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

Existing rate and formulas approved.
July 17, 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 (FOMC) next week.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Philadelphia, Atlanta, and Kansas City had voted on July 6, 2017, and the directors of the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco had voted on July 13, to establish the primary credit rate at the existing level (1-3/4 percent).

Federal Reserve Bank directors noted improvement in recent economic activity across various sectors, including continued strength in residential and commercial real estate markets. Some directors cited a pickup in consumer spending, particularly for services and tourism-related sectors. Some directors also pointed to modest gains in manufacturing activity in their Districts. A number of directors commented that uncertainty about potential fiscal and other government policies could be restraining spending to some extent. Many directors reported further tightening in labor markets and highlighted the continued difficulty of finding qualified workers across a broad spectrum of positions. In some Districts, directors had observed moderate wage pressures. Several directors noted that inflation remained somewhat below the Federal Reserve's 2 percent objective, due at least in part to transitory factors. Longer-term inflation expectations were generally stable.

The directors of all twelve Reserve Banks favored establishing the primary credit rate at its current level of 1-3/4 percent. Given recent soft readings on inflation, they judged that it would be appropriate to maintain the current stance of monetary policy for the time being and to assess whether incoming data support the current outlook for continued moderate economic growth, some further strengthening in labor market conditions, and a gradual return of inflation to 2 percent over the medium term.

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 1-3/4 percent. (NOTE: At the joint Board-FOMC meeting on June 14, 2017, the Board had approved the establishment of the primary credit rate at 1-3/4 percent, an increase from 1-1/2 percent.)

The Board's action today on the primary credit rate also included renewal of the existing formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs for all twelve Reserve Banks. The directors of each Reserve Bank had requested renewal of these formulas on the dates previously noted for their votes on the primary credit rate. 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 this action: Chair Yellen, Vice Chairman Fischer,
and Governors Powell and Brainard.

Background: Office of the Secretary memorandum, July 14, 2017.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, July 17, 2017.

MONETARY POLICY IMPLEMENTATION -- Rates on reserve balances and on discounts and advances unchanged.

Approved.
July 26, 2017.

In a joint meeting of the Federal Open Market Committee (FOMC) and the Board today, the FOMC decided to maintain the target range for the federal funds rate at 1 to 1-1/4 percent. Consistent with the FOMC's decision to leave the target range for the federal funds rate unchanged, the Board approved maintaining the existing interest rates (1-1/4 percent) paid on required and excess reserve balances. At today's meeting, the Board also approved the establishment of interest rates on discounts and advances made under the primary credit program (the primary credit rate) at the existing level (1-3/4 percent).

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Philadelphia, Atlanta, and Kansas City had voted on July 20, 2017, to establish the primary credit rate at the existing level (1-3/4 percent). (NOTE: At its meeting on July 17, the Board had approved the establishment of the primary credit rate at the existing level (1-3/4 percent) by all twelve Reserve Banks.)

The Board's action today on the primary credit rate also included renewal of the existing formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs, as requested by the directors of the Philadelphia, Atlanta, and Kansas City Reserve Banks on July 20, 2017. 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 this action: Chair Yellen, Vice Chairman Fischer,
and Governors Powell and Brainard.

Background: Office of the Secretary memorandum, July 21, 2017.

Implementation: FOMC statement (with attached Implementation Note) and transmissions from Ms. Misback to the Reserve Banks, July 26, 2017.