

Economic Projections of Federal Reserve Board Members and Federal Reserve Bank Presidents, January 2012

Advance release of table 1 of the Summary of Economic Projections to be released with the FOMC minutes

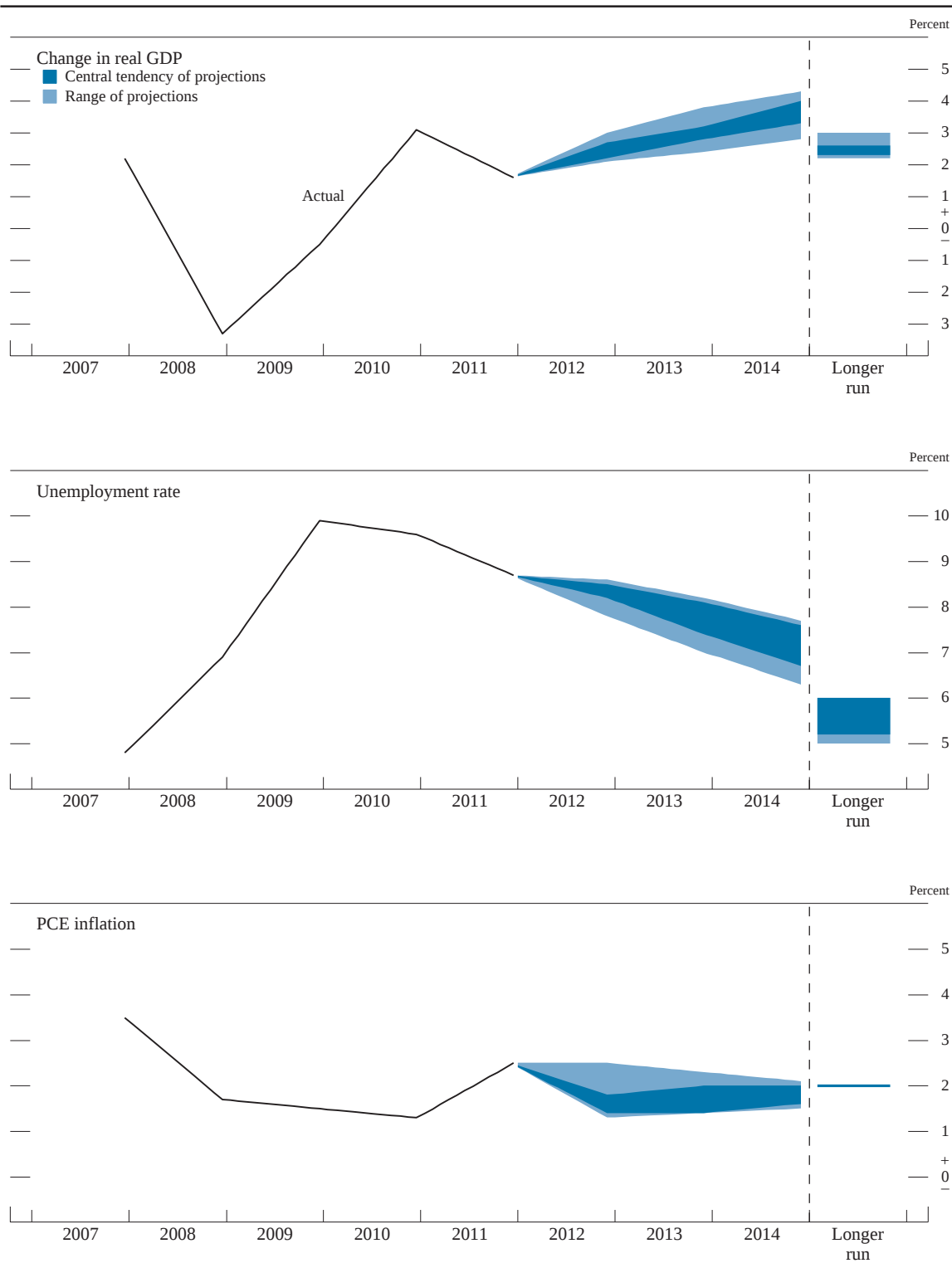
Percent

Variable	Central tendency ¹				Range ²			
	2012	2013	2014	Longer run	2012	2013	2014	Longer run
Change in real GDP.	2.2 to 2.7	2.8 to 3.2	3.3 to 4.0	2.3 to 2.6	2.1 to 3.0	2.4 to 3.8	2.8 to 4.3	2.2 to 3.0
November projection. . .	2.5 to 2.9	3.0 to 3.5	3.0 to 3.9	2.4 to 2.7	2.3 to 3.5	2.7 to 4.0	2.7 to 4.5	2.2 to 3.0
Unemployment rate.	8.2 to 8.5	7.4 to 8.1	6.7 to 7.6	5.2 to 6.0	7.8 to 8.6	7.0 to 8.2	6.3 to 7.7	5.0 to 6.0
November projection. . .	8.5 to 8.7	7.8 to 8.2	6.8 to 7.7	5.2 to 6.0	8.1 to 8.9	7.5 to 8.4	6.5 to 8.0	5.0 to 6.0
PCE inflation.	1.4 to 1.8	1.4 to 2.0	1.6 to 2.0	2.0	1.3 to 2.5	1.4 to 2.3	1.5 to 2.1	2.0
November projection. . .	1.4 to 2.0	1.5 to 2.0	1.5 to 2.0	1.7 to 2.0	1.4 to 2.8	1.4 to 2.5	1.5 to 2.4	1.5 to 2.0
Core PCE inflation ³	1.5 to 1.8	1.5 to 2.0	1.6 to 2.0		1.3 to 2.0	1.4 to 2.0	1.4 to 2.0	
November projection. . .	1.5 to 2.0	1.4 to 1.9	1.5 to 2.0		1.3 to 2.1	1.4 to 2.1	1.4 to 2.2	

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The November projections were made in conjunction with the meeting of the Federal Open Market Committee on November 1–2, 2011.

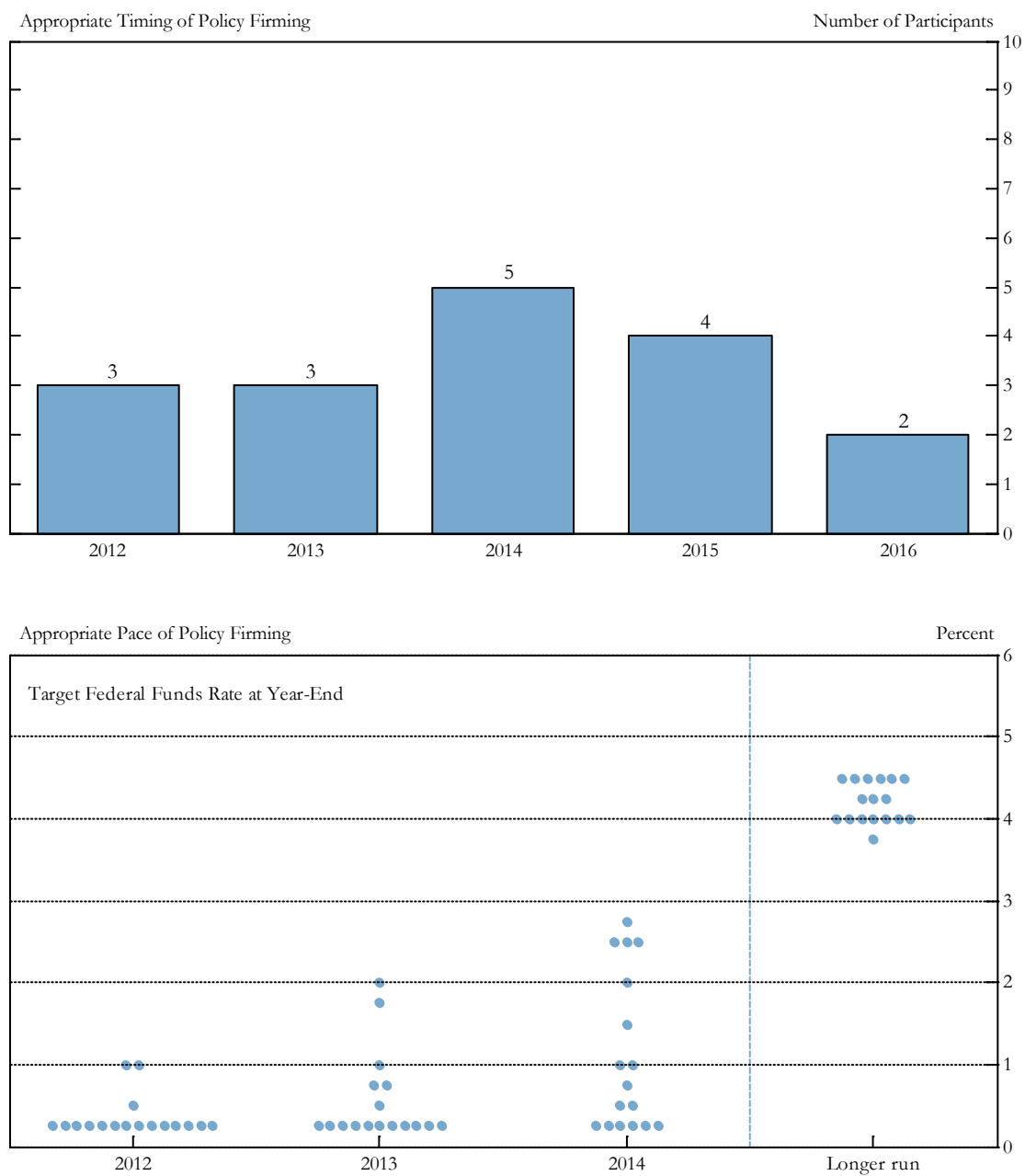
1. The central tendency excludes the three highest and three lowest projections for each variable in each year.
2. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
3. Longer-run projections for core PCE inflation are not collected.

Figure 1. Central tendencies and ranges of economic projections, 2012–14 and over the longer run



NOTE: Definitions of variables are in the notes to the projections table. The data for the variables are annual. Actual fourth-quarter 2011 values for the change in real GDP and for PCE inflation have not yet been published by the Bureau of Economic Analysis; the plotted values of these variables for 2011 are the median estimates taken from the Federal Reserve Bank of New York's January survey of primary dealers.

Figure 2. Overview of FOMC participants' assessments of appropriate monetary policy



NOTE: In the upper panel, the height of each bar denotes the number of FOMC participants who judge that, under appropriate monetary policy and in the absence of further shocks to the economy, the first increase in the target federal funds rate from its current range of 0 to $\frac{1}{4}$ percent will occur in the specified calendar year. In the lower panel, each shaded circle indicates the value (rounded to the nearest $\frac{1}{4}$ percent) of an individual participant's judgment of the appropriate level of the target federal funds rate at the end of the specified calendar year or over the longer run.

Explanation of Economic Projections Charts

The charts show actual values and projections for three economic variables:

- Change in Real Gross Domestic Product (GDP)—as measured from the fourth quarter of the previous year to the fourth quarter of the year indicated, with values plotted at the end of each year.
- Unemployment Rate—the average civilian unemployment rate in the fourth quarter of each year, with values plotted at the end of each year.
- PCE Inflation—as measured by the change in the personal consumption expenditures (PCE) price index from the fourth quarter of the previous year to the fourth quarter of the year indicated, with values plotted at the end of each year.

Information for these variables is shown for each year from 2007 to 2014, and for the longer run.

The solid line, labeled “Actual,” shows the historical values for each variable.¹

The lightly shaded areas represent the ranges of the projections of policymakers. The bottom of the range for each variable is the lowest of all of the projections for that year or period. Likewise, the top of the range is the highest of all of the projections for that year or period.

The dark shaded areas represent the central tendency, which is a narrower version of the range that excludes the three highest and three lowest projections for each variable in each year or period.

The longer-run projections, which are shown on the far right side of the charts, are the rates of growth, unemployment, and inflation to which a policymaker expects the economy to converge over time—maybe in five or six years—in the absence of further shocks and under appropriate monetary policy. Because appropriate monetary policy, by definition, is aimed at achieving the Federal Reserve’s dual mandate of maximum employment and price stability in the longer run, policymakers’ longer-run projections for economic growth and unemployment may be interpreted, respectively, as estimates of the economy’s normal or trend rate of growth and its normal unemployment rate over the longer run. Similarly, the longer-run projections of inflation are for the rate of inflation that each policymaker judges to be most consistent with the Federal Reserve’s dual mandate in the longer term.

¹ Actual fourth-quarter 2011 values for the change in real GDP and for PCE inflation have not yet been published by the Bureau of Economic Analysis; the plotted values of these variables for 2011 are the median estimates taken from the Federal Reserve Bank of New York’s January survey of primary dealers.

Explanation of Policy Path Charts

These charts are based on policymakers' projections of the appropriate path for the FOMC's target federal funds rate. The target funds rate is measured as the level of the target rate at the end of the calendar year or in the longer run. Appropriate monetary policy, by definition, is the future path of policy that each participant deems most likely to foster outcomes for economic activity and inflation that best satisfy his or her interpretation of the Federal Reserve's dual objectives of maximum employment and stable prices.

- In the upper panel, the shaded bars represent the number of FOMC participants who project that the initial increase in the target federal funds rate (from its current range of 0 to $\frac{1}{4}$ percent) would appropriately occur in the specified calendar year.
- In the lower panel, the dots represent individual policymakers' projections of the appropriate federal funds rate target at the end of each of the next several years and in the longer run. Each dot in that chart represents one policymaker's projection. Please note that for purposes of this chart the responses are rounded to the nearest $\frac{1}{4}$ percent, with the exception that all values below 37.5 basis points are rounded to $\frac{1}{4}$ percent.

These projections of the timing of the initial increase of the target federal funds rate and the path of the target federal funds rate are the ones that policymakers view as compatible with their individual economic projections.