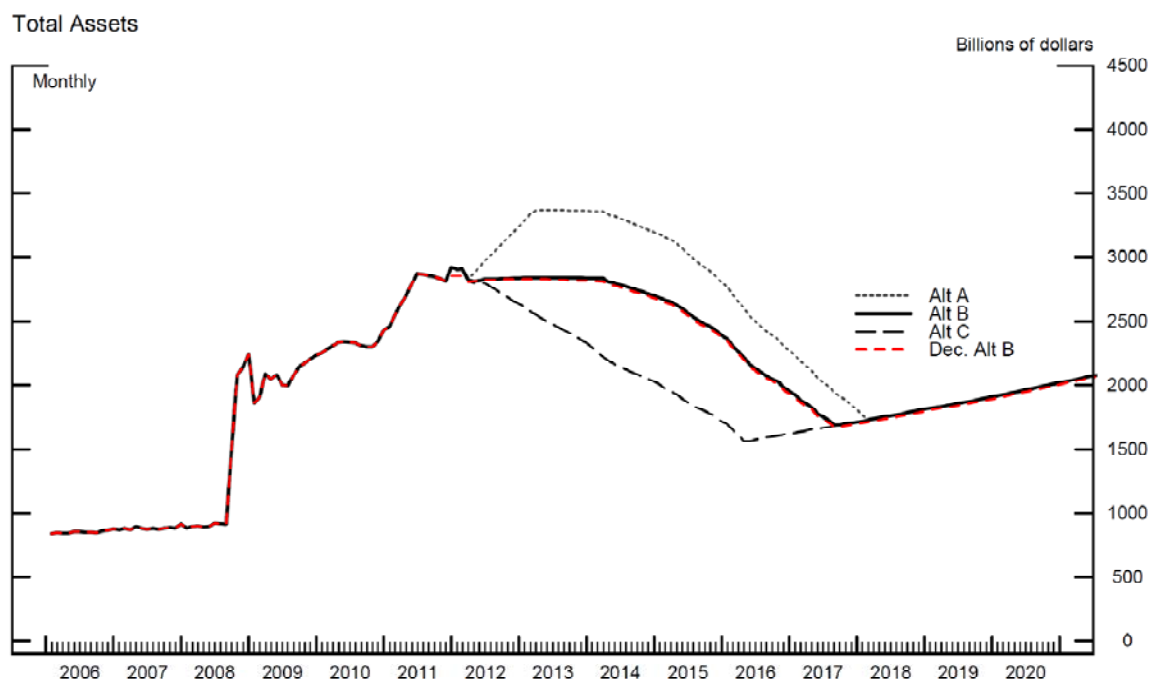


LONG-RUN PROJECTIONS OF THE BALANCE SHEET AND MONETARY BASE

The staff has prepared three scenarios for the Federal Reserve's balance sheet that correspond to the policy alternatives A, B, and C. The scenario for Alternative A reflects a \$500 billion agency MBS purchase program included in paragraph 3 of the draft statement for that alternative, but is consistent with the open-ended purchase program in paragraph 3' if purchases last, and are expected to last, for one year. Projections under each scenario are based on assumptions about the trajectory of various components of the balance sheet. Details of these assumptions, as well as projections for each major component of the balance sheet, can be found in Explanatory Note C.



For the balance sheet scenario that corresponds to Alternative B, the Committee is assumed to complete the maturity extension program (MEP) that it announced in September, purchasing a total of \$400 billion (par value) of Treasury securities with remaining maturities of six years or more and selling the same par amount of securities with remaining maturities of three years or less by the end of June 2012. The Committee also continues to reinvest principal payments from its holdings of agency debt and MBS into agency MBS, while principal from maturing Treasury securities is reinvested at auction according to the Desk's current practice (that is, reinvesting roughly proportionally across all Treasury securities that are being issued on the date the securities mature). These policy choices would keep System Open Market Account (SOMA) securities holdings roughly constant at about \$2.6 trillion. All reinvestment is assumed

Growth Rates for the Monetary Base				
Date	Alternative B	Alternative A	Alternative C	Memo : December Tealbook
Percent, annual rate				
Monthly				
Jan-11	23.3	23.3	23.3	23.3
Feb-11	57.6	57.6	57.6	57.6
Mar-11	97.8	97.8	97.8	97.8
Apr-11	74.4	74.4	74.4	74.4
May-11	42.1	42.1	42.1	42.1
Jun-11	35.9	35.9	35.9	35.9
Jul-11	27.0	27.0	27.0	27.0
Aug-11	2.0	2.0	2.0	2.0
Sep-11	-10.6	-10.6	-10.6	-10.6
Oct-11	-4.5	-4.5	-4.5	-4.5
Nov-11	-8.0	-8.0	-8.0	-8.0
Dec-11	-4.5	-4.5	-4.5	12.1
Jan-12	5.8	5.9	5.7	15.1
Feb-12	22.7	22.4	21.9	10.3
Mar-12	4.0	7.1	1.9	4.4
Apr-12	-38.5	-26.1	-41.4	-29.5
May-12	-2.2	17.1	-4.9	0.9
Jun-12	18.3	37.9	15.8	15.4
Quarterly				
2011 Q1	36.8	36.8	36.8	36.8
2011 Q2	69.3	69.3	69.3	69.3
2011 Q3	21.0	21.0	21.0	21.0
2011 Q4	-5.9	-5.9	-5.9	-4.1
2012 Q1	5.5	5.8	5.1	9.7
2012 Q2	-8.1	3.2	-10.4	-5.9
2012 Q3	5.6	25.2	-2.7	4.7
2012 Q4	5.5	23.4	-8.5	5.4
Annual - Q4 to Q4				
2010	0.9	0.9	0.9	0.9
2011	32.9	32.9	32.9	33.5
2012	2.1	15.1	-4.1	3.5
2013	0.9	6.8	-11.4	0.5
2014	-4.8	-4.6	-14.5	-4.8
2015	-11.4	-12.0	-16.1	-11.3
2016	-19.8	-20.3	-10.5	-19.6

Note: Not seasonally adjusted.

Growth Rates for M2

(Percent, seasonally adjusted annual rate)

Monthly Growth Rates	Tealbook Forecast*
Jun-11	9.9
Jul-11	22.7
Aug-11	24.5
Sep-11	2.5
Oct-11	6.0
Nov-11	5.8
Dec-11	5.6
Jan-12	15.9
Feb-12	7.0
Mar-12	3.5
Apr-12	3.1
May-12	3.1
Jun-12	3.1
Quarterly Growth Rates	
2011 Q3	16.4
2011 Q4	7.2
2012 Q1	9.2
2012 Q2	3.6
Annual Growth Rates	
2010	3.1
2011	9.5
2012	5.3
2013	1.9

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