

Economic Alert iQ



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International

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June Rate Hike Doubtful

- According to the April FOMC minutes released by the Fed today, officials believe they will not be in position to raise short-term interest rates by mid-year.
- Much focus was centered on the first-quarter economic slowdown. The consensus of the April 28-29 policy meeting believed temporary factors were holding back the economy.
- Before lifting rates, the Fed stated it would want to be confident growth is on the right path, while unemployment will keep falling and inflation will gradually rise towards the 2% goal.
- The Fed moved short-term rates to near zero in December 2008 and have kept them there since. With the unemployment rate falling, the Fed believes that inflationary pressures are expected to accelerate gradually.
- Though job growth picked up in April and the jobless rate declined, some indicators of economic output, including industrial production and retail sales, have been disappointing.
- Today's Fed minutes continue to reaffirm what many analysts believe - a Fed rate hike would not happen until September or later in 2015.
- Treasuries yields fell, but Equities rallied after the release of FOMC minutes.

Selected Indicators	2013	2014f	2015f	2016f
Real GDP growth (%)	1.9	2.5	3.2	3.4
General government balance/GDP (%)	4.5	4.5	4.2	4.4
General government debt/GDP (%)	88.0	89.0	89.0	89.1
Net general government debt/GDP (%)	27.6	25.8	24.4	23.1
General government interest expenditure/revenues (%)	6.2	6.1	6.5	7.2
CPI growth (%)	1.5	1.9	1.5	1.5
Current account balance/GDP (%)	(2.3)	(2.2)	(2.2)	(2.4)

Source: Standard & Poor's



Source: Bloomberg

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