Transcript of Chair Powell's Press Conference
March 22, 2023

CHAIR POWELL. Good afternoon. Before discussing today's meeting, let me briefly address recent developments in the banking sector. In the past two weeks, serious difficulties at a small number of banks have emerged. History has shown that isolated banking problems, if left unaddressed, can undermine confidence in healthy banks and threaten the ability of the banking system as a whole to play its vital role in supporting the savings and credit needs of households and businesses. That is why, in response to these events, the Federal Reserve, working with the Treasury Department and the FDIC, took decisive actions to protect the U.S. economy and to strengthen public confidence in our banking system. These actions demonstrate that all depositors' savings and the banking system are safe. With the support of the Treasury, the Federal Reserve Board created the Bank Term Funding Program to ensure that banks that hold safe and liquid assets can, if needed, borrow reserves against those assets at par. This program, along with our long-standing discount window, is effectively meeting the unusual funding needs that some banks have faced and makes clear that ample liquidity in the system is available.

Our banking system is sound and resilient, with strong capital and liquidity. We will continue to closely monitor conditions in the banking system and are prepared to use all of our tools as needed to keep it safe and sound. In addition, we are committed to learning the lessons from this episode and to work to prevent episodes—events like this from happening again.

Turning to the broader economy and monetary policy: Inflation remains too high, and the labor market continues to be very tight. My colleagues and I understand the hardship that high inflation is causing, and we remain strongly committed to bringing inflation back down to our 2 percent goal. Price stability is the responsibility of the Federal Reserve. Without price stability, the economy does not work for anyone. In particular, without price stability, we will not achieve a sustained period of long—of strong labor market conditions that benefit all.

The U.S. economy slowed significantly last year, with real GDP rising at a below-trend pace of 0.9 percent. Consumer spending appears to have picked up this quarter, although some of that strength may reflect the effects of swings in the weather across the turn of the year. In contrast, activity in the housing sector remains weak, largely reflecting higher mortgage rates. Higher interest rates and slower output growth also appear to be weighing on business fixed investment.

Committee participants generally expect subdued growth to continue. As shown in our Summary of Economic Projections, the median projection for real GDP growth stands at just 0.4 percent this year and 1.2 percent next year, well below the median estimate of the longer-run normal growth rate. And nearly all participants see the risks to GDP growth as weighted to the downside.

Yet the labor market remains extremely tight. Job gains have picked up in recent months, with employment rising by an average of 351,000 jobs per month over the last three months. The unemployment rate remained low in February at 3.6 percent. The labor force participation rate has edged up in recent months, and wage growth has shown some signs of easing. However, with job vacancies still very high, labor demand substantially exceeds the supply of available workers. FOMC participants expect supply and demand conditions in the labor market to come into better balance over time, easing upward pressures on wages and prices. The median unemployment rate projection in the SEP rises to 4.5 percent at the end of this year and 4.6 percent at the end of next year.

Inflation remains well above our longer-run goal of 2 percent. Over the 12 months ending in January, total PCE prices rose 5.4 percent; excluding the volatile food and energy categories. Core PCE—excluding those, core PCE prices rose 4.7 percent. In February, the 12-month change in the CPI came in at 6 percent, and the change in the core CPI was 5.5 percent. Inflation has moderated somewhat since the middle of last year, but the strength of these recent readings indicates that inflation pressures continue to run high. The median projection in the SEP for total PCE inflation is 3.3 percent for this year, 2.5 percent next year, and 2.1 percent in 2025. The process of getting inflation back down to 2 percent has a long way to go and is likely to be bumpy.

Despite elevated inflation, 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 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 highly attentive to the risks that high inflation poses to both sides of our mandate, and we are strongly committed to returning inflation to our 2 percent objective.

At today's meeting, the Committee raised the target range for the federal funds rate by ¼ percentage point, bringing the target range to 4¾ to 5 percent. And we are continuing the process of significantly reducing our securities holdings.

Since our previous FOMC meeting, economic indicators have generally come in stronger than expected, demonstrating greater momentum in economic activity and inflation. We believe, however, that events in the banking system over the past two weeks are likely to result in tighter credit conditions for households and businesses, which would in turn affect economic outcomes. It is too soon to determine the extent of these effects and therefore too soon to tell how monetary policy should respond. As a result, we no longer state that we anticipate that ongoing rate increases will be appropriate to quell inflation; instead, we now anticipate that some additional policy firming may be appropriate. We will closely monitor incoming data and carefully assess the actual and expected effects of tighter credit conditions on economic activity, the labor market, and inflation, and our policy decisions will reflect that assessment.

In our SEP, each FOMC participant wrote down an appropriate path for the federal funds rate based on what that 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 5.1 percent at the end of this year, 4.3 percent at the end of 2024, and 3.1 percent at the end of 2025. These are little changed from our December projections, reflecting offsetting factors. 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. We will continue to make our meeting—decisions meeting by meeting, based on the totality of the vincoming data and their implications for the outlook for economic activity and inflation.

We remain committed to bringing inflation back down to our 2 percent goal and to keep longer-term inflation expectations well anchored. Reducing inflation is likely to require a period of below-trend growth and some softening in labor market conditions. Restoring price stability is essential to set the stage for achieving maximum employment and stable prices over the longer run.

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. I look forward to your questions.

MICHELLE SMITH. Colby.

COLBY SMITH. Thank you. Colby Smith with the *Financial Times.* How confident is the Committee that the recent stress that we've seen, and you've alluded to, is contained at this point and that deposit flight among midsize lenders in particular has ceased?

CHAIR POWELL. Thanks. So I, I guess our view is that the banking system is sound and it's resilient—it's got strong capital [and] liquidity. We took powerful actions with [the] Treasury and the FDIC, which demonstrate that all depositors' savings are safe and that the banking system is safe. Deposit flows in the banking system have stabilized over the last week. And the last thing I'll say is that we've undertaken—we're undertaking a thorough internal review that will identify where we can strengthen supervision and regulation.

COLBY SMITH. Okay, just a quick follow-up: I mean, given all the stress and the uncertainty that you've also alluded to in the statement, how seriously was a—was a pause considered for this meeting?

CHAIR POWELL. So we considered—we did consider that in the days running up to the meeting, and you see the decision that we made, which I'll say a couple things about. First, it was supported by a very strong consensus, and I'll be happy to explain why. And, really, it is that the intermeeting data on inflation and the labor market came in stronger than expected and, really, before the recent events, we were clearly on track to continue with ongoing rate hikes. In fact, as of a couple of weeks ago, it looked like we'd need to raise rates over the course of the year more than we had expected at the time of the SEP in December—at the time of the December meeting. We are committed to restoring price stability, and all of the evidence says that the public has confidence that we will do so—that we'll bring inflation down to 2 percent over time. It is important that we sustain that confidence with our actions as well as our words.

So we also assess, as I mentioned, that the events of the last two weeks are likely to result in some tightening credit conditions for households and businesses and thereby weigh on demand, on the labor market, and on inflation. Such a tightening in financial conditions would work in the same direction as rate tightening. In principle, as a matter of fact, you can think of it as being the equivalent of a rate hike or perhaps more than that; of course, it's not possible to make that assessment today with any precision whatsoever. So our decision was to move ahead with the 25 basis point hike and to change our guidance, as I mentioned, from ongoing hikes to some, some additional hikes maybe—some policy firming may be appropriate. So going forward, as I mentioned, in assessing the need for, for further hikes, we'll be focused as always on the incoming data and the evolving outlook and, in particular, on our assessment of the actual and expected effects of credit tightening.

MICHELLE SMITH. Steve.

STEVE LIESMAN. Mr. Chairman, can you explain the difference between ongoing rate increases and firming? Does firming imply a rate increase *per se*, or could policy firm without you increasing rates?

CHAIR POWELL. No, I think it's, it's meant to refer to our policy rate. Really, I would focus on, on the words "may" and "some," as opposed to "ongoing." Ongoing. So we, we clearly were—what we were doing there was taking onboard the—trying to reflect the uncertainty about what will happen. I mean, it, it's possible that this will turn out to have very modest effects—that these events will turn out to be very, very modest effects on the economy, in which case inflation will continue to be strong—in which case, you know, the path will look—might look different. It's also possible that this potential tightening will contribute significant tightening in credit conditions over time and, in principle, if that—that means that monetary policy may have less work to do. We simply don't know. So.

STEVE LIESMAN. Do you have concerns that the recent—that the hike you did today could further exacerbate the problem in the banks?

CHAIR POWELL. No. I mean, with our monetary policy, we're, we're really focused on macroeconomic outcomes. In particular, we're focused on, on this potential credit tightening and what can that produce in the way of tighter credit conditions. I think when we think about the situation with the banks, we're focused on our—on our financial stability tools, in particular our lending facilities, the debt—sorry, the discount window, and also the new facility.

MICHELLE SMITH. Nick.

NICK TIMIRAOS. Nick Timiraos, the *Wall Street Journal.* Chair Powell, in your testimony two weeks ago, you had indicated you thought the terminal rate would be higher. Obviously, that was before the stress in the banking sector. And I realize there's a lot of uncertainty, but can you—can you explain at all to what extent your forecasts or those of your colleagues or those of the Board staff incorporated today a material tightening of credit availability because of the stress in the banking sector, or are you waiting to see it in the data before you incorporate that potential tightening into your forecasts?

CHAIR POWELL. So, you know, we have just come from an FOMC meeting and, you know, the people who write the minutes will be very carefully counting, but I'll tell you what I heard. What I heard was significant number of people saying that they anticipated there would be some, some tightening of credit conditions and that would really have the same effects as, as our policies do, and that therefore they were including that in their assessment and that if that did turn out not to be the case, in principle you would need more rate hikes. So some people did reflect that in their FOMC—in their SEP forecasts. I think there may also just have been—remember, this is 12 days ago. You know, we're trying to assess something that just is so recent and it's people—you know, it's very difficult, there's so much uncertainty. So December was a good place to start, and we wound up with—we wound up with very similar outcomes for December. And, you know, in a way, the early—the data in the first part—the first five weeks of the intermeeting period pointed to stronger inflation and stronger labor markets. So that pointed to higher rates. And then this, this latter part kind of—the possibility of credit conditions tightening really, really offset that, effectively.

NICK TIMIRAOS. To follow up: Have you considered at all whether your primary tool, the funds rate, is going to be enough to sustain the kind of tighter financial conditions that you believe will be necessary without doing significant damage to the banking sector? Have you, for example, considered changing reserve requirements, selling assets out of the System Open Market Account, as a way to better achieve tighter financial conditions that don't accelerate deposit erosion, for example, from banks?

CHAIR POWELL. You know, we know that we have other, other tools in effect, but no, we think our monetary policy tool works, and we think, you know, many, many banks—our rate hikes were well telegraphed to the market, and many banks have managed to handle them.

MICHELLE SMITH. Victoria.

VICTORIA GUIDA. Hi. Victoria Guida with Politico. I wanted to ask—you, along with the FDIC and the Treasury—the Fed Board decided to invoke the systemic risk exception to allow uninsured depositors to be protected at these two banks. I was just wondering if you could speak to why that decision was made. Was it purely a confidence issue, or was there a concern that there would be some sort of economic contagion or financial contagion from the failure of these banks?

CHAIR POWELL. The issue was really not about those specific banks, but about the risk of a contagion to, to other banks and to the financial markets more broadly. That was the issue.

VICTORIA GUIDA. Okay, and then can you also—just to follow up, can you speak to the role that you will be playing in the Fed's internal investigation on its supervision and regulation?

CHAIR POWELL. So Vice Chair Barr is, is of course leading that review. And he's responsible for it in his capacity as Vice Chair for Supervision. We—I realized, you know, right away that, that there was going to be a need for review. I mean, the question we're all asking ourselves over that first weekend was, how did this happen? And so what we did was, early Monday morning, we sat down and said, "Let's do this." And he, he was obviously going to lead it in his capacity. So I don't—my role was to announce it, and I get briefed on it, but I'm not involved in, in the work of it.

MICHELLE SMITH. Howard.

HOWARD SCHNEIDER. Hi, Chair Powell. Howard Schneider from Reuters. So I want to go back to your February press conference. You mentioned the word "disinflation," I believe, 9 or 10 times, a process that you felt was—I forget the word you used—but gratefully under way, or something like that. Is disinflation still occurring in the U.S. today?

CHAIR POWELL. Yes. I mean, what actually happened, Howard, was I got the question 12 times, so it's—maybe it's a feature, not a bug. But, so, but yeah, absolutely the same—the story is intact, so it's really three parts, right? Goods inflation has been coming down now for six months; it's proceeding more slowly than we would have liked, but it's certainly proceeding. Housing services is, is really a matter of time passing. We continue to see the new leases being signed at much lower levels of inflation. So that's 44 percent of the—of the core PCE index, where you've got a story that's ongoing. Where we didn't have in February, and we still don't have now, is a sign of progress in the nonhousing services sector. And that is, you know, that's just something that will have to come through softening demand and perhaps some softening in labor market conditions. We don't see that yet. And that's, that's of course 56 percent of the index. So the story is pretty much the same. I will say that the inflation data that we got, to your point, really pointed to stronger inflation.

HOWARD SCHNEIDER. If I could follow up on that, I was curious why you don't see more coming from the credit crunch, because it seems to me that's something that you'd actually welcome to a degree and expect. And are you not seeing more coming from that because you don't know, or because you just don't want to have another round of wishful thinking?

CHAIR POWELL. So it's really just a question of not knowing at this point. There's a great deal of literature on the connection between tighter credit conditions, economic activity, hiring, and inflation. Very large body of literature. The question is, how significant will this credit tightening be and how sustainable it will be? That's, that's the issue. And we don't really see it yet, so, so people are making estimates, you know, people are publishing estimates, but it's very kind of rule-of-thumb guesswork almost at this point. But we think it's, it's potentially quite real and that argues for, you know, being alert as we go forward. As we think about further rate hikes for us, we'll be paying attention to the actual and expected effects from that.

MICHELLE SMITH. Jeanna.

JEANNA SMIALEK. Hi, Chair Powell. Jeanna Smialek from the *New York Times.* Thank you for taking our questions. I wonder if you could talk a little bit—I know that you've got your internal review coming, but I wonder if you could talk a little bit about what you think happened with oversight at Silicon Valley Bank and whether this suggests that something about regulation and supervision needs to actually change going forward. And I wonder, you know, how can the American people have confidence that there aren't other weaknesses out there in the banking system, given that this one got missed, as you noted?

CHAIR POWELL. So let me say what, what I think happened, and then I'll come to the questions around supervision. So, at a basic level, Silicon Valley Bank management failed badly—they grew the bank very quickly, they exposed the bank to significant liquidity risk and interest rate risk, didn't hedge that risk. We now know that supervisors saw these risks and, and intervened. We know that the public saw all this. We know that SVB experienced an unprecedentedly rapid and massive bank run. So this is a—this is a very large group of connected depositors—concentrated group of connected depositors in a very, very fast run, faster than historical record would suggest. So as for us—so for our part, we're doing a review of supervision and regulation. My only interest is that we identify what went wrong here. How did this happen is the question. What went wrong? Try to find that. We will find that. And then make an assessment of what are the right policies to put in place so that it doesn't happen again, and then implement those policies. It would be inappropriate for me at this stage to offer my views on what the answers might be. You know, I simply can't do that. Vice Chair Barr is leading this, and I think he's testifying next week. So—but that will be up to him. So that's really where it is. You know, the, the review is going to be thorough and transparent. It is clear—really to your last question—it's clear that we do need to strengthen supervision and regulation. And I, I assume that there will be recommendations coming out of the report, and I, I plan on supporting them and supporting their implementation.

JEANNA SMIALEK. And the final point—you know, can we feel confident that these weaknesses don't exist elsewhere, given that they got missed at this bank?

CHAIR POWELL. These are not weaknesses that are—that are at all broadly through the banking system. This was—this was a bank that was an outlier in terms of both its percentage of, of uninsured deposits and in terms of its holdings of duration risk. And again, supervisors did get in there, and, and they were, as you know, obviously, you know they were—they were on this issue, but nonetheless, this, this still happened. And so that's really the nature of the interview—sorry, of the review—is to discover that.

MICHELLE SMITH. Let's go to Michael McKee.

MICHAEL MCKEE. Michael McKee from Bloomberg Radio and Television. You've been very consistent in saying that the Fed would be raising interest rates and then holding them there for quite some time. Following today's decision, the markets have now priced in one more increase in May, and then every meeting the rest of this year they're pricing in rate cuts. Are they getting this totally wrong from the Fed, or is there something different about the way you're looking at it, given that you're now thinking that moves might be appropriate as opposed to ongoing?

CHAIR POWELL. So we published an SEP today, as you will have seen, and it shows that basically participants expect relatively slow growth, a gradual rebalancing of supply and demand in the labor market, with inflation moving down gradually. In that most likely case, if that happens, participants don't see rate cuts this year. They just don't. I would just say: As always, the path of the economy is uncertain, and policy is going to reflect what actually happens rather than what we write down in the SEP. But that's not our baseline expectation.

MICHAEL MCKEE. Well, if I could follow up and ask, as you look forward into the rest of the year here, are you saying that what you see and the 5.1 percent basically consensus is based on being—it will be sufficiently restrictive? Or is it leavened by the idea of you don't know what's going to happen? In other words, what should people think about in terms of how the Fed thinks about how far it is from the terminal?

CHAIR POWELL. It's going to depend. Remember, we're looking—for purposes of our monetary policy tool, we're looking at what's happening among the banks and asking, is there going to be some tightening in credit conditions? And then we're thinking about that as effectively doing the same thing that rate hikes do. So, in a way, that substitutes for rate hikes. So, the key is, we have to have—policy has got to be tight enough to bring inflation down to 2 percent over time. It doesn't all have to come from rate hikes: It can come from, you know, from tighter credit conditions. So we're looking at, and we, we—it's highly uncertain how long the situation will be sustained or how significant any of those effects would be, so we're just going to have to watch. In the meantime, you know—obviously, at the end of the day, we will do enough to bring inflation down to 2 percent. No one should doubt that.

MICHELLE SMITH. Let's go to Rachel Siegel.

RACHEL SIEGEL. Hi, Chair Powell. Rachel Siegel from the *Washington Post.* Thank you for taking our questions. I know we've talked a bit about how Silicon Valley Bank was unique to a certain sector of the economy, but there's also growing concern that there are financial stability risks from the commercial real estate market and loans that will begin to roll over later this year and next, and that smaller regional banks also disproportionately hold those loans. Is there a risk that could mimic the kind of—what we saw with SVB to banks that disproportionately are focused in commercial real estate?

CHAIR POWELL. So, you know, we're well aware of the concentrations people have in commercial real estate. I really don't think it's comparable to this. The, the banking system is, is strong, it is sound, it is resilient, it's well capitalized, and I really don't see that as at all analogous to this.

RACHEL SIEGEL. And one other question: Would you be open to an independent investigation, separate from the Fed's probe?

CHAIR POWELL. I welcome—it's 100 percent certainty that there will be independent investigations and outside investigations and all that. So we welcome—when a bank fails, there are investigations. And, of course, we welcome that.

MICHELLE SMITH. Edward.

EDWARD LAWRENCE. Thank you, Mr. Chairman. Edward Lawrence from Fox Business. Inflation has been rather sticky, so do you need help from the fiscal side to get inflation down faster?

CHAIR POWELL. We don't assume that. We don't give advice to the fiscal authorities, and we assume that—we take fiscal policy as, as it comes to our front door, stick it in our model along with a million other things. We have responsibility for price stability. The Federal Reserve has responsibility for that. And nothing's going to change that. So—and we will get inflation down to 2 percent in time.

EDWARD LAWRENCE. And if I can follow on that, but they're working—the spending that's happened is working against what you are doing, right? So it's prolonging inflation.

CHAIR POWELL. You have to look at, at the impulse from spending because spending was, of course, tremendously high during the pandemic, and then, as the pandemic programs rolled off, spending actually came down, so the—this sort of fiscal impulse is actually not what's driving inflation right now. It was—it was at the beginning perhaps part of what was driving inflation, but that's not really the story now.

MICHELLE SMITH. Let's go to Neil Irwin.

NEIL IRWIN. Hi, Chair Powell. Neil Irwin with Axios. Two questions about aspects of the government's response on Silicon Valley Bank two weekends ago. First, why is this new bank funding facility done under emergency 13(3) authority, as opposed to expansion of the discount window, changing the terms of the discount window that's been around a long time? And, second, can you discuss the Fed's role in the—in the FDIC guarantee of uninsured depositors and why there's $143 billion on your balance sheets last week, supporting that deposit guarantee?

CHAIR POWELL. Sure. So 13(3) seemed like the right—we have a little more flexibility under section 13(3). We've done quite a lot under the discount window as well. We needed to do a special facility that was designed a certain way, so we did it under 13(3). Really no magic to that. It's only available in unusual and exigent circumstances, and it has to be—meet certain requirements, but it seemed to be the right place. So with the FDIC, we're just, we're lending to the, in effect, we're—we're lending to the bridge bank. So that's where the funds came from, and it's—it's a loan that's 100 percent guaranteed by the FDIC, so there's no risk in it for us.

MICHELLE SMITH. Okay, Chris Rugaber.

CHRIS RUGABER. Thank you. Chris Rugaber at Associated Press. The SEB—SEP suggests one more rate hike, as does the change in the language in the statement and which suggests that you're perhaps nearing the end of a cycle of rate hikes. Do you feel, though, that if inflation remains high, you'll be able to resume additional hikes as needed, or have you somewhat tied your hands here with these signals about rate hikes coming to an end? Thank you.

CHAIR POWELL. No, absolutely not. No, we, if we need to raise hike—raise rates higher, we will. I think for now though we, we—as I've mentioned, we see the likelihood of, of credit tightening. We know that can have, you know, an effect on the macroeconomy, on demand, on labor market, on inflation, and we're—we're going to be watching to see what that is. And we'll also be watching what's happening with inflation and in the labor market. So we'll be watching all those things, and of course we will—we will eventually get to [a] tight enough policy to bring inflation down to 2 percent. We'll find ourselves at that place.

MICHELLE SMITH. Kyle.

KYLE CAMPBELL. Hi, Chair Powell—thanks for taking the question. Kyle Campbell with *American Banker.* I have a couple questions about the balance sheet. First of all, I'm curious at what point the financial supports that the Fed is extending through the discount window and through its enhanced lending facility might be at odds with the objective of reducing the balance sheet. And I'm also curious what your thoughts are on the—not just the availability of reserves but the distribution of them throughout the banking system and at what point you might be concerned about it being scarce for certain banks.

CHAIR POWELL. So—People think of QE and QT in different ways, so let me be clear about how I'm thinking about these recent developments. So the recent liquidity provision that has increased the size of our balance sheet but the intent and the effects of it are very different from what we—from when we expand our balance sheet through purchases of longer-term securities. Large-scale purchases of long-term securities are, are really meant to alter the stance of policy by pushing down—pushing up the price and down the rates, longer-term rates, which supports demand through channels we understand fairly well. The balance sheet expansion is really temporary lending to banks to meet those special liquidity demands created by the recent tensions; it's not intended to directly alter the stance of monetary policy. We do believe that it's working. It's having its intended effect of bolstering confidence in the banking system and thereby forestalling what might otherwise have been an abrupt and outsized tightening in financial conditions. So that's working.

In terms of the distribution of reserves, we, we don't see ourselves as, as running into reserve shortages. We, we think that our program of allowing our balance sheet to, to run off predictably, predicatbly and passively is working. And of course we're, we're always prepared to, to change that if that changes. But we don't see any evidence that that's changed.

MICHELLE SMITH. Catarina.

CATARINA SARAIVA. Hi, Chair. Catarina Saraiva with Bloomberg News. The minutes of the January–February meeting, the last meeting, indicate that you discussed the possibility of runs on nonbank financial institutions and the impact of large unrealized losses on bank portfolios. Can you talk a little bit more about that discussion—kind of what was talked about in light of that, and then why didn't the Fed, you know, do anything about that at that point to ultimately prevent, you know, what happened this month?

CHAIR POWELL. I mean, to be honest, I don't—I don't recall the specifics of that. It's been quite an interesting seven weeks. But, but I will tell you, though, that we have—there have been presentations about, about interest rate risk. I mean, it's been in all the newspapers. It's not a surprise that there are institutions that have—that have had unhedged long positions in long-duration securities that have lost value as, as longer-term rates have gone up due to our rate increases. So that's, that's not a surprise. I, I think, as you know, as is now in the public record, the supervisory team was apparently engaged, very much engaged with the bank repeatedly, and was escalating but, you know, nonetheless, what happened happened. And so that's really the purpose of—one way to think about the review that Vice Chair Barr is conducting is to try to understand how that happened and try to understand how we can do better and what policies we need to change. I mean, one thing is the speed of the—I'll come back to that, the speed of the run, it's very different from what we've seen in the past, and it does kind of suggest that there's a need for possible, you know, regulatory and supervisory changes just because supervision and regulation need to keep up with what's, what's happening in the world.

CATARINA SARAIVA. Can you confirm whether or not the Board knew about these escalations by the examiners in San Francisco?

CHAIR POWELL. I will have to come back to you on that. Yeah, I don't know.

MICHELLE SMITH. Simon.

SIMON RABINOVITCH. Hi. Simon Rabinovitch with the *Economist.* Thank you very much. Chair Powell, you stated twice today that all depositors' savings in the banking system are safe. Are you saying that de facto deposit insurance covers all savings? Shouldn't Congress have a say in that? and, just by way of example, if a bank with less than $1 billion in assets failed, are you promising to bail out all of its depositors? Thanks.

CHAIR POWELL. Well, I'm not saying anything more than I'm saying. So—but what I'm saying is you've seen that we have the tools to protect depositors when there's a threat of serious harm to the economy or to—or to the financial system, and we're prepared to use those tools. And I think depositors should assume that their—that their deposits are safe.

MICHELLE SMITH. Let's go to Greg Robb.

GREG ROBB. Thank you, Chair Powell. Greg Robb from MarketWatch. I was wondering if you could give us a little bit more color. You gave just a little bit of color. You said during the first week of the Silicon Valley weekend—you said the question you guys asked was "How did this happen?" when you saw Silicon Valley Bank. So I was wondering if you could go to the Credit Suisse merger. I mean, wasn't that the big gorilla in the room? Aren't—didn't you breathe a sigh of relief when that merger happened? Thanks.

CHAIR POWELL. Sure. So, you know, we—that was really the Swiss government that we of course were, were following it over the course of the weekend, and we were engaged with their authorities in the way that you would expect, all the ways that you would expect. It seems to have been a positive outcome in the sense that the transaction was agreed to, and it has been—the markets have accepted it, and it seems to have gone well, and I think there was a concern that it might not go well. So coming into the middle of this week, yes, I would say that that is going well so far.

MICHELLE SMITH. Nicole.

NICOLE GOODKIND. Hi. Thank you, Chair Powell. Nicole Goodkind with CNN Business. In the Summary of Economic Projections, the FOMC sees the unemployment rate increasing to 4.5 percent this year. I'm wondering how you anticipate preventing this from snowballing while using the admittedly blunt tools at your disposal.

CHAIR POWELL. So that's just—that's an estimate of what will happen as demand slows and as conditions soften in the labor market and it's just—it's a highly uncertain estimate. And, I mean, I was really—we have to bring inflation down to 2 percent. The costs of bringing it down—there are real costs to bringing it down to 2 percent, but the costs of failing are much higher. And if you read your history, as I'm sure you have, you can see that if the central bank doesn't get inflation back in place, get inflation—make sure that inflation expectations remain anchored, you can have a long series of years where inflation is high and volatile, and it's hard to invest capital, it's hard for an economy to perform well. And we're looking to avoid that and, you know, to get back to where we need to be—back to where we were for a quarter century, and get there as quickly as we can.

NICOLE GOODKIND. But I guess the question is, historically, it's hard to—historically, it's been hard to contain unemployment and I, I—the question is, do you worry about some sort of snowball effect, and how do you factor that into your projections and your thoughts?

CHAIR POWELL. Well, it depends on whether you—so recessions tend to be nonlinear, and so they're very hard to model. You know, the models all work in a kind of linear way—if you have more of this, you get more of that. But when a recession happens, the reactions tend to be nonlinear and that's what—so we don't know whether that'll happen this time. We don't know—if so, we don't know how significant it will be, and so, you know, we're very focused on getting inflation down because we know in the longer run that that is the thing that will most benefit the people we serve. That's how we can have a long—you know, we've had very strong labor markets through these long expansions that we've had. Four of the five longest, or three of the four longest expansions in U.S. history have been really since the high-inflation period. And the reason was inflation wasn't forcing the central bank to come in and stop an incipient or, or, you know, an expansion. You can have very, very long expansions without high inflation, and we had several of those, and they're very good for people. You see late in an expansion—you see low unemployment, you see the benefits of wages going to people at the lower end of the wage spectrum. It's just a place that we should try to get back to.

MICHELLE SMITH. Jean.

JEAN YUNG. Hi, Chair Powell. Jean Young with Market News. I just wanted to ask, with all the events of the past two weeks, do you still see a possibility of a soft landing for the U.S. economy?

CHAIR POWELL. You know it's, it's too early to say, really, whether these events have had much of an effect. It's hard for me to see how they would have helped the possibility—but I guess I would just say, it's too early to say whether there really have been changes in that. You know, the question will be how long this period is sustained. The longer it's sustained, then the greater will be the likely declines in—or tightening in credit standards, credit availability, so we'll just have to see. I do still think, though, that there's a—there's a pathway to that. I think that pathway still exists and, you know, we're certainly trying to find it.

MICHELLE SMITH. Nancy.

NANCY MARSHALL-GENZER. Hi, Chair Powell. Nancy Marshall-Genzer with Marketplace. Just wondering: How many financial institutions have been issued matters requiring attention or matters requiring immediate attention citations at this point?

CHAIR POWELL. How many? I don't know. But those are serious—those are serious regulatory, in particular immediate attention, and that's—and I guess there were six of them. So.

NANCY MARSHALL-GENZER. And, and getting to the seriousness of it, how are you going to ensure that banks comply with these citations, take them seriously—how will you enforce them?

CHAIR POWELL. That is a great question and is right in the heart of what the review will be doing under Vice Chair Barr's leadership. So that's, I think that's where—that's what you think about. What can we do to make sure that—but, again, that's not for me to answer today.

NANCY MARSHALL-GENZER. Do you have specific thoughts on that?

CHAIR POWELL. Well I, I—see, if I did, I wouldn't share them because I, I really, you know, this review is going on, and, you know, I want nothing other than us to find out what happened and why, figure out what we can do to do better, and then implement those changes. That's all I want. It's—For me to be giving you my half-formed, or partially informed, thoughts, it, you know, just isn't appropriate. There's a real serious review going on with, with people from all over the Federal Reserve System who are not connected to this, you know, to this work, not connected to this bank, and under, again, Vice Chair Barr's leadership, and I'm confident that it will produce a satisfactory result.

MICHELLE SMITH. Okay, we'll go to Jennifer for the last question.

JENNIFER SCHONBERGER. Thank you, Chair Powell. Jennifer Schonberger with Yahoo Finance. Curious—how do you view financial conditions right now? If credit becomes expensive enough, choking off growth, as you said you're watching for, would that situation warrant a rate cut? What situation would warrant a rate cut? And have the bank failures prompted any discussion around changing the implementation of the balance sheet runoff? Thank you.

CHAIR POWELL. So we haven't really talked about changing the balance sheet implementation—that's not something we've discussed yet. As I mentioned, we're always willing to change that if we conclude that it's appropriate, but we're really not seeing any signs there. Sorry, then the question before that was, just give me a—

JENNIFER SCHONBERGER. Curious how you view financial conditions now and, if credit were to tighten enough, if that would prompt a rate cut.

CHAIR POWELL. So financial conditions seem to have tightened—and probably by more than the traditional indexes say, because traditional indexes are focused a lot on [interest] rates and [prices of] equities, and they don't necessarily capture lending conditions. So we think that, though. So there are other measures which, if they're focused on, you know—bank lending conditions and things like that—they show some more tightening. The question for us, though, is, how significant will that be and how, you know—what will be the extent of it and what will be the duration of it? And then—and then, you know, once you have—once you know that, there's a fair amount of research about how that, with broad uncertainty bands—how that works its way into the economy [and] over what period of time. And so, you know, we'll be looking to see the first part of that—like how serious is this, and does it look like it's going to be sustained, and if it is, you know, it could easily have a significant macroeconomic effect, and we would factor that into our policy decisions. I mentioned with rate cuts, rate cuts are not in our base case, and, you know, so that's all I have to say. Thank you very much.