DISCOUNT AND ADVANCE RATES -- Requests by eleven Reserve Banks to maintain the existing primary credit rate and request by one Reserve Bank to decrease the rate; request to renew secondary and seasonal credit formulas.

Existing rate and formulas approved.
August 26, 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 next joint meeting of the Board and the Federal Open Market Committee (FOMC).

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Philadelphia, Richmond, and Kansas City had voted on August 15, 2019, and the directors of the Federal Reserve Banks of Boston, Cleveland, Atlanta, Chicago, St. Louis, Dallas, and San Francisco had voted on August 22, to establish the primary credit rate at the existing level of 2.75 percent. The directors of the Federal Reserve Bank of Minneapolis had voted on August 15 to establish a rate of 2.50 percent (a decrease from 2.75 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 2.75 percent. (NOTE: At the joint Board-FOMC meeting on July 31, 2019, the Board had approved the establishment of the primary credit rate at 2.75 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 for all twelve Reserve Banks. 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 for Supervision Quarles,
and Governors Brainard and Bowman.

Background: Office of the Secretary memorandum, August 23, 2019.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, August 26, 2019.

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

Approved.
September 18, 2019.

In a joint meeting of the Federal Open Market Committee (FOMC) and the Board today, the FOMC decided to lower the target range for the federal funds rate to 1-3/4 to 2 percent, effective September 19, 2019. Consistent with the FOMC's decision to lower the target range for the federal funds rate, the Board approved decreasing the interest rate paid on required and excess reserve balances from 2.10 to 1.80 percent, effective September 19, 2019. Setting the interest rate paid on required and excess reserve balances 20 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.

Subject to review and determination by the Board of Governors, the directors of five Reserve Banks had voted to establish a decrease in the rate for discounts and advances under the primary credit program (the primary credit rate). The directors of the Federal Reserve Bank of Minneapolis had voted on September 5, 2019, and the directors of the Federal Reserve Banks of Chicago, Dallas, and San Francisco had voted on September 12, to establish a primary credit rate of 2.50 percent. The directors of the Federal Reserve Bank of St. Louis had voted on September 5 to establish a primary credit rate of 2.25 percent. The directors of the Federal Reserve Banks of Boston, New York, and Philadelphia had voted on September 5; the directors of the Federal Reserve Bank of Richmond had voted on September 10; and the directors of the Federal Reserve Banks of Cleveland, Atlanta, and Kansas City had voted on September 12 to establish the primary credit rate at the existing level of 2.75 percent. (NOTE: At its meeting on August 26, 2019, the Board had taken no action on a request by the directors of the Federal Reserve Bank of Minneapolis to establish a rate of 2.50 percent.)

Overall, Federal Reserve Bank directors remained positive about economic conditions, although many directors were more cautious about the outlook. Directors reported ongoing strength in consumer spending, supported by solid job growth and gains in household income. Many directors commented that labor markets remained tight, making it difficult to find workers for a range of positions, and that wages continued to rise, particularly for low-skill positions. Most directors cited continued tensions and uncertainty on trade policy, along with weaker global growth, as risks to the U.S. economic outlook. Inflation remained below the FOMC's symmetric 2 percent objective.

The directors of seven Federal Reserve Banks favored maintaining the current primary credit rate at the existing level (2.75 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 cut in the primary credit rate (to either 2.50 percent or 2.25 percent), in light of risks to the economic outlook and muted inflation pressures.

At today's meeting, there was consensus for a 25-basis-point decrease, and the Board approved a decrease in the primary credit rate from 2.75 percent to 2.50 percent, effective September 19, 2019, for the four Reserve Banks that had voted for such a decrease. 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 decreases in the interest rate on reserve balances and the primary credit rate. In addition, the Secretary was authorized to inform the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, St. Louis, and Kansas City, on their establishment of a primary credit rate of 2.50 percent, of the Board's approval and determination, effective on the later of September 19, 2019, or the date the Reserve Bank informed the Secretary of its request. (NOTE: Subsequently, the Secretary informed the Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, St. Louis, and Kansas City Reserve Banks of the Board's approval of their establishment of a primary credit rate of 2.50 percent, effective September 19, 2019.)

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, September 13, 2019.

Implementation: FOMC Statement (with attached Implementation Note), September 18; press releases, September 19 and 20; transmissions from Ms. Misback to the Reserve Banks, September 18 and 19; and Federal Register documents (Docket Nos. R-1674 and R-1675, RINs 7100-AF57 and 7100-AF58), September 25, 2019.