DISCOUNT AND ADVANCE RATES -- Requests by four Reserve Banks to maintain the existing primary credit rate and requests by eight Reserve Banks to increase the rate; requests to renew the secondary and seasonal credit formulas.

Existing rate and formulas approved.
December 4, 2017.

Today, Board members discussed economic and financial developments and issues related to possible policy actions. In connection with this discussion, Board members considered discounts and advances under the primary credit program (the primary credit rate) and discussed, on a preliminary basis, their individual assessments of the appropriate rate and its communication, which would be discussed at the joint meeting of the Board and the Federal Open Market Committee (FOMC) next week.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Bank of Dallas had voted on November 22, 2017, and the directors of the Federal Reserve Banks of Chicago, St. Louis, and Minneapolis had voted on November 30, to establish the primary credit rate at the existing level (1-3/4 percent). The directors of the Federal Reserve Banks of Cleveland and San Francisco had voted on November 22, and the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Richmond, Atlanta, and Kansas City had voted on November 30, to establish a rate of 2 percent (an increase from 1-3/4 percent).

Federal Reserve Bank directors noted continued economic growth and positive conditions in various sectors, including manufacturing and energy. In some Districts, directors reported strong consumer spending heading into the holiday season. Overall, directors noted ongoing strength in labor markets, although directors had mixed reports concerning the availability of workers to fill certain positions. Wage pressures were generally described as modest. Inflation remained somewhat below the Federal Reserve's 2 percent objective. Many directors also noted uncertainty about the potential economic effects of proposed fiscal policy.

The directors of four Reserve Banks favored establishing the primary credit rate at the current level of 1-3/4 percent. Against the backdrop of continued soft readings on inflation, these directors judged that it would be appropriate to maintain the current level of short-term interest rates and assess whether incoming data support the outlook for continued moderate economic growth, further strengthening in labor markets, and a gradual return of inflation to 2 percent over the medium term. The directors of eight Reserve Banks favored increasing the primary credit rate to 2 percent. These directors judged that an increase in short-term interest rates was warranted in light of solid economic growth, already tight labor markets, and an expected rise in inflation toward 2 percent.

No sentiment was expressed by the Board at today's meeting for changing the primary credit rate at this time, and the Board approved the establishment of the primary credit rate at the existing level of 1-3/4 percent. (NOTE: At the joint Board-FOMC meeting on November 1, 2017, the Board had taken no action on requests by the Cleveland, Richmond, and Kansas City Reserve Banks to increase the primary credit rate.)

The Board's action today on the primary credit rate also included renewal of the existing formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs. As specified by the formula for the secondary credit rate, this rate would be set 50 basis points above the primary credit rate. As specified by the formula for the seasonal credit rate, this rate would be reset every two weeks as the average of the daily effective federal funds rate and the rate on three-month CDs over the previous 14 days, rounded to the nearest 5 basis points.

Voting for this action: Chair Yellen, Vice Chairman for Supervision Quarles, and Governors Powell and Brainard.

Background: Office of the Secretary memorandum, December 1, 2017.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, December 4, 2017.

MONETARY POLICY IMPLEMENTATION -- Increase in the interest rate on reserve balances and in the primary credit rate; renewal of secondary and seasonal credit formulas.

Approved.
December 13, 2017.

In a joint meeting of the Federal Open Market Committee (FOMC) and the Board today, the FOMC decided to raise the target range for the federal funds rate by 25 basis points, to 1-1/4 to 1-1/2 percent, effective December 14, 2017. To support the Committee's decision to raise the target range for the federal funds rate, the Board approved raising the interest rate paid on required and excess reserve balances from 1-1/4 percent to 1-1/2 percent, effective December 14, 2017.

Subject to review and determination by the Board of Governors, the directors of nine Federal Reserve Banks had voted to establish an increase in the rate for discounts and advances under the primary credit program (the primary credit rate). The directors of the Federal Reserve Banks of Boston and New York had voted on November 30, 2017, and the directors of the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, Atlanta, Kansas City, Dallas, and San Francisco had voted on December 7, to establish a primary credit rate of 2 percent (an increase from 1-3/4 percent). The directors of the Federal Reserve Bank of St. Louis had voted on December 7 to establish the primary credit rate at the existing level of 1-3/4 percent. (NOTE: At its meeting on December 4, 2017, the Board had taken no action on requests by the Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Kansas City, and San Francisco Reserve Banks to increase the primary credit rate.)

At today's meeting, there was consensus for a 25-basis-point increase, and the Board approved an increase in the primary credit rate from 1-3/4 percent to 2 percent, effective December 14, 2017, for the nine Reserve Banks that had voted for such an increase. The Board's action today on the primary credit rate also included renewal of the existing formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs. As specified by the formula for the secondary credit rate, this rate would be set 50 basis points above the primary credit rate. As specified by the formula for the seasonal credit rate, this rate would continue to be reset every two weeks as the average of the daily effective federal funds rate and the rate on three-month CDs over the previous 14 days, rounded to the nearest 5 basis points.

It was understood that a press release and an accompanying document on monetary policy implementation would be issued to announce the increases in the interest rate on reserve balances and the primary credit rate. In addition, the Secretary was authorized to inform the Federal Reserve Banks of Chicago, St. Louis, and Minneapolis, on their establishment of a primary credit rate of 2 percent, of the Board's approval and determination, effective on the later of December 14, 2017, or the date the Reserve Bank informed the Secretary of its request. (NOTE: Subsequently, the Secretary informed the Chicago, St. Louis, and Minneapolis Reserve Banks of the Board's approval of their establishment of a primary credit rate of 2 percent, effective December 14, 2017.)

Voting for these actions: Chair Yellen, Vice Chairman for Supervision Quarles, and Governors Powell and Brainard.

Background: Office of the Secretary memorandum, December 8, 2017.

Implementation: FOMC Statement with attached implementation note, December 13; press release, December 14; transmissions from

Ms. Misback to the Reserve Banks, December 13 and 14; and Federal Register documents (Docket Nos. R-1592 and R-1593, RINs 7100 AE-93 and 7200 AE-04), December 15, 2017.