

U.S. Fed vows further ultra-loose monetary steps to boost growth

WASHINGTON, Oct. 24 (Xinhua) -- U.S. Federal Reserve said on Wednesday that it will continue adopting the current ultra-loose monetary policy in an effort to bolster tepid economic growth and reduce the high unemployment rate.

"Information received since the Federal Open Market Committee (FOMC) met in September suggests that economic activity has continued to expand at a moderate pace in recent months," the FOMC said Wednesday in a statement after a two-day policy meeting.

Growth in employment has been slow, and the unemployment rate remained elevated. Household spending has advanced a bit more quickly, but growth in business fixed investment has slowed, said the FOMC, the central bank's powerful interest rate setting panel.

U.S. economy grew at an annual rate of 1.3 percent in the second quarter this year, far from a strong pace to reduce the unemployment rate hovering at 7.8 percent.

The U.S. housing sector has shown some further signs of improvement, albeit from a depressed level. Inflation recently picked up somewhat, reflecting higher energy prices, but inflation over the medium term likely would run at or below the central bank's 2-percent objective, said the Fed.

Some economists have warned that the Fed's ultra-loose monetary policies might spark inflation, but U.S. inflationary pressure has remained tame so far.

"The Committee remains concerned that, without sufficient policy accommodation, economic growth might not be strong enough to generate sustained improvement in labor market conditions," noted the statement.

Moreover, strains in global financial markets continued to pose significant downside risks to U.S. economic outlook, stressed the Fed.

The Committee will continue purchasing additional agency mortgage-backed securities (MBS) at a pace of 40 billion U.S. dollars per month, the Fed's third round of bond buying program since the outbreak of the financial crisis, dubbed as QE3, announced last month, according to the statement.

The Fed also restated its interest rate policy unveiled last month of keeping its ultra-low federal funds rate of zero to 0.25 percent unchanged at least through mid-2015.

The U.S. central bank has kept its federal funds rate at the historically low range of zero to 0.25 percent since the end of 2008 to remain short-term borrowing cost low, which has attracted sharp criticism both at home and abroad.

Before rolling out the controversial QE3 last month, the Fed had completed two rounds of quantitative easing programs, dubbed as QE1 and

QE2. It has bought more than 2 trillion U.S. dollars of U.S. government debt, agency MBS and other assets, expanding its balance sheet to more than 2.8 trillion dollars.

The Fed said it will closely monitor economic and financial developments in coming months and take necessary steps to bolster U.S. economic growth.

"If the outlook for the labor market does not improve substantially, the Committee will continue its purchases of agency mortgage-backed securities, undertake additional asset purchases, and employ its other policy tools as appropriate until such improvement is achieved in a context of price stability," said the central bank, hinting further monetary easing moves were on the way.