



Press Release

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For immediate release

The Federal Open Market Committee at its meeting today decided to lower its target for the federal funds rate by 25 basis points to 3-1/2 percent. In a related action, the Board of Governors approved a 25 basis point reduction in the discount rate to 3 percent. Today's action by the FOMC brings the decline in the target federal funds rate since the beginning of the year to 300 basis points.

Household demand has been sustained, but business profits and capital spending continue to weaken and growth abroad is slowing, weighing on the U.S. economy. The associated easing of pressures on labor and product markets is expected to keep inflation contained.

Although long-term prospects for productivity growth and the economy remain favorable, the Committee continues to believe that against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the risks are weighted mainly toward conditions that may generate economic weakness 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, Richmond, Chicago, Kansas City and Dallas.

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