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# Perspective from the Fed: Economic Outlook and Monetary Policy

Tennessee Small Business  
Development Center - Middle  
Tennessee State University

Galina Alexeenko  
October 3, 2013

# Recent FOMC Decision

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... the Committee decided to continue purchasing additional agency mortgage-backed securities at a pace of \$40 billion per month and longer-term Treasury securities at a pace of \$45 billion per month.

FOMC statement; September 18, 2013

# March 20, 2013

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- “... *our policy decision had two main elements*. **First**, the Committee decided to continue **purchasing additional agency mortgage-backed securities... and longer-term Treasury securities...**”
- “**Second**, the Committee kept the target for **the federal funds rate at 0 to ¼ percent**... we anticipate that this exceptionally low range for the funds rate will be appropriate *at least as long as the unemployment rate remains above 6½ percent...*”

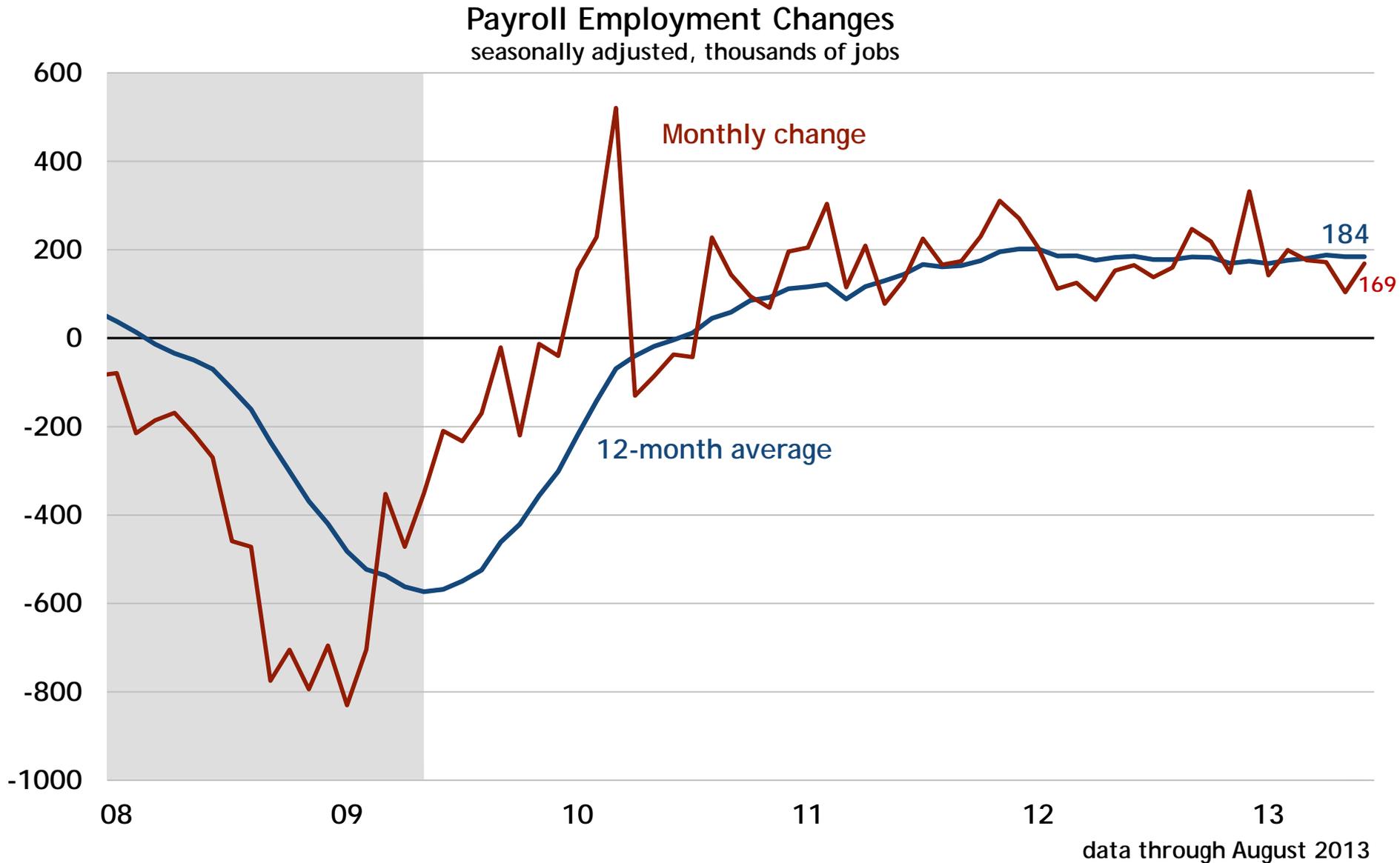
-- *Chairman Bernanke*

# June and September 2013

- June 19: “If the incoming data are broadly consistent with [our] forecast, the Committee anticipates that it would be appropriate to moderate the monthly pace of purchases later this year...”
- September 18: “We have a three-part baseline projection which involves increasing growth..., **continuing gains in the labor market**, and inflation moving back towards objective... we’ll be looking to see if the data confirm that basic outlook.”

—*Chairman Bernanke*

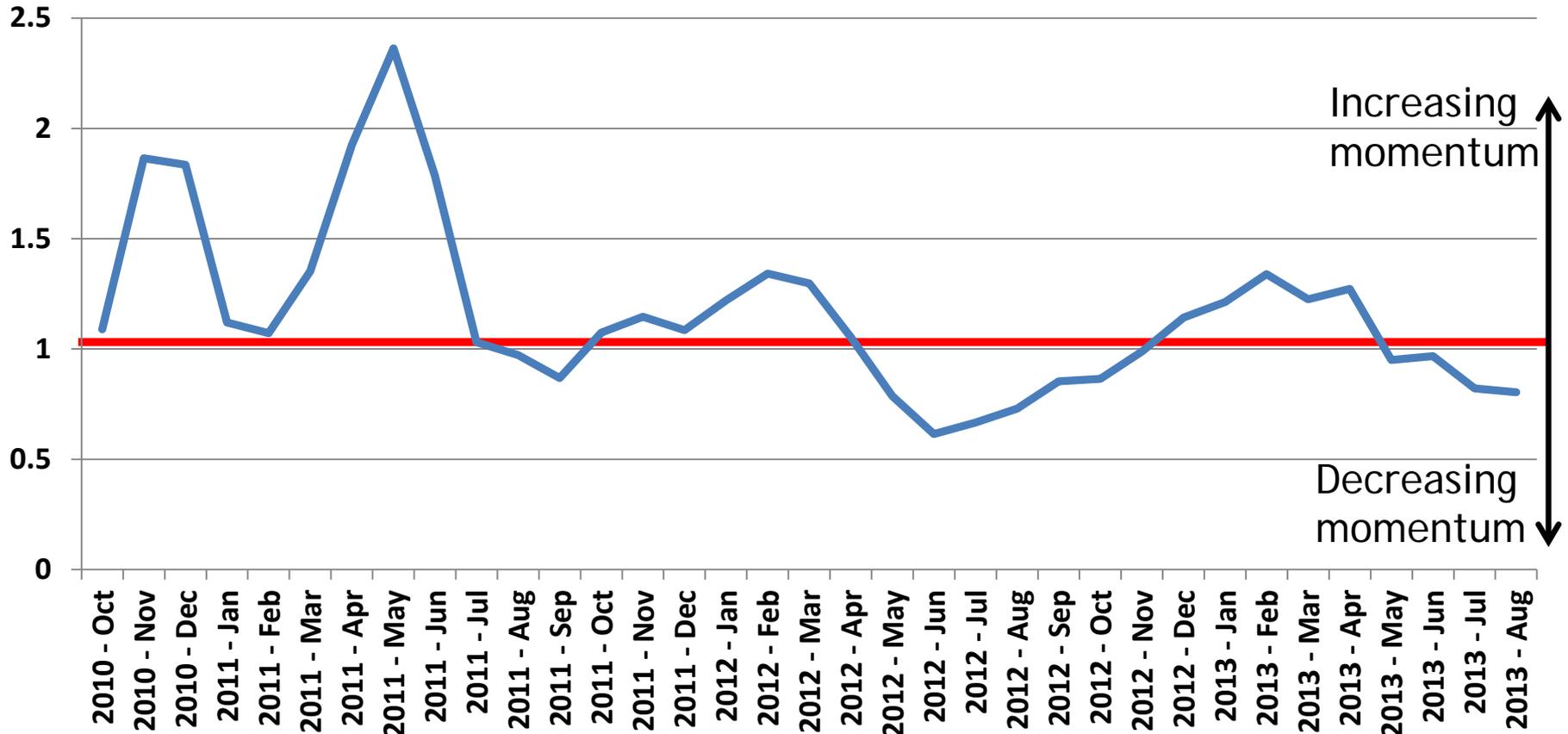
# While the longer-term average of monthly employment growth continued near its two-year trend....



... job growth over the summer was a substantial step down from the pace earlier in the year.

## Job Growth Momentum

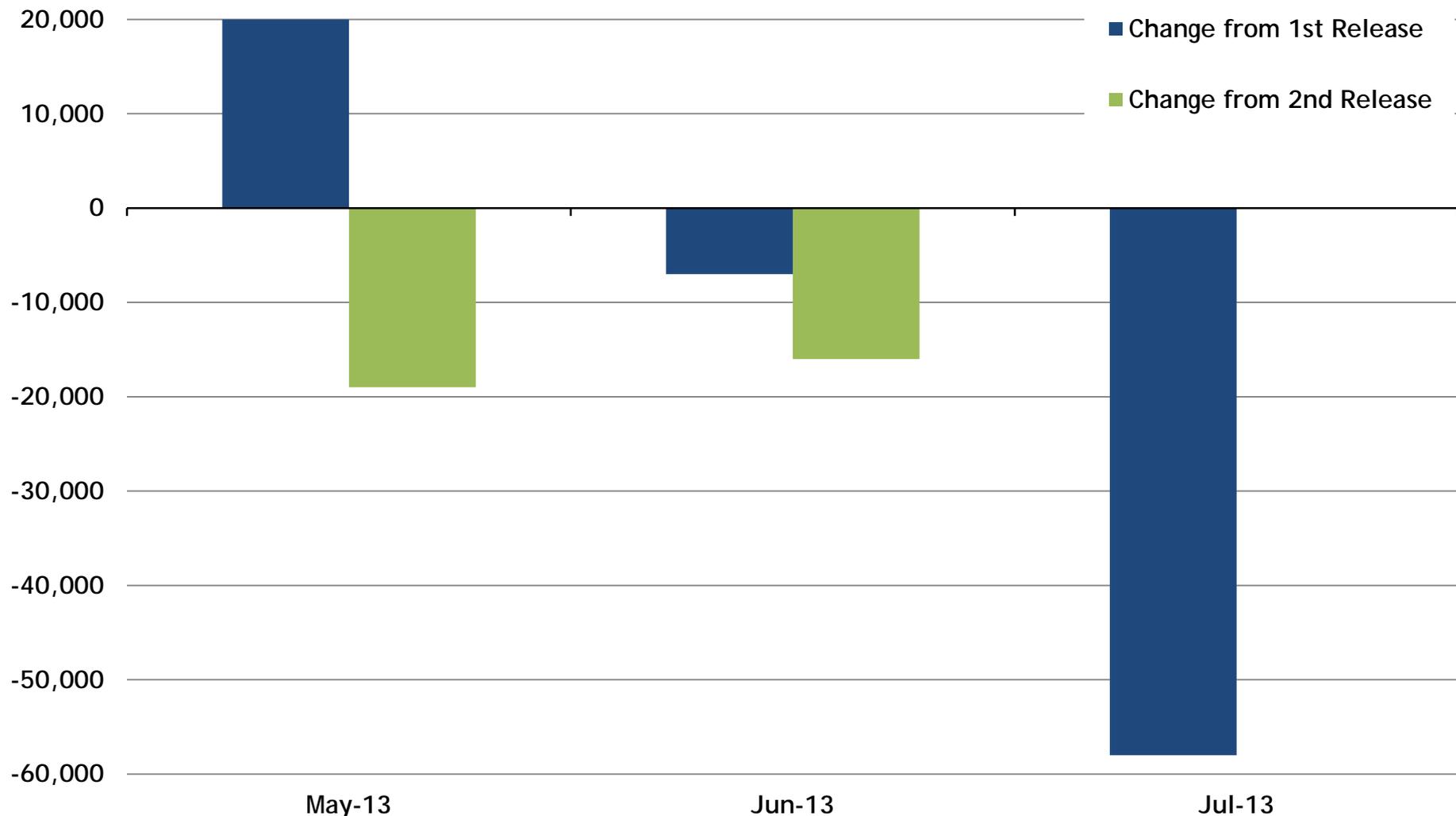
Average 3-month change relative to average 12-month change



data through August 2013

# Additionally, the revisions to initial employment reports have been persistently negative.

## Monthly U.S. Payroll Revisions Thousands



# Chairman Bernanke, September 18, 2013

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“We have a three-part baseline projection which involves **increasing growth**..., continuing gains in the labor market, and inflation moving back towards objective... we’ll be looking to see if the data confirm that basic outlook.”

# Recent tracking estimates for real GDP suggest a notable slowing of growth occurred last quarter.

## 2013 GDP Data and Forecasts

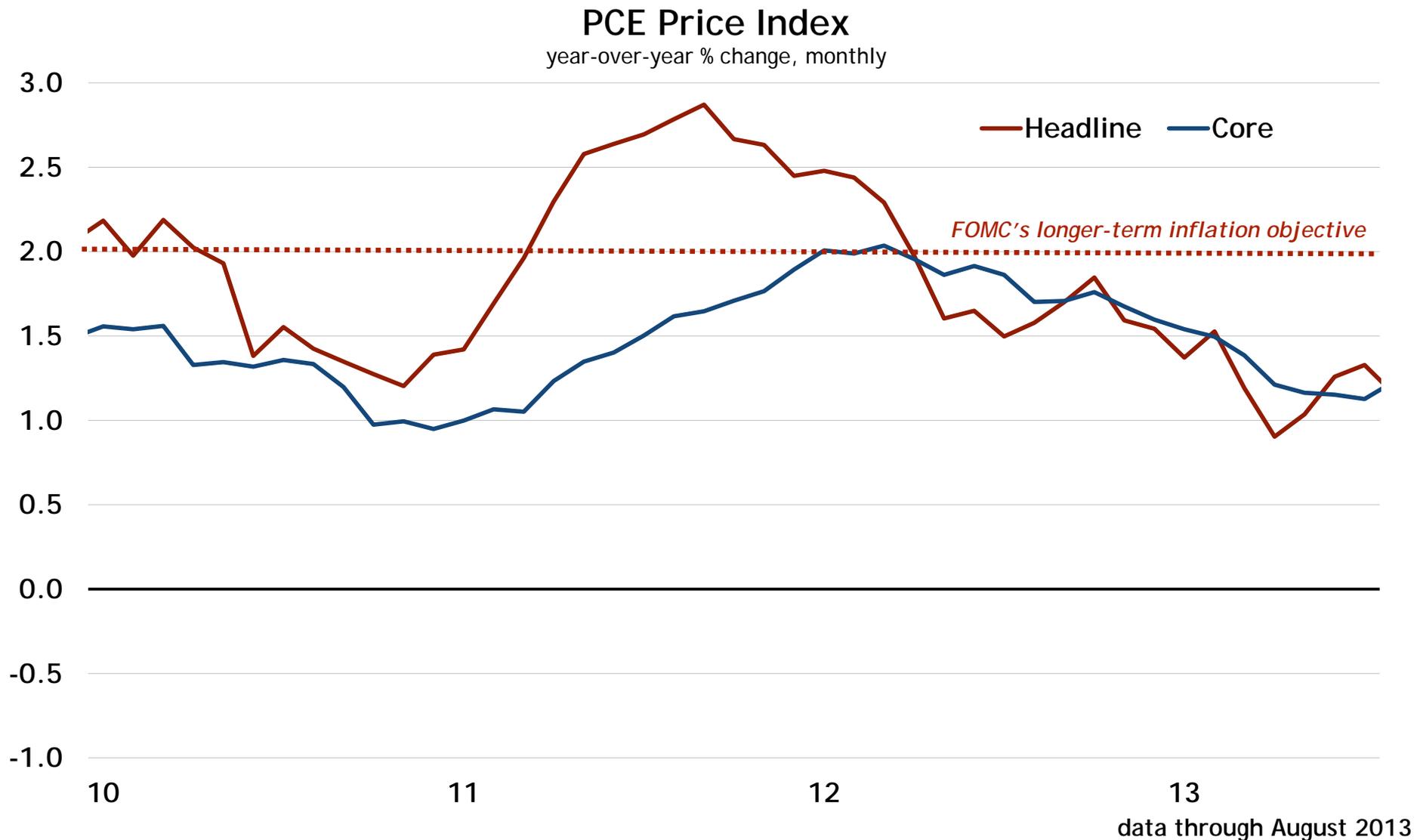
Real GDP Component Tracking Estimate and Forecast				
	Q1 actual	Q2 actual	Q3 FRB Atlanta Tracking Model Forecast	Q3 Blue Chip Forecast
Annualized Real GDP Growth	1.1	2.5	1.9	2.0

# Chairman Bernanke, September 18, 2013

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“We have a three-part baseline projection which involves increasing growth..., continuing gains in the labor market, and **inflation moving back towards objective**... we’ll be looking to see if the data confirm that basic outlook.”

# There is little evidence of inflation moving back toward 2 percent.



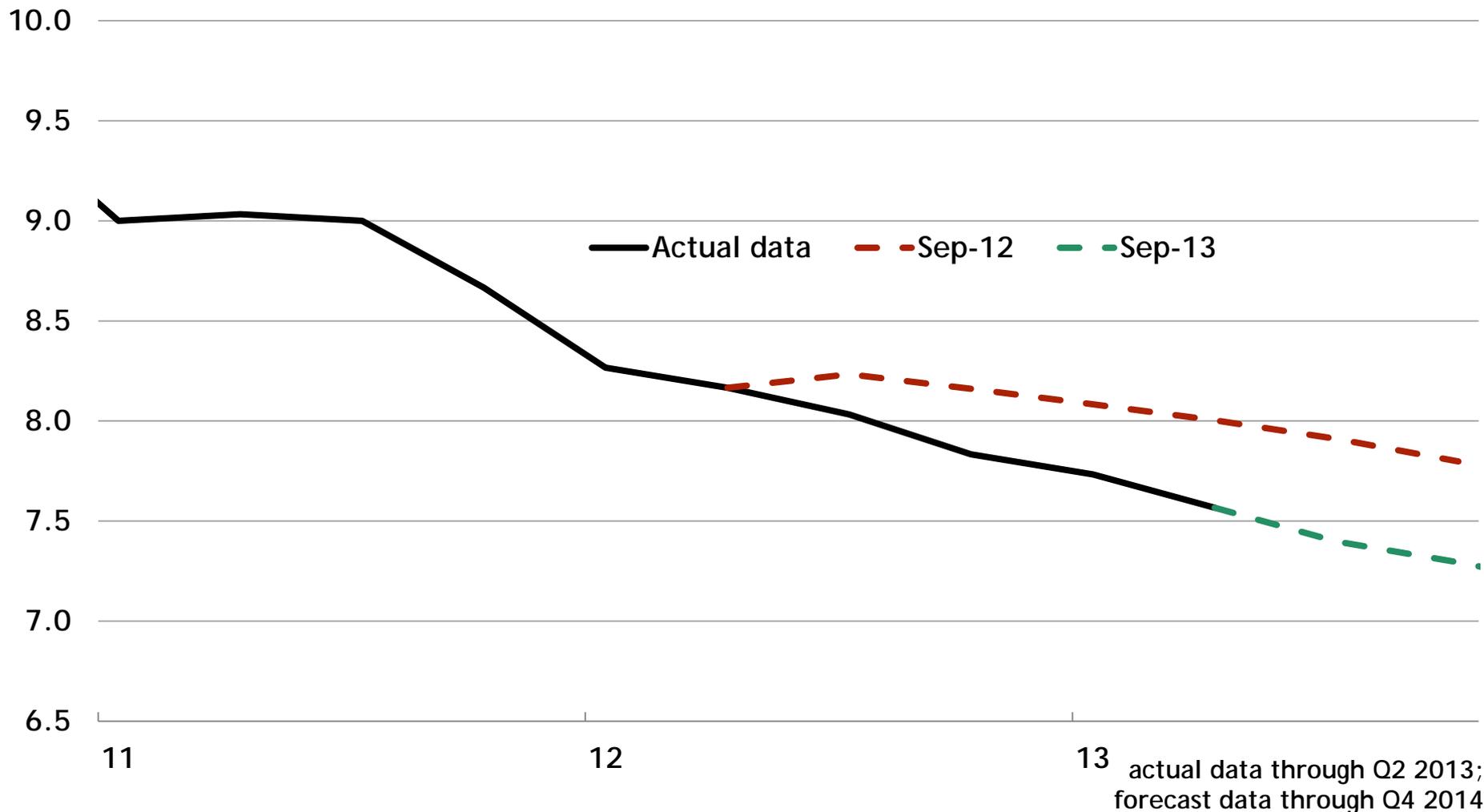
# Chairman Bernanke, September 18, 2013

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“... the Committee tied its asset purchases to the outlook for the labor market... conditions in the job market today are **still far from what all of us would like to see**. Nevertheless, **meaningful progress has been made** in the year since we announced the asset purchase program.”

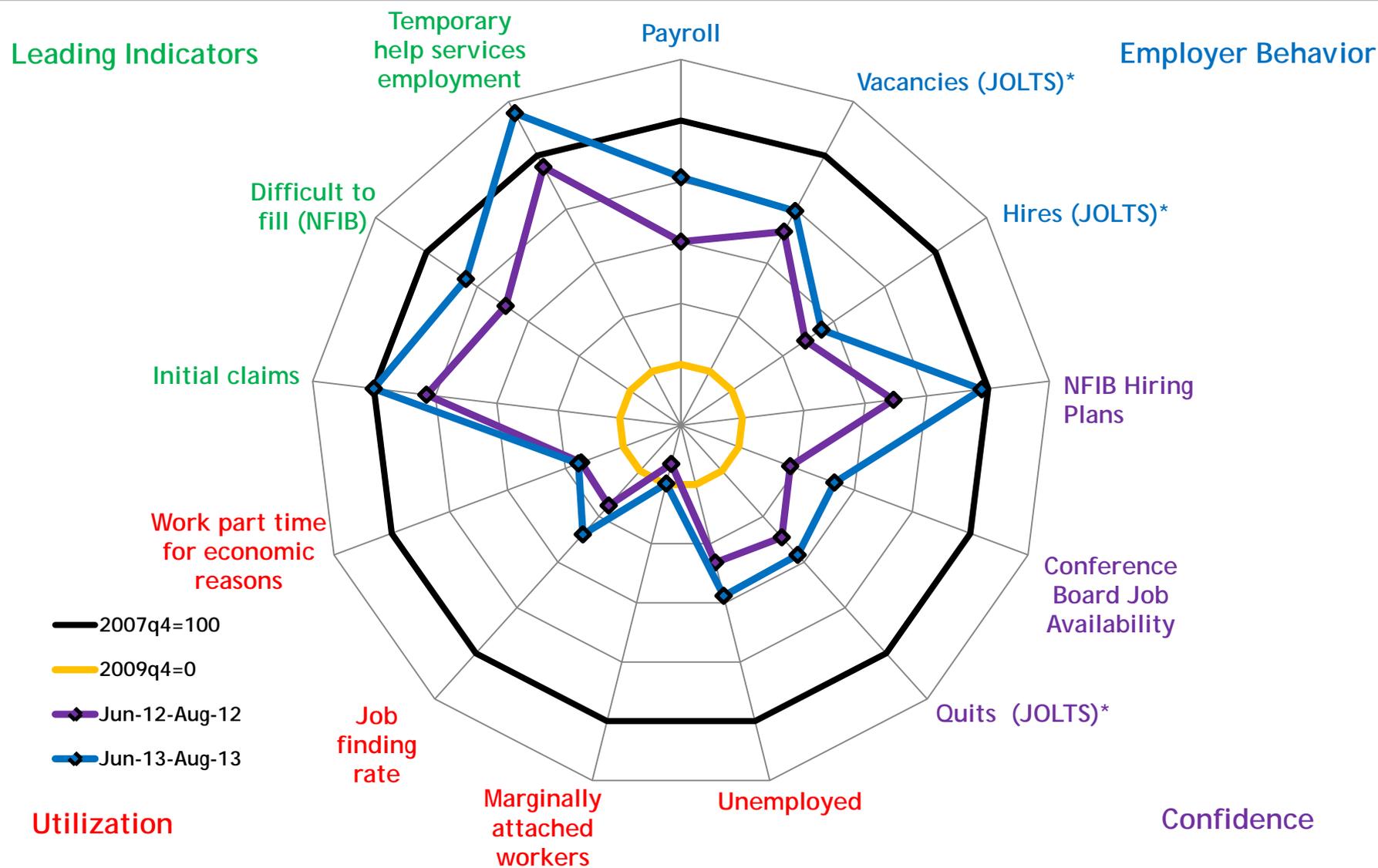
# Meaningful progress

Unemployment Rate: Actual and Blue Chip Consensus Forecasts  
Percent, quarterly averages



13 actual data through Q2 2013;  
forecast data through Q4 2014

# Few labor market indicators have returned to prerecession level, though in most cases things have improved since last summer.



\*June 2013 - Aug 2013 value is May 2013- July 2013

Sources: U.S. Bureau of Labor Statistics, U.S. Department of Labor, National Federation of Independent Business, and The Conference Board

## **In Summary:**

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- **Inflation looks low relative to the objective.**
- **GDP growth has disappointed.**
- **Continued labor market improvement is a little shaky at the moment.**