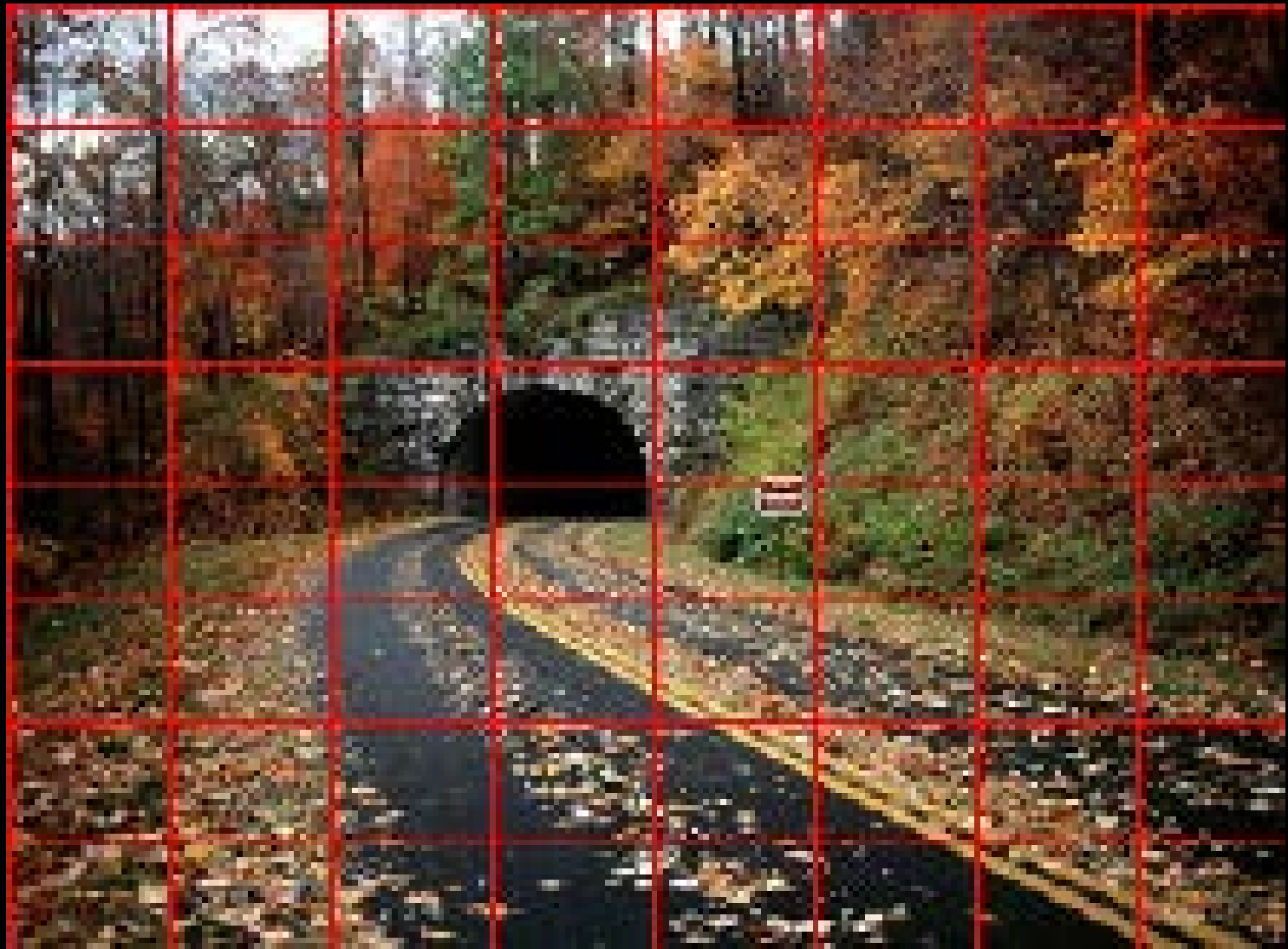




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of ATLANTA

Paula Tkac,
SVP & Assoc. Director of Research

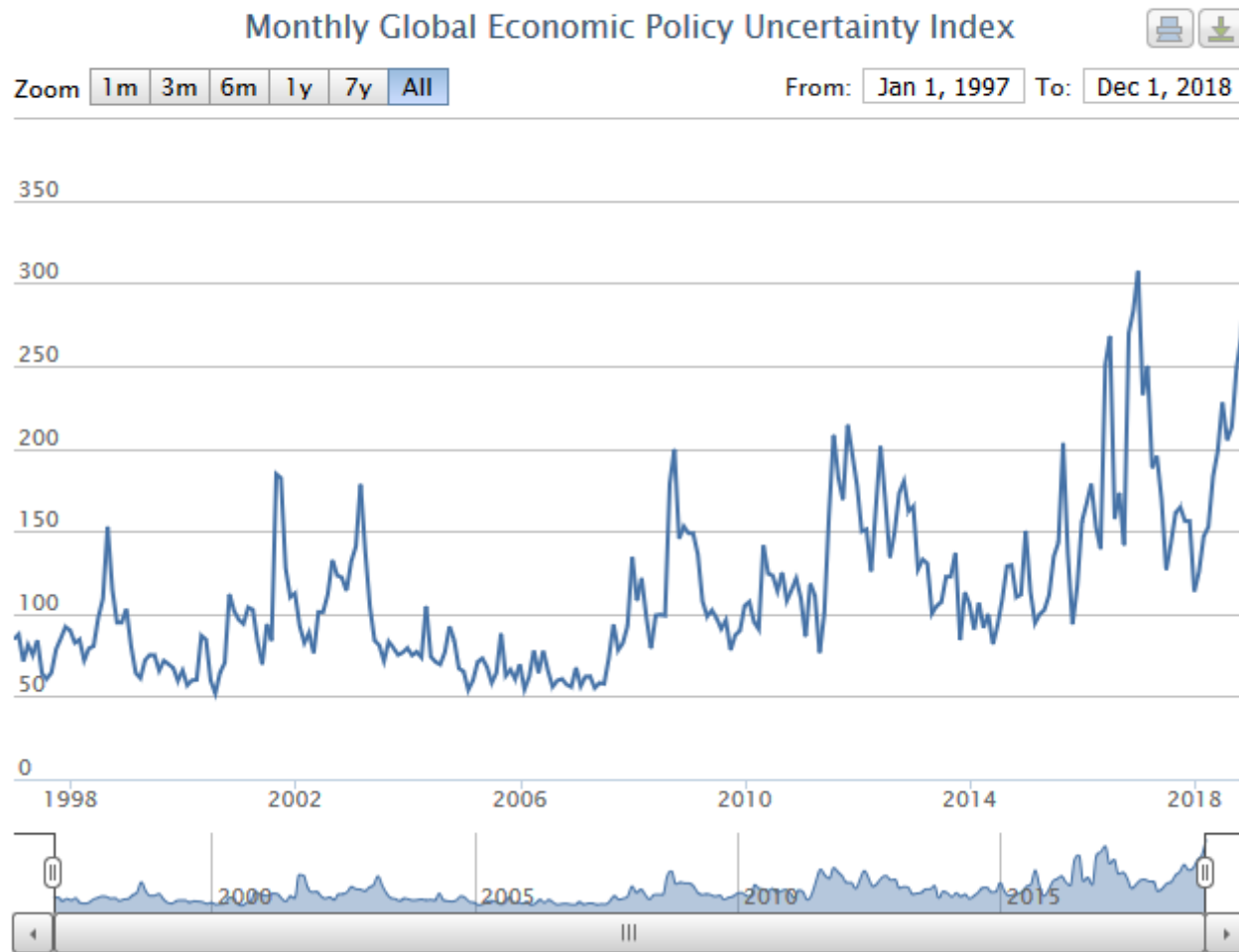
The views expressed here are my own and do not necessarily reflect the views of the Federal Reserve Bank of Atlanta or the Federal Reserve System.



A Time of Heightened Uncertainty

Economic Policy Uncertainty Index

We develop indices of economic policy uncertainty for countries around the world.

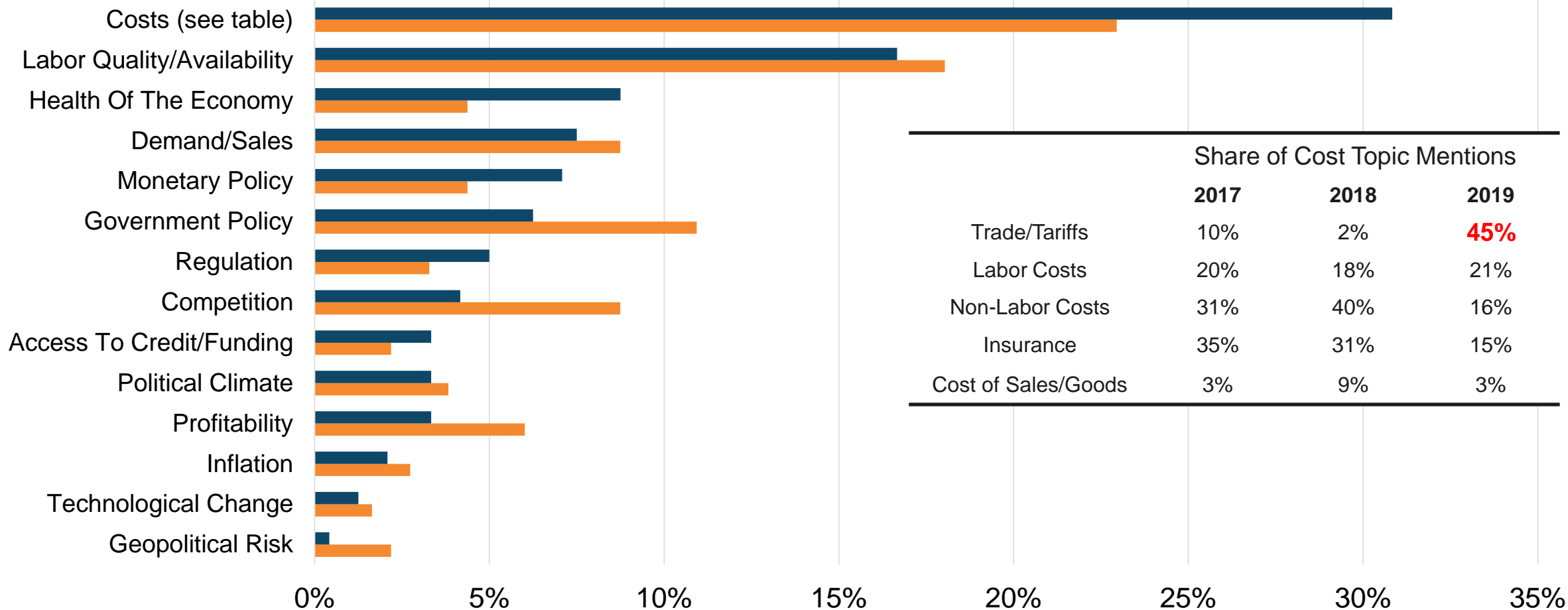


On the Minds of Businesses

Firms' "Biggest Concerns" for the Year-Ahead

share of total mentions by year

■ Concerns for 2019 ■ Concerns for 2018



Share of Cost Topic Mentions

	2017	2018	2019
Trade/Tariffs	10%	2%	45%
Labor Costs	20%	18%	21%
Non-Labor Costs	31%	40%	16%
Insurance	35%	31%	15%
Cost of Sales/Goods	3%	9%	3%

Wisdom: Knowing What you Don't Know

“The Committee judges that risks to the economic outlook are roughly balanced, but will continue to monitor global economic and financial developments and assess their implications for the economic outlook.”

FOMC Statement (12/18)

“In assessing the economic outlook, participants noted the contrast between the strength of incoming data on economic activity and ***the concerns about downside risks evident in financial markets and in reports from business contacts...***

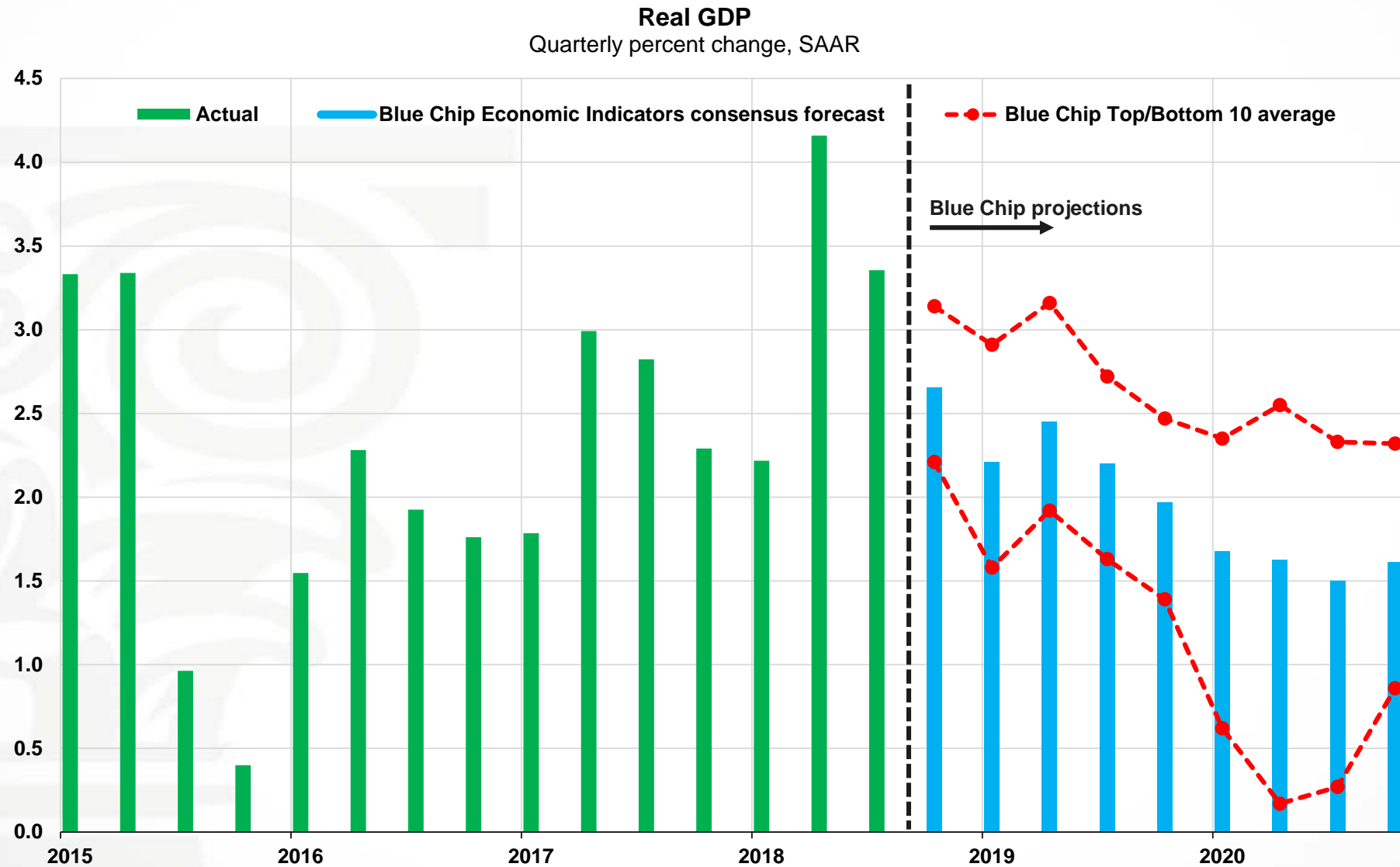
...Participants also reported hearing more frequent concerns about the global economic outlook from business contacts”

Minutes of the December 2018 FOMC Meeting
(emphasis added)

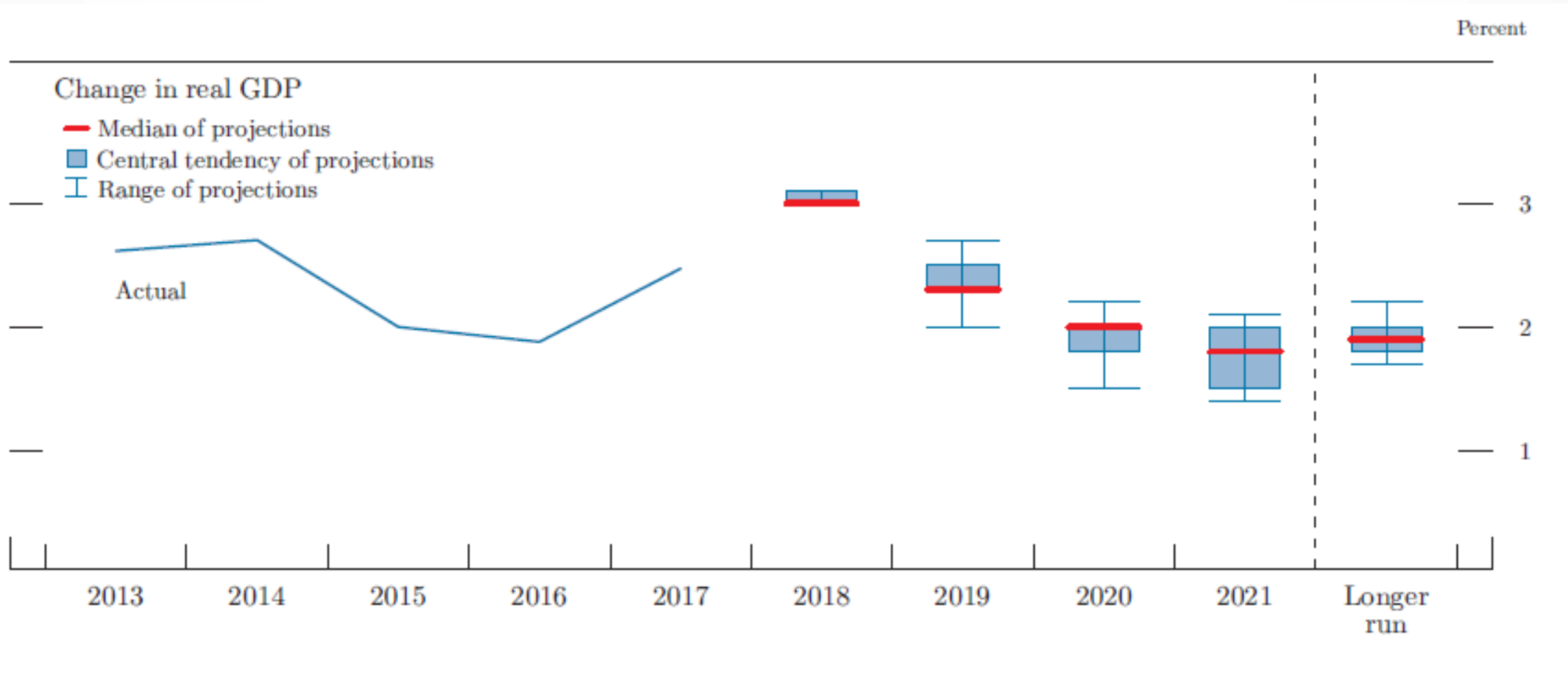
In the Meantime... a Government Shutdown

- On Dec 21, 2018 a Continuing Resolution covering 7 of 13 typical appropriations bills expired, impacting 9 federal agencies, accounting for ¼ of discretionary outlays.
 - Agencies shut down include Agriculture, Commerce, Justice, Homeland Security, Housing and Urban Development, Interior, State, Transportation, and Treasury
 - Roughly 800,000 federal nondefense workers impacted (20% of govt. workers)
- Direct impact on economic growth likely to be modest
 - Commerce Dept. stopped processing requests from auto suppliers & manu. seeking exemption from metal tariffs.
- Indirect impact likely to grow as the shutdown continues
 - Delayed tax returns, curbed/lost spending, heightened uncertainty, spillovers to private sector, etc.
- Census Bureau will not be releasing data

What Do Professional Forecasters Make of This?

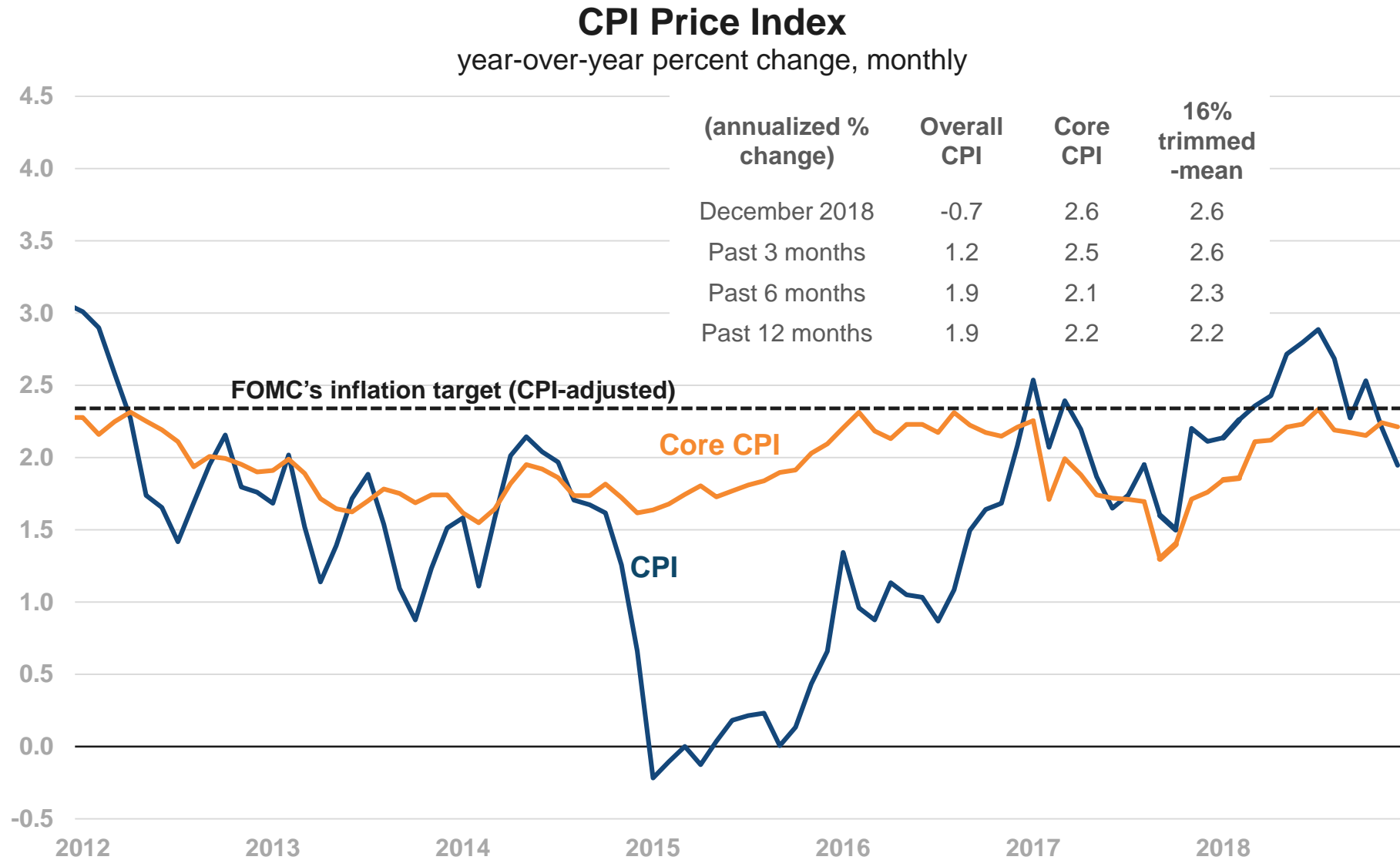


And the FOMC?



FOMC Summary of Economic Projections,
December 2018

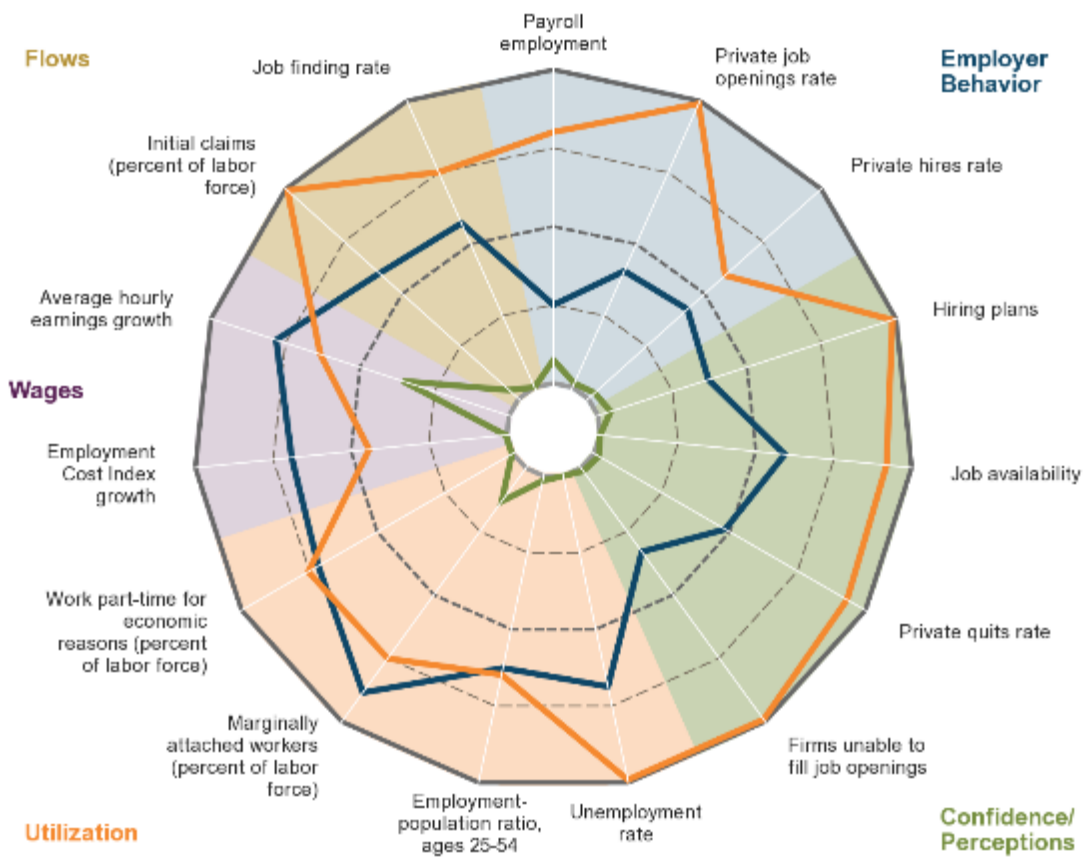
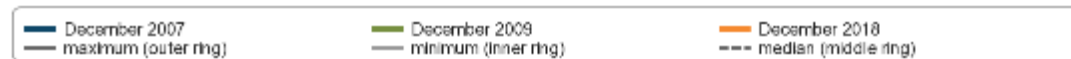
Inflation is running close to target



And the Labor Market is Hot...

Labor Market Distributions Spider Chart

Data since March 1994



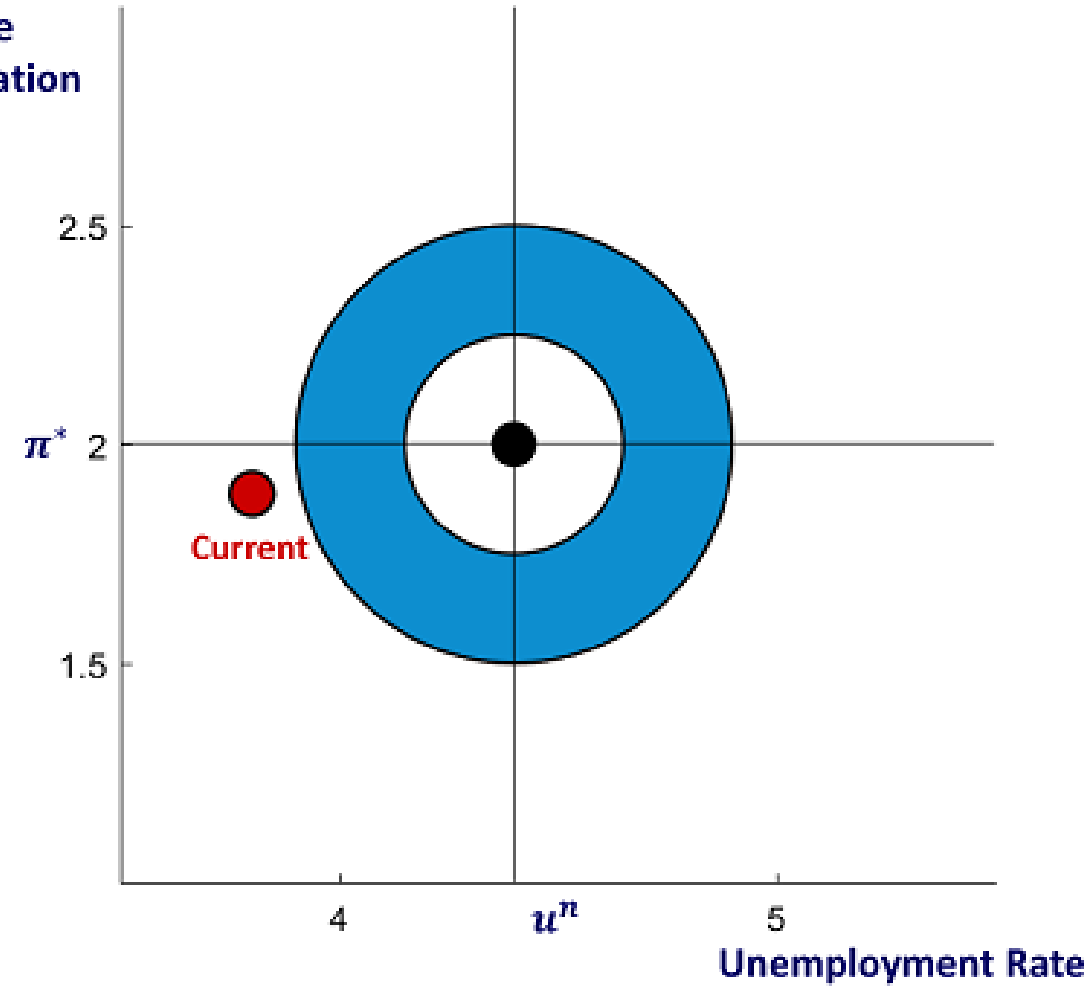
Sources: U.S. Bureau of Labor Statistics, U.S. Department of Labor, National Federation of Independent Business, The Conference Board, and Haver Analytics

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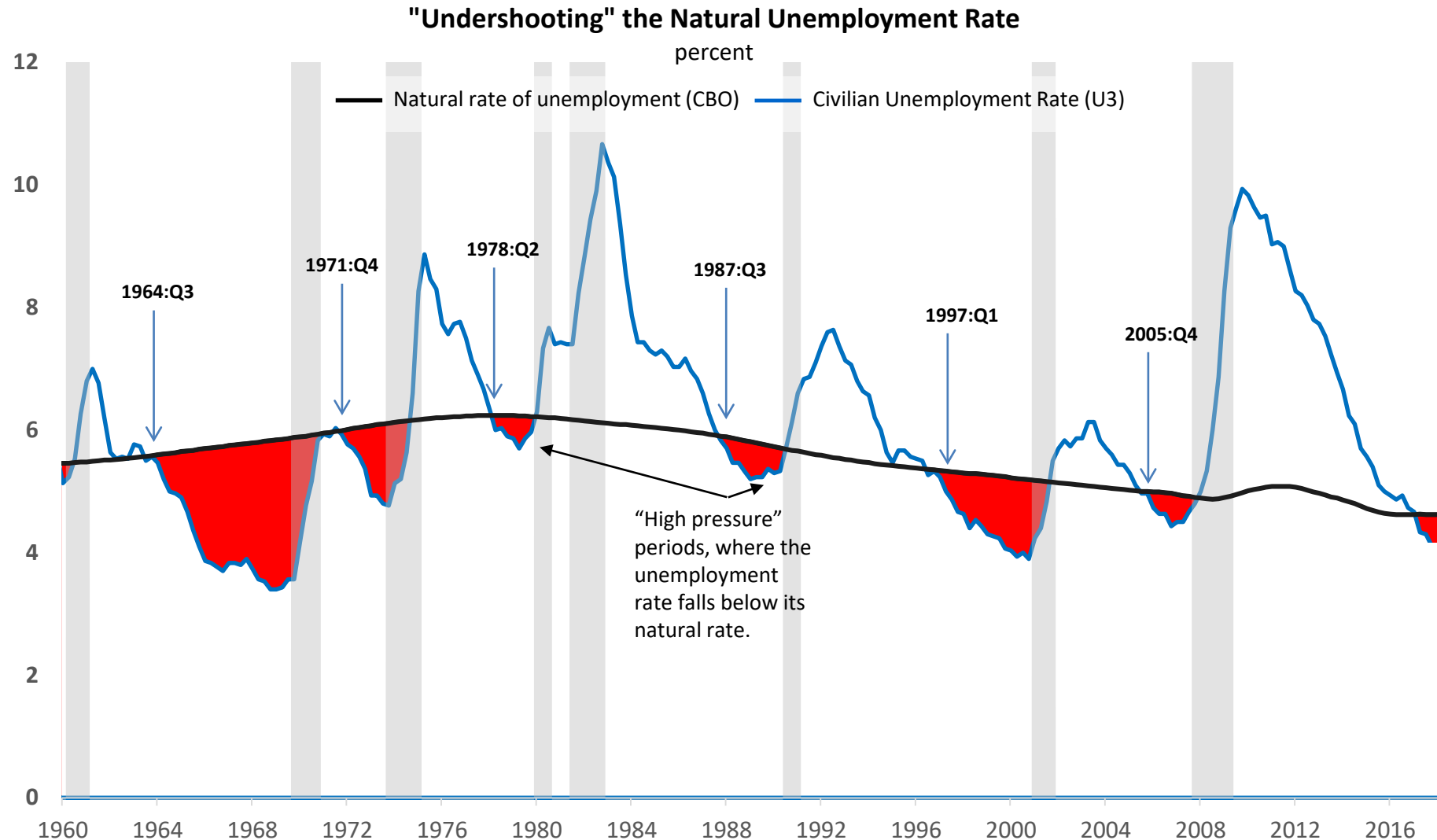
The Dual Mandate Bullseye

(percent)

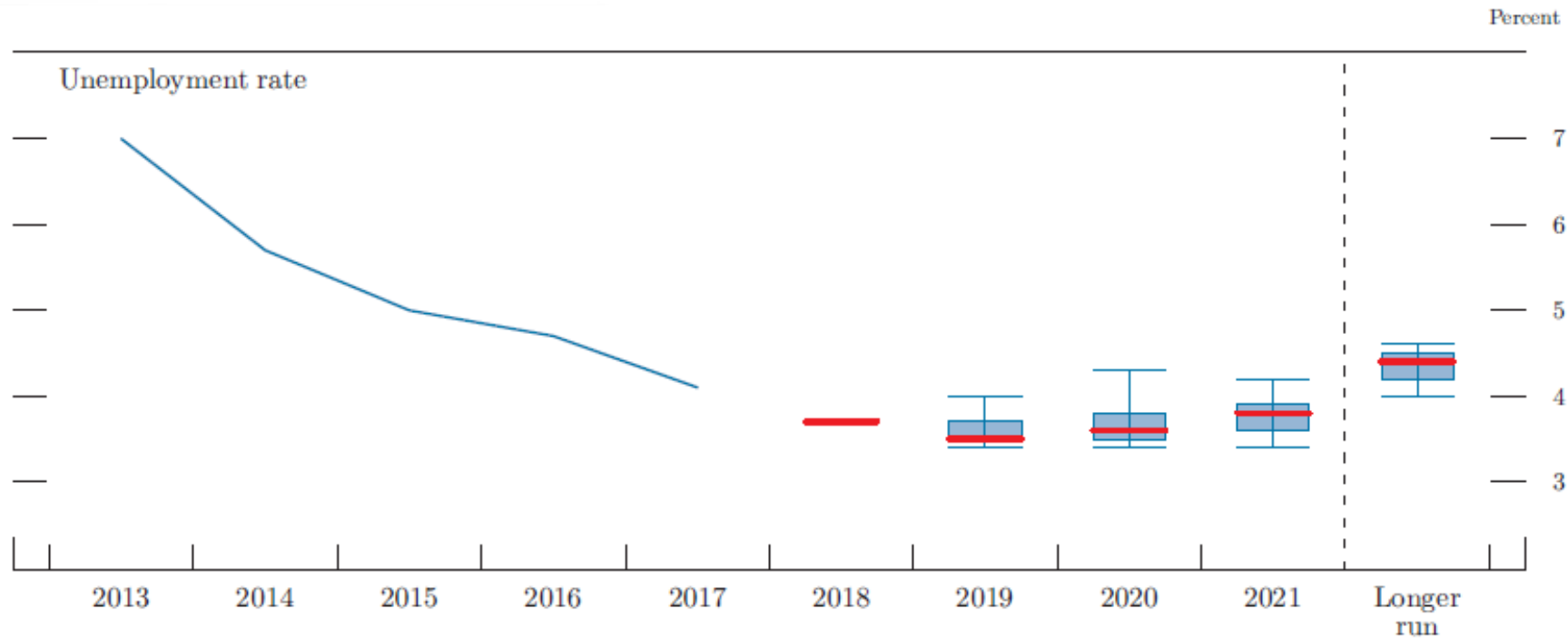
Core
Inflation



A Picture Worth Thinking About

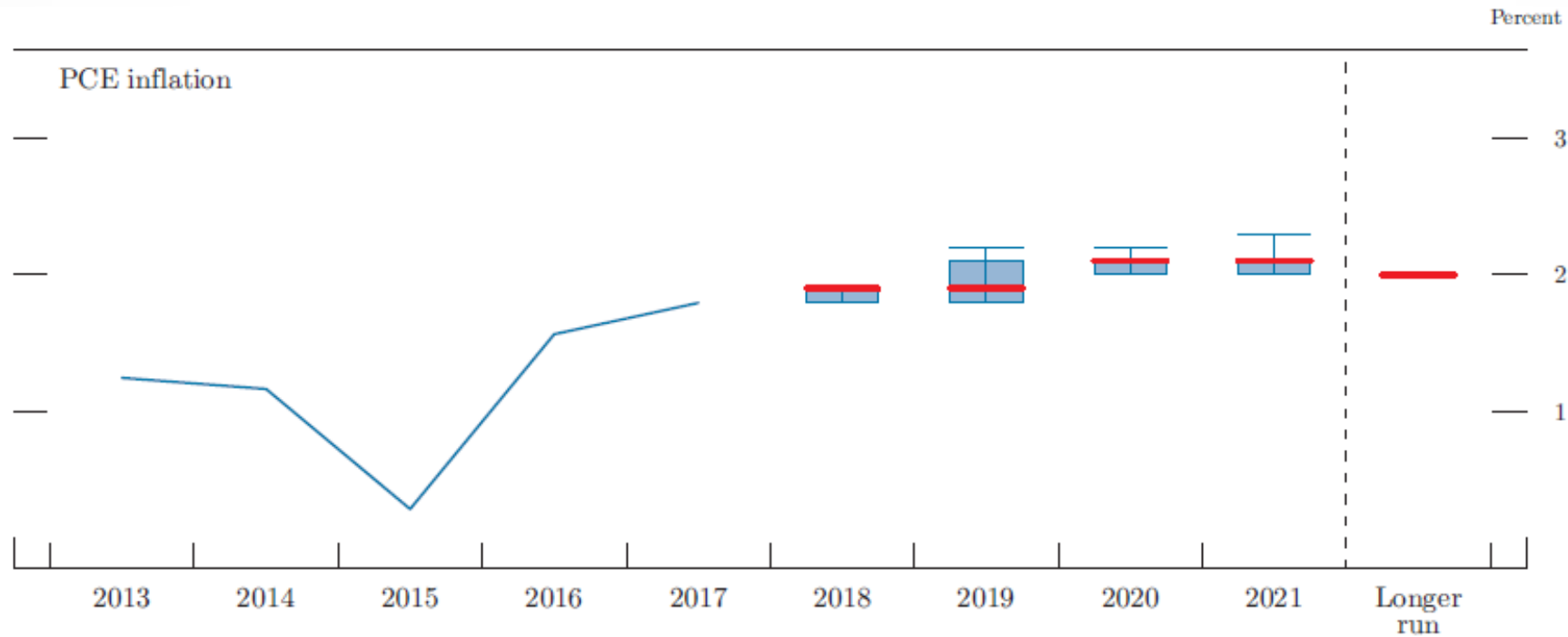


The FOMC's Unemployment Projections ...under appropriate monetary policy



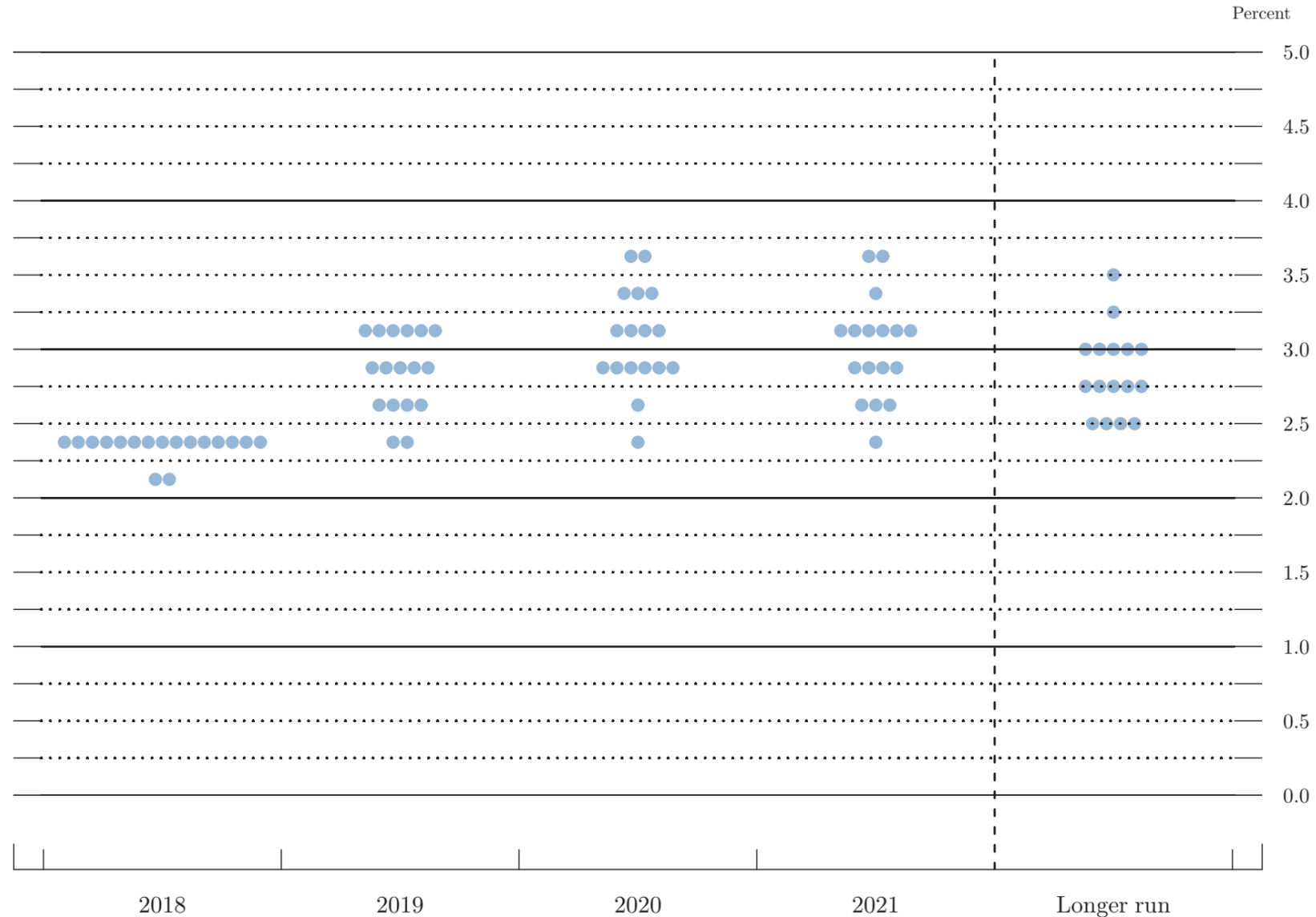
FOMC Statement of Economic Projections,
December 2018

And the FOMC Outlook on Inflation ...again, under appropriate monetary policy



FOMC Statement of Economic Projections,
December 2018

And Just What is “Appropriate Monetary Policy:”?



The Uncertainty Goes in Both Directions!



Quantitative Frightening?

“I didn't coin the title of this blog post. It was the label on a chart of the Federal Reserve's balance sheet that appeared in an issue of *The Wall Street Journal* last week. I've led with this phrase because it does seem to capture some of the sentiment around what has become the elephant in the monetary policy room: Is the rundown in the size of the Fed's balance sheet causing an unanticipated, and unwarranted, tightening of monetary policy conditions? I think the answer to that question is "no." Let me explain why.”

Raphael Bostic, 1/15/19

