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Fed Likely to Hold Off on September Rate Increase: Business Economists Survey

Of the economists polled, only 37% said the central bank will increase the fed-funds rate next month

Federal Reserve Chairwoman Janet Yellen, left, with Vice Chairman Stanley Fischer, center, and Gov. Daniel Tarullo at a meeting in Washington in July. *PHOTO: MANUEL BALCE CENETA/ASSOCIATED PRESS*

By **ERIC MORATH**

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The Federal Reserve is likely to leave short-term interest rates near zero at its September policy meeting, according to a newly released survey of business economists.

Just 37% of the economists polled said the central bank will increase the federal-funds rate next month, according to a National Association for Business Economics survey released Monday.

Nearly a quarter of the economists polled said the Fed would start raising rates in late October, and 17% said the first move would come in December. Another 17% said the central bank would wait until next year or later.

The central bank has held its benchmark federal-funds rate near zero since 2008 to support the economy through the financial crisis, recession and fitful recovery.

Officials have said they will wait to raise rates until after they have seen some further improvement in the job market and feel reasonably confident inflation will rise to their 2% target over time.

NABE surveyed 331 members, which includes a broad group of corporate, industry and bank economists, between July 27 and Aug. 4. Not all those surveyed answered all the questions. The group's previous survey, conducted in March, didn't ask about which meeting the rate increase would occur. In that survey, 62% expected liftoff in the second half of 2015. The figure increased to 78% in the latest poll.

The findings contrast with The Wall Street Journal's survey of 60 business and academic economists this month, which found 82% expected a September rate increase. The Journal survey was conducted Aug. 7-11, after the Labor Department on Aug. 7 released a report showing solid U.S. job gains in July.

The NABE economists expect the Fed to ratchet rates up slowly after the first move.

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Fed policy makers in the past believed the rate should be around 4% in a perfectly balanced economy, in which inflation is stable around their 2% target and the unemployment rate is comfortably low around 5.5%.

In June, however, most Fed officials' individual forecasts showed they expected the rate to be under 4% in the long run.

A rate consistently well below 4% could imply the economy will be stuck in a slow-growth cycle for a decade or more.

"The world has changed," said economist Robert Fry, NABE's policy survey chairman. "We're experiencing stubbornly low inflation and a slow growth in interest rates that might not get back to what people consider historical norms."

Of those surveyed, 28% said the rate will be 2% or less when the Fed starts easing again. A similar share see the peak rate above 2%, but no more than 3%. A third see the rate above 3%, but no more than 4%.

In the June Fed projections, no official saw the federal-funds rate breaching 4% by the end of 2017, and just three out of 17 saw the fed-funds rate at or above 4% in the long run.

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