**Fed Almost Certain to Keep Interest Rates Unchanged at Next Meeting**

Officials likely will focus on when next to raise rates at their Jan. 26-27 meeting

By

**JON HILSENRATH**

Updated Jan. 15, 2016 1:28 p.m. ET

Federal Reserve officials, facing an economic jumble as 2016 begins, will almost certainly keep short-term interest rates steady at a policy meeting this month and turn their focus toward a potential cliffhanger decision about whether to lift them when they gather again in March.

[Job growth is strong](http://www.wsj.com/articles/u-s-added-292-000-jobs-in-december-1452259938), but [financial markets are volatile](http://www.wsj.com/articles/global-malaise-spurs-u-s-growth-worries-1452819336) and [downward pressures on inflation](http://www.wsj.com/articles/fomc-minutes-officials-in-december-expressed-significant-concern-about-inflation-1452107043) are building. The employment picture gives officials an incentive to raise rates to prevent the U.S. economy from overheating, but market instability and the inflation outlook provide reasons to hold off.

Officials are likely to wait to see several new rounds of economic and market data in coming weeks before deciding whether to raise interest rates in March, according to their public comments and interviews.

“The markets and the [Fed] are not thinking about a January move,” [James Bullard](http://topics.wsj.com/person/B/James-Bullard/5955),president of the Federal Reserve Bank of St. Louis, said Thursday. “As far as March, I think we’d want to get more information and see how things play out.”

Futures markets place a 35% probability on a Fed rate increase by the March 15-16 meeting and a 65% probability that the Fed will stand pat, according to the Chicago Mercantile Exchange.

Fed officials have penciled in four quarter-percentage-point rate increases in 2016, but have said they would adjust that plan if economic data don’t support it. For now, many are reluctant to shift their views on the economy.

“In terms of the economic outlook, the situation does not appear to have changed much since the last [Fed] meeting,” New York Fed President [William Dudley](http://topics.wsj.com/person/D/William-Dudley/1046) said in a speech Friday. “Some recent activity indicators have been on the softer side, pointing to a relatively weak fourth quarter for real [gross domestic product] growth. But this needs to be weighed against the strength evident in the U.S. labor market.”

He spoke shortly after the government released reports showing [U.S. retail sales](http://www.wsj.com/articles/u-s-retail-sales-fell-0-1-in-december-1452864829) and [a gauge of business prices](http://www.wsj.com/articles/u-s-producer-prices-down-0-2-in-december-1452864808) both fell in December from the prior month.

The Fed also reported that [U.S. industrial production also fell](http://www.wsj.com/articles/u-s-producer-prices-down-0-2-in-december-1452864808) in December.