

Prefatory Note

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

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Class II FOMC – Restricted (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book A

Economic and Financial Conditions: Current Situation and Outlook

March 12, 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 December 2013 FOMC meeting. The table below summarizes revisions to the staff economic projection since the December Tealbook.

Real GDP in the second half of last year is now estimated to have been greater than the staff expected in the December Tealbook, while our current forecast for real GDP growth in 2014 through 2016 is a little below our December projection. In the background (that is, not visible among the SEP variables), we have trimmed our assumed rate of growth of potential GDP. The unemployment rate has declined more than we expected in December; it is now on track to average 6.6 percent in the first quarter of this year, versus our forecast of 6.9 percent in the December Tealbook. We continue to project that the unemployment rate will be around 5¼ percent at the end of 2016.

The staff projection for both overall and core PCE inflation is little changed from our December projection. We continue to project that both core and headline inflation will edge gradually higher over the medium term.

The unemployment rate is projected to fall below the Committee's 6.5 percent threshold in the middle of this year, but we assume that the federal funds rate will not lift off from its effective lower bound until the second quarter of 2015, the same as in the December Tealbook. The trajectory of the federal funds rate after liftoff is somewhat steeper than in our December projection.

Staff Economic Projections Compared with the December Tealbook

Variable	2013	2014		2014	2015	2016	Longer run
		H1	H2				
Real GDP ¹	2.5	2.5	3.4	2.9	3.2	3.0	2.3
December Tealbook	2.2	2.8	3.3	3.1	3.5	3.4	2.3
Unemployment rate ²	7.0	6.5	6.2	6.2	5.6	5.1	5.2
December Tealbook	7.1	6.8	6.5	6.5	5.9	5.3	5.2
PCE inflation ¹	1.0	1.4	1.6	1.5	1.5	1.7	2.0
December Tealbook	.9	1.4	1.3	1.4	1.4	1.6	2.0
Core PCE inflation ¹	1.2	1.4	1.6	1.5	1.7	1.8	n.a.
December Tealbook	1.1	1.5	1.4	1.4	1.6	1.7	n.a.
Federal funds rate ²	.09	.13	.13	.13	1.10	2.35	4.00
December Tealbook	.13	.13	.13	.13	.82	1.92	4.00
Memo:							
Federal funds rate,							
end of period	.12	.13	.13	.13	1.25	2.50	4.00
December Tealbook	.13	.13	.13	.13	1.00	2.00	4.00

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

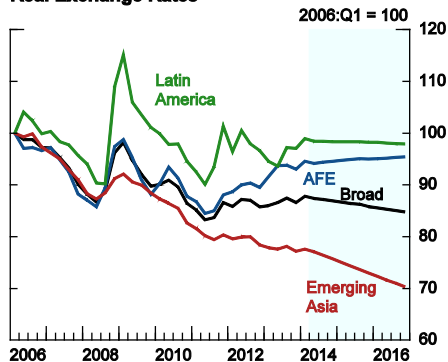
2. Percent, final quarter of period indicated.

n.a. Not available.

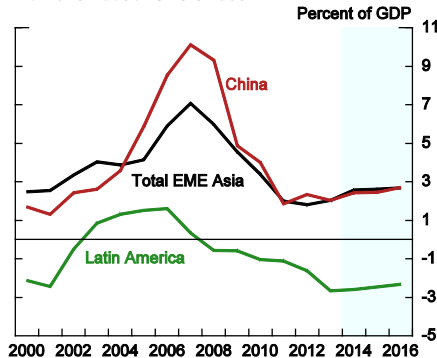
Second, the current value of the dollar may not fully price in the effects of future U.S. policy normalization. In this case, as U.S. yields rise, the dollar could appreciate more against the AFE currencies than we currently anticipate, and could rise against the currencies of emerging market economies (EMEs) as well. The implications of such a scenario are explored in the “Stronger Dollar” alternative simulation in the Risks and Uncertainty section. As shown by the blue line in the lower-left figure, in this scenario, the broad real dollar appreciates somewhat over the forecast period, instead of depreciating as in the baseline. This appreciation weighs on the U.S. trade balance, as shown by the blue line in the lower-right figure, and, as described in the Risks and Uncertainty section, contributes to a modest decline in U.S. output relative to baseline.

Third, in our baseline, we do not expect any major or persistent disruptions to global financial markets, although bouts of volatility could recur, such as the financial tension we observed recently in some vulnerable EMEs. However, stresses in the vulnerable economies could erupt into a full-fledged EME crisis, a scenario presented in previous Tealbooks and also discussed in the Risks and Uncertainty section. In this case, we expect flight-to-safety flows to push up the dollar substantially, as shown by the red line in the lower-left figure, and the trade balance (the red line in the lower-right figure) deteriorates more markedly, contributing to sharper declines in U.S. output relative to baseline (not shown).

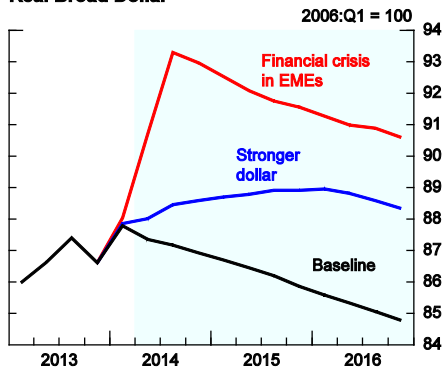
Real Exchange Rates



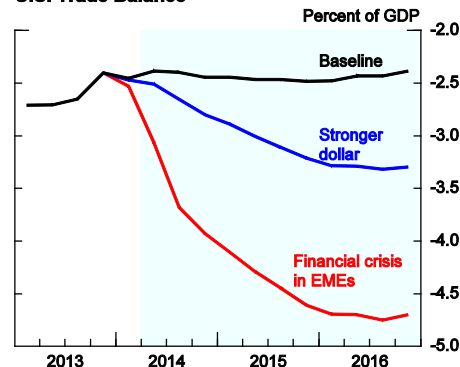
Current Account Balances



Real Broad Dollar



U.S. Trade Balance



Summary of the Near-Term Outlook

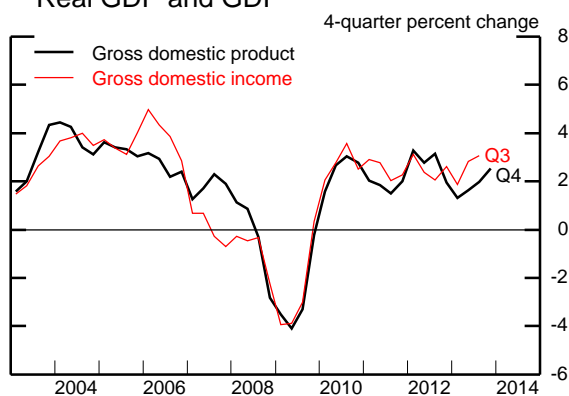
(Percent change at annual rate except as noted)

Measure	2013:Q4		2014:Q1		2014:Q2	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
Real GDP	3.5	2.2	2.4	1.5	3.1	3.5
Private domestic final purchases	4.1	2.5	3.3	2.5	4.0	4.2
Personal consumption expenditures	4.0	2.6	3.1	2.6	3.4	3.7
Residential investment	-5.3	-8.6	8.8	2.9	8.4	10.4
Nonres. private fixed investment	7.4	5.5	3.0	1.6	6.3	5.7
Government purchases	-6.0	-5.2	.8	.3	-1.2	-.5
<i>Contributions to change in real GDP</i>						
Inventory investment ¹	-.1	.1	-.5	-.4	.0	-.2
Net exports ¹	1.3	1.0	.0	-.2	-.1	.2
Unemployment rate	7.0	7.0	6.7	6.6	6.6	6.5
PCE chain price index	.7	1.0	1.1	1.4	1.5	1.3
Ex. food and energy	1.1	1.3	1.3	1.2	1.6	1.5

1. Percentage points.

Recent Nonfinancial Developments (1)

Real GDP and GDI



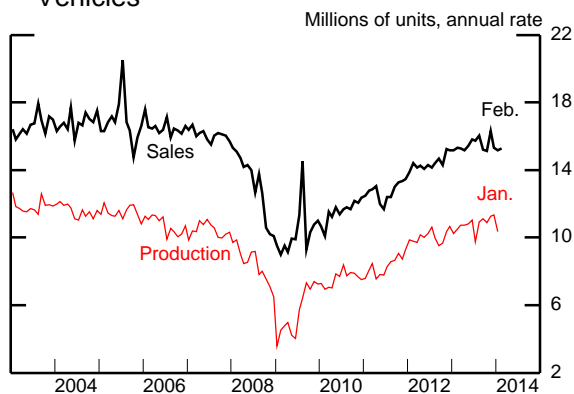
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Manufacturing IP ex. Motor Vehicles and Parts



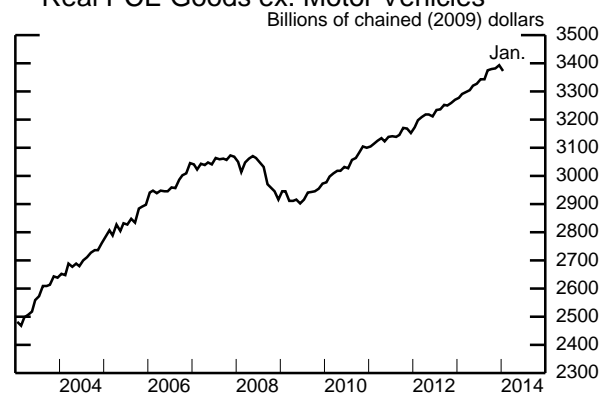
Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

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.

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

Measure	2013	2014		2014	2015	2016
		H1	H2			
Real GDP	2.5	2.5	3.4	2.9	3.2	3.0
Previous Tealbook	2.8	2.7	3.5	3.1	3.4	3.2
Final sales	1.7	2.8	3.3	3.0	3.4	3.1
Previous Tealbook	2.1	3.0	3.4	3.2	3.7	3.4
Personal consumption expenditures	2.1	3.2	3.8	3.5	3.7	2.9
Previous Tealbook	2.5	3.3	3.8	3.5	3.9	3.2
Residential investment	6.7	6.6	13.1	9.8	15.1	11.0
Previous Tealbook	7.6	8.6	16.5	12.5	15.6	9.2
Nonresidential structures	-.6	4.6	4.7	4.6	2.4	1.9
Previous Tealbook	-.4	4.3	4.3	4.3	2.5	2.2
Equipment and intangibles	3.4	3.4	5.0	4.2	5.8	5.0
Previous Tealbook	4.0	4.7	5.8	5.2	6.2	5.5
Federal purchases	-6.2	-.8	-2.7	-1.7	-3.6	-1.2
Previous Tealbook	-6.8	-1.1	-3.1	-2.1	-3.7	-.1
State and local purchases	.2	.3	.5	.4	1.1	1.5
Previous Tealbook	.3	.4	.5	.4	1.1	1.5
Exports	4.9	1.7	4.4	3.1	4.9	5.6
Previous Tealbook	5.7	3.8	4.8	4.3	5.4	6.2
Imports	2.8	1.6	5.1	3.3	4.9	4.5
Previous Tealbook	3.0	3.6	5.3	4.4	5.1	4.6
Contributions to change in real GDP (percentage points)						
Inventory change	.8	-.3	.1	-.1	-.2	.0
Previous Tealbook	.7	-.2	.1	-.1	-.3	-.2
Net exports	.2	.0	-.2	-.1	-.1	.0
Previous Tealbook	.3	-.1	-.2	-.1	-.1	.1

Real GDP

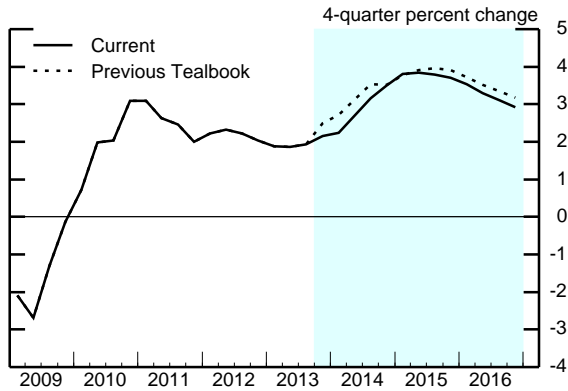


Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.

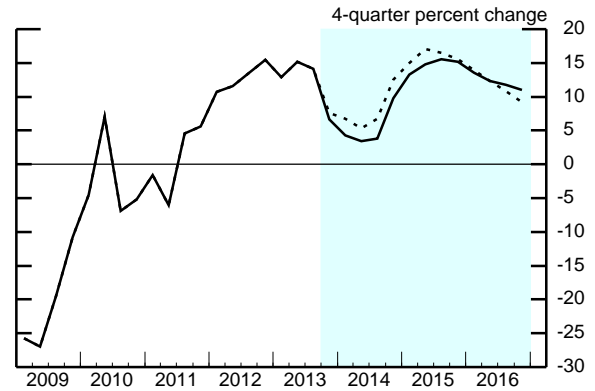
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

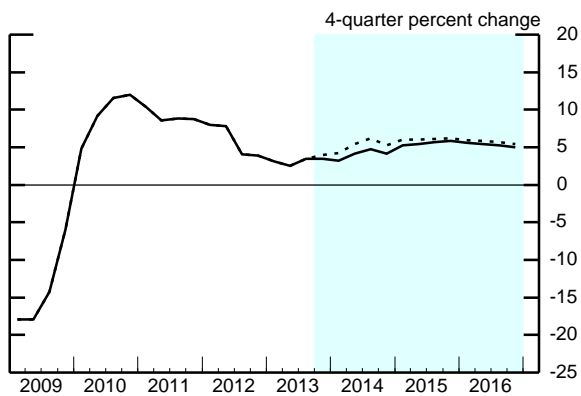
Personal Consumption Expenditures



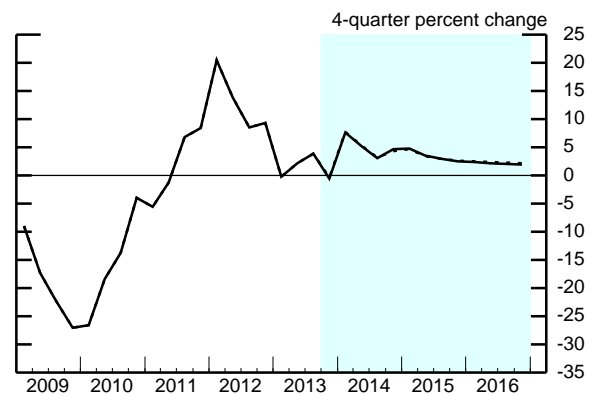
Residential Investment



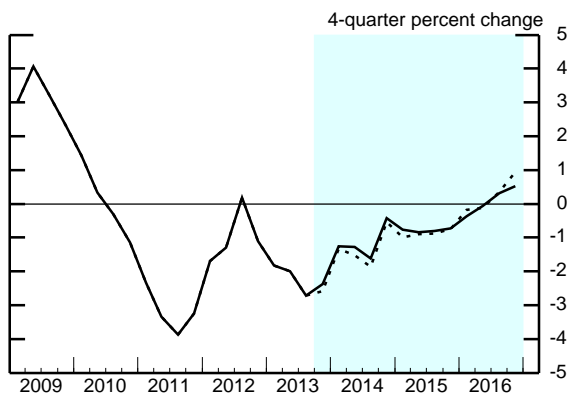
Equipment and Intangibles



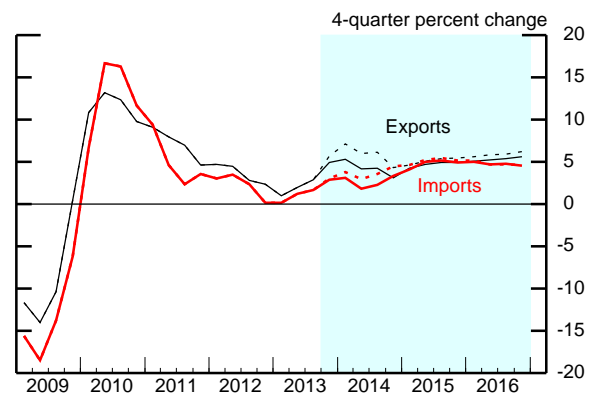
Nonresidential Structures



Government Consumption & Investment



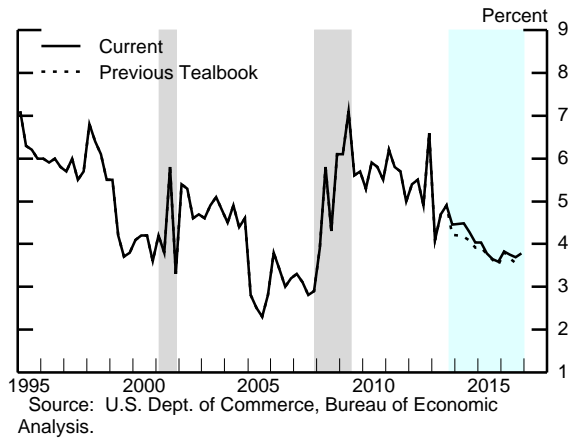
Exports and Imports



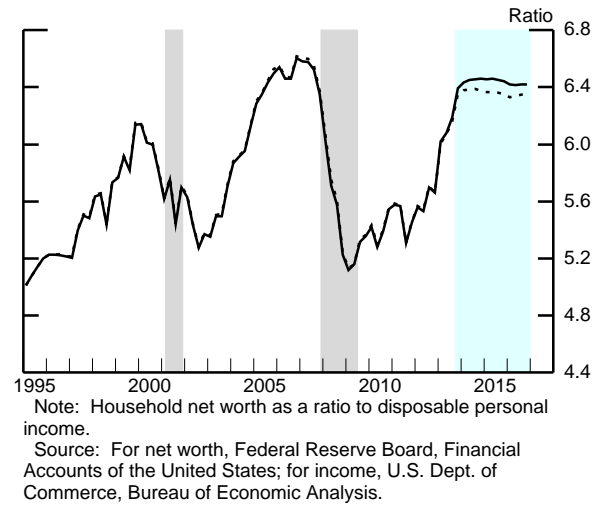
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Aspects of the Medium-Term Projection

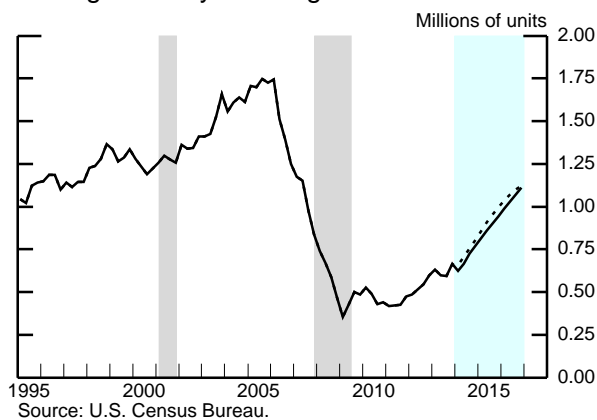
Personal Saving Rate



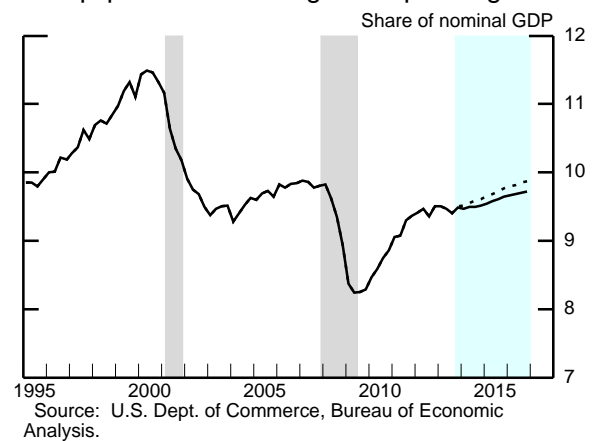
Wealth-to-Income Ratio



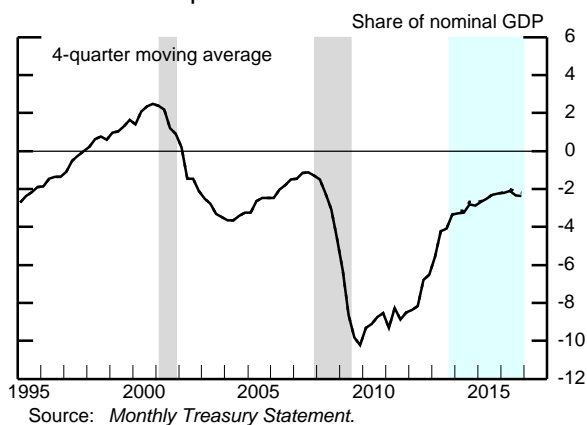
Single-Family Housing Starts



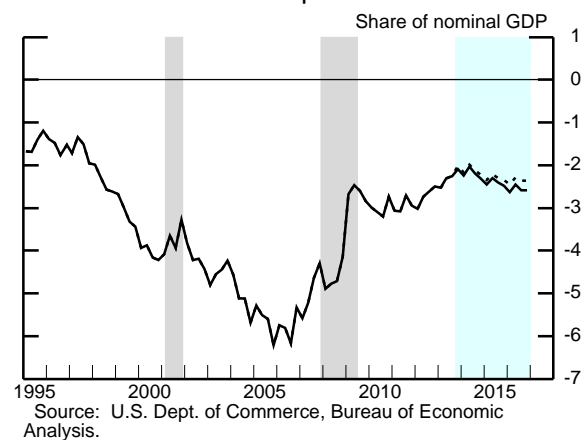
Equipment and Intangibles Spending



Federal Surplus/Deficit



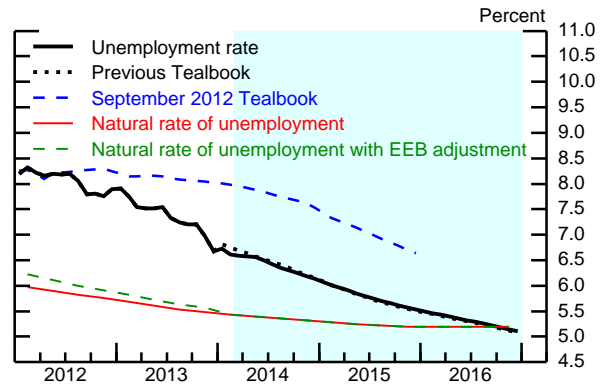
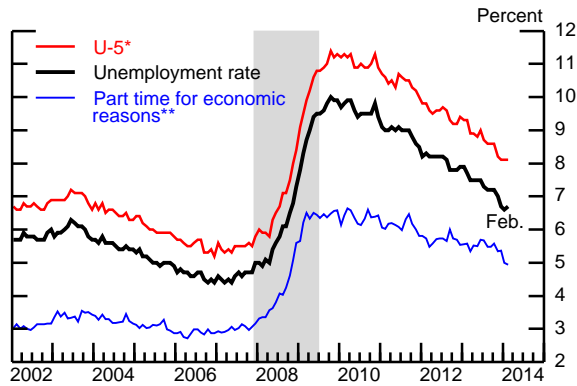
Current Account Surplus/Deficit



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

Labor Market Developments and Outlook

Measures of Labor Underutilization



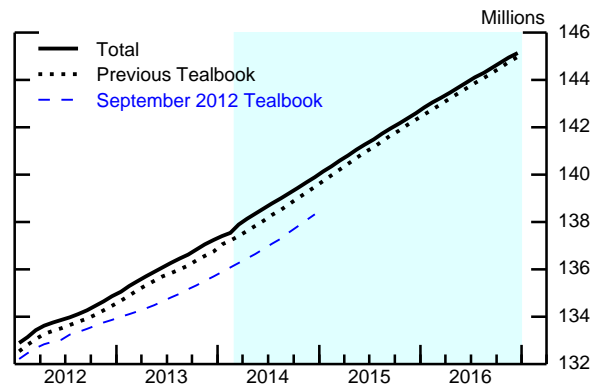
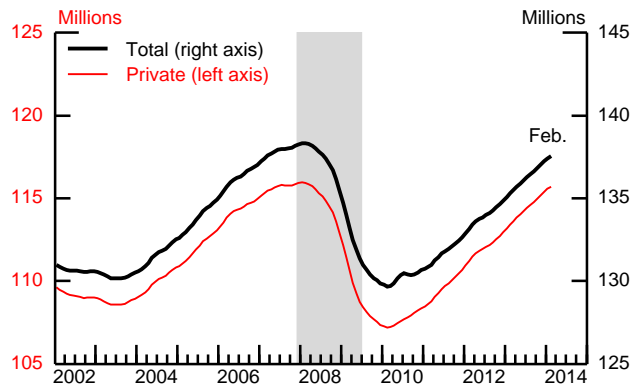
* U-5 measures total unemployed persons plus all marginally attached to the labor force, as a percent of the labor force plus persons marginally attached to the labor force.

** Percent of Current Population Survey employment.

EEB Extended and emergency unemployment benefits.

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

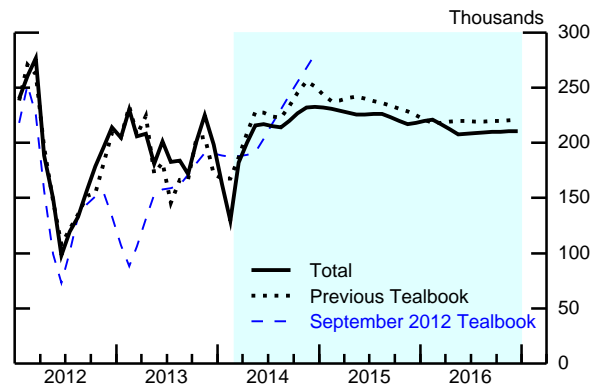
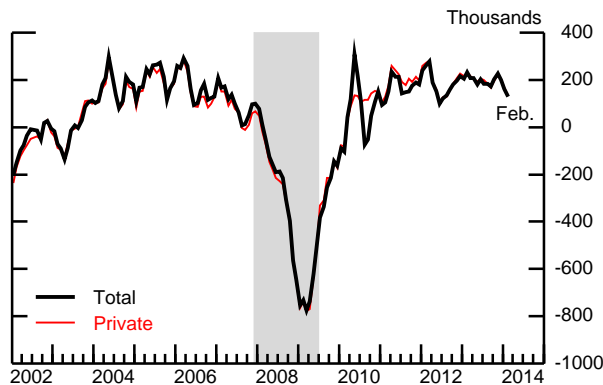
Level of Payroll Employment*



* 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.

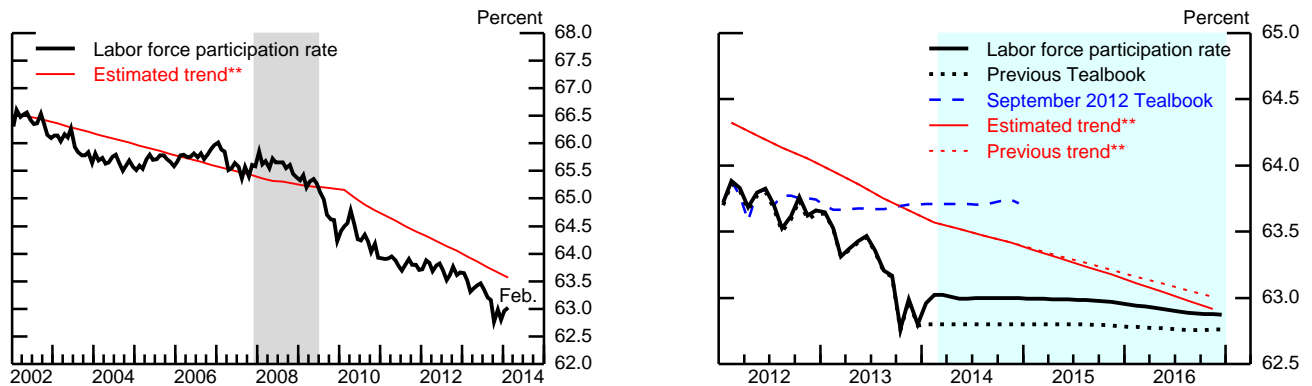
Source: U.S. Department of Labor, Bureau of Labor Statistics.

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*

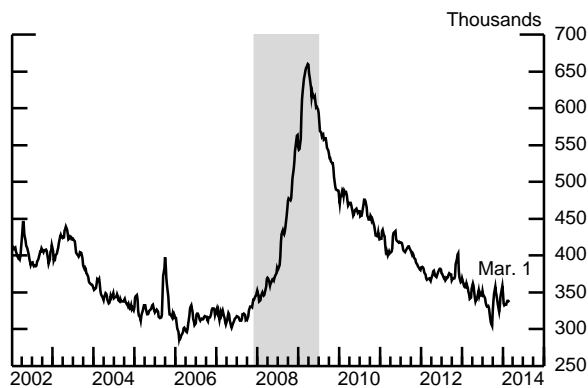


* Published data adjusted by staff to account for changes in population weights.

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

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

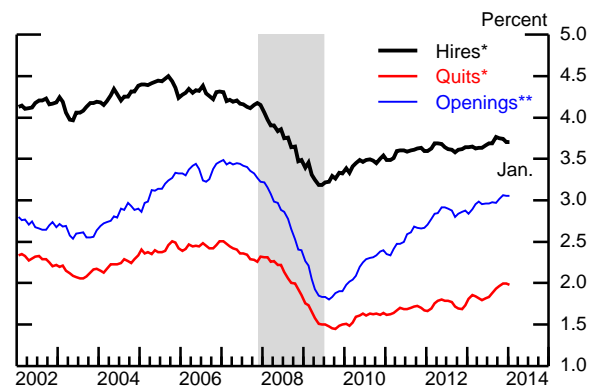
Initial Unemployment Insurance Claims*



* 4-week moving average.

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

Private Hires, Quits, and Job Openings

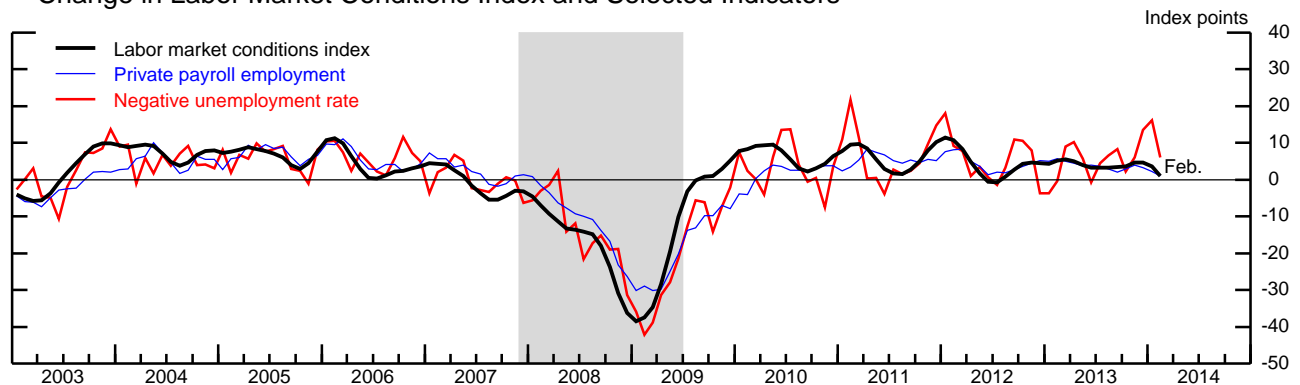


* Percent of private nonfarm payroll employment, 3-month moving average.

** 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*



* 3-month moving average.

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

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

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
Potential real GDP	3.1	3.4	2.6	1.9	1.5	1.8	2.0	1.9
Previous Tealbook	3.1	3.4	2.6	1.9	1.6	2.0	2.1	2.1
<i>Selected contributions¹</i>								
Structural NFB labor productivity ²	1.6	2.7	2.6	1.8	1.2	1.4	1.8	1.8
Previous Tealbook	1.6	2.7	2.6	1.8	1.3	1.6	1.8	1.9
Structural hours	1.5	1.0	.7	.2	.6	.7	.6	.3
Previous Tealbook	1.5	1.0	.7	.2	.6	.7	.6	.5
Labor force participation	.4	.0	-.3	-.4	-.5	-.3	-.4	-.4
Previous Tealbook	.4	.0	-.3	-.4	-.5	-.3	-.3	-.3
Memo:								
GDP gap ³	-1.9	2.5	1.0	-4.8	-3.0	-1.9	-.7	.4
Previous Tealbook	-1.9	2.5	1.0	-4.8	-3.0	-1.9	-.6	.4

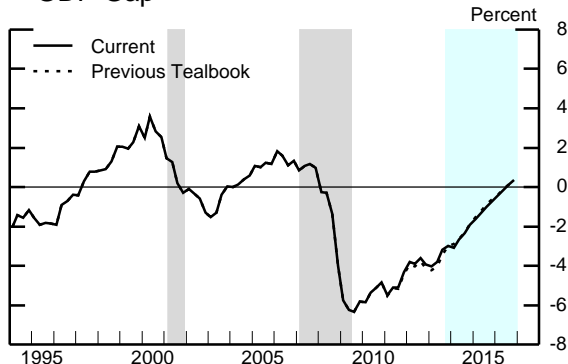
Note: For multiyear periods, the percent change is the annual average from Q4 of the year preceding the first year shown to Q4 of the last year shown.

1. Percentage points.

2. Because of substantial revisions from the Bureau of Economic Analysis to productive investment as part of the latest comprehensive revision, staff estimates of the components of structural productivity are not available for this Tealbook.

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.

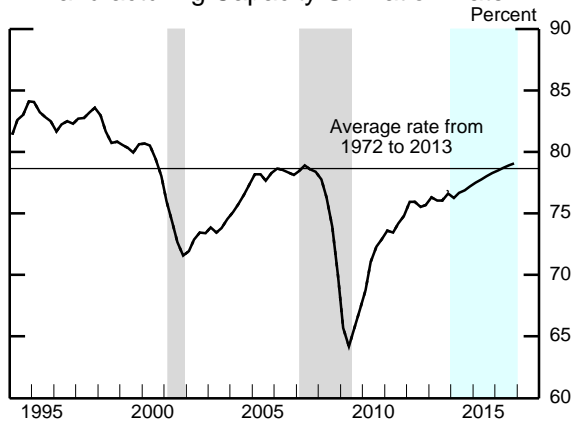
Source: U.S. Dept. of Commerce, BEA; staff assumptions.

Unemployment Rate



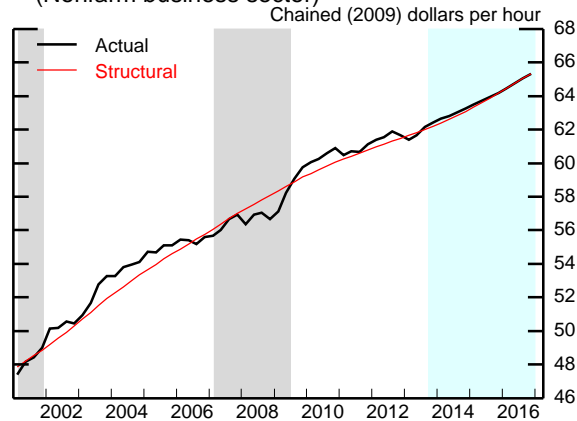
Source: U.S. Department of Labor, Bureau of Labor Statistics; staff assumptions.

Manufacturing Capacity Utilization Rate



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

Structural and Actual Labor Productivity (Nonfarm 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.

The Outlook for the Labor Market

Measure	2013	2014		2014	2015	2016
		H1	H2			
Output per hour, nonfarm business ¹	1.2	1.3	1.4	1.4	1.4	1.8
Previous Tealbook	1.7	.8	1.6	1.2	1.6	1.9
Nonfarm private employment ²	197	197	228	212	224	202
Previous Tealbook	184	203	242	223	235	210
Labor force participation rate ³	62.8	63.0	63.0	63.0	63.0	62.9
Previous Tealbook	62.8	62.8	62.8	62.8	62.8	62.8
Civilian unemployment rate ³	7.0	6.5	6.2	6.2	5.6	5.1
Previous Tealbook	7.0	6.6	6.2	6.2	5.5	5.1

1. Percent change from final quarter of preceding period at annual rate.

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	2013	2014		2014	2015	2016
		H1	H2			
PCE chain-weighted price index	1.0	1.4	1.6	1.5	1.5	1.7
Previous Tealbook	.9	1.3	1.4	1.4	1.6	1.7
Food and beverages	.8	.9	1.3	1.1	1.3	1.4
Previous Tealbook	.8	.6	.7	.6	1.3	1.4
Energy	-1.5	1.8	1.2	1.5	-.8	-.3
Previous Tealbook	-2.5	-.3	.0	-.2	-.5	-.1
Excluding food and energy	1.2	1.4	1.6	1.5	1.7	1.8
Previous Tealbook	1.1	1.4	1.6	1.5	1.7	1.8
Prices of core goods imports ¹	-1.1	.8	1.4	1.1	1.3	1.4
Previous Tealbook	-1.2	.6	1.5	1.1	1.5	1.6

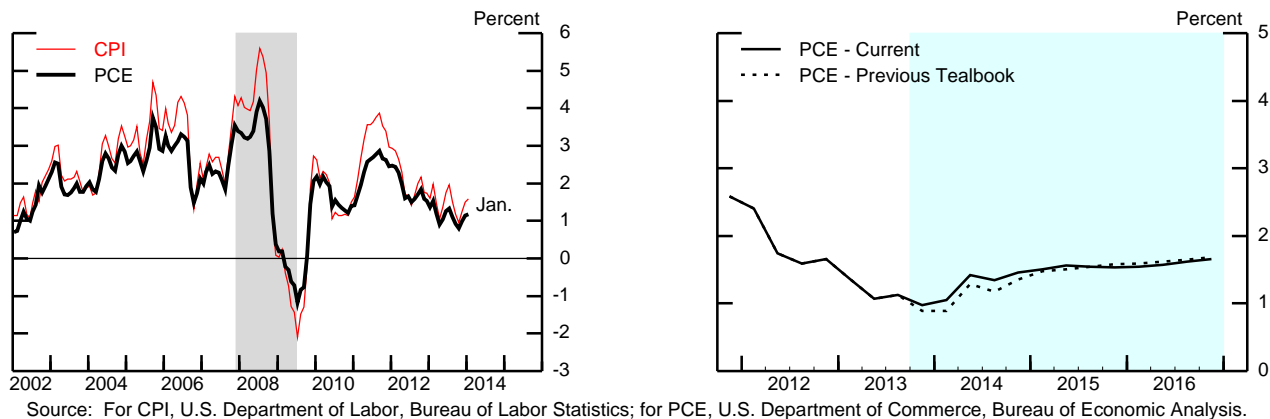
1. Core goods imports exclude computers, semiconductors, oil, and natural gas.

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

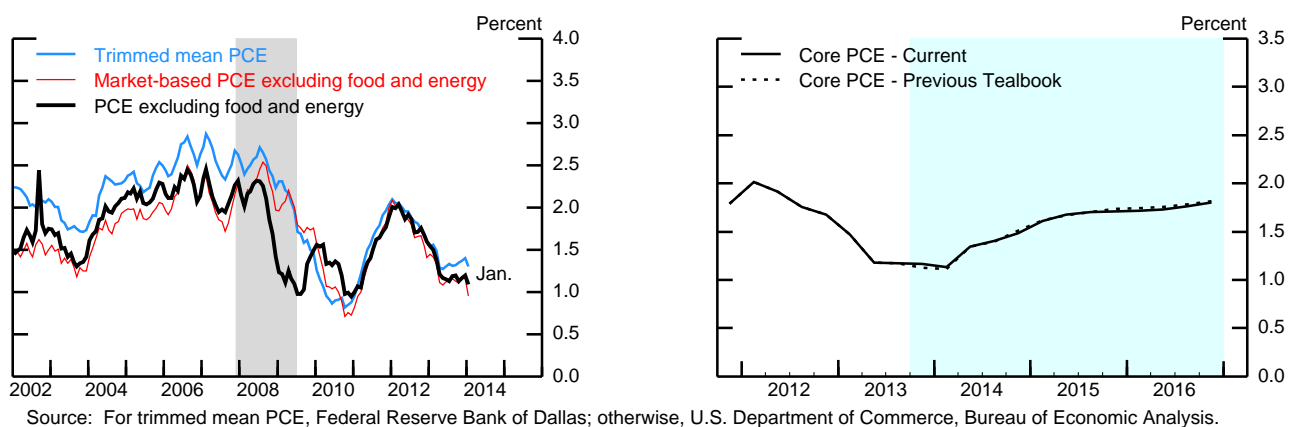
Inflation Developments and Outlook

(Percent change from year-earlier period)

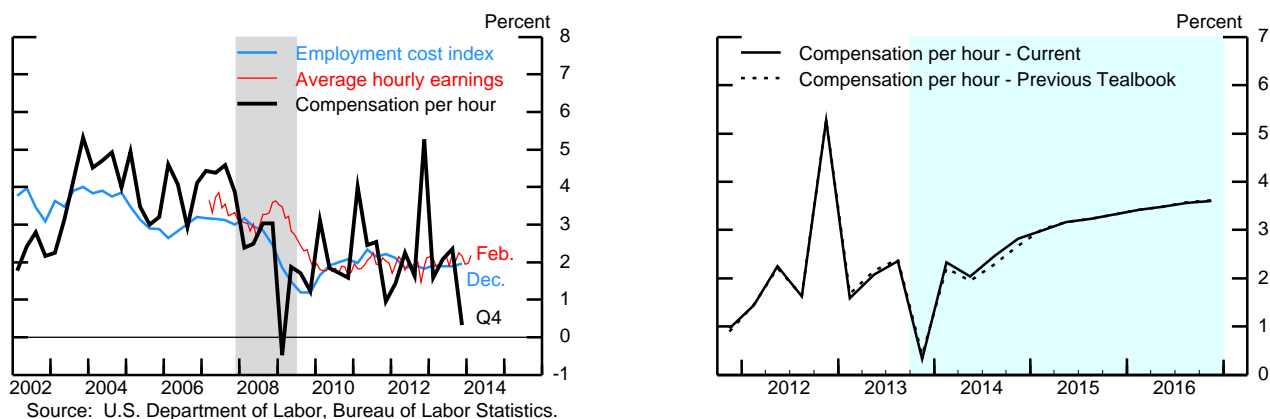
Headline Consumer Price Inflation



Measures of Underlying PCE Price Inflation



Labor Cost Growth (Private Industry)



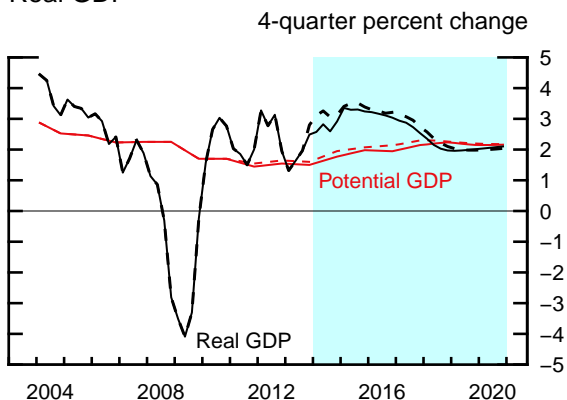
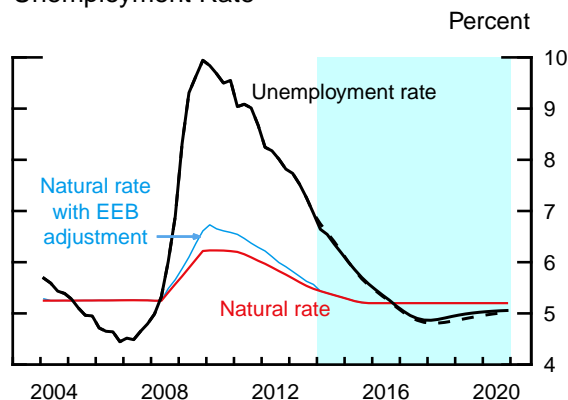
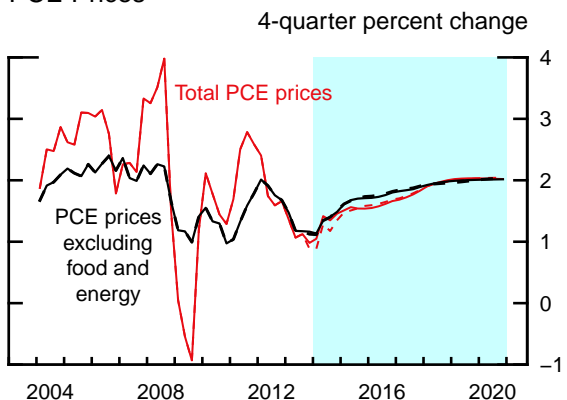
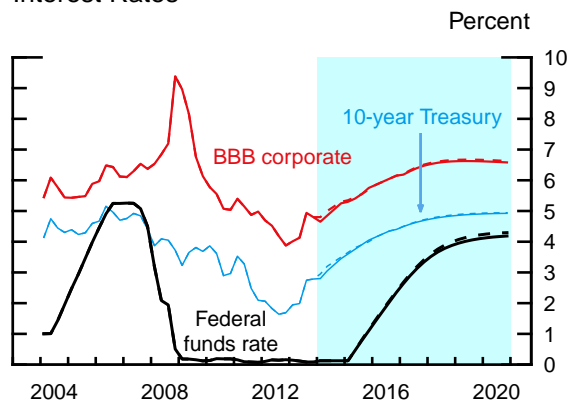
Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.

The Long-Term Outlook

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

Measure	2014	2015	2016	2017	2018	Longer run
Real GDP	2.9	3.2	3.0	2.5	2.0	2.3
Previous Tealbook	3.1	3.4	3.2	2.7	2.1	2.3
Civilian unemployment rate ¹	6.2	5.6	5.1	4.9	4.9	5.2
Previous Tealbook	6.2	5.5	5.1	4.8	4.8	5.2
PCE prices, total	1.5	1.5	1.7	1.8	2.0	2.0
Previous Tealbook	1.4	1.6	1.7	1.8	2.0	2.0
Core PCE prices	1.5	1.7	1.8	1.9	2.0	2.0
Previous Tealbook	1.5	1.7	1.8	1.9	2.0	2.0
Federal funds rate ¹	.1	1.1	2.4	3.3	3.9	4.0
Previous Tealbook	.1	1.1	2.4	3.4	4.0	4.0
10-year Treasury yield ¹	3.5	4.1	4.4	4.7	4.8	4.8
Previous Tealbook	3.5	4.0	4.4	4.7	4.9	4.8

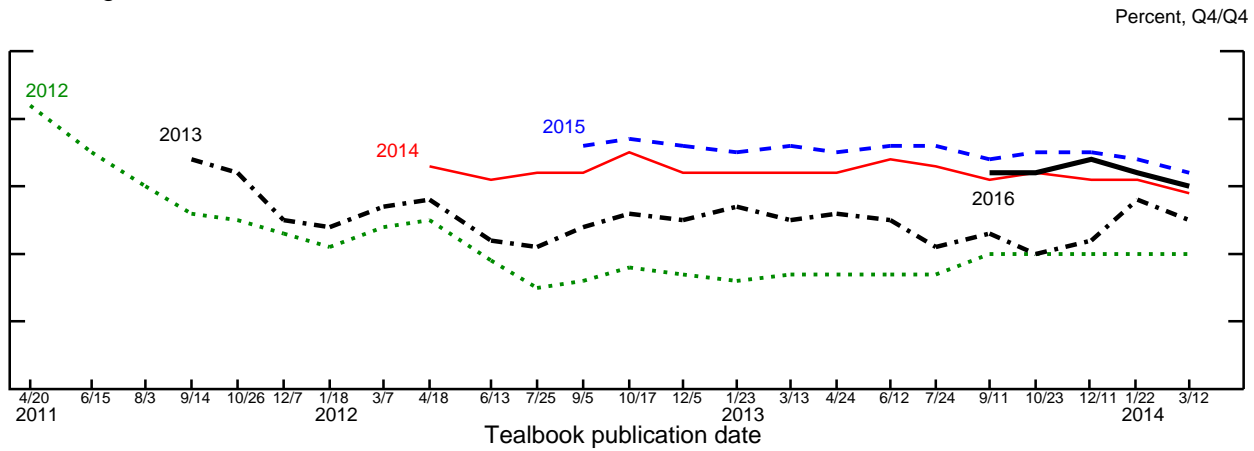
1. Percent, average for the final quarter of the period.

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

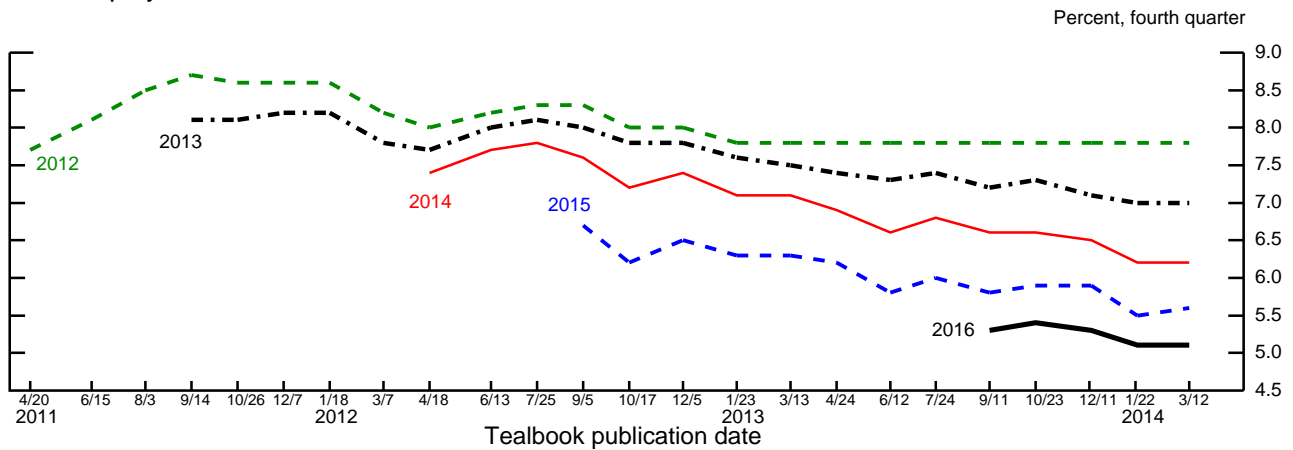
Note: In each panel, shading represents the projection period, and dashed lines are the previous Tealbook.

Evolution of the Staff Forecast

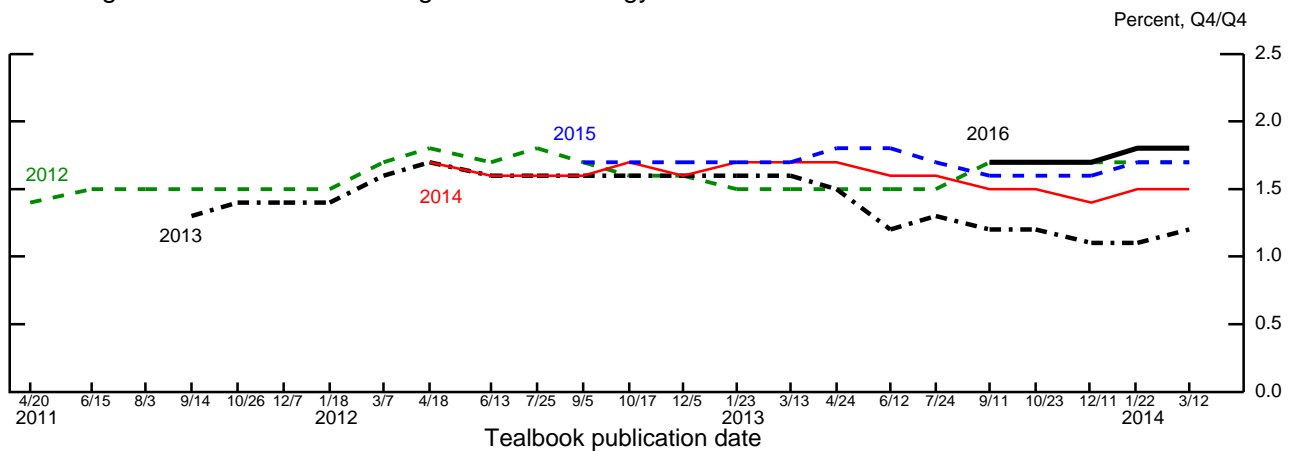
Change in Real GDP



Unemployment Rate



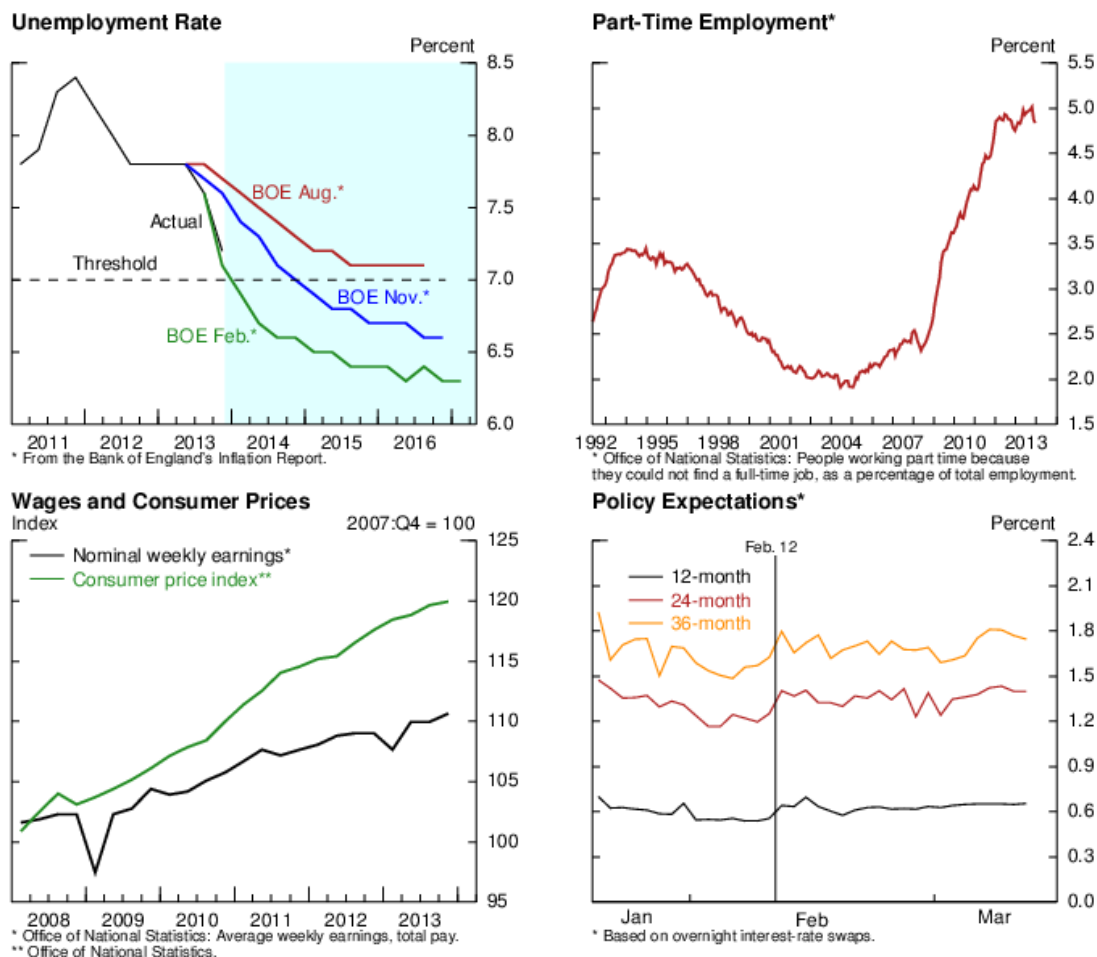
Change in PCE Prices excluding Food and Energy



and price pressures (shown in the lower-left figure). (Given the U.K.'s strong job growth in recent months, this part of the MPC's outlook seems especially subject to risks.) Finally, inflation is expected to remain at, or a little below, target in the next three years.

Fourth, the MPC indicated that, even when the economy will be operating at normal levels of capacity with inflation close to target, its policy rate in the medium term likely will be materially lower than its pre-crisis average of 5 percent, reflecting the persistent economic headwinds listed above. The MPC signaled that the lower rate in the medium term is also consistent with the global downward trend in real interest rates that started before the financial crisis. Governor Carney suggested that one possible path of the Bank Rate is that implied by market expectations, which puts the Bank Rate at the end of 2016 at around 2 percent.

Market reaction to the new guidance was quite muted, with little change to policy expectations (shown in the lower-right figure). In our view, the new guidance is likely to play a constructive role in reassuring markets that liftoff is probably a ways off and that future rate increases likely will be gradual. Moreover, we find it useful that the guidance is linked to the degree of overall spare capacity in the U.K. economy, which the BOE has attempted to measure and forecast. However, the new guidance does not communicate how the MPC would respond to shocks, beyond noting that the Bank Rate would rise more slowly if the recovery falters or more quickly if inflation picks up. Thus, it remains to be seen whether this guidance will prove to be useful in shaping future market expectations as the recovery progresses.



The Foreign GDP Outlook

Real GDP*

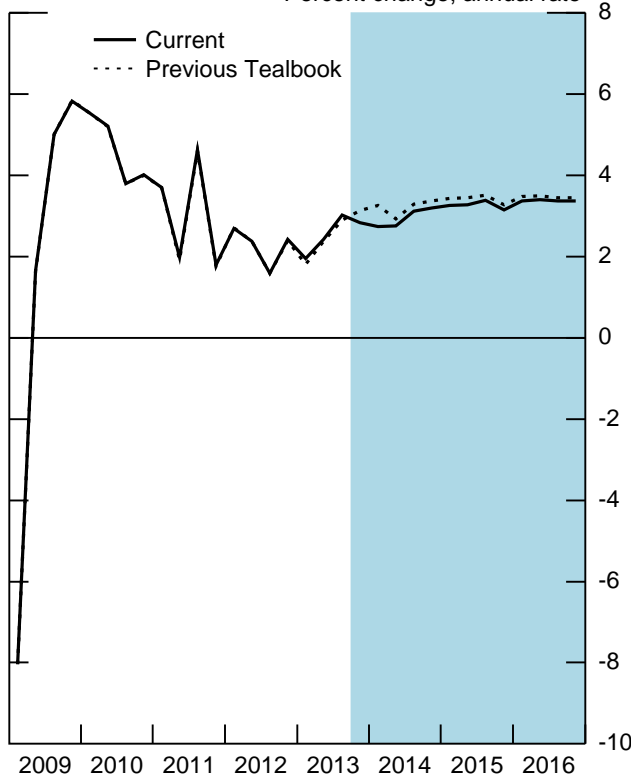
Percent change, annual rate

	2013			2014			2015	2016
	H1	Q3	Q4	Q1	Q2	H2		
1. Total Foreign	2.2	3.0	2.8	2.7	2.8	3.2	3.3	3.4
<i>Previous Tealbook</i>	2.1	2.9	3.1	3.3	2.9	3.3	3.4	3.5
2. Advanced Foreign Economies	2.0	1.9	2.1	2.1	1.7	2.2	2.2	2.2
<i>Previous Tealbook</i>	1.7	1.9	2.0	2.3	1.5	2.2	2.2	2.3
3. Canada	2.5	2.7	2.9	1.8	3.0	2.5	2.6	2.6
4. Euro Area	0.2	0.6	1.1	1.3	1.3	1.4	1.7	1.9
5. Japan	4.3	0.9	0.7	4.2	-3.8	2.0	1.0	1.3
6. United Kingdom	2.3	3.4	2.9	3.0	2.9	2.9	2.6	2.5
7. Emerging Market Economies	2.4	4.2	3.5	3.4	3.8	4.1	4.4	4.5
<i>Previous Tealbook</i>	2.5	3.9	4.2	4.2	4.3	4.5	4.6	4.6
8. China	6.9	8.8	8.0	7.5	7.3	7.1	7.3	7.4
9. Emerging Asia ex. China	2.9	4.4	5.2	3.7	3.9	4.2	4.5	4.6
10. Mexico	-1.0	3.9	0.7	2.5	2.9	3.4	3.6	3.7
11. Brazil	3.7	-2.1	2.8	0.4	2.2	2.5	2.6	2.7

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

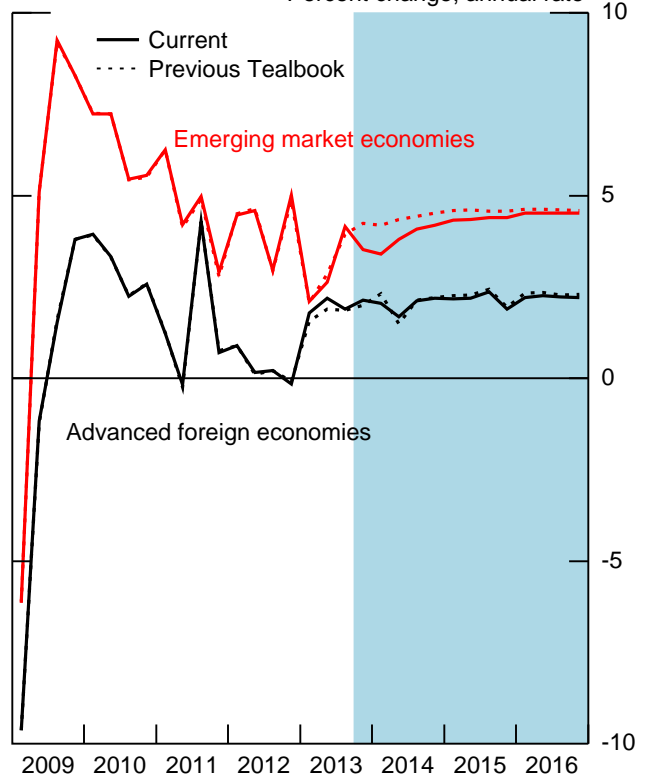
Total Foreign GDP

Percent change, annual rate



Foreign GDP

Percent change, annual rate



The Foreign Inflation Outlook

Consumer Prices*

Percent change, annual rate

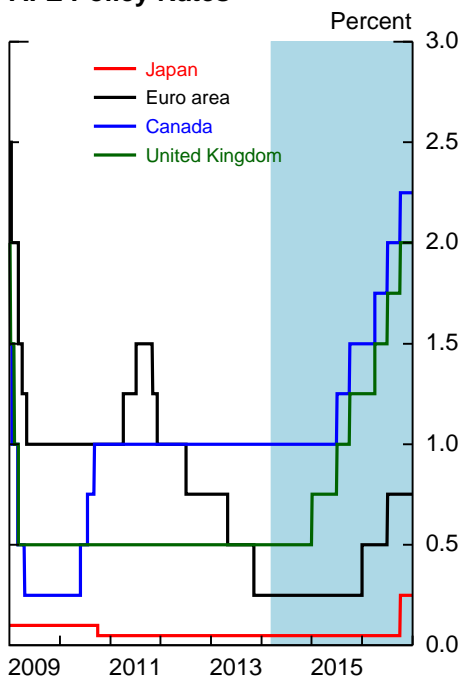
	2013			2014			2015	2016
	H1	Q3	Q4	Q1	Q2	H2		
1. Total Foreign	2.1	2.8	2.4	2.1	3.2	2.5	2.6	2.6
<i>Previous Tealbook</i>	2.1	2.8	2.3	2.3	3.0	2.4	2.6	2.6
2. Advanced Foreign Economies	0.7	2.1	0.7	1.2	2.9	1.3	1.7	1.7
<i>Previous Tealbook</i>	0.7	2.0	0.5	1.0	2.7	1.3	1.7	1.7
3. Canada	0.8	1.9	0.5	2.0	2.0	1.5	1.7	1.9
4. Euro Area	0.7	1.7	0.1	0.7	1.2	1.3	1.3	1.5
5. Japan	0.4	3.0	1.9	1.0	8.8	0.8	2.6	1.7
6. United Kingdom	2.0	2.9	1.3	1.2	1.7	2.0	1.9	1.9
7. Emerging Market Economies	3.2	3.3	3.7	2.7	3.4	3.4	3.3	3.3
<i>Previous Tealbook</i>	3.2	3.3	3.7	3.3	3.3	3.3	3.3	3.3
8. China	2.6	3.4	3.0	1.1	3.2	3.0	3.0	3.0
9. Emerging Asia ex. China	2.8	4.0	4.0	2.5	3.0	3.4	3.4	3.4
10. Mexico	4.2	2.0	4.2	5.4	3.3	3.4	3.4	3.4
11. Brazil	6.4	4.6	6.0	5.9	6.0	5.8	5.4	5.3

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

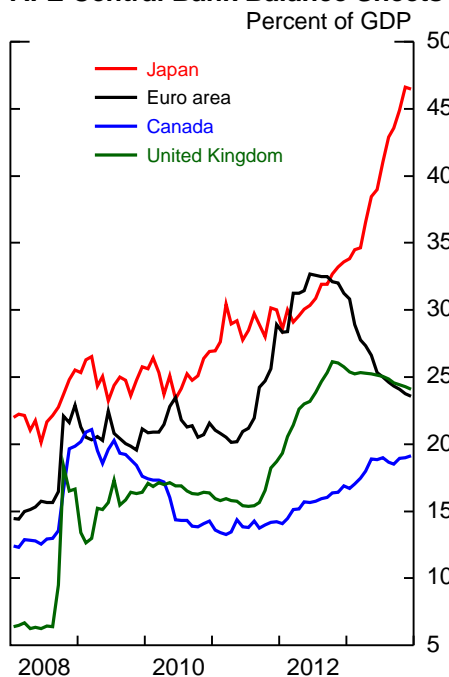
Int'l Econ Devel & Outlook

Foreign Monetary Policy

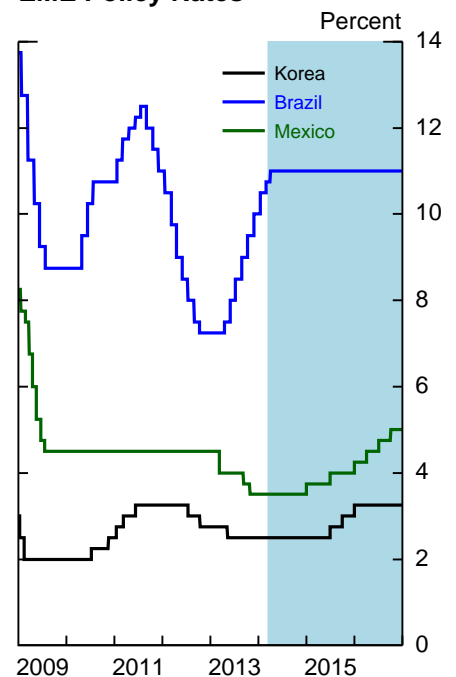
AFE Policy Rates



AFE Central Bank Balance Sheets

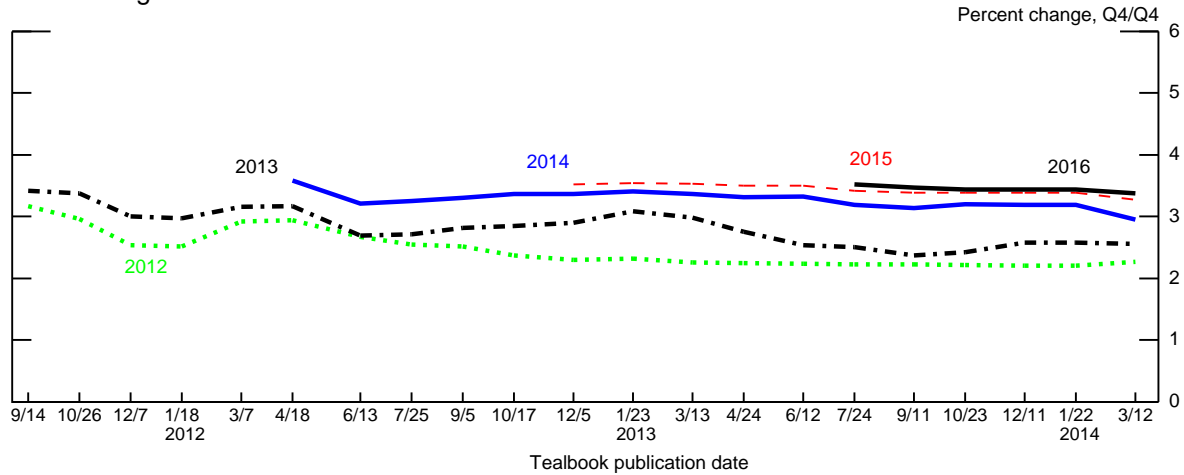


EME Policy Rates

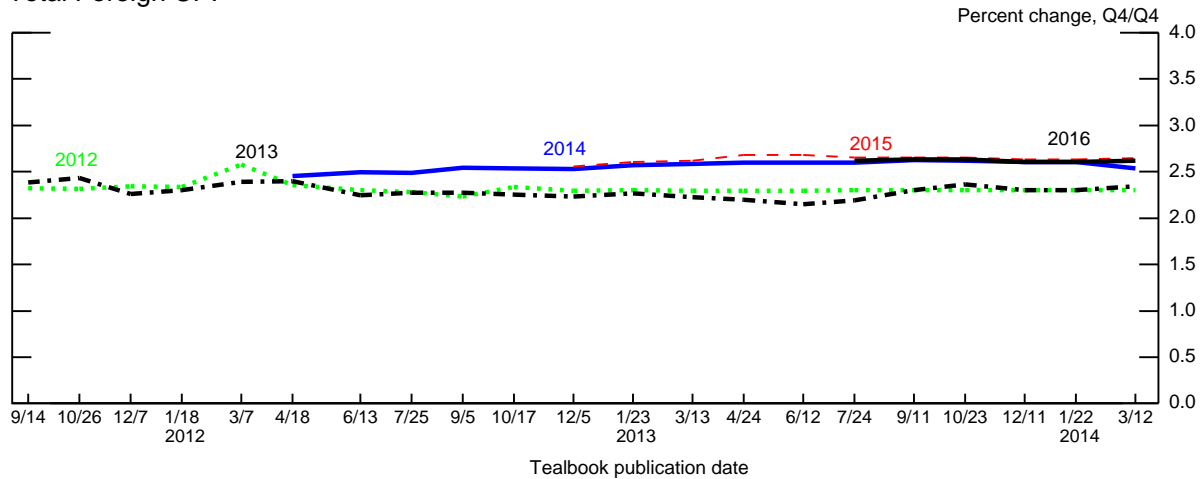


Evolution of Staff's International Forecast

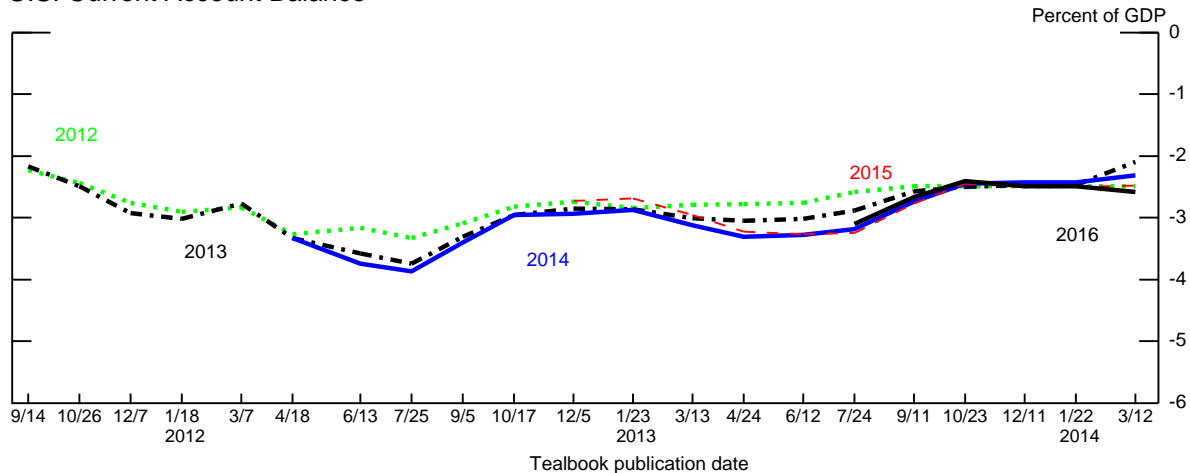
Total Foreign GDP



Total Foreign CPI

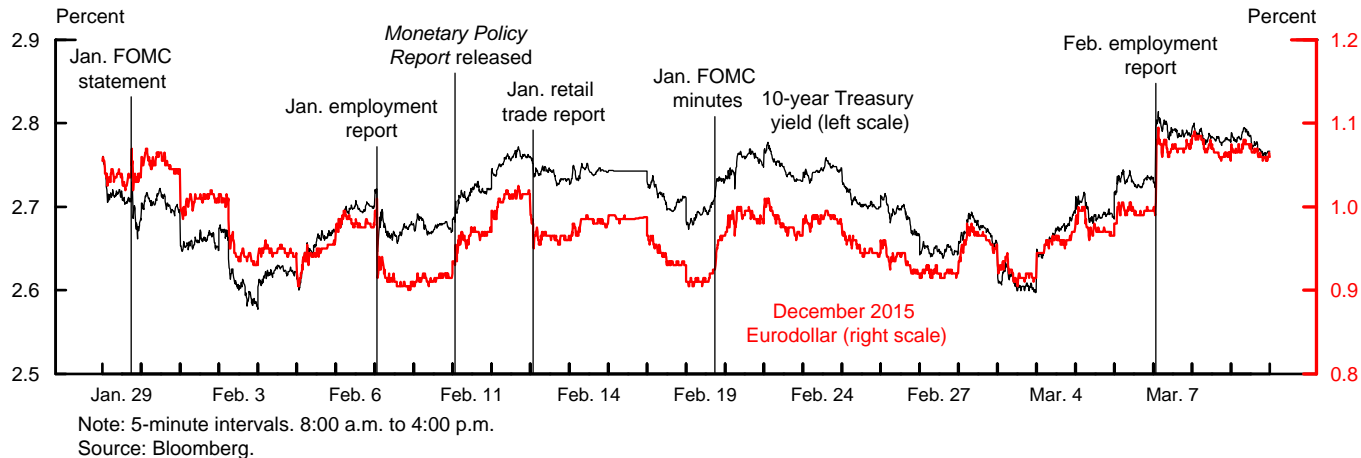


U.S. Current Account Balance

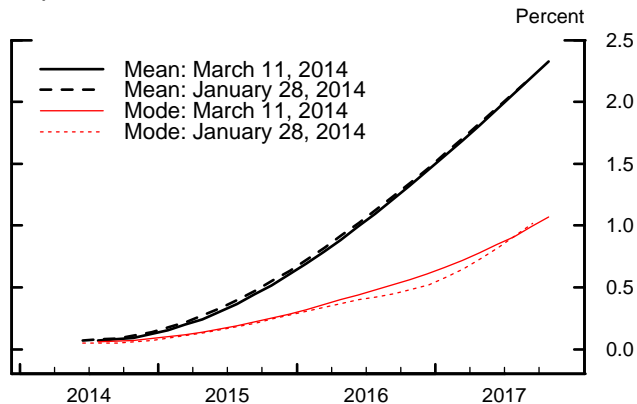


Policy Expectations and Treasury Yields

Selected Interest Rates



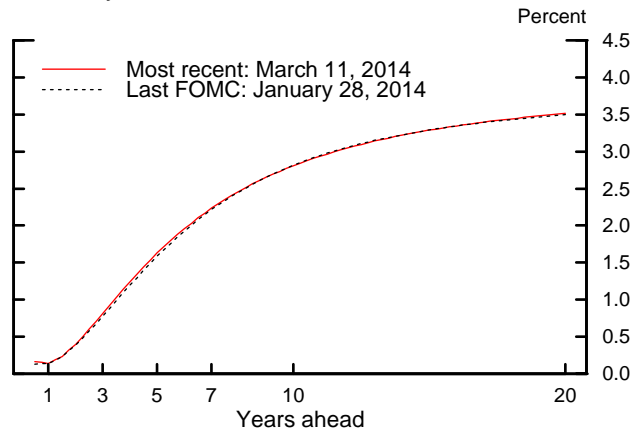
Implied Federal Funds Rate



Note: Mean is estimated using overnight index swap quotes. Mode is estimated from the distribution of federal funds rate implied by interest rate caps. Both include a term premium of zero basis points per month.

Source: Bloomberg; CME Group.

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

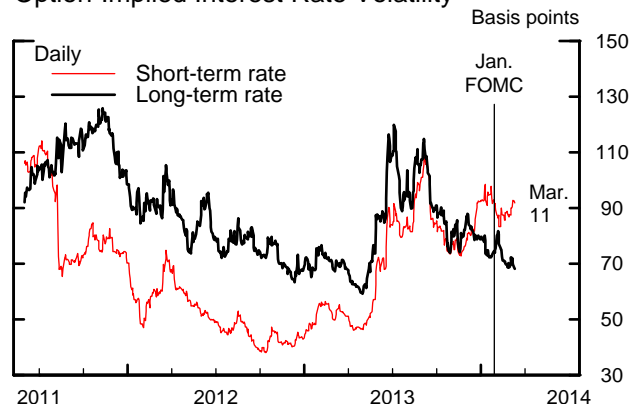


Note: Estimates based on smoothed nominal and inflation-indexed Treasury yield curves.

* Adjusted for lagged indexation of Treasury inflation-protected securities (carry effect).

Source: Barclays PLC; staff estimates.

Option-Implied Interest Rate Volatility

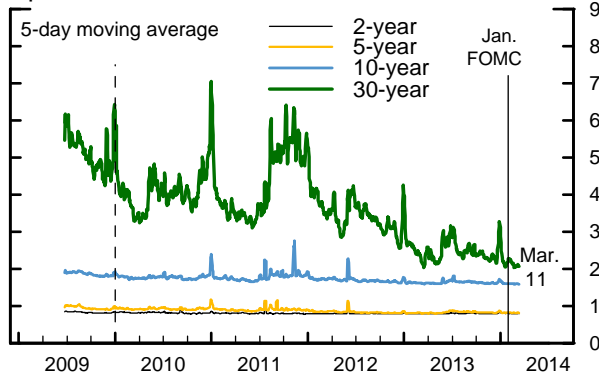


Note: Implied volatility of the long-term rate is based on options on the 10-year swap rate that expire in 3 months, while implied volatility of the short-term rate is based on options on the 1-year swap rate that expire in 2 years.

Source: Staff calculations from Barclays data.

Treasury and Agency Finance and Short-Term Funding Markets

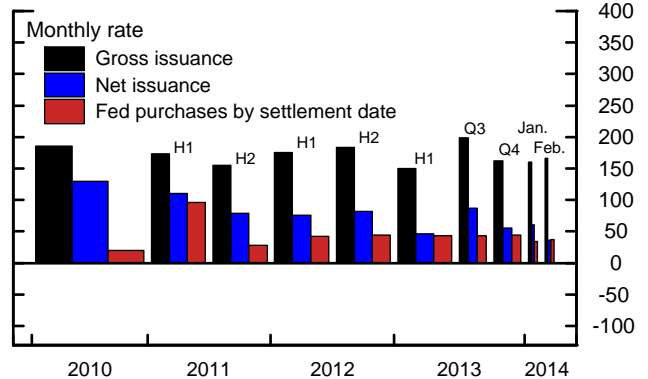
Average Nominal On-the-Run Daily Bid-Asked Spread
Cents per 100 dollars



Note: Series contain breaks and are considered more reliable starting on January 1, 2010 (indicated by the dashed vertical line), and going forward.

Source: BrokerTec.

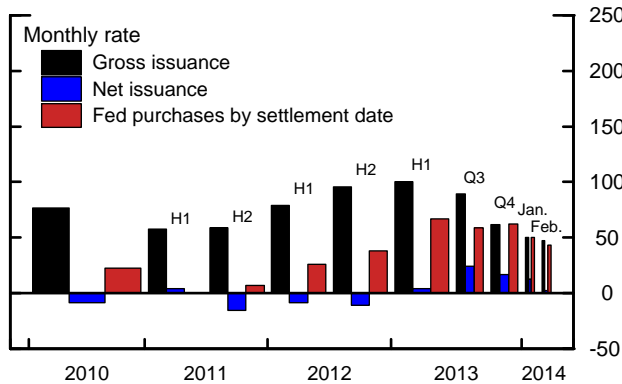
Nominal Treasury Issuance and Fed Purchases
Billions of dollars



Note: Excludes bills.

Source: U.S. Department of the Treasury; Federal Reserve Bank of New York.

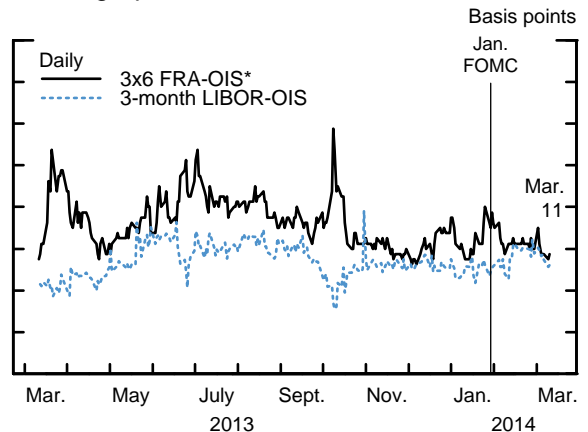
Agency MBS Issuance and Fed Purchases
Billions of dollars



Note: Issuance and purchases of 30-year fixed-rate agency MBS.

Source: Federal Reserve Bank of New York.

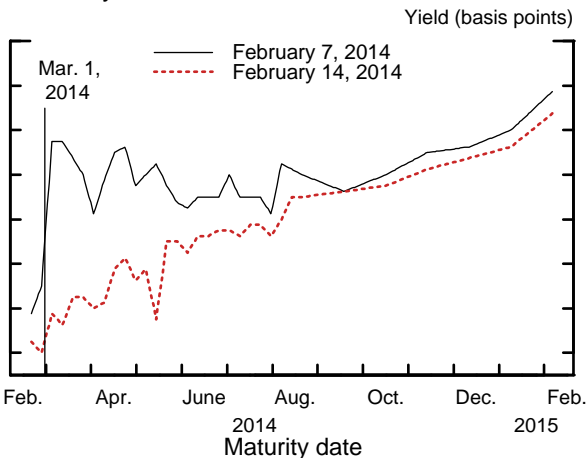
Funding Spreads



* Spread is calculated from a LIBOR forward rate agreement (FRA) 3 to 6 months in the future and the forward overnight index swap (OIS) rate for the same period.

Source: Bloomberg.

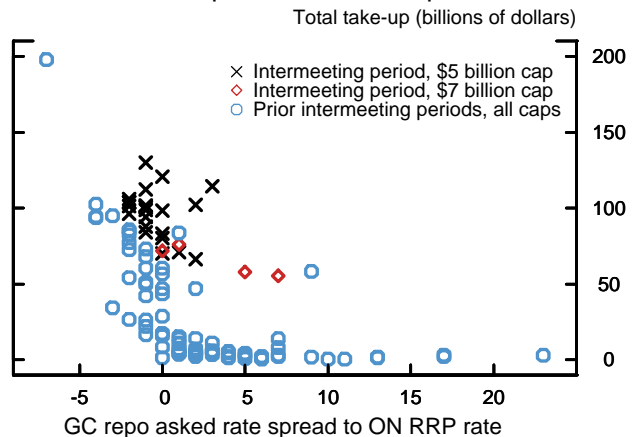
Treasury Bill Yield Curves



Note: Each observation is a Treasury bill quote.

Source: Federal Reserve Bank of New York.

ON RRP Take-Up versus Market Spreads

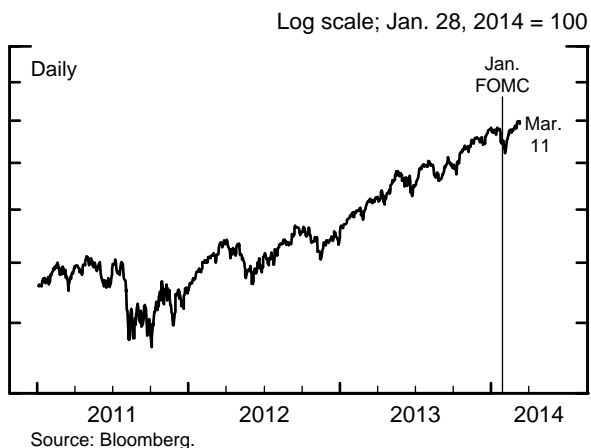


Note: The general collateral (GC) repurchase agreement (repo) asked rate is collected by the Federal Reserve Bank of New York 15 minutes before the operation. Cap is per-counterparty constraint.

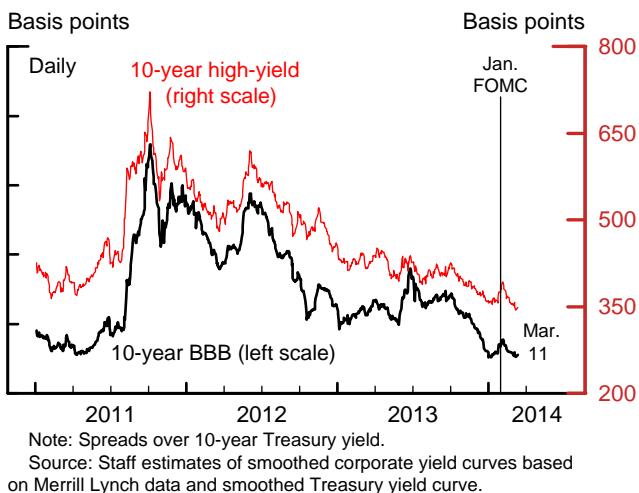
Source: Federal Reserve Bank of New York.

Other Asset Prices and Business Finance

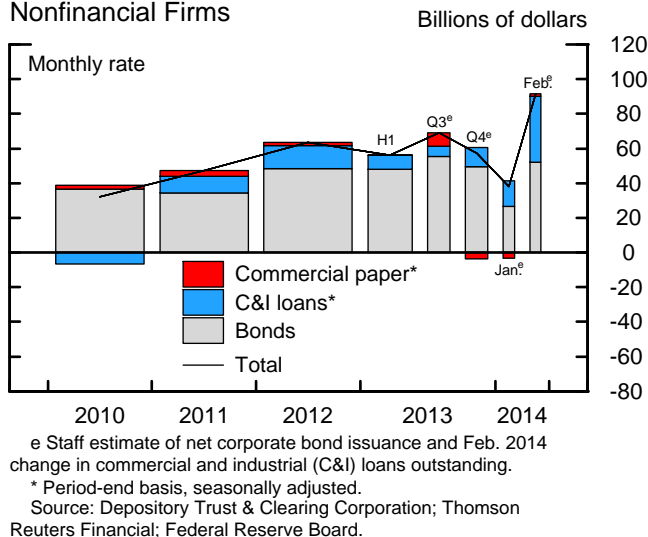
S&P 500 Index



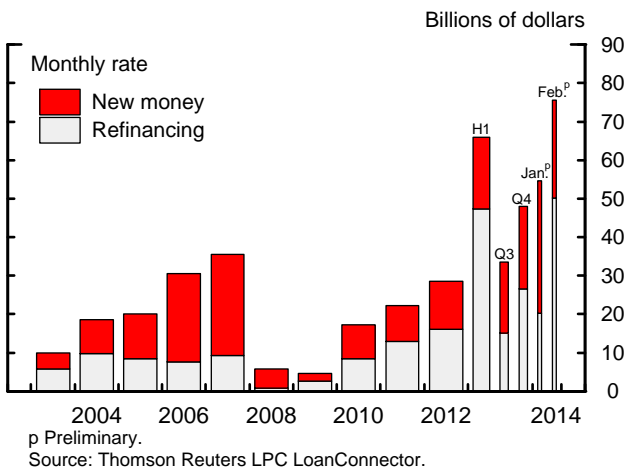
Corporate Bond Spreads



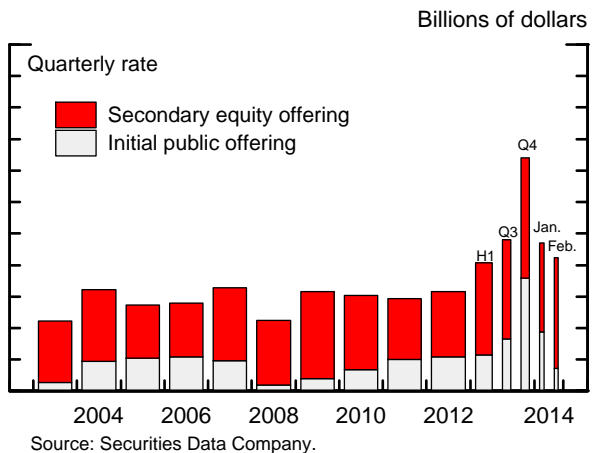
Selected Components of Net Debt Financing, Nonfinancial Firms



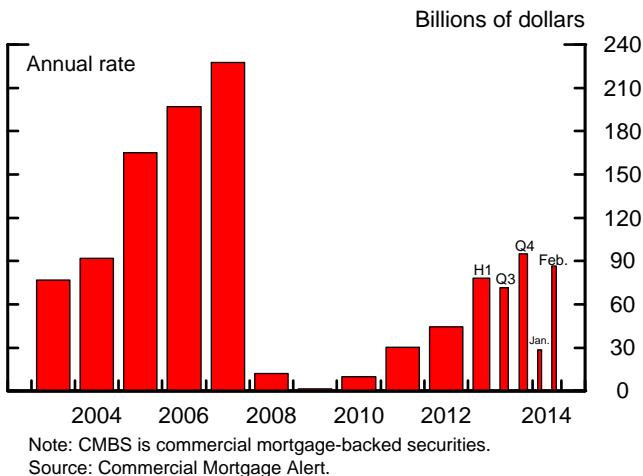
Institutional Leveraged Loan Issuance



Gross Proceeds from Nonfinancial Equity Issuance

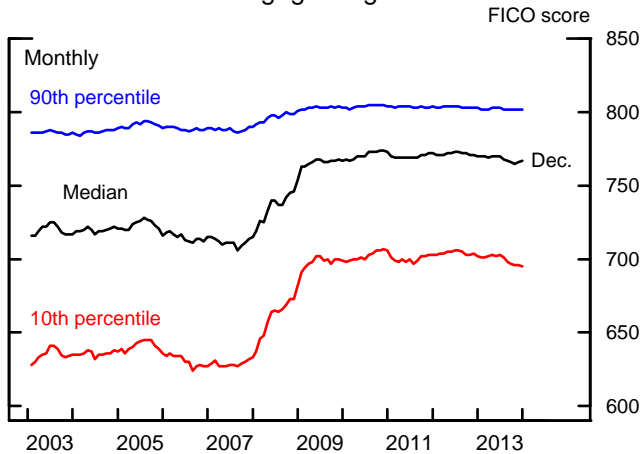


CMBS Issuance



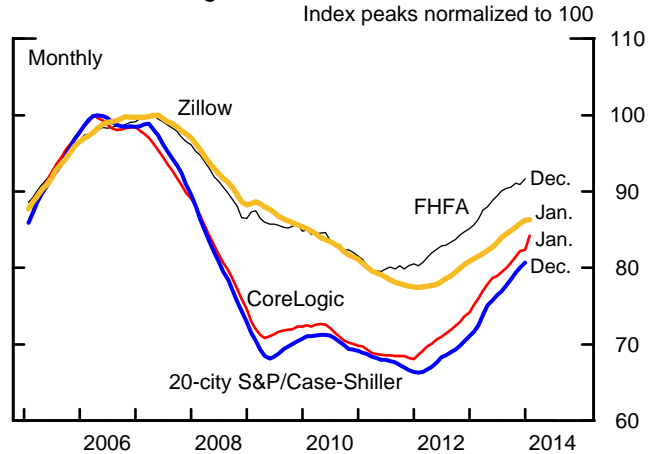
Household Finance

Credit Scores at Mortgage Origination



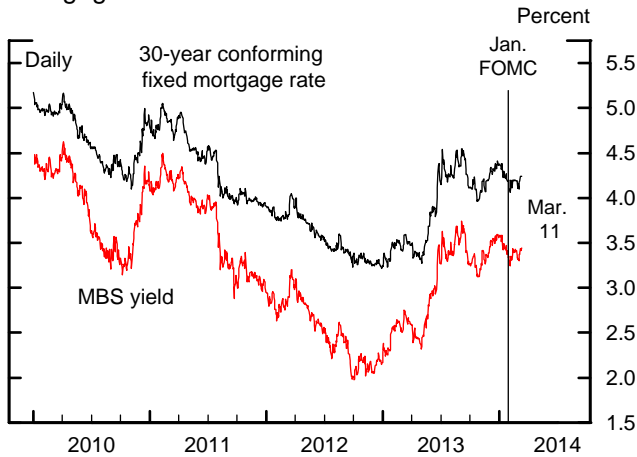
Note: Concerns 30-year GSE-backed purchase mortgages originated in month shown.
Source: LPS Applied Analytics.

Prices of Existing Homes



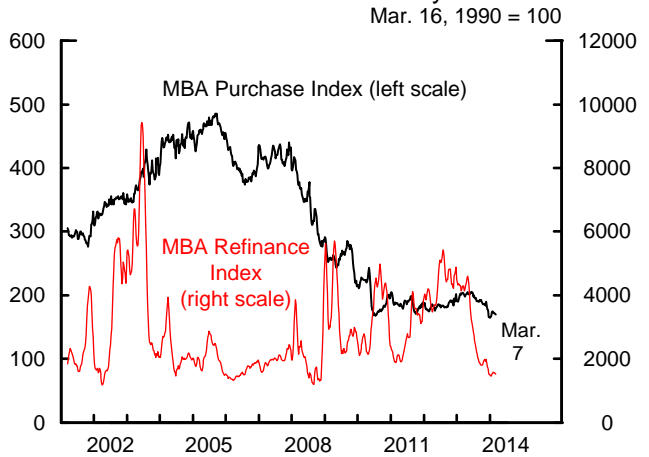
Source: For FHFA, Federal Housing Finance Agency; for CoreLogic, CoreLogic; for S&P/Case-Shiller, Standard & Poor's; for Zillow, Zillow.

Mortgage Rate and MBS Yield



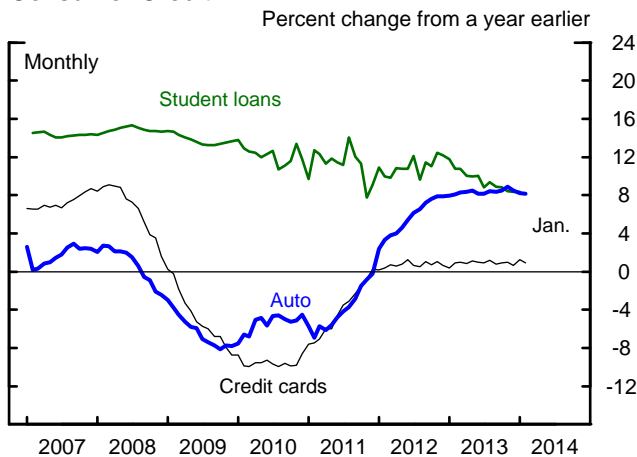
Note: The MBS yield is the Fannie Mae 30-year current-coupon rate.
Source: For MBS yield, Barclays; for mortgage rate, Loansifter.

Purchase and Refinance Activity



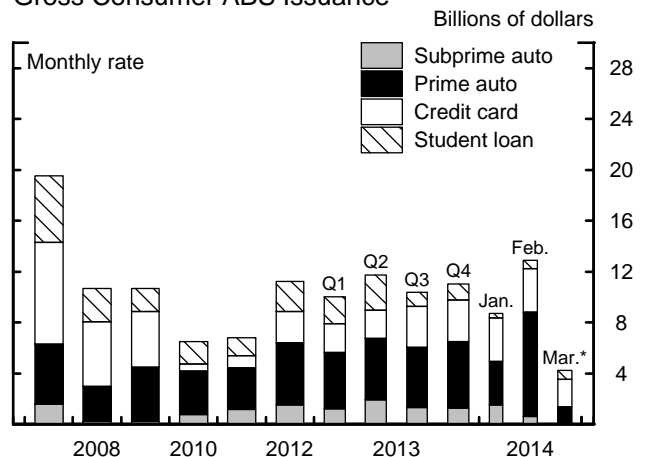
Note: The data are weekly and seasonally adjusted by FRB staff.
Source: Mortgage Bankers Association.

Consumer Credit



Note: The data are not seasonally adjusted.
Source: Federal Reserve Board.

Gross Consumer ABS Issuance



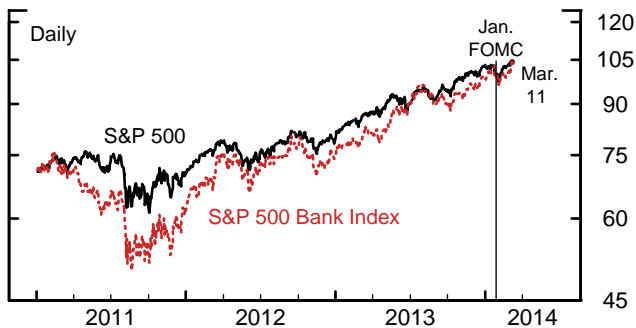
* Month to date as of March 7.

Source: Inside MBS & ABS; Merrill Lynch; Federal Reserve Board.

Banking Developments and Money

S&P 500 Stock Price Indexes

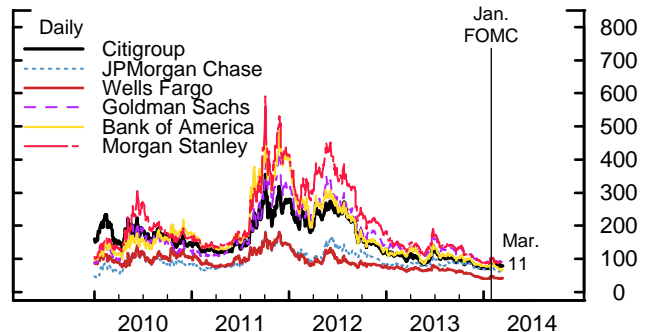
Log scale; Jan. 28, 2014 = 100



Source: Bloomberg.

CDS Spreads of Large Bank Holding Companies

Basis points

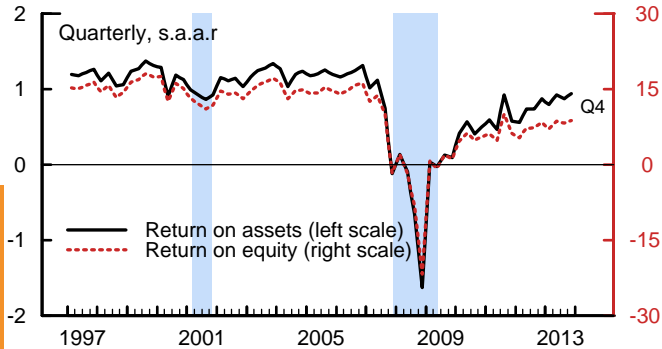


Source: Markit.

Return on Assets and Return on Equity

Percent

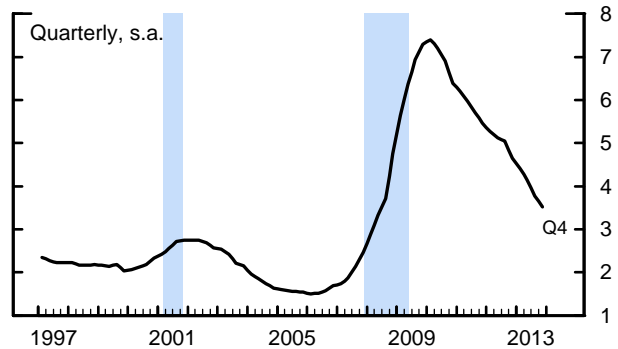
Percent



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

Delinquency Rate on All Loans

Percent



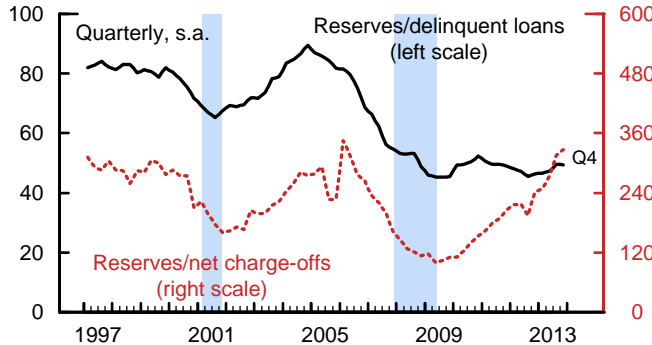
Note: The delinquency rate is calculated as loans more than 30 days delinquent and nonaccrual loans relative to total loans.

Source: Federal Reserve Board.

Measures of Adequacy of Loan Loss Reserves

Percent

Percent



Source: Federal Reserve Board.

Growth of M2 and Its Components

Percent, s.a.a.r.

	M2	Liquid deposits	Small time deposits	Retail MMFs	Curr.
2013	6.0	8.0	-14.8	1.4	6.6
2013:Q4	6.3	8.5	-12.8	-5.3	5.9
Dec.	5.5	7.1	-5.9	-8.9	6.7
Jan. & Feb. (avg.)	8.4	11.5	-20.9	-3.8	6.2

Note: Retail MMFs are retail money market funds.

Source: Federal Reserve Board.

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

Alternative Scenarios

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

Measure and scenario	2014		2015	2016	2017-18
	H1	H2			
<i>Real GDP</i>					
Extended Tealbook baseline	2.5	3.4	3.2	3.0	2.3
Weaker household demand	1.5	2.1	2.0	2.4	2.4
Faster recovery	3.5	4.5	4.1	3.4	2.2
Supply-side damage	2.3	3.1	2.7	2.1	1.2
Low inflation	2.6	3.5	3.2	3.0	2.6
Stronger dollar	2.5	3.2	3.0	2.9	2.4
Financial crisis in the EMEs	2.2	2.0	2.7	3.4	2.6
<i>Unemployment rate¹</i>					
Extended Tealbook baseline	6.5	6.2	5.6	5.1	4.9
Weaker household demand	6.6	6.5	6.3	6.0	5.6
Faster recovery	6.4	5.9	5.0	4.4	4.3
Supply-side damage	6.5	6.1	5.3	4.8	4.6
Low inflation	6.5	6.2	5.6	5.0	4.5
Stronger dollar	6.5	6.2	5.7	5.3	5.1
Financial crisis in the EMEs	6.5	6.4	6.2	5.6	5.2
<i>Total PCE prices</i>					
Extended Tealbook baseline	1.4	1.6	1.5	1.7	1.9
Weaker household demand	1.4	1.6	1.4	1.6	1.8
Faster recovery	1.4	1.6	1.5	1.8	2.0
Supply-side damage	1.4	1.7	1.7	2.0	2.3
Low inflation	1.0	1.0	.7	.7	.9
Stronger dollar	1.2	1.3	1.3	1.6	1.9
Financial crisis in the EMEs	.2	-.1	1.2	1.9	2.2
<i>Core PCE prices</i>					
Extended Tealbook baseline	1.4	1.6	1.7	1.8	1.9
Weaker household demand	1.4	1.6	1.6	1.7	1.8
Faster recovery	1.4	1.6	1.7	1.9	2.0
Supply-side damage	1.4	1.7	1.9	2.1	2.3
Low inflation	1.0	1.0	.9	.8	.9
Stronger dollar	1.4	1.5	1.6	1.7	1.9
Financial crisis in the EMEs	1.2	1.0	1.4	1.8	2.0
<i>Federal funds rate¹</i>					
Extended Tealbook baseline	.1	.1	1.1	2.4	3.9
Weaker household demand	.1	.1	.1	.1	1.9
Faster recovery	.1	.1	1.9	3.6	5.3
Supply-side damage	.1	.1	1.7	3.4	5.2
Low inflation	.1	.1	.1	.1	.5
Stronger dollar	.1	.1	.8	2.1	3.6
Financial crisis in the EMEs	.1	.1	.1	1.2	3.6

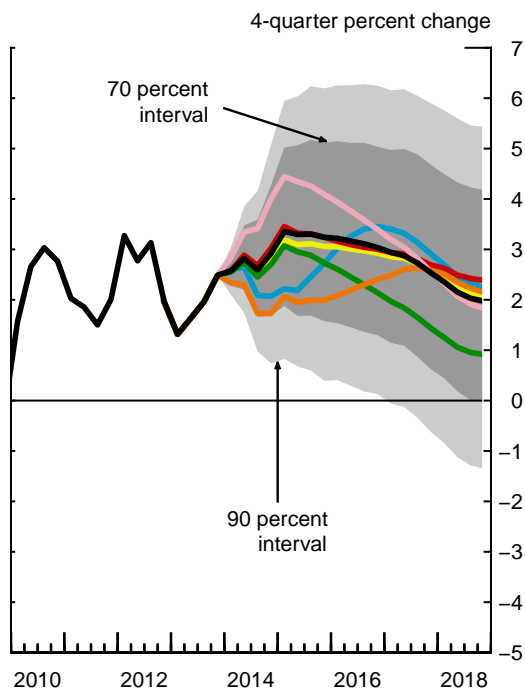
1. Percent, average for the final quarter of the period.

Forecast Confidence Intervals and Alternative Scenarios

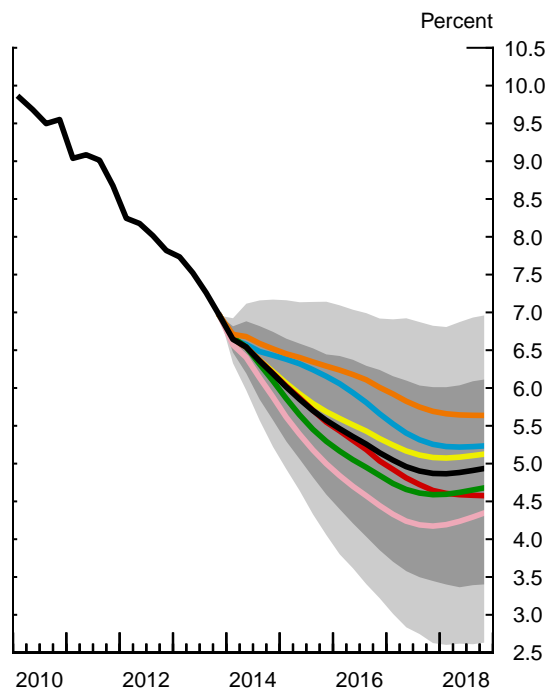
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- Weaker household demand
- Faster recovery
- Supply-side damage
- Low inflation
- Stronger dollar
- Financial crisis in the EMEs

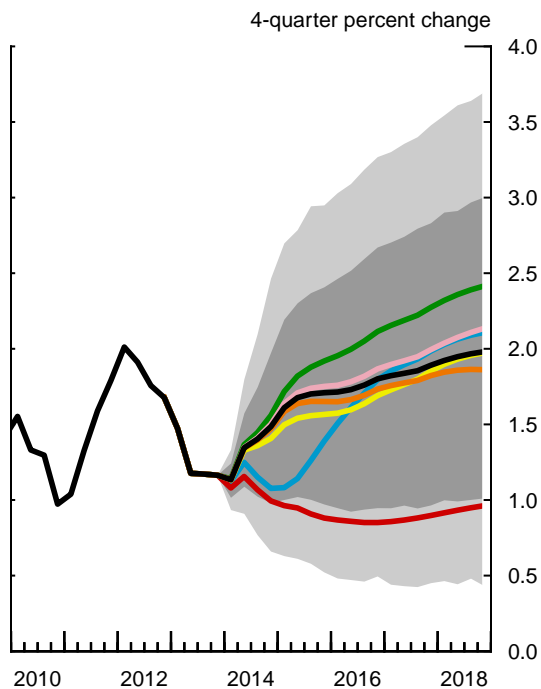
Real GDP



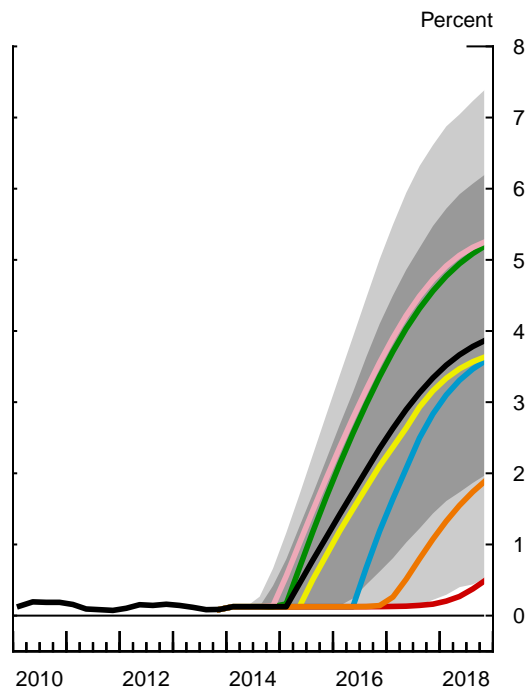
Unemployment Rate



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
<i>Real GDP</i> (percent change, Q4 to Q4)					
Projection	2.9	3.2	3.0	2.5	2.0
Confidence interval					
Tealbook forecast errors	1.4–4.4	1.4–5.1	...	...	...
FRB/US stochastic simulations	1.7–4.3	1.6–5.1	1.3–5.0	.6–4.7	.0–4.2
<i>Civilian unemployment rate</i> (percent, Q4)					
Projection	6.2	5.6	5.1	4.9	4.9
Confidence interval					
Tealbook forecast errors	5.6–6.8	4.7–6.5	...	...	...
FRB/US stochastic simulations	5.6–6.7	4.6–6.4	3.9–6.2	3.4–6.0	3.4–6.1
<i>PCE prices, total</i> (percent change, Q4 to Q4)					
Projection	1.5	1.5	1.7	1.8	2.0
Confidence interval					
Tealbook forecast errors	.5–2.4	.4–2.7	...	...	...
FRB/US stochastic simulations	.7–2.3	.6–2.5	.6–2.7	.7–3.0	.8–3.2
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)					
Projection	1.5	1.7	1.8	1.9	2.0
Confidence interval					
Tealbook forecast errors	.9–2.0	.9–2.5	...	...	...
FRB/US stochastic simulations	1.0–2.0	1.0–2.4	.9–2.7	1.0–2.8	1.0–3.0
<i>Federal funds rate</i> (percent, Q4)					
Projection	.1	1.1	2.4	3.3	3.9
Confidence interval					
FRB/US stochastic simulations	.1–.4	.1–2.2	.6–4.1	1.4–5.5	2.0–6.2

Note: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969–2012 set of model equation residuals.

Intervals derived from Tealbook forecast errors are based on projections made from 1979 to 2012, except for PCE prices excluding food and energy, where the sample is 1981–2012.

... 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	2013		2014		2015	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
<i>Real GDP</i>						
Staff	2.8	2.5	3.1	2.9	3.4	3.2
FRB/US	2.8	2.5	2.0	1.9	2.5	2.4
EDO	2.8	2.5	3.2	2.6	2.9	2.9
Blue Chip	2.5	2.5	2.8	2.7	3.0	3.0
<i>Unemployment rate¹</i>						
Staff	7.0	7.0	6.2	6.2	5.5	5.6
FRB/US	7.0	7.0	6.7	6.4	6.4	6.1
EDO	7.0	7.0	6.9	6.9	6.8	6.7
Blue Chip	7.0	7.0	6.6	6.2	6.1	5.8
<i>Total PCE prices</i>						
Staff	.9	1.0	1.4	1.5	1.6	1.5
FRB/US	.9	1.0	1.0	1.3	1.1	1.2
EDO	.9	1.0	1.2	1.4	1.4	1.5
Blue Chip ²	1.2	1.2	1.9	2.0	2.1	2.1
<i>Core PCE prices</i>						
Staff	1.1	1.2	1.5	1.5	1.7	1.7
FRB/US	1.1	1.2	1.2	1.3	1.2	1.4
EDO	1.1	1.2	1.2	1.3	1.4	1.5
Blue Chip	...	...	...	...	...	...
<i>Federal funds rate¹</i>						
Staff	.1	.1	.1	.1	1.1	1.1
FRB/US	.1	.1	.1	.1	.1	.1
EDO	.1	.1	1.2	.9	2.0	1.8
Blue Chip ³	.1	.1	.1	.1	.8	.9

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

1. Percent, average for Q4.

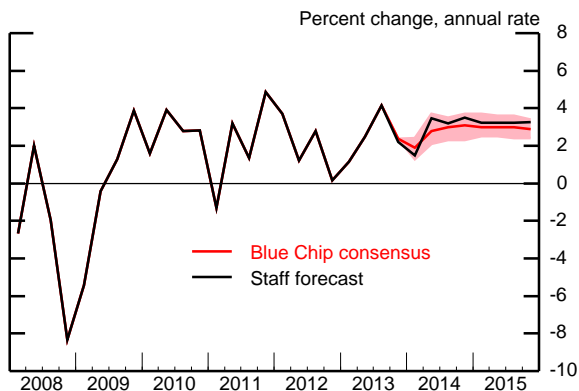
2. Consumer price index.

3. Treasury bill rate.

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

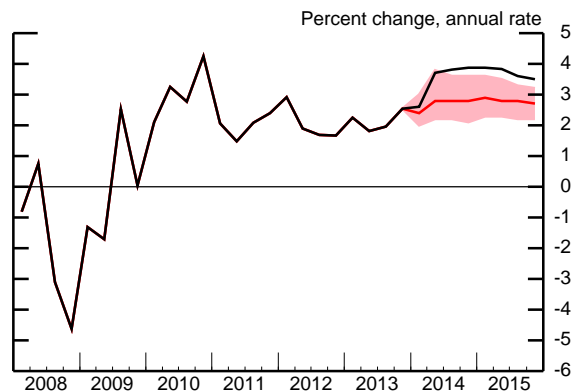
Tealbook Forecast Compared with Blue Chip (Blue Chip survey released March 10, 2014)

Real GDP

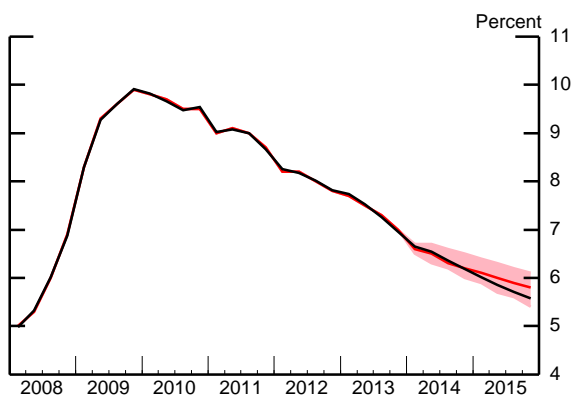


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

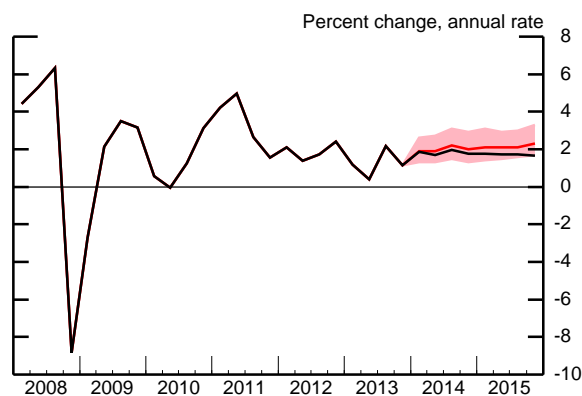
Real PCE



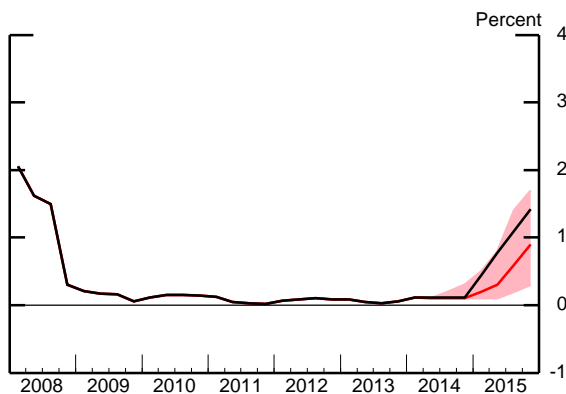
Unemployment Rate



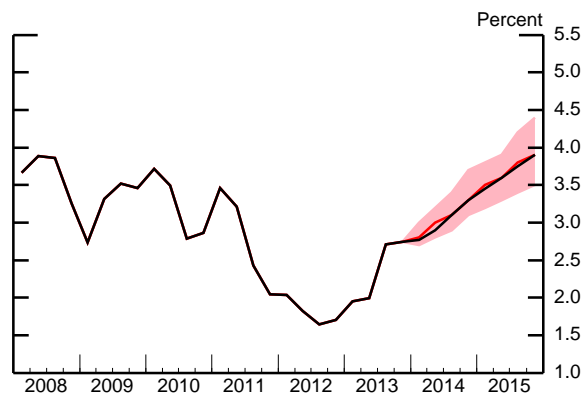
Consumer Price Index



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:Q1)

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	.02	.10	.07
Previous Tealbook	.03	.01	.07	.03
<i>Less than 1 percent</i>				
Current Tealbook	.26	.38	.32	.15
Previous Tealbook	.32	.48	.40	.23

Probability of Unemployment Events

(4 quarters ahead—2015:Q1)

Probability that the unemployment rate will ...	Staff	FRB/US	EDO	BVAR
<i>Increase by 1 percentage point</i>				
Current Tealbook	.01	.03	.21	.01
Previous Tealbook	.01	.03	.23	.01
<i>Decrease by 1 percentage point</i>				
Current Tealbook	.31	.16	.14	.36
Previous Tealbook	.38	.15	.13	.35

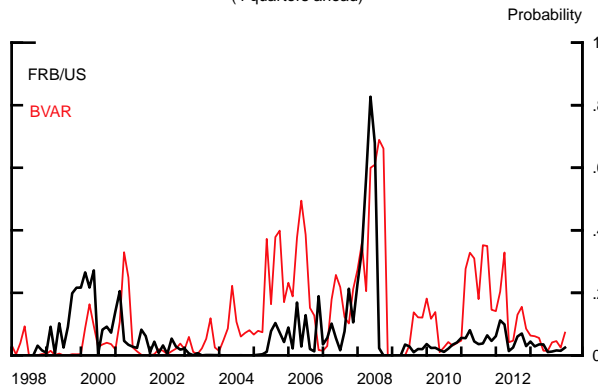
Probability of Near-Term Recession

Probability that real GDP declines in each of 2014:Q2 and 2014:Q3	Staff	FRB/US	EDO	BVAR	Factor Model
Current Tealbook	.02	.05	.03	.04	.11
Previous Tealbook	.01	.06	.05	.01	.06

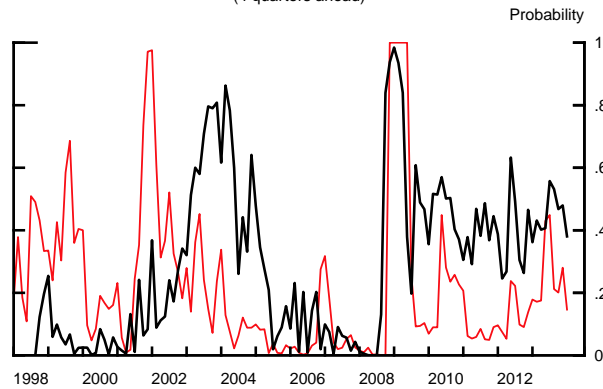
Note: "Staff" represents Tealbook forecast errors applied to the Tealbook baseline; baselines for FRB/US, BVAR, EDO, and the factor model are generated by those models themselves, up to the current-quarter estimate. Data for the current quarter are taken from the staff estimate for the second Tealbook 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.

Assessment of Key Macroeconomic Risks (2)

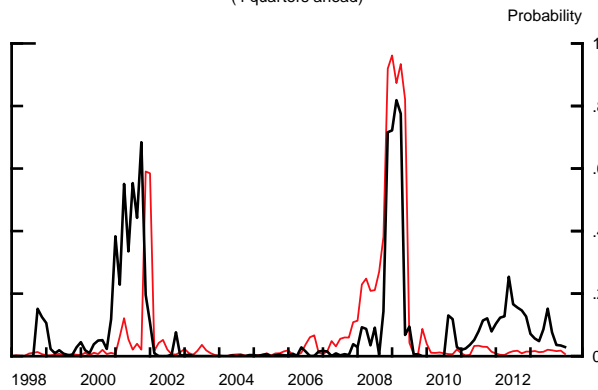
Probability that Total PCE Inflation Is above 3 Percent
(4 quarters ahead)



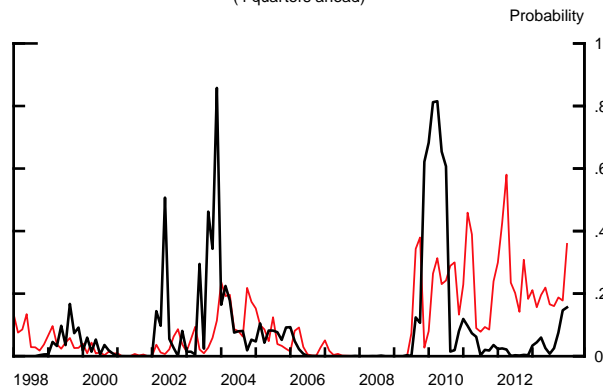
Probability that Total PCE Inflation Is below 1 Percent
(4 quarters ahead)



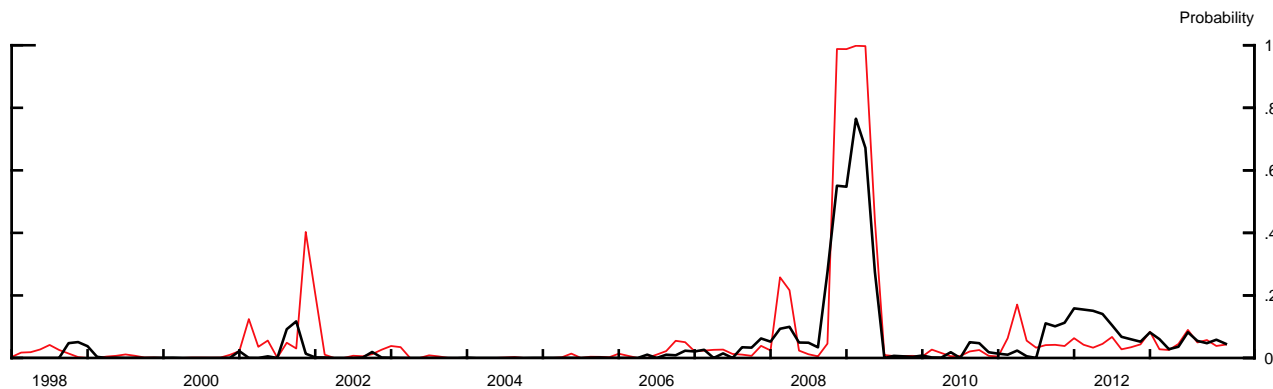
Probability that the Unemployment Rate Increases 1 ppt
(4 quarters ahead)



Probability that the Unemployment Rate Decreases 1 ppt
(4 quarters ahead)



Probability that Real GDP Declines in Each of the Next Two Quarters



Note: See notes on facing page. Recession and inflation probabilities for FRB/US and the BVAR are real-time estimates. See Robert J. Tetlow and Brian Ironside (2007), "Real-Time Model Uncertainty in the United States: The Fed, 1996–2003," *Journal of Money, Credit and Banking*, vol. 39 (October), pp. 1533–61.

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	
	01/23/14	03/12/14	01/23/14	03/12/14	01/23/14	03/12/14	01/23/14	03/12/14	01/23/14	03/12/14
<i>Quarterly</i>										
2013:Q1	2.8	2.8	1.1	1.1	1.1	1.1	1.4	1.4	7.7	7.7
Q2	3.1	3.1	2.5	2.5	-1	-1	.6	.6	7.5	7.5
Q3	6.2	6.2	4.1	4.1	1.9	1.9	1.4	1.4	7.3	7.3
Q4	5.0	3.9	3.5	2.2	.7	1.0	1.1	1.3	7.0	7.0
2014:Q1	3.6	3.0	2.4	1.5	1.1	1.4	1.3	1.2	6.7	6.6
Q2	5.0	5.0	3.1	3.5	1.5	1.3	1.6	1.5	6.6	6.5
Q3	5.1	5.0	3.3	3.2	1.5	1.6	1.6	1.6	6.4	6.4
Q4	5.4	5.3	3.7	3.5	1.4	1.5	1.5	1.6	6.2	6.2
2015:Q1	5.5	5.2	3.5	3.2	1.6	1.6	1.7	1.7	6.0	6.0
Q2	5.3	5.1	3.5	3.2	1.6	1.6	1.8	1.8	5.8	5.9
Q3	5.2	5.0	3.4	3.2	1.6	1.6	1.8	1.7	5.7	5.7
Q4	4.9	5.0	3.2	3.3	1.5	1.5	1.7	1.6	5.5	5.6
<i>Two-quarter²</i>										
2013:Q2	3.0	3.0	1.8	1.8	.5	.5	1.0	1.0	-3	-3
Q4	5.6	5.1	3.8	3.2	1.3	1.5	1.2	1.3	-5	-5
2014:Q2	4.3	4.0	2.7	2.5	1.3	1.4	1.4	1.4	-4	-5
Q4	5.2	5.1	3.5	3.4	1.4	1.6	1.6	1.6	-4	-3
2015:Q2	5.4	5.2	3.5	3.2	1.6	1.6	1.8	1.7	-4	-3
Q4	5.1	5.0	3.3	3.2	1.6	1.5	1.7	1.7	-3	-3
<i>Four-quarter³</i>										
2012:Q4	3.8	3.8	2.0	2.0	1.7	1.7	1.7	1.7	-9	-9
2013:Q4	4.3	4.0	2.8	2.5	.9	1.0	1.1	1.2	-8	-8
2014:Q4	4.7	4.6	3.1	2.9	1.4	1.5	1.5	1.5	-8	-8
2015:Q4	5.2	5.1	3.4	3.2	1.6	1.5	1.7	1.7	-7	-6
2016:Q4	5.1	4.9	3.2	3.0	1.7	1.7	1.8	1.8	-4	-5
<i>Annual</i>										
2012	4.6	4.6	2.8	2.8	1.8	1.8	1.8	1.8	8.1	8.1
2013	3.5	3.4	1.9	1.9	1.1	1.1	1.2	1.2	7.4	7.4
2014	4.7	4.3	3.1	2.7	1.2	1.3	1.3	1.3	6.5	6.4
2015	5.3	5.1	3.5	3.3	1.5	1.5	1.7	1.7	5.8	5.8
2016	5.1	5.0	3.2	3.1	1.6	1.6	1.8	1.8	5.3	5.3

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

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

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

Changes in Real Gross Domestic Product and Related Items

(Percent, annual rate except as noted)

Item	2013			2014				2015				2013 ¹	2014 ¹	2015 ¹	2016 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP <i>Previous Tealbook</i>	2.5 2.5	4.1 4.1	2.2 3.5	1.5 2.4	3.5 3.1	3.2 3.3	3.5 3.7	3.2 3.5	3.2 3.5	3.2 3.4	3.3 3.2	2.5 2.8	2.9 3.1	3.2 3.4	3.0 3.2
Final sales <i>Previous Tealbook</i>	2.1 2.1	2.5 2.5	2.1 3.6	1.9 2.9	3.7 3.1	3.2 3.3	3.4 3.5	3.6 4.0	3.5 3.6	3.4 3.5	3.3 3.7	1.7 2.1	3.0 3.2	3.4 3.7	3.1 3.4
Priv. dom. final purch. <i>Previous Tealbook</i>	2.6 2.6	2.7 2.7	2.5 4.1	2.5 3.3	4.2 4.0	4.2 4.3	4.5 4.7	4.5 4.9	4.5 4.7	4.3 4.4	4.1 4.4	2.4 2.7	3.9 4.1	4.4 4.6	3.5 3.7
Personal cons. expend. <i>Previous Tealbook</i>	1.8 1.8	2.0 2.0	2.6 4.0	2.6 3.1	3.7 3.4	3.8 3.6	3.9 3.9	3.9 4.1	3.8 4.0	3.6 3.8	3.5 3.7	2.1 2.5	3.5 3.5	3.7 3.9	2.9 3.2
Durables	6.2	7.9	2.5	.1	10.3	9.2	9.9	9.3	9.2	9.0	9.0	5.6	7.3	9.1	6.3
Nondurables	1.6	2.9	3.5	.5	4.9	3.1	3.0	3.1	3.1	2.8	2.7	2.7	2.9	2.9	2.4
Services	1.2	.7	2.2	3.8	2.3	3.2	3.2	3.3	3.2	3.0	2.9	1.4	3.1	3.1	2.5
Residential investment <i>Previous Tealbook</i>	14.2 14.2	10.3 10.3	-8.6 -5.3	2.9 8.8	10.4 8.4	11.7 16.1	14.6 16.9	16.6 18.7	16.3 16.5	14.8 14.0	12.9 13.1	6.7 7.6	9.8 12.5	15.1 15.6	11.0 9.2
Nonres. priv. fixed invest. <i>Previous Tealbook</i>	4.7 4.7	4.8 4.8	5.5 7.4	1.6 3.0	5.7 6.3	4.6 5.5	5.2 5.4	5.0 5.6	5.0 5.1	5.0 5.3	5.1 5.4	2.5 3.0	4.3 5.0	5.0 5.3	4.3 4.7
Equipment & intangibles <i>Previous Tealbook</i>	1.3 1.3	2.4 2.4	7.6 9.8	1.6 3.4	5.2 6.0	4.6 5.7	5.3 5.9	5.8 6.5	5.8 5.9	5.8 6.1	5.9 6.2	3.4 4.0	4.2 5.2	5.8 6.2	5.0 5.5
Nonres. structures <i>Previous Tealbook</i>	17.6 17.6	13.4 13.4	-1.4 -.5	1.9 1.4	7.3 7.3	4.7 4.6	4.6 4.0	2.4 2.5	2.4 2.5	2.4 2.6	2.5 2.6	-.6 -.4	4.6 4.3	2.4 2.5	1.9 2.2
Net exports ² <i>Previous Tealbook</i> ²	-424 -424	-420 -420	-383 -372	-392 -373	-384 -377	-389 -382	-401 -392	-404 -391	-410 -400	-414 -404	-420 -405	-412 -410	-392 -381	-412 -400	-419 -395
Exports	8.0	3.9	9.5	.1	3.3	4.2	4.6	4.8	5.0	5.2	4.8	4.9	3.1	4.9	5.6
Imports	6.9	2.4	1.5	1.6	1.5	4.4	5.8	4.5	5.3	5.0	4.9	2.8	3.3	4.9	4.5
Gov't. cons. & invest. <i>Previous Tealbook</i>	-.4 -.4	.4 .4	-5.2 -6.0	.3 .8	-.5 -1.2	-.9 -1.0	-.6 -.8	-1.1 -1.0	-.8 -.8	-.8 -1.0	-.2 -.2	-2.4 -2.6	-.4 -.5	-.7 -.8	.5 .9
Federal	-1.6	-1.5	-12.8	1.6	-3.1	-3.1	-2.2	-4.4	-3.8	-3.9	-2.5	-6.2	-1.7	-3.6	-1.2
Defense	-6	-5	-14.4	-1.2	-5.1	-5.2	-2.4	-5.2	-4.3	-4.1	-2.5	-6.9	-3.5	-4.0	-1.9
Nondefense	-3.1	-3.1	-10.1	6.2	.2	.3	-2.0	-3.0	-3.0	-3.5	-2.5	-5.0	1.1	-3.0	.0
State & local	.4	1.7	.2	-.6	1.2	.4	.5	1.0	1.1	1.1	1.1	.2	.4	1.1	1.5
Change in priv. inventories ² <i>Previous Tealbook</i> ²	57 57	116 116	117 113	109 97	106 100	105 102	111 110	100 93	90 90	85 87	83 68	83 82	108 102	90 84	80 44
Nonfarm ²	33	89	97	97	100	100	106	98	88	83	80	60	101	87	77
Farm ²	19	23	20	12	7	5	5	2	2	2	2	20	7	2	2

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real GDP <i>Previous Tealbook</i>	1.9 1.9	-2.8 -2.8	-2 -2	2.8 2.8	2.0 2.0	2.0 2.0	2.5 2.8	2.9 3.1	3.2 3.4	3.0 3.2
Final sales <i>Previous Tealbook</i>	2.0 2.0	-2.2 -2.2	-4 -4	2.0 2.0	1.8 1.8	2.5 2.5	1.7 2.1	3.0 3.2	3.4 3.7	3.1 3.4
Priv. dom. final purch. <i>Previous Tealbook</i>	.8 .8	-4.1 -4.1	-2.3 -2.3	3.5 3.5	3.0 3.0	2.9 2.9	2.4 2.7	3.9 4.1	4.4 4.6	3.5 3.7
Personal cons. expend. <i>Previous Tealbook</i>	1.5 1.5	-2.0 -2.0	-1 -1	3.1 3.1	2.0 2.0	2.0 2.0	2.1 2.5	3.5 3.5	3.7 3.9	2.9 3.2
Durables	4.1	-12.9	2.5	9.3	5.7	7.8	5.6	7.3	9.1	6.3
Nondurables	.1	-2.7	.2	3.3	.7	1.6	2.7	2.9	2.9	2.4
Services	1.5	.2	-6	2.1	1.9	1.3	1.4	3.1	3.1	2.5
Residential investment <i>Previous Tealbook</i>	-21.3 -21.3	-24.3 -24.3	-10.8 -10.8	-5.2 -5.2	5.6 5.6	15.5 15.5	6.7 7.6	9.8 12.5	15.1 15.6	11.0 9.2
Nonres. priv. fixed invest. <i>Previous Tealbook</i>	7.1 7.1	-8.9 -8.9	-12.2 -12.2	8.1 8.1	8.6 8.6	5.0 5.0	2.5 3.0	4.3 5.0	5.0 5.3	4.3 4.7
Equipment & intangibles <i>Previous Tealbook</i>	3.9 3.9	-11.8 -11.8	-6.0 -6.0	12.0 12.0	8.7 8.7	3.9 3.9	3.4 4.0	4.2 5.2	5.8 6.2	5.0 5.5
Nonres. structures <i>Previous Tealbook</i>	17.1 17.1	-1.2 -1.2	-27.1 -27.1	-4.0 -4.0	8.3 8.3	9.3 9.3	-6 -4	4.6 4.3	2.4 2.5	1.9 2.2
Net exports ¹ <i>Previous Tealbook</i> ¹	-704 -704	-547 -547	-392 -392	-463 -463	-446 -446	-431 -431	-412 -410	-392 -381	-412 -400	-419 -395
Exports	9.8	-2.9	.4	9.8	4.6	2.4	4.9	3.1	4.9	5.6
Imports	.7	-5.9	-6.2	11.7	3.5	.1	2.8	3.3	4.9	4.5
Gov't. cons. & invest. <i>Previous Tealbook</i>	1.8 1.8	3.3 3.3	2.3 2.3	-1.1 -1.1	-3.3 -3.3	-1.1 -1.1	-2.4 -2.6	-.4 -.5	-.7 -.8	.5 .9
Federal	2.7	8.4	3.9	3.2	-3.9	-2.3	-6.2	-1.7	-3.6	-1.2
Defense	2.5	9.4	3.6	2.0	-4.2	-5.0	-6.9	-3.5	-4.0	-1.9
Nondefense	2.9	6.5	4.6	5.5	-3.3	2.6	-5.0	1.1	-3.0	.0
State & local	1.2	.2	1.3	-4.0	-2.8	-.3	.2	.4	1.1	1.5
Change in priv. inventories ¹ <i>Previous Tealbook</i> ¹	36 36	-34 -34	-148 -148	58 58	34 34	58 58	83 82	108 102	90 84	80 44
Nonfarm ¹	37	-35	-146	66	40	69	60	101	87	77
Farm ¹	-1	1	-2	-7	-4	-7	20	7	2	2

1. Billions of chained (2009) dollars.

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

Item	2013			2014				2015				2013 ¹	2014 ¹	2015 ¹	2016 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP <i>Previous Tealbook</i>	2.5 2.5	4.1 4.1	2.2 3.5	1.5 2.4	3.5 3.1	3.2 3.3	3.5 3.7	3.2 3.5	3.2 3.5	3.2 3.4	3.3 3.2	2.5 2.8	2.9 3.1	3.2 3.4	3.0 3.2
Final sales <i>Previous Tealbook</i>	2.1 2.1	2.5 2.5	2.1 3.5	1.9 2.9	3.6 3.1	3.2 3.3	3.4 3.5	3.5 4.0	3.5 3.5	3.4 3.5	3.3 3.6	1.7 2.1	3.0 3.2	3.4 3.7	3.1 3.4
Priv. dom. final purch. <i>Previous Tealbook</i>	2.2 2.2	2.3 2.3	2.1 3.4	2.1 2.8	3.5 3.4	3.5 3.6	3.7 3.9	3.8 4.1	3.8 3.9	3.6 3.7	3.5 3.7	2.0 2.3	3.2 3.4	3.7 3.9	3.0 3.1
Personal cons. expend. <i>Previous Tealbook</i>	1.2 1.2	1.4 1.4	1.7 2.7	1.8 2.1	2.5 2.3	2.6 2.4	2.6 2.7	2.6 2.8	2.6 2.7	2.5 2.6	2.4 2.5	1.5 1.7	2.4 2.4	2.5 2.7	2.0 2.2
Durables	.5	.6	.2	.0	.7	.7	.7	.7	.7	.7	.7	.4	.5	.7	.5
Nondurables	.3	.5	.5	.1	.7	.5	.5	.5	.5	.4	.4	.4	.4	.4	.4
Services	.5	.3	1.0	1.7	1.1	1.4	1.5	1.5	1.5	1.4	1.3	.6	1.4	1.4	1.2
Residential investment <i>Previous Tealbook</i>	.4 .4	.3 .3	-.3 -.2	.1 .3	.3 .3	.4 .5	.5 .5	.5 .6	.5 .6	.5 .5	.5 .5	.2 .2	.3 .4	.5 .5	.4 .4
Nonres. priv. fixed invest. <i>Previous Tealbook</i>	.6 .6	.6 .6	.7 .9	.2 .4	.7 .8	.6 .7	.6 .7	.6 .7	.6 .6	.6 .7	.6 .7	.3 .4	.5 .6	.6 .7	.5 .6
Equipment & intangibles <i>Previous Tealbook</i>	.1 .1	.2 .2	.7 .9	.1 .3	.5 .6	.4 .5	.5 .6	.5 .6	.5 .6	.5 .6	.6 .6	.3 .4	.4 .5	.6 .6	.5 .5
Nonres. structures <i>Previous Tealbook</i>	.4 .4	.4 .4	.0 .0	.1 .0	.2 .2	.1 .1	.1 .1	.1 .1	.1 .1	.1 .1	.1 .1	.0 .0	.1 .1	.1 .1	.1 .1
Net exports <i>Previous Tealbook</i>	-.1 -1.1	.1 .5	1.0 1.2	-.2 .0	.2 -.1	-.1 -.1	-.3 -.2	-.1 .0	-.2 -.2	-.1 -.1	-.1 .0	.2 .3	-.1 -.1	-.1 .7	.0 .8
Exports															
Imports															
Gov't. cons. & invest. <i>Previous Tealbook</i>	-.1 -1.1	.1 .5	-1.0 1.2	.1 .0	-.1 .5	-.2 -.7	-.1 -.9	-.2 -.7	-.1 -.7	-.1 -.8	.0 -.8	-.5 -.5	-.1 -.5	-.1 -.8	.1 -.7
Federal															
Defense															
Nondefense															
State & local															
Change in priv. inventories <i>Previous Tealbook</i>	.4 .4	1.7 1.7	.1 -.1	-.4 -.5	-.2 .0	.0 .1	.2 .2	-.3 -.5	-.2 -.1	-.2 -.1	-.1 -.5	.8 .7	-.1 -.1	-.2 -.3	.0 -.2
Nonfarm															
Farm															

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	2013			2014				2015				2013 ¹	2014 ¹	2015 ¹	2016 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
GDP chain-wt. price index <i>Previous Tealbook</i>	.6 .6	2.0 2.0	1.7 1.5	1.5 1.2	1.5 1.8	1.8 1.7	1.7 1.6	1.9 1.9	1.8 1.8	1.7 1.7	1.7 1.7	1.4 1.4	1.6 1.6	1.8 1.8	1.8 1.8
PCE chain-wt. price index <i>Previous Tealbook</i>	-1 -1	1.9 1.9	1.0 .7	1.4 1.1	1.3 1.5	1.6 1.5	1.5 1.4	1.6 1.6	1.6 1.6	1.5 1.5	1.5 1.5	1.0 .9	1.5 1.4	1.5 1.6	1.7 1.7
Energy <i>Previous Tealbook</i>	-11.9 -11.9	11.8 11.8	-1.0 -5.0	4.3 -2.0	-6 1.4	2.2 .3	.3 -3	-6 -3	-1.0 -5	-9 -6	-8 -5	-1.5 -2.5	1.5 -2	-8 -5	-3 -1
Food <i>Previous Tealbook</i>	.5 .5	1.2 1.2	.1 .1	.6 .5	1.2 .6	1.4 .6	1.1 .7	1.1 1.0	1.3 1.3	1.3 1.3	1.4 1.4	.8 .8	1.1 .6	1.3 1.3	1.4 1.4
Ex. food & energy <i>Previous Tealbook</i>	.6 .6	1.4 1.4	1.3 1.1	1.2 1.3	1.5 1.6	1.6 1.6	1.6 1.5	1.7 1.7	1.8 1.8	1.7 1.8	1.6 1.7	1.2 1.1	1.5 1.5	1.7 1.7	1.8 1.8
Ex. food & energy, market based <i>Previous Tealbook</i>	.5 .5	1.4 1.4	1.0 .9	1.0 1.3	1.5 1.6	1.6 1.6	1.5 1.5	1.8 1.8	1.8 1.8	1.7 1.8	1.6 1.6	1.1 1.1	1.4 1.5	1.7 1.7	1.8 1.8
CPI <i>Previous Tealbook</i>	.4 .0	2.2 2.6	1.1 .9	1.9 1.4	1.7 1.8	2.0 1.7	1.8 1.6	1.7 1.7	1.7 1.8	1.7 1.8	1.7 1.7	1.2 1.2	1.8 1.6	1.7 1.7	1.8 1.8
Ex. food & energy <i>Previous Tealbook</i>	1.4 1.4	1.8 1.8	1.6 1.6	1.7 1.8	2.0 2.0	2.0 2.0	2.0 1.8	2.1 2.0	2.1 2.1	2.0 2.1	1.9 2.0	1.7 1.7	1.9 1.9	2.0 2.0	2.0 2.0
ECL, hourly compensation ² <i>Previous Tealbook</i> ²	2.4 2.4	1.7 1.7	2.0 2.1	2.4 2.2	2.5 2.5	2.5 2.5	2.6 2.6	2.8 2.8	2.9 2.9	2.9 3.0	2.9 3.0	2.0 2.0	2.5 2.5	2.9 2.9	3.2 3.2
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	1.8 1.8	3.5 3.7	1.6 3.2	1.4 .2	1.2 1.4	1.4 1.5	1.4 1.7	1.4 1.6	1.4 1.6	1.4 1.4	1.4 1.8	1.2 1.7	1.4 1.2	1.4 1.6	1.8 1.9
Compensation per hour <i>Previous Tealbook</i>	3.8 3.8	1.3 1.6	1.7 1.6	2.5 1.8	2.6 2.7	3.0 3.0	3.1 3.1	3.2 3.2	3.3 3.3	3.3 3.3	3.5 3.5	.3 .4	2.8 2.7	3.3 3.3	3.6 3.6
Unit labor costs <i>Previous Tealbook</i>	2.0 2.0	-2.1 -2.0	.1 -1.6	1.0 1.6	1.4 1.3	1.6 1.6	1.7 1.5	1.8 1.6	1.9 1.7	1.9 1.9	2.0 1.7	-9 -1.3	1.4 1.5	1.9 1.7	1.7 1.7
Core goods imports chain-wt. price index ³ <i>Previous Tealbook</i> ³	-2.4 -2.4	-3.2 -3.2	.6 .3	1.1 .7	.5 .6	1.6 1.7	1.2 1.4	1.3 1.5	1.3 1.5	1.3 1.5	1.3 1.5	-1.1 -1.2	1.1 1.1	1.3 1.5	1.4 1.6

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP chain-wt. price index <i>Previous Tealbook</i>	2.5	1.9	.4	1.8	1.8	1.8	1.4	1.6	1.8	1.8
PCE chain-wt. price index <i>Previous Tealbook</i>	2.5	1.9	.4	1.8	1.8	1.8	1.4	1.6	1.8	1.8
Energy <i>Previous Tealbook</i>	3.3	1.5	1.2	1.3	2.6	1.7	1.0	1.5	1.5	1.7
	3.3	1.5	1.2	1.3	2.6	1.7	.9	1.4	1.6	1.7
Food <i>Previous Tealbook</i>	19.1	-8.2	2.3	6.4	11.7	2.1	-1.5	1.5	-8	-3
	19.1	-8.2	2.3	6.4	11.7	2.1	-2.5	-2	-5	-1
Ex. food & energy <i>Previous Tealbook</i>	4.9	6.9	-1.8	1.3	5.1	1.2	.8	1.1	1.3	1.4
	4.9	6.9	-1.8	1.3	5.1	1.2	.8	.6	1.3	1.4
Ex. food & energy, market based <i>Previous Tealbook</i>	2.2	1.6	1.4	1.0	1.8	1.7	1.2	1.5	1.7	1.8
	2.2	1.6	1.4	1.0	1.8	1.7	1.1	1.5	1.7	1.8
CPI <i>Previous Tealbook</i>	2.1	2.2	1.8	.7	1.9	1.5	1.1	1.4	1.7	1.8
	2.1	2.2	1.8	.7	1.9	1.5	1.1	1.5	1.7	1.8
Ex. food & energy <i>Previous Tealbook</i>	4.0	1.6	1.5	1.2	3.3	1.9	1.2	1.8	1.7	1.8
	4.0	1.6	1.5	1.2	3.3	1.9	1.2	1.6	1.7	1.8
ECL, hourly compensation ¹ <i>Previous Tealbook</i> ¹	2.3	2.0	1.8	.6	2.2	1.9	1.7	1.9	2.0	2.0
	2.3	2.0	1.7	.6	2.2	1.9	1.7	1.9	2.0	2.0
Nonfarm business sector Output per hour <i>Previous Tealbook</i>	3.0	2.4	1.2	2.1	2.2	1.8	2.0	2.5	2.9	3.2
	3.0	2.4	1.2	2.1	2.2	1.8	2.0	2.5	2.9	3.2
Compensation per hour <i>Previous Tealbook</i>	2.4	-.5	5.5	1.9	.4	.8	1.2	1.4	1.4	1.8
	2.4	-.4	5.5	1.9	.4	.9	1.7	1.2	1.6	1.9
Unit labor costs <i>Previous Tealbook</i>	3.9	3.0	1.2	1.6	1.0	5.3	.3	2.8	3.3	3.6
	3.9	3.0	1.2	1.6	.9	5.3	.4	2.7	3.3	3.6
Core goods imports chain-wt. price index ² <i>Previous Tealbook</i> ²	1.5	3.5	-4.0	-.3	.5	4.4	-.9	1.4	1.9	1.7
	1.5	3.5	-4.0	-.3	.5	4.4	-1.3	1.5	1.7	1.7
	3.0	3.9	-1.9	2.3	4.2	.1	-1.1	1.1	1.3	1.4
	3.0	3.9	-1.9	2.3	4.2	.1	-1.2	1.1	1.5	1.6

1. Private-industry workers.

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

Other Macroeconomic Indicators

Item	2013			2014				2015				2013 ¹	2014 ¹	2015 ¹	2016 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
<i>Employment and production</i>															
Nonfarm payroll employment ²	.6	.5	.6	.5	.6	.6	.7	.7	.7	.7	.7	2.4	2.4	2.7	2.6
Unemployment rate ³	7.5	7.3	7.0	6.6	6.5	6.4	6.2	6.0	5.9	5.7	5.6	7.0	6.2	5.6	5.1
<i>Previous Tealbook³</i>	7.5	7.3	7.0	6.7	6.6	6.4	6.2	6.0	5.8	5.7	5.5	7.0	6.2	5.5	5.1
Natural rate of unemployment ³	5.6	5.5	5.5	5.4	5.4	5.4	5.3	5.3	5.2	5.2	5.2	5.5	5.3	5.2	5.2
<i>Previous Tealbook³</i>	5.6	5.5	5.5	5.4	5.4	5.4	5.3	5.3	5.2	5.2	5.2	5.5	5.3	5.2	5.2
GDP gap ⁴	-3.8	-3.2	-3.0	-3.1	-2.7	-2.3	-1.9	-1.6	-1.3	-1.0	-0.7	-3.0	-1.9	-0.7	.4
<i>Previous Tealbook⁴</i>	-4.0	-3.4	-3.0	-2.9	-2.6	-2.3	-1.9	-1.5	-1.2	-.9	-.6	-3.0	-1.9	-.6	.4
Industrial production ⁵	1.2	2.5	5.4	2.3	4.7	4.3	3.5	4.4	4.5	3.9	3.2	3.3	3.7	4.0	3.5
<i>Previous Tealbook⁵</i>	1.2	2.4	6.8	4.3	4.4	3.3	3.8	4.9	4.6	3.2	2.8	3.6	4.0	3.9	3.0
Manufacturing industr. prod. ⁵	.1	1.6	4.6	-.1	4.1	3.3	3.6	3.9	4.1	3.9	3.9	2.8	2.7	4.0	3.6
<i>Previous Tealbook⁵</i>	.1	1.5	6.2	2.8	4.0	3.9	4.2	4.7	4.4	4.1	3.6	3.1	3.7	4.2	3.3
Capacity utilization rate - mfg. ³	76.1	76.1	76.6	76.3	76.7	76.9	77.2	77.5	77.8	78.0	78.3	76.6	77.2	78.3	79.1
<i>Previous Tealbook³</i>	76.1	76.0	76.9	77.0	77.4	77.7	78.1	78.5	78.9	79.2	79.4	76.9	78.1	79.4	80.0
Housing starts ⁶	.9	.9	1.0	1.0	1.0	1.1	1.2	1.3	1.3	1.4	1.4	.9	1.1	1.3	1.5
Light motor vehicle sales ⁶	15.5	15.7	15.6	15.4	16.1	16.0	16.0	16.2	16.3	16.4	16.6	15.5	15.9	16.4	16.6
<i>Income and saving</i>															
Nominal GDP ⁵	3.1	6.2	3.9	3.0	5.0	5.0	5.3	5.2	5.1	5.0	5.0	4.0	4.6	5.1	4.9
Real disposable pers. income ⁵	4.1	3.0	.6	2.4	3.7	2.9	2.9	3.9	2.8	3.1	3.3	-.2	3.0	3.2	3.1
<i>Previous Tealbook⁵</i>	4.1	3.0	.9	2.9	3.3	3.2	3.2	4.1	3.3	3.2	3.2	-.1	3.2	3.5	3.2
Personal saving rate ³	4.7	4.9	4.5	4.5	4.5	4.3	4.0	4.0	3.8	3.6	3.6	4.5	4.0	3.6	3.8
<i>Previous Tealbook³</i>	4.7	4.9	4.2	4.2	4.2	4.1	3.9	3.9	3.8	3.6	3.5	4.2	3.9	3.5	3.5
Corporate profits ⁷	13.9	7.7	6.9	-.1	2.5	7.9	8.1	2.0	6.7	5.0	3.8	5.6	4.6	4.4	5.1
Profit share of GNP ³	12.3	12.4	12.5	12.4	12.3	12.4	12.5	12.4	12.5	12.5	12.5	12.5	12.5	12.5	12.5
Net federal saving ⁸	-653	-850	-655	-629	-611	-609	-591	-593	-569	-554	-544	-753	-610	-565	-583
Net state & local savings ⁸	-198	-226	-227	-230	-211	-207	-198	-193	-171	-167	-157	-220	-211	-172	-142
Gross national saving rate ³	17.7	17.8	18.2	18.2	18.4	18.3	18.4	18.3	18.5	18.5	18.6	18.2	18.4	18.6	18.9
Net national saving rate ³	2.5	2.7	4.3	3.7	4.0	4.0	4.1	4.0	4.2	4.3	4.4	4.3	4.1	4.4	4.8

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.

Other Macroeconomic Indicators

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

Item	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Employment and production</i>										
Nonfarm payroll employment ¹	1.2	-2.8	-5.6	.8	2.0	2.2	2.4	2.4	2.7	2.6
Unemployment rate ²	4.8	6.9	9.9	9.5	8.7	7.8	7.0	6.2	5.6	5.1
<i>Previous Tealbook²</i>	4.8	6.9	9.9	9.5	8.7	7.8	7.0	6.2	5.5	5.1
Natural rate of unemployment ²	5.3	5.6	6.2	6.2	6.0	5.8	5.5	5.3	5.2	5.2
<i>Previous Tealbook²</i>	5.3	5.6	6.2	6.2	6.0	5.8	5.5	5.3	5.2	5.2
GDP gap ³	1.0	-4.0	-5.8	-4.8	-4.3	-3.9	-3.0	-1.9	-7	.4
<i>Previous Tealbook³</i>	1.0	-4.0	-5.8	-4.8	-4.4	-4.1	-3.0	-1.9	-6	.4
Industrial production ⁴	2.7	-8.9	-5.5	6.2	3.3	2.8	3.3	3.7	4.0	3.5
<i>Previous Tealbook⁴</i>	2.7	-8.9	-5.5	6.2	3.3	2.8	3.6	4.0	3.9	3.0
Manufacturing industr. prod. ⁴	2.9	-11.6	-6.1	6.4	3.3	2.8	2.8	2.7	4.0	3.6
<i>Previous Tealbook⁴</i>	2.9	-11.6	-6.1	6.4	3.3	2.8	3.1	3.7	4.2	3.3
Capacity utilization rate - mfg. ²	78.4	69.9	67.2	72.9	74.8	75.7	76.6	77.2	78.3	79.1
<i>Previous Tealbook²</i>	78.4	69.9	67.2	72.9	74.8	75.7	76.9	78.1	79.4	80.0
Housing starts ⁵	1.4	.9	.6	.6	.6	.8	.9	1.1	1.3	1.5
Light motor vehicle sales ⁵	16.1	13.1	10.4	11.5	12.7	14.4	15.5	15.9	16.4	16.6
<i>Income and saving</i>										
Nominal GDP ⁴	4.4	-1.0	.1	4.6	3.9	3.8	4.0	4.6	5.1	4.9
Real disposable pers. income ⁴	1.2	1.1	-6	2.5	1.4	3.6	-2	3.0	3.2	3.1
<i>Previous Tealbook⁴</i>	1.2	1.1	-6	2.5	1.4	3.6	-1	3.2	3.5	3.2
Personal saving rate ²	2.9	6.1	5.7	5.5	5.0	6.6	4.5	4.0	3.6	3.8
<i>Previous Tealbook²</i>	2.9	6.1	5.7	5.5	5.0	6.6	4.2	3.9	3.5	3.5
Corporate profits ⁶	-9.0	-30.8	54.5	17.0	8.4	2.7	5.6	4.6	4.4	5.1
Profit share of GNP ²	9.9	6.9	10.7	11.9	12.4	12.3	12.5	12.5	12.5	12.5
Net federal saving ⁷	-267	-635	-1,250	-1,330	-1,248	-1,110	-753	-610	-565	-583
Net state & local saving ⁷	-73	-165	-272	-237	-213	-253	-220	-211	-172	-142
Gross national saving rate ²	16.3	15.0	14.7	15.2	15.8	16.9	18.2	18.4	18.6	18.9
Net national saving rate ²	1.0	-1.6	-1.6	-4	.5	1.7	4.3	4.1	4.4	4.8

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				2013				2014				2015			
	2013 ^a	2014	2015	2016	Q1 ^a	Q2 ^a	Q3 ^a	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget																
Receipts ¹	2,774	3,047	3,284	3,481	581	891	687	665	630	981	771	740	675	1,039	830	770
Outlays ¹	3,454	3,531	3,702	3,929	888	800	857	838	931	891	870	935	947	924	895	961
Surplus/deficit ¹	-680	-484	-419	-448	-307	91	-170	-174	-301	90	-99	-196	-272	114	-65	-192
<i>Previous Tealbook</i>																
On-budget	-680	-467	-416	-409	-307	91	-170	-174	-281	83	-96	-182	-277	103	-60	-178
Off-budget	-720	-499	-441	-464	-303	36	-143	-184	-286	38	-68	-219	-254	64	-32	-213
	39	15	22	16	-4	55	-28	10	-16	52	-31	24	-19	50	-33	21
Means of financing:																
Borrowing	702	625	539	568	336	-17	69	371	250	-44	49	226	302	-84	95	222
Cash decrease	-3	18	0	0	14	-56	46	-74	33	-21	80	0	0	0	0	0
Other ²	-19	-159	-120	-120	-43	-18	55	-123	19	-25	-30	-30	-30	-30	-30	-30
Cash operating balance, end of period	88	70	70	70	79	135	88	162	130	150	70	70	70	70	70	70
NIPA federal sector																
Receipts	2,938	3,223	3,437	3,638	2,900	3,167	2,976	3,118	3,217	3,258	3,300	3,348	3,417	3,466	3,515	3,563
Expenditures	3,797	3,849	4,013	4,211	3,753	3,820	3,826	3,772	3,845	3,869	3,909	3,940	4,011	4,035	4,069	4,107
Consumption expenditures	981	948	941	940	982	976	972	953	949	947	945	943	945	940	934	932
Defense	620	595	588	587	620	616	615	598	597	594	590	589	590	587	584	584
Nondefense	361	354	353	353	363	360	358	355	352	353	355	354	355	353	350	348
Other spending	2,815	2,901	3,073	3,271	2,771	2,844	2,853	2,820	2,896	2,922	2,964	2,997	3,066	3,095	3,134	3,175
Current account surplus	-859	-626	-577	-573	-853	-653	-850	-654	-629	-611	-609	-591	-593	-569	-554	-544
Gross investment	277	269	259	252	273	277	279	272	271	268	264	263	260	257	255	253
Gross saving less gross investment ³	-870	-622	-557	-540	-860	-663	-861	-656	-628	-606	-599	-578	-575	-546	-527	-515
Fiscal indicators⁴																
High-employment (HEB) surplus/deficit	-653.5	-448.9	-458.1	-521.0	-629.4	-440.7	-659.9	-471.0	-438.1	-438.0	-448.6	-449.5	-465.1	-457.4	-460.3	-469.0
Change in HEB, percent of potential GDP	-1.9	-1.3	.0	.2	-1.5	-1.1	1.2	-1.1	-2	.0	.0	.0	.1	-1	.0	.0
Fiscal impetus (FI), percent of GDP	-1.2	-6	-4	-1	-2.0	-7	-7	-1.5	-5	-7	-6	-4	-6	-4	-3	-2
<i>Previous Tealbook</i>	-1.3	-5	-4	.0	-2.0	-7	-7	-1.7	-5	-6	-5	-3	-7	-4	-3	-2

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 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	2013				2014				Projected-----			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP¹												
Total foreign	2.0	2.4	3.0	2.8	2.7	2.8	3.1	3.2	3.3	3.3	3.4	3.2
<i>Previous Tealbook</i>	1.8	2.4	2.9	3.1	3.3	2.9	3.3	3.4	3.4	3.5	3.5	3.3
Advanced foreign economies	1.8	2.2	1.9	2.1	2.1	1.7	2.1	2.2	2.2	2.2	2.4	1.9
Canada	2.9	2.2	2.7	2.9	1.8	3.0	2.5	2.6	2.6	2.6	2.6	2.6
Japan	4.5	4.1	.9	.7	4.2	-3.8	2.0	2.1	1.8	1.4	2.6	-1.8
United Kingdom	1.6	3.0	3.4	2.9	3.0	2.9	2.9	2.9	2.7	2.7	2.6	2.4
Euro area	-9	1.3	.6	1.1	1.3	1.3	1.4	1.4	1.5	1.7	1.7	1.9
Germany	.0	2.9	1.3	1.5	1.8	1.8	1.9	1.9	2.0	2.0	2.2	2.2
Emerging market economies	2.1	2.6	4.2	3.5	3.4	3.8	4.1	4.2	4.3	4.4	4.4	4.4
Asia	3.6	5.1	6.0	6.2	5.1	5.2	5.2	5.3	5.5	5.5	5.5	5.5
Korea	3.4	4.5	4.3	3.7	3.5	3.6	3.9	4.1	4.2	4.4	4.5	4.5
China	6.4	7.3	8.8	8.0	7.5	7.3	7.1	7.1	7.3	7.3	7.3	7.3
Latin America	.7	.3	2.7	1.2	1.9	2.6	3.1	3.2	3.3	3.3	3.4	3.4
Mexico	.8	-2.7	3.9	.7	2.5	2.9	3.3	3.5	3.6	3.6	3.6	3.6
Brazil	.0	7.5	-2.1	2.8	.4	2.2	2.5	2.5	2.6	2.6	2.7	2.7
Consumer prices²												
Total foreign	2.3	1.9	2.8	2.4	2.1	3.2	2.4	2.5	2.5	2.5	2.6	3.0
<i>Previous Tealbook</i>	2.3	1.9	2.8	2.3	2.3	3.0	2.4	2.5	2.5	2.5	2.5	3.0
Advanced foreign economies	1.0	.5	2.1	.7	1.2	2.9	1.2	1.4	1.4	1.4	1.5	2.6
Canada	1.6	-1	1.9	.5	2.0	2.0	1.5	1.6	1.7	1.7	1.8	1.8
Japan	.0	.8	3.0	1.9	1.0	8.8	.8	.9	1.1	1.2	1.3	6.8
United Kingdom	2.4	1.7	2.9	1.3	1.2	1.7	1.8	2.3	1.7	1.7	1.8	2.3
Euro area	.8	.7	1.7	.1	.7	1.2	1.2	1.3	1.3	1.3	1.4	1.4
Germany	1.5	.7	2.6	.7	.9	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Emerging market economies	3.3	3.1	3.3	3.7	2.7	3.4	3.3	3.4	3.3	3.3	3.3	3.3
Asia	3.3	2.1	3.6	3.4	1.6	3.2	3.1	3.2	3.2	3.2	3.2	3.2
Korea	1.0	.4	1.7	1.1	1.2	2.2	2.8	3.1	3.2	3.2	3.2	3.1
China	3.2	2.1	3.4	3.0	1.1	3.2	3.0	3.0	3.0	3.0	3.0	3.0
Latin America	3.5	5.4	2.6	4.5	5.6	3.8	3.9	3.9	3.8	3.8	3.8	3.8
Mexico	3.2	5.3	2.0	4.2	5.4	3.3	3.4	3.4	3.4	3.4	3.4	3.4
Brazil	7.0	5.8	4.6	6.0	5.9	6.0	6.0	5.6	5.4	5.4	5.4	5.4

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	2008	2009	2010	2011	2012	2013	2014	2015	2016
	-----Projected-----								
Real GDP¹									
Total foreign	-7	1.0	4.6	3.0	2.3	2.6	3.0	3.3	3.4
<i>Previous Tealbook</i>	-7	1.0	4.6	3.0	2.3	2.6	3.2	3.4	3.5
Advanced foreign economies	-1.5	-1.5	3.0	1.5	.3	2.0	2.0	2.2	2.2
Canada	.1	-1.4	3.6	2.4	1.0	2.7	2.5	2.6	2.6
Japan	-4.8	-6	3.5	.3	-.3	2.5	1.1	1.0	1.3
United Kingdom	-4.3	-2.5	1.8	1.1	.2	2.7	2.9	2.6	2.5
Euro area	-2.1	-2.3	2.3	.7	-1.0	.5	1.3	1.7	1.9
Germany	-1.8	-2.2	4.2	2.2	.3	1.4	1.8	2.1	2.3
Emerging market economies	.4	3.9	6.4	4.6	4.3	3.1	3.9	4.4	4.5
Asia	.9	8.1	7.8	5.0	5.4	5.2	5.2	5.5	5.6
Korea	-3.2	6.3	5.0	3.4	1.4	4.0	3.8	4.4	4.5
China	7.7	11.3	9.7	8.7	7.8	7.6	7.2	7.3	7.4
Latin America	-4	-1	4.7	4.0	3.3	1.2	2.7	3.4	3.5
Mexico	-1.3	-1.2	4.4	4.1	3.3	.6	3.0	3.6	3.7
Brazil	.9	5.3	5.3	1.4	1.8	2.0	1.9	2.6	2.7
Consumer prices²									
Total foreign	3.3	1.2	3.2	3.4	2.3	2.3	2.5	2.6	2.6
<i>Previous Tealbook</i>	3.3	1.2	3.2	3.4	2.3	2.3	2.6	2.6	2.6
Advanced foreign economies	2.0	.2	1.7	2.2	1.3	1.0	1.7	1.7	1.7
Canada	1.8	.8	2.2	2.7	.9	1.0	1.8	1.7	1.9
Japan	1.1	-2.0	-.3	-.3	-.2	1.4	2.8	2.6	1.7
United Kingdom	3.9	2.2	3.4	4.6	2.6	2.1	1.7	1.9	1.9
Euro area	2.3	.4	2.0	2.9	2.3	.8	1.1	1.3	1.5
Germany	1.7	.3	1.6	2.6	2.0	1.3	1.4	1.6	1.7
Emerging market economies	4.6	2.1	4.3	4.3	3.1	3.3	3.2	3.3	3.3
Asia	3.7	1.3	4.3	4.5	2.6	3.1	2.8	3.2	3.2
Korea	4.5	2.4	3.2	3.9	1.7	1.1	2.3	3.2	3.2
China	2.5	.6	4.7	4.6	2.1	2.9	2.6	3.0	3.0
Latin America	6.6	3.9	4.4	4.0	4.3	4.0	4.3	3.8	3.7
Mexico	6.2	4.0	4.3	3.5	4.1	3.7	3.9	3.4	3.4
Brazil	6.2	4.2	5.6	6.7	5.6	5.8	5.9	5.4	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

	2013				2014				Projected-----2015			
	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	-416.9	-383.8	-382.6	-357.6	-385.0	-354.5	-387.9	-412.6	-441.9	-420.9	-447.2	-465.9
<i>Previous Tealbook</i>	-419.6	-386.4	-379.4	-345.2	-375.2	-346.7	-374.5	-399.8	-425.3	-405.9	-428.6	-442.9
Current account as percent of GDP	-2.5	-2.3	-2.3	-2.1	-2.2	-2.0	-2.2	-2.3	-2.4	-2.3	-2.4	-2.5
<i>Previous Tealbook</i>	-2.5	-2.3	-2.2	-2.0	-2.2	-2.0	-2.1	-2.2	-2.3	-2.2	-2.3	-2.3
Net goods & services	-487.8	-469.8	-486.2	-455.7	-457.6	-440.8	-458.1	-473.7	-475.7	-460.9	-473.6	-484.6
Investment income, net	211.6	232.7	248.7	233.3	229.2	225.9	213.4	200.8	190.4	179.6	169.6	158.4
Direct, net	276.6	290.6	304.6	304.9	304.9	307.1	305.7	304.4	308.1	311.1	317.3	323.7
Portfolio, net	-65.0	-57.9	-55.9	-71.6	-75.8	-81.2	-92.4	-103.6	-117.8	-131.5	-147.7	-165.3
Other income and transfers, net	-140.6	-146.7	-145.1	-135.2	-156.5	-139.5	-143.1	-139.7	-156.5	-139.5	-143.1	-139.7

Annual Data

	-----Projected-----										
	2008	2009	2010	2011	2012	2013	2014	2015	2016		
<i>Billions of dollars</i>											
U.S. current account balance	-681.3	-381.6	-449.5	-457.7	-440.4	-385.2	-385.0	-444.0	-495.7		
<i>Previous Tealbook</i>	-681.3	-381.6	-449.5	-457.7	-440.4	-382.7	-374.0	-425.7	-459.9		
Current account as percent of GDP	-4.6	-2.6	-3.0	-2.9	-2.7	-2.3	-2.2	-2.4	-2.6		
<i>Previous Tealbook</i>	-4.6	-2.6	-3.0	-2.9	-2.7	-2.3	-2.1	-2.3	-2.4		
Net goods & services	-702.3	-383.7	-499.4	-556.8	-534.7	-474.9	-457.6	-473.7	-478.2		
Investment income, net	157.8	132.3	185.7	240.7	232.3	231.6	217.3	174.5	127.3		
Direct, net	284.3	257.7	288.0	310.6	293.5	294.2	305.6	315.1	337.6		
Portfolio, net	-126.5	-125.4	-102.3	-69.8	-61.2	-62.6	-88.2	-140.6	-210.3		
Other income and transfers, net	-136.9	-130.2	-135.8	-141.6	-138.0	-141.9	-144.7	-144.7	-144.7		

Class I FOMC – Restricted Controlled (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book B Monetary Policy: Strategies and Alternatives

March 13, 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

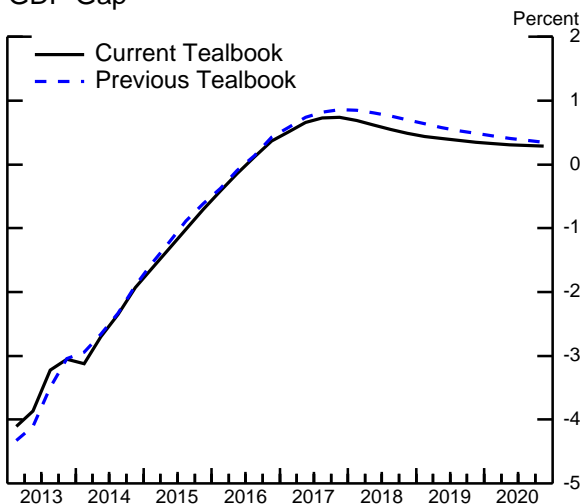
	Constrained Policy		Unconstrained Policy	
	2014Q2	2014Q3	2014Q2	2014Q3
Taylor (1993) rule	1.69	1.94	1.69	1.94
<i>Previous Tealbook</i>	1.70	1.95	1.70	1.95
Taylor (1999) rule	0.35	0.78	0.35	0.78
<i>Previous Tealbook</i>	0.39	0.80	0.39	0.80
Inertial Taylor (1999) rule	0.16	0.25	0.16	0.25
<i>Previous Tealbook outlook</i>	0.16	0.26	0.16	0.26
Outcome-based rule	0.39	0.75	0.39	0.75
<i>Previous Tealbook outlook</i>	0.33	0.67	0.33	0.67
First-difference rule	0.66	1.18	0.66	1.18
<i>Previous Tealbook outlook</i>	0.61	1.16	0.61	1.16
Nominal income targeting rule	0.13	0.13	-0.55	-0.97
<i>Previous Tealbook outlook</i>	0.13	0.13	-0.55	-0.98

Memo: Equilibrium and Actual Real Federal Funds Rates

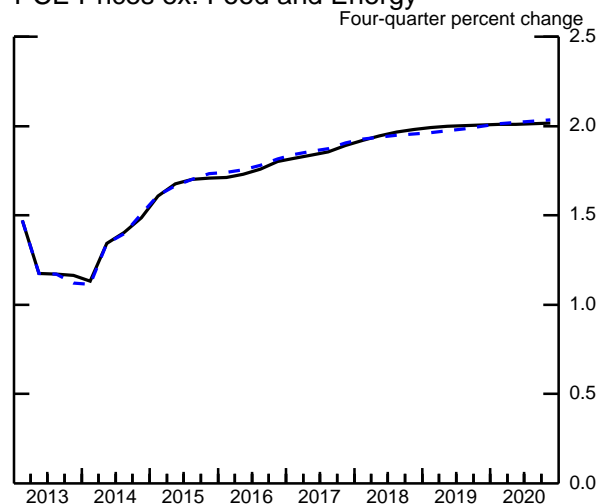
	Current Tealbook	<i>Previous Tealbook</i>
Tealbook-consistent FRB/US r^* estimate	-0.74	-0.67
Actual real federal funds rate	-1.03	-0.99

Key Elements of the Staff Projection

GDP Gap



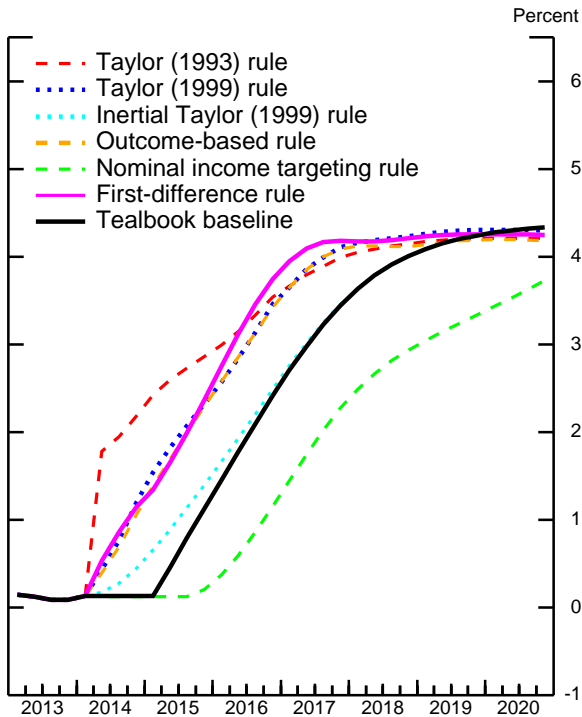
PCE Prices ex. Food and Energy



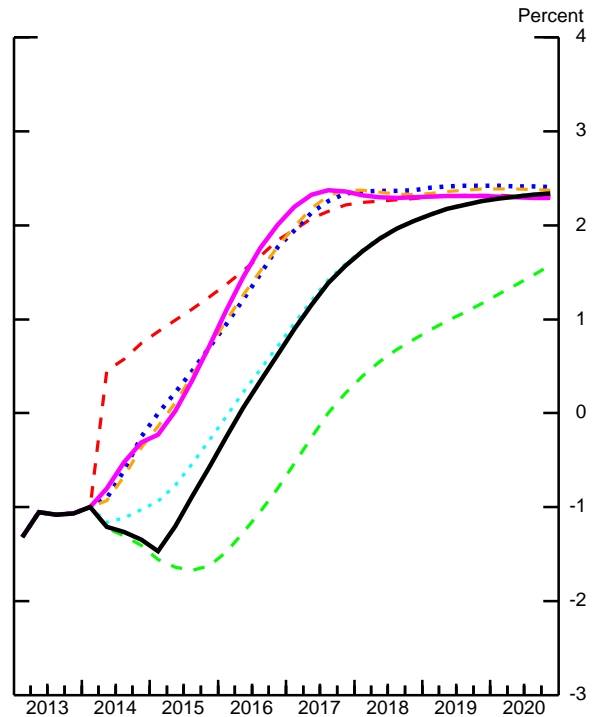
Note: For rules that have the lagged policy rate as a right-hand-side variable, the lines denoted "Previous Tealbook outlook" report rule prescriptions based on the previous Tealbook's staff outlook, but jumping off from the average value for the policy rate thus far in the current quarter.

Policy Rule Simulations without Thresholds

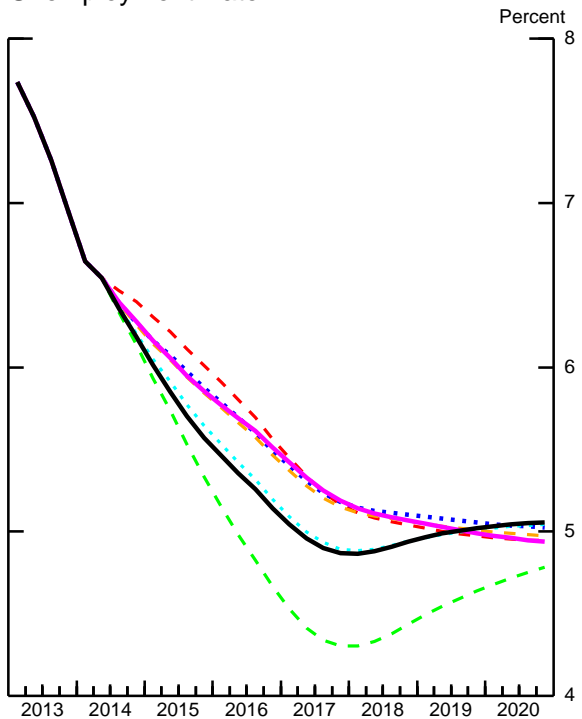
Effective Nominal Federal Funds Rate



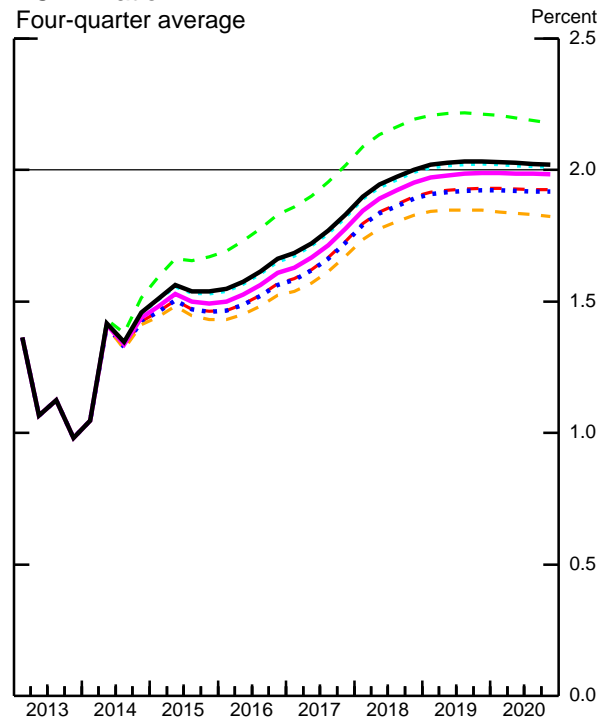
Real Federal Funds Rate



Unemployment Rate



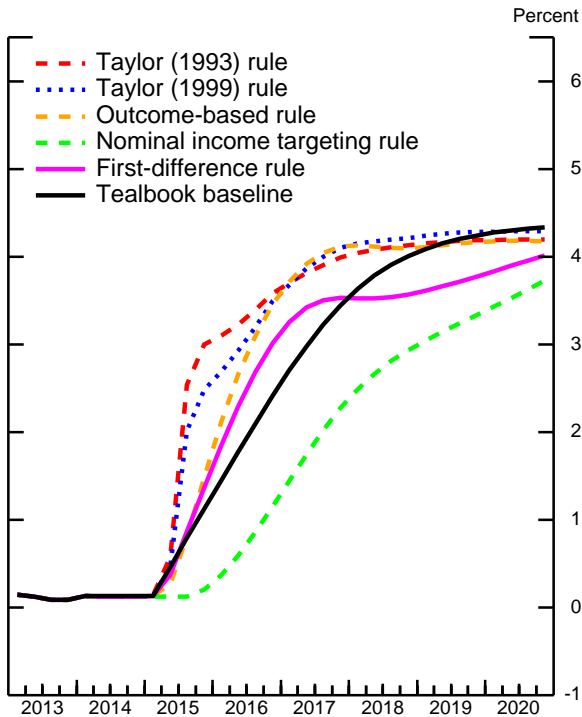
PCE Inflation
Four-quarter average



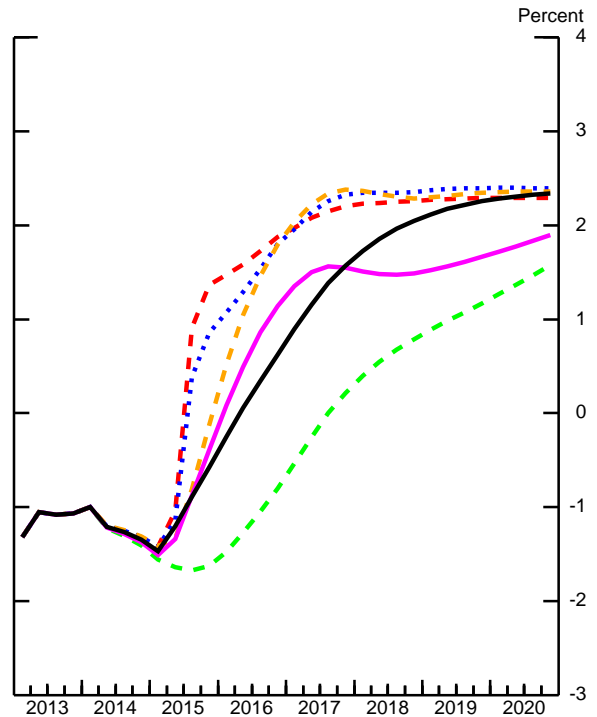
Note: The policy rule simulations in this exhibit are based on rules that respond to core inflation. This choice of rule specification was made in light of the tendency for current and near-term core inflation rates to outperform headline inflation rates as predictors of the medium-term behavior of headline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

Policy Rule Simulations with Current Thresholds and Forward Guidance

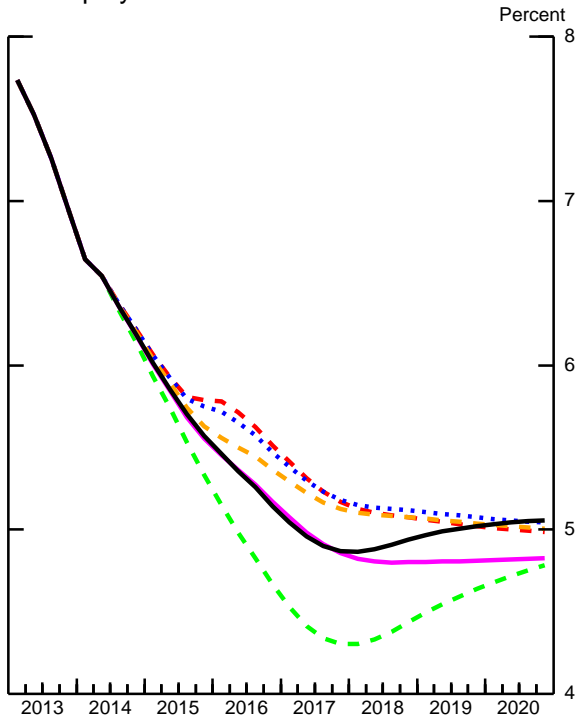
Effective Nominal Federal Funds Rate



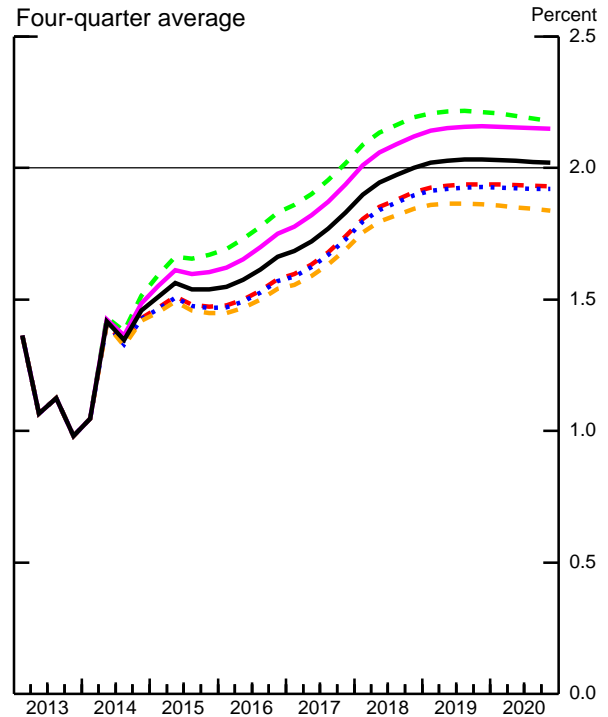
Real Federal Funds Rate



Unemployment Rate



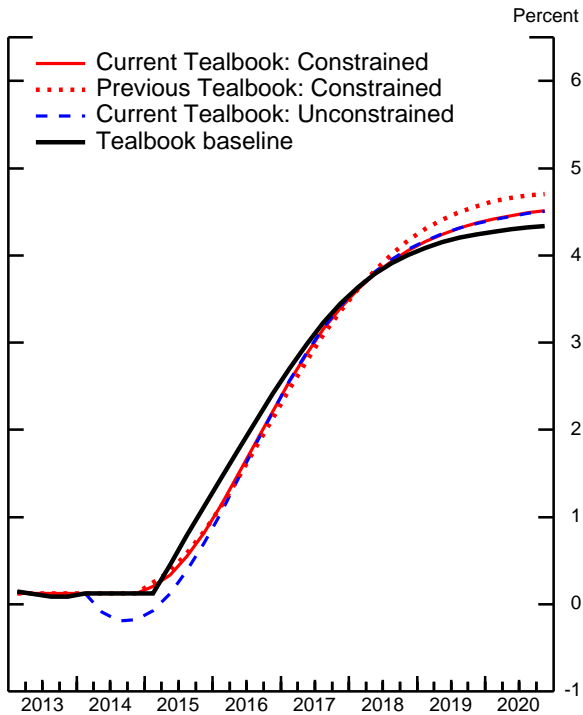
PCE Inflation
Four-quarter average



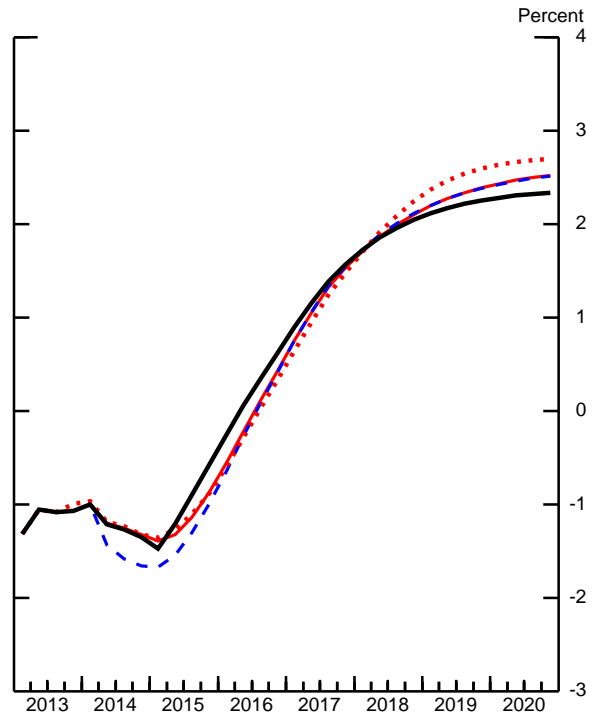
Note: The policy rule simulations in this exhibit are based on rules that respond to core inflation. This choice of rule specification was made in light of the tendency for current and near-term core inflation rates to outperform headline inflation rates as predictors of the medium-term behavior of headline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

Constrained versus Unconstrained Optimal Control Policy

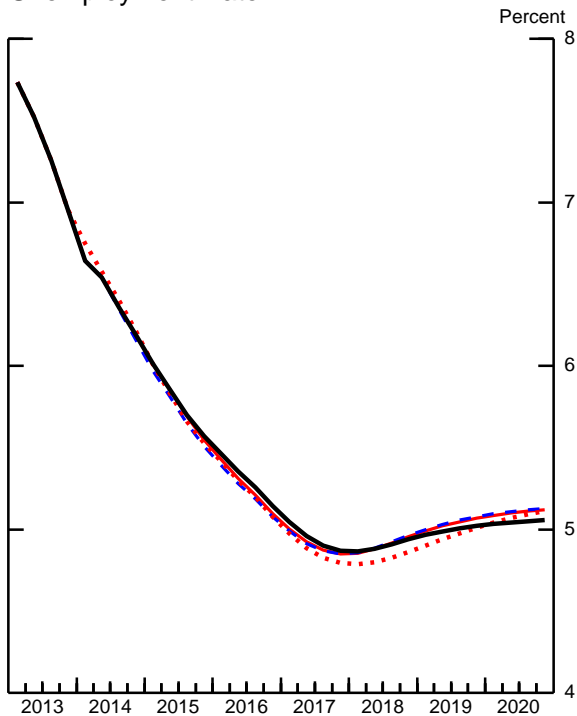
Effective Nominal Federal Funds Rate



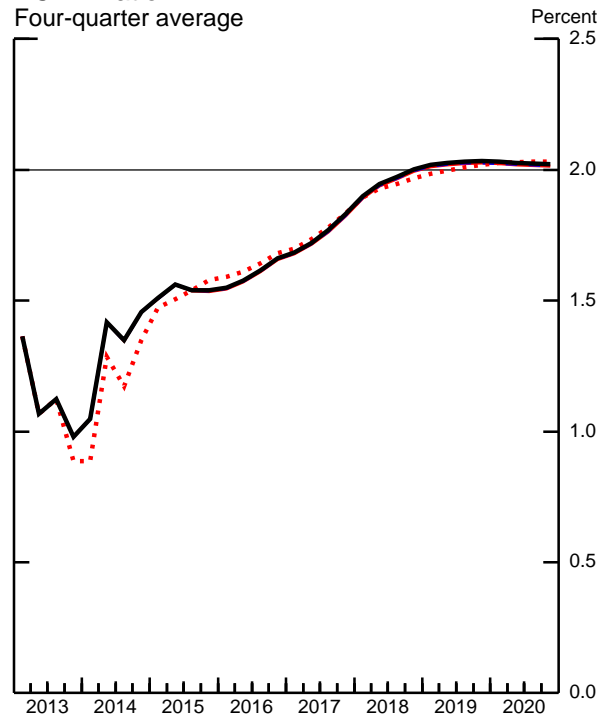
Real Federal Funds Rate



Unemployment Rate

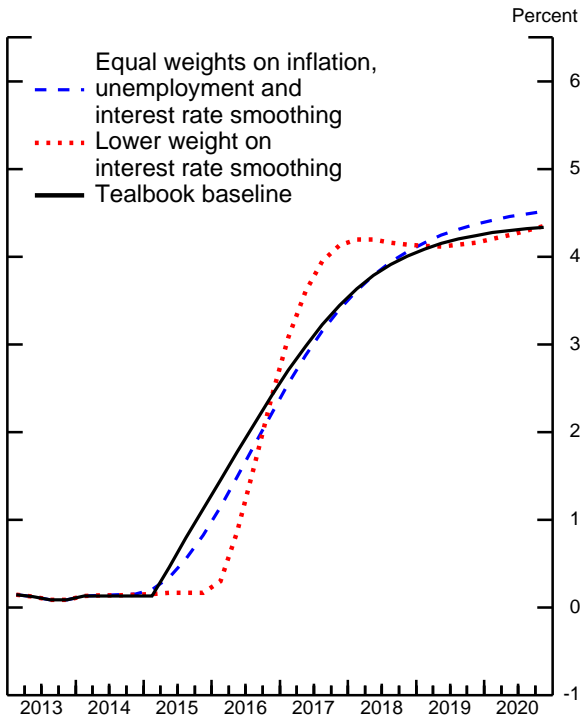


PCE Inflation
Four-quarter average

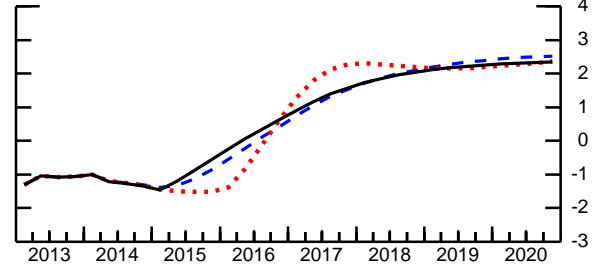


Optimal Control Policy with Minimal Weight on Interest-Rate Smoothing under Commitment

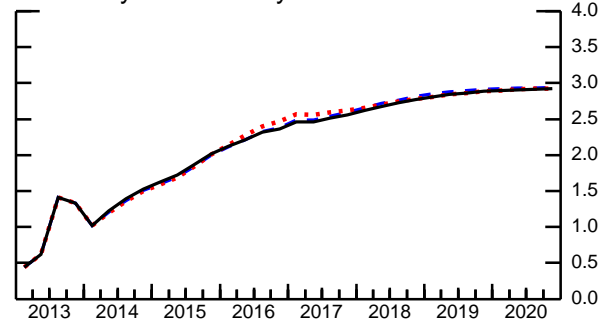
Effective Nominal Federal Funds Rate



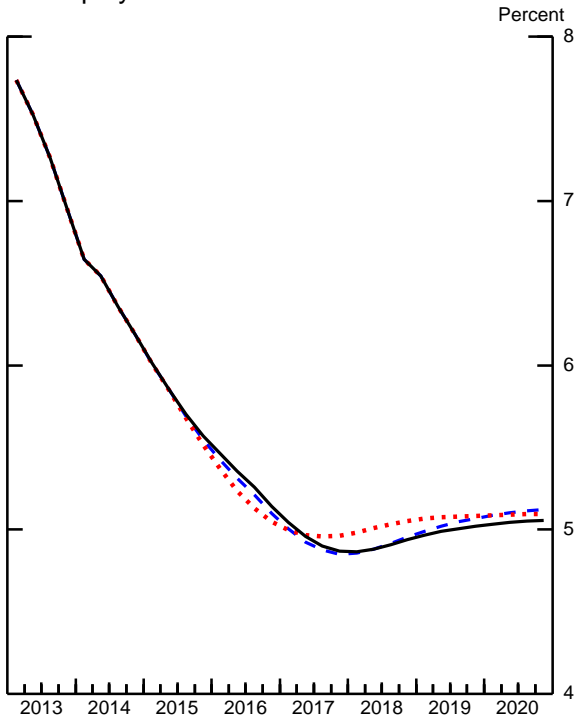
Real Federal Funds Rate



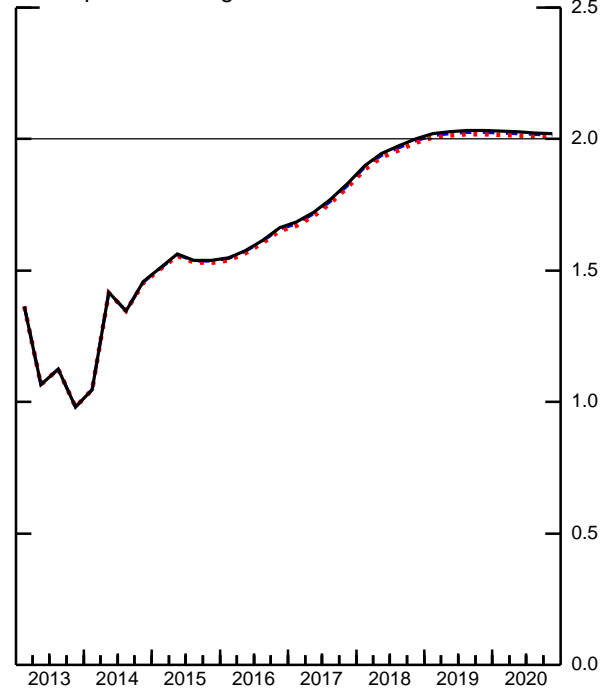
Real 10-year Treasury Yield



Unemployment Rate



PCE Inflation
Four-quarter average



Outcomes under Alternative Policies without Thresholds
(Percent change, annual rate, from end of preceding period except as noted)

Measure and scenario	2013					
	H2	2014	2015	2016	2017	2018
<i>Real GDP</i>						
Extended Tealbook baseline ¹	3.2	2.9	3.2	3.0	2.5	2.0
Taylor (1993)	3.2	2.6	2.7	3.0	2.8	2.3
Taylor (1999)	3.2	2.7	2.8	2.9	2.6	2.2
Inertial Taylor (1999)	3.2	2.9	3.2	3.1	2.6	2.0
Outcome based	3.2	2.8	2.9	2.9	2.6	2.2
First difference	3.2	2.7	2.9	2.9	2.7	2.3
Nominal income targeting	3.2	3.1	3.7	3.4	2.7	1.8
Constrained optimal control	3.2	2.9	3.3	3.1	2.5	1.9
<i>Unemployment rate²</i>						
Extended Tealbook baseline ¹	7.0	6.2	5.6	5.1	4.9	4.9
Taylor (1993)	7.0	6.4	6.0	5.6	5.2	5.0
Taylor (1999)	7.0	6.3	5.9	5.5	5.2	5.1
Inertial Taylor (1999)	7.0	6.2	5.6	5.2	4.9	4.9
Outcome based	7.0	6.3	5.8	5.5	5.2	5.1
First difference	7.0	6.3	5.9	5.5	5.2	5.1
Nominal income targeting	7.0	6.1	5.3	4.7	4.3	4.4
Constrained optimal control	7.0	6.2	5.5	5.1	4.9	5.0
<i>Total PCE prices</i>						
Extended Tealbook baseline ¹	1.5	1.5	1.5	1.7	1.8	2.0
Taylor (1993)	1.5	1.4	1.5	1.6	1.7	1.9
Taylor (1999)	1.5	1.4	1.5	1.6	1.7	1.9
Inertial Taylor (1999)	1.5	1.5	1.5	1.7	1.8	2.0
Outcome based	1.5	1.4	1.4	1.5	1.7	1.8
First difference	1.5	1.4	1.5	1.6	1.8	2.0
Nominal income targeting	1.5	1.5	1.7	1.8	2.0	2.2
Constrained optimal control	1.5	1.5	1.5	1.7	1.8	2.0
<i>Core PCE prices</i>						
Extended Tealbook baseline ¹	1.3	1.5	1.7	1.8	1.9	2.0
Taylor (1993)	1.3	1.5	1.6	1.7	1.8	1.9
Taylor (1999)	1.3	1.5	1.6	1.7	1.8	1.9
Inertial Taylor (1999)	1.3	1.5	1.7	1.8	1.9	2.0
Outcome based	1.3	1.4	1.6	1.7	1.7	1.8
First difference	1.3	1.5	1.7	1.7	1.8	1.9
Nominal income targeting	1.3	1.5	1.8	2.0	2.1	2.2
Constrained optimal control	1.3	1.5	1.7	1.8	1.9	2.0
<i>Effective nominal federal funds rate²</i>						
Extended Tealbook baseline ¹	0.1	0.1	1.1	2.4	3.4	4.0
Taylor (1993)	0.1	2.2	2.9	3.5	4.0	4.1
Taylor (1999)	0.1	1.2	2.3	3.5	4.1	4.2
Inertial Taylor (1999)	0.1	0.4	1.4	2.5	3.5	4.0
Outcome based	0.1	1.1	2.3	3.4	4.1	4.1
First difference	0.1	1.1	2.4	3.7	4.2	4.2
Nominal income targeting	0.1	0.1	0.2	1.2	2.3	2.9
Constrained optimal control	0.1	0.2	0.8	2.2	3.3	3.9

1. Policy in the Tealbook baseline keeps the federal funds rate at an effective lower bound of 12.5 basis points until two quarters after the projected end of the FOMC's current program of large scale asset purchases. 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 Current Thresholds and Forward Guidance¹

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

Measure and scenario	2013					
	H2	2014	2015	2016	2017	2018
<i>Real GDP</i>						
Extended Tealbook baseline ¹	3.2	2.9	3.2	3.0	2.5	2.0
Taylor (1993)	3.2	2.8	2.9	2.8	2.7	2.2
Taylor (1999)	3.2	2.8	2.9	2.8	2.6	2.2
Outcome based	3.2	2.9	3.1	2.8	2.5	2.1
First difference	3.2	2.9	3.3	3.0	2.6	2.1
Nominal income targeting	3.2	3.1	3.7	3.4	2.7	1.8
Constrained optimal control	3.2	2.9	3.3	3.1	2.5	1.9
<i>Unemployment rate²</i>						
Extended Tealbook baseline ¹	7.0	6.2	5.6	5.1	4.9	4.9
Taylor (1993)	7.0	6.2	5.8	5.5	5.2	5.1
Taylor (1999)	7.0	6.2	5.7	5.5	5.2	5.1
Outcome based	7.0	6.2	5.6	5.4	5.1	5.1
First difference	7.0	6.2	5.6	5.2	4.9	4.8
Nominal income targeting	7.0	6.1	5.3	4.7	4.3	4.4
Constrained optimal control	7.0	6.2	5.5	5.1	4.9	5.0
<i>Total PCE prices</i>						
Extended Tealbook baseline ¹	1.5	1.5	1.5	1.7	1.8	2.0
Taylor (1993)	1.5	1.4	1.5	1.6	1.7	1.9
Taylor (1999)	1.5	1.4	1.5	1.6	1.7	1.9
Outcome based	1.5	1.4	1.4	1.5	1.7	1.8
First difference	1.5	1.5	1.6	1.8	1.9	2.1
Nominal income targeting	1.5	1.5	1.7	1.8	2.0	2.2
Constrained optimal control	1.5	1.5	1.5	1.7	1.8	2.0
<i>Core PCE prices</i>						
Extended Tealbook baseline ¹	1.3	1.5	1.7	1.8	1.9	2.0
Taylor (1993)	1.3	1.5	1.6	1.7	1.8	1.9
Taylor (1999)	1.3	1.5	1.6	1.7	1.8	1.9
Outcome based	1.3	1.4	1.6	1.7	1.8	1.8
First difference	1.3	1.5	1.8	1.9	2.0	2.1
Nominal income targeting	1.3	1.5	1.8	2.0	2.1	2.2
Constrained optimal control	1.3	1.5	1.7	1.8	1.9	2.0
<i>Effective nominal federal funds rate²</i>						
Extended Tealbook baseline ¹	0.1	0.1	1.1	2.4	3.4	4.0
Taylor (1993)	0.1	0.1	3.0	3.6	4.0	4.1
Taylor (1999)	0.1	0.1	2.5	3.5	4.1	4.2
Outcome based	0.1	0.1	1.5	3.5	4.1	4.1
First difference	0.1	0.1	1.4	3.0	3.5	3.6
Nominal income targeting	0.1	0.1	0.2	1.2	2.3	2.9
Constrained optimal control	0.1	0.2	0.8	2.2	3.3	3.9

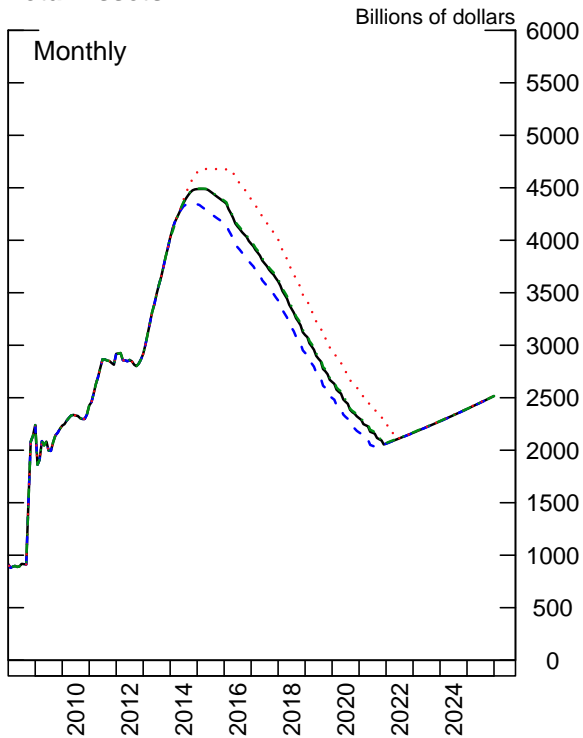
1. With the exception of constrained optimal control, monetary policy is specified to keep the federal funds rate at an effective lower bound of 12.5 basis points as long as the unemployment rate is above 6.0 percent and projected one-year-ahead inflation is less than 2.5 percent. Once either of these thresholds is crossed, the federal funds rate follows the prescriptions of the specified rule. Policy in the Tealbook baseline is consistent with these threshold conditions.

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

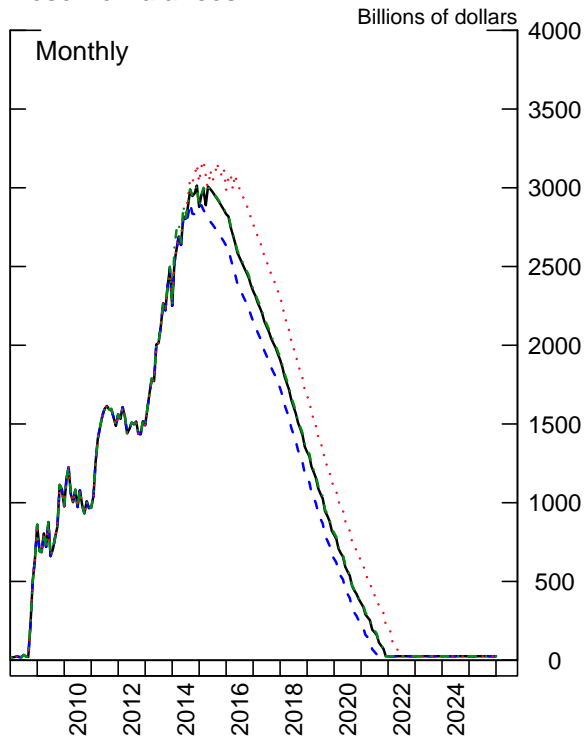
Total Assets and Selected Balance Sheet Items

— Alternative B
 - - Alternative C
 . . . Alternative A
 - - - January Tealbook Alternative B

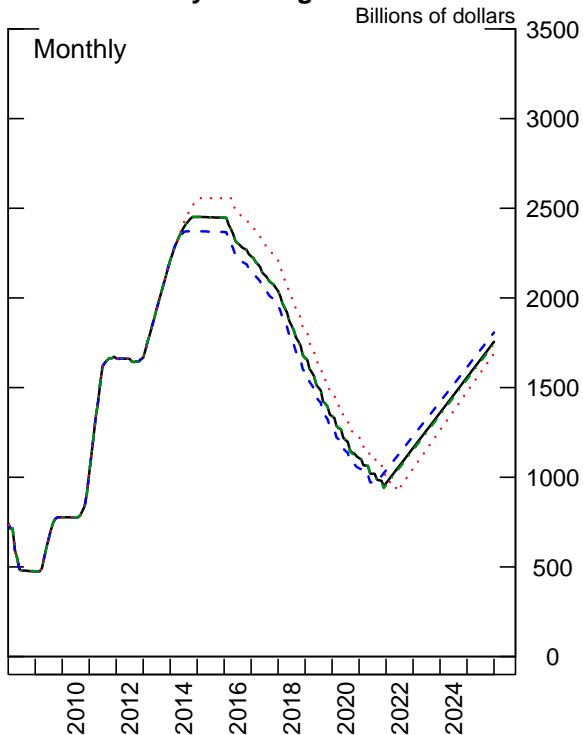
Total Assets



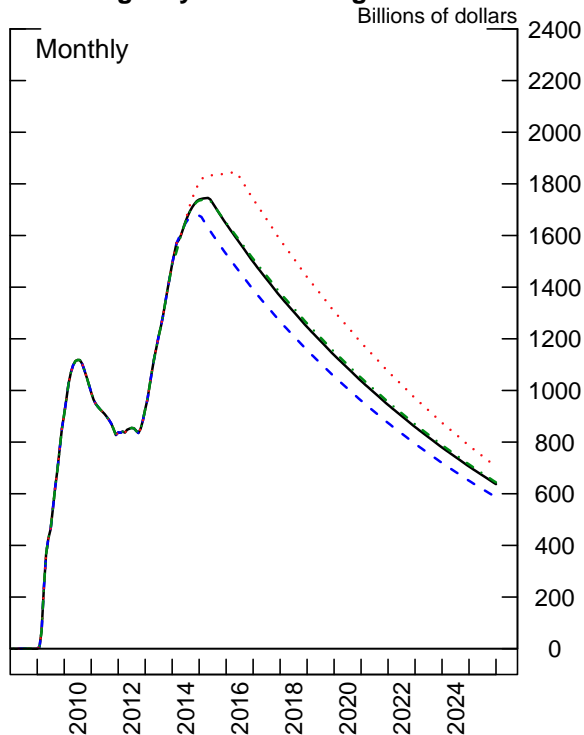
Reserve Balances



SOMA Treasury Holdings



SOMA Agency MBS Holdings

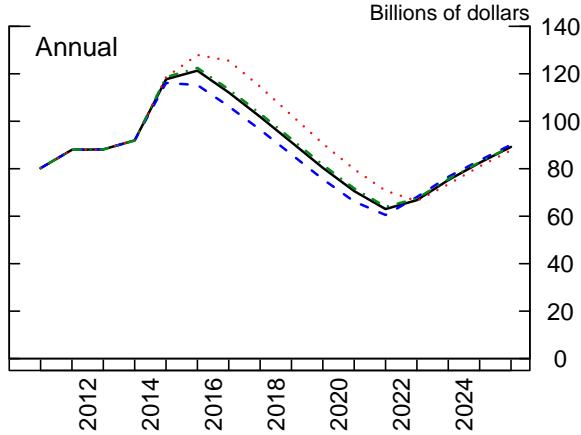


Projections

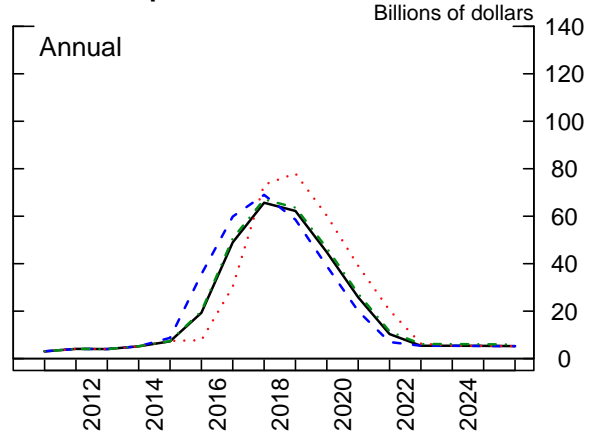
Income Projections

— Alternative B
 - - Alternative C
 . . . Alternative A
 - . - January Tealbook Alternative B

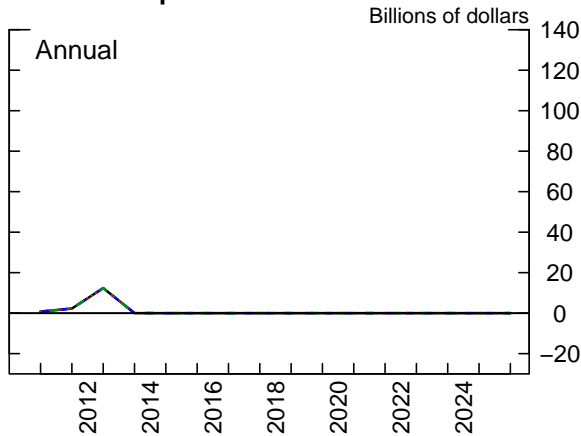
Interest Income



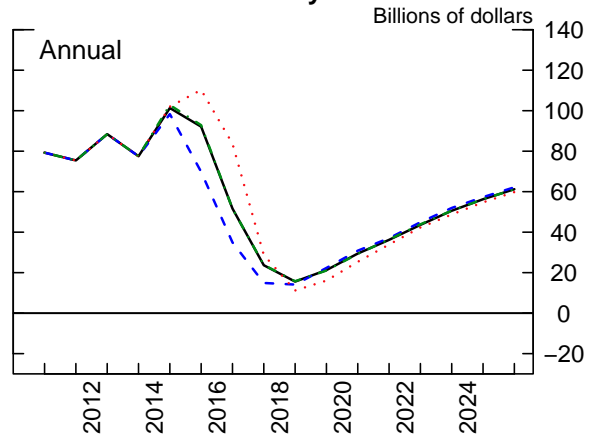
Interest Expense



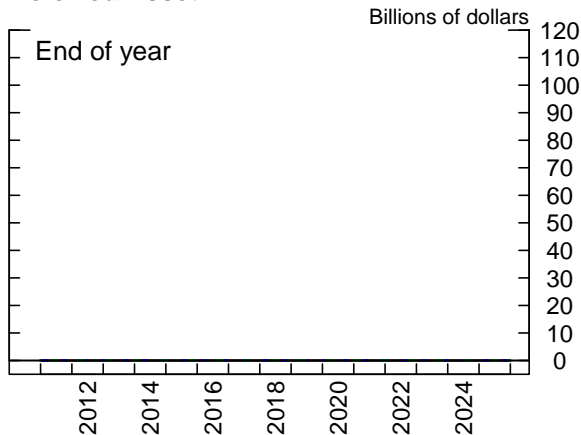
Realized Capital Gains



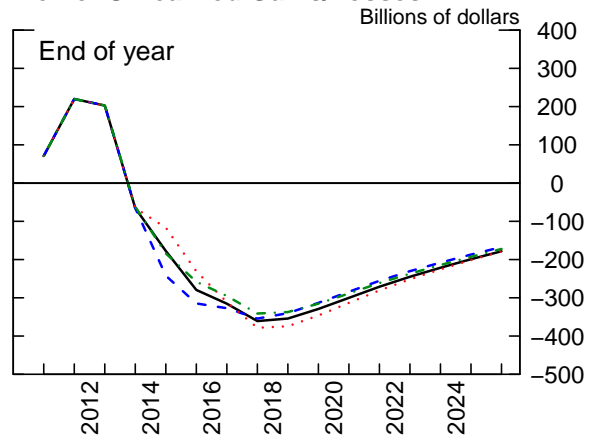
Remittances to Treasury



Deferred Asset



Memo: Unrealized Gains/Losses



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

Billions of dollars

	<u>Feb 28, 2014</u>	<u>2015</u>	<u>2017</u>	<u>2019</u>	<u>2021</u>	<u>2023</u>	<u>2025</u>
Total assets	4,166	4,366	3,609	2,651	2,063	2,276	2,516
Selected assets							
Loans and other credit extensions*	3	0	0	0	0	0	0
Securities held outright	3,905	4,126	3,407	2,480	1,913	2,141	2,395
U.S. Treasury securities	2,283	2,448	2,038	1,340	967	1,360	1,755
Agency debt securities	51	33	4	2	2	2	2
Agency mortgage-backed securities	1,570	1,645	1,365	1,137	944	779	637
Unamortized premiums	209	192	150	117	93	76	62
Unamortized discounts	-16	-18	-15	-12	-9	-8	-7
Total other assets	64	66	66	66	66	66	66
Total liabilities	4,109	4,304	3,531	2,553	1,939	2,118	2,317
Selected liabilities							
Federal Reserve notes in circulation	1,208	1,351	1,507	1,643	1,802	1,984	2,183
Reverse repurchase agreements	217	100	100	100	100	100	100
Deposits with Federal Reserve Banks	2,677	2,846	1,921	809	38	38	38
Reserve balances held by depository institutions	2,609	2,833	1,908	796	25	25	25
U.S. Treasury, General Account	46	5	5	5	5	5	5
Other Deposits	23	8	8	8	8	8	8
Interest on Federal Reserve Notes due to U.S. Treasury	3	0	0	0	0	0	0
Total capital	56	62	78	98	124	157	199

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.

Alternative Projections for the 10-Year Treasury Term Premium Effect

Date	Alternative B	Alternative C	Alternative A	January Alternative B
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Basis Points

Quarterly Averages

2014: Q1	-126	-119	-138	-127
Q2	-121	-114	-134	-123
Q3	-116	-109	-129	-117
Q4	-111	-103	-124	-112
2015: Q1	-106	-98	-119	-107
Q2	-101	-93	-114	-102
Q3	-95	-88	-108	-96
Q4	-90	-83	-103	-91
2016: Q1	-86	-79	-98	-87
Q2	-81	-75	-93	-82
Q3	-77	-71	-88	-78
Q4	-73	-67	-84	-74
2017: Q4	-58	-53	-67	-59
2018: Q4	-46	-42	-53	-47
2019: Q4	-37	-34	-42	-37
2020: Q4	-29	-27	-33	-29
2021: Q4	-24	-22	-26	-23
2022: Q4	-19	-18	-20	-19
2023: Q4	-15	-14	-16	-15
2024: Q4	-12	-11	-12	-11
2025: Q4	-8	-8	-9	-8

Alternative Projections for the Monetary Base

Percent change, annual rate; not seasonally adjusted

Date	Alternative B	Alternative C	Alternative A	January Alternative B
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Quarterly

2014: Q1	18.3	18.4	18.4	55.0
Q2	18.9	17.9	20.3	17.7
Q3	19.3	12.9	23.7	14.2
Q4	6.8	3.4	12.4	6.1
2015: Q1	-0.3	3.2	5.1	1.4
Q2	5.6	-4.6	-4.3	4.7
Q3	-2.1	-4.7	5.9	-2.9
Q4	-4.6	-4.6	0.2	-4.0
2016: Q1	-6.8	-6.9	-1.4	-6.1
Q2	-12.6	-13.0	1.2	-11.5
Q3	-9.9	-10.1	-6.9	-9.1
Q4	-8.3	-8.4	-8.1	-7.6

Annual

2017	-9.5	-9.7	-9.2	-8.8
2018	-14.5	-15.0	-14.1	-13.3
2019	-15.8	-16.2	-15.6	-14.4
2020	-15.0	-15.3	-14.6	-13.6
2021	-12.7	-8.0	-13.9	-11.9
2022	3.3	4.8	-7.2	1.7
2023	4.8	4.8	4.9	4.2
2024	4.8	4.8	4.9	4.3
2025	4.8	4.8	4.9	4.3

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

MONEY

After having grown significantly faster than nominal GDP for several years, M2 is projected to increase at nearly the same rate as nominal GDP throughout the remainder of this year and then to contract modestly in 2015 and 2016.¹¹ This pattern results primarily from the assumed increase in the target federal funds rate over the forecast horizon and the associated rise in the opportunity cost of holding M2. In addition, the staff assumes that investors will shift their portfolios away from the safe and liquid assets in M2 toward riskier non-M2 assets as the economic recovery progresses.¹²

M2 Monetary Aggregate Projections (Percent change, annual rate; seasonally adjusted)*		
<i>Quarterly</i>		
2014:	Q1	6.2
	Q2	5.1
	Q3	5.0
	Q4	5.2
2015:	Q1	-0.2
	Q2	-1.7
	Q3	-2.3
	Q4	-2.1
2016:	Q1	-1.5
	Q2	-1.1
	Q3	-0.4
	Q4	0.2
<i>Annual</i>		
	2014	5.5
	2015	-1.6
	2016	-0.7

Note: This forecast is consistent with nominal GDP and interest rates in the Tealbook forecast. Actual data through March 3, 2014; projections thereafter.

* Quarterly growth rates are computed from quarter averages. Annual growth rates are calculated using the change from fourth quarter of previous year to fourth quarter of year indicated.

¹¹ The staff's M2 forecast is constructed using the staff's forecast of nominal income growth and model-based estimates of interest rate effects with judgmental adjustments.

¹² The monetary aggregates could be affected by tools that the Federal Reserve employs during the normalization period, although the size and direction of such effects are difficult to judge. In these projections, we do not take account of such effects.