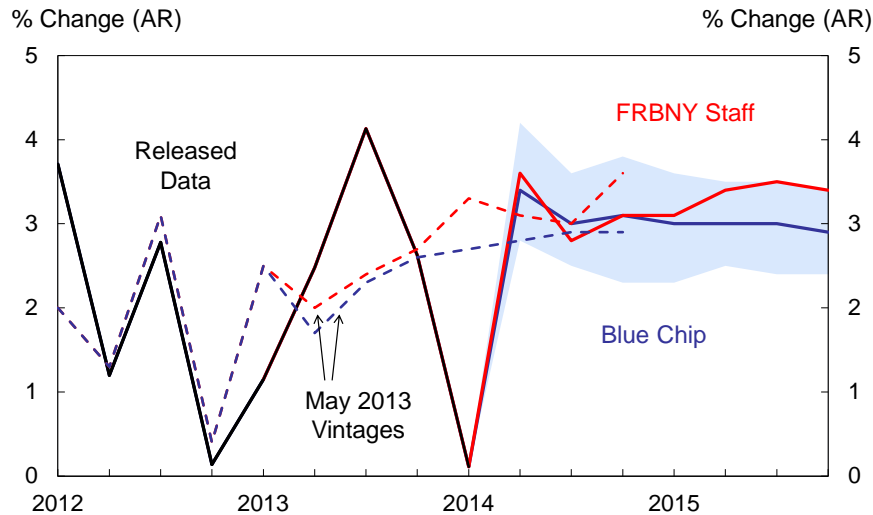


Comparison of FRBNY Staff and Blue Chip Forecasts

Real GDP Growth Forecasts



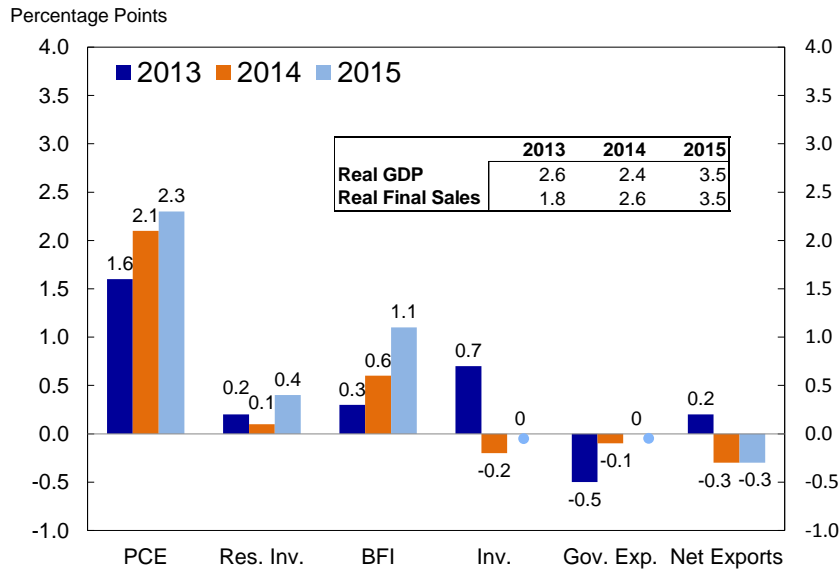
Note: The blue band represents the top 10 and bottom 10 averages of the Blue Chip survey.

Source: FRBNY Staff and Blue Chip Economic Indicators

Staff GDP Forecast Summary

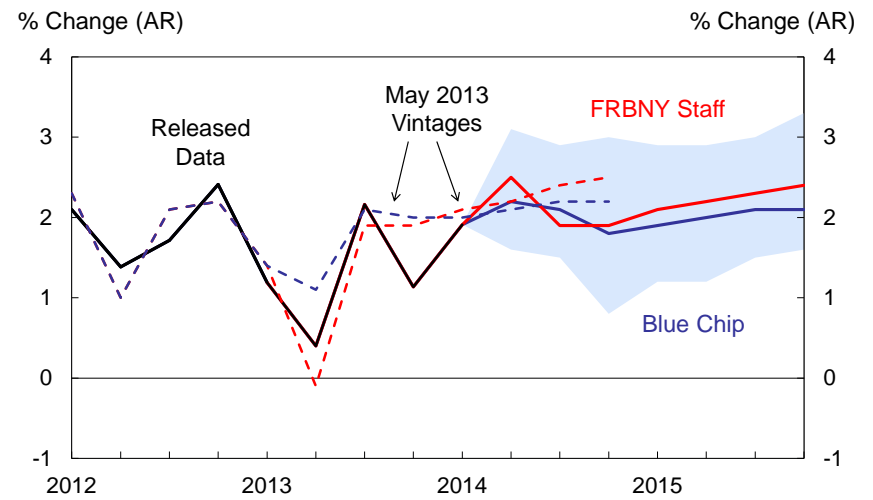
- Real GDP growth on roughly 3% trend over remainder of 2014, moving up to around 3 ½% in 2015.
 - Somewhat above Blue Chip consensus in 2015.
- Headwinds gradually abating.
 - Household wealth restored, deleveraging largely over.
 - Excess supply of housing worked off.
 - Fiscal drag largely behind us.
 - Growth prospects of major trading partners somewhat improved.
- Continued accommodative monetary policy.

Growth Contributions



Source: Bureau of Economic Analysis

Overall CPI Inflation Forecasts



Note: The blue band represents the difference between the top 10 and bottom 10 average of the Blue Chip survey.

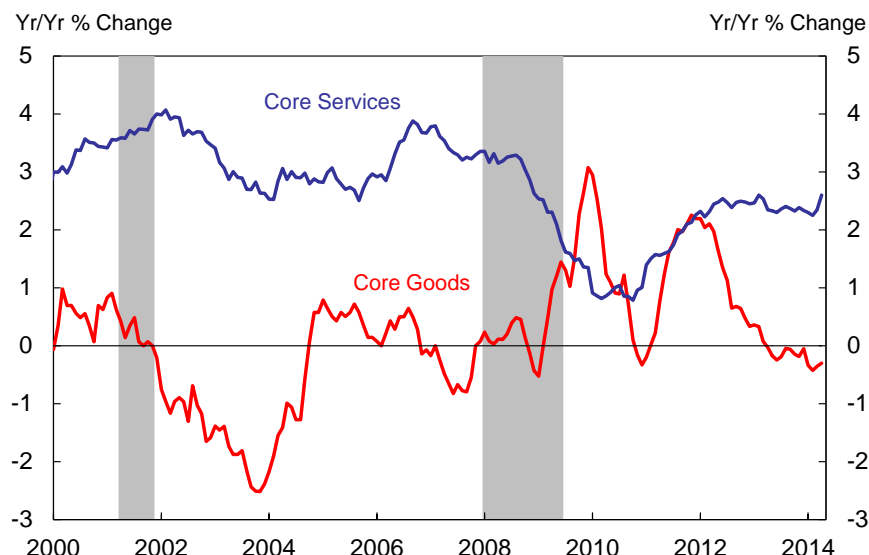
Source: FRBNY Staff and Blue Chip Economic Indicators

Comparison of FRBNY Staff and Blue Chip Forecasts

Staff Inflation Forecast Summary

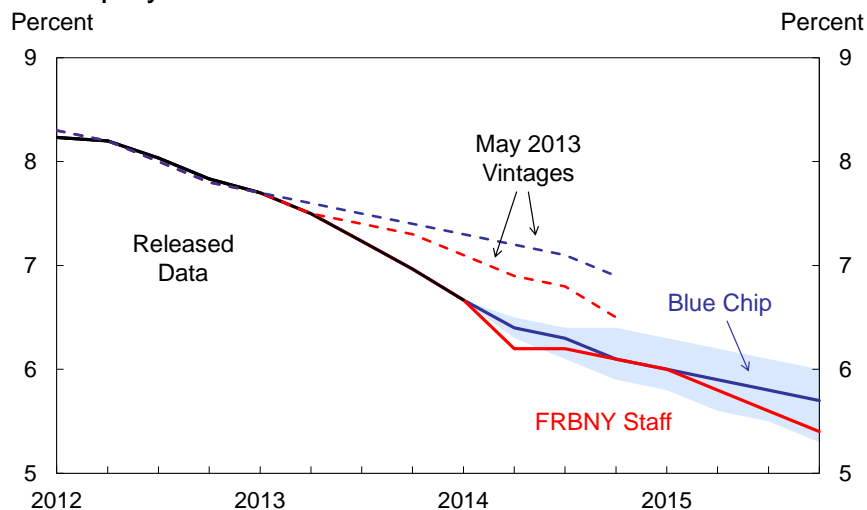
- Inflation expected to gradually move up toward FOMC's longer-run goal.
 - 2% PCE deflator inflation (roughly 2 ½% CPI inflation).
 - Slightly above Blue Chip consensus.
- Underlying assumptions.
 - Anchored inflation expectations.
 - Gradually declining slack.
 - Firming of global demand.

Inflation Breakdown: Core Goods and Core Services



Source: Bureau of Labor Statistics

Unemployment Rate Forecasts



Note: The blue band represents the difference between the top 10 and bottom 10 average of the Blue Chip survey.

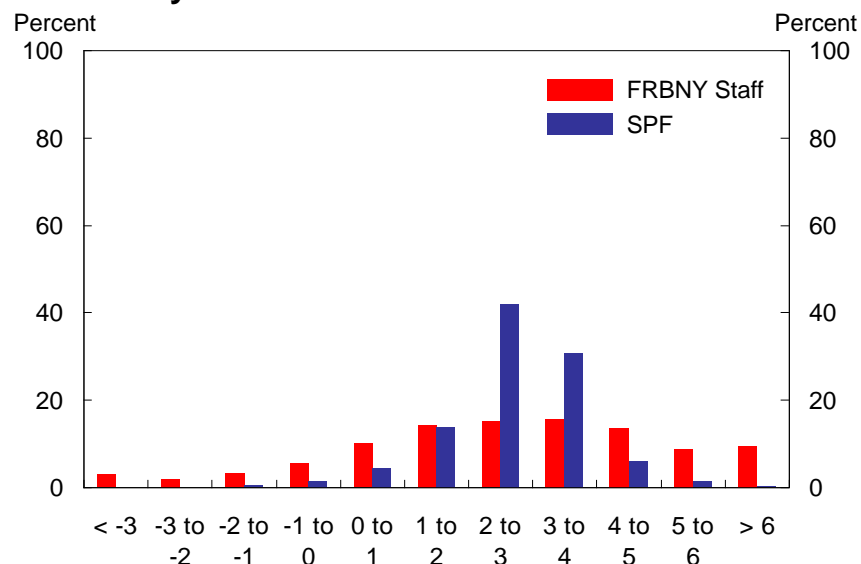
Source: FRBNY Staff and Blue Chip Economic Indicators

Staff Unemployment Forecast Summary

- Increase in average monthly gains of nonfarm payroll employment leads to gradual decline in unemployment rate to around 5 ½ % by 2015Q4.
 - More rapid decline in 2015 than Blue Chip consensus.
- Factors underlying this forecast.
 - Population growth returns to around 1%.
 - Trend productivity growth of 1 ½% NFBS (1 ¼% GDP).
 - Gradual increase in participation rate beginning in mid 2014.
 - Gradual increase in average weekly hours.

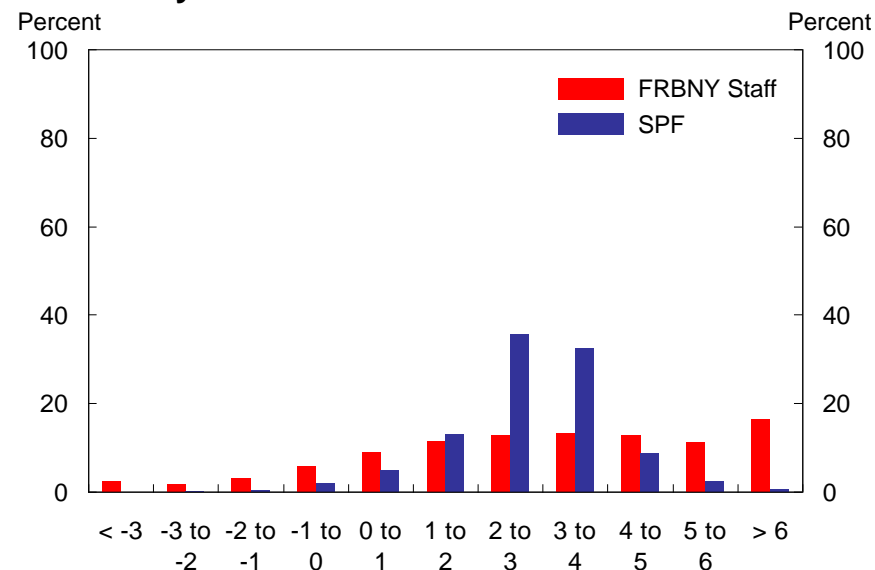
Forecast Distributions: FRBNY Staff and SPF

Probability of Growth of Real GDP: 2013-2014



Source: Survey of Professional Forecasters and FRBNY Staff

Probability of Growth of Real GDP: 2014-2015

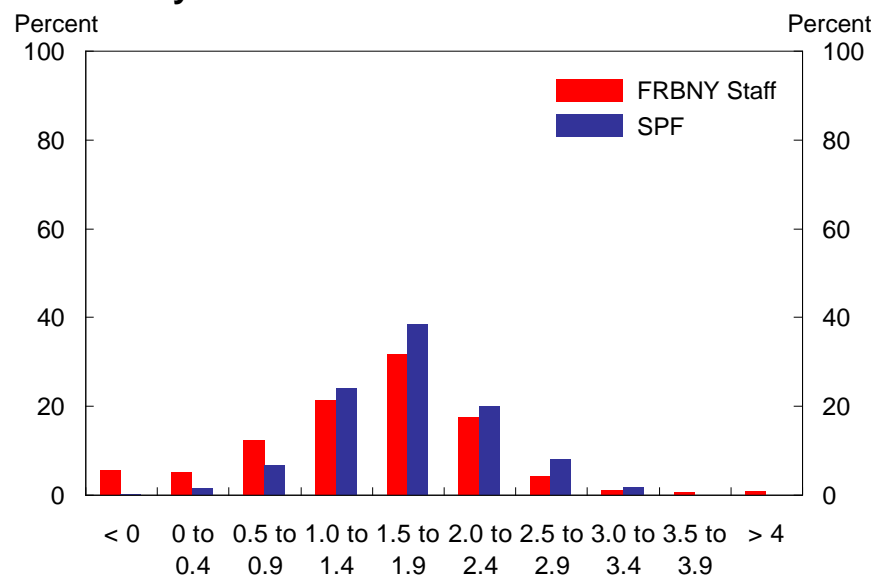


Source: Survey of Professional Forecasters and FRBNY Staff

Risks to FRBNY Staff Real Activity Outlook

- More uncertainty around staff GDP growth forecast than the SPF for both 2014 and 2015.
- Risks skewed somewhat to upside in 2014, balanced in 2015.
- Major risks
 - Upside:
 - Improving fundamentals could inspire greater confidence by businesses and consumers.
 - Downside:
 - Global economy weaker than expected.
 - Unexpected tightening of financial conditions.

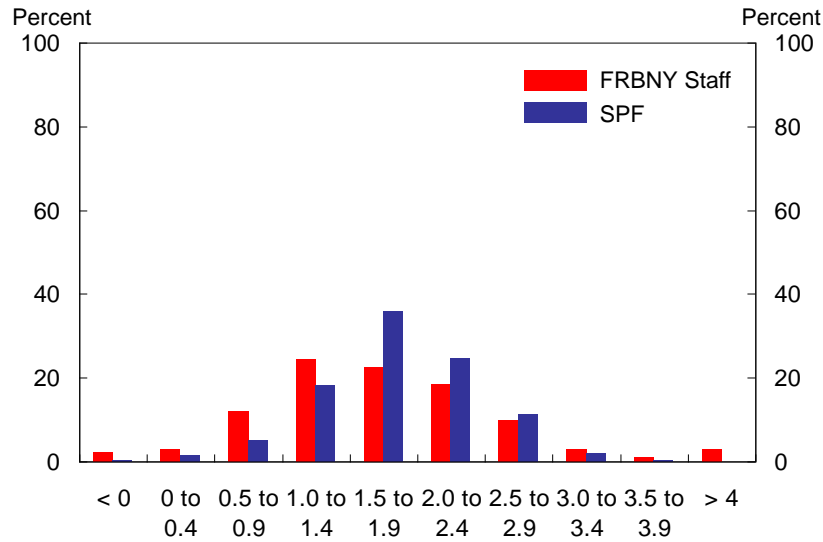
Probability of Core PCE Inflation: 2014Q4/2013Q4



Source: Survey of Professional Forecasters and FRBNY Staff

Forecast Distributions: FRBNY Staff and SPF

Probability of Core PCE Inflation: 2015Q4/2014Q4



Source: Survey of Professional Forecasters and FRBNY Staff

Risks to FRBNY Staff Inflation Outlook

- As with growth forecast, more uncertainty around staff inflation forecast than SPF.
- Inflation risks are roughly balanced in both 2014 and 2015.
 - Upside:
 - Both the level and growth rate of potential GDP are lower than currently estimated.
 - Inflation expectations become unanchored because policy becomes too accommodative.
 - Downside:
 - Downside real risks induce more slack.
 - Stronger global disinflationary pressures.

FRBNY Staff Forecast

FRBNY Forecast Overview

	2014 Q1	2014 Q2			2014 Q3			2013 Q4/Q4	2014 Q4/Q4			2015 Q4/Q4		
Summary	<i>Advance</i>	3/13	4/25	5/15	3/13	4/25	5/15	<i>Final</i>	3/13	4/25	5/15	3/13	4/25	5/15
Real GDP	<i>0.1</i>	3.6	3.9	3.6	3.1	3.1	2.7	<i>2.6</i>	2.9	2.8	2.4	3.5	3.5	3.5
Total PCE Deflator	<i>1.4</i>	1.5	1.7	1.9	1.5	1.6	1.6	<i>1.0</i>	1.5	1.6	1.6	1.8	1.8	1.9
Core PCE Deflator	<i>1.3</i>	1.3	1.4	1.7	1.4	1.4	1.4	<i>1.2</i>	1.3	1.4	1.5	1.7	1.7	1.7
Fed Funds Rate Target*	<i>0-0.25</i>	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	<i>0-0.25</i>	0-0.25	0-0.25	0-0.25	1.0	1.0	1.0
Nonfarm Business Sector														
Output	<i>0.3</i>	4.6	5.1	4.7	3.9	3.9	3.3	<i>3.0</i>	3.6	3.5	3.0	4.3	4.4	4.3
Hours	<i>2.0</i>	2.6	2.3	3.1	2.4	2.1	1.5	<i>1.6</i>	2.0	2.2	2.2	2.8	2.8	2.8
Productivity Growth	<i>-1.7</i>	2.0	2.8	1.6	1.5	1.8	1.8	<i>1.4</i>	1.7	1.3	0.8	1.5	1.6	1.6
Compensation	<i>2.4</i>	2.0	1.8	1.7	2.1	1.9	2.0	<i>0.4</i>	2.0	1.8	2.0	2.2	2.1	2.0
Unit Labor Costs	<i>4.2</i>	0.0	-1.0	0.1	0.6	0.2	0.3	<i>-1.0</i>	0.3	0.5	1.1	0.7	0.5	0.4
Real GDP Growth Contributions**														
Final Sales to Domestic Purchasers	<i>1.5</i>	3.6	3.9	3.4	3.4	3.3	3.0	<i>1.7</i>	3.3	3.2	2.8	3.7	3.8	3.8
Private	<i>1.6</i>	3.6	3.9	3.5	3.5	3.4	3.1	<i>2.1</i>	3.3	3.2	2.9	3.7	3.7	3.8
Consumption	<i>2.0</i>	2.1	2.3	2.3	2.2	2.2	2.0	<i>1.6</i>	2.0	2.0	2.2	2.1	2.1	2.3
BFI: Equipment	<i>-0.3</i>	0.5	0.5	0.3	0.6	0.6	0.4	<i>0.2</i>	0.5	0.5	0.2	0.7	0.7	0.7
BFI: Nonresidential Structures	<i>0.0</i>	0.4	0.4	0.4	0.3	0.3	0.3	<i>0.0</i>	0.3	0.3	0.2	0.3	0.3	0.3
BFI: Intellectual Property Products	<i>0.1</i>	0.2	0.2	0.2	0.2	0.2	0.2	<i>0.1</i>	0.2	0.2	0.1	0.2	0.2	0.2
Residential Investment	<i>-0.2</i>	0.5	0.6	0.4	0.3	0.2	0.1	<i>0.2</i>	0.3	0.2	0.1	0.4	0.4	0.4
Government	<i>-0.1</i>	0.0	0.0	-0.1	-0.1	-0.1	-0.1	<i>-0.5</i>	0.0	0.0	-0.1	0.1	0.1	0.0
Federal	<i>0.1</i>	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	<i>-0.5</i>	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
State and Local	<i>-0.1</i>	0.1	0.1	0.0	0.1	0.1	0.1	<i>0.0</i>	0.1	0.1	0.0	0.2	0.2	0.1
Inventory Investment	<i>-0.6</i>	-0.3	-0.4	-0.2	0.1	0.1	-0.1	<i>0.7</i>	-0.2	-0.2	-0.2	0.0	0.0	0.0
Net Exports	<i>-0.8</i>	0.3	0.4	0.3	-0.4	-0.3	-0.2	<i>0.2</i>	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3
Exports	<i>-1.1</i>	0.6	0.6	0.7	0.6	0.5	0.7	<i>0.7</i>	0.5	0.4	0.3	0.7	0.8	0.7
Imports	<i>0.2</i>	-0.4	-0.2	-0.4	-0.9	-0.9	-0.9	<i>-0.5</i>	-0.7	-0.6	-0.5	-1.0	-1.0	-1.1
Real GDP Components' Growth Rates														
Final Sales to Domestic Purchasers	<i>1.5</i>	3.6	3.9	3.4	3.4	3.2	3.0	<i>1.6</i>	3.2	3.1	2.8	3.7	3.7	3.7
Consumption	<i>3.0</i>	3.1	3.4	3.4	3.2	3.2	3.0	<i>2.3</i>	3.0	3.0	3.2	3.1	3.1	3.3
BFI: Equipment	<i>-5.5</i>	10.0	10.0	6.0	10.0	10.0	8.0	<i>3.9</i>	8.7	8.5	4.4	12.0	12.0	12.0
BFI: Nonresidential Structures	<i>0.2</i>	14.0	14.0	14.0	12.0	12.0	12.0	<i>-0.7</i>	10.5	11.5	8.9	10.0	10.0	10.0
BFI: Intellectual Property Products	<i>1.5</i>	4.0	4.0	4.0	4.0	4.0	4.0	<i>3.0</i>	4.0	4.0	3.4	4.0	4.0	4.0
Residential Investment	<i>-5.8</i>	15.0	18.9	12.0	10.0	5.0	4.0	<i>6.9</i>	10.5	6.4	3.4	11.5	13.5	11.0
Government: Federal	<i>0.7</i>	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	<i>-6.2</i>	-1.8	-1.5	-1.3	-2.0	-2.0	-2.0
Government: State and Local	<i>-1.3</i>	1.3	1.3	0.4	0.5	0.5	0.5	<i>0.2</i>	0.8	0.9	0.1	1.9	1.9	1.0
Inventory Investment	<i>n/a</i>	n/a	n/a	n/a	n/a	n/a	n/a	<i>n/a</i>	n/a	n/a	n/a	n/a	n/a	n/a
Net Exports	<i>n/a</i>	n/a	n/a	n/a	n/a	n/a	n/a	<i>n/a</i>	n/a	n/a	n/a	n/a	n/a	n/a
Exports	<i>-7.6</i>	4.9	4.6	5.2	4.2	4.1	5.3	<i>4.9</i>	3.9	3.1	2.1	5.5	5.7	5.6
Imports	<i>-1.4</i>	2.4	1.3	2.2	6.0	5.5	5.7	<i>2.8</i>	4.2	3.6	3.1	6.5	6.6	6.8
Labor Market														
Nonfarm Payroll Employment (Average per Month, Thousands)	<i>169</i>	165	231	282	210	209	145	<i>200</i>	200	204	204	296	297	288
Unemployment Rate***	<i>6.7</i>	6.4	6.5	6.2	6.3	6.4	6.2	<i>7.0</i>	6.2	6.3	6.1	5.4	5.3	5.4
Income														
Real Disposable Personal Income	<i>1.9</i>	2.6	2.9	2.5	3.2	2.9	2.2	<i>-0.1</i>	2.7	3.4	3.6	2.6	2.4	3.4
Personal Saving Rate***	<i>4.1</i>	4.0	4.1	4.0	4.1	4.0	3.8	<i>4.3</i>	4.0	4.1	3.9	3.5	3.5	3.8

*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.