February 2, 2021

As the Economy Slows, New Questions Arise About Financial Stability

Talking Points

In the latest Take Five released Monday, February 2, 2021, Economist Bill Emmons discusses...

The January 27, 2021, Federal Open Market Committee (FOMC) Policy Statement:

- Labor Market and Inflation
  - Economic activity and employment recovery have moderated in recent months, with weakness concentrated in the sectors most adversely affected by the pandemic. Weaker demand and earlier declines in oil prices have been holding down consumer price inflation. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.
  - With inflation running persistently below this longer-run goal, the FOMC will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. The FOMC expects to maintain an accommodative stance of monetary policy until these outcomes are achieved.

- The Federal Funds Target Range
  - The FOMC voted to maintain the target range for the federal funds rate at 0.0% to 0.25% and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the FOMC’s assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time.

- Monetary Policy
  - The Federal Reserve will continue to increase its holdings of Treasury securities and agency mortgage-backed securities until substantial further progress has been made toward the FOMC’s maximum employment and price stability goals. These asset purchases help foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses.

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Resources

- FOMC Statement
- FOMC Press Conference