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FOMC Update

As summarized by Smith Shellnut Wilson

March 18, 2026

Fed Holds Rates Steady, Still Projects One Rate Cut in 2026

The FOMC left interest rates unchanged at 3.50% - 3.75% and continue to maintain their expectation of one rate cut this year as they acknowledged increased uncertainty due to war in the Middle East. The decision resulted from an 11-1 vote to hold the benchmark rate as is, with Governor Stephen Miran accounting for the only dissention, calling for a single quarter-point reduction for the second consecutive meeting.

By keeping their forecast for a rate cut this year and next — the same projections that they made in December — central bank policymakers appear to expect the gas price spike from the Iran war to have a largely temporary effect on inflation and the economy. Policymakers also foresee unemployment remaining unchanged by the end of this year, a more optimistic outlook than most outside economists.

Speaking to reporters after the rate decision was announced, Powell said that in the short-term, higher oil and gas prices will elevate inflation, but it is too soon to know the potential impacts on the economy. Gas prices jumped Wednesday to a nationwide average of $3.84 a gallon, according to AAA, up 92 cents from a month ago. The increase will push inflation much higher in March, but core inflation, since it excludes gas, could be much less affected.

The updated dot plot continued to signal a very gradual easing path, with the median projection revealing two total rate cuts spread over 2026–2027 and an end 2026 policy rate near 3.4%. In their updated economic forecasts, policymakers slightly upgraded their outlook for growth in 2026 to 2.4%, from the 2.3% they forecast in December. Their unemployment forecast remained unchanged at 4.4% for the end of 2026. Officials also raised their outlook for 2026 inflation to 2.7% from 2.4%. Notably, they saw the core measure which excludes volatile food and energy categories - also rising to 2.7%.

Updated CME Fed Funds Rate Probabilities

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES								
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400
3/18/2026			0.0%	0.0%	0.0%	0.0%	0.0%	98.9%	1.1%
4/29/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	96.9%	1.0%
6/17/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	18.2%	80.6%	0.9%
7/29/2026	0.0%	0.0%	0.0%	0.0%	0.1%	3.0%	27.5%	68.6%	0.7%
9/16/2026	0.0%	0.0%	0.0%	0.0%	0.7%	8.2%	36.1%	54.4%	0.6%
10/28/2026	0.0%	0.0%	0.0%	0.1%	1.5%	11.3%	38.2%	48.5%	0.5%
12/9/2026	0.0%	0.0%	0.0%	0.4%	4.0%	18.1%	40.8%	36.3%	0.4%
1/27/2027	0.0%	0.0%	0.0%	0.6%	4.6%	19.1%	40.6%	34.6%	0.4%
3/17/2027	0.0%	0.0%	0.1%	1.0%	6.0%	21.2%	40.0%	31.3%	0.3%
4/28/2027	0.0%	0.0%	0.1%	1.2%	6.5%	21.8%	39.7%	30.3%	0.3%
6/9/2027	0.0%	0.0%	0.3%	2.0%	9.0%	24.8%	38.2%	25.4%	0.3%
7/28/2027	0.0%	0.0%	0.4%	2.5%	10.1%	25.7%	37.3%	23.7%	0.3%
9/15/2027	0.0%	0.1%	0.8%	3.8%	12.7%	27.6%	35.1%	19.8%	0.2%
10/27/2027	0.0%	0.1%	0.8%	4.0%	13.0%	27.8%	34.7%	19.4%	0.2%
12/8/2027	0.4%	1.9%	7.0%	18.0%	30.1%	29.6%	12.9%	0.1%	0.0%

Side-by-side comparison of the U.S. Federal Open Market Committee statements from March 18, 2026 and January 28, 2026.

March 18, 2026	January 28, 2026
Available indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained low, and the unemployment rate has been little changed in recent months. Inflation remains somewhat elevated.	Available indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained low, and the unemployment rate has shown some signs of stabilization. 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 implications of developments in the Middle East for the U.S. economy are uncertain. 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 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 3-1/2 to 3-3/4 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 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 3-1/2 to 3-3/4 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 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; Michelle W. Bowman; Lisa D. Cook; Beth M. Hammack; Philip N. Jefferson; Neel Kashkari; Lorie K. Logan; Anna Paulson; and Christopher J. Waller. Voting against this action was Stephen I. Miran, who preferred to lower the target range for the federal funds rate by 1/4 percentage point at this meeting.	Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Lisa D. Cook; Beth M. Hammack; Philip N. Jefferson; Neel Kashkari; Lorie K. Logan; and Anna Paulson. Voting against this action were Stephen I. Miran and Christopher J. Waller, who preferred to lower the target range for the federal funds rate by 1/4 percentage point at this meeting.
SOURCE: Federal Reserve Board	SOURCE: Federal Reserve Board

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