Table 1: Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, November 2011

Percent

Variable	Central tendency[1]					Range[2]				
	2011	2012	2013	2014	Longer run	2011	2012	2013	2014	Longer run
Change in real GDP.	1.6 to 1.7	2.5 to 2.9	3.0 to 3.5	3.0 to 3.9	2.4 to 2.7	1.6 to 1.8	2.3 to 3.5	2.7 to 4.0	2.7 to 4.5	2.2 to 3.0
June projection.	2.7 to 2.9	3.3 to 3.7	3.5 to 4.2	n/a to n/a	2.5 to 2.8	2.5 to 3.0	2.2 to 4.0	3.0 to 4.5	n/a to n/a	2.4 to 3.0
Unemployment rate.	9.0 to 9.1	8.5 to 8.7	7.8 to 8.2	6.8 to 7.7	5.2 to 6.0	8.9 to 9.1	8.1 to 8.9	7.5 to 8.4	6.5 to 8.0	5.0 to 6.0
June projection.	8.6 to 8.9	7.8 to 8.2	7.0 to 7.5	n/a to n/a	5.2 to 5.6	8.4 to 9.1	7.5 to 8.7	6.5 to 8.3	n/a to n/a	5.0 to 6.0
PCE inflation.	2.7 to 2.9	1.4 to 2.0	1.5 to 2.0	1.5 to 2.0	1.7 to 2.0	2.5 to 3.3	1.4 to 2.8	1.4 to 2.5	1.5 to 2.4	1.5 to 2.0
June projection.	2.3 to 2.5	1.5 to 2.0	1.5 to 2.0	n/a to n/a	1.7 to 2.0	2.1 to 3.5	1.2 to 2.8	1.3 to 2.5	n/a to n/a	1.5 to 2.0
Core PCE inflation[3].	1.8 to 1.9	1.5 to 2.0	1.4 to 1.9	1.5 to 2.0		1.7 to 2.0	1.3 to 2.1	1.4 to 2.1	1.4 to 2.2	
June projection.	1.5 to 1.8	1.4 to 2.0	1.4 to 2.0	n/a to n/a		1.5 to 2.3	1.2 to 2.5	1.3 to 2.5	n/a to n/a	

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures 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 June projections were made in conjunction with the meeting of the Federal Open Market Committee on June 21-22, 2011.

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 2011*
(in percent)

Central Tendencies and Ranges

	Central Tendency	Range
Change in Real GDP	0.8 to 0.8	0.8 to 0.8
PCE Inflation	3.6 to 3.6	3.6 to 3.6
Core PCE Inflation	1.9 to 1.9	1.9 to 2.0

Participants' Projections

Projection	Change in Real GDP	PCE Inflation	Core PCE Inflation
1	0.8	3.6	1.9
2	0.8	3.6	1.9
3	0.8	3.6	1.9
4	0.8	3.6	1.9
5	0.8	3.6	1.9
6	0.8	3.6	1.9
7	0.8	3.6	1.9
8	0.8	3.6	1.9
9	0.8	3.6	2.0
10	0.8	3.6	1.9
11	0.8	3.6	1.9
12	0.8	3.6	1.9
13	0.8	3.6	1.9
14	0.8	3.6	1.9
15	0.8	3.6	1.9
16	0.8	3.6	1.9
17	0.8	3.6	1.9

* Growth and inflation are reported at annualized rates.

Table 1b
Economic Projections for the Second Half of 2011*
(in percent)

Central Tendencies and Ranges

	Central Tendency	Range
Change in Real GDP	2.4 to 2.6	2.4 to 2.8
PCE Inflation	1.8 to 2.2	1.4 to 3.0
Core PCE Inflation	1.7 to 1.9	1.5 to 2.1

Participants' Projections

Projection	Change in Real GDP	PCE Inflation	Core PCE Inflation
1	2.6	1.6	1.9
2	2.6	2.2	1.9
3	2.6	2.2	1.9
4	2.6	1.8	1.7
5	2.6	1.8	1.7
6	2.6	1.8	1.5
7	2.6	3.0	1.9
8	2.4	1.6	1.9
9	2.8	2.4	1.6
10	2.8	2.2	1.7
11	2.6	1.4	1.7
12	2.4	1.8	1.7
13	2.6	2.2	2.1
14	2.4	1.8	1.7
15	2.8	2.2	1.7
16	2.4	2.2	1.9
17	2.6	1.8	1.7

* Projections for the second half of 2011 implied by participants' November projections for the first half of 2011 and for 2011 as a whole. Growth and inflation are reported at annualized rates.

Table 2: November Economic Projections
(in percent)

Projection	Year	Change in Real GDP	Unemployment Rate	PCE Inflation	Core PCE Inflation
1	2011	1.7	9.1	2.6	1.9
2	2011	1.7	9.0	2.9	1.9
3	2011	1.7	9.1	2.9	1.9
4	2011	1.7	9.1	2.7	1.8
5	2011	1.7	9.1	2.7	1.8
6	2011	1.7	9.1	2.7	1.7
7	2011	1.7	9.0	3.3	1.9
8	2011	1.6	9.1	2.6	1.9
9	2011	1.8	8.9	3.0	1.8
10	2011	1.8	9.0	2.9	1.8
11	2011	1.7	9.0	2.5	1.8
12	2011	1.6	9.1	2.7	1.8
13	2011	1.7	9.0	2.9	2.0
14	2011	1.6	9.1	2.7	1.8
15	2011	1.8	9.1	2.9	1.8
16	2011	1.6	9.1	2.9	1.9
17	2011	1.7	9.1	2.7	1.8
1	2012	2.3	8.7	1.5	1.5
2	2012	2.6	8.5	2.1	2.1
3	2012	2.7	8.7	1.8	2.0
4	2012	2.9	8.4	1.8	1.8
5	2012	2.4	8.5	1.7	1.5
6	2012	2.7	8.9	1.4	1.4
7	2012	3.5	8.5	2.8	1.9
8	2012	2.5	8.7	1.9	1.8
9	2012	3.2	8.1	2.2	2.1
10	2012	2.7	8.7	1.4	1.3
11	2012	2.9	8.4	1.5	1.5
12	2012	2.5	8.6	1.4	1.5
13	2012	2.6	8.6	1.8	1.8
14	2012	2.5	8.6	1.4	1.5
15	2012	2.8	8.8	2.0	1.8
16	2012	2.5	8.7	2.0	2.0
17	2012	2.4	8.6	1.5	1.6

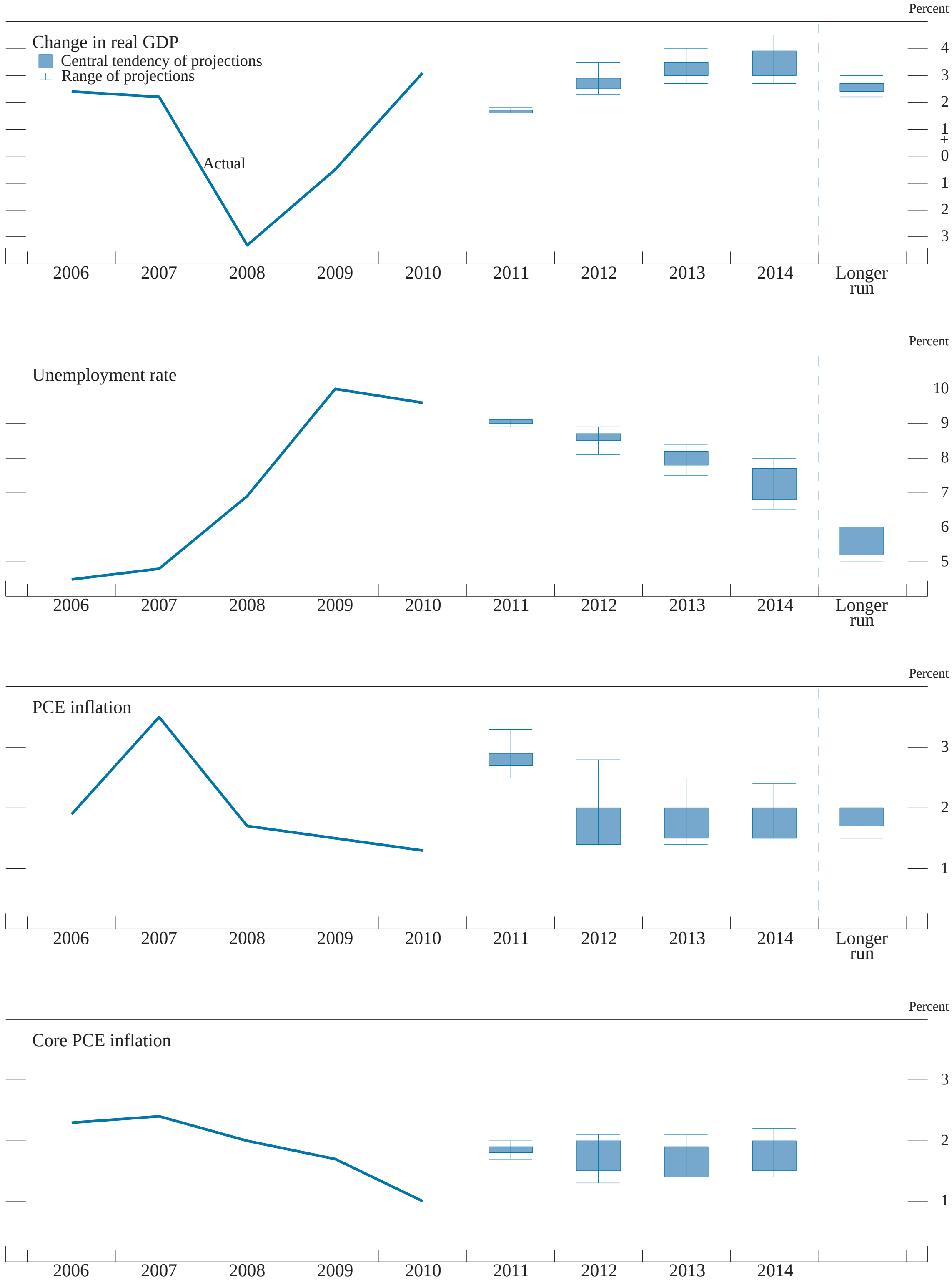
Table 2 (continued): Economic Projections

Projection	Year	Change in Real GDP	Unemployment Rate	PCE Inflation	Core PCE Inflation
1	2013	3.1	8.0	1.5	1.5
2	2013	3.0	8.1	2.3	2.1
3	2013	3.0	8.2	2.0	2.0
4	2013	4.0	7.5	1.9	1.9
5	2013	2.7	8.3	1.7	1.6
6	2013	3.2	8.4	1.6	1.4
7	2013	3.8	7.5	2.5	1.8
8	2013	2.9	8.2	2.0	1.9
9	2013	3.0	7.5	2.0	2.0
10	2013	3.5	7.8	1.5	1.5
11	2013	3.0	8.0	1.7	1.6
12	2013	3.2	8.1	1.4	1.4
13	2013	3.2	7.9	1.7	1.7
14	2013	3.2	8.1	1.4	1.4
15	2013	3.5	8.3	1.5	1.4
16	2013	3.0	8.2	1.8	1.8
17	2013	3.0	8.2	1.5	1.6
1	2014	3.4	7.1	1.6	1.6
2	2014	3.4	7.5	2.4	2.2
3	2014	3.3	7.6	2.0	2.0
4	2014	4.3	6.5	2.0	2.0
5	2014	2.9	8.0	1.9	1.8
6	2014	3.8	7.7	1.7	1.5
7	2014	3.5	6.5	2.3	1.7
8	2014	2.7	7.5	2.0	2.0
9	2014	3.0	6.8	2.0	2.0
10	2014	4.5	6.7	2.0	2.0
11	2014	4.0	7.2	1.7	1.7
12	2014	3.9	7.3	1.5	1.4
13	2014	3.5	7.1	1.8	1.8
14	2014	3.9	7.3	1.5	1.4
15	2014	3.5	7.8	1.5	1.4
16	2014	3.0	7.7	1.6	1.6
17	2014	3.1	7.7	1.5	1.5

Table 2 (continued): Economic Projections

Projection	Year	Change in Real GDP	Unemployment Rate	PCE Inflation	Core PCE Inflation
1	LR	2.2	5.3	2.0	
2	LR	2.8	6.0	2.0	
3	LR	2.5	5.2	2.0	
4	LR	2.5	5.3	2.0	
5	LR	2.4	5.6	2.0	
6	LR	2.5	5.2	2.0	
7	LR	2.3	6.0	1.5	
8	LR	2.6	6.0	2.0	
9	LR	2.7	6.0	1.7	
10	LR	2.3	5.0	2.0	
11	LR	2.6	5.2	2.0	
12	LR	3.0	5.4	2.0	
13	LR	2.5	5.5	1.8	
14	LR	2.5	5.5	2.0	
15	LR	2.5	6.0	1.5	
16	LR	2.7	5.3	1.5	
17	LR	2.4	5.3	2.0	

Figure 1. Central tendencies and ranges of economic projections, 2011–14 and over the longer run



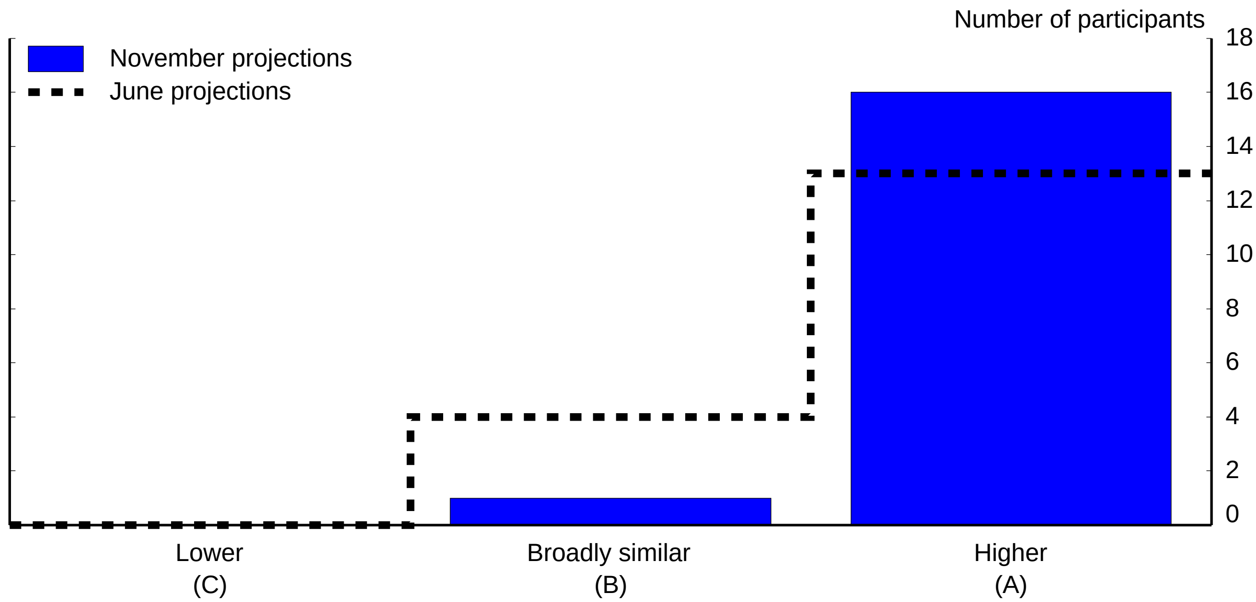
NOTE: Definitions of variables are in the notes to table 1. The data for the actual values of the variables are annual.

Central tendencies and ranges of economic projections, 2011–14 and over the longer run

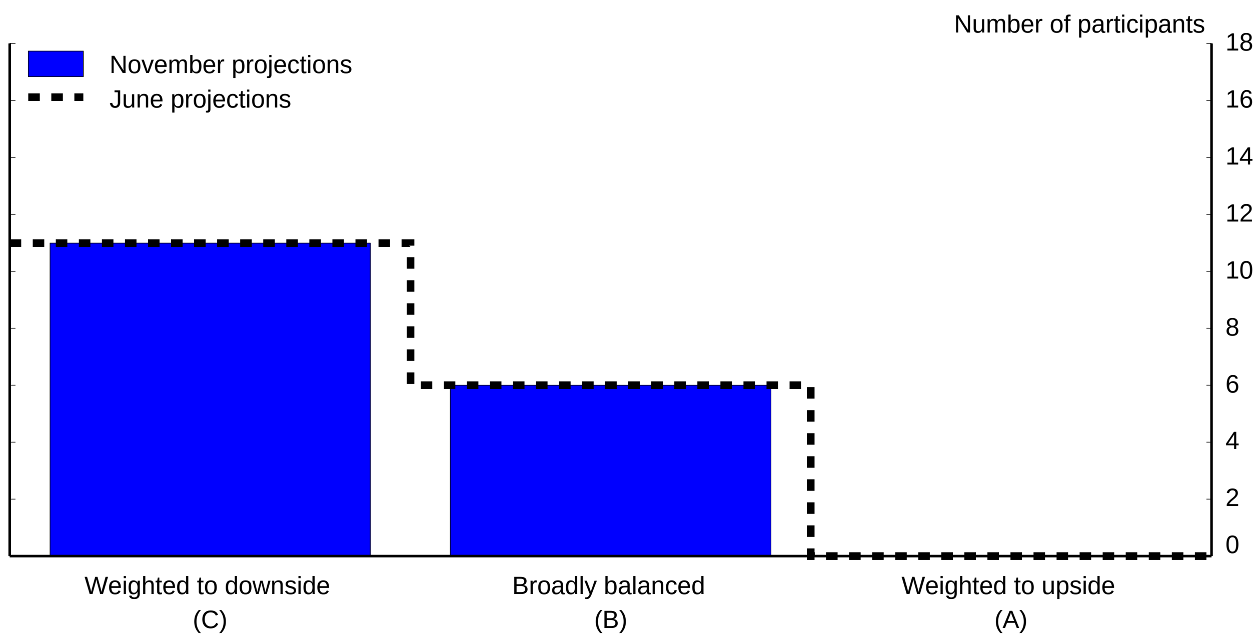
NOTE: Definitions of variables are in the notes to the projections table. The data for the variables are annual.

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.

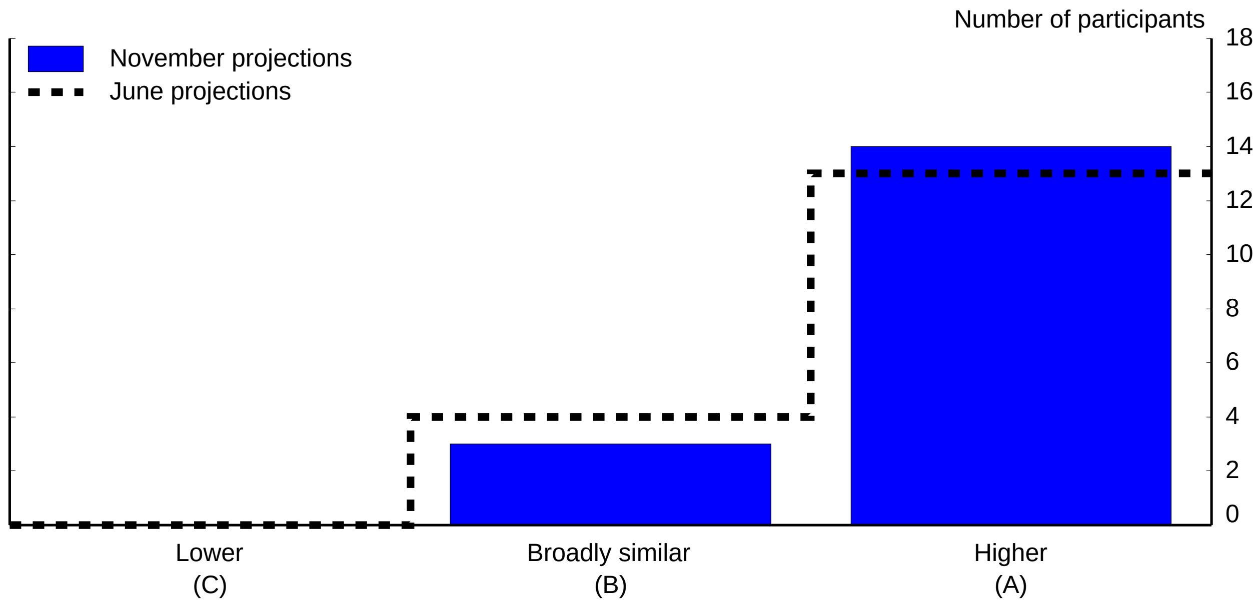


Individual Responses

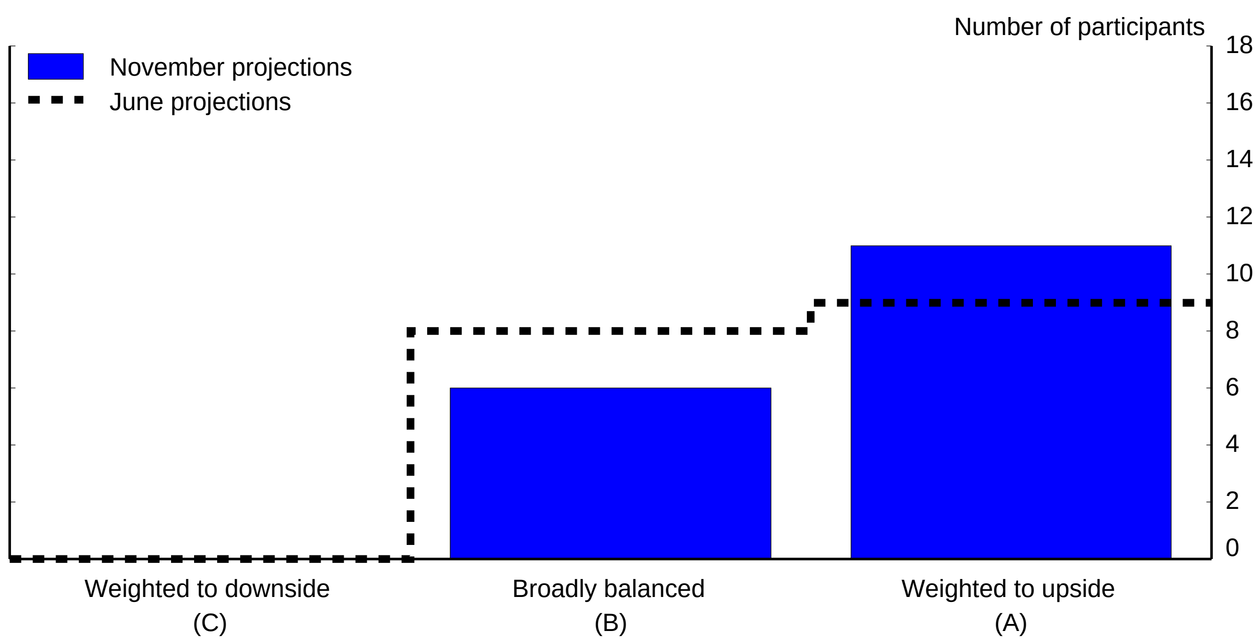
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2(a)	A	A	A	A	A	A	B	A	A	A	A	A	A	A	A	A	A
2(b)	C	B	C	C	C	C	B	C	B	C	C	C	B	B	C	C	B

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.

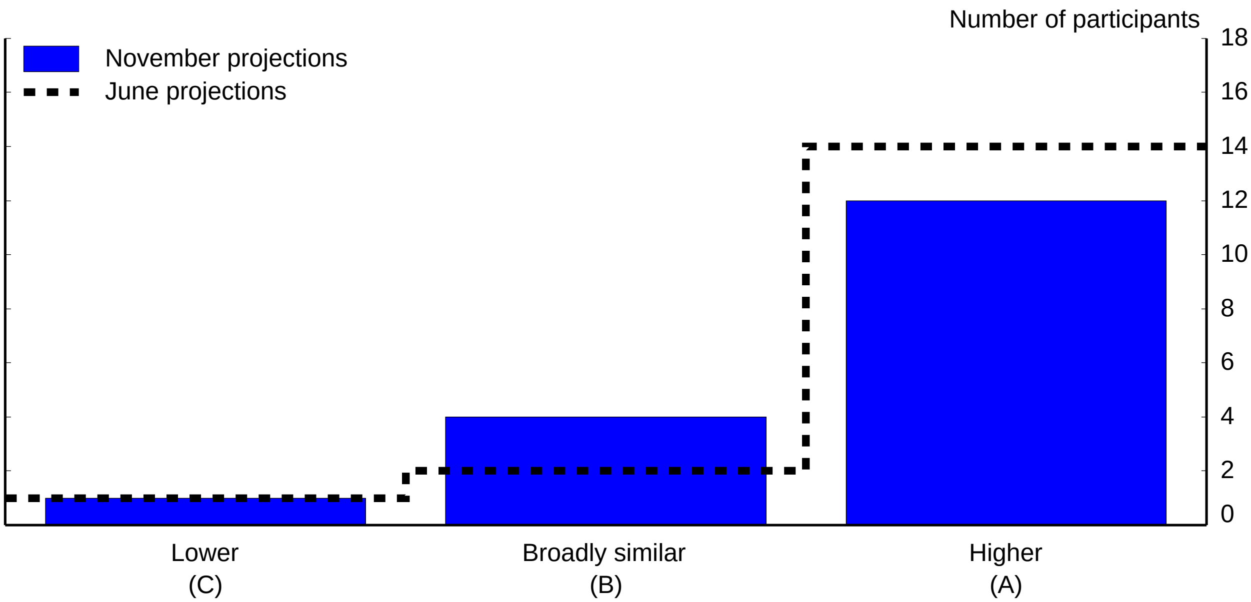


Individual Responses

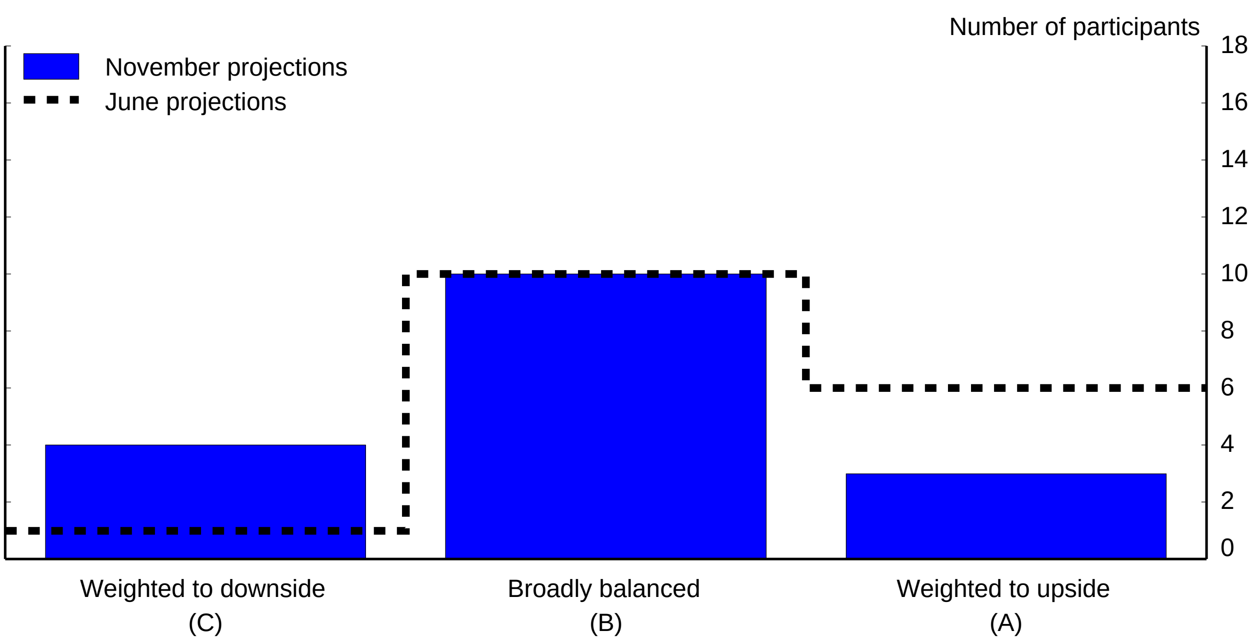
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2(a)	A	A	A	A	A	A	B	A	B	A	A	A	A	A	A	A	B
2(b)	A	B	A	A	A	A	B	A	B	A	A	A	B	B	A	A	B

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.

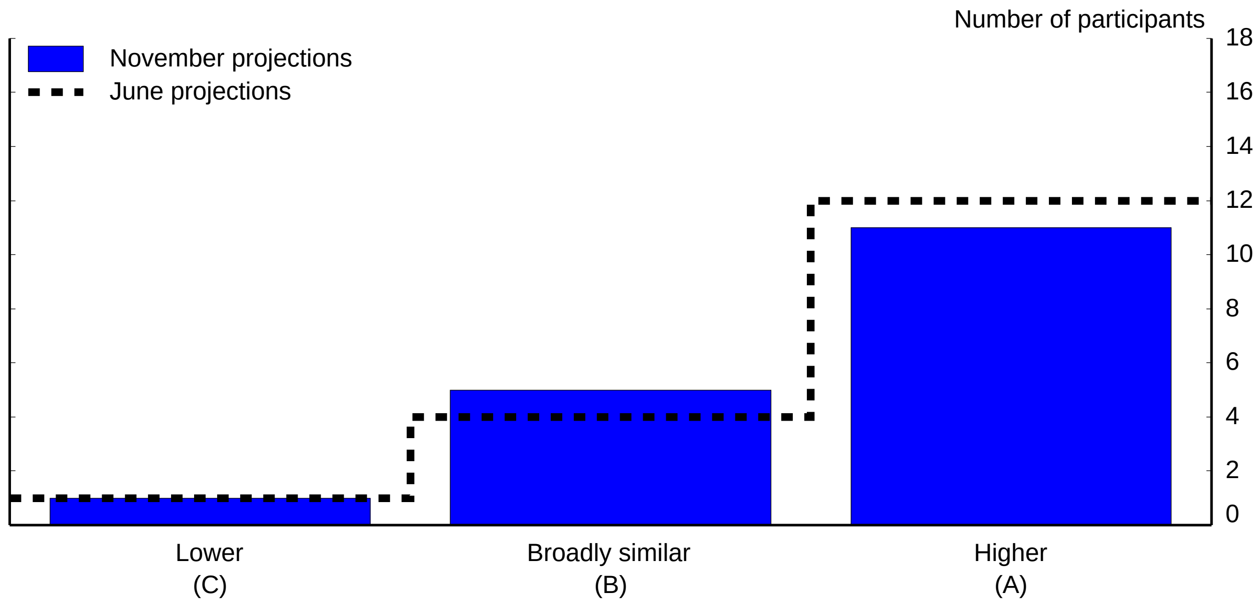


Individual Responses

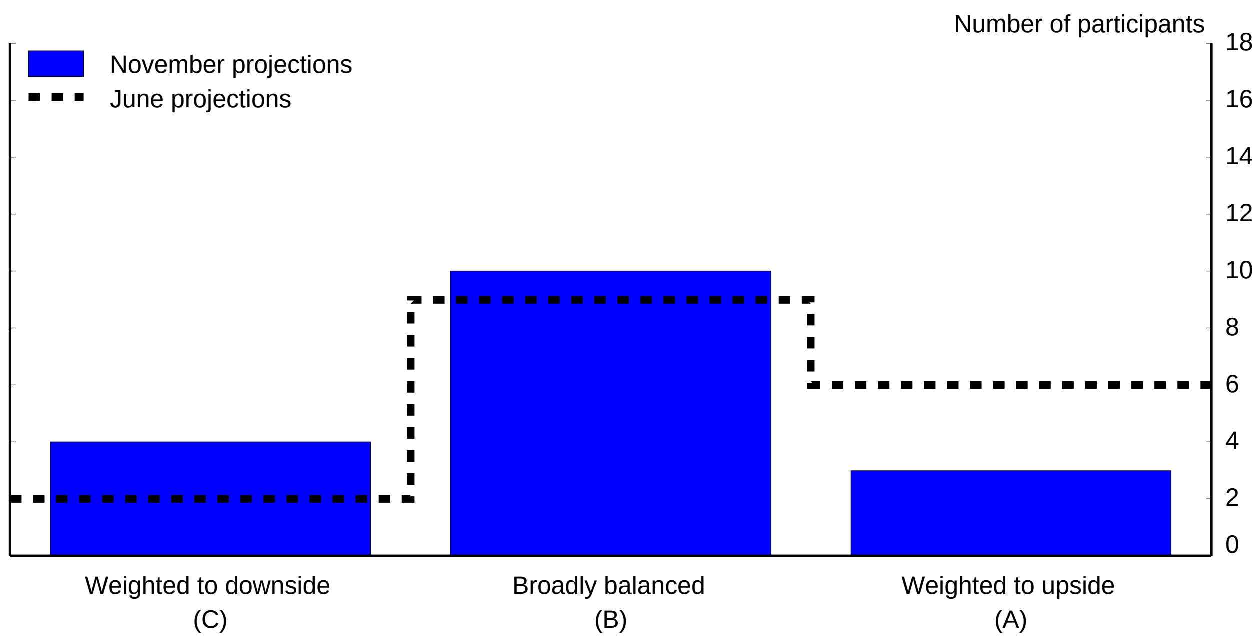
Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2(a)	B	A	A	A	A	A	B	A	A	A	B	A	A	A	C	A	B
2(b)	B	C	B	C	B	C	B	B	A	C	B	B	A	A	B	B	B

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)	B	A	A	A	B	A	B	A	A	A	B	A	A	A	C	A	B
2(b)	B	C	B	C	B	C	B	B	A	C	B	B	A	A	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:
I expect the convergence process will be similar to that outlined in the long-run Tealbook projection. That is, it will likely to take a decade for the large unemployment and output gaps to close and PCEPI inflation to converge to its long-run target of 2 percent.

Respondent 2:
N/A

Respondent 3:
N/A

Respondent 4:
N/A

Respondent 5:
Given my projection of very slow unemployment decline, convergence of unemployment to its long run value could take more than 5-6 years.

Respondent 6:
By 2016, the unemployment rate is about 1 percentage point above the assumed NAIRU, and inflation remains below the 2 percent target. Full convergence to full employment and a 2 percent inflation rate is expected to take 6 to 7 years.

Respondent 7:
N/A

Respondent 8:
N/A

Respondent 9:
The convergence process may be slightly shorter than 5-6 years

Respondent 10:
Our current estimate of the economy's potential growth rate is in the 2% to 2 $\frac{1}{2}$% range. By 2015-16 we anticipate potential growth of around 2 $\frac{1}{4}$%. A reasonable estimate of the long-run unemployment rate is 4% to 6%. Assuming appropriate policy and no further significant shocks, we expect the unemployment rate to be in this range and the output gap to be around zero by 2016.

We assume that long-term inflation expectations will continue to be anchored around 2.5% on a CPI basis and that the FOMC's inflation objective is and will remain at about 2% for the PCE deflator and around 2.5% for the CPI. Under these conditions and with the output gap anticipated to be near zero, we expect inflation as measured by the PCE deflator to be around 2% in 2016.

Respondent 11:

The unemployment and inflation rates might not converge to their long-run values until late in the 5-6 year window.

Respondent 12:
N/A

Respondent 13:
N/A

Respondent 14:
N/A

Respondent 15:
N/A

Respondent 16:
Convergence may well take the full five-to-six years.

Respondent 17:
N/A

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:
This is a close call, but uncertainty about our projection for economic activity appears to be somewhat elevated relative to its average over the past 20 years, in part because of ongoing developments in Europe. Inflation, however, has been anchored by quite stable inflation expectations.

Respondent 2:
Volatility/uncertainty was unusually low over the past twenty years.

Respondent 3:
N/A

Respondent 4:
N/A

Respondent 5:
The US has not had a comparable recession/recovery in the postwar period. Uncertainty about the factors restraining recovery, and the pace at which they will recede, remains high; reasonable possibilities include a lost decade and an acceleration of the expansion to above-trend rates. Uncertainty in PCE inflation is driven by the unusual volatility in commodity prices, which in turn is affected by uncertainty about global growth as well as supply conditions. Uncertainty about the pace of recovery also affects projections of core PCE inflation; however, with core inflation low and inflation expectations well anchored, the uncertainty in this case is more comparable to the past 20 years.

Respondent 6:
N/A

Respondent 7:
N/A

Respondent 8:
While recent data releases point to a reduced near-term risk of a recession, the medium-term risks remain considerable.

Respondent 9:
While the incoming data has been somewhat weaker than my June projection, financial market conditions continue to improve and the economic recovery will continue to gain momentum. However, the possibility that the European debt crisis is not resolved in an orderly fashion is a concern. It remains the case that the effect of the extraordinary monetary policy in place and uncertainties surrounding the future path of policy, including the timing of the exit from accommodative policy, contribute to uncertainty around my inflation forecast.

Respondent 10:
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 11:
N/A

Respondent 12:
N/A

Respondent 13:
The European debt crisis and future U.S. fiscal and regulatory policies are major sources of uncertainty. In addition, the Federal Reserve's unconventional policies are a source of uncertainty because they have no historical precedent.

Respondent 14:
N/A

Respondent 15:
Inflation expectations would be more firmly anchored under an appropriate monetary policy, and uncertainty would therefore be lower than the trailing average.

Respondent 16:
N/A

Respondent 17:
N/A

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:
Growth and unemployment risks appear skewed in large measure due to the possibility of bad outcomes in Europe, while inflation risks are more typically balanced.

Respondent 2:
The various DSGE models and FRB/US are forecasting declines in inflation. Those forecasts have led me to put extra weight on the possibility of future disinflation.

Respondent 3:
N/A

Respondent 4:
N/A

Respondent 5:
N/A

Respondent 6:
N/A

Respondent 7:
N/A

Respondent 8:
N/A

Respondent 9:
I view the risks to inflation as weighted to the upside both in both the short run and over the longer term. Longer-term inflation risks reflect uncertainty about the timing and efficacy of the Fed's withdrawal of accommodation.

Respondent 10:
Quantitative judgment based on the difference between the central projection and the expected value from the FRBNY forecast distribution.

Respondent 11:
The potential failure to resolve the European crisis is a major downside risk to the U.S. economic outlook. Furthermore, many businesses appear to have made plans to promptly cut spending on labor and capital at the first sign of a downturn in final demand, so there is a downside risk that some modest but unexpected weakness in household sector spending or in exports could be magnified into a more meaningful reduction in U.S. production.

Respondent 12:
N/A

Respondent 13:
The current highly accommodative stance of monetary policy, combined with long-term fiscal imbalances, poses an upside risk to inflation.

Respondent 14:
N/A

Respondent 15:
It has become harder to rule out the possibility that the cumulative effect of regulations that significantly raise business costs and reduce hiring and output, and the uncertainty concerning the exact nature of future taxes and regulations will materially reduce growth over the medium term. More specifically, my concern is we may not return to the historic trend, but that the growth rate will remain stuck around the trend rate of growth and activity will track a new lower trend line, regardless of the stance of monetary policy.

Respondent 16:
N/A

Respondent 17:
N/A

Appropriate Monetary Policy

3. Does your view of the appropriate path for monetary policy differ materially from that assumed by the staff in the Tealbook?

YES	NO
10	7

Respondent 1: No
N/A

Respondent 2: Yes
I anticipate that it will be appropriate to reduce accommodation earlier than is estimated by the Tealbook.

Respondent 3: No
N/A

Respondent 4: Yes
My path for monetary policy is more accommodative than that assumed in the staff forecast. I would hold the funds rate in its current range until the last quarter of 2014 and communicate an intention to raise the funds rate, once lift-off commences, more gradually than is assumed in the Tealbook baseline (which follows the outcome-based rule) and is presumably now incorporated in market expectations. Therefore, my path for long-term nominal interest rates is lower than in Tealbook. In addition, inflation in my forecast runs below, but somewhat closer to my 2% target, than in Tealbook, so the path of real interest rates is also lower for this reason.

Respondent 5: No
N/A

Respondent 6: Yes
The target federal funds rate is raised later than in the Tealbook. With inflation running below target, the first increase in the federal funds rate occurs when the unemployment rate declines to a level in the range of 7 to 7.5 percent. Such a range is reached over the course of 2015.

The baseline forecast is conditioned on no further portfolio-related policies in addition to the ones agreed upon at the September 2011 FOMC meeting. Since the unemployment rate is expected to remain above the NAIRU and inflation below 2 percent for more than 5 years, there is scope for additional portfolio-related policies. For these policies to materially affect the outlook, they would have to be of very sizable magnitude.

Respondent 7: Yes
I believe that under appropriate monetary policy to maintain price stability we will have to increase the current target range for the funds rate and allow the SOMA portfolio to run off sooner than assumed in the Tealbook. In the interim, depending on how the economy evolves, it may be appropriate to accelerate or slow down the growth of the SOMA portfolio.

Respondent 8: No
N/A

Respondent 9: Yes
My forecast continues to assume a less accommodative policy than in the Tealbook baseline. I view the

appropriate monetary policy as one that begins raising the funds rate and/or shrinking the balance sooner than mid-2013.

Respondent 10: No
N/A

Respondent 11: Yes
We expect the period of exceptionally low policy rates will extend into 2015. We also assume that the Committee will undertake some action to clarify the forward guidance currently in the statement. Such forward guidance could be complemented by additional asset purchases if, as we move through the forecast period, progress towards the dual mandate objectives is slower than we project.

Respondent 12: Yes
Given the current slow growth of the economy, I project right now that firming would not occur until 2015. However, if enhanced forward guidance or another commitment strategy were to be undertaken in early 2012 with the goal of achieving more proximity to longer terms objectives, then I could contemplate more robust growth and a lift-off as early as late 2014.

Respondent 13: Yes
In my view, the appropriate path for monetary policy would call for a lift-off of the federal funds rate target from its current range of 0 to 25 basis points to 50 basis points by the end of 2013. In 2014, the funds rate target would be increased gradually.

Respondent 14: No
N/A

Respondent 15: Yes
I believe that in order to achieve an inflation rate of 1.5 percent we would want to begin raising the funds rate in September 2012.

Respondent 16: Yes
Our ability to keep long-run inflation expectations well anchored and the recovery of the real economy on track depends more than usually on our ability to formulate and communicate a coherent strategy for funds-rate adjustments in the years beyond the Tealbook forecast horizon. Since my long-term inflation objective is lower than the 2-percent Tealbook rate, I believe it will be necessary to begin removing monetary-policy accommodation earlier than is assumed by Board staff, and to pursue normalization more vigorously. I am very skeptical of the usefulness of additional purchases of Treasury securities and of ongoing changes to the maturity distribution of our Treasury portfolio.

Respondent 17: No
N/A

Forecast Narratives

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

Respondent 1:
The economic recovery appears to have lost considerable momentum. However, monetary stimulus, improvements in banking and financial market conditions, and further household de-leveraging should support a moderate expansion over the next few years, even as firms and households adjust to higher food and gasoline prices and fiscal policy at all levels turns increasingly contractionary. Still, it will take several years of robust growth to return the economy to full employment. Inflation has been boosted by jumps in energy and commodity prices; however, significant slack in labor and goods markets will keep underlying inflation low. Well-anchored inflation expectations should help avoid significant pass-through of higher inflation to wages.

Respondent 2:
Growth will continue to be constrained by both demand and supply. On the demand side, household spending will grow but only slowly, as households continue to engage in balance sheet repair. On the supply side, I believe that the changes over the past four years (to the financial sector, anticipated taxes/regulations, and the nature of jobs at firms) have had a significant and adverse impact on the ability of the economy to exploit its available resources. For that reason, I believe that the output gap is larger (less negative) than the Tealbook estimates it to be.

Both demand and supply forces push down on growth and up on unemployment. However, they operate in opposite directions on inflation. On balance, my forecast for core inflation has emphasized the supply effect, which gets relatively short shrift in FRB/US and in the DSGE models. However, I cannot fully discount the effect of demand (which leads to my judgement that the risks to inflation are to the downside).

Respondent 3:
A confluence of forces will restrain the growth rate of the economy over the forecast horizon. Deleveraging within most sectors of the domestic economy continue to play out and are likely to adversely affect the pace of the expansion for several more years. A slowing European economy and shifts in the growth and composition of emerging economies is also likely to restrain demand for U.S. exports in the coming year and perhaps in 2013. Weak confidence over jobs and the economy are likely to hold back the spending of U.S. households and the expansion plans of business over much of 2012. Confidence in the economy will return only slowly as the expansion proceeds.

With the exception of food and some energy commodities, cost pressures have been light and my forecast for inflation over the balance of 2011 and 2012 shows a significant deceleration in the headline measure. However, I have assumed considerably less slack in the economy than conventional estimates would suggest and, as a result, my inflation forecast stays in the neighborhood of 2 percent over the forecast horizon.

My assessment of the risk to the growth and employment outlook is weighted to the downside. Notably, volatility in financial markets, slow jobs growth, and weak confidence make the economy vulnerable to any number of adverse shocks coming from Europe or elsewhere.

Regarding inflation, I think there is a risk that the influence of commodity prices and other pressures on the core inflation numbers could play out for a longer time than I have assumed and that inflationary sentiment could be adversely affected as a result. At the same time, there is a risk that the amount of slack is actually greater than I have assumed.

Respondent 4:
U.S. economic growth appears to have strengthened after a particularly anemic first half. This is due, in part, to the reversal of the two largely transitory factors depressing growth during the first half of the year–sharp increases in the prices of oil and other commodities and the shocks that struck Japan, disrupting global supply chains. These same shocks boosted inflation during the first half of the year, but as their influence has receded, inflation has declined and should decline further. With an exceptionally high degree of slack in the labor market, I expect inflation to decline further below rates consistent with our dual mandate. While I expect the pickup in growth seen during the third quarter to persist and strengthen over time, the pace of the recovery will nevertheless be undesirably slow due to a range of other, more persistent factors that are restraining the recovery. In particular, the pace of consumer spending seems to be weaker than can be explained by transitory factors. It is apparently being held back by slow gains in wages and income, declines in the values of homes and financial assets, still elevated debt levels and reduced access of households to credit. Moreover, consumer sentiment dropped markedly over the summer and has remained low since then, reflecting households' concerns and uncertainty about their future income prospects and financial situations. Weak consumer spending, in turn, means that many businesses have been reluctant to significantly expand their payrolls. Additional drags on the pace of recovery result from the continued problems afflicting residential construction, ongoing pressures on state and local government budgets, and the likely decline in fiscal impetus as earlier stimulus policies by the federal government wind down. In addition, I now anticipate slower growth in the global economy, particularly in Europe, due to the financial stresses afflicting the financial sector, which is likely to curtail credit growth, and the substantial reductions in government spending and increases in taxes that some countries have had to put in place to address their fiscal problems. Economic activity in many emerging market economies also looks to be moderating. A final factor influencing my forecast is the tightening we have recently seen in financial markets reflected in higher volatility, higher spreads, lower equity prices, and greater pressures on financial institutions. The euro area appears to be making progress in addressing its sovereign debt and banking problems, so "tail risk" appears to have declined; but many details remain to be worked out and it is too soon to declare that the European financial situation has now been stabilized.

Respondent 5:
The economy has shown a bit of resilience in the second half, in part reflecting the reversal of the temporary factors (commodity prices, Japan) that slowed growth in the first half. Final demand was surprisingly good in Q3—both consumption and investment, with a little help from exports as well. Inventory declines bode well for the near term, as does the substantial improvement in equity and credit markets associated with the declining risk of recession and the positive steps in Europe. Still, I have marked down my growth projections going forward (and reduced slightly my estimate of potential growth). In part this is an attempt to compensate for my persistent overprediction in past rounds, i.e., it appears that the structural and psychological headwinds are simply more powerful, and receding less quickly, than I had thought. More specifically, I worry about the following: (1) Europe's problems are not solved yet, and could be exacerbated by an economic slowdown there; hence, financial stresses are likely to continue; (2) significant fiscal headwinds, together with political gridlock; (3) sentiment: income has been growing only slowly and, more importantly, income expectations are very depressed — businesses are also more downbeat; (4) the housing and mortgage markets still seem far from normal; (5) credit conditions remain tight for consumers and small businesses; (6) commodity prices remain high in absolute terms (and relative to 2010). The lack of improvement in unemployment is consistent with the slow pace of economic recovery; as in the Tealbook, it seems reasonable to assume some reduction in measured unemployment if EEB is phased out, however. I described above why these projections are more uncertain than usual; the size of the recent revisions is testament to that.

Core inflation appears to be receding as earlier projected, reflecting the decline in auto prices and (more importantly) the reduction in commodity cost pressures. Wage gains remain very weak (see the latest ECI reading), slack is large, and both survey and market-based inflation expectations are relatively low. Hence I have core inflation falling next year and remaining slightly below target. Overall inflation is much more uncertain, given the difficulty of predicting commodity prices.

Respondent 6:
The economic recovery remains disappointingly slow. The most recent data have allayed concerns about the economy slipping again into a recession, but uncertainty remains high and business and consumer confidence is low. While unexpected adverse shocks have contributed to the slow recovery, more persistent factors such as limited credit availability for some sectors of the economy, the residential and commercial real estate crisis, and fiscal retrenchment at the state and local level, have been exerting more restraint on the economy than previously thought.

We continue to expect an acceleration in the pace of growth going forward, as some of the headwinds recede. However, the speed of the recovery remains sub-par by historical standards as federal fiscal policy is expected to turn contractionary, and support from monetary policy is limited by the presence of the zero-lower-bound. In all, the unemployment rate is projected to remain above 7.5 percent by the end of 2014. With considerable slack in the labor market, wage and price inflation remain subdued over the course of the forecast horizon.

Risks to the projection for real activity remain skewed to the downside. The baseline forecast continues to be predicated on European problems remaining contained and not having a large impact on the United States. While some progress has been made for a solution to the fiscal and financial stresses in the euro area, it remains to be seen whether a framework will be in place and effective should a tail event occur. Households also have a limited buffer stock of savings and remain especially vulnerable to adverse shocks.

The potential downside risks to the real outlook also remain costlier than the potential upside risks, as any worsening of the economy in the current situation would be aggravated by the limited scope for further fiscal and monetary policy actions.

The balance of risks to inflation is skewed to the downside. Several inflation models would predict lower inflation than in our baseline outlook. The projected path for inflation deviates from these models by factoring in an increased pass-through from commodities prices into core prices.

Respondent 7:
In 2011 through 2014 I anticipate that real growth will occur at greater than steady-state rates, reflecting normal cyclical patterns reinforced by the substantial monetary stimulus that has been in train since late 2008. I expect that beginning in 2013 real growth will slow and subsequently approach steady-state rates. Real growth in excess of the steady-state rate will drive down the unemployment rate. I expect increases in food and energy prices to keep the headline rate above the core rate through 2014. Under appropriate monetary policy, inflation should approach my preferred long-run rate of 1.5 percent. With available information I expect that the core and headline inflation will be roughly equal in the out years of the projection period.

Respondent 8:
In my assessment, the recent good news on the economy points to some improvement in the near-term outlook: a slightly stronger pace of growth in the second half of this year and a reduced risk of a near-term recession. But in the absence of improvement in some key indicators of economic fundamentals (such as personal income), I don't judge the recent good news as signaling a stronger pace of growth next year and beyond. For 2012-2014, I continue to expect the economy to recover at a slow pace. The slow pace of recovery reflects competing forces: the economy's usual self-corrective forces and considerable monetary stimulus versus various headwinds, including consumer de-leveraging and cutbacks in state and local government.

Similarly, while I am a little encouraged by September's CPI data, it provided only a tentative sign of a slowing in the underlying price trend. Trimmed mean measures of core inflation didn't slow as much as the CPI ex food and energy did, reflecting the influence of some unusual item-level price changes. In light of these technical factors, I don't believe the underlying trend in prices has changed. With long-term inflation expectations stable and the still-weak labor market keeping growth in labor costs subdued, I continue to expect core inflation of about 2 percent for 2011-2014. As pressures from energy prices continue to dissipate, headline inflation should slow to about 2 percent in 2012 and remain around 2 percent in 2013 and 2014.

For 2012-2014, I continue to see the outlook for growth, unemployment, and inflation as highly uncertain. The key risk to growth (downside) and unemployment (upside) is a recession in Europe and the additional financial stress the recession would cause. Consumer de-leveraging constitutes another key uncertainty: the potential for yet more balance sheet adjustment poses another downside risk to growth and upside risk to unemployment. While I don't think that significantly faster de-leveraging is the most likely scenario, it remains a risk. For inflation, the weakness of the economy could create more disinflation than expected. On the other hand, I judge the surprise increases of earlier this year as pointing to the potential for surprise increases over the medium term forecast horizon. The potential for renewed volatility of commodity prices and extremely accommodative monetary policy are upside risks that further elevate the uncertainty surrounding the inflation outlook.

Respondent 9:
The recent economic data has been somewhat weaker than what I expected in my June forecast. The persistence of negative shocks earlier in the year such as higher oil prices, bad weather, sovereign debt developments, and the supply chain disruptions associated with the Japan disaster has been greater than I anticipated. However, I expect this recent weakness is now waning and that the economy is poised for moderately above-trend growth in 2012.

The economy has a bit less momentum going into 2012 than I anticipated in June, but as the recovery strengthens I expect a modest pace of 3.2 percent growth in 2012, down only slightly from my June forecast. For 2013 and 2014, I expect growth to run at a 3 percent pace, which remains slightly above my longer-term trend. With a moderate pace of growth over the forecast horizon, the labor market recovery is gradual — I expect the unemployment rate to move down to about 6.8 percent by the end of the forecast horizon, at which time it remains above my estimate of the natural rate of unemployment. I anticipate that headline inflation will pull back to a 2.2 percent pace in 2012 and then edge down a bit further in 2013 and 2014 in response to tighter monetary policy than that anticipated in the Tealbook.

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 before mid-2013.

Respondent 10:
We have again lowered our growth projections from those of the last SEP. For 2011, we now expect real GDP growth to be under 2% compared to 3% in the June SEP. While much of this reduction reflects the impact of past events, including the downward revision of real GDP growth over 2011H1, we expect 2011H2 growth to be $2\frac{3}{4}\%$ (annual rate), well below the 4% growth we anticipated in June despite raising the forecast some over the past month. We have also lowered our growth forecast for 2012 and 2013, as we see some of the factors slowing growth this year as persisting into coming years. Correspondingly, we now expect the unemployment rate to average 9.0% in 2011Q4 rather than 8.4%, and to decline gradually over the forecast horizon.

The pronounced slowing of growth in the first half of 2011 appears to have been due in part to a number of temporary factors. Energy and other commodity prices rose sharply over the six to seven month period ending in May of this year, reducing consumers' real purchasing power: real disposable income rose at an annual rate of just 0.9% in 2011H1. Consumers responded to this loss of purchasing power through a combination of slower growth of real PCE and a reduction of the personal saving rate.

A second transitory factor was the supply chain disruptions emanating from the earthquake and tsunami that occurred in Japan in March. The effect of these disruptions has been most evident in the production and sales of light weight motor vehicles, but it is likely that they affected other sectors of the economy as well. Despite lean inventories, production of motor vehicles and parts as well as of computer and of electrical equipment declined in 2011Q2. Sales of light weight motor vehicles also fell during this period, apparently because prospective buyers decided to delay purchases until inventories and prices of popular models returned to more normal levels.

The advance estimate of 2011Q3 real GDP growth indicates that these temporary factors have begun to abate. The rate of increase of energy prices slowed significantly over the third quarter, greatly reducing the negative effect on real incomes and helping to support stronger growth of real PCE in the quarter. Furthermore, final sales to domestic purchasers grew at a 3.2% annual rate in 2011Q3, the fastest since 2010Q2, suggesting some momentum into 2011Q4.

Nevertheless, the US confronts significant structural problems that are impeding a more vigorous recovery. In particular, the legacy of the housing boom and bust continues to weigh on the economy. Moreover, state and local governments are cutting back spending and reducing employment. Finally, based on current law, federal fiscal policy is in the process of moving from providing significant stimulus to exerting substantial drag.

Despite record low mortgage interest rates and quite high cash flow affordability, housing market activity remains at quite depressed levels, and thus is not providing the boost to economic activity. The reasons for this are several, including a large inventory of homes, many of which are distressed, the continued pipeline of delinquencies and foreclosures, the large number of mortgages that are "underwater" or close to it, tight underwriting standards, a weak labor market, and general uncertainty about the future path of home prices. Furthermore, due to the loss of housing wealth stemming from the decline of home prices, consumer spending is more restrained than otherwise would be the case.

Both employment and spending by the state and local government sector have been declining for some time, and the rate of decline intensified over the first half of 2011. While state and local government tax receipts have recovered to their previous peak level, grants in aid from the federal government are now declining. Thus, spending and employment at the state and local government level is likely to continue to fall over the near future.

At the federal level, fiscal policy is evolving from being highly stimulative in 2010 to being essentially neutral in mid-2011. Based on current law, in 2012 federal fiscal policy will begin exert a significant drag on growth. The reduction of the employee's share of the OASDI payroll tax and the full expensing of qualified investment in equipment and software, enacted in late 2010, are both set to expire at the end of 2011. The recently enacted Budget Control Act of 2011 calls for a reduction of about $25 billion of discretionary spending in FY2012, with additional deficit reduction measures likely once the Congressional Joint Select Committee on Deficit Reduction releases its proposals later this year.

Finally, the events in the Euro area and elsewhere indicate weaker global growth over the forecast horizon, which would reduce the growth of US exports. Given all of these factors, projected growth of real GDP in 2012 and 2012 has been marked down to 2 $\frac{3}{4}$% (Q4/Q4) and 3 $\frac{1}{2}$% from 3.7% and 4.5%, respectively. With this lower growth trajectory, the unemployment rate in is expected to average 8.7% (versus 7.5%) in 2012Q4 and 7.8% (versus 6.5%) in 2013Q4.

Both total and core PCE deflator inflation have been somewhat higher than anticipated, such that total inflation is now expected to be 2.9% (Q4/Q4) in 2011 rather than 2.5% and core inflation is expected to be 1.8% rather than 1.6%. The bulk of the increase in headline inflation has been due to the direct effect of the run up of energy and other commodity prices, the impulse behind which was external to the US.

Nonetheless, core inflation also moved up more than expected, with the 12-month change of the ex food and energy PCE deflator up 1.6% in October from below 1% at the end of 2010. From an accounting sense, the bulk of that increase of core inflation is due to some faster increases in rents, followed by unusually rapid gains in prices for apparel and new vehicles. We suspect that as rents firm, more of the quite substantial stock of vacant housing will move into rental usage, helping to limit further rent increases. The more rapid increase of apparel prices reflect the steep increases in cotton and other fiber prices over the past year. Similarly, the unusually large increase in new vehicle prices of the past six months or so appears to be the result of the supply disruptions discussed earlier.

Fortunately, energy and many other commodity prices have declined from their peak levels. Motor vehicle production is returning to more normal levels, which will boost inventories over the coming months. Thus, barring another energy price shock, it appears that headline and core inflation measures are at or near their peaks. Fundamentals remain consistent with a slowing in inflation. Even if we assume that the natural rate of unemployment has increased somewhat, the economy is operating with substantial slack. Profit margins are wide, allowing for greater price competition going forward, which should help hold down overall inflation. Moreover, inflation expectations remain well anchored. Accordingly, we expect inflation to slow to 1.4% (Q4/Q4) in 2012 before moving gradually higher to around the 2% objective in 2014.

The uncertainty around our outlook remains sizable and the balance of risks to both real activity and inflation are to the downside. The uncertainty engendered by the intensification of the European crisis and reaction of financial markets to that crisis indicate that the US and global economies as well as financial conditions remain quite fragile and susceptible to shocks, indicating considerable downside risks to the real activity outlook. In addition, there is considerable risk that fiscal consolidation at the federal, state, and local levels–however necessary for the longer run–could occur too quickly given the fragile state of the economy. With evidence that inflation expectations remain anchored, the downside real risks combined with the current large amount of slack, indicate that the risks to the medium-term inflation outlook are now somewhat to the downside.

Respondent 11:
Household balance sheet repair is continuing to restrain consumer spending; this process likely has been compounded as the failure of labor market conditions to improve noticeably and further concerns over future income and wealth prospects have increased the demand for precautionary balances. Businesses see this lack of demand, making them hesitant to expand workforce and physical capacity. These factors have resulted in liquidity trap conditions in which the zero lower bound prevents real interest rates falling enough to equate the supply of saving with the demand for investment.

Eventually, in the absence of major shocks and with the support of accommodative monetary policy, balance sheet repair will reach the stage that household sector expenditures will gain momentum and generate an associated lift off in business spending. However, the fragility of household and business confidence could slow this process relative to other economic fundamentals.

Even accounting for some slower growth in potential output over the recession and early stages of recovery, our forecast implies substantial resource slack even beyond 2014. This slack is expected to exert downward pressure on prices throughout the projection period. However, accommodative monetary policy provides an important offsetting support to inflation expectations. A critical element of this policy is clear forward guidance with regard to the setting of the federal funds rate.

Respondent 12:
Growth in the economy, while better in this second half of 2011 than earlier in the year, remains modest. Supply chain slow-downs from Japan have eased, but demand remains hampered by the housing market which remains characterized by low equity values, poor servicing, supply overhang and deteriorating quality. People have been out of the labor market for longer periods of time. The growth of consumption and aggregate demand are further depressed by not just continued unemployment but low home equity values and low levels of consumer confidence.

Respondent 13:
I continue to expect a modest economic recovery over the next several years, with only a gradual improvement in unemployment. The temporary factors that damped growth in the first half of 2011–including rising energy prices and the supply disruptions associated with the Japanese earthquake and tsunami–have largely abated. However, growth is still expected to remain subdued. Financial headwinds, deleveraging, an anemic housing market, and reduced government spending will hold back growth. In contrast, pent-up demand, exports, and an accommodative monetary policy will support economic growth. Considerable uncertainty surrounds the outlook due to the European sovereign debt crisis and fiscal consolidation in the United States. But the outlook for inflation has improved. Inflation has begun to show signs of receding and should fall below 2 percent next year. Nevertheless, there is a risk of higher inflation if our accommodative monetary policy stance and long-run fiscal imbalances lead to an upturn in inflation expectations. In addition, maintaining the current extraordinary level of monetary policy accommodation could generate financial imbalances which could eventually destabilize the economy.

Respondent 14:
N/A

Respondent 15:
Real growth is gradually gaining momentum. Consumer spending is firming, although sentiment is depressed. Business investment and exports are fairly robust. Multifamily housing construction is expanding, although single family construction is depressed. Government consumption and investment are gradually declining. Inflation has been high this year, and energy prices remain elevated.

Respondent 16:
We continue to suffer from overhangs of housing and debt. The sharp deterioration in the fiscal outlook that has occurred as a result of the recession means that fiscal policy has become a drag on growth. The poor fiscal outlook has also increased concerns about future taxes. Consumers are discouraged and fatigued by the slow and uneven pace of the recovery, and have been squeezed by high energy prices. Banks are also being squeezed–by the low, flat yield curve–and some indicators suggest increased financial-system strains. Businesses, however, are generally flush with liquidity. Yet, despite rising labor costs overseas, firms remain more interested in foreign than in domestic expansion. The potential for job-creating investment and economic expansion within the U.S. is stymied by uncertainty over fiscal policy and concerns about regulatory excess. European sovereign debt concerns have eased, for now, but underlying structural problems remain unresolved. Emerging markets may be shifting to a slightly slower growth gearing. For all of these reasons, growth in coming quarters is likely to be subdued.

Respondent 17:
It appears as though the economy continues to be stuck in a quite slow-moving recovery, successfully warding off recessionary risks but not showing any signs of achieving the kind of momentum that would lead to the kind of sustained, significantly above-trend growth that would reduce the output gap appreciably within

quarters, rather than years. It is hard to see where such momentum would come from, at least until household debt, most importantly including mortgage debt, is substantially reduced. There seems little prospect of that happening.

Major downside risks continue to be largely external, in that they are being generated either abroad or through the domestic political process. If Eurozone leaders do not follow their framework announcement with credible details, the market relief could reverse quickly, leading once again to a deterioration of financial conditions and, quite possibly, real economy performance as well. It's still a little hard to see significant upside risks. At some point, of course, enough debt will have been worked off and enough slimming of employment levels completed that the conditions for an acceleration in the economy will be present.. At this juncture, though, a "semi-lost" decade seems as likely as the quickening of growth contemplated in the preceding sentence.

Forecast Narratives (continued)

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

Respondent 1:
My forecast is broadly similar to the Tealbook projection, but with weaker GDP growth in 2013 and 2014, as I have grown more pessimistic about recent and future potential output growth.

Respondent 2:
N/A

Respondent 3:
My growth forecast is very similar to the Tealbook baseline through 2013, but is about $\frac{1}{2}$ a percentage point lower than the Tealbook in 2014. My projection for inflation runs about $\frac{1}{2}$ a percentage point above the Tealbook over the forecast horizon.

Respondent 4:
I forecast a more rapid pickup in growth, particularly in 2013 and 2014, due to the more accommodative monetary policy I have assumed. In addition, my inflation forecast is a bit higher–closer to my 2% target–than Tealbook as unemployment declines more rapidly than in the Tealbook baseline. Were it not for the difference in assumption concerning monetary policy, my forecast would coincide closely with that in Tealbook.

Respondent 5:
Continue to be more pessimistic than the TB about growth going forward. Since June have seen considerable financial turmoil (Europe, debt ceiling), more fiscal gridlock, a substantial worsening in sentiment, continued very weak conditions in housing and mortgage markets, weak job numbers (with implications for the number of long-term unemployed and their skills and labor force attachment), renewed signs of slowdown in Europe, Japan, and EMEs. Growth slowed between 2010 and 2011, so there is not much on which to base a projection of an accelerating recovery.

Respondent 6:
Both the outlook for real activity and the outlook for inflation are similar to the Tealbook forecast.

Respondent 7:
Compared to the Tealbook forecasts, most differences between the point estimates in the Tealbook baseline forecast and my projections are minor. However, I see higher headline inflation in the intermediate period before returning to the rate that I believe is consistent with appropriate monetary policy.

Respondent 8:
The key difference is in the inflation outlook. I don't expect core inflation to decline as much as it does in the Tealbook forecast, because I don't expect the weak recovery and decelerating commodity prices to have as much influence on inflation as they do in the Tealbook.

Respondent 9:
My forecast calls for a tighter monetary policy path than the Tealbook.

Respondent 10:
We continue to assume lower inflation persistence than does the Tealbook. Given changes in both our forecast and the Tealbook forecast, this differing assumption has little impact for the 2011-13 forecasts. However, at the 2014 horizon and beyond, under the assumption of well anchored inflation expectations, we project that core and overall inflation will move more quickly toward the 2% objective than does the Tealbook forecast.

We have a somewhat lower path for the personal saving rate than the Tealbook despite similar consumption paths. Apparently this reflects a somewhat lower path of disposable income in our forecast as we expect the profit share to remain higher than in the Tealbook.

Based on our assumptions of modest increases in the labor force participation rate and average weekly hours, we expect a somewhat greater decline in the unemployment rate than is projected in the Tealbook, particularly in 2013 and 2014.

Respondent 11:
Our projections for real economic activity are similar to the Tealbook's. However, as noted above, we assume that appropriate policy keeps rates lower for longer and provides more explicit forward guidance than the Tealbook's policy assumption. This additional accommodation contributes to our inflation projection being a touch higher than in the Tealbook.

Respondent 12:
N/A

Respondent 13:
The key difference is the monetary policy path. With a higher projection for inflation than Tealbook and the potential for a buildup of financial imbalances, I believe an earlier move toward less accommodative policy is appropriate. With a less accommodative policy stance, I project somewhat slower growth in 2014 than Tealbook.

Respondent 14:
N/A

Respondent 15:
I do not see the decline in energy prices in the current quarter that the Tealbook projects. I also do not expect core inflation to decline materially from its pace this year.

Respondent 16:
The Tealbook GDP and unemployment forecasts are not unreasonable, but I anticipate a somewhat higher trajectory for inflation. Given my inflation forecast and my relatively stringent inflation objective, I believe that policy stimulus will need to be withdrawn more rapidly than is assumed in the Tealbook.

Respondent 17:
As usual, I continue to be less confident that oil prices will remain subdued over the forecast period.

Forecast Narratives (continued)

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

Respondent 1:
The data on growth since June have generally surprised on the downside, and we have revised down real GDP growth by almost a percentage point in 2011, 2012, and 2013. Besides weak near-term indicators of real economic activity, the July 2011 annual NIPA revision lowered that past few years of labor productivity growth. It now appears that the mid-1990s acceleration in labor productivity has ended. Coupled with weak business investment and labor market problems, it seems likely that potential output has grown more slowly recently.

Respondent 2:
N/A

Respondent 3:
I have revised my 2011 growth forecast lower in light of the softer incoming data between July and September. I have also built in a somewhat weaker growth trajectory in 2012 and 2013 owing in part to the deterioration in the European economy and the increased likelihood of fiscal drag domestically.

Respondent 4:
I have revised down my estimate of real GDP growth for the next several years and revised up my estimate of the unemployment rate due to weak incoming data and an assessment that the headwinds to growth in output and recovery of the labor market are even more serious than I anticipated in June. As a partial offset, I have assumed a more accommodative stance for monetary policy over the forecast horizon

Respondent 5:
See above.

Respondent 6:
Spending data have been considerably below expectations. Deterioration in the labor market, lower households' net worth, continued spending cuts at the state and local level, and no meaningful improvement in the housing sectors are all factors contributing to the downward revision to the near- and medium-term outlook for the real economy. Increased uncertainty and low business and consumer sentiment also affect the outlook negatively.

Respondent 7:

My forecasts for near-term real growth have been revised downward reflecting slower growth to date this year than I had previously expected. My forecast path for the unemployment rate has been revised up to reflect the weaker than expected growth this year. My view of real GDP growth in 2012 has also been revised down, with unemployment revised accordingly. In light of the data revisions in late July and my view that some of the growth prior to the financial crisis and Great Recession was due to a bubble, I have also revised downward my expectation of long-run GDP growth. My projections of inflation are changed only slightly.

Respondent 8:
Since the June submission, I revised my forecast to reflect sharp revisions to the NIPA accounts that revealed a significantly slower pace of recovery in the first half of 2011 and incoming data that pointed to a slower pace of recovery in the second half of 2011 and a higher underlying price trend. Compared to the June forecast of

GDP growth, my new projection shows a significantly slower pace of recovery in 2011 and a modestly slower pace in 2012 and 2013. For inflation, I continue to expect prices to rise at an underlying trend of about 2 percent. I continue to expect that dissipating pressures from energy prices will slow headline inflation from about 2 1/2 percent this year to about the rate of core inflation next year.

Respondent 9:
Recent weaker-than-expected data have led me to revise down my near-term projection.

Respondent 10:
As noted earlier, the data generally have been weaker than expected since the June SEP. Although the latest spending data have been somewhat better, consumer confidence indicators and business survey data remain quite weak. Furthermore, the subdued growth seen so far in 2011 suggest that, although the transitory factors discussed earlier were a factor, more structural factors probably also were holding down growth, which suggests that real growth could continue to be subdued in the coming quarters. In addition, the weaker outlook for the Euro area and the tightening in some indicators of financial conditions indicate a more subdued outlook for real activity. Because of these factors, our projected real GDP growth path is lower throughout this period.

The unemployment rate was little changed since the June SEP. Other labor market indicators also have not improved much during this period. Combined with our relatively subdued outlook for real growth, we have raised our projected path for the unemployment rate throughout the forecast horizon.

Because the inflation data have run somewhat above our expectations, we have raised our near-term inflation forecasts. However, given the large amount of resource slack and our forecast that it will shrink more slowly than previously expected, we now anticipate that it will take longer for core inflation to reach the objective. Accordingly, our forecasts of inflation in 2012 and 2013 are below those in the June SEP.

In regard to our risk assessment for real economic activity, the European sovereign debt crisis has intensified (despite the agreement on October 26) and there is a higher probability of a greater fiscal consolidation (especially with the agreement following the debt ceiling crisis). Furthermore, the financial market reaction during the period since June indicates continued fragility of financial conditions, which suggests some more downside risks to the real outlook over the medium term. Consequently, our risk assessment for real activity is more skewed to the downside than it was in June, reflecting an increase in downside risks.

For the inflation risk assessment, the decline in the 5-10 year TIPS-implied inflation compensation since June suggests a smaller probability that inflation expectations are becoming unmoored to the upside. Moreover, the greater downside real risks combined with continued significant resource slack indicates greater downside risks. Therefore, the inflation risks have shifted from a rough balance to a downside skew, particularly at medium term horizons, reflecting both lower upside risks and greater downside risks.

Respondent 11:
The incoming data indicate that the softness in some of the monthly indicators we were seeing at the time of our last forecast submission were symptoms of a more general economic sluggishness rather than a temporary soft patch due to the Japanese disaster and other transitory factors. The weak 2011:H1 growth evident following the annual revisions to the NIPA were an important factor in changing this judgement. We have marked down our projection of growth throughout the projection period accordingly. In addition, household and business caution has intensified with the heightened uncertainty and financial market volatility associated with events in Europe and the U.S. debt ceiling showdown.

Respondent 12:

N/A

Respondent 13:
Because this is my first submission of economic projections, my comparison will be relative to my forecast at the time of the last FOMC meeting. My outlook for 2011 as a whole has improved based on stronger reported GDP growth in the third quarter. My longer-term outlook is little changed from a month ago.

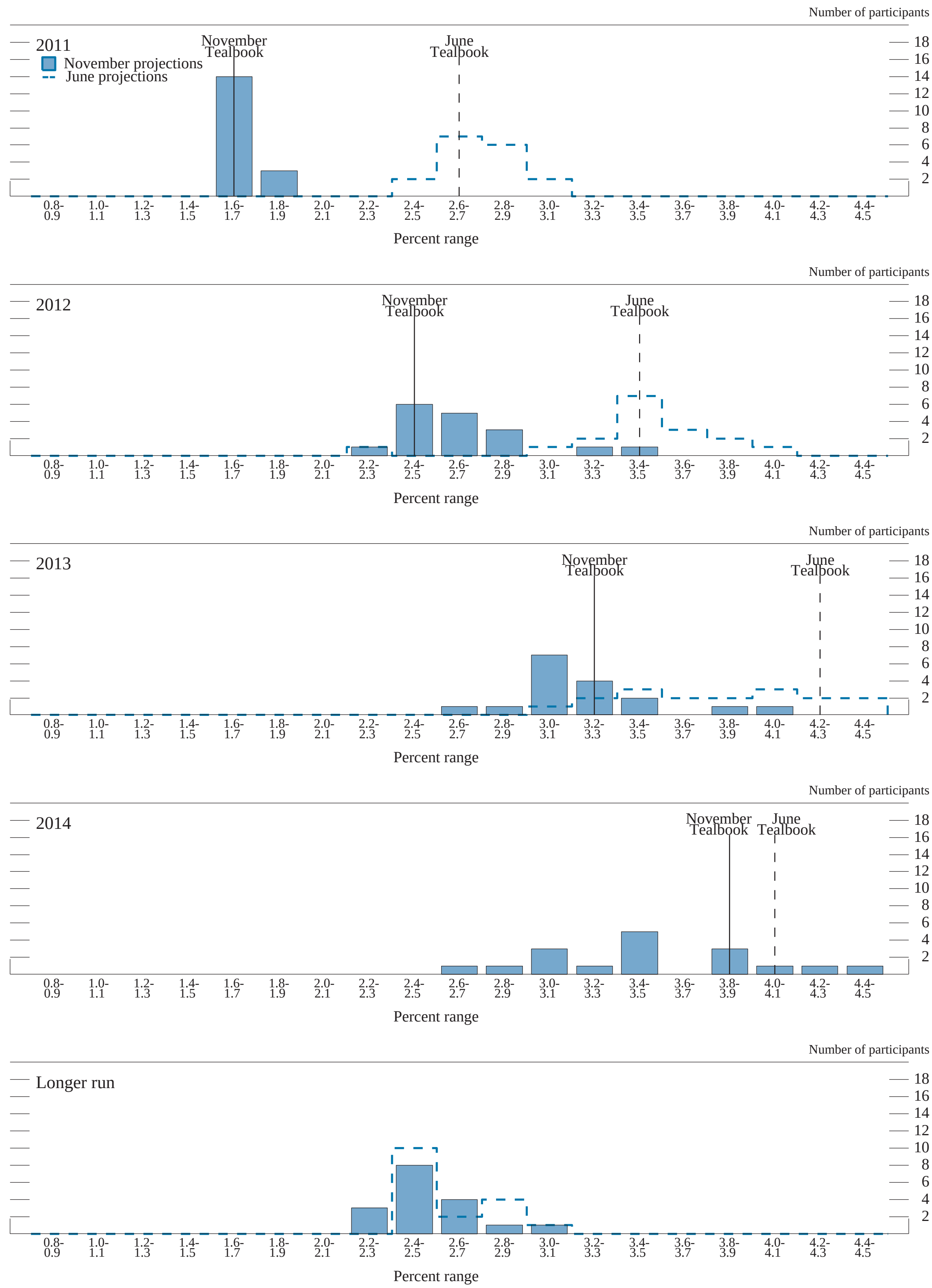
Respondent 14:
N/A

Respondent 15:
The data flow on overall activity weakened considerably over the summer, but has improved in recent weeks. Inflation has risen this year, and with the (Brent) crude oil price still fairly high, it is difficult to see much disinflation ahead with policy settings unchanged.

Respondent 16:
Second-half growth appears to be rebounding less strongly than I had anticipated, and the growth outlook generally has deteriorated, somewhat. Uncertainty over fiscal policy is significantly retarding business confidence. In consequence, I've made upward revisions to the forecasted path of unemployment and downward revisions to the forecasted path of inflation.

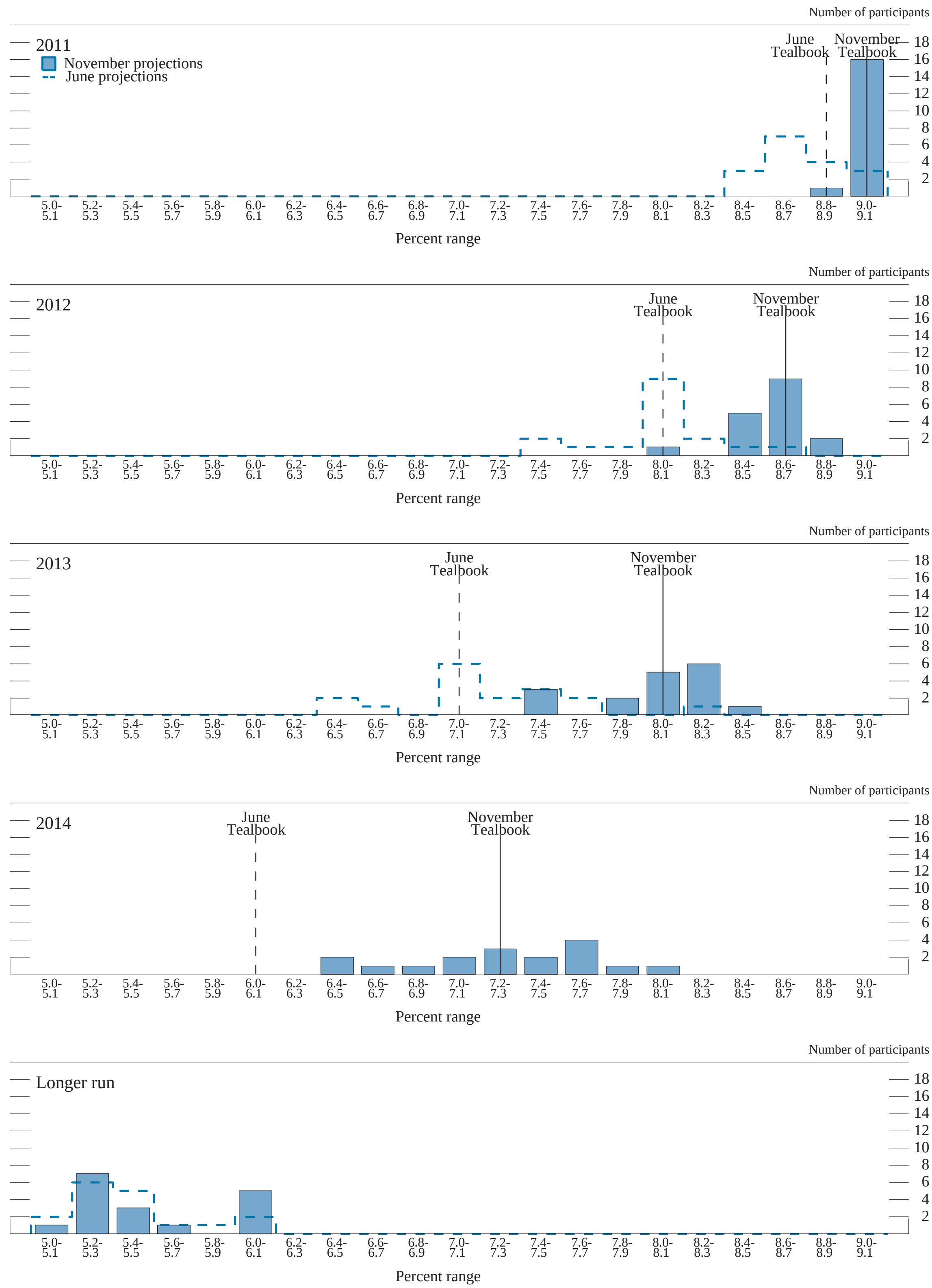
Respondent 17:
Obviously the much-worse than expected performance in the months around the last set of projections, but also the accumulating evidence that the momentum referred to in the preceding answer is not on the horizon (at least not yet)

Figure 2.A. Distribution of participants' projections for the change in real GDP, 2011–14 and over the longer run



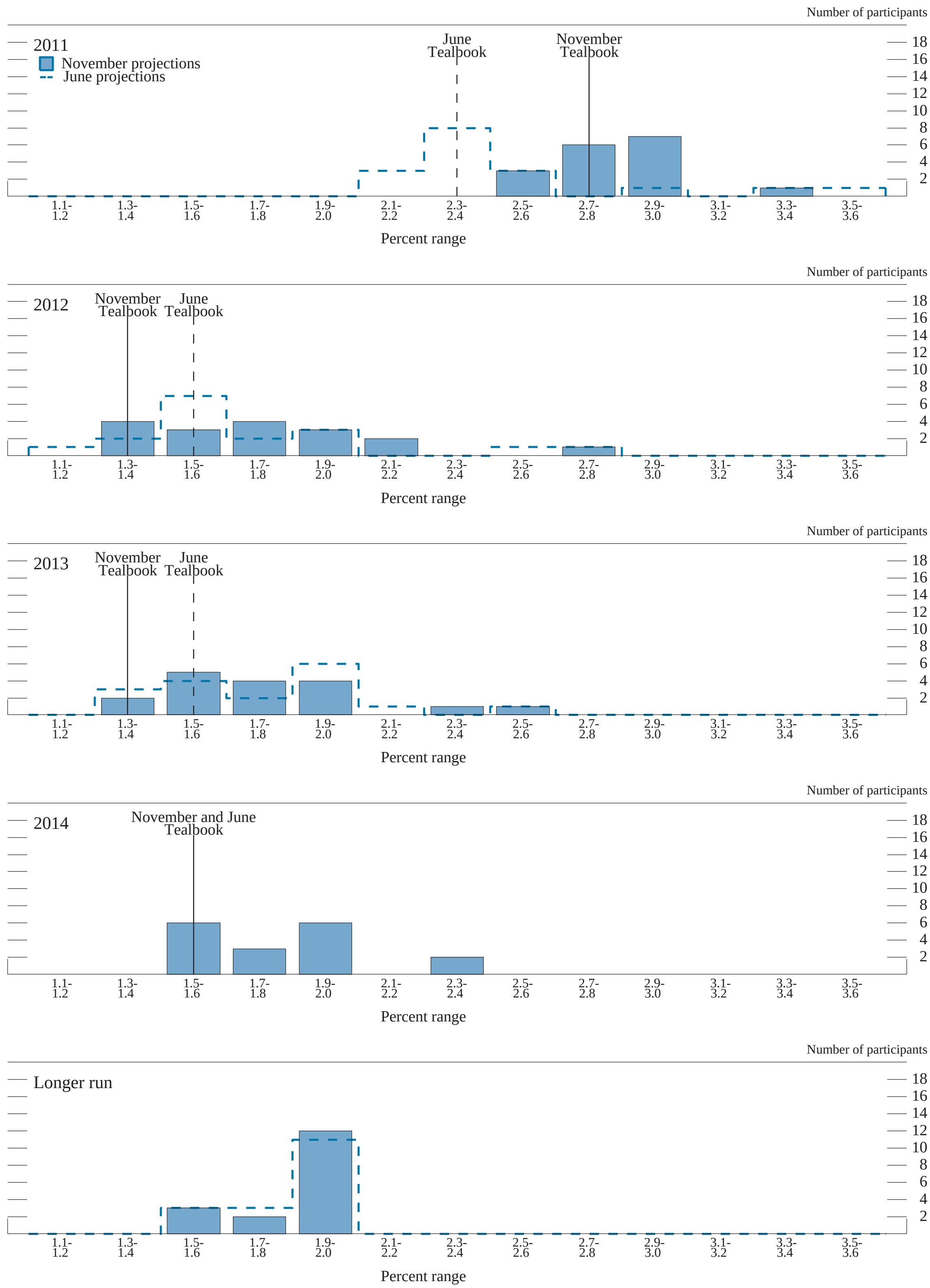
NOTE: Definitions of variables are in the general note to table 1.

Figure 2.B. Distribution of participants' projections for the unemployment rate, 2011–14 and over the longer run



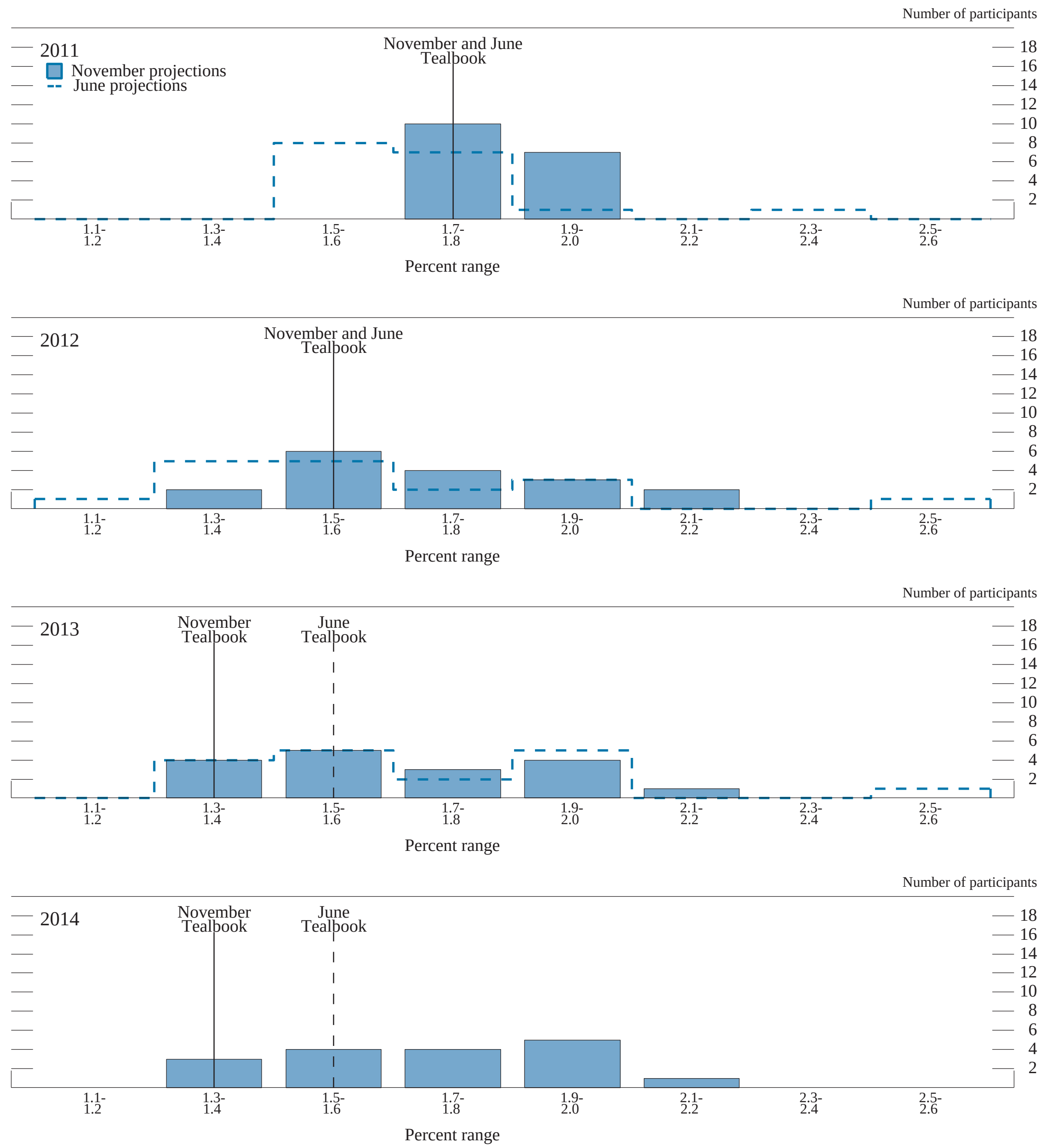
NOTE: Definitions of variables are in the general note to table 1.

Figure 2.C. Distribution of participants' projections for PCE inflation, 2011–14 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, 2011–14



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

Figure 3. Risks and uncertainty in economic projections