Testimony

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November 30, 2021

Coronavirus and CARES Act

Chair Jerome H. Powell

Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.

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Chair Powell submitted identical remarks to the Committee on Financial Services, U.S. House of Representatives, on December 1, 2021.

Chairman Brown, Ranking Member Toomey, and other members of the Committee, thank you for the opportunity to testify today.

The economy has continued to strengthen. The rise in Delta variant cases temporarily slowed progress this past summer, restraining previously rapid growth in household and business spending, intensifying supply chain disruptions, and, in some cases, keeping people from returning to work or looking for a job. Fiscal and monetary policy and the healthy financial positions of households and businesses continue to support aggregate demand. Recent data suggest that the post-September decline in cases corresponded to a pickup in economic growth. Gross domestic product appears on track to grow about 5 percent in 2021, the fastest pace in many years.

As with overall economic activity, conditions in the labor market have continued to improve. The Delta variant contributed to slower job growth this summer, as factors related to the pandemic, such as caregiving needs and fears of the virus, kept some people out of the labor force despite strong demand for workers. Nonetheless, October saw job growth of 531,000, and the unemployment rate fell to 4.6 percent, indicating a rebound in the pace of labor market improvement. There is still ground to cover to reach maximum employment for both employment and labor force participation, and we expect progress to continue.

The economic downturn has not fallen equally, and those least able to shoulder the burden have been the hardest hit. In particular, despite progress, joblessness continues to fall disproportionately on African Americans and Hispanics.

Pandemic-related supply and demand imbalances have contributed to notable price increases in some areas. Supply chain problems have made it difficult for producers to meet strong demand, particularly for goods. Increases in energy prices and rents are also pushing inflation upward. As a result, overall inflation is running well above our 2 percent longer-run goal, with the price index for personal consumption expenditures up 5 percent over the 12 months ending in October.

Most forecasters, including at the Fed, continue to expect that inflation will move down significantly over the next year as supply and demand imbalances abate. It is difficult to predict the persistence and effects of supply constraints, but it now appears that factors pushing inflation upward will linger well into next year. In addition, with the rapid improvement in the labor market, slack is diminishing, and wages are rising at a brisk pace.

We understand that high inflation imposes significant burdens, especially on those less able to meet the higher costs of essentials like food, housing, and transportation. We are committed to our price-stability goal. We will use our tools both to support the economy and a strong labor market and to prevent higher inflation from becoming entrenched.

The recent rise in COVID-19 cases and the emergence of the Omicron variant pose downside risks to employment and economic activity and increased uncertainty for inflation. Greater concerns about the virus could reduce people's willingness to work in person, which would slow progress in the labor market and intensify supply-chain disruptions.

To conclude, we understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission. We at the Fed will do everything we can to support a full recovery in employment and achieve our price-stability goal.

Thank you. I look forward to your questions.

Summary of Section 13(3) Facilities Using CARES Act Funding

(Billions of Dollars)

Facility	Announced	Closed	Maximum capacity	Peak amount of assets	Current amount of assets[2]	Treasury equity remaining
Corporate Credit Facilities	Mar. 23, 2020	Dec. 31, 2020	750	14.3	0	0
Main Street Lending Program	Apr. 9, 2020	Jan. 8, 2021	600	16.6	13.5	15.7
Municipal Liquidity Facility	Apr. 9, 2020	Dec. 31, 2020	500	6.4	4.2	4.2
TALF	Mar. 23, 2020	Dec. 31, 2020	100	4.1	1.4	1.4

Note: The data are current as of November 24, 2021.

1. The maximum authorized amount of facility asset purchases. Return to text

2. Current and peak outstanding amounts of facility asset purchases:

- For the Corporate Credit Facilities (consisting of the Primary Market Corporate Credit Facility and the Secondary Market Corporate Credit Facility), includes exchange-traded funds at fair value and corporate bonds at book value. Asset balances from trading activity are reported with a one-day lag after the transaction date.
- For the Main Street Lending Program, includes loan participations at principal amount outstanding, net of an allowance for loan losses, updated as of September 30, 2021.
- For the Municipal Liquidity Facility, includes municipal notes at book value.
- For the TALF (Term Asset-Backed Securities Loan Facility), includes loans to holders of eligible asset-backed securities at book value. Return to text

3. The amount of the Treasury contribution to the credit facilities. Return to text

Source: For the amount of assets and Treasury equity remaining, see Federal Reserve Board (2021), Statistical Release H.4.1, “Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks” (November 26), https://www.federalreserve.gov/releases/h41; the peak amounts of assets for each facility are based on the H.4.1 from the start of the corresponding facility until November 24.

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