

Transcript of Chair Powell's Press Conference
March 3, 2020

CHAIR POWELL. Earlier today the Federal Open Market Committee announced a $\frac{1}{2}$ percentage point reduction in the target range for the federal funds rate, bringing that range to 1 to $1\frac{1}{4}$ percent. My colleagues and I took this action to help the U.S. economy keep strong in the face of new risks to the economic outlook.

The fundamentals of the U.S. economy remain strong. The unemployment rate has been near half-century lows for well more than a year, the pace of job gains has been solid, and wages have been rising. These strong labor market conditions have underpinned solid household spending, which has been the key driver of economic growth over the past year. At the time of our FOMC meeting in January, prospects for continued economic growth remained favorable, and we judged that monetary policy was well positioned to support that outlook.

Since then, the spread of the coronavirus has brought new challenges and risks. The virus has afflicted many communities around the world, and our thoughts and prayers go out to those who've been harmed. The outbreak has also disrupted economic activity in many countries and has prompted significant movements in financial markets. The virus and the measures that are being taken to contain it will surely weigh on economic activity both here and abroad for some time. We are beginning to see the effects on the tourism and travel industries, and we are hearing concerns from industries that rely on global supply chains. The magnitude and persistence of the overall effects on the economy, however, remain highly uncertain, and the situation remains a fluid one.

Against this background, the Committee judged that the risks to the U.S. outlook have changed materially. In response, we have eased the stance of monetary policy to provide some more support to the economy. Of course, the ultimate solutions to this challenge will come from

others, particularly health professionals. We can and will do our part, however, to keep the U.S. economy strong as we meet this challenge. As always, our actions are guided by our congressional mandate to promote maximum employment and price stability.

In the weeks and months ahead, we will continue to closely monitor developments and their implications for the economic outlook, and we will use our tools and act as appropriate to support the economy. Thank you, and I'll be happy to take a few questions.

NICK TIMIRAOIS. Thank you. Nick Timiraos with the *Wall Street Journal*. Two questions. First, what changed between last week, when many of your colleagues seemed to indicate it was still too soon to tell how this might influence the outlook—what changed between last week and today? And then, how much confidence do you have that there will be a quick and relatively complete recovery of economic activity after the peak of this virus has passed?

CHAIR POWELL. So, what changed? Of course, we've been carefully monitoring the situation since it first became known and waiting to see how it would evolve. And I think we've come to the view now that this—that it is time for us to act in support of the economy. And once you reach that decision, we decided to go ahead. So what changed, really, was, I would say, over the course of the last couple weeks, we've seen a broader spread of the virus—we've seen it begin to spread a bit here in the United States. But, for us, what really matters, of course, is not the epidemiology, but the risk to the economy. So we saw a risk to the outlook for the economy and chose to act. In terms of my confidence that we will return to—what was your question? Was that a question?

NICK TIMIRAOIS. How do you expect this to—the economy to recover from this? Do you see it as a persistent decline in activity or something that will be relatively temporary and short lived?

CHAIR POWELL. I don't think anybody knows how long it will be. I do know that the U.S. economy is strong, and we will get to the other side of this. And I fully expect it will return to solid growth and a solid labor market as well.

JIM TANKERSLEY. Hi, Mr. Chairman. Jim Tankersley, *New York Times*. You said that "the ultimate solutions" will come from others, and I have two questions about that. First, is this a coordinated—part of a coordinated action with other central banks, and should we be expecting to see more as part of that? And, second, what would you like to see from American fiscal policymakers in response to these new threats?

CHAIR POWELL. Okay. So, first question. We—we're in active discussions with central banks around the world on an ongoing basis, as you would guess. I've been in regular contact with central bank leaders from around the world. That will continue. Central banks are doing what makes sense in their particular institutional contexts, but we're all talking to each other on an ongoing basis. And our action today represents what we think is the right policy for us in our particular institutional context under our domestic mandate. You saw this morning's G-7 statement of finance ministers and governors, and I think that statement does reflect coordination at a high level in the form of a commitment to use all available tools, including health-care policy, fiscal policy, and monetary policy as "appropriate."

So, in terms of fiscal policy, again, not our role. We have—we have a full plate with monetary policy. Not our role to give advice to the fiscal policymakers, but you saw the mention in the G-7 statement—as "appropriate" as well.

HEATHER SCOTT. The G-7—Heather Scott with AFP. The G-7 statement seemed to indicate that—I'm sorry. I was away from the mic. Sorry, Heather Scott with AFP. The G-7 statement seemed to indicate that—that policymakers would use tools but were not going to do

anything imminent. Does this contradict that, or is this in keeping with the action—the statement by the G-7 this morning? And, can I ask, what would cause you to make—take another step?

What would you be looking for, in terms of the economic outlook or data?

CHAIR POWELL. So the sense of the G-7, you know, is to—we have seven countries, obviously, and different policies, different situations, different mandates—a lot of overlap. And the sense of that is to get together as a group and say at a high level that “These are the things we’re going to do. We are going to use our tools—all of our tools in a strong way to—to try to support the economy.” So that’s a statement of general support. I think within that you will see actions. You’ve seen our action. And I think it’s up to individual countries—individual fiscal policies and individual central banks—to do what they’re going to do. I would think it will be—it’s possible there will be some more—more formal considered coordination as we move forward.

In terms of—in terms of moving forward, I would say that we do like our current policy stance. We think—we think it’s appropriate to—to support achievement of our dual-mandate goals. But as I said in my—in my statement, we’re prepared to use our tools—tools and act appropriately, depending on the flow of events.

HEATHER SCOTT. But anything you’ll be particularly watching that would change that?

CHAIR POWELL. I can’t point to any one thing. It’s always a range of things.

HEATHER LONG. Heather Long from the *Washington Post*. There’s been some rising concern about credit markets and possible insolvencies and defaults either from businesses or individuals from the coronavirus. Can you speak to—is the FOMC talking about this? Are we

likely to see any emergency provisions from the CRA activated or things that you normally do during, you know, a hurricane or that type of disruption to the economy?

CHAIR POWELL. So we don't—we don't see any of that happening yet. Of course, we are—we are thinking about what we can do should those things happen. There's no evidence of it yet. The economy continues to perform well—perform well. As I mentioned, we do hear concerns, particularly from those most directly exposed, but there's nothing in that nature: Financial markets are functioning in an orderly manner and all that sort of thing. I think when it—when it comes to those sorts of issues, though, we will be—the supervisors will be working with banks to assure that they work with their—with their borrowers and that sort of thing. So I can imagine us doing those sorts of things, but it's—those things are not upon us at the moment.

BRENDAN GREELEY. Thank you. Brendan Greeley, *Financial Times*. Has the Committee discussed any other monetary policy tools, in addition to rate cuts, and the pacing and timing of when they might be appropriate?

CHAIR POWELL. Well, as you know, we're in the middle of a review of all of our tools. So if you go back a few meetings, we've talked about what our toolkit is, and we've put that in the minutes. But in the current context, no. What we discussed is the current stance of policy, is it appropriate—came to the view that it was appropriate to make a change and went ahead and did that today.

RICH MILLER. Hi. Rich Miller with Bloomberg. Thank you very much for having a press conference. Can you take us a little—through the reasoning behind the rate cut a little bit more in depth? You know, was there a discuss—some economists say this is a supply-side shock, you know, rate cuts are not particularly suitable for this. Others say, well, the supply

shock may morph into a demand shock. I wonder if you could just give us a little bit more depth on the reasoning behind the rate cut. Thank you.

CHAIR POWELL. Sure, I'd be glad to. So the virus outbreak is something that will require a multifaceted response. And that response will come, in the first instance, from health-care professionals and health policy experts. It will also come from fiscal authorities should they determine that a response is appropriate. And it would be—come from many other public- and private-sector actors: businesses, schools, state and local governments. But there's also a role for monetary policy. Monetary policy can be an effective tool to support overall economic activity. We do recognize that a rate cut will not reduce the rate of infection. It won't fix a broken supply chain. We get that. We don't think we have all the answers. But we do believe that our action will provide a meaningful boost to the economy. More specifically, it will support accommodative financial conditions and avoid a tightening of financial conditions which can weigh on activity, and it will help boost household and business confidence. That's why you're seeing central banks around the world responding as they see appropriate in their particular institutional context.

YLAN MUI. Thanks. Ylan Mui from CNBC. Can you tell us what you would do if the virus ends up being contained fairly quickly? Would you envision the Fed actually raising rates in short order if the economic damage doesn't occur the way that you potentially fear? And I have a second question, which is, President Trump was just tweeting about you this morning and talking about the Fed's need to cut rates. Did you feel any political pressure to make this move?

CHAIR POWELL. So, on your first question, we're always going to set monetary policy at a given time in a way that we think best serves our dual-mandate goals, and it's as simple as that. So, you know, we'll—if we get to a place where we think it's an appropriate time to change

the stance of monetary policy, we won't hesitate to do that. I would also say that it's—it's very important that people understand that we will always make our decisions based on the best thinking we have, based on our—what we learned from our outreach to businesses, nonprofits, educational institutions that we get every cycle through the Reserve Banks, and the best analysis, the best research. We're always going to make our decisions in the interests of the American people to carry forward and try to achieve the mandates that Congress has given us. And we're never going to consider any political considerations whatsoever. We will not do that, and it's very important that the public understand that.

CHRISTOPHER RUGABER. Chris Rugaber, Associated Press. I know—you mentioned a little bit of outreach. Some of the Fed Bank presidents were talking about last week how much they were going to listen to their contacts. Have you gotten reports sort of from the ground from your business contacts, nonprofits, and so forth that have affected your decisionmaking? What are—what are you hearing from all those folks? Thank you.

CHAIR POWELL. So we're—we are hearing—I would just say, the effects are at a very early stage. But you are hearing concerns from people—for example, in the travel business or the hotel business and things like that. That's—that's what you are hearing. But you don't see things showing up in actual data. You do see them showing up in, sort of, sentiment forecast indicators and things like that. We expect that will continue. It will probably grow. And that's one of the reasons why we've come to the view that it would be appropriate for us today to move to support the economy. And that's what we've done. Thanks very much.