

Rough Transcript of Fed Chair Jerome Powell Press Conference

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.

Question: First turning to the statement, to be clear, we are on the same page here. The insertion of the phrase, considering the extent and timing of additional adjustments, does that mean that the Fed is now on hold until there is some clear signal from the jobs or the evolution of the economy along the baseline outlook?

POWELL: So, yes, the adjustments in December bring our policy within a broad range of estimates of neutral. As we noted in our statement today we are looking at incoming adjustments based on the data Ute look and balance of risks. The new language points out we will carefully evaluate the incoming data, and also, I would note having reduced our policy rate by 75 basis points since September, and 175 basis points since last September, the Fed funds rate is now within a brood range of estimates of its neutral value and well positioned to wait too see how the economy evolved.

Q: If I can follow-up on the outlook there, it seems like with the additional GDP growth, coupled with inflation and a steady unemployment rate, this seems like a pretty consistent outlook for next year.

What has given rise to that? Is this an early battle on AI, improvement in productivity out there? What is driving that?

POWELL: So, a number of things is driving what is happening in the forecaster. If you look broadly outside forecasters, you do see a pickup of growth in many of those, too.

So, it is partly that consumer spending is held up, been resilient, and to another degree, it is that AI on Data Centers and related to AI has been holding up business investment.

So, overall, the baseline expectation for next year is, at least, at the Fed, and I think with outside forecasters, too, is a pickup in growth from today's relatively low level of 1.7%.

I mentioned that the seven meeting is 1.7 -- SEP meeting is 1.2 growth and 2.3 for next year, some of that due to the shutdown so you can take .02 and put it into next year. So it could be 1.9 and 2.1. So, fiscal policy will be supportive and AI spending will continue. The consumer continues to spend, so it looks like the baseline would be solid growth next year.

Q: Thank you, Mr. Chair, for taking our questions here. You previously described rate cuts in terms of a Risk Management framework. Kind of following up on what Howard was asking, the Risk Management phase of rate cuts over here? And have you taken out sufficient insurance, I guess, against potential weak insistent terms of data we might get next week when it comes to employment?

POWELL: So, we will get a great deal of data between now and the January meeting, and I am sure we will talk more about that. That will -- the data we get will factor into our thinking.

But yes, we have -- if you go back, we held our policy rate at 5.4% for more than a year because inflation was high, very high, and unemployment and the Labor Market was really solid at that point. What happened is over last summer, the summer of 2024, inflation came down, and the Labor Market began to show real signs of weakness.

So, we decided, as our framework tells us to do, that when the risks to the two goals become more equal, you should move from a stance that favors really dealing with one of them, in that case inflation, to a more balanced, more neutral setting.

So, we did that. We did some cutting, and we paused for a while to work our way through what was happening in the middle of the year, and then we resumed cuts in October, cutting 175 basis points. As I mentioned, we feel like where we are positioned now puts -- we are well positioned to wait and see how the economy evolves from here.

Q: If I could follow-up on the seven, you have a whole lot of you have a big increase in the growth numbers but not much of a decline on the -- you get more growth but you don't get a whole lot of decline on employment. Thank you, sir.

POWELL: So, the implication is always higher productivity. Some of that may be AI. Also, I think, productivity has been almost structural higher for several years now.

So, if you start thinking of it as 2% per year, you can sustain higher growth without higher job creation, and income rises over time, so that is a basically a good thing. That is certainly the implication.

Q: Today's decision was clearly very divided. It wasn't just the two official dissents against the cup, but it is also soft dissents from four others. I wonder if the reluctance from several people to support receipt reductions suggests there is a much higher bar for cuts in the near-term, and what exactly does the Committee need to see if things are well-positioned right now to support a January reduction.

POWELL: Sure. So, let me say, as I mentioned here before, the situation is that our two goals are a bit intentioned, right?

So, interestingly, everyone around the table at the FOMC agrees that inflation is too high, and that we want it to come down. And agrees that the Labor Market has softened, and that there is further risk. Everyone agrees on that.

Where the difference is, how do you weight those risks, and what is your forecaster looking like, and ultimately, where do you think the bigger risk is. It is very unusual to tension

between the two parts of the mandate, and when you do, this is what you expect to see and we do see it.

Meanwhile, the discussions we have are as good as any in my 14 years at the Fed. They are very thoughtful, respectful. We have people with strong views, but we come to a place to make a decision. We came to a decision today, 9 out of 12 supported it, so fairly broad support. But it is not like the normal situation where everyone agrees on the direction and what to do. It is more spread out.

I think that is only inherent in the situation. In terms of what it would take, we all have an outlook in terms of what is going to come, but I think ultimately having cut 75 and, you know, the effects of the 75 basis points will only begin to be coming in, as I said before, a couple times.

We are well positioned to wait to see how the economy evolves. We will have to see. We will get quite a bit of data. I should mention on the data, as long as I am talking about it, that we are going to need to be careful in assessing particularly the household survey data.

There are very technical reasons about the way data are collected in some of these measures, both in inflation and in labor. You know, Labor Market, so that the data may be distorted, and not just sort of more volatile, but distorted.

That is really because data was not collected in October and half of November. So, we are going to get data, but we are going to have to look at it carefully and a somewhat skeptical eye by the January meeting. notwithstanding that, we will have a lot of the December data by January. So, I am saying what we get, for example, for CPI, or for the household survey, we are going to look at that really carefully, and understand that it may be distorted by very technical factors.

Q: And just one more question on dissents. You talk in a very positive way, given the complicated nature of the situation we are in economically. But is there any point in which those dissents become counterproductive, either to the Fed's communication and the messaging around the policy path forward?

POWELL: I wouldn't -- I don't feel that we are at that point at all. I don't. I would say, again, these are good, thoughtful, respectful discussions, and you hear people saying -- you will hear many outside analysts say the same thing. I could make a case for either side.

I could make that case. It is a close call. We have to make decisions. You know, we always hope that the data will give us a clear read, but in this situation, you have competing -- if you look through SEP, you will see that a very large number of participants agree that risks are to the upside for unemployment and to the upside for inflation.

So, what do you do? You have one tool. You can't do two things at once. At what pace do you move. What side moves do you make and that kind of thing. And what is the timing of them?

It is a very challenging situation. I think we are in a good place to, as I mentioned, to wait and see how the economy evolves.

Q: Chair Powell, there has been discussion in the 1990s. In the 1990s the Committee did two discreet sequences of three quarter-point cuts, one in 1995, '96, and one in 1998. After both of those, the next move in rates was up, not down. With policy now closer to neutral, is it a foregone conclusion that the next move in rates is down, or should we think of policy risks at genuinely two-sided from here?

POWELL: So, I don't think that a rate hike is anybody's base case at this point. I am not hearing that. What you see is some people feel we should stop here and that we are at the right place and just wait.

Some people feel we should cut once or more this year and next year, but when people are writing down their estimates of policy and where it should go, it is either holding here, or cutting a little or cutting more than a little. So, I don't see the base case as involving that.

Q: If I could follow-up. The unemployment rate has been rising very gradually for the better part of two years, and, indeed, the statement today no longer describes the unemployment rate as remaining low.

What gives you confidence it won't continue rising in 2026, especially when housing and other rate-sensitive sectors still appear to be feeling restrictive policy from the -- not withstanding the 150 basis points in cuts, but prior to today.

POWELL: The idea is with now having cut 75 basis points more now, and having policy -- you know, call it in a broad range of plausible estimates of neutral, that that will be a place which will enable the Labor Market to stabilize, or to only tick up one or two more tenths, but we won't see, you know, any kind of sharper downturn, which we haven't seen any evidence of it at all.

At the same time, policy is still in a place where it is not accommodative, and we feel like we have made progress this year in non-tariff-related inflation. As tariffs come through, as they flow through, that will show through next year.

But as I said, we are well placed to wait and see how that turns out. That is our expectation, but we will start to see the data, and it will tell us whether we were right or not.

Q: A lot of people interpreted your comments at the October meeting that, you know, when there is a foggy situation, we slow down to mean, there won't be a cut now, but a cut in January, instead. Why did the Committee decide to move today rather than to move in January instead. Thank you.

POWELL: Right. In October I said that there was no certainty of moving, and that was, indeed, correct. I said, it is possible. You could think about it that way, but I was careful to say, other people could look at it differently.

So, why do we move today? I would say, point to a couple things. First of all, gradual cooling in the Labor Market has continued. Unemployment is now up .30 from June through September. Payroll jobs averaging 40,000 per month since April. We think there is an overstatement in these numbers by 60,000, so that would be negative 20,000 per month, and also to point out one other thing, surveys of households and businesses both showed decline in supply and demand for workers, so I think you could say the Labor Market has continued to cool gradually, maybe a touch more gradual than we thought.

In terms of inflation, we have -- it has come in a touch lower. I think the evidence is kind of growing that what is happening here is, services inflation coming down, and that is offset by increases in goods, and that goods inflation is entirely in sectors where there are tariffs.

So, that does build on the story. So far it is only a story, that the goods inflation, which is really the source of the excess at this point, that that -- element more than half the source of the excess inflation is goods, is tariffs, and you got to say, then, so, what do we expect from tariffs?

I would say that is, to some extent, down to looking for broader economic, you know, heat. You know, do we see a hot economy? Do we see constraints?

What is going on with wages? You saw the ECI report today. It doesn't feel like the hot economy that wants to generate Phillips curve kind of inflation.

So, we look at all those things, and we say that this was a decision to make. It obviously wasn't unanimous, but overall that was the judgment that we made, and that is the action we took.

Q: Just on the reserves point, how concerned were people around the table about some of the tensions we have seen in Money Markets?

POWELL: I wouldn't say concerned. What really happened is this. Balance sheet shrinkage, sometimes called QT, went on. We had a framework in place for monitoring it. Nothing happened. The overnight repo service facility went down pretty much close to zero.

Then beginning in September, the Federal Funds rate started to tick up within the range, right? It ticked up almost all the way to reserve balances. There is nothing wrong with that. What that is telling you is that we are in an ample reserves regime.

So, we knew this was going to come. When it finally did come, it came a little quicker than expected, but we were absolutely there to take the actions we said we would take, and are today.

So, we announced we are resuming reserve management purchases. That is completely separate from Monetary Policy, we just need to keep an ample supply of reserves out there.

Why so big? The answer to that is, if you look ahead, you will see that April 15 is coming up, and our framework is such that we want to have ample reserves, even at times when reserves are at a low level temporarily that. Is what happens on tax day. People pay a lot of money to the government. Reserves drop sharply and temporarily. So, this seasonal build-up we will see in the next few months is going to happen anyway. It is going to happen because April 15 is April 15.

There is also a secular, ongoing growth of the Balance Sheet. We have to keep reserves, call it constant, as it relates to the banking system, to the whole economy. That alone calls for us to increase about 20 billion to \$25 billion per month. That is a small part. That is going on, and it is also happening in the context of a temporary few months frontloading to get reserves high enough to get through the tax period in mid-April, so that is what is happening there.

Q: Thanks, Mr. Chairman. This is a last post-FOMC press conference before the important Supreme Court hearing next month. Can you talk about how you are hoping the Supreme Court will rule, and I am curious why the Fed has been so reticent on such a pivotal matter.

POWELL: It is not something I want to address here, Andrew. We are not legal commentators. It is before the courts, and we think our -- we don't think that we help matters by trying to engage as a public discussion.

I will give you a muligan though.

Q: That means I get three questions?

POWELL: No. Just one more.

Q: I guess I want to come back to the 1990s question.

Do you see that as a useful model for thinking about what is happening in the economy right now?

POWELL: I don't think it rises to that level. So, I did think that in 2000 -- was it '19, where we cut three times, but this is such a unique situation.

It is not the 1970s, let's put it that way. But we do have tension between our two goals.

So, that is just unique in my time at the Fed, and I think going back a long way, we haven't had that.

In our framework, our framework, as you know, says when that is the case, we try to take a balanced approach to the two things. We look at how far they are and how long it would take to get each of them back to the goal.

That is very subjective analysis, really, but it tells you you have to -- I think ultimately what it says is, when they are broadly, equally threatened, or equally at risk, you should be kind of neutral. Because if you are either accommodative, or tight, you are favoring one or the other goal.

So, we have been sort of moving in the direction of neutral. Now we are in the range of neutral. We are in the high end of the range of neutral, I would say, and that is what we are doing now.

It so happened that we cut three times. We haven't made any Securities and Exchange Commission about January, but as I said, we think we are -- made any decision about January, but as I said, we think we are well positioned to wait and see how the economy performs.

Q: Thank you, Mr. Chairman. I wanted to ask you, the inflation expectations has come down in SEP report. Do you see the tariff price increases as passing through in the next three months? Is that a six-month process before we are looking for that to end? And because of that, is jobs threats to come?

POWELL: It takes some monthlies -- goods have to be shipped from other parts -- you know, it may take quite a while for an individual tariff to take its full effect. But once it has had that effect, the question is, is that a one-time price increase.

We look at all the announcements, and what you get from all that, you see sort of for each one of them there is a time period that is fully in.

So, if there are no new tariff announcements, and we don't know that, but let's assume there are no new tariff announcements, inflation from goods should peak in the first quarter or so, roughly. We haven't been able to predict any precision -- no one is -- but call it the first quarter or so of next year should be the peak.

From here it shouldn't be big. It could be a couple tenths or even less than that. We don't really have precision on that. After that, if there are no new tariffs being announced, it will take nine months to get fully in, which nine months is also an estimate, then you should see that coming down in the back half of next year.

Q: The press has been talking openly about a new Fed Chairman. Does that hinder your current job right now, or change your current thinking at all.

POWELL: No.

Q: 10-year rates are 50 basis points since you started cutting back in September of 2024 and the yield curve has been basically steepening. Why do you think continuing to cut now, especially in the absence of data, will bring down the yield on the thing that will move the economy the most?

POWELL: So, we are looking at the real economy and focusing on that. You have -- when the long bonds move around, you have to look at why they are moving around.

If you look at inflation compensation, it is very -- you know, that is one part of it, is inflation compensation, break-evens, and they are at very comfortable levels consistent, once you get out past the very short-term now, break-evens are at very low, consistent with 2% inflation over time.

So, there is nothing happening with rates going up out there that suggests concern about inflation in the long-term or anything like that. I look at these things pretty regularly. Same thing with surveys. The Surveys are all saying the public understands our commitment to 2%, and expects us to get back there.

So, why are rates going up? It has to be something else. It must be an expectation of higher growth of something like that. That is a lot of what is going on. You saw a big move toward the end of last year, which was not to do with us. It with us to do with other developments.

Q: Well, you just mentioned that the public is expecting you to get back to 2%. And Americans overwhelmingly are citing high prices, inflation, as their number one concern.

Can you explain to them why you are prioritizing the labor market, which seems relatively stable to most people, instead of their number one concern, inflation.

POWELL: So, as you know, we have a network of contacts in the US economy, which is really unmatched if you go through the 12 Reserve Banks, so, we hear loud and clear how people are experiencing, really, costs. It is really high costs.

And a lot of that is not the current rate of inflation. A lot of that is just embedded higher costs due to higher inflation in 2022 and 2023. So, that is what is going on.

So, the best thing we can do is restore inflation to its 2% goal, and our policy is intended to do that. But also, have a strong economy where real wages are going up, where people are getting jobs, and earning money, and we are going to need to have some years where real compensation is higher -- you know, it is positive, significantly positive, so wages -- nominal wages are higher than inflation, for people to start feeling good about affordability, the affordability issue.

So, we are working hard on that. We are trying to keep inflation under control, but also support the Labor Market and strong wages, so that people are earning enough money, and feeling economically healthy again.

Q: Just to follow-up on that. I mean, this is now the third time that you cut this year and inflation is around 3%. So, is the message that you are sort of trying to send with that, that you are okay with whereinflation is for now, as long as people understand at some point you still want to get back to 2%, because inflation is relatively stable where it is?

POWELL: Everyone should understand, and the Surveys show that they do, that we are committed to 2% inflation, and we will deliver 2% inflation, but it is a complicated and usual difficult situation, where the Labor Market is also under pressure, where job creation may actually be negative.

Now, supply of workers has also gone way down, so the unemployment rate hasn't moved that much. It is a Labor Market that seems to have significant downside risks. People care a lot about that. That is their jobs and ability, if they get laid off or entering the labor force torsion find work. That is really important to people.

The story with inflation, and, we are well aware that this is a story at this point, is that if you get away from tariffs, inflation is in the low 2s, right? So, it is really tariffs that is causing the -- most of the inflation overshoot. We do think of those as likely to, in the current situation, as likely to be a one-time -- you know, one-time price increase. Our job is to make sure that it is, and we will do that job.

But right now you have this difficult balance, and the risks to both sides, there is no risk-free path. If it was just inflation and the Labor Market was really strong, rates would be higher, as they were for more than a year. We didn't have to worry about inflation, sorry about the Labor Market, because the Labor Market, unemployment was very low, if you will remember, when inflation was very high. There was a labor shortage, so we could focus entirely on inflation. Now it is different. We actually have risks to both.

I think we are doing the best we can for people. They also care about their jobs, they do care about affordability, and the best thing we can do is support economic activity, but

also, you know, make sure that when tariff inflation goes down and disappears, inflation lands around 2%.

Q: Thank you so much. To follow-up, you keep talking about job growth being negative. Why do you think job GOAT is so much worse than some of the official data? Why do you think job growth -- to follow-up on your comments about job growth, why is it so much worse than the official data it is suggesting?

POWELL: Oh, well, we know, I think -- I don't think this is particularly controversial. It is very difficult to estimate job growth in realtime. They day or night count everybody to have a survey. There has been something of a systemic overcount. So, we expected, and they correct it twice a year. So, the last time they corrected it, we thought the correction would be 800,000 or 900,000 -- I don't look at the numbers exactly right, but that is what happened, so we think that is what has persisted.

So, there is an overcount in the payroll job numbers, we think, continuing, and it will be corrected. I don't have an exact month in my head right now.

Again, I think forecasters generally understand that. We think it is about 60,000 a month, so 40,000 jobs could be negative 20, but that could be wrong by 10 or 20 in either direction. But in any case, the thing is, that is job creation in a way. That is demand.

Labor supply has also come down quite sharply. So, you know, if you had a world where there is just no growth in workers and you really don't need a lot of jobs to have full employment, some people argue that is what we are looking at.

But I think a world where job creation is negative, I think we need to watch that situation very carefully, and be in a position where we are not, you know, pushing down on job creation with our policy.

Q: When we are talking about supply, we have seen major American employers like Amazon cite AI and job cuts. How much are you factoring into the current weakness in job markets?

POWELL: So, it is part of the story. It is not part of the story yet, or whether it will be. But you can't miss the big announcements of layoffs and also companies saying that they are not going to hire anybody for a long time, and they cite AI. That is all clearly happening.

At the same time, people are not filing for Unemployment Insurance, and since job creation -- job-finding rates are extremely low. If there were big numbers of layoffs, you would expect the continuing claims to go up, and you expect new claims to go up, but they really haven't much. So, it is a little curious.

But longer-term though, the question is what will we see here. We don't know. It may be that -- in past, technology -- really significant technology innovation eras, you have seen some jobs destroyed, and other jobs made.

Ultimately, what happened for a couple hundred years, is when you get through all that, you have higher productivity and new jobs, and there are enough jobs for people.

This may be different. Every time we have a wave of technology, we think, oh, this could put a lot of people out of work. What are they going to do? In the past there has always been more work, higher productivity, and incomes have risen.

What will happen here, we have to see. But right now is early days. We don't see much -- it is certainly not showing up in layoffs yet.

Q: Given the breadth of view on the Policy Committee, why is there such a Division of Views.

POWELL: Of what.

Q: On the Committee, why is there such a Division of Views between the President and the Board Members?

POWELL: It is not that stark. The views are more varied in each group, as well. There is some of that, but I will also say there are people on both sides in both groups. I would not put so much on that.

Q: Given your growth upgrade, what would be the economic impact if the Supreme Court is to strike down the tariffs we are currently hearing, in terms of growth and inflation? Thank you.

POWELL: I really don't know. It would depend on a whole bunch of things we don't know, so I can't really help you there.

Q: I want to ask you how the higher income households are driving equity, backed by stock equity and lower wealth but struggling with the accumulation of five years now of rising prices, price levels, not really the inflation rate holding some of these families back.

How sustainable is the so-called K-shaped economy, and what is the Fed's thoughts?

POWELL: So, we go through the net contacts and worth. We go through this a lot. If you listen to earnings reports for consumer-facing companies that tend to deal with low and moderate-income people, they will say they see people tightening their belts, changing products that they buy, buying less and that sort of thing.

It is clearly a thing. It is also clearly a thing that asset values, housing values and securities values are high, and they tend to be owned by people more at the higher end of the income and wealth.

So, how sustainable it is? I don't know. Most of the consumption does happen by people who have more means. I think the top third accounts for way more than a third of the consumption, for example.

So, it is a good question, how sustainable that is. The best we can do is have a price stability, and a strong Labor Market. What we saw, for example, at the end of the -- is the very, very long expansion that ended with the outbreak of the pandemic, we saw that it was 10 years and 8 months or something like that, the longest in recorded history.

In the last two years, the largest part of the wage gains were going to people in the bottom cortile, the bottom part of the low to moderate income. So, having a strong Labor Market for a long period of time is really, really good from a social standpoint. It is helping people at the lower income levels, and that is what we all want to get back to.

But we have to have price stability, and we have to have, you know, full employment, maximum employment.

Q: You mentioned the housing market remains kind of weak. With the rate cuts we have seen, is there a chance we will see more affordability in the housing market, so more people can enjoy the part of wealth creation. The median age of a first-time home buyer is 40-years-old, the highest on record.

POWELL: Yeah. So, the housing record faces some really significant challenges, and I don't know that 25-basis point decline in Federal Funds rate will make much of a difference for people.

Housing supply is low. Many people have very, very low-late mortgages from the pandemic period, and they kept refinancing and caught the really low. So, it is maybe expensive for them to move.

We are a ways away from that changing. Also, we haven't built enough housing in the country for a long time, so a lot of estimates suggest that we just need more housing of different kinds.

So, housing will be a problem, and, you know, really the tools to address it are -- we can raise and lower interest rates, but we really don't have the tools to address a secular housing shortage, a structural housing shortage.

Q: You mentioned on inflation, services inflation being low, goods inflation looking like maybe it will peak. We had the wages report you mentioned today showing moderating wage growth.

Where are the inflation risks? It looks like inflation is cooling, in your view at the same time you have potentially negative hiring.

Why not -- why aren't we hearing more about maybe more cuts in this environment?

POWELL: Well, I think the risk of inflation is pretty clear to see, that and that is, you know, we see that we see higher inflation, as I mentioned. Most of the inflation over-target is from goods.

We think, we estimate, and we expect, most of us, that inflation will be a one-time price increase, and then come down.

We just came off an experience wherein inflation turned out to be much more persistent than anyone had expected. Is that going to happen now? So, that is risk. The risk is either that tariff inflation just turns out to be more and more persistent, maybe because companies who are now holding back from passing through the tariffs will keep doing that, so you will see that.

I think the other possibility is less likely, and that is just that the Labor Market gets tight, or the economy gets tight, and you see, you know, just traditional inflation.

I don't see that as particularly likely, but so, you know, again, all across the Committee, people see the picture pretty similarly, but see the risks quite differently.

Some people do see the inflation risk, and I wouldn't dismiss that case. I don't dismiss that case, but you have to make an assessment, and this is the assessment we made.

Q: This has come up a couple times today, but do you believe we are experiencing a positive productivity shock, whether from AI or policy factors, and how much of that is driving the higher GDP projection in SEP?

POWELL: So, yeah, I never would have thought I would see a time when we had five or six years of productivity growth.

This is higher, definitely higher. It was before it could be attributed to AI.

I also think if you look at what AI can do, and if you use it in your personal life, as I imagine many of us have, you can see the prospects for productivity. I think it makes people who use it more productive. It may make other people have to find other jobs, though.

So, it could have productivity implications, while also having social Labor Market implications that we don't have the tools to deal with .

But yes, we are definitely seeing higher productivity. I think it is a little quick to be saying it is Generative AI, but I don't know. The pandemic may have induced people to do more automation, and do more things with computers to replace people, and that raises productivity, output per hour.

Q: Does that imply higher neutral rates, and; therefore, the policy is may be a little higher

POWELL: All things equal, yes, but all things aren't equal. There are many things pushing in different directions than where the neutral rate would be, but yes, that argument does come up.

Q: After today you only have three more meetings at the helm of the Fed. Since becoming Fed chair, you have seen multiple trade wars, the pandemic, the period of higher inflation. I know your term is not up as Chair until May, but I am wondering if you have given any thought into what you want your legacy to be?

POWELL: My legacy? My thought is that I really want to turn this job over to whoever replaces me with the economy in really good shape that. Is what I want to do. I want inflation to be under control. Coming back down to 2%. And I want the Labor Market to be strong. That is what I want.

And all of my efforts are to get to that place. They have been all along, but ultimately, that is what I want. I don't have time to think about bigger things. I hope I have many years ahead to worry about that, but there is enough to do.

Q: Relatedly, have you given anymore thought, and can you tell us anymore about your plans on whether or not you plan to stay on the Fed Board of Governors even after your term as Chair expires.

POWELL: Again, I am focused on my remaining time as Chair. I haven't gotten anything new to tell you.

Q: Even while many price levels remain elevated, the reductions in the Federal Funds rate means that savings rates, or yields, to be more precised, have peaked, while key borrowing rates have elevated, while many Americans struggle with lictor energy savings challenges. Is that just collateral damage or unintended consequences because your tools are limited in addressing household constraints and sufficient money in the bank?

POWELL: I don't know. I would not agree that that is collateral damage of our run. I mean, over time, we do what we do in order to create price stability, and maximum employment. Those things are hugely valuable to all the people we serve.

When we raise rates to bring inflation down, you know, that does work by slowing the economy, but we have moved back our policy back down to where it is certainly not strongly restrictive at this point.

I think it is sort of in the range of neutral.

So, that is what we are trying to do. And I would want people to understand that.

I think what people are feeling is the effect of higher prices. There was a global wave, sort of every large economy in the world -- every large open economy, market-based economy in the world -- had a wave of inflation that looked an awful lot like hours. We came through better than any other country, substantially better, with higher growth. We have an extraordinary economy, and people are innovative. They work hard, and, so, all of us who work in economics jobs are really fortunate to have the US economy, so, thank you very much.