TAKE FIVE with Bill Emmons

November 8, 2021

Fed Tapering of Asset Purchases to Begin as Inflation Heads Higher

Talking Points

In the latest *Take Five* released Monday, November 8, 2021, Economist Bill Emmons discusses…

The November 3, 2021, Federal Open Market Committee (FOMC) Policy Statement:

- Labor Market and Inflation
  - Amid progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen. The sectors most adversely affected by the pandemic have improved in recent months, but the summer's rise in COVID-19 cases has slowed their recovery. Inflation is elevated, largely reflecting transitory factors. Supply and demand imbalances related to the pandemic and the reopening of the economy have contributed to sizable price increases in some sectors. 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 decided to keep the target range for the federal funds rate at 0 to 1/4 percent 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
  - In light of the substantial further progress the economy has made toward the Committee's goals since last December, the Committee decided to begin reducing the monthly pace of its net asset purchases by $10 billion for Treasury securities per month and $5 billion agency mortgage-backed securities. The FOMC judges that similar reductions in the pace of net asset purchases will likely be appropriate each month, but it is prepared to adjust the pace of purchases if warranted by changes in the economic outlook.

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Resources

- FOMC Statement
- FOMC Press Conference