

Federal Open Market Committee Meeting Key Takeaways

September FOMC meeting

September 16, 2020

Policy announcement

The Federal Open Market Committee (FOMC) decided to leave the federal funds rate unchanged at 0.00%–0.25%. The Federal Reserve (Fed) also announced that it will continue to purchase Treasury, agency mortgage-backed, and commercial mortgage-backed securities at least at the current pace to sustain smooth market functioning.

Topic	Details
Stated reasons	<p>The novel coronavirus is causing tremendous human and economic hardship across the United States and around the world. Economic activity and employment have picked up in recent months, but they remain well below levels at the beginning of this year.</p> <p>Overall financial conditions have improved in recent months.</p> <p>The path of the economy will depend significantly on the course of the virus.</p>
Looking forward	<p>The FOMC expects to maintain this target range (0.00%-0.25%) until labor market conditions have reached levels consistent with the Committee's assessment of maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time.</p> <p>The FOMC will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge to the Committee's goals.</p>
What else?	<p>The Fed provided more clarity around its new inflation framework. The Fed now has a goal of average inflation rising to 2% while also having inflation on track to moderately exceed 2% for some time.</p> <p>The new summary of economic projections shows that FOMC members do not expect inflation will exceed the 2% target through 2023 or over the longer run. The new Fed inflation framework would suggest that under such a scenario, the federal funds rate would remain at the lower zero bound (0.00%-0.25%) throughout the forecast period.</p> <p>There were two votes against the policy statement, both related to disagreements related to language around the new inflation goal.</p>
Upcoming meeting schedule	<p>November 5 December 16* January 27 March 17*</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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