

Chair Powell Press Conference Q&A Summary – January 28, 2026

The following summary represents direct quotes (with minor immaterial changes to make reading easier) from the press conference – Prepared remarks and Q&A session.

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<https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20260128.pdf>

- **Dual Mandate Affirmation**

Squarely focused on achieving dual mandate goals of maximum employment and stable prices. The U.S. economy expanded at a solid pace last year and is coming into 2026 on a firm footing. While job gains have remained low, the unemployment rate has shown some signs of stabilization, and inflation remains somewhat elevated.

After 75 basis points cut over the course of the previous three meetings bringing it within a range of plausible estimates of neutral. This normalization of policy stance should help stabilize the labor market while allowing inflation to resume its downward trend toward 2 percent once the effects of tariff increases have passed through. The Committee is well positioned to determine the extent and timing of additional adjustments to policy rate based on the incoming data, the evolving outlook, and the balance of risks. Monetary policy is not on a preset course, and we will make our decisions on a meeting-by-meeting basis.

- **The Economy**

Available indicators suggest that economic activity has been expanding at a solid pace. Consumer spending has been resilient, and business fixed investment has continued to expand. In contrast, activity in the housing sector has remained weak. The temporary shutdown of the federal government likely weighed on economic activity last quarter, but these effects should be reversed as the reopening boosts growth this quarter.

The data have come in, and sentiment, the Beige Book comes in suggesting that this year starts off on a solid footing for growth. Inflation performed about as expected. And some of the labor market data came in suggesting evidence of stabilization. So it's overall a stronger forecast.

Consumer spending, although it's uneven across income categories, overall numbers are good. And the economy is benefiting from the AI buildout of data centers. But the economy, overall, growth is on solid footing, it looks like. And it's not just those things. It's just that the consumer is filling out surveys that sound really negative and then spending. So there's been a disconnect for some time between downbeat surveys and reasonably good spending data. Higher-income households tend to own real estate and tend to own stocks, stocks and securities, and those assets have been going up in value, and increases in wealth do support spending over time, so—and that's clearly a part of the story. We also know that for some time now, for a year or more, we've been hearing from retailers that serve lower-income customers, whether it be food or the big-box stores or

any—they're saying the same thing, which is, "Our consumers are looking to economize. They're trading down from brands, and they're buying less and changing their buying habits and that kind of thing." So we're seeing that, and that is a reality of what we're seeing. They're still consuming, but they're feeling it in a different way.

- [The Labor Market](#)

In the labor market, indicators suggest that conditions may be stabilizing after a period of gradual softening. The unemployment rate was 4.4 percent in December and has changed little in recent months. Job gains have remained low. Total nonfarm payrolls declined at an average pace of 22,000 per month over the last three months; excluding government employment, private payrolls rose at an average pace of 29,000 per month. A good part of the slowing in the pace of job growth over the past year reflects a decline in the growth of the labor force due to lower immigration and labor force participation, though labor demand has clearly softened as well.

We are getting through the labor data distortions from the shutdown and getting to a place where they're no longer material. Additionally, the outlook for economic activity has clearly improved since the last meeting, and that should matter for labor demand and for employment over time.

Growth in labor supply has come to essentially a halt from a fairly fast clip of growth over the last couple of years driven by immigration, and then the halt being driven by a very sudden stop in immigration. So, many outcomes were possible with that. Supply came way down. It turns out that demand for labor also came down a very similar amount, maybe just a little bit more, which is why the unemployment rate has gone up. There are lots of little places that suggest that the labor market has softened. But part of payroll job softening is that both the supply and demand for labor has, has come down—growth in those two have come down. So that makes it a difficult time to read the labor market. If demand and supply are in are in balance, you could say that's full employment. At the same time, is it a maximum-employment economy?

Everyone is watching AI and the deployment and trying to understand exactly what's happening, and there's a wide range of possibilities. Every technological wave will eliminate some jobs and create other jobs, and it's always been the case. Looking back, wave after wave, there will be some disruption, but ultimately technology increases productivity, which is the basis for rising wages. And it may not all happen immediately, but over time it's what—it's what enables incomes to rise over time is rising productivity. We may see in the short term, jobs that are being eliminated by the capabilities of AI. We just don't know what the overall effect is going to be.

- **Inflation**

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 indicate that total PCE prices rose 2.9 percent over the 12 months ending in December and that, excluding the volatile food and energy categories, core PCE prices rose 3.0 percent. These elevated readings largely reflect inflation in the goods sector, which has been boosted by the effects of tariffs. In contrast, disinflation appears to be continuing in the services sector. Near-term measures of inflation expectations have declined from last year's peaks, as reflected in both market- and survey-based measures. Most measures of longer-term expectations remain consistent with our 2 percent inflation goal.

Both survey- and market-based short-term inflation expectations have come way down. They were in a good place at the beginning of last year, they spiked around Liberation Day, and now they've fully retraced in the last few months. So that's very comforting. In the longer term, inflation expectations have remained in places that are very consistent with 2 percent inflation over time. So expectations have been solid, and they reflect confidence in the return to 2 percent inflation.

- **Tariff & Inflation**

A lot of tariffs already moved through the economy on prices. There are many different estimates, and they're all highly uncertain. But most of the overrun in goods prices is from tariffs. And that's actually good news, because if it weren't from tariffs, it might mean it's from demand, and that's a harder problem to solve. Tariffs are likely to move through and be a one-time price increase. The other good news is ongoing disinflation in all the categories of services. So that's a healthy development.

Expectation is that we will see the effects of tariffs flowing through goods prices, peaking, and then starting to come down, assuming there are no new major tariff increases expected to see over the course of this year. In this case policy can loosen. Also, if we see something that suggests the labor market is not stabilizing, that in fact the downside risks reemerge, or the data just get worse, we'd have to look at both of those.

Some of the tariffs related assumptions have changed. The tariffs implemented was smaller than what was announced. We didn't see retaliation internationally. And the pass-through—didn't know how fast that was going to be to consumers, didn't know how much exporters would take, how much companies in the middle would take, and how much the consumer would take. And it turns out it's a lot of companies in the middle—who are pretty strongly committed to passing the rest of it through, which is one of the reasons why we need to keep our eye on inflation and not declare victory prematurely.

- **Interest Rate Policy**

A total rate cut of 175 basis points since cutting began in September of 2024 with fed funds running just a little below 3.65 percent. The current rate is within the range of plausible neutral rate estimates. This is the higher end of that range, for some, it's neutral. It's hard to look at the incoming data and say that policy's significantly restrictive at this time. It

may be sort of loosely neutral, or it may be somewhat restrictive. It's in the eye of the beholder, and, of course, no one knows with any precision where the neutral rate is. There was broad support on the Committee for holding in today's meeting. There remains some tension between employment and inflation, but it's less than it was. The upside risks to inflation and the downside risks to employment have probably both diminished a bit. It's about how you weigh the risks to the two goals and how to quantify them. And so there are different views on the Committee, and we'll find our way forward as the data evolve.

Clearly, a weakening labor market calls for cutting; a stronger labor market says that the rates are in a good place. Similar judgments, too, have to be made on inflation.

- **Yield Curve**

Many things move longer-term rates. It's not mostly what happens on the short end. There can be effects of longer-term rates from our moving our policy around, but it's much more assessments of the fiscal path, and fiscal policies, and risks and things like that that move the 10-year around. Looking back and find periods where we've been very actively moving the policy rate over the course of a year, and over the course of that year, the 10-year is exactly where it started. There's not a tight link between 10-year rates and the overnight rate.

- **Fed Independence**

Every advanced-economy democracy in the world has come around to this common practice. It's an institutional arrangement that has served the people well. And to not have direct elected official control over the setting of monetary policy. The reason is that monetary policy can be used through an election cycle to affect the economy in a way that will be politically worthwhile. So it's a good practice, it's pretty much everywhere among countries that look at all like the United States. And if you lose that, it would be hard to restore the credibility of the institution. If people lose their faith that we're making decisions only on the basis of our assessment of what's best for everyone, for the wide public, rather than trying to benefit one group or another, it's going to be hard to retain it. It's very important, and the reason it's important is that it's enabled central banks, generally, not to be perfect, but to serve the public well.