Summary of Jerome Powell Remarks
Economic Policy Symposium
Jackson Hole, August 25, 2023

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AFFIRMATION & MAINTAIN CREDIBILITY

- Bring inflation down to the 2 percent goal.
- Prepare to raise rates further if appropriate, and intend to hold policy at a restrictive level until confident that inflation is moving sustainably down toward the 2% objective.

CURRENT ASSESSMENT

- Inflation remains too high.
- Emphasis is on core PCE in three components: goods, housing services and all other services (non-housing services).
- Core goods and housing services inflation are showing signs of slowing.
- Non-housing services are generally thought to be less interest sensitive than other sectors such as housing or durable goods. Production of these services is also relatively labor intensive, and the labor market remains tight, inflation in this sector has moved sideways since interest rate liftoff.
- current stance of policy as restrictive, putting downward pressure on economic activity, hiring, and inflation.
- Getting inflation sustainably back down to 2 percent is expected to require a period of below-trend economic growth as well as some softening in labor market conditions. And recently:
  - GDP growth has come in above expectations,
  - consumer spending has been especially robust,
  - housing sector is showing signs of picking back up, and
  - evidence that the tightness in the labor market is no longer easing,
- Additional evidence of persistently above-trend growth could put further progress on inflation at risk and could warrant further tightening of monetary policy.

MOVING FORWARD: DETERMINATION

- **<u>Two percent</u>** is and will remain the **<u>inflation target</u>**.
- Committed to achieving and sustaining a stance of monetary policy that is **<u>sufficiently restrictive</u>** to bring inflation down to that level over time.

MOVING FORWARD: UNCERTAINTIES

- Cannot identify with certainty the neutral rate of interest (r*), and thus there is always uncertainty about the precise level of monetary policy restraint.
- Uncertainty about the duration of the lags with which monetary tightening (including the reduction in the size of securities holdings) affects economic activity and especially inflation - there may be significant further drag in the pipeline.
- Supply and demand dislocations unique to this cycle raise further complications through their effects on inflation and labor market dynamics.
- Inflation has become more responsive to labor market tightness than was the case in recent decades.

DILEMMA

- Doing too little could allow above-target inflation to become entrenched and ultimately require monetary policy to wring more persistent inflation from the economy at a high cost to employment. Doing too much could also do unnecessary harm to the economy.

POLICY FORWARD

- Each meeting is a live meeting.
- Assess intra-meeting progress based on the totality of the data and the evolving outlook and risks.

This is an informational summary of Chair Powell's remarks.

Please access the entire prepared remarks here.