

Policy announcement

The Federal Open Market Committee (FOMC) increased the federal funds rate by .50%, or 50 basis points, to 0.75% – 1.00%. The Federal Reserve (Fed) expects ongoing increases to the federal funds rate. The committee also outlined a plan to begin reducing its holdings of Treasury securities, agency debt, and agency mortgage-backed securities on June 1.

Topic	Details
Stated reasons	<p>Although overall economic activity slowed down in the first quarter, household spending and business investment remained strong. Job gains have been strong in recent months, and the unemployment rate has declined substantially.</p> <p>Inflation remains elevated, reflecting supply and demand imbalances due to the pandemic, higher energy prices, and broader price pressures.</p>
Looking forward	<p>The implications of the Russia-Ukraine war for the U.S. economy are highly uncertain, but in the near term the war is creating additional upward pressure on inflation and weighing on economic activity. The committee is highly attentive to inflation risks.</p> <p>With appropriate firming in the stance of monetary policy, the committee expects inflation to return to its 2% objective, and for the labor market to remain strong.</p> <p>The FOMC considers that ongoing rate increases will be appropriate. We are forecasting several interest rate hikes in 2022 to allow the federal funds rate to range between 2.50% – 2.75%.</p>
What else?	<p>The committee decided to begin reducing its holdings of Treasury securities, agency debt, and agency mortgage-backed securities on June 1.</p> <p>For Treasury securities, the cap will initially be set at \$30 billion per month, and after three months will increase to \$60 billion per month. For agency debt and agency mortgage-backed securities, the cap will initially be set at \$17.5 billion per month, and after three months will increase to \$35 billion per month.</p> <p>Over time, the committee intends to maintain securities holdings in amounts needed to implement monetary policy efficiently and effectively in its ample reserves regime.</p>
Upcoming meeting schedule	<p>June 15* July 27 September 21* November 2 December 14*</p> <p>*Indicates the meeting is associated with a summary of economic projections. In addition, every meeting will be accompanied by a press conference.</p>

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