



FEDERAL
RESERVE
BANK
of ATLANTA

ECONversations

Economic and Policy Briefing Webcast

Dave Altig, Research Director

November 19, 2014

2:00 p.m. ET

Questions for Dave: events@atl.frb.org

Technical issues: james.dooley@atl.frb.org



“Information received since the Federal Open Market Committee met in September suggests that economic activity is expanding at a moderate pace.”

**FOMC Statement
October 28, 2014**

The numbers don't lie.

Annualized Real GDP Growth

2013	2014			
	Q1	Q2	Q3	Q4 Forecast
3.1	-2.1	4.6	3.5	2.1

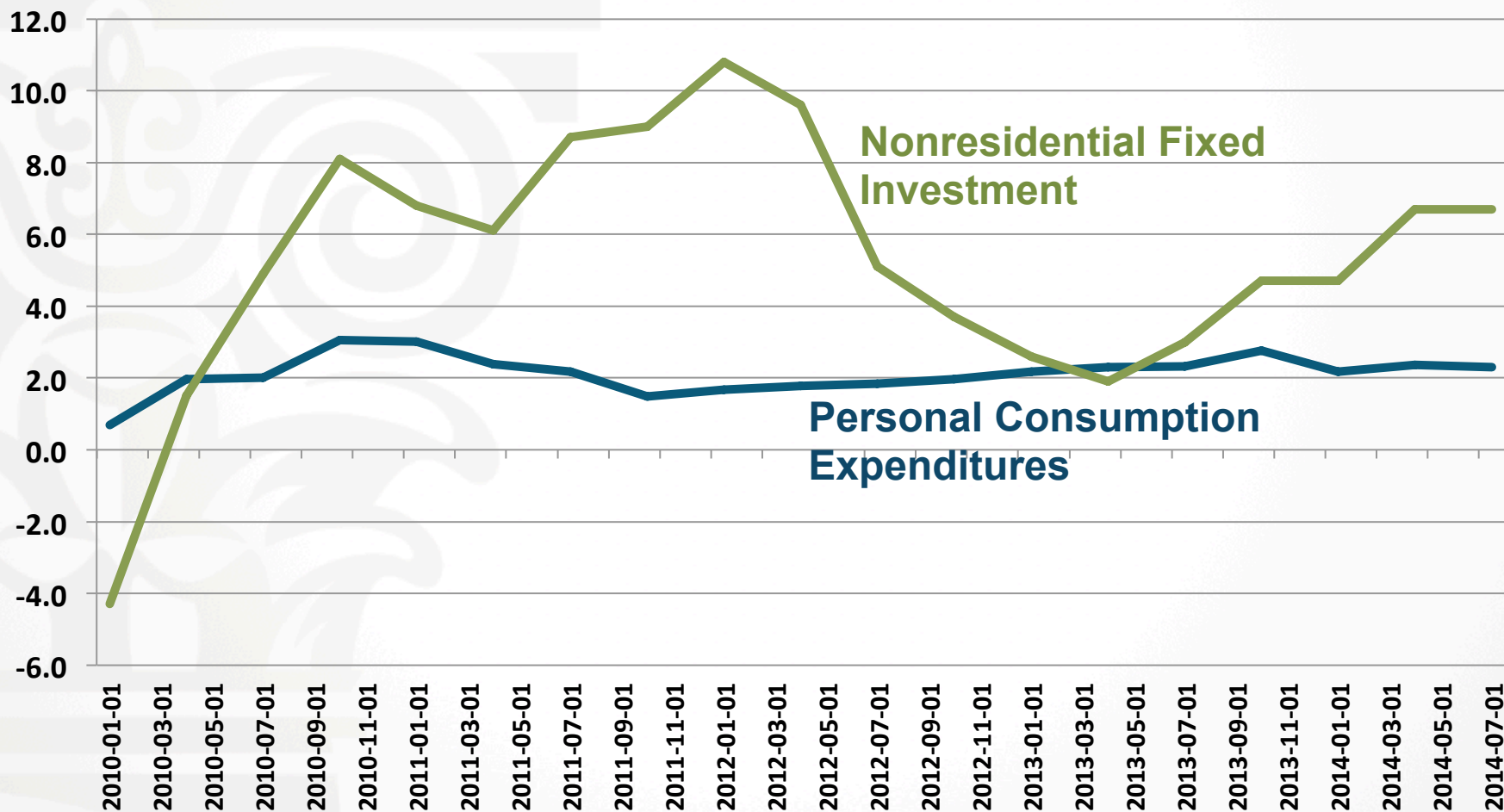


**“Household spending is rising moderately
and business fixed investment is
advancing...”**

**FOMC Statement
October 28, 2014**

“Household spending is rising moderately and business fixed investment is advancing...”

Nonresidential Fixed Investment and Personal Consumption Year-over-Year Percent Change



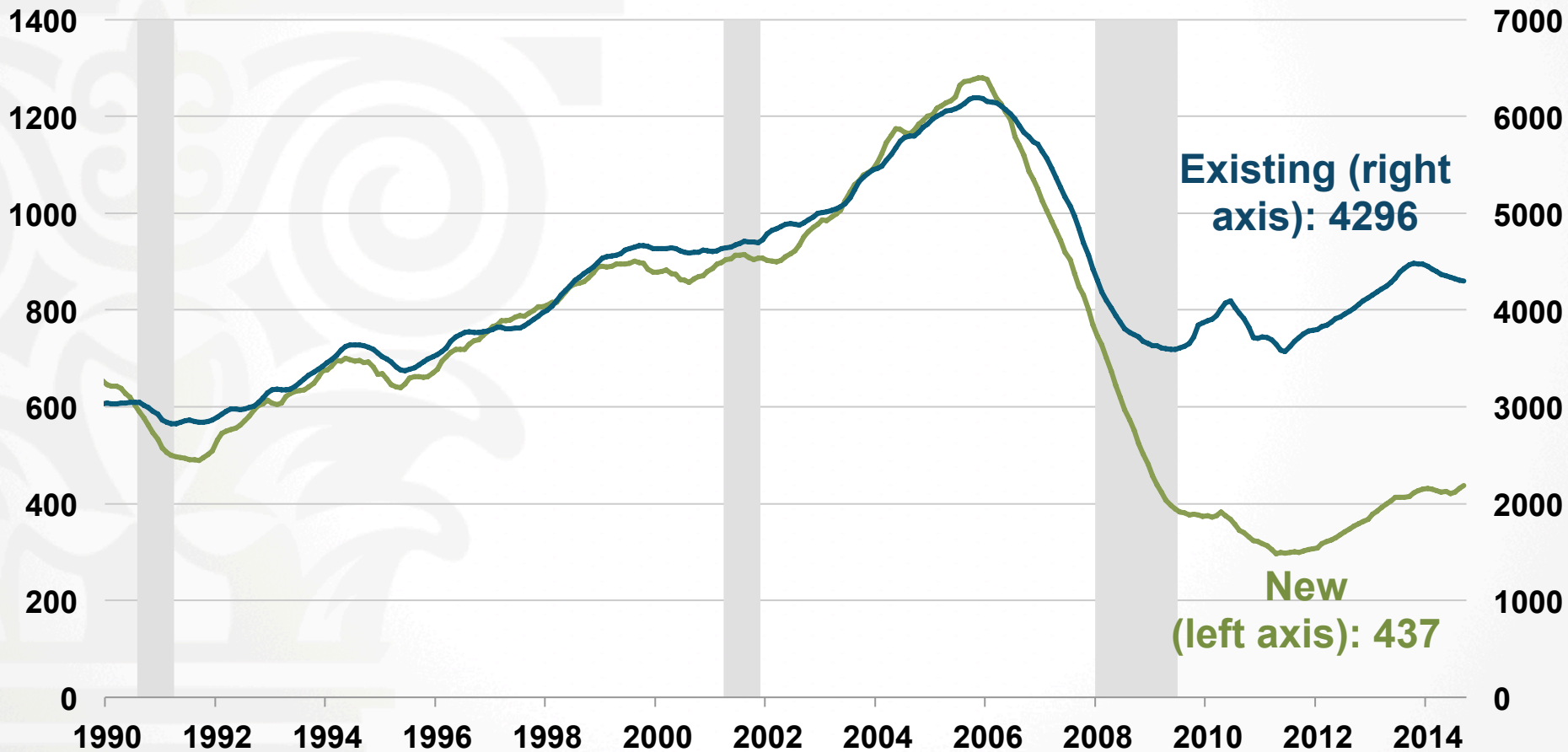


“... while the recovery in the housing sector remains slow.”

**FOMC Statement
October 28, 2014**

“... the recovery in the housing sector remains slow.”

U.S. Single-Family Home Sales
12-month moving average, thousands, SAAR



Source: National Association of Realtors, Census Bureau

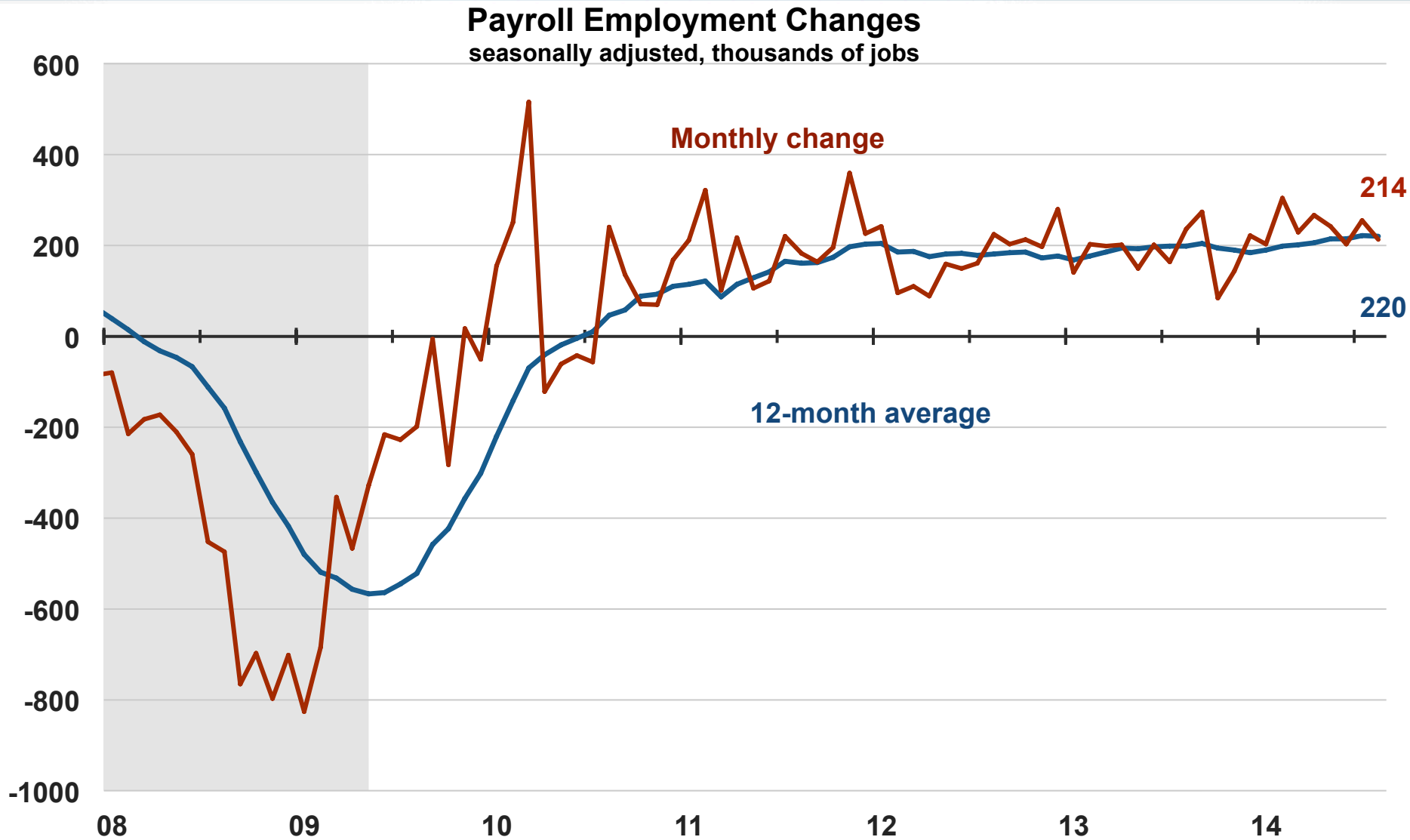
through September 2014



“Labor market conditions improved somewhat further, with solid job gains and a lower unemployment rate.”

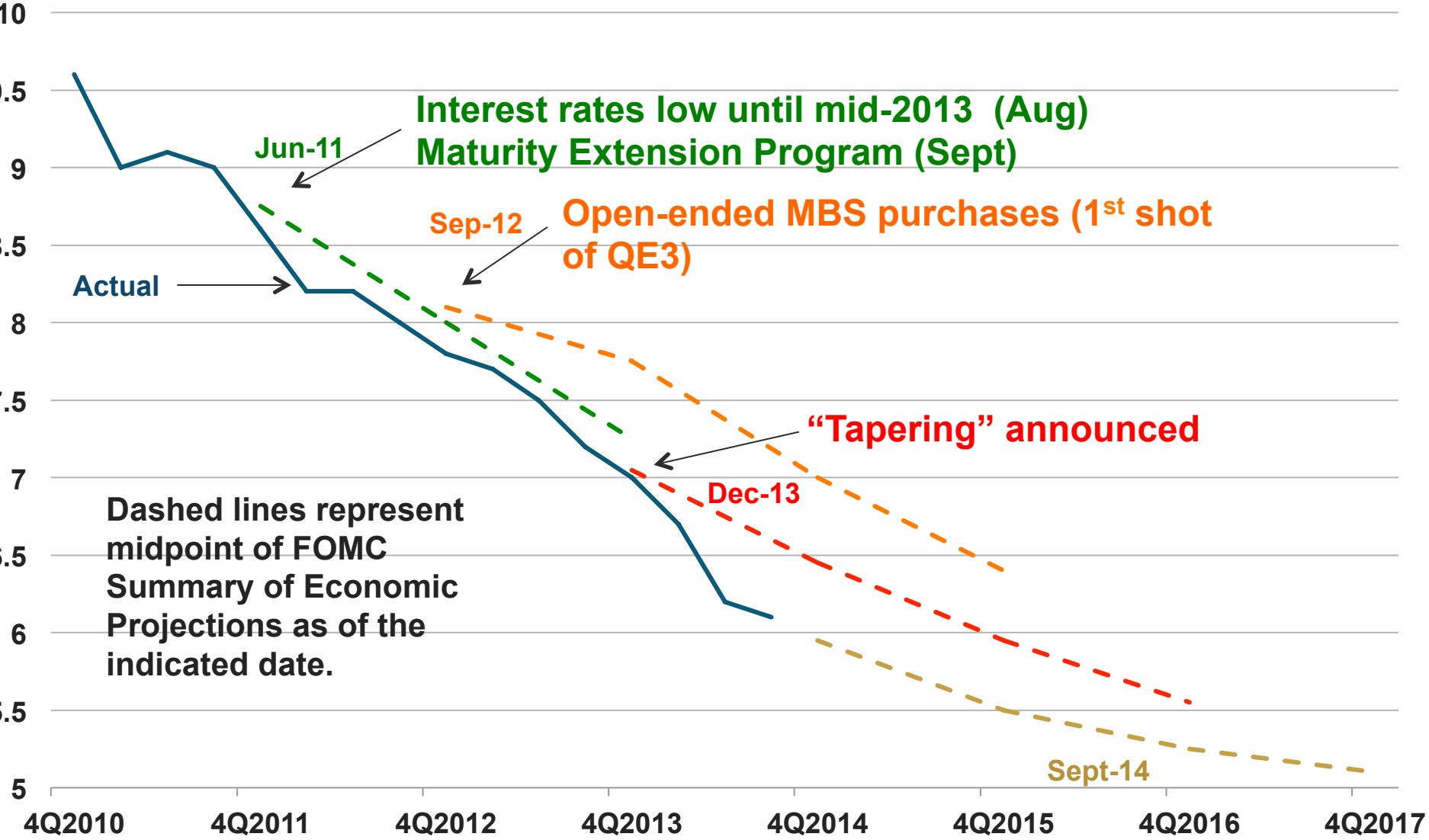
**FOMC Statement
October 28, 2014**

The trend in job growth has been rock solid, and drifting upward.



Unemployment rate projections have been persistently overly pessimistic.

Percent, quarterly average



Source: U.S. Bureau of Labor Statistics, Federal Reserve Board

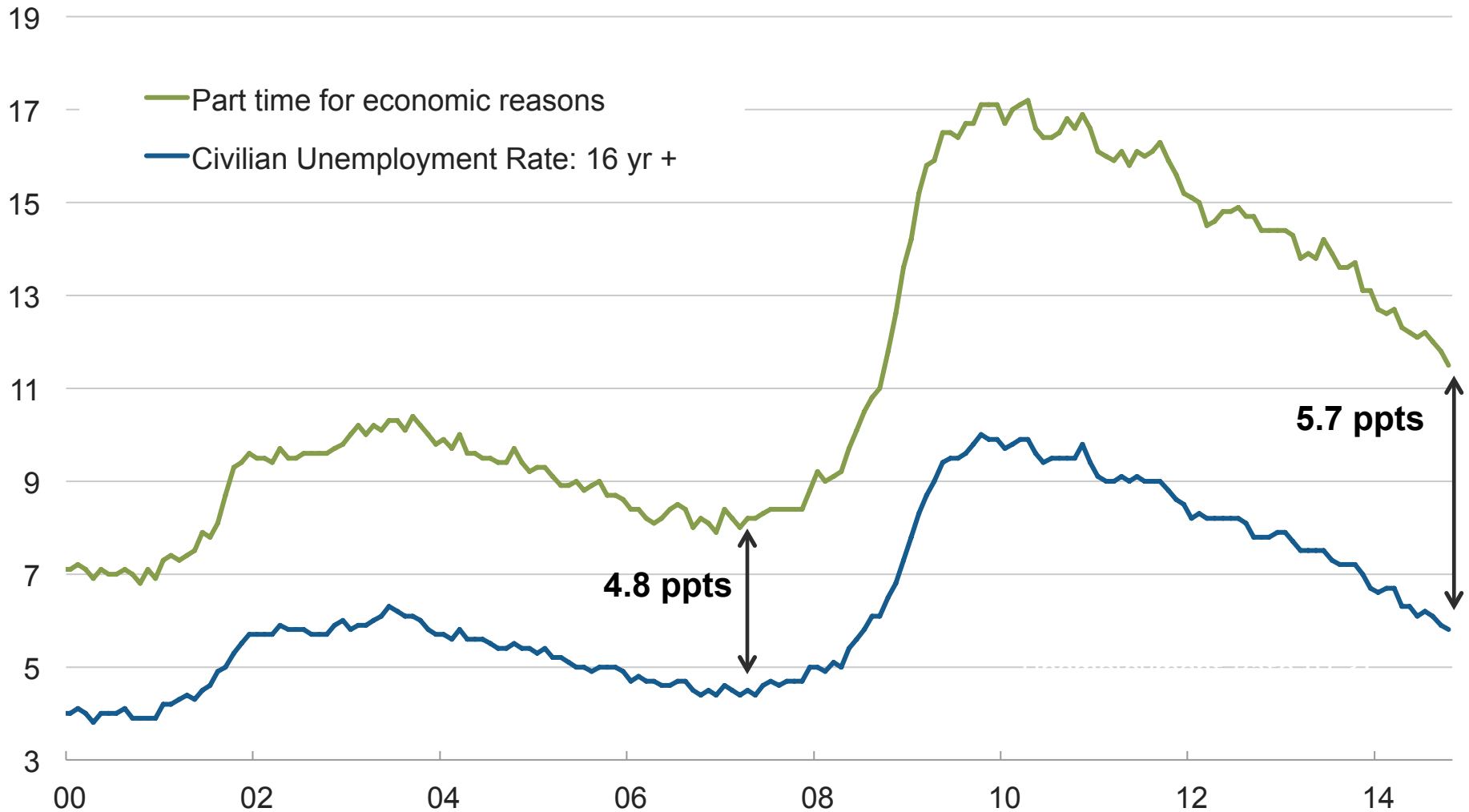


“On balance, a range of labor market indicators suggests that underutilization of labor resources is gradually diminishing. ”

**FOMC Statement
October 28, 2014**

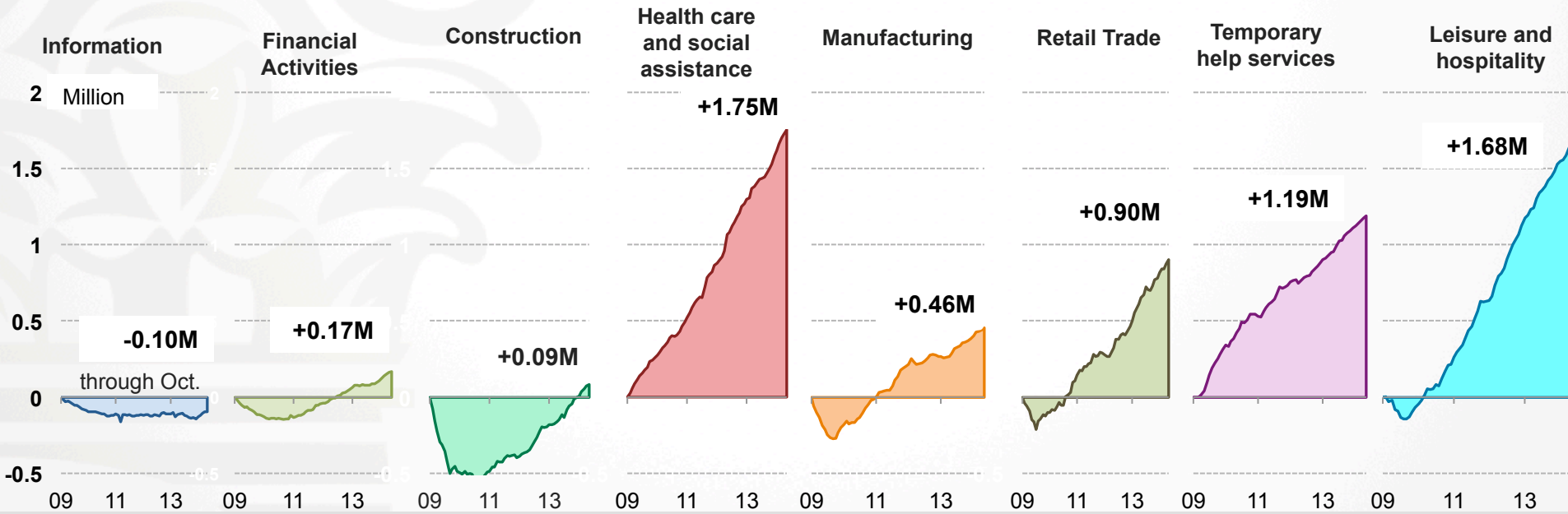
We view broader measures of unemployment as improved, but short of “mandate consistent.”

Civilian Unemployment Rate (U-3) vs. Broad Unemployment (U-6)
percent, SA



The job growth is there...

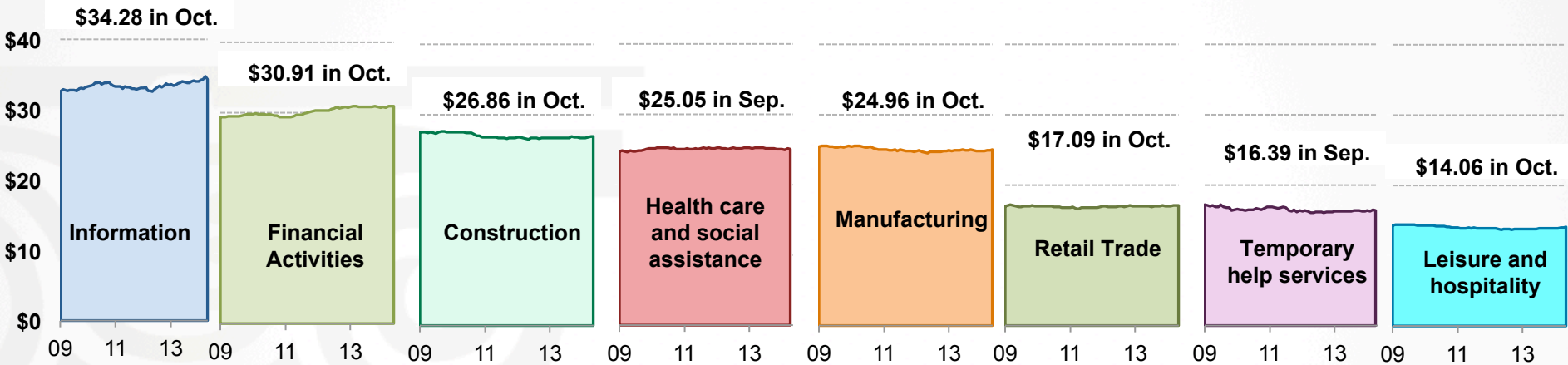
Cumulative change in payrolls for select sectors, since June 2009



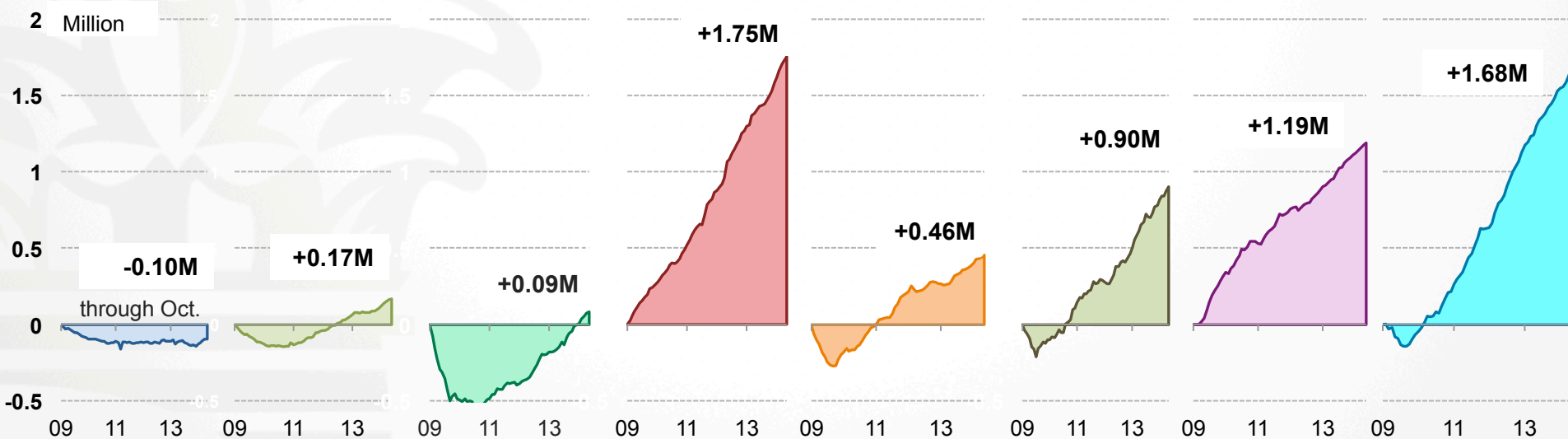
Source: U.S. Bureau of Labor Statistics

... but where is the wage growth?

Average hourly earnings for select sectors, from highest-paying to lowest-paying and adjusted for inflation



Cumulative change in payrolls for select sectors, since June 2009



Source: U.S. Bureau of Labor Statistics

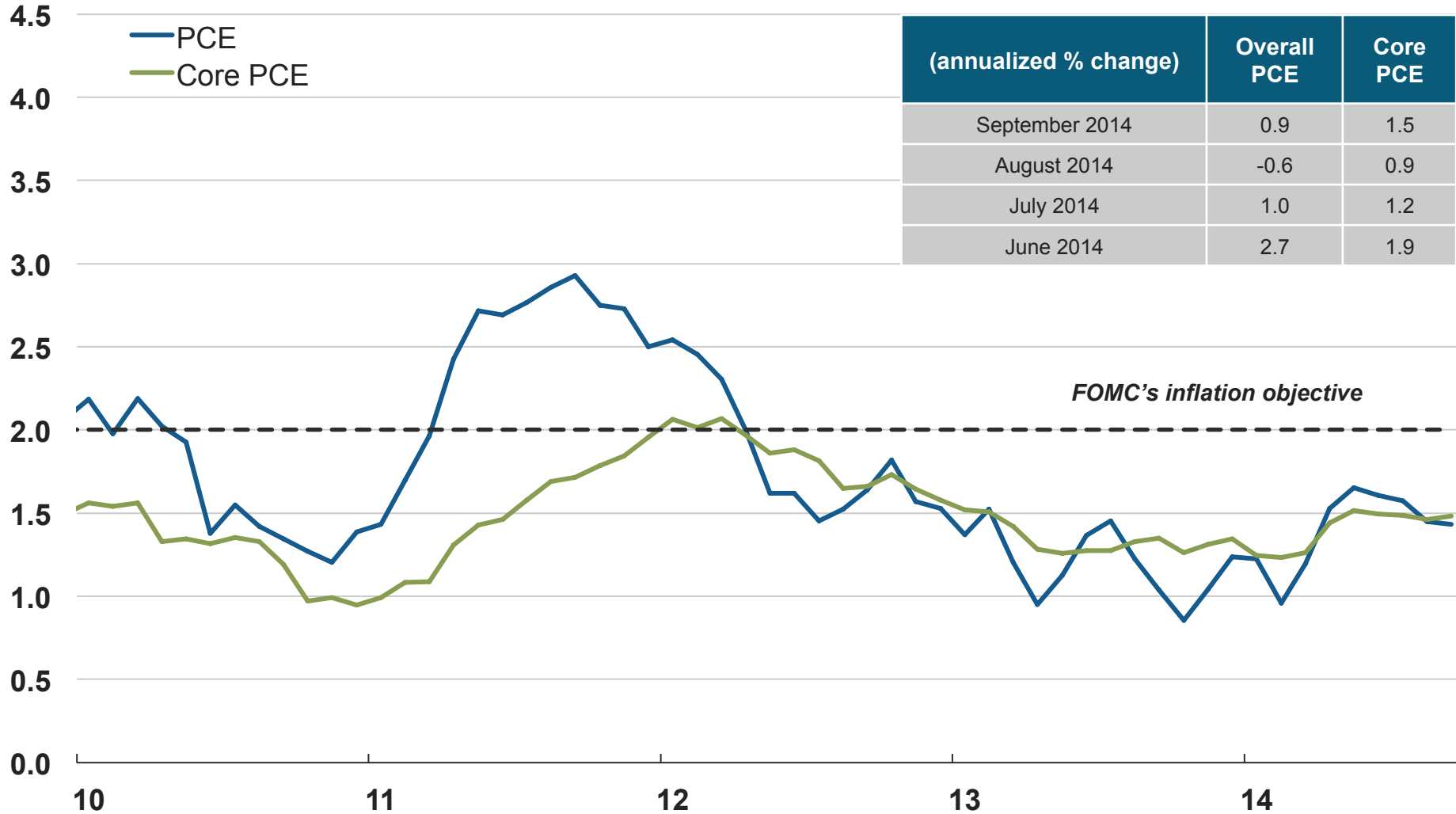


“Inflation has continued to run below the Committee's longer-run objective.”

**FOMC Statement
October 28, 2014**

Growth rate in the core PCE has been at 1.5 percent since May.

PCE Price Index
year-over-year percent change, monthly





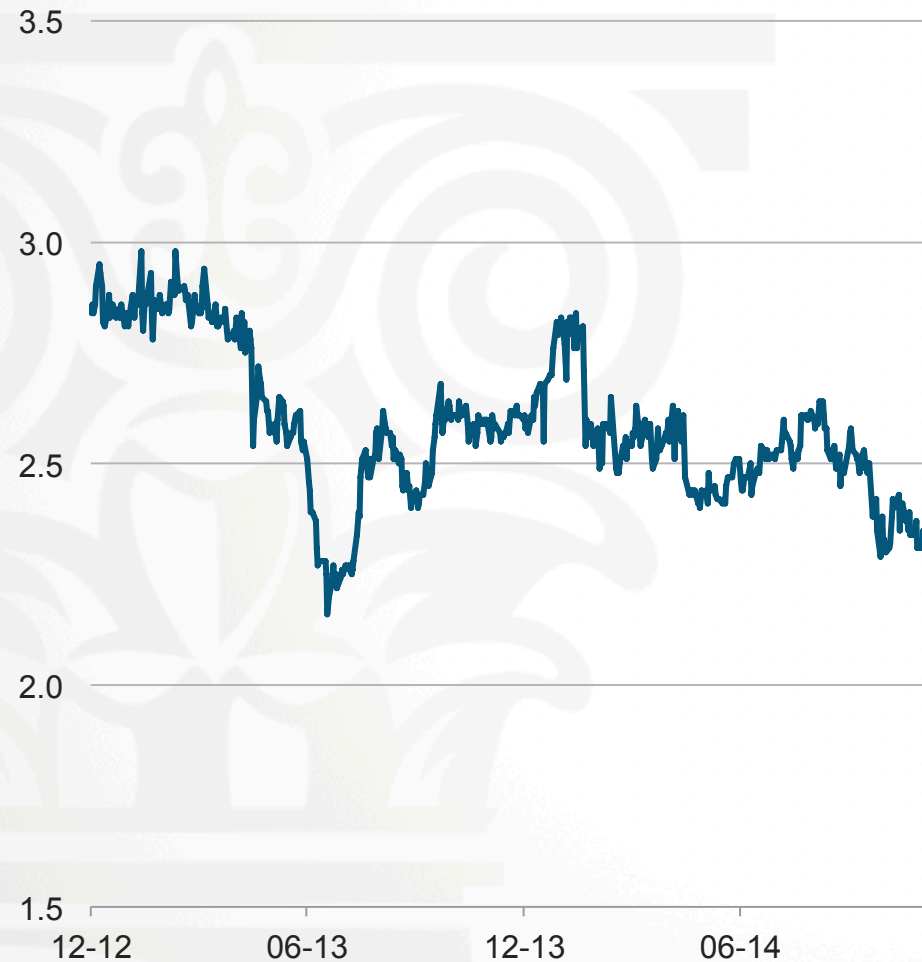
“Market-based measures of inflation compensation have declined somewhat; survey-based measures of longer-term inflation expectations have remained stable.”

**FOMC Statement
October 28, 2014**

“Market-based measures of inflation compensation have declined...; survey-based measures have remained stable.”

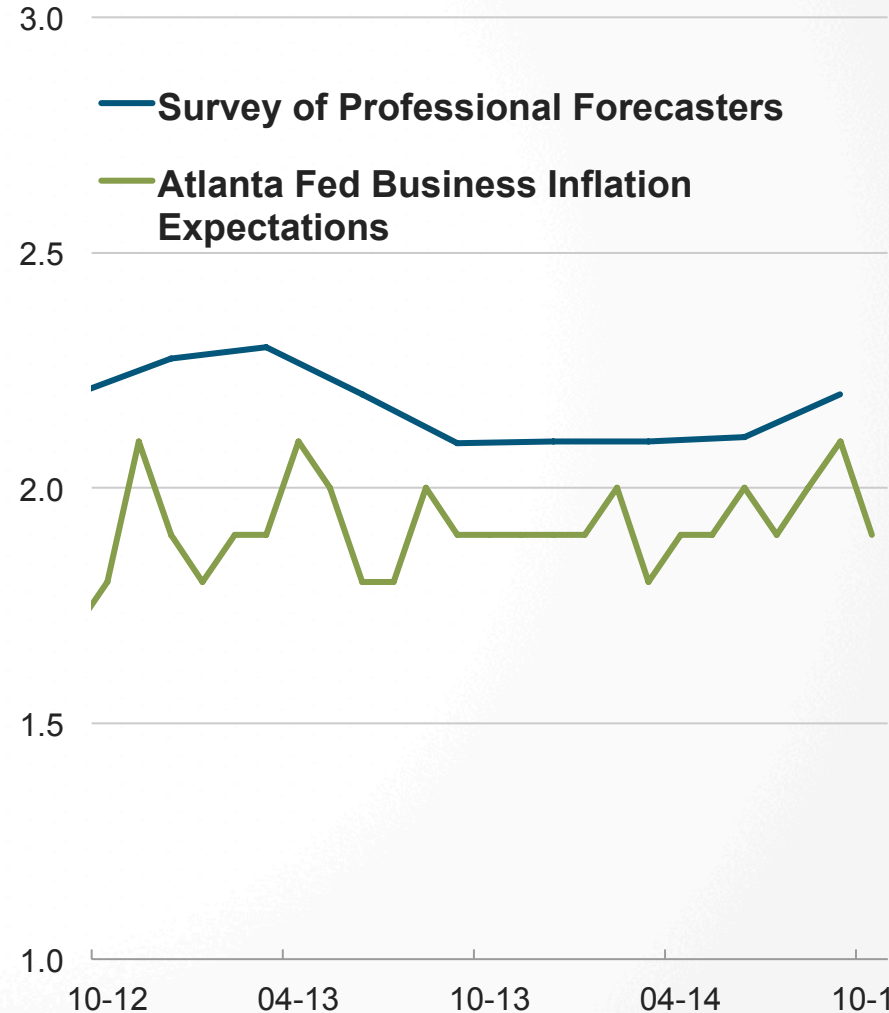
5-Year, 5-Year Forward Inflation Expectation Rate

percent



Inflation Expectations Measures

percent, year-ahead



Source: St. Louis FED through November 5, 2014

Sources: Atlanta Fed, Philadelphia Fed SPF through Q3 2014, BIE through October 2014 18

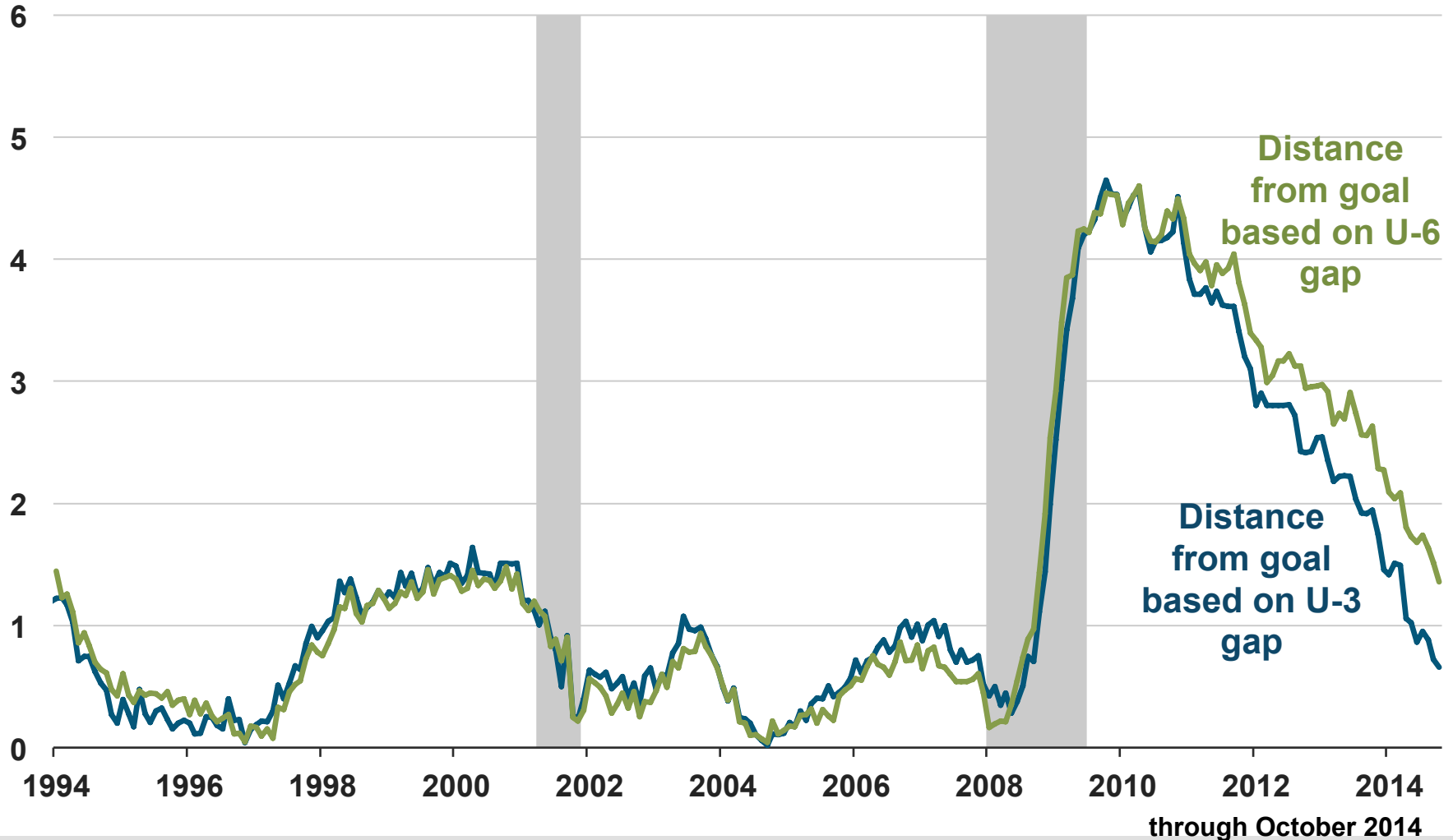


“In determining how long to maintain this target range, the Committee will assess progress - both realized and expected - toward its objectives of maximum employment and 2 percent inflation.”

**FOMC Statement
October 28, 2014**

We believe we are still short of the FOMC's mandate.

Progress Towards Objectives: U-3 gap versus U-6 gap
(Using Core PCE)



through October 2014



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