# Economic Update

PNC

July 30, 2025

## FOMC Keeps Fed Funds Rate Unchanged; Two Governors Dissent

- **The FOMC kept the fed funds rate unchanged, in a range between 4.25% and 4.50%. After cutting the fed funds rate in late 2024 the FOMC has held it steady this year.**
- **Two members of the Board of Governors dissented, calling for a rate cut.**
- **PNC expects one rate cut in late 2025, and two more in 2026.**
- **There was little market reaction to the statement.**

As expected, the Federal Open Market Committee kept the federal funds rate unchanged in its policy statement today, in a range between 4.25% and 4.50%. The FOMC cut the fed funds rate by a cumulative one percentage between September and December of 2024, but has kept the funds rate unchanged throughout 2025.

The forward-looking portion of today's statement was unchanged from the previous one, from June 18. Today's statement says that the FOMC "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" of low inflation and a strong labor market.

In discussing current conditions, today's statement says that "growth of economic activity moderated in the first half of the year." This is a change from the previous statement, which said that the economy was expanding at a "a solid pace." Today's statement says that "the unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated"; this language is unchanged from June 10.

Today's statement says that "uncertainty about the economic outlook remains elevated." The previous statement said that "uncertainty about the economic outlook *has diminished* but remains elevated" (emphasis added). The difference is that uncertainty did decline between the May 7 and June 18 meetings, but did not decline between the June 18 and July 30 meetings.

Two members of the Board of Governors dissented, Bowman and Waller, who both called for a 0.25 percentage point cut in the funds rate, although the statement did not provide a rationale for this view. This is the first time two members of the Board of Governors have dissented since 1993. Today's dissents may be tied to President Trump's pressure on the FOMC to cut the fed funds rate; the president has aggressively called for rate cuts, arguing that current monetary policy is too tight.


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Today’s FOMC statement was as expected. The committee kept the fed funds rate unchanged, with no indication as to when the rate might next change, or even if the next move would be a rate cut or a rate increase. That being said, the last Summary of Economic Projections (“date plot”), on June 18, indicated majority support for two 25 basis point rate cuts at some point in 2025, suggesting the next move will be a rate cut. There are three more FOMC meetings in 2025, with the next one on September 16 and 17.

The biggest news was the two dissents. This suggests that President Trump’s pressure campaign to cut rates is having an impact, although is not close to swaying a majority of FOMC participants.

PNC’s current forecast is for one 25 basis point cut in the fed funds rate in 2025, at the last meeting of the year on December 9 and 10. By that point the inflationary impact of higher tariffs should be fading, giving the central bank more leeway to ease. PNC is then calling for two additional 25 basis point cuts in the fed funds rate at each of the FOMC’s first two meetings of 2026. This would take the fed funds rate to a range of 3.50% to 3.75% by the spring of 2026.

Market reaction was mild. The S&P 500 was little changed following the release of the statement, as were Treasury yields. The fed funds futures market is pricing in about a 65% probability of a rate cut at the FOMC’s next meeting, in mid-September, little different from yesterday.

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