DISCOUNT AND ADVANCE RATES -- Requests by eleven Reserve Banks to maintain the existing primary credit rate and request by one Reserve Bank to decrease the rate; request to renew secondary and seasonal credit formulas.

Existing rate and formulas approved.
July 1, 2019.

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 Philadelphia, Richmond, and St. Louis had voted on June 20, 2019, and the directors of the Federal Reserve Banks of Boston, New York, Cleveland, Atlanta, Chicago, Kansas City, Dallas, and San Francisco had voted on June 27, to establish the primary credit rate at the existing level of 3 percent. The directors of the Federal Reserve Bank of Minneapolis had voted on June 20 to establish a rate of 2.50 percent (a decrease from 3 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 3 percent. (NOTE: At the joint Board-FOMC meeting on June 19, 2019, the Board had taken no action on a request by the Federal Reserve Bank of St. Louis to decrease the primary credit rate and had approved the establishment of the primary credit rate at 3 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: Chair Powell, Vice Chair for Supervision Quarles, and Governors Brainard and Bowman.

Background: Office of the Secretary memorandum, June 28, 2019.

Implementation: Transmissions from Ms. Shanks to the Reserve Banks, July 1, 2019.

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

Existing rate and formulas approved.
July 22, 2019.

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 Boston, New York, Cleveland, Atlanta, Chicago, Dallas, and San Francisco had voted on July 11, 2019; the directors of the Federal Reserve Bank of Richmond had voted on July 17; and the directors of the Federal Reserve Bank of Kansas City had voted on July 18 to establish the primary credit rate at the existing level of 3 percent. The directors of the Federal Reserve Bank of St. Louis had voted on July 11, and the directors of the Federal Reserve Bank of Philadelphia had voted on July 18 to establish a rate of 2.75 percent. The directors of the Federal Reserve Bank of Minneapolis had voted on July 18 to establish a rate of 2.50 percent.

Overall, Federal Reserve Bank directors remained positive about economic conditions and the outlook, although some directors expected the pace of growth to slow. Several directors reported continued strength in consumer spending. Directors' reports on activity in residential real estate were generally solid, and some directors noted a pickup in mortgage refinancing. Labor market conditions remained strong across most Districts. Several directors highlighted ongoing difficulties attracting and retaining qualified workers, as well as upward pressures on wages for workers with certain skills. Most directors continued to cite heightened trade tensions and the associated uncertainty as risks to the U.S. economic outlook. Several directors noted that inflation was close to 2 percent; others noted that inflation had persistently run below 2 percent for some time and that indicators of inflation expectations had drifted lower.

The directors of nine Federal Reserve Banks favored maintaining the current primary credit rate at the existing level (3 percent). These directors judged that it would be appropriate for the FOMC to closely monitor the implications of incoming information for the economic outlook and act as appropriate to sustain the expansion, with a strong labor market and inflation near its symmetric 2 percent objective. However, other Reserve Bank directors recommended a cut in the primary credit rate (to either 2.75 percent or 2.50 percent), in light of risks to the economic outlook and muted inflation pressures.

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 3 percent. (NOTE: At its meeting on July 1, 2019, the Board had taken no action on a request by the Federal Reserve Bank of Minneapolis to decrease the primary credit rate and had approved the establishment of the primary credit rate at 3 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: Chair Powell, Vice Chair Clarida,
Vice Chair for Supervision Quarles,
and Governor Bowman.

Background: Office of the Secretary memorandum, July 19, 2019.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, July 22, 2019.

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

Approved.
July 31, 2019.

In a joint meeting of the Federal Open Market Committee (FOMC) and the Board today, the FOMC decided to lower the target range for the federal funds rate by 25 basis points, to 2 to 2-1/4 percent, effective August 1, 2019. To support the FOMC's decision to lower the target range for the federal funds rate, the Board approved decreasing the interest rate paid on required and excess reserve balances from 2.35 percent to 2.10 percent, effective August 1, 2019.

Subject to review and determination by the Board of Governors, the directors of six Reserve Banks had voted to establish a decrease in the rate for discounts and advances under the primary credit program (the primary credit rate). The directors of the Federal Reserve Bank of Philadelphia had voted on July 18, 2019, and the directors of the Federal Reserve Banks of Chicago, St. Louis, Dallas, and San Francisco had voted on July 25, to establish a primary credit rate of 2.75 percent. The directors of the Federal Reserve Bank of Minneapolis had voted on July 18 to establish a primary credit rate of 2.50 percent. The directors of the Federal Reserve Banks of Boston, New York, Cleveland, and Atlanta had voted on July 25 to establish the primary credit rate at the existing level of 3 percent. (NOTE: At its meeting on July 22, 2019, the Board had taken no action on requests by the Federal Reserve Banks of Philadelphia, St. Louis, and Minneapolis to decrease the primary credit rate and had approved the establishment of the primary credit rate at 3 percent.)

At today's meeting, there was consensus for a 25-basis-point decrease, and the Board approved a decrease in the primary credit rate from 3 percent to 2.75 percent, effective August 1, 2019, for the five Reserve Banks that had voted for such a decrease. 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.

It was understood that a press release and an accompanying document on monetary policy implementation would be issued to announce the decreases 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 Boston, New York, Cleveland, Richmond, Atlanta, Minneapolis, and Kansas City, on their establishment of a primary credit rate of 2.75 percent, of the Board's approval and determination, effective on the later of August 1, 2019, or the date the Reserve Bank informed the Secretary of its request. (NOTE: Subsequently, the Secretary informed the Boston, New York, Cleveland, Richmond, Atlanta, Minneapolis, and Kansas City Reserve Banks of the Board's approval of their establishment of a primary credit rate of 2.75 percent, effective August 1, 2019.)

Voting for these actions: Chair Powell, Vice Chair Clarida,
Vice Chair for Supervision Quarles,
and Governors Brainard and Bowman.

Background: Office of the Secretary memorandum, July 26, 2019.

Implementation: FOMC Statement (with attached Implementation Note), July 31; press release, August 1; transmissions from Ms. Misback to the Reserve Banks, July 31 and August 1; and Federal Register documents (Docket Nos. R-1671 and R-1672, RINs 7100-AF54 and 7100-AF55), August 6, 2019.