June FOMC Press Conference

CHAIRMAN POWELL: Good afternoon. My colleagues and I remain squarely focused on our dual mandate to promote maximum employment and stable prices for the American people. We understand the hardship that high inflation is causing and we remain strongly committed to bringing inflation back down to our 2% goal. Price stability is the responsibility of the Federal Reserve. Without it, the economy doesn't work for anyone. In particular, without price stability, we will not achieve a sustained period of strong labor market conditions that benefit all.

Since early last year, the FOMC has tightened the stance of monetary policy. We have raised our policy interest rate by five percentage points and continued to reduce our securities holdings at a brisk base. We've covered a lot of ground. The full effects have yet to be felt. In light of how far we've come in tightening policy, the uncertain lags with which monetary policy affects the economy, and potential head winds from credit tightening, today we decided to leave our policy interest rate unchanged and continue to reduce our securities.

Nearly all participants think further rate changes will be necessary. I will have more to say about monetary policy after reviewing economic developments. The U.S. economy slowed significantly last year. Recent indicators suggest activity has continued to expand at a modest pace. Growth and consumer spending has picked up, but activity in the housing sector remains weak, largely reflecting higher mortgage rates.

Higher interest rates, hence lower output growth, also appear to be weighing on business fixed investment. Committee participants expect subdued growth to continue in our summer of economic projections. The median projection, 1.0% this year and 1.1% next year, below the median estimate of the normal growth rate. The labor market remains very tight. Payroll job gains averaged a robust 283,000 jobs per month over the past three months.

The unemployment rate moved up but remained low in May at 3.7%. There are some signs that supply and demand in the labor market are coming into better balance. The labor force participation rate has moved up in recent months, particularly for individuals aged 25 to 54 years. Nominal wage growth has shown signs of easing and job vacancies have declined. While the jobs to workers gap has declined, labor demand substantially exceeds the supply of available workers still.

FOMC participants expect supply and demand conditions to come into better balance over time, easing upward pressures on inflation. The median unemployment rate projection in the SEP rises to 4.1% at the end of this year. And 4.5% at the end of next year. Inflation remains well above our longer-run 2%

goal. Over the 12 months ending from April, PEC rose 4.4%, excluding the volatile food and energy categories, core PCE prices rose 4.7%. In May, the 12-month change came in at 4%, and the change in the core CPI was 5.3%.
Inflation has moderated somewhat since the middle of last year. Nonetheless, inflation pressures continue to run high and the process of getting inflation back down to 2% has a long way to go. The median projection in the SEP for total PCE inflation is 3.2% this year. 2.5% next year. And 2.1% in 2025. Core PCE inflation, which excludes volatile food and energy prices, is projected to run higher than total inflation and the median projection has been revised up to 3.9% this year.
Despite elevated inflation, longer-term inflation expectations appear to remain well-anchored, as reflected in 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 aware high inflation imposes hardship, as it erodes purchasing power, especially for those least able to meet the higher cost 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% objective. As I noted, since early last year, we have raised our policy rate by five percentage points. We have been seeing the effects of our policy tightening on demand in the most interest rate sensitive sectors of the economy, especially housing and investment.
It will take time, however, for the full effects of monetary redistribute to be realized -- restraint to be realized, especially on inflation. The economy is facing headwinds from tighter credit conditions for household and businesses, which are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. In light of how far we've come in tightening policy, the uncertain lags with which monetary policy affects the economy and potential headwinds from credit tightening, the committee decided to maintain the target range for the federal funds rate at five to 5.25% and to continue the process of significantly reducing our securities holdings.
Nearly all committee participants expect that it will be appropriate to raise interest rates somewhat further by the end of the year, but at this meeting, considering how far and how fast we've moved, we judged it prudent to hold the target range steady to allow the committee to assess additional information and its implications for monetary policy. In determining the extent of additional policy firming that may be appropriate, the committee will take into account the cumulative tightening of monetary policy, the lags with which policy affects economic activity and inflation, and economic and financial developments.
In our SEP, participants wrote down their individual assessments of an appropriate path for the federal funds rate based on what each 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 federal funds rate will be 5.6% at the end of this year. 4.6% at the end of 2024. And 3.4% at the end of 2025.

For the end of this year, the median projection is a half percentage point higher than in our March projections. I hasten to add that 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 decisions meeting by meeting based on the totality of incoming data and their implications for the Outlook for economic activity and inflation as well as the balance of risks.

We remain committed to bringing inflation down to our 2% goal and keeping expectations anchored. Reducing inflation is likely to require a period of below-trend growth and softening of labor market conditions. Restoring price stability is essential to set the stage for achieving maximum employment and substantial prices over the longer run. To conclude, we understand that our actions affect communities, families, and businesses across the country. Everything we do at the Fed is in service to our public mission.

We will do everything we can to achieve our maximum employment and price stability goals. Thank you, and I look forward to your questions.

>> Thank you, colby Smith, Financial Times. What gives you the confidence that waiting will not be counterproductive when core inflation is elevated, housing, while they felt the drag of the past Fed actions, have started to recover in some regions, and financial conditions most recently were easing.

>> CHAIRMAN POWELL: I guess I would go back to the beginning of this tightening cycle. So as we started our rate hikes early last year, we said there were three issues that would need to be addressed in sequence -- the speed of tightening, the level rates would need to go and the period of time. Going back 15 months, the key issue was how fast to move rates up. We moved very quickly by historical standards. Last December after four consecutive 75 basis point hikes we moderated to a pace of a 50 basis point hike and then this year, to three 25 basis point hikes at sequential meetings.

It seems to us to make obvious sense to moderate our rate hikes as we got closer to our destination. The decision to consider not hiking at every meeting and to hold rates steady at this meeting is a continuation of that process. The main issue that we're focused on now is determining the extent of additional policy firming that may be appropriate to return inflation to 2% over time. So the pace of the increases and the ultimate level of increases are separate variables, given how far we have come.

It may make sense for rates to move higher, but at a more moderate pace. I want to stress one more thing, and that is that the committee decision made today was

only about this meeting. We didn't make any decision about going forward, including what would happen at the next meeting, including we did not decide or really discuss anything about going to an every other meeting kind of an approach or any other approach.

We were focused on what to do at this meeting.

>> There was no additional debate about the possibility of July?

>> CHAIRMAN POWELL: We didn't make a decision about July. Of course it came up in the meeting from time to time, but really the focus was on what to do today. I would say about July, two things. One, a decision hasn't been made. Two, I do expect that it will be a live meeting.

>> ATTENDEE: Thanks, Howard with Reuters. Help us understand the narrative. It feels like there's been a level shift in the dots. Stronger GDP, less of a hit to employment, slower progress on inflation. Where's the disinflation coming from?

>> CHAIRMAN POWELL: Sure.

>> ATTENDEE: The labor market is going to be stronger. It's not coming from there. Demand is not coming down that fast according to GDP. You've doubled your estimate of GDP. What's the narrative? It seems like it's getting more immaculate.

>> CHAIRMAN POWELL: You're right. The data came in, I would say consistent with but on the high side of expectations. If you go back to the former SEP, the last SEP in March, growth moved up. These are not huge moves, but growth estimates moved up a bit. Unemployment estimates moved down a bit. Inflation estimates moved up a bit. And all three of those point in the same direction, which is that perhaps more restraint will be necessary than we had thought at the last meeting.

So although the level of 5.6 is pretty consistent if you think about it, where the Federal funds rate was trading before the bank incidents of early March. So we've kind of gone back to that. So your question is, where is the disinflation going to come from. I don't think the story has really changed. The committee has consistently said and believed that the process of getting inflation down is going to be a gradual one. It's going to take some time.

And I think you go back to the three-part framework for core PCE inflation, which is we think as good an indicator as you can have. You start with goods. With goods we need to see continued healing in supply conditions, supplyside conditions. They've improved a substantial amount, but people in business will say it's not back to where it was. That's one thing. That should enable goods inflation to continue to come down over time.

In terms of housing services inflation, that's another big piece. And you are seeing there that new rents, new leases are coming in at low levels. And it's a matter of time as that goes through the pipeline. Any forecast that people are making right now about inflation coming down this year will contain a big dose of this year and

next year, will contain a good amount of disinflation from that source. And that's, again, probably going to come slower than we would effect.
That leaves the big sector, which is more than half of the core PCE inflation. That's not housing services. And we see only the earliest signs of disinflation. It's a broad, diverse sector. And a number of the parts of that sector, the largest cost would be wage cost, it's the service sector, it's heavily labor-intensive. Many analysts would say the key to getting inflation down there is to have a continuing loosening in labor market conditions, which we have seen. There are a number of indicators suggesting that. We need to see that continue.
I would almost say that the conditions that we need to see in place to get inflation down are coming into place. And that would be growth meaningfully below trend. It would be a labor market that's loosening. It would be good pipelines getting healthier and healthier and that kind of thing. The things that are in place that we need to see, but the process of that working on inflation is going to take some time.
>> Nick.
>> ATTENDEE: Nick, Wall Street Journal. What's the value in pausing? I have to go to the gym. 16 of your colleagues put down a higher year-end rate. A majority of you think you're going to have to go up by 50 basis points this year, so why not just rip off the band-aid and raise rates today?
>> CHAIRMAN POWELL: The question of speed is a separate question from that of level, okay? So, if uh you look at the SEP, that is an accumulation of the individual statements. In terms of speed, speed was very important last year. As we get closer to the destination, and according to the SEP we're not so far away from it, it's reasonable, it's common sense to go a little slower, just as it was reasonable to go from 75 basis points to 50 to 25 at every meeting.
And so the committee thought overall that it was appropriate to moderate the pace, if only slightly. And there are benefits to that. So that gives us more information to make decisions. We may try to make better decisions. It allows the economy a little more time to adapt as we make our decisions going forward. And we haven't really -- we don't know the full extent of the consequences of the banking turmoil that we've seen. It would be early to see those.

We'll have some more time to see that unfold. It's just the idea that we're trying to get this right. If you think of the two things as separate variables, the skip -- I shouldn't call it a skip. The decision makes sense.

>> ATTENDEE: You said July is live. With only one June employment -- only the June employment and the CPI report for June due to be released before the July meeting, you get the ECI, the senior loan officer survey, bank runnings after. What information will the committee be confusing to inform their judgment on whether this is in fact a skip or a longer pause?

>> CHAIRMAN POWELL: You're add that to the data we've seen since the last

meeting, too, since we chose to maintain rates at this meeting. It would be a three-month period of data we can look at. That's a full quarter. You can draw more conclusions than from a six-week period. We'll look at the risk picture, what's happening in the financial sector, the evolving outlook, and we'll make a decision.

>> ATTENDEE: Thanks for taking our questions, Gina, New York Times. In your forecast you marked up the, sort of, path for growth, marked down the path for unemployment, and marked up the path for inflation notably. I wonder, since March, what has changed to make you think that the economy is more resilient and inflation's going to be more stubborn? Given that, do you feel confident this is as high as you're going to have to revise the federal funds rate, or could we have a higher than 5.6% terminal by the end of this cycle?

>> CHAIRMAN POWELL: You know, on the first part, I just think we're following the data and also the outlook. The labor market I think has surprised many if not all analysts over the last couple of years with its extraordinary resilience, really. And it's just remarkable. And that's really, if you think about it, that's what's driving it. It's job creation, it's wages moving up, it's supporting spending, which in turn is supporting hiring and it's really the engine that is driving the economy.

So it's really the data. In terms of -- we always write down at these meetings what we think the appropriate terminal rate will be at the end of this year. That's how we do it. It's based on our own individual assessments of what the most likely path of the economy is. It can actually in reality wind up being lower or higher. And there's really no way to know. But it's what people think as of today and as the data come in it can move around during the intervening period. It could wind up back in the same place.

But it will be data-driven. I can't tell you that I ever have a lot of confidence that we can see where the federal funds rate will be that far in advance.

>> ATTENDEE: Mr. Chairman, you had said back at the end of May that you thought risks were getting closer to being into balance. Is that still the case, or has your mind changed about the balance of risks out there? And also, could you give us an idea of what would be a sufficiently restrictive funds rate? Obviously the current rate, according to the committee is not sufficiently restrictive. Is it 5.6, what is sufficiently restrictive? Thank you.

>> CHAIRMAN POWELL: You know, I would say again that I think that over time, the balance of risks as we've moved from interest rates at effectively 0 now to five percentage points with an SEP calling for additional hikes -- I think we've moved much closer to our destination, which is that sufficiently restrictive rate. And I think that means, almost by definition, that the risks of, sort of, overdoing it or underdoing it are getting closer to being in balance. I still think and my colleagues agree that the risks to inflation are to the up side still.

So we don't think we're there with inflation yet, because we're just looking at

the data. And if you look at the full range of inflation data, particularly the core data, you just aren't seeing a lot of progress over the last year. Headline, inflation has come down materially, but we look at core as a better indicator of where inflation overall is going. So, I think what we'd like to see is credible evidence that inflation is topping out and then getting to come down.

That's what we want to see, of course. And we understand that there are lags, but remember that it's more than a year since financial conditions began tightening. The reason we're comfortable pausing is much of the tightening took place last summer and I think it's reasonable to think that some of that may come into effect. So we're stretching out into a more moderate pace as appropriate to allow you to make that judgment of sufficiency with more data over time.

>> Rachel.

>> ATTENDEE: Hi, Rachel Siegel, Washington Post. I wanted to ask further on the lag effects. When you're considering when you would hike again throughout the course of the year, are there things that you would expect to kick in as those lag effects come into effect that would inform your decisions? Have you learned things over the past year that give you some sense of timeline for when to expect those lags to come into effect?

>> CHAIRMAN POWELL: Yeah. So, it's a challenging thing in economics. It's sort of standard thinking that monetary policy affects economic activity with long and variable lags. Of course these days, financial conditions begin to tighten well in advance of actual rate hikes. If you look back when we were lifting off we started talking about lifting off, by the time we lifted off the two-year, which is a good estimate of where policy is going, had gone from 20 to 200 basis points. Tightening happens much sooner than it used to when news was in newspapers and not on the wire.

So, that's different. But it's still the case that what you see is interest sensitive spending is affected quickly -- housing, durable goods, things like that. But broader demand and spending and asset values take longer. And you can pretty much find research to support whatever answer you would like on that. So there's not any certainty or agreement in the profession on how long it takes. So that makes it challenging. So we're looking at the calendar, at what's happening in the economy.

We're having to make these judgments. It's one of the main reasons why it makes sense to go at a slightly more moderate pace now as we seek that ultimate -- I can't point to a specific data point. I think we'll see it. When we see inflation really flattening out reliably and starting to soften, I think we'll know that it's working. And ideally by taking a little more time we won't go well past the level where we need to go.

>> ATTENDEE: I was curious if you could update on what you're seeing on credit tightening since the bank incidents from March and how you're teasing that

apart from these lag effects.

>> CHAIRMAN POWELL: It's too early to assess the full extent of what that might mean. That's something we're going to be watching. If we were to see what we would view as significant tightening beyond what would normally be expected because of this channel, then we would factor that into account on -- in making rate decisions. So, that's how we think about it.

>> FACILITATOR: Go to Chris.

>> ATTENDEE: Thanks, Chris, Associated Press. You mentioned many of the trends are in place that you want to see, core services, housing has come in pretty low in the past couple of months. And as you noted, a significant portion of core inflation is now housing prices. We've had some quirks in used car prices. Given that these trends are in place, I'm asking the flip side of Nick's question. Why signal additional rate hikes? Aren't things headed in the direction you need? Why not give it even more time? It's surprising to see so much hawkishness in the dots given what we're seeing recently.

>> CHAIRMAN POWELL: Remember, we're 2 1/2 or 2 1/4 years into this, and forecasters, including Fed forecasters, have consistently thought inflation was about to turn down and, you know, typically forecasted that it would and been wrong. So I think if you look at core PCE inflation overall, over the last six months, you're not seeing a lot of progress. It's running at a level over 4.5%, far above our target and not really, you know, moving down. We want to see it moving down decisively, that's all.

Of course we are going to get inflation down to 2% over time. We don't want to -- we want to do that with the minimum damage we can to the economy, of course. But we have to get inflation down to 2% and we will. And we just don't see that yet. So, hence you see today's policy decision, both to write down further rate hikes by the end of this year, but also to moderate somewhat the pace with which we're moving.

>> ATTENDEE: Quick followup. I mean, the last press conference, you mentioned you didn't see wages driving inflation and there was some research from the San Francisco Fed suggesting wages aren't necessarily a key driver. But you've talked about the labor market today and the need for softening. Can you give us a little more specifically of how you see the labor market driving inflation at this point? Thank you.

>> CHAIRMAN POWELL: Right. So, I'm not going to comment on any particular paper, but I would say that I think the overall picture is that at the beginning, in early 2021, inflation was coming from strong demand largely for goods. People were still at home. They had money in the bank. And they wanted to spend. And they spent a lot on goods. And at the same time, because of that high demand to some extent, supply chains got snarled up, prices and inflation went way up. That was the origin. It wasn't really particularly about the labor market or wages.

As you moved into '22 and '23, many analysts believe that it will be important -- an important part of getting inflation down, especially in the nonhousing services sector, to getting wage inflation back to a level that is sustainable, that is consistent with 2% inflation. We actually have seen wages broadly move down, but just as a quite gradual pace. That's a little bit of the finding of the berneck paper of a few weeks ago, which is very consistent with what I would think.

>> FACILITATOR: Go to Michael.

>> ATTENDEE: Michael, Bloomberg Radio and Television. You said in the past that you don't like to surprise markets. It's kind of been the Fed's view, markets should have an idea of what you're going to do before you go in. You also said a number of times that it would take a while to bring inflation down. You reiterated that again today. And that we'd get to a point where inflation could be sticky. I'm wondering as we go into the next meetings, how Wall Street or others should look at your reaction function. What will you be reacting to, time or data?

In other words, if nothing much changes, if we're looking at the same labor market, the same inflation levels in July or in September, or November, will you move because you've said you feel you need to? Is it time that's going to require additional movement, or would it be a reversal in inflation?

>> CHAIRMAN POWELL: So, I don't want to deal with hypotheticals about different ways data might move. So we of course we don't go out of our way to surprise markets or the public. At the same time our main focus has to be on getting the policy right and that's what we're doing here. And that's what we'll do for the upcoming meetings. The July meeting will be live. And we'll have to see. You'll see the data. You'll hear Fed people talking about it and markets will have to make a judgment.

>> Do you think inflation is likely to continue coming down based on the lags and based on your threat of additional movement, or are we going to be in a period where we're not going to know what's happening?

>> CHAIRMAN POWELL: You know, I think if you look at -- I'll just point you to the forecast. So, inflation is running, core PCE inflation is running at 4.5%, a little higher. And the median participant thinks it will go down to 3.9 by the end of this year. That's expecting pretty substantial progress. That's a pretty significant decline for half the year. So that's the forecast. We do try to be transparent in our reaction function. We're committed to getting inflation down. And that's the number 1 thing. So that's how I think about it.

>> FACILITATOR: Victoria.

>> ATTENDEE: Victoria with Politico. Could you talk about the balance sheet and how you're thinking about it? What are you looking for to judge whether we're approaching reserve scarcity, and is treasury issuance going to effect that? Are you considering lowering the RRP rate in order to take some pressure off

banks?

>> CHAIRMAN POWELL: Let me say first of all, on the treasury part of it, if I could talk about that. So, on that, of course we've been very focused on that for a couple of months, as everyone has. Treasury has laid out its borrowing plans publicly. I think we all saw it. I saw the secretary's comments yesterday to the effect that treasury has consulted widely with market participants about how to avoid market disruption and they are going to watch carefully for that. So that's from the treasury, which sets the borrowings.

At the Fed, we'll be monitoring market conditions carefully as the treasury refills the TGA. The adjustment process is very likely to involve both a reduction in the RRP facility and also in reserves. It's really hard to say at the beginning of this which will be greater. We are starting at a very high level of reserves and still elevated, RRP take-up for that matter. So we don't think reserves are likely to become scarce in the near term or even over the course of the year.

So that's the treasury part of the answer. We will, of course, continue to monitor conditions in money markets. We're prepared to make adjustments to ensure that monetary transmission works. Was there another part of your question?

>> ATTENDEE: Yeah. Are you considering lowering the RRP rate to help take some pressure off banks?

>> CHAIRMAN POWELL: So we have a number of -- the RRP doesn't look like it's pulling money out of the banking system. It's been shrinking here lately. So I don't think -- that's not something we've thought about a lot over time. It doesn't really look like that's something we would do. I think it's a tool that we have. If we want to use it, we can. There are other tools we can use to address money market issues, but I wouldn't say that that's something that's likely that we would do in the near term.

>> FACILITATOR: Janelle.

>> ATTENDEE: Janelle with Bloomberg. Have you seen sufficient cooling in the housing market to bring inflation down? How does the recent rebound affect your forecast? And how does it factor into monetary policy?

>> CHAIRMAN POWELL: So, certainly housing, very interest-sensitive and it's the first place really, one of the first places that's either helped by low rates or that is held back by higher rates. And we certainly saw that over the course of last year. We now see housing putting in the bottom and maybe moving up a little bit. We're watching that situation carefully. I do think we will see rents and house prices filtering into housing services inflation. And I don't see them coming up quickly.

I do see them wandering around at a relatively low level now. And that's appropriate.

>> ATTENDEE: Do you think you'll have to target with further rate increases?

>> CHAIRMAN POWELL: Well, I think we look at everything. We don't just look at housing. So I think the way it works is individual participants sit in their offices all over the country and write down their forecast, including their most likely forecast, including their rate forecast. And then they send it on Friday afternoon and we accumulate it and then we publish it for you. So that's how they do that. I don't know that housing is itself going to be driving the rates picture, but it's part of it.

>> ATTENDEE: Thank you for taking the question, Mr. Chairman. FOX Business. I want to go back to comments about unsustainable fiscal path. The deficit, 2.8 trillion in ten years. The CBO says federal debt will be 52 trillion by 2033. At what point do you talk more firmly with lawmakers about fiscal responsibility?

>> CHAIRMAN POWELL: I don't do that. That's really not my job. We hope and expect that other policy-makers will respect our independence on monetary policy and we don't see ourselves as, you know, the judges of appropriate fiscal policy. I will say, and many of my predecessors have said we are on an unsustainable fiscal path. That needs to be addressed over time. Trying to get into that with lawmakers would be kind of inappropriate given our independence.

>> ATTENDEE: Is there any conversation about the Federal Reserve financing some of that debt?

>> CHAIRMAN POWELL: No. Under no circumstances.

>> FACILITATOR: Courtney.

>> ATTENDEE: Thanks for taking our questions, Chair Powell. Looking at the SEP, it looks like GDP for this year was raised significantly. Your forecast for GDP this year. The unemployment rate was pulled downward. Is the committee more confident about the prospects of a soft landing, at least as it relates to what you were expecting in March?

>> CHAIRMAN POWELL: You know, I would just say it this way. I continue to think, and this hasn't changed, that there is a path to getting inflation back down to 2% without having to see the kind of sharp downturn and large losses of employment that we've seen in so many past instances. It's possible. In a way, a strong labor market that gradually cools could aid that along. But I guess I want to come back to the main thing, which is simply this.

We see -- the committee -- as you can see from the SEP, the committee is completely unified in the need to get inflation down to 2% and will do whatever it takes to get it down to 2% over time. That is our plan. And, you know, we understand that allowing inflation to get entrenched in the U.S. economy is the thing that we cannot allow to happen for the benefit of today's workers and families and businesses, but also for the future.

Getting price stability back and restored will benefit generations of people as long as it's sustained. And it really is the bedrock of the economy and you should understand that that is our top priority.

>> ATTENDEE: Just a quick followup. I'm a little confused because you said the Committee will do whatever it takes to get inflation down over time. When I look at the SEP, inflation is projected to be elevated next year still, but the Fed funds rate is lower than where it is now. Can you help me understand that?

>> CHAIRMAN POWELL: Sure. So, you know, if you look two and three years out, with the forecast, first of all, I wouldn't put too much weight on forecasts even one year out because they're so highly uncertain. But what they're showing is that as inflation comes down in the forecast, if you don't lower interest rates then real rates are going up, right. So just to maintain a real rate, the nominal rate at that point two years out should come down just to maintain real rates.

And actually, since we are probably -- we're having real rates that are going to have to be meaningfully positive and significantly so for us to get inflation down. That probably means -- that certainly means that it will be appropriate to cut rates at such time as inflation is coming down really significantly. And we're talking about a couple years out. I think as anyone can see, not a single person on the committee wrote down a rate cut this year, nor do I think it is at all likely to be appropriate if you think about it.

Inflation has not really moved down. It has not reacted much to our existing rate hikes. We're going to have to keep at it.

>> FACILITATOR: Julie.

>> ATTENDEE: Julie, (inaudible).

>> The mic.

>> ATTENDEE: Sorry. Thank you. Hi, Chair Powell, Julie, AFP News Agency. The major report showed a rebound in May in Blackrock's unemployment. Is it consistent with the Fed's maximum employment mandate? Are you worried about that, about this rebound?

>> CHAIRMAN POWELL: So we are, of course, worried about -- there are long-standing differences in racial and ethnic groups across our labor market. That's a factor that we can't really address with our tools. But we do consider that when we're thinking about what constitutes maximum employment. It is for us a broad and inclusive goal. And so we do watch that. But remember, all unemployment, including Black unemployment, has been bouncing around right near historic modern lows here.

So we're still talking about -- I mean, as strong a labor market as we've seen in a half century in the United States. So overall unemployment of 3.7% is 3/10 higher than it was measured to be at the last -- a month ago, but still, it's extraordinarily low. And so it's a very, very tight labor market.

>> FACILITATOR: Megan.

>> ATTENDEE: Thank you. I want to follow up, first a little bit just on the rent question on housing. We heard Governor Waller talk -- I'll back up. We haven't seen the slowdown in rents show up in CPI and we heard the governor talk about

how an uptick in housing might mean that there's not going to be as much relief coming or a shorter bit of relief than we thought. Can you talk about how you're thinking about that and how that played into today's outcome?

>> CHAIRMAN POWELL: As a factual matter, that's correct. We do need to see rents bottom out or stay quite low in terms of their increases because we want inflation to come down and rental is a very large part of the CPI, a third. Half of that for the PCE. It's important. And so it's something that we're watching very carefully. It's part of the overall picture. Take a step back. Look at core inflation over the past six months, a year. You're not seeing the kind of progress we want to see. And that's -- it's hard to avoid that.

And people on the Committee, the median went up significantly so that the median participant now thinks that core PCE inflation on a 12-month basis will be 3.9% this year. So once again, every year for the past three years it's gone up over the course of the year and it's doing that again. We see that and we see that inflation forecasts are coming in low again. And we see that that tells us that we need to do more. And so that's why you see the SEP where it is.

>> ATTENDEE: Could you talk briefly about your outlook for wages, given the recent slowdown in core services, excluding housing, how far you think wages might need to fall in order to get inflation in line?

>> CHAIRMAN POWELL: Wages will continue to increase. We're talking about having wage increases still at a very strong level but at a level that's consistent with 2% inflation over time. I think we've seen some progress. All of the major measures of wages have moved down from extremely -- highly elevated levels a year or so ago and they're moving back down gradually.

And we want to see that process continue gradually. Of course it's great to see wage increases, particularly for people at the lower end of the income spectrum. But we want that as part of the process of getting inflation back down to 2% which benefits everyone. Inflation hurts those same people more than anyone else. People on a fixed income are hurt the worst and fastest by high inflation.

>> FACILITATOR: Greg.

>> ATTENDEE: Thank you so much, Chair Powell, Greg from Market Watch. I just wondered if the Committee has talked at all about the labor market. There's strikes now in Hollywood, the United Auto Workers are talking about strikes. Workers have power and are going to be seeking higher wages. Does that come up in your discussions? Thanks.

>> CHAIRMAN POWELL: So the topic of wages and the labor market and dynamics in the labor market is about as central a topic to our discussions as anything. I mean, it's very -- labor economics, you know, and the labor market are utterly central. It's half of our mandate, so we spend a lot of time talking about that. I think, you know, we -- there are structural issues that are really not for the Fed.

And so we don't spend a lot of time, although we take notice of what's going on. But we're not involved in discussions or debates over strikes and things like that. But we look and we see what's going on. And we're making judgments about what it will take to get inflation down to 2% in the aggregate. And don't think that was about -- most folks would say now it wasn't really about wages at the beginning.

It's becoming more about that as we get into really, service sector inflation, which is the part of the economy where we have seen the least progress.

>> FACILITATOR: Let's go to Mark for the last question.

>> ATTENDEE: Thank you, Mr. Chairman. Mark, Bankrate. I'm wondering about your thoughts on systemic risk. What are the risks associated with commercial real estate and nonbank financials and could you further elevate those risks with higher-still rates, possibly for longer?

>> CHAIRMAN POWELL: So, I'll trying to think where to start. I'll start with commercial real estate. We were watching that situation carefully. There's a substantial amount of commercial real estate in the banking system. A large part of it is in smaller banks. It's well-distributed. To the extent it's well-distributed, then the system could take losses. We do expect that there will be losses, but there will be banks that have concentrations and those banks will experience larger losses.

We're monitoring that carefully. It feels like something that will be around for some time as opposed to something that will suddenly hit and work its way into systemic risk. In terms of nonbank financial sector, there's been a ton of work. And clearly in the pandemic it really was the nonbank financial sector where issues really arose. And there's a lot of work going on with the administration in particular leading that to try to address issues in the treasury market and all kinds of areas in the nonbank financial market.

But our jurisdiction at the Fed is over banks, bank holding companies and some banks, so that's our main focus. You know, in terms of the events of March, as I mentioned earlier, we will be carefully monitoring that situation. You know, our job generally involves worrying about a lot of things that may go wrong. And that would include the banks. It might be hard for me to find something we don't worry about rather than something we do. We're watching those things very carefully.

As we see things unfold, as we see what's happening with credit conditions and also all the individual banks that are out there, we'll be able to take -- to the extent it's appropriate -- if there are macro economic implications we can take that into account in our rate-setting. So I guess that's what I would say.

>> ATTENDEE: Can I follow up on the last part? Do you risk further exacerbating those issues if you get up to another 50 basis points?

>> CHAIRMAN POWELL: I guess I meant to address that by saying as we watch,

we'll see what's happening. If we're seeing the tightening of conditions you could be referring to, what we use our rate tool is -- it has macroeconomic purposes, so we'll take that into account. We have responsibility for financial stability as well, and that is a factor that we're always going to be considering. Thank you very much.