

No May rate hike, but Fed leaves

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WASHINGTON The Federal Reserve held its key interest rate steady Wednesday and downplayed recent weakness in the economy, leaving the door open to a June hike.

In a statement after a two-day meeting, the Fed's policymaking committee largely dismissed recent slumps in both economic and job growth as temporary

blips. It emphasized the generally robust labor market, saying "it has continued to strengthen even as growth in economic activity slowed."

Although job growth fell to 98,000 in March from a 200,000-plus pace the prior two months, the Fed statement said "job gains were solid, on average, in recent months, and the unemployment rate has declined."

It said it "views the slowing in (economic) growth during the first quarter as likely to be transitory," a nod to longstanding challenges measuring economic gains

The labor market "has continued to strengthen even as growth in economic activity slowed."

Statement from the Federal Reserve

early in the year and an acknowledgment of what it thinks is a temporary drop in household spending.

Although the Fed noted that consumer spending "rose only modestly," it added that the "fundamentals underpinning" con-

June on the table

sumption "remained solid." And it upgraded its appraisal of business investment, saying it has "firmed."

The statement also noted that a core measure of inflation that excluded food and energy costs fell in March but added that annual inflation "has been running close to" the Fed's 2% target.

Overall, the Fed took pains to minimize recent bumps in the economy's course, seeming to prime investors for another rate increase. Before the meeting, Fed fund futures reckoned there was a 67% chance of a rate hike in

June, down from 72% a week ago. Michael Gapen, chief U.S. economist at Barclays and a former Fed staffer, said it "likely would take 'proof of fundamental weakness' in the economy to derail a June hike. The Fed's strategy, he said, seemed to now focus on the economy's "cumulative progress," and a "soft patch" wouldn't throw its rate-hike plans off course.

The Fed has lifted its benchmark short-term interest rate twice since December — by a quarter percentage point each time.