



By: TA | AP Brief

The Federal Reserve is likely to keep interest rates at their current level



The Federal Reserve is expected to stand pat on interest rates Wednesday even though **inflation has accelerated** in the past couple of months as the Iran war has caused spikes in oil and gas prices.

The Fed's latest policy meeting concludes less than a week before the midterm elections, which have focused heavily on concerns about the cost of living and **affordability**.

Consumers have generally soured on an economy weighed down by more expensive gas, groceries, and clothing, among other items.

The Fed, led by Chairman Kevin Warsh, wants to return inflation to its 2% target, which it typically does by raising its short-term interest rate. Higher borrowing costs, over time, can cool spending and slow inflation.

The Fed raised its key rate last month for the first time in three years, from about 3.6% to 3.9%, in what many investors and economists perceived was a first step toward a renewed effort to bring down inflation.

Yet Warsh faces a host of challenges in achieving that goal.

President Donald Trump slammed the Fed for raising its key rate last month, though he largely blamed the central bank's rate-setting committee, rather than Warsh, whom he appointed.

And some of the forces driving inflation — specifically the rapid buildout of artificial intelligence infrastructure and higher energy prices — won't easily be tamed by higher interest rates.

At the same time, other parts of the economy are already being hit by higher rates, which were lifted by market forces, even before the Fed hiked last month.

The average 30-year mortgage rate reached a three-year high of 7.4% earlier this month, though it has since slipped a bit. Higher mortgage rates have made buying a home

unaffordable for 5 million more Americans since the beginning of the year, according to Oxford Economics, a consulting firm.

Over time, Fed rate hikes can make mortgages, auto loans, and credit card borrowing more expensive, adding to Americans' sense that things like homes and cars are getting pricier.

A sign the Fed will boost its key rate at its next meeting

After the Fed announces its rate decision, Warsh will speak at a news conference, where his remarks will be closely watched for hints about the Fed's next steps.

He will likely repeat the Fed's desire for a “timelier” return of inflation to the 2% target.

Some may view that as a sign the Fed will boost its key rate at its next meeting, in December, a move already widely expected by Wall Street investors.

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Inflation picked up in September, when consumer prices rose 3.7% compared with a year earlier.

The increase was much bigger than the 2.4% rate in February, just before the Iran war.

And on a monthly basis, the consumer price index — the most widely-followed inflation gauge — rose 0.3% in both August and September.

At that pace over a full year, inflation would rise much more quickly than the Fed's 2% target.

On Thursday, a separate inflation measure more closely followed by the Fed, the **personal consumption expenditures price index**, is forecast to have jumped 3.6% in September from a year earlier, up from 3.4% in August.

Core prices, which exclude the food and energy categories, are forecast to have risen 3.1%, up from 3% the previous month.