

Here's What a Federal Rate Cut Means for Small Businesses, According to Analysts

In his annual address in Jackson Hole, Wyoming, on Friday, Federal Reserve Chair Jerome Powell indicated that, despite “sweeping changes” in economic policy, a possible interest rate cut could come at the Fed’s next meeting in September.

“With policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance,” Powell said.

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The Fed has held rates between 4.25% and 4.5% since December 2024.

EY-Parthenon Senior Economist Lydia Boussour told Entrepreneur in an email that the Fed’s focus is “shifting from inflation to the labor market,” and Powell used his speech as “an opportunity to recalibrate the Fed’s assessment of the balance of risks, which had leaned more heavily toward inflation at the July FOMC meeting.”

Federal Reserve Chairman Jerome Powell (R) is seen with Bank of Japan Governor Kazuo Ueda (2nd R), European Central Bank Governor Christine Lagarde (2nd L), and Governor of the Bank of England Andrew Bailey (L) in Grand Teton National Park on August 22, 2025, near Jackson Hole, Wyoming. (Natalie Behring | Getty Images)

“Powell also acknowledged that while there is a possibility that tariffs could trigger lasting inflation pressures or influence long-term inflation expectations, current market and survey indicators suggest that inflation expectations remain stable and aligned with the Fed’s long-term inflation goal of 2%,” Boussoir said.

When does the Fed meet next?

The next Federal Open Market Committee (FOMC) meeting begins September 16. A policy decision will be released on Wednesday,

September 17.

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"While a rate cut at the September meeting appears more than likely, in line with [EY-Parthenon's] long-held view, we anticipate the Fed will maintain its cautious, data-driven approach as tariff-related price pressures continue to work through the economy," Boussour said.

Boussour said EY anticipates a cut in September and "another 25bp cut to follow in December, with an additional 100 basis points of easing likely in 2026 as economic and labor market conditions deteriorate more visibly."

What would a rate cut mean for consumers?

One rate cut might not make much of a difference, CNBC notes. Mortgage rates remain high, and the markets (not the Fed) move the 10-year Treasury yield, which influences the 30-year fixed-rate mortgage.

Boussour expects more cuts to follow, however, which could lead to improved consumer confidence.

What would a rate cut mean for small businesses?

A federal rate cut likely means small businesses can borrow at lower costs, which can lead to various other growth factors, including increased consumer demand and more hiring, per Bankrate.

Lower borrowing costs mean lower financing rates for business improvements, like updated equipment or software. It also

leads to lower monthly payments, which frees up monthly income for other expenses. Lower rates also tend to boost customer spending, Bankrate notes.

It can also make banks more agreeable to approve loans, which can be a boon for businesses in rural areas with smaller, regional banks, and provide more opportunities to refinance existing loans with higher rates.

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