CHAIR POWELL. Good afternoon. 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 the FOMC kept interest rates near zero and, in light of the progress the economy has made toward our goals, decided to begin reducing the pace of asset purchases. With these actions, monetary policy will continue to provide strong support to the economic recovery. Given the unprecedented nature of the disruptions related to the pandemic and the reopening of the economy, we remain attentive to risks and will ensure that our policy is well positioned to address the full range of plausible economic outcomes. I will say more about our monetary policy decisions after reviewing recent economic developments.

Economic activity expanded at a 6.5 percent pace in the first half of the year, reflecting progress on vaccinations, the reopening of the economy, and strong policy support. In the third quarter, real GDP growth slowed notably from this rapid pace. The summer’s surge in COVID cases from the Delta variant has held back the recovery in the sectors most adversely affected by the pandemic, including travel and leisure. Activity has also been restrained by supply constraints and bottlenecks, notably in the motor vehicle industry. As a result, both household spending and business investment flattened out last quarter. Nonetheless, aggregate demand has been very strong this year, buoyed by fiscal and monetary policy support and the healthy financial positions of households and businesses. With COVID case counts receding further and progress on vaccinations, economic growth should pick up this quarter, resulting in strong growth for the year as a whole.
Conditions in the labor market have continued to improve and demand for workers remains very strong. As with overall economic activity, the pace of improvement slowed with the rise in COVID cases. In August and September, job gains averaged 280,000 per month, down from an average of about 1 million jobs per month in June and July. The slowdown has been concentrated in sectors most sensitive to the pandemic, including leisure and hospitality and education. The unemployment rate was 4.8 percent in September; this figure understates the shortfall in employment, particularly as participation in the labor market remains subdued. Some of the softness in participation likely reflects the aging of the population and retirements. But participation for prime-aged individuals also remains well below prepandemic levels, in part reflecting factors related to the pandemic, such as caregiving needs and ongoing concerns about the virus. As a result, employers are having difficulties filling job openings. These impediments to labor supply should diminish with further progress on containing the virus, supporting gains in employment and economic activity.

The economic downturn has not fallen equally on all Americans, and those least able to shoulder the burden have been hardest hit. Despite progress, joblessness continues to fall disproportionately on African Americans and Hispanics.

The supply and demand imbalances related to the pandemic and the reopening of the economy have contributed to sizable price increases in some sectors. In particular, bottlenecks and supply chain disruptions are limiting how quickly production can respond to the rebound in demand in the near term. As a result, overall inflation is running well above our 2 percent longer-run goal. Supply constraints have been larger and longer lasting than anticipated. Nonetheless, it remains the case that the drivers of higher inflation have been predominantly
connected to the dislocations caused by the pandemic, specifically the effects on supply and demand from the shutdown, the uneven reopening, and the ongoing effects of the virus itself.

We understand the difficulties that high inflation poses for individuals and families, particularly those with limited means to absorb higher prices for essentials such as food and transportation. Our tools cannot ease supply constraints. Like most forecasters, we continue to believe that our dynamic economy will adjust to the supply and demand imbalances, and that as it does, inflation will decline to levels much closer to our 2 percent longer-run goal. Of course, it is very difficult to predict the persistence of supply constraints or their effects on inflation. Global supply chains are complex; they will return to normal function, but the timing of that is highly uncertain.

We are committed to our longer-run goal of 2 percent inflation and to having longer-term inflation expectations well anchored at this goal. If we were to see signs that the path of inflation, or longer-term inflation expectations, was moving materially and persistently beyond levels consistent with our goal, we would use our tools to preserve price stability. We will be watching carefully to see whether the economy is evolving in line with expectations.

The Fed’s policy actions have been guided by our mandate to promote maximum employment and stable prices for the American people, along with our responsibilities to promote the stability of the financial system. Our asset purchases have been a critical tool. They helped preserve financial stability early in the pandemic and since then have helped foster smooth market functioning and accommodative financial conditions to support the economy.

Last December, the Committee stated its intention to continue asset purchases at a pace of at least $120 billion per month until substantial further progress has been made toward our
maximum employment and price stability goals. At today’s meeting, the Committee judged that the economy has met this test, and decided to begin reducing the pace of its asset purchases.

Beginning later this month, we will reduce the monthly pace of our net asset purchases by $10 billion for Treasury securities and $5 billion for agency mortgage-backed securities. We also announced another reduction of this size in the monthly purchase pace starting in mid-December, since that month’s purchase schedule will be released by the Federal Reserve Bank of New York prior to our December FOMC meeting. If the economy evolves broadly as expected, we judge that similar reductions in the pace of net asset purchases will likely be appropriate each month, implying that increases in our securities holdings would cease by the middle of next year. That said, we are prepared to adjust the pace of purchases if warranted by changes in the economic outlook. And even after our balance sheet stops expanding, our holdings of securities will continue to support accommodative financial conditions.

Our decision today to begin tapering our asset purchases does not imply any direct signal regarding our interest rate policy. We continue to articulate a different and more stringent test for the economic conditions that would need to be met before raising the federal funds rate.

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 complete the recovery in employment and achieve our price stability goal. Thank you. I look forward to your questions.