

# FED MAY NEED TO HIKE RATES FASTER, REDUCE BALANCE SHEET QUICKLY, MINUTES SHOW

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**WASHINGTON** : Federal Reserve officials said last month that the U.S. labour market was "very tight" and might need the U.S. central bank not just to raise interest rates sooner than expected but also reduce its overall asset holdings to tame high inflation, according to minutes of their Dec. 14-15 policy meeting.

"Participants generally noted ... it may become warranted to increase the federal funds rate sooner or at a faster pace than participants had earlier anticipated. Some participants also noted that it could be appropriate to begin to reduce the size of the [Federal Reserve's](#) balance sheet relatively soon after beginning to raise the federal funds rate," the minutes stated.

The minutes, which were released on Wednesday, offered more details on the Fed's shift last month towards a more hawkish monetary policy. Policymakers agreed to hasten the end of their pandemic-era program of bond purchases, and issued forecasts anticipating three quarter-percentage-point rate increases during 2022.

The minutes showed the Fed not just debating an initial rate increase, but also whether to use a second lever to curb inflation by allowing its holdings of U.S. Treasury bonds and mortgage-backed securities to decline.

The December meeting was held as coronavirus case counts had begun to climb due to the spread of the Omicron variant.

Infections have exploded since then, and there has been no commentary from senior Fed officials yet to indicate whether the changing health situation has altered their views about appropriate monetary policy.

Fed Chair Jerome Powell will appear before the Senate Banking Committee next week for a hearing on his nomination for a second four-year term as head of the central bank, and is likely to update his views about the economy at that time.

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