

# Will they or won't they? A look at the US Fed's rate hike decision

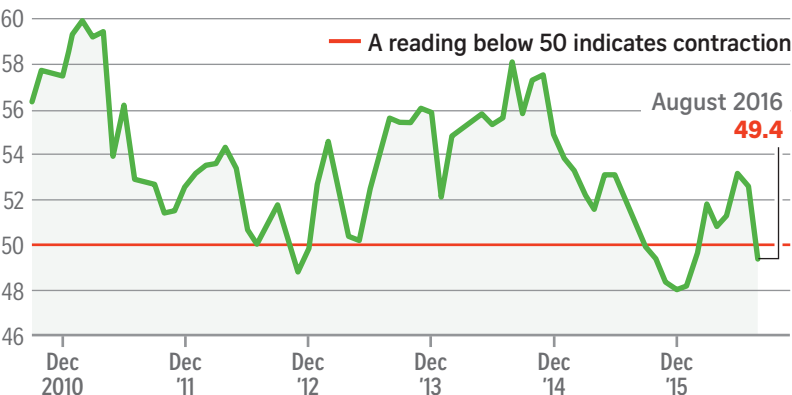
Market watchers are once again obsessed over whether or not the United States Federal Reserve will raise interest rates at its meeting later this month. Economists are divided over whether the US economy is healthy enough to absorb the rate hike, since the data has been sending mixed messages. The Straits Times looks at the health of the world's largest economy and some of the factors that will go into the Fed's decision.



## ECONOMIC GROWTH

- The US economy grew at a slightly slower rate than initially forecast in the second quarter, underscoring a weak performance in the first half of 2016.
- The economy expanded at an annualised rate of 1.1 per cent, rather than the predicted 1.2 per cent.
- In addition, the ISM Purchasing Managers Index – a measure of factory activity – fell into contractionary territory in August for the first time in six months.

### Index of factory activity



## JOB CREATION

- There were **151,000 jobs** added to the US economy in August, below economists' forecasts of 180,000 and a marked slowdown from the previous two months.
- More than **250,000 jobs** were created each month in June and July.



## UNEMPLOYMENT

The unemployment rate has come down significantly since the global financial crisis of 2008/2009 but some economists think it needs to fall further to be a clearer indicator that the economy is recovering.

### Unemployment rate



## GEOPOLITICAL FACTORS

- Uncertainties over the upcoming US presidential elections, as well as the potential fallout from Britain's vote to leave the European Union, could also weigh on the Fed's decision.
- Growth elsewhere in the world is also slowing – for instance, in China – and the global economy lacks a strong catalyst.