Transcript of Chair Powell's Press Conference Opening Statement
July 31, 2019

CHAIR POWELL. Good afternoon, and welcome.

We decided today to lower the target for the federal funds rate by a quarter of a percentage point to a range of 2 percent to 2-1/4 percent. The outlook for the U.S. economy remains favorable and this action is designed to support that outlook. It is intended to insure against downside risks from weak global growth and trade policy uncertainty; to help offset the effects these factors are currently having on the economy; and to promote a faster return of inflation to our symmetric 2 percent objective. All of these objectives will support achievement of our overarching goal: to sustain the expansion, with a strong job market and inflation close to our objective, for the benefit of the American people. We also decided to conclude the runoff of our securities portfolio in August, rather than in September as previously planned.

And I will discuss the thinking behind today's interest rate reduction, and then turn to the path forward.

As the year began, both the economy and monetary policy were in a good place. The unemployment rate was below 4 percent, and inflation had been running near our 2 percent objective for nine months. Our interest rate target was at the low end of estimates of neutral. Over the first half of the year, the economy grew at a healthy pace and job gains pushed unemployment to near a half-century low. Wages have been rising, particularly for lower-paying jobs. People who live and work in low- and middle-income communities tell us that many who have struggled to find work are now getting opportunities to add new and better chapters to their lives. This underscores for us the importance of sustaining the expansion so that the strong job market reaches more of those left behind.

Through the course of the year, weak global growth, trade policy uncertainty, and muted inflation have prompted the FOMC to adjust its assessment of the appropriate path of interest rates. The Committee moved from expecting rate increases this year, to a patient stance about any changes, and then to today's action. The median Committee participant's assessments of the neutral rate of interest and the longer run normal rate of unemployment have also declined this year, reinforcing the case for a somewhat lower path for our policy rate. These changes in the anticipated path of interest rates have eased financial conditions and have supported the economy.

At our June meeting, many Committee participants saw that the case for lowering the federal funds rate had strengthened, but the Committee wanted to get a better sense of the overall direction of events. Since then, we have seen both positive and negative developments.

Job growth was strong in June and, looking through month-to-month fluctuations, the data point to continued strength. We expect job growth to be slower than last year, but above what we believe is required to hold the unemployment rate steady.

GDP growth in the second quarter came in close to expectations. Consumption—supported by rising incomes and high household confidence—is the main engine driving the economy forward. But manufacturing output has declined for two consecutive quarters, and business fixed investment fell in the second quarter. Foreign growth has disappointed, particularly in manufacturing, and notably in the euro area and China. In response to this weakness, many central banks around the world are increasing policy accommodation or contemplating doing so. After simmering early in the year, trade policy tensions nearly boiled over in May and June, but now appear to have returned to a simmer. Looking through this

variability, our business contacts tell us that the ongoing uncertainty is making some companies more cautious about their capital spending.

The domestic inflation shortfall has continued. Core inflation, which excludes food and energy prices and is a better gauge of future developments than is total inflation, has run at 1.6 percent over the past 12 months. We continue to expect that inflation will return over time to 2 percent. But domestic inflation pressures remain muted, and global disinflationary pressures persist. Wages are rising, but not at a pace that would put much upward pressure on inflation. We are mindful that inflation's return to 2 percent may be further delayed, and that continued below-target inflation could lead to a worrisome and difficult-to-reverse downward slide in longer-term expectations.

So taking all of that on board, the Committee still sees a favorable baseline outlook. Over the year, however, incoming information on global growth, trade policy uncertainty, and muted inflation have led the Committee to gradually lower its assessments of the path of the policy interest rate that would best support that outlook. Today, we judge that those factors warrant the policy adjustment I described. As the Committee contemplates the future path of the target range for the federal funds rate, it will continue to monitor the implications of incoming information for the economic outlook and will act as appropriate to sustain the expansion, with a strong labor market and inflation near its symmetric 2 percent objective.

Thank you. I am happy to take your questions.