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The U.S. Economic Outlook

Dialogue with the Fed
Louisville, KY

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Not an official document

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!**

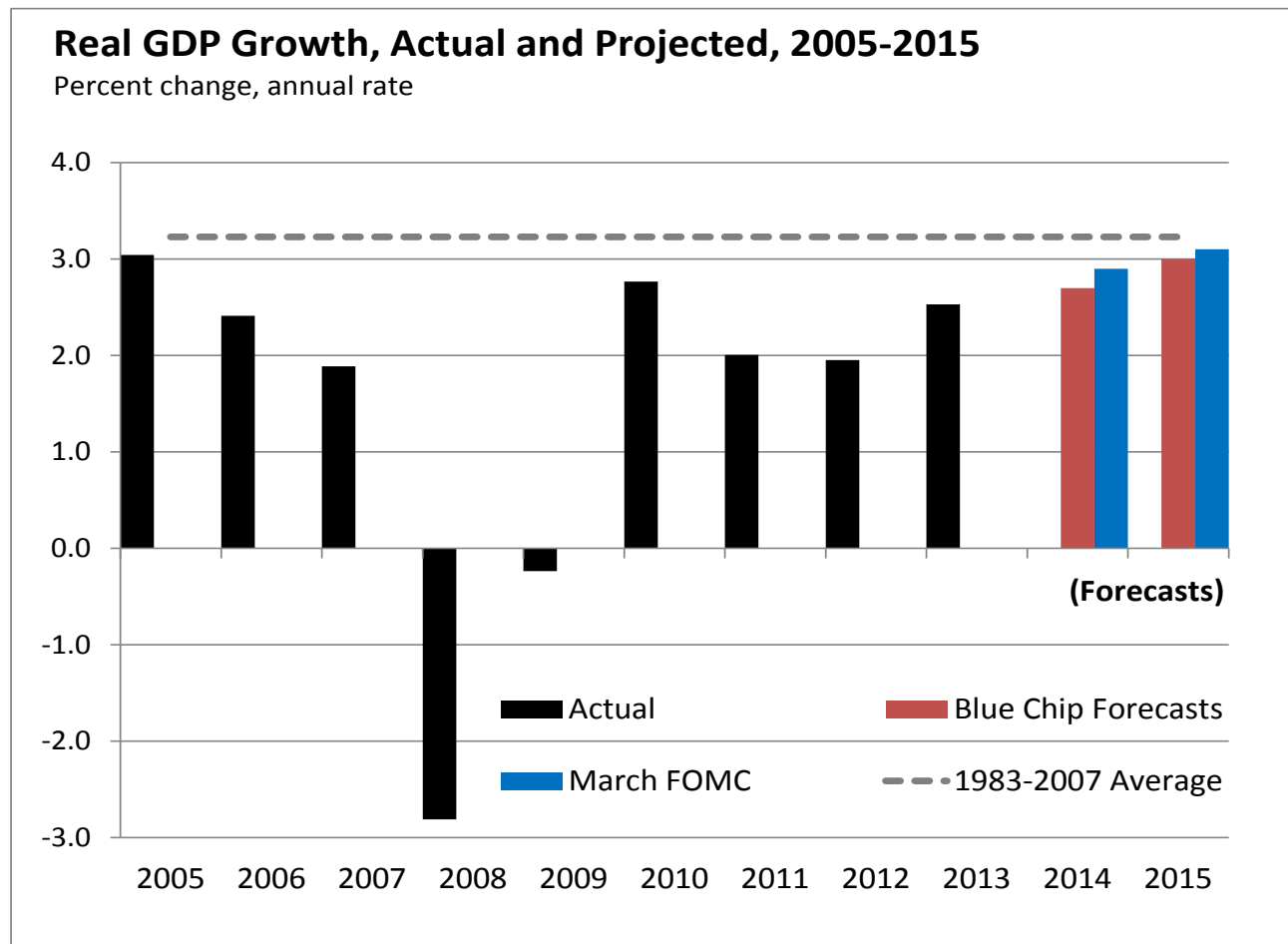
Disclaimer

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.

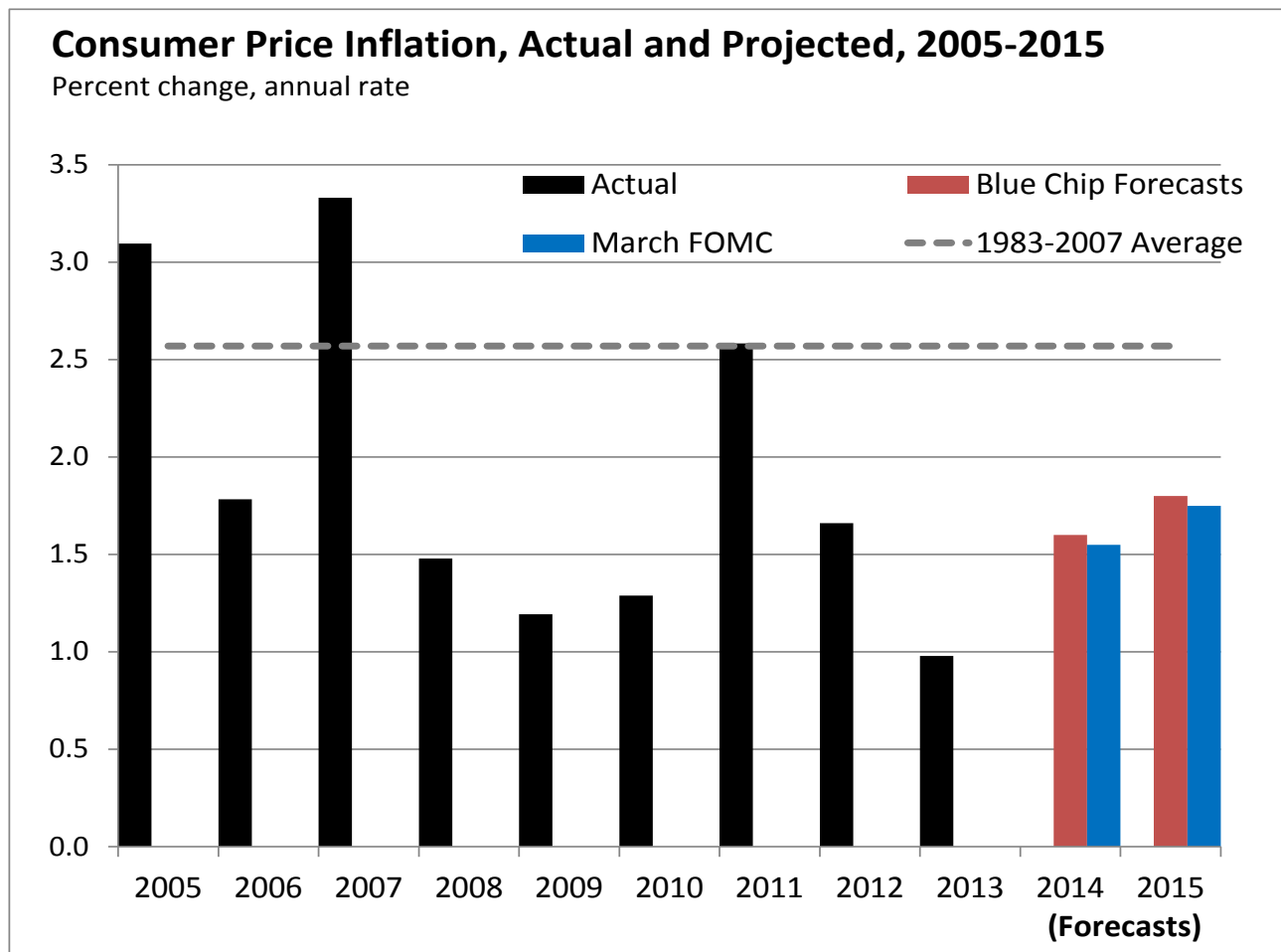
The U.S. Economy: A View From 30,000 Feet

- 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.

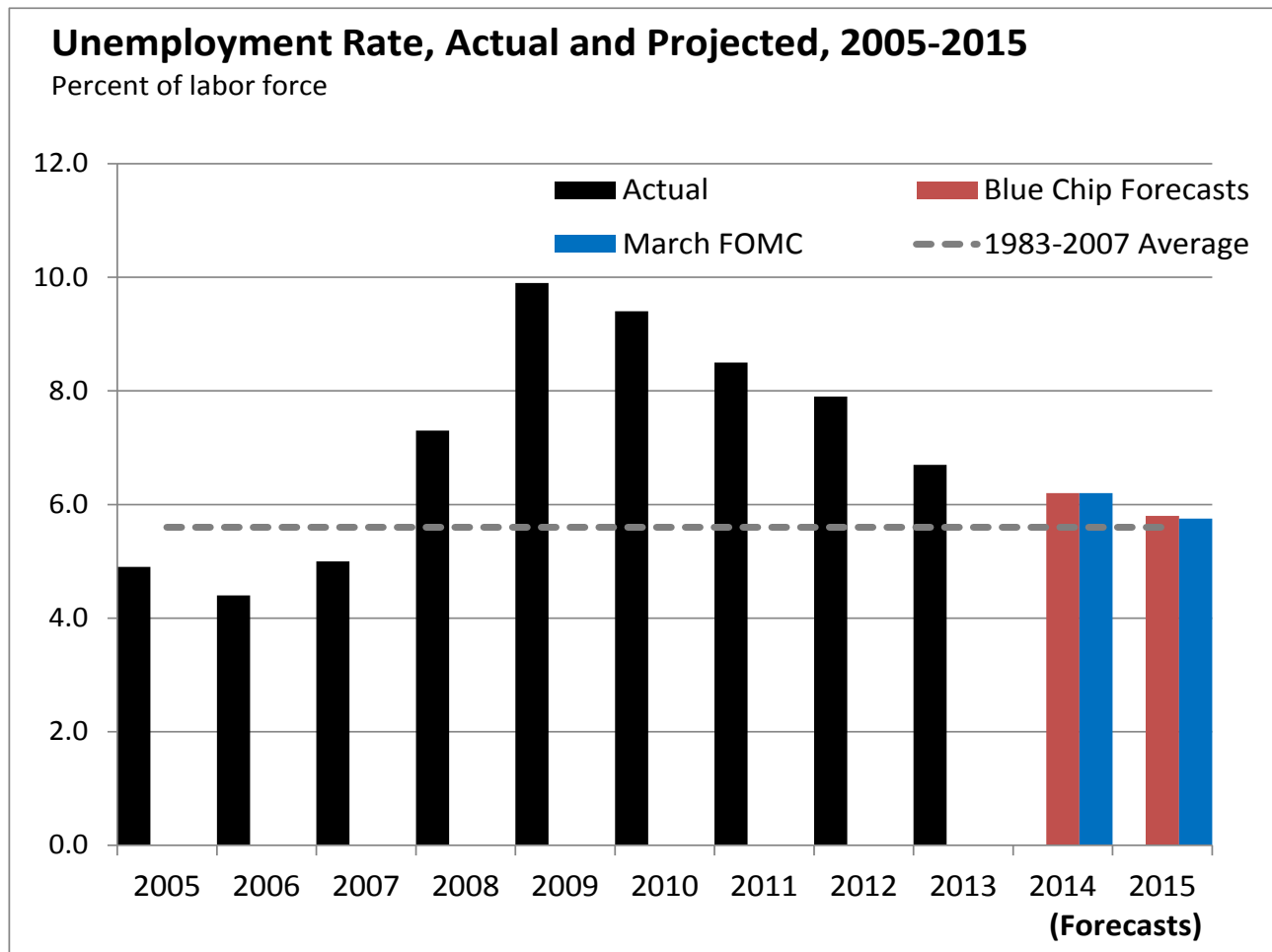
Private forecasters and the FOMC Expect Faster Real GDP growth in 2014 and 2015.



Forecasters and the FOMC: Inflation, Inflation, Wherefore Art Thou Inflation?



Forecasters and the FOMC: The Unemployment Rate is Expected to Return to “Normal” in 2015

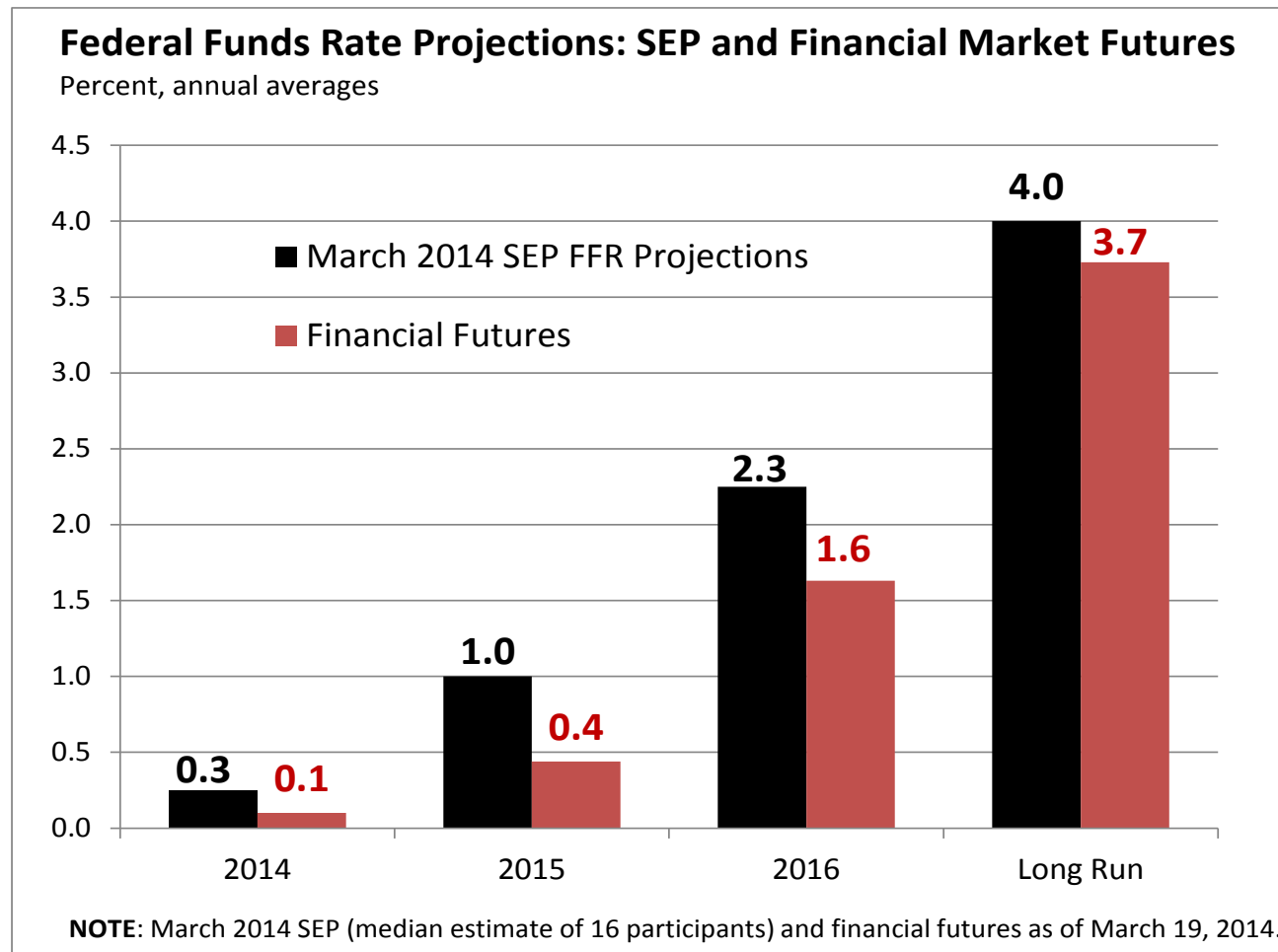


The FOMC: The Monetary Policy Punch Bowl is Likely to Remain Full for a While Longer

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



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.