

FEDERAL RESERVE BANK *of* CLEVELAND

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Low inflation—its causes and policy implications, is the focus of Cleveland Fed annual report essay

Cleveland Reserve Bank also introduces new Inflation Central website

In the Federal Reserve Bank of Cleveland's [Annual Report 2013](#), retiring Bank President Sandra Pianalto writes, "During my more than three decades in the Federal Reserve System, the focus has been primarily on avoiding high and variable inflation. More recently, however, our attention has turned to a less-familiar concern, persistently low inflation. As its title promises, this year's annual report essay examines why inflation is low, and why it matters."

The essay's authors, Cleveland Fed researchers Todd Clark and Edward Knotek II, have identified two main sources for the recent decline in inflation: slow economic growth, which has put very little upward pressure on prices and wages; and special, temporary forces that have held back some prices, such as the deceleration of medical care costs.

Clark and Knotek say appropriate monetary policy responses depend on the underlying forecast for inflation. Says Pianalto, "Our current forecast is that steady economic growth should gradually push up inflation toward the Federal Open Market Committee's longer-run objective of 2 percent, particularly as some temporary forces that had been dampening inflation fade."

Pianalto also introduces the Bank's new Inflation Central website, www.clevelandfed.org/inflation-central, writing, "I hope you will find the site a valuable source of information on all things inflation, and I am sure you will see why the Federal Reserve Bank of Cleveland has developed a well-deserved reputation for meaningful and impactful inflation research."

In recognition of Pianalto's upcoming retirement (on May 31), the annual report takes a look back at highlights from her career.

The report also examines the region's labor market, where the pace of recovery began to lag the nation's in 2013.

You can find all of that and more at our *Annual Report 2013* Newsroom. Or you can select:

- [Sandra Pianalto's "President's Letter"](#)
- ["Inflation: Why It Is Low and Why It Matters" essay](#)
- [Inflation Central](#)
- ["State of the Region" report and video](#)
- ["Life and Times of Sandra Pianalto" with video](#)

About the Federal Reserve Bank of Cleveland

The Federal Reserve Bank of Cleveland is one of 12 regional Reserve Banks that, along with the Board of Governors in Washington, DC, comprise the Federal Reserve System. As the nation's central bank, the Federal Reserve formulates US monetary policy, supervises certain banks and other financial institutions, and provides payment services to financial institutions and to the US government. For more information, visit www.clevelandfed.org or follow us on [Facebook](#), [Pinterest](#), and [Twitter](#) (@ClevelandFed).