Information received since the Federal Open Market Committee met in June suggests that
economic activity expanded at a modest pace during the first half of the year. Labor market
conditions have shown further improvement in recent months, on balance, but the unemployment
rate remains elevated. Household spending and business fixed investment advanced, and the
housing sector has been strengthening, but mortgage rates have risen somewhat and fiscal policy is
restraining economic growth. Partly reflecting transitory influences, inflation has been running
below the Committee's longer-run objective, but longer-term inflation expectations have remained
stable.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and
price stability. The Committee expects that, with appropriate policy accommodation, economic
growth will pick up from its recent pace and the unemployment rate will gradually decline toward
levels the Committee judges consistent with its dual mandate. The Committee sees the downside
risks to the outlook for the economy and the labor market as having diminished since the fall. The
Committee recognizes that inflation persistently below its 2 percent objective could pose risks to
economic performance, but it anticipates that inflation will move back toward its objective over the
medium term.

To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate
most consistent with its dual mandate, the Committee decided to continue purchasing additional
agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury
securities at a pace of $45 billion per month. The Committee is maintaining its existing policy of
reinvesting principal payments from its holdings of agency debt and agency mortgage-backed
securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at
auction. Taken together, these actions should maintain downward pressure on longer-term interest
rates, support mortgage markets, and help to make broader financial conditions more
accommodative.

The Committee will closely monitor incoming information on economic and financial
developments in coming months. The Committee will continue its purchases of Treasury and
agency mortgage-backed securities, and employ its other policy tools as appropriate, until the
outlook for the labor market has improved substantially in a context of price stability. The
Committee is prepared to increase or reduce the pace of its purchases to maintain appropriate
policy accommodation as the outlook for the labor market or inflation changes. In determining the
size, pace, and composition of its asset purchases, the Committee will continue to take appropriate
account of the likely efficacy and costs of such purchases as well as the extent of progress toward
its economic objectives.

To support continued progress toward maximum employment and price stability, the Committee
today reaffirmed its view that a highly accommodative stance of monetary policy will remain
appropriate for a considerable time after the asset purchase program ends and the economic
recovery strengthens. In particular, the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent.

Voting for the FOMC monetary policy action were: Ben S. Bernanke, Chairman; William C. Dudley, Vice Chairman; James Bullard; Elizabeth A. Duke; Charles L. Evans; Jerome H. Powell; Sarah Bloom Raskin; Eric S. Rosengren; Jeremy C. Stein; Daniel K. Tarullo; and Janet L. Yellen. Voting against the action was Esther L. George, who was concerned that the continued high level of monetary accommodation increased the risks of future economic and financial imbalances and, over time, could cause an increase in long-term inflation expectations.