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

Existing rate and formulas approved.
July 17, 2023.

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.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Philadelphia, Richmond, Atlanta, Kansas City, and Dallas had voted on July 6, 2023, to establish the primary credit rate at the existing level of 5.25 percent. The directors of the Federal Reserve Banks of Boston, Cleveland, Chicago, St. Louis, Minneapolis, and San Francisco had voted on July 13, 2023, to establish a primary credit rate of 5.50 percent (an increase from 5.25 percent).

Federal Reserve Bank directors generally provided mixed reports on economic activity across sectors and Districts. Many directors commented on labor market conditions, with some noting slowing wage growth, though hiring challenges and wage pressures persisted for healthcare, technology, and certain other types of workers. Many directors also acknowledged risks from potential labor strikes. Most directors observed a further tightening in credit conditions. Overall, directors remained cautious about the outlook, with many noting continued elevated inflation and increased uncertainty.

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 5.25 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 for Supervision Barr, and Governors Bowman, Waller, and Cook. Absent: Governor Jefferson.

Background: Office of the Secretary memorandum, July 14, 2023.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, July 17, 2023.

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

Approved.
July 26, 2023.

In a joint meeting of the Federal Open Market Committee (FOMC) and the Board today, the FOMC decided to raise the target range for the federal funds rate 25 basis points, to 5-1/4 to 5-1/2 percent, effective July 27, 2023. To support the FOMC's decision to raise the target range for the federal funds rate, the Board approved raising the interest rate paid on reserve balances from 5.15 percent to 5.4 percent, also effective July 27, 2023.

Subject to review and determination by the Board of Governors, the directors of ten Federal Reserve Banks had voted to establish an increase in the rate for discounts and advances under the primary credit program (the primary credit rate). The directors of the Federal Reserve Banks of Boston, Cleveland, Chicago, St. Louis, Minneapolis, and San Francisco had voted on July 13, 2023, and the directors of the Federal Reserve Banks of Philadelphia, Richmond, Kansas City, and Dallas had voted on July 20, to establish a primary credit rate of 5.50 percent (an increase from 5.25 percent). The directors of the Federal Reserve Banks of New York and Atlanta had voted on July 20, 2023, to establish the primary credit rate at the existing level of 5.25 percent. At its meeting on July 17, 2023, the Board had taken no action on requests by the Boston, Cleveland, Chicago, St. Louis, Minneapolis, and San Francisco Reserve Banks to increase the primary credit rate.

At today's meeting, there was consensus for a 25-basis-point increase, and the Board approved an increase in the primary credit rate from 5.25 percent to 5.50 percent, effective July 27, 2023, for the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San

Francisco. 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 increases in the interest on reserve balances rate and the primary credit rate. In addition, the Secretary was authorized to inform the remaining Reserve Banks, on their establishment of a primary credit rate of 5.50 percent, of the Board's approval and determination, effective on the later of July 27, 2023, or the date the Reserve Bank informed the Secretary of its request. (Note: Subsequently, the Secretary informed the New York and Atlanta Reserve Banks of the Board's approval of their establishment of a primary credit rate of 5.50 percent, effective July 27, 2023.)

Voting for these actions: Chair Powell, Vice Chair for Supervision Barr, and Governors Bowman, Waller, Cook, and Jefferson.

Background: Office of the Secretary memorandum, July 21, 2023.

Implementation: FOMC statement (with attached implementation note), July 26; transmissions from Ms. Misback to the Reserve Banks, July 26; and Federal Register documents (Docket Nos. R-1811 and R-1812, RINs 7100-AG62 and 7100-AG63), July 27, 2023.