Chair Powell Press Conference Summary – July 31, 2024

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SUMMARY

The FOMC sees the economy is neither overheating or sharply weakening. The labor market continues to normalize. The FOMC remains data dependent and focused on the risk of cutting rates too early or too late. Some of the Committee members examined the possibility for taking rate action at this meeting, but overwhelmingly the sense of the Committee was not at this meeting but as soon as the next meeting, depending on how the data come in.

https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20240731.pdf

HIGHLIGHT (taken directly from the prepared remarks and Q&A session)

- Strongly committed to returning inflation to our 2 percent goal in support of a strong economy (*affirming commitment*)
- Maintaining restrictive stance of monetary policy in order to keep demand in line with supply and reduce inflationary pressures. Fed Powell can imagine a scenario in which there would be everywhere from zero cuts to several cuts, depending on the way the economy evolves and wouldn't want to lay out a baseline path. (*no rate cuts yet*)
- GDP growth moderated to 2.1 percent in the first half of the year, Private Domestic Final Purchases[1] (PDFP) grew at a 2.6 percent pace over that same period, consumer spending has slowed, and housing sector stalled in the second quarter, but resilient demand supported overall strong US economy performance. (*a slowing but still strong economy*)
- Payroll job gains averaged 177 thousand jobs per month in the second quarter, a solid pace but below that seen in the first quarter. The unemployment rate has moved up but remains low at 4.1 percent. Nominal wage growth has eased over the past year and the jobs-to-workers gap has narrowed. (*a strong labor market but not overheated*)

[1] A more focused indicator on consumption - Final sales to domestic purchasers less government consumption expenditures and gross investment.

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- Inflation remains somewhat above the longer-run goal of 2 percent. Total PCE prices rose 2.5 percent over the 12 months ending in June; core PCE prices rose 2.6 percent. Longer-term inflation expectations appear to remain well anchored (***preserving credibility***).
- As the labor market has cooled and inflation has declined, the risks to achieving the stated employment and inflation goals continue to move into better balance. The FOMC is attentive to the risks to both sides of the dual mandate. No longer 100% focused on inflation due to the significant progress. (*equally focused on inflation -i.e. price stability- and unemployment – i.e. maximum employment*)
- The FOMC believes the risks are coming back into balance. The data broadly show in the labor market is an ongoing, gradual normalization of market conditions. Over a period of a couple of years, and a move really from overheated conditions to more normal conditions. The FOMC is watching the labor market conditions quite closely and is well positioned to respond. Further, the labor market in its current state as a unlikely source of significant inflationary pressures. The FOMC would not like to see material further cooling in the labor market. (*The labor market is getting back into balance*)
- Do not expect it will be appropriate to reduce the target range for the federal funds rate until gaining greater confidence that inflation is moving sustainably toward 2 percent. The second-quarter's inflation readings have added to FOMC's confidence, and more good data would further strengthen that confidence. FOMC will continue to make decisions meeting by meeting. (*looking better but not yet there to cut rates*)
- In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The economy is moving closer to the point at which it will be appropriate to reduce our policy rate. The question will be whether the totality of the data, the evolving outlook, and the balance of risks are consistent with rising confidence on inflation and maintaining a solid labor market. If that test is met, a reduction in policy rate could be on the table as soon as the next meeting (*data dependent and NOT data point dependent*)
- Prepared to maintain the current target range for the federal funds rate as long as appropriate. (*higher still for now*)

- The gains in bringing inflation down have been due to (1) the reversal of the unwinding of the pandemic-related distortions to both supply and demand and (2) complemented by an amplified supported by restrictive monetary policy. So the policy is restrictive and is having the expected effects. Have seen progress across all three categories of core PCE inflation that's goods, it's non-housing services and housing services. This year, the FOMC witnessed broader disinflation with goods prices coming down and also now seeing progress in the other two big categories: non-housing services and housing services. (*increasing confidence through better data*).
- Policy is clearly restrictive; not extremely restrictive but it's certainly effectively restrictive. The "long and variable" lag should be on the weigh down, it should take some time to get into the full economy, effect financial conditions and that affects economic activity, hiring, and ultimately inflation. It's not instantaneous. Although it's faster than it used to be because markets move now in anticipation of our moves. There is concern that the wait to lower rate is longer than it should and be late. But the Fed is very well-positioned to respond to any weakness. (*Restrictive policy is evident*)