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FOMC Update

As summarized by Smith Shellnut Wilson

September 17, 2025

Fed Cuts 25bps, Signals Two More Cuts in 2025

As widely anticipated, Federal Reserve officials lowered the benchmark interest rate by 25 basis points, marking the first rate cut since December. In addition to the rate move, policymakers updated their economic projections and now anticipate two more quarter-point cuts in 2025, one more than previously projected in June. They also foresee one cut in 2026 and another in 2027.

The decision reflects growing signs of labor market softness, which the Fed cited as a key factor in its shift toward easing. However, officials also acknowledged that inflation has "moved up and remains somewhat elevated," indicating a continued balancing act between supporting growth and managing price stability.

The FOMC voted 11-1 in favor of the rate cut, setting the new target range for the federal funds rate at 4.00% - 4.25%. One official dissented, advocating for a larger reduction and projecting that the policy rate could fall by an additional 125 basis points by year-end.

In their updated economic forecast, Fed officials slightly raised their median outlook for GDP growth in 2026 and projected modestly higher inflation next year.

Fed Funds futures declined slightly following the Federal Reserve's rate cut announcement. Before the meeting, the market had priced in an effective Fed Funds rate of 3.66% for December 10, 2025. After the announcement, the forecast edged down to 3.61%. Looking further out, the September 2026 rate projection fell from 2.99% to 2.85%, reflecting increased expectations for continued easing over the medium term.

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	400-425
9/17/2025						0.0%	0.0%	0.0%	0.9%	99.1%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	93.2%	5.9%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	92.7%	5.8%	0.0%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	52.0%	44.6%	2.6%	0.0%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.5%	32.0%	47.5%	19.0%	1.0%	0.0%
4/29/2026	0.0%	0.0%	0.0%	0.2%	10.0%	36.7%	38.9%	13.6%	0.7%	0.0%
6/17/2026	0.0%	0.0%	0.1%	6.3%	26.8%	38.1%	23.0%	5.5%	0.3%	0.0%
7/29/2026	0.0%	0.0%	2.0%	12.5%	30.2%	33.6%	17.7%	3.9%	0.2%	0.0%
9/16/2026	0.0%	0.7%	5.8%	18.9%	31.4%	27.8%	12.7%	2.5%	0.1%	0.0%
10/28/2026	0.1%	1.5%	7.7%	20.7%	30.9%	25.6%	11.2%	2.2%	0.1%	0.0%
12/9/2026	0.3%	2.3%	9.3%	22.0%	30.2%	23.8%	10.1%	1.9%	0.1%	0.0%

Side-by-side comparison of the U.S. Federal Open Market Committee statements from September 17, 2025 and July 30, 2025.

September 17, 2025

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 1/4 percentage point to 4 to 4-1/4 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 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; Alberto G. Musalem; Jeffrey R. Schmid; 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 1/2 percentage point at this meeting.

SOURCE: Federal Reserve Board

July 30, 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.

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 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.

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SOURCE: Federal Reserve Board

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