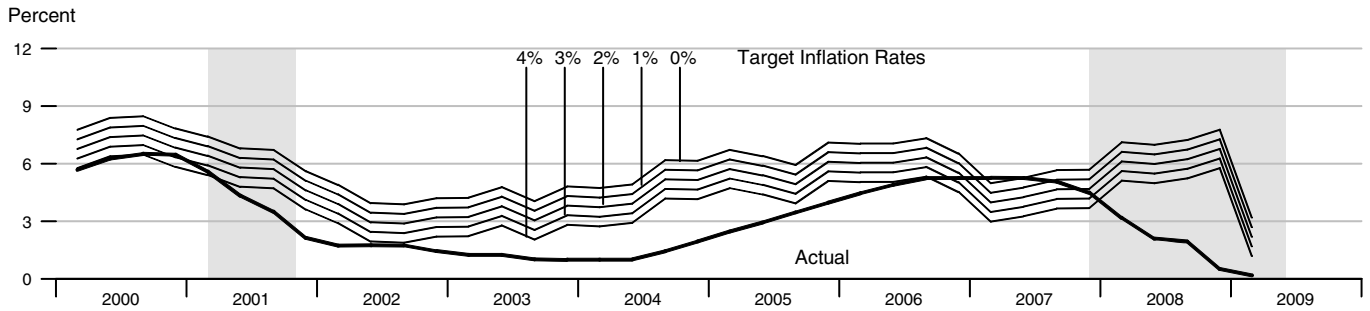


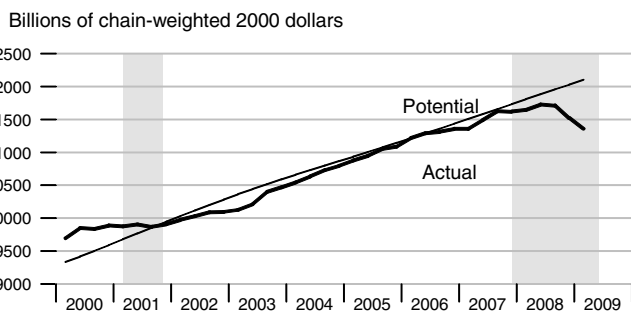
Federal Funds Rate and Inflation Targets



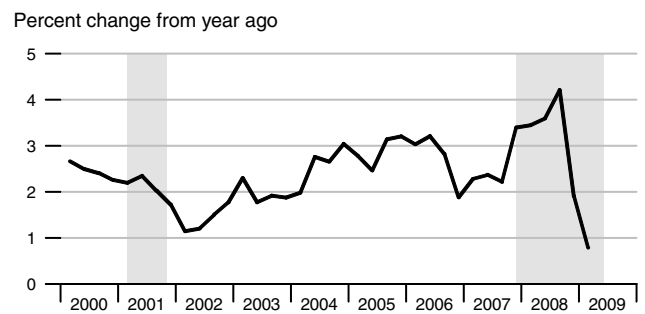
Calculated federal funds rate is based on Taylor's rule.

Components of Taylor's Rule

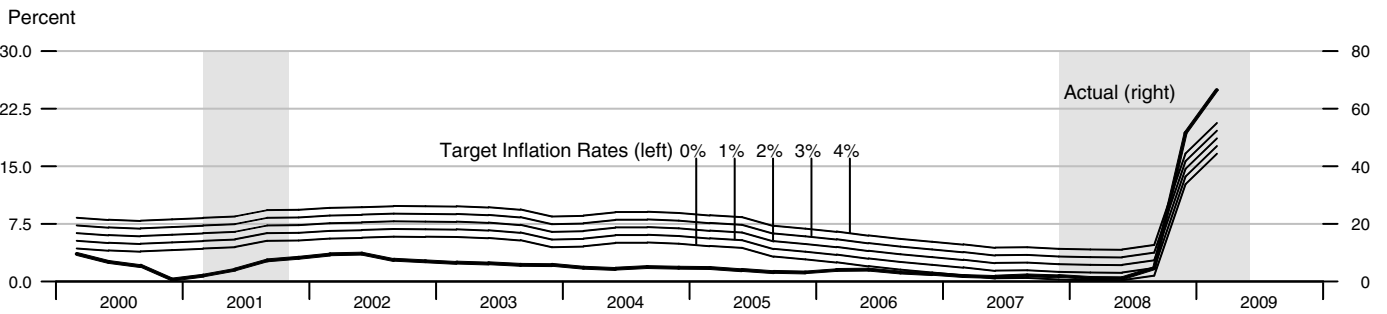
Actual and Potential Real GDP



PCE Inflation



Monetary Base Growth* and Inflation Targets

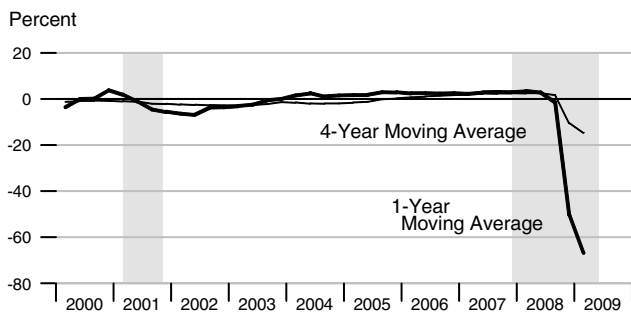


*Modified for the effects of sweeps programs on reserve demand. Calculated base growth is based on McCallum's rule. Actual base growth is percent change from year ago.

See notes on page 19.

Components of McCallum's Rule

Monetary Base Velocity Growth



Real Output Growth

