

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
DIVISION OF RESEARCH AND STATISTICS

Date: April 18, 2014
To: Federal Open Market Committee
From: William Wascher
Subject: Staff memo on the Tealbook forecast of business investment

The attached memo by Eugenio Pinto and Stacey Tevlin, “Perspectives on the Recent Weakness in Business Investment,” provides an in-depth analysis of the staff forecast for real business fixed investment (BFI). In particular, the memo outlines the basic framework used by the staff to analyze and project BFI, discusses some reasons for the relatively modest pace of investment growth over the past two years and in the Tealbook forecast, and describes our degree of confidence in the forecast based on the historical accuracy of the staff’s projection. The memo then concludes by raising some key issues that do not fit neatly in our basic framework, but are nonetheless important considerations in our thinking about the forecast for business investment.