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FOMC Update

As summarized by Smith Shellnut Wilson

July 30, 2025

Fed Holds Rates, Points to Slowing Economy, 2 Dissents-First Since 1993

The Federal Reserve held interest rates steady but signaled a more cautious outlook on the U.S. economy, an indication that policymakers may be moving closer to cutting rates.

“While fluctuations in net exports continue to influence the data, recent indicators suggest that economic activity slowed in the first half of the year,” the Fed noted in its post-meeting statement. This marks a shift from its previous assessment, which described growth as occurring “at a solid pace.”

The FOMC voted 9-2 to maintain the federal funds rate at 4.25%–4.50%, consistent with earlier meetings this year. Governors Christopher Waller and Michelle Bowman dissented, favoring a 25-basis-point rate cut. The dissenting votes from Waller and Bowman marked a notable moment, the first time since 1993 that two members of the Board of Governors opposed a committee decision. While Waller and Bowman voted against the committee's decision Wednesday, they may not be too far ahead of several other officials. In June, rate projections showed two policymakers favored three cuts this year, and eight more expected two cuts.

Most policymakers have advocated for holding off on rate cuts to better assess the inflationary impact of recent tariffs. Additionally, many have pointed to the strength of the labor market as a key factor allowing the Fed to remain patient in its approach. In their post-meeting statement, Federal Reserve officials reiterated that the labor market remains “solid” and that inflation is “somewhat elevated.” However, they removed the earlier observation that uncertainty around the economic outlook had diminished, instead emphasizing that uncertainty “remains elevated.”

The committee’s decision to keep rates unchanged once again goes against mounting pressure from President Donald Trump, who has repeatedly called for rate cuts.

Current CME Fed Fund Rate Probabilities

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
7/30/2025					0.0%	0.0%	0.0%	0.0%	2.1%	97.9%
9/17/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	63.7%	34.9%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	32.0%	49.6%	17.8%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	22.7%	44.4%	27.2%	5.3%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.2%	8.8%	30.9%	37.9%	18.9%	3.3%
3/18/2026	0.0%	0.0%	0.0%	0.1%	4.6%	20.1%	34.5%	28.2%	10.9%	1.6%
4/29/2026	0.0%	0.0%	0.0%	1.3%	8.9%	24.1%	32.7%	23.4%	8.3%	1.2%
6/17/2026	0.0%	0.0%	0.8%	5.6%	17.4%	28.9%	27.5%	15.0%	4.3%	0.5%
7/29/2026	0.0%	0.3%	2.4%	9.5%	21.2%	28.4%	23.4%	11.4%	3.1%	0.3%
9/16/2026	0.1%	1.0%	5.0%	13.8%	23.9%	26.6%	19.0%	8.4%	2.1%	0.2%
10/28/2026	0.3%	1.9%	6.9%	16.0%	24.5%	24.9%	16.6%	7.0%	1.7%	0.2%
12/9/2026	0.4%	2.1%	7.2%	16.3%	24.5%	24.7%	16.3%	6.8%	1.6%	0.2%

Please see below side-by-side comparison of the U.S. Federal Open Market Committee statements from July 30, 2025 and June 18, 2025.

July 30, 2025	June 18, 2025
Although swings in net exports continue to affect the data, recent indicators suggest that growth of economic activity moderated in the first half of the year. The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated.	Although swings in net exports have affected the data, recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate remains low, and labor market conditions remain solid. Inflation 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.	The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook has diminished but remains elevated. The Committee is attentive to the risks to both sides of its dual mandate.
In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of 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 support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of 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.	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 the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Susan M. Collins; Lisa D. Cook; Austan D. Goolsbee; Philip N. Jefferson; Alberto G. Musalem; and Jeffrey R. Schmid. Voting against this action were Michelle W. Bowman and Christopher J. Waller, who preferred to lower the target range for the federal funds rate by 1/4 percentage point at this meeting. Absent and not voting was Adriana D. Kugler.	Voting for the monetary policy action were 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; Adriana D. Kugler; Alberto G. Musalem; Jeffrey R. Schmid; and Christopher J. Waller.
SOURCE: Federal Reserve Board	SOURCE: Federal Reserve Board

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