

ShadowStats Flash Economic Commentary, Issue No. 1449

September 2020 FOMC Meeting

September 16, 2020

**Federal Reserve Will Maintain Its 0.00% to 0.25% Targeted Fed Funds Rate and
“At Least” the Current Pace of Asset Purchases, For the Duration**

Broad FOMC Outlook Appears Little Changed in Wake of September Meeting

**Policies Will Continue Until Both Full Employment and
Targeted, Prospective Inflation Running Above 2.0% Are Attained**

**FOMC Projections Suggest No Return to Normal Conditions Before 2024;
Expectations Are for GDP Recovery of Pre-Pandemic Levels Around Fourth-Quarter 2021**

**ShadowStats Conclusions: Policy Effects Will Mean a Continued Money Supply Spike,
With Consumer Inflation Mounting Rapidly in the Next Six-to-Nine Months**

September 2020 FOMC Meeting

Record Surge in Money Supply Growth Likely Is Just Beginning

“Core” Inflation Already Is Heading Higher

The September FOMC Meeting Statement and Federal Reserve Chairman Jerome Powell’s Press Conference Confirmed Continuing, Extreme Federal Reserve Accommodation. Based on Fed Chairman Powell’s comments this afternoon (September 16th), and the guiding, underlying Statement from the Federal Reserve’s Federal Open Market Committee (FOMC), the Fed’s emergency accommodations of unlimited Systemic Liquidity—maintaining “at least” the current pace of asset purchases—will continue, as will the targeting of the Federal Funds Rate at its bottom range of 0.00% to 0.25%. Those policies will hold in place for the duration of the Pandemic-driven economic and societal collapse in the United States, until the U.S. economy regains full employment and “core” inflation tops two percent.

The only new feature in today’s continuing policies was the commitment to targeting “Core” PCE Inflation (the Personal Consumption Expenditure deflator out of GDP accounting, net of food and energy) so that it would run above 2.0%, for an extended period of time, as had been announced by Chairman Powell and the [FOMC](#) on August 27th (see discussion in [Special Economic Commentary, Issue No. 1446](#)).

Both the Money Supply and “Core” Inflation Should Spike into 2021. Current money supply and “core” inflation conditions also were discussed in prior [Flash Commentary, Issue No. 1448](#). Noted there, money supply annual growth had hit record extremes, although possibly stalling, while “core” inflation measures were beginning to surge. Also discussed, with annual growth in the Federal Reserve’s Monetary Base moving higher, once again, resurgent annual money supply growth likely already was developing. Chairman Powell’s commitment to continued liquidity expansion would tend to support that conclusion.

FOMC Statement and Forecasts. Prior to Chairman Powell’s Press Conference, the FOMC issued a Statement upon completion of its September 15th to 16th meeting. Related links to policy Implementation and to the Economic Projections of the Federal Reserve Board members and Federal Reserve Bank presidents follow the Statement:

The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals.

The COVID-19 pandemic is causing tremendous human and economic hardship across the United States and around the world. Economic activity and employment have picked up in recent months but remain well below their levels at the beginning of the year. Weaker demand and significantly lower oil prices are holding down consumer price inflation. Overall financial conditions have improved in recent months, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.

The path of the economy will depend significantly on the course of the virus. The ongoing public health crisis will continue to weigh on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation running persistently below this longer-run goal, the Committee 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 Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved. The Committee 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 Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. In addition, over coming months the Federal Reserve will increase its holdings of Treasury securities and agency mortgage-backed securities at least at the current pace to sustain smooth market functioning and help foster accommodative financial conditions, thereby supporting the flow of credit to households and businesses.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michelle W. Bowman; Lael Brainard; Richard H. Clarida; Patrick Harker; Loretta J. Mester; and Randal K. Quarles.

Voting against the action were Robert S. Kaplan, who expects that it will be appropriate to maintain the current target range until the Committee is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals as articulated in its new policy strategy statement, but prefers that the Committee retain greater policy rate flexibility beyond that point; and Neel Kashkari, who prefers that the Committee to indicate that it expects to maintain the current target range until core inflation has reached 2 percent on a sustained basis.

Related links:

[Implementation Note issued September 16, 2020](#)

Links to Economic Projections of the Federal Reserve Board members and Federal Reserve Bank presidents and related material from the [Economic Projections - September 15-16, 2020 FOMC Meeting](#).

FOMC Economic Projections Show the Headline Fourth-Quarter 2020 GDP Down Year-to-Year by 3.7% (-3.7%), Fourth-Quarter 2021 GDP Up Year-to-Year by 4.0%. Not that FOMC forecasts beyond a quarter or two are of particularly good quality, but it is interesting to see what the central bankers are thinking. Given those headline forecasts and existing GDP reporting, Fourth-Quarter 2020 would be shy by 3.7% (-3.7%) of recovering its pre-Pandemic peak of Fourth-Quarter 2019. Fourth-Quarter 2021 GDP activity, however, just would be recovering it.

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Background ShadowStats Information for Subscribers

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For key economic and the market and systemic assessments of recent months, see [Special Commentary, Issue No. 1429](#) (FOMC Panic), [Special Commentary, Issue No. 1430](#) (Systemic Solvency), [Flash Commentary, Issue No. 1433](#) (Retail Sales Benchmarking), [Flash Commentary No. 1434](#) (1q2000 GDP), [Special Economic Commentary, Issue No. 1437](#) (Economic Update), [Special Hyperinflation Commentary, Issue No. 1438](#) (Risks of a Hyperinflationary Economic Collapse), [Flash Commentary No. 1439](#) (Distorted May Labor Conditions, NBER Recession Call, FOMC Outlook), [Flash Commentary, Issue No. 1440](#) (FOMC and Inflation) and [Economic Commentary, Issue No. 1441](#) (Economic Update), [Flash Commentary, Issue No. 1442](#) (Gold, Money Supply GDP) and [Flash Commentary, Issue No. 1443](#) (GDP and Gold).

[Special Economic Commentary, Issue No. 1444](#) updated the economic outlook, incorporating the latest reporting and examined the latest Systemic, Economic and Financial-system disruptions, particularly as reflected in the Price of Gold). [Flash Commentary, Issue No. 1445](#) reviewed the GDP annual benchmarking and outlook for Gold and Silver following the August 11th sell-off. [Special Economic Commentary, Issue No. 1446](#) assessed current and prospective economic and inflation conditions, with *ShadowStats* GDP forecasts for the balance of 2020. [Flash Commentary, Issue No. 1447](#) reviewed and updated ongoing statistical shenanigans with the New Claims for Unemployment Insurance for the week ended August 29th, and assessed economic implications of the August 2020 Payrolls and Unemployment and Employment reporting, along with the July 2020 Merchandise Trade Deficit. Prior [Flash Commentary, Issue No. 1448](#) reviewed the latest New Claims for Unemployment, August 2020 CPI- and PPI-Inflation and the Money Supply .

Today's *Flash Commentary, Issue No. 1449* reviews the developments from the just-completed September 2020 FOMC Meeting.

Your questions and comments always are welcomed. Please call or e-mail me any time. Leave a message if your call goes to Voicemail. I shall be back to you.

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