DISCOUNT AND ADVANCE RATES -- Requests by twelve Reserve Banks to maintain the existing primary credit rate; requests to renew the secondary and seasonal credit formulas.

Existing rate and formulas approved.
October 7, 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 Cleveland, Richmond, Atlanta, Chicago, Kansas City, Dallas, and San Francisco had voted on September 26, 2019, and the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, St. Louis, and Minneapolis had voted on October 3, to establish the primary credit rate at the existing level of 2.50 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 2.50 percent. (NOTE: At the joint Board-FOMC meeting on September 18, 2019, the Board had approved the establishment of the primary credit rate at 2.50 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: Vice Chair Clarida, Vice Chair for Supervision Quarles, and Governors Brainard and Bowman.

Background: Office of the Secretary memorandum, October 4, 2019.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, October 7, 2019.

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; requests to renew the secondary and seasonal credit formulas.

Existing rate and formulas approved.
October 21, 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 joint meeting of the Board and the Federal Open Market Committee (FOMC) next week.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Cleveland, Atlanta, Chicago, Kansas City, and Dallas had voted on October 10, 2019; the directors of the Federal Reserve Bank of San Francisco had voted on October 11; and the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Richmond, and St. Louis had voted on October 17 to establish the primary credit rate at the existing level of 2.50 percent. The directors of the Federal Reserve Bank of Minneapolis had voted on October 17 to establish a rate of 2.25 percent.

Overall, Federal Reserve Bank directors continued to view current economic conditions as generally favorable, while remaining cautious about the risks to the outlook. Many directors reported that consumer spending was strong or holding steady, although some directors noted that growth in consumer spending had moderated. Several directors reported weakness in the manufacturing sector and slowing business investment. In most Districts, labor markets remained tight. Some directors also noted wage pressures, particularly for low-skilled positions. Many directors cited the ongoing uncertainty about trade developments, 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 eleven Federal Reserve Banks favored maintaining the current primary credit rate at the existing level (2.50 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 2.25 percent, in light of risks to the economic outlook and muted inflation pressures.

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 2.50 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 this action: Chair Powell, Vice Chair Clarida,
Vice Chair for Supervision Quarles,
and Governors Brainard and Bowman.

Background: Office of the Secretary memorandum, October 18, 2019.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, October 21, 2019.

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

Approved.
October 30, 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 1-1/2 to 1-3/4 percent, effective October 31, 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 1.80 percent to 1.55 percent, effective October 31, 2019.

Subject to review and determination by the Board of Governors, the directors of two 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 October 17, 2019, and the directors of the Federal Reserve Bank of San Francisco had voted on October 24, to establish a primary credit rate of 2.25 percent. The directors of the Federal Reserve Banks of Philadelphia, Cleveland, Atlanta, Chicago, Kansas City, and Dallas had voted on October 24 to establish the primary credit rate at the existing level of 2.50 percent. (NOTE: At its meeting on October 21, 2019, the Board had taken no action on a request by the Federal Reserve Bank of Minneapolis to decrease the primary credit rate to 2.25 percent.)

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 2.50 percent to 2.25 percent, effective October 31, 2019, for the two 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, Chicago, St. Louis, Kansas City, and Dallas, on their establishment of a primary credit rate of 2.25 percent, of the Board's approval and determination, effective on the later of October 31, 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, Chicago, St. Louis, Kansas City, and Dallas Reserve Banks of the Board's approval of their establishment of a primary credit rate of 2.25 percent, effective October 31, 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, October 25, 2019.

Implementation: FOMC Statement (with attached Implementation Note), October 30; press release, October 31; transmissions from Ms. Misback to the Reserve Banks, October 30 and 31; and Federal Register documents (Docket Nos. R-1685 and R-1684, RINs 7100-AF65 and 7100-AF64), November 1, 2019.