The Federal Open Market Committee Summary
February 1, 2023

Policy & Priorities

The Federal Reserve remains focused on bringing inflation down to 2%, raising the federal funds rate by .25 basis points on February 1st. The new target for the federal funds rate is 4.50%-4.75%, which implies a year-over-year change in interest rates of 4.5%. Increasing rates at a slower pace will better allow the Fed to assess economic progress. Chairman Powell stated that the Fed would continue to raise interest rates for the near future to achieve its goals of maximum employment and price stability. Shrinking the balance sheet and rebalancing demand and supply are also priorities for the Fed.

Economic Conditions

GDP grew only by 1% last year, a significant decline from the average growth rate. The Fed projects that growth in spending and production will be modest next quarter. The housing sector has experienced slowing activity, primarily due to high mortgage rates. Also, slow output growth and high interest rates have lowered the number of fixed investments made in businesses.

Labor Market

Unemployment is at a 50-year low, many job vacancies remain, and wage growth is up. Overall, the labor market remains unbalanced. Labor demand is far greater than the supply of available workers, and the labor force participation rate has remained nearly the same from last year.

Inflation

Over the 12 months ending in December, total Personal Consumption Expenditures (PCE) prices rose 5%. Excluding volatile food and energy, core PCE prices rose 4.4%. Data from the past 3 months shows a decline in the monthly pace of PCE increases. The Fed is aware of the hardship inflation causes, particularly for those who struggle to pay for essentials like food, housing, and transportation. While inflation has shown positive signs of easing, it remains too high. The longer inflation runs high, the harder it will be to uproot it, so the Fed will continue to gradually raise rates for the foreseeable future.

150 E. Ponce de Leon Avenue ⚬ Suite 150 ⚬ Decatur, Georgia 30030
Phone: 404.270.9838 Fax: 404.270.9840