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Fed minutes: Lower inflation needed for rate cut

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WASHINGTON>> Many Federal Reserve officials want to see inflation fall further before they would support additional interest rate cuts this year, particularly if the job market continues to stabilize, minutes of last month's meeting show.

The "vast majority" of the 19 participants on the Fed's rate-setting committee said that there were signs the job market has stabilized, after the unemployment rate rose in late 2025, the minutes said. And most of the officials agreed that the Fed's key rate is close to a level that neither stimulates nor restrains the economy. The minutes were released Wednesday, three weeks after the central bank's Jan. 27-28 meeting.

Fed officials at that meeting agreed to keep its key rate steady at about 3.6%, after cutting it three times late last year. Two officials — Fed governors Stephen Miran and Christopher Waller — voted instead to cut another quarter-point.

The minutes underscored the deeply divided nature of the committee, with several camps emerging: "Several" officials said additional cuts will "likely be appropriate" if inflation continues to decline. But "some" officials favored keeping rates unchanged "for some time," suggesting a longer pause. And several other officials said they could have supported language in the statement issued after the meeting that would signal the next move by the Fed could be either a cut or a rate hike, if inflation remains above their 2% target.

The support for signaling an openness to a potential rate hike appears to be a significant shift from previous meetings. Chair Jerome Powell said after meetings last year that the idea of a rate hike wasn't on the table.

Powell signaled after January's meeting that the Fed could wait for a few months before cutting rates again. He said at a news conference that the economy and hiring had improved since the central bank had previously met in December, and added that the Fed was "well positioned" to evaluate how the economy evolves in the coming months before making any further moves.

The decision to keep rates unchanged defied a stream of demands from President Donald Trump for the Fed to reduce its key rate to as low as 1%, a level few economists endorse. When the Fed cuts its key rate, it can over time lower borrowing costs for mortgages, auto loans, and business loans, though those rates are also influenced by financial markets.

Figures released last week suggest the Fed will be unlikely to cut anytime soon. Inflation remains elevated, according to the Fed's preferred measure, and January's jobs report showed that hiring picked up last month. Those trends support those Fed officials who argue that the economy doesn't need further rate cuts.