

**Transcript of Chair Powell's Press Conference  
September 20, 2023**

CHAIR POWELL. Good afternoon, everyone. My colleagues and I remain squarely focused on our dual mandate to promote maximum employment and stable prices for the American people. We understand the hardship that high inflation is causing, and we remain strongly committed to bringing inflation back down to our 2 percent goal. Price stability is the responsibility of the Federal Reserve. Without price stability, the economy does not work for anyone. In particular, without price stability, we will not 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've raised our policy interest rate by 5¼ percentage points and have continued to reduce our securities holdings at a brisk pace. We've covered a lot of ground, and the full effects of our tightening have yet to be felt. Today, we decided to leave our policy interest rate unchanged and to continue to reduce our securities holdings. Looking ahead, we're in a position to proceed carefully in determining the extent of additional policy firming that may be appropriate. Our decisions will be based on our ongoing assessments of the incoming data and the evolving outlook and risks. 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, and, so far this year, growth in real GDP has come in above expectations. Recent readings on consumer spending have been particularly robust. Activity in the housing sector has picked up somewhat, though it remains well below 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, or SEP, Committee participants revised up their assessments

of real GDP growth, with the median for this year now at 2.1 percent. Participants expect growth to cool, with the median projection falling to 1.5 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 150,000 jobs per month, a strong pace that is nevertheless well below that seen earlier in the year. The unemployment rate ticked up in August but remains low at 3.8 percent. The labor force participation rate has moved up since late last year, particularly for individuals aged 25 to 54 years. Nominal wage growth has shown some signs of easing, and job vacancies have declined so far this year. 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 from 3.8 percent at the end of this year to 4.1 percent over the next two years.

Inflation remains well above our longer-run goal of 2 percent. Based on the consumer price index, or CPI, and other data, we estimate that total PCE prices rose 3.4 percent over the 12 months ending in August and that, excluding the volatile food and energy categories, core PCE prices rose 3.9 percent. Inflation has moderated somewhat since the middle of last year, and 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. Nevertheless, the progress—process of getting inflation sustainably down to 2 percent has a long way to go. The median projection in the SEP for total PCE inflation is 3.3 percent this year, falls to 2.5 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're 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  $5\frac{1}{4}$  percentage points. We see the current stance of monetary policy as restrictive, putting downward pressure on economic activity, hiring, and inflation. In addition, the economy is facing headwinds from tighter credit conditions for households and businesses. In light of how far we have come in tightening policy, the Committee decided at today's meeting to maintain the target range for the federal funds rate at  $5\frac{1}{4}$  to  $5\frac{1}{2}$  percent and to continue the process of significantly reducing our securities holdings.

We are committed to achieving and sustaining a stance of monetary policy that is sufficiently restrictive to bring inflation down to our 2 percent goal over time. 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—sorry—the most likely scenario going forward. If the economy evolves as projected, the median participant projects that the appropriate level of the federal funds rate will be 5.6 percent at the end of this year, 5.1 percent at the end of 2024, and 3.9 percent at the end of 2025. Compared with our June Summary of Economic Projections, the median projection is unrevised for the end of this year but has moved up by  $\frac{1}{2}$  percentage point at the end of the next two years. These projections, of course, are not a Committee decision or plan; if the economy does not evolve as projected, the path of policy will adjust as appropriate to foster our maximum-employment and price-stability goals. We will continue to make our decisions meeting by meeting, based on the totality of the

incoming data and their implications for the outlook for economic activity and inflation, as well as the balance of risks.

Given how far we have come, we are in a position to proceed carefully as we assess the incoming data and the evolving outlook and risks. Real interest rates now are well above mainstream estimates of the neutral policy rate, but we are mindful of the inherent uncertainties in precisely gauging the stance of policy. We're prepared to raise rates further if appropriate, and we intend to hold policy at a restrictive level until we're confident that inflation is moving down sustainably toward our objective. In determining the extent of 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. Reducing inflation is likely to require a period of below-trend growth and some softening of labor market conditions. 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, and I look forward to your questions.

MICHELLE SMITH. Colby.

COLBY SMITH. Thank you. Colby Smith with the *Financial Times*. What makes the Committee inclined to think that the fed funds rate at this level is not yet sufficiently restrictive,

especially when officials are forecasting a slightly more benign inflation outlook for this year? There's noted uncertainty about policy lags. Headwinds have emerged from the looming government shutdown, the end of federal childcare funding, resumption of student debt payments—things of that nature.

CHAIR POWELL. So I guess I would characterize the, the situation a little bit differently. So we decided to maintain the target range for the federal funds rate where it is—at 5¼ to 5½ percent—while continuing to reduce our securities holdings. And we say we're committed to achieving and sustaining a stance of monetary policy that's sufficiently restrictive to bring down inflation to 2 percent over time—we said that. But the fact that we decided to maintain the policy rate at this meeting doesn't mean that we've decided that we have or have not at this time reached that—that stance of monetary policy that we're seeking. If you looked at the SEP, as you—as you obviously will have done, you will see that a majority of participants believe that it is more likely than not that we will—that it will be appropriate for us to raise rates one more time in the two remaining meetings this year. Others believe that we have already reached that. So it's, it's something where we're—by, by—we're not making a decision by, by deciding to—about that question by deciding to just maintain the rate and await further data.

COLBY SMITH. So, right now, it's still an open question about “sufficiently restrictive”—you're not saying today that we've reached this level?

CHAIR POWELL. We're not saying—yeah, no, no—clearly, we're just—what we decided to do is maintain a policy rate and await further data. We want to see convincing evidence, really, that we have reached the appropriate level, and then, you know, we're—we've—we've seen progress, and, and we welcome that. But, you know, we need to see more progress before we'll be willing to—to reach that conclusion.

COLBY SMITH. And just on the 2024 projections—what's behind that shallower path for interest rate cuts and the need for real rates to be 50 basis points higher?

CHAIR POWELL. Right. So I would say it this way: First of all, interest rates—real interest rates are, are positive now. They're meaningfully positive, and that's a good thing. We need policy to be restrictive so that we can get inflation down to target. Okay. And we need—we're going to need that to remain to be the case for some time. So I think, you know—remember that the—of course, the SEP is not a plan that is negotiated or discussed, really, as a plan. It's a cumulation, really, and what you see are the medians. It's a cumulation of individual forecasts from 19 people, and then what you're seeing are the medians. So I wouldn't want to, you know, bestow upon it the idea that, that it's really a plan. But what it reflects, though, is that economic activity's been stronger than we expected—stronger than I think everyone expected. And, and so what you're—what you're seeing is, this is what people believe, as of now, will be appropriate to achieve what we're looking to achieve, which is progress toward our—toward our inflation goal, as you see in the SEP.

MICHELLE SMITH. Thanks. Let's go to Rachel.

RACHEL SIEGEL. Hi, Chair Powell. Rachel Siegel from the *Washington Post*. Thanks for taking our questions. How would you characterize the debate around another hike or holding steady? Is it discussion around lag times, fear of too much slowing, too little slowing? Could you walk us through what this disagreement was about at the meeting?

CHAIR POWELL. Yeah. So the proposal at the meeting was to—was to maintain our current policy stance, and, and I think there was obviously unanimous support for that. But this, of course, is an SEP meeting, and so people write down what they think. And you've got—you have some—you saw, I think—seven wrote down no hike at this—at this meeting—or between

now and the end of the year. And I think 12 wrote down another single hike in one of the next two meetings that we have between the end of the year. So it wasn't like we were arguing over that—people just stating their positions—and, really, what, what people are saying is, “Let's see how the data come in.” You know, we, we want to see—you know what we want to see. We want to see that, that this, this—these good inflation readings that we've been seeing for the last three months—we want to see that it's more than just three months, right? We want to see, you know—the, the labor market report that we received, the last one that we received, was a good example of what we do—of what we do want to see. It was a combination of, of, you know, of—across a broad range of indicators, continuing rebalancing of the labor market. So those are the two things—so those are our two mandate variables, and, and that's, that's the progress that we want to see. But I think people—they want to be convinced, you know—they want to be careful to—not to jump to a conclusion, really, one way or the other—but just be convinced that the data, you know, support that conclusion. And that's why, given how far we've come and how quickly we've come, we're actually in a position to be able to proceed carefully as we assess the incoming data and the evolving outlooks and risks and make these decisions meeting by meeting.

RACHEL SIEGEL. I see. And, in your view, what would—I know nothing has been decided yet—but what would one more hike at the end of the year do to the economy or to inflation? And on the other side, what would no hike do, if you could sort of game that out for us?

CHAIR POWELL. So, you know, you, you can make the argument that one hike one way or the other won't matter. But, for us, we're, we're trying—obviously, as a group, it's a pretty tight cluster of, of where we think that, that policy stance might be, but we're always

going to be learning from data. You know, we've learned all through the course of the last year that, actually, we needed to go further than we had thought. If you go back a year—and what we thought, what we wrote down—it's actually gotten higher and higher. So we, we don't really know until—and that's why, again, we—we're in a position to proceed carefully at this point. A year ago, we proceeded pretty quickly to get rates up. Now—now we're fairly close, we think, to where we need to get. It's, it's just a question of reaching the right stance. I wouldn't attribute huge importance to one hike in, in macroeconomic terms. Nonetheless, you know, we need—we need to get to a place where we're confident that we have a stance that will bring inflation down to 2 percent over time. That's what we need to get to, and we've been—you know, we've been moving toward it. As we've gotten closer to it, we've slowed the pace at which we've moved. I think that was appropriate. And now that we're getting closer, we, we—again, we have the ability to proceed carefully.

MICHELLE SMITH. Thanks. Let's go to Steve.

STEVE LIESMAN. Steve Liesman, CNBC. Mr. Chairman, I want to return to Colby's question here. What is it saying about the Committee's view of the inflation dynamic in the economy that you achieve the same forecast inflation rate for next year but need another half a point of the funds rate on it? Does it tell you that—does it tell us that the Committee believes inflation to be more persistent—requires more medicine, effectively? And I guess a related question is, if you're going to project a funds rate above the longer-run rate for four years in a row, at what point do we start to think, “Hey, maybe the longer rate or the neutral rate is actually higher”? Thank you.

CHAIR POWELL. So I, I guess I would point more to—rather than pointing to a sense of inflation having become more persistent, I wouldn't think—that's not—we've, we've seen



inflation be more persistent over the course of the past year, but I wouldn't say that's something that's appeared in the recent data. It's more about stronger economic activity, I would say. So if, if I had to attribute one thing—again, we're, we're picking medians here and trying to attribute one explanation. But I think, broadly, stronger economic activity means, means rates—we have to do more with rates, and that's what—that's what that meaning is, is telling you. In terms of, of what the neutral rate can be—you know, we—we know it by its works. We only know it by its works, really. We can't—we can't—you know, the, the models and, and—that we use, you—ultimately, you only know when you get there and by, by the way the economy reacts. And, again, that's another reason why we're—why we're moving carefully now, because, you know, there are lags here. So it, it may—it may, of course, be that the—that the neutral rate has risen. You do see people—you don't see the median moving—but you do see people raising their estimates of, of the neutral rate, and it's certainly plausible that the neutral rate is higher than, than the longer-run rate. Remember—what we write down in the SEP is the longer-run rate. It is certainly possible that, you know, that the—that the neutral rate at this moment is higher than that, and that—that's part of the explanation for why the economy has been more resilient than, than expected.

MICHELLE SMITH. Let's go to Howard.

HOWARD SCHNEIDER. Howard Schneider with Reuters. Thank you. So you've said several times that the economy needed a period of below-trend growth to get inflation consistently back to 2 percent. You kind of get that in 2024 a little bit—1.5 percent is just a touch below what's the estimate of potential. So the fact that you're getting so much done at so much less cost, does that represent a change in how you think inflation works, a change in how

you think the economy works, a change in the mix of supply healing versus demand destruction that's necessary to achieve this?

CHAIR POWELL. Yes, of course. It is a—it is a good thing that we, we've seen now meaningful rebalancing in the labor market without an increase in unemployment, and that's, that's because we're seeing that rebalancing in other places—in, for example, job openings and in the jobs–worker gap. You're also seeing supply-side things—so, so that's happening. I would say, though, we still—I still think, and I think, broadly, people still think, that there will have to be some softening in the labor market that can come through more supply, as we've seen as well. Also, remember, the natural rate, we think, is, is coming down, which is a supply-side thing, so that the, the gap between any given unemployment rate that's lower than that and the natural rate comes down. That's a way for supply—that's a way for the labor market to achieve a better balance. So all of those things are happening. You're right—in, in the median forecast, we don't see a big increase in unemployment. We do see an increase, and—but that's—that really is just “playing forward” the trends that we've been seeing. That is not guaranteed. There, there may come a time when unemployment goes up more than that, but that's, that's really what we've been seeing is, progress without higher unemployment for now.

HOWARD SCHNEIDER. So just to, to boil that down for a second—you know, we've gone from a very narrow path to a—to a soft landing to something different. Would you call the soft landing now a baseline expectation?

CHAIR POWELL. No, no—I would not do that. I, I would just say—what, what would I say about that? I've always thought that the soft landing was, was a plausible outcome—that there was a path, really, to, to a soft landing. I've thought that, and I've said that since we lifted off. It's also possible that, that the path has narrowed, and it's widened, apparently. Ultimately,

it—this may be decided by factors that are outside our control at the end of the day. But I do think it's—I do think it's possible. And, you know—I also think, you know, this is why we're in a position to, to move carefully again. That—we, we will restore price stability. We, we know that we have to do that, and we know the public depends on us doing that, and we know that we have to do it so that we can achieve the kind of labor market that we all want to achieve, which is an extended period—sustained period of strong labor market conditions that benefit all. We know that. The fact that we've come this far lets us really proceed carefully, as I keep saying. So I think, you know, that's, that's the end we're trying to achieve. I wouldn't want to handicap the likelihood of it, though. It's not up to me to do that.

MICHELLE SMITH. Nick.

NICK TIMIRAOS. Nick Timiraos, the *Wall Street Journal*. Chair Powell, both you and Vice Chair Williams have indicated that “sufficiently restrictive” will be judged on a real rather than nominal basis, implying some scope for nominal rate cuts next year—provided further compelling evidence that price pressures will continue to subside. Is the FOMC focused on targeting a real level of policy restriction? And can you explain what would constitute enough evidence that will allow the FOMC to normalize the nominal stance of policy while keeping real policy settings sufficiently restrictive?

CHAIR POWELL. I mean, yes—we, we understand that it's a real rate that will matter and that needs to be sufficiently restrictive. And, again, I would say, you know—you know “sufficiently restrictive” only when you see it. You—it's not something you can arrive at with confidence in a model or, or in various estimates, you know. And so what are we seeing? We're, we're seeing, you know, through a combination of the, you know, the unwinding of the pandemic-related demand and supply distortions and monetary policy's work in suppressing

demand or, or, you know, alleviating very high demand—the combination of those two things is actually working. You're seeing, you know, inflation coming down. It's principally now in goods—also in housing services. You begin to see effects of it in nonhousing services as well. So I think—we think that that is working. And I, I think, you know—as we've said, we, we want to reach that—we want to reach something that we're confident gets us to that level. And I think confidence comes from seeing, you know, enough data that you feel like, “Yes, okay, this feels like it—we can—we can, for now, decide that this is the right level and just agree to stay here.” We're not permanently deciding not to go higher, but, but we would—let's say, if we get to that level—and then the question is, how long do you stay at that level? And that's a whole other set of questions. For now, the question is trying to find that level where we think we can stay there. And we haven't—we haven't gotten to a point of confidence about that yet. That's, that's what we're—that's, that's the stage we're at, though.

NICK TIMIRAOS. But it looks like there was—because there was an across-the-board drop in the core PCE projection—core PCE inflation projection for this year, and even then it seems possible that core PCE inflation could come in even lower than the median at 3.7 percent. Would you see a case to raise rates still if it turned out that you were going to achieve the same real rate this year because the decline in inflation proceeds somewhat better than you—than you currently anticipate?

CHAIR POWELL. The decision that we make at, you know, at each meeting and, certainly, at the—at the last two meetings this year—it's going to depend on the totality of all the data: so, the inflation data, the labor market data, the growth data, the, the balance of risks, and the other events that are happening out there. We'll make—we take all of that into account, so I can't really answer a hypothetical about one piece of that. It'll—it'll be trying to reach a

judgment over whether we should move forward with another rate hike overall and whether that would increase our confidence that, that, yes, this is an appropriate move, and it will help, help us be more confident that we've gotten to the level that we need to get to.

MICHELLE SMITH. Jeanna.

JEANNA SMIALEK. Thanks, Chair Powell. Following up on Nick's question, actually—John Williams, the New York Fed president, obviously, has said things to the effect of, "Next year, as we see inflation kind of"—again, to Nick's point—"as, as we see inflation coming down, we're going to need to reduce interest rates to make sure that we're not squeezing the economy harder and harder over time." And I wonder if that's basically the logic that you apply—you know, is that how you think about it? And then I also wonder—in the last press conference, you said something to the effect of, you know, "It's a full year out—those discussions," and people interpreted that to mean that you didn't see a possibility of a rate cut in the first half of next year. And I wonder if that was what you meant by that or whether, you know—how you're thinking about that timing.

CHAIR POWELL. No. When—so when I answer these questions about hypotheticals about, about cutting, I'm never intending to send a signal about timing; I'm just answering them as, as the question is expressed. So, so please—I, I wouldn't want to be taken that way. Sorry—the first question was, is that how? Yeah, so we're—as we go into next year, that's the question we'll be asking is—you know, taking into account lags and, and everything else we know about the economy and everything we know about monetary policy, the, the time will come at some point, and I'm not saying when, that it's—that it's appropriate to cut. Part of that may be that real rates are rising because inflation is coming down. Part of it just may be that—it'll be all the factors that we see in the economy. And, you know, that time will certainly come at some point.

And you—what you see is us writing down, you know, a year ahead, estimates of what that might be. And, you know, there's—you know, there's so much uncertainty around that. In, in—when we—in the moment, we'll do what we think makes sense. No one will look back at this and say, “Hey, we made a plan.” It's not like that at all. It's—this is—these are estimates made a year in advance that are highly uncertain, and that's how it is.

MICHELLE SMITH. Neil.

NEIL IRWIN. Thanks so much, Chair Powell. Neil Irwin with Axios. I wonder—how do you think about the question of whether the strong GDP growth we've been seeing is driven by excess demand versus supply-side factors, productivity, labor force growth? And, relatedly, if GDP keeps coming in “hot,” even in the absence of inflation resurgence, would that on its own be a reason to consider more tightening?

CHAIR POWELL. So on, on your first question—I mean, we're looking at GDP very, very carefully to try to understand really what's the direction of it—what's, what's driving it. And it's, it's a lot of consumer spending, you know. It's been—the consumer's been very robust in its—in spending. So that is, you know, that's how we're looking at it. Sorry, your second question was—

NEIL IRWIN. Does GDP stays “hot,” but without inflation?

CHAIR POWELL. So I, I think the question will be—GDP is not our mandate, right? Maximum employment and price stability are the mandates. The question will be, is, is the level—is GDP—is the—is the heat that we see in GDP—is it really a threat to our ability to get back to 2 percent inflation? That's going to be the question. It's not—it's not a question about GDP on its own. It's, you—you know, you're expecting to see the—this improvement, you know—continued rebalancing in the labor market and inflation moving back down to 2 percent

in a sustainable way. We have to have confidence in that, and, you know, we'd be—we'd be looking at GDP just, just to the extent that it threatens one or both of those.

MICHELLE SMITH. Victoria.

VICTORIA GUIDA. Hi. Victoria Guido with Politico. There are multiple external factors that are playing out right now. We see rising oil prices. We see auto workers striking. There's the looming, very real possibility of a government shutdown. And I was just wondering, for each of those things, could you talk about how you're thinking about how that might affect the course for the Fed and the economy?

CHAIR POWELL. So there is a—there is a long list, and you hit some of them. But it—you know, it's, it's the strike, it's government shutdown, resumption of student loan payments, higher long-term rates, oil price shock. You know, you could—there are a lot of things that you can—you can look at. And, you know—so, what we try to do is assess all of them and, and handicap all of them. And, ultimately, though, there's so much uncertainty around, around these things. I mean, to, to start with the strike—first of all, we absolutely don't comment on the strike, as we have no view on the strike one way or the other. But we, we do have to make an assessment of its economic effects to do our jobs. So, you know, the, the thing about it is—so uncertain. It will depend. The economic effects—it could affect—you've looked—we've looked back at history—it could affect economic output, hiring, and inflation. But that's really going to depend on how broad it is and how long it's sustained for. And we—and then it also depends on how quickly production can make up for, for lost production. So none of those things are known right now. It's very, very hard to know. So you just have to leave that uncertain. And, and we'll be learning, I think, over the course of the next intermeeting period, much more about that. And the same is true for the others. We, we—I don't know if you

mentioned shutdown; I think of all of these as being on the list. We don't comment on that. It hasn't traditionally had much of a macroeconomic effect.

You know, energy prices being higher—that's—that is a significant thing. We—energy prices being up can affect spending. It can affect the consumer over time. A sustained period of higher—of higher energy prices can affect consumer expectations about inflation. We tend to look through short-term volatility and look at—look at core inflation. But so the question is, how long are, are higher prices sustained? We have to—we have to take those macroeconomic effects into account as well. Those are—those are some of them. I'm not sure if I hit them all. But—I mean, ultimately, you know, you're, you're coming into this with an economy that appears to have significant momentum. And that's, that's what we start with. And we—but we do have this collection of risks that you mentioned.

MICHELLE SMITH. Craig.

CRAIG TORRES. Craig Torres from Bloomberg News. I was a little surprised, Chair Powell, to hear you say that a soft landing is not a primary objective. This economy's seeing added supply in a way that could create long-term inflation stability. We have prime-age labor force participation moving up where people can add skills. Workers want to work. We have a boom in manufacturing construction. We've had a decent spate of homebuilding. And since inflation's coming down with strong GDP growth, we may have higher productivity. All are which—good for the Fed's longer-run target of low inflation. And if we lose that in a recession, aren't we opting for the awful hysteresis that we had in 2010? So are you taking this into account as you pursue policy? Thank you.

CHAIR POWELL. To begin: A soft landing is a primary objective, and I did not say otherwise. I mean, that's, that's what we've been trying to achieve for all this time.



The, the real point, though, is—the, the worst thing we can do is to fail to restore price stability, because the record is clear on that: If you, you don't restore price stability, inflation comes back, and you go through—you can have a long period where the economy's just very uncertain, and it will affect growth; it will affect all kinds of things. It can be a miserable period to have inflation constantly coming back and the Fed coming in and having to tighten again and again. So the best thing we can do for everyone, we believe, is to restore price stability. I think now, today, we actually—you know, we, we have the ability to be careful at this point and move carefully, and that's what we're planning to do. So we fully appreciate that—you know, the benefits of being able to continue what we see already, which is rebalancing in the labor market and inflation coming down without seeing, you know, an important, large increase in unemployment, which has been typical of other tightening cycles. So—

MICHELLE SMITH. Let's go to Chris.

CHRISTOPHER RUGABER. Hi. Thank you. Chris Rugaber at Associated Press. When you look at the disinflation that has taken place so far, do you see it mostly as a result of what some economists are calling “the low-hanging fruit”—such as the unwinding of supply chain snarls and other pandemic disruptions—or is it more a broad disinflationary trend that involves most goods and services across the economy? Thank you.

CHAIR POWELL. So if I—if I understood your question, it's—I would say it this way: I think we knew from the time—from before when we lifted off, but certainly by the time we lift—we knew that bringing inflation back down was going to take, as I call it, the unwinding of these distortions to both supply and demand that happened because of the pandemic and the response. So that unwinding was going to be important. In addition, monetary policy was going to help. It was going to help supply side heal by, by cooling demand off and, just in general,

better aligning supply with demand. So those two forces were always going to be important. I think it's very hard to pull them apart. They work together. I, I do think both of them are at work now, and I think they're at work in a way that shows you the progress that we—that we are seeing.

MICHELLE SMITH. Let's go to Mike.

MICHAEL MCKEE. Michael McKee from Bloomberg Television and Radio. In June, you forecast a 5.6 percent year-end median fed funds rate, and since then, you've more than doubled your growth forecast. You lowered your unemployment forecast significantly. So, what would justify that last move, because the median forecast is for lower inflation? And given all the known unknowns that you face, how much confidence do you have, can investors have, or the American people have in your forecasts?

CHAIR POWELL. Well, forecasts are highly uncertain. Forecasting is very difficult. Forecasters are a humble lot with much to be humble about. But to get to, to your question, though—what's happened is, growth has come in stronger, right? Stronger than expected—and that's required higher rates. Unemployment, you know—you also see that the, the ultimate unemployment rate is not as high, but that—that's really because of what we've been seeing in the labor market. We've seen more and more progress in the labor market without seeing significantly higher unemployment. So we're, we're continuing that trend. In terms of inflation, you, you are seeing—the last three readings are, are very good readings. It's only three readings, you know. We—we're well aware that we need to see more than three readings. But if you look at June, July, and August, you're looking at, you know, really significant declines in core inflation, largely in the goods sector—also to some extent in housing services and just a little in nonhousing services. Those are the three buckets. Headline inflation, of course, has come way

down, largely due to lower energy prices, some of which is now reversing. So I think—people should know that, that economic forecasting is very difficult, and these are highly uncertain forecasts. But these are—these are our forecasts. You know, they're, they're—we have very high-quality people working on these forecasts, and I think they stand up well against other forecasters. But just the nature of the business is, the economy is very difficult to forecast.

MICHAEL MCKEE. Given the—given the forecast that you have, what justified not moving today, and what could justify moving in the future if you think inflation is coming down? In other words, why did you leave that extra dot in?

CHAIR POWELL. Well, I, I think we have come very far very fast in, in the, the rate increases that we've made. And I think it was important at the beginning that we move quickly, and we did. And, and I think as we get closer to the rate that we think—the stance of monetary policy that we think is appropriate to bring inflation down to 2 percent over time, you know, the risks become more two sided, and the risk of overtightening and the risk of, of undertightening becomes more equal. And I think the, the natural, commonsense thing to do is, as you approach that, you move a little more slowly as you get closer to it. And that, that's what we're doing. So we're, we're taking advantage of the fact that we have moved quickly to move a little more carefully now as we—as we sort of find our way to, to the right level of restriction that we need to get inflation back down to 2 percent.

MICHELLE SMITH. Jennifer.

JENNIFER SCHONBERGER. Thank you, Chair Powell. Jennifer Schonberger with Yahoo Finance. With your focus on year-over-year PCE, isn't it true that base effects are huge and that by the time you meet in November, that it's more likely that you'll have a low PCE number that would make you feel more comfortable? And, secondly, how would the lack of key

indicators—like CPI, the jobs report—impact your approach in upcoming meetings if we were to have a government shutdown? Thank you.

CHAIR POWELL. Sorry—yeah, I missed the first question. What was—missed what factors?

JENNIFER SCHONBERGER. The base factors.

CHAIR POWELL. Base factors. Ah. Okay. So on that, we're, you know, we're looking at just monthly, right? You can look at just monthly readings and see what the increase was from the prior month. So you're right—when you go back 3, 6, and 12 months, you get base factors. But we can—we can adjust for that. In terms of not getting data—you know, again, we don't—we don't comment on government shutdowns. It—it's possible—if, if there is a government shutdown and it lasts through the, the next meeting, then it's possible we wouldn't—we wouldn't be getting some of the data that we would ordinarily get, and we—you know, we would just have to deal with that. And I don't know. It's hard for me to say in advance how that would affect that meeting. It would depend on all kinds of factors that I don't know about now. But it's certainly a reality that, that that's a possibility.

JENNIFER SCHONBERGER. Would you feel more comfortable on the base effects that—as those kind of fall out of the equation for the next couple of readings by November, would you feel more comfortable at that point?

CHAIR POWELL. You know, yes. I mean, if you're looking—if—we, we can tell how much inflation has gone up in a given month, right? And, you know, that's what we're looking at. And month by month, what's the reading? And, you know, I think—I think what we're really looking at is, there's a tendency to look at, you know, shorter and shorter maturities, but they're incredibly volatile, and they can be misleading. That's why we look at 12-month [rates].

But I think, in this situation—where it looks like we've had a bit of a turn in inflation starting in June—we're also looking at six months, and even three months, but really six months' inflation. So you're looking at it over that period and over longer periods. That—that's the right way to go. And we don't—we don't need to be in a hurry to—in, in getting to a conclusion about what to do. We can let the data evolve. So—

MICHELLE SMITH. Edward.

EDWARD LAWRENCE. Thanks for the question, Chair Powell. Edward Lawrence with Fox Business. So I want to focus back in on oil prices. We're seeing oil prices, as you mentioned, move up, and that's pushing the price of gas. So how does that factor into your decision to raise rates or not—because in the last two inflation reports, PCE and CPI, we've seen, the overall inflation has actually risen?

CHAIR POWELL. Right. So, you know, energy prices are very important for the consumer. This, this can affect consumer spending. It certainly can affect consumer sentiment. I mean, gas prices are one of the big things that, that affects consumer sentiment. It, it really comes down to how persistent—how sustained these energy prices are. The reason why we look at core inflation, which excludes food and energy, is that energy goes up and down like that. And it doesn't—energy, energy prices mostly, mostly don't contain much of a signal about how tight the economy is, and hence don't tell you much about where inflation's really going. However, we're well aware, though, that, that, you know, if energy prices increase and stay high, that'll have an effect on spending. And, and it may have an effect on, on consumer expectations of inflation—things like that. That's just things we have to monitor.

EDWARD LAWRENCE. On the consumer—they're putting more and more of this on their credit card. The consumer is seeing, you know, record credit spending. How long do you

think the consumer can manage that debt at higher interest rates now? And are you concerned about a, a debt bubble related to that?

CHAIR POWELL. So, to, to finish my prior thought, I was saying that's why we tend to look through energy moves that we—that we can see as, as short-term volatility. You know, turning to consumer credit, you know—of course, we watch that carefully. Consumer distress—measures of distress among consumers were at historic lows quite recently, you know, after—during and after the, the pandemic. They're now moving back up to normal. We're, we're watching that carefully. But, at this point, these, these readings are not at troublingly high levels. They're, they're just kind of moving back up to what was the typical [level] in the pre-pandemic era.

MICHELLE SMITH. Jean.

JEAN YUNG. Hi. Jean Yung with MNI Market News. Yields along the Treasury curve have risen to their highest in years. What is the Fed's view about what's been driving that increase in recent weeks, and how much of it can be attributed to macro explanations—and how much to technical factors?

CHAIR POWELL. So you're right. You know, rates have moved up significantly. I think it's always hard to say precisely, but it's—most, most people do a common decomposition of the increase, and they'll, they'll—the view will be, it's not—it's not mostly about inflation expectations. It's mostly about other things, you know—either term premium or real yields—and it's, it's hard to be precise about this. Of course, everyone's got models that'll give you a very precise answer, but they give you different answers. So—but, essentially, they're, they're moving up because—it's not because of inflation. It's because probably—it'll probably have

something to do with stronger growth, I would say—more, more supply of Treasuries. You know, the common explanations that you hear in the markets kind of make sense.

MICHELLE SMITH. Kyle.

KYLE CAMPBELL. Kyle Campbell, *American Banker*. Thank you for taking the questions—just two on, on housing. You've said slower shelter cost growth is in the pipeline and will reflect in inflation readings as new leases are signed, but there's also some questions out there about the way housing costs are measured, particularly the use of rental equivalents, which are estimates from homeowners about what their homes would rent for if they were in the rental market. So my question is, how much of the effort to tame inflation, both as it's measured and felt by the broader public, hinges on housing supply? And then as far as a constrained housing supply being sort of exacerbated by this sort of lock-in effect of mortgages being higher now than they were at their recent historic lows, how is that going to impact future thinking about taking interest rates to that lower bound in the future?

CHAIR POWELL. So on the supply point—of course, supply is very important over time in, in setting house prices and, and, for that matter, rents. And so—and supply is kind of structurally constrained. But in terms of, of where inflation's going in the near term, though, as, as you obviously know, a lot of it is, is leases that are running off and then being re-signed or re-leased at a level that's, that's not as—it won't be that much higher. A year ago, it would have been much higher than it was a year before; now it may be below or at the same level. So as those leases are rolling over, we're, we're seeing what we expect, which is measured housing services inflation coming down. Your second question was the lock-ins. How much is that affecting things, really?

KYLE CAMPBELL. Is that going to affect your decisions to potentially bring rates down to their lower bound in the future, sort of creating that sort of bubble of buying and then a lock-in that sort of stagnates the housing market?

CHAIR POWELL. I, I think we look at the—I would look at the lock-in, the, the idea being that people are in, in very low mortgage—very low-rate mortgages, and if—even if they want to move now, they—it would be hard because the new mortgage would be so expensive. And that's explaining some of the—that's one of the explanations for what's happening broadly in the labor market. Would that play a role in, in our future decisions—in a—in a future tight—in a future loosening cycle about whether we would cut rates? No, I, I don't think it would. I mean, I don't think that's—I, I think we'd be looking at, what, you know, fundamentally, what, what rates does the economy need? And, and, you know, in, in an emergency like the pandemic or during the Global Financial Crisis, you, you know, the, the—you have to cut rates to the point that—you have to do, do what you can to support the economy. So I wouldn't—I wouldn't think that that would be a reason for us not to do that. It's not something we're thinking about at all right now. But, down the road, I wouldn't think so.

MICHELLE SMITH. Nancy.

NANCY MARSHALL-GENZER. Hi. Nancy Marshall-Genzer with Marketplace. Chair Powell, you've mentioned several things that would possibly weigh on consumer confidence, maybe cut back consumer spending—possible government shutdown, high gas prices. At this point, would the Fed welcome a decrease in consumer spending? Would that help you get inflation closer to your 2 percent target?

CHAIR POWELL. I, I wouldn't say it that way. We're not looking for a decrease in consumer spending. It's, it's a good thing that the economy's strong. It's a good thing that the



economy has been able to hold up under, under the tightening that we've done. It's a good thing that the labor market's strong. The, the only concern—it, it just means this: If the economy comes in stronger than expected, that just means we'll have to do more in terms of monetary policy to get back to 2 percent—because we will get back to 2 percent. Does that answer your question?

NANCY MARSHALL-GENZER. Yeah. And I guess, on the other hand, would you worry that that could contribute to an economic slowdown or even a recession?

CHAIR POWELL. Well, that's always a concern. I mean, concern number one is, is restoring price stability, because in the long run, that's, that's something we have to do so that we can have the kind of economy we really want, which is one with sustained period of tight labor market conditions that benefit all, as I—as I've said a couple times. So that, that said—of course, you know—we, we also now, given how far we've come with our rate hikes and how quickly we've come here, we do have the ability to be careful as we move forward because of that consideration.

MICHELLE SMITH. Simon.

SIMON RABINOVITCH. Thank you, Chair Powell. Simon Rabinovitch with the *Economist*. One of the factors in the economic resilience to date appears to be a lesser degree of rate sensitivity than in the past. Obviously, we've talked about households with long fixed-rate mortgages—also companies that refinanced before last year. What is your thinking about the efficacy of rates and how that's changed? And then, related to that, how do you think about the distributional consequences in the sense that if you're a relatively wealthy household with a long fixed-rate mortgage, the past year has not been all that tough with rates going up, whereas if

you're relying on your credit card for supporting your consumption, in fact, times are getting a lot tougher a lot more quickly? Thanks.

CHAIR POWELL. So, what—I guess it's fair—it's fair to say that the economy has been stronger than many expected, given, given what's been happening with, with interest rates. Why is that? Many candidate explanations—possibly—a number of them make sense. One, one is just that household balance sheets and business balance sheets have been stronger than we had understood, and so that, that spending has held up—and that kind of thing. We're not sure about that. The savings rate for consumers has come down a lot. The question is whether that's sustainable. That could—it could just mean that the—that the date of effect is, is later. It could also be that for other reasons, the neutral rate of interest is, is higher for—for various reasons. We don't know that. It could also just be that policy hasn't been restrictive enough for long enough. And it's—there are many candidate explanations. We have to, in, in all this uncertainty, make policy, and I, you know, I feel like what we have right now is what's still a very strong labor market—but that's coming back into balance. We were making progress on inflation. Growth is strong. But I think by many forecasts—many, many, many forecasts call for growth to, to moderate over the course of the next year. So that's where we are, and, you know, we have to—we have to deal with what comes. On your second question, which was—sorry, your second question was distributional, but can you—can you be a little clearer about that?

SIMON RABINOVITCH. Yeah. My point there was that if you're somebody who has a long fixed-rate mortgage, you've been able to endure the higher rates relatively easily. If you're somebody who's living month to month off of your credit card, current financing rates are, are punitive.

CHAIR POWELL. Yes. And so the point I would make there is that we're trying to get inflation back down. The people who are most hurt by inflation are the people who are on a fixed income. If you're a person who spends all of your income, you don't really have any meaningful savings. You spend all your income on the basics of life—clothing, food, transportation, heating—the basics—and prices go up by 5, 6, 7 percent, you're in trouble right away, whereas even, even middle-class people have some savings and some ability to absorb that. So it is for those people as much as for anybody that we need to restore price stability, and, and we, we want to do it as quickly as possible. Obviously, we—we'd like to do that. We'd like the current trend to continue, which is that we're making progress without seeing the kind of increase in unemployment that we've seen past—in past things. But you're right, though. When we raise rates, people who are, you know, living on credit cards and, and borrowing are going to feel that more. They are. And, of course, people with, with lots of savings also have a—have a much lower marginal propensity to consume, and so they're not going to—it's not going to affect them as much.

MICHELLE SMITH. Let's go to Greg Robb for the last question.

GREG ROBB. Thank you, Chair Powell. Greg Robb from MarketWatch. In the Beige Book recently, you can tell that the Fed has been surveying nonprofits and community groups about the economic health of low-income Americans—moderate-income Americans. I have two questions about this. Are you going to use that data to maybe come up with sort of like a quarterly survey of those groups—like the senior loan officer survey? And from your—and also the second question is, from your recent look—readings of these surveys, how are low and moderate Americans doing? Is there this thing where, like, the GDP is strong because of wealthy

Americans kind of driving things? I just want to get your sense of the health of that sector.

Thank you.

CHAIR POWELL. So I, I don't know about the quarterly survey. That's an idea we can—we can take away and think about. In terms of how low and moderate Americans—you know, they're clearly—were suffering from, from high inflation. I think during the pandemic, the, the government transfers that happened were very meaningful. And, you know, if you know the—the surveys that we take showed that—showed that low- and moderate-income people were actually in very, very strong financial condition. I think now it's a very "hot" labor market, and you're seeing high [growth in] nominal wages, and you're starting to see [that growth rates of] real wages are now positive by most—by most measures. So I, I think, overall, households are in good shape.

Surveys are a different thing. So surveys are showing dissatisfaction, and I think a lot of that is just, people hate inflation—hate it. And that, that causes people to say, "The economy's terrible." But, at the same time, they're spending money. Their behavior is, is not exactly what you would expect from the surveys. That's kind of a, a guess at what the answer might be. But I, I think there's a lot of good things happening on household balance sheets—and, certainly, in the labor market and with wages. The biggest wage increases having gone to relatively low-wage jobs—and now [with] inflation coming down—you're seeing [increases in] real wages, which is a good thing.

Thanks very much.