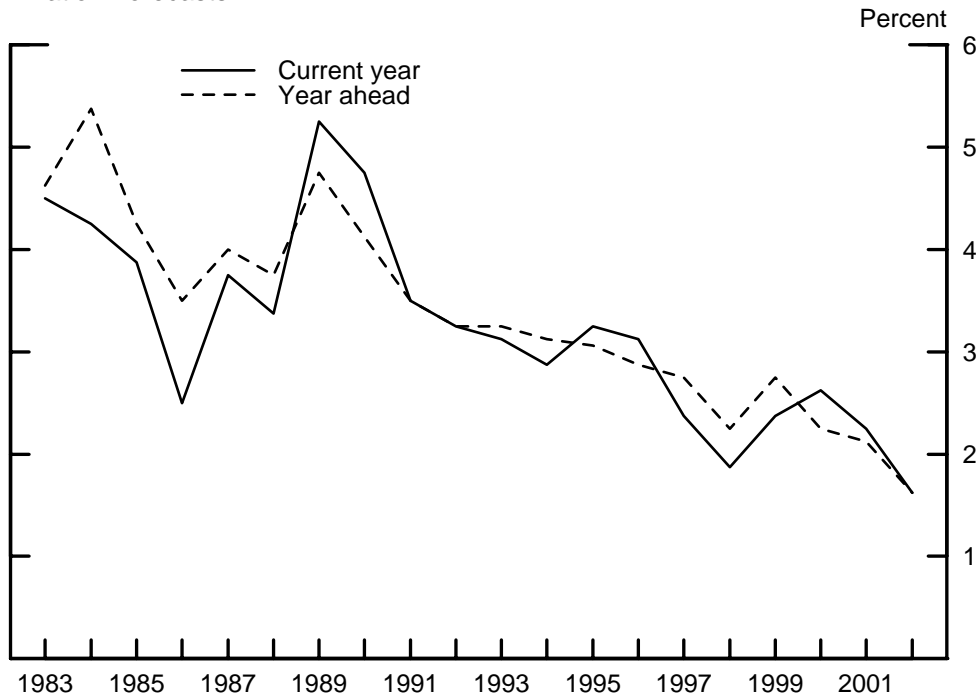


Figure 1

**FOMC Forecasts from Monetary Policy Report**

**Inflation Forecasts**



Measures shown are the mid-point of the range of the central tendency projections reported in the Monetary Policy Report in July of each year. The solid line shows the forecast for inflation in that calendar year; the dashed line shows the forecast made at that time for inflation in the subsequent calendar year. The inflation variable is based on the GNP deflator from 1983 to 1988, the CPI from 1989 to 1999, and the PCE chain-type price index after 1999.