

## **PRIMARY CREDIT RATE CHANGE**

**May 4, 2005**

The Federal Reserve Board approved action by the Board of Directors of the Federal Reserve Bank of Saint Louis, increasing the primary credit rate from 3.75 percent to 4.0 percent, effective May 4, 2005.

According to the Federal Reserve press release, the Federal Open Market 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. Recent data suggest that the solid pace of spending growth has slowed somewhat, partly in response to the earlier increases in energy prices. Labor market conditions, however, apparently continue to improve gradually. Pressures on inflation have picked up in recent months and pricing power is more evident. Longer-term inflation expectations remain well contained.

The Committee perceives that, with appropriate monetary policy action, the upside and downside risks to the attainment of both sustainable growth and price stability should be kept roughly equal. With underlying inflation expected to be contained, 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.

If you have any questions, please call Hillary Debenport, Assistant Vice President, toll free at 1-866-666-8316, or locally at (314) 444-8488.