FOMC

Minutes of the Federal Open Market Committee

December 9–10, 2025

FEDERAL RESERVE SYSTEM

Minutes of the Federal Open Market Committee

December 9–10, 2025

A joint meeting of the Federal Open Market Committee and the Board of Governors of the Federal Reserve System was held in the offices of the Board of Governors on Tuesday, December 9, 2025, at 9:00 a.m. and continued on Wednesday, December 10, 2025, at 9:00 a.m.[1]

Developments in Financial Markets and Open Market Operations

The manager turned first to an overview of broad market developments during the intermeeting period. Market participants did not materially change their macroeconomic outlooks and continued to interpret data made available over the intermeeting period as consistent with a resilient economy. Investors' expectations for the path of the policy rate, whether market based or survey based, were little changed, on net, over the period. Market participants and respondents to the Open Market Desk's Survey of Market Expectations (Desk survey) generally expected a 25 basis point reduction in the target range for the federal funds rate at the December FOMC meeting, and the modal outlook from the survey as well as from options pricing implied two additional rate cuts next year.

The manager turned next to developments in Treasury markets and market-based measures of inflation compensation. Treasury yields rose a little over the intermeeting period, on net, but remained within recent ranges. Inflation compensation moved lower over the period, particularly for shorter tenors. The manager attributed the decline in inflation compensation at shorter tenors to lower energy prices as well as a reassessment by some market participants of the likely effect of tariffs on near-term inflation. In contrast to market-based measures of inflation compensation, survey- and model-based measures of inflation expectations were little changed over the intermeeting period.

Broad equity price indexes were volatile but changed little, on net, over the intermeeting period. Equity prices showed sensitivity to economic data and policymaker communications. Developments regarding artificial intelligence (AI) also contributed to the volatility of the stock prices of the largest technology companies. The manager noted that capital expenditures on equipment and infrastructure

[1] The Federal Open Market Committee is referenced as the "FOMC" and the "Committee" in these minutes; the Board of Governors of the Federal Reserve System is referenced as the "Board" in these minutes.

related to AI by a set of large technology companies accelerated this year and that these firms were increasingly relying on debt to finance such expenditures.

Regarding international developments, the trade-weighted dollar index was little changed over the intermeeting period. Outside forecasters continued to expect that the dollar would depreciate modestly next year. Many of these forecasters expected a larger reduction in policy rates in the U.S. than in other advanced-economy jurisdictions, though their confidence in this view appeared to diminish somewhat in light of the resilience of the U.S. economy.

The manager noted that money market conditions continued to tighten over the intermeeting period and that the staff assessed that conditions were consistent with the level of reserves having declined to the ample region. Rates on Treasury repurchase agreements (repo) remained relatively elevated and volatile over the intermeeting period. Investors attributed firmness in repo rates to a decline in available liquidity and continued large Treasury debt issuance. Higher repo rates, along with a lower level of reserves, continued to contribute to upward pressure on the spread between the effective federal funds rate (EFFR) and the interest rate on reserve balances. The manager noted that the correlation between this spread and the level of reserve balances had risen notably over the past couple of months and that the EFFR had moved up faster than it had during the previous episode of balance sheet runoff. Consistent with elevated repo rates, usage of overnight reverse repo operations remained low, while both the frequency and volume of standing repo operations increased over the intermeeting period. Some other key indicators of reserve ampleness, such as the share of payments by banks occurring later in the day and the share of domestic banks borrowing in the federal funds market, also pointed to ample reserve conditions.

The manager next discussed the expected trajectory of key components of the Federal Reserve's balance sheet. Over the next several months, seasonal fluctuations in nonreserve liabilities were projected to lead to significant declines in reserves at the end of December, in late January, and especially in mid-to-late April if securities holdings in the System Open Market Account (SOMA) were to remain unchanged. The manager noted that the projected fall in reserves in April caused by tax inflows to the Treasury General Account (TGA)—which is a Federal Reserve liability—was particularly large and thus judged that reserves were likely to fall below the ample range if the size of the SOMA portfolio were to remain unchanged.

In light of this projected decline in reserves as well as recent developments in money markets, the manager recommended that the Committee consider starting reserve management purchases (RMPs) this month to maintain an ample level of reserves on an ongoing basis. Because of the substantial projected decline in reserves in mid-to-late April, the manager judged that it would be prudent to start RMPs soon, maintain a somewhat elevated pace of net purchases until then, and then decrease the monthly pace substantially thereafter. Respondents to the Desk survey expected RMPs to begin soon. Over one-third of respondents expected RMPs to be announced at this meeting and begin by next month, and most respondents anticipated them to begin before the end of the first quarter of 2026. While the estimated size of expected purchases varied considerably across respondents, on average, respondents anticipated net purchases of about $220 billion over the first 12 months of purchases.

The manager then turned to a discussion of standing repo operations and the essential role they play in supporting the implementation of monetary policy. While usage of these operations had increased recently, there had been days when a large volume of repo trades occurred well above the operations' minimum bid rate, suggesting reluctance by some potential participants to engage in standing repo operations. Market outreach suggested that this reluctance reflected misperceptions about the intended purpose of standing repo operations and that the effectiveness of these operations could be enhanced by Federal Reserve communications that explicitly clarified that the purpose of the operations is to support monetary policy implementation. Market participants also suggested that reluctance to use standing repo operations reflected in part specific operational features, and they offered a number of suggestions to enhance the effectiveness of the operations, such as allowing them to be centrally cleared and eliminating the aggregate limit of $500 billion per day. Given the importance of standing repo operations for monetary policy implementation, the manager proposed to clarify their intended role in official communications, convey the expectation that they would be used when economically sensible, and eliminate their aggregate limit.

By unanimous vote, the Committee ratified the Desk's domestic transactions over the intermeeting period. There were no intervention operations in foreign currencies for the System's account during the intermeeting period.

Special Topic: Balance Sheet Issues

Participants discussed developments in money markets and whether starting RMPs was warranted to maintain reserves at levels consistent with the Committee's ample-reserves framework laid out in its 2019 Statement Regarding Monetary Policy Implementation and Balance Sheet Normalization. With the continued increases in the spreads between money market interest rates and administered rates, as well as some other indicators of tightening money market conditions, participants judged that reserve balances had declined to ample levels. Accordingly, participants assessed that it was appropriate to begin RMPs and initiate purchases of shorter-term Treasury securities to maintain an ample supply of reserves over time.

The discussion was preceded by staff presentations. The staff emphasized that a range of levels of reserve balances was consistent with ample and presented indicators showing that money market conditions pointed to reserves being within the ample range. In particular, the spreads of the EFFR and of other money market rates to the interest rate on reserve balances had increased relatively quickly since mid-September. Additionally, several other indicators of liquidity in short-term funding markets, including the volatility of repo rates and their sensitivity to Treasury coupon issuance, pointed to reserves being within the ample range. The staff emphasized the role that standing repo operations had played in ensuring that the federal funds rate remained within its target range, even on days of elevated demand for nonreserve liabilities. The staff also noted the implications of reserves varying within the ample range for volatility and market functioning in money markets, the size of the Federal Reserve's balance sheet, and the use of standing repo operations.

The staff noted that maintaining ample reserves over time would require the SOMA security portfolio to expand to accommodate trend growth in the demand for reserves and nonreserve liabilities. In addition, under the ample-reserves framework, the size of the SOMA portfolio would need to be sufficient to accommodate significant seasonal variation in the demand for nonreserve liabilities, such as that driven by fluctuations in TGA balances. The staff presented options for how the Desk could structure RMPs to maintain an ample supply of reserves. They noted the benefits of granting the Desk flexibility to adjust the sizes of RMPs in anticipation of or in response to swings in reserve demand and the demand for nonreserve liabilities. The staff also noted that, consistent with the goal of returning to a primarily Treasury portfolio expressed in the Committee's 2022 Principles for Reducing the Size of the Federal Reserve's Balance Sheet and a preference to shift the SOMA portfolio composition toward that of Treasury securities outstanding, RMPs could be conducted primarily in Treasury bills.

Participants agreed that recent money market conditions pointed to reserves being within the ample range and that beginning RMPs would be prudent to maintain a supply of ample reserves. A couple of participants remarked that the recent increase in the spread between the EFFR and the interest rate on reserve balances had been faster than during the Federal Reserve's 2017–19 runoff experience, and a couple of participants observed that triparty repo rates had been averaging somewhat above the interest rate on reserve balances. Participants expressed their preferences for purchases to be in Treasury bills so that the SOMA portfolio composition would begin to shift toward that of Treasury securities outstanding, though no decision was made on the composition of the portfolio in the long run. Policymakers generally emphasized the importance of communicating that RMPs would be made solely to ensure interest rate control and smooth market functioning and had no implications for the stance of monetary policy.

Participants generally agreed that providing the Desk flexibility to adjust the size and timing of RMPs was important because of the significant variation in the demand for Federal Reserve liabilities and the uncertainty surrounding projections of this demand. When discussing how to structure RMPs in light of this variation, several participants emphasized that they preferred to front-load purchases so that the total level of reserves supplied to the market would be enough to manage large anticipated seasonal swings in nonreserve liabilities without having to rely on standing repo operations. Some other participants, however, preferred to limit balance sheet size by conducting RMPs closer to periods of elevated demand for nonreserve liabilities and relying more on standing repo operations to damp upward pressure on rates. Several participants noted that aligning variation in SOMA Treasury bill holdings with variation in nonreserve liabilities would insulate reserve supply from TGA changes, citing research by the Federal Reserve staff.

Participants also discussed the role of standing repo operations and commented on their importance for interest rate control in the ample-reserves regime. Some participants emphasized their preference that standing repo operations play a more active role in rate control, with material usage during periods of elevated pressures in money markets. A couple of participants added that effective standing repo operations may allow for a smaller balance sheet on average. Several participants preferred to rely more on RMPs to maintain an ample level of reserves.

Various participants noted that a more precise definition of “ample” would help clarify the Committee’s intentions in implementing an ample-reserves framework. A few participants noted the difficulties of aiming to target an appropriate level of reserves because of the potential shifts in reserve demand. Some participants offered a view that an ample-reserves definition should focus on the level of money market rates in relation to the interest rate on reserve balances, with a few of those participants highlighting that such an approach would avoid some of the challenges of targeting a particular level of reserves given potential shifts in reserve demand. A couple of participants expressed the view that a definition of “ample reserves” that resulted in a larger supply of reserves than necessary to implement the Committee’s framework could lead to excessive risk-taking by leveraged investors.

Staff Review of the Economic Situation

The information available at the time of the meeting indicated that real gross domestic product (GDP) had expanded moderately over this year. The unemployment rate had edged up and the pace of payroll employment increases had slowed through September; more recent labor market indicators were consistent with these developments. Consumer price inflation had moved up since earlier in the year and remained somewhat elevated.

The unemployment rate ticked up to 4.4 percent in September, continuing the gradual upward trend seen since the middle of the year. The average monthly pace of total payroll gains continued to be slower in the third quarter than early in the year. Other available labor market indicators—such as initial claims for unemployment insurance benefits, rates of job openings and layoffs, and survey measures of households' and businesses' perceptions of the balance between labor demand and supply—were consistent with a gradual cooling in labor market conditions since September. The employment cost index for total private-sector labor compensation rose 3.5 percent over the 12 months ending in September, and average hourly earnings for all employees increased 3.8 percent over the same 12-month period. Both measures of hourly labor compensation growth were close to their year-earlier rates.

Total consumer price inflation—as measured by the 12-month change in the price index for personal consumption expenditures (PCE)—was 2.8 percent in September. Core PCE price inflation, which excludes changes in consumer energy prices and many consumer food prices, was also 2.8 percent in September. Both total and core PCE price inflation were somewhat higher than earlier in the year. Core services price inflation had moved down, but core goods price inflation had picked up, which the staff largely attributed to the effects of higher tariffs.

The available indicators suggested that real GDP growth was solid in the third quarter, although the average rate of increase over the first three quarters of the year was moderate and slower than its 2024 pace. Real private domestic final purchases—which comprises PCE and private fixed investment spending and which often provides a better signal of underlying economic momentum than does GDP—appeared to have risen faster than GDP over the first three quarters of the year but also had slowed relative to last year. Real goods imports declined in August, reversing the increase in the preceding month, while real goods exports edged down further. The federal government shutdown was expected to reduce real GDP growth around 1 percentage point in the fourth quarter, with a corresponding boost to output growth in the first quarter of 2026.

Foreign economic activity continued to expand at a below-trend pace in the third quarter, with real GDP having contracted in Mexico and Japan and having grown at only a lackluster pace in Europe. By contrast, economic activity in emerging Asia remained robust amid continued strong external demand for high-tech products and Chinese firms having boosted exports to markets other than the U.S.

Headline inflation continued to run near central bank targets in many foreign economies, aided by declines in global energy prices so far this year. Core inflation, however, remained persistently elevated in some economies. A few foreign central banks reduced their policy rates, including the Bank of Canada and the Bank of Mexico, with most others leaving them unchanged.

Staff Review of the Financial Situation

Over the intermeeting period, both the market-implied expected path of the federal funds rate and nominal Treasury yields edged up on net. Changes in nominal yields reflected increases in real yields, while inflation compensation declined a bit, especially at shorter horizons. Broad equity prices were little changed. While the one-month option-implied volatility on the S&P 500 index at one point reached its highest level since early April, it ended the period roughly unchanged. Investment- and speculative-grade corporate bond spreads increased somewhat but remained at low levels.

In foreign financial markets, longer-term yields increased notably over the intermeeting period because of various country-specific factors, including stronger-than-expected employment gains in Canada and rising odds of further monetary policy tightening and fiscal expansion in Japan. In addition, in the euro area, stronger-than-expected data on economic activity and European Central Bank communications regarded as signaling less accommodative policy contributed to rising yields. Foreign equity indexes and the broad dollar index were little changed, on net, over the intermeeting period.

Conditions in U.S. short-term funding markets remained orderly but were generally tighter over the intermeeting period. In secured markets, liquidity conditions were tighter, on average, amid robust Treasury issuance, declining reserve balances in recent months, and month-end pressures. Over the intermeeting period, the average level of reserve balances was around $2.9 trillion, about $500 billion lower relative to the level of reserve balances at the start of the Federal Reserve's balance sheet reductions in June 2022.

In domestic credit markets, conditions for businesses, households, and municipalities were little changed on balance. Financing conditions remained somewhat restrictive for households and small businesses. Meanwhile, large and midsize businesses continued to access credit markets at a solid pace. Credit performance was largely unchanged, with delinquency rates for small businesses, commercial real estate (CRE), and consumer loans remaining elevated. Yields on corporate bonds increased somewhat. Rates on 30-year fixed-rate conforming residential mortgages, as well as yields on non-agency commercial mortgage-backed securities (CMBS), rose moderately.

Credit remained generally available to most businesses, households, and municipalities. Bank loans expanded at a solid pace, and issuance in public and private credit markets was strong, as relatively high interest rates did not appear to significantly restrain borrowing in these markets. By contrast, indicators of credit growth for households and small businesses remained sluggish amid high borrowing costs.

Credit performance was little changed in most markets, and credit quality for corporate bonds and leveraged loans had not shown signs of deterioration following two high-profile bankruptcy filings in the fall. There were no nonfinancial corporate bond defaults in September or October, bringing the 12-month trailing default rate below the 35th percentile of its post–Global Financial Crisis distribution. The 12-month trailing default rate for leveraged loans declined a bit in October but remained at an elevated level. Delinquency rates on CRE loans at banks were largely unchanged in the third quarter and remained above pre-pandemic levels, while CMBS delinquency rates had moved sideways since the beginning of the year. Measures of credit performance for household debt were little changed recently.

Staff Economic Outlook

Relative to the forecast prepared for the October meeting, real GDP growth was projected to be modestly faster, on balance, through 2028, primarily reflecting greater projected support from financial market conditions and somewhat stronger expected potential output growth. After 2025, GDP growth was expected to remain above potential through 2028 as the drag from higher tariffs waned and fiscal policy and financial market conditions continued to support spending. As a result, the unemployment rate was expected to decline gradually after this year and reach a level a little below the staff's estimate of the natural rate of unemployment by 2027.

The staff's inflation forecast for 2025 and 2026 was a little lower, on balance, than the one prepared for the October meeting but similar for 2027 and 2028. Tariff increases were expected to continue to put upward pressure on inflation this year and next. Thereafter, inflation was projected to return to its previous disinflationary trend and to reach 2 percent in 2028.

The staff still viewed the uncertainty around the forecast as elevated, given cooling labor market conditions, still-elevated inflation, and the uncertainty about government policy changes and their effects on the economy. Risks around the forecasts for employment and real GDP growth continued to be seen as skewed to the downside, as softening labor market conditions and elevated economic uncertainty raised the risk of a sharper-than-expected weakening in the economy. Risks around the inflation forecast continued to be seen as skewed to the upside, with the upward pressure on inflation this year and next—after more than four years of inflation being above 2 percent—raising the possibility that inflation would prove to be more persistent than the staff expected.

Participants' Views on Current Conditions and the Economic Outlook

In conjunction with this FOMC meeting, participants submitted their projections of the most likely outcomes for real GDP growth, the unemployment rate, and inflation for each year from 2025 through 2028 and over the longer run. The projections were based on participants' individual assessments of appropriate monetary policy, including their projections of the federal funds rate. Participants also provided their individual assessments of the level of uncertainty and the balance of risks associated with their projections. The Summary of Economic Projections was released to the public after the meeting.

Participants observed that overall inflation had moved up through September since earlier in the year and remained somewhat above the Committee's 2 percent longer-run goal, but more recent inflation data produced by the government were unavailable. Most participants remarked that core inflation had been pushed up by higher tariffs that boosted goods prices, even as some participants noted that housing services inflation had moved down closer to levels seen during previous periods when inflation was near 2 percent. A couple of participants commented that inflation in some nonmarket services categories had been affected by special factors, and thus were unlikely to provide a clear signal about broader inflationary pressures. A majority of participants remarked that overall inflation had been above target for some time and had not moved closer to the 2 percent objective over the past year.

Regarding the outlook for inflation, participants generally expected inflation to remain somewhat elevated in the near term before moving gradually to 2 percent. Many participants emphasized that they expected that the effects of tariffs on core goods inflation would wane, although some expressed uncertainty about when these effects would diminish or the extent to which tariffs would ultimately be passed through to final goods prices. Some participants stated that their business contacts had reported persistent input cost pressures unrelated to tariffs, although several of these participants noted that weaker demand limited the ability of some firms to raise prices or that business productivity gains might enable some firms to manage these cost pressures. A majority of participants expected continued disinflation in housing services, and a few participants expected continued disinflation in core nonhousing services. Participants generally judged that the risks to inflation remained tilted to the upside, although several participants commented that they considered these upside risks to have decreased. Some participants highlighted the risk that elevated inflation might prove more persistent than expected.

Participants noted that market- and survey-based measures of longer-term inflation expectations remained stable. A few participants remarked that measures of near-term inflation expectations had been elevated earlier in 2025 but had declined from those peaks. Participants emphasized the importance of maintaining well-anchored longer-run inflation expectations to help return inflation to the Committee's 2 percent objective in a timely manner, and some participants noted concerns that a more prolonged period of above-target inflation could risk an increase in longer-run expectations.

With regard to the labor market, participants observed that labor market conditions had continued to soften and that the unemployment rate had edged up in September. Participants reported relying on private-sector and limited government data, as well as information provided by businesses and community contacts, to assess more recent labor market conditions. Most participants remarked that some of the most recent indicators of labor market conditions, including survey-based measures of job availability or reports of planned layoffs, pointed to continued softening. Some participants noted, however, that other indicators, such as weekly initial unemployment insurance claims and measures of job postings, suggested more stability. Several participants commented that lower-income households were especially concerned about their employment prospects. Participants observed that hiring had remained subdued, and some participants pointed to survey-based measures or reports from business contacts that suggested that current hiring plans remained muted. Participants generally viewed the low dynamism in the labor market as reflecting both lower labor demand amid economic uncertainty or efforts by businesses to contain costs and decreased labor supply associated with lower immigration, the aging of the population, or reduced labor force participation.

Participants generally assessed that, under appropriate monetary policy, the labor market likely would stabilize next year but noted that their outlook for the labor market was still quite uncertain, especially amid the delays in the release of government data. Most participants judged that risks to the labor market remained tilted to the downside. Several participants viewed the rise in the unemployment rates for groups historically more sensitive to cyclical changes in economic activity, the possibility that layoffs could push the unemployment rate sharply higher in a low-hiring environment, or the concentration of job gains in a few less cyclically sensitive sectors as potentially signaling greater fragility in the labor market.

Participants observed that overall economic activity appeared to be expanding at a moderate pace. Many participants viewed aggregate consumption spending as solid, although several pointed to signs of some recent slowing. A majority of participants mentioned evidence of stronger spending growth for higher-income households, while lower-income households had become increasingly price sensitive and were making adjustments to their spending in response to the outsized cumulative increase in the prices of basic goods and services over the past several years. A couple of participants remarked that the housing sector showed some signs of stabilizing and that recent declines in mortgage rates would provide support to the sector. Some participants commented that economic activity had also been supported by robust business fixed investment, with several pointing to investment by the technology sector in particular. A couple of participants commented that the agricultural sector continued to face headwinds because of high input costs or reduced capacity in the food processing industry even though prices for many agricultural products had risen over the past year. Several participants noted that there could be swings in measures of economic activity associated with the government shutdown, which could make it more difficult over coming months to determine the underlying trend in growth.

Participants generally anticipated that the pace of economic growth would pick up in 2026 and that, in the medium term, economic activity would expand at about the same pace as potential output. Many participants expected growth to be supported by fiscal policy, changes in regulatory policy, or somewhat favorable financial market conditions. Nevertheless, participants judged that uncertainty about their forecast of real GDP growth remained high. Moreover, a number of participants noted that structural factors such as technological progress and higher productivity growth, possibly reflecting increasing use of AI, could boost economic growth without generating price pressures and could also damp job creation. These participants remarked that it could be difficult in real time to determine the extent to which economic conditions reflect such structural factors as opposed to cyclical ones.

In their consideration of monetary policy at this meeting, participants noted that inflation had moved up since earlier in the year and remained somewhat elevated. Participants further noted that available indicators suggested that economic activity had been expanding at a moderate pace. They observed that job gains had slowed this year and that the unemployment rate had edged up through September. Participants assessed that more recent indicators were consistent with these developments. In addition, they judged that downside risks to employment had risen in recent months.

Against this backdrop, most participants supported lowering the target range for the federal funds rate at this meeting, while some preferred to keep the target range unchanged. A few of those who supported lowering the policy rate at this meeting indicated that the decision was finely balanced or that they could have supported keeping the target range unchanged. Those who favored lowering the target range for the federal funds rate generally judged that such a decision was appropriate because downside risks to employment had increased in recent months and upside risks to inflation had diminished since earlier in 2025 or were little changed. Some of these participants emphasized that lowering the target range for the federal funds rate at this meeting was in line with a forward-looking approach to the pursuit of the Committee’s dual-mandate objectives. These participants noted that reducing the policy rate at this meeting would be consistent with the projected decline in inflation over coming quarters while contributing to a strengthening of economic activity in 2026 that would help stabilize labor market conditions after this year’s cooling. Those who preferred to keep the target range for the federal funds rate unchanged at this meeting expressed concern that progress toward the Committee’s 2 percent inflation objective had stalled in 2025 or indicated that they needed to have more confidence that inflation was being brought down sustainably to the Committee’s objective. These participants also noted that longer-term inflation expectations could rise should inflation not return to 2 percent in a timely manner. Some participants who favored or could have supported keeping the target range unchanged suggested that the arrival of a considerable amount of labor market and inflation data over the coming intermeeting period would be helpful in making judgments on whether a rate reduction was warranted. A few participants judged that lowering the federal funds rate target range at this meeting was not justified because data received over the intermeeting period did not suggest any significant further weakening in the labor market. One participant agreed with the need to move toward a more neutral monetary policy stance but preferred lowering the target range by ½ percentage point at this meeting.

In considering the outlook for monetary policy, participants expressed a range of views about the restrictiveness of the Committee's policy stance. Most participants judged that further downward adjustments to the target range for the federal funds rate would likely be appropriate if inflation declined over time as expected. With respect to the extent and timing of additional adjustments to the target range for the federal funds rate, some participants suggested that, under their economic outlooks, it would likely be appropriate to keep the target range unchanged for some time after a lowering of the range at this meeting. A few participants observed that such an approach would allow policymakers to assess the lagged effects on the labor market and economic activity of the Committee's recent moves toward a more neutral policy stance while also giving policymakers time to acquire more confidence about inflation returning to 2 percent. All participants agreed that monetary policy was not on a preset course and would be informed by a wide range of incoming data, the evolving economic outlook, and the balance of risks.

In discussing risk-management considerations that could bear on the outlook for monetary policy, participants generally judged that upside risks to inflation remained elevated and that downside risks to employment were elevated and had increased since the middle of 2025. Most participants noted that a move toward a more neutral policy stance would help forestall the possibility of a major deterioration in labor market conditions. Many of these participants also judged that the available evidence pointed to a reduced probability that tariffs would lead to persistent inflation pressures. These participants observed that it was appropriate for the Committee to ease its policy stance in response to downside risks to employment, thereby helping to bring the risks to achieving the dual-mandate goals into better balance, and suggested that a move toward a more neutral policy stance at this meeting would leave policymakers well positioned to determine the extent and timing of additional adjustments to the policy rate, with these judgments being based on the incoming data, the evolving outlook, and the balance of risks. By contrast, several participants pointed to the risk of higher inflation becoming entrenched and suggested that lowering the policy rate further in the context of elevated inflation readings could be misinterpreted as implying diminished policymaker commitment to the 2 percent inflation objective. Participants judged that a careful balancing of risks was required and agreed on the importance of well-anchored longer-term inflation expectations in achieving the Committee's dual-mandate objectives.

Committee Policy Actions

In their discussions of the monetary policy decision for this meeting, members agreed that available indicators suggested that economic activity had been expanding at a moderate pace. They also agreed that job gains had slowed this year and that the unemployment rate had edged up through September. Members observed that more recent indicators were consistent with these developments. They noted that inflation had moved up since earlier in the year and remained somewhat elevated. They agreed that the Committee was attentive to the risks to both sides of its dual mandate and that downside risks to employment had risen in recent months.

In support of the Committee's goals and in light of the shift in the balance of risks, nine members agreed to lower the target range for the federal funds rate by ¼ percentage point to 3½ to 3¾ percent. Three members voted against that decision; two preferred to leave the target range unchanged, while the other preferred to lower the target range ½ percentage point. Members agreed that, in considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee would carefully assess incoming data, the evolving outlook, and the balance of risks. All members agreed that the postmeeting statement should relay this judgment about additional rate adjustments and that it also should affirm their strong commitment both to supporting maximum employment and to returning inflation to the Committee's 2 percent objective.

Members agreed that, in assessing the appropriate stance of monetary policy, the Committee would continue to monitor the implications of incoming information for the economic outlook. They would be prepared to adjust the stance of monetary policy as appropriate if risks emerged that could impede the attainment of the Committee's goals. Members also agreed that their assessments would take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

In light of the meeting's discussion of balance sheet considerations, members agreed that reserve balances had declined to ample levels and that the Committee would initiate purchases of shorter-term Treasury securities as needed to maintain an ample supply of reserves on an ongoing basis. They also agreed to remove the aggregate limit on standing repo operations.

At the conclusion of the discussion, the Committee voted to direct the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the SOMA in accordance with the following domestic policy directive, for release at 2:00 p.m.:

> "Effective December 11, 2025, the Federal Open Market Committee directs the Desk to:
>
> - Undertake open market operations as necessary to maintain the federal funds rate in a target range of 3½ to 3¾ percent.
> - Conduct standing overnight repurchase agreement operations at a rate of 3.75 percent.

- Conduct standing overnight reverse repurchase agreement operations at an offering rate of 3.5 percent and with a per-counterparty limit of $160 billion per day.

- Increase the System Open Market Account holdings of securities through purchases of Treasury bills and, if needed, other Treasury securities with remaining maturities of 3 years or less to maintain an ample level of reserves.

- Roll over at auction all principal payments from the Federal Reserve's holdings of Treasury securities. Reinvest all principal payments from the Federal Reserve's holdings of agency securities into Treasury bills."

The vote also encompassed approval of the statement below for release at 2:00 p.m.:

> "Available indicators suggest that economic activity has been expanding at a moderate pace. Job gains have slowed this year, and the unemployment rate has edged up through September. More recent indicators are consistent with these developments. Inflation has moved up since earlier in the year and remains somewhat elevated.
>
> The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment rose in recent months.
>
> In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by ¼ percentage point to 3½ to 3¾ percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.
>
> In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.
>
> The Committee judges that reserve balances have declined to ample levels and will initiate purchases of shorter-term Treasury securities as needed to maintain an ample supply of reserves on an ongoing basis."

Voting for this action: Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Susan M. Collins; Lisa D. Cook; Philip N. Jefferson; Alberto G. Musalem; and Christopher J. Waller.

Voting against this action: Stephen I. Miran, who preferred to lower the target range for the federal funds rate by ½ percentage point at this meeting; and Austan D. Goolsbee and Jeffrey R. Schmid, who preferred no change to the target range for the federal funds rate at this meeting.

Consistent with the Committee's decision to lower the target range for the federal funds rate to 3½ to 3¾ percent, the Board of Governors of the Federal Reserve System voted unanimously to lower the interest rate paid on reserve balances to 3.65 percent, effective December 11, 2025. The Board of Governors of the Federal Reserve System voted unanimously to approve a ¼ percentage point decrease in the primary credit rate to 3.75 percent, effective December 11, 2025.[2]

It was agreed that the next meeting of the Committee would be held on Tuesday–Wednesday, January 27—28, 2026. The meeting adjourned at 10:30 a.m. on December 10, 2025.

Notation Vote

By notation vote completed on November 18, 2025, the Committee unanimously approved the minutes of the Committee meeting held on October 28—29, 2025.

Attendance

Jerome H. Powell, Chair
John C. Williams, Vice Chair
Michael S. Barr
Michelle W. Bowman
Susan M. Collins
Lisa D. Cook
Austan D. Goolsbee
Philip N. Jefferson
Stephen I. Miran
Alberto G. Musalem
Jeffrey R. Schmid
Christopher J. Waller

[2] In taking this action, the Board approved requests to establish that rate submitted by the Board of Directors of the Federal Reserve Banks of New York, Philadelphia, St. Louis, and San Francisco. The vote also encompassed approval by the Board of Governors of the establishment of a 3.75 percent primary credit rate by the remaining Federal Reserve Banks, effective on December 11, 2025, or the date such Reserve Banks inform the Secretary of the Board of such a request. (Secretary's note: Subsequently, the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, and Dallas were informed of the Board's approval of their establishment of a primary credit rate of 3.75 percent, effective December 11, 2025.)

Beth M. Hammack, Neel Kashkari, Lorie K. Logan, Anna Paulson, and Sushmita Shukla, Alternate Members of the Committee

Thomas I. Barkin, Raphael W. Bostic, and Mary C. Daly, Presidents of the Federal Reserve Banks of Richmond, Atlanta, and San Francisco, respectively

Joshua Gallin, Secretary
Matthew M. Luecke, Deputy Secretary
Brian J. Bonis, Assistant Secretary
Michelle A. Smith, Assistant Secretary
Mark E. Van Der Weide, General Counsel
Richard Ostrander, Deputy General Counsel
Trevor A. Reeve, Economist
Stacey Tevlin, Economist
Beth Anne Wilson, Economist

Shaghil Ahmed, Brian M. Doyle, Eric M. Engen,[3] Carlos Garriga, Joseph W. Gruber, William Wascher, and Egon Zakrajšek, Associate Economists

Roberto Perli, Manager, System Open Market Account

Julie Ann Remache, Deputy Manager, System Open Market Account

Jose Acosta, Senior System Engineer II, Division of Information Technology, Board

Sriya Anbil, Group Manager, Division of Monetary Affairs, Board

Alyssa Arute,[4] Assistant Director, Division of Reserve Bank Operations and Payment Systems, Board

Alessandro Barbarino, Special Adviser to the Board, Division of Board Members, Board

Michael Blume, Principal Software Developer, Division of Monetary Affairs, Board

Camille Bryan, Senior Project Manager, Division of Monetary Affairs, Board

Mark A. Carlson, Senior Adviser, Division of Monetary Affairs, Board

Michele Cavallo, Special Adviser to the Board, Division of Board Members, Board

Stephanie E. Curcuru, Deputy Director, Division of International Finance, Board

Marnie Gillis DeBoer, Senior Associate Director, Division of Monetary Affairs, Board

Laura J. Feiveson, Special Adviser to the Board, Division of Board Members, Board

Andrew Figura, Senior Associate Director, Division of Research and Statistics, Board

Jonas Fisher, Senior Vice President, Federal Reserve Bank of Chicago

Glenn Follette, Associate Director, Division of Research and Statistics, Board

Greg Frischmann, Senior Special Counsel, Legal Division, Board; Special Adviser to the Board, Division of Board Members, Board

Jenn Gallagher, Assistant to the Board, Division of Board Members, Board

Brian Gowen,[4] Capital Markets Trading Principal, Federal Reserve Bank of New York

---

[3] Attended from the discussion of the economic and financial situation through the end of Wednesday's session.
[4] Attended through the discussion of balance sheet issues.

Christopher J. Gust,[4] Associate Director, Division of Monetary Affairs, Board

James Hebden, Principal Economic Modeler, Division of Monetary Affairs, Board

Gabriel Herman,[4] Quantitative Principal, Federal Reserve Bank of New York

Valerie S. Hinojosa, Section Chief, Division of Monetary Affairs, Board

Jane E. Ihrig, Special Adviser to the Board, Division of Board Members, Board

Michael T. Kiley, Deputy Director, Division of Monetary Affairs, Board

Kyungmin Kim,[4] Principal Economist, Division of Monetary Affairs, Board

Elizabeth Klee, Deputy Director, Division of Monetary Affairs, Board

Eric J. Kollig, Special Assistant to the Board, Division of Board Members, Board

Anna R. Kovner, Executive Vice President, Federal Reserve Bank of Richmond

Andreas Lehnert, Director, Division of Financial Stability, Board

Eric LeSueur,[4] Policy and Market Analysis Advisor, Federal Reserve Bank of New York

Kurt F. Lewis, Special Adviser to the Chair, Division of Board Members, Board

Logan T. Lewis, Section Chief, Division of International Finance, Board

Laura Lipscomb, Special Adviser to the Board, Division of Board Members, Board

Edith Liu, Section Chief, Division of Monetary Affairs, Board

Benjamin W. McDonough, Deputy Secretary and Ombudsman, Office of the Secretary, Board

Andrew Meldrum,[4] Associate Director, Division of Monetary Affairs, Board

Jason Miu,[4] Associate Director, Federal Reserve Bank of New York

Linsey Molloy,[4] Associate Director, Federal Reserve Bank of New York

Raven Molloy, Deputy Associate Director, Division of Research and Statistics, Board

Fernanda Nechio, Vice President, Federal Reserve Bank of San Francisco

Edward Nelson, Senior Adviser, Division of Monetary Affairs, Board

Giovanni Nicolò, Principal Economist, Division of Monetary Affairs, Board

Anna Nordstrom, Head of Markets, Federal Reserve Bank of New York

Alyssa T. O'Connor, Special Adviser to the Board, Division of Board Members, Board

Michael G. Palumbo, Senior Associate Director, Division of Research and Statistics, Board

Matthias Paustian, Assistant Director, Division of Research and Statistics, Board

Paolo A. Pesenti, Director of Monetary Policy Research, Federal Reserve Bank of New York

Caterina Petrucco-Littleton,[5] Deputy Associate Director, Division of Consumer and Community Affairs, Board; Special Adviser to the Board, Division of Board Members, Board

[5] Attended Tuesday's session only.

Eugenio P. Pinto, Special Adviser to the Board, Division of Board Members, Board

Odelle Quisumbing,[6] Assistant to the Secretary, Office of the Secretary, Board

Andrea Raffo, Senior Vice President, Federal Reserve Bank of Minneapolis

William E. Riordan,[4] Capital Markets Trading Advisor, Federal Reserve Bank of New York

Romina D. Ruprecht,[4] Senior Economist, Division of Monetary Affairs, Board

Zeynep Senyuz, Special Adviser to the Board, Division of Board Members, Board

Donald Keith Sill, Interim Director of Research, Federal Reserve Bank of Philadelphia

James M. Trevino,[4] Principal Economic Modeler, Division of Monetary Affairs, Board

Skander J. Van den Heuvel, Associate Director, Division of Financial Stability, Board

Willem Van Zandweghe, Vice President, Federal Reserve Bank of Cleveland

Clara Vega, Deputy Associate Director, Division of Research and Statistics, Board

Annette Vissing-Jørgensen, Senior Adviser, Division of Monetary Affairs, Board

Jeffrey D. Walker,[4] Senior Associate Director, Division of Reserve Bank Operations and Payment Systems, Board

Min Wei, Senior Associate Director, Division of Monetary Affairs, Board

Randall A. Williams, Group Manager, Division of Monetary Affairs, Board

Jonathan Willis, Vice President, Federal Reserve Bank of Atlanta

Rebecca Zarutskie, Senior Vice President, Federal Reserve Bank of Dallas

Joshua Gallin
Secretary

[6] Attended through the discussion of balance sheet issues and the discussion of monetary policy.