For immediate release

The Federal Open Market Committee decided today to lower its target for the federal funds rate 25 basis points to 4-1/2 percent.

Economic growth was solid in the third quarter, and strains in financial markets have eased somewhat on balance. However, the pace of economic expansion will likely slow in the near term, partly reflecting the intensification of the housing correction. Today’s action, combined with the policy action taken in September, should help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and promote moderate growth over time.

Readings on core inflation have improved modestly this year, but recent increases in energy and commodity prices, among other factors, may put renewed upward pressure on inflation. In this context, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.

The Committee judges that, after this action, the upside risks to inflation roughly balance the downside risks to growth. The Committee will continue to assess the effects of financial and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.

Voting for the FOMC monetary policy action were: Ben S. Bernanke, Chairman; Timothy F. Geithner, Vice Chairman; Charles L. Evans; Donald L. Kohn; Randall S. Kroszner; Frederic S. Mishkin; William Poole; Eric S. Rosengren; and Kevin M. Warsh. Voting against was Thomas M. Hoenig, who preferred no change in the federal funds rate at this meeting.

In a related action, the Board of Governors unanimously approved a 25-basis-point decrease in the discount rate to 5 percent. In taking this action, the Board approved the requests submitted by the Boards of Directors of the Federal Reserve Banks of New York, Richmond, Atlanta, Chicago, St. Louis, and San Francisco.