

Richmond Fed eBrief

March 2016

Speeches

[Lacker on Inflation and Inflation Expectations](#)

In a recent speech, Richmond Fed President Jeffrey Lacker explained how the public's expectations about inflation affect the future path of inflation. Despite recent declines in inflation driven by falling oil prices and the rising dollar, Lacker said inflation expectations "remain well-anchored" and he is "reasonably confident" that inflation will move back toward the Fed's 2 percent target over the medium-term.

Research

[Lacker on the Impact of US Monetary Policy Abroad](#)

Last December, the FOMC voted to increase interest rates for the first time in over seven years. Richmond Fed President Jeffrey Lacker discusses concerns raised by some that "liftoff" in the U.S. could have negative effects on other countries, particularly in emerging markets.

[Why the Fed is Funding Highways](#)

Late last year, President Obama signed a sweeping transportation bill. Roughly \$36 billion of the \$305 billion funding package comes from the Fed's capital surplus account and a reduction in its dividend payments to member banks. The latest issue of *Econ Focus* magazine explores why some economists and monetary policymakers have raised concerns about tapping the central bank as a source of fiscal funding.

[Opinion: Should the Fed be Worried About Large Excess Reserves?](#)

Following extraordinary actions taken by the Fed during the Great Recession, excess reserves held by the banking system grew from roughly \$2 billion to over \$2 trillion. John Weinberg, senior vice president and special advisor to Richmond Fed President Jeffrey Lacker, gives his view on what this means for the future path of monetary policy.

[Puerto Rico's Debt Crisis](#)

Last summer, Puerto Rico's leaders warned that they might be forced to default on their public debt. As a territory of the United States, Puerto Rico cannot file for bankruptcy protection under federal law. *Econ Focus* discusses the island's options for resolving the ongoing debt crisis.

[Trade With Cuba](#)

President Obama has recently taken a number of steps to open U.S. relations with Cuba. While the long-standing U.S. embargo remains in place, a number of states (including Virginia) have been exporting agricultural goods since the early 2000s thanks to an exemption for

humanitarian purposes. *Econ Focus* explores what their experiences may suggest about the potential path of future trade.

Fifth Federal Reserve District

[Fifth District Economic Snapshot](#)

Reports on the Fifth District economy were somewhat mixed in recent months. Employment increased broadly; however, business and housing market reports were somewhat downbeat.

[Report on Credit Experiences of Small Businesses](#)

The 2015 Small Business Credit Survey presents a largely optimistic picture for small firms in the United States. The net share of firms reporting profitability, revenue growth and employment growth all increased from the 2014 survey. Moreover, half of applicants reported receiving all of the financing they applied for in 2015. The survey presents findings on the business conditions, financing needs and access to capital based on the responses of almost 3,500 small businesses from a 26 state coverage area. Results of the survey, which is a joint effort of the Federal Reserve Banks of New York, Atlanta, Cleveland, Philadelphia, St. Louis, Boston and Richmond, provide insight into the dynamics behind aggregate lending trends and shed light on noteworthy segments of the small-business credit market, including startups and growing firms.

[Mortgage Performance Summaries](#)

The foreclosure rate in the Fifth District declined in the fourth quarter of 2015 and on a year-over-year basis; the 90+ day delinquency rate was unchanged in the quarter but fell 0.6 percentage point since the fourth quarter of 2014.

[Beige Book](#)

The Fifth District economy grew moderately, on balance, since the previous Beige Book report. On the downside, manufacturing activity decreased, with a slight decline in shipments and new orders. Further, revenues at services firms weakened. However, retail sales increased moderately, with continued strength in car and light truck sales. In addition, winter tourist destinations rebounded from a soft start when the weather finally turned cold. Consumer and commercial loan demand rose. Activity in residential real estate also increased slightly, while growth in commercial real estate activity was slow to moderate. Agribusiness and natural gas production were mostly unchanged, while coal mining declined. Labor demand increased modestly.

5th District Federal Reserve Map

