



EMBARGOED UNTIL FRIDAY, JULY 10, 2015 AT 11:35 A.M. IN U.S. EASTERN TIME AND
9:35 A.M. LOCAL TIME; OR UPON DELIVERY

Economic Uncertainty – The Implications for Monetary Policy

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July 10, 2015

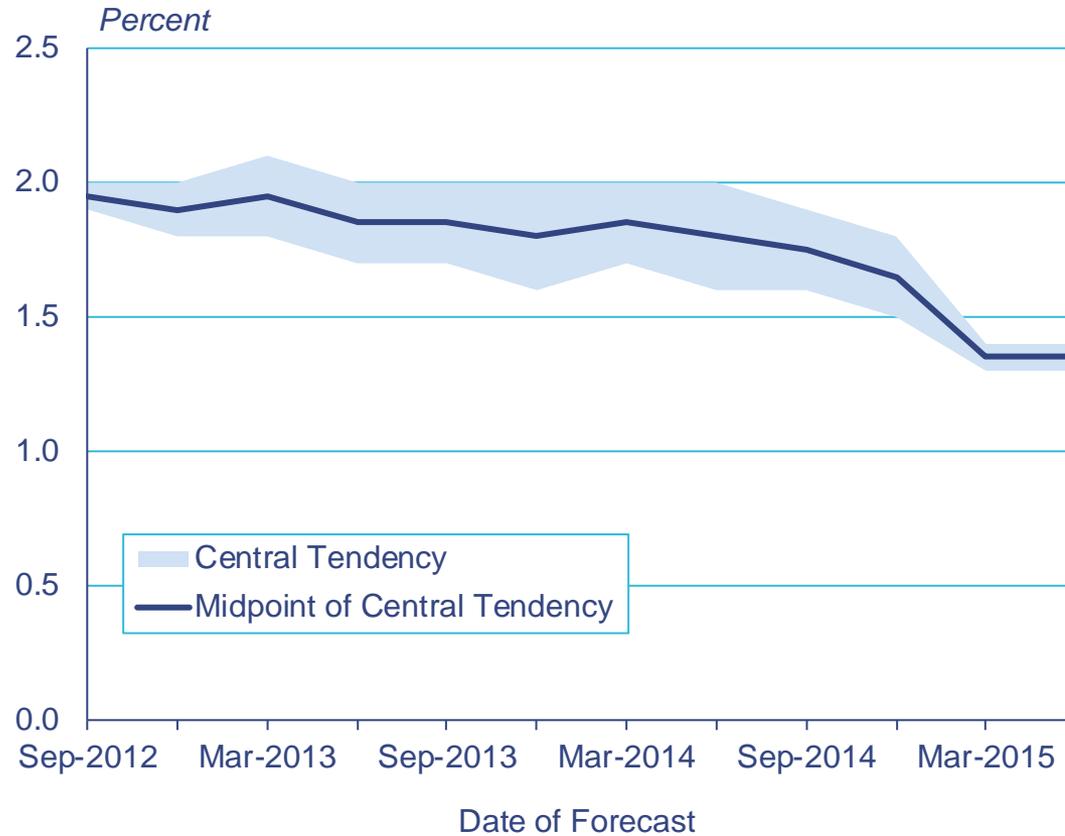
Global Interdependence Center
7th Annual Rocky Mountain Economic Summit
Victor, Idaho

bostonfed.org



Figure 1: Core PCE Inflation Projections for 2015 of Federal Reserve Governors and Federal Reserve Bank Presidents

September 2012 - June 2015



Note: The central tendency excludes the three highest and three lowest projections in each period. The inflation projections for 2015 are the percent changes from the fourth quarter of 2014 to the fourth quarter of 2015 reported in each SEP.

Source: FOMC, Summary of Economic Projections (SEP)



Figure 2: Employment-to-Population Ratio
January 1985 - June 2015

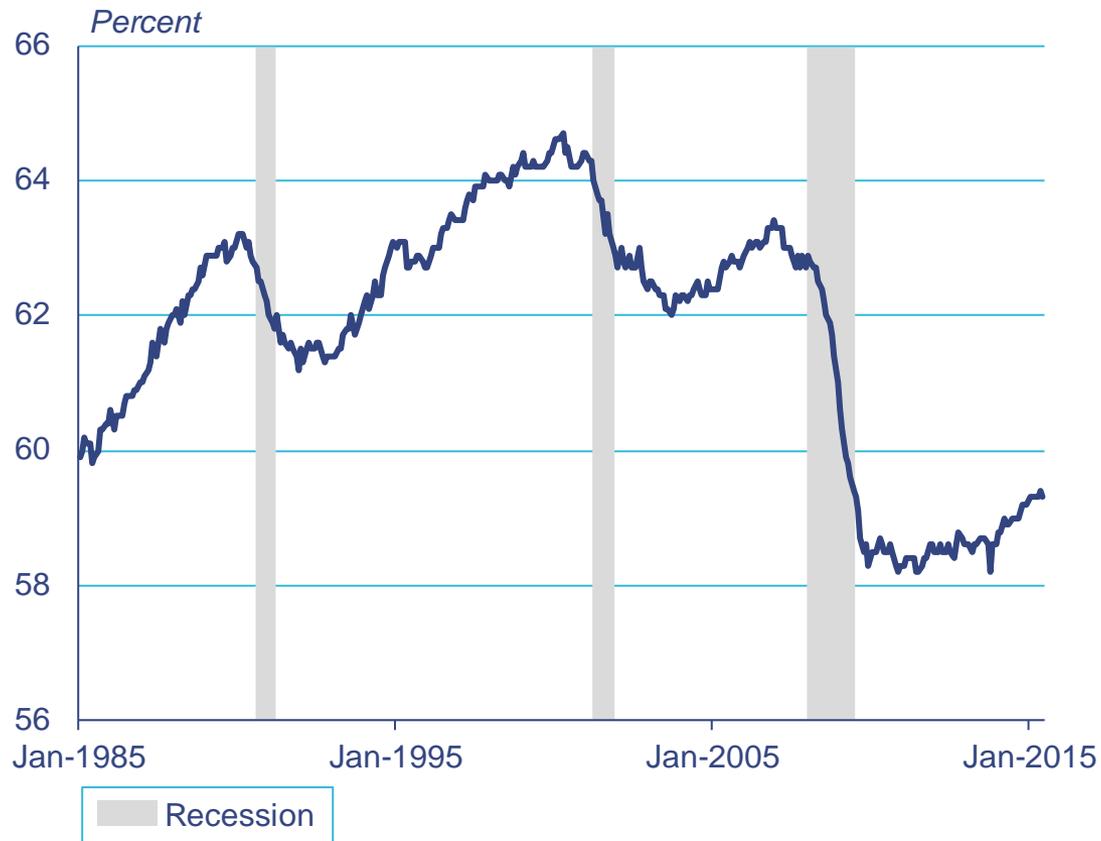
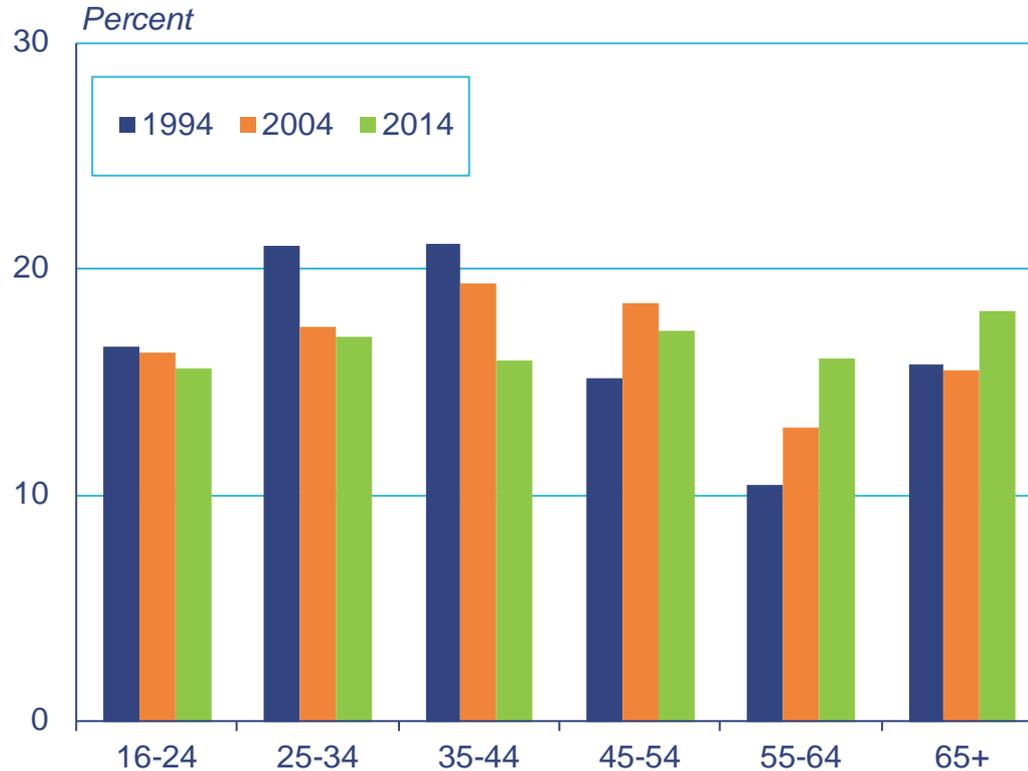




Figure 3: Age Distribution of the Civilian Noninstitutional Population, Age 16 Years and Older
1994, 2004, and 2014





Demographic Shift and Full Employment

- ▶ Young workers tend to have higher unemployment rates
 - ▶ Older workers tend to have lower unemployment rates
 - ▶ Estimates of full employment need to consider the impact of demographic changes
 - ▶ While my estimate of full employment is now 5 percent, it may be lower if we continue to undershoot our inflation forecast
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Figure 4: Employment-to-Population Ratio for Prime-Age Workers

January 1985 - June 2015

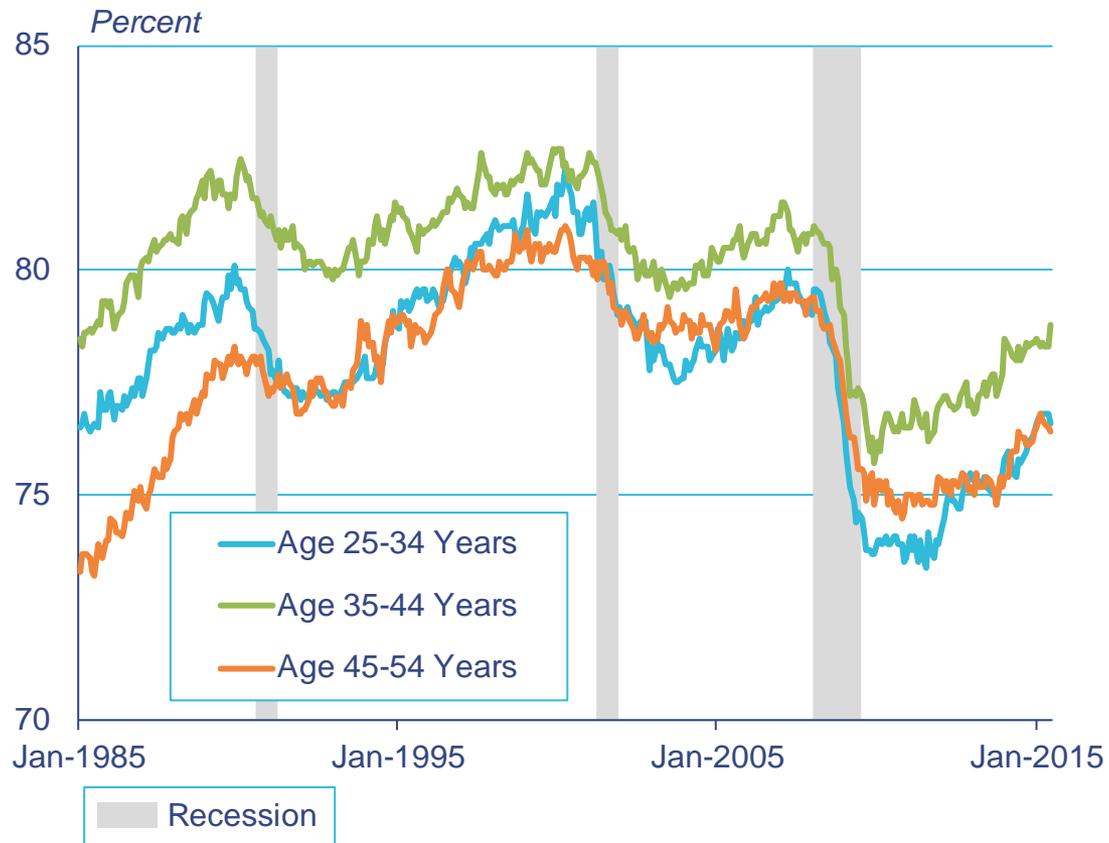




Figure 5: Unemployment Rate for Greece
January 2005 - March 2015

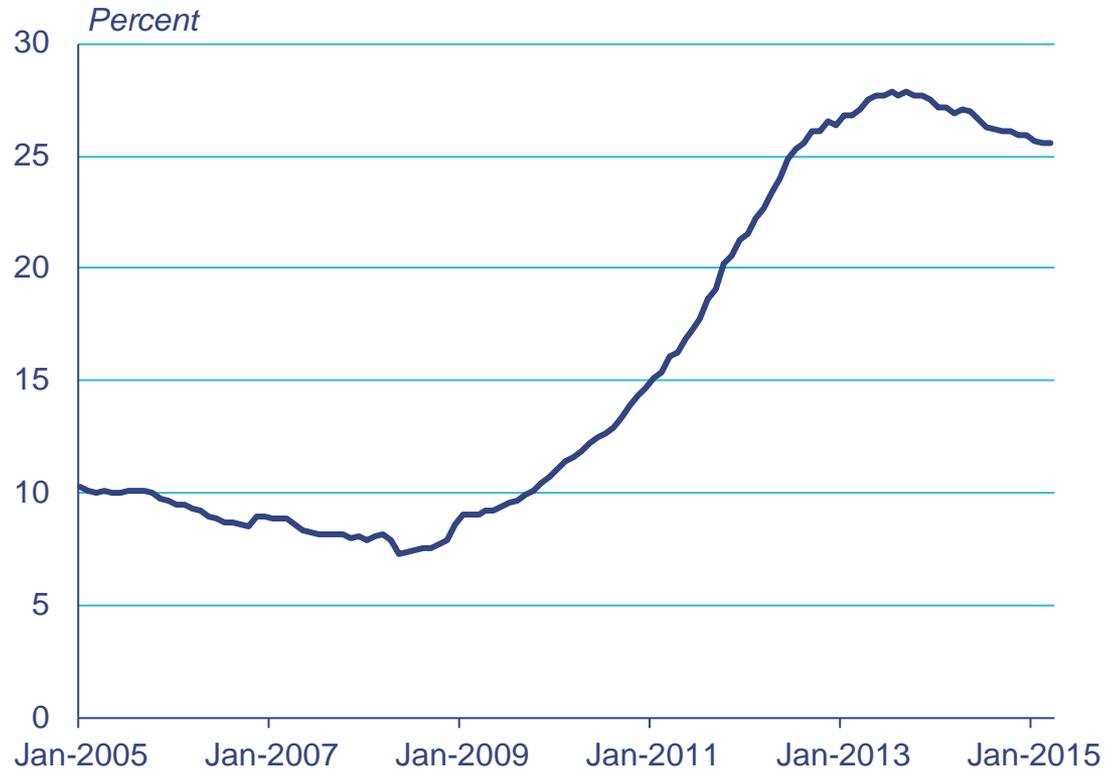


Figure 6: Gross Domestic Product and Population of Greece Relative to that of the Euro Area, the European Union, and the United States 2014

Country/Region	Gross Domestic Product 2014		Population 2014		Per Capita GDP 2014	
	Billions of U.S. Dollars	Greece Relative to Country/Region	Millions of People	Greece Relative to Country/Region	U.S. Dollars Per Person	Greece Relative to Country/Region
Greece	238.0	--	10.9	--	21,826.7	--
Euro Area	13,435.5	1.8%	334.5	3.3%	40,171.6	54.3%
European Union	18,505.9	1.3%	506.8	2.2%	36,513.5	59.8%
United States	17,419.0	1.4%	318.9	3.4%	54,629.5	40.0%

Source: BEA, Census Bureau, Eurostat, Haver Analytics



Calibrating Financial Stability Risks

- ▶ What is the concentration of exposures?
 - ▶ Are the exposures held by highly leveraged investors?
 - ▶ Do these investors play a critical role in financial markets functioning smoothly?
 - ▶ In 2011, a key risk was commercial bank exposures to Greece
 - ▶ With the earlier restructuring of Greek debt, much of this risk has been transferred, so losses would be borne diffusely by European taxpayers
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Figure 7: Spread: Ten-Year European Government Bond Yields Minus Ten-Year German Government Bond Yield

January 2010 - June 2015

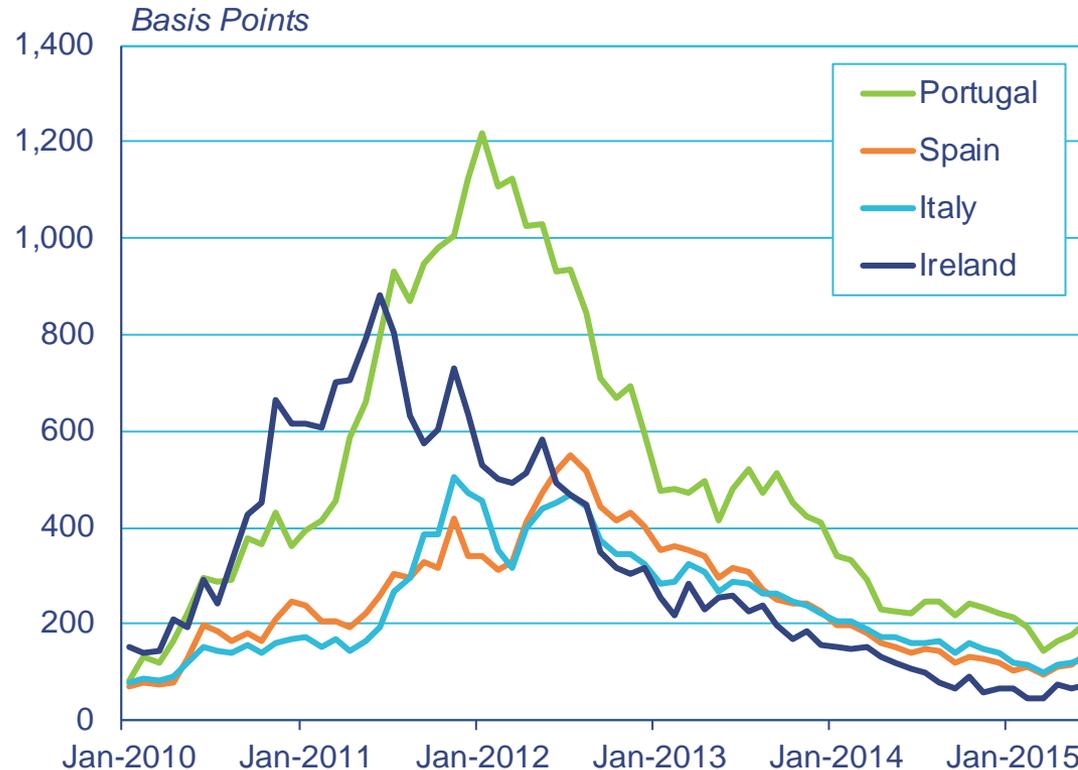




Figure 8: Stock Market Index Fluctuations

June 26, 2015 - June 29, 2015

Country	Stock Price Index	Stock Price Index Close		Percent Change
		June 26, 2015	June 29, 2015	
Portugal	PSI-20	5,834.91	5,530.50	-5.2
Italy	FTSE MIB	23,800.47	22,569.95	-5.2
Spain	Ibex 35	11,372.30	10,853.90	-4.6
Germany	Frankfurt Xetra Dax	11,492.43	11,083.20	-3.6
Ireland	ISEQ Overall	6,367.67	6,209.14	-2.5
U.S.	S&P 500	2,101.49	2,057.64	-2.1

Source: Bolsa de Madrid, Borsa Italiana, Financial Times, S&P, Haver Analytics