

MNI September Fed Press Conference Q&A

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Chris Reg, Associated Press: As you know, Fed Governor Steven Miran has continued, kept his position at the White House, even as he's joined the Fed board. This is the first time I believe the Fed's board has had someone with executive branch ties in decades. Does this compromise the Fed's independence from day to day politics and relatedly, how can you maintain the public's perception the Fed is politically independent with this dynamic? Thank you.

Powell: So we did welcome a new committee member today, as we always do, and the committee remains united in pursuing our man, our dual mandate, goals. We're strongly committed to maintaining our independence, and beyond that, I really don't have anything to share just.

[Chris Reg, Associated Press]: as a quick follow. I'm sorry. Can you you and other Fed officials have spoken extensively about the impact of tariffs on inflation, although perhaps with many companies appearing to eat the tariffs, tariffs may be impacting the labor market and other parts of the economy. Instead, do you see that as a possible outcome here that tariffs are the reason we're seeing some slowing, particularly in the labor market, rather than in inflation.

Powell: You know, it's certainly possible, you know, we were, we're beginning to see, we have begun to see goods prices showing through into higher inflation. And actually, the increase in goods prices accounts for most of the increase in inflation, or perhaps all of the increase in inflation over the course of this year. Those are not very large effects at this point, and we do expect them to to continue to build over the course of of the rest of the year and into next year. And you know it's also possible and that there may be effects on unemployment, but that, I would say, if you're looking at why employment is doing what it's doing, that's much more about the change in immigration. So the supply of workers has obviously come way down. There's very little growth, if any, in the supply of workers. And at the same time, demand for workers has also come down quite sharply, and to the point where we see what I've called a curious balance. It's, you know, typically when we say things are in balance, that sounds good. But in this case, the balance is because both supply and demand have come down quite sharply. Now demand coming down a little more sharply because we see, we now see the unemployment rate edging up.

Nick Timiraos, The Wall Street Journal: Chair Powell, do economic conditions and the balance of risks no longer warrant a restrictive policy setting.

Powell: So I don't think we can say we can say that. What we can say is this, that over the course of this year, we've kept our policy policy at a restrictive level, and people have different views, but a clearly restrictive level, I would say so. And we were able to do that over the course of this year because the labor market was in very solid condition with strong job creation and all those things. I think, if you start

go back to April and now look at the revised job creation numbers for May, June, July and August, you can kind of, I can no longer say that. So what that means is that the risks which the risks were clearly tilted toward inflation, I would say they're moving toward toward equality. Maybe they're not quite out of equality. We don't need to know that, but we got it. We do know that they've moved meaningfully toward greater equality. The risks between the two goals, and that suggests that we should be moving in the direction of neutral, and that's what we did today.

Nick Timiraos, The Wall Street Journal: Under what circumstances would a larger than 25 basis points rate cut be warranted? And how seriously was that option entertained at your meeting this week?

Powell: There wasn't widespread support at all for a 50 basis point cut today. You know, I think we've done we've done very large rate hikes and very large rate cuts in the last five years. And you tend to do those at a time when when you feel that policy is out of place and needs to move quickly to a new place, that's not at all what I feel. Certainly now I feel like our policy has been doing the right thing so far this year. I think we were right to wait and see how tariffs and inflation and the labor market evolved. I think we're now reacting to, you know, to the the much lower level of job creation and other evidence of softening in the labor market and saying, well, those risks are maybe, maybe not fully balanced, but moving in the direction of balance now. And so that that warrants a change in policy.

Colby Smith, The New York Times: Should we be viewing today's cut as the committee taking out some insurance against the possibility that the labor market is at risk of weakening? Or is it the committee's view that the dynamics of a downturn are already in place? I guess I'm just, you know, trying to square the shift in the rate forecast in the Sep towards more cuts than just three months ago, with the fact that the forecast for unemployment didn't change.

Powell: Yeah, I think you could think of this in a way as a risk management cut, because if you look at the Sep, actually, the projections for growth this year and next actually ticked up just a little bit. And inflation and unemployment didn't really move. What. So what's different now? What's different now is that you see a very different picture of the risks to the labor market. You've seen, you know, we were looking at 150,000 jobs a month at the time of the last meeting. And now we see the revisions and we see the new numbers. And I didn't I don't want to put too much emphasis on on payroll job creation, but it's just one of the things that suggests that the labor market is really cooling off, and that that tells you that it's time to to take that into account in our, you know, in our policy.

Colby Smith, The New York Times: At the Sep, once again, the median participant has inflation higher than previously expected by the end of next year. And the Fed not getting back to the 2% target until 2028. So I guess I'm just wondering how you characterize the risk to price pressures of kicking off a series of cuts. At this point?

Powell: Yeah. So I would look at it this way. We we fully understand and appreciate that. We need to remain fully committed to to restoring 2% inflation on a sustained basis. And we will do that. At the same time, we've got to weigh the risks to the two goals. And I would say since really since April, to me, the risks of higher and more persistent inflation have probably become a little less. And that's partly because the labor market has softened, GDP growth has slowed. Um, and um, so I would just say that

that, that the risks there have been less than, than, than one might think, um, and in terms of the, of the labor market, what we're seeing is it's unemployment is still low, it's still a relatively low rate, but we're seeing downside risks.

Michael McKee, Bloomberg Radio and Television: I'm a little confused by your explanation of the Fed cutting rates because of unemployment. If you think that most of what's happening in the employment area is related to immigration, which your rate cuts wouldn't address, uh, how how do you see that as more important than inflation, which has remained almost a full percentage point above your target?

Powell: Well, I was I was saying that what's happening in the labor market has more to do with, with immigration than it has to do with tariffs. That was the question I was answering. So I wouldn't say that all of what's happening in the labor market is due to tariffs. I mean, you clearly have a slowing in it due to immigration. You clearly have a slowing in demand, which is now perhaps more than that in supply. And we know that because the unemployment rate has ticked up. So, um, so that's how that's what I meant by that.

Michael McKee, Bloomberg Radio and Television: I think a follow up, uh, every year since 2015, the Sep has forecast that you would hit your target two years later. And this year, this Sep says you're going to hit your target two years later. 2% does not seem to be in sight. Does that suggest that the 2% target is not really achievable? And does this present any credibility problems for you in telling people that that's what you're going to do if you can never reach it?

Powell: Well, I mean, you're right, it does say we're going to get to 2% inflation in 2028 at the end of 28. But that's you know, that's literally how you put the projections together. You're writing down a rate path which is designed to create over the course of the Sep, you know, time frame, 2% inflation and maximum employment too. So that's, that's that's all that is. You know, we don't no one really knows where the economy will be in three years. But the nature of the exercise is to write down policy that you believe would return to the 2% goal over the at least, at least by the end of the exercise.

Elizabeth Schultz, ABC News: The latest inflation report shows that prices are still going up across key categories for many households, including groceries. What will the Fed do if prices pick up more.?

Powell: So our expectation and you can see this consistently through the year, has been that inflation will move up this year, but that the the basically because of the effects on goods prices from tariffs. But that those will turn out to be a one time price increase as opposed to creating an inflationary process. That's been our forecast pretty much every for all the individual forecasts say that. We can't just assume that though, right? We have to. Our job is literally to make sure that that is what happens and we will do that job. Right now, the situation we're in is that we see, we see inflation. We continue to expect it to move up, maybe not as high as we would have expected it to move up a few months ago. Um, the pass

through into of of the tariffs into inflation has been slower and smaller. The labor market has softened. So the case for there being a persistent inflation outbreak is less. And so that's why we think it's time for us really to acknowledge that the risks to the other mandate have grown and that we should move in the direction of of neutral. So what will we do? We'll do what we need to do. But we have two mandates and we try to balance them for for a long time. Our framework says that when our two goals are in tension, this is quite an unusual situation. How do we decide what to do? Because our tools can't do two things at once. Um, what we do is we ask, which is farther from how far is each from the goal, and how long is it expected to get to the goal. So and then we think about those things and we see, as I mentioned, we have been our policy had been really skewed toward inflation for a long time really. Now we see that that there's downside risk clearly in the labor market. And so we're moving in the direction of more neutral policy.

Elizabeth Schultz, ABC News: How concerned are you about the slowdown in the jobs market for households at home, especially younger Americans struggling to land a job?

Powell: So it's an interesting labor market. And obviously we we think it's appropriate that that we reduce our rates so that we become more neutral, which will be which presumably will be better for the labor market. Uh, you you see people who are sort of more at the margins. So kids coming out of college and younger people, minorities are, are having a hard time finding jobs, the overall job finding rate is very, very low. However, the layoff rate is also very low. So you've got a low a low firing low hiring environment. And the concern is that if you start to see layoffs, the people who are laid off won't there won't be a lot of hiring going on. So that could very quickly flow into into higher unemployment in a, in a healthier economy, healthier labor market. There would be jobs for those people. But now the hiring rate is very, very low. So that's been a growing concern over the last, last few months. And it's one of the reasons why we think it's appropriate that we begin to begin to shift our policy focus toward a more balanced one.

Steve Liesman, CNBC: Mr. Chair, in the past, during rate cuts, you used the word recalibration, and I wonder if you pointedly did not use it this time, and in fact, when you said policy is not on a preset course, did you mean to that is sort of the opposite of recalibration. Are we meeting to meeting data point by data point? Are we in the process here of getting back to neutral? Thank you.

Powell: So I think we are. We're in a meeting by meeting situation. We're going to be looking at the data. You know what? Let me, let me say a word about the SEP. Really here. So we often point this out. The what the SEP is, it's, it's an accumulation, a accumulation of the individual projections of 19 people showing what they believe at a particular moment in time to be the most likely path for the economy, and thus the appropriate path for monetary policy as well. And as you know, we don't we don't debate or try to agree on what that is. We just write them down and accumulate them. We do sometimes discuss them. And so we always say we're not on a preset path. Then we really mean that the actual decisions we make are going to be based on the incoming data, the evolving outlook and the balance of risks at the time the decisions are actually made. So you will have seen that we have 10 participants out of 19 who

wrote down two or more cuts for the remainder of the year, and nine who wrote down fewer than in fact, in a good number of cases, no more cuts. So rather than looking at so rather than looking at this as certainty, I would encourage people, as always, to look at the SEP as through the lens of probability. And so there are different possible outcomes and likelihoods, rather than this one is certain and this one isn't happening. So that's what I would say.

Speaker 1: Thank you for getting to my follow up question is, is the dispersion in the Outlook a sign of uncertainty of policy, in the in the in the meetings to come? Thank you.

Powell: You know it's it is such an unusual situation. Ordinarily, when the labor market is weak, inflation is low, and when the labor market is really strong, that's when you be careful about inflation. So we have a situation where we have two sided risk, and that means there's no risk free path. And so it's quite a different, difficult situation for policymakers, and it's it's not at all surprising to me that you have a range of views. It's not so much about having different views for the path of the economy, but it's partly that, but it's also partly about what's the right thing to do in light of this of the tension between the two goals, how do you weight them? How worried are you about one versus the other? And so it's it's natural. I think it would actually be surprising if you didn't have a pretty wide range of views based, you know, in this kind of highly unusual situation, and we do so, but, you know, we get together, we discuss, we have a great discussion, and then we decide what to do and we act. But you're right there that it is, it's a wide dispersion of views, and I think that's understandable and natural in the current situation.

Victoria Guida, Politico: Hi, Victoria guida, with Politico, you've talked a lot about Fed independence and the importance of it over the years, but as markets have questions about what exactly President Trump's intentions are with the Fed. What would you point to as the things they should be watching to determine that the Fed is still making decisions based on, you know, the economic outlook rather than political considerations.

Powell: Look, it's deeply in our culture to do to do our work based on the incoming data and and never consider anything else that's just everybody who's at the Fed really feels strongly about that way. So you know, you'll know it by the way we talk about what we're doing, by the speeches that people give, by the decisions that we make, you'll know that we're just still going to do that. That's all we do. And we don't. We don't frame these questions at all, or see them in terms of political outcomes. I think when you get to another part of Washington, everything is seen through the lens of, does it help or hurt? This political party, this politician, you know, that's that's the framework. And I think people find it hard to believe that that's just that is not at all the way we think about things at the Fed, we're taking a longer perspective. We're trying to, you know, serve the American people as best we can. So I think, I think you'll, you would be able to tell I don't, I don't believe we'll ever get to that place. You know, I would

say we're doing our work exactly as we always have now. And people are, they're making their their arguments and and we're having a, really, a great discussion around these challenging issues. So do.

Victoria Guida, Politico: you see the court case around Lisa Cook as being related to questions about independence.

Powell: You know, I see it as a court case that it would be inappropriate for me to comment on.

Edward Lawrence, Fox Business: Thanks, Mr. Chairman, Edward Lawrence from Fox Business, so we saw the preliminary benchmark revisions down 911,000 the revisions for June were the first negative revisions we've seen since December of 2020, how can the Fed base important decisions on rate and what to do with the interest with the interest rates on data that seems to be, as you've called it in the past, noisy.

Powell: So on the QCEW, the revision that we saw was almost exactly what we expected. It was amazing how close the expectation was so and the reason for that is, for the last bunch of quarters, there's been a almost a predictable over count. And I think the you know, the Bureau of Labor Statistics really does understand this, and they're working hard to fix it. It's got to do, of course, it has something to do with low response rates, but it's also got to do with what's called the birth death model, because a good amount of job creation happens around new new companies, and how many go out of business, how many are founded, and it's just really hard. You can't survey for that. You've got to have a model that predicts that. And it's quite difficult to do, especially when the economy is undergoing big changes so and they've been working on that, and are making progress on it, but I you know the data we get is still, well, good enough for us to do our work to the extent we have issues around data. Right now, it's about low response rates that's happened all over, all over. Really, response rates are just lower to surveys now, both in and out of the government, and it's no great secret, you know, we want higher response rates, and we need those to have, you know, less volatile data, and the way to get that is to make sure that the agencies that collect the data have sufficient resources to drive higher response rates. It's it's not a complicated problem, but that's what it takes. It's not a mystery. That's what it takes. The other thing I'll say, Edward, is, in the case of the jobs, job creation, the first the response rate is quite low for the first month, or lower for the first month, by the time you get to the second or third month, you're still collecting responses for that last month, for that prior month, and you get to the place where the data are much more reliable by the second and certainly the third month. So it's not that we don't get the data, it's just that we get it a little later.

Edward Lawrence, Fox Business: if, if the well, for the benchmarks, if that holds it's 51% of the jobs that we thought were there weren't really there. Shows a weaker market, job market coming into this year. If you had had that information, would it have changed your mind related to where the interest rates should be? Should there been a cut earlier?

Powell: You know, we have to live life looking through the windshield rather than the rear view mirror, as you know. And all I can tell you is, we see where we are now, and we take appropriate action. We took that appropriate action today.

Howard Schneider, Reuters: Thanks, thanks. Howard Schneider with Reuters. So, as you mentioned a minute ago, some margins of the job market would suggest that the slides already happening. Black unemployment rate in August was above 7% declining work week difficulty among college graduates finding work high rising youth unemployment. Why do you think a quarter percentage point now is going to arrest that?

Powell: Well, I hadn't say that. I thought a quarter point would make a huge difference to the economy, but you've got to look at the whole path of rates, right? And markets already, has already been baking in expectations. I mean, our market works through expectations, right? So I think our policy path really does matter, and I think it's important that we use our tools to support the labor market when we do see signs like that, I did mention that you see minority unemployment going up. You see younger people, people who are more vulnerable economically, more susceptible to economic cycles. That's one of the reasons, in addition to just overall lower payroll job creation, that shows you that at the margin, the labor market is weakening. I would also point to labor force participation. Some part of the significant decline in labor force participation over the last year has probably been cyclical in nature, rather than just the usual aging process. So we put all this together, and we see that that the labor market is softening, and we don't need it to soften anymore. Don't want it to so we use our tools, and, you know, we it starts with a 25 basis point rate cut, but we, you know, the markets also pricing in a rate path. I'm not blessing what the market is doing at all. I'm just saying it's not just one action.

Howard Schneider, Reuters: as a follow up to that the growth mix right now seems very concentrated in investment and on the consumer spending side, in the higher income groups. Do you feel that that's an unsustainable mix for the economy moving forward?

Powell: I wouldn't say that. I mean, you're right. Those are two we're on. We're getting unusually large amounts of economic activity through the ai, ai build out and corporate investment. I don't know how long that will go on. No one does in terms of spending. You saw the spend, the consumer spending

numbers were, were well above expectations, and that may well be skewed toward higher, higher earning consumers. There's a lot of anecdotal evidence to suggest that, nonetheless, it's spending so, I mean, I think the economy is, is, you know, is it's moving along. Economic growth is going to be one and a half in the one and a half percent or better this year, maybe a little better forecasts have been coming up, as you can see. So labor market is, unemployment is, is low, is it? But, you know, down downside risks, but it's still, it's still low, unemployment rate. So that's how we see it.

Stephanie Rule, MSNBC: Hi, Stephanie rule, MSNBC Treasury Secretary Scott Bessent has said that the Federal Reserve suffers from mission creep and institutional bloat. He's now calling for an independent review. Would you support an independent review, or are you open to any sort of reform in any areas of the Fed?

Powell: I, of course, I'm not going to comment on anything the secretary says, or really any other officer says. So in terms of reform at the Fed, you know, we just, we just went through a lengthy, and I think, very successful process of updating our monetary policy framework, I would say there's a lot of work going on behind the scenes around the assets we have in the Federal Reserve Bank System, Federal Reserve System and at the board. Are they the right size? We're actually going through a 10% head head at 10% head count reduction through the whole Fed, including the board and all the Reserve Banks, the employment, employment at the Fed at the end of that will be basically at the same level it was more than 10 years ago. So we will have had zero job growth for more than a decade when we're finished with that. And I think we'll probably, we'll probably do more than that. So I think we're, we're certainly open to constructive criticism and.

Speaker 6: ways to do our jobs better, not an independent review.

Powell: We're certainly open to, you know, to always trying to do better.

Neil Irwin, Axios: Mr. Chairman, Neil Irwin, with Axios, there's been some debate lately on whether AI is already starting to affect the labor market in terms of lower labor demand and demand, higher productivity. By contrast, do you buy that? And if that is true, does that have implications for the monetary policy setting?

Powell: So there's, there's great uncertainty around that, I think, my view, which is also a bit of a guess, but widely shared, I think, is that you are seeing some effects, but it's not the main, not the main thing

driving it, and so particular focus on young people coming out of college. And yeah, there may be something there. It may be that companies or other institutions that have been hiring younger people right out of college are able to use AI bet more than they had in the past. That may be part of the story. It's also part of the story, though, that you know, job creation, more broadly, has slowed down, the economy has slowed down. And so it's probably a number of things, but yeah, it's it's probably a factor. Hard to say how big it is.

Speaker 8: Thanks, Mr. Chairman, what Evan, what evidence do you see of tariffs showing up in inflation?

Powell: Well, if you you can take goods just sort of the broad goods category, and last year, goods inflation was negative. If you go back 25 years, that was the typical thing was, was that goods inflation was goods prices generally went down, even adjusting for quality. So that was not the case during the pandemic. Of course, goods inflation went very high, but we essentially returned to zero or slightly negative inflation. Now I think goods inflation over the course of the past year is 1.2% which doesn't sound like a lot, but it's a big change. So we think, I mean, analysts have different views, but we think it's contributing, you know, point three or point four for something like that, to the current core PCE inflation reading, which is 2.9% so it's contributing, what's, what seems to be happening is that, you know, the tariffs are not, mostly not being paid by exporters, mostly being paid by, really, the companies that sit between the exporter and the consumer. So if you, if you buy something and you sell it, sell it through retail, or you use it to make a product, you're probably taking those cut a lot of those costs on and not able to pass it fully along to the consumer. Yet, that's that appears to be what we're seeing all of the all of those companies and entities in the middle, they'll tell you that they have every intention of passing that through in time, but they're not doing that now, consume to the consumer. The pass through has been pretty small. It's been slower and later, slower and smaller than than we thought. But the evidence is, it's very clear that there's some pass through.

Speaker 8: I also wanted to ask if you could share with us the conditions under which you might consider leaving the Fed in, in in May.

Powell: I have nothing new on that for you today.

Katherina Saraiba, Bloomberg News: Hi, Katherina saraiba with Bloomberg News, I just wanted to follow up on, you know, one of your answers just a couple minutes ago. You know, we've often heard you talk about how you and your colleagues, you know, do not think about politics. This does not enter the room, but one of your new colleagues does come from this world, right, where everything is seen

through this framework of of politics and of what party is being helped and and that person is still employed by the White House. How? How can markets and the public interpret, you know, some of his speeches, for example, and then some of you know, the forecast that we see today. I mean, the median for this year was moved because of the introduction of his forecast. I'm talking about the number of rate cuts seen this year. What do you you know? What do you say to markets and the public that are trying to interpret, you know, what you guys are saying?

Powell: So there's 1212 vote 19 participants, of of whom, 12 vote, as you know, on a rotating basis. So no one voter you know can really the only way for any voter to really move things around is to be incredibly persuasive, and the only way to do that in the context in which we work is to make really strong arguments based on the data and one's understanding of the economy. That's really all that matters, and that's how it's going to work. And I think that's that is the way the institution that's in the DNA of the institution that's not going to change.

Katherina Saraiba, Bloomberg News: And then I wanted to ask about a Gallup poll that showed that Americans now have more confidence in the president than the Federal Reserve when it comes to doing what's right for the economy. Why do you think that is and what's your response? What's your message the public?

Powell: Our response is, we're going to do everything we can to use our tools to achieve the goals that Congress has given us, and we're not going to get distracted by by anything. So I think that's, that's what we're going to do. We're just going to keep doing our jobs.

Clare Jones, Financial Times: Clare. Clare, Jones, Financial Times, given the range of views expressed prior to the meeting, I think there was a lot less dissent today than a lot of people expected. It would be good to know just what you think the drivers were of coming to their very strong consensus in the meeting, and also on the flip side, to just explain why the dot pots plots are really so scattered between, you know, someone even expecting rates to end up higher by the end of the year to five cuts. I mean, what were the kind of range of views you heard about on one side, why there was so much support for a cut today, and on the flip side, why there's so much divergence about what comes next.

Powell: So I think there's quite a wide react, a wide assessment that the situation has changed with respect to the labor market, whereas we could still say, and did say in July, at the time of the July meeting, if the labor market was in solid condition, and we could point to 150,000 jobs per month, and many other things. I think that the new data that we've had, and it's not just payrolls, it's other things as well, suggest that there really is meaningful downside risk. I said there was down flight risk then, but I

think that that downside risk is now a reality, and there's clearly more downside risk. So I think that was, I think that's broadly accepted, and so that meant different things for different people. Some, you know, some wrote down. Almost everyone wrote down supported this cut, and some supported more cuts, and some didn't, as you will see from the dot plot. So just the way, that's just the way it is. I mean, people have it's, it's, you have people who take this work very seriously. Think about it all the time, do their work, discuss it with our colleagues. You know, we endlessly discuss this in between ourselves, and then we have a meeting where we put it all out on the table, and this is what you get. And you're right, there is, a there's a range of views in the dots and and I think that's, like I said, very unsurprising given the quite unusual, historically unusual nature of the challenges that we face. But let's, let's remember, though the unemployment rate is 4.3% the economy is growing at one and a half percent. So it's not a bad economy or anything like that. We've seen much more challenging economic times, but from a policy standpoint, the standpoint of what we're trying to accomplish, it's challenging to know what what to do. There are, as I mentioned earlier, there are no risk free paths. Now it's not incredibly obvious what to do. So we have to keep our eye on inflation at the same time, we cannot ignore and must keep our eye on on maximum employment, which is those are our two equal goals. And you will see that there are just there a range of views on, on, on what to do. Nonetheless, we came together today at the meeting and acted with a high degree of unity.

Archie Hawk, The Economist: you mentioned earlier that job creation was running below your guess at its break even rate. I'd be curious to a bit more about that, and where you think the break even rate is.

Powell: So there, there are many different ways to calculate it, and none of them is perfect. But you know, it's, it's clearly come way down there you could, you could say it's somewhere between zero and 50,000 and you'd be right or wrong. I mean, there's just many ways, different ways to do it. So whatever, wherever it was, 150,000 200,000 a few months ago, it's come down quite significantly, and that's because very, a very lower amount of people are joining the labor force. The labor force really not growing much at this point. And that's that's a lot of where the supply of labor was coming from over the last three, two or three years. So we're not getting that now. We're also we've got much lower demand. You know, it's interesting that supply and demand have really come down together so far, except now we do have inflation, sorry, unemployment ticking up outside, just one tick outside of the the range where it's been for a year, 4.3% is still a low level. But you know, I think this level of this speedy decline in both supply and demand has certainly gotten everyone's attention, if.

Archie Hawk, The Economist: You mentioned the downside risk to employment a fair amount, but it's striking that measures of kind of activity and output for the third quarter, those that we have seemed pretty strong. The Atlanta defense, GDP now is very strong. You mentioned strong PCE numbers as well. How do you square those things? Is there? Is there a chance actually could be upside risk to the labor market if those activity measures are right?

Powell: Well, that would be great that we'd love that to happen. So I don't know that you see a big tension there, but it's gratifying to see that that economic activity is holding. And it's, you know, so it's, it's a good, a good bit from consumption. It looks like consumption was stronger than expected. What we got earlier this, this week, I guess. But, and also we're getting, you know, a fairly narrow sector is, is producing a lot of economic activity, which is the the AI build out, and, you know, business investment. So I, you know, we watch all of it, and I would say we, you know, we did move up the median for growth for this year, actually moved up in the SEP between the June and September, Sep. So, and really, the inflation and labor market didn't change much. It's really the risks that we're seeing to the labor market that that that were the focus of today's decision. Nicole.

Nicole Goodkind, Barron's: Hi, Nicole, good kind with barons. Thank you for taking my question. Given the cumulative impact of high interest rates on the housing sector, I'm wondering how concerned you are that current rate levels are exacerbating housing affordability issues and potentially hindering household formation and wealth accumulation for a segment of the population.

Powell: You know, housing is an interest sensitive activity, so it's at the very center of monetary policy when, when the pandemic hit and we cut rates to zero, the housing housing companies were incredibly grateful, and it was really they said that was the only thing that kept them going, was that we we cut so aggressively and provided credit and things like that, and they were able to finance because, because we did that. The other side of that is when inflation gets high and we raise rates, and it, you're right, it does burden the housing industry, and so rates have come down a bit. And as that happens, we don't set the we don't set mortgage rates, but our policy rate changes do tend to affect mortgage rates, and that has been happening, and that'll, that'll, of course, raise demand, lower borrowing rates for for builders will help, you know, get builders will supply. And so some of that should happen. I think most analysts think that we have to be pretty big changes for it to matter a lot for the big changes in rates, for the to matter a lot for the housing sector. And, the, you know, the other thing is, by, you know, by achieving maximum employment and price stability, that's a strong economy. That's a good economy for for housing. And then the last thing I'll say is, you know, there's a deeper problem here. There's not a cyclical problem that the Fed can address, and that just is a pretty much nationwide housing shortage, or put a lot of places in the country just don't have enough enough housing for people. And you know, all of the areas around metropolitan areas like Washington, for example, are very built up, and so you're having to build farther and farther out and that so that's where it is.

Nicole Goodkind, Barron's: And just a quick follow up during the last Sep, or the press conference following the last Sep you seem to indicate that policymakers lacked conviction about their projections, and I'm wondering if you still feel that way.

Powell: You know forecast, forecasting is very difficult, even in placid times, and as I've mentioned before, forecasters are a humble lot with much to be humble about so I think right now is a particularly challenging time, even more uncertain than usual, and so I don't know any forecaster anywhere really ask, ask any of the forecasters whether they have great confidence in their Forecast right now, I think they'll honestly say, No. Jennifer, Jennifer,

Jennifer Schoenberger, Yahoo Finance: thank you. Chair Powell, Jennifer Schoenberger with Yahoo Finance, if you're cutting rates, why continue to reduce the size of your balance sheet? Then pause the unwinding.

Powell: Well, I think we're, you know, we're cutting the size of our balance sheet quite marginally. Now, as you know, with the balance sheet, we're, we're still in in an abundant reserves condition. And we're, we've said that we would stop somewhat above a, somewhat above an ample reserves level. That's what, that's where we are. And we're, you know, we're getting closer to that. We're monitoring it very carefully. We don't think that that has at all significant macroeconomic effects. These are pretty small numbers moving around inside a giant economy. You know the number that the level of runoff is not, not very large, so I wouldn't attribute macroeconomic consequences to that at this point.

Jennifer Schoenberger, Yahoo Finance: and at his recent confirmation hearing, Steven Miran brought up that the Fed actually has three mandates from Congress, not just jobs and stable crisis, but also moderate long term interest rates. So what does Congress mean by moderate long term interest rates? How should we understand that when we see the 10 year treasury moving and how do you think about this part of the mandate when policy choices like rate cuts or balance sheet reductions affect the long end of the yield curve.

Powell: So we always think of it as the dual mandate, maximum employment and price stability for a long time, because we think moderate, long term interest rates are something that will result from stable inflation, low and stable inflation and and maximum employment. So we don't, we don't, haven't, we haven't thought about that as for a very long time, as a third mandate that requires independent action. So that's where that is. And there's no, there's no thought of, as far as I'm concerned, there's no thought of considering that, you know, considering that we somehow incorporate that in as something in a different way.

Matt Egan, CNN: Thanks. Chair Powell, Matt Egan from CNN, we recently learned that average FICO credit scores are down this year by two points, the most since 2009 during the great recession. And

delinquencies are high for car loans, personal loans, credit cards. How concerned, if at all, are you about the health of consumer finances? And do you expect today's cut will help?

Powell: So, you know, we're aware of that. I think default rates have been kind of ticking up, and we do watch that they're not at a level. I don't believe they're at a level or overall. They're, you know, terribly concerning, but it is something that we watch. You know, lower rates should support economic activity. I don't know that one rate cut will have, you know, a visible effect on that, but over time, you know, a strong economy with a strong labor market is what we're what we're aiming for, and stable and stable prices. So that should help.

Matt Egan, CNN: this rate cut is coming at a time when the stock market is at or near all time highs and some valuation metrics are elevated historically. Is there a risk that cutting rates could overheat financial markets, potentially fueling a bubble.

Powell: You know, we were tightly focused on our goals, right? And our goals are maximum employment and price stability. And so we take the actions that that we take with it with an eye on those goals separately. And that's what we why we did what we did today separately. We monitor financial stability very, very carefully. And you know, I would say it's it's a mixed picture, but households are in good shape. Banks are in good shape overall. Households are still in good shape in the aggregate. And I know that people to lower end of the income spectrum are under pressure, obviously, but from a financial stability perspective, we monitor that picture. We don't have a view that there's a right or wrong level of asset prices for any particular financial asset, but we monitor the whole the whole picture, really looking for structural vulnerabilities. And I would say those are not elevated right now, Jean.

Jean Yung, MNI: Hi, Chair Powell Jean Yung with MNI Market News, I wanted to ask about inflation expectations. You've said the Fed can't take the stability of inflation expectations for granted. You mentioned at the short run, they've gone up a little bit. I wonder if you can talk a bit about that. And then also at the long run, wondering, do you see evidence that the debate over Fed independence and the growing deficit is putting pressure on inflation expectations?

Powell: So as you, as you said, shorter term inflation expectations have tended to respond to near term inflation. So if inflation goes up, inflation expectations will predict that it takes just a little while to get back down. Fortunately, throughout this, this period, longer term inflation expectations both both break even in the markets and almost all of the longer term surveys, Michigan being a bit of an outlier lately, have have, have been just rock solid in terms of, you know, running at levels that are consistent with 2%

inflation over time. So we don't take that for granted. We actually assume that our actions have a real effect on that, and that, you know, we need to, you know, continually show and also mention, discuss our commitment to 2% inflation. And so you'll hear us doing that. It's but you know, we're, as I mentioned, it's a difficult situation because we have, we have risks that are both affecting the labor market and inflation. Those are our two goals. And so we have to balance those two when they're both at risk. We have to balance them. And that's really what we're trying to do. I don't inter your latter, latter part of your question was about independence. I, you know, I don't, I don't see market participants. I don't see it. That's something they're factoring in right now in terms of setting interest rates. Thanks very much.