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

Existing rate and formulas approved.
February 26, 2018.

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 next joint meeting of the Board and the Federal Open Market Committee (FOMC).

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of St. Louis and Minneapolis had voted on February 15, 2018, and the directors of the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago, and San Francisco had voted on February 22, to establish the primary credit rate at the existing level (2 percent). The directors of the Federal Reserve Banks of Philadelphia and Kansas City had voted on February 15, and the directors of the Federal Reserve Bank of Dallas had voted on February 22, to establish a rate of 2-1/4 percent (an increase from 2 percent). (NOTE: At the joint Board-FOMC meeting on January 31, 2018, the Board had taken no action on a request by the Dallas Reserve Bank to increase the primary credit rate.)

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 2 percent. (NOTE: At the joint Board-FOMC meeting on January 31, 2018, the Board had approved the establishment of the primary credit rate at the existing level of 2 percent.)

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 for all twelve Reserve Banks. 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: Chairman Powell, Vice Chairman for Supervision Quarles, and Governor Brainard.

Background: Office of the Secretary memorandum, February 23, 2018.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, February 26, 2018.

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

Existing rate and formulas approved.
March 12, 2018.

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 Banks of Atlanta, Chicago, and Minneapolis had voted on March 8, 2018, to establish the primary credit rate at the existing level (2 percent). The directors of the Federal Reserve Banks of Philadelphia, St. Louis, and Kansas City had voted on March 1, and the directors of the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Dallas, and San Francisco had voted on March 8, to establish a rate of 2-1/4 percent (an increase from 2 percent).

Federal Reserve Bank directors noted mostly solid economic conditions and were positive about the prospects for continued growth through 2018. Several directors observed that manufacturing activity had picked up, and some reported favorable trends in the housing sector. Several directors noted that tight labor markets and associated wage increases, along with rising costs for raw materials, had placed upward pressure on prices for final goods and services. While a number of directors remained optimistic that recent federal tax legislation would provide a boost to economic growth, some noted a degree of uncertainty about the impact of the legislation across economic sectors and individual businesses. Inflation remained somewhat below the FOMC's 2 percent objective.

The directors of three Reserve Banks favored establishing the primary credit rate at the current level of 2 percent. 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 nine Reserve Banks favored increasing the primary credit rate to 2-1/4 percent. These directors judged that an increase in short-term interest rates was warranted in light of solid economic growth, tight labor-market conditions, 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 2 percent. (NOTE: At the Board meeting on February 26, 2018, the Board had taken no action on requests by the Federal Reserve Banks of Philadelphia, Kansas City, and Dallas 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: Chairman Powell, Vice Chairman for Supervision Quarles, and Governor Brainard.

Background: Office of the Secretary memorandum, March 9, 2018.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, March 12, 2018.

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.
March 21, 2018.

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 1-1/2 to 1-3/4 percent, effective March 22, 2018. 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 1-1/2 percent to 1-3/4 percent, effective March 22, 2018.

Subject to review and determination by the Board of Governors, the directors of ten 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, New York, Cleveland, Richmond, Dallas, and San Francisco had voted on March 8, 2018, and the directors of the Federal Reserve Banks of Philadelphia, Atlanta, St. Louis, and Kansas City had voted on March 15, to establish a primary credit rate of 2-1/4 percent (an increase from 2 percent). (NOTE: At its meeting on March 12, 2018, the Board had taken no action on requests by the Boston, New York, Philadelphia, Cleveland, Richmond, St. Louis, Kansas City, Dallas, and San Francisco Federal 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 2 percent to 2-1/4 percent, effective March 22, 2018, for the ten 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 and Minneapolis, on their establishment of a primary credit rate of 2-1/4 percent, of the Board's approval and determination, effective on the later of March 22, 2018, or the date the Reserve Bank informed the Secretary of its request. (NOTE: Subsequently, the Secretary informed the Chicago and Minneapolis Reserve Banks of the Board's approval of their establishment of a primary credit rate of 2-1/4 percent, effective March 22, 2018.)

Voting for these actions: Chairman Powell, Vice Chairman for Supervision Quarles, and Governor Brainard.

Background: Office of the Secretary memorandum, March 16, 2018.

Implementation: FOMC Statement (with attached Implementation Note), March 21; press release, March 22; transmissions from Ms. Misback to the Reserve Banks, March 21 and 22; and Federal Register documents (Docket Nos. R-1601 and R-1602, RINs 7100 AF-00 and 7100 AF-01), March 22, 2018.