

Table 1: Economic Projections of Federal Reserve Governors and Reserve Bank Presidents, June 2010

Percent

Variable	Central tendency ¹				Range ²			
	2010	2011	2012	Longer run	2010	2011	2012	Longer run
Change in real GDP.	3.0 to 3.5	3.5 to 4.2	3.5 to 4.5	2.5 to 2.8	2.9 to 3.8	2.9 to 4.5	2.8 to 5.0	2.4 to 3.0
April projection.	3.2 to 3.7	3.4 to 4.5	3.5 to 4.5	2.5 to 2.8	2.7 to 4.0	3.0 to 4.6	2.8 to 5.0	2.4 to 3.0
Unemployment rate.	9.2 to 9.5	8.3 to 8.7	7.1 to 7.5	5.0 to 5.3	9.0 to 9.9	7.6 to 8.9	6.8 to 7.9	5.0 to 6.3
April projection.	9.1 to 9.5	8.1 to 8.5	6.6 to 7.5	5.0 to 5.3	8.6 to 9.7	7.2 to 8.7	6.4 to 7.7	5.0 to 6.3
PCE inflation.	1.0 to 1.1	1.1 to 1.6	1.0 to 1.7	1.7 to 2.0	0.9 to 1.8	0.8 to 2.4	0.5 to 2.2	1.5 to 2.0
April projection.	1.2 to 1.5	1.1 to 1.9	1.2 to 2.0	1.7 to 2.0	1.1 to 2.0	0.9 to 2.4	0.7 to 2.2	1.5 to 2.0
Core PCE inflation ³	0.8 to 1.0	0.9 to 1.3	1.0 to 1.5		0.7 to 1.5	0.6 to 2.4	0.4 to 2.2	
April projection.	0.9 to 1.2	1.0 to 1.5	1.2 to 1.6		0.7 to 1.6	0.6 to 2.4	0.6 to 2.2	

NOTE: Projections of change in real gross domestic product (GDP) and of inflation are from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The April projections were made in conjunction with the FOMC meeting on April 27-28, 2010.

1. The central tendency excludes the three highest and three lowest projections for each variable in each year.
2. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
3. Longer-run projections for core PCE inflation are not collected.

Table 1a
Economic Projections for the First Half of 2010*
(in percent)

Central Tendencies and Ranges

	Central Tendency	Range
Change in Real GDP	3.2 to 3.5	3.1 to 3.6
PCE Inflation	0.8 to 1.0	0.6 to 1.6
Core PCE Inflation	0.7 to 0.9	0.4 to 1.0

Participants' Projections

Projection	Change in Real GDP	PCE Inflation	Core PCE Inflation
1	3.4	0.9	0.8
2	3.1	0.9	0.8
3	3.5	1.6	0.8
4	3.1	1.0	0.9
5	3.5	0.9	0.8
6	3.6	1.0	1.0
7	3.2	1.0	0.9
8	3.4	0.8	0.9
9	3.5	0.8	0.9
10	3.4	0.7	0.8
11	3.2	0.6	0.7
12	3.3	1.0	0.7
13	3.3	0.9	0.9
14	3.2	0.8	0.4
15	3.5	0.9	0.8
16	3.3	0.7	0.8
17	3.4	0.8	0.7

* Growth and inflation are reported at annualized rates.

Table 1b
Economic Projections for the Second Half of 2010*
(in percent)

Central Tendencies and Ranges

	Central Tendency	Range
Change in Real GDP	2.9 to 3.6	2.6 to 4.0
PCE Inflation	1.1 to 1.4	0.9 to 2.0
Core PCE Inflation	0.8 to 1.1	0.7 to 2.0

Participants' Projections

Projection	Change in Real GDP	PCE Inflation	Core PCE Inflation
1	3.0	0.9	0.8
2	2.9	1.1	1.0
3	3.3	2.0	1.6
4	2.9	1.2	0.9
5	2.9	1.1	1.0
6	4.0	2.0	2.0
7	2.6	1.0	0.9
8	3.2	1.4	1.1
9	3.1	1.4	0.7
10	3.6	1.3	0.8
11	2.8	1.4	0.7
12	2.7	1.2	1.1
13	3.5	1.3	1.1
14	3.6	1.6	2.0
15	3.7	1.1	1.0
16	3.7	1.1	0.8
17	3.4	1.0	0.9

* Projections for the second half of 2010 implied by participants' June projections for the first half of 2010 and for 2010 as a whole. Growth and inflation are reported at annualized rates.

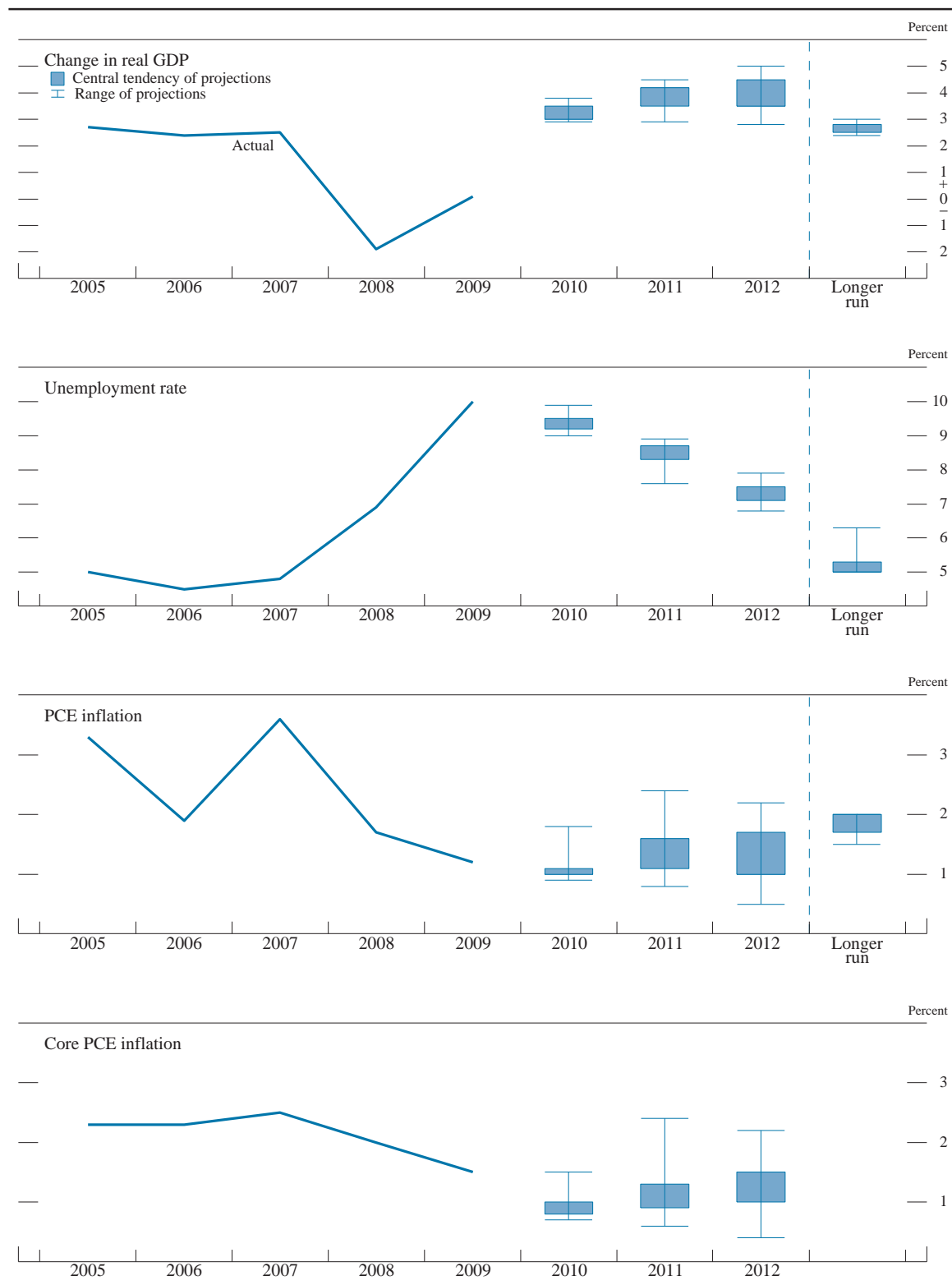
**Table 2: June Economic Projections
(in percent)**

Projection	Year	Change in Real GDP	Unemployment Rate	PCE Inflation	Core PCE Inflation
1	2010	3.2	9.5	0.9	0.8
2	2010	3.0	9.3	1.0	0.9
3	2010	3.4	9.0	1.8	1.2
4	2010	3.0	9.9	1.1	0.9
5	2010	3.2	9.5	1.0	0.9
6	2010	3.8	9.2	1.5	1.5
7	2010	2.9	9.5	1.0	0.9
8	2010	3.3	9.5	1.1	1.0
9	2010	3.3	9.2	1.1	0.8
10	2010	3.5	9.5	1.0	0.8
11	2010	3.0	9.5	1.0	0.7
12	2010	3.0	9.6	1.1	0.9
13	2010	3.4	9.2	1.1	1.0
14	2010	3.4	9.5	1.2	1.2
15	2010	3.6	9.6	1.0	0.9
16	2010	3.5	9.4	0.9	0.8
17	2010	3.4	9.3	0.9	0.8
1	2011	3.7	8.6	1.0	0.8
2	2011	3.0	8.5	1.3	1.3
3	2011	3.5	7.6	2.4	2.4
4	2011	4.1	8.2	1.4	1.3
5	2011	2.9	8.9	1.5	1.2
6	2011	4.4	8.2	2.0	2.0
7	2011	4.5	8.7	1.2	1.0
8	2011	4.2	8.5	1.6	1.1
9	2011	3.8	8.4	1.3	1.0
10	2011	4.1	8.6	1.0	0.8
11	2011	3.5	8.7	0.8	0.6
12	2011	3.6	8.7	1.3	1.0
13	2011	4.2	8.4	1.4	1.2
14	2011	3.0	8.6	2.4	2.2
15	2011	4.0	8.3	1.3	1.2
16	2011	3.9	8.5	1.1	0.9
17	2011	4.0	8.5	1.3	1.2

Table 2 (continued): June Economic Projections

Projection	Year	Change in Real GDP	Unemployment Rate	PCE Inflation	Core PCE Inflation
1	2012	4.8	7.1	1.0	1.0
2	2012	3.2	7.5	1.5	1.5
3	2012	3.0	6.8	2.0	2.0
4	2012	5.0	7.0	1.8	1.8
5	2012	2.8	7.9	1.6	1.3
6	2012	3.5	7.2	1.5	1.5
7	2012	4.5	7.3	1.5	1.2
8	2012	4.5	7.1	1.7	1.2
9	2012	3.5	7.8	1.5	1.2
10	2012	4.5	7.3	1.0	1.0
11	2012	4.5	7.4	0.5	0.4
12	2012	4.2	7.1	1.5	1.2
13	2012	4.6	7.2	1.4	1.4
14	2012	4.0	7.1	2.2	2.2
15	2012	3.8	7.1	1.5	1.4
16	2012	4.4	7.2	0.9	0.9
17	2012	4.0	7.5	1.4	1.4
1	LR	2.8	5.0	2.0	
2	LR	2.5	5.2	2.0	
3	LR	2.8	5.5	1.7	
4	LR	2.4	5.0	2.0	
5	LR	2.4	6.3	1.8	
6	LR	2.8	5.3	1.5	
7	LR	2.8	5.0	1.5	
8	LR	2.5	5.3	2.0	
9	LR	2.6	6.0	2.0	
10	LR	2.8	5.0	2.0	
11	LR	2.5	5.0	2.0	
12	LR	2.5	5.0	2.0	
13	LR	2.5	5.2	2.0	
14	LR	3.0	5.0	2.0	
15	LR	2.5	5.3	1.5	
16	LR	2.5	5.0	2.0	
17	LR	2.5	5.0	1.8	

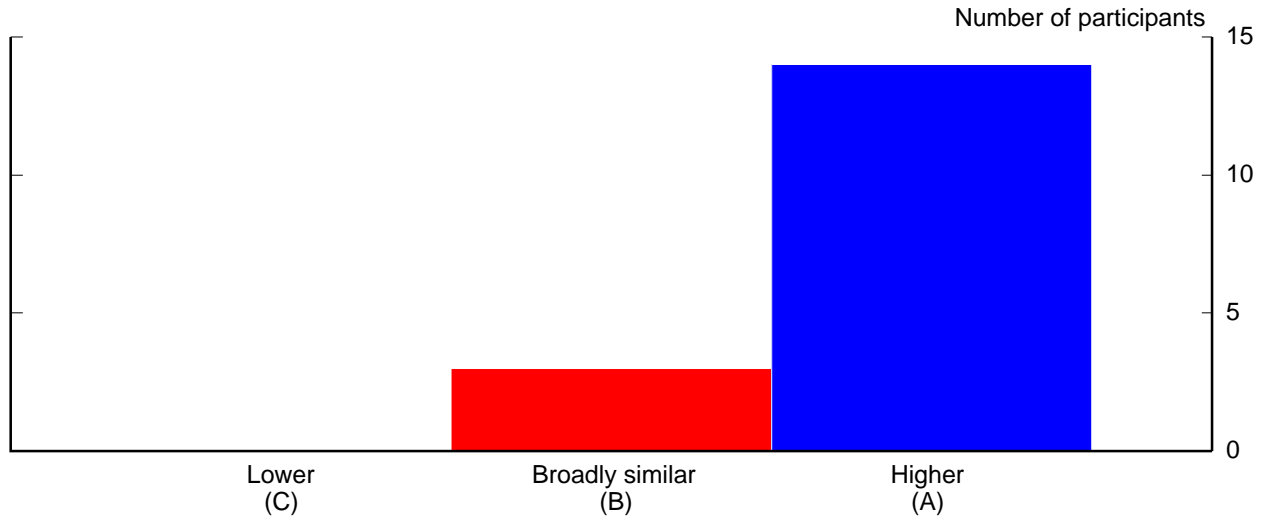
Figure 1. Central tendencies and ranges of economic projections, 2010–12 and over the longer run



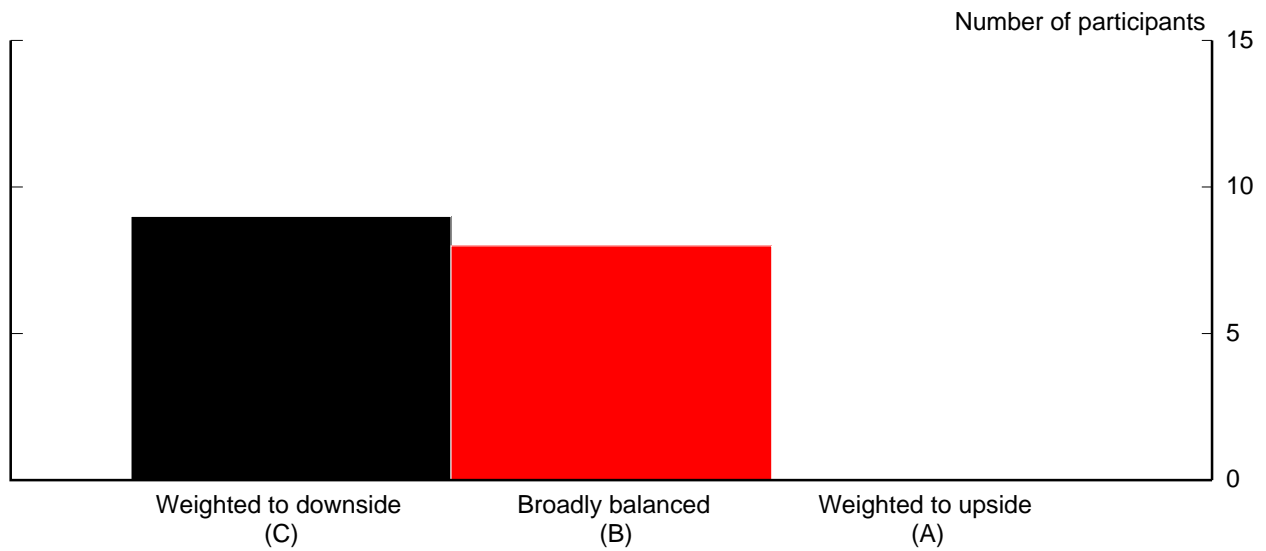
NOTE: Definitions of variables are in the notes to table 1. The data for the actual values of the variables are annual.

Uncertainty and Risks - GDP Growth

2(a): Please indicate your judgment of the uncertainty attached to your projections relative to levels of uncertainty over the past 20 years.



2(b): Please indicate your judgment of the risk weighting around your projections.

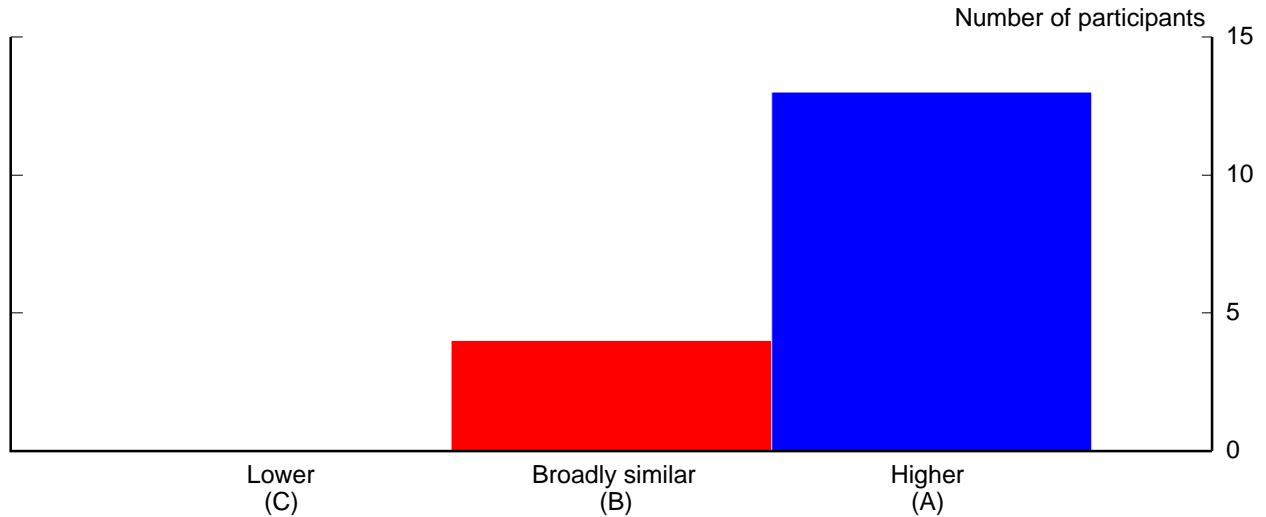


Individual Responses

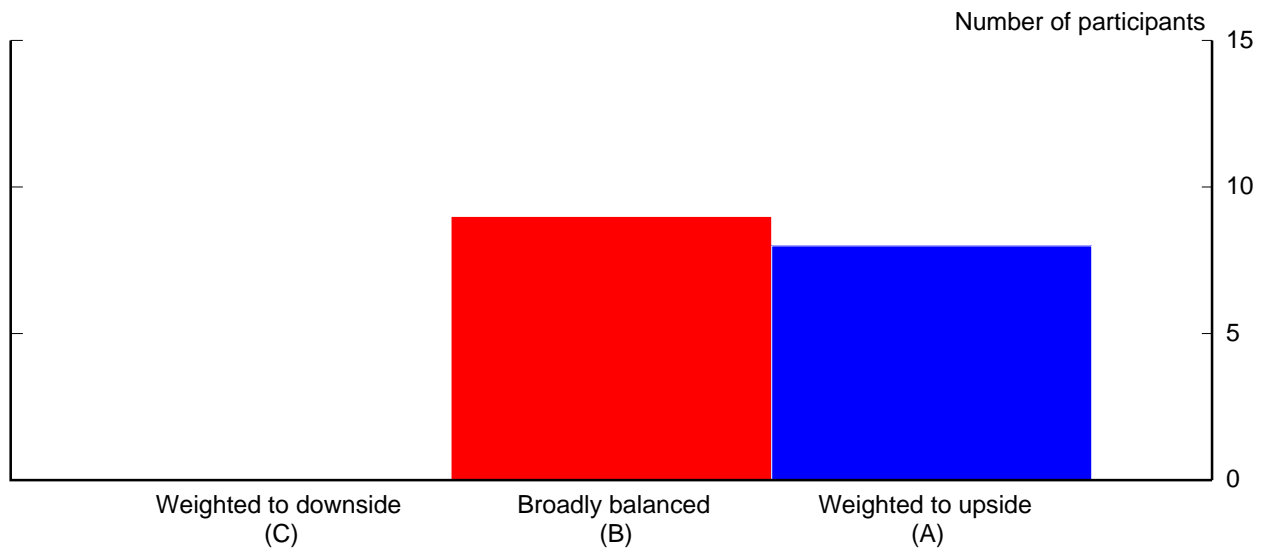
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2(a)	A	A	A	A	A	B	A	B	A	A	A	A	A	A	B	A	A
2(b)	B	B	B	C	C	B	B	C	C	C	C	C	C	B	B	C	B

Uncertainty and Risks - Unemployment Rate

2(a): Please indicate your judgment of the uncertainty attached to your projections relative to levels of uncertainty over the past 20 years.



2(b): Please indicate your judgment of the risk weighting around your projections.

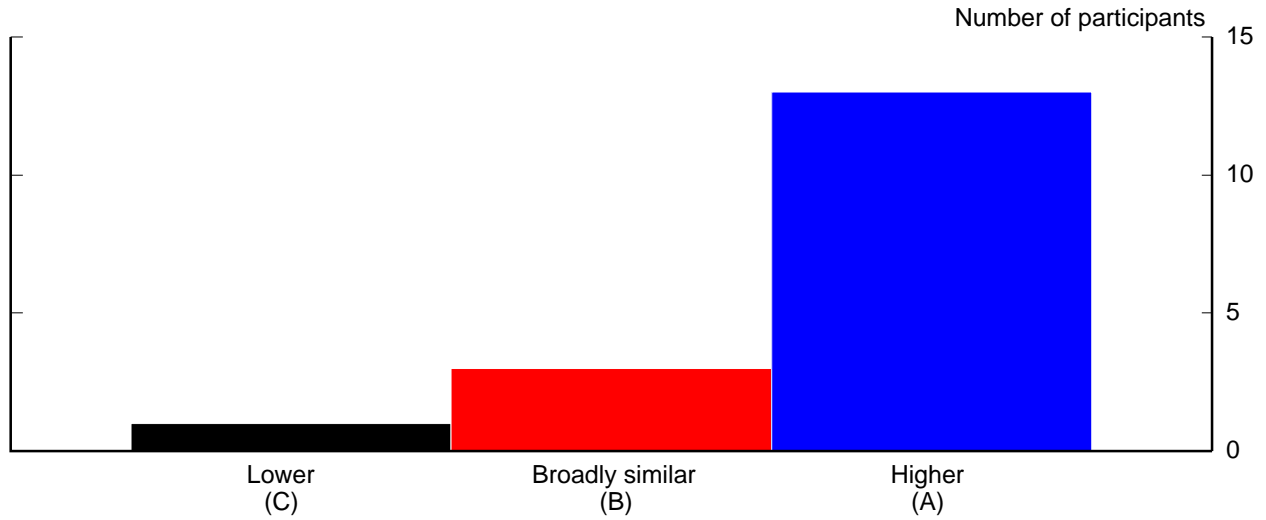


Individual Responses

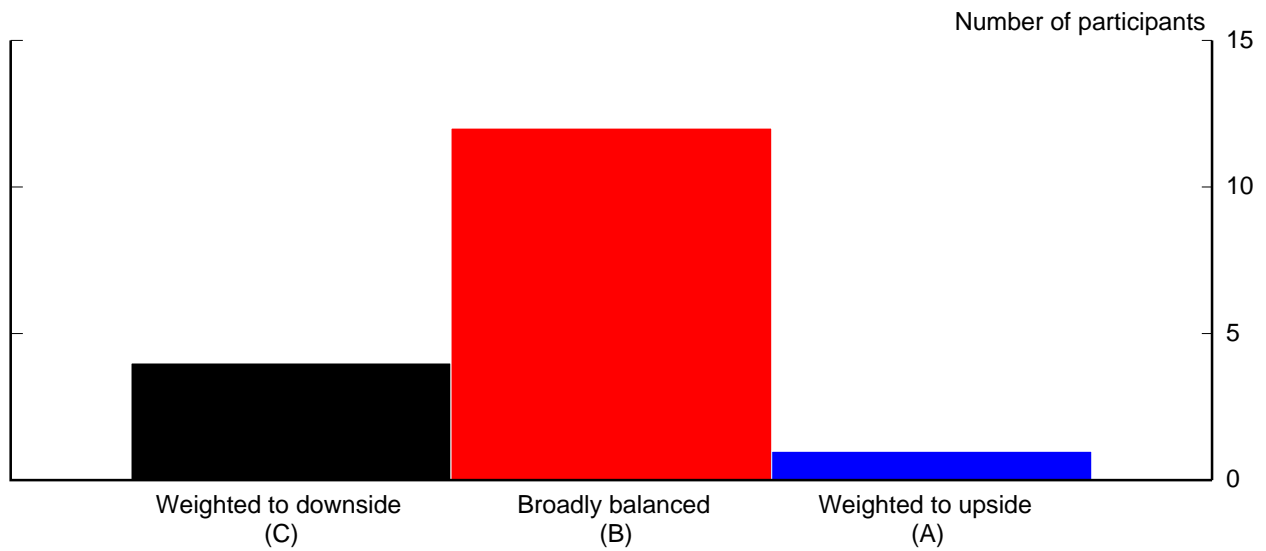
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2(a)	A	A	B	A	A	B	A	A	A	A	A	B	A	A	B	A	A
2(b)	A	B	B	A	B	B	B	A	A	A	A	B	A	B	B	A	B

Uncertainty and Risks - PCE Inflation

2(a): Please indicate your judgment of the uncertainty attached to your projections relative to levels of uncertainty over the past 20 years.



2(b): Please indicate your judgment of the risk weighting around your projections.

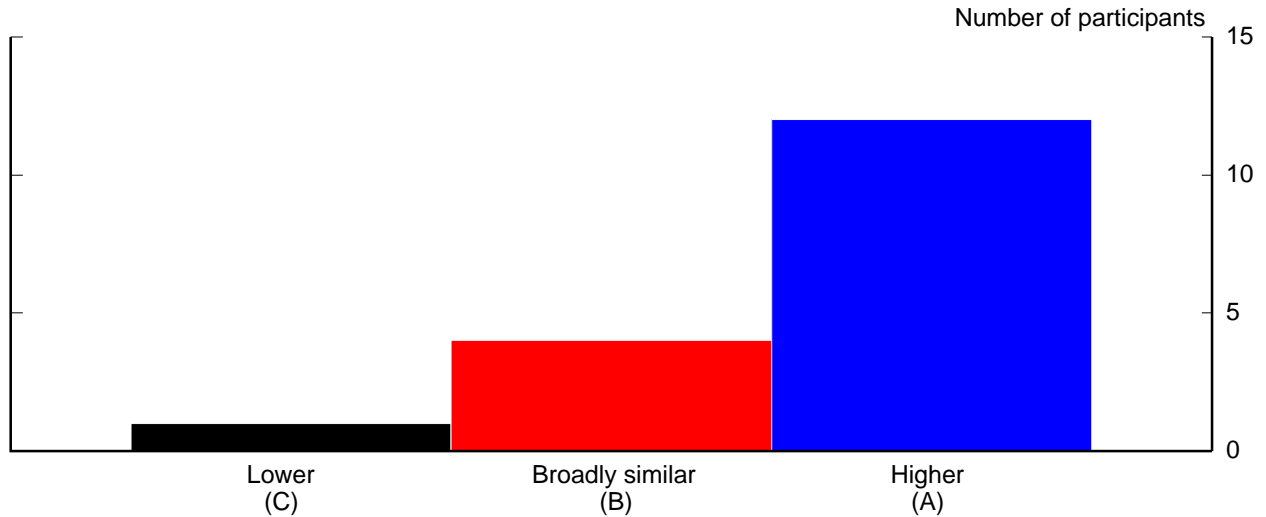


Individual Responses

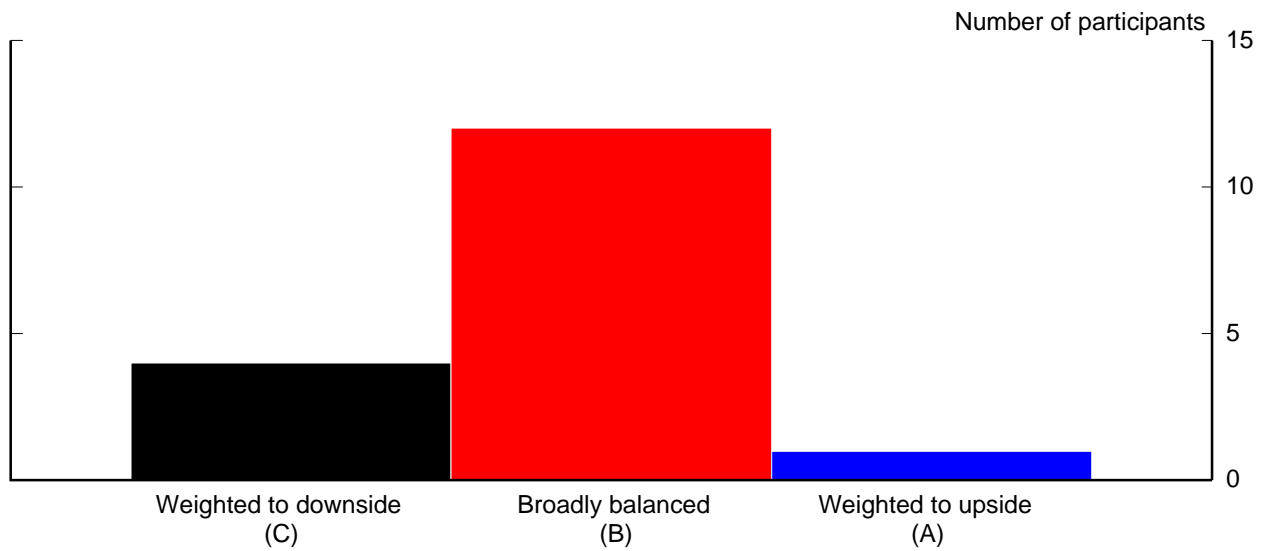
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2(a)	A	A	A	A	A	B	A	B	A	A	A	B	A	A	C	A	A
2(b)	B	B	A	C	B	B	B	B	C	C	C	B	B	B	B	B	B

Uncertainty and Risks - Core PCE Inflation

2(a): Please indicate your judgment of the uncertainty attached to your projections relative to levels of uncertainty over the past 20 years.



2(b): Please indicate your judgment of the risk weighting around your projections.



Individual Responses

Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2(a)	A	A	A	A	A	B	B	B	A	A	A	B	A	A	C	A	A
2(b)	B	B	A	C	B	B	B	B	C	C	C	B	B	B	B	B	B

Longer-run Projections

1(c). If you anticipate that the convergence process will take shorter or longer than about five or six years, please indicate below your best estimate of the duration of the convergence process. You may also include below any other explanatory comments that you think would be helpful.

Respondent 1:

N/A

Respondent 2:

N/A

Respondent 3:

The convergence process may be slightly shorter than 5-6 years.

Respondent 4:

By 2015-16 potential growth is 2.4%, down from our current estimate of 2.5-2.7%, as the baby boomers retire. A reasonable estimate for the long-run unemployment rate is 4.5% to 5.5%. We would expect, with appropriate policy and no further adverse shocks, unemployment to be in this range and the output gap to be around zero by 2015-16.

We assume long-term inflation expectations to be anchored around 2.5% on a CPI basis and the FOMC's inflation objective to be around 2% for the PCE deflator and around 2.5% for the CPI. Under these conditions, with the output gap around zero, we would expect PCE inflation of around 2%.

Respondent 5:

Expect convergence process to take somewhat longer

Respondent 6:

I anticipate that the convergence process for real GDP growth and inflation will be substantially shorter than 5-6 years, perhaps on the order of three years for real growth (with a period of overshoot of real growth in the interim during recovery), and an overshoot in the interim in inflation as a consequence of significant past growth in the monetary base supported by longer term asset purchases that cannot be sold off over a very short time period. I anticipate that the decline in the unemployment rate will lag behind the recovery of real growth.

Respondent 7:

Given the depth of the recession, the damage inflicted on the financial sector, widespread uncertainty in the business community about government programs and regulatory change, and the difficult domestic and global adjustments that are needed, convergence may well require the full five-to-six years.

Respondent 8:

N/A

Respondent 9:

N/A

Respondent 10:

the unemployment gap at the end of 2012 is so large and inflation so far below the long-run value that it may well take more than 5 years to reach steady state for both variables.

Respondent 11:

Convergence to the real economy's equilibrium and to the inflation objective within five years requires lower long-term interest rates than what is assumed in the baseline outlook. As a result, while the economy is anticipated to revert back to maximum employment within a five years horizon, inflation is likely to remain below the target.

Respondent 12:

In light of the severity and breadth of shocks to the economy and the consequent significant impacts on government, firm, and household behavior, the convergence process may well extend beyond five or six years to something closer to eight years.

Respondent 13:

N/A

Respondent 14:

unemployment may take six or seven years

Respondent 15:

N/A

Respondent 16:

I expect the convergence process will be similar to that outlined in the long-run projection reported in the Tealbook, with the output and unemployment gaps reaching zero in three or four years, and the PCE price inflation rate reaching its long-run value of 2 percent in six to seven years.

Respondent 17:

In light of the severity of the recession and historical norms of recoveries following financial crises, the convergence process for unemployment may take longer than five to six years. In addition, I am concerned that delaying the removal of policy accommodation will lead to financial imbalances that could eventually destabilize the economy and further prolong the convergence process. In addition, delay in the removal of policy accommodation and shrinkage of our balance sheet could cause long-term inflation expectations to become unanchored and affect the duration of the convergence process.

Uncertainty and Risks

2(a). (Optional) If you have any explanatory comments regarding your judgment of the uncertainty attached to your projections relative to levels of uncertainty over the past 20 years, you may enter them below.

Respondent 1:

N/A

Respondent 2:

N/A

Respondent 3:

Financial market conditions continue to improve and the economy is in recovery. However, the events in the Euro area have contributed to some increased uncertainty in my forecast. In addition, the effect of the extraordinary monetary policy accommodation in place and the uncertainty about the timing of when we will exit from that accommodation contribute to uncertainty around my inflation forecast.

Respondent 4:

Quantitative judgment based on the standard deviation of the FRBNY forecast distribution for GDP growth and core PCE inflation relative to the forecast errors over the last 20 years.

Respondent 5:

N/A

Respondent 6:

N/A

Respondent 7:

N/A

Respondent 8:

N/A

Respondent 9:

N/A

Respondent 10:

The sensitivity of financial markets to unexpected developments over the intermeeting period suggests that financial conditions are likely to be more variable than usual with implications for uncertainty about the path of output. In light of the experience of the past few years, the uncertainties about productivity and the relationship between economic growth and employment remain unusually high. In addition, with inflation remaining very low, the unusually large gap between actual and expected inflation persists in my projection, adding to uncertainty about inflation.

Respondent 11:

N/A

Respondent 12:

N/A

Respondent 13:

Recent developments in Europe and the unevenness in the improvements in labor markets and household consumption have increased the uncertainty attached to the forecast since last round. Nonetheless, in abso-

lute terms, we still think that the uncertainty over the forecast is only modestly higher than usual.

Respondent 14:

Volatility was unusually low during the past twenty years.

Respondent 15:

I believe that uncertainty regarding projections for GDP and unemployment are now about average. Inflation projections would be more firmly anchored under an appropriate monetary policy, and therefore uncertainty would be lower than the trailing 20-year average.

Respondent 16:

The fiscal and financial turmoil in Europe and the unusual fiscal and monetary policies all increase uncertainty regarding the outlook for economic growth relative to the past 20 years. In addition, the unusual jump in the unemployment rate last year raises questions about the evolution of the labor market going forward. The heightened risks to the outlook for economic activity, as well as the elevated variability of commodity prices, raise uncertainty regarding the outlook for inflation.

Respondent 17:

While forecasts are always subject to considerable uncertainty, the uncertainty surrounding my projections remain even higher than normal. I generally agree with Tealbook's assessment of the sources of uncertainty, but I would add fiscal policy to the list. Various aspects of fiscal policy—such as questions of fiscal sustainability, the expiration of the Bush tax cuts, indexation of the AMT, and the potential for a VAT—create considerable uncertainty about the outlook. Together, the uncertainty surrounding the recovery and inflation exceed the norms of the past 20 years.

Uncertainty and Risks

2(b). (Optional) If you have any explanatory comments regarding your judgment of the risk weighting around your projections, you may enter them below.

Respondent 1:

N/A

Respondent 2:

In response to the increased risks associated with the deterioration in European financial conditions I have shifted my risk weighting around the outlook from “weighted to upside” to “broadly balanced”.

Respondent 3:

The incoming data and events in Europe shade down slightly my near-term path for growth compared to my April forecast. I view the risks to growth as balanced and inflation as weighted to the upside. Historical patterns in the data suggest the rebound might be stronger than my baseline forecast. Over the longer term, inflation risk is tilted to the upside reflecting uncertainty about the timing and efficacy of the Fed’s withdrawal of accommodation.

Respondent 4:

Quantitative judgment based on the difference between the projection and the expected value from the FRBNY forecast distribution.

Respondent 5:

N/A

Respondent 6:

Going forward into 2010 as the economy recovers from the recent recession and experiences the fiscal stimulus program as well as a substantial persistent increase in the monetary base, I believe that the risks to real growth and inflation will become weighted to the upside.

Respondent 7:

N/A

Respondent 8:

N/A

Respondent 9:

N/A

Respondent 10:

Market sensitivity suggests downside output risks, especially around Europe and the fiscal and financial reaction to recent developments. In addition, tightening capital, liquidity, and activity regulations around banking could constrain the recovery in bank credit availability. Downside risks to inflation expectations, see below, indicate downside risks to output since real rates would tend to rise if expectations fell. Unemployment risks weighted to the upside by the possibility of a faster recovery in participation. Inflation risks weighted to the downside by the possibility that inflation expectations begin to adjust to persistent low levels of actual inflation.

Respondent 11:

N/A

Respondent 12:

N/A

Respondent 13:

While the effects of recent developments in Europe on U.S. growth will likely be modest, there is a downside risk of a larger impact. The events of most concern would be associated with a marked increase in risk aversion by the financial sector – one well beyond that indicated by the movements we have seen to date in risk spreads and other financial indicators.

Respondent 14:

The risks to inflation are balanced - but large.

Respondent 15:

N/A

Respondent 16:

The turmoil in Europe and the risk of further contagion across Europe poses significant downside risks to the outlook for economic growth in the United States. Correspondingly, the risk to the outlook for the unemployment rate are weighted to the upside. The inflation risks appear to be roughly balanced.

Respondent 17:

Important risks remain. Problems in commercial real estate continue to pose downside risks to GDP growth. In addition, fiscal policy—here and abroad—poses a downside risk to the outlook. Earlier in the year, questions about the expiration of the Bush tax cuts and indexation of the AMT led to greater overall risks to the outlook. While these questions remain, greater concern about fiscal sustainability suggests that fiscal policy is more likely to be tighter than easier. Finally, while the European sovereign debt crisis poses some downside risk to the outlook, I believe the risk is relatively small and likely to remain contained. However, I would also argue that the resiliency of the U.S. economy and traditional business cycle dynamics—especially following a deep recession—pose upside risks in the medium run. In addition, if monetary policy remains too accommodative for too long, there is a risk that growth will be stronger than expected and sustainable.

As to inflation, in the near term, the weakness of the economy and recent price trends pose some downside risks to core and overall inflation. However, in the medium or long term, the expansion of our balance sheet and increased concerns about federal borrowing and fiscal sustainability create a risk to the stability of long-term inflation expectations, and therefore create upside risks to inflation. In addition, there is a risk that monetary policy will remain too accommodative for too long, creating further upside risks to inflation.

Appropriate Monetary Policy

3. Does your view of the appropriate path of interest rates differ materially from the interest rate assumed by the staff in the Tealbook?

YES	NO
12	5

Respondent 1: No
N/A

Respondent 2: No
N/A

Respondent 3: Yes

My forecast continues to assume a less accommodative policy than in the Tealbook baseline. I view the appropriate monetary policy as one that raises the funds rate to about 1 percent by the end of 2010 and 3 percent by the end of 2011. By the end of 2012, I see the funds rate at about 4.5 percent.

Respondent 4: Yes

For 2010 identical. We assume the normalization of the policy rate starts in summer 2011 and continues at a faster rate in 2012. Because of differences in our inflation forecasts, the difference in the real policy rate is less substantial. Further, if one takes into account the downside risks to our forecast, the expected path of the policy rate is very close to the Tealbook assumption.

Our views on the size of the balance sheet are similar to the Tealbook – we expect an active strategy of reducing the balance sheet starting around 6 months after the first rate increase.

Respondent 5: Yes

Expect policy rates to move sooner and with greater force than staff forecast

Respondent 6: Yes

While the pattern of recovery from the recent recession is uncertain, I believe that under appropriate monetary policy to maintain price stability we will have to move away from the current target range for the funds rate sooner than assumed in the Greenbook forecast.

Respondent 7: No

We first need to normalize the spread between the discount rate and the base policy rate by restoring it to the full 100 basis points. I anticipate normalization sometime this year. As regards the base rate, the uncertainty attached to the economic outlook is such that we must be careful not to lock ourselves in to a particular rate or rate path.

Respondent 8: Yes

Anticipate a modest move toward normalization around the turn of the year or in 2011:Q1, further slow increases in 2011.

Respondent 9: Yes

Because my inflation profile is somewhat stronger than the Greenbook's in 2011 and 2012, the federal funds rate begins to increase gradually in the second half of 2011.

Respondent 10: Yes

funds rate begins to rise in second half of 2011. no asset sales until after increase in funds rate.

Respondent 11: Yes

The forecast is conditioned on approximately the same short- and long-term interest rates assumptions as in the Greenbook. But this path for the interest rates is not consistent with achieving the dual mandate's goals over a five years horizon.

Respondent 12: No

N/A

Respondent 13: Yes

We are assuming a rate path somewhere between that embedded in market expectations and the Greenbook's assumptions. The implications of these differences for growth and inflation over the forecast period are small.

Respondent 14: Yes

In the Tealbook, the staff assumes that the target interest rate will stay near zero for another two years. I believe that the optimal path will involve an earlier increase in the target rate.

Respondent 15: Yes

I believe that under an appropriate monetary policy the committee would announce a numerical inflation objective. To achieve that objective, rates would most likely increase well before the summer of 2012.

Respondent 16: No

N/A

Respondent 17: Yes

I believe the appropriate path for monetary policy requires raising the target federal funds rate in 2010, in contrast to the Tealbook assumption that the current target rate is maintained until the summer of 2012. Keeping rates so extraordinarily low for so long invites future financial imbalances and risks economic instability. I also believe that appropriate policy will involve taking steps—some this year—to gradually reduce the size of our balance sheet and normalize its composition. I believe that it would be appropriate to begin selling agency debt and MBS later this year, rather than waiting until 2013, as conditions permit.

Forecast Narratives

4(a). Please describe the key factors shaping your central economic outlook and the uncertainty around that outlook.

Respondent 1:

N/A

Respondent 2:

The incoming data and reports from business contacts have been mixed and broadly consistent with my previous forecast of a sustained growth trajectory that is quite restrained. Business attitudes remain extremely cautious, and there appears to be considerable economic slack in many industries that is keeping overall downward pressure on inflation. Business spending increases appear to be driven primarily by precautionary rather than expansionary motives, and this is reflected in considerable hesitancy to increase payrolls. Numerous factors, including tight credit, the weak housing sector, and the European debt situation are acting as headwinds for the economic recovery, and I expect that these headwinds will persist for a while.

Respondent 3:

The recent data on the economy has been broadly in line with what I anticipated in my April forecast.

In my view, the economy is now in recovery and I expect an above-trend pace of 3.5 percent growth in 2010, down a shade from my previous forecast. In 2011, I expect growth of about 3.5 percent and slightly above-trend growth in 2012. The labor market recovery is gradual — I expect the unemployment rate edges down to about 6.8 percent by the end of the forecast horizon, at which time it remains above the natural rate of unemployment by about 1.3 percentage point. I anticipate that inflation will rise into 2011 then pull back in 2012 in response to tighter monetary policy than anticipated in the Tealbook.

Developments in Europe have raised uncertainty around my forecast. However, in my view, the substantial liquidity that is now in the financial system continues to imply a risk that inflation will rapidly accelerate to unacceptable levels and that inflation expectations may become unanchored. To ward off these developments, the FOMC will need to commence a steady tightening of monetary policy that begins some time in 2010.

Respondent 4:

Our modal forecast for real GDP growth is based on the assessment that we are unlikely to experience the robust growth that has followed previous severe recessions in the post-WWII era. This assessment is based to a large extent on the belief that the excessive leverage and excessive investment in real estate assets, major factors underlying the global financial crisis, will take time to unwind. Accordingly, growth in 2010 is likely to be only modestly above the economy's potential growth rate, implying that the unemployment rate is likely to remain stubbornly high and the sizable slack in resource utilization will be absorbed only gradually. This in turn suggests that core inflation is likely to remain below the mandate consistent range over much of the forecast horizon.

A major factor behind the muted near-term recovery in our central forecast is our expectation that the substantial headwinds still faced by households will temper consumer spending growth. Household sector wealth has rebounded only modestly from the steep declines in 2007-09 and income growth has been subdued; further, the recent burst of financial market volatility could lead households to question the permanence of the wealth rebound and of the economic recovery. The impetus to disposable income from the stimulus bill has begun to wane. Finally, with households still facing a debt overhang and credit availability expected to remain tight, debt financing of consumer spending probably will be constrained.

A second key feature of our modal forecast is that the US probably will not experience the surge of resi-

dential investment typical of the early stages of post-WWII recoveries. We estimate that there are nearly 3 million excess vacant housing units, with more coming onto the market over the forecast horizon due to the unusually high volume of homes in the foreclosure process. At the same time, mortgage underwriting standards have been significantly tightened, with even high credit quality borrowers being required to make substantial down payments. As the boost from the home buyer tax credit wanes over the coming months, we expect home construction to be relatively lackluster; the decline in single family building permits in April and May point in that direction.

With muted growth of consumption and residential investment, a low manufacturing capacity utilization rate, and rising retail and office vacancy rates, a full of recovery of business fixed investment is likely to be delayed despite the recent strength in equipment and software expenditure. Also contributing to the expectation of a tepid recovery is the ongoing structural adjustment taking place in state and local governments. Finally, we do not expect a large growth contribution from net exports, especially given the recent appreciation of the dollar and down grading of growth prospects for the Euro Area.

Going forward, we expect that the underlying fundamentals improve sufficiently for real GDP growth to be around 4% in 2011 and about 5% in 2012, with the unemployment rate falling steadily to around 7% by the end of 2012. Underlying this projection is our expectation of a return to normal financial market functioning, improved consumer and business confidence, a recovery in risk appetite, and an end to the structural adjustments in the state and local government sector and the commercial real estate sector. Furthermore, with household income and balance sheets improving and credit flowing more normally, the substantial pent-up demand for consumer durables, housing, and business equipment and software will start to be satisfied.

Barring a significant decline in the level of the economy's potential output or its potential growth rate, our modal forecast for growth implies that a large output gap will persist over most of the forecast horizon. Accordingly, we expect core inflation to slow to around 1% (Q4/Q4) in 2010. But by late 2011 and into 2012, as final demand firms within the context of anchored inflation expectations, we expect core inflation to move up to within the "mandate consistent" range.

The developments over the inter meeting period have led us to shift the balance of risks to our real activity projection back to the downside. One emerging downside risk is that spillovers from the peripheral European sovereign debt crisis to the US economy and financial markets could be larger than expected. Another key downside risk is that because of wealth declines, sluggish employment and income growth, and increased uncertainty (in part from the European crisis), households attempt to raise their saving rate, thereby damping consumer spending, to a greater extent than expected. The sharp decrease in the prime age employment to population ratio during the current cycle, combined with the large share of workers nearing retirement age, makes this risk particularly acute. Fiscal policy is also an independent source of risk to our forecast. While a diminution of fiscal stimulus in 2011 is widely anticipated, it is possible that the US could face its own fiscal crisis and thus have to engage in a more aggressive fiscal consolidation.

An important risk over the medium term concerns our assumption of the economy's potential growth rate. On the one hand, given the weakness of overall business investment and the apparent misallocation of labor and capital, the economy's potential growth rate may have slowed significantly. On the other hand, current estimates of labor productivity continue to surprise to the upside, suggesting that the potential growth rate could be higher than our current estimate.

The risks around the central scenario for inflation also have shifted back to the downside. The downside risks to the growth projection combined with the possibility of no meaningful decline in potential implies downside risks to the inflation projection. Moreover, we see some possibility that excessively quick moves towards fiscal consolidation across Europe could reinforce deflationary forces. Given the low current level of inflation and the relative weakness of the economy there is little margin for error to the downside.

Nevertheless, with the aggressive global monetary policy response to the financial crisis and the possibility of a stronger-than-expected rebound, there remains notable risk of higher inflation than our modal projection

The heightened uncertainty associated with the shape of recoveries from periods of banking and financial crisis, the uncertainty associated with the timing and synchronization of the removal of global policy accommodation, and the uncertainties associated with the peripheral European debt crisis result in greater uncertainty around our central projection compared to typical levels over the last twenty years.

Respondent 5:

Cyclical recovery could be undermined by continued higher volatility in financial markets. Strength of expansion diminished by less growth-friendly public policies and underperformance by advanced foreign economies.

Respondent 6:

In 2010 and 2011 I anticipate that real growth will occur at greater than steady-state rates, reflecting normal cyclical patterns reinforced by a modest impact of the fiscal stimulus package and the impact of the substantial monetary stimulus that has been in train since late 2008. I expect that subsequently growth will slow and approach steady-state rates. I expect core PCE inflation over all of 2010 to be close to that of 2009, and intrayear fluctuations in energy prices will approximately net out, so that the headline rate will be close to the core rate over all of 2010. Subsequently, under appropriate monetary policy, inflation should approach my preferred long-run rate of 1.5 percent, though I believe that it will rise above that rate in an interim period. I do not believe that future energy shocks can be forecasted, so with available information I expect that core and headline inflation will be roughly equal in the out years of the projection period.

Respondent 7:

We've seen breakdowns in both Okun's Law and the Beveridge Curve during this recession. The pessimist's interpretation is that the natural rate of unemployment has increased and will remain high for some time as a result of an unusually large mismatch between the skills possessed by the unemployed and the skills sought by firms with job vacancies. Firms have laid off workers with no intention or expectation of hiring them back as the economy improves. They have a substantial incentive to invest abroad rather than build "head count" at home.

The optimist's interpretation of the breakdowns in Okun's Law and the Beveridge Curve is that restrictions on credit forced firms to slash payrolls to an unusual degree as they attempted to maintain positive cash flow. This story is consistent with the coincidence between the intensification of the financial crisis in September 2008 and the breakdown in the Beveridge Curve. If true, then as credit-market conditions normalize we can expect to see unusually rapid employment gains relative to output growth. Realistically, credit markets will be slow to mend, so that even under this scenario the unemployment rate remains high for a prolonged period.

Both of these labor market stories contain elements of truth, and my forecast splits the difference between them.

On the demand side, the economy is not firing on all cylinders—a fact that will become increasingly obvious as the growth contribution from inventory investment fades. It is hard to imagine that we'll see any significant offsetting growth in government purchases. Residential investment is likely to remain weak for years. Equipment and software investment looks solid over the near term, but must ultimately be supported by growth in net exports and/or consumption. Fiscal austerity and financial uncertainty in Europe have dimmed prospects for the former. I expect real consumption growth to be unremarkable, as households face tight (albeit no longer tightening) credit and weak income growth, and remain leery of debt and concerned about future tax policy. The aggregate doesn't add up to anything like robust growth.

With negligible demand-pull and only a gradual reduction in slack, inflation is likely to remain contained.

Respondent 8:

Moderate economic recovery with weak job creation continues. Consumer spending has been supported by rising disposable income and greater optimism about the labor market and house prices. Equipment and software investment is being driven by the replacement cycle, low cost of capital, and some increases in demand, especially in export industries. Federal fiscal policy is still supportive, partially offset by weakness at the state and local level. Residential and nonresidential structures investment remain very weak, the inventory cycle is still a positive but is fading, and net exports are neutral to negative. Strong growth is likely to continue in many trading partners, especially EMEs, but Europe will be a drag on global recovery.

Financial conditions have tightened somewhat, due largely to developments in Europe and perhaps also to uncertainties about US financial reform legislation. The stronger dollar, lower stock market, and wider spreads are negatives for growth, partially offset by lower oil and commodity prices. Banks continue to deleverage and to manage credit losses; credit terms appear to have stabilized but tight credit must certainly be a problem for many bank-dependent borrowers with weakened balance sheets, including small businesses.

In the labor market, hours and labor income are up, but employment gains net of the Census are quite modest. High UI claims are puzzling but suggest that the labor market may be sluggish for a time. Firms are evidently still uncertain of recovery and are not hiring much (preferring more hours to more bodies). Long-term unemployment is high but it seems unlikely at this point that the NAIRU has risen significantly.

Inflation and inflation pressures are at the lowest point in some time. Core, median and similar inflation measures are declining with slack and falling unit labor costs. Oil and commodity prices are down, the dollar is up, and inflation expectations are stable to down. Inflation seems likely to be subdued for the next few quarters at least.

Respondent 9:

The unexpected strength in first quarter consumption expenditures notwithstanding, households continue to be weighed down by a weak labor market and tight credit conditions. Uncertainty over the strength and viability of the recovery, especially in light of the European sovereign debt crisis, also restrains consumer spending and makes businesses reluctant to hire and undertake large-scale investment projects. Business spending on structures continues to contract in 2010 hampered by high vacancy rates and ongoing credit problems in commercial real estate.

Currently elevated productivity growth will not be sustained. My forecast assumes lower-than-average productivity growth due primarily to enormous worker dislocation in the labor market. Although compensation growth remains weak, muted productivity growth pushes core PCE inflation higher in 2011 and 2012. My outlook also assumes that inflation expectations will remain “anchored” near current levels of roughly 2%. Considerable uncertainty surrounds this assumption. In my view, the incoming data indicating further core price deceleration (though not deflation) outweighs inflationary risks posed by the level of excess reserves in the banking system.

With respect to the sovereign debt crisis in Southern Europe, my outlook assumes that Eurozone policy makers will prevent the crisis from escalating—at least until the global recovery is more firmly rooted and is better able to withstand the shockwaves of a wider event. For the time, effects of the crisis on my outlook are modest, and result only from diminished export demand and a weaker euro.

Respondent 10:

The growth rate of final demand strengthens gradually, supported by accommodative monetary policy, further improvement in financial conditions (including easing access to bank credit), and a rebound on spending

on houses, consumer durables, and business capital equipment from unsustainably low levels as the expansion proceeds and confidence strengthens. Expansion is held back, especially in the next few quarters, by still-tight credit for some borrowers; the concerns about risk manifest in the rise in the dollar and decline in equity prices; and by caution and uncertainty resulting from the recent events and the still-uncertain regulatory response to the crisis and the broader governmental response to an unsustainable fiscal path.

Respondent 11:

The ongoing expansion in real activity has been, so far, broadly in line with expectations. The modest improvement in labor markets has been accompanied by some increase in private sources of personal income. Nevertheless, private personal income remains well below pre-recession levels, and a transition from public to privately generated sources of income of sufficient magnitude to sustain a moderate pace of growth in private consumption expenditures has yet to take place. In this regard, the large amount of slack in labor markets is putting significant downward pressure on wages. Firms so far have been reluctant to hire, focussing instead on efficiency gains. While it is likely that there is now considerable pent-up demand for labor, it may take time before firms become more confident about the durability of the recovery and increase the pace of hiring. Concerns about the outlook for the global recovery as a result of the European fiscal crisis are adding to an already uncertain environment, and possibly delaying firms' hiring decisions. In sum, the waning fiscal stimulus and limited increases in private sources of income, together with the recent unfavorable developments in households net worth and the possibility that taxes will increase for some households in 2011, are likely to restrain the growth of consumer spending over the forecast horizon. Housing activity, too, is projected to contribute only modestly to the recovery. The homebuyer tax credit has provided a temporary stimulus to the sector, but limited credit availability and still falling housing prices imply that the sector will improve only slowly. As concerns firms, the recent dollar appreciation and slower projected foreign growth will moderate the pace of growth in exports. Heightened concerns about the global economy may lead some firms to reduce their capital spending plans. Overall, the upturn in private demand this year and next is projected to be muted, and government spending will be constrained by state and local's fiscal conditions. With economic activity projected to grow only modestly above potential, the unemployment rate gap is still very large by the end of next year. Given the projected sizable slack in labor markets over the forecast horizon, the rate of core inflation remains well below target in 2011 and 2012.

The risks to the forecast are again tilted to the downside. Moreover, these downside risks are much more costly than the potential upside. Doubts persist about the political will to make the necessary fiscal adjustment in some European countries. These concerns raise the possibility of adverse financial events with significant global repercussions. In addition, the risks to inflation continue to be to the downside. The possibility of deflation over the forecast horizon is, at this point, more than a tail event.

Respondent 12:

Key factors include expectation that recovery will, in the absence of significant external shock, make the shift from reliance on stimulus and inventory rebuilding to a more self-sustaining increase in final demand. However, the continued drag from commercial real estate, the uneven, nature of housing market recovery, continuing high levels of unemployment, and renewed uncertainty about global financial stress will prevent the recovery from accelerating beyond a moderate pace.

Respondent 13:

The incoming data, as summarized by aggregate statistics such as the CFNAI, are consistent with the near-term projection for moderate growth. Even with the recent increases in risk spreads and liquidity premia, credit market conditions are still favorable for growth; accommodative monetary policy and some continued, albeit diminishing, fiscal stimulus also support growth. Over time, increasing household and business confidence should add momentum to the recovery. Nonetheless, relative to the depth of the recession, the recovery will be moderate by historical standards, reflecting the degree of repair still needed on financial and nonfinancial balance sheets and the persistent effects on labor markets of depreciated worker skills. Continued sluggishness in labor markets and some less robust consumption and housing data have moderated our

outlook for growth in household spending a bit. But we do not see this as a signal of a fundamental change in households' perceptions of their spending capacity from permanent income or wealth.

Respondent 14:

European uncertainties are creating volatility in US financial markets. Nonetheless, large corporations have ready access to outside sources of finance. Bank lending does remain stressed by asset quality issues and tremendous uncertainty about regulations. The bank lending problems create problems in credit access for small business, which in turn hamper job growth. Inflation risks are high because of the US fiscal situation and huge uncertainties in the level of potential output.

Respondent 15:

I believe that the pace of expansion will be moderate, led by consumer spending and business equipment investment; residential construction and state and local spending are likely to remain very weak for some time; and nonresidential construction is likely to decline further this year. The stock of federal debt will grow much more rapidly than GDP under current legislation, leading to uncertainty on the nature and timing of fiscal policy actions what would put the stock of debt on a more sustainable path. That uncertainty could make firms and households more cautious in their spending plans.

Respondent 16:

Labor markets are improving slowly and a moderate recovery in economic activity is in train. Financial conditions, which had been improving, have weakened in the past two months reflecting developments in Europe. Financial intermediation remains impaired, which will hold back the pace of recovery. In addition, households are repairing balance sheets that have been weakened by equity and housing losses and debt accumulation. Fiscal and monetary stimulus provide key drivers for recovery this year. Significant slack in labor and goods markets will keep inflation low, but well-anchored inflation expectations should help avoid much further disinflation.

Respondent 17:

Recent data releases have continued to point to a broadening and sustainable recovery. Growth in the first half has been supported, in part, by fiscal stimulus and inventory adjustments. However, recent data suggest the transition to self-sustaining growth is underway. Readings on consumer spending have been solid, and measures of business activity have been even stronger. And while the recent labor market report was weaker than expected, the labor market continues its improving trend. The recent readings on construction have been mixed, but fundamentals in the sector remain weak.

With the economy recovering only gradually, I expect core inflation to remain at low levels in the near term but to eventually drift higher. At this point, the disinflationary pressure on consumer prices from the weakness in the economy is mitigated by stable long-term inflation expectations. Over time, inflation will naturally gravitate toward long-term expectations.

Important risks remain. Problems in commercial real estate continue to pose downside risks to GDP growth. In addition, fiscal policy—here and abroad—poses a downside risk to the outlook. Earlier in the year, questions about the expiration of the Bush tax cuts and indexation of the AMT led to greater overall risks to the outlook. While these questions remain, greater concern about fiscal sustainability suggests that fiscal policy is more likely to be tighter than easier. Finally, while the European sovereign debt crisis poses some downside risk to the outlook, I believe the risk is relatively small and likely to remain contained. However, I would also argue that the resiliency of the U.S. economy and traditional business cycle dynamics—especially following a deep recession—pose upside risks in the medium run. In addition, if monetary policy remains too accommodative for too long, there is a risk that growth will be stronger than expected and sustainable.

As to inflation, in the near term, the weakness of the economy and recent price trends pose some downside risks to core and overall inflation. However, in the medium or long term, the expansion of our balance

sheet and increased concerns about federal borrowing and fiscal sustainability create a risk to the stability of long-term inflation expectations, and therefore create upside risks to inflation. In addition, there is a risk that monetary policy will remain too accommodative for too long, creating further upside risks to inflation.

Forecast Narratives (continued)

4(c). Please describe any important differences between your current economic forecast and the Tealbook.

Respondent 1:

N/A

Respondent 2:

My forecast for GDP growth remains noticeably below the Tealbook baseline for 2012, whereas the unemployment rate trajectory is broadly similar- implying differences in labor productivity assumptions.

Respondent 3:

My inflation forecast is less influenced by the degree of resource utilization in the economy and so I project a higher pace of inflation over 2010-2012 than does the Tealbook. Given the strength of economic growth in my baseline forecast and the higher inflation path, the policy path is less accommodative over the forecast horizon.

Respondent 4:

We assume lower inflation persistence than does the TB. Thus, for our medium-term inflation outlook we project inflation within the “mandate-consistent” range in late 2011 under the assumption of well anchored inflation expectations.

Respondent 5:

N/A

Respondent 6:

Compared to the 70% confidence intervals indicated for the Tealbook forecasts, the differences between the point estimates in the Tealbook baseline forecasts and my forecasts are not different in any meaningful statistical sense. However the time path of my projections does differ from the Tealbook baseline, in that I see stronger near-term growth than that in the Tealbook baseline in 2010, stronger real growth than the Tealbook in 2011, slower real growth than the Tealbook in 2012 and real growth subsequently tapering off. In the long run I see real growth at approximately the same rate as the long-horizon growth of “potential” indicated in the Tealbook. I see inflation higher in the intermediate period before returning to the rate that I believe is consistent with appropriate monetary policy. In contrast, the Tealbook forecast sees low inflation persisting for “an extended period”.

Respondent 7:

The Tealbook baseline forecast underestimates the drag on the labor market arising from the uncertainty created by new economic and regulatory initiatives. It smooths through the inventory swing, understating its implications for output growth in the second half. It does not adequately take into account inducements deriving from regulatory and taxation initiatives for corporations and investors to invest in more promising markets abroad at the expense of job creation and CAPEX at home.

Respondent 8:

Similar to the Greenbook.

Respondent 9:

My growth forecast is broadly consistent with the Greenbook forecast in 2010 and 2011, but calls for weaker growth in 2012 due to slower growth in structural productivity. Despite weaker growth, my outlook entails more core PCE inflation in 2011 and 2012 stemming from the weaker productivity growth. My assumption of stable inflation expectations (at roughly 2%) reinforces the productivity effect and helps draw the inflation rate upward as the economy recovers.

Respondent 10:

slightly stronger growth over the near term as I didn't take as much off for European related effects. A little weaker in the out years as I assumed a shallower slope to the rise in equity prices and decline in the dollar. also slightly stronger productivity growth means that the unemployment rate is similar despite stronger GDP.

Respondent 11:

The forecast for real activity is somewhat more pessimistic than the Greenbook forecast, reflecting a larger estimated impact of deteriorating global financial conditions on the U.S. economy. Core inflation is projected to be lower than in the Greenbook, as a result of a more meaningful tradeoff between inflation and unemployment.

Respondent 12:

I continue to be somewhat more pessimistic on job creation (though the latest staff projections have come a bit closer to my views) and somewhat less confident in the projected path of energy prices

Respondent 13:

We have revised down less than the Greenbook has in response to international developments and concomitant movements in domestic financial conditions. We continue to believe that anchored inflation expectations will retard disinflationary forces more than the Greenbook does.

Respondent 14:

The Tealbook considerably overstates the trade impact of a European crisis.

Respondent 15:

I believe that under an appropriate monetary policy the public's inflation expectations would be well anchored, and the inflation path would be higher than in the Tealbook. An appropriate monetary policy would put policy rates on an upward trajectory well before the summer of 2012.

Respondent 16:

My forecast is broadly similar to the Tealbook projection.

Respondent 17:

The key difference is the monetary policy path, which leads to some differences in the outlook. My forecast for real GDP is similar to Tealbook in 2010 and 2011, but lower in 2012.

My outlook for inflation also differs from Tealbook's. I expect overall and core inflation to move toward long-term expectations faster than it does in the Tealbook projection, reflecting differences in our views of the relative importance of inflation expectations and economic slack for forecasting inflation.

Forecast Narratives (continued)

4(d). Please describe the key factors causing your forecast to change since the previous quarter's projections.

Respondent 1:

N/A

Respondent 2:

My forecast for real activity in 2010 has been revised slightly higher in response to incoming data that have been a bit stronger on balance than I had anticipated.

Respondent 3:

N/A

Respondent 4:

The changes in our modal forecast are minor since April. We have shaved 0.1-0.2pp off our 2011-2 core PCE forecast. The main factor here was that although core PCE is coming in very close to our forecast, this is mainly due to the non-market components. The market-based core PCE and CPI have been running slightly below our forecasts and the appreciation of the dollar was unexpected. We also lowered the near-term growth projection slightly due to the developments that have already taken place as a result of problems in peripheral Europe.

The largest change to our outlook is in the risks. The concerns about peripheral Europe were transmitted to US financial markets in the inter-meeting period. Given the weakness of the direct trade transmission we viewed the market response as placing additional weight on bad tail outcomes. We view one possible bad tail as a deflationary outcome hence we have substantially increased the risk of deflation in the US over the projection period.

Respondent 5:

Concerns about European economies manifested themselves in financial markets.

Respondent 6:

With the downward revision in the estimated real growth for 2010 Q1, activity in the first half of 2010 appears to be slightly slower than I previously expected. Hence I have revised my forecast for the first half of 2010 and for the full year down slightly. I have not revised my projected path of real output for 2011 and beyond. At this point I do not expect that financial stress caused by fiscal problems in Europe will have a negative significant impact on U.S. growth. Indeed, lower interest rates generated by a "flight to quality" may even have positive effects for the U.S. My forecasts for the unemployment rate are unchanged, as are my inflation forecasts (headline and Core PCE) for 2011 and beyond. I have lowered my headline inflation forecasts for 2010 somewhat to reflect the observed volatility in energy prices, though I have not revised by core inflation forecast.

Respondent 7:

Key factors include the lack of any evidence of an acceleration in final demand, indications that inventory reductions are nearing an end, ongoing declines in trimmed-mean inflation, and recent weakness in commodity prices. Also, the impact of the Euro crisis on net exports and financial risk premia, and continued, if not increased, business uncertainty have tempered the prospects for a strong recovery, and are acting to contain price pressures.

Respondent 8:

Developments in Europe and their effects on financial markets and the dollar are the main change. Incoming data are consistent with the moderate growth scenario but perhaps slightly weaker than expected (retail

sales, labor markets, housing). Europe presents downside tail risks to output though I expect them to muddle through.

Respondent 9:

Real GDP growth is essentially unchanged, but the unemployment rate path was pushed modestly higher in response to an unexpected upward movement in the April unemployment rate. My inflation forecast has been marked down in response to softer-than-expected inflation data and a downward revision to labor compensation.

Respondent 10:

Although incoming data have been consistent with my previous forecast, the tightening of financial conditions led to a slight mark down of activity growth rates. With respect to inflation, the strengthening of the dollar and drop in energy and other commodity prices led to slower projected inflation.

Respondent 11:

While the pace of activity during the first half of this year is in line with previous expectations, going forward the forecast for real GDP growth has been revised down. This downward revision reflects lower projected households net worth, a higher value of the dollar, a slower pace of growth in global demand, and increased uncertainty.

Respondent 12:

Failure of job creation to accelerate in line with projections, wealth declines and renewed uncertainty owing the European sovereign debt situation caused me to adjust my growth projections down and unemployment projections up.

Respondent 13:

Our revisions largely reflect netting the lower path for policy and longer-run low-risk interest rates against the lower stock market, stronger dollar, and assumed weaker path for foreign growth.

Respondent 14:

My forecast has not changed greatly. However, the uncertainty about my forecast has gone up greatly.

Respondent 15:

My assessment of likely GDP growth for the next decade is lower, due to slowing labor force growth and less contribution of labor composition to multifactor productivity growth. The short-term GDP forecast is also lower, reflecting recent data and the change to the longer-run trend. My estimate of the long-run unemployment rate is slightly higher. Inflation this year and next is lower in the current forecast, reflecting recent aggregate inflation data and gasoline price movements.

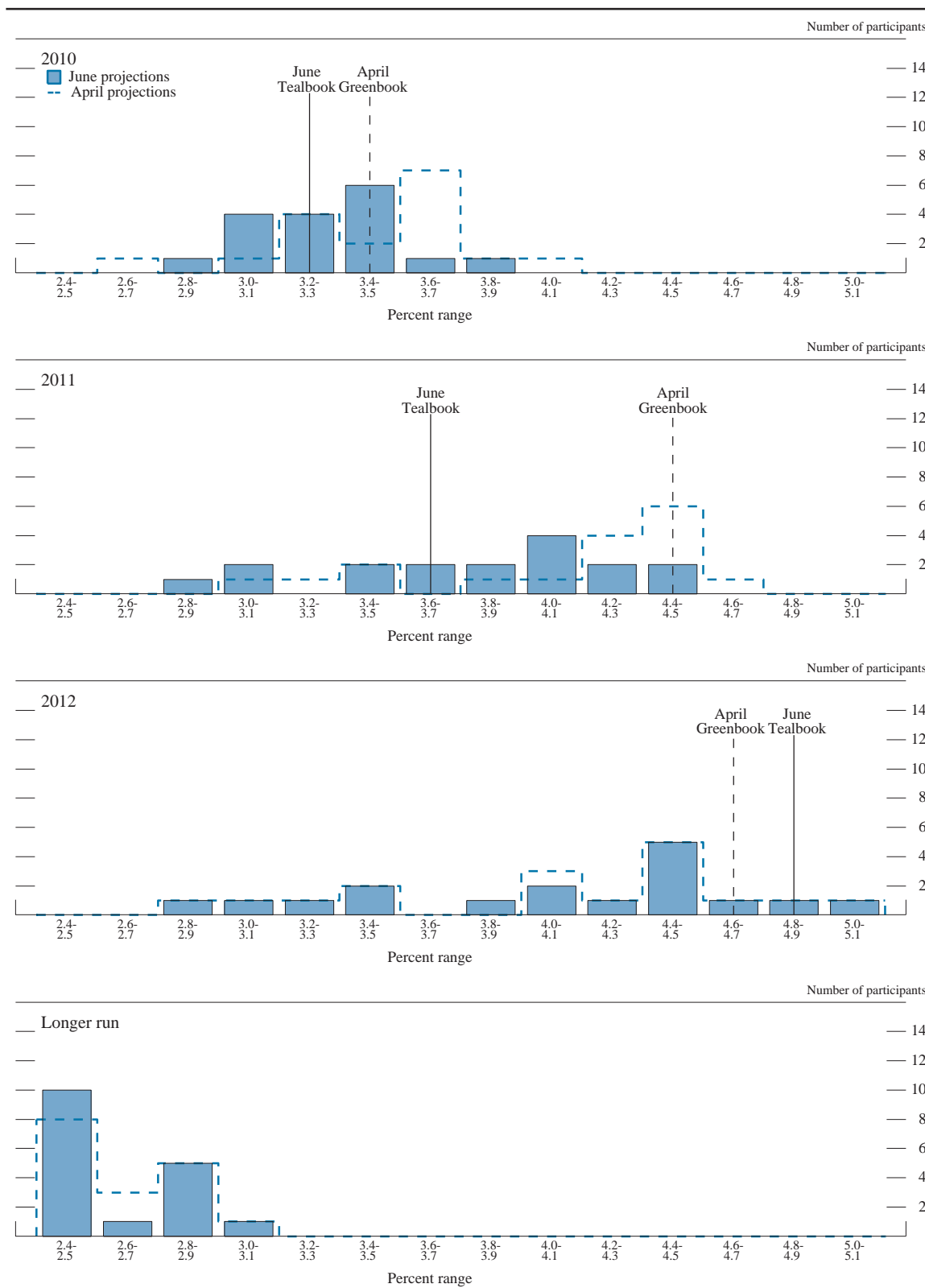
Respondent 16:

Since April, financial conditions have deteriorated overall. In particular, equity values have fallen and the dollar has appreciated against foreign currencies. These developments are only partially offset by the decline in Treasury yields and mortgage rates. I lowered my forecast for real GDP growth in the second half of 2010 and in 2011 by about 1/4 and 1/2 percentage point, respectively. In response to the lower projected path for real GDP and recent higher-than-expected readings of the unemployment rate, I raised my medium-term forecast for the unemployment rate. The stronger dollar and the greater degree of economic slack in my forecast caused me to lower my medium-term inflation forecast a touch.

Respondent 17:

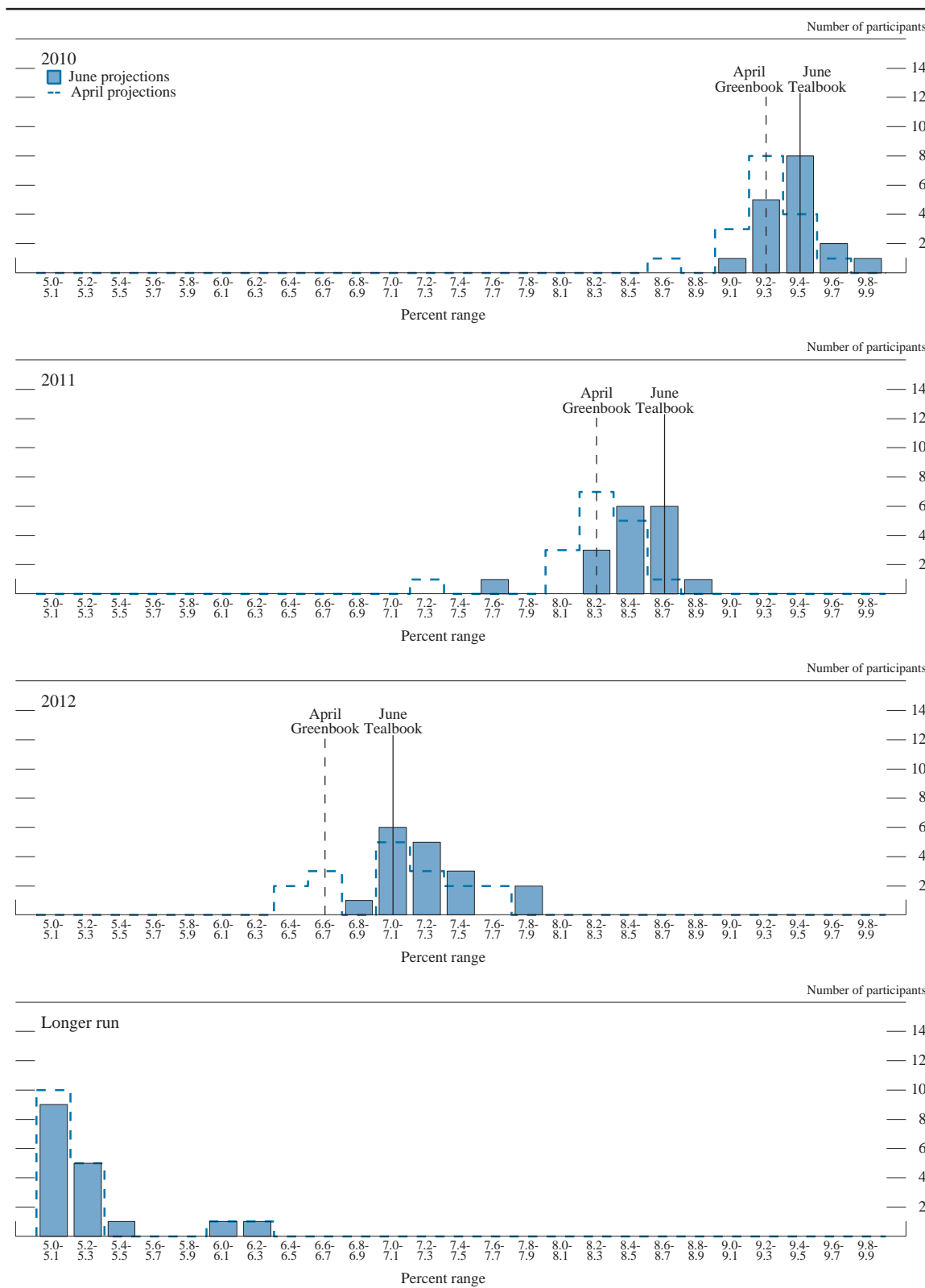
My forecast is essentially unchanged from my previous forecast.

Figure 2.A. Distribution of participants' projections for the change in real GDP, 2010–12 and over the longer run



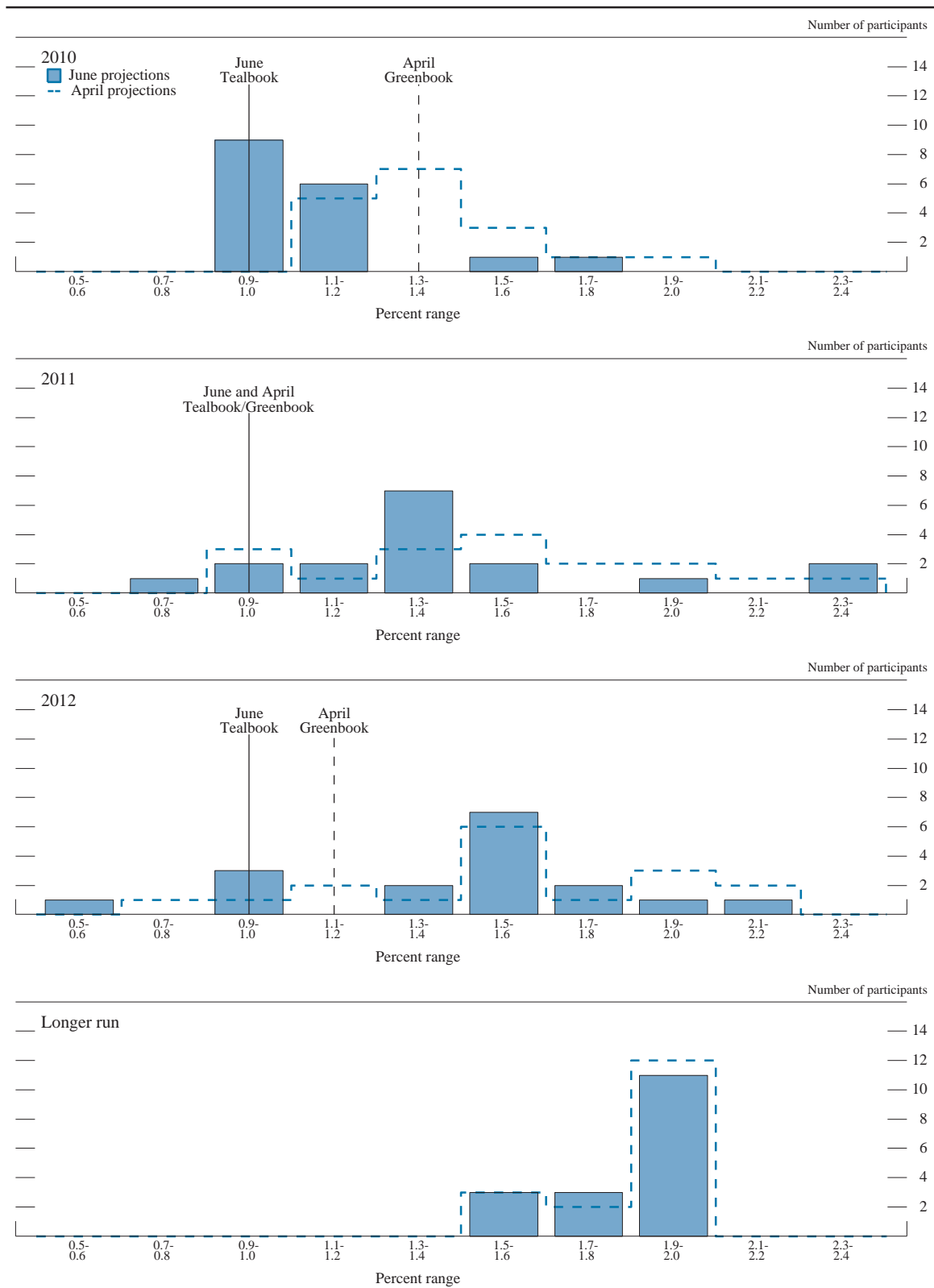
NOTE: Definitions of variables are in the general note to table 1.

Figure 2.B. Distribution of participants' projections for the unemployment rate, 2010–12 and over the longer run



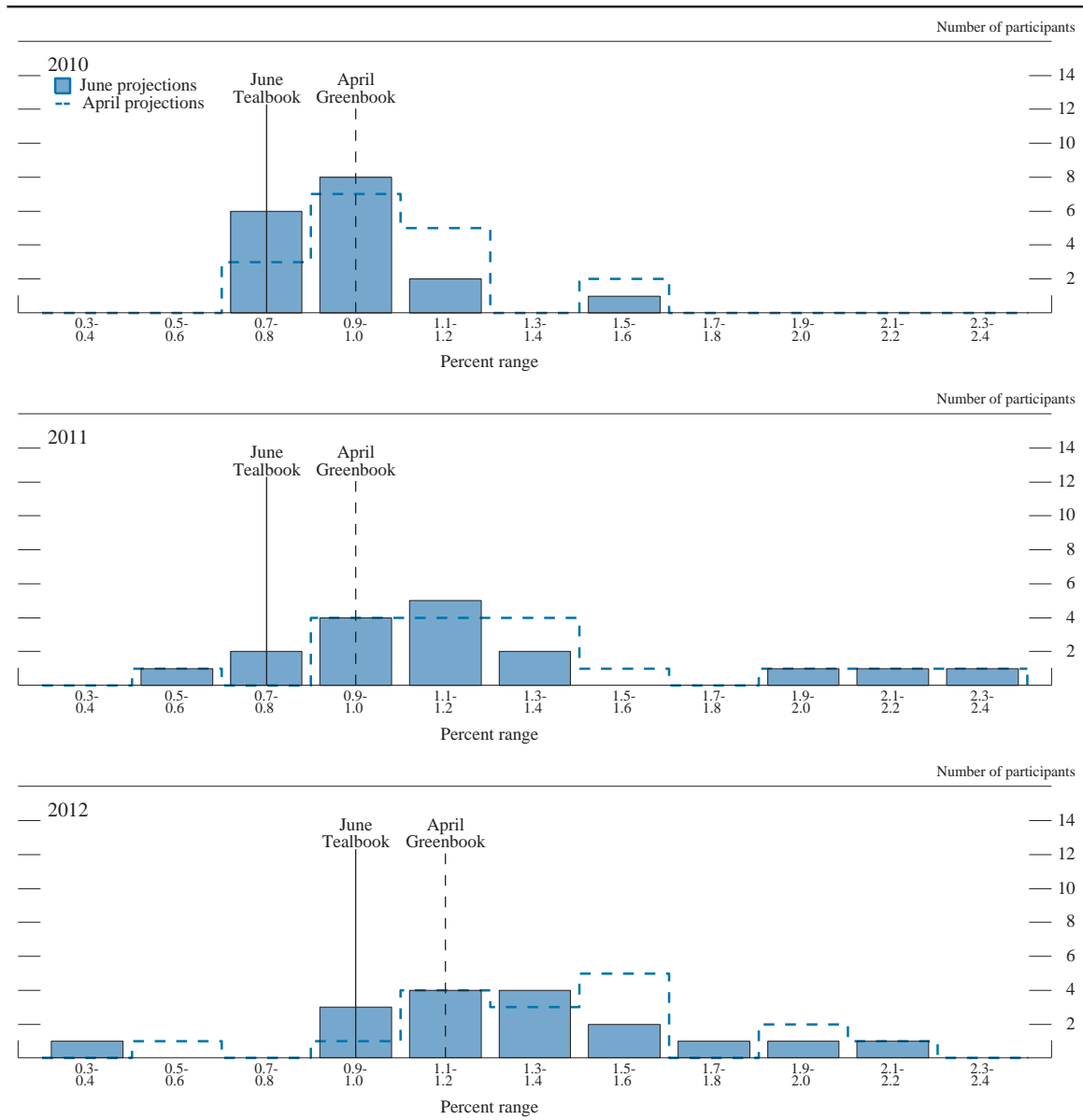
NOTE: Definitions of variables are in the general note to table 1.

Figure 2.C. Distribution of participants' projections for PCE inflation, 2010–12 and over the longer run



NOTE: Definitions of variables are in the general note to table 1.

Figure 2.D. Distribution of participants' projections for core PCE inflation, 2010–12



NOTE: Definitions of variables are in the general note to table 1.