



# October 18<sup>th</sup> FOMC Meeting: Evaluating a Dynamic Balance of Risks

# Meeting Agenda

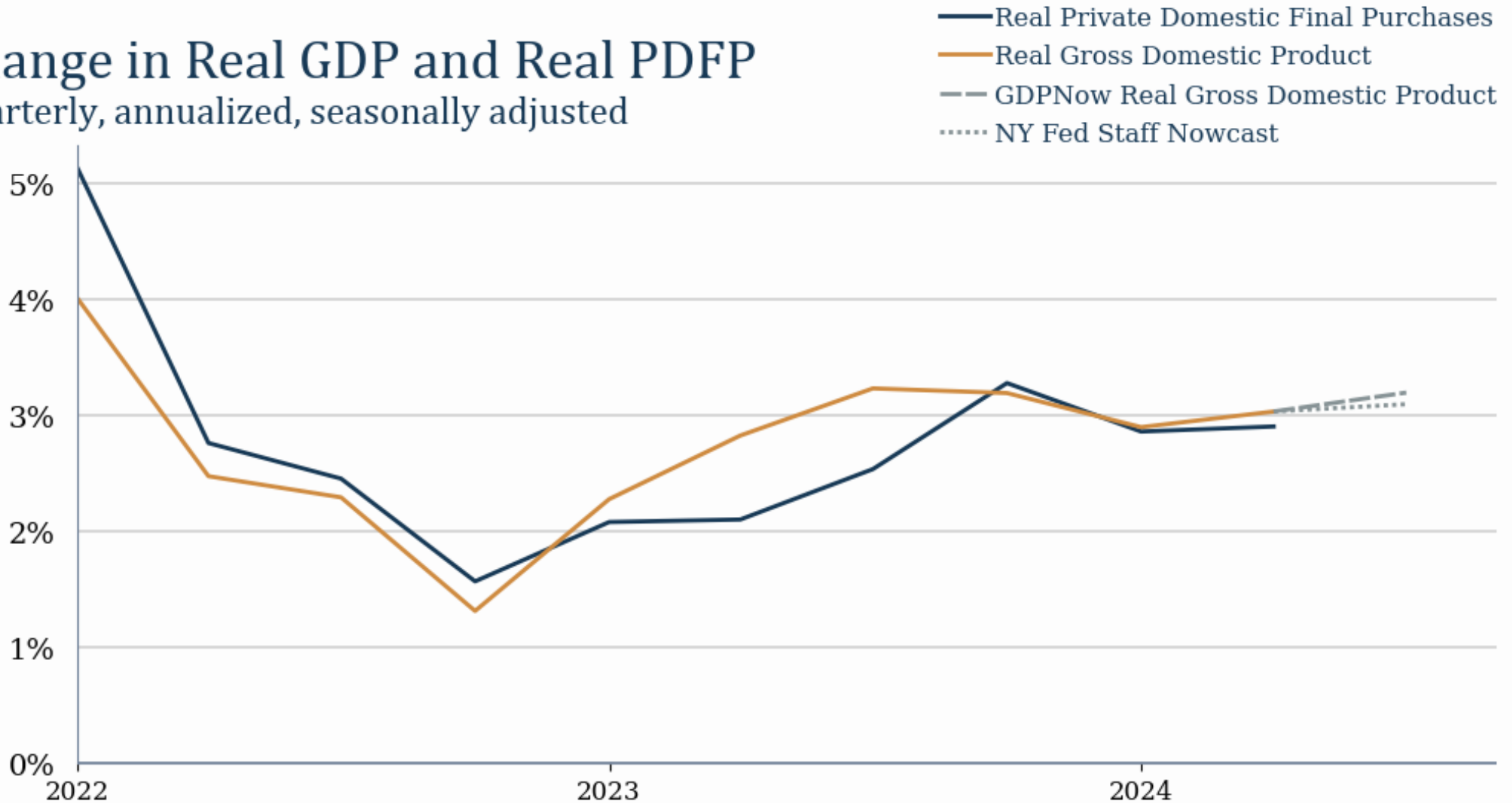
1. Economic Review
2. Financial Review
3. Economic Outlook
4. Policy Considerations
5. Policy Decision



*We remain committed to achieving our goals of maximum sustainable employment and stable prices.*

# PDFP & GDP: Underlying Expansion From 2023

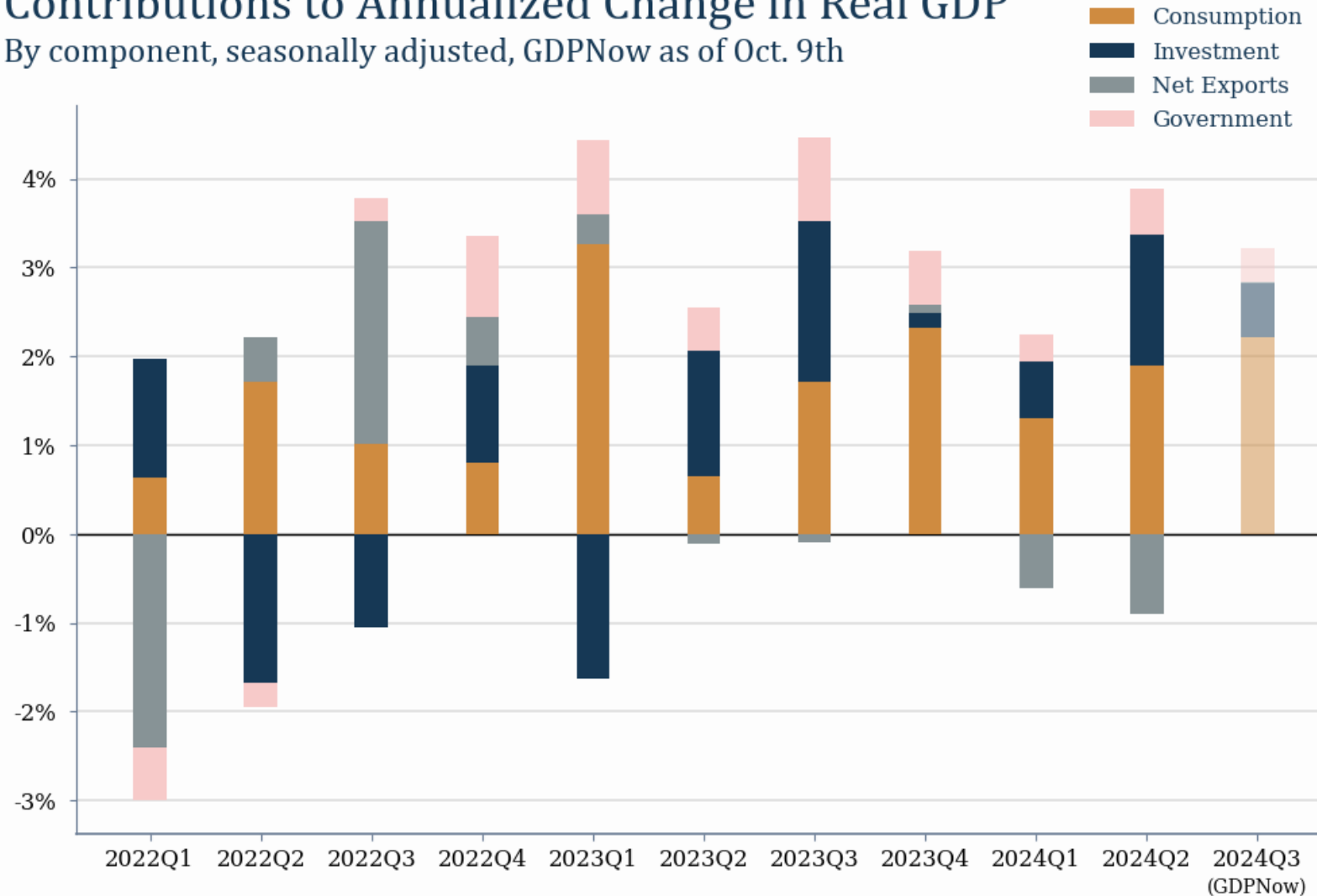
Change in Real GDP and Real PDFP  
Quarterly, annualized, seasonally adjusted



# GDP by Component: Stronger Trajectory than Sep. SEP

## Contributions to Annualized Change in Real GDP

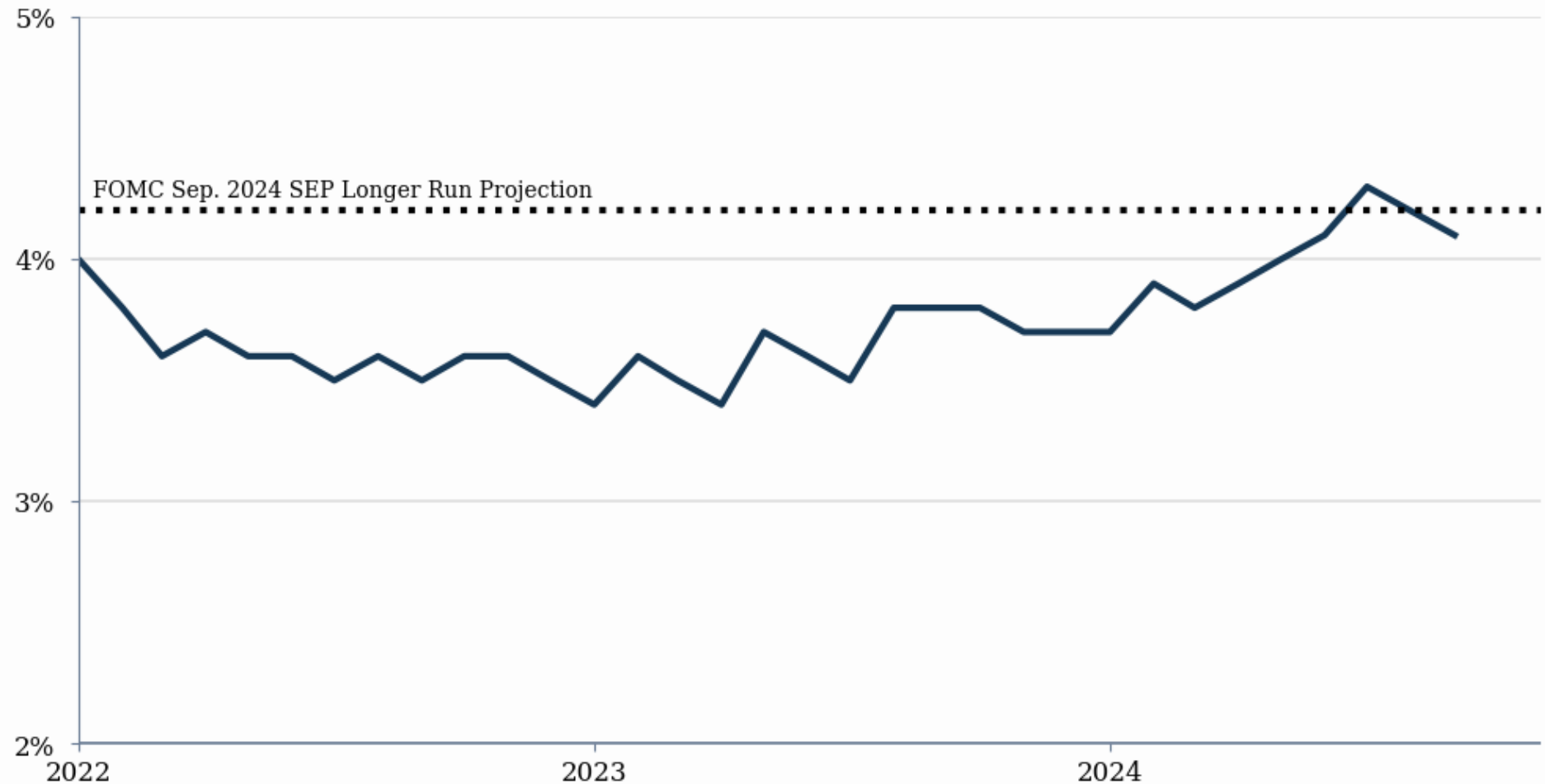
By component, seasonally adjusted, GDPNow as of Oct. 9th



# U-3 Rate: More Robust Employment Than Expected

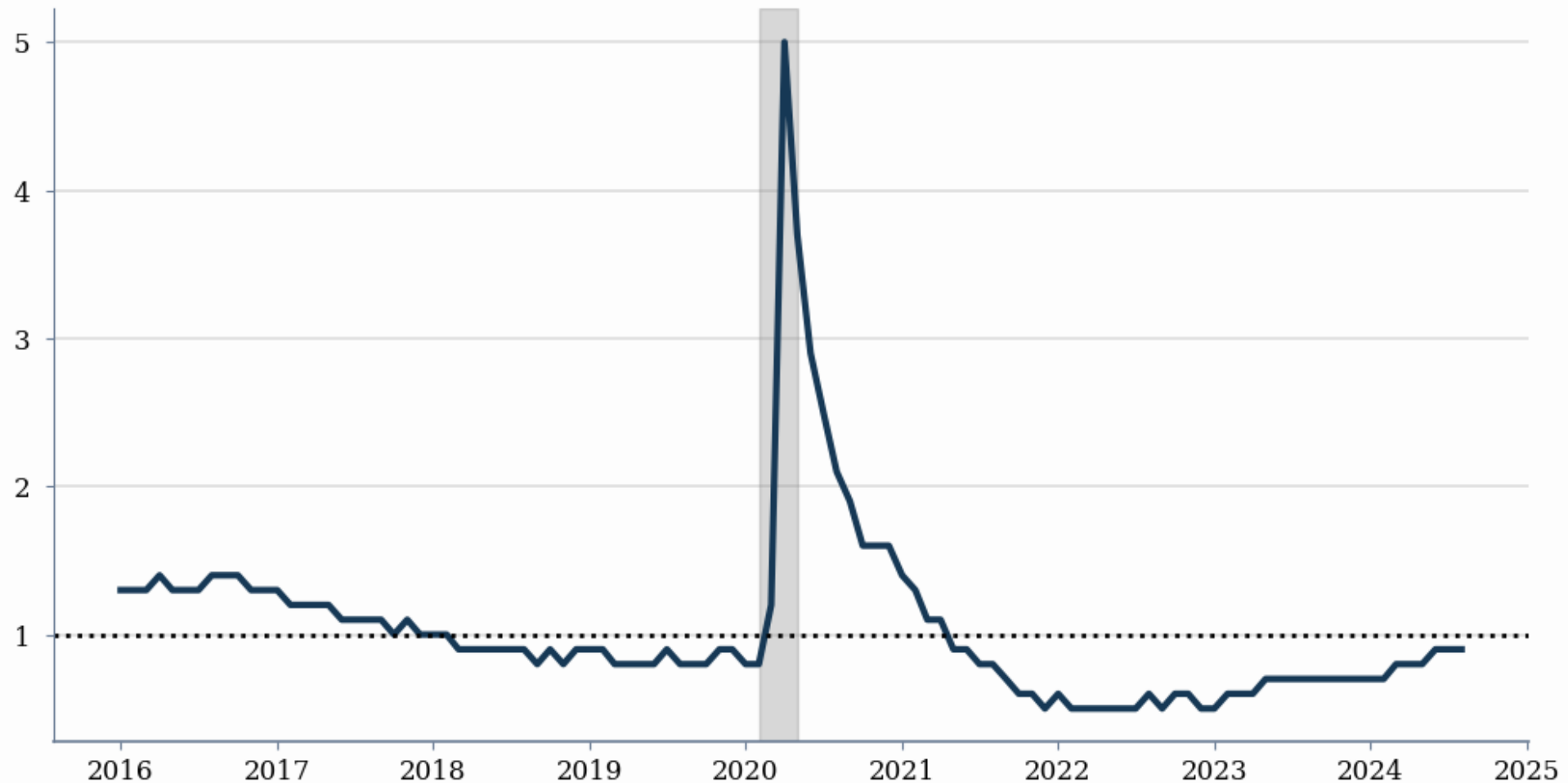
## Unemployment Rate

U-3, monthly, seasonally adjusted



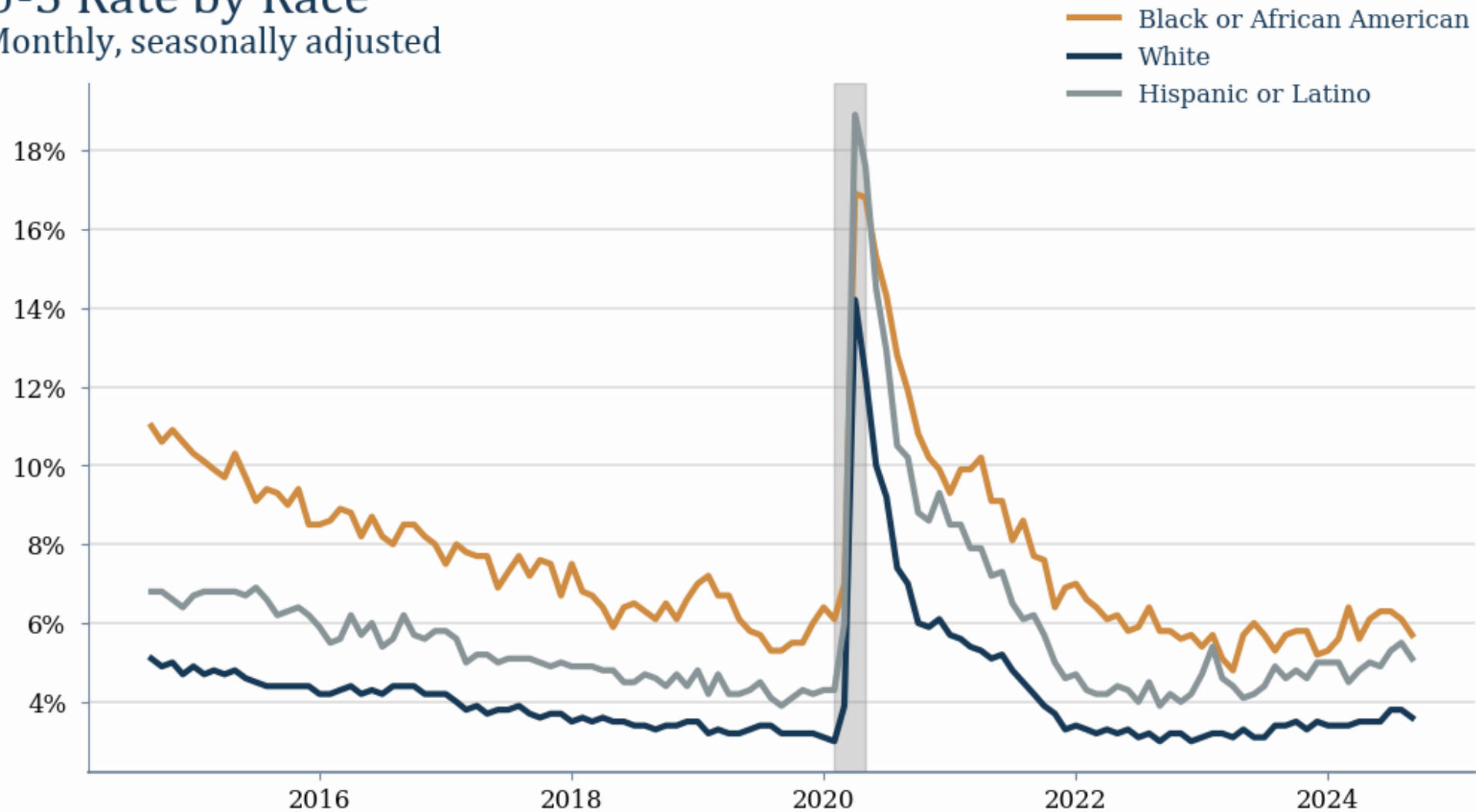
# U/V Ratio: Tight But Easing Labor Market

Number of Unemployed People per Job Opening  
Monthly, seasonally adjusted



# U-3 by Race: Narrower Gaps Post-Recovery

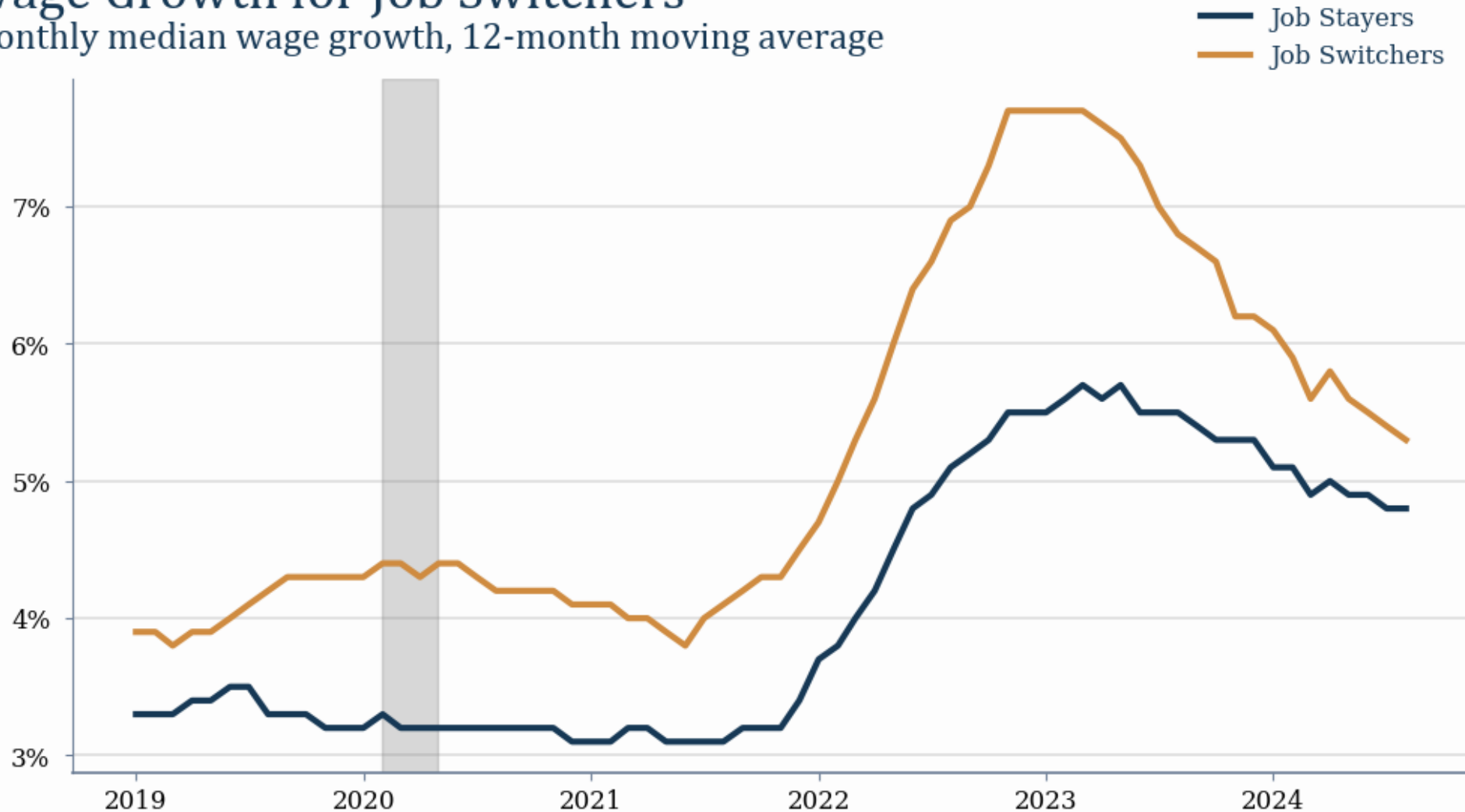
U-3 Rate by Race  
Monthly, seasonally adjusted



# Nominal Wage Growth: Switchers Premium Cooled

## Wage Growth for Job Switchers

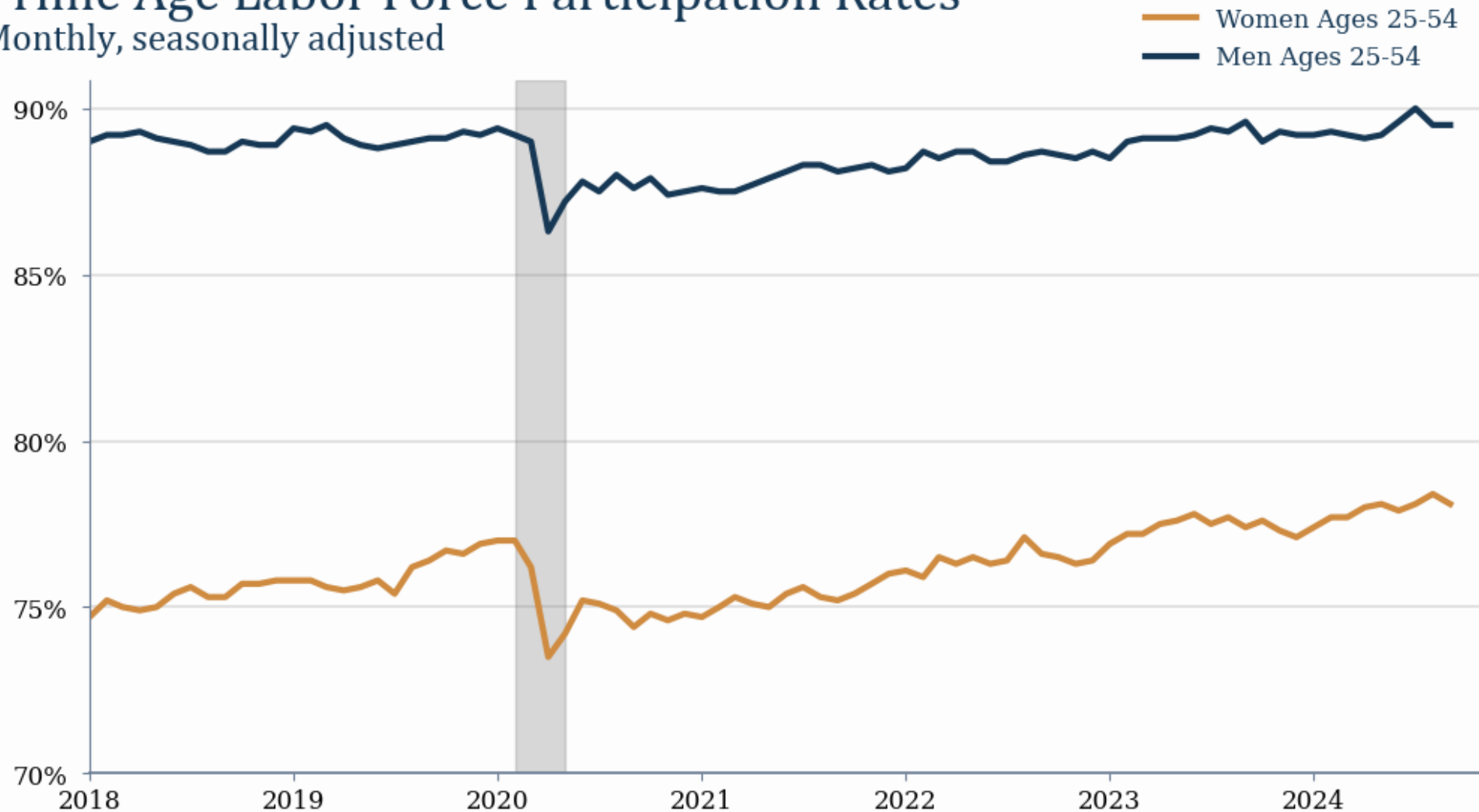
Monthly median wage growth, 12-month moving average





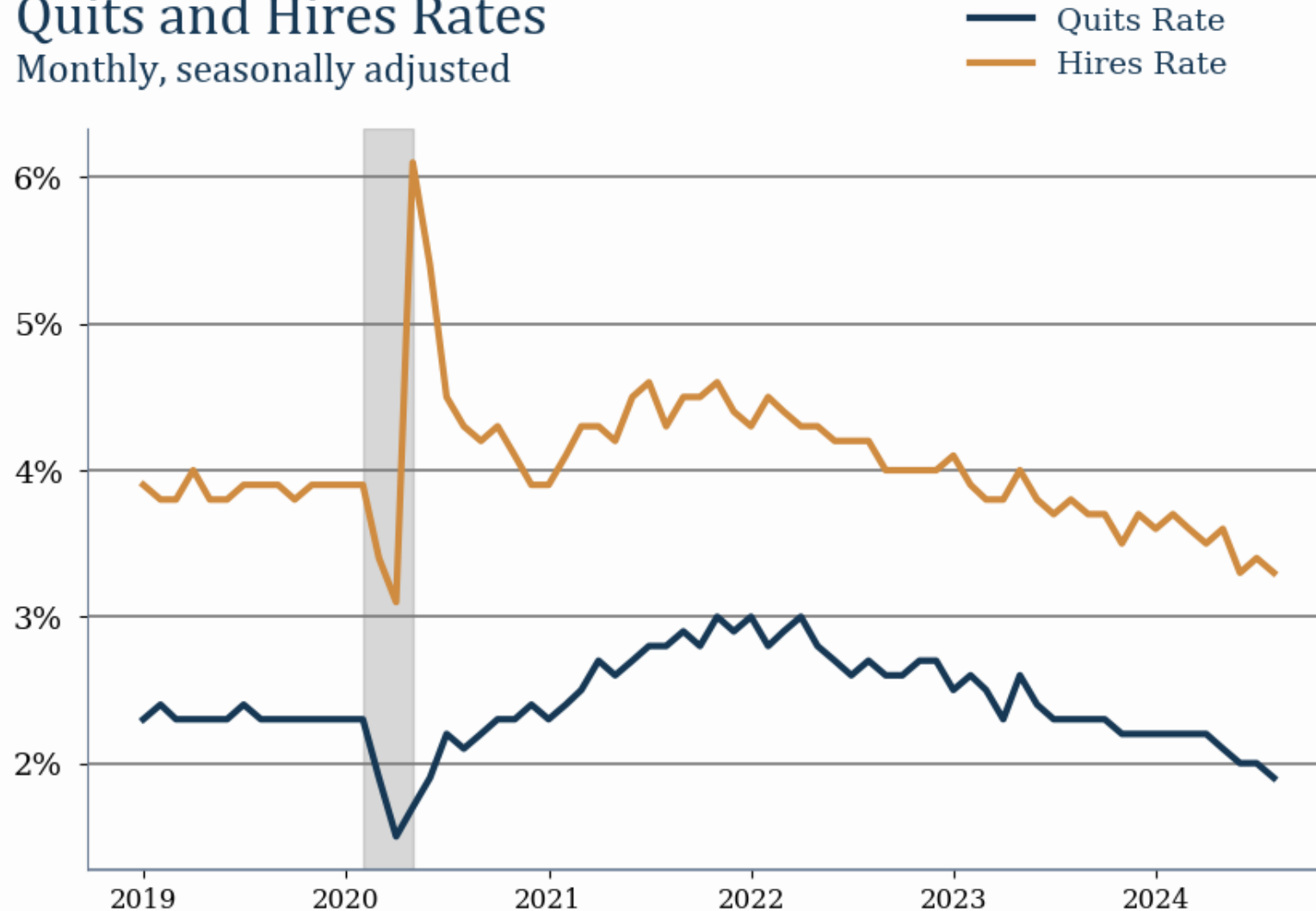
# Labor Force Participation: Normalized Post-Pandemic

Prime Age Labor Force Participation Rates  
Monthly, seasonally adjusted



# Quits and Hires Rates: Labor Market Rebalancing

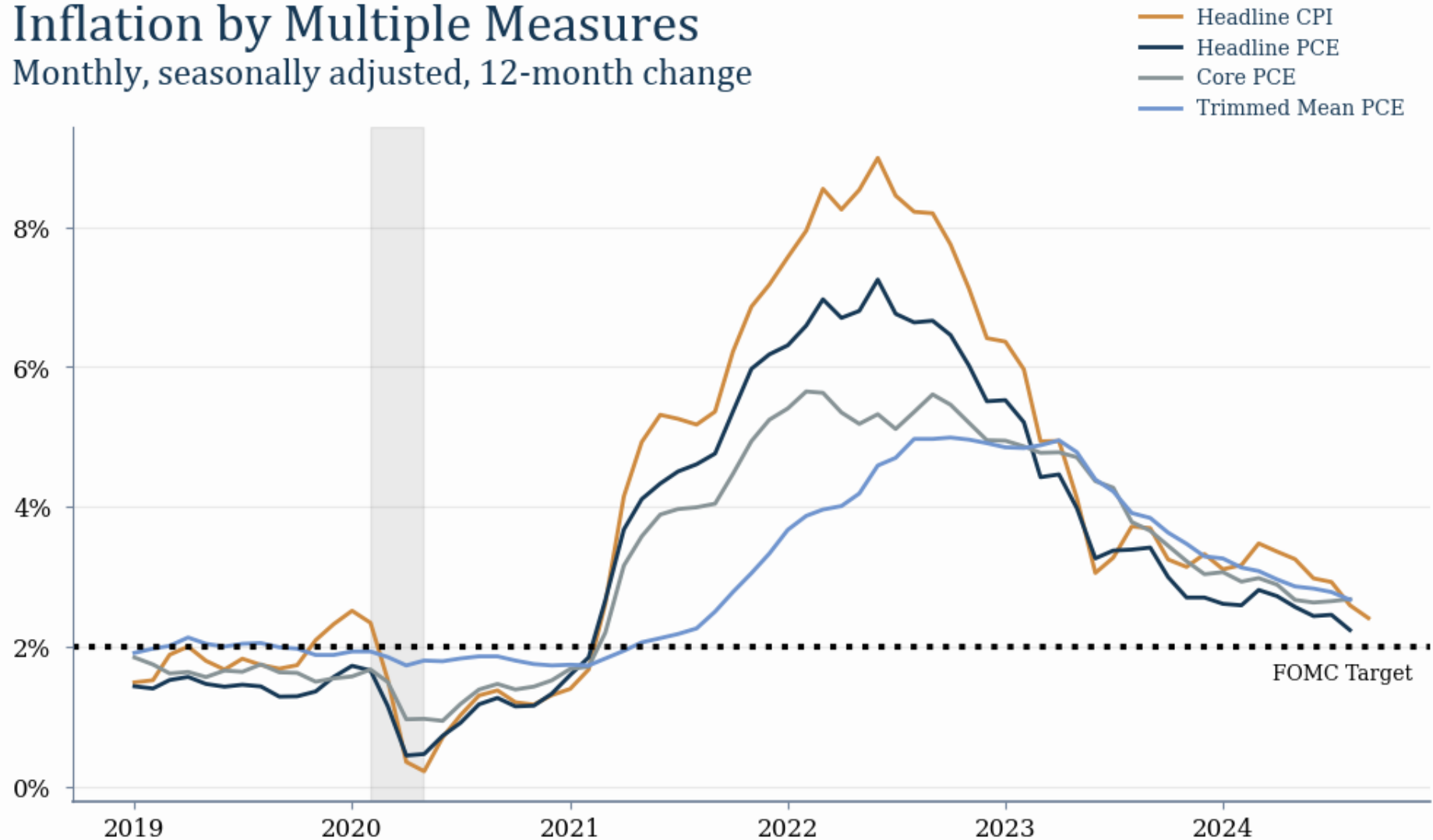
Quits and Hires Rates  
Monthly, seasonally adjusted



# CPI and PCE: Inflation Approaching Target

## Inflation by Multiple Measures

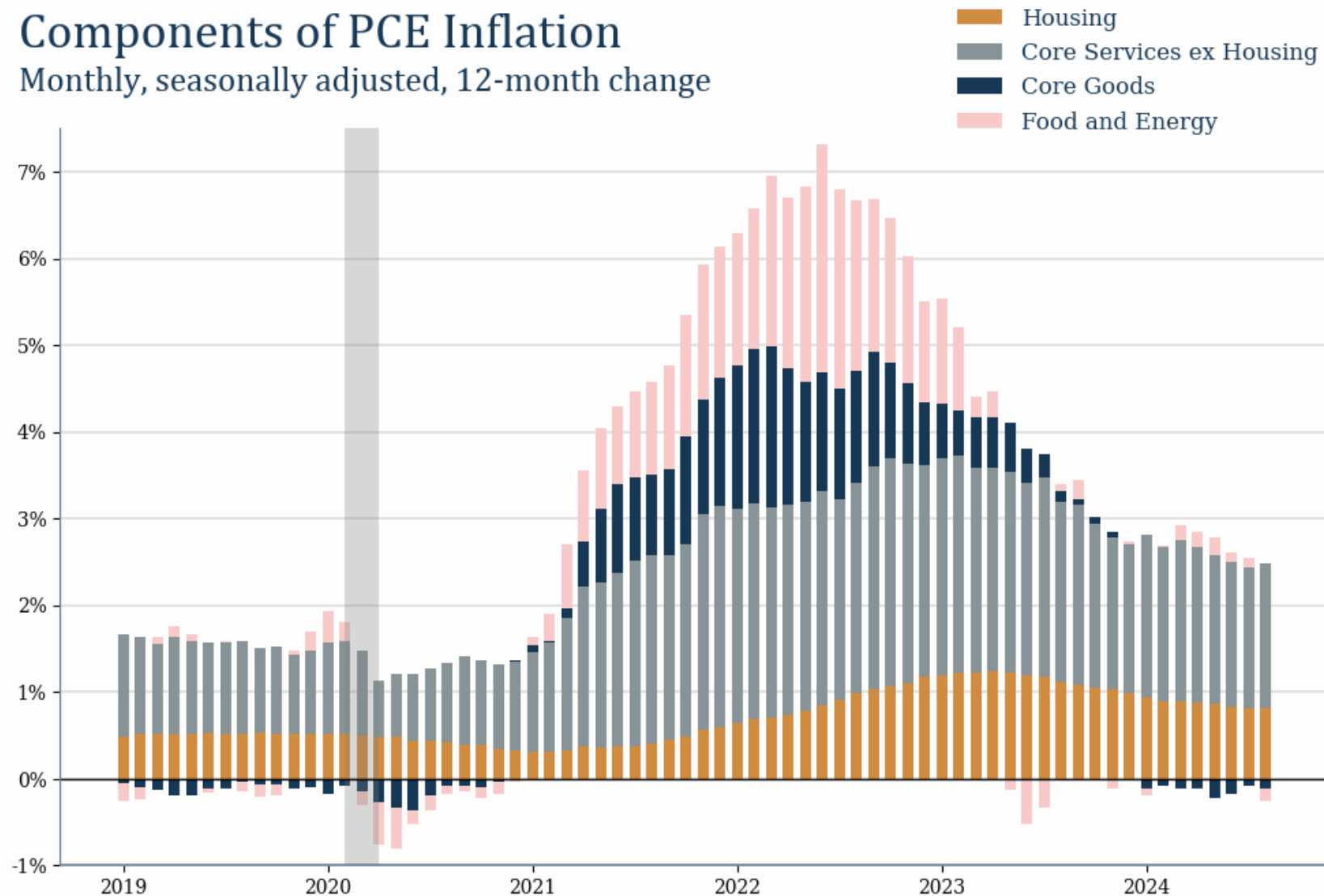
Monthly, seasonally adjusted, 12-month change



# PCE by Component: Firmer Inflation in Late 2023

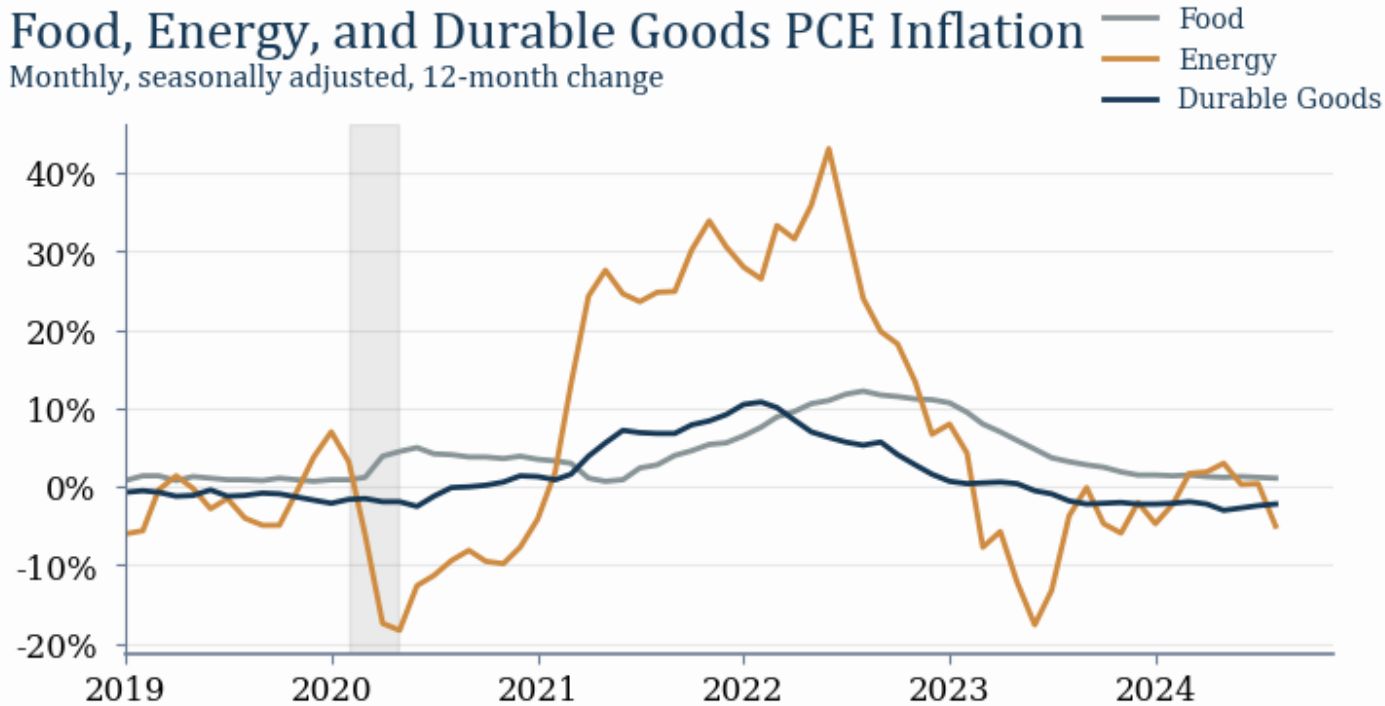
## Components of PCE Inflation

Monthly, seasonally adjusted, 12-month change

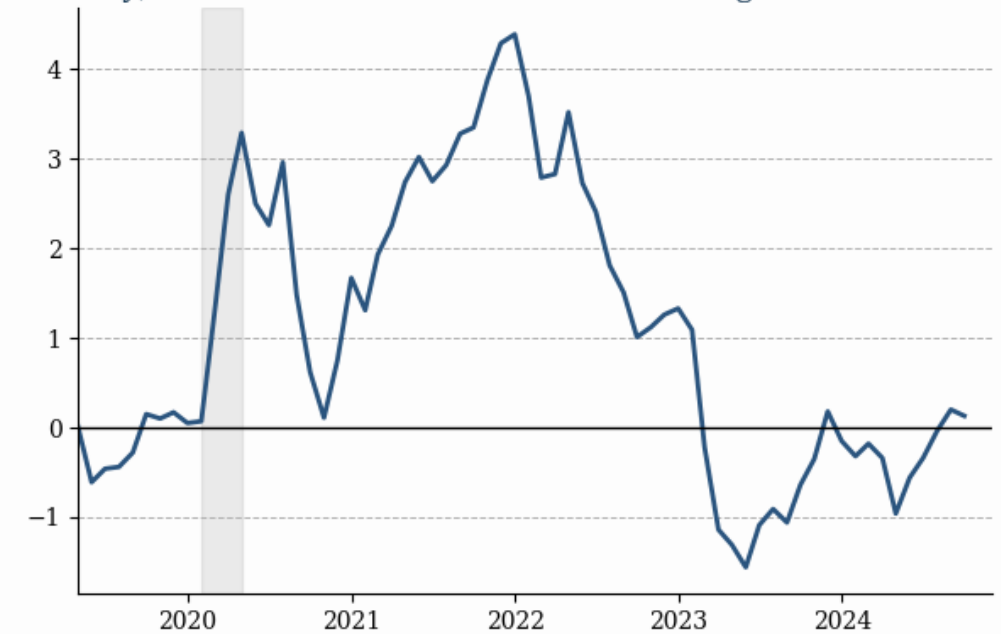


# Good Inflation: Eased As Supply Chains Normalized

**Food, Energy, and Durable Goods PCE Inflation**  
Monthly, seasonally adjusted, 12-month change



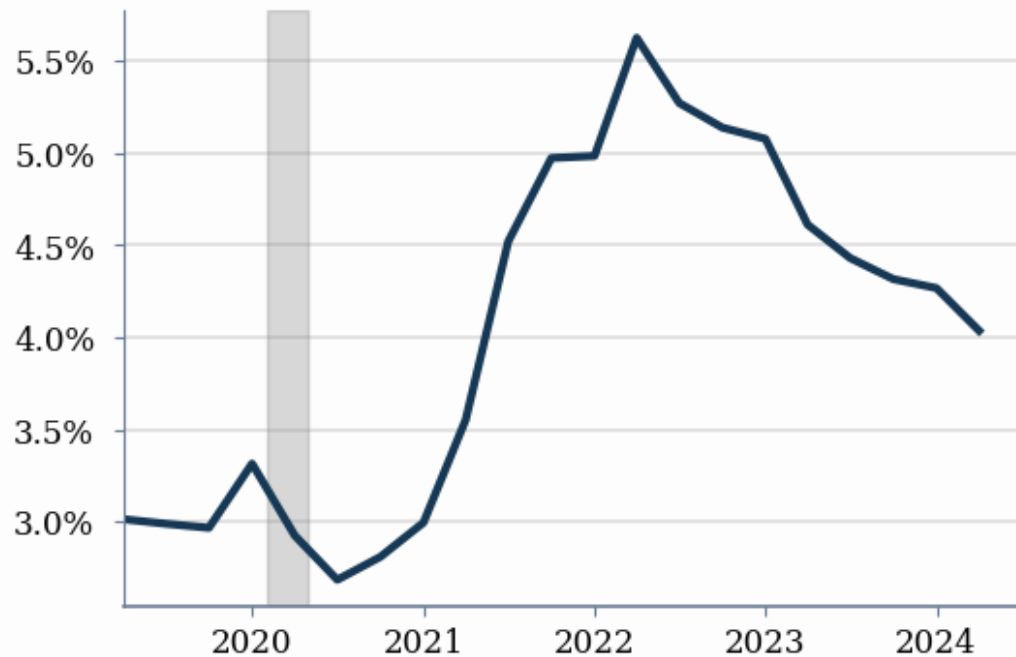
**Global Supply Chain Pressure Index**  
Monthly, standard deviations from historical average



# Services Inflation: Eased As Supply Pressures Abate

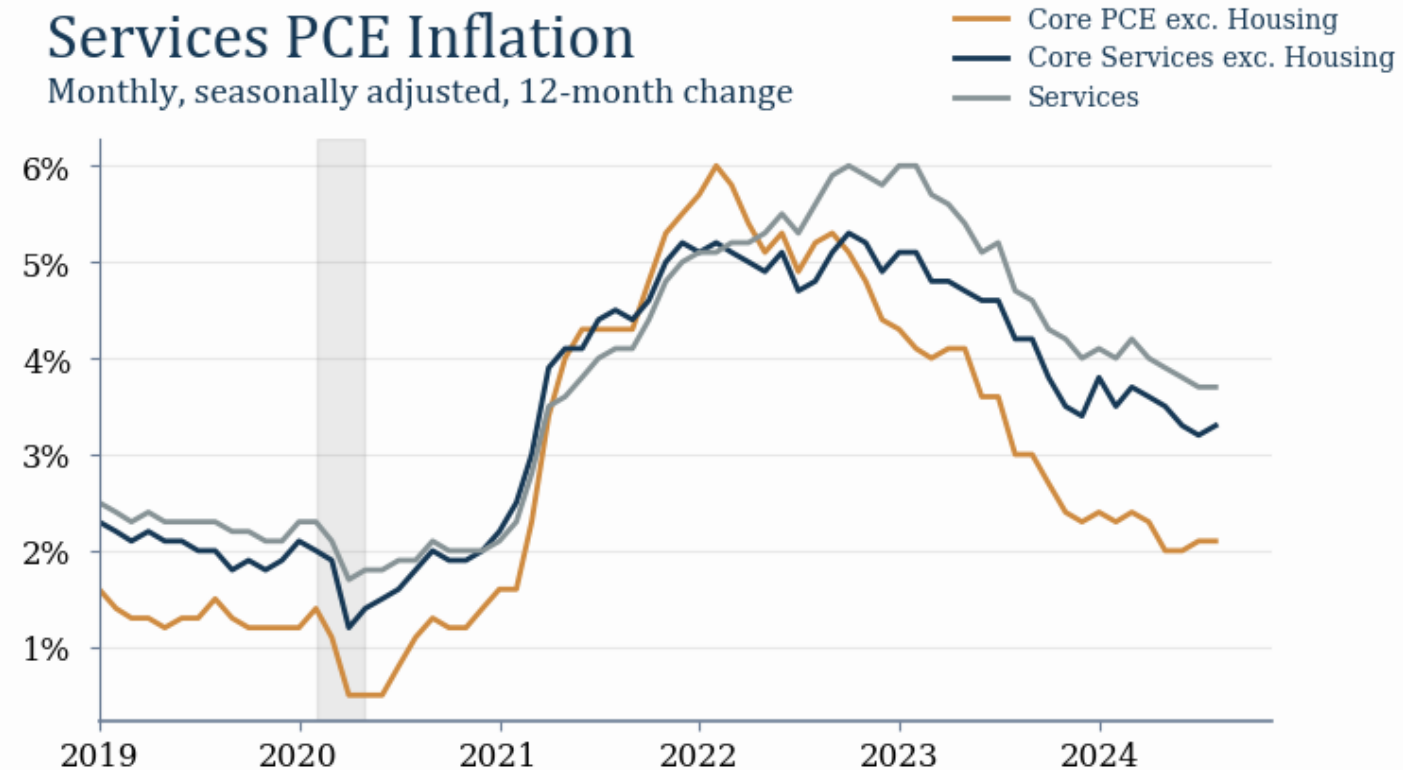
## Employment Cost Index

Quarterly, seasonally adjusted, 12-month change



## Services PCE Inflation

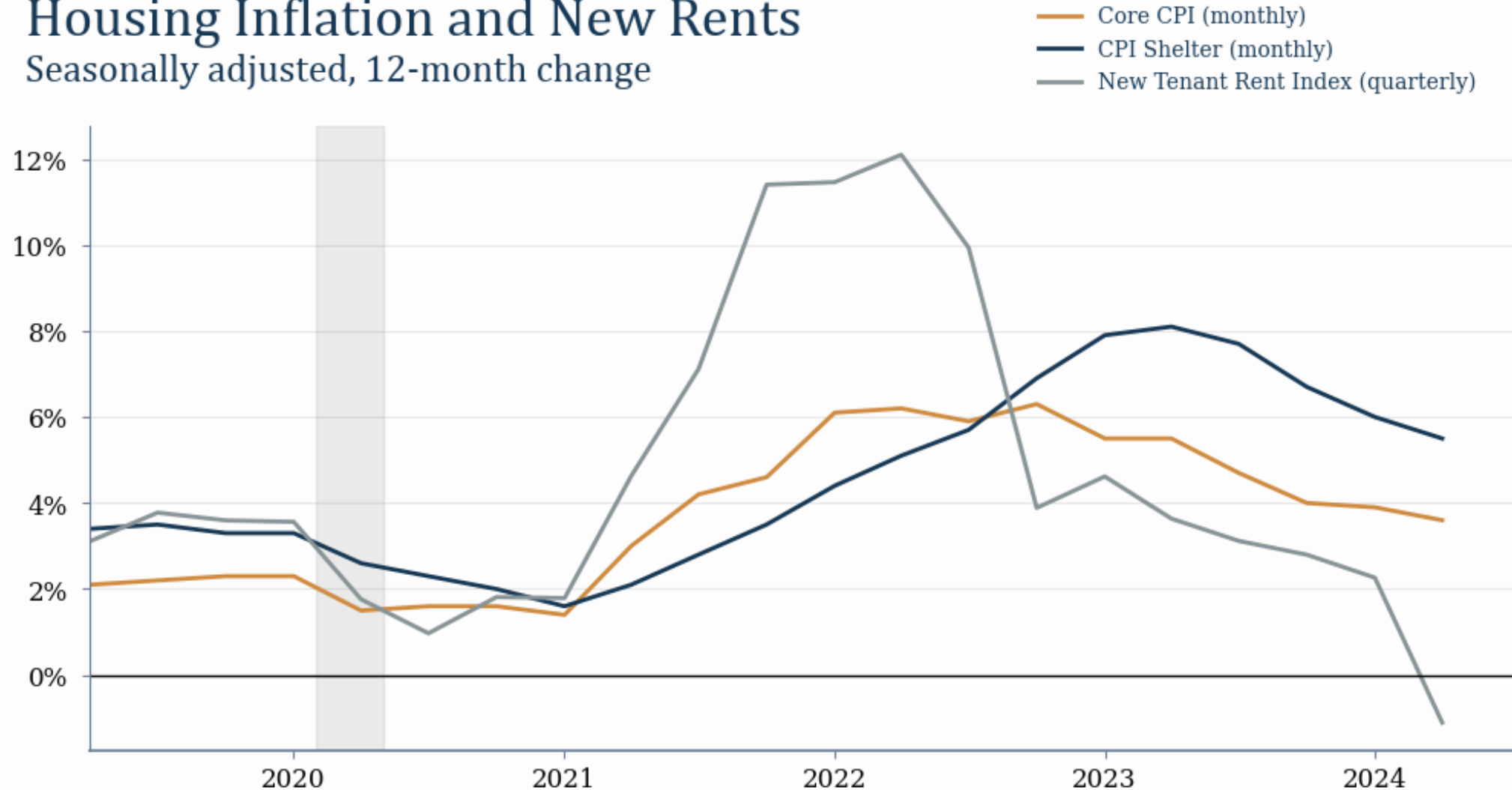
Monthly, seasonally adjusted, 12-month change



# Housing Inflation: Easing As Transmission Lags Pass

## Housing Inflation and New Rents

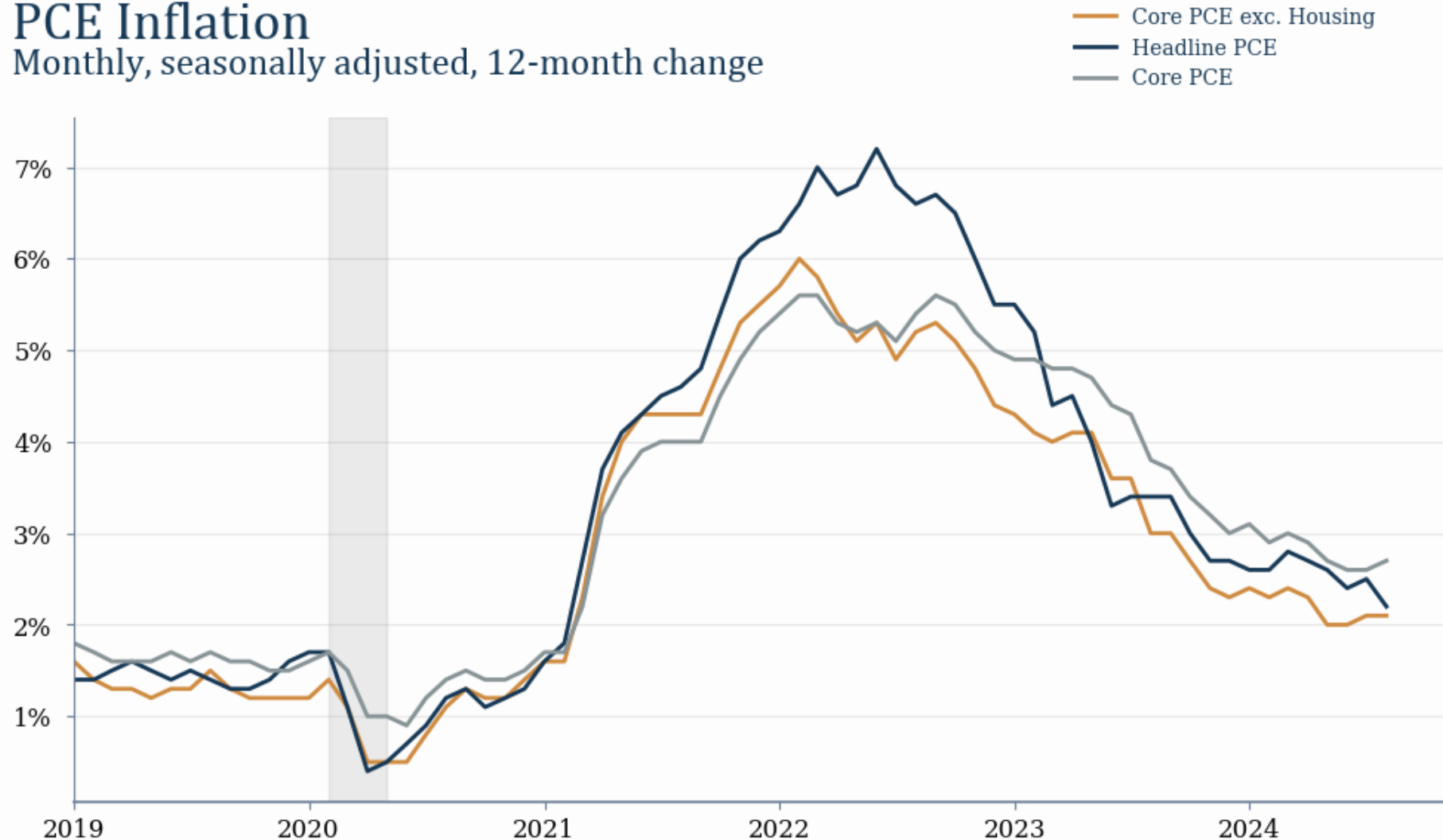
Seasonally adjusted, 12-month change



# PCE Inflation: Closer To Target Than Core Suggests

## PCE Inflation

Monthly, seasonally adjusted, 12-month change





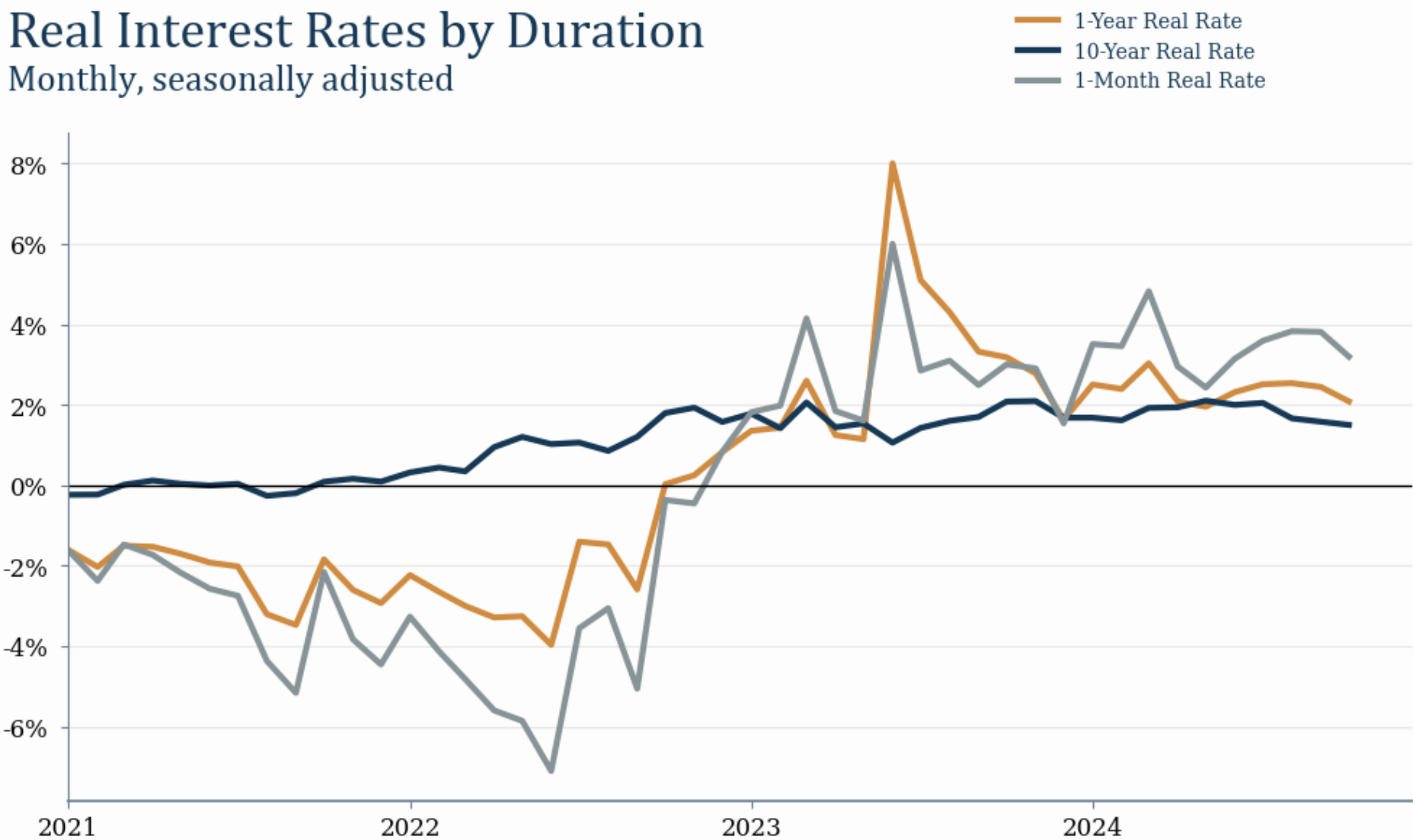
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- 2. Financial Review**
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# Real Interest Rates: Stable Market As Inflation Falls

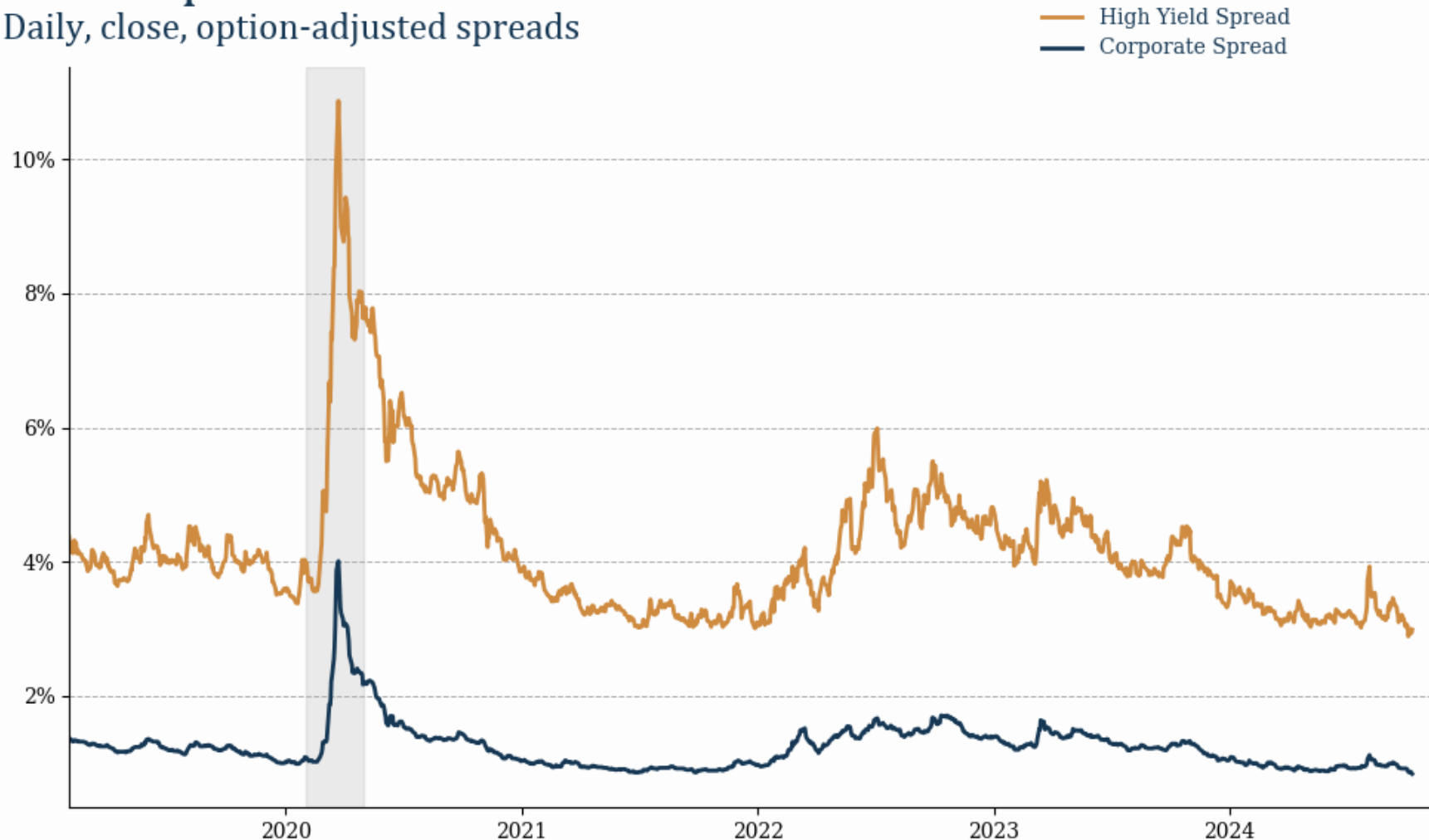
Real Interest Rates by Duration  
Monthly, seasonally adjusted



# Credit Spreads: Risk Premia Remain Stable

## Credit Spreads

Daily, close, option-adjusted spreads



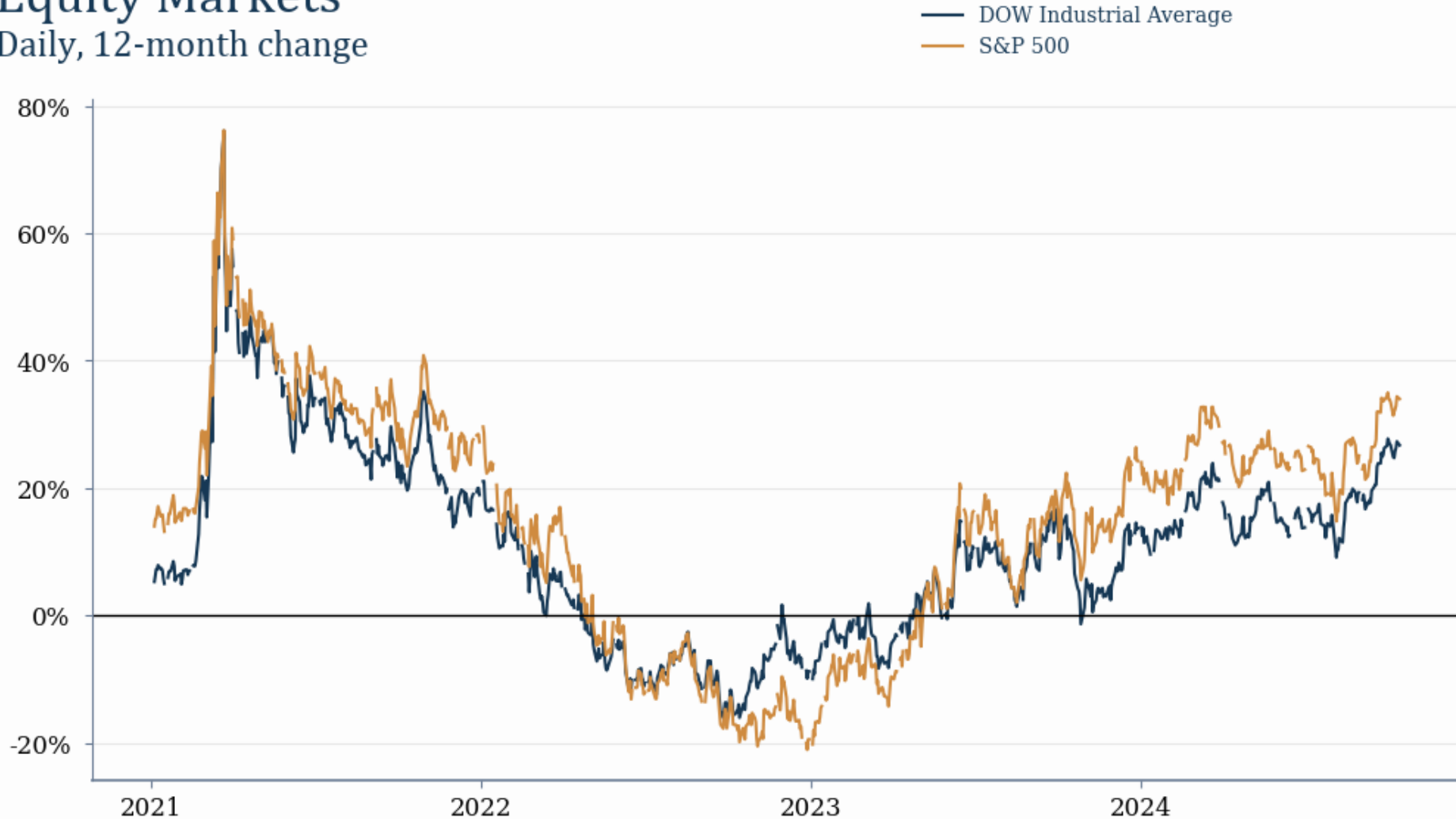
# Mortgage Rates: Mortgagors Eager for Lower Rates

## Refinancing Activity Weekly



# Equities: Strong and Stable Markets

Equity Markets  
Daily, 12-month change



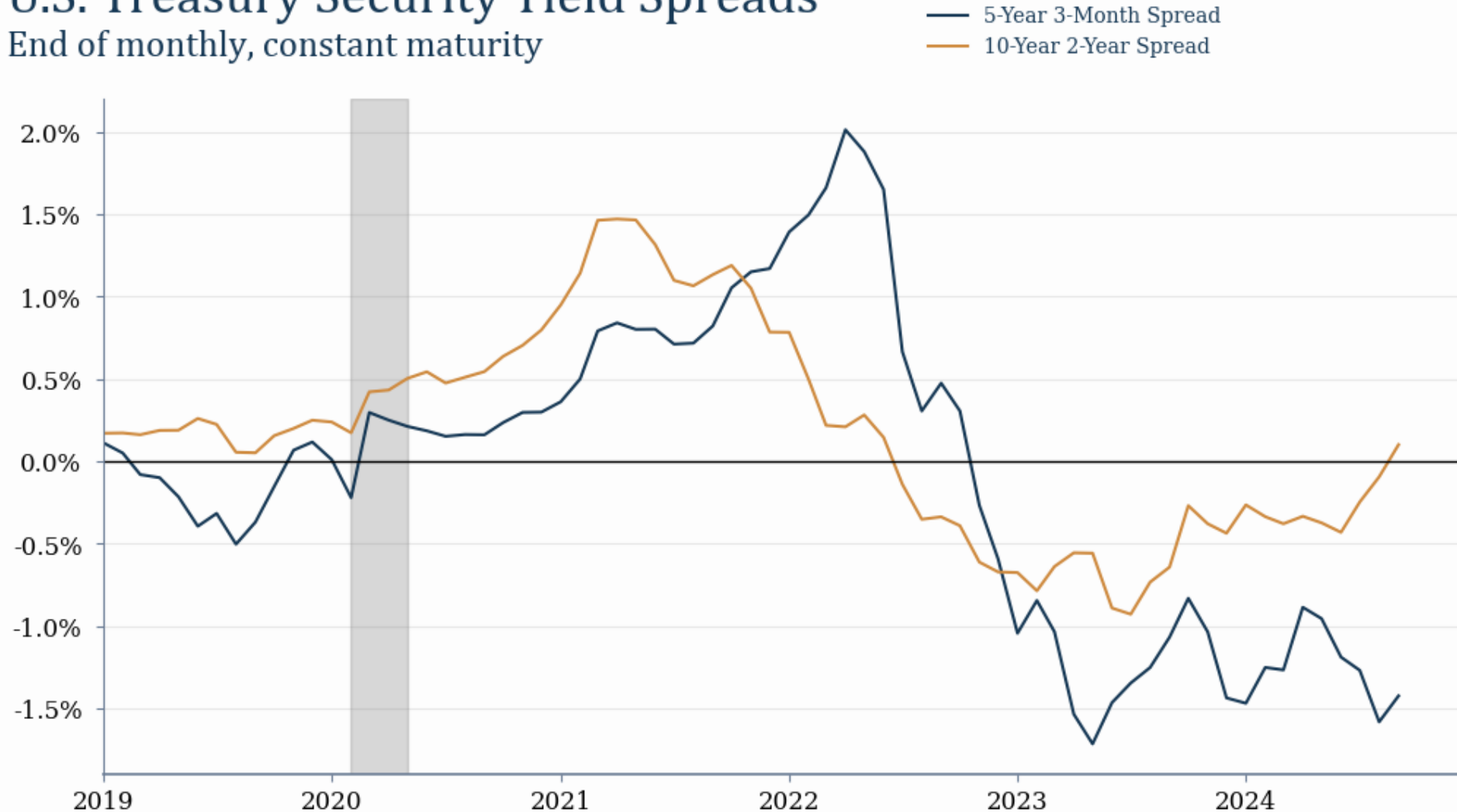
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3. **Economic Outlook**
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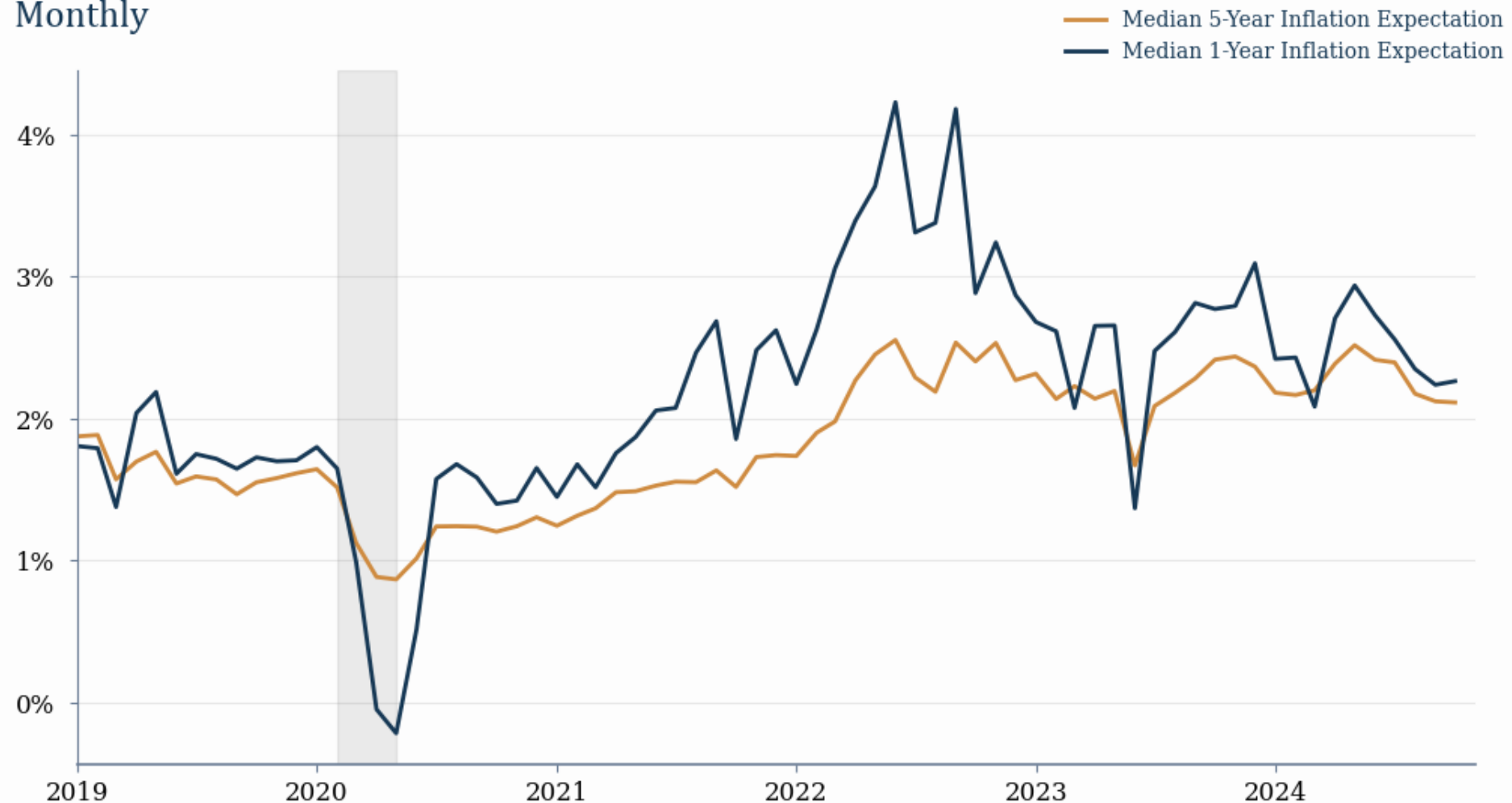
# Yield Spreads: Yield Curve Adjusting to Policy

## U.S. Treasury Security Yield Spreads End of monthly, constant maturity



# Inflation Expectations: Anchored As Inflation Falls

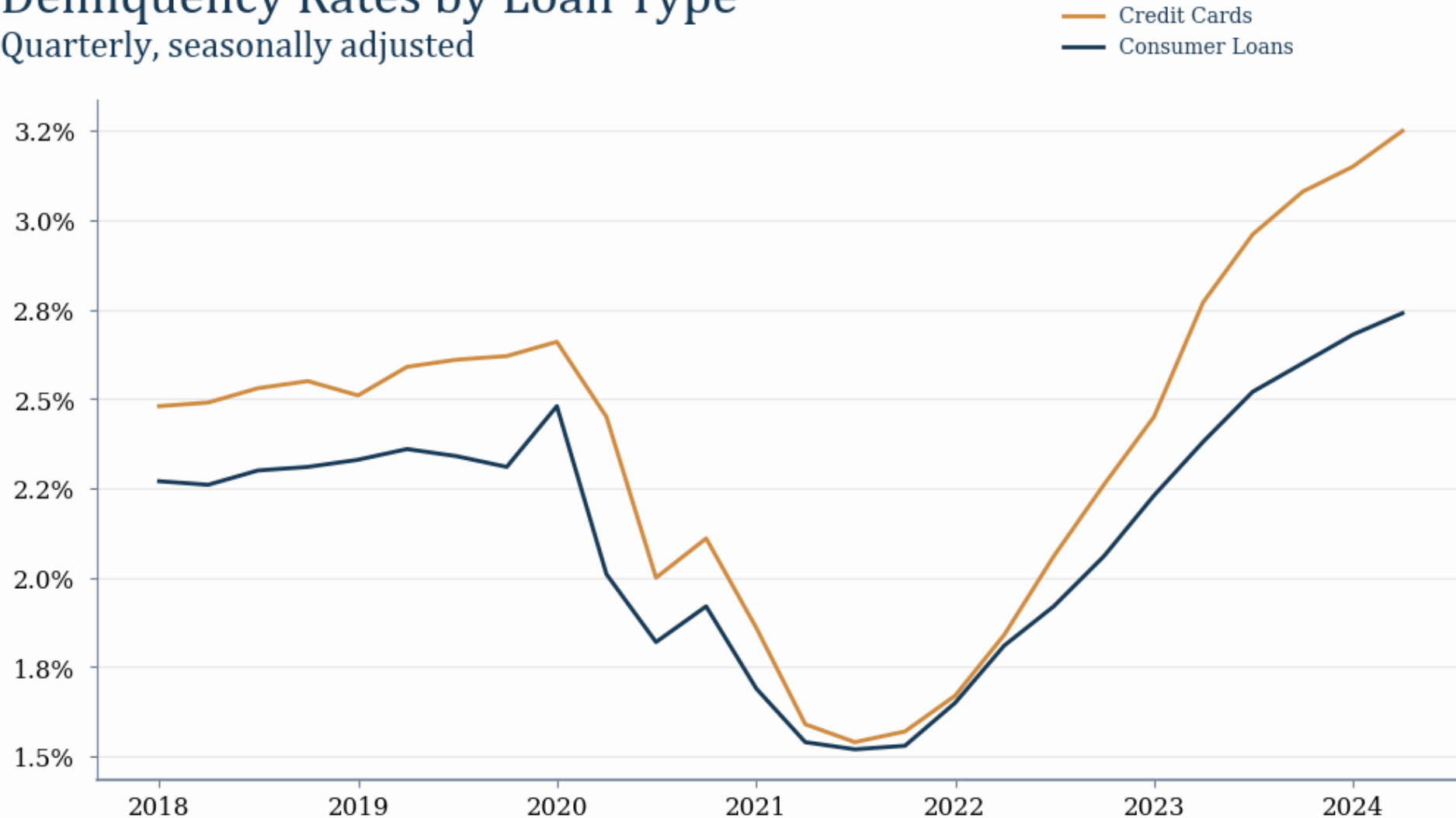
## Consumer Inflation Expectations Monthly



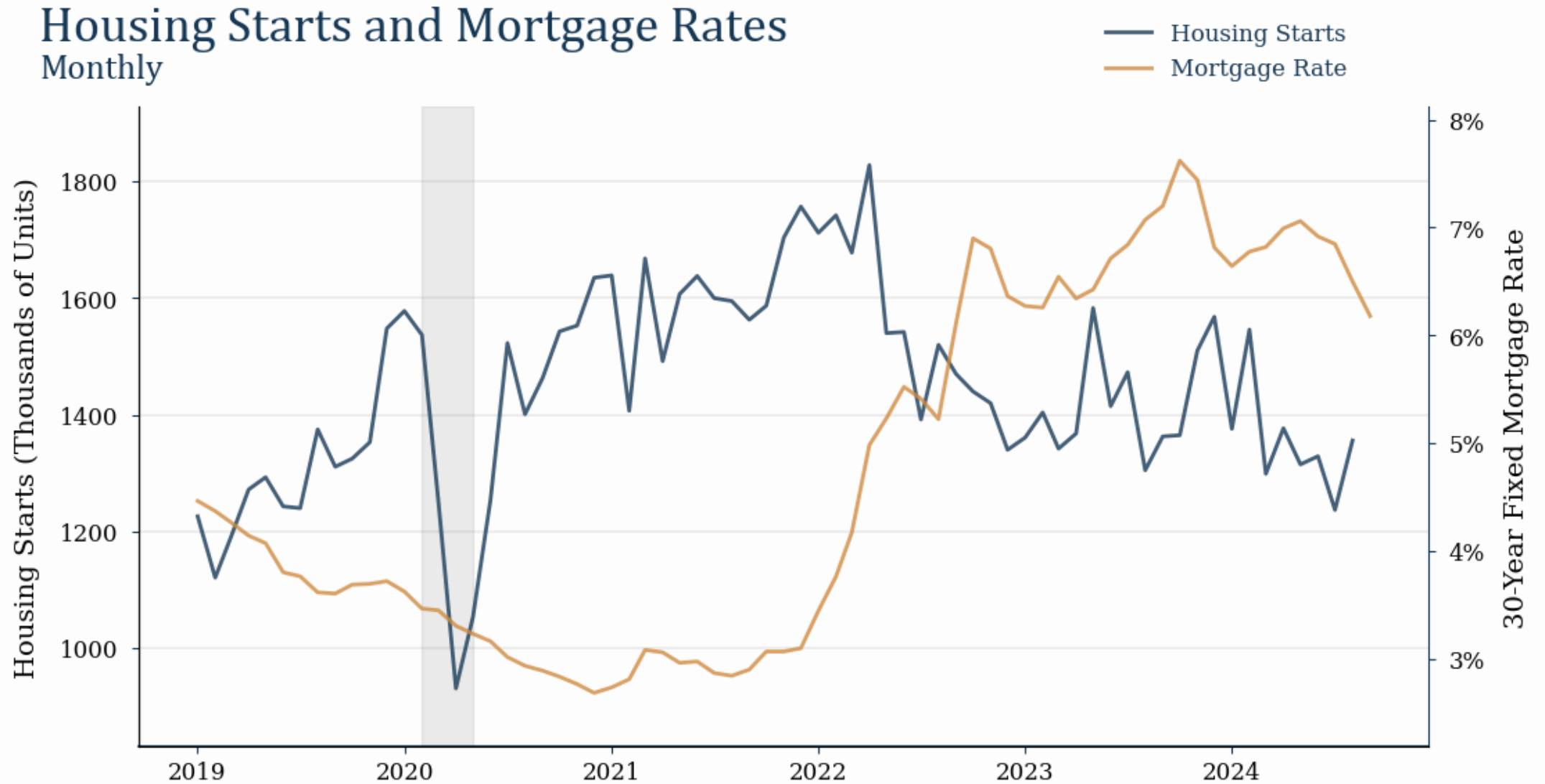


# Delinquency Rates: Upticks Signal Higher Debt Burdens

Delinquency Rates by Loan Type  
Quarterly, seasonally adjusted



# Housing Starts: Slow Market Picks Up With Rate Cuts



# Meeting Agenda

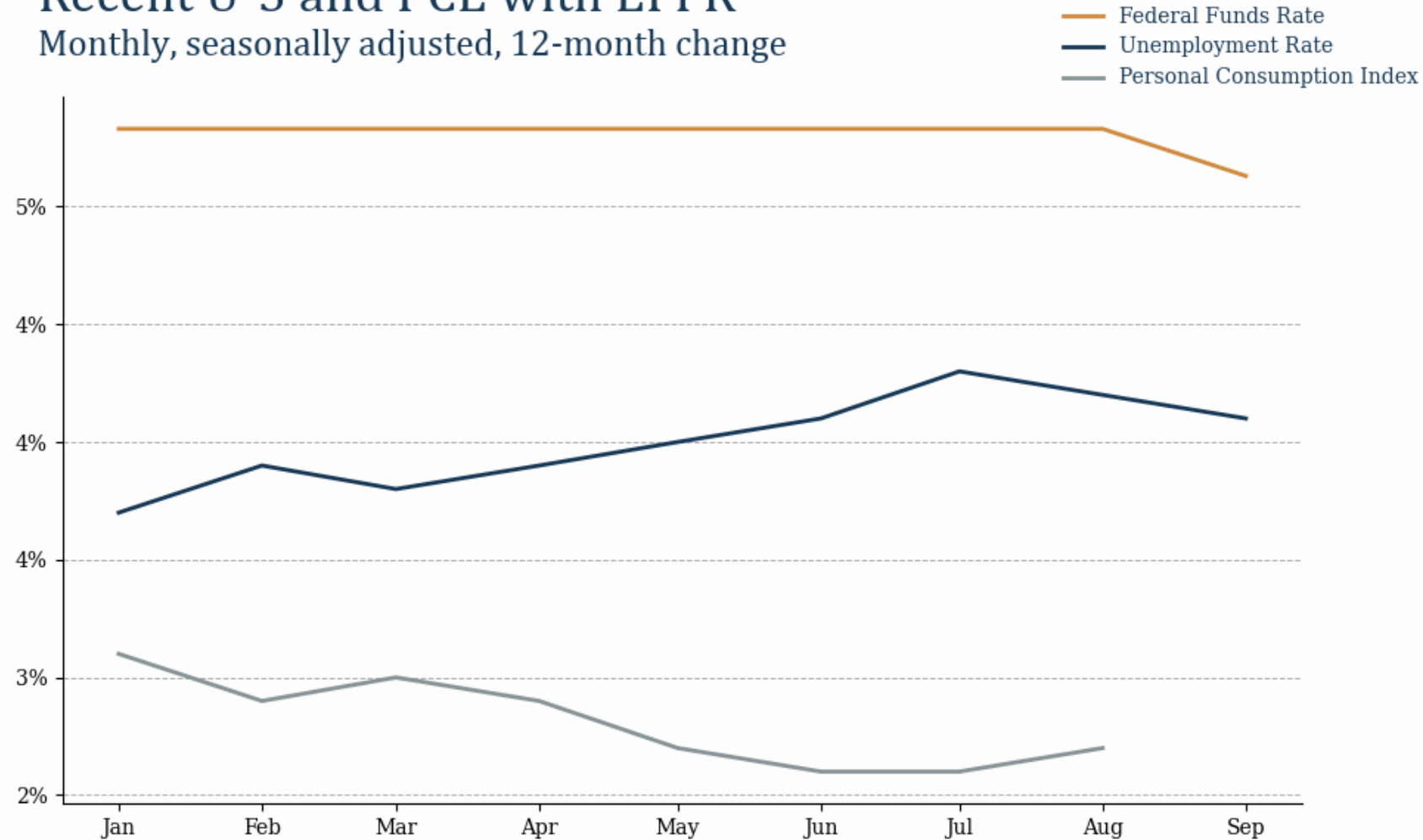
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# Since September: U-3 Ticks Down, Core PCE Ticks Up

- **Sep. FOMC Meeting**
  - U-3 risen 0.6% January to July, triggering Sahm
  - Core PCE down over 1% from January
- **Presently**
  - Core PCE inflation up 0.1% from July to August
  - Added 254,000 Jobs in September
  - U-3 down to 4.1% in Sep.

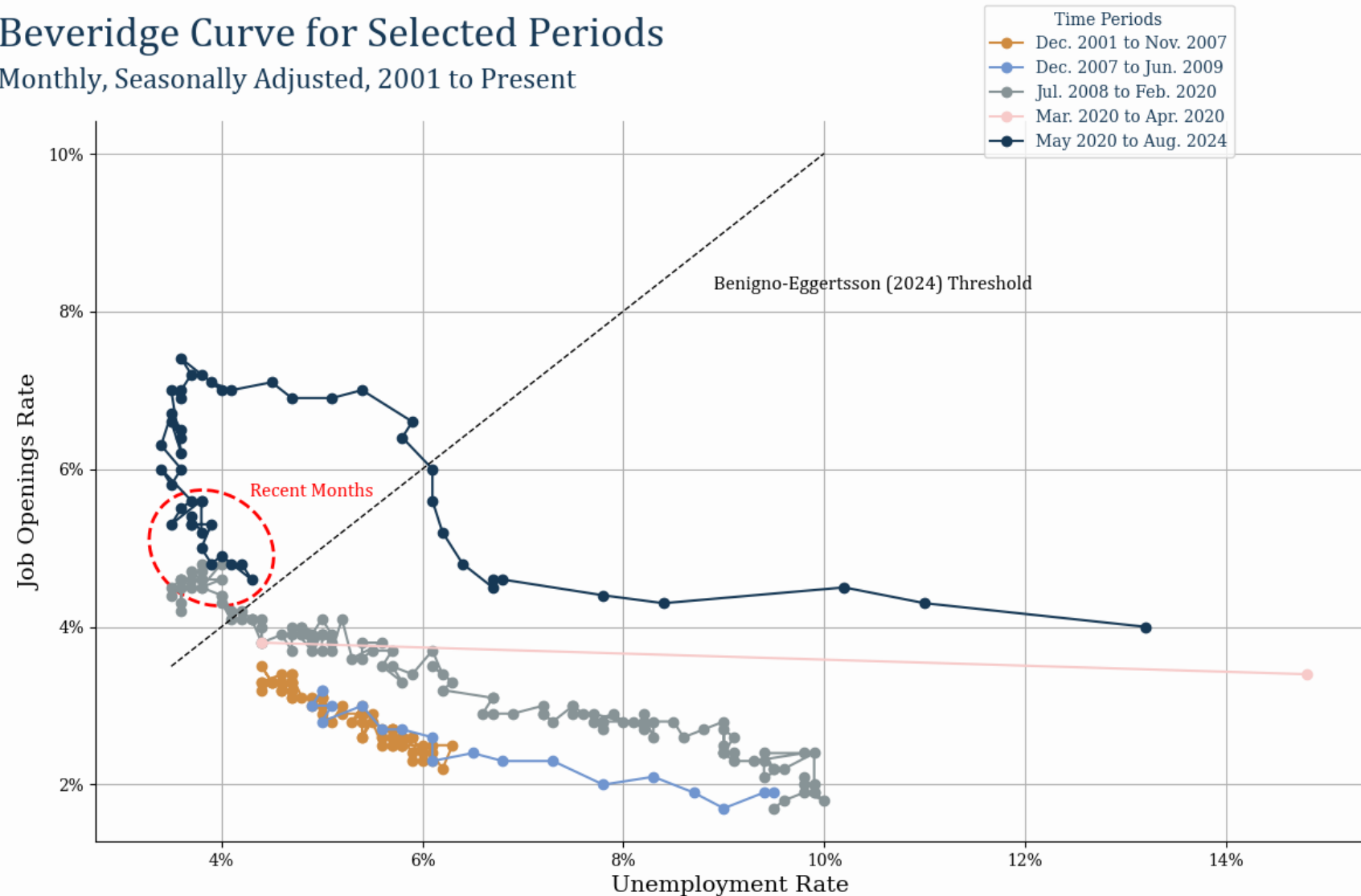
Recent U-3 and PCE with EFR  
Monthly, seasonally adjusted, 12-month change



# Beveridge Curve: Labor Market Easing Thru Vacancies

## Beveridge Curve for Selected Periods

Monthly, Seasonally Adjusted, 2001 to Present



- Job openings rate falling with inflation, at 4.8% in August
- V/U ratio at about 1.1 in August, near “threshold”
- V/U could be pushed <1 with contractionary rates.

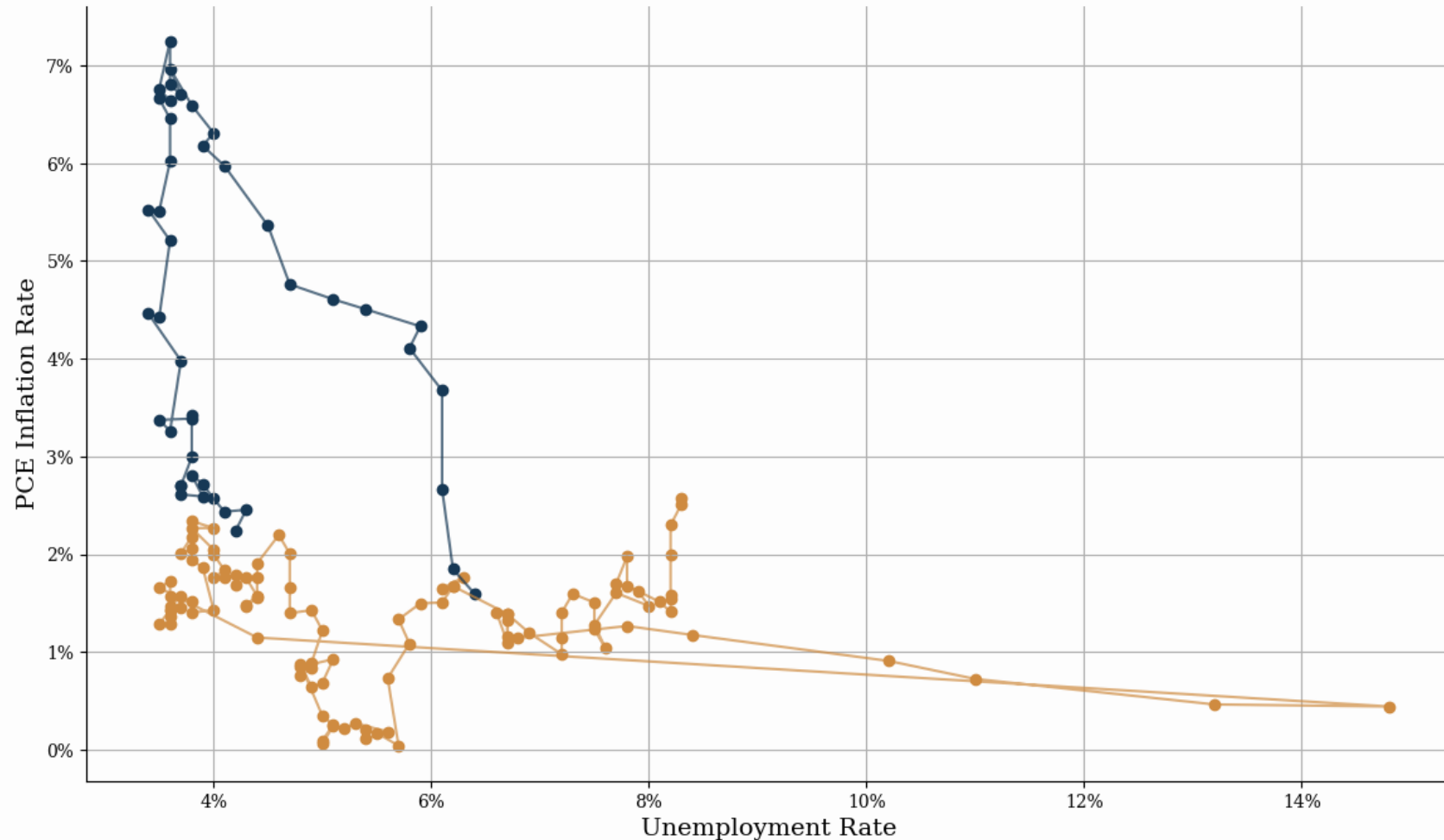
# Phillips Curve: Accounting For Breaks From Linearity

## Non-Linearity in the Phillips Curve

Monthly, seasonally adjusted, 2012 to present

Time Periods  
● Pre-2021  
● Post-2021

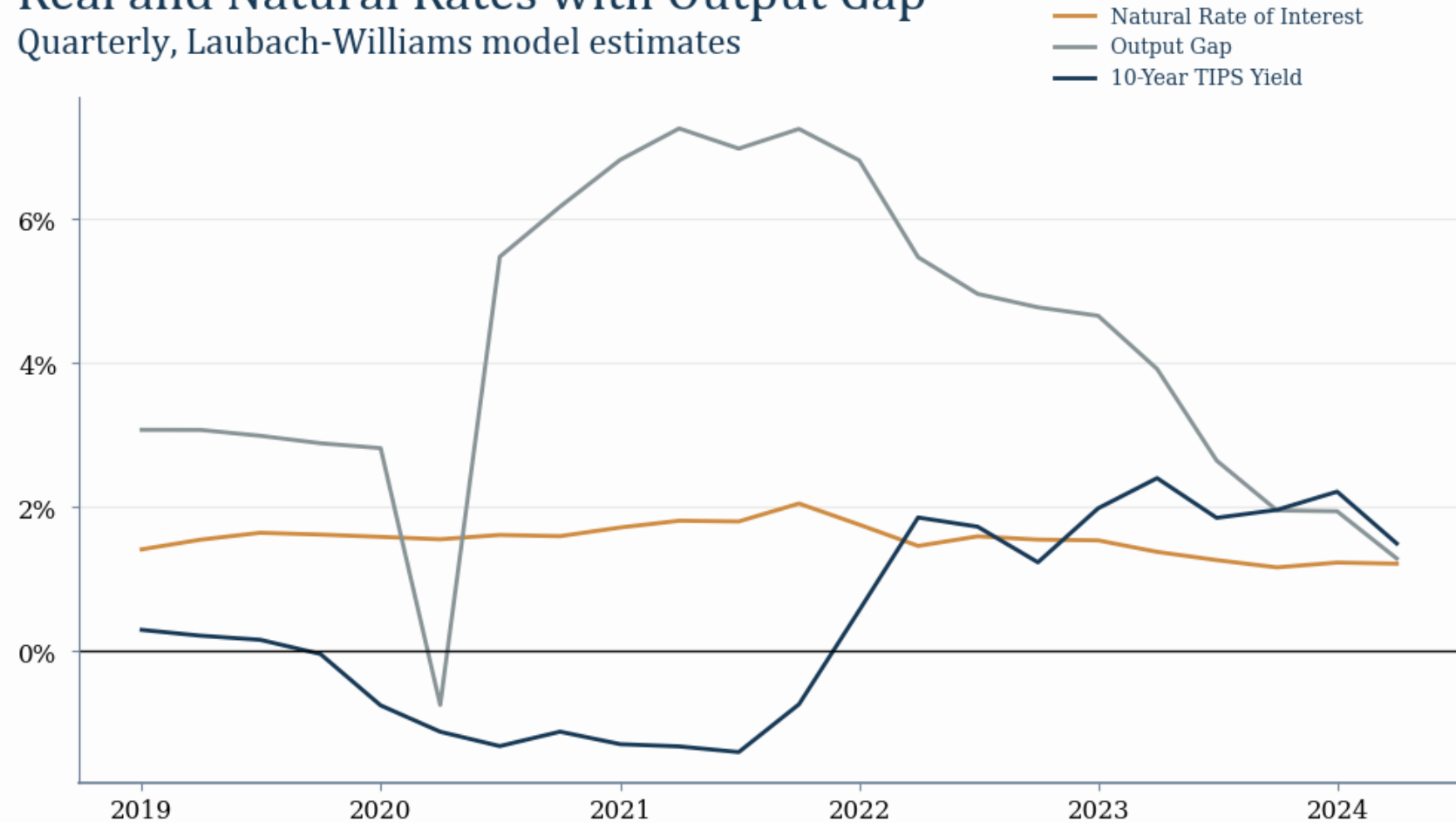
- Typical tradeoff of about 3:1 unemployment-to-inflation dissolved in recent years
- Falling inflation coincides with resolution of supply-chain congestions
- Anchored expectations, AS shifts, and drawdown excess savings could account for PC shifts and steepening



# Output and R-Star : Contractionary Rate Environment

- TIPS yields still greater than Q2 r-star estimates
- Output gap has narrowed with contractionary policy
- Long and varied lags encourage early reductions
- Even reducing rates, policy remains contractionary

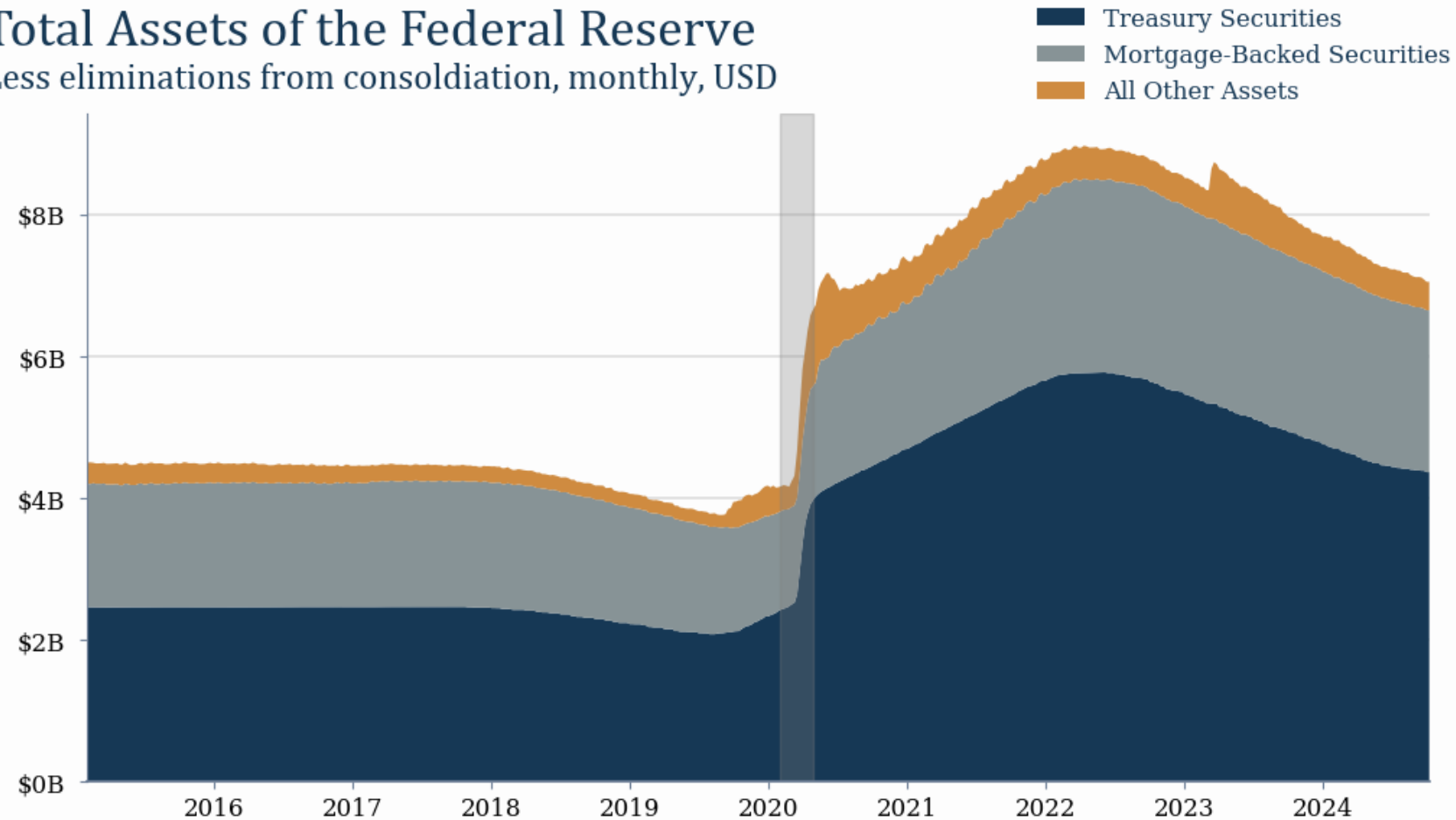
Real and Natural Rates with Output Gap  
Quarterly, Laubach-Williams model estimates



# Balance Sheet: Stable Normalization Continues

- Balance sheet normalization progressing steadily
- Funds rate elasticity still favorable to roll-off
- Maintain a smaller balance sheet for policy flexibility

Total Assets of the Federal Reserve  
Less eliminations from consolidation, monthly, USD





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# Policy Proposal: Lower Target Range by 25bp

## Interest Rate Targeting

- Lower the rate of interest paid on reserve balance by 25 basis points to **4.65%**.
- Instruct the Open Market Desk at the Federal Reserve Bank of New York Fed to conduct standing **overnight reverse repurchase** agreement operations at an offering rate of **4.55%** and with a per-counterparty limit of \$160 billion per day.
- Approve a 25 basis point decrease in the primary credit rate to **4.75%**.

## Balance Sheet Normalization

- Instruct the Open Market Desk at the Federal Reserve Bank of New York Fed to:
  - “Roll-off of Treasury Securities at the current pace of **\$25 billion per month**.
  - Reinvest principals from agency debt and agency mortgage-backed securities exceeding a cap of up to **\$35 billion per month** into Treasury securities roughly matching the maturity composition of Treasury securities outstanding.”

# FOMC Statement: Released October 18<sup>th</sup>

“Economic activity has continued to expand at a solid pace. ***Job gains have picked-up*** and the ***unemployment rate has ticked down***. The Committee remains confident that inflation is ***moving towards 2 percent***, and judges that despite small shifts, risks to achieving its employment and inflation goals are ***roughly in balance***. The Committee decided to lower the target range for the federal funds rate by ***25 basis points to 4.5% - 4.75%***. The economic outlook is uncertain, and the Committee remains attentive to risks to both sides of its dual mandate. The Committee would be ***prepared to adjust its stance if further risks emerge***”



This Concludes Our October 2024 FOMC Meeting  
We Welcome Your Questions