Considering Alternative Monetary Policy Frameworks: An Inflation Range with an Adjustable Inflation Target

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Figure 1: PCE Inflation: SEP Median Projection and Confidence Interval Based on Historical Forecast Errors


Note: PCE inflation (actual values) and SEP median projected values are for the percent change in the PCE Index from the previous fourth quarter to the fourth quarter of the year specified. The figure for the fourth quarter of 2017 is estimated using the average of Oct and Nov (1.68%).

Source: FOMC, Summary of Economic Projections (SEP) and Meeting Minutes, December 13, 2017; BEA
Figure 2: Forecast Errors (Actual – Forecast) for One-Year-Ahead Core PCE Inflation Forecasts
2008:Q4 - 2017:Q4

Note: Core PCE inflation is measured as the percent change in the Core PCE Index from the previous fourth quarter to the fourth quarter of the year specified. The figure for the fourth quarter of 2017 is estimated using the average of Oct and Nov (1.46%).

Source: FOMC, Summary of Economic Projections (SEP); Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters; BEA; Haver Analytics
Figure 3: Forecast Errors (Actual – Forecast) for One-Year-Ahead Unemployment Rate Forecasts
2008:Q4 - 2017:Q4

Note: The unemployment rates are the fourth-quarter averages for each year.

Source: FOMC, Summary of Economic Projections (SEP); Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters; BLS; Haver Analytics
Figure 4: Forecasts for the Longer-Run Federal Funds Rate from the Summary of Economic Projections
January 2012 - December 2017

Note: The central tendency excludes the three highest and three lowest observations.
Source: FOMC, Summary of Economic Projections (SEP)
Figure 5: Productivity Growth: Change in Real Output Per Hour, Nonfarm Business Sector, All Persons, 20-Quarter Moving Average

Quarterly Percent Change at Annual Rate

Source: BLS, NBER, Haver Analytics
Figure 6: Civilian Labor Force Growth by Decade
1960:Q1 - 2017:Q4

Source: BLS, Haver Analytics