Transcript of Chair Powell's Press Conference Opening Statement
June 14, 2023

CHAIR POWELL. Good afternoon. My colleagues and I remain squarely focused on our dual mandate to promote maximum employment and stable prices for the American people. We understand the hardship that high inflation is causing, and we remain strongly committed to bringing inflation back down to our 2 percent goal. Price stability is the responsibility of the Federal Reserve. Without price stability, the economy doesn't work for anyone. In particular, without price stability, we will not achieve a sustained period of strong labor market conditions that benefit all.

Since early last year, the FOMC has significantly tightened the stance of monetary policy. We have raised our policy interest rate by 5 percentage points and have continued to reduce our securities holdings at a brisk pace. We have covered a lot of ground, and the full effects of our tightening have yet to be felt. In light of how far we have come in tightening policy, the uncertain lags with which monetary policy affects the economy, and potential headwinds from credit tightening, today we decided to leave our policy interest rate unchanged and to continue to reduce our securities holdings. Looking ahead, nearly all Committee participants view it as likely that some further rate increases will be appropriate this year to bring inflation down to 2 percent over time. I will have more to say about monetary policy after briefly reviewing economic developments.

The U.S. economy slowed significantly last year, and recent indicators suggest that economic activity has continued to expand at a modest pace. Although growth in consumer spending has picked up this year, activity in the housing sector remains weak, largely reflecting higher mortgage rates. Higher interest rates and slower output growth also appear to be weighing on business fixed investment. Committee participants generally expect subdued

growth to continue. In our Summary of Economic Projections, the median projection has real GDP growth at 1.0 percent this year and 1.1 percent next year, well below the median estimate of the longer-run normal growth rate.

The labor market remains very tight. Over the past three months, payroll job gains averaged a robust 283 thousand jobs per month. The unemployment rate moved up but remained low in May, at 3.7 percent. There are some signs that supply and demand in the labor market are coming into better balance. The labor force participation rate has moved up in recent months, particularly for individuals aged 25 to 54 years. Nominal wage growth has shown signs of easing, and job vacancies have declined so far this year. While the jobs-to-workers gap has declined, labor demand still substantially exceeds the supply of available workers. FOMC participants expect supply and demand conditions in the labor market to come into better balance over time, easing upward pressures on inflation. The median unemployment rate projection in the SEP rises to 4.1 percent at the end of this year and 4.5 percent at the end of next year.

Inflation remains well above our longer-run 2 percent goal. Over the 12 months ending in April, total PCE prices rose 4.4 percent; excluding the volatile food and energy categories, core PCE prices rose 4.7 percent. In May, the 12-month change in the Consumer Price Index came in at 4.0 percent, and the change in the core CPI was 5.3 percent. Inflation has moderated somewhat since the middle of last year. Nonetheless, inflation pressures continue to run high and the process of getting inflation back down to 2 percent has a long way to go. The median projection in the SEP for total PCE inflation is 3.2 percent this year, 2.5 percent next year, and 2.1 percent in 2025. Core PCE inflation, which excludes volatile food and energy prices, is projected to run higher than total inflation, and the median projection has been revised up to 3.9 percent this year. Despite elevated inflation, 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 Fed's monetary policy actions are guided by our mandate to promote maximum employment and stable prices for the American people. My colleagues and I are acutely aware that high inflation imposes hardship as it erodes purchasing power, especially for those least able to meet the higher costs of essentials like food, housing, and transportation. We are highly attentive to the risks that high inflation poses to both sides of our mandate, and we are strongly committed to returning inflation to our 2 percent objective.

As I noted earlier, since early last year, we have raised our policy rate by 5 percentage points. We have been seeing the effects of our policy tightening on demand in the most interest-rate-sensitive sectors of the economy, especially housing and investment. It will take time, however, for the full effects of monetary restraint to be realized, especially on inflation.

The economy is facing headwinds from tighter credit conditions for households and businesses, which are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain.

In light of how far we have come in tightening policy, the uncertain lags with which monetary policy affects the economy, and potential headwinds from credit tightening, the Committee decided at today's meeting to maintain the target range for the federal funds rate at 5 to 5-1/4 percent and to continue the process of significantly reducing our securities holdings.

As I noted earlier, nearly all Committee participants expect that it will be appropriate to raise interest rates somewhat further by the end of the year. But at this meeting, considering how far and how fast we have moved, we judged it prudent to hold the target range steady to allow the Committee to assess additional information and its implications for monetary policy. In

determining the extent of additional policy firming that may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.

In our SEP, 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 projected, the median participant projects that the appropriate level of the federal funds rate will be 5.6 percent at the end of this year, 4.6 percent at the end of 2024, and 3.4 percent at the end of 2025. For the end of this year, the median projection is 1/2 percentage point higher than in our March projections. I hasten to add, as always, that these projections are not a Committee decision or plan; if the economy does not evolve as projected, the path for policy will adjust as appropriate to foster our maximum employment and price stability goals. We will continue to make our decisions meeting by meeting, based on the totality of incoming data and their implications for the outlook for economic activity and inflation as well as the balance of risks.

We remain committed to bringing inflation back down to our 2 percent goal and to keeping longer-term inflation expectations well anchored. Reducing inflation is likely to require a period of below-trend growth and some softening of labor market conditions. Restoring price stability is essential to set the stage for achieving maximum employment and stable prices over the longer run.

To conclude, we understand that our actions affect communities, families, and businesses across the country. Everything we do at the Fed is in service to our public mission. We will do

everything we can to achieve our maximum employment and price stability goals. Thank you. I look forward to your questions.