

Prefatory Note

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

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

Class II FOMC – Restricted (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book A

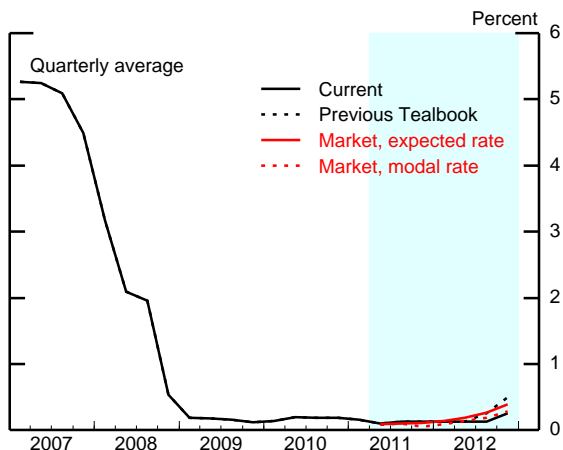
Economic and Financial Conditions: Current Situation and Outlook

June 15, 2011

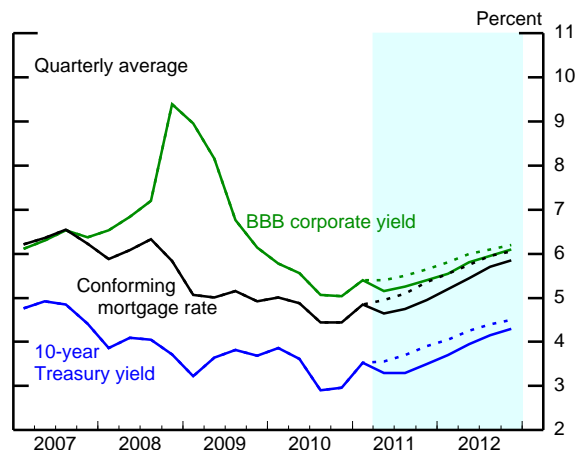
Prepared for the Federal Open Market Committee
by the staff of the Board of Governors of the Federal Reserve System

Key Background Factors underlying the Baseline Staff Projection

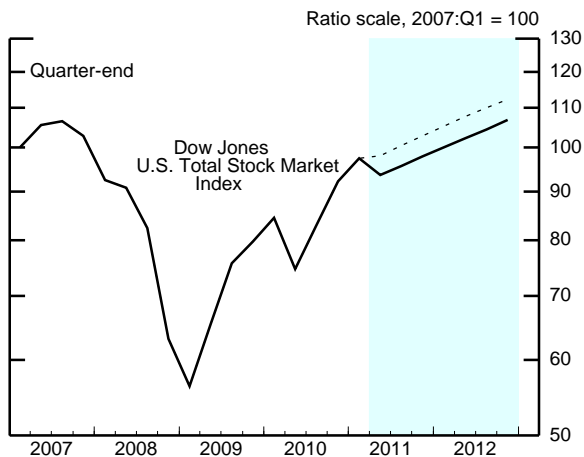
Federal Funds Rate



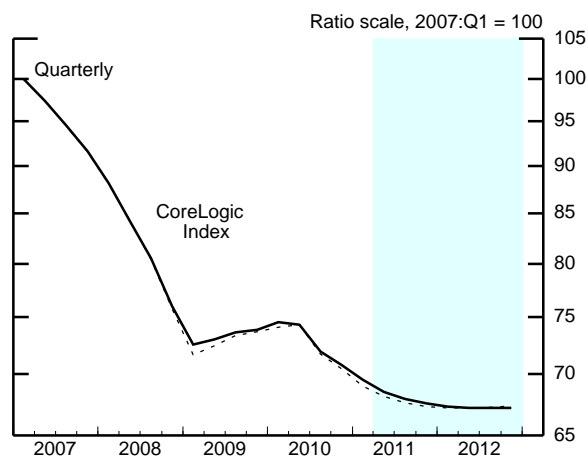
Long-Term Interest Rates



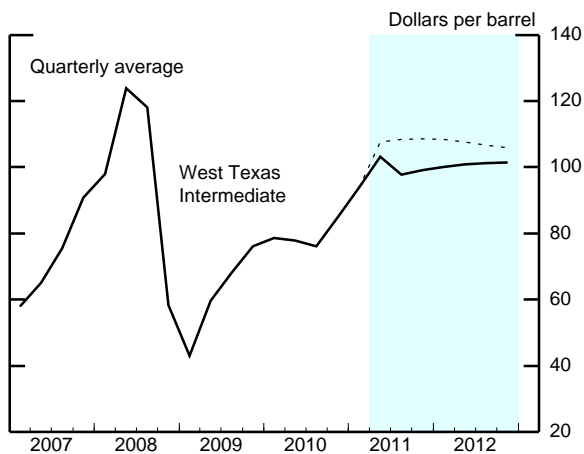
Equity Prices



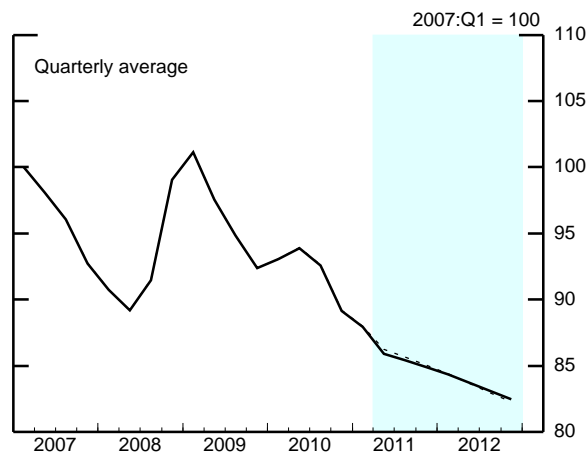
House Prices



Crude Oil Prices



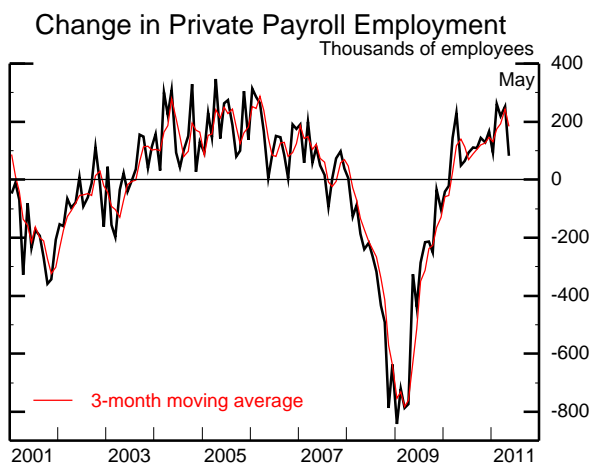
Broad Real Dollar



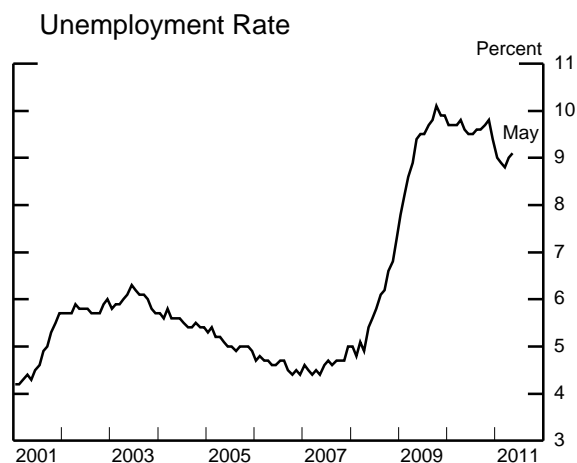
Summary of the Near-Term Outlook
(Percent change at annual rate except as noted)

Measure	2011:Q1		2011:Q2		2011:Q3	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
Real GDP	1.7	2.1	3.1	1.9	4.1	3.9
Private domestic final purchases	2.3	2.2	3.6	2.1	3.8	3.4
Personal consumption expenditures	2.5	2.3	3.0	1.5	3.1	2.6
Residential investment	-1.8	-2.9	.4	1.3	2.6	1.6
Nonres. structures	-17.3	-15.2	-1.4	6.1	-.7	-.6
Equipment and software	10.1	10.1	12.2	7.0	12.6	13.2
Federal purchases	-11.5	-7.9	8.0	2.1	3.9	4.7
State and local purchases	-3.9	-3.9	-1.2	-2.3	-.4	-1.3
Contribution to change in real GDP (percentage points)						
Inventory investment	1.1	1.3	-.3	-.6	1.1	1.2
Net exports	.1	.1	-.1	.9	-.4	-.4

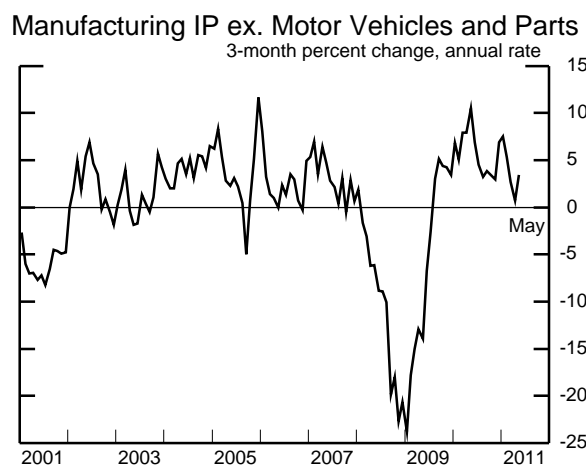
Recent Nonfinancial Developments (1)



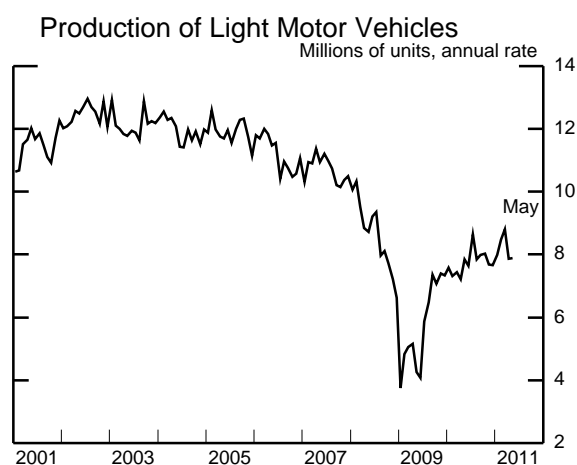
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.



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.

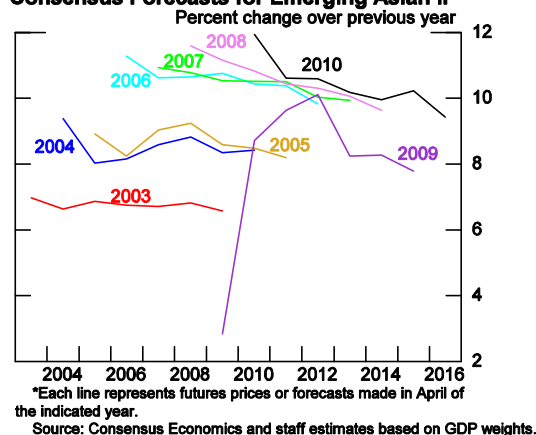
Forecasting Commodity Prices

The Tealbook forecasts for oil and non-fuel commodity prices are based on quotes from futures markets. Futures prices should, in principle, embody all available information affecting commodity prices, including developments specific to individual commodities as well as those shaping the global economy more generally. As is well known, however, futures prices have a poor track record in predicting commodity price movements. Here we summarize recent work conducted in the Division of International Finance to assess the forecasting properties of commodity futures, with the goal of improving our forecasting methodology.¹

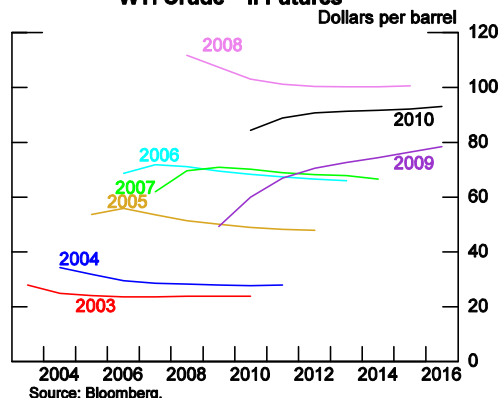
To assess the fundamental drivers of commodity prices, we evaluated several reduced-form equations that model commodity prices as a function of macroeconomic variables. Although many variables should affect (and be affected by) commodity prices, the key determinants we identified are world economic activity and the exchange value of the dollar. In addition, activity in the emerging market economies, which is relatively intensive in the use of commodities, is particularly informative.

By incorporating expectations about these fundamentals, futures should provide a reasonable forecast of commodity prices. Yet, on average over long periods of time, futures prices barely outperform a random walk, as they frequently trace out a relatively flat trajectory, similar to a random walk forecast. Considering the centrality of global economic growth to commodity prices, it may appear surprising that futures curves remain flat even though global demand is steadily increasing. Theoretically, however, such a configuration of forward prices is justified when market participants can arbitrage away differences in spot and futures prices through adjustments in commodity inventories or supply decisions. For example, expectations that strong demand will push up commodity prices in the future will induce market participants to boost current holdings of commodities, thus pushing up spot prices. When either the costs or the benefits of holding inventories are particularly high, however, futures prices can differ greatly from spot prices, resulting in a meaningful slope in the futures curve. Our empirical analysis indicates that futures

Consensus Forecasts for Emerging Asian IP*



WTI Crude Oil Futures*

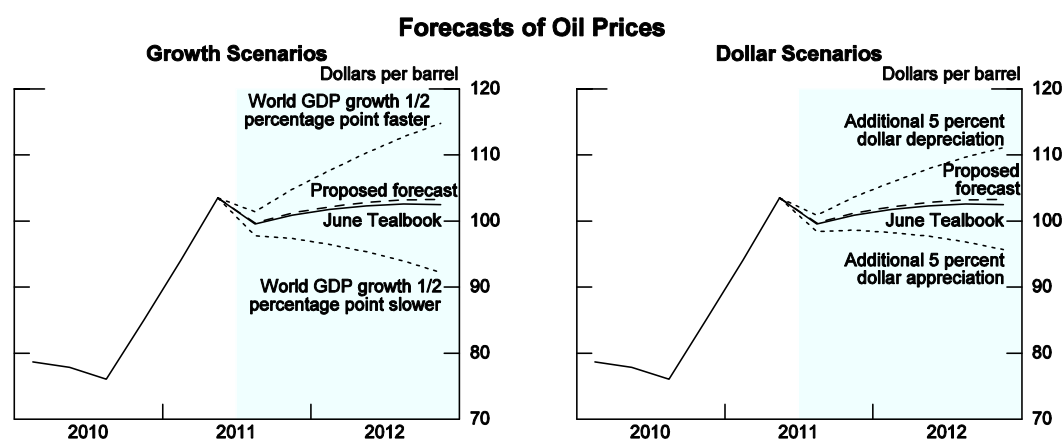


¹ See the following memorandums dated June 14, 2011: Joseph Gruber, "Modeling Commodity Prices"; Robert Vigfusson, "Evaluating the Forecasting Performance of Commodity Futures Prices"; and David Bowman and Joseph Gruber, "Revisions to Economic Forecasts and Commodity Prices."

prices outperform a random walk forecast by a considerable margin when there is a sizable difference between spot and futures prices. Thus, futures prices contain useful information for forecasting commodity prices.

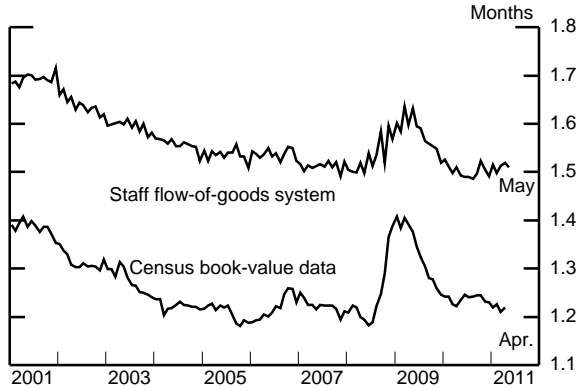
Where futures go astray is that they are often conditioned on expectations of the fundamentals that subsequently prove to be incorrect. As shown in the lower-left figure on the facing page, market analysts repeatedly underestimated the rate of growth in emerging Asian economies over much of the last decade as the forecast path was regularly revised up. Coinciding with these demand surprises, as shown in the lower-right figure on the facing page, were analogous upward revisions to the path of crude oil futures prices. Futures curves for other commodities were revised in a similar manner. More generally, we find that *surprises* to analysts' expectations for global activity explain much more of the variation in commodity prices than do underlying trends. Additionally, changes in the dollar (which presumably are largely unanticipated) are also quite influential.

Based on these results, we propose an alternative forecasting methodology for commodity prices to be introduced in the August Tealbook. It starts with the futures curve, but then adjusts that curve in light of how much market participants would be surprised if the staff's Tealbook forecasts of economic growth and exchange rates prove correct, as determined by the divergence between the Tealbook forecast and private forecasts. As shown in the two panels below, at present, the proposed forecast for oil prices lies slightly above the futures path, largely reflecting the staff's expectation of further dollar depreciation. On average over the past decade, this alternative approach would have done only about as well as simply using futures prices, as both the staff and private forecasters were surprised by the rate of acceleration in emerging market economies over this period. However, this alternative approach has the advantage that it incorporates both market information and the staff's forecast of activity and exchange rates in a conceptually coherent way. An added benefit of this approach is that it provides a simple framework for assessing the risks to commodity prices in terms of their underlying drivers. For example, the dotted lines in the two figures below show a range of oil price paths that might prevail under different assumptions for how market participants could be surprised by the evolution of global activity and the dollar.



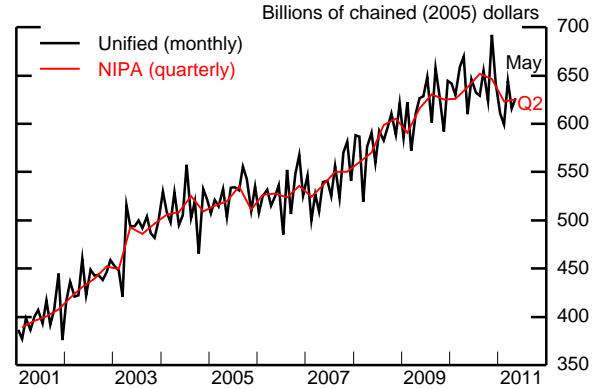
Recent Nonfinancial Developments (3)

Inventory Ratios ex. Motor Vehicles



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

Defense Spending



Note: The unified series is seasonally adjusted and deflated by BEA prices. The NIPA series excludes the consumption of fixed capital.

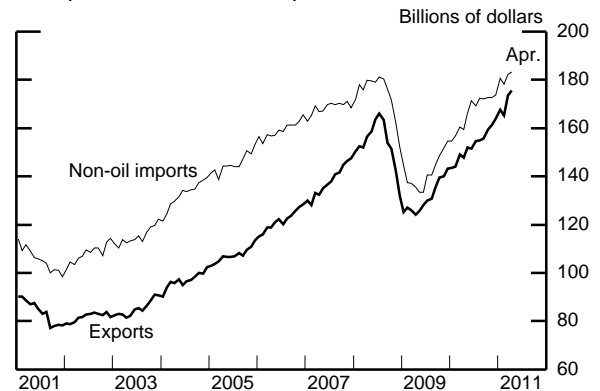
Source: *Monthly Treasury Statement*; U.S. Dept. of Commerce, Bureau of Economic Analysis.

Trade Balance



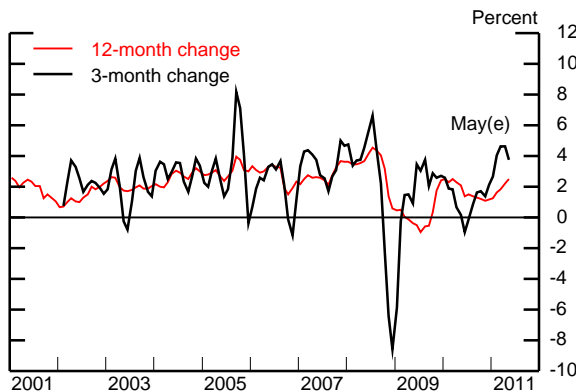
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; U.S. Census Bureau.

Exports and Non-Oil Imports



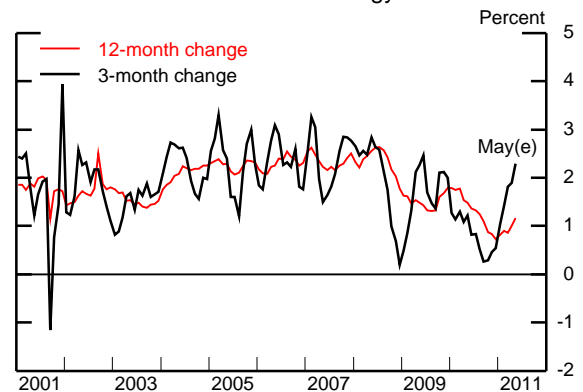
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; U.S. Census Bureau.

Total PCE Prices



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

PCE Prices ex. Food and Energy

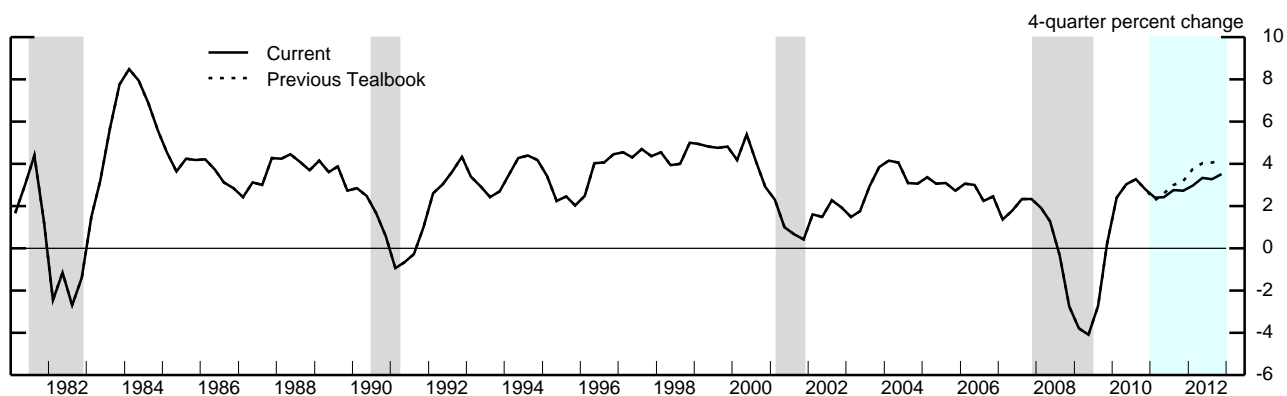


Note: 3-month changes are at an annual rate.
e Staff estimate.
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

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

Measure	2010	2011		2012
		H1	H2	
Real GDP	2.8	2.0	3.4	3.5
Previous Tealbook	2.8	2.4	4.0	4.2
Final sales	2.4	1.7	3.1	3.2
Previous Tealbook	2.4	1.9	3.9	3.9
Personal consumption expenditures	2.6	1.9	2.5	2.8
Previous Tealbook	2.6	2.8	3.1	3.7
Residential investment	-4.6	-.8	2.2	6.0
Previous Tealbook	-4.6	-.7	4.0	8.7
Nonresidential structures	-4.0	-5.1	.0	-.8
Previous Tealbook	-4.0	-9.7	.0	-.4
Equipment and software	16.9	8.6	11.4	8.0
Previous Tealbook	16.9	11.1	13.0	9.1
Federal purchases	4.8	-3.0	2.1	-.8
Previous Tealbook	4.8	-2.2	1.7	-.8
State and local purchases	-1.3	-3.1	-.9	.1
Previous Tealbook	-1.3	-2.6	-.3	.4
Exports	9.0	9.1	10.0	9.0
Previous Tealbook	9.0	7.6	9.4	9.0
Imports	11.0	4.0	5.8	4.0
Previous Tealbook	11.0	6.0	3.9	5.1
Contributions to change in real GDP (percentage points)				
Inventory change	.4	.4	.3	.3
Previous Tealbook	.4	.4	.0	.3
Net exports	-.6	.5	.4	.6
Previous Tealbook	-.6	.0	.6	.4

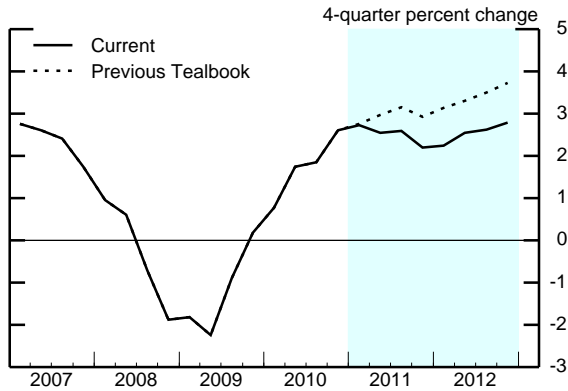
Real GDP



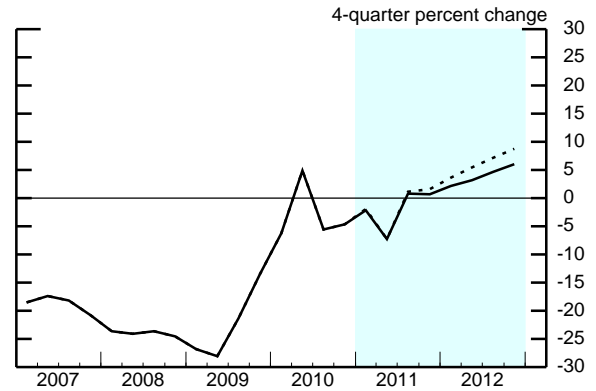
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

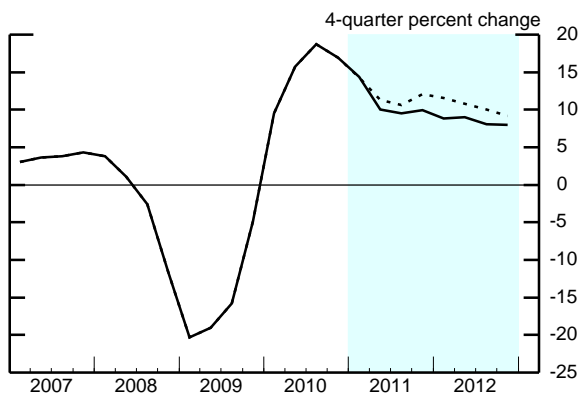
Personal Consumption Expenditures



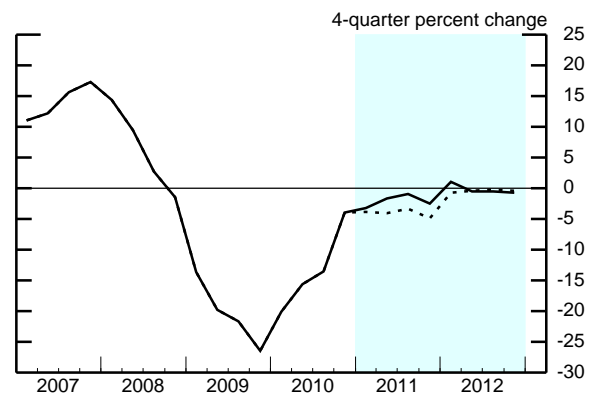
Residential Investment



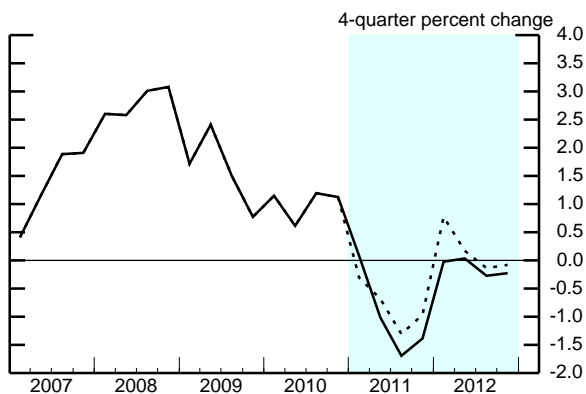
Equipment and Software



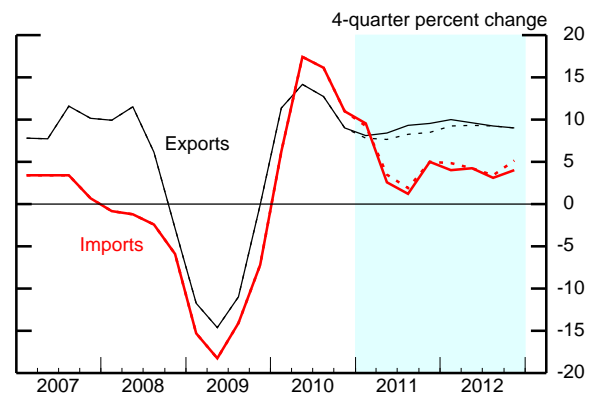
Nonresidential Structures



Government Consumption & Investment



Exports and Imports



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

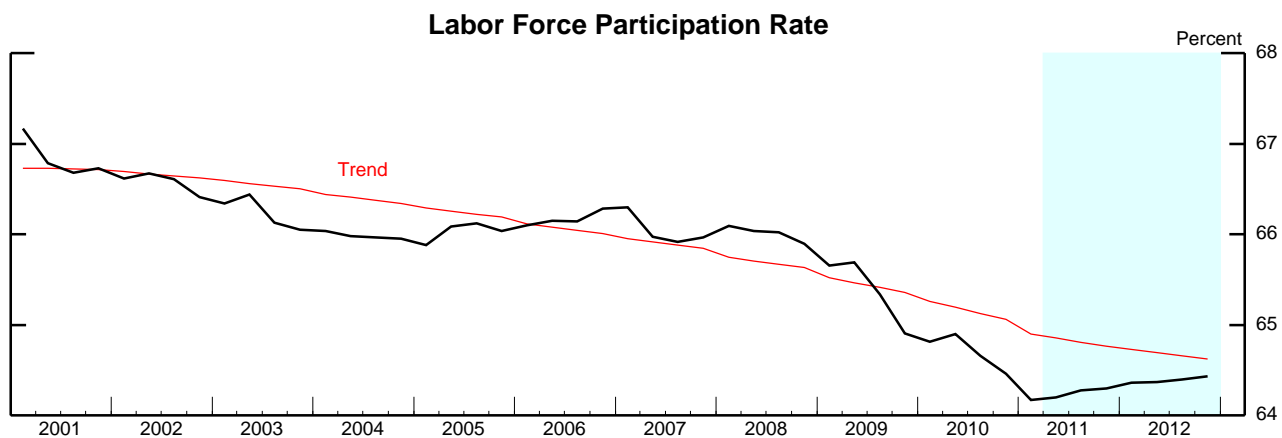
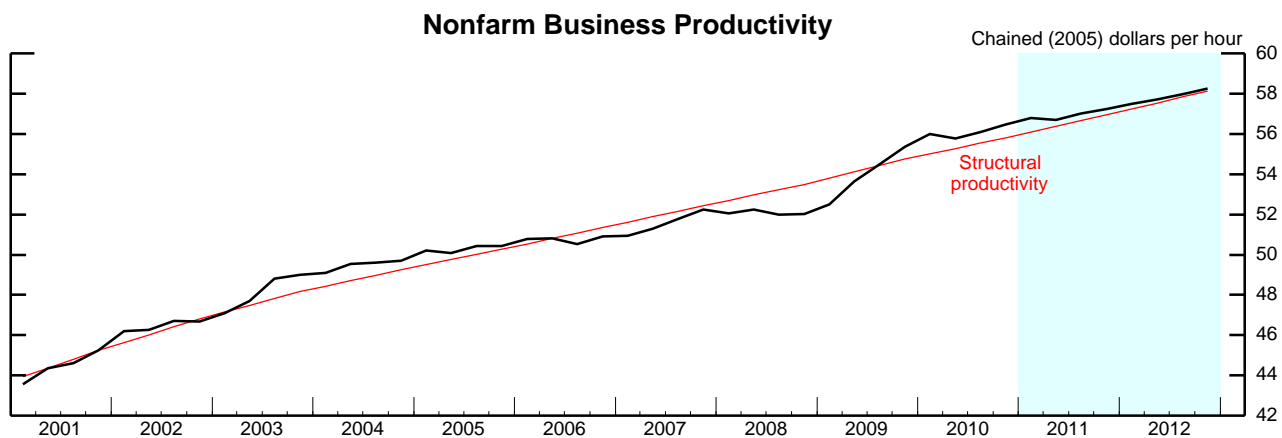
Decomposition of Potential GDP
(Percent change, Q4 to Q4, except as noted)

Measure	1974-1995	1996-2000	2001-2008	2009	2010	2011	2012
Potential GDP	3.0	3.5	2.7	1.9	1.9	2.3	2.4
Previous Tealbook	3.0	3.5	2.7	2.0	2.0	2.3	2.5
<i>Selected contributions¹</i>							
Structural labor productivity	1.5	2.7	2.5	2.3	2.0	2.0	2.1
Previous Tealbook	1.5	2.7	2.5	2.3	1.9	1.9	2.0
Capital deepening	.7	1.5	.7	.3	.4	.5	.7
Previous Tealbook	.7	1.5	.7	.3	.4	.6	.8
Multifactor productivity	.5	.9	1.6	1.9	1.4	1.3	1.3
Previous Tealbook	.5	.9	1.6	1.9	1.3	1.2	1.2
Trend hours	1.5	1.0	.8	-.2	.5	.6	.7
Previous Tealbook	1.5	1.0	.8	-.1	.5	.6	.7
Labor force participation	.4	.0	-.2	-.4	-.4	-.3	-.2
Previous Tealbook	.4	.0	-.2	-.3	-.4	-.3	-.2

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

1. Percentage points.

Source: Staff assumptions.



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

The Outlook for the Labor Market

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

Measure	2009	2010	2011	2012
Output per hour, nonfarm business	6.5	2.0	1.3	1.7
Previous Tealbook	6.5	2.0	1.1	1.8
Nonfarm private employment	-5.0	.9	2.1	2.4
Previous Tealbook	-5.0	.9	2.5	2.9
Labor force participation rate ¹	64.9	64.5	64.3	64.4
Previous Tealbook	64.9	64.5	64.3	64.4
Civilian unemployment rate ¹	10.0	9.6	8.9	8.1
Previous Tealbook	10.0	9.6	8.7	7.7
Memo: GDP gap ²	-6.4	-5.7	-5.2	-4.2
Previous Tealbook	-6.6	-5.9	-5.0	-3.5

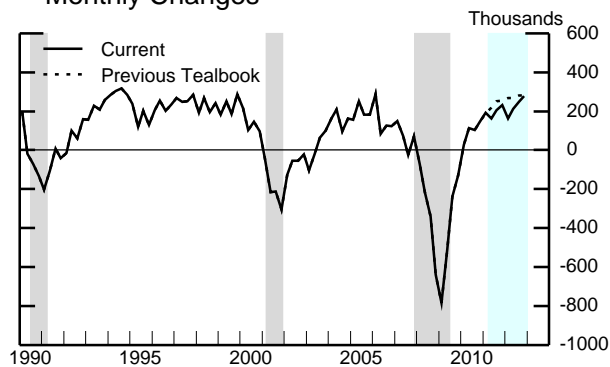
Note: A negative number indicates that the economy is operating below potential.

1. Percent, average for the fourth quarter.

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

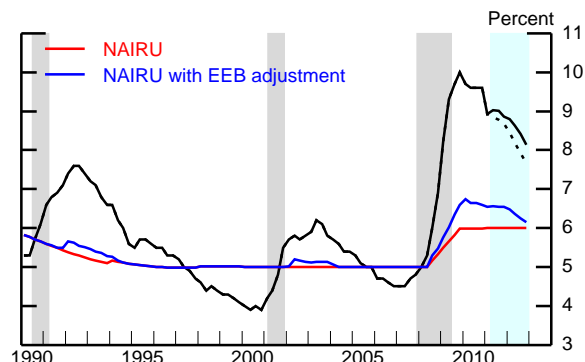
Source: U.S. Department of Labor, Bureau of Labor Statistics; staff assumptions.

Private Payroll Employment, Average
Monthly Changes



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

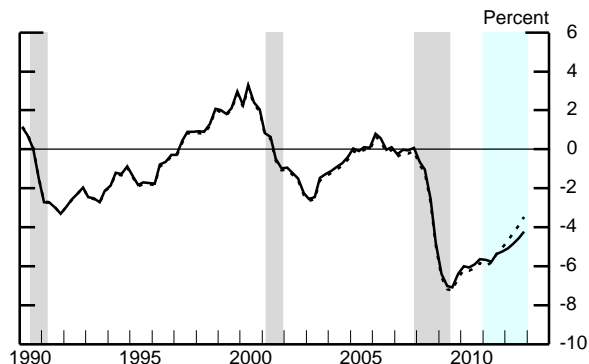
Unemployment Rate



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

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

GDP Gap

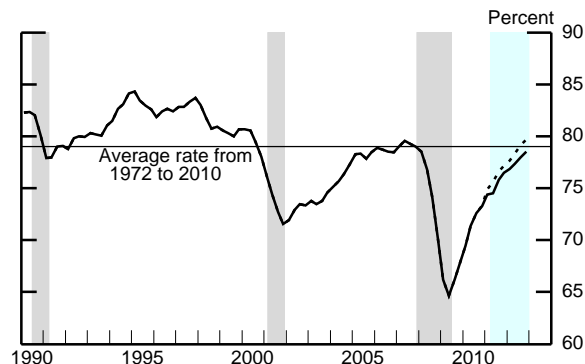


Note: The GDP gap is the percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential.

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

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

Manufacturing Capacity Utilization Rate



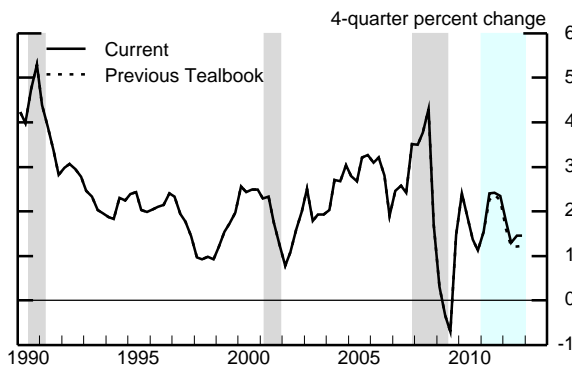
Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Inflation Projections (Percent change, Q4 to Q4)

Measure	2009	2010	2011	2012
PCE chain-weighted price index	1.5	1.1	2.3	1.5
Previous Tealbook	1.5	1.1	2.2	1.2
Food and beverages	-1.6	1.3	4.5	1.4
Previous Tealbook	-1.6	1.3	4.3	1.4
Energy	2.7	5.9	9.6	1.0
Previous Tealbook	2.7	5.9	12.9	-1.1
Excluding food and energy	1.7	.8	1.7	1.5
Previous Tealbook	1.7	.8	1.4	1.4
Prices of core goods imports ¹	-1.9	2.7	5.0	1.4
Previous Tealbook	-1.9	2.7	4.9	1.4

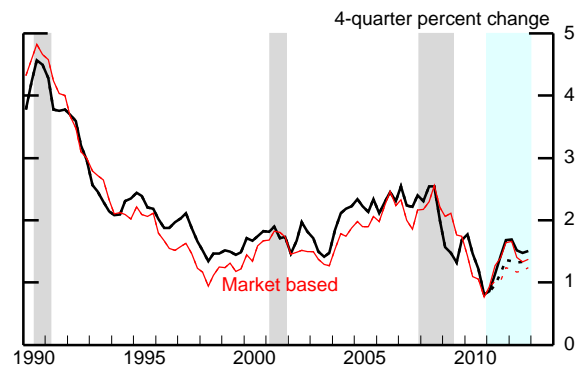
1. Core goods imports exclude computers, semiconductors, oil, and natural gas.
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Total PCE Prices



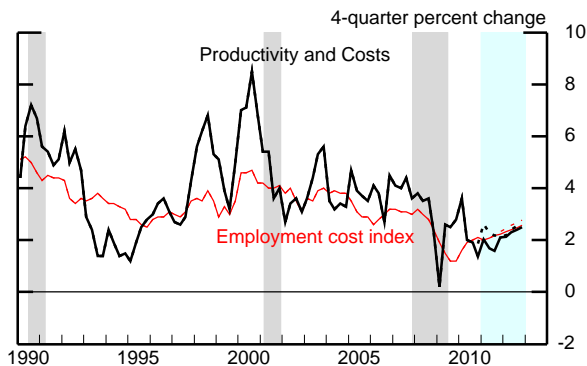
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

PCE Prices ex. Food and Energy



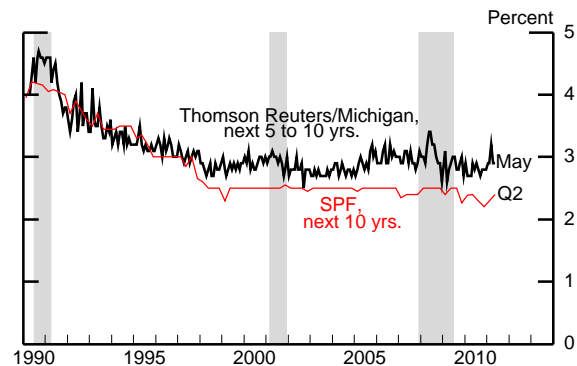
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

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.

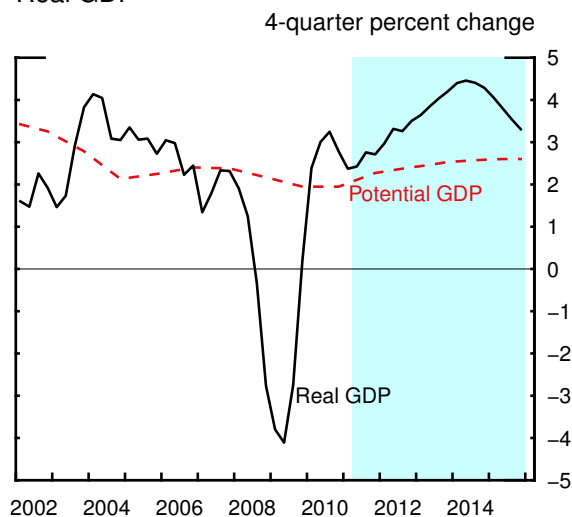
The Long-Term Outlook

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

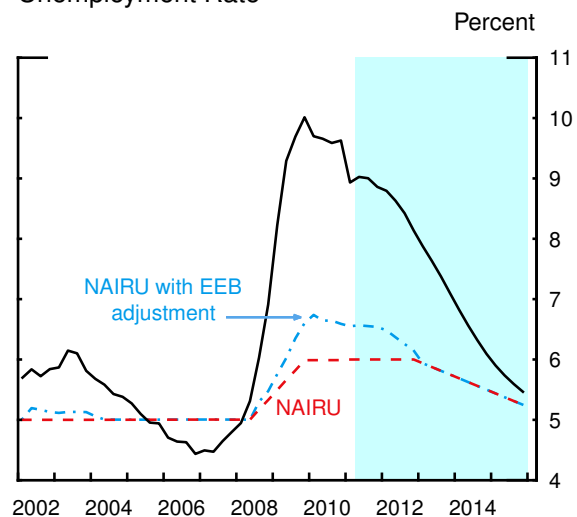
Item	2010	2011	2012	2013	2014	2015
Real GDP	2.8	2.7	3.5	4.2	4.3	3.3
Civilian unemployment rate ¹	9.6	8.9	8.1	7.1	6.1	5.5
PCE prices, total	1.1	2.3	1.5	1.5	1.6	1.7
Core PCE prices	.8	1.7	1.5	1.5	1.6	1.7
Federal funds rate ¹	.2	.1	.2	1.4	3.1	3.9
10-year Treasury yield ¹	3.0	3.5	4.3	4.5	4.8	4.9

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

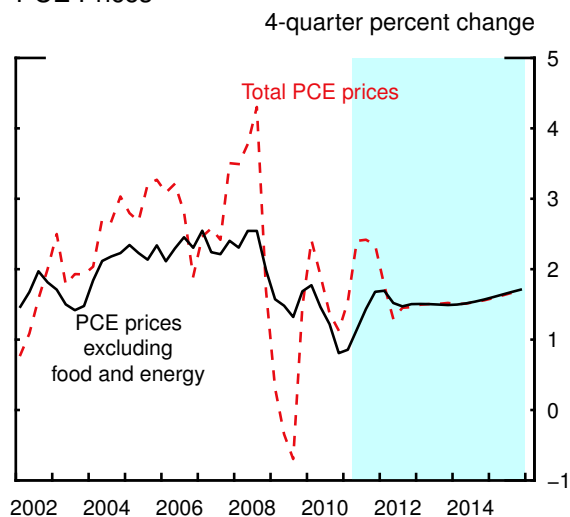
Real GDP



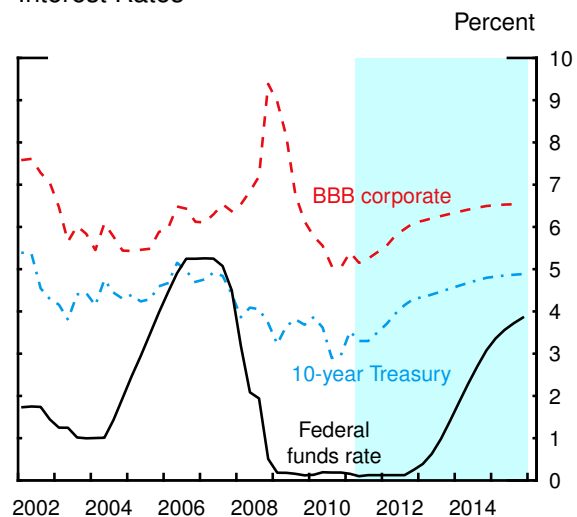
Unemployment Rate



PCE Prices



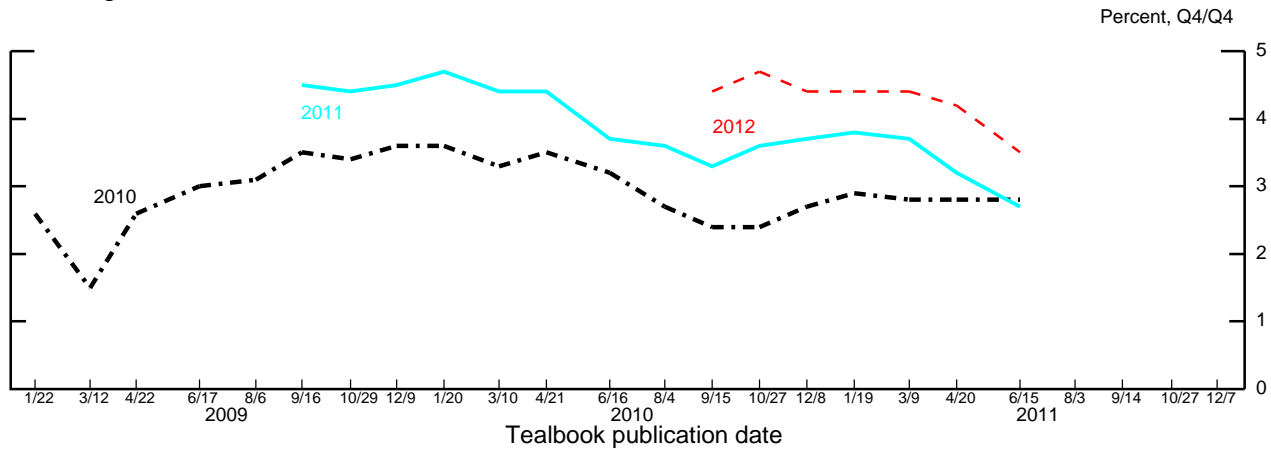
Interest Rates



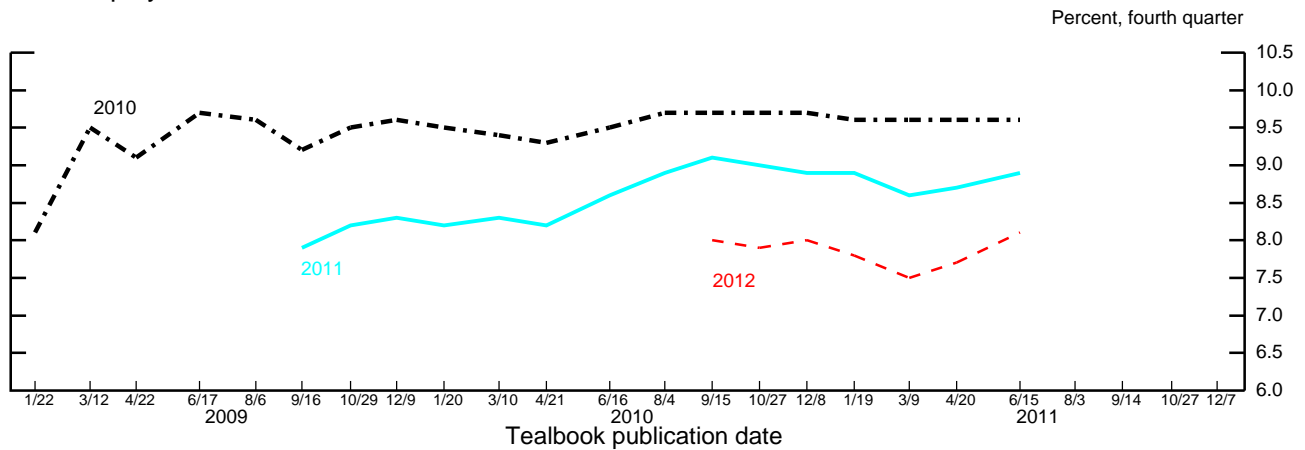
Note: In each panel, shading represents the projection period.

Evolution of the Staff Forecast

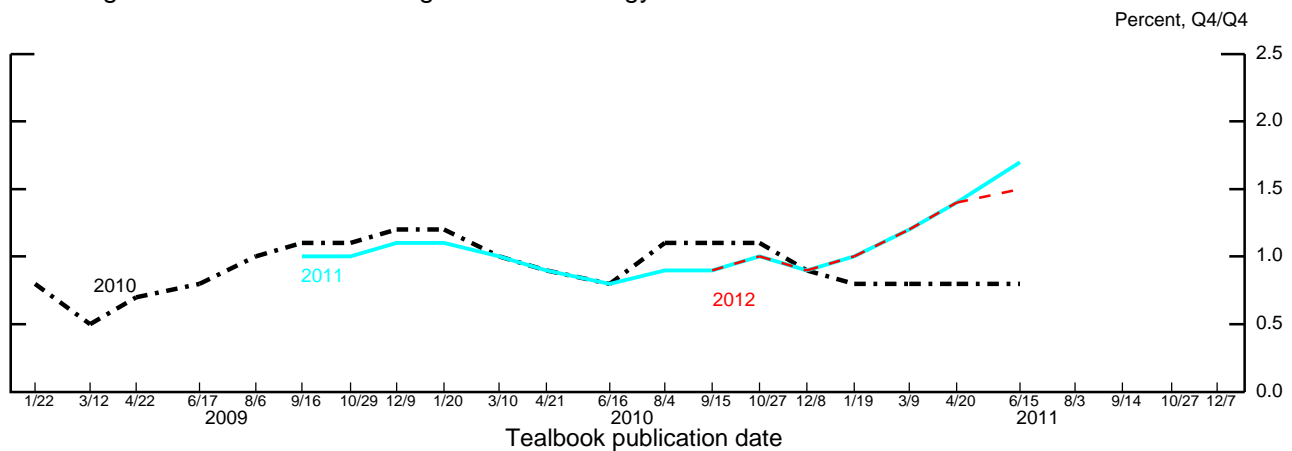
Change in Real GDP



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.

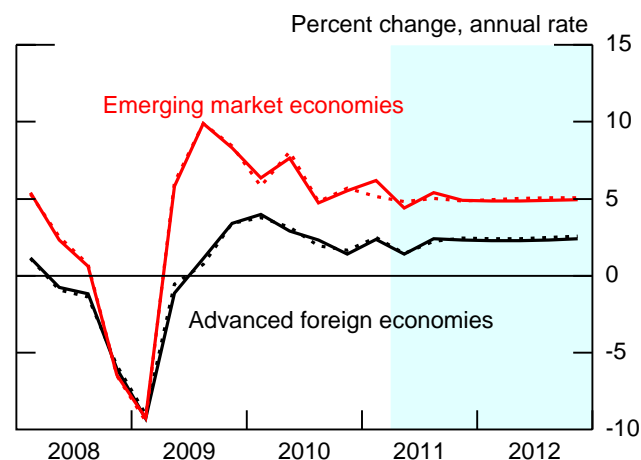
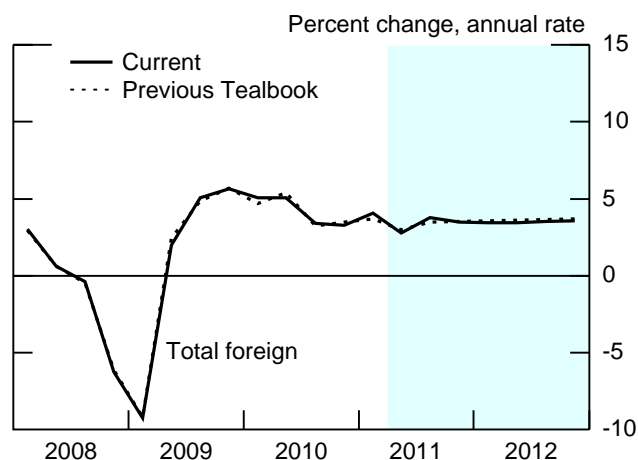
The Foreign Outlook

(Percent change, annual rate)

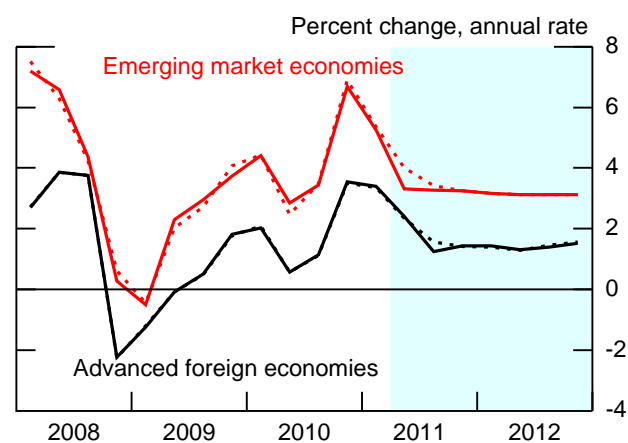
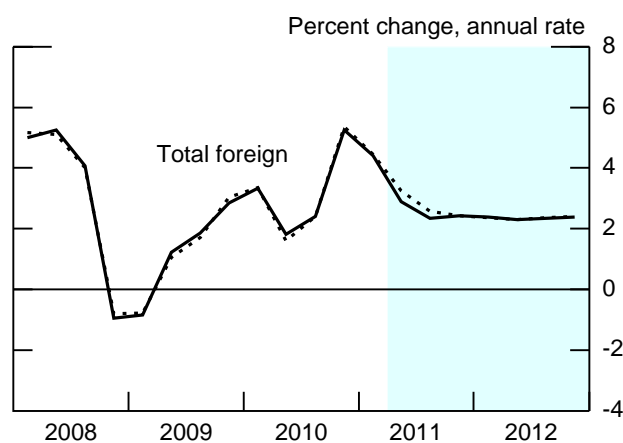
	2010			2011			2012
	H1	Q3	Q4	Q1	Q2	H2	
Real GDP							
Total foreign	5.1	3.4	3.3	4.1	2.8	3.6	3.5
Previous Tealbook	5.0	3.2	3.5	3.7	3.0	3.5	3.6
Advanced foreign economies	3.5	2.3	1.4	2.3	1.4	2.4	2.3
Previous Tealbook	3.5	2.0	1.7	2.5	1.5	2.3	2.4
Emerging market economies	7.0	4.7	5.5	6.2	4.4	5.1	4.9
Previous Tealbook	6.9	4.8	5.7	5.1	4.8	4.9	5.0
Consumer Prices							
Total foreign	2.6	2.4	5.3	4.4	2.9	2.4	2.4
Previous Tealbook	2.5	2.4	5.3	4.4	3.3	2.5	2.4
Advanced foreign economies	1.3	1.1	3.5	3.4	2.4	1.3	1.4
Previous Tealbook	1.3	1.1	3.5	3.4	2.3	1.5	1.4
Emerging market economies	3.6	3.4	6.7	5.3	3.3	3.3	3.1
Previous Tealbook	3.4	3.5	6.9	5.3	4.0	3.3	3.1

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

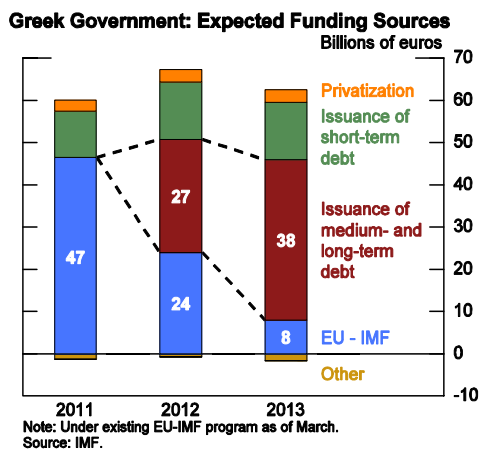
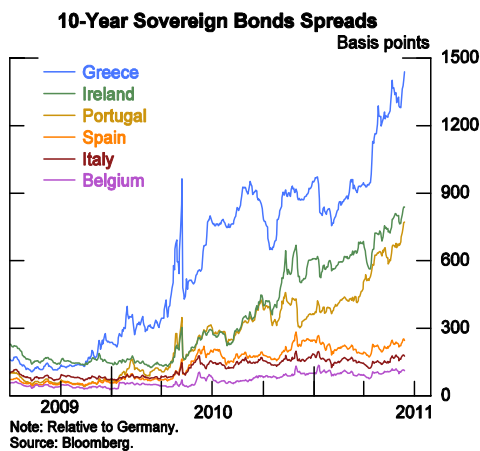
Real GDP



Consumer Prices

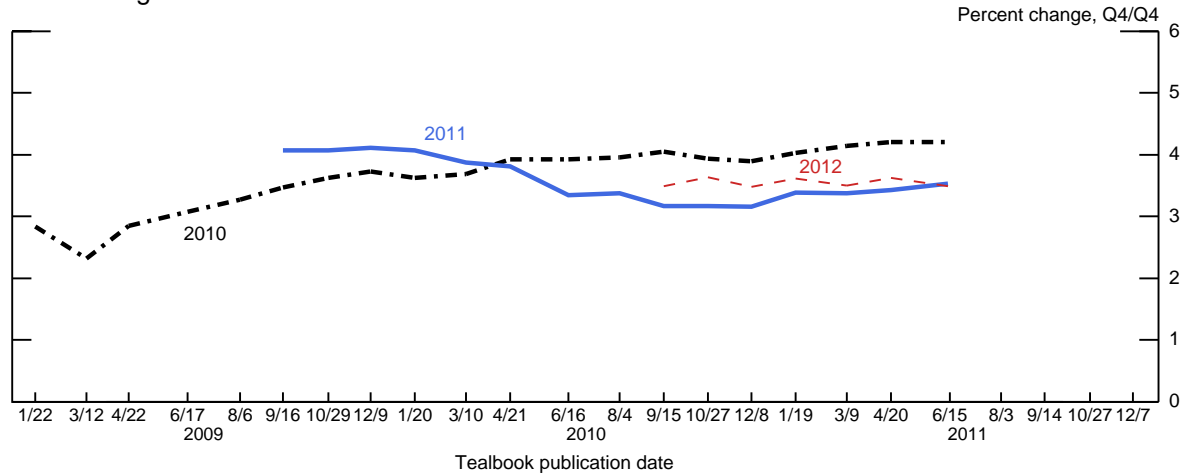


A plan to fully address Greece’s financing needs has yet to be finalized. Our forecast for the euro area assumes that European authorities ultimately manage the Greek debt crisis in a manner that limits broader disruptions. In the near term, we expect that additional official financing will be pledged in time to avert a disorderly default in July, likely involving an expression of intent to elicit contributions from private creditors. Although some combination of additional official financing, private-creditor contributions, privatization receipts, and fiscal measures may cover Greece for some time to come, ultimately, more ambitious steps will likely be needed to put Greece’s debt on a sustainable basis.

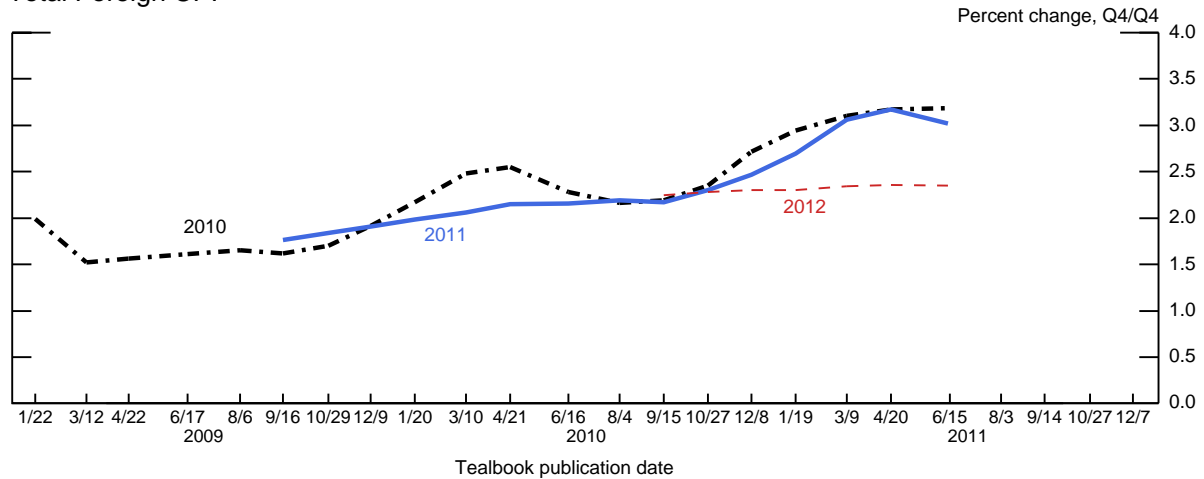


Evolution of Staff's International Forecast

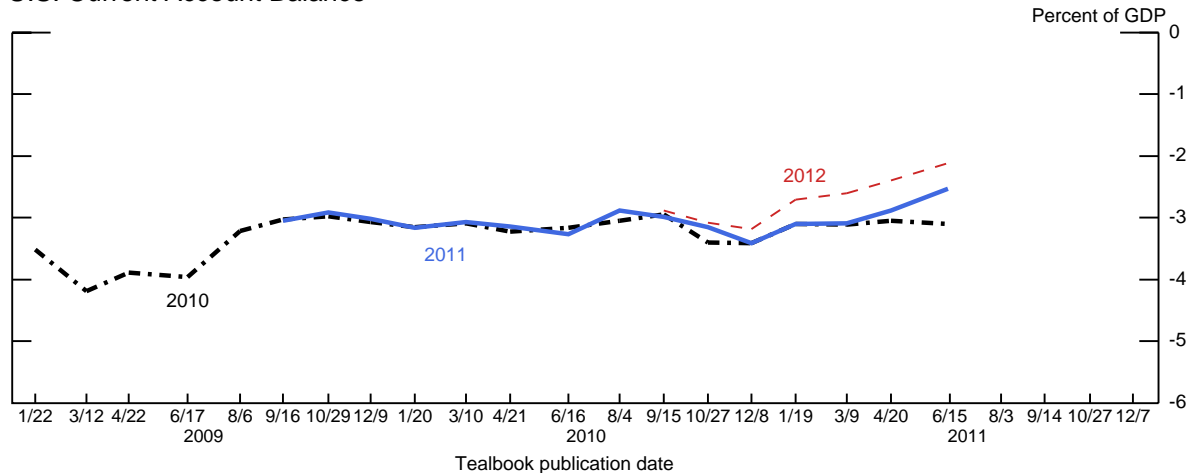
Total Foreign GDP



Total Foreign CPI

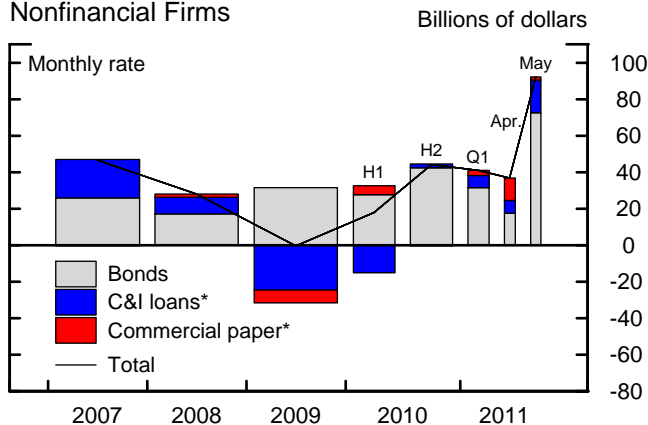


U.S. Current Account Balance



Business Finance

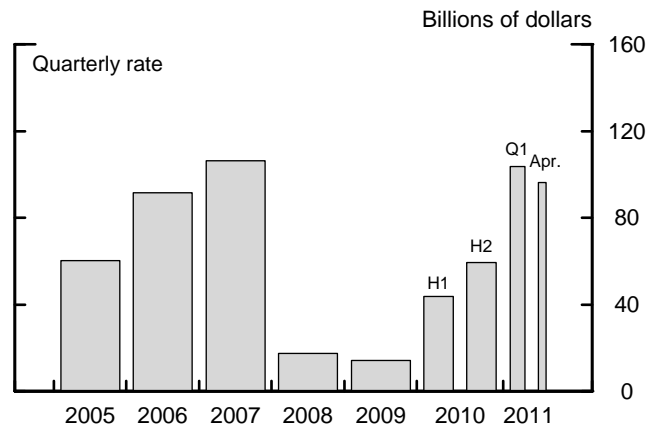
Selected Components of Net Debt Financing,
Nonfinancial Firms



* Period-end basis, seasonally adjusted.

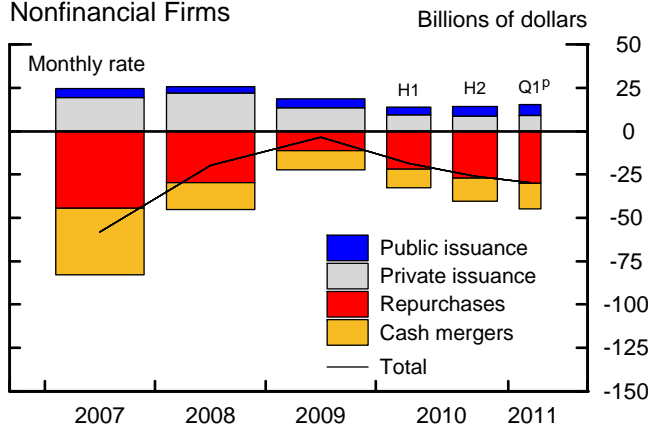
Source: Depository Trust & Clearing Corporation; Thomson Financial; Federal Reserve Board.

Institutional Leveraged Loan Issuance



Source: Reuters Loan Pricing Corporation.

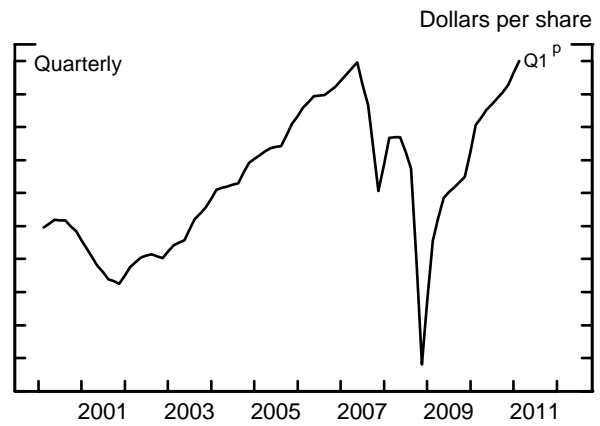
Selected Components of Net Equity Issuance,
Nonfinancial Firms



p Preliminary.

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

S&P 500 Earnings Per Share

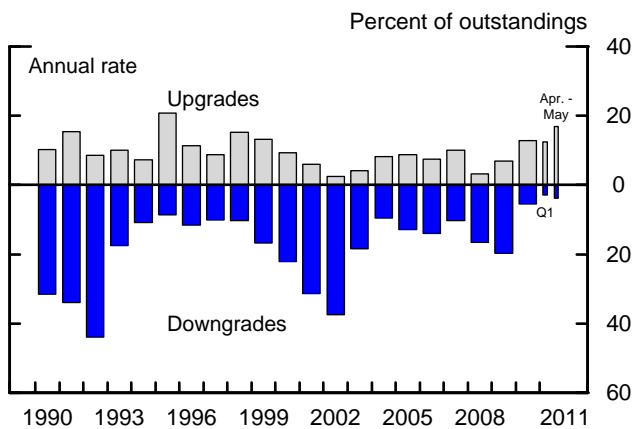


Note: Data are seasonally adjusted by staff.

p Preliminary.

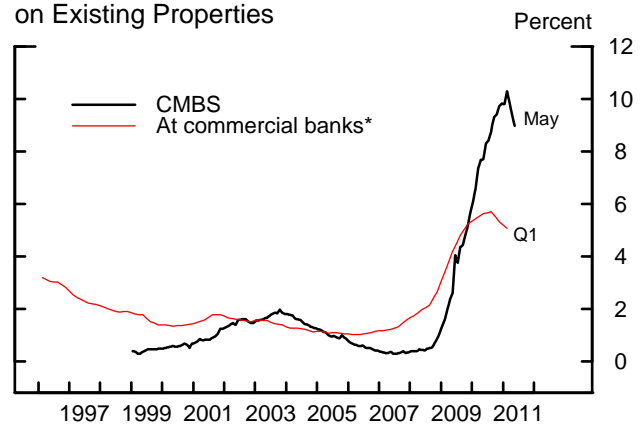
Source: Thomson Financial.

Bond Ratings Changes of Nonfinancial Firms



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

Delinquency Rates on Commercial Mortgages
on Existing Properties



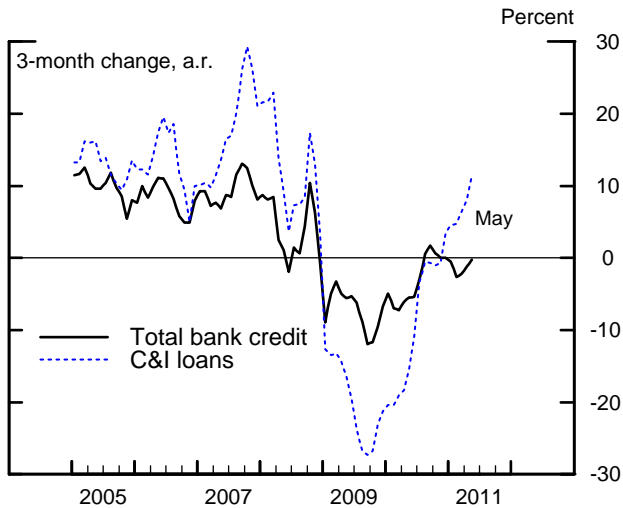
Note: CMBS are commercial mortgage-backed securities. All series are seasonally adjusted.

* Excluding farmland.

Source: Citigroup; Call Report.

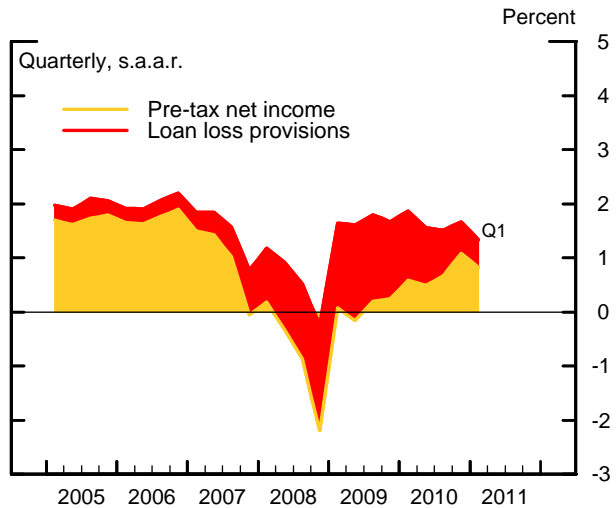
Commercial Banking and Money

Changes in Bank Credit



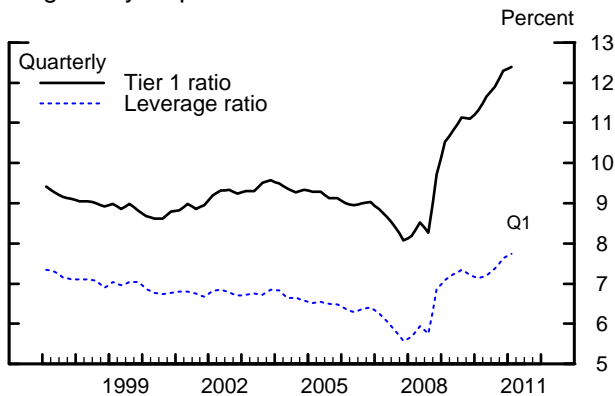
Source: Federal Reserve Board, Statistical Release H.8, "Assets and Liabilities of Commercial Banks in the United States."

Pre-Tax Net Income and Loan Loss Provisions



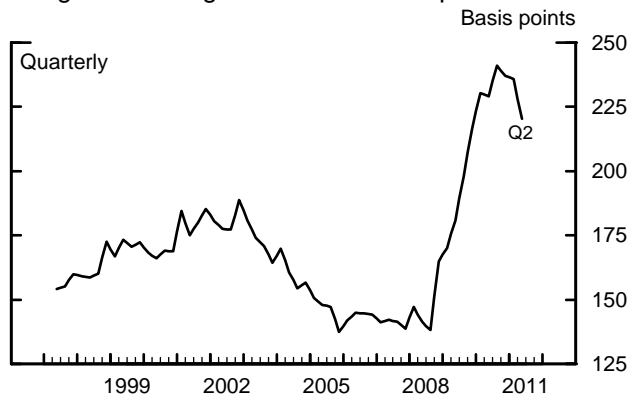
Source: Federal Reserve Board, FR Y-9C, Consolidated Financial Statements for Bank Holding Companies.

Regulatory Capital Ratios



Source: Federal Reserve Board, FR Y-9C, Consolidated Financial Statements for Bank Holding Companies.

Weighted-Average C&I Loan Rate Spread



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

Source: Survey of Terms of Business Lending.

Growth of M2 and Its Components

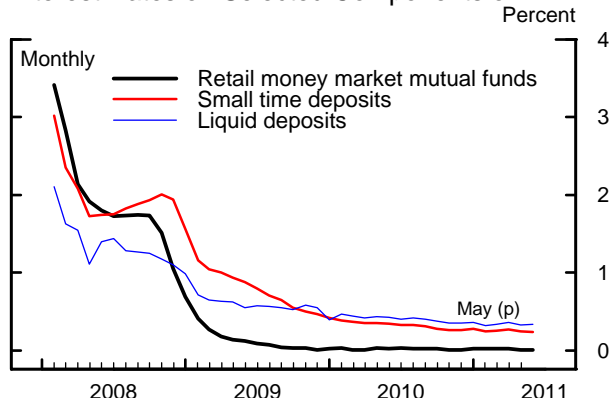
Percent, s.a.a.r.	M2	Liquid deposits	Small time deposits	RMMM	Curr.
2009	5.0	17.1	-15.7	-22.1	6.9
2010	3.2	11.0	-21.6	-15.6	5.9
2011					
Q1	4.3	9.6	-23.0	-9.1	7.7
Apr.	4.5	7.7	-17.9	-9.6	13.7
May(p)	7.3	10.6	-20.0	4.7	12.3

Note: RMMM are retail money market mutual funds.

p Preliminary.

Source: Federal Reserve Board.

Interest Rates on Selected Components of M2



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

p Preliminary.

Source: Federal Reserve Board.

Alternative Scenarios

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

Measure and scenario	2011		2012	2013	2014-15
	H1	H2			
<i>Real GDP</i>					
Extended Tealbook baseline	2.0	3.4	3.5	4.2	3.8
Labor market damage	2.0	3.2	3.2	3.8	3.4
Stronger recovery	2.0	3.9	4.4	4.7	3.1
Weaker recovery	2.0	2.7	2.2	3.2	4.6
Weaker recovery, further disinflation	2.0	2.6	2.1	3.1	4.7
Fiscal consolidation	2.0	3.3	3.4	4.2	3.9
Mild recession in Europe	2.0	3.3	3.2	4.2	3.9
Severe recession in Europe	2.0	2.7	1.6	3.9	4.3
<i>Unemployment rate¹</i>					
Extended Tealbook baseline	9.0	8.9	8.1	7.1	5.5
Labor market damage	9.0	9.0	8.4	7.6	6.3
Stronger recovery	9.0	8.8	7.6	6.2	5.1
Weaker recovery	9.0	9.0	8.7	8.3	6.4
Weaker recovery, further disinflation	9.0	9.0	8.8	8.4	6.4
Fiscal consolidation	9.0	8.9	8.2	7.2	5.6
Mild recession in Europe	9.0	8.9	8.2	7.3	5.6
Severe recession in Europe	9.0	9.0	8.9	8.2	6.2
<i>Core PCE prices</i>					
Extended Tealbook baseline	1.8	1.5	1.5	1.5	1.6
Labor market damage	1.8	1.6	1.7	1.7	1.8
Stronger recovery	1.8	1.5	1.5	1.6	1.9
Weaker recovery	1.8	1.5	1.4	1.3	1.1
Weaker recovery, further disinflation	1.8	1.4	1.1	.5	.3
Fiscal consolidation	1.8	1.5	1.4	1.4	1.5
Mild recession in Europe	1.8	1.4	1.3	1.4	1.6
Severe recession in Europe	1.8	1.1	.5	1.1	1.5
<i>Federal funds rate¹</i>					
Extended Tealbook baseline	.1	.1	.2	1.4	3.9
Labor market damage	.1	.1	.4	1.8	3.9
Stronger recovery	.1	.3	1.2	2.8	4.2
Weaker recovery	.1	.1	.1	.1	3.1
Weaker recovery, further disinflation	.1	.1	.1	.1	1.8
Fiscal consolidation	.1	.1	.2	1.0	3.3
Mild recession in Europe	.1	.1	.1	1.2	3.7
Severe recession in Europe	.1	.1	.1	.4	3.1

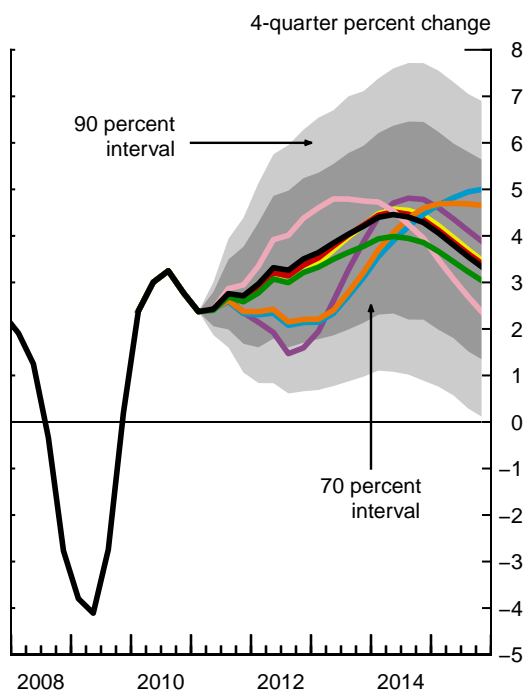
1. Percent, average for the final quarter of the period.

Forecast Confidence Intervals and Alternative Scenarios

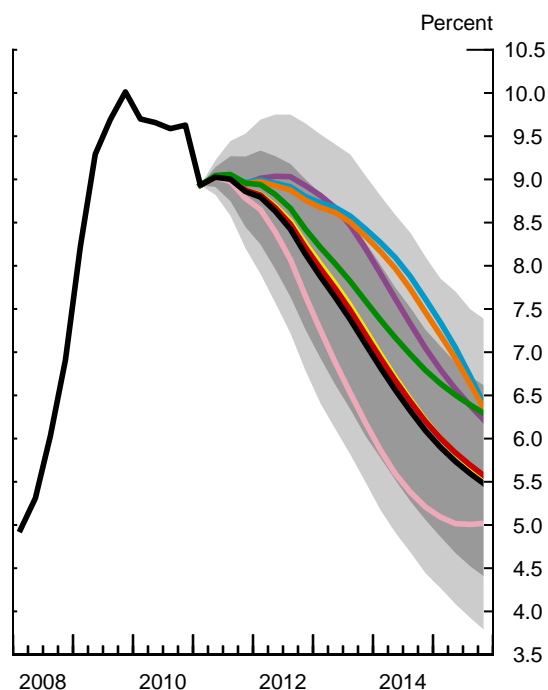
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- Stronger recovery
- Labor market damage
- Weaker recovery
- Weaker recovery, further disinflation
- Fiscal consolidation
- Mild recession in Europe
- Severe recession in Europe

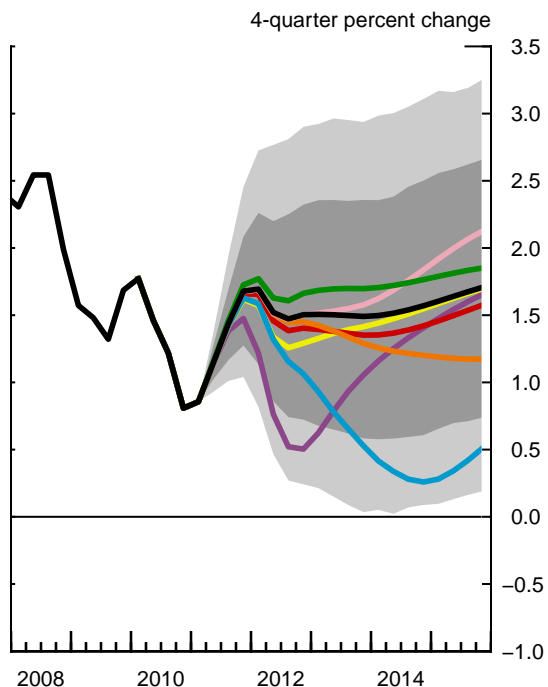
Real GDP



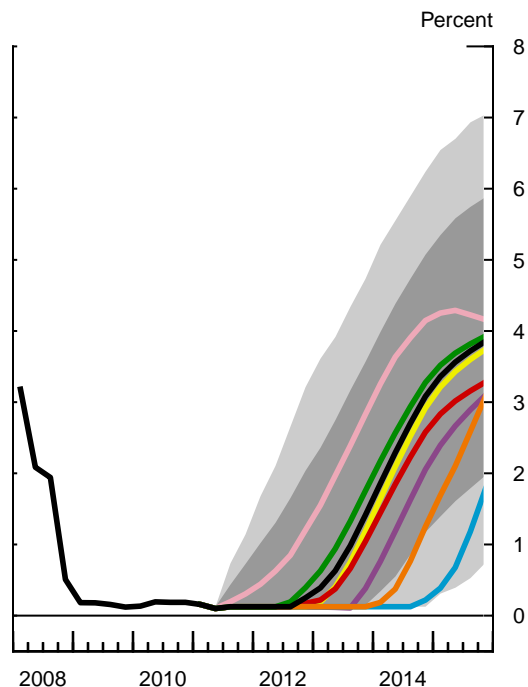
Unemployment Rate



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	2.7	3.5	4.2	4.3	3.3
Confidence interval					
Tealbook forecast errors	1.4–4.0	1.7–5.3	...	...	...
FRB/US stochastic simulations	1.7–3.8	1.7–5.2	2.1–5.9	2.2–6.5	1.3–5.6
<i>Civilian unemployment rate</i> (percent, Q4)					
Projection	8.9	8.1	7.1	6.1	5.5
Confidence interval					
Tealbook forecast errors	8.4–9.4	7.3–8.9	...	...	...
FRB/US stochastic simulations	8.4–9.3	7.3–9.0	6.0–8.3	5.1–7.3	4.4–6.6
<i>PCE prices, total</i> (percent change, Q4 to Q4)					
Projection	2.3	1.5	1.5	1.6	1.7
Confidence interval					
Tealbook forecast errors	1.6–3.1	.2–2.7	...	...	...
FRB/US stochastic simulations	1.6–3.1	.3–2.7	.2–2.7	.2–2.8	.4–3.0
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)					
Projection	1.7	1.5	1.5	1.6	1.7
Confidence interval					
Tealbook forecast errors	1.2–2.1	.8–2.2	...	...	...
FRB/US stochastic simulations	1.3–2.1	.7–2.3	.6–2.4	.6–2.5	.7–2.7
<i>Federal funds rate</i> (percent, Q4)					
Projection	.1	.2	1.4	3.1	3.9
Confidence interval					
FRB/US stochastic simulations	.1–.7	.1–2.0	.1–3.6	1.2–5.1	2.0–5.9

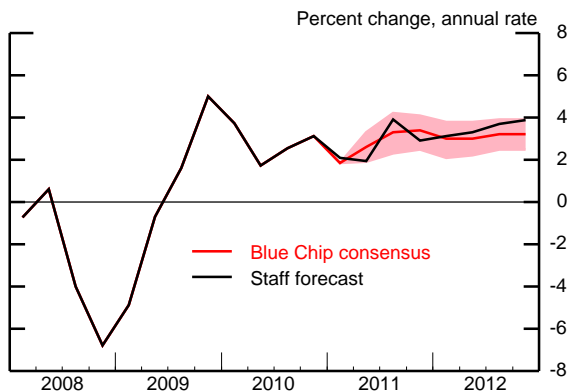
Note: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969–2009 set of model equation residuals.

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.

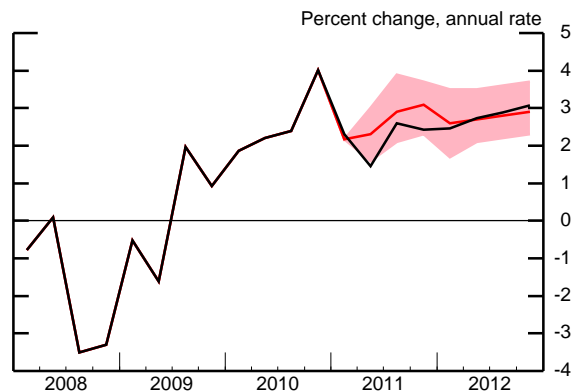
Tealbook Forecast Compared with Blue Chip (Blue Chip survey released June 10, 2011)

Real GDP

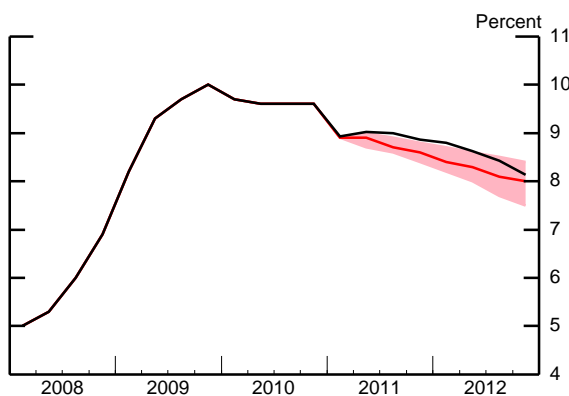


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

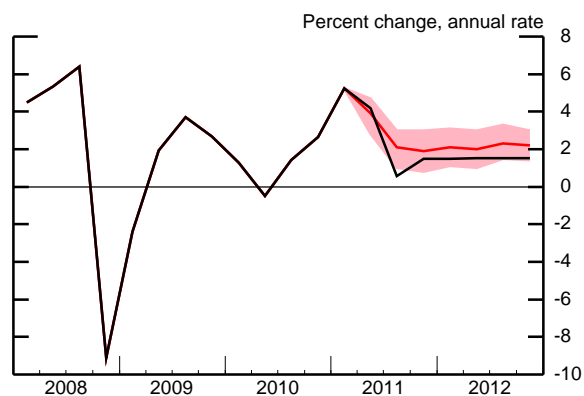
Real PCE



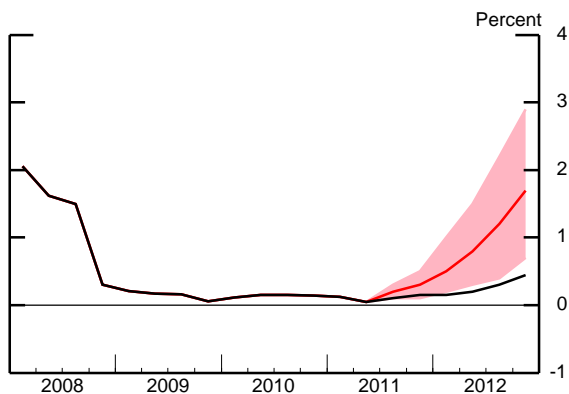
Unemployment Rate



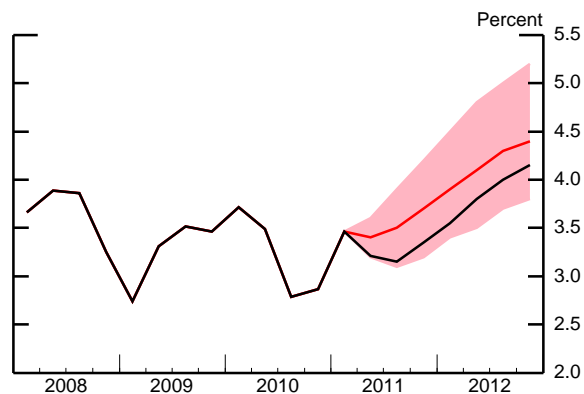
Consumer Price Index



Treasury Bill Rate



10-Year Treasury Yield



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

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

Interval	Nominal GDP		Real GDP		PCE price index		Core PCE price index		Unemployment rate ¹	
	04/20/11	06/15/11	04/20/11	06/15/11	04/20/11	06/15/11	04/20/11	06/15/11	04/20/11	06/15/11
<i>Quarterly</i>										
2010:Q1	4.8	4.8	3.7	3.7	2.1	2.1	1.2	1.2	9.7	9.7
Q2	3.7	3.7	1.7	1.7	.0	.0	1.0	1.0	9.6	9.6
Q3	4.6	4.6	2.6	2.6	.8	.8	.5	.5	9.6	9.6
Q4	3.5	3.5	3.1	3.1	1.7	1.7	.4	.4	9.6	9.6
2011:Q1	3.6	4.1	1.7	2.1	3.8	3.8	1.4	1.4	8.9	8.9
Q2	6.1	5.8	3.1	1.9	2.8	3.4	1.5	2.2	8.9	9.0
Q3	5.4	5.6	4.1	3.9	1.2	.8	1.3	1.7	8.8	9.0
Q4	5.1	4.3	3.8	2.9	1.2	1.4	1.2	1.4	8.7	8.9
2012:Q1	5.5	4.7	4.0	3.1	1.2	1.4	1.3	1.5	8.5	8.8
Q2	5.6	4.8	4.2	3.3	1.2	1.5	1.4	1.5	8.2	8.6
Q3	5.6	5.2	4.2	3.7	1.2	1.5	1.4	1.5	7.9	8.4
Q4	5.7	5.4	4.3	3.9	1.3	1.5	1.4	1.5	7.7	8.1
<i>Two-quarter²</i>										
2010:Q2	4.3	4.3	2.7	2.7	1.0	1.0	1.1	1.1	-4	-4
Q4	4.1	4.1	2.8	2.8	1.2	1.2	.5	.5	.0	.0
2011:Q2	4.8	4.9	2.4	2.0	3.3	3.6	1.4	1.8	-7	-6
Q4	5.3	4.9	4.0	3.4	1.2	1.1	1.3	1.5	-2	-1
2012:Q2	5.6	4.8	4.1	3.2	1.2	1.5	1.4	1.5	-5	-3
Q4	5.7	5.3	4.2	3.8	1.2	1.5	1.4	1.5	-5	-5
<i>Four-quarter³</i>										
2009:Q4	.6	.6	.2	.2	1.5	1.5	1.7	1.7	3.1	3.1
2010:Q4	4.2	4.2	2.8	2.8	1.1	1.1	.8	.8	-4	-4
2011:Q4	5.0	4.9	3.2	2.7	2.2	2.3	1.4	1.7	-9	-7
2012:Q4	5.6	5.1	4.2	3.5	1.2	1.5	1.4	1.5	-10	-8
<i>Annual</i>										
2009	-1.7	-1.7	-2.6	-2.6	.2	.2	1.5	1.5	9.3	9.3
2010	3.8	3.8	2.9	2.9	1.7	1.7	1.3	1.3	9.6	9.6
2011	4.5	4.5	2.8	2.6	2.1	2.2	1.1	1.3	8.8	9.0
2012	5.5	5.0	4.0	3.3	1.3	1.5	1.3	1.5	8.1	8.5

1. Level, except for two-quarter and four-quarter intervals.

2. Percent change from two quarters earlier; for unemployment rate, change is in percentage points.

3. Percent change from four quarters earlier; for unemployment rate, change is in percentage points.

Changes in Real Gross Domestic Product and Related Items

(Percent, annual rate except as noted)

Item	2010				2011				2012				2010 ¹	2011 ¹	2012 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Tealbook</i>	3.7 3.7	1.7 1.7	2.6 2.6	3.1 3.1	2.1 1.7	1.9 3.1	3.9 4.1	2.9 3.8	3.1 4.0	3.3 4.2	3.7 4.2	3.9 4.3	2.8 2.8	2.7 3.2	3.5 4.2
Final sales <i>Previous Tealbook</i>	1.1 1.1	.9 .9	.9 .9	6.7 6.7	.8 .5	2.5 3.4	2.6 3.0	3.5 4.9	3.2 3.6	3.2 3.9	3.1 3.8	3.4 4.2	2.4 2.4	2.4 2.9	3.2 3.9
Priv. dom. final purch. <i>Previous Tealbook</i>	2.1 2.1	4.4 4.4	2.3 2.3	4.4 4.2	2.2 2.3	2.1 3.6	3.4 3.8	3.0 4.0	2.6 3.7	3.1 4.2	3.5 4.4	3.7 4.6	3.3 3.2	2.7 3.4	3.2 4.2
Personal cons. expend. <i>Previous Tealbook</i>	1.9 1.9	2.2 2.2	2.4 2.4	4.0 4.0	2.3 2.5	1.5 3.0	2.6 3.1	2.4 3.1	2.5 3.3	2.7 3.7	2.9 3.9	3.1 4.0	2.6 2.6	2.2 2.9	2.8 3.7
Durables	8.8	6.8	7.6	21.1	9.0	-.7	7.8	7.1	9.9	10.5	11.6	10.5	10.9	5.7	10.6
Nondurables	4.2	1.9	2.5	4.1	1.1	.1	1.5	1.1	.8	.7	.5	.6	3.2	1.0	.7
Services	.1	1.6	1.6	1.5	1.7	2.3	2.2	2.1	1.9	2.2	2.3	2.7	1.2	2.1	2.3
Residential investment <i>Previous Tealbook</i>	-12.3 -12.3	25.7 25.7	-27.3 -27.3	3.3 3.3	-2.9 -1.8	1.3 .4	1.6 2.6	2.7 5.3	3.0 6.1	5.5 7.8	7.3 9.3	8.3 11.8	-4.6 -4.6	.7 1.6	6.0 8.7
Business fixed invest. <i>Previous Tealbook</i>	7.8 7.8	17.2 17.2	10.0 10.0	7.7 7.7	2.9 2.2	6.8 8.6	9.5 9.2	7.2 10.2	3.7 5.7	5.6 7.0	6.9 7.3	6.8 7.3	10.6 10.6	6.6 7.5	5.7 6.8
Equipment & software	20.4	24.8	15.4	7.7	10.1	7.0	13.2	9.5	5.6	7.8	9.3	9.2	16.9	10.0	8.0
<i>Previous Tealbook</i>	20.4	24.8	15.4	7.7	10.1	12.2	12.6	13.4	8.0	9.3	9.6	9.7	16.9	12.1	9.1
Nonres. structures	-17.8	-.5	-3.5	7.6	-15.2	6.1	-.6	.7	-1.8	-.7	-.3	-.3	-4.0	-2.6	-.8
<i>Previous Tealbook</i>	-17.8	-.5	-3.5	7.6	-17.3	-1.4	-.7	.8	-1.4	-.3	.1	.1	-4.0	-5.0	-.4
Net exports ²	-338	-449	-505	-398	-393	-364	-374	-338	-305	-283	-273	-258	-422	-367	-279
<i>Previous Tealbook</i> ²	-338	-449	-505	-398	-393	-396	-407	-357	-336	-321	-316	-302	-422	-388	-319
Exports	11.4	9.1	6.8	8.6	7.8	10.4	10.3	9.7	9.5	9.0	8.7	8.6	9.0	9.5	9.0
Imports	11.2	33.5	16.8	-12.6	5.5	2.6	10.6	1.3	1.7	3.6	5.7	4.9	11.0	4.9	4.0
Gov't. cons. & invest. <i>Previous Tealbook</i>	-1.6 -1.6	3.9 3.9	3.9 3.9	-1.7 -1.7	-5.6 -7.0	-.5 2.4	1.1 1.3	-.4 -.3	-.3 -.3	-.3 .0	-.2 .1	-.2 -.1	1.1 1.1	-1.4 -1.0	-.2 -.1
Federal	1.8	9.1	8.8	-.3	-7.9	2.1	4.7	-.4	-.4	-.7	-.7	-1.2	4.8	-.5	-.8
Defense	.4	7.4	8.5	-2.2	-11.7	1.6	7.3	.1	.4	.0	.0	-.2	3.4	-.9	.1
Nondefense	5.0	12.8	9.5	3.7	.1	3.3	-.2	-1.3	-2.1	-2.2	-2.2	-3.3	7.7	.5	-2.4
State & local	-3.8	.6	.7	-2.6	-3.9	-2.3	-1.3	-.5	-.1	.0	.2	.4	-1.3	-2.0	.1
Change in bus. inventories ²	44	69	121	16	57	38	76	58	57	60	78	93	63	57	72
<i>Previous Tealbook</i> ²	44	69	121	16	51	44	79	46	58	66	78	80	63	55	70
Nonfarm ²	37	61	117	15	59	35	73	55	54	57	74	90	57	55	69
Farm ²	8	8	5	1	-1	4	4	4	4	4	4	4	5	2	4

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

2. Billions of chained (2005) dollars.

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

Item	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real GDP	3.1	2.7	2.4	2.3	-2.8	.2	2.8	2.7	3.5
<i>Previous Tealbook</i>	3.1	2.7	2.4	2.3	-2.8	.2	2.8	3.2	4.2
Final sales	2.8	2.7	2.8	2.5	-1.9	-3	2.4	2.4	3.2
<i>Previous Tealbook</i>	2.8	2.7	2.8	2.5	-1.9	-3	2.4	2.9	3.9
Priv. dom. final purch.	4.2	3.1	2.5	1.3	-3.8	-2.0	3.3	2.7	3.2
<i>Previous Tealbook</i>	4.2	3.1	2.5	1.3	-3.8	-2.0	3.2	3.4	4.2
Personal cons. expend.	3.5	2.7	3.3	1.7	-1.9	.2	2.6	2.2	2.8
<i>Previous Tealbook</i>	3.5	2.7	3.3	1.7	-1.9	.2	2.6	2.9	3.7
Durables	5.5	2.1	6.3	3.9	-12.3	4.8	10.9	5.7	10.6
Nondurables	3.0	3.3	3.2	.8	-2.9	1.1	3.2	1.0	.7
Services	3.4	2.6	2.8	1.7	.3	-.8	1.2	2.1	2.3
Residential investment	6.6	5.3	-15.7	-20.7	-24.6	-13.4	-4.6	.7	6.0
<i>Previous Tealbook</i>	6.6	5.3	-15.7	-20.7	-24.6	-13.4	-4.6	1.6	8.7
Business fixed invest.	7.0	4.4	7.8	8.2	-8.3	-12.7	10.6	6.6	5.7
<i>Previous Tealbook</i>	7.0	4.4	7.8	8.2	-8.3	-12.7	10.6	7.5	6.8
Equipment & software	8.8	6.1	6.0	4.3	-11.8	-4.9	16.9	10.0	8.0
<i>Previous Tealbook</i>	8.8	6.1	6.0	4.3	-11.8	-4.9	16.9	12.1	9.1
Nonres. structures	1.7	-.1	13.0	17.3	-1.5	-26.5	-4.0	-2.6	-.8
<i>Previous Tealbook</i>	1.7	-.1	13.0	17.3	-1.5	-26.5	-4.0	-5.0	-.4
Net exports¹	-688	-723	-729	-655	-504	-363	-422	-367	-279
<i>Previous Tealbook¹</i>	-688	-723	-729	-655	-504	-363	-422	-388	-319
Exports	7.1	6.7	10.2	10.1	-2.9	-.1	9.0	9.5	9.0
Imports	10.9	5.2	4.1	.7	-6.0	-7.2	11.0	4.9	4.0
Gov't. cons. & invest.	.6	.7	1.5	1.9	3.1	.8	1.1	-1.4	-.2
<i>Previous Tealbook</i>	.6	.7	1.5	1.9	3.1	.8	1.1	-1.0	-.1
Federal	2.3	1.2	2.2	3.1	9.2	3.6	4.8	-.5	-.8
Defense	2.4	.4	4.4	2.6	9.5	3.3	3.4	-.9	.1
Nondefense	2.3	2.6	-2.3	4.2	8.5	4.5	7.7	.5	-2.4
State & local	-.4	.4	1.2	1.2	-.4	-1.0	-1.3	-2.0	.1
Change in bus. inventories¹	66	50	59	28	-38	-113	63	57	72
<i>Previous Tealbook¹</i>	66	50	59	28	-38	-113	63	55	70
Nonfarm¹	58	50	63	29	-39	-117	57	55	69
Farm¹	8	0	-4	-1	1	3	5	2	4

1. Billions of chained (2005) dollars.

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

Item	2010				2011				2012				2010 ¹	2011 ¹	2012 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real GDP <i>Previous Tealbook</i>	3.7 3.7	1.7 1.7	2.6 2.6	3.1 3.1	2.1 1.7	1.9 3.1	3.9 4.1	2.9 3.8	3.1 4.0	3.3 4.2	3.7 4.2	3.9 4.3	2.8 2.8	2.7 3.2	3.5 4.2
Final sales <i>Previous Tealbook</i>	1.1 1.1	.9 .9	.9 .9	6.5 6.5	.8 .5	2.5 3.3	2.7 3.0	3.5 4.8	3.2 3.6	3.2 3.9	3.1 3.8	3.4 4.2	2.4 2.4	2.4 2.9	3.2 3.9
Priv. dom. final purch. <i>Previous Tealbook</i>	1.7 1.7	3.6 3.6	1.9 1.9	3.6 3.5	1.8 1.9	1.7 3.0	2.8 3.2	2.5 3.3	2.2 3.1	2.6 3.5	2.9 3.7	3.0 3.8	2.7 2.7	2.2 2.8	2.7 3.5
Personal cons. expend. <i>Previous Tealbook</i>	1.3 1.3	1.5 1.5	1.7 1.7	2.8 2.8	1.6 1.7	1.0 2.2	1.9 2.2	1.7 2.2	1.7 2.4	1.9 2.6	2.0 2.7	2.2 2.8	1.9 1.9	1.6 2.1	2.0 2.6
Durables	.6	.5	.5	1.5	.7	-1	.6	.5	.7	.8	.9	.8	.8	.4	.8
Nondurables	.7	.3	.4	.7	.2	.0	.3	.2	.1	.1	.1	.1	.5	.2	.1
Services	.0	.8	.7	.7	.8	1.1	1.0	1.0	.9	1.0	1.1	1.3	.6	1.0	1.1
Residential investment <i>Previous Tealbook</i>	-3 -3	.6 .6	-8 -8	.1 .1	-1 .0	.0 .0	.0 .1	.1 .1	.1 .1	.1 .2	.2 .2	.2 .3	-1 -1	.0 .0	.1 .2
Business fixed invest. <i>Previous Tealbook</i>	.7 .7	1.5 1.5	.9 .9	.7 .7	.3 .2	.7 .8	.9 .9	.7 1.0	.4 .6	.6 .7	.7 .7	.7 .7	1.0 1.0	.6 .7	.6 .7
Equipment & software <i>Previous Tealbook</i>	1.2 1.2	1.5 1.5	1.0 1.0	.5 .5	.7 .7	.5 .9	.9 .9	.7 1.0	.4 .6	.6 .7	.7 .7	.7 .7	1.1 1.1	.7 .9	.6 .7
Nonres. structures <i>Previous Tealbook</i>	-5 -5	.0 .0	-1 -1	.2 .2	-4 -5	.2 .0	.0 .0	.0 .0	.0 .0	.0 .0	.0 .0	.0 .0	-1 -1	-1 -1	.0 .0
Net exports <i>Previous Tealbook</i>	-3 -3	-3.5 -3.5	-1.7 -1.7	3.3 3.3	.1 .1	.9 -1	-4 -4	1.1 1.6	1.0 .6	.7 .4	.3 .1	.4 .4	-6 -6	.4 .3	.6 .4
Exports	1.3	1.1	.8	1.1	1.0	1.3	1.4	1.3	1.3	1.3	1.2	1.2	1.1	1.3	1.3
Imports	-1.6	-4.6	-2.5	2.2	-9	-4	-1.8	-2	-3	-6	-1.0	-8	-1.6	-8	-7
Gov't. cons. & invest. <i>Previous Tealbook</i>	-3 -3	.8 .8	.8 .8	-3 -3	-1.2 -1.5	-1 .5	.2 .3	-1 -1	.0 -1	.0 .0	.0 .0	.0 .0	.2 .2	-3 -2	.0 .0
Federal	.2	.7	.7	.0	-7	.2	.4	.0	.0	-1	-1	-1	.2	.0	-1
Defense	.0	.4	.5	-1	-7	.1	.4	.0	.0	.0	.0	.0	.2	-1	.0
Nondefense	.1	.3	.3	.1	.0	.1	.0	.0	-1	-1	-1	-1	.2	.0	-1
State & local	-5	.1	.1	-3	-5	-3	-2	-1	.0	.0	.0	.1	-2	-2	.0
Change in bus. inventories <i>Previous Tealbook</i>	2.6 2.6	.8 .8	1.6 1.6	-3.4 -3.4	1.3 1.1	-6 -3	1.2 1.1	-6 -1.0	.0 .4	.1 .2	.6 .4	.5 .1	.4 .4	.3 .2	.3 .3
Nonfarm	2.6	.8	1.7	-3.3	1.4	-8	1.2	-6	.0	.1	.5	.5	.5	.3	.3
Farm	.1	.0	-1	-2	-1	.2	.0	.0	.0	.0	.0	.0	-1	.0	.0

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

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

Item	2010				2011				2012				2010 ¹	2011 ¹	2012 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
GDP chain-wt. price index <i>Previous Tealbook</i>	1.0 1.0	1.9 1.9	2.1 2.1	.4 .4	2.0 1.9	3.8 2.9	1.6 1.2	1.3 1.2	1.6 1.5	1.5 1.4	1.5 1.4	1.5 1.4	1.3 1.3	2.2 1.8	1.5 1.4
PCE chain-wt. price index <i>Previous Tealbook</i>	2.1 2.1	.0 .0	.8 .8	1.7 1.7	3.8 3.8	3.4 2.8	.8 1.2	1.4 1.2	1.4 1.2	1.5 1.2	1.5 1.2	1.5 1.3	1.1 1.1	2.3 2.2	1.5 1.2
Energy <i>Previous Tealbook</i>	16.4 16.4	-17.5 -17.5	5.4 5.4	24.3 24.3	40.6 40.6	17.1 18.8	-13.1 -2.1	1.0 -5	1.0 -7	1.3 -1.0	1.0 -1.4	.5 -1.1	5.9 5.9	9.6 12.9	1.0 -1.1
Food <i>Previous Tealbook</i>	1.8 1.8	1.6 1.6	.3 .3	1.4 1.4	6.3 6.4	6.7 5.5	3.0 2.9	2.0 2.2	1.4 1.4	1.3 1.3	1.4 1.4	1.4 1.4	1.3 1.3	4.5 4.3	1.4 1.4
Ex. food & energy <i>Previous Tealbook</i>	1.2 1.2	1.0 1.0	.5 .5	.4 .4	1.4 1.4	2.2 1.5	1.7 1.3	1.4 1.2	1.5 1.3	1.5 1.4	1.5 1.4	1.5 1.4	.8 .8	1.7 1.4	1.5 1.4
Ex. food & energy, market based <i>Previous Tealbook</i>	.7 .7	1.0 1.0	1.1 1.1	.3 .3	1.3 1.3	2.4 1.4	1.7 1.2	1.2 1.1	1.4 1.2	1.4 1.2	1.4 1.3	1.4 1.3	.8 .8	1.6 1.2	1.4 1.2
CPI <i>Previous Tealbook</i>	1.3 1.3	-.5 -.5	1.4 1.4	2.6 2.6	5.2 5.2	4.2 3.7	.6 1.2	1.5 1.2	1.5 1.2	1.5 1.2	1.5 1.2	1.5 1.3	1.2 1.2	2.8 2.8	1.5 1.2
Ex. food & energy <i>Previous Tealbook</i>	.0 .0	.8 .8	1.1 1.1	.6 .6	1.7 1.7	2.4 1.8	1.9 1.3	1.4 1.2	1.5 1.4	1.6 1.4	1.6 1.5	1.6 1.5	.6 .6	1.8 1.5	1.6 1.5
ECI, hourly compensation ² <i>Previous Tealbook</i> ²	2.6 2.6	1.8 1.8	1.8 1.8	2.2 1.8	2.1 2.5	2.2 2.2	2.3 2.3	2.3 2.3	2.5 3.0	2.5 2.7	2.6 2.7	2.6 2.7	2.1 2.1	2.2 2.3	2.6 2.8
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	4.6 4.6	-1.7 -1.7	2.3 2.3	2.9 2.9	2.2 .8	-8 .0	2.4 2.0	1.5 1.5	1.8 1.7	1.6 1.8	1.7 1.8	1.9 1.9	2.0 2.0	1.3 1.1	1.7 1.8
Compensation per hour <i>Previous Tealbook</i>	-2 -2	3.1 3.1	2.5 2.5	.1 2.1	2.5 2.8	1.7 1.7	2.1 2.1	2.2 2.2	2.6 2.8	2.4 2.6	2.4 2.6	2.5 2.7	1.4 1.9	2.1 2.2	2.5 2.7
Unit labor costs <i>Previous Tealbook</i>	-4.6 -4.6	4.9 4.9	.1 .1	-2.7 -8	.3 2.0	2.5 1.7	-.3 .1	.6 .7	.8 1.1	.9 .8	.7 .8	.7 .8	-.6 -2	.8 1.1	.7 .9
Core goods imports chain-wt. price index ³ <i>Previous Tealbook</i> ³	4.2 4.2	3.1 3.1	-8 -8	4.3 4.3	8.1 8.2	7.2 5.7	3.5 3.6	1.5 2.0	1.4 1.5	1.5 1.4	1.5 1.4	1.5 1.4	2.7 2.7	5.0 4.9	1.4 1.4

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

2. Private-industry workers.

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

Greensheets

Changes in Prices and Costs

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

Item	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP chain-wt. price index <i>Previous Tealbook</i>	3.2 3.2	3.5 3.5	2.9 2.9	2.6 2.6	2.1 2.1	.5 .5	1.3 1.3	2.2 1.8	1.5 1.4
PCE chain-wt. price index <i>Previous Tealbook</i>	3.0 3.0	3.3 3.3	1.9 1.9	3.5 3.5	1.7 1.7	1.5 1.5	1.1 1.1	2.3 2.2	1.5 1.2
Energy <i>Previous Tealbook</i>	18.6 18.6	21.5 21.5	-3.7 -3.7	19.4 19.4	-9.0 -9.0	2.7 2.7	5.9 5.9	9.6 12.9	1.0 -1.1
Food <i>Previous Tealbook</i>	2.7 2.7	1.5 1.5	1.7 1.7	4.8 4.8	6.9 6.9	-1.6 -1.6	1.3 1.3	4.5 4.3	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	.8 .8	1.7 1.4	1.5 1.4
Ex. food & energy, market based <i>Previous Tealbook</i>	1.9 1.9	2.1 2.1	2.2 2.2	2.2 2.2	2.2 2.2	1.7 1.7	.8 .8	1.6 1.2	1.4 1.2
CPI <i>Previous Tealbook</i>	3.4 3.4	3.7 3.7	2.0 2.0	4.0 4.0	1.6 1.6	1.5 1.5	1.2 1.2	2.8 2.8	1.5 1.2
Ex. food & energy <i>Previous Tealbook</i>	2.2 2.2	2.1 2.1	2.7 2.7	2.3 2.3	2.0 2.0	1.7 1.7	.6 .6	1.8 1.5	1.6 1.5
ECL, hourly compensation ¹ <i>Previous Tealbook</i> ¹	3.8 3.8	2.9 2.9	3.2 3.2	3.0 3.0	2.4 2.4	1.2 1.2	2.1 2.1	2.2 2.3	2.6 2.8
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	1.5 1.5	1.4 1.4	.9 .9	2.6 2.6	-.4 -.4	6.5 6.5	2.0 2.0	1.3 1.1	1.7 1.8
Compensation per hour <i>Previous Tealbook</i>	3.3 3.3	3.5 3.5	4.5 4.5	3.6 3.6	2.3 2.3	2.8 2.8	1.4 1.9	2.1 2.2	2.5 2.7
Unit labor costs <i>Previous Tealbook</i>	1.9 1.9	2.0 2.0	3.5 3.5	.9 .9	2.7 2.7	-3.5 -3.5	-.6 -2	.8 1.1	.7 .9
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ²	3.6 3.6	2.2 2.2	2.5 2.5	2.9 2.9	3.5 3.5	-1.9 -1.9	2.7 2.7	5.0 4.9	1.4 1.4

1. Private-industry workers.

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

Other Macroeconomic Indicators

Item	2010				2011				2012				2010 ¹	2011 ¹	2012 ¹
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Employment and production</i>															
Nonfarm payroll employment ²	-1	.6	-1	.2	.4	.5	.5	.6	.5	.6	.7	.8	.7	2.0	2.5
Unemployment rate ³	9.7	9.6	9.6	9.6	8.9	9.0	9.0	8.9	8.8	8.9	8.4	8.1	9.6	8.9	8.1
<i>Previous Tealbook</i> ³	9.7	9.6	9.6	9.6	8.9	8.9	8.8	8.7	8.5	8.2	7.9	7.7	9.6	8.7	7.7
NAIRU ³	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
<i>Previous Tealbook</i> ³	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
GDP gap ⁴	-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
<i>Previous Tealbook</i> ⁴	-6.2	-6.2	-6.1	-5.9	-6.0	-5.8	-5.4	-5.0	-4.7	-4.3	-3.9	-3.5	-5.9	-5.0	-3.5
Industrial production ⁵	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
<i>Previous Tealbook</i> ⁵	8.1	7.1	6.7	3.2	6.0	5.4	5.7	3.6	3.1	4.7	5.1	4.3	6.3	5.2	4.3
Manufacturing industr. prod. ⁵	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
<i>Previous Tealbook</i> ⁵	7.1	8.7	5.1	3.5	9.1	5.0	6.3	4.2	4.0	5.6	5.6	4.8	6.1	6.1	5.0
Capacity utilization rate - mfg. ³	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
<i>Previous Tealbook</i> ³	69.4	71.4	72.6	73.3	74.9	75.6	76.6	77.2	77.6	78.4	79.1	79.7	73.3	77.2	79.7
Housing starts ⁶	.6	.6	.6	.5	.6	.5	.6	.6	.7	.7	.8	.8	.6	.6	.7
Light motor vehicle sales ⁶	11.0	11.3	11.6	12.3	13.0	12.3	13.2	13.3	13.7	14.1	14.6	14.9	11.5	13.0	14.3
<i>Income and saving</i>															
Nominal GDP ⁵	4.8	3.7	4.6	3.5	4.1	5.8	5.6	4.3	4.7	4.8	5.2	5.4	4.2	4.9	5.1
Real disposable pers. income ⁵	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
<i>Previous Tealbook</i> ⁵	1.3	5.6	1.0	1.9	2.7	3.2	3.3	3.7	.5	4.2	4.0	4.5	2.4	3.2	3.3
Personal saving rate ³	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
<i>Previous Tealbook</i> ³	5.5	6.2	6.0	5.6	5.7	5.7	5.8	5.9	5.3	5.3	5.4	5.5	5.6	5.9	5.5
Corporate profits ⁷	48.9	12.7	6.6	9.7	9.0	12.1	8.8	5.6	4.7	4.2	5.1	4.7	18.3	8.9	4.7
Profit share of GNP ³	10.7	10.9	11.0	11.2	11.3	11.4	11.5	11.5	11.5	11.5	11.5	11.5	11.2	11.5	11.5
Net federal saving ⁸	-1,314	-1,337	-1,343	-1,340	-1,280	-1,264	-1,263	-1,257	-1,093	-1,046	-1,028	-1,005	-1,333	-1,266	-1,043
Net state & local saving ⁸	29	16	48	40	9	14	22	16	30	32	42	45	33	15	37
Gross national saving rate ³	11.1	11.7	11.6	11.4	11.2	11.6	12.0	12.1	12.4	12.8	13.0	13.2	11.4	12.1	13.2
Net national saving rate ³	-1.8	-1.1	-1.1	-1.3	-1.4	-8	-4	-2	.1	.6	.8	1.1	-1.3	-2	1.1

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

2. Change, millions.

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

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

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

5. Percent change, annual rate.

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

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

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

Greensheets

Other Macroeconomic Indicators

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

Item	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Employment and production</i>									
Nonfarm payroll employment ¹	2.0	2.4	2.1	1.2	-2.8	-5.6	.7	2.0	2.5
Unemployment rate ²	5.4	5.0	4.5	4.8	6.9	10.0	9.6	8.9	8.1
<i>Previous Tealbook²</i>	5.4	5.0	4.5	4.8	6.9	10.0	9.6	8.7	7.7
NAIRU ²	5.0	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0
<i>Previous Tealbook²</i>	5.0	5.0	5.0	5.0	5.3	6.0	6.0	6.0	6.0
GDP gap ³	-4	.1	.1	.1	-4.8	-6.4	-5.7	-5.2	-4.2
<i>Previous Tealbook³</i>	-5	-1	.0	-1	-4.9	-6.6	-5.9	-5.0	-3.5
Industrial production ⁴	3.1	2.3	2.3	2.5	-9.1	-5.5	6.2	4.5	3.7
<i>Previous Tealbook⁴</i>	3.1	2.3	2.3	2.5	-9.1	-5.5	6.3	5.2	4.3
Manufacturing industr. prod. ⁴	3.7	3.4	2.0	2.8	-11.8	-6.1	6.1	5.2	4.2
<i>Previous Tealbook⁴</i>	3.7	3.4	2.0	2.8	-11.8	-6.1	6.1	6.1	5.0
Capacity utilization rate - mfg. ²	77.3	78.5	78.4	79.0	70.1	67.7	73.3	76.5	78.5
<i>Previous Tealbook²</i>	77.3	78.5	78.4	79.0	70.1	67.7	73.3	77.2	79.7
Housing starts ⁵	2.0	2.1	1.8	1.4	.9	.6	.6	.6	.7
Light motor vehicle sales ⁵	16.8	16.9	16.5	16.1	13.1	10.3	11.5	13.0	14.3
<i>Income and saving</i>									
Nominal GDP ⁴	6.4	6.3	5.4	5.0	-.7	.6	4.2	4.9	5.1
Real disposable pers. income ⁴	3.5	.6	4.6	1.5	1.0	.4	2.2	2.0	2.8
<i>Previous Tealbook⁴</i>	3.5	.6	4.6	1.5	1.0	.4	2.4	3.2	3.3
Personal saving rate ²	3.6	1.5	2.5	2.1	5.2	5.5	5.4	5.3	5.2
<i>Previous Tealbook²</i>	3.6	1.5	2.5	2.1	5.2	5.5	5.6	5.9	5.5
Corporate profits ⁶	21.9	19.6	3.7	-8.1	-31.9	42.5	18.3	8.9	4.7
Profit share of GNP ²	10.5	11.8	11.6	10.1	6.9	9.8	11.2	11.5	11.5
Net federal saving ⁷	-379	-283	-204	-245	-616	-1252	-1333	-1266	-1043
Net state & local saving ⁷	-8	26	51	12	-47	-20	33	15	37
Gross national saving rate ²	14.3	15.5	16.3	13.6	11.8	10.8	11.4	12.1	13.2
Net national saving rate ²	2.7	3.5	4.2	1.3	-1.4	-2.3	-1.3	-2	1.1

1. Change, millions.

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

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

4. Percent change.

5. Level, millions; values are annual averages.

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

7. Billions of dollars; values are annual averages.

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

Item	Fiscal year				2010				2011				2012			
	2009 ^a	2010 ^a	2011	2012	Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^a	Q1 ^a	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget	Not seasonally adjusted															
	2105	2163	2324	2543	466	643	565	532	488	712	592	561	548	767	667	641
	3518	3456	3657	3671	795	930	855	901	949	880	927	923	973	909	865	963
	-1413	-1293	-1333	-1128	-329	-287	-290	-369	-460	-168	-336	-362	-425	-143	-198	-322
	-1413	-1293	-1393	-1132	-329	-287	-290	-369	-460	-228	-335	-360	-419	-155	-199	-324
	-1550	-1370	-1362	-1176	-359	-351	-267	-390	-451	-221	-300	-380	-416	-199	-179	-360
	137	77	29	48	30	64	-23	21	-10	53	-36	19	-9	57	-19	37
Means of financing	1743	1474	1093	1342	478	344	390	368	260	113	352	501	430	183	228	327
	96	-35	194	-135	-25	-71	-20	-33	225	23	-20	-120	15	-20	-10	15
	-427	-146	45	-80	-124	14	-80	34	-24	32	4	-20	-20	-20	-20	-20
	275	310	115	250	219	290	310	343	118	95	115	235	220	240	250	235
NIPA federal sector	Seasonally adjusted annual rates															
	2261	2334	2493	2751	2323	2365	2417	2436	2478	2520	2539	2564	2772	2812	2854	2898
	3355	3660	3780	3856	3637	3701	3761	3776	3758	3784	3802	3821	3865	3857	3882	3903
	977	1030	1063	1091	1017	1038	1062	1056	1052	1065	1080	1084	1091	1094	1096	1097
	659	691	705	728	684	695	711	703	696	703	717	720	727	730	734	736
	318	339	359	363	333	343	350	354	356	362	363	364	364	363	362	360
	2378	2630	2717	2765	2620	2663	2699	2720	2706	2719	2721	2737	2774	2764	2786	2807
	-1094	-1326	-1287	-1106	-1314	-1337	-1343	-1340	-1280	-1264	-1263	-1257	-1093	-1046	-1028	-1005
	151	165	176	177	161	168	172	182	171	173	177	177	177	177	178	178
Fiscal indicators ⁴	-1122	-1363	-1326	-1138	-1348	-1376	-1385	-1390	-1316	-1300	-1300	-1292	-1126	-1077	-1057	-1032
	-813	-1020	-1010	-850	-1010	-1035	-1051	-1062	-999	-982	-998	-994	-828	-792	-786	-780
	2.0	1.2	-3	-1.2	.1	.1	.0	.0	-.5	-2	.0	-.1	-1.1	-.3	-.1	-.1
	1.2	0.6	-0.0	-1.1	1.0	1.0	0.6	-0.2	-0.3	0.2	0.3	-0.3	-1.5	-1.0	-1.0	-0.8
	1.2	0.6	-0.0	-1.1	1.0	1.0	0.6	-0.2	-0.6	0.6	0.3	-0.3	-1.6	-0.9	-0.9	-0.8

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

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

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

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

a Actual.

Change in Debt of the Domestic Nonfinancial Sectors
(Percent)

Period ¹	Total	Households			Business	State and local governments	Federal government	Memo: Nominal GDP
		Total	Home mortgages	Consumer credit				
<i>Year</i>								
2005	9.5	11.1	13.3	4.5	8.6	10.2	7.0	6.3
2006	9.0	10.0	11.1	4.1	10.6	8.3	3.9	5.4
2007	8.6	6.7	6.8	5.8	13.1	9.5	4.9	5.0
2008	6.0	.2	-.5	1.5	5.5	2.3	24.2	-.7
2009	3.0	-1.7	-1.5	-4.4	-2.7	4.8	22.7	.6
2010	4.2	-1.9	-2.8	-1.8	.3	4.4	20.2	4.2
2011	4.3	-6	-2.0	3.8	3.6	-0	13.1	4.9
2012	5.2	1.7	-2	7.9	4.2	4.1	11.0	5.1
<i>Quarter</i>								
2009:1	4.6	-.7	-.2	-3.7	-.3	5.6	24.4	-3.9
2	4.5	-1.8	-1.8	-4.8	-2.3	4.2	28.9	-.4
3	2.1	-2.3	-2.6	-3.9	-4.3	5.7	19.0	2.3
4	.9	-1.9	-1.3	-5.6	-3.9	3.6	11.9	4.7
2010:1	3.7	-3.0	-5.2	-4.1	-.4	5.7	20.5	4.8
2	4.4	-2.2	-2.2	-3.1	-1.3	-1.4	24.4	3.7
3	3.9	-2.0	-2.6	-1.9	1.1	5.4	16.0	4.6
4	4.6	-.6	-1.1	2.0	1.9	7.9	14.6	3.5
2011:1	2.3	-2.0	-3.4	2.4	4.0	-2.9	7.8	4.1
2	3.6	-.8	-2.0	2.9	4.0	-4.3	11.3	5.8
3	4.4	.1	-1.4	4.7	3.0	1.4	12.6	5.6
4	6.5	.3	-1.2	5.2	3.3	5.8	18.3	4.3
2012:1	5.5	1.1	-.6	6.5	3.7	4.1	13.3	4.7
2	5.6	1.5	-.3	7.3	4.1	4.1	12.4	4.8
3	4.1	1.9	.0	8.3	4.3	4.0	6.6	5.2
4	5.3	2.1	.1	8.6	4.4	4.0	10.1	5.4

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	2009	2010	2011	2012	2010				2011				2012			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<i>Domestic nonfinancial sectors</i>																
Net funds raised																
Total	957.9	1178.9	1172.1	1624.5	1039.2	1277.5	496.5	925.1	1237.6	2029.4	1758.0	1804.4	1239.9	1695.6	1695.6	1695.6
Net equity issuance	-64.6	-279.2	-368.0	-340.0	-338.4	-363.1	-331.9	-380.0	-380.0	-380.0	-320.0	-320.0	-360.0	-360.0	-360.0	-360.0
Net debt issuance	1022.4	1458.1	1540.1	1964.5	1377.6	1640.6	828.4	1305.1	1617.6	2409.4	2078.0	2124.4	1599.9	2055.6	2055.6	2055.6
Borrowing indicators																
Debt (percent of GDP) ¹	241.6	241.3	240.7	240.2	241.0	241.5	241.1	239.5	238.6	239.3	240.1	240.6	240.4	240.1	240.1	240.1
Borrowing (percent of GDP)	7.2	9.9	10.0	12.2	9.3	11.0	5.5	8.6	10.5	15.4	13.2	13.3	9.9	12.5	12.5	12.5
Households																
Net borrowing ²	-232.6	-262.7	-79.8	220.3	-270.6	-76.1	-270.9	-102.0	7.4	46.2	141.6	198.6	257.9	282.9	282.9	282.9
Home mortgages	-153.7	-285.6	-199.6	-19.7	-268.4	-110.2	-341.4	-199.4	-138.9	-118.7	-59.1	-29.5	0.0	9.8	9.8	9.8
Consumer credit	-115.3	-44.2	93.7	199.6	-47.1	47.7	58.5	70.0	115.3	130.9	163.9	188.3	216.6	229.8	229.8	229.8
Debt/DPI (percent) ³	124.4	118.7	112.9	109.2	117.7	116.5	114.8	113.0	111.9	110.8	110.6	109.6	108.7	107.7	107.7	107.7
Business																
Financing gap ⁴	-44.7	69.2	62.2	184.0	156.4	56.8	37.8	58.6	86.6	66.0	125.9	153.9	203.1	253.0	253.0	253.0
Net equity issuance	-64.6	-279.2	-368.0	-340.0	-338.4	-363.1	-331.9	-380.0	-380.0	-380.0	-320.0	-320.0	-360.0	-360.0	-360.0	-360.0
Credit market borrowing	-298.0	35.7	393.1	474.2	123.1	205.4	435.1	436.6	333.0	367.8	421.8	469.1	492.3	513.7	513.7	513.7
State and local governments																
Net borrowing	109.1	105.0	-0.6	101.7	129.1	191.2	-71.6	-106.3	33.7	141.7	101.7	101.7	101.7	101.7	101.7	101.7
Current surplus ⁵	248.2	304.5	246.6	278.2	327.4	321.2	233.1	245.8	255.7	251.7	267.7	271.7	284.0	289.4	289.4	289.4
Federal government																
Net borrowing	1443.9	1580.2	1226.6	1168.3	1395.9	1320.2	735.8	1076.7	1243.5	1853.6	1412.9	1355.0	747.9	1157.2	1157.2	1157.2
Net borrowing (n.s.a.)	1443.9	1580.2	1226.6	1168.3	390.1	367.9	260.2	113.2	351.9	501.4	430.2	182.7	228.0	327.3	327.3	327.3
Unified deficit (n.s.a.)	1471.3	1275.1	1325.7	1088.3	290.2	369.0	460.4	167.8	335.6	361.9	425.2	142.7	198.0	322.3	322.3	322.3
<i>Depository institutions</i>																
Funds supplied	-633.7	-192.7	118.4	299.3	719.6	-507.1	-301.3	180.4	297.6	296.8	290.8	296.4	322.3	287.7	287.7	287.7

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-----			
	2010				2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP ¹												
Total foreign	5.1	5.1	3.4	3.3	4.1	2.8	3.8	3.5	3.4	3.5	3.5	3.6
<i>Previous Tealbook</i>	4.7	5.4	3.2	3.5	3.7	3.0	3.5	3.5	3.6	3.6	3.6	3.7
Advanced foreign economies	4.0	2.9	2.3	1.4	2.3	1.4	2.4	2.3	2.3	2.3	2.3	2.4
Canada	5.6	2.3	2.5	3.1	3.9	2.2	2.5	2.5	2.4	2.4	2.5	2.5
Japan	9.4	-0	3.6	-2.9	-3.5	-3.8	4.5	4.3	3.5	2.9	2.5	2.2
United Kingdom	.8	4.3	2.9	-1.9	1.9	2.2	2.1	2.2	2.2	2.3	2.3	2.4
Euro area	1.3	3.9	1.6	1.0	3.4	1.6	1.5	1.4	1.5	1.7	1.9	2.3
Germany	2.1	8.7	3.2	1.5	6.1	2.0	1.6	1.6	1.9	2.1	2.3	2.6
Emerging market economies	6.4	7.7	4.7	5.5	6.2	4.4	5.4	4.9	4.9	4.9	4.9	4.9
Asia	10.6	7.2	6.6	5.9	8.8	5.4	6.2	5.7	5.9	5.9	6.0	6.0
Korea	8.6	5.7	2.6	2.0	5.4	3.5	4.0	3.8	3.9	4.1	4.3	4.3
China	9.3	8.9	10.1	10.0	8.7	8.1	8.5	8.5	8.4	8.4	8.3	8.3
Latin America	2.3	8.6	2.6	4.4	3.6	3.3	4.7	4.1	3.8	3.8	3.8	3.8
Mexico	1.3	8.4	2.8	4.6	2.1	2.9	5.0	4.2	3.8	3.8	3.8	3.8
Brazil	8.9	6.4	1.8	3.2	5.4	3.4	3.5	3.5	3.6	3.6	3.6	3.6
Consumer prices ²												
Total foreign	3.3	1.8	2.4	5.3	4.4	2.9	2.4	2.4	2.4	2.3	2.3	2.4
<i>Previous Tealbook</i>	3.4	1.6	2.4	5.3	4.4	3.3	2.6	2.4	2.4	2.3	2.4	2.4
Advanced foreign economies	2.0	.6	1.1	3.5	3.4	2.4	1.3	1.4	1.4	1.3	1.4	1.5
Canada	2.2	-1	2.4	4.4	3.6	3.5	1.6	2.1	2.1	1.8	1.9	1.9
Japan	.7	-1.2	-1.3	2.3	.4	-4	-7	-6	-5	-5	-4	-3
United Kingdom	4.8	2.6	1.9	4.4	7.6	4.1	2.0	2.1	2.1	1.6	1.9	3.2
Euro Area	1.9	1.7	1.2	3.3	3.7	2.5	1.7	1.6	1.6	1.6	1.7	1.7
Germany	1.4	.7	1.0	3.2	3.8	2.6	1.8	1.7	1.7	1.7	1.8	1.8
Emerging market economies	4.4	2.8	3.4	6.7	5.3	3.3	3.3	3.3	3.2	3.1	3.1	3.1
Asia	3.6	2.7	3.6	7.4	5.5	3.6	3.1	2.9	2.9	2.8	2.8	2.8
Korea	2.5	3.0	3.8	5.2	5.7	3.2	2.9	2.8	2.8	2.8	2.8	2.7
China	2.9	3.2	4.1	8.6	4.6	4.1	3.1	2.8	2.7	2.7	2.7	2.7
Latin America	6.9	3.1	2.9	5.0	4.3	2.6	3.8	4.1	4.0	3.9	3.9	3.9
Mexico	6.9	2.5	2.9	4.8	3.6	2.0	3.5	3.9	3.7	3.7	3.7	3.7
Brazil	7.4	5.9	1.1	7.4	9.5	7.7	5.1	4.9	4.9	4.9	4.9	4.9

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

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

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

Measure and country	2004	2005	2006	2007	2008	2009	2010	2011	Projected----- 2012
Real GDP ¹									
Total foreign	3.9	4.0	4.2	4.2	-8	.7	4.2	3.5	3.5
<i>Previous Tealbook</i>	3.9	4.0	4.1	4.3	-8	.7	4.2	3.4	3.6
Advanced foreign economies	2.6	2.8	2.6	2.4	-1.7	-1.6	2.7	2.1	2.3
Canada	3.7	3.1	1.9	2.5	-7	-1.4	3.3	2.8	2.5
Japan	1.0	2.9	2.1	1.8	-4.7	-1.8	2.4	.3	2.8
United Kingdom	2.4	2.4	2.7	2.4	-2.7	-2.8	1.5	2.1	2.3
Euro area	1.8	2.1	3.7	2.2	-2.1	-2.1	1.9	1.9	1.8
Germany	.2	1.7	4.5	1.8	-1.9	-2.0	3.8	2.8	2.2
Emerging market economies	5.6	5.8	6.3	6.7	.4	3.4	6.1	5.2	4.9
Asia	6.0	7.6	7.8	8.8	.9	7.9	7.5	6.5	5.9
Korea	2.7	5.2	4.6	5.8	-3.2	6.3	4.7	4.2	4.1
China	9.9	10.3	12.8	13.7	7.7	11.4	9.6	8.4	8.3
Latin America	5.2	3.9	4.8	4.4	-4	-9	4.4	3.9	3.8
Mexico	4.6	3.6	4.1	3.5	-1.2	-2.3	4.2	3.5	3.8
Brazil	6.1	2.2	4.8	6.6	.8	5.0	5.0	4.0	3.6
Consumer prices ²									
Total foreign	2.8	2.3	2.2	3.7	3.3	1.3	3.2	3.0	2.4
<i>Previous Tealbook</i>	2.8	2.3	2.2	3.7	3.3	1.3	3.2	3.2	2.4
Advanced foreign economies	1.8	1.6	1.4	2.2	2.0	.2	1.8	2.1	1.4
Canada	2.3	2.3	1.4	2.5	1.8	.8	2.2	2.7	1.9
Japan	.5	-1.0	.3	.5	1.0	-1.9	.1	-.3	-.4
United Kingdom	1.4	2.1	2.7	2.1	3.9	2.1	3.4	3.9	2.2
Euro Area	2.3	2.3	1.8	2.9	2.3	.4	2.0	2.4	1.6
Germany	2.1	2.2	1.3	3.1	1.7	.3	1.6	2.5	1.7
Emerging market economies	3.9	3.0	2.9	5.1	4.6	2.1	4.3	3.8	3.1
Asia	3.1	2.5	2.4	5.5	3.6	1.3	4.3	3.8	2.8
Korea	3.4	2.5	2.1	3.4	4.5	2.4	3.6	3.7	2.8
China	3.2	1.4	2.1	6.7	2.5	.6	4.7	3.7	2.7
Latin America	5.6	3.8	4.2	4.2	6.7	3.9	4.5	3.7	4.0
Mexico	5.3	3.1	4.1	3.8	6.2	4.0	4.3	3.2	3.7
Brazil	7.2	6.1	3.2	4.3	6.2	4.2	5.4	6.8	4.9

¹ Foreign GDP aggregates calculated using shares of U.S. exports.² Foreign CPI aggregates calculated using shares of U.S. non-oil imports.

U.S. Current Account

Quarterly Data

	2010				2011				Projected-----2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	<i>Billions of dollars, s.a.a.r.</i>											
U.S. current account balance	-457.8	-483.0	-495.9	-461.5	-528.9	-444.8	-443.3	-392.2	-366.8	-334.6	-333.9	-326.1
<i>Previous Tealbook</i>	-434.7	-490.9	-502.0	-453.4	-515.1	-499.3	-515.5	-450.9	-439.7	-409.1	-408.4	-395.4
Current account as percent of GDP	-3.2	-3.3	-3.4	-3.1	-3.5	-2.9	-2.9	-2.5	-2.3	-2.1	-2.1	-2.0
<i>Previous Tealbook</i>	-3.0	-3.4	-3.4	-3.0	-3.4	-3.3	-3.3	-2.9	-2.8	-2.5	-2.5	-2.4
Net goods & services	-478.6	-522.1	-524.5	-475.0	-563.2	-506.1	-500.2	-461.1	-422.8	-399.4	-390.9	-376.4
Investment income, net	168.5	180.1	173.8	162.8	179.8	191.5	190.8	199.3	200.4	195.0	190.8	180.7
Direct, net	275.6	286.3	276.6	261.2	288.5	291.2	284.4	294.7	300.5	307.2	314.4	319.9
Portfolio, net	-107.1	-106.2	-102.8	-98.4	-108.7	-99.7	-93.7	-95.4	-100.1	-112.2	-123.7	-139.2
Other income and transfers, net	-147.7	-141.0	-145.3	-149.3	-145.5	-130.2	-133.8	-130.4	-144.3	-130.2	-133.8	-130.4

Annual Data

	2004	2005	2006	2007	2008	2009	2010	2011	2012
	-----Projected-----								
	Billions of dollars								
U.S. current account balance	-626.5	-742.0	-796.7	-712.7	-668.4	-384.8	-474.5	-452.3	-340.4
Previous Tealbook	-630.5	-747.6	-802.6	-718.1	-668.9	-378.4	-470.2	-495.2	-413.2
Current account as percent of GDP	-5.3	-5.9	-5.9	-5.1	-4.6	-2.7	-3.2	-3.0	-2.1
Previous Tealbook	-5.3	-5.9	-6.0	-5.1	-4.7	-2.7	-3.2	-3.2	-2.6
Net goods & services	-605.4	-708.6	-753.3	-696.7	-698.3	-381.3	-500.0	-507.6	-397.4
Investment income, net	73.4	78.8	54.7	106.6	159.3	129.2	171.3	190.3	191.7
Direct, net	150.9	173.2	174.0	241.6	287.7	252.1	274.9	289.7	310.5
Portfolio, net	-77.5	-94.4	-119.4	-134.9	-128.4	-122.8	-103.6	-99.4	-118.8
Other income and transfers, net	-94.5	-112.2	-98.1	-122.6	-129.3	-132.8	-145.8	-135.0	-134.7

Class I FOMC – Restricted Controlled (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



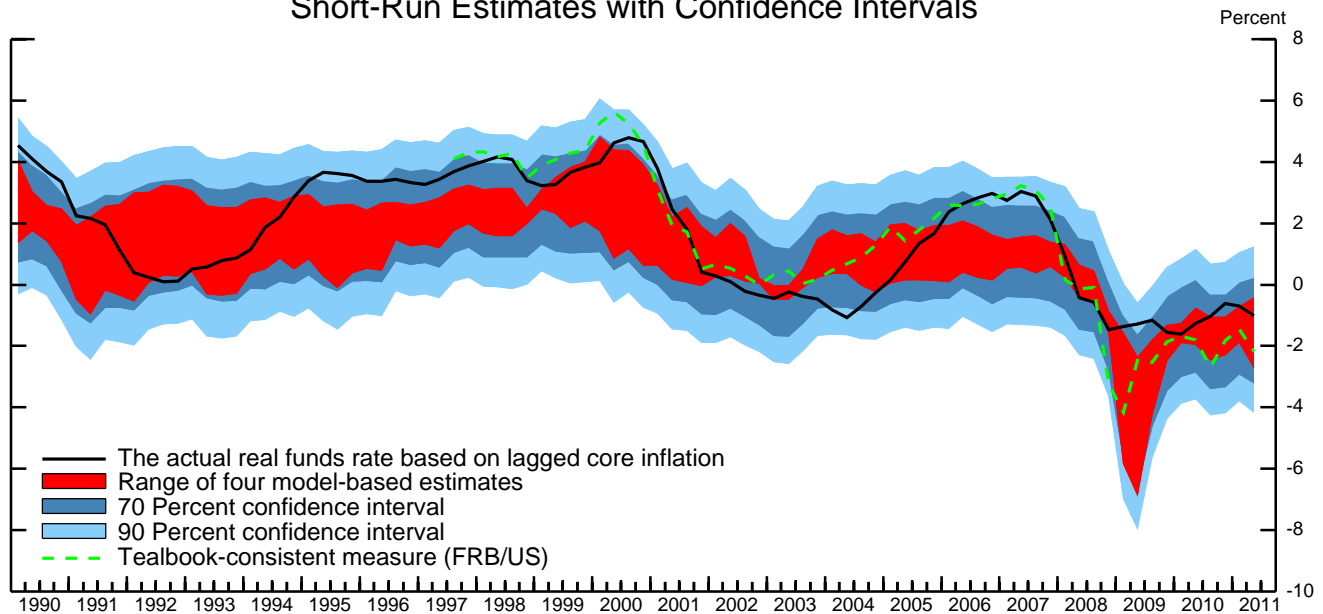
Book B Monetary Policy: Strategies and Alternatives

June 16, 2011

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

Equilibrium Real Federal Funds Rate

Short-Run Estimates with Confidence Intervals



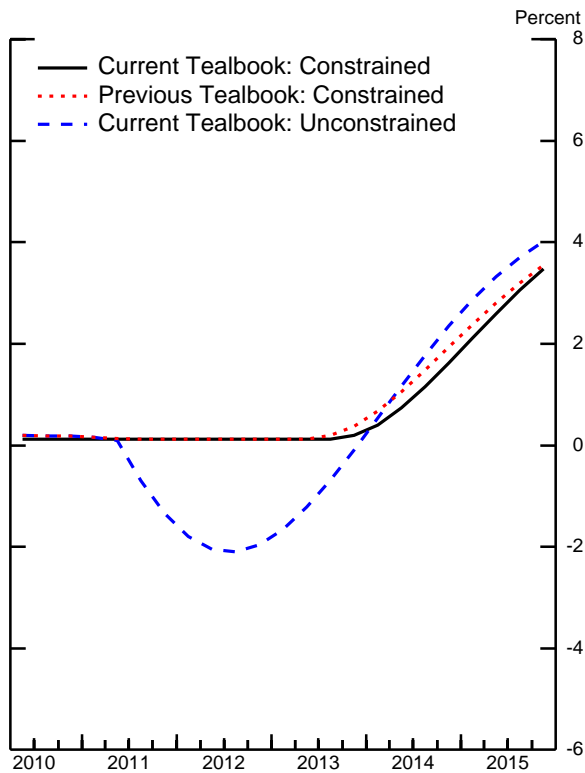
Short-Run and Medium-Run Measures

	Current Tealbook	Previous Tealbook
Short-Run Measures		
Single-equation model	-1.6	-1.8
Small structural model	-1.1	-1.1
EDO model	-0.4	-0.5
FRB/US model	-2.7	-2.5
Confidence intervals for four model-based estimates		
70 percent confidence interval	-3.2 to 0.3	
90 percent confidence interval	-4.2 to 1.2	
Tealbook-consistent measures		
EDO model	-1.9	-0.8
FRB/US model	-2.2	-1.5
Medium-Run Measures		
Single-equation model	1.1	1.0
Small structural model	1.1	1.2
Confidence intervals for two model-based estimates		
70 percent confidence interval	0.2 to 2.0	
90 percent confidence interval	-0.4 to 2.6	
TIPS-based factor model	1.8	2.0
Memo		
Actual real federal funds rate	-1.0	-0.7

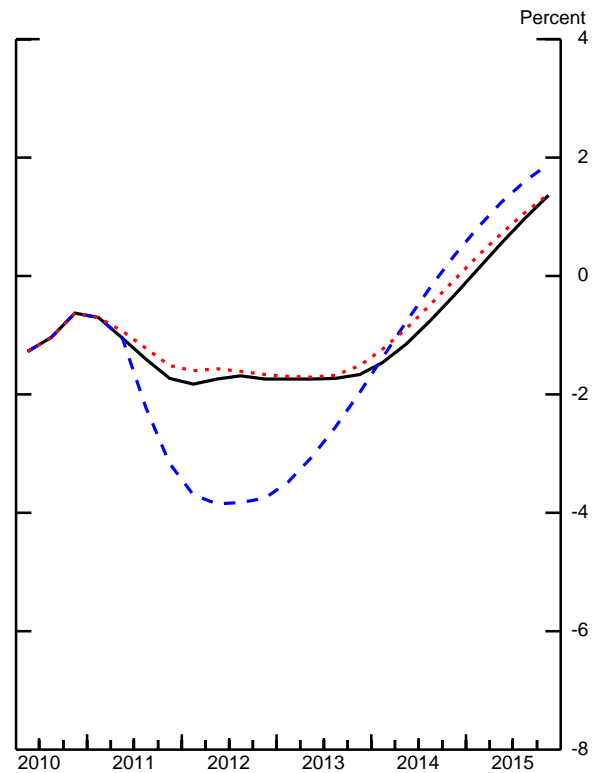
Note: Explanatory Note A provides background information regarding the construction of these measures and confidence intervals. The actual real federal funds rate shown is based on lagged core inflation as a proxy for inflation expectations. For information regarding alternative measures, see Explanatory Note A. Since April, the EDO model has been re-specified and re-estimated. EDO estimates for the "Previous Tealbook" have been computed from the revised model, using the data available at the time of the April Tealbook.

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

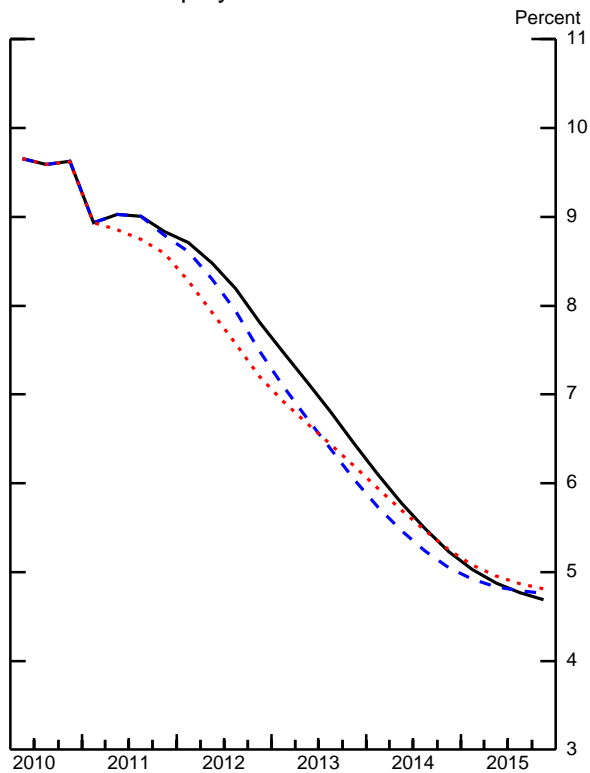
Nominal Federal Funds Rate



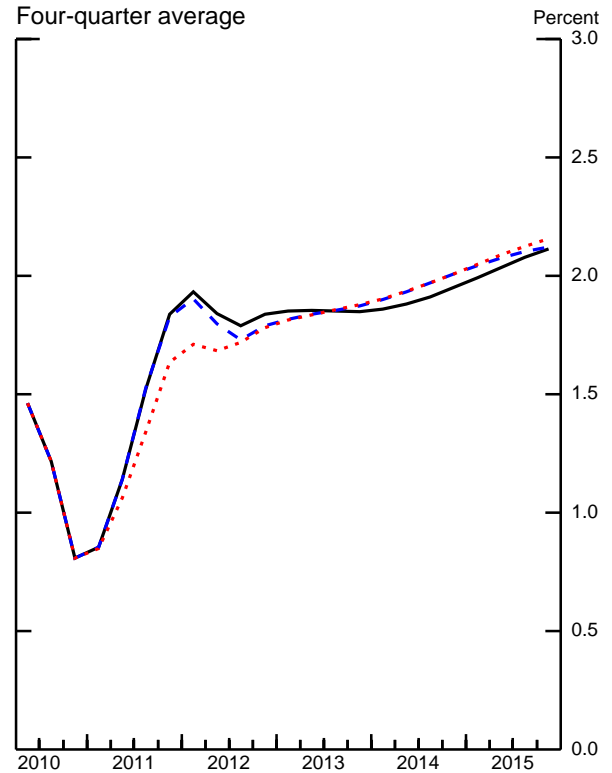
Real Federal Funds Rate



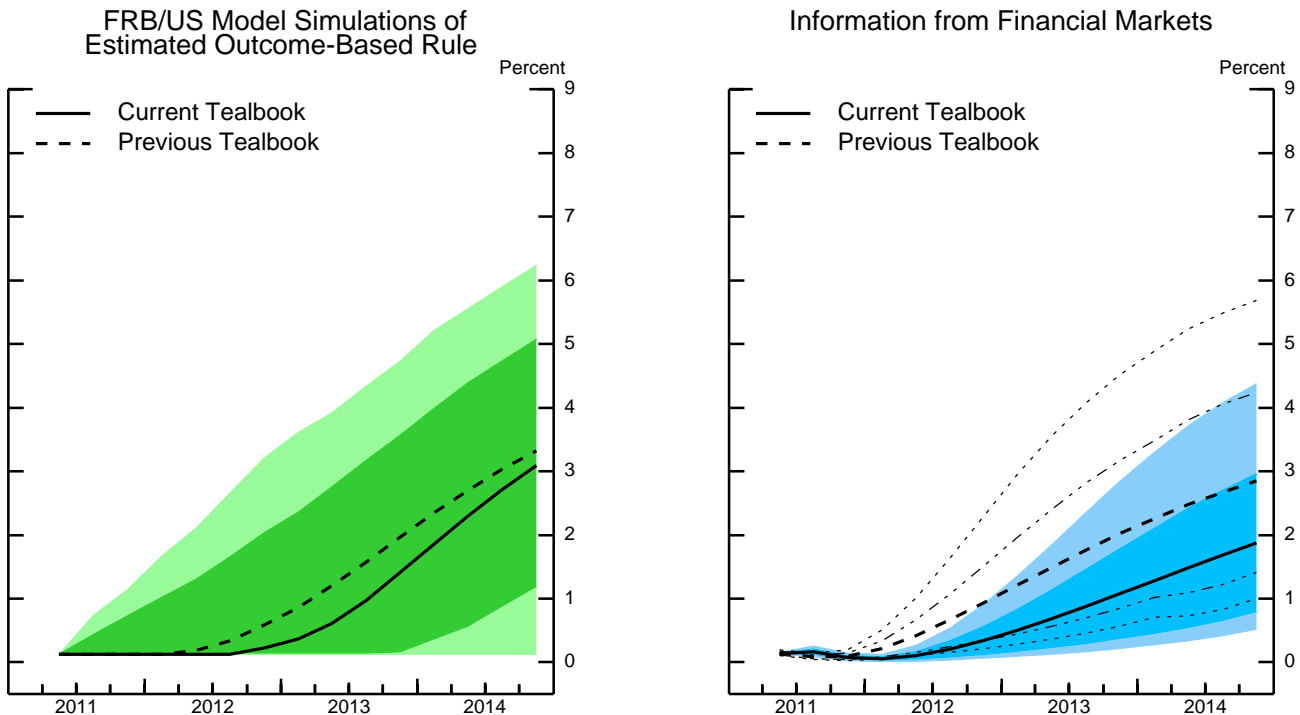
Civilian Unemployment Rate



Core PCE Inflation
Four-quarter average



Policy Rules and Market-Based Expectations



Note: As in the March Tealbook, the staff baseline projection for the federal funds rate is based on the outcome-based policy rule. Accordingly, the top-left panel does not report a separate series for the staff's projected funds rate. In both panels, the dark and light shading represent the 70 and 90 percent confidence intervals respectively. Financial market quotes are as of June 15.

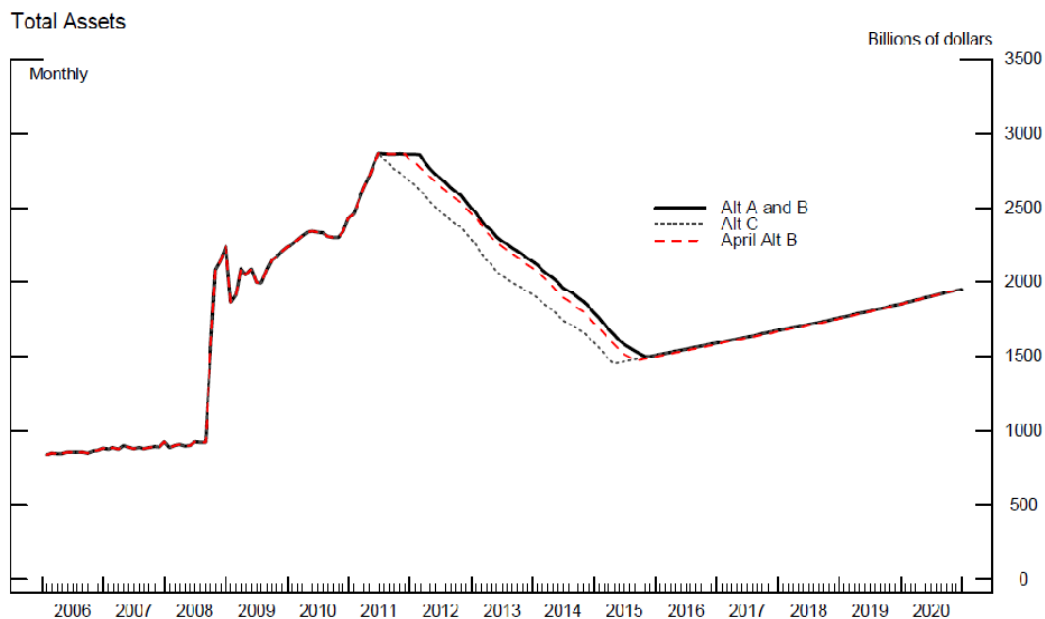
Near-Term Prescriptions of Simple Policy Rules

	Constrained Policy		Unconstrained Policy	
	2011Q3	2011Q4	2011Q3	2011Q4
Taylor (1993) rule	0.45	0.90	0.45	0.90
Previous Tealbook	0.13	0.52	0.03	0.52
Taylor (1999) rule	0.13	0.13	-2.25	-1.73
Previous Tealbook	0.13	0.13	-2.66	-2.00
Estimated outcome-based rule	0.13	0.13	-0.02	-0.15
Previous Tealbook Outlook	0.13	0.13	-0.09	-0.19
Estimated forecast-based rule	0.13	0.13	0.02	-0.15
Previous Tealbook Outlook	0.13	0.13	0.00	-0.06
First-difference rule	0.31	0.46	0.31	0.46
Previous Tealbook Outlook	0.52	0.94	0.52	0.94
Memo				
	2011Q3	2011Q4		
Staff assumption	0.13	0.13		
Fed funds futures	0.10	0.11		
Median expectation of primary dealers	0.13	0.13		
Blue Chip forecast (June 1, 2011)	0.20	0.20		

Note: In calculating the near-term prescriptions of these simple policy rules, policymakers' long-run inflation objective is assumed to be 2 percent. Explanatory Note B provides further background information. For rules which have the lagged policy rate as a right-hand-side variable, the lines denoted "Previous Tealbook Outlook" report rule prescriptions based on the previous Tealbook's staff outlook, but jumping off from the average value for the policy rate thus far in the quarter.

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 A and B 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.



For the scenario that corresponds to Alternatives A and B, we assume that the FOMC completes the announced \$600 billion expansion of its holdings of longer-term Treasury securities by the end of the second quarter of 2011. The purchases bring System Open Market Account (SOMA) holdings to roughly \$2.6 trillion and the size of the balance sheet, which includes other assets in addition to the SOMA, to \$2.9 trillion. This scenario assumes that the proceeds from principal repayments from Treasury securities and agency securities continue to be reinvested in Treasury securities until the March 2012 Federal Open Market Committee (FOMC) meeting at which point the balance sheet begins to contract. In June 2013, 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 these securities in the portfolio to zero in five years—that is, by the end of the second

Growth Rates for the Monetary Base			
Date	Alternatives A and B	Alternative C	<i>Memo</i> : April Tealbook
Percent, annual rate			
Monthly			
Aug-10	-2.4	-2.4	-2.4
Sep-10	-10.1	-10.1	-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	99.1
Apr-11	74.4	74.4	81.5
May-11	42.1	42.1	56.6
Jun-11	39.6	39.5	31.7
Jul-11	31.1	21.7	12.8
Aug-11	5.5	-9.9	-20.8
Sep-11	-14.4	-27.5	-49.4
Oct-11	-7.6	-20.2	-19.4
Nov-11	7.6	-5.8	5.9
Dec-11	7.4	-6.5	-4.1
Quarterly			
2010 Q3	-6.4	-6.4	-6.4
2010 Q4	-3.2	-3.2	-3.2
2011 Q1	36.8	36.8	37.0
2011 Q2	69.8	69.8	75.4
2011 Q3	23.6	15.3	7.1
2011 Q4	-2.7	-15.8	-18.9
2012 Q1	5.6	-6.4	-6.0
2012 Q2	-11.5	-13.2	-12.7
Annual - Q4 to Q4			
2009	52.5	52.5	52.5
2010	0.9	0.9	0.9
2011	34.9	27.9	25.9
2012	-8.7	-12.2	-11.9
2013	-16.3	-18.4	-18.0
2014	-16.5	-17.6	-20.3
2015	-21.0	-10.3	-7.3

Note: Not seasonally adjusted.

M2 Growth Rates

 (Percent, seasonally adjusted annual rate)

Monthly Growth Rates**Tealbook Forecast***

Dec-10	4.0
Jan-11	2.7
Feb-11	7.4
Mar-11	2.9
Apr-11	4.5
May-11	7.4
Jun-11	5.7
Jul-11	2.4
Aug-11	1.6
Sep-11	1.4
Oct-11	1.2
Nov-11	1.1
Dec-11	1.0

Quarterly Growth Rates

2010 Q4	5.6
2011 Q1	4.3
2011 Q2	5.2
2011 Q3	3.4
2011 Q4	1.2

Annual Growth Rates

2009	5.0
2010	3.2
2011	3.6
2012	2.5

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

Federal Reserve Balance Sheet

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

Billions of dollars

	<u>May 31, 2011</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,791	2,500	1,794	1,587	1,758	1,952
Selected assets						
Liquidity programs for financial firms	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	0	0	0	0	0	0
Lending through other credit facilities	14	4	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	14	4	0	0	0	0
Support for specific institutions	64	36	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	64	36	26	18	9	4
Securities held outright	2,567	2,314	1,644	1,461	1,649	1,853
U.S. Treasury securities	1,530	1,540	1,147	1,255	1,649	1,853
Agency debt securities	119	77	39	16	0	0
Agency mortgage-backed securities	918	697	458	190	0	0
Special drawing rights certificate account	5	7	7	7	7	7
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	145	144	123	109	100	95
Total liabilities	2,738	2,430	1,701	1,465	1,596	1,737
Selected liabilities						
Federal Reserve notes in circulation	983	1,083	1,223	1,356	1,488	1,630
Reverse repurchase agreements	60	60	60	60	60	60
Deposits with Federal Reserve Banks	1,670	1,267	400	31	31	31
Reserve balances held by depository institutions	1,552	1,256	389	25	25	25
U.S. Treasury, General Account	113	5	5	5	5	5
U.S. Treasury, Supplementary Financing Account	5	5	5	0	0	0
Other balances	1	1	1	1	1	1
Interest on Federal Reserve Notes due to U.S. Treasury	3	0	0	0	0	0
Total capital	53	70	93	123	162	215

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

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

Federal Reserve Balance Sheet

End-of-Year Projections -- Alternative C

Billions of dollars

	<u>May 31, 2011</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
Total assets	2,791	2,286	1,590	1,587	1,758	1,952
Selected assets						
Liquidity programs for financial firms	0	0	0	0	0	0
Primary, secondary, and seasonal credit	0	0	0	0	0	0
Central bank liquidity swaps	0	0	0	0	0	0
Lending through other credit facilities	14	4	0	0	0	0
Term Asset-Backed Securities Loan Facility (TALF)	14	4	0	0	0	0
Support for specific institutions	64	36	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	64	36	26	18	9	4
Securities held outright	2,567	2,102	1,439	1,459	1,646	1,850
U.S. Treasury securities	1,530	1,340	999	1,325	1,646	1,850
Agency debt securities	119	77	39	16	0	0
Agency mortgage-backed securities	918	686	402	118	0	0
Special drawing rights certificate account	5	7	7	7	7	7
Net portfolio holdings of TALF LLC	1	1	1	0	0	0
Total other assets	145	142	123	110	103	98
Total liabilities	2,738	2,215	1,497	1,465	1,596	1,738
Selected liabilities						
Federal Reserve notes in circulation	983	1,083	1,223	1,356	1,488	1,630
Reverse repurchase agreements	60	60	60	60	60	60
Deposits with Federal Reserve Banks	1,670	1,053	196	31	31	31
Reserve balances held by depository institutions	1,552	1,042	185	25	25	25
U.S. Treasury, General Account	113	5	5	5	5	5
U.S. Treasury, Supplementary Financing Account	5	5	5	0	0	0
Other balances	1	1	1	1	1	1
Interest on Federal Reserve Notes due to U.S. Treasury	3	0	0	0	0	0
Total capital	53	70	93	123	162	215

Explanatory Notes

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

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