William C Dudley: "US Economy in a Snapshot"

Opening remarks by Mr William C Dudley, President and Chief Executive Officer of the Federal Reserve Bank of New York, at the Economic Press Briefing on the US Economy in a Snapshot, Federal Reserve Bank of New York, New York City, 19 May 2016.

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Jonathan McCarthy, Paolo Pesenti, Robert Rich and Joseph Tracy assisted in preparing these remarks.

Welcome to our Economic Press Briefing. Today we are going to introduce you to a data product that we have been making available to the public, U.S. Economy in a Snapshot. My role is to put this product in the broader context of the Federal Open Market Committee's (FOMC) communication strategy about the economy and policy. My colleague Robert Rich will then walk you through the structure of the product and discuss excerpts from the May release. As always, what I have to say reflects my own views and not necessarily those of the Federal Open Market Committee or the Federal Reserve System.

Conventional U.S. monetary policy is conducted by targeting the level of the federal funds rate—an overnight interest rate on bank reserves. Few participants in our economy have any direct interaction with this interest rate. How, then, is controlling this interest rate such an important part of setting monetary policy and steering an 18 trillion dollar economy toward the Federal Reserve's dual mandate objectives of maximum sustainable employment and price stability?

This is the remarkable aspect of monetary policy. Just as a pebble dropped into a lake disturbs the water not just at the point of impact but ripples outward far from the origin, changes in the federal funds rate influence the prices of financial assets more broadly and this, in turn, affects the broader economy. An important insight of modern monetary theory is that this transmission of monetary policy to the broader economy through its many channels works best when the central bank is transparent about its goals, policy strategy and approach to implementing its strategy. In this case, market participants and households both understand and can anticipate actions by the central bank. By doing so, the transmission channels of monetary policy are enhanced. This places considerable importance on effective central bank communication.

Recognizing this, the FOMC has undertaken many initiatives over the years to improve its communications with the public. These include providing clarification in terms of the goals of monetary policy, discussions of the FOMC's broad policy strategy, as well as FOMC participants' ongoing explanations of their views on monetary policy. As part of this effort, I provide a comprehensive update on my outlook for the economy and monetary policy several times during the year. Once a year we publish our staff's judgmental economic forecast. We have also provided in the *Liberty Street Economics* blog discussions of an internal staff model-based economic forecast. In addition, we now regularly release our real-time forecast of "current quarter" real GDP growth. All of these help the public to understand our assessment of economic conditions through the lenses of these different types of forecasts.

When asked about the trajectory for the monetary policy stance, I always point out that it is data dependent. The FOMC calibrates the stance of monetary policy to best achieve our twin objectives of price stability and maximum sustainable employment, taking into account our forecast for how the economy is evolving. This forecast reflects the ongoing flow of the data. Data releases that are close to our expectations have little additional impact on the forecast, while data releases that deviate significantly from our expectations can lead to more significant revisions of the forecast. It is, therefore, important for market participants and households to be able to follow the data along with the FOMC and to understand how we are likely to interpret and react to incoming data.

While market analysts readily have access to economic and financial data, this access is not widely available to everyone. To help fill this information gap, for the past year we have been making available on our website a monthly publication called *U.S. Economy in a Snapshot*. This publication contains a set of key data charts as well as commentary by our staff economists. The purpose is to provide interested readers easy access to clear and concise presentations of important economic information. The associated commentary provides some pertinent observations one might draw from the data.

Our goal is to provide information that helps households and businesses follow the data along with the Fed. If people know more about how the economy is performing and how that is likely to influence our actions, this should make it easier for us to achieve our twin objectives.

I will now turn it over to Rob to discuss the *Snapshot* in greater detail.