

Chair Powell Press Conference Q&A Summary – December 10, 2025



The following summary represents direct quotes (with minor immaterial changes to make reading easier) from the press conference – Prepared remarks and Q&A session.

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<https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20251210.pdf>

- **Dual Mandate Affirmation**

Squarely focused on achieving dual mandate goals of maximum employment and stable prices. In the near term, risks to inflation are tilted to the upside and risks to employment to the downside - a challenging situation.

People are experiencing really high costs. And a lot of that is just embedded higher cost, due to higher inflation in 2022 and '23. And so the best thing we can do is restore inflation to its 2 percent goal. And the Committee's policy is also having a strong economy where real wages are going up and earning money. And there needs to have some years where real compensation is significantly positive, so nominal wages are higher than inflation for people to start feeling good about affordability. The Committee is trying to keep inflation under control but also supports the labor market and strong wages so that people are earning enough money and feeling economically healthy again.

- **The Economy**

Although some key government data has yet to be released, available indicators suggest that economic activity has been expanding at a moderate pace. Consumer spending appears to have remained solid, and business fixed investment has continued to expand. In contrast, activity in the housing sector remains weak. The temporary shutdown of the federal government has likely weighed on economic activity in the current quarter, but these effects should be mostly offset by higher growth next quarter, reflecting the reopening.

Consumer spending is held up, it's been resilient and to another degree, it is that spending on data centers and related to AI has been holding up business investment. Fiscal policy is going to be supportive. So it looks like the baseline would be solid growth next year. Overall the baseline expectation for next year is a pickup in growth from today's relatively low level of 1.7. percent.

- **The Labor Market**

Available evidence suggests that both layoffs and hiring remain low, and that both households' perceptions of job availability and firms' perceptions of hiring difficulty continue to decline. The official report on the labor market for September, the most recent release, showed that the unemployment rate continued to edge up, reaching 4.4 percent, and that job gains had slowed significantly since earlier in the year. A good part of the slowing likely reflects a decline in the growth of the labor force, due to lower immigration and labor force participation, though labor demand has clearly softened as well. In this less dynamic

and somewhat softer labor market, the downside risks to employment appear to have risen in recent months.

One implication is obviously higher productivity and some of that may be AI. Productivity has been almost structurally higher for several years now. At a 2 percent per year, the economy can sustain higher growth without more job creation. Of course, higher productivity is also what enables incomes to rise over long periods of time.

- **Inflation**

Inflation has eased significantly from its highs in mid-2022 but remains somewhat elevated relative to our 2 percent longer-run goal. Total PCE prices rose 2.8 percent over the 12 months ending in September and, excluding the volatile food and energy categories, core PCE prices also rose 2.8 percent. These readings are higher than earlier in the year as inflation for goods has picked up, reflecting the effects of tariffs. In contrast, disinflation appears to be continuing for services. Near-term measures of inflation expectations have declined from their peaks earlier in the year, as reflected in both market- and survey-based measures. Most measures of longer-term expectations remain consistent with our 2 percent inflation goal.

At this point, if you get away from tariffs, inflation is in the low 2s. So, it's really tariffs that's causing most of the inflation overshoot. Committee think of those as likely to be a one-time price increase.

- **Tariff & Inflation**

A reasonable base case is that the effects of tariffs on inflation will be relatively short-lived—effectively a one-time shift in the price level. The Committee's obligation is to make sure that a one-time increase in the price level does not become an ongoing inflation problem.

The Committee feels like progress has been made this year in non-tariff-related inflation. And as tariffs flow through, that'll show through next year. But the Committee is well placed to wait and see how that turns out.

For each one of the tariff announcements, there's a time period (a 9-month estimate of time) and then it's fully in. If there are no new tariff announcements, inflation from goods should peak in the first quarter or so in 2026. And, from there forward impact on inflation shouldn't be big, it should be a couple tenths or even less than. Inflation should start coming down in the back half of next year.

- **Interest Rate Policy**

The Committee has lowered policy rate by 3/4 percentage point over our last three meetings. This further normalization of its policy stance should help stabilize the labor market while allowing inflation to resume its downward trend toward 2 percent once the effects of tariffs have passed through. The adjustments to the policy stance since September

bring it within a range of plausible estimates of neutral and leave us well positioned to determine the extent and timing of additional adjustments to policy rate based on the incoming data, the evolving outlook, and the balance of risks. Monetary policy is not on a preset course, and we will make our decisions on a meeting-by-meeting basis.

Justifying the latest rate cut: Gradual cooling in the labor market has continued. Unemployment is now up 3/10 from June through September. Payroll jobs averaging 40,000 per month since April. The Committee believes there's an overstatement in these numbers by about 60,000. So that would be negative 20,000 per month. And, surveys of households and businesses both showed declining supply and demand for workers. The gradual cooling may be a touch more gradual. In terms of inflation, it's come in a touch lower with services inflation coming down and that's offset by increases in goods, and that goods inflation is entirely in sectors where there are tariffs - almost more than half the source of the excess inflation is goods.

With a total cut of 175 basis points since summer 2024. Where the rate policy now is well positioned to wait and see how the economy evolves from here. The current rate is in the range of neutral - the high end of the range of neutral, Every Committee member agrees that inflation is too high and wants it to come down, and agrees that the labor market has softened and that there is further risk. Where the difference is, is how to weigh those risks and what does one's forecast look like and ultimately where does each member think the bigger risk is. It's very unusual to have persistent tension between the two parts of the mandate and it's actually what one would expect to see. 9 out of 12 supported today's decision; so fairly broad support. But it's not like the normal situation where everyone agrees on the direction and what to do. And a rate hike is anybody's base case at this point. As such, there's nothing happening with rates going up out there that suggests concern about inflation in the long term. Surveys are all saying that the public understands the Committee's commitment to 2 percent and expects to get back there. The factor is an expectation of higher growth.

- **Yield Curve**

When the long bonds move around, first is to look at inflation compensation - -- that's one part of it is inflation compensation break-evens. They're at levels consistent with 2 percent inflation over time.

- **Monetary Polic Implementation**

In light of the continued tightening in money market interest rates relative to the administered rates, and other indicators of reserve market conditions, the Committee judged that reserve balances have declined to ample levels. Accordingly, the Committee decided to initiate purchases of shorter-term Treasury securities (mainly Treasury bills) for the sole purpose of maintaining an ample supply of reserves over time. Such increases in US treasury securities holdings ensure that the federal funds rate remains within its target range, and are necessary because the growth of the economy leads to rising demand over time for the Federal Reserve Bank liabilities, including currency and reserves. As detailed in a statement released by the Federal Reserve Bank of New York, reserve

management purchases will amount to \$40 billion in the first month and may remain elevated for a few months to alleviate expected near-term pressures in money markets. Thereafter, the Committee expects the size of reserve management purchases to decline, though the actual pace will depend on market conditions. An ample supply of reserves means that the federal funds rate and other short-term interest rates are primarily controlled by the setting of the Federal Reserve Bank's administered rates rather than day-to-day discretionary interventions in money markets. In this regime, standing repurchase agreement (or repo) operations are a critical tool to ensure that the federal funds rate remains within its target range, even on days of elevated pressures in money markets. Consistent with this view, the Committee eliminated the aggregate limit on standing repo operations. These operations are intended to support monetary policy implementation and smooth market functioning and should be used when economically sensible.