Transcript of Chair Powell's Press Conference Opening Statement
December 13, 2023

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. As we approach the end of the year, it is natural to look back on the progress that has been made toward our dual mandate objectives. Inflation has eased from its highs, and this has come without a significant increase in unemployment. That is very good news. But inflation is still too high, ongoing progress in bringing it down is not assured, and the path forward is uncertain. As we look ahead to next year, I want to assure the American people that we are fully committed to returning inflation to our 2 percent goal. Restoring price stability is essential to achieve a sustained period of strong labor market conditions that benefit all.

Since early last year, the FOMC has significantly tightened the stance of monetary policy. We have raised our policy interest rate by 5-1/4 percentage points and have continued to reduce our securities holdings at a brisk pace. Our actions have moved our policy rate well into restrictive territory, meaning that tight policy is putting downward pressure on economic activity and inflation, and the full effects of our tightening likely have not yet been felt.

Today, we decided to leave our policy interest rate unchanged and to continue to reduce our securities holdings. Given how far we have come, along with the uncertainties and risks that we face, the Committee is proceeding carefully. We will make decisions about the extent of any additional policy firming and how long policy will remain restrictive based on the totality of the incoming data, the evolving outlook, and the balance of risks. I will have more to say about monetary policy after briefly reviewing economic developments.

Recent indicators suggest that growth of economic activity has slowed substantially from the outsized pace seen in the third quarter. Even so, GDP is on track to expand around 2-1/2 percent for the year as a whole, bolstered by strong consumer demand as well as improving supply conditions. After picking up somewhat over the summer, activity in the housing sector has flattened out and remains well below the levels of a year ago, largely reflecting higher mortgage rates. Higher interest rates also appear to be weighing on business fixed investment. In our Summary of Economic Projections, Committee participants revised up their assessments of GDP growth this year but expect growth to cool, with the median projection falling to 1.4 percent next year.

The labor market remains tight, but supply and demand conditions continue to come into better balance. Over the past three months, payroll job gains averaged 204 thousand jobs per month, a strong pace that is nevertheless below that seen earlier in the year. The unemployment rate remains low, at 3.7 percent. Strong job creation has been accompanied by an increase in the supply of workers: The labor force participation rate has moved up since last year, particularly for individuals aged 25 to 54 years, and immigration has returned to pre-pandemic levels. Nominal wage growth appears to be easing, and job vacancies have declined. Although the jobs-to-workers gap has narrowed, labor demand still exceeds the supply of available workers. FOMC participants expect the rebalancing in the labor market to continue, easing upward pressures on inflation. The median unemployment rate projection in the SEP rises somewhat from 3.8 percent at the end of this year to 4.1 percent at the end of next year.

Inflation has eased over the past year but remains above our longer-run goal of 2 percent. Based on the Consumer Price Index and other data, we estimate that total PCE prices rose 2.6 percent over the 12 months ending in November; and that, excluding the volatile food and energy categories, core PCE prices rose 3.1 percent. The lower inflation readings over the past several months are welcome, but we will need to see further evidence to build confidence that inflation is moving down sustainably toward our goal. 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. As is evident from the SEP, we anticipate that the process of getting inflation all the way to 2 percent will take some time. The median projection in the SEP is 2.8 percent this year, falls to 2.4 percent next year, and reaches 2 percent in 2026.

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 highly attentive to the risks that high inflation poses to both sides of our mandate, and we are strongly committed to returning inflation to our 2 percent objective.

As I noted earlier, since early last year, we have raised our policy rate by 5-1/4 percentage points, and we have decreased our securities holdings by more than $1 trillion. Our restrictive stance of monetary policy is putting downward pressure on economic activity and inflation. 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.

While we believe that our policy rate is likely at or near its peak for this tightening cycle, the economy has surprised forecasters in many ways since the pandemic, and ongoing progress toward our 2 percent inflation objective is not assured. We are prepared to tighten policy further if appropriate. We are committed to achieving a stance of monetary policy that is sufficiently restrictive to bring inflation sustainably down to 2 percent over time, and to keeping policy restrictive until we are confident that inflation is on a path to that objective.

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. While participants do not view it as likely to be appropriate to raise interest rates further, neither do they want to take the possibility off the table. If the economy evolves as projected, the median participant projects that the appropriate level of the federal funds rate will be 4.6 percent at the end of 2024, 3.6 percent at the end of 2025, and 2.9 percent at the end of 2026, still above the median longer-term rate. These projections are not a Committee decision or plan; if the economy does not evolve as projected, the path for policy will adjust as appropriate to foster our maximum employment and price stability goals.

In light of the uncertainties and risks, and how far we have come, the Committee is proceeding carefully. We will continue to make our decisions meeting by meeting, based on the totality of incoming data and their implications for the outlook for economic activity and inflation as well as the balance of risks. In determining the extent of any additional policy firming that may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.

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.