

## FOMC Holds Fed Funds Rate Unchanged Again As Expected; Risks of Higher Unemployment and Higher Inflation Have Risen

- The Federal Open Market Committee (FOMC) held the fed funds rate unchanged in a range of 4.25% and 4.50%, marking the third consecutive hold.
- The FOMC stated that uncertainty about the economic outlook has increased further, and the risks of higher unemployment and higher inflation have risen.
- The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities.
- In his press conference Fed Chair Powell said the FOMC needs to get clarity on the impact of tariffs on inflation and growth before deciding on the appropriate path of monetary policy.
- PNC's baseline forecast is for four cuts in the fed funds rate later this year with the first cut in July.

As widely expected, the FOMC left the fed funds rate unchanged in a range of 4.25% and 4.50% in its policy statement today. That marks the third straight hold after the FOMC cut the fed funds rate by a cumulative 100 basis points last year. The decision was unanimous.

The FOMC stated that “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 has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated.”

The forward-looking section of the statement was changed from March. It maintained that “uncertainty about the economic outlook has increased further.” The Committee is “attentive to the risks to both sides of its dual mandate and judges that the risks of higher unemployment and higher inflation have risen, and that the FOMC will consider both the labor market and inflation when making policy decisions.”

In his post-meeting press conference, Fed Chair Powell suggested that the FOMC is not ready to cut the fed funds rate again until there is more clarity on tariffs and the impacts on inflation and economic growth. He also said that in terms of the potential impacts of tariffs on the economy, the range of possibilities is very wide.

As anticipated, the FOMC kept the fed funds rate unchanged again today after easing in the second half of last year. PNC's baseline forecast is for four additional fed funds rate cuts in 2025 of 25 basis points at each of the FOMC's last four meetings beginning in July. This would take the fed funds rate to a range of 3.25% to 3.50% by year end.

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