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.
August 28, 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 (FOMC).

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Atlanta and Kansas City had voted on August 17, 2017, and the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco had voted on August 24, to establish the primary credit rate at the existing level (1-3/4 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 1-3/4 percent. (NOTE: At the joint Board-FOMC meeting on July 26, 2017, the Board had approved the establishment of the primary credit rate at the existing level of 1-3/4 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
Governor Powell.

Background: Office of the Secretary memorandum, August 25, 2017.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, August 28, 2017.

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

Approved.
September 20, 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 New York, Philadelphia, Richmond, St. Louis, and Minneapolis had voted on September 7, 2017, and the directors of the Federal Reserve Banks of Boston, Cleveland, Atlanta, Chicago, Dallas, and San Francisco had voted on September 14, to establish the primary credit rate at the existing level (1-3/4 percent). The directors of the Federal Reserve Bank of Kansas City had voted on September 14 to establish a rate of 2 percent (an increase from 1-3/4 percent). (NOTE: At its meeting on August 28, the Board had approved the establishment of the primary credit rate at the existing level (1-3/4 percent) by all twelve Reserve Banks.)

Overall, Federal Reserve Bank directors remained positive about the prospects for economic growth, although their reports on recent activity varied across sectors and Districts. Some directors reported continued strength in commercial and residential real estate activity. Many directors noted the economic hardships and disruptions occurring in areas affected by recent hurricanes but did not generally expect a longer-term impact. Labor markets remained tight in most Districts, and a number of directors said employers were offering training or other incentives to potential employees in an effort to address the ongoing shortage of workers for a broad spectrum of positions. Directors generally described wage pressures as moderate, though wages were increasing for certain high-demand positions. Some directors noted that inflation remained somewhat below the Federal Reserve's 2 percent objective.

The directors of eleven Reserve Banks favored establishing the primary credit rate at its current level of 1-3/4 percent. In light of continued low inflation, they judged that it would be appropriate to maintain the current stance of monetary policy 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. The directors of one Reserve Bank favored increasing the primary credit rate to 2 percent as an appropriate reflection of a growing economy, tight labor markets, and an expected rise in inflation toward 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, September 15, 2017.

Implementation: FOMC statement (with attached Implementation Note) and transmissions from Ms. Misback to the Reserve Banks, September 20, 2017.