

About the Federal Open Market Committee (FOMC)

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Federal Reserve Act of 1913 gave the Federal Reserve responsibility for setting monetary policy.

The Federal Reserve controls the three tools of monetary policy – **Open Market Operations, The Discount Rate, and Reserve Requirements** which influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and in this way alters the federal funds rate.

The **FOMC** is responsible for open market operations and consists of **12 members** and holds **8** regularly scheduled **meetings per year**. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

Changes in the federal funds rate trigger a chain of events that affect:

- 1) Short -Term interest rates
- 2) Long - Term interest rates
- 3) Foreign exchange rates
- 4) The amount of money and credit

30th January' 19 - FOMC Meeting Decision & Outlook.

The FOMC left the target range of Federal Fund Rate unchanged at **2.25% - 2.50%** by keeping in view of data released in December'18 such as,

- The labor market has continued to strengthen.
- Economic activity has been rising at a **solid rate**.
- Job gains have been strong on an average in the recent months and the unemployment rate has stayed low.
- Household spending have grown strongly.
- While, **growth of business fixed investment has moderated from its rapid pace** earlier last year.
- On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2%.
- Longer-term inflation expectations are little changed.

In light of global economic and financial developments and muted inflation pressures, **the Committee will be patient as it determines what future adjustments to the target range for the federal funds rate** may be appropriate to support these outcomes.

In determining the timing and size of future changes to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2% inflation objective.

The Committee will also carefully monitor the following for future adjustments.

- Labor Market Conditions.
- Indicators of inflation pressures and inflation expectations.
- Readings on financial and international developments.

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