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Fed Lifts Rates a Quarter Point and Signals More Hikes to Come

- Borrowing costs seen rising at each remaining meeting in 2022
- Powell says economy 'very strong,' can handle tighter policy

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The Federal Reserve raised interest rates by a quarter percentage point and signaled hikes at all six remaining meetings this year, launching a campaign to tackle the fastest inflation in four decades even as risks to economic growth mount.

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In the Fed's so-called dot plot, officials' median projection was for the benchmark rate to end 2022 at about 1.9% -- in line with traders' bets but higher than previously anticipated -- and then rise to about 2.8% in 2023. They estimated a 2.8% rate in 2024, the final year of the forecasts, which are subject to even more uncertainty than usual given Russia's invasion of Ukraine and new Covid-19 lockdowns in China are buffeting the global economy.

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The Fed said it would begin allowing its $8.9 trillion balance sheet to shrink at a "coming meeting" without elaborating. Powell said officials had made good progress this week in nailing down their plans and could be in a position to begin the process at their May meeting, though the FOMC had not taken a decision to do so. The purchases of Treasuries and mortgage-backed securities, which concluded this month, were intended to provide support to the economy during the Covid-19 crisis and shrinking the balance sheet accelerates the removal of that aid.