Transcript of Chair Powell's Opening Statement
May 1, 2024

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 over the past year while the labor market has remained strong and that's very good news. But inflation is still too high, further 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, though at a slower pace. Our restrictive stance of monetary policy has been putting downward pressure on economic activity and inflation, and the risks to achieving our employment and inflation goals have moved toward better balance over the past year. However, in recent months inflation has shown a lack of further progress toward our 2 percent objective, and we remain highly attentive to inflation risks. I will have more to say about monetary policy after briefly reviewing economic developments.

Recent indicators suggest that economic activity has continued to expand at a solid pace. Although GDP growth moderated from 3.4 percent in the fourth quarter of last year to 1.6 percent in the first quarter, Private Domestic Final Purchases, which excludes inventory investment, government spending and net exports, and usually sends a clearer signal on underlying demand, was 3.1 percent in the first quarter, as strong as the second half of 2023. Consumer spending has been robust over the past several quarters, even as high interest rates have weighed on housing and equipment investment. Improving supply conditions have supported resilient demand and the strong performance of the U.S. economy over the past year.

The labor market remains relatively tight, but supply and demand conditions have come into better balance. Payroll job gains averaged 276 thousand jobs per month in the first quarter, while the unemployment rate remains low at 3.8 percent. Strong job creation over the past year 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 eased over the past year and the jobs-to-workers gap has narrowed, but labor demand still exceeds the supply of available workers.

Inflation has eased notably over the past year but remains above our longer-run goal of 2 percent. Total PCE prices rose 2.7 percent over the 12 months ending in March; excluding the volatile food and energy categories, core PCE prices rose 2.8 percent. The inflation data received so far this year have been higher than expected. Although some measures of short-term inflation expectations have increased in recent months, 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 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, though at a slower pace. Over the past year, as labor market tightness has eased and inflation has declined, the risks to achieving our employment and inflation goals have moved toward better balance. The economic outlook is uncertain, however, and we remain highly attentive to inflation risks.

We have stated that we do not expect it will be appropriate to reduce the target range for the federal funds rate until we have gained greater confidence that inflation is moving sustainably toward 2 percent. So far this year, the data have not given us that greater confidence. In particular, and as I noted earlier, readings on inflation have come in above expectations. It is likely that gaining such greater confidence will take longer than previously expected. We are prepared to maintain the current target range for the federal funds rate for as long as appropriate. We are also prepared to respond to an unexpected weakening in the labor market.

We know that reducing policy restraint too soon or too much could result in a reversal of the progress we have seen on inflation. 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. Policy is well positioned to deal with the risks and uncertainties that we face in pursuing both sides of our dual mandate. We will continue to make decisions meeting by meeting.

Turning to our balance sheet, the Committee decided at today's meeting to slow the pace of decline in our securities holdings, consistent with the plans we released previously. Specifically, the cap on Treasury redemptions will be lowered from the current $60 billion per month to $25 billion per month as of June 1. Consistent with the Committee's intention to hold primarily Treasury securities in the longer run, we are leaving the cap on agency securities unchanged per month and will reinvest any proceeds in excess of this cap in Treasury securities. With principal payments on agency securities currently running at about $15 billion per month, total portfolio runoff will amount to roughly $40 billion per month. 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 its 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 that are 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 longer-term inflation expectations well anchored. Restoring price stability is essential to set the stage for achieving maximum employment and stable prices over the longer run.

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. I look forward to your questions.