Transcript of Chair Powell's Press Conference
March 16, 2022

CHAIR POWELL. Good afternoon. I want to begin by acknowledging the tremendous hardship the Ukrainian people are suffering as a result of Russia's invasion. The human toll is tragic. The financial and economic implications for the global economy and the U.S. economy are highly uncertain.

At the Federal Reserve, we are strongly committed to achieving the monetary policy goals that Congress has given us: maximum employment and price stability. Today, in support of these goals, the FOMC raised its policy interest rate by ¼ percentage point. The economy is very strong, and against the backdrop of an extremely tight labor market and high inflation, the Committee anticipates that ongoing increases in the target range for the federal funds rate will be appropriate. In addition, we expect to begin reducing the size of our balance sheet at a coming meeting.

Economic activity expanded at a robust 5½ percent pace last year, reflecting progress on vaccinations and the reopening of the economy, fiscal and monetary policy support, and the healthy financial positions of households and businesses. The rapid spread of the Omicron variant led to some slowing in economic activity early this year. But cases have declined sharply since mid-January, and the slowdown seems to have been mild and brief. Although the invasion of Ukraine and related events represent a downside risk to the outlook for economic activity, FOMC participants continue to foresee solid growth. As shown in our Summary of Economic Projections, the median projection for real GDP growth stands at 2.8 percent this year, 2.2 percent next year, and 2 percent in 2024.

The labor market has continued to strengthen and is extremely tight. Over the first two months of the year, employment rose by more than a million jobs. In February, the

unemployment rate hit a post-pandemic low of 3.8 percent, a bit below the median of Committee participants' estimates of its longer-run normal level. The improvements in labor market conditions have been widespread, including for workers at the lower end of the wage distribution as well as for African Americans and Hispanics. Labor demand is very strong, and while labor force participation has increased somewhat, labor supply remains subdued. As a result, employers are having difficulties filling job openings, and wages are rising at their fastest pace in many years. FOMC participants expect the labor market to remain strong, with the median projection for the unemployment rate declining to 3.5 percent by the end of this year and remaining near that level thereafter.

Inflation remains well above our longer-run goal of 2 percent. Aggregate demand is strong, and bottlenecks and supply constraints are limiting how quickly production can respond. These supply disruptions have been larger, and longer lasting, than anticipated, exacerbated by waves of the virus here and abroad, and price pressures have spread to a broader range of goods and services. Additionally, higher energy prices are driving up overall inflation. The surge in prices of crude oil and other commodities that resulted from Russia's invasion of Ukraine will put additional upward pressure on near-term inflation here at home.

We understand that high inflation imposes significant hardship, especially on those least able to meet the higher costs of essentials like food, housing, and transportation. We know that the best thing we can do to support a strong labor market is to promote a long expansion—and that is only possible in an environment of price stability. As we emphasize in our policy statement, with appropriate firming in the stance of monetary policy, we expect inflation to return to 2 percent while the labor market remains strong. That said, inflation is likely to take longer to return to our price-stability goal than previously expected. The median inflation

projection of FOMC participants is 4.3 percent this year and falls to 2.7 percent next year and 2.3 percent in 2024; this trajectory is notably higher than projected in December, and participants continue to see risks as weighted to the upside.

The Fed's monetary policy actions have been guided by our mandate to promote maximum employment and stable prices for the American people. Our policy has been adapting to the evolving economic environment, and it will continue to do so. As I noted, the Committee raised the target range for the federal funds rate by ¼ percentage point and anticipates that ongoing increases in the target range will be appropriate. The median projection for the appropriate level of the federal funds rate is 1.9 percent at the end of this year—a full percentage point higher than projected in December. Over the following two years, the median projection is 2.8 percent—somewhat higher than the median estimate of its longer-run value. Of course, these projections do not represent a Committee decision or plan, and no one knows with any certainty where the economy will be a year or more from now.

Reducing the size of our balance sheet will also play an important role in firming the stance of monetary policy. At our meeting that wrapped up today, the Committee made good progress on a plan for reducing our securities holdings, and we expect to announce the beginning of balance sheet reduction at a coming meeting. In making decisions about interest rates and the balance sheet, we will be mindful of the broader context in markets and in the economy, and we will use our tools to support financial and macroeconomic stability.

As we noted in our policy statement, the implications of Russia's invasion of Ukraine for the U.S. economy are highly uncertain. In addition to the direct effects from higher global oil and commodity prices, the invasion and related events may restrain economic activity abroad and further disrupt supply chains—which would create spillovers to the U.S. economy through trade

and other channels. The volatility in financial markets, particularly if sustained, could also act to tighten credit conditions and affect the real economy.

Making appropriate monetary policy in this environment requires a recognition that the economy often evolves in unexpected ways. We will need to be nimble in responding to incoming data and the evolving outlook. And we will strive to avoid adding uncertainty to what is already an extraordinarily challenging and uncertain moment. We are attentive to the risks of potential further upward pressure on inflation and inflation expectations. The Committee is determined to take the measures necessary to restore price stability. The American economy is very strong and well positioned to handle tighter monetary policy.

To conclude, we understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission. We at the Fed will do everything we can to achieve our maximum-employment and price-stability goals. Thank you. I look forward to your questions.

MICHELLE SMITH. Thank you. Let's go to Jeanna at the *New York Times.*

JEANNA SMIALEK. Hi, Chair Powell. Thank you so much for taking our questions. I wonder if you could detail your thinking a little bit about how you're considering the, you know, the risks of going too fast and potentially tipping the economy into recession and how you're weighing those risks against the possibility of going too slowly, allowing inflation to become embedded, and kind of getting "behind the curve."

CHAIR POWELL. So I guess I would start by saying that, in my view, the probability of a recession within the next year is not particularly elevated. And why do I say that? Aggregate demand is currently strong, and most forecasters expect it to remain so. If you look at the labor market, [you find that it is] also very strong. Conditions are tight, and payroll job growth is

continuing at very high levels. Household and business balance sheets are strong. And so all signs are that this is a strong economy and, indeed, one that will be able to flourish—not to say withstand, but certainly flourish—as well in the face of less accommodative monetary policy. So I guess that's how I would say I'm looking at that. Of course, the objective is to achieve price stability while also sustaining a strong labor market. And that is our overall objective. But we do feel the economy is very strong and well positioned to withstand tighter monetary policy.

MICHELLE SMITH. Thank you. Let's go to Howard at Reuters.

HOWARD SCHNEIDER. Hi, Chair Powell. I was wondering, in the SEPs, you have quite a markdown to GDP from 4 to 2.8 percent. I'm wondering, how much of that do you feel is the result of the Fed's stiffer-than-expected action here? You talk about monetary policy operating with a lag, but is this going to bite quicker than expected?

CHAIR POWELL. I don't think that's a big piece of it, actually. I think some of that is just an early assessment of the effects of spillovers from the war in Eastern Europe, which will hit our economy through a number of channels. Highly uncertain, but, you know, you're looking at higher oil prices, higher commodity prices. It'll be—we think that will weigh on GDP to some extent. So that's part of what moved those assessments down. I don't think—I mean, I think, generally, monetary policy works with a lag, so some of that would also be in there.

But remember, as well, that 2.8 percent is still very strong growth. If we think that the potential growth rate of the economy is somewhere between, somewhere around 1.75 percent, 2.8 percent is strong economic growth. It would have been one of the strongest years, in fact, of the last expansion. So, while it's lower than last year's 5.8 percent, it's still quite strong growth. So I would say it's quite a strong forecast.

HOWARD SCHNEIDER. So, in that context, what would trigger you to go faster or slower on the rate hikes? "Ongoing increases" doesn't really tell us whether this is going to come in bigger chunks or evenly paced through the year.

CHAIR POWELL. So, you know, the way we're thinking about this is that every meeting is a live meeting. And we're going to be looking at evolving conditions. And if we do conclude that it would be appropriate to move more quickly to remove accommodation, then we'll do so. I can't be perfectly specific about it, but that's certainly a possibility as we go through the year.

HOWARD SCHNEIDER. Thank you.

MICHELLE SMITH. Thank you. Let's go to Rachel at the *Washington Post.*

RACHEL SIEGEL. Thank you, Michelle. And thank you, Chair Powell, for taking our questions. I'm curious if you can be specific on when you expect to see inflation will start to come down, especially with the combination of rates going up, fiscal aid dissipating from the economy, and supply chains getting better? And if you don't start to see that, how will you signal it? What will you be looking for? And what will you be looking for over the course of the year? Thank you.

CHAIR POWELL. So I guess I would say that at the—before the invasion of Ukraine by Russia—so let's go back to that. I would have said that the expectation was that inflation would peak sometime in the first quarter, maybe the end of the first quarter of this year, and then maybe stay at that level or a little bit lower and then start to come down in the back half of the year. So now we're, you know, we're getting—we're going—we're already seeing a little bit of short-term upward pressure in inflation due to higher oil prices, natural gas [prices] a little bit but not so much for us since we have our own natural gas supply, other commodities prices.

The other thing is that you're seeing supply chain issues around shipping and around, you know, lots of countries and companies and people not wanting to touch Russian goods. So that's going to mean more tangled supply chains. So that could actually push out [in time] the relief we were expecting on supply chains generally. So I guess I would say that the expectation is still that inflation will begin to come down in the second half of the year. But if you look at where I read the SEP headline median, we still expect inflation to be high this year, lower than last year, and then we expect—though, particularly with the effects of the war, but also the data we've seen so far this year—we expect inflation to remain high through the middle of the year, begin to come down, and then come down more sharply next year.

MICHELLE SMITH. Let's go to Nick at the *Wall Street Journal.*

NICK TIMIRAOS. Nick Timiraos of the *Wall Street Journal.* Chair Powell, over the last six months, the Fed has shifted its policy stance quite a bit. Six months ago, you were still buying assets. Most officials weren't projecting any interest rate increases this year. And yet, despite the shift over the last six months, real rates are as negative today as they were then. So how concerned are you that further inflation surprises will offset the effects of recent policy firming by leading real rates to stay at levels that do not actually provide much restraint to the economy? Thanks.

CHAIR POWELL. So that's one of many ways of capturing the situation, which is that we—the Committee really does understand that the time for rate increases and for shrinking the balance sheet has come. And I would just say, I would go back to "the economy is very strong," as I mentioned. Tremendous momentum in the labor market. We expect growth to continue. As I—it's clearly time to raise interest rates and begin the balance sheet shrinkage.

And I just wanted to say that as I looked around the table at today's meeting, I saw a Committee that's acutely aware of the need to return the economy to price stability and [is] determined to use our tools to do exactly that. You couched it in terms of real rates. I would say, if you look at the SEP, you've got people getting close to or even above, in many cases, their estimate of the longer-run neutral rate. So I understand that doesn't do it for real rates. But if you go out a year or two, many people are, in their forecasts, are having tight policy from a real interest rate standpoint.

So that's something that we're focused on. Of course, it's a highly uncertain environment. And, you know, we don't know what's going to happen. But we do know that we're going to deploy our tools to achieve our goals—and that includes the price-stability goal.

MICHELLE SMITH. Let's go to Victoria at Politico.

VICTORIA GUIDA. Hi, Chair Powell. So, looking at the Summary of Economic Projections, you all have inflation coming down over the course of the year to 4.3 percent. And then you also have rates going up to what appears to still be below roughly what would be estimated to be the neutral rate, although I know that's a little bit uncertain. So I was just wondering, how much of inflation coming down do you see as actually being as a result of the Fed itself raising rates? And then also, if I could just ask, given that Sarah Bloom Raskin withdrew her nomination, what do you expect to do with the regulatory portfolio? Do you expect to assign a Governor in charge of that?

CHAIR POWELL. Okay, sorry. Tell me again your first question.

VICTORIA GUIDA. My first question is, how much do you expect inflation to come down as a direct result of the Fed's actions?

CHAIR POWELL. Okay. So part of inflation coming down at the very beginning is clearly to do with factors other than our policy, and those would include, potentially, the supply chain is getting a little bit better, certainly base effects. You're lapping—as you know, when you look at a 12-month trailing window, you're lapping very high inflation in March, April, May, June of last year. So there should be some effects from that in the 12-month picture. Really what we're looking for, though, is month-by-month inflation coming down. And so it's really, it's all the things we've been talking about, you know, that really haven't helped much, including the shift away from goods and back to services, including supply chains getting better, including labor force participation—all those things that have been sticky and not happening. But a big part of it is, though, is the base effects I mentioned as well.

You know, I think monetary policy starts to bite on inflation, and on growth, with a lag, of course. And so you would see that more in '23 and '24. But also, remember we started talking about rate increases last year. For some months now, financial conditions have already incorporated a significant number of rate increases. So it doesn't start today. The effect, the moves are already priced into the market for a few months now. So the clock is running on that, and I think some of that will be seen in the second half of the year as well.

So on the regulatory portfolio, I would just say this. You know, we have an obligation to carry out under the law in supervision and regulation, and we're doing that. That's what we're doing. The committee is not active. So what's happening is, things are coming to the full Board, and we're voting on them. We're getting our business done. You know, we got the stress tests done. We've looked at, you know, a number of proposals for mergers and things like that. So we're working ahead. Of course, we don't have a Vice Chair for Supervision, as you mentioned.

But we're making do with the situation we have. And a good number of things have come straight to the Board for approval.

MICHELLE SMITH. Let's go to Neil Irwin at Axios. [Pause] Let's go to Neil Irwin.

NEIL IRWIN. Hi, Chair Powell. It's Neil Irwin at Axios. Thanks for taking our questions. In the statement of economic projections, we see a forecast of median 1.9 percent fed funds rate at the end of the year, 2.8 end of next year. Wondered whether that aligns with your own expectations, in particular on that point of overshooting the long-term neutral rate. And, also, if you can tell us anything about how that might be paced: front-loaded, back-loaded. How high is the bar for doing 50 at one meeting?

CHAIR POWELL. So I don't—Neil, I've never talked about my own SEP projection. It's in there, but I, you know, I think Fed Chairs have generally not done that, because we just haven't done it. It's because we're, you know, we have to put together the consensus on the Committee and present that consensus. So I wouldn't talk about my individual one.

And in terms of the pacing of it, I would just point out that that is—there's seven remaining meetings this year. This isn't something we discuss or debate or agree on. But there's seven remaining meetings, and there's seven rate hikes. I would add there's also the shrinkage of the balance sheet, which, you people do the math different ways, but that might be the equivalent of another rate increase just from the runoff of the balance sheet. So I don't—but I don't know. We haven't made any decisions on front-end loading or going steadily through the year.

And, as I mentioned, you know, if you look at the SEP, a good number of participants do see more than seven or eight increases this year. And I can't give you, I'm not going to try to give you a really specific test for what it would take to do that. But I will say this, that we'll be

looking at the data as they come in. We'll be looking to see whether the data show expected improvement on inflation. We'll be looking at the inflation outlook and making a judgement. And we'll be going—each meeting is a live meeting. And if we conclude that it would be appropriate to raise interest rates more quickly, then we'll do so.

MICHELLE SMITH. [Long pause] One second. Okay. We're going to try one more time. Colby Smith at the *FT*. [Long pause] Okay. We'll come back to Colby. Let's go to Edward Lawrence.

EDWARD LAWRENCE. Yes. Thank you, Chair Powell. Thank you, Michelle, for the question. I have a more basic question. The last time the CPI inflation—I know you look at PCE, but CPI inflation—was as high as it is was July of 1981, when the effective federal funds rate was 19.2 percent. But given the current data, how far behind the curve of inflation do you believe the Federal Reserve is, in your mind?

CHAIR POWELL. So I just would say a couple things. We have the tools that we need, and we're going to use them. And, as you can see, we have a plan over the course of this year to raise interest rates steadily and also to run off the balance sheet. We will take the necessary steps to ensure that high inflation does not become entrenched, while also supporting a strong labor market. And, as I mentioned, if we conclude that it would be appropriate to move more quickly, we'll do so. I'll leave it to others to make the judgment you asked for.

EDWARD LAWRENCE. And then just as a follow on that, I wanted to get you on the record on this. What impact has there been on your job, given the fact that [indaudible]—

CHAIR POWELL. We lost you in the middle of the question.

MICHELLE SMITH. Edward, can you repeat that question?

EDWARD LAWRENCE. —the impact that—given you're not actually confirmed and Governor Brainard is not actually confirmed, has there been any impact on your job or the Fed's ability to handle inflation?

CHAIR POWELL. None whatsoever.

MICHELLE SMITH. Okay, let's go to Colby Smith at the *FT*.

COLBY SMITH. Thank you, Michelle. Chair Powell, how concerned is the Committee about the notable pickup in services inflation, which is perhaps less likely to self-correct? And to what extent does it alter both the Committee's confidence that long-term inflation expectations will not de-anchor in the coming months as well as the balance of risks that the Fed may need to raise interest rates further above neutral than indicated in the dot plot? Thank you.

CHAIR POWELL. Thank you. So, of course, that's something we're watching report by report. And we're certainly, we noticed it in the last meeting. And it's part of the overall picture. We have expected services inflation to move back up to where it was, and that's part of what's happening is, in the case of some services, prices are still getting back up to where they were before the crisis. In other cases, it's pretty clear that inflation has spread more broadly across services. And, yes, that is concerning. In the meanwhile, we see some progress on the good side. But, really, in this latest report, it was confined to vehicles, which is, admittedly, a large category. So, you know, as I mentioned, the Committee acutely feels its obligation to move to make sure that we restore price stability and is determined to use its tools to do so.

MICHELLE SMITH. Thank you. Let's go to Steve Liesman at CNBC.

STEVE LIESMAN. Thank you. Mr. Chairman, I wonder if you can help me understand the kind of logic, if there is one, in the SEP here. As I look at the median forecast, for example, for unemployment, it runs for the three-year window below the long-run rate. I look at inflation

being above, over the three-year window, the long-run—or call it the neutral—rate, so the economy still runs hot. And that is all true in a regime when you run at least for two years the funds rate above the long-run rate.

I guess my question is this: Are you not create—giving a forecast here that essentially suggests you will be continuing to run further "behind the curve"—and never really get in front of inflation, because the economy will continue to run hot? And, kind of on a related issue: You said earlier [that] inflation will take longer to return to price stability than we had originally expected. Isn't that a choice you're making? And, if so, why are you making that choice to let inflation run above price stability longer than you'd like?

CHAIR POWELL. Right. So our, if you look, our—first of all, there is no—you're looking at medians. But understand that there's no, it's not something we voted on. It's not a plan. But if you look, people do have their in—by the end of this year, broadly, people are at or close to or, in some cases, above their estimates of longer-run neutral interest rate. Okay. So that should stop pushing—that should, in other words, that should be a removal of accommodation for monetary policy, basically. At the same time, we will have done significant balance sheet runoff. And you can think of that as further.

In the next year, and just looking at the median, you're now above the, you know, above the, what people estimate to be the longer-run median. And also, in many people's forecasts, that actually amounts to, you know, tight policy under, in real rates as well. So why does unemployment remain at 3.5 percent? You know, it—I mean, a couple points. One is the connection between—in the economy we had before the pandemic, the connection between inflation and the level of the unemployment rate was not very tight.

But this is—clearly, what this is is an expectation that, really it amounts to that, the idea that wage increases, which are now running above the level that would be consistent over the long run with 2 percent inflation, will move back down to levels which are still very attractive, full-economy kind of—full-employment kind of wages, but not to a point where they're pushing up inflation anymore. And, as I mentioned, there are a lot of factors causing inflation to come down. And, you know, the reality is, there are many, many moving pieces, and we don't know what will actually happen. But no matter what happens, this is a Committee that is determined to use its tools to make sure that higher inflation does not become entrenched. And so we are determined on that front, and we'll deal with what comes. This is a modal, or most likely, expectation. But we'll deal with what comes, whether it's better or worse.

MICHELLE SMITH. Thank you. Let's go to Chris Rugaber at the AP.

CHRISTOPHER RUGABER. Hi. Thank you. Well, let me follow up a bit on that. I mean, there are a lot of economists skeptical that you can reduce inflation as much as you've penciled in without raising the unemployment rate. And I'm wondering, just what are the mechanisms you see in reducing demand? I mean, outside housing and autos, how do higher fed [funds] rates reduce consumer demand unless it's through higher unemployment? Thank you.

CHAIR POWELL. Well, if you take a look at today's labor market, what you have is 1.7-plus job openings for every unemployed person. So that's a very, very tight labor market—tight to an unhealthy level, I would say. So, in principle, if you were—let's say that our tools work about as you described, and the idea is, we're trying to better align demand and supply, let's just say in the labor market. So it would actually, if you were just moving down the number of job openings so that they were more like one to one, you would have less upward pressure on

wages. You would have a lot less of a labor shortage, which is going on pretty much across the economy.

We're hearing from companies that they can't hire enough people. They're having a hard time hiring. So that's really the thinking there, is, you know, these are fairly well-understood channels, interest sensitive. And, basically, across the economy, we'd like to slow demand so that it's better aligned with supply; give supply, at the same time, time to recover; and get into a better, you know, a better alignment of supply and demand. And that, over time, should bring inflation down.

And I'll say again, though, you know, we don't have a perfect crystal ball about the future, and we're prepared to use our tools as needed to restore price stability. You know, as I mentioned in my opening remarks, without price stability, there—you really can't have a sustained period of maximum employment. It's our—one of our most fundamental obligations is to maintain and restore, in this case, price stability. So we're very committed to that. Of course, the plan is to restore price stability while also sustaining a strong labor market. That is our intention, and we believe we can do that. But we have to restore price stability.

MICHELLE SMITH. Okay. Let's go to Scott Horsley at NPR.

SCOTT HORSLEY. Thanks. And I apologize if this covers some of the same ground you just talked about, Mr. Chair. I think I missed some of your answer there. But I have a follow-up question on the labor force. We have seen some gains in the prime-age workforce in the last few months. I wonder what you anticipate when it comes to some of the older workers as the health outlook has changed. Are we going to see more recent retirees following Tom Brady back into the workforce? And what would that mean for wages and inflation?

CHAIR POWELL. It's hard to say. You know, what we saw in the last cycle was that, over the course of a long, steady expansion, labor force participation outperformed expectations. And that was just a, you know, it was a tight labor market, but it wasn't—it was nowhere near as tight as this labor market. But it was a tight labor market, and so people stayed in the labor force longer. It wasn't so much people coming back in the labor force after retirement. That's not something that happens, in the aggregate, very much. But, so that's what was happening.

And, you know, more labor force participation is tremendously welcome. And, of course, our policy does not in any way preclude that. This is a situation where wages have moved up at the highest rate in a very long time. And people are able to quit their jobs and move to better-paying jobs in the same industry or different industries. So it's a really attractive labor market for people. And once, you know, as we get past COVID well and truly, it becomes an even more attractive one. So we hope that that will lead to more labor supply. That's a good thing for the country. It's a good thing for people.

And it also will, we think, help relieve some of the wage pressures that do put inflation more at risk. That last part is, we'll have to see whether, empirically, it winds up, works out that way. But, in principle, it ought to help with inflation as well. It's not the only thing we're looking for, though, from inflation. We're looking for help from a number of different places and, most importantly, from our own policy.

MICHELLE SMITH. Okay. Let's go to Rich Miller at Bloomberg.

RICH MILLER. Thank you, Michelle. And thank you, Chair Powell. I'm sorry; I'm having some communication problems. So I missed some of the stuff you've said, and my apologies if this has been asked. Since the FOMC met last January, financial conditions have tightened markedly, equity prices down, Treasury yield's up, bond spread's risen, yield curve has

flattened a lot, and even further just today, dollar's up. Is that welcome? And would you like to see more in order to achieve your goals? Thank you.

CHAIR POWELL. So, as you know, policy works through financial conditions. That's how it reaches the real economy—by just the mechanisms you mentioned. And remember that the financial conditions we had for the last couple of years were a function not only of very aggressive, and appropriately so, fiscal policy, but also highly accommodative monetary policy—the monetary policy settings that we put in place at the worst parts of the pandemic. So it is very appropriate to move away from those.

And, yes, that will lead to some tightening in financial conditions in the form of higher interest rates and just the sorts of things—we're not targeting any one or more of those things, but financial conditions generally should move to a more normal level so that—because we know the economy no longer needs, or wants, these very highly accommodative, this stance, which, you know, so it's time to move to a more normal setting of financial conditions, and we do that by moving monetary policy itself to more normal levels.

RICH MILLER. When you say "move to a more normal setting" for financial conditions, that suggests to me that you want financial conditions to tighten further from where we are now. Am I drawing the right inference from that?

CHAIR POWELL. Well, yes. So I would say, we look at a broad range of financial conditions. And, of course, when we tighten monetary policy, we do expect that they will adjust in sync over time with monetary policy. It's not any particular financial condition, but a broad range of financial conditions. They will reflect to some extent—they reflect any number of things. But, yes, we need our policy to transmit to the real economy. And it does so through financial conditions, which means that, as we tighten policy or remove accommodation so that

it's at least less accommodative, that broader financial conditions will also be less accommodative.

MICHELLE SMITH. Thank you. Just a little housekeeping note: Those of you in this call may be having some tech issues. If so, I understand the broadcast is coming through clearly on www.federalreserve.gov. You might go there for the audio. And now we'll go to Jean Yung.

JEAN YUNG. Hi, Chair Powell. I wanted to ask about the balance sheet discussion you had at this meeting. Can you give us any more details? Did you discuss whether to cap runoffs or whether to increase those caps over what period, if there were any details?

CHAIR POWELL. Yes. Thank you for asking. So, at our meeting today and yesterday, we made excellent progress toward agreeing on the parameters of a plan to shrink the balance sheet. And I'd say we're now in a position to finalize and implement that plan so that we'll actually begin a runoff at a coming meeting. And that could come as soon as our next meeting in May. That's not a decision that we've made. But I would say that that's how well our discussions went in the last two days.

So a couple things just to add. We'll be mindful of the broader financial and economic context when we make the decision on timing, and we always want to use our tools to support macroeconomic and financial stability. We want to avoid adding uncertainty to what's a highly uncertain situation already. So all of that will go into the thinking of the timing around this.

In terms of the—I would say this. I don't want to get too much into the details, because we're literally just finalizing them. But the framework is going to look very familiar to people who are familiar with the last time we did this. But it'll be faster than the last time. And, of course, it's much sooner in a cycle than last time. But it will look familiar to you. And I would also say that there'll be—I'm sure there'll be a more detailed discussion of our—in the minutes

to our meeting that come out in three weeks, where I expect that it will lay out, you know, pretty much the parameters of what we're looking at, which I think will look quite familiar.

MICHELLE SMITH. Thank you. Let's go to Michael McKee at Bloomberg TV.

MICHAEL MCKEE. Mr. Chairman, since September of 2020, you've been operating on a monetary policy framework that let the economy run hot to bring unemployment down. That seems to be over. But I'm wondering how you would describe your reaction function now. What is it that the Fed is trying to do other than bring inflation down? In other words, is it, we're going to keep raising rates until it comes down to an acceptable level?

CHAIR POWELL. Yes. So I want to clear one thing up again. And that is that nothing in our new framework or in the changes that we made has caused us to wait longer to raise interest rates. What we said in the framework changes was—and this was really a reflection of what had happened for the preceding couple of decades, actually. What we said was, if we see, you know, low unemployment, high employment, but we don't see inflation, then we're not going to raise rates 'til we actually see inflation. That's what we said, and that was the sense of it. There was no sense in which, if we got a burst of really high inflation, we would wait to raise rates. That's simply not in the framework. In fact, quite the contrary. The framework is all about anchoring inflation expectations at 2 percent.

So I do hear this, you know, that the framework—really, we can't blame the framework. It was a sudden, unexpected burst of inflation. And then it was the reaction to it, and it was what it was. But it was not in any way caused by or related to the framework. So, come to today. You know, I think our vision on this on the Committee is very, very clear. What we see is a strong labor market. We see a labor market with a lot of momentum, great job creation. And we see the underlying economy's strong. Balance sheets are strong. Yes, there are threats to growth

from, you know, from what's going on in Eastern Europe. And, but, nonetheless, in the base case, there's a pretty broad expectation of strong growth.

But inflation is far above our target. And, you know, the help we've been expecting and other forecasters have been expecting from supply-side improvement, labor force participation, bottlenecks, all those things getting better—it hasn't come. And so we're looking now to using our tools to restore price stability, and we're committed to doing that. And you see that, I think, in the Summary of Economic Projections. And you see that in the decision we make, and you'll continue to see it in the decisions we make, going forward.

MICHAEL MCKEE. If I could follow up by asking—I guess what you'd call it is the "Paul Volcker" question: You don't think unemployment is going to rise significantly, but, if it does, does that temper your desire to keep raising rates?

CHAIR POWELL. The goal, of course, is to restore price stability while also sustaining a strong labor market. We have a dual mandate, and they're sort of equal. But, as I said earlier, you know, price stability is an essential goal. In fact, it's a precondition, really, for achieving the kind of labor market that we want, which is a strong and sustained labor market. We saw the benefits of a long expansion, a sustained labor market. It pulled people back in, and there were really no imbalances in the economy that threatened the long expansion. It, just, the pandemic arrived; it was just a completely exogenous event. So that's how we're thinking about it.

We, of course, want to achieve, you know, price stability with a strong labor market. But we do understand also that, really, you can't have maximum employment for any sustained period without price stability. So we need to focus on price stability particularly, because the labor market is so strong and the economy is so strong. We feel like the economy can handle tighter monetary policy.

MICHELLE SMITH. Thank you. Let's go to Brian Cheung at Yahoo.

BRIAN CHEUNG. Hi, Chair Powell. Hopefully no tech issues here on this front. Wanted to ask just kind of the broad question about how you are communicating what the Fed's doing here today to the average American who might not be reading the dot plots or understanding what the SEP is. How is the 25 basis point hike today and then the signaling on future Fed policy going to address the inflation that they're feeling at the stores on a daily basis?

CHAIR POWELL. Sure. So I guess I'd start by just assuring everyone that we're fully committed to bringing inflation back down and also sustaining the economic expansion. We do understand that these higher prices, no matter what the source, have real effects on people's well-being. And, really, high inflation takes a toll on everyone. But it's really, especially, on people who use most of their income to buy essentials like food, housing, and transportation, where—I mean, we've all seen charts that show, if you're a middle-income person, you've got room to absorb some inflation. If you're at the lower end of the income spectrum, it's very hard because you're spending most of your money already on necessities, and the price is going up.

But it's punishing for everyone. So it has been a difficult time for the economy. But we do anticipate that inflation will move back down, as I mentioned earlier. It may take longer than we like, but I'm confident that we'll use our tools to bring inflation down. You asked about rates. So the way that works, I would explain, is, as we raise interest rates, that should gradually slow down demand for the interest-sensitive parts of the economy. And so what we would see is demand slowing down, but just enough so that it's better matched with supply. And that brings—that will bring inflation down over time. That's our plan.

MICHELLE SMITH. Thank you. Let's go to Jo Ling Kent at NBC News.

JO LING KENT. Hi, Chair Powell. Thank you so much for taking my question during this today. My question is a follow-up to what Brian just asked. What is your message to consumers out there who can no longer afford the basics due to this high inflation?

CHAIR POWELL. Well, that is—yes, indeed. I mean, as I just said, you know, I think we do understand very much, and we very much take to heart, that it's our obligation to restore price stability. And, you know, we've had price stability for a very long time and maybe come to take it for granted. But now we see the pain. I'm old enough to remember what very high inflation was like. And, you know, we're strongly committed as a Committee to not allowing this higher inflation to become entrenched and to use our tools to bring inflation back down to more normal levels, which—our target is 2 percent inflation. So we will do that.

And I just would want people to understand that, and that's—but the way we do that is by raising interest rates and by shrinking our balance sheet. And so financial conditions will become, at the margin, less supportive of various kinds of economic activity. That will slow the economy, while also allowing the labor market to remain very strong. And, you know, the good news is, the economy and the labor market are quite strong. And that means the economy, we think, can handle interest rate increases.

JO LING KENT. And as a quick follow-up to that, you know, obviously, the Federal Reserve walking this very complicated fine line, trying to avoid a recession. For the consumers out there who are worried about their jobs in a possible recession, what do you say to that?

CHAIR POWELL. Well, I, you know, I say that our intention is to bring inflation back down to 2 percent, while still sustaining a strong labor market and that the economy is very strong. If you look at where forecasts are, people are forecasting growth that's strong within the context of U.S. potential economic output. So—and we expect that to continue. And to the

extent the data come in different, then, of course, our policy will adapt. But we do believe that our policy is the appropriate one for this forecast, and we believe that we can bring down inflation. We believe that we can do so while sustaining a strong labor market.

The labor market is—it's not strong in the ordinary sense of the word. We have not seen a labor market where there are 1.7 job openings for every unemployed person or where there, if you add job openings to those who are employed, that's actually substantially a larger number than the size of the workforce, than the number of people who actually count themselves as in the workforce. So this is a situation where demand is higher than supply. And when that happens, prices go up. And they—so we need to use our tools to move supply and demand back. And we don't think we need to do this alone. There will be other factors helping that happen. But we certainly are prepared to use our tools—and we will.

JO LING KENT. Thank you.

MICHELLE SMITH. Thank you. Let's go to Simon at the *Economist.*

SIMON RABINOVITCH. Hi. Thank you, Michelle. Thank you, Chair Powell. Sorry to take you away from inflation for one minute. May I ask about the sanctions on Russia and, specifically, the freezing of the central bank assets? Of course, that raises a similar risk for other sovereigns around the world and their biggest companies, potentially. Any concerns about, in the long term, how this might affect the dollar's status as the preeminent global reserve currency? And in the past couple of weeks, have you had to deliver any kinds of reassurance to other central bankers around the world?

CHAIR POWELL. Well, so, of course, central bankers around the world are generally very in favor of these sanctions. But let me say this: Sanctions are really the business of the elected government, and that's true everywhere. So the Administration and the Treasury

Department, in particular, and other agencies—they create these sanctions. We're there to provide technical expertise, but they're not, it's not our decisions. And so I'm reluctant to comment on sanctions really much because, again, they're not for us [to decide]. We have a very specific mandate. And these are really the province of elected governments, as I mentioned. So I'd have to leave it at that. Sorry.

MICHELLE SMITH. Thank you. Let's go to Nancy Marshall-Genzer at Marketplace.

NANCY MARSHALL-GENZER. Hi, Chair Powell. Thanks for taking the question. You've been talking a lot about rising wages, which, on the one hand, is a great thing, but are we possibly seeing the beginning of a wage–price spiral?

CHAIR POWELL. So the way I would say it is this: We, first of all, I would agree with the premise that wages moving up is a great thing. You know, that's how the standard of living rises over time. And, generally, it's driven over long periods by rising productivity. But what we have now, if you look at these, the wage increases that we have, we look at a—we're blessed with a range of measures of wages that all measure different things. But right now, they're all showing the same thing, which is that the increases—not the levels, but the increases—are running at levels that are well above what would be consistent with 2 percent inflation, our goal, over time. And that may be—we don't know how persistent that phenomenon will be. It's very hard to say.

And that's really, I think, the sense of your question about a wage–price spiral; is that something that's going to start happening and become entrenched in the system? We don't see that. You can see, for example, in some sectors that got very high wage increases early on, those wage increases looked like they may have slowed down to a normal level. But it comes back to, you know, what I'm saying here—which is, there's a misalignment of demand and supply,

particularly in the labor market. And that is leading to wages moving up at ways that are not consistent with 2 percent inflation over time. And so we need to use our tools to, you know, guide inflation back down to 2 percent. And that would be in the context of an extraordinarily strong labor market. We think this labor market can handle, as I mentioned, tighter monetary policy. And the overall economy can as well.

But, yes, wages are moving up faster than is consistent with 2 percent inflation, but it's good to see that moving up. But it wouldn't be sustainable over too long of a period to see them moving up that much higher. And that's because of this misalignment between supply and demand. We expect to get more labor supply. We did last time. We got more than we expected during the last cycle. This time, we've gotten much less than expected. So it's not easy to predict these things. But we do expect that we'll get people coming back in the labor market, particularly as COVID becomes less and less of a factor in many people's lives, something we all wish. But, so that's how we think about it.

MICHELLE SMITH. Thank you. For the last question, we'll go to Don Lee at the *L.A. Times.*

DON LEE. Hi, Chair Powell. I think you said to the Senate earlier this month that, in hindsight, the Fed should have moved earlier. And it sounds like today that you don't think that the Fed is late. And, just wanted to get your clarification on that. And if it is, if you still think that the Fed is "behind the curve," how much "behind the curve" is it?

CHAIR POWELL. Right. So we are not—we don't have the luxury of 20/20 hindsight in actually implementing real-time decisions in the world. So, you know, so the question is—the right question is, did you make the right decisions based on what you knew at the time? But that's not the question I was answering, which is knowing what you know now. So I think if we

knew now—of course, if we knew now that these supply blockages, really, and the inflation resulting from them in collision with, you know, very strong demand, if we knew that that was what was going to happen, then in hindsight, yes. It would have been appropriate to move earlier. Obviously, it would be. But, again, we don't have that luxury.

And then, so, but that's a separate question from your other question, which is "behind the curve." And, you know, I don't have the luxury of looking at it that way. You know, we are, we have our tools—powerful tools—and the Committee is very focused on using them. We're acutely aware of the need to restore price stability while keeping a strong labor market. And what I saw today was a Committee that is strongly committed to achieving price stability, in particular, and prepared to use our tools to do that. We're not going to let high inflation become entrenched. The costs of that would be too high. And we're not going to wait so long that we have to do that. No one wants to have to really put restrictive monetary policy on, in order to get inflation back down.

So, frankly, the need is one of getting back up, getting rates back up to more neutral levels as quickly as we practicably can and then moving beyond that, if that turns out to be appropriate. And, as you can see, it is appropriate in the sense that, [in] people's [contributions to the] SEPs, they do write down levels of interest rates that are above their estimate of the longer-run neutral rate. And there's also a range of estimates, too, as you will see if you look at the details of the SEP. But thanks for your question.

MICHELLE SMITH. Okay. Thank you all. Thanks, Mr. Chair.

CHAIR POWELL. Thank you.