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WSJ Survey: Most Economists Expect Next Fed Rate Rise in March

Nearly two-thirds of economists expect the second Fed rate increase of 2018 in June

By Harriet Torry Jan. 11, 2018

Most economists polled by The Wall Street Journal expected the Federal Reserve will raise short-term interest rates in March and again in June.

Nearly 93% of business and academic economists surveyed this month predicted the Fed's first rate increase of 2018 will come at its March 20-21 policy gathering.

Nearly two-thirds of economists, 65.2%, expected the second rate increase of the year at the Fed's June 12-13 meeting.

"Modestly higher inflation, a solid labor market and strong [gross domestic product] growth will give the Fed plenty of justification," for a rate increase in March, said Gregory Daco, chief U.S. economist at Oxford Economics.

The Fed in December raised its benchmark federal-funds rate by a quarter percentage point to a range between 1.25% and 1.5%, and penciled in three quarter-point rate increases for 2018. Not one economist in the survey thought the Fed would raise rates at its next meeting, Jan. 30-31.

The economists expected the central bank to raise rates three times this year and twice in 2019. That matches Fed officials' projections released last month, and is unchanged from the Journal's December survey.

In the latest survey, the economists' median forecast saw the fed-funds rate settling at 2.85% in the long term, which is slightly higher than Fed officials' median 2.75% projection from December. Economists also expected lower longer-run unemployment, 4.1%, than the Fed's 4.6% forecast.

Fed officials projected higher economic growth in 2018 than they did in September, partly reflecting the anticipated boost to the economy from lower taxes. Since the meeting, Congress approved and President Donald Trump signed into law a $1.5 trillion tax cut.

“The new tax bill gives the [rate-setting Federal Open Market Committee] breathing room to stay on track with its policy rollback,” said Equifax Chief Economist Amy Crews Cutts.

The Fed faces a leadership shift in the months ahead. Fed governor Jerome Powell has been tapped by President Donald Trump to succeed Fed Chairwoman Janet Yellen next month. Because he voted consistently to support the policies of former Fed Chairman Ben Bernanke and later Ms. Yellen, neither markets nor the economists expect Mr. Powell to deviate significantly from the Fed’s current plan to gradually raise rates.

“Jerome Powell will eventually make his own mark on the Fed,” said **Bernard Baumohl of the Economic Outlook Group**, a forecasting and analysis firm. “But initially, don’t expect any divergence from the cautious, methodical approach to monetary policy shown by his predecessor.”

The Journal’s survey of 68 academic, business and financial economists was conducted Jan. 5-9. Not every economist answered every question

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