



FEDERAL RESERVE BANK *of* KANSAS CITY

October 31, 2025

The following statement is from Jeff Schmid, president and CEO of the Federal Reserve Bank of Kansas City, regarding his vote at the Federal Open Market Committee's October 28-29, 2025, meeting:

At this week's FOMC meeting I dissented against lowering the target range for the federal funds rate by 25 basis points. My preference would have been to leave the target range unchanged.

By my assessment, the labor market is largely in balance, the economy shows continued momentum, and inflation remains too high. I view the stance of policy as only modestly restrictive. In this context, I judged it appropriate to maintain the policy rate at this week's meeting.

Talking to contacts in the Kansas City Fed's district, I hear widespread concern over continued cost increases and inflation. Rising healthcare costs and insurance premiums are top of mind. In the data, inflation is spreading across categories, both goods and services.¹ Inflation has been running above the Fed's 2 percent objective for more than four years. As I have said before, I take small comfort in most measures of inflation expectations having not moved up. I view inflation expectations not as an input into Fed's decisions, but as the outcome of the policy decisions that the Fed makes.

As it is, I see the stance of policy as being only modestly restrictive. Financial market conditions appear to be easy across many metrics. Equity markets are near record highs, corporate bond spreads are very narrow, and high-yield bond issuance is high. None of this suggests that financial conditions are particularly tight or that the stance of policy is restrictive.

¹ See "[The Federal Reserve, Economic Outlook and Monetary Policy](#)," remarks to the CFA Society Kansas City. October 6, 2025.

Likewise, the economy is showing continued momentum. Consumption remains solid, and data for July and August suggest an acceleration through the summer.

Fixed capital investment, an interest sensitive component of growth, has shown some of the strongest increases. The contribution of software spending to GDP growth was the largest on record in the second quarter. And the contribution of investment in information technology to GDP growth in the first quarter was the highest on record with the exception of the first quarter of 2000.

With inflation still too high, monetary policy should lean against demand growth to allow the space for supply to expand and relieve price pressures in the economy.² With the dual mandate, Congress has directed the Federal Reserve to manage the trade-offs that arise from the economy-wide constraint that ties inflation to unemployment. Constraints lead to difficult decisions over how to balance competing objectives.

In certain circumstances the Fed's actions might have disproportionate effects on the two sides of the mandate. Now, for example, I do not think a 25-basis point reduction in the policy rate will do much to address stresses in the labor market that more likely than not arise from structural changes in technology and demographics. However, a cut could have longer-lasting effects on inflation if the Fed's commitment to its 2 percent inflation objective comes into question. In the end, inflation is the Federal Reserve's responsibility and within its control, and as I balance the mandate—and the effectiveness of the Fed's actions in meeting that mandate—my preference was to hold the policy rate steady at this week's meeting.

² See "[The Federal Reserve and the Outlook for the Economy and Monetary Policy](#)," remarks to the Southern Economic Development Council Annual Conference. August 12, 2025.