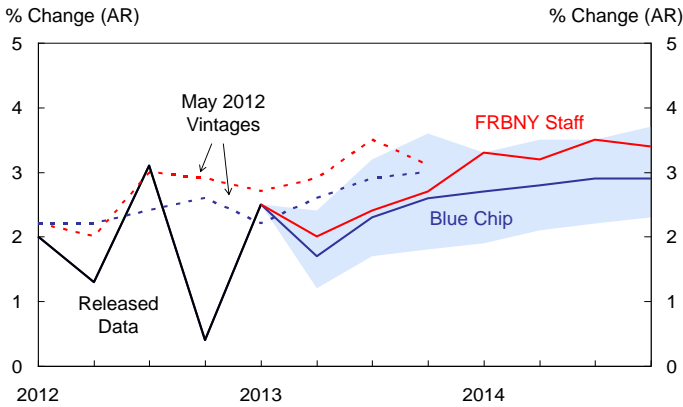


Comparison of FRBNY Staff and Blue Chip Forecasts

Real GDP Growth Forecasts

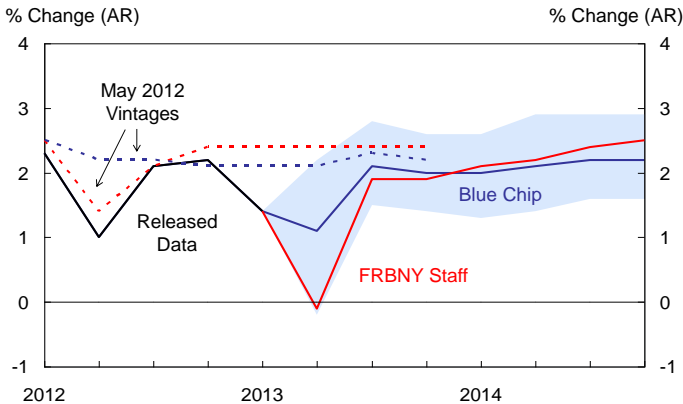


Note: The blue band represents the top 10 and bottom 10 averages of the Blue Chip survey. The dashed lines are the May 2012 FRBNY & Blue Chip forecasts. Source: FRBNY Staff and Blue Chip Economic Indicators

Staff GDP Forecast Summary

- Moderate real GDP growth in 2013; a little stronger in 2014
 - somewhat above Blue Chip consensus in 2014
- Near-term influences:
 - Sequestration: maximum effect in Q2 and Q3
 - Extent of underlying strength in private demand
 - Production/expenditures tension
- Medium term factors:
 - Continued accommodative monetary policy
 - Smaller fiscal drag in 2014
 - Further lessening of other headwinds

Overall CPI Inflation Forecasts

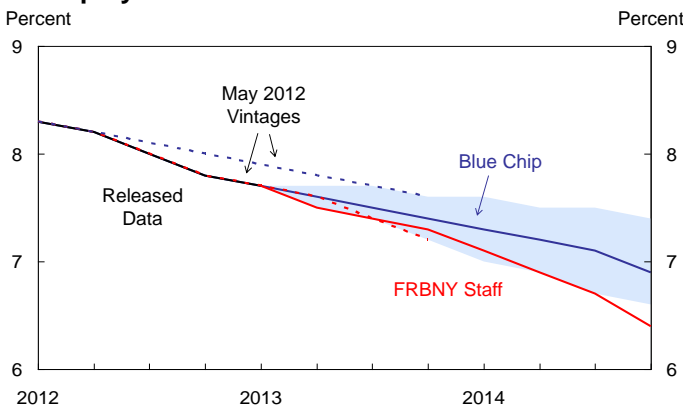


Note: The blue band represents the top 10 and bottom 10 averages of the Blue Chip survey. The dashed lines are the May 2012 FRBNY & Blue Chip forecasts. Source: FRBNY Staff and Blue Chip Economic Indicators

Staff Inflation Forecast Summary

- Inflation expected to remain low in near term
 - Below Blue Chip consensus
 - Factors: substantial slack in resource utilization, dollar appreciation, falls in commodity prices
- Medium-term inflation near FOMC's longer-run goal
 - Staff analysis: 2.5% CPI inflation \approx 2% PCE inflation
 - Slightly above Blue Chip consensus
- Underlying assumptions
 - Anchored inflation expectations
 - Expectations have larger influence than slack over the medium term

Unemployment Rate Forecasts



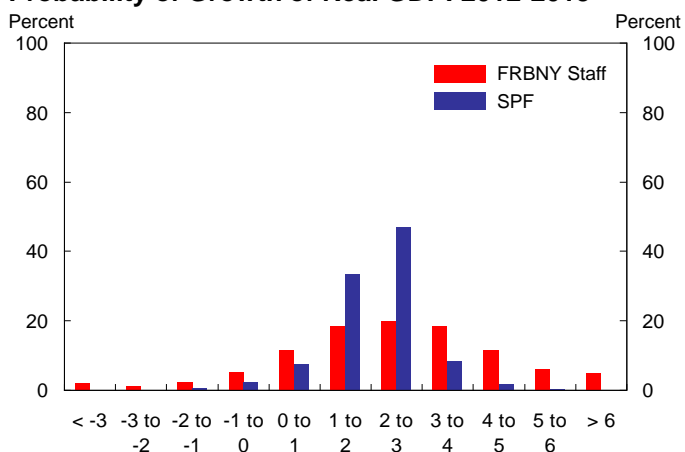
Note: The blue band represents the top 10 and bottom 10 averages of the Blue Chip survey. The dashed lines are the May 2012 FRBNY & Blue Chip forecasts. Source: FRBNY Staff and Blue Chip Economic Indicators

Staff Unemployment Forecast Summary

- Project gradual decline in unemployment rate to an average of about 6½% in 2014Q4.
 - Faster decline than Blue Chip consensus
- Factors in this forecast
 - GDP, productivity growth
 - Participation margin
 - Significant slack in resource utilization
- Unemployment rate can be misleading about health of labor market
 - Also like to see increases in job finding rates and employment/population ratio

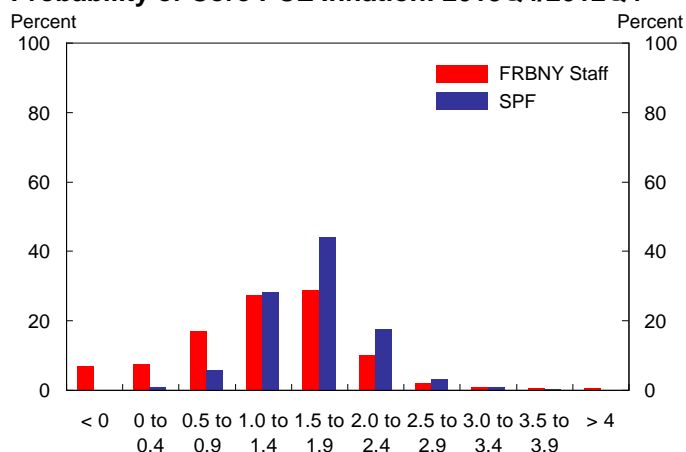
Forecast Distributions: FRBNY Staff and SPF

Probability of Growth of Real GDP: 2012-2013



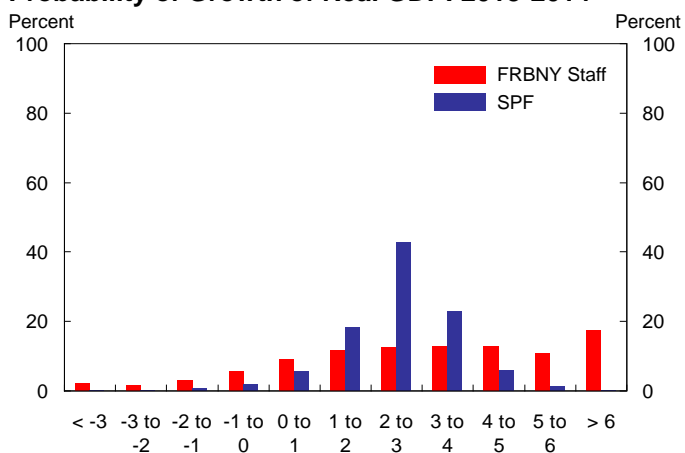
Source: Survey of Professional Forecasters and FRBNY Staff

Probability of Core PCE Inflation: 2013Q4/2012Q4



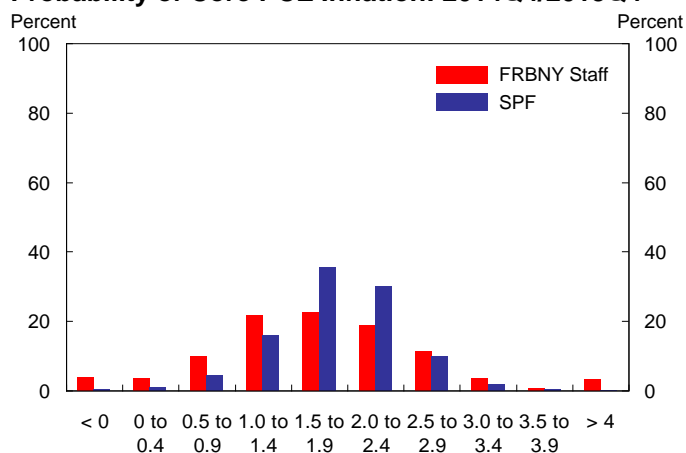
Source: Survey of Professional Forecasters and FRBNY Staff

Probability of Growth of Real GDP: 2013-2014



Source: Survey of Professional Forecasters and FRBNY Staff

Probability of Core PCE Inflation: 2014Q4/2013Q4



Source: Survey of Professional Forecasters and FRBNY Staff

Risks to FRBNY Staff Real Activity Outlook

- Sizable uncertainty around GDP growth forecast
 - More than in the SPF
- Risks are roughly balanced
 - Were skewed to downside a year ago
- Major risks
 - Upside risks:
 - Underlying strength greater than anticipated
 - Accommodative policy gaining more traction
 - Downside risks:
 - Larger effects from fiscal restraint
 - Global economy weaker than expected

Risks to FRBNY Staff Inflation Outlook

- Considerable uncertainty around inflation forecast
 - More than in the SPF
- Inflation risks are roughly balanced
 - Upside risks:
 - Faster growth diminishes slack more quickly
 - Inflation expectations become unanchored because policy becomes too accommodative
 - Downside risks:
 - Downside real risks induce more slack
 - Stronger global disinflationary pressures

FRBNY Staff Forecast

	2013 Q1	2013 Q2			2013 Q3			2012 Q4/Q4	2013 Q4/Q4			2014 Q4/Q4		
	<i>Advance</i>	FOMC 1/24	FOMC 3/15	5/22	FOMC 1/24	FOMC 3/15	5/22		<i>Final</i>	FOMC 1/24	FOMC 3/15	5/22	FOMC 1/24	FOMC 3/15
Summary														
Real GDP	2.5	2.4	1.9	2.0	2.9	2.3	2.4	1.7	2.5	2.3	2.4	3.6	3.5	3.4
Total PCE Deflator	0.9	1.6	2.4	-0.1	1.8	1.7	1.3	1.6	1.4	1.8	0.9	2.2	2.0	1.9
Core PCE Deflator	1.2	1.4	1.4	1.0	1.6	1.6	1.2	1.5	1.3	1.5	1.2	1.3	1.5	1.8
Fed Funds Rate Target*	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25
Nonfarm Business Sector														
Output	2.5	3.2	2.7	2.7	3.6	3.1	3.1	2.5	3.3	3.1	2.9	3.3	4.4	4.2
Hours	1.8	1.7	1.2	0.7	2.1	1.6	1.7	1.9	1.8	1.7	1.5	1.8	2.7	2.7
Productivity Growth	0.7	1.5	1.5	2.0	1.5	1.5	1.4	0.6	1.5	1.4	1.4	1.5	1.7	1.5
Compensation	1.2	1.4	1.3	1.3	1.6	1.4	1.1	2.7	1.5	1.4	1.2	1.5	2.1	1.6
Unit Labor Costs	0.5	-0.1	-0.2	-0.7	0.1	-0.1	-0.3	2.0	0.0	-0.1	-0.2	0.0	0.3	0.1
Real GDP Growth Contributions**														
Final Sales to Domestic Purchasers	2.0	1.5	1.7	2.1	2.3	1.9	2.0	1.7	2.0	1.9	2.2	4.1	3.8	3.4
Private	2.8	1.9	2.8	2.7	2.6	2.7	2.6	2.4	2.3	2.6	2.8	4.1	3.9	3.6
Consumption	2.2	0.6	1.7	1.8	1.2	1.4	1.6	1.4	1.0	1.4	1.9	2.0	1.9	1.9
BFI: Equipment and Software	0.2	0.6	0.6	0.3	0.7	0.7	0.4	0.8	0.7	0.6	0.4	1.2	1.2	1.0
BFI: Nonresidential Structures	0.0	0.1	0.1	0.0	0.2	0.1	0.1	0.2	0.2	0.1	0.1	0.4	0.3	0.3
Residential Investment	0.3	0.5	0.5	0.6	0.5	0.5	0.5	0.1	0.5	0.4	0.5	0.5	0.5	0.4
Government	-0.8	-0.3	-0.7	-0.6	-0.3	-0.8	-0.5	-0.7	-0.3	-0.7	-0.6	0.1	-0.1	-0.2
Federal	-0.7	-0.3	-0.6	-0.5	-0.3	-0.8	-0.5	-0.4	-0.3	-0.6	-0.5	-0.2	-0.4	-0.4
State and Local	-0.1	0.0	-0.1	-0.1	0.0	-0.1	-0.1	-0.3	0.0	-0.1	-0.1	0.3	0.3	0.3
Inventory Investment	1.0	0.4	0.1	-0.3	0.3	0.2	0.0	0.2	0.3	0.3	0.2	0.1	0.2	0.2
Net Exports	-0.5	0.4	0.2	0.3	0.3	0.2	0.3	0.0	0.2	0.1	0.1	-0.6	-0.5	-0.2
Exports	0.4	0.9	0.9	1.0	0.9	0.8	0.8	0.6	0.8	0.7	0.8	0.9	0.9	1.0
Imports	-0.9	-0.5	-0.7	-0.7	-0.7	-0.6	-0.5	-0.6	-0.6	-0.6	-0.7	-1.6	-1.4	-1.2
Real GDP Components' Growth Rates														
Final Sales to Domestic Purchasers	1.9	1.5	1.7	2.0	2.2	1.9	2.0	1.8	1.9	1.8	2.1	4.0	3.7	3.3
Consumption	3.2	0.9	1.7	2.5	1.7	2.0	2.3	1.8	1.4	2.0	2.6	2.8	2.7	2.7
BFI: Equipment and Software	3.0	8.0	8.0	4.0	10.0	10.0	6.0	4.7	9.0	8.5	5.2	15.5	15.5	12.5
BFI: Nonresidential Structures	-0.2	5.0	2.0	1.0	7.0	4.0	2.0	7.3	5.7	2.5	1.7	13.0	11.0	8.5
Residential Investment	12.6	20.0	20.0	25.0	18.0	18.0	17.4	14.9	18.5	16.5	18.3	16.0	16.0	14.2
Government: Federal	-8.4	-4.0	-8.0	-6.9	-4.0	-10.0	-6.2	-2.8	-4.0	-7.8	-6.9	-2.5	-5.5	-6.1
Government: State and Local	-1.2	-0.2	-0.5	-1.0	-0.1	-0.5	-0.5	-1.1	-0.1	-0.7	-0.7	2.2	2.2	2.2
Inventory Investment	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net Exports	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Exports	2.9	6.5	6.6	7.1	7.0	5.9	6.0	2.1	6.2	5.3	5.7	6.8	6.4	7.0
Imports	5.4	2.7	4.3	4.1	3.9	3.5	3.0	0.2	3.6	3.5	4.2	9.4	8.5	7.2
Labor Market														
Nonfarm Payroll Employment (Average per Month, Thousands)	215	187	137	111	213	169	158	181	183	160	169	265	292	276
Unemployment Rate***	7.7	7.7	7.7	7.5	7.6	7.6	7.4	7.8	7.5	7.5	7.3	6.5	6.4	6.4
Income														
Real Disposable Personal Income	-5.3	1.8	1.3	2.0	2.6	2.1	2.1	3.2	0.7	-0.5	0.2	3.4	3.3	3.0
Personal Saving Rate***	2.6	2.1	2.2	2.5	2.4	2.3	2.5	4.7	2.4	2.3	2.4	3.0	3.0	2.8

*End-of-period value

**Growth contributions may not sum to total due to rounding.

***Quarterly values are the average rate for the quarter. Yearly values are the average rate for Q4 of the listed year.

Blue and *italic* text indicate released data; darker colors indicate the most recent forecast.