

Press Release

January 31, 2006

FOMC statement

For immediate release

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The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 4-1/2 percent.

Although recent economic data have been uneven, the expansion in economic activity appears solid. Core inflation has stayed relatively low in recent months and longer-term inflation expectations remain contained. Nevertheless, possible increases in resource utilization as well as elevated energy prices have the potential to add to inflation pressures.

The Committee judges that some further policy firming may be needed to keep the risks to the attainment of both sustainable economic growth and price stability roughly in balance. In any event, the Committee will respond to changes in economic prospects as needed to foster these objectives.

Voting for the FOMC monetary policy action were: Alan Greenspan, Chairman; Timothy F. Geithner, Vice Chairman; Susan S. Bies; Roger W. Ferguson, Jr.; Jack Guynn; Donald L. Kohn; Jeffrey M. Lacker; Mark W. Olson; Sandra Pianalto; and Janet L. Yellen.

In a related action, the Board of Governors unanimously approved a 25-basis-point increase in the discount rate to 5-1/2 percent. In taking this action, the Board approved the requests submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco.

Last Update: January 31, 2006