Transcript of Chair Powell's Press Conference Opening Statement
June 15, 2022

CHAIR POWELL. Good afternoon. I will begin with one overarching message. We at the Fed understand the hardship high inflation is causing. We are strongly committed to bringing inflation back down, and we are moving expeditiously to do so. We have both the tools we need and the resolve it will take to restore price stability on behalf of American families and businesses. The economy and the country have been through a lot over the past two-and-a-half years and have proved resilient. It is essential that we bring inflation down if we are to have a sustained period of strong labor market conditions that benefit all.

From the standpoint of our Congressional mandate to promote maximum employment and price stability, the current picture is plain to see: The labor market is extremely tight, and inflation is much too high. Against this backdrop, today the Federal Open Market Committee raised its policy interest rate by 3/4 percentage point and anticipates that ongoing increases in the that rate will be appropriate. In addition, we are continuing the process of significantly reducing the size of our balance sheet. I will have more to say about today's monetary policy actions after briefly reviewing economic developments.

Overall economic activity edged down in the first quarter, as unusually sharp swings in inventories and net exports more than offset continued strong underlying demand. Recent indicators suggest that real GDP growth has picked up this quarter, with consumption spending remaining strong. In contrast, growth in business fixed investment appears to be slowing, and activity in the housing sector looks to be softening, in part reflecting higher mortgage rates. The tightening in financial conditions that we have seen in recent months should continue to temper growth and help bring demand into better balance with supply. As shown in our Summary of

Economic Projections, FOMC participants have marked down their projections for economic activity, with the median projection for real GDP growth running below 2 percent through 2024.

The labor market has remained extremely tight, with the unemployment rate near a 50-year low, job vacancies at historical highs, and wage growth elevated. Over the past three months, employment rose by an average of 408,000 jobs per month, down from the average pace seen earlier in the year but still robust. Improvements in labor market conditions have been widespread, including for workers at the lower end of the wage distribution as well as for African Americans and Hispanics. Labor demand is very strong, while labor supply remains subdued with the labor force participation rate little changed since January. FOMC participants expect supply and demand conditions in the labor market to come into better balance, easing the upward pressures on wages and prices. The median projection in the SEP for the unemployment rate rises somewhat over the next few years, moving from 3.7 percent at the end of this year to 4.1 percent in 2024, levels that are noticeably above the March projections.

Inflation remains well above our longer-run goal of 2 percent. Over the 12 months ending in April, total PCE prices rose 6.3 percent; excluding the volatile food and energy categories, core prices rose 4.9 percent. In May, the 12-month change in the Consumer Price Index came in above expectations at 8.6 percent, and the change in the core CPI was 6 percent. Aggregate demand is strong, supply constraints have been larger and longer lasting than anticipated, and price pressures have spread to a broad range of goods and services. The surge in prices of crude oil and other commodities that resulted from Russia's invasion of Ukraine is boosting prices for gasoline and food and is creating additional upward pressure on inflation. And COVID-related lockdowns in China are likely to exacerbate supply chain disruptions. FOMC participants have revised up their projections for inflation this year, particularly for total

PCE inflation given developments in food and energy prices. The median projection is 5.2 percent this year and falls to 2.6 percent next year and 2.2 percent in 2024; participants continue to see risks to inflation as weighted to the upside.

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, especially on those least able to meet the higher costs of essentials like food, housing, and transportation. We are highly attentive to the risks high inflation poses to both sides of our mandate, and we are strongly committed to returning inflation to our 2 percent objective.

Against the backdrop of the rapidly evolving economic environment, our policy has been adapting, and it will continue to do so. At today's meeting the Committee raised the target range for the federal funds rate by 3/4 percentage point, resulting in a 1-1/2 percentage point increase in the target range so far this year. The Committee reiterated that it anticipates that ongoing increases in the target range will be appropriate. And we are continuing the process of significantly reducing the size of our balance sheet, which plays an important role in firming the stance of monetary policy.

Coming out of our last meeting in May, there was a broad sense on the Committee that a 1/2 percentage point increase in the target range should be considered at this meeting if economic and financial conditions evolved in line with expectations. We also stated that we were highly attentive to inflation risks and that we would be nimble in responding to incoming data and the evolving outlook. Since then, inflation has again surprised to the upside, some indicators of inflation expectations have risen, and projections for inflation this year have been revised up notably. In response to these developments, the Committee decided that a larger increase in the target range was warranted at today's meeting. This continues our approach of expeditiously moving our policy rate up to more normal levels. And it will help ensure that longer-term inflation expectations remain well anchored at 2 percent.

As shown in the SEP, the median projection for the appropriate level of the federal funds rate is 3.4 percent at the end of this year, 1.5 percentage points higher than projected in March and 0.9 percentage point above the median estimate of its longer-run value. The median projection rises further to 3.8 percent at the end of next year and declines to 3.4 percent in 2024, still above the median longer-run value. Of course, these projections do not represent a Committee plan or decision, and no one knows with any certainty where the economy will be a year or more from now.

Over coming months, we will be looking for compelling evidence that inflation is moving down, consistent with inflation returning to 2 percent. We anticipate that ongoing rate increases will be appropriate; the pace of those changes will continue to depend on the incoming data and the evolving outlook for the economy. Clearly, today's 75 basis point increase is an unusually large one, and I do not expect moves of this size to be common. From the perspective of today, either a 50 or 75 basis point increase seems most likely at our next meeting. We will, however, make our decisions meeting by meeting, and we will continue to communicate our thinking as clearly as we can. Our overarching focus is using our tools to bring inflation back down to our 2 percent goal and to keep longer-term inflation expectations well anchored.

Making appropriate monetary policy in this uncertain environment requires a recognition that the economy often evolves in unexpected ways. Inflation has obviously surprised to the upside over the past year, and further surprises could be in store. We therefore will need to be nimble in responding to incoming data and the evolving outlook. And we will strive to avoid adding uncertainty in what is already an extraordinarily challenging and uncertain time. We are highly attentive to inflation risks and determined to take the measures necessary to restore price stability. The American economy is very strong and well positioned to handle tighter monetary policy.

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.