

Federal Reserve**Donald Trump lashes out after Federal Reserve keeps interest rates steady**

US president had called on the central bank to sharply reduce borrowing costs



Fed chair Jay Powell said the new Trump administration's policies were 'not for us to criticise, or to praise' © Carlos Barria/Reuters

Claire Jones in Washington and **Harriet Clarfelt** in New York JANUARY 29 2025

Donald Trump sharply criticised the Federal Reserve just hours after the US central bank defied the president's calls for deep reductions in borrowing costs and left interest rates on hold.

The central bank on Wednesday kept its main [interest rate](#) at 4.25 per cent to 4.5 per cent and indicated it was now on pause, with Fed chair Jay Powell saying US rate-setters "do not need to be in a hurry to adjust our policy stance".

Trump railed against the central bank on his Truth Social messaging platform, saying, "If the Fed had spent less time on [diversity, equity and inclusion], gender ideology, 'green' energy, and fake climate change, inflation would never have been a problem."

The Fed's unanimous decision on Wednesday to hold interest rates came just days after Trump insisted borrowing costs should fall "a lot" and vowed to "let it be known" if he disagreed with the central bank's decision.

The [Federal Open Market Committee](#), the central bank's policy-setting panel, said in its decision that US inflation remained "somewhat elevated" and removed an earlier reference noting "progress" towards hitting its 2 per cent goal. Powell later clarified the changes reflected a "cleaning-up exercise" rather than a shift in policy.

The Fed's statement "tilts a little bit hawkish", said Sarah House, senior economist at Wells Fargo. "This is a Fed that is less worried about the state of the labour market."

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Federal Reserve chair Jay Powell gives a press conference on the Fed decision to hold rates © FOMC

The pause followed three consecutive cuts — including a 0.5 percentage point move in September — that took the federal funds target range down from a 23-year high of 5.25 per cent to 5.5 per cent.

Powell signalled interest rates would remain on hold until the committee had more time to assess how Trump's pledges to raise trade barriers, slash taxes and red tape, and undertake mass deportations would affect its efforts to cool inflation.

The Fed chair said the new administration's policies were "not for us to criticise, or to praise".

He also refused to react to Trump's calls for the Fed to reduce borrowing costs significantly, saying he was "not going to have any response or comment on what the president said" and that there had been no contact between him and the White House since the new president took office.

Eswar Prasad, a professor at Cornell University, said: "This rate decision, which was really the only viable choice the Fed had at this juncture, will cue the political pressure. The coming months will be extraordinarily challenging for the Fed if inflation stays sticky above its target level even as Trump piles on intense pressure to cut rates and bring down borrowing costs."

US markets broadly took the Fed's decision in stride, with government bonds coming under moderate selling pressure.

The policy-sensitive two-year Treasury yield was 0.03 percentage points higher at 4.23 per cent by the late afternoon in New York, while the benchmark 10-year yield was flat at 4.55 per cent. Yields rise as prices fall.

In equity markets, the S&P 500 was 0.5 per cent lower. The technology-heavy Nasdaq Composite was down by a similar margin, after trimming some of its losses during Powell's press conference.

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