ROUGH TRANSCRIPT OF CHAIR POWELL'S JANUARY PRESS CONFERENCE

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. The U.S. economy expanded at a solid pace last year and is coming into 2026 on a firm footing. While job gains have remained low, the unemployment rate has shown some signs of stabilization, and inflation remains somewhat elevated.

In support of our goals, today the Federal Open Market Committee decided to leave our policy rate unchanged. Having lowered our policy rate by 75 basis points over the course of our previous three meetings, we see the current stance of monetary policy as appropriate to promote progress toward both our maximum employment and 2 percent inflation goals. 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 solid pace. Consumer spending has been resilient, and business fixed investment has continued to expand. In contrast, activity in the housing sector has remained weak. The temporary shutdown of the federal government likely weighed on economic activity last quarter, but these effects should be reversed as the reopening boosts growth this quarter.

In the labor market, indicators suggest that conditions may be stabilizing after a period of gradual softening. The unemployment rate was 4.4 percent in December and has changed little in recent months. Job gains have remained low. Total nonfarm payrolls declined at an average pace of 22,000 per month over the last three months; excluding government employment, private payrolls rose at an average pace of 29,000 per month. A good part of the slowing in the pace of job growth over the past year 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. Other indicators, including openings, layoffs, hiring, and nominal wage growth, show little change 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 indicate that total PCE prices rose 2.9 percent over the 12 months ending in December and that, excluding the volatile food and energy categories, core PCE prices rose 3.0 percent. These elevated readings largely reflect inflation in the goods sector, which has been boosted by the effects of tariffs. In contrast, disinflation appears to be continuing in the services sector. Near term measures of inflation expectations have declined from last year's peaks, as reflected in both market- and survey-based measures. 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 maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent. Since last September, we have lowered our policy rate 75 basis points, or 3/4 of a percentage point, bringing it within a range of plausible estimates of neutral. This 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 tariff increases have passed through. We are 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.

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

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 at the Fed will continue to do our jobs with objectivity, integrity, and a deep commitment to serve the American people. Thank you. I look forward to your questions.

ASSOCIATED PRESS: You attended the Supreme Court hearing last week on the Lisa Cook case and Treasury Secretary Scott Bessent criticized that as political. Can you say why you attended, and what you would say in response to the Secretary's criticism?

POWELL: So, let me start, I don't respond to comments by other official, whoever they may be. It is just not appropriate to do that.

I will tell you why I attended. I would say that case is perhaps the most important legal case in the Fed's 113 year history, and I, as I thought about it, I thought it might be hard to explain why I didn't attend.

In addition, Paul Volcker went to a Supreme Court case famously in 1985 or so, so it is precedented, I thought it was an appropriate thing, and I did.

ASSOCIATED PRESS: On the job market, you mentioned last month that the Household Survey might be distorted, and you also mentioned the potential for overcounting jobs, which would suggest that we are still in a negative hiring pace.

So, do you see the drop in the unemployment rate as solid, and I am just -- what is the basis for saying that things have stabilized? Thank you.

POWELL: So, really two questions. One, we are getting through the distortions in the data from the shutdown, however big they were in November, they are smaller in December, so we are getting to a place where they are no longer material. They are still there, but it is a tweak here and there.

The reason why we changed the statement -- let me pull it out -- was simply, it used to say that judges that downside risk to employment rose in recent months. So, we saw data coming in which suggests some signs of stabilization. I wouldn't go too far with that, but some signs of stabilization. There are also some signs of continued cooling so we thought that was no longer an accurate description of the data.

In addition the economic activity outlook has clearly improved since the last meeting, and that should matter for labor demand and employment over time.

So, for those two reason, we thought we would take that language out of the statement.

WALL STREET JOURNAL: Chair Powell, you generally avoid engaging with political controversies directly and the statement on January 11 was a departure. What makes this different, and are you concerned this could draw the institution into further political debates.

POWELL: So, today I will simply refer you to the statement I made on January 11. I am not going to expand on it or repeat it. I am just not going to -- this is really about the Press Conference, and the economy, and what we did today.

And some ancillaries, but I am not going to be getting into that.

WALL STREET JOURNAL: Can you say whether the Fed has responded to the Subpoenas?

POWELL: I have nothing for you on that today.

BLOOMBERG RADIO AND TV: Have you made a decision on whether you would remain as govern of the Federal Reserve. If so, would you tell us what it is, and if not, when might we anticipate a decision?

POWELL: No, and I really, once again, have nothing for you on that today. That, either.

BLOOMBERG RADIO AND TV: Why would you want to leave at all, under the circumstances?

POWELL: Again, I don't want to get into this. There is not something -- there is a time and place for these questions, but not something I am going to be getting into today. Thank you.

FINANCIAL TIMES: We have seen quite big movements in the dollar over recent days. What do you think is driving the US currency lower? And have you been at all concerned by the extent of the volatility we have seen this week? Thank you.

POWELL: So, Claire, as you know, we don't comment on the dollar. Really the administration, especially the Treasury Department, has the job of oversight over the currency and exchange rate and all that. We don't comment on that.

That is not our role. So, I have nothing for you.

FINANCIAL TIMES: But what you think is behind the market movements? Is it asset managers diversifying?

POWELL: We don't talk about the dollar and we don't talk about what moves it Arndt. It is just not appropriate for us to do so. Really the Treasury Department has that. It is their role, their bailiwick, and we stay off it. We do Monetary Policy and other things, but we don't comment on the dollar. Sorry.

AXIOS: Obviously no SEP in this meeting, but in light of the slight firming you around growth and the labor market in the statement, should we assume the timeline for further rate cuts is pushed back compared to what people thought in December?

POWELL: Well, first of all, if you look at the incoming data since the last meeting, clear outlook for growth, the Beige Book, everything comes in suggesting that this year starts off on a solid footing for growth.

Inflation performed about as expected, and as I mentioned, some of the labor market data came in suggesting evidence of stabilization, so, it is overall a stronger forecast, really, if that is your question. I am not sure I answered your question.

AXIOS: But in terms of timing or pacing of any additional easing?

POWELL: Oh. So, we haven't made -- what we said about this was, after this meeting, after the three recent rate cuts, we are well positioned to address the risks we face on both sides of our dual mandate, and will continue to make our decisions meeting by meeting, based on the incoming data and the implications and outlook of balances and risks. Haven't made any decisions about future meetings but the economy is growing at a solid pace, the unemployment rate is broadly stable and inflation remains somewhat elevated, so we will be looking to our goal variables and letting the data light the way for us.

CNBC: Sticking with questions you might answer, thank you. You had previously, I believe, described the current policy rate being at the higher end of neutral. If you look at the longer run rate in the SEP, 16 of 19 officials are actually below there on their long run. Is the Fed still in the process of bringing it down toward the middle range of neutral? And what would it take to get there?

POWELL: So, the count I did was that 4 of the 19 were at or above that. Maybe I missed by one. I thought it was 4.

If you look at the dealer survey, it was 10 out of 58 at or above -- so, you are right. It is the higher end of the range. What we say is, it is within the range of plausible estimates. This is the higher end of that range, but for some people I think it is neutral.

I think, and many of my colleagues think, it is hard to look at the incoming data and say that policy is significantly restrictive at this time. It may be loosely neutral or somewhat restrictive. It is in the eye of the beholder and, of course, no one knows with any precision.

CNBC: I agree with what you are saying, but some officials have described the Fed being in a mode of bringing it down eventually over time. Are you still in that mode, or is this a place to hang out?

POWELL: Yeah, no. I would say, if you look at the SEP from December, most people had additional normalization, but at the same time, we have done a lot of the process of normalizing. A good piece of it is done with 75 basis points and before that, 175 basis points we began cutting since September of 2024. So you moved 3 times, Fed funds are running a little below 3.65%, so, you have moved a good way, and we think we are well positioned here to watch how the economy forms. We are looking at the data. We are not making decisions about future meetings but we do think we are well positioned after the three cuts to let the data speak to us.

BLOOMBERG: To what extent did the Committee talk about the possibility of cutting, and is there a broad agreement about rate cuts and what it would take?

POWELL: So, there was broad support on the Committee for holding today, broad, I would say, including among non-voters, so that is where that was. Of course, some people did want to cut, and dissented, but the Committee pretty broadly for holding today.

We are not trying to articulate a test for when to next cut, or whether to cut at the next meeting. What we are saying is, we are well positioned, as we make decisions meeting by meeting, looking at the incoming data, evolving outlook and all that.

We are in a position where we have to -- we still have some tension between employment and inflation, but it is less than it was. I think the upside risks to inflation and the downside risks are probably both diminished a bit.

So, we will be looking at that. It is about how you weigh the risks to the two goals, and how big those -- and quantify them, so there are different views on the Committee, and we will find our way forward as the data evolve.

FOX BUSINESS: Has the effects of tariffs already moved through the economy on prices?

POWELL: A lot of it has. So, basically, there are many different estimates and they are all highly uncertain, but most of the overrun in goods prices is from tariffs. That is actually good news, because if it weren't from tariffs, it might mean it is from demand, and that is a hard problem to solve. We do think tariffs are likely to move through, and be a one-time price increase.

So, most of the overshoot -- if you were to take that out, you would get -- I mean, inflation, a core piece of the inflation is running a bit above 2%, X the effects of tariffs on goods.

And the other good news is, if you look away from goods and look at services, you do see ongoing disinflation in all the categories services, so that is a healthy development. That is what is going on.

The expectation is that we will see the effects of tariffs flowing through goods prices peaking, then starting to come down, assuming there are no new major tariff increases that are begun, and that is what we expect to see over the course of this year.

If we see that, that would be something that tells us that we can loosen policy. Also, if we see something that suggests that the Labor Market is not stabilizing, and, in fact, the downside risks reemerge, or the data just gets worse, we would have to look at both of those. We have a two-sided mandate.

FOX BUSINESS: If I could, if President Trump does pick a new Fed Chairman before May, what would that look like? And what does that transition look like?

POWELL: I don't have anything for you on that. That would depend on Congress' actions and things I can't speculate on.

REUTERS: Thank you for taking our questions. Given the changes in the statement and all you said so far, is it fair to describe risks to your -- to both sides of the mandate as roughly balanced right now, and is the next move necessarily down?

POWELL: I would say that the upside -- again, the upside risks to inflation and the downside risks to employment have diminished, but they still exist. So, there is still some tension between the mandates.

Are they fully in balance? Hard to say. Hard to say. And, you know, again, we think our policy is in a good place.

I just discussed reasons why we might change our policy, and, you know, we will have to see how the data lead us.

REUTERS: I am wondering, a minute ago you said you felt expectations were consistent with your mandate, but the two and ten year break-evens have moved quite notably in the last couple week, I believe. Is there any concern on that front?

POWELL: I mean, I recently looked at all of the Survey and market-based short-term inflation expectations have come way down. They were in a good place at the beginning of last year. They spiked around liberation day, and now they fully retraced in the last few months, so that is very comforting. In the longer-term inflation expectations have remained in places very can't with 2% inflation over time so expectations have been solid and reflect confidence in the return of 2% inflation.

WASHINGTON POST: Apologies if this is a little repetitive, but in the past you said the reason you cut rates was that the riffing to the Labor Market was greater than the risk to inflation side. Is that still true?

POWELL: You know, you are right. We haven't made -- we saw the labor market weakening, and we acted. And I think that was the appropriate thing to do. We will always have to address what we see as the economy moving away from our goals.

Risks to both of the variables are a little less. I think the upside risk to inflation, again a little less than the downside risk to employment, a little less.

I just would say that I am not making a judgment about how, you know, one of them is more at risk than the other. Just that the risks to both of them have diminished.

WASHINGTON POST: BIS wrote a paper last summer that concluded global investors are hedging their dollar exposures in ways they previously hadn't because of policy uncertainty. Do you believe BIS?

POWELL: We don't really see much at all about that, that whole story. There is not a lot of data that suggests there is much to that.

NEW YORK TIMES: Can you talk more about what you would need to see in the labor market to conclude its time to resume easing? do you need to see further deterioration in the labor market, or would it be enough for inflation to soften?

POWELL: We will always be looking at both things. There could be combinations, numbers of combinations that would cause us to move. A weakening labor market would be an argument for loosening. But what is happening with inflation, if it were at the same time getting worse, you have a difficult situation there. So, we will be looking at both. Clearly a weaker labor market calls for cutting. A stronger labor market says that the rates are in a good place. We will have to be making similar judgments, too, on inflation, though.

NEW YORK TIMES: If inflation does pick back up and the labor market doesn't show further signs of deterioration, is there a chance you could raise rates rather than remaining on hold?

POWELL: It is not anybody's base case right now that the next move will be a rate hike, but ultimately we will do what we think is the right thing, but that is not where our people's expectations are right now.

POLITICO: you talked in the past about concerns about the US fiscal trajectory and we have seen in the Japanese bond market a lot of turmoil recently in terms in part to their fiscal and long-term economic outlook. Do you worry the US could at some point find itself in a similar situation with Japan rather fiscal or demographic reasons.

POWELL: Over time US rates haven't moved a lot, really for a while, but they haven't moved a lot because of what has been happening in Japan. So, it is more of an over time thing. The US Federal budget devestate is uncontroversial on an unsustainable path, the path is unsustainable. The sooner we work on it, the better.

Right now we are running a very large deficit at essentially full employment, and so the fiscal picture needs to be addressed. And it is not really being addressed, so, that is important. And I am not in any way connecting it to a near-term market event, but ultimately it is something we will have to deal with. In the end game, that is where you wind up, in some kind of a difficult thing, but that is not where we are and that is not where Japan is, either, but it is certainly not where we are right now.

POLITICO: Does it reduce the effect of your rate cuts that longer-term rates overall have not budged that much.

POWELL: I would not say that. The thing is, I mean, technically, higher long-term rates means less accommodated financial conditions but remember, many, many things move long-term rates. It is not necessarily what happen on the short end-to-end. There can be effects from moving our policy around, but it is much more assessments of the fiscal path, and fiscal policies and risks and things like that that move the 10-year around.

You can look back and find periods we have been very actively moving the Policy Rate over the course of the year and I know over the course of the year, the 10-year is exactly where it started, so, there is not a tight link between 10-year rates and the overnight rate.

ABC NEWS: Republican Senator Thom Tillis who sits on the Senate banking Committee said he will block any Fed nominee, including the Chair, until the investigation into you is resolved. Do you support this move with the Senator and what conversations have you had with the Senator.

POWELL: I have nothing for you on that.

ABC NEWS: More broadly, what will happen to American households if the Federal Reserve loses its ability to move independent from politics?

POWELL: So, really the point of independence is not to protect bottoms or anything like that. It is that every -- bottoms or anything like that but the advanced an institutional arrangement that served the people well, to have a separation between -- to not have direct-elected financial control over the setting of Monetary Policy. The reason is Monetary Policy can be used through an election cycle to affect the economy in a way that will be politically worthwhile. I am not talking about the US context. This is ever advanced economy and democracy of any size.

So, it is a good practice. It is pretty much everywhere along countries that look at all like the United States. I think if you lose that, it is, first of all, it would be hard to restore the credibility of the institution. If people lose the faith that we are making decisions, you know, only on the basis of our assessment of what is best for everyone, for the wide public, rather than trying to benefit one group or another, if you lose that, it is going to be hard to retain it.

And we haven't lost it. I don't believe we will. I certainly hope we won't, but it is very important. The reason it is important is it has enabled Central Banks generally not to be perfect, but to serve the public well.

ABC NEWS: You are confident it can maintain that independence at this point?

POWELL: Yes. I mean, I am strongly committed to that, and so are my colleagues.

THE ECONOMIST: On that sort of stabilization with the labor market question, how much do you see the weakening we saw in the past six-months or year around the data mirage around immigration and the shutdown that is now resolved and how much do you see the real demand firming up in the labor market, do you think?

POWELL: To your point, part of it is that growth and labor supply has come through essentially a halt, from a fairly fast clip of growth over the last couple of years, driven by immigration, and then the halt being driven by a very sudden stop in immigration.

So, many outcomes were possible with that. You know, supply came way down. Turns out demand for labor also came down a very similar amount. Maybe a little more, which is why the unemployment rate has gone up. So, I don't know whether that is a coincidence or not, but that is what happened with that part.

If you look at other things like, for example, just to pick a couple, the Conference Board's measure of job availability that came out -- I don't know, was it yesterday or today -- but it shows -- the Survey is showing that workers female like job availability is a very low reading. Just one reading, but an indication of softening.

People, partly employed for economic reasons, a category within the broader U-6 category measure, has moved up significantly.

So, there are lots of -- and I could go on and on. There are lots of little places that suggest the labor market has softened, but you are right.

Part of payroll job softens is both the supply and demand for labor, growth in those two have come down. So, that makes it a difficult time to read the labor market. You know, so, major they both came down a lot, to the point there is no job growth. Is that full employment? In a sense it is. If demand and supply are in balance, you could say that is full employment.

But at the same time, do we really feel like that is a maximum employment economy? You know, it is a challenging -- it is very challenging and quite unusual situation.

THE ECONOMIST: On growth and the strong growth outlook, the straight finger outlook you are now seeing, how much is that the fiscal stimulus you are seeing from tax cuts and all that.

POWELL: You are seeing it already. I think the outlook, you are right. It is financial conditions and it is fiscal policy for 2026. But you have got strong consumption that has been happening before financial conditions have been supported, but before the fiscal effects really are shown.

So, essentially the economy has once again surprised us with its strength. Not for the first time. Consumer spending, although it is not even across income categories, but consumer spending, overall numbers are good, and we are benefiting from the AI build-out of data centers. That is another thing we are benefiting from.

But the economy overall, growth is on a solid footing, it looks like. And it is not just those things. It is just the consumer is filling out, you know, surveys that sound really negative, then spending.

So, there has been a disconnect for some time between downbeat surveys, and reasonable good spending data.

NBC NEWS: You talked about how consumer spending is uneven. The President calls inflation defeated and solved. The FOMC says it is a somewhat elevated inflation, but you talked about those consumer sentiment surveys and public opinion polls that show that most families say the cost of living is still an issue, number one.

What is the conversation around the table with your colleagues about how wealthier consumers seem to be driving so much of the economy, and why so many families still feel like they just can't make ends meet after five years of rising prices? What's that discussion like?

POWELL: So, a couple things. One, there is something to it, in that we know that higher income households that tend to own real-estate and tend to own stocks, stocks, securities, and those assets have been going up in value, and increases in wealth do support spending over time.

That is clearly a part of the story. We also know that, for some time now, a year or more, we have been hearing from retailers, for example, that serve lower income customers, whether it be food or the big box stores, they are saying the same thing, which is our consumers are looking to economize. They are trading down for brands, and they are buying less, and it is changing their buying habits and that kind of thing.

So, we are seeing that, and that is a reality of what we are seeing. They are still consuming, but they are feeling it in a different way.

I would say more broadly, on affordability, you know, we have a vast network through the Reserve Banks, and also through the Board of Governors, where we talk to small and large businesses and households. So, we do hear a lot about affordability and we take that very seriously and we take that to heart.

One of our jobs is price stability, so, the best thing we can do for people who are feeling that squeeze is to keep inflation under control, and, you know, frankly to finish the job of getting inflation back down to 2%.

NBC NEWS: You mentioned the AI build-out as being positive for economic growth this year. I wonder as you look at the weakest last year for job creation for a non-recession year since 2003, are you concerned about AI maybe planting more entry-level work

and entry-level jobs and how does that play into what you are watching about the labor market?

POWELL: You know, everyone is watching AI, the deployment, and trying to understand exactly what is happening. And there is a wide range of possibilities. It is hard to say.

And, of course, anyone who uses it is amazed at what it can accomplish, right?

So, every technological wave will eliminate some jobs and create other jobs. It has always been the case.

If you look back, wave after wave after wave, there will be disruption, but ultimately technology increases productivity, which is a basis for rising wages. It may not all happen immediately, but over time it enables income to rise over time with rising productivity.

So, we always ask, is this going to be different? We don't know. We may, in any case, see in the short-term, jobs that are being eliminated by the capabilities of AI. We may see that. We just don't know what the overall effect is going to be.

So, how to think about it. In macro-economic term, it is very hard. We can look at the aggregate data. We can analyze, for example, there is some connection, it appears, between the low hiring rate for recent college grads, and AI. But it is not the main or only driver.

You hear large companies, though, saying many of them, that they won't be hiring for some time, or that they are hiring less, or they are throwing people off and they tend to refer to AI when they do that.

So, we are all watching and learning. It could certainly have pretty significant effect on the economy, the workforce, and our society. We don't really have the tools to address the concerns that may arise, but we have a lot of people who focus on analyzing it, and try to understand what the macro-economic implications are, which is our job.

AFP: You mentioned earlier on inflation, the broad expectation was a one-time price increase and then for inflation to come down. Is inflation still cooling in the second half of 2026, and if you can elaborate how far we are from target, currently? Thank you.

POWELL: So, how far we are from target, as I mentioned in my Opening Remarks, we had 3.0% core CPE inflation over the 12-months ending in December, and that is pretty much what we had the year before. So, no progress, but the story behind that is modestly positive, in that most of the overshoot was in goods prices, this we think is related to tariff, and ultimately we think those will not result in inflation as opposed to a one-time price increase. So, that is somewhere it is.

In terms of -- you asked -- so, no one thinks they will understand, really clearly, precisely, when this will happen, but there is an expectation sometime in the middle quarters of the year we will see tariff inflation topping out.

So, what we do is, when a tariff is put in place, we track the effect of those tariffs over a 6 to 9-month period, and you can see, for that tariff, how long it takes to reach a place where it has affected the price level, and that is it.

So, we are getting better at that. It is our estimate it will be some time in the middle of the year. We won't look at great precision in that, but we will be able to see if things are moving in that direction. I think we will be able to see.

CBS NEWS: I want to look outside the US about what is happening outside our shores and how it impacts the US. Canada's Prime Minister said last week there has been a rupture in the global order. I wonder how you are thinking about geopolitical risk as it relates to the US economy?

POWELL: So, I can't comment on that speech or statement or anything like that. You know, geopolitical risk for us is a lot of it is around energy/oil. So far we haven't -- for all the turmoil, oil prices have come down, as you know, so we don't really see much.

Longer than that, it is trade. The trade -- the economy -- our economy has pulled through pretty well, you have to say, given the very significant changes in trade policy. The US economy has pushed right through.

Partly that is, the way -- what was implemented was significantly less than what was announced at the beginning.

In addition, other countries didn't retaliate, and in addition, a good part of it hasn't been passed through to consumers yet. It is being taken by companies that stand between the consumer and the exporter.

So, that is where that is.

YAHOO! FINANCE: With 3rd quarter GDP growing at 4.4% and the 4th quarter expected to have a 5 handle on it at the time you thought the government shutdown would shave ouch growth, you have tariff dividend, tax cuts coming, how could you cut rates and not spur inflation in that environment?

POWELL: Well, we didn't cut rates today, but it depends on how fast potential output is growing, right? I am just saying in principle. I am not saying this is what is happening, but there is growth, and how fast the potential is growing. At a time of, you know, high productivity growth, potential output is rising, so it really matters whether potential output is growing as fast as actual output.

And it would matter over time.

The numbers you cite were for quarters and quarterly GDP, you have to look at 12-months because quarterly GDP can be very lumpy. GDP was negative in the first quarter last year so overall, numbers were nothing like that. More in the mid-2s for the year.

YAHOO! FINANCE: And how do you explain the divide right now between strong economic growth, and the job market? Is it productivity that is filling the gap? And is productivity being driven by AI at this point?

POWELL: So, we -- there has been -- you are right. There has been a divide of solid growth, but would look like a weakening labor market. That can be explained by rising productivity.

But I would say we do see signs of, certainly, of the unemployment rate stabilizing, so it may be we are seeing the beginning of the resolution of those two things.

Also, as you probably know, the lore is when GDP and the labor market get into an argument, in the end the labor market data is more reliable. The GDP data is very hard to collect and understand.

But nonetheless, I think we may be seeing the tension resolving a little bit. Too soon to say with any confidence, though.

CNN: Chair Powell, after today you have two meetings left as Fed Chair. You obviously experienced a lot during your time as Fed Chair and served under multiple Presidents. I wonder what your advice might be to whoever your successor might be

POWELL: I would say a couple of things. One is, stay out of elected politics. Don't get pulled into elected politics. Don't do it. That is another thing.

And another is, you know, our window into Democratic accountability is Congress. And it is not a passive burden for us to go to Congress and talk to people. It is an affirmative, regular obligation. You earn it with the elected overseas, so it is something you need to work hard at, and I have worked hard at it.

And the last thing is, it is easy to criticize government institutions in so many ways.

I will tell whoever it is, you are about to meet the most qualified group of people you not only have ever worked with, you will ever work with.

When you meet Fed staff -- and not everybody is perfect -- but there isn't a better cadre of professionals more dedicated to the public well-being than work at the Fed.

CNN: Thanks for that answer. If I may follow-up, as I am sure you noticed, gold and silver prices have experienced historic gains of late. I am wondering how much attention, if any, you pay to those moves, and what message you may take from these significant price increases we have seen for pressure metals?

POWELL: Don't take much message macro-economicically. The argument can be made we are losing credibility or something is simply not the case. If you look at where inflation expectations are, our credibility is right where it needs to be.

We don't get spun up over particular asset change prices, although we do monitor them, of course.

BARRONS: Some prominent critics have charged that the Fed's economic models are somewhat backward looking but should be more forward-looking incorporating things like productivity increases from AI. How do you incorporate current and future analysis into your decision-making, and do you have an answer for those critics?

POWELL: Yeah. So, by and large, those criticisms, as somebody on the inside, they don't make sense, and I will tell you why.

Every FOMC participant writes down a forecast every quarter. The summary of Economic Projections, and that is how we think about the economy.

And the other thing is, you know, what an economic model can do, it can grind up all the data for the last number of years -- 50 years, let's say -- and it can identify what are the relationships between variables, A, B, C, D, and all that kind of thing.

It can tell you, if you change one of those variables, this is what should happen in the macro economy. That is how it works; however, the structure of the macro economy is constantly changes. For example, we haven't had a pandemic in 100 years. It wasn't in the model. We knew it from the very beginning, it was not in the model. A trade war of this scope we have never had in 100 years, so there is great uncertainty at different points.

Another thing I will say is, you know, when it comes to technological developments that raise potential output, some kind of technological revolution, like what happened in the '90s here and maybe happening with AI, we are all over that.

Everyone studies those periods and we are very clear-eyed about the possibility that this higher productivity may persist, and also that it may not. We are not -- no one is sitting here unaware of the possibility of higher productivity. We have been talking about it for three years. It long pre-dates the current situation.

It has been going on for five or six years, we have had productivity higher. We have been talking about it the whole time.

It is very much on our minds and we are well aware higher productivity meets higher potential output and it changes the way you think potentially about inflation, labor, growth, and all those things. That is all in our models. If you are questioning better models, bring them on. Where are they? We will take them, but I think we are certainly in contact with anybody that does economic modeling, and we are always looking to do better at that, but that is how I think about that.

BARRONS: A quick follow-up. We have been talking a lot about follow-ups, talking about tariffs passing through for the past few months.

The trade landscape is still in a constant state of flux, announcements, threats, negotiations are frequently changing.

So, I am wondering how you actually track these? What data or channels are most critical to follow this in reality.

POWELL: I think our staff did a nice job putting that together in real-time. A tariff gets put in place and you can pretty much track its effects on pricing, everything. You build a model up from all of the tariffs. At the beginning it was very much of a forecast. Now it is every cycle that goes by, it becomes more informed by actual data.

And, you know, our forecasts were not far off.

But what changed was, as I think I said earlier, what changed was, what was implemented was smaller than what was announced. In addition, we didn't see retaliation internationally. People generally expected that because we saw it in the path that. Really mattered, too.

The other thing is, pass-through, didn't know how fast that would be to consumers, how much exporters would take, how much companies in the middle would take and consumers would take and it turns out companies in the middle are strongly committed to passing the rest of it through, which is one of the reasons we need to keep an eye on inflation, and not declare victory, prematurely.