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

Existing rate and formulas approved.
January 22, 2018.

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 Boston, New York, Cleveland, Richmond, Chicago, and San Francisco had voted on January 11, 2018, and the directors of the Federal Reserve Banks of Philadelphia, Atlanta, St. Louis, Minneapolis, and Kansas City had voted on January 18, to establish the primary credit rate at the existing level (2 percent). The directors of the Federal Reserve Bank of Dallas had voted on January 11 to establish a rate of 2-1/4 percent (an increase from 2 percent).

Federal Reserve Bank directors noted favorable economic conditions across various sectors and were optimistic about the prospects for continued economic growth. Several directors observed positive trends in housing and manufacturing. In addition, some directors reported growth in consumer spending, particularly for online purchases. Many directors commented on recently enacted tax legislation. While directors were cautiously optimistic about the likely economic effects on particular sectors, they also expressed uncertainty in judging the full effect of the tax cuts at this early date. In several Districts, directors noted further tightening in labor markets and the ongoing challenge of finding skilled workers to fill jobs in certain industries. Inflation remained somewhat below the FOMC's 2 percent objective.

The directors of eleven Reserve Banks favored establishing the primary credit rate at the current level of 2 percent. These directors judged that it would be appropriate to maintain the current level of short-term interest rates and assess whether incoming data support the outlook for continued moderate economic growth, further strengthening in labor markets, and a gradual return of inflation to 2 percent over the medium term. The directors of one Reserve Bank favored increasing the primary credit

rate to 2-1/4 percent. These directors judged that an increase in short-term interest rates was warranted in light of solid economic growth, tight labor-market conditions, and an expected rise in inflation toward 2 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 percent. (NOTE: At the joint Board-FOMC meeting on December 13, 2017, the Board had approved the establishment of the primary credit rate at 2 percent, an increase from 1-3/4 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 Yellen, Vice Chairman for Supervision Quarles, and Governors Powell and Brainard.

Background: Office of the Secretary memorandum, January 19, 2018.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, January 22, 2018.

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

Approved.
January 31, 2018.

In a joint meeting of the Federal Open Market Committee (FOMC) and the Board today, the FOMC decided to maintain the target range for the federal funds rate at 1-1/4 to 1-1/2 percent. Consistent with the FOMC's decision to leave the target range for the federal funds rate unchanged, the Board approved maintaining the existing interest rates (1-1/2 percent) paid on required and excess reserve balances. At today's meeting, the Board also approved the establishment of the interest rate on discounts and advances made under the primary credit program (the primary credit rate) at the existing level (2 percent).

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago, and San Francisco had voted on January 25, 2018, to establish the primary credit rate at the existing level (2 percent). The directors of the Federal Reserve Bank of Dallas had voted on January 25 to establish a rate of 2-1/4 percent (an increase from 2 percent). (NOTE: At its meeting on January 22, 2018, the Board had taken no action on a request by the Dallas Reserve Bank to increase the primary credit rate.)

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 these actions: Chair Yellen, Vice Chairman for Supervision Quarles, and Governors Powell and Brainard.

Background: Office of the Secretary memorandum, January 26, 2018.

Implementation: FOMC Statement (with attached Implementation Note) and transmissions from Ms. Misback to the Reserve Banks, January 31, 2018.