

# ESSENTIALS OF MONETARY POLICY

## Federal Reserve (Fed) The Fed Slows Rate Hikes Again

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### ACCORDING TO THE FED

- ▶ The Committee decided to raise the target range for the federal funds rate by 0.25%. It is now in a range of 4.50% to 4.75%.
- ▶ The Committee is strongly committed to returning inflation to its 2 percent objective. The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. In determining the extent of future increases in the target range, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.
- ▶ 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 has eased somewhat but remains elevated.

### COMMENTS

New meeting, new move. After four straight 75 basis point (bp) rate hikes, the Federal Reserve downshifted to a 50bp increase in December. Today, it raised rates just 25 points. The decision was widely expected by the market and virtually every forecaster.

Even so, this isn't the end of rate hikes in the US. The Fed's statement was unambiguous that ongoing increases will be appropriate. But while previous statements said the Fed would have to determine the pace of future rate rises, today's statement indicated it will now have to determine their extent. Rate hikes aren't over, but it may be the beginning of the end.

Since the Fed didn't release new projections this time, it's harder to say how many future increases there will be. During his press conference, Jerome Powell said slowing to 25bp hikes per meeting would allow the Fed to better assess progress toward its goals.

Yet the statement did suggest that inflation is easing. Most references to strong price pressures were dropped. Powell also said that the disinflationary process has started. He cited falling goods prices, but indicated there was still room for improvement on the services side.

The labour market remains a challenge for the Fed, however. Powell said that while there are some signs that wage growth is slowing, the labour market—including job creation—remains robust.

### IMPLICATIONS

The Fed acknowledged that inflation is improving, but not enough to pause rate increases, especially given the resilient labour market. Expect more 25bp hikes over the next few meetings until the economy shows more signs of cooling.

# 2023 Schedule of Central Bank Meetings

Date	Central bank	Decision	Rate
<b>January</b>			
13	Bank of Korea	+25 b.p.	3.50
18	Bank of Japan	unchanged	-0.10
19	Bank of Norway	unchanged	2.75
25	Bank of Canada*	+25 b.p.	4.50
<b>February</b>			
1	Bank of Brazil		
1	Federal Reserve	+25 b.p.	4.75
2	European Central Bank		
2	Bank of England		
6	Reserve Bank of Australia		
9	Bank of Sweden		
9	Bank of Mexico		
21	Reserve Bank of New Zealand		
23	Bank of Korea		
<b>March</b>			
6	Reserve Bank of Australia		
8	Bank of Canada		
10	Bank of Japan		
16	European Central Bank		
22	Bank of Brazil		
22	Federal Reserve		
23	Bank of England		
23	Bank of Norway		
23	Swiss National Bank		
30	Bank of Mexico		
<b>April</b>			
4	Reserve Bank of Australia		
4	Reserve Bank of New Zealand		
12	Bank of Canada*		
13	Bank of Korea		
26	Bank of Sweden		
28	Bank of Japan		
<b>May</b>			
2	Reserve Bank of Australia		
3	Bank of Brazil		
3	Federal Reserve		
4	European Central Bank		
4	Bank of Norway		
11	Bank of England		
18	Bank of Mexico		
23	Reserve Bank of New Zealand		
25	Bank of Korea		
<b>June</b>			
6	Reserve Bank of Australia		
7	Bank of Canada		
14	Federal Reserve		
15	European Central Bank		
16	Bank of Japan		
21	Bank of Brazil		
22	Bank of England		
22	Bank of Norway		
22	Bank of Mexico		
22	Swiss National Bank		
29	Bank of Sweden		

Date	Central bank	Decision	Rate
<b>July</b>			
4	Reserve Bank of Australia		
11	Reserve Bank of New Zealand		
12	Bank of Canada*		
13	Bank of Korea		
26	Federal Reserve		
27	European Central Bank		
28	Bank of Japan		
<b>August</b>			
1	Reserve Bank of Australia		
2	Bank of Brazil		
3	Bank of England		
10	Bank of Mexico		
15	Reserve Bank of New Zealand		
17	Bank of Norway		
24	Bank of Korea		
<b>September</b>			
5	Reserve Bank of Australia		
6	Bank of Canada		
14	European Central Bank		
20	Bank of Brazil		
20	Federal Reserve		
21	Bank of England		
21	Bank of Norway		
21	Swiss National Bank		
22	Bank of Japan		
28	Bank of Mexico		
**	Bank of Sweden		
<b>October</b>			
2	Reserve Bank of Australia		
3	Reserve Bank of New Zealand		
19	Bank of Korea		
25	Bank of Canada*		
26	European Central Bank		
31	Bank of Japan		
<b>November</b>			
1	Bank of Brazil		
1	Federal Reserve		
2	Bank of England		
2	Bank of Norway		
6	Reserve Bank of Australia		
9	Bank of Mexico		
28	Reserve Bank of New Zealand		
30	Bank of Korea		
**	Bank of Sweden		
<b>December</b>			
4	Reserve Bank of Australia		
6	Bank of Canada		
13	Bank of Brazil		
13	Federal Reserve		
14	European Central Bank		
14	Bank of England		
14	Bank of Norway		
14	Bank of Mexico		
14	Swiss National Bank		
19	Bank of Japan		

NOTE: Central banks may decide to change rates between the scheduled meetings. The abbreviation b.p. stands for basis points. \* Monetary Policy Report published; \*\* To be determined.