BUSINESS

Fed expected to keep pumping

Analysts cite concerns over economy, Congress' budget fight for stimulus policy

By Martin Crutsinger
Associated Press

WASHINGTON — When the Federal Reserve last met in mid-September, almost everyone expected it to start reducing the stimulus it's given the U.S. economy to help it rebound from the Great Recession.

It didn't. The Fed pulled a surprise by deciding not to slow its $85 billion-a-month in Treasury and mortgage bond purchases. Its bond buying has been intended to keep long-term loan rates low to support the economy.

And now? After a 16-day partial government shutdown and a batch of tepid economic data, no one thinks the Fed will reduce its stimulus when it meets this week. Many analysts now predict the Fed will maintain the pace of its bond purchases into next year.

Blame the uncertainty surrounding Congress' budget fight and renewed questions about the economy's health.

"I think March is now the earliest that any reduction in bond purchases will happen," said Diane Swonk, chief economist at Mesirow Financial.

By then, Fed members expect to have seen several months of stronger job growth. They also expect Congress to have resolved its budget impasse.

The Fed's January meeting will be the last for Chairman Ben Bernanke, who is stepping down after eight years. President Barack Obama has chosen Vice Chairwoman Janet Yellen to succeed Bernanke.

Assuming Yellen is confirmed, her first meeting as Fed chief will be in March. Many economists think no major policy changes will occur before a new leader takes over.

Congress' budget fight has clouded the Fed's timetable. Though the government reopened Oct. 17 and a threatened default on its debt was averted, Congress adopted only temporary fixes.