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.
April 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, Cleveland, Atlanta, Kansas City, Dallas, and San Francisco had voted on April 11, 2019, and the directors of the Federal Reserve Banks of New York, Philadelphia, Richmond, Chicago, St. Louis, and Minneapolis had voted on April 18, to establish the primary credit rate at the existing level (3 percent).

Overall, Federal Reserve Bank directors remained positive about the economic outlook and anticipated continued moderate growth. Many directors noted a pickup in economic activity, particularly since the start of the year. However, economic conditions varied across sectors and Districts. Several directors reported steady advances in manufacturing output and residential real estate activity but also observed that consumer spending had slowed recently. Directors in a number of Districts stressed that labor markets remained tight, with skilled workers in especially high demand, and some directors reported increasing wage pressures. While concerns about trade policy had abated to a certain extent, some directors cited continued uncertainties about the global economy as a potential risk to the U.S. economic outlook.

The directors of all twelve Reserve Banks favored establishing the primary credit rate at its existing level of 3 percent. Although inflation had softened recently, the directors judged that maintaining the current stance of monetary policy was appropriate and that the FOMC should continue to follow a patient approach in assessing whether incoming data remained consistent with the outlook for continued solid economic growth, strong labor markets, and inflation remaining near the FOMC's 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 3 percent. (NOTE: At the joint Board-FOMC meeting on March 20, 2019, the Board 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,
and Governors Brainard and Bowman.

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

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

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

Approved.
May 1, 2019.

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 2.25 to 2.50 percent. Consistent with the FOMC's decision to leave the target range for the federal funds rate unchanged, the Board approved decreasing the interest rates paid on required and excess reserve balances from 2.40 percent to 2.35 percent, effective May 2, 2019. Setting the interest rate paid on required and excess reserve balances 15 basis points below the top of the target range for the federal funds rate is intended to foster trading in the federal funds market at rates well within the FOMC's target range. 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 (3 percent).

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, Cleveland, Atlanta, Chicago, Kansas City, Dallas, and San Francisco had voted on April 25, 2019, to establish the primary credit rate at the existing level of 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 Board meeting on April 22, 2019, the Board 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 these actions:
Chair Powell, Vice Chair Clarida,
Vice Chair for Supervision Quarles,
and Governors Brainard and Bowman.

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

Implementation: FOMC Statement (with attached Implementation Note) and transmissions from Ms. Misback to the Reserve Banks, May 1, and Federal Register document (Docket No. R-1663, RIN 7100-AF 50), May 7, 2019.