

**Transcript of Chair Powell's Press Conference
October 29, 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 some important federal government data have been delayed due to the shutdown, the public- and private-sector data that have remained available suggest that the outlook for employment and inflation has not changed much since our meeting in September. 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 $\frac{1}{4}$ percentage point. We also decided to conclude the reduction of our aggregate securities holdings as of December 1. I will have more to say about monetary policy after briefly reviewing economic developments.

Available indicators suggest that economic activity has been expanding at a moderate pace. GDP rose at a 1.6 percent pace in the first half of the year, down from 2.4 percent last year. Data available prior to the shutdown show that growth in economic activity may be on a somewhat firmer trajectory than expected, primarily reflecting stronger consumer spending. Business investment in equipment and intangibles has continued to expand, while activity in the housing sector remains weak. The shutdown of the federal government will weigh on economic activity while it persists, but these effects should reverse after the shutdown ends.

In the labor market, the unemployment rate remained relatively low through August. Job gains have 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. Although official employment data for September 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. In this less dynamic and somewhat softer labor market, the downside risks to employment appear to have risen in recent months.

Inflation has eased significantly from its highs in mid-2022 but remains somewhat elevated relative to our 2 percent longer-run goal. Estimates based on the consumer price index suggest that total PCE prices rose 2.8 percent over the 12 months ending in September and that, excluding the volatile food and energy categories, core PCE prices rose 2.8 percent as well. These readings are higher than earlier in the year, as inflation for goods has picked up. In contrast, disinflation appears to be continuing for services. Near-term measures of inflation expectations have moved up, on balance, over the course of this year on news about tariffs, as reflected in both market- and survey-based measures. Beyond the next year or so, however, most measures of longer-term expectations remain consistent with our 2 percent inflation goal.

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 $\frac{1}{4}$ percentage point to $3\frac{3}{4}$ to 4 percent.

Higher tariffs are pushing up prices in some categories of goods, resulting in higher overall inflation. A reasonable base case is that the effects on inflation will be relatively short lived—a one-time shift in the price level. But it is also possible that the inflationary effects could instead be more persistent, and that is a risk to be assessed and managed. Our obligation is

to ensure that a one-time increase in the price level does not become an ongoing inflation problem.

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. Our framework calls for us to take a balanced approach in promoting both sides of our dual mandate. With downside risks to employment having increased in recent months, the balance of risks has shifted. Accordingly, we judged it appropriate at this meeting to take another step toward a more neutral policy stance.

With today's decision, we remain well positioned to respond in a timely way to potential economic developments. We will continue to determine the appropriate stance of monetary policy based on the incoming data, the evolving outlook, and the balance of risks. We continue to face two-sided risks. In the Committee's discussions at this meeting, there were strongly differing views about how to proceed in December. A further reduction in the policy rate at the December meeting is not a foregone conclusion—far from it. Policy is not on a preset course.

At today's meeting, the Committee also decided to conclude the reduction of our aggregate securities holdings as of December 1. Our long-stated plan has been to stop balance sheet runoff when reserves are somewhat above the level we judge consistent with ample reserve conditions. Signs have clearly emerged that we have reached that standard. In money markets, repo rates have moved up relative to our administered rates, and we have seen more notable pressures on selected dates along with more use of our standing repo facility. In addition, the effective federal funds rate has begun to move up relative to the rate of interest on reserve balances. These developments are what we expected to see as the size of our balance sheet declined and warrant today's decision to cease runoff.

Over the three and a half years that we have been shrinking our balance sheet, our securities holdings have declined by \$2.2 trillion. As a share of nominal GDP, our balance sheet has fallen from 35 percent to about 21 percent. In December, we will enter the next phase of our normalization plans by holding the size of our balance sheet steady for a time while reserve balances continue to move gradually lower as other nonreserve liabilities such as currency keep growing. We will continue to allow agency securities to run off our balance sheet and will reinvest the proceeds from those securities in Treasury bills, furthering progress toward a portfolio consisting primarily of Treasury securities. This reinvestment strategy will also help move the weighted average maturity of our portfolio closer to that of the outstanding stock of Treasury securities, thus furthering the normalization of the composition of our balance sheet.

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. We at the Fed will do everything we can to achieve our maximum-employment and price-stability goals. Thank you. I look forward to your questions.

MICHELLE SMITH. Nick.

NICK TIMIRAOS. Nick Timiraos, the *Wall Street Journal*. Chair Powell, are you uncomfortable with how market pricing has assumed a rate cut is a foregone conclusion at your next meeting?

CHAIR POWELL. Well, as I just mentioned, a further reduction to the policy rate at the December meeting is not a foregone conclusion, as I've just said. So I would say that that needs

to be taken on board. We had—you know, I would just say this—19 participants on the Committee, everyone works very hard at this and takes their obligations to serve the American people very seriously. And at a time when we have tension between our two goals, we have strong views across the Committee. And, as I mentioned, they were strongly differing views today. And the “takeaway” from that is that we haven’t made a decision about December, and we’re going to be looking at the data that we have, how that affects the outlook and the balance of risks, and I’ll just say that.

NICK TIMIRAOS. You and some of your colleagues have framed last month and maybe today—I won’t put words in your mouth—as a risk-management exercise. At what point do you conclude that you’ve taken out enough insurance? Are you looking for some kind of improvement in the outlook? Or could this unfold along the lines of last year, where you made a sequence of adjustments and waited to gather more information?

CHAIR POWELL. So the way we have been thinking—the way I’ve been thinking about it is the risks to the two goals—for a very long time, the risk was clearly of higher inflation, and then that has changed now. And as we saw the—particularly after we saw—after the July meeting, we saw downward revisions in job creation, we saw a very different picture of the labor market and suggested that there were higher downside risks to the labor market than we had thought. And that suggested that policy, which we had been holding at a, I would say, “modestly”—other people would say “moderately”—restrictive level, needed to move more in the direction, over time, of neutral. If the two goals are sort of equally at risk, then you ought to be at neutral, because one of them is calling for you to hike, and one of them is calling for you to cut. So if that got back into balance, then you’d want to be roughly at neutral. So in that sense,

it was a [case of] risk management, and I would say the same about today—sort of the same logic. But as I mentioned, going forward is a different thing.

MICHELLE SMITH. Claire.

CLAIRE JONES. Claire Jones, *Financial Times*. Thank you for taking this question. We've just heard from you that the discussion in December and the conclusion that the discussion is not a foregone conclusion. I'd like to just dig into that a little bit more, about what sort of arguments were brought up. Was there any consideration, for instance, of the investment we're seeing in AI and some of the generation of household wealth through rises in stock prices related to the AI boom? Thank you.

CHAIR POWELL. I wouldn't say that's a—that's a factor in everyone's assessment of the economy. I wouldn't say it's a driving factor, I don't think, for anybody. I guess I would say it this way: Once again, I would just point out that we have the situation where the risks are to the upside for inflation and to the downside for employment. We have one tool. It can't do both of those—you can't address both of those at once. You've got a very different situation. So you have some people—people have different forecasts, right? So they'll feel—they'll forecast faster or slower progress on one or the other. And they also have different levels of risk aversion. And people—some will be more averse to inflation overruns, and some will be more averse to underruns of employment. And so you put that together, and as you can see from the SEP and from the public discussion that goes on between the meetings when participants go out and talk, they're very disparate views. And they were reflected in strongly differing views in today's meeting, as I pointed out in my remarks. And that's what leads me to say that, that we haven't made a decision about December. You know, I always say that it's a fact that we don't make

decisions in advance. But this is—I'm saying something in addition here, that it's not—it's not to be seen as a foregone conclusion—in fact, far from it.

CLAIRE JONES. Can I just ask you a quick follow-up on QT? How much of the fund impressions we've seen in money markets are related to the U.S. Treasury issuing more short-term debt?

CHAIR POWELL. That could be one of the factors, but the reality is that we've seen—the things that we've seen, higher repo rates and the federal funds rate moving up, these are the very things that we—that we look for. We actually have a framework for looking at the place we're trying to reach. What we said for a long time now is that when we feel like we're a little bit or a bit above what we consider a level that's ample that we would freeze the size of the balance sheet. Of course, reserves will continue to decline from that point forward as nonreserve liabilities grow. So this happened, some of it—some things have been happening for some time now, showing a gradual tightening in money market conditions. Really, in the last, call it, three weeks or so, you've seen more significant tightening and I think a clear assessment that we're at that place.

The other thing is, we're—the balance sheet is shrinking at a very, very slow pace now. We've reduced it by half twice, and so there's not a lot of benefit to be—to be holding on for it to get the last few dollars, because, again, when the balance sheet—reserves are going to continue to shrink as nonreserves grow. So there was support on the Committee, as we thought about it, to go ahead with this and announce effective December 1 that we will be freezing the size of the balance sheet. And the December 1 date gives the markets a little bit of time to adapt.

MICHELLE SMITH. Colby.

COLBY SMITH. Thank you. Colby Smith with the *New York Times*. So much of the rationale for cutting interest rates, even as inflation moves away from the 2 percent target, seems to be that there are these mounting downside risks to the labor market. But if those don't materialize and the labor market either stabilizes around current employment levels or even starts to strengthen somewhat, how would that change your perception of how much interest rates need to fall from here? Would you then be a bit more concerned about underlying inflation and the possibility of second-round effects from tariffs?

CHAIR POWELL. Yeah, I mean in principle if you were to see data that suggested that the labor market is strengthening or even that it's stabilizing, that would certainly play into our decisions going forward. So, and we do have—we get some data. The labor market is a place where we get—for example, we get the state-level data on initial claims, which are sending sort of a signal of more of the same. We also get job openings, and we'll get lots of survey data, we'll get the Beige Book and things like that. So we'll have a—we'll have a picture of what's going on in the labor market. And the fact that we're not seeing an uptick in claims or a downtick, really, in openings suggests that you're seeing maybe continued very gradual cooling, but nothing more than that. So that does give you some comfort.

COLBY SMITH. But if this shutdown lasts a while longer and you don't have that data in hand, I'm just wondering how that hinders the Committee's ability to assess the state of the labor market and make the right policy decisions. And, also, how much is that factoring into the debate about December?

CHAIR POWELL. Yeah. So we'll—we get—I mentioned what we get in the labor area. We get some data in inflation, some data in economic activity. And we'll get—we'll have a picture of what's going on. We also will have the Beige Book again. I would say we're not

going to be able to have the detailed feel of things, but I think if there were significant or material change in the economy one way or another, I think we'd pick that up through this.

So in terms of how it might affect December, it's really hard to say. December is a—the meeting's, like, six weeks away. We just don't know what we're going to get. If there is a very high level of uncertainty, then that could be an argument in favor of caution about moving. But we'll have to see how it unfolds.

MICHELLE SMITH. Steve.

STEVE LIESMAN. Steve Liesman, CNBC. Mr. Chairman, can you characterize the meeting in terms of, you said, strongly differing views? Was this a close call, this cut? Or was it a close call maybe the other way, because you had dissents on both sides? Thanks.

CHAIR POWELL. So I was referring to the discussion about—to the extent it related to December. You saw we had two dissents, one for 50 and one for no cut. So that was a strong, solid vote in favor of this cut. The strongly differing views were really about the future, what does that look like? And I think people are saying—they're noticing stronger economic activity. Forecasters generally, broadly, have raised their economic growth forecast for this year and next year, in some cases quite materially. In the meantime, we see a labor market that's kind of—I don't want to say “stable,” but it's not clearly in motion, it's not clearly declining quickly in any case. It may be just continuing to gradually cool. And, again, people have different—they have different forecasts and expectations about the economy and different risk tolerances. And so there's—you read the SEP, you read the speeches, you know there are differing views on the Committee and to the point where I said what I said.

STEVE LIESMAN. Just a follow-up on the balance sheet. If you stop it—the runoff—now, does that mean you have to go back to actually adding assets sometime next year so that the balance sheet doesn't shrink as a percent of GDP and become a tightening factor?

CHAIR POWELL. So you're right. The place we'll be on December 1 is that the size of the balance sheet is frozen, and as mortgage-backed securities mature, we'll reinvest those in Treasury bills, which will foster both a more Treasury balance sheet and also a shorter duration. So that's—in the meantime, if you freeze the size of the balance sheet, the nonreserve liabilities—currency, for example—they're going to continue to grow organically. And, because the size of the balance sheet is frozen, you have further shrinkage in reserves. And reserves is the thing that we're—that we're managing that has to be ample.

So that'll happen for a time, but not a tremendously long time. We don't know exactly how long. But at a certain point, you'll want to start—you'll want to start reserves to start gradually growing to keep up with the size of the banking system and the size of the economy. So we'll be adding reserves at a certain point, and that's the last point. Even then we'll be—we didn't make decisions about this today, but we did talk today about the composition of the balance sheet. And there's a desire that the balance sheet be—right now it's got a lot more duration than the outstanding universe of Treasury securities, and we want to move to a place where we're closer to that duration. That'll take some time. We haven't made a decision about the ultimate endpoint, but we all agree that we want to move more in the direction of a balance sheet that more closely reflects the outstanding Treasuries, and that means a shorter-duration balance sheet. Now, this is something that's going to be—take a long time and move very, very gradually, and I don't think you'll notice it in market conditions. But that's the direction of things.

MICHELLE SMITH. Jonnelle.

JONNELLE MARTE. Jonnelle Marte with Bloomberg. How are officials interpreting the latest CPI report? So some components came in lower than expected, but core inflation was still at 3 percent. So at this moment are—what are you learning about the drivers and, also, do you believe that the risks are greater that the Fed makes a mistake on employment or inflation?

CHAIR POWELL. So, okay, so the September CPI report, we didn't get PPI after that, which is—which is important for translation into what we look at, which is PCE inflation. But we can still make a pretty good assessment of what that will be. When we get PPI, there might be some adjustments. But so directionally, it was a little softer than expected, and we always break it down into the three components. So, basically, you've seen goods prices increasing, and that's really due to tariffs, and that's due—that's compared to a longer-run trend of very, very mild deflation in goods. So that's moving inflation up. On the other side of that, good news—housing services inflation has been coming down and is expected to continue to come down. So if you remember, a year—a couple years ago, that's the one that just, we kept expecting it to do that. Now it's doing—it's been doing that for some time, and we expect to continue that. That leaves—the biggest category is services other than housing services. And that's kind of been moving sideways over the last few months, but a significant part of that is nonmarket services. We don't take a lot of signal about the tightness of the economy from that.

So if you add all that up, a couple of things to say. One is that inflation away from tariffs is actually not so far from our 2 percent goal. We estimate—people have different estimates of what that is, but it might be five- or six-tenths, and so if it's 2.8, then core PCE, not including tariffs, might be 2.3 or 2.4, in that range, something like that. So that's not so far from your goal. So that—we look at that, and the thing about tariff inflation is the base case is that it will come,

and it probably will increase further. But it is that it will be a one-time increase, and we've been very focused for all of this year at making sure that that's the case and thinking carefully about what are the—what are the pathways through which it could become something else, troublesome inflation. One of those would be a really tight labor market. We don't see that. Another could be inflation expectations moving. We don't see that. So I think—we're watching this very carefully. I think it's—it's not the case that we're just assuming that it's going to be a one-time inflation. We understand fully that this is a risk we have to monitor and ultimately manage.

JONNELLE MARTE. With a stubborn services inflation, what are some of the things that the Fed could do to address that, and especially when we're seeing potentially labor supply challenges?

CHAIR POWELL. Sorry, say that first—

JONNELLE MARTE. Stubborn services inflation—

CHAIR POWELL. Oh, stubborn services inflation. Well, again, the part of services inflation that is—that isn't coming down as we would like it to is the nonmarket part of nonhousing services. And, overall, that's just something that we expect will come down. The nonhousing—the nonmarket part of it should come down. It largely reflects higher stock prices and financial services that are imputed, rather than actually paid, is a big part of that. But also, just—we think policy is still modestly restrictive in my telling. So that's the kind of thing that should lead to a gradually cooling economy. That's one of the reasons you see a gradually cooling labor market, [it] is because Fed policy is modestly restrictive. So that should also help get that.

I want to say, though, we're absolutely committed to returning inflation to 2 percent. If you look at longer-term surveys or market pricing, you will see that that's a credible commitment, and there should be no question that that's where we're going.

MICHELLE SMITH. Chris.

CHRIS RUGABER. Great, thank you. Chris Rugaber, Associated Press. So there's a big investment boom in AI infrastructure right now, as you know, and wondering if the existence of such a boom would indicate that rates are not that restrictive after all, and could further rate cuts at this point perhaps fuel an excess level of investment there or market bubbles? How is the Fed thinking about that?

CHAIR POWELL. So I don't—I don't think that the—you're right, there's a—there's a lot of data centers being built and other investments being made around the country and around the world. And big U.S. companies are just investing a lot of resources in thinking about how AI, which will be based on those data centers, run through data centers, is going to affect their businesses. So it's a big deal. I don't think that the spending that happens to build data centers all over the country is especially interest sensitive. It's based on longer-run, it's—longer-run assessments that this is an area where there's going to be a lot of investment and that's going to drive higher productivity and that sort of things. I don't know how those investments will work out, but I don't think they're particularly interest sensitive compared to some of the other sectors.

CHRIS RUGABER. And then just a quick follow-up. You mentioned that you do have data that you're looking at for inflation and growth in the absence of government data. Could you give us a sense—and I think we know a lot about the jobs data that's out there—can you give us a sense of what you're looking at to track inflation in the absence of government data? Thank you.

CHAIR POWELL. So it's a lot of things. And it doesn't replace government data, but you know all of these, it's—I'll just mention some of the many, many names: PriceStats, Adobe, and others. And for wage inflation, there's ADP data. On spending—you're going to ask about spending at some point—there are lots of other things that we look at. But it's, again, it's, it's many, many different sources and, again, including what we get out of the Beige Book, which will be sort of—come out mid-cycle as always. And it doesn't replace the government data, but it gives us a picture. Again, I think if something material were happening, if there were material developments, I think we would pick that up. I don't think we'll be able to have a very granular understanding of the economy while this—while this data is not available.

MICHELLE SMITH. Howard.

HOWARD SCHNEIDER. Howard Schneider with Reuters. Thank you. I just wanted you to elaborate a little bit on what you said a moment ago about the lack—the continued shutdown making it more difficult to make a move in December, and that may make you more cautious. To the degree you are relying on private data that isn't the gold standard or that you're relying on your own surveys or the Beige Book, do you worry at some point you're going to have to start making policy by anecdote?

CHAIR POWELL. This is a temporary state of affairs. And we're going to do our jobs, we're going to collect every scrap of data we can find, evaluate it, and think carefully about it. And that's our jobs—that's what we're going to do. If you ask me, "Could it affect the December meeting?", I'm not saying it's going to, but, yeah, you could imagine that—what do you do if—what do you do if you're driving in the fog? You slow down. So that could or could not. I don't know how that's going to play into things. We may get—the data may come back. But there's a possibility that it would make sense to be more cautious about moving. I'm not—

I'm not committing to that, I'm just saying it's certainly a possibility that you would say, "We really can't see, so let's slow down."

HOWARD SCHNEIDER. As a follow-up, in the debate on this meeting, we saw recently some pretty big layoff announcements coming from Amazon and others—wondering if that figured into the discussion at all that you're starting to see the turn, this tension between growth and employment starting to be resolved to the detriment of employment. And, secondly, some of the stresses starting to appear in the bottom spur of the *K*, as they call it, household health premiums that are going to be—possibly be going up quite substantially, things like that. Has that started to become a factor in your policy discussion?

CHAIR POWELL. So those are—those are both things that we're watching very, very, very carefully. To start with the layoffs, you're right—you see a significant number of companies either announcing that they are not going to be doing much hiring or actually doing layoffs, and much of the time they're talking about AI and what it can do. So we're watching that very carefully. And, yes, it could absolutely have implications for job creation. We don't really see it in the initial claims data yet. Now, it's not a surprise that we don't—it takes some time for it to get in there—but we're watching that really carefully. But, again, don't see it yet in the—in the initial claims data.

On the *K*-shaped economy thing, I would say the same thing, or similar thing. We are—if you listen to the earnings calls or the reports of big, public, consumer-facing companies, many, many of them are saying that there's a bifurcated economy there and that consumers at the lower end are struggling and buying less and shifting to lower-cost products, but that at the top, people are spending at the higher income and wealth, and they're—so much, much anecdotal data on that. And so we think there's something there—so.

MICHELLE SMITH. Edward.

EDWARD LAWRENCE. Thank you. Edward Lawrence with Fox Business. So Mr. Chairman, I want to take another crack at the further reduction in rates is not a foregone conclusion in December—you said “far from it.” So if a cut might not be on the table for December because of lack of data, what is the other concerns then stem from? So if it's not lack of data as the reason December is not a foregone conclusion, what other things could be the concern then?

CHAIR POWELL. Well, perspectives of people on the Committee that we've now moved 150 basis points and that we're down into—you're into that range between 3 and 4, where most estimates of—many estimates of the neutral rate live in that 3 to 4 percent area. You're there now. You're above the median number for the Committee. But I think there are people on the Committee who have higher estimates of the neutral rate, and that's—you can argue these positions since it can't be directly observed, the neutral rate. So I think for some part of the Committee, it's time to maybe take a step back and see whether there really are downside risks to the labor market, or see whether, in fact, the growth—that the stronger growth that we're seeing is real.

Ordinarily, the labor market is a better indicator of the momentum of the economy than the spending data. That's the allure. In this case, that gives a more downbeat read. So people just have—again, we've cut 50 more basis points in the last two meetings and there was a sense, from some, “let's pause here” kind of thing, and a sense from others wanting to go ahead. But that's why I say differing views—strongly differing views.

EDWARD LAWRENCE. So on that division, then, you're talking about going forward. So what's more important in this division? Is it inflation risks? Is it employment risks? Or is there a deeper philosophy division among the Board?

CHAIR POWELL. I—look, everybody on the Committee is deeply committed to doing the right thing to achieve our goals: maximum employment and stable prices. You have differences on how to do that. And as I mentioned, some of that is different forecasts, but a lot of it is also different risk aversions to the two different variables, which is common through, through all federal reserves, they're—people just have different risk tolerances, let's say. So that leads you to people with disparate views. You will know that from the speeches you've been listening to from my colleagues. And so we're at a place now where we have, in fact, cut two more times, and now we're 150 basis points closer to neutral, wherever that may be, than we were a year ago. And so there's a growing chorus now of feeling like maybe this is where we should at least wait a cycle, something like that. That's what it is. It's just what you think it would be. It's—and, again, you've seen it in the September Summary of Economic Projections. You've seen this in the public remarks of FOMC participants. And now I'm telling you that's what—that's what you can expect in the minutes. And I'm just telling you that's what happened in the meeting.

MICHELLE SMITH. Elizabeth.

ELIZABETH SCHULZE. Thank you so much. Elizabeth Schulze with ABC News. What is your explanation for why the job market is weakening right now, and what will this rate cut do to improve the job market?

CHAIR POWELL. So the—I think there are two things affecting the job market, and one of them is just a dramatic reduction in the supply of new workers. So and that's two things—

that's declining labor force participation, which is a cyclical thing, and then there's declining immigration—which is just a big policy change that actually began in the last Administration and has been accelerated now. So a big part of the whole story is that supply-side story. Okay.

In addition, labor demand has declined, and so the labor—the unemployment rate has gone down, meaning that demand for workers has gone down a little more than supply. So that's what's going on, and—but it is mostly a supply function. It's mostly a function of the change in supply, I think and many people think. So the question then is, what does—what does our tool do, which supports demand? And so—and I would just say, when you're in a situation where job creation, if you adjust for likely overcounting in the way that BLS does its work, is pretty close to zero. So maximum employment doesn't, on a sustainable basis, doesn't—if you're making, creating zero jobs, if it's in equilibrium, if it's in balance, it's a pretty, as I said before, pretty curious balance. So I thought, and many of my colleagues thought—in fact, you've seen the last two meetings that it was appropriate for us to react by supporting demand with our rates. And we've done that—we've reduced so that rates are looser. I wouldn't say that they're accommodative right now, but they're meaningfully less tight than they were. And that should help so that at least the labor market doesn't get worse. It's a complicated situation, and some people argue that this is supply and we really can't affect it much with our tools, but others argue, as I do, that there is an effect from demand, and that we should use our tools to support the labor market when we see this happening.

ELIZABETH SCHULZE. You also talked about tariffs causing a one-time price increase. Should American households, consumers expect that inflation will continue to go up this year because of those tariffs?

CHAIR POWELL. So the basic expectation is that there will be some additional increased inflation because it takes a while for tariffs to work their way through the production chain and finally get to consumers. And we see this now from the tariffs that were put in place now many months ago—we see those effects. But if you put tariffs in effect—and they've been coming into effect consistently in February, March, April, May—and that's all happening, so that'll continue to happen for some time, probably into the spring. These are not big increases, though. These are a tenth or so on inflation. They may be big increases on a particular product that's been tariffed, but, overall, these are fairly modest. I think some projections—we're at 2.8 percent inflation—you might get two or three more tenths, or four more tenths maybe. But then, as all the tariffs are in, they stop generating inflation. You've had a one-time price increase. As long as you're not—at least this is the theory, this is how we believe and hope that it will work out—once the last tariff is put on something, at that point it becomes a higher price level, but it stops going up, if you will, prices stop going up, they'll just be at that level. And then measured inflation will come back down to non-tariff inflation. And as I mentioned, non-tariff inflation is not so far from 2 percent now.

Now, consumers are not interested in that story. Their prices are higher. More than that, the reason they're so unhappy about inflation is the inflation that we had in 2021, '22, '23—because you can say that prices aren't going up as much, but that doesn't mean people aren't feeling those higher prices from the inflation we had two or three years ago. They are. And that's, I think, a large part of why the public—you sample people, inflation is still very much making people quite unhappy, even—and it's nice that prices are not going up as fast as they were, but they're still much higher than they were. And it'll take some time for that effect to wear off. As real incomes rise, it will feel better over time. But that's going to take time.

MICHELLE SMITH. Mike.

MICHAEL MCKEE. Michael McKee from Bloomberg Television and Radio. Do you have any concerns that equity markets are—or are close to being—overvalued at this point?

CHAIR POWELL. You know, we don't look at any one asset price and say, "Hey, that's wrong." It's not our job to do that. We look at the overall financial system, and we ask whether it's stable and whether it could withstand shocks, right? So banks are well capitalized, while some households are clearly under stress. In the aggregate, households are in good shape financially—relatively, relatively manageable levels of debt. At the lower-income spectrum, you are seeing rising defaults, particularly in subprime auto, but, nonetheless, in the aggregate pretty good. And you don't see—so you don't see too much leverage in the banking system or the financial system. It's a mixed picture, but it's not an overly troubling picture. And, again, I'm not—it's not appropriate—we don't set asset prices. Markets do that.

MICHAEL MCKEE. Well, are you—you must be well aware by lowering interest rates you're contributing to additional asset price increases. And I wonder how you balance the idea that lowering rates would help the labor market with the reality that it seems more likely to be stimulating increased investment in AI, which is the rationale for thousands of job cuts that have been announced in the last few weeks.

CHAIR POWELL. Yeah, I don't—I don't think interest rates are an important part of the AI—the data center story. I think—people think there are great economics in building these data centers, and they're making a lot of money building them, and I think they have very high present value and all that sort of thing. It's not really—it's not about 25 basis points here or there. We use our tools to support the labor market and to create price stability. That's what we do. That's our two jobs, right? So we're here to—by lowering rates at the margin, that will

support demand, and that will support more hiring. And that's why we do it. Now, no 25 basis point or even 50 basis point hike is going to be a dispositive thing. But, ultimately, lower rates will support more demand, and that'll support hiring over time. And, of course, we also have to be careful about this, which is what we've been doing because we know where inflation is and we know—I've told you the story, this complicated story, but this is the best assessment that we can make and—but because there's uncertainty around inflation and the path ahead for inflation, that's why we're going—that's why the pace we're going has been a careful one.

MICHELLE SMITH. Victoria.

VICTORIA GUIDA. Hi. Victoria Guida from Politico. On AI, I'm just wondering, it seems like a lot of the economic growth that we've been seeing is fed by investments in AI. So how worried are you about what the sudden contraction in tech investment would mean for the overall economy? Is there enough strength in other sectors? And, specifically, are there any lessons that you take from the 1990s in how you might approach what's happening right now?

CHAIR POWELL. This is—this is different in the sense that these companies—the companies that are so highly valued—actually have earnings and stuff like that. So you go back to the '90s and the dot-com [period], they were—these were ideas rather than companies. And we're—so there's a clear bubble there, whereas the—I won't go into particular names, but they actually have earnings, and it looks like they have business models and profits and that kind of thing. So it's really a different thing.

You know, the investment we're getting in equipment and all those things that go into creating data centers and feeding the AI, it's clearly one of the big sources of growth in the economy. Consumer spending also, though, has been—is much bigger than that and has been growing and has defied a lot of, you know, negative forecasts, continuing to do so this year.

Consumers are still spending. Now, it is—it may be mostly higher-end consumers or maybe skewed that way, but the consumer spending—and that's a big, big chunk of what's going on in the economy, bigger than—substantially bigger than AI. You could point to growth—I mean, actually, maybe—growth as opposed to level, but consumer spending is a much bigger part of the economy.

VICTORIA GUIDA. And why do you think that the labor market is slowing so much, even though consumer spending is strong?

CHAIR POWELL. Why has it slowed so much? Well, what's happened is that the supply of workers has dropped very, very sharply due to mainly immigration, but also lower labor force participation. And that means there's less need for new jobs, because there's—there isn't this flow into the pool of labor where people need jobs because there aren't those people now, so there's not a supply of workers showing up for jobs. In addition, demand has also gone down and so has—labor force participation has declined, which is more of a sign, in this case, of demand as well as trend. So I think you're seeing some softening. The economy is growing at a slower rate than it was—2.4 percent last year, we think around 1.6 percent this year. It could have been a couple of tenths higher if not for the shutdown. And, of course, that will reverse, but you've still got the economy growing at a moderate pace.

MICHELLE SMITH. Andrew.

ANDREW ACKERMAN. Hey there—Andrew Ackerman with the *Washington Post*. I wanted to ask if you could elaborate on how you think about policy in the context of the data drought. Does it make you inclined to stick with your plans as set out in September in the absence of the data that might change your mind, or does it make you inclined to proceed with added caution because of uncertainty?

CHAIR POWELL. Yeah, well, we'll know when we face that question—if we face that question. I—it'll probably be argued both ways, right? But I've said a couple times here that if you—if you really aren't getting information, you really don't know, and the economy looks like it's solid and stable and hasn't really changed, there will be an argument, I don't know how persuasive it will be, but there will be an argument that you slow down in a—when you can't see as far ahead. Others may argue—I'm not sure where this argument will come, but you're perfectly right that you could also argue, things haven't really changed. But you might not know that, so I don't know whether we'll face this or not. I hope we don't. I hope by the time of the December meeting, we're getting a better flow of data. But if we—we're going to have to do our jobs one way or the other.

ANDREW ACKERMAN. Okay. I also just wanted to ask a FinReg question. I think several years ago, you said the overall amount of capital in the system was about right. As the Fed moves forward with a revised Basel proposal, potentially changes to the G-SIB surcharge, has that changed at all? Or are you planning to significantly reduce the amount of capital in the system? Thanks.

CHAIR POWELL. So there's discussions going on, I think, among the agencies, and I don't want to get ahead of those discussions. I continue to think that the level of capital, when I said that in 2020, was about right. And, of course, there's been much capital added since then, through various mechanisms, but I look forward to—I know these discussions are really just getting going, they haven't come to the point where they're—where they've got a whole plan and that kind of thing. So I really don't have much to say on that.

MICHELLE SMITH. Brian.

BRIAN CHEUNG. Hi, Chairman Powell. Brian Cheung with NBC News. Is the weakness in the jobs market accelerating, and who's at risk if the interest rate cuts are not the effective medicine for a further slowdown in the labor market?

CHAIR POWELL. So we do not see the weakness, as you put it, the weakness in the job market accelerating. I would say, then again, we don't have—we didn't get the September employment report, payroll report, but we do get—we look at the unemployment insurance claims, initial claims are reported at the state level, and we still get those. And we can cumulate them and get the national number, and there's really—I mean, there's no story. You can look at the numbers. Same thing with the job openings we get from Indeed. There's just no story over the last four weeks. It's kind of stable.

So you don't see anything that says that the job market—or, really, any part of the economy—is making a significant deterioration. Don't see that. You see more things, like I mentioned, though, which is that you see big companies making announcements of either layoffs or of the idea that they can—they won't need to hire. Their number of employees is not expected to go up over a number of years. There may be different people working there then—they say that too. But they don't need a bigger head count. So you see those kinds of things. You don't see it in the aggregate numbers—the layoff numbers have not gone up. But job creation is very low. And the job-finding rate for people who are unemployed is very low. But the unemployment rate is very low as well, 4.3 percent is a low employment—unemployment rate.

BRIAN CHEUNG. And so, as you make these cuts, is it the lower-income workers that you're thinking about, or those who might have their jobs automated? Is there a particular—

CHAIR POWELL. That we're thinking of?

BRIAN CHEUNG. —section of the labor market that you're particularly—

CHAIR POWELL. So, we can't—our tools don't allow us to target any demographic or any income level and that kind of thing. I do think that people—we saw this during the Global Financial Crisis and the long recovery. If you have a long period of very strong labor market conditions, it benefits people at the lower end the most. The last two or three years of that long expansion, people at the lower part of the income spectrum were getting the biggest benefits, and lots of things were happening in that space, demographically, which were very constructive. And we're not at that place right now. But so, yeah, a stronger labor market is the best thing we can do for the public. It's also part of our job. It is half of our job. But it is absolutely the best thing we can do for people, along with keeping prices stable. Those two things. I mean, inflation also hurts people on fixed incomes more than other people.

MICHELLE SMITH. Courtenay.

COURTENAY BROWN. Hi, Chair Powell. Courtenay Brown from Axios. As you know, the 12 Reserve Bank presidents' terms are up for renewal at the end of February. I'm wondering if you can give us a timeline for when the Board will consider those reappointments and whether we can expect everyone to be re-upped or if we can expect some changes.

CHAIR POWELL. So it's a process that we go through, under the law. The way the law works is, we have a reappointment process every five years for all of the—all of the Reserve—each of them and all of them. We're in the middle of that process, and we're going to complete it in a timely way. And I really—that's really all I can say.

COURTENAY BROWN. Okay, thank you.

MICHELLE SMITH. Daniel.

DANIEL AVIS. Daniel Avis, Agence France-Presse. You now have dissents in three consecutive FOMC meetings, but in this meeting you had dissents going in both directions. And you just mentioned the strong disagreement over the future path of rate cuts. Have these disagreements complicated your role presiding over the FOMC meetings? And, if so, how?

CHAIR POWELL. I wouldn't say that, no. I think you—you have to take what comes, and what comes right now is a pretty challenging situation where we have—first of all, we have 4.3 percent unemployment, we have an economy that's growing close to 2 percent. So, overall, it's a good picture. It's a good picture. But in terms of our policy, we have upside risks to inflation, downside risks to employment. And this is a very difficult thing for a central bank, because one of those calls for rates to be lower, one calls for rates to be higher. We can't do both. So we have to balance the two, and so it's a challenging thing.

And as we have worked our way through this process, you would expect that there would be a range of views across the Committee on what to do and the speed with which we should do it. And that's what we have. That makes a lot of sense to me. These are—all of these people are people who take their jobs very seriously, work very hard at this, and just want to do what's right for the American people. But they have different views on what that is. And it's an honor to work among people who care that much. It is. But I don't feel that it's unfair or anything like that. It's just—it's a time when we're making quite difficult judgments in real time, and I believe we'll get through this, and I think we've done sort of the right things so far this year. I think we were—it was appropriate for us to be careful about this. I think it would not be appropriate to just ignore or assume away the inflation issue. At the same time, I think the risk of higher, more persistent inflation has declined significantly since April. And if we do wind up resuming rate cuts at some point—we will at some point—I think we're trying to get to the end

of this cycle with the labor market in a good place and with inflation on its way to 2 percent or at 2 percent. So that's all we're trying to do, and we're doing it under quite challenging circumstances and doing the best we can.

MICHELLE SMITH. We'll go to Jennifer, for the last question.

JENNIFER SCHONBERGER. Thank you so much, Chair Powell. Jennifer Schonberger with Yahoo Finance. Both regional and large banks have taken losses on loans given delinquencies on subprime auto loans. JPMorgan's CEO, Jamie Dimon, warned when you see one cockroach, there may be more likely. I'm curious how the Fed is looking at these loan losses and if it poses risks to the financial system or the outlook for the economy. Is it a warning sign?

CHAIR POWELL. So, we're—obviously we watch these things very carefully, credit conditions very carefully. You're right—you've seen rising defaults in subprime credit for some time now, and now you've seen a number of subprime credit—automobile credit institutions having significant losses, and some of those losses are now showing up on the books of banks. We're looking at it carefully, we're paying close attention. I don't see, at this point, a broader credit issue. It doesn't seem to be something that has very broad application across financial institutions. But we're going to be—we're going to be monitoring this quite carefully and making sure that that is the case.

JENNIFER SCHONBERGER. And then, separately, many—you yourself have said that we're in a bifurcated economy right now with high-net-worth individuals continuing to spend, with the lower income pulling back. How much of consumer spending continuing hinges on the stock market remaining strong? In some odd way, does the market help keep the economy buoyant?

CHAIR POWELL. So there is some—there is some relationship there, but, remember, the more wealth someone has, the lower an additional dollar of wealth matters. So your marginal propensity to consume declines quite dramatically as you reach—as you reach levels of stock market wealth. So the stock market—it would affect spending if the stock market went down, but it wouldn't drop—it wouldn't drop sharply unless there were quite a sharp drop in the stock market. People at the lower end of income and wealth have a much higher marginal propensity to consume an incremental dollar of income or wealth, but they don't have the stock market wealth. So I think it's certainly a factor supporting consumption right now, but—and you would see it if you saw material corrections in spending. But it wouldn't be—you shouldn't think that it'll, dollar for dollar, stop consumption, because that wouldn't be the case.

Thanks very much.