

Prefatory Note

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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

September 10, 2014

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

Revisions to the Staff Projection since the Previous SEP

The FOMC last published its Summary of Economic Projections (SEP) following the June 2014 FOMC meeting. The table below compares the staff's current economic projection to the one we presented in the June Tealbook. Relative to the June Tealbook, we have marked down somewhat our projection for real GDP growth in the second half of this year and over the next three years. The unemployment rate is expected to be slightly lower at the end of this year than it was in the June Tealbook, but our projection over the subsequent three years is a bit higher than it was in our June forecast. By the end of the medium-term projection, the output gap comes into line with the signal from the unemployment rate gap.

The staff's projections for both overall and core PCE inflation are little changed, on balance, from those in the June forecast. We continue to project that both core and headline inflation will remain below the Committee's 2 percent objective through 2017. With our forecasts for inflation and resource utilization similar to what they were in the June Tealbook, and our assumption that the federal funds rate will lift off in the second quarter of 2015 unchanged, the projected path for the federal funds rate is about the same as it was in our June forecast.

Staff Economic Projections Compared with the June Tealbook

Variable	2014		2014	2015	2016	2017	Longer run
	H1	H2					
Real GDP ¹	1.1	2.9	2.0	2.7	2.9	2.3	2.0
June Tealbook	1.3	3.5	2.4	3.0	3.2	2.6	2.0
Unemployment rate ²	6.2	5.9	5.9	5.4	5.1	4.9	5.2
June Tealbook	6.3	6.0	6.0	5.4	5.0	4.7	5.2
PCE inflation ¹	1.8	1.1	1.5	1.5	1.6	1.7	2.0
June Tealbook	1.7	1.4	1.5	1.4	1.5	1.7	2.0
Core PCE inflation ¹	1.6	1.5	1.5	1.6	1.7	1.8	n.a.
June Tealbook	1.5	1.4	1.5	1.6	1.7	1.8	n.a.
Federal funds rate ²	.09	.13	.13	1.07	2.25	3.16	3.75
June Tealbook	.13	.13	.13	1.04	2.32	3.29	3.75
Memo:							
Federal funds rate, end of period	.13	.13	.13	1.17	2.34	3.22	3.75
June Tealbook	.13	.13	.13	1.15	2.41	3.35	3.75

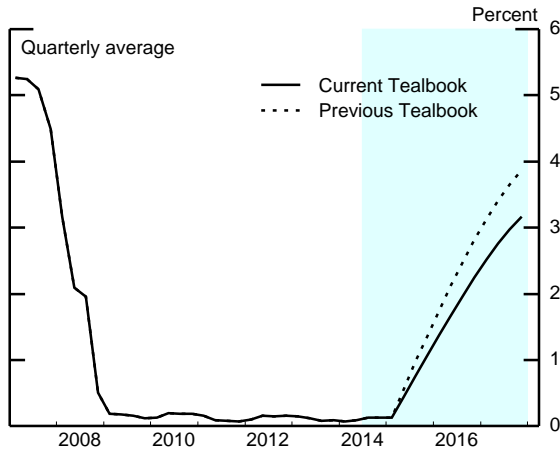
1. Percent change from final quarter of preceding period to final quarter of period indicated.

2. Percent, final quarter of period indicated.

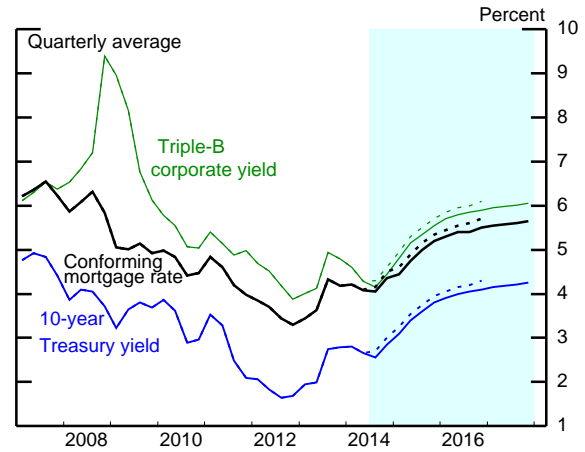
n.a. Not available.

Key Background Factors underlying the Baseline Staff Projection

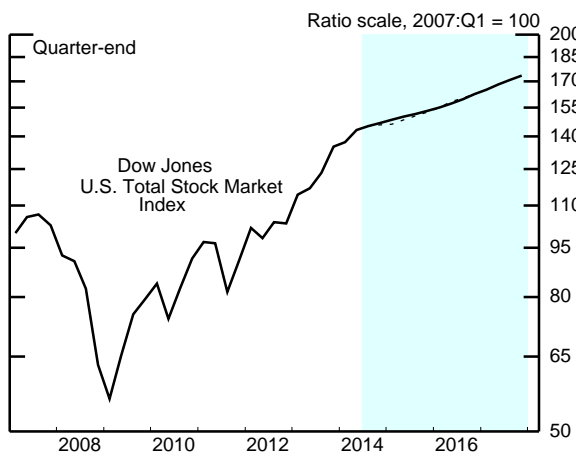
Federal Funds Rate



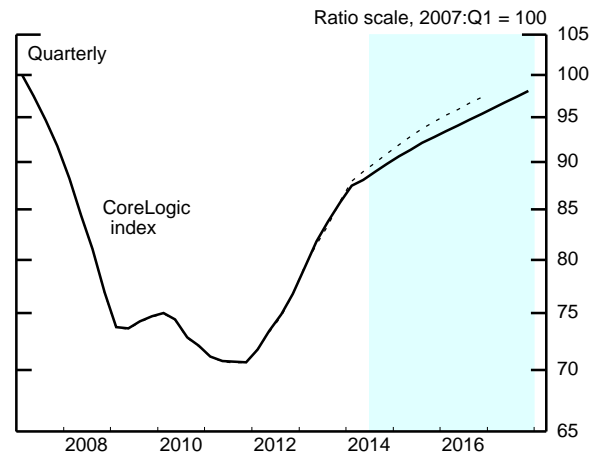
Long-Term Interest Rates



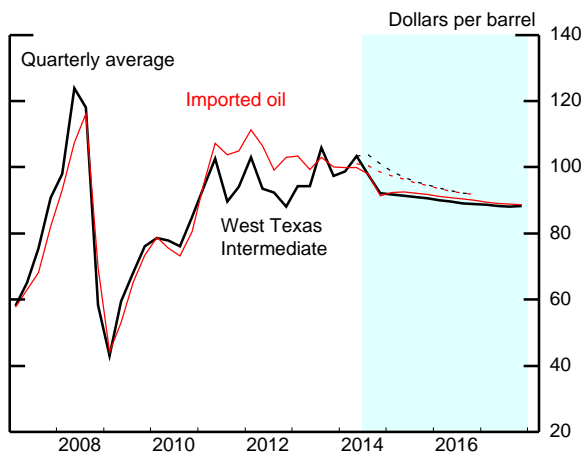
Equity Prices



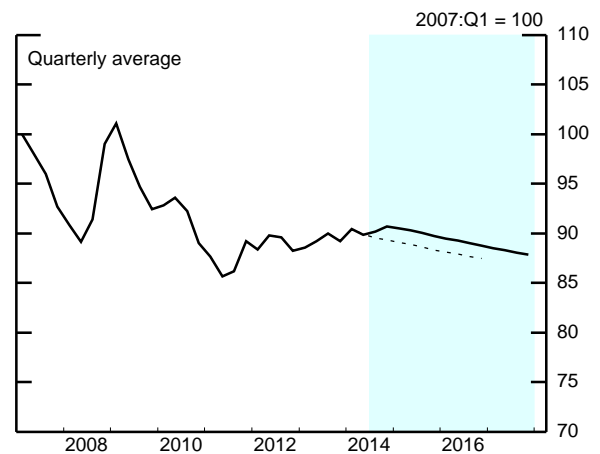
House Prices



Crude Oil Prices



Broad Real Dollar

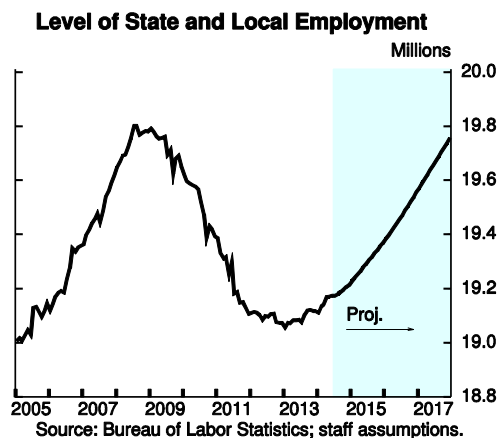
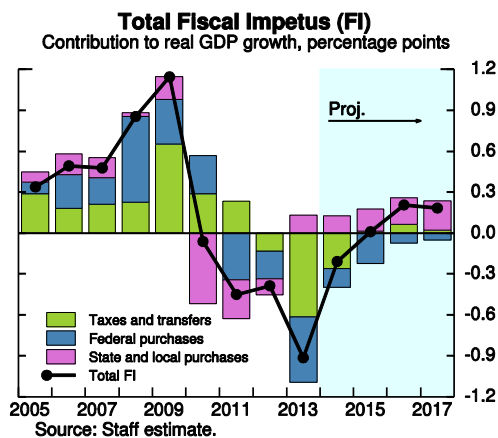


Fiscal Policy Restraint and Government Budget Conditions

Over the past several years, fiscal policymakers at all levels of government have enacted spending reductions and tax increases as a reaction to the deterioration in budget conditions after the most recent recession. In response, discretionary fiscal policy actions, on balance, have been a drag on economic growth in recent years. Government budget conditions have improved, however, and pressures for additional fiscal restraint are expected to diminish substantially this year and over the medium term.

The left-hand panel at the bottom of this page shows the staff's measure of fiscal impetus (FI), which is our estimate of the contribution to real GDP growth from discretionary changes in fiscal policy (excluding multiplier effects). We estimate that the drag on real GDP growth from fiscal policy actions at all levels of government was 1 percentage point in 2013, but that it is narrowing to only $\frac{1}{4}$ percentage point in 2014 (the black line). As shown by the blue portion of the bars, decreases in real federal purchases were an important factor in the restraint estimated for last year, but they are making a much smaller negative contribution this year. Since 2011, federal purchases have contracted because of the Budget Control Act's discretionary spending caps and the reductions in overseas military operations. But federal purchases declined more precipitously in 2013, reflecting the onset of the federal spending sequestration as well the government shutdown that temporarily held down purchases in the fourth quarter of that year. The contribution to fiscal restraint from changes in taxes and transfers (the green portion of the bars) was sizable last year, reflecting the expiration of the temporary payroll tax cut as well as the implementation of tax increases on high-income households. However, these tax changes are estimated to exert a smaller drag on consumption spending growth this year than last, and the restraint from the ending of the Emergency Unemployment Compensation program at the beginning of this year will be about offset, in our estimation, by the boost to consumption that we expect will be induced by the expansion of health insurance coverage under the Affordable Care Act.

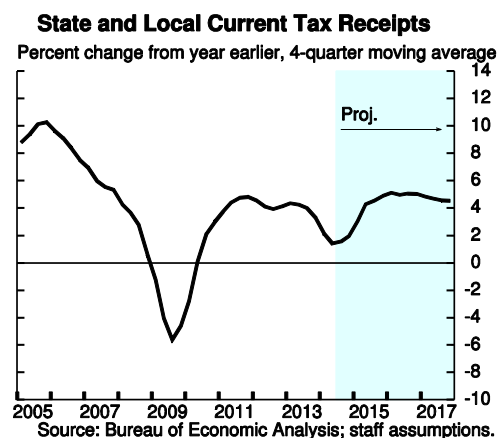
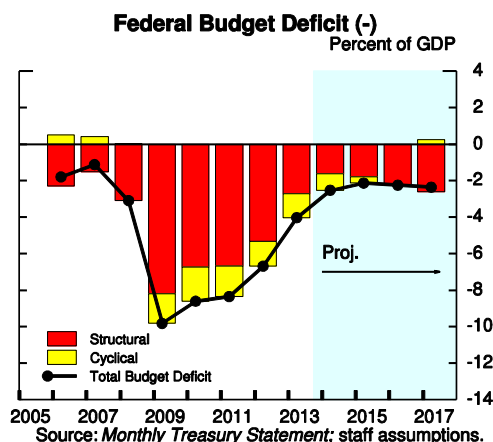
Finally, modest increases in state and local purchases (the purple portion of the bars) provided a small boost to real GDP growth last year and are expected to do so this year as well, largely manifesting as gains in state and local employment. As shown in the lower-right panel, state and local government payrolls have been expanding over the past six quarters.



Fiscal restraint and the effects of the continuing economic recovery have led to improved budget conditions for federal, state, and local governments. For example, as shown by the black line in the left-hand panel at the bottom of this page, the federal budget deficit declined from 10 percent of GDP in 2009 to 4 percent last year. Changes in federal fiscal policies have reduced the structural deficit (the red portion of the bars), which excludes the effects of endogenous movements in tax revenues and spending that result from the business cycle (the yellow portion of the bars). We expect the deficit to remain around 2½ percent of GDP over the medium term, a level consistent with temporarily stabilizing the ratio of federal debt to GDP above 70 percent, given our projection for GDP. Over the medium term and beyond, the normalization of interest rates will push up federal debt-servicing costs as a share of GDP. In addition, the aging of the population and ongoing increases in health-care costs are expected to put more sizable upward pressure on the structural deficit over the longer term.

Similar factors will also restrain state and local budgets over the medium and longer terms, including pressures from their underfunded employee pension systems and from rising costs for Medicaid and health-care programs for state and local government retirees. State and local tax receipts, shown in the lower-right panel, have posted moderate gains since the second half of 2010 and are projected to continue increasing at a similar pace over the medium term. Initially, these revenue increases were used to improve budget positions and shore up depleted rainy day funds, but since last year these greater revenues have supported modest increases in hiring. Over the medium term, we expect this pace of revenue growth to allow state and local governments to slowly restore their employment to its previous peak, even though long-term rising costs for health and retirement programs will weigh heavily on these governments' budgets for the foreseeable future.

All told, recent improvements in government budget conditions have reduced the need for further fiscal restraint over the medium term. However, the current high level of federal debt, along with the longer-term budget pressures facing all governments, allow little room for expansionary fiscal policy actions. Indeed, further budget restraint will likely be needed to reduce federal debt and provide fiscal policymakers with the capacity to respond to unforeseen events.



Summary of the Near-Term Outlook

(Percent change at annual rate except as noted)

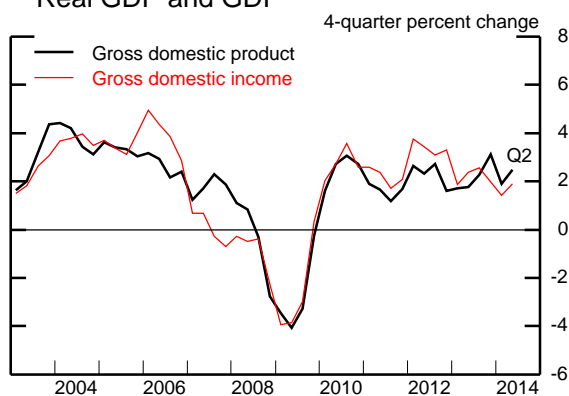
Measure	2014:H1		2014:Q3		2014:Q4	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
Real GDP	.3	1.1	3.6	2.8	3.3	3.0
Private domestic final purchases	2.0	2.4	3.6	2.9	3.9	3.9
Personal consumption expenditures	1.6	1.8	3.4	2.0	3.7	3.4
Residential investment	.0	1.4	4.9	9.9	11.2	11.8
Nonres. private fixed investment	4.9	5.5	4.2	6.1	3.0	4.1
Government purchases	.2	.5	.0	-1.0	-.5	-.1
<i>Contributions to change in real GDP</i>						
Inventory investment ¹	-.5	.0	.2	.1	.2	-.1
Net exports ¹	-.9	-1.0	.3	.5	-.1	-.2
Unemployment rate²	6.2	6.2	6.0	6.1	5.8	5.9
PCE chain price index	1.8	1.8	1.7	1.3	1.3	.9
Ex. food and energy	1.6	1.6	1.8	1.5	1.5	1.4

1. Percentage points.

2. Percent. For 2014:H1, the 2014:Q2 value is shown.

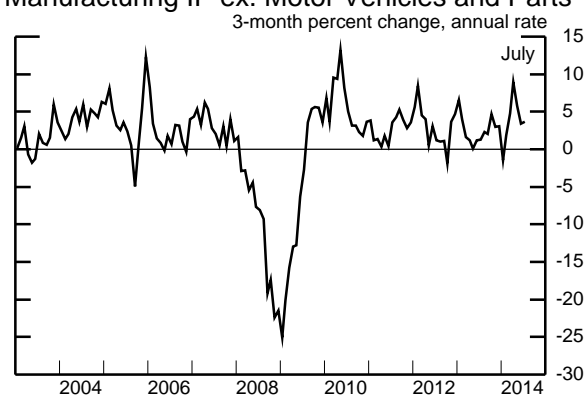
Recent Nonfinancial Developments (1)

Real GDP and GDI



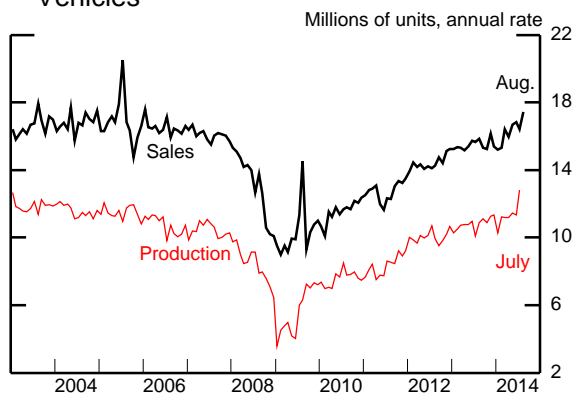
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Manufacturing IP ex. Motor Vehicles and Parts



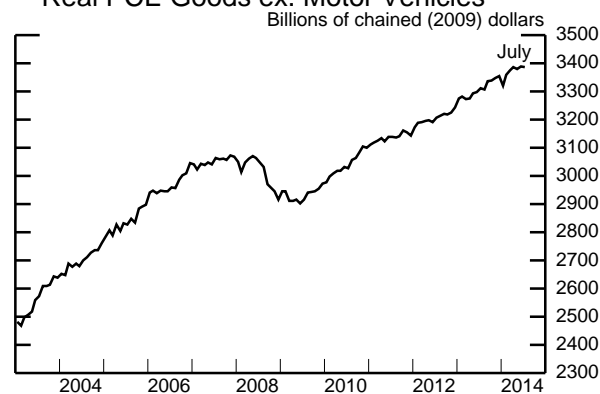
Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Sales and Production of Light Motor Vehicles



Source: Ward's Communications.

Real PCE Goods ex. Motor Vehicles



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

Decomposition of Potential GDP

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

Measure	1974-95	1996-2000	2001-07	2008-10	2011-13	2014	2015	2016	2017
Potential real GDP	3.1	3.4	2.6	1.7	1.6	.5	1.7	1.9	2.0
Previous Tealbook	3.1	3.4	2.6	1.9	1.5	.0	1.7	1.9	
<i>Selected contributions¹</i>									
Structural labor productivity ²	1.6	2.9	2.8	1.5	1.2	.6	1.7	1.8	1.9
Previous Tealbook	1.6	2.7	2.6	1.8	1.1	.0	1.7	1.8	
Capital deepening	.7	1.5	.9	.4	.4	.6	.6	.7	.7
Multifactor productivity	.7	1.1	1.6	.9	.7	-.1	.9	1.0	1.0
Structural hours	1.5	1.0	.7	.2	.6	.2	.3	.3	.3
Previous Tealbook	1.5	1.0	.7	.2	.6	.2	.3	.3	
Labor force participation	.4	.0	-.3	-.4	-.5	-.8	-.5	-.5	-.5
Previous Tealbook	.4	.0	-.3	-.4	-.5	-.8	-.5	-.5	
Memo:									
GDP gap ³	-1.8	2.5	.9	-4.4	-2.8	-1.3	-.4	.5	.8
Previous Tealbook	-1.8	2.5	1.0	-4.8	-2.8	-1.0	.3	1.3	

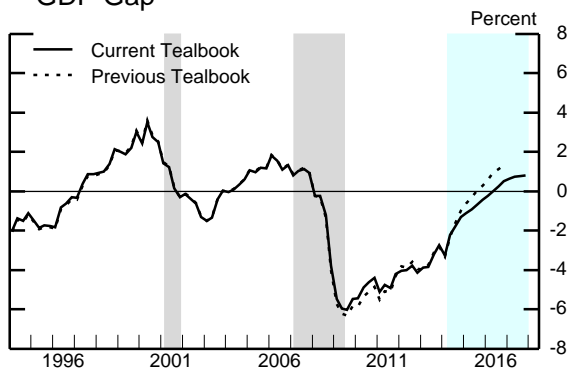
Note: For multiyear periods, the percent change is the annual average from Q4 of the year preceding the first year shown to Q4 of the last year shown.

1. Percentage points.

2. Total business sector; Previous Tealbook line reports structural labor productivity for the nonfarm business sector.

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

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.

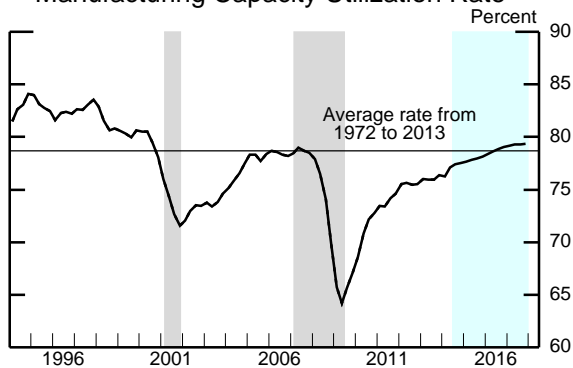
Source: U.S. Dept. of Commerce, BEA; staff assumptions.

Unemployment Rate



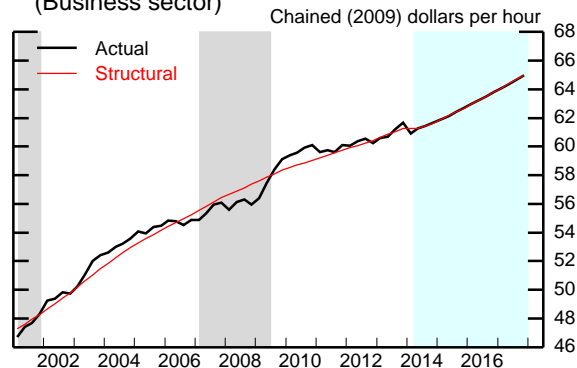
Source: U.S. Department of Labor, Bureau of Labor Statistics; staff assumptions.

Manufacturing Capacity Utilization Rate



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

Structural and Actual Labor Productivity (Business sector)



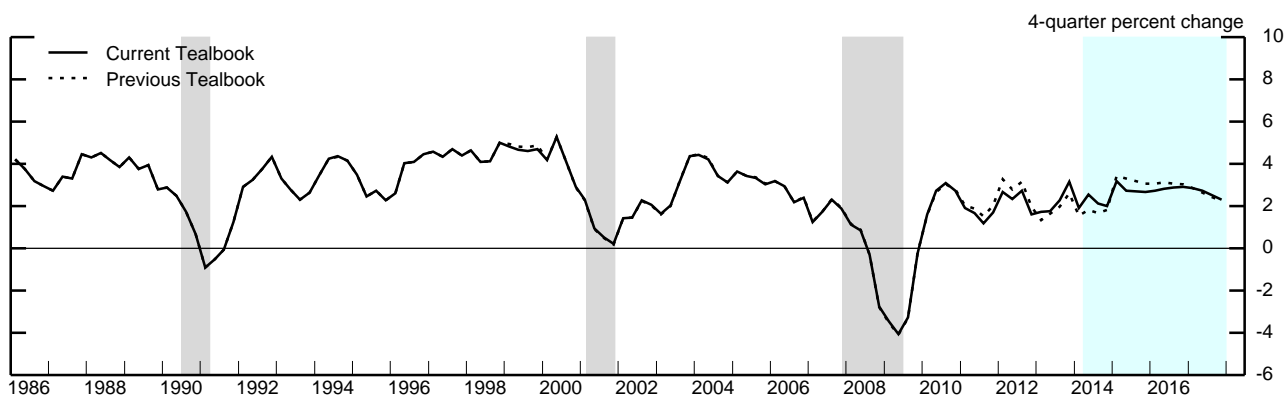
Source: U.S. Department of Labor, Bureau of Labor Statistics; U.S. Department of Commerce, Bureau of Economic Analysis; staff assumptions.

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

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

Measure	2014	2014		2015	2016	2017
		H1	H2			
Real GDP	2.0	1.1	2.9	2.7	2.9	2.3
Previous Tealbook	1.8	.3	3.4	3.0	3.0	2.2
Final sales	2.0	1.1	2.9	2.6	2.9	2.5
Previous Tealbook	2.0	.8	3.2	3.2	3.0	
Personal consumption expenditures	2.3	1.8	2.7	3.0	2.8	2.5
Previous Tealbook	2.6	1.6	3.6	3.4	2.8	
Residential investment	6.0	1.4	10.8	11.0	10.7	6.0
Previous Tealbook	3.9	.0	8.0	13.7	11.9	
Nonresidential structures	6.8	7.8	5.9	-.7	1.1	.7
Previous Tealbook	3.8	.7	7.0	1.7	2.6	
Equipment and intangibles	4.8	4.8	4.9	3.1	4.2	3.0
Previous Tealbook	4.4	6.1	2.7	5.0	4.9	
Federal purchases	-2.0	-.5	-3.4	-3.3	-1.1	-.8
Previous Tealbook	-1.6	-.4	-2.7	-3.2	-1.2	
State and local purchases	1.2	1.1	1.3	1.5	1.8	2.0
Previous Tealbook	1.0	.7	1.3	1.4	1.8	
Exports	2.2	.3	4.0	4.4	5.1	5.4
Previous Tealbook	2.0	-.7	4.8	5.0	5.5	
Imports	4.4	6.5	2.3	4.0	4.6	3.9
Previous Tealbook	4.2	5.2	3.2	4.6	4.6	
Contributions to change in real GDP (percentage points)						
Inventory change	.0	.0	.0	.1	.1	-.2
Previous Tealbook	-.2	-.5	.2	-.1	.0	
Net exports	-.4	-1.0	.2	-.1	-.1	.1
Previous Tealbook	-.4	-.9	.1	-.1	.0	

Real GDP

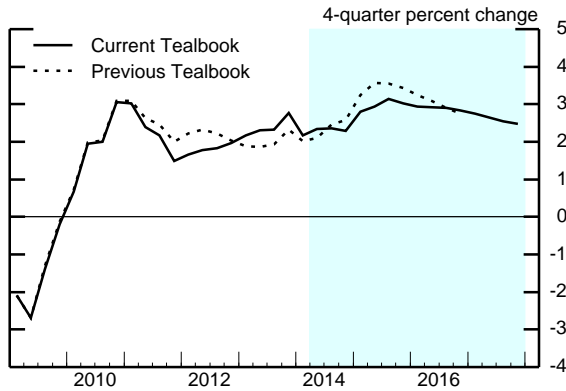


Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.

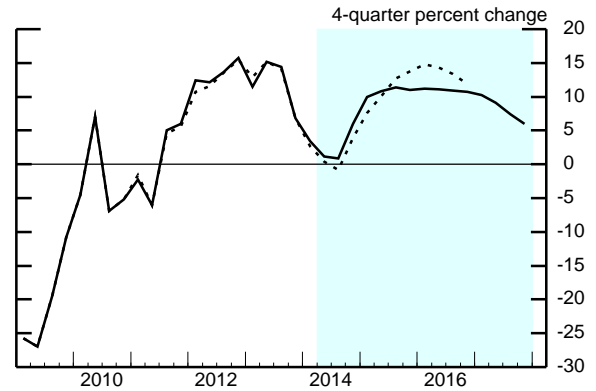
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

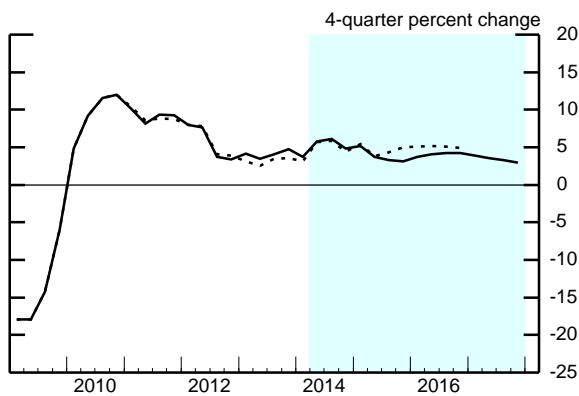
Personal Consumption Expenditures



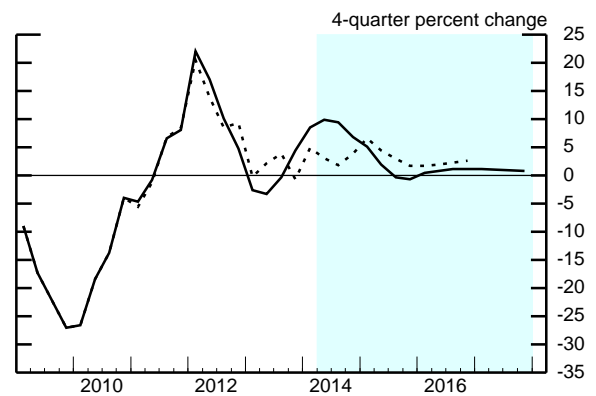
Residential Investment



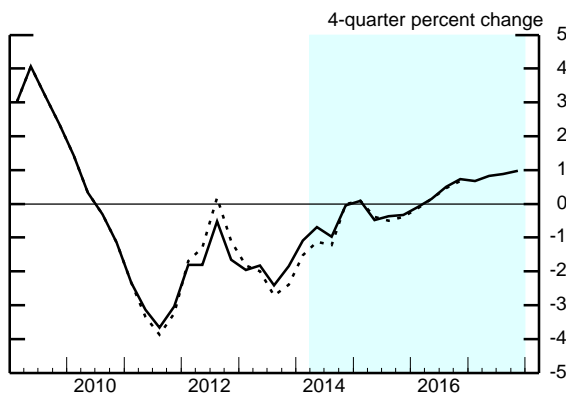
Equipment and Intangibles



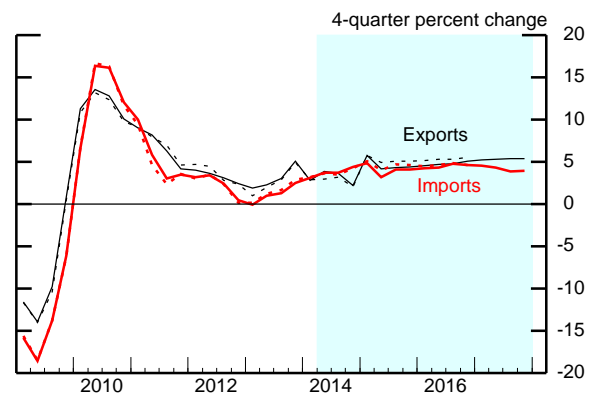
Nonresidential Structures



Government Consumption & Investment



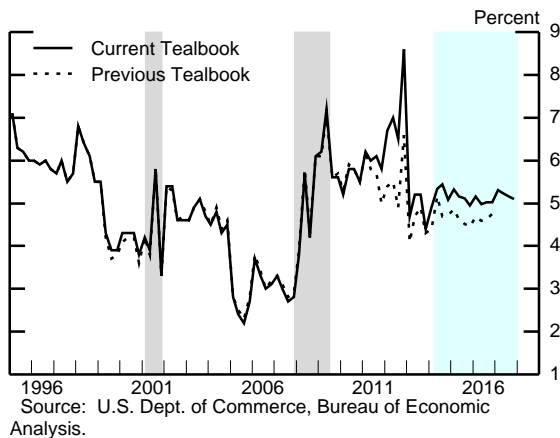
Exports and Imports



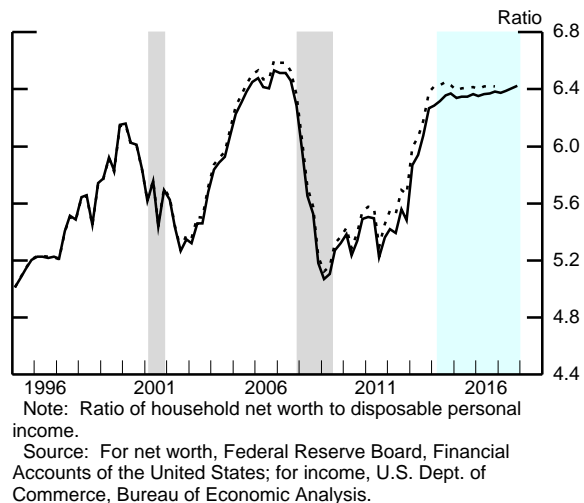
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Aspects of the Medium-Term Projection

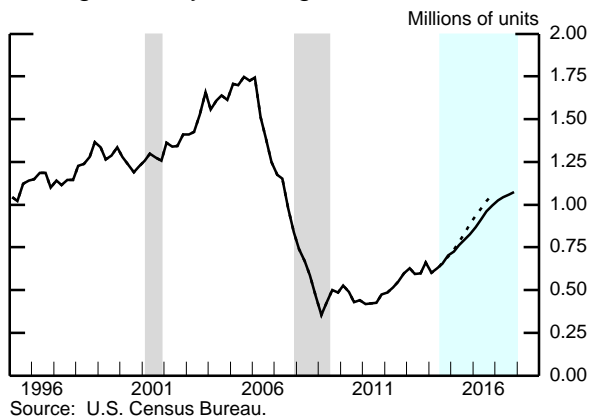
Personal Saving Rate



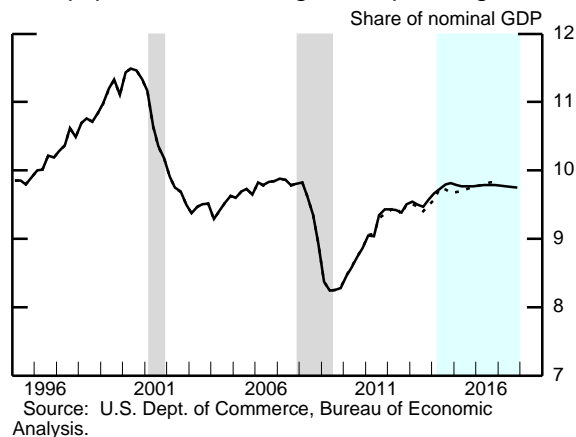
Wealth-to-Income Ratio



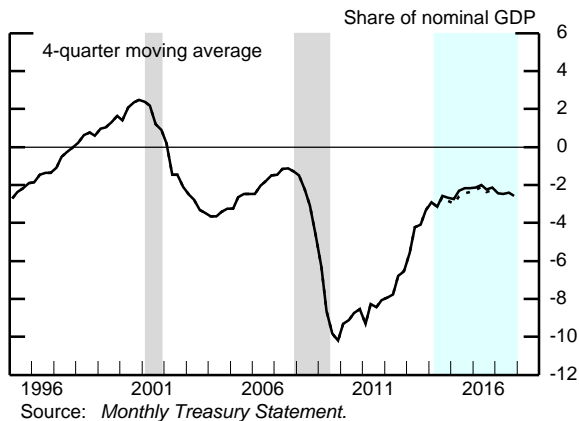
Single-Family Housing Starts



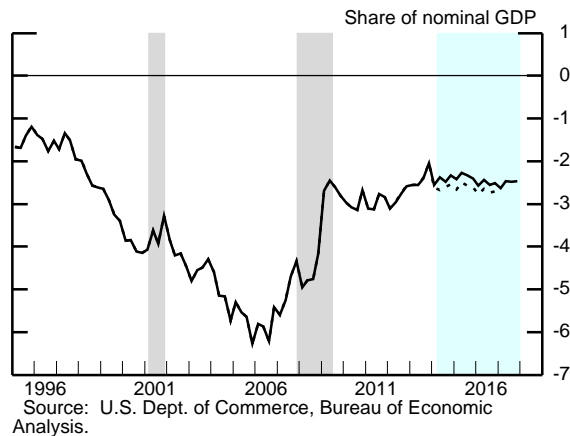
Equipment and Intangibles Spending



Federal Surplus/Deficit



Current Account Surplus/Deficit



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

The Outlook for the Labor Market

Measure	2014	2014		2015	2016	2017
		H1	H2			
Output per hour, business ¹	.0	-1.3	1.3	1.7	1.8	1.9
Previous Tealbook	-.1	-2.1	1.8	1.5	1.4	
Nonfarm private employment ²	211	222	200	180	180	130
Previous Tealbook	230	222	238	210	205	
Labor force participation rate ³	62.8	62.8	62.8	62.6	62.4	62.2
Previous Tealbook	62.8	62.8	62.8	62.7	62.6	
Civilian unemployment rate ³	5.9	6.2	5.9	5.4	5.1	4.9
Previous Tealbook	5.8	6.2	5.8	5.1	4.7	4.5

1. Percent change from final quarter of preceding period at annual rate. Note that in previous Tealbooks, this table showed output per hour for the nonfarm business sector; it now shows current and previous projections of output per hour for the total business sector.

2. Thousands, average monthly changes.

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

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

Inflation Projections

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

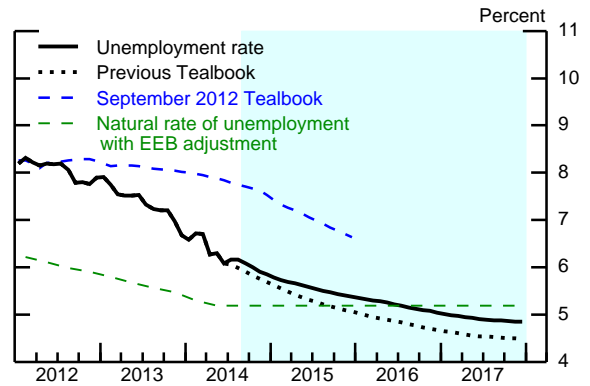
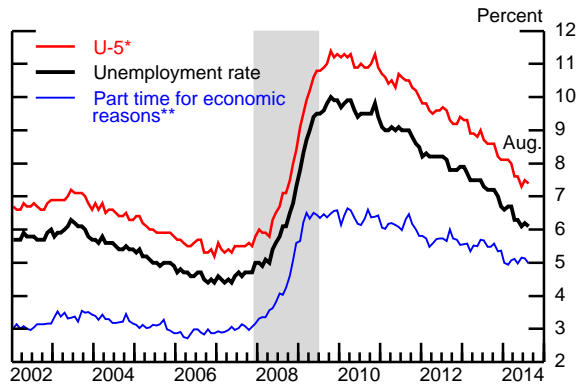
Measure	2014	2014		2015	2016	2017
		H1	H2			
PCE chain-weighted price index	1.5	1.8	1.1	1.5	1.6	1.7
Previous Tealbook	1.7	1.8	1.5	1.5	1.6	1.8
Food and beverages	2.2	2.9	1.5	.9	1.5	1.8
Previous Tealbook	2.3	2.9	1.7	.8	1.3	
Energy	-.9	4.6	-6.0	.6	-.1	.2
Previous Tealbook	2.1	4.7	-.5	-.6	-.3	
Excluding food and energy	1.5	1.6	1.5	1.6	1.7	1.8
Previous Tealbook	1.6	1.6	1.6	1.7	1.8	1.9
Prices of core goods imports ¹	1.0	1.5	.5	1.1	1.3	1.3
Previous Tealbook	1.4	1.6	1.2	1.3	1.3	

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

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

Labor Market Developments and Outlook (1)

Measures of Labor Underutilization



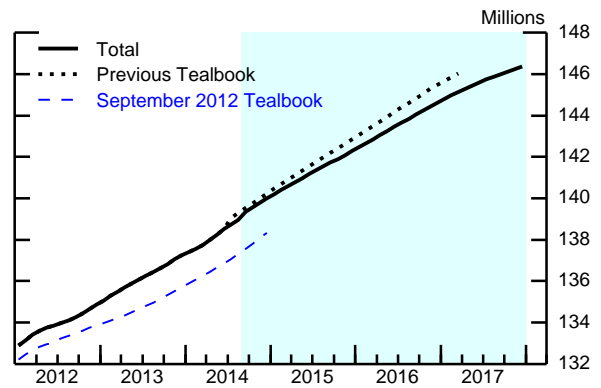
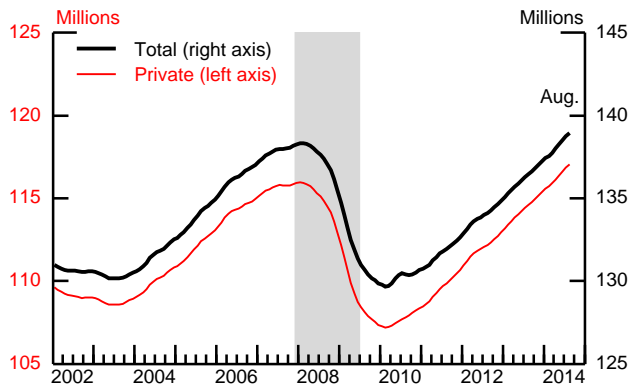
* U-5 measures total unemployed persons plus all marginally attached to the labor force, as a percent of the labor force plus persons marginally attached to the labor force.

** Percent of Current Population Survey employment.

EEB Extended and emergency unemployment benefits.

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

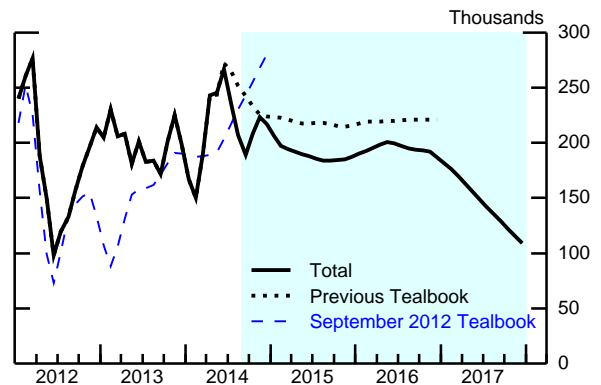
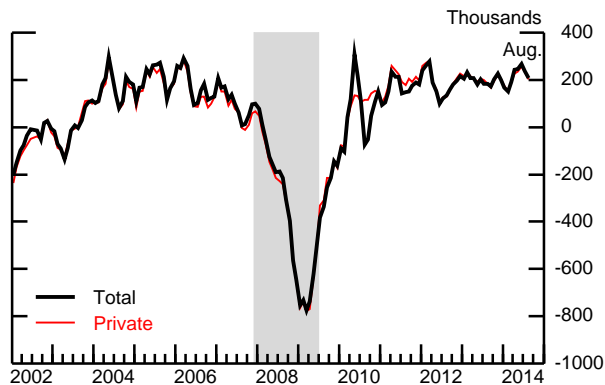
Level of Payroll Employment*



* 3-month moving averages in history; average levels in each quarter during the forecast period.

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

Change in Payroll Employment*



* 3-month moving averages in history; average monthly changes in each quarter during the forecast period.

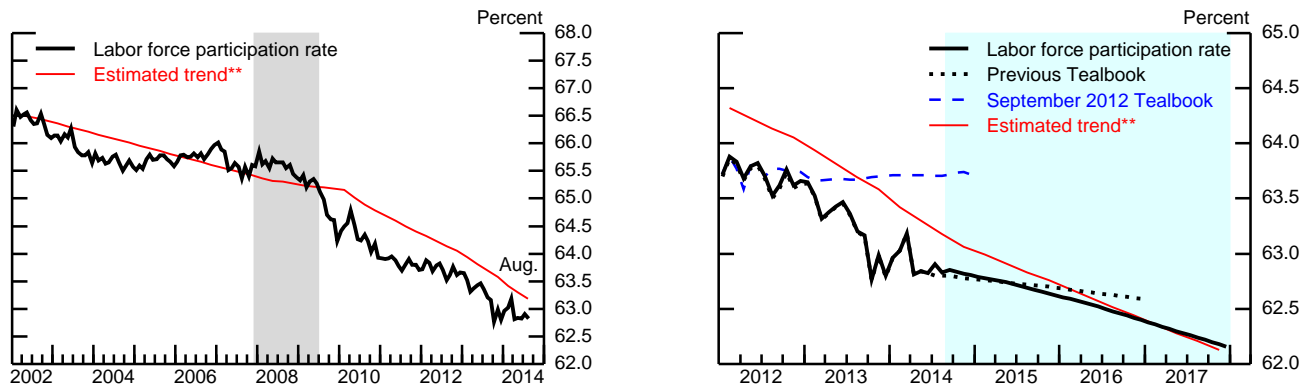
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Note: In September 2012, judgmental projections were prepared through 2015 for the Summary of Economic Projections variables, including the unemployment rate, while projections for other variables, including the labor force participation rate and payroll employment, were prepared only through 2014. This exhibit therefore reports a 2015 projection from the September 2012 Tealbook only for the unemployment rate.

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

Labor Market Developments and Outlook (2)

Labor Force Participation Rate*

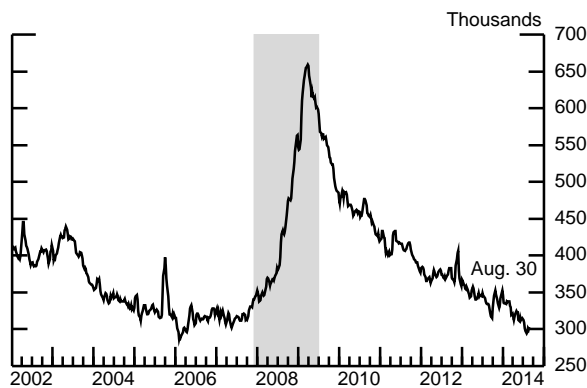


* Published data adjusted by staff to account for changes in population weights.

** Includes staff estimate of the effect of extended and emergency unemployment benefits.

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

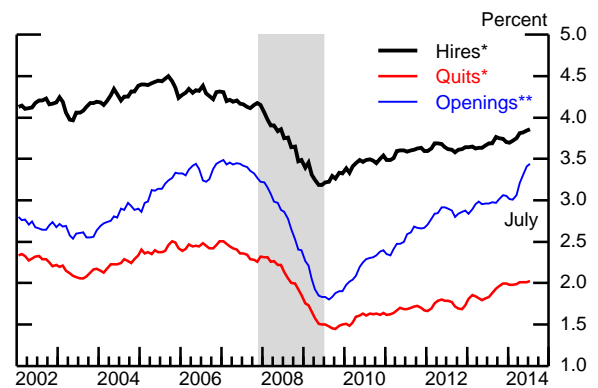
Initial Unemployment Insurance Claims*



* 4-week moving average.

Source: U.S. Department of Labor, Employment and Training Administration.

Private Hires, Quits, and Job Openings

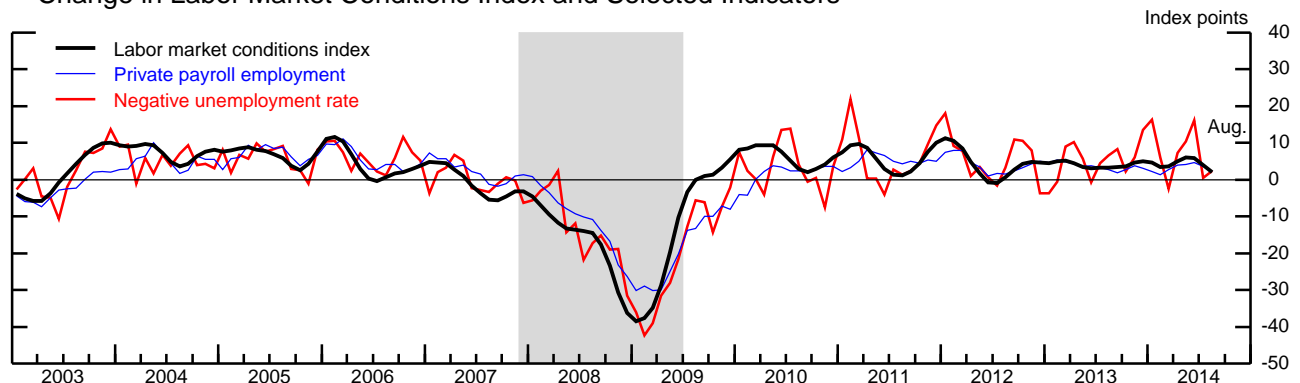


* Percent of private nonfarm payroll employment, 3-month moving average.

** Percent of private nonfarm payroll employment plus unfilled jobs, 3-month moving average.

Source: Job Openings and Labor Turnover Survey.

Change in Labor Market Conditions Index and Selected Indicators*



Note: Labor market conditions index estimated by staff; indexes for unemployment rate and private payroll employment are standardized deviations from estimated trend.

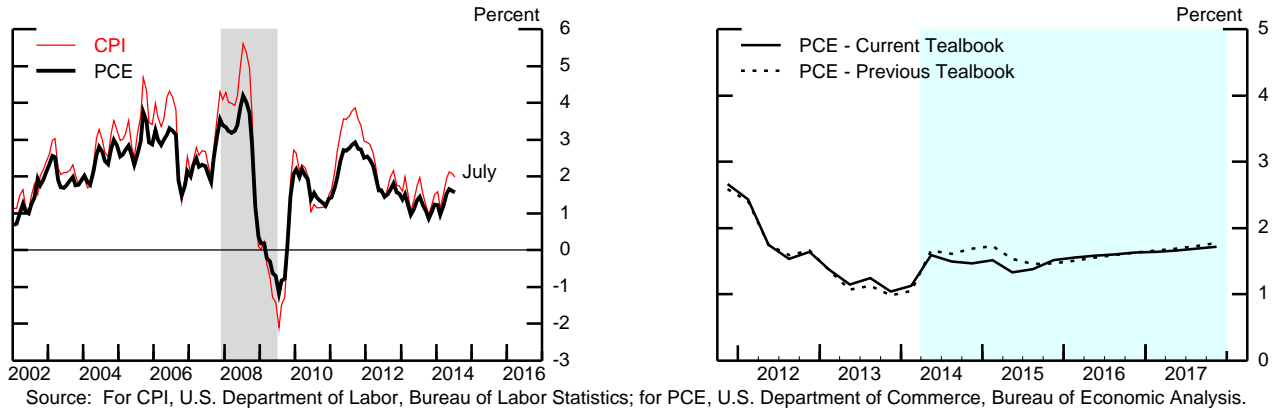
* 3-month moving average.

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

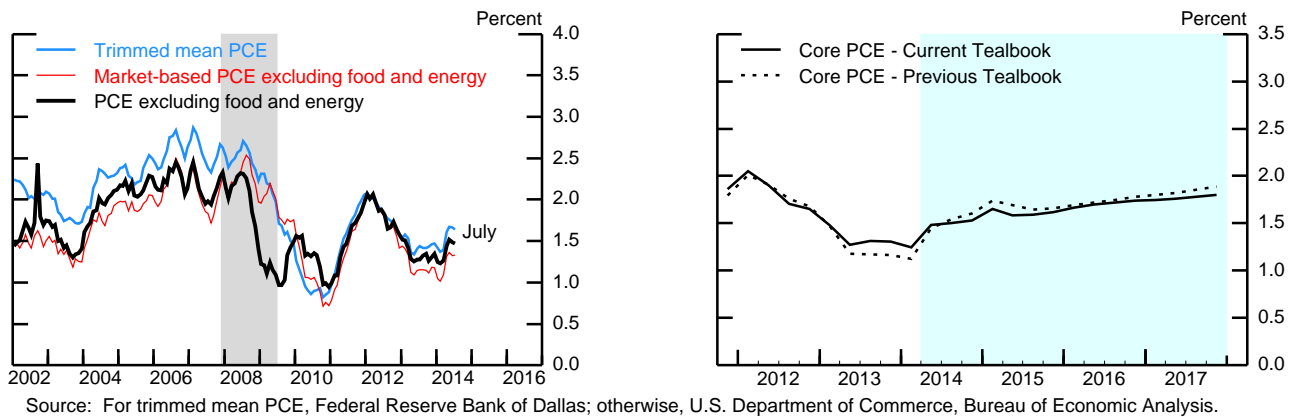
Inflation Developments and Outlook (1)

(Percent change from year-earlier period)

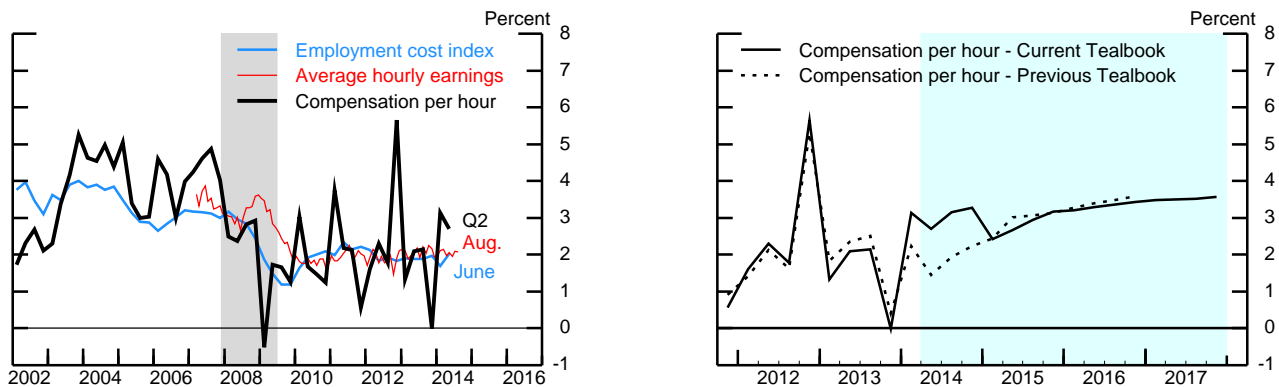
Headline Consumer Price Inflation



Measures of Underlying PCE Price Inflation



Labor Cost Growth



Note: Previous Tealbooks showed compensation per hour for the nonfarm business sector; the above charts now show current and previous projections of compensation per hour for the total business sector. Average hourly earnings are for the private nonfarm sector. The employment cost index is for the private sector.

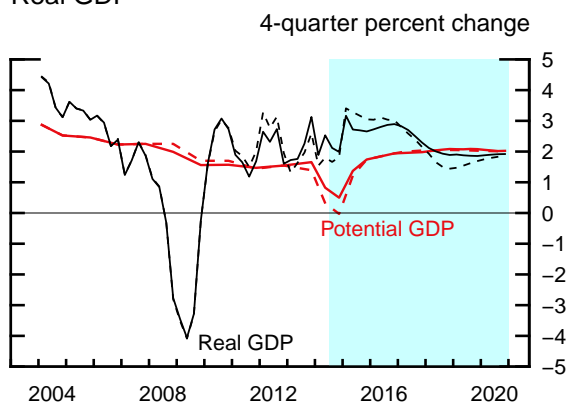
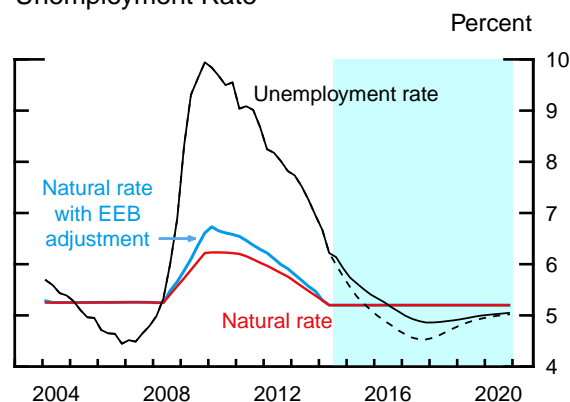
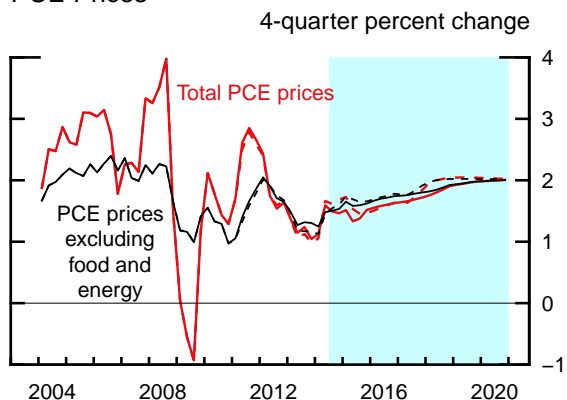
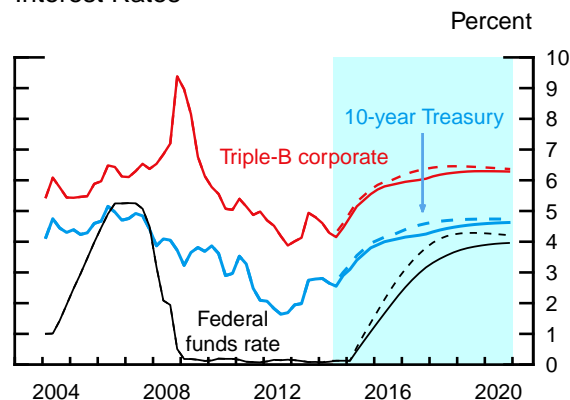
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.

The Long-Term Outlook

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

Measure	2014	2015	2016	2017	2018	2019	Longer run
Real GDP	2.0	2.7	2.9	2.3	1.9	1.9	2.0
Previous Tealbook	1.8	3.0	3.0	2.2	1.4	1.7	2.0
Civilian unemployment rate ¹	5.9	5.4	5.1	4.9	4.9	5.0	5.2
Previous Tealbook	5.8	5.1	4.7	4.5	4.7	4.9	5.2
PCE prices, total	1.5	1.5	1.6	1.7	1.9	2.0	2.0
Previous Tealbook	1.7	1.5	1.6	1.8	2.0	2.0	2.0
Core PCE prices	1.5	1.6	1.7	1.8	1.9	2.0	2.0
Previous Tealbook	1.6	1.7	1.8	1.9	2.0	2.0	2.0
Federal funds rate ¹	.1	1.1	2.3	3.2	3.7	3.9	3.8
Previous Tealbook	.1	1.4	2.8	3.8	4.2	4.3	3.8
10-year Treasury yield ¹	2.9	3.8	4.1	4.3	4.5	4.6	4.6
Previous Tealbook	3.0	4.0	4.3	4.6	4.7	4.7	4.6

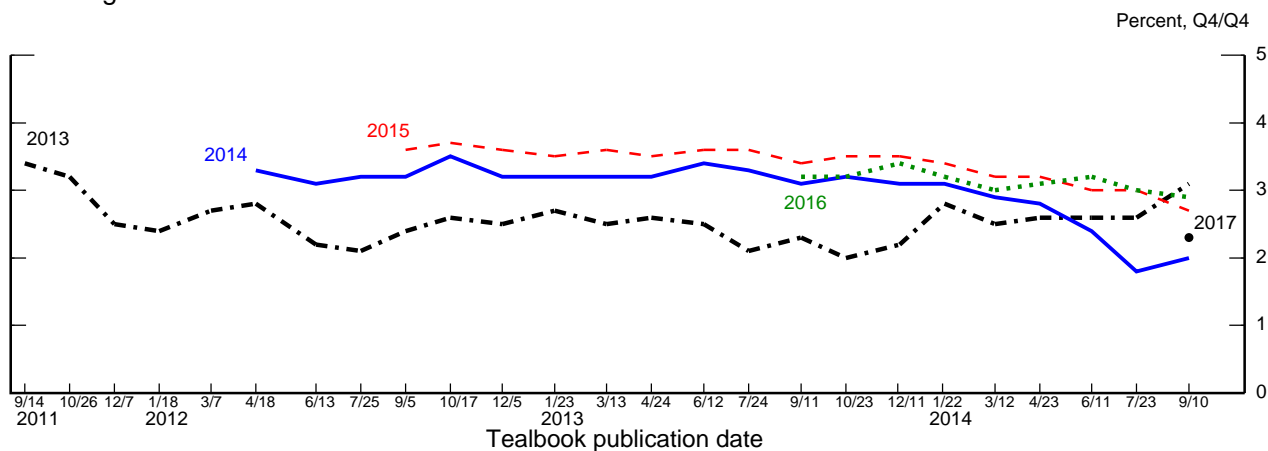
1. Percent, average for the final quarter of the period.

Real GDP**Unemployment Rate****PCE Prices****Interest Rates**

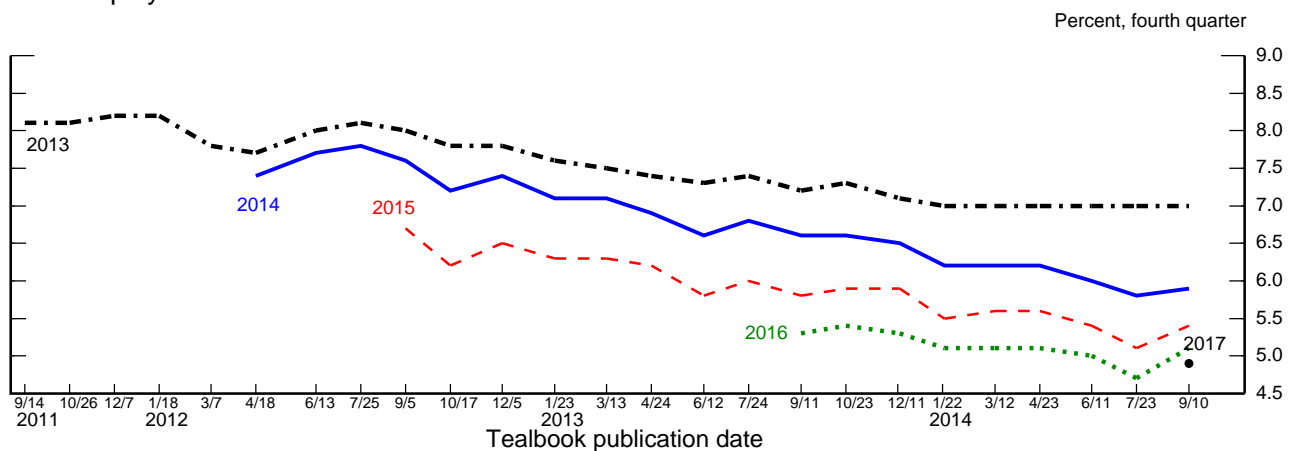
Note: In each panel, shading represents the projection period, and dashed lines are the previous Tealbook.

Evolution of the Staff Forecast

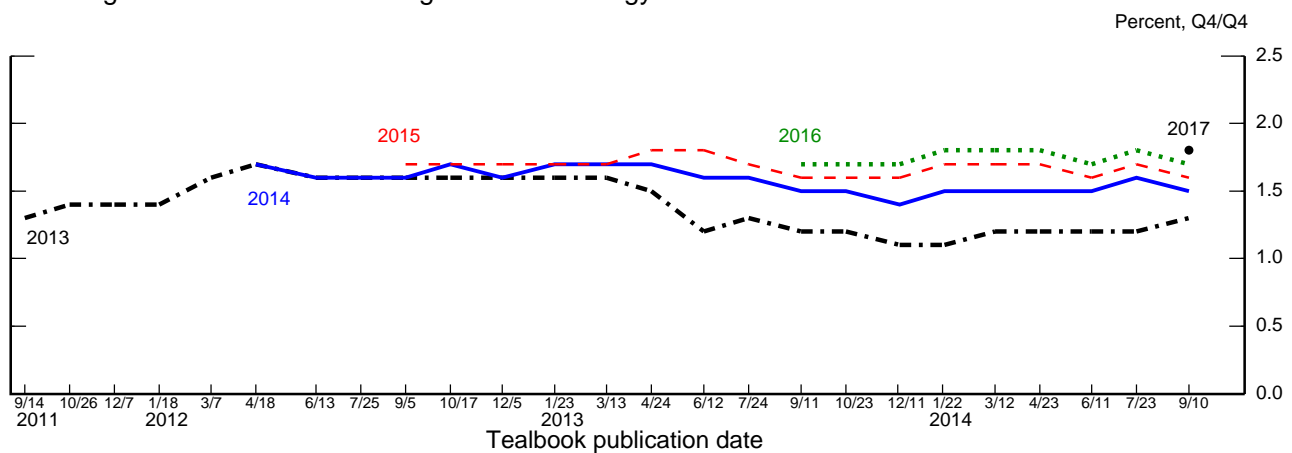
Change in Real GDP



Unemployment Rate

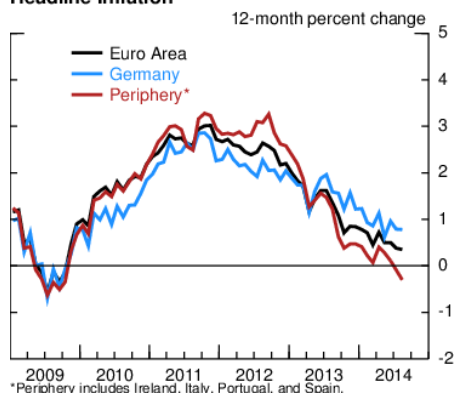
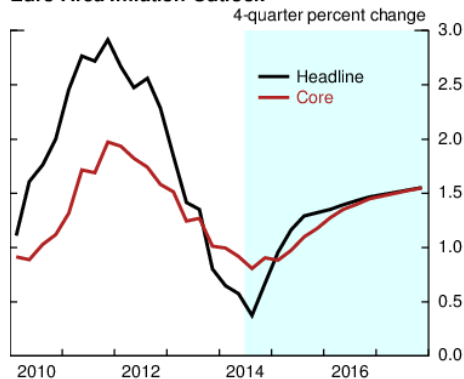
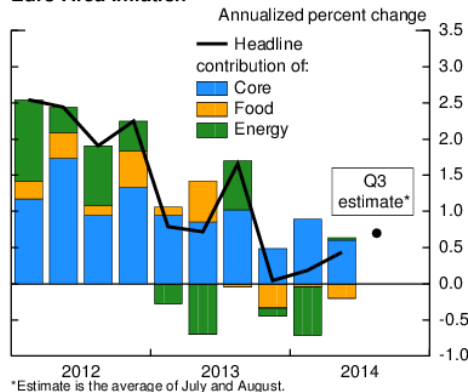


Change in PCE Prices excluding Food and Energy



Our expectations-augmented Phillips curve models, which explicitly consider the role of other factors such as economic slack and inflation expectations, support the importance of supply shocks (proxied by changes in oil and import prices) in restraining euro-area inflation since the end of 2013.² The disappointing performance of the euro-area economy in the first two quarters of this year, which unexpectedly widened output gaps, also contributes, albeit modestly, to lower inflation than our model predicted earlier in the year. With growth projected to pick up, output gaps should narrow, which should also lend some slight impetus to inflation.

However, uncertainty about the outlook for the euro area remains significant, as still-elevated debt levels and high unemployment rates continue to weigh on the fragile recovery. Accordingly, there is some risk that the euro-area economy could experience a prolonged period of disappointing growth and low inflation, necessitating further monetary policy stimulus. This scenario is explored in the Risks and Uncertainty section.

Headline Inflation**Euro-Area Inflation Expectations*****Euro-Area Inflation Outlook****Euro-Area Inflation**

² As discussed in the January 2014 Tealbook box “Inflation Developments in the Advanced Foreign Economies,” our inflation models relate quarterly headline inflation to a measure of longer-term inflation expectations, the staff’s estimate of the output gap, changes in consumption taxes, a set of supply shocks (changes in oil and import prices), and a residual that captures sources of variation in inflation not accounted for by the model.

The Foreign GDP Outlook

Real GDP*

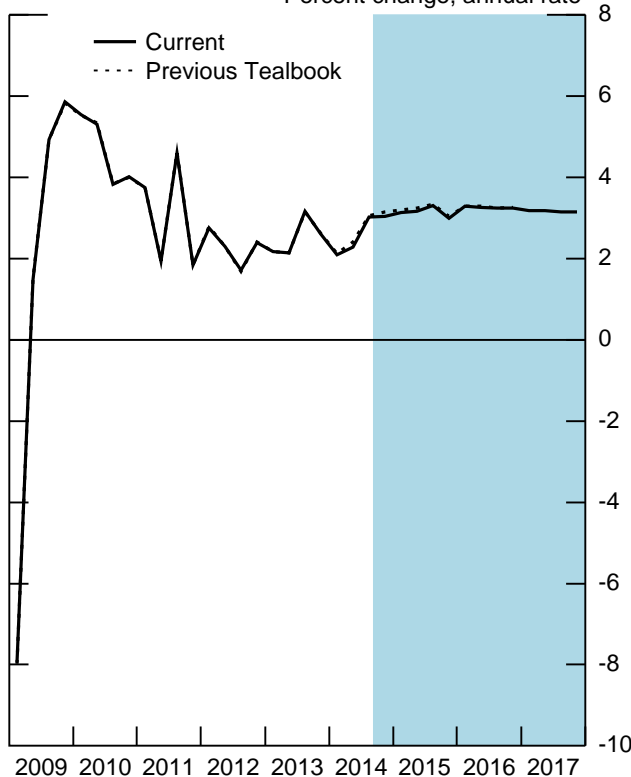
Percent change, annual rate

	2013	2014				2015	2016	2017
		Q1	Q2	Q3	Q4			
1. Total Foreign	2.5	2.1	2.3	3.0	3.0	3.2	3.3	3.2
<i>Previous Tealbook</i>	2.5	2.1	2.4	3.1	3.1	3.2	3.3	...
2. Advanced Foreign Economies	2.0	1.8	1.0	2.1	2.1	2.1	2.2	2.1
<i>Previous Tealbook</i>	2.0	2.0	1.2	2.1	2.1	2.1	2.2	...
3. Canada	2.7	0.9	3.1	2.7	2.7	2.6	2.5	2.3
4. Euro Area	0.5	0.9	0.1	1.0	1.3	1.8	2.0	2.0
5. Japan	2.4	6.0	-7.1	2.2	1.7	0.6	1.2	1.1
6. United Kingdom	2.7	3.3	3.4	2.8	2.6	2.6	2.4	2.4
7. Emerging Market Economies	3.0	2.4	3.6	3.9	4.0	4.2	4.3	4.2
<i>Previous Tealbook</i>	3.0	2.3	3.6	4.0	4.2	4.3	4.4	...
8. China	7.6	5.5	7.8	7.6	7.4	7.1	7.1	6.9
9. Emerging Asia ex. China	3.6	2.5	3.2	3.9	4.0	4.3	4.4	4.1
10. Mexico	0.6	1.8	4.2	3.7	3.5	3.6	3.7	3.7
11. Brazil	2.2	-0.6	-2.4	0.5	1.5	1.9	2.2	2.3

* GDP aggregates weighted by shares of U.S. merchandise exports.

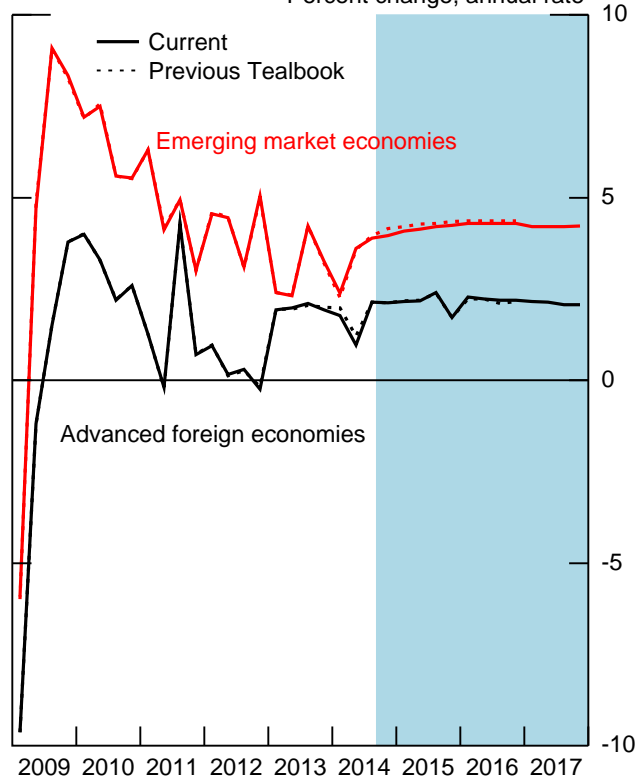
Total Foreign GDP

Percent change, annual rate



Foreign GDP

Percent change, annual rate



The Foreign Inflation Outlook

Consumer Prices*

Percent change, annual rate

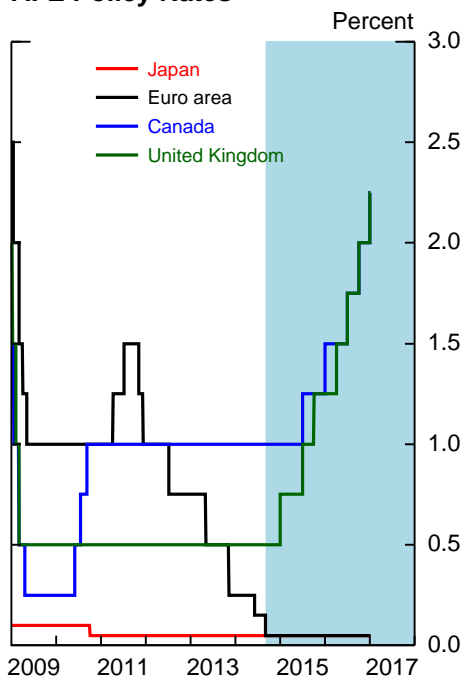
	2013	2014				2015	2016	2017
		Q1	Q2	Q3	Q4			
1. Total Foreign	2.3	2.0	3.0	2.4	2.4	2.6	2.6	2.6
<i>Previous Tealbook</i>	2.3	2.0	3.0	2.6	2.5	2.6	2.6	...
2. Advanced Foreign Economies	1.0	1.1	3.3	1.2	1.2	1.7	1.6	1.7
<i>Previous Tealbook</i>	1.0	1.1	3.2	1.3	1.4	1.7	1.6	...
3. Canada	1.0	2.8	3.7	1.5	1.4	1.7	2.0	2.1
4. Euro Area	0.8	0.2	0.4	0.8	1.2	1.3	1.5	1.6
5. Japan	1.4	0.4	9.4	1.3	0.8	2.3	1.3	1.4
6. United Kingdom	2.1	1.1	1.9	2.1	2.3	1.9	1.9	2.0
7. Emerging Market Economies	3.3	2.7	2.8	3.3	3.3	3.4	3.3	3.3
<i>Previous Tealbook</i>	3.3	2.7	2.8	3.6	3.4	3.4	3.3	...
8. China	2.9	0.8	2.0	3.4	3.0	3.0	3.0	3.0
9. Emerging Asia ex. China	3.4	2.9	3.1	2.2	3.3	3.5	3.4	3.4
10. Mexico	3.7	5.2	3.0	3.6	3.3	3.3	3.3	3.3
11. Brazil	5.9	6.5	7.4	6.0	5.8	5.4	5.3	5.3

* CPI aggregates weighted by shares of U.S. non-oil imports.

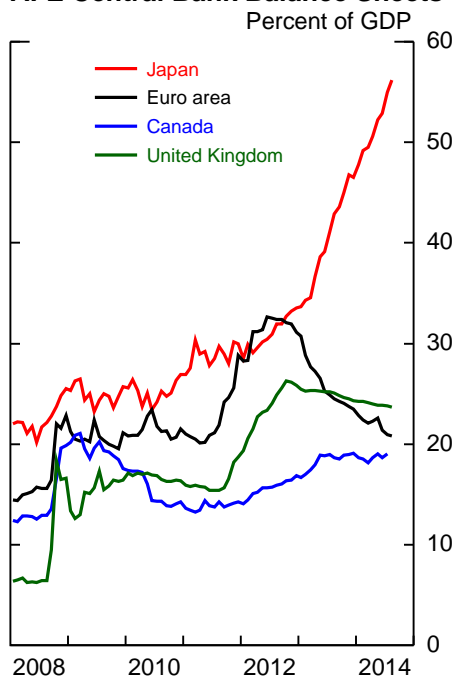
Int'l Econ Devel & Outlook

Foreign Monetary Policy

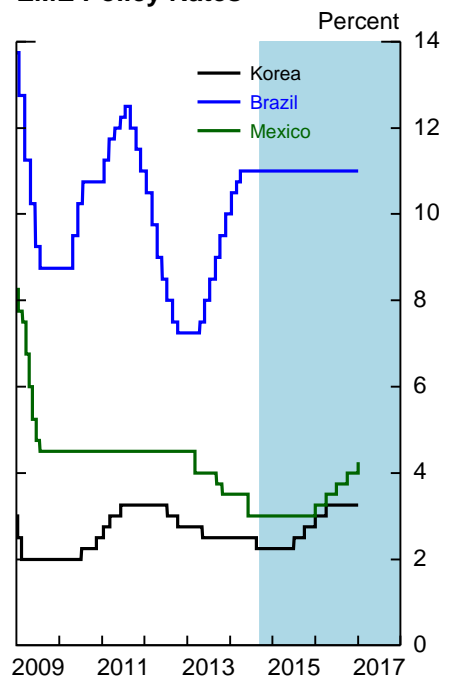
AFE Policy Rates



AFE Central Bank Balance Sheets

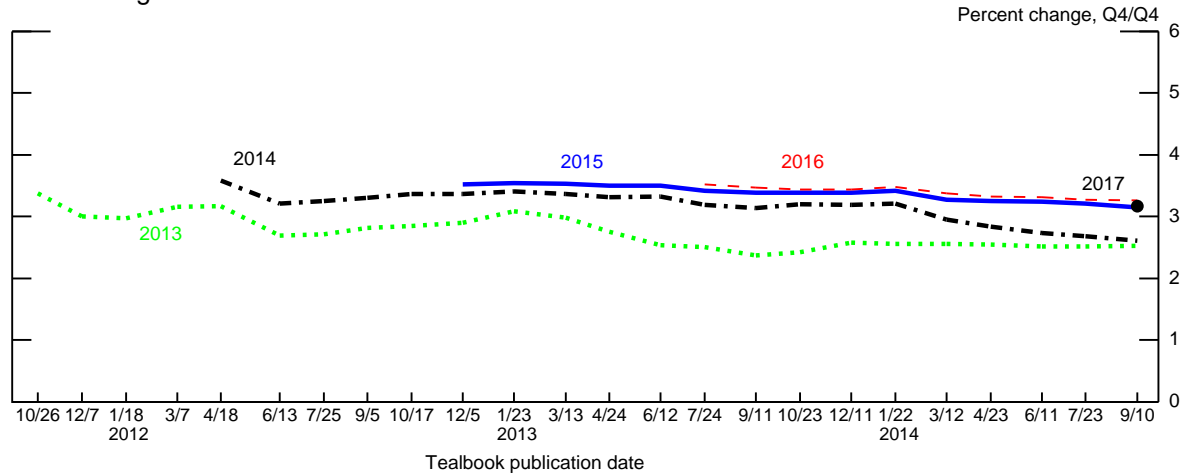


EME Policy Rates

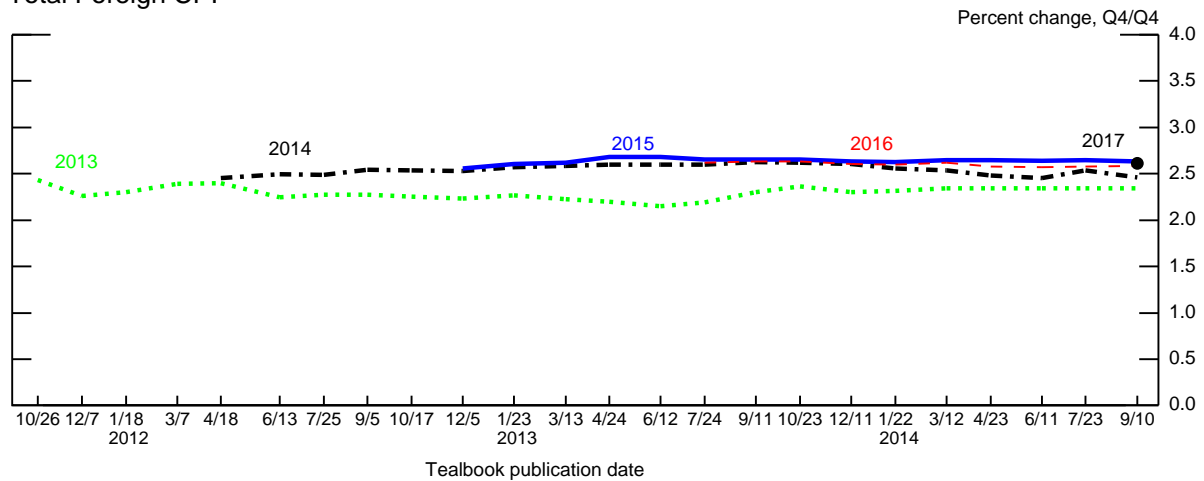


Evolution of Staff's International Forecast

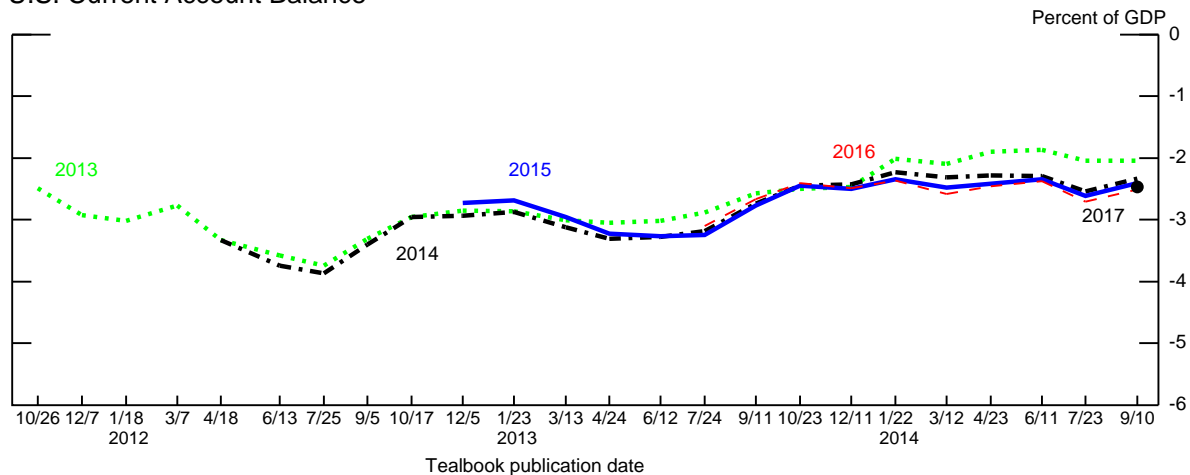
Total Foreign GDP



Total Foreign CPI

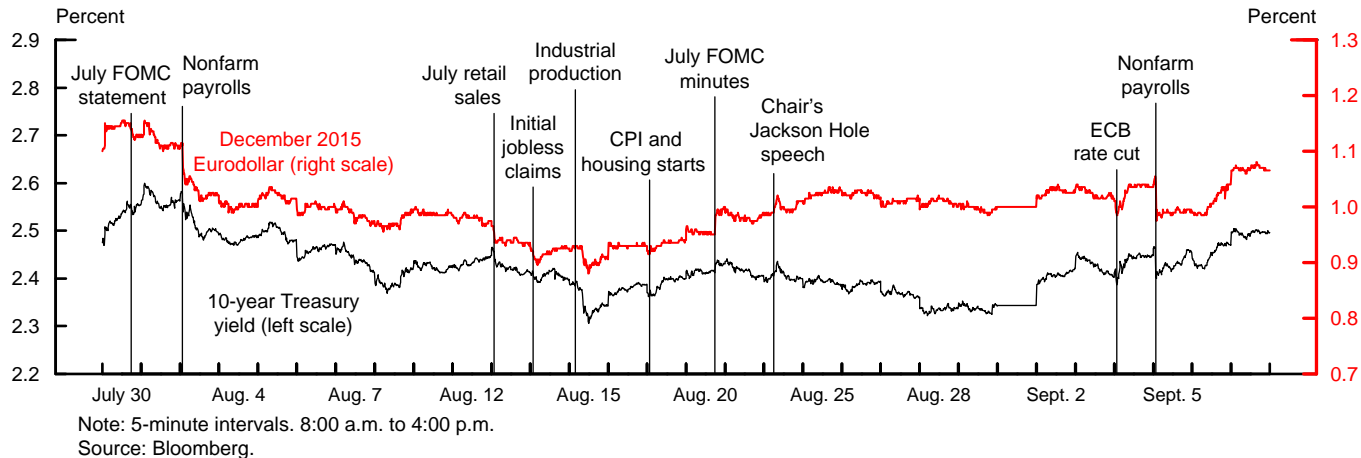


U.S. Current Account Balance

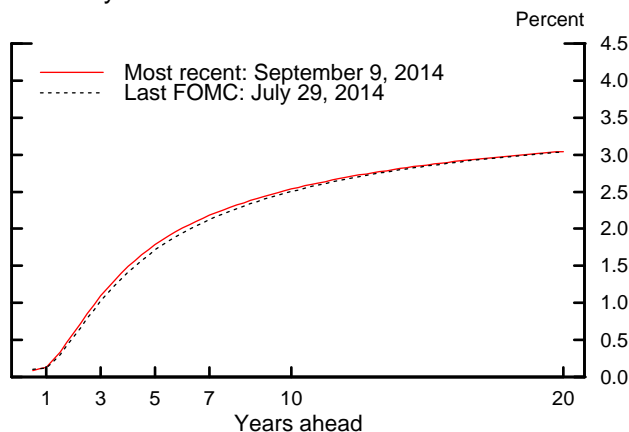


Policy Expectations and Treasury Yields

Selected Interest Rates

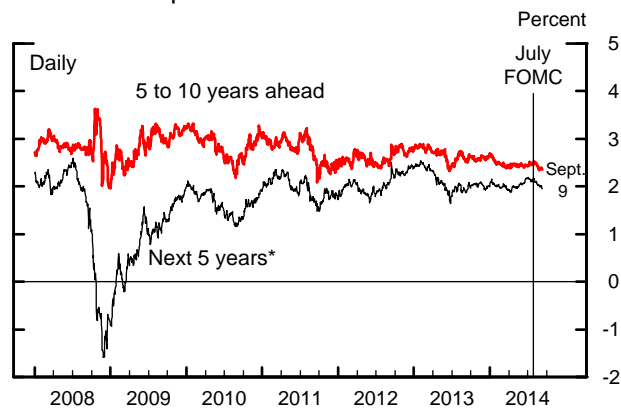


Treasury Yield Curve



Note: Smoothed yield curve estimated from off-the-run Treasury coupon securities. Yields shown are those on notional par Treasury securities with semiannual coupons.
Source: Federal Reserve Board.

Inflation Compensation

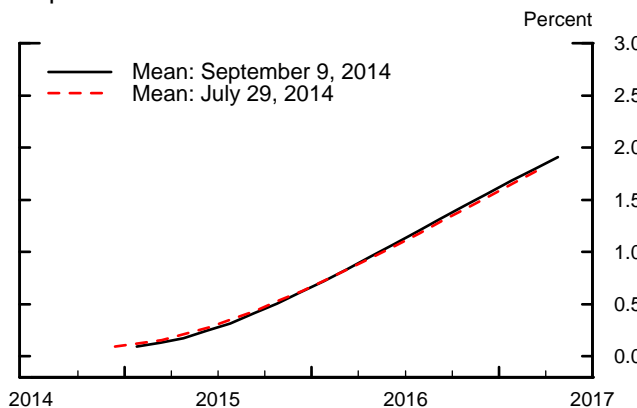


Note: Estimates based on smoothed nominal and inflation-indexed Treasury yield curves.

* Adjusted for lagged indexation of Treasury Inflation-Protected Securities (carry effect).

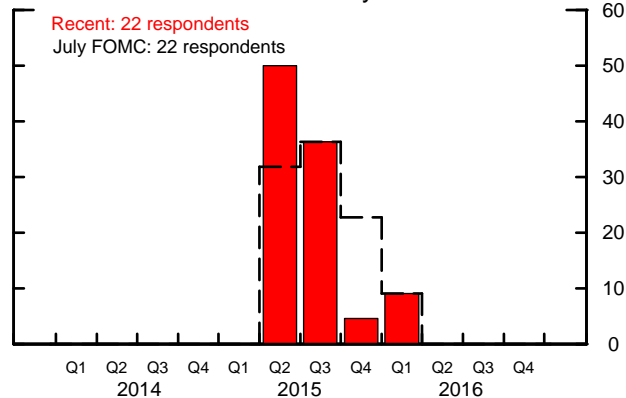
Source: Barclays PLC and staff estimates.

Implied Federal Funds Rate



Note: Mean is estimated using overnight index swap quotes and includes a term premium of zero basis points per month.
Source: Bloomberg; CME Group.

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



Source: Desk's dealer survey from September 8, 2014.

Alternative Scenarios

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

Measure and scenario	2014		2015	2016	2017	2018-19
	H1	H2				
<i>Real GDP</i>						
Extended Tealbook baseline	1.1	2.9	2.7	2.9	2.3	1.9
Anchored expectations	1.1	2.9	2.6	2.7	2.1	1.8
Unanchored expectations	1.1	2.9	2.6	2.7	2.1	1.8
Higher trend LFPR	1.1	2.8	2.7	3.5	3.1	2.3
No room to grow	1.1	2.8	2.3	1.9	1.0	.9
Weaker euro area growth	1.1	2.7	2.2	2.9	2.5	2.0
Escalating geopolitical tensions	1.1	2.6	1.4	2.8	2.8	2.2
<i>Unemployment rate¹</i>						
Extended Tealbook baseline	6.2	5.9	5.4	5.1	4.9	5.0
Anchored expectations	6.2	5.9	5.5	5.3	5.2	5.3
Unanchored expectations	6.2	5.9	5.5	5.3	5.2	5.4
Higher trend LFPR	6.2	6.2	5.9	5.5	5.0	4.8
No room to grow	6.2	5.9	5.4	5.4	5.6	6.1
Weaker euro area growth	6.2	5.9	5.6	5.4	5.1	5.1
Escalating geopolitical tensions	6.2	5.9	5.9	5.8	5.4	5.3
<i>Total PCE prices</i>						
Extended Tealbook baseline	1.8	1.1	1.5	1.6	1.7	1.9
Anchored expectations	1.8	2.1	3.1	2.1	1.8	2.0
Unanchored expectations	1.8	2.1	3.2	2.5	2.4	2.5
Higher trend LFPR	1.8	1.1	1.5	1.7	1.8	1.9
No room to grow	1.8	1.2	1.7	1.9	2.0	2.1
Weaker euro area growth	1.8	.6	1.1	1.5	1.7	1.9
Escalating geopolitical tensions	1.8	3.8	1.7	.3	1.1	2.0
<i>Core PCE prices</i>						
Extended Tealbook baseline	1.6	1.5	1.6	1.7	1.8	2.0
Anchored expectations	1.6	2.5	3.2	2.2	1.9	2.1
Unanchored expectations	1.6	2.5	3.3	2.6	2.5	2.6
Higher trend LFPR	1.6	1.5	1.6	1.8	1.9	2.0
No room to grow	1.6	1.6	1.8	2.0	2.1	2.2
Weaker euro area growth	1.6	1.4	1.4	1.6	1.7	2.0
Escalating geopolitical tensions	1.6	1.5	1.4	1.6	1.7	2.0
<i>Federal funds rate¹</i>						
Extended Tealbook baseline	.1	.1	1.1	2.3	3.2	3.9
Anchored expectations	.1	.1	1.9	3.1	3.6	3.7
Unanchored expectations	.1	.1	1.9	3.3	4.0	4.2
Higher trend LFPR	.1	.1	.1	1.0	2.4	3.9
No room to grow	.1	.1	1.9	3.5	4.4	4.4
Weaker euro area growth	.1	.1	.7	1.8	2.7	3.7
Escalating geopolitical tensions	.1	.1	.1	.1	1.9	3.3

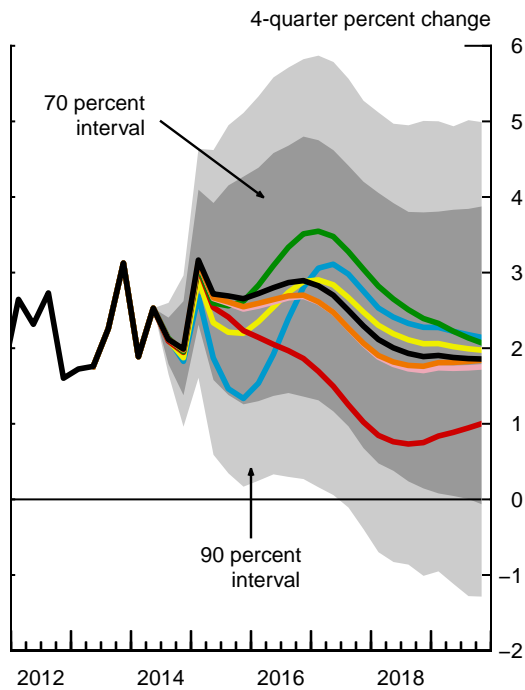
1. Percent, average for the final quarter of the period.

Forecast Confidence Intervals and Alternative Scenarios

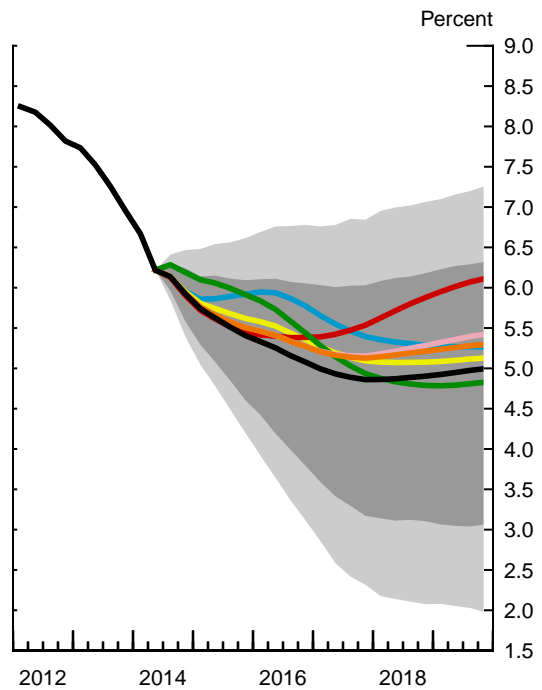
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- Higher trend LFPR
- Weaker euro area growth
- Anchored expectations
- No room to grow
- Escalating geopolitical tensions
- Unanchored expectations

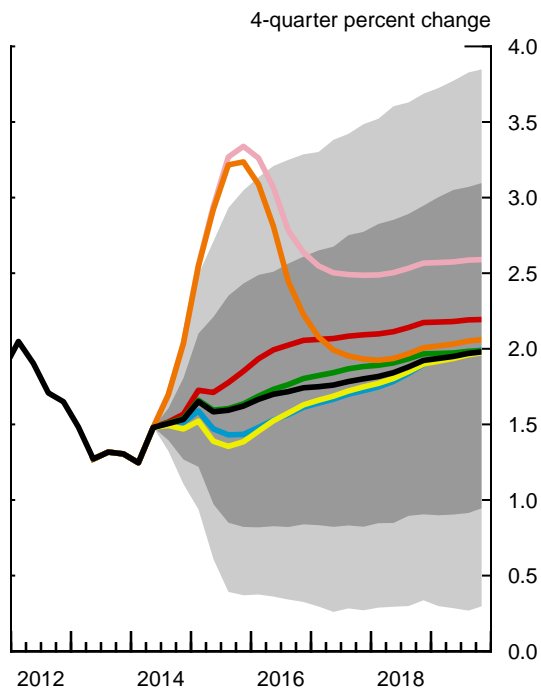
Real GDP



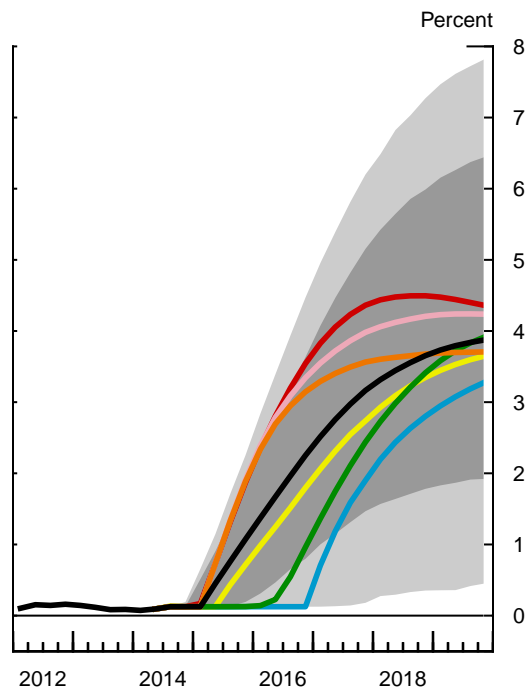
Unemployment Rate



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	2014	2015	2016	2017	2018	2019
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	2.0	2.7	2.9	2.3	1.9	1.9
Confidence interval						
Tealbook forecast errors	1.2–2.8	.8–4.5	.8–5.0	...	...	...
FRB/US stochastic simulations	1.4–2.6	1.3–4.3	1.4–4.8	.7–4.2	.1–3.8	-.1–3.9
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	5.9	5.4	5.1	4.9	4.9	5.0
Confidence interval						
Tealbook forecast errors	5.6–6.3	4.6–6.2	3.9–6.3	...	...	...
FRB/US stochastic simulations	5.6–6.2	4.6–6.1	3.8–6.1	3.2–6.0	3.1–6.2	3.1–6.3
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	1.5	1.5	1.6	1.7	1.9	2.0
Confidence interval						
Tealbook forecast errors	1.0–1.9	.4–2.6	.4–2.8	...	...	...
FRB/US stochastic simulations	1.1–1.9	.6–2.5	.5–2.7	.6–2.9	.7–3.1	.8–3.2
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)						
Projection	1.5	1.6	1.7	1.8	1.9	2.0
Confidence interval						
Tealbook forecast errors	1.2–1.8	.9–2.3	.7–2.8	...	...	...
FRB/US stochastic simulations	1.3–1.8	.8–2.4	.8–2.6	.8–2.8	.9–2.9	.9–3.1
<i>Federal funds rate</i> (percent, Q4)						
Projection	.1	1.1	2.3	3.2	3.7	3.9
Confidence interval						
FRB/US stochastic simulations	.1–.1	.2–1.8	.8–3.6	1.5–5.2	1.8–6.0	1.9–6.4

Note: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969–2013 set of model equation residuals.

Intervals derived from Tealbook forecast errors are based on projections made from 1979 to 2013, except for PCE prices excluding food and energy, where the sample is 1981–2013.

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

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

Measure and projection	2014		2015		2016	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
<i>Real GDP</i>						
Staff	1.8	2.0	3.0	2.7	3.0	2.9
FRB/US	1.5	1.9	2.5	3.1	2.3	2.7
EDO	1.6	2.0	2.8	2.9	2.8	2.9
Blue Chip	1.6	2.0	2.9	2.9	...	...
<i>Unemployment rate¹</i>						
Staff	5.8	5.9	5.1	5.4	4.7	5.1
FRB/US	6.0	6.1	5.4	5.5	5.1	5.2
EDO	6.5	6.3	6.5	6.2	6.4	6.2
Blue Chip	6.0	6.0	5.6	5.5	...	...
<i>Total PCE prices</i>						
Staff	1.7	1.5	1.5	1.5	1.6	1.6
FRB/US	1.7	1.5	1.4	1.5	1.4	1.5
EDO	1.7	1.7	1.7	1.7	1.7	1.8
Blue Chip ²	2.3	2.2	2.1	2.1	...	...
<i>Core PCE prices</i>						
Staff	1.6	1.5	1.7	1.6	1.8	1.7
FRB/US	1.6	1.6	1.6	1.6	1.6	1.6
EDO	1.6	1.6	1.7	1.7	1.7	1.8
Blue Chip	...	...	...	...	...	...
<i>Federal funds rate¹</i>						
Staff	.1	.1	1.4	1.1	2.8	2.3
FRB/US	.1	.1	1.0	.8	1.7	1.4
EDO	1.0	.5	2.0	1.6	2.6	2.4
Blue Chip ³	.1	.1	.9	.9	...	...

Note: Blue Chip forecast completed on September 10, 2014.

1. Percent, average for Q4.

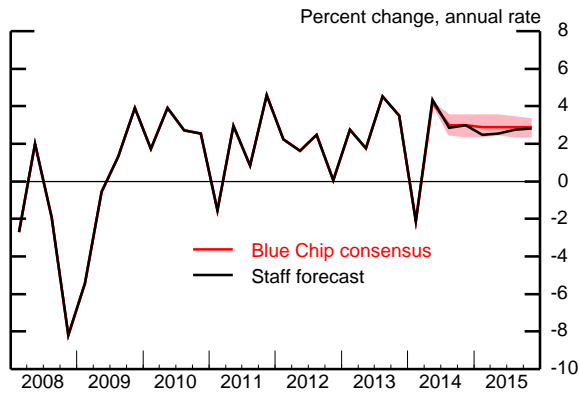
2. Consumer price index.

3. Treasury bill rate.

... Not applicable. The Blue Chip forecast is not available for core inflation.

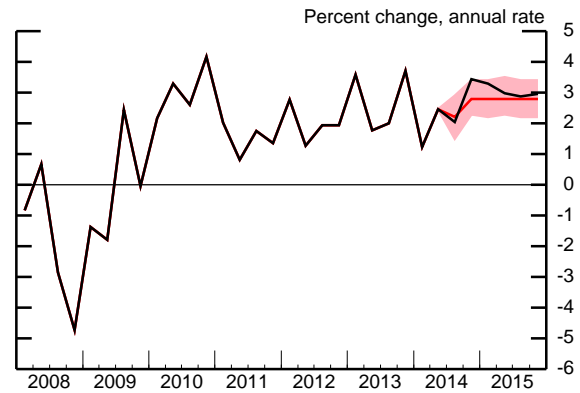
Tealbook Forecast Compared with Blue Chip (Blue Chip survey released September 10, 2014)

Real GDP

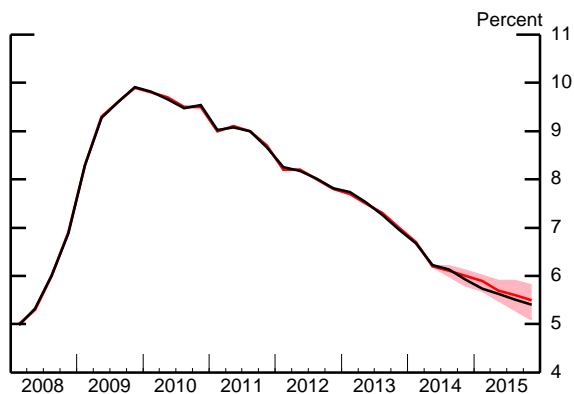


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

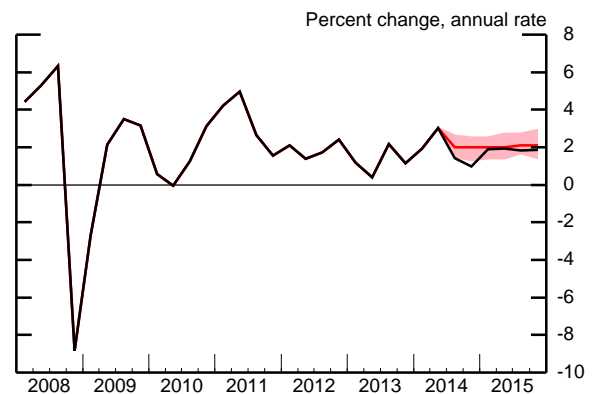
Real PCE



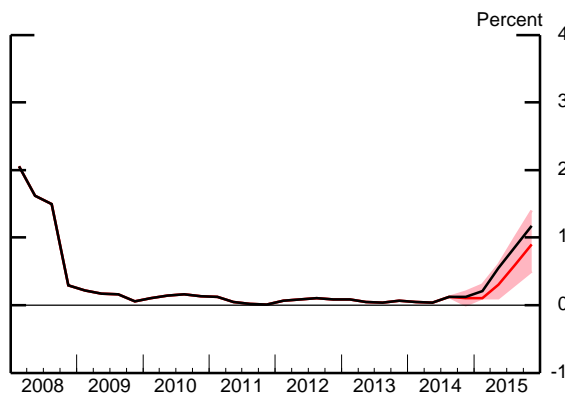
Unemployment Rate



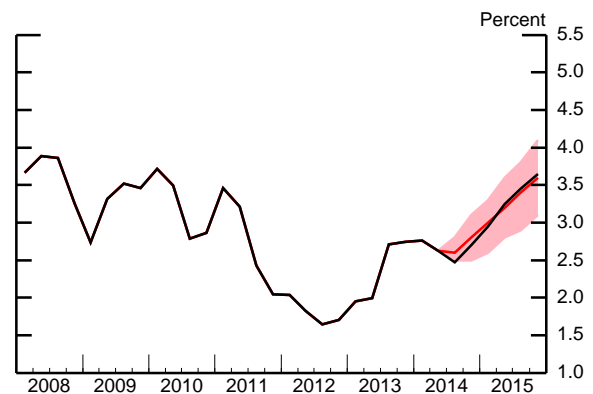
Consumer Price Index



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.

Assessment of Key Macroeconomic Risks (1)**Probability of Inflation Events**

(4 quarters ahead—2015:Q3)

Probability that the 4-quarter change in total PCE prices will be ...	Staff	FRB/US	EDO	BVAR
<i>Greater than 3 percent</i>				
Current Tealbook	.04	.04	.11	.06
Previous Tealbook	.05	.04	.12	.24
<i>Less than 1 percent</i>				
Current Tealbook	.33	.31	.29	.15
Previous Tealbook	.25	.27	.26	.07

Probability of Unemployment Events

(4 quarters ahead—2015:Q3)

Probability that the unemployment rate will ...	Staff	FRB/US	EDO	BVAR
<i>Increase by 1 percentage point</i>				
Current Tealbook	.01	.01	.20	.01
Previous Tealbook	.01	.01	.25	.00
<i>Decrease by 1 percentage point</i>				
Current Tealbook	.31	.26	.08	.30
Previous Tealbook	.42	.28	.08	.62

Probability of Near-Term Recession

Probability that real GDP declines in each of 2014:Q4 and 2015:Q1	Staff	FRB/US	EDO	BVAR	Factor Model
Current Tealbook	.03	.02	.02	.02	.07
Previous Tealbook	.03	.04	.04	.11	.09

Note: "Staff" represents Tealbook forecast errors applied to the Tealbook baseline; baselines for FRB/US, BVAR, EDO, and the factor model are generated by those models themselves, up to the current-quarter estimate. Data for the current quarter are taken from the staff estimate for the second Tealbook in each quarter; if the second Tealbook for the current quarter has not yet been published, the preceding quarter is taken as the latest historical observation.

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	
	07/23/14	09/10/14	07/23/14	09/10/14	07/23/14	09/10/14	07/23/14	09/10/14	07/23/14	09/10/14
<i>Quarterly</i>										
2014:Q1	-1.7	-8	-2.9	-2.1	1.4	1.4	1.2	1.2	6.7	6.7
Q2	5.4	6.6	3.5	4.4	2.3	2.3	1.9	2.0	6.2	6.2
Q3	5.4	4.5	3.6	2.8	1.7	1.3	1.8	1.5	6.0	6.1
Q4	5.0	4.6	3.3	3.0	1.3	.9	1.5	1.4	5.8	5.9
2015:Q1	5.2	4.4	3.3	2.5	1.5	1.6	1.7	1.7	5.6	5.7
Q2	4.8	4.3	3.0	2.6	1.5	1.6	1.8	1.7	5.4	5.6
Q3	4.8	4.4	3.1	2.7	1.4	1.5	1.6	1.6	5.2	5.5
Q4	4.4	4.5	2.8	2.8	1.4	1.4	1.5	1.5	5.1	5.4
2016:Q1	5.2	4.7	3.2	2.8	1.7	1.7	1.9	1.9	5.0	5.3
Q2	5.2	4.7	3.3	2.9	1.7	1.7	1.9	1.8	4.9	5.3
Q3	4.5	4.7	2.8	3.0	1.6	1.6	1.7	1.6	4.8	5.2
Q4	4.4	4.6	2.7	2.9	1.5	1.5	1.7	1.6	4.7	5.1
<i>Two-quarter²</i>										
2014:Q2	1.8	2.8	.3	1.1	1.8	1.8	1.6	1.6	-8	-8
Q4	5.2	4.6	3.4	2.9	1.5	1.1	1.6	1.5	-4	-3
2015:Q2	5.0	4.4	3.2	2.5	1.5	1.6	1.7	1.7	-4	-3
Q4	4.6	4.4	2.9	2.8	1.4	1.5	1.6	1.6	-3	-2
2016:Q2	5.2	4.7	3.3	2.8	1.7	1.7	1.9	1.8	-2	-1
Q4	4.5	4.7	2.8	3.0	1.6	1.6	1.7	1.6	-2	-2
<i>Four-quarter³</i>										
2013:Q4	4.1	4.6	2.6	3.1	1.0	1.0	1.2	1.3	-8	-8
2014:Q4	3.5	3.7	1.8	2.0	1.7	1.5	1.6	1.5	-1.2	-1.1
2015:Q4	4.8	4.4	3.0	2.7	1.5	1.5	1.7	1.6	-7	-5
2016:Q4	4.8	4.7	3.0	2.9	1.6	1.6	1.8	1.7	-4	-3
2017:Q4	4.1	4.1	2.2	2.3	1.8	1.7	1.9	1.8	-2	-2
<i>Annual</i>										
2013	3.4	3.7	1.9	2.2	1.1	1.2	1.2	1.3	7.4	7.4
2014	3.3	3.7	1.7	2.1	1.5	1.4	1.4	1.4	6.2	6.2
2015	5.0	4.6	3.2	2.8	1.5	1.4	1.7	1.6	5.3	5.6
2016	4.8	4.6	3.0	2.8	1.6	1.6	1.7	1.7	4.8	5.2
2017	4.4	4.4	2.5	2.6	1.7	1.7	1.8	1.8	4.6	4.9

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	2014			2015				2016				2014 ¹	2015 ¹	2016 ¹	2017 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP <i>Previous Tealbook</i>	4.4 3.5	2.8 3.6	3.0 3.3	2.5 3.3	2.6 3.0	2.7 3.1	2.8 2.8	2.8 3.2	2.9 3.3	3.0 2.8	2.9 2.7	2.0 1.8	2.7 3.0	2.9 3.0	2.3 2.2
Final sales <i>Previous Tealbook</i>	3.1 2.9	2.8 3.4	3.1 3.1	2.6 3.2	2.5 3.2	2.6 3.2	2.7 3.2	2.7 3.2	2.9 3.0	2.8 2.8	2.9 3.0	2.0 2.0	2.6 3.2	2.9 3.0	2.5 2.6
Priv. dom. final purch. <i>Previous Tealbook</i>	3.7 3.5	2.9 3.6	3.9 3.9	3.2 4.0	3.2 4.0	3.2 4.0	3.3 3.8	3.4 3.7	3.4 3.5	3.3 3.3	3.1 3.1	2.9 2.9	3.2 4.0	3.3 3.4	2.6 2.6
Personal cons. expend. <i>Previous Tealbook</i>	2.5 2.1	2.0 3.4	3.4 3.7	3.3 3.7	3.0 3.5	2.9 3.3	3.0 3.2	2.9 3.0	2.9 2.8	2.8 2.6	2.7 2.6	2.3 2.6	3.0 3.4	2.8 2.8	2.5 2.5
Durables	14.3	7.0	11.2	7.4	7.1	7.1	7.4	6.4	6.4	6.2	5.5	8.8	7.3	6.1	3.9
Nondurables	1.9	1.4	2.2	2.7	2.4	2.3	2.3	2.0	2.3	2.2	2.4	1.4	2.4	2.2	2.3
Services	.8	1.5	2.6	2.8	2.5	2.4	2.5	2.7	2.6	2.5	2.3	1.6	2.5	2.5	2.3
Residential investment <i>Previous Tealbook</i>	8.6 4.4	9.9 4.9	11.8 11.2	9.7 10.2	11.9 14.4	12.1 15.4	10.4 15.0	10.7 14.5	11.1 12.3	11.4 11.6	9.6 9.2	6.0 3.9	11.0 13.7	10.7 11.9	6.0
Nonres. priv. fixed invest. <i>Previous Tealbook</i>	9.5 11.3	6.1 4.2	4.1 3.0	1.0 4.4	2.1 4.1	2.7 4.4	3.2 4.0	3.8 4.5	3.6 4.8	3.3 4.3	3.2 3.8	5.3 4.3	2.2 4.2	3.5 4.4	2.4
Equipment & intangibles <i>Previous Tealbook</i>	8.5 11.7	5.2 3.3	4.6 2.1	2.4 5.0	2.8 4.9	3.5 5.3	3.8 4.7	4.6 5.2	4.4 5.4	4.0 4.8	3.8 4.2	4.8 4.4	3.1 5.0	4.2 4.9	3.0
Nonres. structures <i>Previous Tealbook</i>	12.9 10.0	9.3 7.7	2.6 6.4	-3.6 2.6	-4 1.3	.0 1.3	1.1 1.7	1.1 2.2	1.0 2.7	1.0 2.7	1.2 2.7	6.8 3.8	-7 1.7	1.1 2.6	.7
Net exports ² <i>Previous Tealbook</i> ²	-459 -453	-440 -440	-447 -444	-450 -450	-452 -451	-452 -453	-458 -455	-461 -455	-464 -458	-472 -464	-467 -455	-448 -444	-453 -452	-466 -458	-459
Exports	10.9	4.2	3.8	4.3	4.4	4.7	4.1	4.9	5.0	5.2	5.3	2.2	4.4	5.1	5.4
Imports	10.9	.5	4.2	4.0	4.1	3.8	4.2	4.6	4.6	5.5	3.6	4.4	4.0	4.6	3.9
Gov't. cons. & invest. <i>Previous Tealbook</i>	1.7 1.2	-1.0 .0	-1 -.5	-3 -4	-6 -6	-5 -5	.0 .0	.7 .6	.4 .5	1.0 .8	.9 .8	.0 .0	-.3 -.4	.7 .7	1.0
Federal	-9	-4.3	-2.5	-3.1	-4.0	-3.7	-2.5	-1.0	-2.0	-6	-9	-2.0	-3.3	-1.1	-8
Defense	.9	-5.0	-2.4	-3.5	-4.9	-4.4	-2.7	-1.3	-3.1	-1.5	-1.4	-2.6	-3.9	-1.8	-1.4
Nondefense	-3.7	-3.2	-2.6	-2.3	-2.6	-2.6	-2.3	-4	-.3	.8	-.2	-.8	-2.4	.0	.0
State & local	3.4	1.2	1.3	1.4	1.5	1.5	1.5	1.6	1.7	1.9	2.0	1.2	1.5	1.8	2.0
Change in priv. inventories ² <i>Previous Tealbook</i> ²	78 69	80 78	77 86	75 93	76 86	81 82	87 67	83 66	83 80	94 82	96 70	67 70	80 82	89 75	79

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

2. Billions of chained (2009) 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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real GDP <i>Previous Tealbook</i>	-2.8 -2.8	-2 -2	2.7 2.8	1.7 2.0	1.6 2.0	3.1 2.6	2.0 1.8	2.7 3.0	2.9 3.0	2.3 2.2
Final sales <i>Previous Tealbook</i>	-2.1 -2.2	-4 -4	2.0 2.0	1.5 1.8	2.1 2.5	2.6 1.8	2.0 2.0	2.6 3.2	2.9 3.0	2.5
Priv. dom. final purch. <i>Previous Tealbook</i>	-4.1 -4.1	-2.4 -2.3	3.5 3.5	2.6 3.0	2.6 2.9	3.2 2.5	2.9 2.9	3.2 4.0	3.3 3.4	2.6
Personal cons. expend. <i>Previous Tealbook</i>	-2.0 -2.0	-2 -1	3.1 3.1	1.5 2.0	2.0 2.0	2.8 2.3	2.3 2.6	3.0 3.4	2.8 2.8	2.5
Durables	-12.9	2.5	9.3	4.8	7.5	5.9	8.8	7.3	6.1	3.9
Nondurables	-2.7	-2	3.3	.4	1.0	2.5	1.4	2.4	2.2	2.3
Services	.3	-8	2.0	1.4	1.5	2.4	1.6	2.5	2.5	2.3
Residential investment <i>Previous Tealbook</i>	-24.3 -24.3	-10.8 -10.8	-5.2 -5.2	6.0 5.6	15.8 15.5	6.9 6.9	6.0 3.9	11.0 13.7	10.7 11.9	6.0
Nonres. priv. fixed invest. <i>Previous Tealbook</i>	-8.9 -8.9	-12.2 -12.2	8.1 8.1	9.0 8.6	3.7 5.0	4.7 2.6	5.3 4.3	2.2 4.2	3.5 4.4	2.4
Equipment & intangibles <i>Previous Tealbook</i>	-11.8 -11.8	-6.0 -6.0	12.0 12.0	9.2 8.7	3.3 3.9	4.8 3.5	4.8 4.4	3.1 5.0	4.2 4.9	3.0
Nonres. structures <i>Previous Tealbook</i>	-1.2 -1.2	-27.1 -27.1	-4.0 -4.0	8.0 8.3	4.8 9.3	4.4 -.7	6.8 3.8	-.7 1.7	1.1 2.6	.7
Net exports ¹ <i>Previous Tealbook</i> ¹	-558 -547	-395 -392	-459 -463	-459 -446	-452 -431	-420 -412	-448 -444	-453 -452	-466 -458	-459
Exports	-2.8	.8	10.1	4.2	2.4	5.1	2.2	4.4	5.1	5.4
Imports	-6.0	-6.2	12.0	3.5	.4	2.5	4.4	4.0	4.6	3.9
Gov't. cons. & invest. <i>Previous Tealbook</i>	3.3 3.3	2.3 2.3	-1.1 -1.1	-3.0 -3.3	-1.7 -1.1	-1.9 -2.4	.0 .0	-.3 -.4	.7 .7	1.0
Federal	8.4	3.9	3.2	-4.0	-2.6	-6.3	-2.0	-3.3	-1.1	-.8
Defense	9.4	3.6	2.0	-4.1	-4.9	-6.1	-2.6	-3.9	-1.8	-1.4
Nondefense	6.5	4.6	5.5	-3.9	1.4	-6.6	-.8	-2.4	.0	.0
State & local	.2	1.3	-4.0	-2.3	-1.0	1.2	1.2	1.5	1.8	2.0
Change in priv. inventories ¹ <i>Previous Tealbook</i> ¹	-34 -34	-148 -148	58 58	38 34	57 58	64 82	67 70	80 82	89 75	79

1. Billions of chained (2009) dollars.

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

Item	2014			2015				2016				2014 ¹	2015 ¹	2016 ¹	2017 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP <i>Previous Tealbook</i>	4.4 3.5	2.8 3.6	3.0 3.3	2.5 3.3	2.6 3.0	2.7 3.1	2.8 2.8	2.8 3.2	2.9 3.3	3.0 2.8	2.9 2.7	2.0 1.8	2.7 3.0	2.9 3.0	2.3 2.2
Final sales <i>Previous Tealbook</i>	3.2 2.9	2.8 3.4	3.1 3.1	2.6 3.2	2.5 3.2	2.6 3.2	2.7 3.2	2.9 3.2	2.8 3.0	2.7 2.8	2.9 3.0	2.0 2.0	2.6 3.2	2.8 3.0	2.5 2.2
Priv. dom. final purch. <i>Previous Tealbook</i>	3.1 3.0	2.5 3.0	3.2 3.3	2.7 3.4	2.7 3.3	2.7 3.3	2.8 3.2	2.9 3.1	2.9 3.0	2.8 2.8	2.6 2.6	2.4 2.4	2.7 3.3	2.8 2.9	2.2
Personal cons. expend. <i>Previous Tealbook</i>	1.7 1.5	1.4 2.3	2.3 2.6	2.2 2.5	2.0 2.4	2.0 2.3	2.0 2.2	2.0 2.1	2.0 1.9	1.9 1.8	1.8 1.8	1.6 1.8	2.1 2.4	1.9 1.9	1.7
Durables	1.0	.5	.8	.5	.5	.5	.6	.5	.5	.5	.4	.6	.5	.5	.3
Nondurables	.3	.2	.3	.4	.4	.3	.3	.3	.3	.3	.4	.2	.4	.3	.3
Services	.4	.7	1.2	1.3	1.2	1.1	1.1	1.2	1.2	1.1	1.1	.7	1.2	1.1	1.1
Residential investment <i>Previous Tealbook</i>	.3 .1	.3 .2	.4 .3	.3 .3	.4 .5	.4 .5	.4 .5	.4 .5	.4 .4	.4 .4	.4 .3	.2 .1	.4 .5	.4 .4	.2
Nonres. priv. fixed invest. <i>Previous Tealbook</i>	1.2 1.3	.8 .5	.5 .4	.1 .5	.3 .5	.3 .5	.4 .5	.5 .6	.5 .6	.4 .5	.4 .5	.7 .5	.3 .5	.4 .5	.3 .3
Equipment & intangibles <i>Previous Tealbook</i>	1.1 .4	.3 .3	.2 .1	.5 .1	.5 .0	.5 .0	.5 .0	.5 .0	.5 .0	.5 .0	.4 .0	.5 .2	.5 .0	.5 .0	.3 .0
Nonres. structures <i>Previous Tealbook</i>	.3 -3	.2 .5	.2 -2	.1 -1	.0 -1	.0 -1	.0 -1	.1 -1	.1 -1	.1 -2	.1 -2	.1 -4	.0 -1	.1 -1	.1 -1
Net exports <i>Previous Tealbook</i>	-3 -3	.5 .3	-2 -1	-1 -2	-1 .0	.0 -1	-1 -1	-1 .0	-1 -1	-2 -2	.1 .2	-4 -4	-1 -1	-1 .0	.1 .0
Exports	1.4	.6	.5	.6	.6	.6	.6	.7	.7	.7	.7	.3	.6	.7	.7
Imports	-1.7	-1	-7	-6	-7	-6	-7	-7	-7	-9	-6	-7	-7	-7	-6
Gov't. cons. & invest. <i>Previous Tealbook</i>	.3 .2	-2 .0	.0 -1	.0 -1	-1 -1	-1 -1	.0 .0	.1 .1	.1 .1	.2 .1	.2 .1	.0 .0	-1 -1	.1 .1	.2 -1
Federal	-1	-3	-2	-2	-3	-2	-2	-1	-1	.0	-1	-1	-2	-1	-1
Defense	.0	-2	-1	-1	-2	-2	-1	-1	-1	-1	-1	-1	-2	-1	-1
Nondefense	-1	-1	-1	-1	-1	-1	-1	.0	.0	.0	.0	.0	-1	.0	.0
State & local	.4	.1	.2	.2	.2	.2	.2	.2	.2	.2	.2	.1	.2	.2	.2
Change in priv. inventories <i>Previous Tealbook</i>	1.2 .6	.1 .2	-1 .2	-1 .1	.0 -2	.1 -1	.2 -4	-1 .0	.0 .4	.3 .0	.1 -3	.0 -2	.1 -1	.1 .0	-2 .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	2014			2015				2016				2014 ¹	2015 ¹	2016 ¹	2017 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
GDP chain-wt. price index <i>Previous Tealbook</i>	2.1	1.6	1.6	1.9	1.7	1.6	1.6	1.9	1.8	1.7	1.6	1.7	1.7	1.8	1.8
	1.8	1.8	1.7	1.9	1.7	1.6	1.5	1.9	1.8	1.7	1.6	1.6	1.7	1.8	1.8
	2.3	1.3	.9	1.6	1.6	1.5	1.4	1.7	1.7	1.6	1.5	1.5	1.5	1.6	1.7
	2.3	1.7	1.3	1.5	1.5	1.4	1.4	1.7	1.7	1.6	1.5	1.7	1.5	1.6	1.8
	5.2	-4.0	-8.0	1.0	1.0	.4	.1	-1	.0	.1	-2	-9	.6	-1	.2
PCE chain-wt. price index <i>Previous Tealbook</i>	5.3	-1	-9	-2	-7	-7	-8	-6	-4	-1	-2	2.1	-6	-3	
	4.5	2.2	.9	.8	.8	.9	1.1	1.4	1.5	1.5	1.5	2.2	.9	1.5	1.8
	4.4	2.5	1.0	.6	.6	.8	1.1	1.3	1.4	1.3	1.3	2.3	.8	1.3	
	2.0	1.5	1.4	1.7	1.7	1.6	1.5	1.9	1.8	1.6	1.6	1.5	1.6	1.7	1.8
	1.9	1.8	1.5	1.7	1.8	1.6	1.5	1.9	1.9	1.7	1.7	1.6	1.7	1.8	1.9
Ex. food & energy, market based <i>Previous Tealbook</i>	1.8	1.6	1.4	1.7	1.7	1.6	1.5	1.9	1.8	1.6	1.6	1.5	1.6	1.7	1.8
	1.9	1.8	1.5	1.7	1.8	1.6	1.5	1.9	1.9	1.7	1.7	1.5	1.7	1.8	
	3.0	1.4	1.0	1.9	1.9	1.8	1.8	1.9	1.9	1.9	1.9	1.8	1.9	1.9	2.0
	3.0	2.0	1.7	1.8	1.8	1.8	1.8	1.9	2.0	1.9	1.9	2.2	1.8	1.9	
	2.5	1.7	1.9	2.1	2.2	2.1	2.1	2.2	2.2	2.1	2.1	1.9	2.1	2.1	2.1
CPI <i>Previous Tealbook</i>	2.5	2.1	2.1	2.2	2.2	2.1	2.1	2.2	2.3	2.2	2.1	2.1	2.1	2.2	
	3.4	2.3	2.5	2.8	2.7	2.8	2.8	3.3	3.1	3.1	3.2	2.3	2.7	3.2	3.4
	2.3	2.8	2.7	2.9	2.8	2.9	2.9	3.5	3.3	3.3	3.4	2.2	2.9	3.4	
Business sector Output per hour <i>Previous Tealbook</i>	2.5	1.1	1.5	1.4	1.6	1.8	1.8	1.7	1.7	1.9	1.8	.0	1.7	1.8	1.9
	2.0	2.3	1.4	1.7	1.5	1.7	1.2	1.8	1.7	1.2	1.1	-.1	1.5	1.4	
	2.1	2.0	2.2	3.4	3.1	3.1	3.1	3.6	3.4	3.4	3.4	3.3	3.2	3.4	3.6
	.8	2.9	2.8	3.2	3.0	3.1	3.1	3.8	3.5	3.5	3.6	2.2	3.1	3.6	
Compensation per hour <i>Previous Tealbook</i>															
Unit labor costs <i>Previous Tealbook</i>															
Core goods imports chain-wt. price index ³ <i>Previous Tealbook</i> ³															

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GDP chain-wt. price index <i>Previous Tealbook</i>	1.9 1.9	.4 .4	1.8 1.8	1.9 1.8	1.8 1.8	1.4 1.4	1.7 1.6	1.7 1.7	1.8 1.8	1.8
PCE chain-wt. price index <i>Previous Tealbook</i>	1.5 1.5	1.2 1.2	1.3 1.3	2.7 2.6	1.6 1.7	1.0 1.0	1.5 1.7	1.5 1.5	1.6 1.6	1.7 1.8
Energy <i>Previous Tealbook</i>	-8.2 -8.2	2.3 2.3	6.4 6.4	12.0 11.7	2.1 2.1	-2.6 -1.5	-9 2.1	.6 -6	-1 -3	.2
Food <i>Previous Tealbook</i>	6.9 6.9	-1.8 -1.8	1.3 1.3	5.1 5.1	1.2 1.2	.7 .8	2.2 2.3	.9 .8	1.5 1.3	1.8
Ex. food & energy <i>Previous Tealbook</i>	1.6 1.6	1.4 1.4	1.0 1.0	1.9 1.8	1.6 1.7	1.3 1.2	1.5 1.6	1.6 1.7	1.7 1.8	1.8 1.9
Ex. food & energy, market based <i>Previous Tealbook</i>	2.2 2.2	1.8 1.8	.7 .7	1.9 1.9	1.5 1.5	1.2 1.2	1.5 1.5	1.6 1.7	1.7 1.8	1.8
CPI <i>Previous Tealbook</i>	1.6 1.6	1.5 1.5	1.2 1.2	3.3 3.3	1.9 1.9	1.2 1.2	1.8 2.2	1.9 1.8	1.9 1.9	2.0
Ex. food & energy <i>Previous Tealbook</i>	2.0 2.0	1.8 1.8	.6 .6	2.2 2.2	1.9 1.9	1.7 1.7	1.9 2.1	2.1 2.1	2.1 2.2	2.1
ECL, hourly compensation ¹ <i>Previous Tealbook</i> ¹	2.4 2.4	1.2 1.2	2.1 2.1	2.2 2.2	1.8 1.8	2.0 2.0	2.3 2.2	2.7 2.9	3.2 3.4	3.4
Business sector Output per hour <i>Previous Tealbook</i>	-2 -3	5.6 5.6	1.7 1.7	.0 .4	.3 .7	2.4 1.9	.0 -1	1.7 1.5	1.8 1.4	1.9
Compensation per hour <i>Previous Tealbook</i>	2.9 2.9	1.3 1.3	1.2 1.4	.6 .9	5.7 5.3	.0 .4	3.3 2.2	3.2 3.1	3.4 3.6	3.6
Unit labor costs <i>Previous Tealbook</i>	3.2 3.2	-4.2 -4.2	-4 -3	.6 .5	5.4 4.6	-2.3 -1.4	3.3 2.4	1.5 1.6	1.6 2.1	1.7
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ²	3.9 3.9	-1.9 -1.9	2.3 2.3	4.3 4.2	.2 .1	-1.0 -1.1	1.0 1.4	1.1 1.3	1.3 1.3	1.3

1. Private-industry workers.

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

Other Macroeconomic Indicators

Item	2014				2015				2016				2014 ¹	2015 ¹	2016 ¹	2017 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
<i>Employment and production</i>																
Nonfarm payroll employment ²	.8	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6	.6	2.5	2.3	2.3	1.8
Unemployment rate ³	6.2	6.1	5.9	5.9	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.9	5.4	5.1	4.9
<i>Previous Tealbook³</i>	6.2	6.0	5.8	5.8	5.6	5.4	5.2	5.1	5.0	4.9	4.8	4.7	5.8	5.1	4.7	4.5
Natural rate of unemployment ³	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
<i>Previous Tealbook³</i>	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
GDP gap ⁴	-2.2	-1.8	-1.3	-1.3	-1.1	-9	-7	-4	-2	.0	.3	.5	-1.3	-4	.5	.8
<i>Previous Tealbook⁴</i>	-2.3	-1.6	-1.0	-1.0	-6	-3	.0	.3	.6	.9	1.1	1.3	-1.0	.3	1.3	
Industrial production ⁵	5.5	3.0	3.2	3.2	3.5	3.6	2.5	2.2	3.4	3.2	3.0	2.9	3.9	2.9	3.1	2.3
<i>Previous Tealbook⁵</i>	5.5	3.7	4.1	4.1	4.4	3.6	3.0	2.7	3.7	2.9	3.1	3.1	4.3	3.4	3.2	
Manufacturing industr. prod. ⁵	6.8	3.8	3.0	3.0	2.6	3.1	3.0	3.1	3.3	3.6	3.3	3.1	3.7	3.0	3.3	2.6
<i>Previous Tealbook⁵</i>	6.7	3.4	3.5	3.5	3.3	3.9	3.5	3.4	3.4	3.7	3.2	3.0	3.8	3.5	3.3	
Capacity utilization rate - mfg. ³	77.1	77.4	77.6	77.6	77.6	77.8	78.0	78.2	78.4	78.6	78.9	79.0	77.6	78.2	79.0	79.3
<i>Previous Tealbook³</i>	77.1	77.3	77.6	77.6	77.7	78.0	78.3	78.4	78.6	78.9	79.0	79.1	77.6	78.4	79.1	
Housing starts ⁶	1.0	1.1	1.1	1.1	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.5	1.0	1.2	1.4	1.5
Light motor vehicle sales ⁶	16.5	16.7	16.6	16.6	16.6	16.6	16.7	16.7	16.7	16.7	16.7	16.7	16.4	16.7	16.7	16.7
<i>Income and saving</i>																
Nominal GDP ⁵	6.6	4.5	4.6	4.4	4.4	4.3	4.4	4.5	4.7	4.7	4.7	4.6	3.7	4.4	4.7	4.1
Real disposable pers. income ⁵	4.2	2.5	2.0	4.4	4.4	2.3	2.7	2.3	3.8	2.2	3.0	2.6	3.0	2.9	2.9	2.6
<i>Previous Tealbook⁵</i>	5.5	1.4	3.9	4.3	4.3	2.4	2.9	3.1	3.9	2.4	2.8	3.2	3.1	3.2	3.1	
Personal saving rate ³	5.3	5.4	5.1	5.3	5.3	5.2	5.1	5.0	5.2	5.0	5.0	5.0	5.1	5.0	5.0	5.1
<i>Previous Tealbook³</i>	5.2	4.7	4.7	4.9	4.9	4.6	4.5	4.5	4.7	4.6	4.6	4.8	4.7	4.5	4.8	
Corporate profits ⁷	34.5	4.9	.5	1.6	1.6	1.5	4.9	4.3	4.3	5.3	3.4	4.0	-1.1	3.0	4.2	3.6
Profit share of GNP ³	11.9	11.9	11.8	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.8	11.7	11.7	11.6
Net federal saving ⁸	-590	-477	-480	-504	-489	-492	-492	-481	-543	-522	-535	-536	-527	-491	-534	-621
Net state & local saving ⁸	-227	-246	-235	-238	-225	-226	-226	-221	-214	-205	-207	-208	-237	-227	-209	-194
Gross national saving rate ³	18.1	18.4	18.2	18.2	18.2	18.3	18.3	18.3	18.3	18.4	18.5	18.5	18.2	18.3	18.5	18.6
Net national saving rate ³	3.4	4.2	3.8	3.8	3.9	3.9	3.9	3.9	3.8	4.0	4.0	4.1	3.8	3.9	4.1	4.0

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Employment and production</i>										
Nonfarm payroll employment ¹	-2.8	-5.6	.8	2.0	2.2	2.4	2.5	2.3	2.3	1.8
Unemployment rate ²	6.9	9.9	9.5	8.7	7.8	7.0	5.9	5.4	5.1	4.9
<i>Previous Tealbook²</i>	6.9	9.9	9.5	8.7	7.8	7.0	5.8	5.1	4.7	4.5
Natural rate of unemployment ²	5.6	6.2	6.2	6.0	5.8	5.4	5.2	5.2	5.2	5.2
<i>Previous Tealbook²</i>	5.6	6.2	6.2	6.0	5.8	5.4	5.2	5.2	5.2	5.2
GDP gap ³	-3.8	-5.5	-4.4	-4.2	-4.1	-2.8	-1.3	-4	.5	.8
<i>Previous Tealbook³</i>	-4.0	-5.8	-4.8	-4.3	-3.9	-2.8	-1.0	.3	1.3	
Industrial production ⁴	-8.9	-5.5	6.2	3.2	3.2	3.3	3.9	2.9	3.1	2.3
<i>Previous Tealbook⁴</i>	-8.9	-5.5	6.2	3.2	3.2	3.3	4.3	3.4	3.2	
Manufacturing industr. prod. ⁴	-11.6	-6.1	6.4	3.1	3.5	2.9	3.7	3.0	3.3	2.6
<i>Previous Tealbook⁴</i>	-11.6	-6.1	6.4	3.1	3.5	2.9	3.8	3.5	3.3	
Capacity utilization rate - mfg. ²	70.0	67.1	72.7	74.6	75.5	76.4	77.6	78.2	79.0	79.3
<i>Previous Tealbook²</i>	70.0	67.1	72.7	74.6	75.5	76.4	77.6	78.4	79.1	
Housing starts ⁵	.9	.6	.6	.6	.8	.9	1.0	1.2	1.4	1.5
Light motor vehicle sales ⁵	13.1	10.4	11.5	12.7	14.4	15.5	16.4	16.7	16.7	16.7
<i>Income and saving</i>										
Nominal GDP ⁴	-9	.1	4.6	3.6	3.5	4.6	3.7	4.4	4.7	4.1
Real disposable pers. income ⁴	1.1	-7	2.6	1.7	5.0	-1.9	3.0	2.9	2.9	2.6
<i>Previous Tealbook⁴</i>	1.1	-6	2.5	1.4	3.6	-2	3.1	3.2	3.1	
Personal saving rate ²	6.1	5.6	5.5	5.8	8.6	4.4	5.1	5.0	5.0	5.1
<i>Previous Tealbook²</i>	6.1	5.7	5.5	5.0	6.6	4.3	4.7	4.5	4.8	
Corporate profits ⁶	-30.8	53.7	18.0	6.8	3.8	4.7	-1.1	3.0	4.2	3.6
Profit share of GNP ²	6.9	10.6	12.0	12.3	12.4	12.4	11.8	11.7	11.7	11.6
Net federal saving ⁷	-634	-1,249	-1,329	-1,244	-1,079	-649	-527	-491	-534	-621
Net state & local saving ⁷	-165	-272	-237	-216	-233	-225	-237	-227	-209	-194
Gross national saving rate ²	14.9	14.6	15.2	16.1	17.8	17.9	18.2	18.3	18.5	18.6
Net national saving rate ²	-1.6	-1.7	-4	.8	2.8	3.0	3.8	3.9	4.1	4.0

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				2014				2015				2016			
	2014	2015	2016	2017	Q1 ^a	Q2 ^a	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget																
Receipts ¹	3,032	3,277	3,449	3,577	656	938	774	738	680	1,034	825	768	723	1,096	862	799
Outlays ¹	3,476	3,669	3,870	4,048	897	890	852	932	938	915	884	963	980	957	970	980
Surplus/deficit ¹	-444	-392	-421	-471	-241	47	-78	-193	-258	119	-59	-195	-256	139	-108	-181
<i>Previous Tealbook</i>	-456	-438	-445	-505	-241	47	-90	-211	-271	109	-65	-202	-261	134	-115	-192
On-budget	-479	-433	-451	-489	-238	-3	-55	-222	-245	65	-30	-220	-241	85	-76	-203
Off-budget	35	41	30	18	-3	51	-23	29	-13	54	-29	25	-16	54	-32	22
Means of financing:																
Borrowing	765	419	541	591	262	-46	179	213	161	-44	89	225	286	-109	138	211
Cash decrease	-69	88	0	0	20	3	-18	-6	139	-45	0	0	0	0	0	0
Other ²	-252	-115	-120	-120	-42	-4	-82	-13	-42	-30	-30	-30	-30	-30	-30	-30
Cash operating balance, end of period	158	70	70	70	142	139	158	164	25	70	70	70	70	70	70	70
NIPA federal sector																
Receipts	3,282	3,497	3,680	3,831	3,243	3,286	3,393	3,416	3,484	3,522	3,566	3,608	3,656	3,703	3,752	3,796
Expenditures	3,823	3,988	4,200	4,428	3,803	3,875	3,869	3,896	3,988	4,010	4,058	4,089	4,198	4,225	4,287	4,332
Consumption expenditures	953	946	947	961	957	956	949	947	951	946	941	939	949	948	951	953
Defense	608	605	604	609	610	610	606	605	608	605	602	601	606	605	605	606
Nondefense	345	341	343	352	347	345	343	341	343	341	340	339	343	344	346	347
Other spending	2,870	3,042	3,253	3,467	2,846	2,919	2,920	2,949	3,036	3,064	3,116	3,149	3,250	3,277	3,336	3,379
Current account surplus	-541	-491	-520	-597	-560	-589	-477	-480	-504	-489	-492	-481	-543	-522	-535	-536
Gross investment	256	248	242	239	251	255	252	251	249	246	244	243	243	241	241	241
Gross saving less gross investment ³	-524	-459	-475	-541	-539	-570	-453	-454	-474	-454	-453	-439	-499	-475	-486	-485
Fiscal indicators⁴																
High-employment (HEB) surplus/deficit	-364.3	-394.5	-472.8	-592.7	-344.5	-419.0	-335.4	-360.1	-403.3	-399.0	-415.5	-417.9	-486.6	-478.9	-507.8	-524.5
Change in HEB, percent of potential GDP	-1.2	.1	.3	.5	-1	.4	-.5	.1	.2	.0	.1	.0	.3	-.1	.1	.1
Fiscal impetus (FI), percent of GDP	-.5	-.3	.0	.0	-.7	-.4	-.5	-.4	-.6	-.2	-.2	-.2	-.1	-.1	.0	.0
<i>Previous Tealbook</i>	-.5	-.3	-.1	.0	-.7	-.6	-.4	-.5	-.6	-.2	-.2	-.2	-.1	-.1	.0	-.1

1. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) surplus and the Postal Service surplus as excluded from the on-budget 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 natural rate of unemployment. 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 (2009) 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.

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

Measure and country	2014				Projected-----2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP¹												
Total foreign	2.1	2.3	3.0	3.0	3.1	3.2	3.3	3.0	3.3	3.3	3.3	3.3
<i>Previous Tealbook</i>	2.1	2.4	3.1	3.1	3.2	3.2	3.3	3.0	3.3	3.3	3.2	3.3
Advanced foreign economies	1.8	1.0	2.1	2.1	2.2	2.2	2.4	1.7	2.3	2.2	2.2	2.2
Canada	.9	3.1	2.7	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.5
Japan	6.0	-7.1	2.2	1.7	1.4	1.2	2.9	-3.2	1.7	1.0	1.0	1.1
United Kingdom	3.3	3.4	2.8	2.6	2.6	2.6	2.6	2.4	2.4	2.4	2.4	2.5
Euro area	.9	.1	1.0	1.3	1.6	1.8	1.9	1.9	1.9	2.0	2.0	2.0
Germany	3.3	-6	1.8	1.8	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.0
Emerging market economies	2.4	3.6	3.9	4.0	4.1	4.1	4.2	4.2	4.3	4.3	4.3	4.3
Asia	3.6	4.9	5.3	5.3	5.3	5.3	5.3	5.4	5.4	5.4	5.4	5.4
Korea	3.8	2.0	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
China	5.5	7.8	7.6	7.4	7.2	7.2	7.1	7.1	7.1	7.1	7.1	7.1
Latin America	1.3	2.6	2.9	2.9	3.1	3.2	3.3	3.4	3.4	3.4	3.4	3.4
Mexico	1.8	4.2	3.7	3.5	3.5	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Brazil	-6	-2.4	.5	1.5	1.7	1.9	2.1	2.1	2.2	2.2	2.2	2.2
Consumer prices²												
Total foreign	2.0	3.0	2.4	2.4	2.5	2.5	2.5	3.0	2.6	2.6	2.6	2.6
<i>Previous Tealbook</i>	2.0	3.0	2.6	2.5	2.5	2.5	2.6	3.0	2.6	2.6	2.6	2.6
Advanced foreign economies	1.1	3.3	1.2	1.2	1.3	1.4	1.5	2.6	1.6	1.6	1.7	1.7
Canada	2.8	3.7	1.5	1.4	1.6	1.7	1.8	1.9	2.0	2.0	2.0	2.0
Japan	.4	9.4	1.3	.8	.9	1.0	1.1	6.4	1.2	1.3	1.3	1.4
United Kingdom	1.1	1.9	2.1	2.3	1.8	1.8	1.8	2.3	1.8	1.8	1.9	1.9
Euro area	.2	.4	.8	1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.5	1.5
Germany	.1	.4	1.6	1.4	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7
Emerging market economies	2.7	2.8	3.3	3.3	3.4	3.4	3.4	3.3	3.3	3.3	3.3	3.3
Asia	1.6	2.4	3.0	3.1	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Korea	1.4	2.2	1.3	2.7	3.2	3.2	3.2	3.1	3.2	3.2	3.2	3.1
China	.8	2.0	3.4	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Latin America	5.7	4.0	4.1	3.8	3.8	3.8	3.7	3.7	3.7	3.7	3.7	3.7
Mexico	5.2	3.0	3.6	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Brazil	6.5	7.4	6.0	5.8	5.4	5.4	5.4	5.4	5.3	5.3	5.3	5.3

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	2009	2010	2011	2012	2013	-----Projected-----				
						2014	2015	2016	2017	
Real GDP¹										
Total foreign	.9	4.7	3.0	2.3	2.5	2.6	3.2	3.3	3.2	3.2
<i>Previous Tealbook</i>	.9	4.7	3.0	2.3	2.5	2.7	3.2	3.3	3.2	3.3
Advanced foreign economies	-1.5	3.0	1.5	.3	2.0	1.8	2.1	2.2	2.1	2.1
Canada	-1.4	3.6	2.4	1.0	2.7	2.4	2.6	2.5	2.3	2.3
Japan	-.6	3.5	.2	-.3	2.4	.6	.6	1.2	1.1	1.1
United Kingdom	-2.5	1.8	1.1	.2	2.7	3.0	2.6	2.4	2.4	2.4
Euro area	-2.3	2.3	.7	-1.0	.5	.8	1.8	2.0	2.0	2.0
Germany	-2.2	4.2	2.2	.3	1.4	1.6	2.0	2.1	1.8	1.8
Emerging market economies	3.9	6.5	4.6	4.3	3.0	3.5	4.2	4.3	4.2	4.2
Asia	7.8	8.0	5.0	5.6	5.1	4.7	5.3	5.4	5.2	5.2
Korea	4.9	6.1	3.0	2.1	3.6	3.5	4.1	4.1	3.9	3.9
China	11.3	9.7	8.7	7.8	7.6	7.1	7.1	7.1	6.9	6.9
Latin America	.0	4.7	4.1	3.2	1.2	2.4	3.2	3.4	3.4	3.4
Mexico	-1.2	4.5	4.2	3.3	.6	3.3	3.6	3.7	3.7	3.7
Brazil	5.3	5.3	1.3	1.8	2.2	-.2	1.9	2.2	2.3	2.3
Consumer prices²										
Total foreign	1.2	3.2	3.4	2.3	2.3	2.5	2.6	2.6	2.6	2.6
<i>Previous Tealbook</i>	1.2	3.2	3.4	2.3	2.3	2.5	2.6	2.6	2.6	2.6
Advanced foreign economies	.2	1.7	2.2	1.3	1.0	1.7	1.7	1.6	1.7	1.7
Canada	.8	2.2	2.7	.9	1.0	2.4	1.7	2.0	2.1	2.1
Japan	-2.0	-.3	-.3	-.2	1.4	2.9	2.3	1.3	1.4	1.4
United Kingdom	2.2	3.4	4.6	2.6	2.1	1.9	1.9	1.9	2.0	2.0
Euro area	.4	2.0	2.9	2.3	.8	.7	1.3	1.5	1.6	1.6
Germany	.3	1.6	2.6	2.0	1.3	.9	1.6	1.7	1.7	1.7
Emerging market economies	2.0	4.3	4.3	3.1	3.3	3.1	3.4	3.3	3.3	3.3
Asia	1.2	4.3	4.5	2.6	3.1	2.5	3.2	3.2	3.2	3.2
Korea	2.4	3.2	3.9	1.7	1.1	1.9	3.2	3.2	3.2	3.2
China	.6	4.6	4.6	2.1	2.9	2.3	3.0	3.0	3.0	3.0
Latin America	3.9	4.4	4.0	4.3	4.0	4.4	3.8	3.7	3.6	3.6
Mexico	4.0	4.3	3.5	4.1	3.7	3.8	3.3	3.3	3.3	3.3
Brazil	4.3	5.6	6.7	5.6	5.9	6.4	5.4	5.3	5.3	5.3

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

	2014				Projected-----2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Billions of dollars, s.a.a.r.											
U.S. current account balance	-435.5	-410.9	-434.4	-413.7	-433.7	-411.3	-425.9	-444.1	-481.0	-461.7	-487.8	-486.5
<i>Previous Tealbook</i>	-444.6	-460.3	-453.8	-450.4	-477.8	-453.4	-472.2	-485.1	-518.1	-501.9	-526.1	-525.0
Current account as percent of GDP	-2.6	-2.4	-2.5	-2.3	-2.4	-2.3	-2.3	-2.4	-2.6	-2.4	-2.5	-2.5
<i>Previous Tealbook</i>	-2.6	-2.7	-2.6	-2.5	-2.7	-2.5	-2.6	-2.6	-2.8	-2.6	-2.7	-2.7
Net goods & services	-498.1	-521.0	-496.1	-479.3	-485.5	-475.9	-480.0	-490.5	-498.4	-490.2	-504.4	-503.5
Investment income, net	195.4	207.0	203.1	205.1	203.4	197.4	189.6	179.5	169.0	161.4	152.1	150.0
Direct, net	277.8	282.9	278.0	279.9	286.8	295.5	304.4	311.7	318.3	326.1	333.2	346.3
Portfolio, net	-82.4	-75.8	-74.9	-74.8	-83.4	-98.1	-114.9	-132.2	-149.3	-164.7	-181.2	-196.3
Other income and transfers, net	-132.7	-96.9	-141.4	-139.5	-151.6	-132.9	-135.5	-133.1	-151.6	-132.9	-135.5	-133.1

Annual Data

	Projected-----2016										
	2009	2010	2011	2012	2013	2014	2015	2016	2017		
	Billions of dollars										
U.S. current account balance	-380.8	-443.9	-459.3	-460.8	-400.3	-423.6	-428.8	-479.3	-498.3		
<i>Previous Tealbook</i>	-380.8	-443.9	-459.3	-460.8	-400.3	-452.3	-472.1	-517.8			
Current account as percent of GDP	-2.6	-3.0	-3.0	-2.9	-2.4	-2.4	-2.4	-2.5	-2.5		
<i>Previous Tealbook</i>	-2.6	-3.0	-3.0	-2.8	-2.4	-2.6	-2.6	-2.7			
Net goods & services	-383.8	-494.7	-548.6	-537.6	-476.4	-498.6	-483.0	-499.1	-493.9		
Investment income, net	132.3	185.7	229.0	211.4	208.5	202.6	192.5	158.1	133.8		
Direct, net	257.7	288.0	298.6	281.6	290.9	279.6	299.6	331.0	368.4		
Portfolio, net	-125.4	-102.3	-69.5	-70.2	-82.3	-77.0	-107.1	-172.9	-234.6		
Other income and transfers, net	-129.3	-135.0	-139.8	-134.6	-132.4	-127.6	-138.3	-138.3	-138.3		

Class I FOMC – Restricted Controlled (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book B Monetary Policy: Strategies and Alternatives

September 11, 2014

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

Policy Rules and the Staff Projection

Near-Term Prescriptions of Selected Policy Rules

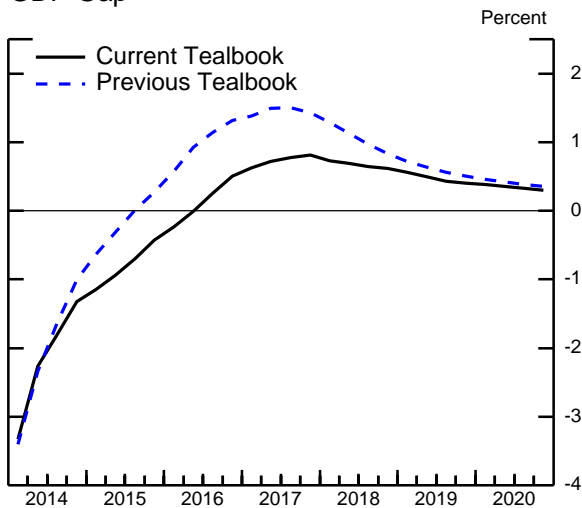
	2014Q4	2015Q1
Taylor (1993) rule	2.39	2.66
<i>Previous Tealbook</i>	2.66	3.04
Taylor (1999) rule	1.73	2.09
<i>Previous Tealbook</i>	2.16	2.73
Inertial Taylor (1999) rule	0.37	0.63
<i>Previous Tealbook outlook</i>	0.43	0.77
Outcome-based rule	0.68	1.26
<i>Previous Tealbook outlook</i>	0.84	1.66
First-difference rule	0.47	0.72
<i>Previous Tealbook outlook</i>	0.77	1.23
Nominal income targeting rule	-0.22	-0.41
<i>Previous Tealbook outlook</i>	-0.16	-0.26

Memo: Equilibrium and Actual Real Federal Funds Rates

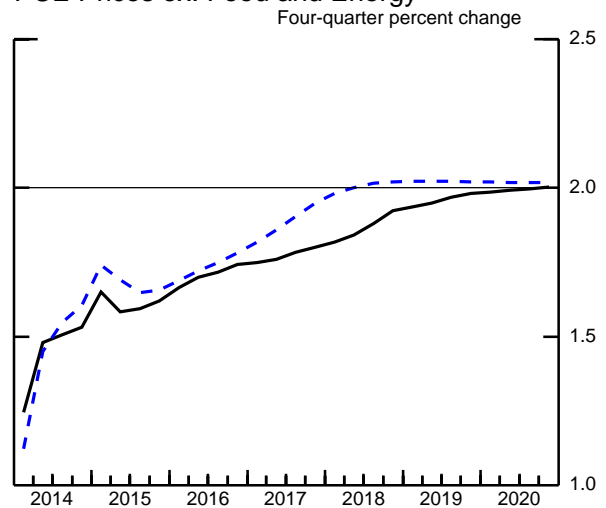
	Current Tealbook	<i>Previous Tealbook</i>
Tealbook-consistent FRB/US r^* estimate	-0.85	-0.29
Actual real federal funds rate	-1.34	-1.31

Key Elements of the Staff Projection

GDP Gap



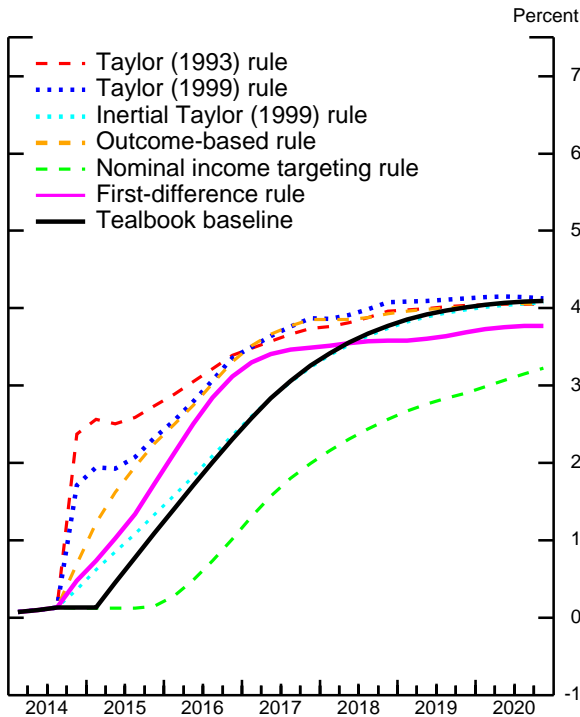
PCE Prices ex. Food and Energy



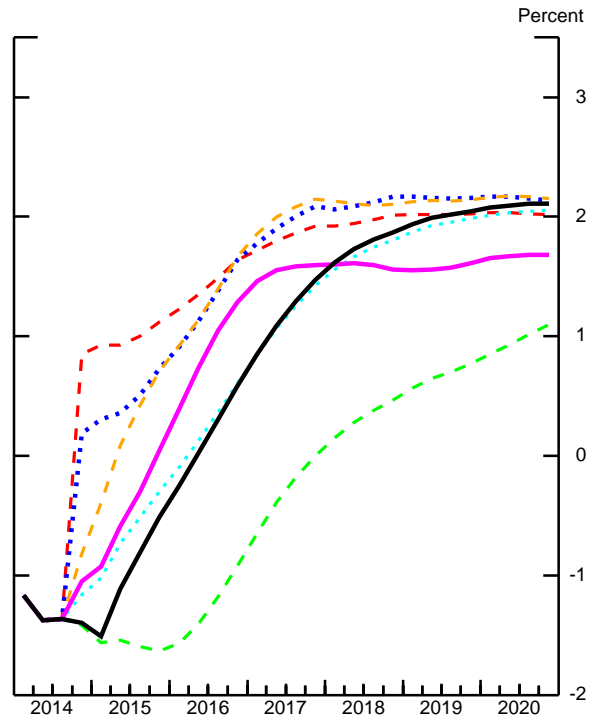
Note: The lines denoted "Previous Tealbook outlook" in the upper panel report rule prescriptions based on the previous Tealbook's staff outlook using the current rule specifications. Rules that have the lagged policy rate as a right-hand-side variable jump off from the average value of the policy rate thus far in the current quarter.

Policy Rule Simulations

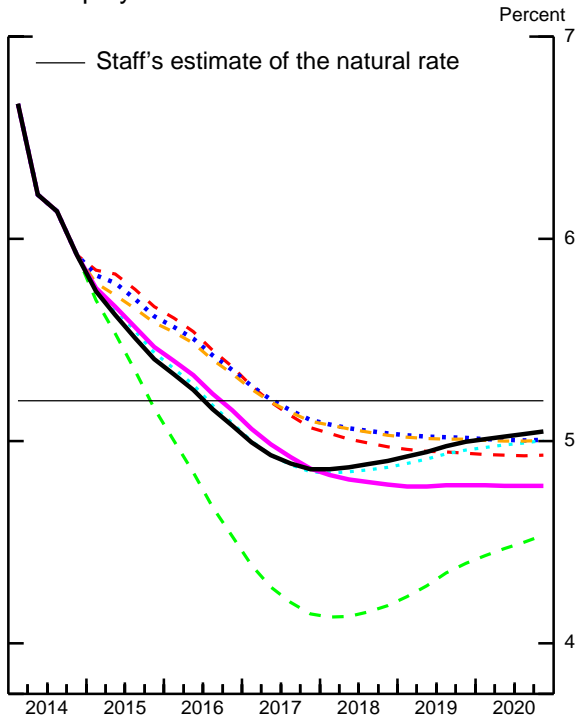
Effective Nominal Federal Funds Rate



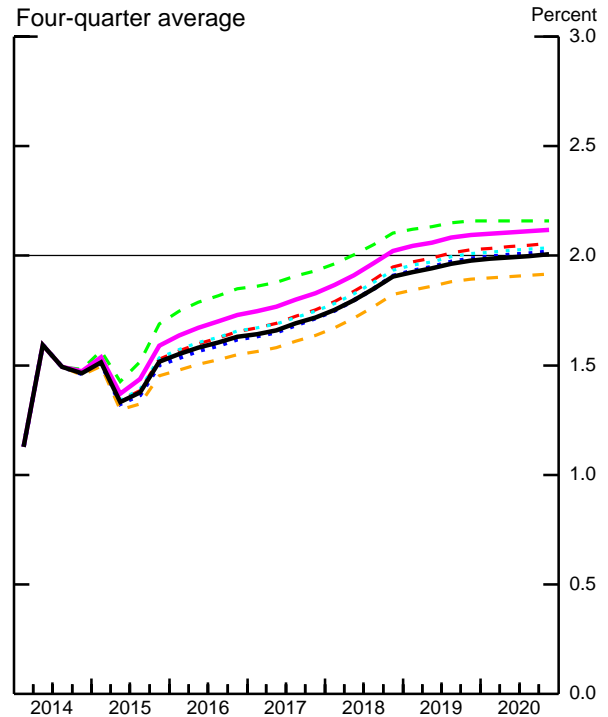
Real Federal Funds Rate



Unemployment Rate



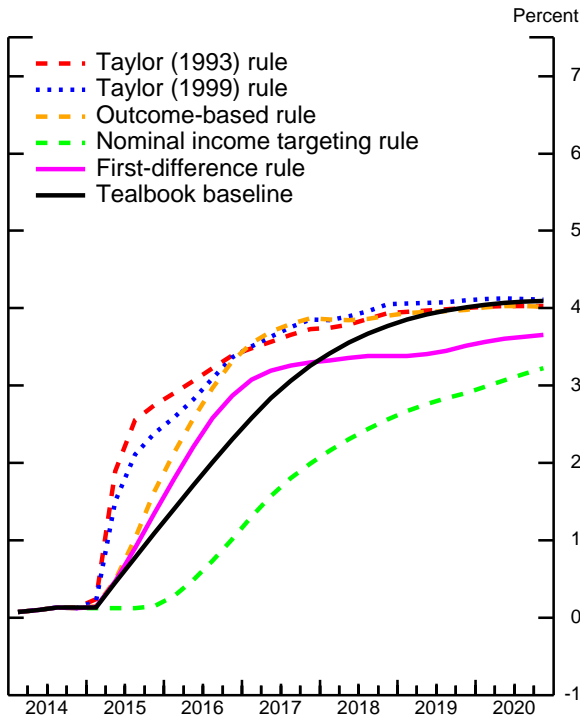
PCE Inflation
Four-quarter average



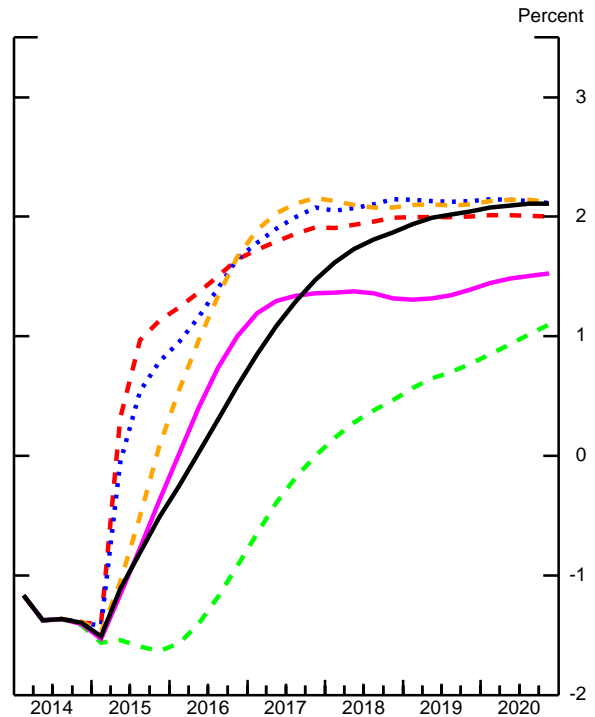
Note: The policy rule simulations in this exhibit are based on rules that respond to core inflation. This choice of rule specification was made in light of the tendency for current and near-term core inflation rates to outperform headline inflation rates as predictors of the medium-term behavior of headline inflation.

Policy Rule Simulations with an Unemployment Rate Threshold

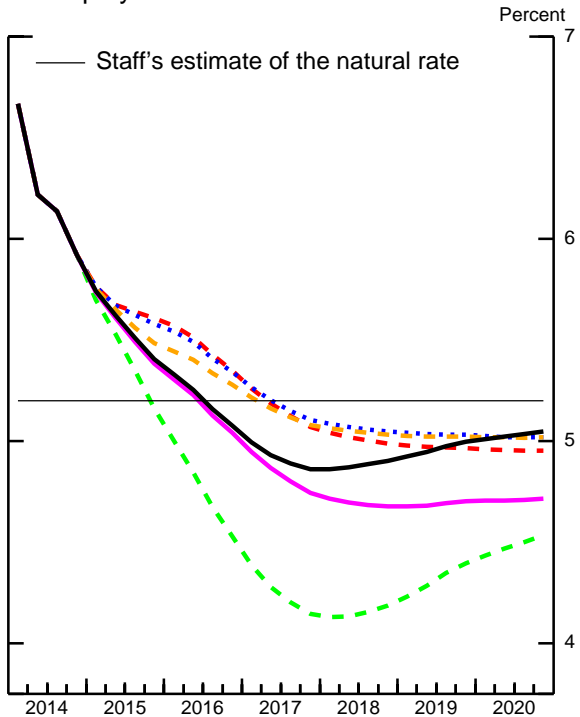
Effective Nominal Federal Funds Rate



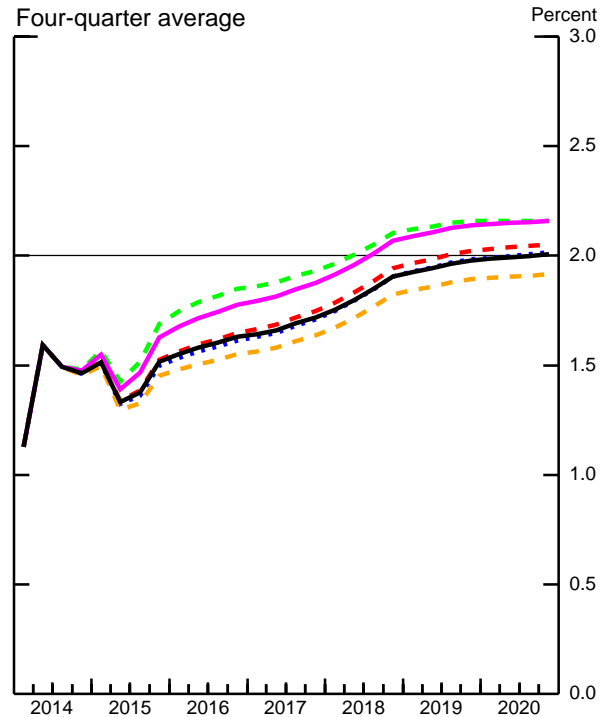
Real Federal Funds Rate



Unemployment Rate



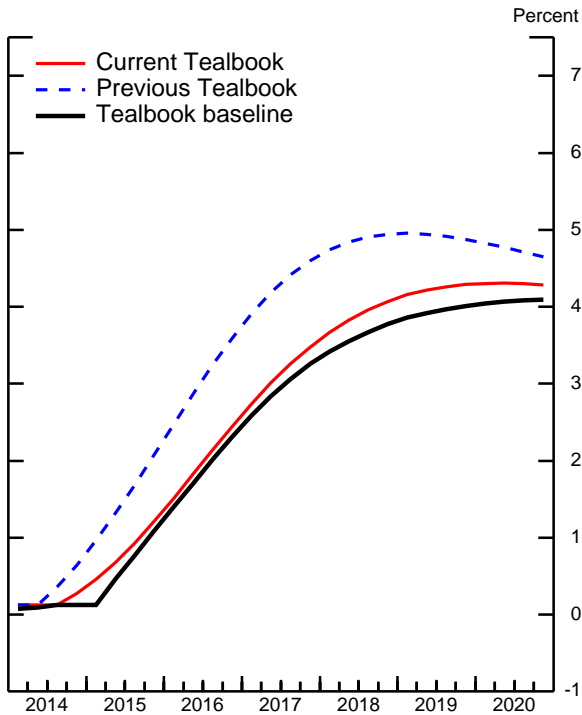
PCE Inflation
Four-quarter average



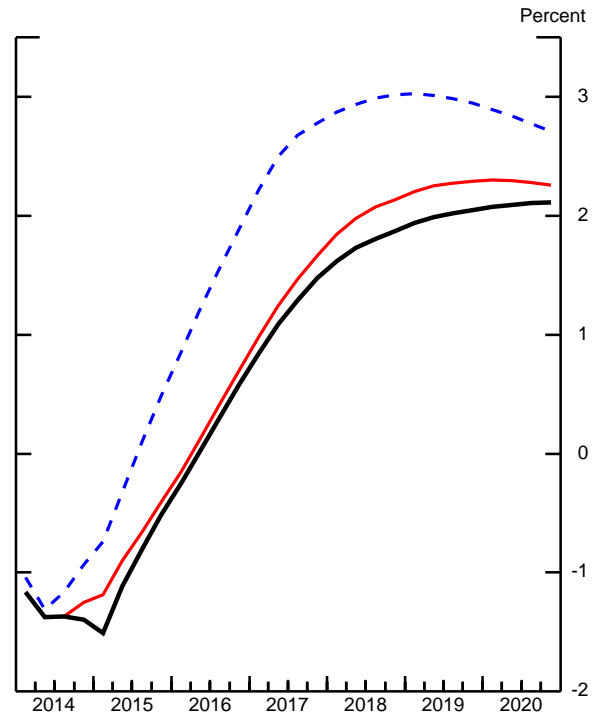
Note: The policy rule simulations in this exhibit keep the federal funds rate at an effective lower bound of 12½ basis points as long as the unemployment rate is 5.8 percent or more. Thereafter, the federal funds rate follows the prescriptions of the specified rule. A value of 5.8 percent was chosen because in the Tealbook baseline the unemployment rate crosses that level just before firming begins. In addition, the simulations are based on rules that respond to core inflation.

Optimal Control Policy under Commitment

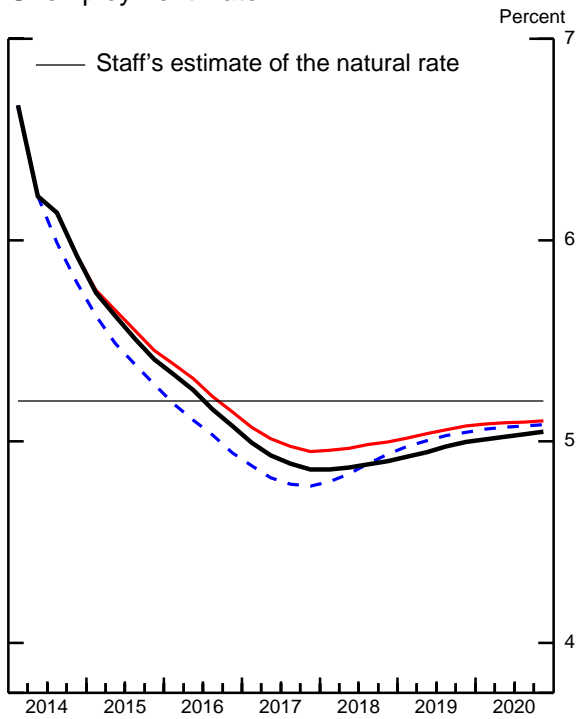
Effective Nominal Federal Funds Rate



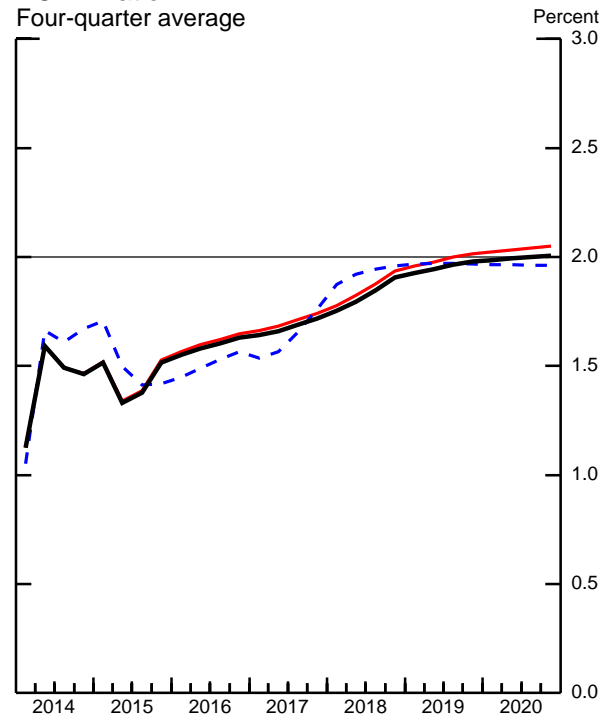
Real Federal Funds Rate



Unemployment Rate

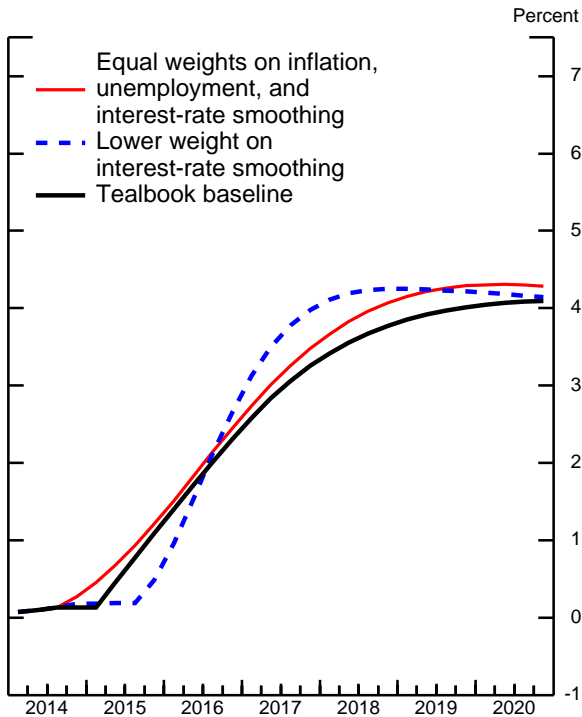


PCE Inflation
Four-quarter average

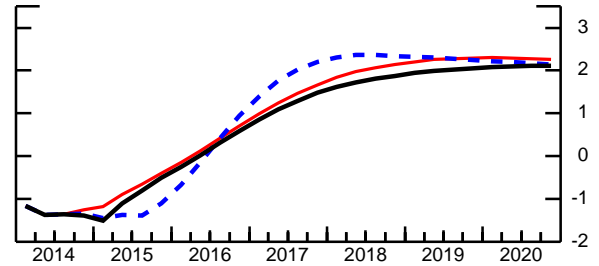


Optimal Control Policy with Lower Weight on Interest-Rate Smoothing under Commitment

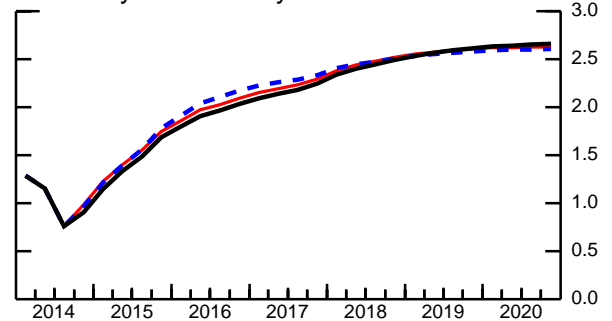
Effective Nominal Federal Funds Rate



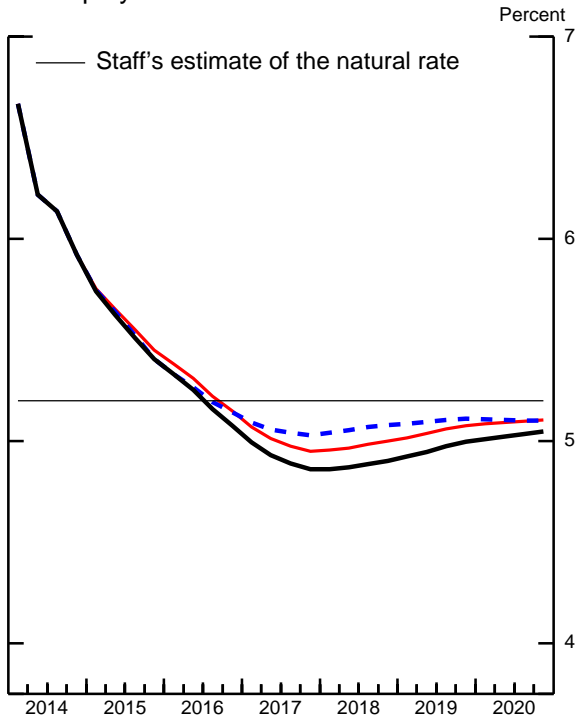
Real Federal Funds Rate



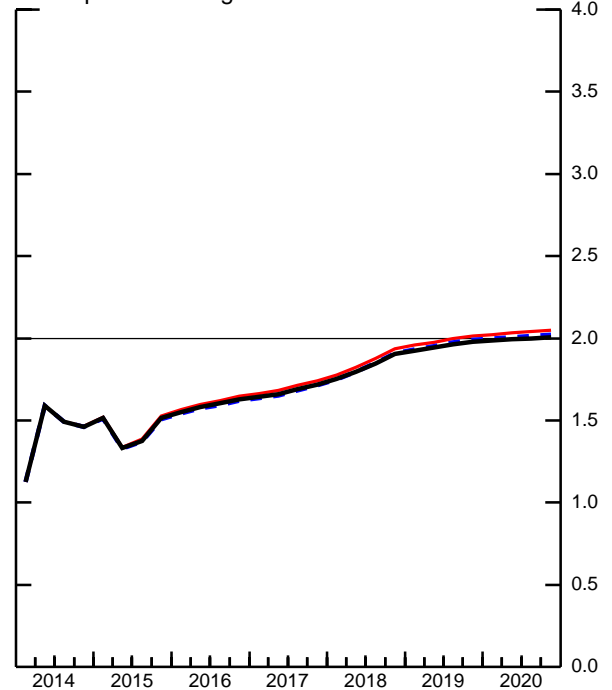
Real 10-year Treasury Yield



Unemployment Rate



PCE Inflation
Four-quarter average



Outcomes under Alternative Policies

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

Measure and policy	2014		2015	2016	2017	2018
	H1	H2				
<i>Real GDP</i>						
Extended Tealbook baseline ¹	1.1	2.9	2.7	2.9	2.3	1.9
Taylor (1993)	1.1	2.9	2.2	2.8	2.4	2.1
Taylor (1999)	1.1	2.9	2.2	2.8	2.4	2.1
Inertial Taylor (1999)	1.1	2.9	2.6	2.9	2.3	1.9
Outcome-based	1.1	2.9	2.3	2.7	2.3	2.1
First-difference	1.1	2.9	2.6	2.9	2.4	2.1
Nominal income targeting	1.1	2.9	3.2	3.5	2.6	1.9
Optimal control	1.1	2.9	2.6	2.8	2.3	1.9
<i>Unemployment rate²</i>						
Extended Tealbook baseline ¹	6.2	5.9	5.4	5.1	4.9	4.9
Taylor (1993)	6.2	5.9	5.7	5.4	5.1	5.0
Taylor (1999)	6.2	5.9	5.6	5.4	5.1	5.0
Inertial Taylor (1999)	6.2	5.9	5.4	5.1	4.8	4.9
Outcome-based	6.2	5.9	5.6	5.3	5.1	5.0
First-difference	6.2	5.9	5.5	5.2	4.9	4.8
Nominal income targeting	6.2	5.9	5.2	4.5	4.1	4.2
Optimal control	6.2	5.9	5.5	5.1	5.0	5.0
<i>Total PCE prices</i>						
Extended Tealbook baseline ¹	1.8	1.1	1.5	1.6	1.7	1.9
Taylor (1993)	1.8	1.1	1.5	1.7	1.8	1.9
Taylor (1999)	1.8	1.1	1.5	1.6	1.7	1.9
Inertial Taylor (1999)	1.8	1.1	1.5	1.7	1.7	1.9
Outcome-based	1.8	1.1	1.5	1.5	1.6	1.8
First-difference	1.8	1.1	1.6	1.7	1.8	2.0
Nominal income targeting	1.8	1.1	1.7	1.8	1.9	2.1
Optimal control	1.8	1.1	1.5	1.6	1.7	1.9
<i>Core PCE prices</i>						
Extended Tealbook baseline ¹	1.6	1.5	1.6	1.7	1.8	1.9
Taylor (1993)	1.6	1.5	1.6	1.8	1.8	2.0
Taylor (1999)	1.6	1.5	1.6	1.7	1.8	1.9
Inertial Taylor (1999)	1.6	1.5	1.6	1.8	1.8	2.0
Outcome-based	1.6	1.5	1.6	1.7	1.7	1.8
First-difference	1.6	1.5	1.7	1.8	1.9	2.0
Nominal income targeting	1.6	1.5	1.8	2.0	2.0	2.1
Optimal control	1.6	1.5	1.6	1.8	1.8	2.0
<i>Effective nominal federal funds rate²</i>						
Extended Tealbook baseline ¹	0.1	0.1	1.1	2.3	3.3	3.8
Taylor (1993)	0.1	2.4	2.7	3.4	3.7	4.0
Taylor (1999)	0.1	1.7	2.3	3.4	3.9	4.1
Inertial Taylor (1999)	0.1	0.4	1.3	2.4	3.2	3.7
Outcome-based	0.1	0.7	2.3	3.3	3.9	3.9
First-difference	0.1	0.5	1.7	3.1	3.5	3.6
Nominal income targeting	0.1	0.1	0.1	1.0	2.0	2.6
Optimal control	0.1	0.3	1.2	2.4	3.4	3.9

1. In the Tealbook baseline, the federal funds rate first departs from an effective lower bound of 12½ basis points two quarters after the end of the asset purchase program. Thereafter, the federal funds rate follows the prescriptions of the inertial Taylor (1999) rule.

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

Outcomes under Alternative Policies with an Unemployment Rate Threshold¹

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

Measure and policy	2014		2015	2016	2017	2018
	H1	H2				
<i>Real GDP</i>						
Extended Tealbook baseline	1.1	2.9	2.7	2.9	2.3	1.9
Taylor (1993)	1.1	2.9	2.3	2.7	2.4	2.1
Taylor (1999)	1.1	2.9	2.3	2.7	2.3	2.1
Outcome-based	1.1	2.9	2.5	2.7	2.3	2.0
First-difference	1.1	2.9	2.7	3.0	2.4	2.1
Nominal income targeting	1.1	2.9	3.2	3.5	2.6	1.9
Optimal control	1.1	2.9	2.6	2.8	2.3	1.9
<i>Unemployment rate²</i>						
Extended Tealbook baseline	6.2	5.9	5.4	5.1	4.9	4.9
Taylor (1993)	6.2	5.9	5.6	5.3	5.1	5.0
Taylor (1999)	6.2	5.9	5.6	5.3	5.1	5.0
Outcome-based	6.2	5.9	5.5	5.3	5.1	5.0
First-difference	6.2	5.9	5.4	5.0	4.7	4.7
Nominal income targeting	6.2	5.9	5.2	4.5	4.1	4.2
Optimal control	6.2	5.9	5.5	5.1	5.0	5.0
<i>Total PCE prices</i>						
Extended Tealbook baseline	1.8	1.1	1.5	1.6	1.7	1.9
Taylor (1993)	1.8	1.1	1.5	1.6	1.7	1.9
Taylor (1999)	1.8	1.1	1.5	1.6	1.7	1.9
Outcome-based	1.8	1.1	1.5	1.6	1.6	1.8
First-difference	1.8	1.1	1.6	1.8	1.9	2.1
Nominal income targeting	1.8	1.1	1.7	1.8	1.9	2.1
Optimal control	1.8	1.1	1.5	1.6	1.7	1.9
<i>Core PCE prices</i>						
Extended Tealbook baseline	1.6	1.5	1.6	1.7	1.8	1.9
Taylor (1993)	1.6	1.5	1.6	1.8	1.8	2.0
Taylor (1999)	1.6	1.5	1.6	1.7	1.8	1.9
Outcome-based	1.6	1.5	1.6	1.7	1.7	1.8
First-difference	1.6	1.5	1.7	1.9	2.0	2.1
Nominal income targeting	1.6	1.5	1.8	2.0	2.0	2.1
Optimal control	1.6	1.5	1.6	1.8	1.8	2.0
<i>Effective nominal federal funds rate²</i>						
Extended Tealbook baseline	0.1	0.1	1.1	2.3	3.3	3.8
Taylor (1993)	0.1	0.1	2.7	3.4	3.7	3.9
Taylor (1999)	0.1	0.1	2.4	3.4	3.9	4.1
Outcome-based	0.1	0.1	1.6	3.3	3.9	3.9
First-difference	0.1	0.1	1.3	2.9	3.3	3.4
Nominal income targeting	0.1	0.1	0.1	1.0	2.0	2.6
Optimal control	0.1	0.3	1.2	2.4	3.4	3.9

1. With the exception of optimal control, monetary policy is specified to keep the federal funds rate at an effective lower bound of 12½ basis points as long as the unemployment rate is 5.6 percent or more. Once the threshold is crossed, the federal funds rate follows the prescriptions of the specified rule.

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

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

Billions of dollars

	<u>Jul 31, 2014</u>	<u>2015</u>	<u>2017</u>	<u>2019</u>	<u>2021</u>	<u>2023</u>	<u>2025</u>
Total assets	4,405	4,467	3,682	2,693	2,130	2,326	2,542
Selected assets							
Loans and other credit extensions*	2	0	0	0	0	0	0
Securities held outright	4,137	4,213	3,468	2,512	1,970	2,183	2,413
U.S. Treasury securities	2,420	2,454	2,043	1,345	1,016	1,406	1,788
Agency debt securities	42	33	4	2	2	2	2
Agency mortgage-backed securities	1,674	1,727	1,420	1,164	953	774	622
Unamortized premiums	209	192	149	114	90	72	58
Unamortized discounts	-19	-17	-13	-11	-8	-7	-6
Total other assets	76	78	78	78	78	78	78
Total liabilities	4,349	4,401	3,598	2,588	1,997	2,157	2,329
Selected liabilities							
Federal Reserve notes in circulation	1,242	1,356	1,504	1,626	1,770	1,931	2,102
Reverse repurchase agreements	211	211	211	111	111	111	111
Deposits with Federal Reserve Banks	2,890	2,829	1,880	847	112	112	112
Reserve balances held by depository institutions	2,747	2,818	1,868	835	100	100	100
U.S. Treasury, General Account	127	5	5	5	5	5	5
Other Deposits	16	7	7	7	7	7	7
Interest on Federal Reserve Notes due to U.S. Treasury	2	0	0	0	0	0	0
Total capital	56	66	83	105	133	168	213

Projections

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

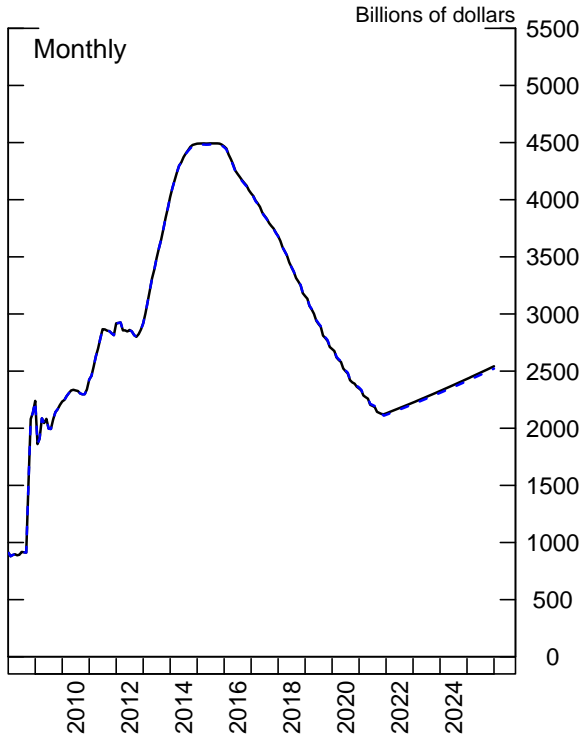
Note: Components may not sum to totals due to rounding.

* Loans and other credit extensions includes primary, secondary, and seasonal credit; central bank liquidity swaps; Term Asset-Backed Securities Loan Facility (TALF); net portfolio holdings of Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC; and net portfolio holdings of TALF LLC.

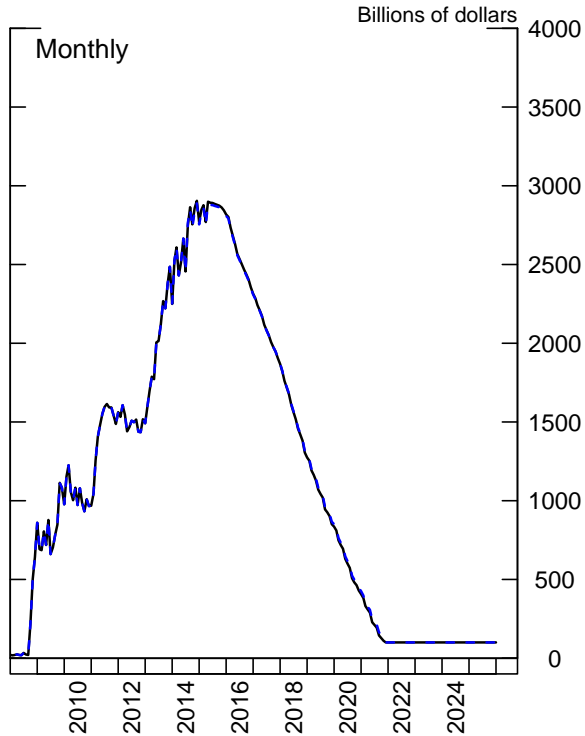
Total Assets and Selected Balance Sheet Items

— Alternative B - - - July Tealbook Alternative B

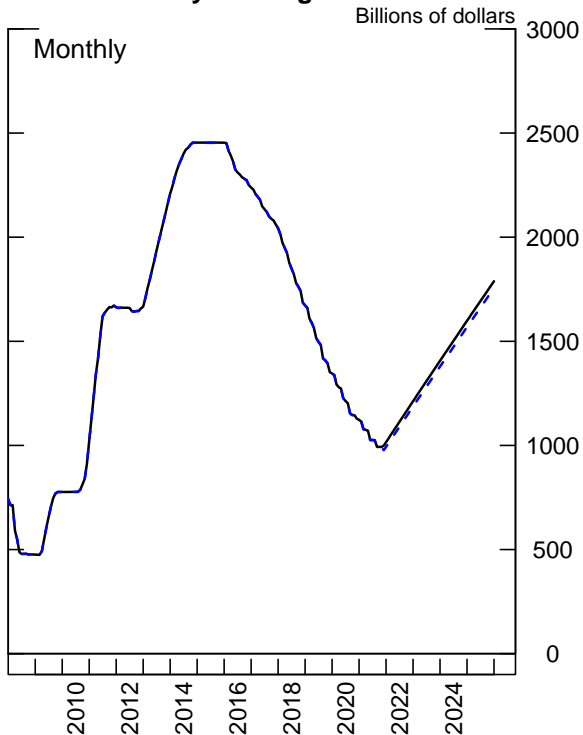
Total Assets



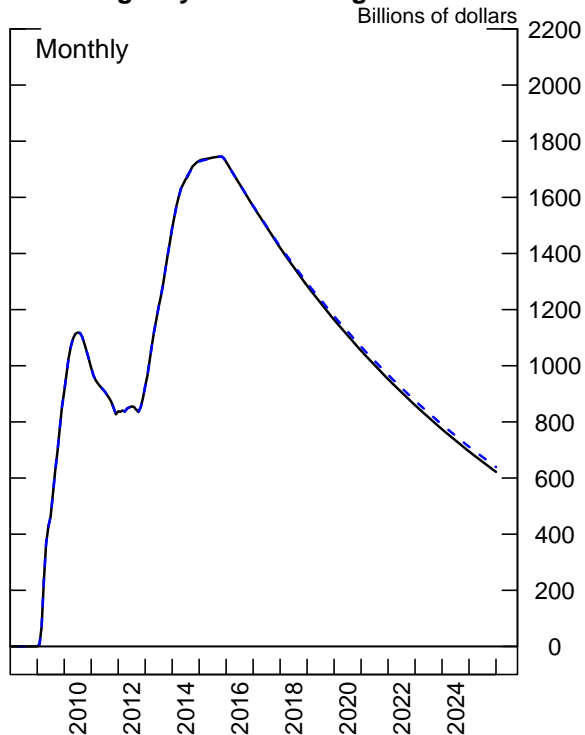
Reserve Balances



SOMA Treasury Holdings



SOMA Agency MBS Holdings

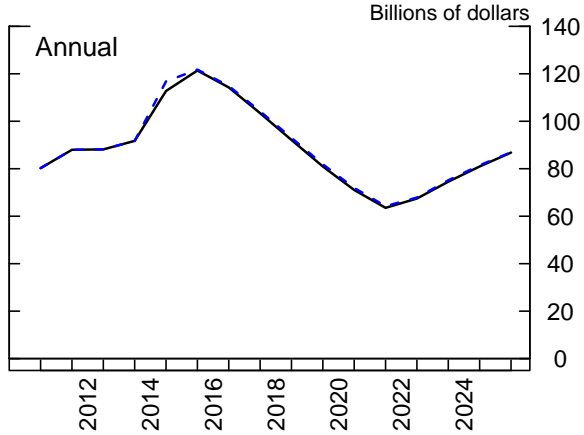


Projections

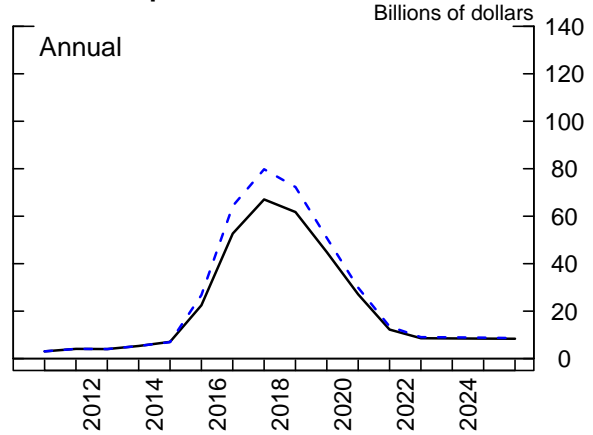
Income Projections

— Alternative B - - July Tealbook Alternative B

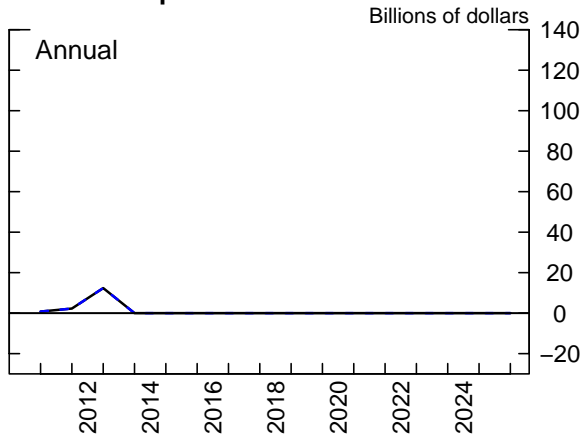
Interest Income



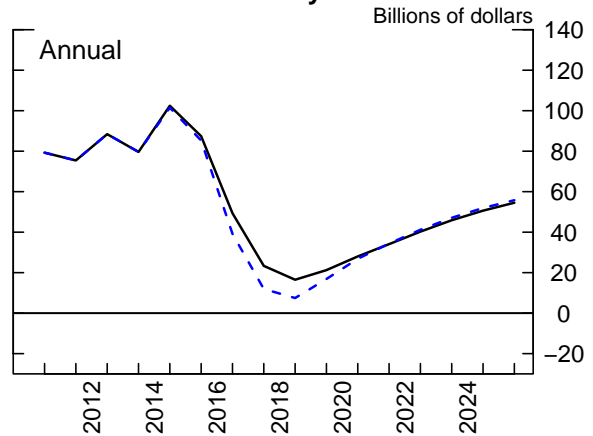
Interest Expense



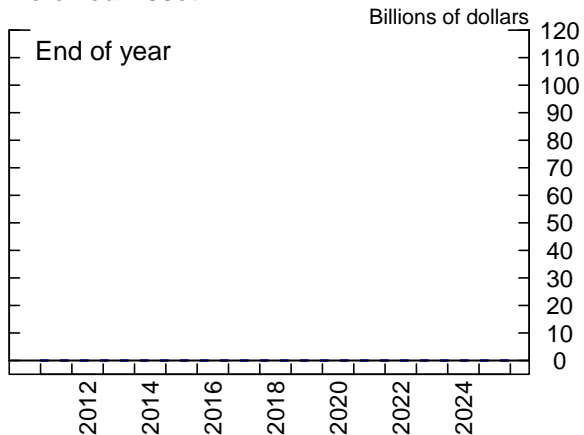
Realized Capital Gains



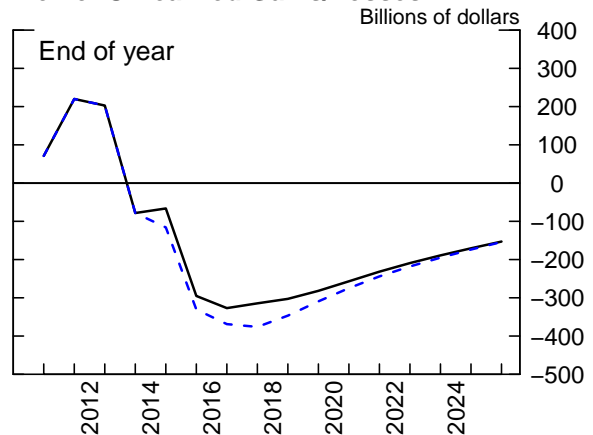
Remittances to Treasury



Deferred Asset



Memo: Unrealized Gains/Losses



Projections

Projections for the 10-Year Treasury Term Premium Effect

Date	Alternative B	July Alternative B
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Basis Points

Quarterly Averages

2014: Q3	-122	-122
Q4	-117	-117
2015: Q1	-111	-112
Q2	-106	-107
Q3	-101	-101
Q4	-96	-96
2016: Q1	-91	-92
Q2	-87	-87
Q3	-82	-82
Q4	-78	-78
2017: Q4	-63	-63
2018: Q4	-50	-51
2019: Q4	-41	-41
2020: Q4	-33	-33
2021: Q4	-27	-27
2022: Q4	-22	-22
2023: Q4	-18	-18
2024: Q4	-14	-13
2025: Q4	-10	-10

Projections for the Monetary Base

Percent change, annual rate; not seasonally adjusted

Date	Alternative B	July Alternative B
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Quarterly

2014: Q3	10.8	32.3
Q4	7.9	10.1
2015: Q1	0.9	1.1
Q2	6.4	6.2
Q3	2.1	2.2
Q4	-1.0	-0.8
2016: Q1	-6.4	-6.0
Q2	-13.1	-12.3
Q3	-10.3	-9.5
Q4	-8.7	-8.1

Annual

2017	-10.1	-9.3
2018	-15.2	-14.0
2019	-13.9	-12.5
2020	-14.6	-13.0
2021	-12.4	-11.3
2022	3.7	2.8
2023	4.2	3.7
2024	4.2	3.7
2025	4.1	3.7

Note: For years, Q4 to Q4; for quarters, calculated from corresponding average levels.

M2 Monetary Aggregate Projections (Percent change, annual rate; seasonally adjusted)*		
<i>Quarterly</i>		
2014:	Q3	5.7
	Q4	4.3
2015:	Q1	1.9
	Q2	-2.9
	Q3	-2.8
	Q4	-1.6
2016:	Q1	-0.3
	Q2	0.5
	Q3	0.9
	Q4	1.3
2017:	Q1	1.7
	Q2	1.9
	Q3	2.2
	Q4	2.4
<i>Annual</i>		
	2014	6.0
	2015	-1.4
	2016	0.6
	2017	2.1

Actual data through September 1, 2014; projections thereafter.

* Quarterly growth rates are computed from quarter averages. Annual growth rates are fourth quarter over fourth quarter.