Transcript of Chair Powell's FOMC Press Conference Opening Statement
July 31, 2024

CHAIR POWELL. Good afternoon. My colleagues and I remain squarely focused on achieving our dual mandate goals of maximum employment and stable prices for the benefit of the American people. Our economy has made considerable progress toward both goals over the past two years. The labor market has come into better balance and the unemployment rate remains low. Inflation has eased substantially from a peak of 7 percent to 2.5 percent. We are strongly committed to returning inflation to our 2 percent goal in support of a strong economy that benefits everyone.

Today, the FOMC decided to leave our policy interest rate unchanged and to continue to reduce our securities holdings. We are maintaining our restrictive stance of monetary policy in order to keep demand in line with supply and reduce inflationary pressures. We are attentive to risks to both sides of our dual mandate, and I will have more to say about monetary policy after briefly reviewing economic developments.

Recent indicators suggest that economic activity has continued to expand at a solid pace. GDP growth moderated to 2.1 percent in the first half of the year, down from 3.1 percent last year. Private domestic final purchases, or PDFP, which excludes inventory investment, government spending, and net exports and usually sends a clearer signal on underlying demand, grew at a 2.6 percent pace over that same period, the first half. Growth of consumer spending has slowed from last year's robust pace but remains solid. Investment in equipment and intangibles has picked up from its anemic pace last year. In the housing sector, investment stalled in the second quarter after a strong rise in the first. Improving supply conditions have supported resilient demand and the strong performance of the U.S. economy over the past year.

In the labor market, supply and demand conditions have come into better balance. 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. Strong job creation over the past couple of years has been accompanied by an increase in the supply of workers, reflecting increases in participation among individuals aged 25 to 54 years and a strong pace of immigration. Nominal wage growth has eased over the past year and the jobs-to-workers gap has narrowed. Overall, a broad set of indicators suggests that conditions in the labor market have returned to about where they stood on the eve of the pandemic—strong but not overheated.

Inflation has eased notably over the past two years but remains somewhat above our longer-run goal of 2 percent. Total PCE prices rose 2.5 percent over the 12 months ending in June; excluding the volatile food and energy categories, core PCE prices rose 2.6 percent. Longer-term inflation expectations appear to remain well anchored, as reflected in a broad range of surveys of households, and businesses, and forecasters, as well as measures from financial markets.

My colleagues and I are acutely aware that high inflation imposes significant hardship as it erodes purchasing power, especially for those least able to meet the higher costs of essentials like food, housing, and transportation. Our monetary policy actions are guided by our dual mandate to promote maximum employment and stable prices for the American people. In support of these goals, the Committee decided at today's meeting to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent and to continue reducing our securities holdings. As the labor market has cooled and inflation has declined, the risks to achieving our employment and inflation goals continue to move into better balance. Indeed, we are attentive to the risks to both sides of our dual mandate.

We have stated that we do not expect it will be appropriate to reduce the target range for the federal funds rate until we have gained greater confidence that inflation is moving sustainably toward 2 percent. The second-quarter's inflation readings have added to our confidence, and more good data would further strengthen that confidence. We will continue to make our decisions meeting by meeting. We know that reducing policy restraint too soon or too much could result in a reversal of the progress we have seen on inflation. At the same time, reducing policy restraint too late or too little could unduly weaken economic activity and employment. 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.

As the economy evolves, monetary policy will adjust in order to best promote our maximum employment and price stability goals. If the economy remains solid and inflation persists, we can maintain the current target range for the federal funds rate as long as appropriate. If the labor market were to weaken unexpectedly or inflation were to fall more quickly than anticipated, we are prepared to respond. Policy is well positioned to deal with the risks and uncertainties that we face in pursuing both sides of our dual mandate.

The Fed has been assigned two goals for monetary policy—maximum employment and stable prices. We remain committed to bringing inflation back down to our 2 percent goal and to keeping longer-term inflation expectations well anchored. Restoring price stability is essential to achieving maximum employment and stable prices over the longer run. Our success in delivering on these goals matters to all Americans. We understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission. We at the Fed will do everything we can to achieve our maximum employment and price stability goals. Thank you. I look forward to your questions.