

Federal Open Market Committee (FOMC) Meeting Results:

Date: March 20-21, 2018

Interest Rates Increased by 0.25%

New Fed funds range = 1.50%-1.75%

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

Economic Highlights: *Labor markets strong and unemployment rate low; economic activity rising; household spending and business fixed investment growing but at a slower rate than the fourth quarter of 2017, and the 2.0% inflation goal remains unrealized.*

- Information received since the Federal Open Market Committee met in January indicates that the labor market has continued to strengthen and that economic activity has been rising at a moderate rate.
- Job gains have been strong in recent months and the unemployment rate has stayed low.
- Recent data suggest that growth rates of household spending and business fixed investment have moderated from their strong fourth-quarter readings.
- On a 12-month basis, both overall inflation and inflation for items other than food and energy have continued to run below 2 percent.

Announcements: *Fed funds rate increased by 0.25%, but Committee expects the economy to continue to grow!*

- The Committee decided to increase the target range for the federal funds rate to 1.50 - 1.75 percent
- The Committee declared that the economy is currently balanced. The risk of higher unemployment or higher inflation is roughly equal, but the Committee continues to monitor inflation developments closely. This is an indication that the Committee views that there is still a chance that the economy may overheat.
- Even though rates were increased, the FOMC said the stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return to 2 percent inflation.
- The Committee expects that, with further gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace and labor market conditions will remain strong.

Forward Guidance: *Fed warns, again, to expect gradual 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 further gradual increases in the federal funds rate.
- However, the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. The actual path of the federal funds rate will depend on the economic outlook as informed by incoming data in determining the timing and size of future adjustments to the target range for the federal funds rate.

Implementation Note issued March 21, 2018: In a separate action the FOMC changed the interest rate on certain reserves and raised the discount window borrowing rate.

- The Board of Governors of the Federal Reserve System voted unanimously to raise the interest rate paid on required and excess reserve balances to 1.75 percent, effective March 22, 2018.
- The Board of Governors of the Federal Reserve System voted unanimously to approve a 1/4 percentage point increase in the primary credit rate to 2.25 percent, effective March 22, 2018.

Voting Results: *No dissenting vote at this meeting.*

Voting for the FOMC monetary policy action were Jerome H. Powell, Chairman; William C. Dudley, Vice Chairman; Thomas I. Barkin; Raphael W. Bostic; Lael Brainard; Loretta J. Mester; Randal K. Quarles; and John C. Williams.

Next Meeting: May 1-2, 2018