The Federal Reserve Keeps Short-Term Interest Rates Near Zero, Citing Inflation and Unemployment Figures Inhibiting Factors

Economic Factors Influencing the Fed's Decision



Unemployment has been falling toward pre-financial crisis levels since its peak in 2009. Such improvement contributes to the Fed's willingness to raise interest rates, but the Fed would like to see more progress

Sluggish inflation raises concerns about economic weakness and the prospect for deflation partly reflecting declines in energy prices and non-energy imports.

Recent global economic and financial developments may restrain economic activity and put downward pressure on inflation in the near term. These considerations shaped the Fed's decision to keep interest rates close to zero in the immediate term

According to the Fed's September 17, 2015 press release:

"The Committee anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen some further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term"

Most Likely Dates for a Fed Rate Increase

Dec. 16, 2015 March 16, 2016

These are the dates for Fed chairwoman Janet Yellen's next scheduled news conferences. Both are preceded by a meeting of the Federal Open Markets Committee, the policy-making group that determines the target interest rate

Analysis

- The Federal Reserves Dual Mandate stipulates that the Fed will promote the goals of maximum employment and moderating inflation
- Yellen and other Fed officials have put forth a concentrated effort to warn of the coming rate increase in order to prevent catching financial markets and investors off-guard. In addition, Yellen has made it clear that any future rate increases will be gradual, likely about one percentage point per year

Sources: NYTimes, "When will the Fed Raise Rates," Kevin Granville, September 17, 2015, "Why the Fed Did not Raise Rates," Karl Russell and Binyamin Applebaum, September 17, 2015; Federal Reserve Press Release, September 17, 2015