

Powell calls Fed policy 'restrictive,' but keeping options open

The Fed chair made it clear rate hikes are still on the table: "If it becomes appropriate to tighten policy further, we will not hesitate to do so."

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Federal Reserve Chair Jay Powell said Thursday that monetary policy is in "restrictive territory" and putting downward pressure on inflation, but he also made it clear the central bank is keeping its options for more interest rate hikes on the table.

"If it becomes appropriate to tighten policy further, we will not hesitate to do so," Powell said in a speech before the International Monetary Fund in Washington.



Federal Reserve Board Chair Jerome Powell answers a question at a press conference on Nov. 1. (Kevin Lamarque/REUTERS) (Kevin Lamarque / reuters)

The Fed chair emphasized in his speech, which was interrupted briefly by climate protesters, that the central bank would take a "meeting by meeting" approach and cautioned on not overreacting to economic data, good or bad.

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The economy turned in a sizzling performance in the third quarter, growing at an annualized rate of nearly 5%. The unemployment rate stood at 3.9% in October, the highest since 2021, as [job growth slowed further last month](#).

"We will continue to move carefully, however, allowing us to address both the risk of being misled by a few good months of data, and the risk of overtightening," Powell added Thursday.

Central bank officials are wrestling with whether to take further action on rates after leaving them unchanged at their last two policy meetings. [The Fed's benchmark rate is in a range of 5.25%-5.50%, the highest in 22 years.](#)

Investors do not expect the Fed to vote for additional hikes, but the majority of the rate-setting committee has [penciled in one more rate hike this year](#), leaving the last meeting in mid-December a possibility.

Officials will draw up fresh estimates for the path of interest rates then.

Other Fed officials have offered varying responses this week to the question of whether rates should go higher, or not.

Two hawks, Fed Governor Michelle Bowman and Minneapolis Fed President Neel Kashkari, made it clear they think there is possibly more tightening to come.



Federal Reserve Governor Michelle Bowman. (Ann Saphir/REUTERS) (Ann Saphir / reuters)

"I am not ready to say we are in a good place," Kashkari told The Wall Street Journal, saying he was in favor of overtightening rather than undertightening.

Bowman said Thursday in a speech that she expects the central bank will need to increase rates further to bring inflation down in a timely way, even though she supported last week's decision to hold rates steady to assess economic data.

Some components of inflation focused on services minus volatile food and energy prices have picked up, she said during her speech at the New York Bankers Association's Financial Services Forum in Palm Beach, Fla.

She said she sees a risk that it remains "stubbornly persistent." She also says there's a risk that higher energy prices could reverse some of the progress made on bringing down inflation so far.

Richmond Fed President Tom Barkin said Thursday he also isn't yet convinced that inflation is on a "smooth glide path down to 2%," noting that "shelter and services inflation remain higher than historical levels."

"Whether a slowdown that settles inflation requires more from us remains to be seen."



Federal Reserve Bank of Richmond President Thomas Barkin. (Ann Saphir/REUTERS) (Ann Saphir / reuters)

That's why he supported the decision to hold rates at the last meeting, Barkin added. With rates restrictive and financial conditions tightened, the Fed has time to make decisions on the data and monetary policy, he said.

Some Fed officials, however, offered more of a dovish view about rates this week.

Philadelphia Federal Reserve President Patrick Harker [said Wednesday night he's in favor of continuing to hold rates steady](#), noting that strong readings on economic growth won't be enough to move him off this view.

Harker underscored that cutting rates won't happen in the short term and that rates will have to remain higher for longer.

Similarly, Atlanta Fed President Raphael Bostic on Thursday said he thinks policy is likely "sufficiently restrictive" at current levels, but that there will still be bumps along the way.

Powell in his speech Thursday emphasized that getting to the Fed's target would still be challenging. "We know that ongoing progress toward our 2% goal is not assured," he said.

Inflation, he added, "has given us a few head fakes."

Fed officials, Powell said, are committed to achieving a stance that is "sufficiently restrictive" to bring inflation down to its goal.

"We are not confident that we have achieved such a stance."