FEDERAL RESERVE press release

For release at 2 p.m. EDT May 4, 2022

Although overall economic activity edged down in the first quarter, household spending and business fixed investment remained strong. Job gains have been robust in recent months, and the unemployment rate has declined substantially. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures.

The invasion of Ukraine by Russia is causing tremendous human and economic hardship. The implications for the U.S. economy are highly uncertain. The invasion and related events are creating additional upward pressure on inflation and are likely to weigh on economic activity. In addition, COVID-related lockdowns in China are likely to exacerbate supply chain disruptions. The Committee is highly attentive to inflation risks.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With appropriate firming in the stance of monetary policy, the Committee expects inflation to return to its 2 percent objective and the labor market to remain strong. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 3/4 to 1 percent and anticipates that ongoing increases in the target range will be appropriate. In addition, the Committee decided to begin reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities on June 1, as described in the Plans for Reducing the Size of the Federal Reserve's Balance Sheet that were issued in conjunction with this statement.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic

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outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michelle W. Bowman; Lael Brainard; James Bullard; Esther L. George; Patrick Harker; Loretta J. Mester; and Christopher J. Waller. Patrick Harker voted as an alternate member at this meeting.

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Decisions Regarding Monetary Policy Implementation

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its statement on May 4, 2022:

- The Board of Governors of the Federal Reserve System voted unanimously to raise the interest rate paid on reserve balances to 0.9 percent, effective May 5, 2022.
- As part of its policy decision, the Federal Open Market Committee voted to authorize and direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:

  "Effective May 5, 2022, the Federal Open Market Committee directs the Desk to:
  - Undertake open market operations as necessary to maintain the federal funds rate in a target range of 3/4 to 1 percent.
  - Conduct overnight repurchase agreement operations with a minimum bid rate of 1.0 percent and with an aggregate operation limit of $500 billion; the aggregate operation limit can be temporarily increased at the discretion of the Chair.
  - Conduct overnight reverse repurchase agreement operations at an offering rate of 0.8 percent and with a per-counterparty limit of $160 billion per day; the per-counterparty limit can be temporarily increased at the discretion of the Chair.
  - Roll over at auction the amount of principal payments from the Federal Reserve's holdings of Treasury securities maturing in the calendar month of June that exceeds a monthly cap of $30 billion. Redeem Treasury coupon securities up to this monthly cap and Treasury bills to the extent that coupon principal payments are less than the monthly cap.
  - Reinvest into agency mortgage-backed securities (MBS) the amount of principal payments from the Federal Reserve's holdings of agency debt and agency MBS received in the calendar month of June that exceeds a monthly cap of $17.5 billion.
  - Allow modest deviations from stated amounts for reinvestments, if needed for operational reasons.
  - Engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions."

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- In a related action, the Board of Governors of the Federal Reserve System voted unanimously to approve a 1/2 percentage point increase in the primary credit rate to 1 percent, effective May 5, 2022. In taking this action, the Board approved requests to establish that rate submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco.

This information will be updated as appropriate to reflect decisions of the Federal Open Market Committee or the Board of Governors regarding details of the Federal Reserve's operational tools and approach used to implement monetary policy.

More information regarding open market operations and reinvestments may be found on the Federal Reserve Bank of New York's website.