DISCOUNT AND ADVANCE RATES -- Requests by ten Reserve Banks to maintain the existing primary credit rate and requests by two Reserve Banks to increase the rate; requests to renew secondary and seasonal credit formulas.

Existing rate and formulas approved.
February 13, 2017.

Today, Board members discussed economic and financial developments and issues related to possible policy actions. In connection with this discussion, Board members considered discounts and advances under the primary credit program (the primary credit rate) and discussed, on a preliminary basis, their individual assessments of the appropriate rate and its communication, which would be discussed at the next joint meeting of the Board and the Federal Open Market Committee.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Philadelphia, Chicago, St. Louis, Minneapolis, and Kansas City had voted on February 2, 2017, and the directors of the Federal Reserve Banks of Boston, New York, Atlanta, Dallas, and San Francisco had voted on February 9, to establish the primary credit rate at the existing level (1-1/4 percent). The directors of the Federal Reserve Bank of Richmond had voted on February 2, and the directors of the Federal Reserve Bank of Cleveland had voted on February 9, to establish a rate of 1-1/2 percent (an increase from 1-1/4 percent).

No sentiment was expressed by the Board at today's meeting for changing the primary credit rate at this time, and the Board approved the establishment of the primary credit rate at the existing level of 1-1/4 percent. At its meeting on February 1, 2017, the Board had taken no action on requests to increase the primary credit rate by the Cleveland and Richmond Reserve Banks.

Today, the Board also approved the establishment of the interest rates for discounts and advances made under the secondary and seasonal credit programs, as those rates are calculated with the existing formulas. The recommendation to renew the existing formulas was made by the Federal Reserve Banks of Philadelphia, Richmond, Chicago, St. Louis, Minneapolis, and Kansas City on February 2, 2017, and by the Federal Reserve Banks of Boston, New York, Cleveland, Atlanta, Dallas, and San Francisco on February 9. As specified by the formula for the secondary credit rate, this rate would be set 50 basis points above the primary credit rate. As specified by the formula for the seasonal credit rate, this rate would be reset every two weeks as the average of the daily effective federal funds rate and the rate on three-month CDs over the previous 14 days, rounded to the nearest 5 basis points.

Voting for these actions: Chair Yellen, Vice Chairman Fischer, and
Governors Tarullo, Powell, and Brainard.

Background: Office of the Secretary memorandum, February 10, 2017.

Implementation: Transmissions from Mr. Frierson to the Reserve Banks, February 13, 2017.

DISCOUNT AND ADVANCE RATES -- Requests by five Reserve Banks to maintain the existing primary credit rate and requests by seven Reserve Banks to increase the rate; requests to renew secondary and seasonal credit formulas.

Existing rate and formulas approved.
March 6, 2017.

Today, Board members discussed economic and financial developments and issues related to possible policy actions. In connection with this discussion, Board members considered discounts and advances under the primary credit program (the primary credit rate) and discussed, on a preliminary basis, their individual assessments of the appropriate rate and its communication, which would be discussed at the joint meeting of the Board and the Federal Open Market Committee next week.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Atlanta, and San Francisco had voted on February 23, 2017, and the directors of the Federal Reserve Banks of St. Louis and Minneapolis had voted on March 2, to establish the primary credit rate at the existing level (1-1/4 percent). The directors of the Federal Reserve Banks of Cleveland and Dallas had voted on February 23, and the directors of the Federal Reserve Banks of Boston, Philadelphia, Richmond, Chicago, and Kansas City had voted on March 2, to establish a rate of 1-1/2 percent (an increase from 1-1/4 percent).

Overall, Federal Reserve Bank directors judged that the economy was likely to continue to expand at a solid pace. Several directors reported strong loan demand, particularly for new-home purchases, refinancing, and autos. Some directors stated that consumer spending had picked up recently and also noted the continued shift toward online purchases. In addition, gains in manufacturing activity were observed in some Districts, with price increases reported in certain sectors. Some directors noted signs of further tightening in labor markets, including an ongoing shortage of qualified workers for certain skilled positions and other jobs and moderate wage pressures. Several directors continued to express uncertainty about potential fiscal and other government policies and their likely effect on the economy. Inflation remained below the Federal Reserve's 2 percent objective.

The directors of seven Reserve Banks recommended increasing the primary credit rate to 1-1/2 percent, based on their assessment that economic activity and labor markets continued to strengthen and that inflation was likely to be at or near 2 percent in the medium term. The directors of five Federal Reserve Banks recommended that the primary credit rate be established at its current level of 1-1/4 percent. These directors concluded that it would be appropriate to maintain the current stance of monetary policy, pending the assessment of additional information over the coming months.

No sentiment was expressed by the Board at today's meeting for changing the primary credit rate at this time, and the Board approved the establishment of the primary credit rate at the existing level of 1-1/4 percent. At its meeting on February 13, 2017, the Board had taken no action on requests to increase the primary credit rate by the Cleveland and Richmond Reserve Banks.

Today, the Board also approved the establishment of the interest rates for discounts and advances made under the secondary and seasonal credit programs, as those rates are calculated with the existing formulas. The recommendation to renew the existing formulas was made by the directors of the Federal Reserve Banks of New York, Cleveland, Atlanta, Dallas, and San Francisco on February 23, 2017, and by the directors of the Federal Reserve Banks of Boston, Philadelphia, Richmond, Chicago, St. Louis, Minneapolis, and Kansas City on March 2. As specified by the formula for the secondary credit rate, this rate would be set 50 basis points above the primary credit rate. As specified by the formula for the seasonal credit rate, this rate would be reset every two weeks as the average of the daily effective federal funds rate and the rate on three-month CDs over the previous 14 days, rounded to the nearest 5 basis points.

Voting for these actions: Chair Yellen, Vice Chairman Fischer,
and Governors Tarullo, Powell, and Brainard.

Background: Office of the Secretary memorandum, March 3, 2017.

Implementation: Transmissions from Mr. Frierson to the Reserve Banks, March 6, 2017.

MONETARY POLICY IMPLEMENTATION -- Increase in the interest rate on reserve balances and in the primary credit rate; renewal of secondary and seasonal credit formulas.

In a joint meeting of the Federal Open Market Committee and the Board today, the Committee decided to raise the target range for the federal funds rate by 25 basis points, to 3/4 percent to 1 percent, effective March 16, 2017. To support the Committee's decision to raise the target range for the federal funds rate, the Board approved raising the interest rates paid on required and excess reserve balances from 3/4 percent to 1 percent, effective March 16, 2017.

Subject to review and determination by the Board of Governors, nine Reserve Banks had requested an increase in the rate for discounts and advances under the primary credit program (the primary credit rate), and one Reserve Bank had requested no change in the rate. The directors of the Federal Reserve Banks of Boston, Philadelphia, and Richmond had voted on March 2, and the directors of the Federal Reserve Banks of Cleveland, Atlanta, Chicago, Kansas City, Dallas, and San Francisco had voted on March 9, 2017, to establish a primary credit rate of 1-1/2 percent (an increase from 1-1/4 percent). The directors of the Federal Reserve Bank of New York had voted on March 9 to establish the primary credit rate at the existing level (1-1/4 percent). At its meeting on March 6, the Board had taken no action on requests to increase the primary credit rate by the Boston, Philadelphia, Cleveland, Richmond, Chicago, Kansas City, and Dallas Reserve Banks.

At today's meeting, there was consensus for a 25-basis-point increase, and the Board approved an increase in the primary credit rate from 1-1/4 percent to 1-1/2 percent, effective March 16, 2017, for the nine Reserve Banks that had requested such an increase. This vote of the Board also encompassed approval of the renewal by those nine Reserve Banks of the existing formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs. As specified by the formula for the secondary credit rate, the rate would be set 50 basis points above the primary credit rate. And as specified by the formula for the seasonal credit rate, the rate would continue to be reset every two weeks as the average of the daily effective federal funds rate and the rate on three-month CDs over the previous 14 days, rounded to the nearest 5 basis points.

It was understood that a press release and an accompanying document on monetary policy implementation would be issued to announce the increases in the interest rate on reserve balances and the primary credit rate. In addition, the Secretary was authorized to inform the remaining Reserve Banks, on their establishment of a primary credit rate of 1-1/2 percent, of the Board's approval and determination, effective on the later of March 16, 2017, or the date the Reserve Bank informed the Secretary of its request. (NOTE: Subsequently, the Secretary informed the Federal Reserve Banks of New York, St. Louis, and Minneapolis of the Board's approval of their establishment of a primary credit rate of 1-1/2 percent, effective March 16, 2017.)

Voting for these actions: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.

Background: Office of the Secretary memorandum, March 10, 2017.

Implementation: FOMC statement with attached Decisions Regarding Monetary Policy Implementation, March 15; press releases, March 15 and 16; and transmissions from Mr. Frierson to the Reserve Banks, March 15 and 16, 2017.