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

Existing rate and formulas approved.
August 27, 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 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 New York, Philadelphia, Richmond, Chicago, and Minneapolis had voted on August 16, 2018, and the directors of the Federal Reserve Banks of Boston, Atlanta, St. Louis, and San Francisco had voted on August 23, to establish the primary credit rate at the existing level (2.50 percent). The directors of the Federal Reserve Bank of Kansas City had voted on August 16, and the directors of the Federal Reserve Banks of Cleveland and Dallas had voted on August 23, to establish a rate of 2.75 percent (an increase from 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 August 1, 2018, 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. 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: Chairman Powell, Vice Chairman for Supervision Quarles, and Governor Brainard.

Background: Office of the Secretary memorandum, August 24, 2018.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, August 27, 2018.

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

Existing rate and formulas approved.
September 17, 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 Philadelphia and Atlanta had voted on September 6, 2018, and the directors of the Federal Reserve Banks of New York and Minneapolis had voted on September 13, to establish the primary credit rate at the existing level (2.50 percent). The directors of the Federal Reserve Banks of Boston and St. Louis had voted on September 6, and the directors of the Federal Reserve Banks of Cleveland, Richmond, Chicago, Kansas City, Dallas, and San Francisco had voted on September 13, to establish a rate of 2.75 percent (an increase from 2.50 percent).

Federal Reserve Bank directors had favorable reports on economic conditions across sectors and Districts, and many expressed optimism about the economic outlook. Many directors reported strong consumer spending and increased retail sales, and some directors observed strong growth in the manufacturing sector. Directors noted continued tightening in labor markets, shortages of both skilled and unskilled workers, and resulting increases in labor costs, including for new hires. In addition, many directors cited higher wages, rising input costs, or both as contributing to higher prices for finished goods. Most directors continued to express concerns about the impact of trade policy on activity in specific sectors and on economic growth more broadly. Inflation was at or near the FOMC's 2 percent objective.

The directors of four Reserve Banks judged that establishing the primary credit rate at the current level of 2.50 percent was appropriate for now. In light of solid economic growth, tight labor markets, and inflation at or near the FOMC's 2 percent objective, the directors of eight Reserve Banks judged that it would be appropriate to raise the primary credit rate to 2.75 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 its meeting on August 27, 2018, 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. 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: Chairman Powell, Vice Chairman Clarida, Vice Chairman for Supervision Quarles, and Governor Brainard.

Background: Office of the Secretary memorandum, September 14, 2018.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, September 17, 2018.

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

Approved.
September 26, 2018.

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 by 25 basis points, to 2 to 2-1/4 percent, effective September 27, 2018. To support the Committee's decision to raise the target range for the federal funds rate, the Board approved raising the interest rate paid on required and excess reserve balances from 1.95 percent to 2.20 percent, effective September 27, 2018.

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 Cleveland, Richmond, Chicago, Kansas City, Dallas, and San Francisco had voted on September 13, 2018, and the directors of the Federal Reserve Banks of Boston, Philadelphia, Atlanta, and St. Louis had voted on September 20, to establish a primary credit rate of 2.75 percent (an increase from 2.50 percent). (NOTE: At its meeting on September 17, the Board had approved the establishment of the primary credit rate at 2.50 percent.)

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 2.50 percent to 2.75 percent, effective September 27, 2018, for the ten Reserve Banks that had voted for such an increase. 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 continue to 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 rate on reserve balances and the primary credit rate. In addition, the Secretary was authorized to inform the Federal Reserve Banks of New York and Minneapolis, on their establishment of a primary credit rate of 2.75 percent, of the Board's approval and determination, effective on the later of September 27, 2018, or the date the Reserve Bank informed the Secretary of its request. (Note: Subsequently, the Secretary informed the New York and Minneapolis Reserve Banks of the Board's approval of their establishment of a primary credit rate of 2.75 percent, effective September 27, 2018.)

Voting for these actions: Chairman Powell, Vice Chairman Clarida,
Vice Chairman for Supervision Quarles,
and Governor Brainard.

Background: Office of the Secretary memorandum, September 21, 2018.

Implementation: FOMC Statement (with attached Implementation Note), September 26; press release, September 27; transmissions from Ms. Misback to the Reserve Banks, September 26 and 27; and Federal Register documents (Docket Nos. R-1623 and R-1624, RINs 7100-AF17 and 7100-AF18), September 27, 2018.