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

Existing rate and formulas approved.  
July 18, 2022.

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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 Richmond and Atlanta had voted on July 7, 2022, to establish the primary credit rate at the existing level of 1.75 percent. The directors of the Federal Reserve Bank of Dallas had voted on July 7, 2022, and the directors of the Federal Reserve Bank of Kansas City had voted on July 14, to establish a rate of 2.25 percent. The directors of the Federal Reserve Bank of Philadelphia had voted on July 7, 2022, and the directors of the Federal Reserve Banks of Boston, New York, Cleveland, Chicago, and San Francisco had voted on July 14, to establish a rate of 2.50 percent. The directors of the Federal Reserve Banks of St. Louis and Minneapolis had voted on July 14, 2022, to establish a rate of 2.75 percent.

Overall, Federal Reserve Bank directors reported elevated inflation, tight labor markets, and signs of slowing economic activity. Several directors noted that residential real estate activity had eased, and some directors had observed a sharp drop-off in the number of homeowners refinancing their loans. Reports on consumer spending were mixed. While some directors said demand for goods and services remained strong, in other Districts, spending, particularly on goods relative to services, had softened. Most directors continued to cite the availability and cost of labor as ongoing concerns, though several directors commented that labor market pressures were starting to moderate. Most directors cited persistent supply chain disruptions and other cost pressures across sectors and Districts.

The directors of two Federal Reserve Banks favored maintaining the current primary credit rate at the existing level (1.75 percent). In light of strong aggregate demand, tight labor markets, and elevated inflation, the directors of ten Federal Reserve

Banks favored increasing the primary credit rate to 2.25 percent (two Reserve Banks), 2.50 percent (six Reserve Banks), or 2.75 percent (two Reserve Banks).

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 1.75 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 Brainard,  
and Governors Bowman, Waller, Cook,  
and Jefferson.

Background: Office of the Secretary memorandum, July 15, 2022.

Implementation: Transmissions from Ms. Misback to the Reserve Banks,  
July 18, 2022.

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

Approved.  
July 27, 2022.

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In a joint meeting of the Federal Open Market Committee (FOMC) and the Board today, the FOMC decided to raise the target range for the federal funds rate 75 basis points, to 2-1/4 to 2-1/2 percent, effective July 28, 2022. To support the FOMC's decision to raise the target range for the federal funds rate, the Board approved raising the interest rate paid on reserve balances from 1.65 percent to 2.4 percent, also effective July 28, 2022.

Subject to review and determination by the Board of Governors, the directors of twelve Federal Reserve Banks had voted to establish an increase in the rate for discounts and advances under the primary credit program (the primary credit rate). The directors of the Federal Reserve Banks of Boston, New York, Cleveland, Chicago, and

San Francisco had voted on July 14, 2022, and the directors of the Federal Reserve Banks of Philadelphia, Richmond, Atlanta, and Dallas had voted on July 21, to establish a primary credit rate of 2.50 percent (an increase from 1.75 percent). The directors of the Federal Reserve Bank of Kansas City had voted on July 14, 2022, to establish a rate of 2.25 percent. The directors of the Federal Reserve Banks of St. Louis and Minneapolis had voted on July 14, 2022, to establish a rate of 2.75 percent. At its meeting on July 18, 2022, the Board had taken no action on requests by the Boston, New York, Philadelphia, Cleveland, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco Reserve Banks to increase the primary credit rate.

At today's meeting, there was consensus for a 75-basis-point increase, and the Board approved an increase in the primary credit rate from 1.75 percent to 2.50 percent, effective July 28, 2022, for the nine Reserve Banks that had voted for such an increase. 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 increases in the interest on reserve balances rate and the primary credit rate. In addition, the Secretary was authorized to inform the St. Louis, Minneapolis, and Kansas City Reserve Banks, on their establishment of a primary credit rate of 2.50 percent, of the Board's approval and determination, effective on the later of July 28, 2022, or the date the Reserve Bank informed the Secretary of its request. (NOTE: Subsequently, the Secretary informed the St. Louis, Minneapolis, and Kansas City Reserve Banks of the Board's approval of their establishment of a primary credit rate of 2.50 percent, effective July 28, 2022.)

Voting for these actions: Chair Powell, Vice Chair Brainard,  
Vice Chair for Supervision Barr,  
and Governors Bowman, Waller, Cook,  
and Jefferson.

Background: Office of the Secretary memorandum, July 22, 2022.

Implementation: FOMC statement and attached implementation note, July 27; press releases, July 27 and 28; transmissions from Ms. Misback to the Reserve Banks, July 27 and 28; and Federal Register documents, (Docket Nos. R-1776 and R-1777, RINs 7100-AG35 and 7100-AG36), August 3, 2022.