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

Approved.
November 8, 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 2 to 2.25 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 rate (2.20 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 (2.75 percent).

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Cleveland, Richmond, Minneapolis, Kansas City, and San Francisco had voted on October 25, 2018, and the directors of the Federal Reserve Banks of Boston, Philadelphia, Atlanta, Chicago, St. Louis, and Dallas had voted on November 1, to establish the primary credit rate at the existing level of 2.75 percent.

Overall, Federal Reserve Bank directors remained positive about the economic outlook and had favorable reports on various economic conditions across their Districts. Several directors noted continued strength in consumer spending and confidence. Directors pointed to ongoing tightening in the labor market for both low- and high-skilled workers, and some directors also noted resulting wage increases. In addition, the implications of trade policy for activity in affected sectors remained a concern for some directors. Inflation was at or near the Federal Open Market Committee's 2 percent objective.

The directors of all twelve Reserve Banks favored establishing the primary credit rate at the current level of 2.75 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 economic growth, strong labor market conditions, and inflation remaining near 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 2.75 percent. (NOTE: At the joint Board-FOMC meeting on September 26, 2018, the Board had approved the establishment of the primary credit rate at 2.75 percent, an increase from 2.50 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 Clarida, Vice Chairman for Supervision Quarles, and Governor Brainard.

Background: Office of the Secretary memorandum, November 2, 2018.

Implementation: FOMC Statement (with attached Implementation Note) and transmissions from Ms. Misback to the Reserve Banks, September 8, 2018.