

Chair Powell Press Conference Q&A Summary – September 17, 2025

<https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20250917.pdf>

The following summary represents direct quotes (with minor immaterial changes to make reading easier) from the press conference.

A. Backdrop – Prepared Remarks

- **Dual Mandate Affirmation**
Squarely focused on achieving dual mandate goals of maximum employment and stable prices. In the near term, risks to inflation are tilted to the upside and risks to employment to the downside - a challenging situation.
- **Current Economic Conditions**
Recent indicators suggest that growth of economic activity has moderated. GDP rose at a pace of around one and a half 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.
- **Labor Market Conditions**
While the unemployment rate remains low, it has edged up, job gains have slowed, and downside risks to employment have risen. 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 thousand 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. 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.
- **Inflation Remains Elevated Short-Term**
Inflation remains somewhat elevated relative to the 2 percent longer-run goal. 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. 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
- **Substantial Policy Change**
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.

- **Monetary Policy Consideration**

When the two goals are in tension like this, the framework calls for balancing both sides of the dual mandate. With downside risks to employment having increased, the balance of risks has shifted. Accordingly, the FOMC judged it appropriate at this meeting to take another step toward a more neutral policy stance. The FOMC remains 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.

B. Q&A

- **Independence and Dual Mandate**

Welcomed a new committee member, Stephen Miran. As the FOMC always does, and the committee remains united in pursuing its dual mandate goals. The Committee strongly committed to maintaining our independence

The Committee remains fully committed to restoring 2 percent inflation on a sustained basis. At the same time, the Committee got to weigh the risks to the two goals. And since April, 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 the risks there has been less than one might think. In terms of the labor market, unemployment is still at a relatively low rate, but seeing downside risks.

The tariff pass through 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 it's time to acknowledge that the risks to the other mandate have grown, and that the policy should move in the direction of neutral.

For a long time, the FOMC framework says that when the two goals are in tension – this is quite an unusual situation – how does the Committee decide what to do? Since the tools can't do two things at once, the Committee assesses how far is each mandate from the goal and how long is it expected to get to the goal? So the policy had been really skewed toward inflation for a long time. Now, there's downside risk clearly in the labor market; so the Committee is moving in a direction of a more neutral policy.

There are 19 participants on the Committee, of whom 12 vote, on a rotating basis. 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 the Committee works, 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. That is the way the institution – that's in the DNA of the institution. That's not going to change.

- **The Summary Economic Projections (SEP)**

The SEP is 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. The Committee does not debate or try to agree on what that is; each member just write them down their projections and cumulate them. The Committee is not on a preset path. The actual decisions are going to be based on the incoming data, the evolving outlook, and the balance or risks at the time the decisions are actually made.

- **Rates – Restrictive & Cut**

Over the course of this year the policy at a restrictive level. The Committee is able to do that because the labor market was in very solid condition with strong job creation and all those things. Earlier this year, the risks were clearly tilted toward inflation and now they are moving towards equality.

Larger rate cuts tend to be at a time when the Committee feels that policy is out of place and needs to move quickly to a new place. That is certainly not now. The current policy has been doing the right thing so far this year. It is right to wait and see how tariffs and inflation and the labor market evolved. Now the Committee is reacting to the much lower level of job creation and other evidence of softening in the labor market.

This in a way as a risk management cut. Currently it is a very different picture of the risks to the labor market. Without placing too much emphasis on payroll job creation, it suggests that the labor market is really cooling off. And that it's time to take that into account in policy setting.

The labor market is softening and we don't need it to soften any more. It starts with a 25 basis point rate cut, but the market's also pricing in a rate path. The Committee is not blessing what the market's doing at all. The Committee is saying it's not just one action

- **The Economy**

The U.S. is getting unusually large amounts of economic activity through the AI build-out and corporate investment with no certainty as to when that will end. The consumer spending numbers were well above expectations and that may well be skewed toward higher-earning consumers. The economy is moving along with economic growth going to be 1.5 percent or better this year, maybe a little better. Forecasts have been coming up. Unemployment is low but with downside risks.

- **The Labor Economy**

More people are at the margins and having a hard time finding jobs. The overall job finding rate is very, very low. However, the layoff rate is also very low. So, there is a low firing, low hiring environment. The concern is that if layoffs starts and there won't be a lot of hiring going on. This 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.

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 there is "a curious balance". The case of balance is because both supply and demand have come down quite sharply, now demand coming down a little more sharply because the Committee now sees the unemployment rate edging up.

For the last bunch of quarters there's been almost a predictable overcount. It has something to do with low response rates and 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. This factor cannot be surveyed. There must be a model that predicts that. And it's quite difficult to do, especially when the economy is undergoing big changes so, and the Bureau of Labor Statistics has been working on that and are making progress on it. The data issue right now it's about low response rates; since higher response rates equals less volatile data.

- **Inflation**
Inflation will move up this year because of the effects on goods prices from tariffs. But those will turn out to be a one-time price increase, as opposed to creating an inflationary process. That has been every member's forecast.
- **Stagflation Word Not Used**
Ordinarily when the labor market is weak, inflation is low; and when the labor market is really strong, that's when inflation concern rises. Here is a situation with two-sided risk, and that means there is no risk-free path forward. And so it is quite a difficult situation for policymakers.
- **Tariffs & Inflation**
Begun to see 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 the Committee does 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.
- **Data Dependent**
Future policy decision will be made in a meeting-by-meeting situation and going to be looking at the data.