CHAIR POWELL. Good afternoon. My colleagues and I are strongly committed to bringing inflation back down to our 2 percent goal. We have both the tools that we need and the resolve it will take to restore price stability on behalf of American families and businesses. Price stability is the responsibility of the Federal Reserve and serves as the bedrock of our economy. Without price stability, the economy does not work for anyone. In particular, without price stability, we will not achieve a sustained period of strong labor market conditions that benefit all.

Today, the FOMC raised our policy interest rate by 75 basis points, and we continue to anticipate that ongoing increases will be appropriate. We are moving our policy stance purposefully to a level that will be sufficiently restrictive to return inflation to 2 percent. In addition, we are continuing the process of significantly reducing the size of our balance sheet. Restoring price stability will likely require maintaining a restrictive stance of policy for some time. I will have more to say about today’s monetary policy actions after briefly reviewing economic developments.

The U.S. economy has slowed significantly from last year’s rapid pace. Real GDP rose at a pace of 2.6 percent last quarter but is unchanged so far this year. Recent indicators point to modest growth of spending and production this quarter. Growth in consumer spending has slowed from last year’s rapid pace, in part reflecting lower real disposable income and tighter financial conditions. Activity in the housing sector has weakened significantly, largely reflecting higher mortgage rates. Higher interest rates and slower output growth also appear to be weighing on business fixed investment.

Despite the slowdown in growth, the labor market remains extremely tight, with the unemployment rate at a 50-year low, job vacancies still very high, and wage growth elevated.

Job gains have been robust, with employment rising by an average of 289,000 jobs per month over August and September. Although job vacancies have moved below their highs and the pace of job gains has slowed from earlier in the year, the labor market continues to be out of balance, with demand substantially exceeding the supply of available workers. The labor force participation rate is little changed since the beginning of the year.

Inflation remains well above our longer-run goal of 2 percent. Over the 12 months ending in September, total PCE prices rose 6.2 percent; excluding the volatile food and energy categories, core PCE prices rose 5.1 percent. And the recent inflation data have again come in higher than expected. Price pressures remain evident across a broad range of goods and services. Russia’s war against Ukraine has boosted prices for energy and food and has created additional upward pressure on inflation.

Despite elevated inflation, longer-term inflation expectations appear to remain well anchored, as reflected in a broad range of surveys of households, businesses, and forecasters, as well as measures from financial markets. But that is not grounds for complacency; the longer the current bout of high inflation continues, the greater the chance that expectations of higher inflation will become entrenched.

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 acutely aware that high inflation imposes significant hardship as it erodes purchasing power, especially for those least able to meet the higher costs 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 percent objective.
At today’s meeting the Committee raised the target range for the federal funds rate by 75 basis points. And we are continuing the process of significantly reducing the size of our balance sheet, which plays an important role in firming the stance of monetary policy.

With today’s action, we have raised interest rates by 3-3/4 percentage points this year. We anticipate that ongoing increases in the target range for the federal funds rate will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. Financial conditions have tightened significantly in response to our policy actions, and we are seeing the effects on demand in the most interest-rate-sensitive sectors of the economy, such as housing. It will take time, however, for the full effects of monetary restraint to be realized, especially on inflation. That’s why we say in our statement that in determining the pace of future increases in the target range, we will take into account the cumulative tightening of monetary policy and the lags with which monetary policy affects economic activity and inflation. At some point, as I’ve said in the last 2 press conferences, it will become appropriate to slow the pace of increases, as we approach the level of interest rates that will be sufficiently restrictive to bring inflation down to our 2 percent goal. There is significant uncertainty around that level of interest rates. Even so, we still have some ways to go, and incoming data since our last meeting suggest that the ultimate level of interest rates will be higher than previously expected. Our decisions will depend on the totality of incoming data and their implications for the outlook for economic activity and inflation. And we will continue to make our decisions meeting by meeting and communicate our thinking as clearly as possible.

We are taking forceful steps to moderate demand so that it comes into better alignment with supply. Our overarching focus is using our tools to bring inflation back down to our 2 percent goal and to keep longer-term inflation expectations well anchored. Reducing inflation is likely to require a sustained period of below-trend growth and some softening of labor market conditions. Restoring price stability is essential to set the stage for achieving maximum employment and stable prices in the longer run. The historical record cautions strongly against prematurely loosening policy. We will stay the course, until the job is done.

To conclude, we understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission. We at the Fed will do everything we can to achieve our maximum employment and price stability goals. Thank you and I look forward to your questions.

Q: On slowing the rate of increases. Is a downshift contingent on better inflation data specifically between now and say the December meeting? Or is that the Fed could proceed with independent of that data given the lagged effects you mentioned?

POWELL: A couple things on that. We do need to see inflation coming down decisively and good evidence of that would be a series would be down readings. I never thought of that as the appropriate test for slowing the pace of increases or for identifying the appropriately restrictive level we’re aiming for.

We need to bring our policy stance down to a level that’s sufficiently restrictive to bring inflation down to the 2% objective over the medium term. How will we know we’ve reached that level? We’ll take into account the full range of analysis and data that bear on that question guided by our assessment of how
much financial conditions have tightened, the effects of that tightening is actually having on the real economy and on inflation, taking into consideration lags, as I mention the.

We will be looking at real rates, for example, all across the yield curve and all other financial conditions as we make that assessment.

Q: I'm sure there is going to be tons of confusion as whether you're going to slow in December or not. Would you say the bias right now is not for another 75 basis point increase?

POWELL: So what I want to do is put the question in the context of our broader tightening program if I may and talk about the statement language along the way. So I think you can think about our tightening row program as addressing three questions, the first is which, how fast to go. The second is, how high to raise our policy rate. And the rate will be eventually, how long to remain at a restrictive level. So on the first question, how fast to tighten policy, it's been very important that we move expeditiously and we've clearly done so. We've moved 3 3/4 since March from zero. That's a fast pace and certainly appropriate given the low level from which we started. Now we come to the second question, which is how high to raise the policy rate. We raised that level that is sufficiently restrictive to bring inflation to 2% target over time. We put that into our post had meeting statement. Because that really does become the important question we think now is how far to go. I'll talk more about that. We think there is some ground to cover before we meet that test. That's why we say ongoing rate increases will be appropriate. As I mentioned, incoming data between the meetings, both the strong labor market report but particularly the CPI report suggest to me that we may move to higher levels than we thought at the time of the September meeting. That level is very urn certain, though. I would say we're going to find it over time. Of course, with the lags between policy and economic activity is a lot of uncertainty. So we note in determining the pace of future increases will take into account the tightening of monetary policy as well as with the lags that affect economy activity and inflation. As we move more into restrictive territory, the question of speed becomes less important than the second and third questions. That's why I've said it's appropriate to slow the pace of increases. So that time is coming. And it may come as soon as the next meeting or the one after that. No decision has been made. It is likely we'll have a discussion about this at the next meeting, a discussion. To be clear, let me say again, the question of when to moderate the pace of increases is now much less important than the question of how high to raise rates and how long to keep monetary policy restrictive which will be our principle focus.

Q: If I can follow up on that. What degree was weight given to a need to signal this move now given all the concerns around the globe around Fed policy driving ahead and everybody else dealing with their own stress as a result?

POWELL: Well, I think -- I'm pleased that we have moved as fast as I have. I don't think we've overtightened. It's very difficult to make a case that our current level is too tight given that inflation still runs well above the Federal funds rate. I think at this meeting, as the last two meetings, as I've mentioned, I've said there would come a point -- this was a meeting at which we had a discussion about what that might mean. And we did discuss this. As I mentioned, we'll discuss it again in December.

But there's no -- I don't have any sense we've overtightened or moved fast. I think it's been a good and successful program that we've gotten this far this fast. Remember, though, that we still think there's a need for ongoing rate increases. We have some ground left to cover here. And cover it we will.
Q: Chairman Powell, core PCE inflation on a three or six month annual basis and 12-month basis has been running in the high 4s close to 5%. Is there any reason to think you won't have to raise rates at least above that level to be confident that you are imparting enough restraint to bring inflation down?

POWELL: So this is the question of does the policy rate need to get above the inflation rate? I would say there are a range of views on it. That's the classic Taylor principle view. I think you would look at a more forward looking measure of inflation to look at that.

But I think the answer is we'll want to get the policy rate to a level where it is -- where the real interest rate is positive. We will want to do that. I do not think of it as a single and only touch stone, though. I think you put some weight on that and weight across the curves. Very few people borrow at the short end -- at the Federal fund rates, for example. Households and businesses, they're meaningfully positive interest rates all across the curve. Cred spreads are larger and borrowing rates are higher. Financial conditions have tightened quite a bit. I would look at that as an important feature. I wouldn't say it's something that is the single dominant thing to look at.

Q: If I could follow-up. What is your best assessment or the staff's best assessment right now of the current rate of underlying inflation?

POWELL: I don't have a specific number for you there. There are many, many models that look at that. One way to look at it is it's a pretty stationery object. When inflation runs above that level, for sure, substantially above for some time. But the movement will be fairly gradual. I think that's what the principal models would say. I wouldn't want to land any one assessment. There are many different people publish an assessment of underlying inflation.

Q: Do you see any evidence at this stage that inflation is or is at risk of becoming entrenched?

POWELL: Is inflation becoming entrenched? So I guess I would start by pointing to expectations. So if we saw longer-term expectations moving up, that would be very troubling. They were moving up a little bit at the middle part of this year. They've moved now back down. That's one piece of data. Shorter-term inflation expectations moved up between the last -- the last meeting and this meeting. And we don't think those are as indicative but they may be important in the wage setting process. There's a school of thought that believes that. That's very concerning. I guess the other thing I would say is that the longer we have -- we're now 18 months of this episode of high inflation. We don't have a clearly identified scientific way of understanding at what point inflation becomes entrenched. So the thing we need to do from a risk management standpoint is to use our tools forcefully but thoughtfully and get inflation under control, get it down to 2%, get it behind us. That's what we really need to do and what we're strongly committed to doing.

Q: The statement points to the lag times. I was wondering if you could tell us what that timeline looks like over the coming months or even a year and where you expect it to show up in a different economy?

POWELL: The way I would think about that is -- it's a commonly -- for a long thought that monetary policy works with long and variable lags and it works first on financial conditions and then on economic activity and perhaps later on inflation. That's been the thinking for a long time.
There was an old literature that made those lags out to be fairly long. There’s newer literature that says they’re shorter. The truth is we don’t have a lot of data of inflation this high in what is now the modern economy. One big difference is that it used to be you would raise the federal funds rate. Conditions would react and that would affect economic activity. Now financial conditions react well before in expectation of monetary policy. That's the way it has moved for a quarter of a century, in the direction of financial conditions, then monetary policy. Because the markets are thinking what is the central bank going to do.

There are plenty of economists that also think that once financial conditions change that the effects on the economy are faster than they would have been before. We don't know that. I guess I would say it's highly uncertain. From risk management -- it would be irresponsible to ignore them. But you want to consider them but not take them literally. So I think it's a very difficult place to be. But I would want to be in the middle looking carefully at what's actually happening with the economy and trying to make good decisions from a risk management standpoint remembering, of course, that if we were to overtighten, we could then use our tools strongly to support the economy. Whereas, if we don't get inflation under control because we don't tighten enough, now we're in a situation where inflation is now entrenched and the employment costs, in particular, will be much higher potentially.

From a risk management standpoint we want to make sure that we don't make the mistake of either failing to tighten enough or loosening policy too soon.

Q: If I could follow up, should we interpret the statement that more weight put into those lag effects than they would have been after previous rate hikes?

POWELL: As we move now into as we become more restrictive it would be appropriate to be thinking about -- we think about the lags are just sort of a basic part of monetary policy of the we will be thinking about them. But we won't be -- we will be considering them. But because it's appropriate to do so.

Let me say this, it is very premature to be thinking about pausing. When they hear lags, they think about a pause. It's very premature in my view to be thinking about or talking about pausing our rate hike. We have a ways to go. We need ongoing rate hikes to get to that level of restrictive. We don't know where that exactly is. We have a sense. We'll write down in the December meeting a new summary of economic projections which updates that. I would expect us to continue to update it based on what we're seeing with incoming data.

Q: As you look around the economy, the clearest impact of your tightening so far has been on housing and maybe some tech companies. It's lower in labor market a lot of sectors you don't see a ton of effect. Is the pathway and channels changing? Is it narrower? In housing are you worried that your crimping housing supply that may be causing more problems down the road.

POWELL: I would say a big channel is the labor market and the labor is very, very strong. Households, of course, have strong balance sheets. We go into this with a strong labor market and excess demand in the labor market as you can see through many different things. Also with households who have strong spending power built up U. So it may take time. It may take resolve and patience. It's likely to get inflation down. I think you see from our forecasts and others, that it will take some time for inflation to come down. It will take time, we think.
Sorry, was I getting to your question there? The housing part of it. Yeah, so we look at housing -- of course, housing is significantly affected by these higher rates, which are really back where they were before the global financial crisis. They're not historically high, but they're higher than they've been. You're seeing housing activity decline. You're seeing housing prices growing at a faster rate and in some parts of the country declining. The housing market was very overheated for a couple years after the pandemic as demand increased and rates were low. We all know the stories of how overheated the housing market was. Pricing going up, many, many bidders, no conditions. The housing market needs to get back into a balance between supply and demand. We're well aware of what's going on there.

From a financial stability standpoint, we didn't see in this cycle the kinds of poor credit underwriting that we saw before the global financial crisis. Housing credit was very carefully managed by the lenders. So it's a very different situation and doesn't present potential financial -- doesn't appear to present financial stability issues. But we do understand that's where a really big effect of our policies is.

Q: I wanted to ask about the labor market. You mentioned early on again that job openings are very high compared to available workers. I'm curious to what extent you do and don't draw signal from that. For example, if wage growth is slowing and if maybe the unemployment rate starts to tick up, will that make you decrease your focus on job openings? What do you say -- are wages what's really important? How are you thinking about the labor market as it relates to inflation?

POWELL: We talk a lot about vacancies and the unemployed rate. It's just another data series. It's been unusually important in this cycle because it's been so out of line. So as have objects and we look at a wide range of data on the labor market.

I'd start with unemployment which is typically the single statistic you would look at, it's at a low 3.5%. We're getting very small in the increase this year. We thought we would get that back. We thought we would get labor supply coming in. You mentioned wages. I would characterize that's a mixed picture. I would call it a flattening out at a level that's well above the level that would be consistent over time with 2% inflation, assuming a reasonable productivity.

With the ECI reading this week, a mixed picture. The headline number was a disappointment. Let's say it was high. It didn't show a decline. There's a rise inside -- if you look at private sector workers, the compensation did come down. Overall, though, the broader picture is an overheated labor market where demand overexceeds supply. Job creation still exceeds the level that would hold the market where it is. That's the picture.

Do we see -- we keep looking for signs that -- sort of the beginning of a gradual softening. Maybe it's there, but it's not obvious to me. They're not coming down but side ways both ECI and average hourly earnings. We would love to see vacancies coming down, quits coming down. They are coming down. Vacancies are below their all-time high. Not by as much as we thought. The data series is volatile. We never take any one reading. We always look at two or three.

So it's a mixed picture. I don't see the case for real softening just yet. We look -- as I just showed you, we look at a very broad range of data on the labor market.

Q: Do you see wages being a significant driver of inflation?
POWELL: You know, I think wages have an affect on inflation and inflation has an affect on wages. That's always been the case. The question is, is that really elevated right now? I don't think so. I don't think wages are the principal story of why prices are going up. I don't think that. I also don't think we see a wage price spiral. But, again, it's not something you can -- once you see it, you're in trouble. We don't want to see it. We want wages to go up. We want them to go up at a level that's sustainable and consistent with 2% inflation. We do think that given the data that we have this labor market can soften without having to soften as much as history would indicate through the unemployment channel. It can soften through job openings declining. We think there's room for that. We won't know that. That will be discovered empirically.

Q: Earlier last month the United Nations warned there could be a global recession if central banks. The UK Prime Minister warned of a profound economic crisis there. I wondered how the Fed is weighing international developments in light of a strong economy here in the US that would seem to be bucking those trends?

POWELL: Of course, we keep close tabs on economic developments and also geopolitical developments that are relevant to the economy abroad. We're in very frequent contact with our foreign counterparts, both through the INF meetings and the regular meetings with central banks that we have. I have one this weekend with many, many central bankers.

We're in touch with all of that. So I guess -- it's clearly a time -- difficult time in the global economy. We're seeing very high inflation in Europe, significantly because of high-energy prices related to the war in Ukraine. We're seeing -- China's having issues with the zero COVID policy and much slower growth than we're used to seeing.

We see those difficulties, the strong dollar is a challenge for some countries. We take all of that into account in our models. We think about the spillovers and that sort of thing. Here in the United States we have a strong economy, and we have an economy where inflation is running at 5%. Core PCE inflation which is a really good indicator of what's going on for us, the way we see it. It's running at 5.1% on a 12-month basis. Sorry sloo to that on a 3, 6, and 9-month basis. We need to use our tools to get inflation under control. The world's not going to be better off if we fail to do that. That's a task we need to do. Price stability in the United States is a good thing for the global economy over a long period of time.

Price stability is the kind of thing that pays dividends for our economy for decades, hopefully. Even though if may be difficult getting it back. Getting it back provides value to the people we serve for the long-run.

Q: If I could follow up on that. Thank you. The Fed has acknowledged in the past that the tools that you have don't affect things like energy and food prices that stem from some of those conflicts overseas. And they're some of the biggest pain points for consumer. As you pursue the current path you've outlined, is there a risk that some of those prices simply don't come down?

POWELL: We don't directly affect, for the most part, the food and energy prices, but it affects them at the margin. The thing about the United States is we also have strong -- in many other jurisdictions, the principal problem really is energy. In the United States we have a demand issue. We have an imbalance between demand and supply in many parts of the economy. Our tools are well suited to work on that problem. That's what we're doing. You're right.
The price of oil is set globally. It's not something we can affect. I think by the actions that we take, though, we help keep longer-term inflation expectations anchored and keep the public believing in 2% inflation by the things we do even at times when energy is part of the story of why inflation is high.

Q: So the Fed is facing two more ethics-related incidents with the revision of the financial statements from President Bostic and President Bullard speaking at a closed event. Some senators like Elizabeth Warren are saying this is a sign of greater ethics problem at the Fed. Could you talk about what this does to the public's trust in the bank and what the Fed is doing to prevent this kind of behavior from becoming common.

POWELL: You're right. The public's trust is really the Fed's and any central bank's most important asset. Any time one of the policy makers fall short of those rules it risks to undermine the trust. We take that very seriously. At the beginning of our meeting yesterday, we had a committee discussion with the full committee on the importance of holding ourselves individually and collectively for knowing and following the high standard existing in our rules with respect to personal investment activities and external communications.

We've taken a number of steps. I would just say we do understand how important those issues are. I would say that our new investment program that we have is up now and running and actually it was through that that the problems with president Bostic's actions were discovered. We now have a central group here at the board of governors that looks into disclosures and approves people's disclosures and all of their trades. Any trade anyone has to make has to be preapproved. There's a lag. It has to be preapproved 45 days before it happens so there's no ability to gain market. It's a really good system. It worked here.

I think we all said to each other yesterday morning we recommitted to each other and to this institution to hold ourselves to the highest standards and avoid nice problems.

Q: Do you have an update on the investigations that are pending?

POWELL: I don't. As you know, I referred the matter concerning President Bostic to the inspector general. Once that's happens, I don't discuss it with the inspector general or anybody. The inspector general has the ability to do investigations. We don't really have that. That's what he's doing.

Q: Earlier this year you touted the three-year bill out to 18 months with the yield curve at 100% explanatory power. You said, quote, if it's inverted, that means the Fed is going to cut, which means the economy is weak. That curve is only 2 basis points from inversion now. I'm wondering why you're so confident that you have not overtightened particularly given that rates work with a lag.

POWELL: We do monitor the near-term forward spread. You're right. That's our preferred measure. We think empirically it dominates the ones that people tend to look at which is 2s, 10s, things like that. It's not inverted. Also, you have to look at why things -- why the rate curve is doing what it's doing. It can be doing that because it expects cuts or because it expects inflation to come down.

In this case, if you're in a situation where markets are pricing in significant increases inflation. We monitor it. That's what I would say.
Q: If I could follow up. You also said several meetings ago that the risk of doing too little outweighed the risk of doing too much. Is what you're trying to tell us today is that risk assessment has changed a little bit?

POWELL: What's happened is time has passed, and we've raised interest rates by 375 basis points. I would not change a word in that statement, though. I think until we get inflation down, you'll be hearing that from me. Again, if we overtighten and we don't want to -- we want to get this exactly right. But if we overtighten, then we have the ability with our tools, which are powerful, as we showed at the beginning of the pandemic episode. We can support economic activities strongly if that happens, if that's necessary.

On the other hand, if you make a mistake in the other direction and you let this drag on, then it's a year or two down the road and you're realizing inflation behaving the way it can, you're realizing you didn't actually get it and have to go back in. It has become entrenched in people's thinking. The record is that employment costs, the cost to the people that we don't want to hurt, they go up with the passage of time. That's really how I look at it.

That isn't going to change. What has changed, though, you're right, we're farther along. As we're farther along, we're now focused on that -- what's the place -- what's the level we need to get to rates? I don't know what we'll do when we get there, by the way. We'll have to see. There's been no decision or discussion on exactly what steps we would take at that point. But the first thing is to find your way there.

Q: Go back to house forking a minute. You mentioned the impact that rate increases have had on housing. Home sales are down 25% and so forth. None of this is showing up in the government's inflation measures. As we go forward, private realtime data is clearly showing these hits to housing. Are you going to need to put a greater weight on that in order to ascertain things like whether there's overtightening going on? Or will you still focus on the more lagging government indicators?

POWELL: This is an interesting subject. I start by saying that the measure that's in the CPI and the PCE, it captures rents for all tenants, not just new leases. That makes sense actually. Because for that reason that conceptually that's sort of the right target for monetary policy. The same thing is true for owners equivalent rent which is a reweighting of tenant rents.

The private measures are good at picking up the -- at the margin the new leases. They tell you a couple things. One thing is -- I think right now, if you look at the pattern of that series, of the new leases, it's very procyclical, rents went up much more than the ECI and PCI rents did. Now they're coming down faster. The implication is there's still -- as nonnew leases roll over and expire, you still -- there's -- there's still significant rate increases coming. But at some point once you get through that, the new leases are going to tell you -- what they're telling you is there will come a point at which rent inflation will start to come down. But that point is well out from where we are now.

So we're well aware of that, of course, and we look at it. But I would say in terms of the right way to think about inflation is to look at the measure that we do look at. But considering that we also know that at some point you'll see rents coming down.
Q: Just a quick follow-up. It looks like stock and bond markets are reacting positively to your announcement so far. Is that something you wanted to see? Is that a problem or -- how might that affect your future policy to see this positive reaction?

POWELL: You know, we're not targeting any one or two particular things. Our message should be -- what I'm trying to do is make sure our message is clear, which is we think we have a ways to go. We have some ground to cover with interest rates before we get to that level of interest rates we think are sufficiently restrictive. Putting that in a statement and identifying that as a goal is an important step.

That's meant to put that question really as the important one now going forward. I've also said that we think that the level of rates that we estimated in September, the incoming data suggests that that's going to be higher. That's been the pattern. I would have little confidence that the forecast, if we made a forecast data, if we did SEP today, one after another that will go up. That will end when it ends. There's no sense that inflation is coming down. If you look at the -- I have a table of the last 12 months of 12-month readings, there's really know pattern there. We're exactly where we were a year ago.

Okay. So I would also say it's premature to discuss pausing. It's not something that we're thinking about. That's really not a conversation to be had now. We have a ways to go. The last thing I'll say is that I would want people to understand our commitment to getting this done and to not making the mistake of not doing enough or the mistake of withdrawing our strong policy and doing that too soon.

I control those messages. That's my job.

Q: How big of a headwind is all the fiscal spending to what the federal reserve is trying to do to get inflation back to 2% target?

POWELL: In theory it was a headwind this year. I do think the broader context is that you have households that have these significant amounts of savings and can keep spending, even -- so I think those two things do tend to sort of counterbalance each other out.

Consumer spending is still positive. It's at a pretty modest growth levels. It's not shrinking. But the banks that deal with retail customers and many retailers will tell you that the consumers are still buying, and they're still -- they're fine. I don't know how big the fiscal headwinds are. They haven't shown up in the way we thought they would in restraining spending. It must have to do with the savings people have.

Q: There are tons of billions yet to be. The Chips act, the Bipartisan Infrastructure Bill, how does that play into your thinking about the future?

POWELL: Demand is going to have some support from those savings and also from the strong demand that's still in the labor market. We still see instant demand and a tightening labor market in some respects. Overall, I would say it's not really tightening or loosening.

So we see those things. What knows things tell us is that our job is going to require some resolve and some patience over time. We're going to have to stick with this. That's just -- we take all that as a given. But we know what our objective is and we know what our tools can do. That's how we think about it.

Q: I'm wondering, has the window for soft landing narrowed? Do you still think it's possible?
POWELL: Has it narrowed? Yes. Is it still possible? Yes. We've always said it was going to be difficult. I think to the extent rates have to go higher and stay higher for longer, it becomes harder to see the path. It's narrowed. I would say the path has narrowed over the course of the last year. It's hard to say.

Again, I would say that sort of a ray of data in the labor market is highly unusual and to many economists, there is a path to -- ordinarily, there's a relationship to GDP going down and vacancies declining translating into unemployment. Logan's law. All those things are relationships in the data and they're very real.

The data is different this time. You have this tremendous level of vacancies and we think on a steep part of the beverage curve. All I would say is that the job losses may turn out to be less than may be indicated by those traditional measures because job openings are so elevated and because the labor market is so strong.

Again, that's going to be something we discover empirically. I think -- no one knows if there's going to be a recession or not. If so, how bad that recession would be. Our job is to restore price stability so that we can have a strong labor market that benefits all over time. That's what we're going to do.

Q: Real quickly, why do you feel like the window has narrowed?

POWELL: Because we haven't seen inflation coming down. The implication of inflation not coming down -- what we would expect by now to have seen is that really as the supply side problems had resolved themselves, we would have expected goods inflation to come down by now, long since by now. It really hasn't. Although -- actually it has come down, but not to the extent we had hoped. At the same time now you see services inflation, core services inflation moving up. I think the inflation picture has become more and more challenging over the course of this year, without question.

That means that we have to have policy be more restrictive, and that narrows the path of a soft landing. I would say. Thanks very much.