

Meeting Date: December 17-18, 2024

Federal Open Market Committee (FOMC) Meeting Results

FOMC meeting highlights:

- The Fed cut rates by 0.25%. The current Fed funds rate is now 4.25% to 4.50%. This meeting's vote was not unanimous – there was one dissenting vote!
- The FOMC, which began to shrink its securities portfolio on June 1, 2022, announced it will continue to reduce its holdings of Treasury securities and agency debt and agency mortgage-backed securities.
- The Committee emphasized that it is strongly committed to returning inflation to its 2% objective.

Economic highlights:

Economic activity continues to grow at a solid pace, but the job market remains strong with an increased, albeit relatively low, unemployment rate.

- “Recent indicators suggest that economic activity has continued to expand at a solid pace.”

- “Since earlier in the year, labor market conditions have generally eased, and the unemployment rate has moved up, but remains low.”
- “Inflation has made progress toward the Committee's 2% objective but remains somewhat elevated. The Committee seeks to achieve maximum employment and inflation at the rate of 2% over the longer run.”
- “The Committee judges that the risks to achieving its employment and inflation goals are roughly in balance.”
- “The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate.”

Announcements:

Fed funds rate was cut by 25 bps and is now at the 4.25% to 4.50% range. The committee decided to continue the balance sheet reduction initiative.

- “In support of its goals, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 4-1/4% to 4-1/2%.”
- “In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks.”
- “The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities.”
- “The Committee is strongly committed to supporting maximum employment and returning inflation to its 2% objective.”
- “In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook.”
- “The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals.”
- “The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.”

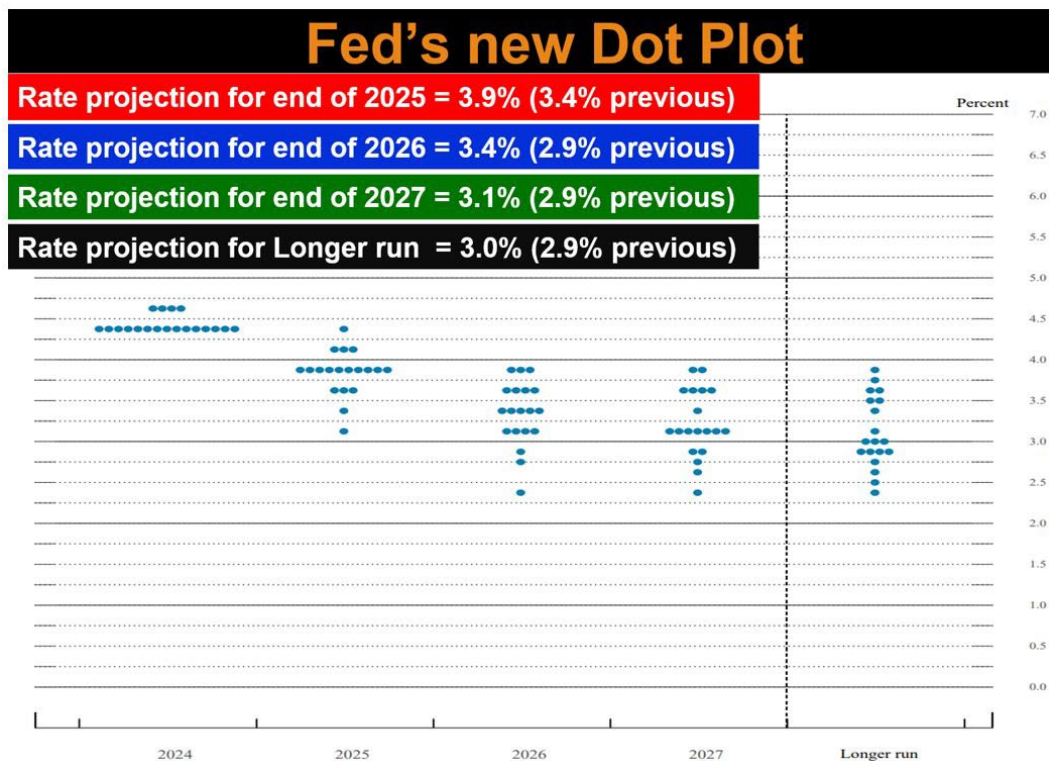
Summary of Economic Projections:

Economic projections from the December 17-18, 2024, meeting are shown in chart form below.

December 18, 2024 FOMC Projections					
Forecasts	2024	2025	2026	2027	Longer Run
GDP Growth Sept 2024	2.0%	2.0%	2.0%	2.0%	1.8%
GDP Growth Dec 2024	2.5%	2.1%	2.0%	1.9%	1.8%
Unemployment Sept 2024	4.4%	4.4%	4.3%	4.2%	4.2%
Unemployment Dec 2024	4.2%	4.3%	4.3%	4.3%	4.2%
Core Inflation Sept 2024	2.6%	2.2%	2.0%	2.0%	NA
Core Inflation Dec 2024	2.8%	2.5%	2.2%	2.0%	NA

Summary of Economic Projections:

Interest rate forecasts: The new dot plot from the December 17-18, 2024, FOMC meeting is shown below



Implementation note:

Decisions Regarding Monetary Policy Implementation

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its statement on December 18, 2024:

- The Board of Governors of the Federal Reserve System voted unanimously to lower the interest rate paid on reserve balances to 4.4%, effective December 19, 2024.
- As part of its policy decision, the Federal Open Market Committee voted to direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive: Effective December 19, 2024, the Federal Open Market Committee directs the Desk

to: Undertake open market operations as necessary to maintain the federal funds rate in a target range of 4-1/4% to 4-1/2%.

- Conduct standing overnight repurchase agreement operations with a minimum bid rate of 4.5% and with an aggregate operation limit of \$500 billion.
- Conduct standing overnight reverse repurchase agreement operations at an offering rate of 4.25% and with a per-counterparty limit of \$160 billion per day. Setting this rate at the bottom of the target range for the federal funds rate is intended to support effective monetary policy implementation and the smooth functioning of short-term funding markets.
- Roll over at auction the amount of principal payments from the Federal Reserve's holdings of Treasury securities maturing in each calendar month that exceeds a cap of \$25 billion per month. Redeem Treasury coupon securities up to this monthly cap and Treasury bills to the extent that coupon principal payments are less than the monthly cap.
- Reinvest the amount of principal payments from the Federal Reserve's holdings of agency debt and agency mortgage-backed securities (MBS) received in each calendar month that exceeds a cap of \$35 billion per month into Treasury securities to roughly match the maturity composition of Treasury securities outstanding.
- Allow modest deviations from stated amounts for reinvestments, if needed for operational reasons. Engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions.
- In a related action, the Board of Governors of the Federal Reserve System voted unanimously to approve a 1/4 percentage point decrease in the primary credit rate to 4.5%, effective December 19, 2024. In taking this action, the Board approved requests to establish that rate submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, and San Francisco.
- This information will be updated as appropriate to reflect decisions of the Federal Open Market Committee or the Board of Governors regarding details of the Federal Reserve's operational tools and approach used to implement monetary policy.

Voting results:

One dissenting vote

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Thomas I. Barkin; Michael S. Barr; Raphael W. Bostic; Michelle W. Bowman; Lisa D. Cook; Mary C. Daly; Philip N. Jefferson; Adriana D. Kugler; and Christopher J. Waller. Voting against the action was Beth M. Hammack, who preferred to maintain the target range for the federal funds rate at 4- $\frac{1}{2}$ % to 4- $\frac{3}{4}$ %.

Next meeting:

January 28-29, 2025