



the balance of risks associated with their projections. The Summary of Economic Projections was released to the public following the conclusion of the meeting.

Participants generally noted that inflation had increased further and remained well above the Committee's 2 percent longer-run objective. They observed that both core and total inflation had moved higher and generally attributed these increases to the lingering effects of tariffs, supply chain disruptions related to the closure of the Strait of Hormuz, and strength in demand for some goods and services stemming from robust AI-related investment. Several participants commented that price pressures had become more broad based, with a large share of goods and services—including transportation, airfares, petrochemical products, and agricultural inputs—experiencing substantial increases. Several participants remarked that services price inflation excluding housing had declined little and remained high.

The majority of participants commented that most measures of medium- and longer-term inflation expectations remained at levels consistent with the Committee's 2 percent objective. Participants noted the importance of stable longer-term inflation expectations and emphasized the Committee's role in keeping those expectations anchored at levels consistent with 2 percent inflation.

Participants anticipated that inflation would remain elevated in the near term and then begin to decline as the effects of tariffs and energy price increases wane and other supply disruptions related to the closure of the Strait of Hormuz diminish. Participants judged that the risks to the inflation outlook were still tilted to the upside. Many participants noted that elevated commodity prices and supply disruptions could persist longer than currently anticipated. Several participants reported that their business contacts were facing notable cost pressures. Some participants observed that the sharp rise in input costs reported in business surveys raised concerns about the potential for higher energy and commodity costs to pass through more broadly to final goods prices. Several participants noted, however, that firms in their Districts reported that they had been cautious about increasing prices, citing concerns that higher prices could reduce demand or their market shares. Many participants noted that ongoing strong demand for AI infrastructure would likely sustain upward pressure on prices for technology products and electricity. Most participants remarked that growth in economic activity that exceeded that of

potential output, owing in part to strong AI business investment, could contribute to more persistent inflationary pressures. Some participants remarked that productivity gains associated with AI adoption would eventually reduce production costs and increase aggregate supply, which should put downward pressure on inflation, though they noted this effect would likely take time to materialize. Several participants noted that the deceleration in housing services prices was likely to continue to be a source of disinflationary pressure. The majority of participants highlighted the possibility that, after several years of inflation above 2 percent, continued elevated inflation rates could begin to affect inflation expectations and wage- and price-setting decisions. Participants emphasized that considerable uncertainty surrounded their inflation outlook and stressed the importance of closely monitoring inflation developments and inflation expectations.

With regard to the labor market, participants generally observed that the unemployment rate had remained relatively stable over the past year at a level near participants' estimates of its longer-run level. Participants generally remarked that payroll employment gains had strengthened this year and appeared roughly consistent with underlying labor force growth. Several participants observed that other labor market indicators, such as job openings, initial unemployment insurance claims, and layoffs had remained stable in recent months and that such data pointed to a balanced labor market. Several participants noted, however, that declines in the job-finding rate and certain survey measures of job availability reflected a labor market with relatively low dynamism. Many participants remarked that the labor market was not currently a source of inflationary pressures, or that nominal wage growth remained consistent with inflation moving toward 2 percent.

Participants generally expected labor market conditions to remain stable in the near term, with the unemployment rate staying close to current levels. Some participants remarked that their concerns earlier this year about labor market deterioration had eased with recent data, and several participants noted that the solid payroll employment data in recent months could signal increased labor market momentum. Several participants cited, however, the possibility that uncertainty related to geopolitical developments or the broader economic outlook could lead firms to reduce hiring or begin implementing layoffs. Some participants commented on the possibility that AI could, over time, affect employment prospects for some classes of workers.

Participants generally observed that economic activity had continued to expand at a solid pace, despite elevated uncertainty, supported by strong business investment and resilient consumer spending. Participants generally noted that the strength in business investment remained concentrated in AI-related expenditures, which showed no signs of slowing, as companies continued to announce capital expenditure plans that exceeded earlier expectations. Some participants suggested that those investments would likely increase the growth of productivity and of potential output in the coming years. These participants remarked, however, that considerable uncertainty remained regarding both the timing and magnitude of potential productivity gains, which were expected to lag the ongoing boost of AI adoption on demand. Some participants noted that broad financial conditions were supporting demand. These participants pointed specifically to high equity prices and noted that those prices had been driven by strong corporate earnings and optimism about AI. With respect to household spending, most participants observed that stock market gains and federal income tax refunds sent earlier this year had provided support to consumer spending, particularly among higher-income households. They noted, however, that lower-income households were increasingly relying on credit to maintain spending and continued to face disproportionate pressures from elevated gasoline and grocery prices.

Participants generally expected solid real GDP growth to continue throughout the remainder of the year and pointed to several factors likely to support continued expansion, including ongoing AI-related investment, household spending, and fiscal policy. Participants generally acknowledged that while the economy had demonstrated resilience to date, uncertainty surrounding the economic outlook remained elevated, partly due to the conflict in the Middle East.

In their consideration of monetary policy at this meeting, all participants supported maintaining the current target range for the federal funds rate. Participants generally noted that recent indicators suggested that economic activity had been expanding at a solid pace and that labor market conditions had appeared stable. Participants observed that inflation was elevated relative to the Committee's 2 percent longer-run objective, in part reflecting price increases from supply shocks in certain sectors, including energy. Participants generally assessed that information received over the intermeeting period suggested that upside risks to price stability remained elevated

while downside risks to achieving maximum employment had moderated a bit. A few participants commented that, in light of these developments, there was a case for raising the target range for the federal funds rate, but those participants indicated that they supported maintaining the current target range at this meeting. Several participants remarked that they did not see the current policy stance as restrictive, while a few other participants commented that they saw the current policy stance as slightly restrictive.

With regard to the outlook for monetary policy, amid high assessed uncertainty, various participants discussed a range of scenarios for the evolution of the economy and for future monetary policy actions. Most participants remarked on scenarios in which inflationary pressures would dissipate and inflation would soon begin to return to 2 percent. In such scenarios, almost all of these participants noted that it would likely be appropriate to maintain or eventually lower the target range for the federal funds rate. Most participants, however, also pointed to scenarios in which, in the context of stable labor market conditions, inflation would remain elevated due to strong AI-related demand, the conflict in the Middle East, or the effects of tariffs. In such scenarios, almost all of these participants indicated that some policy firming would likely be warranted to return inflation to 2 percent. Regarding participants' individual assessments of appropriate monetary policy under what each participant judged to be the most likely scenario for the economy, many participants indicated that the appropriate level of the federal funds rate would be within or slightly below the current target range at the end of this year. Many other participants, however, assessed that the appropriate level of the federal funds rate would be above the current target range at the end of this year. Participants noted that their future policy actions would depend on incoming information.

A number of participants noted that it was an opportune time to consider significant changes to the FOMC's postmeeting statement. A majority of participants remarked that they saw advantages in shortening the statement. Most participants emphasized that they preferred not to repeat the language in the previous postmeeting statement that had suggested an easing bias regarding the likely direction of the Committee's future interest rate decisions. Various participants discussed how the public could perceive the changes to the postmeeting statement. Some participants commented

that they welcomed the opportunity to review the Committee's communications tools and practices.

The Chairman described plans to establish five independent task forces to examine issues related to the broad conduct of monetary policy.