An Outline of Today’s Presentation

• The Big Picture

• The Outlook for the U.S. Economy in 2014-2015: Professional Forecasters and the FOMC

• Key Takeaway: 2014 Should be Better than 2013, but Events Always have a Way of Surprising Us!
The views I will express are my own and do not necessarily reflect the positions of the Federal Reserve Bank of St. Louis or the Federal Reserve System.
The U.S. Economy: A View From 30,000 Feet

• Headwinds slowly becoming tail winds; but some mixed signals thus far in 2014.

• The unemployment rate is falling faster than most expected—but not the St. Louis Fed!

• The monetary punch bowl is full, credit risks appear low, and banks are flush with cash.

• The performance of the U.S. economy in 2014 should be better than last year—and with continued low inflation.
Private forecasters and the FOMC Expect Faster Real GDP growth in 2014 and 2015.
Forecasters and the FOMC: Inflation, Inflation, Wherefore Art Thou Inflation?

Percent change, annual rate

- Actual
- Blue Chip Forecasts
- March FOMC
- 1983-2007 Average
Forecasters and the FOMC: The Unemployment Rate is Expected to Return to “Normal” in 2015
The Committee continues to anticipate that it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase program ends, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal, and provided that longer-term inflation expectations remain well anchored.

FOMC Statement, March 19, 2014
Financial Markets and the FOMC: Low Interest Rates Likely to Continue into 2015

Federal Funds Rate Projections: SEP and Financial Market Futures
Percent, annual averages

- March 2014 SEP FFR Projections
- Financial Futures

NOTE: March 2014 SEP (median estimate of 16 participants) and financial futures as of March 19, 2014.
The U.S. Economy in 2014: The Case for Faster Growth (that’s our story and we’re sticking to it!)

• A lull in early 2014 gives way to faster growth.

• Business investment—a key to stronger growth—is likely to pick up; stronger global growth will help.

• Housing should remain a source of strength.

• Job growth to remain healthy. . . the unemployment continues to fall.

• Inflation is likely to remain below 2%.

• But there are risks . . . there are always risks.