THE ECONOMIC CLUB

OF WASHINGTON, D.C.

Excerpts from the Signature Event featuring The Honorable Janet L. Yellen, Chair, Board of Governors of the Federal Reserve System

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Although developments in foreign economies still pose risks to U.S. economic growth that we are monitoring, these downside risks from abroad have lessened since late last summer. Among emerging market economies, recent data support the view that the slowdown in the Chinese economy, which has received considerable attention, will likely continue to be modest and gradual. China has taken actions to stimulate its economy this year, and could do more if necessary. A number of other emerging-market economies have eased monetary and fiscal policy this year, and economic activity in these economies has improved of late. Accommodative monetary policy is also supporting economic growth in the advanced economies. A pickup in demand in many advanced economies and a stabilization in commodity prices should, in turn, boost the growth prospects of emerging-market economies.

. . . factors that have been holding down growth, as I already noted, the higher foreign exchange value of the dollar, as well as weak growth in some foreign economies, has restrained the demand for U.S. exports over the past year. In addition, lower crude oil prices have reduced activity in the domestic oil sector. I anticipate that the drag on U.S. economic growth from these factors will diminish in the next couple of years as the global economy improves and the adjustment to prior declines in oil prices is completed.

Regarding U.S. inflation, I anticipate that the drag from the large decline in prices for crude oil and imports over the past year and a half will diminish next year. With less downward pressure on inflation from these factors and some upward pressure from a further tightening in U.S. labor and product markets, I expect inflation to move up to the FOMC's *[Federal Open Market Committee]* 2 percent objective over the next few years.

The Federal Reserve is a public-spirited, nonpartisan institution. We operate in a nonpolitical way. We try to make decisions based on objective evidence and careful analysis that will be in the best interests of the American people. . . . we are doing everything we possibly can to help achieve economic conditions in this country in which American families can prosper and thrive. And trying to pursue the dual mandate that Congress gave us – namely, full employment and price stability – is a very good way to promote those interests.

The economy has created about 13 million jobs since the low point for employment in early 2010, and total nonfarm payrolls are now almost 4 ½ million higher than just prior to the recession. Most recently, after a couple of months of relatively modest payroll gains, employers added an estimated 271,000 jobs in October. This increase brought the average monthly gain since June to about 195,000, close to the monthly pace of around 210,000 in the first half of the year and still sufficient to be consistent with continued improvement in the labor market.

Until recently, labor compensation had grown only modestly, at average annual rates of around 2 to 2 ½ percent. More recently, however, we have seen a welcome pickup in the growth rate of average hourly earnings for all employees and of compensation per hour in the business sector.