OpenVoiceNews U.S.

Transparent. Unbiased. Yours.

Fed Faces Scrutiny After Weak Jobs Report

August 3, 2025
— Categories: Economics

Download IPFS

The Federal Reserve’s latest decision to hold interest rates steady is drawing sharp criticism after new labor market data showed significantly weaker job growth than expected.

In July, the U.S. economy added only 73,000 jobs, well below the level needed to keep pace with population growth. The unemployment rate also edged up to 4.2% from 4.1%. Revisions to data from May and June further lowered previously reported job gains, confirming a slowing trend.

According to the updated figures, the average monthly job growth from May through July was the weakest three-month stretch since 2009, excluding the 2020 pandemic downturn.

“This decision could prove to be a serious misstep,” said Jamie Cox, managing partner at Harris Financial Group, in a statement following the report’s release.

Last Wednesday, Fed Chair Jerome Powell defended the pause on rate cuts, citing a “solid” labor market that gave policymakers time to assess the effects of President Donald Trump’s tariff policies. But just two days later, a disappointing jobs report from the Labor Department raised questions about that assessment.

Internal disagreement within the Fed also surfaced. For the first time since 1993, two governors, Christopher Waller and Michelle Bowman, voted against the majority. Both cited a weakening labor market as their reason for dissent, arguing that the threat posed by slowing job growth outweighed concerns about inflation linked to tariffs.

Bowman noted that “just a few industries have propelled job growth this year,” describing the overall labor market as increasingly fragile. Waller expressed similar concerns, pointing to signs of stagnation across sectors.

Still, some officials urged caution against overreacting to a single report. Cleveland Fed President Beth Hammack told Bloomberg on Friday that she stood by the Fed’s decision. “We try not to make too much out of any one individual report,” she said.

Last year, a sharp rise in unemployment led the Fed to take quick action with a half-point rate cut. While that intervention helped stabilize the labor market, it remains unclear whether similar measures will follow this time.

The Fed declined to comment on the July report or its potential implications.