

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF RESEARCH AND STATISTICS

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**Date:** January 17, 2014  
**To:** Federal Open Market Committee  
**From:** David Wilcox  
**Subject:** The Staff's Outlook for Price Inflation

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The attached memo, prepared by Alan Detmeister, Jean-Philippe Laforte, and Jeremy Rudd, unpacks the staff inflation outlook in greater detail than we have the space to do in the Tealbook. (In that regard, it follows in the tradition of the memorandum that we provided to the Committee last autumn, prepared by Andrew Figura and Li Geng, that explained our outlook for real PCE.) The topic of inflation attracted a great deal of attention from Committee participants at the December meeting. In that context, we thought it would be especially helpful to sketch the conceptual framework that we employ in putting together the forecast; recount the basic narrative of our baseline forecast and the uncertainty surrounding that forecast; and discuss some of the many challenges that we are wrestling with in this area.