Fed delivers normal-sized rate cut, sees steady pace of further reductions; Miran dissents

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WASHINGTON, Sept 17 (Reuters) - The Federal Reserve cut interest rates by a quarter of a percentage point on Wednesday and indicated it will steadily lower borrowing costs for the rest of this year, as policymakers responded to concerns about weakness in the [job market](https://www.reuters.com/business/us-unemployment-rate-near-4-year-high-labor-market-hits-stall-speed-2025-09-05/) in a move that won support from most of President Donald Trump's central bank appointees.

Only new Governor Stephen Miran, who joined the Fed on Tuesday and is on leave as the head of the White House's Council of Economic Advisers, dissented in favor of a half-percentage-point cut.

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The rate cut, along with projections showing that two more quarter-percentage-point reductions are anticipated at the remaining two policy meetings this year, indicates Fed officials have begun to downplay the risk that the administration's voluble [trade policies](https://www.reuters.com/business/tariffs/) will stoke persistent inflation, and are now more concerned about weakening growth and the likelihood of rising unemployment.

The cut, the first move by the policy-setting Federal Open Market Committee since December, lowered the policy rate to the 4.00%-4.25% range.

"The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment have risen," the central bank's rate-setting Federal Open Market Committee said in its policy statement. "Job gains have slowed, and the unemployment rate has edged up."

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In a press conference after the conclusion of the Fed meeting, Chair Jerome Powell said "in the near term, risks to inflation are tilted to the upside and risk to employment to the downside, a challenging situation" for monetary policymakers. He added "labor demand has softened and the recent pace of job creation appears to be running below the break-even rate needed to hold the unemployment rate constant," noting "the marked slowing in both the supply of and demand for workers is unusual."

New economic projections showed policymakers at the median still see inflation ending this year at 3%, well above the central bank's 2% target, a projection unchanged from the last set of forecasts in June. The projection for unemployment was also unchanged at 4.5% and the one for economic growth slightly higher at 1.6% versus 1.4%.

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Stocks briefly rose after the decision before turning lower, while the dollar was modestly higher against a basket of major trading partners' currencies. Treasury yields were little changed and rate futures markets saw more than a 90% probability of another rate cut at the Fed's next meeting in late October.

STAGFLATION RISK EASING

Compared to the stagflationary risks contained in the last set of projections, with the Fed slowing its rate cuts to head off inflation, the new projections show an emerging sense among officials that they can head off any rise in unemployment with a faster pace of rate reductions, while inflation eases slowly next year.

Fed officials have gradually warmed to the idea that Trump's tariffs would have only a temporary impact on inflation, and the latest forecasts are consistent with that view.

The move to a more consistent pace of cuts was backed by Fed Governor Christopher Waller and Vice Chair for Supervision Michelle Bowman, Trump appointees who dissented over the policy decision in late July to hold rates steady.

[Miran](https://www.reuters.com/world/us/trump-economic-adviser-miran-gets-senate-nod-join-fed-board-2025-09-16/) dissented over the latest cut and appears to have penciled in the steepest rate cuts in projections issued after he joined the Board of Governors on Tuesday. In the newest "dot plot," one rate projection of 2.875% for the end of 2025 stands out as being three-quarters of a percentage point below the next lowest one. Trump has demanded steep rate cuts.

Among those voting in favor of the decision was Fed Governor [Lisa Cook](https://www.reuters.com/legal/government/us-appeals-court-rejects-trump-bid-oust-feds-lisa-cook-2025-09-16/), who attended the meeting despite Trump's effort to fire her and after two courts supported her challenge of his attempted dismissal.