Transcript of Chair Powell's Press Conference Opening Remarks
July 29, 2020

CHAIR POWELL. Good afternoon.

The pandemic continues to cause tremendous human and economic hardship here in the United States and around the world. The most important response to this public health crisis has come from our health-care workers, and we remain grateful to them and to the many other essential workers for putting themselves at risk day after day in service to others and to our country. All of us have a role to play in our nation's response to the pandemic. At the Federal Reserve, we remain committed to using our tools to do what we can, and for as long as it takes, to provide some relief and stability, to ensure that the recovery will be as strong as possible, and to limit lasting damage to the economy.

In recent months, economic activity picked up as the economy began to reopen. Many businesses opened their doors, factories restarted production, and more people left their homes to engage in various activities. As a result, household spending looks to have recovered about half of its earlier decline, although spending for services such as air travel and hotels has shown much less of a pick-up. The recovery in household spending also likely owes to federal stimulus payments and expanded unemployment benefits, which provided substantial and timely support to household incomes. In contrast, indicators of business fixed investment have yet to show a recovery. Even with the improved economic news in May and June, overall activity remains well below its level before the pandemic, and the contraction in real GDP in the second quarter will likely be the largest on record.

The labor market has followed a similar pattern. After precipitous drops in March and April, employment rose strongly in May and June as many people returned to work from temporary layoffs. As a result, of the roughly 22 million jobs that had been lost, about one-third had been regained as of the June payroll report. The unemployment rate declined in May and June but, at 11.1 percent, remains far above its level before the outbreak and greater than the peak during the global financial crisis. In addition, the downturn has not fallen equally on all Americans, and those least able to bear the burden have been the most affected. In particular, the rise in joblessness has been especially severe for lower-wage workers, for women, and for African Americans and Hispanics. This reversal of economic fortune has upended many lives and created great uncertainty about the future.

The pandemic has also left a significant imprint on inflation. For some goods, including food, supply constraints have led to notably higher prices, adding to the burden for those struggling with lost income. More broadly, however, weaker demand, especially in sectors—such as travel and hospitality—that have been most affected by the pandemic, has held down consumer prices, and overall, inflation is running well below our symmetric 2 percent objective.

Along with the recent increases in economic activity have come new challenges. After declining gradually from a peak near the end of April, the number of COVID-19 cases has increased sharply in many parts of the country since mid-June. We have thus entered a new phase in containing the virus, which is essential to protect both our health and our economy. As we have emphasized throughout the pandemic, the path forward for the economy is extraordinarily uncertain and will depend in large part on our success in keeping the virus in check. Indeed, we have seen some signs in recent weeks that the increase in virus cases and the renewed measures to control it are starting to weigh on economic activity. For example, some measures of consumer spending based on debit card and credit card use have moved down since late June, while recent labor market indicators point to a slowing in job growth, especially among smaller businesses. A full recovery is unlikely until people are confident that it is safe to reengage in a broad range of activities.

The path forward will also depend on policy actions taken at all levels of government to provide relief and to support the recovery for as long as needed. The Federal Reserve's response to this crisis has been guided by our mandate to promote maximum employment and stable prices for the American people, along with our responsibilities to promote the stability of the financial system. We are committed to using our full range of tools to support the economy in this challenging time. We have held our policy interest rate near zero since mid-March and have stated that we will keep it there until we are confident that the economy has weathered recent events and is on track to achieve our maximum employment and price stability goals. We have been purchasing sizable quantities of Treasury and agency mortgage-backed securities in order to support orderly conditions in the markets, which are vital to the flow of credit in the economy. To sustain smooth market functioning and foster the effective transmission of monetary policy to broader financial conditions, we will continue to increase our holdings of Treasury and agency mortgage-backed securities at least at the current pace. These purchases are also fostering more accommodative financial conditions.

The Federal Reserve has also been taking broad and forceful actions to more directly support the flow of credit in the economy for households, for businesses large and small, and for state and local governments. Without access to credit, families could be forced to cut back on necessities or even lose their homes. Businesses could be forced to downsize or close, resulting in further job losses and income losses and worsening the downturn. Preserving the flow of credit is thus essential for mitigating the damage to the economy and promoting the recovery.

Many of our programs rely on emergency lending powers that require the support of the Treasury Department and are available only in very unusual circumstances, such as those we find ourselves in today. These programs benefit the economy by providing financing where it is not otherwise available. In addition, by serving as a backstop to key credit markets, the programs appear to have significantly increased the extension of credit from private lenders. We are deploying these lending powers to an unprecedented extent, enabled in large part by financial backing and support from Congress and the Treasury. We will continue to use these powers until we are confident that we are solidly on the road to recovery. This week, we extended these programs through the end of the year. When the time comes, after the crisis has passed, we will put these emergency tools back in the toolbox.

As I have emphasized before, these are lending powers, not spending powers. The Fed cannot grant money to particular beneficiaries. We can only create programs or facilities with broad-based eligibility to make loans to solvent entities with the expectation that the loans will be repaid. Many borrowers will benefit from these programs, as will the overall economy. But for many others, getting a loan that may be difficult to repay may not be the answer. In these cases, direct fiscal support may be needed. Elected officials have the power to tax and spend and to make decisions about where we, as a society, should direct our collective resources. The fiscal policy actions that have been taken thus far have made a critical difference to families, businesses, and communities across the country. Even so, the current economic downturn is the most severe in our lifetimes. It will take a while to get back to the levels of economic activity and employment that prevailed at the beginning of this year, and it will take continued support from both monetary and fiscal policy to achieve that.

Before taking your questions, I will provide an update on our review of our monetary policy framework. As a reminder, we began this public review of our monetary policy strategy, tools, and communication practices—a first for the Federal Reserve—early last year. Our purpose has been to take a comprehensive look at how we can best meet our maximum employment and price stability objectives in the years ahead, particularly in light of the generally lower level of interest rates around the world. As is evident in our current situation, the lower level of interest rates has reduced the scope for the Committee to support the economy by cutting interest rates. Our plans to conclude this review were, like so many things, delayed by the pandemic. At this meeting, my colleagues and I resumed our discussions. Our focus was on possible enhancements to our Statement on Longer-Run Goals and Monetary Policy Strategy. This document states our goals, articulates our approach to monetary policy, and serves as the foundation for our policy actions. While I do not have any details to share with you today, I am confident that we will continue to make progress and will wrap up our deliberations in the near future.

We understand that the work of the Fed touches communities, families, and businesses across the country. Everything we do is in service to our public mission. We are committed to using our full range of tools to support the economy and to help assure that the recovery from this difficult period will be as robust as possible.

Thank you, I will look forward to your questions.