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

Existing rate and formulas approved.
April 23, 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 Cleveland, Atlanta, Kansas City, Dallas, and San Francisco had voted on April 12, 2018, and the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Richmond, Chicago, St. Louis, and Minneapolis had voted on April 19, to establish the primary credit rate at the existing level (2-1/4 percent).

Overall, Federal Reserve Bank directors remained positive about the prospects for economic growth, and reports on economic conditions were mostly favorable across sectors and Districts. Directors commented on the still-tight labor market for both skilled and unskilled workers and noted corresponding wage pressures. Many directors continued to point to rising costs for raw materials as a factor putting upward pressure on prices for final goods and services. Some directors expressed uncertainty about the potential economic effects of new or proposed changes in trade policy. Some directors noted that inflation had picked up in recent months, but remained a little below the Federal Open Market Committee's 2 percent objective.

The directors of all twelve Reserve Banks favored establishing the primary credit rate at its existing level of 2-1/4 percent at this time. Most judged that it would likely be appropriate for the Federal Reserve to continue on a gradual path of policy firming in light of the outlook for continued solid economic growth, tight labor markets, and expectations for the gradual return of inflation to 2 percent over the medium term.

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 2-1/4 percent. (NOTE: At the joint Board-FOMC meeting on March 21, 2018, the Board had approved the establishment of the primary credit rate at 2-1/4 percent, an increase from 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. 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, April 20, 2018.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, April 23, 2018.

MONETARY POLICY IMPLEMENTATION -- Rates on reserve balances and on discounts and advances unchanged.

Approved.
May 2, 2018.

In a joint meeting of the Federal Open Market Committee (FOMC) and the Board today, the FOMC decided to maintain the target range for the federal funds rate at 1-1/2 to 1-3/4 percent. Consistent with the FOMC's decision to leave the target range for the federal funds rate unchanged, the Board approved maintaining the existing interest rates (1-3/4 percent) paid on required and excess reserve balances. At today's meeting, the Board also approved the establishment of the interest rate on discounts and advances made under the primary credit program (the primary credit rate) at the existing level (2-1/4 percent).

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Cleveland, Atlanta, Kansas City, Dallas, and San Francisco had voted on April 26, 2018, to establish the primary credit rate at the existing level (2-1/4 percent). (NOTE: At its meeting on April 23, 2018, the Board had approved the establishment of the primary credit rate of 2-1/4 percent by all twelve Reserve Banks.)

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

Background: Office of the Secretary memorandum, April 27, 2018.

Implementation: FOMC Statement (with attached Implementation Note) and transmissions from Ms. Shanks to the Reserve Banks, May 2, 2018.