

## 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

## 18<sup>th</sup> September '19 - FOMC Meeting Decision & Outlook.

The FOMC lowered the target range of Federal Fund Rate to **1-3/4% to 2%** by keeping in view of data released since July'19 which indicates:

- The labor market remains strong
- Economic activity has been rising at a moderate rate.
- Job gains have been solid, on an average in the recent months and the unemployment rate has remained low.
- Household spending has been rising at a strong pace, business fixed investment and exports have weakened.
- On a 12-month basis, overall inflation and inflation for items other than food and energy have declined and are running below 2%.
- Market-based measures of inflation compensation have remained low in recent months.
- Survey based measures of longer-term inflation expectations are little changed.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability.

In light of global economic and financial developments and muted inflation pressures, **Committee decided to lower the target range for the federal funds rate to 1-3/4 to 2 percent**. This action supports the Committee's view that sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective are the most likely outcomes, but uncertainties about this outlook remain.

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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