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

Existing rate and formulas approved.  
January 23, 2023.

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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 Atlanta and Dallas had voted on January 19, 2023, to establish the primary credit rate at the existing level of 4.5 percent. The directors of the Federal Reserve Banks of Boston, New York, Kansas City, and San Francisco had voted on January 12, 2023, and the directors of the Federal Reserve Banks of Philadelphia, Richmond, and Chicago had voted on January 19, to establish a rate of 4.75 percent (an increase from 4.5 percent). The directors of the Federal Reserve Bank of Cleveland had voted on January 12, 2023, and the directors of the Federal Reserve Banks of St. Louis and Minneapolis had voted on January 19, to establish a rate of 5 percent.

Overall, Federal Reserve Bank directors reported that economic activity remained steady in their Districts yet was uneven across sectors. Several directors cited continued strong demand in the retail and hospitality sectors. Other sectors, including housing and manufacturing, experienced a slowdown in some Districts. Most directors reported that labor market conditions had improved, making it easier to hire and retain employees, although staff shortages in the healthcare industry remained a concern. Wage growth had moderated in many Districts. Supply chain disruptions, while easing according to some directors, continued to affect certain industries. Directors were generally cautious or concerned about a weaker outlook for the economy, and some directors expected the inflation rate, which remained elevated, to slowly moderate in 2023.

The directors of two Federal Reserve Banks favored maintaining the current primary credit rate at the existing level of 4.5 percent. Other Federal Reserve

Bank directors favored increasing the primary credit rate to either 4.75 percent (seven Reserve Banks) or 5 percent (three Reserve Banks).

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 4.5 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 Brainard,  
Vice Chair for Supervision Barr, and  
Governors Bowman, Waller, Cook, and Jefferson.

Background: Office of the Secretary memorandum, January 20, 2023.

Implementation: Transmissions from Ms. Misback to the Reserve Banks,  
January 23, 2023.

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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.  
February 1, 2023.

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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 4-1/2 to 4-3/4 percent, effective February 2, 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 4.4 percent to 4.65 percent, also effective February 2, 2023.

Subject to review and determination by the Board of Governors, the directors of twelve 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 Philadelphia, Richmond, and Chicago had

voted on January 19, 2023, and the directors of the Federal Reserve Banks of Boston, New York, Atlanta, Kansas City, Dallas, and San Francisco had voted on January 26, to establish a primary credit rate of 4.75 percent (an increase from 4.5 percent). The directors of the Federal Reserve Banks of St. Louis and Minneapolis had voted on January 19, 2023, and the directors of the Federal Reserve Bank of Cleveland had voted on January 26, to establish a primary credit rate of 5 percent. At its meeting on January 23, 2023, the Board had taken no action on requests by the Boston, New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, 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 4.5 percent to 4.75 percent, effective February 2, 2023, for the Federal Reserve Banks of Boston, New York, Philadelphia, Richmond, Atlanta, Chicago, 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 Cleveland, St. Louis, and Minneapolis Reserve Banks, on their establishment of a primary credit rate of 4.75 percent, of the Board's approval and determination, effective on the later of February 2, 2023, or the date the Reserve Bank informed the Secretary of its request. (Note: Subsequently, the Secretary informed the Cleveland, St. Louis, and Minneapolis Reserve Banks of the Board's approval of their establishment of a primary credit rate of 4.75 percent, effective February 2, 2023.)

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

Background: Office of the Secretary memorandum, January 27, 2023.

Implementation: FOMC statement (with attached implementation note) and transmissions from Ms. Misback to the Reserve Banks, February 1, and Federal Register documents (Docket Nos. R-1801 and R-1802, RINs 7100-AG54 and 7100-AG55), February 3, 2023.