Class II FOMC - Restricted (FR)

Part 1

June 17, 2009

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Summary and Outlook

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

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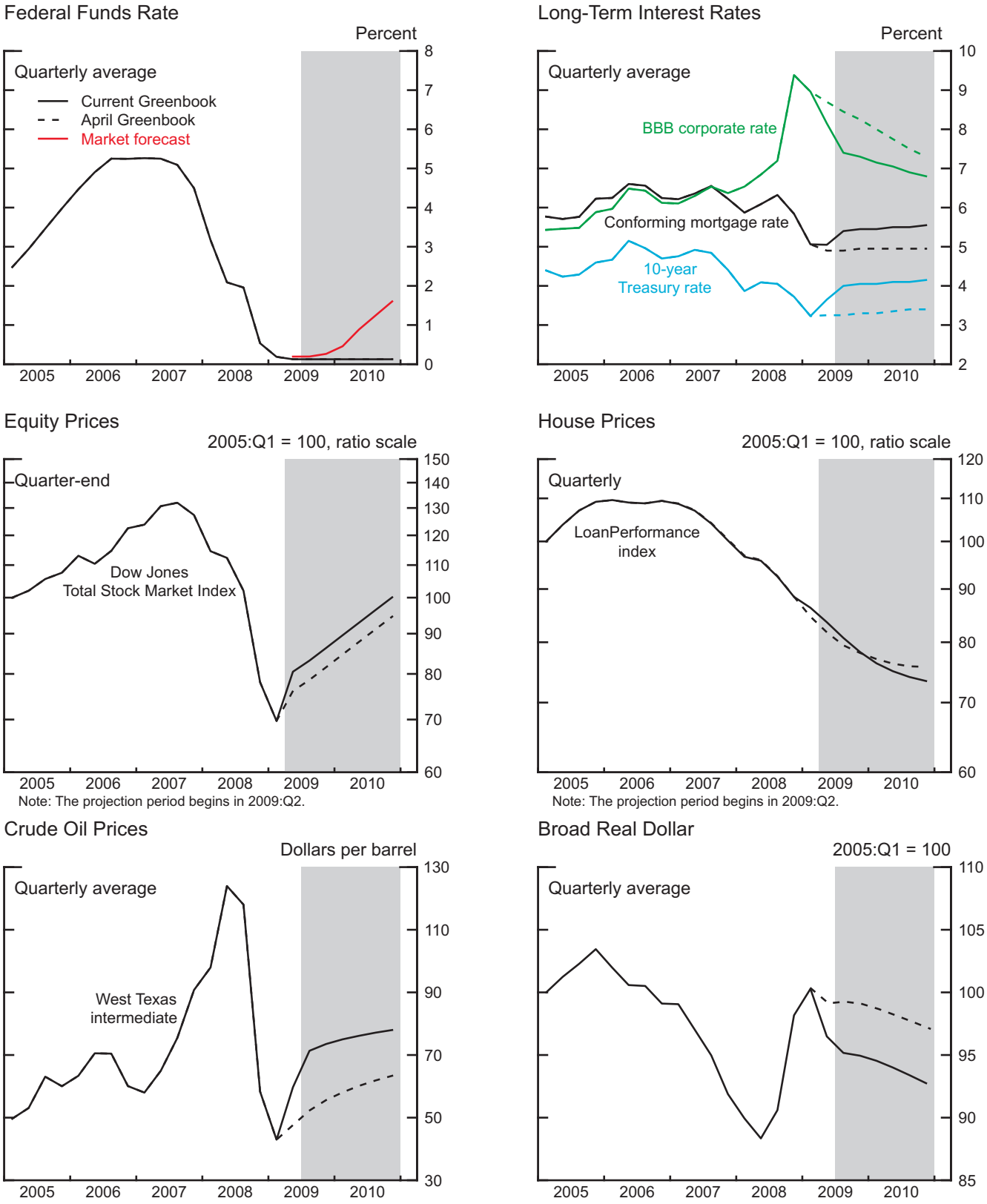
Key Background Factors Underlying the Baseline Staff Projection



Note: The projection period begins in 2009:Q2.

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Note: In each panel, shading represents the projection period, which begins in 2009:Q3, except as noted. Q2 quarterly average data are actual through June 16. In the upper-left panel that reports the federal funds rate, the dashed line is not apparent because the paths of the federal funds rate in the April and current Greenbooks are the same.

Summary of the Near-Term Outlook
(Percent change at annual rate except as noted)

Measure	2009:Q1		2009:Q2	
	April Greenbook	June Greenbook	April Greenbook	June Greenbook
Real GDP	**-6.3**	**-5.5**	**-1.5**	**-1.0**
Private domestic final purchases	-5.0	-5.8	-4.0	-2.3
Personal consumption expenditures	1.1	1.6	-.5	-.4
Residential investment	-38.2	-38.0	-27.4	-22.1
Business fixed investment	-30.1	-37.3	-20.8	-10.3
Government outlays for consumption and investment	-5.3	-3.0	6.7	3.7
	Contribution to growth (percentage points)			
Inventory investment	-2.2	-2.4	-.1	-.9
Net exports	1.0	2.1	.6	1.1

recent labor market data and the recent spending data. This tension is highlighted by the path of productivity, which has been higher than might be expected at this stage of a recession.

Manufacturing production, after tumbling at an annual rate of 22 percent in the first quarter, is projected to fall at a 10 percent rate this quarter. While some of this slower rate of decline reflects a flattening of light vehicle production, the contraction in other industries has also moderated. Still, manufacturing IP continues to fall more rapidly than the output of goods as measured in the GDP accounts, and the factory utilization rate fell to a new postwar low of 65 percent in May, even with capacity contracting.

Incoming data indicate that household spending has stabilized. After declining at an annual rate of about 4 percent in the second half of 2008, real PCE is projected to rise at an annual rate of about ½ percent in the first half of this year; the boost to income from this year's fiscal stimulus package supports spending in the second quarter. We expect the pace of consumer spending to be sluggish in the near term, held down by previous losses in household wealth, still-weak consumer sentiment, and high rates of unemployment.

The decline in activity in the housing sector appears to be moderating. Recent data on sales suggest that housing demand has leveled out. Meanwhile, single-family housing

Projections of Real GDP
(Percent change at annual rate from end of preceding period except as noted)

Measure	2009 H1	2009 H2	2010
Real GDP	**-3.3**	**1.1**	**3.0**
Previous Greenbook	-3.9	.8	2.6
Final sales	-1.6	-.6	2.6
Previous Greenbook	-2.8	-.6	2.4
Personal consumption expenditures	.6	1.1	2.8
Previous Greenbook	.3	.8	2.7
Residential investment	-30.5	-12.2	10.7
Previous Greenbook	-33.0	-.9	11.0
Business fixed investment	-25.0	-12.2	3.0
Previous Greenbook	-25.6	-15.5	3.4
Government purchases	.3	3.1	1.9
Previous Greenbook	.5	4.9	1.9
Exports	-19.0	3.0	4.0
Previous Greenbook	-18.6	-.7	2.3
Imports	-25.3	6.7	5.4
Previous Greenbook	-20.1	4.1	5.1
	Contribution to growth (percentage points)		
Inventory change	-1.6	1.8	.4
Previous Greenbook	-1.1	1.4	.3
Net exports	1.8	-.6	-.3
Previous Greenbook	.9	-.6	-.5

Household sector. Our projection for consumer spending is a bit stronger than in the April forecast, as the effects of the boost to household wealth more than offset the increases in job and income uncertainty associated with the much higher path for the unemployment rate. We expect real PCE to rise at a pace subdued over the remainder of this year, as households continue to respond to the ongoing effects of prior wealth declines and the continued deterioration in the labor market. In 2010, spending accelerates noticeably as the job market improves, consumer credit becomes more readily available, and the drag from sizable wealth losses experienced over the past few years

Decomposition of Structural Labor Productivity
Nonfarm Business Sector
(Percent change, Q4 to Q4, except as noted)

Measure	1974-95	1996-2000	2001-06	2007	2008	2009	2010
Structural labor productivity	**1.5**	**2.5**	**2.6**	**2.1**	**2.0**	**1.6**	**1.6**
Previous Greenbook	1.5	2.5	2.6	2.1	1.9	1.6	1.6
Contributions[1]							
Capital deepening	.7	1.4	.7	.6	.5	-.2	-.1
Previous Greenbook	.7	1.4	.7	.6	.4	-.3	-.2
Multifactor productivity	.5	.7	1.6	1.2	1.3	1.6	1.5
Previous Greenbook	.5	.7	1.6	1.2	1.3	1.6	1.6
Labor composition	.3	.3	.3	.2	.2	.2	.1
MEMO							
Potential GDP	3.0	3.4	2.7	2.5	2.4	2.0	2.0
Previous Greenbook	3.0	3.4	2.6	2.5	2.5	2.0	2.0

Note: Components may not sum to totals because of rounding. 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.

The Outlook for the Labor Market
(Percent change, Q4 to Q4, except as noted)

Measure	2007	2008	2009	2010
Output per hour, nonfarm business	2.6	2.2	2.2	1.4
Previous Greenbook	2.6	2.2	1.3	2.1
Nonfarm private payroll employment	.8	-2.1	-3.9	1.5
Previous Greenbook	.8	-2.1	-3.7	1.2
Household survey employment	.4	-1.5	-3.0	1.0
Previous Greenbook	.4	-1.5	-2.7	1.0
Labor force participation rate[1]	66.0	65.9	65.6	65.3
Previous Greenbook	66.0	65.9	65.3	65.1
Civilian unemployment rate[1]	4.8	6.9	10.0	9.7
Previous Greenbook	4.8	6.9	9.3	9.1
MEMO				
GDP gap[2]	-.4	-3.6	-6.5	-5.6
Previous Greenbook	-.4	-3.6	-7.0	-6.4

1. Percent, average for the fourth quarter.

2. Actual less potential GDP in the fourth quarter of the year indicated as a percent of potential GDP. A negative number thus indicates that the economy is operating below potential.

Productivity and the labor market. We anticipate that the declines in payroll employment will end by the fourth quarter of this year. We expect net hiring to resume in early 2010, and we project that job gains will pick up over the course of that year as output accelerates. In all, we expect employment in the private sector to fall at an average monthly rate of about 50,000 in the second half of this year but then to rise at an average pace of 140,000 per month in 2010.

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

Measure	2007	2008	2009	2010
PCE chain-weighted price index	3.5	1.9	1.4	1.1
Previous Greenbook	3.5	1.9	.7	1.0
Food and beverages	4.5	6.3	1.5	1.9
Previous Greenbook	4.5	6.3	1.7	1.2
Energy	19.1	-8.5	1.3	4.5
Previous Greenbook	19.1	-8.5	-8.9	6.1
Excluding food and energy	2.2	1.9	1.4	.8
Previous Greenbook	2.2	1.9	1.2	.7
Consumer price index	4.0	1.5	1.4	1.4
Previous Greenbook	4.0	1.5	.4	1.3
Excluding food and energy	2.3	2.0	1.5	1.0
Previous Greenbook	2.3	2.0	1.3	.9
GDP chain-weighted price index	2.6	2.0	1.3	1.1
Previous Greenbook	2.6	2.0	1.6	.9
ECI for compensation of private industry workers[1]	3.0	2.4	1.4	1.2
Previous Greenbook	3.0	2.4	1.8	1.3
Compensation per hour, nonfarm business sector	3.6	3.9	2.6	1.2
Previous Greenbook	3.6	4.1	2.3	1.3
Prices of core goods imports[2]	3.4	3.5	-1.6	1.1
Previous Greenbook	3.4	3.5	-3.3	1.1

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

- Risk premiums on corporate bonds and equity continue to fall back toward historically more normal levels beyond 2010.

- The fiscal stimulus package continues to boost government spending beyond 2010, as the grants in the package raise state and local government spending only gradually. By 2013, the increased spending from the grants is almost complete.

- Government budget deficits narrow after 2010. This improvement mostly reflects the effects of the economic recovery on tax receipts and transfer payments.

- From 2011 to 2013, the dollar is assumed to depreciate about 2½ percent per year in real terms. The price of WTI crude oil rises gradually from recent levels to a bit less than $80 per barrel by the end of 2013, consistent with futures prices. Under these assumptions, movements in prices of energy and imports have only minor implications for domestic inflation. Finally, foreign real GDP expands 4¾ percent per year, on average, as the economic recovery picks up speed abroad.

- The NAIRU remains flat at 5 percent, and potential GDP expands 2½ percent per year, on average, over the 2011-13 period.

The Long-Term Outlook
(Percent change, Q4 to Q4, except as noted)

Measure	2008	2009	2010	2011	2012	2013
Real GDP	-0.8	-1.1	3.0	4.8	5.3	4.2
Civilian unemployment rate[1]	6.8	10.0	9.7	8.0	6.1	4.9
PCE prices, total	1.9	1.4	1.1	1.2	1.1	1.3
Core PCE prices	1.9	1.4	0.8	0.7	0.9	1.1
Federal funds rate[1]	0.5	0.1	0.1	0.1	2.4	4.1

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

Alternative Scenarios

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

Measure and scenario	2009		2010	2011	2012-13
	H1	H2			
Real GDP					
Extended Greenbook baseline	-3.3	1.1	3.0	4.8	4.8
False dawn	-3.4	-3.1	1.6	5.2	5.5
Slower recovery	-3.3	-.1	.8	4.3	5.7
Typical recovery	-3.3	5.6	5.0	4.5	3.6
Labor market damage	-3.3	.0	2.1	4.8	5.1
Higher inflation expectations	-3.3	1.1	3.2	5.1	4.6
Deflation	-3.3	1.1	2.9	4.7	4.8
Early liftoff	-3.3	5.6	5.1	4.4	3.5
Unemployment rate[1]					
Extended Greenbook baseline	9.3	10.0	9.7	8.0	4.9
False dawn	9.3	10.5	11.0	9.2	5.4
Slower recovery	9.3	10.1	10.6	9.2	5.4
Typical recovery	9.3	9.5	8.3	6.8	4.8
Labor market damage	9.3	10.4	11.2	9.6	5.7
Higher inflation expectations	9.3	10.0	9.7	7.9	4.9
Deflation	9.3	10.0	9.7	8.1	5.0
Early liftoff	9.3	9.5	8.3	6.8	4.9
Core PCE inflation					
Extended Greenbook baseline	1.9	.9	.8	.7	1.0
False dawn	1.8	.9	.6	.5	.9
Slower recovery	1.9	.9	.8	.5	.9
Typical recovery	1.9	.9	1.0	.8	1.2
Labor market damage	1.9	.9	.8	.8	1.1
Higher inflation expectations	1.9	1.1	1.5	1.8	2.3
Deflation	1.9	-.1	.2	-.2	.3
Early liftoff	1.9	1.1	1.6	1.7	2.4
Federal funds rate[1]					
Extended Greenbook baseline	.1	.1	.1	.1	4.1
False dawn	.1	.1	.1	.1	3.4
Slower recovery	.1	.1	.1	.1	3.4
Typical recovery	.1	.1	.6	2.0	4.4
Labor market damage	.1	.1	.1	.1	4.7
Higher inflation expectations	.1	.1	.1	1.3	5.8
Deflation	.1	.1	.1	.1	3.1
Early liftoff	.1	.1	1.6	3.3	5.8

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

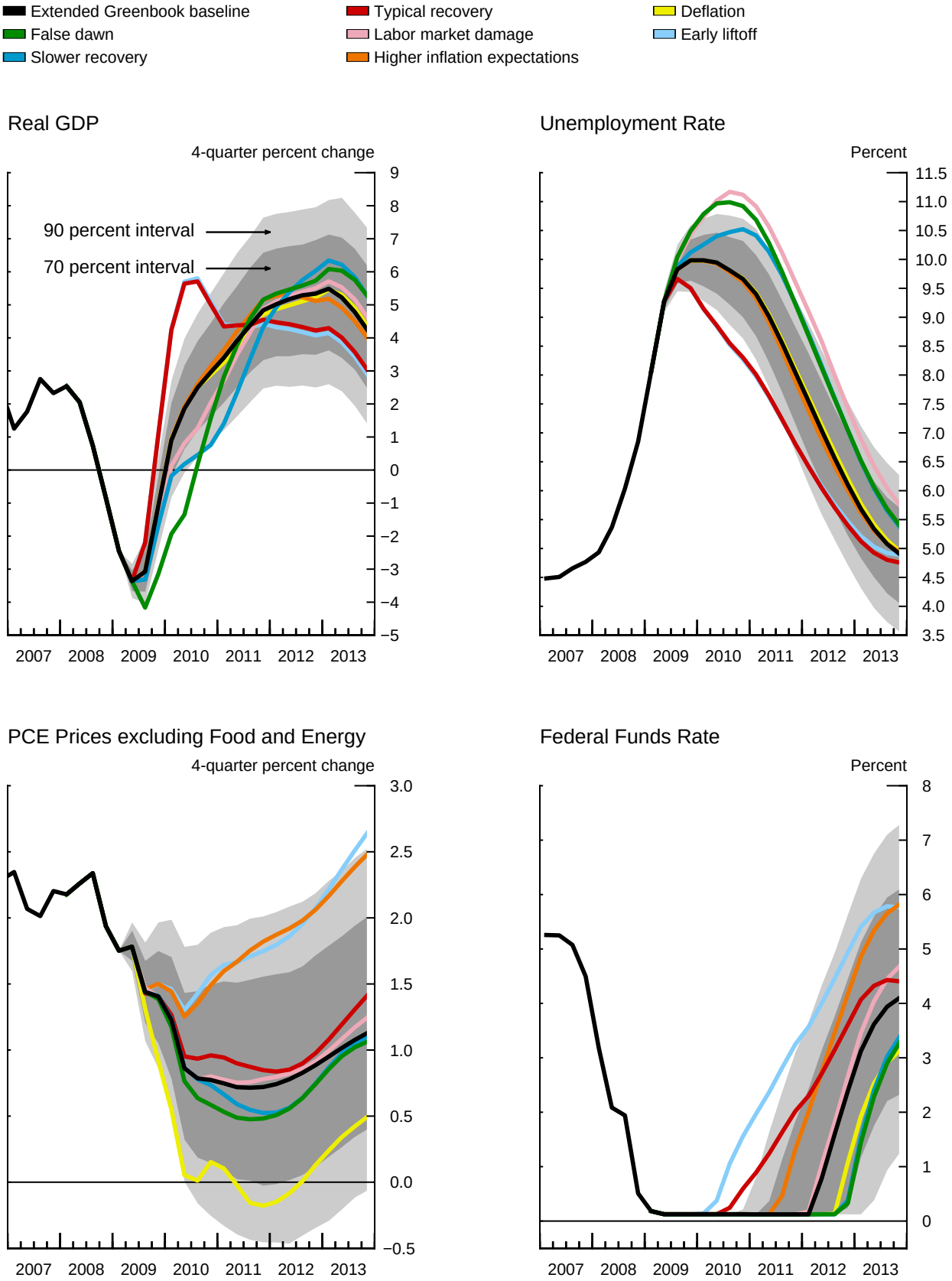
Selected Greenbook Projections and 70 Percent Confidence Intervals Derived from Historical Greenbook Forecast Errors and FRB/US Simulations

Measure	2009	2010	2011	2012	2013
Real GDP					
(percent change, Q4 to Q4)					
Projection	-1.1	3.0	4.8	5.3	4.2
Confidence interval					
Greenbook forecast errors	-2.3–.2	1.3–4.6	. . .	. . .	. . .
FRB/US stochastic simulations	-1.9– -.2	1.6–4.4	3.3–6.5	3.4–6.8	2.4–6.1
Civilian unemployment rate					
(percent, Q4)					
Projection	10.0	9.7	8.0	6.1	4.9
Confidence interval					
Greenbook forecast errors	9.5–10.5	8.9–10.4	. . .	. . .	. . .
FRB/US stochastic simulations	9.6–10.3	9.0–10.3	7.2–8.8	5.3–7.0	4.2–5.8
PCE prices, total					
(percent change, Q4 to Q4)					
Projection	1.4	1.1	1.2	1.1	1.3
Confidence interval					
Greenbook forecast errors	.7–2.2	.0–2.3	. . .	. . .	. . .
FRB/US stochastic simulations	.9–2.0	.3–2.2	.1–2.2	-.1–2.2	.1–2.4
PCE prices excluding					
food and energy					
(percent change, Q4 to Q4)					
Projection	1.4	0.8	0.7	0.9	1.1
Confidence interval					
Greenbook forecast errors	.9–1.9	.0–1.5	. . .	. . .	. . .
FRB/US stochastic simulations	1.1–1.7	.1–1.5	-.1–1.5	.0–1.6	.3–2.0
Federal funds rate					
(percent, Q4)					
Projection	0.1	0.1	0.1	2.4	4.1
Confidence interval					
FRB/US stochastic simulations	.1–.1	.1–.5	.1–2.3	.8–4.4	2.3–6.1

Notes: Shocks underlying FRB/US stochastic simulations are randomly drawn from the 1969-2008 set of model equation residuals.
Intervals derived from Greenbook forecast errors are based on projections made from 1979-2008, except for PCE prices excluding food and energy, where the sample is 1981-2008.
. . . Not applicable. The Greenbook forecast horizon has typically extended about two years.

Forecast Confidence Intervals and Alternative Scenarios

Confidence Intervals Based on FRB/US Stochastic Simulations



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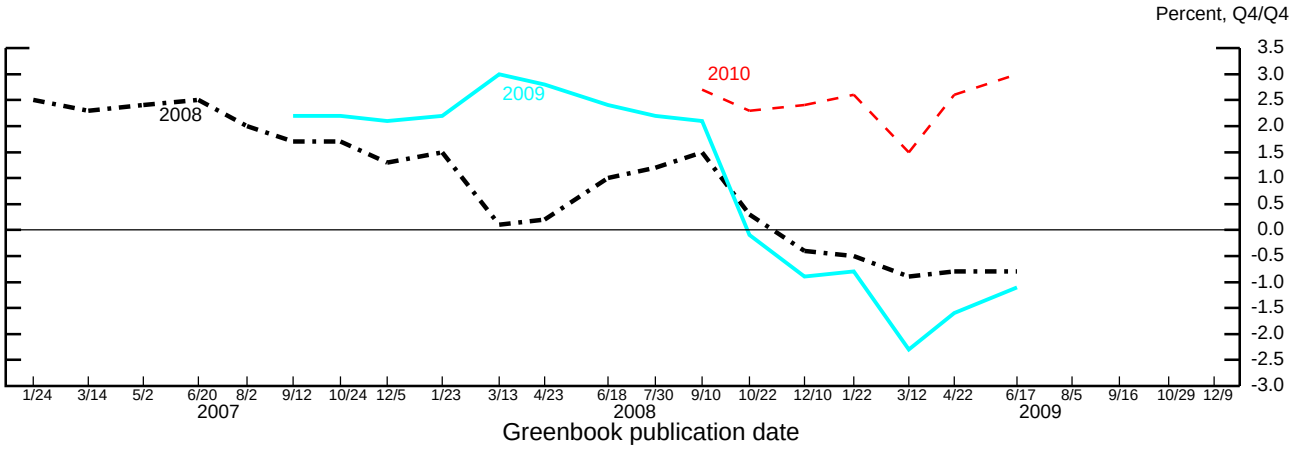
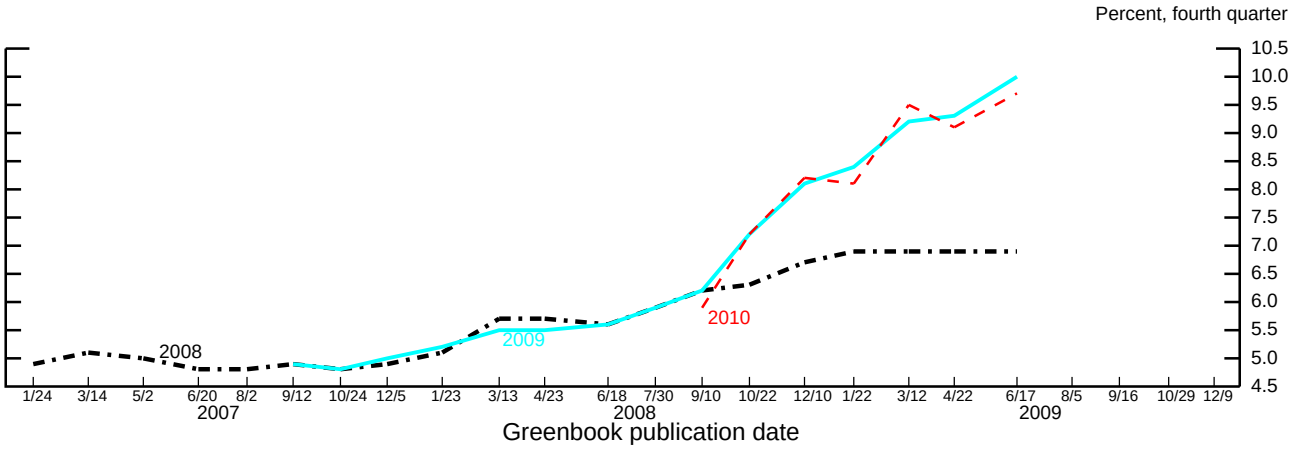
Evolution of the Staff Forecast

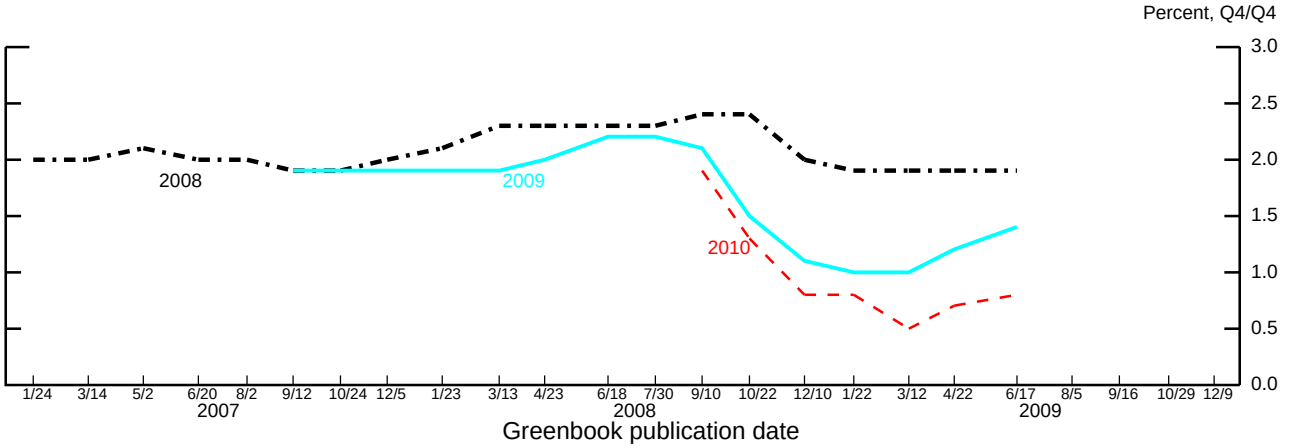
Change in Real GDP



Unemployment Rate



Change in PCE Prices excluding Food and Energy



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

	Nominal GDP		Real GDP		PCE price index		Core PCE price index		Unemployment rate[1]	
Interval	4/22/09	6/17/09	4/22/09	6/17/09	4/22/09	6/17/09	4/22/09	6/17/09	4/22/09	6/17/09
Quarterly										
2008:Q1	3.5	3.5	.9	.9	3.6	3.6	2.3	2.3	4.9	4.9
Q2	4.1	4.1	2.8	2.8	4.3	4.3	2.2	2.2	5.4	5.4
Q3	3.4	3.4	-.5	-.5	5.0	5.0	2.4	2.4	6.0	6.0
Q4	-5.8	-5.8	-6.3	-6.3	-4.9	-4.9	.9	.9	6.9	6.9
2009:Q1	-3.1	-3.0	-6.3	-5.5	-.9	-1.0	1.7	1.5	8.1	8.1
Q2	-1.0	-1.6	-1.5	-1.0	.8	1.5	1.7	2.3	9.0	9.3
Q3	1.9	2.2	.4	.7	1.6	3.5	.9	1.0	9.2	9.8
Q4	2.3	3.2	1.2	1.6	1.4	1.7	.7	.8	9.3	10.0
2010:Q1	2.9	3.7	1.9	2.3	1.2	1.5	.7	.8	9.3	10.0
Q2	3.5	4.1	2.5	2.8	1.1	1.2	.7	.8	9.2	9.9
Q3	3.9	4.2	3.0	3.2	1.0	.9	.7	.7	9.1	9.8
Q4	4.1	4.3	3.3	3.4	.8	.9	.6	.7	9.1	9.7
Two-quarter[2]										
2008:Q2	3.8	3.8	1.8	1.8	3.9	3.9	2.2	2.2	.6	.6
Q4	-1.3	-1.3	-3.5	-3.5	.0	.0	1.7	1.7	1.5	1.5
2009:Q2	-2.0	-2.3	-3.9	-3.3	-.1	.3	1.7	1.9	2.1	2.4
Q4	2.1	2.7	.8	1.1	1.5	2.6	.8	.9	.3	.7
2010:Q2	3.2	3.9	2.2	2.6	1.1	1.4	.7	.8	-.1	-.1
Q4	4.0	4.3	3.1	3.3	.9	.9	.6	.7	-.1	-.2
Four-quarter[3]										
2007:Q4	4.9	4.9	2.3	2.3	3.5	3.5	2.2	2.2	.4	.4
2008:Q4	1.2	1.2	-.8	-.8	1.9	1.9	1.9	1.9	2.1	2.1
2009:Q4	.0	.2	-1.6	-1.1	.7	1.4	1.2	1.4	2.4	3.1
2010:Q4	3.6	4.1	2.6	3.0	1.0	1.1	.7	.8	-.2	-.3
Annual										
2007	4.8	4.8	2.0	2.0	2.6	2.6	2.2	2.2	4.6	4.6
2008	3.3	3.3	1.1	1.1	3.3	3.3	2.2	2.2	5.8	5.8
2009	-1.0	-1.0	-2.8	-2.5	.1	.5	1.5	1.6	8.9	9.3
2010	2.7	3.3	1.7	2.1	1.2	1.6	.8	.9	9.2	9.9

1. Level, except for two-quarter and four-quarter intervals.
2. Percent change from two quarters earlier; for unemployment rate, change is in percentage points.
3. Percent change from four quarters earlier; for unemployment rate, change is in percentage points.

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

Item	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2008[1]	2009[1]	2010[1]
Real GDP	.9	2.8	-.5	-6.3	-5.5	-1.0	.7	1.6	2.3	2.8	3.2	3.4	-.8	-1.1	3.0
Previous Greenbook	.9	2.8	-.5	-6.3	-6.3	-1.5	.4	1.2	1.9	2.5	3.0	3.3	-.8	-1.6	2.6
Final sales	.9	4.4	-1.3	-6.2	-3.1	-.1	-.4	-.8	1.1	3.2	3.4	2.8	-.7	-1.1	2.6
Previous Greenbook	.9	4.4	-1.3	-6.2	-4.1	-1.4	-.6	-.5	.7	3.0	3.0	2.9	-.7	-1.7	2.4
Priv. dom. final purch.	-.3	.7	-4.1	-7.5	-5.8	-2.3	-1.2	-.5	1.3	2.9	3.7	4.5	-2.8	-2.5	3.1
Previous Greenbook	-.3	.7	-4.1	-7.5	-5.0	-4.0	-1.8	-.5	1.3	2.8	3.6	4.3	-2.8	-2.9	3.0
Personal cons. expend.	.9	1.2	-3.8	-4.3	1.6	-.4	.8	1.4	2.1	2.7	3.1	3.4	-1.5	.8	2.8
Previous Greenbook	.9	1.2	-3.8	-4.3	1.1	-.5	.4	1.2	1.9	2.5	3.0	3.3	-1.5	.5	2.7
Durables	-4.3	-2.8	-14.8	-22.1	9.4	-3.9	-1.6	2.1	7.5	8.0	6.3	6.3	-11.4	1.4	7.0
Nondurables	-.4	3.9	-7.1	-9.4	-.3	-1.9	1.0	1.3	1.7	2.1	2.5	2.9	-3.4	.0	2.3
Services	2.4	.7	-.1	1.5	1.3	.8	1.1	1.3	1.5	2.2	2.8	3.3	1.1	1.1	2.5
Residential investment	-25.1	-13.3	-16.0	-22.8	-38.0	-22.1	-13.3	-11.1	-2.2	12.4	13.6	20.1	-19.4	-21.9	10.7
Previous Greenbook	-25.1	-13.3	-16.0	-22.8	-38.2	-27.4	-1.7	.0	8.2	13.8	11.3	10.7	-19.4	-18.5	11.0
Business fixed invest.	2.4	2.5	-1.7	-21.7	-37.3	-10.3	-12.5	-12.0	-4.6	1.3	6.1	9.7	-5.2	-18.9	3.0
Previous Greenbook	2.4	2.5	-1.7	-21.7	-30.1	-20.8	-17.4	-13.6	-5.3	2.1	6.8	10.8	-5.2	-20.7	3.4
Equipment & software	-.6	-5.0	-7.5	-28.1	-33.6	-13.0	-6.8	-6.1	-.2	6.3	11.4	15.3	-11.0	-15.7	8.0
Previous Greenbook	-.6	-5.0	-7.5	-28.1	-32.4	-13.6	-12.5	-8.9	-1.1	9.2	14.8	19.1	-11.0	-17.4	10.2
Nonres. structures	8.6	18.5	9.7	-9.4	-42.9	-5.7	-21.6	-21.8	-12.6	-7.7	-3.8	-1.2	6.3	-24.2	-6.4
Previous Greenbook	8.6	18.5	9.7	-9.4	-26.4	-31.6	-25.4	-21.5	-13.0	-10.5	-7.9	-5.4	6.3	-26.3	-9.2
Net exports[2]	-462	-381	-353	-364	-297	-263	-264	-295	-313	-304	-298	-329	-390	-280	-311
Previous Greenbook[2]	-462	-381	-353	-364	-333	-314	-325	-351	-383	-378	-383	-407	-390	-331	-388
Exports	5.1	12.3	3.0	-23.6	-30.6	-5.4	3.6	2.5	3.3	3.7	4.4	4.7	-1.8	-8.6	4.0
Imports	-.8	-7.3	-3.5	-17.5	-36.3	-12.3	3.1	10.3	7.4	.6	2.2	11.8	-7.5	-10.7	5.4
Gov't. cons. & invest.	1.9	3.9	5.8	1.3	-3.0	3.7	2.9	3.3	3.4	2.3	1.1	.8	3.2	1.7	1.9
Previous Greenbook	1.9	3.9	5.8	1.3	-5.3	6.7	6.1	3.7	3.1	2.4	1.3	.9	3.2	2.7	1.9
Federal	5.8	6.6	13.8	7.0	-4.3	9.5	6.2	6.5	6.9	4.1	.8	.1	8.2	4.3	2.9
Defense	7.3	7.3	18.0	3.4	-6.8	11.7	6.9	5.1	4.2	3.1	2.0	.9	8.9	4.0	2.6
Nondefense	2.9	5.0	5.1	15.3	1.0	4.9	4.7	9.6	12.9	6.1	-1.7	-1.7	6.9	5.0	3.7
State & local	-.3	2.5	1.3	-2.0	-2.2	.3	.8	1.2	1.2	1.2	1.3	1.3	.4	.0	1.2
Change in bus. inventories[2]	-10	-51	-30	-26	-94	-127	-95	-27	7	-2	-6	13	-29	-86	3
Previous Greenbook[2]	-10	-51	-30	-26	-93	-97	-66	-16	18	4	3	14	-29	-68	10
Nonfarm[2]	-18	-55	-33	-31	-102	-134	-103	-34	1	-7	-12	8	-34	-93	-2
Farm[2]	6	2	2	4	5	4	4	4	4	3	3	3	4	4	3

1. Change from fourth quarter of previous year to fourth quarter of year indicated.
2. Billions of chained (2000) 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	2002	2003	2004	2005	2006	2007	2008	2009	2010
Real GDP	1.9	3.7	3.1	2.7	2.4	2.3	-.8	-1.1	3.0
Previous Greenbook	1.9	3.7	3.1	2.7	2.4	2.3	-.8	-1.6	2.6
Final sales	.8	3.7	2.8	2.7	2.8	2.5	-.7	-1.1	2.6
Previous Greenbook	.8	3.7	2.8	2.7	2.8	2.5	-.7	-1.7	2.4
Priv. dom. final purch.	1.1	4.1	4.3	3.1	2.3	1.4	-2.8	-2.5	3.1
Previous Greenbook	1.1	4.1	4.3	3.1	2.3	1.4	-2.8	-2.9	3.0
Personal cons. expend.	1.9	3.4	3.7	2.6	3.2	2.2	-1.5	.8	2.8
Previous Greenbook	1.9	3.4	3.7	2.6	3.2	2.2	-1.5	.5	2.7
Durables	1.2	8.3	5.6	1.2	6.9	4.2	-11.4	1.4	7.0
Nondurables	2.1	3.9	3.5	3.6	3.2	1.7	-3.4	.0	2.3
Services	1.9	2.2	3.3	2.4	2.6	2.1	1.1	1.1	2.5
Residential investment	7.0	11.7	6.7	5.4	-15.5	-19.0	-19.4	-21.9	10.7
Previous Greenbook	7.0	11.7	6.7	5.4	-15.5	-19.0	-19.4	-18.5	11.0
Business fixed invest.	-6.5	4.9	7.5	4.9	6.5	6.4	-5.2	-18.9	3.0
Previous Greenbook	-6.5	4.9	7.5	4.9	6.5	6.4	-5.2	-20.7	3.4
Equipment & software	-3.4	6.6	9.4	7.0	4.2	2.8	-11.0	-15.7	8.0
Previous Greenbook	-3.4	6.6	9.4	7.0	4.2	2.8	-11.0	-17.4	10.2
Nonres. structures	-14.9	.2	2.3	-.5	12.8	14.5	6.3	-24.2	-6.4
Previous Greenbook	-14.9	.2	2.3	-.5	12.8	14.5	6.3	-26.3	-9.2
Net exports[1]	-471	-519	-594	-617	-616	-547	-390	-280	-311
Previous Greenbook[1]	-471	-519	-594	-617	-616	-547	-390	-331	-388
Exports	3.8	5.8	7.4	7.0	10.1	8.9	-1.8	-8.6	4.0
Imports	9.7	4.8	11.5	4.8	3.8	1.1	-7.5	-10.7	5.4
Gov't. cons. & invest.	4.0	1.7	.7	.6	2.1	2.4	3.2	1.7	1.9
Previous Greenbook	4.0	1.7	.7	.6	2.1	2.4	3.2	2.7	1.9
Federal	7.8	5.5	2.4	1.0	2.9	2.3	8.2	4.3	2.9
Defense	8.4	7.5	2.5	.8	4.1	2.7	8.9	4.0	2.6
Nondefense	6.8	1.9	2.3	1.4	.5	1.5	6.9	5.0	3.7
State & local	2.1	-.4	-.4	.3	1.6	2.4	.4	.0	1.2
Change in bus. inventories[1]	12	14	54	39	42	-2	-29	-86	3
Previous Greenbook[1]	12	14	54	39	42	-2	-29	-68	10
Nonfarm[1]	15	14	48	39	46	-4	-34	-93	-2
Farm[1]	-2	0	6	0	-3	1	4	4	3

1. Billions of chained (2000) dollars.

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

Item	2008				2009				2010						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008[1]	2009[1]	2010[1]
Real GDP	.9	2.8	-.5	-6.3	-5.5	-1.0	.7	1.6	2.3	2.8	3.2	3.4	-.8	-1.1	3.0
Previous Greenbook	.9	2.8	-.5	-6.3	-6.3	-1.5	.4	1.2	1.9	2.5	3.0	3.3	-.8	-1.6	2.6
Final sales	.9	4.3	-1.4	-6.2	-3.1	-.1	-.4	-.8	1.1	3.2	3.4	2.8	-.7	-1.1	2.6
Previous Greenbook	.9	4.3	-1.4	-6.2	-4.0	-1.4	-.6	-.5	.7	2.9	3.0	2.9	-.7	-1.7	2.4
Priv. dom. final purch.	-.3	.6	-3.5	-6.4	-4.8	-1.9	-1.0	-.4	1.1	2.3	3.0	3.7	-2.4	-2.1	2.5
Previous Greenbook	-.3	.6	-3.5	-6.4	-4.1	-3.4	-1.5	-.4	1.1	2.2	2.9	3.5	-2.4	-2.4	2.4
Personal cons. expend.	.6	.9	-2.8	-3.0	1.2	-.3	.6	1.0	1.5	2.0	2.2	2.5	-1.1	.6	2.0
Previous Greenbook	.6	.9	-2.8	-3.0	.9	-.3	.3	.8	1.4	1.7	2.1	2.3	-1.1	.4	1.9
Durables	-.3	-.2	-1.2	-1.7	.6	-.3	-.1	.1	.5	.5	.4	.4	-.9	.1	.5
Nondurables	-.1	.8	-1.6	-2.0	.0	-.4	.2	.3	.4	.4	.5	.6	-.7	.0	.5
Services	1.0	.3	.0	.7	.6	.4	.5	.6	.7	1.0	1.2	1.5	.5	.5	1.1
Residential investment	-1.1	-.5	-.6	-.8	-1.4	-.7	-.4	-.3	-.1	.3	.3	.4	-.8	-.7	.2
Previous Greenbook	-1.1	-.5	-.6	-.8	-1.4	-.8	.0	.0	.2	.3	.3	.3	-.8	-.6	.3
Business fixed invest.	.3	.3	-.2	-2.6	-4.7	-1.0	-1.2	-1.1	-.4	.1	.5	.8	-.6	-2.0	.3
Previous Greenbook	.3	.3	-.2	-2.6	-3.6	-2.2	-1.7	-1.3	-.5	.2	.5	.9	-.6	-2.2	.3
Equipment & software	.0	-.4	-.6	-2.2	-2.6	-.8	-.4	-.4	.0	.3	.6	.8	-.8	-1.0	.4
Previous Greenbook	.0	-.4	-.6	-2.2	-2.4	-.9	-.8	-.5	-.1	.5	.8	1.0	-.8	-1.1	.6
Nonres. structures	.3	.6	.4	-.4	-2.1	-.2	-.8	-.8	-.4	-.2	-.1	.0	.2	-.9	-.2
Previous Greenbook	.3	.6	.4	-.4	-1.2	-1.3	-1.0	-.7	-.4	-.3	-.2	-.1	.2	-1.0	-.3
Net exports	.8	2.9	1.1	-.2	2.1	1.1	.0	-1.1	-.7	.3	.2	-1.1	1.1	.7	-.3
Previous Greenbook	.8	2.9	1.1	-.2	1.0	.6	-.4	-.9	-1.1	.2	-.2	-.8	1.1	.1	-.5
Exports	.6	1.5	.4	-3.4	-4.2	-.6	.4	.3	.4	.4	.5	.5	-.2	-1.0	.4
Imports	.1	1.4	.7	3.3	6.4	1.7	-.4	-1.4	-1.0	-.1	-.3	-1.6	1.3	1.7	-.8
Gov't. cons. & invest.	.4	.8	1.1	.3	-.6	.8	.6	.7	.7	.5	.2	.2	.6	.3	.4
Previous Greenbook	.4	.8	1.1	.3	-1.1	1.3	1.2	.8	.7	.5	.3	.2	.6	.5	.4
Federal	.4	.5	1.0	.5	-.3	.7	.5	.5	.6	.3	.1	.0	.6	.3	.2
Defense	.3	.4	.9	.2	-.4	.6	.4	.3	.2	.2	.1	.1	.4	.2	.1
Nondefense	.1	.1	.1	.3	.0	.1	.1	.2	.3	.2	.0	.0	.2	.1	.1
State & local	.0	.3	.2	-.3	-.3	.0	.1	.2	.2	.2	.2	.2	.0	.0	.2
Change in bus. inventories	.0	-1.5	.8	-.1	-2.4	-.9	1.1	2.4	1.2	-.3	-.2	.7	-.2	.0	.4
Previous Greenbook	.0	-1.5	.8	-.1	-2.2	-.1	1.0	1.7	1.1	-.5	-.1	.4	-.2	.1	.3
Nonfarm	.2	-1.4	.8	-.2	-2.4	-1.1	1.1	2.4	1.2	-.3	-.2	.7	-.1	.0	.4
Farm	-.2	-.1	.0	.1	.0	.2	.0	.0	.0	.0	.0	.0	-.1	.1	.0

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

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

Item	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2008[1]	2009[1]	2010[1]
GDP chain-wt. price index	2.6	1.1	3.9	.5	2.7	-.6	1.6	1.6	1.4	1.2	1.0	.8	2.0	1.3	1.1
Previous Greenbook	2.6	1.1	3.9	.5	3.3	.5	1.5	1.1	1.0	1.0	.9	.8	2.0	1.6	.9
PCE chain-wt. price index	3.6	4.3	5.0	-4.9	-1.0	1.5	3.5	1.7	1.5	1.2	.9	.9	1.9	1.4	1.1
Previous Greenbook	3.6	4.3	5.0	-4.9	-.9	.8	1.6	1.4	1.2	1.1	1.0	.8	1.9	.7	1.0
Energy	19.0	27.4	31.7	-65.0	-35.9	-3.3	51.8	12.0	6.9	4.7	3.5	2.8	-8.5	1.3	4.5
Previous Greenbook	19.0	27.4	31.7	-65.0	-36.0	-13.1	12.2	10.5	8.2	6.6	5.2	4.4	-8.5	-8.9	6.1
Food	4.9	6.4	8.5	5.6	.9	-.9	2.7	3.3	3.6	2.3	1.1	.7	6.3	1.5	1.9
Previous Greenbook	4.9	6.4	8.5	5.6	.9	1.0	2.5	2.2	1.6	1.3	1.0	.8	6.3	1.7	1.2
Ex. food & energy	2.3	2.2	2.4	.9	1.5	2.3	1.0	.8	.8	.8	.7	.7	1.9	1.4	.8
Previous Greenbook	2.3	2.2	2.4	.9	1.7	1.7	.9	.7	.7	.7	.7	.6	1.9	1.2	.7
CPI	4.5	4.5	6.2	-8.3	-2.4	1.2	4.5	2.3	1.9	1.5	1.2	1.1	1.5	1.4	1.4
Previous Greenbook	4.5	4.5	6.2	-8.3	-2.4	.3	2.1	1.8	1.6	1.4	1.2	1.1	1.5	.4	1.3
Ex. food & energy	2.5	2.0	2.8	.6	1.5	2.3	1.2	1.1	1.0	1.0	.9	.9	2.0	1.5	1.0
Previous Greenbook	2.5	2.0	2.8	.6	1.5	1.5	1.2	1.0	.9	.9	.9	.8	2.0	1.3	.9
ECI, hourly compensation[2]	2.7	2.6	2.6	1.9	.7	1.8	1.7	1.5	1.3	1.3	1.2	1.1	2.4	1.4	1.2
Previous Greenbook[2]	3.0	2.3	2.6	1.9	2.0	1.9	1.8	1.5	1.4	1.3	1.3	1.2	2.4	1.8	1.3
Nonfarm business sector															
Output per hour	2.6	4.7	2.2	-.6	1.9	4.4	1.5	1.1	1.2	1.2	1.6	1.6	2.2	2.2	1.4
Previous Greenbook	2.6	4.7	2.2	-.5	-1.0	3.1	1.6	1.6	2.2	2.1	2.0	1.9	2.2	1.3	2.1
Compensation per hour	3.7	1.7	5.7	4.5	4.6	3.2	1.6	1.3	1.3	1.2	1.2	1.2	3.9	2.6	1.2
Previous Greenbook	3.7	1.7	5.7	5.2	3.2	2.9	1.9	1.4	1.4	1.4	1.3	1.3	4.1	2.3	1.3
Unit labor costs	1.1	-2.8	3.5	5.1	2.6	-1.2	.1	.2	.1	.0	-.4	-.5	1.7	.4	-.2
Previous Greenbook	1.1	-2.8	3.5	5.7	4.3	-.2	.3	-.3	-.8	-.7	-.7	-.7	1.8	1.0	-.7
Core goods imports chain-wt. price index[3]	8.5	10.6	4.6	-8.5	-9.3	-1.0	2.4	1.8	1.4	1.1	.9	.9	3.5	-1.6	1.1
Previous Greenbook[3]	8.5	10.6	4.6	-8.5	-9.7	-3.0	-.7	.5	1.0	1.1	1.1	1.0	3.5	-3.3	1.1

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.

Changes in Prices and Costs
(Change from fourth quarter of previous year to fourth quarter of year indicated, unless otherwise noted)

Item	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP chain-wt. price index	1.7	2.2	3.2	3.5	2.8	2.6	2.0	1.3	1.1
Previous Greenbook	1.7	2.2	3.2	3.5	2.8	2.6	2.0	1.6	.9
PCE chain-wt. price index	1.8	1.9	3.1	3.3	1.9	3.5	1.9	1.4	1.1
Previous Greenbook	1.8	1.9	3.1	3.3	1.9	3.5	1.9	.7	1.0
Energy	7.7	7.6	18.3	23.1	-4.0	19.1	-8.5	1.3	4.5
Previous Greenbook	7.7	7.6	18.3	23.1	-4.0	19.1	-8.5	-8.9	6.1
Food	1.3	2.6	2.9	2.1	2.3	4.5	6.3	1.5	1.9
Previous Greenbook	1.3	2.6	2.9	2.1	2.3	4.5	6.3	1.7	1.2
Ex. food & energy	1.6	1.4	2.2	2.2	2.3	2.2	1.9	1.4	.8
Previous Greenbook	1.6	1.4	2.2	2.2	2.3	2.2	1.9	1.2	.7
CPI	2.3	2.0	3.4	3.8	1.9	4.0	1.5	1.4	1.4
Previous Greenbook	2.3	2.0	3.4	3.8	1.9	4.0	1.5	.4	1.3
Ex. food & energy	2.1	1.2	2.2	2.1	2.7	2.3	2.0	1.5	1.0
Previous Greenbook	2.1	1.2	2.2	2.1	2.7	2.3	2.0	1.3	.9
ECI, hourly compensation[1]	3.1	4.0	3.8	2.9	3.2	3.0	2.4	1.4	1.2
Previous Greenbook[1]	3.1	4.0	3.8	2.9	3.2	3.0	2.4	1.8	1.3
Nonfarm business sector									
Output per hour	2.9	4.7	1.8	1.5	.6	2.6	2.2	2.2	1.4
Previous Greenbook	2.9	4.7	1.8	1.5	.6	2.6	2.2	1.3	2.1
Compensation per hour	3.2	5.3	3.9	3.6	4.2	3.6	3.9	2.6	1.2
Previous Greenbook	3.2	5.3	3.9	3.6	4.2	3.6	4.1	2.3	1.3
Unit labor costs	.2	.5	2.1	2.1	3.7	.9	1.7	.4	-.2
Previous Greenbook	.2	.5	2.1	2.1	3.7	.9	1.8	1.0	-.7
Core goods imports chain-wt. price index[2]	.1	1.6	3.6	2.2	2.4	3.4	3.5	-1.6	1.1
Previous Greenbook[2]	.1	1.6	3.6	2.2	2.4	3.4	3.5	-3.3	1.1

1. Private-industry workers.
2. Core goods imports exclude computers, semiconductors, oil and natural gas.

Other Macroeconomic Indicators

Item	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2008[1]	2009[1]	2010[1]
Employment and production															
Nonfarm payroll employment[2]	-.1	-.4	-.5	-1.3	-2.1	-1.5	-.7	.0	.3	.7	.3	.5	-2.3	-4.3	1.8
Unemployment rate[3]	4.9	5.4	6.0	6.9	8.1	9.3	9.8	10.0	10.0	9.9	9.8	9.7	6.9	10.0	9.7
Previous Greenbook[3]	4.9	5.4	6.0	6.9	8.1	9.0	9.2	9.3	9.3	9.2	9.1	9.1	6.9	9.3	9.1
GDP gap[4]	-.8	-.7	-1.4	-3.6	-5.4	-6.1	-6.4	-6.5	-6.4	-6.2	-5.9	-5.6	-3.6	-6.5	-5.6
Previous Greenbook[4]	-.8	-.7	-1.4	-3.6	-5.6	-6.4	-6.8	-7.0	-7.0	-6.9	-6.7	-6.4	-3.6	-7.0	-6.4
Industrial production[5]	.2	-4.6	-9.0	-13.0	-19.0	-11.5	3.2	2.6	3.8	4.5	4.9	5.3	-6.7	-6.7	4.6
Previous Greenbook[5]	.2	-4.6	-9.0	-12.7	-20.0	-9.2	.5	2.0	3.9	3.5	4.7	4.4	-6.7	-7.1	4.1
Manufacturing industr. prod.[5]	-1.2	-5.4	-9.3	-18.1	-22.0	-10.0	4.1	3.0	3.9	4.6	4.8	5.7	-8.7	-6.9	4.7
Previous Greenbook[5]	-1.2	-5.4	-9.3	-17.7	-22.5	-8.9	1.5	2.5	3.9	3.4	4.4	4.2	-8.6	-7.4	4.0
Capacity utilization rate - mfg.[3]	78.1	76.7	74.6	70.9	66.7	65.2	66.1	66.8	67.8	68.9	70.0	71.3	70.9	66.8	71.3
Previous Greenbook[3]	78.1	76.7	74.6	71.0	66.7	65.3	65.8	66.5	67.5	68.5	69.7	70.8	71.0	66.5	70.8
Housing starts[6]	1.1	1.0	.9	.7	.5	.5	.5	.6	.6	.7	.8	.9	.9	.5	.8
Light motor vehicle sales[6]	15.2	14.1	12.9	10.3	9.5	9.7	10.1	10.5	11.2	12.0	12.5	13.0	13.1	10.0	12.2
Income and saving															
Nominal GDP[5]	3.5	4.1	3.4	-5.8	-3.0	-1.6	2.2	3.2	3.7	4.1	4.2	4.3	1.2	.2	4.1
Real disposable pers. income[5]	-.7	10.7	-8.5	2.9	6.5	4.9	-3.7	.9	2.0	1.9	3.2	2.5	.9	2.1	2.4
Previous Greenbook[5]	-.7	10.7	-8.5	2.7	3.9	6.6	-1.5	1.6	.9	1.5	2.1	2.2	.8	2.6	1.7
Personal saving rate[3]	.2	2.5	1.3	3.2	4.4	5.7	4.7	4.7	4.7	4.5	4.6	4.4	3.2	4.7	4.4
Previous Greenbook[3]	.2	2.5	1.3	3.2	3.9	5.6	5.1	5.3	5.1	4.9	4.7	4.5	3.2	5.3	4.5
Corporate profits[7]	-4.3	-14.3	-4.7	-51.5	13.4	-3.5	-2.2	1.5	6.9	6.9	8.2	6.4	-21.5	2.1	7.1
Profit share of GNP[3]	11.2	10.6	10.4	8.8	9.2	9.2	9.1	9.0	9.1	9.2	9.2	9.3	8.8	9.0	9.3
Net federal saving[8]	-331	-650	-544	-576	-826	-1,117	-1,133	-1,152	-1,158	-1,146	-1,166	-1,147	-525	-1,057	-1,154
Net state & local saving[8]	-52	-67	-104	-97	-73	-83	-43	-37	-45	-45	-31	-27	-80	-59	-37
Gross national saving rate[3]	12.4	11.3	11.5	11.9	11.7	10.8	10.2	10.1	9.8	9.8	10.0	10.0	11.9	10.1	10.0
Net national saving rate[3]	.0	-1.3	-1.8	-1.1	-1.5	-2.9	-3.7	-3.8	-4.1	-4.1	-4.0	-4.0	-1.1	-3.8	-4.0

1. Change from fourth quarter of previous year to fourth quarter of year indicated, unless otherwise indicated.
2. Change, millions.
3. Percent, annual values are for the fourth quarter of the year indicated.
4. Percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential. Annual values are for the fourth quarter of the year indicated.
5. Percent change, annual rate.
6. Level, millions, annual values are annual averages.
7. Percent change, annual rate, with inventory valuation and capital consumption adjustments.
8. Billions of dollars, annual values are annual averages.

Other Macroeconomic Indicators

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

Item	2002	2003	2004	2005	2006	2007	2008	2009	2010
Employment and production									
Nonfarm payroll employment[1]	-.7	-.1	2.0	2.4	2.1	1.2	-2.3	-4.3	1.8
Unemployment rate[2]	5.8	5.8	5.4	4.9	4.4	4.8	6.9	10.0	9.7
Previous Greenbook[2]	5.8	5.8	5.4	4.9	4.4	4.8	6.9	9.3	9.1
GDP gap[3]	-2.5	-1.7	-.8	-.3	-.2	-.4	-3.6	-6.5	-5.6
Previous Greenbook[3]	-2.6	-1.8	-.8	-.3	-.2	-.4	-3.6	-7.0	-6.4
Industrial production[4]	2.5	1.6	3.0	2.6	1.8	1.8	-6.7	-6.7	4.6
Previous Greenbook[4]	2.5	1.6	3.0	2.6	1.8	1.8	-6.7	-7.1	4.1
Manufacturing industr. prod.[4]	2.5	1.8	3.6	3.8	1.2	1.9	-8.7	-6.9	4.7
Previous Greenbook[4]	2.5	1.8	3.6	3.8	1.2	1.9	-8.6	-7.4	4.0
Capacity utilization rate - mfg.[2]	73.0	74.6	77.3	79.2	79.0	78.7	70.9	66.8	71.3
Previous Greenbook[2]	73.0	74.6	77.3	79.2	79.0	78.7	71.0	66.5	70.8
Housing starts[5]	1.7	1.8	2.0	2.1	1.8	1.4	.9	.5	.8
Light motor vehicle sales[5]	16.7	16.6	16.8	16.9	16.5	16.1	13.1	10.0	12.2
Income and saving									
Nominal GDP[4]	3.6	5.9	6.5	6.3	5.3	4.9	1.2	.2	4.1
Real disposable pers. income[4]	2.9	3.7	4.1	.9	3.6	1.8	.9	2.1	2.4
Previous Greenbook[4]	2.9	3.7	4.1	.9	3.6	1.8	.8	2.6	1.7
Personal saving rate[2]	1.8	2.2	2.5	.8	.9	.4	3.2	4.7	4.4
Previous Greenbook[2]	1.8	2.2	2.5	.8	.9	.4	3.2	5.3	4.5
Corporate profits[6]	20.6	12.6	20.3	18.8	6.9	-2.0	-21.5	2.1	7.1
Profit share of GNP[2]	9.0	9.5	10.8	12.0	12.2	11.3	8.8	9.0	9.3
Net federal saving[7]	-248	-372	-371	-292	-201	-229	-525	-1057	-1154
Net state & local saving[7]	-34	-20	2	29	46	10	-80	-59	-37
Gross national saving rate[2]	13.6	13.7	13.8	15.0	15.5	13.4	11.9	10.1	10.0
Net national saving rate[2]	1.5	1.9	2.1	2.8	3.4	1.2	-1.1	-3.8	-4.0

1. Change, millions.
2. Percent, values are for the fourth quarter of the year indicated.
3. Percent difference between actual and potential GDP; a negative number indicates that the economy is operating below potential. Values are for the fourth quarter of the year indicated.
4. Percent change.
5. Level, millions, values are annual averages.
6. Percent change, with inventory valuation and capital consumption adjustments.
7. Billions of dollars,values are annual averages.

Class II FOMC
Restricted (FR)

June 17, 2009

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

Item	Fiscal year				2008				2009				2010			
	2007[a]	2008[a]	2009	2010	Q1[a]	Q2[a]	Q3[a]	Q4[a]	Q1[a]	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unified budget					Not seasonally adjusted											
Receipts[1]	2568	2524	2154	2297	540	788	590	547	442	614	550	521	503	694	579	566
Outlays[1]	2729	2983	3595	3730	746	761	759	880	891	918	906	936	958	933	902	963
Surplus/deficit[1]	-161	-459	-1441	-1432	-206	27	-169	-332	-449	-304	-356	-416	-455	-239	-323	-397
Previous Greenbook	*-162*	*-455*	*-1647*	*-1473*	*-206*	*27*	*-169*	*-485*	*-472*	*-259*	*-431*	*-561*	*-481*	*-172*	*-260*	*-338*
On-budget	-342	-642	-1567	-1548	-237	-64	-171	-385	-468	-365	-349	-461	-460	-311	-316	-445
Off-budget	181	183	126	116	31	91	2	53	19	61	-6	45	5	72	-7	48
Means of financing																
Borrowing	206	768	1711	1247	200	-48	526	561	465	324	361	370	275	264	338	387
Cash decrease	-23	-296	101	220	11	-7	-318	5	98	-54	53	86	165	-20	-10	15
Other[2]	-23	-13	-371	-35	-5	29	-39	-233	-114	35	-58	-40	15	-5	-5	-5
Cash operating balance, end of period	75	372	270	50	46	53	372	367	269	323	270	185	20	40	50	35
NIPA federal sector					Seasonally adjusted annual rates											
Receipts	2624	2607	2399	2473	2673	2479	2596	2530	2379	2335	2353	2391	2475	2495	2530	2569
Expenditures	2832	3047	3312	3628	3003	3128	3140	3106	3205	3451	3486	3543	3633	3641	3696	3716
Consumption expenditures	842	910	976	1049	898	918	954	957	960	983	1002	1021	1046	1061	1066	1070
Defense	569	624	665	706	614	629	660	657	652	669	683	693	703	711	716	720
Nondefense	273	286	310	343	284	289	295	301	308	314	319	329	343	350	350	350
Other spending	1990	2136	2337	2580	2105	2210	2186	2148	2245	2468	2485	2522	2587	2580	2630	2646
Current account surplus	-209	-440	-913	-1155	-331	-650	-544	-576	-826	-1117	-1133	-1152	-1158	-1146	-1166	-1147
Gross investment	123	134	147	156	129	138	144	150	142	147	150	153	155	157	158	159
Gross saving less gross investment[3]	-221	-458	-937	-1182	-344	-671	-569	-605	-846	-1140	-1158	-1178	-1184	-1173	-1192	-1172
Fiscal indicators[4]																
High-employment (HEB) surplus/deficit	-221	-426	-701	-841	-322	-641	-503	-464	-635	-866	-839	-836	-842	-830	-856	-847
Change in HEB, percent of potential GDP	-0.3	1.4	1.7	0.8	0.6	2.2	-1.0	-0.3	1.1	1.5	-0.2	-0.1	-0.0	-0.1	0.1	-0.1
Fiscal impetus (FI), percent of GDP	0.2	0.8	0.8	0.9	0.1	0.5	0.7	-0.3	-0.1	0.7	0.1	0.2	0.4	0.1	0.1	-0.0
Previous Greenbook	*0.2*	*0.8*	*0.8*	*0.9*	*0.1*	*0.5*	*0.7*	*-0.3*	*-0.2*	*0.8*	*0.3*	*0.2*	*0.3*	*0.1*	*0.1*	*-0.0*

1. Budget receipts, outlays, and surplus/deficit include corresponding social security (OASDI) categories. The OASDI surplus and the Postal Service surplus are excluded from the on-budget surplus and shown separately as off-budget, as classified under current law.
2. Other means of financing are checks issued less checks paid, accrued items, and changes in other financial assets and liabilities.
3. Gross saving is the current account surplus plus consumption of fixed capital of the general government as well as government enterprises.
4. HEB is gross saving less gross investment (NIPA) of the federal government in current dollars, with cyclically sensitive receipts and outlays adjusted to the staff's measure of potential output and the NAIRU. Quarterly figures for change in HEB and FI are not at annual rates. The sign on Change in HEB, as a percent of nominal potential GDP, is reversed. FI is the weighted difference of discretionary changes in federal spending and taxes in chained (2000) dollars, scaled by real GDP. The annual FI estimates are on a calendar year basis. Also, for FI and the change in HEB, positive values indicate aggregate demand stimulus.

a--Actual

Class II FOMC
Restricted (FR)

Change in Debt of the Domestic Nonfinancial Sectors
(Percent)

June 17, 2009

Period [1]	Total	Households			Business	State and local governments	Federal government	Memo: Nominal GDP
		Total	Home mortgages	Consumer credit				
Year								
2003	8.1	11.6	14.3	5.2	2.5	8.3	10.9	5.9
2004	8.9	11.1	13.6	5.5	6.2	7.4	9.0	6.5
2005	9.5	11.0	13.2	4.3	8.7	10.2	7.0	6.3
2006	9.0	10.1	11.0	4.5	10.5	8.2	3.9	5.3
2007	8.7	6.6	6.7	5.5	13.5	9.3	4.9	4.9
2008	5.9	.4	-.5	1.7	5.1	1.8	24.2	1.2
2009	4.7	-1.2	-.9	-2.9	1.1	4.3	23.9	.2
2010	4.6	.6	.0	2.1	2.1	2.7	16.0	4.1
Quarter								
2008:1	5.4	3.0	2.4	4.7	7.5	3.5	8.1	3.5
2	3.2	.4	-.3	3.9	6.1	.9	5.9	4.1
3	8.3	.1	-2.4	1.4	5.0	3.2	39.2	3.4
4	6.2	-2.0	-1.7	-3.1	1.5	-.4	37.0	-5.8
2009:1	4.1	-1.1	-.0	-3.5	-.3	4.9	22.6	-3.0
2	5.6	-1.3	-1.0	-3.3	.9	6.5	27.3	-1.6
3	4.3	-1.5	-1.4	-3.0	2.0	2.9	19.7	2.2
4	4.4	-1.0	-1.0	-1.9	1.9	2.8	18.5	3.2
2010:1	2.6	-.3	-.5	-.3	1.8	2.7	8.6	3.7
2	5.4	.3	-.2	1.5	1.9	2.6	19.8	4.1
3	4.9	.9	.2	3.0	2.1	2.6	15.7	4.2
4	5.4	1.3	.5	4.3	2.4	2.6	16.6	4.3

Note. Quarterly data are at seasonally adjusted annual rates.

1. Data after 2009:Q1 are staff projections. Changes are measured from end of the preceding period to end of period indicated except for annual nominal GDP growth, which is calculated from Q4 to Q4.

2.6.3 FOF

Class II FOMC
Restricted (FR)

Flow of Funds Projections: Highlights
(Billions of dollars at seasonally adjusted annual rates except as noted)

June 17, 2009

Category	2007	2008	2009	2010	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4
Domestic nonfinancial sectors														
Net funds raised														
Total	1707.3	1492.4	1395.0	1474.9	2304.4	1658.8	1070.9	1807.6	1332.7	1368.7	749.5	1746.7	1589.4	1813.9
Net equity issuance	-831.2	-380.8	-179.3	-160.0	-399.6	-386.0	-297.0	-100.0	-160.0	-160.0	-160.0	-160.0	-160.0	-160.0
Net debt issuance	2538.4	1873.2	1574.2	1634.9	2704.0	2044.9	1367.9	1907.6	1492.7	1528.7	909.5	1906.7	1749.4	1973.9
Borrowing indicators														
Debt (percent of GDP) [1]	220.4	228.8	243.4	246.8	227.1	234.7	239.5	243.4	245.1	245.8	245.7	245.7	246.3	246.9
Borrowing (percent of GDP)	18.4	13.1	11.1	11.2	18.8	14.4	9.7	13.6	10.6	10.7	6.3	13.1	11.9	13.3
Households														
Net borrowing [2]	854.9	49.5	-168.8	75.2	7.2	-272.1	-151.8	-177.0	-207.3	-138.9	-34.6	34.9	121.1	179.4
Home mortgages	655.7	-51.7	-89.1	0.0	-253.0	-173.9	-5.2	-104.4	-142.4	-104.4	-47.5	-23.7	23.7	47.5
Consumer credit	133.6	44.0	-75.4	53.4	35.4	-81.0	-90.7	-86.0	-77.8	-47.4	-7.5	37.3	75.1	108.6
Debt/DPI (percent) [3]	131.3	129.7	125.8	121.7	129.9	130.3	128.1	125.7	125.4	124.2	122.9	121.9	120.9	120.2
Business														
Financing gap [4]	185.6	180.9	-100.1	-43.5	127.9	108.5	-86.4	-117.1	-120.3	-76.5	-33.0	-56.1	-66.0	-19.0
Net equity issuance	-831.2	-380.8	-179.3	-160.0	-399.6	-386.0	-297.0	-100.0	-160.0	-160.0	-160.0	-160.0	-160.0	-160.0
Credit market borrowing	1260.5	544.1	125.9	233.9	546.7	169.6	-28.3	103.7	219.3	208.8	204.4	215.0	243.2	273.0
State and local governments														
Net borrowing	185.9	40.4	96.4	61.8	71.6	-7.9	108.4	145.8	65.8	65.8	61.8	61.8	61.8	61.8
Current surplus [5]	246.6	171.9	155.8	184.1	153.1	164.5	137.2	133.0	172.7	180.5	174.3	175.0	190.6	196.4
Federal government														
Net borrowing	237.1	1239.2	1520.2	1264.0	2078.5	2155.2	1439.6	1835.2	1414.9	1393.1	677.9	1595.0	1323.3	1459.8
Net borrowing (n.s.a.)	237.1	1239.2	1520.2	1264.0	526.5	560.9	465.4	323.8	360.7	370.3	275.5	263.8	337.8	386.9
Unified deficit (n.s.a.)	187.9	680.5	1524.0	1413.5	168.9	332.5	448.9	303.9	355.5	415.7	455.0	238.8	322.8	396.9
Depository institutions														
Funds supplied	858.7	415.1	95.9	318.6	546.8	135.8	-533.8	382.6	298.6	236.2	322.0	382.7	438.4	131.3

Note. Data after 2009:Q1 are staff projections.
1. Average debt levels in the period (computed as the average of period-end debt positions) divided by nominal GDP.
2. Includes change in liabilities not shown in home mortgages and consumer credit.
3. Average debt levels in the period (computed as the average of period-end debt positions) divided by disposable personal income.
4. For corporations, excess of capital expenditures over U.S. internal funds.
5. NIPA state and local government saving plus consumption of fixed capital and net capital transfers.
n.s.a. Not seasonally adjusted.

2.6.4 FOF

International Developments

Following the sharp contraction in the first quarter, the pace of decline in foreign economic activity appears to be moderating. Across the foreign economies, purchasing managers indexes (PMIs) have turned up, industrial production is no longer collapsing, and confidence indicators have recovered somewhat. In addition, conditions in global financial markets continue to improve, which should support economic activity in coming quarters. We now forecast that real GDP abroad will fall at a 1½ percent rate in the current quarter and then expand 1¾ percent in the second half of 2009; these projections are up about 1 percentage point from the April Greenbook.

Summary of Staff Projections

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

Indicator	2008		2009	Projection		
	H1	H2	Q1	2009 Q2	2009 H2	2010
Foreign output	2.1	-3.9	-8.6	-1.4	1.7	3.1
Previous GB	1.7	-3.5	-7.2	-2.4	.8	2.8
Foreign CPI	5.0	1.7	-1.0	1.5	2.0	1.6
Previous GB	5.0	1.8	-.8	1.5	1.6	1.6
	Contribution to growth (percentage points)					
U.S. net exports	1.8	.4	2.1	1.1	-.6	-.3
Previous GB	1.8	.4	1.0	.6	-.6	-.5

Note: Changes for years are measured as Q4/Q4; half-years are Q2/Q4 or Q4/Q2.

Foreign consumer price inflation remains subdued. Even with oil and commodity prices now rising faster than anticipated in the last Greenbook, we project that consumer price inflation abroad will register just over 1 percent this year—a little higher than our previous forecast—and 1½ percent in 2010. The spot price of West Texas intermediate (WTI) crude oil has risen over 50 percent since the time of the last Greenbook to around $70 per barrel, and futures prices suggest a further increase by the end of 2010. Non-fuel commodity prices have also risen in the intermeeting period. The dollar has depreciated

Staff Projections of Selected Trade Prices
(Percent change from end of previous period, annual rate, excepted as noted)

Trade category	2008		2009	Projection		
	H1	H2	Q1	2009		2010
				Q2	H2	
Imports						
Core goods	9.5	-2.2	-9.3	-1.0	2.1	1.1
Previous GB	9.5	-2.2	-9.7	-3.0	-.1	1.1
Oil (dollars per barrel)	108.66	68.73	41.59	56.60	69.70	73.47
Previous GB	108.65	68.74	43.40	47.32	51.32	58.86
Exports						
Core goods	13.0	-12.0	-12.1	1.0	2.5	1.0
Previous GB	13.0	-12.0	-10.1	-2.3	.7	1.2

Note: Prices for core exports exclude computers and semiconductors. Prices for core imports exclude computers, semiconductors, oil, and natural gas. Both prices are on a national income and product account chain-weighted basis.
The price of imported oil for multi-quarter periods is the price for the final quarter of the period. Imported oil includes both crude oil and refined products.

We estimate that core export prices will increase 1 percent in the current quarter. Following several months of sharp price declines, prices of material-intensive export goods rose briskly in April and May. Given the current resurgence of commodity prices, core export prices are expected to increase 3½ percent in the third quarter, before decelerating to a rate of 1 percent as commodity price inflation slows. The projections for the second and third quarters of 2009 have each been revised up about 3 percentage points relative to the April Greenbook, as a result of higher prices for intermediate goods and agricultural products. Thereafter, the projection is little changed.

Trade in Goods and Services

Real exports of goods and services plunged 30½ percent at an annual rate in the first quarter, with declines broad-based and particularly marked in the auto sector. In the current quarter, we expect the fall in real exports to moderate to about 5½ percent, due to the slowing pace of contraction in foreign economic activity as well as to a bottoming out of auto exports. We lowered our forecast for the second quarter 2 percentage points, mainly in response to weak data for April. Going forward, we expect economic recovery among our trading partners to support a rebound in exports, which are projected to grow 3 percent in the second half of the year and 4 percent in 2010. This is a stronger outlook

than in the April Greenbook, reflecting both the upward revision to our outlook for foreign GDP growth and the downward revision to the projected path of the dollar.

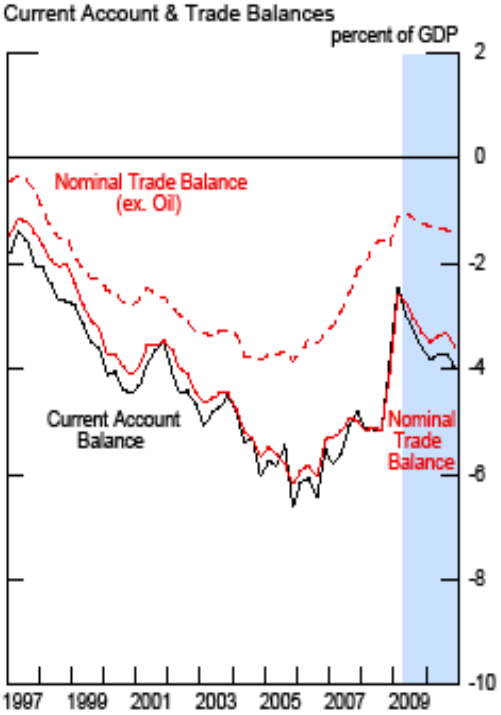
Staff Projections for
Trade in Goods and Services
(Percent change from end of previous period, annual rate)

Measure	2008		2009	Projection		
	H1	H2	Q1	2009		2010
				Q2	H2	
Real imports	-4.1	-10.8	-36.3	-12.3	6.7	5.4
Previous GB	-4.1	-10.8	-31.1	-7.2	4.1	5.1
Real exports	8.6	-11.3	-30.6	-5.4	3.0	4.0
Previous GB	8.6	-11.3	-31.4	-3.4	-.7	2.3

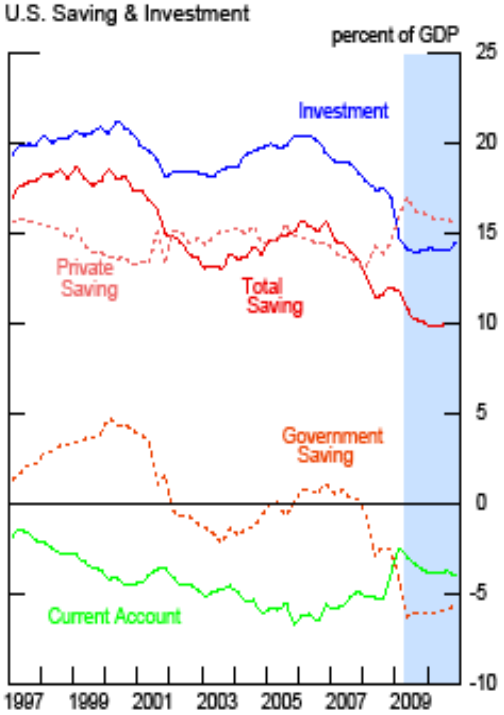
Note: Changes for years are measured as Q4/Q4; half-years are measured as Q2/Q4 or Q4/Q2.

Real imports of goods and services also dropped sharply in the first quarter, falling at an annual rate of 36¼ percent, 5¼ percentage points more than projected in the April Greenbook. As with exports, a decline in imports of automotive products contributed significantly to the fall in overall imports in the first quarter, both as domestic automakers cut back production at plants in Canada and Mexico and as imports from non-U.S. manufacturers fell. In the current quarter, based on a fall in imports in the April trade data and continued weakness in U.S. GDP, we estimate that imports will decline a further 12¼ percent. Going forward, we expect import growth to turn positive, averaging 5¾ percent over the remainder of the forecast period, as the U.S. economy recovers and as auto imports rebound somewhat. Relative to the April Greenbook, this projection is just a touch higher, as the upward revision to U.S. GDP growth is mostly offset by the restraining effects of the lower dollar.

Current Account & Trade Balances



U.S. Saving & Investment



Current Account as a Percent of U.S. GDP

	1997	2006	2008	2009	2010
United States	**-1.7**	**-6.0**	**-4.8**	**-3.1**	**-3.8**
Advanced Foreign Countries					
Japan	1.2	1.3	1.1	0.5	0.6
Euro Area	0.6	-0.1	-0.9	-0.9	-0.1
Other	0.2	0.3	0.6	0.0	0.0
Developing Countries					
Asia	0.2	2.9	3.4	3.5	3.1
Latin America	-0.8	0.4	-0.2	-0.3	-0.2
Middle East and Africa	0.1	2.2	2.4	0.3	0.9
E. Europe and F.S.U	-0.3	0.0	-0.4	-0.6	-0.4
Statistical Discrepancy	**0.5**	**-1.0**	**-1.3**	**0.6**	**-0.1**

federal funds rate of 60 basis points above baseline by the end of 2010, which attenuates the stimulus to GDP.

Alternative Scenarios:
Dollar Depreciation with Lower Global Risk Premiums
(Percent change from previous period, annual rate, except as noted)

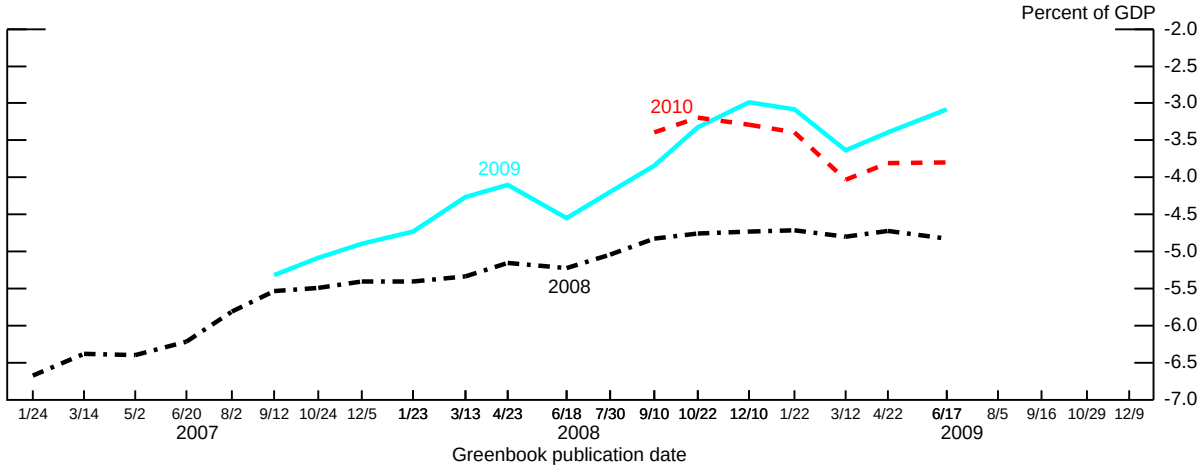
Indicator and simulation	2009	2010		2011	2012-13
	H2	H1	H2		
U.S. real GDP					
Baseline	1.1	2.6	3.3	4.8	4.8
Dollar Depreciation	1.7	3.9	3.9	4.5	4.6
Lower Global Risk Premiums	2.2	4.5	4.4	4.9	4.9
U.S. PCE prices excluding food and energy					
Baseline	.9	.8	.7	.7	1.0
Dollar Depreciation	1.3	1.4	.7	.6	.9
Lower Global Risk Premiums	1.5	1.7	1.1	1.0	1.3
U.S. federal funds rate (percent)					
Baseline	.1	.1	.1	.1	4.1
Dollar Depreciation	.1	.1	.1	.2	4.1
Lower Global Risk Premiums	.1	.2	.7	1.6	5.4
U.S. trade balance (percent share of GDP)					
Baseline	-2.9	-3.2	-3.2	-3.4	-3.6
Dollar Depreciation	-2.2	-1.8	-2.2	-3.1	-3.7
Lower Global Risk Premiums	-2.2	-1.8	-2.2	-3.1	-3.7

Note: H1 is Q2/Q4; H2 is Q4/Q2. U.S. real GDP, U.S. PCE prices, and the trade balance are average rates over the period. The federal funds rate is the value for the final quarter of the period.

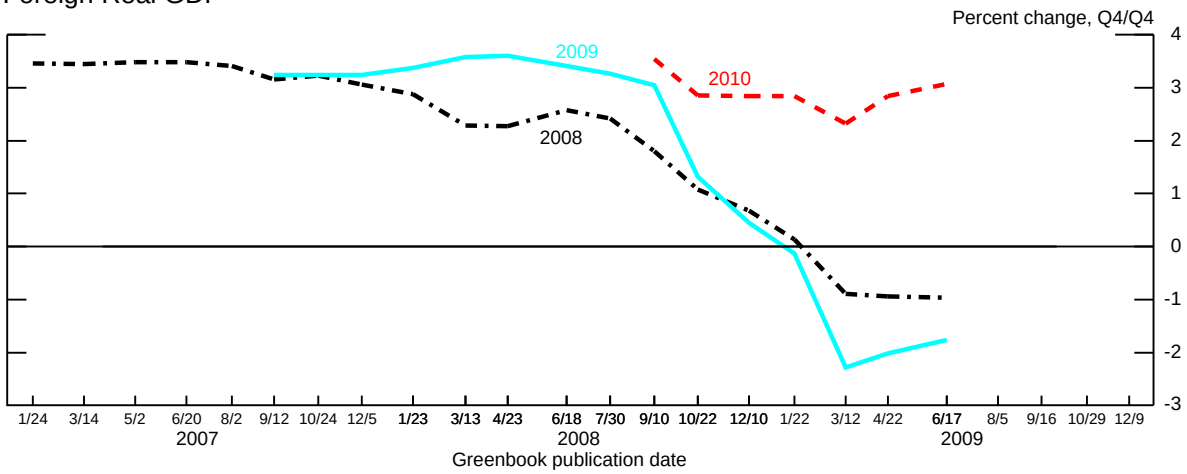
Class II FOMC -- Restricted (FR)

Evolution of the Staff Forecast

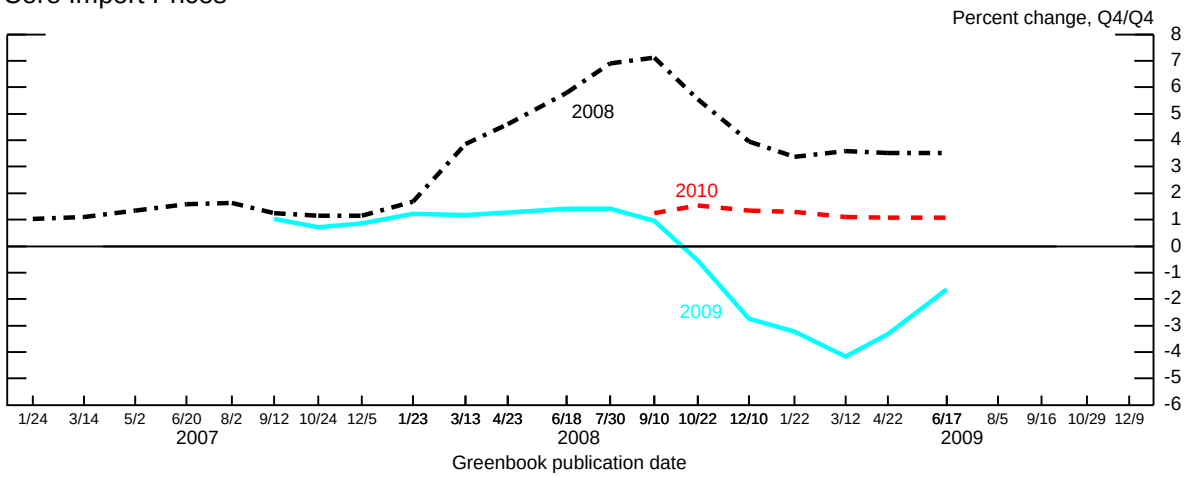
Current Account Balance



Foreign Real GDP



Core Import Prices*



*Prices for merchandise imports excluding computers, semiconductors, oil, and natural gas.

Class II FOMC
Restricted (FR)

June 17, 2009

OUTLOOK FOR FOREIGN REAL GDP AND CONSUMER PRICES: SELECTED COUNTRIES
(Percent changes)

Measure and country	2008 Q1	2008 Q2	2008 Q3	2008 Q4	Projected 2009 Q1	2009 Q2	2009 Q3	2009 Q4	Projected 2010 Q1	2010 Q2	2010 Q3	2010 Q4
REAL GDP (1)	Quarterly changes at an annual rate											
Total Foreign	3.0	1.1	-0.4	-7.3	-8.6	-1.4	1.5	1.8	2.5	2.9	3.4	3.5
Advanced Foreign Economies	0.9	-0.4	-0.8	-6.0	-7.6	-2.2	-0.1	0.7	1.5	1.7	2.2	2.4
of which:												
Canada	-0.7	0.3	0.4	-3.7	-5.4	-2.8	0.2	1.1	2.1	2.1	2.5	2.7
Japan	1.5	-2.2	-2.9	-13.5	-14.2	0.3	0.4	0.6	1.2	1.4	1.7	1.7
United Kingdom	1.2	-0.1	-2.8	-6.1	-7.3	-0.9	0.4	1.3	1.3	1.3	2.1	2.3
Euro Area (2)	2.8	-1.0	-1.4	-6.8	-9.7	-3.0	-1.0	0.0	0.8	1.4	1.9	2.1
Germany	6.2	-2.0	-2.1	-8.6	-14.4	-3.1	-1.1	0.0	0.8	1.4	1.9	2.1
Emerging Market Economies	5.8	3.1	0.1	-8.8	-9.8	-0.4	3.7	3.2	3.8	4.5	4.9	5.0
Asia	7.2	3.1	0.7	-9.6	-2.9	2.4	3.3	4.2	4.9	5.6	6.1	6.2
Korea	4.4	1.7	1.0	-18.8	0.5	1.6	2.1	2.4	3.4	4.3	4.3	4.3
China	10.3	10.9	5.3	1.6	6.5	7.0	7.5	8.0	8.3	8.8	9.2	9.2
Latin America	4.3	2.9	-0.9	-9.1	-17.0	-3.7	4.3	2.1	2.6	3.3	3.5	3.7
Mexico	4.7	1.0	-2.3	-9.8	-21.5	-5.2	5.5	2.0	2.5	3.4	3.7	4.0
Brazil	7.9	6.6	5.6	-13.8	-3.3	2.0	3.0	3.0	3.2	3.2	3.2	3.2
CONSUMER PRICES (3)	Four-quarter changes											
Total Foreign	4.2	4.7	4.7	3.3	1.8	1.0	0.5	1.1	1.8	1.8	1.7	1.6
Advanced Foreign Economies	2.3	2.7	3.4	2.0	1.0	0.3	-0.1	0.8	1.4	1.4	1.1	1.0
of which:												
Canada	1.9	2.3	3.4	1.9	1.2	0.6	0.1	1.5	2.1	2.0	1.7	1.5
Japan	1.0	1.4	2.2	1.0	-0.1	-0.6	-1.1	-0.2	0.5	0.4	-0.0	-0.5
United Kingdom (4)	2.4	3.4	4.8	3.8	3.0	2.1	1.1	1.4	1.9	1.6	1.3	1.2
Euro Area (2)	3.4	3.6	3.8	2.3	1.0	0.2	0.1	0.6	1.2	1.4	1.1	1.1
Germany	3.1	3.0	3.2	1.7	0.8	0.5	0.3	0.9	1.2	1.3	1.1	1.1
Emerging Market Economies	6.0	6.6	6.0	4.6	2.7	1.6	1.1	1.5	2.2	2.2	2.2	2.3
Asia	6.7	7.1	5.9	3.7	1.0	-0.3	-0.6	0.3	1.5	1.8	1.8	1.9
Korea	3.8	4.8	5.5	4.5	3.9	2.6	1.8	2.0	2.1	2.1	2.1	2.1
China	8.1	7.7	5.1	2.7	-0.6	-1.4	-1.2	-0.3	1.1	1.3	1.4	1.5
Latin America	4.4	5.4	6.0	6.5	6.3	5.9	4.9	4.0	3.7	3.1	3.0	3.0
Mexico	3.9	4.9	5.5	6.2	6.2	5.9	5.0	4.0	3.5	2.7	2.6	2.6
Brazil	4.6	5.5	6.3	6.2	5.9	5.3	4.6	4.6	4.4	4.1	4.0	4.0

1. Foreign GDP aggregates calculated using shares of U.S. exports.
2. Harmonized data for euro area from Eurostat.
3. Foreign CPI aggregates calculated using shares of U.S. non-oil imports.
4. CPI excluding mortgage interest payments, which is the targeted inflation rate.

Class II FOMC
Restricted (FR)

June 17, 2009

OUTLOOK FOR FOREIGN REAL GDP AND CONSUMER PRICES: SELECTED COUNTRIES
(Percent, Q4 to Q4)

Measure and country	2002	2003	2004	2005	2006	2007	2008	Projected 2009	2010
REAL GDP (1)									
Total Foreign	3.1	2.9	3.8	4.0	4.0	4.3	-1.0	-1.8	3.1
Advanced Foreign Economies	2.5	1.8	2.6	2.7	2.6	2.6	-1.6	-2.4	1.9
of which:									
Canada	3.5	1.5	3.7	3.1	1.9	2.8	-1.0	-1.7	2.3
Japan	2.0	2.4	1.0	2.9	2.1	1.9	-4.4	-3.4	1.5
United Kingdom	2.4	3.2	2.3	2.0	3.2	3.2	-2.0	-1.7	1.8
Euro Area (2)	1.2	1.2	1.8	2.1	3.4	2.2	-1.7	-3.5	1.6
Germany	0.0	0.2	0.2	1.6	4.1	1.7	-1.8	-4.8	1.5
Emerging Market Economies	3.9	4.5	5.5	5.8	5.9	6.4	-0.1	-1.0	4.5
Asia	6.5	6.9	6.0	7.7	7.2	8.2	0.2	1.7	5.7
Korea	8.0	3.7	2.6	5.2	4.6	5.7	-3.4	1.6	4.1
China	8.6	10.3	9.9	10.3	10.8	12.3	6.9	7.2	8.9
Latin America	1.6	1.8	5.0	4.0	4.6	4.5	-0.8	-3.9	3.3
Mexico	2.0	1.3	4.5	3.5	3.9	3.6	-1.7	-5.4	3.4
Brazil	4.9	1.0	4.7	3.6	4.6	6.0	1.1	1.1	3.2
CONSUMER PRICES (3)									
Total Foreign	2.5	2.1	2.8	2.3	2.1	3.7	3.3	1.1	1.6
Advanced Foreign Economies	2.1	1.3	1.8	1.6	1.4	2.2	2.0	0.8	1.0
of which:									
Canada	3.8	1.7	2.3	2.3	1.4	2.5	1.9	1.5	1.5
Japan	-0.5	-0.3	0.5	-1.0	0.3	0.5	1.0	-0.2	-0.5
United Kingdom (4)	1.5	1.3	1.4	2.1	2.7	2.1	3.8	1.4	1.2
Euro Area (2)	2.3	2.0	2.3	2.3	1.8	2.9	2.3	0.6	1.1
Germany	1.2	1.1	2.1	2.2	1.3	3.1	1.7	0.9	1.1
Emerging Market Economies	2.9	3.1	3.9	3.0	2.9	5.1	4.6	1.5	2.3
Asia	0.8	2.3	3.1	2.6	2.4	5.5	3.7	0.3	1.9
Korea	3.3	3.5	3.4	2.5	2.1	3.4	4.5	2.0	2.1
China	-0.6	2.7	3.3	1.4	2.1	6.7	2.7	-0.3	1.5
Latin America	6.4	4.9	5.6	3.8	4.1	4.2	6.5	4.0	3.0
Mexico	5.2	3.9	5.3	3.1	4.1	3.8	6.2	4.0	2.6
Brazil	10.7	11.5	7.2	6.1	3.2	4.3	6.2	4.6	4.0

1. Foreign GDP aggregates calculated using shares of U.S. exports.
2. Harmonized data for euro area from Eurostat.
3. Foreign CPI aggregates calculated using shares of U.S. non-oil imports.
4. CPI excluding mortgage interest payments, which is the targeted inflation rate.

Class II FOMC
Restricted (FR)

June 17, 2009

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2002	2003	2004	2005	2006	2007	2008	Projected 2009	2010
NIPA REAL EXPORTS and IMPORTS									
	Percentage point contribution to GDP growth, Q4/Q4								
Net Goods & Services	-0.9	-0.1	-0.9	-0.1	0.4	0.8	1.1	0.7	-0.3
Exports of G&S	0.4	0.6	0.7	0.7	1.1	1.0	-0.2	-1.0	0.4
Imports of G&S	-1.3	-0.7	-1.7	-0.8	-0.6	-0.2	1.3	1.7	-0.8
	Percentage change, Q4/Q4								
Exports of G&S	3.8	5.8	7.4	7.0	10.1	8.9	-1.8	-8.6	4.0
Services	10.2	3.0	8.3	4.0	11.5	9.3	2.5	-4.9	3.9
Computers	-1.1	11.3	5.8	14.2	8.1	0.9	-2.2	1.8	9.6
Semiconductors	10.1	38.3	-6.0	17.6	2.9	29.3	-13.8	-15.4	11.0
Core Goods 1/	0.6	4.9	8.0	7.4	10.0	8.2	-3.4	-10.7	3.7
Imports of G&S	9.7	4.8	11.5	4.8	3.8	1.1	-7.5	-10.7	5.4
Services	8.8	2.2	9.3	-0.1	8.0	1.8	-1.7	-4.4	3.5
Oil	3.8	1.2	10.8	1.0	-9.2	0.6	-1.1	-15.1	2.2
Natural Gas	19.5	1.3	4.9	13.7	-12.6	12.1	-27.3	5.5	11.3
Computers	13.2	17.0	23.2	12.5	13.8	8.4	-11.6	3.3	15.6
Semiconductors	11.0	-0.1	9.8	7.5	-0.3	3.8	-10.0	-7.2	5.0
Core Goods 2/	10.0	5.2	11.4	5.9	5.7	0.1	-9.8	-13.1	6.0
	Billions of Chained 2000 Dollars								
Net Goods & Services	-471.3	-518.9	-593.8	-616.6	-615.7	-546.5	-390.2	-279.8	-311.0
Exports of G&S	1013.3	1026.1	1126.1	1205.3	1314.8	1425.9	1514.1	1321.9	1360.5
Imports of G&S	1484.6	1545.0	1719.9	1821.9	1930.5	1972.4	1904.3	1601.8	1671.6
	Billions of dollars								
US CURRENT ACCOUNT BALANCE	-459.1	-521.5	-627.3	-732.7	-795.2	-732.4	-688.1	-435.1	-554.3
Current Acct as Percent of GDP	-4.4	-4.8	-5.4	-5.9	-6.0	-5.3	-4.8	-3.1	-3.8
Net Goods & Services (BOP)	-421.6	-495.0	-610.0	-715.3	-760.4	-701.4	-695.9	-413.5	-501.2
Investment Income, Net	33.0	51.0	73.4	78.8	63.8	88.8	134.8	101.2	72.1
Direct, Net	102.4	112.7	150.9	173.2	184.1	233.9	267.9	223.2	206.7
Portfolio, Net	-69.4	-61.7	-77.5	-94.4	-120.3	-145.1	-133.1	-122.0	-134.6
Other Income & Transfers,Net	-70.5	-77.5	-90.6	-96.2	-98.6	-119.7	-127.0	-122.9	-125.1

1. Merchandise exports excluding computers and semiconductors.
2. Merchandise imports excluding oil, natural gas, computers, and semiconductors.

Class II FOMC
Restricted (FR)

June 17, 2009

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
Percentage point contribution to GDP growth												
Net Goods & Services	0.3	0.8	-0.1	-1.3	0.1	0.6	-0.1	1.3	-1.2	1.7	2.0	0.9
Exports of G&S	0.8	0.9	0.0	1.1	1.7	0.6	0.4	1.7	0.1	1.0	2.5	0.5
Imports of G&S	-0.5	-0.1	-0.1	-2.4	-1.6	0.0	-0.5	-0.3	-1.2	0.7	-0.5	0.4
Percentage change from previous period, s.a.a.r.												
Exports of G&S	8.1	8.8	0.4	10.9	16.7	5.5	3.5	15.6	0.6	8.8	23.0	4.4
Services	10.2	-2.8	3.2	5.7	13.4	2.7	3.2	28.6	-2.7	13.3	25.9	2.7
Computers	16.8	27.9	8.3	5.2	12.0	17.5	-7.9	12.7	3.9	-4.0	14.4	-9.2
Semiconductors	-5.2	11.7	30.7	38.0	20.3	16.1	-5.6	-15.0	15.9	23.7	20.5	61.7
Core Goods 1/	7.3	13.8	-2.9	12.4	18.3	5.6	4.8	11.8	1.3	6.6	22.1	3.7
Imports of G&S	3.2	0.6	0.8	15.3	10.3	0.1	3.1	2.0	7.7	-3.7	3.0	-2.3
Services	-5.7	-0.0	-1.0	6.8	17.7	-2.0	-0.3	18.4	4.2	-2.0	6.3	-0.9
Oil	5.1	-27.1	-11.6	53.6	-2.8	-27.1	7.5	-10.6	30.9	-22.3	-13.5	16.5
Natural Gas	58.6	-14.1	111.1	-41.9	-50.7	91.9	26.6	-51.2	70.8	74.2	28.2	-58.6
Computers	3.2	11.6	20.4	15.4	20.7	21.1	19.7	-4.3	34.9	-6.5	-0.2	9.7
Semiconductors	-9.2	7.7	14.0	20.0	0.2	-0.5	17.7	-15.8	1.2	6.7	1.0	6.4
Core Goods 2/	4.8	6.1	0.3	12.7	13.7	4.9	1.2	3.2	2.2	-1.1	5.8	-6.0
Billions of Chained 2000 Dollars, s.a.a.r.												
Net Goods & Services	-623.7	-601.3	-603.6	-637.8	-636.0	-619.4	-623.0	-584.2	-618.6	-571.2	-511.8	-484.5
Exports of G&S	1177.9	1203.1	1204.3	1235.7	1284.3	1301.4	1312.6	1361.1	1363.2	1392.2	1466.2	1482.1
Imports of G&S	1801.7	1804.4	1807.9	1873.6	1920.2	1920.9	1935.7	1945.3	1981.8	1963.4	1978.0	1966.5
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-697.6	-715.3	-679.1	-838.8	-793.9	-796.9	-850.9	-739.0	-781.7	-771.3	-705.2	-671.3
Current Account as % of GDP	-5.7	-5.8	-5.4	-6.6	-6.1	-6.1	-6.4	-5.5	-5.8	-5.6	-5.1	-4.8
Net Goods & Services (BOP)	-665.3	-686.9	-724.9	-783.9	-766.5	-764.7	-797.2	-713.1	-712.2	-710.2	-685.9	-697.4
Investment Income, Net	88.6	77.8	88.7	59.9	65.2	70.7	51.7	67.7	57.8	45.8	98.9	152.6
Direct, Net	170.2	168.5	187.8	166.3	177.2	189.2	171.9	198.2	201.1	196.2	238.8	299.3
Portfolio, Net	-81.6	-90.7	-99.0	-106.5	-112.0	-118.5	-120.3	-130.5	-143.2	-150.4	-139.9	-146.7
Other Inc. & Transfers, Net	-120.9	-106.2	-42.9	-114.8	-92.6	-103.0	-105.4	-93.6	-127.4	-106.9	-118.3	-126.4

1. Merchandise exports excluding computers and semiconductors.
2. Merchandise imports excluding oil, natural gas, computers, and semiconductors.

Class II FOMC
Restricted (FR)

June 17, 2009

OUTLOOK FOR U.S. INTERNATIONAL TRANSACTIONS

	2008				Projected 2009				Projected 2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIPA REAL EXPORTS and IMPORTS												
Percentage point contribution to GDP growth												
Net Goods & Services	0.8	2.9	1.1	-0.2	2.1	1.1	-0.0	-1.1	-0.7	0.3	0.2	-1.1
Exports of G&S	0.6	1.5	0.4	-3.4	-4.2	-0.6	0.4	0.3	0.4	0.4	0.5	0.5
Imports of G&S	0.1	1.4	0.7	3.3	6.4	1.7	-0.4	-1.4	-1.0	-0.1	-0.3	-1.6
Percentage change from previous period, s.a.a.r.												
Exports of G&S	5.1	12.3	3.0	-23.6	-30.6	-5.4	3.6	2.5	3.3	3.7	4.4	4.7
Services	6.4	3.8	1.4	-1.5	-11.1	-9.4	0.2	1.2	2.5	3.5	4.6	5.1
Computers	0.4	57.4	5.4	-45.2	-13.9	-5.4	20.5	9.6	9.6	9.6	9.6	9.6
Semiconductors	4.6	-6.8	21.3	-53.4	-65.2	15.2	15.2	11.0	11.0	11.0	11.0	11.0
Core Goods 1/	4.7	16.1	2.9	-30.4	-38.3	-3.7	4.5	2.7	3.2	3.4	3.9	4.1
Imports of G&S	-0.8	-7.3	-3.5	-17.5	-36.3	-12.3	3.1	10.3	7.4	0.6	2.2	11.8
Services	5.5	-8.0	3.3	-6.7	-9.2	-10.5	1.6	1.3	6.4	-0.9	4.3	4.5
Oil	17.6	-38.1	-6.6	40.7	-10.7	-46.1	-27.3	48.9	12.9	-21.1	-21.3	55.6
Natural Gas	-40.5	3.7	-38.0	-27.2	-2.3	22.9	24.7	-17.2	31.4	4.4	36.6	-18.2
Computers	6.3	26.0	-13.1	-47.4	-20.8	6.1	17.1	15.6	15.6	15.6	15.6	15.6
Semiconductors	-3.3	14.4	-4.5	-37.9	-47.7	14.5	18.1	5.0	5.0	5.0	5.0	5.0
Core Goods 2/	-6.4	2.4	-2.5	-29.2	-47.6	-6.7	10.2	5.9	5.5	6.0	6.2	6.2
Billions of Chained 2000 Dollars, s.a.a.r.												
Net Goods & Services	-462.0	-381.3	-353.0	-364.5	-297.4	-263.1	-263.8	-295.1	-313.4	-303.6	-298.0	-329.2
Exports of G&S	1500.6	1544.7	1556.1	1454.9	1327.9	1309.5	1321.1	1329.2	1340.0	1352.3	1367.0	1382.9
Imports of G&S	1962.6	1926.0	1909.1	1819.4	1625.3	1572.7	1584.8	1624.2	1653.4	1655.9	1665.0	1712.0
Billions of dollars, s.a.a.r.												
US CURRENT ACCOUNT BALANCE	-724.5	-734.7	-745.4	-547.7	-343.7	-417.0	-466.8	-513.0	-548.1	-542.2	-540.8	-585.9
Current Account as % of GDP	-5.1	-5.1	-5.2	-3.9	-2.4	-3.0	-3.3	-3.6	-3.8	-3.7	-3.7	-4.0
Net Goods & Services (BOP)	-730.6	-731.4	-743.8	-578.0	-364.8	-385.5	-432.1	-471.6	-500.2	-490.5	-486.2	-528.1
Investment Income, Net	140.3	120.0	125.5	153.5	139.5	92.8	89.6	83.0	76.4	72.6	69.8	69.5
Direct, Net	281.3	259.7	256.3	274.2	249.8	216.3	215.8	211.0	206.5	204.8	205.8	209.8
Portfolio, Net	-141.1	-139.7	-130.8	-120.7	-110.3	-123.5	-126.1	-128.0	-130.1	-132.1	-136.0	-140.3
Other Inc. & Transfers, Net	-134.1	-123.3	-127.2	-123.2	-118.5	-124.4	-124.4	-124.4	-124.4	-124.4	-124.4	-127.4

1. Merchandise exports excluding computers and semiconductors.
2. Merchandise imports excluding oil, natural gas, computers, and semiconductors.

Class III FOMC - Internal (FR)

Part 2

June 17, 2009

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Recent Developments

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

Class III FOMC - Internal (FR)

June 17, 2009

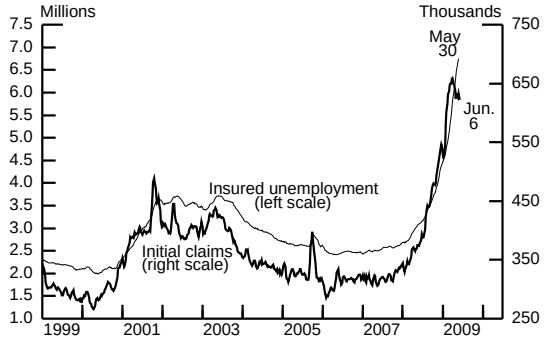
Recent Developments

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

Domestic Nonfinancial Developments

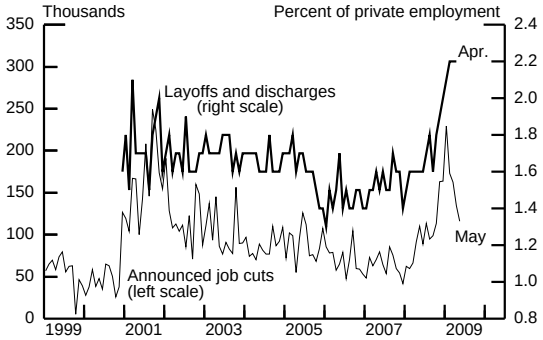
Labor Market Indicators

Unemployment Insurance



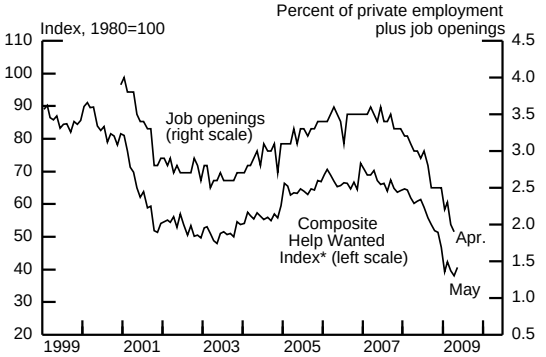
Note: 4-week moving averages.
Source: U.S. Dept. of Labor, Employment and Training Administration.

Layoffs and Job Cuts



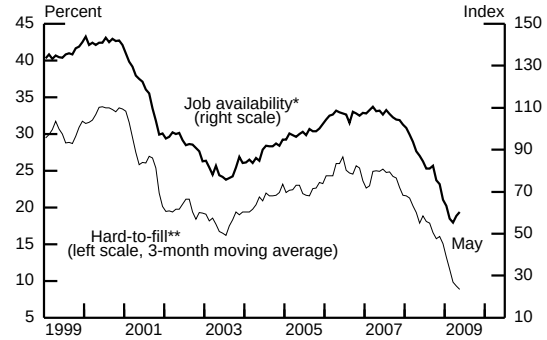
Note: Job cuts seasonally adjusted by FRB staff.
Source: For layoffs and discharges, Job Openings and Labor Turnover Survey; for job cuts, Challenger, Gray, and Christmas, Inc.

Job Openings



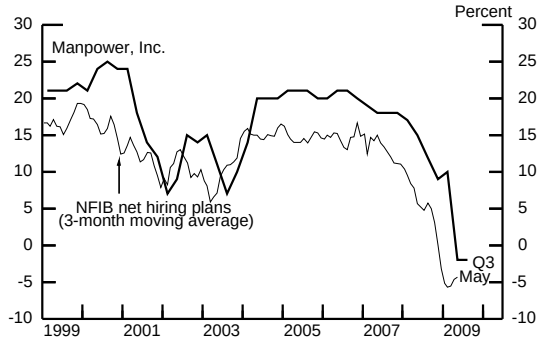
*Index of staff composite help wanted advertising as a percent of private payroll employment.
Source: For job openings, Job Openings and Labor Turnover Survey; for Help Wanted Index, Conference Board and staff calculations.

Job Availability and Hard-to-Fill Positions



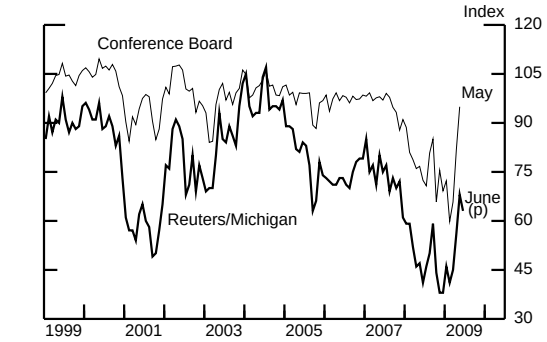
*Proportion of households believing jobs are plentiful, minus the proportion believing jobs are hard to get, plus 100.
**Percent of small businesses surveyed with at least one "hard-to-fill" job opening. Seasonally adjusted by FRB staff.
Source: For job availability, Conference Board; for hard-to-fill, National Federation of Independent Business.

Net Hiring Plans



Note: Percent planning an increase in employment minus the percent planning a reduction.
Source: National Federation of Independent Business (NFIB); Manpower, Inc.

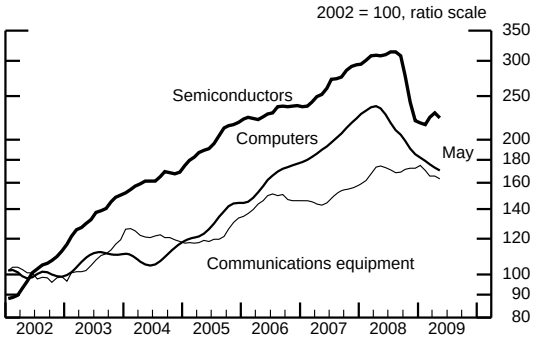
Expected Labor Market Conditions



Note: The proportion of households expecting labor market conditions to improve, minus the proportion expecting conditions to worsen, plus 100.
p Preliminary.
Source: Conference Board; Reuters/University of Michigan Surveys of Consumers.

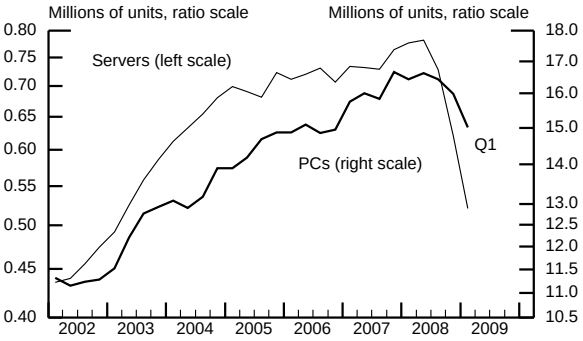
Indicators of High-Tech Manufacturing Activity

Industrial Production in the High-Tech Sector



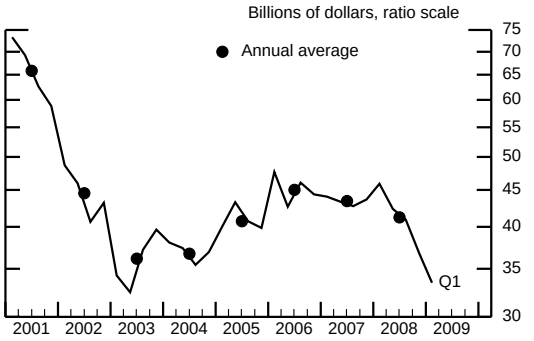
Source: Federal Reserve, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

U.S. Personal Computer and Server Absorption



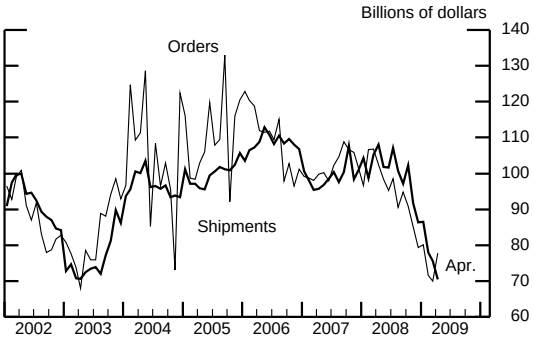
Note: FRB seasonals.
Source: IDC.

Capital Expenditures by Selected Telecommunications Service Providers



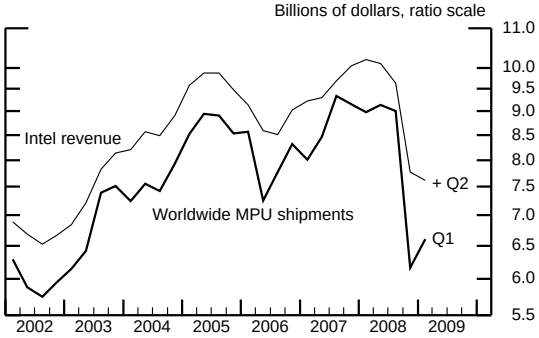
Note: FRB seasonals. Includes AT&T, Verizon, Sprint Nextel, and companies related by merger, acquisition, or spinoff.
Source: Securities and Exchange Commission filings.

Circuit Board Orders and Shipments



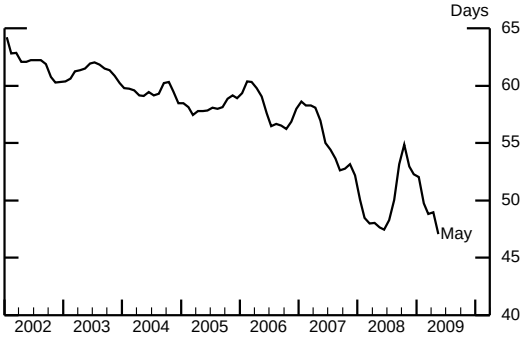
Note: U.S. and Canadian shipments of bare and loaded circuit boards.
Source: Institute for Printed Circuits.

MPU Shipments and Intel Revenue



Note: FRB seasonals. MPU is a microprocessor unit. Q2 Intel revenue is the company's internal forecast as of April 14, 2009.
Source: Intel; Semiconductor Industry Association.

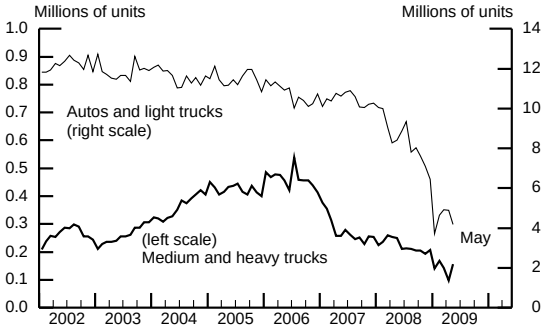
Days' Supply: Semiconductors



Source: Staff's flow-of-goods system.

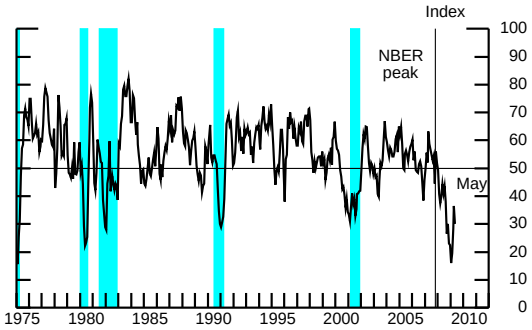
Indicators of Industrial Activity

Motor Vehicle Assemblies



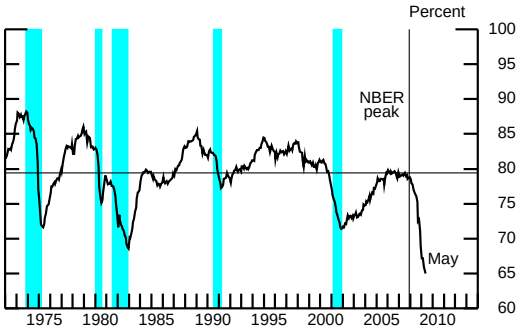
Source: Ward's Communications.

IP Diffusion Index



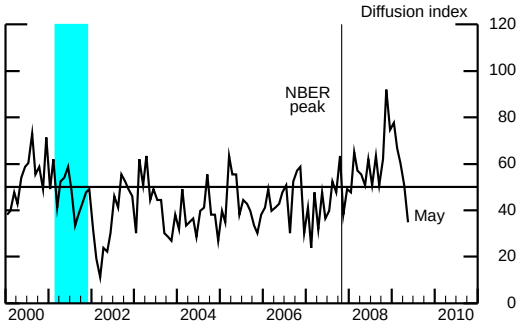
Note: The diffusion index equals the percentage of series that increased relative to three months earlier plus one-half the percentage that were unchanged.
Source: Federal Reserve, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Manufacturing Capacity Utilization



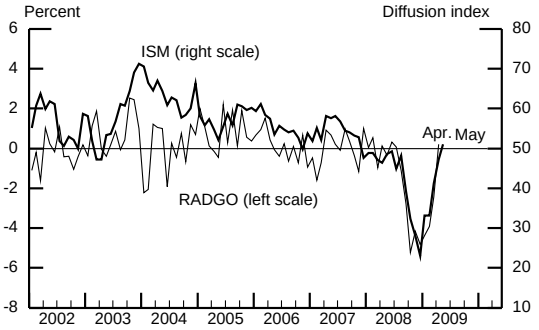
Note: Horizontal line is 1972-2008 average.
Source: Federal Reserve.

Three-Month Changes in Months' Supply



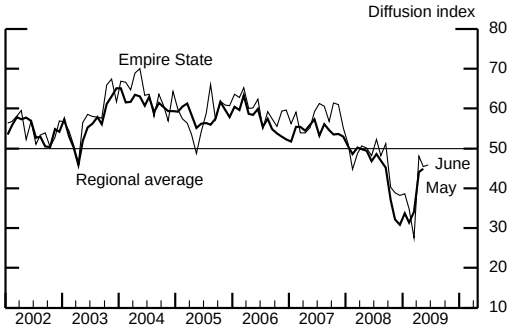
Note: The diffusion index equals 50 plus one-half of the share of industries whose month's supply is up relative to three months earlier minus one-half of the share of industries whose month's supply is down relative to three months earlier.
Source: Staff's flow-of-goods system.

ISM New Orders Diffusion Index and
Change in Real Adjusted Durable Goods Orders



Note: The measure for real adjusted durable goods orders (RADGO) is a 3-month moving average.
Source: Institute for Supply Management (ISM). RADGO is compiled by FRB staff based on data from the Bureau of Labor Statistics and the U.S. Census Bureau.

New Orders Diffusion Indexes: Empire State
and Average of Regional Surveys



Note: Regional average includes new orders indexes from the Chicago, Dallas, Kansas City, New York (Empire State), Philadelphia, and Richmond surveys.

Sales of Light Vehicles
(Millions of units at an annual rate; FRB seasonals)

Category	2008	2008 Q3	2008 Q4	2009 Q1	2009 Mar.	2009 Apr.	2009 May
Total	13.1	12.9	10.3	9.5	9.8	9.3	9.9
Autos	6.7	6.6	5.2	4.8	5.1	4.8	5.0
Light trucks	6.4	6.3	5.1	4.7	4.7	4.5	4.9
North American[1]	9.8	9.7	7.7	6.8	7.1	6.9	7.4
Autos	4.5	4.4	3.6	3.0	3.3	3.2	3.3
Light trucks	5.3	5.3	4.1	3.7	3.8	3.7	4.1
Foreign-produced	3.3	3.2	2.6	2.7	2.8	2.4	2.5
Autos	2.2	2.2	1.7	1.7	1.8	1.6	1.7
Light trucks	1.1	1.0	.9	1.0	1.0	.8	.8
Memo: Detroit Three domestic market share (percent)[2]	47.6	46.7	47.5	43.7	44.5	46.6	46.8

Note: Components may not sum to totals because of rounding.
1. Excludes some vehicles produced in Canada that are classified as imports by the industry.
2. Domestic market share excludes sales of foreign brands affiliated with the Detroit Three.
Source: Ward's Communications. Adjusted using FRB seasonals.

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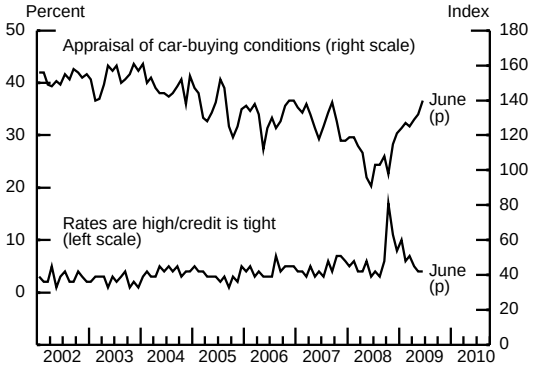
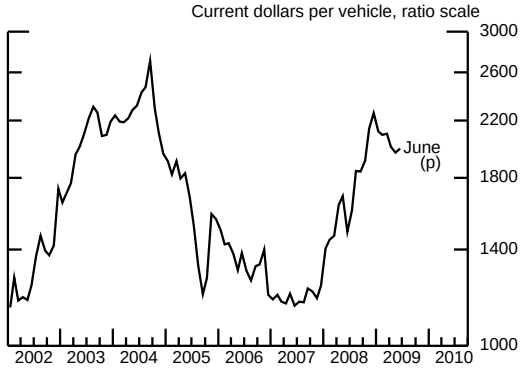
Content redacted.

Car-Buying Attitudes



Source: Reuters/University of Michigan Surveys of Consumers.
(p) Preliminary

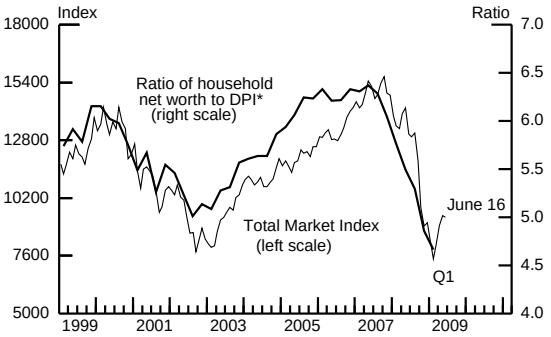
Average Value of Incentives on Light Vehicles



Note: Seasonally adjusted weighted average of customer cash rebate and the present value of interest rate reduction. June figure is based on data through June 7.
Source: J.D. Power and Associates.
(p) Preliminary

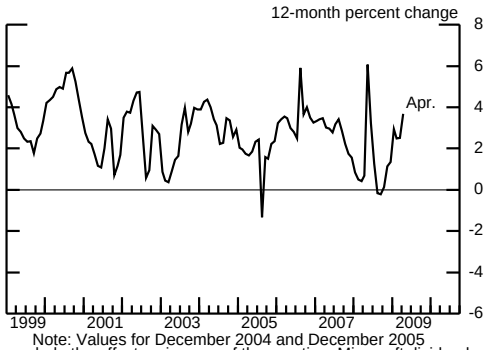
Fundamentals of Household Spending

Household Net Worth
and Dow Jones Total Market Index



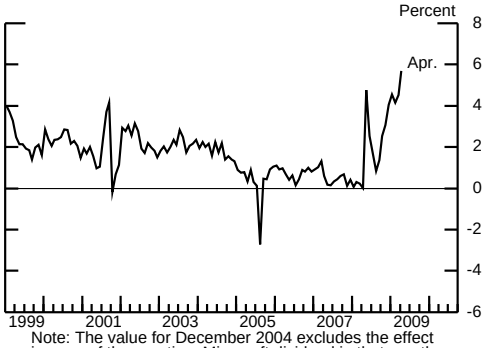
* The value for 2004:Q4 excludes the effect on income of the one-time Microsoft dividend in December 2004.
Source: Federal Reserve Board; U.S. Department of Commerce, Bureau of Economic Analysis; *Wall Street Journal.*

Change in Real Disposable Personal Income



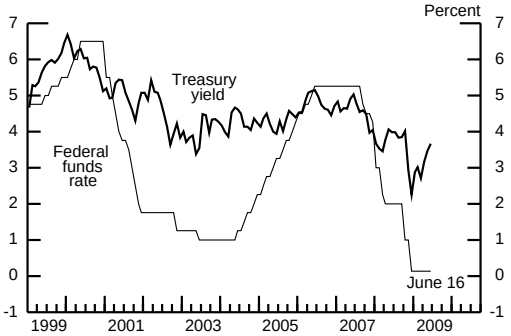
Note: Values for December 2004 and December 2005 exclude the effect on income of the one-time Microsoft dividend in December 2004.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Personal Saving Rate



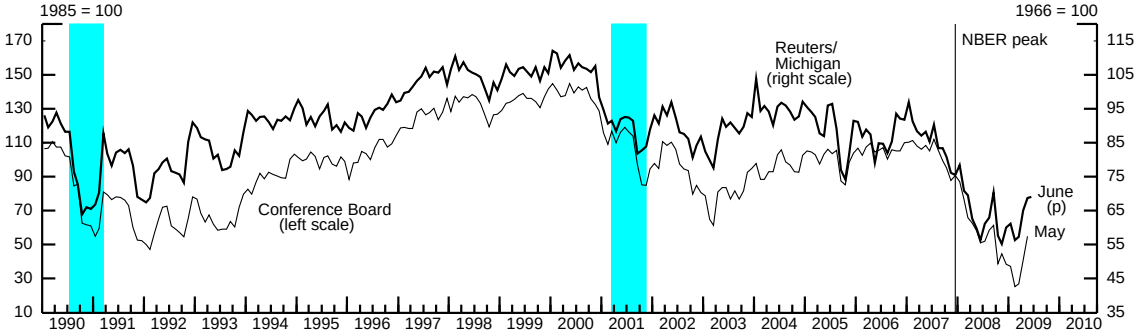
Note: The value for December 2004 excludes the effect on income of the one-time Microsoft dividend in that month.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Target Federal Funds Rate
and 10-Year Treasury Yield



Source: Federal Reserve Board.

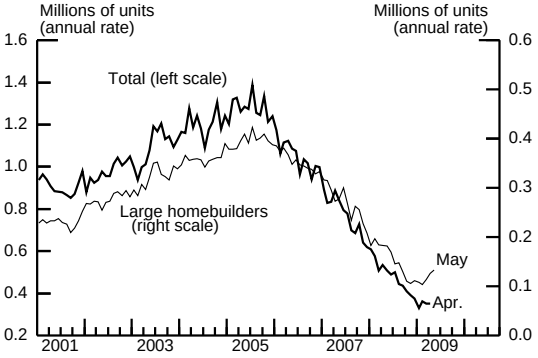
Consumer Confidence



Note: Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research (NBER). The NBER peak is the last business cycle peak as defined by the NBER.
(p) Preliminary.
Source: Reuters/University of Michigan Surveys of Consumers; Conference Board.

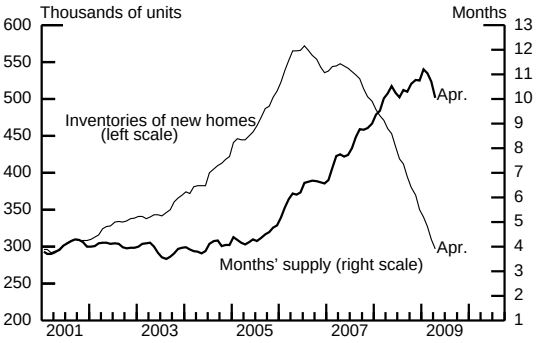
Indicators of Single-Family Housing

New Single-Family Home Sales



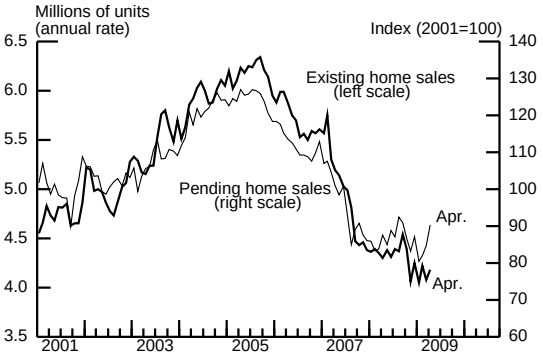
Source: For total, Census Bureau; for large homebuilders, National Association of Home Builders.

Inventories of New Homes and Months' Supply



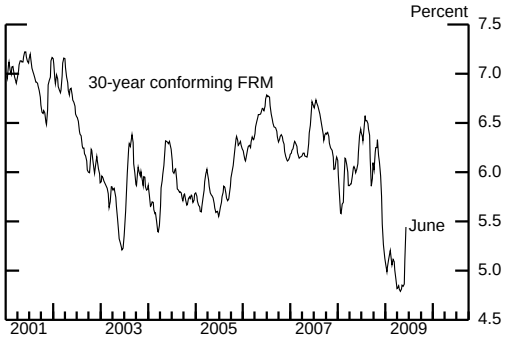
Note: Months' supply is calculated using the 3-month moving average of sales.
Source: Census Bureau.

Existing Single-Family Home Sales



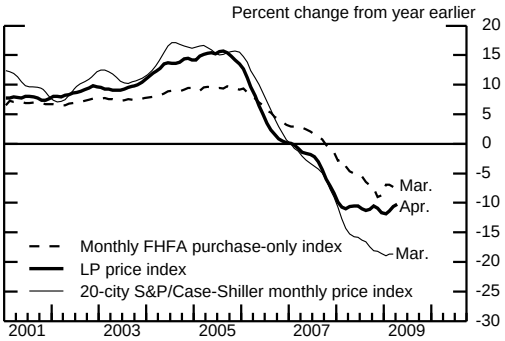
Source: National Association of Realtors.

Mortgage Rates



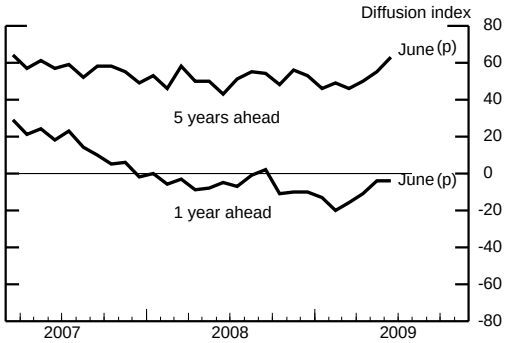
Note: The June reading is a 2-week moving average of data available through June 10, 2009. FRM is a fixed-rate mortgage.
Source: Federal Home Loan Mortgage Corporation.

Prices of Existing Homes



Source: For FHFA, Federal Housing Finance Agency; for S&P/Case-Shiller, Standard & Poor's; for LP, LoanPerformance, a division of First American CoreLogic.

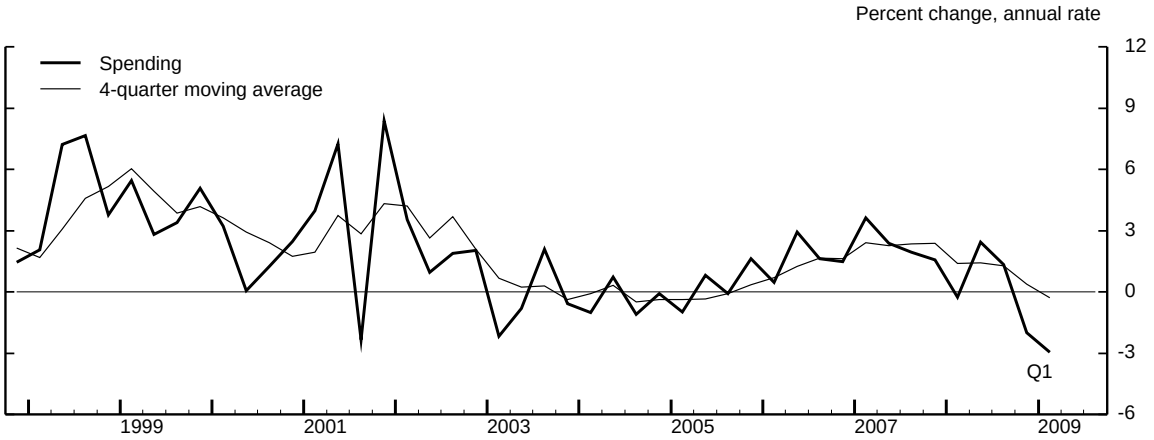
House Price Expectations



Note: Diffusion index is constructed by subtracting expectations of decrease from expectations of increase.
p Preliminary.
Source: Reuters/University of Michigan Surveys of Consumers.

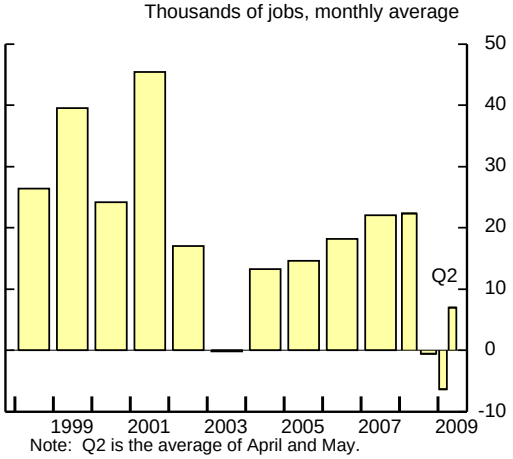
State and Local Indicators

Real Spending on Consumption & Investment



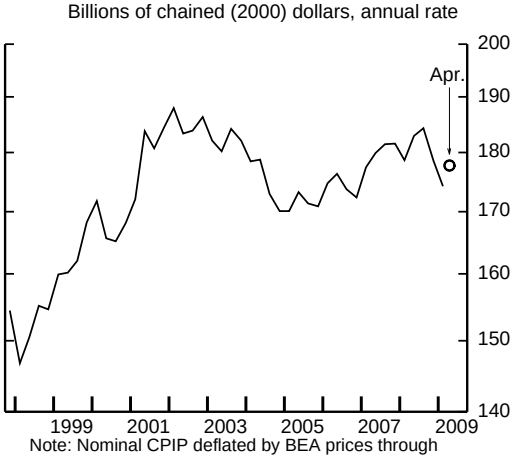
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; national income and product accounts.

Net Change in Employment



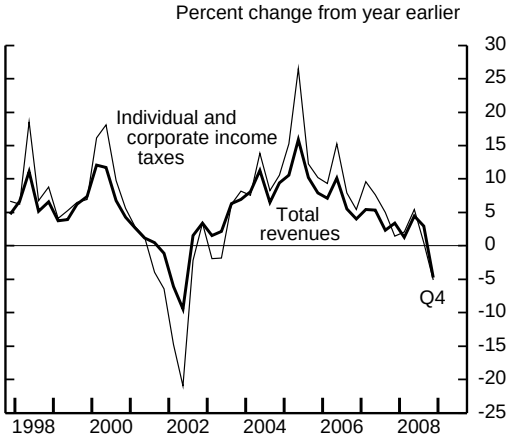
Note: Q2 is the average of April and May.
Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Employment Situation.

Real Construction



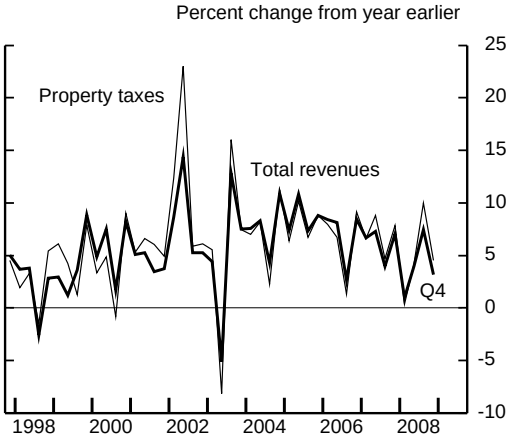
Note: Nominal CPIP deflated by BEA prices through Q1 and by a staff projection thereafter.
Source: Census Bureau, Construction Spending.

State Revenues



Source: Census Bureau, *Quarterly Summary of State and Local Government Tax Revenue.*

Local Revenues

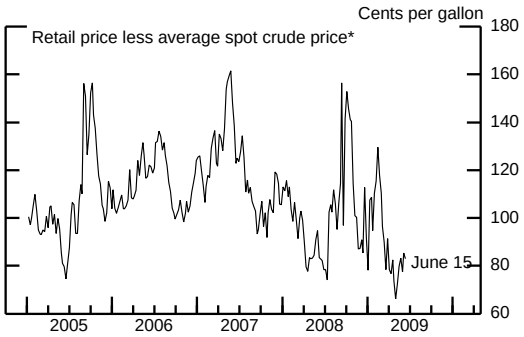


Source: Census Bureau, *Quarterly Summary of State and Local Government Tax Revenue.*

Energy and Food Price Indicators

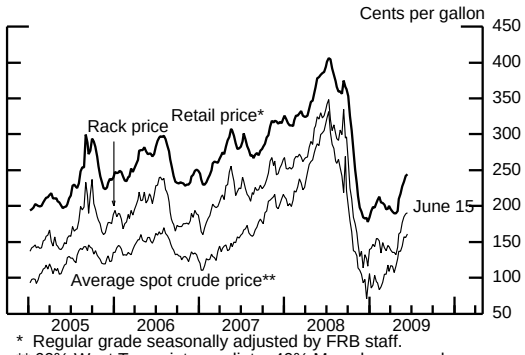
(Data from U.S. Department of Energy, Energy Information Administration, except as noted)

Total Gasoline Margin



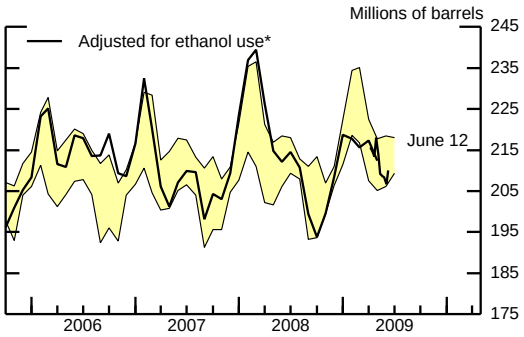
* Regular grade seasonally adjusted by FRB staff, less average spot crude price: 60% West Texas intermediate, 40% Maya heavy crude. Includes gasoline taxes.

Gasoline Price Decomposition



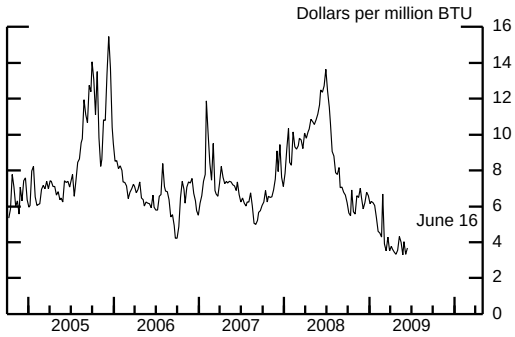
* Regular grade seasonally adjusted by FRB staff.
** 60% West Texas intermediate, 40% Maya heavy crude.

Gasoline Inventories



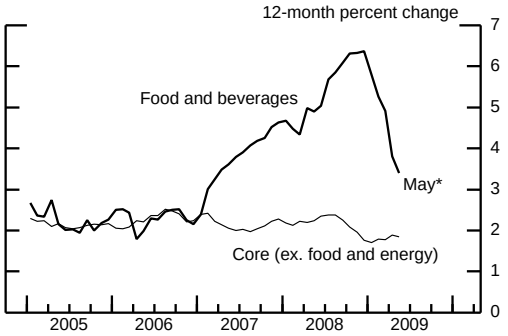
Note: Bounds are defined as the monthly mean over the preceding five years, plus or minus the standard deviation for each month. Monthly data through December 2008, weekly data thereafter.
* The RBOB component of total motor gasoline inventories is adjusted for ethanol use after 2006, boosting reported stocks; estimated by FRB staff.

Natural Gas Prices



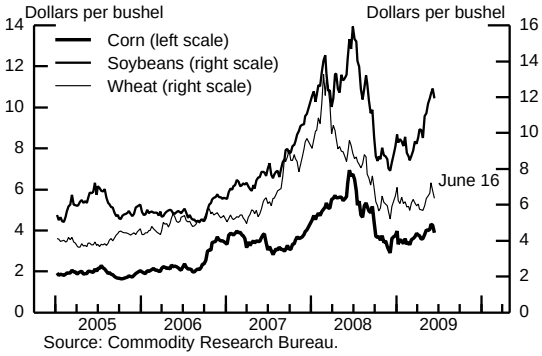
Note: National average spot price.
Source: Bloomberg.

PCE: Food and Core Prices



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

Spot Agricultural Commodity Prices



Source: Commodity Research Bureau.

Broad Measures of Inflation

(Percent change, Q1 to Q1)

Measure	2006	2007	2008	2009
Product prices				
GDP price index	3.4	2.9	2.3	2.1
Less food and energy	3.2	2.9	2.0	1.7
Nonfarm business chain price index	3.4	2.5	1.7	2.2
Expenditure prices				
Gross domestic purchases price index	3.8	2.7	3.3	.9
Less food and energy	3.0	2.8	2.1	1.9
PCE price index	3.1	2.3	3.5	.8
Less food and energy	2.1	2.3	2.2	1.8
PCE price index, market-based components	2.9	2.1	3.4	.5
Less food and energy	1.6	2.1	1.7	1.7
CPI	3.7	2.4	4.2	-.2
Less food and energy	2.1	2.6	2.4	1.7
Chained CPI	3.2	2.2	3.7	-.5
Less food and energy	1.9	2.2	2.0	1.3
Median CPI	2.5	3.2	3.0	2.7
Trimmed mean CPI	2.6	2.7	2.8	2.5
Trimmed mean PCE	2.5	2.8	2.6	2.3

Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; for all else, U.S. Dept. of Commerce, Bureau of Economic Analysis.

Surveys of Inflation Expectations

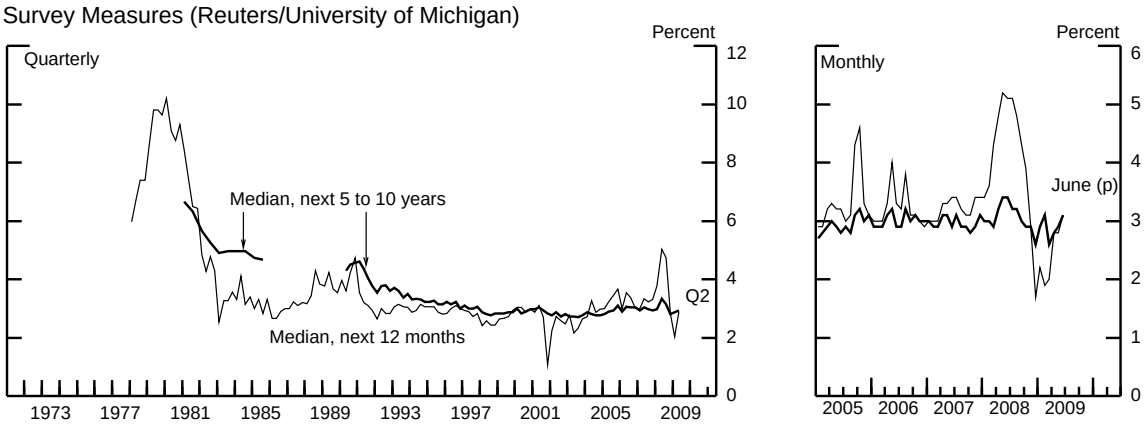
(Percent)

Period	Actual CPI inflation [1]	Reuters/Michigan Survey				Professional forecasters (10 years) [4]	
		1 year [2]		5 to 10 years [3]			
		Mean	Median	Mean	Median	CPI	PCE
2007:Q3	2.4	4.1	3.2	3.5	3.0	2.4	2.1
Q4	4.0	4.1	3.3	3.3	2.9	2.4	2.1
2008:Q1	4.1	4.2	3.8	3.3	3.0	2.5	2.2
Q2	4.4	6.4	5.0	3.8	3.3	2.5	2.2
Q3	5.3	5.4	4.7	3.6	3.1	2.5	2.2
Q4	1.6	3.0	2.8	2.9	2.8	2.5	2.2
2009:Q1	.0	2.4	2.0	3.3	2.9	2.4	2.2
Q2	n.a.	3.4	2.9	3.2	2.9	2.5	2.3
2009:Feb.	.2	2.3	1.9	3.5	3.1	2.4	2.2
Mar.	-.4	2.4	2.0	2.9	2.6	...	...
Apr.	-.7	3.1	2.8	3.1	2.8	...	...
May	-1.3	3.2	2.8	3.1	2.9	2.5	2.3
June(p)	n.a.	3.8	3.1	3.4	3.1	...	...

1. Percent change from the same period in the preceding year.
2. Responses to the question, By about what percent do you expect prices to go up, on average, during the next 12 months?
3. Responses to the question, By about what percent per year do you expect prices to go up, on average, during the next 5 to 10 years?
4. Median CPI and PCE price projections.
... Not applicable.
n.a. Not available.
Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; for Reuters/Michigan Survey, Reuters/University of Michigan Surveys of Consumers; for professional forecasters, the Federal Reserve Bank of Philadelphia.

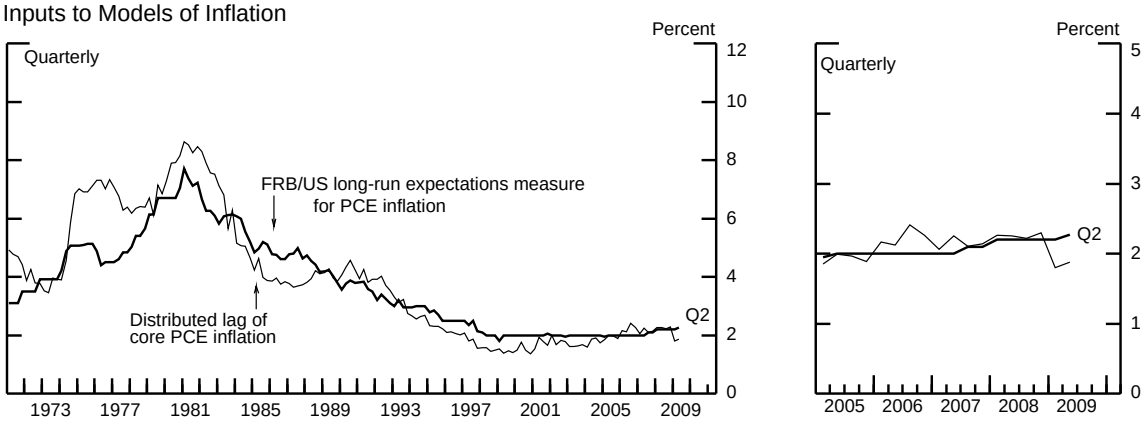
Measures of Expected Inflation

Survey Measures (Reuters/University of Michigan)



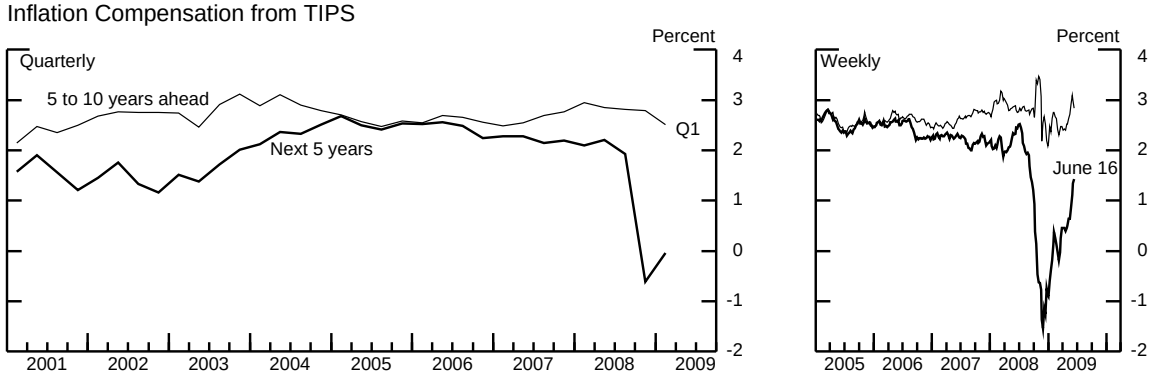
(p) Preliminary.
Source: Reuters/University of Michigan Surveys of Consumers.

Inputs to Models of Inflation



Note: The distributed lag of core PCE inflation is derived from one of the reduced-form Phillips curves used by Board staff.
Source: For the distributed lag of core PCE inflation, FRB staff calculations; for the FRB/US measure, for 2007 forward, the median projection for PCE inflation over the next 10 years from the Survey of Professional Forecasters (SPF); for 1990 to 2006, the equivalent SPF projection for the CPI; for 1981 to 1989, a related survey for the CPI conducted by Richard Hoey; and for the period preceding 1981, a model-based estimate constructed by Board staff. The survey data before 2007 are adjusted down 0.5 percentage point to put the CPI projections approximately on a PCE basis.

Inflation Compensation from TIPS

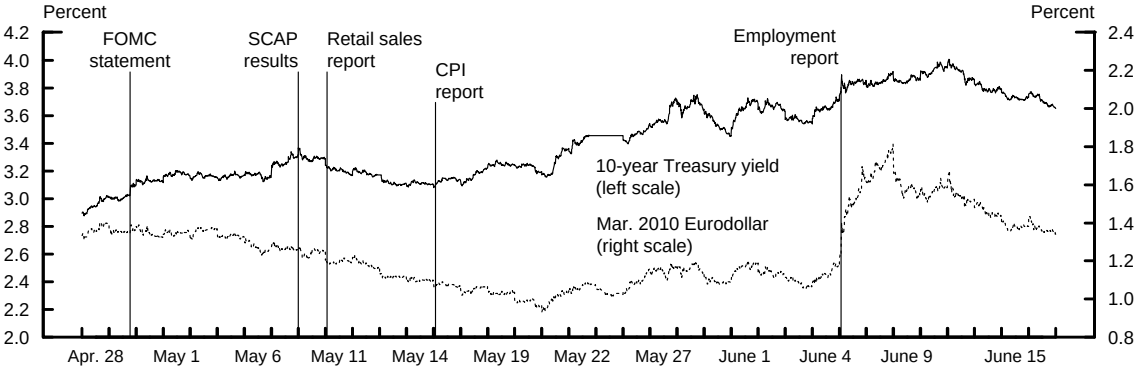


Note: Based on a comparison of an estimated TIPS (Treasury inflation-protected securities) yield curve with an estimated nominal off-the-run Treasury yield curve, with an adjustment for the indexation-lag effect.
Source: FRB staff calculations.

Domestic Financial Developments

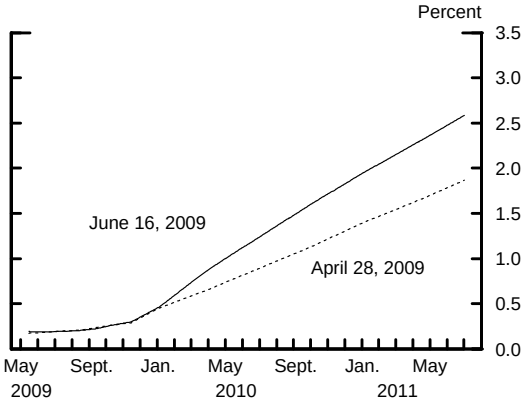
Policy Expectations and Treasury Yields

Interest Rates



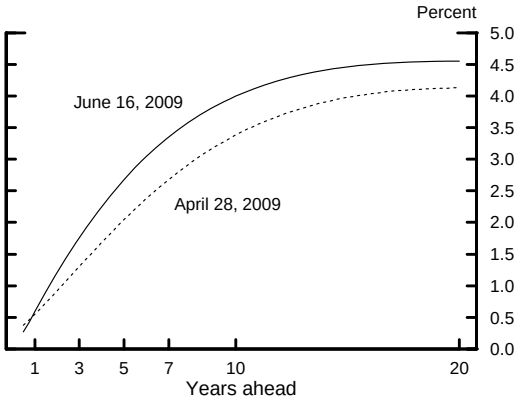
Note: 5-minute intervals. 8:00 a.m. to 4:00 p.m. No adjustments for term premiums.
Source: Bloomberg.

Implied Federal Funds Rate



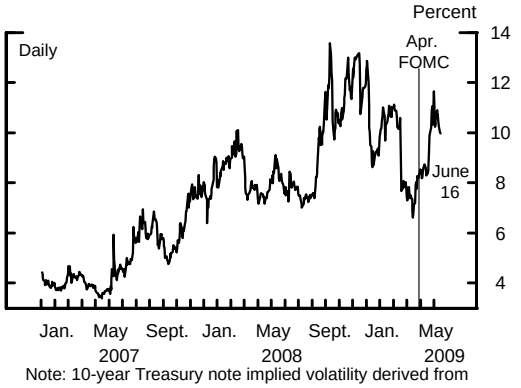
Note: Estimated from federal funds and Eurodollar futures, with an allowance for term premiums and other adjustments.
Source: Chicago Mercantile Exchange; Chicago Board of Trade.

Treasury Yield Curve



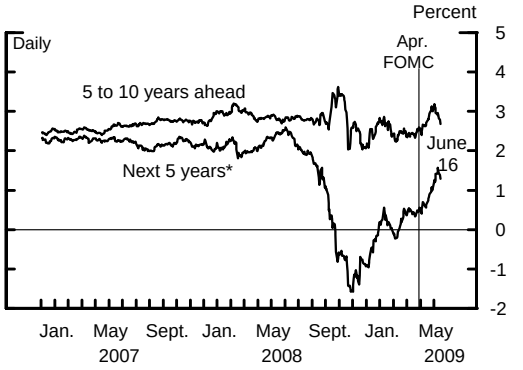
Note: Smoothed yield curve estimated from off-the-run Treasury coupon securities. Yields shown are those on notional par Treasury securities with semiannual coupons.
Source: Federal Reserve Bank of New York.

10-Year Treasury Implied Volatility



Note: 10-year Treasury note implied volatility derived from options on futures contracts.
Source: Bloomberg.

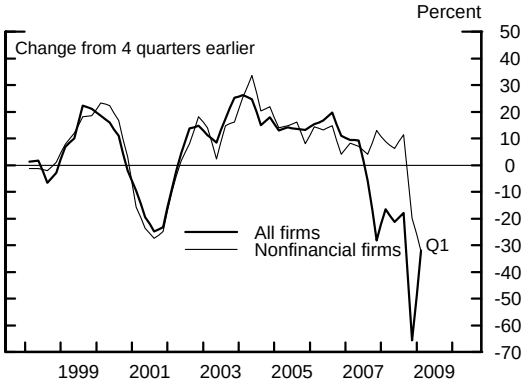
Inflation Compensation



Note: Estimates based on smoothed nominal and inflation-indexed Treasury yields.
*Adjusted for lagged indexation of Treasury inflation-protected securities.
Source: Federal Reserve Bank of New York.

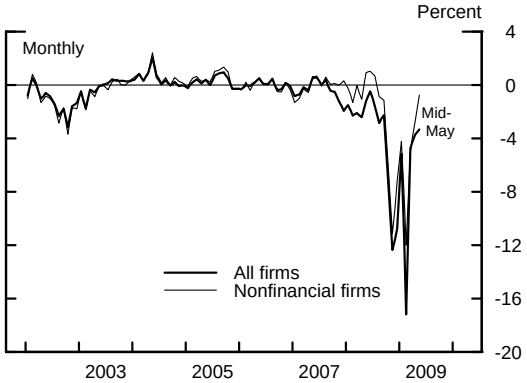
Corporate Earnings and Credit Quality

S&P 500 Earnings Per Share



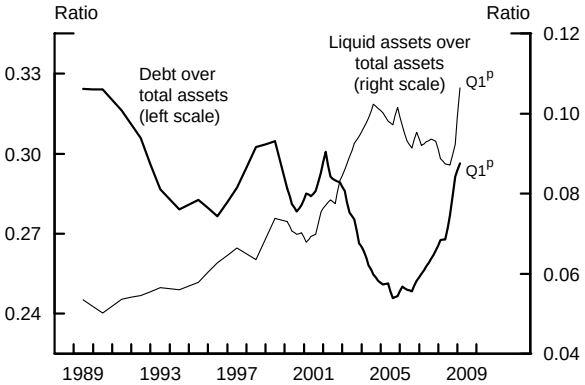
Source: Thomson Financial.

Revisions to Expected S&P 500 Earnings



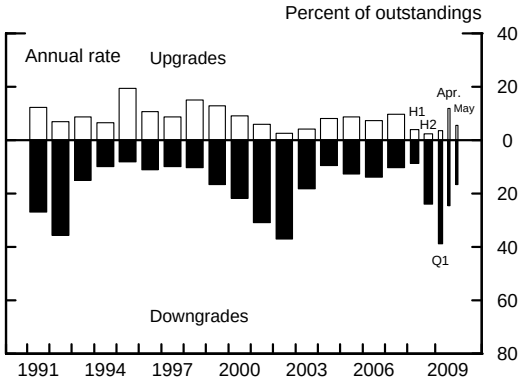
Note: Index is a weighted average of the percent change in the consensus forecasts of current-year and following-year earnings per share for a fixed sample.
Source: Thomson Financial.

Financial Ratios for Nonfinancial Corporations



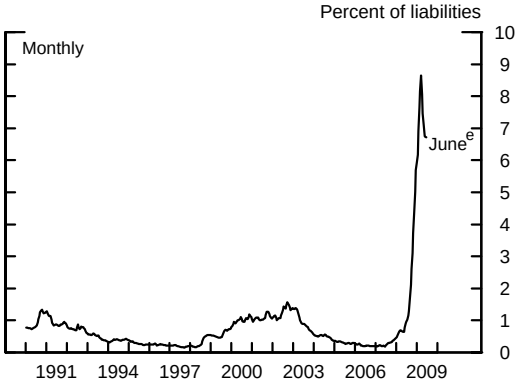
Note: Data are annual through 1999 and quarterly starting in 2000:Q1.
p Preliminary.
Source: Calculated using Compustat data.

Bond Ratings Changes of Nonfinancial Companies



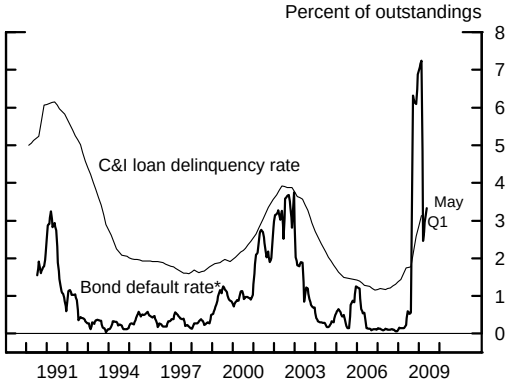
Source: Calculated using data from Moody's Investors Service.

Expected Year-Ahead Defaults



Note: Firm-level estimates of default weighted by firm liabilities as a percent of total liabilities, excluding defaulted firms.
e Estimate based on data through June 16.
Source: Calculated using Moody's KMV.

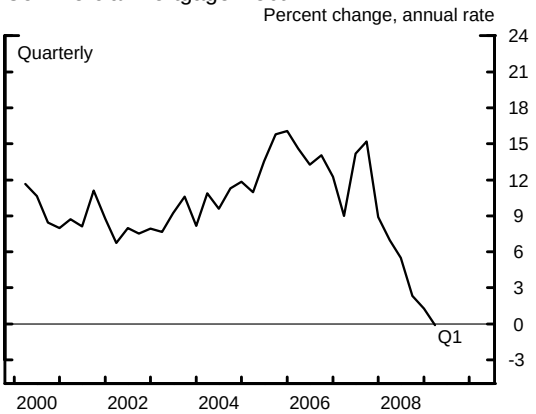
Selected Default and Delinquency Rates



* 6-month trailing defaults divided by beginning-of-period outstandings, at an annual rate.
Source: For default rate, Moody's Investors Service; for delinquency rate, Call Report.

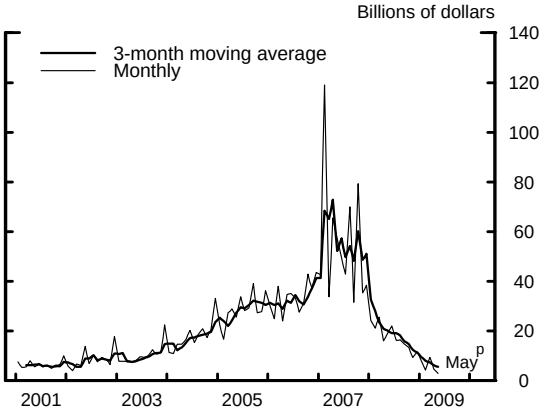
Commercial Real Estate

Commercial Mortgage Debt



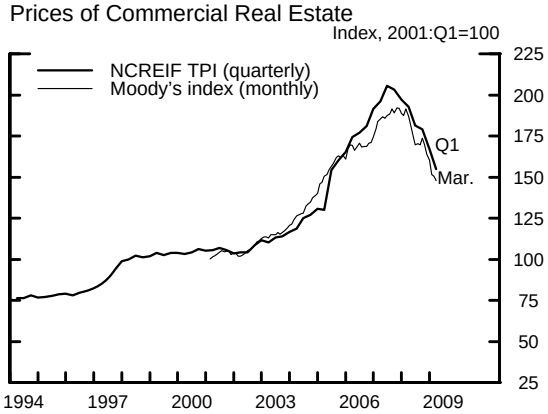
Source: Federal Reserve.

Sales of Commercial Real Estate



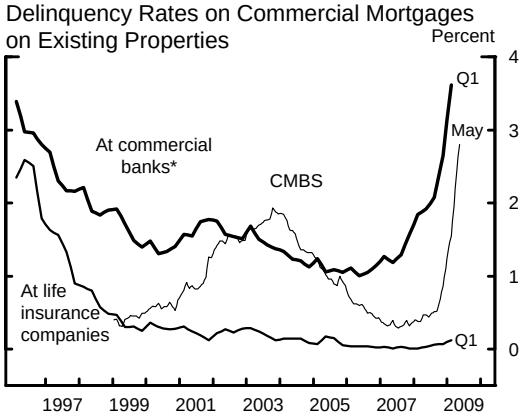
p Preliminary.
Source: Real Capital Analytics.

Prices of Commercial Real Estate



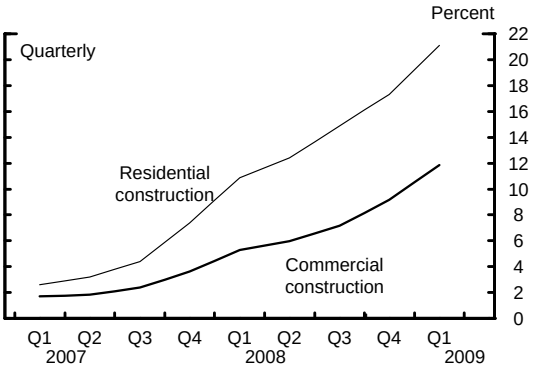
Source: NCREIF; MIT Center for Real Estate; Moody's.

Delinquency Rates on Commercial Mortgages on Existing Properties



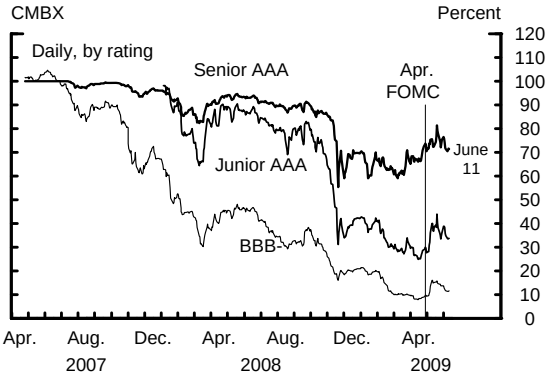
Note: CMBS are commercial mortgage-backed securities.
*Excluding farmland.
Source: Citigroup; Call Reports; ACLI.

Delinquency Rates on Construction Loans at Banks



Note: Data series begin in 2007:Q1.
Source: Call Reports.

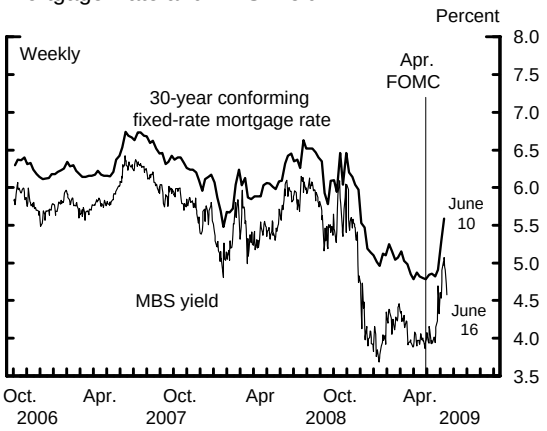
Commercial Mortgage CDS Index Prices



Note: Each index corresponds to pools of mortgages securitized in 2006:H1.
Source: JPMorgan Chase & Co.

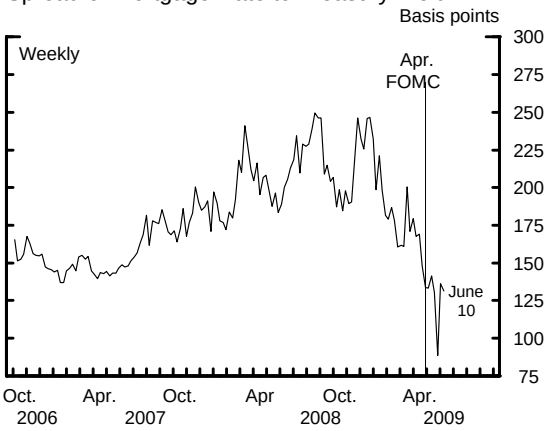
Residential Mortgages

Mortgage Rate and MBS Yield



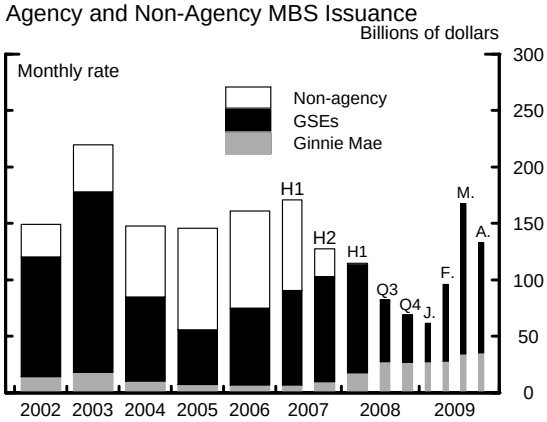
Note: For MBS yield, Fannie Mae 30-year current coupon rate.
Source: For mortgage rate, Freddie Mac; for MBS yield, Bloomberg.

Spread of Mortgage Rate to Treasury Yield



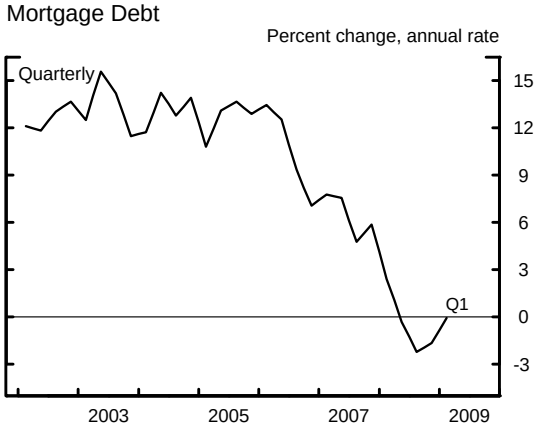
Note: Spread is of 30-year conforming fixed mortgage rate relative to the off-the-run 10-year Treasury yield.
Source: Bloomberg; Freddie Mac.

Agency and Non-Agency MBS Issuance



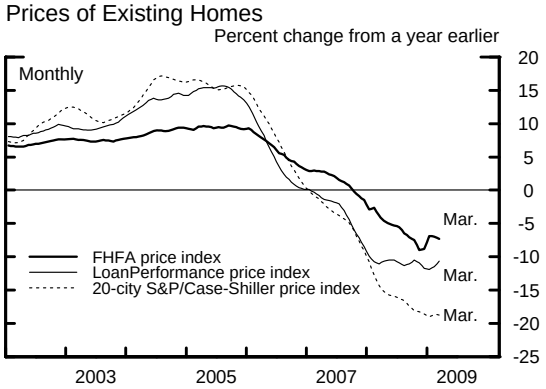
Source: For agency issuance, Fannie Mae, Freddie Mac, and Ginnie Mae; for non-agency, Inside Mortgage Finance.

Mortgage Debt



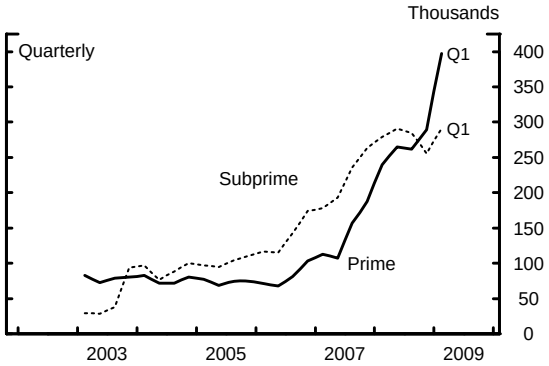
Source: Federal Reserve.

Prices of Existing Homes



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

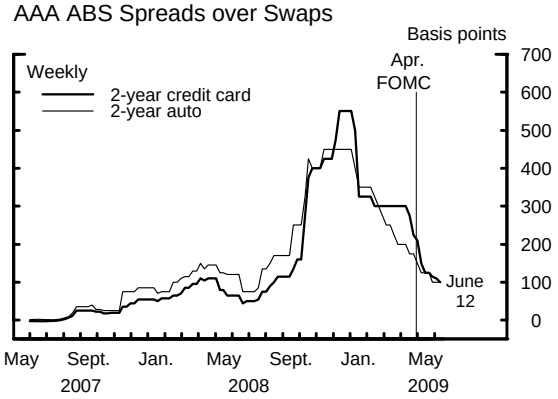
Foreclosure Starts



Source: MBA.

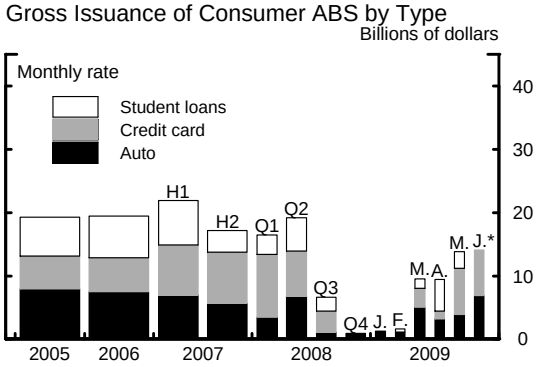
Consumer Credit and Household Wealth

AAA ABS Spreads over Swaps



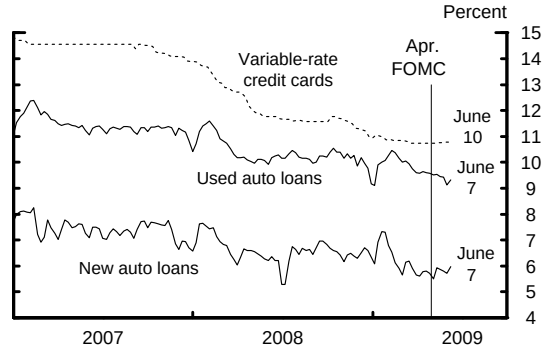
Source: For credit cards and auto, Citigroup Global Markets.

Gross Issuance of Consumer ABS by Type



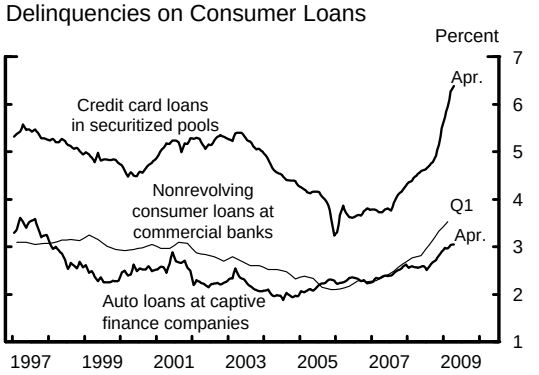
Note: Auto includes car loans, leases, and financing for buyers of motorcycles, trucks, and other vehicles.
*Through June 10.
Source: Inside Mortgage Finance; Merrill Lynch; Bloomberg.

Consumer Loan Rates



Source: For credit cards, Bankrate, Inc.; for auto loans, PIN.

Delinquencies on Consumer Loans



Source: For auto loans, Federal Reserve; for credit cards, Moody's Investors Service; for nonrevolving consumer loans, Call Report.

Net Flows into Mutual Funds

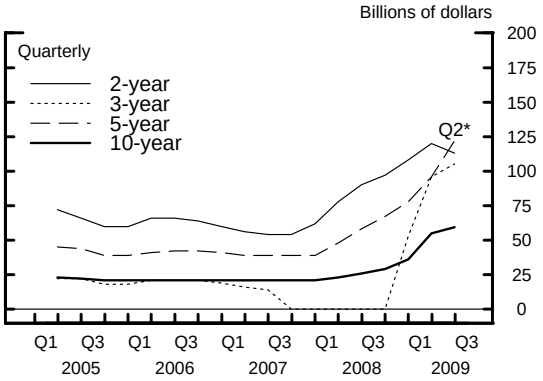
(Billions of dollars, monthly rate)

Fund type	2007	2008		2009			Assets
		H1	H2	Mar.	Apr.	May^{e}	Apr.
Total long-term funds	**18.6**	**11.9**	**-49.9**	**-11.3**	**43.2**	**51.2**	**5,906**
Equity funds	**7.7**	**-3.5**	**-36.0**	**-27.1**	**12.3**	**13.4**	**3,708**
Domestic	-3.9	-4.9	-20.8	-16.1	9.8	9.2	2,845
International	11.6	1.3	-15.3	-11.0	2.5	4.3	863
Hybrid funds	**1.8**	**1.5**	**-4.9**	**-4.0**	**2.1**	**2.9**	**493**
Bond funds	**9.0**	**13.9**	**-8.9**	**19.9**	**28.8**	**34.8**	**1,705**
High-yield	-0.2	-0.2	0.1	3.8	4.1	4.2	136
Other taxable	8.4	11.2	-7.4	12.7	19.6	23.5	1,193
Municipals	0.9	2.9	-1.6	3.5	5.1	7.0	376
Money market funds	**62.5**	**56.1**	**59.6**	**-53.4**	**-42.1**	**-17.4**	**3,796**

Note: Excludes reinvested dividends.
e Staff estimate.
Source: Investment Company Institute.

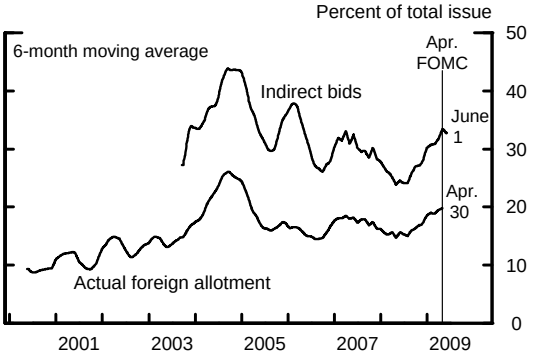
Treasury Finance

Treasury Auction Amounts



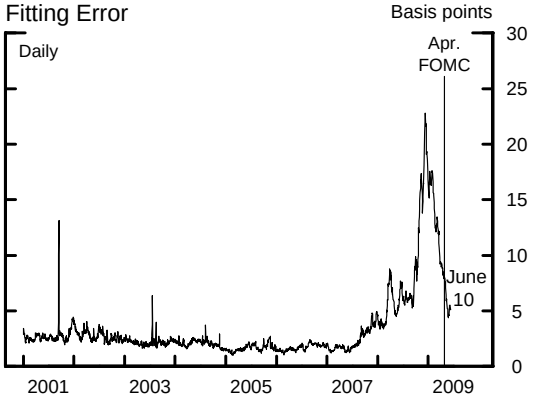
* Estimated.
Source: U.S. Treasury Dept.

Foreign Participation in Treasury Auctions



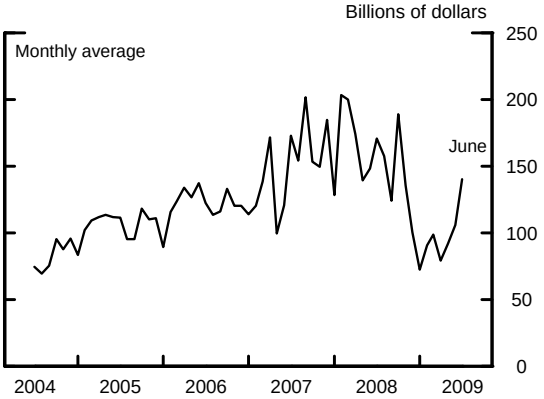
Note: Indirect bids and actual allotment are a percentage of the total amount accepted, including the amount tendered to the Federal Reserve. Moving averages include 2-, 5-, and 10-year original auctions and reopenings.
Source: Federal Reserve Board.

Average Absolute Nominal Yield Curve Fitting Error



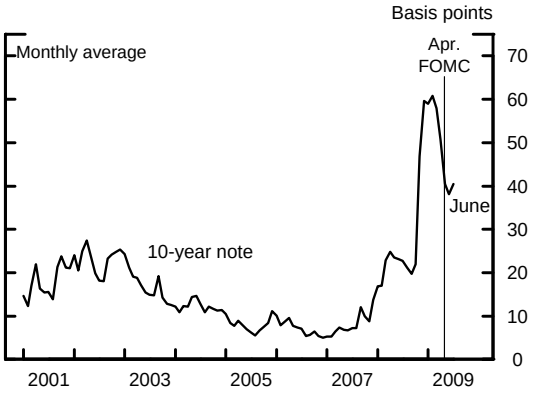
Note: Calculated from securities with 2 to 10 years until maturity, excluding on-the-run and first off-the-run securities.
Source: Federal Reserve Board.

Daily Treasury Market Volume



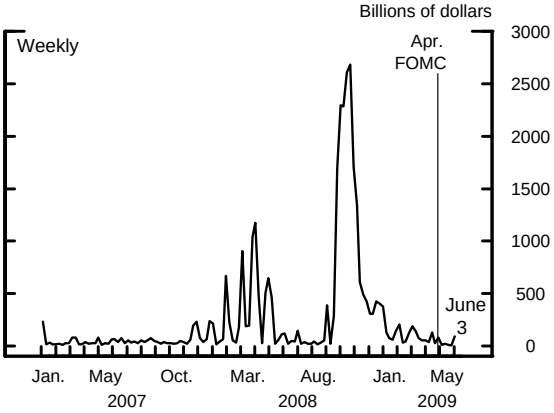
Note: June observation is the month-to-date average.
Source: Bloomberg.

Treasury On-the-Run Premium



Note: Computed as the spread of the yield read from an estimated off-the-run yield curve over the on-the-run Treasury yield. June observation is the month-to-date average.
Source: Federal Reserve Bank of New York.

Treasury Fails-to-Deliver



Source: Federal Reserve Board, FR 2004, Government Securities Dealers Reports.

State and Local Government Finance

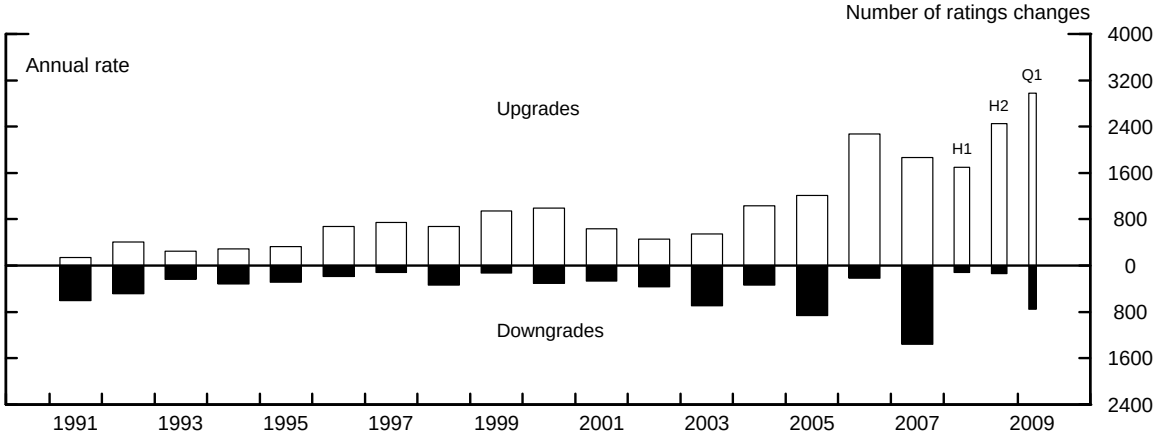
Gross Offerings of Municipal Securities

(Billions of dollars; monthly rate, not seasonally adjusted)

Type of security	2005	2006	2007	2008 H1	2008 H2	2009 Q1	2009 Apr.	2009 May
Total	38.4	36.1	40.4	41.7	33.1	30.5	39.0	34.3
Long-term [1]	34.2	32.5	35.5	38.1	26.6	28.7	36.1	30.7
Refundings [2]	15.6	10.6	12.6	18.0	11.0	10.6	16.9	12.0
New capital	18.6	21.9	22.9	20.1	15.6	18.1	19.2	18.8
Short-term	4.2	3.7	4.9	3.6	6.5	1.8	2.9	3.6
Memo: Long-term taxable	2.1	2.5	2.4	2.7	1.8	1.1	11.0	3.9

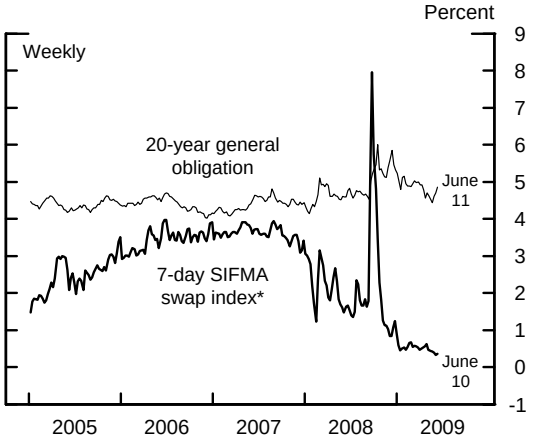
1. Includes issues for public and private purposes.
2. All issues that include any refunding bonds.
Source: Thomson Financial.

Ratings Changes



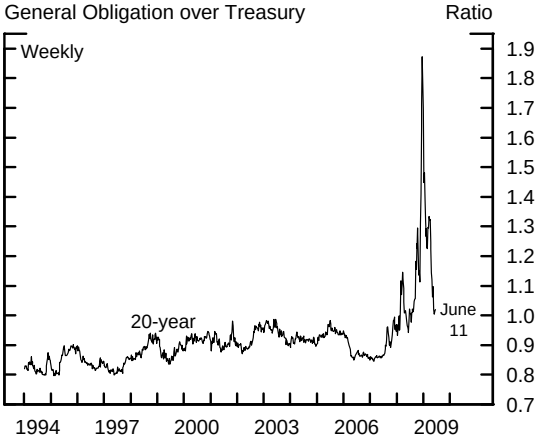
Note: Recent upgrades reflect S&P's change of rating standard.
Source: S&P's Credit Week Municipal; S&P's Ratings Direct.

Municipal Bond Yields



* SIFMA is the Securities Industry and Financial Markets Association.
Source: Municipal Market Advisors; Bond Buyer.

Municipal Bond Yield Ratio



Source: Bond Buyer.

Conditions in the consumer ABS market improved noticeably. Spreads on AAA-rated consumer ABS narrowed further over the intermeeting period and have now reversed a large fraction of the run-up from mid-2007 to their peaks at year-end 2008. Issuance of consumer ABS continued to ramp up, led by TALF-financed issues. Interest rates on new and used auto loans were little changed over the intermeeting period at levels well below those seen early this year, and interest rates on credit cards were also about flat. Delinquency rates on all types of consumer loans have continued to rise; however, the increase in credit card delinquency rates has been particularly pronounced over the past year, with most measures at their highest levels in more than a decade.

Reflecting a reduction in safe-haven demands, long-term mutual funds, especially bond funds, attracted considerable inflows in April and May; money market funds saw net outflows over the same period as yields on these funds remained extremely low.

Treasury Finance

Over the intermeeting period, the Treasury conducted auctions of nominal and inflation-protected coupon securities across the term structure. Issuance totaled about $265 billion and was generally well received, as bid-to-cover ratios remained within recent ranges. Measures of foreign participation continue to suggest strong demand for U.S. Treasury securities from abroad.

The functioning of the Treasury coupon market improved further. Fitting errors from staff yield curve models continued to shrink, bid-asked spreads remained near pre-crisis levels, and trading volumes picked up. Spreads between yields on on- and off-the-run notes narrowed considerably at the short end, although hedging-related demand appeared to maintain pressure on these spreads for longer-dated Treasury securities. The implementation of the Treasury Market Practices Group's recommendation of a mandatory charge for delivery failures in the market for U.S. Treasury securities appears to have gone smoothly, and fails-to-deliver of Treasury securities have generally been low recently, with just a few noticeable exceptions.

State and Local Government Finance

Conditions in the municipal bond market continued to improve. Gross issuance of long-term municipal bonds remained solid in May, as new capital issuance continued apace. Refundings decreased in response to higher interest rates, and short-term issuance

M2 Monetary Aggregate

(Based on seasonally adjusted data)

Aggregate and components	Percent change (annual rate)[1]						Level (billions of dollars), May (p)
	2007	2008	2008 Q4	2009 Q1	2009 Apr.	2009 May (p)	
M2	5.8	8.3	14.3	13.2	-7.6	9.3	8,328
Components[2]							
Currency	2.0	5.8	13.7	15.9	6.5	0.3	850
Liquid deposits[3]	4.1	7.0	10.0	20.6	-1.8	25.0	5,186
Small time deposits	4.3	11.3	34.5	1.8	-17.7	-17.3	1,308
Retail money market funds	20.6	12.3	10.0	-7.4	-34.4	-27.7	979
Memo:							
Institutional money market funds	40.2	24.6	8.8	29.9	8.9	13.2	2,538
Monetary base	2.0	70.4	252.0	65.4	77.9	14.0	1,770

1. For years, Q4 to Q4; for quarters and months, calculated from corresponding average levels.
2. Nonbank traveler's checks are not listed.
3. Sum of demand deposits, other checkable deposits, and savings deposits.

p Preliminary.

Source: Federal Reserve.

Commercial Bank Credit

(Percent change, annual rate, except as noted; seasonally adjusted)

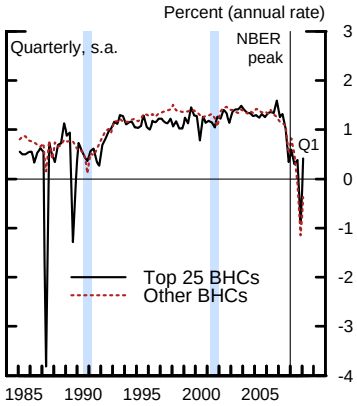
Type of credit	2007	H1 2008	H2 2008	Q1 2009	Apr. 2009	May 2009	Level[1] May 2009
Total	10.9	4.1	4.6	-6.3	-12.9	1.3	9,462
Loans[2]							
Total	11.4	5.8	2.4	-6.3	-11.0	-1.6	7,102
To businesses							
Commercial and industrial	19.5	13.6	13.0	-9.6	-16.9	-15.8	1,503
Commercial real estate	10.6	9.8	2.9	-.6	-1.9	-1.9	1,723
To households							
Residential real estate	7.0	-1.0	-4.1	-1.0	-7.5	-6.8	2,158
Revolving home equity	6.5	12.2	12.9	8.4	3.5	-1.6	614
Closed-end mortgages	7.2	-5.0	-9.8	-4.5	-11.8	-8.9	1,545
Consumer	6.6	8.0	7.4	7.3	-15.5	-.1	881
Originated[3]	6.0	8.0	4.7	1.8	-5.0	-2.1	1,293
Other	17.2	1.4	-4.4	-36.9	-23.4	38.2	837
Securities							
Total	9.4	-1.2	11.5	-6.2	-18.7	10.2	2,360
Treasury and agency	-5.6	.9	37.7	4.2	-28.0	-3.2	1,365
Other[4]	30.6	-3.5	-16.0	-20.2	-5.3	28.9	995

Note: Yearly annual rates are Q4 to Q4; quarterly and monthly annual rates use corresponding average levels. Data have been adjusted to remove the effects of mark-to-market accounting rules (FIN 39 and FAS 115), the initial consolidation of certain variable interest entities (FIN 46), and the initial adoption of fair value accounting. Data also account for the effects of nonbank structure activity of $5 billion or more.

1. Billions of dollars. Pro rata averages of weekly (Wednesday) levels.
2. Excludes interbank loans.
3. Includes an estimate of outstanding loans securitized by commercial banks.
4. Includes private mortgage-backed securities; securities of corporations, state and local governments, and foreign governments; and any trading account assets that are not Treasury or agency securities.

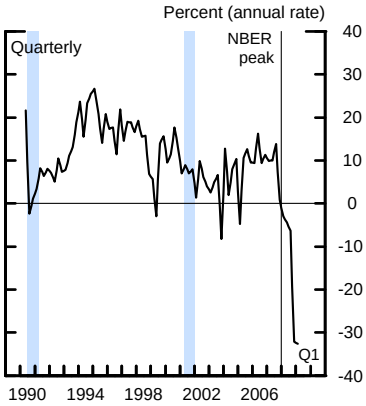
Source: Federal Reserve.

Return on Assets



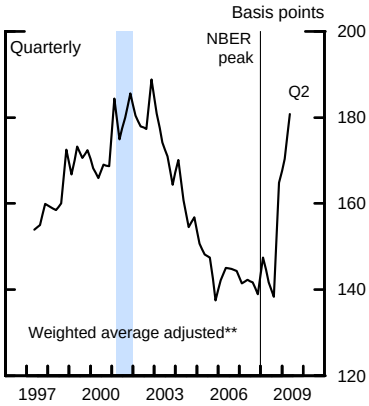
Source: Call Reports.

Growth in Unused Commitments



Source: Call Reports.

C&I Loan Rate Spreads*



*The spread over market interest rate on an instrument of comparable maturity.
**Adjusted for changes in nonprice loan characteristics.
Source: Survey of Terms of Business Lending.

Class III FOMC - Internal (FR)

June 19, 2009

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Supplemental Notes

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

Commercial Bank Credit

(Percent change, annual rate, except as noted; seasonally adjusted)

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Total	10.9	4.1	4.6	-6.3	-12.9	1.3	9,461
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Total	11.4	5.8	2.4	-6.3	-11.1	-1.7	7,101
To businesses							
Commercial and industrial	19.5	13.6	13.0	-9.6	-16.9	-15.6	1,503
Commercial real estate	10.6	9.8	2.9	-.9	-1.9	-2.2	1,722
To households							
Residential real estate	7.0	-1.0	-4.1	-.8	-7.5	-6.8	2,159
Revolving home equity	6.5	12.2	12.9	8.4	3.5	-1.8	613
Closed-end mortgages	7.2	-5.0	-9.8	-4.2	-11.8	-8.8	1,546
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Source: Federal Reserve.

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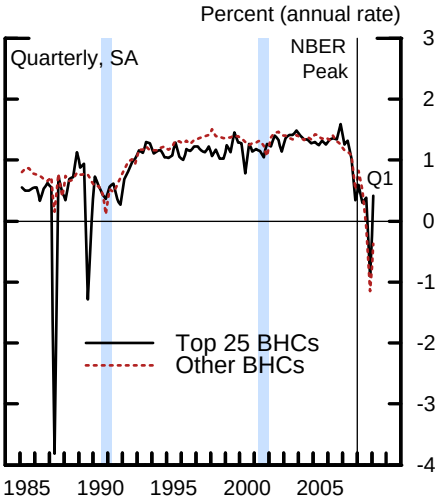

Source: Call Reports.

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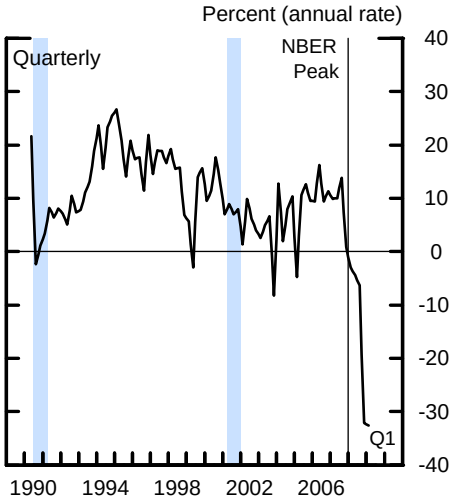

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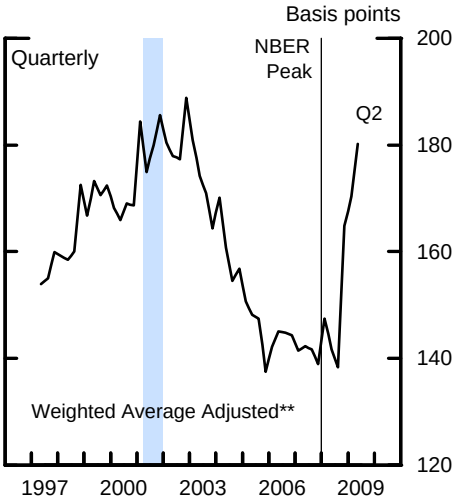

*The spread over market interest rate on an instrument of comparable maturity.
**Adjusted for changes in non-price loan characteristics.
Source: Survey of Terms of Business Lending.

III-T-1

Selected Financial Market Quotations

(One-day quotes in percent except as noted)

Instrument	2007	2009			Change to June 18 from selected dates (percentage points)		
	Aug. 6	Mar. 17	Apr. 28	June 18	2007 Aug. 6	2009 Mar. 17	2009 Apr. 28
Short-term							
FOMC intended federal funds rate	5.25	.13	.13	.13	-5.12	.00	.00
Treasury bills[1]							
3-month	4.74	.24	.13	.18	-4.56	-.06	.05
6-month	4.72	.44	.31	.33	-4.39	-.11	.02
Commercial paper (A1/P1 rates)[2]							
1-month	5.26	.44	.31	.26	-5.00	-.18	-.05
3-month	5.29	.66	.55	.40	-4.89	-.26	-.15
Large negotiable CDs[1]							
3-month	5.34	1.08	.80	.36	-4.98	-.72	-.44
6-month	5.27	1.83	1.38	.65	-4.62	-1.18	-.73
Eurodollar deposits[3]							
1-month	5.33	1.00	.90	.65	-4.68	-.35	-.25
3-month	5.35	1.65	1.40	1.15	-4.20	-.50	-.25
Bank prime rate	8.25	3.25	3.25	3.25	-5.00	.00	.00
Intermediate- and long-term							
U.S. Treasury[4]							
2-year	4.49	1.04	.92	1.27	-3.22	.23	.35
5-year	4.52	2.14	2.04	2.84	-1.68	.70	.80
10-year	4.82	3.47	3.38	4.18	-.64	.71	.80
U.S. Treasury indexed notes[5]							
5-year	2.43	2.04	1.55	1.54	-.89	-.50	-.01
10-year	2.48	2.26	1.92	2.17	-.31	-.09	.25
Municipal general obligations (Bond Buyer)[6]	4.51	5.03	4.57	4.86	.35	-.17	.29
Private instruments							
10-year swap	5.44	3.14	3.07	3.98	-1.46	.84	.91
10-year FNMA[7]	5.34	4.04	3.88	4.56	-.78	.52	.68
10-year AA[8]	6.12	6.99	6.33	6.12	.00	-.87	-.21
10-year BBB[8]	6.57	9.25	8.49	7.71	1.14	-1.54	-.78
10-year high yield[8]	9.21	16.41	12.79	12.15	2.94	-4.26	-.64
Home mortgages (FHLMC survey rate)							
30-year fixed	6.59	4.98	4.78	5.38	-1.21	.40	.60
1-year adjustable	5.65	4.91	4.77	4.95	-.70	.04	.18

Stock exchange index	Record high		2009			Change to June 18 from selected dates (percent)		
	Level	Date	Mar. 17	Apr. 28	June 18	Record high	2009 Mar. 17	2009 Apr. 28
Dow Jones Industrial	14,165	10-9-07	7,396	8,017	8,556	-39.60	15.68	6.72
S&P 500 Composite	1,565	10-9-07	778	855	918	-41.32	18.02	7.39
Nasdaq	5,049	3-10-00	1,462	1,674	1,808	-64.19	23.64	8.00
Russell 2000	856	7-13-07	404	473	509	-40.47	26.24	7.75
D.J. Total Stock Index	15,807	10-9-07	7,878	8,754	9,393	-40.57	19.24	7.31

1. Secondary market.
2. Financial commercial paper.
3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Derived from a smoothed Treasury yield curve estimated using all outstanding securities and adjusted for the carry effect.
6. Most recent Thursday quote.
7. Constant-maturity yields estimated from Fannie Mae domestic noncallable coupon securities.
8. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.

NOTES:
August 6, 2007, is the day before the August 2007 FOMC meeting.
March 17, 2009, is the day before the March 2009 FOMC monetary policy announcement.
April 28, 2009, is the day before the most recent FOMC monetary policy announcement.