

Press Release

December 12, 2006

FOMC statement

For immediate release

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The Federal Open Market Committee decided today to keep its target for the federal funds rate at 5-1/4 percent.

Economic growth has slowed over the course of the year, partly reflecting a substantial cooling of the housing market. Although recent indicators have been mixed, the economy seems likely to expand at a moderate pace on balance over coming quarters.

Readings on core inflation have been elevated, and the high level of resource utilization has the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time, reflecting reduced impetus from energy prices, contained inflation expectations, and the cumulative effects of monetary policy actions and other factors restraining aggregate demand.

Nonetheless, the Committee judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.

Voting for the FOMC monetary policy action were: Ben S. Bernanke, Chairman; Timothy F. Geithner, Vice Chairman; Susan S. Bies; Donald L. Kohn; Randall S. Kroszner; Frederic S. Mishkin; Sandra Pianalto; William Poole; Kevin M. Warsh; and Janet L. Yellen. Voting against was Jeffrey M. Lacker, who preferred an increase of 25 basis points in the federal funds rate target at this meeting.

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