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

Existing rate and formulas approved.
April 25, 2022.

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 Bank of Atlanta had voted on April 21, 2022, to establish the primary credit rate at the existing level of 0.5 percent. The directors of the Federal Reserve Banks of New York, Cleveland, Chicago, St. Louis, and Kansas City had voted on April 14, 2022; the directors of the Federal Reserve Bank of Richmond had voted on April 19; and the directors of the Federal Reserve Banks of Boston, Philadelphia, Minneapolis, Dallas, and San Francisco had voted on April 21, to establish a rate of 1 percent (an increase from 0.5 percent).

Overall, Federal Reserve Bank directors reported that economic activity had been steady, the unemployment rate had fallen to near pre-pandemic levels, and consumer spending had remained strong. Many directors noted ongoing supply chain constraints, as well as concerns that recent pandemic-related closures in China could exacerbate supply issues. Labor shortages continued to pose challenges in most Districts. Tight labor markets had led to upward pressures on wages, although several directors noted that the pace of wage growth had moderated. Many directors commented that businesses had thus far been able to pass on higher costs -- including increased energy, fuel, and commodity prices spurred by the war in Ukraine -- to customers, generally with minimal effect on profit margins and with little consumer resistance. Inflation remained elevated, and most directors noted uncertainty and upside risks in connection with the inflation outlook.

The directors of one Federal Reserve Bank favored maintaining the current primary credit rate at the existing level (0.5 percent). The directors of eleven Federal Reserve Banks favored increasing the primary credit rate by 50 basis points, to

1 percent, in light of strong aggregate demand, tight labor markets, and elevated inflation.

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 0.5 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. 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 Pro Tempore Powell and Governors Brainard, Bowman, and Waller.

Background: Office of the Secretary memorandum, April 22, 2022.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, April 25, 2022.

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

Approved.
May 4, 2022.

In a joint meeting of the Federal Open Market Committee (FOMC) and the Board today, the FOMC decided to raise the target range for the federal funds rate 50 basis points, to 3/4 to 1 percent, effective May 5, 2022. To support the FOMC's decision to raise the target range for the federal funds rate, the Board approved raising the interest rate paid on reserve balances from 0.4 percent to 0.9 percent, also effective May 5, 2022.

Subject to review and determination by the Board of Governors, the directors of twelve Reserve Banks had voted to establish an increase in the rate for discounts and advances under the primary credit program (the primary credit rate). The directors of the Federal Reserve Bank of Richmond had voted on April 19, 2021; the directors of the Federal Reserve Banks of Boston, Philadelphia, Minneapolis, and San Francisco had

voted on April 21; and the directors of the Federal Reserve Banks of New York, Cleveland, Atlanta, Chicago, St. Louis, Kansas City, and Dallas had voted on April 28, to establish a primary credit rate of 1 percent (an increase from 0.5 percent). At its meeting on April 25, 2022, the Board had taken no action on requests by the Boston, New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco Reserve Banks to increase the primary credit rate.

At today's meeting, there was consensus for a 50-basis-point increase, and the Board approved an increase in the primary credit rate from 0.5 percent to 1 percent, effective May 5, 2022. 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 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.

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 on reserve balances rate and the primary credit rate.

Voting for these actions: Chair Pro Tempore Powell and Governors Brainard, Bowman, and Waller.

Background: Office of the Secretary memorandum, April 29, 2022.

Implementation: FOMC statement and attached implementation note, May 4; transmissions from Ms. Misback to the Reserve Banks, May 4; and Federal Register documents (Docket Nos. R-1770 and R-1771, RINs 7100 AG-30 and 7100 AG-31), May 10, 2022.