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Fed’s Bowman Pushes for Three Rate Cuts in 2025

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Federal Reserve Vice Chair for Supervision Michelle Bowman has voiced strong support for implementing three interest rate cuts in 2025, citing signs of a weakening U.S. labor market and easing inflation pressures. Her comments come amid a divided policy outlook at the central bank as it navigates the balance between controlling inflation and sustaining economic growth.

Bowman highlighted the recent increase in the U.S. unemployment rate to 4.2%, alongside downward revisions to monthly job gains, as clear indicators that the labor market is cooling. According to her, these trends point to a need for more accommodative monetary policy to prevent further economic slowdown.

In the Federal Reserve's most recent meeting, policymakers decided to keep the benchmark federal funds rate unchanged at a target range of 4.25% to 4.50%. Bowman dissented from that decision, stating that her preference would have been to move forward with rate reductions. She argued that once the effects of recent tariff-related price increases are excluded, inflation is now near the Fed's 2% target, removing one of the main barriers to easing policy.

The Vice Chair's position reflects a growing sentiment among some Federal Reserve officials that the time to act is approaching. While the Fed has been cautious in cutting rates to ensure that inflation does not reaccelerate, recent data has shifted the conversation. With wage growth moderating and consumer price pressures stabilizing, proponents of a rate cut see an opportunity to support economic activity without significantly risking inflationary spikes.

Bowman's emphasis on the labor market aligns with the Fed's dual mandate to promote maximum employment and stable prices. She underscored that prolonged weakness in job creation, combined with an elevated unemployment rate, could weigh on household spending and overall economic momentum. This, she warned, could make it more difficult to avoid a deeper slowdown later in the year.

Market reaction to her remarks has been closely watched. Treasury yields dipped slightly following her comments, signaling investor expectations that the Fed may be more inclined to ease policy sooner than previously anticipated. Stock markets also reacted positively, with some analysts noting that rate cuts could provide a boost to corporate earnings in sectors sensitive to borrowing costs.

However, not all policymakers share Bowman's view. Some remain concerned that cutting rates too quickly could undermine progress on keeping inflation in check, especially if global energy prices rise or if supply chain disruptions reemerge. These voices advocate for a more measured approach, suggesting that the Fed should wait for additional data before committing to a series of cuts.

Bowman, while acknowledging these risks, maintains that current economic conditions justify proactive measures. She has called on the Federal Reserve to monitor incoming labor market data closely and to act decisively if the slowdown continues. The debate over the pace and scale of rate cuts is expected to remain a central focus in upcoming policy meetings.