CHAIR POWELL. Good afternoon. My colleagues and I remain squarely focused on our dual mandate to promote maximum employment and stable prices for the American people. The economy has made considerable progress toward our dual mandate objectives. Inflation has eased substantially while the labor market has remained strong, and that is very good news. But inflation is still too high, ongoing progress in bringing it down is not assured, and the path forward is uncertain. We are fully committed to returning inflation to our 2 percent goal. Restoring price stability is essential to achieve a sustainably strong labor market that benefits all.

Today, the FOMC decided to leave our policy interest rate unchanged and to continue to reduce our securities holdings. Our restrictive stance of monetary policy has been putting downward pressure on economic activity and inflation. As labor market tightness has eased and progress on inflation has continued, the risks to achieving our employment and inflation goals are moving into better balance. I will have more to say about monetary policy after briefly reviewing economic developments.

Recent indicators suggest that economic activity has been expanding at a solid pace. GDP growth in the fourth quarter of last year came in at 3.2 percent. For 2023 as a whole, GDP expanded 3.1 percent, bolstered by strong consumer demand as well as improving supply conditions. Activity in the housing sector was subdued over the past year, largely reflecting high mortgage rates. High interest rates also appear to have weighed on business fixed investment. In our Summary of Economic Projections, Committee participants generally expect GDP growth to slow from last year’s pace, with a median projection of 2.1 percent this year and 2 percent over the next two years. Participants generally revised up their growth projections since December, reflecting the strength of incoming data, including data on labor supply.
The labor market remains relatively tight, but supply and demand conditions continue to come into better balance. Over the past three months, payroll job gains averaged 265 thousand jobs per month. The unemployment rate has edged up but remains low, at 3.9 percent. Strong job creation has been accompanied by an increase in the supply of workers, reflecting increases in participation among individuals aged 25 to 54 years and a continued strong pace of immigration. Nominal wage growth has been easing, and job vacancies have declined. Although the jobs-to-workers gap has narrowed, labor demand still exceeds the supply of available workers. FOMC participants expect the rebalancing in the labor market to continue, easing upward pressure on inflation. The median unemployment rate projection in the SEP is 4.0 percent at the end of this year and 4.1 percent at the end of next year.

Inflation has eased notably over the past year but remains above our longer-run goal of 2 percent. Estimates based on the Consumer Price Index and other data indicate that total PCE prices rose 2.5 percent over the 12 months ending in February; and that, excluding the volatile food and energy categories, core PCE prices rose 2.8 percent. Longer-term inflation expectations appear to remain well anchored, as reflected in a broad range of surveys of households, businesses, and forecasters, as well as measures from financial markets. The median projection in the SEP for total PCE inflation falls to 2.4 percent this year, 2.2 percent next year, and 2 percent in 2026.

The Fed’s monetary policy actions are guided by our mandate to promote maximum employment and stable prices for the American people. My colleagues and I are acutely aware that high inflation imposes significant hardship as it erodes purchasing power, especially for those least able to meet the higher costs of essentials like food, housing, and transportation. We are strongly committed to returning inflation to our 2 percent objective.
The Committee decided at today’s meeting to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent and to continue the process of significantly reducing our securities holdings. As labor market tightness has eased and progress on inflation has continued, the risks to achieving our employment and inflation goals are coming into better balance. We believe that our policy rate is likely at its peak for this tightening cycle and that, if the economy evolves broadly as expected, it will likely be appropriate to begin dialing back policy restraint at some point this year. The economic outlook is uncertain, however, and we remain highly attentive to inflation risks. We are prepared to maintain the current target range for the federal funds rate for longer, if appropriate.

We know that reducing policy restraint too soon or too much could result in a reversal of the progress we have seen on inflation and ultimately require even tighter policy to get inflation back to 2 percent. At the same time, reducing policy restraint too late or too little could unduly weaken economic activity and employment. In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably down toward 2 percent. Of course, we are committed to both sides of our dual mandate, and an unexpected weakening in the labor market could also warrant a policy response. We will continue to make our decisions meeting by meeting.

In our SEP, FOMC participants wrote down their individual assessments of an appropriate path for the federal funds rate based on what each participant judges to be the most likely scenario going forward. If the economy evolves as projected, the median participant projects that the appropriate level of the federal funds rate will be 4.6 percent at the end of this
year, 3.9 percent at the end of 2025, and 3.1 percent at the end of 2026—still above the median longer-term funds rate. These projections are not a Committee decision or plan; if the economy does not evolve as projected, the path for policy will adjust as appropriate to foster our maximum employment and price stability goals.

Turning to our balance sheet, our securities holdings have declined by nearly $1.5 trillion since the Committee began reducing our portfolio. At this meeting, we discussed issues related to slowing the pace of decline in our securities holdings. While we did not make any decisions today on this, the general sense of the Committee is that it will be appropriate to slow the pace of runoff fairly soon, consistent with the plans we previously issued. The decision to slow the pace of runoff does not mean that our balance sheet will ultimately shrink by less than it would otherwise, but rather allows us to approach that ultimate level more gradually. In particular, slowing the pace of runoff will help ensure a smooth transition, reducing the possibility that money markets experience stress and thereby facilitating the ongoing decline in our securities holdings consistent with reaching the appropriate level of ample reserves.

We remain committed to bringing inflation back down to our 2 percent goal and to keeping our longer-term inflation expectations well anchored. Restoring price stability is essential to set the stage for achieving maximum employment and price stability over the long term.

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.