Transcript of Chair Powell's Press Conference Opening Statement
November 2, 2022

CHAIR POWELL. Good afternoon. My colleagues and I are strongly committed to bringing inflation back down to our 2 percent goal. We have both the tools that we need and the resolve it will take to restore price stability on behalf of American families and businesses. Price stability is the responsibility of the Federal Reserve and serves as the bedrock of our economy. Without price stability, the economy does not work for anyone. In particular, without price stability, we will not achieve a sustained period of strong labor market conditions that benefit all.

Today, the FOMC raised our policy interest rate by 75 basis points, and we continue to anticipate that ongoing increases will be appropriate. We are moving our policy stance purposefully to a level that will be sufficiently restrictive to return inflation to 2 percent. In addition, we are continuing the process of significantly reducing the size of our balance sheet. Restoring price stability will likely require maintaining a restrictive stance of policy for some time. I will have more to say about today's monetary policy actions after briefly reviewing economic developments.

The U.S. economy has slowed significantly from last year's rapid pace. Real GDP rose at a pace of 2.6 percent last quarter but is unchanged so far this year. Recent indicators point to modest growth of spending and production this quarter. Growth in consumer spending has slowed from last year's rapid pace, in part reflecting lower real disposable income and tighter financial conditions. Activity in the housing sector has weakened significantly, largely reflecting higher mortgage rates. Higher interest rates and slower output growth also appear to be weighing on business fixed investment.

Despite the slowdown in growth, the labor market remains extremely tight, with the unemployment rate at a 50-year low, job vacancies still very high, and wage growth elevated.

Job gains have been robust, with employment rising by an average of 289,000 jobs per month over August and September. Although job vacancies have moved below their highs and the pace of job gains has slowed from earlier in the year, the labor market continues to be out of balance, with demand substantially exceeding the supply of available workers. The labor force participation rate is little changed since the beginning of the year.

Inflation remains well above our longer-run goal of 2 percent. Over the 12 months ending in September, total PCE prices rose 6.2 percent; excluding the volatile food and energy categories, core PCE prices rose 5.1 percent. And the recent inflation data have again come in higher than expected. Price pressures remain evident across a broad range of goods and services. Russia's war against Ukraine has boosted prices for energy and food and has created additional upward pressure on inflation.

Despite elevated inflation, longer-term inflation expectations appear to remain well anchored, as reflected in a broad range of surveys of households, businesses, and forecasters, as well as measures from financial markets. But that is not grounds for complacency; the longer the current bout of high inflation continues, the greater the chance that expectations of higher inflation will become entrenched.

The Fed's monetary policy actions are guided by our mandate to promote maximum employment and stable prices for the American people. My colleagues and I are acutely aware that high inflation imposes significant hardship as it erodes purchasing power, especially for those least able to meet the higher costs of essentials like food, housing, and transportation. We are highly attentive to the risks that high inflation poses to both sides of our mandate, and we are strongly committed to returning inflation to our 2 percent objective.

At today's meeting the Committee raised the target range for the federal funds rate by 75 basis points. And we are continuing the process of significantly reducing the size of our balance sheet, which plays an important role in firming the stance of monetary policy.

With today's action, we have raised interest rates by 3-3/4 percentage points this year. We anticipate that ongoing increases in the target range for the federal funds rate will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. Financial conditions have tightened significantly in response to our policy actions, and we are seeing the effects on demand in the most interest-rate-sensitive sectors of the economy, such as housing. It will take time, however, for the full effects of monetary restraint to be realized, especially on inflation. That's why we say in our statement that in determining the pace of future increases in the target range, we will take into account the cumulative tightening of monetary policy and the lags with which monetary policy affects economic activity and inflation. At some point, as I've said in the last 2 press conferences, it will become appropriate to slow the pace of increases, as we approach the level of interest rates that will be sufficiently restrictive to bring inflation down to our 2 percent goal. There is significant uncertainty around that level of interest rates. Even so, we still have some ways to go, and incoming data since our last meeting suggest that the ultimate level of interest rates will be higher than previously expected. Our decisions will depend on the totality of incoming data and their implications for the outlook for economic activity and inflation. And we will continue to make our decisions meeting by meeting and communicate our thinking as clearly as possible.

We are taking forceful steps to moderate demand so that it comes into better alignment with supply. Our overarching focus is using our tools to bring inflation back down to our 2 percent goal and to keep longer-term inflation expectations well anchored. Reducing inflation is likely to require a sustained period of below-trend growth and some softening of labor market conditions. Restoring price stability is essential to set the stage for achieving maximum employment and stable prices in the longer run. The historical record cautions strongly against prematurely loosening policy. We will stay the course, until the job is done.

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 at the Fed will do everything we can to achieve our maximum employment and price stability goals. Thank you and I look forward to your questions.