Transcript of Chair Powell's Press Conference Opening Remarks
January 27, 2021

CHAIR POWELL. Good afternoon. At the Federal Reserve, we are strongly committed to achieving the monetary policy goals that Congress has given us—maximum employment and price stability. Since the beginning of the pandemic, we have taken forceful actions to provide relief and stability, to ensure that the recovery will be as strong as possible, and to limit lasting damage to the economy. Today my colleagues on the FOMC and I kept interest rates near zero and maintained our sizable asset purchases. These measures, along with our strong guidance on interest rates and our balance sheet, will ensure that monetary policy will continue to deliver powerful support to the economy until the recovery is complete.

The path of the economy continues to depend significantly on the course of the virus. A resurgence in recent months in COVID-19 cases, hospitalizations, and deaths is causing great hardship for millions of Americans, and is weighing on economic activity and job creation. Following a sharp rebound in economic activity last summer, the pace of the recovery has moderated in recent months, with the weakness concentrated in the sectors of the economy most adversely affected by the resurgence of the virus and by greater social distancing. Household spending on services remains low, especially in sectors that typically require people to gather closely, including travel and hospitality. And household spending on goods has moderated following earlier large gains.

In contrast, the housing sector has more than fully recovered from the downturn, supported in part by low mortgage interest rates. Business investment and manufacturing production have also picked up. The overall recovery in economic activity since last spring is due in part to federal stimulus payments and expanded unemployment benefits, which have provided essential support to many families and individuals. The recently enacted Coronavirus

Response and Relief Act will provide additional support. Overall economic activity remains below its level before the pandemic, and the path ahead remains highly uncertain.

As with overall economic activity, the pace of improvement in the labor market has slowed in recent months. Employment fell by 140,000 in December, as continued gains in many industries were outweighed by significant losses in industries where the resurgence of the virus has weighed further on activity. In particular, the leisure and hospitality sector lost nearly half a million jobs, largely from restaurants and bars. The unemployment rate remained elevated at 6.7 percent in December, and participation in the labor market is notably below pre-pandemic levels. Although there has been much progress in the labor market since the spring, millions of Americans remain out of work. The economic downturn has not fallen equally on all Americans, and those least able to shoulder the burden have been the hardest hit. In particular, the high level of joblessness has been especially severe for lower-wage workers in the service sector and for African Americans and Hispanics. The economic dislocation has upended many lives and created great uncertainty about the future.

The pandemic has also left a significant imprint on inflation. Following large declines in the spring, consumer prices picked up over the summer but have leveled out more recently. For those sectors that have been most adversely affected by the pandemic, prices remain particularly soft. Overall, on a 12-month basis, inflation remains below our 2 percent longer-run objective.

While we should not underestimate the challenges we currently face, several developments point to an improved outlook for later this year. Sufficiently widespread vaccinations would enable us to put the pandemic behind us and return to more normal economic activities. In the meantime, continued observance of social distancing measures and wearing masks will help us reach that goal as soon as possible. Support from fiscal policy will help households and businesses weather the downturn as well as limit lasting damage to the economy that could otherwise impede the recovery. In addition, as we have seen since last summer, the economy has proved more resilient than expected, in part reflecting the adaptability of households and businesses. Finally, monetary policy is playing a key role in supporting the recovery and will continue to do so.

The Fed'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. Today we unanimously reaffirmed our Statement on Longer-Run Goals and Monetary Policy Strategy, as we typically do each January. As we say in that statement, we view maximum employment as a "broad-based and inclusive goal." Our ability to achieve maximum employment in the years ahead depends importantly on having longer-term inflation expectations well anchored at 2 percent. As the Committee reiterated in today's policy statement, with inflation running persistently below 2 percent, we will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. We expect to maintain an accommodative stance of monetary policy until these employment and inflation outcomes are achieved. With regard to interest rates, we continue to expect it will be appropriate to maintain the current 0 to ¼ percent target range for the federal funds rate until labor market conditions have reached levels consistent with the Committee's assessment of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time.

In addition, we will continue to increase our holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress has been made toward our maximum-employment and price-stability goals. The increase in our balance sheet since last March has materially eased financial conditions and is providing substantial support to the economy. The economy is a long way from our employment and inflation goals, and it is likely to take some time for substantial further progress to be achieved.

Our forward guidance for the federal funds rate along with our balance sheet guidance will ensure that the stance of monetary policy remains highly accommodative as the recovery progresses. Our guidance is outcome based and ties the path of the federal funds rate and the balance sheet to progress toward reaching our employment and inflation goals. Thus, if progress toward our goals were to slow, the guidance would convey our intention to increase policy accommodation through a lower expected path of the federal funds rate and a higher expected path of the balance sheet. Overall, our interest rate and balance sheet tools are providing powerful support to the economy and will continue to do so.

We have also taken actions to more directly support the flow of credit in the economy, deploying our emergency lending powers to an unprecedented extent, enabled in large part by financial backing and support from Congress and the Treasury. Although the CARES Act facilities are no longer open to new activity, our other facilities remain in place.

To conclude, we understand that our actions affect 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 look forward to your questions.