The Federal Reserve will wait until September to begin raising short-term interest rates, according to a growing majority of private economists polled by The Wall Street Journal.

About 73% of economists in the survey, which was conducted Friday through Tuesday, said the U.S. central bank will start lifting rates in September. That’s up from 65% in the April survey and 38% in March’s poll.

“The Fed needs to see the whites of the eyes of a self-sustaining and more healing recovery in employment before moving,” Mesirow Financial Inc. chief economist Diane Swonk said.
Fed officials have said they expect to begin raising their benchmark short-term interest rate, the federal funds rate, sometime this year. The fed funds rate has been pinned near zero since December 2008.

Expectations for the first rate increase have solidified around the Fed’s Sept. 16-17 policy meeting after a run of weak economic data in the early months of 2015 made a move at the June 16-17 meeting appear unlikely.

Just 7% of economists in the latest survey predicted a June liftoff, down from 18% in April and 48% in March.

Fed officials have indicated the economy should rebound from its sluggish winter, blaming “transitory factors” in their April 29 policy statement. “We’ve seen this movie before,” Federal Reserve Bank of Atlanta President Dennis Lockhart said last week.

U.S. hiring bounced back in April following a weak March, according to the Labor Department. But other indicators, such as retail sales, have pointed to sluggish spring growth.

Fed officials have insisted they are prepared to raise rates at any meeting, not just at the June, September and December meetings when Chairwoman Janet Yellen is scheduled to speak at her quarterly news conferences. In April, the Fed tested a teleconference system that could be used for an unscheduled press briefing.

Even so, few economists expect the Fed will start to raise rates at a meeting without a scheduled news conference. In the latest survey, 5% predicted the Fed would move in July and 3% predicted a first rate increase in October.

Some 7% saw the Fed waiting until next year. “If data is driving the timing, 2015 won’t even open the garage door,” said University of Central Florida economist Sean Snaith, who predicted a first rate increase in early 2016.

Still, 70% of economists said the risk is greater that the Fed will in the end wait too long to raise interest rates, while 30% said the greater risk is that the central bank will tighten too soon.

The Journal polls business and academic economists monthly; 62 responded to the May survey, though not every economist answered every question.
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