FEDERAL RESERVE BANK OF BOSTON™

Financial Stability in a Low Interest Rate Environment

Eric S. Rosengren
President & CEO
Federal Reserve Bank of Boston

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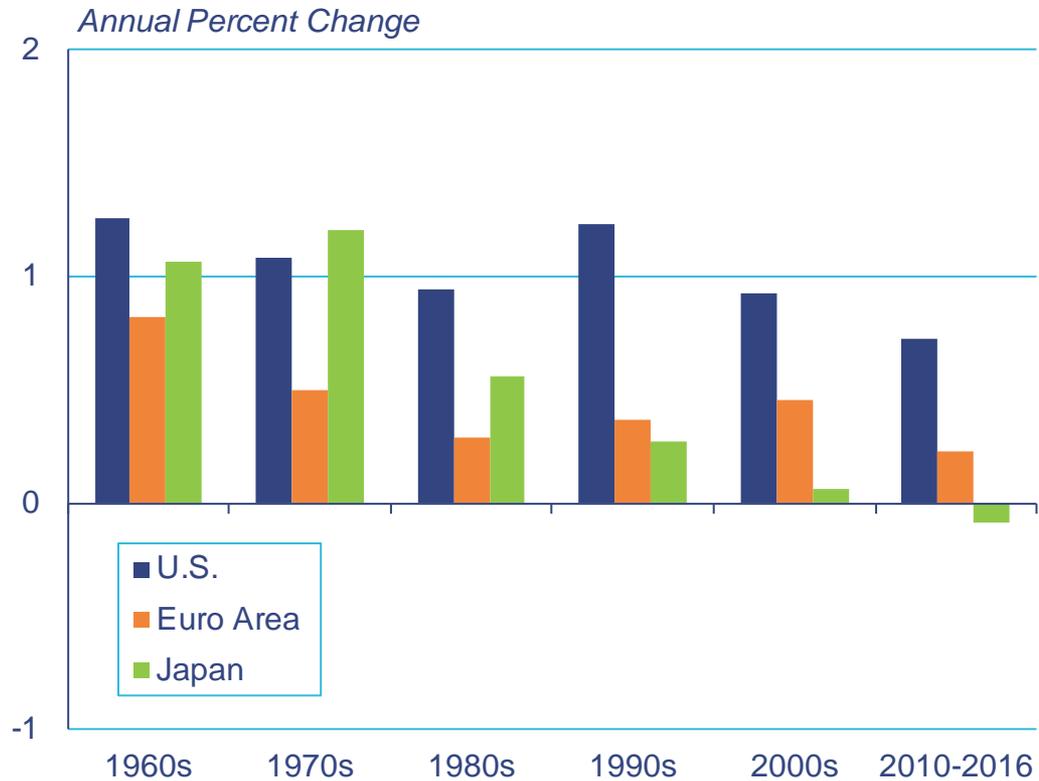
bostonfed.org

Figure 1: Population Growth

Annual Percent Change

Legend:
- U.S.
- Euro Area
- Japan

X-axis: 1960s, 1970s, 1980s, 1990s, 2000s, 2010-2016

Y-axis: -1, 0, 1, 2

Figure 2: Growth in Real GDP Per Capita

Annual Percent Change

Legend:
- 1995-2000
- 2000-2006
- 2010-2016

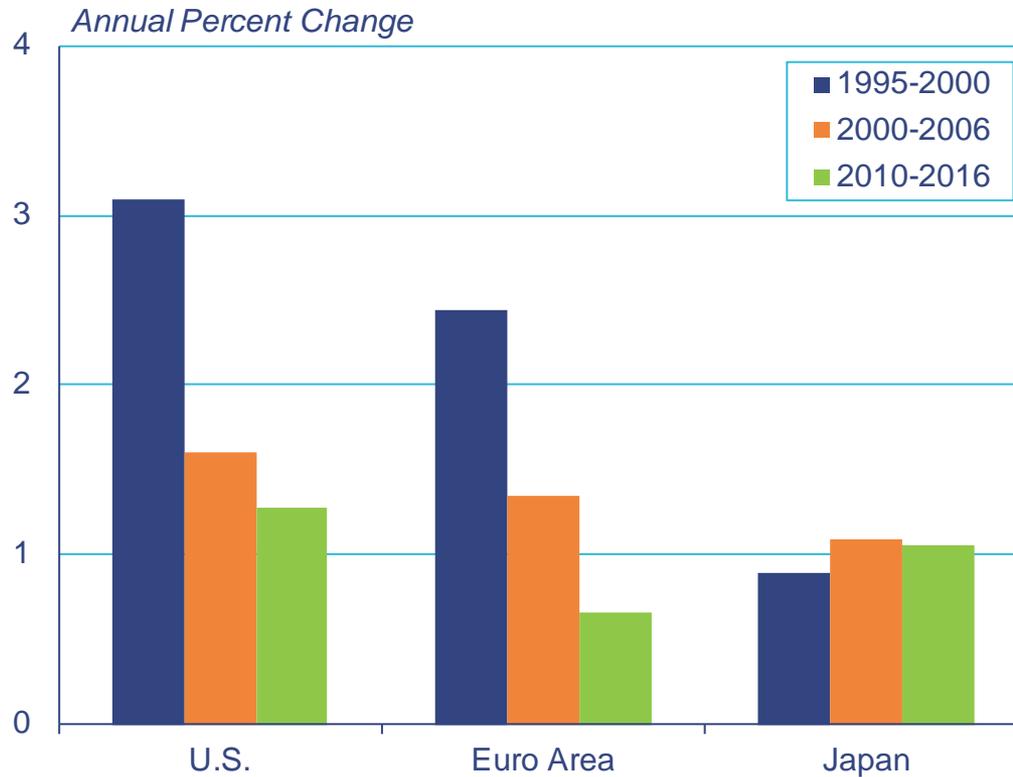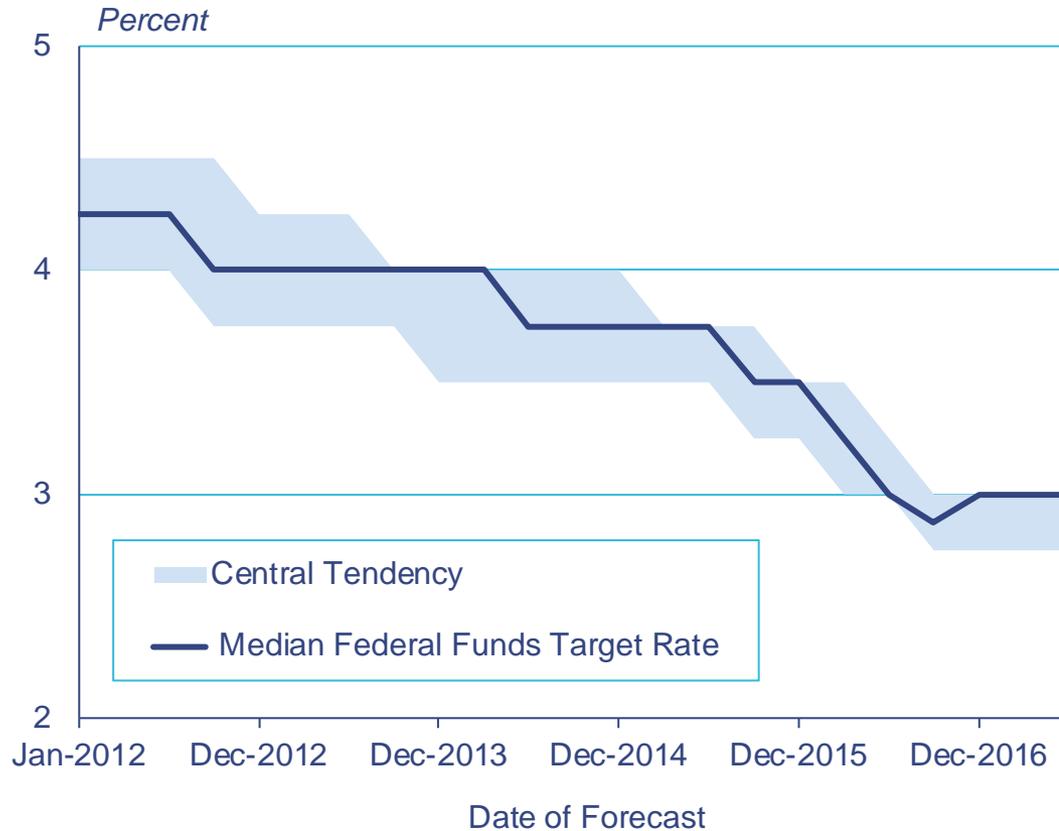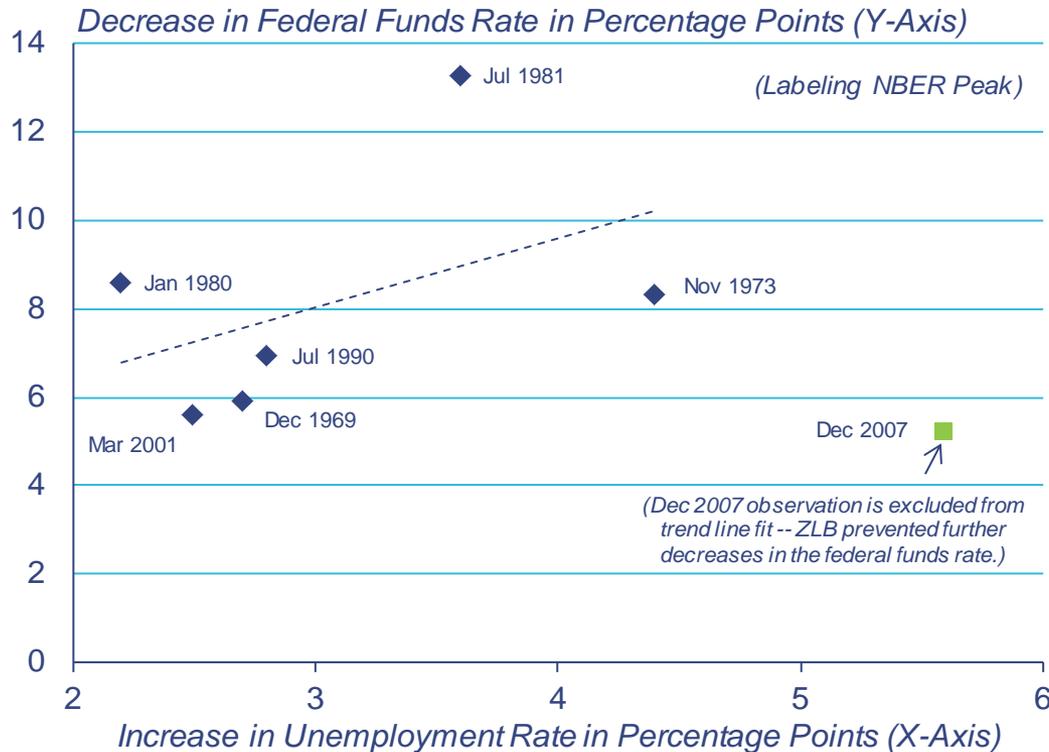Categories: U.S., Euro Area, Japan

Y-axis: 0 to 4

Figure 3: Forecasts for the Longer-Run Federal Funds Rate from the Summary of Economic Projections
January 2012 - June 2017

Note: The central tendency excludes the three highest and three lowest observations.

Source: FOMC, Summary of Economic Projections (SEP)

Figure 4: Changes in the Federal Funds Effective Rate and the Unemployment Rate

Decrease in Federal Funds Rate in Percentage Points (Y-Axis)

(Labeling NBER Peak)

- ◆ Jul 1981
- ◆ Jan 1980
- ◆ Nov 1973
- ◆ Jul 1990
- ◆ Dec 1969
- Mar 2001
- ■ Dec 2007

(Dec 2007 observation is excluded from trend line fit -- ZLB prevented further decreases in the federal funds rate.)

Increase in Unemployment Rate in Percentage Points (X-Axis)

Note: The changes are measured between the peaks and troughs of the individual series. NBER business cycle peak dates are used only to identify the particular business cycle. The decrease in the federal funds rate is measured by the change from the peak federal funds rate to the trough federal funds rate. The increase in the unemployment rate is measured by the change from the trough unemployment rate to the peak unemployment rate.

Figure 5: Spread: Ten-Year Government Bond Yield Minus Two-Year Government Bond Yield
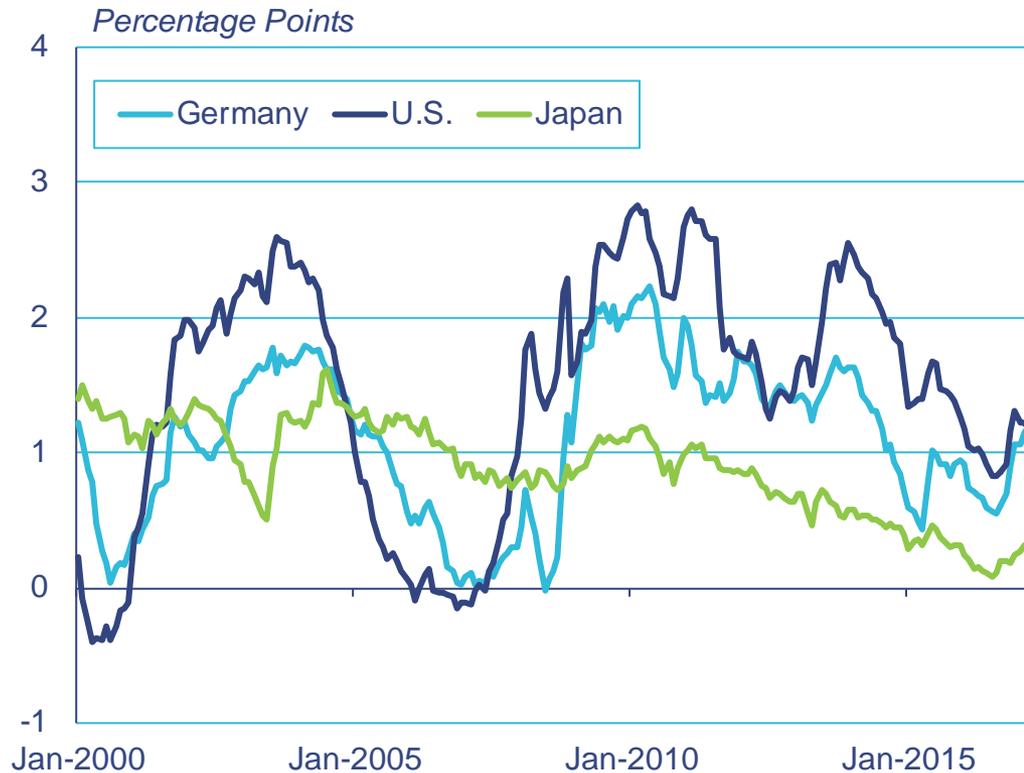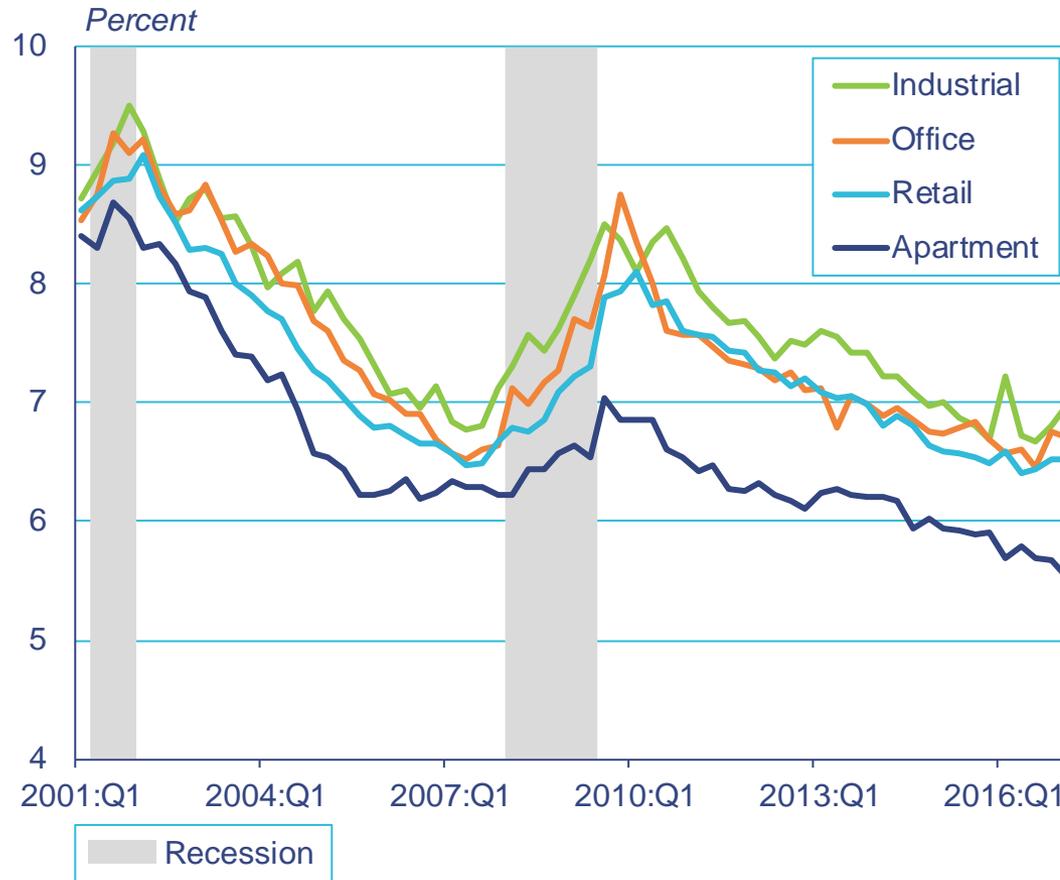January 2000 - May 2017

Percentage Points

Legend: Germany, U.S., Japan

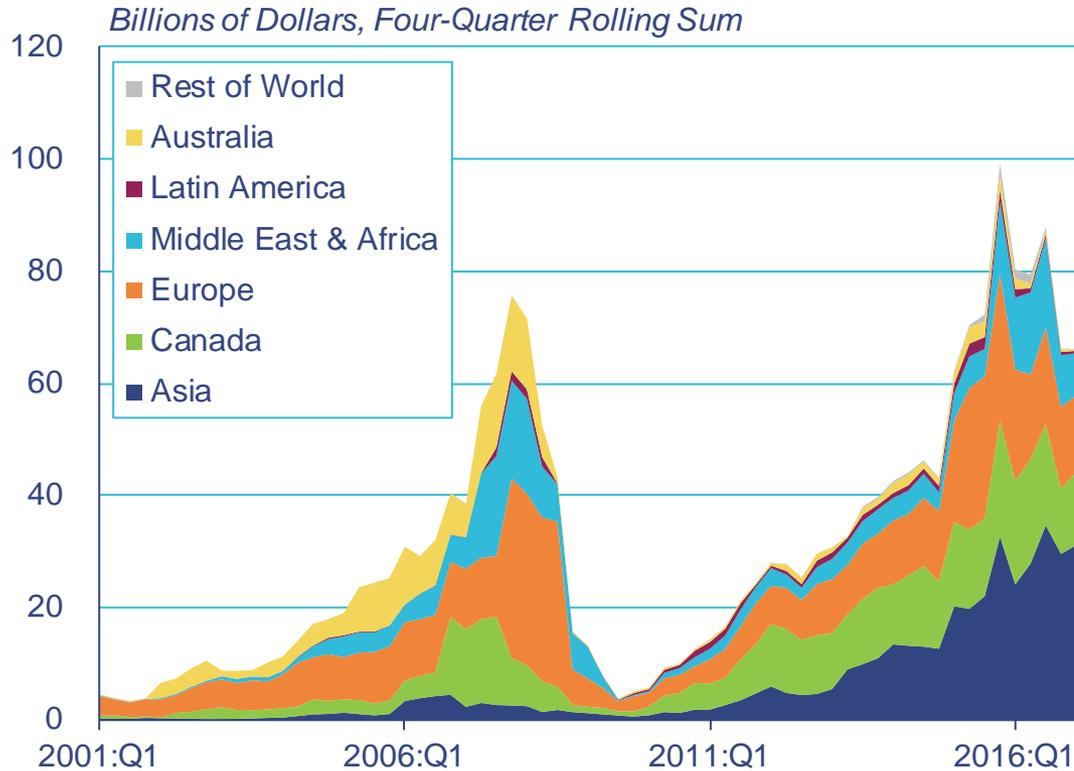# Figure 6: Capitalization Rates by Property Type
2001:Q1 - 2017:Q1

Note: The capitalization or "cap" rate is the ratio of net operating income produced by a property to the price paid, calculated at the time of a transaction. Based on properties of $2.5 million or more.

Source: Real Capital Analytics, NBER, Haver Analytics

Figure 7: Foreign Capital Invested in U.S. Commercial Real Estate

2001:Q1 - 2017:Q1

Billions of Dollars, Four-Quarter Rolling Sum

Legend:
- Rest of World
- Australia
- Latin America
- Middle East & Africa
- Europe
- Canada
- Asia

Note: Latin America is defined as any country in North or South America except Canada and the United States.

Source: Real Capital Analytics