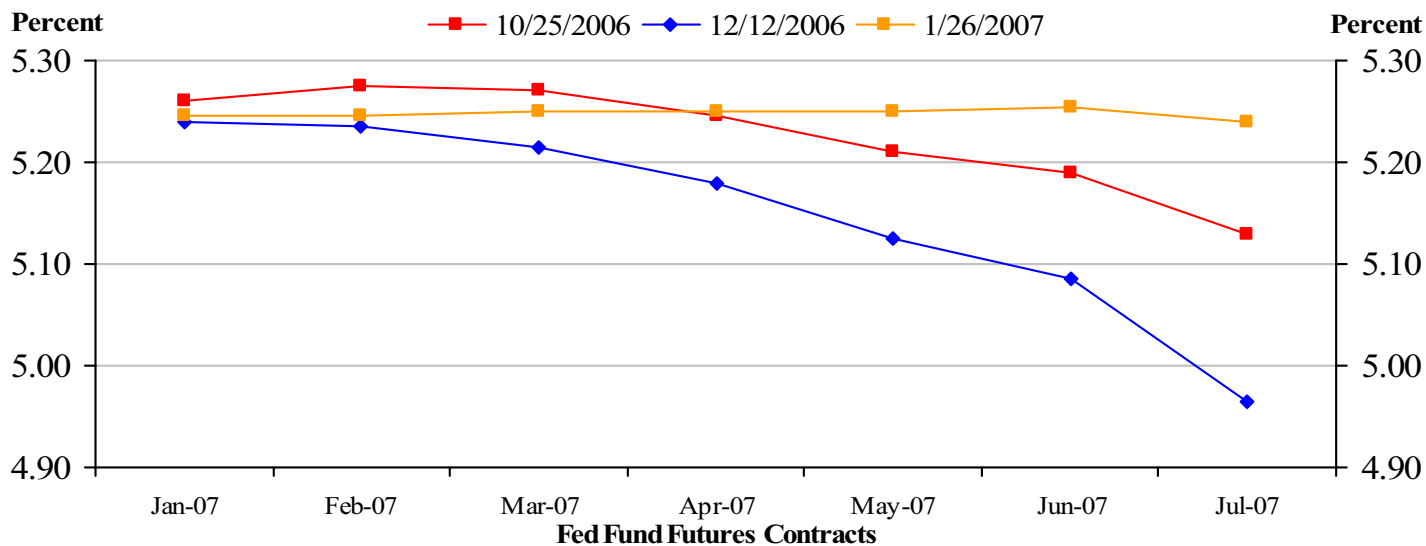


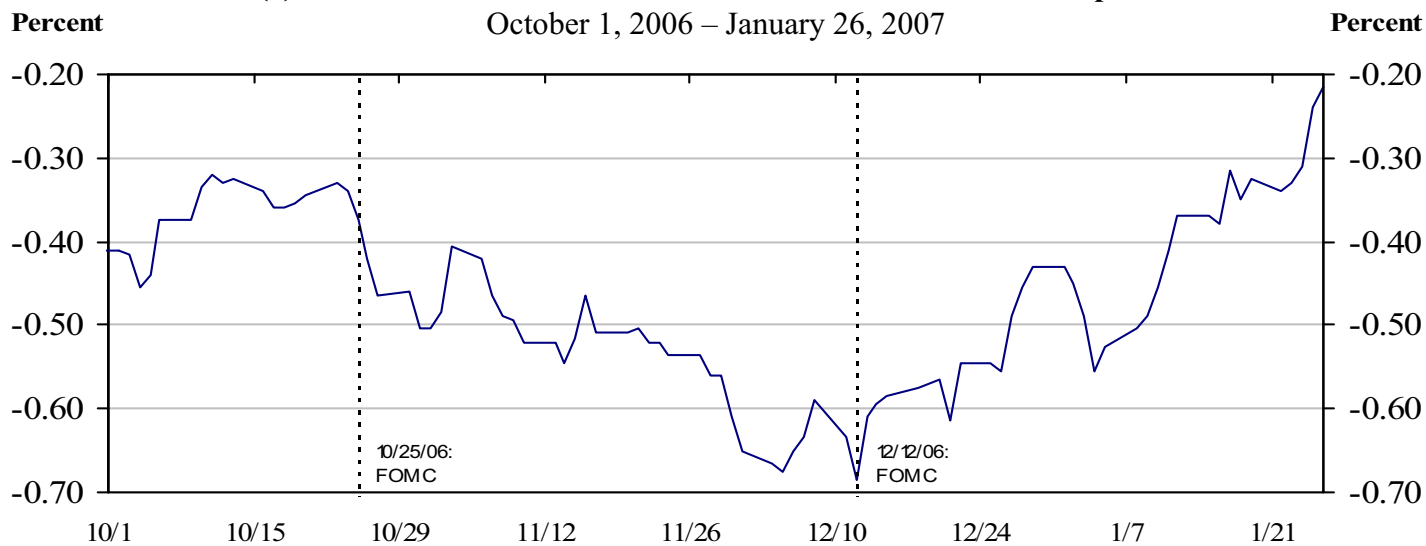
**Appendix 1: Materials used by Mr. Dudley**

**(1) 2007 Fed Fund Futures Curves**

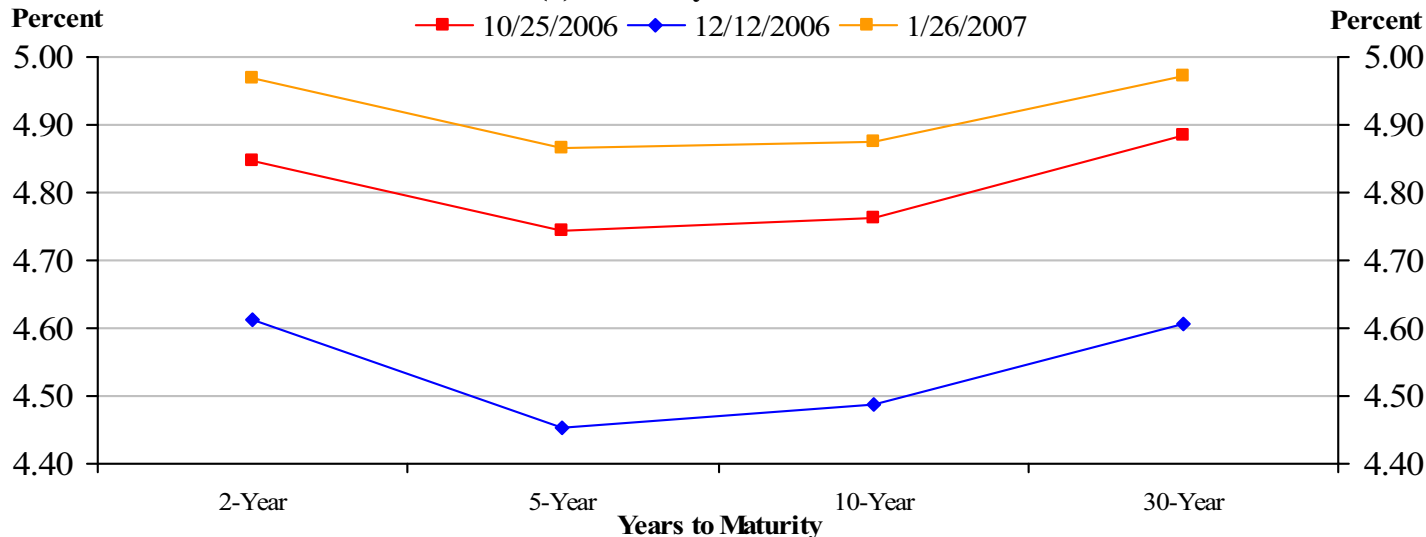


**(2) Eurodollar Futures March 2008 - March 2007 Calendar Spread**

October 1, 2006 – January 26, 2007

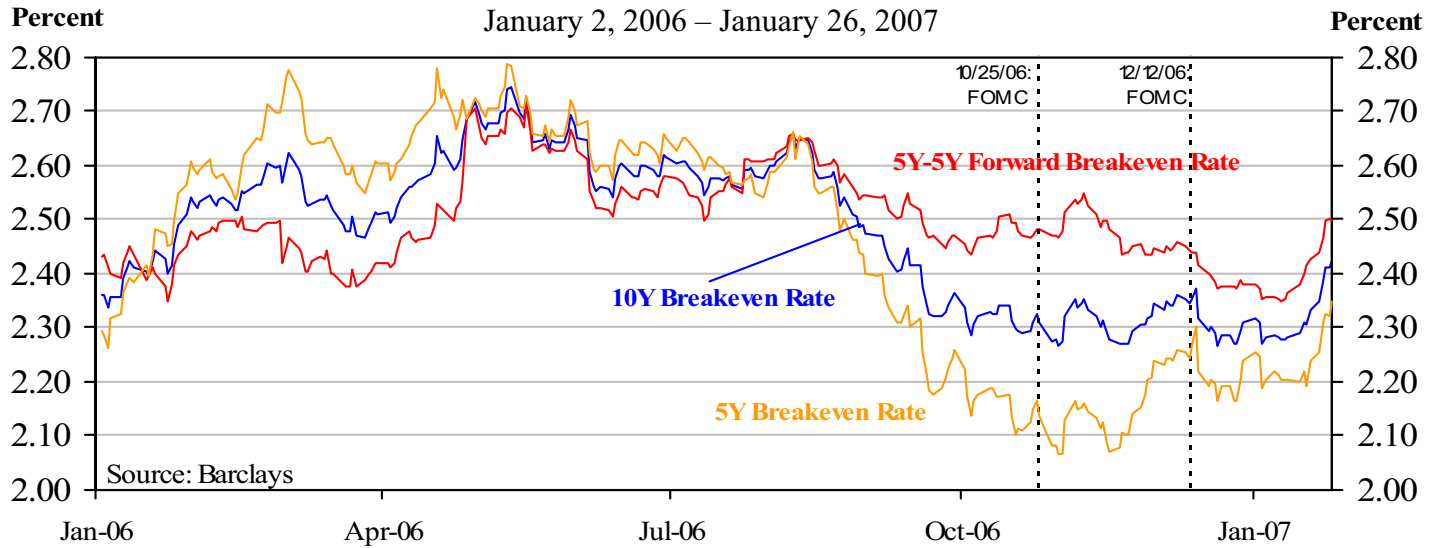


**(3) Treasury Yield Curves**



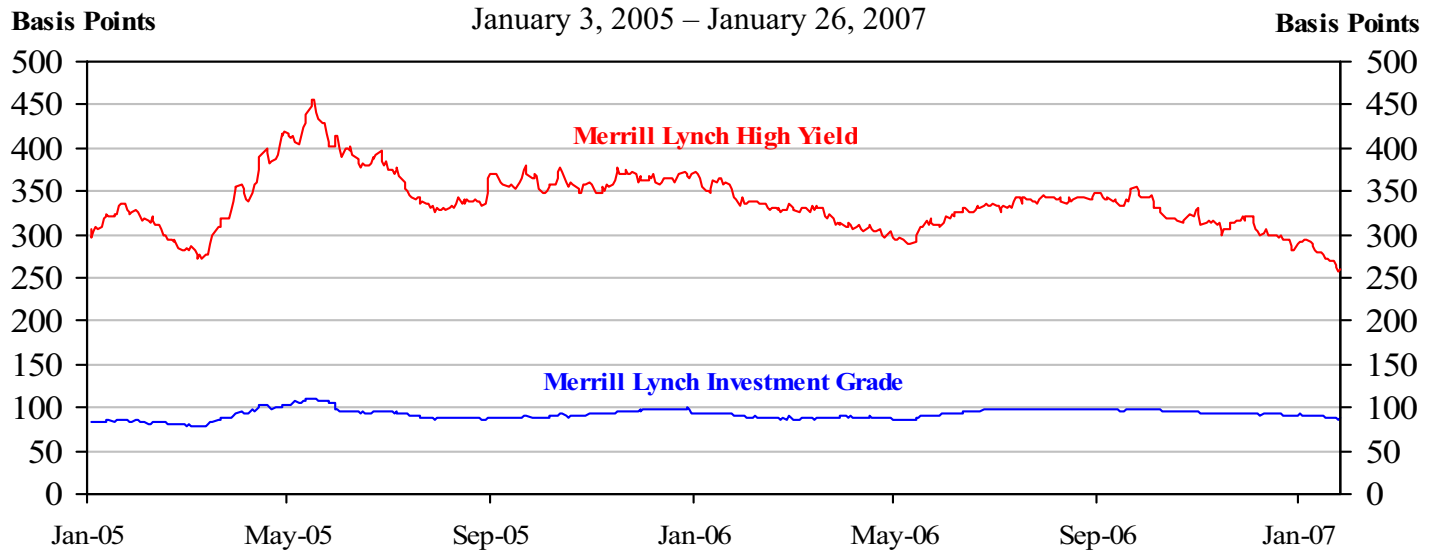
### (4) U.S. Breakeven Inflation Rates

January 2, 2006 – January 26, 2007



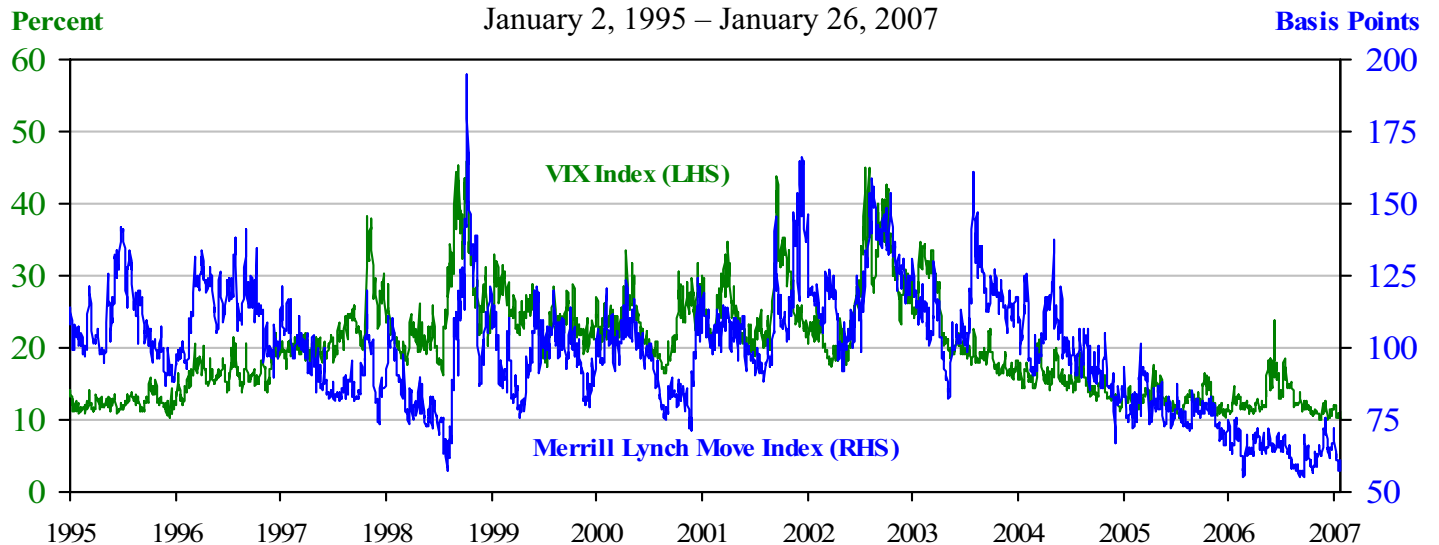
### (5) Corporate Cash Index Spreads, Investment Grade and High Yield

January 3, 2005 – January 26, 2007



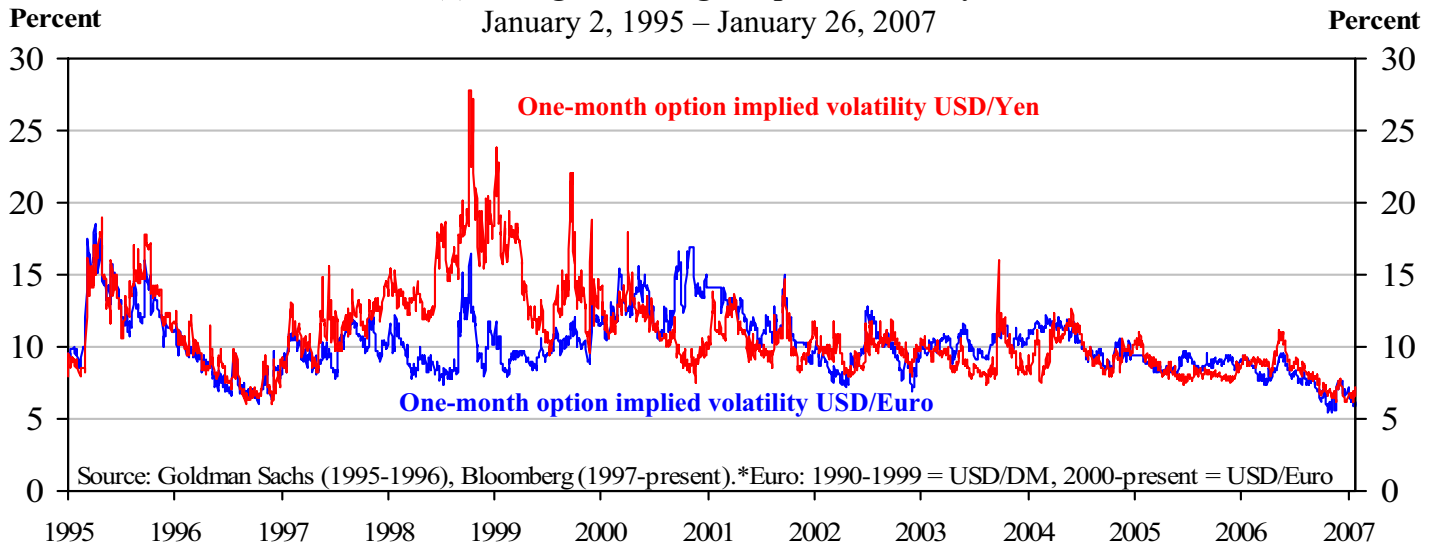
### (6) Implied Volatility on the S&P 100 and Treasury Yield Implied Volatility

January 2, 1995 – January 26, 2007



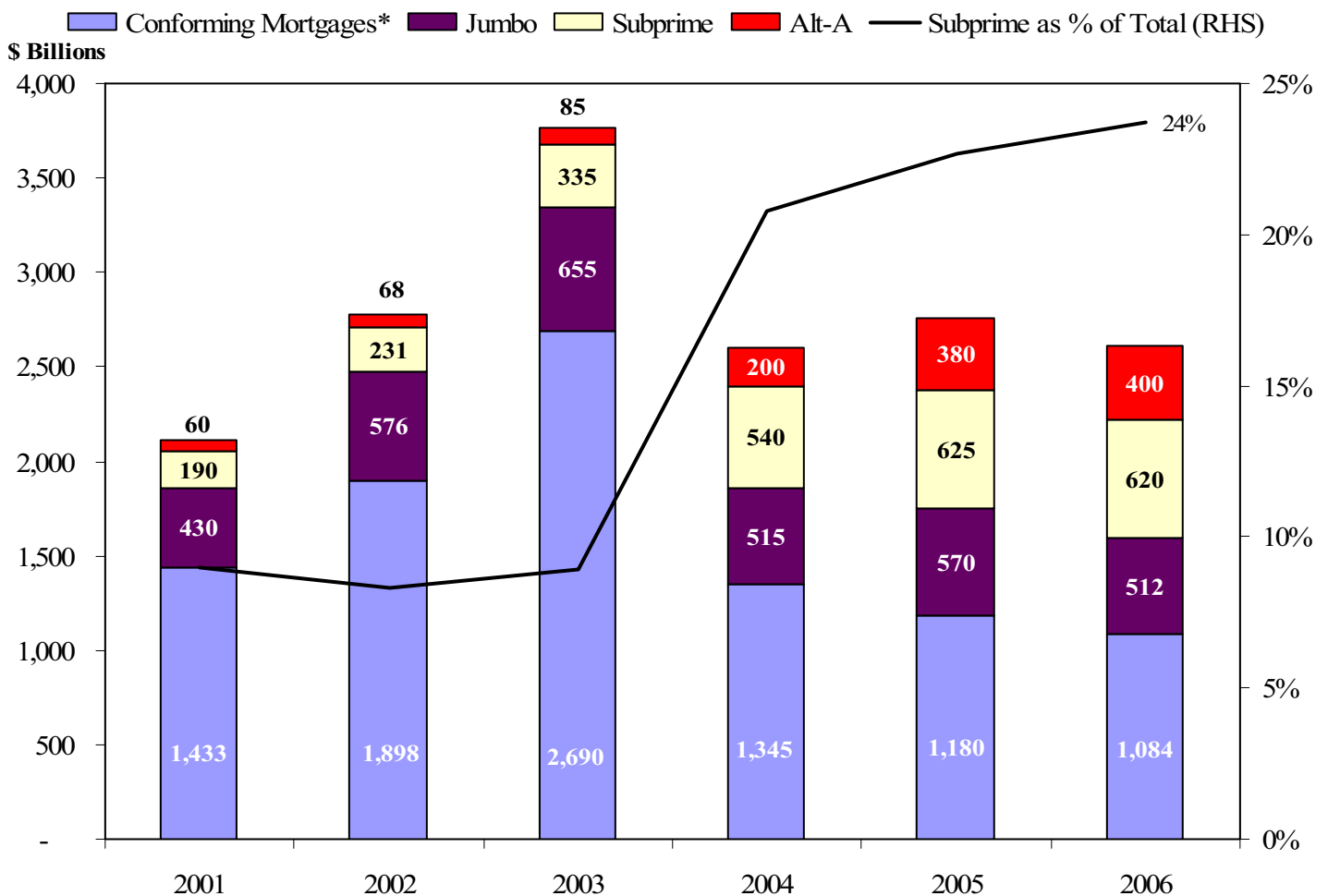
**(7) Foreign Exchange Implied Volatility**

January 2, 1995 – January 26, 2007



**(8) Composition of First-Lien Mortgage Originations 2001-2006\***

2001 – Q3 2006

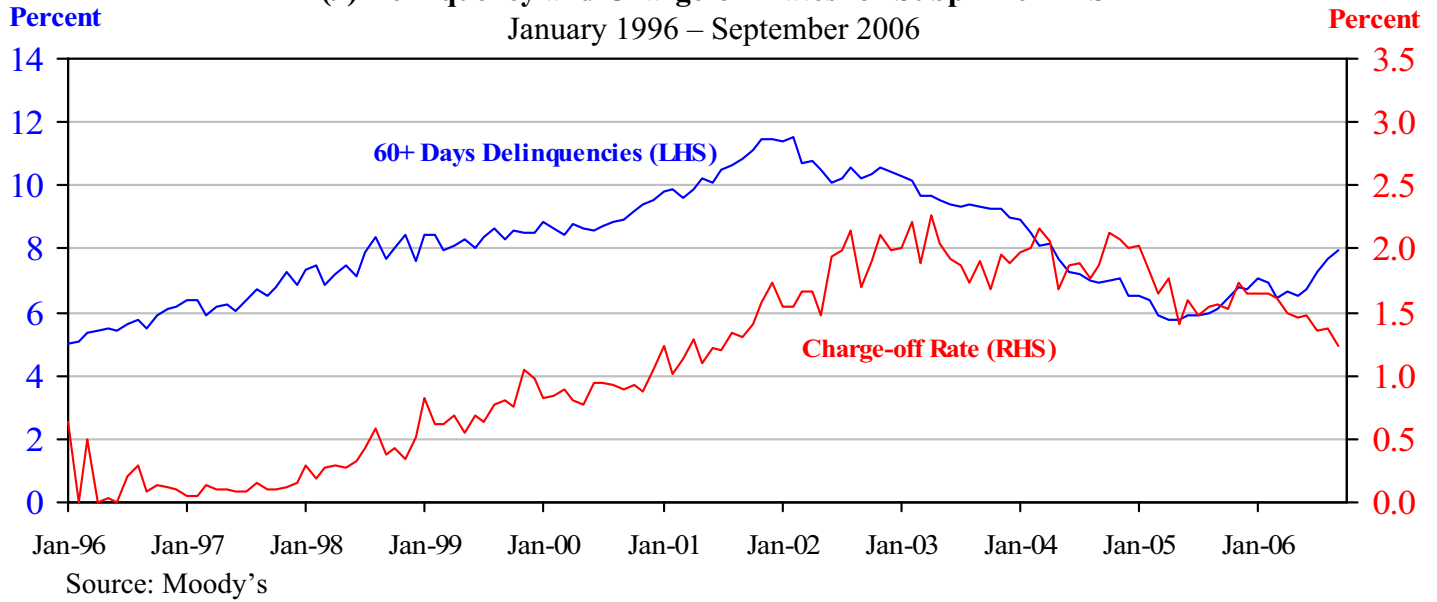


Source: Inside Mortgage Finance

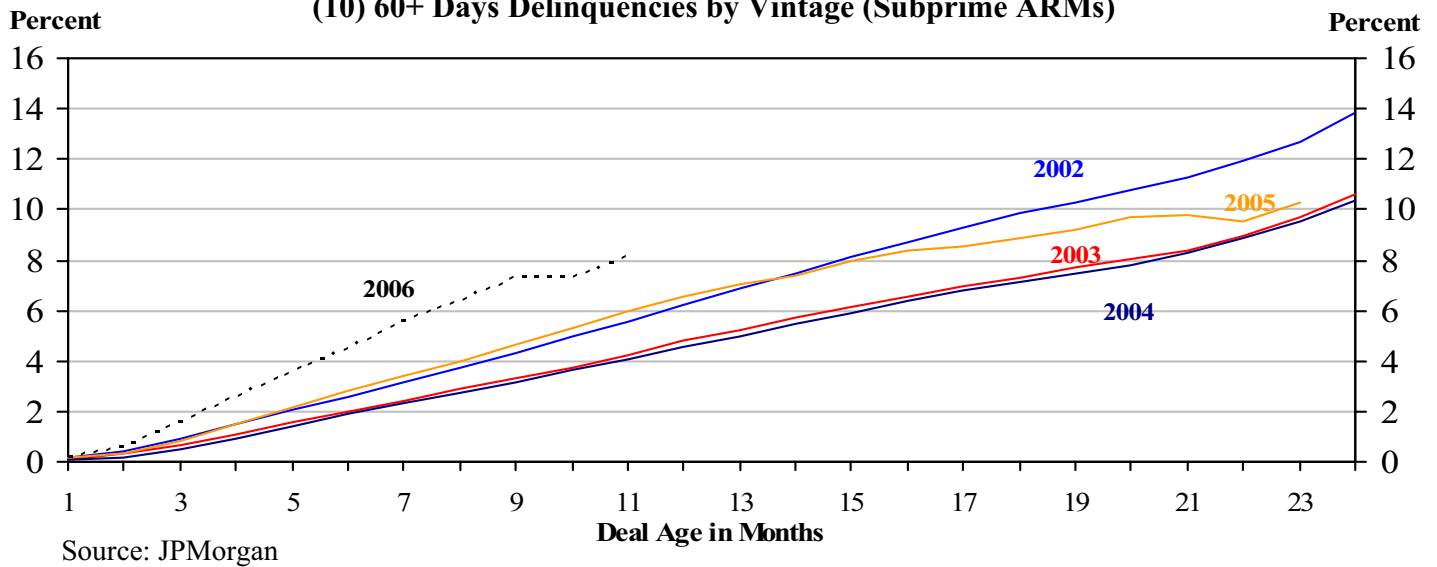
\*Conforming mortgages include FHA/VA.  
Yearly volume for 2006 estimated as of Q3 2006.

**(9) Delinquency and Charge-off Rates for Subprime MBS**

January 1996 – September 2006

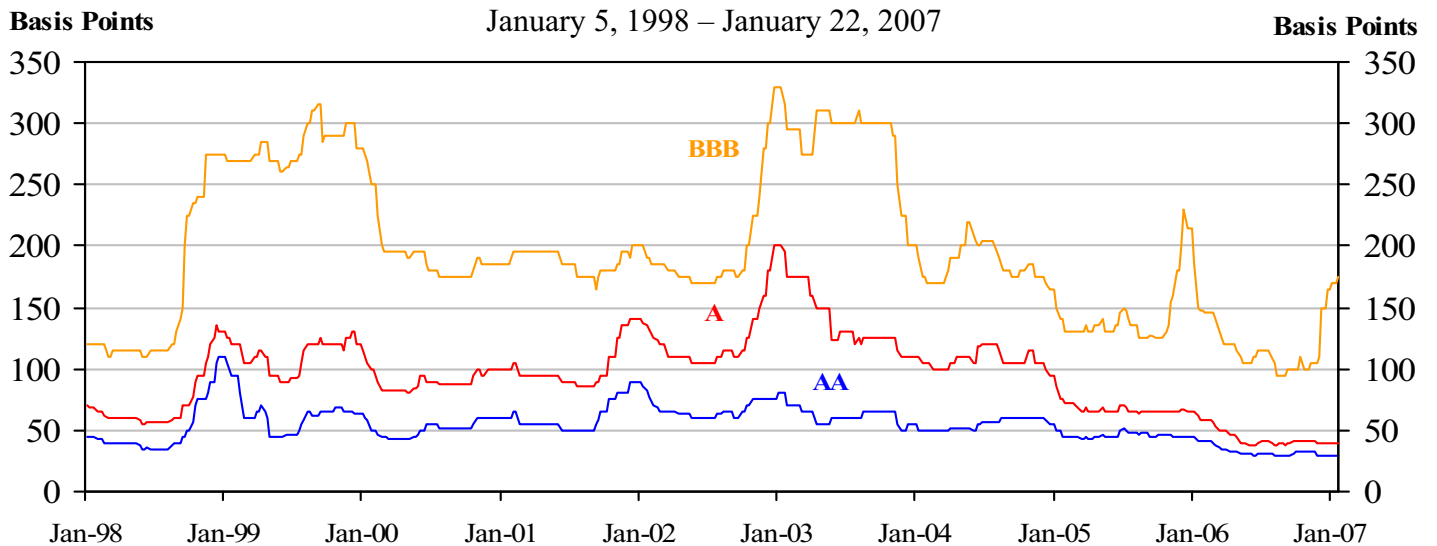


**(10) 60+ Days Delinquencies by Vintage (Subprime ARMs)**

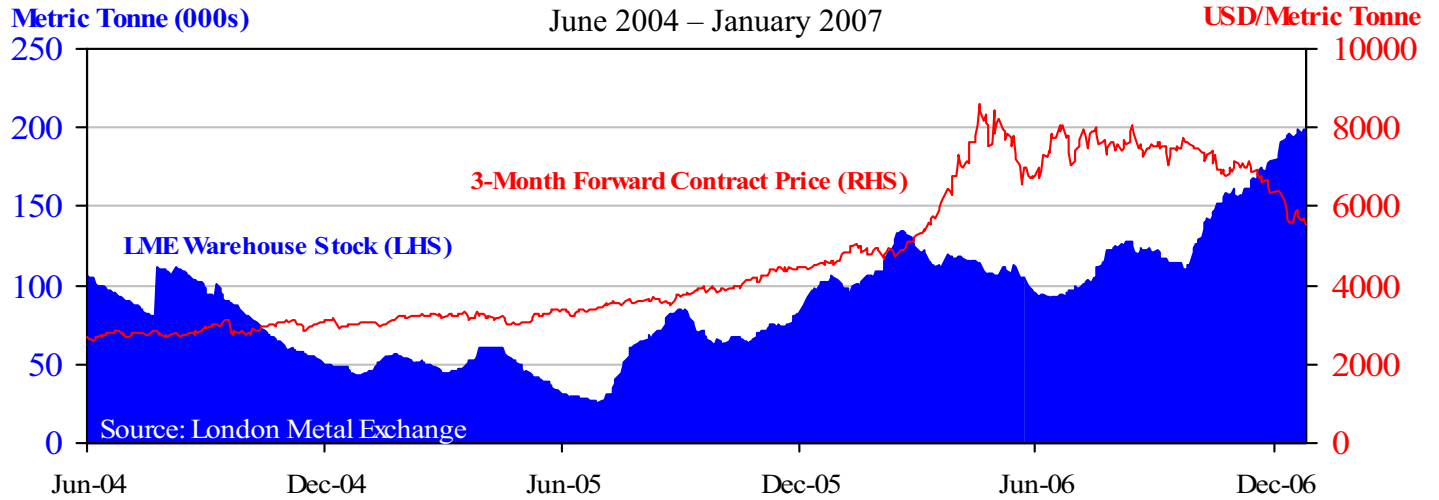


**(11) Subprime MBS Tranche Spreads, Weekly**

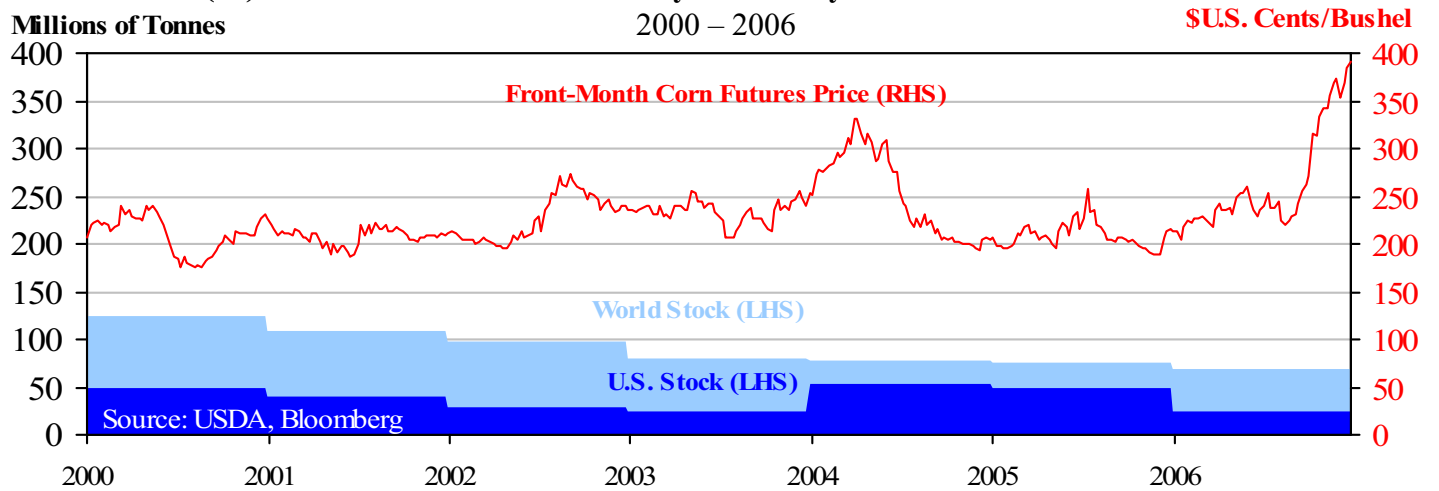
January 5, 1998 – January 22, 2007



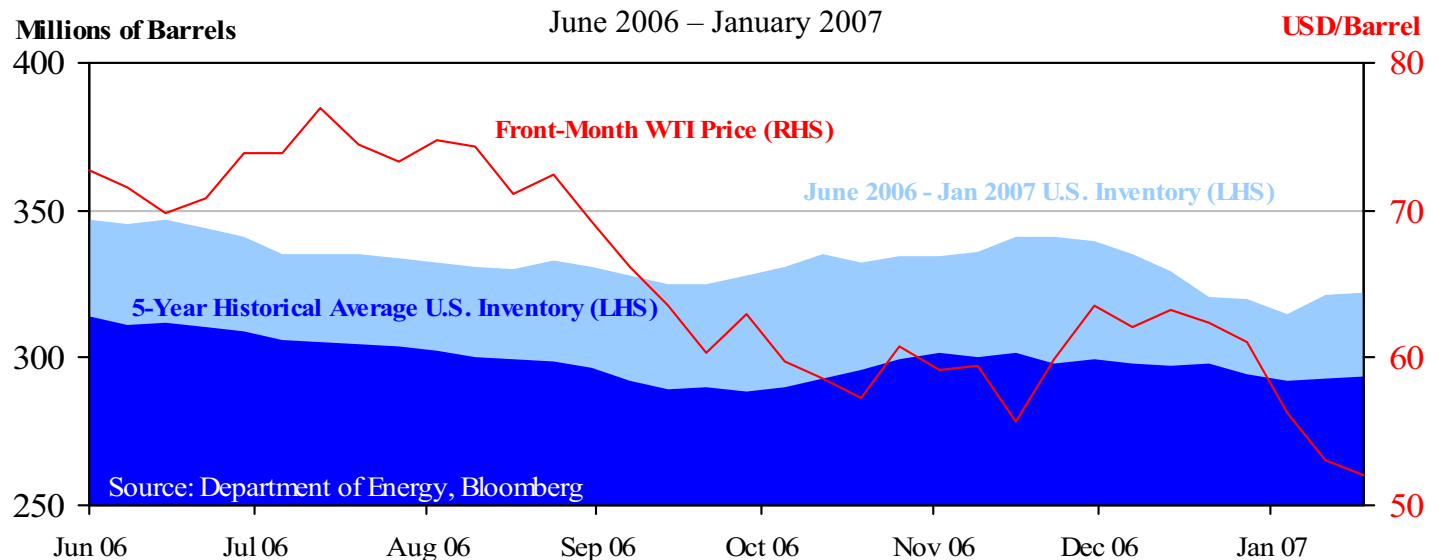
### (12) Copper 3-Month Forward Price and LME Warehouse Stock



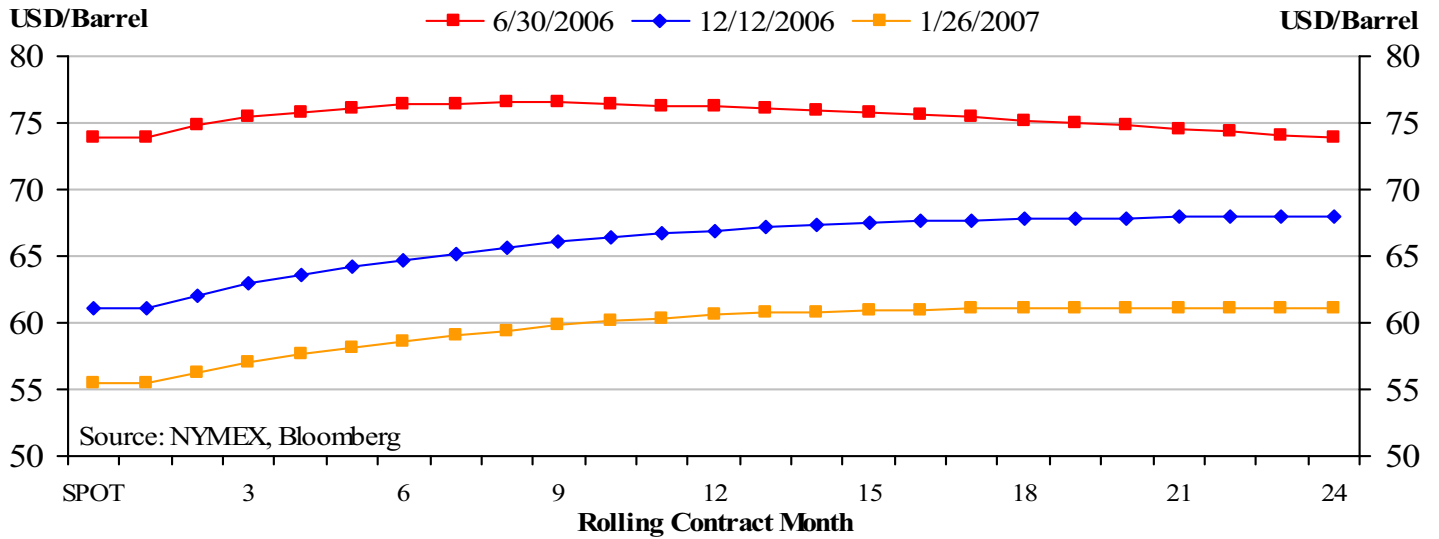
### (13) Annual Global Corn Inventory vs. Weekly Front-Month Futures Price



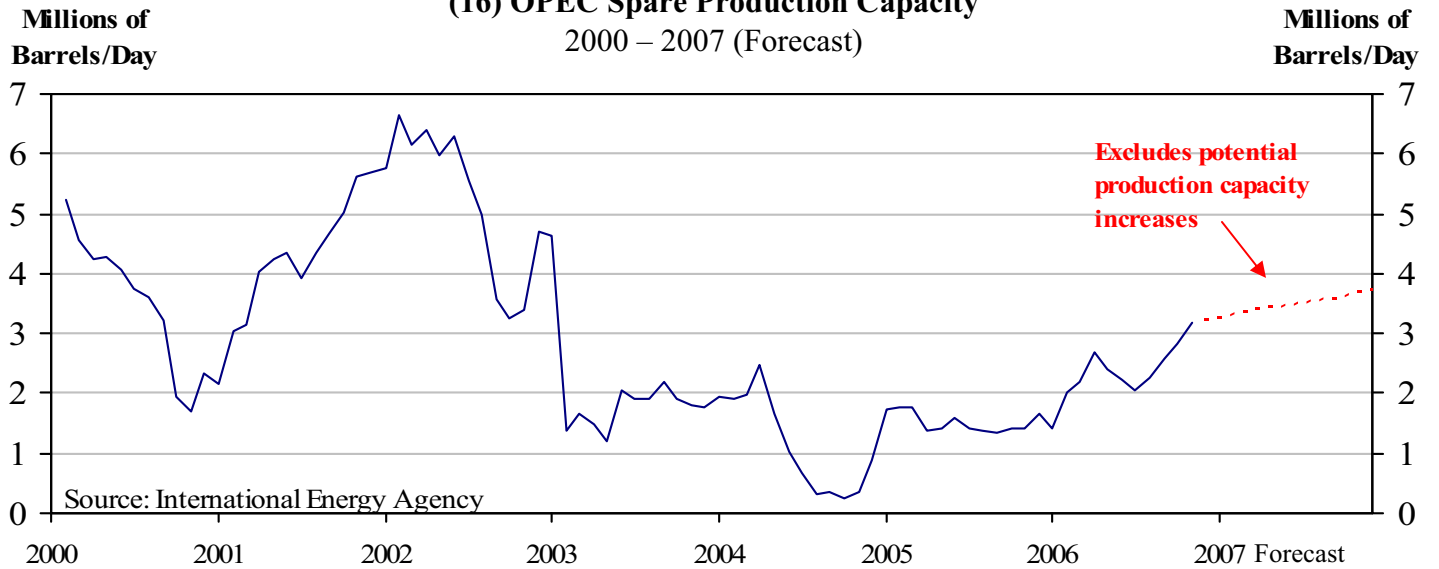
### (14) Crude Oil Inventory vs. Front-Month Futures Price



### (15) WTI Crude Oil Futures Curves



### (16) OPEC Spare Production Capacity 2000 – 2007 (Forecast)



**Appendix 2: Materials used by Mr. Slifman, Mr. Wascher, and Mr. Gagnon**



STRICTLY CONFIDENTIAL (FR) CLASS I-FOMC\*

*Material for*

*Staff Presentation on the  
Economic Outlook*

*January 30, 2007*

\*Downgraded to Class II upon release of the February 2007 Monetary Policy Report.

Class II FOMC - Restricted (FR)

Exhibit 1

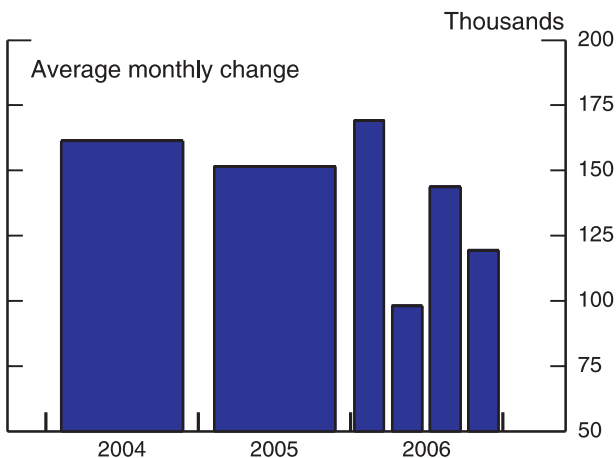
### Recent Indicators

**Real GDP**  
(Percent change, annual rate)

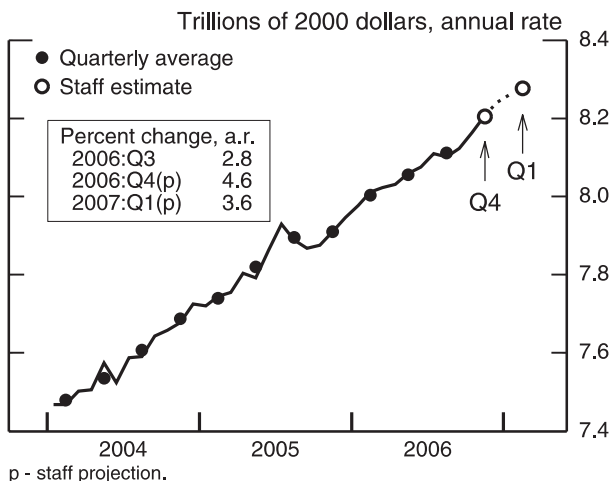
	2002:Q4 to 2006:Q1	2006			2007
		Q2	Q3	Q4 <sup>P</sup>	Q1 <sup>P</sup>
1. Real GDP	3.5	2.6	2.0	2.6	2.0
2. (Dec. GB)	(3.5)	(2.6)	(2.0)	(1.3)	(1.7)
3. PDFP*	4.1	1.8	2.1	2.1	2.0
4. (Dec. GB)	(4.1)	(1.8)	(2.0)	(1.2)	(1.3)

\* Private domestic final purchases is the sum of PCE, business fixed investment, and residential investment.  
p - staff projection.

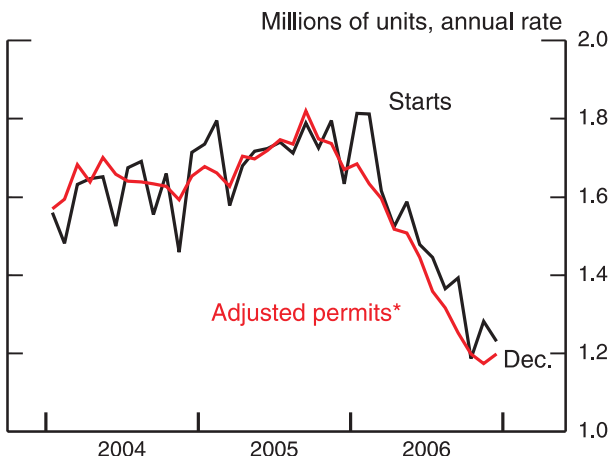
#### Private Payroll Employment



#### Real Personal Consumption Expenditures

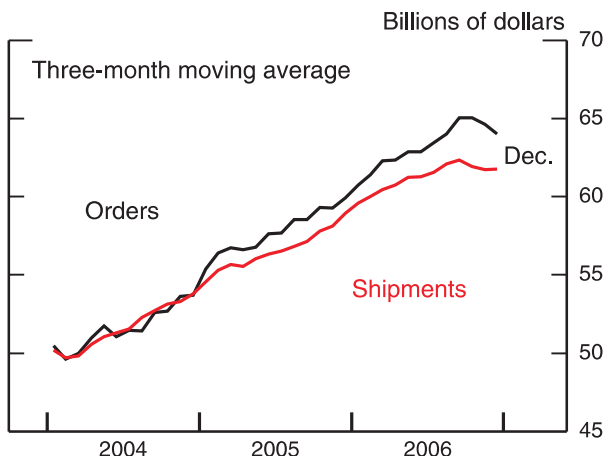


#### Single-Family Housing Starts



\* Adjusted for non-permit-issuing localities.

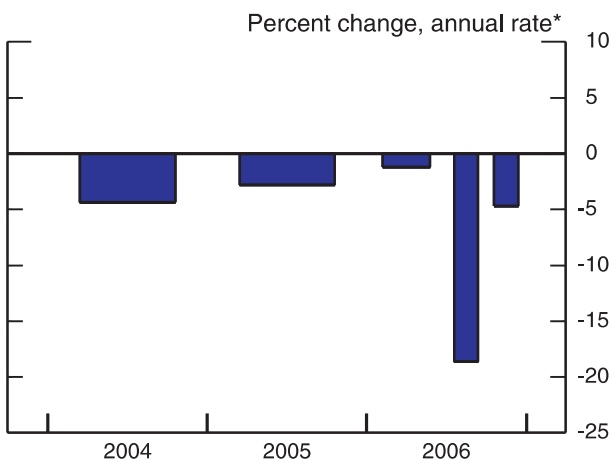
#### Orders and Shipments of Nondefense Capital Goods\*



\* Excluding aircraft.

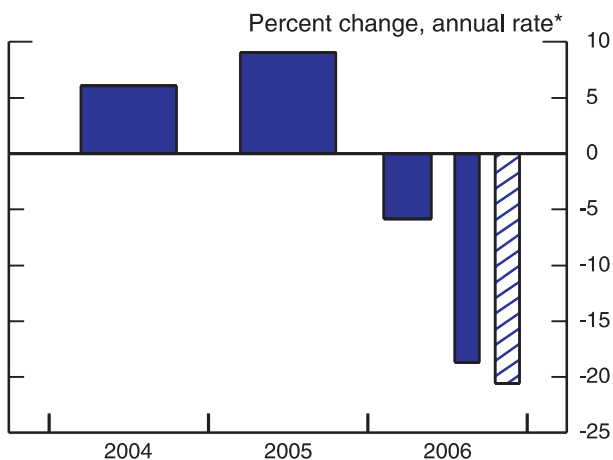
### A Closer Look at Recent Developments

#### Production of Light Motor Vehicles



Note: Based on data from the Industrial Production system.  
\* Annual bars are Q4/Q4: Half-year bar is Q2/Q4.

#### Residential Investment



\* Annual bars are Q4/Q4: Half-year bar is Q2/Q4.

#### Upstream Effects

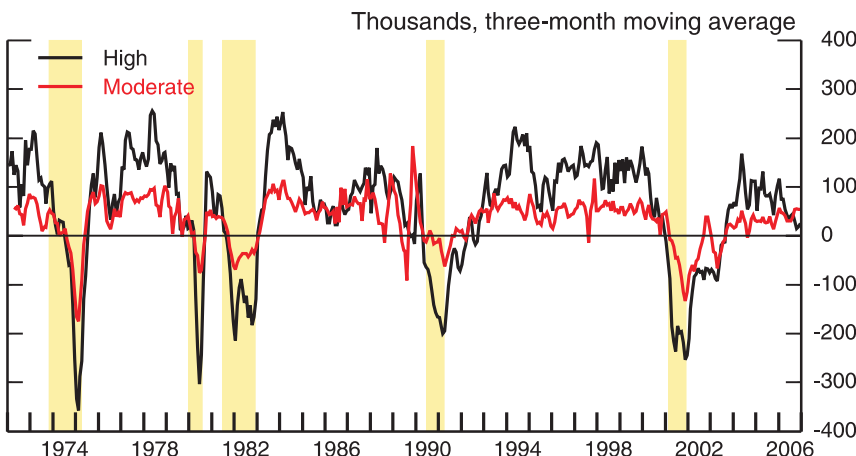
- The drop in motor vehicle output affects IP directly through its impact on light motor vehicle manufacturing and indirectly through its influence on production in upstream industries.
- In the case of construction, all of the IP effect comes through the influence of construction declines on upstream industries.

#### Industrial Production

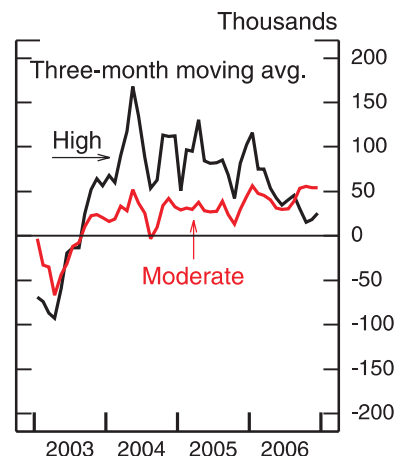
(Percent change, annual rate)

	2006:Q3	2006:Q4
1. Total IP	4.0	-0.6
<i>Direct and upstream contribution of:</i>		
2. Light motor veh.	-1.1	-0.2
3. Res. invest.	-1.3	-1.3
4. Other	6.4	0.9

#### Changes in Payroll Employment - Highly and Moderately Cyclical Industries



Note: Shading indicates NBER periods of cyclical contraction.



Class II FOMC - Restricted (FR)

Exhibit 3

### Forecast Summary

#### GDP Projection (Percent change, annual rate\*)

	2006	2007		2008
	H2	H1	H2	
1. Real GDP	2.3	2.2	2.4	2.5
2. (Dec. GB)	(1.7)	(2.0)	(2.4)	(2.5)
3. PDFP**	2.1	2.1	2.5	2.8
4. (Dec. GB)	(1.6)	(1.7)	(2.4)	(2.7)

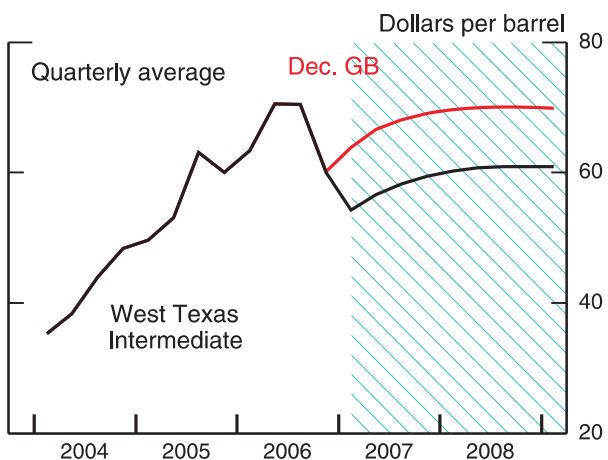
\* 2008 is Q4/Q4; half years are either Q4/Q2 or Q2/Q4.

\*\* Private domestic final purchases is the sum of PCE, business fixed investment, and residential investment.

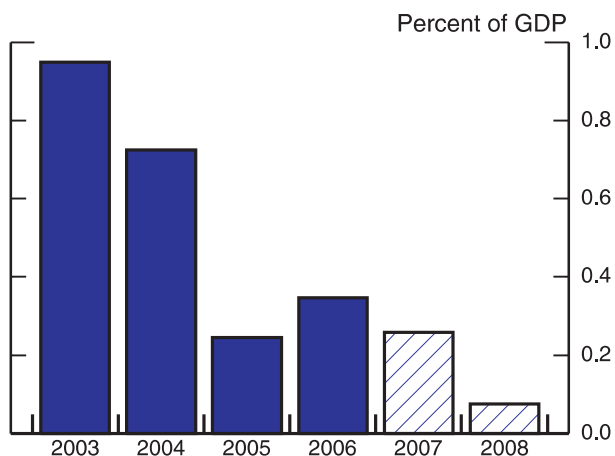
#### Major Forces Shaping the Outlook

- Restraint from housing diminishes this year, and the contribution from housing turns slightly positive next year.
- Recent declines in oil prices boost real income; the lagged effects support consumption growth this year and into next year.
- Fiscal policy remains somewhat stimulative, although the impetus ebbs over the projection period.
- Monetary policy: Given our conditioning assumptions, the assumed path of the nominal federal funds rate is consistent with a real funds rate that closes the output gap over time.

Crude Oil Prices



Fiscal Impetus

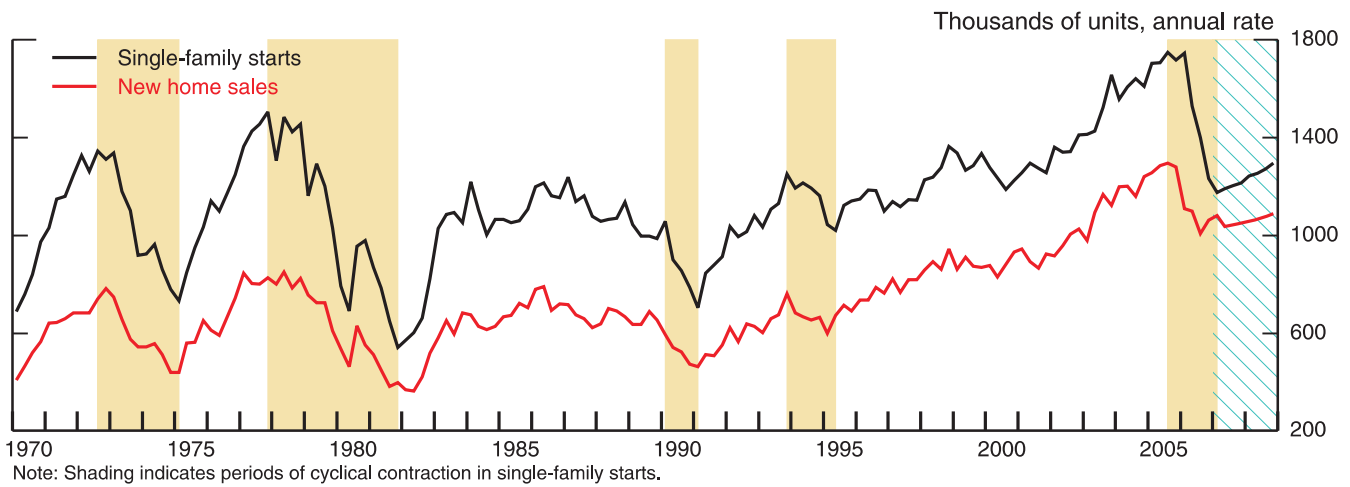


Class II FOMC - Restricted (FR)

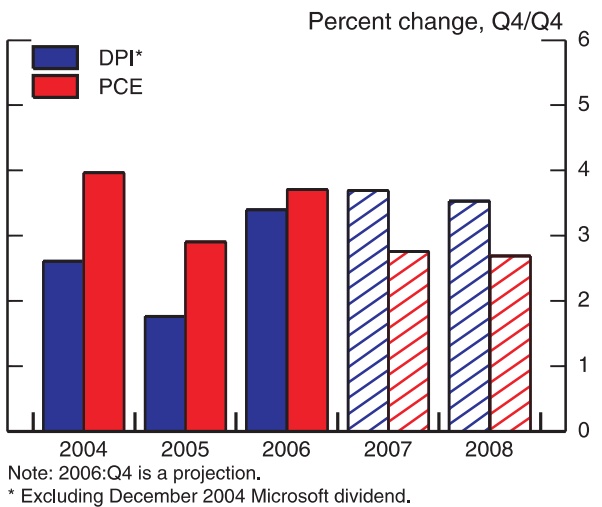
Exhibit 4

### Private Domestic Final Demand

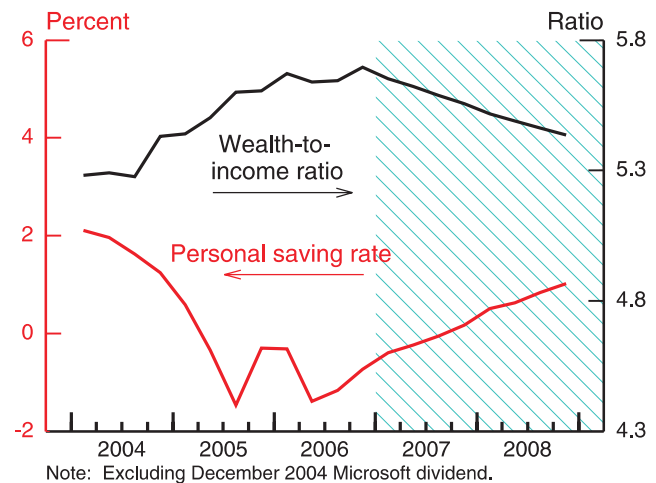
#### Single-Family Starts and New Home Sales



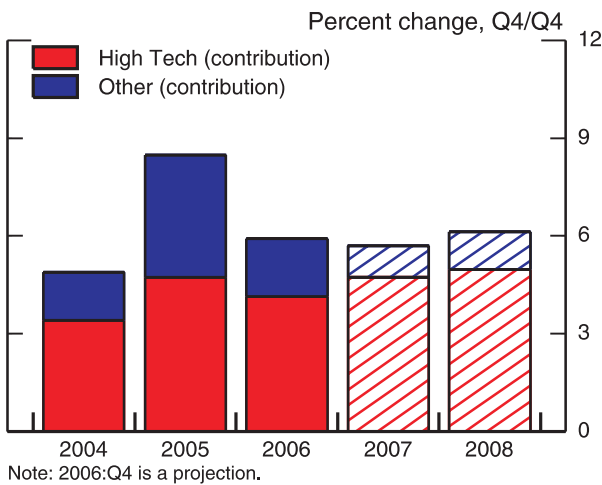
#### Real PCE and DPI



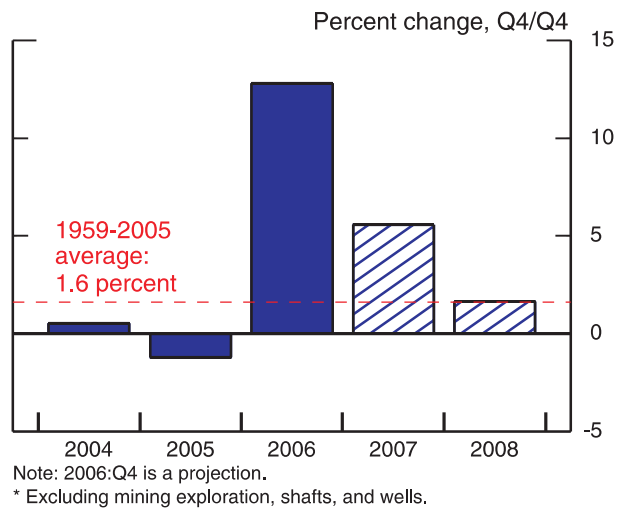
#### Saving Rate and Wealth-to-Income Ratio



#### E&S Spending excluding Transportation



#### Nonresidential Structures\*



Class II FOMC - Restricted (FR)

Exhibit 5

### Potential Output

**Staff Assumptions**  
(Percent change, Q4/Q4)

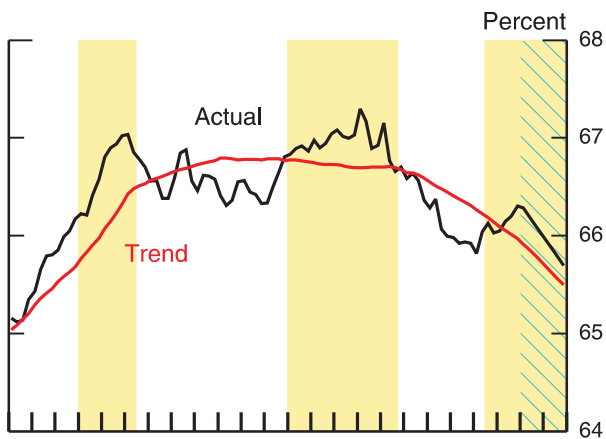
	2000 - 2005	2006	2007	2008
1. Potential output	3.0	2.7	2.6	2.5
2. Total hours	0.9	0.8	0.7	0.5
3. Working-age population	1.2	1.2	1.2	1.1
4. Labor-force participation	-0.1	-0.3	-0.3	-0.4
5. Average workweek	-0.3	-0.2	-0.2	-0.2
6. Structural productivity	2.9	2.6	2.5	2.5
7. Technical factors	-0.8	-0.7	-0.6	-0.5

Note: Components may not add to totals due to rounding.

#### Outside Estimates of Potential Output Growth

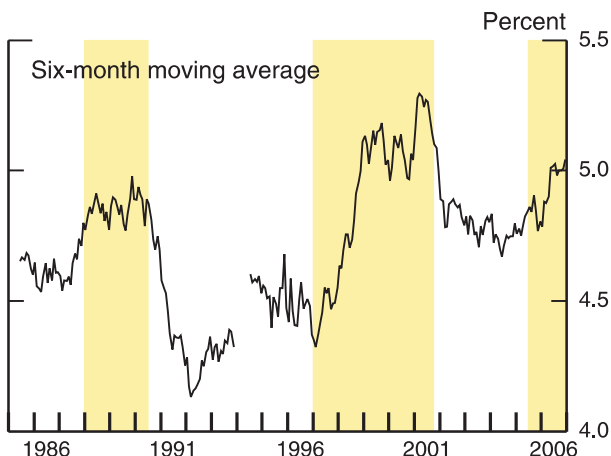
	Percent
1. Blue Chip	3.0
2. Macro Advisers	3.3
3. Global Insight	3.0
4. CBO	2.8

#### Labor Force Participation Rate



Note: Shading indicates periods when the unemployment rate was below the NAIRU.

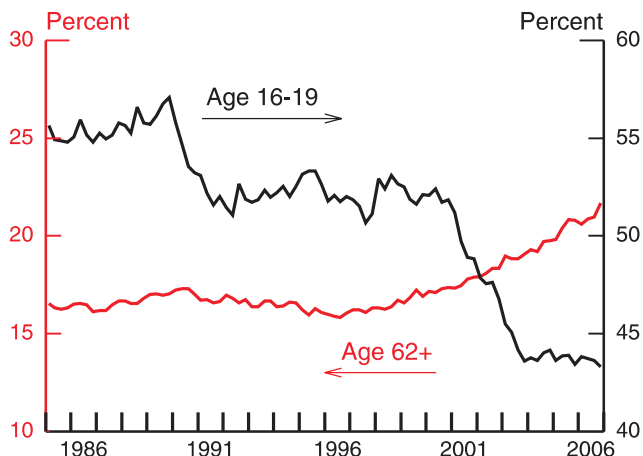
#### Flows from Nonparticipation to Employment\*



Note: Shading indicates periods when the unemployment rate was below the NAIRU. The series has a statistical break in January 1994.

\* As a percent of persons not in labor force last month.

#### Labor Force Participation Rates

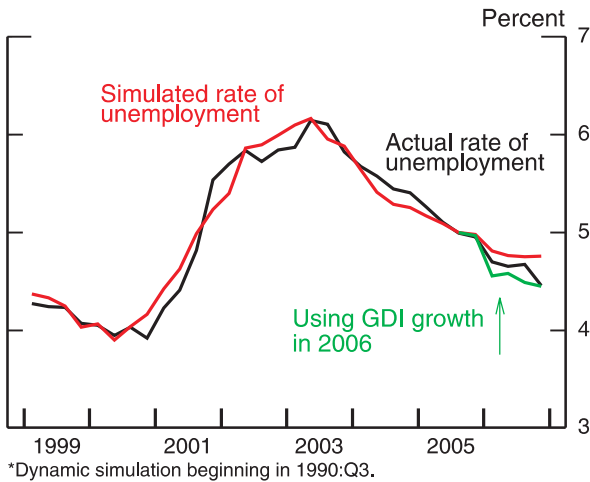


Class II FOMC - Restricted (FR)

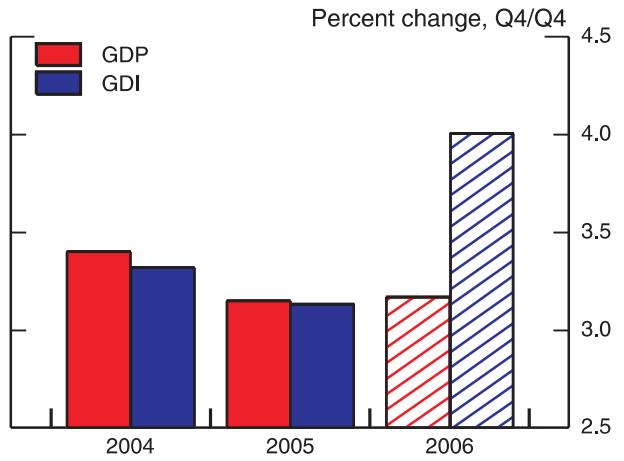
Exhibit 6

### Okun's Law and Productivity

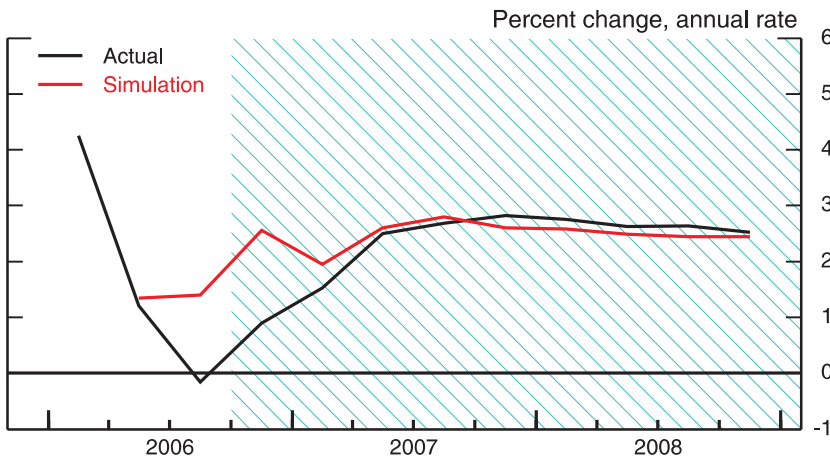
**Okun's Law\***



**GDP and GDI**



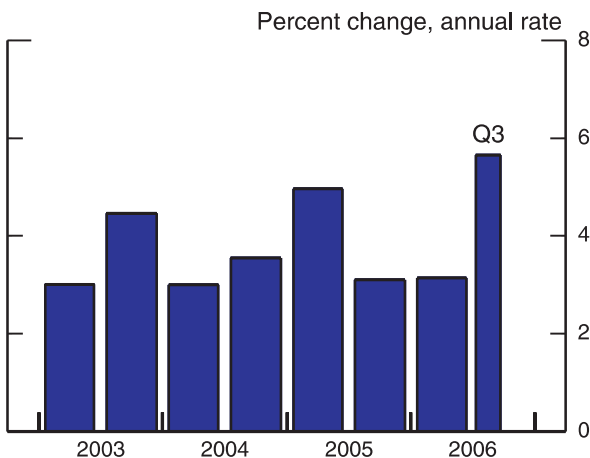
**Labor Productivity: Nonfarm Business Sector**



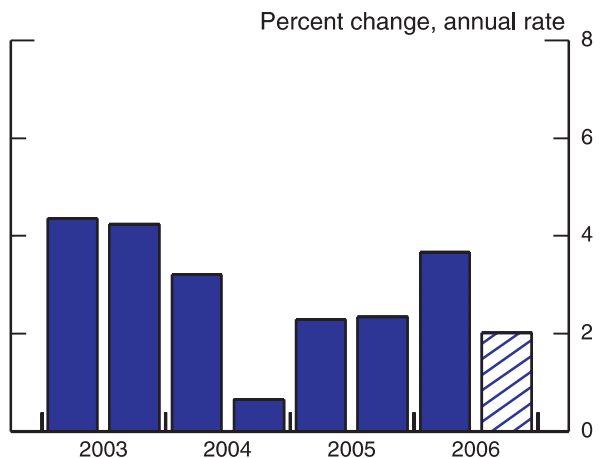
**Evolution of Structural Productivity Estimates**  
(Percent change)

	GB	Staff	Kalman Filter
Mar.		3.1	3.0
Aug.		2.7	2.5
Oct.		2.5	2.2
Jan.		2.5	2.0

**Productivity: Nonfinancial Corporate Sector**



**Productivity: Nonfarm Business Excluding Residential Construction**

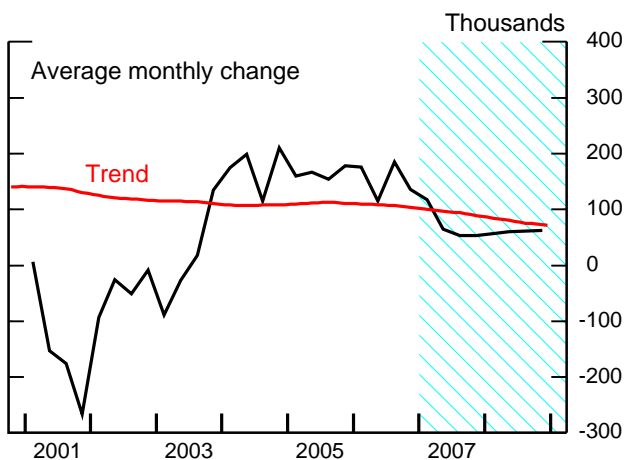


Class II FOMC - Restricted (FR)

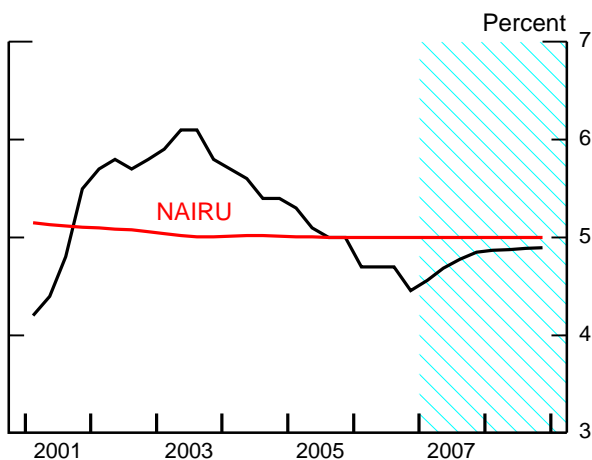
Exhibit 7

### Labor Market and Measures of Slack

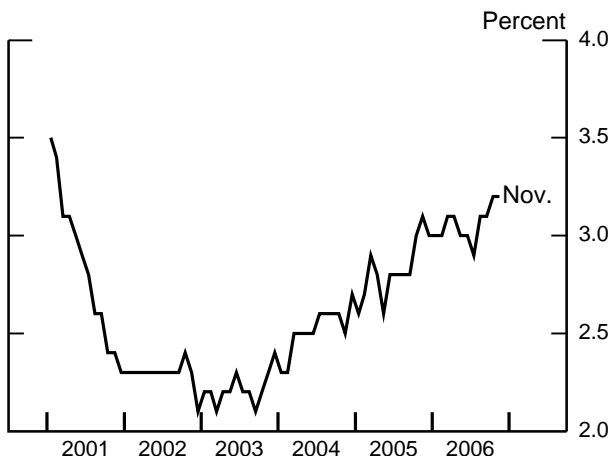
**Payroll Employment**



**Unemployment Rate**

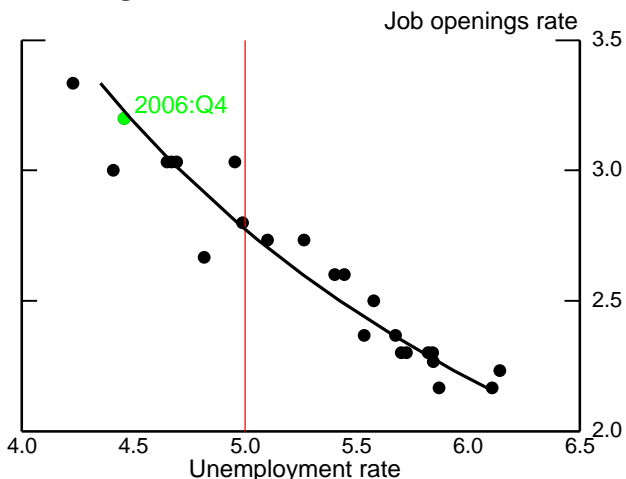


**Job Openings Rate\***



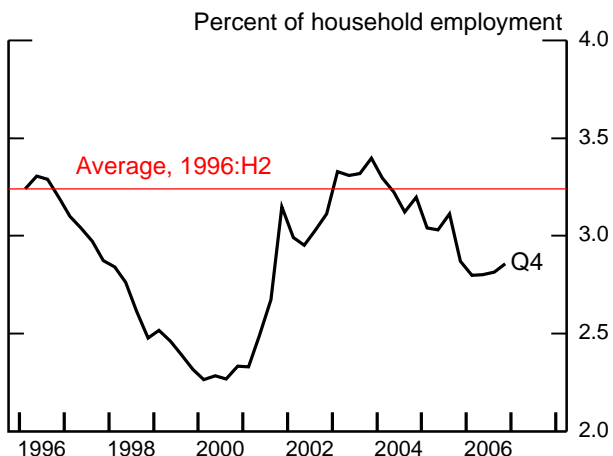
\* Number of job openings as a percent of the sum of private employment and job openings.

**Beveridge Curve**

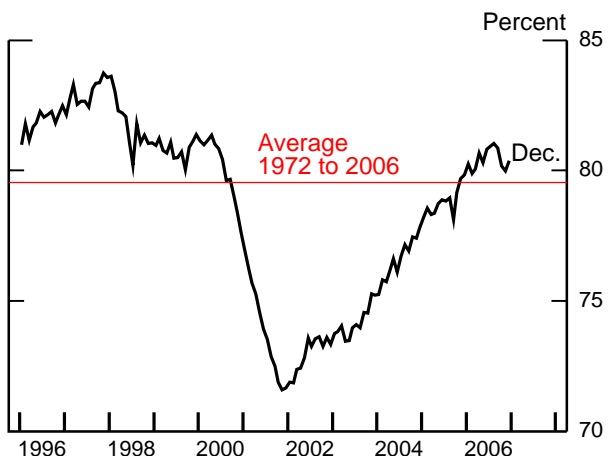


Note: The data cover 2001:Q1 to 2006:Q4. The openings rate for 2006:Q4 is the average of October and November.

**Persons Working Part-Time for Economic Reasons**



**Manufacturing Capacity Utilization**





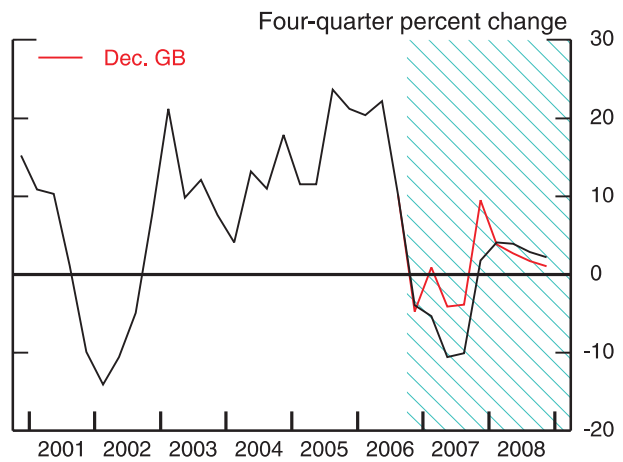
### Inflation Outlook

**Recent Price Data**  
(Percent change)

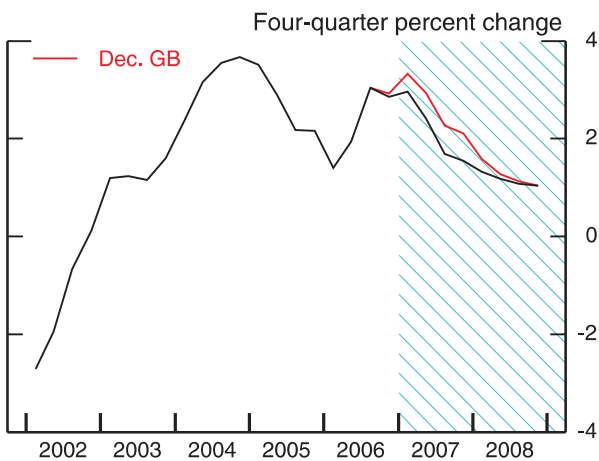
	Q3	Q4	Nov.	Dec.
Core CPI	3.0	1.8	0.0	0.2
<i>Dec. GB</i>		<i>(2.3)</i>		
Core PCE	2.2	2.1 <sup>e</sup>	0.0	0.2 <sup>e</sup>
<i>Dec. GB</i>		<i>(2.6)</i>		

Note: Quarterly figures are at annual rates.  
e - staff estimate.

**PCE Energy Prices**



**Core Nonfuel Import Prices**

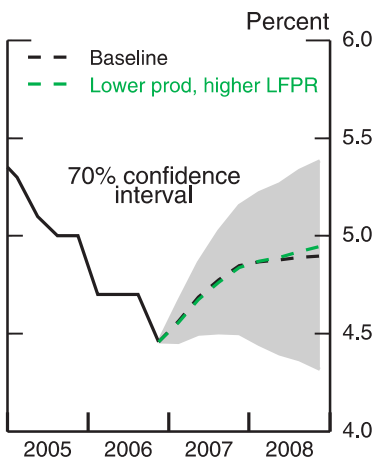


**PCE Price Projection**  
(Percent Change, Q4/Q4)

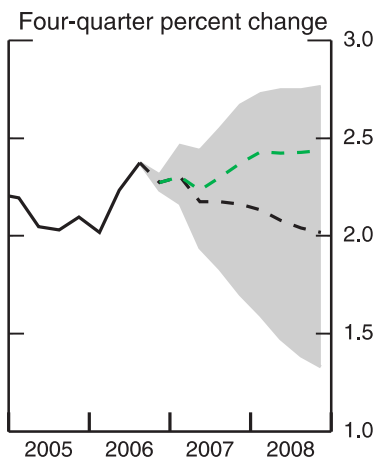
	2006	2007	2008
1. PCE price index	1.9	2.2	2.1
2. <i>Dec. GB</i>	<i>(2.0)</i>	<i>(2.8)</i>	<i>(2.1)</i>
4. Core	2.3	2.2	2.0
5. <i>Dec. GB</i>	<i>(2.4)</i>	<i>(2.3)</i>	<i>(2.1)</i>

### Alternative Simulation

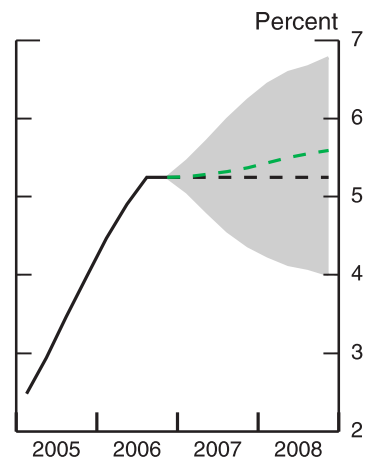
**Unemployment Rate**



**Core PCE Prices**



**Federal Funds Rate**

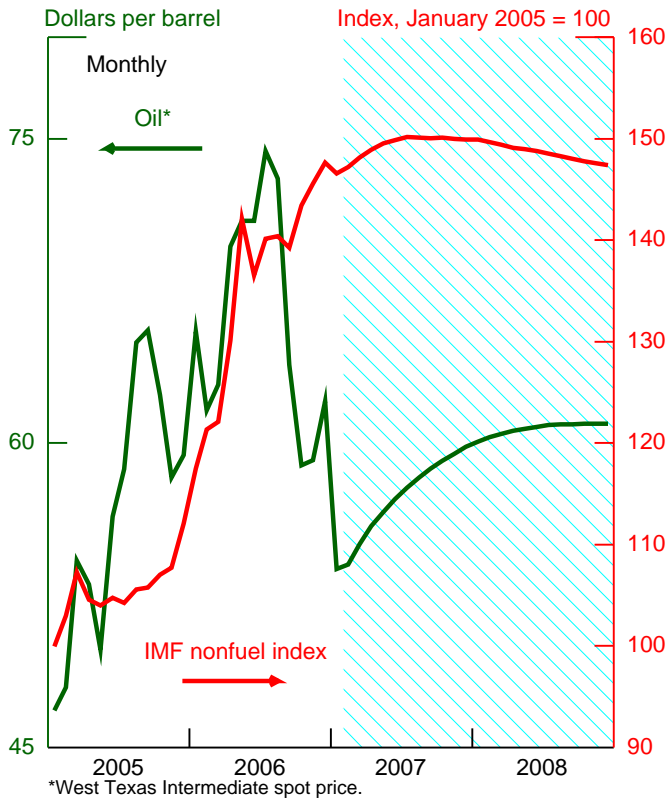


Class II FOMC -- Restricted (FR)

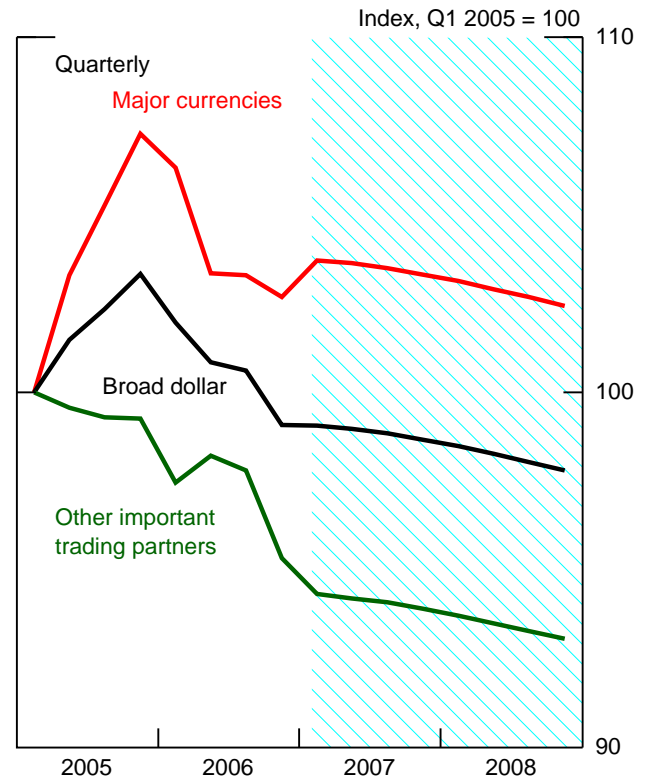
Exhibit 9

### Recent Market Developments

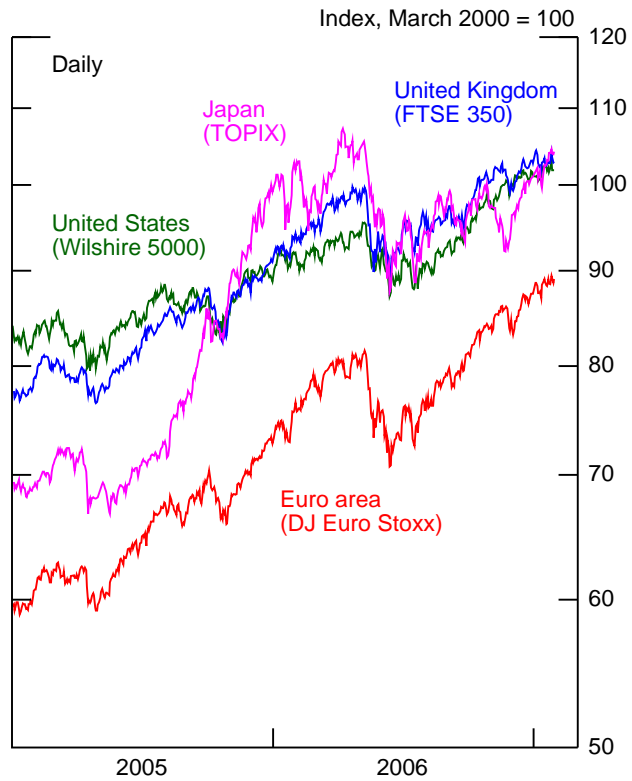
#### Primary Commodity Prices



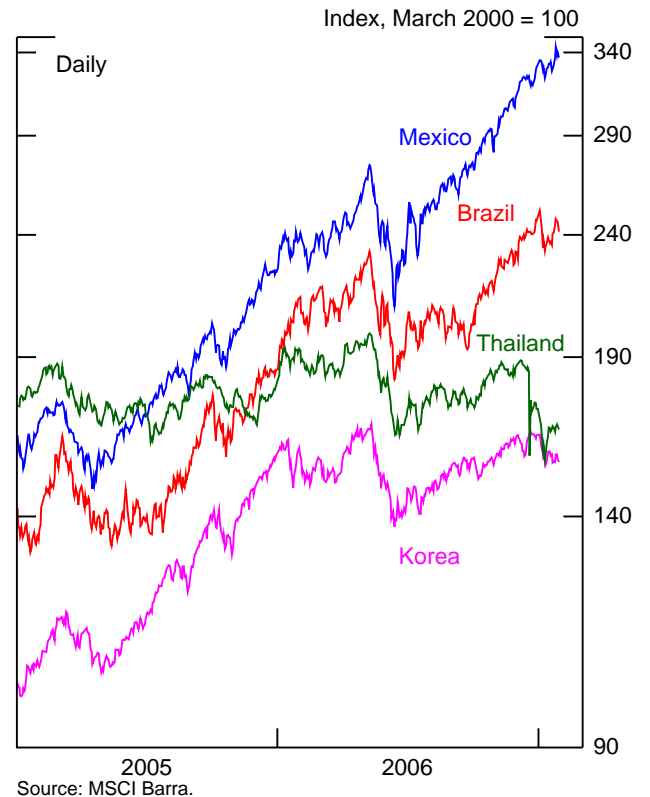
#### Real Trade-Weighted Dollar



#### Equity Prices: Industrial Countries



#### Equity Prices: Emerging Markets

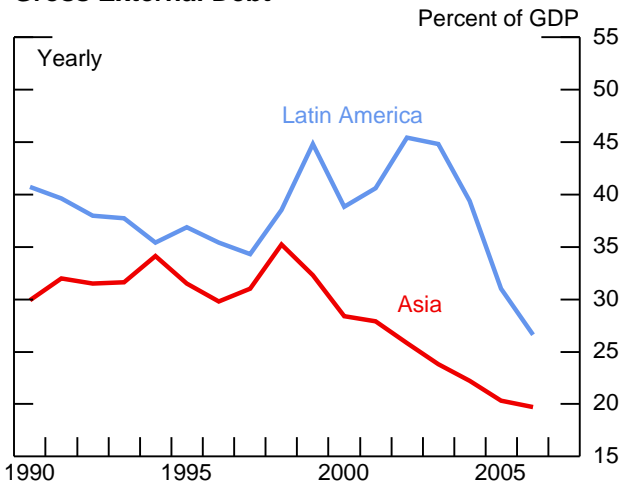


Class II FOMC -- Restricted (FR)

Exhibit 10

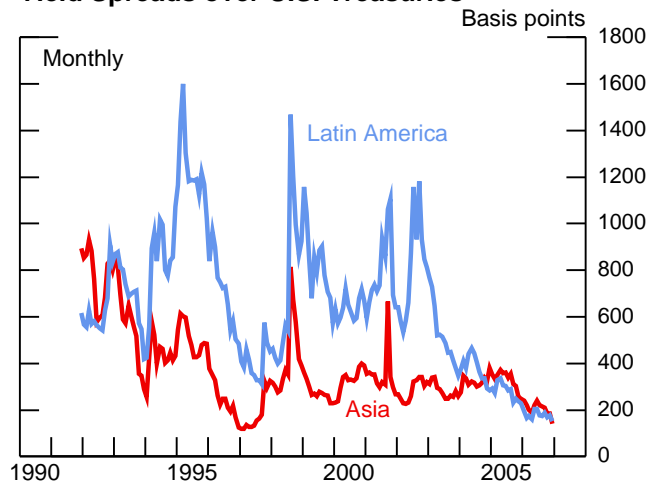
### Emerging-Market Debt and Capital Flows

Gross External Debt



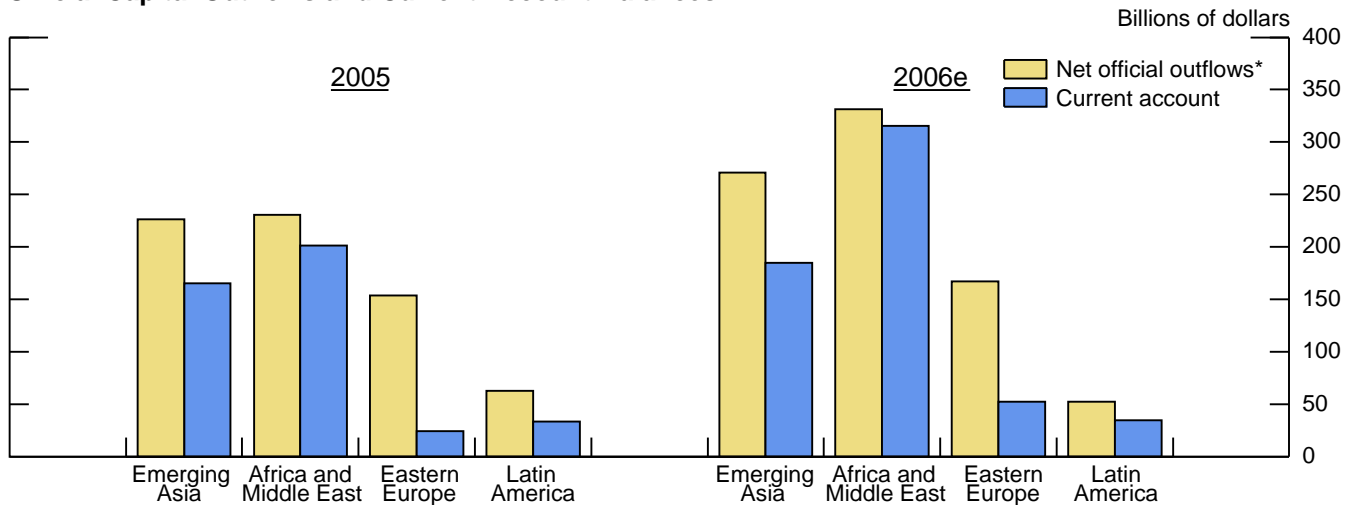
Source: IMF World Economic Outlook database.

Yield Spreads over U.S. Treasuries



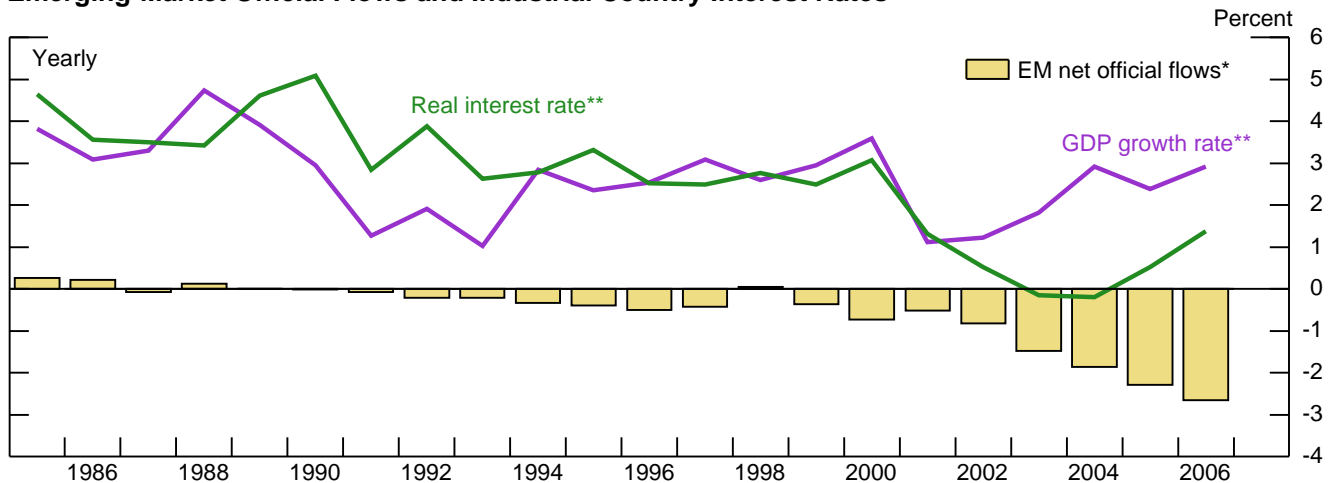
Source: Merrill Lynch.

Official Capital Outflows and Current Account Balances



\* Changes in foreign exchange reserves, external public debt, and assets of government-run investment funds.  
Source: IMF World Economic Outlook database.

Emerging-Market Official Flows and Industrial Country Interest Rates



\* Net official capital flows of emerging markets as share of aggregate industrial-country GDP.

\*\* Real GDP growth rate and 3-month interest rate minus CPI inflation rate for G-10 countries (including U.S.) plus Australia and Spain, weighted by GDP.  
Source: IMF World Economic Outlook database and IFS database. 2006 data are estimates.

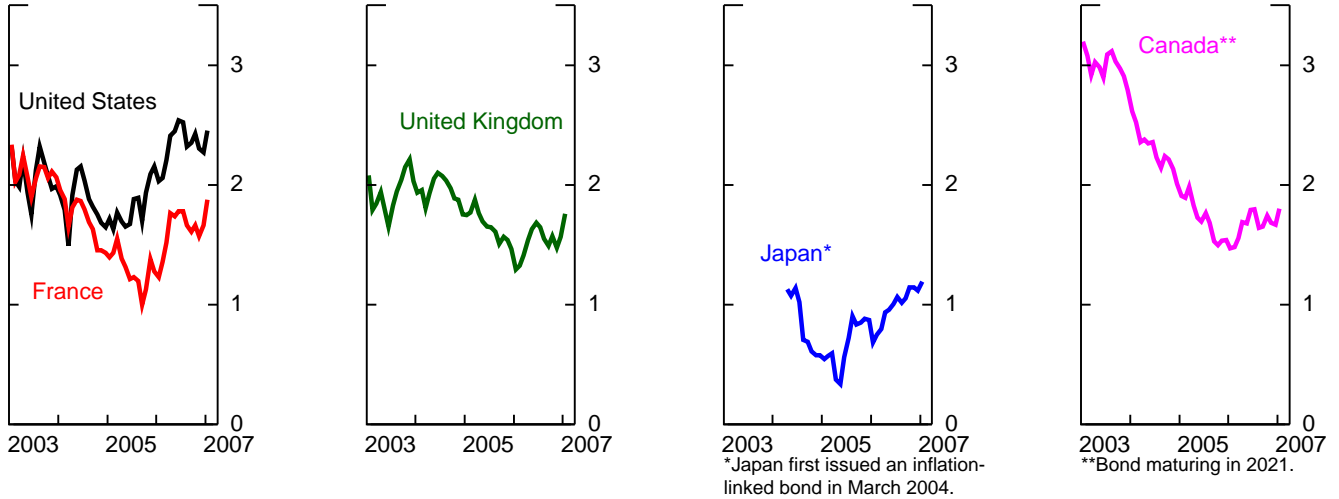
Class II FOMC -- Restricted (FR)

Exhibit 11

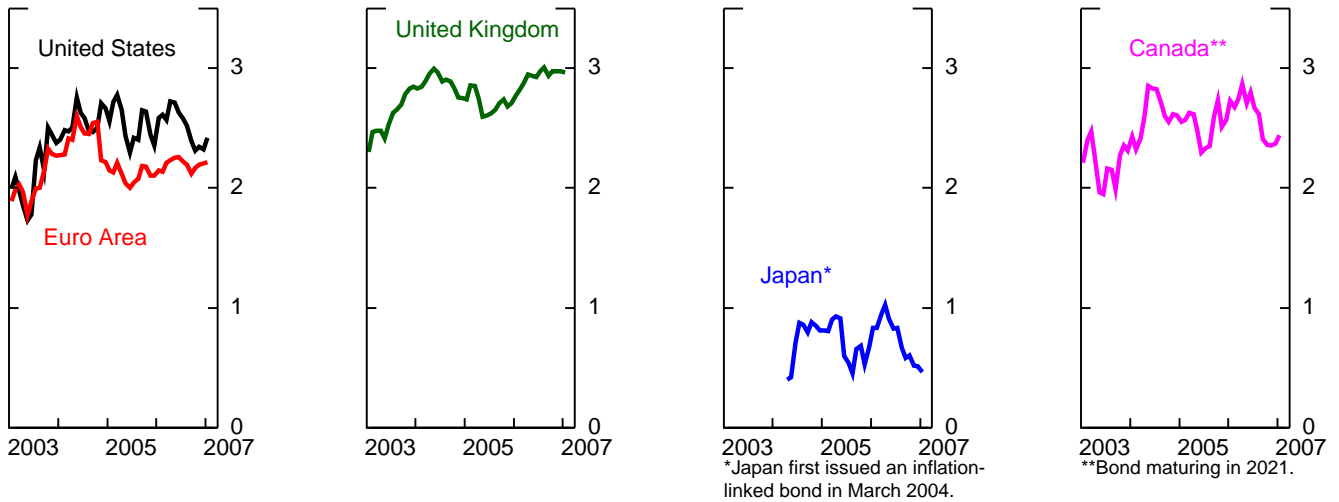
### Bond Markets, Inflation Compensation, and Monetary Policy

(Monthly data, percent)

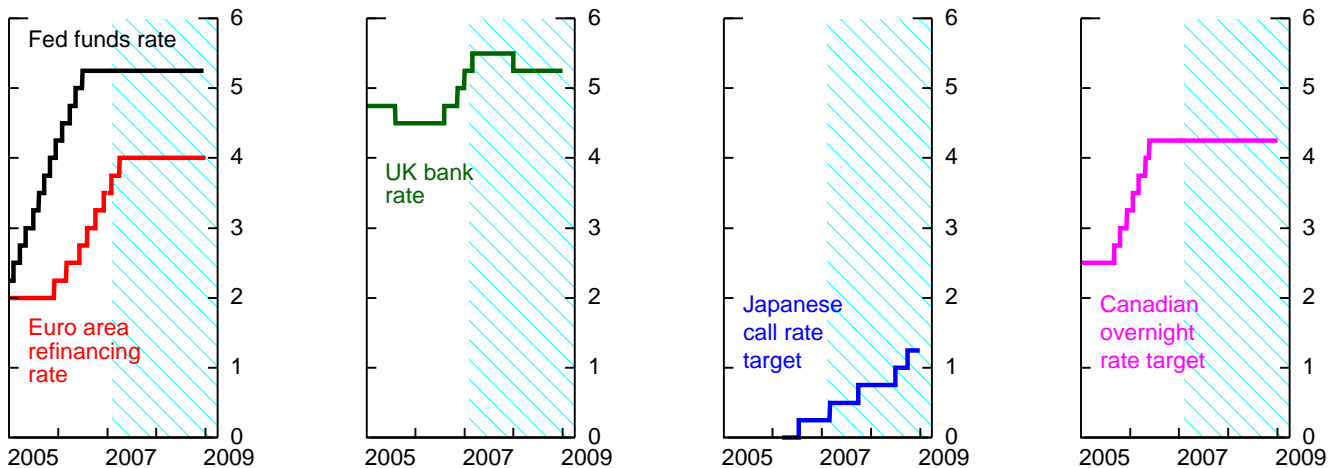
#### Indexed Bond Yields, 10-Year



#### Inflation Compensation, 10-Year



#### Policy Interest Rates

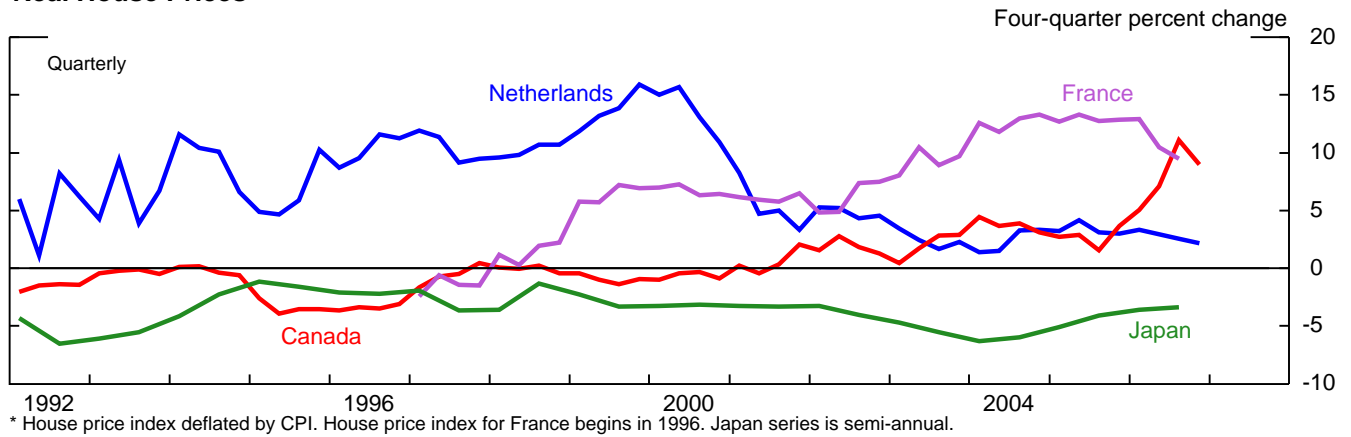


Class II FOMC -- Restricted (FR)

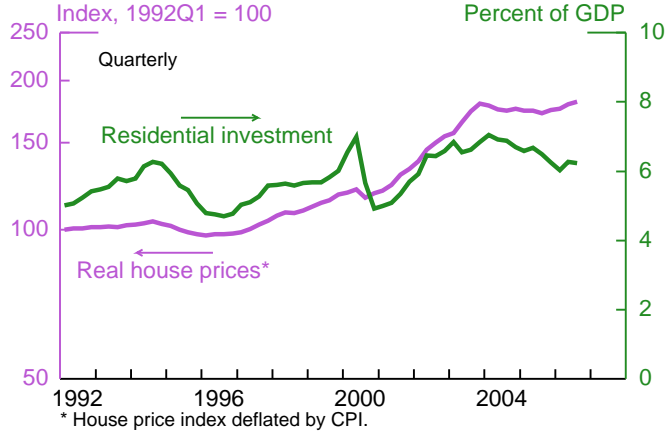
Exhibit 12

### Housing Sectors

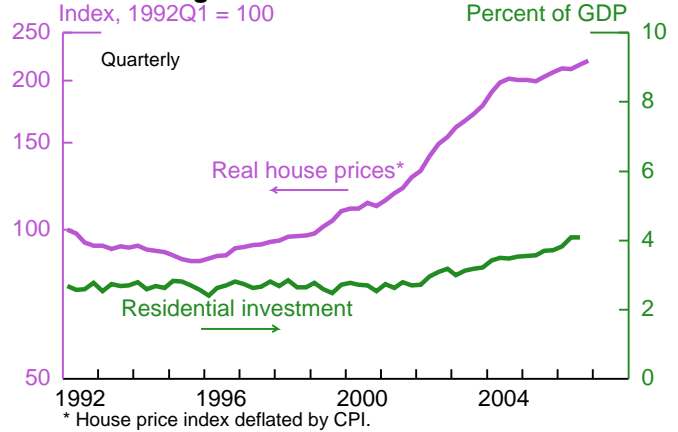
#### Real House Prices\*



#### Australia



#### United Kingdom



#### Real GDP\* (Percent change, annual rate\*\*)

	2006		2007p	2008p
	H1	H2e		
<b>1. Total Foreign</b>	<b>4.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>
<b>2. Industrial Countries</b>	<b>3.0</b>	<b>2.3</b>	<b>2.4</b>	<b>2.5</b>
of which:				
3. Europe	3.4	2.8	2.3	2.1
4. Japan	1.9	2.2	1.9	1.7
5. Canada	2.9	2.0	2.6	2.9
<b>6. Emerging Markets</b>	<b>6.4</b>	<b>5.0</b>	<b>4.8</b>	<b>4.9</b>
of which:				
7. Emerging Asia	6.7	6.5	6.0	6.2
8. Latin America	6.0	3.7	3.5	3.5
memo: United States	4.1	2.3	2.3	2.5

\*GDP aggregates weighted by shares of U.S. exports.

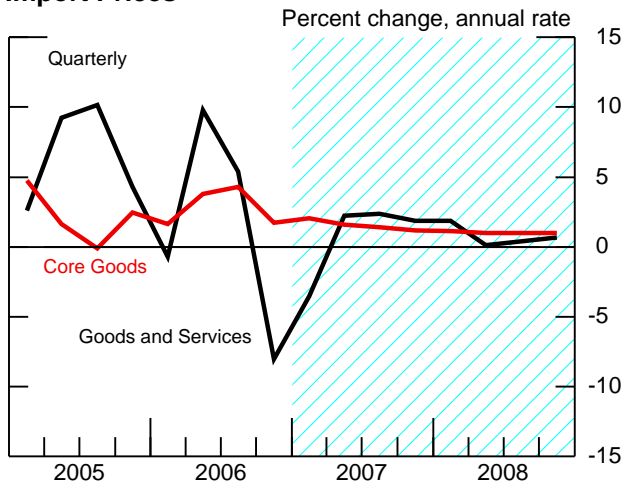
\*\*Years are Q4/Q4; half years are Q2/Q4 or Q4/Q2.

Class II FOMC -- Restricted (FR)

Exhibit 13

### U.S. External Sector

#### Import Prices

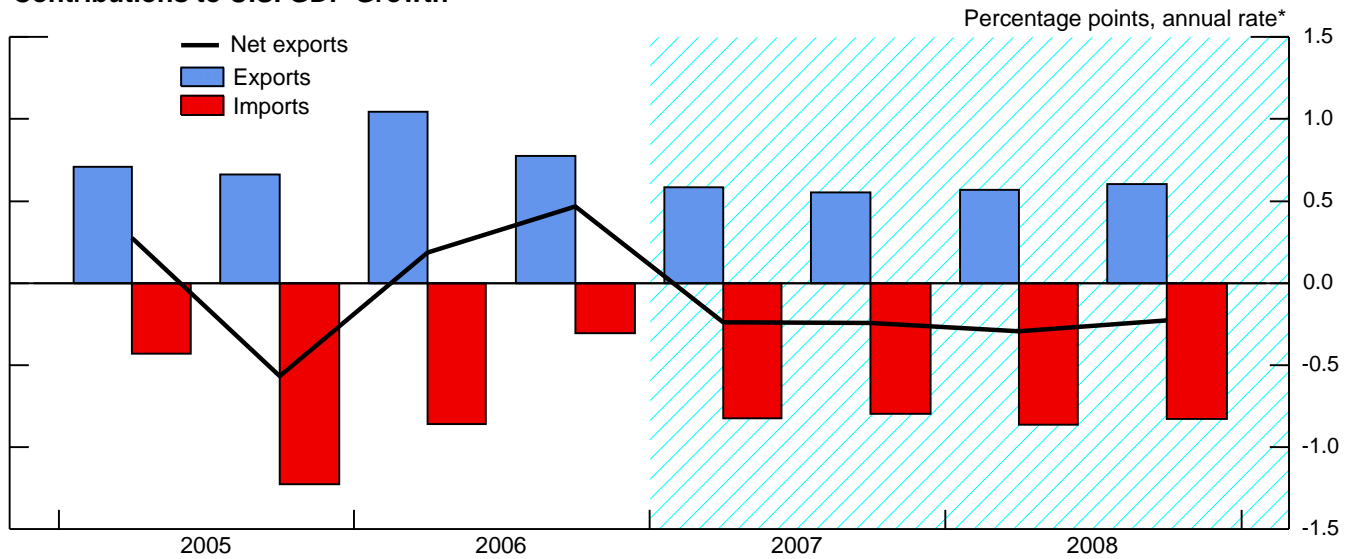


#### U.S. Real Goods Exports\* (Percent change)

		2006**
<b>1.</b>	<b>Total</b>	<b>10.5</b>
<i>selected contributions:</i>		
<b>2.</b>	Aircraft	1.1
<b>3.</b>	Machinery	2.3
<b>4.</b>	Semiconductors	1.3

\* Census data.  
\*\* January-November at annual rate.

#### Contributions to U.S. GDP Growth



\*Half years are Q2/Q4 or Q4/Q2.

Class II FOMC - Restricted (FR)

Exhibit 14 -- Last Exhibit

**ECONOMIC PROJECTIONS FOR 2007**

	<b>FOMC</b>		
	Range	Central Tendency	Staff
	-----Percentage change, Q4 to Q4-----		
Nominal GDP July 2006	4¾ to 5½ (4¾ to 6)	5 to 5½ (5 to 5½)	5.0 (5.0)
Real GDP July 2006	2¼ to 3¼ (2½ to 3¼)	2½ to 3 (3 to 3¼)	2.3 (2.7)
Core PCE Prices July 2006	2 to 2¼ (2 to 2¼)	2 to 2¼ (2 to 2¼)	2.2 (2.2)
	-----Average level, Q4, percent-----		
Unemployment rate July 2006	4½ to 4¾ (4¼ to 5¼)	4½ to 4¾ (4¾ to 5)	4.8 (5.2)

Central tendencies calculated by dropping high and low three from ranges.

**ECONOMIC PROJECTIONS FOR 2008**

	<b>FOMC</b>		
	Range	Central Tendency	Staff
	-----Percentage change, Q4 to Q4-----		
Nominal GDP	4¾ to 5½	4¾ to 5¼	4.8
Real GDP	2½ to 3¼	2¾ to 3	2.5
Core PCE Prices	1½ to 2¼	1¾ to 2	2.0
	-----Average level, Q4, percent-----		
Unemployment rate	4½ to 5	4½ to 4¾	4.9

**Appendix 3: Materials used by Mr. Reinhart**



**Class I FOMC – Restricted Controlled FR**

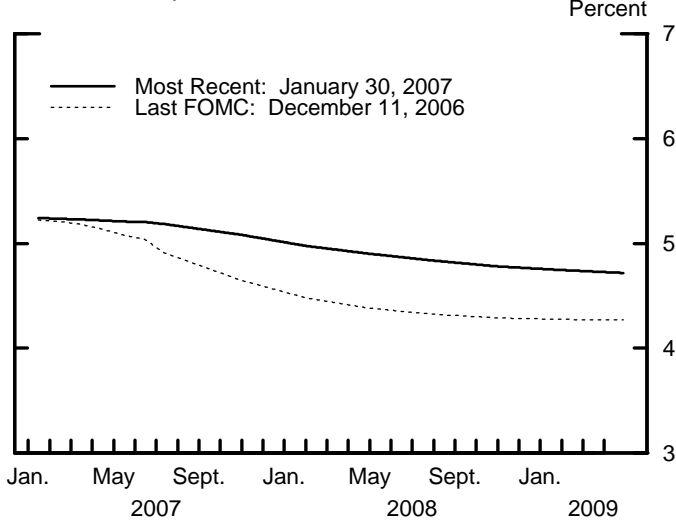
*Material for*

**FOMC Briefing on Monetary Policy Alternatives**

**Vincent Reinhart**  
**January 31, 2007**

**Exhibit 1**

Estimated Expected Federal Funds Rate

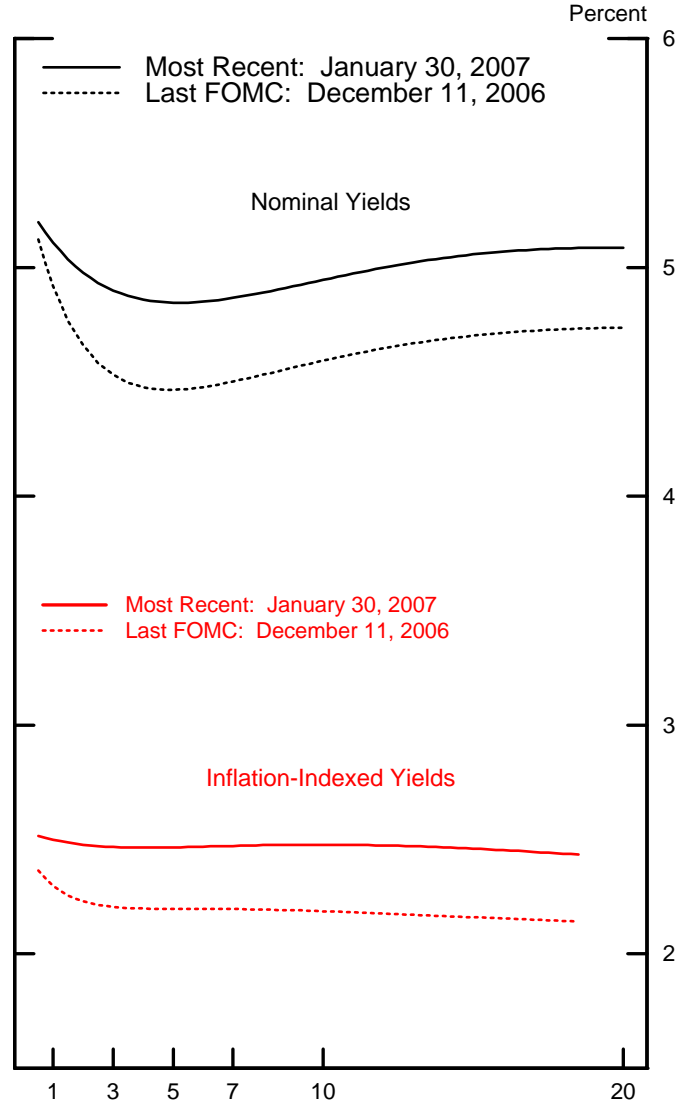


Note. Estimates from federal funds and eurodollar futures, with an allowance for term premia and other adjustments.

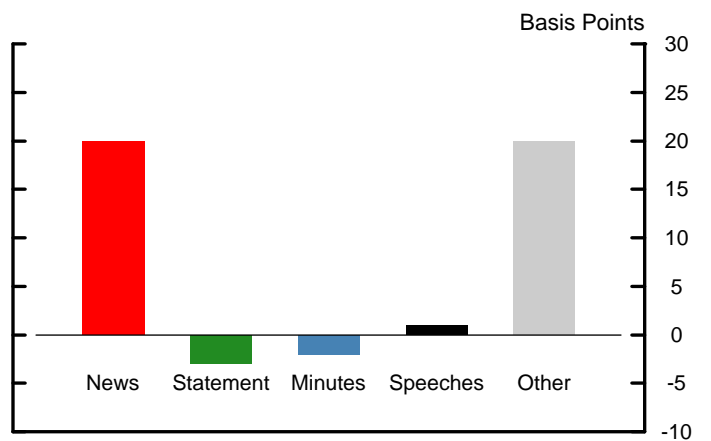
FRBNY Survey of Primary Dealers

- Dealers are unanimous in anticipating no change in policy rate at this meeting
- Nearly all dealers anticipate the funds rate at 5-1/4 percent through the May meeting
- Some anticipate a more upbeat assessment of the economic outlook
- Nearly unanimous in expecting no change in the assessment of risks

Nominal and Inflation-Indexed Yields



Decomposition of Change in Ten-Year Yield



Primary Dealer Expectations, 2007  
Q4/Q4, Percent

	FOMC Meeting	
	<u>December</u>	<u>January</u>
GDP Growth	2.5	2.6
Core PCE Inflation	2.3	2.1

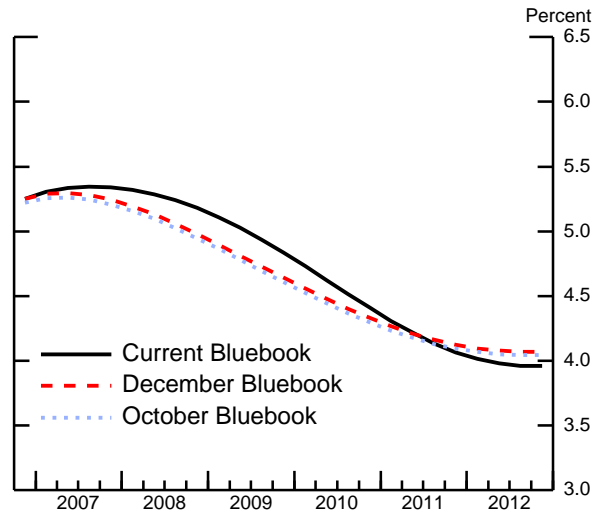
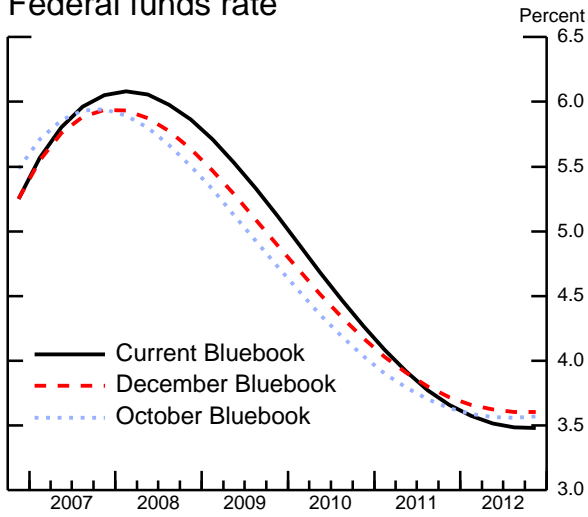
Exhibit 2

Optimal Policy Under Alternative Inflation Goals

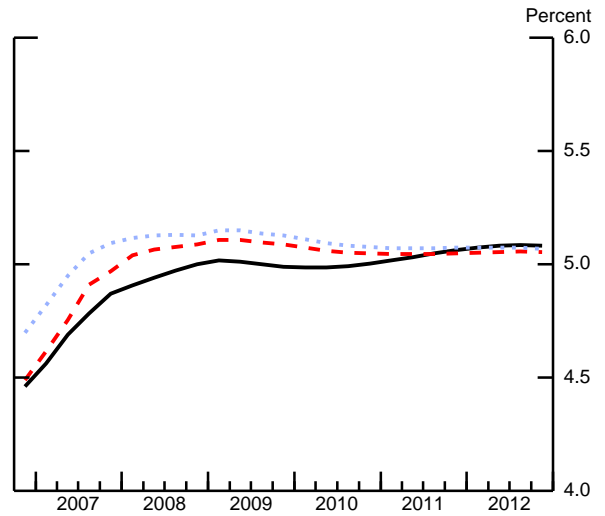
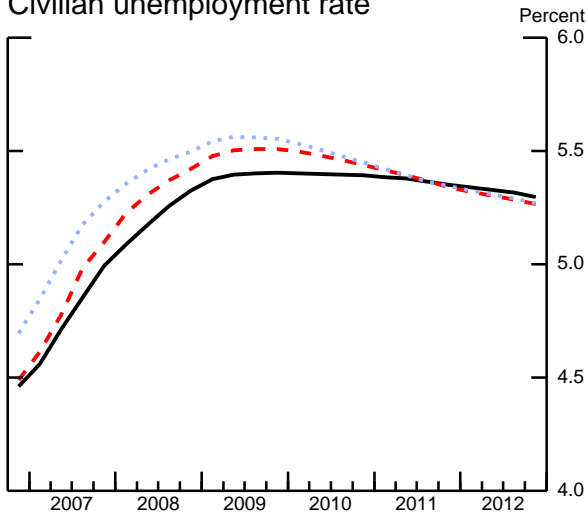
1½ Percent Inflation Goal

2 Percent Inflation Goal

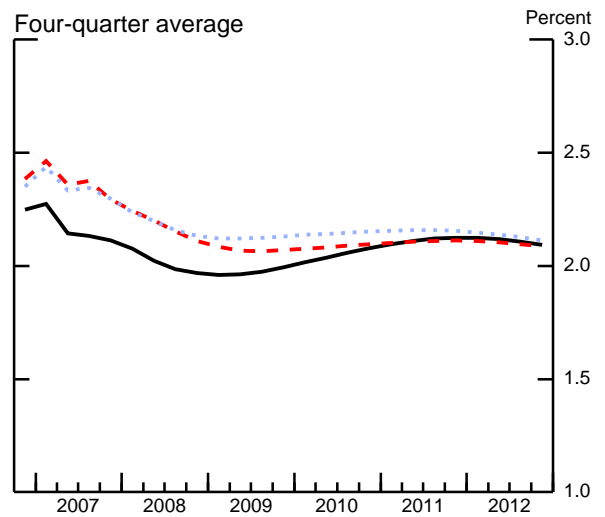
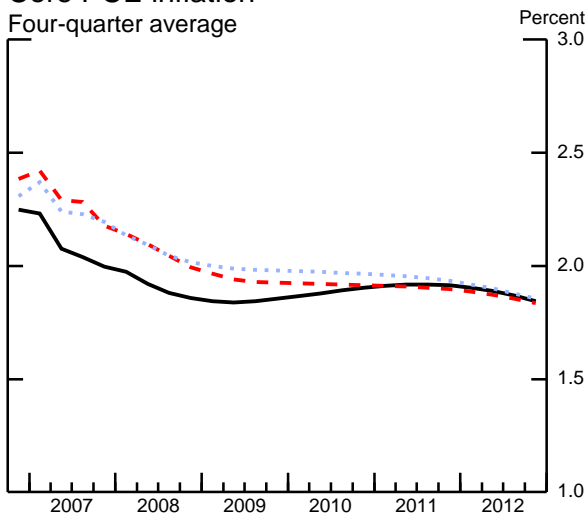
Federal funds rate



Civilian unemployment rate



Core PCE inflation  
Four-quarter average



### Exhibit 3 Policy Alternatives

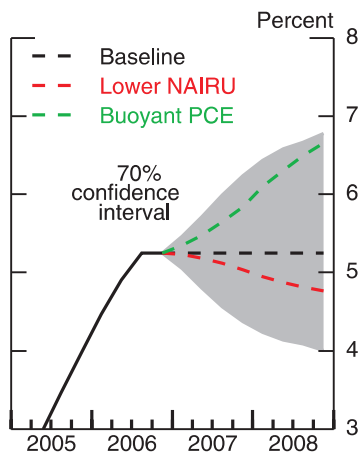
#### Alternative C

- 1.5 percent inflation goal.
- Concerned about cost pressures.
- Inflation expectations unchanged despite incoming data on prices.

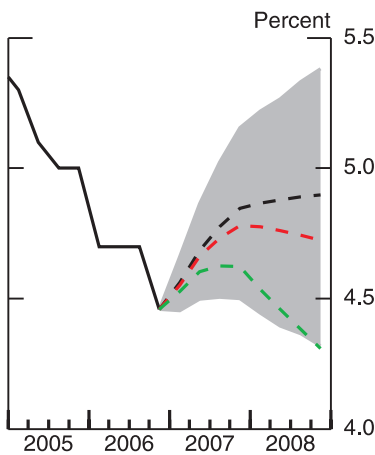
#### Alternative B

- 2 percent inflation goal.
- Still concerned about housing and possible spillovers.
- Lower NAIU.

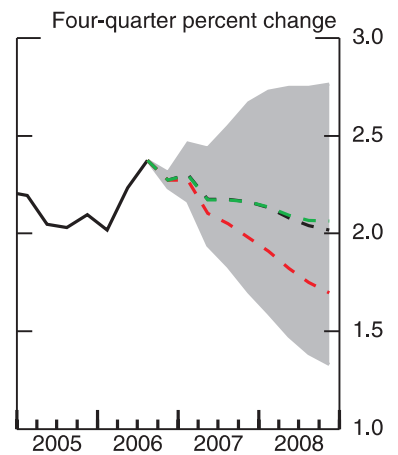
#### Federal Funds Rate



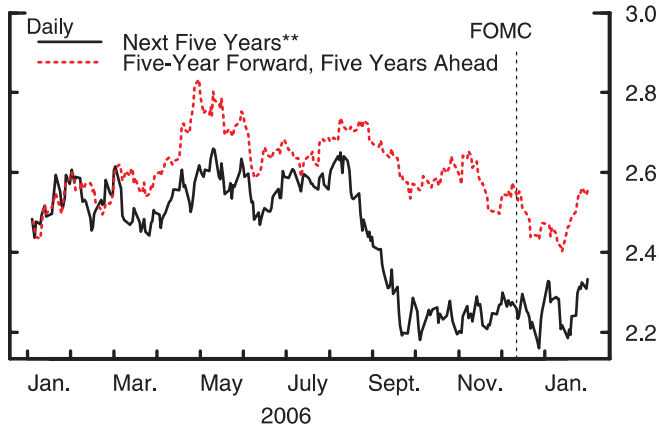
#### Unemployment Rate



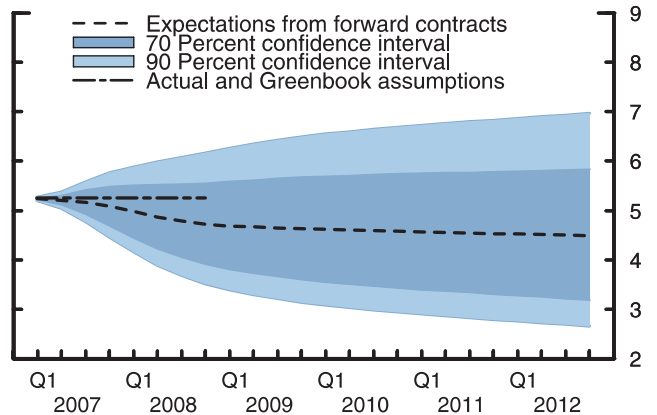
#### Core PCE Prices



#### Inflation Compensation\*



#### Uncertainty Around Expected Policy Path



\*Estimates based on smoothed nominal and inflation-indexed Treasury yield curves.

\*\*Adjusted for the indexation-lag (carry) effect.

Table 1: Alternative Language for the January FOMC Announcement

Revised: January 29, 2007

	December FOMC	Alternative A	Alternative B	Alternative C
<b>Policy Decision</b>	1. The Federal Open Market Committee decided today to keep its target for the federal funds rate at 5¼ percent.	The Federal Open Market Committee decided today to keep its target for the federal funds rate at 5¼ percent.	The Federal Open Market Committee decided today to keep its target for the federal funds rate at 5¼ percent.	The Federal Open Market Committee decided today to <b>raise</b> its target for the federal funds rate <b>by 25 basis points to 5½ percent</b> .
<b>Rationale</b>	2. Economic growth has slowed over the course of the year, partly reflecting a substantial cooling of the housing market. Although recent indicators have been mixed, the economy seems likely to expand at a moderate pace on balance over coming quarters.	The economy seems likely <b>to continue</b> to expand at a moderate pace on balance over coming quarters. <b>However, the substantial cooling of the housing market remains a drag on economic growth.</b>	<b>Recent indicators have suggested somewhat firmer economic growth, and some tentative signs of stabilization have appeared in the housing market.</b> Overall, the economy seems likely to expand at a moderate pace over coming quarters.	Economic growth <b>seems to be rebounding and some tentative signs of stabilization have appeared in the housing market.</b> Going forward, the economy seems likely to expand at a moderate pace over coming quarters.
	3. Readings on core inflation have been elevated, and the high level of resource utilization has the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time, reflecting reduced impetus from energy prices, contained inflation expectations, and the cumulative effects of monetary policy actions and other factors restraining aggregate demand.	Readings on core inflation have <b>improved modestly in recent months, and</b> inflation pressures seem likely to moderate over time, <b>partly reflecting the recent decline in energy prices.</b>	Readings on core inflation have <b>improved modestly in recent months, and</b> inflation pressures seem likely to moderate over time. However, the high level of resource utilization has the potential to sustain inflation pressures.	Readings on core inflation have <b>improved modestly in recent months but remain</b> elevated. Inflation pressures seem likely to moderate over time, <b>but the extent and speed of that moderation remain uncertain.</b>
<b>Assessment of Risk</b>	4. Nonetheless, the Committee judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.	<b>In these circumstances, future policy adjustments</b> will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.	The Committee judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.	The Committee judges that <b>inflation remains the predominant concern, and consequently that in the near term policy firming is more likely than policy easing.</b> Future policy adjustments will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.

**Appendix 4: Materials used by Mr. Reifschneider, Mr. Doyle, and Mr. Reinhart**

**CLASS I FOMC—RESTRICTED CONTROLLED (FR)**

*Material for the*

*Staff Presentation on Producing and  
Publishing Economic Forecasts*

**January 31, 2007**

## **Should the Committee Change Its Current Practices for the Production and Publication of Forecast-Related Material?**

### **Key Issue**

- The Federal Reserve regularly provides information on the outlook to the public.
- Effort undertaken with an eye towards advancing the goals of economic performance, public discourse, internal discourse, and efficient operations.
- But would changing your practices advance these goals further, or achieve a better trade-off?

### **Three Questions**

1. What production and publication options are open to the Committee?
2. What can we learn from the international experience?
3. What governance issues would alternative approaches raise?



## Production Options and Their Implications

### Three Basic Options

- Independent (each participant responsible for his or her own forecast)
- Centralized (FOMC or a subcommittee produces a single forecast)
- Coordinated (each participant produces own forecast but conditions on a common set of assumptions for factors such as oil prices and fiscal policy)

### Implications for Communications and Operational Costs

	Independent Option	Coordinated Option	Centralized Option
<i>Communications</i>			
Telling the central story	difficult to distill message from multiple forecasts	might be simplified a bit	relatively easy
Conveying diversity	naturally reveals diversity	obscures some sources of diversity	no diversity without additional comments
<i>Operational costs</i>			
Forecast production	relatively low cost	more costly	very costly if task not delegated
Forecast publication	may be burdensome	also may be burdensome	could be less costly, especially under delegation

## **Publication Options**

- Release more information about individual forecasts?
- Provide more forecast details?
- Lengthen the forecast period?
- Publish information about the outlook more frequently?
- Publish fan charts and confidence intervals?

## **Two Options for Setting the Federal Funds Rate**

1. Condition the outlook on “appropriate” monetary policy
  - Publishing details about the “appropriate” funds rate path could facilitate telling a more informative story
  - Forecast might be mistaken as a promise
  - Release might generate public criticism and create political pressures
2. Condition the outlook on a flat funds rate or market expectations
  - Might mitigate some of the problems of the “appropriate” option
  - Would alter nature of the outlook and create communication challenges
  - Would require statement about desirability of the projection
  - Might require providing guidance about a more “appropriate” path

## The Experience of Foreign Central Banks with Published Forecasts

Central Bank	Publication Choices			Factors			
	(A) Type of Forecast	(B) Dissent	(C) Int. Rate Forecast	(D) Size of Comm.	(E) Same Location	(F) Head Resp.	(G) External Members
1. Reserve Bank of New Zealand	Centralized	No	Appropriate	1	Yes	Yes	0
2. Swiss National Bank	Centralized	No	Specified	3	Yes	No	0
3. Bank of Canada	Centralized	No	Not Stated	6	Yes	Yes	0
4. Reserve Bank of Australia	Centralized	No	Specified	7	Yes**	No	6
5. Norges Bank	Centralized	No*	Appropriate	7	Yes**	No	5
6. Sveriges Riksbank	Centralized	Yes	Appropriate	6	Yes	No	0
7. Bank of England	Centralized	Yes	Specified	9	Yes	No	4
8. Bank of Japan	Coordinated	Yes	Specified	9	Yes	No	0
9. European Central Bank	Staff	No	Specified	18	No	No	0

\*Dissents at the Norges Bank are not released until 12 years after publication.

\*\*External members at the RBA and the Norges Bank are not full-time employees of the central bank and do not necessarily live in the same city.

### Consequences of Publishing a Forecast

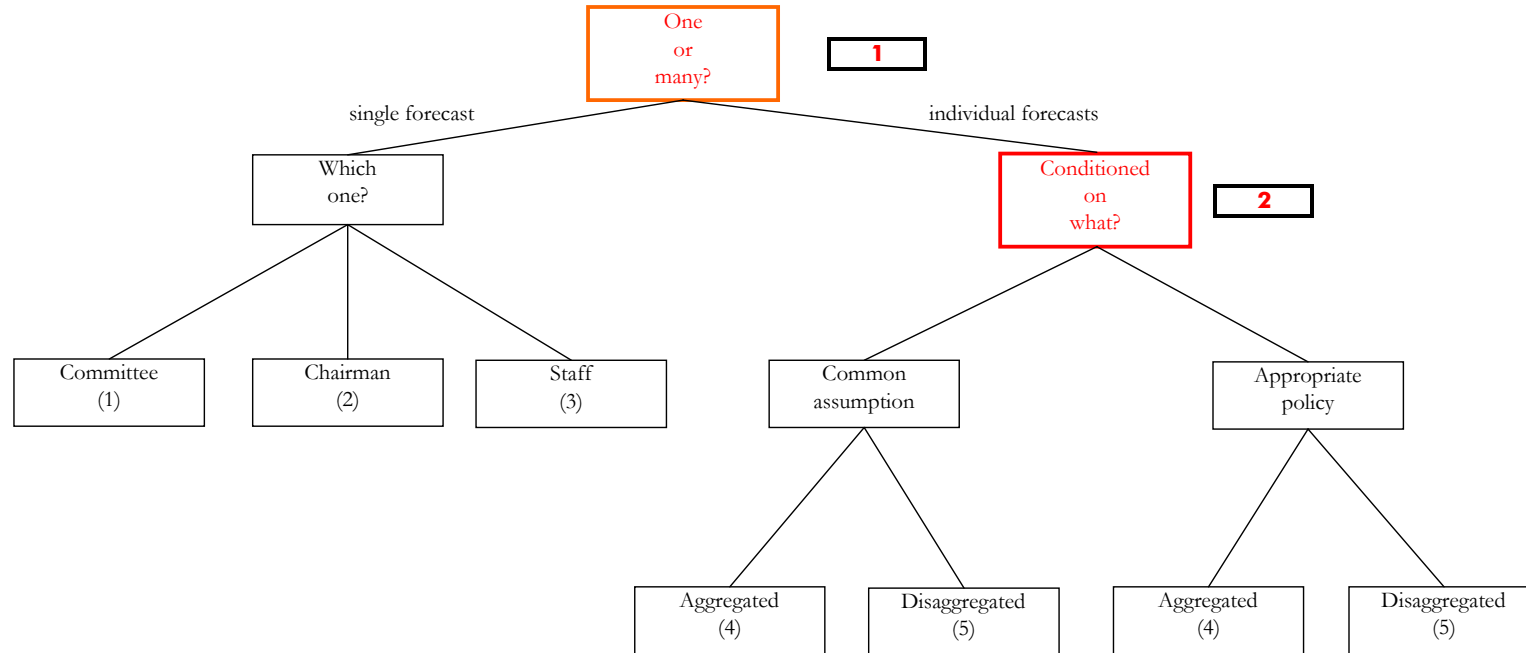
- Publication is regarded as useful by central banks and observers:
  - Central banks have increased the amount of detail.
  - Observers agree that forecasts have improved communications and accountability.
- We have found very little econometric work on whether publishing forecasts has improved monetary policy communications or economic outcomes:
  - Publication has nearly always been part of a package.
  - Econometric evidence does not provide a basis for deciding to publish a forecast.

Class I FOMC -- Restricted Controlled (FR)

01-31-07

Exhibit 5 (Last page)

**The Role of Economic Forecasts in the Policymaking Process**



**1**

Does the Committee want to produce a joint forecast or conduct a survey of individual forecasts?

**2**

If the forecasts are done individually, should they be based on common assumptions about some key conditioning factors?

**3**

Should the forecasts be accompanied by a minutes-style narrative description?

**4**

Should the Committee jointly agree on the minutes-style description or delegate the release of it to the Chairman or the staff?

**5**

How frequently should forecasts be made?

**6**

How many years should the forecast cover?

**7**

How many variables should be forecasted?

**8**

Should there be some attempt to convey formally the uncertainty surrounding the forecasts?

Table 1: Details on Publicly Available Central Bank Forecasts

	New Zealand	Canada	United Kingdom	Sweden	Australia	Norway	ECB	Switzerland	Japan
Forecast first published	June 1988	May 1995	February 1993	October 1993	January 1995	December 1994	December 2000	December 1999	October 2000
Whose Forecast?	Governor	Governing Council	Monetary Policy Committee	Executive Board	Entire Bank	Executive Board	Staff	Entire Bank	Policy Board
# of members	1	6	9	6	7	7	18	3	9
Where forecasts are published	Monetary Policy Statement	Monetary Policy Report and Monetary Policy Report Update	Inflation Report	Inflation Report	Statement on Monetary Policy	Inflation Report	ECB Staff Macroeconomic Projections and Eurosystem Staff Macroeconomic Projections	Monetary Policy Report (in Quarterly Bulletin)	Outlook for Economic Activity and Prices
How Dissent of Forecast is Noted			In Minutes	In Minutes		In Proceedings (only released after 12 years)			Range, central tendency, and median of Board members' forecasts. In minutes.
Other commentary at release	Press conference and presentation to Bank's Board	Press conference, testimony to Parliament after Full Report	Press conference, testimony to Parliament	Press conference; Semi-annual testimony to Rikstag	Semi-annual testimony to Parliament	Press conference	Press conference	Press conference (2/year)	Press conference
Timing of release relative to policy meeting	Day of policy announcement	Within 1 week after policy announcement	6 days after policy announcement	Day of policy announcement	Monday following Tuesday of policy announcement	Day of policy announcement	Day of policy announcement	Day of policy announcement	Day of policy announcement
When is forecast finalized	In practice about 2 week prior to publication	At policy meeting (Friday before announcement)	At policy meeting	About 1 week before publication	2 days before publication	About 5 days prior to publication	About 2 weeks before publication	About 2 weeks prior to policy meeting	At policy meeting
Forecasting process (for policy makers)	Staff presents initial forecast to Governor and advisers; Revises after receiving comments	Council writes down after receiving staff forecast	Iterative process between staff and MPC	Staff forecast presented to Executive Board for approval	Governor comments on Staff forecast; Governor presents to Policy Board	Staff presents initial forecast to Governor; Revises after receiving comments	Staff forecast; 2 members of Gov. Council have joint responsibility to oversee	Staff forecast with only limited input from Board	Board members write down after receiving staff forecast
Frequency of forecast	Quarterly	Full report semi-annually, updates in remaining quarters	Quarterly	3 times a year	Quarterly	3 times a year	Quarterly (Both Semi-annually)	Quarterly	Semi-annual
Frequency of variables forecast	Annual in tables, higher frequency in charts	Quarterly in near-term, annual for later years	Quarterly	Annual in tables, higher frequency in charts	No precise numbers	Annual in tables, higher frequency in charts	Annual	Quarterly in chart, no precise data for GDP	Annual (fiscal years)

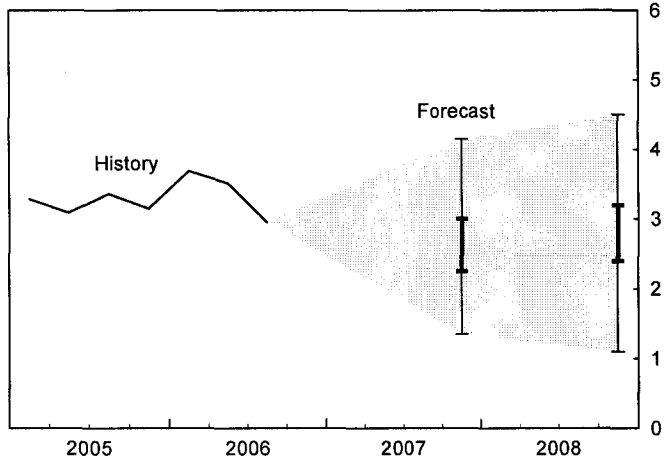
Table 1 (continued): Details on Publicly Available Central Bank Forecasts

	New Zealand	Canada	United Kingdom	Sweden	Australia	Norway	ECB	Switzerland	Japan
Variables forecasted in tables or charts									
Inflation measures	CPI, underlying inflation, import and export prices, terms of trade, foreign inflation	CPI; CPI excl. 8 volatile components and indirect taxes; CPI excl. ind. taxes	CPI (HICP)	CPI; CPI excl. interest and indirect taxes, import and domestic prices, foreign	No (A qualitative forecast is provided)	CPI excluding energy and real taxes, CPI, import prices, domestic prices, foreign CPI	Euro-area CPI (HICP)	CPI	CPI excluding fresh food, Domestic Corporate Goods inflation
GDP growth	Yes and its components	Yes, and its components	Yes	Yes, and its components	No	Yes and some components	Yes, and components	Yes	Yes
Output gap	Yes	No	No	No	No	Yes	No	No	No
Other	Many including: exchange rate, productivity, foreign GDP, current account balance, fiscal balance, labor market variables.	Foreign GDP, oil prices conditioned on futures markets	None	Productivity, labor market variables, fiscal balance, Foreign GDP, oil prices, exchange rate.	None	Exchange rate, employment growth, unemployment rate, wage growth, foreign GDP	None	Foreign GDP, oil prices	None
Conditioning assumption for interest rate	Published forecast	Not specified	Market expectations and constant path	Published forecast (as of Jan. 17)	Constant path	Published forecast	Market expectations	Constant path	Market expectations
How forecasts are presented	Tables; charts for inflation and GDP	GDP and inflation in tables and charts; rest only described in text	“Fan” charts, data provided 2 weeks after publication	“Fan” charts for inflation, tables and charts	Qualitative description with a few numbers for reference	“Fan” charts for key variables, table of means	Range of values in table	Chart for inflation; description of GDP; rest tables	Range and median of individual members’ forecasts
Forecast horizon	3 years	2 to 3 years	3 years; 2 years conditioned on unchanged policy	3 to 4 years	2 years	3 to 4 years	Current year and next	3 years	Current and next fiscal year
How risks to forecast are expressed									
Distribution measures	No	No	“Fan” charts, data provided 2 weeks after publication	“Fan” chart for inflation	No	“Fan” charts	Range	No	No
Alternative scenarios	Yes	No	No	No	No	No	No	No	No
Discussion of risks	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes

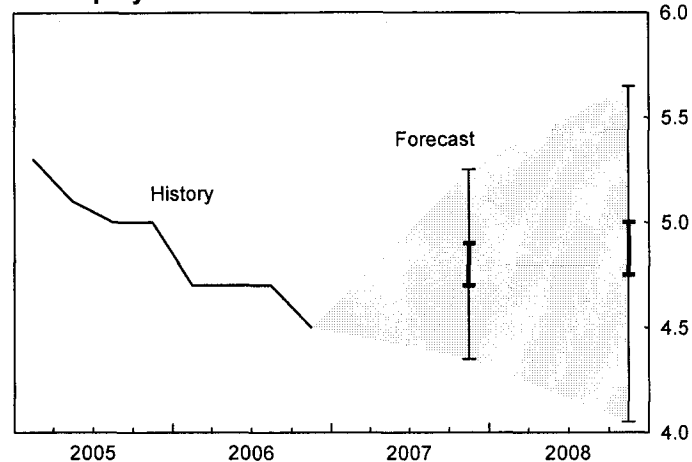
**Appendix 5: Materials used by Ms. Yellen**

# FOMC Economic Projections for 2007 and 2008

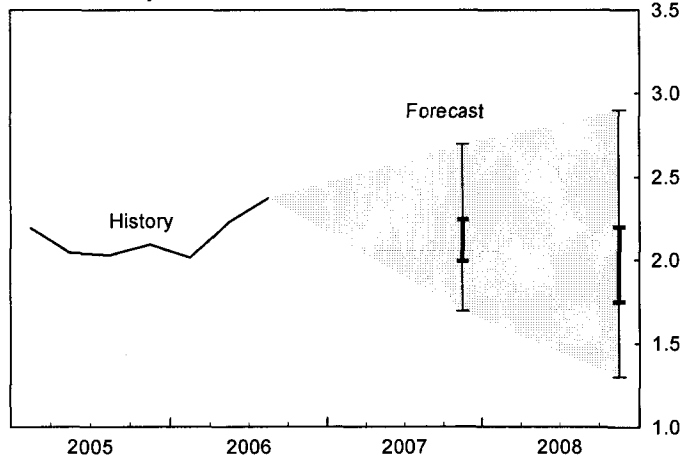
**Real GDP** 4-quarter percent change



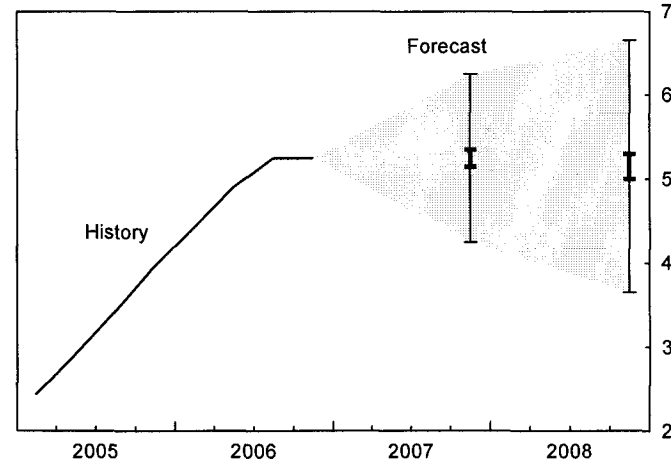
**Unemployment rate** Percent



**Core PCE price index** 4-quarter percent change



**Federal funds rate** Percent



Note: The central tendencies of the FOMC participants' mean forecasts are denoted by the vertical thick intervals. Approximate 70 percent confidence intervals, which are based on historical forecast accuracy, are denoted by the thin intervals.