Transcript of Chair Powell's Press Conference Opening Statement
May 7, 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. Despite heightened uncertainty, the economy is still in a solid position. The unemployment rate remains low, and the labor market is at or near maximum employment. Inflation has come down a great deal but has been running somewhat above our 2 percent longer-run objective.

In support of our goals, today the Federal Open Market Committee decided to leave our policy interest rate unchanged. The risks of higher unemployment and higher inflation appear to have risen, and we believe that the current stance of monetary policy leaves us well positioned to respond in a timely way to potential economic developments. I will have more to say about monetary policy after briefly reviewing economic developments.

Following growth of 2.5 percent last year, GDP was reported to have edged down in the first quarter, reflecting swings in net exports that were likely driven by businesses bringing in imports ahead of potential tariffs. This unusual swing complicated GDP measurement last quarter. Private domestic final purchases, or PDFP—which excludes net exports, inventory investment, and government spending—grew at a solid 3 percent rate in the first quarter, the same as last year's pace. Within PDFP, growth of consumer spending moderated while investment in equipment and intangibles rebounded from weakness in the fourth quarter. Surveys of households and businesses, however, report a sharp decline in sentiment and elevated uncertainty about the economic outlook, largely reflecting trade policy concerns. It remains to be seen how these developments might affect future spending and investment.

In the labor market, conditions have remained solid. Payroll job gains averaged 155 thousand per month over the past three months. The unemployment rate, at 4.2 percent, remains low and has stayed in a narrow range for the past year. Wage growth has continued to moderate while still outpacing inflation. Overall, a wide set of indicators suggests that conditions in the labor market are broadly in balance and consistent with maximum employment. The labor market is not a source of significant inflationary pressures.

Inflation has eased significantly from its highs in mid-2022 but remains somewhat elevated relative to our 2 percent longer-run goal. Total PCE prices rose 2.3 percent over the 12 months ending in March; excluding the volatile food and energy categories, core PCE prices rose 2.6 percent. Near-term measures of inflation expectations have moved up, as reflected in both market- and survey-based measures. Survey respondents, including consumers, businesses, and professional forecasters, point to tariffs as the driving factor. Beyond the next year or so, however, 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 4-1/4 to 4-1/2 percent and to continue reducing the size of our balance sheet.

The new Administration is in the process of implementing substantial policy changes in four distinct areas: trade, immigration, fiscal policy, and regulation. The tariff increases announced so far have been significantly larger than anticipated. All of these policies are still evolving, however, and their effects on the economy remain highly uncertain. As economic conditions evolve, we will continue to determine the appropriate stance of monetary policy based on the incoming data, the outlook, and the balance of risks.

If the large increases in tariffs that have been announced are sustained, they are likely to generate a rise in inflation, a slowdown in economic growth, and an increase in unemployment. The effects on inflation could be short-lived—reflecting a one-time shift in the price level. It is also possible that the inflationary effects could instead be more persistent. Avoiding that outcome will depend on the size of the tariff effects, on how long it takes for them to pass through fully into prices, and, ultimately, on keeping longer-term inflation expectations well anchored.

Our obligation is to keep longer-term inflation expectations well anchored and to prevent a one-time increase in the price level from becoming an ongoing inflation problem. As we act to meet that obligation, we will balance our maximum employment and price-stability mandates, keeping in mind that, without price stability, we cannot achieve the long periods of strong labor market conditions that benefit all Americans.

We may find ourselves in the challenging scenario in which our dual-mandate goals are in tension. If that were to occur, we would consider how far the economy is from each goal, and the potentially different time horizons over which those respective gaps would be anticipated to close. For the time being, we are well positioned to wait for greater clarity before considering any adjustments to our policy stance.

At this meeting, the Committee continued its discussions as part of our five-year review of our monetary policy framework. We focused on inflation dynamics and the implications for our monetary policy strategy. Our review includes outreach and public events involving a wide range of parties, including *Fed Listens* events around the country and a research conference next week. Throughout this process, we are open to new ideas and critical feedback, and we will take on board lessons of the last five years in determining our findings. We intend to wrap up the review by late summer.

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. We at the Fed will do everything we can to achieve our maximum employment and price stability goals. Thank you. I look forward to your questions.