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

Approved.
June 19, 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 maintaining the existing interest rates (2.35 percent) paid on required and excess reserve balances. 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, Philadelphia, Richmond, and Minneapolis had voted on June 6, 2019, and the directors of the Federal Reserve Banks of New York, Cleveland, Atlanta, Chicago, Kansas City, Dallas, and San Francisco had voted on June 13, to establish the primary credit rate at the existing level of 3 percent. The directors of the Federal Reserve Bank of St. Louis had voted on June 6 to establish a primary credit rate of 2.75 percent (a decrease from 3 percent).

Overall, Federal Reserve Bank directors remained positive about economic conditions, although many expected the rate of economic growth to be somewhat slower than in 2018. Several directors reported continued strength in consumer spending. Activity in residential real estate was mixed across Districts. Labor market conditions remained strong, with employers in many Districts attracting workers through both wage and non-wage incentives, including stronger benefits packages and training programs. In some Districts, employers were also hiring nontraditional workers. Directors' reports on manufacturing activity varied, and some directors noted rising input costs. Most directors cited heightened trade tensions and the associated uncertainty as risks to the U.S. economic outlook.

Against this backdrop, the directors of all but one Federal Reserve Bank favored maintaining the current primary credit rate at the existing level (3 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. However, other Reserve Bank directors recommended a decrease in the primary credit rate (to 2.75 percent), given current and anticipated economic conditions.

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 May 1, 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, June 14, 2019.

Implementation: FOMC Statement (with attached Implementation Note) and transmissions from Ms. Misback to the Reserve Banks, June 19, 2019.