

ABA ECONOMIC ADVISORY COMMITTEE

June 15, 2010

Real GDP Growth in 2010 (Q4-to-Q4)

Less than 2¾%	2	Over 3¼% up to 3½%	1
Over 2¾% up to 3%	3	Over 3½% up to 3¾%	4
Over 3% up to 3¼%	1	Over 3¾%	0

Long-term Potential for Growth of Real GDP

Up to 2¼%	0	Over 2¾% up to 3%	3
Over 2¼% up to 2½%	6	Over 3% up to 3¼%	1
Over 2½% up to 2¾%	1	Over 3¼%	0

Full Employment Unemployment Rate

Over 4¼% up to 4¾%	0	Over 5¾% up to 6¼%	1
Over 4¾% up to 5¼%	0	Over 6¼% up to 6¾%	2
Over 5¼% up to 5¾%	6	Over 6¾% up to 7¼%	1
Over 5¾% up to 6¼%	1	Over 7¼%	0

Core PCE Inflation in 2010 (Q4-to-Q4)

Over ¼% up to ½%	1	Over 1 up to 1¼%	3
Over ½% up to ¾%	0	Over 1¼% up to 1½%	0
Over ¾% up to 1%	7	Over 1½ up to 1¾%	0

Risks for the 2010 Forecast

	<u>Real GDP</u>	<u>Inflation</u>
Lower	7	6
Balanced	4	5
Higher	0	0

Upside Risks to the Forecast

Rising stock and home prices
 Stronger housing Recovery
 Lower oil and energy prices
 Rapidly accelerating job and income growth
 Business spending accelerates at double-digit rate
 Bank credit loosens markedly
 Strong recovery momentum

Downside Risks to the Forecast

Global financial turmoil and fragility
 Double dip in housing problems
 Geopolitical stresses and oil shocks
 Consumer caution and deleveraging
 Tax hikes, especially on capital
 Constant change in bank regulation
 State and local government budget problems
 Fiscal deficit and potential policy mistake

Federal Funds Rate Target Ceiling

	<u>December 14, 2010</u>		<u>December 13, 2011</u>	
	<u>Expected</u>	<u>Recommended</u>	<u>Expected</u>	<u>Recommended</u>
¼%	11	10	0	0
½%	0	1	0	0
¾%	0	0	2	2
1%	0	0	0	2
1¼%	0	0	3	0
1½%	0	0	2	3
1¾%	0	0	0	0
2%	0	0	1	1
2¼%	0	0	0	0
2½%	0	0	2	2
2¾%	0	0	1	1

Changes in Credit Over the Next 6 Months

	<u>Consumer Credit</u>		<u>Business Credit</u>	
	<u>Credit Quality</u>	<u>Availability</u>	<u>Credit Quality</u>	<u>Availability</u>
Deterioration	0	1	0	1
Same	5	2	3	3
Improvement	4	6	6	5