Investor Advisory Committee on Financial Markets Member Presentation Materials

July 17, 2024

Investor Advisory Committee on Financial Markets (IACFM) Federal Reserve Bank of New York

17 Jul 2024



G4 inputs to forward policy rates

						US											EA					
	Growth ¹												Grov	vth1								
	Real Potential ²		ntial ²	Final	Core in	Core inflation (PCE) ^{1,4}		Policy ra (top)		-	Re	al	Pote	ntial ²	Finant	Core in	flation (HI	ICP) ^{1, 4}		Polic (D	y rate FR)	
Year	RCM	Cons ⁶	RCM	OECD	Fiscal contr. ³	Total	Services	Goods	R* (real)⁵	RCM	Mkt ⁷	RCM	Cons ⁸	RCM	OECD	Fiscal contr. ³	Total	Services	Goods	R* (real)⁵	RCM	Mkt
2018	3.0)	2	.1	0.3	1.9	2.7	-0.5	0.8	2	2.5	1.	8	1	.3	-0.1	1.0	1.5	0.3	0.4	-0.4	
2019	2.5	5	2	.0	0.8	1.6	2.3	-0.5	0.9	1	L.8	1.	6	1	.3	0.5	1.0	1.5	0.3	0.5	-0.5	
2020	-2.2		1.9		3.4	1.3	2.0	-0.7	1.1	().3	-6.3		1.5		2.3	0.7	1.0	0.2	0.5	-0).5
2021	5.8		1.9		-0.3	3.6	3.7	3.4	1.3	().3	5.9 1.5		1.5	1.5	3.8	1.5	0.6	-0).5		
2022	1.9		2.0		-2.2	5.2	5.1	5.6	1.6	2	4.5	3.5 1.4		.4	-1.6	3.9	6.7	4.6	0.6	2	.1	
2023	2.5		2.1		0.3	4.1	5.1	1.3	1.8	5	5.5	0.	6	1.2		-0.5	4.9	5.3	5.0	0.7	4	.0
2024	2.5	2.5	2.3	2.1	0.2	2.8	3.9	-0.5	1.9	5.0	4.8	0.7	0.7	1.2	1.2	-0.2	2.9	4.1	0.8	0.7	3.5	3.3
2025	2.1	1.9	2.1	2.1	-0.1	2.3	3.0	0.3	2.0	4.2	3.7	1.1	1.4	1.2	1.1	-0.2	2.3	3.3	0.5	0.7	2.7	2.4
2026	2.3	1.9	2.0	1.9	0.1	2.1	2.6	0.7	2.0	4.1	3.5	1.2	1.4	1.2	1.3	-0.2	2.0	2.6	0.9	0.7	2.5	2.3
2027	2.3	2.1	2.1	1.9	0.1	2.1	2.6	0.7	2.0	4.1	-	1.2	-	1.1	1.3	-0.1	2.0	2.6	1.0	0.6	2.5	-
2028	2.2	2.0	2.2	1.8	0.0	2.1	2.6	0.7	2.0	4.1	-	1.1	-	1.0	1.3	-0.1	2.0	2.8	0.8	0.7	2.5	-
						UK											JP					
		Grow	th1							Growth ¹												
	Real		Potential ²		-	Core inflation (CPI) ^{1,4}		Policy rate		Real Potential ²			Core ir	Core inflation (CPI) ^{1,4}			Policy rate					
					Fiscal									Fiscal								
Year	RCM	Cons ⁸	-	OECD	contr. ³	Total			R* (real)⁵						OECD	contr. ³	Total			R* (real)⁵		
2018	1.4		1.4		-0.2	2.1	2.4	1.5	0.8).8	0.			.8	-0.3	0.8	0.4	1.4	-0.4).1
2019	1.6		1.2		0.7	1.7	2.5	0.6	0.8		0.8		4	0.7		0.3	0.6	0.3	1.0	-0.4).1
2020	-10.4		0.9		3.1	1.4	1.8	0.8	0.9			-4.		0.6		3.2	-0.2	-0.6	0.3	-0.5).1
2021	8.7		0.8		0.0	2.4	2.3	2.6		1.0 0.3		2.		0.7		-1.7	-0.2	-1.9	0.9	-0.5).1
2022	4.3		1.0		-1.1	5.9	5.2	6.8	1.1	3.5			1.2 0.6		-0.6	2.3	-0.8	5.2	-0.6).1	
2023	0.1		1.2		0.0	6.2	6.8	5.3	1.1			1.	-	0.4		1.2	3.1	2.6	4.3	-0.5).1
2024	1.1	0.8	1.3	1.1	0.0	3.7	5.6	0.5	1.1	4.8	4.7	-0.2	0.2	0.4	0.3	0.5	2.4	2.3	3.2	-0.5	0.4	0.3
2025	1.3	1.3	1.2	1.0	-0.1	2.8	4.3	0.4	1.1	4.2	3.8	1.2	1.2	0.3	0.4	-0.4	2.0	1.9	2.5	-0.5	1.4	0.5
2026	1.2	1.5	1.2	1.4	0.0	2.5	3.4	0.8	1.1	3.7	3.5	0.6	0.8	0.2	0.7	-0.5	2.0	2.0	2.0	-0.5	1.6	0.7
2027	1.2	-	1.2	1.5	0.1	2.3	3.2	0.8	1.1	3.6	-	0.6	0.6	0.2	0.9	-0.5	2.0	2.0	2.0	-0.4	1.6	-
2028	1.2	-	1.2	1.6	0.1	2.3	3.2	0.8	1.1	3.6	-	0.6	0.6	0.2	1.0	0.0	2.0	2.0	2.0	-0.4	1.6	-

Source: BEA, Federal Reserve, Eurostat, ECB, ONS, Bank of England, Japan Cabinet Office, Japan Ministry of Health, Labour & Welfare, Japan Ministry of Internal Affairs and Communications, Bank of Japan, Bloomberg.

Notes: Policy rates are EOY.¹ Growth rates expressed as annual averages.² Historical potential GDP growth rates and consensus forecasts for potential growth represent latest estimates from the OECD. ³ Fiscal contribution to real GDP growth calculated by RCM based on methodology from the Hutchins Center Fiscal Impact Measure (US, UK, EA) and IMF (Japan, see Fournier, et al, 2022, "The Fiscal Stance in Japan – A Model-based Analysis", IMF, WP/22/164).

⁴Core inflation projections exclude the effect of potential tariffs.

⁵ R* estimates from a modified model similar to that in Rachel, Lukasz and Lawrence H. Summers, "On Secular Stagnation in the Industrialized World," Brookings Papers on Economic Activity, Spring 2019.

⁶ Consensus real GDP estimates for the US come from the Survey of Professional Forecaster. ⁷ Based on market rates as of 16 Jul 2024. ⁸ Consensus data drawn from the median of Bloomberg consensus forecasts.



Cross-country growth spillovers

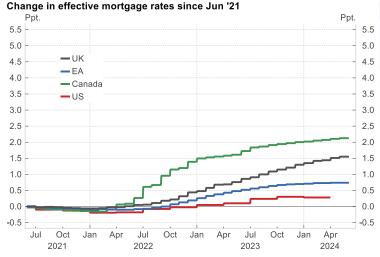
		US	EA	UK	JP	EM
	US	_	-0.15	-0.21	-0.11	-0.17
1% decline in domestic demand	EA	-0.06	-	-0.22	-0.10	-0.09
of area A	UK	-0.01	-0.07	-	-0.05	-0.02
	JP	-0.01	-0.03	-0.02	-	-0.06
	EM	-0.14	-0.14	-0.14	-0.12	-

...results in a X-ppt real GDP decline in area B

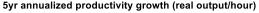
Note: For example, a 1% decline in EA domestic demand would lower US real GDP by 0.06pp. EM includes Argentina, Brazil, Chile, China, Colombia, Hong Kong, India, Indonesia, Israel, Korea, Malaysia, Mexico, Philippines, Russia, Saudi Arabia, Singapore, Taiwan, Thailand, and Vietnam. Source: RCM.

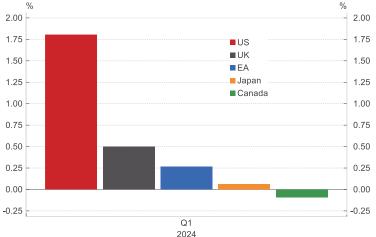


Monetary transmission, GDP and productivity



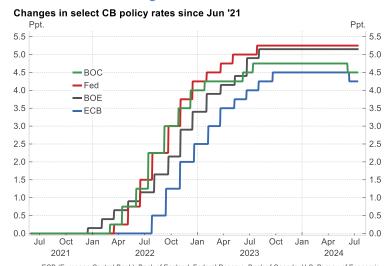
ECB (European Central Bank), Bank of England, Federal Reserve, Bank of Canada, U.S. Bureau of Economic Analysis (BEA), Macrobond, RCM



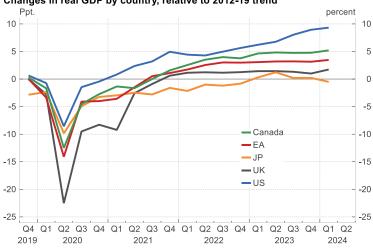


Statistics Canada, ECB (European Central Bank), U.S. Bureau of Labor Statistics (BLS), U.K. Office for National Statistics (ONS), OECD (Organisation for Economic Co-operation & Development), Macrobond, RCM





ECB (European Central Bank), Bank of England, Federal Reserve, Bank of Canada, U.S. Bureau of Economic Analysis (BEA), Macrobond, RCM

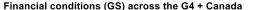


Changes in real GDP by country, relative to 2012-19 trend

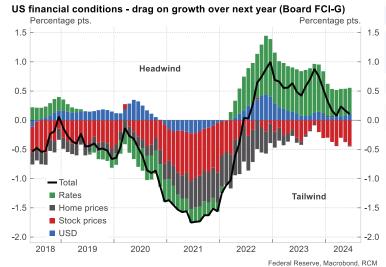
U.S. Bureau of Economic Analysis (BEA), U.K. Office for National Statistics (ONS), Japanese Cabinet Office (CAO), Eurostat, Statistics Canada, Macrobond, RCM

Financial conditions



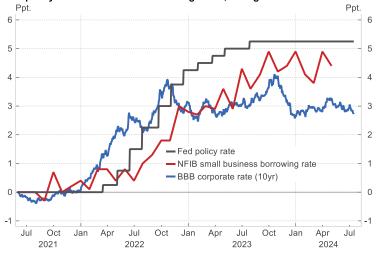






Note: 3yr lookback shown.





Macrobond Financial AB, National Federation of Independent Business, Federal Reserve, Macrobond, RCM



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