**INVESTMENT COUNSEL AND MANAGEMENT**

# FOMC Meeting Update

**. . . as summarized by Smith Shellnut Wilson**

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Federal Reserve officials raised interest rates for a third time this year and reaffirmed their outlook for further gradual hikes well into 2019, risking fresh criticism from President Donald Trump.

The quarter-point increase boosted the benchmark federal funds rate to a target range of 2.00% to 2.25%. The move reflected an upbeat assessment of the economy that was identical to the central bank's last policy statement eight weeks ago, despite concerns over Trump's escalating trade war.

Growth and job gains have been "strong" and inflation remains near the central bank's 2.00% target, the Federal Open Market Committee said in its statement today following a two-day meeting in Washington.

Barring a negative surprise in the economy, updated FOMC-member forecasts make a December rate hike almost certain, as the number of FOMC officials expecting another increase by year-end grew to larger majority of 12, from eight in the previous round of projections in June.

In the statement's only change from the previous one issued August 1st, the Committee dropped its long-standing description of monetary policy as "accommodative." That's an acknowledgement that rates have moved closer to the neutral level which neither boosts nor restrains the economy.

Attached is a side-by-side comparison of the U.S. Federal Open Market Committee statements from September 26, 2018 and August 1, 2018.

*Source for the information in this update is Bloomberg News*

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# FOMC STATEMENTS: SIDE-BY-SIDE

## Sept. 26, 2018

Information received since the Federal Open Market Committee met in August indicates that the labor market has continued to strengthen and that economic activity has been rising at a strong rate. Job gains have been strong, on average, in recent months, and the unemployment rate has stayed low. Household spending and business fixed investment have grown strongly. On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2 percent. Indicators of longer-term inflation expectations are little changed, on balance.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective over the medium term. Risks to the economic outlook appear roughly balanced.

In view of realized and expected labor market conditions and inflation, the Committee decided to raise the target range for the federal funds rate to 2 to 2-1/4 percent.

In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

Voting for the FOMC monetary policy action were: Jerome H. Powell, Chairman; John C. Williams, Vice Chairman; Thomas I. Barkin; Raphael W. Bostic; Lael Brainard; Richard H. Clarida; Esther L. George; Loretta J. Mester; and Randal K. Quarles.

## Aug. 1, 2018

Information received since the Federal Open Market Committee met in June indicates that the labor market has continued to strengthen and that economic activity has been rising at a strong rate. Job gains have been strong, on average, in recent months, and the unemployment rate has stayed low. Household spending and business fixed investment have grown strongly. On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2 percent. Indicators of longer-term inflation expectations are little changed, on balance.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective over the medium term. Risks to the economic outlook appear roughly balanced.

In view of realized and expected labor market conditions and inflation, the Committee decided to maintain the target range for the federal funds rate at 1-3/4 to 2 percent. The stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return to 2 percent inflation.

In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

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