



Press Release

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For immediate release

The Federal Reserve Board today approved an increase in the discount rate from 4 3/4 percent to 5 1/4 percent, effective immediately.

In a related move, the Federal Open Market Committee agreed that this increase should be reflected fully in interest rates in the reserve markets.

Despite tentative signs of some moderation in growth, economic activity has continued to advance at a substantial pace, while resource utilization has risen further. In these circumstances, the Federal Reserve views these actions as necessary to keep inflation contained, and thereby foster sustainable economic growth.

In taking the discount action, the Board approved requests submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, Richmond, Chicago, St. Louis, Kansas City and San Francisco. The discount rate is the interest rate that is charged depository institutions when they borrow from their district Federal Reserve Banks.

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