SURVEY OF PRIMARY DEALERS

MARCH 2023

This survey is formulated by the Trading Desk at the Federal Reserve Bank of New York to enhance policymakers' understanding of market expectations on a variety of topics related to the economy, monetary policy and financial markets. The questions involve only topics that are widely discussed in the public domain and never presume any particular policy action. FOMC participants are not involved in the survey's design.

Please respond by **Tuesday, March 14th* at 2:00pm Eastern Time** to the questions below. Your time and input are greatly appreciated.

*In light of market moving events, the deadline to return the regular policy expectations survey was extended to Tuesday, March 14 from Monday, March 13.

Type of Respondent:	**Primary Dealer**	Respondent Name:	

1a) Provide below your expectations for <u>changes</u>, if any, to the language referencing each of the following topics in the March FOMC statement. <u>Please write N/A if you do not expect any changes.</u>

Current economic conditions:	
Economic outlook and communication on the expected path of the target federal funds rate:	
Communication on tools other than the target federal funds rate:	
Other:	

1b) What are your expectations for the most likely levels of the medians of FOMC participants' <u>target federal funds rate</u> projections in the SEP? Please provide your responses out to three decimal places.

	Year-end 2023	Year-end 2024	Year-end 2025	Longer run
December SEP median:	5.125%	4.125%	3.125%	2.500%
March SEP median:				

1c) What are your expectations for the Chair's press conference?

2a) Provide your estimate of the most likely outcome (i.e., the mode) for the target federal funds rate or range, as applicable, immediately following the FOMC meetings and at the end of each of the following quarters and years below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	2023 FOMC meetings						
	Mar 21-22	May 2-3	Jun 13-14	Jul 25-26	Sep 19-20	Oct 31-Nov 1	Dec 12-13
Target rate / midpoint of target range:							

	Quarters			
	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Target rate / midpoint of target range:				

	Quarters			
	2025 Q1	2025 Q2	2025 Q3	2025 Q4
Target rate / midpoint of target range:				

	Years	
	2026	2027
Target rate / midpoint of target range:		

2b) In addition, provide your estimate of the longer run target federal funds rate and your expectation for the average federal funds rate over the next 10 years.

Longer run: [ ]

Expectation for average federal funds rate over next 10 years: [ ]

2c) Please indicate the percent chance* that you attach to the target federal funds rate or range falling in each of the following ranges <u>immediately following the March and May FOMC meetings and at the end of 2023 and 2024</u>. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	≥ 6.26%	
March 21-22:											0.00%
May 2-3:											0.00%
Year-end 2023:											0.00%

	≤1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	3.51 - 4.00%	4.01 - 4.50%	4.51 - 5.00%	5.01 - 5.50%	≥ 5.51%	
Year-end 2024:											0.00%

Responses across each row should add up to 100 percent. Bins were chosen with consideration to responses to question 3a in the January 2023 SPD and SMP as well as market pricing.
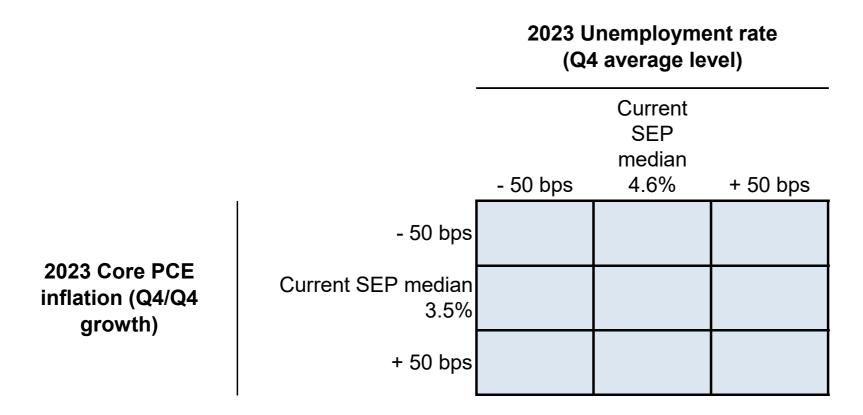

2d) Please indicate the percent chance* that you attach to the <u>highest level of the target range for the federal funds rate before the target range is next decreased</u> falling in each of the following ranges.

≤ 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	≥ 6.26%	Sum
0%	0%									0.00%

Responses should add up to 100 percent. Bins were chosen with consideration to responses to question 3a in the January 2023 SPD and SMP as well as market pricing.

2e) Please indicate the percent chance* that you attach to the longer run target federal funds rate — the level the target federal funds rate would be expected to converge to under appropriate monetary policy and in the absence of further shocks to the economy — falling in each of the following ranges.

≤ 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	≥ 3.51%	Sum
						0.00%

Responses should add up to 100 percent. For reference, a similar question was last asked in the January 2022 survey.

3) The following matrix lays out hypothetical scenarios in which the realized levels of the 2023 unemployment rate (Q4 average level) and 2023 core PCE inflation (Q4/Q4 growth) are either 50 basis points above, below, or equal to the medians of FOMC participants' projections for these indicators in the current (December 2022) Summary of Economic Projections (SEP). For example, the upper left box represents a scenario in which the unemployment rate and core PCE inflation are both 50 basis points below the current SEP medians.

For each of the following scenarios, please indicate the level of the target federal funds rate or range that you expect would prevail <u>at the end of Q4 2023</u>. If you expect a target range, please indicate the midpoint of that range in providing your response.*

	2023 Unemployment rate (Q4 average level)		
	- 50 bps	Current SEP median 4.6%	+ 50 bps
2023 Core PCE inflation (Q4/Q4 growth) — - 50 bps			
Current SEP median 3.5%			
+ 50 bps			

For reference, a similar question was last asked in the November 2022 survey.

4a) Please provide your modal expectation for the <u>total net change in SOMA holdings</u> of U.S. Treasury securities and agency mortgage-backed securities (MBS) over each of the periods below.

If you expect SOMA holdings to increase on net in a given period, for example through net asset purchases, please enter a positive number. If you expect SOMA holdings to be unchanged on net in a given period, for example through reinvestments that result in no net change in holdings, please enter 0. If you expect SOMA holdings to decline on net in a given period, for example through maturities or paydowns that exceed any reinvestments or through sales, please enter a negative number.

Net change amounts referenced below are in $ billions.

Net change in SOMA holdings:

Total net change over each period

	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023
U.S. Treasuries ($ billions):							
Agency MBS ($ billions):							

Net change in SOMA holdings:

Total net change over each quarter

	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
U.S. Treasuries ($ billions):					
Agency MBS ($ billions):					

Net change in SOMA holdings:

Total net change over each quarter

	2025 Q1	2025 Q2	2025 Q3	2025 Q4
U.S. Treasuries ($ billions):				
Agency MBS ($ billions):				

4b) Please indicate the period in which you expect the SOMA portfolio will cease to decline as well as the size of the SOMA portfolio when it ceases to decline. Please also indicate the size of specified liabilities, reserves and take-up at the overnight reverse repurchase facility, when the SOMA portfolio ceases to decline.

Period in which SOMA portfolio ceases to decline*:	

*Dropdown selections: Q1 2023, Q2 2023, Q3 2023, Q4 2023, Q1 2024, Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027, Q2 2027, Q3 2027, Q4 2027, Q1 2028, Q2 2028, Q3 2028, Q4 2028, Q1 2029 or later.

	Most recent H.4.1 value* ($ billions)	Expected size when SOMA ceases to decline	
Size of SOMA portfolio when it ceases to decline**:	7,949		***Dropdown selections: $0-500bn, $501-1000bn, $1001-1500bn, $1501-2000bn, $2001-2500bn, $2501-3000bn, $3001-3500bn, $3501-4000bn, $4001-4500bn, $4501-5000bn, $5001-5500bn, $5501-6000bn, $6001-6500bn, $6501-7000bn, $7001-7500bn, $7501-8000bn, $8001bn or larger.*
Size of reserves***:	3,028		****Dropdown selections: $1000bn or smaller, $1001-1250bn, $1251-1500bn, $1501-1750bn, $1751-2000bn, $2001-2250bn, $2251-2500bn, $2501-2750bn, $2751-3000bn, $3001-3250bn, $3251-3500bn, $3501-3750bn, $3751-4000bn, $4001bn or larger.*
Take-up at the overnight reverse repurchase facility****:	2,134		*****Dropdown selections: $0-250bn, $251-500bn, $501-750bn, $751-1000bn, $1001-1250bn, $1251-1500bn, $1501-1750bn, $1751-2000bn, $2001-2250bn, $2251-2500bn, $2501bn or larger.*

*Most recent H.4.1, as of March 1, 2023.

4c) Please indicate the percent chance* that you attach to the size of the SOMA portfolio falling in each of the following ranges when it ceases to decline. For reference, Securities Held Outright in the SOMA portfolio on March 1, 2023 was $7,949 billion according to the most recent H.4.1 release.

$4000bn or smaller	$4001-4500bn	$4501-5000bn	$5001-5500bn	$5501-6000bn	$6001-6500bn	$6501-7000bn	$7001-7500bn	$7501bn or larger	Sum
									0.00%

*Responses should add up to 100 percent.

4d) Please provide any additional information on your expectations for balance sheet reduction, including the period in which you expect the SOMA portfolio will cease to decline and the factors behind your expectations. Please include any factors that influenced the probability that you assigned to the distribution of outcomes in part c above.

5) Please provide the percent chance* you attach to the following outcomes for U.S. real GDP growth in 2023 and 2024 (Q4/Q4).

	≤ -1.01%	-1.00 - -0.51%	-0.50 - 0.00%	0.01 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%	Sum
2023 (Q4/Q4):											**0.00%**
2024 (Q4/Q4):											**0.00%**

Responses across each row should add up to 100 percent.

Please also provide your point estimate for the most likely outcome.

2023 (Q4/Q4):	
2024 (Q4/Q4):	

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6) Please indicate your modal projections for headline and core PCE inflation for each of the following quarters.*

	Q4 2022 (saar)**	Q1 2023 (saar)	Q2 2023 (saar)	Q3 2023 (saar)	Q4 2023 (saar)	Q1 2024 (saar)
Headline PCE inflation (percent):	3.7%					
Core PCE inflation (percent):	4.3%					

Percent change from the previous quarter at an annualized rate, based on the average of monthly levels (seasonally adjusted) in each quarter.

**Second estimate by the Bureau of Economic Analysis.*

7a) Please provide the percent chance* you attach to the following outcomes for <u>headline PCE inflation</u> in 2023 and 2024 (Q4/Q4).

	≤ 2.00%	2.01 - 2.25%	2.26 - 2.50%	2.51 - 2.75%	2.76 - 3.00%	3.01 - 3.25%	3.26 - 3.50%	3.51 - 3.75%	3.76 - 4.00%	≥ 4.01%	Sum
2023** (Q4/Q4):											**0.00%**

	≤ 1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	2.26 - 2.50%	2.51 - 2.75%	2.76 - 3.00%	3.01 - 3.25%	3.26 - 3.50%	≥ 3.51%	Sum
2024 (Q4/Q4):											**0.00%**

Responses across each row should add up to 100 percent.

**Bins were chosen with consideration to responses to question 9a in the January 2023 SPD and SMP.

Please also provide your point estimate for the most likely outcome.

2023 (Q4/Q4):	
2024 (Q4/Q4):	

7b) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from March 1, 2023 - February 29, 2028 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

≤ 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	≥ 3.51%	Sum		
								0.00%	Point estimate:	

Responses should add up to 100 percent.

7c) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from March 1, 2028 - February 28, 2033 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

≤ 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	≥ 3.51%	Sum		
								0.00%	Point estimate:	

Responses should add up to 100 percent.

8a) What percent chance do you attach to:

the U.S. economy currently being in a recession*?	
the U.S. economy being in a recession* <u>in 6 months</u>?	
the global economy being in a recession** <u>in 6 months</u>?	

*NBER-defined recession

**Previous IMF staff work has suggested that a "global recession" can be characterized as a period during which there is a decline in annual per-capita real global GDP, backed up by a decline or worsening in one or more of the following global macroeconomic indicators: industrial production, trade, capital flows, oil consumption and unemployment.

8b) What percent chance* do you attach to the U.S. economy first entering a recession** in each of the following periods?

2022***	H1 2023	H2 2023	H1 2024	H2 2024	No recession by end 2024	Sum
						0.00%

*Responses should add up to 100 percent.

**NBER-defined recession.

***Percent chance that the economy first entered an NBER-defined recession in 2022.

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9) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	Real GDP (Q4/Q4 Growth)*	Core PCE Inflation (Q4/Q4)	Headline PCE Inflation (Q4/Q4)**	Unemployment Rate (Q4 Average Level)
2023:				
2024:				
2025:				
Longer run:				

*Responses for real GDP growth in 2023 and 2024 are pulled directly from point estimate values provided in question 5.

**Responses for headline PCE inflation in 2023 and 2024 are pulled directly from point estimate values provided in question 7a.