Transcript of Chair Powell's Press Conference
December 10, 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. Although important federal government data for the past couple of months have yet to be released, available public- and private-sector data suggest that the outlook for employment and inflation has not changed much since our meeting in October. Conditions in the labor market appear to be gradually cooling, and inflation remains somewhat elevated.

In support of our goals, and in light of the balance of risks to employment and inflation, today the Federal Open Market Committee decided to lower our policy interest rate by ¼ percentage point. As a separate matter, we also decided to initiate purchases of shorter-term Treasury securities solely for the purpose of maintaining an ample supply of reserves over time, thus supporting effective control of our policy rate. I will have more to say about monetary policy and its implementation after briefly reviewing economic developments.

Although some key government data have yet to be released, available indicators suggest that economic activity has been expanding at a moderate pace. Consumer spending appears to have remained solid, and business fixed investment has continued to expand. In contrast, activity in the housing sector remains weak. The temporary shutdown of the federal government has likely weighed on economic activity in the current quarter, but these effects should be mostly offset by higher growth next quarter, reflecting the reopening. In our Summary of Economic Projections, the median participant projects that real GDP will rise 1.7 percent this year and 2.3 percent next year, somewhat stronger than projected in September.

In the labor market, although official employment data for October and November are delayed, available evidence suggests that both layoffs and hiring remain low, and that both households' perceptions of job availability and firms' perceptions of hiring difficulty continue to decline. The official report on the labor market for September, the most recent release, showed that the unemployment rate continued to edge up, reaching 4.4 percent, and that job gains had slowed significantly since earlier in the year. A good part of the slowing likely 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. In this less dynamic and somewhat softer labor market, the downside risks to employment appear to have risen in recent months. In our SEP, the median projection of 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. Very little data on inflation have been released since our meeting in October. Total PCE prices rose 2.8 percent over the 12 months ending in September, and, excluding the volatile food and energy categories, core PCE prices also rose 2.8 percent. These readings are higher than earlier in the year, as inflation for goods has picked up, reflecting the effects of tariffs. In contrast, disinflation appears to be continuing for services. Near-term measures of inflation expectations have declined from their peaks earlier in the year, as reflected in both market- and survey-based measures. 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 2.9 percent this year and 2.4 percent next year, a bit lower than the median projection in September. Thereafter, the median falls to 2 percent.

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 3½ to 3¾ percent.

In the near term, risks to inflation are tilted to the upside and risks to employment to the downside—a challenging situation. There is no risk-free path for policy as we navigate this tension between our employment and inflation goals. A reasonable base case is that the effects of tariffs on inflation will be relatively short lived—effectively a one-time shift in the price level. Our obligation is to make sure that a one-time increase in the price level does not become an ongoing inflation problem. But, with downside risks to employment having risen in recent months, the balance of risks has shifted. Our framework calls for us to take a balanced approach in promoting both sides of our dual mandate. Accordingly, we judged it appropriate at this meeting to lower our policy rate by ¼ percentage point.

With today's decision, we have lowered our policy rate ¾ percentage point over our last three meetings. This further normalization of our policy stance should help stabilize the labor market while allowing inflation to resume its downward trend toward 2 percent once the effects of tariffs have passed through. The adjustments to our policy stance since September bring it within a range of plausible estimates of neutral and leave us well positioned to determine the extent and timing of additional adjustments to our policy rate based on the incoming data, the evolving outlook, and the balance of risks.

In our Summary of Economic Projections, FOMC participants wrote down their individual assessments of an appropriate path of the federal funds rate under 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 3.4 percent at the end of 2026 and 3.1 percent at the end of 2027, unchanged from September. As is always the case, these individual forecasts are subject to uncertainty, and they are not a Committee plan or decision. Monetary policy is not on a preset course, and we will make our decisions on a meeting-by-meeting basis.

Let me turn now to issues related to the implementation of monetary policy, with the reminder that these issues are separate from—and have no implications for—the stance of monetary policy. In light of the continued tightening in money market interest rates relative to our administered rates, and other indicators of reserve market conditions, the Committee judged that reserve balances have declined to ample levels. Accordingly, at today's meeting, the Committee decided to initiate purchases of shorter-term Treasury securities—mainly Treasury bills—for the sole purpose of maintaining an ample supply of reserves over time. Such increases in our securities holdings ensure that the federal funds rate remains within its target range and are necessary because the growth of the economy leads to rising demand over time for our liabilities, including currency and reserves. As detailed in a statement released today by the Federal Reserve Bank of New York, reserve management purchases will amount to $40 billion in the first month and may remain elevated for a few months to alleviate expected near-term pressures in money markets. Thereafter, we expect the size of reserve management purchases to decline, though the actual pace will depend on market conditions.

In our implementation framework, an ample supply of reserves means that the federal funds rate and other short-term interest rates are primarily controlled by the setting of our administered rates rather than day-to-day discretionary interventions in money markets. In this regime, standing repurchase agreement, or repo, operations are a critical tool to ensure that the federal funds rate remains within its target range, even on days of elevated pressures in money markets. Consistent with this view, the Committee eliminated the aggregate limit on standing repo operations. These operations are intended to support monetary policy implementation and smooth market functioning and should be used when economically sensible.

To conclude: 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. At the Fed, we will do everything we can to achieve our maximum-employment and price-stability goals. Thank you. And I look forward to your questions.

MICHELLE SMITH. Howard.

HOWARD SCHNEIDER. Thank you. Howard Schneider, with Reuters. Just first turning to the statement, just to be clear we're on the same page here, the insertion of the phrase "In considering the extent and timing of additional adjustments"—does that indicate that the Fed is now on hold until there's some clearer signal from inflation or jobs or the evolution of the economy along the baseline outlook?

CHAIR POWELL. So, yes, the adjustments since September bring our policy within a broad range of estimates of neutral. And as we noted in our statement today, we are well positioned to determine the extent and timing of additional adjustments based on the incoming data, the evolving outlook, and the balance of risks. That new language points out that we'll carefully evaluate that incoming data. And, also, I would note that having reduced our policy rate by 75 basis points since September and 175 basis points since last September, the fed funds rate is now within a broad range of estimates of its neutral value, and we are well positioned to wait to see how the economy evolves.

HOWARD SCHNEIDER. And if I could follow up on the outlook there: It seems like with the additional GDP growth coupled with easing inflation and a fairly steady unemployment rate, this seems like a pretty optimistic outlook for next year. What's given rise to that? Is this an early bet on AI? Is there some sense of improving productivity out there? What's driving that?

CHAIR POWELL. So a number of things are driving what's happening in the forecast. And I would say, if you look broadly at outside forecasts, you do see a pickup in growth in many of those now, too. So it is—it's partly that consumer spending has held up. It's been resilient. To another degree, it is that AI—spending on data centers and related to AI has been holding up business investment. So, overall, the baseline expectation for next year is, at least at the Fed and I think with outside forecasters, too, is a pickup in growth from today's relatively low level of 1.7 percent. I mentioned that the SEP median is 1.7 for this year—growth—and 2.3 for next year. Yet actually—some of that is due to the shutdown. So you can take two-tenths out of 2026 and put it in 2025. So it would really be 1.9 and 2.1. But, overall, yes, you know, for a few reasons. Fiscal policy is going to be supportive. And, as I mentioned, AI spending will continue. The consumer continues to spend. So it looks like the baseline would be solid growth next year.

HOWARD SCHNEIDER. Thank you.

MICHELLE SMITH. Steve.

STEVE LIESMAN. Thank you, Mr. Chairman, for taking our questions here. You had previously described rate cuts in terms of a risk-management framework. And, kind of following up on what Howard was asking, is the risk-management phase of rate cuts over here, and have you taken out sufficient insurance, I guess, against potential weakness in terms of the data we might get next week when it comes to employment?

CHAIR POWELL. So we're going to get a great deal of data between now and the January meeting. And I'm sure we'll talk more about that. And that will—the data that we get are going to factor into our thinking. But, yes, we have—if you go back, we held our policy rate at, you know, 5.4 percent for more than a year because inflation was high, very high, and unemployment—and the labor market was really solid at that point. So what happened is, over last summer—summer of '24—inflation came down and the labor market began to show real signs of weakness. And so we decided, as our framework tells us to do, that when the risks to the two goals become more equal, you should move from a stance that favors really dealing with one of them—in that case, inflation—to a more balanced, more neutral setting. And so we did that, and we did some cutting. And then we paused for a while to work our way through what was happening in the middle of the year. And then we resumed cuts in September. And we've cut now three—we've now cut a total of 175 basis points. And, as I mentioned, you know, we feel like where we're positioned now puts—we're well positioned to wait and see how the economy evolves from here.

STEVE LIESMAN. If I could just follow up on the SEP. You have a whole lot of—big increase in the growth numbers, but not a big decline in the unemployment numbers. And is that an AI factor in there? What is going on in terms of the dynamic of you get more growth, but you don't get a whole lot of decline in unemployment? Thank you, sir.

CHAIR POWELL. So it is—the implication is obviously higher productivity. And some of that may be AI. It just—also, I think productivity has just been almost structurally higher for several years now. So if you start thinking of it as 2 percent per year, you can sustain higher growth without more job creation. Of course, higher productivity is also what enables incomes to rise over long periods of time, so it's basically a good thing. But that may be—that's certainly the implication.

MICHELLE SMITH. Colby.

COLBY SMITH. Thank you. Colby Smith with the *New York Times.* Today's decision was clearly very divided. It wasn't just the two official dissents against the cut, but there were also soft dissents from four others. And I'm just wondering if this reluctance from several people to support recent reductions suggests that there is a much higher bar for cuts in the near term, and what exactly does the Committee need to see if things are well positioned right now to support a January reduction?

CHAIR POWELL. Sure. So let me just say, as I mentioned—and as I've mentioned here before—the situation is that our two goals are a bit in tension, right? So, interestingly, everyone around the table at the FOMC agrees that inflation is too high and that we want it to come down and agrees that the labor market has softened and that there's further risk. Everyone agrees on that. Where the difference is is, how do you weight those risks and what does your forecast look like and where do—ultimately, where do you think the bigger risk is? And, you know, it's very unusual to have persistent tension between the two parts of the mandate. And when you do, this is what you see. And I think it's actually what you would expect to see. And we do see it.

Meanwhile, the discussions we have are as good as any we've had in my 14 years at the Fed. They're very thoughtful, respectful. And you just have people who have strong views. And, you know, we come together and we reach—we reach, you know, a place where we can make a decision. We made a decision today. We had—you know, 9 out of 12 supported it. So fairly broad support. But it's not like the normal situation where everyone agrees on the direction and what to do. It's more—it's more spread out. And I think that's only inherent in the situation.

In terms of what it would take, you know, we all have an outlook in terms of what's going to come, but I think, ultimately, having cut 75 and, you know, the effects of the 75 basis points will only begin to be coming in. As I've said before a couple of times, we're well positioned to wait to see how the economy evolves. We'll just have to see. And we will get, as you know, quite a bit of data. I should mention on the data, as long as I'm talking about it, that we're going to need to be careful in assessing particularly the household survey data. There are very technical reasons about the way data are collected in some of these measures, both in, you know, inflation and in labor—in the labor market, so that the data may be distorted. And not just sort of more volatile, but distorted. And that's—and that's really because data was not collected in October and half of November. So we're going to get data, but we're going to have to look at it carefully and with a somewhat skeptical eye by the time of the January meeting. Notwithstanding that, we will have a lot of the December data by the time of the January meeting. So we expect to see a lot more, but I'm just saying that the—what we get for, for example, CPI or for the, you know, household survey, we're going to look—we're going to look at that really carefully and understand that it may be distorted by very technical factors.

COLBY SMITH. And just one more question on dissents. I mean, you talk about it in a very positive way just given the complicated nature of the situation we're in economically. But is there any point in which those dissents become counterproductive either to, you know, the Fed's communication and the messaging around the policy path forward?

CHAIR POWELL. I wouldn't—I don't feel that we're at that point at all. I don't. I would say, again, these are good, thoughtful, respectful discussions. And you hear people say—and you'll hear many outside analysts say the same thing. I could make a case for either side. I mean, I could make that case. It's a close call. We have to make decisions, and we—you know, we always hope that the data will give us a clear read. But in this situation, you have competing—if you look—if you look through the SEP, you'll see that a very large number of participants agree that risks are to the upside for unemployment and to the upside for inflation. So what do you do? You've got one tool. You can't do two things at once. So at what pace do you move? How, how—what size moves do you make and that kind of thing. And what's the timing of them? It's very—it's a very challenging situation. I think we're in a good place to, as I mentioned, to wait and see how the economy evolves.

MICHELLE SMITH. Nick.

NICK TIMIRAOS. Nick Timiraos of the *Wall Street Journal.* Chair Powell, there's been some discussion recently of the 1990s. In the 1990s, the Committee did two discrete sequences of three quarter-point cuts, one in 1995–96 and one in 1998. And after both of those, the next move in rates was up, not down. With policy now closer to neutral, is it a foregone conclusion that the next move in rates is down, or should we think of policy risks as genuinely two-sided from here?

CHAIR POWELL. So I don't think that a rate hike is anybody's base as the next thing—is anybody's base case at this point. And I'm not hearing that. What you see is some people feel we should stop here and that we're at the right place and just wait. Some people feel like we should cut once or more this year and next year. But the—but when people are writing down their estimates of policy of where it should go, it is either holding here or cutting a little or cutting more than a little. So I don't see that as—I don't see the base case as involving that. So, of course, you know, a data set of two, now three, is not a big data set. But you are right about those two three-cut times in the '90s.

NICK TIMIRAOS. If I could follow up: The unemployment rate has been rising very gradually for the better part of two years. And, indeed, the statement today no longer describes the unemployment rate as remaining low. What gives you confidence it won't continue rising in 2026, especially when housing and other rate-sensitive sectors still appear to be feeling restrictive policy from the—notwithstanding the 150 basis points in cuts prior to today?

CHAIR POWELL. So, yeah, the idea is that with now having cut 75 basis points more now and having policy, you know, I'd call it in a broad range of plausible estimates of neutral, that that will be a place which will enable the labor market to stabilize or to only kick up one or two more tenths. But we won't see, you know, any kind of a sharper downturn, which we haven't seen any evidence of at all. At the same time, policy is still in a place where it's not accommodative, and we feel like—we feel like we have made progress this year in nontariff-related inflation. And as tariffs come through, as they flow through, that'll show through next year. But, as I said, we're well past—well placed to wait and see how that turns out. That is our expectation, but, you know, we're going to start to see the data, and it'll tell us whether we were right or not.

MICHELLE SMITH. Claire.

CLAIRE JONES. Claire Jones, *Financial Times.* A lot of people interpreted your comments at the October meeting that, you know, when there's a foggy situation we slow down to mean that, you know, there won't be a cut now, there'll be a cut in January instead. So it'd be good to get a sense of why did the Committee decide to move today rather than to move in January instead. Thank you.

CHAIR POWELL. Right. So in October, I said that there was no certainty of moving. And that was indeed correct. I said it's possible you could think about it that way, but I was careful to say other people could look at it differently. So why did we move today? You know, I would say—point to a couple of things. First of all, gradual cooling in the labor market has continued. Unemployment is now up three-tenths from June through September. Payroll jobs averaging 40,000 per month since April. We think there's an overstatement in these numbers by about 60,000, so that would be negative 20,000 per month. And also, just to point out one other thing, surveys of households and businesses both showed declining supply and demand for workers, so I think you can say that the labor market has continued to cool gradually, maybe just a touch more gradually than we thought.

You know, in terms of inflation, we are—it's come in a touch lower. And I think the evidence is kind of growing that what's happening here is services inflation coming down, and that's offset by increases in goods, and that goods inflation is entirely in sectors where there are tariffs. So that does build on the story. And so far, it's only a story that this is—that the goods inflation, which is really the source of the excess at this point, that that—almost more than half the source of the excess inflation is goods—is tariffs. And you've got to say then, "So what do we expect from tariffs?" And it's—I would say that is, to some extent, down to looking for broader economic, you know, heat. You know, do we see a hot economy? Do we see constraints? Do we see what's going on with wages? You saw the ECI report today. It doesn't feel like a hot economy that wants to generate, you know, a Phillips curve kind of inflation. So we look at all those things, and we say that this was a decision to make. Obviously, it wasn't unanimous. But, overall, that was the judgment that we made, and that's the action we took.

CLAIRE JONES. Just on the ample-reserves point, how concerned were people around the table about some of the tensions we've seen in money markets? Thank you.

CHAIR POWELL. Well, I wouldn't say "concerned." So what really happened is this: Balance sheet shrinkage, sometimes called QT, went on. We had a framework in place for monitoring it, and nothing happened. The overnight reverse repo facility went down pretty much close to zero. And then, beginning in mid-September, the federal funds rate started to tick up within the range, right? And it ticked up almost all the way to interest on reserve balances. There's nothing wrong with that. What that's telling you is that we're actually in a reserves—in an ample-reserves regime. So, you know, we knew this was going to come. When it finally did come, it came a little quicker than expected, but we were, yeah, absolutely there to take the actions that we said we would take. And those actions are today. So, you know, we announced that we're resuming reserve management purchases. That is completely separate from monetary policy. It's just we need to keep an ample supply of reserves out there. Why so big? The answer to that is, you know, if you look ahead, you will see that April 15th is coming up, and our framework is such that we want to have ample reserves even at times when reserves are at a low level temporarily. So that's what happens on Tax Day. People pay a lot of money to the government, reserves drop sharply and temporarily. So this seasonal buildup that we'll see in the next few months was going to happen anyway. It was going to happen because April 15th is April 15th. There's also a secular ongoing growth of the balance sheet. We have to keep reserves, call it, constant as a—as it relates to the banking system or to the whole economy. And that alone calls for us to increase about $20 [or] $25 billion per month. So that's a small part.

That's going on. It's also happening in the context of a temporary few month front-loading to get reserves high enough to get through the, you know, the tax period in mid-April. So that's what's happening there.

MICHELLE SMITH. Andrew.

ANDREW ACKERMAN. Thanks, Mr. Chairman. This is the last post-FOMC press conference before an important Supreme Court hearing next month. Can you talk about how you're hoping the Supreme Court will rule? And I'm just curious why the Fed's been so reticent on such a pivotal matter.

CHAIR POWELL. It's not something I want to address here, Andrew. You know, we're not legal commentators. It's before the courts, and we think our—we don't think that we help matters by trying to engage as a public discussant of that. I'll give you a mulligan, though.

ANDREW ACKERMAN. Thanks. I don't know if that means I get three questions, but—

CHAIR POWELL. No, just one, just one more. [Laughter]

ANDREW ACKERMAN. I guess I wanted to come back to the 1990s question. Like, do you see that as a useful model for thinking about what is happening in the economy right now?

CHAIR POWELL. I don't think it rises to that level. So I did think that in 2019, when we cut three times. But, you know, this is such a unique situation. This is—it's not the 1970s, let's put it that way. But we do have tension between our two goals. And so that's just unique in my time at the Fed and I think going back a long ways. We haven't had that in our framework. Our framework, as you know, says that when that's the case, that we try to, you know, take a balanced approach to the two things. We look at how far they are and how long it would take to get them back to—each of them back to the goal. And that's a very subjective analysis, really. But it just tells you you've got to—and I think, ultimately, what it says is, when they're broadly equally threatened or equally at risk, you should be kind of neutral because if you're either accommodative or tight, you're favoring one or the other goal. And so we've been trying to—we've been sort of moving in the direction of neutral. Now we're in the range of neutral. We're in the high end of the range of neutral, I would say. And that's what we're doing now. It so happened that we've cut three times. You know, we haven't made any decision about January. But, as I've said, we think we're well positioned to wait and see how the economy performs.

MICHELLE SMITH. Edward.

EDWARD LAWRENCE. Thanks, Mr. Chairman. Edward Lawrence, with Fox Business. I wanted to ask you, the inflation expectations has come down in your SEP report. Do you see the tariff price increases as passing through in the next three months? Is it a six-month process that we're looking for that to end? And then, because of that, is jobs the threat to the economy?

CHAIR POWELL. So with tariff inflation, you know, it takes—there's the announcement of a tariff and then there's—you know, they start to take effect. And then it takes some months. Goods may have to be shipped from other parts of the—you know, it may take, you know, quite a while for an individual tariff to take its full effect. But once it's had that effect, then the question is, isn't that just a one-time price increase? So we've actually—we actually look at all of the announcements. And what you get from all that, you see sort of a—for each one of them, there's a time period and then it's fully in. So if there are no new tariff announcements—and we don't know that, but let's assume there are no major new tariff announcements—inflation from goods should peak in the first quarter or so, right? Or roughly.

You know, we haven't been able to predict this with any precision. No one is. But call it the first quarter or so of next year should be the peak. And from here, it should be—it shouldn't be big, it should be a couple tenths or even less than that. We don't really have precision on this. And, after that, again, if there are no new tariffs that are being announced that will take nine months to get fully in—and nine months is also an estimate—then you should start to see that coming down in the back half of next year.

EDWARD LAWRENCE. And I wanted to see if I could address sort of the elephant in the room. The President's been talking openly about a new Fed Chairman. Does that hinder your current job right now or change your thinking at all?

CHAIR POWELL. No.

MICHELLE SMITH. Mike.

MICHAEL MCKEE. No mulligans for Ed. [Laughter] Michael McKee from Bloomberg Radio and Television. Ten-year rates have—are 50 basis points higher than when you started cutting back in September of 2024, and the yield curve basically has been steepening. Why do you think that continuing to cut now, especially in the absence of data, is going to bring down the yield on the thing that will move the economy the most?

CHAIR POWELL. So we're looking at the real economy and focusing on that. And you have—you've got—when the long bonds move around, you've got to look at why they're moving around. If you look at inflation compensation, it's very—that's one part of it is inflation compensation breakevens, and, you know, they're at very comfortable levels. They're at levels consistent—past—once you get out past the very short term now, breakevens are at a, you know, at quite—levels that are quite consistent with 2 percent inflation over time. So there's nothing happening with rates going up out there that suggests concern about inflation in the long term or anything like that. I mean, I look at these things pretty regularly. Same thing with surveys. Surveys are all saying that the public understands our commitment to 2 percent and expects us to get back there. So why are rates going up? It has to be something else. It must be, you know, an expectation of higher growth or something like that. And that's a lot of what's been going on. I mean, you saw a big move, you know, toward the end of last year, which was not to do with us, it was to do with other developments.

MICHAEL MCKEE. Well, you just mentioned that we're—the public is expecting you to get back to 2 percent. And Americans, overwhelmingly, are citing high prices, inflation, as their number one concern. Can you explain to them why you're prioritizing the labor market, which seems relatively stable to most people, instead of their number-one concern, inflation?

CHAIR POWELL. So we—as you know, we have a network of contacts in the U.S. economy which is really unmatched if you go through the 12 Reserve Banks. So we hear loud and clear how people are experiencing, really, costs. It's really high costs. And a lot of that is not the current rate of inflation. A lot of that is just embedded higher cost due to higher inflation in 2022 and '23. So that's what's going on. And so the best thing we can do is restore inflation to its 2 percent goal—and our policy is intended to do that—but also have a strong economy where real wages are going up, where people are getting jobs and earning money. And they're—we're going to need to have some years where real compensation is higher, you know, it's positive, significantly positive, so wages—nominal wages are higher than inflation for people to start feeling good about affordability—the affordability issue. And, you know, so we're working hard on that. We want to—we're trying to keep inflation under control but also support the labor market and strong wages so that people are earning enough money and feeling economically healthy again.

MICHELLE SMITH. Victoria.

VICTORIA GUIDA. Hi. Victoria Guida with Politico. Just to follow up on that, I mean, this is now the third time that you've cut this year, and inflation is around 3 percent. So is the message that you're sort of trying to send with that that you're okay with where inflation is for now as long as people understand that, at some point, you still want to get back to 2 percent because inflation is relatively stable where it is?

CHAIR POWELL. Everyone should understand, and the surveys show that they do, that we're committed to 2 percent inflation and we will deliver 2 percent inflation. But it's a complicated, unusual, difficult situation where the labor market is also under pressure, where job creation may actually be negative. Now, supply of workers has also gone way down, so the unemployment rate hasn't moved that much. But, you know, it's a labor market that seems to have significant downside risks. People care a lot about that. That's their jobs, that's their ability, if they get laid off or if they're entering the labor force, to find work. So that's really important to people.

The story with inflation—and, you know, we're well aware that this is a story at this point—is that if you get away from tariffs, inflation is in the low 2s, right? So it's really tariffs that's causing the—most of the inflation overshoot. And we do think of those as likely to, in the current situation, as likely to be a one-time, you know, one-time price increase. Our job is to make sure that it is, and we will do that job. But, right now, you've got this difficult balance, and there are risks to both sides. There's no risk-free path. If we were—if we—you know, if it was just inflation and the labor market was just really strong and then we'd—rates would be higher, as they were for more than a year. You know, we didn't have to worry about inflation—sorry, about the labor market, because the labor market, unemployment was very low, if you remember, when inflation was very high. There was a labor shortage, so we could focus entirely on inflation. Now it's different. We actually have risks to both. And I think we're doing the best we can for people. They also care about their jobs. They do care about affordability. And the best thing we can do there is both to support economic activity but also, you know, make sure that when tariff inflation goes down and disappears, inflation lands around 2 percent.

MICHELLE SMITH. Elizabeth.

ELIZABETH SCHULZE. Thanks so much. Elizabeth Schulze, with ABC News. Just to follow up, you keep talking about job growth being negative. Why do you think job growth is so much worse than all the official data? Why do you think job growth is—to follow up on your comments about job growth, why is it so much worse than the official data is suggesting?

CHAIR POWELL. Oh, well, we just—we know, I think. It's, it's—this is—I don't think this is particularly controversial. There's a—it's very difficult to estimate job growth in real time. They don't count everybody. They have a survey. And there's been something of a systematic overcount. And so we expect it and they correct it twice a year. So the last time they corrected it, we thought the correction would be 800,000 or 900,000. I won't get the numbers exactly right. And that was exactly what happened. So we think that that has persisted. And so there was an overcount in the payroll job numbers, we think, continuing. And it will be corrected. I don't have the exact month in my head right now. But—and that's just—I don't—again, I think forecasters generally understand that. So—and we think it's about 60,000 a month, so 40,000 jobs could be negative 20. And, you know, that could be wrong by 10 or 20 in either direction. But, in any case—but the thing is, that's, that's job creation, in a way, that's demand. Labor supply has also come down quite sharply. So, you know, if you had a world where they're just—there's just no growth in workers and you really don't need a lot of jobs to have full employment, some people argue that's what we're looking at. But I think a world where job creation is negative, I just think we need to watch that situation very carefully and be in a position where we're not, you know, pushing down on job creation with our policy.

ELIZABETH SCHULZE. When we're talking about supply, we have seen major American employers like Amazon cite AI in job cuts. How much right now are you factoring in AI into the current weakness in the job market?

CHAIR POWELL. So it's probably part of the story. It's not a big part of the story yet. We don't know whether it will be. But, you know, for example, if you look at—you can't miss the big announcements of layoffs and also companies saying that they're not going to hire anybody for a long time, and they cite AI—that's all clearly happening. At the same time, people are not filing for unemployment insurance. And since job creation—job-finding rates are extremely low, if there were big numbers of layoffs, you'd expect the continuing claims to go up, and you'd expect new claims to go up, but they really haven't much. So it's a little bit curious. But longer term, though, you know, the question is, what are we going to see here? And we don't know. But it's—you know, there's a—it may be that, in past technology, really significant technology and innovation eras, you have seen some jobs destroyed and other jobs made. Ultimately, what's happened for a couple hundred years is, when you get through all that, you have higher productivity, and you have new jobs, and there are enough jobs for people. This is a—this may be different. You know, it's—every time we have a wave of technology, we think, "Oh, this could put a lot of people out of work. What are they going to do?" In the past, there's always been more work and higher productivity, and incomes have risen. What will happen here? We're going to have to see. But right now is such early days, we don't think we see much—it's certainly not showing up in layoffs yet.

MICHELLE SMITH. Enda.

ENDA CURRAN. Thank you, Chair. Enda Curran, Bloomberg News. Given the breadth of views on the policy Committee, why is there such a division of views between the—

CHAIR POWELL. On the policy what?

ENDA CURRAN. On the Committee.

CHAIR POWELL. Thank you.

ENDA CURRAN. Why is there such a division of views between the presidents and the Board members?

CHAIR POWELL. You know, it's not so stark as that. The views are more varied on each—in each group as well. There's some of that, but I would say there are also Governors and there are people in both—on both sides in both groups. So I wouldn't put too much in that.

ENDA CURRAN. Okay. And just to follow up, given your growth upgrade, how would you factor in or what would be the economic impact if the Supreme Court is to strike down the tariffs that they're currently hearing in terms of growth and inflation? Thank you.

CHAIR POWELL. I really don't know. It would depend on—it would depend on a whole bunch of things we don't know. So I can't really help you there.

MICHELLE SMITH. Christine.

CHRISTINE ROMANS. Thank you. Thank you, Chair Powell. Christine Romans, NBC News. I wanted to ask you about how the higher-income households are really driving spending right now. They're backed by home equity and stock market wealth. But lower-income consumers are really struggling with the accumulation of five years now of rising prices. It's price levels, not really the inflation rate, holding some of these families back. How sustainable is this so-called *K*-shaped economy? And what are the Fed's thoughts on whether that's a risk going forward?

CHAIR POWELL. So we do, through our vast network of contacts and just through our observation of what's going on in the economy, we hear about this a lot. If you listen to the earnings reports for consumer-facing companies that tend to deal with low- and moderate-income people, they'll all say that we're seeing people, you know, tightening their belts, you know, changing products that they buy, buying less and that sort of thing. And so it's clearly a thing. It's also clearly a thing that, you know, asset values, housing values, and securities values are high, and they tend to be owned by people more at the higher end of the income and wealth. And so, as to how sustainable it is, I don't know. Most of the consumption does happen by people who have more means. I think, you know, the top third accounts for way more than a third of the consumption, for example. So it's a good question how sustainable that is. You know, the best we can do is to have, you know, price stability and a strong labor market. And what we saw—for example, what we saw at the end of the, you know, the very, very long expansion that ended with the outbreak of the pandemic, we saw that it was 10 years and 8 months or something like that—the longest one in recorded history. In the last two years, most of the job—the largest part of the wage gains were going to people in the bottom quartile, the bottom part of the low and moderate income. So, you know, having a strong labor market for a long period of time is really, really good from a social standpoint. It's helping people at the lower-income levels, and that's what we all want to get back to. But we've got to have price stability, and we've got to have, you know, full employment, maximum employment.

CHRISTINE ROMANS. And, just quickly, you mentioned the housing market remains kind of weak. With these rate cuts that we've seen, is there a chance we're going to see more affordability in the housing market so more people can maybe enjoy that part of wealth creation? I mean, the average age—the median age of a first-time homebuyer is now 40 years old. That's the highest on record.

CHAIR POWELL. Yeah, so the housing market faces some really significant challenges. And I don't know that, you know, a 25 basis point decline in the federal funds rate is going to make much of a difference for people. You know, housing supply is low. Many people have very, very low-rate mortgages from the pandemic period, and they kept refinancing and caught the really low. So it's made it expensive for them to move. And, you know, we're a ways away from that changing. Also, we're just—we haven't built enough housing in the country for a long time, and so a lot of estimates suggest that we just need more housing of different kinds. So housing is going to be a, you know, a problem. And, you know, really the tools to address it are—we can raise and lower interest rates, but we don't really have the tools to address, you know, a secular housing shortage—a structural housing shortage.

MICHELLE SMITH. Chris.

CHRIS RUGABER. Thanks. Chris Rugaber, Associated Press. You mentioned on inflation services inflation being low, goods inflation looking like maybe it'll peak. We had the wages report you mentioned today showing moderating wage growth. Where are the inflation risks? It looks like inflation is cooling in your view. At the same time, you have potentially negative hiring. Why not—why aren't we hearing more about maybe more cuts in this environment?

CHAIR POWELL. Well, I think the risk of inflation is pretty clear to see. And that is, you know, we see higher inflation, as I mentioned. Most of the inflation over target is from goods. And we think, we estimate, we expect—most of us—that inflation will be a one-time price increase and then come down. We just came off an experience where inflation turned out to be much more persistent than anyone had expected. Is that going to happen now? You know, that's—so that's the risk. The risk is either that tariff inflation just turns out to be more and more persistent, maybe because companies who are now holding back from passing through the tariffs will just keep doing that. So you'll see—you see that. I think the other possibility is less likely, and that is just that, you know, the labor market gets tight or the economy gets tight and you see, you know, just traditional inflation. I don't see that as particularly likely. But—so I think—you know, again, you know, all across the Committee, people see the picture pretty similarly but see the risks quite differently. And some people do see the inflation risk. And I wouldn't dismiss that case. I don't dismiss that case. But you've got to make an assessment, and this is the assessment we made.

MICHELLE SMITH. Neil.

NEIL IRWIN. Hi, Chair Powell. Neil Irwin, with Axios. So this has come up a couple of times today, but to be clear, do you believe that we're experiencing a positive productivity shock, whether from AI or policy factors or whatever? And how much of that is—how much is that driving the higher GDP projection in the SEP?

CHAIR POWELL. So, yeah, I mean, I never thought I would see a time when we had, you know, five, six years of 2 percent productivity growth. This is higher. You know, this is definitely higher. And it was—before, it could be attributed to AI. I think you—I also think if you look at what AI can do and if you use it in your personal life, as I imagine many of us have, you can see the prospects for productivity. I think it makes people who use it more productive. It may make other people have to find other jobs, though. So it could have productivity implications while also having, you know, social and labor market implications that we don't have the tools to deal with. But, yes, I think we are seeing—we're definitely seeing higher productivity. I don't—I think it's a little quick to be saying it's generative AI. But I don't know—you know, the pandemic may have induced people to do more automation and do more things with computers to replace people. And that raises productivity, you know, output per hour.

NEIL IRWIN. Does that imply a higher—does that imply a higher neutral rate and, therefore, the policy might be a little easier than it seems?

CHAIR POWELL. All—you know, all things equal, yes. But all things aren't equal. There are many, many things pushing in different directions on where the neutral rate would be. But, yes, that argument does come up.

MICHELLE SMITH. Matt Egan.

MATT EGAN. Thanks, Chair Powell. Matt Egan, with CNN. After today, you only have three more meetings at the helm of the Fed. Since becoming Fed Chair, you've seen multiple trade wars, the pandemic, COVID reopening, a period of high inflation. I know your term's not up as Chair until May, but I'm wondering if you've given any thought to what you want your legacy to be.

CHAIR POWELL. My legacy. I—my thought is that I really want to turn this job over to whoever replaces me in—with the economy in really good shape. That's what I want to do. I want inflation to be under control, coming back down to 2 percent, and I want the labor market to be strong. That's what I want. And all of my efforts are to get to that place. They have been all along, but, ultimately, that's what I want. And it's—you know, I don't have time to think about bigger things. I have, I hope, many years ahead to worry about that. But there's enough to do.

MATT EGAN. Relatedly, have you given any more thought and can you tell us any more about your plans on whether or not you plan to stay on the Fed Board of Governors even after your term as Chair expires?

CHAIR POWELL. Again, I'm focused on—I'm focused on my remaining time as Chair. I haven't got anything new on that to tell you.

MICHELLE SMITH. Mark for the last question.

MARK HAMRICK. Chairman, Mark Hamrick, with Bankrate. Even while many price levels remain elevated, the reductions in the federal funds rate means that savings rates—or yields, to be more precise—have peaked, while key borrowing rates remain elevated. And that's, as we've discussed here, as many Americans struggle with liquidity or emergency savings challenges. Is that just collateral damage or an unintended consequence because your tools are limited in addressing individual or household liquidity constraints, insufficient money in the bank?

CHAIR POWELL. I don't know. I would—I wouldn't agree that that's collateral damage of our—I mean, over time, we do what we do in order to create price stability and maximum employment. And those things are hugely valuable to all of the people we serve. When we raise rates to bring inflation down, you know, that does work by slowing the economy, but we've moved back our rate—our policy back down to where it's not—it's certainly not strongly restrictive at this point. I think it's sort of in the range of neutral. So that's what we're trying to do. And I would want people to understand that. I think what people are feeling is the effect of higher prices. There was a global wave, sort of every large economy in the world—sort of every large open economy, market-based economy in the world had a wave of inflation that looked an awful lot like ours. We actually came through better than any other country.

Substantially better. We had higher growth, we had a better labor market. And this is really due to the American economy. We have an extraordinary economy. You know, people are innovative, they work hard. And so, you know, all of us who work in economics jobs are really fortunate to have the U.S. economy. So thank you very much.