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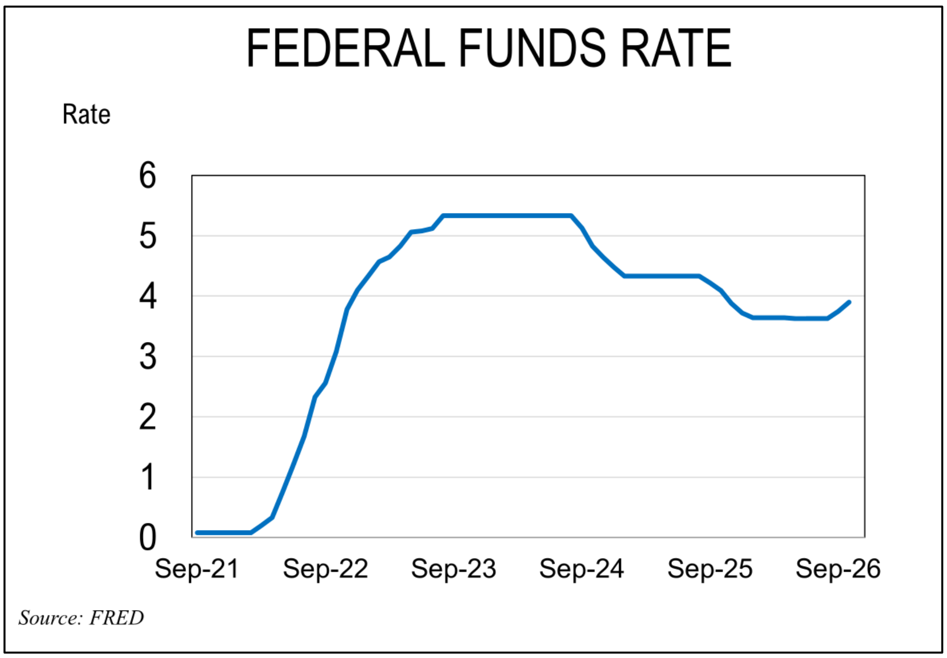
Current Economic News

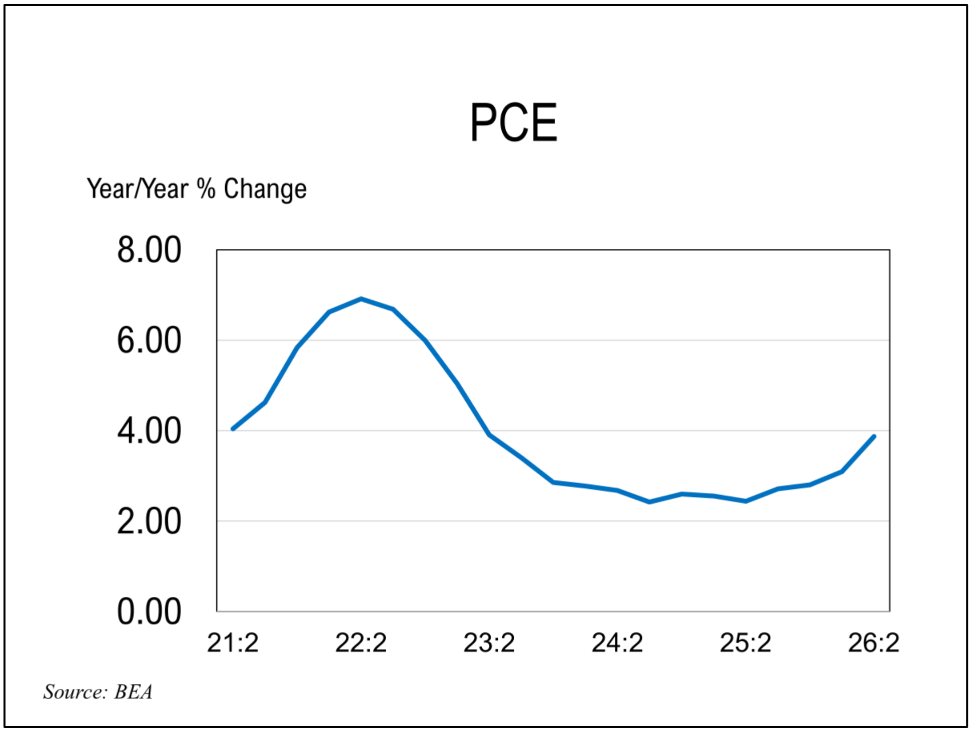
# FOMC and Unemployment

September 16, 2026, by Laura Neis

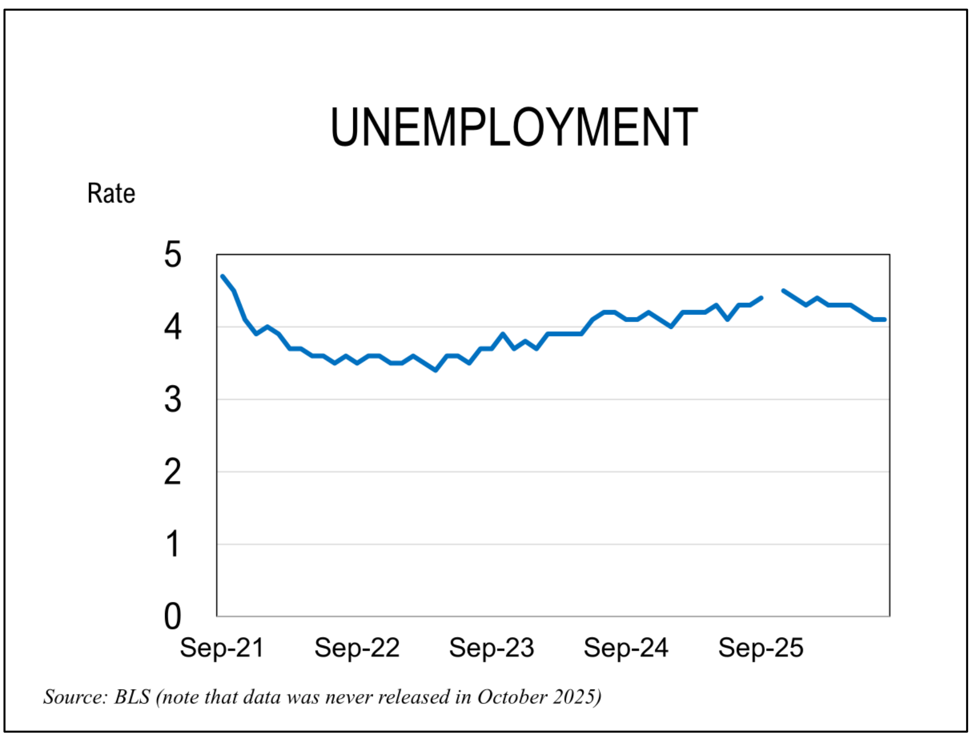
As reported in June, the Federal Open Market Committee produces projections for the following variables every three months: GDP, unemployment, PCE inflation, and core PCE inflation. Today, the FOMC announced that they would raise the Federal funds rate target by 0.25 points to 3.75-4 percent. This is the first time that they have raised the rate since July of 2023.




As the FOMC reported, they are raising the rate because “Inflation remains elevated. Today’s policy action will support a timelier return to the Committee’s 2 percent goal.” The Committee has been aware of rising inflation for some time, and predicted that inflation would take several years to reach their 2% goal if the federal funds rate was left the same. However, it is only now that they raised rates.




This rate hike came now because the FOMC has a dual mandate, and it is only recently that the unemployment rate has begun to fall. It appears that the Committee has decided that 4.1% Unemployment Rate will be their current goal for “full employment,” thus fulfilling their dual mandate.



The FOMC's projections show that they believe the 4.1% Unemployment Rate will hold steady, which is more optimistic than their previous projections. This plan for cooling inflation while maintaining the current unemployment rate is why the FOMC predicts a higher Federal Funds Rate until the end of 2027.

| **Unemployment Rate in the Fourth Quarter of the Year** | | | |
|---|---|---|---|
| **Projection Date** | **2027** | **2028** | **2029** |
| March 2026 | 4.3 | 4.2 | n/a |
| June 2026 | 4.3 | 4.2 | n/a |
| September 2026 | 4.1 | 4.1 | 4.1 |