

Policy announcement

The Federal Open Market Committee (FOMC) increased the federal funds rate by .75%, or 75 basis points (the biggest increase since 1994), to 1.50% – 1.75%. The Federal Reserve (Fed) expects ongoing increases to the federal funds rate. The committee will continue reducing its holdings of Treasury securities, agency debt, and agency mortgage-backed securities in accordance with its statement released last May.

Topic	Details
Stated reasons	<p>Overall economic activity appears to have picked up after edging slower in the first quarter. Job gains have been robust in recent months, and the unemployment rate has remained low.</p> <p>Inflation remains elevated, reflecting supply and demand imbalances due to the pandemic, higher energy prices, and broader price pressures.</p>
Looking forward	<p>The Russia-Ukraine war is creating additional upward pressure on inflation and weighing on economic activity. The committee is highly attentive to inflation risks.</p> <p>With appropriate firming in the stance of monetary policy, the committee is strongly committed to returning inflation to its 2% objective.</p> <p>The FOMC considers that ongoing rate increases will be appropriate. We are forecasting additional interest rate hikes in 2022 and 2023 to allow the federal funds rate to range between 3.25% – 3.50% by year-end 2023.</p>
What else?	<p>The median FOMC projection for the terminal federal funds rate during this cycle is 3.8%. This is above the longer-term neutral rate expectation of 2.5%. The terminal rate expectation assumes several 50- or 75-basis-point rate hikes in the second half of 2022 and throughout 2023.</p> <p>The FOMC median projections show higher inflation expectations for 2022, moving from 4.3% at the March meeting to 5.2%, while also decreasing the Committee’s expectation for real economic growth for the year from 2.8% in March to 1.7%.</p> <p>There was one vote against the policy action, Esther George, who preferred to raise the target range for the federal funds rate by .50%, or 50 basis points.</p>
Upcoming meeting schedule	<p>July 27 September 21* November 2 December 14*</p> <p>*Indicates the meeting is associated with a summary of economic projections. In addition, every meeting will be accompanied by a press conference.</p>

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