The Fed Hikes Federal Funds Rates Once Again
Pauses Are Still Highly Likely in 2005

- The overnight funds target rate increases from 2.00% to 2.25%
- The upside and downside risks to price stability and economic growth are about equal
- The relaxed monetary policy can be removed at a pace that remains to be determined

Votes: For = 12; Against = 0.

1) In spite of today’s increase, monetary conditions remain flexible.
2) Despite the rise in energy prices, the economy is growing moderately and the labour market is improving gradually.
3) Inflation and long term inflationary expectations remain in check.

Press Release

Release Date: December 14, 2004

[...] The Committee believes that, even after this action, the stance of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. Output appears to be growing at a moderate pace despite the earlier rise in energy prices, and labor market conditions continue to improve gradually. Inflation and longer-term inflation expectations remain well contained.

The Committee perceives the upside and downside risks to the attainment of both sustainable growth and price stability for the next few quarters to be roughly equal. With underlying inflation expected to be relatively low, the Committee believes that policy accommodation can be removed at a pace that is likely to be measured. Nonetheless, the Committee will respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability. [...]