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WSJ Survey: Most Economists Expect Next Fed Rate Increase in June

By **HARRIET TORRY** April 7, 2016

Nearly 75% surveyed expect the next Fed rate rise to come at the central bank's June meeting

Most private forecasters surveyed expect the Federal Reserve will leave short-term interest rates unchanged at its April policy meeting, and next raise them in June.

Nearly 75% of business and academic economists polled by The Wall Street Journal in recent days said the Fed would next raise its benchmark federal-funds rate at its June 14-15 policy meeting, down slightly from 76% in the Journal's March survey.

Forecasters assigned minimal chances to the Fed acting at its policy meeting in less than three weeks' time. Just one economist in the survey predicted Fed officials would lift rates at the April 26-27 meeting, compared with four in the March survey. The Journal surveyed 69 economists Friday through Tuesday, though not every respondent answered every question.

Financial markets also doubt the Fed will move this month, with fed-funds futures on Thursday morning suggesting just a 1.2% chance of an April rate increase, according to CME Group.

Asked to gauge the probability of an April rate increase, on average economists said 11%. They assigned a 55% probability to an increase in June.

“It makes little sense for the Fed to hike rates more quickly when wage growth remains lackluster and with an economy that’s still moving way below highway speed,” said **Bernard Baumohl of the Economic Outlook Group**, a forecasting and analysis firm.

The Fed in December raised its benchmark federal-funds rate to a range of 0.25% to 0.50% after holding it near zero for seven years, and pledged to raise it gradually in coming years. It held rates steady at its policy gatherings in January and March, citing weak inflation and global economic and financial uncertainty.

Fed officials at their March meeting expected to raise the fed-funds rate by a half a percentage point this year. That implies a slower pace than they predicted in December, when they penciled in a total increase of a full percentage point by year’s end.

“Given the risks to the outlook, I consider it appropriate for the committee to proceed cautiously in adjusting policy,” Fed Chairwoman Janet Yellen said March 29 before the Economic Club of New York.

The private forecasters on average saw the fed-funds rate at 0.84% at the end of 2016, suggesting two quarter-point rate increases this year.

Fewer than 6% of the economists surveyed expect the Fed to next lift rates at its July meeting, and fewer than 9% expect the next move in September.

Just one economist—Bricklin Dwyer of BNP Paribas—said officials would wait until after 2017 to raise rates, while Vanderbilt University professor J. Dewey Daane said he wasn’t expecting another rate increase.

Market expectations for rate increases in the coming months also have dwindled: Fed-funds futures indicate a roughly 20% likelihood of a rate increase in June.