



Retirement News Highlights

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Powell says more rate hikes probably ahead, but recession unlikely

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Federal Reserve Chairman Jerome H. Powell said Wednesday the Fed will likely resume interest rate hikes, citing a tight labor market and persistent inflation, but a recession is "not the most likely case."

At its June 13-14 meeting, the Federal Open Market Committee did not raise interest rates for the first time since March 2022, maintaining the federal funds rate at a range of 5% to 5.25%.

"We believe there's more restriction coming," Mr. Powell said on a panel with other policymakers from around the globe at the European Central Bank Forum on Central Banking in Sintra, Portugal.

"If you look at the data over the last quarter, what you see is stronger-than-expected growth, a tighter-than-expected labor market and higher-than-expected inflation," Mr. Powell added. "So that tells us that although policy is restrictive, it may not be restrictive enough, and it has not been restrictive for long enough."

Mirroring his testimony before the House Financial Services Committee, Mr. Powell again noted that the Fed has slowly decreased its interest rate hikes from a high of 75 basis points in an effort to get inflation closer to its target of 2%.

Mr. Powell said that while inflation for goods and housing services has come down a bit, inflation for non-housing services — such as hotel and travel services, food service, financial services and health care — has not seen much progress.

"We need to see a better alignment of supply and demand in the labor market and see more softening in labor market conditions so that inflationary pressures in that sector can also begin to subside," Mr. Powell said.

Later on in the panel, Mr. Powell noted, "There seems to be a path still for labor market conditions to soften and for demand and supply to get back into balance without the kind of large job losses that have happened in many prior cycles."

While there are still 1.7 job openings for every person that is unemployed, Mr. Powell noted that number is coming down, adding that there are several indicators to "suggest that we're getting the softening that we need. We're getting it slower than we'd expect it, but nonetheless it's happening."

A recession "is not the most likely case," he added, "but it's certainly possible, and of course, many forecasters do predict that."

"I don't see us getting (inflation) back to 2% by this year or next year," Mr. Powell said, predicting that core inflation likely won't get to 2% until 2025.

"We will be restrictive as long as we need to be," he said, adding, "We're a long way from (loosening policy). That's not something we're thinking about now or in the near future."

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