FOMC, November 01, 2023,
Chair Powell Press Conference

EXPERIENTIAL WEALTH
FIDUCIA PERPETUA

The central question for the FOMC:

"have we achieved a stance of monetary policy that's sufficiently restrictive to bring inflation down to 2 percent over time, sustainably?"

Summary:

- The stance of policy is restrictive, meaning that tight policy is putting downward pressure on economic activity and inflation. "We're not confident yet that we have achieved such a stance" (*i.e., more hikes possible*).
- The idea that would [be] difficult to raise [rates] again after stopping for a meeting or two, it's just not right (*i.e., end of a pause can be a rate hike*).
- Future rate decisions, as long as two conditions are satisfied: (1) the tighter conditions would need to be persistent that are material and that is something that remains to be seen. And (2) the longer-term rates that have moved up, they can't simply be a reflection of expected policy moves, and that if FOMC didn't follow through on them, then the rates would come back down.
- Keeping policy restrictive until we are confident that inflation is on a path to the 2% objective. The Committee will take into account (1) the cumulative tightening of monetary policy, (2) the lags with which monetary policy affects economic activity and inflation, and (3) economic and financial developments (*i.e., no pivot or rate cut any time soon*).
- Inflation remains well above our longer-run goal of 2 percent. The core PCE prices rose 3.7 percent. The process of getting inflation sustainably down to 2 percent has a long way to go. Evidence of growth persistently above potential, or that tightness in the labor market is no longer easing, could put further progress on inflation at risk and could warrant further tightening of monetary policy (*i.e., not done yet and may hike some more)*.
- The full effects of our tightening have yet to be felt (*i.e., long and variable lag*).
- Decisions about the extent of additional policy firming and how long policy will remain restrictive are based on the totality of the incoming data, the evolving outlook, and the balance of risks (*i.e., data dependent*).
- Continue to make our decisions meeting by meeting, based on the totality of the incoming data and their implications for the outlook for economic activity and inflation as well as the balance of risks. (*i.e., every FOMC meeting is live*).
- Reducing inflation is likely to require a period of below-potential growth and some softening of labor market conditions (*i.e., may not be a recission but the economy and labor market nee to cool*).

https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20231101.pdf

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