

**Transcript of Chair Powell's Press Conference
June 18, 2025**

CHIAR 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. Despite elevated uncertainty, the economy is in a solid position. The unemployment rate remains low, and the labor market is at or near maximum employment. Inflation has come down a great deal but has been running somewhat above our 2 percent longer-run objective.

In support of our goals, today the Federal Open Market Committee decided to leave our policy interest rate unchanged. We believe that the current stance of monetary policy leaves us well positioned to respond in a timely way to potential economic developments. I will have more to say about monetary policy after briefly reviewing economic developments.

Following growth of 2.5 percent last year, GDP was reported to have edged down in the first quarter, reflecting swings in net exports that were driven by businesses bringing in imports ahead of potential tariffs. This unusual swing has complicated GDP measurement. Private domestic final purchases, or PDFP as we call them—which excludes net exports, inventory investment, and government spending—grew at a solid 2.5 percent rate. Within PDFP, growth of consumer spending moderated while investment in equipment and intangibles rebounded from weakness in the fourth quarter. Surveys of households and businesses, however, report a decline in sentiment over recent months and elevated uncertainty about the economic outlook, largely reflecting trade policy concerns. It remains to be seen how these developments might affect future spending and investment. In our Summary of Economic Projections, the median participant projects GDP to rise 1.4 percent this year and 1.6 percent next year, somewhat slower than projected in March.

In the labor market, conditions have remained solid. Payroll job gains averaged 135 thousand per month over the past three months. The unemployment rate, at 4.2 percent, remains low and has stayed in a narrow range for the past year. Wage growth has continued to moderate while still outpacing inflation. Overall, a wide set of indicators suggests that conditions in the labor market are broadly in balance and consistent with maximum employment. The labor market is not a source of significant inflationary pressures. The median projection for the unemployment rate in the SEP is 4.5 percent at the end of this year and next, a bit higher than projected in March.

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 2.3 percent over the 12 months ending in May and that, excluding the volatile food and energy categories, core PCE prices rose 2.6 percent. Near-term measures of inflation expectations have moved up over recent months, as reflected in both market- and survey-based measures. Respondents to surveys of consumers, businesses, and professional forecasters point to tariffs as the driving factor. 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 this year is 3 percent, somewhat higher than projected in March. The median inflation projection falls to 2.4 percent in 2026 and 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 maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent and to continue reducing the size of our balance sheet. We will continue to determine the appropriate

stance of monetary policy based on the incoming data, the evolving outlook, and the balance of risks.

Changes to trade, immigration, fiscal, and regulatory policies continue to evolve, and their effects on the economy remain uncertain. The effects of tariffs will depend, among other things, on their ultimate level. Expectations of that level, and thus of the related economic effects, reached a peak in April and have since declined. Even so, increases in tariffs this year are likely to push up prices and weigh on economic activity.

The effects on inflation could be short-lived—reflecting a one-time shift in the price level. It is also possible that the inflationary effects could instead be more persistent. Avoiding that outcome will depend on the size of the tariff effects, on how long it takes for them to pass through fully into prices, and, ultimately, on keeping longer-term inflation expectations well anchored.

Our obligation is to keep longer-term inflation expectations well anchored and to prevent a one-time increase in the price level from becoming an ongoing inflation problem. As we act to meet that obligation, we will balance our maximum employment and price-stability mandates, keeping in mind that, without price stability, we cannot achieve the long periods of strong labor market conditions that benefit all Americans.

We may find ourselves in the challenging scenario in which our dual-mandate goals are in tension. If that were to occur, we would consider how far the economy is from each goal, and the potentially different time horizons over which those respective gaps would be anticipated to close. For the time being, we are well positioned to wait to learn more about the likely course of the economy before considering any adjustments to our policy stance.

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 going forward. The median participant projects that the appropriate level of the federal funds rate will be 3.9 percent at the end of this year, the same as projected in March. The median projection declines to 3.6 percent at the end of next year and to 3.4 percent at the end of 2027, a little higher than the March projection. These individual forecasts are always subject to uncertainty, and, as I have noted, uncertainty is unusually elevated. And, of course, these projections are not a Committee plan or decision.

At this meeting, the Committee continued its discussions as part of our five-year review of our monetary policy framework. We focused on issues related to assessing the risks and uncertainties that are relevant for monetary policy and the potential implications for policy strategy and communications. Our review includes outreach and public events involving a wide range of parties, including *Fed Listens* events around the country and a research conference that we held last month. We are open to new ideas and critical feedback, and we will take on board lessons of the last five years in determining our findings. We intend to wrap up any modifications to our Statement on Longer-Run Goals and Monetary Policy Strategy by late summer. After that, we will consider enhancements to our suite of communication tools, including the SEP.

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. We at the Fed will do everything we can to achieve our maximum employment and price stability goals. Thank you. I look forward to your questions.

MICHELLE SMITH. Colby.

COLBY SMITH. Thank you. Colby Smith with The New York Times. To what extent has the more limited impact from tariffs at this stage on inflation changed your view on what the ultimate economic fallout will be from these policies, and the timing of when they will materialize in the data?

CHAIR POWELL. So, we've had three months of favorable inflation readings since the high readings of January and February, and that's of course highly welcome news. Part of that just is that services, core services, both housing services and non-housing services have really been grinding down toward levels that are consistent with 2 percent inflation. So that's the good news. We've had goods inflation just moving up a bit, and of course we expect, as you point out, we do expect to see more of that over the course of the summer. It takes some time for tariffs to work their way through the chain of distribution to the end consumer. A good example of that would be goods being sold at retailers today may have been imported several months ago, before tariffs were imposed. So, we're beginning to see some effects, and we do expect to see more of them over coming months. We do, we do also see price increases in some of the relevant categories like personal computers and audiovisual equipment, things like that, that are attributable to tariff increases. In addition, we look at surveys of businesses and there are many of those and you do see a range of things, but many, many companies do expect to -- to put all or -- some or all of the effect of tariffs through to the next -- the next person in the chain, and ultimately to the consumer. Today, the amount of these, the amount of the tariff effects, the size of the tariff effects, their duration and the time it will take are all highly uncertain, so that is why

we think the appropriate thing to do is to hold where we are as we learn more, and we think our policy stance is in a good place where we're well-positioned to react to incoming developments.

COLBY SMITH. So, in terms of how we should interpret the rate cuts penciled into the SEP, is this reflecting that there's this expectation that underlying inflation will just stay well enough contained that allows the Committee to eventually move ahead with those cuts? Or is it about responding to a deterioration in economic activity, let's say? I mean, how should we make sense of the forecast?

CHAIR POWELL. So, if you look at the forecast, you will see that people do generally expect inflation to move up and then to come back down. But we can't just assume that, of course we don't know that, and our job is to make sure, one of our jobs, to make sure that a one-time increase in inflation doesn't turn into an inflation problem. And that again, that will depend on the size of the effects, how long it takes for them to come in, and ultimately on keeping inflation expectations anchored.

MICHELLE SMITH. Howard.

HOWARD SCHNEIDER. Hi, and thanks Chair Powell. Howard Schneider with Reuters. If you look at the rate path starting in December to today and adjust it over the full time horizon you've got there, you've taken about a quarter point per year out of your projected path. And you end at a higher rate in 2027 than you were, would have in the prior forecast. Is that a result of a sense that tariffs will lead to more persistent inflation? Is it a result of reassessments of where your short-term neutral rate is? Is it, why are you on a slower path now?

CHAIR POWELL. So, I would focus most on the nearer term as you think as you get out to the later years, it's hard to -- it's hard for anybody to know where the economy is going. You didn't see people moving their longer-term estimate of the neutral rate, for example, at this

meeting. So, and those things are probably slow moving. So I think if you look at what's happening here, since March, this is since March, right, you see little slower growth, just a tiny tick up, one-tenth tick up in unemployment, and you see inflation moving up three tenths, and by the way, it was a similar move from the December SEP to the March. So that's what you see, you see the effects of tariffs. I think we learned in April, after the March meeting, that substantially higher tariffs were likely, and then since then the estimates of where the tariffs will be have actually moved back down, although still at an elevated level. So, we're adapting in real time, and what you see is an accumulation of individual assessments.

HOWARD SCHNEIDER. Okay, but you say in the statement that risks have diminished on that front, but the July 9, drop-dead date for all the Liberation Day tariffs is still out there and unresolved. You've got now exchange of missiles between two Middle East adversaries, with a possible U.S. involvement, how can you justify saying that risks have diminished?

CHAIR POWELL. So, what we said was that uncertainty has -- uncertainty about the economic outlook has diminished but remains elevated. Many, many surveys say that. They do. So, and that's actually a line from the Teal Book, which you can see in five years. Remember to check that.

HOWARD SCHNEIDER. Maybe the world will be over by then.

CHAIR POWELL. No, but if you think of that, tariff uncertainty, uncertainty really peaked in April, and since then has come down. And that's really what that's just acknowledging. It's diminished but still elevated. That it's uncertainty. So, I think that's an accurate statement.

MICHELLE SMITH. Chris Rugaber.

CHRIS RUGABER. Thank you, Chris Rugaber at Associated Press. There is an argument out there in favor of cutting rates more immediately. Inflation has continued to cool

and is back at roughly 2 percent, despite the tariffs. And I guess I also wanted to ask about cracks in the job market with gross hiring slowing, concentrated in just a few industries. We've seen some housing data, including this morning, that have been pretty weak. Do you see any concerns that the economy is weakening and that is a reason to cut rates going forward?

CHAIR POWELL. So we do, we do of course monitor all those things. I think if you look at the overall picture, what you're seeing is 4.2 percent unemployment, and an economy that's growing at a rate hard to know given the unusual flows in the first quarter, but it appears to be 1-1/2, 2 percent, maybe a little better than that. Sentiment has come up off of its very low levels. It's still, it's still depressed, so you can point to things, the housing market is a longer run problem, and also a short run problem. I don't think it's indicative of -- basically situations, we have a longer run shortage of housing, and we also have high rates right now. I think the best thing we can do for the housing market is to restore price stability in a sustainable way and create a strong labor market, and that's the best thing we can do for the housing market. You asked about the job market, again, look at labor force participation, look at wages, look at job creation. They're all at healthy levels now. I would say you can see perhaps a very, very slow continued cooling, but nothing that's troubling at this time. But we watch it very, very carefully. So overall, again, the current stance of monetary policy leaves us well-positioned to respond in a timely way to economic developments, for now, and we'll be watching the data carefully.

CHRIS RUGABER. Well, and just quickly, on -- given that there are concerns inflation will rise, but there is the alternate scenario that tariffs would create demand destruction and slow growth sufficiently and that would perhaps keep a bit of a lid on inflation. Do you see odds of that scenario, what kind of odds do you see of that scenario coming true, and how many months

of cool inflation would you need to see before concluding that maybe that lower inflation scenario is taking place?

CHAIR POWELL. So, this is very much the conversation we had today and yesterday. There are many, many different scenarios, many combinations of scenarios, where inflation does or doesn't prove out to be at the levels we think and where the labor market does or doesn't soften. And I think what you see people doing is looking ahead at a time of very high uncertainty, and writing down what they think the most likely case is. No one holds these rate paths with a great deal of conviction, and everyone would agree that they're all going to be data dependent. And you can make a case for -- for any of the rate paths, I think, that you see in the SEP. And we do this once a quarter, it's a hard thing to do, particularly at this time. But it does reflect -- if you see somebody writing down a rate path that involves cuts, that's them saying, yes, I think we will get to a place more likely than not, where cuts will be appropriate. And it could be -- it could be a joint probability of a number of possible outcomes. Again, remember how much uncertainty we face though.

MICHELLE SMITH. Steve.

STEVE LIESMAN. Thank you, Mr. Chair, I wonder if you could describe for us some of those scenarios. How do you get to a place -- I'm noticing that the uncertainty levels in your forecast are very high. How do you get to a place where you have the confidence in the outlook for, say inflation and/or growth, or the unemployment rate, how many months does it take, and what do you want to see in the data to get to that level of confidence to actually reduce rates off the restrictive level?

CHAIR POWELL. So, it's, again it's very, very hard to say when that will happen. We know that the time will come, it could come quickly, it could not come quickly. As long as the

economy is solid though, as long as we're seeing the kind of labor market that we have and reasonably decent growth, and inflation moving down, we feel like the right thing to do is to be where we are, with where our policy stance is, and just learn more. And in particular, we feel like we're going to learn a great deal more over the summer on tariffs. We do, we hadn't expected them to show up much by now, and they haven't, and we will see the extent to which they do over coming months. And I think that's going to inform our thinking for one thing. In addition we'll see how the labor market progresses. So, at some point it will become clear, I can't tell you exactly when that will be, and meanwhile we'll be watching the labor market very carefully for signs of weakness and strength, and tariffs for signs of what's going to happen there. And of course, there are many developments ahead even in the near term, developments are expected on tariffs. So I think we don't yet know with any confidence where they will settle out. We have an estimate, and it's a pretty, I think all estimates are now pretty close together. But it's yeah, highly uncertain.

STEVE LIESMAN. When you say estimate, estimate of the impact of tariffs on the core PCE? Is that what it is – can you share?

CHAIR POWELL. Yeah, what you start with is what's the effective tariff rate overall? And people are managing to that. But the pass-through of tariffs to consumer price inflation is a whole process that's very uncertain. Yeah, as you know, there are many parties in that chain, there's the manufacturer, the exporter, the importer, the retailer, and the consumer, and each one of those is going to be trying not to be the one to pay for the tariff. But together they will all pay together, or maybe one party will pay it all. But that process is very hard to predict, and we haven't been through a situation like this, and I think we have to be humble about our ability to forecast it. So that's why we need to see some actual data to make better decisions, we'd like to

get some more data, and again, in the meantime we can do that because the economy remains in solid condition.

MICHELLE SMITH. Nick.

NICK TIMIRAOS. Nick Timiraos of the Wall Street Journal. Chair Powell, I guess I'm wondering if you could explain a little more the divergence we see in the dot plot, particularly around the 2025 rate projections. I realize this is -- you have one group of officials that are putting down no cuts, another that are putting down more than one, and recognizing that could be difficult to summarize, but is it a matter of people having a different outlook? Or a different reaction function? A different commitment to defending against another inflation mistake? How did that play out over the last two days?

CHAIR POWELL. So, you're right, and as is often the case, we have a pretty healthy diversity of views on the Committee. We did have strong support for today's decision, and broad agreement that our policy stance does leave us in a good place. But I would point to two factors, and you mentioned them. The first is just that parties have a diversity of forecasts, and they do align with where their dots are. So, if you have a higher inflation forecast, you're going to be less likely to be writing down more cuts. But as, remember, as we see more data, we're going to learn more about where inflation is headed, and that means when it is time to look at normal -- at resuming our normalization process, the differences you see should be smaller, because we'll have seen actual data. Right now, it's just a forecast in a very foggy time. So that's the first part is forecast. Secondly, people can look at the same data and they can evaluate the risks differently, as you know. And that includes the risk of higher inflation, the risk it'll be more persistent, the risk that the labor market will weaken, people are going to have different assessments of that risk. So, you put that in there too. So, those are the two ways that, the two things I think that

drive these things. Remember though, with -- as I mentioned earlier -- with uncertainty as elevated as it is, no one holds these rate paths with a lot of conviction. So, that's really where it is. It's a function of those things, and I think as the data come in, you should see those differences diminish.

NICK TIMIRAOS. If I could follow-up, you've said the policy is in a good place, and that it's modestly restrictive. Given all the uncertainty, you just talked about tariff levels, uncertainty around the pass-through, is it price increases versus margin compression, some of the softness that Chris talked about in labor and housing, why wouldn't it be better to have rates at a more neutral setting as the economy heads into this period of very high uncertainty?

CHAIR POWELL. So if you just look backward at the data, that's what you would say, but that's not -- we have to be forward looking, and the thing that every forecaster, every outside forecaster, and the Fed is saying is that we expect a meaningful amount of inflation to arrive in coming months, and we have to take that into account. So, I think a backward-looking look would lead you to a neutral stance, but we can't -- we have to look at that and because the economy is still solid, we can take the time to actually see what's going to happen. It's -- there's a range of possibilities on how large the inflation effects and the other effects are going to be. So, we'll make smarter and better decisions if we just wait a couple of months, or however long it takes to get a sense of really what is going to be the pass-through of inflation and what's going to be the effects on spending and on hiring and all those things.

MICHELLE SMITH. Mr. McKee.

MICHAEL MCKEE. Michael McKee from Bloomberg Radio and Television. Your friend down at 1600 Pennsylvania Avenue continues to lob insults in your direction. And I'm wondering, given now that the Supreme Court has maybe carved out the Fed from some of the

legal implications of that, whether this is just noise that the markets and everybody should ignore until your term is up, or whether you worry that it could lead to more pressure on confidence on Wall Street, on consumers, about the outlook for the economy.

CHAIR POWELL. Okay, from my standpoint, it's not complicated. What everyone on the FOMC wants is a good, solid, American economy with a strong labor market and price stability. That's what we want, we think our policy is well-positioned to -- right now to deliver that and to be able to respond in a timely way as the data lead us around. The economy's been resilient, and part of that is our stance, and again, we think we're in a good place on that to respond to significant economic developments. That's what matters. That is what matters to us. Pretty much, that's all that matters to us.

MICHAEL MCKEE. I need to ask, assuming you are not reappointed, would you stay on as governor when your term as Chair ends?

CHAIR POWELL. I'm not thinking about that. I'm thinking about this.

MICHELLE SMITH. Andrew.

ANDREW ACKERMAN. Thanks Mr. Chairman. I guess with workplace raids increasing, picking up significantly, what kind of effect would that have on the labor market --

CHAIR POWELL. Sorry, what picking up?

ANDREW ACKERMAN. Workplace raids.

CHAIR POWELL. Ah. So you're asking immigration?

ANDREW ACKERMAN. Yeah.

CHAIR POWELL. I wouldn't want to speculate. One way to get at that from an economic standpoint, we of course don't comment on immigration policy, it's not ours to make or comment on, but what you see is an unemployment rate that has been really solid and at a low

level, not really increasing. It's been in a good range and well within the range of mainstream estimates of maximum employment. And that means, like part of that is that labor demand and labor supply are kind of moving down at the same rate. Labor demand is softening, you see that in job creation, but it's still kind of at a healthy level. And labor supply is diminishing because the immigration numbers that we see are much lower than they were. So there's two factors, supply and demand, that's what has kept the unemployment rate in a reasonably stable place.

ANDREW ACKERMAN. Okay, thanks. The other thing I want to follow-up on is if you could elaborate on the potential changes to the SEP that you suggested were part of the framework review, I think?

CHAIR POWELL. So, the framework review really has two tracks, right? The first track is our policy framework, that is reflected in the consensus statement, and we've said that we would finish that and announce it by the end of the summer. So, we're well along in that process. We've had the meetings that we need to have, and we're now going to be going into, pardon me, into discussions about specific changes to language. So that's the framework part of it. The second part of it is our communications tools and practice, pardon me, and that part comes next, okay? That's what we're going to do in the meetings this fall. Actually, what we did at this meeting though, is we sort of prepared the ground for that. We had a -- we had a meeting where we talked at a high level about a number of ideas. The SEP is part of it, many, many other ideas, it's sort of, how do we think our communications can be improved? There are a number of ideas, people offered a really -- it was a great conversation, number of ideas, but we're going to look at those with staff briefing and a lot of thought in the fall. And I would say when it comes to changing communications I would only -- I would only support things really that -- implement things that have very broad support. And also, you want to be really careful, because I think our

communications are pretty well received, they're not broken, so more is not necessarily better, but better is better. So, we're going to be looking at ways to do -- to do things that will improve the clarity of what we do for the benefit of the public.

MICHELLE SMITH. Thanks. Kelly.

KELLY O'GRADY. Thanks, Chair Powell. Kelly O'Grady, CBS News. You're famously known as the guy that makes decision based on data, instead of speculation. You've said today in the inflation data is in a good place, we don't know how tariffs are going to impact prices going forward, that's uncertain. But I've got to go back to the last time that you cut rates in December, and there was still the what-if of tariffs. So, what made you feel comfortable cutting then when inflation was higher than where it is today, and you didn't cut today?

CHAIR POWELL. Well, the forecast for inflation in December was 2-1/2 core PCE for 2025, the forecast was 2-1/2 percent, which is a good inflation forecast. I think what we've learned is that -- this was long before we had any idea of what the actual policies would be -- we've learned the tariffs are going to be substantially larger than forecasters generally thought. And we don't -- our forecasts are generally not particularly different from those of other well-resourced forecasting operations. So, what we learned, and particularly in April, was that substantially larger tariffs were coming and that that would mean higher inflation. That's what happened. And so now you see, you saw 2-1/2 percent forecast in December, you saw 2.8 percent in March, and you see 3.1 percent now. So it's 6/10 higher inflation for 2025, and that's a big part of the change. And that's due to the effects of the tariffs that are -- we don't know where they're going to land, but it's pretty apparent they're going to land higher than outside forecasters were really guessing at the end of last year.

KELLY O'GRADY. My follow-up to that, I think consumers, right, we're looking for relief on rates when it comes to mortgages, car loans, small businesses want to take out more manageable loans. When you look at the cumulative inflation over the past five years, prices have risen over 20 percent, it's been a rough road. So, what is the tipping point then, for the wait and see approach in terms of how much it's going to help versus when it hurts the American consumer?

CHAIR POWELL. Well, I mean we're trying to restore price -- the best thing we can do for the public that we serve is restore price stability. If we can, and we will restore price stability, meaning 2 percent inflation on a durable, sustainable basis, that and also maximum employment, and if we restore those things, that's the best thing, and that is our goal. The best thing we can do for the American people for households and businesses, that is the ultimate thing that we can deliver. And they can make their decisions without having to think about inflation all the time. So in the meantime, we have to keep rates high to keep -- to get inflation all the way down. They're not very high, let's be honest, I would say policy is modestly or moderately, probably modestly now, restrictive. If you look at the economy, it's not performing as though it were performing under very strict monetary policy, very restrictive monetary policy. So I would say probably modestly restrictive. And so what it will take is, is confidence that inflation is coming down. Now I would say without tariffs, that confidence would be building, because if you see what's happening with non-housing services and housing services, which are the other two big pieces other than goods, those are coming down really nicely now, so I think we have to learn a little more about tariffs. I don't know, I don't know what the right way for us to react will be. I think it's hard to know with any confidence how we should react until we see really the size of the effects, then we can start to make a better judgment. So that's what we're doing, and I think we

can -- we can take the time to do that because unemployment is 4.2 percent. Wages are moving up, real wages are moving up at a healthy clip now. And inflation is 2.3 percent headline inflation over a 12-month basis. So, it's a good economy, and a solid economy with decent growth.

MICHELLE SMITH. Edward.

EDWARD LAWRENCE. Thank you Chair Powell. So, you're saying that uncertainty has come down, the economy is moving at a solid pace, inflation has come down over the past three months, and this is all moving in the right direction. So, are you indicating here that Americans should expect some sort of economic pain in the second half of the year?

CHAIR POWELL. I'm not, I'm not saying that at all. From our standpoint, what I can say is that the U.S. economy is in solid shape, inflation has come down, the unemployment rate remains at 4.2 percent, as I mentioned, real wages are moving up, it's a good -- job creation is at a healthy level, unemployment again, as I said, low. Labor force participation at a good place. What we're waiting for to reduce rates is to understand what will happen with, with really the tariff inflation. And there's a lot of uncertainty about that, every forecaster you can name, who is a professional forecaster with adequate resources and forecasts for a living, is forecasting a pretty -- everyone that I know is forecasting a meaningful increase in inflation in coming months from tariffs, because someone has to pay for the tariffs. And it will be someone in that chain that I mentioned, between the manufacturer, the exporter, the importer, the retailer, ultimately somebody putting it into a good of some kind, or just the consumer buying it, and all through that chain people will be trying not to be the ones who pick up the cost, but ultimately the cost of the tariff has to be paid. And some of it will fall on the end consumer. We know that because that's what businesses say, that's what the data say from past [inaudible]. So we know that's coming. And we just want to see -- see a little bit of that before we make judgments prematurely.

EDWARD LAWRENCE. And follow-up on that, so you've spent years though talking about how you're data dependent and be a little more direct on this, now you're making decisions looking forward, doesn't the data you're seeing today indicate there should be a rate cut?

CHAIR POWELL. No, I mean your monetary policy has to be forward looking. That is elementary. You've got to be looking -- I always, we always talk about the incoming data, the evolving outlook, and the balance of risks. We say that over and over and over again, right? So, it's always forward looking. If you know, at the very beginning of the pandemic, we cut rates to zero immediately, nothing had happened, we just knew that it was going to be really bad, right? So we took very aggressive forward looking, because we knew things were going to be unusually difficult. So, of course this is something we sort of know is coming, we just don't know the size of it, and again, the economy seems to be in solid shape. So, the labor market's not crying out for a rate cut. Businesses were in a bit of shock after April 2, but you see business sentiment, you talk to business people now, there's a very different feeling now that people are working their way through this, and they understand how they're going to go and it feels much more positive and constructive than it did three months ago, let's say. So, again, we think that our current stance of monetary policy is in a good place.

MICHELLE SMITH. Amara.

AMARA OMEOKWE. Thank you, Amara Omeokwe with Bloomberg. Chair Powell, in February you told Congress that the Fed is, "overworked, maybe not overstaffed." Then in a memo to staff in May, announcing a deferred resignation program at the Fed, you said you wanted to ensure that the Fed was, "right-sized." Those two statements appear to be at odds with one another. Could you explain what changed in the roughly three months between those statements that made you decide that staff levels at the Fed should decline?

CHAIR POWELL. I don't see them at all as in tension. So, I was asked, is the Fed overstaffed? And I said no, and I sort of said as a pun, overworked, but not overstaffed. People do work extremely hard at the Fed, and I know they work hard at Bloomberg too. So, but we do, we work hard, but I would say this, so we are careful stewards of public resources and sometimes you need to show that. So there have been several times in our history, modern history, where the Fed has said, you know what, we're going to do a buy-out, we're going to show the public, we're going to demonstrate that we are good stewards of public resources. So, we thought, and I thought, that this is a time when we can -- we've grown about, our headcount has grown at about 1 percent a year. So, over the course of a couple of years, we're doing a careful scrub of the Board and all of the reserve banks, and we're going to find 10 percent of employees who can do something else. Where we can streamline our operations and we think we can get there in a year, in a couple of years we think we can do that, and we think the -- this is without taking risk to carrying out our critical missions. So this is something you do very carefully, thoughtfully, and you do it again, respecting that we have critical missions to carry out. I've had experience, a lot of experience, in my prior careers with headcount reductions and things like that, and this is how you do it professionally. You do it carefully, thoughtfully, with a lot of planning, and you do it over a period of time. I think it's -- I think the Fed will be fine, I think no one will notice any decline in our ability to carry out our missions, and I think it's just us wanting to demonstrate to the public that we are actually good stewards of their resources. We're effectively wiping out 10 years of headcount growth with this. So, I mean, we just -- we wanted to show that we're good stewards.

AMARA OMEOKWE. How is progress on reducing the headcount going so far? Are you on track to meet the goal?

CHAIR POWELL. We're just at the very beginning. As you know, we're doing a buy-out program. We're going to hit that goal. I think many organizations find that they can -- that they can do this. You don't want to do it every year or anything, but you can do it at intervals, and you wind up not -- not interfering with your ability to perform your jobs.

MICHELLE SMITH. Claire.

CLAIRE JONES. Chair Powell, Claire Jones from The Financial Times. As you're no doubt aware, the Senate Finance Committee has tabled its version of the Reconciliation Bill this week, and I was wondering if you could tell me a little bit about the tenor of the debate at the FOMC over the past few days on fiscal policy and the degree to which that influenced people's projections for 2026 and beyond. Thank you.

CHAIR POWELL. Yeah, so we don't -- we don't sit around and debate or really discuss, we take fiscal policy as fully exogenous, and so we actually really didn't talk about the bill or the contents of it. It's still evolving. When it gets closer -- remember also, we have a very, very large economy and the effects will be at the margin. And I expect that they'll -- they may already be in, but they will be in by the next meeting, we'll make an estimate. But it's not a major thing, it's a thing that we discuss. It may have been mentioned a couple of times, but as something that's coming in. But I think the outcome is, we don't know the outcome yet there, so hard to be real specific.

MICHELLE SMITH. Neil.

NEIL IRWIN. Thanks Chair Powell. Neil Irwin with Axios. There have been some cutbacks in economic statistics collection the last few weeks. Worries that long-running problems around funding and response rates may be getting worse. How much is this concern on your

radar? How much confidence do you have that the gauges you're watching to assess the economy are reliable right now?

CHAIR POWELL. Two things, one, the data we get right now, we can do our jobs. I'm not concerned that we can't do our jobs. That's not the -- that's not the point. The point really is that we are starting to see layoffs and important gatherers of data are saying that they're having to cut back on the size of their surveys. That's going to lead to more volatility in the surveys. I think we should take a step back and from our standpoint, and I think the standpoint of businesses and governments and everyone, having really good data on the state of the economy at any given time is a huge public good. It helps -- it doesn't just help the Fed, it helps the government, it helps Congress, it helps the Executive Branch. More importantly really, it helps businesses. They need to know what's going on in the economy. The United States has been a leader for many, many years in this whole project of measuring and understanding what's happening in our very large and dynamic economy. And I hate to see, I hate to see us cutting back on that, because it is a real benefit to the general public that people in all kinds of jobs have the best possible understanding of what's happening in the economy and hence, what's likely to happen. It's very hard to measure what's going on in the U.S. economy if you read -- there was a book called, well it's really remarkable how many things you need to understand to estimate U.S. GDP, very, very difficult. And it's so important that we get it right. I just would, I just would say it's not a place to -- I would want to keep investing in that for the good of the general public.

MICHELLE SMITH. Victoria.

VICTORIA GUIDA. Hi, Victoria Guida with Politico. So, you're conducting this monetary policy strategy framework review, but next year we're supposed to have a new Fed

chair, and I'm wondering if that affects at all the way that you're approaching this. How do you ensure that this framework will actually be durable?

CHAIR POWELL. The framework goes back to, the framework document goes back to 2012, and it's the Committee's document. It's not like we're going to invent a brand new way to do things. It's been an evolving document, so it shouldn't depend on who the chair is at all. It should depend on what's happening in the economy and what the Committee wants to do. So, yeah, it isn't really tied to any particular chair and we used to renew it every year, now we do it every five years. So, but I don't think anybody, I've never heard anyone raise this issue that a new chair might want to come in and go in a completely different direction. I really don't think that's right, but that's not going to be up to me to decide.

VICTORIA GUIDA. Is that affecting at all that you're consulting with –

CHAIR POWELL. No, not at all. Not in any way.

MICHELLE SMITH. Matt.

MATT EGAN. Thank you Chair Powell. Matt Egan from CNN. Relatively low gas prices this year have helped drive down inflation in recent reports, but that trend is starting to reverse, given the crisis in the Middle East. How are you thinking about how the Israel-Iran conflict will impact the economy, especially inflation, and what lessons were learned during the 2022 period when another conflict, the Russia-Ukraine War sent oil and gas prices skyrocketing?

CHAIR POWELL. So of course, we're watching like everybody else is, what's going on. I really don't have any comment on that. Possible that we'll see higher energy prices. What's tended to happen is when there's turmoil in the Middle East, you may see a spike in energy prices, but tends to come down. Those things don't generally tend to have lasting effects on inflation, although of course in the 1970s, they famously did, because you had a series of very,

very large shocks. But, we haven't seen anything like that now. The U.S. economy is far less dependent on foreign oil than it was back in the 1970s. So, but –

MATT EGAN. A quick follow-up. I've just got to ask you about artificial intelligence. Some technology executives have recently been warning that AI could wipe out a large chunk of entry level jobs, and significantly increase the unemployment rate. I'm wondering how concerned you are, if at all, about the threat that AI poses to employment.

CHAIR POWELL. So, this is the question. The question really is, will AI be more augmenting labor or replacing labor? And I wouldn't, we all see those announcements, including one today, I wouldn't over read a couple of data points. Because AI should be creating jobs at the same time. It may be replacing, it may be doing both. Anyone who's done any work with it, with AI, will have been a little bit stunned at how capable it is. And it's just a different thing. So, I think this is something that certainly has transformational potential and probably we're in the very early stages of it. They say what you're seeing now compared to what you'll see in two years is going to be very different, and even more effective. So, I think it's really hard to know. Of course there are optimists who feel like it's going to make everybody much more -- much more productive, and there are those who think it's going to replace an awful lot of jobs, right across the income spectrum, white collar, blue collar, and everything. So, I just don't know. We don't have a house view on that, but this is going to be a very important question for some time.

MICHELLE SMITH. Greg.

GREG ROBB. Thank you. Greg Robb from Marketwatch. I was wondering if you could step back a little bit, Chair Powell. There's a spate of articles and a lot of Op Eds now in the newspapers saying that the U.S. economy and the global economy is going through this profound change, akin to the end of the Bretton Woods era in the 1970s, and don't you owe the American

people like some sort of like explanation for what we're going through? I mean I noticed earlier this month when you talked about Bretton Woods a little bit, and you said that Bretton Woods, the Fed staff had to like change how the dollar -- movements for the dollar wasn't impacting the economy. Are we going through something like that now, that -- are you having to change how you do monetary policy? Is it that fundamental of a change underway? Thanks.

CHAIR POWELL. It's certainly a time of real change. From a geopolitical standpoint, from a trade standpoint, from an immigration standpoint, you see this not just here but everywhere. So there's quite a lot going on. It doesn't change the way we do monetary policy in the near term, I mean, but -- and it doesn't change our objectives or what we need to do. And these things are not really our issues, they're really issues for elected governments. All of those issues are really for elected governments. But there's no question it's a time of real change and very hard to see where that goes. Will it be -- there have been many, many things written about how it's going to be a more inflationary time. That's possible, it's not guaranteed. AI could cut in a very other direction, AI could make people much more productive and push in the other direction. I don't know though. So you're right, but honestly, our focus is a much more practical one and that is, how do we keep inflation low and employment high in the near term? That's really what we're about.

MICHELLE SMITH. Mark.

MARK HAMRICK. Mark Hamrick. Hello Chairman Powell. Mark Hamrick with Bankrate. What is the view about the growing amount of slack in the job market, including the softening in payrolls, the forecast of a modest rise in the unemployment rate, and the ability of workers to demand wage hikes or not in this environment where you have inflation surging?

CHAIR POWELL. I don't, you don't see -- you don't really see unemployment going up. You don't see increased slack really, I mean at the margin. Remember, you're at 4.2 percent unemployment, that was for many, many years, that was an extremely low level. It happens to have come up off of an even lower level. As we came out of the pandemic we were as low as 3.4 percent. But 4.2 percent is probably at the low end of estimates of the longer run sustainable level of natural rate of unemployment. So, I wouldn't, I guess I wouldn't agree with that. And also, in terms of wages, real wages after inflation have been moving up sort of more than was consistent with 2 percent inflation. They're still moving up at a healthy clip, and I think much more consistent with 2 percent inflation given a reasonable assessment of trend productivity. So it's a pretty good labor market. You're right that the level of job creation has come down, but so has the supply of workers, the change in the supply, the new supply. So you've seen -- you've seen the unemployment rate remain pretty stable at 4.2, it's been as high as 4.3, but those are good numbers. So it's a pretty good labor market. The thing is, there's -- a more concerning thing is there's not -- there's not a lot of layoffs, but there's not a lot of job creation. The number, if you're out of work, it's hard to find a job. But very few people are being laid off at this point. So, that's an equilibrium we watch very, very carefully, because if there were to be significant layoffs and the job finding rate were to remain this low, you would have a lot -- you would have an increase in unemployment fairly quickly. But that hasn't happened. It really hasn't happened. We're -- so the U.S. economy has defied all kinds of forecasts for it to weaken, really over the last three years, and it's been remarkable to see, just again and again when people think it's going to weaken out. Eventually it will, but we don't see signs of that now.

MICHELLE SMITH. Go to Jean for the last question.

JEAN YUNG. Hi Chair Powell, Jean Yung with MNI Market News. There's been a lot of talk about cuts. I wanted to ask you, why do you think there are no forecasts for rates to rise or even to stay where they are next year, given that the projection for inflation is to rise to 3 percent and there's a lot of -- there's some skepticism over whether those price hikes will be a onetime event.

CHAIR POWELL. So there are a number of people on the Committee who wrote down no cuts this year, but some cuts next year. So, look, I think people are writing down their most likely path, right? They're not saying there's zero possibility of other things, really. Really it's, think of it as the least unlikely path in a situation like this where uncertainty is very high. I think again, people write -- they write down their rate paths and they do not have like a really high conviction that this is exactly what's going to happen over the next two years. No one feels that way about their rate path. They feel like, what am I going to write down? I mean, what would you write down? It's not easy to be -- to do that with confidence. So, I would just say it that way. We don't rule things in or out, certainly a hike is not the base case at all, it's not something people are writing down. But in the meantime, we do the best we can with these forecasts, and I think they're representative of the different forecasts and different reaction functions that people on the Committee have. So, thank you very much. Thanks.