Chair Powell Press Conference Q&A Summary – September 18, 2024

The following summary represents direct quotes (with minor immaterial changes to make reading easier) from the press conference.

A. Backdrop

- The U.S. economy is in good shape. It's growing at a solid pace, inflation is coming down, the labor market is in a strong pace, we want to keep it there.
- We have greater confidence now that inflation is moving down to 2 percent, but our plan is that we will be at 2 percent over time. Policy is still restrictive.
- The upside risks to inflation have really come down, the downside risks to employment have increased and because we have been patient and held our fire on cutting while inflation has come down, we're now in a very good position to manage the risks to both of our goals.
- We don't think we need to see further loosening in labor market conditions to get inflation down to 2 percent.

B. Decision to Cut in September

- We don't think we're behind
- it is time to recalibrate our policy to something that is more appropriate given the progress on inflation, and on employment, moving to a more sustainable level, so the balance of risks is now even. And this is the beginning of that process the direction of which is toward a sense of neutral, and we'll move as fast or as slow as we think is appropriate in real-time.
- it's a process of recalibrating our policy stance away from where it was a year ago, when inflation was high and unemployment low, to a place that's more appropriate given where we are now and where we expect to be.
- We made a good, strong start to this and that's a sign of our confidence that inflation is coming down toward 2 percent on a sustainable basis. The logic of this, both from an economic standpoint and also from a risk management standpoint, was clear.
- The time to support the labor market is when it's strong, and not when we begin to see the layoffs. The labor market is in solid condition. The intention with our policy move is to keep it there.

C 50bp and not 25bp Cut

- The 50 basis point move is a commitment to make sure that we don't fall behind.
- We've waited and that patience has really paid dividends in the form of our confidence that inflation is moving sustainably under 2 percent. That is what enables us to take this strong move today. No one should look at this and consider this is the new pace.

D. Future rate decisions

- The base case to be continuing to remove restriction, and we'll be looking at the way the economy reacts to that, and that'll be guiding us in our thinking about the question that we're asking at every meeting: is our policy stance the appropriate one
- Decisions will depend on the way the economy evolves. We can go quicker, go slower, or pause if that's appropriate.
- There's <u>no sense that the Committee feels it's in a rush</u> to do this.

E. The pace of cut

- The process will <u>take place over time</u>.
- The base case, according to the SEP, is cuts moving along, to recalibrate policy down over time to a more neutral level. And we're moving at the pace that we think is appropriate given developments in the economy and the base case.
- There's nothing in the SEP that suggests a rush to get this done.

F. Reaction function

Rate decision remains on a <u>meeting by meeting based</u> on

- incoming data,
- evolving outlook, and
- balance of risks.

G. The Labor Market

- Unemployment at 4.2% is a very healthy unemployment rate. And anything in the low fours is a really, is a good labor market.
- Participation's at pretty high levels,
- Wage increases are still just a bit above where they would be over the very longer-term to be consistent with 2 percent inflation, but they're very much coming down to what that sustainable level is.
- Vacancies over per unemployed is back to what is still a very strong level
- Quits have come back down to normal levels
- There's been quite an influx across the borders, and that has actually been one of the things that's allowed unemployment rate to rise, and the other thing is just the slower hiring rate. It does depend on what's happening on the supply side.

H. Economic soft landing

- We believe, with an appropriate recalibration of our policy that we can continue to see the economy growing and that will support the labor market. In the meantime, the growth in economic activity data; retail sales data, second quarter GDP, all of this indicates an economy that is still growing at a solid pace. So that should also support the labor market over time.
- We're trying to achieve a situation where we restore price stability without the kind of painful increase in unemployment that has come sometimes with disinflation.

That's what we're trying to do. And today's action as a sign of our strong commitment to achieve that goal.

I. The balance sheet

- We're not thinking about stopping runoff because of this at all.
- We know that these two things (*cutting rates and balance sheet run*off) can happen side by side, in a sense they're both a form of normalization and so for a time you can have the balance sheet shrinking but also be cutting rates.

https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20240918.pdf