



## News From The SB Value Partners' Chief Economist

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### FEDERAL OPEN MARKET COMMITTEE (FOMC) MEETING RESULTS:

**DATE:** September 20 - 21, 2022

1. The Fed increased its Target Fed Funds rate by 0.75% despite the warning of some experts that the rate hike would be a full 1%. The new Fed Funds Target range is now 3% - 3.25%.
2. Just like the July FOMC meeting, all members voted in favor of the rate hike.
3. The FOMC, which began to shrink its securities portfolio on June 1, 2022, announced it will continue reducing its holdings of Treasury securities, agency debt and agency mortgage-backed securities, as described in the Plans of Reducing the size of the Federal Reserve's Balance Sheet that was announced at the May 2022 FOMC meeting.
4. The Committee emphasized that it is strongly committed to returning inflation to its 2% objective.

### **ECONOMIC HIGHLIGHTS:** Economic activity continue to weaken, and inflation remains too high!

- Recent indicators point to modest growth in spending and production. Job gains have been robust in recent months, and the unemployment rate has remained low.
- Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures.
- Russia's war against Ukraine is causing tremendous human and economic hardship. The war and related events are creating additional upward pressure on inflation and are weighing on global economic activity.
- The Committee is highly attentive to inflation risks.



**ANNOUNCEMENTS: Fed funds rate increased. Fed funds range raised by a 0.75% to a new range of 3% to 3.25%, and balance sheet reductions continue.**

- The Committee seeks to achieve maximum employment and inflation at the rate of 2% over the longer run.
- In support of these goals, the Committee decided to raise the target range for the federal funds rate to 3% to 3.25% and anticipates that ongoing increases in the target range will be appropriate.
- In addition, the Committee will continue reducing its holding of Treasury securities, agency debt and agency mortgage-backed securities, as described in the plans for reducing the size of the Federal Reserve's Balance Sheet that were issued in May.
- The Committee is strongly committed to returning inflation to its 2%.
- 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 public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments..
- The Board of Governors of the Federal Reserve System voted unanimously to raise the interest rate paid on reserve balances to 3.15, effective September 22, 2022.



**NEW ECONOMIC PROJECTIONS:**

<b>September, 2022 FOMC Projections Higher inflation and Unemployment Lower GDP growth</b>				
<b>Forecasts</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Longer Run</b>
<b>GDP Growth June 2022</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.9%</b>	<b>1.8%</b>
<b>GDP Growth September 2022</b>	<b>0.2%</b>	<b>1.2%</b>	<b>1.7%</b>	<b>1.8%</b>
<b>Unemployment June 2022</b>	<b>3.7%</b>	<b>3.9%</b>	<b>4.1%</b>	<b>4.0%</b>
<b>Unemployment September 2022</b>	<b>3.8%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>4.3%</b>
<b>Inflation June 2022</b>	<b>5.2%</b>	<b>2.6%</b>	<b>2.2%</b>	<b>2.0%</b>
<b>Inflation September 2022</b>	<b>5.4%</b>	<b>2.8%</b>	<b>2.3%</b>	<b>2.0%</b>

**VOTING RESULTS: No dissenting votes**

- Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Lael Brainard; James Bullard; Susan M. Collins; Lisa D. Cook; Ester L. George; Philip N. Jefferson; Loretta J. Mester; and Christopher J. Waller.

**NEXT MEETING: November 1 - 2, 2022**