Liberty Street Economics

DECEMBER 05, 2014

Survey Measures of Expectations for the Policy Rate

Richard Crump, Emanuel Moench, William O'Boyle, Matthew Raskin, Carlo Rosa, and Lisa Stowe

Second in a two-part series

Market prices provide timely information on policy expectations. But as we emphasized in our previous post, they can deviate from investors' expectations of the most likely path because they embed risk premiums and represent probability-weighted averages over different possible paths. In contrast, surveys explicitly ask respondents for their views on the likely path of economic variables. In this post, we highlight two surveys conducted by the Federal Reserve Bank of New York that provide information about expectations that can complement market-based measures.

Ahead of each meeting of the Federal Open Market Committee (FOMC), the Trading Desk of the New York Fed (the Desk) conducts the Survey of Primary Dealers (SPD) and the Pilot Survey of Market Participants (SMP), the results of which are available here. Similar to other surveys, the SPD and the SMP ask respondents for their views on a range of economic and financial variables, including the target federal funds rate. In addition to soliciting these regular forecasts, the Desk's surveys also ask timely and in-depth questions on the economic and policy outlook that are relevant to policymakers. Unlike most other surveys, the SPD and the SMP focus on forecast distributions in addition to respondents' views of most likely outcomes.

A Peek into the Details

In the Desk's October surveys, the median of respondents' projections of the most likely level of the federal funds rate over the next several years is somewhat higher than the market-implied path over the next two years and is much higher three years out, as illustrated in the chart below (note that the SPD and SMP median values are the same in 2017).

Projected Path of the Federal Funds Rate

RSS Feed

Follow Liberty Street Economics

RECEIVE E-MAIL ALERTS FOR THIS PAGE

enter your email SUBMIT

About the Blog

Liberty Street Economics features insight and analysis from economists working at the intersection of research and Fed policymaking.

The views expressed are those of the authors, and do not necessarily reflect the position of the New York Fed or the Federal Reserve System.

Upcoming Posts

Payback time: Measuring Progress on Student Debt Repayment

Looking Through a Larger Window: Student Loan Defaults, by Borrower Cohort

The Student Loan Landscape

Pick a Topic

CORPORATE FINANCE CRISIS CHRONICLES
ECONOMIC HISTORY EDUCATION
FINANCIAL INSTITUTIONS FINANCIAL MARKETS
FISCAL POLICY HISTORICAL ECHOES
HOUSEHOLD FINANCE HOUSING
INTERNATIONAL ECONOMICS LABOR ECONOMICS
MACROECON MONETARY POLICY REGIONAL ANALYSIS

USEFUL LINKS
FEEDBACK & COMMENT GUIDELINES
ARCHIVES