



FEDERAL
RESERVE
BANK
of ATLANTA

ECONversations

Economic and Policy Briefing Webcast

Dave Altig, Research Director

July 22, 2013

2 p.m. ET

...we are providing additional policy accommodation through two distinct yet complementary policy tools.

The first tool is **expanding the Federal Reserve's portfolio** of longer-term Treasury securities and agency mortgage-backed securities (MBS)...

The second tool is **“forward guidance”** about the Committee's plans for setting the federal funds rate target over the medium term.



Congressional Testimony,
July 17, 2013

The Committee's decisions regarding the asset purchase program (and the overall stance of monetary policy) depend on our assessment of the economic outlook and of the cumulative progress toward our objectives...

...Committee participants saw as most likely in their June projections involved **continuing gains in labor markets**, supported by **moderate growth** that picks up over the next several quarters [and] **...inflation moving back toward our 2 percent objective** over time.



Congressional Testimony,
July 17, 2013

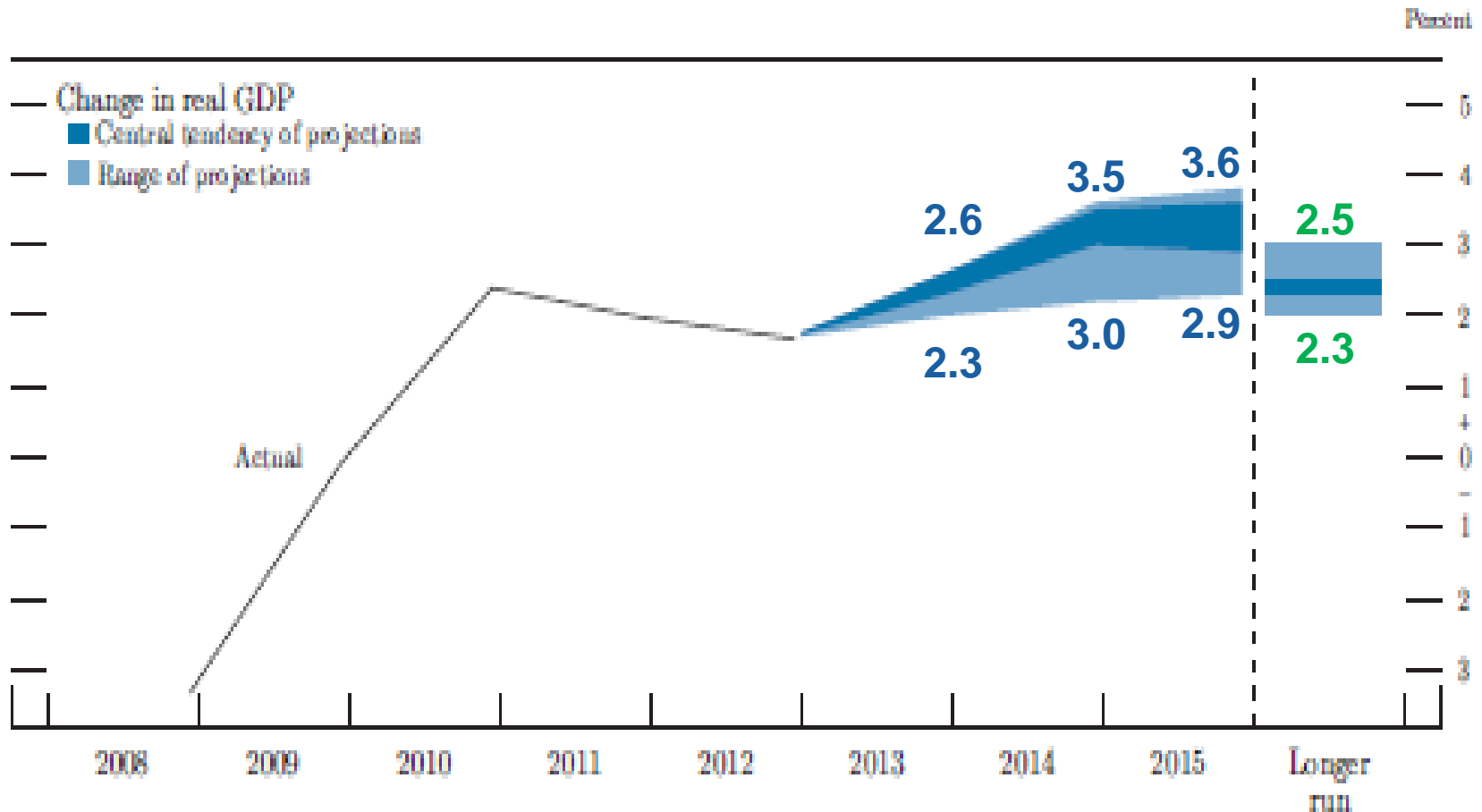
If the incoming data were to be broadly consistent with these projections, we anticipated that it would be appropriate to begin to moderate the monthly pace of purchases later this year.

And if the subsequent data continued to confirm this pattern of ongoing economic improvement and normalizing inflation, we expected to continue to reduce the pace of purchases in measured steps through the first half of next year, ending them around midyear.



Congressional Testimony,
July 17, 2013

The *FOMC Summary of Economic Projections* (again) anticipates a slow 2013 and a better 2014.



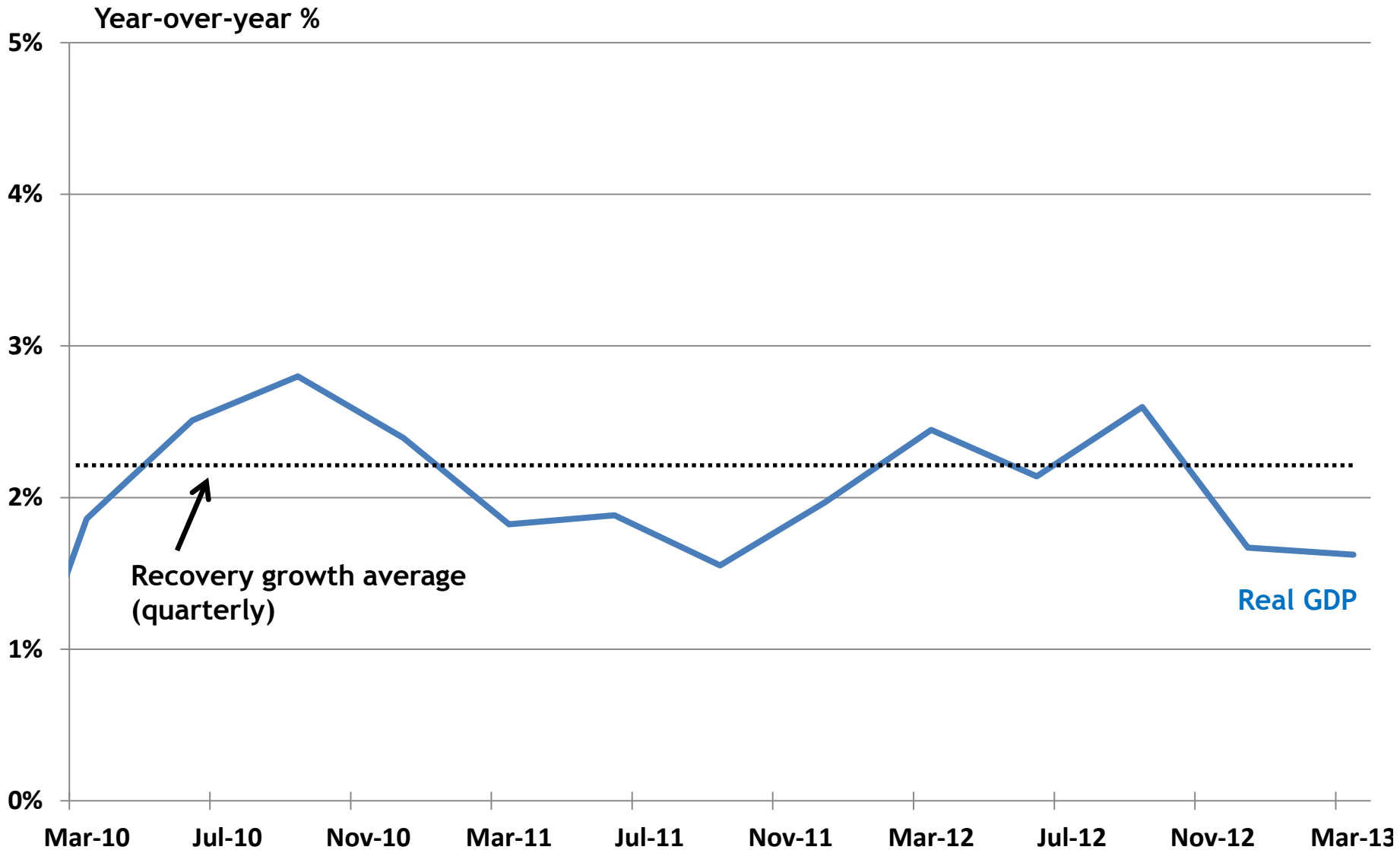
Note: The numbers in blue represent the high and low of the FOMC central tendency (which excludes the three highest and three lowest projections).

Recent tracking estimates for real GDP suggest a sharp slowing in growth occurred last quarter.

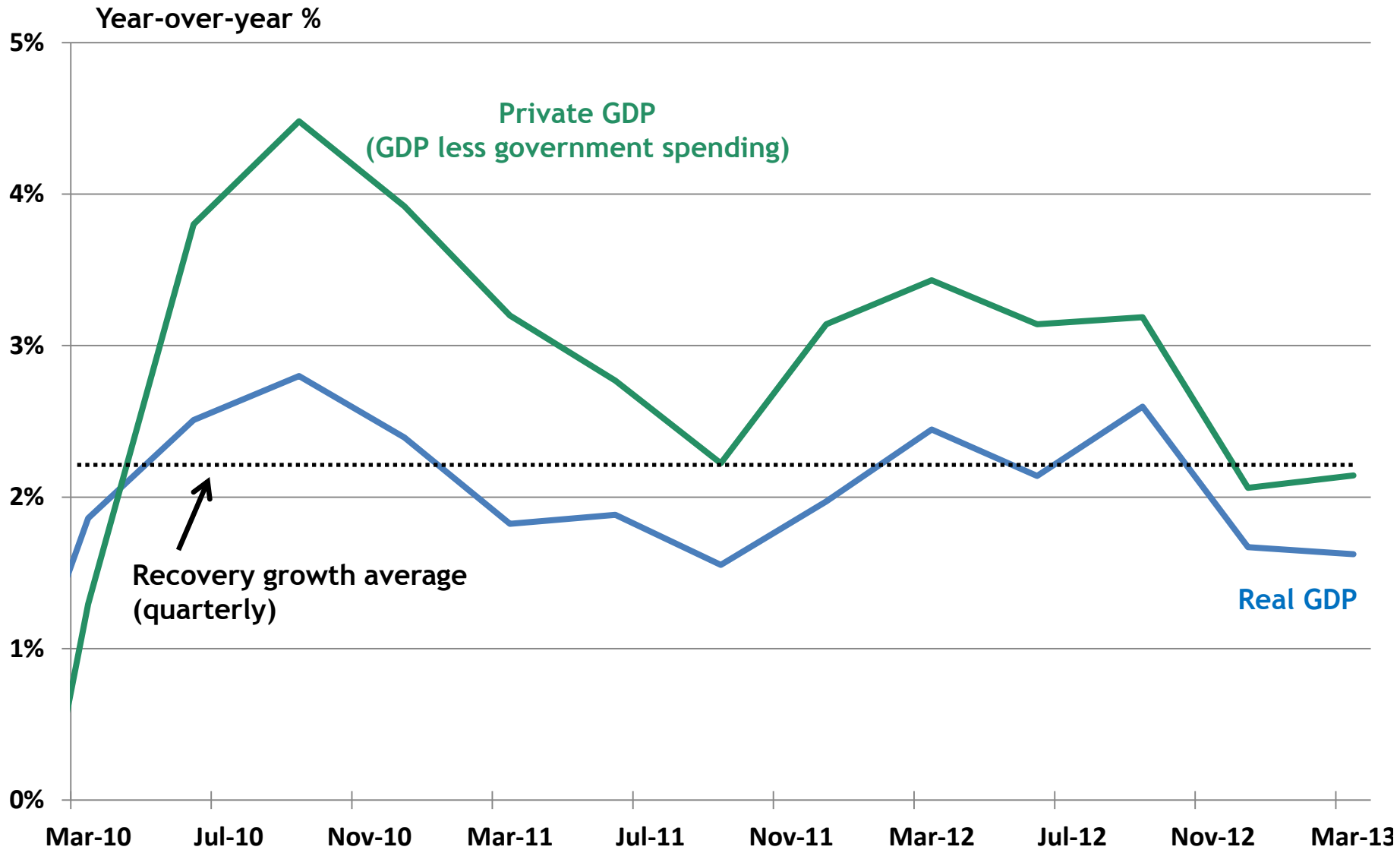
Real GDP Tracking Estimate and Forecast (as of July 17 th)			
Change in GDP Component (annualized % change)	Q1 (actual)	Consensus* Tracking Estimate for Q2:2013	Consensus* Forecast for H2:2013
Consumption	2.6	1.6	2.6
Business Structures	-8.3	0.0	3.7
Business Equip. & Soft.	4.1	4.9	5.9
Residential Investment	14.0	11.8	21.3
Change in Inventories (change, billions \$2005)	+23.4	-4.2	-3.3
Government	-4.8	-2.6	-1.4
Change in Net Exports (billions \$2005)	-3.0	-23.0	-4.2
Annualized Real GDP Growth	1.8	0.6	2.6

* The consensus represents an average of Action, MA, and Moody's.

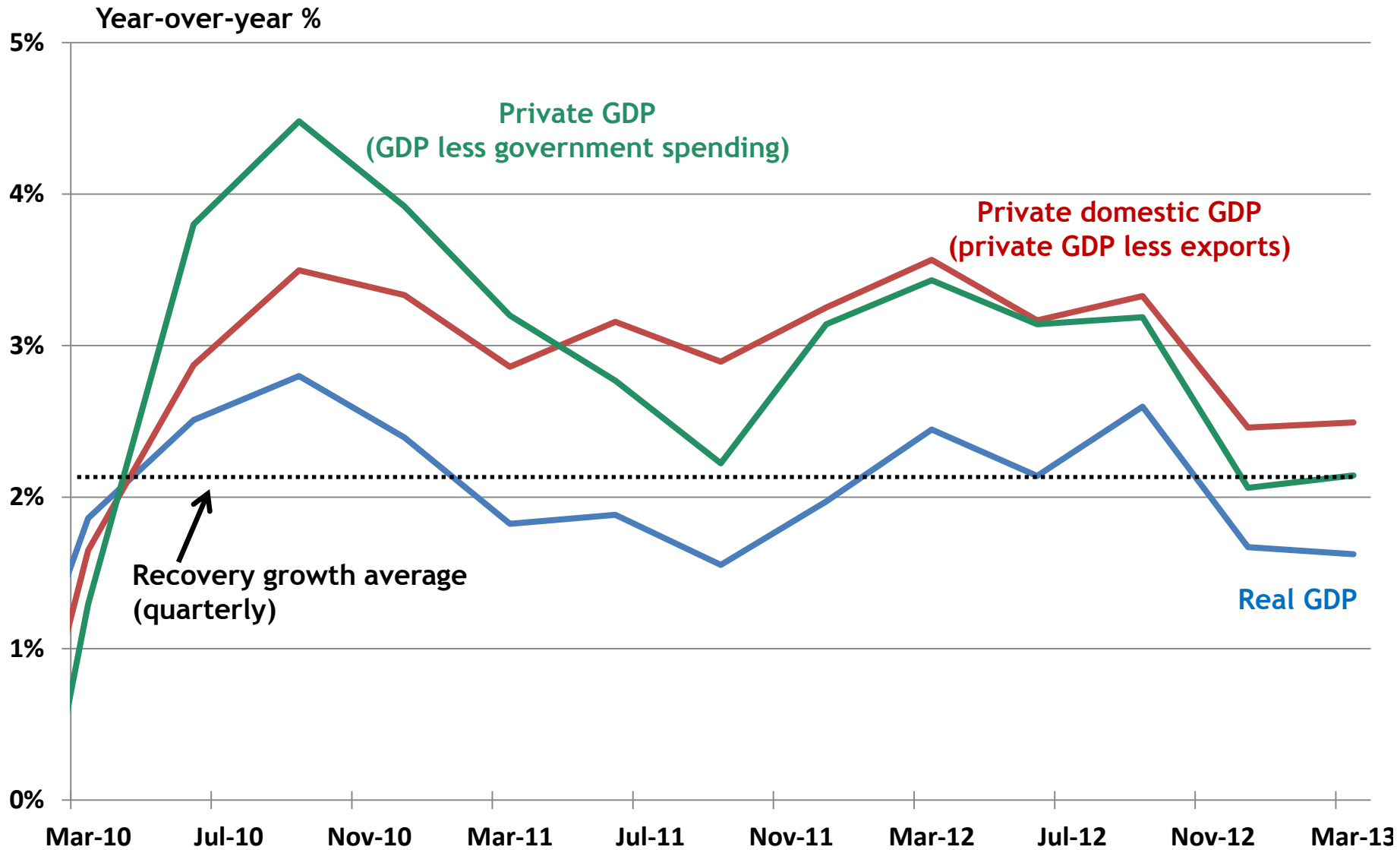
Through the first quarter, GDP growth was running well below the recovery average.



Arithmetically, the government sector has been taking about a half-percentage point out of growth recently.



Another half-percentage point has been subtracted by weak export growth.



Conditions in the labor market are improving gradually.

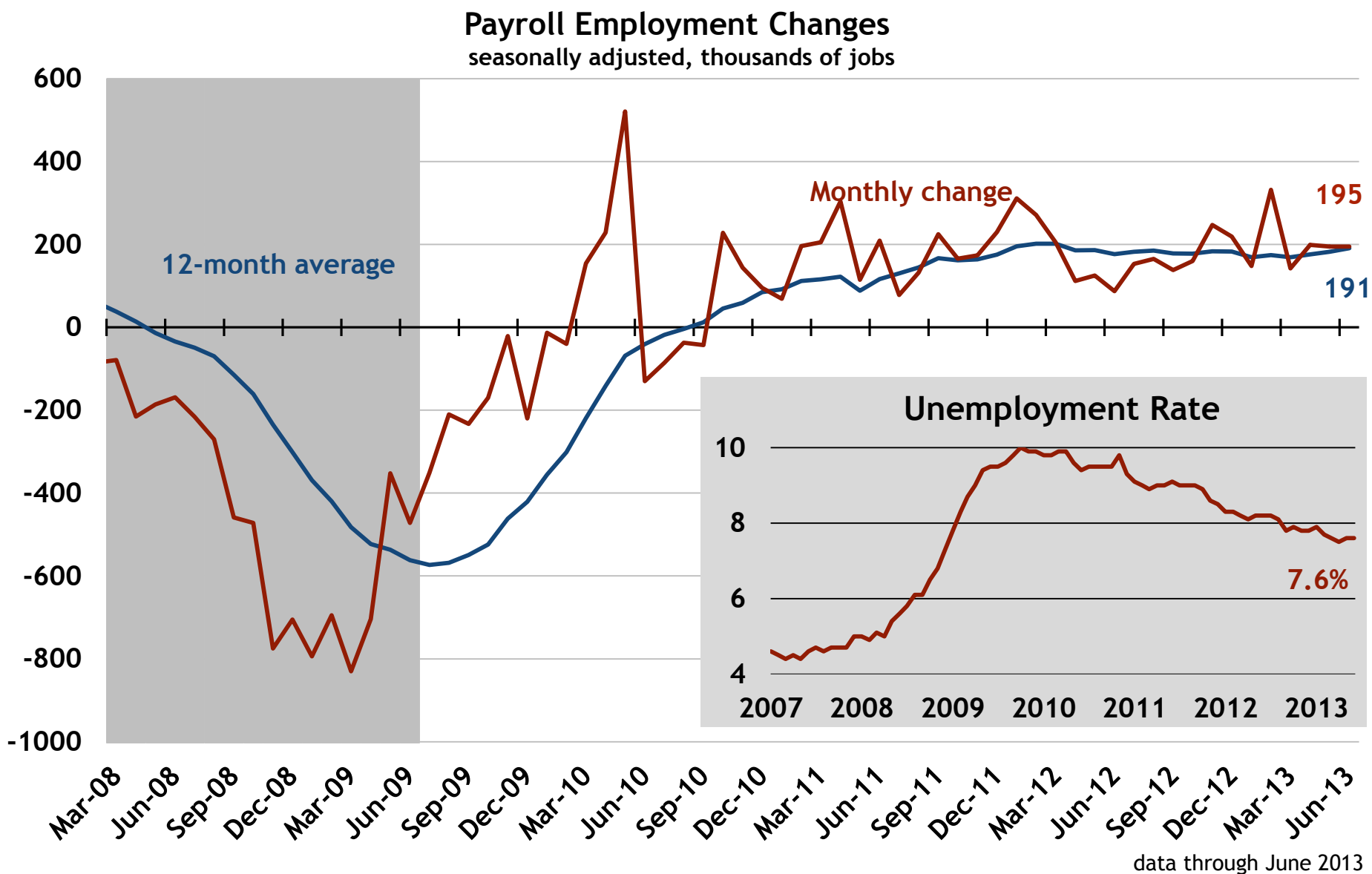
The unemployment rate stood at 7.6 percent in June, about a half percentage point lower than in the months before the Federal Open Market Committee (FOMC) initiated its current asset purchase program in September.

Nonfarm payroll employment has increased by an average of about 200,000 jobs per month so far this year.



Congressional Testimony,
July 17, 2013

U.S. employment growth, at 195,000 net new jobs in June, remains very near its two-year trend.



Despite these gains, the jobs situation is far from satisfactory, as the unemployment rate remains well above its longer-run normal level, and rates of underemployment and long-term unemployment are still much too high.



**Congressional Testimony,
July 17, 2013**

A broad look at labor market conditions: The Atlanta Fed spider chart.

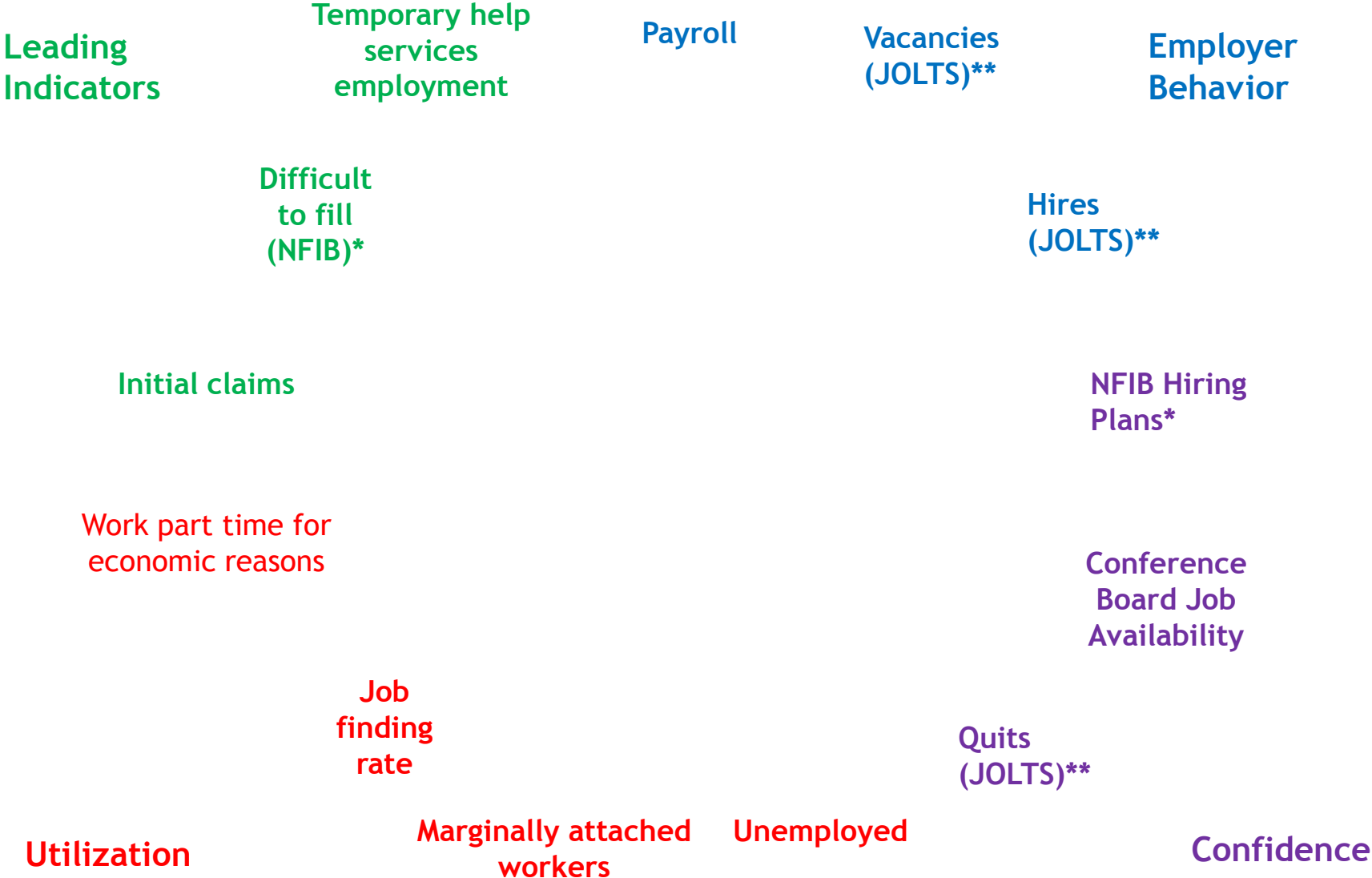
Leading
Indicators

Employer
Behavior

Utilization

Confidence

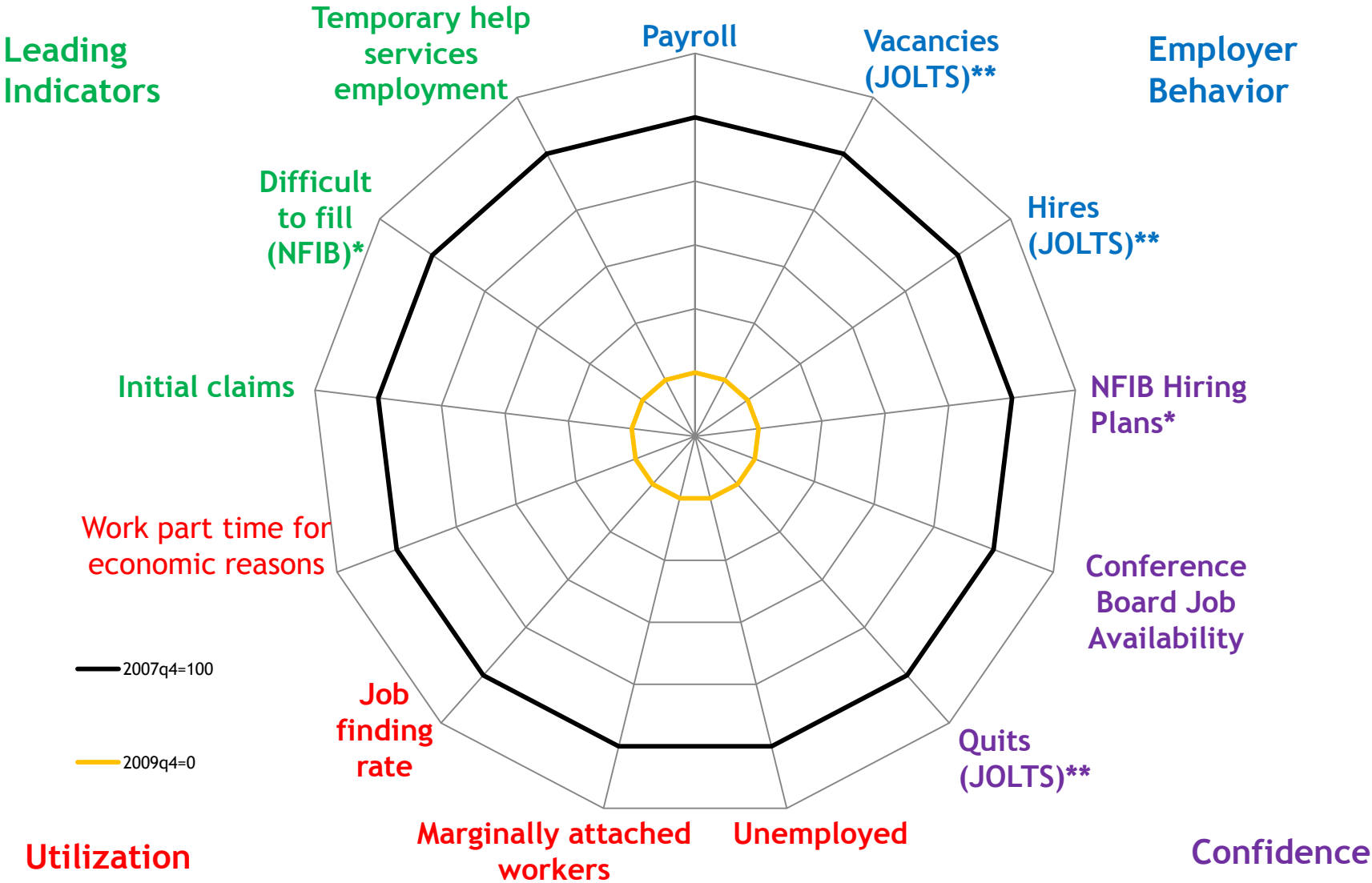
A broad look at labor market conditions: The Atlanta Fed spider chart.



*Jan. 2013 - Mar. 2013 value is Dec. 2012 - Feb. 2013. **Jan. 2013 - Mar. 2013 value is Nov. 2012 - Jan. 2013.

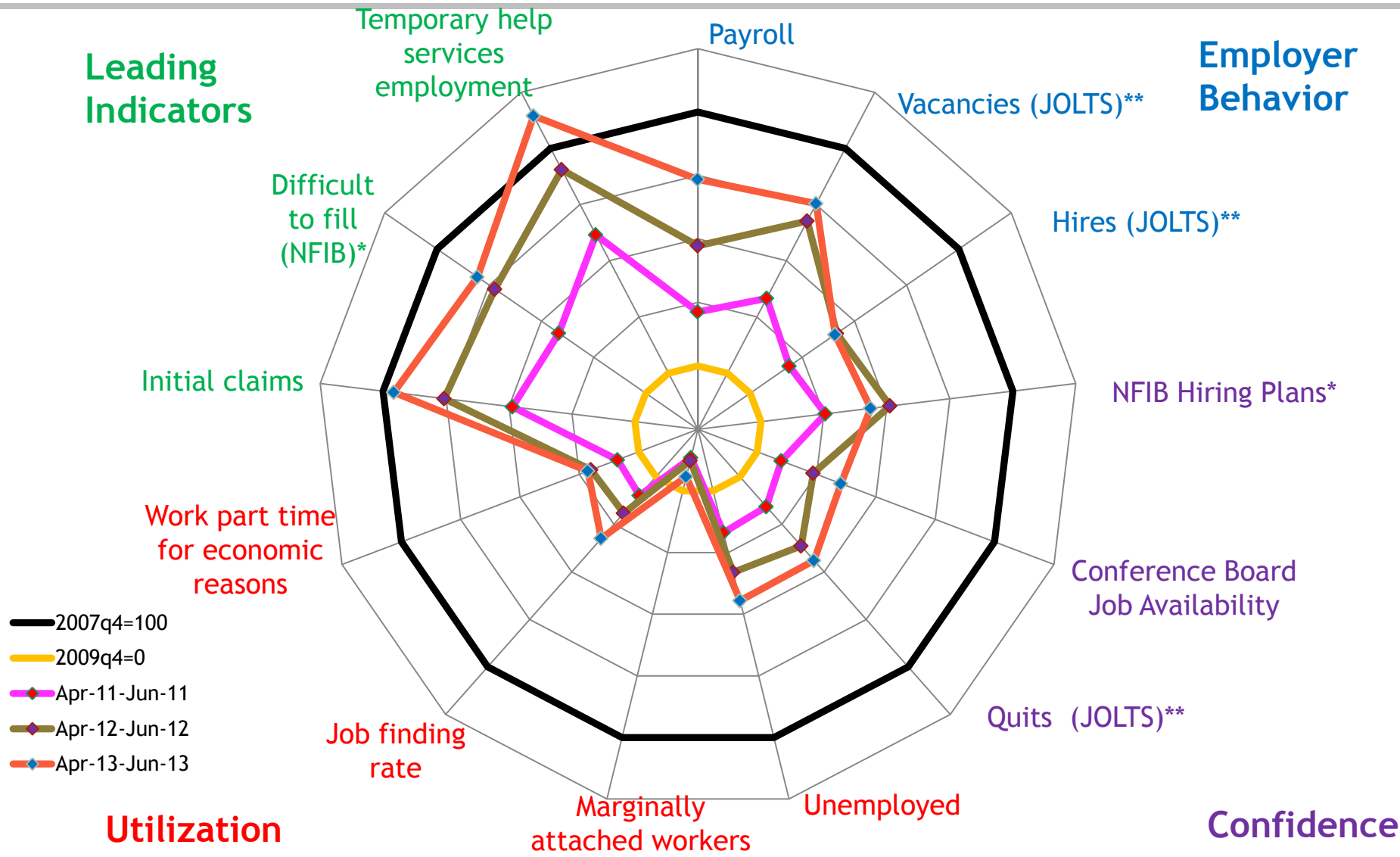
Sources: U.S. Bureau of Labor Statistics, U.S. Department of Labor, National Federation of Independent Business, and The Conference Board

A broad look at labor market conditions: The Atlanta Fed spider chart.



*Jan. 2013 - Mar. 2013 value is Dec. 2012 - Feb. 2013. **Jan. 2013 - Mar. 2013 value is Nov. 2012 - Jan. 2013.
 Sources: U.S. Bureau of Labor Statistics, U.S. Department of Labor, National Federation of Independent Business, and The Conference Board

A broad look at labor market conditions: The Atlanta Fed spider chart.



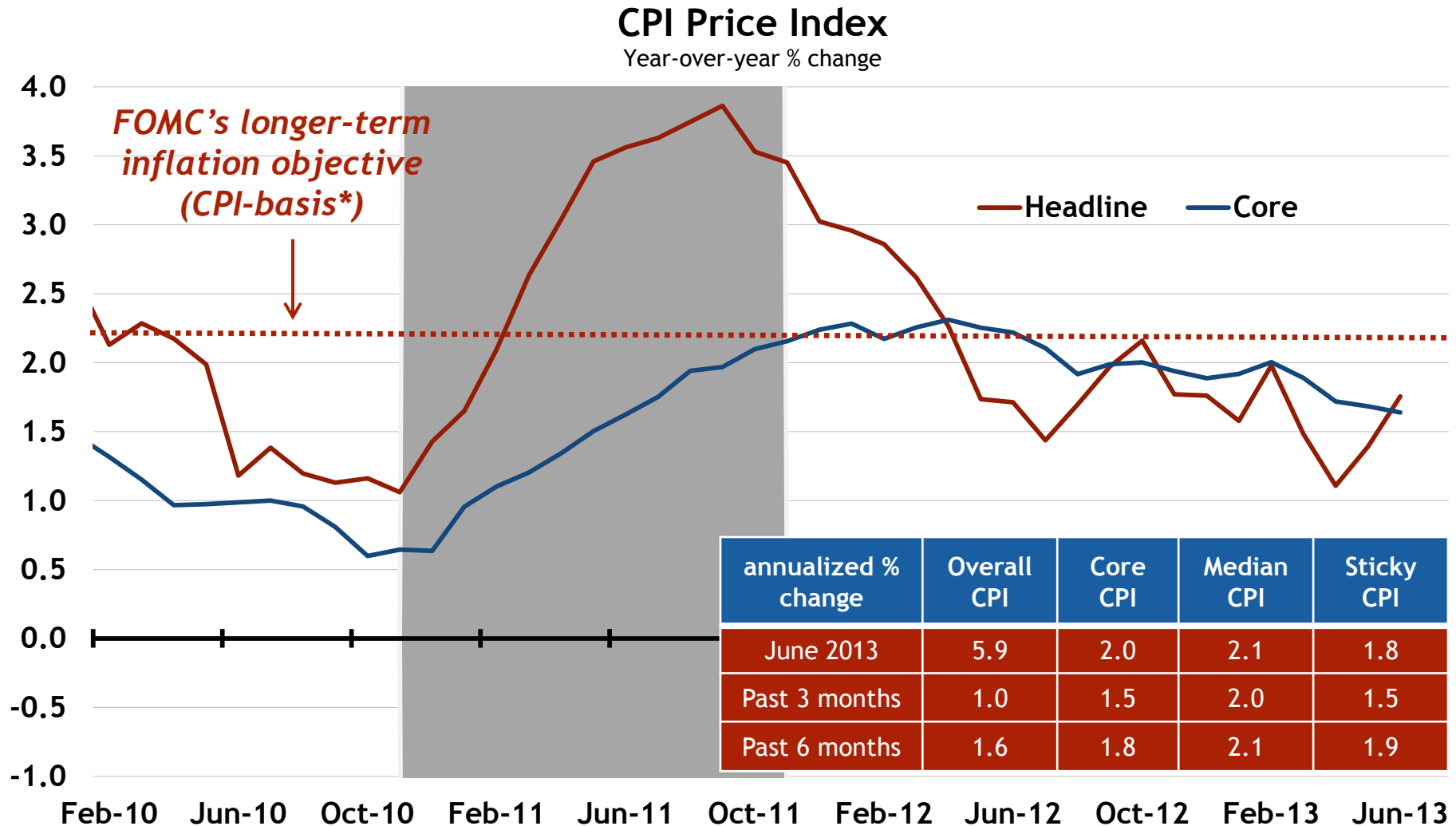
*Apr. 2013 - June 2013 value is Mar. 2013 - May. 2013. **Apr. 2013 - June 2013 value is Feb. 2013 - April. 2013.
 Sources: U.S. Bureau of Labor Statistics, U.S. Department of Labor, National Federation of Independent Business, and The Conference Board

Meanwhile, consumer price inflation has been running below the Committee's longer-run objective of 2 percent.



Congressional Testimony,
July 17, 2013

The June CPI data hinted at a firming, but the data show an inflation trend still running under the longer-term objective.



*Adjusted by the average PCE-CPI deviation over the last 10 years

data through June 2013



FEDERAL
RESERVE
BANK
of ATLANTA

frbatlanta.org

For economic, banking, and policy information, connect to the Atlanta Fed:

