

Chair Powell Press Conference Q&A Summary – March 18, 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.

Prepared by Philip Chao

<https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20260318.pdf>

- **Dual Mandate Affirmation**

The U.S. economy has been expanding at a solid pace. While job gains have remained low, the unemployment rate has been little changed in recent months, and inflation remains somewhat elevated.

Leaving policy rate unchanged, the current stance of monetary policy is seen as appropriate to promote progress toward the maximum-employment and 2 percent inflation goals. The implications of **developments in the Middle East** for the U.S. economy are uncertain. Will remain attentive to risks to both sides of our dual mandate.

- **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 Labor Market**

The unemployment rate was 4.4 percent in February and has changed little since late last summer. Job gains have remained low. 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. Other indicators, including job openings, layoffs, hiring, and nominal wage growth, generally show little change in recent months.

There is a very, very low breakeven rate, apparently, for new jobs, with little growth in either demand or supply. Both supply and demand for workers have come down very, very sharply over the course of the past year due to immigration policy, largely a ratio is going to be a better thing to look at than job creation, for example. And the ratio is the unemployment rate, and it's been stable since September.

- **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 and other data indicate that total PCE prices rose 2.8 percent over the 12 months ending in February 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. Near-term measures of inflation expectations have risen in recent weeks, likely reflecting the substantial rise in oil prices caused by the supply disruptions in the Middle East. Most measures of longer-term expectations remain consistent with the 2 percent inflation goal.

A part of expecting higher inflation is from oil shock but that would not be most of core inflation. Progress has been slow on inflation and has not been what is expected on core goods and on tariffs. It's just a question of how long it takes for them to get all the way through the economy.

The economics effect could be bigger, they could be smaller, they could be much smaller or much bigger. "We just don't know." if there is a long period of much higher gas prices, that's going to weigh on consumption, that will weigh on disposable personal income, and it'll weigh on consumption. And then it is possible there is a much lower-than-expected passthrough.

The big worry is "inflation expectation: changing.

Currently, unemployment is really close to longer-run normal and inflation that is 1 percentage point inflation. This is not stagflation. Stagflation refers to a much more serious set of circumstances. There is some tension between the goals, and we're trying to manage our way through it.

- Tariff

It is really important to observe this year's progress on inflation through a reduction in goods inflation as the one-time effects on prices of tariffs go through the economy. That's the main thing the Fed is looking for and this year there has been no progress. Total core inflation at about 3 percent, and some big chunk of that, between a half and three quarters, is actually tariffs, the Fed is looking for progress on that.

Tariffs are paid by consumers on a one-time basis. And the Fed is waiting for the runoff process. It takes 8, 9, 10, 11 months - a year - to go through the system. And the Fed is waiting for the tariffs, which were put in place over the course of the middle part and later 2025, Once the tariffs go through the system, goods inflation will return closer to what it's used to be, around 2%.

- Middle East and Oil

Implications of events in the Middle East for the U.S. economy are uncertain. In the near term, higher energy prices will push up overall inflation, but it is too soon to know the scope and duration of the potential effects on the economy.

It is kind of standard learning that one "look through" energy shocks, but that's always been dependent on inflation expectations remaining well anchored. However, now it's also dependent on the broader context of five years now of inflation above target. We have to just wait and see what happens. It'll come down to how long the current situation lasts, and then what are the effects on prices and then how do consumers react and that kind of thing.

Any effects on employment and economic activity in spending would be offset to some extent by the fact that US oil companies will be more profitable, and they may even do more drilling, i.e. there could be this “offset” factor to the economy.

- **Interest Rate Policy**

From last September through December, policy rate was lowered by $\frac{3}{4}$ percentage point, bringing it within **a range of plausible estimates of neutral**. This normalization of policy stance should continue to help stabilize the labor market while allowing inflation to resume its downward trend toward 2 percent.

The forecast is that the Fed will be making progress on inflation. Not as much as Hoped thus far, but some progress on inflation. It should come as expected to see in the middle of the year progress on tariffs going through, and then tariff inflation coming down. That is what is expected. And the rate forecast is conditional on the performance of the economy. So if that progress is not evident, then there is no rate cut.

Interest rate is in the high end of neutral, or perhaps mildly restrictive, even modestly restrictive. The current rate is in that range where it's somewhere around the borderline between restrictive and not.

The Fed is keeping policy either mildly restrictive or close to that, but not too restrictive because of the weakness in - the downside risk in the labor market. The Fed is balancing these two goals in a situation where the risks to the labor market are to the downside - which would call for lower rates - and the risks to inflation are to the upside - which would call for higher rates or not cutting.