



NorthSide Business Update

Fed further slows asset purchases, projects rate hikes

The Federal Open Market Committee voted to further decelerate the Fed's monthly purchases of Treasury bonds and agency mortgage-backed securities.

Asset Purchases: The Fed agreed to reduce purchases by \$20 billion per month for Treasuries and \$10 billion for MBS, up from the respective pace of \$10 billion and \$5 billion announced last month. The change reflects labor market stability and growing inflation concerns.

Economic Projections: The Fed also updated its economic projections. The central bank lowered its projected 2021 GDP growth to 5.5% and unemployment rate to 4.3% while raising its 2021 inflation projection to 5.3% ahead of an anticipated falloff to 2.6% next year.

Interest Rates: While the FOMC voted to hold target interest rates at near zero, it pointed to several coming rate increases. According to the agency's "dot plot," a majority of FOMC members anticipate the federal funds rate will trend between 0.75% and 1% in 2022, indicating up to three rate hikes next year.

Congress Clears Legislation to Raise Debt Limit

The House and Senate yesterday passed a bill to raise the debt ceiling by \$2.5 trillion. President Biden is expected to sign it quickly.

Retail Sales Rise in November

Retail and food service sales increased 0.3% in November to \$639.8 billion, following a 1.7% rise the month prior, the Commerce Department said in an advance estimate yesterday. Sales were up 18.2% from a year ago. Excluding automobiles and gasoline, sales increased 1.4% from the month prior but were up 16.5% from last year.

Home Builder Confidence Rises in December

Builder confidence in the market for single-family homes increased one point in December to 84, driven by continued strong consumer demand, according to the National Association of Home Builders/Wells Fargo Housing Market Index released yesterday. The current sales conditions index increased one point to 90, the sales expectations index held steady for the third consecutive month at 84 and prospective buyer traffic increased one point to 70.

Business Inventories Rise in October

Business inventories in October came in at \$2.13 trillion, up 1.2% from the month prior, the Commerce Department said yesterday. Trade sales and manufacturers' shipments were up 2.1% from the month prior and up 16.7% from a year prior.

Resources:

Independent Community Bankers of America (ICBA) www.icba.org

American Bankers Association (ABA) www.aba.com

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