

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

19th December' 18 - FOMC Meeting Decision & Outlook.

The FOMC raised the target range of Federal Fund Rate to **2.25% - 2.50%**.

Key takeaways from FOMC press conference:

- Most FOMC participants have modestly lowered their growth and inflation forecasts for next year.
- Expects two interest rate increases over the course of next year instead three projected earlier.
- The median of FOMC participants' projections shows growth of 3.0% this year and 2.3% in 2019.
- The unemployment rate is projected to fall a bit further to 3.5% by the end of 2019.

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.

Decisions Regarding Monetary Policy Implementation:

- The Board of Governors of the Federal Reserve System voted unanimously to raise the interest rate paid on required and excess reserve balances to 2.40%, effective December 20, 2018.
- The Committee directs the Desk to continue rolling over at auction the amount of principal payments from the Federal Reserve's holdings of Treasury securities maturing during each calendar month that exceeds \$30 billion, and to continue reinvesting that exceeds \$20 billion.
- The Board of Governors of the Federal Reserve System voted unanimously to approve a 1/4 percentage point increase in the primary credit rate to 3.00%, effective December 20, 2018.