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**A television monitor shows the interest rate decision of the Federal Reserve as specialist Philip Finale works on the floor of the New York Stock Exchange Wednesday.**

# Slowdown is 'temporary'

## Fed acknowledges economy is growing more slowly

**BY MARTIN CRUTSINGER**
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WASHINGTON — The Federal Reserve acknowledged that the economy is growing more slowly than it expected. But it plans to complete its $600 billion Treasury bond buying program by the end of the month.

Concluding a two-day meeting, the Fed repeated a pledge to keep interest rates at record lows for "an extended period." But it believes the main causes of the slowdown, such as high gas prices, are temporary and announced no new efforts to stimulate the economy.

As expected, the central bank said it would keep its massive holdings of Treasury bonds at current levels, an action designed to keep consumer and business loan rates at low levels.

Federal Reserve Chairman Ben Bernanke and his colleagues are trying to keep a fragile economy on track two years after the Great Recession officially ended.

A sharp spike in gasoline prices earlier this year has made consumers and businesses more cautious about spending. Unemployment is rising again and employers pulled back on hiring in May. Economic growth slowed to 1.8 percent in the first three months of the year. It is not expected to be much higher in the current quarter.

Bernanke has maintained that the slowdown is temporary. He predicts the economy should pick up later this year as the impact of high gas prices and supply disruptions caused by the March earthquake and tsunami in Japan abate. However, the Fed is now confronting renewed jitters that a debt crisis in Greece could spread to other heavily indebted European nations and send shockwaves through U.S. and global financial markets.

The Fed has kept rates at ultra-low levels since December 2008. When the Fed decides to abandon the "extended period" language, it would be viewed as a signal that the Fed was getting ready to reverse course and start boosting interest rates. Many private economists believe it will be another full year before the economy has recovered enough for the Fed to actually start raising interest rates.

The Fed is also winding down its bond-buying program, dubbed QE2, a shorthand for "quantitative easing." It's a wonky term economists use to characterize the Fed's effort to drive down long-term interest rates by buying up Treasury bonds.