

Prefatory Note

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Class II FOMC – Restricted (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book A

Economic and Financial Conditions: Current Situation and Outlook

January 21, 2015

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

Reviewing the Effects of Changes in the Dollar and Oil Prices on U.S. GDP

Since the middle of 2014, oil prices have declined dramatically and the dollar has appreciated sharply. In this discussion, we review the estimated effects of the higher dollar and lower oil prices on U.S. GDP. Both the appreciation of the dollar and the fall in oil prices have had large effects on our outlook, with, on net, the negative effect of the higher dollar outweighing the positive effect of lower oil prices.

Table 1 reviews the rules of thumb in the staff judgmental forecast for a 10 percent appreciation of the dollar and a 10 percent decline in the price of oil.¹ The table reports the estimated direct effects of these changes, abstracting from the response of monetary policy and other financial variables. Dollar appreciation lowers exports and increases imports, both of which contribute to a large negative effect on the level of GDP that increases with time. In contrast, lower oil prices boost the level of GDP, as the positive impetus to consumption more than offsets the negative effect on net exports and investment in the oil industry.² The positive effect of an oil price decline largely occurs within a year.

Since the July Tealbook, the broad real dollar has appreciated about 10 percent, lowering the level of the staff forecast for U.S. GDP by 1.6 percent by the end of 2017 (as shown in table 2). Over the same period, the spot price of Brent crude oil has declined almost 60 percent, while prices for further-dated futures contracts have fallen about 35 percent. Judging movements in prices that are further out on the futures curve to be more indicative of persistent price changes, the staff estimates that the 35 percent fall in futures prices will boost the level of GDP by about $\frac{3}{4}$ percent, with most of the increase occurring by the end of this year (also shown in table 2). Thus, on net, the two effects roughly offset one another in 2014 and 2015, but thereafter the negative dollar effect grows to be the larger influence.

The effects reported above are not the only considerations linking changes in the dollar and oil prices to changes in the overall staff outlook. For instance, the estimates do not include the response of monetary policy, which buffers the effects coming through either channel. In addition, the estimated effects do not take into account the underlying factors that might be driving the higher dollar and lower oil prices, which could show up elsewhere in the staff forecast with implications for GDP. Of course, considerable uncertainty also attends these estimates, both for the effects of movements in the dollar and in oil prices.

Table 1: Rules of thumb for the staff judgemental forecast*

Percent deviations from U.S. GDP baseline	After 1 year	After 2 years	After 3 years
10 percent appreciation of the dollar	-0.7	-1.4	-1.7
10 percent decline in oil prices	0.2	0.2	0.2

* Direct effects not including the response of monetary policy and financial variables.

Table 2: Direct effect on the staff forecast for the level of U.S. GDP since the July Tealbook

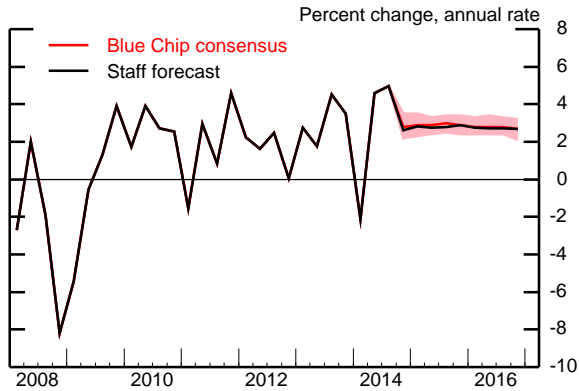
	2014	2015	2016	2017
Dollar appreciation	-0.1	-0.8	-1.4	-1.6
Decline in oil prices	0.2	0.7	0.7	0.7

¹ These rules of thumb are inclusive of recent changes in the staff's methodology, including changes adopted in the December Tealbook that lessened the sensitivity of U.S. GDP to exchange rate movements and changes adopted in the January Tealbook that increased the responsiveness of U.S. GDP to oil prices.

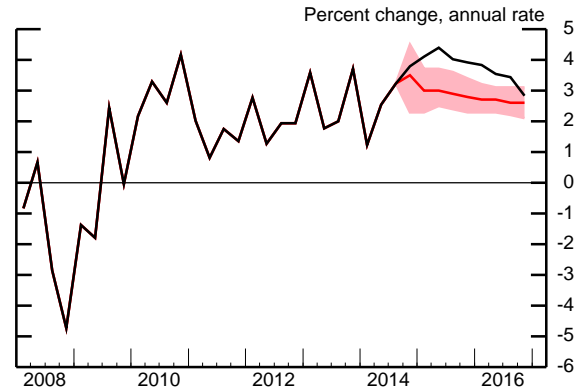
² For a fuller discussion of the effects of lower oil prices on the U.S. economy and the risks surrounding our estimates, see the January 21, 2015, memorandum to the FOMC, "The Effects of Lower Oil Prices on U.S. Activity: Baseline Assumptions and Risks," by Kimberly Bayard, David Byrne, Gustavo Suarez, and Robert Vigfusson.

Tealbook Forecast Compared with Blue Chip (Blue Chip survey released January 10, 2015)

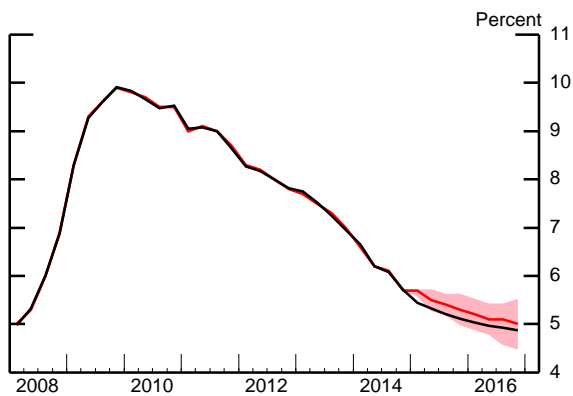
Real GDP



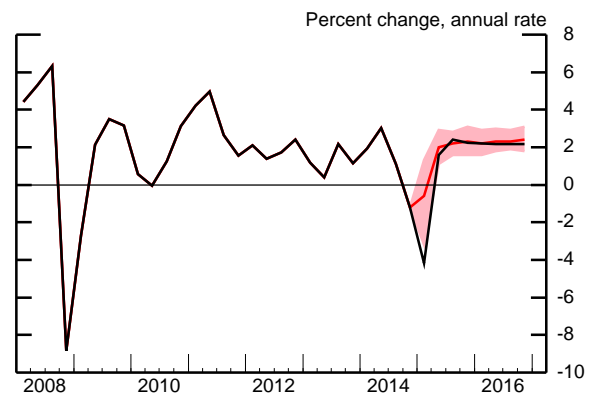
Real PCE



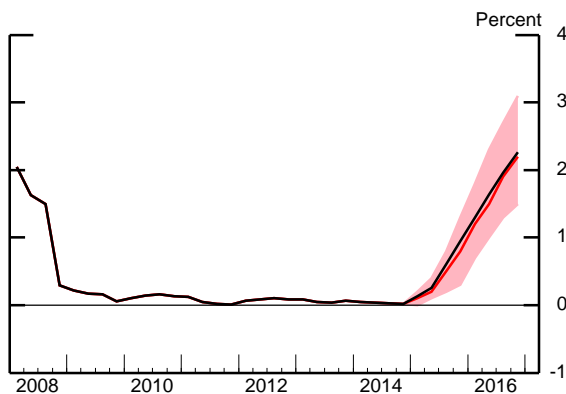
Unemployment Rate



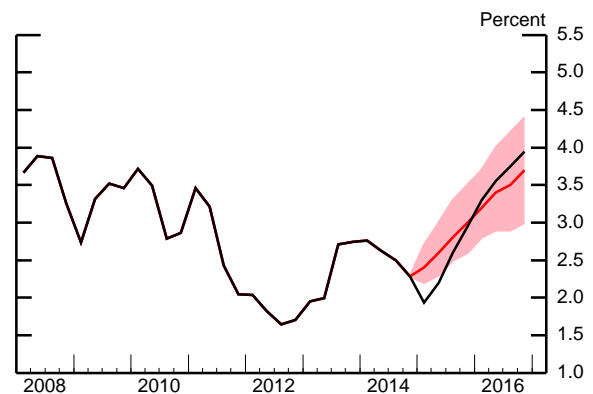
Consumer Price Index



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.

soft monthly readings on core inflation and the further decline in TIPS-based inflation compensation.

COMPARING THE STAFF PROJECTION WITH OTHER FORECASTS

The staff forecasts of real GDP growth in 2015 and 2016 are essentially the same as the January Blue Chip consensus outlook. Meanwhile, the staff's forecasts of the unemployment rate in the fourth quarter of this year and next are a bit lower than the Blue Chip Consensus. The staff's projection for consumer price inflation in 2015 stands about 1 percentage point below the consensus of the Blue Chip panelists, but, given the recent declines in energy prices, this divergence likely reflects the difference in the timing of the Blue Chip survey and the close of the January Tealbook; the two forecasts are similar in 2016.²

Comparison of Tealbook and Outside Forecasts

	2015	2016
GDP (Q4/Q4 percent change)		
January Tealbook	2.8	2.7
Blue Chip (1/10/15)	2.9	2.8
SPF median (11/17/14)	2.9	n.a.
Unemployment rate (Q4 level)		
January Tealbook	5.1	4.9
Blue Chip (1/10/15)	5.3	5.0
SPF median (11/17/14)	5.5	n.a.
Consumer price index (Q4/Q4 percent change)		
January Tealbook	0.5	2.2
Blue Chip (1/10/15)	1.4	2.3
SPF median (11/17/14)	1.9	2.1
PCE price index (Q4/Q4 percent change)		
January Tealbook	0.5	1.7
SPF median (11/17/14)	1.8	1.9

Note: SPF is the Survey of Professional Forecasters. Blue Chip does not provide results for PCE price inflation.

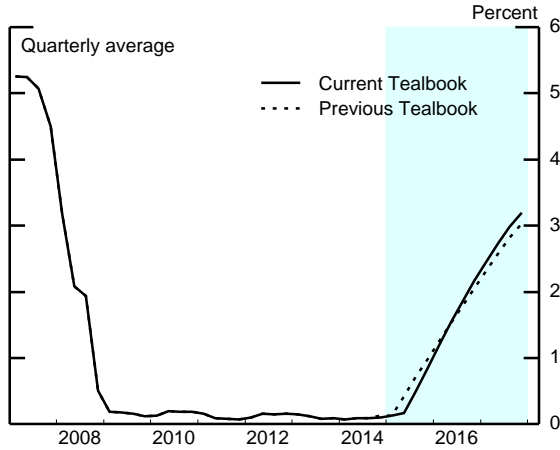
n.a. Not available.

Source: Blue Chip Economic Indicators; Federal Reserve Bank of Philadelphia.

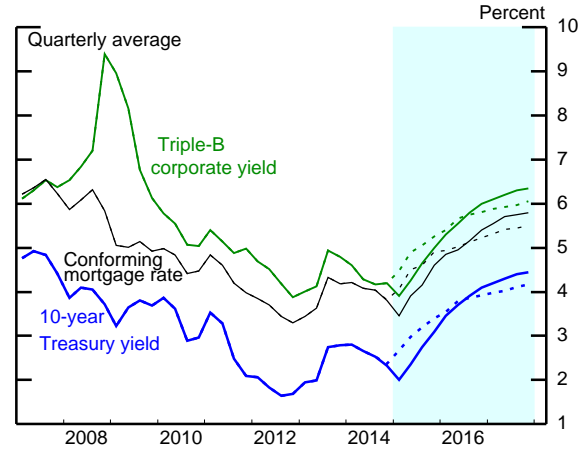
² The most recent results from the Survey of Professional Forecasters (which includes some of the same participants as the Blue Chip survey) were released in November, so they predate the encouraging employment reports for November and December, strong recent spending data, and much of the recent decline in oil prices.

Key Background Factors underlying the Baseline Staff Projection

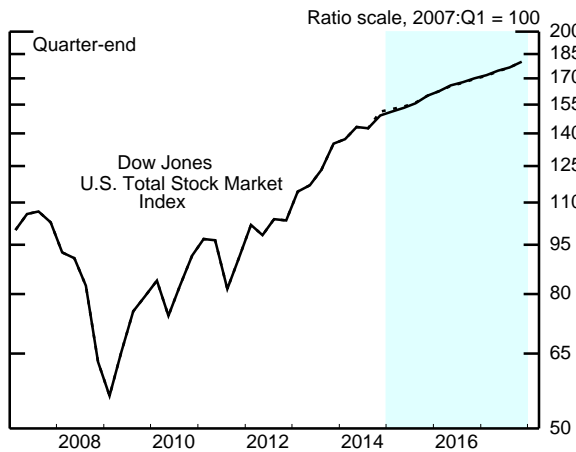
Federal Funds Rate



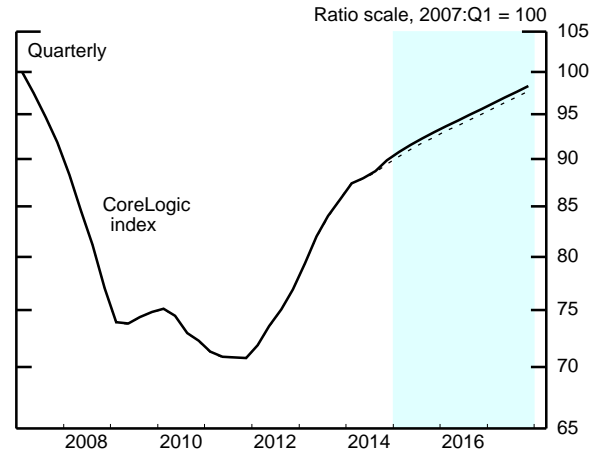
Long-Term Interest Rates



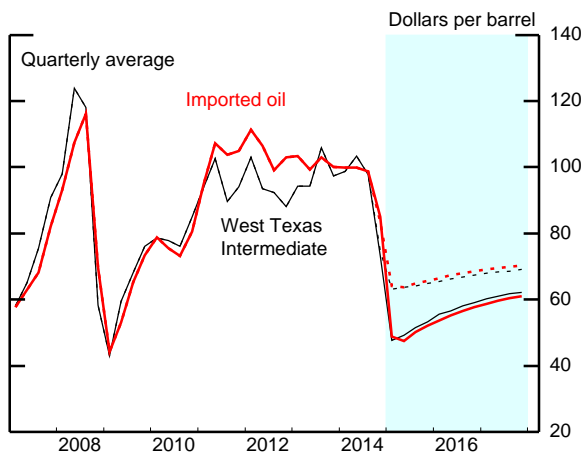
Equity Prices



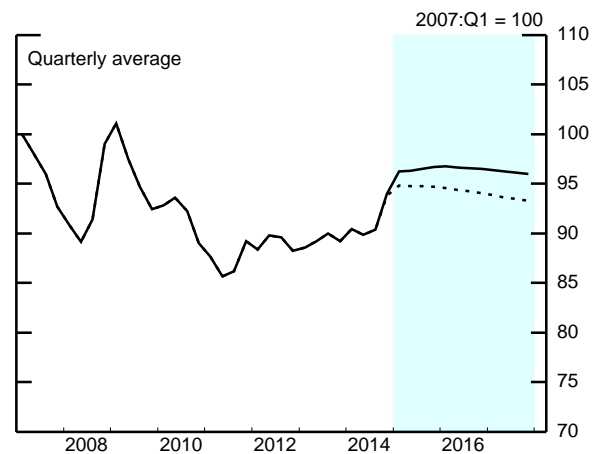
House Prices



Crude Oil Prices



Broad Real Dollar



Summary of the Near-Term Outlook

(Percent change at annual rate except as noted)

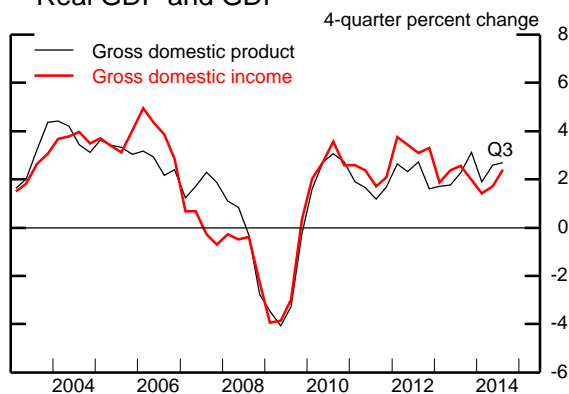
Measure	2014:Q3		2014:Q4		2015:Q1	
	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook	Previous Tealbook	Current Tealbook
Real GDP	4.1	5.0	2.2	2.6	2.4	2.8
Private domestic final purchases	3.1	4.1	3.4	3.7	3.1	3.9
Personal consumption expenditures	2.2	3.2	3.4	3.8	3.5	4.1
Residential investment	3.0	3.2	6.2	3.7	3.6	7.2
Nonres. private fixed investment	8.0	8.9	3.0	3.5	.9	1.9
Government purchases	4.4	4.4	-2.1	-3.9	-.1	.5
<i>Contributions to change in real GDP</i>						
Inventory investment ¹	-.1	.0	.4	.8	-.1	-.2
Net exports ¹	.8	.8	-.8	-.6	-.1	-.3
Unemployment rate²	6.1	6.1	5.7	5.7	5.5	5.4
PCE chain price index	1.3	1.2	-.1	-.5	-.6	-2.5
Ex. food and energy	1.4	1.4	1.6	1.1	1.5	1.1

1. Percentage points.

2. Percent.

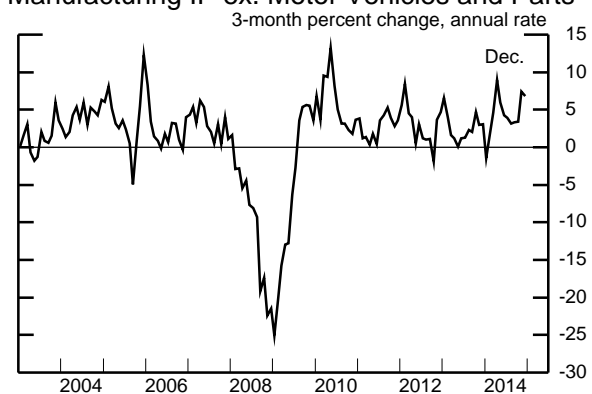
Recent Nonfinancial Developments (1)

Real GDP and GDI



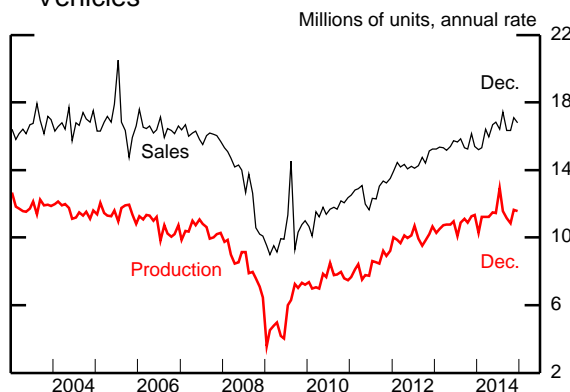
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Manufacturing IP ex. Motor Vehicles and Parts



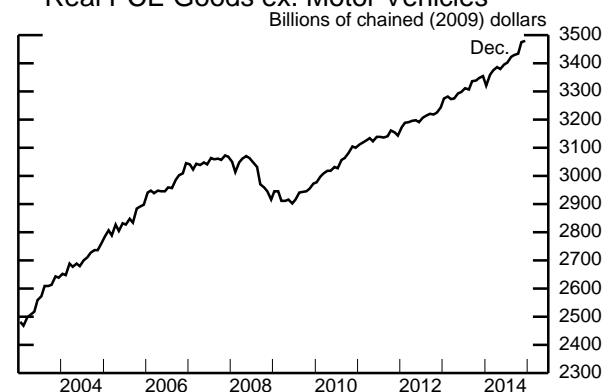
Source: Federal Reserve Board, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Sales and Production of Light Motor Vehicles



Source: Ward's Communications.

Real PCE Goods ex. Motor Vehicles



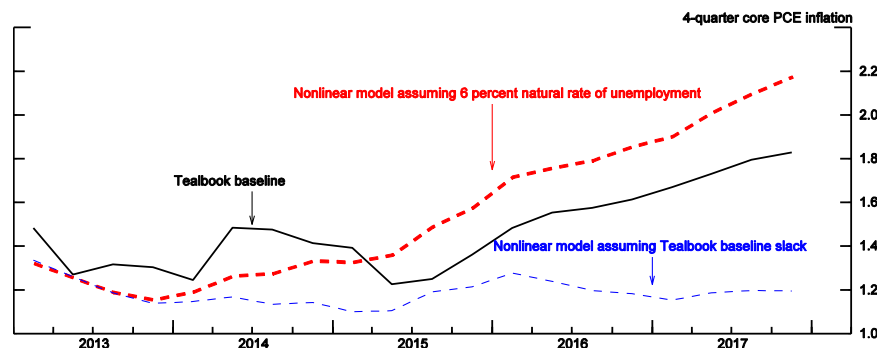
Note: Values for October, November, and December 2014 are staff estimates based on available source data.

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

Examining data such as those shown in figure 1, recent work on nonlinearities in the Phillips curve has focused on wage inflation.³ Here, instead, we delve into core PCE price inflation using a Phillips curve that closely approximates Robert Gordon's well-known triangle model.⁴ As shown in figure 2, allowing for nonlinearities in this otherwise traditional model suggests that unemployment affects inflation considerably less (that is, the slope is much flatter) when the unemployment rate gap is very high compared with when it is very low. As a result, this nonlinear model explains the relatively small decline in inflation in recent years fairly well without relying on anchored expectations.

Since past inflation feeds through into future inflation in this model and the unemployment rate is projected to be relatively close to the natural rate of unemployment over the next few years, this model suggests no increase in core inflation in the medium term—a projection that is notably *below* the slowly increasing inflation in the current Tealbook baseline (compare the blue dashed line with the black line in figure 3). However, the projection from this framework is much more sensitive to the assumed amount of slack in the unemployment rate gap than the staff's baseline view. For example, if in reality there is considerably less slack than in the Tealbook baseline—such as if the natural rate of unemployment is around 6 percent as suggested by some of the estimates in a recent Cleveland Fed Economic Commentary—the nonlinear model would project inflation roughly $\frac{1}{2}$ percentage point higher than the baseline in 2017 (the red dashed line in figure 3), even though the staff's usual response in the anchored expectations framework would move the projection up only about one-tenth of a percentage point (not shown).⁵

Figure 3. Projected four-quarter core PCE inflation



³ For example, see Anil Kumar and Pia Orrenius (2014), "A Closer Look at the Phillips Curve Using State Level Data," Working Paper 1409 (Dallas: Federal Reserve Bank of Dallas, October), www.dallasfed.org/assets/documents/research/papers/2014/wp1409.pdf; and Richard W. Fisher and Evan F. Koenig (2014), "Are We There Yet? Assessing Progress toward Full Employment and Price Stability," Federal Reserve Bank of Dallas, *Economic Letter*, vol. 9 (13), pp. 1–4, www.dallasfed.org/assets/documents/research/eclett/2014/el1413.pdf.

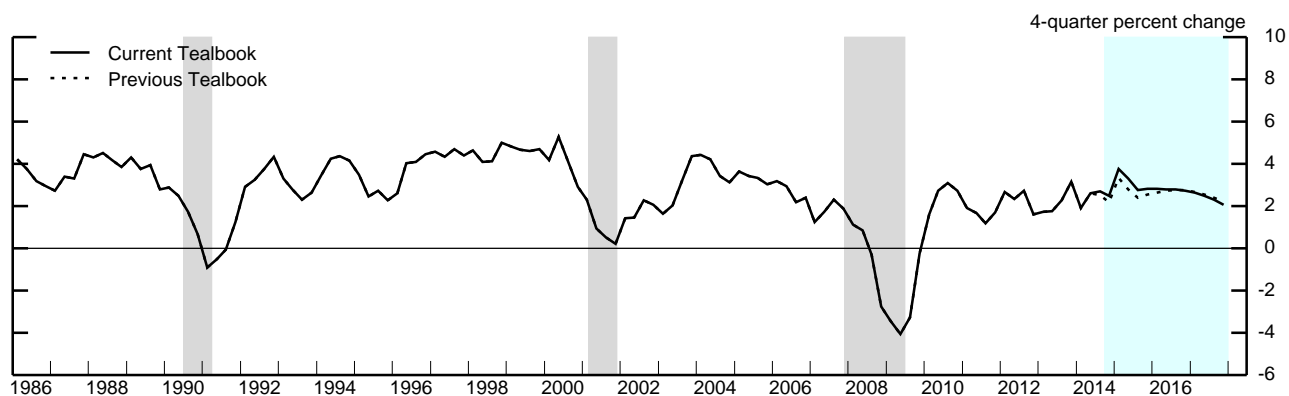
⁴ The model predicts quarterly core PCE inflation using 24 lags of core PCE inflation, import prices, the change in trend productivity growth, the difference between core and total PCE inflation, and a measure of slack. For slack, we use the staff unemployment rate gap. See Robert J. Gordon (2013), "The Phillips Curve Is Alive and Well: Inflation and the NAIRU during the Slow Recovery," NBER Working Paper No. 19390 (Cambridge, Mass.: National Bureau of Economic Research, August).

⁵ The projections, which are fitted values through the end of 2014 and forecast values thereafter, assume a natural rate of unemployment of 6 percent starting in the first quarter of 2012, when the Tealbook baseline natural rate first falls below that threshold, and Tealbook baseline forecasts for the unemployment rate; trend productivity; and food, energy, and import prices. The comparison of natural rate estimates see Murat Tasci and Randal Verbrugge (2014), "How Much Slack Is in the Labor Market? That Depends on What You Mean by Slack," Federal Reserve Bank of Cleveland, Federal Reserve Bank of Cleveland Economic Commentary, 2014-21 (October), clevelandfed.org/Newsroom%20and%20Events/Publications/Economic%20Commentary/2014/How%20Much%20Slack%20Is%20in%20the%20Labor%20Market.aspx.

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

Measure	2014	2015		2015	2016	2017
		H1	H2			
Real GDP	2.5	2.8	2.8	2.8	2.7	2.0
Previous Tealbook	2.2	2.4	2.7	2.5	2.7	2.2
Final sales	2.2	2.9	2.8	2.8	2.8	2.4
Previous Tealbook	2.0	2.4	2.7	2.5	2.8	2.6
Personal consumption expenditures	2.7	4.2	4.0	4.1	3.4	2.7
Previous Tealbook	2.3	3.5	3.7	3.6	3.3	2.7
Residential investment	2.5	9.1	13.0	11.0	9.2	4.1
Previous Tealbook	3.0	7.4	11.5	9.4	9.9	7.6
Nonresidential structures	6.0	-8.1	-3.0	-5.6	2.4	1.2
Previous Tealbook	4.6	-5.2	-1.4	-3.4	1.6	1.2
Equipment and intangibles	5.9	4.3	5.3	4.8	4.2	2.7
Previous Tealbook	5.8	2.0	3.9	2.9	4.2	2.9
Federal purchases	-.8	-1.5	-2.1	-1.8	-1.3	-1.1
Previous Tealbook	.2	-2.9	-2.8	-2.8	-1.3	-1.1
State and local purchases	1.0	1.4	1.7	1.6	2.0	2.2
Previous Tealbook	1.1	1.5	1.5	1.5	1.8	2.0
Exports	1.9	2.1	2.0	2.0	2.5	3.6
Previous Tealbook	1.9	2.4	2.6	2.5	3.3	4.2
Imports	4.5	5.3	7.2	6.3	5.4	4.0
Previous Tealbook	4.7	3.6	6.0	4.8	5.2	3.9
Contributions to change in real GDP (percentage points)						
Inventory change	.3	-.1	.1	.0	.0	-.3
Previous Tealbook	.2	.0	.0	.0	-.1	-.4
Net exports	-.5	-.5	-.8	-.7	-.5	-.2
Previous Tealbook	-.5	-.3	-.6	-.4	-.4	-.1

Real GDP

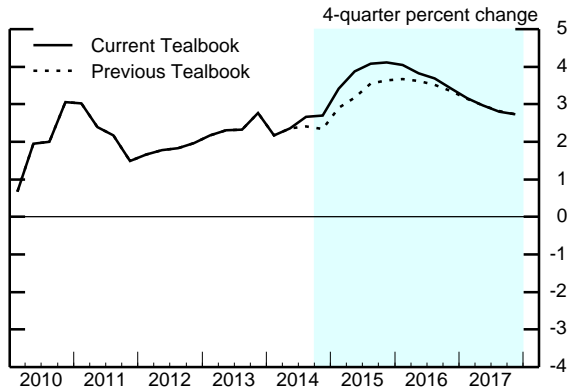


Note: The gray shaded bars indicate a period of business recession as defined by the National Bureau of Economic Research.

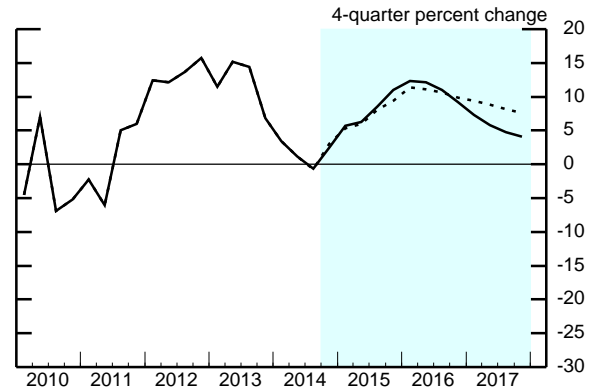
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Components of Final Demand

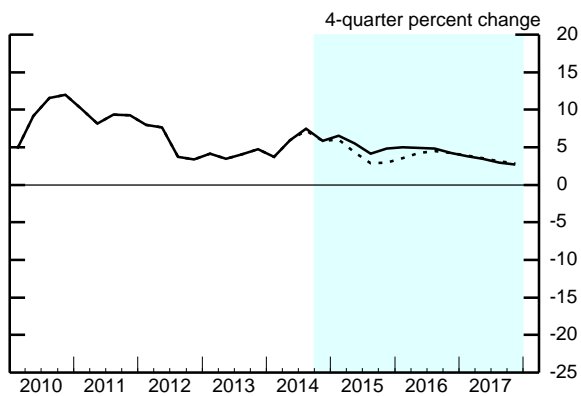
Personal Consumption Expenditures



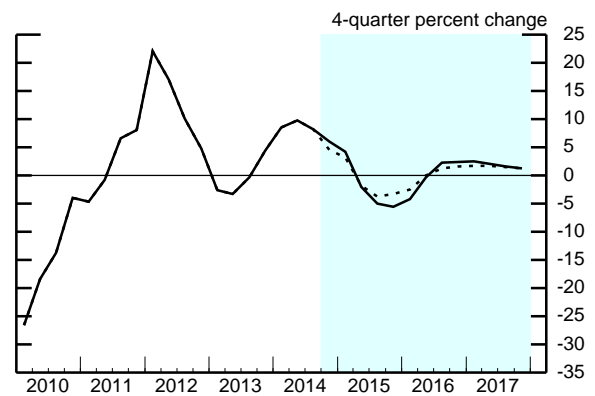
Residential Investment



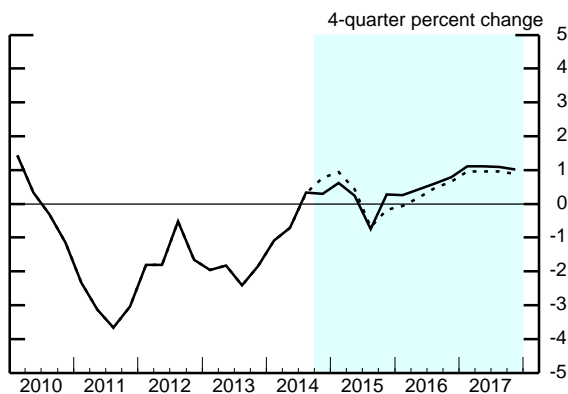
Equipment and Intangibles



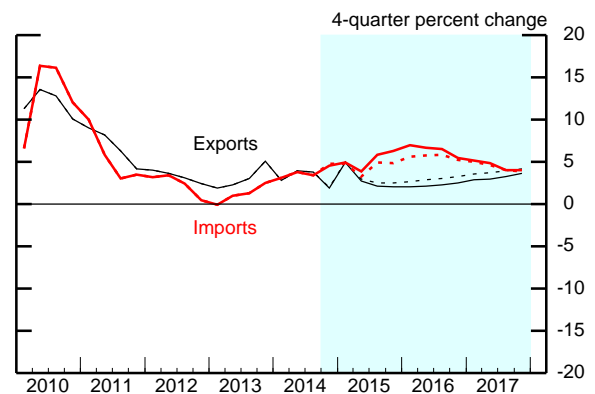
Nonresidential Structures



Government Consumption & Investment



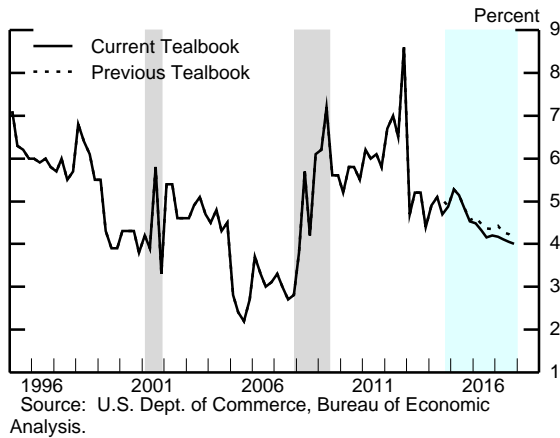
Exports and Imports



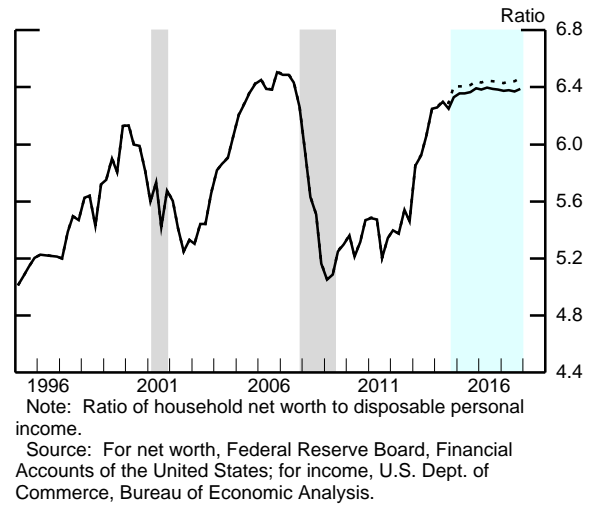
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Aspects of the Medium-Term Projection

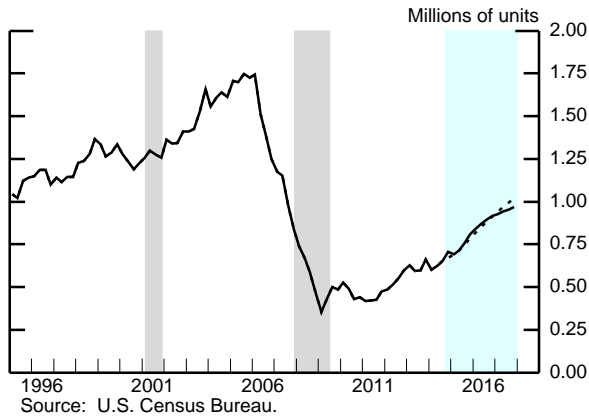
Personal Saving Rate



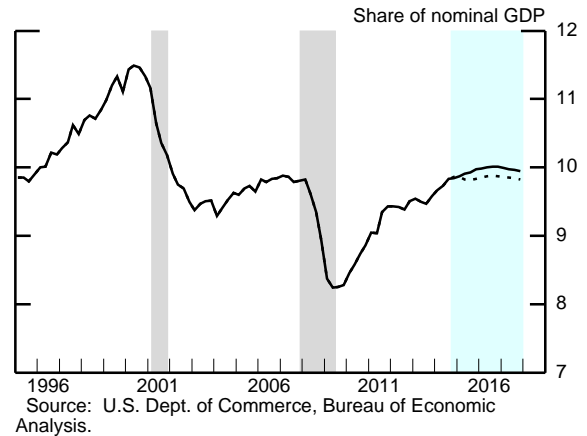
Wealth-to-Income Ratio



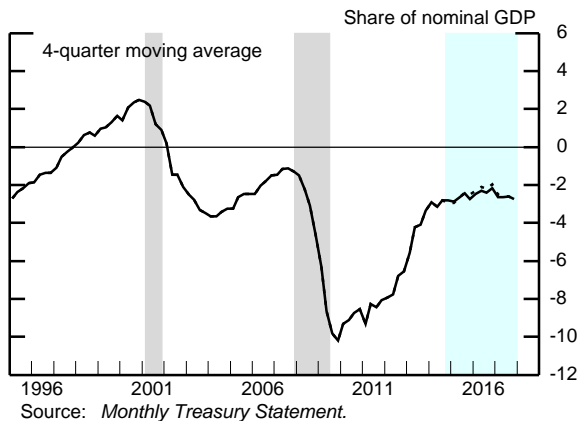
Single-Family Housing Starts



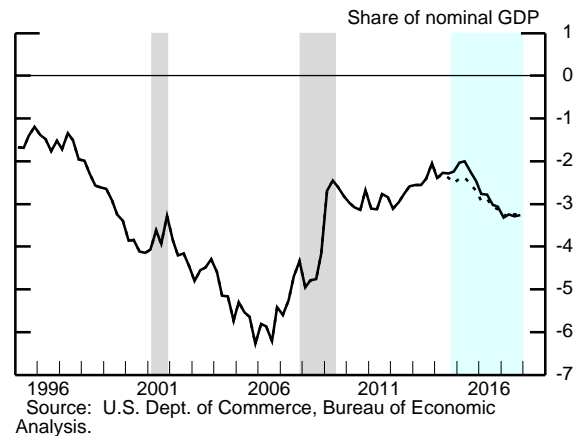
Equipment and Intangibles Spending



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.

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

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

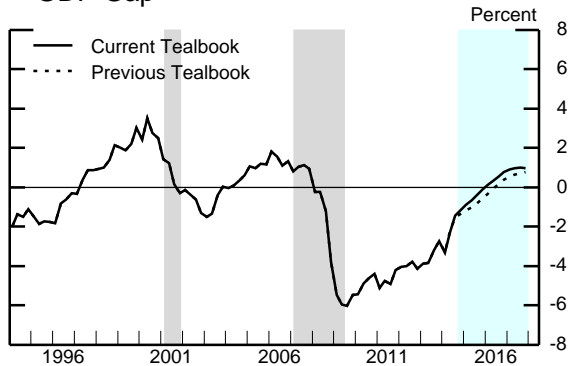
Note: For multiyear periods, the percent change is the annual average from Q4 of the year preceding the first year shown to Q4 of the last year shown.

1. Percentage points.

2. Total business sector.

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.

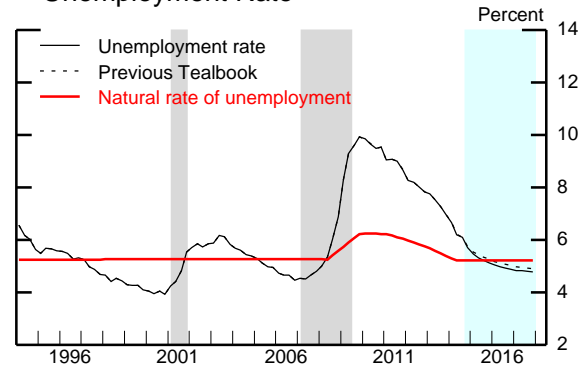
GDP Gap



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

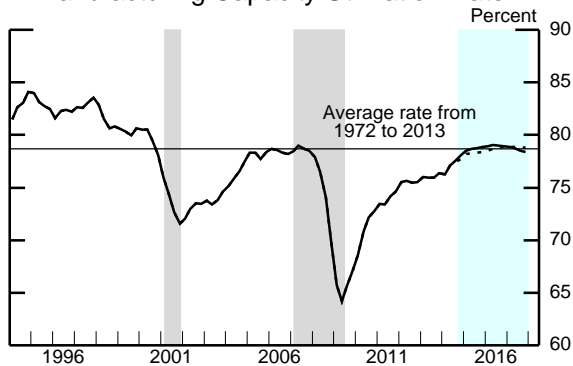
Source: U.S. Department of Commerce, Bureau of Economic Analysis; staff assumptions.

Unemployment Rate



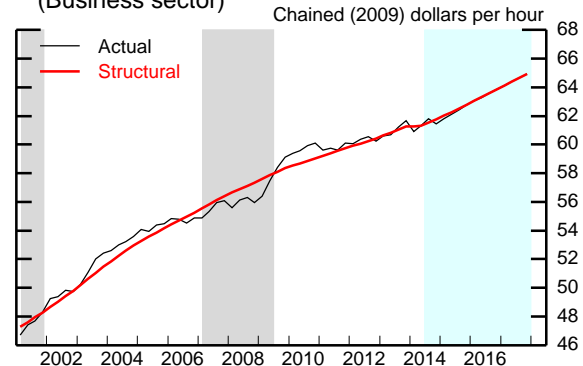
Source: U.S. Department of Labor, Bureau of Labor Statistics; staff assumptions.

Manufacturing Capacity Utilization Rate



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

Structural and Actual Labor Productivity (Business sector)



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

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

The Outlook for the Labor Market

Measure	2014	2015		2015	2016	2017
		H1	H2			
Output per hour, business ¹	-.4	2.2	2.1	2.2	1.7	1.7
Previous Tealbook	-.1	2.2	1.7	1.9	1.7	1.7
Nonfarm private employment ²	238	218	215	216	216	132
Previous Tealbook	234	205	215	210	218	138
Labor force participation rate ³	62.8	62.7	62.6	62.6	62.6	62.5
Previous Tealbook	62.8	62.6	62.6	62.6	62.5	62.5
Civilian unemployment rate ³	5.7	5.3	5.1	5.1	4.9	4.8
Previous Tealbook	5.7	5.4	5.2	5.2	5.0	4.9

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)

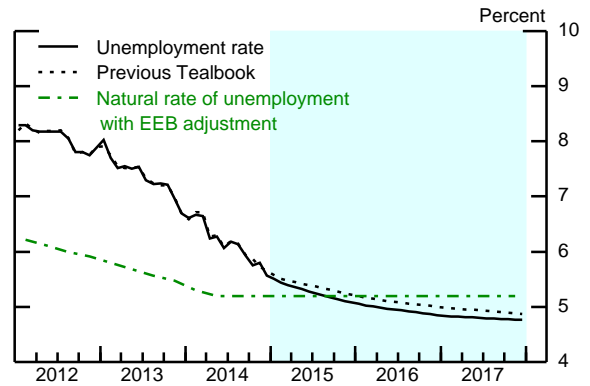
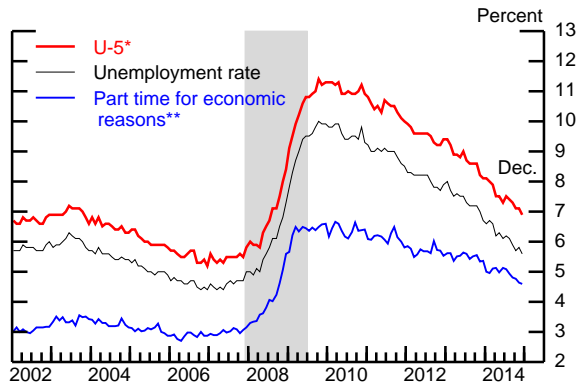
Measure	2014	2015		2015	2016	2017
		H1	H2			
PCE chain-weighted price index	1.1	-.7	1.8	.5	1.7	1.9
Previous Tealbook	1.2	.4	1.6	1.0	1.7	1.8
Food and beverages	2.8	1.1	1.1	1.1	1.6	1.9
Previous Tealbook	2.6	1.3	1.3	1.3	1.6	1.9
Energy	-6.4	-34.6	9.1	-15.5	4.7	3.0
Previous Tealbook	-6.4	-18.9	4.5	-7.9	2.8	1.9
Excluding food and energy	1.4	1.2	1.5	1.4	1.6	1.8
Previous Tealbook	1.6	1.5	1.5	1.5	1.6	1.8
Prices of core goods imports ¹	.5	-2.9	.6	-1.2	1.2	1.3
Previous Tealbook	.4	-1.7	1.0	-.3	1.3	1.3

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

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

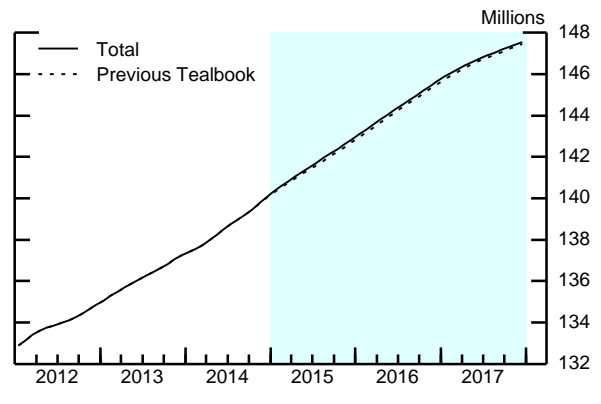
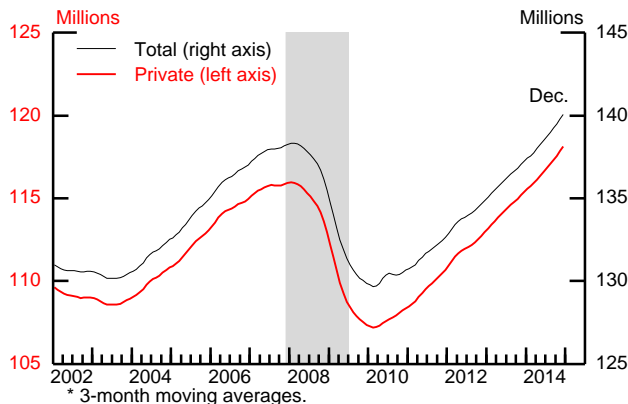
Labor Market Developments and Outlook (1)

Measures of Labor Underutilization



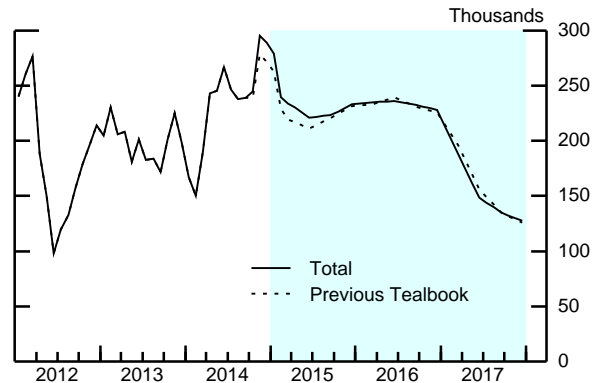
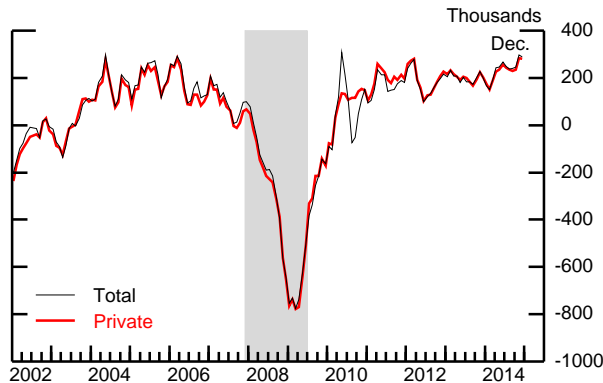
* U-5 measures total unemployed persons plus all marginally attached to the labor force, as a percent of the labor force plus persons marginally attached to the labor force.
 ** Percent of Current Population Survey employment.
 EEB Extended and emergency unemployment benefits.
 Source: U.S. Department of Labor, Bureau of Labor Statistics.

Level of Payroll Employment*



* 3-month moving averages.
 Source: U.S. Department of Labor, Bureau of Labor Statistics.

Change in Payroll Employment*

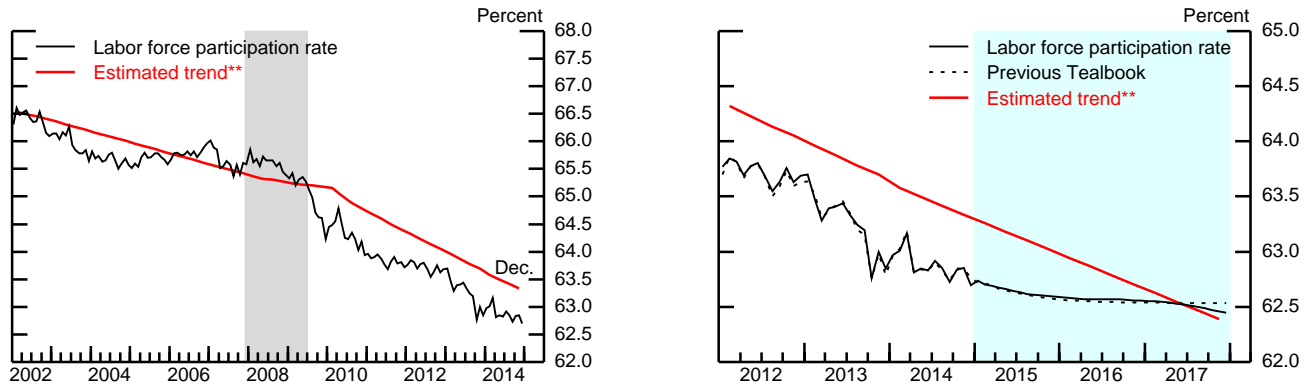


* 3-month moving averages.
 Source: U.S. Department of Labor, Bureau of Labor Statistics.

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*

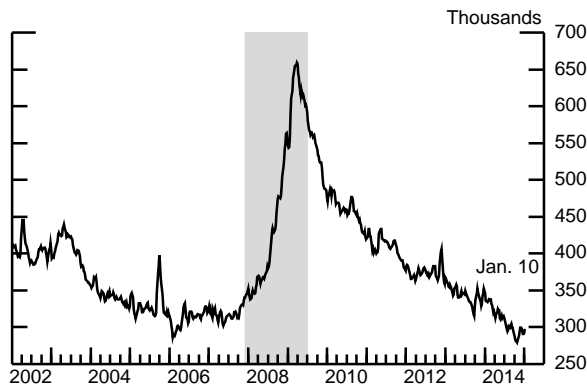


* Published data adjusted by staff to account for changes in population weights.

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

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

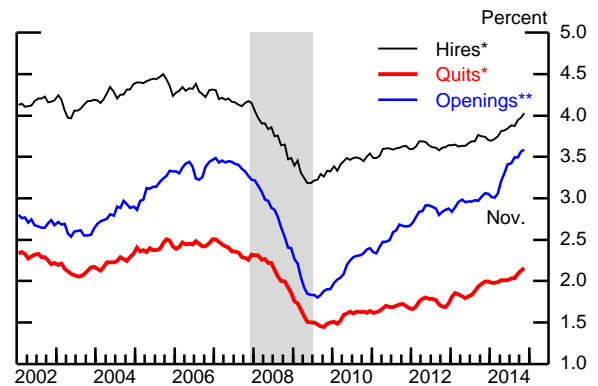
Initial Unemployment Insurance Claims*



* 4-week moving average.

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

Private Hires, Quits, and Job Openings

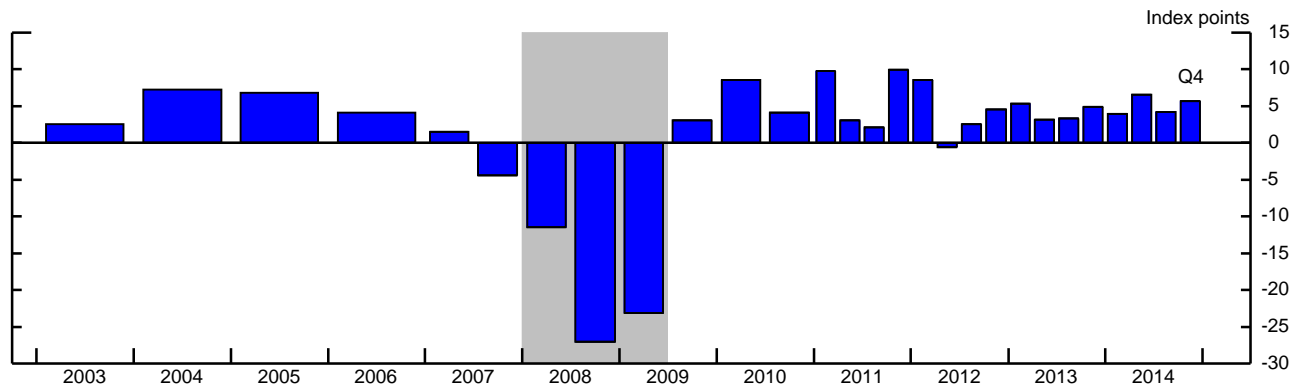


* Percent of private nonfarm payroll employment, 3-month moving average.

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

Source: Job Openings and Labor Turnover Survey.

Average Monthly Change in Labor Market Conditions Index



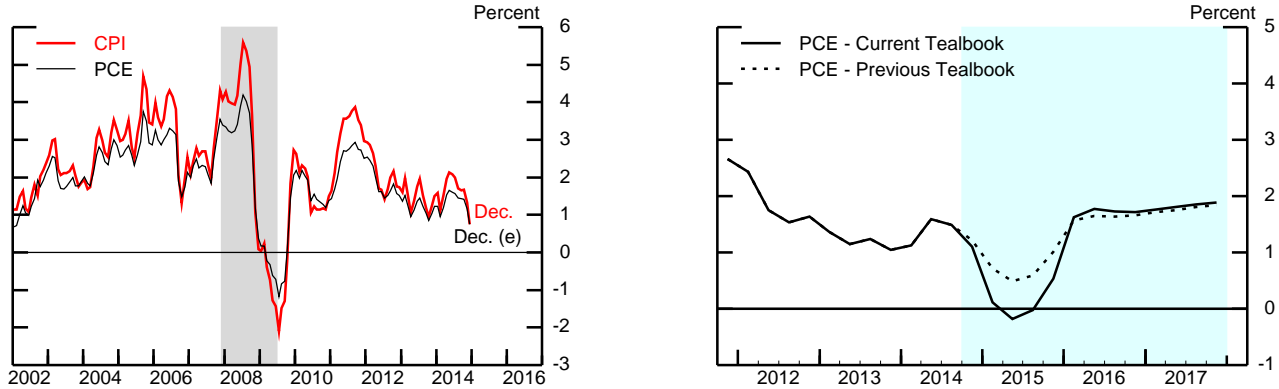
Note: Labor market conditions index estimated by staff.

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

Inflation Developments and Outlook (1)

(Percent change from year-earlier period)

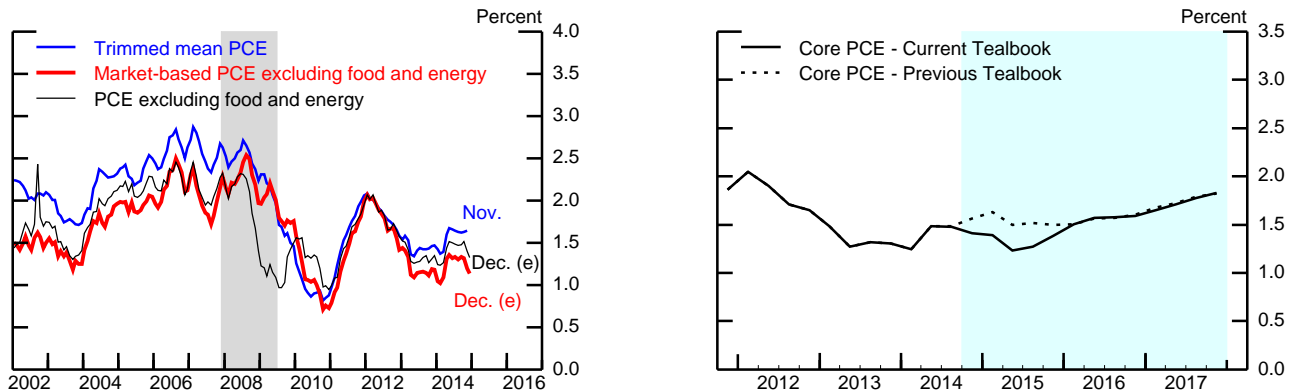
Headline Consumer Price Inflation



Note: PCE prices from October to December 2014 are staff estimates (e).

Source: For CPI, U.S. Department of Labor, Bureau of Labor Statistics; for PCE, U.S. Department of Commerce, Bureau of Economic Analysis.

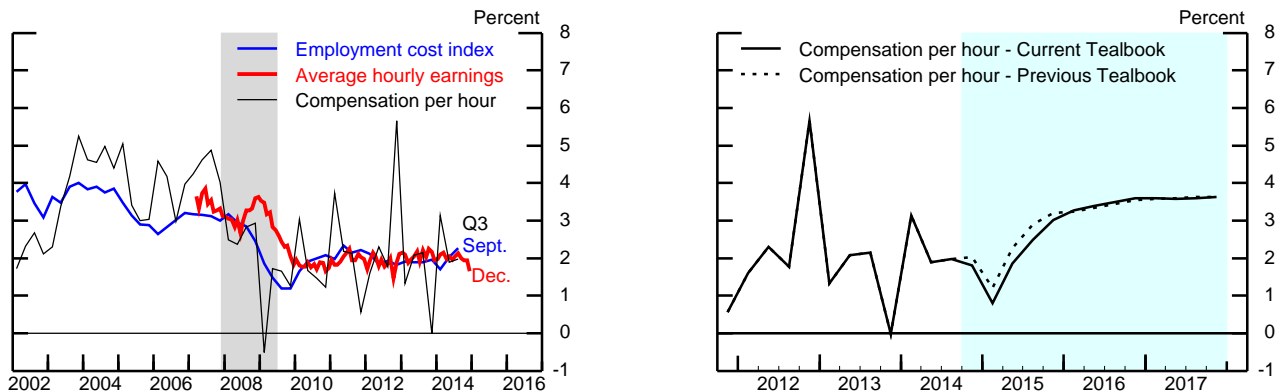
Measures of Underlying PCE Price Inflation



Note: Core PCE prices from October to December 2014 are staff estimates (e).

Source: For trimmed mean PCE, Federal Reserve Bank of Dallas; otherwise, U.S. Department of Commerce, Bureau of Economic Analysis.

Labor Cost Growth



Note: Compensation per hour is for the business sector. Average hourly earnings are for the private nonfarm sector. The employment cost index is for the private sector.

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

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

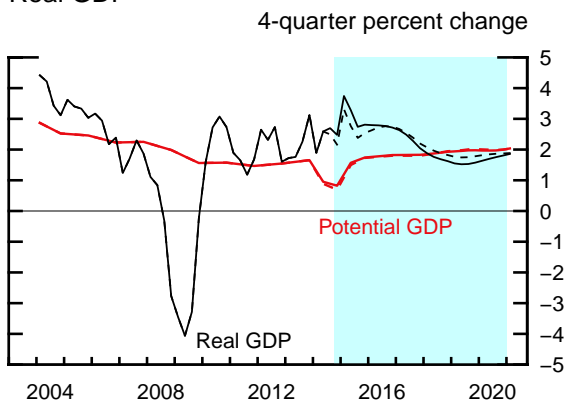
The Long-Term Outlook

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

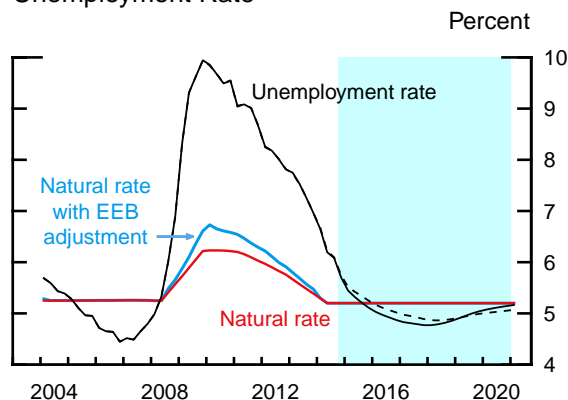
Measure	2014	2015	2016	2017	2018	2019	Longer run
Real GDP	2.5	2.8	2.7	2.0	1.6	1.6	2.0
Previous Tealbook	2.2	2.5	2.7	2.2	1.8	1.8	2.0
Civilian unemployment rate ¹	5.7	5.1	4.9	4.8	4.9	5.0	5.2
Previous Tealbook	5.7	5.2	5.0	4.9	4.9	5.0	5.2
PCE prices, total	1.1	.5	1.7	1.9	1.9	2.0	2.0
Previous Tealbook	1.2	1.0	1.7	1.8	1.9	2.0	2.0
Core PCE prices	1.4	1.4	1.6	1.8	1.9	2.0	2.0
Previous Tealbook	1.6	1.5	1.6	1.8	1.9	2.0	2.0
Federal funds rate ¹	.1	.8	2.2	3.2	3.7	3.9	3.8
Previous Tealbook	.1	1.0	2.1	3.0	3.6	3.8	3.8
10-year Treasury yield ¹	2.3	3.1	4.1	4.4	4.6	4.6	4.6
Previous Tealbook	2.4	3.4	3.9	4.2	4.4	4.5	4.6

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

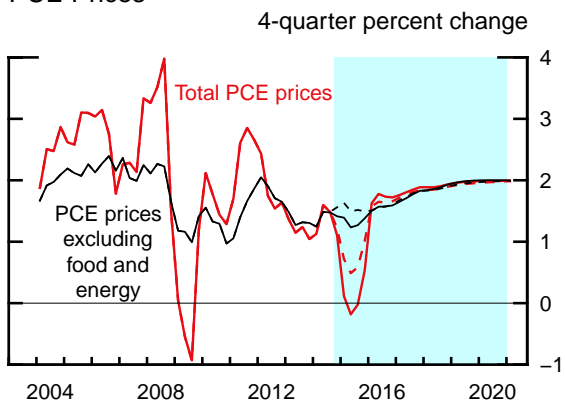
Real GDP



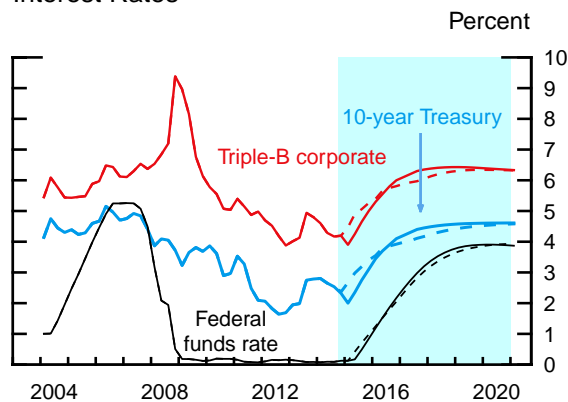
Unemployment Rate



PCE Prices



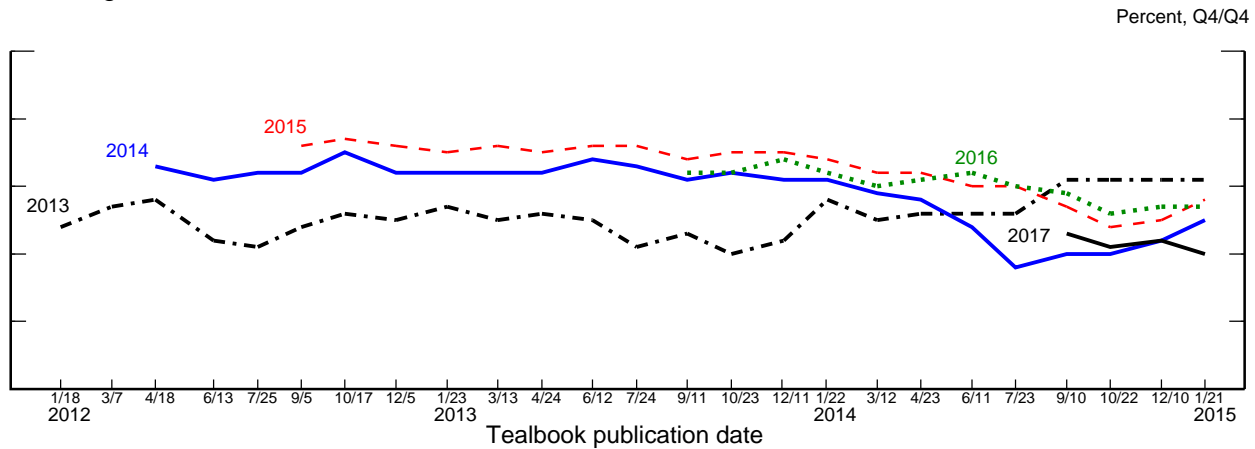
Interest Rates



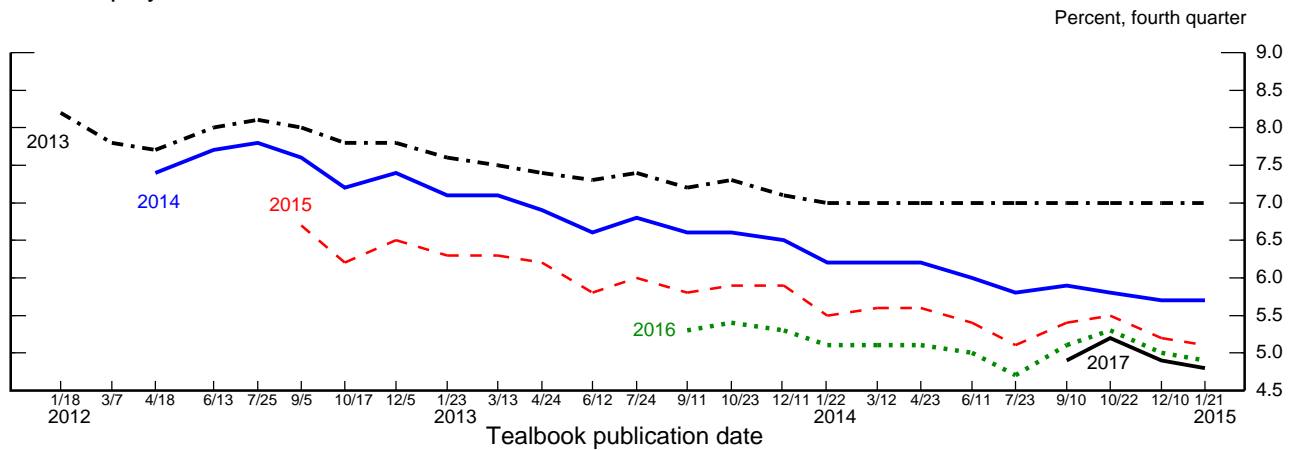
Note: In each panel, shading represents the projection period, and dashed lines are the previous Tealbook.

Evolution of the Staff Forecast

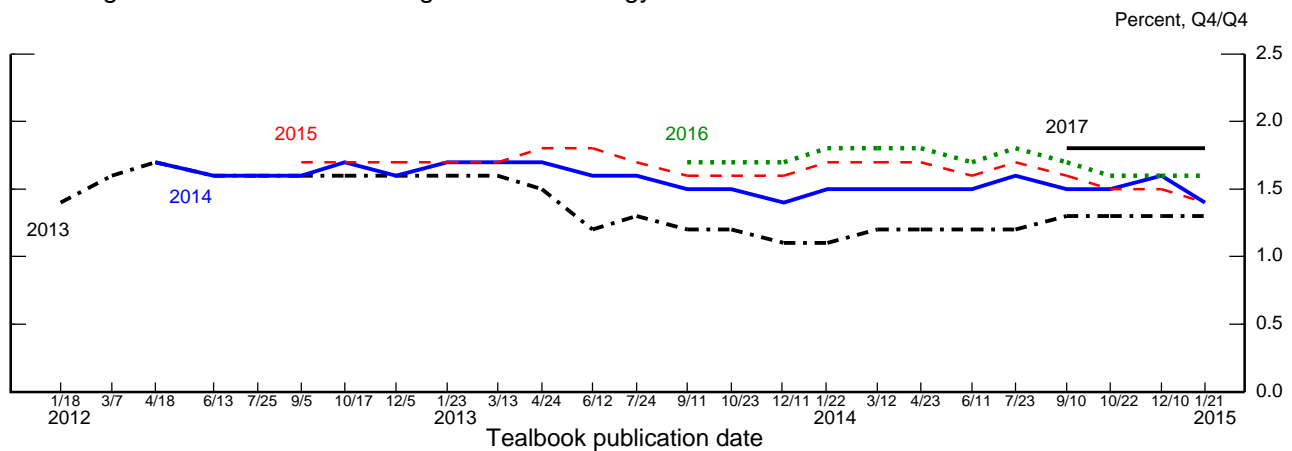
Change in Real GDP



Unemployment Rate



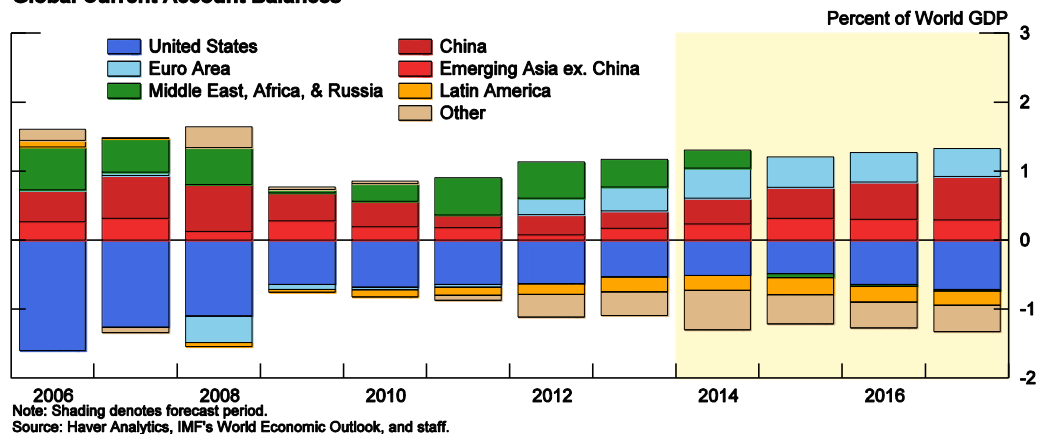
Change in PCE Prices excluding Food and Energy



GLOBAL IMBALANCES

- With the current account surpluses of oil-producing countries having been an important source of global imbalances, the fall in oil prices might be expected to cause a narrowing in global imbalances. Indeed, the current account surplus of the major oil exporters, including the Middle East, Africa, and Russia (the green bars in the following figure), fell significantly in 2014 from recent years and is expected to turn to a deficit in 2015.
- As the figure shows, however, global current account imbalances widened somewhat in 2014, despite the fall in oil prices, and are projected to remain higher than in recent years. This outcome reflects a number of factors: First, some of the current account surplus economies, such as China, other emerging Asia, and the euro area, are oil-importing countries; the surpluses of these economies increased last year as oil prices fell. Second, despite a decline in the value of oil imports, past appreciation of the U.S. dollar and relatively robust growth result in larger current account deficits for the United States. Finally, as growth strengthens in China's major advanced-economy trading partners, higher demand from these economies should push up China's current account surplus. Nevertheless, we expect global imbalances to remain narrower than in the period preceding the global financial crisis.

Global Current Account Balances



The Foreign GDP Outlook

Real GDP*

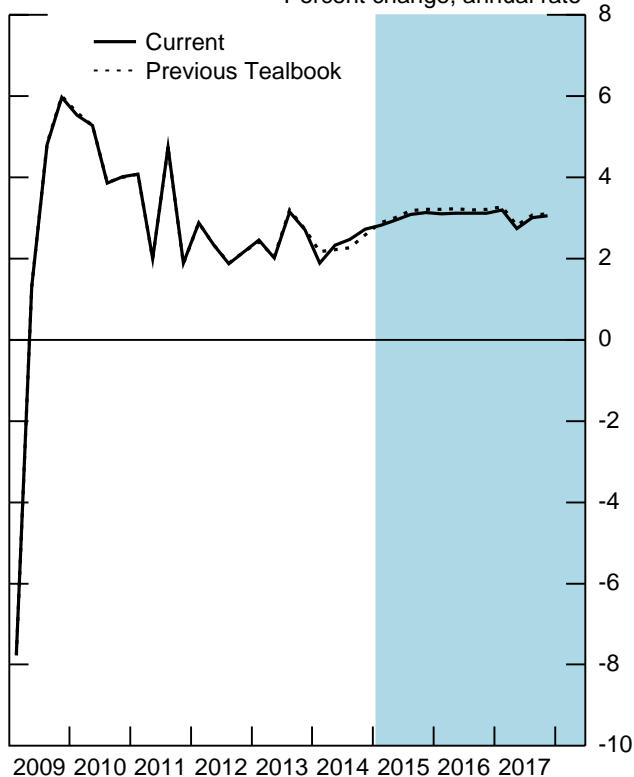
Percent change, annual rate

	2014			2015			2016	2017
	H1	Q3	Q4	Q1	Q2	H2		
1. Total Foreign	2.1	2.5	2.7	2.8	3.0	3.1	3.1	3.0
<i>Previous Tealbook</i>	2.2	2.3	2.6	2.9	3.0	3.2	3.2	3.1
2. Advanced Foreign Economies	1.6	1.6	2.0	2.0	2.2	2.3	2.2	2.0
<i>Previous Tealbook</i>	1.6	1.6	1.8	2.0	2.1	2.2	2.2	1.9
3. Canada	2.3	2.8	2.4	2.4	2.5	2.6	2.4	2.2
4. Euro Area	0.8	0.6	1.0	1.3	1.7	1.9	2.0	2.3
5. Japan	-0.6	-1.9	3.0	1.9	1.8	1.6	1.3	-0.3
6. United Kingdom	2.9	3.0	2.4	2.6	2.6	2.6	2.5	2.3
7. Emerging Market Economies	2.6	3.4	3.4	3.6	3.7	3.9	4.1	4.0
<i>Previous Tealbook</i>	2.8	3.0	3.3	3.8	3.9	4.2	4.2	4.2
8. China	7.0	7.7	7.4	7.1	7.1	7.0	6.9	6.7
9. Emerging Asia ex. China	2.8	3.9	3.7	4.4	4.4	4.5	4.6	4.2
10. Mexico	2.5	2.0	3.2	3.2	3.3	3.4	3.2	3.3
11. Brazil	-1.6	0.3	0.8	1.0	1.4	1.8	2.1	2.3

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

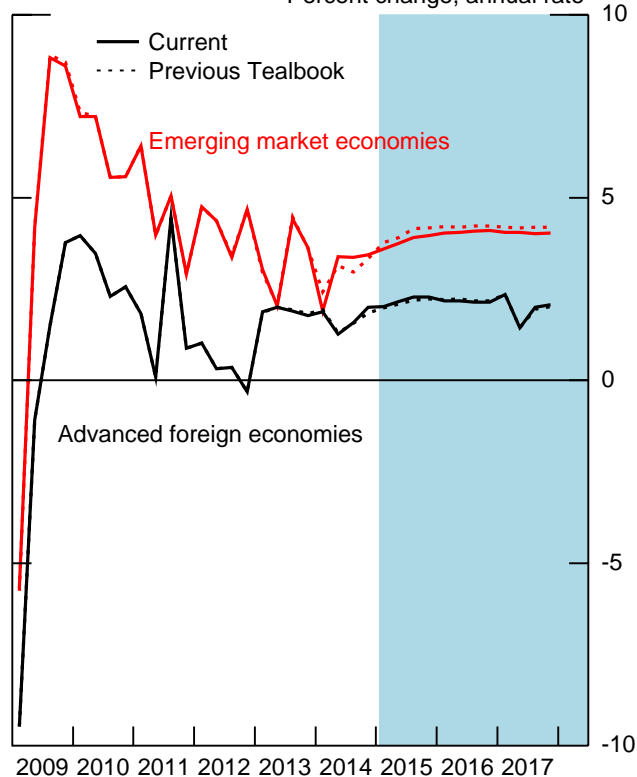
Total Foreign GDP

Percent change, annual rate



Foreign GDP

Percent change, annual rate



The Foreign Inflation Outlook

Consumer Prices*

Percent change, annual rate

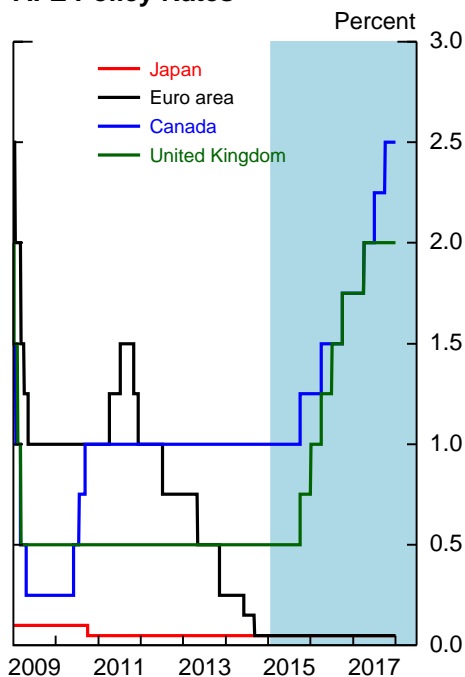
	2014			2015			2016	2017
	H1	Q3	Q4	Q1	Q2	H2		
1. Total Foreign	2.5	2.1	1.1	0.9	2.1	2.4	2.5	2.7
<i>Previous Tealbook</i>	2.5	2.1	1.6	2.0	2.3	2.5	2.6	2.7
2. Advanced Foreign Economies	2.2	1.1	-0.6	-1.3	0.9	1.4	1.6	2.0
<i>Previous Tealbook</i>	2.2	1.1	0.0	0.6	1.1	1.4	1.6	2.0
3. Canada	3.3	1.3	-0.1	-1.6	1.6	1.7	1.8	2.0
4. Euro Area	0.4	0.6	-0.7	-1.6	0.5	1.3	1.6	1.7
5. Japan	4.8	1.8	-1.1	-0.8	0.5	1.1	1.3	2.8
6. United Kingdom	1.6	1.4	-0.8	-0.8	1.4	1.8	1.8	2.0
7. Emerging Market Economies	2.8	2.9	2.4	2.6	3.0	3.2	3.3	3.3
<i>Previous Tealbook</i>	2.8	2.9	2.9	3.1	3.2	3.4	3.3	3.3
8. China	1.4	2.2	1.0	1.4	2.4	2.9	3.0	3.0
9. Emerging Asia ex. China	3.0	1.8	1.7	2.9	3.2	3.2	3.2	3.4
10. Mexico	4.1	4.4	4.2	3.3	3.2	3.3	3.3	3.3
11. Brazil	7.0	6.2	6.0	5.8	5.6	5.6	5.4	5.4

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

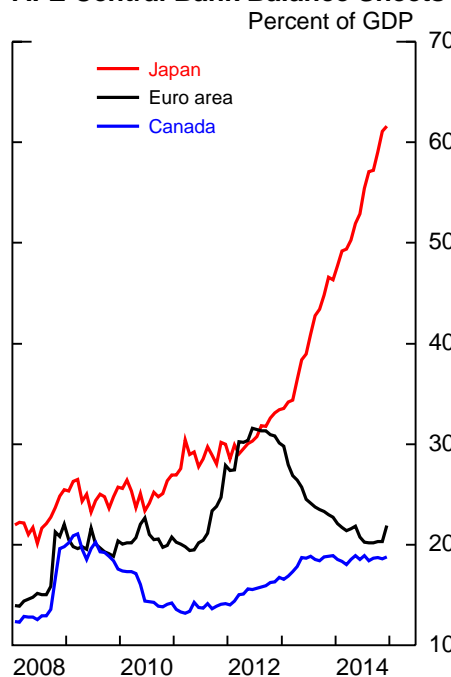
Int'l Econ Devel & Outlook

Foreign Monetary Policy

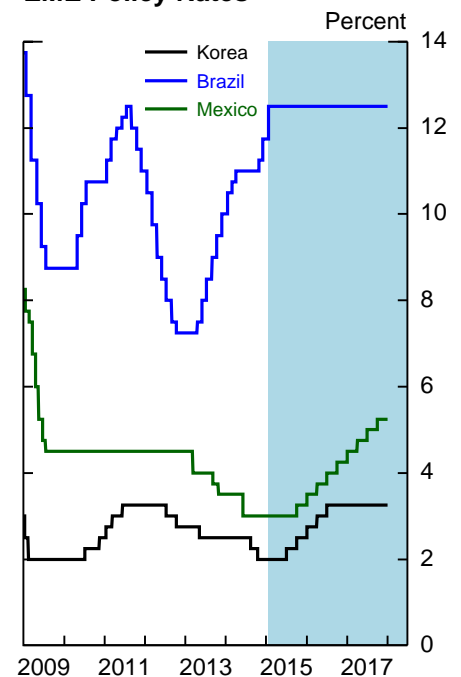
AFE Policy Rates



AFE Central Bank Balance Sheets

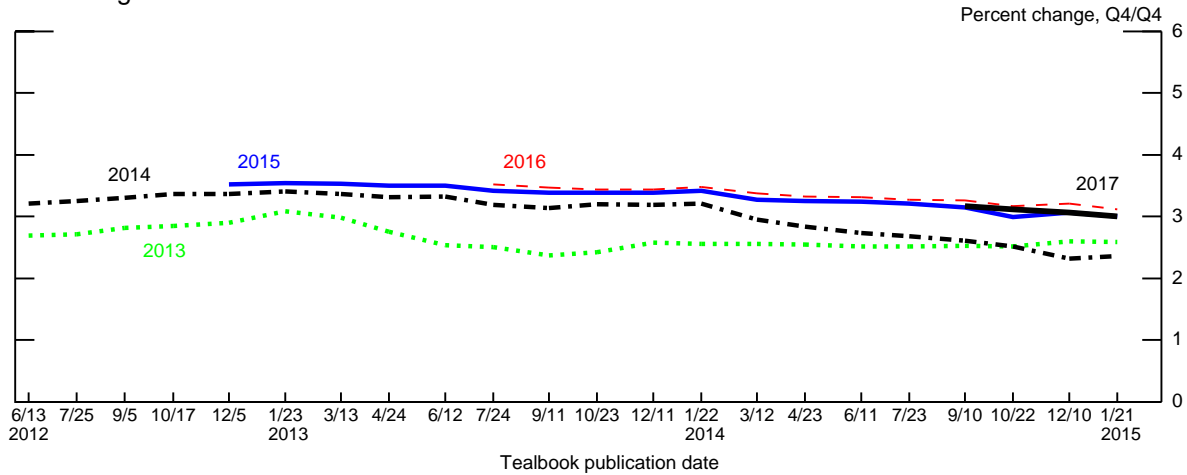


EME Policy Rates

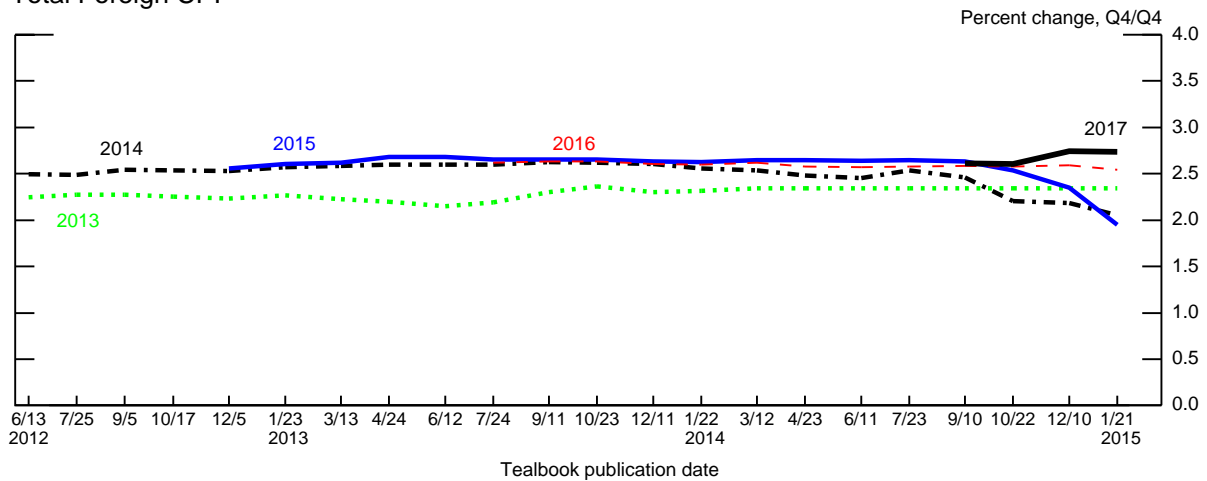


Evolution of Staff's International Forecast

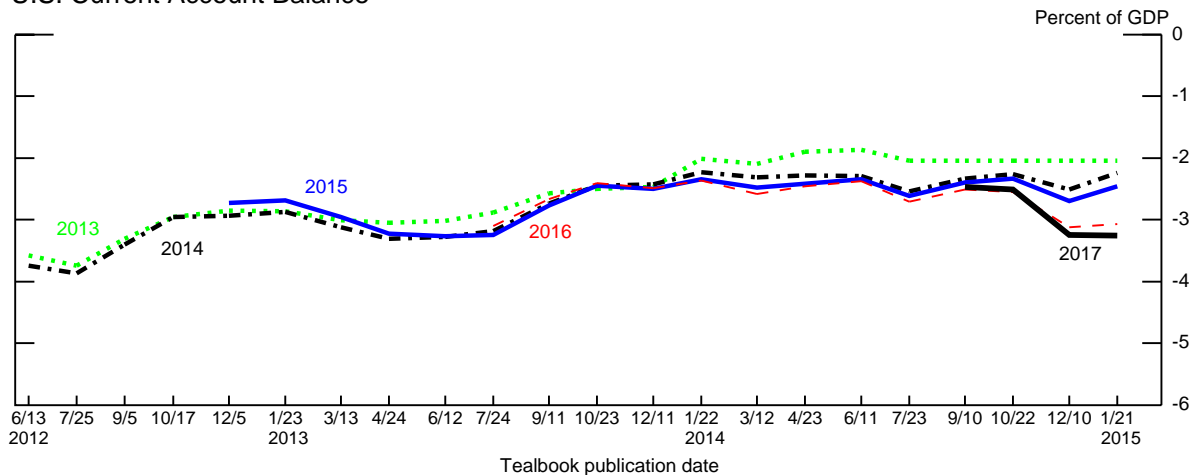
Total Foreign GDP



Total Foreign CPI

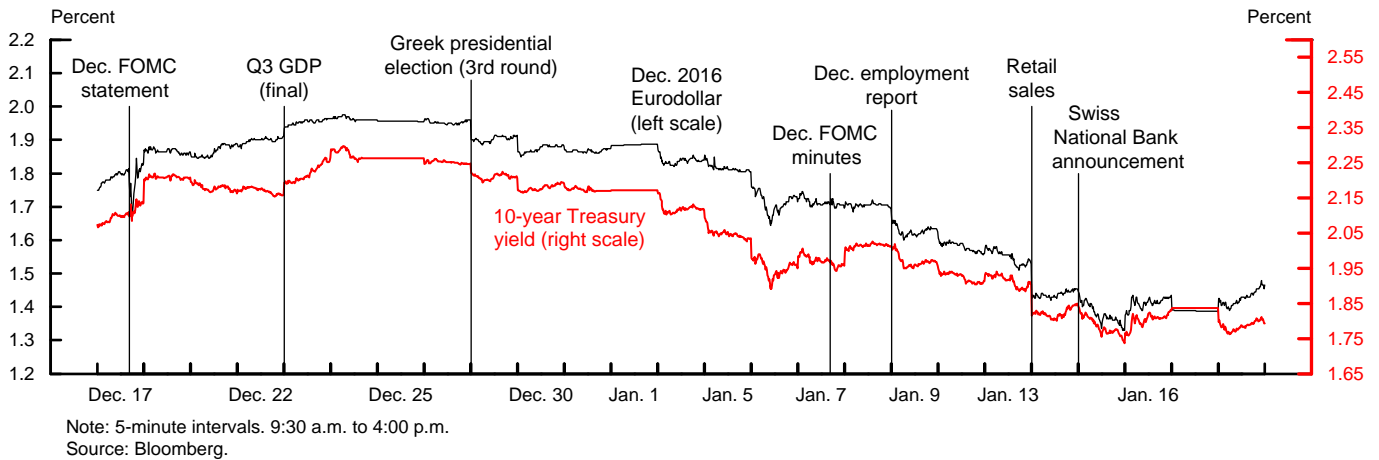


U.S. Current Account Balance

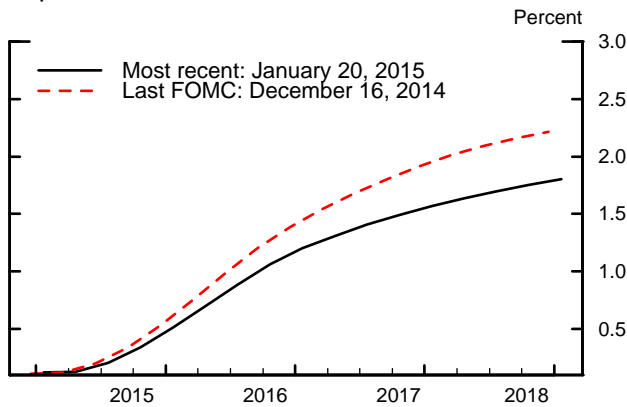


Treasury Yields and Policy Expectations

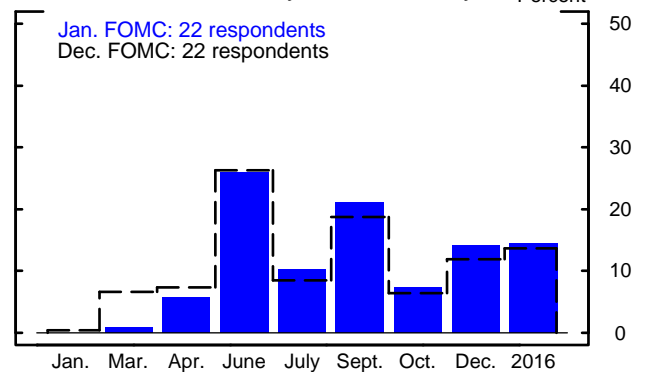
Selected Interest Rates



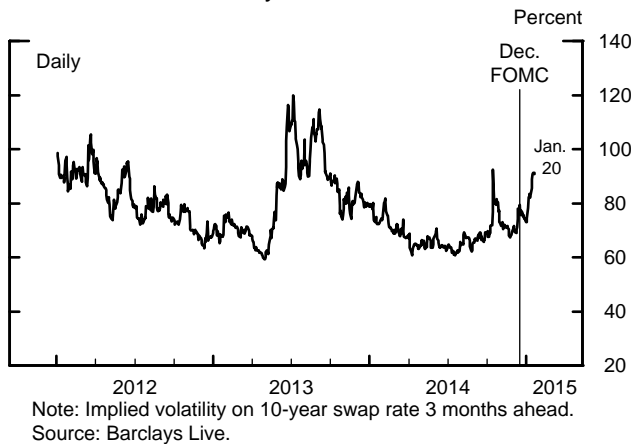
Implied Federal Funds Rate



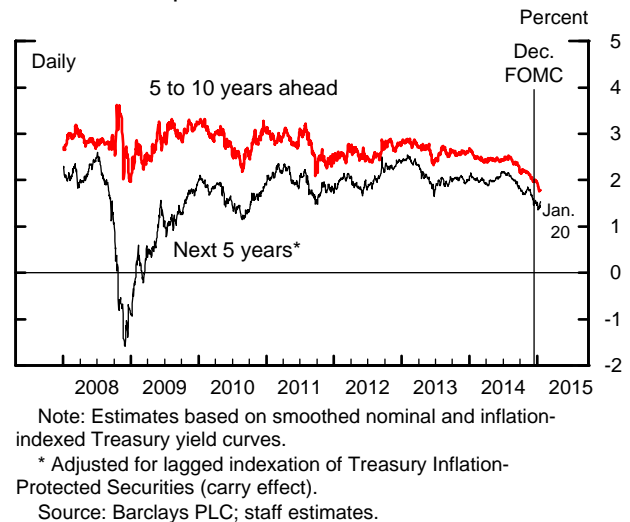
Distribution of Expected Timing of First Rate Increase from the Desk's Primary Dealer Survey



10-Year Yield Volatility



Inflation Compensation



Alternative Scenarios

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

Measure and scenario	2015		2016	2017	2018-19
	H1	H2			
<i>Real GDP</i>					
Extended Tealbook baseline	2.8	2.8	2.7	2.0	1.6
Weaker wage growth	2.7	2.8	2.7	2.1	1.8
Room to grow	3.0	3.2	3.7	3.6	3.1
No room to grow	2.4	2.0	1.7	1.0	.9
Faster recovery with higher inflation	3.4	3.6	3.4	2.4	1.6
Recession in the euro area	1.7	2.2	2.5	2.2	1.9
Greater confidence and weaker dollar	3.2	3.5	2.8	1.9	1.3
<i>Unemployment rate¹</i>					
Extended Tealbook baseline	5.3	5.1	4.9	4.8	5.0
Weaker wage growth	5.3	5.1	4.9	4.7	4.7
Room to grow	5.3	5.2	4.7	4.2	3.6
No room to grow	5.2	5.0	5.0	5.1	5.4
Faster recovery with higher inflation	5.2	4.9	4.4	4.2	4.7
Recession in the euro area	5.5	5.4	5.4	5.3	5.4
Greater confidence and weaker dollar	5.3	4.9	4.6	4.5	4.9
<i>Total PCE prices</i>					
Extended Tealbook baseline	-.7	1.8	1.7	1.9	2.0
Weaker wage growth	-.7	1.7	1.3	1.2	.9
Room to grow	-.8	1.6	1.4	1.5	1.7
No room to grow	-.7	2.0	2.0	2.1	2.1
Faster recovery with higher inflation	-.6	2.1	2.1	2.4	2.5
Recession in the euro area	-1.3	1.0	1.3	1.7	1.9
Greater confidence and weaker dollar	.3	3.0	2.2	2.1	2.0
<i>Core PCE prices</i>					
Extended Tealbook baseline	1.2	1.5	1.6	1.8	2.0
Weaker wage growth	1.2	1.4	1.2	1.1	.9
Room to grow	1.1	1.3	1.3	1.5	1.7
No room to grow	1.3	1.7	1.8	2.1	2.1
Faster recovery with higher inflation	1.4	1.8	2.0	2.4	2.5
Recession in the euro area	1.0	.9	1.1	1.6	1.8
Greater confidence and weaker dollar	1.3	1.9	2.1	2.1	2.1
<i>Federal funds rate¹</i>					
Extended Tealbook baseline	.2	.8	2.2	3.2	3.9
Weaker wage growth	.2	.8	1.9	2.7	3.0
Room to grow	.1	.1	.7	1.8	3.6
No room to grow	.2	1.2	2.7	3.6	3.8
Faster recovery with higher inflation	.2	1.0	2.9	4.3	5.3
Recession in the euro area	.2	.6	1.3	2.2	3.3
Greater confidence and weaker dollar	.2	1.0	2.7	3.9	4.2

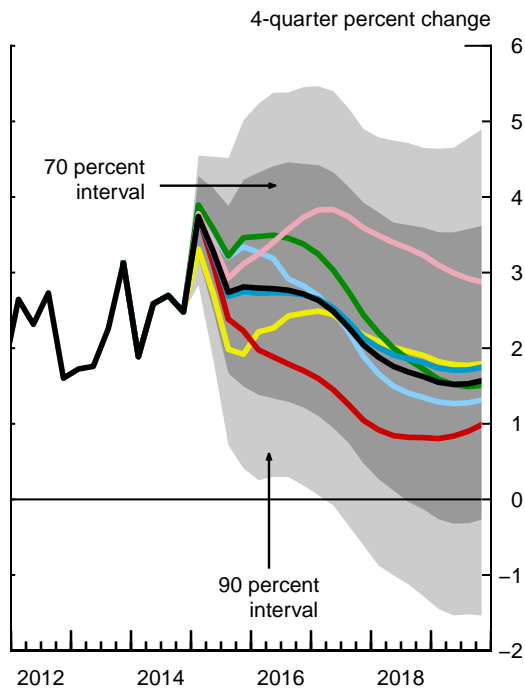
1. Percent, average for the final quarter of the period.

Forecast Confidence Intervals and Alternative Scenarios

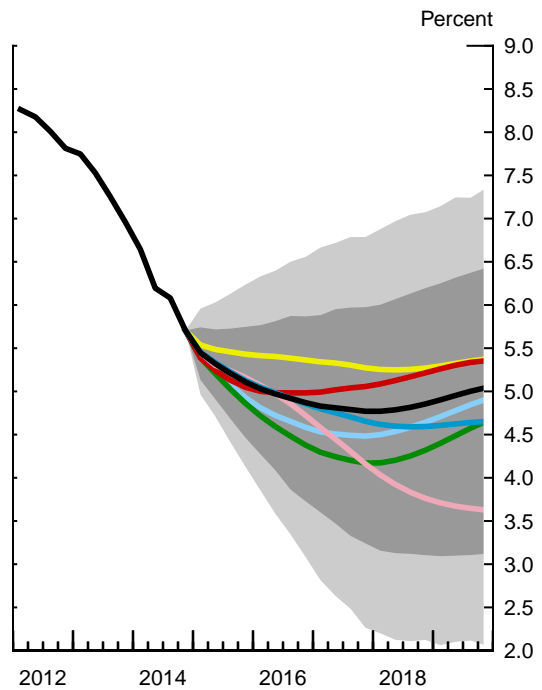
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- No room to grow
- Recession in the euro area
- Weaker wage growth
- Faster recovery with higher inflation
- Greater confidence and weaker dollar
- Room to grow

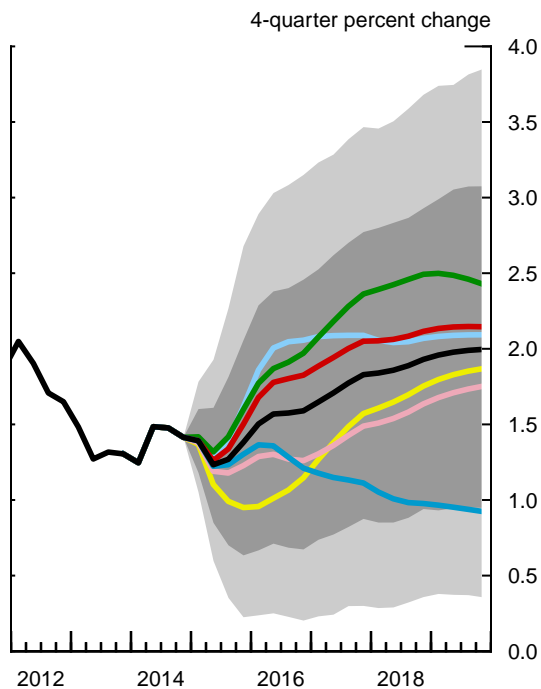
Real GDP



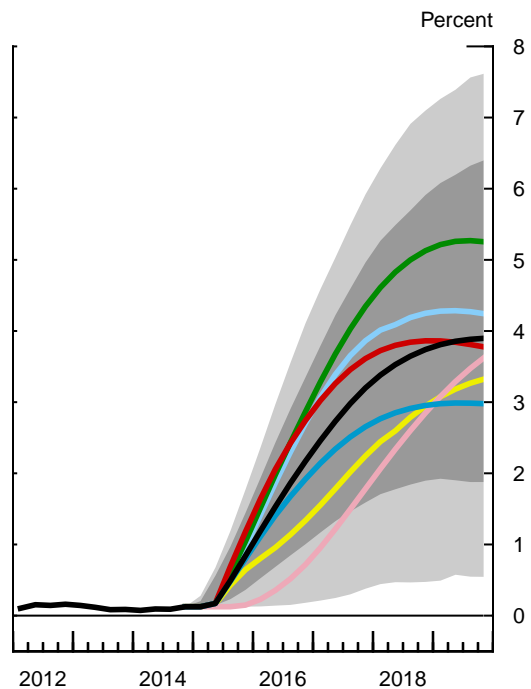
Unemployment Rate



PCE Prices excluding Food and Energy



Federal Funds Rate



**Selected Tealbook Projections and 70 Percent Confidence Intervals Derived
from Historical Tealbook Forecast Errors and FRB/US Simulations**

Measure	2014	2015	2016	2017	2018	2019
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	2.5	2.8	2.7	2.0	1.6	1.6
Confidence interval						
Tealbook forecast errors	2.3–2.6	1.3–4.3	1.0–4.5	...	...	...
FRB/US stochastic simulations	2.3–2.6	1.5–4.2	1.2–4.4	.5–3.9	-.1–3.6	-.3–3.6
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	5.7	5.1	4.9	4.8	4.9	5.0
Confidence interval						
Tealbook forecast errors	5.7–5.7	4.5–5.7	3.9–5.9	...	...	...
FRB/US stochastic simulations	5.6–5.8	4.5–5.7	3.7–5.9	3.2–6.0	3.1–6.2	3.1–6.4
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	1.1	.5	1.7	1.9	1.9	2.0
Confidence interval						
Tealbook forecast errors	1.0–1.2	-.4–1.5	.7–2.8	...	...	...
FRB/US stochastic simulations	1.0–1.2	-.3–1.4	.7–2.7	.8–3.0	.8–3.0	.9–3.2
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)						
Projection	1.4	1.4	1.6	1.8	1.9	2.0
Confidence interval						
Tealbook forecast errors	1.3–1.5	.8–1.9	.9–2.3	...	...	...
FRB/US stochastic simulations	1.4–1.5	.6–2.1	.7–2.5	.9–2.8	.9–2.9	.9–3.1
<i>Federal funds rate</i> (percent, Q4)						
Projection	.1	.8	2.2	3.2	3.7	3.9
Confidence interval						
FRB/US stochastic simulations	.1–.1	.4–1.4	1.0–3.3	1.6–5.0	1.9–5.9	1.9–6.4

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

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

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

Assessment of Key Macroeconomic Risks (1)**Probability of Inflation Events**
(4 quarters ahead—2015:Q4)

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	.01	.01	.09	.03
Previous Tealbook	.02	.03	.12	.04
<i>Less than 1 percent</i>				
Current Tealbook	.74	.67	.32	.27
Previous Tealbook	.51	.41	.27	.19

Probability of Unemployment Events
(4 quarters ahead—2015:Q4)

Probability that the unemployment rate will ...	Staff	FRB/US	EDO	BVAR
<i>Increase by 1 percentage point</i>				
Current Tealbook	.02	.01	.20	.01
Previous Tealbook	.02	.02	.24	.01
<i>Decrease by 1 percentage point</i>				
Current Tealbook	.26	.27	.05	.38
Previous Tealbook	.23	.17	.05	.37

Probability of Near-Term Recession

Probability that real GDP declines in each of 2015:Q1 and 2015:Q2	Staff	FRB/US	EDO	BVAR	Factor Model
Current Tealbook	.03	.02	.01	.02	.08
Previous Tealbook	.03	.03	.02	.02	.03

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

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

Interval	Nominal GDP		Real GDP		PCE price index		Core PCE price index		Unemployment rate ¹	
	12/10/14	01/21/15	12/10/14	01/21/15	12/10/14	01/21/15	12/10/14	01/21/15	12/10/14	01/21/15
<i>Quarterly</i>										
2014:Q1	-8	-8	-2.1	-2.1	1.4	1.4	1.2	1.2	6.7	6.6
Q2	6.8	6.8	4.6	4.6	2.3	2.3	2.0	2.0	6.2	6.2
Q3	5.6	6.4	4.1	5.0	1.3	1.2	1.4	1.4	6.1	6.1
Q4	3.6	3.2	2.2	2.6	-1	-5	1.6	1.1	5.7	5.7
2015:Q1	3.6	3.4	2.4	2.8	-6	-2.5	1.5	1.1	5.5	5.4
Q2	4.0	4.2	2.4	2.7	1.4	1.1	1.4	1.3	5.4	5.3
Q3	4.4	4.6	2.6	2.8	1.7	1.9	1.5	1.5	5.3	5.2
Q4	4.5	4.7	2.8	2.9	1.6	1.7	1.5	1.5	5.2	5.1
2016:Q1	4.6	4.7	2.8	2.8	1.6	1.8	1.5	1.6	5.2	5.0
Q2	4.6	4.5	2.8	2.7	1.7	1.7	1.6	1.6	5.1	5.0
Q3	4.5	4.5	2.7	2.7	1.6	1.7	1.6	1.6	5.1	4.9
Q4	4.5	4.5	2.7	2.7	1.7	1.7	1.7	1.6	5.0	4.9
<i>Two-quarter²</i>										
2014:Q2	2.9	2.9	1.2	1.2	1.9	1.9	1.6	1.6	-8	-8
Q4	4.6	4.8	3.1	3.8	.6	.4	1.5	1.2	-5	-5
2015:Q2	3.8	3.8	2.4	2.8	.4	-.7	1.5	1.2	-3	-4
Q4	4.4	4.6	2.7	2.8	1.6	1.8	1.5	1.5	-2	-2
2016:Q2	4.6	4.6	2.8	2.7	1.7	1.7	1.6	1.6	-1	-1
Q4	4.5	4.5	2.7	2.7	1.7	1.7	1.6	1.6	-1	-1
<i>Four-quarter³</i>										
2013:Q4	4.6	4.6	3.1	3.1	1.0	1.0	1.3	1.3	-8	-8
2014:Q4	3.8	3.9	2.2	2.5	1.2	1.1	1.6	1.4	-1.3	-1.3
2015:Q4	4.1	4.2	2.5	2.8	1.0	.5	1.5	1.4	-5	-6
2016:Q4	4.5	4.6	2.7	2.7	1.7	1.7	1.6	1.6	-2	-2
2017:Q4	4.1	4.0	2.2	2.0	1.8	1.9	1.8	1.8	-1	-1
<i>Annual</i>										
2013	3.7	3.7	2.2	2.2	1.2	1.2	1.3	1.3	7.4	7.4
2014	3.9	3.9	2.3	2.4	1.4	1.3	1.4	1.4	6.2	6.2
2015	4.3	4.3	2.7	3.1	.7	.1	1.5	1.3	5.4	5.3
2016	4.5	4.6	2.7	2.8	1.6	1.7	1.6	1.6	5.1	4.9
2017	4.3	4.3	2.4	2.4	1.8	1.8	1.8	1.7	4.9	4.8

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

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

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

Greensheets

Changes in Real Gross Domestic Product and Related Items (Percent, annual rate except as noted)

Item	2014			2015				2016				2014 ¹	2015 ¹	2016 ¹	2017 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP	4.6	5.0	2.6	2.8	2.7	2.8	2.9	2.8	2.7	2.7	2.7	2.5	2.8	2.7	2.0
<i>Previous Tealbook</i>	4.6	4.1	2.2	2.4	2.4	2.6	2.8	2.8	2.8	2.7	2.7	2.2	2.5	2.7	2.2
Final sales	3.2	5.0	1.8	3.1	2.7	2.7	2.9	2.9	2.9	2.7	2.6	2.2	2.8	2.8	2.4
<i>Previous Tealbook</i>	3.2	4.2	1.7	2.5	2.3	2.6	2.7	2.9	2.9	2.8	2.8	2.0	2.5	2.8	2.6
Priv. dom. final purch.	3.8	4.1	3.7	3.9	4.1	4.0	4.5	4.2	3.9	3.7	3.0	3.2	4.1	3.7	2.7
<i>Previous Tealbook</i>	3.8	3.1	3.4	3.1	3.3	3.7	4.0	3.9	3.8	3.6	3.3	2.8	3.5	3.7	2.9
Personal cons. expend.	2.5	3.2	3.8	4.1	4.4	4.0	3.9	3.8	3.5	3.4	2.8	2.7	4.1	3.4	2.7
<i>Previous Tealbook</i>	2.5	2.2	3.4	3.5	3.6	3.7	3.7	3.6	3.4	3.3	3.0	2.3	3.6	3.3	2.7
Durables	14.1	9.2	7.6	5.6	9.3	8.2	8.6	6.7	6.8	6.4	5.5	8.5	7.9	6.4	4.1
Nondurables	2.2	2.5	3.8	5.3	3.7	3.4	3.2	2.9	2.9	2.9	2.5	2.1	3.9	2.8	2.5
Services	.9	2.5	3.2	3.5	3.9	3.6	3.4	3.7	3.2	3.1	2.5	2.0	3.6	3.1	2.6
Residential investment	8.8	3.2	3.7	7.2	11.1	12.7	13.3	12.4	10.2	8.2	6.1	2.5	11.0	9.2	4.1
<i>Previous Tealbook</i>	8.8	3.0	6.2	3.6	11.4	11.4	11.5	11.2	10.4	9.6	8.4	3.0	9.4	9.9	7.6
Nonres. priv. fixed invest.	9.7	8.9	3.5	1.9	.8	2.0	5.1	4.0	4.2	3.9	3.2	5.9	2.4	3.8	2.3
<i>Previous Tealbook</i>	9.7	8.0	3.0	.9	-.3	1.8	3.6	3.8	3.9	3.7	3.1	5.5	1.5	3.6	2.5
Equipment & intangibles	8.9	10.1	3.4	3.7	4.8	4.6	6.1	4.6	4.4	4.3	3.5	5.9	4.8	4.2	2.7
<i>Previous Tealbook</i>	8.9	9.0	4.2	2.0	1.9	3.3	4.5	4.6	4.5	4.2	3.5	5.8	2.9	4.2	2.9
Nonres. structures	12.6	4.8	3.9	-4.0	-12.1	-7.3	1.5	1.7	3.2	2.7	2.0	6.0	-5.6	2.4	1.2
<i>Previous Tealbook</i>	12.6	4.6	-1.3	-2.7	-7.7	-3.4	.5	.9	1.8	1.9	1.7	4.6	-3.4	1.6	1.2
Net exports ²	-460	-431	-456	-468	-501	-535	-574	-607	-631	-662	-667	-449	-520	-642	-699
<i>Previous Tealbook²</i>	-460	-431	-461	-464	-482	-503	-531	-552	-572	-593	-601	-450	-495	-579	-616
Exports	11.1	4.5	2.2	2.2	2.0	2.0	1.9	2.1	2.3	2.6	2.9	1.9	2.0	2.5	3.6
Imports	11.3	-.9	5.8	3.8	6.9	6.9	7.5	6.7	5.4	6.5	3.1	4.5	6.3	5.4	4.0
Gov't. cons. & invest.	1.7	4.4	-3.9	.5	.1	.4	.1	.4	.9	1.0	.9	.3	.3	.8	1.0
<i>Previous Tealbook</i>	1.7	4.4	-2.1	-.1	-.3	-.2	.0	.3	.7	.9	.7	.8	-.2	.7	.9
Federal	-.9	9.9	-11.1	-1.1	-1.9	-1.7	-2.5	-2.0	-.9	-.7	-1.4	-.8	-1.8	-1.3	-1.1
Defense	.9	16.0	-16.5	-.2	-1.9	-1.8	-2.8	-3.2	-1.5	-1.2	-2.2	-1.6	-1.7	-2.0	-1.8
Nondefense	-3.8	.4	-1.2	-2.5	-1.9	-1.7	-2.0	.0	.0	.0	.0	.4	-2.0	.0	.0
State & local	3.4	1.1	.8	1.4	1.4	1.7	1.7	1.8	1.9	2.1	2.2	1.0	1.6	2.0	2.2
Change in priv. inventories ²	85	82	112	104	107	111	111	108	100	102	104	79	108	103	87
<i>Previous Tealbook²</i>	85	82	99	95	99	99	102	98	93	92	92	75	99	94	60

1. Change from fourth quarter of previous year to fourth quarter of year indicated.
2. Billions of chained (2009) dollars.

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

Item	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real GDP	-2.8	-.2	2.7	1.7	1.6	3.1	2.5	2.8	2.7	2.0
<i>Previous Tealbook</i>	-2.8	-.2	2.7	1.7	1.6	3.1	2.2	2.5	2.7	2.2
Final sales	-2.1	-.4	2.0	1.5	2.1	2.6	2.2	2.8	2.8	2.4
<i>Previous Tealbook</i>	-2.1	-.4	2.0	1.5	2.1	2.6	2.0	2.5	2.8	2.6
Priv. dom. final purch.	-4.1	-2.4	3.5	2.6	2.6	3.2	3.2	4.1	3.7	2.7
<i>Previous Tealbook</i>	-4.1	-2.4	3.5	2.6	2.6	3.2	2.8	3.5	3.7	2.9
Personal cons. expend.	-2.0	-.2	3.1	1.5	2.0	2.8	2.7	4.1	3.4	2.7
<i>Previous Tealbook</i>	-2.0	-.2	3.1	1.5	2.0	2.8	2.3	3.6	3.3	2.7
Durables	-12.9	2.5	9.3	4.8	7.5	5.9	8.5	7.9	6.4	4.1
Nondurables	-2.7	.2	3.3	.4	1.0	2.5	2.1	3.9	2.8	2.5
Services	.3	-.8	2.0	1.4	1.5	2.4	2.0	3.6	3.1	2.6
Residential investment	-24.3	-10.8	-5.2	6.0	15.8	6.9	2.5	11.0	9.2	4.1
<i>Previous Tealbook</i>	-24.3	-10.8	-5.2	6.0	15.8	6.9	3.0	9.4	9.9	7.6
Nonres. priv. fixed invest.	-8.9	-12.2	8.1	9.0	3.7	4.7	5.9	2.4	3.8	2.3
<i>Previous Tealbook</i>	-8.9	-12.2	8.1	9.0	3.7	4.7	5.5	1.5	3.6	2.5
Equipment & intangibles	-11.8	-6.0	12.0	9.2	3.3	4.8	5.9	4.8	4.2	2.7
<i>Previous Tealbook</i>	-11.8	-6.0	12.0	9.2	3.3	4.8	5.8	2.9	4.2	2.9
Nonres. structures	-1.2	-27.1	-4.0	8.0	4.8	4.4	6.0	-5.6	2.4	1.2
<i>Previous Tealbook</i>	-1.2	-27.1	-4.0	8.0	4.8	4.4	4.6	-3.4	1.6	1.2
Net exports ¹	-558	-395	-459	-459	-452	-420	-449	-520	-642	-699
<i>Previous Tealbook¹</i>	-558	-395	-459	-459	-452	-420	-450	-495	-579	-616
Exports	-2.8	.8	10.1	4.2	2.4	5.1	1.9	2.0	2.5	3.6
Imports	-6.0	-6.2	12.0	3.5	.4	2.5	4.5	6.3	5.4	4.0
Gov't. cons. & invest.	3.3	2.3	-1.1	-3.0	-1.7	-1.9	.3	.3	.8	1.0
<i>Previous Tealbook</i>	3.3	2.3	-1.1	-3.0	-1.7	-1.9	.8	-.2	.7	.9
Federal	8.4	3.9	3.2	-4.0	-2.6	-6.3	-.8	-1.8	-1.3	-1.1
Defense	9.4	3.6	2.0	-4.1	-4.9	-6.1	-1.6	-1.7	-2.0	-1.8
Nondefense	6.5	4.6	5.5	-3.9	1.4	-6.6	.4	-2.0	.0	.0
State & local	.2	1.3	-4.0	-2.3	-1.0	1.2	1.0	1.6	2.0	2.2
Change in priv. inventories ¹	-34	-148	58	38	57	64	79	108	103	87
<i>Previous Tealbook¹</i>	-34	-148	58	38	57	64	75	99	94	60

1. Billions of chained (2009) dollars.

Greensheets

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

Item	2014			2015				2016				2014 ¹	2015 ¹	2016 ¹	2017 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Real GDP	4.6	5.0	2.6	2.8	2.7	2.8	2.9	2.8	2.7	2.7	2.7	2.5	2.8	2.7	2.0
<i>Previous Tealbook</i>	4.6	4.1	2.2	2.4	2.4	2.6	2.8	2.8	2.8	2.7	2.7	2.2	2.5	2.7	2.2
Final sales	3.2	5.0	1.8	3.0	2.7	2.7	2.9	2.8	2.9	2.7	2.6	2.2	2.8	2.8	2.3
<i>Previous Tealbook</i>	3.2	4.2	1.7	2.5	2.3	2.6	2.7	2.9	2.9	2.7	2.7	2.0	2.5	2.8	2.6
Priv. dom. final purch.	3.2	3.5	3.1	3.3	3.4	3.4	3.7	3.5	3.3	3.1	2.6	2.6	3.5	3.1	2.3
<i>Previous Tealbook</i>	3.2	2.6	2.9	2.6	2.8	3.1	3.4	3.3	3.2	3.1	2.8	2.4	3.0	3.1	2.5
Personal cons. expend.	1.8	2.2	2.6	2.8	3.0	2.7	2.7	2.6	2.4	2.4	2.0	1.8	2.8	2.3	1.9
<i>Previous Tealbook</i>	1.8	1.5	2.3	2.4	2.4	2.5	2.5	2.4	2.3	2.3	2.1	1.6	2.5	2.3	1.9
Durables	1.0	.7	.6	.4	.7	.6	.6	.5	.5	.5	.4	.6	.6	.5	.3
Nondurables	.3	.4	.6	.8	.5	.5	.5	.4	.4	.4	.4	.3	.6	.4	.4
Services	.4	1.2	1.4	1.6	1.8	1.6	1.6	1.7	1.5	1.5	1.2	.9	1.6	1.5	1.2
Residential investment	.3	.1	.1	.2	.4	.4	.4	.4	.4	.3	.2	.1	.4	.3	.2
<i>Previous Tealbook</i>	.3	.1	.2	.1	.4	.4	.4	.4	.4	.3	.3	.1	.3	.4	.3
Nonres. priv. fixed invest.	1.2	1.1	.4	.2	.1	.2	.6	.5	.5	.5	.4	.7	.3	.5	.3
<i>Previous Tealbook</i>	1.2	1.0	.4	.1	.0	.2	.5	.5	.5	.5	.4	.7	.2	.5	.3
Equipment & intangibles	.8	1.0	.3	.4	.5	.5	.6	.4	.4	.4	.4	.6	.5	.4	.3
<i>Previous Tealbook</i>	.8	.9	.4	.2	.2	.3	.4	.4	.4	.4	.3	.6	.3	.4	.3
Nonres. structures	.4	.1	.1	-.1	-.4	-.2	.0	.0	.1	.1	.1	.2	-.2	.1	.0
<i>Previous Tealbook</i>	.4	.1	.0	-.1	-.2	-.1	.0	.0	.1	.1	.0	.1	-.1	.0	.0
Net exports	-.3	.8	-.6	-.3	-.8	-.8	-.9	-.7	-.5	-.7	-.1	-.5	-.7	-.5	-.2
<i>Previous Tealbook</i>	-.3	.8	-.8	-.1	-.4	-.5	-.6	-.5	-.4	-.5	-.2	-.5	-.4	-.4	-.1
Exports	1.4	.6	.3	.3	.3	.3	.3	.3	.3	.3	.4	.3	.3	.3	.5
Imports	-1.8	.2	-.9	-.6	-1.0	-1.0	-1.1	-1.0	-.8	-1.0	-.5	-.7	-1.0	-.8	-.6
Gov't. cons. & invest.	.3	.8	-.7	.1	.0	.1	.0	.1	.2	.2	.2	.1	.0	.1	.2
<i>Previous Tealbook</i>	.3	.8	-.4	.0	-.1	.0	.0	.1	.1	.2	.1	.1	.0	.1	.2
Federal	-.1	.7	-.8	-.1	-.1	-.1	-.2	-.1	-.1	.0	-.1	-.1	-.1	-.1	-.1
Defense	.0	.7	-.8	.0	-.1	-.1	-.1	-.1	-.1	.0	-.1	-.1	-.1	-.1	-.1
Nondefense	-.1	.0	.0	-.1	.0	.0	.0	.0	.0	.0	.0	.0	-.1	.0	.0
State & local	.4	.1	.1	.2	.2	.2	.2	.2	.2	.2	.2	.1	.2	.2	.2
Change in priv. inventories	1.4	.0	.8	-.2	.1	.1	.0	-.1	-.2	.0	.1	.3	.0	.0	-.3
<i>Previous Tealbook</i>	1.4	-.1	.4	-.1	.1	.0	.1	-.1	-.1	.0	.0	.2	.0	-.1	-.4

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

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

Item	2014			2015				2016				2014 ¹	2015 ¹	2016 ¹	2017 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
GDP chain-wt. price index	2.1	1.4	.6	.6	1.4	1.8	1.7	1.9	1.8	1.7	1.8	1.4	1.4	1.8	2.0
<i>Previous Tealbook</i>	2.1	1.4	1.3	1.2	1.6	1.7	1.7	1.8	1.8	1.7	1.7	1.5	1.5	1.8	1.9
PCE chain-wt. price index	2.3	1.2	-.5	-2.5	1.1	1.9	1.7	1.8	1.7	1.7	1.7	1.1	.5	1.7	1.9
<i>Previous Tealbook</i>	2.3	1.3	-.1	-.6	1.4	1.7	1.6	1.6	1.7	1.6	1.7	1.2	1.0	1.7	1.8
Energy	5.2	-4.0	-27.0	-56.1	-2.5	11.1	7.2	5.7	4.7	4.5	3.9	-6.4	-15.5	4.7	3.0
<i>Previous Tealbook</i>	5.2	-4.0	-26.9	-34.9	.9	5.2	3.9	3.2	3.0	2.8	2.3	-6.4	-7.9	2.8	1.9
Food	4.5	3.1	2.1	1.6	.6	1.0	1.3	1.5	1.6	1.7	1.7	2.8	1.1	1.6	1.9
<i>Previous Tealbook</i>	4.5	3.1	1.3	1.3	1.3	1.3	1.3	1.4	1.6	1.7	1.7	2.6	1.3	1.6	1.9
Ex. food & energy	2.0	1.4	1.1	1.1	1.3	1.5	1.5	1.6	1.6	1.6	1.6	1.4	1.4	1.6	1.8
<i>Previous Tealbook</i>	2.0	1.4	1.6	1.5	1.4	1.5	1.5	1.5	1.6	1.6	1.7	1.6	1.5	1.6	1.8
Ex. food & energy, market based	1.8	1.4	.6	1.0	1.3	1.5	1.5	1.6	1.6	1.6	1.6	1.2	1.4	1.6	1.8
<i>Previous Tealbook</i>	1.8	1.3	1.4	1.5	1.4	1.5	1.5	1.5	1.7	1.6	1.7	1.4	1.5	1.6	1.8
CPI	3.0	1.1	-1.2	-4.2	1.6	2.4	2.2	2.2	2.2	2.2	2.2	1.2	.5	2.2	2.2
<i>Previous Tealbook</i>	3.0	1.1	-.8	-1.3	1.8	2.1	2.1	2.1	2.1	2.1	2.1	1.3	1.2	2.1	2.2
Ex. food & energy	2.5	1.3	1.4	1.4	2.0	2.0	2.0	2.0	2.0	2.1	2.1	1.7	1.8	2.0	2.2
<i>Previous Tealbook</i>	2.5	1.3	1.9	2.0	1.9	2.0	2.0	2.0	2.0	2.1	2.1	1.8	2.0	2.0	2.2
ECI, hourly compensation ²	3.4	2.7	2.4	2.6	2.6	2.5	2.5	3.0	3.0	3.0	3.0	2.4	2.6	3.0	3.1
<i>Previous Tealbook</i> ²	3.4	2.7	2.7	2.8	2.8	2.8	2.8	3.4	3.3	3.3	3.3	2.4	2.8	3.3	3.4
Business sector															
Output per hour	2.9	3.2	-2.3	2.3	2.1	2.0	2.3	1.7	1.6	1.7	1.8	-.4	2.2	1.7	1.7
<i>Previous Tealbook</i>	2.9	2.2	-.5	3.0	1.5	1.7	1.6	1.7	1.7	1.7	1.7	-.1	1.9	1.7	1.7
Compensation per hour	-1.1	.6	1.0	2.8	3.1	3.1	3.1	3.8	3.6	3.6	3.5	1.8	3.0	3.6	3.6
<i>Previous Tealbook</i>	-1.1	.6	1.9	3.5	3.1	3.1	3.1	3.7	3.5	3.5	3.5	2.0	3.2	3.5	3.6
Unit labor costs	-3.9	-2.5	3.4	.4	1.0	1.1	.8	2.0	1.9	1.8	1.7	2.2	.8	1.8	1.9
<i>Previous Tealbook</i>	-3.9	-1.6	2.4	.5	1.6	1.4	1.4	1.9	1.8	1.8	1.8	2.2	1.2	1.8	1.9
Core goods imports chain-wt. price index ³	.2	.5	-1.2	-3.3	-2.5	.4	.8	1.1	1.2	1.2	1.2	.5	-1.2	1.2	1.3
<i>Previous Tealbook</i> ³	.2	.5	-1.5	-2.8	-.5	.9	1.1	1.2	1.3	1.3	1.3	.4	-.3	1.3	1.3

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

2. Private-industry workers.

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

Class II FOMC - Restricted (FR)

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Greensheets

Changes in Prices and Costs

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

Item	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GDP chain-wt. price index	1.9	.4	1.8	1.9	1.8	1.4	1.4	1.4	1.8	2.0
<i>Previous Tealbook</i>	1.9	.4	1.8	1.9	1.8	1.4	1.5	1.5	1.8	1.9
PCE chain-wt. price index	1.5	1.2	1.3	2.7	1.6	1.0	1.1	.5	1.7	1.9
<i>Previous Tealbook</i>	1.5	1.2	1.3	2.7	1.6	1.0	1.2	1.0	1.7	1.8
Energy	-8.2	2.3	6.4	12.0	2.1	-2.6	-6.4	-15.5	4.7	3.0
<i>Previous Tealbook</i>	-8.2	2.3	6.4	12.0	2.1	-2.6	-6.4	-7.9	2.8	1.9
Food	6.9	-1.8	1.3	5.1	1.2	.7	2.8	1.1	1.6	1.9
<i>Previous Tealbook</i>	6.9	-1.8	1.3	5.1	1.2	.7	2.6	1.3	1.6	1.9
Ex. food & energy	1.6	1.4	1.0	1.9	1.6	1.3	1.4	1.4	1.6	1.8
<i>Previous Tealbook</i>	1.6	1.4	1.0	1.9	1.6	1.3	1.6	1.5	1.6	1.8
Ex. food & energy, market based	2.2	1.8	.7	1.9	1.5	1.2	1.2	1.4	1.6	1.8
<i>Previous Tealbook</i>	2.2	1.8	.7	1.9	1.5	1.2	1.4	1.5	1.6	1.8
CPI	1.6	1.5	1.2	3.3	1.9	1.2	1.2	.5	2.2	2.2
<i>Previous Tealbook</i>	1.6	1.5	1.2	3.3	1.9	1.2	1.3	1.2	2.1	2.2
Ex. food & energy	2.0	1.8	.6	2.2	1.9	1.7	1.7	1.8	2.0	2.2
<i>Previous Tealbook</i>	2.0	1.8	.6	2.2	1.9	1.7	1.8	2.0	2.0	2.2
ECI, hourly compensation ¹	2.4	1.2	2.1	2.2	1.8	2.0	2.4	2.6	3.0	3.1
<i>Previous Tealbook</i> ¹	2.4	1.2	2.1	2.2	1.8	2.0	2.4	2.8	3.3	3.4
Business sector										
Output per hour	-2	5.6	1.7	.0	.3	2.4	-.4	2.2	1.7	1.7
<i>Previous Tealbook</i>	-2	5.6	1.7	.0	.3	2.4	-.1	1.9	1.7	1.7
Compensation per hour	2.9	1.3	1.2	.6	5.7	.0	1.8	3.0	3.6	3.6
<i>Previous Tealbook</i>	2.9	1.3	1.2	.6	5.7	.0	2.0	3.2	3.5	3.6
Unit labor costs	3.2	-4.2	-.4	.6	5.4	-2.3	2.2	.8	1.8	1.9
<i>Previous Tealbook</i>	3.2	-4.2	-.4	.6	5.4	-2.3	2.2	1.2	1.8	1.9
Core goods imports chain-wt. price index ²	3.9	-1.9	2.3	4.3	.2	-1.0	.5	-1.2	1.2	1.3
<i>Previous Tealbook</i> ²	3.9	-1.9	2.3	4.3	.2	-1.0	.4	-.3	1.3	1.3

1. Private-industry workers.

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

Other Macroeconomic Indicators

Item	2014			2015				2016				2014 ¹	2015 ¹	2016 ¹	2017 ¹
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
<i>Employment and production</i>															
Nonfarm payroll employment ²	.8	.7	.8	.8	.7	.7	.7	.7	.7	.7	.7	2.8	2.8	2.8	1.9
Unemployment rate ³	6.2	6.1	5.7	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.9	5.7	5.1	4.9	4.8
<i>Previous Tealbook³</i>	6.2	6.1	5.7	5.5	5.4	5.3	5.2	5.2	5.1	5.1	5.0	5.7	5.2	5.0	4.9
Natural rate of unemployment ³	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
<i>Previous Tealbook³</i>	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
GDP gap ⁴	-2.3	-1.5	-1.2	-.9	-.7	-.4	-.1	.1	.3	.5	.8	-1.2	-.1	.8	1.0
<i>Previous Tealbook⁴</i>	-2.2	-1.6	-1.3	-1.2	-1.0	-.8	-.6	-.3	-.1	.1	.4	-1.3	-.6	.4	.8
Industrial production ⁵	5.7	4.1	5.6	4.5	.9	1.1	1.1	3.0	3.2	2.5	1.4	4.8	1.9	2.5	1.5
<i>Previous Tealbook⁵</i>	5.7	3.3	5.1	4.0	2.0	1.5	1.4	2.8	2.9	2.7	2.5	4.5	2.2	2.7	2.0
Manufacturing industr. prod. ⁵	7.0	4.3	5.2	4.5	3.0	2.6	2.8	2.7	2.6	2.1	1.8	4.5	3.2	2.3	1.5
<i>Previous Tealbook⁵</i>	7.0	3.9	3.7	4.6	2.5	2.4	2.6	2.8	3.0	2.7	2.5	4.0	3.0	2.7	2.1
Capacity utilization rate - mfg. ³	77.1	77.5	78.1	78.5	78.7	78.8	78.9	79.0	79.0	79.0	78.9	78.1	78.9	78.9	78.4
<i>Previous Tealbook³</i>	77.1	77.4	77.7	78.2	78.3	78.3	78.4	78.5	78.7	78.8	78.9	77.7	78.4	78.9	78.8
Housing starts ⁶	1.0	1.0	1.1	1.1	1.1	1.2	1.3	1.3	1.3	1.4	1.4	1.0	1.2	1.4	1.5
Light motor vehicle sales ⁶	16.5	16.7	16.7	16.7	16.8	16.8	16.8	16.8	16.8	16.8	16.8	16.4	16.8	16.8	16.6
<i>Income and saving</i>															
Nominal GDP ⁵	6.8	6.4	3.2	3.4	4.2	4.6	4.7	4.7	4.5	4.5	4.5	3.9	4.2	4.6	4.0
Real disposable pers. income ⁵	3.1	2.0	4.4	6.0	3.8	2.5	2.7	3.6	2.8	2.7	3.0	3.2	3.7	3.0	2.5
<i>Previous Tealbook⁵</i>	3.1	2.3	2.7	5.3	3.0	2.3	2.6	3.8	2.8	2.8	3.0	2.9	3.3	3.1	2.4
Personal saving rate ³	5.1	4.7	4.9	5.3	5.1	4.8	4.5	4.5	4.3	4.2	4.2	4.9	4.5	4.2	4.0
<i>Previous Tealbook³</i>	5.1	5.0	4.9	5.3	5.1	4.8	4.6	4.6	4.5	4.4	4.4	4.9	4.6	4.4	4.1
Corporate profits ⁷	38.3	12.8	-7.0	-6.3	.7	.7	.8	.7	-2.3	1.5	2.0	-.6	-1.1	.4	-2.0
Profit share of GNP ³	12.0	12.2	11.9	11.6	11.5	11.4	11.3	11.2	11.0	10.9	10.9	11.9	11.3	10.9	10.3
Net federal saving ⁸	-599	-622	-587	-539	-550	-583	-555	-595	-568	-581	-598	-592	-557	-586	-652
Net state & local saving ⁸	-227	-217	-242	-208	-200	-193	-187	-178	-178	-176	-176	-232	-197	-177	-174
Gross national saving rate ³	17.9	17.9	17.8	18.4	18.2	17.8	17.7	17.5	17.5	17.4	17.4	17.8	17.7	17.4	17.0
Net national saving rate ³	2.9	3.0	3.1	3.7	3.4	2.9	2.9	2.6	2.6	2.4	2.4	3.1	2.9	2.4	1.7

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

2. Change, millions.

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

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

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

5. Percent change, annual rate.

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

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

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

Greensheets

Other Macroeconomic Indicators

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

Item	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Employment and production</i>										
Nonfarm payroll employment ¹	-2.8	-5.6	.8	2.0	2.2	2.4	2.8	2.8	2.8	1.9
Unemployment rate ²	6.9	9.9	9.5	8.7	7.8	7.0	5.7	5.1	4.9	4.8
<i>Previous Tealbook</i> ²	6.9	9.9	9.5	8.7	7.8	7.0	5.7	5.2	5.0	4.9
Natural rate of unemployment ²	5.6	6.2	6.2	6.0	5.8	5.4	5.2	5.2	5.2	5.2
<i>Previous Tealbook</i> ²	5.6	6.2	6.2	6.0	5.8	5.4	5.2	5.2	5.2	5.2
GDP gap ³	-3.8	-5.5	-4.4	-4.2	-4.1	-2.8	-1.2	-.1	.8	1.0
<i>Previous Tealbook</i> ³	-3.8	-5.5	-4.4	-4.2	-4.1	-2.8	-1.3	-.6	.4	.8
Industrial production ⁴	-8.9	-5.5	6.2	3.2	3.2	3.3	4.8	1.9	2.5	1.5
<i>Previous Tealbook</i> ⁴	-8.9	-5.5	6.2	3.2	3.2	3.3	4.5	2.2	2.7	2.0
Manufacturing industr. prod. ⁴	-11.6	-6.1	6.4	3.1	3.5	2.9	4.5	3.2	2.3	1.5
<i>Previous Tealbook</i> ⁴	-11.6	-6.1	6.4	3.1	3.5	2.9	4.0	3.0	2.7	2.1
Capacity utilization rate - mfg. ²	70.0	67.1	72.7	74.6	75.5	76.4	78.1	78.9	78.9	78.4
<i>Previous Tealbook</i> ²	70.0	67.1	72.7	74.6	75.5	76.4	77.7	78.4	78.9	78.8
Housing starts ⁵	.9	.6	.6	.6	.8	.9	1.0	1.2	1.4	1.5
Light motor vehicle sales ⁵	13.1	10.4	11.5	12.7	14.4	15.5	16.4	16.8	16.8	16.6
<i>Income and saving</i>										
Nominal GDP ⁴	-.9	.1	4.6	3.6	3.5	4.6	3.9	4.2	4.6	4.0
Real disposable pers. income ⁴	1.1	-.7	2.6	1.7	5.0	-1.9	3.2	3.7	3.0	2.5
<i>Previous Tealbook</i> ⁴	1.1	-.7	2.6	1.7	5.0	-1.9	2.9	3.3	3.1	2.4
Personal saving rate ²	6.1	5.6	5.5	5.8	8.6	4.4	4.9	4.5	4.2	4.0
<i>Previous Tealbook</i> ²	6.1	5.6	5.5	5.8	8.6	4.4	4.9	4.6	4.4	4.1
Corporate profits ⁶	-30.8	53.7	18.0	6.8	3.8	4.7	-.6	-1.1	.4	-2.0
Profit share of GNP ²	6.9	10.6	12.0	12.3	12.4	12.4	11.9	11.3	10.9	10.3
Net federal saving ⁷	-634	-1,249	-1,329	-1,244	-1,079	-649	-592	-557	-586	-652
Net state & local saving ⁷	-165	-272	-237	-216	-233	-225	-232	-197	-177	-174
Gross national saving rate ²	14.9	14.6	15.2	16.1	17.8	17.9	17.8	17.7	17.4	17.0
Net national saving rate ²	-1.6	-1.7	-.4	.8	2.8	3.0	3.1	2.9	2.4	1.7

1. Change, millions.

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

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

4. Percent change.

5. Level, millions; values are annual averages.

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

7. Billions of dollars; values are annual averages.

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

Item	Fiscal year				2014				2015				2016			
	2014	2015	2016	2017	Q1 ^a	Q2 ^a	Q3 ^a	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget					Not seasonally adjusted											
Receipts	3,020	3,228	3,390	3,546	656	938	760	739	664	1,009	815	758	713	1,065	853	790
Outlays	3,504	3,665	3,844	4,060	897	890	877	916	922	935	892	994	930	965	955	984
Surplus/deficit	-483	-437	-454	-514	-241	47	-117	-177	-258	75	-77	-236	-216	100	-102	-194
<i>Previous Tealbook</i>	-484	-432	-412	-510	-241	47	-117	-204	-244	87	-71	-228	-208	118	-94	-190
Means of financing:																
Borrowing	798	423	574	634	262	-46	211	240	187	-16	11	266	246	-70	132	224
Cash decrease	-70	88	0	0	20	3	-19	-65	112	-54	95	0	0	0	0	0
Other ¹	-244	-74	-120	-120	-42	-4	-75	1	-42	-4	-30	-30	-30	-30	-30	-30
Cash operating balance, end of period	158	70	70	70	142	139	158	223	111	165	70	70	70	70	70	70
NIPA federal sector					Seasonally adjusted annual rates											
Receipts	3,264	3,407	3,595	3,766	3,243	3,277	3,331	3,325	3,379	3,439	3,485	3,527	3,575	3,616	3,664	3,709
Expenditures	3,844	3,972	4,170	4,400	3,803	3,875	3,953	3,912	3,919	3,989	4,068	4,082	4,170	4,184	4,245	4,307
Consumption expenditures	963	970	974	990	957	956	988	967	972	970	969	967	975	976	978	979
Defense	617	623	625	632	610	610	641	620	625	624	624	623	626	626	627	626
Nondefense	346	347	349	358	347	345	347	347	348	346	345	344	349	350	352	353
Other spending	2,882	3,002	3,196	3,410	2,846	2,920	2,965	2,945	2,946	3,019	3,099	3,115	3,196	3,207	3,267	3,328
Current account surplus	-580	-565	-575	-635	-560	-599	-622	-587	-539	-550	-583	-555	-595	-568	-581	-598
Gross investment	256	240	237	236	251	255	254	241	240	239	239	238	236	236	236	236
Gross saving less gross investment ²	-563	-525	-525	-576	-539	-580	-600	-551	-501	-509	-540	-509	-546	-516	-528	-542
Fiscal indicators																
High-employment (HEB) surplus/deficit ³	-405.7	-479.7	-547.7	-646.4	-342.8	-427.0	-494.6	-469.0	-447.2	-478.1	-524.7	-512.0	-559.0	-546.2	-573.7	-602.7
Change in HEB, percent of potential GDP	-1.0	.4	.3	.4	-.1	.5	.4	-.2	-.1	.2	.2	-.1	.2	-.1	.1	.1
Fiscal impetus (FI), percent of GDP ⁴	-.2	.2	.2	.2	-.6	.0	.7	-.8	.0	.2	.3	.2	.1	.2	.3	.3
<i>Previous Tealbook</i>	-.1	.1	.2	.2	-.6	.0	.7	-.4	-.1	.1	.2	.2	.1	.2	.3	.2
Federal purchases	-1.1	-1.1	-1.1	-1.1	.0	-1.1	.7	-.8	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	.0	-1.1
State and local purchases	.1	.2	.2	.2	-.1	.4	.1	.1	.2	.2	.2	.2	.2	.2	.2	.2
Taxes and transfers	-.2	.1	.1	.0	-.5	-.3	-.1	-.1	-.1	.2	.2	.2	.0	.1	.1	.1

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

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

3. 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. Quarterly figures for change in HEB are not at annual rates.

4. Fiscal impetus measures the contribution to growth of real GDP from fiscal policy actions at the general government level (excluding multiplier effects). It equals the sum of the direct contributions to real GDP growth from changes in federal purchases and state and local purchases, plus the estimated contribution from real consumption and investment that is induced by discretionary policy changes in transfers and taxes.

a Actual.

Greensheets

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

Measure and country	-----Projected-----											
	2014				2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP¹												
Total foreign	1.9	2.3	2.5	2.7	2.8	3.0	3.1	3.1	3.1	3.1	3.1	3.1
<i>Previous Tealbook</i>	2.2	2.2	2.3	2.6	2.9	3.0	3.2	3.2	3.2	3.2	3.2	3.2
Advanced foreign economies	1.9	1.3	1.6	2.0	2.0	2.2	2.3	2.3	2.2	2.2	2.2	2.1
Canada	1.0	3.6	2.8	2.4	2.4	2.5	2.6	2.6	2.4	2.4	2.3	2.3
Japan	5.8	-6.7	-1.9	3.0	1.9	1.8	1.7	1.6	1.5	1.3	1.2	1.4
United Kingdom	2.5	3.3	3.0	2.4	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4
Euro area	1.3	.3	.6	1.0	1.3	1.7	1.9	2.0	2.0	2.0	2.1	2.1
Germany	3.1	-.3	.3	2.0	1.6	1.9	2.1	2.1	2.1	2.1	2.1	2.1
Emerging market economies	1.9	3.4	3.4	3.4	3.6	3.7	3.9	4.0	4.0	4.1	4.1	4.1
Asia	3.8	4.8	5.3	5.0	5.4	5.4	5.4	5.4	5.5	5.5	5.4	5.4
Korea	3.8	2.0	3.7	3.9	4.3	4.3	4.3	4.3	4.2	4.2	4.2	4.2
China	6.2	7.7	7.7	7.4	7.1	7.1	7.0	7.0	7.0	7.0	6.9	6.9
Latin America	.1	2.4	1.9	2.2	2.4	2.6	2.9	2.9	2.9	2.9	3.0	3.0
Mexico	1.4	3.6	2.0	3.2	3.2	3.3	3.4	3.4	3.2	3.2	3.3	3.3
Brazil	-.7	-2.4	.3	.8	1.0	1.4	1.7	1.9	2.1	2.1	2.1	2.1
Consumer prices²												
Total foreign	2.0	3.1	2.1	1.1	.9	2.1	2.4	2.5	2.5	2.5	2.6	2.6
<i>Previous Tealbook</i>	2.0	3.1	2.1	1.6	2.0	2.3	2.5	2.6	2.6	2.6	2.6	2.6
Advanced foreign economies	1.2	3.2	1.1	-.6	-1.3	.9	1.3	1.5	1.5	1.6	1.6	1.7
Canada	2.8	3.7	1.3	-.1	-1.6	1.6	1.6	1.8	1.8	1.8	1.9	1.9
Japan	.4	9.4	1.8	-1.1	-.8	.5	1.0	1.2	1.2	1.3	1.3	1.4
United Kingdom	1.3	1.8	1.4	-.8	-.8	1.4	1.7	1.8	1.8	1.8	1.9	1.9
Euro area	.3	.4	.6	-.7	-1.6	.5	1.3	1.4	1.5	1.5	1.6	1.6
Germany	.3	.4	1.7	-.6	-1.3	.9	1.5	1.6	1.7	1.7	1.8	1.8
Emerging market economies	2.6	2.9	2.9	2.4	2.6	3.0	3.2	3.3	3.3	3.3	3.3	3.3
Asia	1.5	2.4	2.1	1.3	2.0	2.6	3.0	3.1	3.1	3.1	3.1	3.1
Korea	1.4	2.2	.6	-.2	2.3	2.7	2.7	2.9	3.1	3.2	3.2	3.2
China	.8	2.0	2.2	1.0	1.4	2.4	2.8	3.0	3.0	3.0	3.0	3.0
Latin America	5.3	4.3	4.9	4.8	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Mexico	4.8	3.3	4.4	4.2	3.3	3.2	3.3	3.3	3.3	3.3	3.3	3.3
Brazil	6.5	7.4	6.2	6.0	5.8	5.6	5.6	5.5	5.4	5.4	5.4	5.4

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

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

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

Measure and country	2009	2010	2011	2012	2013	-----Projected-----			
						2014	2015	2016	2017
Real GDP¹									
Total foreign	.9	4.7	3.2	2.3	2.6	2.4	3.0	3.1	3.0
<i>Previous Tealbook</i>	.9	4.7	3.2	2.3	2.6	2.3	3.1	3.2	3.1
Advanced foreign economies	-1.4	3.1	1.8	.3	1.9	1.7	2.2	2.2	2.0
Canada	-1.4	3.6	3.0	1.0	2.7	2.5	2.5	2.4	2.2
Japan	-.6	3.5	.3	.0	2.2	-.1	1.7	1.3	-.3
United Kingdom	-1.5	2.2	1.5	.4	2.4	2.8	2.6	2.5	2.3
Euro area	-2.3	2.3	.6	-.9	.4	.8	1.7	2.0	2.3
Germany	-3.0	4.4	2.4	.1	1.1	1.2	1.9	2.1	2.1
Emerging market economies	3.8	6.4	4.6	4.3	3.3	3.0	3.8	4.1	4.0
Asia	7.8	8.0	4.9	5.6	5.2	4.7	5.4	5.4	5.2
Korea	4.9	6.1	3.0	2.1	3.6	3.3	4.3	4.2	3.9
China	11.3	9.7	8.7	7.7	7.6	7.3	7.0	6.9	6.7
Latin America	.0	4.7	4.0	3.3	1.5	1.7	2.7	3.0	3.1
Mexico	-1.2	4.4	4.1	3.4	1.1	2.6	3.3	3.2	3.3
Brazil	5.3	5.3	1.3	1.8	2.2	-.5	1.5	2.1	2.3
Consumer prices²									
Total foreign	1.2	3.2	3.4	2.3	2.3	2.1	1.9	2.5	2.7
<i>Previous Tealbook</i>	1.2	3.2	3.4	2.3	2.3	2.2	2.3	2.6	2.7
Advanced foreign economies	.2	1.7	2.2	1.3	1.0	1.2	.6	1.6	2.0
Canada	.8	2.2	2.7	.9	1.0	1.9	.8	1.8	2.0
Japan	-2.0	-.3	-.3	-.2	1.4	2.6	.5	1.3	2.8
United Kingdom	2.2	3.4	4.6	2.6	2.1	.9	1.0	1.8	2.0
Euro area	.4	2.0	2.9	2.3	.8	.2	.4	1.6	1.7
Germany	.3	1.6	2.6	2.0	1.3	.4	.7	1.7	1.8
Emerging market economies	2.0	4.3	4.3	3.1	3.4	2.7	3.0	3.3	3.3
Asia	1.2	4.3	4.5	2.6	3.1	1.8	2.7	3.1	3.2
Korea	2.4	3.2	3.9	1.7	1.1	1.0	2.6	3.2	3.2
China	.6	4.6	4.6	2.1	2.9	1.5	2.4	3.0	3.0
Latin America	3.9	4.4	4.0	4.3	4.0	4.8	3.7	3.7	3.6
Mexico	4.0	4.3	3.5	4.1	3.7	4.2	3.3	3.3	3.3
Brazil	4.3	5.6	6.7	5.6	5.9	6.5	5.6	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.

U.S. Current Account

Quarterly Data

	2014				2015				2016			
	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	-408.5	-393.7	-401.0	-398.1	-363.4	-362.3	-410.2	-455.4	-518.1	-525.8	-576.0	-593.1
<i>Previous Tealbook</i>	<i>-408.5</i>	<i>-397.9</i>	<i>-420.2</i>	<i>-445.6</i>	<i>-431.3</i>	<i>-428.3</i>	<i>-463.5</i>	<i>-497.3</i>	<i>-545.4</i>	<i>-545.6</i>	<i>-584.8</i>	<i>-601.8</i>
Current account as percent of GDP	-2.4	-2.3	-2.3	-2.2	-2.0	-2.0	-2.2	-2.5	-2.8	-2.8	-3.0	-3.1
<i>Previous Tealbook</i>	<i>-2.4</i>	<i>-2.3</i>	<i>-2.4</i>	<i>-2.5</i>	<i>-2.4</i>	<i>-2.4</i>	<i>-2.5</i>	<i>-2.7</i>	<i>-2.9</i>	<i>-2.9</i>	<i>-3.1</i>	<i>-3.1</i>
Net goods & services	-498.1	-524.9	-497.3	-488.8	-398.7	-414.7	-453.5	-497.2	-537.3	-557.4	-595.5	-606.0
Investment income, net	218.2	228.4	245.1	232.6	189.3	187.6	181.2	177.3	173.2	166.9	157.4	148.3
Direct, net	292.8	292.7	311.6	297.7	258.9	260.2	266.2	276.5	289.7	302.6	314.5	327.4
Portfolio, net	-74.6	-64.3	-66.4	-65.1	-69.6	-72.6	-85.0	-99.2	-116.5	-135.7	-157.1	-179.0
Other income and transfers, net	-128.5	-97.2	-148.8	-141.9	-154.0	-135.3	-137.9	-135.5	-154.0	-135.3	-137.9	-135.5

Annual Data

	2009	2010	2011	2012	2013	-----Projected-----			
						2014	2015	2016	2017
	Billions of dollars								
U.S. current account balance	-380.8	-443.9	-459.3	-460.8	-400.3	-400.3	-397.8	-553.3	-650.6
Previous Tealbook	-380.8	-443.9	-459.3	-460.8	-400.3	-418.0	-455.1	-569.4	-642.0
Current account as percent of GDP	-2.6	-3.0	-3.0	-2.9	-2.4	-2.3	-2.2	-2.9	-3.3
Previous Tealbook	-2.6	-3.0	-3.0	-2.9	-2.4	-2.4	-2.5	-3.0	-3.2
Net goods & services	-383.8	-494.7	-548.6	-537.6	-476.4	-502.3	-441.0	-574.0	-642.3
Investment income, net	132.3	185.7	229.0	211.4	208.5	231.1	183.8	161.4	132.4
Direct, net	257.7	288.0	298.6	281.6	290.9	298.7	265.4	308.5	368.9
Portfolio, net	-125.4	-102.3	-69.5	-70.2	-82.3	-67.6	-81.6	-147.1	-236.5
Other income and transfers, net	-129.3	-135.0	-139.8	-134.6	-132.4	-129.1	-140.7	-140.7	-140.7

Abbreviations

ABS	asset-backed securities
AFE	advanced foreign economy
BOC	Bank of Canada
BOE	Bank of England
CDS	credit default swaps
C&I	commercial and industrial
CLO	collateralized loan obligation
CMBS	commercial mortgage-backed securities
CP	commercial paper
CPI	consumer price index
CRE	commercial real estate
Desk	Open Market Desk
DSGE	dynamic stochastic general equilibrium
ECB	European Central Bank
EME	emerging market economy
EU	European Union
FHA	Federal Housing Administration
FOMC	Federal Open Market Committee; also, the Committee
GCF	general collateral finance
GDP	gross domestic product
GSE	government-sponsored enterprise
IMF	International Monetary Fund
M&A	mergers and acquisitions
MBS	mortgage-backed securities
OIS	overnight index swap
ON RRP	overnight reverse repurchase agreement
OPEC	Organization of the Petroleum Exporting Countries
P&C	productivity and cost

PCE	personal consumption expenditures
PDFP	private domestic final purchases
PMI	purchasing managers index
repo	repurchase agreement
RRP	reverse repurchase agreement
SLOOS	Senior Loan Officer Opinion Survey on Bank Lending Practices
SNB	Swiss National Bank
SOMA	System Open Market Account
S&P	Standard & Poor's
TIPS	Treasury Inflation-Protected Securities

Prefatory Note

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

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

Class I FOMC – Restricted Controlled (FR)

Report to the FOMC on Economic Conditions and Monetary Policy



Book B Monetary Policy: Strategies and Alternatives

January 22, 2015

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 Rules¹

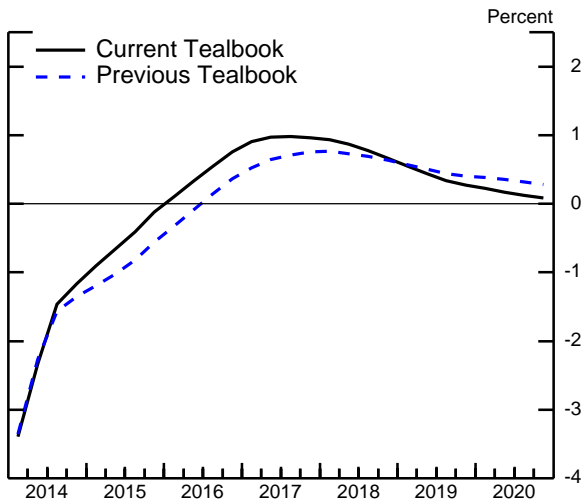
	<u>2015Q1</u>	<u>2015Q2</u>
Taylor (1993) rule	2.40	2.27
<i>Previous Tealbook</i>	2.62	2.48
Taylor (1999) rule	1.95	1.94
<i>Previous Tealbook</i>	2.03	1.97
Inertial Taylor (1999) rule	0.40	0.63
<i>Previous Tealbook outlook</i>	0.41	0.64
First-difference rule	0.34	0.59
<i>Previous Tealbook outlook</i>	0.27	0.45

Memo: Equilibrium and Actual Real Federal Funds Rates²

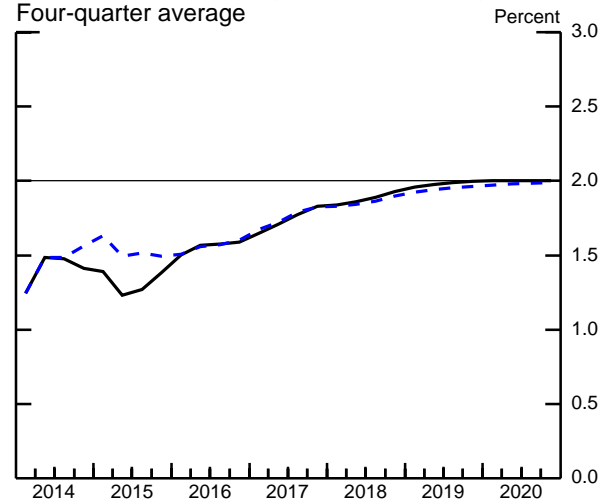
	Current Tealbook	Current Quarter Estimate as of Previous Tealbook	Previous Tealbook
Tealbook-consistent FRB/US r^* estimate	−0.56	−0.96	−0.91
Actual real federal funds rate	−1.28		−1.35

Key Elements of the Staff Projection

GDP Gap



PCE Prices Excluding Food and Energy
Four-quarter average

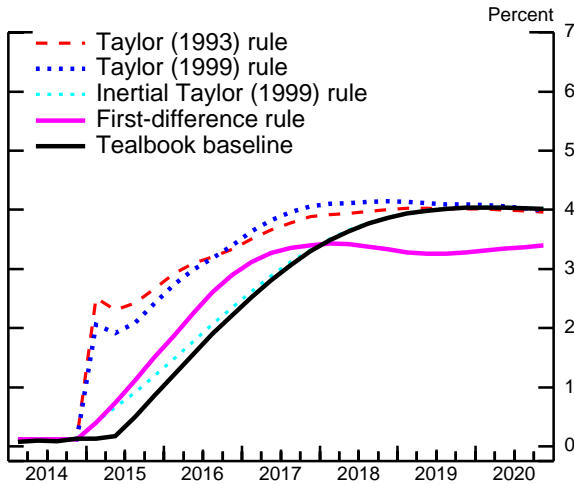


1. For rules that have a lagged policy rate as a right-hand-side variable, the lines denoted "Previous Tealbook outlook" report rule prescriptions based on the previous Tealbook's staff outlook, but jumping off from the realized value for the policy rate last quarter.

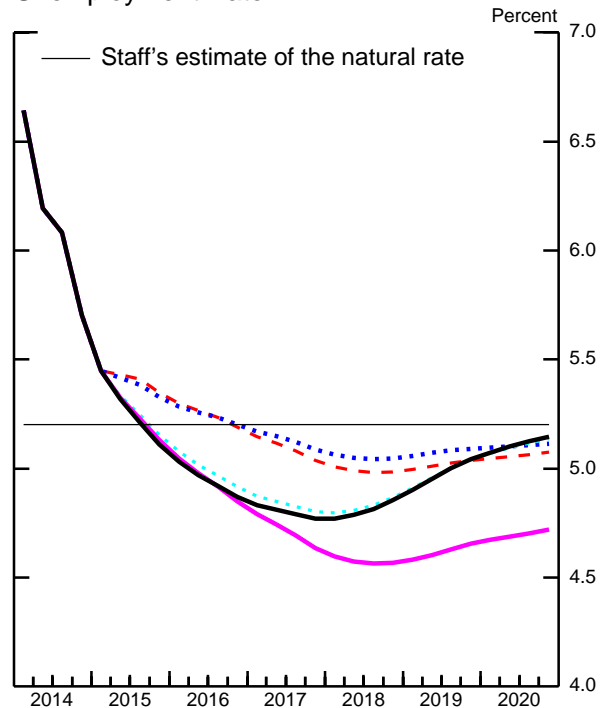
2. Estimates of r^* may change at the beginning of a quarter even when the staff outlook is unchanged because the twelve-quarter horizon covered by the calculation has rolled forward one quarter. Therefore, whenever the Tealbook is published early in the quarter, the memo includes an extra column labeled "Current Quarter Estimate as of Previous Tealbook" to facilitate comparison with the current Tealbook estimate.

Policy Rule Simulations

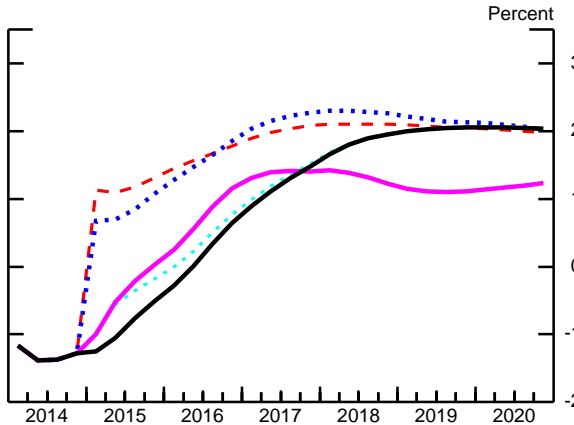
Effective Nominal Federal Funds Rate



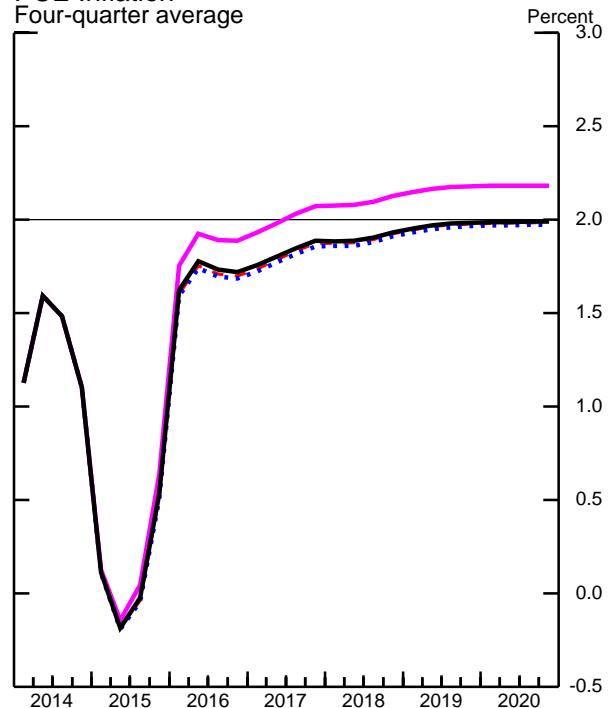
Unemployment Rate



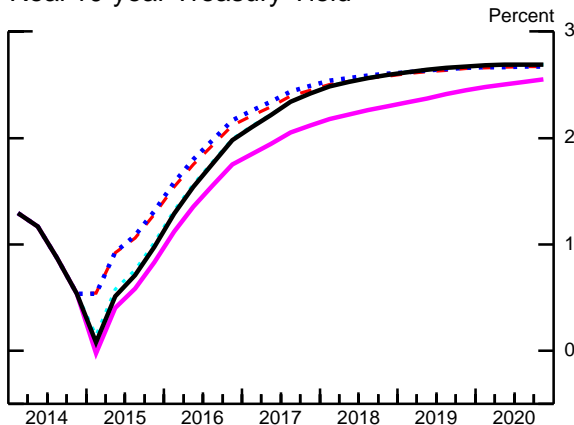
Real Federal Funds Rate



PCE Inflation
Four-quarter average



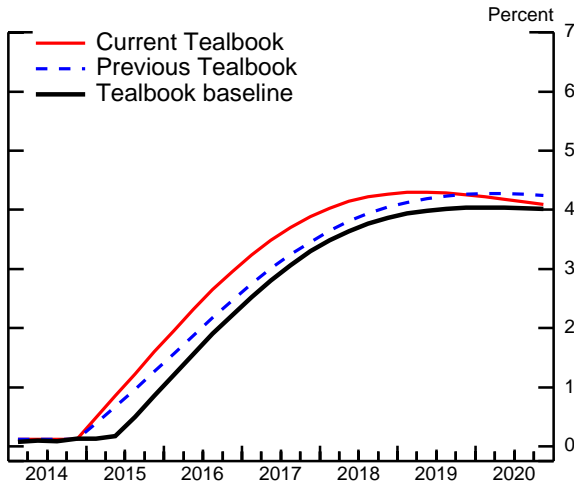
Real 10-year Treasury Yield



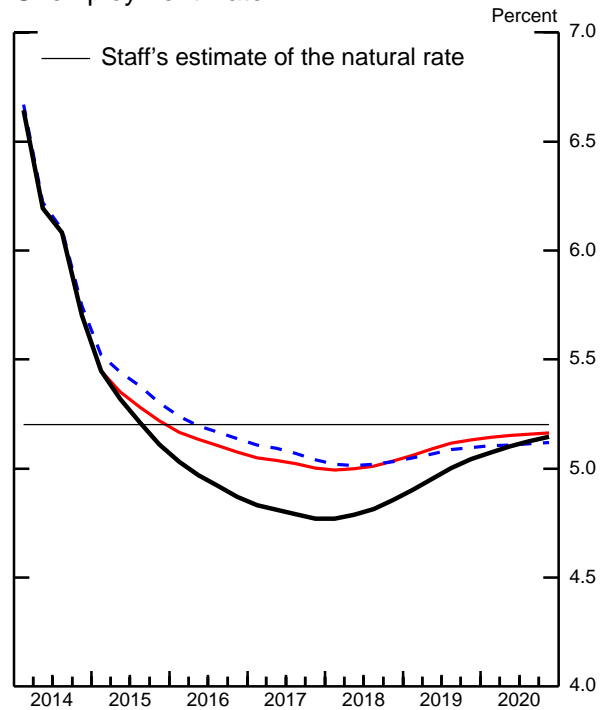
Note: The policy rule simulations in this exhibit are based on rules that respond to core inflation. This choice of rule specification was made in light of the tendency for current and near-term core inflation rates to outperform headline inflation rates as predictors of the medium-term behavior of headline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

Optimal Control Policy under Commitment

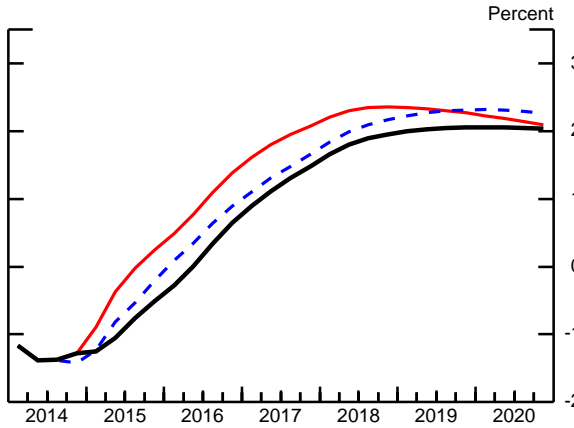
Effective Nominal Federal Funds Rate



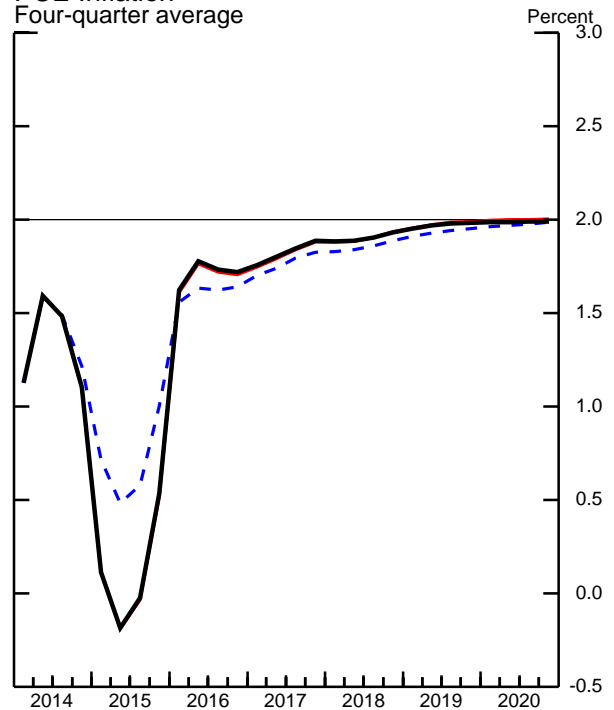
Unemployment Rate



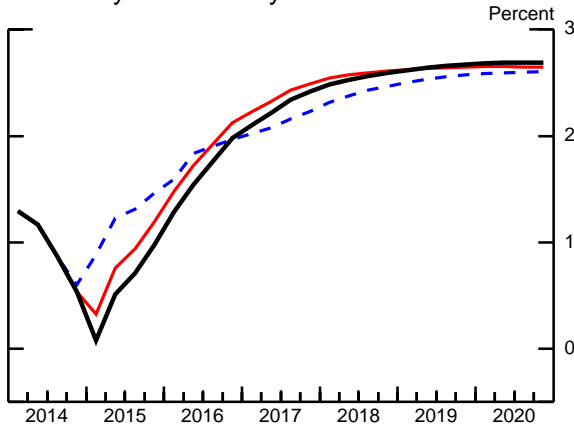
Real Federal Funds Rate



PCE Inflation
Four-quarter average

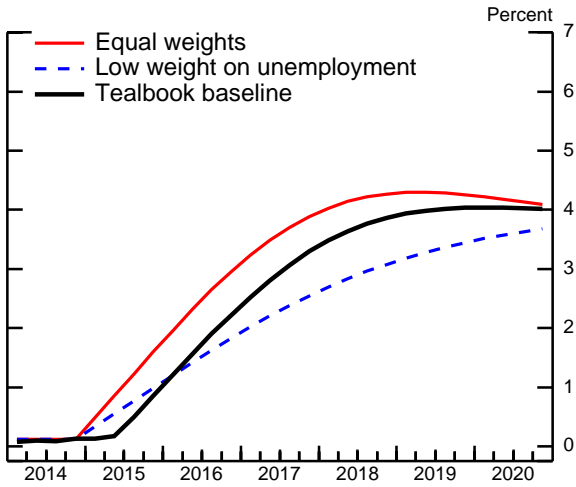


Real 10-year Treasury Yield

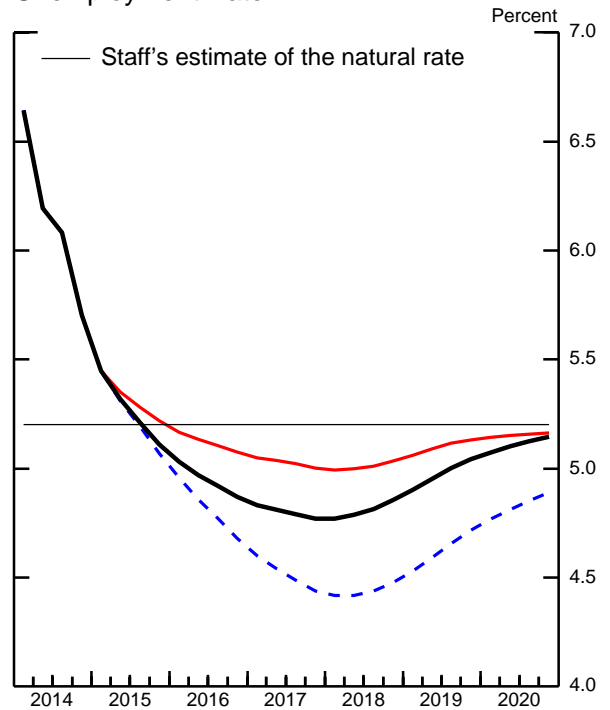


Optimal Control with a Low Weight on Deviations of Unemployment from its Natural Rate

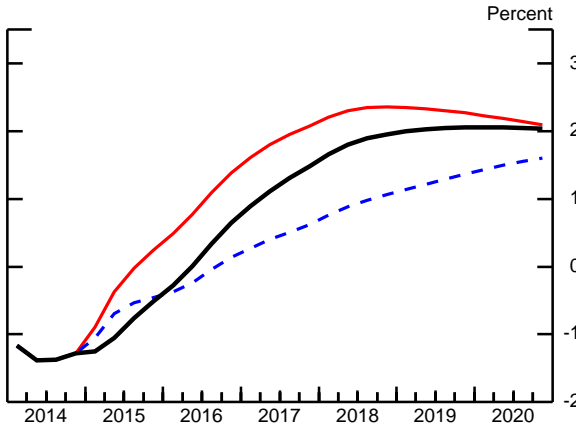
Effective Nominal Federal Funds Rate



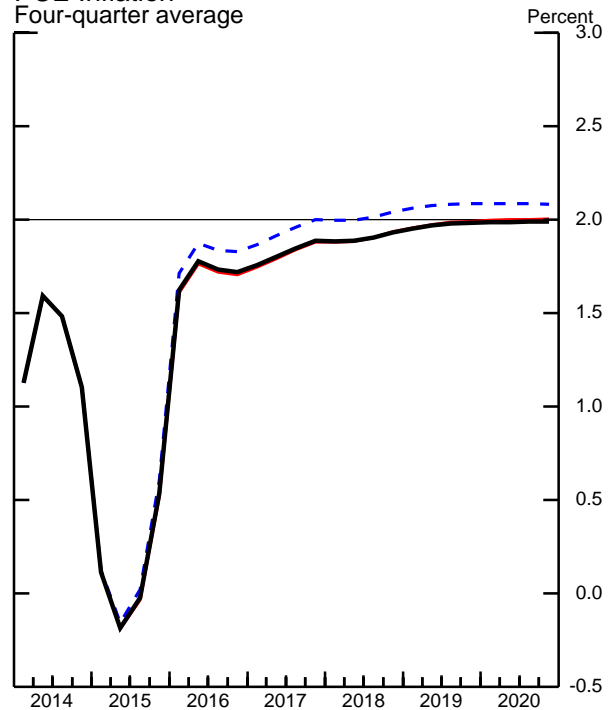
Unemployment Rate



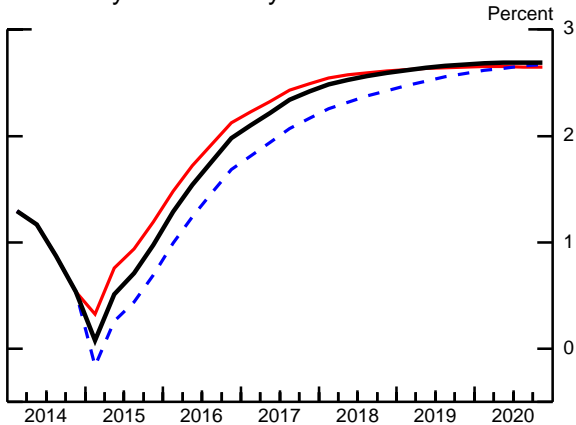
Real Federal Funds Rate



PCE Inflation
Four-quarter average



Real 10-year Treasury Yield



Outcomes under Alternative Policies

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

Measure and policy	2014	2015	2016	2017	2018	2019
	H2					
<i>Real GDP</i>						
Extended Tealbook baseline ¹	3.8	2.8	2.7	2.0	1.6	1.6
Taylor (1993)	3.8	2.4	2.5	2.1	1.8	1.8
Taylor (1999)	3.8	2.4	2.5	2.1	1.8	1.8
Inertial Taylor (1999)	3.8	2.7	2.7	2.1	1.7	1.6
First-difference	3.8	2.8	2.8	2.3	1.9	1.8
Optimal control	3.8	2.6	2.5	2.0	1.7	1.7
<i>Unemployment rate²</i>						
Extended Tealbook baseline ¹	5.7	5.1	4.9	4.8	4.9	5.0
Taylor (1993)	5.7	5.3	5.2	5.0	5.0	5.0
Taylor (1999)	5.7	5.3	5.2	5.1	5.0	5.1
Inertial Taylor (1999)	5.7	5.2	4.9	4.8	4.9	5.0
First-difference	5.7	5.1	4.9	4.6	4.6	4.7
Optimal control	5.7	5.2	5.1	5.0	5.0	5.1
<i>Total PCE prices</i>						
Extended Tealbook baseline ¹	0.4	0.5	1.7	1.9	1.9	2.0
Taylor (1993)	0.4	0.5	1.7	1.9	1.9	2.0
Taylor (1999)	0.4	0.5	1.7	1.9	1.9	2.0
Inertial Taylor (1999)	0.4	0.5	1.7	1.9	1.9	2.0
First-difference	0.4	0.6	1.9	2.1	2.1	2.2
Optimal control	0.4	0.5	1.7	1.9	1.9	2.0
<i>Core PCE prices</i>						
Extended Tealbook baseline ¹	1.2	1.4	1.6	1.8	1.9	2.0
Taylor (1993)	1.2	1.4	1.6	1.8	1.9	2.0
Taylor (1999)	1.2	1.4	1.6	1.8	1.9	2.0
Inertial Taylor (1999)	1.2	1.4	1.6	1.8	1.9	2.0
First-difference	1.2	1.5	1.8	2.0	2.1	2.2
Optimal control	1.2	1.4	1.6	1.8	1.9	2.0
<i>Effective nominal federal funds rate²</i>						
Extended Tealbook baseline ¹	0.1	0.9	2.2	3.3	3.9	4.0
Taylor (1993)	0.1	2.7	3.3	3.9	4.0	4.0
Taylor (1999)	0.1	2.4	3.4	4.1	4.2	4.1
Inertial Taylor (1999)	0.1	1.2	2.3	3.3	3.9	4.0
First-difference	0.1	1.5	2.9	3.4	3.3	3.3
Optimal control	0.1	1.6	3.0	3.9	4.3	4.3

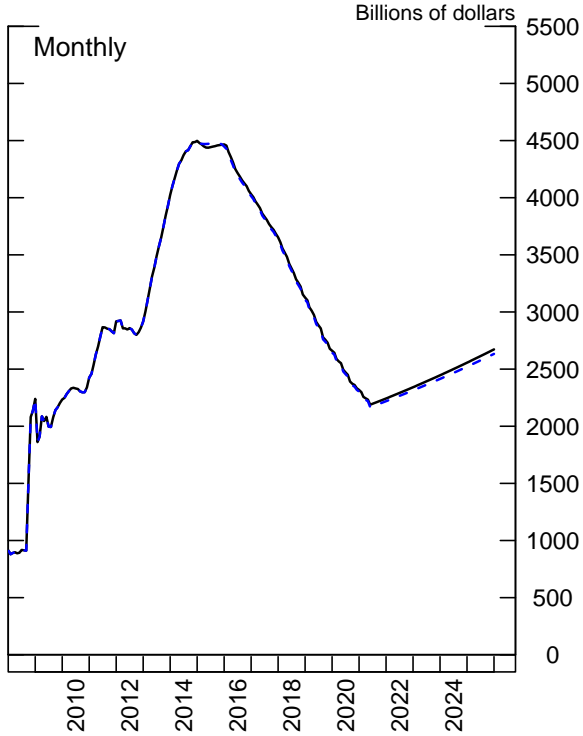
1. In the Tealbook baseline, the federal funds rate first departs from an effective lower bound of 12½ basis points in the second quarter of 2015. Thereafter, the federal funds rate follows the prescriptions of the inertial Taylor (1999) rule.

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

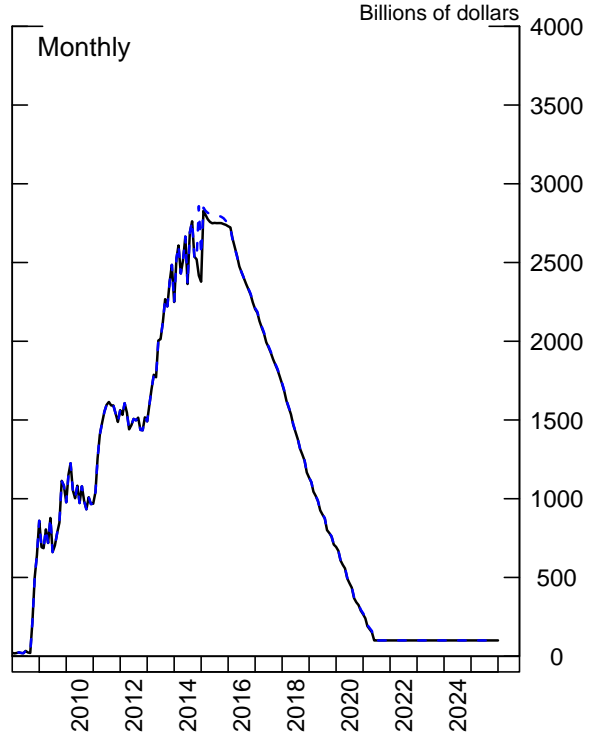
Total Assets and Selected Balance Sheet Items

— January Tealbook - - - December Tealbook

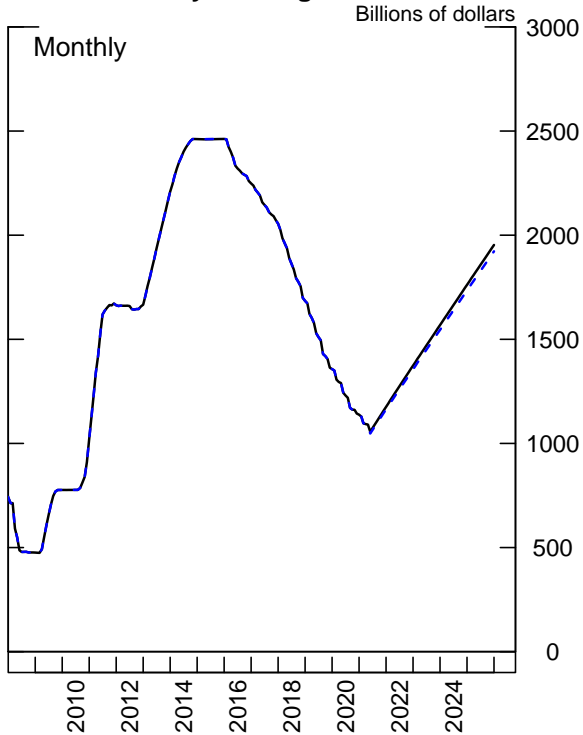
Total Assets



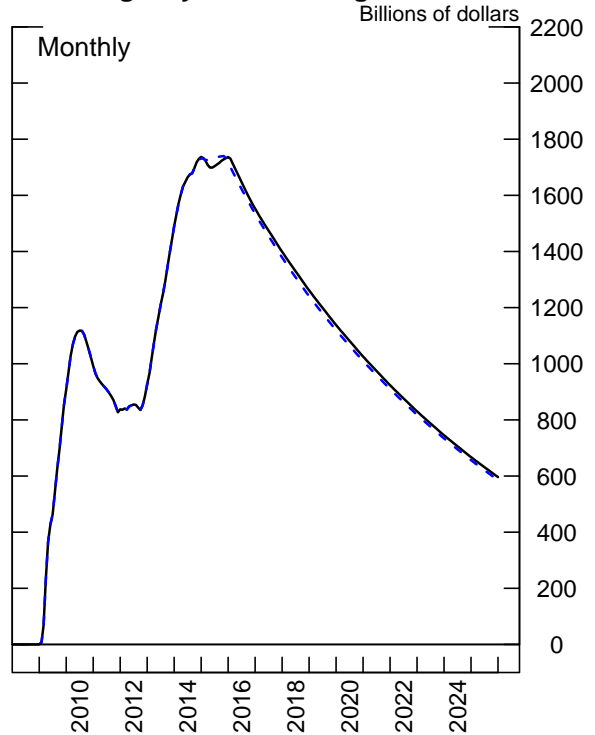
Reserve Balances



SOMA Treasury Holdings



SOMA Agency MBS Holdings



Projections

Federal Reserve Balance Sheet

End-of-Year Projections -- January Tealbook

Billions of dollars

	<u>Dec 31, 2014</u>	<u>2015</u>	<u>2017</u>	<u>2019</u>	<u>2021</u>	<u>2023</u>	<u>2025</u>
Total Assets	4,498	4,467	3,653	2,661	2,243	2,446	2,673
Selected Assets							
Loans and other credit extensions*	3	0	0	0	0	0	0
Securities held outright	4,237	4,232	3,459	2,497	2,101	2,316	2,552
U.S. Treasury securities	2,461	2,462	2,055	1,357	1,175	1,568	1,953
Agency debt securities	39	33	4	2	2	2	2
Agency mortgage-backed securities	1,737	1,737	1,399	1,138	924	745	596
Unamortized premiums	207	195	151	117	93	80	70
Unamortized discounts	-18	-17	-13	-10	-8	-7	-6
Total other assets	48	50	50	50	50	50	50
Total Liabilities	4,441	4,406	3,580	2,568	2,125	2,297	2,485
Selected liabilities							
Federal Reserve notes in circulation	1,299	1,379	1,554	1,677	1,828	2,000	2,187
Reverse repurchase agreements	510	213	213	113	113	113	113
Deposits with Federal Reserve Banks	2,627	2,810	1,809	774	180	180	180
Reserve balances held by depository institutions	2,378	2,730	1,729	694	100	100	100
U.S. Treasury, General Account	223	75	75	75	75	75	75
Other Deposits	26	5	5	5	5	5	5
Interest on Federal Reserve Notes due to U.S. Treasury	1	0	0	0	0	0	0
Total Capital	57	60	73	93	117	148	188

Projections

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

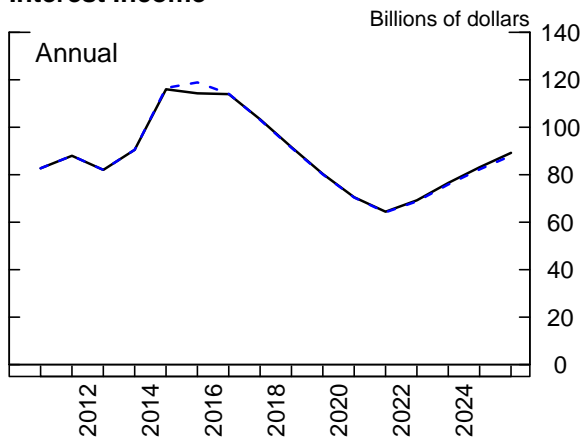
Note: Components may not sum to totals due to rounding.

*Loans and Other Credit Extensions includes, Primary, secondary, and seasonal credit, central bank liquidity swaps, and Net portfolio holdings of Maiden Lane LLC.

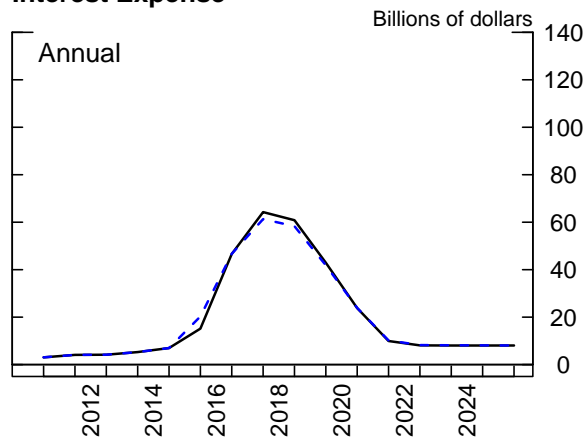
Income Projections

— January Tealbook - - - December Tealbook

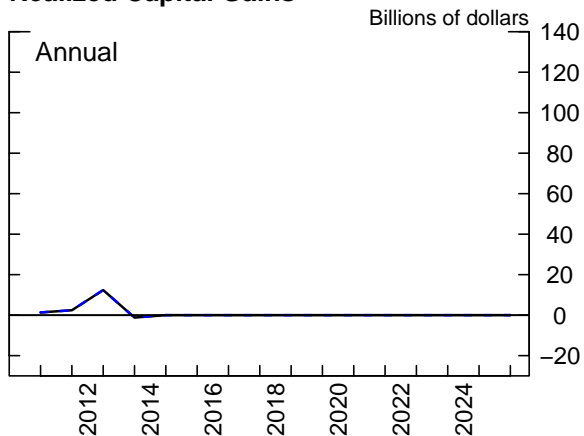
Interest Income



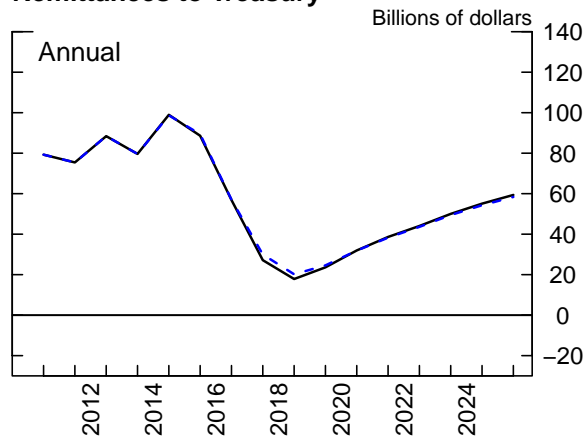
Interest Expense



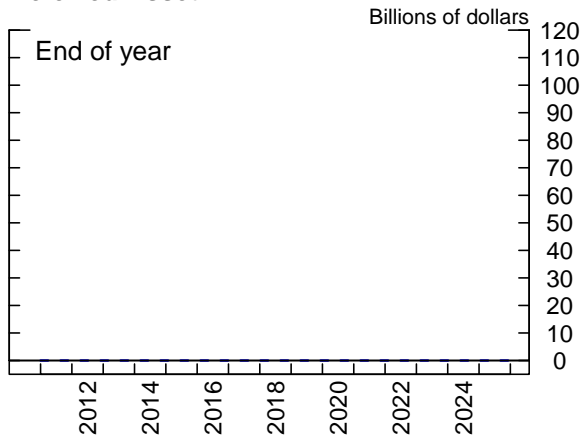
Realized Capital Gains



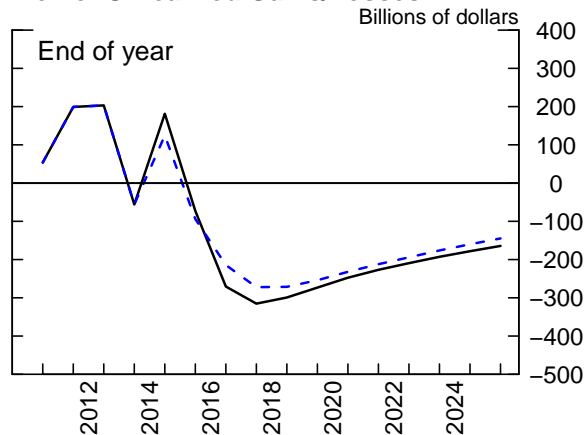
Remittances to Treasury



Deferred Asset



Memo: Unrealized Gains/Losses



Projections

Projections for the 10-Year Treasury Term Premium Effect

Date	January Tealbook	December Tealbook
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Basis Points
Quarterly Averages

2015:Q1	-112	-113
Q2	-107	-108
Q3	-102	-103
Q4	-97	-98
2016:Q1	-92	-93
Q2	-88	-88
Q3	-83	-84
Q4	-79	-79
2017	-64	-65
2018	-53	-53
2019	-44	-44
2020	-36	-36
2021	-31	-30
2022	-26	-26
2023	-21	-21
2024	-17	-16
2025	-12	-12

Projections for the Monetary Base

Percent change, annual rate; not seasonally adjusted		
Date	January Tealbook	December Tealbook
<i>Quarterly</i>		
2015:Q1	36.3	15.8
Q2	4.2	4.2
Q3	0.7	0.3
Q4	1.1	-0.7
2016:Q1	-3.7	-6.8
Q2	-13.1	-13.2
Q3	-10.8	-10.5
Q4	-9.0	-8.8
<i>Annual</i>		
2017	-9.7	-9.9
2018	-14.5	-14.7
2019	-13.2	-13.4
2020	-13.4	-13.6
2021	-5.6	-6.1
2022	3.8	3.7
2023	3.9	3.8
2024	3.9	3.8
2025	3.9	3.9

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

M2 Monetary Aggregate Projections (Percent change, annual rate; seasonally adjusted)*		
<i>Quarterly</i>		
2015:	Q1	4.5
	Q2	0.3
	Q3	-3.1
	Q4	-2.7
2016	Q1	-1.0
	Q2	-0.1
	Q3	0.6
	Q4	1.3
2017	Q1	1.6
	Q2	1.7
	Q3	1.8
	Q4	2.0
<i>Annual</i>		
	2014	5.7
	2015	-0.3
	2016	0.2
	2017	1.8

Actual data through January 12, 2015; projections thereafter.

* Quarterly growth rates are computed from quarterly averages.

Annual growth rates are fourth quarter over fourth quarter.

Abbreviations

ABS	asset-backed securities
AFE	advanced foreign economy
BEA	Bureau of Economic Analysis, Department of Commerce
BHC	bank holding company
CDS	credit default swaps
C&I	commercial and industrial
CLO	collateralized loan obligation
CMBS	commercial mortgage-backed securities
CPI	consumer price index
CRE	commercial real estate
Desk	Open Market Desk
ECB	European Central Bank
EME	emerging market economy
FDIC	Federal Deposit Insurance Corporation
FOMC	Federal Open Market Committee; also, the Committee
GCF	general collateral finance
GDI	gross domestic income
GDP	gross domestic product
LIBOR	London interbank offered rate
LSAP	large-scale asset purchase
MBS	mortgage-backed securities
NIPA	national income and product accounts
OIS	overnight index swap
ON RRP	overnight reverse repurchase agreement
PCE	personal consumption expenditures
repo	repurchase agreement
RMBS	residential mortgage-backed securities

RRP	reverse repurchase agreement
SCOOS	Senior Credit Officer Opinion Survey on Dealer Financing Terms
SEP	Summary of Economic Projections
SFA	Supplemental Financing Account
SLOOS	Senior Loan Officer Opinion Survey on Bank Lending Practices
SOMA	System Open Market Account
S&P	Standard & Poor's
TALF	Term Asset-Backed Securities Loan Facility
TBA	to be announced (for example, TBA market)
TGA	U.S. Treasury's General Account
TIPS	Treasury inflation-protected securities
TPE	Term premium effects