FOMC, February 2, 2023, Press Release – Changes from December 14, 2022

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Summary:

- Modest growth in spending and production. (change)
- Job gains have been robust in recent months, and the unemployment rate has remained low. (No Change)
- Inflation remains has eased somewhat but remains elevated. (Change)
- Russia's war against Ukraine is causing tremendous human and economic hardship. And contributing to elevated global uncertainty. (Change)
- The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. (No Change)
- Raise the target range for the federal funds rate from 4 1/2 to 4 3/4 percent and anticipate that ongoing increases in the target range will be appropriate. (Change)
- The Committee is strongly committed to returning inflation to its 2 percent objective. (No Change)
- In determining the extent of future increases in the target range, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. (Changed word from "pace" to "extent" suggests it is more about how long rather than how fast will the future hikes be.)
- Continue reducing holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in previously announced plans. (No Change)
- Voting is unanimous. (No Change)

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Press Release

February 01, 2023~~December 14, 2022~~

Federal Reserve issues FOMC statement

For release at 2:00 p.m. EST

Recent indicators point to modest growth in spending and production. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation **has eased somewhat but** remains elevated~~, reflecting supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures~~.

Russia's war against Ukraine is causing tremendous human and economic hardship~~. The war~~ and **is** ~~related events are~~ contributing to **elevated** ~~upward pressure on inflation and are weighing on~~ global **uncertainty** ~~economic activity~~. The Committee is highly attentive to inflation risks.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 4-1/**2**~~4~~ to 4-**3/4**~~1/2~~ percent. The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. In determining the **extent** ~~pace~~ of future increases in the target range, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in **its previously announced plans.** ~~the Plans for Reducing the Size of the Federal Reserve's Balance Sheet that were issued in May.~~ The Committee is strongly committed to returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on ~~public health,~~ labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Lael Brainard; ~~James Bullard; Susan M. Collins;~~ Lisa D. Cook; **Austan D. Goolsbee; Patrick Harker** ~~Esther L. George~~; Philip N. Jefferson; **Neel Kashkari; Lorie K. Logan** ~~Loretta J. Mester~~; and Christopher J. Waller.

https://www.federalreserve.gov/newsevents/pressreleases/monetary20230201a.htm

Press Release

February 01, 2023

Implementation Note issued February 1, 2023

Decisions Regarding Monetary Policy Implementation

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its statement on February 1, 2023:

- The Board of Governors of the Federal Reserve System voted unanimously to raise the interest rate paid on reserve balances to 4.65 percent, effective February 2, 2023.
- As part of its policy decision, the Federal Open Market Committee voted to authorize and direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:

"Effective February 2, 2023, the Federal Open Market Committee directs the Desk to:

- Undertake open market operations as necessary to maintain the federal funds rate in a target range of 4-1/2 to 4-3/4 percent.
- Conduct overnight repurchase agreement operations with a minimum bid rate of 4.75 percent and with an aggregate operation limit of $500 billion; the aggregate operation limit can be temporarily increased at the discretion of the Chair.
- Conduct overnight reverse repurchase agreement operations at an offering rate of 4.55 percent and with a per-counterparty limit of $160 billion per day; the per-counterparty limit can be temporarily increased at the discretion of the Chair.
- Roll over at auction the amount of principal payments from the Federal Reserve's holdings of Treasury securities maturing in each calendar month that exceeds a cap of $60 billion per month. Redeem Treasury coupon securities up to this monthly cap and Treasury bills to the extent that coupon principal payments are less than the monthly cap.
- Reinvest into agency mortgage-backed securities (MBS) the amount of principal payments from the Federal Reserve's holdings of agency debt and agency MBS received in each calendar month that exceeds a cap of $35 billion per month.
- Allow modest deviations from stated amounts for reinvestments, if needed for operational reasons.
- Engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions."

- In a related action, the Board of Governors of the Federal Reserve System voted unanimously to approve a 1/4 percentage point increase in the primary credit rate to 4.75 percent, effective February 2, 2023. In taking this action, the Board approved requests to establish that rate submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Richmond, Atlanta, Chicago, Kansas City, Dallas, and San Francisco.

This information will be updated as appropriate to reflect decisions of the Federal Open Market Committee or the Board of Governors regarding details of the Federal Reserve's operational tools and approach used to implement monetary policy.

More information regarding open market operations and reinvestments may be found on the Federal Reserve Bank of New York's website.

https://www.federalreserve.gov/newsevents/pressreleases/monetary20230201a1.htm