Transcript of Chairman Powell's Press Conference
December 19, 2018

CHAIRMAN POWELL. Good afternoon, everyone. Thanks very much for being here today.

Over the past year, the economy has been growing at a strong pace, the unemployment rate has been near record lows, and inflation has been low and stable. All of those things remain true today. Since the September meeting of the FOMC, however, some crosscurrents have emerged. I'll explain how my colleagues and I are incorporating those crosscurrents into our judgments about the outlook and the appropriate course of policy.

Since September, the U.S. economy has continued to perform well, roughly in line with our expectations. The economy has been adding jobs at a pace that will continue bringing the unemployment rate down over time. Wages have moved up for workers across a wide range of occupations, a welcome development. Inflation has remained low and stable, and is ending the year a bit more subdued than most had expected. Although some American families and communities continue to struggle and some longer-term economic problems remain, the strong economy is benefiting many Americans.

Despite this robust economic backdrop and our expectation for healthy growth, we have seen developments that may signal some softening relative to what we were expecting a few months ago. Growth in other economies around the world has moderated somewhat over the course of 2018, albeit to still-solid levels. At the same time, financial market volatility has increased over the past couple of months, and overall financial conditions have tightened--that is, they have become less supportive of growth.

In our view, these developments have not fundamentally altered the outlook. Most FOMC participants have, instead, modestly lowered their growth and inflation forecasts for next year. The projections of Committee participants released today show growth continuing at healthy levels, the unemployment rate falling a bit further next year, and inflation remaining near 2 percent. The projections also show a modestly lower path for the federal funds rate, which should support the economy and keep us near our goals. As the economy struggled to recover from the financial crisis and the subsequent recession, the Committee held our policy rate near zero for seven years to give the economy the best chance to recover. And the economy did recover steadily, if slowly at times. Three years ago the Committee came to the view that the best way to achieve our mandate was to gradually move interest rates back to levels that are more normal in a healthy economy. Today, we raised our target range for short-term interest rates by another quarter of a percentage point. As I’ve mentioned, most of my colleagues expect the economy to continue to perform well in the coming year. Many FOMC participants had expected that economic conditions would likely call for about three more rate increases in 2019. We have brought that down a bit and now think it is more likely that the economy will grow in a way that will call for two interest rate increases over the course of next year.

We always emphasize that our policy decisions are not on a preset course and will change if incoming data materially change the outlook. And, given recent developments, the statement notes that we “will continue to monitor global economic and financial developments and assess their implications for the economic outlook.”

Now I will provide some additional context and detail, starting with a review of policy over the last year. Last December, the unemployment rate was 4.1 percent and inflation had been running just below 2 percent. FOMC participants and many other forecasters were predicting that growth in 2018 would be strong. This growth was predicted to push the unemployment rate down to near historic lows, and the increasingly tight labor market was expected to help push inflation up to 2 percent.

Given this outlook, Committee members judged that the appropriate way to sustain the expansion with inflation near 2 percent was to continue gradually withdrawing the extraordinary support for the economy that had been in place for almost 10 years. Thus, in December 2017, the median of the projections of FOMC participants pointed to three quarter-point interest rate increases in 2018, which would have left the target range for the federal funds rate at year-end at 2 to 2-1/4 percent, still below most estimates of the longer-run normal rate.

Early in 2018, it became clear that the economy was likely to be even stronger than we had expected, in part because the fiscal stimulus adopted near the start of the year was larger and more front-end loaded than most had anticipated. The signs of a more robust economy proved accurate, and the FOMC has now raised rates four times this year, counting today's action, one more time than anticipated in the median projection a year ago.

This illustrates the nature of data dependence that we always emphasize. In 2018, the economy was somewhat more robust than expected, and this led to a slightly faster pace of policy normalization than had been projected. When the economy has, instead, turned out weaker than expected, the Committee has slowed or paused the pace of rate increases--as we did in 2016. And when the economy has performed about as expected, the Committee has generally moved in line with the median projection--as we did in 2017.

What kind of year will 2019 be? We know that the economy may not be as kind to our forecasts next year as it was this year. History attests that unforeseen events as the year unfolds may buffet the economy and call for more than a slight change from the policy projections released today.

With that caveat, there are two important differences in the policy outlook today versus last year. In early 2018, we saw a rising trajectory for growth; today, instead, we see growth moderating ahead. FOMC participants along with many other forecasters had long predicted some moderation of growth in 2019. The additional tightening of financial conditions we have seen over the past couple of months, along with signs of somewhat weaker growth abroad, have also led us to mark down growth and inflation projections a bit. The median of FOMC participants' projections shows growth of 3.0 percent this year and 2.3 percent in 2019. With growth remaining next year above its longer-run normal value, the unemployment rate is projected to fall a bit further to 3.5 percent by the end of 2019. Inflation in the median projection remains near 2 percent.

Second, the economy has continued to strengthen this year. And given our four rate increases and the ongoing reduction in our portfolio, monetary policy will be providing a smaller boost to the economy in 2019. After today's action, the target range for the federal funds rate is 2-1/4 to 2-1/2 percent, putting it at the lower end of the range of estimates of the longer-run normal rate provided by the Committee.

Over the next year, if events play out broadly as expected, the federal funds rate will be in a range in which judgments of people both inside and outside the Fed will sometimes differ regarding whether the stance of policy is modestly accommodative, neutral, or modestly restrictive. When rates are in this range, the FOMC makes policy in light of the array of diverse views on the Committee. Moving forward, my colleagues and I will be watching the economy closely for indications that the stance of policy is appropriate to sustain the expansion with a strong labor market and inflation near 2 percent.

It is worth noting that the Summary of Economic Projections (SEP) is a compilation of the individual projections of all FOMC participants. We sometimes point to the median of these projections to illustrate the broad middle of views of the Committee. Each participant's projection represents appropriate policy under the baseline outlook provided by that participant. We believe that the SEP provides useful information about Committee participants' thinking, but the median is not a consensus judgment, and certainly does not represent a Committee plan. Actual policy will, as always, be adjusted as incoming data shed light on the state of the economy, the outlook, and the changing balance of risks.

Neither the pace nor the ultimate destination of any further rate increases is predetermined. We will adjust monetary policy as best we can to keep the expansion on track, the labor market strong, and inflation near 2 percent. We know that our policy decisions affect all American families and businesses, and will continue to make our decisions objectively and based solely on the best information and analysis. Thank you, and I'll be happy to take you questions.

SAM FLEMING. Sam Fleming from the Financial Times. One of the recent surprises had been fairly tepid inflation data. I wonder if first of all you could explain why you think, despite the extremely tight labor market, we're still not seeing much in the way of inflationary pressures. In the context of a more data-dependent Fed, how will the Fed respond to further undershoots of inflation moving into next year? Thanks.

CHAIRMAN POWELL. Well, you're right, Sam. Inflation has come in just a touch below where we expected it to be, not by a big amount but by a small amount. More broadly, 2018 has been the strongest year since the recovery, since the financial crisis. And during that period, we've had low unemployment and strong growth, and inflation has still remained just a touch below 2 percent. So, I do think that gives the Committee the ability to be patient in moving forward. As I mentioned, there's significant uncertainty about both the path and the ultimate destination of any further rate increases.

HEATHER LONG. Hi, Heather Long from The Washington Post. Today, the Fed lowered its expectations for interest rate increases. Given that, I'm wondering if the Fed has had any discussion of altering the course of balance sheet normalization, and if you could give us any insight on what might lead the FOMC to alter that balance sheet normalization in 2019?

CHAIRMAN POWELL. Sure. If you go back some years, I think we, people who were working at the Fed in 2013 and 14, took away the lesson that the markets could be very sensitive to news about the size of the balance sheet, the pace of asset purchases, the pace of runoff and things like that. So, we thought carefully about this on how to normalize policy and came to the view that we would effectively have the balance sheet runoff on automatic pilot and use monetary policy, rate policy, to adjust to incoming data.

And I think that has been a good decision. I think that the runoff of the balance sheet has been smooth and has served its purpose. And I don't see us changing that. And I do think that we will continue to use monetary policy, which is to say rate policy, as the active tool of monetary policy. Thanks.

NICK TIMIRAOS. Nick Timiraos of the Wall Street Journal. Chairman Powell, you talked a little bit earlier about the ability to be patient. And so as you think about your next policy moves, are you inclined to go the current recent pace to a slightly different destination that's laid out in the projections today? Or does the current environment of restrained inflation maybe allow you to space out your next few moves and take more time to get there?

CHAIRMAN POWELL. So, as background, I would just point to 2018 being a very strong year, and the Committee looking forward to 2019 and still having what amounts to a positive forecast. We still are forecasting individually growth a bit above its longer run potential, 2.3 percent is what we're forecasting. We're forecasting that growth will be strong enough that unemployment will drop still further, and inflation will remain right near our target. So, I'd say that's a reasonably positive forecast.

Going forward, you know, I will be looking, in particular, to see whether incoming data tell us that we are, in fact, on that path. That development of the economy is in line with that expectation. That will be the main thing. More broadly, though, I think we've reached the bottom end of the range of Committee estimates of what might be neutral. I think from this point forward, we're going to be letting the data speak to us and form the outlook and form our understanding of what would be appropriate policy. So, there's a fairly high degree of uncertainty about both the path and the ultimate destination of any further increases.

STEVE LIESMAN. Mr. Chairman, Steve Liesman, CNBC. Could you tell us how three things affected the outlook for the economy and rates? The first is how the market's decline affected the outlook for the economy and for rates. The second is trade tensions and the tariff, how you factor that into your outlook. And the third is comments by the president urging you not to hike rates.

CHAIRMAN POWELL. So as I mentioned, we monitor a broad range of economic conditions, including financial conditions, a broad range of financial conditions, and we took onboard the tightening in financial conditions, which not any one condition but broadly speaking, financial conditions have tightened since the September meeting really. So we took that onboard in our forecast. That's why the forecast for growth and inflation went down a little bit, but remember, that's in a context of a more accommodative path. So we also took down our rate forecast. So we definitely did take that into account, and as you can see from the statement language, we acknowledged those risks in the clause about monitoring developments. And we're going to be watching carefully to see as those things develop.

I think more broadly, there's been a sense of concern among business people and market people about global growth, and you know, that may be partly about trade tensions, it may be partly about a variety of things. If you just mechanically drop into a model of the US economy tariffs, you don't see very large effects. The large effects would have to come from financial market changes or from losses and business confidence. And those are things that are very difficult to model.

On your third factor, you know, political considerations have played no role whatsoever in our discussion or decisions about monetary policy. We're always going to be focused on the mission that Congress has given us. We have the tools to carry it about. We have the independence, which we think is essential to be able to do our jobs in a nonpolitical way. And you know, we are, we at the Fed are absolutely committed to that mission, and nothing will deter us from doing what we think is the right thing to do.

BINYAMIN APPLEBAUM. Binyamin Applebaum, The New York Times. You're about to undershoot your inflation target for the seventh straight year. Your new forecasts say that you're going to undershoot it for the eighth straight year. Should we interpret the dot plot is suggesting that some members of your Committee believe that policy should be in a restrictive range by the end of next year? And if so, can you help us to understand why people would be advocating restrictive monetary policy at a time of persistent inflation undershoots?

CHAIRMAN POWELL. Well, we, as a Committee, we do not desire inflation undershoots. And you're right, inflation has continued to surprise to the downside, not by a lot though, I think. We're very close to 2 percent, and you know, we do believe it's a symmetric goal for us. Inflation is symmetric around 2 percent, and that's how we're going to look at it. We're not trying to be under 2 percent. We're trying to be symmetrically around 2 percent, and I don't, you know, I've never said that I feel like we've achieved that goal yet. The only way to achieve inflation symmetrically around 2 percent is to have inflation symmetrically around 2 percent, and we've been close to that. We haven't gotten there yet, and we have not declared victory on that. So, that remains to be accomplished.

JEANNA SMIALEK. Hi, Jeanna Smialek, Bloomberg News. Just following up on Binyamin's question. I guess if you haven't achieved 2 percent inflation and you don't see an overshoot, which would be sort of implied by a symmetrical target, what's the point in raising rates again at all?

CHAIRMAN POWELL. So again, I go back to the health of the economy. When you look at 2018, as I mentioned, this the best year since the financial crisis. You've had growth well above trend. You've got unemployment dropping. You've got inflation moving up to 2 percent. And we also have a positive forecast, as I mentioned, and in that context, we think this move was appropriate for what is a very healthy economy.

Policy at this point does not need to be accommodative. It can move to neutral. It seems appropriate that it be neutral. We're now at the bottom end of range of estimates of neutral. So that's the basis upon which we made the decision. I also think we took onboard, you know, the risks to that, and, you know, we're certainly cognizant of them.

MARTIN CRUTSINGER. Mr. Chairman, Marty Crutsinger with the AP. You've established for this coming year a communications panel to look at how the Fed communicates. Could you talk a little bit about what you expect to get from that panel, and will the dot plot be involved in that at all? How do you think the dot plot is working? Are we dealing with it the way that you want us to be handling the dot plot, or is it something that you might tweak a bit?

CHAIRMAN POWELL. So this review, what it really is, it's coming at a time when the economy is strong, and it's a good time to take a step back, we think, and ask whether our strategy and our tools and our communications around monetary policy are doing the job that Congress has assigned us to do on behalf of the American people. And what we're going to do is we're going to open ourselves up and have a discussion with many outside groups of all different parts of the economy including, you know, an academic conference in June in Chicago.

And again, the idea is to, you know, listen to new ideas, better ideas, old ideas, many of them have been around, and try to assess whether there are better ways we can do things. One of the overarching facts is that rates have been really coming down overall for more than three decades now. We may be in a world where interest rates are just lower for the time being, and therefore, we'll have less policy space to react to economic downturns. And we'd want to be evaluating ideas for, again, for better achieving the goals that Congress has given us.

We're not looking at law changes at all, and we're not looking at changing the inflation target, for example. We are looking for better ways to achieve the inflation goal, for example, on a symmetric basis. So that's the sense of that.

As I mentioned on the dot plot, you asked about the dot plot, I think the dot plot generally does provide useful information about the reaction function of Committee participants. Sometimes more useful than others, I'll admit. But in general, I think people sort of have it figured out and understand what it is and what it isn't. But that doesn't mean we don't like to repeat what it isn't. Which it's not a consensus forecast. It's not something that we vote on. It's something that each of us writes down, and we always update it as, you know, as data come in and as we update our outlooks.

MICHAEL MCKEE. Michael McKee from Bloomberg Radio and Television. The balance sheet reduction, how much additional tightening do you think has come from that. We know in the markets that the cost of credit rising, commercial paper, repo rates, the TED spread widening, do you see any concerns about the availability or the price of credit that could slow the markets? And if in 2019 we see the economy start to slow, would you, if you don't adjust the balance sheet, be risking too much tightening?

CHAIRMAN POWELL. So, we do watch all of that, but the amount of runoff that we've had so far is pretty small. And if you just run the quantitative easing models in reverse, you would get a pretty small adjustment in economic growth and real outcomes. So we don't think, you know, things that are happening at the short run, at the short end, are driven by many other factors other than the balance sheet runoff.

For example, just very large build supply has pushed up short-term rates, has pushed up repo rates. Tightening of the federal funds rate has raised short-term borrowing costs. So, you know, we're alert to these issues. We're watching them carefully. But we don't see, you know, the balance runoff as creating significant problems.

EDWARD LAWRENCE. Edward Lawrence, Fox Business Network. Thank you, Mr. Chairman. We've seen enormous volatility in the markets recently. We know the president said, you know, don't raise interest rates. It's well-documented. The National Association of Realtors chief economist says that it's starting to affect first-time homebuyers with the mortgage rates going up. When do you think these pauses need to come in next year? Do we need to keep this, as you say, gradual? And then in addition, what data are you specifically looking at for you that shows when the Federal Reserve starts to become that headwind in the economy with the rates.

CHAIRMAN POWELL. You know, we're watching, we have a strong forecast generally for next year. That forecast involves growth, you know, between 2 and 2 1/2 percent. It involves growth at a strong enough level to continue driving unemployment down and inflation near 2 percent. So that's a pretty positive forecast. So, to make further moves, I'll be looking for data that suggests that that's, in fact, the path that we're on.

As I mentioned, once you're broadly speaking in the range of neutral, I think it's appropriate to be putting aside individual estimates of that and be looking at what the incoming data are telling you about the outlook, updating your estimates of what neutral might be, of what the natural rate of unemployment might be, of the state of the economy. So, and letting that lead you to adjust your outlook, and therefore, your appropriate path for policy. So that's what we mean when we say we're data-dependent. Of course, we're always data-dependent, but I think it has a particular meaning in this context, which is that.

VICTORIA GUIDA. Hi Mr. Chairman. I wanted to ask, first of all, whether you're worried that President Trump's tweeting in statements might interfere with your ability to communicate with markets and why you're doing what you're doing. And then also, I was wondering if you could comment on Governor Brainard gave a speech recently where she laid out the case for the countercyclical capital buffer being activated. Do you disagree with her analysis? Is that something that you think the Fed should look at doing?

CHAIRMAN POWELL. I'm not worried because about, on the first question, because I know, and everyone who works at the Fed, knows that we're going to do our jobs the way we've always done them. And that involves, you know, I think getting the best thinking together, diverse perspectives. We, every business, every FOMC cycle, we talk to hundreds of people in all different parts of society, not just business people or market people, but people from community development organizations. We get survey data from thousands of people, and so we really do have a pretty broad exposure to what's going on in all different parts of the country. And we're going to take all that information, and we're going to make the best decisions we can, and nothing will cause us to deviate from that.

In terms of the CCyB, so the CCyB is, the countercyclical counter buffer, is a tool that allows us to build capital at a time when vulnerabilities, financial stability vulnerabilities, are meaningfully above normal. And so that's a tool I'd be absolutely willing to use and happy to use at such time as that test is met. We meet and discuss that and evaluate it on a roughly an annual basis. We haven't done it since early this year. I think we'll be doing it early next year, and we'll be reaching that judgment then. I will tell you, I recently gave a speech saying that I believe that financial stability vulnerabilities were roughly at a moderate level. So for me, but I would want to leave open, my mind open, on that and have that discussion with my board colleagues when the issue arises.

ANN SAPHIR. Ann Saphir with Reuters. You said that policy does not need at this point to be accommodative. But does it need to be restrictive as the dots seem to suggest that it will be?

CHAIRMAN POWELL. Does it currently need to be restrictive? No. And I don't believe that it is. I don't believe that policy is restrictive.

ANN SAPHIR. Next year, the dots suggest it will be restrictive next year. Should it be?

CHAIRMAN POWELL. Yeah, I discussed this a couple of times. It's a very good question. And I guess I would just go back to this. The individual forecasts are not something that the Committee votes on. They're out in the future. We vote on the rate increase, and we write down our, you know, our own personal paths. So people have disparate views on what the endpoint could be.

Ultimately, it's going to depend on what the circumstances are. There would be circumstances in which it would be appropriate to go past neutral. And there would be circumstances in which it would be wholly inappropriate to do so. So, I don't, I wouldn't put too much on, it does inform you the way people are thinking about things. But I wouldn't take it as a signal about current policy or about near-term policy.

PAUL KIERNAN. Hi, Paul Kiernan from Dow Jones Newswires. Thanks for the question. In Dallas last month you talked about the usefulness of speaking with businesses, sometimes hearing things that aren't yet showing up in the economic data. And I was just wondering if you're hearing anything from businesses that might explain the recent market moves. You know, are markets on to something that, again, hasn't showed up yet in the data. Thanks.

CHAIRMAN POWELL. So, if you look at the Teal Book or, you know, we get the Teal Book in person from the Reserve Bank presidents who come in, and they share their discussions, not just with their directors, but with literally hundreds of business and nonprofit, you know, and Labor Union people around the country. And I personally find it really interesting. My background is very much working, starting with, you know, a small group of people, maybe a company and working out. So that kind of anecdotal data really helps me capture the picture better.

So, and you know, what you're picking up now, I think, is there's, you know, a mood of concern, or it's a mood of angst about growth going forward. If I could just capture it in one thought. There are many reasons that are given for that, but generally speaking, it's a concern about is growth going to be as strong as it was? Why not, what it might be to different people? But that mood is out there. That doesn't mean that it'll come into the real data in a big way, it may, but, or that financial conditions will tighten further. We'll just have to see. For now, financial conditions have tightened a little bit. We've taken that onboard both in the outcomes, in our forecast, but also in a lower rate path to, you know, to provide some accommodation to push back against that tightening. That's how I think about it.

GREG ROBB. Greg Robb from Market Watch. Just following up on Paul's question, President Trump said recently that you should feel the markets. So when you see the markets, you know, what are the markets telling you?

CHAIRMAN POWELL. You know, financial conditions, broadly speaking, we don't look at any one market. We look at a really big range of financial conditions. And what matters for the broader economy is material changes in a broad range of financial conditions that are sustained for a period of time. A little bit of volatility, speaking in the abstract, some volatility doesn't probably leave a mark on the economy. So we look for that.

And, you know, what we've seen here is a tightening. There's been a tightening since right around after, a week or so after the September meeting. And you know, that, we tried to factor that into our models of the economy and to the result that come out of those models. That's how we think about it. So, we do, you know, we follow markets really carefully. But remember, from a macroeconomic standpoint, no one market is the single dominant indicator and really matters if changes are sustained over time.

NANCY MARSHALL-GENZER. Nancy Marshall-Genzer with Marketplace. Do you still think core PCE is a good measure of whether the economy is overheating? What do you think of other measures like setting a target for economic growth and relying more on that?

CHAIRMAN POWELL. Well, I think we look at both, but core PCE is a good indicator. It has, what's happened over really 50 years is that inflation has become much less reactive to changes in growth. There was a time when inflation reacted really quickly to changes in growth and changes in unemployment. And that time is behind us. And that is often attributed to the success of central banks in anchoring inflation expectations so that people believe that inflation will come back to the target or around the target so it doesn't go down as much, inflation doesn't go down as much, and a downturn doesn't go up as much when the, you know, when the economy is strong.

It's really true, though, that inflation has not reacted a lot on a road from 10 percent unemployment to now 3.7 percent unemployment. Now it did move up last year. But in terms of just targeting growth, you know, I think actually think our dual mandate works very well, which is maximum employment and stable prices. Most of the time, those two things work together. When they work temporarily in different ways, we take a balanced approach. But I think that approach has served us well, and I think we can work well with it.

DONNA BORAK. Chairman Powell, Donna Borak with CNN. Next year, every meeting will be a live meeting. So presumably, there will be some adjustment in how the market anticipates when a rate hike is coming. How has the Committee thought through communicating those potential policy moves, especially in light of the fact of the tremendous amount of uncertainty going into next year?

CHAIRMAN POWELL. I think having regular press conferences will be a big gain for communication. I certainly hope it will. That's the plan. And so, being able to come out after each meeting and explain the Committee's thinking and relate that to the state of the economy and expectations for policy and global developments, I think it'll be, the idea is that it'll be helpful in explaining how we're thinking and, you know, explaining what we're thinking about policy going forward. So, that's the plan. I do believe it will be a positive development.

I think it'll also become the case over time that there will be no prior as to whether we would move at a quarterly meeting or one of the meetings at which we do not file an SEP. As you know, we only update our projections under the current approach quarterly, whereas we have eight meetings. So I think we'll move to a more, we'll have the ability to move at eight different meetings, not eight times. But, at eight different meetings on the year.

DONNA BORAK. I guess that's sort of the question that I'm trying to drive out is that in terms of communicating to the market, because we've been, the market has been so adjusted to the fact that these are quarter-end rate hikes, and now you have the potential to move eight times a year, is the Fed thinking through how it's going to communicate when it plans, especially given the amount of uncertainty?

CHAIRMAN POWELL. Yes, I mean I think that's probably pretty straightforward. If we, you know, if we're, if we want to communicate something about something that's going to happen in a future meeting, I think we know how to do that in speeches, in press conferences and such.

DON LEE. Don Lee with the LA Times. You mentioned broad base wage gains this year and wondering if you see further acceleration in wage growth and just how much slack there is in the labor market.

CHAIRMAN POWELL. So what we've seen is a very gradual, and I think ongoing, increase in wages. If you go back a few years, you'll see that we look at many, many indicators of wages and compensation. But there are four principle ones. And they were all kind of clustered around two, if you go back five years ago, 2 percent increase per year. Now they are all at three, and they've just continued to gradually move up, not perfectly in synch, but, and that's a number that is, you know, right in keeping with 2 percent inflation and 1 percent productivity growth. So in an economic sense, it makes sense.

I do expect, and I think many forecasters expect, that wage increases will continue, and that would be a welcome development. Wage increases do not need to be inflationary. There's plenty of evidence of situations, for example, in the very tight labor market of the late 1990s of a, I think in a mentioned in a speech a month or so ago, we had wage increases above productivity plus inflation. We didn't have high inflation. So, it would be welcome. We hear a great deal of anecdotal information about labor shortages, along with other, you know, bottlenecks and things. So I would expect that wages will keep moving up, and it doesn't necessarily mean inflation. We don't think of it that way. So, did that answer your question?

Labor psych. Yes, so you know, by most indicators, we look at a very wide range of indicators on the labor market. And by most indicators, we are at or even above longer run normal levels. But I would point to one particular pocket, and that is, labor force participation by younger prime age workers, particularly prime age males, is still, you know, meaningfully below its pre-crisis level. Most other age groups in both genders have moved back up pretty close to where they were at the last cyclical peak. You know, there's a question, can we go above that cyclical peak? And or are the problems more structural than cyclical, and there isn't, so we'll have to find that out. I think, given a strong economy, we've had the luxury of finding out that labor force participation can be higher than we had thought. And that's nothing but a good thing.

JOHN HELTMAN. Hi, John Heltman with American Banker. A regulatory question, if I may. So, many of the Fed’s regulatory proposals so far, especially this year, have been primarily focused on banks in the sort of medium to small range. That is, a sort of tailoring enhanced prudential standards, particularly for those banks, and I'm thinking of the stress capital buffer, as well as the most recent proposal on banks between $100 and $250 billion. G-SIBs and the largest banks seem to be sort of left out in a lot of these proposals, and I'm wondering if that is meant to send a message that the Fed really does not intend to change its regulatory structure for the largest banks going forward. Or if you'll get to that maybe later. I'm thinking specifically of the G-SIB capital surcharge which several members of Congress has sent letters to you asking you to revisit and reconsider.

CHAIRMAN POWELL. So you're right that a big focus of what we've been doing has been tailoring regulations, and the sense of tailoring is that we want to look below the level of the G-SIBs at the large regionals and then on down to the community banks at various steps and ask whether we have appropriately tailored regulation and supervision to account for the fact that smaller and less complex organizations present a much less significant threat to the economy and to the community should they fail, should they experience material difficulty. So in the nature of that, you're focused more on the smaller institutions.

I think with the larger institutions, we want regulation and supervision to be effective and efficient. I know that the larger institutions tend to be the ones who care about the Volcker Rule. That's something we're working on. You know, we think that things need to be looked at carefully, and again, I wouldn't want to materially change capital levels, because I think, you now, it's important that the largest financial institutions, the largest and most complex, the systemically important ones, be held to the highest standards and higher expectations. While we may tailor some regulations, those fundamentally high expectations are not going to change.

STEVEN BECKNER. Steve Beckner, freelance financial journalist reporting for NPR, Chairman Powell. I know you look at many different financial indicators but let me focus your attention briefly on bond yields. The ten-year note yield is gone down pretty steeply, roughly 50 basis points, I think, in recent weeks. I wonder what you make of it. Is it a worrisome sign for you in terms of the outlook for growth, for inflation? On the other hand, could it be a positive in terms of presumably bringing down mortgage rates and helping the housing sector?

CHAIRMAN POWELL. Again, we do focus on a broad range of financial indicators, and really, we don't obsess about any particular one. You know, we look at a whole range of them, and we ask ourselves what's really going on in the broad picture out there. You know, if you ask what's going on with the long, certainly the longer maturity, Treasury market has come in some. That's consistent with, you know, a risk off feeling in the stock market as well. And you know, we don't know whether that will persist. Really, the longer Treasury has moved in a range above 3 percent and down 3 percent as a risk sentiment has changed. You know, I think, if rates were to stay low for a longer period of time, that could be thought of as a signal of expectations of lower growth. But, you know, we don't know that that'll happen. As I mentioned, our forecast for next year is, I think in keeping with most other forecasts, is that we'll still have solid growth next year, declining unemployment and a healthy economy.

COURTENAY BROWN. Hi Chairman, Courtenay Brown from Axios. I'm wondering if you could clear up what's become a little bit of a debate in the financial community. You said in October in an interview with PBS that interest rates were a long way from neutral. A month later you said interest rates were just below neutral. And I think a lot of people interpreted that as a shift in tone from you. Were they right to interpret it that way?

CHAIRMAN POWELL. You know, monetary policy is a forward-looking exercise, and I'm going to, I'm just going to stick with that. It's, where we are right now is we're at the lower end of the range of neutral. We've arrived effectively at the bottom end of that range. And, you know, there are implications of that. For that, as I mentioned, going forward, there's real uncertainty about the path, the pace rather, and the destination for further rate increases. And we're going to be letting incoming data inform our thinking about the appropriate path.

MICHELLE FLEURY. Michelle Fleury, BBC News. Chairman Powell, you talked about monitoring global developments. I was wondering, you touched on the trade dispute with China. But could you elaborate on what economic developments you're referring to where the Brexit is one of those what else?

CHAIRMAN POWELL. More broadly, I'm referring to global growth. So if you go back a year, 2017 was a year of kind of ongoing upside surprises in global growth. It was the year of synchronized global growth. And people raised their forecast for growth around the world, kind of throughout 2017. And in some sense, expect that to continue into 2018. What has happened, instead, has been a modest retracing of that. So you have still healthy levels of growth in the aggregate around the world, but close to the potential growth rate of, you know, the global economy. But you no longer have the really strong levels of growth you had in 2017. So that is one, that's, I think, the key fact. We also monitor, you know, event risks like Brexit, like you know, like the negotiations between Italy and the EU over their budget. And, you know, as far as those are concerned, we monitor them very carefully. And I'm going to, I'll mention Brexit. Our financial institutions have had a long time now to get ready for a full range of possible exits from the EU by the UK. And they've had supervisory involvement from U.S. supervisors from UK supervisors from EU supervisors, we think they are fully prepared for the full range of outcomes that may come out of that. I was very happy to see the developments around central counterparties today. That was a big issue that seems to have been satisfactorily, for the time being, resolved. So it's something we're watching carefully. Honestly, it shouldn't have major implications for the United States, but you know, there's a lot of uncertainty because it's not something that's happened before. So we'll be watching it carefully. Thanks very much.