

FOMC Rewind: April 2021 Decision

<https://vimeo.com/showcase/5885904/video/543657837>

Video Transcript

Sean: Hi Noah! What's new at the Fed?

Noah: They're keeping interest rates close to 0%.

Sean: So do they think things are getting better?

Noah: Yeah! They say the economy is getting stronger. That has a lot to do with vaccinations helping people feel like they can go out.

Sean: I thought I saw something about inflation on Twitter - did the Fed say anything?

Noah: Yes, they said inflation has risen a little, but it's mainly from what they call "transitory factors."

Sean: What does that mean?

Noah: First, it's about how inflation is measured from one year to the next. Since prices dropped last April, measuring prices now against prices then is going to show a big increase... Then there's "temporary supply effect."

Sean: What's that?

Noah: Since business was really slow for the past year, stores had to save money. And one way was to not keep as much on their shelves. Now that people are out shopping more, stores have to restock, which will make prices higher for a little while.

Sean: Hmm why only a little while?

Noah: Because once stores get enough supply, prices will come back down.

Sean: Okay. So is the Fed worried?

Noah: Not now, because a temporary increase doesn't mean higher inflation is going to stick. And prices should naturally rise over the long run in a healthy economy.

Sean: Ahh got it. Thanks for helping me figure that out!

Noah: Any time - see ya!

Discussion Questions

What are some economic topics that Federal Reserve officials discussed during the April 2021 meeting?

What are two transitory factors the Federal Reserve cited as reasons for not being concerned about inflation for now?