

## **FOMC Minutes of the Federal Open Market Committee, March 19-20 - Summary TEXT - Committee Policy Action**

In their discussion of monetary policy for the period ahead, members judged that the information received since the Committee met in January indicated that the labor market remained strong but that growth of economic activity had slowed from its solid rate in the fourth quarter. Payroll employment was little changed in February, but job gains had been solid, on average, in recent months, and the unemployment rate had remained low. Recent indicators pointed to slower growth of household spending and business fixed investment in the first quarter. On a 12-month basis, overall inflation had declined, largely as a result of lower energy prices; inflation for items other than food and energy remained near 2 percent. On balance, market-based measures of inflation compensation had remained low in recent months, and survey-based measures of longer-term inflation expectations were little changed.

In their consideration of the economic outlook, members noted that financial conditions had improved since the beginning of year, but that some time would be needed to assess whether indications of weak economic growth in the first quarter would persist in subsequent quarters. Members also noted that inflationary pressures remained muted and that a number of uncertainties bearing on the U.S. and global economic outlook still awaited resolution. However, members continued to view sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective as the most likely outcomes for the U.S. economy in the period ahead. In light of global economic and financial developments and muted inflation pressures, members concurred that the Committee could be patient as it determined what future adjustments to the target range for the federal funds rate may be appropriate to support those outcomes.

After assessing current conditions and the outlook for economic activity, the labor market, and inflation, members decided to maintain the target range for the federal funds rate at 2-1/4 to 2-1/2 percent. Members agreed that in determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee would assess realized and expected economic conditions relative to the Committee's maximum-employment and symmetric 2 percent inflation objectives. They reiterated that this assessment would 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. More generally, members noted that decisions regarding near-term adjustments of the stance of monetary policy would appropriately remain dependent on the evolution of the outlook as informed by incoming data.

With regard to the post meeting statement, members agreed to characterize the labor market as remaining strong. While payroll employment had been little changed in February, job gains had been solid, on average, in recent months, and the unemployment rate had remained low. Members also agreed to note that growth in economic activity appeared to have slowed from its solid rate in the

fourth quarter, consistent with recent indicators of household spending and business fixed investment. The description of overall inflation was revised to recognize that inflation had declined, largely as a result of lower energy prices, while still noting that inflation for items other than food and energy remained near 2 percent.

At the conclusion of the discussion, the Committee voted to authorize and direct the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the SOMA in accordance with the following domestic policy directive, to be released at 2:00 p.m.:

"Effective March 21, 2019, the Federal Open Market Committee directs the Desk to undertake open market operations as necessary to maintain the federal funds rate in a target range of 2-1/4 to 2-1/2 percent, including overnight reverse repurchase operations (and reverse repurchase operations with maturities of more than one day when necessary to accommodate weekend, holiday, or similar trading conventions) at an offering rate of 2.25 percent, in amounts limited only by the value of Treasury securities held outright in the System Open Market Account that are available for such operations and by a counterparty limit of \$30 billion per day.

The Committee directs the Desk to continue rolling over at auction the amount of principal payments from the Federal Reserve's holdings of Treasury securities maturing during each calendar month that exceeds \$30 billion, and to continue reinvesting in agency mortgage-backed securities the amount of principal payments from the Federal Reserve's holdings of agency debt and agency mortgage-backed securities received during each calendar month that exceeds \$20 billion. Small deviations from these amounts for operational reasons are acceptable.

The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency mortgage-backed securities transactions."

The vote also encompassed approval of the statement below to be released at 2:00 p.m.:

"Information received since the Federal Open Market Committee met in January indicates that the labor market remains strong, but that growth of economic activity has slowed from its solid rate in the fourth quarter. Payroll employment was little changed in February, but job gains have been solid, on average, in recent months, and the unemployment rate has remained low. Recent indicators point to slower growth of household spending and business fixed investment in the first quarter. On a 12-month basis, overall inflation has declined, largely as a result of lower energy prices; inflation for items other than food and energy remains near 2 percent. On balance, market-based measures of inflation compensation have remained low in recent months, and survey-based measures of longer-term inflation expectations are little changed.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. In support of these goals, the Committee decided to maintain the target range for the federal funds rate at 2-1/4 to 2-1/2 percent. The Committee continues to view sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective as the most likely outcomes. In light of global economic and financial developments and muted inflation pressures, the Committee will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate to support these outcomes.

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 maximum employment objective and its symmetric 2 percent inflation objective. 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."

Voting for this action: Jerome H. Powell, John C. Williams, Michelle W. Bowman, Lael Brainard, James Bullard, Richard H. Clarida, Charles L. Evans, Esther L. George, Randal K. Quarles, and Eric Rosengren.

Voting against this action: None.

Consistent with the Committee's decision to leave the target range for the federal funds rate unchanged, the Board of Governors voted unanimously to leave the interest rates on required and excess reserve balances unchanged at 2.40 percent and voted unanimously to approve establishment of the primary credit rate at the existing level of 3.00 percent, effective March 21, 2019.

It was agreed that the next meeting of the Committee would be held on Tuesday-Wednesday, April 30-May 1, 2019. The meeting adjourned at 10:00 a.m. on March 20, 2019.

#### Notation Vote

By notation vote completed on February 19, 2019, the Committee unanimously approved the minutes of the Committee meeting held on January 29-30, 2019.