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FOMC, July 31, 2019, Press Release - Changes from June 19, 2019?

Summary

- Labor market remains strong with solid job gains. (**no change**)
- Economic activity has been rising at a moderate rate. (**no change**)
- Unemployment rate has remained low. (**no change**)
- Growth of household spending has picked up. (**no change**)
- Growth of business fixed investment has been soft. (**no change**)
- Inflation (nominal) is running below 2%. (**no change**)
- Inflation (core) is running below 2%. (**no change**)
- Market-based measures of inflation compensation remain low (from "have declined"). (**changed**)
- Survey-based measures of longer-term inflation expectations are little changed. (**no change**)
- Risks: implications of global developments for the economic outlook as well as muted inflation pressures (**new**)
- Lower the federal funds target rate range at 2 to 2-1/4 percent. (**change**) Supporting the sustained economic activity, strong labor market conditions, and the "symmetric" 2% inflation objective are the most likely outcomes, but uncertainties about this outlook remain. (**change**)
- The Committee will conclude the reduction of its aggregate securities holdings in the System Open Market Account in August, two months earlier than previously indicated. (**new**)
- Esther L. George and Eric S. Rosengren voted against the action and preferred at this meeting to maintain the federal funds rate at 2-1/4 to 2-1/2 percent (**change**)

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Press Release

July 31 ~~June 19~~, 2019
Federal Reserve issues FOMC statement
For release at 2:00 p.m. EDT

Information received since the Federal Open Market Committee met in **June** ~~May~~ indicates that the labor market remains strong and that economic activity **has been** ~~is~~ rising at a moderate rate. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low. Although growth of household spending **has** ~~appears to have~~ picked up from earlier in the year, **growth** ~~indicators~~ of business fixed investment **has** ~~have~~ been soft. On a 12-month basis, overall inflation and inflation for items other than food and energy are running below 2 percent. Market-based measures of inflation compensation **remain low** ~~have declined~~; survey-based measures of longer-term inflation expectations are little changed.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. In **light** ~~support~~ of **the implications of global developments for the economic outlook as well as muted inflation pressures** ~~these goals~~, the Committee decided to **lower** ~~maintain~~ the target range for the federal funds rate **to** ~~at~~ 2~~-1/4~~ to 2-1/**4** ~~2~~ percent. **This action supports the Committee's** ~~The Committee continues to~~ view **that** sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective **are** ~~as~~ the most likely outcomes, but uncertainties about this outlook remain. ~~have increased. In light of these uncertainties and muted inflation pressures,~~ **As** the Committee **contemplates the future path of the target range for the federal funds rate, it** will **continue to** ~~closely~~ monitor the implications of incoming information for the economic outlook and will act as appropriate to sustain the expansion, with a strong labor market and inflation near its symmetric 2 percent objective.

In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. **The Committee will conclude the reduction of its aggregate securities holdings in the System Open Market Account in August, two months earlier than previously indicated.**

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michelle W. Bowman; Lael Brainard; **James Bullard;** Richard H. Clarida; Charles L. Evans; **and Randal K. Quarles. Voting against the action were** Esther L. George; ~~Randal K. Quarles;~~ and Eric S. Rosengren~~. Voting against the action was James Bullard~~, who preferred at this meeting to **maintain** ~~lower~~ the target range for the federal funds rate **at 2-1/4 to 2-1/2 percent** ~~by 25 basis points~~.

Source: The Federal Reserve
https://www.federalreserve.gov/monetarypolicy/files/monetary20190731a1.pdf

The Federal Reserve Press Conference
PREPARED REMARKS
https://www.federalreserve.gov/monetarypolicy/fomcpresconf20190731.htm

CONDITIONS AT BEGINNING OF 2019

- The unemployment rate was below 4 percent
- Inflation had been running near our 2 percent objective for nine months
- Interest rate target was at the low end of estimates of neutral.

CONDITIONS AT THE MIDDLE OF 2019

- The economy grew at a healthy pace
- Job gains pushed unemployment to near a half-century low
- Wages have been rising, particularly for lower-paying jobs

LOOKING FORWARD CONDITIONS

- Job growth was strong in June and the data point to continued strength
- GDP growth in the second quarter came in close to expectations
- Consumption— supported by rising incomes and high household confidence—is the main engine driving the economy forward
- Domestic inflation pressures remain muted, and global disinflationary pressures persist
- Wages are rising, but not at a pace that would put much upward pressure on inflation
- Manufacturing output has declined for two consecutive quarters
- Business fixed investment fell in the second quarter
- Foreign growth has disappointed, particularly in manufacturing, and notably in the euro area and China
- Ongoing uncertainty is making some companies more cautious about their capital spending

ACTION:

- To lower the target for the federal funds rate by a quarter of a percentage point to a range of 2 percent to 2-1/4 percent
- To conclude the runoff of our securities portfolio in August, rather than in September as previously planned.

REASON:

- Weak global growth, trade policy uncertainty, and muted inflation have prompted the FOMC to adjust its assessment of the appropriate path of interest rates.
- The median Committee participant's assessments of the neutral rate of interest and the longer run normal rate of unemployment have also declined this year, reinforcing the case for a somewhat lower path for our policy rate.
- Today's action is designed to support the current economic outlook which remains favorable and to
    - insure against downside risks from weak global growth and trade policy uncertainty,
    - help offset the effects these factors are currently having on the economy, and
    - promote a faster return of inflation to our symmetric 2 percent objective

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