FOMC

Minutes of the Federal Open Market Committee

September 16–17, 2025

FEDERAL RESERVE SYSTEM

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A joint meeting of the Federal Open Market Committee and the Board of Governors of the Federal Reserve System was held in the offices of the Board of Governors on Tuesday, September 16, 2025, at 10:30 a.m. and continued on Wednesday, September 17, 2025, at 9:00 a.m.[1]

Developments in Financial Markets and Open Market Operations

The deputy manager turned first to an overview of financial market developments during the intermeeting period. Markets appeared to interpret data releases and FOMC communications as indicating that the baseline outlook was little changed but that downside risks to the labor market had increased. Median modal expectations for personal consumption expenditures (PCE) inflation this year and next from the Open Market Desk's Survey of Market Expectations (Desk survey) increased only slightly, and expectations for the unemployment rate increased only marginally overall. However, after the weaker-than-expected July and August employment reports, investors' focus shifted to downside risks to the labor market.

Near-term expectations for the policy rate had moved lower in response to weaker-than-expected employment data and the apparent rise in downside employment risks. Almost all respondents to the Desk survey expected a 25 basis point cut in the target range for the federal funds rate at this meeting, and around half expected an additional cut at the October meeting. The vast majority of survey respondents expected at least two 25 basis point cuts by year-end, with around half expecting three cuts over that time. Respondents' expectations for 2027 and beyond were unchanged, implying that revisions to respondents' near-term expectations reflected an anticipation of a faster return of the federal funds rate to its longer-run level than previously expected. Market-based measures of policy rate expectations were broadly consistent with responses to the Desk survey, reflecting about three 25 basis point cuts by the end of the year.

The deputy manager then discussed developments in Treasury markets and market-based measures of inflation compensation. Nominal Treasury yields fell 20 to 40 basis points over the intermeeting

[1] The Federal Open Market Committee is referenced as the "FOMC" and the "Committee" in these minutes; the Board of Governors of the Federal Reserve System is referenced as the "Board" in these minutes.

period, with the largest decline occurring at the short end of the yield curve; the curve therefore steepened. Staff models indicated that nearly all the decline in short-term rates was attributable to the shift down in policy rate expectations. Market-based measures of inflation compensation fell slightly over the intermeeting period.

Equity prices continued to rise over the intermeeting period and stood very close to record highs despite the recent weaker-than-expected employment reports. The deputy manager noted this development was consistent with the benign baseline macroeconomic outlook incorporated in most private-sector forecasts and strong realized earnings in technology and other sectors. Corporate bond spreads were little changed over the intermeeting period and remained at tight levels, signaling that investors anticipated relatively moderate credit losses.

Regarding foreign exchange developments, the deputy manager noted that the broad trade-weighted dollar index had generally stabilized and that the dollar returned to trading roughly in line with fundamental macroeconomic drivers over the intermeeting period. The available data continued to suggest foreign demand for U.S. assets remained resilient.

The deputy manager turned next to money markets. The effective federal funds rate remained stable, and repurchase agreement (repo) rates moved higher over the intermeeting period. The increase in repo rates over the period was driven by the increase in net Treasury bill issuance amid the rebuilding of the Treasury General Account (TGA) following the debt ceiling resolution, continued large Treasury coupon issuance, and ongoing reductions in the Federal Reserve's balance sheet. Reserves fell sharply on September 15 in response to an increase in the TGA, driven by tax receipts and significant net issuance of Treasury coupon securities. Repo rates came under additional upward pressure that day, and take-up at the standing repo facility (SRF) reached $1.5 billion. There were some signs of slight upward pressure on rates in the federal funds market but not enough to move the effective federal funds rate. While key indicators remained consistent with abundant reserves, money market rates were expected to continue to increase over time relative to administered rates and to eventually pull the effective federal funds rate higher.

The deputy manager concluded by discussing the trajectory of the balance sheet. If balance sheet runoff were to continue at the current pace, the System Open Market Account (SOMA) portfolio was expected to decline to just over $6 trillion by the end of March, with Federal Reserve notes growing at a gradual pace, the TGA fluctuating around current levels, and usage of the overnight reverse repurchase agreement (ON RRP) facility remaining very low except on quarter-end dates. As a result, the deputy manager expected reserves to be close to the $2.8 trillion range by the end of the first quarter of next year if runoff were to continue at the current pace.

All but one member of the Committee voted to ratify the Desk's domestic transactions over the intermeeting period. Governor Stephen Miran, who had been sworn in as a member of the Board that morning, abstained from voting. There were no intervention operations in foreign currencies for the System's account during the intermeeting period.

Staff Review of the Economic Situation

The information available at the time of the meeting indicated that real gross domestic product (GDP) growth had moderated in the first half of the year. Although the unemployment rate continued to be low, the pace of employment increases had slowed, and labor market conditions had softened. Consumer price inflation remained somewhat elevated.

Total consumer price inflation—as measured by the 12-month change in the PCE price index—was estimated to have been 2.7 percent in August, based on the data from the consumer and producer price indexes. Core PCE price inflation, which excludes changes in consumer energy prices and many consumer food prices, was estimated to have been 2.9 percent in August. Both inflation rates were at the upper end of their ranges since the beginning of the year.

Recent data indicated that labor market conditions had softened. The unemployment rate edged up to 4.3 percent in August, a little higher than it had been at the beginning of the year. The participation rate was somewhat lower in August than it was at the beginning of the year. Average monthly increases in total nonfarm payrolls over July and August were weak, and job gains were revised down notably in May and June. The Bureau of Labor Statistics' (BLS) preliminary estimate of the benchmark revision for April 2024 through March 2025 indicated that the level of payrolls for March was more than 900,000 lower than had been reported. The ratio of job vacancies to unemployed workers was 1.0 in August and remained within the narrow range seen over the past year. The employment cost index of hourly compensation for private-sector workers increased 3.5 percent over the 12 months ending in June, and average hourly earnings for all employees rose 3.7 percent over the 12 months ending in August. Both wage growth measures were lower than their year-earlier levels.

Real GDP rose in the second quarter after declining in the first quarter, but GDP growth over the first half as a whole was slower than last year. Growth of real private domestic final purchases (PDFP)—which comprises PCE and private fixed investment and which often provides a better signal than GDP of underlying economic momentum—had also moderated in the first half relative to last year. Recent indicators for consumer spending and business investment spending—particularly for high-tech equipment and software—pointed to further moderate gains in PDFP in the third quarter, but housing-sector activity remained weak. After falling sharply in the second quarter, real imports of goods increased in July, particularly for capital goods. By contrast, exports edged down in July, following modest increases over the first half of the year.

Foreign GDP growth slowed markedly in the second quarter, as the transitory boost due to the front-loading of U.S. imports earlier in the year faded. Canadian economic activity contracted significantly, as exports of price-sensitive industrial supplies fell sharply in the face of higher U.S. tariffs. Economic growth in Mexico and parts of Asia was supported by strong demand for high-tech products.

Headline inflation was near central banks' targets in most foreign economies, aided by past declines in energy prices. However, core inflation remained persistently elevated in some economies, such as Brazil, Mexico, and the U.K. By contrast, inflation in China continued to be subdued. Several foreign central banks—including the European Central Bank—held their policy rates steady, while others—such as the Reserve Bank of New Zealand and the Reserve Bank of Australia—resumed reducing their policy rates, as disinflation continued.

Staff Review of the Financial Situation

The market-implied path of the federal funds rate decreased notably over the intermeeting period. Options on interest rate futures suggested that market participants were placing a higher probability on greater policy easing by early 2026 than they had just before the July FOMC meeting. Consistent with the downward shift in the implied policy rate path, nominal Treasury yields declined notably, on net, particularly at shorter horizons. Changes in nominal yields were driven primarily by reductions in real Treasury yields as inflation compensation fell to a lesser degree, on net, across maturities.

Broad equity price indexes increased amid strong corporate earnings reports and expectations of lower policy rates, while credit spreads were little changed and remained very low by historical standards. The one-month option-implied volatility on the S&P 500 index—the VIX—ended the period essentially unchanged, on net, at a moderate level.

Risk sentiment generally improved in global financial markets, supported by trade policy developments that were perceived as reducing negative tail risks to economic growth, strong corporate earnings, and lower interest rates in the U.S. On balance, foreign equity indexes rose moderately, credit spreads narrowed slightly, and the exchange value of the dollar declined modestly. Increased political uncertainty led to volatility of longer-term government bond yields in some advanced foreign economies.

Conditions in U.S. short-term funding markets remained orderly over the intermeeting period, and the FOMC's target policy rate continued to transmit to private rates in the usual manner. Following the increase in the federal debt limit in early July, TGA balances continued to increase, while usage of the ON RRP facility declined notably to its lowest levels since April 2021. Amid increases in the TGA, there were mild upward pressures in secured market rates over the July and August month-ends. Secured rates remained elevated in the lead-up to the mid-September tax and coupon issuance date. On

September 15, the Secured Overnight Financing Rate temporarily printed above the minimum bid rate at the SRF amid $1.5 billion in take-up at the facility. Amid these movements in secured rates, the effective federal funds rate remained unchanged relative to the interest rate on reserve balances.

In domestic credit markets, borrowing costs generally declined but remained elevated relative to their average post–Global Financial Crisis (GFC) levels. Yields on corporate bonds decreased moderately, while yields on leveraged loans were little changed on net. Interest rates on commercial and industrial (C&I) and short-term business loans remained elevated relative to their post-GFC averages. Rates on 30-year fixed-rate conforming residential mortgages declined moderately, on net, and remained elevated. Yields on higher-rated tranches of commercial mortgage-backed securities (CMBS) moved down modestly, and those on lower-rated tranches of non-agency CMBS declined notably. Interest rates on existing credit card accounts continued to tick up through June, while offer rates on new credit cards were little changed.

Financing from capital markets remained broadly available for medium-sized and large businesses. Gross issuance of nonfinancial corporate bonds across credit categories continued at a strong pace in July and August, and issuance of leveraged loans was robust in recent months. Lending in private credit markets continued at a solid pace in July. After relatively strong growth in the second quarter, C&I loan balances on banks' books also continued to grow at a solid pace in July and August. Commercial real estate (CRE) loans continued to grow at a modest pace in July and August.

Credit remained available for most businesses, households, and municipalities, while credit continued to be relatively tight for small businesses and households with lower credit scores. In the residential mortgage market, credit remained easily available for high-credit-score borrowers who met standard conforming loan criteria but generally tight for low-credit-score borrowers. While consumer credit remained generally available for most households, the growth of revolving credit and auto loans was relatively weak in the second quarter.

Credit quality was generally stable at levels somewhat weaker than during the pre-pandemic period. The credit performance of corporate bonds and leveraged loans remained generally stable, though the default rate for leveraged loans that includes distressed exchanges continued to be elevated. Delinquency rates on small business loans in June and July ticked up and were moderately above pre-pandemic levels. In the CRE market, CMBS delinquency rates remained elevated through August. Regarding household credit quality, the delinquency rates on Federal Housing Administration mortgages remained at the upper end of their range over the past few years. By contrast, delinquency rates on most other mortgage loan types stayed near historical lows. In the second quarter, credit card and auto loan delinquency rates remained at elevated levels but were little changed.

Staff Economic Outlook

Compared with the staff forecast prepared for the July meeting, the projection of real GDP growth was revised up somewhat, on balance, for this year through 2028, primarily reflecting stronger-than-expected data for both consumer spending and business investment as well as financial conditions that were projected to be a little more supportive of output growth. GDP growth was still projected to be faster next year than this year, as the effects of tariff increases and slower net immigration were expected to diminish. The staff continued to expect that the labor market would soften further this year, though the projected path for the unemployment rate in following years was a little lower than in the previous staff forecast. The unemployment rate was projected to move slightly above the staff's estimate of its natural rate through the remainder of this year and then to decline later in the projection as GDP growth picked up.

The staff's inflation projection was only slightly revised from the one prepared for the July meeting. Tariff increases were still expected to raise inflation this year and to provide some further upward pressure on inflation in 2026. Inflation was projected to decline in 2026, to reach 2 percent in 2027, and to remain there in 2028.

The staff continued to view the uncertainty around the projection as elevated, primarily reflecting uncertainty regarding changes to economic policies, including those for trade, immigration, fiscal spending, and regulation, and their associated economic effects. Risks to employment and the labor market were judged to have become a little more tilted to the downside, stemming from the recent softening in labor market conditions amid modest real GDP growth. The staff continued to view the risks around the inflation forecast as skewed to the upside, as the projected rise in inflation this year could prove to be more persistent than assumed in the baseline projection.

Participants' Views on Current Conditions and the Economic Outlook

In conjunction with this FOMC meeting, participants submitted their projections of the most likely outcomes for real GDP growth, the unemployment rate, and inflation for each year from 2025 through 2028 and over the longer run. The projections were based on participants' individual assessments of appropriate monetary policy, including their projections of the federal funds rate. Participants also provided their individual assessments of the level of uncertainty and the balance of risks associated with their projections. The Summary of Economic Projections was released to the public after the meeting.

Participants observed that inflation had moved up since the beginning of the year and remained somewhat above the Committee's 2 percent longer-run goal. Although participants generally assessed that this year's tariff increases had put upward pressure on inflation, some remarked that

these effects appeared to have been somewhat muted to date relative to expectations from earlier in the year. A few participants suggested that productivity gains may be reducing inflation pressures. A couple of participants expressed the view that, excluding the effects of this year's tariff increases, inflation would be close to target. A few other participants, however, emphasized that progress of inflation toward the Committee's 2 percent objective had stalled, even excluding the effects of this year's tariff increases.

With regard to the outlook for inflation, participants generally expected that, given appropriate monetary policy, inflation would be somewhat elevated in the near term and would gradually return to 2 percent thereafter. Some participants noted that business contacts had indicated that they would raise prices over time because of higher input costs stemming from tariff increases. Uncertainty remained about the inflation effects of this year's increase in tariffs, though most participants expected these effects to be realized by the end of next year. Some participants remarked that the labor market was not expected to be a source of inflationary pressure. A couple of participants expected that the reduction in net migration would be associated with lower demand and lower inflation, and a couple of participants observed that continued productivity gains would likely reduce inflation pressures. Participants noted that longer-term inflation expectations continued to be well anchored and that it was important they remain so to help return inflation to 2 percent. Various participants stressed the central role of monetary policy in ensuring that longer-term inflation expectations remained well anchored. A majority of participants emphasized upside risks to their outlooks for inflation, pointing to inflation readings moving further from 2 percent, continued uncertainty about the effects of tariffs, the possibility that elevated inflation proves to be more persistent than currently expected even after the inflation effects of this year's tariff increases fade, or the possibility of longer-term inflation expectations moving up after a long period of elevated inflation readings. Some participants remarked that they perceived less upside risk to their outlooks for inflation than earlier in the year.

In their discussion of the labor market, participants observed that job gains had slowed and the unemployment rate had edged up. Participants noted that the low level of estimated job gains over recent months likely reflected declines in growth of both labor supply and labor demand. Participants noted low net immigration or changes in labor force participation as factors reducing labor supply. As for factors that may be reducing labor demand, participants noted moderate economic growth or the effects of high uncertainty on firms' hiring decisions. Under these circumstances, participants cited a number of other indicators as helpful for assessing labor market conditions. These included the unemployment rate, the ratio of job vacancies to unemployed workers, wage growth, the percentage of unemployed workers who find a job, the quits rate among employed workers, and the layoff rate. Participants generally assessed that recent readings of these indicators did not show a sharp

deterioration in labor market conditions. A few participants, though, saw recently released labor market data, including revisions to previously released data and the BLS's preliminary estimate of the payroll employment benchmark revision, as indicating that labor market conditions had been softening for longer than was previously reported.

With regard to the outlook for the labor market, participants generally expected that, under appropriate monetary policy, labor market conditions would be little changed or would soften modestly. Several participants noted that the number of monthly job gains consistent with a stable unemployment rate had declined over the past year and would likely remain low, citing the large number of workers nearing retirement age or continued low net immigration. Participants indicated that their outlooks for the labor market were uncertain and viewed downside risks to employment as having increased over the intermeeting period. In support of this view, participants mentioned a number of indicators, including the following: low hiring and firing rates, which are evidence of less dynamism in the labor market; concentrated job gains in a small number of sectors; and increases in unemployment rates for groups that have historically shown greater sensitivity to cyclical changes in economic activity, such as those for African Americans and young people. Several participants saw continuing adoption of artificial intelligence as potentially reducing labor demand. Some participants noted that survey responses indicated that household sentiment regarding the labor market had moved down.

Participants observed that growth of economic activity slowed in the first half of the year relative to last year. Regarding the household sector, participants noted that lower consumption growth had contributed to the slowdown in the growth of economic activity in the first half of the year. Several participants remarked that recent data indicated some firming of consumption expenditures this quarter. Some participants mentioned that households were showing greater price sensitivity, and several participants observed that high-income households were increasingly doing better, economically, than lower-income households. Several participants noted continued weakness in the housing market, and a couple of participants mentioned the possibility of a more substantial deterioration in the housing market as a downside risk to economic activity. For businesses, many participants noted strong high-tech investment. Several participants noted that financial conditions were supportive of economic activity. A few participants commented that the agricultural sector continued to face headwinds because of low crop prices and high input costs.

In their consideration of monetary policy at this meeting, participants noted that inflation had risen recently and remained somewhat elevated, and that recent indicators suggested that growth of economic activity had moderated in the first half of the year. While participants noted the unemployment rate remained low, they observed that it had edged up and job gains had slowed. In addition, they judged that downside risks to employment had risen. Against this backdrop, almost all

participants supported reducing the target range for the federal funds rate ¼ percentage point at this meeting. Participants generally noted that their judgments about this meeting's appropriate policy action reflected a shift in the balance of risks. In particular, most participants observed that it was appropriate to move the target range for the federal funds rate toward a more neutral setting because they judged that downside risks to employment had increased over the intermeeting period and that upside risks to inflation had either diminished or not increased. A few participants stated there was merit in keeping the federal funds rate unchanged at this meeting or that they could have supported such a decision. These participants noted that progress toward the Committee's 2 percent inflation objective had stalled this year as inflation readings increased and expressed concern that longer-term inflation expectations may rise if inflation does not return to its objective in a timely manner. One participant agreed with the need to move policy toward a more neutral stance but preferred a ½ percentage point reduction at this meeting. All participants judged it appropriate to continue the process of reducing the Federal Reserve's securities holdings.

In considering the outlook for monetary policy, almost all participants noted that, with the reduction in the target range for the federal funds rate at this meeting, the Committee was well positioned to respond in a timely way to potential economic developments. Participants observed that monetary policy was not on a preset course and would be informed by a wide range of incoming data, the evolving economic outlook, and the balance of risks. Participants expressed a range of views about the degree to which the current stance of monetary policy was restrictive and about the likely future path of policy. Most judged that it likely would be appropriate to ease policy further over the remainder of this year. Some participants noted that, by several measures, financial conditions suggested that monetary policy may not be particularly restrictive, which they judged as warranting a cautious approach in the consideration of future policy changes.

In discussing risk-management considerations that could bear on the outlook for monetary policy, participants generally judged that upside risks to inflation remained elevated and that downside risks to employment were elevated and had increased. Participants noted that, in these circumstances, if policy were eased too much or too soon and inflation continued to be elevated, then longer-term inflation expectations could become unanchored and make restoring price stability even more challenging. By contrast, if policy rates were kept too high for too long, then unemployment could rise unnecessarily, and the economy could slow sharply. Against this backdrop, participants stressed the importance of taking a balanced approach in promoting the Committee's employment and inflation goals, taking into account the extent of departures from those goals and the potentially different time horizons over which employment and inflation are projected to return to levels judged consistent with the Committee's mandate.

Several participants remarked on issues related to the Federal Reserve's balance sheet and implementation of monetary policy. A few participants stated that balance sheet reduction had proceeded smoothly thus far and that various indicators pointed to reserves remaining abundant. Nevertheless, with reserves declining and expected to decline further, they noted that it was important to continue to monitor money market conditions closely and evaluate how close reserves were to their ample level. In that context, a few participants noted that the SRF would help keep the federal funds rate within its target range and ensure that temporary pressures in money markets would not disrupt the ongoing reduction in Federal Reserve securities holdings to the level needed to implement monetary policy efficiently and effectively in the Committee's ample-reserves regime.

Committee Policy Actions

In their discussions of monetary policy for this meeting, members agreed that recent indicators suggested that growth of economic activity had moderated in the first half of the year. To reflect developments in the labor market, they agreed to no longer characterize labor market conditions as solid and instead state that job gains had slowed and that the unemployment rate had edged up but remained low. Members concurred that inflation remained somewhat elevated and agreed to add that inflation had moved up. They agreed that the Committee was attentive to the risks to both sides of its dual mandate and to add that downside risks to employment had risen to reflect their concerns about the labor market.

In support of the Committee's goals and in light of the shift in the balance of risks, almost all members agreed to lower the target range for the federal funds rate ¼ percentage point to 4 to 4¼ percent. One member voted against that decision, preferring to lower the target range ½ percentage point at this meeting. Members agreed that, in considering additional adjustments to the target range for the federal funds rate, the Committee would carefully assess incoming data, the evolving outlook, and the balance of risks. All members agreed that the postmeeting statement should affirm their strong commitment both to supporting maximum employment and to returning inflation to the Committee's 2 percent objective.

Members agreed that, in assessing the appropriate stance of monetary policy, the Committee would continue to monitor the implications of incoming information for the economic outlook. They would be prepared to adjust the stance of monetary policy as appropriate if risks emerged that could impede the attainment of the Committee's goals. Members also agreed that their assessments would take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

At the conclusion of the discussion, the Committee voted to direct the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the SOMA in accordance with the following domestic policy directive, for release at 2:00 p.m.:

"Effective September 18, 2025, the Federal Open Market Committee directs the Desk to:

- Undertake open market operations as necessary to maintain the federal funds rate in a target range of 4 to 4¼ percent.
- Conduct standing overnight repurchase agreement operations with a minimum bid rate of 4.25 percent and with an aggregate operation limit of $500 billion.
- Conduct standing overnight reverse repurchase agreement operations at an offering rate of 4 percent and with a per-counterparty limit of $160 billion per day.
- Roll over at auction the amount of principal payments from the Federal Reserve's holdings of Treasury securities maturing in each calendar month that exceeds a cap of $5 billion per month. Redeem Treasury coupon securities up to this monthly cap and Treasury bills to the extent that coupon principal payments are less than the monthly cap.
- Reinvest the amount of principal payments from the Federal Reserve's holdings of agency debt and agency mortgage-backed securities (MBS) received in each calendar month that exceeds a cap of $35 billion per month into Treasury securities to roughly match the maturity composition of Treasury securities outstanding.
- Allow modest deviations from stated amounts for reinvestments, if needed for operational reasons."

The vote also encompassed approval of the statement below for release at 2:00 p.m.:

"Recent indicators suggest that growth of economic activity moderated in the first half of the year. Job gains have slowed, and the unemployment rate has edged up but remains low. Inflation has moved up and remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment have risen.

In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by ¼ percentage point to 4 to 4¼ percent. In considering additional adjustments to the target range for the federal funds rate, the

Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments."

Voting for this action: Jerome H. Powell, John C. Williams, Michael S. Barr, Michelle W. Bowman, Susan M. Collins, Lisa D. Cook, Austan D. Goolsbee, Philip N. Jefferson, Alberto G. Musalem, Jeffrey R. Schmid, and Christopher J. Waller.

Voting against this action: Stephen I. Miran.

Governor Miran preferred to lower the target range for the federal funds rate by ½ percentage point at this meeting in light of further softening in the labor market over the first half of the year and underlying inflation that in his view was meaningfully closer to 2 percent than was apparent in the data. Governor Miran also expressed the view that additional policy easing was also appropriate to reflect that the neutral rate of interest had fallen due to factors such as increased tariff revenues that had raised net national savings and changes in immigration policy that had reduced population growth.

Consistent with the Committee's decision to lower the target range for the federal funds rate to 4 to 4¼ percent, the Board of Governors of the Federal Reserve System voted to lower the interest rate paid on reserve balances to 4.15 percent, effective September 18, 2025. The Board of Governors of the Federal Reserve System voted to approve a ¼ percentage point decrease in the primary credit rate to 4.25 percent, effective September 18, 2025.[2]

It was agreed that the next meeting of the Committee would be held on Tuesday–Wednesday, October 28–29, 2025. The meeting adjourned at 10:10 a.m. on September 17, 2025.

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[2] In taking this action, the Board approved requests to establish that rate submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco. The vote also encompassed approval by the Board of Governors of the establishment of a 4.25 percent primary credit rate by the remaining Federal Reserve Banks, effective on September 18, 2025, or the date such Reserve Banks inform the Secretary of the Board of such a request. (Secretary's note: Subsequently, the Federal Reserve Banks of Cleveland and St. Louis were informed of the Board's approval of their establishment of a primary credit rate of 4.25 percent, effective September 18, 2025.)

Notation Vote

By notation vote completed on August 19, 2025, the Committee unanimously approved the minutes of the Committee meeting held on July 29–30, 2025.

Attendance

Jerome H. Powell, Chair
John C. Williams, Vice Chair
Michael S. Barr
Michelle W. Bowman
Susan M. Collins
Lisa D. Cook
Austan D. Goolsbee
Philip N. Jefferson
Stephen I. Miran
Alberto G. Musalem
Jeffrey R. Schmid
Christopher J. Waller

Beth M. Hammack, Neel Kashkari, Lorie K. Logan, Anna Paulson, and Sushmita Shukla, Alternate Members of the Committee

Thomas I. Barkin, Raphael W. Bostic, and Mary C. Daly, Presidents of the Federal Reserve Banks of Richmond, Atlanta, and San Francisco, respectively

Joshua Gallin, Secretary
Matthew M. Luecke, Deputy Secretary
Brian J. Bonis, Assistant Secretary
Michelle A. Smith, Assistant Secretary
Mark E. Van Der Weide, General Counsel
Richard Ostrander, Deputy General Counsel
Trevor A. Reeve, Economist
Stacey Tevlin, Economist
Beth Anne Wilson, Economist

Shaghil Ahmed and William Wascher, Associate Economists

Roberto Perli, Manager, System Open Market Account

Julie Ann Remache, Deputy Manager, System Open Market Account

Daniel Aaronson, Interim Director of Research, Federal Reserve Bank of Chicago

Jose Acosta, Senior System Engineer II, Division of Information Technology, Board

Mary L. Aiken, Acting Director, Division of Supervision and Regulation, Board

Oladoyin Ajifowoke, Program Management Analyst, Division of Monetary Affairs, Board

Roc Armenter, Executive Vice President, Federal Reserve Bank of Philadelphia

Alyssa Arute,[3] Assistant Director, Division of Reserve Bank Operations and Payment Systems, Board

Alessandro Barbarino, Special Adviser to the Board, Division of Board Members, Board

William F. Bassett, Senior Associate Director, Division of Financial Stability, Board

Erik Bostrom, Senior Financial Institution Policy Analyst I, Division of Monetary Affairs, Board

Ellen J. Bromagen, First Vice President, Federal Reserve Bank of Chicago

Brent Bundick, Vice President, Federal Reserve Bank of Kansas City

Michele Cavallo, Special Adviser to the Board, Division of Board Members, Board

Lisa M. Chung,[3] Capital Markets Trading Director, Federal Reserve Bank of New York

Juan Carlos Climent, Special Adviser to the Board, Division of Board Members, Board

Daniel M. Covitz, Deputy Director, Division of Research and Statistics, Board

Stephanie E. Curcuru, Deputy Director, Division of International Finance, Board

Andrea De Michelis, Deputy Associate Director, Division of International Finance, Board

Marnie Gillis DeBoer, Senior Associate Director, Division of Monetary Affairs, Board

Anthony M. Diercks, Principal Economist, Division of Monetary Affairs, Board

Laura J. Feiveson, Special Adviser to the Board, Division of Board Members, Board

Glenn Follette, Associate Director, Division of Research and Statistics, Board

Brian Gowen,[3] Capital Markets Trading Principal, Federal Reserve Bank of New York

Christopher J. Gust, Associate Director, Division of Monetary Affairs, Board

Valerie S. Hinojosa, Section Chief, Division of Monetary Affairs, Board

Colin J. Hottman, Principal Economist, Division of International Finance, Board

Matteo Iacoviello, Senior Associate Director, Division of International Finance, Board

Jane E. Ihrig, Special Adviser to the Board, Division of Board Members, Board

Benjamin K. Johannsen, Assistant Director, Division of Monetary Affairs, Board

Michael T. Kiley, Deputy Director, Division of Monetary Affairs, Board

Elizabeth Klee, Deputy Director, Division of Monetary Affairs, Board

Edward S. Knotek II, Senior Vice President, Federal Reserve Bank of Cleveland

Anna R. Kovner, Executive Vice President, Federal Reserve Bank of Richmond

Andreas Lehnert, Director, Division of Financial Stability, Board

Paul Lengermann, Deputy Associate Director, Division of Research and Statistics, Board

Kurt F. Lewis, Special Adviser to the Chair, Division of Board Members, Board

Laura Lipscomb, Special Adviser to the Board, Division of Board Members, Board

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[3] Attended through the discussion of developments in financial markets and open market operations.

David López-Salido,[4] Senior Associate Director, Division of Monetary Affairs, Board

Byron Lutz, Deputy Associate Director, Division of Research and Statistics, Board

Fernando M. Martin, Senior Economic Policy Advisor II, Federal Reserve Bank of St. Louis

Benjamin W. McDonough, Deputy Secretary and Ombudsman, Office of the Secretary, Board

Brent H. Meyer, Assistant Vice President, Federal Reserve Bank of Atlanta

Norman J. Morin, Associate Director, Division of Research and Statistics, Board

Anna Nordstrom, Head of Markets, Federal Reserve Bank of New York

Nicolas Petrosky-Nadeau, Vice President, Federal Reserve Bank of San Francisco

Caterina Petrucco-Littleton, Deputy Associate Director, Division of Consumer and Community Affairs, Board; Special Adviser to the Board, Division of Board Members, Board

Eugenio P. Pinto, Special Adviser to the Board, Division of Board Members, Board

Odelle Quisumbing,[3] Assistant to the Secretary, Office of the Secretary, Board

Andrea Raffo, Senior Vice President, Federal Reserve Bank of Minneapolis

Jeanne Rentezelas, First Vice President, Federal Reserve Bank of Philadelphia

Argia Sbordone, Research Department Head, Federal Reserve Bank of New York

Kirk Schwarzbach, Special Assistant to the Board, Division of Board Members, Board

Zeynep Senyuz, Special Adviser to the Board, Division of Board Members, Board

John J. Stevens, Senior Associate Director, Division of Research and Statistics, Board

Jenny Tang, Vice President, Federal Reserve Bank of Boston

Manjola Tase, Principal Economist, Division of Monetary Affairs, Board

Mary H. Tian, Group Manager, Division of Monetary Affairs, Board

Annette Vissing-Jørgensen, Senior Adviser, Division of Monetary Affairs, Board

Jeffrey D. Walker,[3] Senior Associate Director, Division of Reserve Bank Operations and Payment Systems, Board

Rebecca Zarutskie, Senior Vice President, Federal Reserve Bank of Dallas

Andrei Zlate, Group Manager, Division of Monetary Affairs, Board

Joshua Gallin
Secretary

[4] Attended opening remarks for Tuesday session only.