DISCOUNT AND ADVANCE RATES -- Rates on discounts and advances unchanged.

Approved.
January 23, 2017.

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 next week. (NOTE: Ten Reserve Banks had submitted requests to establish the primary credit rate at the existing level, and two Reserve Banks had submitted requests to increase the primary credit rate.)

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, New York, Dallas, and San Francisco had voted on January 12, 2017, and the directors of the Federal Reserve Banks of Philadelphia, Atlanta, Chicago, St. Louis, Minneapolis, and Kansas City had voted on January 19, to establish the primary credit rate at the existing level (1-1/4 percent). The directors of the Federal Reserve Bank of Cleveland had voted on January 12, and the directors of the Federal Reserve Bank of Richmond had voted on January 19, to establish a rate of 1-1/2 percent (an increase from 1-1/4 percent).

Federal Reserve Bank directors noted continued increases in economic activity and improvement in labor market conditions. Overall, directors judged that the economy was likely to continue to grow at a moderate pace. Directors had mostly favorable reports on consumer spending, including strong online sales and robust auto sales in some Districts. Several directors observed a further pickup in manufacturing activity in certain industries, and they generally reported continued growth in the housing sector. Many directors pointed to an elevated level of uncertainty about potential fiscal and other government policies and their likely effect on the economy. In most Districts, directors reported further strengthening in labor markets. Directors in a number of Districts judged that the economy was at or near full employment. Directors continued to highlight the shortage of qualified workers for skilled positions and certain other types of jobs. Some directors also noted emerging wage pressures. Inflation had increased recently but remained below the Federal Reserve's 2 percent objective.

Against this backdrop, the directors of ten Federal Reserve Banks recommended that the primary credit rate be established at its current level of 1-1/4 percent. These directors concluded that it would be appropriate to maintain an accommodative stance of monetary policy, pending the assessment of additional information on economic performance over the coming months. The directors of two Reserve Banks recommended increasing the primary credit rate to 1-1/2 percent, given the actual and expected strengthening in economic activity and labor markets and signs that inflation was likely to be close to 2 percent in the near term.

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 1-1/4 percent. At its meeting on December 14, 2016, the Board had approved the establishment of the primary credit rate at 1-1/4 percent (an increase from 1 percent).

Today, the Board also approved the establishment of the interest rates for discounts and advances made under the secondary and seasonal credit programs, as those rates are calculated with the existing formulas. The recommendation to retain the existing formulas was made by the directors of the Federal Reserve Banks of Boston, New York, Cleveland, Dallas, and San Francisco on January 12, 2017, and by the directors of the Federal Reserve Banks of Philadelphia, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, and Kansas City on January 19. 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: Vice Chairman Fischer and Governors Tarullo, Powell, and Brainard.

Background: Office of the Secretary memorandum, January 19, 2017.

Implementation: Transmissions from Mr. Frierson to the Reserve Banks, January 23, 2017.

MONETARY POLICY IMPLEMENTATION -- Rates on reserve balances and on discounts and advances unchanged.

Approved.
February 1, 2017.

In a joint meeting of the Federal Open Market Committee and the Board today, the Committee decided to maintain the target range for the federal funds rate at 1/2 to 3/4 percent. Consistent with the Committee's decision to leave the target range for the federal funds rate unchanged, the Board approved maintaining the existing interest rates (3/4 percent) paid on required and excess reserve balances. At today's meeting, the Board also approved the establishment of interest rates on discounts and advances made (1) under the primary credit program (the primary credit rate) at the existing level (1-1/4 percent) and (2) under the secondary and seasonal credit programs, as those rates are calculated with the existing formulas. (NOTE: Five Reserve Banks had submitted requests to establish the primary credit rate at the existing level, and two Reserve Banks had submitted requests to increase the primary credit rate.)

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, New York, Atlanta, Dallas, and San Francisco had voted on January 26, 2017, to establish the primary credit rate at the existing level (1-1/4 percent). The directors of the Federal Reserve Bank of Richmond had voted on January 19, and the directors of the Federal Reserve Bank of Cleveland had voted on January 26, to establish a rate of 1-1/2 percent (an increase from 1-1/4 percent). At its meeting on January 23, the Board had taken no action on requests to increase the primary credit rate by the Cleveland and Richmond Reserve Banks.

In addition, the directors of the Federal Reserve Bank of Richmond had recommended on January 19, and the directors of the Federal Reserve Banks of Boston, New York, Cleveland, Atlanta, Dallas, and San Francisco had recommended on January 26, that the existing formulas for calculating the secondary and seasonal credit rates be retained. 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 Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.

Background: Office of the Secretary memorandum, January 27, 2017.

Implementation: Press release with attached Decisions Regarding Monetary Policy Implementation, February 1, and transmissions from Mr. Frierson to the Reserve Banks, February 1, 2017.