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Perspectives on the National and Regional Economies

Ken Beauchemin

Assistant Vice President and Policy Adviser
Federal Reserve Bank of Minneapolis

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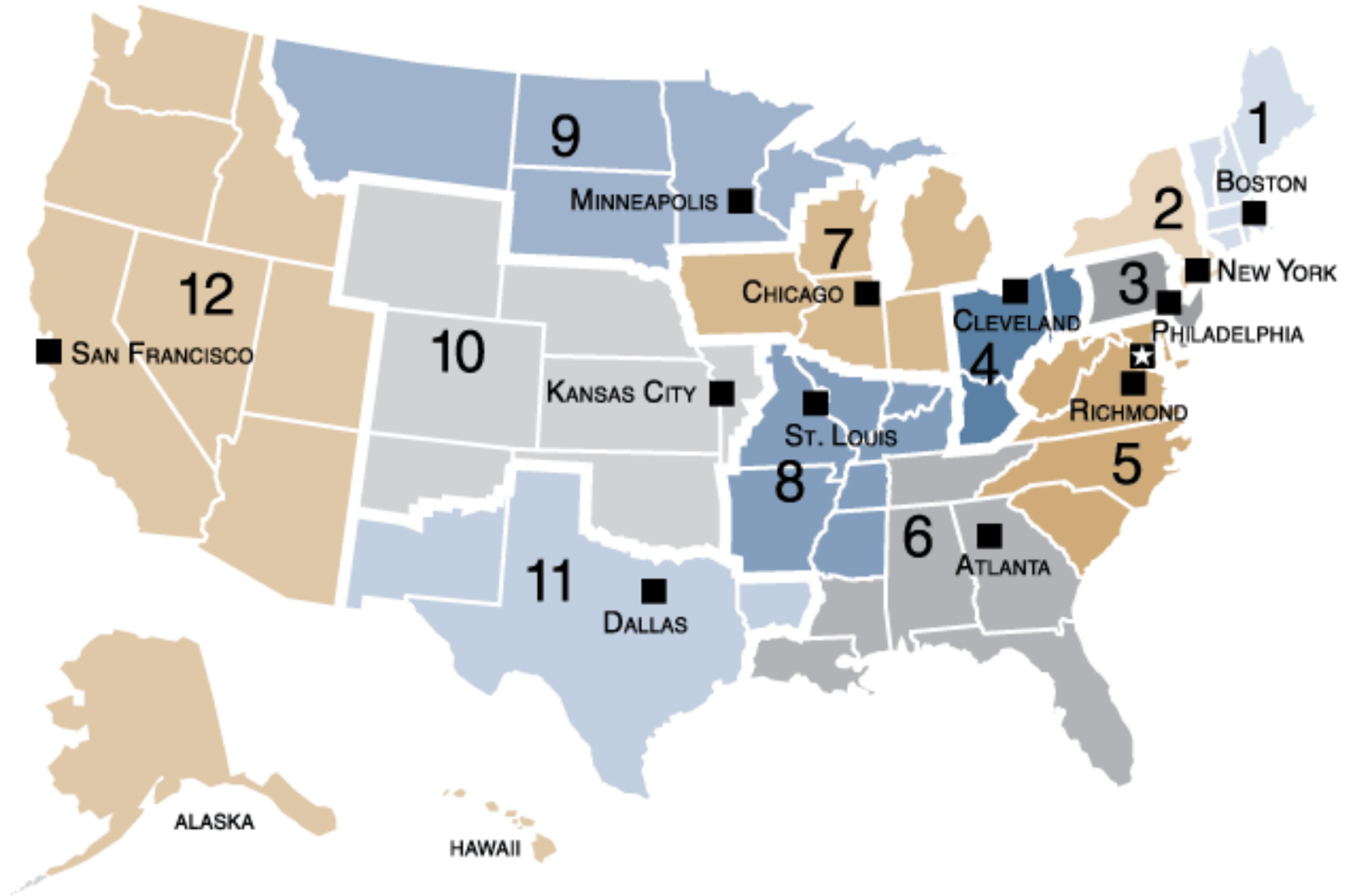


The Federal Reserve System

- The USA's central bank
- Responsibilities:
 - Supervision and regulation
 - Payments system
 - Monetary policy
- Structure
 - Board of Governors in Washington, DC
 - 12 Reserve Banks around the country



Federal Reserve Districts





What is monetary policy?

- Simple answer: setting interest rates
- Not-so-simple answer: buying and selling government bonds to influence the general level of interest rates



The Federal Reserve's monetary policy goals

- **Dual mandate** specified by Congress
- **Stable prices**
 - 2% inflation according to PCE index
 - Inflation includes *all* goods and services
- **Maximum employment**
 - Harder to quantify



Overview of economic conditions

U.S.

- Continued moderate output growth
- Rapidly improving labor markets in 2014; somewhat slower so far in 2015
- Inflation persistently below FOMC target

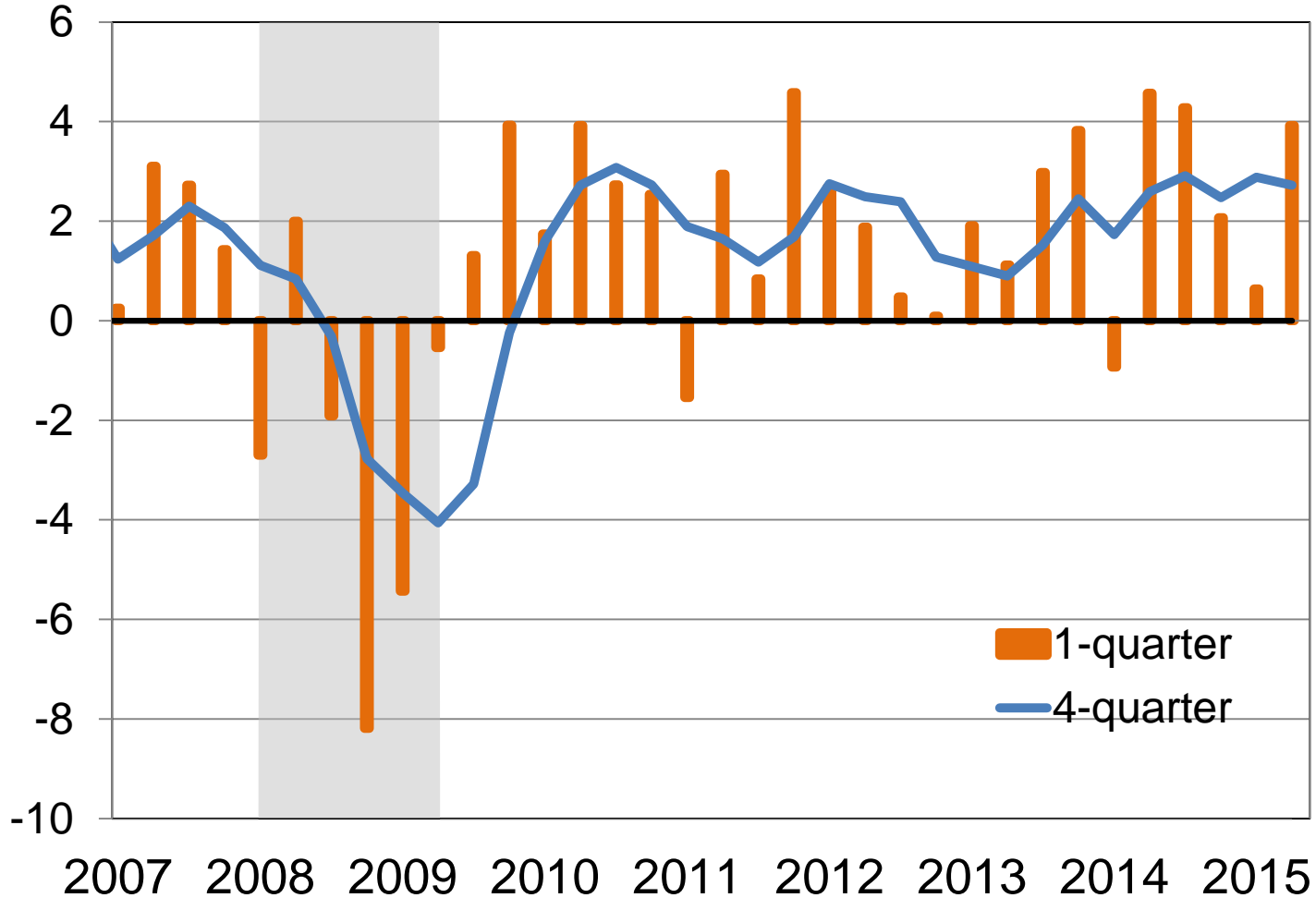
Regionally

- Low, but a recent rise in SD unemployment; labor market still improving on other margins
- Slowing output growth in SD and Rapid City



Real GDP Growth

12-month percent change

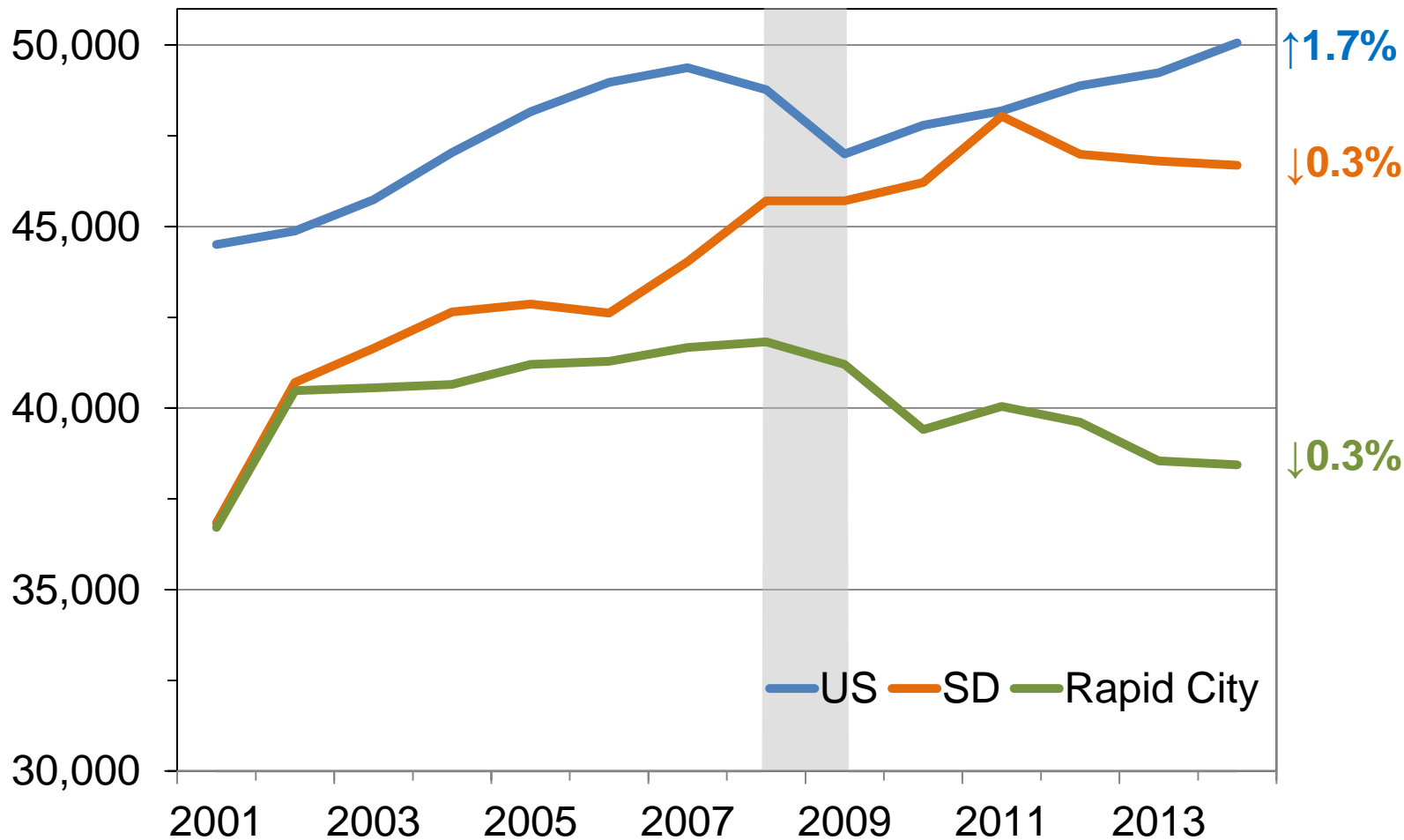


Source: Bureau of Economic Analysis



Real GDP Per Capita

2009 US dollars

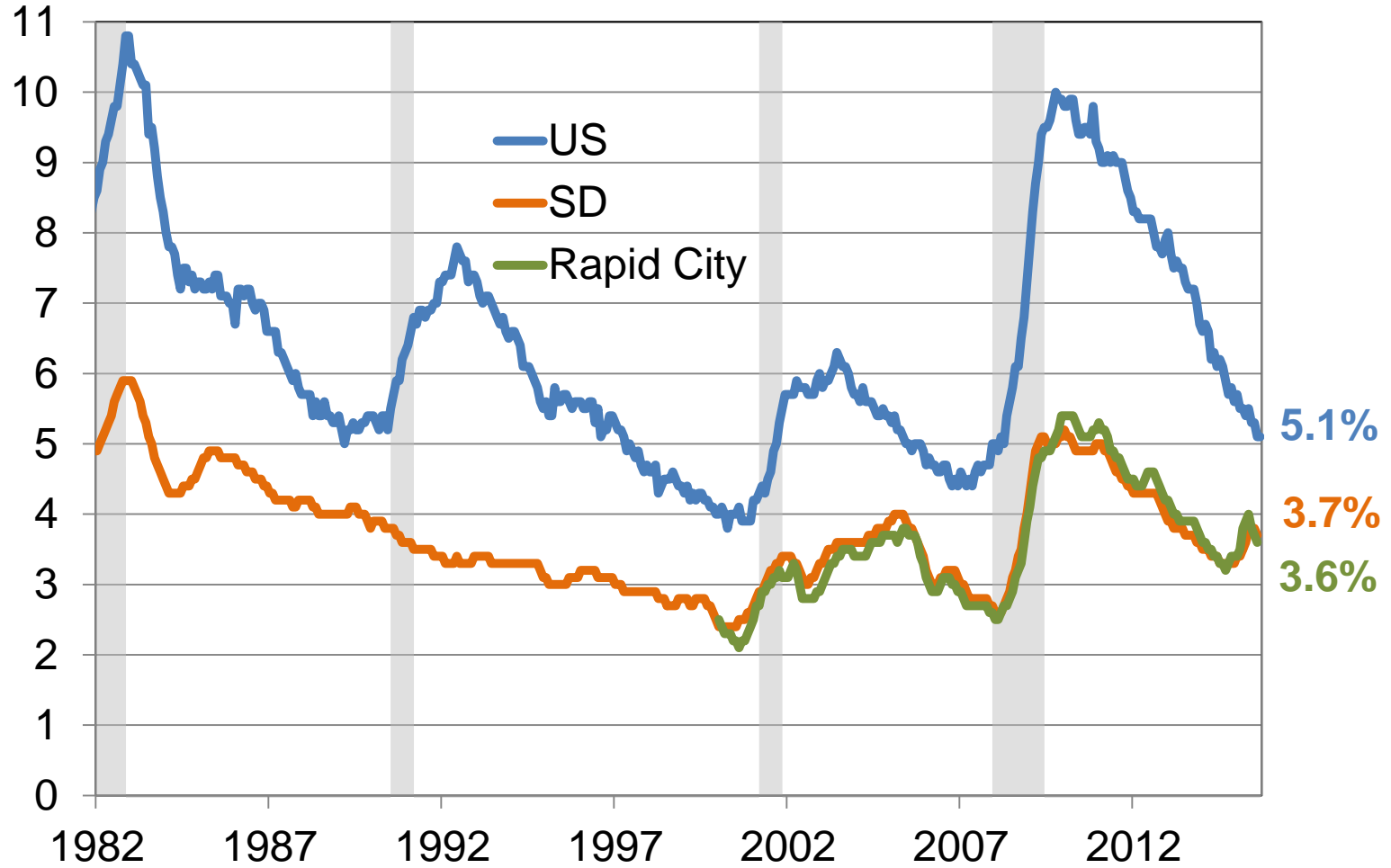


Source: Bureau of Economic Analysis, Bureau of Labor Statistics



Unemployment rate

Percent

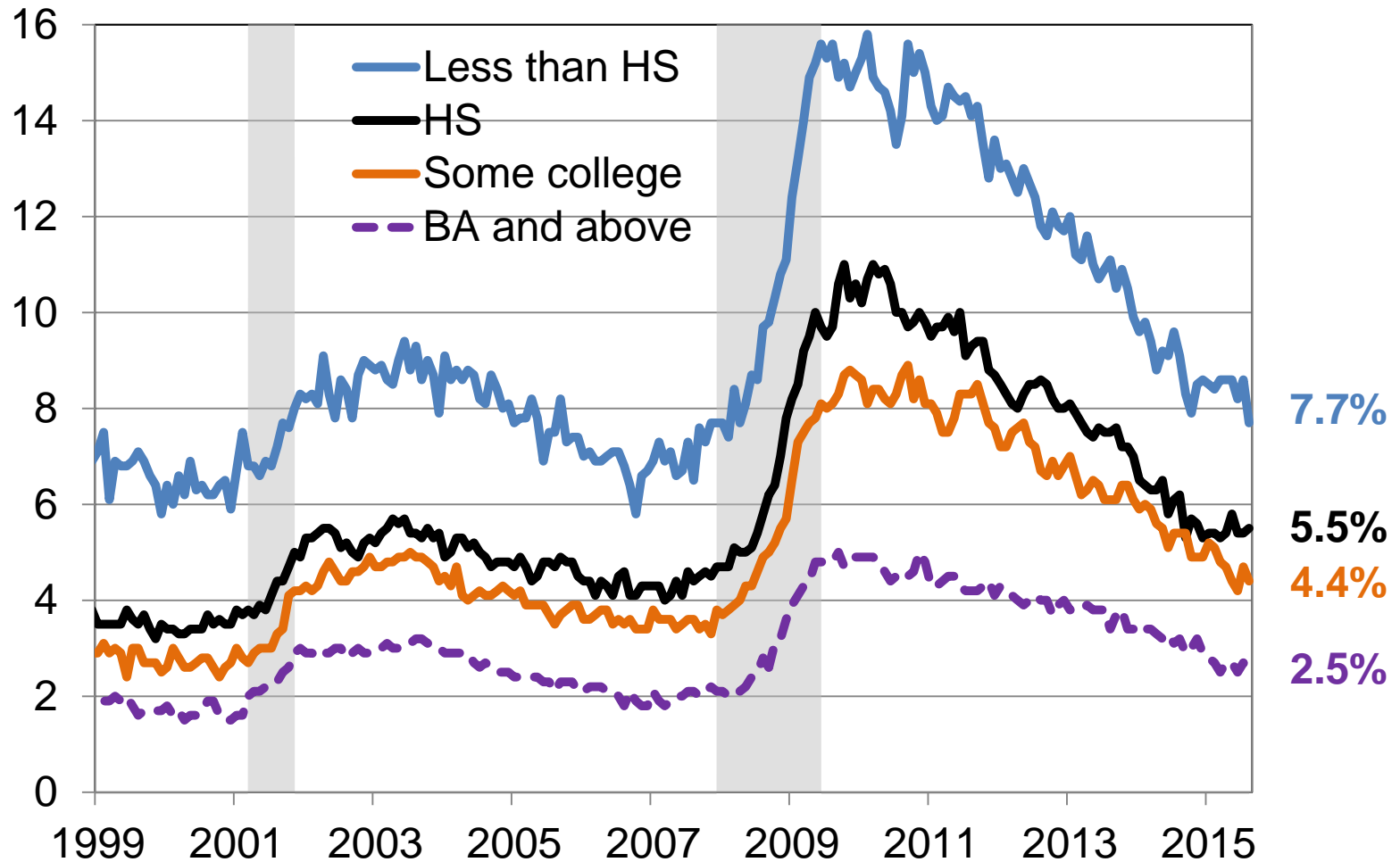


Source: Bureau of Labor Statistics



U.S. unemployment rate by education, age 25+

Percent

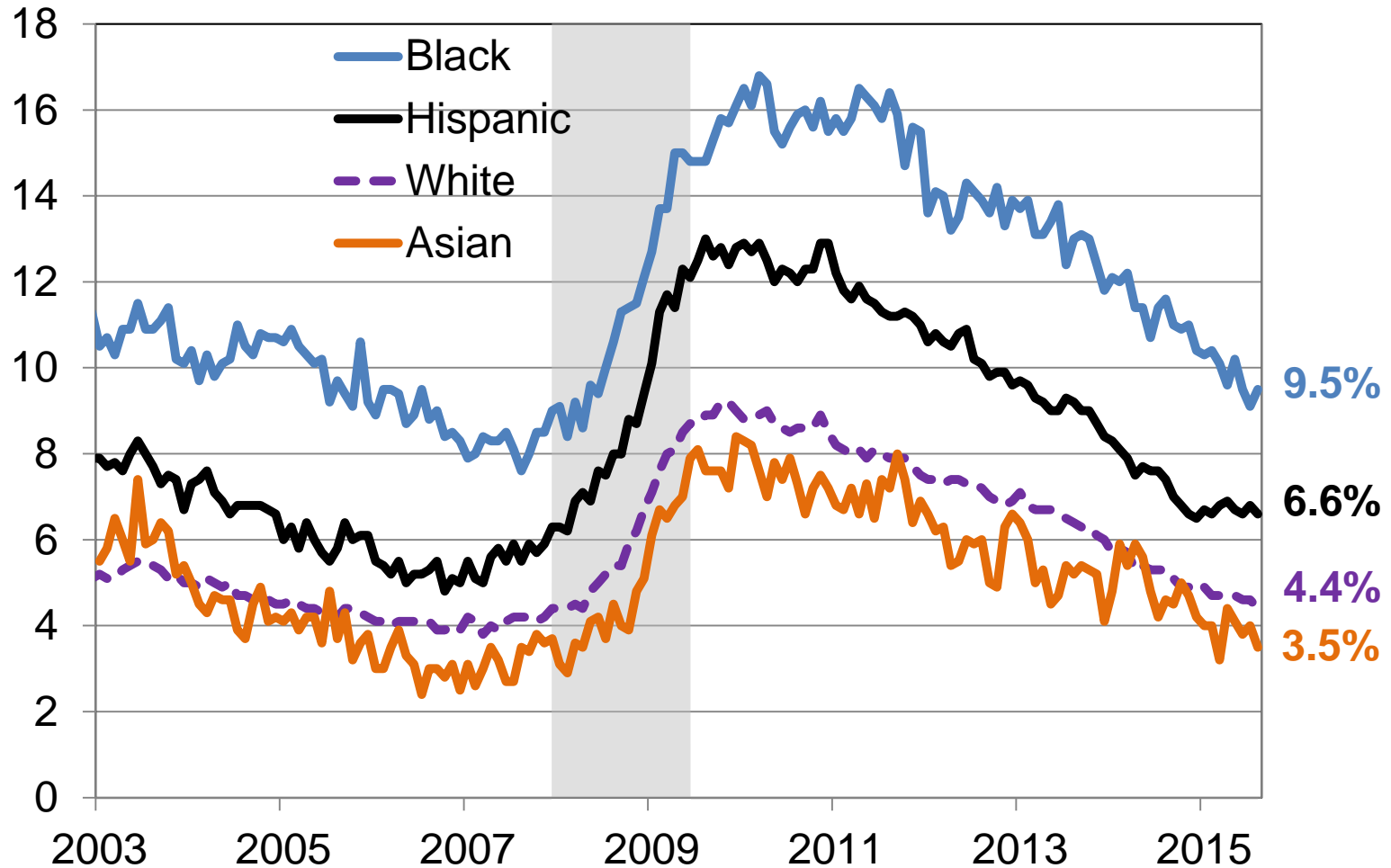


Source: Bureau of Labor Statistics



U.S. unemployment rate by race and ethnicity

Percent





What about labor force participation?

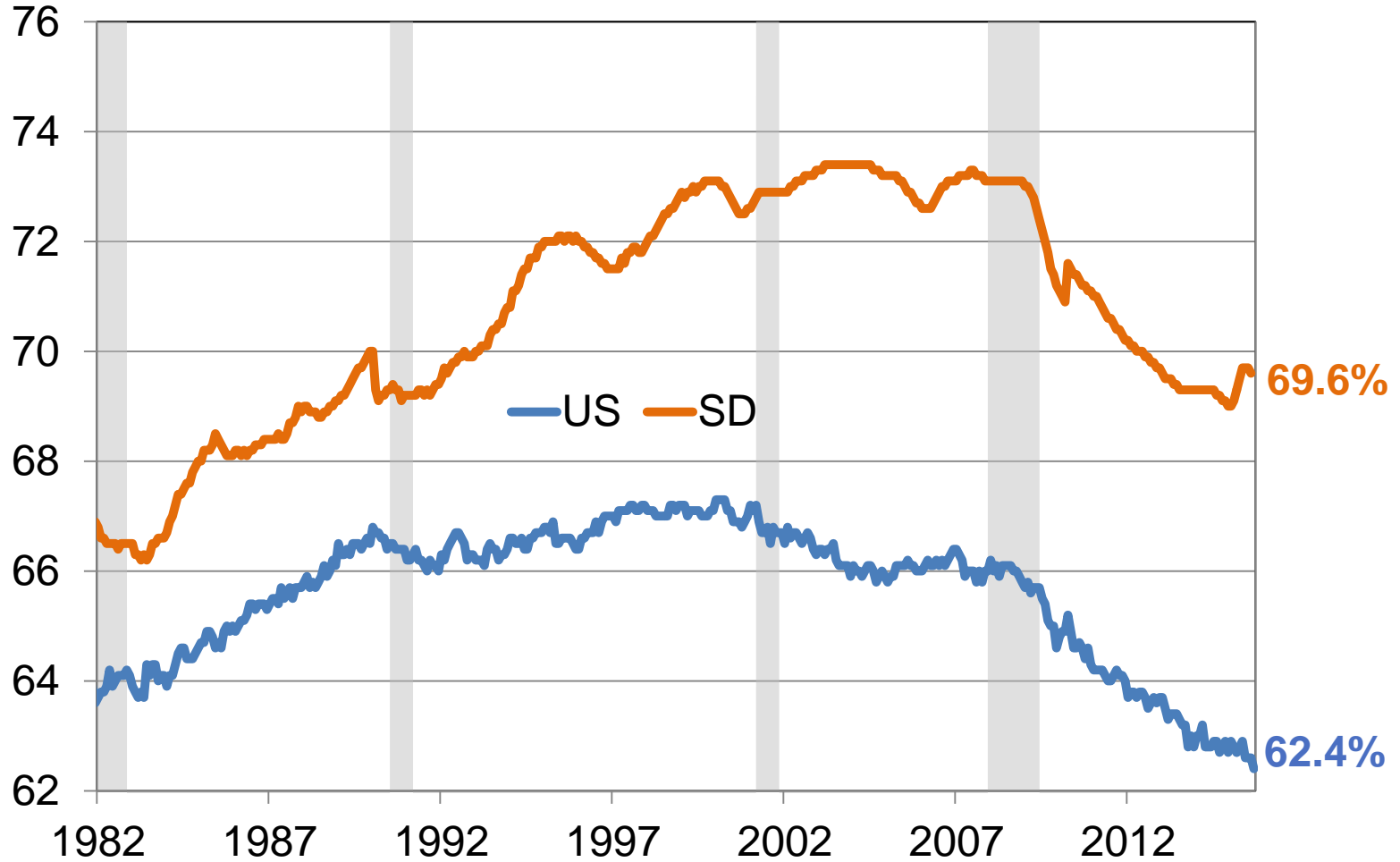
$$\text{unemployment} = \frac{\text{job seekers}}{\text{job seekers} + \text{employed}}$$

$$\text{labor force participation} = \frac{\text{job seekers} + \text{employed}}{\text{all adult civilians}}$$



Labor force participation rate

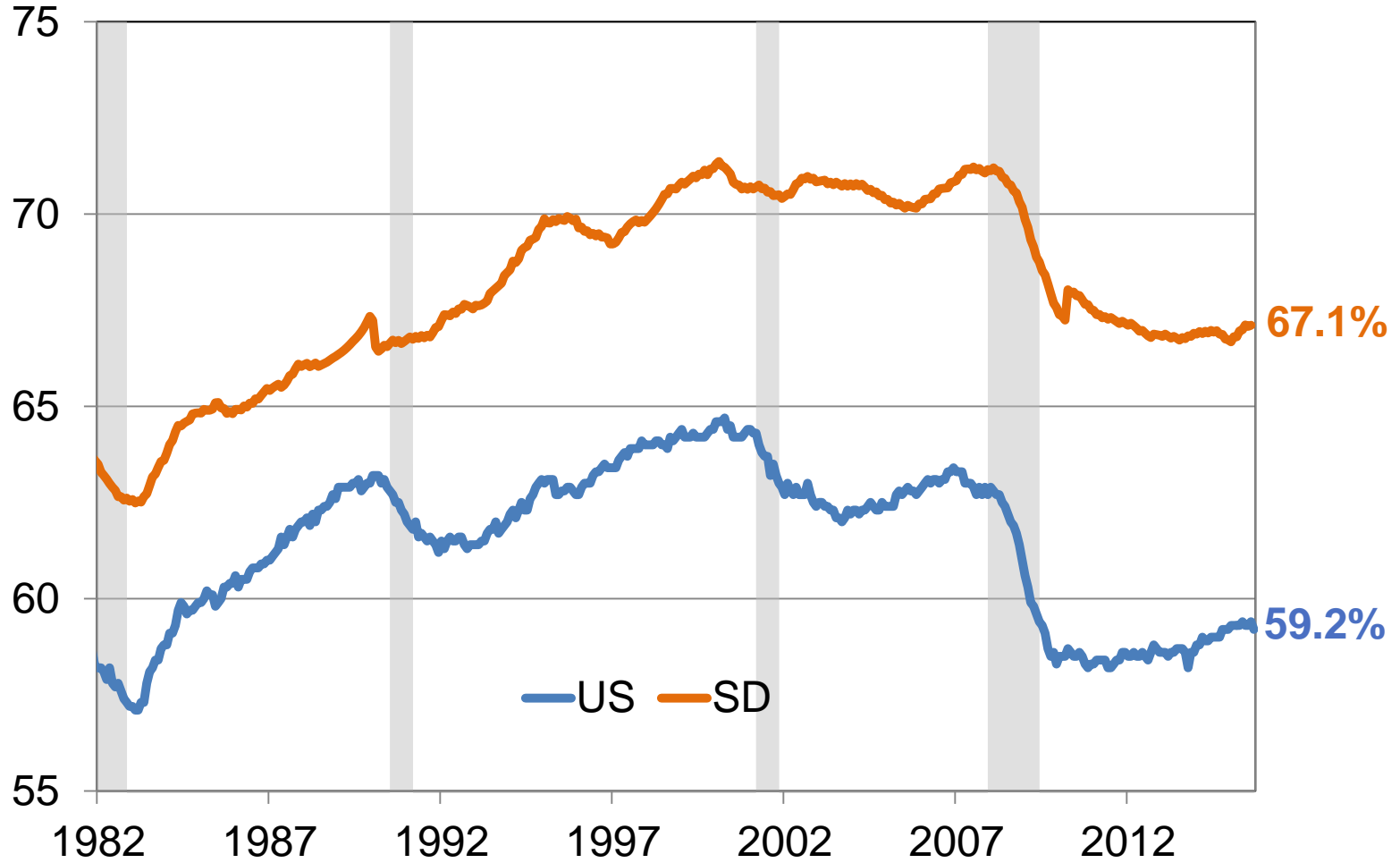
Percent





Employment-population ratio

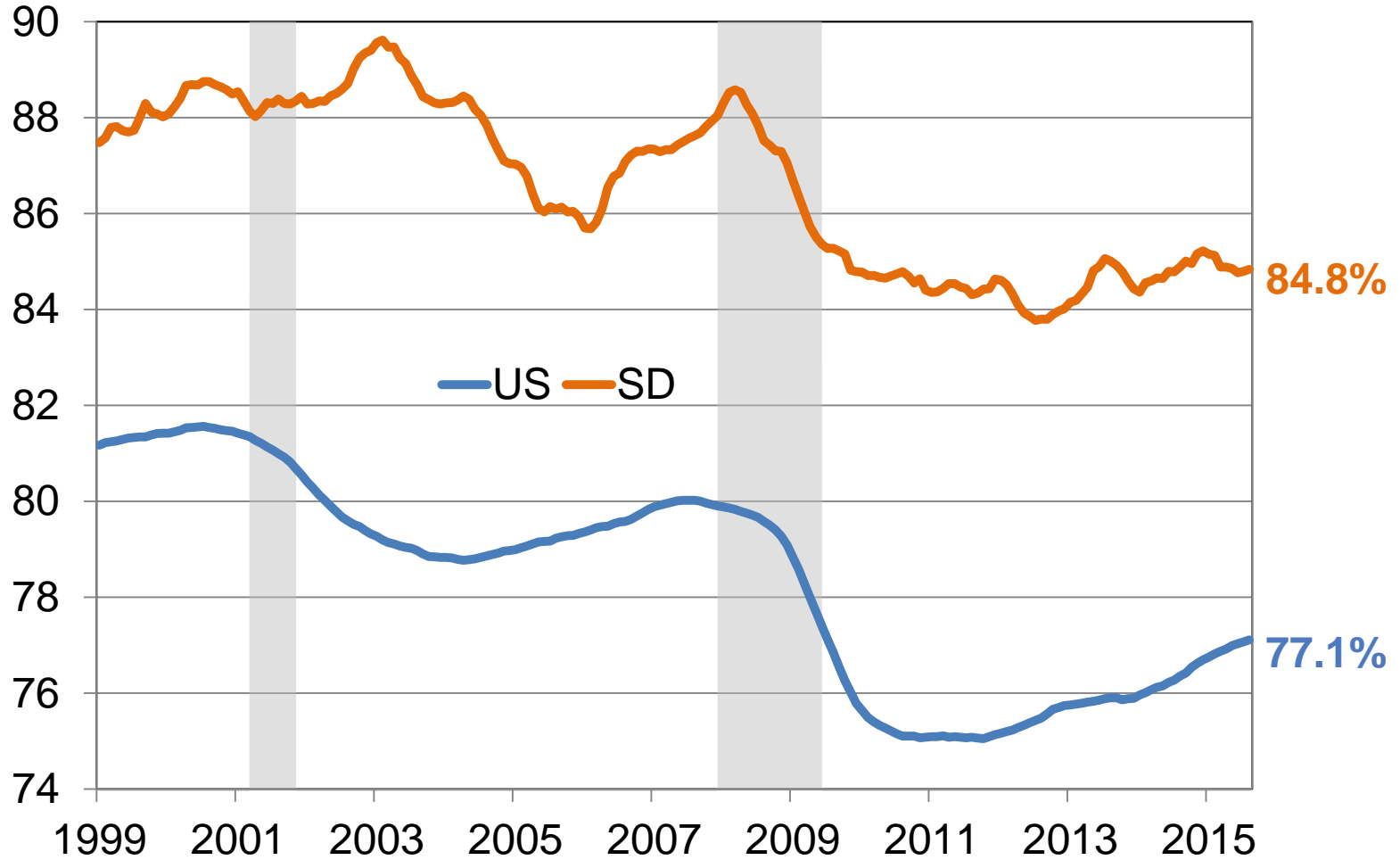
Percent





Employment-population ratio, age 25-54

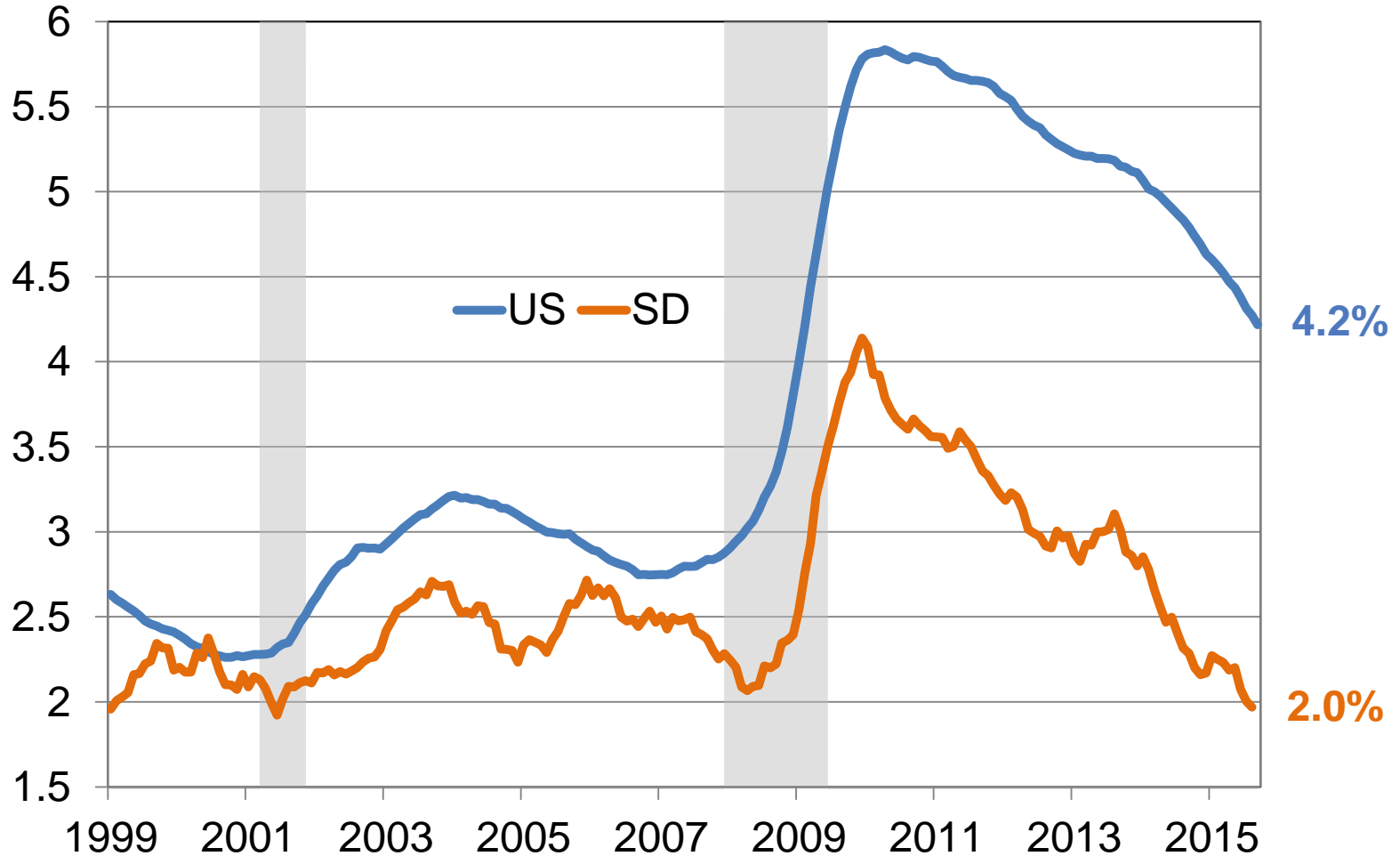
Percent, 12-month moving average





Labor force working part-time for economic reasons

Percent, 12-month moving average

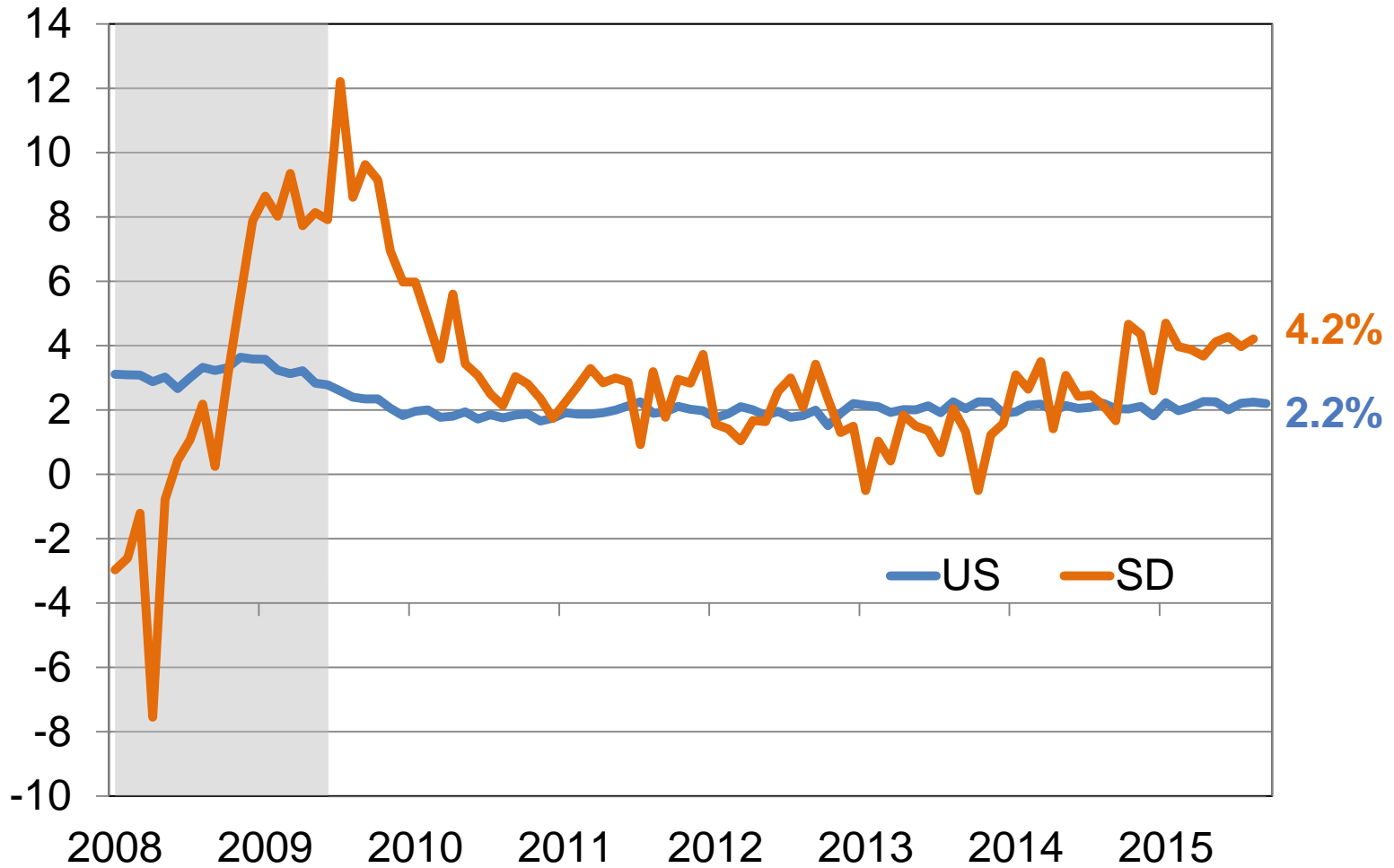


Source: Bureau of Labor Statistics; Minneapolis Fed calculation



Average hourly earnings

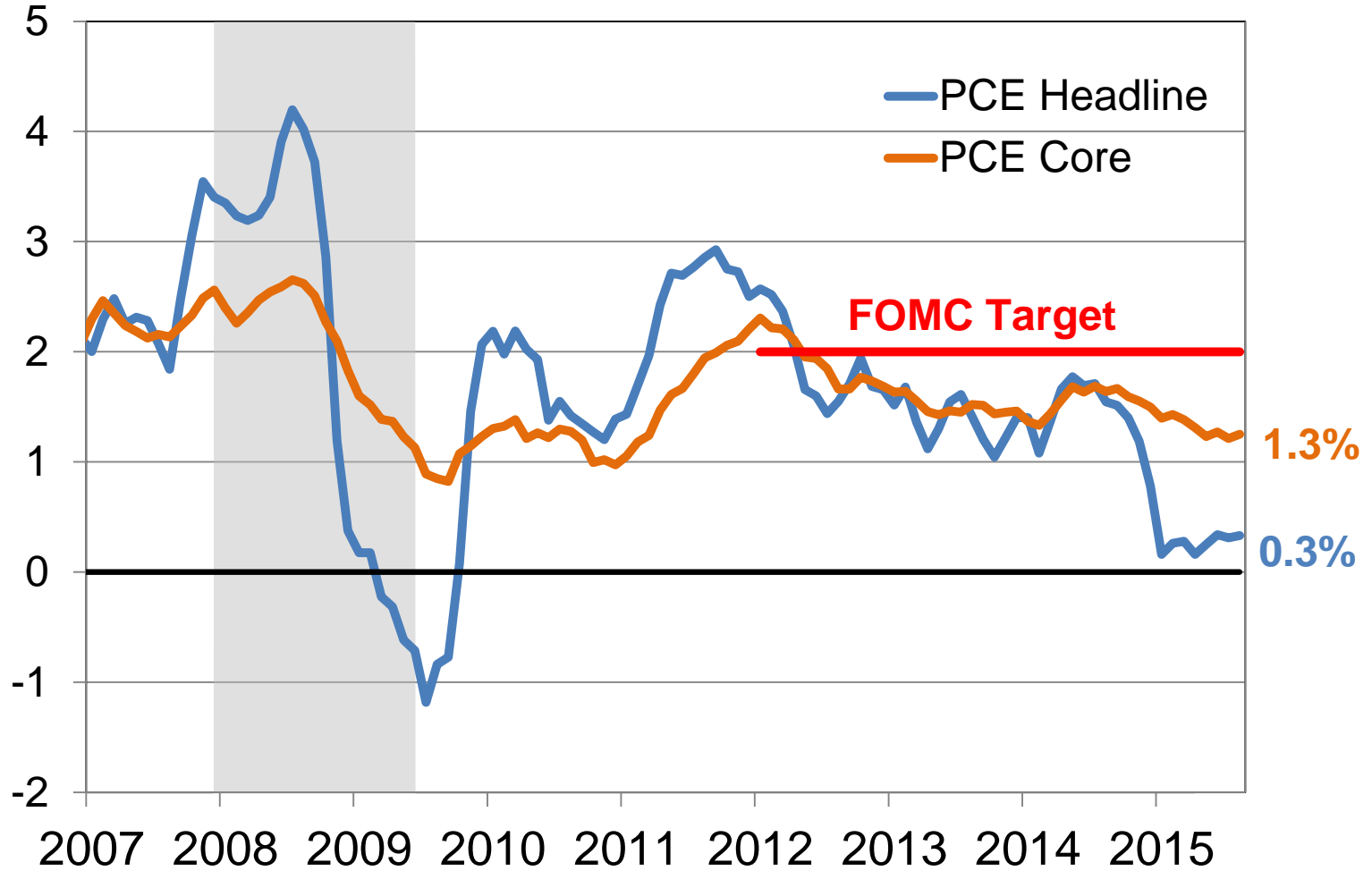
1-year percent change; private industry





PCE inflation

12-month percent change

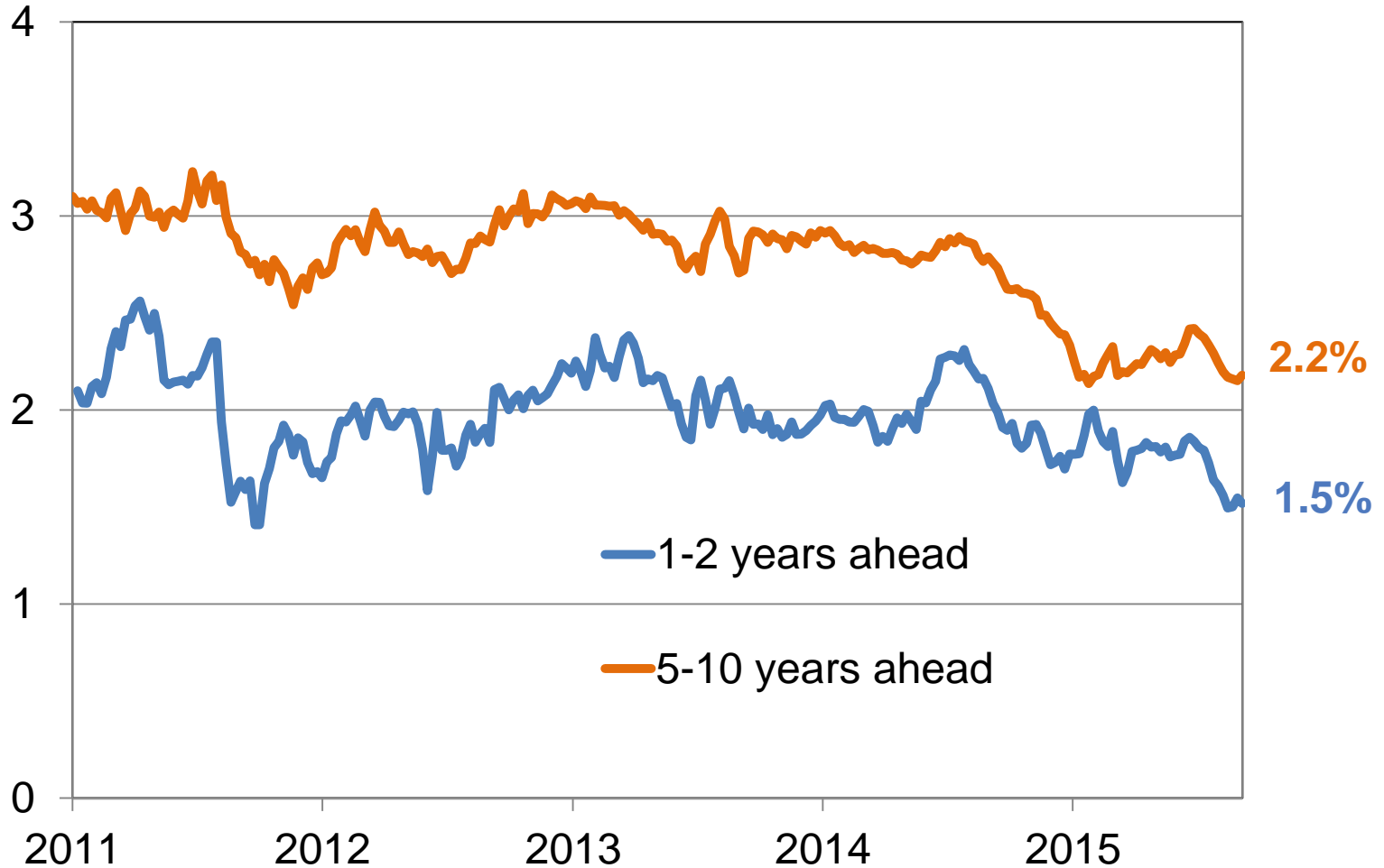


Source: Bureau of Economic Analysis



The outlook for CPI inflation

Annual rates implied by inflation swaps



Source: Federal Reserve Bank of Minneapolis



Stance of monetary policy

Federal funds rate

- Maintaining 0.00%-0.25% target range
- FOMC will assess realized and expected progress on inflation and employment

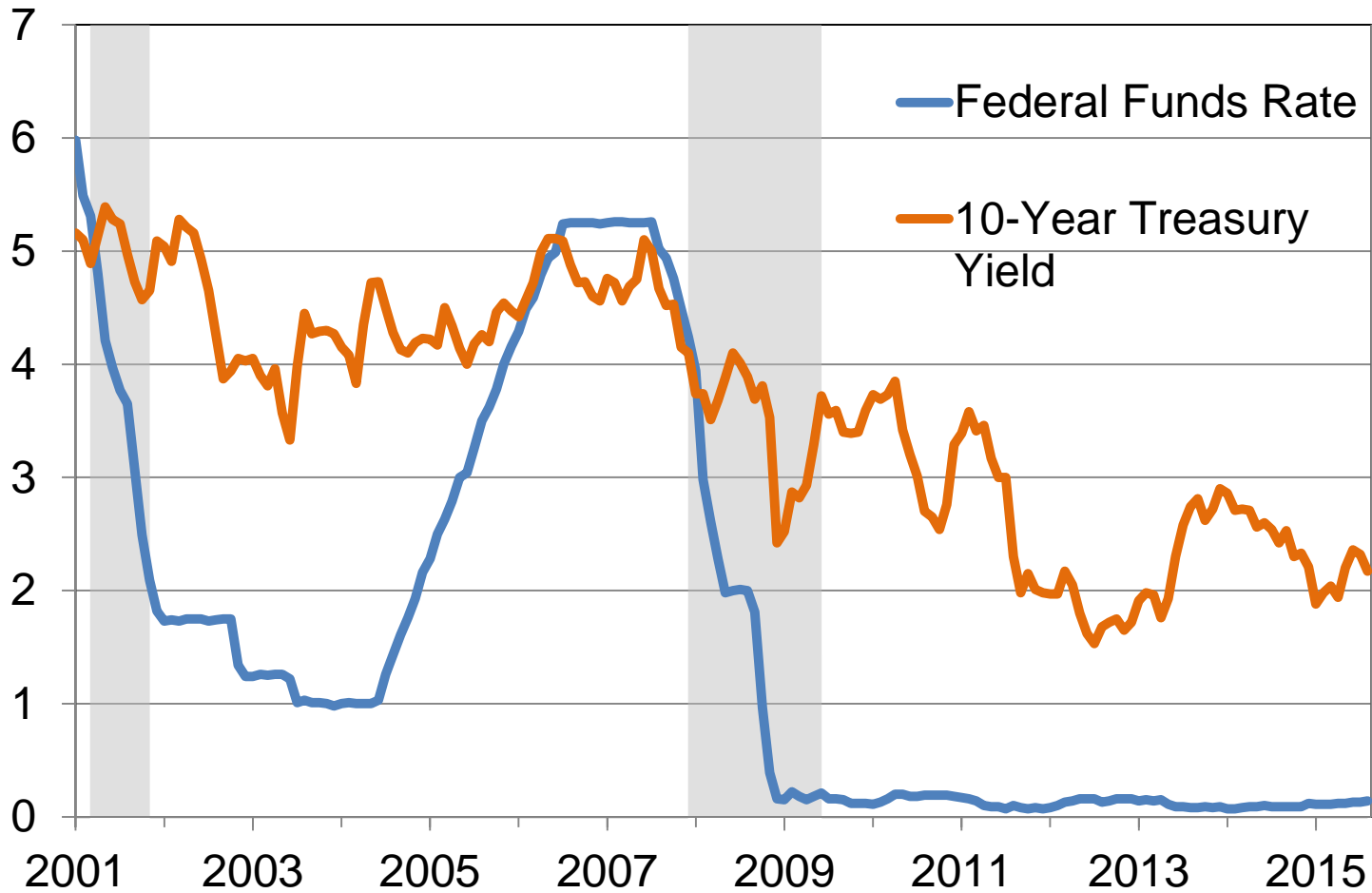
Balance sheet

- Maintaining asset holdings
- Reinvesting principal payments



Interest rates

Percent

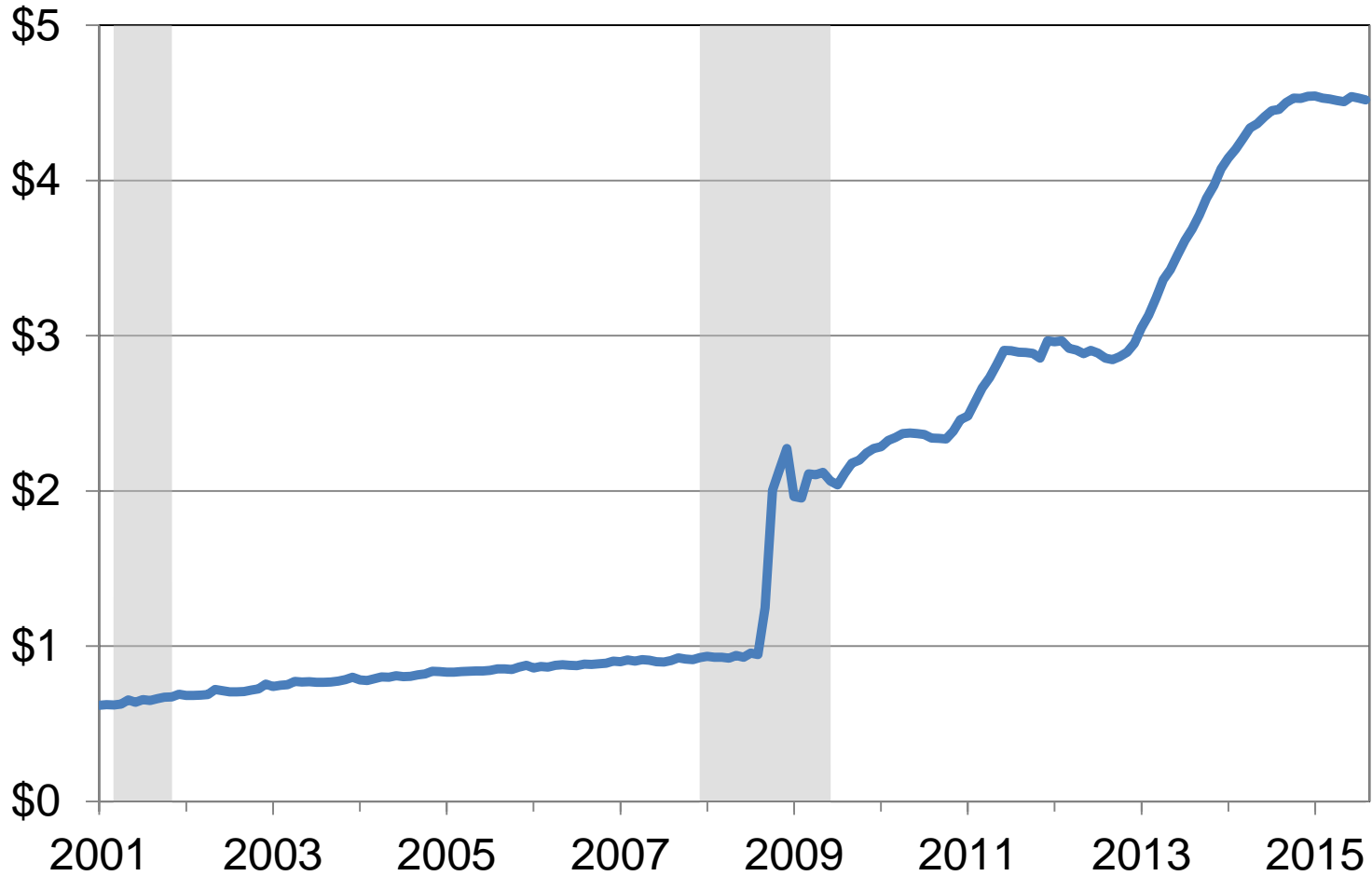


Source: Board of Governors, Federal Reserve System



Federal Reserve assets

Trillions

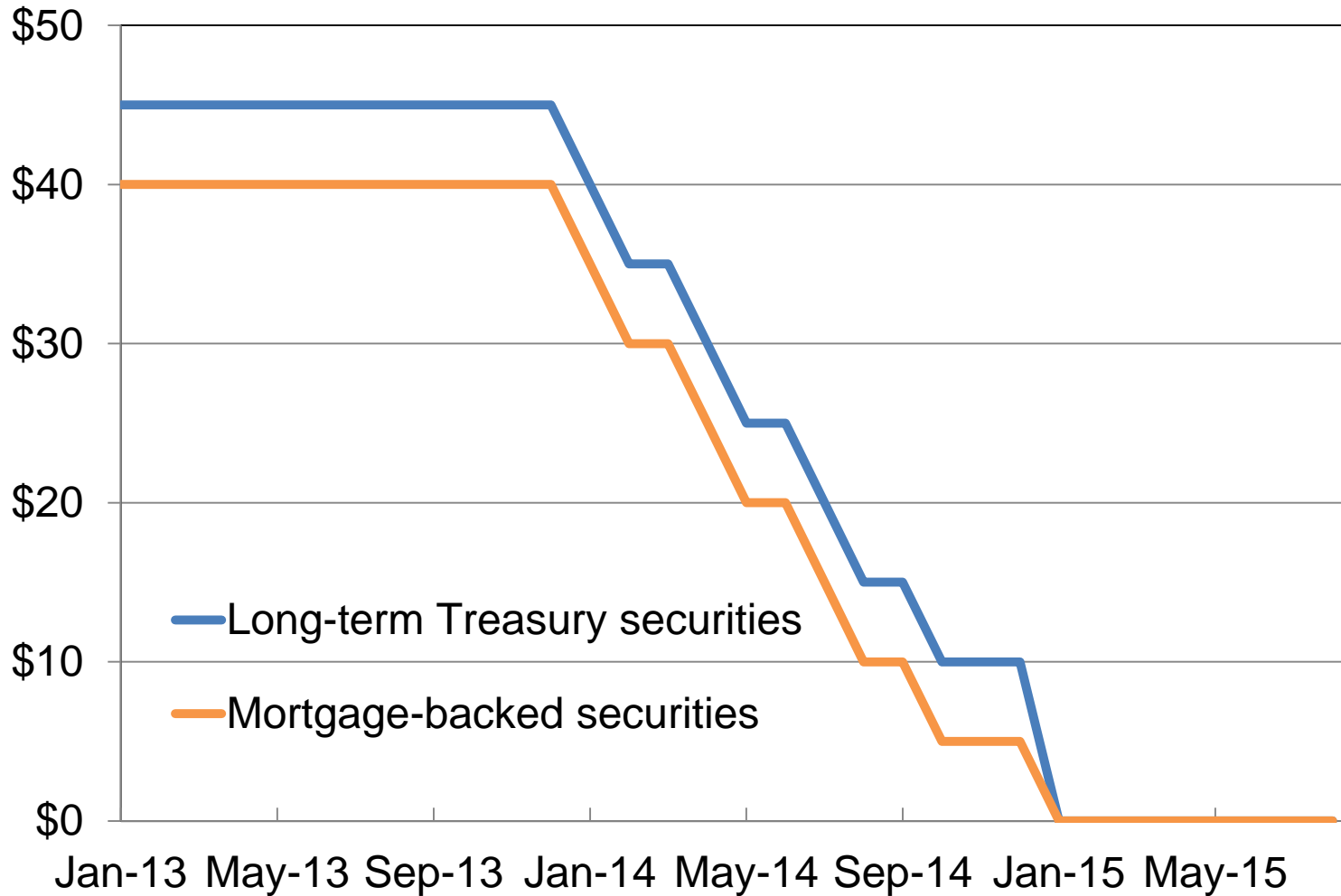


Source: Board of Governors, Federal Reserve System



Monthly FOMC asset purchases

Billions



Source: Board of Governors, Federal Reserve System



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Questions?