

Powell Sticks to His Guns on Rate Cut

Fed chief testifies he is waiting for more data before cutting, citing tariffs

BY NICK TIMIRAOS

Federal Reserve Chair Jerome Powell told lawmakers Tuesday that recent economic data would have likely justified continuing to lower interest rates if not for concerns that higher tariffs might derail the central bank's yearslong fight to defeat inflation.

Powell said little to tee up a July rate cut without explicitly ruling one out. But his answers to lawmaker queries suggested it was more likely officials would wait until at least the September meeting to see if tariff-driven price increases are milder than expected before resuming rate cuts.

"If it turns out that inflation pressures do remain contained, we will get to a place where we cut rates sooner rather than later, but I wouldn't want to point to a particular meeting," Powell said at a House Financial Services Committee hearing.

Officials broadly expect tariffs to spur price growth to pick up this summer, interrupting an uneven but broadbased inflation slowdown. "We do expect [inflation] to move [up] in the summer and if we see it not happening, we will learn from that," Powell said.

The Fed is trying to see how the dust will settle from the aftereffects of President Trump's April 2 tariff announcements, among other policy changes. There is great uncertainty over when and how much businesses may pass along the cost of higher import taxes into consumer prices.

No rush

Powell also said officials would pay close attention to unemployment in considering whether to resume rate cuts. "If we were to see the labor market meaningfully weaken in a way that was concerning, that would matter for that decision," he said. "I don't think we need to be in any rush."

Trump has urged Powell to cut rates now and said Powell could then raise them later if inflation resurfaces. In an overnight social media post looking ahead to the hearing on Tuesday, Trump said, "I hope Congress really works this very dumb, hardheaded person, over."

While some Republicans diplomatically quizzed Powell over his more cautious position toward lowering rates, lawmakers mostly declined to vigorously press the line of criticism made by Trump and some of his appointees.

Fed officials held their short-term benchmark rate steady last week in a unanimous decision. But that surface unity masks a rift that is opening over the path forward.

A few have concluded that tariffs will have only modest effects on prices and want to resume rate cuts soon. If tariffs hit profit margins harder than prices, they could slow the economy and risk higher unemployment.

Two Fed officials appointed by Trump, Christopher Waller and Michelle Bowman, have in recent days indicated they could support lowering rates as soon as the Fed's next policy meeting at the end of July. Waller and Bowman said they expect tariffs will lead to a small, one-time increase in prices that won't generate higher inflation beyond the next year.

Others want to stay on hold for longer because they aren't sure of this and want to see more data. They are more concerned about having to reverse course later if inflation becomes a problem.

The most hawkish officials are particularly wary of steps that could boost demand at a time when businesses are looking to push on higher costs from tariffs to their customers. They are concerned that after four years in which inflation has run above the Fed's 2% goal, customers and businesses may be more tolerant of price increases, which could in turn lead to higher inflation.

Divide widens

Economic projections last week revealed this widening divide in rate-setters' expectations, with 10 officials penciling in at least two rate cuts this year and seven penciling in no cuts. Two others wrote down one cut. The projections show that a "significant majority" of officials expect rate cuts to be warranted later this year, "but also there's a pretty significant minority that doesn't agree," Powell said.

The Fed cut rates by a percentage point in the second half of 2024 after having raised rates and held them at a twodecade high in 2022 and 2023.

Officials who expect to resume rate cuts this year generally envision "some state of the world where inflation doesn't prove to be as high" as others do "or the labor market weakens, or some combination of those two things," Powell said.

Powell declined to embrace or refute the view advanced by Waller and Bowman that officials could prejudge that inflation will be mild enough to resume cuts soon.

"We're going to be learning. We will get an inflation number for June. We'll learn something. Then we'll get it for July," Powell said. "We're perfectly open to the idea that the pass through" of tariffs into retail prices "will be less than we think. And if so, that'll matter for our policy."

[Copyright \(c\)2025 Dow Jones & Company, Inc. All Rights Reserved. 6/25/2025](#)

[Powered by TECNAVIA](#)

The following is a digital replica of content from the print newspaper and is intended for the personal use of our members. For commercial reproduction or distribution of Dow Jones printed content, contact: Dow Jones Reprints & Licensing at (800) 843-0008 or visit djreprints.com.
