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Construction of the Changes in Expectations in Figures (2) and (3)

In every Summary of Economic Projections (SEP) release, Federal Open Market Committee (FOMC) participants provide their estimates for economic conditions and their assessments of appropriate monetary policy for the end of the following: the current year (t), the next year (t+1), and two years ahead (t+2). The September and December releases have estimates for up to three years ahead (t+3).

We define short-term expectations as the expectations for the end of the current year (t).¹ To construct the changes in expectations, we compare the changes in the end-of-year expectations of one release from the previous release. When going into a new year, we compare the expectations for the end of the current year (t) in the Q1 SEP to the one-year ahead (t+1) expectations in the previous year’s Q4 SEP. For example, the changes in short-term core PCE expectations in March 2022 are calculated as (A) – (B), where (A) is median core PCE expectations for the end of 2022 in the March 2022 SEP (4.1 percent), and (B) is the median core PCE expectations for the end of 2022 in the December 2021 SEP (2.7 percent).

We define medium-term expectations as the expectations for the end of the year in two years (t+2). Changes in medium-term expectations are calculated in a similar way. The data points for the Q1 SEP in every year are compared to the three-years-ahead (t+3) expectations in the Q4 release of the previous year.

¹ As explained in the main text, we use the term “expectations” while recognizing that the SEP reports participants’ views of the appropriate monetary policy.

Figures

Figure A.1 Changes in Expectations in SEP (Balanced Approach, End of the Current Year)

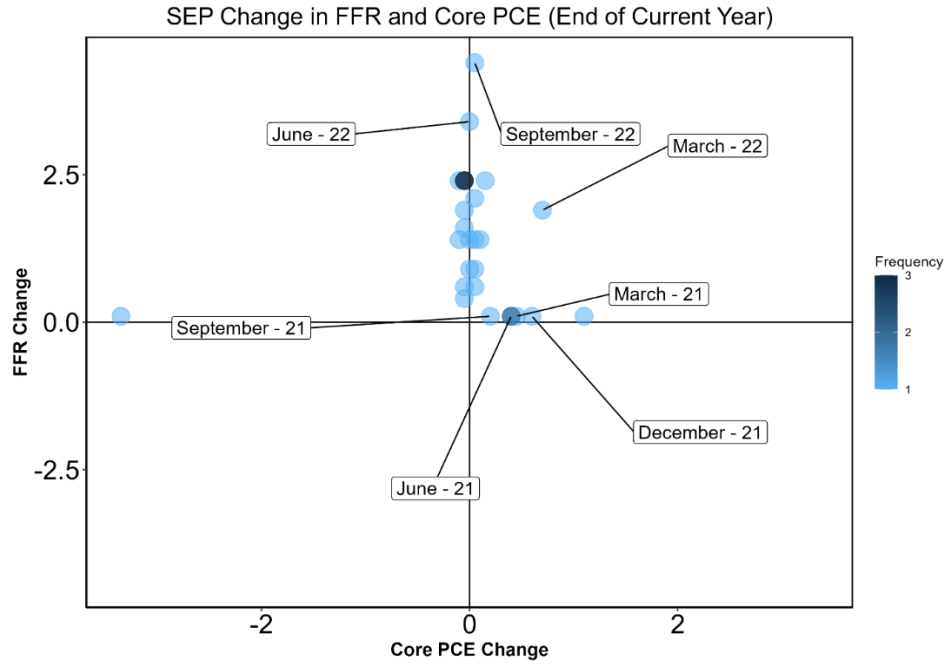


Figure A.2 Core PCE Expectations by SPD and SEP, End of the Current Year

