

**Transcript of Chair Powell's Press Conference Opening Statement
December 10, 2025**

CHAIR POWELL. Good afternoon. My colleagues and I remain squarely focused on achieving our dual mandate goals of maximum employment and stable prices for the benefit of the American people. Although important federal government data for the past couple of months have yet to be released, available public- and private-sector data suggest that the outlook for employment and inflation has not changed much since our meeting in October. Conditions in the labor market appear to be gradually cooling, and inflation remains somewhat elevated.

In support of our goals, and in light of the balance of risks to employment and inflation, today the Federal Open Market Committee decided to lower our policy interest rate by 1/4 percentage point. As a separate matter, we also decided to initiate purchases of shorter-term Treasury securities solely for the purpose of maintaining an ample supply of reserves over time, thus supporting effective control of our policy rate. I will have more to say about monetary policy and its implementation after briefly reviewing economic developments.

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

In the labor market, although official employment data for October and November are delayed, available evidence suggests that both layoffs and hiring remain low, and that both

households' perceptions of job availability and firms' perceptions of hiring difficulty continue to decline. The official report on the labor market for September, the most recent release, showed that the unemployment rate continued to edge up, reaching 4.4 percent, and that job gains had slowed significantly since earlier in the year. A good part of the slowing likely reflects a decline in the growth of the labor force, due to lower immigration and labor force participation, though labor demand has clearly softened as well. In this less dynamic and somewhat softer labor market, the downside risks to employment appear to have risen in recent months. In our SEP, the median projection of the unemployment rate is 4.5 percent at the end of this year and edges down thereafter.

Inflation has eased significantly from its highs in mid-2022 but remains somewhat elevated relative to our 2 percent longer-run goal. Very little data on inflation have been released since our meeting in October. Total PCE prices rose 2.8 percent over the 12 months ending in September and, excluding the volatile food and energy categories, core PCE prices also rose 2.8 percent. These readings are higher than earlier in the year as inflation for goods has picked up, reflecting the effects of tariffs. In contrast, disinflation appears to be continuing for services. Near-term measures of inflation expectations have declined from their peaks earlier in the year, as reflected in both market- and survey-based measures. Most measures of longer-term expectations remain consistent with our 2 percent inflation goal. The median projection in the SEP for total PCE inflation is 2.9 percent this year and 2.4 percent next year, a bit lower than the median projection in September. Thereafter, the median falls to 2 percent.

Our monetary policy actions are guided by our dual mandate to promote maximum employment and stable prices for the American people. At today's meeting, the Committee

decided to lower the target range for the federal funds rate by 1/4 percentage point to 3-1/2 to 3-3/4 percent.

In the near term, risks to inflation are tilted to the upside and risks to employment to the downside—a challenging situation. There is no risk-free path for policy as we navigate this tension between our employment and inflation goals. A reasonable base case is that the effects of tariffs on inflation will be relatively short-lived—effectively a one-time shift in the price level. Our obligation is to make sure that a one-time increase in the price level does not become an ongoing inflation problem. But with downside risks to employment having risen in recent months, the balance of risks has shifted. Our framework calls for us to take a balanced approach in promoting both sides of our dual mandate. Accordingly, we judged it appropriate at this meeting to lower our policy rate by 1/4 percentage point.

With today's decision, we have lowered our policy rate 3/4 percentage point over our last three meetings. This further normalization of our policy stance should help stabilize the labor market while allowing inflation to resume its downward trend toward 2 percent once the effects of tariffs have passed through. The adjustments to our policy stance since September bring it within a range of plausible estimates of neutral and leave us well positioned to determine the extent and timing of additional adjustments to our policy rate based on the incoming data, the evolving outlook, and the balance of risks. In our Summary of Economic Projections, FOMC participants wrote down their individual assessments of an appropriate path of the federal funds rate, under what each participant judges to be the most likely scenario for the economy. The median participant projects that the appropriate level of the federal funds rate will be 3.4 percent at the end of 2026 and 3.1 percent at the end of 2027, unchanged from September. As is always the case, these individual forecasts are subject to uncertainty, and they are not a Committee plan

or decision. Monetary policy is not on a preset course, and we will make our decisions on a meeting-by-meeting basis.

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

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

repo operations. These operations are intended to support monetary policy implementation and smooth market functioning and should be used when economically sensible.

To conclude, the Fed has been assigned two goals for monetary policy—maximum employment and stable prices. We remain committed to supporting maximum employment, bringing inflation sustainably to our 2 percent goal, and keeping longer-term inflation expectations well anchored. Our success in delivering on these goals matters to all Americans. We understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission. At the Fed, we will do everything we can to achieve our maximum employment and price stability goals. Thank you. I look forward to your questions.