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Nine Fed Officials See Main Rate Below 1% at End of 2014 (1)
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(Updates with markets in sixth paragraph.)

By Joshua Zumbrun and Craig Torres

Jan. 25 (Bloomberg) -- Nine of 17 Federal Reserve officials expect borrowing costs will remain below 1 percent at the end of 2014, with six officials expecting zero rates to remain into 2015.

Policy makers also lowered their estimates for growth and inflation in 2012, a move consistent with their statement earlier today that interest rates will remain “exceptionally low” through at least late 2014.

The projections by Federal Open Market Committee participants, released for the first time today in Washington, provide an unprecedented look at policy makers’ plans for the path of the benchmark interest rate, which has remained near zero since December 2008. An increase in 2014 would mark the first rise in the fed funds rate since June 2006.

The Fed released the expectations of the five Fed board members and 12 district bank presidents after the FOMC today said they expect “to maintain a highly accommodative stance for monetary policy” in order to “support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate.”

Not all officials agree on when and how quickly the Fed should raise rates. Three officials say the Fed should raise rates in 2012, three say the Fed should raise rates in 2013. A group of five policy makers says rates should rise in 2014 while four say the central bank should wait until 2015 and two until 2016.

Pared Gains

Stocks and Treasuries pared gains after the projections.
The Standard & Poor’s 500 Index rose 0.5 percent to 1,321.36 at
2:06 p.m. in New York from as high as 1,324.56 earlier. The yield on the 10-year Treasury note fell to 1.98 percent from
2.06 percent late yesterday. The yield fell as low as 1.91 percent before the projections.

Fed officials estimate 2012 growth in U.S. gross domestic product centered around 2.2 percent to 2.7 percent, measured from the fourth quarter of last year to the fourth quarter of this year. In their November estimates they saw growth of 2.5 percent to 2.9 percent.

For 2013, U.S. growth is projected at 2.8 percent to 3.2 percent according to the central tendency forecast, which excludes the three highest and three lowest projections.

Policy makers see 2012 inflation falling below their goal of 2 percent, with most expecting inflation on the personal consumption expenditures index between 1.4 percent to 1.8 percent, down from 1.4 percent to 2 percent in November.

No Change

The committee today left unchanged its plans to lengthen the maturity of its bond portfolio and maintain its mortgage-backed securities investments.

The Fed extended its previous pledge to keep rates low at least until the middle of 2013 as inflation remains tame and more than two years of economic growth have failed to push unemployment below 8.5 percent. Some Fed officials have said further easing might be needed to put more Americans back to work and revive the housing market.

Fed Chairman Ben S. Bernanke will explain the FOMC's outlook for the economy and monetary policy in a 2:15 p.m. press conference.

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