

**FOMC Cuts Rates by 25 bps as Growth Moderates and Outlook Softens**

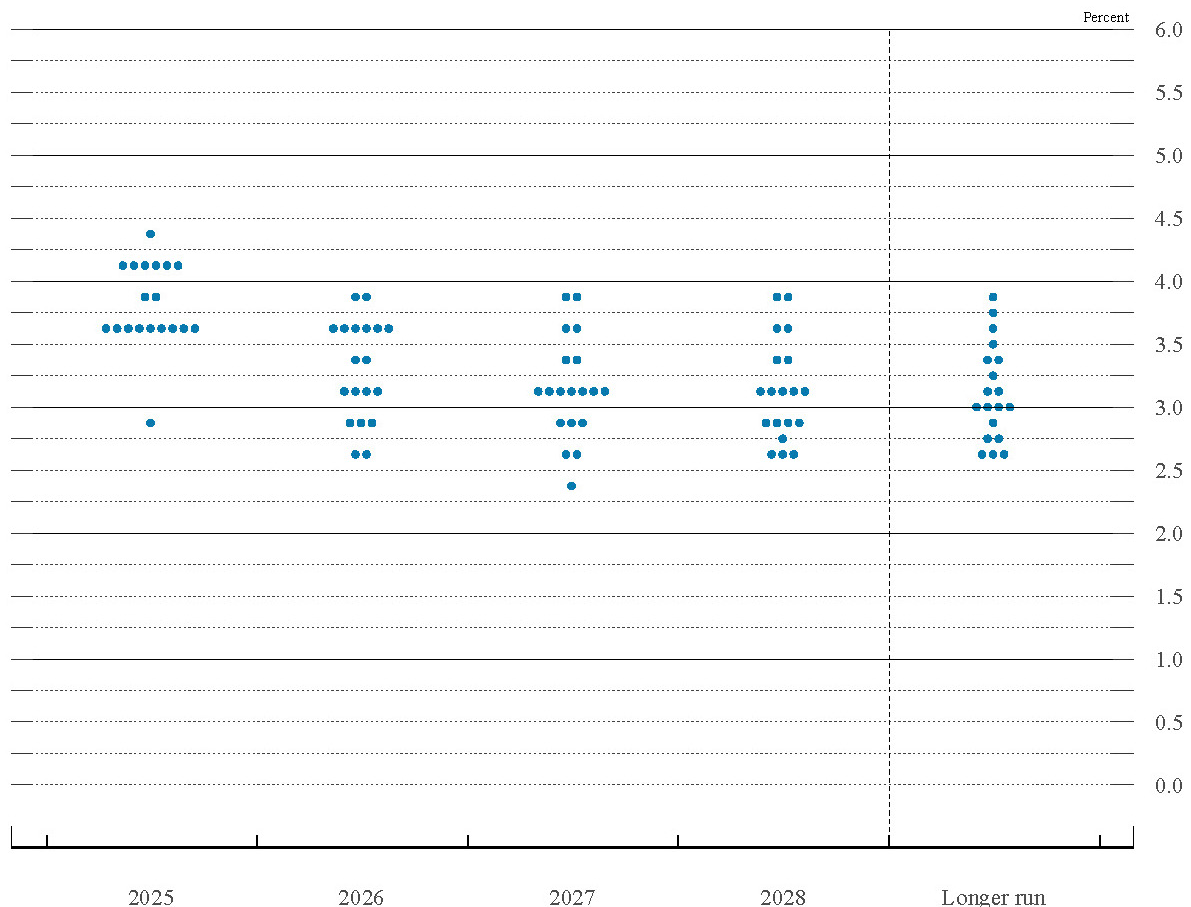
Yesterday, the Federal Open Market Committee (FOMC) announced its decision to reduce the federal funds rate by 25 basis points, bringing the target range to 4.00%–4.25%. This move marks a resumption of the Fed’s path toward rate normalization amid signs of economic cooling.

**Key Takeaways from the September Meeting**

In its policy statement, the Committee acknowledged that economic activity has “moderated”, and recent data show that job creation is beginning to slow. These developments pose downside risks to the economic outlook. In response, policymakers judged that a modest rate reduction was appropriate, reflecting a measured and deliberate approach to balancing support for economic growth while remaining vigilant on inflation risks.

The FOMC reiterated its firm commitment to the dual mandate of maximum employment and price stability, maintaining its long-run inflation target of 2%. Officials emphasized their continued readiness to adjust policy should conditions threaten progress toward these goals.

Figure 2. FOMC participants’ assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Source: [Federal Reserve Economic Data](#) | FRED | [St. Louis Fed](#)

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## Updated Economic Projections and Forward Guidance

Alongside the decision, the Fed released its updated Summary of Economic Projections, providing insight into the expected policy trajectory:

- Two additional rate cuts are anticipated before year-end, signaling a gradual shift toward easing.
- The 2025 GDP growth forecast was revised upward to 1.6%, from a prior estimate of 1.4%, reflecting modest improvement in the growth outlook.

While the tone remains cautious, the updated projections suggest a growing consensus within the Committee to provide incremental support as the economy softens.

## Looking Ahead

Markets will now turn their attention to the next FOMC meeting, scheduled for October 28–29, with the path of future rate adjustments likely to hinge on the incoming economic data. Labor market conditions, inflation trends, and consumer activity will all remain under close scrutiny in the weeks ahead.

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