Transcript of Chair Powell's Press Conference Opening Remarks
December 11, 2019

CHAIR POWELL. Good afternoon everyone. To begin, I would like to say a few words about Paul Volcker, who as you know passed away earlier this week. Paul Volcker served as Federal Reserve Chair from 1979 to 1987. He accomplished many things during his long and distinguished career at the Fed and elsewhere. Of course, he is best known for leading the fight to tame the double-digit inflation that he inherited as Chair, thus laying the foundation for the prosperity and price stability we enjoy today. But what is perhaps most admirable about him—more than his many accomplishments—was his character. He believed that there is no higher calling than public service, and he dedicated the lion's share of his life to it. With courage, integrity, and tenacity, he always pursued the policies that he believed would ultimately benefit all Americans. My colleagues and I continue to draw inspiration from his example.

Turning to today's meeting, my colleagues and I decided to leave our policy rate unchanged, after lowering it a total of 3/4 of a percentage point at the previous three meetings. As always, we base our decisions on judgment of how best to achieve the goals Congress has given us—maximum employment and price stability. Our economic outlook remains a favorable one despite global developments and ongoing risks. With our decisions through the course of the past year, we believe that monetary policy is well positioned to serve the American people by supporting continued economic growth, a strong job market, and inflation near our symmetric 2 percent goal.

The economic expansion is in its 11th year, the longest on record. Household spending has been strong—supported by a healthy job market, rising incomes, and solid consumer confidence. In contrast, business investment and exports remain weak, and manufacturing output has declined over the past year. As has been the case for some time, sluggish growth abroad and trade developments have been weighing on those sectors. Even so, the overall economy has been growing moderately. And with a strong household sector and supportive monetary and financial conditions, we expect moderate growth to continue. As seen from FOMC participants' most recent projections, the median expectation for real GDP growth slows slightly over the next few years but remains near 2 percent.

The unemployment rate has been near half-century lows for well more than a year, and the pace of job gains remains solid. Participation in the labor force by people in their prime working years, ages 25 through 54, has been increasing. And 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 finding new opportunities. Employment gains have been broad-based across all racial and ethnic groups and all levels of education. These developments underscore for us the importance of sustaining the expansion so that the strong job market reaches more of those left behind. We expect the job market to remain strong. The median of participants' projections for the unemployment rate remains below 4 percent over the next several years.

Inflation continues to run below our symmetric 2 percent objective. Over the 12 months through October, total PCE inflation was 1.3 percent and core inflation, which excludes volatile food and energy prices and is a better indicator of future inflation, was 1.6 percent. While low and stable inflation is certainly a good thing, inflation that runs persistently below our objective can lead to an unhealthy dynamic in which longer-term inflation expectations drift down, pulling actual inflation even lower. In turn, interest rates would be lower as well and closer to their effective lower bound. As a result, the scope for interest rate reductions to support the economy in a future downturn would be diminished, resulting in worse economic outcomes for American families and businesses. Against the backdrop of a strong economy and supportive monetary policy, we expect inflation will rise to 2 percent. The median of participants' projections rises to 1.9 percent next year and 2 percent in 2021. We are strongly committed to achieving our symmetric 2 percent inflation goal.

Over the course of the past year, our views about the path of interest rates that would best achieve our employment and inflation objectives changed significantly, as the economy faced some important challenges from weaker global growth and trade developments. As the year progressed, we adjusted the stance of monetary policy to cushion the economy from these developments and to provide some insurance against the associated risks. In addition, inflation pressures were unexpectedly muted, strengthening the case for a more supportive stance of policy. Rather than modestly increasing the target rate for the federal funds rate this year as seemed appropriate a year ago, we reduced it by 3/4 percentage point. This shift has helped support the economy and has kept the outlook on track. The medians of participants' projections for economic growth, the unemployment rate, and inflation are little changed from a year ago, aside from a lower inflation projection for 2019. Of course, that is the function of monetary policy—to adjust interest rates to promote employment and price stability in response to forces acting on the economy.

We believe that the current stance of monetary policy will support sustained growth, a strong labor market, and inflation near our symmetric 2 percent objective. As long as incoming information about the economy remains broadly consistent with this outlook, the current stance of monetary policy likely will remain appropriate. Looking ahead, we will be monitoring the effects of our recent policy actions, along with other information bearing on the outlook, as we assess the appropriate path of the target range for the federal funds rate. Of course, if developments emerge that cause a material reassessment of our outlook, we would respond accordingly. Policy is not on a preset course.

Finally, I wanted to note that we have been purchasing Treasury bills and conducting repurchase operations consistent with the plan we announced in December. These technical operations are aimed at maintaining an ample level of reserves and addressing money market pressures that could adversely affect the implementation of monetary policy. Our operations have gone well so far; pressures in money markets over recent weeks have been subdued. To address possible pressures in money markets over the year-end, we have been conducting term repo operations spanning year-end. We stand ready to adjust the details of our operations as appropriate to keep the federal funds rate in the target range.

Thank you, and I will be happy to take your questions.