

## Monetary Policy Stance: The View from Consumption Spending

The Federal Reserve has set the target range for the federal funds rate at 0 to 0.25 percent and intends to keep this rate near zero for an extended period. According to the policy statement issued after the September 23 Federal Open Market Committee (FOMC) meeting, the Committee will maintain this range and “continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period.”

Generally, policymakers try to “lean against the wind”—that is, they keep the federal funds rate below a neutral interest rate when the economy is weak and above it when the economy is strong. There is no clear consensus about the appropriate definition of a “neutral interest rate” to be used to evaluate whether monetary policy is “easy” or “tight.” One method is to look at long-term interest rates. Another, used here, is to appeal to economic theory to gain from observations on consumption spending.

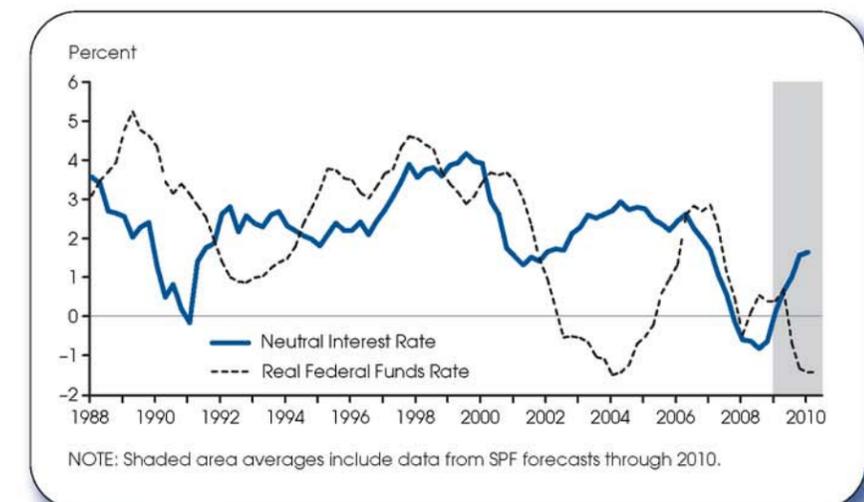
Models in economics and finance relate consumption growth to the interest rate. In the basic models, this is an asset pricing relationship that depends on the average household’s discount factor (a measure of their preference for consuming today rather than tomorrow) and degree of risk aversion. In calculating the implied market interest rate, we choose a discount factor and degree of risk aversion so that the series for the neutral interest rate would be, on average, equal to the real federal funds rate since 1988. For the period since 1958, with these assumptions the neutral rate is only 27 basis points below the average real federal funds rate.

The chart shows the real effective federal funds rate and the neutral interest rate implied by the consumption-based asset pricing formula. The federal funds rate is adjusted for inflation using the chain price index for personal consumption expenditures.<sup>1</sup> Different assumptions about the discount factor and people’s aversion to risk would shift the average level of the implied market rate up or down, but would have only a minor effect on the cyclical pattern of the difference between the series.

According to this standard for measuring the stance of policy, monetary policy was relatively tight during the late 1980s through 1991. Policy was easy from mid-1992 until early 1994 and then, except for a brief period following the Russian bond default, relatively tight through 2001. Policy was very easy from 2002 through 2005. To see the stance of policy going forward, the series on the chart are extended to the end of 2010 using forecasts of inflation and consumption growth from the Federal Reserve Bank of Philadelphia’s Survey of Professional Forecasters (SPF) and assuming that the extended period for the current Fed forecast goes to the end of 2010. If the forecast is accurate, consumption growth and the implied rate should both increase and become positive over the next quarters. With a positive inflation forecast and the FOMC promise to keep the federal funds rate target near zero for an “extended” period, we should expect a third business cycle in succession in which the real federal funds rate reaches its trough well after the economy begins to recover.

—William T. Gavin

<sup>1</sup> The data on the real federal funds rate and our measure of the neutral interest rate are quite volatile from one period to the next. Therefore, we smooth the data by taking a centered 5-quarter moving average for both variables. By centering the moving average, we smooth the series without distorting the timing of the peaks and troughs.



Views expressed do not necessarily reflect official positions of the Federal Reserve System.

Page	
3	Economy at a Glance
4	Output and Growth
7	Interest Rates
8	Inflation and Prices
10	Labor Markets
12	Consumer Spending
14	Investment Spending
16	Government Revenues, Spending, and Debt
18	International Trade
20	Productivity and Profits
22	Quick Reference Tables
27	Notes and Sources

## Conventions used in this publication:

1. Shaded areas indicate recessions, as determined by the National Bureau of Economic Research.
2. *Percent change* refers to simple percent changes. *Percent change from year ago* refers to the percent change from the same month or quarter during the previous year. *Compounded annual rate of change* shows what the growth rate would be over an entire year if the same simple percent change continued for four quarters or twelve months. The compounded annual rate of change of  $x$  between the previous quarter  $t-1$  and the current quarter  $t$  is:  $[(x_t/x_{t-1})^4 - 1] \times 100$ . For monthly data replace 4 with 12.
3. All data with significant seasonal patterns are adjusted accordingly, unless labeled NSA.

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## Notes

*Pages 4, 5: Final Sales* is gross domestic product (GDP) minus change in private inventories. **Advance, Preliminary, and Final GDP Growth Rates** are released during the first, second, and third months of the following quarter. Changes result from incorporation of more complete information. Real GDP is measured in 2005 dollars. The **ISM** (formerly Purchasing Managers') **Index** is a weighted average of diffusion indexes for new orders, production, supplier deliveries, inventories, and employment. **Aggregate and Average Weekly Hours** are paid hours of production and nonsupervisory employees. The **Inventory-Sales Ratio** uses nominal (current-dollar) inventory and sales data.

*Page 6:* For information on how to calculate the **Contribution** of a component to the overall GDP growth rate, see the October 1999 issue of the Survey of Current Business, p. 16. The sign is changed for **Imports**.

*Page 7:* Ten-year **Treasury Yields** are adjusted to constant maturity; three-month yields are secondary market averages. All rates used in the yield curves are adjusted to constant maturity. **Standard and Poor's 500 Index with Reinvested Dividends** shows the total return: capital gains plus dividends.

*Pages 8, 9: Oil* (West Texas intermediate) and **Natural Gas** (Henry Hub) spot and futures **prices** are listed in the *Wall Street Journal*. Spot prices are monthly averages of daily prices; futures prices are usually taken from the last trading day of the month. **Consumer Price Index** is for all urban consumers. The **Consumption Chain Price Index** is the index associated with the personal consumption expenditures component of GDP. The **Employment Cost Index (ECI)** covers private nonfarm employers. **ECI Compensation** refers to a fixed sample of jobs, while **Compensation per Hour** covers all workers in the nonfarm business sector in a given quarter. In both cases, compensation is wages and salaries plus benefits.

*Pages 10, 11:* Effective with the January 2008 **Employment Situation**, the establishment survey data for employment, hours, and earnings have been converted from the 2002 NAICS system to the 2007 NAICS system. For more information see <http://www.bls.gov/ces/>. **Nonfarm Payroll Employment** is counted in a survey of about 400,000 establishments (Current Employment Statistics). It excludes self-employed individuals and workers in private households, but double-counts individuals with more than one job. The **Household Survey** (Current Population Survey) of about 60,000 households provides estimates of civilian employment, unemployment rate, labor force participation rate, and employment-population ratio. **Population** is civilian, noninstitutional, 16 years and over. The 90 percent confidence intervals for the unemployment rate ( $\pm 0.2$  percentage points) and change in household survey employment ( $\pm 430,000$ ) measure uncertainty due to sample size. Because the household survey was changed in January 1994, data prior to this date are not strictly comparable. The Bureau of Labor Statistics announced several revisions to the Household Survey on Feb. 7, 2003, with the release of the January 2003 data. For more information, see [www.bls.gov/cps/](http://www.bls.gov/cps/). The **Job Openings rate** is the number of job openings on the last business day of the month as a percent of total employment plus job openings.

*Page 13:* The **Michigan Consumer Sentiment Index** shows changes in a summary measure of consumers' answers to five questions about their current and expected financial situation, expectations about future economic conditions, and attitudes about making large purchases. The survey is based on a representative sample of U.S. households.

*Page 15:* **Gross Private Saving** is the sum of personal saving, undistributed corporate profits with IVA and CCAj (see notes for pp. 18-19), and private wage accruals less disbursements. **Gross Government Saving** is net government saving (surplus/deficit) plus consumption of fixed capital. **Balance on Current Account (NIPA)** is net capital transfer payments to the rest of the world plus net lending or net borrowing (international trade and income flows).

*Pages 16, 17: Government Consumption and Investment* is current expenditures on goods and services, including capital consumption (depreciation) and gross investment, as reported in the NIPAs. The **Unified Federal Budget Surplus/Deficit** differs from **NIPA Basis** in four main ways: (1) NIPA excludes transactions involving existing assets; (2) NIPA outlays exclude government investment and include consumption of government capital, while unified budget outlays do the reverse; (3) NIPA accounts exclude Puerto Rico and U.S. territories; and (4) various timing issues are handled differently. **Outlays and Receipts** are from the NIPAs, except as noted. Since 1977, the federal **Fiscal Year** starts on October 1. Excluded agency debt was 0.6 percent of federal debt at the end of fiscal 1997. **Federal Debt Held by the Public** includes holdings of the Federal Reserve System and excludes holdings of the social security and other federal trust funds. Federal grants in aid to state and local governments appear in both state and local receipts and federal outlays.

*Pages 18, 19:* The **Trade Balance** (shown on a balance of payments basis) is the difference between exports and imports of goods (merchandise) and services. It is nearly identical in concept to the **Net Exports** component of GDP, but differs slightly in accounting details. The **Investment Income Balance** equals income received from U.S.-owned assets in other countries minus income paid on foreign-owned assets in the U.S. The investment income balance is nearly identical in concept to the difference between gross national product and gross domestic product, but differs in accounting details. The **Current Account Balance** is the trade balance plus the balance on investment income plus net unilateral transfers to the U.S. from other countries.

*Pages 20, 21: Output per Hour (Y/H), Unit Labor Cost (C/Y), and Compensation per Hour (C/H)* are indexes which approximately obey the following relationship:  $\%(Y/H) + \%(C/Y) = \%(C/H)$  with  $\%(C/H)$  meaning percent changes. Unit labor cost is shown on page 9. **Real Compensation per Hour** uses the CPI to adjust for the effects of inflation. Nonfarm business accounted for about 77 percent of the value of GDP in 2000, while nonfinancial corporations accounted for about 54 percent. **Inventory Valuation Adjustments (IVA)** remove the effect of changes in the value of existing inventories from corporate profits and proprietors' income. (This change in value does not correspond to current production and therefore is not part of GDP). **Capital Consumption Adjustments (CCAj)** increase profits and proprietors' income by the difference between estimates of economic depreciation and depreciation allowed by the tax code. Components of national income not shown are rental income of persons and net interest.

## Sources

*Bureau of Economic Analysis (BEA), U.S. Dept. of Commerce*  
 National income and product accounts, international trade and investment data (except by country), auto and light truck sales.

*Census Bureau, U.S. Dept. of Commerce*  
 Inventory-sales ratios, retail sales, capital goods orders, housing starts, exports and imports by country.

*Bureau of Labor Statistics (BLS), U.S. Dept. of Labor*  
 All employment-related data, employment cost index, consumer and producer price indexes, unit labor cost, output per hour, compensation per hour, multifactor productivity.

*United States Department of Treasury*  
 Unified budget receipts, outlays, deficit, debt.

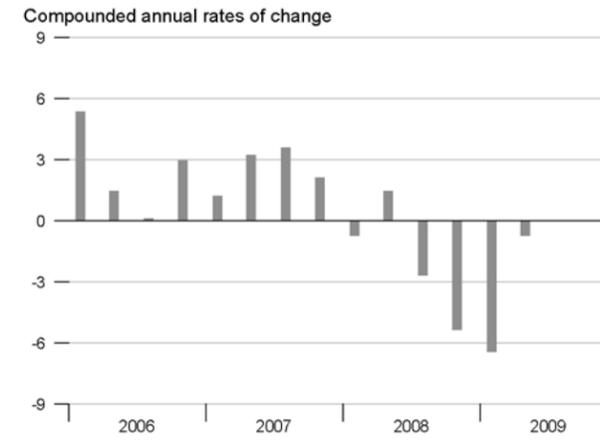
*Federal Reserve Board*  
 Index of industrial production, treasury yields, exchange rates, capacity utilization, household debt.

*The Survey Research Center, The University of Michigan*  
 Consumer sentiment index.

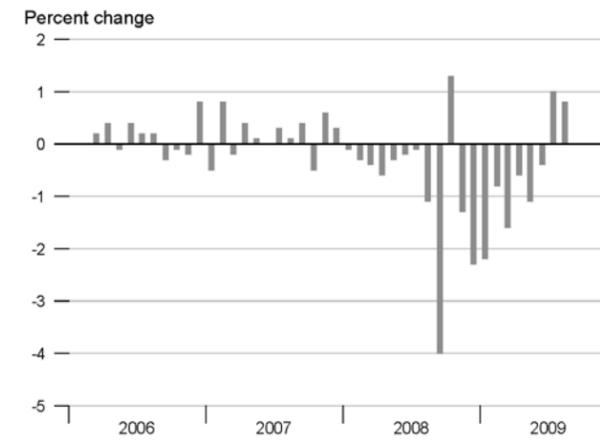
*Organization for Economic Cooperation and Development (OECD)*  
 GDP for major trading partners (not available on FRED).

	Consumer Price Index					Consumer Price Index less Food and Energy					Producer Price Index Finished Goods				
	Index	Percent change				Index	Percent change				Index	Percent change			
		Monthly/quarterly	Annual rate	Year ago	Year to date		Monthly/quarterly	Annual rate	Year ago	Year to date		Monthly/quarterly	Annual rate	Year ago	
2004	188.908			2.7		196.642			1.8		148.5			3.6	
2005	195.292			3.4		200.883			2.2		155.8			4.9	
2006	201.583			3.2		205.933			2.5		160.3			2.9	
2007	207.348			2.9		210.730			2.3		166.6			3.9	
2008	215.224			3.8		215.570			2.3		177.3			6.4	
2007	1	204.426	1.0	3.9	2.4	3.9	208.993	0.6	2.3	2.6	2.3	162.6	1.6	6.4	1.9
	2	206.542	1.0	4.2	2.6	4.0	210.097	0.5	2.1	2.3	2.2	166.0	2.0	8.5	3.4
	3	207.747	0.6	2.4	2.3	3.5	211.204	0.5	2.1	2.1	2.2	166.9	0.6	2.4	3.6
	4	210.679	1.4	5.8	4.0	4.0	212.627	0.7	2.7	2.3	2.3	171.0	2.4	10.1	6.8
2008	1	213.007	1.1	4.5	4.2	4.5	213.942	0.6	2.5	2.4	2.5	174.4	2.0	8.1	7.2
	2	215.358	1.1	4.5	4.3	4.5	215.007	0.5	2.0	2.3	2.3	178.5	2.4	9.9	7.6
	3	218.620	1.5	6.2	5.2	5.1	216.493	0.7	2.8	2.5	2.4	182.7	2.4	9.7	9.5
	4	213.910	-2.2	-8.3	1.5	1.5	216.836	0.2	0.6	2.0	2.0	173.4	-5.1	-19.0	1.4
2009	1	212.632	-0.6	-2.4	-0.2	-2.4	217.659	0.4	1.5	1.7	1.5	170.6	-1.6	-6.2	-2.2
	2	213.335	0.3	1.3	-0.9	-0.5	218.949	0.6	2.4	1.8	2.0	171.2	0.4	1.4	-4.1
2007	Aug	207.520	0.1	1.1	1.9	3.1	211.159	0.1	1.7	2.1	2.2	166.2	-0.6	-6.9	2.4
	Sep	208.382	0.4	5.1	2.8	3.3	211.587	0.2	2.5	2.1	2.2	167.4	0.7	9.0	4.5
	Oct	209.133	0.4	4.4	3.6	3.5	212.070	0.2	2.8	2.2	2.3	168.6	0.7	8.9	6.3
	Nov	211.166	1.0	12.3	4.4	4.2	212.644	0.3	3.3	2.3	2.4	172.6	2.4	32.5	7.6
	Dec	211.737	0.3	3.3	4.2	4.2	213.166	0.2	3.0	2.4	2.4	171.8	-0.5	-5.4	6.4
2008	Jan	212.495	0.4	4.4	4.4	4.4	213.714	0.3	3.1	2.5	3.1	173.4	0.9	11.8	7.8
	Feb	212.860	0.2	2.1	4.2	3.2	213.859	0.1	0.8	2.3	2.0	174.1	0.4	5.0	6.9
	Mar	213.667	0.4	4.6	4.1	3.7	214.252	0.2	2.2	2.4	2.1	175.6	0.9	10.8	6.9
	Apr	213.997	0.2	1.9	3.9	3.2	214.496	0.1	1.4	2.3	1.9	176.0	0.2	2.8	6.4
	May	215.044	0.5	6.0	4.0	3.8	214.950	0.2	2.6	2.3	2.0	178.6	1.5	19.2	7.3
	Jun	217.034	0.9	11.7	4.8	5.1	215.575	0.3	3.5	2.4	2.3	181.0	1.3	17.4	9.0
	Jul	218.610	0.7	9.1	5.4	5.6	216.162	0.3	3.3	2.5	2.4	183.4	1.3	17.1	9.7
	Aug	218.576	-0.0	-0.2	5.3	4.9	216.534	0.2	2.1	2.5	2.4	182.5	-0.5	-5.7	9.8
	Sep	218.675	0.0	0.5	4.9	4.4	216.784	0.1	1.4	2.5	2.3	182.3	-0.1	-1.3	8.9
	Oct	216.889	-0.8	-9.4	3.7	2.9	216.758	-0.0	-0.1	2.2	2.0	177.6	-2.6	-26.9	5.3
	Nov	213.263	-1.7	-18.3	1.0	0.8	216.868	0.1	0.6	2.0	1.9	172.8	-2.7	-28.0	0.1
	Dec	211.577	-0.8	-9.1	-0.1	-0.1	216.882	0.0	0.1	1.7	1.7	169.7	-1.8	-19.5	-1.2
2009	Jan	212.174	0.3	3.4	-0.2	3.4	217.265	0.2	2.1	1.7	2.1	171.2	0.9	11.1	-1.3
	Feb	213.007	0.4	4.8	0.1	4.1	217.670	0.2	2.3	1.8	2.2	171.1	-0.1	-0.7	-1.7
	Mar	212.714	-0.1	-1.6	-0.4	2.2	218.042	0.2	2.1	1.8	2.2	169.5	-0.9	-10.7	-3.5
	Apr	212.671	-0.0	-0.2	-0.6	1.6	218.594	0.3	3.1	1.9	2.4	170.2	0.4	5.1	-3.3
	May	212.876	0.1	1.2	-1.0	1.5	218.910	0.1	1.7	1.8	2.3	170.2	0.0	0.0	-4.7
	Jun	214.459	0.7	9.3	-1.2	2.7	219.344	0.2	2.4	1.7	2.3	173.2	1.8	23.3	-4.3
	Jul	214.469	0.0	0.1	-1.9	2.4	219.543	0.1	1.1	1.6	2.1	171.7	-0.9	-9.9	-6.4
	Aug	215.428	0.4	5.5	-1.4	2.7	219.692	0.1	0.8	1.5	1.9	174.7	1.7	23.1	-4.3

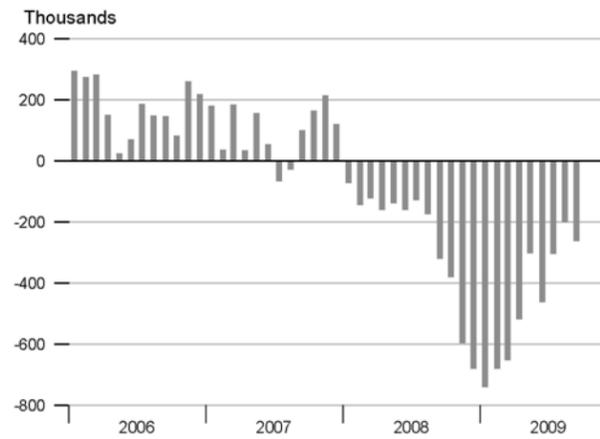
Real GDP Growth



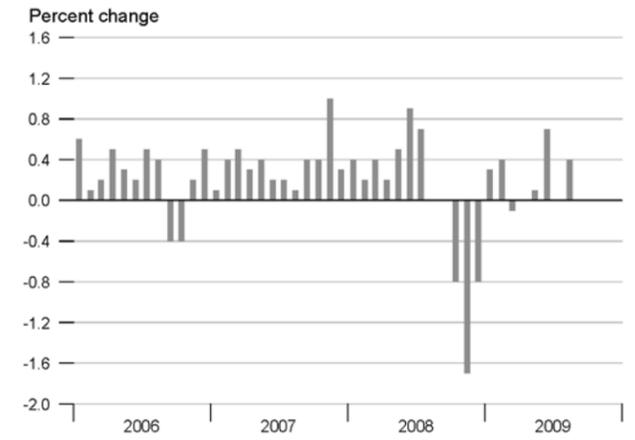
Industrial Production



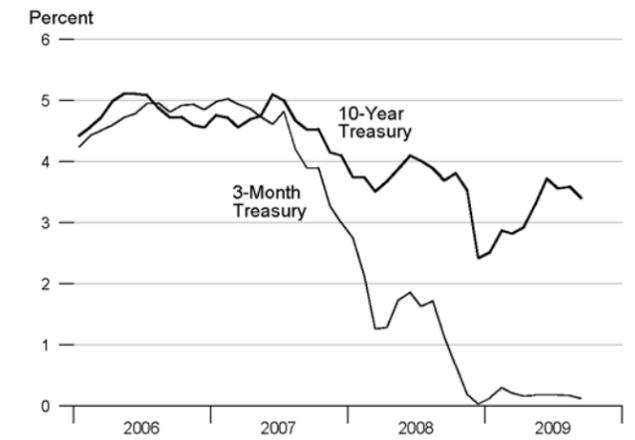
Change in Nonfarm Payrolls



Consumer Price Index



Interest Rates

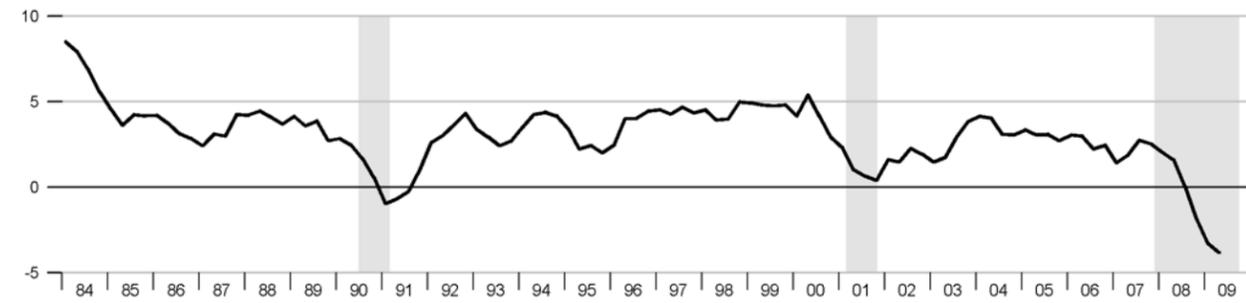


Unemployment Rate



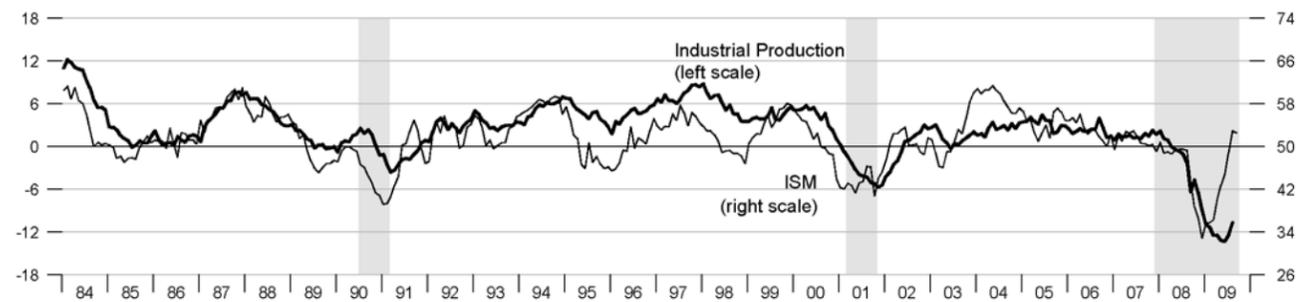
**Real Gross Domestic Product**

Percent change from year ago



**Industrial Production and Institute for Supply Management (ISM) Indexes**

Percent change from year ago



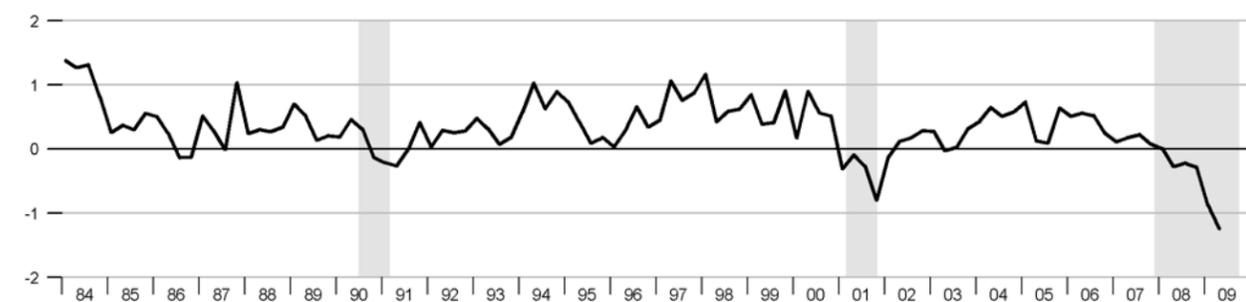
**Aggregate Private Nonfarm Hours**

Percent change from year ago



**Real Change in Private Inventories**

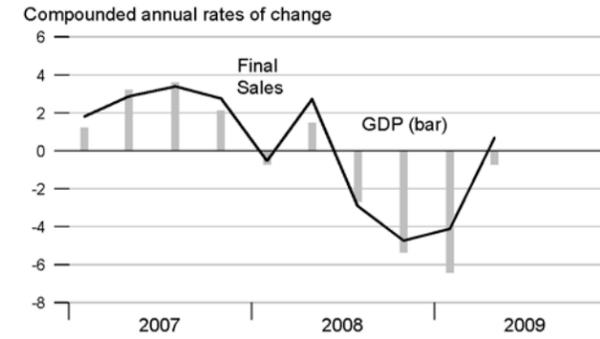
Percent of GDP



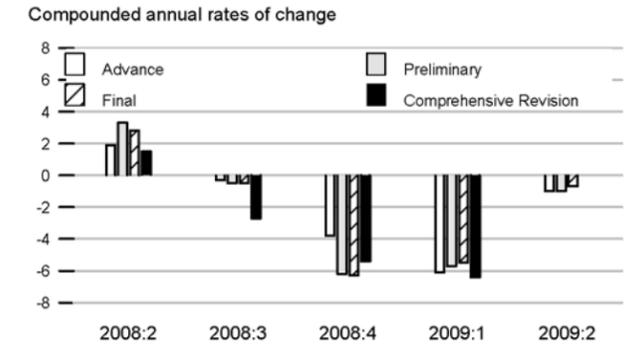
	Unempl. Rate	Retail and Food Services Sales			Industrial Production			Treasury Yields			
		Billions of dollars	Percent change		Index	Percent change		(Percent)			
			Monthly/quarterly	Annual rate	Year ago		Monthly/quarterly	Annual rate	Year ago	3-mo	10-yr
2004	5.5	3833.094			6.1	103.8293			2.5	1.37	4.27
2005	5.1	4078.223			6.4	107.2289			3.3	3.15	4.29
2006	4.6	4294.467			5.3	109.6790			2.3	4.73	4.79
2007	4.6	4435.842			3.3	111.3193			1.5	4.35	4.63
2008	5.8	4403.947			-0.7	108.8185			-2.2	1.37	3.67
2007	1	1095.943	1.3	5.2	2.6	110.4694	0.5	1.8	1.3	4.98	4.68
	2	1101.816	0.5	2.2	3.0	111.1307	0.6	2.4	1.4	4.74	4.85
	3	1108.003	0.6	2.3	3.1	111.7206	0.5	2.1	1.4	4.30	4.73
	4	1130.080	2.0	8.2	4.4	111.9566	0.2	0.8	1.8	3.39	4.26
2008	1	1124.247	-0.5	-2.0	2.6	112.0106	0.0	0.2	1.4	2.04	3.66
	2	1128.726	0.4	1.6	2.4	110.7109	-1.2	-4.6	-0.4	1.63	3.89
	3	1111.792	-1.5	-5.9	0.3	108.1232	-2.3	-9.0	-3.2	1.49	3.86
	4	1039.182	-6.5	-23.7	-8.0	104.4294	-3.4	-13.0	-6.7	0.30	3.25
2009	1	1024.683	-1.4	-5.5	-8.9	99.0679	-5.1	-19.0	-11.6	0.21	2.74
	2	1021.129	-0.3	-1.4	-9.5	96.3564	-2.7	-10.5	-13.0	0.17	3.31
	3									0.16	3.52
2007	Sep	372.006	1.0	12.8	4.2	112.0071	0.4	4.3	1.8	3.89	4.52
	Oct	373.893	0.5	6.3	4.5	111.4196	-0.5	-6.1	1.5	3.90	4.53
	Nov	379.767	1.6	20.6	5.6	112.0541	0.6	7.1	2.3	3.27	4.15
	Dec	376.420	-0.9	-10.1	3.3	112.3962	0.3	3.7	1.7	3.00	4.10
2008	Jan	376.262	-0.0	-0.5	3.6	112.3389	-0.1	-0.6	2.2	2.75	3.74
	Feb	373.140	-0.8	-9.5	2.4	112.0435	-0.3	-3.1	1.1	2.12	3.74
	Mar	374.845	0.5	5.6	1.8	111.6495	-0.4	-4.1	0.9	1.26	3.51
	Apr	376.009	0.3	3.8	2.8	111.0012	-0.6	-6.7	-0.0	1.29	3.68
	May	376.662	0.2	2.1	1.8	110.6820	-0.3	-3.4	-0.4	1.73	3.88
	Jun	376.055	-0.2	-1.9	2.7	110.4494	-0.2	-2.5	-0.7	1.86	4.10
	Jul	374.103	-0.5	-6.1	1.7	110.3760	-0.1	-0.8	-1.0	1.63	4.01
	Aug	371.134	-0.8	-9.1	0.8	109.1570	-1.1	-12.5	-2.2	1.72	3.89
	Sep	366.555	-1.2	-13.8	-1.5	104.8367	-4.0	-38.4	-6.4	1.13	3.69
	Oct	355.037	-3.1	-31.8	-5.0	106.1626	1.3	16.3	-4.7	0.67	3.81
	Nov	347.707	-2.1	-22.1	-8.4	104.7607	-1.3	-14.7	-6.5	0.19	3.53
	Dec	336.438	-3.2	-32.7	-10.6	102.3650	-2.3	-24.2	-8.9	0.03	2.42
2009	Jan	342.017	1.7	21.8	-9.1	100.1154	-2.2	-23.4	-10.9	0.13	2.52
	Feb	343.438	0.4	5.1	-8.0	99.3397	-0.8	-8.9	-11.3	0.30	2.87
	Mar	339.228	-1.2	-13.8	-9.5	97.7486	-1.6	-17.6	-12.5	0.21	2.82
	Apr	338.344	-0.3	-3.1	-10.0	97.1751	-0.6	-6.8	-12.5	0.16	2.93
	May	339.873	0.5	5.6	-9.8	96.1207	-1.1	-12.3	-13.2	0.18	3.29
	Jun	342.912	0.9	11.3	-8.8	95.7734	-0.4	-4.3	-13.3	0.18	3.72
	Jul	342.280	-0.2	-2.2	-8.5	96.6893	1.0	12.1	-12.4	0.18	3.56
	Aug	351.418	2.7	37.2	-5.3	97.4422	0.8	9.8	-10.7	0.17	3.59
	Sep	9.8								0.12	3.40

	Household Survey Employment				Nonfarm Payroll Employment				Nonfarm Aggregate Hours			
	Thousands	Change	Percent change		Thousands	Change	Percent change		Index	Monthly rate	Percent change	
			Annual rate	Year ago			Annual rate	Year ago			Annual rate	Year ago
2004	139240	1511		1.1	131419	1423		1.1	100.2			1.6
2005	141714	2474		1.8	133699	2280		1.7	102.7			2.6
2006	144420	2707		1.9	136098	2398		1.8	105.8			3.0
2007	146050	1629		1.1	137604	1507		1.1	107.3			1.4
2008	145368	-681		-0.5	137046	-558		-0.4	106.2			-1.0
2007	1	146081	459	1.3	137265	498	1.5	1.4	106.8	0.2	0.8	1.8
	2	145873	-208	-0.6	137557	292	0.9	1.2	107.3	0.4	1.8	1.5
	3	145969	96	0.3	137595	38	0.1	1.0	107.3	0.0	0.0	1.3
	4	146275	306	0.8	138000	406	1.2	0.9	107.7	0.4	1.5	1.0
2008	1	146138	-137	-0.4	137943	-57	-0.2	0.5	107.5	-0.1	-0.5	0.7
	2	145990	-149	-0.4	137509	-434	-1.3	-0.0	106.9	-0.6	-2.3	-0.3
	3	145299	-690	-1.9	137004	-505	-1.5	-0.4	106.1	-0.7	-2.8	-1.1
	4	144046	-1253	-3.4	135727	-1277	-3.7	-1.6	104.1	-1.9	-7.4	-3.3
2009	1	141578	-2468	-6.7	133662	-2065	-5.9	-3.1	101.7	-2.3	-8.9	-5.4
	2	140591	-987	-2.8	132125	-1537	-4.5	-3.9	99.7	-2.0	-7.8	-6.8
	3	139518	-1073	-3.0	131189	-935	-2.8	-4.2	98.9	-0.8	-3.0	-6.8
2007	Sep	146203	471	3.9	137652	100	0.9	0.9	107.3	0.1	1.1	1.4
	Oct	145867	-336	-2.7	137817	165	1.4	1.0	107.5	0.2	2.3	1.2
	Nov	146665	798	6.8	138032	215	1.9	0.9	107.7	0.2	2.3	1.1
	Dec	146294	-371	-3.0	138152	120	1.0	0.8	107.8	0.1	1.1	0.7
2008	Jan	146317	23	0.2	138080	-72	-0.6	0.7	107.5	-0.3	-3.3	0.8
	Feb	146075	-242	-2.0	137936	-144	-1.2	0.5	107.6	0.1	1.1	0.9
	Mar	146023	-52	-0.4	137814	-122	-1.1	0.3	107.5	-0.1	-1.1	0.3
	Apr	146257	234	1.9	137654	-160	-1.4	0.2	107.4	-0.1	-1.1	0.5
	May	145974	-283	-2.3	137517	-137	-1.2	-0.1	106.9	-0.5	-5.4	-0.5
	Jun	145738	-236	-1.9	137356	-161	-1.4	-0.2	106.4	-0.5	-5.5	-1.0
	Jul	145596	-142	-1.2	137228	-128	-1.1	-0.3	106.2	-0.2	-2.2	-1.0
	Aug	145273	-323	-2.6	137053	-175	-1.5	-0.4	106.4	0.2	2.3	-0.7
	Sep	145029	-244	-2.0	136732	-321	-2.8	-0.7	105.8	-0.6	-6.6	-1.4
	Oct	144657	-372	-3.0	136352	-380	-3.3	-1.1	105.0	-0.8	-8.7	-2.3
	Nov	144144	-513	-4.2	135755	-597	-5.1	-1.6	104.1	-0.9	-9.8	-3.3
	Dec	143338	-806	-6.5	135074	-681	-5.9	-2.2	103.2	-0.9	-9.9	-4.3
2009	Jan	142099	-1239	-9.9	134333	-741	-6.4	-2.7	102.5	-0.7	-7.8	-4.7
	Feb	141748	-351	-2.9	133652	-681	-5.9	-3.1	101.9	-0.6	-6.8	-5.3
	Mar	140887	-861	-7.1	133000	-652	-5.7	-3.5	100.7	-1.2	-13.3	-6.3
	Apr	141007	120	1.0	132481	-519	-4.6	-3.8	100.1	-0.6	-6.9	-6.8
	May	140570	-437	-3.7	132178	-303	-2.7	-3.9	99.8	-0.3	-3.5	-6.6
	Jun	140196	-374	-3.1	131715	-463	-4.1	-4.1	99.1	-0.7	-8.1	-6.9
	Jul	140041	-155	-1.3	131411	-304	-2.7	-4.2	99.2	0.1	1.2	-6.6
	Aug	139649	-392	-3.3	131210	-201	-1.8	-4.3	99.0	-0.2	-2.4	-7.0
	Sep	138864	-785	-6.5	130947	-263	-2.4	-4.2	98.5	-0.5	-5.9	-6.9

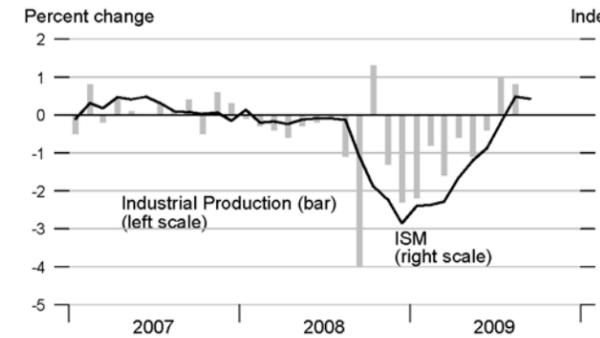
Real Final Sales and GDP



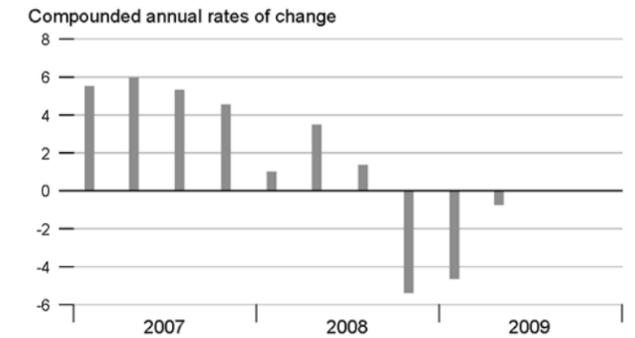
Real GDP Revisions



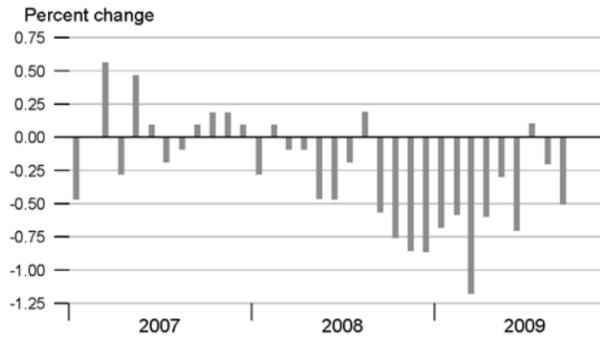
Industrial Production and ISM Index



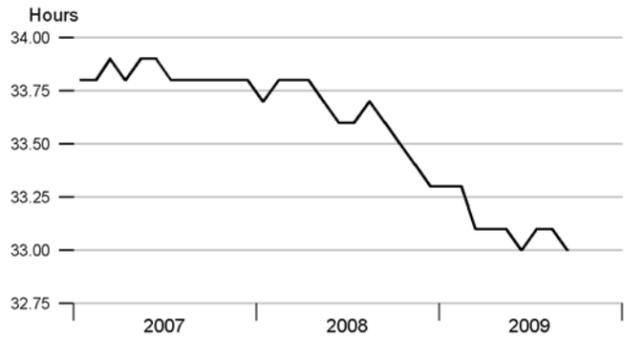
Nominal Gross Domestic Product



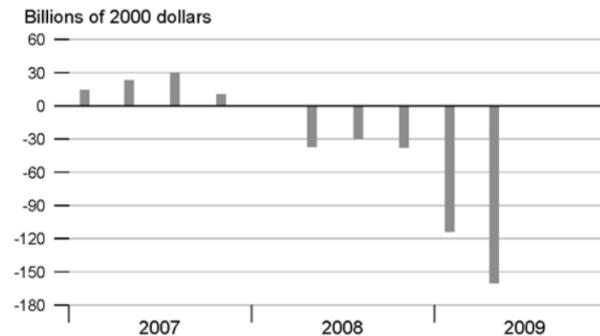
Aggregate Private Nonfarm Hours



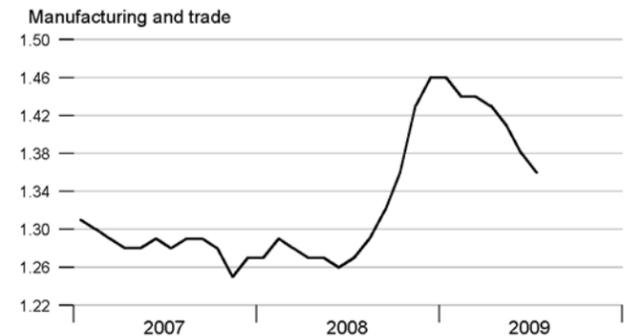
Average Weekly Private Nonfarm Hours



Real Change in Private Inventories

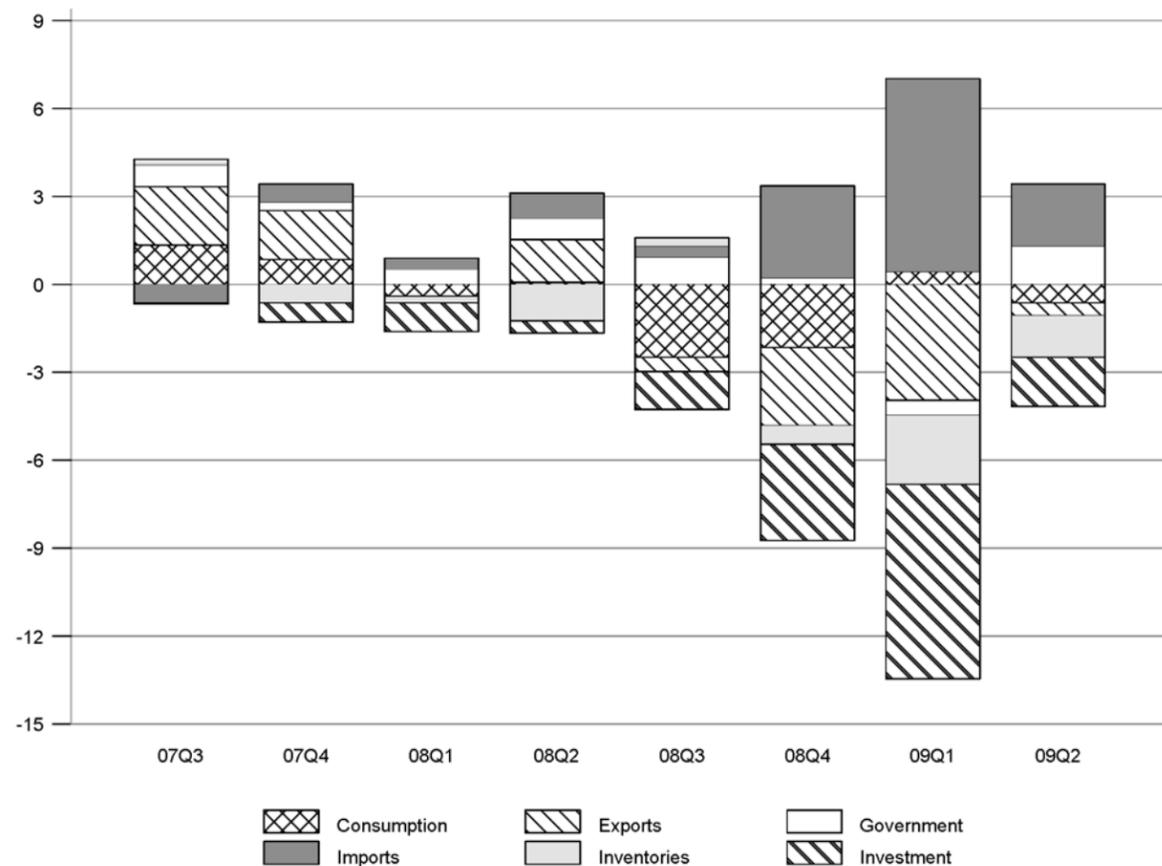


Inventory-Sales Ratio



**Contribution of Components to Real GDP Growth**

Percentage points at compounded annual rates



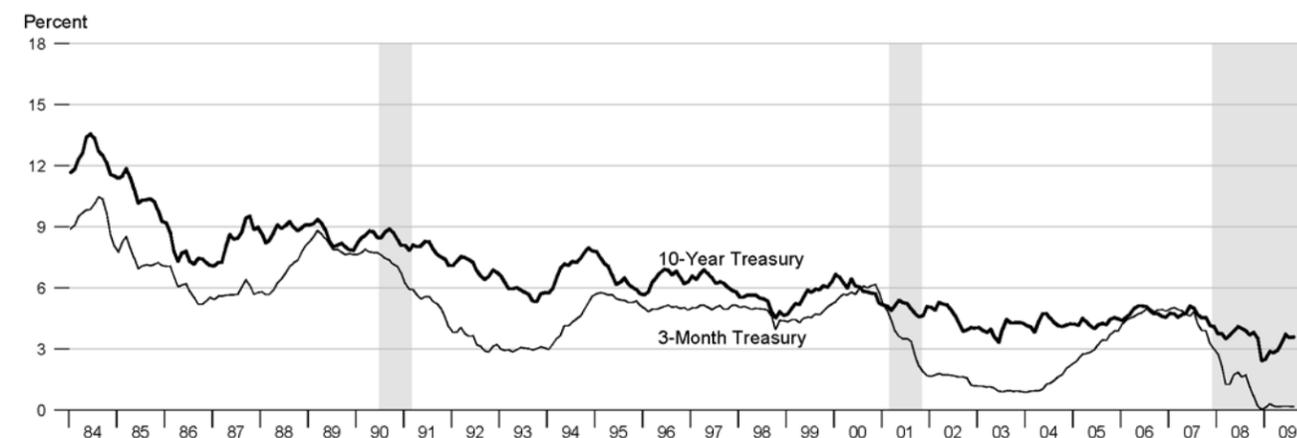
**Contributions to Real GDP Growth Rate**

	2007		2008				2009	
	3rd	4th	1st	2nd	3rd	4th	1st	2nd
<b>Final Sales</b>	3.40	2.75	-0.51	2.71	-2.94	-4.73	-4.07	0.68
<b>Consumption</b>	1.35	0.86	-0.39	0.06	-2.49	-2.15	0.44	-0.62
<b>Fixed Investment</b>	-0.04	-0.66	-0.99	-0.41	-1.30	-3.28	-6.62	-1.68
Nonresidential	1.10	0.78	0.25	0.19	-0.73	-2.47	-5.29	-1.01
Residential	-1.14	-1.44	-1.24	-0.60	-0.57	-0.81	-1.33	-0.67
<b>Government</b>	0.75	0.31	0.51	0.71	0.95	0.24	-0.52	1.33
Federal	0.63	0.19	0.56	0.55	0.93	0.49	-0.33	0.85
State and Local	0.11	0.12	-0.05	0.15	0.01	-0.25	-0.19	0.48
<b>Net Exports</b>	1.36	2.24	0.36	2.35	-0.10	0.45	2.64	1.65
Exports	1.99	1.65	-0.02	1.47	-0.48	-2.67	-3.95	-0.45
Imports	-0.63	0.60	0.38	0.88	0.38	3.12	6.58	2.09
<b>Change in Inventory</b>	0.19	-0.63	-0.21	-1.25	0.26	-0.64	-2.36	-1.42
<b>Residual</b>	-0.01	-0.01	0.12	0.06	0.07	-0.22	0.02	0.02
<b>Real GDP Growth</b>	3.59	2.12	-0.72	1.46	-2.68	-5.37	-6.43	-0.74

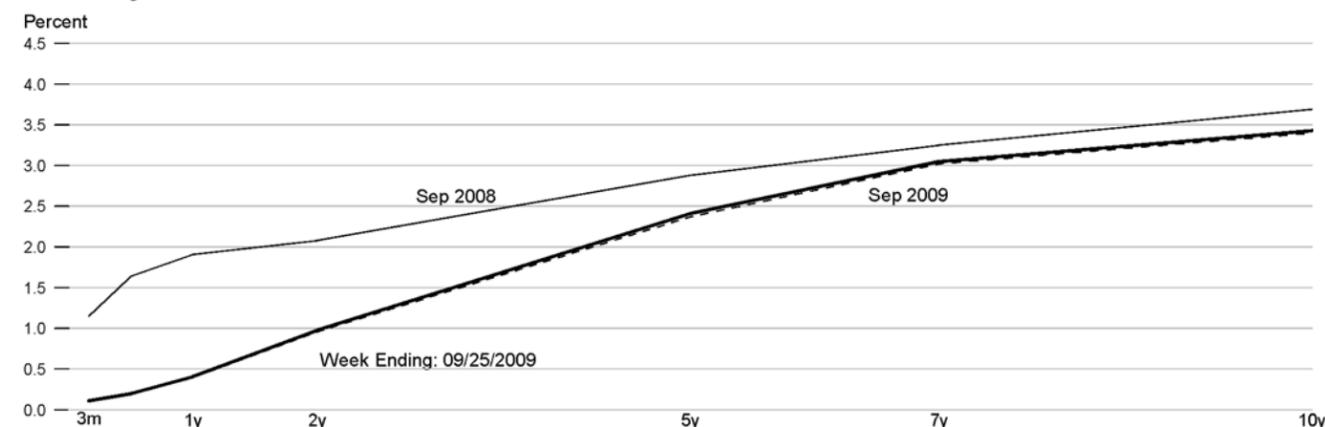
	GDP Chain Price Index			Employment Cost Index			ECI: Wages			ECI: Benefits			
	Index	Percent change		Index	Percent change		Index	Percent change		Index	Percent change		
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago	
2005	100.000		3.3	99.2		3.1	99.2		2.5	99.2		4.6	
2006	103.263		3.3	102.1		2.9	102.1		2.9	102.1		2.9	
2007	106.221		2.9	105.2		3.1	105.5		3.4	104.5		2.4	
2008	108.481		2.1	108.2		2.8	108.7		3.0	107.2		2.6	
2006 1	102.071	3.0	3.3	100.8	2.4	2.6	100.8	2.8	2.5	100.8	2.0	2.9	
2006 2	102.980	3.6	3.6	101.6	3.2	2.8	101.6	3.2	2.8	101.6	3.2	2.8	
2006 3	103.763	3.1	3.3	102.5	3.6	3.0	102.5	3.6	3.1	102.5	3.6	2.8	
2006 4	104.237	1.8	2.9	103.3	3.2	3.1	103.3	3.2	3.2	103.4	3.6	3.1	
2007 1	105.327	4.2	3.2	104.0	2.7	3.2	104.3	3.9	3.5	103.1	-1.2	2.3	
2007 2	106.026	2.7	3.0	104.8	3.1	3.1	105.0	2.7	3.3	104.2	4.3	2.6	
2007 3	106.460	1.6	2.6	105.6	3.1	3.0	105.9	3.5	3.3	104.9	2.7	2.3	
2007 4	107.072	2.3	2.7	106.5	3.5	3.1	106.7	3.1	3.3	105.9	3.9	2.4	
2008 1	107.577	1.9	2.1	107.2	2.7	3.1	107.6	3.4	3.2	106.5	2.3	3.3	
2008 2	108.061	1.8	1.9	107.9	2.6	3.0	108.4	3.0	3.2	106.9	1.5	2.6	
2008 3	109.130	4.0	2.5	108.6	2.6	2.8	109.1	2.6	3.0	107.5	2.3	2.5	
2008 4	109.155	0.1	1.9	109.1	1.9	2.4	109.6	1.8	2.7	107.9	1.5	1.9	
2009 1	109.661	1.9	1.9	109.3	0.7	2.0	109.8	0.7	2.0	108.1	0.7	1.5	
2009 2	109.656	-0.0	1.5	109.5	0.7	1.5	110.0	0.7	1.5	108.3	0.7	1.3	
		<b>Exports</b>			<b>Imports</b>			<b>Nonfarm Output per Hour</b>				<b>Nonfarm Compensation per Hour</b>	
		Percent change			Percent change			Percent change				Percent change	
	Billions of 2000 \$	Annual rate	Year ago	Billions of 2000 \$	Annual rate	Year ago	Index	Annual rate	Year ago	Index	Annual rate	Year ago	
2005	1305.057		6.7	2027.790		6.1	136.233		1.7	162.793		4.0	
2006	1422.020		9.0	2151.204		6.1	137.520		0.9	168.985		3.8	
2007	1546.124		8.7	2193.827		2.0	140.063		1.8	176.041		4.2	
2008	1629.262		5.4	2123.523		-3.2	142.611		1.8	180.965		2.8	
2006 1	1388.773	16.5	8.8	2121.325	7.8	6.5	137.507	2.8	1.2	167.102	5.5	4.1	
2006 2	1412.067	6.9	8.3	2144.880	4.5	6.6	137.702	0.6	1.5	167.980	2.1	3.9	
2006 3	1414.069	0.6	8.5	2170.548	4.9	7.2	137.031	-1.9	0.2	168.567	1.4	2.8	
2006 4	1473.171	17.8	10.2	2168.061	-0.5	4.1	137.839	2.4	0.9	172.266	9.1	4.5	
2007 1	1485.881	3.5	7.0	2190.837	4.3	3.3	138.246	1.2	0.5	174.247	4.7	4.3	
2007 2	1504.758	5.2	6.6	2188.125	-0.5	2.0	139.187	2.8	1.1	175.133	2.0	4.3	
2007 3	1569.896	18.5	11.0	2208.336	3.7	1.7	141.067	5.5	2.9	176.302	2.7	4.6	
2007 4	1623.961	14.5	10.2	2188.007	-3.6	0.9	141.761	2.0	2.8	178.478	5.0	3.6	
2008 1	1623.423	-0.1	9.3	2174.293	-2.5	-0.8	141.737	-0.1	2.5	179.222	1.7	2.9	
2008 2	1670.431	12.1	11.0	2146.478	-5.0	-1.9	142.834	3.1	2.6	179.813	1.3	2.7	
2008 3	1655.183	-3.6	5.4	2134.428	-2.2	-3.3	142.807	-0.1	1.2	181.809	4.5	3.1	
2008 4	1568.010	-19.5	-3.4	2038.891	-16.7	-6.8	143.099	0.8	0.9	183.107	2.9	2.6	
2009 1	1434.549	-29.9	-11.6	1821.043	-36.4	-16.2	143.209	0.3	1.0	180.921	-4.7	0.9	
2009 2	1419.458	-4.1	-15.0	1749.826	-14.7	-18.5	145.524	6.6	1.9	181.053	0.3	0.7	

	Nominal GDP			Real GDP			Final Sales			Change in Private Inventories		
	Billions of \$	Percent change		Billions of 2000 \$	Percent change		Billions of 2000 \$	Percent change		Billions of 2000 \$		
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago	Last qtr	Year/Year ago	
2005	12638.4		6.5	12638.375		3.1	12588.423		3.2		49.953	
2006	13398.9		6.0	12976.249		2.7	12917.095		2.6		59.423	
2007	14077.6		5.1	13254.059		2.1	13234.346		2.5		19.469	
2008	14441.4		2.6	13312.163		0.4	13341.170		0.8		-25.889	
2006 1	13183.5	8.6	6.5	12915.938	5.4	3.0	12851.310	5.9	3.3	65.813	43.548	
2	13347.8	5.1	6.6	12962.462	1.4	3.0	12890.967	1.2	2.5	72.544	57.799	
3	13452.9	3.2	5.6	12965.916	0.1	2.2	12898.340	0.2	1.8	67.510	71.724	
4	13611.5	4.8	5.4	13060.679	3.0	2.4	13027.762	4.1	2.8	31.825	59.423	
2007 1	13795.6	5.5	4.6	13099.901	1.2	1.4	13086.383	1.8	1.8	14.463	46.586	
2	13997.2	6.0	4.9	13203.977	3.2	1.9	13179.586	2.9	2.2	23.297	34.274	
3	14179.9	5.3	5.4	13321.109	3.6	2.7	13290.306	3.4	3.0	29.797	24.846	
4	14337.9	4.5	5.3	13391.249	2.1	2.5	13381.108	2.8	2.7	10.321	19.470	
2008 1	14373.9	1.0	4.2	13366.865	-0.7	2.0	13363.488	-0.5	2.1	0.619	16.009	
2	14497.8	3.5	3.6	13415.266	1.5	1.6	13453.465	2.7	2.1	-37.091	0.912	
3	14546.7	1.4	2.6	13324.600	-2.7	0.0	13354.251	-2.9	0.5	-29.706	-13.964	
4	14347.3	-5.4	0.1	13141.920	-5.4	-1.9	13193.476	-4.7	-1.4	-37.380	-25.890	
2009 1	14178.0	-4.6	-1.4	12925.410	-6.4	-3.3	13055.782	-4.1	-2.3	-113.893	-54.518	
2	14151.2	-0.8	-2.4	12901.504	-0.7	-3.8	13077.807	0.7	-2.8	-160.215	-85.299	
	Consumption			Durables Consumption			Private Fixed Investment			Nonresidential Fixed Investment		
	Billions of 2000 \$	Percent change		Billions of 2000 \$	Percent change		Billions of 2000 \$	Percent change		Billions of 2000 \$	Percent change	
		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago		Annual rate	Year ago
2005	8818.999		3.4	1105.493		5.2	2122.275		6.5	1347.325		6.7
2006	9073.500		2.9	1150.416		4.1	2171.281		2.3	1453.944		7.9
2007	9313.943		2.6	1199.936		4.3	2126.279		-2.1	1544.262		6.2
2008	9290.883		-0.2	1146.310		-4.5	2018.406		-5.1	1569.657		1.6
2006 1	8986.625	4.5	3.1	1142.277	17.0	5.4	2200.168	9.5	5.8	1424.916	18.0	7.8
2	9035.047	2.2	2.6	1139.363	-1.0	2.3	2189.898	-1.9	3.5	1450.307	7.3	8.2
3	9090.711	2.5	2.5	1152.103	4.5	2.3	2162.182	-5.0	0.9	1466.035	4.4	7.8
4	9181.617	4.1	3.3	1167.921	5.6	6.3	2132.875	-5.3	-0.8	1474.517	2.3	7.8
2007 1	9265.135	3.7	3.1	1183.693	5.5	3.6	2118.841	-2.6	-3.7	1489.617	4.2	4.5
2	9291.499	1.1	2.8	1189.884	2.1	4.4	2137.687	3.6	-2.4	1530.277	11.4	5.5
3	9335.583	1.9	2.7	1204.996	5.2	4.6	2135.557	-0.4	-1.2	1565.843	9.6	6.8
4	9363.555	1.2	2.0	1221.172	5.5	4.6	2113.032	-4.2	-0.9	1591.313	6.7	7.9
2008 1	9349.565	-0.6	0.9	1193.169	-8.9	0.8	2079.181	-6.3	-1.9	1598.923	1.9	7.3
2	9350.972	0.1	0.6	1175.732	-5.7	-1.2	2064.783	-2.7	-3.4	1604.432	1.4	4.8
3	9267.708	-3.5	-0.7	1139.580	-11.7	-5.4	2020.376	-8.3	-5.4	1579.202	-6.1	0.9
4	9195.287	-3.1	-1.8	1076.759	-20.3	-11.8	1909.282	-20.2	-9.6	1496.070	-19.5	-6.0
2009 1	9209.213	0.6	-1.5	1087.201	3.9	-8.9	1687.499	-39.0	-18.8	1321.199	-39.2	-17.4
2	9189.042	-0.9	-1.7	1071.746	-5.6	-8.8	1631.918	-12.5	-21.0	1288.355	-9.6	-19.7

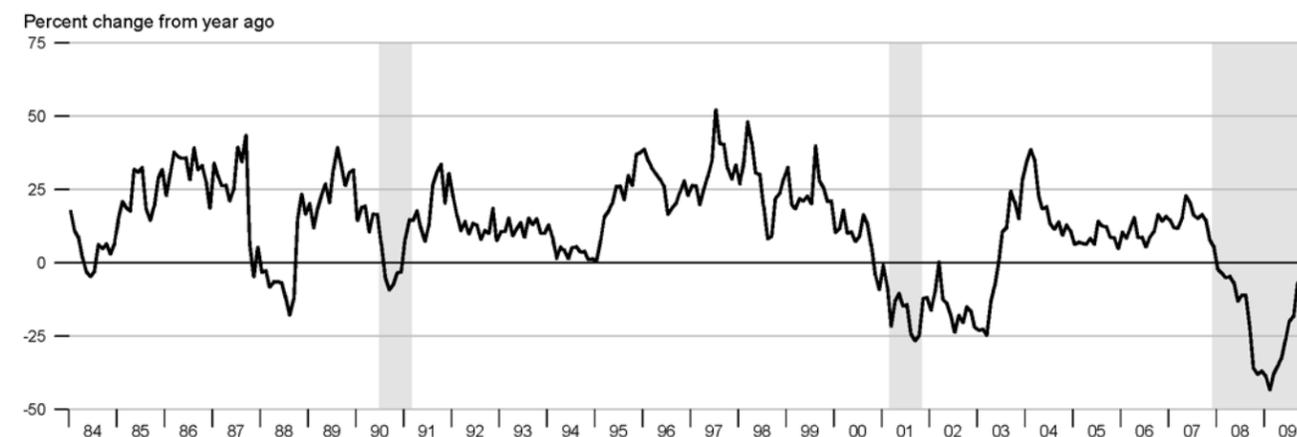
Interest Rates



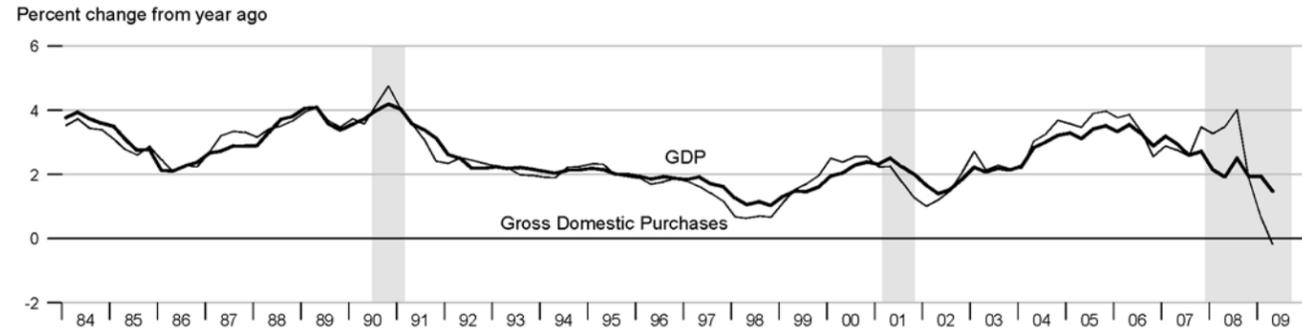
Treasury Yield Curve



Standard and Poor's 500 Index with Reinvested Dividends



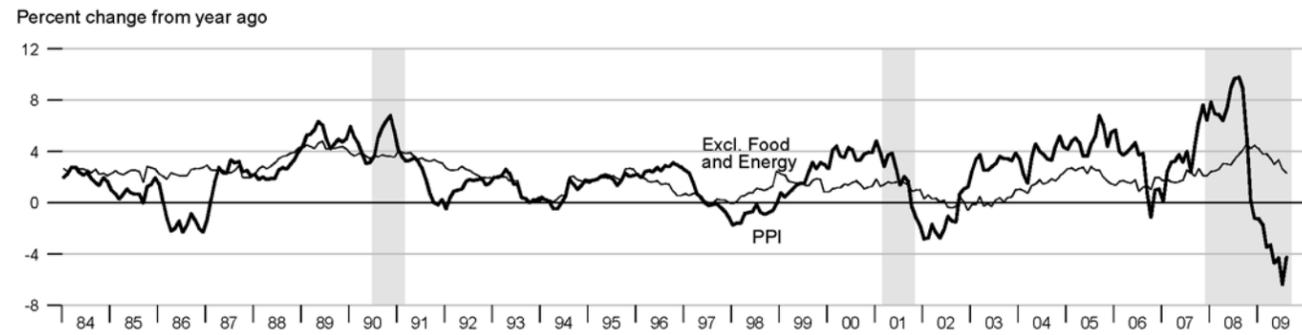
**NIPA Chain Price Indexes**



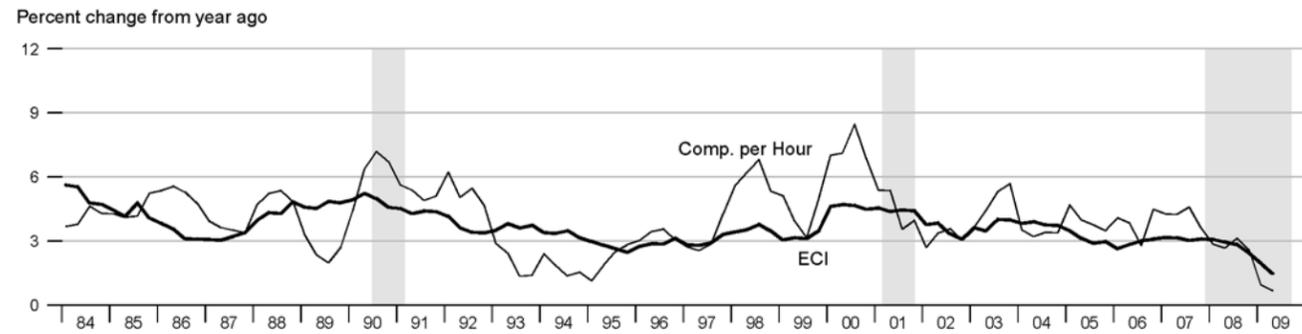
**Consumer Price Index**



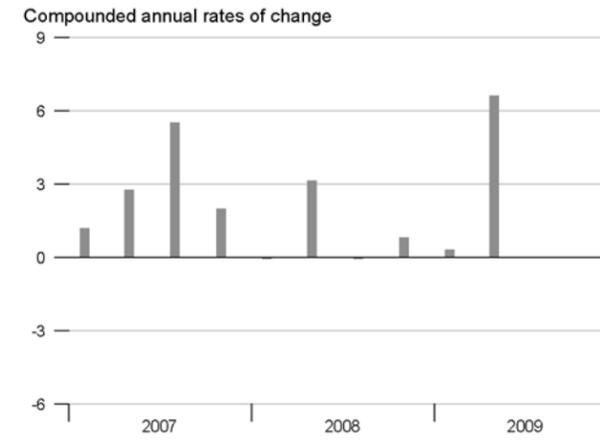
**Producer Price Index, Finished Goods**



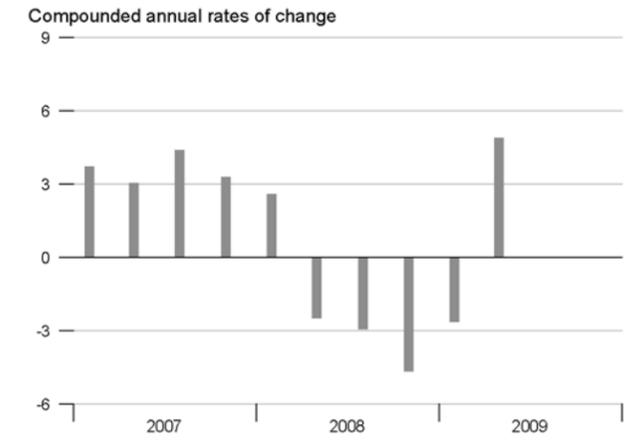
**Employment Cost Index and Compensation per Hour**



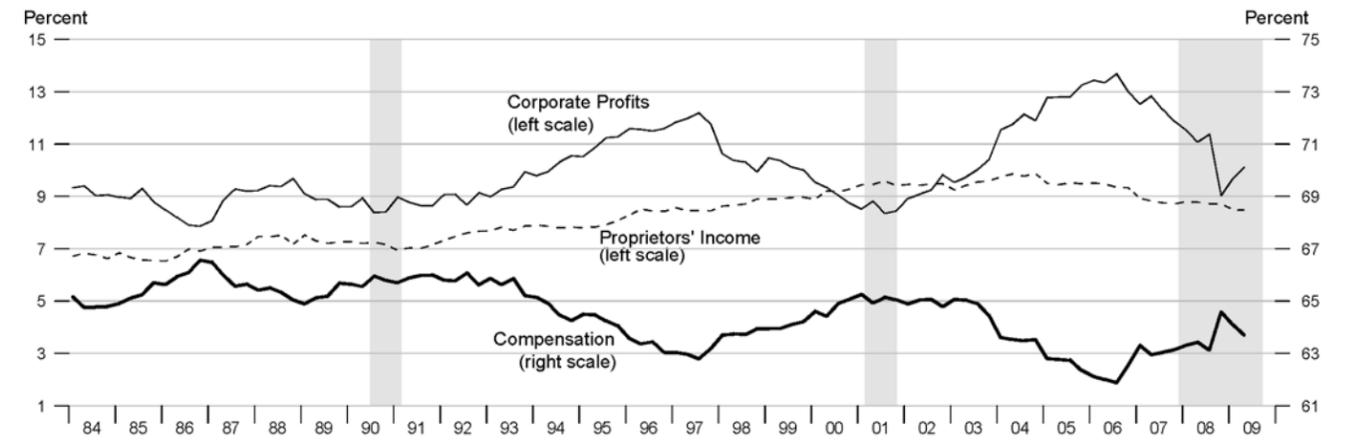
**Nonfarm Output per Hour**



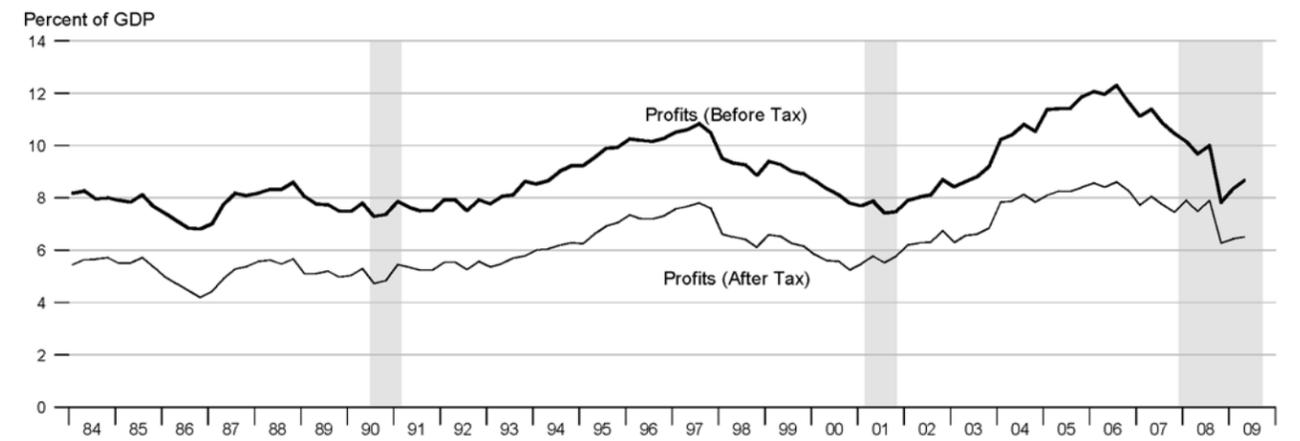
**Manufacturing Output per Hour**



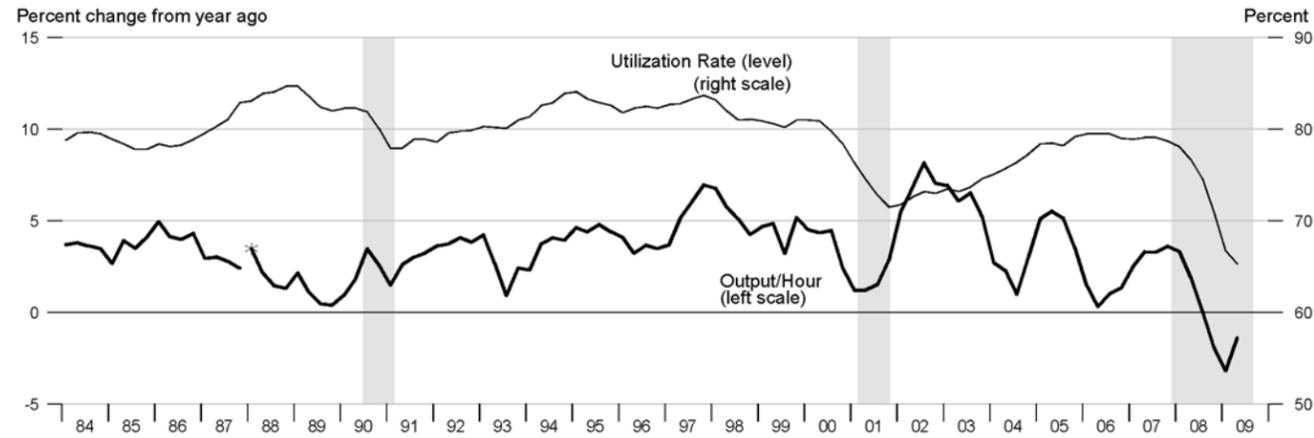
**Selected Component Shares of National Income**



**Corporate Profits**

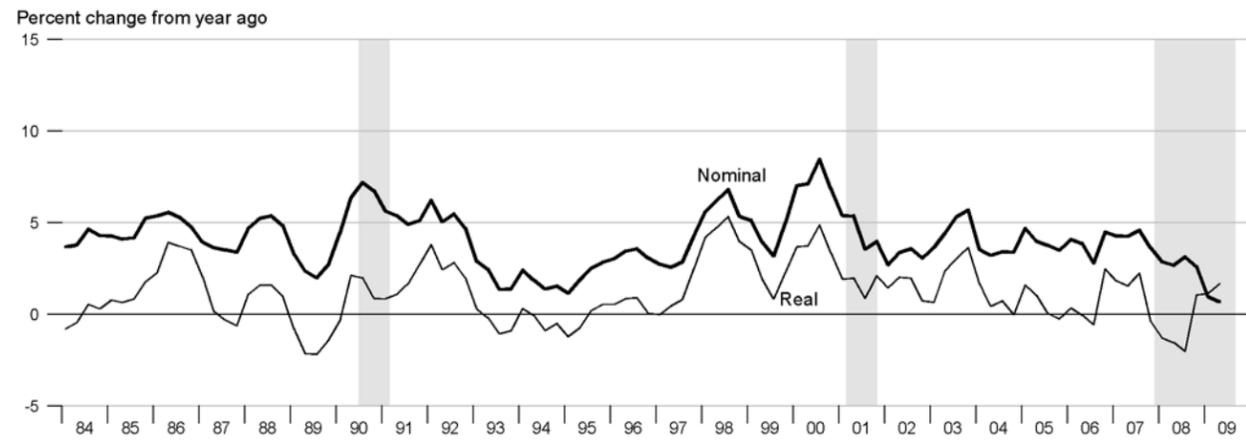


**Output per Hour and Capacity Utilization, Manufacturing**

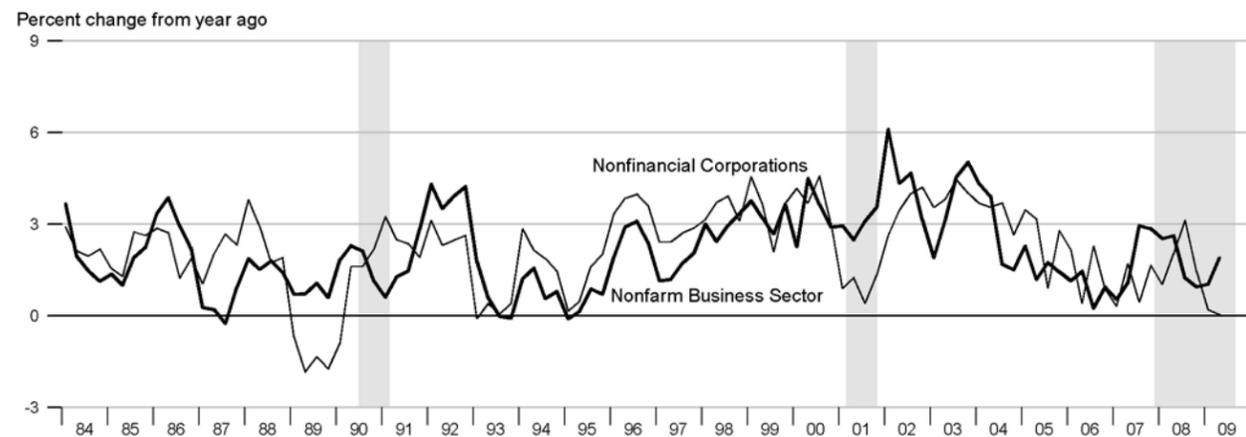


\*Data from 1987 to the present are on a NAICS basis; data prior to 1987 are on an SIC basis and are not strictly comparable (see End Note).

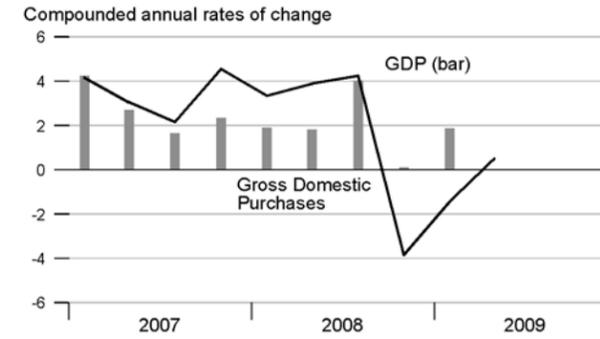
**Nonfarm Compensation per Hour**



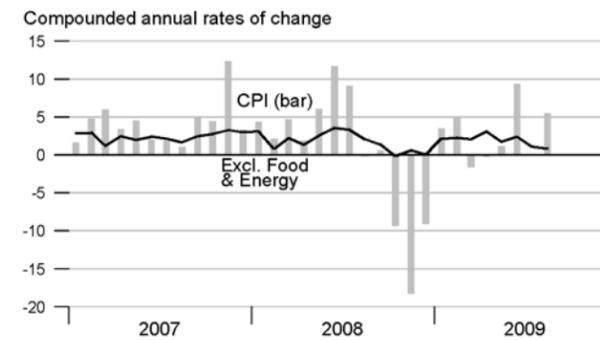
**Output per Hour, Nonfarm Business and Nonfinancial Corporations**



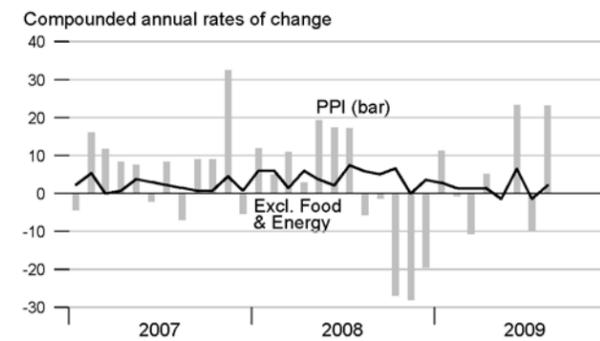
**NIPA Chain Price Indexes**



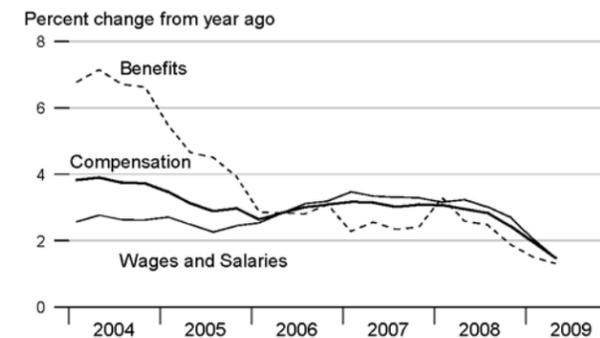
**Consumer Price Index**



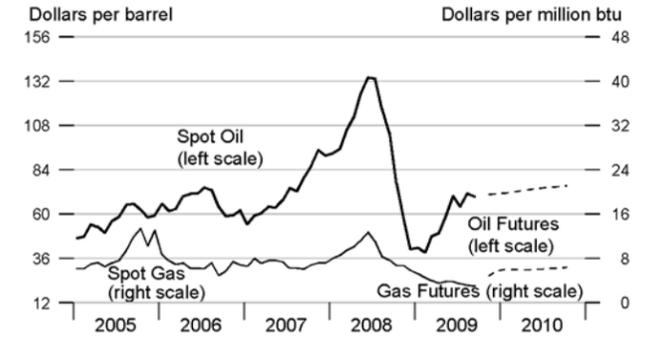
**Producer Price Index, Finished Goods**



**Employment Cost Index**

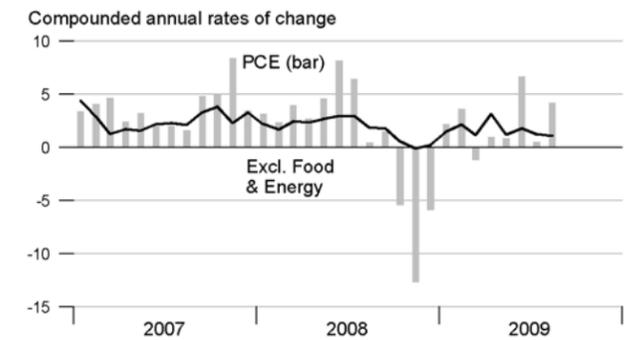


**Oil & Natural Gas Prices: Spot & Futures**

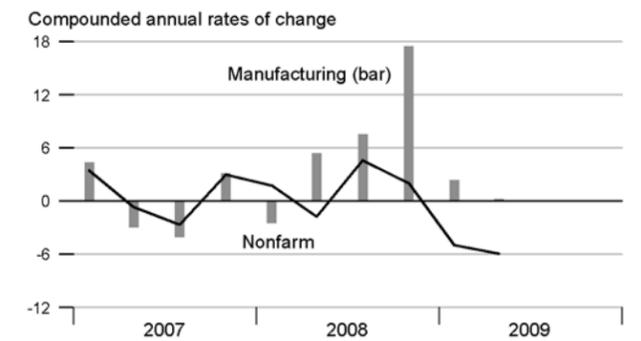


Note: Futures prices as of 9/30/2009.

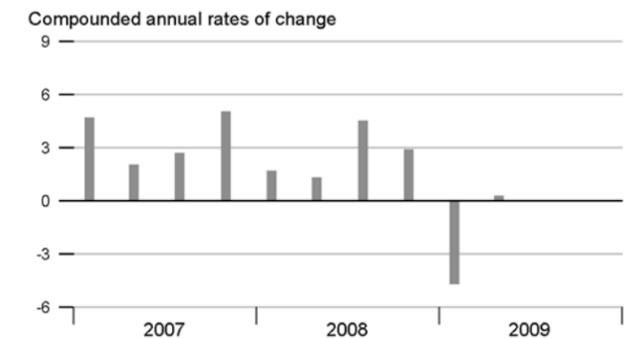
**Consumption Chain Price Index**



**Unit Labor Cost**



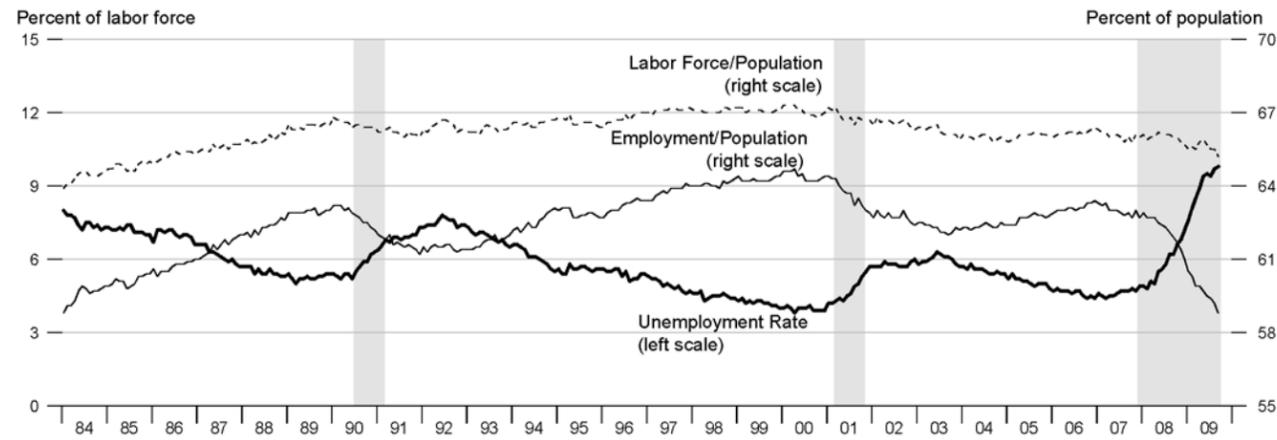
**Compensation per Hour**



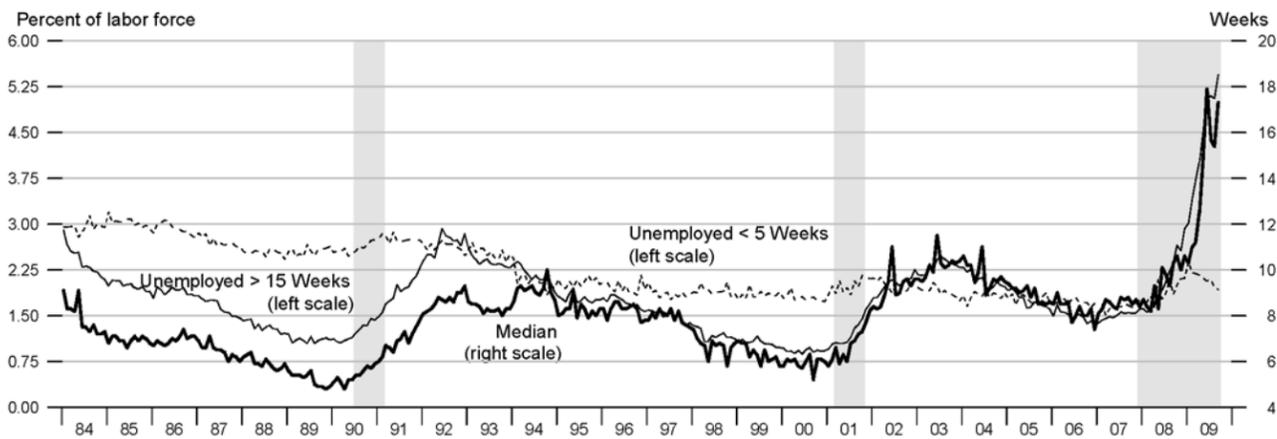
**Employment**



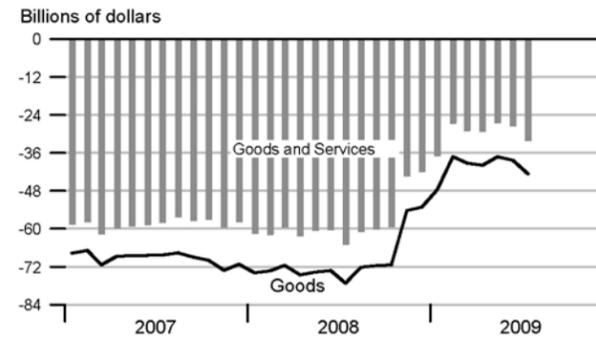
**Unemployment, Labor Force Participation, and Employment Rates**



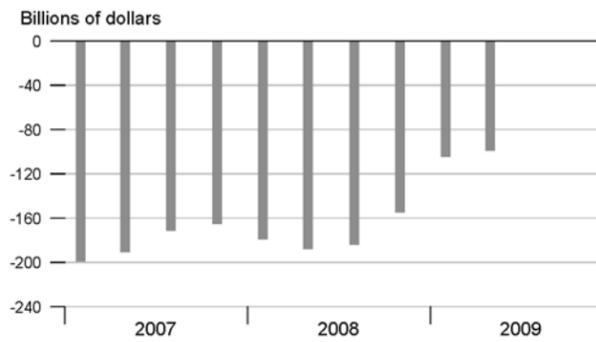
**Duration of Unemployment**



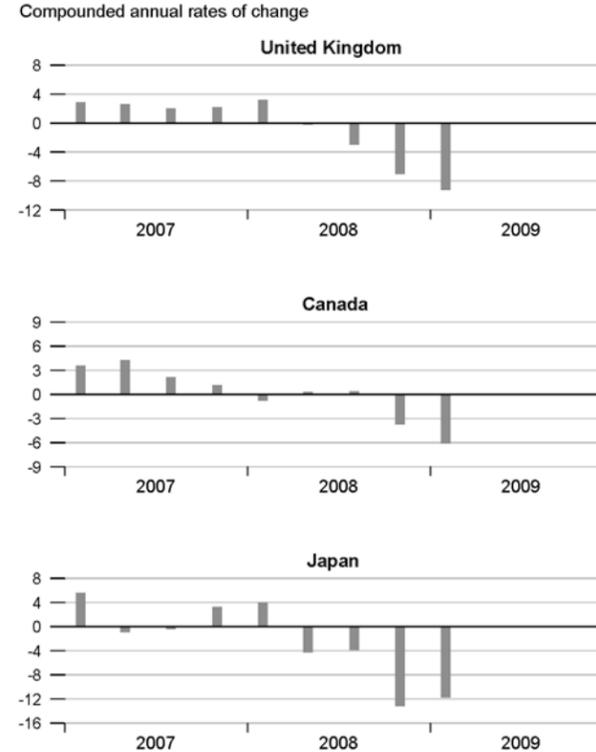
**Trade Balance**



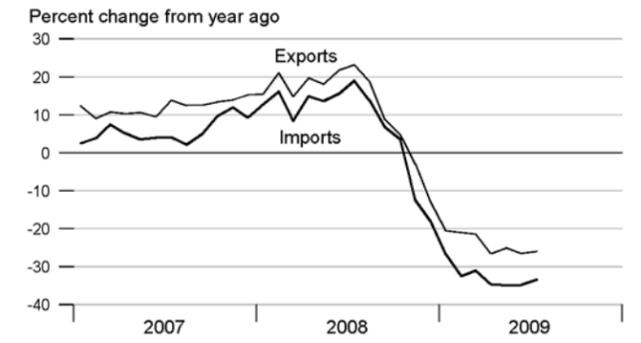
**Current Account Balance**



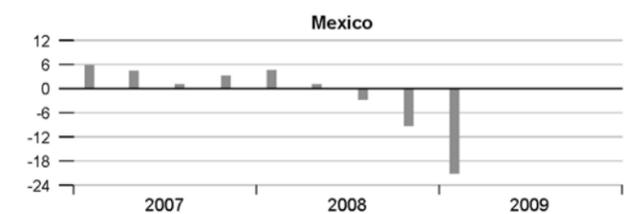
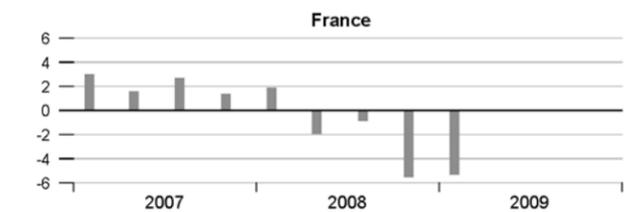
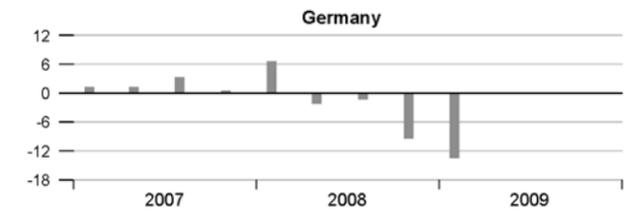
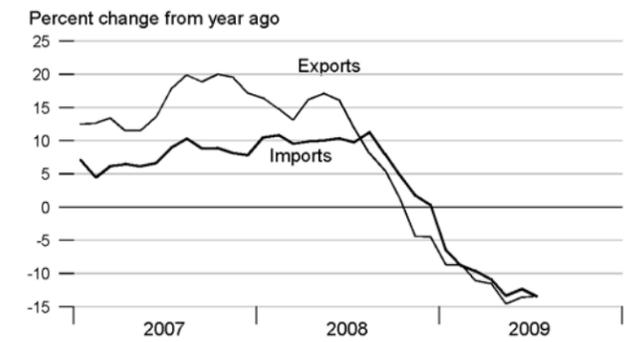
**Real GDP Growth of Major Trading Partners**



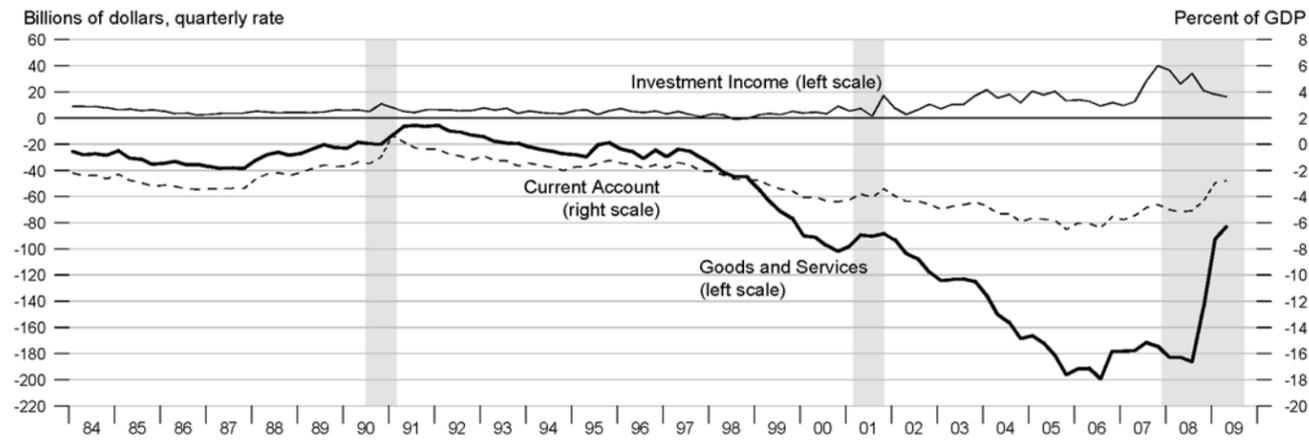
**Goods Trade**



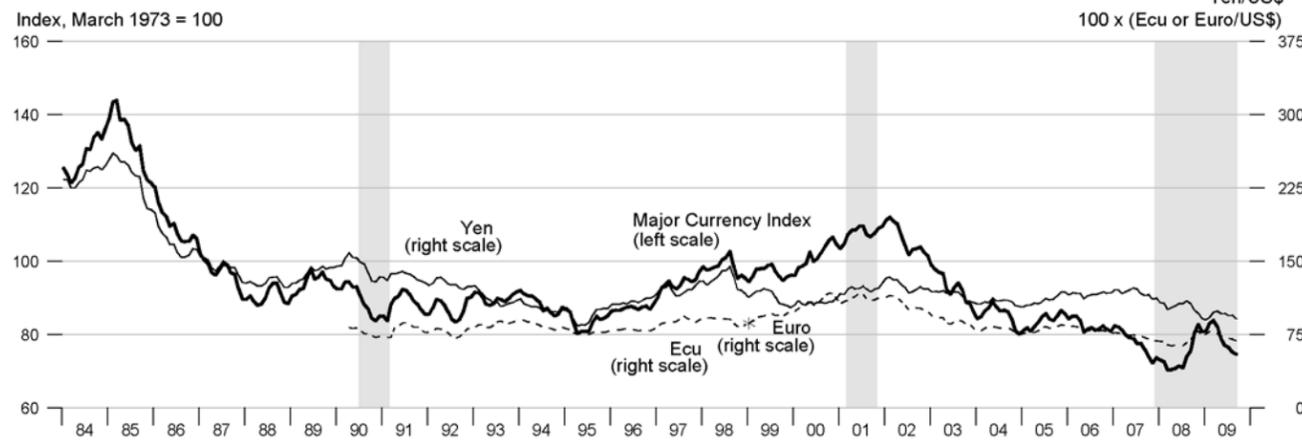
**Services Trade**



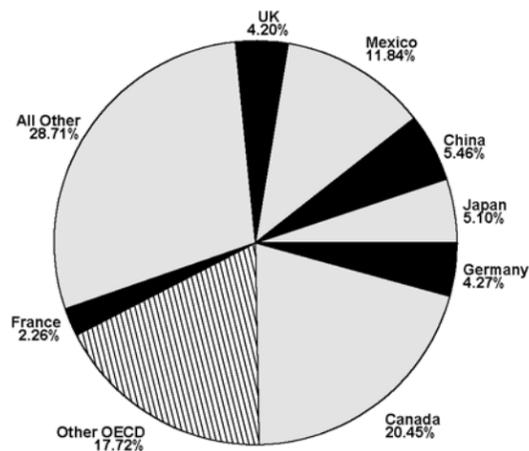
**Current Account, Trade and Investment Income Balances**



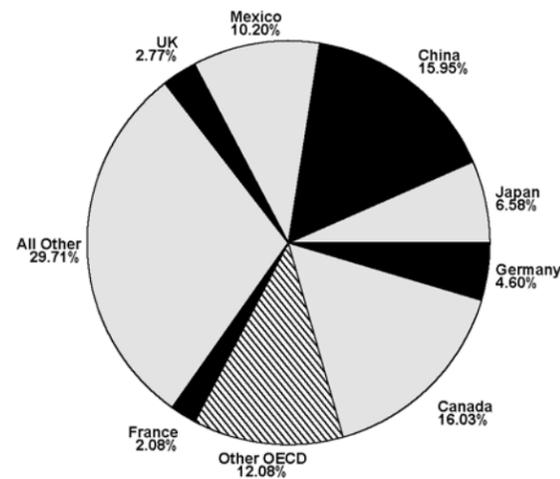
**Exchange Rates**



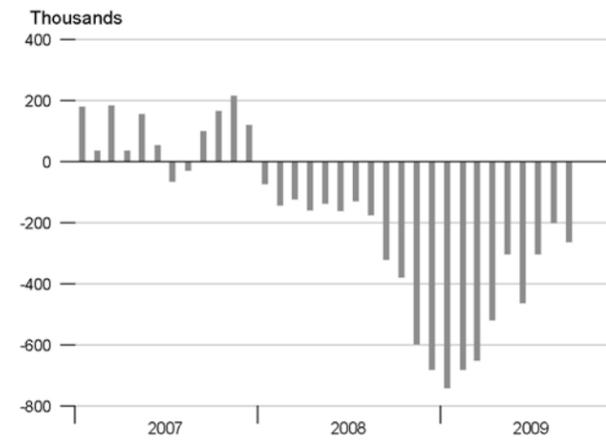
**Goods Export Shares, 2008**



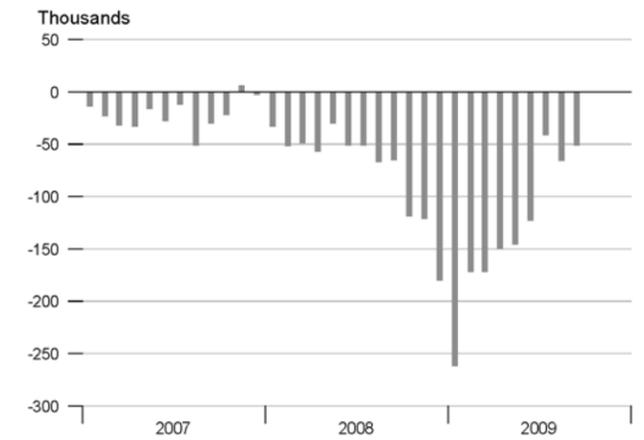
**Goods Import Shares, 2008**



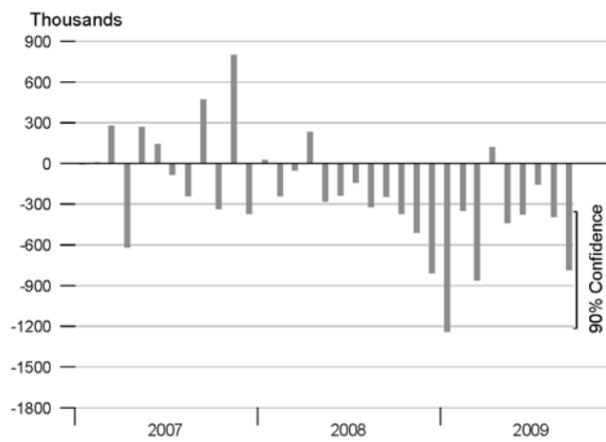
**Change in Nonfarm Payrolls**



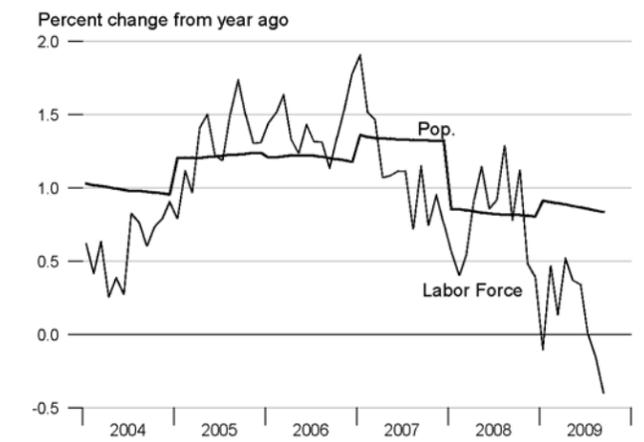
**Change in Manufacturing Payrolls**



**Change in Household Employment**



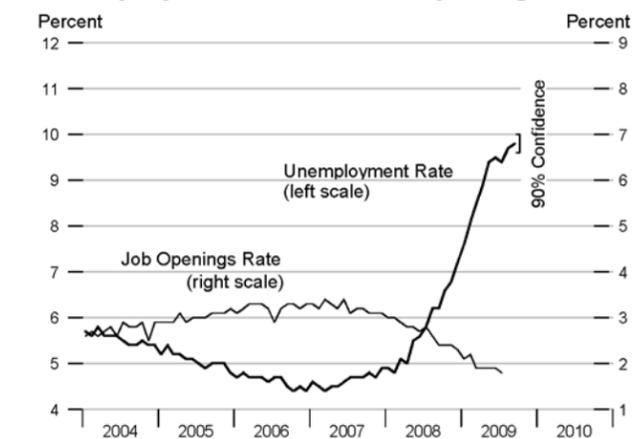
**Labor Force and Population**



**Available Labor Supply and Components**

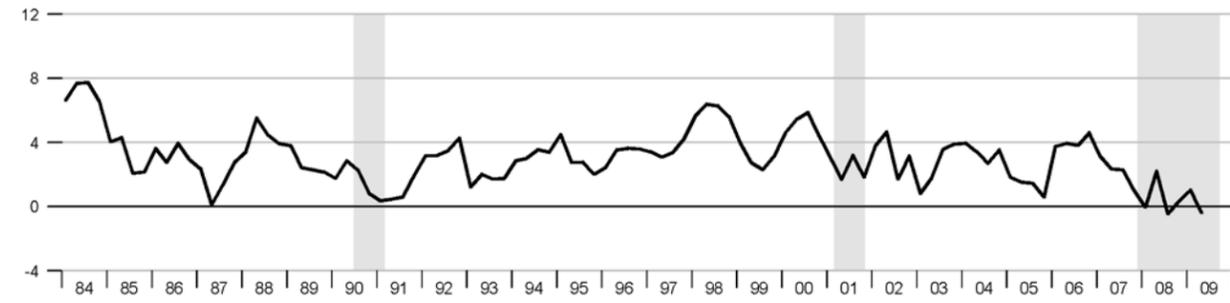


**Unemployment Rate & Job Openings Rate**



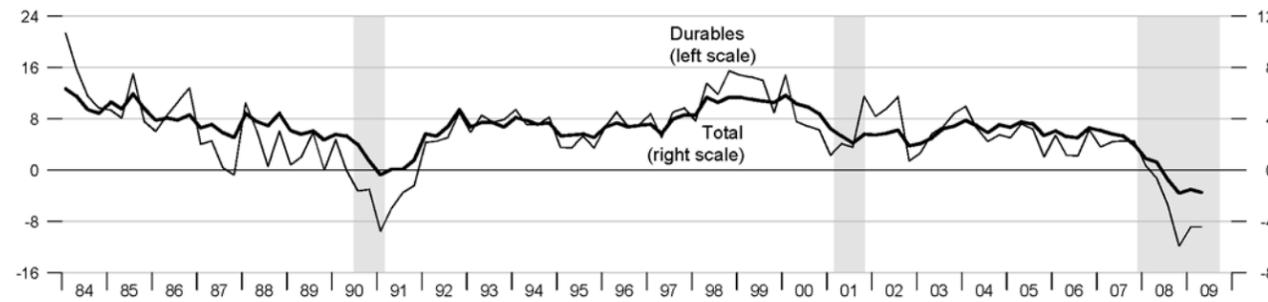
**Real Disposable Personal Income**

Percent change from year ago, quarterly data



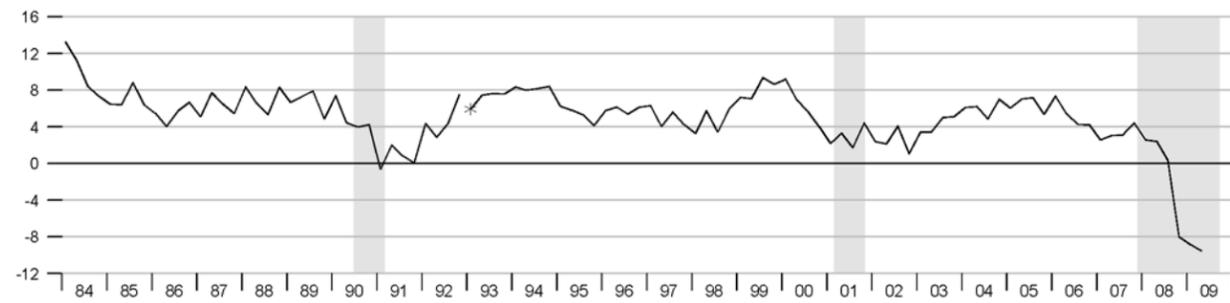
**Real Consumption**

Percent change from year ago, quarterly data



**Retail and Food Services Sales**

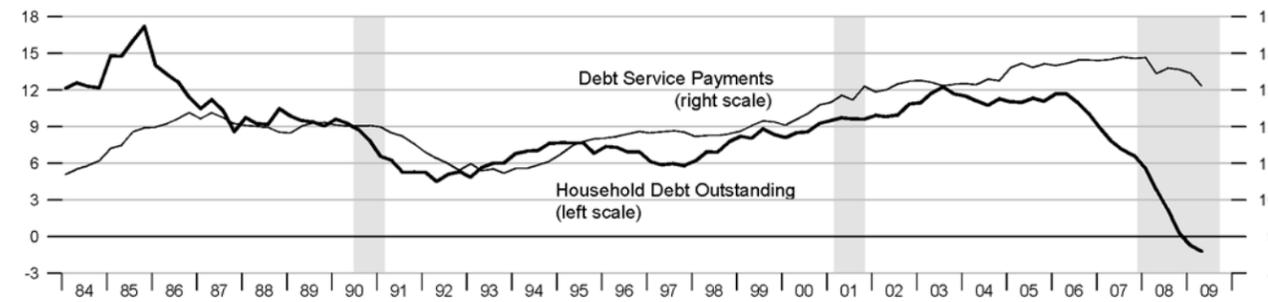
Percent change from year ago, quarterly average



\*Data from Jan. 1992 to the present are on a NAICS basis; data prior to Jan. 1992 are on an SIC basis and are not strictly comparable (see End Note).

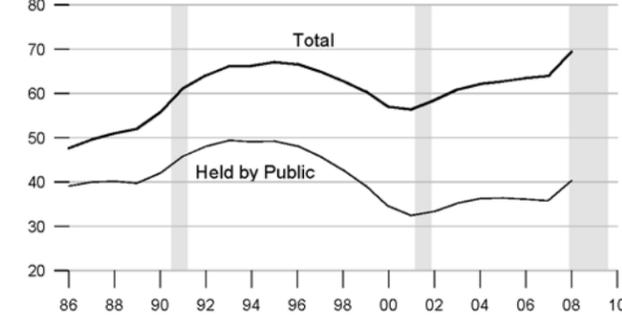
**Debt Service Payments and Household Debt Outstanding**

Percent change from year ago, quarterly data



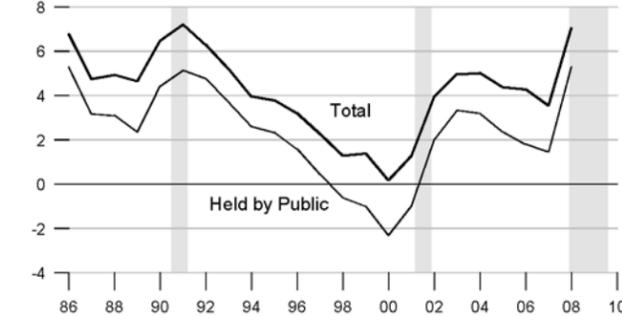
**Federal Debt**

Percent of GDP



**Change in Federal Debt**

Percent of GDP



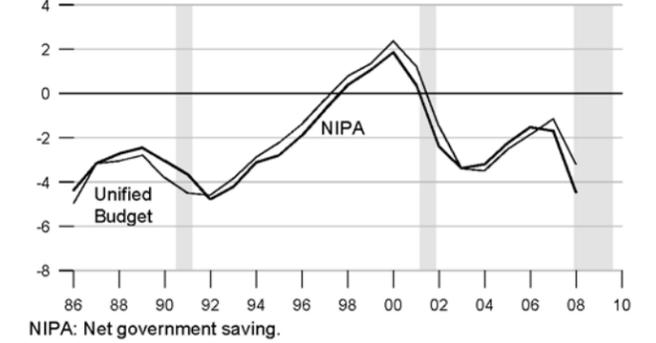
**Federal Government Debt**

Billions of dollars, end of month or fiscal year  
Excludes Agency-issued debt

	Total Public Debt	Held by Agencies and Trusts	Held by Public		Held by Private Investors	
			Total	Federal Reserve Banks	Total	Foreign and International
2006	8507.0	3663.8	4843.2	768.9	4074.2	2027.3
2007	9007.7	3958.4	5049.2	779.6	4269.7	2237.2
2008	10024.7	4210.5	5814.2	476.6	5332.0	2801.9
2006 March	8371.2	3498.4	4872.8	758.5	4114.0	2084.5
June	8420.0	3622.6	4797.5	766.4	4030.8	1979.8
September	8507.0	3663.8	4843.2	768.9	4074.2	2027.3
December	8680.2	3779.0	4901.2	778.9	4122.1	2105.0
2007 March	8849.7	3795.4	5054.3	780.9	4273.1	2196.7
June	8867.7	3924.7	4943.0	790.5	4152.6	2193.9
September	9007.7	3958.4	5049.2	779.6	4269.7	2237.2
December	9229.2	4092.9	5136.3	740.6	4395.7	2352.9
2008 March	9437.6	4103.6	5334.0	591.2	4742.9	2507.5
June	9492.0	4207.0	5285.0	478.8	4806.2	2635.3
September	10024.7	4210.5	5814.2	476.6	5332.0	2801.9
December	10699.8	4327.2	6372.7	475.9	5893.4	3078.7
2009 March	11126.9	4290.6	6836.3	492.3	6341.7	3267.0

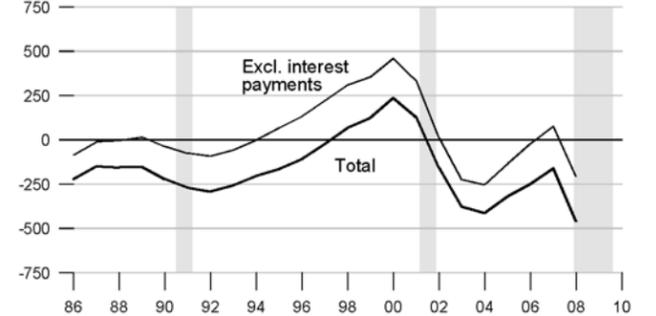
**Federal Surplus (+) / Deficit (-)**

Percent of GDP

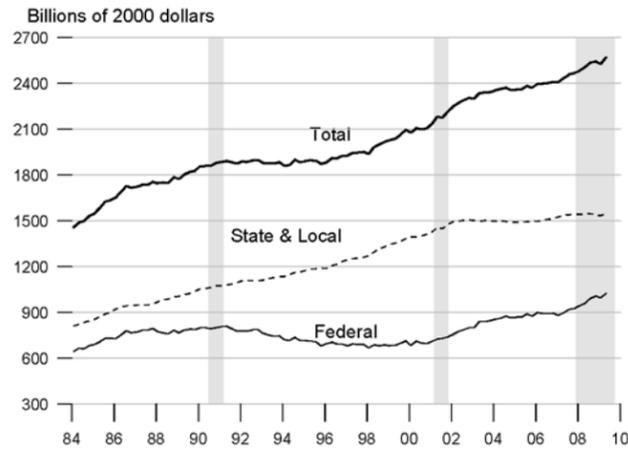


**Federal Surplus (+) / Deficit (-), Unified Basis**

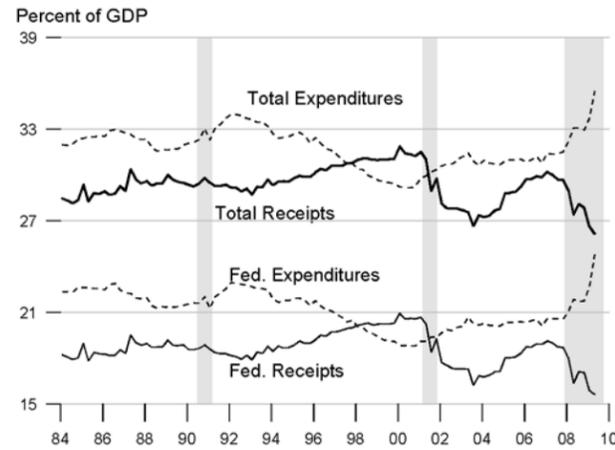
Billions of dollars, fiscal years



Govt. Consumption and Investment



Govt. Current Receipts and Expenditures

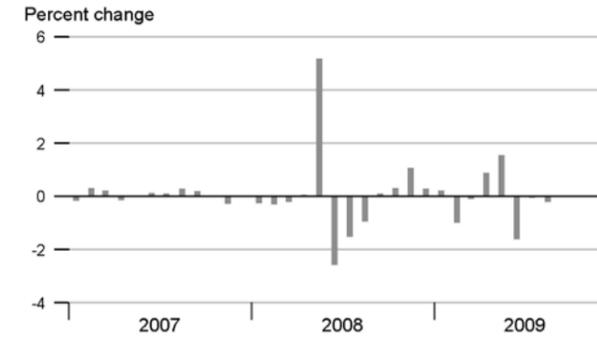


Government Budgets

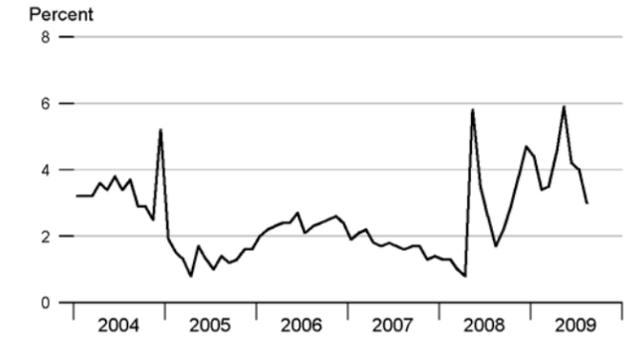
Billions of dollars

	National Income Accounts			Unified Budget		
	Calendar Years			Fiscal Years		
	State and Local		Federal	Federal		Federal
	Receipts	Expenditures	Surplus or Deficit (-)	Receipts	Expenditures	Surplus or Deficit (-)
1996	1045.1	1022.1	23.0	1526.4	1674.7	-148.3
1997	1099.5	1063.2	36.3	1656.2	1716.3	-60.1
1998	1164.5	1117.6	46.9	1777.9	1744.3	33.6
1999	1240.4	1198.6	41.8	1895.0	1796.2	98.8
2000	1322.6	1281.3	41.3	2057.1	1871.9	185.2
2001	1374.0	1389.9	-15.9	2020.3	1979.8	40.5
2002	1412.7	1466.8	-54.1	1859.3	2112.1	-252.8
2003	1496.3	1535.1	-38.8	1885.1	2261.5	-376.4
2004	1601.0	1609.3	-8.3	2013.9	2393.4	-379.5
2005	1730.4	1704.5	25.9	2290.1	2573.1	-283.0
2006	1829.7	1778.6	51.1	2524.5	2728.3	-203.8
2007	1927.3	1905.6	21.7	2660.8	2897.2	-236.4
2008	1974.2	2014.4	-40.2	2475.0	3117.6	-642.6
2007Q3	1932.1	1911.7	20.4	2659.9	2918.7	-258.8
2007Q4	1951.6	1952.9	-1.3	2682.9	2947.9	-265.0
2008Q1	1963.7	1983.8	-20.1	2590.7	3024.2	-433.5
2008Q2	1994.2	2019.8	-25.6	2372.1	3169.0	-796.9
2008Q3	1987.5	2046.5	-59.0	2489.5	3155.2	-665.7
2008Q4	1951.4	2007.5	-56.1	2447.8	3121.9	-674.1
2009Q1	1961.4	1998.0	-36.6	2251.3	3220.3	-969.0
2009Q2	1989.3	2013.9	-24.6	2211.4	3505.9	-1295

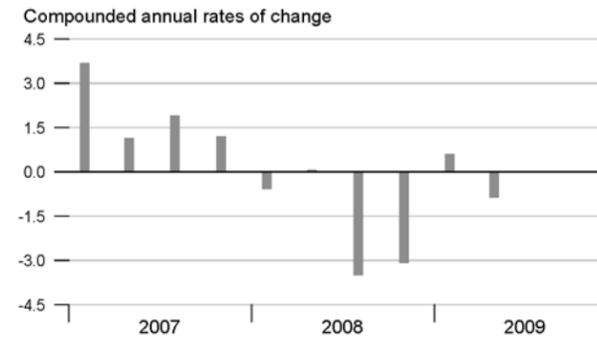
Real Disposable Personal Income



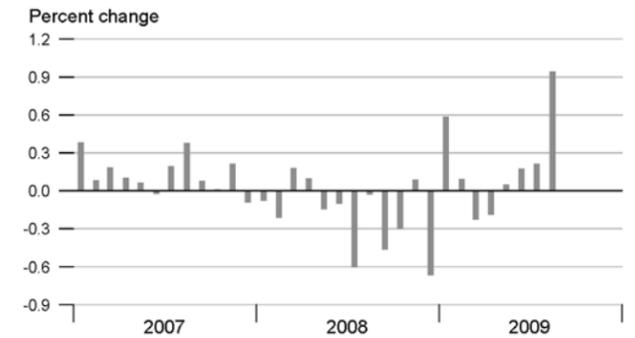
Personal Saving Rate



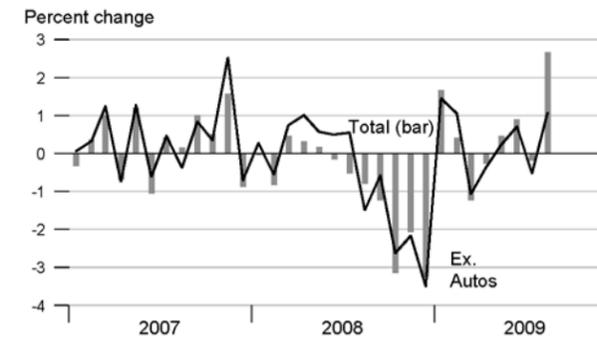
Real Consumption



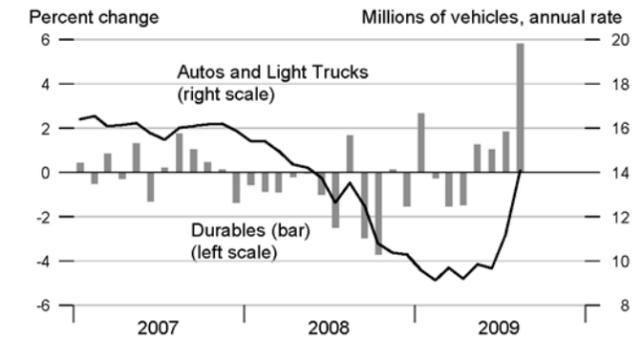
Real Consumption



Retail & Food Services



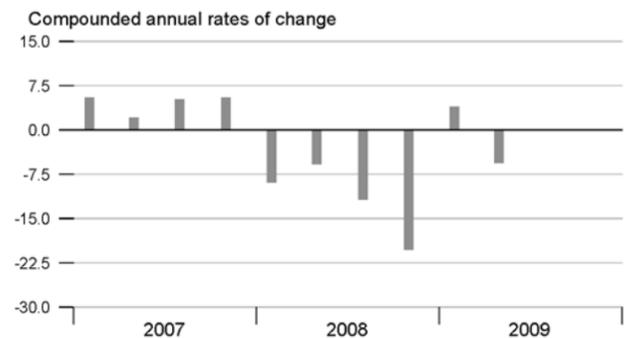
Real Durables Consumption & Vehicle Sales



Consumer Sentiment (U. of Michigan)

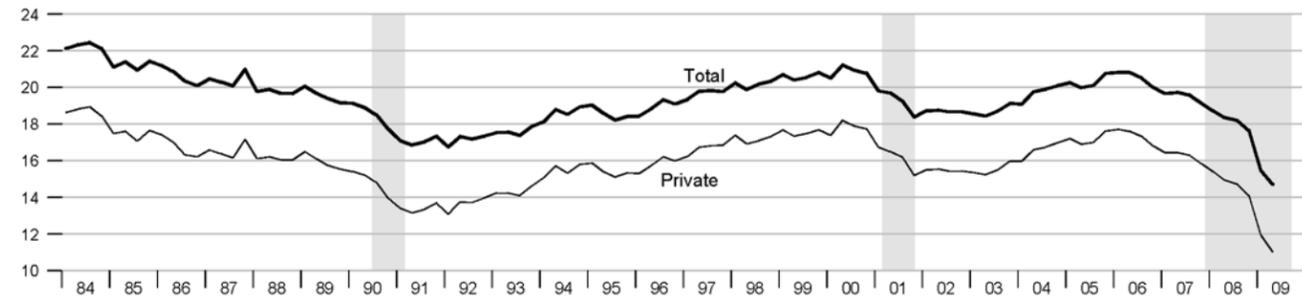


Real Durables Consumption



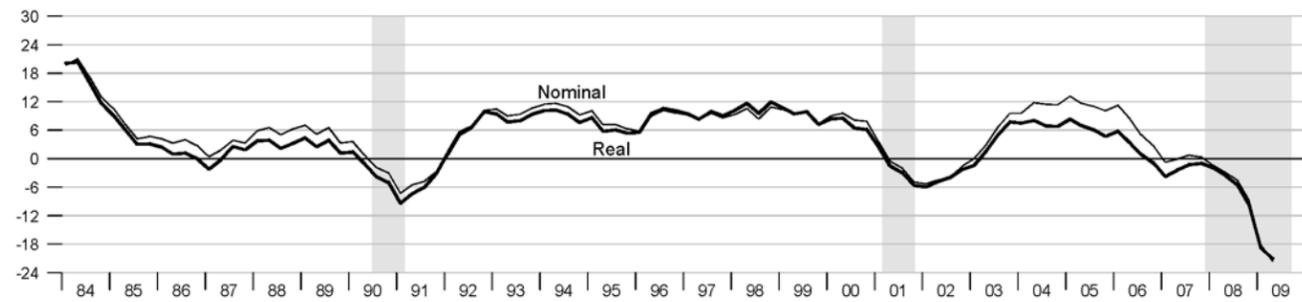
**Investment**

Percent of nominal GDP



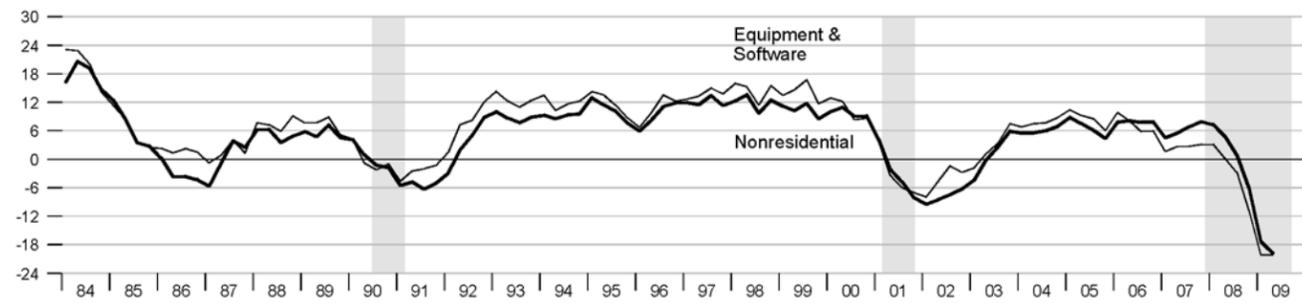
**Private Fixed Investment**

Percent change from year ago



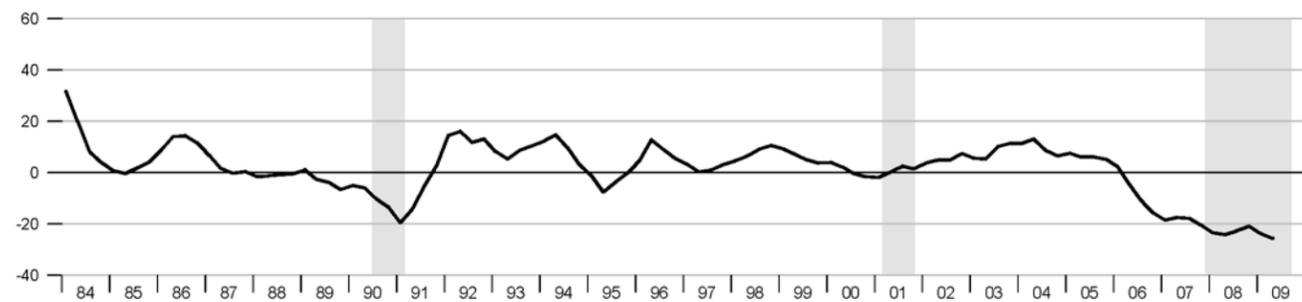
**Real Nonresidential Fixed and Equipment & Software Investment**

Percent change from year ago



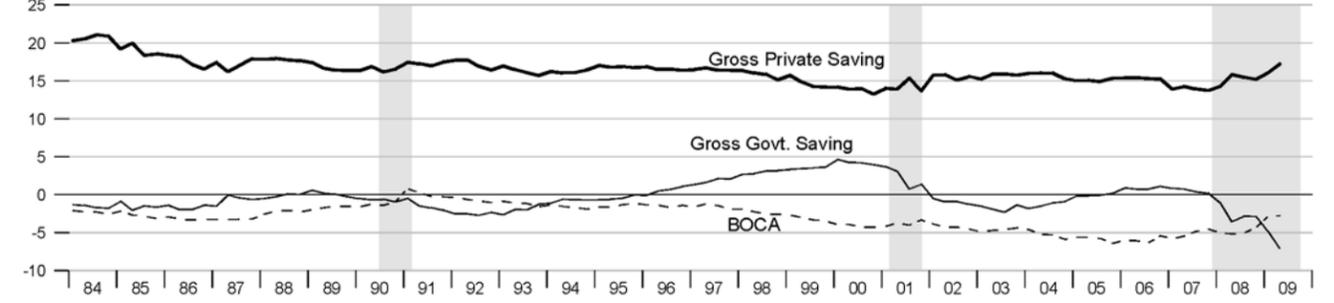
**Real Residential Fixed Investment**

Percent change from year ago



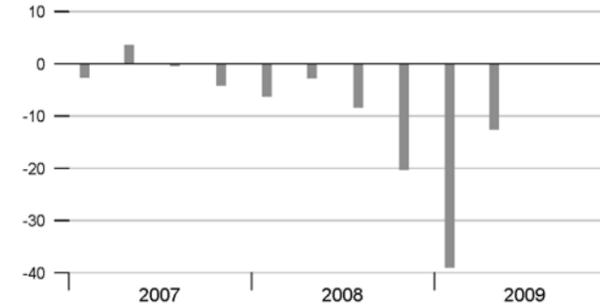
**Gross Saving Rates and Balance on Current Account (NIPA)**

Percent of GDP



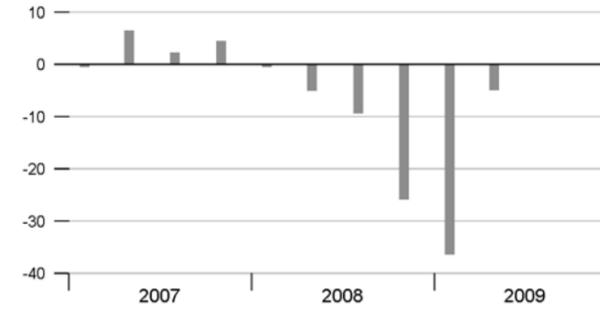
**Real Private Fixed Investment**

Compounded annual rates of change



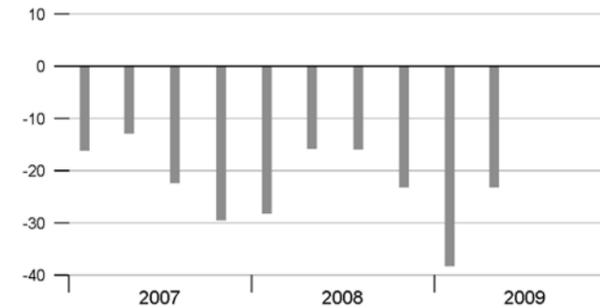
**Real Equipment & Software Investment**

Compounded annual rates of change



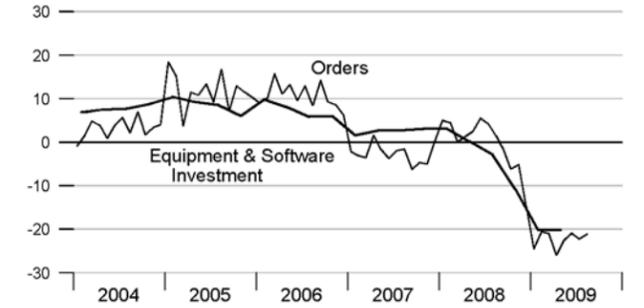
**Real Residential Fixed Investment**

Compounded annual rates of change



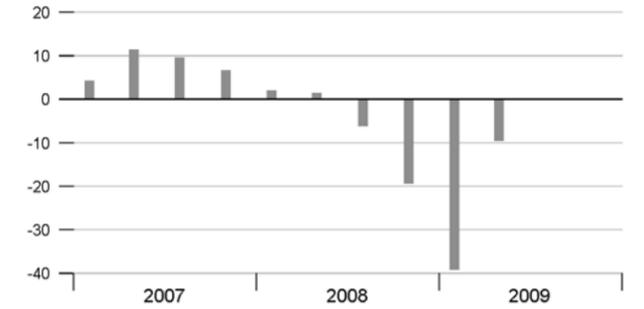
**Nondefense Capital Goods Orders**

Percent change from year ago, excluding aircraft



**Real Nonresidential Fixed Investment**

Compounded annual rates of change



**Housing Starts and New Home Sales**

Millions, annual rate

Millions, annual rate

