

**Transcript of Chair Powell's Press Conference
March 20, 2024**

CHAIR POWELL. Good afternoon. My colleagues and I remain squarely focused on our dual mandate to promote maximum employment and stable prices for the American people. The economy has made considerable progress toward our dual mandate objectives. Inflation has eased substantially while the labor market has remained strong, and that is very good news. But inflation is still too high, ongoing progress in bringing it down is not assured, and the path forward is uncertain. We are fully committed to returning inflation to our 2 percent goal. Restoring price stability is essential to achieve a sustainably strong labor market that benefits all.

Today, the FOMC decided to leave our policy interest rate unchanged and to continue to reduce our securities holdings. Our restrictive stance of monetary policy has been putting downward pressure on economic activity and inflation. As labor market tightness has eased and progress on inflation has continued, the risks to achieving our employment and inflation goals are moving into better balance. I will have more to say about monetary policy after briefly reviewing economic developments.

Recent indicators suggest that economic activity has been expanding at a solid pace. GDP growth in the fourth quarter of last year came in at 3.2 percent. For 2023 as a whole, GDP expanded 3.1 percent, bolstered by strong consumer demand as well as improving supply conditions. Activity in the housing sector was subdued over the past year, largely reflecting high mortgage rates. High interest rates also appear to have weighed on business fixed investment. In our Summary of Economic Projections, Committee participants generally expect GDP growth to slow from last year's pace, with a median projection of 2.1 percent this year and 2 percent over the next two years. Participants generally revised up their growth projections since December, reflecting the strength of incoming data, including data on labor supply.

The labor market remains relatively tight, but supply and demand conditions continue to come into better balance. Over the past three months, payroll job gains averaged 265 thousand jobs per month. The unemployment rate has edged up but remains low, at 3.9 percent. Strong job creation has been accompanied by an increase in the supply of workers, reflecting increases in participation among individuals aged 25 to 54 years and a continued strong pace of immigration. Nominal wage growth has been easing, and job vacancies have declined. Although the jobs-to-workers gap has narrowed, labor demand still exceeds the supply of available workers. FOMC participants expect the rebalancing in the labor market to continue, easing upward pressure on inflation. The median unemployment rate projection in the SEP is 4.0 percent at the end of this year and 4.1 percent at the end of next year.

Inflation has eased notably over the past year but remains above our longer-run goal of 2 percent. Estimates based on the Consumer Price Index and other data indicate that total PCE prices rose 2.5 percent over the 12 months ending in February; and that, excluding the volatile food and energy categories, core PCE prices rose 2.8 percent. Longer-term inflation expectations appear to remain well anchored, as reflected in a broad range of surveys of households, businesses, and forecasters, as well as measures from financial markets. The median projection in the SEP for total PCE inflation falls to 2.4 percent this year, 2.2 percent next year, and 2 percent in 2026.

The Fed's monetary policy actions are guided by our mandate to promote maximum employment and stable prices for the American people. My colleagues and I are acutely aware that high inflation imposes significant hardship as it erodes purchasing power, especially for those least able to meet the higher costs of essentials like food, housing, and transportation. We are strongly committed to returning inflation to our 2 percent objective.

The Committee decided at today's meeting to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent and to continue the process of significantly reducing our securities holdings. As labor market tightness has eased and progress on inflation has continued, the risks to achieving our employment and inflation goals are coming into better balance. We believe that our policy rate is likely at its peak for this tightening cycle and that, if the economy evolves broadly as expected, it will likely be appropriate to begin dialing back policy restraint at some point this year. The economic outlook is uncertain, however, and we remain highly attentive to inflation risks. We are prepared to maintain the current target range for the federal funds rate for longer, if appropriate.

We know that reducing policy restraint too soon or too much could result in a reversal of the progress we have seen on inflation and ultimately require even tighter policy to get inflation back to 2 percent. At the same time, reducing policy restraint too late or too little could unduly weaken economic activity and employment. In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably down toward 2 percent. Of course, we are committed to both sides of our dual mandate, and an unexpected weakening in the labor market could also warrant a policy response. We will continue to make our decisions meeting by meeting.

In our SEP, FOMC participants wrote down their individual assessments of an appropriate path for the federal funds rate based on what each participant judges to be the most likely scenario going forward. If the economy evolves as projected, the median participant projects that the appropriate level of the federal funds rate will be 4.6 percent at the end of this

year, 3.9 percent at the end of 2025, and 3.1 percent at the end of 2026—still above the median longer-term funds rate. These projections are not a Committee decision or plan; if the economy does not evolve as projected, the path for policy will adjust as appropriate to foster our maximum employment and price stability goals.

Turning to our balance sheet, our securities holdings have declined by nearly \$1.5 trillion since the Committee began reducing our portfolio. At this meeting, we discussed issues related to slowing the pace of decline in our securities holdings. While we did not make any decisions today on this, the general sense of the Committee is that it will be appropriate to slow the pace of runoff fairly soon, consistent with the plans we previously issued. The decision to slow the pace of runoff does not mean that our balance sheet will ultimately shrink by less than it would otherwise, but rather allows us to approach that ultimate level more gradually. In particular, slowing the pace of runoff will help ensure a smooth transition, reducing the possibility that money markets experience stress and thereby facilitating the ongoing decline in our securities holdings consistent with reaching the appropriate level of ample reserves.

We remain committed to bringing inflation back down to our 2 percent goal and to keeping our longer-term inflation expectations well anchored. Restoring price stability is essential to set the stage for achieving maximum employment and price stability over the long term.

To conclude, we understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission. We at the Fed will do everything we can to achieve our maximum employment and price stability goals. Thank you.

STEE LIESMAN. Steve Liesman, CNBC. Mr. Chairman, the projections show somewhat higher core inflation they also show somewhat stronger growth. What should we infer

from this notion on average? Rates were kept the same this year, but inflation is higher and growth is higher. Does it mean more tolerance for higher inflation and less of a willingness to slow the economy to achieve that target?

CHAIR POWELL. Well, it doesn't, no, it doesn't mean that. What it means is that we've seen incoming, as I pointed out in my opening remarks, we did markup our growth forecast and so have many other forecasters, so the economy is performing, performing well and the inflation data came in a little bit higher as a separate matter and I think that caused people to write up their inflation, but nonetheless, we continue to make good progress on bringing inflation down and so.

STEVE LIESMAN. When you-- just to follow-up, when you say that you're willing to either maintain the rate for longer, is-- what is the tolerance of the Federal Reserve for inflation coming in above its two percent target?

CHAIR POWELL. We're strongly committed to bringing inflation down to two percent over time. That is our goal and we will achieve that goal. Markets believe we will achieve that goal and they should believe that, because that's what will happen over time. But we stress over time. And so, I think we're making projections that do show that happening and we're committed to that outcome and we will bring it about.

MICHELLE SMITH. Rachel.

RACHEL SIEGEL. Hi, Chair Powell, Rachel Siegal from the Washington Post. Thanks for taking our questions. You and others have been saying that relief on housing inflation is coming, but it still hasn't shown up meaningfully in the CPI or the PCE. Does that challenge your assumption about when the shift will finally break through since it hasn't at that point.

CHAIR POWELL. So, I think there's some confidence that the market rents, lower market rent increases that we're seeing will show up in measures of housing services inflation

over time. There's a little bit of uncertainty about when that will happen but there's real confidence that they will show up eventually over time. But again, uncertainty about the exact timing of that.

RACHEL SIEGEL. Okay. And will you be able to get overall inflation down to target if housing doesn't break through quickly, and does that affect the timing for eventual cuts this year?

CHAIR POWELL. We will get aggregate inflation down to two percent over time. We will. And I would assume that what we'll continue to see is we'll see goods prices coming into a new equilibrium where they're going down, perhaps not as quickly as they had been earlier this year, where housing services inflation will come back down as current market rents are suggesting will happen and where non-housing services will move back down. Some combination of those three things and it may be different from the combination we had before the Pandemic, will be achieved and will bring inflation back down to two percent sustainably.

MICHELLE SMITH. Nick.

NICK TIMIRAOS. Nick Timiraos of the Wall Street Journal. Chair Powell, during your congressional testimony this month, you said that your test for making the first change to interest rates does not require you to be terribly comfortable that inflation is at two percent because interest rates are well-above neutral. At the same time, you said here after the last meeting that the first cut is highly consequential. Can you reconcile these views for me? If rates are well-above neutral, why would the first cut be highly consequential? Is that because you anticipate one cut would be followed by one or two more along the lines of the recalibration you made in 2019, which itself was modeled on the mid-cycle adjustment of 1995?

CHAIR POWELL. I would put it more in the context of what I said in our, in my opening remarks that the risks are really two-sided here; we're in a situation where if we ease too

much or too soon, we could see inflation come back, and if we ease too late, we could do unnecessary harm to employment and people's working lives. And so, we do see the risks as two-sided, so it is consequential, we want to be careful and fortunately with the economy growing, with the labor market strong, and with inflation coming down, we can approach that question carefully and let the data speak on that. That's really what I was thinking.

NICK TIMIRAOS. How much of that inflation that we've seen so far this year do you chalk up to one-off calendar adjustment affects following a period of high inflation versus some change in the trend we saw the second half of last year?

CHAIR POWELL. I want to start by being, saying, I always try to be careful about dismissing data that we don't like. So, you need to check yourself on that and I'll do that, but so I would say the January number, which was very high, the January CPI and PCE numbers were quite high, there's reason to think that there could be seasonal affects there. But nonetheless, we don't want to be completely dismissive of it. The February number was high, higher than expectations, but we have it at currently well below 30 basis points core PCE, which is not terribly high. So it's not like the January number. But I take the two of them together and I think they haven't really changed the overall story which is that of inflation moving down gradually on a sometimes-bumpy road toward two percent. I don't think that story has changed. I also don't think that those readings added to anyone's confidence that we're moving closer to that point, but we didn't-- the last thing I'll say is we didn't excessively celebrate the good inflation readings we got in the last seven months of last year. We didn't take too much signal out of that, what you heard us saying was that we needed to see more that we could, that we wanted to be careful about that decision and we're not going to overreact as well to these two months of data, nor are we going to ignore them.

MICHELLE SMITH. Ann.

ANN SAPHIR. Hi, yes Chair Powell. Could you speak a little bit more about the timing? Is there enough data between now and say May to be able to get the kind of confidence that you say you still need or by June is there enough data for you? Just give us a sense of your thinking there. Thank you.

CHAIR POWELL. Yeah, so we make decisions meeting by meeting and we didn't make any decisions about future meetings today. Those are going to depend on our ongoing assessment of the incoming data, the evolving outlook, and the balance of risks. So I really don't have anything for you on any specific meeting looking forward.

ANN SAPHIR. I mean just a question of-- I mean is there even enough data for you to be able to—

CHAIR POWELL. We'll take, things can happen during and inner meeting period if you look back, unexpected things. So, I don't want to, I wouldn't want to dismiss anything. So, I just would say that the Committee wants to see more data that gives us higher confidence that inflation is moving down sustainably toward two percent. I also mentioned, and we don't see this in the data right now, but if there were a significant weakening in the data, particularly in the labor market, that could also be a reason for us to begin the process of reducing rates again. I don't, there's nothing in the data pointing at that but those are the things that we'll be looking at at coming meetings and without trying to refer to any specific meeting.

MICHELLE SMITH. Chris.

CHRIS RUGABER. Hi, Chris Rugaber, the Associated Press. Thank you. In the projections there is an increase in the neutral rate as you know, and higher rates, a quarter point higher rates projected in 2025, 2026. Can you speak about what might be behind that? Is there a

real sense here that the economy has perhaps changed in some way that higher rates will be needed in the future? Thank you.

CHAIR POWELL. So, you're right. They're pretty midst changes but you're right, there was an uptick in the longer run rate, and also there's a 25 basis point increase in '25 and '26. In terms of are rates going to be higher in the longer run, if that's really your question, I don't think we know that. I think it's, we think that rates were generally low during the pre-pandemic post-global financial crisis era, for reasons that are mostly important, slow moving large things like demographics and productivity and that sort of thing. Things that don't move quickly. But I don't think we know. I mean my instinct would be that rates will not go back down to the very low levels that we saw where all around the world there were long run rates that were at or below zero in some cases. I don't see rates going back down to that level, but I think there's tremendous uncertainty around that.

CHRIS RUGABER. Great, and just a quick follow; on the projections you also have 2.6 percent core inflation for the end of this year. It's already at, or you mentioned it being 2.8 in February, I mean that doesn't sound like much disinflation at all. So are you really, are you still confident or, at the last press conference you sounded pretty optimistic you would get more confidence in the end of this year. Is it right to say that this suggests you're not seeing a lot of disinflation this year compared to what we've seen 2023 and so forth?

CHAIR POWELL. I think that that, the higher yearend number reflects the data we've seen so far this year. Because you're now in this year, so I think that-- Sorry, say your last part of your question again.

CHRIS RUGABER. Are you still optimistic that you'll get the confidence you need this year?

CHAIR POWELL. I think if you look at the SEP, what it says is that it is still likely in most people's view that we will achieve that confidence and that there will be rate cuts. But that's really going to depend on the incoming data, it is. The other thing is, in the second half of the year you have some pretty low readings so it might be harder to make progress as you move that 12-month window forward. Nonetheless, we're looking for data that confirm the kind of low readings that we had last year and give us a higher degree of confidence that what we saw was really inflation moving sustainably down to two percent, toward two percent.

JEANNA SMIALEK. Jeanna Smialek, The New York Times. Thank you for taking our questions. Per your comment to Ann that a weakening in the labor market would be a reason to potentially cut rates or at least a consideration in making a rate cut, would continued strength in the labor market be a reason to hold off on rate cuts and just in general, if labor supply continued to rebound in 2024, the way it did in 2023, what would stronger hiring and possibly stronger growth mean for the path forward on policy?

CHAIR POWELL. Yeah, so if what we're getting is a lot of supply and a lot of demand, and that supply is actually feeding the demand, because workers are getting paid and they're spending and that's-- what you would have is potentially kind of what you had last year, which is a bigger economy where inflationary pressures are not increasing. In fact, they were decreasing so you can have that if you have a continued supply side activity that we had last year with, both with supply chains and also with growth in the size of the labor force.

JEANNA SMIALEK. But so strong hiring in and of itself would not be a reason to hold off on rate cuts?

CHAIR POWELL. No, not all by itself no. I mean we saw, you saw last year very strong hiring and inflation coming down quickly. We now have a better sense that a big part of that was

supply side healing, particularly with growth in the labor force. So in and of itself, strong job growth is not a reason for us to be concerned about inflation.

MICHELLE SMITH. Neil.

NEIL IRWIN. Hi Chair Powell, Neil Irwin with Axios. How do you assess the state of financial conditions right now and particularly, in particular do you view the kind of easing financial conditions since the fall is consistent and compatible with what you're trying to achieve on the inflation mandate?

CHAIR POWELL. So we think, there are many different financial conditions indicators and you can kind of see different answers to that question. But ultimately, we do think that financial conditions are weighing on economic activity and we think you see that in, a great place to see it is in the labor market where you've seen demand cooling off a little bit from the extremely high levels and there I would point to job openings, quits, surveys, the hiring rate, things like that are really demand. There are also supply-side things happening, but I think those are demand side things happening. We saw, that's been a question for a while, we did see progress on inflation last year, significant progress despite financial conditions sometimes being tighter, sometimes looser.

MICHELLE SMITH. Mike.

MICHAEL MCKEE. Michael McKee with Bloomberg Radio and Television. Can you give us more color on how the Committee is thinking about inflation dynamics now? What we've seen at the beginning of the year, are they more one-off increases that will fade or is there more of a secular turn with goods prices rising again and service process staying sticky. And also, housing process have been sort of the godot of this cycle in that you keep expecting them to go

down and they don't. How does the Committee see this playing out forward, since you've raised your inflation forecast?

CHAIR POWELL. So I see the Committee looking at the two months of data and asking the same question you're asking, and saying we're just going to have to see what the data show. As I mentioned, you can look at January, which is very high reading and you can, and I think many people did see the possibility of seasonal adjustment problems there, but again, you don't want to-- you've got to be careful about dismissing the parts of the data that you don't like. So, then February wasn't as high, but it was higher. So the question is, what are we going to see? We tend to see a little bit stronger, this is in the data, a little bit stronger inflation in the first half of the year, a little bit less strong later in the year. We're going to, we're going to let the data show. I don't think we really know whether this is a bump on the road or something more. We'll have to find out. In the meantime, the economy is strong, the labor market is strong, inflation has come way down, and that gives us the ability to approach this question carefully and feel more confident that inflation is moving down sustainably at two percent when we take that step to begin dialing back our restrictive policy.

MICHAEL MCKEE. Well you've talked about the desire to have confidence that inflation is continually moving down. Has the recent numbers we've gotten for inflation data dented that confidence at all?

CHAIR POWELL. It certainly hasn't improved our confidence. It doesn't raised anyone's confidence, but I would say that the story is really essentially the same and that is of inflation coming down gradually toward two percent on a sometimes bumpy path, as I mentioned. I think that's what you still see. We've got nine months of 2-1/2 percent inflation now and we've had two months of kind of bumpy inflation. We were saying that we'll, it's going to be a bumpy ride. We

consistently said that. Now here are some bumps and the question is; are they more than bumps? And we just don't, we can't know that. That's why we are approaching this question carefully, it is very important for everyone that we serve that we do get inflation sustainably down and I think the historical record, it's every situation is different, but the historical record is that you need to approach that question carefully and try to get it right the first time and not have to come back and raise rates again perhaps if you cut inappropriately, prematurely.

MICHELLE SMITH. Go to Edward.

EDWARD LAWRENCE. Thank you, Mr. Chairman. Edward Lawrence with FOX Business. I wanted to ask you, you received a letter from, well Federal Reserve [inaudible] independent body understanding Congress has oversight over that. You received a letter from Senators Elizabeth Warren and Sheldon Whitehouse that said calling on you to lower interest rates, to cut interest rates because this has, "the potential that it may remain too high for too long, has halted advances in deploying renewable energy technologies and delayed significant climate and economic benefits from these projects." So, has higher interest rates caused that?

CHAIR POWELL. Have they, well, first of all, I respect our-- in our system of government it is Congress that has oversight responsibility over the Fed, we place a tremendous amount of importance on our engagements with Congress and always treat them with great respect. In this case, I would say, those are-- our mandate is for maximum employment and price stability and the other things that we do and that's what we're trying to accomplish. We're trying to do that in a way that sustains the strong growth we're seeing, the strong labor market we're seeing, but allows us to make further progress with inflation. That's how we can best serve the public and leave the other issues, which in many cases are incredibly important, such as those you mentioned, leave those to the people who have responsibility for those.

EDWARD LAWRENCE. There was another letter from two dozen lawmakers saying that the higher rates are squeezing the working people. How do these letters affect what you guys are doing policy wise?

CHAIR POWELL. We receive these letters with respect and we write careful responses and address concerns, we listen, again, because we're talking to the people who in our system of government have oversight over our activity. So that's, but at the end of the day, we take that onboard, but we have to make our judgments and we have to stick to our knitting, which is maximum employment, price stability, supervise and regulate the banks, work on the payment system, the things that we do.

MICHELLE SMITH. Claire.

CLAIRE JONES. Thank you. Claire Jones, Financial Times. Thanks a lot for the opportunity to ask a question. As Chair of the FOMC, would you want to see unanimity on the Committee or something close to it, meaning no more than one dissent, before you begin cutting rates? Thank you.

CHAIR POWELL. We're a very consensus-oriented organization and we do try to achieve consensus and ideally unanimity; people do dissent, it's something that happens. Life goes on and it's not a problem. We've always had dissents. But and so I, you respect thoughtful dissents very much. It's like, you may not agree with some arguments, but you really want to understand them, so you may read a book that takes a position that you have long opposed just to understand that book. So I treat dissents with real respect as well.

MICHELLE SMITH. Simon.

SIMON RABINOVITCH. Simon Rabinovitch with The Economist. Can you hear me?

CHAIR POWELL. Yes.

SIMON RABINOVITCH. Okay, great. Obviously inflation is some ways away from target, unemployment though, if you look at the projection for the full year of 4.0 percent, in February we were already at 3.9 percent, so quite close to the median projection. Are you concerned at all that notwithstanding the very strong jobs growth, that in fact there may be some cracks appearing in the employment market? You talked about a significant deterioration in the labor market being a condition for easing rates. What would constitute that in your books? Thank you.

CHAIR POWELL. So we of course monitor, it's one of our two goal variables we all monitor the labor market very, very carefully. And I don't see those cracks today. And we follow all the possible stories that are out there about there being cracks but the overall picture really is, strong labor market, the extreme imbalances that we saw in the early parts of the pandemic recovery have mostly been resolved. You're seeing high job growth, you're seeing big increases in supply, you're seeing strong wage growth but wage growth is gradually moderating down to more sustainable levels in many, many respects the things are returning more to their state in 2019, which we can think of as normal for this purpose, that's job openings and quits, and surveys of workers and businesses are always interesting on this, how tight is the-- how easy is it to find a job, how hard is it-- how easy is it to find a worker. Those have both, those surveys have both come down. So, the labor market is, it's in good shape, you do see things like the low hiring rate and people have made the argument that if layoffs were to increase, that would mean that the net would be fairly quick increases in unemployment. So that's something we're watching, but we're not seeing it. Of course initial claims are very, very low, and if anything, have tracked down a little bit. So, watching it carefully, don't see it. And when I say something, I use the term unexpected weakening of the labor market. So we do expect the unemployment rate

to, the forecast is that it would move up, I think closer to what we see as the longer run sustainable level, that's just people's forecast, individual forecasts. But we're talking about something that's unexpected. That's where I'll leave it though.

MICHELLE SMITH. Steve.

STEVE MATTHEWS. Steve Matthews with Bloomberg. You mentioned at the beginning of the press conference that the Committee thought it might be appropriate to slow the pace of asset runoff fairly soon. I'm wondering is, when you say fairly soon, does that mean that the Committee would meet about this again in May and a decision could be reached that soon? And I was wondering if you could also just describe the scope of what the Committee is discussing here. You're at 95 billion dollars of caps right now, would that be cut about in half or something in that nature? Thank you.

CHAIR POWELL. So that is what we're discussing essentially is, and we're not discussing all the other many other balance sheet issues. We will discuss those in due course but what we're really looking at is slowing the pace of runoff. There isn't much runoff among NBS, in NBS right now but there is in treasuries and we're talking about going to a lower pace. I don't want to give you a specific number because we haven't made a, haven't had an agreement or decision, but that's the idea. And that's what we're looking at. And in terms of the timing, I said fairly soon. I wouldn't want to try to be more specific than that, but you get the idea. The idea is, and this is in our longer run plans, that we may actually be able to get to a lower level, because we would avoid the kind of frictions that can happen. Liquidity is not evenly distributed in a system and there can be times when in the aggregate, reserves are ample or even abundant. But not in every part, and those parts where they're not ample, there can be stress and that can cause you to prematurely stop the process to avoid the stress and then it would be very hard to restart

we think, so something like that happened in '19 perhaps, so that's what we're doing, we're looking at what would be a good time and what would be a good structure and fairly soon is words that we use to mean, fairly soon.

STEVE MATTHEWS. And will there be a discussion about returning to an all treasuries balance sheet at some point?

CHAIR POWELL. So that, our longer run goal is to return to a balance sheet that is mostly treasuries. I do expect that once we're through this we'll come back to the other issues about the composition and the maturity and revisit those issues, but it's not urgent right now. We want to get this decision made first and then we can, when the time is right, come back to the other issues.

MICHELLE SMITH. Victoria.

VICTORIA GUIDA. Hi, Victoria Guida with Politico. Also on the balance sheet, can you talk a little bit about how the outlook for the banking sector might impact your balance sheet plans? Do you worry that as deposits start to shrink that we could see more turbulence?

CHAIR POWELL. We'll be watching carefully, but one of the reasons we're slowing down, we will soon enough, fairly soon I should say, slow down, is that we want to avoid any kind of that turbulence. I wasn't think particularly about the banking sector turbulence, but we-- and we had some indicators the last time. This is our second time in doing this, and I think we're going to be paying a lot of attention to the things that started to happen and that foreshadowed what eventually happened at the end of that tightening cycle where we wound up in a short reserves situation. We don't want to do that again. And I think now we have a better sense of what are the indicators. It isn't, it wasn't so much in the banking system as it was around, for example, where federal funds is trading relative to the administered rates and where secured rates

are relative to the administered rates. Those sorts of things. We will always be watching the banking system for similar signs though.

VICTORIA GUIDA. Well, is it also because you're not sure exactly how the reserve supply will react once the overnight reverse repo facility drops near at zero?

CHAIR POWELL. Well I think we broadly think that once the overnight repo stabilizes, either at zero or close to zero, that as the balance sheet shrinks we should expect that reserves will decline pretty close to dollar for dollar with that. That's what we think.

MICHELLE SMIHT. Let's go to Jean.

JEAN YUNG. Hi Chair Powell, Jean Yung with MNI Market News. I wanted to ask also about the balance sheet. Will you, you said that starting the taper sooner could get you to a smaller balance sheet size. Does that mean you don't have to make a decision on when to end QT at this point and will you be setting up the process for deciding that sooner or will you wait until we're close to the end?

CHAIR POWELL. So, it's sort of ironic that by going slower you can get farther, but that's the idea. The idea is that with a smoother transition, you won't, you'll run much less risk of kind of liquidity problems which can grow into shocks and which can cause you to stop the process prematurely. So, that's-- in terms of how it ends, we're going to be monitoring carefully money market conditions and asking ourselves, what they're telling us about reserves. Are they, right now we would characterize them as abundant, and what we're aiming for is ample. And which is a little bit less than abundant. So there isn't a, there's not a dollar amount or a percent of GDP or anything like that where we think we have a really pretty clear understanding that we're going to be looking at what these, what's happening in money markets in particular, a bunch of different indicators, including the ones I mentioned, to tell us when we're getting close. Then

though, you reach a point ultimately where you stop allowing the balance sheet to runoff and you-- but then, from that point, there's another period in which non-reserves, non-reserve liabilities grow organically like currency, and that also shrinks the reserves at a very slow pace. So you have a slower pace of runoff, which we'll have fairly soon, then you have another time where you effectively hold the balance sheet constant and allow non-reserve liabilities to expand and then that ultimately brings you, ideally, in for-- brings it into a nice, easy landing at a level that is above, above what we think the lowest possible ample number would be. We're not trying for that, we want to have a cushion, a buffer, because we know that demand for reserves can be very volatile and we don't want to, again find ourselves in a situation where there aren't reserves. We have to turn around and buy assets and put reserves back in the banking system the way we did in 2019 and '20.

NANCY MARSHALL-GENZER. Hi, Nancy Marshall-Genzer with Marketplace. Chair Powell, you said you're waiting to become more confident that inflation's getting to your two percent goal before you cut rates. Can you just sum up more specifically what data you're looking at that would give you that confidence?

CHAIR POWELL. Sure, so we're most importantly we're looking at the incoming inflation data and the contents of it and what they're telling us. So, that'll be, and also the various components, so obviously that's what we want, we want more confidence that inflation is coming down sustainably toward two percent. And I mean of course we'll also be looking at all the other things that are happening in the economy, we'll look at the totality of the data, including everything essentially as we make that assessment, but the most important thing will be the inflation data coming in.

NANCY MARSHALL-GENZER. Well, are there things that you would give more weight to, like wages?

CHAIR POWELL. Wages is one thing. We don't, our target is not wages, it's really inflation. But we would look to the fact that wages are still coming in very strong, but they've been, wage increases that's to say, wage increases have been quite strong, but they're gradually coming down to levels that are more sustainable over time. And that's what we want. We don't think that the inflation was not originally caused, we think, I don't think, by mostly by wages. That wasn't really the story. But we do think that to get inflation back down to two percent sustainably, we'd like to see continuing gradual movement of wage increases at still high levels, but back down to levels that are more sustainable over time.

MICHELLE SMITH. Let's go to Greg.

GREG ROBB. Thank you, Greg Robb from MarketWatch. Chair Powell, could you say at this meeting whether there were more officials who want to be careful and go slower than about rates, than were at the last meeting? Was there that sense of maybe it's smart to wait? Thanks.

CHAIR POWELL. I guess I'd put it this way; the, if you look at the incoming inflation data that we've had for January and February, I think very broadly that suggests that we are right to wait until we're more confident. So I think, I didn't hear anyone dismissing it as not information that we should look at or anything like that. So I think generally speaking it does go in the direction of saying yes, it's appropriate for us to be careful as we approach this question.

MICHELLE SMITH. Brendan.

BRENDAN PEDERSEN. Thanks Chair Powell. Brendan Pedersen with Punchbowl News. I wanted to ask you about central bank digital currency stuff. We've been hearing a lot

from Republicans in Congress about what the Fed is or isn't doing in a digital dollar, but I know you have said to Congress that you're going to wait for approval before the Fed does anything, launches anything, but folks like House Majority Whip Tom Emmer, have said that the Fed is either actively researching or hiring personnel to study the implications of the CBDC. Can you give us any clarity on what the Fed is doing right now on a digital dollar?

CHAIR POWELL. Sure. So I think we've been pretty transparent on this, but I will, I'll try harder. So, we are not getting ready to, we haven't proposed, we haven't come to a conclusion that we should propose or anything like that, that Congress consider legislation to authorize a digital dollar. And it would take legislation by Congress signed by the President, to give us the ability to do what we think of as a CBDC, which is really a retail CBDC with the public. So, we're just a long, long way from that. What we are doing and I think what every major central bank is doing, is we're trying to stay in the frontiers of what's going on in digital finance and it has many, many different areas, it has applications in wholesale finance, in the payment system, and so we need, to serve the public, these issues have become very front burner in the last five or six years, we need to be knowledgeable about all that. So we actually do have people trying to understand things that are-- but it's wrong to say that we're working on a CBDC and that we've got, secretly got a lab here we're we've got one and we're just going to spring it on Congress at the right moment. We don't. I haven't at all in my own mind made a decision that I think this is something the U.S. should be doing. I just think it's something we need to be, we need to understand. We do have people who are keeping up with that, as part of the broader payments landscape. That's how I would characterize it.

MICHELLE SMITH. Mark.

MARK HAMRICK. Thank you. It's Mark Hamrick with Bankrate. Mr. Chairman, April 27 will mark the 13th anniversary since a Fed chairman began holding regular news conferences. How important is that higher transparency been in your view, both for the proper functioning of the central bank and also in accomplishing your mission and is there more that you and your colleagues can do on the transparency front and what might that look like?

CHAIR POWELL. I generally think, I mean this movement actually started 30 years ago, 30 years ago, when some academics posited that a more transparent central bank, if the public understands your reaction function, the markets will do your work for you, they'll react to the data. And so it all happens that way and so there's been a March toward greater and greater transparency. And that certainly Chairman Bernanke advanced that, Chairman Greenspan did, Chair Yellen did, and I, so we went from four press conferences a year to eight, so now every meeting really is live now. I think that's a good innovation, I wouldn't want to turn it back. We also have done a bunch of other things, we have an annual supervision report, financial stability report, I mean there's a long list of things that we've done. I think you, I mean nothing comes to mind as really desperately in need of doing at this moment we're very transparent, we have no shortage of FOMC participants speaking to the public through the media. And so that channel is full I would say. So, I think it's generally broadly helped and made things better but not every day and in every way.

MARK HAMRICK. Well to follow up, has there ever been a day where you wanted to put that genie back in the bottle somewhat?

CHAIR POWELL. Of course not.

MICHELLE SMITH. Let's go to Jennifer for the last question.

JENNIFER SCHONBERGER. Thank you Chair Powell. Jennifer Schonberger with Yahoo Finance. Not to harp too much more on confidence and inflation but you did say earlier in this press conference that the recent inflation data hasn't raised anyone's confidence. But when you testified before the Senate a couple weeks ago, you told lawmakers that you are, "not far from receiving the confidence needed on inflation to begin cutting rates." So, are you still of that belief or not? What are we to take by those words, not far?

CHAIR POWELL. So let me say my main message at that, in those two days of hearings was really that the Committee needs to see more evidence to build our confidence that inflation is moving down sustainably toward our two percent goal and we don't expect that it will be appropriate to begin to reduce rates until we're more confident and that is the case, that that is the case. I said that any number of times so those were kind of the main part of the message. We repeated that today in our statement. I also, to the language you mentioned, I really pointed out that we had made significant progress over the past year, and what we're looking for now is confirmation that that progress will continue. We had a series of inflation readings over the second half of last year that were really much lower, we didn't overreact as I mentioned, but that's what I had in mind.

JENNIFER SCHONBERGER. But given that you said that PCE per February, 2.8 percent the estimate and that we have been seeing PCE, core PCE coming down by a tenth of a percent every month, I mean wouldn't you be at about 2.4 percent this summer, June and July, to a point where you could cut then?

CHAIR POWELL. Well, we'll just have to see how the data come in. We would of course love to get great inflation data. We got really good inflation data on the second part of last year, again, we didn't overreact to it, we said we needed to see more and we said it would be

bumpy and now we have January and February, which I've talked about a couple of times. So, we're looking for more good data and we would certainly welcome it. Thank you. Thank you.

Thank you.