Preliminary Transcript of Chair Powell's Press Conference Opening Statement March 22, 2023

CHAIR POWELL. Good afternoon. Before discussing today's meeting, let me briefly address recent developments in the banking sector. In the past two weeks, serious difficulties at a small number of banks have emerged. History has shown that isolated banking problems, if left unaddressed, can undermine confidence in healthy banks and threaten the ability of the banking system as a whole to play its vital role in supporting the savings and credit needs of households and businesses. That is why, in response to these events, the Federal Reserve, working with the Treasury Department and the FDIC, took decisive actions to protect the U.S. economy and to strengthen public confidence in our banking system. These actions demonstrate that all depositors' savings and the banking system are safe. With the support of the Treasury, the Federal Reserve Board created the Bank Term Funding Program to ensure that banks that hold safe and liquid assets can, if needed, borrow reserves against those assets at par. This program, along with our long-standing discount window, is effectively meeting the unusual funding needs that some banks have faced and makes clear that ample liquidity in the system is available. Our banking system is sound and resilient, with strong capital and liquidity. We will continue to closely monitor conditions in the banking system and are prepared to use all of our tools as needed to keep it safe and sound. In addition, we are committed to learning the lessons from this episode and to work to prevent events like this from happening again.

Turning to the broader economy and monetary policy, inflation remains too high, and the labor market continues to be very tight. My colleagues and I understand the hardship that high inflation is causing, and we remain strongly committed to bringing inflation back down to our 2 percent goal. Price stability is the responsibility of the Federal Reserve. 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.

The U.S. economy slowed significantly last year, with real GDP rising at a below-trend pace of 0.9 percent. Consumer spending appears to have picked up this quarter, although some of that strength may reflect the effects of swings in the weather across the turn of the year. In contrast, activity in the housing sector remains weak, largely reflecting higher mortgage rates. Higher interest rates and slower output growth also appear to be weighing on business fixed investment. Committee participants generally expect subdued growth to continue. As shown in our Summary of Economic Projections, the median projection for real GDP growth stands at just 0.4 percent this year and 1.2 percent next year, well below the median estimate of the longer-run normal growth rate. And nearly all participants see the risks to GDP growth as weighted to the downside.

Yet the labor market remains extremely tight. Job gains have picked up in recent months, with employment rising by an average of 351 thousand jobs per month over the last three months. The unemployment rate remained low in February, at 3.6 percent. The labor force participation rate has edged up in recent months, and wage growth has shown some signs of easing. However, with job vacancies still very high, labor demand substantially exceeds the supply of available workers. FOMC participants expect supply and demand conditions in the labor market to come into better balance over time, easing upward pressures on wages and prices. The median unemployment rate projection in the SEP rises to 4.5 percent at the end of this year and 4.6 percent at the end of next year.

Inflation remains well above our longer-run goal of 2 percent. Over the 12 months ending in January, total PCE prices rose 5.4 percent; excluding the volatile food and energy categories, core PCE prices rose 4.7 percent. In February, the 12-month change in the CPI came in at 6 percent, and the change in the core CPI was 5.5 percent. Inflation has moderated somewhat since the middle of last year, but the strength of these recent readings indicates that inflation pressures continue to run high. The median projection in the SEP for total PCE inflation is 3.3 percent for this year, 2.5 percent next year, and 2.1 percent in 2025. The process of getting inflation back down to 2 percent has a long way to go and is likely to be bumpy.

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.

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 1/4 percentage point, bringing the target range to 4-3/4 to 5 percent. And we are continuing the process of significantly reducing our securities holdings.

Since our previous FOMC meeting, economic indicators have generally come in stronger than expected, demonstrating greater momentum in economic activity and inflation. We believe, however, that events in the banking system over the past two weeks are likely to result in tighter credit conditions for households and businesses, which would in turn affect economic outcomes. It is too soon to determine the extent of these effects and therefore too soon to tell how monetary policy should respond. As a result, we no longer state that we anticipate that ongoing rate increases will be appropriate to quell inflation; instead, we now anticipate that some additional policy firming may be appropriate. We will closely monitor incoming data and carefully assess the actual and expected effects of tighter credit conditions on economic activity, the labor market, and inflation, and our policy decisions will reflect that assessment.

In our SEP, each FOMC participant wrote down an appropriate path for the federal funds rate based on what that participant judges to be the most likely scenario going forward. If the economy evolves as projected, the median participant projects that the appropriate level of the federal funds rate will be 5.1 percent at the end of this year, 4.3 percent at the end of 2024, and 3.1 percent at the end of 2025. These are little changed from our December projections, reflecting offsetting factors. These projections are not a Committee decision or plan; if the economy does not evolve as projected, the path for policy will adjust as appropriate to foster our maximum employment and price stability goals. We will continue to make our decisions meeting by meeting, based on the totality of incoming data and their implications for the outlook for economic activity and inflation.

We remain committed 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 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 over the longer run.

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. I look forward to your questions.

Q: How confident is the committee that the recent stress that we've seen and you've alluded to is contained at this point and deposit flight among mid-sized lenders in particular has ceased?

POWELL: Thanks. I guess our view is the banking system is sound and resilient. It's got strong capital and liquidity. We took powerful actions with Treasury and the FDIC which demonstrate that all depositors' savings are safe and the banking system is safe. Deposit flows in the banking system have stabilized over the last week.

The last thing I'll say is we're undertaking a thorough internal review that will identify where we can strengthen supervision and regulation.

Q: A quick follow-up. Given all the stress and the uncertainty you also alluded to in the statement, how seriously was a pause considered for this meeting?

POWELL: So we considered -- we did consider that in the days running up to the meeting. And you see the decision that we made, which I'll say a couple things about. First, it was supported by a very strong consensus. And I'll be happy to explain why. And really, it is that the meeting data on inflation and the labor market came in stronger than expected. Really, before the recent events, we were clearly on track to continue with ongoing rate hikes. In fact, as of a couple weeks ago, it looked like we'd need to raise rates over the course of the year more than we expected at the time of the SEP in December meeting.

We are committed to restoring price stability and all of the evidence says that the public has confidence that we will do so. That we'll bring inflation down to 2% over time. It's important that we sustain that confidence with our action as well as our words.

So, we also assess, as I mentioned, that the events of the last two weeks are likely to result in some tightening of credit conditions for households and businesses and, thereby, weigh on demand on the labor market and on inflation. Such a tightening in financial conditions would work in the same direction as rate tightening. In principle, as a matter of fact, you can think of it as being the equivalent of a rate hike, or perhaps more than that. Of course, it's not possible to make that assessment today with any precision whatsoever.

So our decision was to move ahead with the 25-basis point hike and change our guidance as I mentioned from ongoing hikes to some additional hikes maybe -- policy affirming may be appropriate.

So going forward, as I mentioned, in assessing the need for further hikes, we'll be focused, as always, on the incoming data and evolving outlook. In particular, on our assessment on the actual and expected effects of credit tightening.

Q: Mr. Chairman, can you explain the difference between ongoing rate increases and firming? Does firming require rate increase, per se? Could policy firm without you increasing rates?

POWELL: It's meant to refer to our policy rate. I would focus on the words, may and some, as opposed to ongoing.

So we clearly, what we were doing was taking onboard -- trying to reflect the uncertainty about what will happen. It's possible that this will turn out to have very modest effects. These events will turn out to be very modest effects on the economy, in which case inflation will continue to be strong, in which case, you know, the path might look different. It's also possible that this potential tightening will contribute significant tightening in credit conditions over time. And in principle, that means that monetary policy may have less work to do. We simply don't know.

Q: Do you have concerns the rate hike you did today could further exacerbate the banks?

POWELL: No, we're really focused on macroeconomic outcomes. In particular, we're focused on this potential credit tightening and what can that produce in the way of tighter credit conditions. I think when we think about the situation at the banks, we're focused on our financial stability tools, in particular, our lending facilities. The discount window. And also the new facility.

Q: Two weeks ago, you indicated you thought the terminal rate would be higher. Obviously, that was before the stress in the banking sector. I realize there's a lot of uncertainty. Can you explain at all to what extent your forecasts or those of your colleagues or those of the board staff incorporated today a material tightening of credit availability because of the stress in the banking sector? Or are you waiting to see it in the data before you incorporate that potential tightening into your forecasts?

POWELL: So, you know, we've just come from an FOMC meeting. The people who write the meetings will be very carefully counting. I'll tell you what I heard. What I heard was significant number of people saying that they anticipated there would be some tightening of credit conditions. And that would really have the same effects as our policies do. And that, therefore, they were including that in their assessment. And that if that turned out not to be the case, in principle, you'd need more rate hikes. So some people did reflect that in their SEP forecast. I think there may also have been, remember, this was 12 days ago. We're trying to assess something that's so recent. Very difficult. So much uncertainty. December was a good place to start. We wound up with very similar outcomes for December.

You know, in a way, the early data in the first part, first five weeks of the meeting period, point to stronger inflation and stronger labor market. That pointed to higher rates. And then this latter part kind of -- the possibility of credit conditions tightening really offset that effectively.

Q: To follow-up, have you considered at all whether your primary tool, the funds rate, is going to be enough to sustain the kind of tighter financial conditions you believe will be necessary without doing significant damage to the banking sector? Have you, for example, considered changing reserve requirements, selling assets out of the system, open-market account, as a way to better achieve tighter financial conditions that don't accelerate deposit erosion, for example, from banks?

POWELL: You know, we know that we have other tools in effect, but, no, we think our monetary policy tool works. We think, you know, many, many banks, our rate hikes were well telegraphed to the market. Many banks have managed to handle them.

Q: I wanted to ask you along with the FDIC, Treasury, invoked the systemic risk, to allow uninsured depositors to be protected at these two banks. Can you speak on why that decision was made? Purely a confidence issue or was there a concern there would be economic contagion from the issue of these banks?

POWELL: The issue was not about those specific banks but about the risk of contagion to other banks and the financial markets more broadly. That was the issue.

Q: Also a follow-up, can you speak to the role you'll. Playing in the Fed's internal investigation?

POWELL: Vice Chair Barr is, of course, leading that review. He's responsible for it in his capacity as Vice Chair for supervision. I realized, you know, right away that there was going to be a need for review. I mean, the question we're all asking ourselves over the first weekend was how did this happen?

So what we did was early Monday morning, we sat down and said let's do this. He was obviously going to lead it in his capacity. So, I don't, you know, my role was to announce it. And I get briefed on it. I'm not involved in the work of it.

Q: I want to go back to your February press conference. You mentioned the word, disinflation, I believe nine or ten times. A process that you felt was -- I forget the word you used, gratefully underweight or something like that. Is disinflation still occurring in the U.S. today?

POWELL: What actually happened, Howard, is I got the question 12 times.

Maybe it's a feature, not a bug. Yeah, absolutely. Absolutely, the story is intact. It's really three parts. Goods inflation has been coming down now for six months. It's proceeding more slowly than we would have liked. It's certainly proceeding. Housing services is really a matter of time passing. We continue to see the new leases being signed at much lower levels of inflation. So that's 44% of the core PCE index where you've got a story that's ongoing. Where we didn't have in February and still don't have now is a sign of progress in the non-housing services sector. And that is, you know, just something that will have to come through softening demand and, perhaps, some softening in labor market conditions. We don't see that yet. That's, of course, 56% of the index. So the story is pretty much the same. I will say the inflation data we got, to your pointing really pointed to stronger inflation.

Q: If I could follow-up on that. I was curious why you're not seeing more coming from the credit crunch. It seems to me like that's something you'd actually welcome to a degree and expect. Are you not seeing more coming from that because you don't know? Or because you just don't want to have another round of wishful thinking?

POWELL: So it's really just a question of not knowing at this point. There's a great deal of literature on the connection between tighter credit conditions, economic activity, hiring, and inflation. Very large body of literature. The question is how significant will this credit tightening be? And how sustained will it be? That's the issue. We don't really see it yet. So people are making estimates. You know, people are publishing estimates. It's very kind of rule of thumb guesswork almost at this point. But we think it's potentially quite real. And that argues for, you know, being alert as we go forward. As we think about further rate hikes. For us, we'll be paying attention to the actual and expected effects from that.

Q: Thank you for taking questions. I know you have your internal review coming. Can you talk about oversight at Silicon Valley Bank and whether or not supervision and regulation needs to change going forward. How can the American people have confidence there aren't other weaknesses in the banking system given this one got missed as you noted?

POWELL: Let me say what I think happened. Then I'll come to the questions around supervision. A basic level, Silicon Valley Bank management failed badly. They grew the bank very quickly. They exposed the bank to significant liquidity risk and interest rate risk. Didn't hedge that risk. We now know that supervisors saw these risks and intervened. We know that the public saw all this. We know that SVB experienced an unprecedentedly rapid and massive bank run. This is a very large group of connected depositors, concentrated group of connected depositors in a very, very fast run. Faster than historical record would suggest.

So, as for us, so for our part, we're doing a review of supervision and regulation. My only interest is that we identify what went wrong here. How did this happen is the question. What went wrong. Try to find that. We will find that. And then make an assessment of what are the right policies to put in place so it doesn't happen again. Then implement those policies.

It would be inappropriate for me at this stage to offer my views on what the answers might be. You know, I simply can't do that. Vice Chair Barr is leading this. And I think he's testifying next week. So, but that will be up to him.

So, that's really where it is. You know, the review is going to be thorough and transparent. It is clear, really to your last question, it's clear we do need to strengthen supervision and regulation. And I assume that, you know, there will be recommendations coming out of the report. And I plan on supporting them and supporting their implementation.

Q: The final point. Can we feel confident that these weaknesses don't exist elsewhere given that they got missed at this bank?

POWELL: These are not weaknesses at all broadly through the banking system. This was a bank that was an outlier in terms of its percentage of uninsured deposits and in terms of its holdings of duration risk. And, again, supervisors did get in there. And they were, as you know, obviously, they were on this issue. But nonetheless, this still happened. And so that's the nature of the review is to discover that.

Q: You've said the Fed would be raising interest rates and holding them there for some time. The markets priced in one more increase in May. Every meeting the rest of this year, they're pricing in rate cuts. Are they getting this totally wrong From the Fed? Or is there something different about the way you're looking at it given that you're now thinking that moves might be appropriate as opposed to ongoing.

POWELL: We published an SEP today. It shows that basically participants expect relatively slow growth, rebalancing of supply and demand in the labor market, with inflation moving down gradually. In that most likely case, participants don't see rate cuts this year. They just don't. As always, the path of the economy is uncertain. Policy is going to reflect what happens rather than what we write down in the SEP. That's not my base line expectation.

Q: If I could follow-up and ask as you look forward into rest of the year here, are you saying that what you see and the 5.1%, basically, consensus is based on being -- it will be sufficiently restrictive? Or is it leavened by the idea you don't know what's going to happen? In other words, what should people think about how the Fed thinks how far it is from the terminal?

POWELL: For purposes of our monetary policy tool, we're looking at what's happening among the banks and asking is there going to be some tightening of credit conditions. Then we're thinking about that as effectively doing the same thing rate hikes do. In a way, that substitutes for rate hikes. So the key is we have to have -- policies have to be tight enough to bring inflation down to 2% over time. It doesn't all have to come from rate hikes. It can come from, you know, from tighter credit conditions. So we're looking at -- it's highly uncertain how long the situation will be sustained or how significant any of those effects would be. So we're just going to have to watch.

In the meantime, you know, obviously, at the end of the day, we will do enough to bring inflation down to 2%. No one should doubt that.

Q: Thank you for taking our questions. We talked about how Silicon Valley Bank was unique to a certain seconder of the economy. There's also growing concern there are financial stability risks from the commercial real estate market and loans that will begin to roll over later this year and next. And that smaller regional banks also disproportionately hold those loans. Is there a risk that could mimic the kind of what we saw with SVB to banks that disproportionately focused on commercial real estate?

POWELL: We're well aware of the concentrations people have in commercial real estate. Really don't think it's comparable to this. The banking system is strong. It is sound. It is resilient. It's well capitalized. And I really don't see that as at all analogous to this.

Q: One other question. Would you be open to an independent investigation separate from the Fed's probe?

POWELL: I welcome -- it's 100% certainty that there will be independent investigations. And outside investigations. And all of that. So we welcome -- when a bank fails, there are investigations. And, of course, we welcome that.

Q: Inflation has been rather sticky. So, do you need help from the fiscal side to get inflation down faster?

POWELL: We don't assume that. We don't give advice to the fiscal authorities. And we assume that -- we take fiscal policy as it comes to our front door. Stick it in our model along with a million other things. And we have responsibility for price stability. The Federal Reserve has responsibility for that. And nothing is going to change that. So, and we will get inflation down to 2% in time.

Q: And if I can follow on that, but they're working -- the spending that's happened is working against what you are doing. Right? It's prolonging inflation?

POWELL: You know, you have to look at the impulse from spending. Spending was, of course, tremendously high during the pandemic. Then as the pandemic programs rolled off, spending actually came down. So the sort of fiscal impulse is actually not what's driving inflation right now. It was at the beginning, perhaps, part of what was driving inflation. That's not really the story now.

Q: Two questions about aspects of the government's response on Silicon Valley Bank two weekends ago. First, why is this new bank funding facility done under emergency 13-3 authority as opposed to expansion of the discount window, changing the terms of the discount window that's been around a long time?

Second, can you discuss the Fed's role in the FDIC guarantee of uninsured depositors and why there's $143 million on your balance sheets supporting a deposit guarantee.

POWELL: Sure. So 13-3 seemed like the right -- were have a little more flexibility under section 13-3. We've done quite a lot under Discount Window as well. We needed to do a special facility that was designed a special way. We did it under 13-3. Really no magic to that. Only available in unusual circumstances and has to meet certain requirements. It seemed to be the right place.

With the FDIC, we're lending to the -- in effect, we're lending to the bridge bank. So that's where the funds came from. It's a loan that's 100% guaranteed by the FDIC. There's no risk in it for us.

Q: The SEP suggests one more rate hike as does the change in the language in the statement. And which suggests that you're, perhaps, nearing the end of a cycle of rate hikes. Do you feel if inflation remains high, you'll be able to resume additional hikes as needed? Have you somewhat tied your hands here with these signals about rate hikes coming to an end?

POWELL: No, absolutely not. No. If we need to raise rates higher, we will. I think for now, though, we, as I mentioned, we see the likelihood of credit tightening. We know that that can have a, you know, an effect on the macroeconomy, on demand, on labor market, on inflation. And we're going to be watching to see what that is. And we'll also be watching what's happening with inflation. And in the labor market. So, we'll be watching all those things. And, of course, we will eventually get to tight enough policy to bring inflation down to 2%. We'll find ourselves at that place.

Q: I have a couple questions about the balance sheet. First of all, I'm curious, at what point the financial supports that the Fed is extending through the discount window and through its enhanced lending facility might be at odds with the objective of reducing the balance sheet?

I'm also curious what your thoughts are on not just the availability of reserves, but the distribution of them throughout the banking system. And at what point you might be concerned about it being scarce for certain banks.

POWELL: So, people think of QE and QT in different ways. Let me be clear about how I'm thinking about these recent developments.

Recent liquidity provision increased the size of our balance sheet. The intent and effects of it are very different from when we expand our balance sheet through purchases of longer-term securities. Large-scale purchases of long-term securities are really meant to alter the stance of policy by pushing down -- pushing up the price and down the rates, longer -term rates, which supports demand through channels we understand fairly well.

The balance sheet expansion is really temporary lending to banks to meet those special liquidity demands created by the recent tensions. It's not intended to directly alter the stance of monetary policy.

We do believe it's working. It's having its intended effect of bolstering confidence in the banking system. And, thereby, forestalling what might otherwise have been an abrupt and outsized tightening in financial conditions. So that's working.

In terms of the distribution of reserves, we don't see ourselves as running into reserve shortages. We think that our program of allowing our balance sheet to run off predictably and passively is working. And, of course, we're always prepared to change that, if that changes. We don't see any evidence that that's changed.

Q: The minutes of the January/February meeting, the last meeting indicate that you discussed the possibility of runs on non-bank financial institutions and the impact of large unrealized losses on bank portfolios. Can you talk a little bit more about that discussion? Kind of what was talked about in light of that? And then why didn't the Fed, you know, do anything about that at that point to ultimately prevent, you know, what happened this month?

POWELL: mean, to be honest, I don't recall the specifics of that. It's been quite an interesting seven weeks. But I will tell you, though, that we have -- there have been presentations about interest rate risks. I mean, it's been in all the newspapers. It's not a surprise that there are institutions that have had unhedged long positions in long-duration securities that have lost value as longer-term rates have gone up due to our rate increases. So that's not a surprise.

I think, as you know, as is now in the public record, the supervisory team was apparently engaged, very much engaged, with the bank. Repeatedly and was escalating. Nonetheless, what happened happened. That's the purpose -- one way to think about it, the review Vice Chair Barr is conduct is to understand how that happened and how we can do better an what policies we need to change.

One thing is the speed of the -- I'll come back to that. The speed of the run. It's very different from what we've seen in the past. And it does kind of suggest that there's a need for possible regulatory and supervisory changes. Just because supervision-regulation need to keep up with with what's happening in the world.

Q: Can you confirm whether or not the Fed Board knew about these escalations by the examiners in San Francisco?

POWELL: We'll have to come back to you on that. I don't know.

Q: Thank you very much. Chair Powell, you stated twice today that all depositors' savings in the banking system are safe. Are you saying that de facto deposit insurance covers all savings? By way of example, a bank with less than a billion dollars in assets failed, are you promising to bail out all of its depositors?

POWELL: I'm not saying anything more than, than what I'm saying. You're seen we have the tools to protect depositors when there's a threat of serious harm to the economy or the financial system. We're prepared to use those tools. Depositors should assume that their deposits are safe.

Q: You gave us a little bit of color during the first week of the Silicon Valley weekend, you said the question you guys asked was how did this happen? I was wondering if you could go to the issue of Credit Suisse. Wasn't that a big gorilla in the room? Didn't you breathe a sigh of relief when that merger happened?

POWELL: That was really the Swiss government. We, of course, were following it over the course of the weekend. We were engaged with their authorities in the way you would expect, all the ways you would expect. It seems to have been a positive outcome. It was agreed to. The market has accepted it. Seems to have done well. I think there was a concern it might not go well. Coming into the middle of this week, yes, I would say that that has gone well, so far.

Q: In the Summary of Economic Projections, the FOMC sees the unemployment rate increasing to 4.5% this year. I'm wondering how you anticipate preventing this from snowballing while using the admittedly blunt tools at your disposal.

POWELL: So that's just an estimate of what will happen as demand slows. And as conditions soften in the labor market. And it's just -- it's a highly uncertain estimate. And, I mean, there's really -- we have to bring inflation down to 2%. The costs of bringing it down, there are real costs to bring it down to 2%. But the costs of failing are much higher. If you read your history, as I'm sure you have. You can see that. If the Central Bank doesn't get inflation back in place, make sure inflation expectations remain anchored, you can have a long series of years where inflation is high and volatile. And it's hard to invest capital. It's hard for an economy to perform well. And we're looking to avoid that. And, you know, and to get back to where we need to be. Back to where we were for a quarter century and get there as quickly as we can.

Q: Historically, it's been hard to contain unemployment. Do we worry about some snowball effect and how do you factor that into your projections and policy?

POWELL: It depends on -- recessions tend to be nonlinear. So they're very hard to model. The models all work in a kind of linear way. If you have more of this, you get more of that. When a recession happens, the reaction tends to be nonlinear. We don't know whether that will happen this time. We don't know. If so, we don't know how significant it will be. We're very focused on getting inflation down. We know in the longer run that that is the thing that will most benefit the people we serve. That's how we can have a long -- you know, we've had very strong labor markets through these long expansions that we've had. Four of the five longest or three or the longest expansions in U.S. history have been since the high inflation period. The reason was inflation wasn't forcing the Central Bank to come in and stop an incipient, or an expansion. You can have very, very long expansions without high inflation. We had several of those. And they're very good for people. You see late in expansion, you see low unemployment. You see the benefits of wages going to people at the lower end of the wage spectrum. It's a place we should try to get back to.

Question from MNI’s Jean Yung: With all the events of the past week, do you see the possibility of a soft landing for the U.S. economy?

POWELL: It's too early to say whether these events have had much of an effect. It's hard for me to see how it would help the possibility. It's too early to say whether there really have been changes in that.

You know, the question will be how long this period is sustained. The longer it's sustained, then the greater will be the likely declines in -- or tightening in credit standards. Credit availability. So we'll just have to see.

I still think, though, there's a pathway to that. I think that pathway still exists. We're certainly trying to find it.

Q: How many have been matters that require immediate citations at this point?

POWELL: How many? I don't know. Those are serious regulatory -- in particular, immediate attention. That's -- I guess there were six of them.

Q: And getting to the seriousness of it. How were you going to ensure that banks comply with these citations, take them seriously? How will you enforce them?

POWELL: That is a great question. And it's right in the heart of what the review will be doing under Vice Chair Barr's leadership. I think that's what you think about. What can we do to make sure -- but, again, that's not for me to answer today.

Q: Do you have specific thoughts on that?

POWELL: See, if I did, I wouldn't share them. This review is going on. And, you know, I want nothing other than us to find out what happened and why. Figure out what we can do to do better. An then implement those changes. That's all I want. It's for me to be giving you my half-formed or partially-formed thoughts isn't appropriate. There's a real serious review going on with people from all over the Federal Reserve system who are not connected to this work. Not connected to this bank. And under, again, Vice Chair Barr's leadership. I'm confident it will produce a satisfactory result.

Q: How do you view conditions right now, if credit become expensive enough choking off growth, as you said you're watching for, would that situation warrant a rate cut? What situation would warrant a rate cut? Have the bank failures prompted any discussion around changing the implementation of the balance sheet runoff? Thank you.

POWELL: So we haven't really talked about changing the balance sheet implementation. That's not something we've discussed yet. As I mentioned, we're always willing to change that if we conclude that it's appropriate. But we're really not seeing signs there. Sorry, then the question before that was? Just give me a –

Q: Curious how you view financial conditions now and if credit were to tighten enough if that would prompt a rate cut.

POWELL: So, financial conditions seem to have tightened and probably by more than the traditional indexes say. Because the traditional indexes are focused a lot on rates and equities. And they don't necessarily capture lending conditions. So we think that, though. So there are other measures which if they're focused on, you know, bank lending conditions and things like that, they show some more tightening.

The question for us, though, is how significant will that be and how, you know, what will be the extent of it? What will be the duration of it? And then once you know that, there's a fair amount of research about how that with broad uncertainty, how that works its way into the economy over what period of time.

So, you know, so we'll be looking to see the first part of that. Like, how serious is this, and does it look like it's going to be sustained? And if it is, it could easily have a significant macroeconomic effect. We would factor that into our policy decisions.

I mentioned with rate cuts, rate cuts are not in our base case. And, you know, so that's all I have to say.