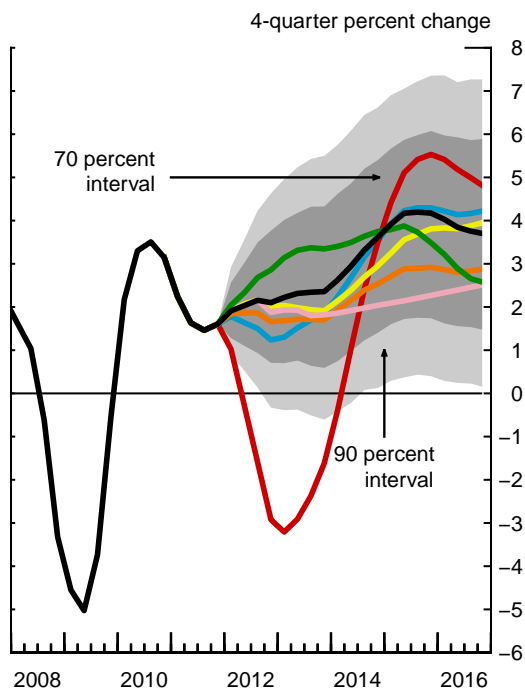


Forecast Confidence Intervals and Alternative Scenarios

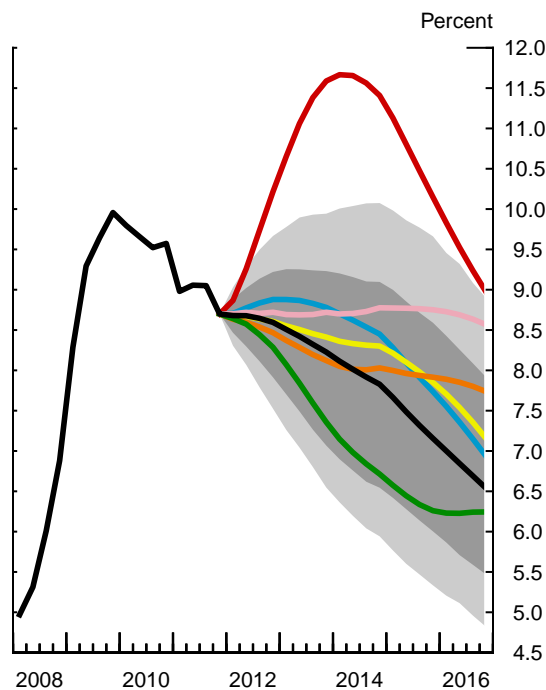
Confidence Intervals Based on FRB/US Stochastic Simulations

- Extended Tealbook baseline
- Greater supply-side damage
- European crisis with severe spillovers
- Faster snapback
- Disinflation
- Higher oil prices
- Lost decade

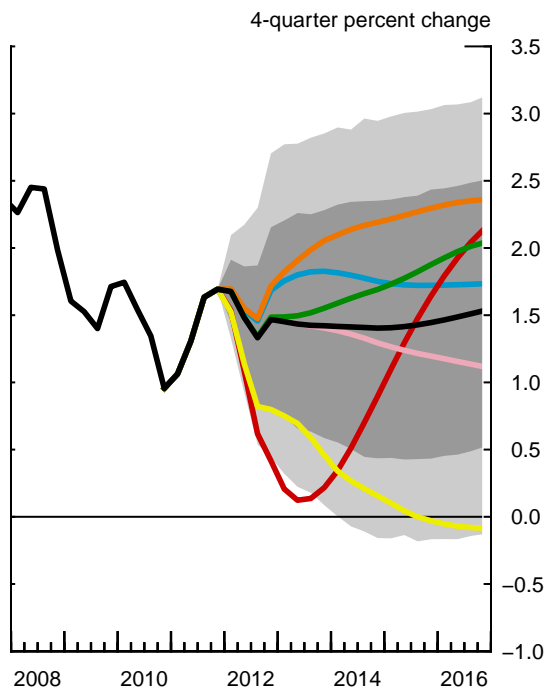
Real GDP



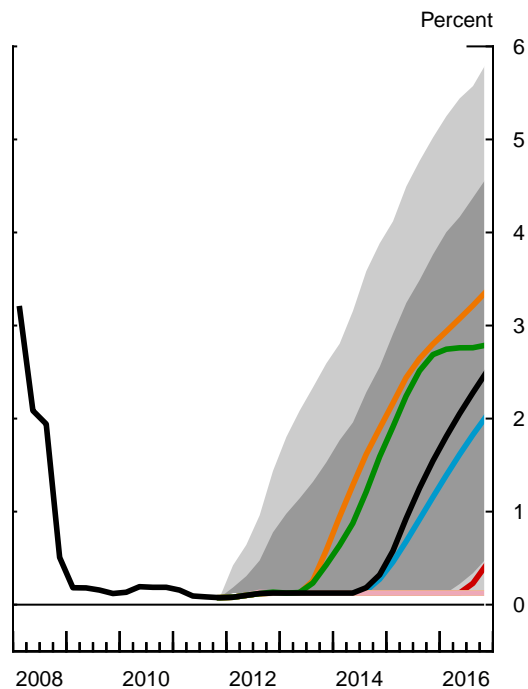
Unemployment Rate



PCE Prices excluding Food and Energy



Federal Funds Rate



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

Measure	2011	2012	2013	2014	2015	2016
<i>Real GDP</i> (percent change, Q4 to Q4)						
Projection	1.6	2.1	2.4	3.6	4.2	3.7
Confidence interval						
Tealbook forecast errors	1.4–1.8	.5–3.7	.6–4.1	...	...	...
FRB/US stochastic simulations	1.4–1.8	.7–3.8	.6–4.3	1.4–5.4	1.7–6.1	1.5–5.9
<i>Civilian unemployment rate</i> (percent, Q4)						
Projection	8.7	8.6	8.2	7.8	7.2	6.5
Confidence interval						
Tealbook forecast errors	8.7–8.7	8.0–9.2	7.2–9.2	...	...	...
FRB/US stochastic simulations	8.6–8.8	7.9–9.2	7.1–9.2	6.5–9.1	6.0–8.6	5.5–7.9
<i>PCE prices, total</i> (percent change, Q4 to Q4)						
Projection	2.5	1.4	1.3	1.5	1.5	1.6
Confidence interval						
Tealbook forecast errors	2.4–2.6	.5–2.4	.1–2.4	...	...	...
FRB/US stochastic simulations	2.4–2.6	.5–2.6	.0–2.5	.1–2.7	.1–2.8	.2–2.9
<i>PCE prices excluding food and energy</i> (percent change, Q4 to Q4)						
Projection	1.7	1.5	1.4	1.4	1.4	1.5
Confidence interval						
Tealbook forecast errors	1.6–1.8	.9–2.0	.6–2.2	...	...	...
FRB/US stochastic simulations	1.6–1.8	.8–2.2	.6–2.3	.4–2.4	.4–2.4	.5–2.5
<i>Federal funds rate</i> (percent, Q4)						
Projection	.1	.1	.1	.3	1.5	2.5
Confidence interval						
FRB/US stochastic simulations	.1–.1	.1–.8	.1–1.5	.1–2.6	.1–3.8	.5–4.6

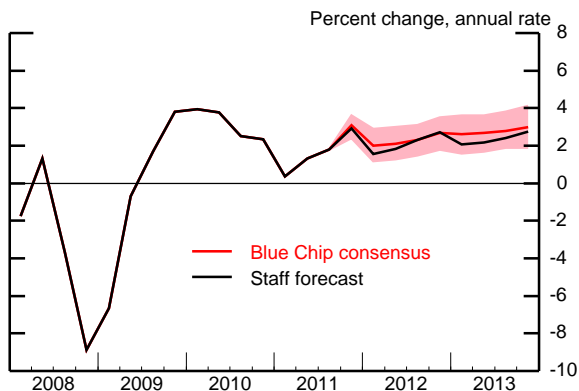
Note: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969–2009 set of model equation residuals.

Intervals derived from Tealbook forecast errors are based on projections made from 1979–2009, except for PCE prices excluding food and energy, where the sample is 1981–2009.

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

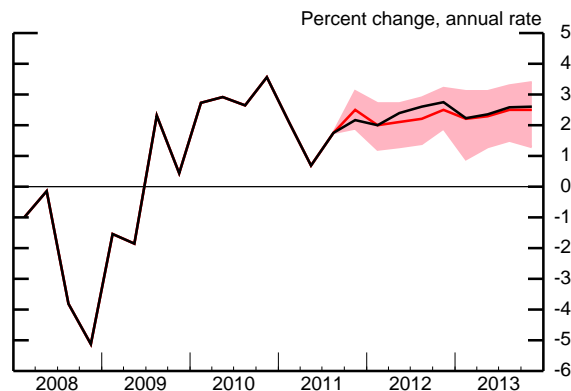
Tealbook Forecast Compared with Blue Chip (Blue Chip survey released January 10, 2012)

Real GDP

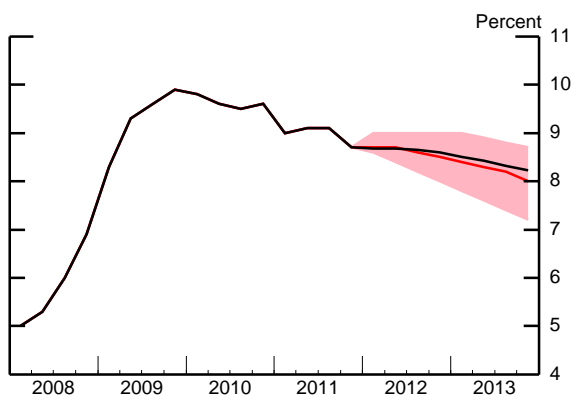


Note: The shaded area represents the area between the Blue Chip top 10 and bottom 10 averages.

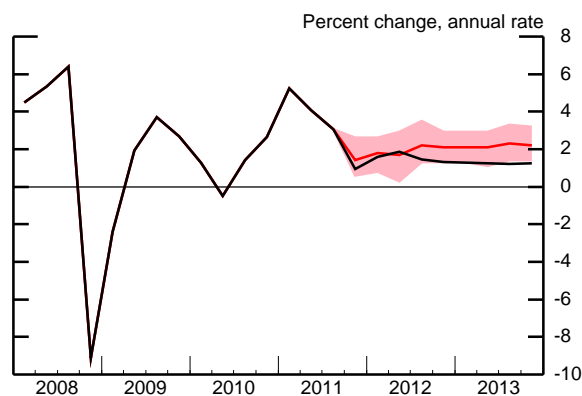
Real PCE



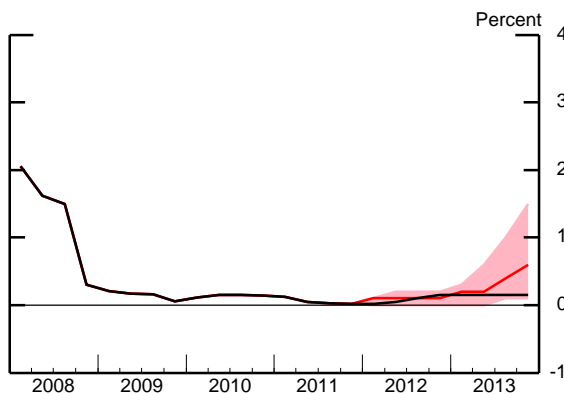
Unemployment Rate



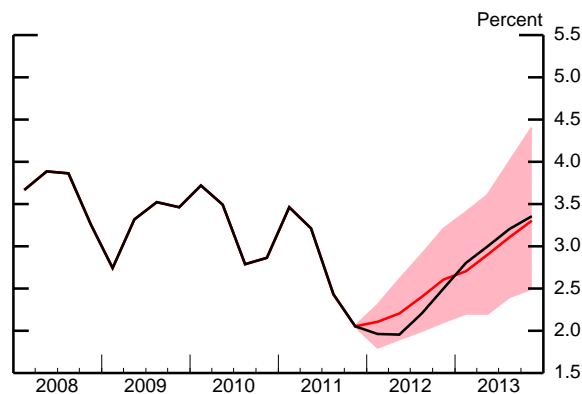
Consumer Price Index



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.