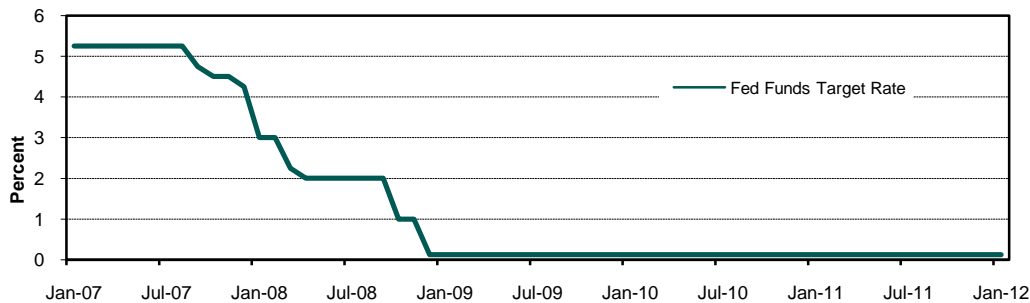


ACCOMODATIVE POLICY EXTENDED TO LATE 2014

FOMC Policy Statement – Wednesday January 25, 2012



Fed Funds Target	
Forecast:	0% to 0.25%
Consensus:	0% to 0.25%
Actual:	0% to 0.25%

The FOMC held the fed funds rate near zero at its policy setting session today, stating that it intends to maintain the rate at its current level through late 2014 amid moderate economic growth, subdued inflation and stable inflation expectations. The fed funds rate has been targeted at this exceptionally low level since December 2008. The Committee also said that in an effort to place downward pressure on intermediate and longer-term rates, they will continue to sell short-term Treasuries and purchase an equal amount of long-term Treasuries, effectively lengthening the average maturity of their securities portfolio. Additionally, to support mortgage markets, the Fed will continue to reinvest maturing agency debt and agency MBS into agency MBS rather than Treasuries. In a slight upgrade to the economic outlook, the FOMC said they expect modest economic growth to continue in coming quarters with a gradual decline in the unemployment rate. The Fed noted that strains in global financial markets remain the major downside risk to the economy. They will continue to monitor economic developments over time and are prepared to make any necessary adjustments to monetary policy or employ any tools available to ensure upholding its dual mandate of moderate economic growth within a context of price stability.

Federal Open Market Committee Policy Statement

(*Italics/highlight* indicate material changes in wording from last statement)

Release Date: **January 25, 2012**

For immediate release

Information received since the Federal Open Market Committee met in **December** suggests that the economy has been expanding moderately, notwithstanding some apparent slowing in global growth. While indicators point to some **further** improvement in overall labor market conditions, the unemployment rate remains elevated. Household spending has continued to advance, but **growth in** business fixed investment **has slowed**, and the housing sector remains depressed. Inflation has **been subdued in recent months**, and longer-term inflation expectations have remained stable.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects economic growth over coming quarters **to be modest** and consequently anticipates that the unemployment rate will decline only gradually toward levels that the Committee judges to be consistent with its dual mandate. Strains in global financial markets continue to pose significant downside risks to the economic outlook. The Committee also anticipates that over coming quarters, **inflation will run** at levels at or below those consistent with the Committee's dual mandate.

To support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate, **the Committee expects to maintain a highly accommodative stance for monetary policy. In particular**, the Committee decided **today** to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least through **late 2014**.

The Committee also decided to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate to promote a stronger economic recovery in a context of price stability.

Voting for the FOMC monetary policy action were: Ben S. Bernanke, Chairman; William C. Dudley, Vice Chairman; Elizabeth A. Duke; **Dennis P. Lockhart**; **Sandra Pianalto**; Sarah Bloom Raskin; Daniel K. Tarullo; **John C. Williams**; and Janet L. Yellen. **Voting against the action was Jeffery M. Lacker, who preferred to omit the description of the time period over which economic conditions are likely to warrant exceptionally low levels of the federal funds rate.**