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.
January 21, 2020.

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 and San Francisco had voted on January 9, 2020, and the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas had voted on January 16, to establish the primary credit rate at the existing level of 2.25 percent.

Overall, Federal Reserve Bank directors continued to view current economic conditions as favorable and expected economic growth to continue at a moderate pace. Many directors reported solid to robust levels of consumer spending. Directors in several Districts noted that low interest rates had provided a boost to residential real estate markets, as evidenced by the growth in mortgage lending and refinancing. Reports on the strength of commercial lending were mixed. Manufacturing was generally soft, although some directors reported modest improvements in the sector. Labor market conditions generally remained strong. Several directors highlighted ongoing difficulties finding and retaining workers across most sectors and skill levels, resulting in wage increases and expanded non-wage benefits. Some directors continued to note downside risks stemming from trade policy and other uncertainties. Inflation remained below the FOMC's symmetric 2 percent objective.

The directors of twelve Federal Reserve Banks favored maintaining the current primary credit rate at the existing level (2.25 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.

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 2.25 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,
and Governors Brainard and Bowman.

Background: Office of the Secretary memorandum, January 17, 2020.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, January 21, 2020.

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

Approved.
January 29, 2020.

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. To foster trading in the federal funds market at rates well within the FOMC's target range, the Board approved a technical adjustment in the interest rate paid on required and excess reserve balances from 1.55 percent to 1.60 percent, effective January 30, 2020. 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 (2.25 percent).

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Philadelphia, Cleveland, Atlanta, Dallas, and San Francisco had voted on January 23, 2020, to establish the primary credit rate at the existing level of 2.25 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 2.25 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 these actions: Chair Powell, Vice Chair Clarida,
Vice Chair for Supervision Quarles, and
Governors Brainard and Bowman.

Background: Office of the Secretary memorandum, January 24, 2020.

Implementation: FOMC statement (with attached Implementation Note) and transmissions from Ms. Misback to the Reserve Banks, January 29, and Federal Register document (Docket No. R-1695, RIN 7100-AF71), January 30, 2020.