

Data Insights: FOMC Minutes

Wednesday, November 19, 2025

[October minutes](#) Key signaling language: **Featured** **Important** **Very important**



Special Topic: The Standing Repo Facility

The staff provided background on the SRF, including potential benefits and costs of central clearing for SRF transactions. The main potential benefit mentioned was greater effectiveness of the SRF in helping to maintain control of the federal funds

rate. Central clearing could increase counterparties' willingness to use the SRF when there is upward pressure on repo rates, which would damp pressures on the federal funds rate. The main potential costs mentioned were increased systemic importance of providers of central clearing, the potential for central clearing of the SRF to enable greater nonbank leverage in the Treasury market, and the expansion of the Federal Reserve's footprint in financial markets.

Most participants commented on the potential for central clearing of SRF transactions. Among those who commented, almost all noted that the SRF supports the effective implementation and transmission of monetary policy as well as smooth market functioning, and that central clearing of SRF transactions could improve the effectiveness of the facility. A few participants raised concerns about risks associated with centrally clearing the SRF, including increased systemic importance of providers of central clearing. Participants who commented generally supported further study of central clearing of SRF transactions.

Special Topic: Balance Sheet Issues

The FOMC's "Plans for Reducing the Size of the Federal Reserve's Balance Sheet," announced in May 2022, indicated that the Committee intended to cease balance sheet runoff when reserve balances are judged to be somewhat above a level consistent with ample reserves. Since then, the size of the Federal Reserve's balance sheet had declined substantially. In addition, money market conditions had tightened recently, which suggested that reserve balances may be moving closer to ample. In light of these developments, participants discussed whether to stop balance sheet runoff soon and what the maturity composition of the SOMA Treasury portfolio (SOMA portfolio) should be in the longer run. Views on the latter would guide the investment of principal payments received on the Federal Reserve's holdings of agency securities as well as the composition of securities to be purchased once reserve management purchases would be needed. Consequently, participants agreed that their discussions at this meeting would help inform the Committee's future decisions regarding the long-run composition of the SOMA portfolio.

The participants' discussion was preceded by a staff presentation. The staff reviewed the composition of the SOMA portfolio and provided some considerations regarding

the SOMA portfolio's long-run composition, including issues related to market functioning, potential macroeconomic implications, interactions with the Treasury's management of the federal debt, monetary policy implementation, and the Federal Reserve's net income. The presentation noted that the current share of Treasury bills in the SOMA portfolio was smaller than the bill share of total Treasury securities outstanding. The staff also noted that if the Committee preferred a SOMA portfolio with a proportional or greater share of Treasury bills relative to total outstanding, policymakers could wait to make that decision because the current share of Treasury bills in the portfolio was small and the monthly amounts of principal payments received on the Federal Reserve's holdings of agency securities that would need to be reinvested once balance sheet runoff stopped were modest.

Participants agreed that the recent tightening in money market conditions indicated that it would soon be appropriate to end balance sheet runoff and that reinvestments of principal payments received on agency securities holdings should be directed into Treasury bills. Various participants highlighted the need to continue to monitor money market conditions. Participants also agreed that a larger share of Treasury bills than the current portfolio allocation would be desirable in the long run. A larger share of Treasury bills would shift the SOMA portfolio composition toward that of Treasury securities outstanding. Many participants indicated that a greater share of Treasury bills could provide the Federal Reserve with more flexibility to accommodate changes in the demand for reserves or changes in nonreserve liabilities and thereby help to maintain an ample level of reserves. Several participants also noted that a greater share of Treasury bills could increase flexibility for future monetary policy accommodation without having to raise the level of reserves. The majority of participants indicated that a larger share of Treasury bills would also reduce Federal Reserve income volatility.

Some participants indicated that during a transition phase, purchases to reach a larger share of Treasury bills in the SOMA portfolio could reduce the availability of short-term Treasury securities to the private sector and potentially affect market functioning. They thus favored a measured approach to purchasing Treasury bills. A couple of other participants noted the absence of market functioning problems in past episodes when purchases focused on Treasury bills. A number of participants noted that the expected pace of paydowns of agency securities in the near term was around

only \$15 billion to \$20 billion per month, and that redirecting these proceeds into Treasury bills once balance sheet runoff ended likely would not adversely affect market functioning.

Overall, most participants favored a long-run composition of the SOMA portfolio that matched the composition of Treasury securities outstanding, indicating that a proportional allocation would provide enough flexibility and may be simpler to communicate. Some participants indicated that they favored a larger-than-proportional share of Treasury bills, citing the benefits of having even greater flexibility than available under a proportional allocation. Various participants noted that it was not necessary to decide on the long-run composition of the SOMA portfolio at this time, as the shift toward a long-run composition would take place over a number of years...

Participants' Views on Current Conditions and the Economic Outlook

In their discussion of inflation, participants observed that overall inflation had moved up since earlier in the year and remained somewhat above the Committee's 2 percent longer-run goal. Participants generally noted that core inflation had remained elevated, as disinflation in housing services had been more than offset by higher goods inflation, reflecting in part the effects of tariff increases implemented earlier in the year. Several participants observed that, setting aside their estimates of tariff effects, inflation was close to the Committee's target. Many participants, however, remarked that overall inflation had been above target for some time and had shown little sign of returning sustainably to the 2 percent objective in a timely manner.

Participants generally expected inflation to remain somewhat elevated in the near term before moving gradually to 2 percent. Several participants pointed to the persistence in core nonhousing services inflation as a factor that may keep overall inflation above 2 percent in the near term. Many participants expected some additional pickup in core goods inflation over the next few quarters, driven in part by further pass-through of tariffs to firms' pricing. Several participants expressed uncertainty about the timing and magnitude of tariff-related price effects, noting that some businesses were reportedly waiting to adjust prices until tariff policies seemed more settled. Drawing on reports from their District contacts, several participants

remarked that businesses, including those not directly affected by tariffs, indicated that they planned to raise prices gradually in response to higher tariff-related input costs. A few participants suggested that potential recent productivity gains achieved through automation and AI may help businesses support their profit margins and limit the extent to which cost increases are passed on to consumers. A few participants commented that the softer labor market would likely help keep inflationary pressures in check. A couple of participants noted that recent changes in immigration policies would lessen housing demand and strengthen the disinflation in housing services prices.

Participants generally noted that most measures of short-term inflation expectations had eased somewhat from their peaks earlier in the year and that most survey-based and market-based measures of longer-term inflation have shown little net change since the end of last year, which suggested that longer-term inflation expectations remained well anchored. Participants emphasized the importance of maintaining well-anchored inflation expectations to help return inflation to the Committee's 2 percent objective in a timely manner, and many noted concerns that the prolonged period of above-target inflation could risk an increase in longer-term expectations.

With regard to the labor market, participants observed that the data available before the government shutdown indicated that job gains had slowed this year and that the unemployment rate had edged up but remained low through August. Participants commented on the lack of the Employment Situation report for September during this intermeeting period and reported relying on private-sector and limited government data, as well as information provided by businesses and community contacts, to assess labor market conditions. Participants pointed to recent available indicators, including survey-based measures of job availability, as being consistent with layoffs and hiring having remained low as well as a labor market that had gradually softened through September and October but had not sharply deteriorated. Participants generally attributed the slowdown in job creation to both reduced labor supply—stemming from lower immigration and labor force participation—and less labor demand amid moderate economic growth and elevated uncertainty. Many participants remarked that structural factors such as investment related to AI and other productivity-enhancing technologies may be contributing to softer labor demand.

Regarding the outlook for the labor market, participants generally expected conditions to soften gradually in coming months and the labor market to remain less dynamic than earlier in the year, with businesses reluctant to add workers but also hesitant to lay off employees. Several participants described the lack of job turnover and hesitancy among businesses to add jobs as adding downside risks to the labor market, noting that a further weakening in labor demand could push the unemployment rate sharply higher. A few participants viewed the rise in the unemployment rates for groups historically more sensitive to cyclical changes in economic activity, or the concentration of job gains in less-cyclical sectors, as signaling potential broader labor market weakness. Some participants noted the apparent divergence between subdued job growth and moderate GDP growth, with several suggesting that this pattern might persist over time as advances in AI boost productivity growth while demographic factors constrain labor supply.

Participants noted that available indicators suggested that economic activity appeared to have been expanding at a moderate pace, although a number of participants observed that the lack of government-provided spending data since the shutdown made it challenging to gauge the more recent strength of overall activity. Participants generally noted that consumer spending had shown signs of firming in recent months after the slowdown observed early in the year. Many participants, however, remarked on a divergence in spending patterns across income groups, noting that consumption growth appeared to be disproportionately supported by higher-income households benefiting from strong equity markets, while lower-income households demonstrated increased price sensitivity and spending adjustments in response to high prices and elevated economic uncertainty. A couple of participants expressed concern about the relatively narrow base of support for consumption growth, noting the potential vulnerability should high-income consumer spending weaken. A couple of participants mentioned continued weakness in the housing market, despite some recent signs of stabilization, and that housing-affordability challenges remained a significant constraint on the sector.

Regarding the business sector, many participants highlighted strong investment in technology, particularly spending related to AI and data centers. Some participants suggested that those investments could boost productivity and thus aggregate supply. A few participants noted that lower business taxes or further expected easing in

government regulations would likely support business activity and productivity growth over time. Some participants remarked that financial conditions were supportive of economic activity. A few participants mentioned the persistent headwinds facing the agricultural sector from compressed profit margins due to low crop prices, elevated input costs, and retrenched demand from abroad.

Participants generally judged that uncertainty about the economic outlook remained elevated. Participants saw risks to both sides of the Committee's dual mandate, with many indicating that downside risks to employment had increased since earlier in the year, as the unemployment rate ticked up and the pace of job gains slowed, leaving the labor market more susceptible to any negative shock. Many participants continued to see upside risks to their inflation outlook, pointing to the possibility that elevated inflation could prove more persistent than currently expected even after the effects of this year's tariff increases fade. A few participants remarked on the risk that trade tensions could disrupt global supply chains and weigh on overall economic activity. Many participants observed that the divergence between solid economic growth and weak job creation created a particularly challenging environment for policy decisions, requiring careful monitoring of incoming data to distinguish between cyclical weakness and structural changes in the relationship between output and employment. When discussing uncertainty, various participants expressed concern about the potential effect of a prolonged government shutdown, both on near-term economic activity and on the ability to accurately assess economic conditions because of limitations to the availability of federal government data. Several participants, however, remarked that other private and public indicators, as well as information in the Beige Book and obtained from District contacts, continued to provide useful signals about economic conditions.

In their discussion of financial stability, a number of participants pointed to some recent failures of firms involved in nonbank credit activity. These participants suggested that there were various reasons for concern about developments in the private credit sector, which included risks related to loan quality, the sector's funding practices, poor underwriting and collateral practices, banks' exposure to the sector, and the possibility of the transmission of strains in the sector to the real economy. A few participants noted that recent years' growth in private credit was an example of traditional financial activity moving outside the existing U.S. regulatory framework.

Some participants commented on stretched asset valuations in financial markets, with several of these participants highlighting the possibility of a disorderly fall in equity prices, especially in the event of an abrupt reassessment of the possibilities of AI-related technology. A couple of participants cited risks associated with high levels of corporate borrowing.

In their consideration of monetary policy at this meeting, participants noted that inflation had moved up since earlier in the year and remained somewhat elevated. Participants further noted that available indicators suggested that economic activity had been expanding at a moderate pace. They observed that job gains had slowed this year and that the unemployment rate had edged up but remained low through August. Participants assessed that more recent indicators were consistent with these developments. In addition, they judged that downside risks to employment had risen in recent months. Against this backdrop, many participants were in favor of lowering the target range for the federal funds rate at this meeting, some supported such a decision but could have also supported maintaining the level of the target range, and several were against lowering the target range. Those who favored or could have supported a lowering of the target range for the federal funds rate toward a more neutral setting generally observed that such a decision was appropriate because downside risks to employment had increased in recent months and upside risks to inflation had diminished since earlier this year or were little changed. Those who preferred to keep the target range for the federal funds rate unchanged at this meeting expressed concern that progress toward the Committee's inflation objective had stalled this year, as inflation readings increased, or that more confidence was needed that inflation was on a course toward the Committee's 2 percent objective, while also noting that longer-term inflation expectations could rise should inflation not return to 2 percent in a timely manner. One participant agreed with the need to move toward a more neutral monetary policy stance but preferred a 1/2 percentage point reduction at this meeting. In light of their assessment that reserve balances had reached or were approaching ample levels, almost all participants noted that it was appropriate to conclude the reduction in the Committee's aggregate securities holdings on December 1 or that they could support such a decision.

In considering the outlook for monetary policy, participants expressed a range of views about the degree to which the current stance of monetary policy was

restrictive. Some participants assessed that the Committee's policy stance would be restrictive even after a potential 1/4 percentage point reduction in the policy rate at this meeting. By contrast, some participants pointed to the resilience of economic activity, supportive financial conditions, or estimates of short-term real interest rates as indicating that the stance of monetary policy was not clearly restrictive. In discussing the near-term course of monetary policy, participants expressed strongly differing views about what policy decision would most likely be appropriate at the Committee's December meeting. Most participants judged that further downward adjustments to the target range for the federal funds rate would likely be appropriate as the Committee moved to a more neutral policy stance over time, although several of these participants indicated that they did not necessarily view another 25 basis point reduction as likely to be appropriate at the December meeting. Several participants assessed that a further lowering of the target range for the federal funds rate could well be appropriate in December if the economy evolved about as they expected over the coming intermeeting period. Many participants suggested that, under their economic outlooks, it would likely be appropriate to keep the target range unchanged for the rest of the year. All participants agreed that monetary policy was not on a preset course and would be informed by a wide range of incoming data, the evolving economic outlook, and the balance of risks.

In discussing risk-management considerations that could bear on the outlook for monetary policy, participants generally judged that upside risks to inflation remained elevated and that downside risks to employment were elevated and had increased since the first half of the year. Many participants agreed that the Committee should be deliberate in its policy decisions against the backdrop of these two-sided risks and reduced availability of key economic data. Most participants suggested that, in moving to a more neutral policy stance, the Committee was helping forestall the possibility of a major deterioration in labor market conditions. Many of these participants also judged that, with more evidence having accumulated that the effect on overall inflation of this year's higher tariffs would likely be limited, it was appropriate for the Committee to ease its policy stance in response to downside risks to employment. Most participants noted that, against a backdrop of elevated inflation readings and a very gradual cooling of labor market conditions, further policy rate reductions could add to the risk of higher inflation becoming entrenched or could be

misinterpreted as implying a lack of policymaker commitment to the 2 percent inflation objective. Participants judged that a careful balancing of risks was required and agreed on the importance of well-anchored longer-term inflation expectations in achieving the Committee's dual-mandate objectives...

Source: Federal Reserve Board