Transcript of Chair Powell's Press Conference Opening Statement
September 18, 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 is strong overall and has made significant progress toward our goals over the past two years. The labor market has cooled from its formerly overheated state. Inflation has eased substantially from a peak of 7 percent to an estimated 2.2 percent as of August. We are committed to maintaining our economy's strength by supporting maximum employment and returning inflation to our 2 percent goal.

Today, the Federal Open Market Committee decided to reduce the degree of policy restraint by lowering our policy interest rate by 1/2 percentage point. This decision reflects our growing confidence that, with an appropriate recalibration of our policy stance, strength in the labor market can be maintained in a context of moderate growth and inflation moving sustainably down to 2 percent. We also decided to continue to reduce our securities holdings. 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 rose at an annual rate of 2.2 percent in the first half of the year, and available data point to a roughly similar pace of growth this quarter. Growth of consumer spending has remained resilient, and investment in equipment and intangibles has picked up from its anemic pace last year. In the housing sector, investment fell back in the second quarter after rising strongly in the first. Improving supply conditions have supported resilient demand and the strong performance of the U.S. economy over the past year. In our Summary of Economic

Projections, Committee participants generally expect GDP growth to remain solid, with a median projection of 2 percent over the next few years.

In the labor market, conditions have continued to cool. Payroll job gains averaged 116 thousand per month over the past three months, a notable stepdown from the pace seen earlier in the year. The unemployment rate has moved up but remains low at 4.2 percent. 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 are now less tight than just before the pandemic in 2019. The labor market is not a source of elevated inflationary pressures. The median projection for the unemployment rate in the SEP is 4.4 percent at the end of this year, 4 tenths higher than projected in June.

Inflation has eased notably over the past two years but remains above our longer-run goal of 2 percent. Estimates based on the Consumer Price Index and other data indicate that total PCE prices rose 2.2 percent over the 12 months ending in August; and that, excluding the volatile food and energy categories, core PCE prices rose 2.7 percent. Longer-term inflation expectations appear to remain well anchored, as reflected in a broad range of surveys of households, businesses, and forecasters, as well as measures from financial markets. The median projection in the SEP for total PCE inflation is 2.3 percent this year and 2.1 percent next year, somewhat lower than projected in June. Thereafter, the median projection is 2 percent.

Our monetary policy actions are guided by our dual mandate to promote maximum employment and stable prices for the American people. For much of the past three years, inflation ran well above our 2 percent goal, and labor market conditions were extremely tight. Our primary focus had been on bringing down inflation, and appropriately so. We 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 restrictive monetary policy has helped restore the balance between aggregate supply and demand, easing inflationary pressures and ensuring that inflation expectations remain well anchored. Our patient approach over the past year has paid dividends: Inflation is now much closer to our objective, and we have gained greater confidence that inflation is moving sustainably toward 2 percent.

As inflation has declined and the labor market has cooled, the upside risks to inflation have diminished and the downside risks to employment have increased. We now see the risks to achieving our employment and inflation goals as roughly in balance, and we are attentive to the risks to both sides of our dual mandate.

In light of the progress on inflation and the balance of risks, at today's meeting the Committee decided to lower the target range for the federal funds rate by 1/2 percentage point, to 4-3/4 percent to 5 percent. This recalibration of our policy stance will help maintain the strength of the economy and the labor market and will continue to enable further progress on inflation as we begin the process of moving toward a more neutral stance. We are not on any preset course. We will continue to make our decisions meeting by meeting.

We know that reducing policy restraint too quickly could hinder progress on inflation. At the same time, reducing restraint too slowly could unduly weaken economic activity and employment. In considering additional 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.

In our SEP, FOMC participants wrote down their individual assessments of an appropriate path for the federal funds rate, based on what each participant judges to be the most likely scenario going forward. If the economy evolves as expected, the median participant projects that the appropriate level of the federal funds rate will be 4.4 percent at the end of this year and 3.4 percent at the end of 2025. These median projections are lower than in June, consistent with the projections for lower inflation and higher unemployment, as well as the changed balance of risks. These projections, however, are not a Committee plan or decision.

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 dial back policy restraint more slowly. 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 supporting maximum employment, bringing inflation back down to our 2 percent goal, and keeping longer-term inflation expectations well anchored. 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.