Federal Open Market Committee (FOMC) Meeting Results:

Date: December 12-13, 2017

Fed raises rates by 0.25 percent, but warns that rates will be below level normally expected in the longer run

Current range for the federal funds rate is now set at 1-1/4 – 1-1/2 percent

Meeting Location: Marriner S. Eccles Federal Reserve Board Building, Washington DC

Economic Highlights: *Labor markets seen as improving, economic activity rising, household spending is higher as is business fixed investment, and inflation remains soft.*

- **Information received since the Federal Open Market Committee met in November indicates that the labor market has continued to strengthen, and that economic activity has been rising at a solid rate.**

- **Averaging through hurricane-related fluctuations, job gains have been solid, and the unemployment rate declined further.**

- **Household spending has been expanding at a moderate rate, and growth in business fixed investment has picked up in recent quarters.**

- **On a 12-month basis, both overall inflation and inflation for items other than food and energy have declined this year and are running below 2 percent.**

Announcements: *Fed funds rate increased by 0.25% - new Federal Funds Rate range is now 1.25 - 1.50%*

- **The Committee decided to raise the target range for the federal funds rate to 1.25 - 1.50 percent**

- **The committee declared that the near-term risks to the economic outlook appear roughly balanced, but that the Committee is monitoring inflation developments closely.**

- **The FOMC said the stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return to 2 percent inflation.**

- **In a separate announcement, the Board of Governors of the Federal Reserve System voted unanimously to raise the interest rate paid on required and excess reserve balances to 1.50 percent, effective December 14, 2017.**

Forward Guidance: *Fed warns to expect slow and steady rate hikes and that the path of future rates will remain below the level normally expected in the longer run.*

- **"In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation.**

- **This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation**

pressures and inflation expectations, and readings on financial and international developments.

- **The Committee will carefully monitor actual and expected inflation developments relative to its symmetric inflation goal.**

- **The Committee expects that economic conditions will evolve in a manner that will warrant gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data."**

- **The now famous "dot-plot" – a forecast of rate hikes in the coming years - was also released by the committee today, and that graph indicates the committee plans a few more rate hikes in 2018.**

Voting Results*: Two dissenting vote at this meeting. Charles L. Evans and Neel Kashkari did not want to increase rates at this time.*

- ***Voting for the FOMC monetary policy action were Janet L. Yellen, Chair; William C. Dudley, Vice Chairman; Lael Brainard; Patrick Harker; Robert S. Kaplan; Jerome H. Powell; and Randal K. Quarles. Voting against the action were Charles L. Evans and Neel Kashkari, who preferred at this meeting to maintain the existing target range for the federal funds rate.***

Next Meeting: **January 30-31, 2018**