



Retirement News Highlights

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Fed will continue raising rates, but ‘pain’ ahead – Powell

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The Federal Reserve will continue to raise rates in an effort to bring down inflation, but the path forward will not be easy, Fed Chairman Jerome H. Powell said Friday.

"While higher interest rates, slower growth and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses," Mr. Powell said in a speech at the Fed's annual economic symposium at Jackson Hole, Wyo. "These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain."

The Federal Open Market Committee in July raised the target range for the federal funds rate by 75 basis points to a range of 2.25% to 2.5%. It was the committee's fourth time raising rates in as many meetings after another 75-basis-point increase in June, a 50-basis-point increase in May and a 25-basis-point increase in March.

"Restoring price stability will likely require maintaining a restrictive policy stance for some time," Mr. Powell said.

Data from the Commerce Department published shortly before Mr. Powell's speech found that consumer prices rose 6.3% year-over-year in July, down from 6.8% in June.

However, "while the lower inflation readings for July are welcome, a single month's improvement falls far short of what the committee will need to see before we are confident that inflation is moving down," Mr. Powell said.

The committee's next meeting is Sept. 20-21; another rate increase is expected.

The committee's decision at that meeting will "depend on the totality of the incoming data and the evolving outlook," Mr. Powell said. "At some point, as the stance of monetary policy tightens further, it likely will become appropriate to slow the pace of increases."

Mr. Powell referenced lessons learned from previous instances of high inflation and said the Fed must not divert from its current course too soon.

"We are taking forceful and rapid steps to moderate demand so that it comes into better alignment with supply, and to keep inflation expectations anchored," he said. "We will keep at it until we are confident the job is done."

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