

### **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

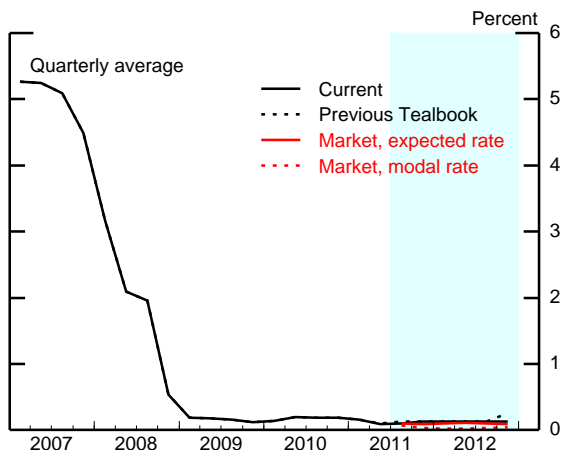
August 3, 2011

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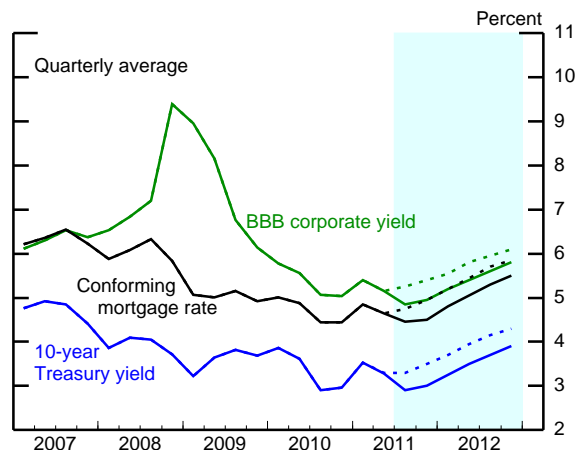
Prepared for the Federal Open Market Committee  
by the staff of the Board of Governors of the Federal Reserve System

## Key Background Factors underlying the Baseline Staff Projection

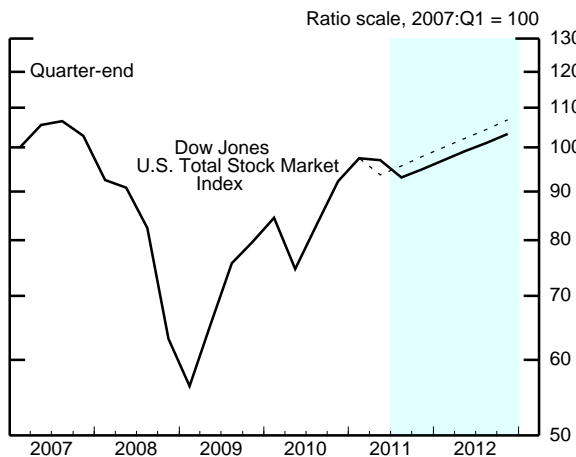
Federal Funds Rate



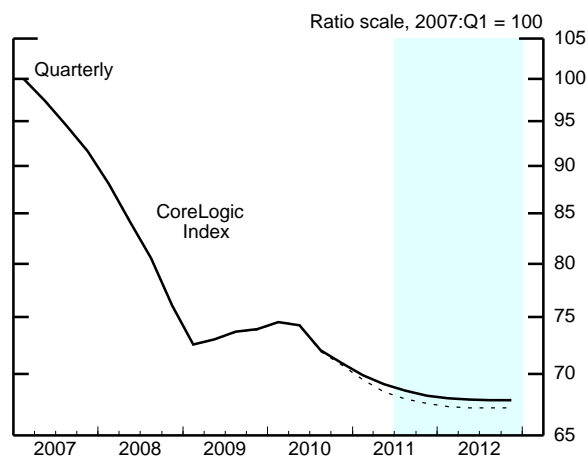
Long-Term Interest Rates



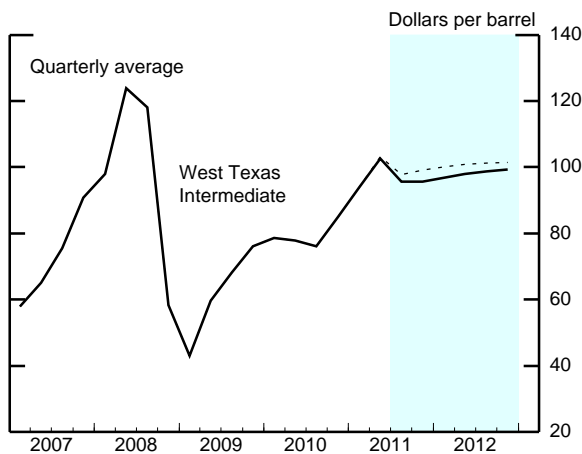
Equity Prices



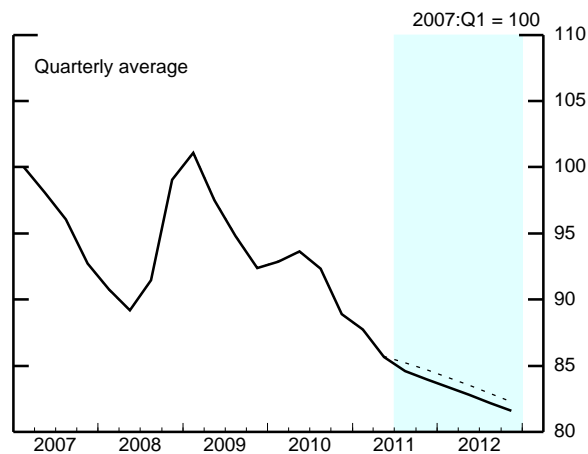
House Prices



Crude Oil Prices



Broad Real Dollar

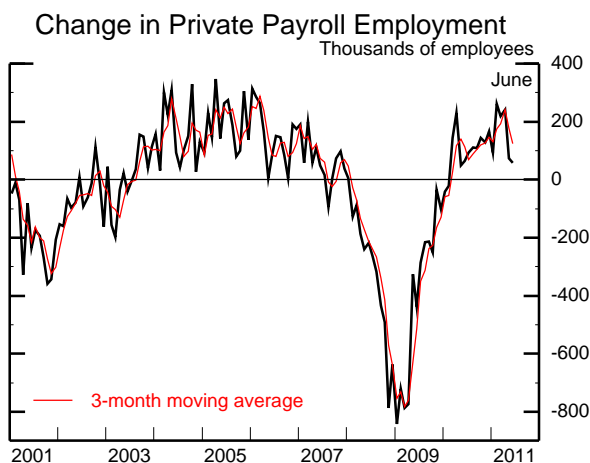


### Summary of the Near-Term Outlook

(Percent change at annual rate except as noted)

Measure	2011:Q2		2011:Q3	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
<b>Real GDP</b>	<b>1.9</b>	<b>1.4</b>	<b>3.9</b>	<b>2.9</b>
Private domestic final purchases	2.1	1.1	3.4	1.9
Personal consumption expenditures	1.5	.1	2.6	1.6
Residential investment	1.3	3.5	1.6	3.1
Nonres. structures	6.1	15.2	-.6	-2.0
Equipment and software	7.0	5.6	13.2	6.3
Federal purchases	2.1	2.2	4.7	1.9
State and local purchases	-2.3	-2.9	-1.3	-1.8
Contribution to change in real GDP (percentage points)				
Inventory investment	-.6	.1	1.2	1.4
Net exports	.9	.6	-.4	.0

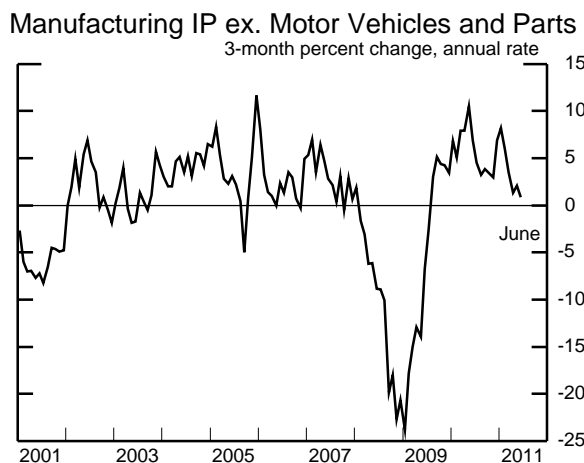
### Recent Nonfinancial Developments (1)



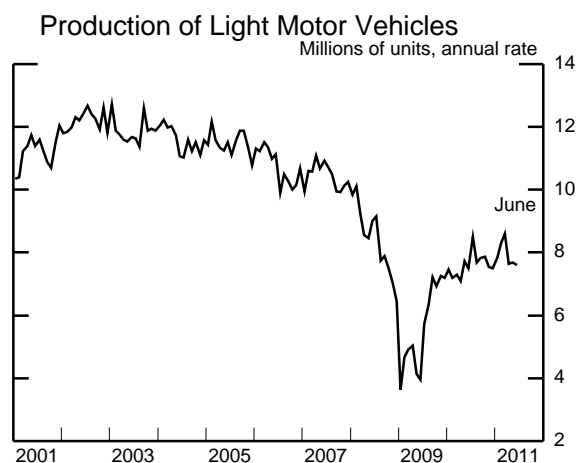
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.



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



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

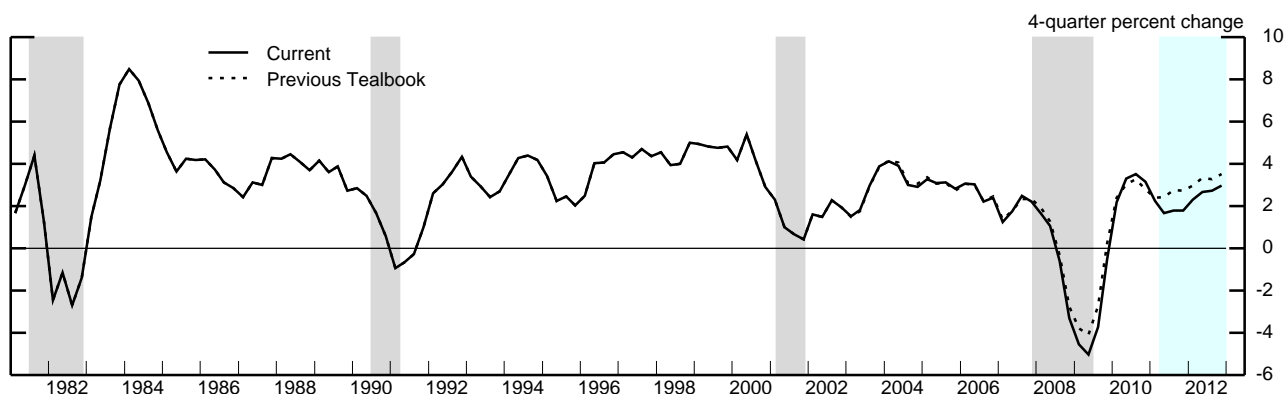


Source: Ward's Auto Infobank.

**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>3.1</b>	<b>.9</b>	<b>2.7</b>	<b>3.0</b>
Previous Tealbook	2.8	2.0	3.4	3.5
Final sales	2.4	.7	2.3	2.9
Previous Tealbook	2.4	1.7	3.1	3.2
Personal consumption expenditures	3.0	1.1	1.8	2.5
Previous Tealbook	2.6	1.9	2.5	2.8
Residential investment	-6.3	.5	1.8	6.1
Previous Tealbook	-4.6	-.8	2.2	6.0
Nonresidential structures	-1.8	-.7	-1.1	-1.3
Previous Tealbook	-4.0	-5.1	.0	-.8
Equipment and software	16.6	7.1	6.3	5.6
Previous Tealbook	16.9	8.6	11.4	8.0
Federal purchases	2.9	-3.8	1.6	-.9
Previous Tealbook	4.8	-3.0	2.1	-.8
State and local purchases	-1.7	-3.1	-1.3	-.2
Previous Tealbook	-1.3	-3.1	-.9	.1
Exports	8.8	6.9	10.0	9.0
Previous Tealbook	9.0	9.1	10.0	9.0
Imports	10.7	4.7	4.4	3.3
Previous Tealbook	11.0	4.0	5.8	4.0
Contributions to change in real GDP (percentage points)				
Inventory change	.7	.2	.4	.0
Previous Tealbook	.4	.4	.3	.3
Net exports	-.6	.1	.6	.7
Previous Tealbook	-.6	.5	.4	.6

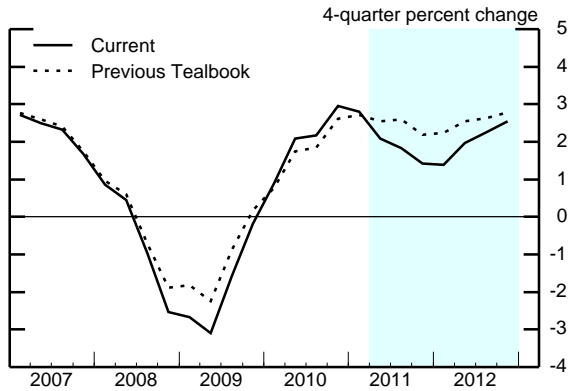
### Real GDP



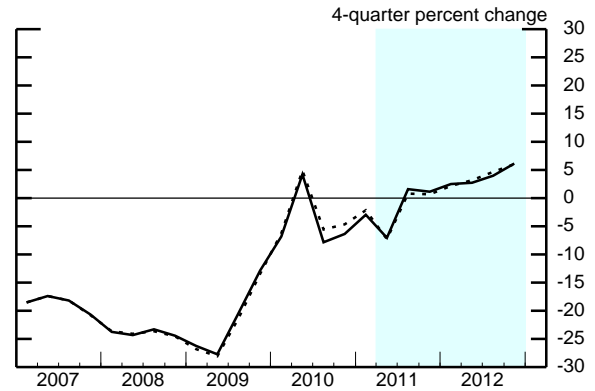
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.  
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Components of Final Demand

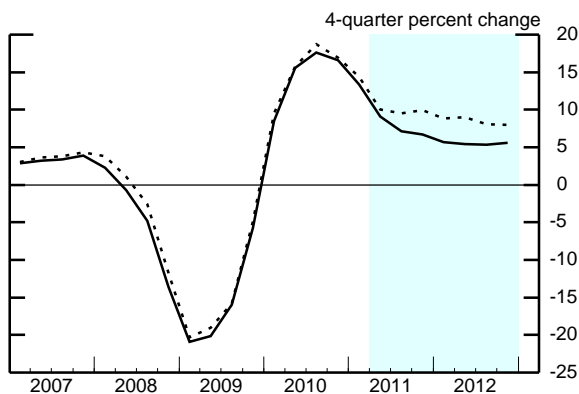
Personal Consumption Expenditures



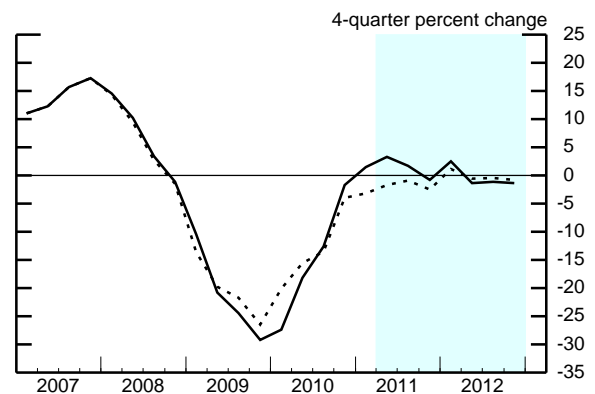
Residential Investment



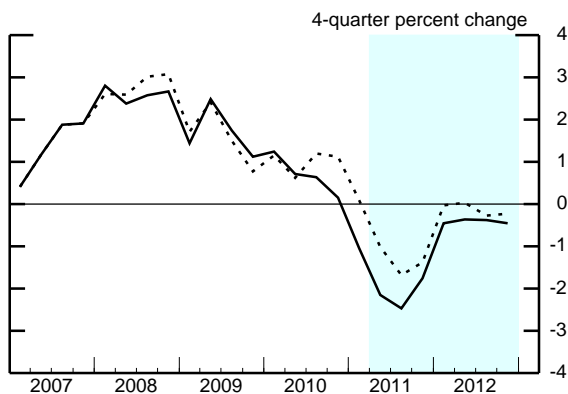
Equipment and Software



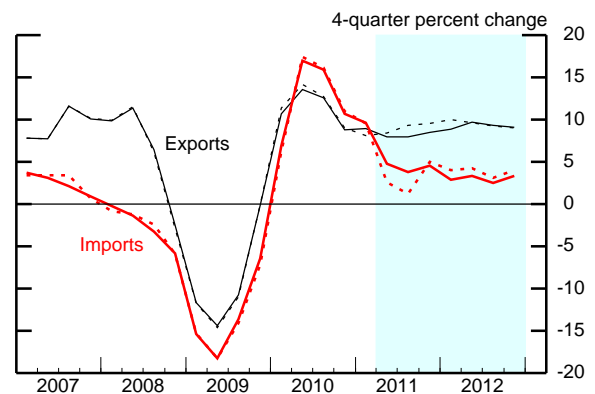
Nonresidential Structures



Government Consumption & Investment



Exports and Imports



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

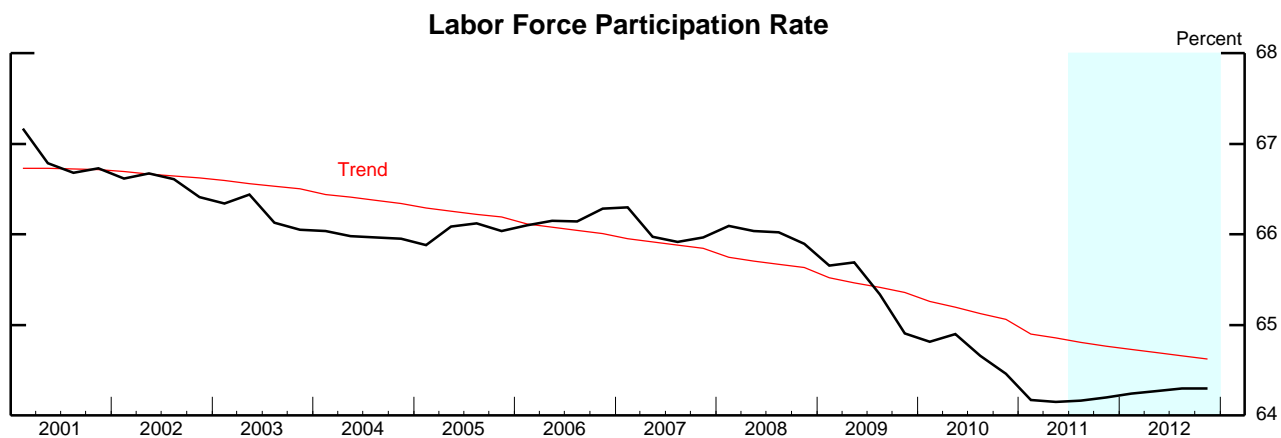
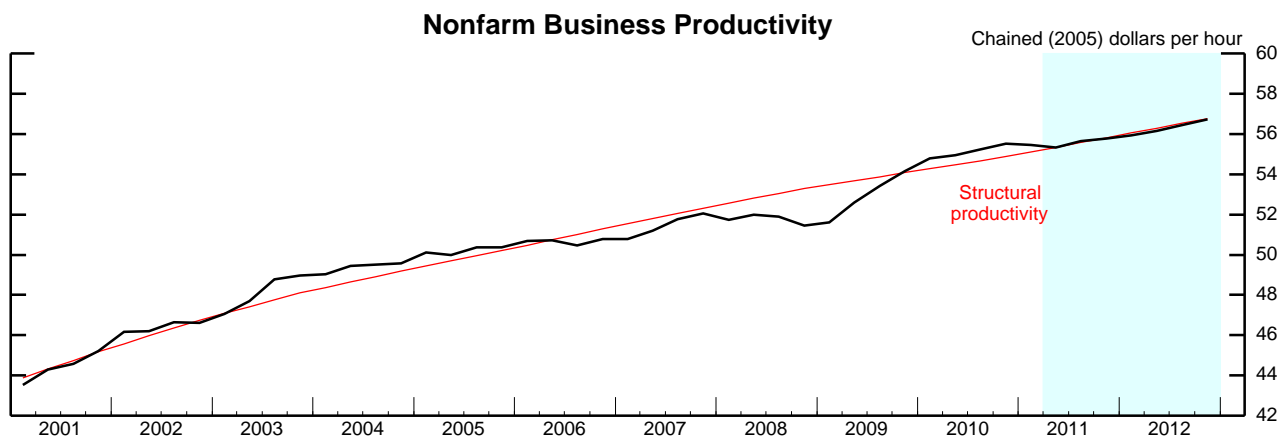
**Decomposition of Potential GDP**  
(Percent change, Q4 to Q4, except as noted)

Measure	1974-1995	1996-2000	2001-2008	2009	2010	2011	2012
Potential GDP	3.0	3.5	2.6	1.1	1.7	2.1	2.1
Previous Tealbook	3.0	3.5	2.6	1.9	1.9	2.3	2.4
<i>Selected contributions<sup>1</sup></i>							
Structural labor productivity	1.5	2.7	2.5	1.4	1.5	1.7	1.7
Previous Tealbook	1.5	2.7	2.5	2.3	2.0	2.0	2.1
Capital deepening	.7	1.5	.8	.2	.4	.6	.6
Previous Tealbook	.7	1.5	.8	.3	.4	.5	.7
Multifactor productivity	.5	.9	1.4	1.0	1.0	1.0	1.0
Previous Tealbook	.5	.9	1.5	1.9	1.4	1.3	1.3
Trend hours	1.5	1.0	.6	-.2	.5	.6	.7
Previous Tealbook	1.5	1.0	.6	-.2	.5	.6	.7
Labor force participation	.4	.0	-.2	-.4	-.4	-.3	-.2
Previous Tealbook	.4	.0	-.2	-.4	-.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.



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	5.3	2.5	.5	1.7
Previous Tealbook	6.5	2.0	1.3	1.7
Nonfarm private employment	-5.0	.9	1.6	2.1
Previous Tealbook	-5.0	.9	2.1	2.4
Labor force participation rate <sup>1</sup>	64.9	64.5	64.2	64.3
Previous Tealbook	64.9	64.5	64.3	64.4
Civilian unemployment rate <sup>1</sup>	10.0	9.6	9.2	8.5
Previous Tealbook	10.0	9.6	8.9	8.1
Memo: GDP gap <sup>2</sup>	-6.9	-5.6	-5.9	-5.2
Previous Tealbook	-6.4	-5.7	-5.2	-4.2

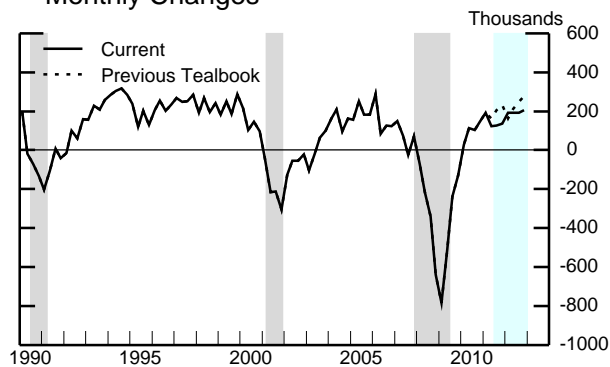
Note: A negative number indicates that the economy is operating below potential.

1. Percent, average for the fourth quarter.

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

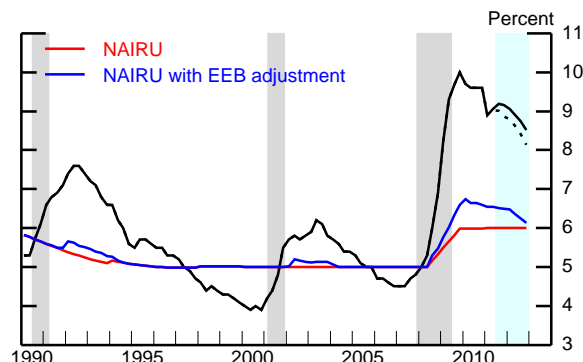
Source: U.S. Department of Labor, Bureau of Labor Statistics; staff assumptions.

Private Payroll Employment, Average  
Monthly Changes



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

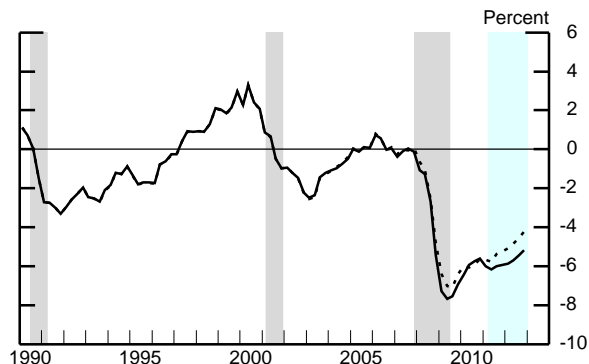
Unemployment Rate



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

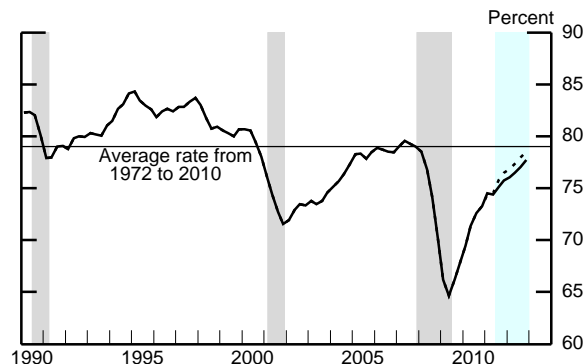


Note: The GDP gap is the percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

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."

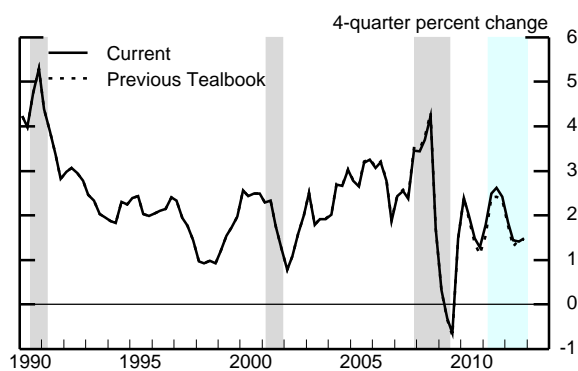


### Inflation Projections (Percent change, Q4 to Q4)

Measure	2009	2010	2011	2012
PCE chain-weighted price index	1.5	1.3	2.4	1.5
Previous Tealbook	1.5	1.1	2.3	1.5
Food and beverages	-1.7	1.3	4.3	1.4
Previous Tealbook	-1.6	1.3	4.5	1.4
Energy	2.6	6.2	9.3	1.4
Previous Tealbook	2.7	5.9	9.6	1.0
Excluding food and energy	1.7	1.0	1.8	1.5
Previous Tealbook	1.7	.8	1.7	1.5
Prices of core goods imports <sup>1</sup>	-1.7	2.6	4.9	1.5
Previous Tealbook	-1.9	2.7	5.0	1.4

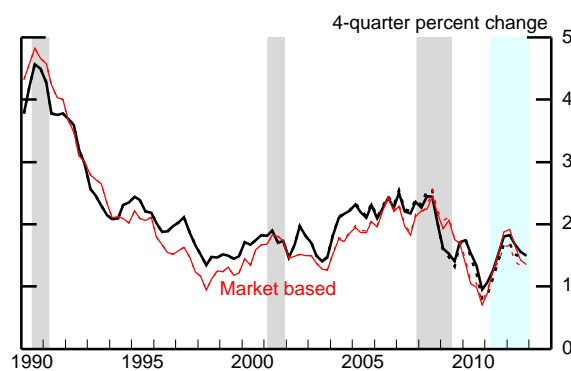
1. Core goods imports exclude computers, semiconductors, oil, and natural gas.  
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE Prices



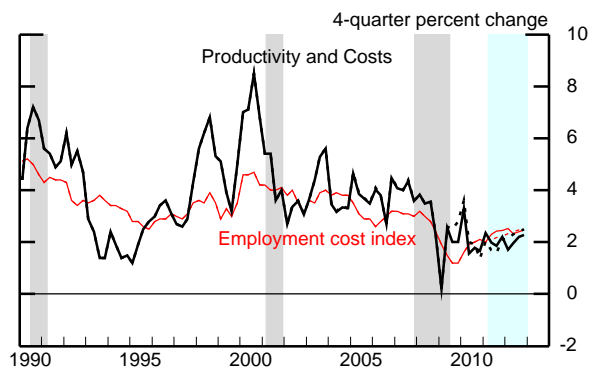
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices ex. Food and Energy



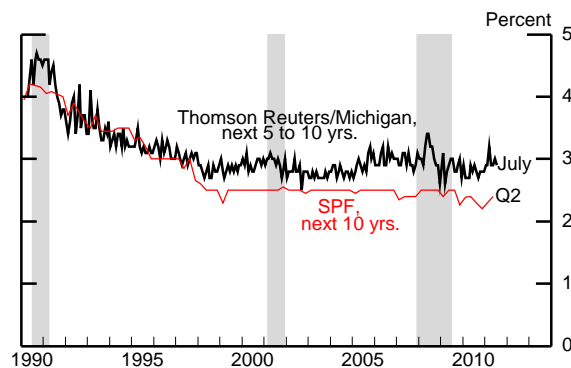
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

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.  
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.

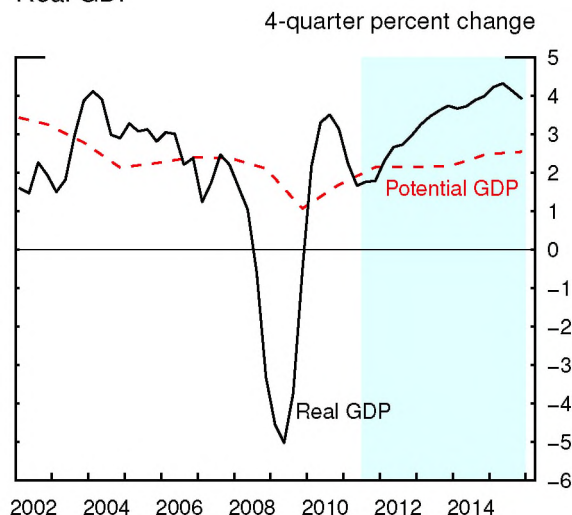
## The Long-Term Outlook

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

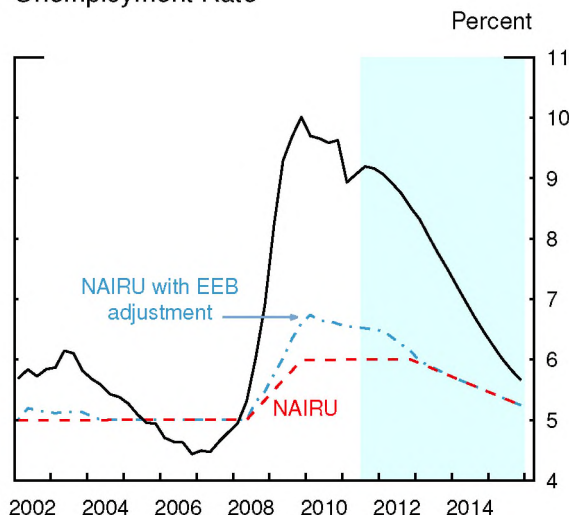
Item	2010	2011	2012	2013	2014	2015
Real GDP	3.1	1.8	3.0	3.7	4.0	3.9
Civilian unemployment rate <sup>1</sup>	9.6	9.2	8.5	7.5	6.5	5.7
PCE prices, total	1.3	2.4	1.5	1.4	1.5	1.6
Core PCE prices	1.0	1.8	1.5	1.4	1.5	1.6
Federal funds rate <sup>1</sup>	.2	.1	.1	.7	1.7	3.2
10-year Treasury yield <sup>1</sup>	3.0	3.0	3.9	4.3	4.6	4.8

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

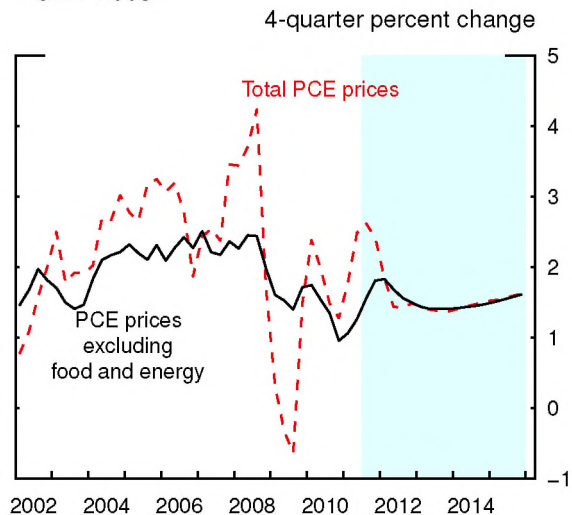
Real GDP



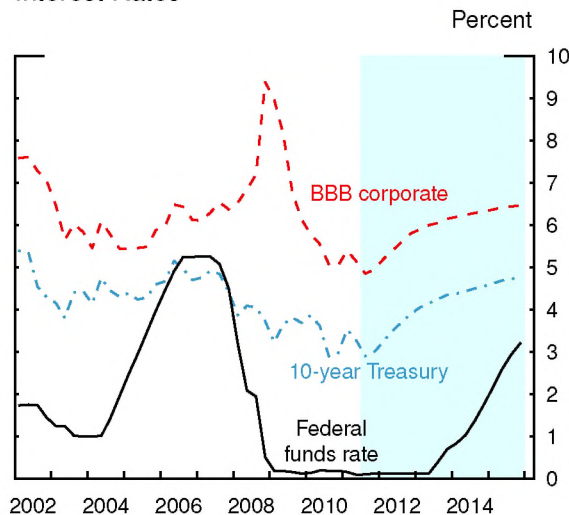
Unemployment Rate



PCE Prices



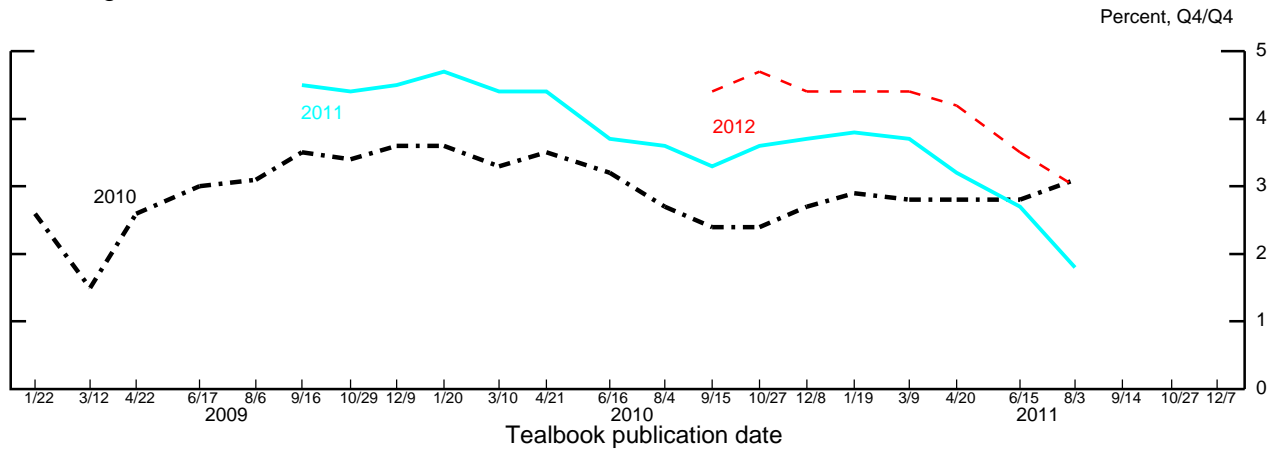
Interest Rates



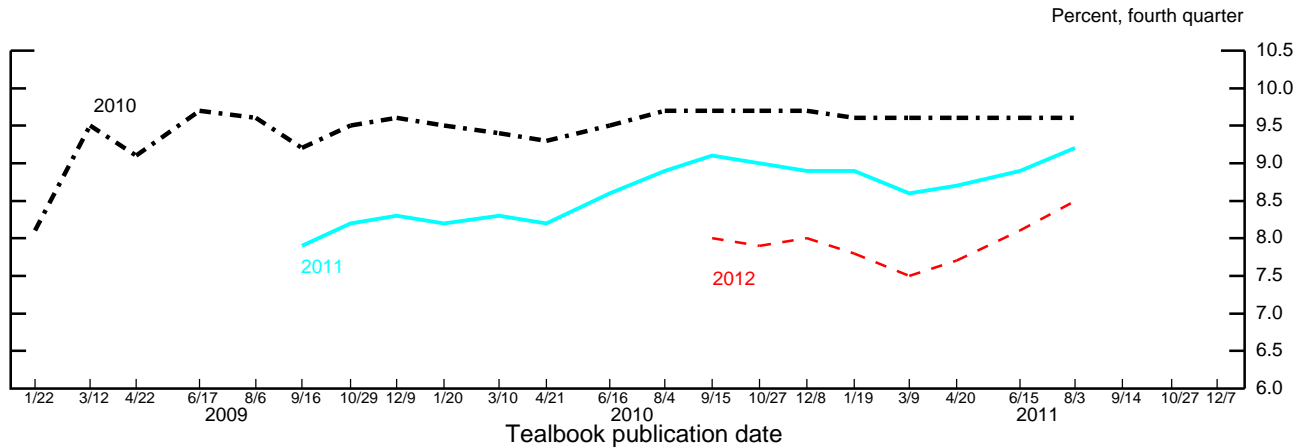
Note: In each panel, shading represents the projection period.

## Evolution of the Staff Forecast

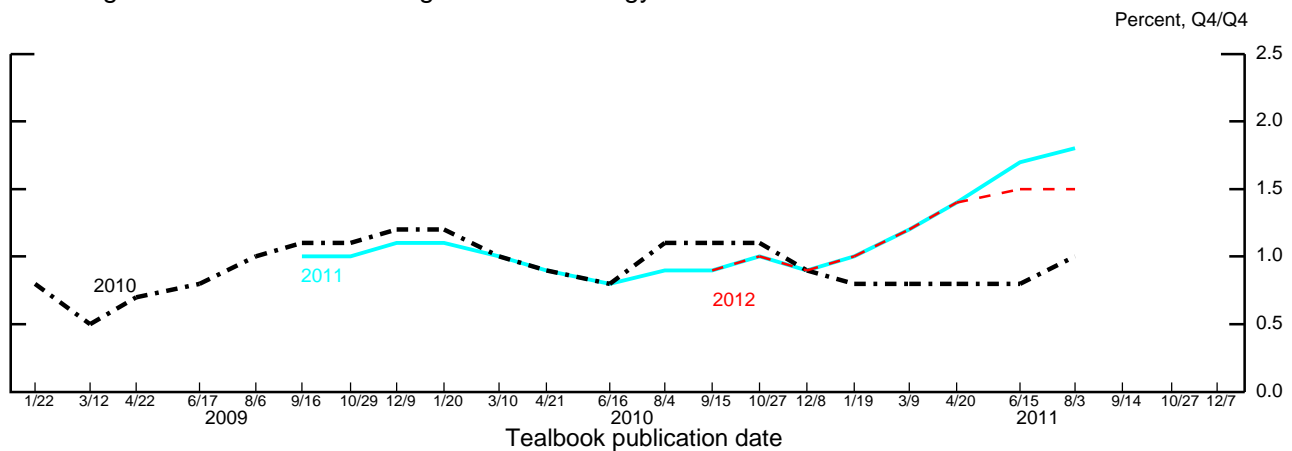
Change in Real GDP



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.

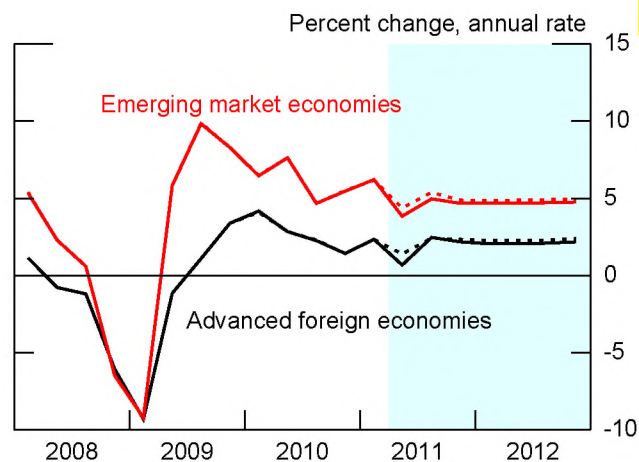
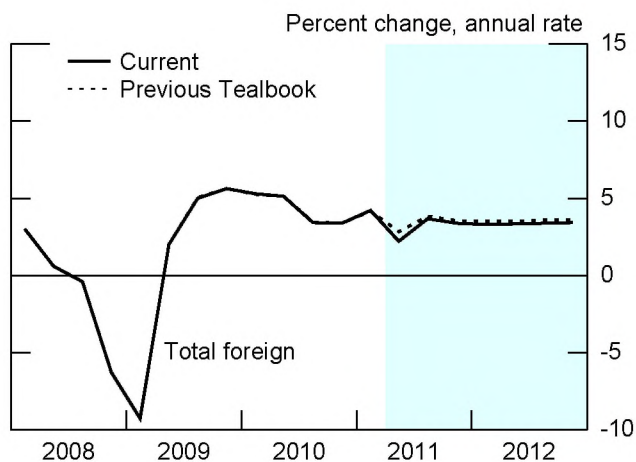
## The Foreign Outlook

(Percent change, annual rate)

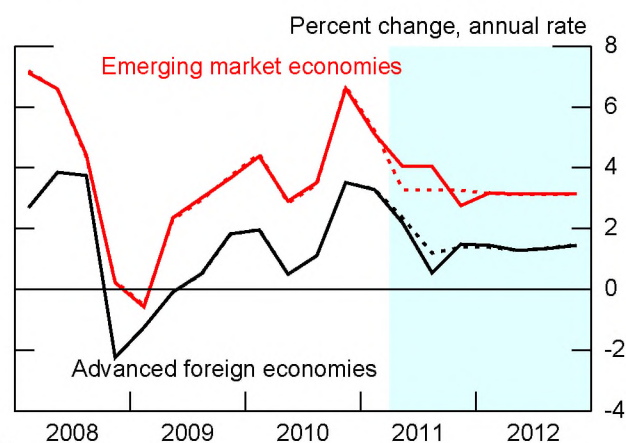
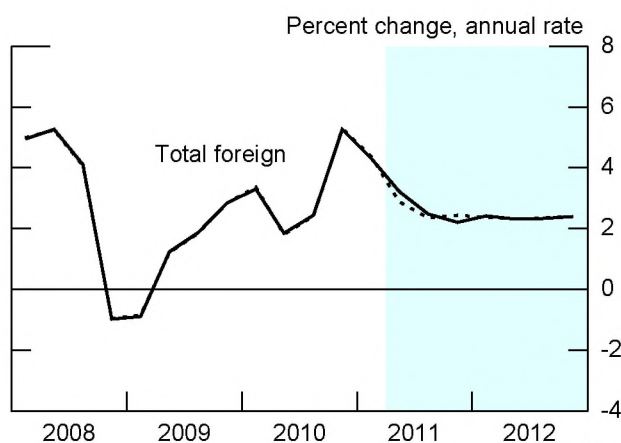
	2010			2011			2012
	H1	Q3	Q4	Q1	Q2	H2	
<b>Real GDP</b>							
Total foreign	5.2	3.4	3.4	4.2	2.2	3.5	3.4
Previous Tealbook	5.2	3.5	3.4	4.2	2.8	3.7	3.6
Advanced foreign economies	3.5	2.3	1.4	2.4	.7	2.3	2.1
Previous Tealbook	3.5	2.3	1.4	2.4	1.4	2.4	2.3
Emerging market economies	7.1	4.7	5.5	6.2	3.9	4.8	4.7
Previous Tealbook	7.1	4.7	5.5	6.2	4.4	5.2	4.9
<b>Consumer Prices</b>							
Total foreign	2.6	2.5	5.3	4.3	3.2	2.4	2.4
Previous Tealbook	2.6	2.4	5.3	4.4	2.9	2.4	2.4
Advanced foreign economies	1.2	1.1	3.5	3.3	2.2	1.0	1.4
Previous Tealbook	1.2	1.1	3.5	3.3	2.4	1.3	1.4
Emerging market economies	3.7	3.5	6.6	5.1	4.0	3.4	3.2
Previous Tealbook	3.7	3.5	6.7	5.2	3.3	3.3	3.1

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

### Real GDP

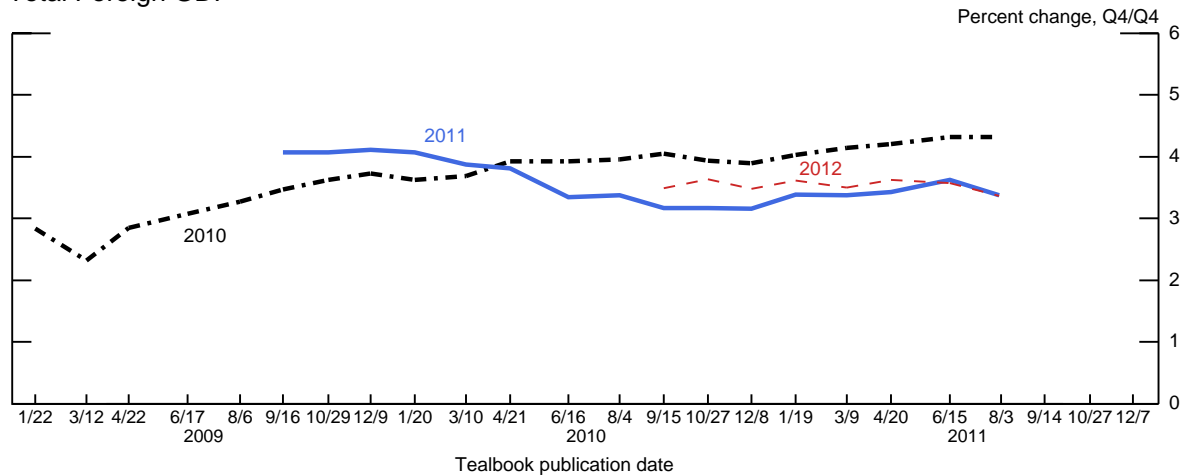


### Consumer Prices

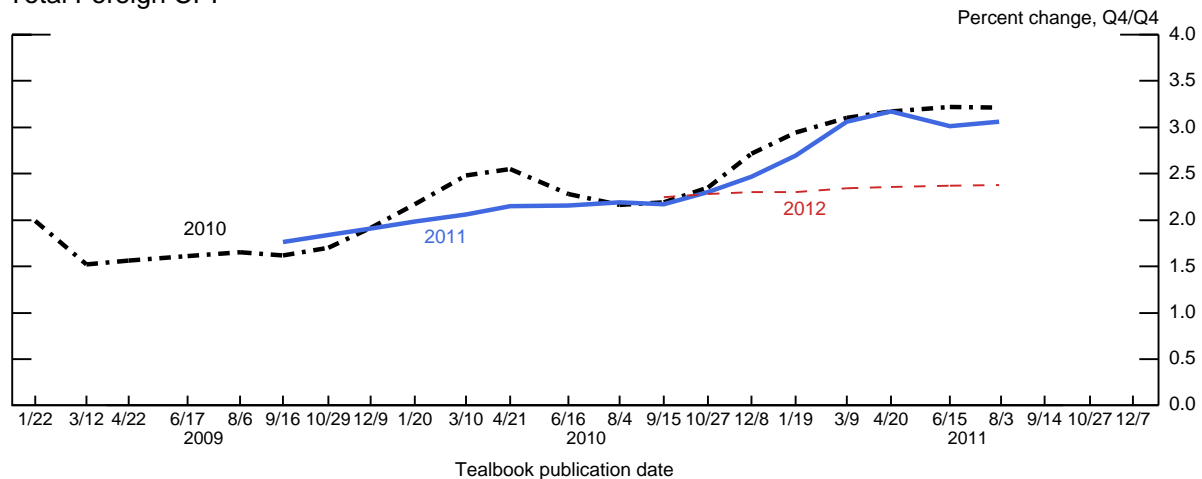


## Evolution of Staff's International Forecast

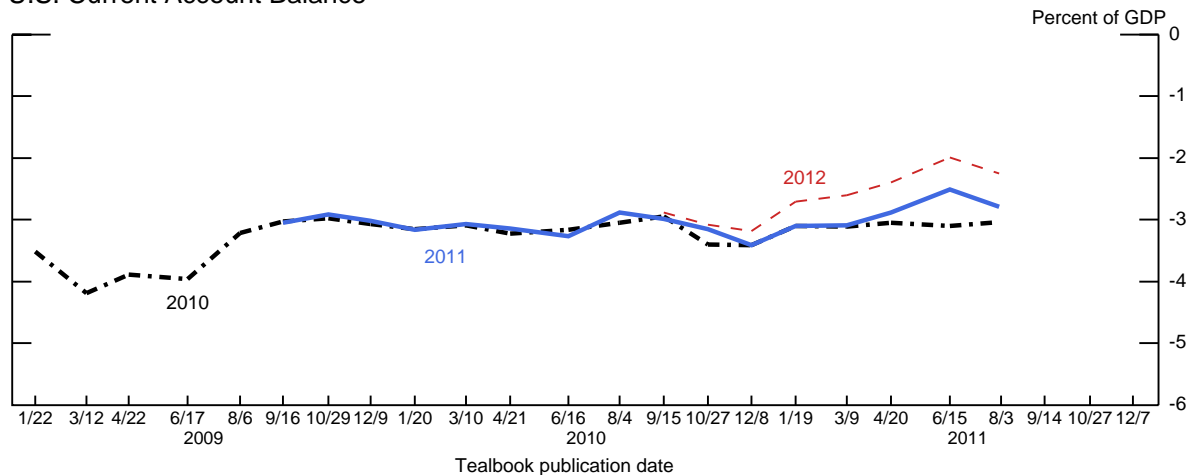
Total Foreign GDP



Total Foreign CPI

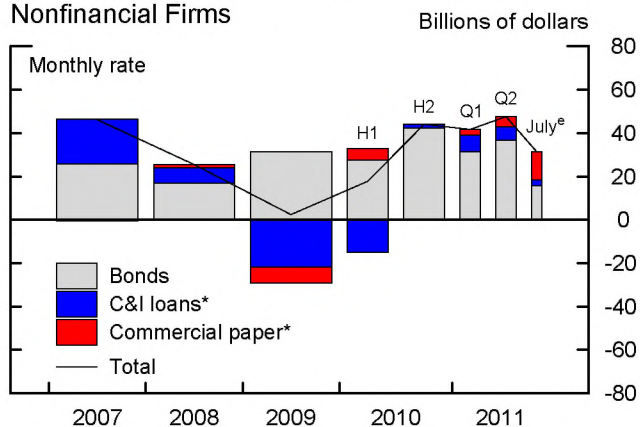


U.S. Current Account Balance



## Business Finance

Selected Components of Net Debt Financing,  
Nonfinancial Firms

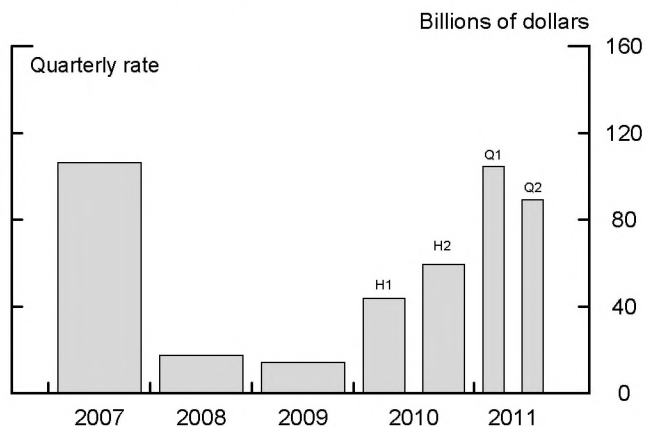


\* Period-end basis, seasonally adjusted.

<sup>e</sup> Estimate.

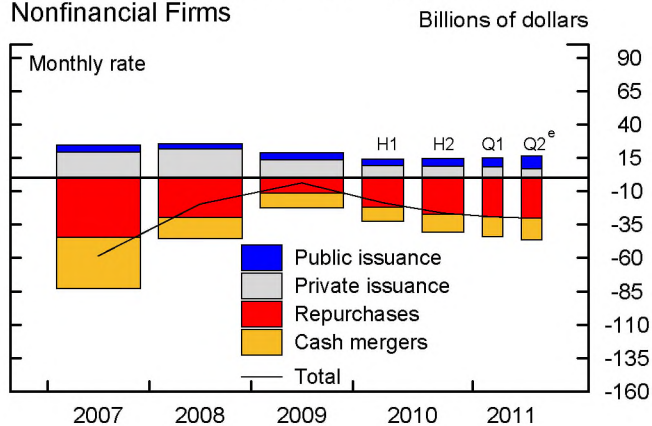
Source: Depository Trust & Clearing Corporation; Thomson Financial; Federal Reserve Board.

Institutional Leveraged Loan Issuance



Source: Reuters Loan Pricing Corporation.

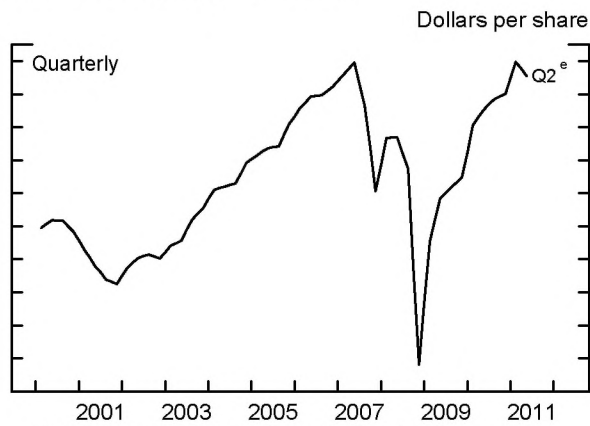
Selected Components of Net Equity Issuance,  
Nonfinancial Firms



<sup>e</sup> Estimate.

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

S&P 500 Earnings Per Share

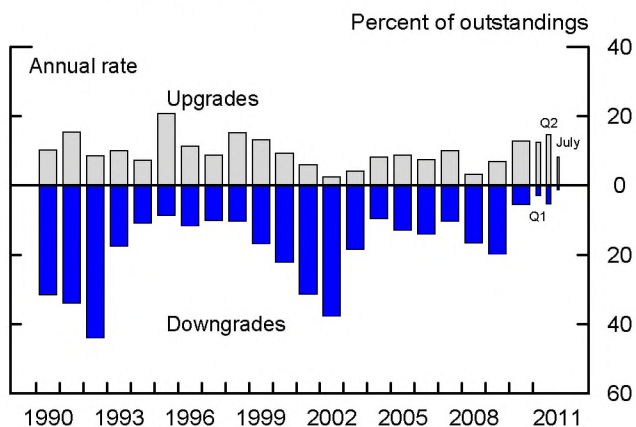


Note: Data are seasonally adjusted by Board staff.

<sup>e</sup> Estimate.

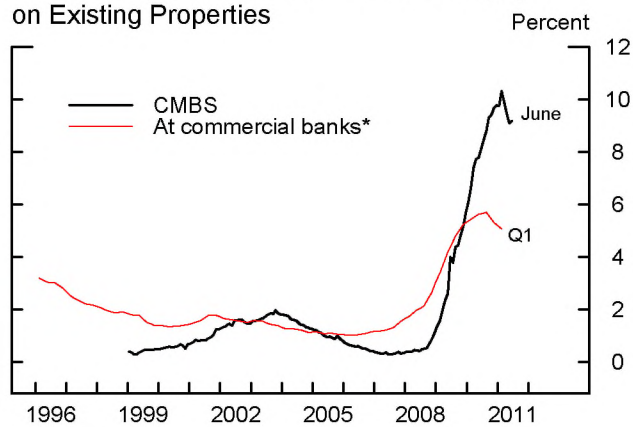
Source: Thomson Financial.

Bond Ratings Changes of Nonfinancial Firms



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

Delinquency Rates on Commercial Mortgages  
on Existing Properties



Note: CMBS are commercial mortgage-backed securities. All series are seasonally adjusted.

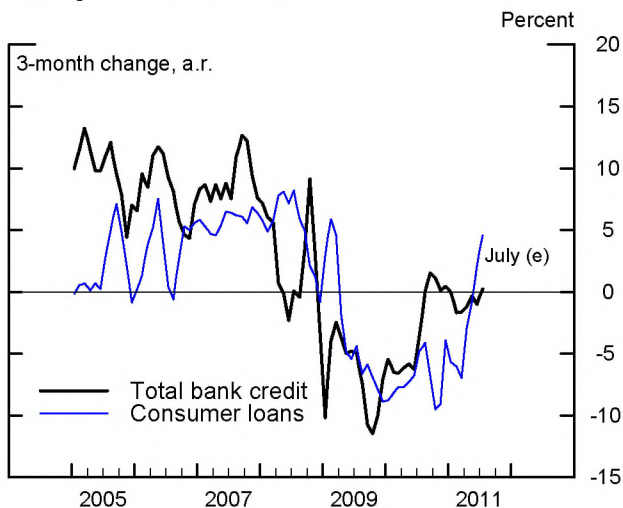
\* Excluding farmland.

Source: Citigroup; Call Report.



## Commercial Banking and Money

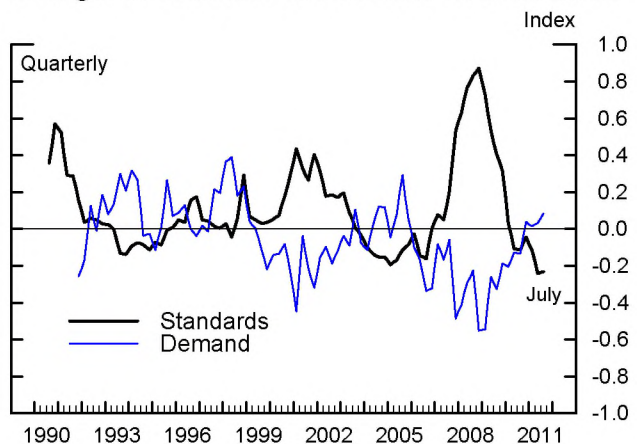
### Changes in Bank Credit



e Estimate.

Source: Federal Reserve Board, Statistical Release H.8, "Assets and Liabilities of Commercial Banks in the United States."

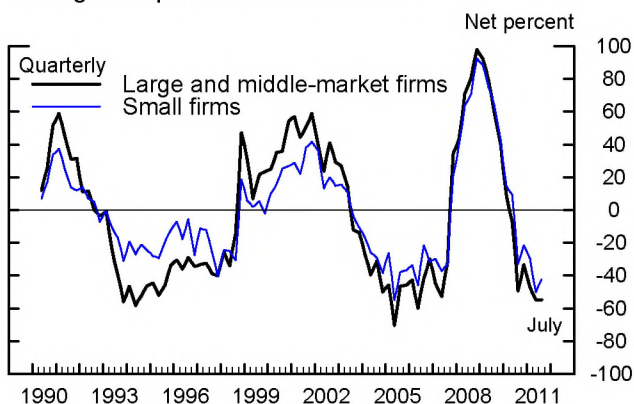
### Changes in Standards and Demand for Bank Loans



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.

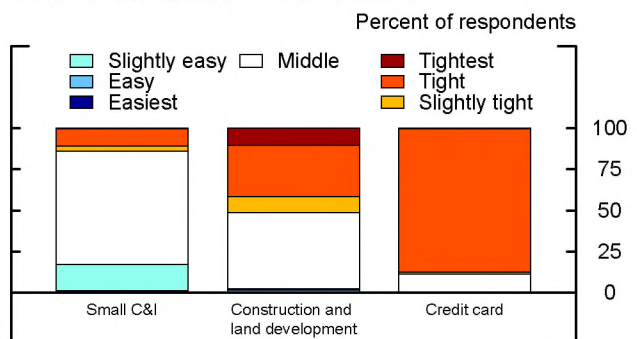
### Change in Spreads on C&I Loans



Note: Net percent of respondents that widened spreads over the past 3 months.

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

### Level of Standards on Bank Loans



Note: Banks were asked to describe their current level of standards in relation to the range of standards at their bank between 2005 and the present. Responses weighted by survey respondents' holdings of relevant loan types, as reported on the March 31, 2011, Call Report.

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

### Growth of M2 and Its Components

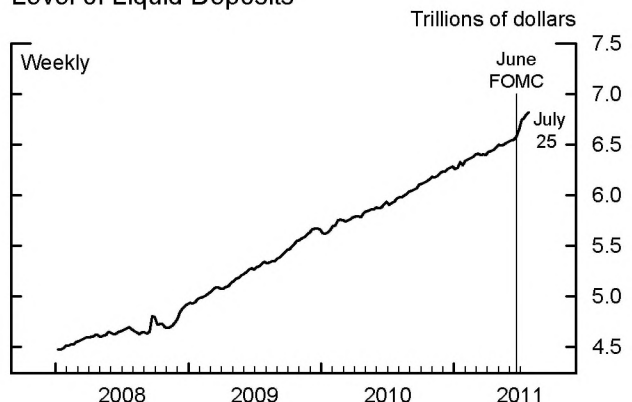
Percent, s.a.a.r.	M2	Liquid deposits	Small time deposits	Retail MMMFs	Curr.
2010	3.2	10.9	-21.5	-15.6	5.9
2011:Q1	5.0	10.3	-21.9	-9.0	7.7
2011:Q2	6.4	10.0	-16.9	-4.6	12.3
June	12.2	17.5	-21.0	9.1	7.8
July(e)	23.5	33.9	-22.0	2.9	6.6

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, Statistical Release H.6, "Money Stock Measures."

**Federal Reserve Balance Sheet**  
Billions of dollars

	Change since last FOMC	Current (08/01/11)
<b>Total assets</b>	<b>15</b>	<b>2,870</b>
Selected assets:		
Liquidity programs for financial firms	+0	+0
Primary, secondary, and seasonal credit	+0	+0
Foreign central bank liquidity swaps	0	0
Term Asset-Backed Securities Loan Facility (TALF)	-1	12
Net portfolio holdings of Maiden Lane LLCs	-8	53
Maiden Lane	-3	21
Maiden Lane II	-2	10
Maiden Lane III	-3	21
Securities held outright*	21	2,651
U.S. Treasury securities	44	1,641
Agency debt securities	-6	112
Agency mortgage-backed securities	-17	897
<b>Total liabilities</b>	<b>17</b>	<b>2,819</b>
Selected liabilities:		
Federal Reserve notes in circulation	9	990
Reverse repurchase agreements	8	70
Foreign official and international accounts	8	70
Others	0	0
Reserve balances of depository institutions**	23	1,612
Term deposits held by depository institutions	+0	5
U.S. Treasury, General Account	68	67
U.S. Treasury, Supplementary Financing Account	-5	0
Other deposits	54	55
<b>Total capital</b>	<b>1</b>	<b>62</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	2014-15
	H1	H2			
<i>Real GDP</i>					
Extended Tealbook baseline	.9	2.7	3.0	3.7	4.0
More-persistent spending weakness with supply-side corrosion	.9	2.5	2.5	2.6	3.4
Greater supply-side damage	.9	2.3	2.2	2.3	3.1
Faster snapback	.9	2.4	2.4	2.8	3.1
Faster snapback	.9	3.3	3.8	4.2	3.3
Very severe financial stress in Europe	.9	1.4	.0	2.9	4.6
<i>Unemployment rate<sup>1</sup></i>					
Extended Tealbook baseline	9.1	9.2	8.5	7.5	5.7
More-persistent spending weakness with supply-side corrosion	9.1	9.2	8.7	8.2	7.1
Greater supply-side damage	9.1	9.3	8.8	8.5	8.0
Faster snapback	9.1	9.1	8.3	7.5	6.5
Faster snapback	9.1	9.1	8.0	6.6	5.2
Very severe financial stress in Europe	9.1	9.4	9.8	9.3	7.0
<i>Total PCE prices</i>					
Extended Tealbook baseline	3.5	1.3	1.5	1.4	1.6
More-persistent spending weakness with supply-side corrosion	3.5	1.3	1.5	1.3	1.3
Greater supply-side damage	3.5	1.3	1.5	1.4	1.5
Faster snapback	3.5	1.4	1.7	1.7	1.9
Faster snapback	3.5	1.3	1.5	1.5	2.0
Very severe financial stress in Europe	3.5	-.3	-.2	.8	1.6
<i>Core PCE prices</i>					
Extended Tealbook baseline	1.8	1.8	1.5	1.4	1.5
More-persistent spending weakness with supply-side corrosion	1.8	1.8	1.5	1.3	1.2
Greater supply-side damage	1.8	1.8	1.5	1.4	1.4
Faster snapback	1.8	1.9	1.7	1.7	1.8
Faster snapback	1.8	1.8	1.5	1.5	1.9
Very severe financial stress in Europe	1.8	1.2	.3	.8	1.4
<i>Federal funds rate<sup>1</sup></i>					
Extended Tealbook baseline	.1	.1	.1	.7	3.2
More-persistent spending weakness with supply-side corrosion	.1	.1	.1	.1	.7
Greater supply-side damage	.1	.1	.1	.1	1.0
Faster snapback	.1	.1	.2	1.7	3.6
Faster snapback	.1	.1	.2	1.7	3.6
Faster snapback	.1	.4	1.1	2.1	3.5
Very severe financial stress in Europe	.1	.1	.1	.1	2.2

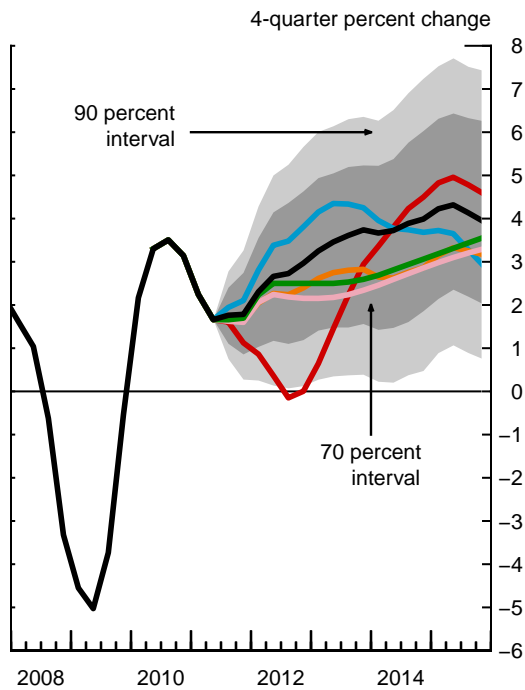
1. Percent, average for the final quarter of the period.

## Forecast Confidence Intervals and Alternative Scenarios

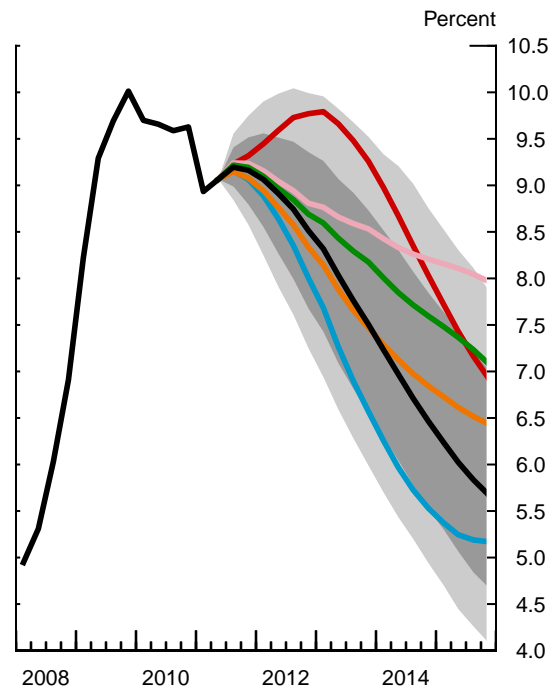
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- More-persistent spending weakness
- with supply-side corrosion
- Greater supply-side damage
- Faster snapback
- Very severe financial stress in Europe

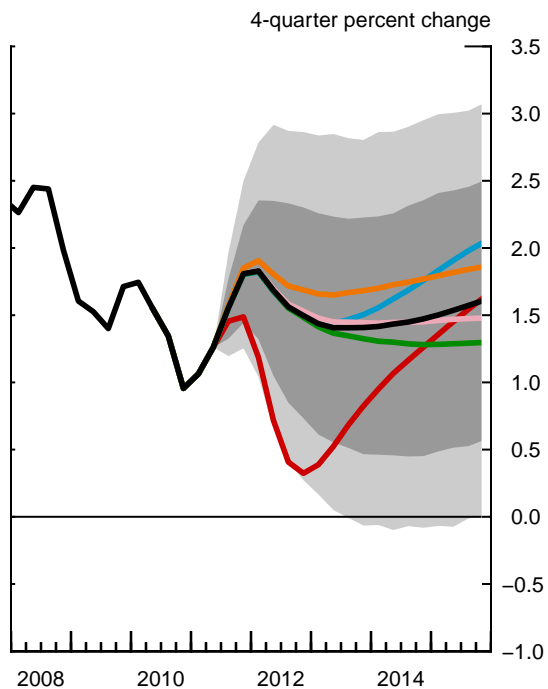
Real GDP



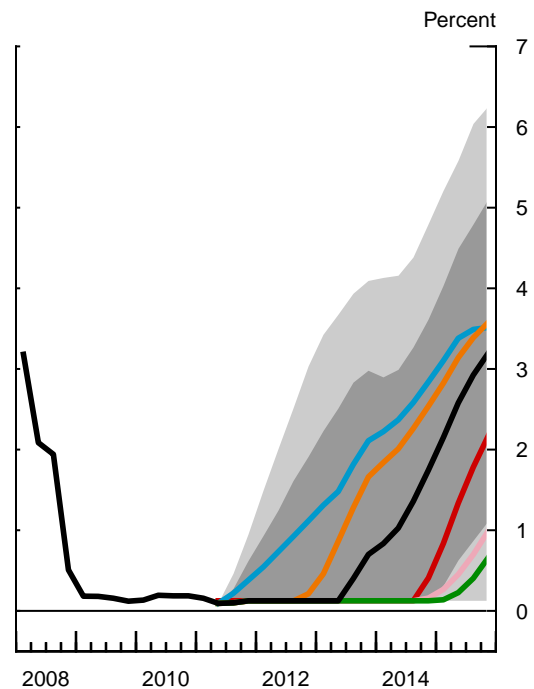
Unemployment Rate



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	1.8	3.0	3.7	4.0	3.9
Confidence interval					
Tealbook forecast errors	.9–2.6	1.1–4.8	2.0–5.5	...	...
FRB/US stochastic simulations	.9–2.7	1.2–4.6	1.6–5.2	1.9–6.0	2.0–6.3
<i>Civilian unemployment rate</i> (percent, Q4)					
Projection	9.2	8.5	7.5	6.5	5.7
Confidence interval					
Tealbook forecast errors	8.8–9.5	7.7–9.3	6.1–8.9	...	...
FRB/US stochastic simulations	8.8–9.5	7.7–9.4	6.6–8.7	5.5–7.8	4.7–7.0
<i>PCE prices, total</i> (percent change, Q4 to Q4)					
Projection	2.4	1.5	1.4	1.5	1.6
Confidence interval					
Tealbook forecast errors	1.9–2.9	.4–2.6	.2–2.6	...	...
FRB/US stochastic simulations	1.8–3.1	.4–2.7	.1–2.5	.1–2.8	.2–2.8
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)					
Projection	1.8	1.5	1.4	1.5	1.6
Confidence interval					
Tealbook forecast errors	1.5–2.1	.8–2.2	.3–2.5	...	...
FRB/US stochastic simulations	1.4–2.2	.7–2.3	.5–2.2	.5–2.4	.6–2.5
<i>Federal funds rate</i> (percent, Q4)					
Projection	.1	.1	.7	1.7	3.2
Confidence interval					
FRB/US stochastic simulations	.1–.6	.1–1.9	.1–3.0	.2–3.6	1.1–5.1

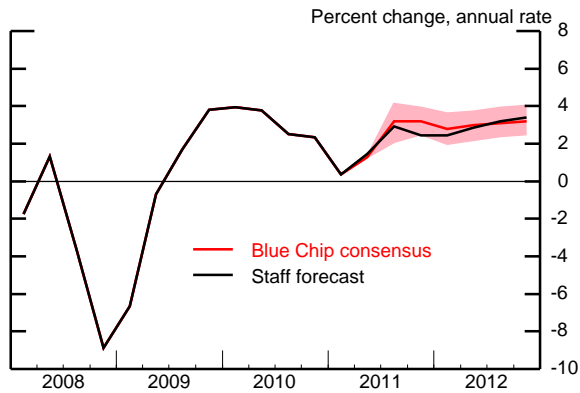
Note: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969–2009 set of model equation residuals.

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.

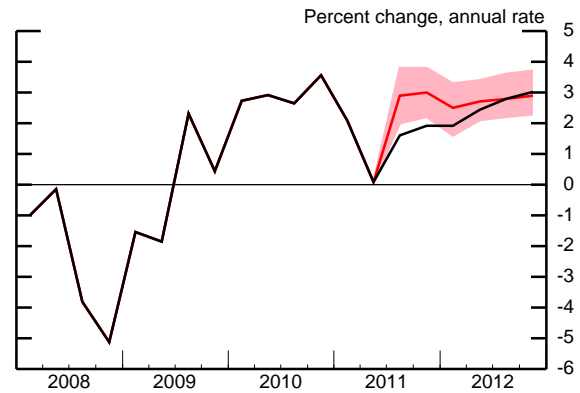
# **Tealbook Forecast Compared with Blue Chip** (Blue Chip survey released July 10, 2011)

Real GDP

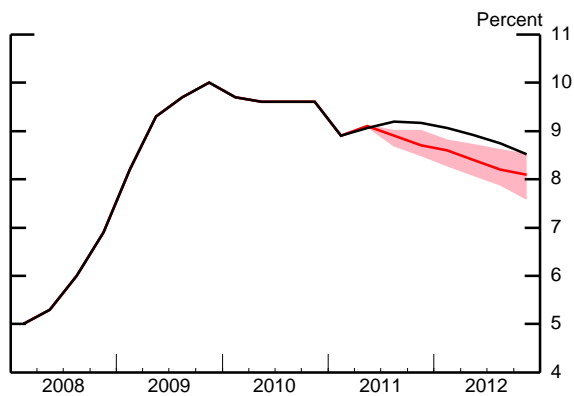


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

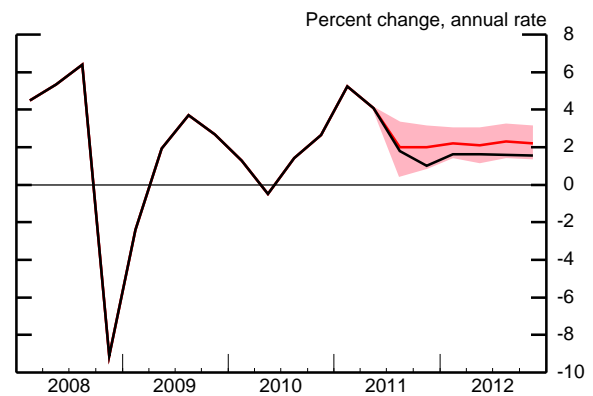
Real PCE



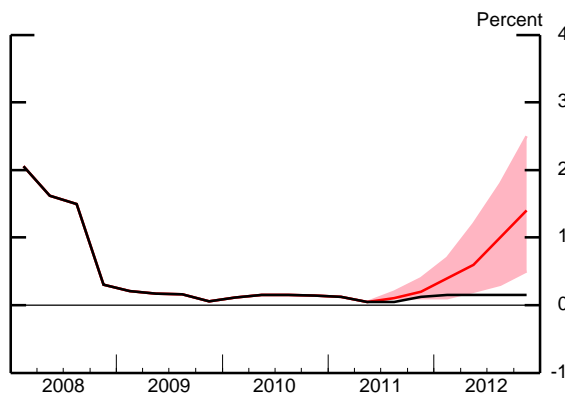
Unemployment Rate



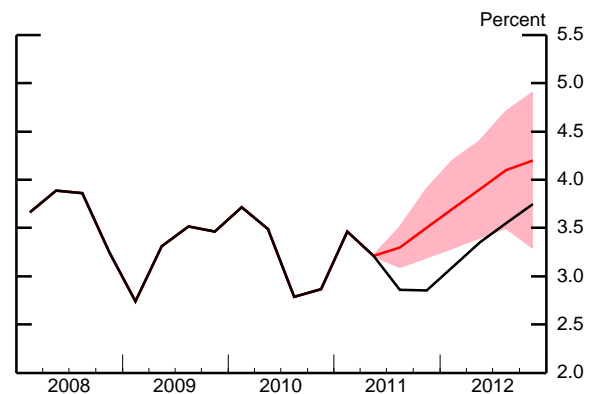
Consumer Price Index



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>	
	06/15/11	08/03/11	06/15/11	08/03/11	06/15/11	08/03/11	06/15/11	08/03/11	06/15/11	08/03/11
<i>Quarterly</i>										
2010:Q1	4.8	5.5	3.7	3.9	2.1	1.9	1.2	1.1	9.7	9.7
2010:Q2	3.7	5.4	1.7	3.8	.0	.3	1.0	1.3	9.6	9.6
2010:Q3	4.6	3.9	2.6	2.5	.8	1.0	.5	.8	9.6	9.6
2010:Q4	3.5	4.2	3.1	2.3	1.7	1.9	.4	.7	9.6	9.6
2011:Q1	4.1	3.1	2.1	.4	3.8	3.9	1.4	1.6	8.9	8.9
2011:Q2	5.8	3.9	1.9	1.4	3.4	3.1	2.2	2.1	9.0	9.1
2011:Q3	5.6	5.1	3.9	2.9	.8	1.5	1.7	1.9	9.0	9.2
2011:Q4	4.3	3.6	2.9	2.4	1.4	1.1	1.4	1.7	8.9	9.2
2012:Q1	4.7	3.2	3.1	2.4	1.4	1.6	1.5	1.6	8.8	9.1
2012:Q2	4.8	5.9	3.3	2.9	1.5	1.5	1.5	1.5	8.6	8.9
2012:Q3	5.2	4.6	3.7	3.2	1.5	1.4	1.5	1.4	8.4	8.7
2012:Q4	5.4	4.6	3.9	3.4	1.5	1.4	1.5	1.4	8.1	8.5
<i>Two-quarter<sup>2</sup></i>										
2010:Q2	4.3	5.5	2.7	3.9	1.0	1.1	1.1	1.2	-4	-4
2010:Q4	4.1	4.0	2.8	2.4	1.2	1.5	.5	.7	.0	.0
2011:Q2	4.9	3.5	2.0	.9	3.6	3.5	1.8	1.8	-6	-5
2011:Q4	4.9	4.4	3.4	2.7	1.1	1.3	1.5	1.8	-1	.1
2012:Q2	4.8	4.5	3.2	2.6	1.5	1.5	1.5	1.6	-3	-3
2012:Q4	5.3	4.6	3.8	3.3	1.5	1.4	1.5	1.4	-5	-4
<i>Four-quarter<sup>3</sup></i>										
2009:Q4	.6	.0	.2	-5	1.5	1.5	1.7	1.7	3.1	3.1
2010:Q4	4.2	4.7	2.8	3.1	1.1	1.3	.8	1.0	-4	-4
2011:Q4	4.9	3.9	2.7	1.8	2.3	2.4	1.7	1.8	-7	-4
2012:Q4	5.1	4.5	3.5	3.0	1.5	1.5	1.5	1.5	-8	-7
<i>Annual</i>										
2009	-1.7	-2.5	-2.6	-3.5	.2	.2	1.5	1.6	9.3	9.3
2010	3.8	4.2	2.9	3.0	1.7	1.8	1.3	1.4	9.6	9.6
2011	4.5	4.0	2.6	1.9	2.2	2.3	1.3	1.4	9.0	9.1
2012	5.0	4.3	3.3	2.7	1.5	1.5	1.5	1.6	8.5	8.8

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>	3.9 3.7	3.8 1.7	2.5 2.6	2.3 3.1	.4 2.1	1.4 1.9	2.9 3.9	2.4 2.9	2.4 2.9	2.4 3.1	2.9 3.3	3.2 3.7	3.4 3.9	3.1 2.8	1.8 2.7	3.0 3.5
Final sales <i>Previous Tealbook</i>	.8 1.1	3.0 .9	1.7 .9	4.2 6.7	.0 .8	1.3 2.5	1.5 2.6	3.1 3.5	3.1 3.5	2.6 3.2	2.8 3.2	3.0 3.1	3.3 3.4	2.4 2.4	1.5 2.4	2.9 3.2
Priv. dom. final purch. <i>Previous Tealbook</i>	2.5 2.1	5.1 4.4	2.6 2.3	4.1 4.4	2.0 2.2	1.1 2.1	1.9 3.4	2.2 3.0	2.2 3.0	2.0 2.6	2.6 3.1	3.1 3.5	3.4 3.7	3.6 3.3	1.8 2.7	2.8 3.2
Personal cons. expend. <i>Previous Tealbook</i>	2.7 1.9	2.9 2.2	2.6 2.4	3.6 4.0	2.1 2.3	.1 1.5	1.6 2.6	1.9 2.4	1.9 2.4	1.9 2.5	2.4 2.7	2.8 2.9	3.0 3.1	3.0 2.6	1.4 2.2	2.5 2.8
Durables	9.9	7.8	8.8	17.2	11.7	-4.4	5.0	7.2	5.7	8.3	9.6	9.5	9.5	10.9	4.7	8.3
Nondurables	4.8	1.9	3.0	4.3	1.6	.1	.2	.9	.9	1.1	1.3	1.5	1.5	3.5	.7	1.2
Services	1.0	2.5	1.6	1.3	.8	.8	1.5	1.4	1.7	1.9	2.2	2.5	2.5	1.6	1.1	2.1
Residential investment <i>Previous Tealbook</i>	-15.3 -12.3	22.8 25.7	-27.7 -27.3	2.5 3.3	-2.4 -2.9	3.5 1.3	3.1 1.6	.5 2.7	3.1 2.7	4.2 5.5	8.4 7.3	8.8 8.3	8.8 8.3	-6.3 -4.6	1.1 .7	6.1 6.0
Business fixed invest. <i>Previous Tealbook</i>	6.0 7.8	18.6 17.2	11.3 10.0	8.7 7.7	2.1 2.9	8.1 6.8	4.0 9.5	4.5 7.2	4.5 7.2	2.6 3.7	3.0 5.6	4.3 6.9	5.0 6.8	11.1 10.6	4.7 6.6	3.7 5.7
Equipment & software	21.7	23.2	14.1	8.1	8.7	5.6	6.3	6.3	4.4	4.6	6.2	7.1	7.1	16.6	6.7	5.6
<i>Previous Tealbook</i>	20.4	24.8	15.4	7.7	10.1	7.0	13.2	9.5	5.6	7.8	9.3	9.2	9.2	16.9	10.0	8.0
Nonres. structures	-24.7	7.5	4.2	10.5	-14.3	15.2	-2.0	-2	-2.2	-1.2	-1.0	-1.0	-1.0	-1.8	-.9	-1.3
<i>Previous Tealbook</i>	-17.8	-.5	-3.5	7.6	-15.2	6.1	-.6	.7	-.7	-1.8	-.7	-.3	-.3	-4.0	-2.6	-.8
Net exports <sup>2</sup>	-377	-437	-459	-414	-424	-406	-405	-366	-366	-332	-307	-290	-271	-422	-400	-300
<i>Previous Tealbook</i> <sup>2</sup>	-338	-449	-505	-398	-393	-364	-374	-338	-338	-305	-283	-273	-258	-422	-367	-279
Exports	7.2	10.0	10.0	7.8	7.9	6.0	10.2	9.8	9.8	9.6	9.1	8.8	8.7	8.8	8.4	9.0
Imports	12.5	21.6	12.3	-2.3	8.3	1.3	8.1	.7	.7	1.5	3.2	4.4	4.1	10.7	4.6	3.3
Gov't. cons. & invest. <i>Previous Tealbook</i>	-1.2 -1.6	3.7 3.9	1.0 3.9	-2.8 -1.7	-5.9 -5.6	-8 -5	-3 1.1	.1 -.4	.1 -.4	-.7 -.3	-.5 -.3	-.4 -.2	-.2 -.2	.1 1.1	-1.8 -1.4	-.5 -.2
Federal	2.8	8.8	3.2	-3.0	-9.4	2.2	1.9	1.4	1.4	-1.1	-8	-9	-8	2.9	-1.1	-.9
Defense	.5	6.0	5.7	-5.9	-12.6	7.3	5.7	-1	-1	-.7	-.1	-1	.0	1.5	-.2	-.1
Nondefense	7.8	14.7	-1.8	3.1	-2.7	-7.3	-5.6	4.4	4.4	-1.9	-2.6	-2.6	-2.6	5.7	-2.9	-2.4
State & local	-3.9	.4	-.5	-2.7	-3.4	-2.9	-1.8	-.8	-.8	-.5	-.3	-.1	.2	-1.7	-2.2	-.2
Change in bus. inventories <sup>2</sup>	40	65	92	38	49	53	99	80	80	74	78	83	85	59	70	80
<i>Previous Tealbook</i> <sup>2</sup>	44	69	121	16	57	38	76	58	58	57	60	78	93	63	57	72
Nonfarm <sup>2</sup>	35	64	99	45	60	63	102	83	83	74	77	82	84	61	77	79
Farm <sup>2</sup>	5	1	-6	-5	-8	-9	-2	-2	-2	1	1	1	1	-1	-5	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	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Real GDP</b> <i>Previous Tealbook</i>	2.9 3.1	2.8 2.7	2.4 2.4	2.2 2.3	-3.3 -2.8	-5 .2	3.1 2.8	1.8 2.7	3.0 3.5
<b>Final sales</b> <i>Previous Tealbook</i>	2.6 2.8	2.7 2.7	2.8 2.8	2.4 2.5	-2.6 -1.9	-8 -3	2.4 2.4	1.5 2.4	2.9 3.2
Priv. dom. final purch. <i>Previous Tealbook</i>	4.0 4.2	3.2 3.1	2.4 2.5	1.2 1.3	-4.5 -3.8	-2.5 -2.0	3.6 3.3	1.8 2.7	2.8 3.2
Personal cons. expend. <i>Previous Tealbook</i>	3.3 3.5	2.8 2.7	3.2 3.3	1.7 1.7	-2.5 -1.9	-2 .2	3.0 2.6	1.4 2.2	2.5 2.8
Durables	5.9	2.8	7.0	4.6	-13.0	3.0	10.9	4.7	8.3
Nondurables	2.7	3.1	2.9	.8	-3.1	.6	3.5	.7	1.2
Services	3.0	2.7	2.6	1.4	-.5	-.9	1.6	1.1	2.1
Residential investment <i>Previous Tealbook</i>	6.6 6.6	5.3 5.3	-15.7 -15.7	-20.7 -20.7	-24.4 -24.6	-12.9 -13.4	-6.3 -4.6	1.1 .7	6.1 6.0
Business fixed invest. <i>Previous Tealbook</i>	7.0 7.0	4.5 4.4	7.8 7.8	7.9 8.2	-9.4 -8.3	-14.4 -12.7	11.1 10.6	4.7 6.6	3.7 5.7
Equipment & software <i>Previous Tealbook</i>	8.8 8.8	6.2 6.1	6.0 6.0	3.9 4.3	-13.6 -11.8	-5.8 -4.9	16.6 16.9	6.7 10.0	5.6 8.0
Nonres. structures <i>Previous Tealbook</i>	1.7 1.7	-.1 -.1	13.0 13.0	17.3 17.3	-1.2 -1.5	-29.3 -26.5	-1.8 -4.0	-.9 -2.6	-1.3 -.8
Net exports <sup>1</sup> <i>Previous Tealbook</i> <sup>1</sup>	-688 -688	-723 -723	-729 -729	-649 -655	-495 -504	-359 -363	-422 -422	-400 -367	-300 -279
Exports	7.2	6.7	10.2	10.1	-2.5	-.1	8.8	8.4	9.0
Imports	11.0	5.2	4.1	.8	-5.9	-6.5	10.7	4.6	3.3
Gov't. cons. & invest. <i>Previous Tealbook</i>	.6 .6	.7 .7	1.5 1.5	1.9 1.9	2.7 3.1	1.1 .8	.1 1.1	-1.8 -1.4	-.5 -.2
Federal	2.3	1.2	2.2	3.1	8.8	4.6	2.9	-1.1	-.9
Defense	2.4	.4	4.4	2.6	9.8	3.5	1.5	-.2	-.1
Nondefense	2.3	2.6	-2.3	4.2	6.8	6.9	5.7	-2.9	-2.4
State & local	-.4	.4	1.2	1.2	-.9	-1.1	-1.7	-2.2	-.2
Change in bus. inventories <sup>1</sup> <i>Previous Tealbook</i> <sup>1</sup>	66 66	50 50	59 59	28 28	-36 -38	-145 -113	59 63	70 57	80 72
Nonfarm <sup>1</sup>	58	50	63	29	-38	-144	61	77	79
Farm <sup>1</sup>	8	0	-4	-1	1	-1	-1	-5	1

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>	3.9 3.7	3.8 1.7	2.5 2.6	2.3 3.1	.4 2.1	1.4 1.9	2.9 3.9	2.4 2.9	2.4 3.1	2.9 3.3	3.2 3.7	3.4 3.9	3.1 2.8	1.8 2.7	3.0 3.5
Final sales <i>Previous Tealbook</i>	.8	3.0	1.7	4.2	.0	1.3	1.5	3.0	2.6	2.8	3.0	3.3	2.4	1.5	2.9
Priv. dom. final purch. <i>Previous Tealbook</i>	1.1 2.1 1.7	.9 4.2 3.6	.9 2.1 1.9	6.5 3.4 3.6	.8 1.6 1.8	2.5 .9 1.7	2.7 1.6 2.8	3.5 1.8 2.5	3.2 1.7 2.2	3.2 2.1 2.6	3.1 2.6 2.9	3.4 2.8 3.0	2.4 3.0 2.7	2.4 1.5 2.2	3.2 2.3 2.7
Personal cons. expend. <i>Previous Tealbook</i>	1.9 1.3	2.1 1.5	1.9 1.7	2.5 2.8	1.5 1.6	.1 1.0	1.2 1.9	1.4 1.7	1.4 1.7	1.7 1.9	2.0 2.0	2.1 2.2	2.1 1.9	1.0 1.6	1.8 2.0
Durables	.7	.6	.6	1.2	.9	-.3	.4	.5	.4	.6	.7	.7	.8	.4	.6
Nondurables	.8	.3	.5	.7	.3	.0	.0	.2	.2	.2	.2	.3	.6	.1	.2
Services	.5	1.2	.8	.6	.4	.4	.7	.7	.8	.9	1.0	1.2	.8	.5	1.0
Residential investment <i>Previous Tealbook</i>	-.4 -.3	.5 .6	-.8 -.8	.1 .1	-.1 -.1	.1 .0	.1 .0	.0 .1	.1 .1	.1 .1	.2 .2	.2 .2	-.2 -.1	.0 .0	.1 .1
Business fixed invest. <i>Previous Tealbook</i>	.6 .7	1.6 1.5	1.0 .9	.8 .7	.2 .3	.8 .7	.4 .9	.4 .7	.3 .4	.3 .6	.4 .7	.5 .7	1.0 1.0	.5 .6	.4 .6
Equipment & software <i>Previous Tealbook</i>	1.3 1.2	1.5 1.5	.9 1.0	.6 .5	.6 .7	.4 .5	.5 .9	.5 .7	.3 .4	.3 .6	.5 .7	.5 .7	1.1 1.1	.5 .7	.4 .6
Nonres. structures <i>Previous Tealbook</i>	-.8 -.5	.2 .0	.1 -.1	.3 .2	-.4 -.4	.4 .2	-.1 .0	.0 .0	-.1 .0	.0 .0	.0 .0	.0 .0	.0 -.1	.0 -.1	.0 .0
Net exports <i>Previous Tealbook</i>	-1.0 -.3	-1.9 -3.5	-.7 -1.7	1.4 3.3	-.3 .1	.6 .9	.0 -.4	1.2 1.1	1.1 1.0	.7 .7	.5 .3	.5 .4	-.6 -.6	.4 .4	.7 .6
Exports	.9	1.2	1.2	1.0	1.0	.8	1.4	1.3	1.3	1.3	1.3	1.3	1.1	1.1	1.3
Imports	-1.8	-3.1	-1.9	.4	-1.4	-.2	-1.4	-.1	-.3	-.6	-.8	-.7	-1.6	-.8	-.6
Gov't. cons. & invest. <i>Previous Tealbook</i>	-.3 -.3	.8 .8	.2 .8	-.6 -.3	-1.2 -1.2	-.2 -.1	-.1 .2	.0 -.1	-.1 .0	-.1 .0	-.1 .0	.0 .0	.0 .2	-.4 -.3	-.1 .0
Federal	.2	.7	.3	-.3	-.8	.2	.2	.1	-.1	-.1	-.1	-.1	.2	-.1	-.1
Defense	.0	.3	.3	-.3	-.7	.4	.3	.0	.0	.0	.0	.0	.1	.0	.0
Nondefense	.2	.4	-.1	.1	-.1	-.2	-.2	.1	-.1	-.1	-.1	-.1	.2	-.1	-.1
State & local	-.5	.1	-.1	-.3	-.4	-.3	-.2	-.1	-.1	.0	.0	.0	-.2	-.3	.0
Change in bus. inventories <i>Previous Tealbook</i>	3.1 2.6	.8 .8	.9 1.6	-1.8 -3.4	.3 1.3	.1 -.6	1.4 1.2	-.6 -.6	-.2 .0	-.2 .1	.2 .6	.1 .5	.7 .4	.3 .3	.0 .3
Nonfarm	2.9	.9	1.1	-1.8	.4	.1	1.3	-.6	-.3	.1	.2	.1	.8	.3	.0
Farm	.2	-.1	-.2	.0	-.1	.0	.1	.0	.1	.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>	1.5 1.0	1.5 1.9	1.4 2.1	1.9 .4	2.5 2.0	2.3 3.8	2.1 1.6	1.2 1.3	.7 1.6	2.9 1.5	1.3 1.5	1.2 1.5	1.6 1.3	2.0 2.2	1.5 1.5
PCE chain-wt. price index <i>Previous Tealbook</i>	1.9 2.1	.3 .0	1.0 .8	1.9 1.7	3.9 3.8	3.1 3.4	1.5 .8	1.1 1.4	1.6 1.4	1.5 1.5	1.4 1.5	1.4 1.5	1.3 1.1	2.4 2.3	1.5 1.5
Energy <i>Previous Tealbook</i>	13.7 16.4	-14.9 -17.5	5.6 5.4	24.7 24.3	40.7 40.6	14.9 17.1	-5.2 -13.1	-7.0 1.0	.8 1.0	1.9 1.3	1.8 1.0	1.3 .5	6.2 5.9	9.3 9.6	1.4 1.0
Food <i>Previous Tealbook</i>	1.8 1.8	1.5 1.6	.3 .3	1.4 1.4	6.5 6.3	6.4 6.7	2.6 3.0	2.0 2.0	1.4 1.4	1.3 1.3	1.4 1.4	1.4 1.4	1.3 1.3	4.3 4.5	1.4 1.4
Ex. food & energy <i>Previous Tealbook</i>	1.1 1.2	1.3 1.0	.8 .5	.7 .4	1.6 1.4	2.1 2.2	1.9 1.7	1.7 1.4	1.6 1.5	1.5 1.5	1.4 1.5	1.4 1.5	1.0 .8	1.8 1.7	1.5 1.5
Ex. food & energy, market based <i>Previous Tealbook</i>	.6 .7	.9 1.0	1.0 1.1	.3 .3	1.3 1.3	2.4 2.4	2.2 1.7	1.5 1.2	1.5 1.4	1.4 1.4	1.3 1.4	1.3 1.4	.7 .8	1.9 1.6	1.4 1.4
CPI <i>Previous Tealbook</i>	1.3 1.3	-.5 -.5	1.4 1.4	2.6 2.6	5.2 5.2	4.1 4.2	1.8 .6	1.0 1.5	1.6 1.5	1.6 1.5	1.6 1.5	1.5 1.5	1.2 1.2	3.0 2.8	1.6 1.5
Ex. food & energy <i>Previous Tealbook</i>	.0 .0	.8 .8	1.1 1.1	.6 .6	1.7 1.7	2.5 2.4	2.6 1.9	1.8 1.4	1.7 1.5	1.6 1.6	1.6 1.6	1.6 1.6	.6 .6	2.2 1.8	1.6 1.6
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	2.2 2.2	2.1 2.1	3.2 2.2	2.2 2.3	2.2 2.3	2.4 2.5	2.4 2.5	2.5 2.6	2.5 2.6	2.1 2.1	2.5 2.2	2.5 2.6
Nonfarm business sector															
Output per hour <i>Previous Tealbook</i>	4.7 4.6	1.2 -1.7	2.1 2.3	2.2 2.9	-.5 2.2	-.9 -.8	2.3 2.4	.9 1.5	1.1 1.8	1.6 1.6	2.0 1.7	2.1 1.9	2.5 2.0	.5 1.3	1.7 1.7
Compensation per hour <i>Previous Tealbook</i>	1.6 -2	2.7 3.1	1.8 2.5	.7 .1	4.3 2.5	1.2 1.7	1.3 2.1	2.0 2.2	2.4 2.6	2.2 2.4	2.2 2.4	2.3 2.5	1.7 1.4	2.2 2.1	2.3 2.5
Unit labor costs <i>Previous Tealbook</i>	-3.0 -4.6	1.4 4.9	-.3 .1	-1.5 -2.7	4.9 .3	2.1 2.5	-1.0 -.3	1.1 .6	1.2 .8	.6 .9	.3 .7	.2 .7	-.9 -.6	1.7 .8	.6 .7
Core goods imports chain-wt. price index <sup>3</sup> <i>Previous Tealbook</i> <sup>3</sup>	3.9 4.2	3.1 3.1	-.6 -.8	4.3 4.3	8.3 8.1	6.3 7.2	3.1 3.5	2.0 1.5	1.4 1.4	1.5 1.5	1.6 1.5	1.5 1.5	2.6 2.7	4.9 5.0	1.5 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	.7 .5	1.6 1.3	2.0 2.2	1.5 1.5
PCE chain-wt. price index <i>Previous Tealbook</i>	3.0 3.0	3.2 3.3	1.9 1.9	3.5 3.5	1.7 1.7	1.5 1.5	1.3 1.1	2.4 2.3	1.5 1.5
Energy <i>Previous Tealbook</i>	18.6 18.6	21.5 21.5	-3.7 -3.7	19.3 19.4	-8.8 -9.0	2.6 2.7	6.2 5.9	9.3 9.6	1.4 1.0
Food <i>Previous Tealbook</i>	2.7 2.7	1.5 1.5	1.7 1.7	4.7 4.8	7.0 6.9	-1.7 -1.6	1.3 1.3	4.3 4.5	1.4 1.4
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	1.0 .8	1.8 1.7	1.5 1.5
Ex. food & energy, market based <i>Previous Tealbook</i>	1.9 1.9	2.0 2.1	2.2 2.2	2.1 2.2	2.2 2.2	1.7 1.7	.7 .8	1.9 1.6	1.4 1.4
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	3.0 2.8	1.6 1.5
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	2.2 1.8	1.6 1.6
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	2.5 2.2	2.5 2.6
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	1.3 1.5	1.6 1.4	.8 .9	2.5 2.6	-1.2 -.4	5.3 6.5	2.5 2.0	.5 1.3	1.7 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	2.2 2.3	2.0 2.8	1.7 1.4	2.2 2.1	2.3 2.5
Unit labor costs <i>Previous Tealbook</i>	2.0 1.9	1.9 2.0	3.6 3.5	1.1 .9	3.4 2.7	-3.1 -3.5	-.9 -.6	1.7 .8	.6 .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	3.7 3.5	-1.7 -1.9	2.6 2.7	4.9 5.0	1.5 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	.4	.2	.4	.5	.5	.5	.6	.7	1.4	2.1
Unemployment rate <sup>3</sup>	9.7	9.6	9.6	9.6	8.9	9.1	9.2	9.2	9.1	8.9	8.7	8.5	9.6	9.2	8.5
<i>Previous Tealbook</i> <sup>3</sup>	9.7	9.6	9.6	9.6	8.9	9.0	9.0	8.9	8.8	8.6	8.4	8.1	9.6	8.9	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</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>	-6.4	-5.9	-5.8	-5.6	-6.0	-6.2	-6.0	-5.9	-5.9	-5.7	-5.5	-5.2	-5.6	-5.9	-5.2
<i>Previous Tealbook</i> <sup>4</sup>	-6.0	-6.1	-5.9	-5.7	-5.7	-5.8	-5.4	-5.2	-5.1	-4.9	-4.6	-4.2	-5.7	-5.2	-4.2
Industrial production <sup>5</sup>	8.1	7.1	6.7	3.1	4.8	.8	5.9	4.1	2.3	2.9	3.8	4.1	6.2	3.9	3.3
<i>Previous Tealbook</i> <sup>5</sup>	8.1	7.1	6.7	3.1	4.2	2.0	7.6	4.5	3.0	3.7	4.1	4.0	6.2	4.5	3.7
Manufacturing industr. prod. <sup>5</sup>	7.1	8.7	5.1	3.4	7.2	.2	4.9	4.7	2.7	3.4	4.2	4.8	6.1	4.2	3.8
<i>Previous Tealbook</i> <sup>5</sup>	7.1	8.7	5.1	3.4	6.5	1.4	8.4	4.7	3.3	4.3	4.6	4.6	6.1	5.2	4.2
Capacity utilization rate - mfg. <sup>3</sup>	69.4	71.4	72.6	73.3	74.5	74.4	75.1	75.8	76.1	76.5	77.1	77.7	73.3	75.8	77.7
<i>Previous Tealbook</i> <sup>3</sup>	69.4	71.4	72.6	73.3	74.4	74.5	75.8	76.5	76.8	77.4	77.9	78.5	73.3	76.5	78.5
Housing starts <sup>6</sup>	.6	.6	.6	.5	.6	.6	.6	.6	.7	.7	.8	.8	.6	.6	.7
Light motor vehicle sales <sup>6</sup>	11.0	11.4	11.6	12.3	13.0	12.1	12.8	13.1	13.4	13.7	14.0	14.2	11.5	12.8	13.8
<i>Income and saving</i>															
Nominal GDP <sup>5</sup>	5.5	5.4	3.9	4.2	3.1	3.9	5.1	3.6	3.2	5.9	4.6	4.6	4.7	3.9	4.5
Real disposable pers. income <sup>5</sup>	4.9	5.6	2.3	1.5	.7	.7	1.8	3.1	-.1	3.3	3.4	3.8	3.5	1.6	2.6
<i>Previous Tealbook</i> <sup>5</sup>	1.3	5.6	1.0	1.1	.8	1.7	3.0	2.6	.1	3.6	3.6	4.1	2.2	2.0	2.8
Personal saving rate <sup>3</sup>	4.9	5.6	5.6	5.2	4.9	5.1	5.1	5.4	4.9	5.1	5.2	5.3	5.2	5.4	5.3
<i>Previous Tealbook</i> <sup>3</sup>	5.5	6.2	6.0	5.4	5.1	5.2	5.3	5.3	4.7	4.9	5.0	5.2	5.4	5.3	5.2
Corporate profits <sup>7</sup>	44.9	15.1	11.0	5.4	4.2	13.0	8.9	-3.0	-8.5	12.7	1.6	.3	18.2	5.6	1.3
Profit share of GNP <sup>3</sup>	11.9	12.2	12.4	12.4	12.4	12.7	12.8	12.6	12.2	12.4	12.3	12.2	12.4	12.6	12.2
Net federal saving <sup>8</sup>	-1,272	-1,278	-1,258	-1,287	-1,206	-1,263	-1,229	-1,234	-1,068	-1,024	-1,006	-988	-1,274	-1,233	-1,022
Net state & local saving <sup>8</sup>	-32	-28	-5	-36	-57	-56	-71	-74	-68	-66	-57	-55	-25	-64	-61
Gross national saving rate <sup>3</sup>	11.9	12.6	12.7	12.3	12.4	12.5	12.8	12.9	13.0	13.4	13.6	13.6	12.3	12.9	13.6
Net national saving rate <sup>3</sup>	-1.1	-2	.0	-.4	-.3	-.1	.4	.4	.4	1.0	1.2	1.2	-.4	.4	1.2

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	1.4	2.1
Unemployment rate <sup>2</sup>	5.4	5.0	4.5	4.8	6.9	10.0	9.6	9.2	8.5
<i>Previous Tealbook<sup>2</sup></i>	5.4	5.0	4.5	4.8	6.9	10.0	9.6	8.9	8.1
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	.1	-1	-5.4	-6.9	-5.6	-5.9	-5.2
<i>Previous Tealbook<sup>3</sup></i>	-4	.1	.1	.1	-4.8	-6.4	-5.7	-5.2	-4.2
Industrial production <sup>4</sup>	3.1	2.3	2.3	2.5	-9.1	-5.5	6.2	3.9	3.3
<i>Previous Tealbook<sup>4</sup></i>	3.1	2.3	2.3	2.5	-9.1	-5.5	6.2	4.5	3.7
Manufacturing industr. prod. <sup>4</sup>	3.7	3.4	2.0	2.8	-11.8	-6.1	6.1	4.2	3.8
<i>Previous Tealbook<sup>4</sup></i>	3.7	3.4	2.0	2.8	-11.8	-6.1	6.1	5.2	4.2
Capacity utilization rate - mfg. <sup>2</sup>	77.3	78.5	78.4	79.0	70.1	67.7	73.3	75.8	77.7
<i>Previous Tealbook<sup>2</sup></i>	77.3	78.5	78.4	79.0	70.1	67.7	73.3	76.5	78.5
Housing starts <sup>5</sup>	2.0	2.1	1.8	1.4	.9	.6	.6	.6	.7
Light motor vehicle sales <sup>5</sup>	16.8	16.9	16.5	16.1	13.1	10.3	11.5	12.8	13.8
<i>Income and saving</i>									
Nominal GDP <sup>4</sup>	6.2	6.4	5.3	4.9	-1.2	.0	4.7	3.9	4.5
Real disposable pers. income <sup>4</sup>	3.5	.6	4.6	1.6	1.0	-2.4	3.5	1.6	2.6
<i>Previous Tealbook<sup>4</sup></i>	3.5	.6	4.6	1.5	1.0	.4	2.2	2.0	2.8
Personal saving rate <sup>2</sup>	3.8	1.6	2.8	2.5	6.2	4.3	5.2	5.4	5.3
<i>Previous Tealbook<sup>2</sup></i>	3.6	1.5	2.5	2.1	5.2	5.5	5.4	5.3	5.2
Corporate profits <sup>6</sup>	21.9	19.6	3.7	-8.1	-33.5	61.8	18.2	5.6	1.3
Profit share of GNP <sup>2</sup>	10.5	11.8	11.6	10.1	6.8	11.0	12.4	12.6	12.2
Net federal saving <sup>7</sup>	-379	-283	-204	-245	-613	-1218	-1274	-1233	-1022
Net state & local saving <sup>7</sup>	-8	26	51	12	-72	-78	-25	-64	-61
Gross national saving rate <sup>2</sup>	14.5	15.6	16.5	13.9	12.6	11.3	12.3	12.9	13.6
Net national saving rate <sup>2</sup>	2.9	3.6	4.4	1.7	-6	-1.9	-4	.4	1.2

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 <sup>a</sup>	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Unified budget	Receipts <sup>1</sup>	2105	2163	2323	2535	466	643	565	532	488	714	589	558	773	658	636	
	Outlays <sup>1</sup>	3518	3456	3629	3673	795	930	855	901	949	855	925	930	908	864	954	
	Surplus/deficit <sup>1</sup>	-1413	-1293	-1306	-1138	-329	-287	-290	-369	-460	-141	-336	-373	-135	-206	-318	
	<i>Previous Tealbook</i>	<i>-1413</i>	<i>-1293</i>	<i>-1333</i>	<i>-1128</i>	<i>-329</i>	<i>-287</i>	<i>-290</i>	<i>-369</i>	<i>-460</i>	<i>-168</i>	<i>-336</i>	<i>-362</i>	<i>-143</i>	<i>-198</i>	<i>-322</i>	
	On-budget	-1550	-1370	-1342	-1177	-359	-351	-267	-390	-451	-202	-299	-390	-414	-189	-352	
	Off-budget	137	77	36	39	30	64	-23	21	-10	61	-37	17	-11	54	34	
	Means of financing																
	Borrowing	1743	1474	1129	1318	478	344	390	368	260	93	408	333	575	175	236	323
	Cash decrease	96	-35	200	-140	-25	-71	-20	-33	225	-19	27	20	-130	-20	-10	15
	Other <sup>2</sup>	-427	-146	-23	-40	-124	14	-80	34	-24	67	-100	20	-20	-20	-20	-20
Cash operating balance, end of period	275	310	110	250	219	290	310	343	118	137	110	90	220	240	250	235	
NIPA federal sector																	
Receipts	2280	2379	2533	2780	2365	2408	2475	2471	2523	2563	2576	2602	2794	2842	2881	2918	
Expenditures	3346	3648	3780	3863	3637	3686	3733	3758	3729	3826	3805	3836	3863	3867	3886	3906	
Consumption expenditures	972	1042	1071	1101	1034	1056	1067	1060	1059	1078	1086	1095	1101	1103	1105	1107	
Defense	656	697	716	745	691	702	713	703	701	723	735	738	744	747	750	753	
Nondefense	316	346	355	356	343	354	354	357	358	354	351	357	357	356	355	354	
Other spending	2374	2606	2709	2762	2603	2630	2666	2698	2670	2749	2719	2741	2762	2764	2781	2799	
Current account surplus	-1066	-1269	-1246	-1083	-1272	-1278	-1258	-1287	-1206	-1263	-1229	-1234	-1068	-1024	-1006	-988	
Gross investment	156	165	164	162	161	169	171	175	161	159	162	163	162	162	163	163	
Gross saving less gross investment <sup>3</sup>	-1098	-1305	-1275	-1102	-1305	-1317	-1298	-1330	-1232	-1286	-1253	-1256	-1088	-1042	-1022	-1003	
Fiscal indicators <sup>4</sup>																	
High-employment (HEB) surplus/deficit	-757	-937	-935	-755	-920	-966	-956	-994	-896	-939	-909	-906	-733	-695	-685	-681	
Change in HEB, percent of potential GDP	1.7	1.1	-2	-1.3	.1	.2	-.1	.2	-.7	.2	-.2	-.1	-1.1	-.3	-.1	-.1	
Fiscal impetus (FI), percent of GDP	1.3	0.5	-0.1	-1.1	1.2	1.0	0.3	-0.4	-0.5	0.3	0.1	-0.2	-1.5	-1.0	-1.0	-0.8	
<i>Previous Tealbook</i>	<i>1.2</i>	<i>0.6</i>	<i>-0.0</i>	<i>-1.1</i>	<i>1.0</i>	<i>1.0</i>	<i>0.6</i>	<i>-0.2</i>	<i>-0.3</i>	<i>0.2</i>	<i>0.3</i>	<i>-0.3</i>	<i>-1.5</i>	<i>-1.0</i>	<i>-1.0</i>	<i>-0.8</i>	

1. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) categories. The OASDI surplus and the Postal Service surplus are excluded from the on-budget surplus and shown separately as off-budget, as classified under current law.

2. Other means of financing are checks issued less checks paid, accrued items, and changes in other financial assets and liabilities.

3. Gross saving is the current account surplus plus consumption of fixed capital of the general government as well as government enterprises.

4. HEB is gross saving less gross investment (NIPA) of the federal government in current dollars, with cyclically sensitive receipts and outlays adjusted to the staff's measure of potential output and the NAIRU. The sign on Change in HEB, as a percent of nominal potential GDP, is reversed. FI is the weighted difference of discretionary changes in federal spending and taxes in chained (2005) dollars, scaled by real GDP. The FI estimates are calendar year contributions to Q4/Q4 real GDP growth. Also, for FI and the change in HEB, positive values indicate aggregate demand stimulus. Quarterly figures for change in HEB and FI are not at annual rates.

a Actual.

**Change in Debt of the Domestic Nonfinancial Sectors**  
(Percent)

Period <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	.2	-.5	1.5	5.5	2.3	24.2	-1.2
2009	3.0	-1.7	-1.5	-4.4	-2.7	4.9	22.7	.0
2010	4.2	-1.9	-2.8	-1.8	.3	4.5	20.2	4.7
2011	3.8	-.5	-2.0	4.0	3.2	-.3	11.7	3.9
2012	5.4	1.5	-.2	7.0	3.8	3.8	12.5	4.5
2013	4.8	2.1	.1	8.4	4.5	3.7	8.6	5.3
<i>Quarter</i>								
2010:1	3.7	-3.0	-5.2	-4.1	-.4	5.7	20.5	5.5
2	4.4	-2.2	-2.2	-3.1	-1.3	-1.4	24.4	5.4
3	3.9	-2.0	-2.6	-1.9	1.1	5.4	16.0	3.9
4	4.6	-.6	-1.1	2.0	1.9	7.9	14.6	4.2
2011:1	2.1	-2.0	-3.4	2.3	3.2	-2.9	7.8	3.1
2	3.3	-.5	-2.0	4.0	3.6	-5.2	10.4	3.9
3	4.9	.0	-1.4	4.5	2.6	1.4	15.0	5.1
4	4.6	.3	-1.2	5.1	3.0	5.4	11.6	3.6
2012:1	6.9	.9	-.6	5.8	3.2	3.8	19.0	3.2
2	5.3	1.3	-.3	6.4	3.7	3.8	12.0	5.9
3	4.0	1.7	.0	7.3	3.8	3.7	6.9	4.6
4	5.1	2.0	.1	8.0	4.2	3.7	9.9	4.6
2013:1	5.3	2.0	.1	8.2	4.3	3.7	10.4	4.2
2	4.9	2.1	.1	8.2	4.3	3.6	9.0	6.6
3	3.8	2.1	.1	8.0	4.4	3.6	5.2	5.2
4	4.9	2.1	.1	8.0	4.4	3.6	8.8	5.1

Note: Quarterly data are at seasonally adjusted annual rates.

1. Data after 2011:Q1 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	1180.7	956.2	1684.2	1569.3	1404.4	1297.7	2243.6	1691.0	1183.9	1618.3	1775.6	1654.8	1186.8	1660.0	1660.0	1660.0
Net equity issuance	-277.9	-398.9	-340.0	-340.0	-392.0	-392.0	-320.0	-320.0	-360.0	-360.0	-320.0	-320.0	-360.0	-360.0	-360.0	-360.0
Net debt issuance	1458.6	1355.1	2024.2	1909.3	1796.4	1689.7	2563.6	2011.0	1543.9	1978.3	2095.6	1974.8	1546.8	2020.0	2020.0	2020.0
<i>Borrowing indicators</i>																
Debt (percent of GDP) <sup>1</sup>	243.4	243.3	244.0	244.1	242.0	242.7	244.2	244.4	244.5	244.5	245.2	244.4	243.9	243.5	243.5	243.5
Borrowing (percent of GDP)	10.0	9.0	12.8	11.5	11.8	11.0	16.6	12.8	9.7	12.3	12.9	12.0	9.3	12.0	12.0	12.0
<i>Households</i>																
Net borrowing <sup>2</sup>	-262.7	-73.3	199.9	282.5	5.7	45.2	125.1	175.8	232.6	266.2	276.9	282.5	282.5	288.0	288.0	288.0
Home mortgages	-285.6	-199.6	-19.7	9.8	-138.9	-118.6	-59.1	-29.5	0.0	9.8	9.8	9.8	9.8	9.8	9.8	9.8
Consumer credit	-44.2	97.9	178.3	226.4	110.7	127.0	146.4	164.0	190.3	212.5	222.3	226.9	225.9	230.5	230.5	230.5
Debt/DPI (percent) <sup>3</sup>	120.7	114.8	111.3	107.9	114.0	112.8	112.6	111.6	110.7	109.8	108.9	108.3	107.6	106.8	106.8	106.8
<i>Business</i>																
Financing gap <sup>4</sup>	-163.2	-105.8	-12.1	82.6	-89.0	-109.3	-27.6	-42.5	-8.2	29.7	85.4	58.7	73.4	112.9	112.9	112.9
Net equity issuance	-277.9	-398.9	-340.0	-340.0	-392.0	-392.0	-320.0	-320.0	-360.0	-360.0	-320.0	-320.0	-360.0	-360.0	-360.0	-360.0
Credit market borrowing	35.7	342.3	422.4	516.8	287.9	335.9	354.7	419.3	437.0	478.8	500.5	509.6	525.6	531.3	531.3	531.3
<i>State and local governments</i>																
Net borrowing	105.4	-8.6	93.7	93.7	33.7	129.7	93.7	93.7	93.7	93.7	93.7	93.7	93.7	93.7	93.7	93.7
Current surplus <sup>5</sup>	245.0	176.9	176.7	202.3	160.7	159.2	167.6	171.1	182.2	185.7	201.1	200.1	203.7	204.4	204.4	204.4
<i>Federal government</i>																
Net borrowing	1580.2	1093.9	1308.2	1016.3	1469.1	1178.9	1990.1	1322.2	780.6	1139.6	1224.4	1088.9	644.9	1106.9	1106.9	1106.9
Net borrowing (n.s.a.)	1580.2	1093.9	1308.2	1016.3	408.3	332.7	574.5	174.6	236.2	322.9	383.1	116.2	202.2	314.7	314.7	314.7
Unified deficit (n.s.a.)	1275.1	1309.7	1083.2	936.3	335.6	372.5	424.6	134.6	206.2	317.9	378.1	76.2	172.2	309.7	309.7	309.7
<i>Depository institutions</i>																
Funds supplied	-192.7	-28.9	265.9	315.1	211.7	226.9	260.1	259.7	263.0	280.6	285.9	307.5	328.3	338.6	338.6	338.6

Note: Data after 2011:Q1 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	5.1	3.4	3.4	4.2	2.2	3.7	3.4	3.3	3.3	3.4	3.4
<i>Previous Tealbook</i>	5.3	5.1	3.5	3.4	4.2	2.8	3.9	3.6	3.5	3.5	3.6	3.6
Advanced foreign economies	4.2	2.8	2.3	1.4	2.4	.7	2.5	2.2	2.1	2.1	2.1	2.2
Canada	5.6	2.3	2.5	3.1	3.9	.7	2.9	2.3	2.2	2.3	2.3	2.3
Japan	9.4	-0	3.6	-2.9	-3.5	-3.0	4.6	4.6	3.3	2.6	2.3	2.1
United Kingdom	1.4	4.3	2.5	-2.0	1.9	.7	2.6	2.1	2.1	2.1	2.2	2.3
Euro area	1.4	3.8	1.6	1.1	3.4	1.5	1.1	1.1	1.2	1.4	1.6	1.8
Germany	2.1	8.7	3.2	1.5	6.1	1.9	1.5	1.5	1.8	2.0	2.2	2.5
Emerging market economies	6.5	7.6	4.7	5.5	6.2	3.9	5.0	4.7	4.7	4.7	4.8	4.8
Asia	10.5	7.1	6.5	5.8	8.6	4.7	5.8	5.4	5.7	5.8	5.8	5.9
Korea	8.6	5.7	2.6	2.0	5.4	3.4	3.7	3.7	3.7	3.9	4.0	4.0
China	9.3	8.9	10.1	10.0	8.7	9.1	8.1	8.3	8.3	8.4	8.3	8.3
Latin America	2.4	8.6	2.6	4.5	3.8	2.9	4.2	3.9	3.5	3.5	3.5	3.5
Mexico	1.3	8.4	2.8	4.6	2.1	2.4	4.3	4.0	3.6	3.6	3.6	3.6
Brazil	8.9	6.4	1.8	3.2	5.4	3.6	3.4	3.4	3.4	3.4	3.4	3.4
<b>Consumer prices</b> <sup>2</sup>												
Total foreign	3.3	1.9	2.5	5.3	4.3	3.2	2.5	2.2	2.4	2.3	2.4	2.4
<i>Previous Tealbook</i>	3.4	1.8	2.4	5.3	4.4	2.9	2.4	2.4	2.4	2.3	2.4	2.4
Advanced foreign economies	2.0	.5	1.1	3.5	3.3	2.2	.5	1.5	1.4	1.3	1.4	1.5
Canada	2.2	-1	2.4	4.4	3.6	3.0	.4	2.0	2.2	1.9	1.9	1.9
Japan	.7	-1.2	-1.3	2.3	.4	-3	-7	-5	-4	-4	-3	-3
United Kingdom	4.7	2.5	1.9	4.6	7.4	3.6	1.7	3.9	2.8	1.7	1.9	3.1
Euro Area	1.9	1.7	1.2	3.3	3.7	2.8	.9	1.6	1.5	1.5	1.6	1.6
Germany	1.4	.8	.9	3.3	3.8	2.1	1.1	1.7	1.7	1.7	1.8	1.8
Emerging market economies	4.4	2.9	3.5	6.6	5.1	4.0	4.0	2.8	3.2	3.1	3.1	3.1
Asia	3.5	2.9	3.7	7.3	5.4	4.7	4.4	2.3	2.9	2.8	2.8	2.8
Korea	2.5	3.0	3.8	5.2	5.7	2.2	3.9	3.2	2.9	2.9	2.9	2.9
China	2.9	3.2	4.1	8.6	4.6	5.8	4.9	1.7	2.8	2.7	2.7	2.7
Latin America	6.9	3.0	2.9	5.0	4.3	2.5	3.3	3.9	3.9	3.9	3.9	3.9
Mexico	6.9	2.5	2.9	4.8	3.6	1.8	3.0	3.7	3.7	3.7	3.7	3.7
Brazil	7.4	5.9	1.1	7.4	9.5	7.5	4.5	5.3	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	2004	2005	2006	2007	2008	2009	2010	2011	Projected----- 2012
<b>Real GDP</b> <sup>1</sup>									
Total foreign	3.9	4.0	4.2	4.2	-8	.7	4.3	3.4	3.4
<i>Previous Tealbook</i>	3.9	4.0	4.2	4.2	-8	.7	4.3	3.6	3.6
Advanced foreign economies	2.6	2.8	2.6	2.4	-1.7	-1.6	2.7	1.9	2.1
Canada	3.7	3.1	1.9	2.5	-7	-1.4	3.3	2.4	2.3
Japan	1.0	2.9	2.1	1.8	-4.7	-1.8	2.4	.6	2.6
United Kingdom	2.4	2.4	2.7	2.4	-2.7	-2.8	1.5	1.8	2.2
Euro area	1.8	2.1	3.6	2.2	-2.1	-2.1	2.0	1.8	1.5
Germany	.2	1.7	4.5	1.8	-1.9	-2.0	3.8	2.7	2.1
Emerging market economies	5.6	5.8	6.3	6.7	.4	3.4	6.1	4.9	4.7
Asia	6.0	7.6	7.8	8.8	.9	7.9	7.5	6.1	5.8
Korea	2.7	5.2	4.6	5.8	-3.2	6.3	4.7	4.0	3.9
China	9.9	10.3	12.8	13.7	7.7	11.4	9.6	8.5	8.3
Latin America	5.2	3.9	4.8	4.4	-4	-9	4.5	3.7	3.5
Mexico	4.6	3.6	4.1	3.5	-1.2	-2.3	4.2	3.2	3.6
Brazil	6.1	2.2	4.8	6.6	.8	5.0	5.0	4.0	3.4
<b>Consumer prices</b> <sup>2</sup>									
Total foreign	2.8	2.3	2.2	3.7	3.3	1.3	3.2	3.1	2.4
<i>Previous Tealbook</i>	2.8	2.3	2.2	3.7	3.3	1.3	3.2	3.0	2.4
Advanced foreign economies	1.8	1.6	1.4	2.2	2.0	.2	1.8	1.9	1.4
Canada	2.3	2.3	1.4	2.5	1.8	.8	2.2	2.2	2.0
Japan	.5	-1.0	.3	.5	1.0	-1.9	.1	-.3	-.3
United Kingdom	1.4	2.1	2.7	2.1	3.9	2.2	3.4	4.2	2.4
Euro Area	2.3	2.3	1.8	2.9	2.3	.4	2.0	2.3	1.5
Germany	2.1	2.2	1.3	3.1	1.7	.3	1.6	2.2	1.7
Emerging market economies	3.9	3.0	2.9	5.1	4.6	2.1	4.4	4.0	3.2
Asia	3.1	2.5	2.4	5.5	3.6	1.3	4.3	4.2	2.9
Korea	3.4	2.5	2.1	3.4	4.5	2.4	3.6	3.8	2.9
China	3.2	1.4	2.1	6.7	2.5	.6	4.7	4.2	2.7
Latin America	5.6	3.8	4.2	4.2	6.7	3.9	4.4	3.5	3.9
Mexico	5.3	3.1	4.1	3.8	6.2	4.0	4.3	3.0	3.7
Brazil	7.2	6.1	3.2	4.3	6.2	4.2	5.4	6.7	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

	2010				2011				Projected-----			
	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>-473.2</b>	<b>-481.2</b>	<b>-480.5</b>	<b>-448.7</b>	<b>-477.1</b>	<b>-469.3</b>	<b>-448.7</b>	<b>-428.1</b>	<b>-431.4</b>	<b>-356.8</b>	<b>-354.6</b>	<b>-360.6</b>
<i>Previous Tealbook</i>	-457.8	-483.0	-495.9	-461.5	-528.9	-444.8	-443.3	-392.2	-366.8	-334.6	-333.9	-326.1
Current account as percent of GDP	-3.3	-3.3	-3.3	-3.0	-3.2	-3.1	-3.0	-2.8	-2.8	-2.3	-2.2	-2.2
<i>Previous Tealbook</i>	-3.2	-3.3	-3.4	-3.1	-3.5	-2.9	-2.9	-2.5	-2.3	-2.1	-2.1	-2.0
Net goods & services	-478.6	-522.1	-524.5	-475.0	-563.2	-574.2	-553.7	-512.3	-518.1	-439.0	-426.8	-418.6
Investment income, net	154.7	181.9	192.3	168.9	228.1	253.2	249.6	231.0	231.9	223.5	216.9	204.8
Direct, net	266.2	290.3	296.8	269.4	324.7	358.2	343.5	318.3	319.9	321.4	323.8	325.7
Portfolio, net	-111.4	-108.3	-104.5	-100.5	-96.6	-104.9	-93.8	-87.4	-88.0	-97.9	-106.9	-121.0
Other income and transfers, net	-149.3	-141.1	-148.3	-142.6	-142.0	-148.3	-144.7	-146.8	-145.3	-141.4	-144.7	-146.8

## Annual Data

	-----Projected-----									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	
<i>Billions of dollars</i>										
<b>U.S. current account balance</b>	<b>-628.5</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>-455.8</b>	<b>-375.9</b>	
<i>Previous Tealbook</i>	-626.5	-742.0	-796.7	-712.7	-668.4	-384.8	-474.5	-452.3	-340.4	
Current account as percent of GDP	-5.3	-5.9	-6.0	-5.1	-4.7	-2.7	-3.2	-3.0	-2.4	
<i>Previous Tealbook</i>	-5.3	-5.9	-5.9	-5.1	-4.6	-2.7	-3.2	-3.0	-2.1	
Net goods & services	-605.4	-708.6	-753.3	-696.7	-698.3	-381.3	-500.0	-550.8	-450.6	
Investment income, net	73.4	78.7	54.7	111.1	157.8	137.1	174.5	240.5	219.3	
Direct, net	150.9	173.2	174.0	244.6	284.3	262.2	280.6	336.2	322.7	
Portfolio, net	-77.5	-94.5	-119.4	-133.5	-126.5	-125.1	-106.2	-95.7	-103.5	
Other income and transfers, net	-96.5	-115.9	-102.0	-124.7	-136.6	-132.3	-145.3	-145.4	-144.5	

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

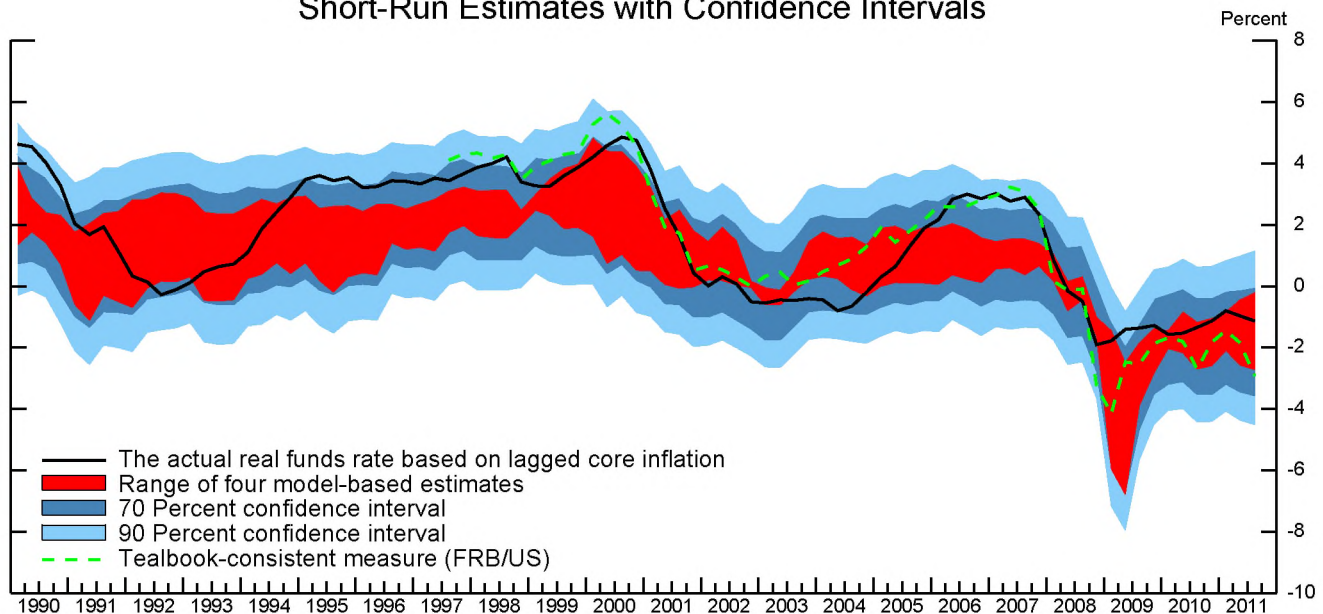
August 4, 2011

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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



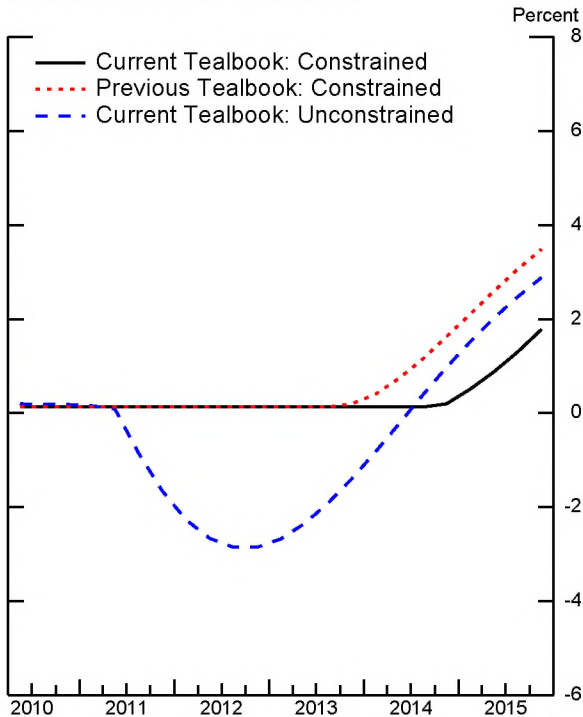
## Short-Run and Medium-Run Measures (Percent)

	Current Tealbook	Current Quarter Estimate as of Previous Tealbook	Previous Tealbook
Short-Run Measures			
Single-equation model	-2.3	-1.6	-1.6
Small structural model	-2.1	-1.6	-1.1
EDO model	-0.2	-0.2	-0.4
FRB/US model	-2.7	-2.6	-2.7
Confidence intervals for four model-based estimates			
70 percent confidence interval	-3.6 to -0.0		
90 percent confidence interval	-4.5 to 1.1		
Tealbook-consistent measures			
EDO model	-3.3	-1.1	-1.9
FRB/US model	-2.9	-1.8	-2.2
Medium-Run Measures			
Single-equation model	1.0	1.0	1.1
Small structural model	0.8	1.2	1.1
Confidence intervals for two model-based estimates			
70 percent confidence interval	-0.0 to 1.8		
90 percent confidence interval	-0.6 to 2.4		
TIPS-based factor model	1.8		1.8
Memo			
Actual real federal funds rate	-1.1		-1.0

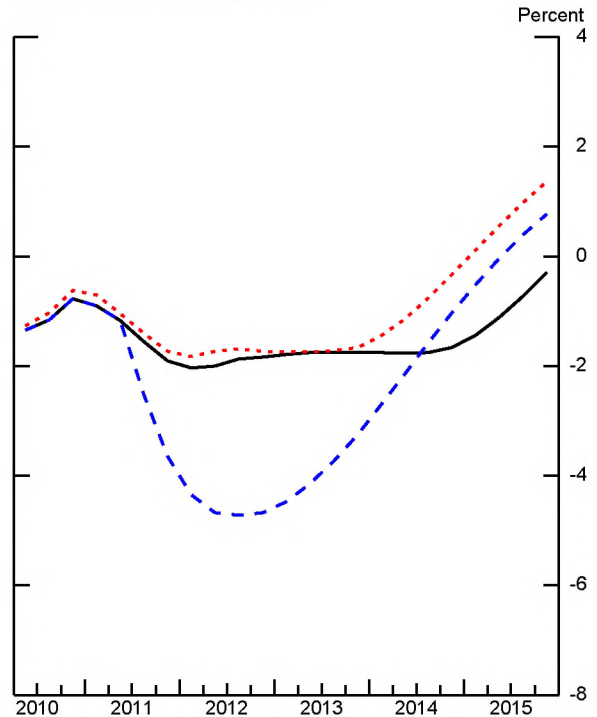
Note: Explanatory Note A provides background information regarding the construction of these measures and confidence intervals. The actual real federal funds rate shown is based on lagged core inflation as a proxy for inflation expectations. For information regarding alternative measures, see Explanatory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

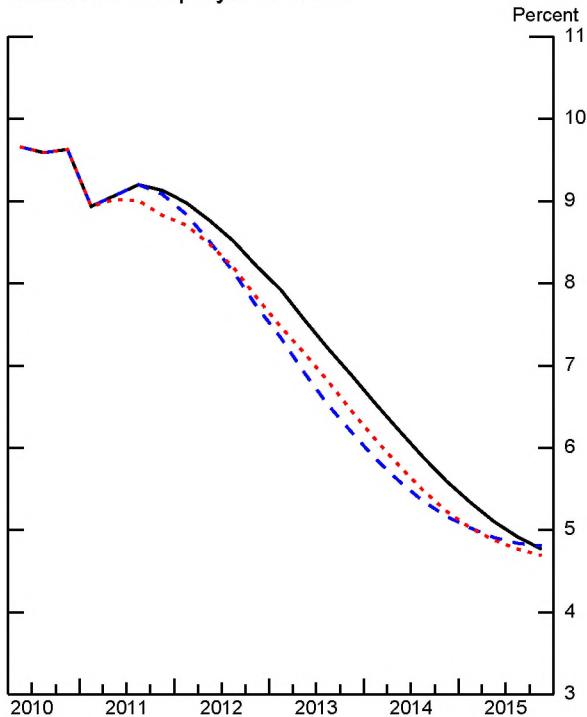
Nominal Federal Funds Rate



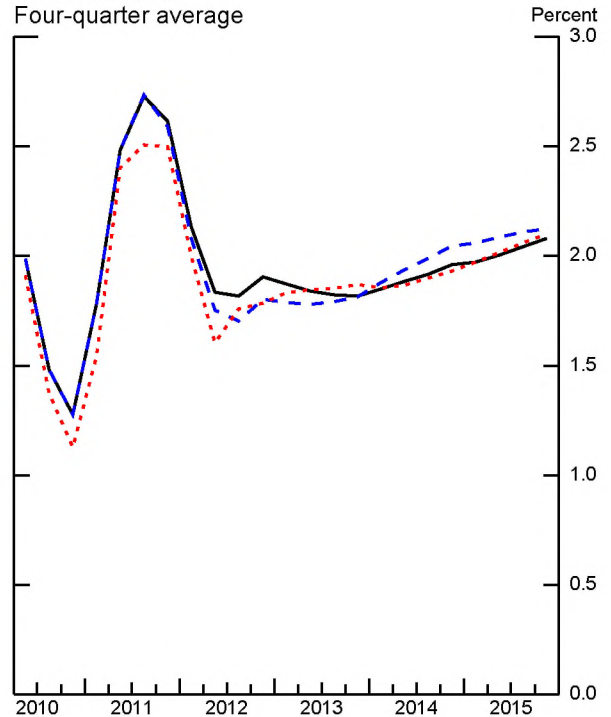
Real Federal Funds Rate



Civilian Unemployment Rate

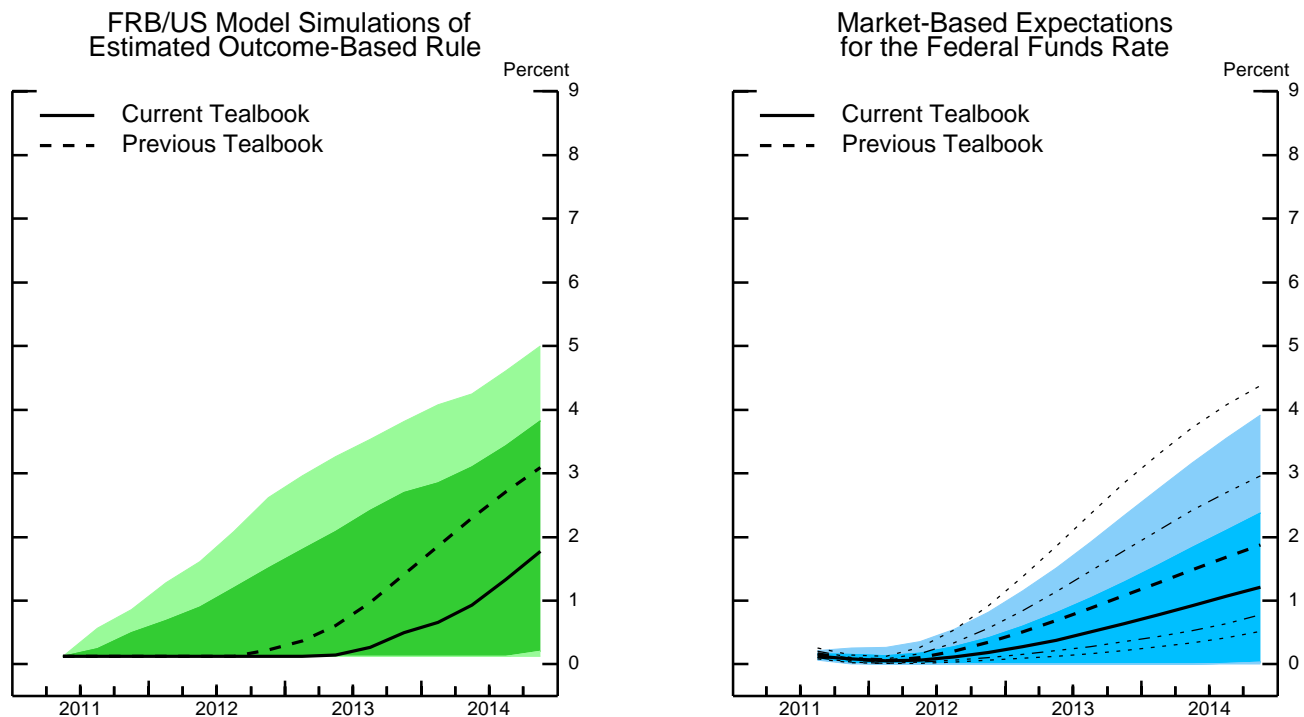


PCE Inflation  
Four-quarter average



Note: Starting this Tealbook, the optimal control simulations are derived from a loss function that uses headline inflation instead of core inflation and the lower right panel now displays the behavior of simulated headline inflation. The simulations labeled "Previous Tealbook" are derived from calculations that use the new loss function and the staff outlook as of the June Tealbook.

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



Note: The staff baseline projection for the federal funds rate is derived from the outcome-based policy rule shown in the top-left panel. The top-right panel depicts the mean path and confidence intervals of future federal funds rates derived from market quotes as of August 3. In both panels, dark and light shadings represent the 70 and 90 percent confidence intervals respectively. Explanatory Note B provides further background information.

## Near-Term Prescriptions of Simple Policy Rules

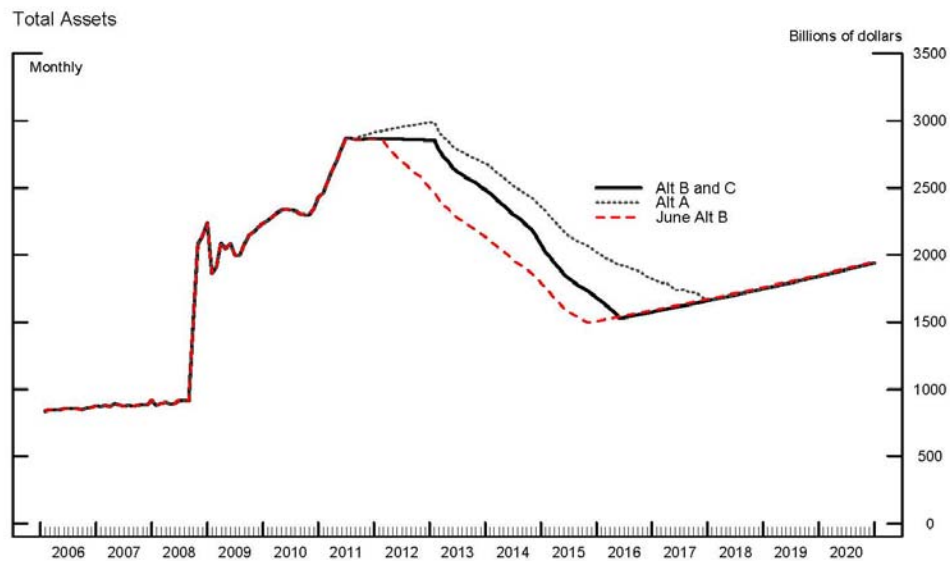
	Constrained Policy		Unconstrained Policy	
	2011Q3	2011Q4	2011Q3	2011Q4
Taylor (1993) rule	<b>0.36</b>	<b>0.76</b>	<b>0.36</b>	<b>0.76</b>
<i>Previous Tealbook</i>	0.45	0.90	0.45	0.90
Taylor (1999) rule	<b>0.13</b>	<b>0.13</b>	<b>-2.63</b>	<b>-2.20</b>
<i>Previous Tealbook</i>	0.13	0.13	-2.25	-1.73
Estimated outcome-based rule	<b>0.13</b>	<b>0.13</b>	<b>-0.19</b>	<b>-0.47</b>
<i>Previous Tealbook</i>	0.13	0.13	-0.02	-0.15
Estimated forecast-based rule	<b>0.13</b>	<b>0.13</b>	<b>-0.15</b>	<b>-0.48</b>
<i>Previous Tealbook</i>	0.13	0.13	0.02	-0.15
First-difference rule	<b>0.17</b>	<b>0.22</b>	<b>0.17</b>	<b>0.22</b>
<i>Previous Tealbook</i>	0.31	0.46	0.31	0.46
Memo		2011Q3	2011Q4	
Staff assumption		0.10	0.13	
Fed funds futures		0.10	0.09	
Median expectation of primary dealers		0.13	0.13	
Blue Chip forecast (August 1, 2011)		0.10	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.

## 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; although the language in the statements differs, Alternatives B and C have the same balance sheet projection. Projections under each scenario are based on assumptions about various components of the balance sheet. Details of these assumptions, as well as projections for each major component of the balance sheet, can be found in Explanatory Note C. Consistent with the staff's forecast, the two scenarios both assume the target federal funds rate lifts off in the third quarter of 2013.

Alternatives



For the scenario that corresponds to Alternatives B and C, we assume that the Committee continues to reinvest the proceeds from principal repayments from Treasury securities and agency securities in Treasury securities until February 2013, about six months before the assumed first increase in the target federal funds rate. Until that time, System Open Market Account (SOMA) security holdings remain constant at roughly \$2.6 trillion, and the size of the balance sheet, which includes other assets in addition to the SOMA, holds roughly steady at about \$2.9 trillion. In February 2013, six months before the assumed first increase in the target federal funds rate, reinvestment ceases, and the balance sheet begins to contract. In February 2014, roughly six months after the assumed first increase 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



Growth Rates for the Monetary Base			
Date	Alternatives B and C	Alternative A	<i>Memo</i> : June Tealbook
Percent, annual rate			
Monthly			
Aug-10	-2.4	-2.4	-2.4
Sep-10	-10.2	-10.2	-10.1
Oct-10	-9.8	-9.8	-9.8
Nov-10	3.2	3.2	3.2
Dec-10	16.8	16.8	16.8
Jan-11	23.3	23.3	23.3
Feb-11	57.6	57.6	57.6
Mar-11	97.8	97.8	97.8
Apr-11	74.4	74.4	74.4
May-11	42.1	42.1	42.1
Jun-11	35.9	35.9	39.6
Jul-11	26.9	26.9	31.1
Aug-11	16.2	18.0	5.5
Sep-11	-0.5	2.3	-14.4
Oct-11	-2.9	-1.0	-7.6
Nov-11	10.2	12.0	7.6
Dec-11	-1.0	1.2	7.4
Quarterly			
2010 Q3	-6.4	-6.4	-6.4
2010 Q4	-3.2	-3.2	-3.2
2011 Q1	36.8	36.8	36.8
2011 Q2	69.4	69.4	69.8
2011 Q3	25.5	26.3	23.6
2011 Q4	2.9	4.9	-2.7
2012 Q1	6.6	9.8	5.6
2012 Q2	3.9	8.0	-11.5
Annual - Q4 to Q4			
2009	52.5	52.5	52.5
2010	0.9	0.9	0.9
2011	37.3	38.2	34.9
2012	2.3	6.3	-8.7
2013	-12.5	-9.6	-16.3
2014	-15.4	-11.6	-16.5
2015	-22.1	-15.8	-21.0

Note: Not seasonally adjusted.



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**M2 Growth Rates**


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(percent, seasonally adjusted annual rate)

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**Monthly Growth Rates****Tealbook Forecast\***

Jan-11	3.3
Feb-11	8.3
Mar-11	3.8
Apr-11	4.8
May-11	7.5
Jun-11	12.2
Jul-11	25.2
Aug-11	8.0
Sep-11	-1.3
Oct-11	3.5
Nov-11	3.4
Dec-11	3.6

**Quarterly Growth Rates**

2011 Q1	5.0
2011 Q2	6.4
2011 Q3	13.7
2011 Q4	2.9

**Annual Growth Rates**

2010	3.2
2011	7.2
2012	3.1
2013	-1.1

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

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# Federal Reserve Balance Sheet

## End-of-Year Projections -- Alternative A

Billions of dollars

	<u>Jul 31, 2011</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,869	2,998	2,374	1,840	1,748	1,941
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	12	4	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	12	4	0	0	0	0
Support for specific institutions	53	46	26	18	9	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	53	46	26	18	9	4
Securities held outright	2,648	2,642	2,096	1,624	1,587	1,827
U.S. Treasury securities	1,638	1,887	1,559	1,354	1,576	1,827
Agency debt securities	112	77	39	16	0	0
Agency mortgage-backed securities	897	678	498	254	10	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	155	304	251	198	151	110
Total liabilities	2,817	2,928	2,281	1,718	1,585	1,726
Selected liabilities						
Federal Reserve notes in circulation	989	1,078	1,201	1,337	1,470	1,611
Reverse repurchase agreements	70	70	70	70	70	70
Deposits with Federal Reserve Banks	1,685	1,762	995	295	30	30
Reserve balances held by depository institutions	1,620	1,757	990	290	25	25
U.S. Treasury, General Account	65	5	5	5	5	5
U.S. Treasury, Supplementary Financing Account	0	0	0	0	0	0
Other balances	0	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	0	0	0	0	0	0
Total capital	52	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 -- Alternatives B & C

Billions of dollars

	<u>Jul 31, 2011</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,869	2,856	2,079	1,575	1,748	1,941
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	12	4	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	12	4	0	0	0	0
Support for specific institutions	53	46	26	18	9	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	53	46	26	18	9	4
Securities held outright	2,648	2,640	1,913	1,437	1,629	1,834
U.S. Treasury securities	1,638	1,844	1,341	1,148	1,618	1,834
Agency debt securities	112	77	39	16	0	0
Agency mortgage-backed securities	897	719	534	272	11	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	155	165	139	120	109	103
Total liabilities	2,817	2,786	1,986	1,453	1,585	1,726
Selected liabilities						
Federal Reserve notes in circulation	989	1,078	1,201	1,337	1,470	1,611
Reverse repurchase agreements	70	70	70	70	70	70
Deposits with Federal Reserve Banks	1,685	1,620	699	30	30	30
Reserve balances held by depository institutions	1,620	1,615	694	25	25	25
U.S. Treasury, General Account	65	5	5	5	5	5
U.S. Treasury, Supplementary Financing Account	0	0	0	0	0	0
Other balances	0	0	0	0	0	0
Interest on Federal Reserve Notes due to U.S. Treasury	0	0	0	0	0	0
Total capital	52	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.