Implications of Low Inflation Rates for Monetary Policy

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November 10, 2014

The H. Parker Willis Lecture in Political Economy
Washington and Lee University
Lexington, Virginia

bostonfed.org
Figure 1: Nominal and Real Federal Funds Effective Rate
January 2008 - September 2014

Note: The real federal funds effective rate is calculated by subtracting the core PCE inflation rate from the nominal federal funds effective rate.

Source: BEA, Federal Reserve Board, Haver Analytics
Figure 2: Median Inflation Forecasts for 2014 of Federal Reserve Board Members and Federal Reserve Bank Presidents

June 2012 - September 2014

Note: Forecasts for both measures of inflation are for the percent change from the fourth quarter of 2013 to the fourth quarter of 2014.

Source: FOMC, Summary of Economic Projections (SEP), Minutes of FOMC Meetings
Figure 3: Median Inflation Forecasts for 2014 from the Survey of Professional Forecasters

May 2012 - August 2014

Note: Forecasts for both measures of inflation are for the percent change from the fourth quarter of 2013 to the fourth quarter of 2014.

Source: Federal Reserve Bank of Philadelphia
Figure 4: Measures of Labor Market Slack
January 1994 - October 2014

Source: BLS, NBER, Haver Analytics
Figure 5: Employment Gap and Inflation
1980:Q1 - 2014:Q3

Note: The employment gap is the difference between the unemployment rate and the CBO estimate of the natural rate of unemployment.

Source: BLS, CBO, NBER, Haver Analytics
Figure 6: Ten-Year Treasury Yield Minus Ten-Year Inflation-Indexed Treasury Yield
January 3, 2012 - November 6, 2014

Note: Yields at Constant Maturity
Source: Federal Reserve Board, Haver Analytics
Figure 7: Inflation Expectations
January 2012 - October 2014

Source: Thomson Reuters, University of Michigan
Figure 8: Spot Oil Price: West Texas Intermediate Crude Oil
January 3, 2012 - November 6, 2014

Source: Energy Information Administration (EIA), WSJ, Haver Analytics
Figure 9: U.S. Field Production of Crude Oil
January 2000 - August 2014

Source: Energy Information Administration (EIA)
Figure 10: S&P Goldman Sachs Commodity Price Indices (January 2012 = 100)

January 2012 - October 2014

Source: S&P, Haver Analytics
Figure 11: JP Morgan Nominal Broad Trade-Weighted Effective Exchange Rate Index for the U.S. Dollar

January 3, 2012 - November 6, 2014

Index, 2000 = 100

Source: JP Morgan, Haver Analytics
Figure 12: Employment Cost Index for Total Compensation for Private Industry Workers by Occupational Group
2003:Q1 - 2014:Q3

Source: BLS, NBER, Haver Analytics
Figure 13: Employment Cost Index for Total Compensation for Private Industry Workers by Census Region
2003:Q1 - 2014:Q3

Source: BLS, NBER, Haver Analytics
Figure 14: Measures of Inflation Targeted by Central Banks
January 2012 - September 2014

Note: The U.S. series is the PCE. The Euro Area series is the Harmonized Index of Consumer Prices. Japan’s series is the CPI, All Items less Fresh Food, and adjusted for Japan’s April 2014 consumption tax increase.

Source: BEA, Eurostat, Japan’s Ministry of Internal Affairs and Communications, Bank of Japan, Haver Analytics
Figure 15: Overnight/Policy Rates for the Euro Area, Japan, and the U.S.
January 3, 2012 - November 6, 2014

Source: Bank of Japan, European Central Bank, Federal Reserve Board, Haver Analytics
Figure 16: Ten-Year Government Bond Yields
January 3, 2012 - November 6, 2014

Source: U.S. Treasury, Financial Times, Haver Analytics