Federal Reserve Holds Interest Rates, Projects One Cut Before End of Year: ‘Highly Attentive to Inflation Risks’

The Federal Reserve held rates at its Wednesday meeting as expected. The agency noted that while “Recent indicators suggest that economic activity has continued to expand at a solid pace,” the overall “economic outlook is uncertain, and the Committee remains highly attentive to inflation risks.”

The Fed expects one rate cut before the end of the year and more cuts in 2025 to reach 3.1% by the end of 2026.

“In recent months, there has been modest further progress toward the Committee’s 2 percent inflation objective,” the statement notes.

Earlier on Wednesday, the U.S. Bureau of Labor Statistics (BLS) published its monthly Consumer Price Index (CPI) report, tracking the changes in prices that Americans have to pay for essential goods and services, like shelter, food, and energy.

The CPI gauges purchasing power, or how far the dollar now goes compared to a year or a month ago.

It is the most broadly used measure of inflation; the Federal Reserve Board, the President, and Congress use the CPI as an economic indicator to help set policies.

Jerome Powell, chairman of the US Federal Reserve. Photographer: Al Drago/Bloomberg via Getty Images

Here are three things things to know about the CPI report:

1. Prices rose 3.3% in May compared to a year ago but were flat month-to-month.

This is good news: Inflation has slowed down for the second month in a row.

Overall prices also stayed flat after increasing 0.3% in April.

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When food and energy prices are taken out of the equation, prices rose 0.2% on the month and 3.4% from last year, which is still lower than analyst estimates.

2. Rent raises were the “largest factor.”

Rent prices, and owners’ equivalent rent, increased by 0.4% from April to May across the country, offsetting a 3.6% decrease in gas prices. This marks the fourth consecutive month that shelter prices were up that much.

Rent was “the largest factor” in overall inflation outside of food and energy and rose 5.4% from last year.

3. Rent wasn’t the only factor.

Other categories besides shelter have noticeably increased in price over the past year.

Car insurance, for example, went up by 20.3% while medical care went up by 3.1%.

From month-to-month, the prices of used cars and trucks rose 0.6% after decreasing by 1.4% in April.

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