Transcript of Chair Powell's Press Conference
March 19, 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. The economy is strong overall and has made significant progress toward our goals over the past two years. Labor market conditions are solid, and inflation has moved closer to our 2 percent longer-run goal, though it remains somewhat elevated.

In support of our goals, today the Federal Open Market Committee decided to leave our policy interest rate unchanged. We also made the technical decision to slow the pace of decline in the size of our balance sheet. I will have more to say about these decisions after briefly reviewing economic developments.

Economic activity continued to expand at a solid pace in the fourth quarter of last year, with GDP rising at 2.3 percent. Recent indications, however, point to a moderation in consumer spending following the rapid growth seen over the second half of 2024. Surveys of households and businesses point to heightened uncertainty about the economic outlook. It remains to be seen how these developments might affect future spending and investment. In our Summary of Economic Projections, the median participant projects GDP to rise 1.7 percent this year, somewhat lower than projected in December, and to rise a bit below 2 percent over the next two years.

In the labor market, conditions remain solid. Payroll job gains averaged 200 thousand per month over the past three months. The unemployment rate, at 4.1 percent, remains low and has held in a narrow range for the past year. The jobs-to-workers gap has held steady for several months. Wages are growing faster than inflation, and at a more sustainable pace than earlier in the pandemic recovery. Overall, a wide set of indicators suggests that conditions in the labor market are broadly in balance. The labor market is not a source of significant inflationary pressures. The median projection for the unemployment rate in the SEP is 4.4 percent at the end of this year and 4.3 percent over the next two years.

Inflation has eased significantly over the past two years but remains somewhat elevated relative to our 2 percent longer-run goal. Estimates based on the Consumer Price Index and other data indicate that total PCE prices rose 2.5 percent over the 12 months ending in February and that, excluding the volatile food and energy categories, core PCE prices rose 2.8 percent. Some near-term measures of inflation expectations have recently moved up. We see this in both market- and survey-based measures, and survey respondents, both consumers and businesses, are mentioning tariffs as a driving factor. Beyond the next year or so, however, 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 2.7 percent this year and 2.2 percent next year, a little higher than projected in December. In 2027, the median projection is at our 2 percent objective.

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. Looking ahead, the new Administration is in the process of implementing significant policy changes in four distinct areas: trade, immigration, fiscal policy, and regulation. It is the net effect of these policy changes that will matter for the economy and for the path of monetary policy. While there have been recent developments in some of these areas, especially trade policy, uncertainty around the changes and their effects on the economic outlook is high. As we parse the incoming information, we are focused on separating the signal from the noise as the outlook evolves. As we say in our statement, in considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will assess incoming data, the evolving outlook, and the balance of risks. We do not need to be in a hurry to adjust our policy stance, and we are well positioned to wait for greater clarity.

In our SEP, FOMC participants wrote down their individual assessments of an appropriate path for the federal funds rate, based on what each participant judges to be the most likely scenario going forward—an admittedly challenging exercise at this time, in light of considerable uncertainty. The median participant projects that the appropriate level of the federal funds rate will be 3.9 percent at the end of this year and 3.4 percent at the end of next year, unchanged from December. While these individual forecasts are always subject to uncertainty, as I noted, uncertainty today is unusually elevated. And, of course, these projections are not a Committee plan or a decision.

Policy is not on a preset course. As the economy evolves, we will adjust our policy stance in a manner that best promotes our maximum employment and price stability goals. If the economy remains strong and inflation does not continue to move sustainably toward 2 percent, we can maintain policy restraint for longer. If the labor market were to weaken unexpectedly or inflation were to fall more quickly than anticipated, we can ease policy accordingly. Our current policy stance is well positioned to deal with the risks and uncertainties that we face in pursuing both sides of our dual mandate.

At today's meeting, we also decided to slow the pace of decline in our balance sheet. Since we began balance sheet runoff, our securities holdings have declined by more than $2 trillion. While market indicators continue to suggest that the quantity of reserves remains abundant, we have seen some signs of increased tightness in money markets. Beginning in April, the monthly cap on Treasury redemptions will be lowered from $25 billion to $5 billion. Consistent with the Committee's intention to hold primarily Treasury securities in the longer run, we are leaving the cap on agency securities unchanged. This action has no implications for our intended stance of monetary policy and should not affect the size of our balance sheet over the medium term.

The Committee also continued its discussions as part of our five-year review of our monetary policy framework. At this meeting, we focused on labor market dynamics and our maximum employment goal. As we have indicated, our review will include outreach and public events involving a wide range of parties, including *Fed Listens* events around the country and a research conference in May. Throughout this process, we will be 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.

MICHELLE SMITH. Howard.

HOWARD SCHNEIDER. Howard Schneider with Reuters. Thanks for your time. So, two things on sort of the real side here, one inflation and then GDP. How much of the higher inflation forecast for this year is due to tariffs and since the policy path remains the same, are you effectively reading this as a one-time price level shock?

CHAIR POWELL. Okay, so how much of it is tariffs? So, let me say that it is going to be very difficult to have a precise assessment of how much of inflation is coming from tariffs and from other -- and that's already the case. You may have seen that goods inflation moved up pretty significantly in the first two months of the year. Trying to track that back to actual tariff increases, given what was tariff and what was not, very, very challenging. So, some of it. The answer is clearly some of it, a good part of it is coming from tariffs. But we'll be, we'll be working, and so will other forecasters to try and find the best possible way to separate non-tariff inflation from tariff inflation. In terms of the, your sort of looking through question, too soon to say about that. As I've mentioned, it can be the case that it's appropriate sometimes to look through inflation if it's going to go away quickly without action by us, if it's transitory. And that can be the case in the case of tariff inflation. I think that would depend on the tariff inflation moving through fairly quickly and critically as well on inflation expectations being well-anchored, longer-term inflation expectations being well-anchored.

HOWARD SCHNEIDER. Well, I guess I'm looking at the obvious here, the fact that the policy path doesn't change at all and inflation is unchanged in the out years also, doesn't that imply you all have basically decided that there is no signal here and that it's just going to -- we're back to transitory again?

CHAIR POWELL. So, I think, I think that's kind of the base case, but as I said, we really can't know that. We're going to have to see how things actually, actually work out. And the fact that there wasn't much change, I think that's partly because, you know, you see -- you see weaker growth but higher inflation, they kind of offset. And also, frankly, a little bit of inertia when it comes to changing something in this highly uncertain environment, you know, I think there is a level of inertia where you just say, maybe I'll stay where I am.

MICHELLE SMITH. Colby.

COLBY SMITH. Thank you, Colby Smith with the New York Times. You just described inflation expectations as well-anchored, but has your confidence in that assessment changed at all, given the increase in certain measures and the high degree of uncertainty expressed by businesses, households, and forecasters?

CHAIR POWELL. So, when inflation expectations, of course, we do monitor inflation expectations very, very carefully, in basically every source we can find, and you know, short-term, long-term, households, businesses, forecasters, market based. And I think the picture broadly is this, you do see increases widely in short-term inflation expectations, and people who fill out surveys and answer, you know, questionnaires, are pointing to tariffs about that. If you look -- in the survey world, if you look a little further out, you really, you really don't see much in the way of an increased longer-term expectation. Inflation expectations are mostly well anchored. If you look at the New York, for example, then you have market based, and it's the same pattern, you know, people in markets are pricing in and break-evens, some higher inflation over the next year, must be related to tariffs. We know from the surveys. But if you look out five years, or five-year, five year, forward, you'll see that break-evens have, are either flat or actually slightly down in the case of a longer-term one. So, we look at that, and we will be watching all of it very, very carefully. We do not take anything for granted, that's at the very heart of our framework, anchored inflation expectations, but that's what you see right now.

COLBY SMITH. And how much weight do you put on the deterioration in consumer confidence surveys? You said recently that this is perhaps not the best indication of future spending, but I'm curious, you know, what you think is behind this deterioration and to what extent it could be a leading indicator for hard data?

CHAIR POWELL. So, let's start with the hard data. You know, we do see pretty solid hard data still. So, growth looks like it's maybe moderating a bit, consumer spending moderating a bit, but still at a solid pace. Unemployment's 4.1 percent, job creation most recently has been at a healthy level. Inflation has started to move up now, we think partly in response to tariffs and there may be a delay in further progress over the course of this year. So, that's the hard data. Overall, it's a solid picture. The survey data, of both household and businesses, show significant rise in uncertainty and significant concerns about downside risks. So how do we think about that? And that's the, that is the question, as I mentioned the other day, as you pointed out, the relationship between survey data and actual economic activity hasn't been very tight, there have been plenty of times where people are saying very downbeat things about the economy and then going out and buying a new car. But we don't know that that will be the case here. We will be watching very carefully for signs of weakness in the real data. Of course we will. But I, you know, given where we are, we think our policy is in a good place to react to what comes, and we think that the right thing to do is to wait here for, you know, for greater clarity about what the economy is doing.

MICHELLE SMITH. Nick.

NICK TIMIRAOS. Nick Timiraos, The Wall Street Journal. Chair Powell, Chair Greenspan once defined price stability as an environment in which inflation is so low and stable over time that it doesn't materially enter into the decisions of households and firms. Can you say that today that we have that price stability? That households and businesses are lowering in price or do you see, by an advanced psychology, big changes in inventories and surveys that show consumers, at least in the short run, expect higher inflation?

CHAIR POWELL. So, I do like that definition a lot, in fact, I used it at the recent conference where I spoke. So, I think a world where people can make their daily economic decisions and businesses and they're not having to think about the possibility of significantly high inflation. We know inflation will bounce around, that's, that is price stability. You know, I think we were getting closer and closer to that. I wouldn't say we were at that. Inflation was running around 2 and 1/2 percent for some time. I do think with the arrival of the tariff inflation, further progress may be delayed if the SEP doesn't really show further downward progress on inflation this year. And that's really due to the tariffs coming in. So, delayed, but if you look at our forecast, we do see ourselves getting back into the low twos in '26, and then down to two by '27, of course highly uncertain. So, I see progress having been made toward that, and then progress in the future, I think that progress is probably delayed for the time being.

NICK TIMIRAOS. If that's the case, why are there cuts in the SEP for 2025?

CHAIR POWELL. So, again, people wrote down two cuts the last time, and they look at, they look at the, you know, the -- and they wrote down, you know, meaningful decline in growth from 2.1 to 1.7 in 2025, a tick up in then unemployment rate, so not much there. But core inflation up by 3/10. And so those two kind of -- those kind of balance each other out. So people, not everybody, but on balance people wrote down similar numbers. The changes aren't that big. The other factor though, as I mentioned, is just really high uncertainty. What would you write down? I mean, it's just, it's really hard to know how this is going to work out and again, we think our policy is in a good place, we think it's a good place where we can move in the direction where we need to. But in the meantime, it's really appropriate to wait for further clarity and of course, you know, the cost of doing that, given that the economy is still solid, are very low.

MICHELLE SMITH. Edward.

EDWARD LAWRENCE. Thank you, Mr. Chairman. Edward Lawrence with Fox Business. So, with near 4 percent unemployment rate, that should be low enough to bring people in from the sidelines, in terms of hiring. But we're seeing the hiring rates have been stuck at 2023, 2024 levels. So, what's going on there?

CHAIR POWELL. Yeah, so that's a feature of the -- has been for some time, a feature of this labor market. You have pretty high participation, accounting for aging, you've got wages that are consistent with 2 percent inflation, assuming that we're going to keep getting, you know, relatively high productivity. We've got unemployment, you know, pretty close to its natural level, but job, the hiring rate is quite low. But so is the layoff rate. So, you look at initial claims or layoffs, so you're not seeing people losing their jobs, but you're seeing that people who don't have a job having to wait longer and longer. And you know, the question is which way does that break? If we were to see a meaningful increase in layoffs, then that would probably translate fairly quickly into unemployment because people are, you know, it's not a -- it's not a big hiring market. We've been watching that, and it's just not in the data, it hasn't happened. What we've had is a low firing, low hiring situation, and it seems to be in balance now, for you know, for the last six, seven, eight months. That's where we are, there's healthy levels of job creation too. So overall it's a labor market that's in balance and, you know, we watch it very carefully.

EDWARD LAWRENCE. So then, have we seen the administration, the new administration's policies in the economic numbers yet? And when do you anticipate that happening?

CHAIR POWELL. In labor? Or in other –

EDWARD LAWRENCE. In labor and inflation, just across the economy. Have we started to see the new policies take effect in the numbers?

CHAIR POWELL. I, you know, only in a kind of an early way. I mean it's only been a few months, right? You know, for example, the layoffs that are happening here are, you know, they're certainly meaningful to the people involved and maybe meaningful to a particular neighborhood or region, or area, but at the national level, they're not. They're not significant yet, but we don't know, we don't know where that, how far that will go. We'll find out much more. I mentioned that you saw it, we've had two -- two very strong goods inflation readings in the last two months, which is very unexpected. And I think hard to trace it to specific tariffs, but it must have, it must have something to do with -- it's either noise and it'll come back, and that's very possible too, but if it is persistent, then it must be to do with, you know, people buying ahead of tariffs, or raising prices ahead of tariffs, and things like that. That, those kinds of things happen and they're very, very hard to capture because so much of it is indirect. A great example is washing machines were tariffed in the last round of tariffs, and prices went up, but prices also went up on dryers, which were not tariffed. So, the manufacturers just, you know, they just kind of followed the crowd and raised it. So, things happen very indirectly, and so there'll be a lot of work done in the coming months to try to trace all that through. But ultimately though, it's too soon to be seeing significant effects in economic data.

MICHELLE SMITH. Craig.

CRAIG TORRES. Craig Torres from Bloomberg News. Thanks, Chair Powell. You said transitory price increases from tariffs are the base case, transitory is the base case. Wasn't it the base case last time? And didn't the FOMC forecast lower inflation ahead last time? And wasn't the lesson that it quickly got into services, haircuts, daycare, everything else? And so I'm just wondering why the nine aren't taking that on board and are cutting twice this year.

CHAIR POWELL. When you say last time, are you talking about the last -- Pandemic, yes. You could have been talking about the last time there were tariffs. Okay. In which case the inflation was transitory. Yeah, no, of course we're well-aware of that and you know, it's still the truth, if there's an inflationary impulse that's going to go away on its own, it's not the right policy to tighten policy because by the time you have your affect, your affect by design, you are lowering economic activity and employment, and if that's not necessary, you don't want to do it. In real-time, as we know, it's hard to make that judgment. So, and we're well-aware of what happened obviously with the Pandemic inflation. But I mean, we have to look at this as a different situation, there are differences and similarities. I mean it's a different time, you know, we haven't had real price stability fully reestablished yet, and we have to keep that in mind. And you know, we also have, we hear that people are very reluctant to take on, you know, to allow prices to go up, at the same time we hear that businesses are intending to pass many of these prices through. So it's hard to say how this is going to work out.

MICHELLE SMITH. Steve.

STEVE LIESMAN. Steve Liesman, CNBC. Thanks for taking my question, Mr. Chairman. The Bank of Canada in its last policy statement said, the monetary policy cannot offset the impacts of a trade war. What it can and must do is ensure that higher prices do not lead to ongoing inflation. I wonder if that kind of reflects your own sense of prioritization faced with higher process and weaker growth at the idea is you have to take care of inflation.

CHAIR POWELL. You know, so we have two goals right, we have maximum employment and price stability. And we have to balance those. And you know, there can be situations in which they are in tension, right? And we have, actually have a provision in our, in our consensus statement that says what we should do in that case. That's a very challenging, you know, situation for any central bank, and certainly for us. And so what we say that we'll do is we'll look how far each of those two goals is -- each of those two measures is from its goal, and then we'll ask how long we think it might take to get back to the goal for each of them, and we'll make a judgment because our, you know, our tools work in one direction. We're either tightening or loosening. So it's a very challenging situation. Let me say, we don't have that situation right now. That's not what the, that's not where the economy is at all. It's also not where the forecast is. I don't know any mainstream forecast that really shows significant problems like that. So.

STEVE LIESMAN. Well, just to follow-up, yesterday the UCLA Anderson Forecast said there's a high probability of a recession. Where do you stand on whether or not to slow down you're seeing creates a higher probability or concern that you may have on recession? Thank you.

CHAIR POWELL. You know, there's always an unconditional probability, possibility of a recession. It might be broadly in the range of one in four at any time. If you look back through the years, it could be within 12 months of one in four chance of a recession. So the question is, is whether that -- whether this current situation, those possibilities are elevated. I will say this, we don't make such a forecast. If you look at outside forecasts, forecasters have -- have generally raised, a number of them have raised their possibility of a recession somewhat, but still at relatively moderate levels. You know, still in the region of the traditional, because they were extremely low, if you go back two months, people were saying that the likelihood of a recession was extremely low. So, has moved up but it's not high.

MICHELLE SMITH. Chris.

CHRIS RUGABER. Hi, thank you. Chris Rugaber at Associated Press. As you know, I guess last night the President Trump fired two members of the Federal Trade Commission, an independent agency, and this could cause the kind of legal fight about the Administration's power to fire independent people. If those firings stand, is that a threat to the Fed's independence? Could he do the same thing to the Fed Board?

CHAIR POWELL. So, I think I did answer that question in this very room some time ago, and I have no desire to change that answer, and have nothing new for you on that today.

CHRIS RUGABER. Well I just, okay, well. Maybe I'll have another Mulligan. As you know, I want to go back to the consumer sentiment as particularly the inflation expectations in the University of Michigan Survey. In the summer of 2022, you cited the rise in the long-term inflation expectations in that index as the reason that you went big with a three-quarter point hike. So I know you, I mean you've talked about all the different measures now, but you seem to not be placing the same weight on that, and so I'm just wondering, are you dismissing that, what we saw last week from the University of Michigan, or does that carry the same weight as it did in the past?

CHAIR POWELL. So, I mentioned it back then, but in no way did I place a huge weight on it. I think it, that was an ex-post story, but that wasn't the case. That was a preliminary reading and so is this. And it's also, this is, that Michigan, the one you're referring to, the longer-term thing, you know, we look at it and we don't dismiss data that we don't like, we force ourselves to look at it. But it is an outlier compared to market-based and compared to other survey-based assessments of longer run inflation expectations. So we've got to keep that in mind, and again, I would just say, we look at all of them. And that one's kind of an outlier, but you know, nonetheless we take notice of it.

CHRIS RUGABER. Thank you.

MICHELLE SMITH. Michael.

MICHAEL MCKEE. Michael McKee from Bloomberg Radio and Television. There is a worry on Wall Street that when you say you want to study the net effect of the fiscal policies we may see on the economy that you would end up waiting too long and be behind the curve in responding to any downturn. How can you reassure people that you can spot a problem early enough, unless you decide to be preemptive?

CHAIR POWELL. Yeah, look, we're aware of it, we're well-aware of how things are going to evolve in the time frames and all that, and you know, we will use our tools to foster achievement of our goals to the best we can. And of course we're going to try to be timely with that. For right now, the hard data are pretty solid, we are obviously aware of the soft sentiment data and the high uncertainty and we're watching that carefully. And we think it's a good time for us to wait for further clarity before we consider adjusting our policy stance.

MICHAEL MCKEE. Do you think it's going to be hard to get clarity in a government by tweak, I mean do you have a feeling that at some point you actually will have a forecast you can trust?

CHAIR POWELL. Yes, I think we will. I just, it's hard to say when that will be. You know, we're -- these decisions are going to be made, and they're going to be implemented and then we'll know. At that point we'll know what the decisions are and we'll have to make assessments then about the implications for the economy. Those things will happen, a lot of them will happen over the course of, you know, in coming months, certainly over the course of this year, and we'll be adapting as we go.

MICHELLE SMITH. Rachel.

RACHEL SIEGEL. Hi, Chair Powell. Rachel Siegel from The Washington Post. Thank you for taking our questions. At the beginning you were talking about separating the signal from the noise, and tariff inflation from non-tariff inflation, can you walk us through what that looked like over the last couple of months? If there were specifics from the January meeting to now that helped you make those distinctions.

CHAIR POWELL. So when we say separating the signal from the noise, that's just a way of saying that things are highly uncertain and that, you know, you're reading about developments, the news is full of developments, so tariffs being put on and taken off and things like that. That's, some of that is noise, in the sense that it's not really telling you anything. You're trying to extract a signal from that, and the signal is what's going to be the effect on economic activity, on inflation, on employment, and all those things. So, so that's really when we say signal and noise. Sorry, the second thing was?

RACHEL SIEGEL. Or similarly for tariff inflation, non-tariff inflation, ways that you're making the decision.

CHAIR POWELL. That's sort of a special case of that, you know, the idea being, and I do think that the first two months of this year are a great example. You've got high readings for goods inflation, after a string of readings that average close to zero, and you have to ask, it's coming during tariffs, but you know, it's very hard to actually scientifically go back and match up those increases and say yes, I can prove that that's from tariffs. But it kind of has to be to some extent. Plus, noise, there can be idiosyncratic readings in various categories, which will shortly reverse, and that happens too. And that could be a big piece of it. You know, I think we'll know in a couple of months we'll know whether those were, you know, where that really was from. But it's a, that's another case where I think it's going to be very, very challenging to unpack the inflation that we see over the course of this year and be able to say with confidence how much of that came from inflation and how much of it, sorry, from tariffs, and how much of it didn't. But that's what we'll be doing, we'll be doing that and so will everybody else and we'll all be trying very hard to make that assessment and, you know, I'm sure we will make a lot of progress on that and we already have. But it's going to be a challenge.

RACHEL SIEGEL. Do you have a sense yet as to what, in your mind, what makes something cross from noise to a signal, what that threshold would look like?

CHAIR POWELL. You know, it would depend on what we're talking about. I mean obviously you're looking for direct evidence that particular pieces of inflation are, or clearly not, caused by tariffs. For example, something that was, you know, in the service sector that was far away from anything that's tariffed. You might think, well that is like frankly housing services inflation, which by the way, has been behaving well. You know, which for some time was kind of our problem, now it's been, it's slow, but it's definitely, you know, moving down in a very good way. It's more now with goods and to some extent with non-housing services inflation.

MICHELLE SMITH. Kelly.

KELLY O’GRADY. Thanks for taking our questions, Chair Powell. Kelly O'Grady, CBS News. So consumer sentiment has dipped dramatically but you say the economy and the hard data is still solid. What is your message to consumers that clearly disagree and don't feel that strength? Because the hard data they're looking at is their grocery bill.

CHAIR POWELL. Okay, so a couple things, the grocery bill is about past inflation, really. There was inflation in '21, two, and three, and prices went up. The current level, it's not the change in prices, it's they're unhappy, and they're not wrong to be unhappy, that prices went up quite a bit and they're paying a lot for those things. So that's, I think that is the fundamental fact and has been for a long time, a couple years, why people are unhappy with the economy. It's not that the economy is not growing, it's not that inflation is really high, it's not that unemployment is high. It's none of those things. We have, you know, 4.1 percent unemployment, we've got 2 percent growth, and you know, it's a pretty good economy. But, people are unhappy because of the price level. And I do, we completely understand and accept that.

KELLY O'GRADY. And just to follow-up, why are you still projecting two rate cuts this year if your own projections show inflation higher for longer? Does that mean you see a slowdown in economic growth as a real threat?

CHAIR POWELL. So, I think if you, yeah, I mean, remember we came into this with, at the December meeting, and the median was two cuts, the median was. And so you come in and you see, broadly speaking, weaker growth but higher inflation. And they kind of balance each other out, so you think, and unemployment is really, really only a 1/10 change. So it's, there's just not a big change in the forecast. There really isn't. Modest, you know, meaningfully higher -- sorry, growth, and meaningfully higher inflation, which call for different responses. Right? So, they cancel each other out and people just said, okay, I'm going to stay here. But the second factor is, it's so highly uncertain, is just, you know, we're sitting here thinking, and we obviously are in touch with businesses and households all over the country. We have an extraordinary network of contacts that come in through the reserve banks and put it in the Beige Book, and also through contacts at the Board. And we get all that, and we do understand that sentiment has fallen off pretty sharply, but economic activity has not yet. And so we're watching carefully, so I would tell people that the economy seems to be, seems to be healthy. We understand that sentiment is quite negative at this time, and that probably has to do with, you know, turmoil at the beginning of an administration. It's making, you know, big changes in areas of policy. And that's probably part of it. I do think the underlying unhappiness people have about the economy though is more, is more about the price level.

MICHELLE SMITH. Victoria.

VICTORIA GUIDA. Hi, Victoria Guida with Politico. I wanted to ask first of all if you could clarify. You were talking about how tariffs were a good part of the uptick in inflation forecasts, and I was just wondering what that specifically refers to, is that the tariffs that have already been put in place? Is that anticipating some of the tariffs that might be coming on April 2? And then also, if you wouldn't mind, talking a little more about the balance sheet decision, and what drove that. Did that have anything to do with expectations of how the debt ceiling, raising the debt ceiling might affect the reserve supply?

CHAIR POWELL. Yeah, so, in the SEP you'll see that there's not further progress on core inflation this year. We're kind of side flat lining, going sideways. We don't ask people to say, to write down how much of this is from tariffs and how much of it is not. But some of it is from tariffs. We know that tariffs are coming, and we know that they're probably already, all forecasters have tariff inflation affecting core PCE inflation, core CPI inflation this year, without exception. I'm not aware of an exception. So, it's in there, I can't tell you how much of that it is. In terms of the balance sheet, so yeah, we -- I think, I guess the way I'd say it is, you know, it was the flows in and out of the TGA that got us thinking about it, but as we, you know, as we thought about it, we really came to the view that this was a good time to make the move that we made. And broadly the Committee came around to the view that we would do the same thing we'd already done, which is once we, I guess in June, we -- was it June? Whenever it was, we lowered the pace of QT and we're just going to do that again. We're going to cut it roughly in half. And the sense of that is if you're cutting the pace of QT roughly in half, then the runway is probably doubled, okay? So, it's going, it's going to be slower for longer. And people really liked that. People thought, that's a good idea. You know, it's like a plane, you can think of it like a plane coming in for a landing, as we get closer and, by the way, we still think the reserves are abundant, but you begin to see some of the, some of the things we look at begin to react a little bit. But we still think that they're abundant. Of course now, the TGA is emptying out, so reserves are higher now. So you can't really see the underlying signal. So we came around to the view and it had a lot of appeal, and so we did it. It really it has no implications at all for monetary policy, it has no implications at all for the ultimate size of the balance sheet, it isn't sending a signal in any hidden way that you can try to tease out. It's just not there. We're basically, it's very consistent with our plans and our practices that we've published and that we've followed since we began this, what is a very successful, you know, rundown of the balance sheet. Again, the second time that we've slowed the pace and we've said that we would stop when we were somewhat above the level we judge as ample. And clearly we're not at that level yet, but we're going to be approaching it more slowly. It's a common sense kind of a thing, and it had pretty broad appeal, I will say.

MICHELLE SMITH. Claire.

CLAIRE JONES. Claire Jones, Financial Times. You said in January, Chair Powell, that inflation expectations remained well-anchored. Would you still say they remain well-anchored today, and just to reiterate the question that others have asked if they're not so well-anchored, why hasn't there been a more radical shift to the policy path today? Thank you.

CHAIR POWELL. So when we talk about inflation expectations being well-anchored, we're talking about longer run inflation expectations. And they really haven't moved much, I mean if at all. There's one reading that everyone's focusing on that's higher, but the other survey readings and the market-based readings all show relatively, you know, well-anchored inflation expectations. You would expect that expectations of inflation over the course of a year would move around, because conditions change, and in this case we have tariffs coming in. We don't know how big, what's -- there's so many things we don't know, but we kind of know there are going to be tariffs and they tend to bring growth down, they tend to bring inflation up in the first instance. So, so I would say, you know, I'm not dismissing what we're seeing in short-term inflation expectations. We, as I mentioned, follow that very carefully. But when we say expectations are well-anchored, we're really looking at, you know, longer term, five year and out, and there's really no story to tell five years and out, either in market-based or in surveys. But we keep -- we'll watch it, I mean we're not, you know, we're not going to miss any evidence that longer term or medium term inflation expectations are moving.

MICHELLE SMITH. Neil.

NEIL IRWIN. Hi Chair Powell. Neil Irwin with Axios. Treasury Secretary Bessent has observed that a large share of job growth over the last couple of years has been in what he calls government, or government adjacent sectors, healthcare, education. Do you agree that there's some weakness in underlying private job growth and do you see the composition of job growth as something that has policy implications?

CHAIR POWELL. So that has been the case. We talked about that over the course of the last year. There were, there were some good number of months and times when a lot of the job creation was concentrated in, you know, educational institutions, healthcare, state governments, things like that. There were also times when private sector job growth has been moving in a healthy -- and they're all jobs, but and remember, we're, you know, we're at very low unemployment for, you know, for quite a time now. So I think it's a good labor market, but it's, look, it's something that we monitor carefully. From our standpoint, employment is employment. But you know, the elected government is entitled to have, you know, we don't have policies that address different kinds of employment. But the elected government has a different role and they can, they can have those.

NEIL IRWIN. Quick QT question. Does the Committee envision at some point tapering the MBS runoff as well?

CHAIR POWELL. I think tapering it, I don't know, there's no plan to do that. You know, at a certain point we'll stop runoff, and we may or may not stop MBS runoff though, because you know, we can -- we can, we want to stop runoff in net at some point. We haven't made any decisions about that, but you know, we want the MBS to roll off our balance sheet. We really, strongly desire that. So, but we haven't made any decisions about that. You know, we will, I think we'd -- we'd look carefully at letting that keep going, but hold the overall size of the balance sheet in, you know, constant at some point, a point that we're not at yet.

MICHELLE SMITH. Simon.

SIMON RABINOVITCH. Simon Rabinovitch with the Economist. Thank you Chair Powell. Several times today you said that you feel you're well-positioned to wait for greater clarity. At the same time, you could point to quite a few growth risks at the moment. We've seen a stock market that's gone quite wobbly, rapidly cooling housing sales, plunging confidence surveys. Today, not only did the SEP mark down the growth outlook 17 of 19 see risks to the downside. So my question is, how confident are you that you're well-positioned? Or is that one more thing that you're uncertain about?

CHAIR POWELL. I'm confident that we're well-positioned in the sense that we're well-positioned to move in the direction we'll need to move. I mean I, I don't know anyone who has a lot of confidence in their forecast. I mean the point is, we are -- we are at, you know, we're at a place where we can cut, or we can hold, what is a clearly a restrictive stance, of policy. And that's what I mean. I mean I think we're -- that's well-positioned. Forecasting right now, it's you know, forecasting is always very, very hard, and in the current situation, I just think it's uncertainty is remarkably high.

SIMON RABINOVITCH. And sorry, standing here today, would you be surprised to pivot back towards rate cuts in May?

CHAIR POWELL. I think we're not going to be in any hurry to move, and as I mentioned, I think we're well-positioned to wait for further clarity. And not in any hurry.

MICHELLE SMITH. Matt Egan.

MATT EGAN. Matt Egan from CNN. Thank you Chair Powell. The Fed's statement released today removed the line that previously said, the Committee judges that the risk to achieving its employment and inflation goals are roughly in balance. Can you explain the decision to remove that line? Does it mean that you're now more concerned about inflation or about employment?

CHAIR POWELL. Yeah, actually it does not mean either of those things. You know, sometimes with language they, it lives its useful life and then we take it off and we, and that was the case. There's really not meant to be any signal here. Over the past year, you know, conveying this sense of the balance of risks was important that they be in balance, or close to being in balance, that was useful as we approach liftoff, if you remember? But we're past that. I'm sorry, the beginning -- beginning to cut. So, we just took it out. I actually would say that the more important thing now about risks, and this is in pages like 10, 11, 12 of the SEP, if you look, participants widely raised their estimate of the risks to our, of uncertainty, but also the risks to growth in our employment and inflation mandates. That's a more salient point now than whether they're, whether they're in balance.

MATT EGAN. Just on the stock market, the stock market has obviously declined significantly since the Fed last met. Are you concerned at all about some of the market volatility having a real economic impact in terms of hurting business spending, or consumer spending, especially among higher income households?

CHAIR POWELL. So, financial conditions matter to us because you know, financial conditions are the main channel to the real economy through which our policy has its affect. So they're important. But what matters from a Fed standpoint for the macro economy, is material changes to overall financial conditions that are persistent. That last for a while. Long enough to actually affect economic activity. So that's what we're looking for. I'm not going to opine on the appropriate level of any market equity debt, commodities, or anything like that. And I would just point you to the bigger picture again, you know, the real economy, the hard data, are still in reasonably good shape. It's the soft data, it's the surveys, that are showing, you know, significant concerns, downside risks, and those kind of things. We don't dismiss that, we're watching it carefully, but you know, we don't want to get ahead of that. You know, we want to focus on the hard data, if it's -- if that's going to affect the hard data, we should know it very quickly and of course we'll understand that. But you don't see that yet.

MICHELLE SMITH. Jennifer. Thank you Chair Powell.

JENNIFER SCHONBERGER. Jennifer Schonberger with Yahoo Finance. As you look to navigate higher inflation and lower growth, the Fed has talked about heeding the lessons from the 1970s. Is the Fed willing to have a recession if it means breaking the back of inflation?

CHAIR POWELL. Well, fortunately, we're in a situation where we have seen inflation move down from, you know, higher levels to pretty close to 2 percent, while the unemployment rate has remained very consistent with full employment, 4.1 percent. So, we now have inflation coming in from an exogenous source, but the underlying inflationary picture before that was, you know, basically 2 and 1/2 percent inflation I would say. And 2 percent growth, and 4 percent unemployment. So that's what, that's what we did together, the economy accomplished. So, I don't see any reason to think that we're looking at a replay of the '70s or anything like that. You know, inflation, underlying inflation is, you know, still running in the twos, with probably a little bit of a pickup associated with tariffs. So I don't think we're facing, I wouldn't say we're in a situation that's remotely comparable to that.

JENNIFER SCHONBERGER. And last month the idea of a DOGE dividend was proposed, which would send $5,000 checks to every taxpayer from DOGE savings. President Trump and Elon Musk have supported this. There's reports there could be a bill introduced on Capitol Hill. What impact might that have on household savings and spending, in terms of your growth and outlook for inflation?

CHAIR POWELL. You know, it's not appropriate for me to speculate on political ideas or fiscal policy for that matter. So, I'm going to, I'm going to pass on that one. Thank you.

MICHELLE SMITH. Daniel.

DANIEL AVIS. Hi Chair Powell. Daniel Avis from Agence France-Presse. You mentioned that tariffs are already having at least some impact on inflation. I'm just wondering how you and your colleagues on the FOMC have been thinking about the possibility of retaliatory tariffs from other countries, especially with April 2 coming up. Was it something you considered during this meeting? Thanks.

CHAIR POWELL. So, since the very beginning, we've had kind of a placeholder, the staff has a placeholder of range of, really a range of possible outcomes from tariffs, and from trade policy generally. And they generally assume full retaliation in those. And so that's kind of baked into the numbers. What happens, it will be complicated and there will be some retaliation and some not, and all that, but ultimately they're trying to, with the placeholder, give us a broad sense of what this might look like. When we know, when we actually know the specifics, we'll be able to have still uncertain, but you know, better informed forecasts. So yes, that's in there.

MICHELLE SMITH. Last question goes to Jean.

JEAN YUNG. Hi Chair Powell. Jean Yung with MNI Market News. Had a couple questions on the balance sheet change that you made. So the minutes had initially described your discussion on slowing QT as temporary, until the debt ceiling is resolved, but from what you said earlier, doesn't sound like there's a desire to kind of regain the pace of QT that we have at the moment after the debt ceiling is resolved. Is that the case?

CHAIR POWELL. Yeah, so we looked at pausing and we looked at slowing, and really people came together very strongly behind slowing, not pausing, for a variety of reasons. And so people really came to be, you know, pretty strongly in favor of this move. Slows down the path and probably lengthens it, you know, doubles it effectively by slowing it by half. That people thought that's a good place to be. It'll, you know, help us assure that this path is a smooth one as we get closer and closer to that. So, that's how that came about.

JEAN YUNG. Well, I guess my question is more, was that meant to be a temporary measure during the debt ceiling episode, or?

CHAIR POWELL. You know, it was -- it was actually the TGA flows, Treasury General Account flows that got us thinking about this, but the more we thought about it, we came around to this. And you know, it is, yes it was provoked, the original discussion was provoked by that. But I think what we came up with though, was broader than that and different and it does address that issue but it really is also, it fits in really nicely with our principles and our plans, and the things we've done before, and the things we said we would do. So, that's why I think, you know, pretty strong support. I'd just say it's nothing to do with monetary policy, nothing to do with the size of the balance sheet, it's just kind of a common sense adjustment as you get closer and closer. Let's slow down a little bit again and that way we'll be more and more confident that we're getting where we need to get. We can take our time getting there, you know, we're shrinking the balance sheet every month, and we think that's -- we think it was a good play, as I mentioned, well supported. Thanks very much.