Feds: Interest rate to stay near 0 until 2015

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A majority of Federal Reserve officials don't expect to raise the main interest rate until 2015, when they forecast the jobless rate will fall to between 6 percent and 6.6 percent.

Federal Open Market Committee participants forecast Wednesday that gross domestic product will expand 2.3 percent to 3 percent next year, compared with 2.5 percent to 3 percent in September. Estimates for 2014 are from 3 percent to 3.5 percent, versus 3 percent to 3.8 percent in the previous projection, according to the central tendency forecasts, which exclude the three highest and three lowest of 19 projections.

The FOMC earlier today voted to supplement their $40 billion a month of mortgage-bond purchases with $45 billion in monthly Treasury purchases once their Operation Twist program expires at the end of the month. The Fed said interest rates will stay low "at least as long" as the unemployment rate remains above 6.5 percent and if inflation "between one and two years ahead" is projected to be no more than 2.5 percent.

The jobless rate probably will average 7.4 percent to 7.7 percent in the final three months of next year, officials said, versus 7.6 percent to 7.9 percent in September.

Five of 19 officials said the first interest-rate increase since 2006 would be warranted in 2014 or sooner, while 13 said it would occur in 2015. One called for an increase in 2016.

Officials said prices as measured by the personal consumption expenditures price index may rise 1.3 percent to 2 percent next year, versus an increase of 1.6 percent to 2 percent in September. Central bankers have set a 2 percent target for inflation.

The central bank's unprecedented easing is showing signs of strengthening growth in the world's largest economy. The housing market, at the center of the longest and deepest economic contraction since the Great Depression, has begun to rebound. Still, the pace of growth isn't fast enough to reduce the elevated jobless rate.

The economy expanded by 2.7 percent in the third quarter, exceeding the 2 percent pace previously reported, the Commerce Department said Nov. 29. GDP may expand 2.2 percent this year and 2 percent next year, according to the median of 79 economist estimates in a Bloomberg survey.

The Fed's purchases of housing debt have helped drive down home borrowing costs to record lows. The average fixed rate on a 30-year mortgage was 3.34 percent last week; close to last month's record low of 3.31 percent, according to Freddie Mac.

U.S. home prices jumped 6.3 percent in October from a year earlier, the biggest increase since June 2006, data provider CoreLogic Inc. said Dec. 4. The S&P/Case-Shiller index of home prices in 20 cities climbed 3 percent in September from a year earlier, the biggest gain since July 2010. New-home construction increased 3.6 percent to a four-year high of 894,000 in October, Commerce Department data show.