Chair Powell's Press Conference Opening Statement
June 12, 2024

CHAIR POWELL. Good afternoon. My colleagues and I remain squarely focused on achieving our dual mandate goals of maximum employment and stable prices for the benefit of the American people. Our economy has made considerable progress toward both goals over the past two years. The labor market has come into better balance, with continued strong job gains and a low unemployment rate. Inflation has eased substantially from a peak of 7 percent to 2.7 percent but is still too high. We are strongly committed to returning inflation to our 2 percent goal in support of a strong economy that benefits everyone.

Today, the FOMC decided to leave our policy interest rate unchanged and to continue to reduce our securities holdings. We are maintaining our restrictive stance of monetary policy in order to keep demand in line with supply and reduce inflationary pressures. 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 1.3 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, grew at 2.8 percent in the first quarter, nearly as strong as the second half of 2023. Growth of consumer spending has slowed from last year's robust pace but remains solid. And investment in equipment and intangibles has picked up from its anemic pace last year. Improving supply conditions have supported resilient demand and the strong performance of the U.S. economy over the past year. In our Summary of Economic Projections, Committee participants generally expect GDP growth to slow from last year's pace, with a median projection of 2.1 percent this year and 2.0 percent over the next two years.

In the labor market, supply and demand conditions have come into better balance. Payroll job gains averaged 218 thousand jobs per month in April and May, a pace that is still strong but a bit below that seen in the first quarter. The unemployment rate ticked up but remains low at 4 percent. Strong job creation over the past couple of years 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. Overall, a broad set of indicators suggests that conditions in the labor market have returned to about where they stood on the eve of the pandemic—relatively tight but not overheated. FOMC participants expect labor market strength to continue. The median unemployment rate projection in the SEP is 4.0 percent at the end of this year and 4.2 percent at the end of next year.

Inflation has eased notably over the past two years but remains above our longer-run goal of 2 percent. Total PCE prices rose 2.7 percent over the 12 months ending in April; excluding the volatile food and energy categories, core PCE prices rose 2.8 percent. The Consumer Price Index, which came out this morning and tends to run higher than the PCE price index, rose 3.3 percent over the 12 months ending in May, and the core CPI rose 3.4 percent. The inflation data received earlier this year were higher than expected, though more recent monthly readings have eased somewhat. 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 median projection in the SEP for total PCE inflation is 2.6 percent this year, 2.3 percent next year, and 2.0 percent in 2026.

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. Our monetary policy actions are guided by our dual mandate to promote maximum employment and stable prices for the American people. In support of these goals, 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 reducing our securities holdings. As labor market tightness has eased and inflation has declined over the past year, 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. The most recent inflation readings have been more favorable than earlier in the year, however, and there has been modest further progress toward our inflation objective. We will need to see more good data to bolster our confidence that inflation is moving sustainably toward 2 percent.

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.

In our SEP, FOMC participants wrote down their individual assessments of an appropriate path for the federal funds rate, based on what each participant judges to be the most likely scenario going forward. If the economy evolves as expected, the median participant projects that the appropriate level of the federal funds rate will be 5.1 percent at the end of this year, 4.1 percent at the end of 2025, and 3.1 percent at the end of 2026. But these projections are not a Committee plan or any kind of decision. As the economy evolves, assessments of the appropriate policy path will adjust in order to best promote our maximum employment and price stability goals. If the economy remains solid and inflation persists, we are prepared to maintain the current target range for the federal funds rate as long as appropriate. If the labor market were to weaken unexpectedly or inflation were to fall more quickly than anticipated, we are prepared to respond. 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 our decisions meeting by meeting, based on the totality of the data and its implications for the outlook and the balance of risks.

The Fed has been assigned two goals for monetary policy—maximum employment and stable prices. 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 achieving maximum employment and stable prices over the long run. Our success in delivering on these goals matters to all Americans. 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.