

03/15/2018

2018 DISCOUNT RATES

The FEMP discount rates for 2018 are valid from April 1, 2018 to March 31, 2019. They are as follows:

Real discount rate:	3.0 %
Nominal discount rate:	2.8 %
Implied long-term inflation rate:	-0.2 % ¹

Calculated long-term inflation rate:	2.2 %
Calculated real discount rate:	0.5 %

The 2018 OMB discount rates (for cost-effectiveness, lease/purchase, internal government investment, and asset sales) are, as of April 1:

Real:

3-year:	-0.8 %
5-year:	-0.6 %
7-year:	-0.3 %
10-year:	-0.1 %
20-year:	0.2 %
30-year:	0.6 %

Nominal:

3-year:	1.0 %
5-year:	1.3 %
7-year:	1.6 %
10-year:	1.8 %
20-year:	2.2 %
30-year:	2.6 %

OMB inflation rates:

3-year:	1.8 %
5-year:	1.9 %
7-year:	1.9 %
10-year:	1.9 %
20-year:	2.0 %
30-year:	2.0 %

¹ The procedure specified in 10 CFR 436A, *FEMP Life Cycle Cost Methodology and Procedures*, for calculating the real FEMP discount rate resulted in a discount rate of 0.5 % for 2018, which is lower than the prescribed floor of 3 %. Hence the 3 % floor is used as the real discount rate for FEMP analyses in 2018. Given the nominal discount rate of 2.8 %, the implied long-term inflation rate used in BLCC5 is then -0.2 %.

The 2018 real discount rate for public investment and regulatory analyses remains at 7%. However, in Circular A-4, released September 2003, OMB recommends that two estimates be submitted, one calculated with a real discount rate of 7 % and one calculated with a real discount rate of 3 %.