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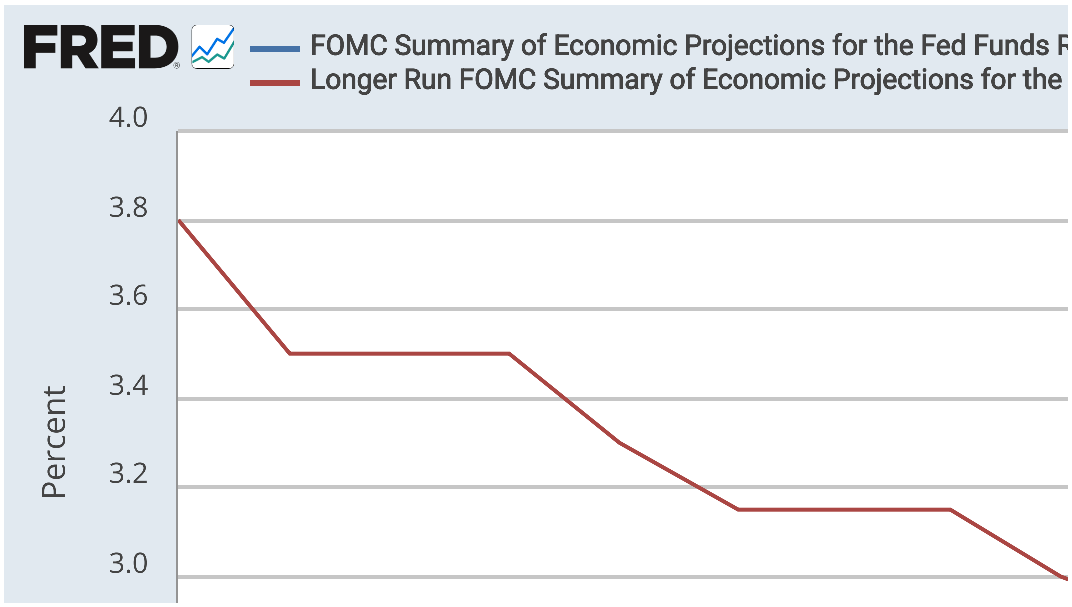
The long and the short of FOMC projections

Posted on February 4, 2016



For several years, FRED has included the FOMC's projections for the main economic aggregates. FRED recently added data on projections for the federal funds rate, one of the main policy targets considered by the FOMC. Several projections are recorded, with the two main categories being short run and long run. The graph above, which shows current data, deserves an explanation because the time stamps for the data points on each series have a very different meanings.

The blue line depicts the FOMC's forecasts of the federal funds rate for the short run: Each data point corresponds to the first of the year for each year within the "forecast window." This window begins at the time the forecast is made and extends three years ahead: The latest forecast covers Jan. 1, 2015, through Jan. 1, 2018. Thus, it shows how the FOMC believes the federal funds rate will evolve over the period. When the next forecast is released—for Jan. 1, 2016, through Jan. 1, 2019—this entire series could change, depending on what FOMC members see through that window.

FRED ECONOMIC DATA | ST. LOUIS FED

[CPI](#) **+3.5** % Chg. from Yr. Ago on Jun 2026

[Civ. Unemploy. Rate](#) **4.2** % on Jun 2026

[10-Yr. Treas. Rate](#) **4.57** % on 2026-07-16

[Real GDP](#) **+2.1** %, Comp. Annual Rate of Chg. on Q1 2026

[IP](#) **+0.1** % Chg. on Jun 2026

[Payroll Employment](#) **+57** Chg., Thous. of Persons on Jun 2026

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Recent St. Louis Fed research

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The red line is another story. First, it applies to a more distant future, showing what the FOMC believes will be the long-run federal funds rate, beyond four years from now. Second, the data points correspond to when the forecast was released. Today, this series includes a total of three forecasts, each made at different points in time for the same object: what the federal funds rate will be beyond fours years from now. With the next release, one more data point will be added to this series.

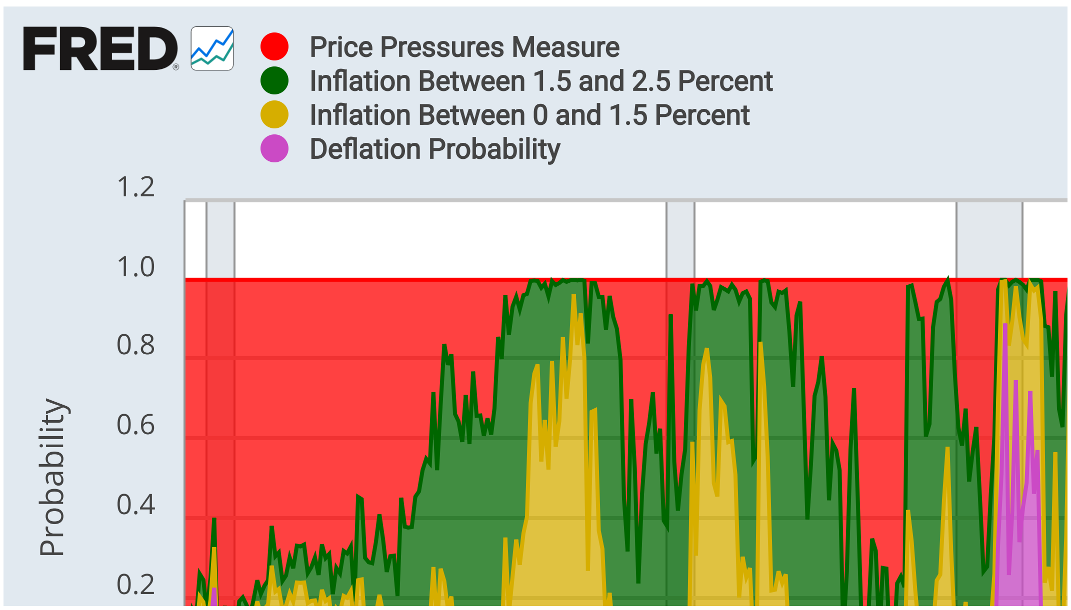
How this graph was created: From the release (see the above link), select the desired series and click "Add to Graph."

Suggested by Christian Zimmermann

View on FRED, series used in this post: FEDTARRM, FEDTARRMLR

Four shades of inflation risk

Posted on February 1, 2016



The St. Louis Fed recently released a price pressures measure that calculates, among other things, the likelihood inflation will run above 2.5% over the next year. Related measures capture probabilities for deflation and lower inflation—between 0% and 1.5% and between 1.5% and 2.5%. By the way, the relevant index is not the consumer price index (CPI), but rather the personal consumption expenditures price index (PCEPI), which is used by the Federal Reserve for its 2% inflation target. Take a look at this Economic Synopses essay for more details.

In the graph above, we represent price pressures with a stacked graph. The series with the highest inflation is on top; in this case, green indicates the Fed is right where it wants to be in terms of inflation, red is too high, and yellow or pink is too low. The graph shows that, except for the period around the financial crisis, there has never been as much risk of deflation as now, even if the risk is still moderate. But there is also historically low risk of elevated inflation.

How this graph was created: Search for “price pressure” and select the four series. Under graph type, choose “Area” with stacking set to “Normal.” Then order the series so that deflation is at the bottom and inflation above 2.5% is at the top. Finally, replace FRED’s default colors if you prefer others.

Suggested by Christian Zimmermann

View on FRED, series used in this post: STLPPM, STLPPMDEF, STLPPMLOW, STLPPMMID

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