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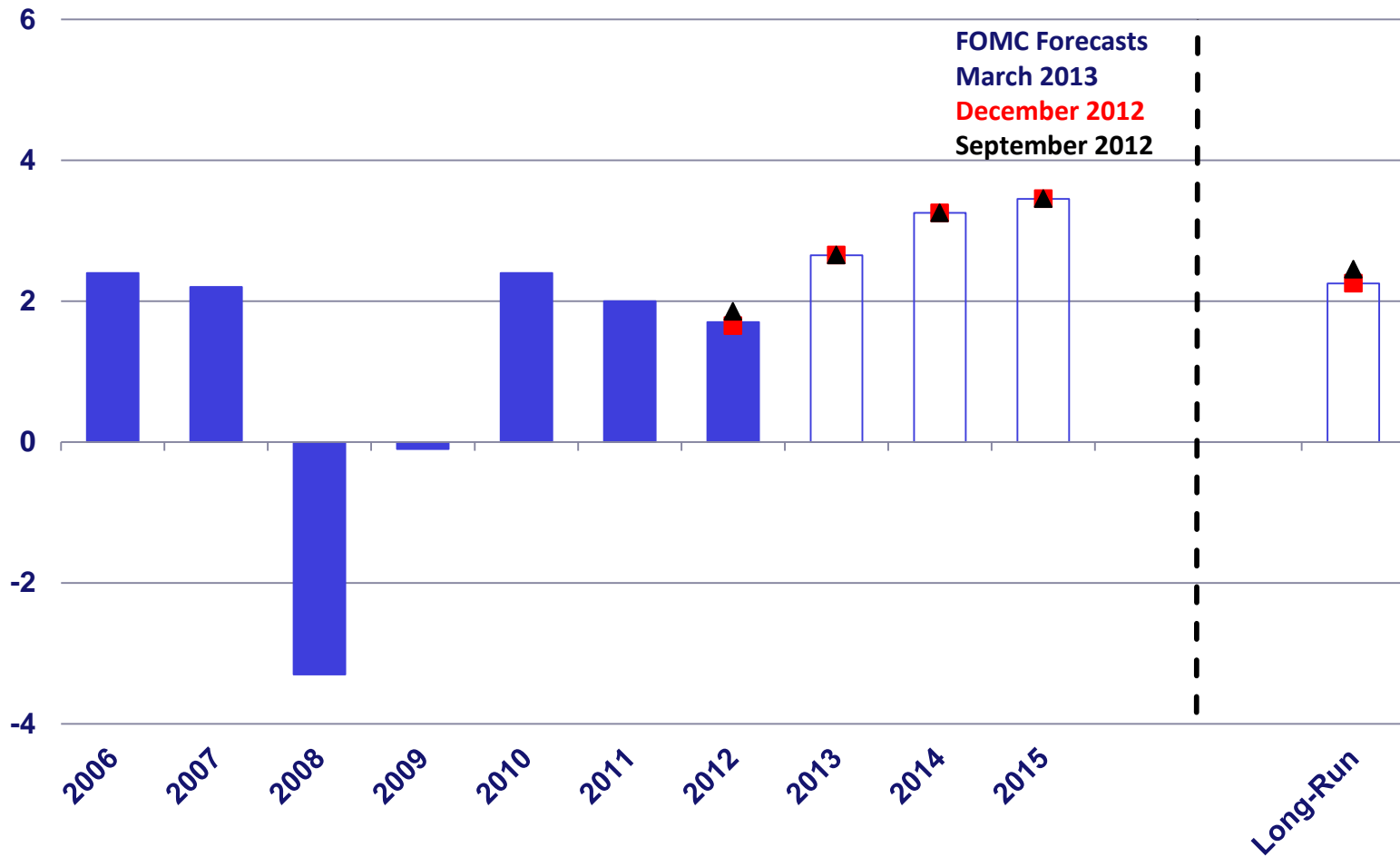
# Academic Advisory Council

April 19, 2013

Spencer Krane  
*Senior Vice President*  
Federal Reserve Bank of Chicago

# Economic Growth

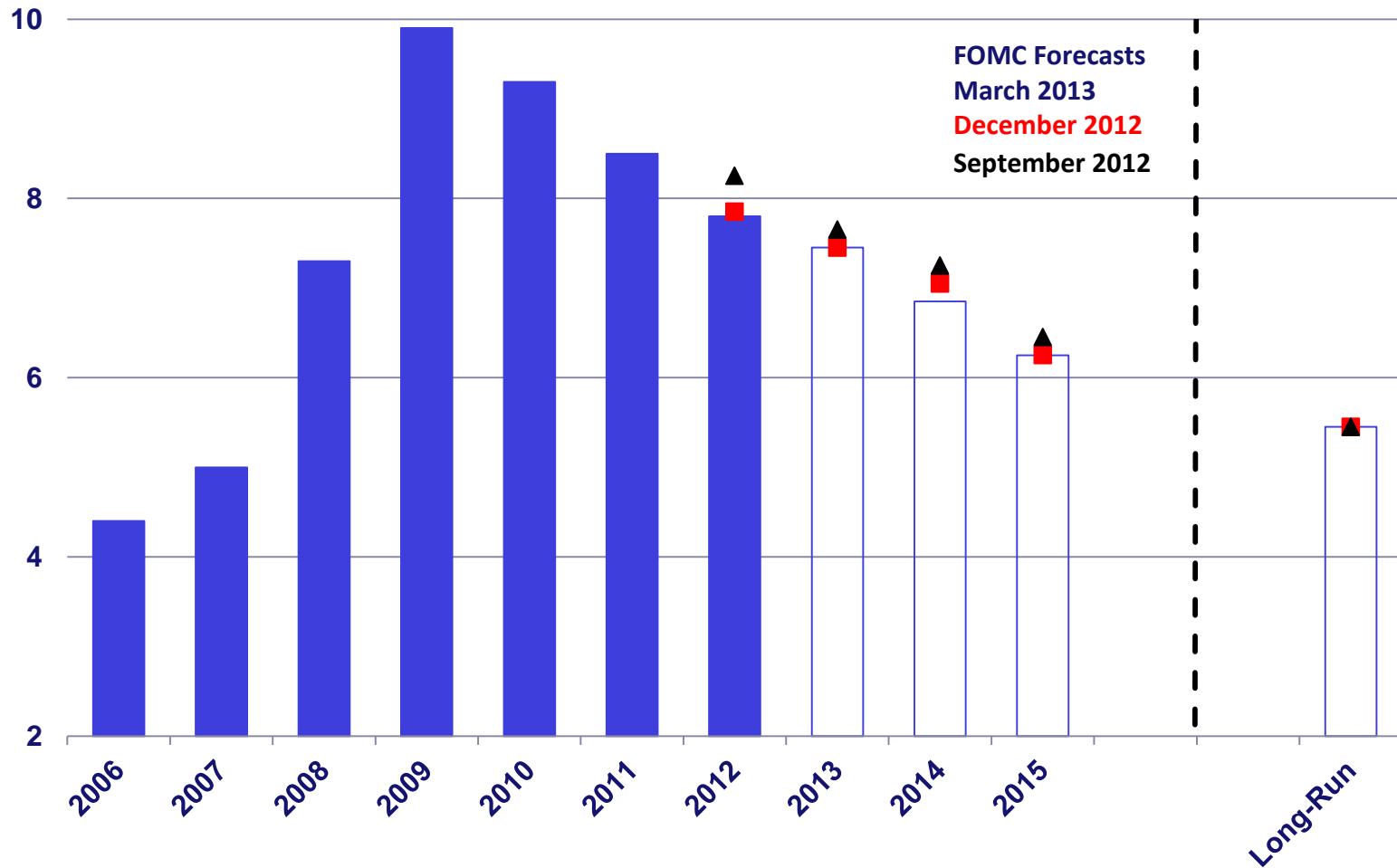
Real GDP Growth  
(Q4 to Q4 percent change)



Dots for forecasts are plotted at the mid-point of the bins presented in Exhibit 3 A., March 2013 SEP.

# Unemployment Rate

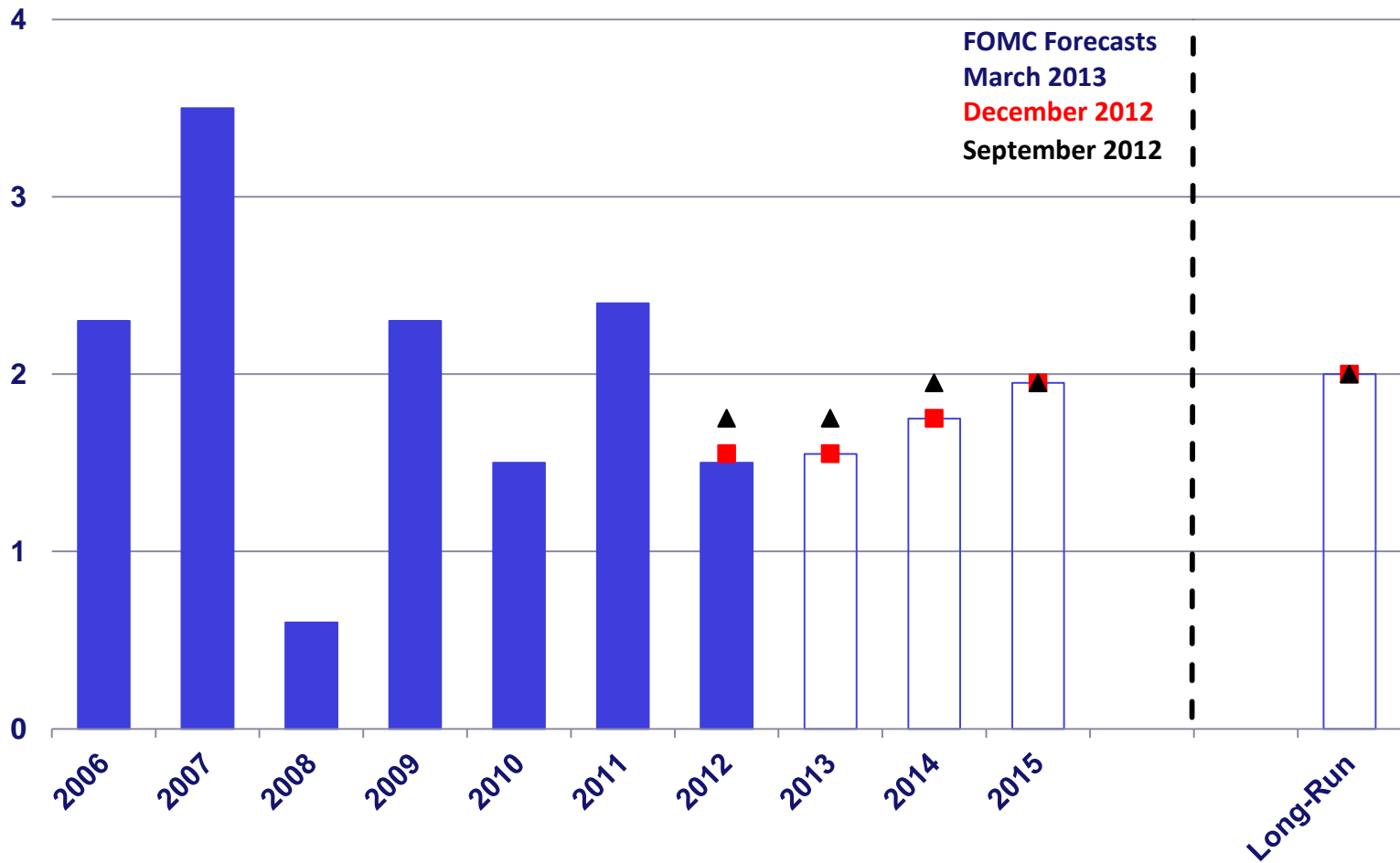
(fourth quarter average)



Dots for forecasts are plotted at the mid-point of the bins presented in Exhibit 3 B., March 2013 SEP.

# Inflation

Total PCE Inflation  
(Q4 to Q4 percent change)



Dots for forecasts are plotted at the mid-point of the bins presented in Exhibit 3 C., March 2013 SEP.

# Monetary Policy – Funds Rate Forward Guidance

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- ...expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens.
- ...the federal funds rate at 0 to 1/4 percent and currently anticipates....will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored.



# Monetary Policy – Asset Purchases

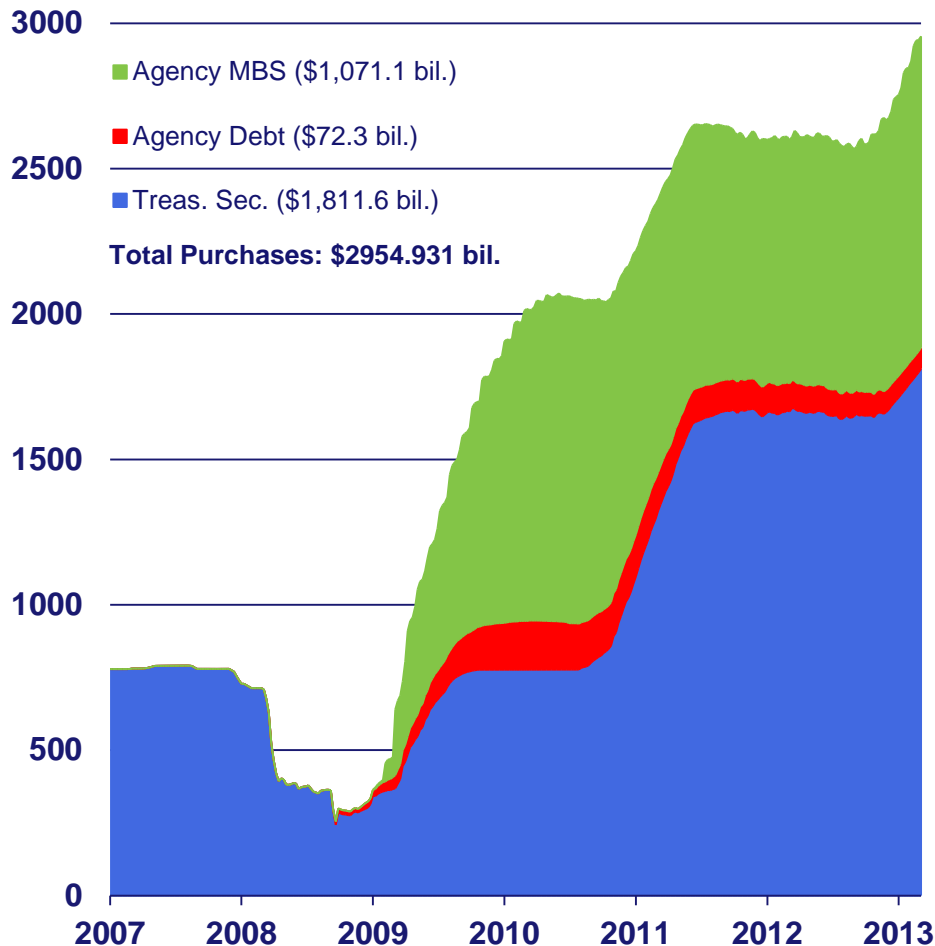
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- ...purchasing agency mortgage-backed securities at a pace of \$40 billion per month and longer-term Treasury securities at a pace of \$45 billion per month.
- ...continue its purchases...and employ its other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability.
- In determining the size, pace, and composition of its asset purchases, the Committee will continue to take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives.

# Monetary Policy – Asset Purchases

## Federal Reserve Asset Purchases

(Bils. \$)



- Open-ended LSAP:

- Purchase MBS and Treasuries
- Total \$85 billion per month increase in long-term securities
- Continue purchases and perhaps take other actions if labor market outlook don't improve substantially
- Within a context of price stability