Transcript of Chair Powell's Press Conference Opening Statement
January 31, 2024

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. The economy has made good progress toward our dual mandate objectives. Inflation has eased from its highs 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. 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.

Today, the FOMC decided to leave our policy interest rate unchanged and to continue to reduce our securities holdings. Over the past two years, we have significantly tightened the stance of monetary policy. Our strong actions have moved our policy rate well into restrictive territory, and we have been seeing the effects on economic activity and inflation. As labor market tightness has eased and progress on inflation has continued, the risks to achieving our employment and inflation goals are moving into better balance. I will have more to say about monetary policy after briefly reviewing economic developments.

Recent indicators suggest that economic activity has been expanding at a solid pace. GDP growth in the fourth quarter of last year came in at 3.3 percent. For 2023 as a whole, GDP expanded at 3.1 percent, bolstered by strong consumer demand as well as improving supply conditions. Activity in the housing sector was subdued over the past year, largely reflecting high mortgage rates. High interest rates also appear to have been weighing on business fixed investment.

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 165 thousand jobs per month, a pace that is well below that seen a year ago but still strong. 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 on balance over the past year, particularly for individuals aged 25 to 54 years, and immigration has returned to pre-pandemic levels. Nominal wage growth has been easing, and job vacancies have declined. Although the jobs-to-workers gap has narrowed, labor demand still exceeds the supply of available workers.

Inflation has eased notably over the past year but remains above our longer-run goal of 2 percent. Total PCE prices rose 2.6 percent over the 12 months ending in December; excluding the volatile food and energy categories, core PCE prices rose 2.9 percent. The lower inflation readings over the second half of last year are welcome, but we will need to see continuing 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.

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.

Over the past two years, we have raised our policy rate by 5-1/4 percentage points, and we have decreased our securities holdings by more than $1.3 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.

We believe that our policy rate is likely at its peak for this tightening cycle and that, if the economy evolves broadly as expected, it will likely be appropriate to begin dialing back policy restraint at some point this year. But the economy has surprised forecasters in many ways since the pandemic, and ongoing progress toward our 2 percent inflation objective is not assured. The economic outlook is uncertain, and we remain highly attentive to inflation risks. We are prepared to maintain the current target range for the federal funds rate for longer, if appropriate.

As labor market tightness has eased and progress on inflation has continued, the risks to achieving our employment and inflation goals are moving into better balance. We know that reducing policy restraint too soon or too much could result in a reversal of the progress we have seen on inflation and ultimately require even tighter policy to get inflation back to 2 percent. 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 the incoming data, the evolving outlook, and the balance of risks. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. We will continue to make our decisions meeting by meeting.

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.