Fed prepared to raise benchmark rate

The change could come within months

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Federal Reserve policymakers said they could begin raising interest rates before inflation starts to pick up, according to minutes of their Dec. 17-18 meeting.

However, the officials added that "they would want to be reasonably confident that inflation will move back" toward the Fed's annual 2% target "over time."

The assertion provides another signal that the Fed is prepared to begin raising its benchmark rate — which has been near zero since the 2008 financial crisis — within months, even if inflation remains unusually low.

Policymakers are struggling to decide when to raise rates amid an unusual confluence of developments. The U.S. economy and labor market are accelerating, but oil prices have plunged, keeping inflation meager, and overseas economies are weak.

Fed officials have said they're focused on "core" inflation, which excludes food and energy costs, but even that has been affected by tumbling oil and gasoline prices.

Based on their forecast, policymakers expect the first rate increase around June. At a press conference after the statement was released, Fed Chair Janet Yellen said the first increase could come as early as April.

The policymakers also expressed growing worry about weak overseas growth that could hobble U.S. exports. Many officials cited the global troubles "as an important source of downside risks to domestic real activity and employment."

Yet noting that low oil prices should bolster US consumer spending, the officials said their net effect on the U.S. economy "was anticipated to be positive."

The minutes also show that some policymakers worried that their pledge last month to "be patient" in making a decision to raise short-term interest rates could push investor expectations too high for a mid-2015 rate hike, according to the minutes.

Some Fed officials viewed the new language "as risking an unwarranted concentration of market expectations ... on a range of dates around mid-2015, and not adequately allowing for the possibility that economic conditions might evolve in a way that could call for either earlier or later lift-off date," the minutes say.