Transcript of Chair Powell's Press Conference Opening Remarks
June 10, 2020

CHAIR POWELL. Good afternoon, everyone, and thanks for joining us.

Our country continues to face a difficult and challenging time, as the pandemic is causing tremendous hardship here in the United States and around the world. People have lost loved ones. Many millions have lost their jobs. There is great uncertainty about the future. At the Federal Reserve, we are strongly committed to using our tools to do whatever we can, and for as long as it takes, to provide some relief and stability, to ensure that the recovery will be as strong as possible, and to limit lasting damage to the economy.

The most important response to this crisis has come from our health care workers. And on behalf of the Federal Reserve, let me express our sincere gratitude to those dedicated individuals who put themselves at risk, day after day, in service to others and to our nation. Let me also thank the many other essential workers across the country who have helped meet our basic needs for goods and services in these difficult times.

The virus and the forceful measures taken to control its spread have induced a sharp decline in economic activity and a surge in job losses. Indicators of spending and production plummeted in April, and the decline in real GDP in the current quarter is likely to be the most severe on record. Even after the unexpectedly positive May employment report, nearly 20 million jobs have been lost on net since February, and the unemployment rate has risen about 10 percentage points, to 13.3 percent. As was highlighted by the Bureau of Labor Statistics, this figure likely understates the extent of unemployment; accounting for the unusually large number of workers who reported themselves as employed but absent from their jobs would raise the unemployment rate by about 3 percentage points. The downturn has not fallen equally on all Americans, and those least able to shoulder the burden have been the most affected. In particular, the rise in joblessness has been especially severe for lower-wage workers, for women, and for African Americans and Hispanics.

In recent weeks, some indicators suggest a stabilization or even a modest rebound in some segments of the economy, such as retail merchandise and motor vehicle sales. Employment rose in many sectors of the economy in May, and the unemployment edged down as some workers returned to their jobs from temporary layoffs. With the easing of social distancing restrictions across the country, people are increasingly moving about, and many businesses are resuming operations to varying degrees. At the same time, many households have been receiving stimulus payments and unemployment benefits, which are supporting incomes and spending. Activity in many parts of the economy has yet to pick up, however, and overall output is far below earlier levels. Moreover, despite the improvements seen in the May jobs report, unemployment remains historically high.

Weak demand, especially in sectors most affected by the pandemic, is holding down consumer prices. As a result, inflation has fallen well below our symmetric 2 percent objective. Indicators of longer-term inflation expectations have been fairly steady.

The extent of the downturn and the pace of recovery remain extraordinarily uncertain and will depend in large part on our success in containing the virus. We all want to get back to normal, but a full recovery is unlikely to occur until people are confident that it is safe to reengage in a broad range of activities. The severity of the downturn will also depend on the policy actions taken at all levels of government to provide relief and to support the recovery when the public health crisis passes.

The Fed's response is guided by our mandate to promote maximum employment and stable prices for the American people, along with our responsibilities to promote the stability of the financial system. We are committed to using our full range of tools to support the economy in this challenging time. In March, we quickly lowered our policy interest rate to near zero, where we expect to keep it until we are confident that the economy has weathered recent events and is on track to achieve our maximum employment and price stability goals.

We have also been taking broad and forceful actions to support the flow of credit in the economy. Without access to credit, families could be forced to cut back on necessities or even lose their homes. Businesses could be forced to downsize or close, resulting in further losses of jobs and incomes and worsening the downturn. Preserving the flow of credit is thus essential for mitigating the damage to the economy and setting the stage for the recovery.

Since March, we have been purchasing sizable quantities of Treasury and agency mortgage-backed securities in order to support the smooth functioning of these markets, which are vital to the flow of credit in the economy. Our ongoing purchases have helped to restore orderly market conditions, and have fostered more accommodative financial conditions. As market functioning has improved since the strains experienced in March, we have gradually reduced the pace of these purchases. To sustain smooth market functioning and thereby foster the effective transmission of monetary policy to broader financial conditions, we will increase our holdings of Treasury and agency mortgage-backed securities over coming months at least at the current pace. We will closely monitor developments and are prepared to adjust our plans as appropriate to support our goals.

The Federal Reserve is also undertaking programs to provide stability to the financial system and to more directly support the flow of credit in the economy—for households, for businesses of all sizes, and for state and local governments. These programs benefit the economy by providing financing where it is not otherwise available. In addition, by serving as a backstop to key credit markets, the programs can increase the willingness of private lenders to extend credit. Many of these programs rely on emergency lending powers that are available only in very unusual circumstances, such as those we find ourselves in today. We are deploying these lending powers to an unprecedented extent, enabled in large part by financial backing and support from Congress and from the Treasury. We will continue to use these powers forcefully, proactively, and aggressively until we are confident that we are solidly on the road to recovery. When the time comes, after the crisis has passed, we will put these emergency tools back in the toolbox.

I would stress that these are lending powers, not spending powers. The Fed cannot grant money to particular beneficiaries. We can only create programs or facilities with broad-based eligibility to make loans to solvent entities with the expectation that the loans will be repaid. Many borrowers will benefit from these programs, as will the overall economy. But for many others, getting a loan that may be difficult to repay may not be the answer. In these cases, direct fiscal support may be needed. Elected officials have the power to tax and spend and to make decisions about where we, as a society, should direct our collective resources. The CARES Act and other legislation provide direct help to people, and businesses, and communities. This direct support can make a critical difference, not just in helping families and businesses in a time of need, but also in limiting long-lasting damage to our economy.

At this meeting, my colleagues and I continued our discussion of approaches for conducting monetary policy when the federal funds rate is at its lower bound. The measures we discussed included explicit forms of forward guidance and asset purchases; we used these tools in the aftermath of the global financial crisis, and they have become a standard part of our toolkit. We also reviewed the historical and foreign experience with targeting interest rates along the yield curve. Whether such an approach would usefully complement our main tools remains an open question. We will continue our discussions in upcoming meetings and will evaluate our monetary policy stance and communications as more information about the trajectory of the economy becomes available.

We also resumed our regular quarterly Summary of Economic Projections, or the SEP. The SEP is an input into our deliberations, not an outcome, and it does not represent a Committee view. Rather, FOMC participants write down their individual views of the most likely path for the economy, conditional on each participant's view of appropriate monetary policy. We tabulate those submissions and we publish them as the SEP. Given the unusually high level of uncertainty about the outlook, many participants noted that they see a number of reasonably likely paths for the economy, and that it is not possible to identify with confidence a single path as the "most likely" one. Nonetheless, we believe that regular publication of the SEP provides a useful perspective on the way FOMC participants are assessing the path ahead. What the June SEP shows is a general expectation of an economic recovery beginning in the second half of this year and lasting over the next couple of years, supported by interest rates that remain at their current level near zero. Of course, my colleagues and I will continue to base our policy decisions on the full range of plausible outcomes, and not on a particular forecast. This risk-management approach is the best way we can promote our maximum employment and price stability goals in these unusually uncertain circumstances.

Finally, I want to acknowledge the tragic events that have again put a spotlight on the pain of racial injustice in this country. The Federal Reserve serves the entire nation. We operate in, and are part of, many of the communities across the country where Americans are grappling with and expressing themselves on issues of racial equality. I speak for my colleagues throughout the Federal Reserve System when I say there is no place at the Federal Reserve for racism and there should be no place for it in our society. Everyone deserves the opportunity to participate fully in our society and in our economy.

These principles guide us in all we do, from monetary policy, to our focus on diversity and inclusion in our workplace, and to our work to ensure fair access to credit across the country. We will take this opportunity to renew our steadfast commitment to these principles.

We understand that the work of the Fed touches communities, families, and businesses across the country. Everything we do is in service to our public mission. We are committed to using our full range of tools to support the economy and to help assure that the recovery from this difficult period will be as robust as possible.

Thank you, I look forward to our questions.