



Press Release

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For immediate release

The Federal Open Market Committee voted today to raise its target for the federal funds rate by 25 basis points to 5-3/4 percent. In a related action, the Board of Governors approved a 25 basis point increase in the discount rate to 5-1/4 percent.

The Committee remains concerned that over time increases in demand will continue to exceed the growth in potential supply, even after taking account of the pronounced rise in productivity growth. Such trends could foster inflationary imbalances that would undermine the economy's record economic expansion.

Against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the Committee believes the risks are weighted mainly toward conditions that may generate heightened inflation pressures in the foreseeable future.

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

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