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## Powell Signals Possible Fed Rate Cuts

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Jackson Hole, Wyoming, Federal Reserve Chair Jerome Powell on Friday signaled that the central bank may reduce interest rates in the coming months, citing a slowing labor market and persistent inflation risks in his annual speech at the Jackson Hole Economic Symposium.

“Risks to inflation are tilted to the upside, and employment risks are to the downside a challenging situation,” Powell said. He added that the Fed will “proceed carefully,” but the shifting balance of risks “may warrant adjusting our policy stance.”

Powell’s comments suggest the Federal Reserve is likely to cut rates at its September 17 meeting, which would mark the first reduction since December 2024, according to economists analyzing the speech. Following the remarks, the S&P 500 rose 1.3% in late morning trading.

“That’s about as clear-cut as Powell can get that he has shifted his view since July and is leaning toward a cut in September,” said Heather Long, chief economist at Navy Federal Credit Union. “He justifies this change in view by acknowledging the downside risks to employment after the surprising July jobs report.”

While highlighting labor market weakness, Powell maintained that inflationary pressures remain, particularly from tariffs implemented during the previous administration. Inflation continues to exceed the Fed's 2% annual target and has inched higher in recent months, presenting challenges to the central bank's dual mandate of promoting maximum employment while maintaining price stability.

Powell noted that tariffs could lead to a "one-time shift in the price level," producing a temporary boost in inflation. "Of course, 'one-time' does not mean 'all at once,'" he said, explaining that adjustments will take time as tariff increases ripple through supply chains and distribution networks. He added that evolving tariff rates could extend the adjustment period.

The speech comes amid multiple pressures on Powell, including calls for his resignation from political figures and conflicting economic signals. Economic data leading up to the symposium indicated slower job growth than expected, with downward revisions in May and June payroll numbers suggesting the labor market may be more fragile than previously thought.

Powell previously held interest rates steady, citing uncertainty from tariffs while noting the overall economy remained stable. Since then, weaker employment figures have influenced the Fed's outlook.

Ahead of the Jackson Hole meeting, the probability of a rate cut in September was approximately 72%, based on CME FedWatch data using 30-day Fed Funds futures prices. Economists say Powell's remarks strengthen expectations that the Fed will move to ease monetary policy in response to labor market risks.

The Federal Reserve's next policy decisions will be closely watched by markets, businesses, and consumers, as potential rate cuts could influence borrowing costs, investment decisions, and overall economic activity. Powell emphasized the Fed's commitment to navigating these challenges carefully while fulfilling its dual mandate.