	1,455	699	25	25	25
U.S. Treasury, General Account	56	10	5	5	5	5
U.S. Treasury, Supplementary Financing Account	0	0	0	0	0	0
Other balances	3	3	3	3	3	3
Interest on Federal Reserve Notes due to U.S. Treasury	1	0	0	0	0	0
Total capital	52	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.