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Press Release



Release Date: June 20, 2012

For immediate release

Information received since the Federal Open Market Committee met in April suggests that the economy has been expanding moderately this year. However, growth in employment has slowed in recent months, and the unemployment rate remains elevated. Business fixed investment has continued to advance. Household spending appears to be rising at a somewhat slower pace than earlier in the year. Despite some signs of improvement, the housing sector remains depressed. Inflation has declined, mainly reflecting lower prices of crude oil and gasoline, and longer-term inflation expectations have remained stable.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects economic growth to remain moderate over coming quarters and then to pick up very gradually. Consequently, the Committee anticipates that the unemployment rate will decline only slowly toward levels that it judges to be consistent with its dual mandate. Furthermore, strains in global financial markets continue to pose significant downside risks to the economic outlook. The Committee anticipates that inflation over the medium term will run at or below the rate that it judges most consistent with its dual mandate.

To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee expects to maintain a highly accommodative stance for monetary policy. In particular, the Committee decided today to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014.

The Committee also decided to continue through the end of the year its program to extend the average maturity of its holdings of securities. Specifically, the Committee intends to purchase Treasury securities with remaining maturities of 6 years to 30 years at the current pace and to sell or redeem an equal amount of Treasury securities with remaining maturities of approximately 3 years or less. This continuation of the maturity extension program should put downward pressure on longer-term interest rates and help to make broader financial conditions more accommodative. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities. The Committee is prepared to take further action as appropriate to promote a stronger economic recovery and sustained improvement in labor market conditions in a context of price stability.

Voting for the FOMC monetary policy action were: Ben S. Bernanke, Chairman; William C. Dudley, Vice Chairman; Elizabeth A. Duke; Dennis P. Lockhart; Sandra Pianalto; Jerome H. Powell; Sarah Bloom Raskin; Jeremy C. Stein; Daniel K. Tarullo; John C. Williams; and Janet L. Yellen. Voting against the action was Jeffrey M. Lacker, who opposed continuation of the maturity extension program.

[Statement Regarding Continuation of the Maturity Extension Program](#)

Related Information

[Maturity Extension Program and Reinvestment Policy](#)

[Frequently Asked Questions: Maturity Extension Program and Reinvestment Policy](#)

CURRENT FAQs

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[What is the Federal Reserve's maturity extension program \(referred to by some as "operation twist"\) and what is its purpose?](#)

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Embargoed for release at 2:00 p.m., EDT, June 20, 2012

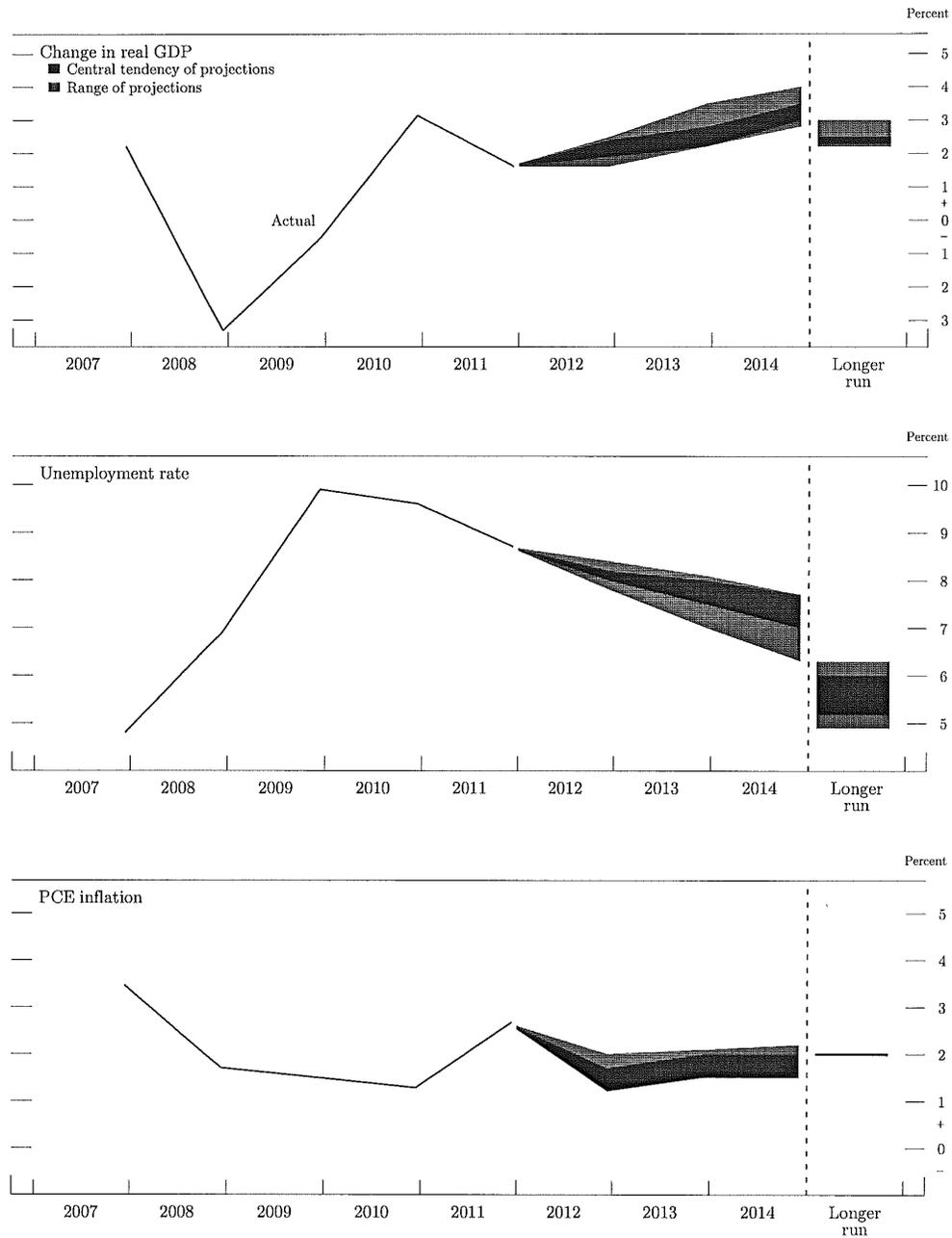
Economic Projections of Federal Reserve Board Members and Federal Reserve Bank Presidents, June 2012
Advance release of table 1 of the Summary of Economic Projections to be released with the FOMC minutes

Percent									
Variable	Central tendency ¹				Range ²				
	2012	2013	2014	Longer run	2012	2013	2014	Longer run	
Change in real GDP	1.9 to 2.4	2.2 to 2.8	3.0 to 3.5	2.3 to 2.5	1.6 to 2.5	2.2 to 3.5	2.8 to 4.0	2.2 to 3.0	
April projection	2.4 to 2.9	2.7 to 3.1	3.1 to 3.6	2.3 to 2.6	2.1 to 3.0	2.4 to 3.8	2.9 to 4.3	2.2 to 3.0	
Unemployment rate	8.0 to 8.2	7.5 to 8.0	7.0 to 7.7	5.2 to 6.0	7.8 to 8.4	7.0 to 8.1	6.3 to 7.7	4.9 to 6.3	
April projection	7.8 to 8.0	7.3 to 7.7	6.7 to 7.4	5.2 to 6.0	7.8 to 8.2	7.0 to 8.1	6.3 to 7.7	4.9 to 6.0	
PCE inflation	1.2 to 1.7	1.5 to 2.0	1.5 to 2.0	2.0	1.2 to 2.0	1.5 to 2.1	1.5 to 2.2	2.0	
April projection	1.9 to 2.0	1.6 to 2.0	1.7 to 2.0	2.0	1.8 to 2.3	1.5 to 2.1	1.5 to 2.2	2.0	
Core PCE inflation ³	1.7 to 2.0	1.6 to 2.0	1.6 to 2.0		1.7 to 2.0	1.4 to 2.1	1.5 to 2.2		
April projection	1.8 to 2.0	1.7 to 2.0	1.8 to 2.0		1.7 to 2.0	1.6 to 2.1	1.7 to 2.2		

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The April projections were made in conjunction with the meeting of the Federal Open Market Committee on April 24-25, 2012.

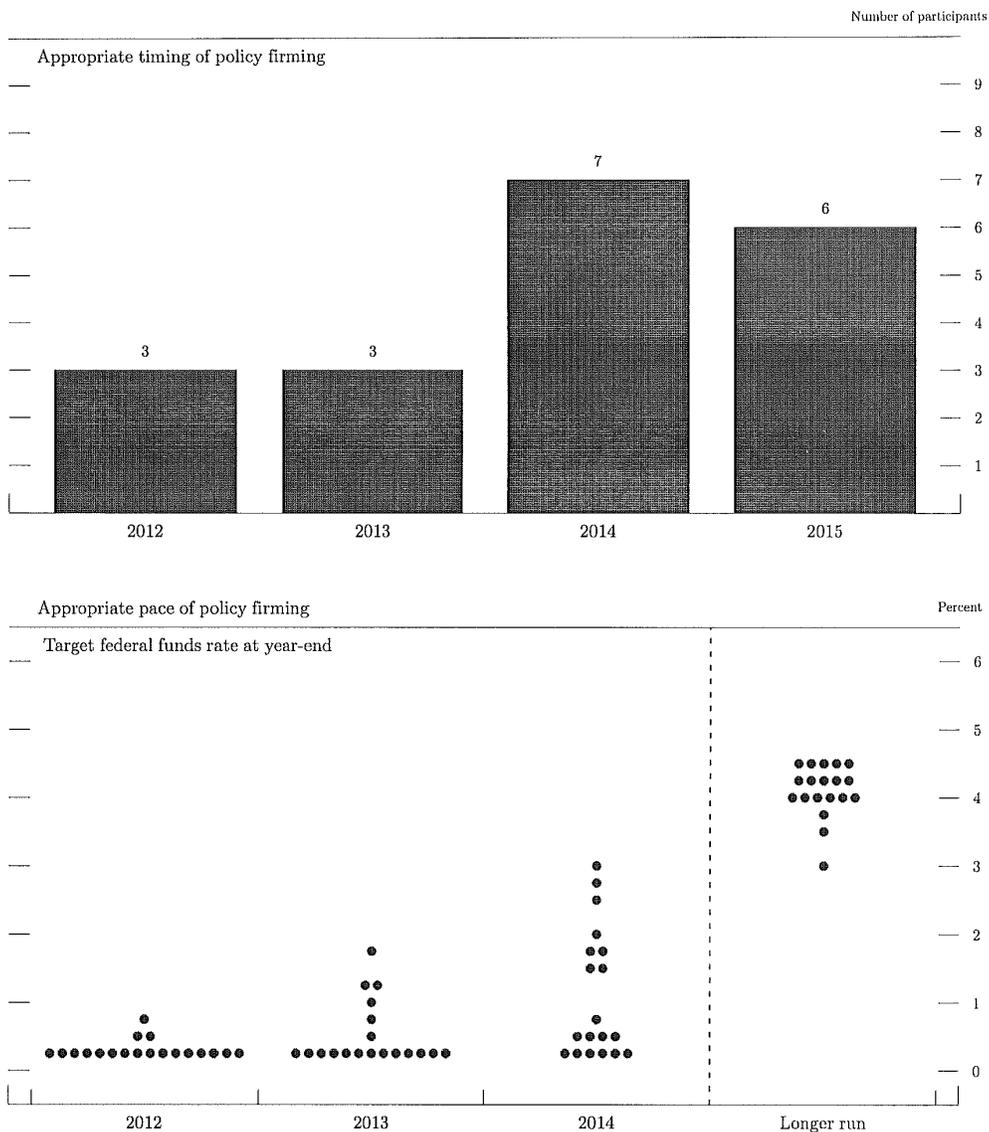
1. The central tendency excludes the three highest and three lowest projections for each variable in each year.
2. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
3. Longer-run projections for core PCE inflation are not collected.

Figure 1. Central tendencies and ranges of economic projections, 2012–14 and over the longer run



NOTE: Definitions of variables are in the notes to the projections table. The data for the actual values of the variables are annual.

Figure 2. Overview of FOMC participants' assessments of appropriate monetary policy, June 2012



NOTE: In the upper panel, the height of each bar denotes the number of FOMC participants who judge that, under appropriate monetary policy, the first increase in the target federal funds rate from its current range of 0 to 1/4 percent will occur in the specified calendar year. In April 2012, the numbers of FOMC participants who judged that the first increase in the target federal funds rate would occur in 2012, 2013, 2014, and 2015 were, respectively, 3, 3, 7, and 4. In the lower panel, each shaded circle indicates the value (rounded to the nearest 1/4 percentage point) of an individual participant's judgment of the appropriate level of the target federal funds rate at the end of the specified calendar year or over the longer run.

Explanation of Economic Projections Charts

The charts show actual values and projections for three economic variables, based on FOMC participants' individual assessments of appropriate monetary policy:

- Change in Real Gross Domestic Product (GDP)—as measured from the fourth quarter of the previous year to the fourth quarter of the year indicated, with values plotted at the end of each year.
- Unemployment Rate—the average civilian unemployment rate in the fourth quarter of each year, with values plotted at the end of each year.
- PCE Inflation—as measured by the change in the personal consumption expenditures (PCE) price index from the fourth quarter of the previous year to the fourth quarter of the year indicated, with values plotted at the end of each year.

Information for these variables is shown for each year from 2007 to 2014, and for the longer run.

The solid line, labeled “Actual,” shows the historical values for each variable.

The lightly shaded areas represent the ranges of the projections of policymakers. The bottom of the range for each variable is the lowest of all of the projections for that year or period. Likewise, the top of the range is the highest of all of the projections for that year or period.

The dark shaded areas represent the central tendency, which is a narrower version of the range that excludes the three highest and three lowest projections for each variable in each year or period.

The longer-run projections, which are shown on the far right side of the charts, are the rates of growth, unemployment, and inflation to which a policymaker expects the economy to converge over time—maybe in five or six years—in the absence of further shocks and under appropriate monetary policy. Because appropriate monetary policy, by definition, is aimed at achieving the Federal Reserve's dual mandate of maximum employment and price stability in the longer run, policymakers' longer-run projections for economic growth and unemployment may be interpreted, respectively, as estimates of the economy's normal or trend rate of growth and its normal unemployment rate over the longer run. The longer-run projection shown for inflation is the rate of inflation judged to be most consistent with the Federal Reserve's dual mandate.

Explanation of Policy Path Charts

These charts are based on policymakers' assessments of the appropriate path for the FOMC's target federal funds rate. The target funds rate is measured as the level of the target rate at the end of the calendar year or in the longer run. Appropriate monetary policy, by definition, is the future path of policy that each participant deems most likely to foster outcomes for economic activity and inflation that best satisfy his or her interpretation of the Federal Reserve's dual objectives of maximum employment and stable prices.

- In the upper panel, the shaded bars represent the number of FOMC participants who judge that the initial increase in the target federal funds rate (from its current range of 0 to $\frac{1}{4}$ percent) would appropriately occur in the specified calendar year.
- In the lower panel, the dots represent individual policymakers' assessments of the appropriate federal funds rate target at the end of each of the next several years and in the longer run. Each dot in that chart represents one policymaker's projection. Please note that for purposes of this chart the responses are rounded to the nearest $\frac{1}{4}$ percentage point, with the exception that all values below 37.5 basis points are rounded to $\frac{1}{4}$ percent.

These assessments of the timing of the initial increase of the target federal funds rate and the path of the target federal funds rate are the ones that policymakers view as compatible with their individual economic projections.