

Chair Powell Press Conference Q&A Summary – July 30, 2025

<https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20250730.pdf>



The following summary represents direct quotes (with minor immaterial changes to make reading easier) from the press conference.

A. Backdrop – Prepared Remarks

- **Dual Mandate Affirmation**

Squarely focused on achieving dual mandate goals of maximum employment and stable prices - keep longer-term inflation expectations well anchored and to prevent a one-time increase in the price level from becoming an ongoing inflation problem.

- **Current Economic Conditions**

Despite elevated uncertainty, the economy is still in a solid position. Recent indicators suggest that growth of economic activity has moderated. GDP rose at a 1.2 percent pace in the first half of the year, down from 2.5 percent last year. Although the increase in the second quarter was stronger at 3 percent, focusing on the first half of the year helps smooth through the volatility in the quarterly figures related to the unusual swings in net exports. The moderation in growth largely reflects a slowdown in consumer spending. In contrast, business investment in equipment and intangibles picked up from last year's pace. Activity in the housing sector remains weak.

- **Labor Market Conditions Remain Solid**

Conditions have remained solid. Payroll job gains averaged 150 thousand per month over the past three months. The unemployment rate, at 4.1 percent, remains low and has stayed in a narrow range over the past year. Wage growth has continued to moderate while still outpacing inflation. Overall, a wide set of indicators suggests that conditions in the labor market are broadly in balance and consistent with maximum employment.

- **Inflation Remains Elevated Short-Term**

Inflation has eased significantly from its highs in mid-2022 but remains somewhat elevated relative to our 2 percent longer-run goal. Estimates based on the Consumer Price Index and other data indicate that total PCE prices rose 2.5 percent over the 12 months ending in June and core PCE prices rose 2.7 percent. Services inflation has continued to ease, while increased tariffs are pushing up prices in some categories of goods. 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-based and survey-based measures. However, most measures of longer-term expectations remain consistent with our 2 percent inflation goal.

- **Substantial Policy Changes**

Changes to government policies continue to evolve, and their effects on the economy remain uncertain. Higher tariffs have begun to show through more clearly to prices of some goods, but their overall effects on economic activity and inflation remain to be seen. A reasonable base case is that the effects on inflation could be short-lived—reflecting 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.

- **Monetary Policy Consideration**

Keeping longer-term inflation expectations well anchored and to prevent a one-time increase in the price level from becoming an ongoing inflation problem. For the time being, the FOMC is well positioned to learn more about the likely course of the economy and the evolving balance of risks before adjusting its policy stance. The current policy stance is deemed appropriate to guard against inflation risks.

B. Q&A

- **Rates - Modestly Restrictive**

Inflation is running a bit above 2 percent, even excluding tariff effects. The labor market's solid, historically low unemployment. Financial conditions are accommodative, and the economy is not performing as though restrictive policy were holding it back inappropriately and modestly restrictive policy seems appropriate.

If rates are cut too soon, maybe the job with inflation is not finished. If rates are cut too late, then maybe doing unnecessary damage to the labor market. The Fed is trying to get that timing right. The risks to the two goals (price stability and full employment) were moving into balance. If they were fully in balance, that would imply that moving toward a more neutral stance of policy. Currently it is the special situation we are in, which is there are two-sided risks - risks to both of the goals.

- **The Economy**

GDP for the first half has certainly come down when compared to last year. But the labor market is kind of still in balance. There is a slowing in job creation, but also in a slowing in the supply of workers even though there is downside risk to the labor market.

The dual mandate for the Fed is stable prices and maximum employment, not so much growth. So, the labor market looks solid, inflation is above target. And, even if we look through the tariff effects, it is still a bit above target. And that's why the Fed's stance is where it is.

- **Two Dissenters**

The majority of the Committee was of the view that inflation is a bit above target, and maximum employment is at target, that calls for a modestly restrictive stance of policy for now. But there were two dissenters. There are a range of views of what the neutral rate is at this moment for our economy. No one actually knows what the neutral rate is. In summary, inflation is running above target, maximum employment is right at target. That means policy should be a little bit restrictive, somewhat restrictive, because inflation needs to move all the way back to its target. So that's where people have been and still are. Two members felt that the time had come to be cut.

- **Tariffs & Inflation**

Substantial amounts of tariff revenue being collected on the order of 30 billion a month. And the evidence seems to be mostly not paid, paid only to a small extent through exporters lowering their price and companies or retailers. These are

institutions that are upstream from the consumer who are paying most of the tariffs for now. It is starting to show up in consumer prices. From surveys that companies feel that they have every intention of putting this through to the consumer. But the truth is they may not be able to in many cases. The process will probably be slower than expected at the beginning, and a long way to go to really understand exactly how it will be. By not raising interest rate reflects a bit of “looking through” goods inflation. A reasonable base case is that these are one-time price effects. With the Fed’s tools, the Fed will make sure that this does not move from being a one-time price increase to serious inflation.

- **Labor Market**

The focus is on the unemployment rate. Many statistics show that the labor market is kind of still in balance and by many measures, the labor market is very similar to where they were a year ago. There is no evidence of a weakening in the labor market even though there is slowing in job creation, and a slowing in the supply of workers. Both demand and supply for workers is coming down at the same pace and that is why the unemployment rate has remained roughly stable. Although the labor market currently is roughly stable, there is downside risk.

- **The Bing Beautiful Bill Act**

The biggest part of the bill was making permanent existing law on taxes; it is not particularly stimulative. There should be some stimulative effect, but it should not be significant over the next couple of years. The cost to the government is not being considered as a part of the Fed’s rate changes and also does not consider the fiscal needs of the federal government.

- **Inflation**

Due to seasonality factors, the Fed focuses on the 12-month inflation numbers. Inflation is most of the way back to 2 percent. There are things like the catch-up inflation. In addition, now there is three or four tenths of inflation in core inflation from tariffs. It is difficult to separate out the drivers to inflation. As such, inflation will be looked upon as a whole (i.e. all of inflation). But the composition of inflation has really changed. A couple of years ago it was service inflation (tends to be very sticky), and now goods inflation is going up primarily due to tariffs.