



Press Release

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For immediate release

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

Economic activity remains soft, with underlying inflation likely to edge lower from relatively modest levels. To be sure, weakness in demand shows signs of abating, but those signs are preliminary and tentative. 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.

Although the necessary reallocation of resources to enhance security may restrain advances in productivity for a time, the long-term prospects for productivity growth and the economy remain favorable and should become evident once the unusual forces restraining demand abate.

In taking the discount rate action, the Federal Reserve Board approved the requests submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Chicago and San Francisco.

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