Transcript of Chair Powell's Press Conference
September 17, 2025

CHAIR POWELL. Good afternoon. My colleagues and I remain squarely focused on achieving our dual-mandate goals of maximum employment and stable prices for the benefit of the American people. While the unemployment rate remains low, it has edged up, job gains have slowed, and downside risks to employment have risen. At the same time, inflation has risen recently and remains somewhat elevated.

In support of our goals, and in light of the shift in the balance of risks, today the Federal Open Market Committee decided to lower our policy interest rate by ¼ percentage point. We also decided to continue to reduce our securities holdings. I'll have more to say about monetary policy after briefly reviewing economic developments.

Recent indicators suggest that growth of economic activity has moderated. GDP rose at a pace of around 1½ percent in the first half of the year, down from 2.5 percent last year. The moderation in growth largely reflects a slowdown in consumer spending. In contrast, business investment in equipment and intangibles has picked up from last year's pace. Activity in the housing sector remains weak. In our Summary of Economic Projections, the median participant projects GDP to rise 1.6 percent this year and 1.8 percent next year, a touch stronger than projected in June.

In the labor market, the unemployment rate edged up to 4.3 percent in August but remains little changed over the past year at a relatively low level. Payroll job gains have slowed significantly to a pace of just 29,000 per month over the past three months. A good part of the slowing likely reflects a decline in the growth of the labor force due to lower immigration and lower labor force participation. Even so, labor demand has softened, and the recent pace of job creation appears to be running below the "breakeven" rate needed to hold the unemployment rate constant. In addition, wage growth has continued to moderate, while still outpacing inflation.

Overall, the marked slowing in both the supply of and demand for workers is unusual. In this less dynamic and somewhat softer labor market, the downside risks to employment appear to have risen. In our SEP, the median projection for the unemployment rate is 4.5 percent at the end of this year and edges down thereafter.

Inflation has eased significantly from its highs in mid-2022 but remains somewhat elevated relative to our 2 percent longer-run goal. Estimates based on the consumer price index and other data indicate that total PCE prices rose 2.7 percent over the 12 months ending in August and that, excluding the volatile food and energy categories, core PCE prices rose 2.9 percent. These readings are higher than earlier in the year, as inflation for goods has picked up. In contrast, disinflation appears to be continuing for services. Near-term measures of inflation expectations have moved up, on balance, over the course of this year on news about tariffs, as reflected in both market- and survey-based measures. Beyond the next year or so, however, most measures of longer-term expectations remain consistent with our 2 percent inflation goal. The median projection in the SEP for total PCE inflation is 3.0 percent this year and falls to 2.6 percent in 2026 and to 2.1 percent in 2027.

Our monetary policy actions are guided by our dual mandate to promote maximum employment and stable prices for the American people. At today's meeting, the Committee decided to lower the target range for the federal funds rate by ¼ percentage point to 4 to 4¼ percent and to continue reducing the size of our balance sheet.

Changes to government policies continue to evolve, and their effects on the economy remain uncertain. Higher tariffs have begun to push up prices in some categories of goods, but their overall effects on economic activity and inflation remain to be seen. A reasonable base case is that the effects on inflation will be relatively short lived—a one-time shift in the price level. But it is also possible that the inflationary effects could instead be more persistent, and that is a risk to be assessed and managed. Our obligation is to ensure that a one-time increase in the price level does not become an ongoing inflation problem.

In the near term, risks to inflation are tilted to the upside and risks to employment to the downside—a challenging situation. When our goals are in tension like this, our framework calls for us to balance both sides of our dual mandate. With downside risks to employment having increased, the balance of risks has shifted. Accordingly, we judged it appropriate at this meeting to take another step toward a more neutral policy stance.

With today's decision, we remain well positioned to respond in a timely way to potential economic developments. We will continue to determine the appropriate stance of monetary policy based on the incoming data, the evolving outlook, and the balance of risks.

In our SEP, FOMC participants wrote down their individual assessments of an appropriate path for the federal funds rate, based on what each participant judges to be the most likely scenario for the economy. The median participant projects that the appropriate level of the federal funds rate will be 3.6 percent at the end of this year, 3.4 percent at the end of 2026, and 3.1 percent at the end of 2027. This path is ¼ percentage point lower than projected in June. As is always the case, these individual forecasts are subject to uncertainty, and they are not a Committee plan or decision. Policy is not on a preset course.

The Fed has been assigned two goals for monetary policy—maximum employment and stable prices. We remain committed to supporting maximum employment, bringing inflation sustainably to our 2 percent goal, and keeping longer-term inflation expectations well anchored.

Our success in delivering on these goals matters to all Americans. We understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission, and we at the Fed will do everything we can to achieve our maximum-employment and price-stability goals.

Thank you. I look forward to our discussion.

CHRIS RUGABER. Great. Thank you. Chris Rugaber at Associated Press. As you know, Fed Governor Stephen Miran has continued—kept his position at the White House even as he's joined the Fed Board. This is the first time, I believe, the Fed's Board has had someone with executive-branch ties in decades. Does this compromise the Fed's independence from day-to-day politics? And, relatedly, how can you maintain the public's perception the Fed is politically independent with this dynamic? Thank you.

CHAIR POWELL. So we did welcome a new Committee member today, as we always do, and the Committee remains united in pursuing our dual-mandate goals. We're strongly committed to maintaining our independence, and beyond that I really don't have anything to share.

CHRIS RUGABER. And then just as a quick follow-up—I'm sorry. Can you—you and other Fed officials have spoken extensively about the impact of tariffs on inflation, although, perhaps, with many companies appearing to "eat" the tariffs, tariffs may be impacting the labor market and other parts of the economy instead. Do you see that as a possible outcome here—that tariffs are the reason we're seeing some slowing, particularly in the labor market? Rather than in inflation? Thank you.

CHAIR POWELL. You know, it's certainly possible. You know, we're beginning to see—we have begun to see [increased] goods prices showing through into higher inflation. And, actually, the increase in goods prices accounts for most of the increase in inflation or, perhaps, all of the increase in inflation over the course of this year. Those are not very large effects at this point. And we do expect them to continue to build over the course of the rest of the year and into next year.

And it's also possible that there may be effects on employment. But I would say, if you're looking at why employment is doing what it's doing, that's much more about the change in immigration. So the supply of workers has, obviously, come way down. There's very little growth, if any, in the supply of workers. And at the same time, demand for workers has also come down quite sharply and to the point where we see what I've called a "curious balance." Typically, when we say things are "in balance," that sounds good. But, in this case, the balance is because both supply and demand have come down quite sharply, now demand coming down a little more sharply because we see—we now see the unemployment rate edging up.

NICK TIMIRAOS. Nick Timiraos with the *Wall Street Journal.* Chair Powell, do economic conditions and the balance of risks no longer warrant a restrictive policy setting?

CHAIR POWELL. So I don't think we can say that. What we can say is this: that over the course of this year, we've kept our policy at a restrictive level—and people have different views, but a clearly restrictive level, I would say. And we were able to do that over the course of this year because the labor market was in very solid condition, with strong job creation and all those things.

I think if you go back to April and now look at the revised job-creation numbers for May, June, July, and August, you can kind of—I can no longer say that. So what that means is that the risks, which—the risks were clearly tilted toward inflation. I would say they're moving toward equality. Maybe they're not quite at equality—we don't need to know that. But we do know that they've moved meaningfully toward greater equality—the risks between the two goals—and that suggests that we should be moving in the direction of neutral. And that's what we did today.

NICK TIMIRAOS. Under what circumstances would a larger than 25 basis points rate cut be warranted? And how seriously was that option entertained at your meeting this week?

CHAIR POWELL. There wasn't widespread support at all for a 50 basis point cut today. You know, I think we've done—we've done very large rate hikes and very large rate cuts in the last five years, and you tend to do those at a time when you feel that policy is out of place and needs to move quickly to a new place. That's not at all what I feel, certainly now. I feel like our policy has been doing the right thing so far this year. I think we were right to wait and see how tariffs and inflation and the labor market evolved. I think we're now reacting to the much lower level of job creation and other evidence of softening in the labor market and saying, well, those risks are maybe not fully balanced but moving in the direction of balance now, and so that warrants a change in policy.

COLBY SMITH. Colby Smith with the *New York Times*. Should we be viewing today's cut as the Committee taking out some insurance against the possibility that the labor market is at risk of weakening, or is it the Committee's view that the dynamics of a downturn are already in place? I guess I'm just, you know, trying to square the shift in the rate forecast in the SEP towards more cuts than just three months ago with the fact that the forecast for unemployment didn't change.

CHAIR POWELL. Yeah, I think you could think of this, in a way, as a risk-management cut, because if you look at the SEP, actually the projections for growth this year and next actually ticked up just a little bit and inflation and unemployment didn't really move.

So what's different now? What's different now is that you see a very different picture of the risks to the labor market. You've seen—you know, we were looking at 150,000 jobs a month at the time of the last meeting, and now we see the revisions and we see the new numbers. And I didn't—I don't want to put too much emphasis on payroll job creation, but it's just one of the things that suggests that the labor market is really cooling off. And that tells you that it's time to take that into account in our, you know, in our policy.

COLBY SMITH. So just looking at the SEP once again, the median participant has inflation higher than previously expected by the end of next year and the Fed not getting back to the 2 percent target until 2028. So I guess I'm just wondering how you characterize the risk to price pressures of kicking off a series of cuts at this point.

CHAIR POWELL. Yeah, so I would look at it this way. We fully understand and appreciate that we need to remain fully committed to restoring 2 percent inflation on a sustained basis, and we will do that. At the same time, we've got to weigh the risks to the two goals. And I would say since—really, since April, to me the risks of higher and more persistent inflation have probably become a little less. And that's partly because the labor market has softened, GDP growth has slowed. And so I would just say that the risks there have been less than one might think. And in terms of the labor market, what we're seeing is, unemployment is still low—it's still at a relatively low rate, but we're seeing downside risks.

MICHAEL MCKEE. Michael McKee from Bloomberg Radio and Television. I'm a little confused by your explanation of the Fed cutting rates because of unemployment if you think that most of what's happening in the employment area is related to immigration, which your rate cuts wouldn't address. How do you see that as more important than inflation, which has remained almost a full percentage point above your target?

CHAIR POWELL. Well, I was—I was saying that what's happening in the labor market has more to do with immigration than it has to do with tariffs. That was the question I was answering. So I wouldn't say that all of what's happening in the labor market is due to tariffs. I mean, you clearly have a slowing due to immigration. You clearly have a slowing in demand, which is now perhaps more than that in supply. And we know that because the unemployment rate has ticked up. So that's how—that's what I meant by that.

MICHAEL MCKEE. If I could follow up: Every year since 2015, the SEP has forecast that you would hit your target two years later. And this year, this SEP says you're going to hit your target two years later. Two percent does not seem to be in sight. Does that suggest that the 2 percent target is not really achievable? And does this present any credibility problems for you in telling people that that's what you're going to do, if you can never reach it?

CHAIR POWELL. Well, I mean, you're right. It does say we're going to get to 2 percent inflation in 2028—at the end of '28. But that's—you know, that's literally how you put the projections together. You're writing down a rate path which is designed to create, over the course of the SEP, you know, time frame, 2 percent inflation, and maximum employment too. So that's, that's all that is. You know, we don't—no one really knows where the economy will be in three years, but the nature of the exercise is to write down policy that you believe would return to the 2 percent goal over the—at least by the end of the exercise.

ELIZABETH SCHULZE. Thanks so much. Elizabeth Schulze with ABC News. The latest inflation report shows that prices are still going up across key categories for many households, including groceries. What will the Fed do if prices pick up more?

CHAIR POWELL. So our expectation, and you can see this consistently through the year, has been that inflation will move up this year, but that the—basically, because of the effects on goods prices from tariffs—but that those will turn out to be a one-time price increase, as opposed to creating an inflationary process. That's been our forecast. Pretty much every—all the individual forecasts say that. We can't just assume that, though, right? We have to—our job is literally to make sure that that is what happens. And we will do that job.

Right now, the situation we're in is that we see inflation—we continue to expect it to move up. Maybe not as high as we would have expected it to move up a few months ago. The pass-through into—of the tariffs into inflation has been slower and smaller. The labor market has softened. So the case for there being a persistent inflation outbreak is less. And so that's why we think it's time for us really to acknowledge that the risks to the other mandate have grown, and that we should move in the direction of neutral.

So what will we do? We'll do what we need to do. But we have two mandates, and we try to balance them. For a long time, our framework says that when our two goals are in tension—this is quite an unusual situation. How do we decide what to do? Because our tools can't do two things at once. What we do is we ask, which is farther from—how far is each from the goal, and how long is it expected to get to the goal? So and then that's—we think about those things, and we see—as I mentioned, we have been—our policy had been really skewed toward inflation for a long time, really. Now we see that there's downside risk clearly in the labor market. And so we're moving in a direction of more neutral policy.

ELIZABETH SCHULZE. How concerned are you about the slowdown in the jobs market for households at home, especially younger Americans struggling to land a job?

CHAIR POWELL. So it's an interesting labor market. And obviously we think it's appropriate that we reduce our rates so that we become more neutral, which will be—which, presumably, will be better for the labor market. You see people who are sort of more at the margins—so kids coming out of college and younger people, minorities—are having a hard time finding jobs. The overall job-finding rate is very, very low. However, the layoff rate is also very low. So you've got a low—a low-firing, low-hiring environment. And the concern is that if you start to see layoffs, the people who are laid off won't—there won't be a lot of hiring going on. So that could very quickly flow into higher unemployment. In a healthier economy, healthier labor market, there would be jobs for those people. But now the hiring rate is very, very low. So that's been a growing concern over the last few months, and it's one of the reasons why we think it's appropriate that we begin to shift our policy focus toward a more balanced one.

STEVE LIESMAN. Steve Liesman, CNBC. Mr. Chair, in the past during rate cuts you used the word "recalibration." And I wonder if you pointedly did not use it this time. And, in fact, when you said "policy is not on a preset course," did you mean that as sort of the opposite of recalibration? Are we meeting to meeting, data point by data point? Are we in the process here of getting back to neutral? Thank you.

CHAIR POWELL. So I think we are—we're in a meeting-by-meeting situation, and we're going to be looking at the data. You know, let me say a word about the SEP, really, here. So we often point this out. What the SEP is, it's an accumulation—a cumulation of the individual projections of 19 people showing what they believe at a particular moment in time to be the most likely path for the economy and, thus, the appropriate path for monetary policy as well. And as you know, we don't—we don't debate or try to agree on what that is; we just write them down and cumulate them. We do sometimes discuss them. And so we always say we're not on a preset path, and we really mean that. The actual decisions we make are going to be based on the incoming data, the evolving outlook, and the balance of risks at the time the decisions are actually made.

So you will have seen that we have 10 participants out of 19 who wrote down two or more cuts for the remainder of the year, and 9 who wrote down fewer than—in fact, in a good number of cases no more cuts. So rather than looking at—so rather than looking at this as certainty, I would encourage people, as always, to look at the SEP as—through the lens of probability. And so there are—there are different possible outcomes and likelihoods rather than "this one is certain, and this one isn't happening." So that's what I would say.

STEVE LIESMAN. Thank you for getting to my follow-up question, which was, is the dispersion in the outlook a sign of uncertainty of policy in the—in the meetings to come? Thank you.

CHAIR POWELL. You know, it is such an unusual situation. Ordinarily, when the labor market is weak, inflation is low; and when the labor market is really strong, that's when you've got to be careful about inflation. So we have a situation where we have two-sided risk, and that means there's no risk-free path. And so it's quite a difficult situation for policymakers. And it's not at all surprising to me that you have a range of views. It's not so much about having different views for the path of the economy, but—it's partly that, but it's also partly about what's the right thing to do in light of this—of the tension between the two goals. How do you weight them? How worried are you about one versus the other? And so it's natural. I think it would actually be surprising if you didn't have a pretty wide range of views based, you know, in this kind of highly unusual situation, and we do.

But, you know, we get together, we discuss—we have a great discussion, and then we decide what to do and we act. But you're right that it is—it's a wide dispersion of views, and I think that's understandable and natural in the current situation.

VICTORIA GUIDA. Hi. Victoria Guida with Politico. You've talked a lot about Fed independence and the importance of it over the years, but as markets have questions about what exactly President Trump's intentions are with the Fed, what would you point to as the things they should be watching to determine that the Fed is still making decisions based on, you know, the economic outlook rather than political considerations?

CHAIR POWELL. Look, it's deeply in our culture to do—to do our work based on the incoming data and never consider anything else. That's just—everybody here who's at the Fed really feels strongly about that way. So, you know, you'll know it by the way we talk about what we're doing, by the speeches that people give, by the decisions that we make. You'll know that we're just still going to do that. That's all we do. And we don't—we don't frame these questions at all or see them in terms of political outcomes. I think when you get to another part of Washington, everything is seen through the lens of, does it help or hurt this political party, this politician? You know, that's the framework. And I think people find it hard to believe that that's just—that is not at all the way we think about things at the Fed. We're taking a longer perspective. We're trying to, you know, serve the American people as best we can. So I think—I think you would be able to tell. I don't—I don't believe we'll ever get to that place. You know, I would say we're doing our work exactly as we always have now, and people are—they're making their arguments, and we're having, really, a great discussion around these challenging issues. So—

VICTORIA GUIDA. Do you see the court case around Lisa Cook as being related to questions of Fed independence?

CHAIR POWELL. You know, I see it as a court case that it would be inappropriate for me to comment on.

EDWARD LAWRENCE. Thanks, Mr. Chairman. Edward Lawrence from Fox Business. So we saw the preliminary benchmark revisions, down 911,000. The revisions for June were the first negative revisions we've seen since December of 2020. You know, how can the Fed base important decisions on rate and what to do with the interest—with the interest rates on data that seems to be, as you've called it in the past, noisy?

CHAIR POWELL. So, on the QCEW, the revision that we saw was almost exactly what we expected. It was amazing how close the expectation was. And the reason for that is for the last bunch of quarters, there's been a—almost a predictable overcount. And I think the, you know, the Bureau of Labor Statistics really does understand this, and they're working hard to fix it. It's got to do—of course, it has something to do with low response rates. But it's also got to do with what's called the birth–death model, because a good amount of job creation happens around new companies, and how many go out of business, how many are founded. And it's just really hard. You can't survey for that. You've got to have a model that predicts that. And it's quite difficult to do, especially when the economy is undergoing big changes. And they've been working on that and are making progress on it. But, you know, the data we get is still well good enough for us to do our work. To the extent we have issues around data right now, it's about low response rates. That's happened all over—all over, really. Response rates are just lower to surveys now, both in and out of the government. And it's no great secret. You know, we want higher response rates, and we need those to have, you know, less volatile data. And the way to get that is to make sure that the agencies that collect the data have sufficient resources to drive higher response rates. It's not a complicated problem. But that's what it takes. It's not a mystery. That's what it takes.

The other thing I'll say, Edward, is in the case of the job creation, the first—the response rate is quite low for the first month, or lower for the first month. By the time you get to the second or third month, you're still collecting responses for that last month—for that prior month. And you get to the place where the data are much more reliable by the second, and certainly the third, month. So it's not that we don't get the data—it's just that we get it a little later.

EDWARD LAWRENCE. But if—well, for the benchmarks, if that holds, it's 51 percent of the jobs that we thought were there weren't really there. It shows a weaker market—job market coming into this year. If you would have had that information, would it have changed your mind related to where the interest rates should be? Should there have been a cut earlier?

CHAIR POWELL. You know, we have to live life looking through the windshield rather than the rearview mirror, as you know. And all I can tell you is we see where we are now, and we take appropriate action. And we took that appropriate action today.

HOWARD SCHNEIDER. Thanks. Howard Schneider with Reuters. So, as you mentioned a minute ago, some margins of the job market would suggest that the slide's already happening. The Black unemployment rate in August was above 7 percent, declining workweek, difficulty among college graduates finding work, high—rising youth unemployment. Why do you think a ¼ percentage point now is going to arrest that?

CHAIR POWELL. Well, I hadn't say that I thought a ¼ point would make a huge difference to the economy. But you've got to look at the whole path of rates, right? And the market has already—has already been baking in expectations. I mean, our market works through expectations, right? So I think our policy path really does matter. And I think it's important that we use our tools to support the labor market when we do see signs like that. I did mention that, you know, you see minority unemployment going up, you see younger people—people who are more vulnerable economically, more susceptible to economic cycles. That's one of the reasons, in addition to just overall lower payroll job creation, that shows you that at the margin the labor market is weakening. I would also point to labor force participation. Some part of the significant decline in labor force participation over the last year has probably been cyclical in nature, rather than just the usual aging process.

So we put all those together, and we see that the labor market is softening, and we don't need it to soften any more, don't want it to. So we use our tools. And, you know, it starts with a 25 basis point rate cut, but we—you know, the market's also pricing in a rate path. I'm not blessing what the market's doing at all. I'm just saying it's not just one action.

HOWARD SCHNEIDER. As a follow-up to that: The growth mix right now seems very concentrated in investment and, on the consumer spending side, in higher-income groups. Do you feel that that's an unsustainable mix for the economy, moving forward?

CHAIR POWELL. I wouldn't say that. I mean, you're right. Those are two—we're getting unusually large amounts of economic activity through the AI build-out and corporate investment. I don't know how long that will go on. No one does.

In terms of spending, you saw the consumer spending numbers were well above expectations, and that may well be skewed toward higher-earning consumers. There's a lot of anecdotal evidence to suggest that. Nonetheless, it's spending. So, I mean, I think the economy is—you know, it's moving along. Economic growth is going to be 1½ percent or better this year, maybe a little better. Forecasts have been coming up, as you can see. So labor market is—unemployment is low, but—you know, downside risks—but it's still a low unemployment rate. So that's how we see it.

STEPHANIE RUHLE. Hi. Stephanie Ruhle, MSNBC. Treasury Secretary Scott Bessent has said that the Federal Reserve suffers from "mission creep" and institutional bloat. He's now calling for an independent review. Would you support an independent review, or are you open to any sort of reform in any areas of the Fed?

CHAIR POWELL. I—of course, I'm not going to comment on anything the secretary says or, really, any other officer says. So in terms of reform at the Fed, you know, we just—we just went through a lengthy and I think very successful process of updating our monetary policy framework. I would say there's a lot of work going on behind the scenes around the assets we have in the Federal Reserve System and at the Board. Are they the right size? We're actually going through a 10 percent head count reduction through the whole Fed, including the Board and all the Reserve Banks. Employment at the Fed at the end of that will be basically at the same level it was more than 10 years ago. So we will have had zero job growth for more than a decade when we're finished with that, and I think we'll probably do more than that. So I think we're certainly open to constructive criticism and ways to do our jobs better.

STEPHANIE RUHLE. But not an independent review?

CHAIR POWELL. We're certainly open to, you know, to always trying to do better.

NEIL IRWIN. Mr. Chairman, Neil Irwin with Axios. There's been some debate lately on whether AI is already starting to affect the labor market in terms of lower labor demand, higher productivity by contrast. Do you buy that? And if that is true, does that have implications for the monetary policy setting?

CHAIR POWELL. So there's great uncertainty around that. I think my view—which is also a bit of a guess, but widely shared I think—is that you are seeing some effects, but it's not the main thing driving it. And so a particular focus on young people coming out of college and, yeah, there may be something there. It may be that companies or other institutions that have been hiring younger people right out of college are able to use AI more than they had in the past. That may be part of the story. It's also part of the story, though, that, you know, job creation more broadly has slowed down. The economy has slowed down. And so it's probably a number of things. But, yeah, it's probably a factor. Hard to say how big it is.

ANDREW ACKERMAN. Thanks, Mr. Chairman. What evidence do you see of tariffs showing up in inflation?

CHAIR POWELL. Well, if you—you can take goods—just sort of the broad goods category, and last year goods inflation was negative. If you go back 25 years, that was the typical thing was that goods inflation was—goods prices generally went down, even adjusting for quality. So that was not the case during the pandemic, of course. Goods inflation went very high. But we had essentially returned to zero or slightly negative inflation. Now, I think goods inflation over the course of the past year is 1.2 percent, which doesn't sound like a lot, but it's a big change. So we think—I mean, analysts have different views, but we think it's contributing, you know, 0.3 or 0.4, something like that, to the current core PCE inflation reading, which is 2.9 percent. So it's contributing.

What seems to be happening is that, you know, the tariffs are not—mostly not being paid by exporters, mostly being paid by, really, the companies that sit between the exporter and the consumer. So if you buy something and you sell it through retail or you use it to make a product, you're probably taking a lot of those costs on and not able to pass it fully along to the consumer yet. That appears to be what we're seeing. All of those companies and entities in the middle, they'll tell you that they have every intention of passing that through in time, but they're not doing that now. To the consumer, the pass-through has been pretty small. It's been slower and later—slower and smaller than we thought. But the evidence is very clear that there's some pass-through.

ANDREW ACKERMAN. I also wanted to ask if you could share with us the conditions under which you might consider leaving the Fed in May.

CHAIR POWELL. I have nothing new on that for you today.

CATARINA SARAIVA. Hi. Catarina Saraiva with Bloomberg News. I just wanted to follow up on, you know, one of your answers just a couple minutes ago. You know, we've often heard you talk about how you and your colleagues, you know, do not think about politics, this does not enter the room. But one of your new colleagues does come from this world, right, where everything is seen through this framework of politics, and of what party is being helped. And that person is still employed by the White House. How can markets and the public interpret, you know, some of his speeches, for example, and then some of, you know, the forecast that we see today? I mean, the median for this year was moved because of the introduction of his forecast. I'm talking about the number of rate cuts seen this year. What do you, you know, what do you say to markets and the public that are trying to interpret, you know, what you guys are saying?

CHAIR POWELL. So there's 12 voters—19 participants, of whom 12 vote, as you know, on a rotating basis. So no one voter, you know, can really—the only way for any voter to really move things around is to be incredibly persuasive. And the only way to do that, in the context in which we work, is to make really strong arguments based on the data and one's understanding of the economy. That's really all that matters. And that's how it's going to work. And I think that is the way the institution—that's in the DNA of the institution. That's not going to change.

CATARINA SARAIVA. And then I wanted to ask about a Gallup poll that showed that Americans now have more confidence in the President than the Federal Reserve when it comes to doing what's right for the economy. Why do you think that is? And what's your response? What's your message to the public?

CHAIR POWELL. Our response is we're going to do everything we can to use our tools to achieve the goals that Congress has given us. And we're not going to get distracted by anything. So I think that's what we're going to do. We're just going to keep doing our jobs.

CLAIRE JONES. Claire Jones, *Financial Times*. Given the range of views expressed prior to the meeting, I think there was a lot less dissent today than a lot of people expected. It'd be good to know just what you think the drivers were of coming to the very strong consensus in the meeting. And also, on the flip side, to just explain why the dot plots are really so scattered between—you know, someone even expecting rates to end up higher by the end of the year, to five cuts. I mean, what were the kind of range of views you had about, on one side, why there was so much support for a cut today, and, on the flip side, why there's so much divergence about what comes next?

CHAIR POWELL. So I think there's quite a wide assessment that the situation has changed with respect to the labor market, whereas we could still say—and did say—in July, at the time of the July meeting, that the labor market was in solid condition, and we could point to 150,000 jobs per month, and many other things. I think that the new data that we've had—and it's not just payrolls, it's other things as well—suggests that there really is meaningful downside risk. I said there was downside risk then, but I think that that downside risk is now a reality. And there's clearly more downside risk.

So I think that was—I think that's broadly accepted. And so that meant different things for different people. You know, some wrote down—almost everyone wrote down support of this cut. And some supported more cuts, and some didn't, as you will see from the dot plot. So it's just the way—that's just the way it is. I mean, people have—you have people who take this work very seriously, think about it all the time, do their work, discuss it with our colleagues. You know, we endlessly discuss this between ourselves. And then we have a meeting where we put it all out on the table. And this is what you get.

And you're right, there is a—there's a range of views in the dots. And I think that's, like I said, very unsurprising given the quite unusual—historically unusual nature of the challenges that we face. But let's remember, though, the unemployment rate's 4.3 percent. The economy is growing at 1½ percent. So it's not a bad economy, or anything like that. We've seen much more challenging economic times.

But from a policy standpoint, the standpoint of what we're trying to accomplish, it's challenging to know what to do. There are, as I mentioned earlier, there are no risk-free paths now. It's not incredibly obvious what to do. So we have to keep our eye on inflation. At the same time, we cannot ignore and must keep our eye on maximum employment, which is—those are our two equal goals. And you will see that there are just a range of views on what to do. Nonetheless, we came together today at the meeting and acted with a high degree of unity.

ARCHIE HALL. Thank you. Archie Hall from the *Economist*. You mentioned earlier that job creation is running below your guess at its breakeven rate. I'd be curious to hear a bit more about that and where you think the breakeven rate is.

CHAIR POWELL. You know, so there are many different ways to calculate it and none of them is perfect, but, you know, it's clearly come way down. There are—you could say it's somewhere between zero and 50,000, and you'd be right or wrong. I mean, there's just many different ways to do it. So wherever it was—150,000, 200,000 a few months ago—it's come down quite significantly. And that's because a very—a lower amount of people are joining the labor force. The labor force is really not growing much at this point. And that's a lot of where the supply of labor was coming from over the last three—two or three years, so we're not getting that now.

We're also—we've gotten much lower demand. You know, it's interesting that supply and demand have really come down together so far, except now we do have inflation—sorry, unemployment ticking up outside, just one tick outside of the range where it's been for a year. Four point three percent is still a low level, but, you know, I think this level of—this speedy decline in both supply and demand has certainly gotten everyone's attention.

ARCHIE HALL. A follow-up, if I may. You mention the downside risk to employment a fair amount, but it's striking that measures of kind of activity and output for the third quarter, those that we have, seem pretty strong. The Atlanta Fed's GDPNow is very strong. You mentioned strong PCE numbers as well. How do you square those things? Is there—is there a chance actually there could be upside risk to the labor market if those activity measures are right?

CHAIR POWELL. Well, that would be great. We'd love that to happen. So I don't know that you see a big tension there, but it's gratifying to see that economic activity is holding and—you know, so it's a good, a good bit from consumption. It looks like consumption was stronger than expected—what we got earlier this week, I guess. And also we're getting, you know—a fairly narrow sector is producing a lot of economic activity, which is the AI build-out and, you know, business investment.

So, you know, we watch all of it. And I would say we—you know, we did move up, the median for growth for this year actually moved up in the SEP between the June and September SEPs, so—and, really, the inflation and labor market didn't change much. It's really the risks that we're seeing to the labor market that were the focus of today's decision.

NICOLE GOODKIND. Hi. Nicole Goodkind with *Barron's*. Thank you for taking my question. Given the cumulative impact of high interest rates on the housing sector, I'm wondering how concerned you are that current rate levels are exacerbating housing affordability issues and potentially hindering household formation and wealth accumulation for a segment of the population.

CHAIR POWELL. You know, housing is an interest-sensitive activity, so it's at the very center of monetary policy. When the pandemic hit and we cut rates to zero, the housing companies were incredibly grateful and it was really—they said that was the only thing that kept them going was that we cut so aggressively and provided credit and things like that, and they were able to finance because we did that.

The other side of that is when inflation gets high and we raise rates—and you're right, it does burden the housing industry. And so rates have come down a bit, and as that happens we don't set the—we don't set mortgage rates, but our policy rate changes do tend to affect mortgage rates. And that has been happening. And that'll, of course, raise demand, lower borrowing rates for builders, will help, you know, get builders—will help supply. And so some of that should happen. I think most analysts think that it would have to be pretty big changes for it to matter a lot for the—big changes in rates to matter a lot for the housing sector. And, you know, the other thing is by—you know, by achieving maximum employment and price stability, that's a strong economy. That's a good economy for housing.

And then the last thing I'll say is, you know, there's a deeper problem here that is not a cyclical problem that the Fed can address, and that just is a pretty much nationwide housing shortage, or a lot of places in the country just don't have enough housing for people. And, you know, all of the areas around metropolitan areas—like Washington, for example—are very built up, and so you're having to build farther and farther out. And that—so that's where it is.

NICOLE GOODKIND. And just a quick follow-up. During the last SEP, or the press conference following the last SEP, you seemed to indicate that policymakers lacked conviction about their projections. And I'm wondering if you still feel that way.

CHAIR POWELL. You know, forecasting is very difficult, even in placid times. And, as I've mentioned before, forecasters are a humble lot, with much to be humble about. So I think right now is a particularly challenging time, even more uncertain than usual. And so I don't know any forecaster anywhere really—ask any of the forecasters whether they have great confidence in their forecast right now. I think they'll honestly say "no."

JENNIFER SCHONBERGER. Thank you, Chair Powell. Jennifer Schonberger with Yahoo Finance. If you're cutting rates, why continue to reduce the size of your balance sheet [rather] than pause the unwinding?

CHAIR POWELL. Well, I think we're—you know, we're cutting the size of our balance sheet quite marginally now. As you know, with the balance sheet, we're still in an abundant-reserves condition. And we've said that we would stop somewhat above a—somewhat above an ample-reserves level. That's where we are. And we're—you know, we're getting closer to that. We're monitoring it very carefully. We don't think that that has, at all, significant macroeconomic effects. These are pretty small numbers moving around inside a giant economy.

You know, the level of runoff is not very large. So I wouldn't attribute macroeconomic consequences to that, at this point.

JENNIFER SCHONBERGER. And at his recent confirmation hearing, Stephen Miran brought up that the Fed actually has three mandates from Congress—not just jobs and stable prices, but also moderate long-term interest rates. So what does Congress mean by "moderate long-term interest rates?" How should we understand that when we see the 10-year Treasury moving? And how do you think about this part of the mandate when policy choices, like rate cuts or balance sheet reductions, affect the long end of the yield curve?

CHAIR POWELL. So we always think of it as the dual mandate, maximum employment and price stability, for a long time, because we think moderate, long-term interest rates are something that will result from stable inflation—low and stable inflation and maximum employment. So we don't—we haven't thought about that for a very long time as a third mandate that requires independent action. So that's where that is. And there's no thought of—as far as I'm concerned, there's no thought of considering that, you know, considering that we somehow incorporate that in as something in a different way.

MATT EGAN. Thanks, Chair Powell. Matt Egan from CNN. We recently learned that average FICO credit scores are down this year by 2 points, the most since 2009 during the Great Recession. And delinquencies are high for car loans, personal loans, credit cards. How concerned, if at all, are you about the health of consumer finances? And do you expect today's cut will help?

CHAIR POWELL. So, you know, we're aware of that. I think default rates have been kind of ticking up. And we do watch that. They're not at a level—I don't believe they're at a level where, overall, they're, you know, terribly concerning. But it is something that we watch.

You know, lower rates should support economic activity. I don't know that one rate cut will have, you know, a visible effect on that. But over time, you know, a strong economy with a strong labor market is what we're—what we're aiming for, and stable prices. So that should help.

MATT EGAN. Just a follow-up. This rate cut is coming at a time when the stock market is at or near all-time highs. And some valuation metrics are elevated historically. Is there a risk that cutting rates could overheat financial markets, potentially fueling a bubble?

CHAIR POWELL. You know, we're tightly focused on our goals, right? And our goals are maximum employment and price stability. And so we take the actions that we take with an eye on those goals. Separately—and that's why we did what we did today.

Separately, we monitor financial stability very, very carefully. And, you know, I would say it's a mixed picture, but households are in good shape, banks are in good shape. Overall, households are still in good shape in the aggregate. And I know that people at the lower end of the income spectrum are under pressure, obviously. But from a financial stability perspective, we monitor that picture. We don't have a view that there's a right or wrong level of asset prices for any particular financial asset, but we monitor the whole picture, really looking for structural vulnerabilities, and I would say those are not elevated right now.

JEAN YUNG. Hi, Chair Powell. Jean Yung with MNI Market News. I wanted to ask about inflation expectations. You've said the Fed can't take the stability of inflation expectations for granted. You mentioned at the short run they've gone up a little bit. I wonder if you can talk a bit about that. And then also at the long run, I'm wondering, do you see evidence that the debate over Fed independence and the growing deficit is putting pressure on inflation expectations?

CHAIR POWELL. So, as you said, shorter-term inflation expectations have tended to respond to near-term inflation, so if inflation goes up, inflation expectations will predict that it takes just a little while to get back down.

Fortunately, throughout this period, longer-term inflation expectations, both breakeven in the markets and almost all of the longer-term surveys—Michigan being a bit of an outlier lately—have been just rock solid in terms of, you know, running at levels that are consistent with 2 percent inflation over time. So we don't take that for granted. We actually assume that our actions have a real effect on that, and that, you know, we need to, you know, continually show and also mention/discuss our commitment to 2 percent inflation. And so you'll hear us doing that.

But, you know, we're—as I mentioned, it's a difficult situation because we have risks that are both affecting the labor market and inflation. Those are our two goals. And so we have to balance those two. When they're both at risk, we have to balance them, and that's really what we're trying to do.

I don't— the latter part of your question was about independence. You know, I don't see market participants—I don't see that that's something they're factoring in right now in terms of setting interest rates.

Thanks very much.