MONETARY POLICY IMPLEMENTATION -- Interest rate on required and excess reserve balances unchanged; rates on discounts and advances unchanged; renewal of secondary and seasonal credit formulas.

Approved.
April 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 0 to 1/4 percent, effective April 30, 2020. Consistent with the FOMC's decision to leave the target range for the federal funds rate unchanged, the Board approved maintaining the interest rate (0.10 percent) paid on required and excess reserve balances, effective April 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 (0.25 percent).

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, New York, Chicago, St. Louis, Minneapolis, Kansas City, and San Francisco had voted on April 16, 2020, and the directors of the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, Atlanta, and Dallas had voted on April 23, to establish the primary credit rate at the existing level of 0.25 percent.

Federal Reserve Bank directors noted the widespread negative impact of the COVID-19 pandemic and the social-distancing and other measures taken to contain it. Directors reported significant declines in economic activity across sectors and Districts, most notably in the retail, travel, and tourism sectors. Some directors reported increased activity at businesses selling groceries and other high-demand products, particularly through online sales. Several directors observed heightened distress in manufacturing and energy-related industries, declining demand in the agricultural sector, and disruptions in commercial real estate and construction activity. Citing recent and projected job losses, several directors also expected the unemployment rate to continue increasing over the coming months. Most directors commented on the need for sustained accommodation provided by fiscal policy, monetary policy, and lending programs to support the economy. Directors overall expressed considerable uncertainty about the evolution of the pandemic and the associated implications for the economic outlook.

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 0.25 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, April 24, 2020.

Implementation: FOMC statement (with attached Implementation Note) and transmissions from Ms. Misback to the Reserve Banks, April 29, 2020.