Transcript of Chair Powell's Press Conference Opening Statement
September 21, 2022

CHAIR POWELL. Good afternoon. My colleagues and I are strongly committed to bringing inflation back down to our 2 percent goal. We have both the tools we need and the resolve it will take to restore price stability on behalf of American families and businesses. Price stability is the responsibility of the Federal Reserve and serves as the bedrock of our economy. Without price stability, the economy does not work for anyone. In particular, without price stability, we will not achieve a sustained period of strong labor market conditions that benefit all.

Today, the FOMC raised its policy interest rate by 3/4 percentage point, and we anticipate that ongoing increases will be appropriate. We are moving our policy stance purposefully to a level that will be sufficiently restrictive to return inflation to 2 percent. In addition, we are continuing the process of significantly reducing the size of our balance sheet. I will have more to say about today's monetary policy actions after briefly reviewing economic developments.

The U.S. economy has slowed from the historically high growth rates of 2021, which reflected the reopening of the economy following the pandemic recession. Recent indicators point to modest growth of spending and production. Growth in consumer spending has slowed from last year's rapid pace, in part reflecting lower real disposable income and tighter financial conditions. Activity in the housing sector has weakened significantly, in large part reflecting higher mortgage rates. Higher interest rates and slower output growth also appear to be weighing on business fixed investment, while weaker economic growth abroad is restraining exports. As shown in our Summary of Economic Projections, since June FOMC participants have marked down their projections for economic activity, with the median projection for real

GDP growth standing at just 0.2 percent this year and 1.2 percent next year, well below the median estimate of the longer-run normal growth rate.

Despite the slowdown in growth, the labor market has remained extremely tight, with the unemployment rate near a 50-year low, job vacancies near historical highs, and wage growth elevated. Job gains have been robust, with employment rising by an average of 378,000 jobs per month over the last three months. The labor market continues to be out of balance, with demand for workers substantially exceeding the supply of available workers. The labor force participation rate showed a welcome uptick in August but is little changed since the beginning of the year. FOMC participants expect supply and demand conditions in the labor market to come into better balance over time, easing the upward pressure on wages and prices. The median projection in the SEP for the unemployment rate rises to 4.4 percent at the end of next year, one-half percentage point higher than in the June projections. Over the next three years, the median unemployment rate runs above the median estimate of its longer-run normal level.

Inflation remains well above our 2 percent longer-run goal. Over the 12 months ending in July, total PCE prices rose 6.3 percent; excluding the volatile food and energy categories, core PCE prices rose 4.6 percent. In August, the 12-month change in the Consumer Price Index was 8.3 percent, and the change in the core CPI was 6.3 percent. Price pressures remain evident across a broad range of goods and services. Although gasoline prices have turned down in recent months, they remain well above year-earlier levels, in part reflecting Russia's war against Ukraine, which has boosted prices for energy and food and has created additional upward pressure on inflation. The median projection in the SEP for total PCE inflation is 5.4 percent this year and falls to 2.8 percent next year, 2.3 percent in 2024, and 2 percent in 2025; participants continue to see risks to inflation as weighted to the upside.

Despite elevated inflation, 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. But that is not grounds for complacency; the longer the current bout of high inflation continues, the greater the chance that expectations of higher inflation will become entrenched.

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 highly attentive to the risks that high inflation poses to both sides of our mandate, and we are strongly committed to returning inflation to our 2 percent objective.

At today's meeting the Committee raised the target range for the federal funds rate by 3/4 percentage point, bringing the target range to 3 to 3-1/4 percent. And we are continuing the process of significantly reducing the size of our balance sheet, which plays an important role in firming the stance of monetary policy.

Over coming months, we will be looking for compelling evidence that inflation is moving down, consistent with inflation returning to 2 percent. We anticipate that ongoing increases in the target range for the federal funds rate will be appropriate; the pace of those increases will continue to depend on the incoming data and the evolving outlook for the economy. With today's action, we have raised interest rates by 3 percentage points this year. At some point, as the stance of monetary policy tightens further, it will become appropriate to slow the pace of increases, while we assess how our cumulative policy adjustments are affecting the economy and inflation. We will continue to make our decisions meeting by meeting and communicate our thinking as clearly as possible.

Restoring price stability will likely require maintaining a restrictive policy stance for some time. The historical record cautions strongly against prematurely loosening policy. As shown in the SEP, the median projection for the appropriate level of the federal funds rate is 4.4 percent at the end of this year, 1 percentage point higher than projected in June. The median projection rises to 4.6 percent at the end of next year and declines to 2.9 percent by the end of 2025, still above the median estimate of its longer-run value. Of course, these projections do not represent a Committee decision or plan, and no one knows with any certainty where the economy will be a year or more from now.

We are taking forceful and rapid steps to moderate demand so that it comes into better alignment with supply. Our overarching focus is using our tools to bring inflation back down to our 2 percent goal and to keep longer-term inflation expectations well anchored. Reducing inflation is likely to require a sustained period of below-trend growth, and there will very likely be some softening of labor market conditions. Restoring price stability is essential to set the stage for achieving maximum employment and stable prices over the longer run. We will keep at it until we are confident the job is done.

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, and I look forward to your questions.