Yellen: Economy to grow faster in 2014 despite weak Q1

Paul Davidson
@PDavidsonusat
USA TODAY

Federal Reserve Chair Janet Yellen told Congress on Wednesday that she expects economic growth to accelerate this year, but she signaled that the central bank is in no hurry to raise interest rates.

She refused to provide even a broad time frame for the Fed's first increase in its benchmark short-term interest rate.

The economy barely grew at all in the first quarter, expanding at a 0.1% annual rate, but Yellen at least partly blamed bad weather.



ALEX WONG, GETTY IMAGES

Janet Yellen wouldn't give timetable on raising short-term interest rate.

"Although real GDP growth is currently estimated to have paused in the first quarter of this year, I see that pause as mostly reflecting transitory factors, including the effects of the unusually cold and snowy winter weather," Yellen told the Joint Economic Committee.

Still, Yellen said: "Looking ahead, I expect that economic activity will expand at a somewhat faster pace this year than it did last year." The economy grew 2.6% in 2013.

Yellen identified housing as one of the two main risks to the Fed's generally positive outlook, along with "adverse developments abroad," alluding in part to the Russia-Ukraine standoff and the risk of rising interest rates in emerging markets. Such developments, she said, "could undermine confidence in the global economic recovery."

Yellen declined to be specific about when the Fed will begin to raise its short-term interest rate, now near zero, despite being pressed repeatedly by Rep. Kevin Brady, R-Texas, JEC chairman.

"There is no mechanical timetable or formula for when that will occur," she said.

Stocks dropped after Yellen suggested at a March news conference that the first rate increase could come in early 2015, and she appeared determined Wednesday to avoid hemming herself in. She said Fed policymakers project the first increase will occur in 2015 or 2016.

A frustrated Brady assailed Yellen for refusing to be specific, recalling that Fed officials incorrectly assured lawmakers in the mid-2000s that the housing market was not poised for collapse and interest rates were at proper levels. "It just strikes me that this don't-worry-be-happy monetary policy is not working," he said.

Yellen did affirm that bond purchases aimed at lowering long-term interest rates should end by fall.