Chair Powell Press Conference Summary - December 13, 2023

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- Inflation has eased from its highs, and this has come without a significant increase in unemployment. That is very good news. (*dual mandate commitment*)
- But inflation is still too high, ongoing progress in bringing it down is not assured, and the path forward is uncertain.
- Restoring price stability is essential to achieve a sustained period of strong labor market conditions that benefit all. Fully committed to returning inflation to our 2 percent goal. (Reputational risk)
- The lower inflation readings over the past several months are welcome, but we will need to see further evidence to build confidence that inflation is moving down sustainably toward our goal. (steadfast commitment to the 2% inflation target)
- Policy rate well into restrictive territory - interest rate at 5-1/4
- Restrictive territory means that tight policy is putting downward pressure on economic activity and inflation.
- The full effects of tightening likely have not yet been felt (*the long and variable lag*)
- Future decisions about the extent of any additional policy firming and how long policy will remain restrictive based on the totality of the incoming data, the evolving outlook, and the balance of risks. (data dependent)
- The policy rate (5.25 percent) is likely at or near its peak for this tightening cycle. While FOMC members do not view it as likely to be appropriate to raise interest rates further, neither do they want to take the possibility off the table. (*near or at peak, pause for now*)
- Ongoing progress toward the 2 percent inflation objective is not assured and prepared to tighten policy further if appropriate. FOMC members didn't want to take the possibility of further hikes off the table. "[T]hinking that we have done enough but not feeling that really strongly confidently and not wanting to take the possibility of a rate hike off the table. Nonetheless, it's not the base case anymore". (*maintain policy optionality*)

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- The phases of rate policies are: (1) how fast, (2) how high and (3) Dial Back (pivot). The FOMC is still at phase (2) even though phase (3) is now "in view."
- The FOMC "wouldn't wait to get to 2 percent to cut rates…it would be too late. [You would] want to be reducing restriction on the economy well before 2 percent so you don't overshoot".
- We are committed to achieving a stance of monetary policy that is sufficiently restrictive to bring inflation sustainably down to 2 percent over time, and to keeping policy restrictive until we are confident that inflation is on a path to that objective. (*higher for longer continues*)
- The Summary of Economic Projections (SEP) is not a Committee collective decision nor a plan; if the economy does not evolve as projected, the path for policy will adjust as appropriate to foster our maximum employment and price stability goals. (Projections are not necessarily policy path) the SEP is made up of each member's bottom up estimate of the future at this time and it is not a FOMC plan. (*caveat emptor*)

https://www.federalreserve.gov/monetarypolicy/fomcpresconf20231213.htm