



# Fed December Rate Decision

Fed cuts 25bps but signals  
slower pace for 2025

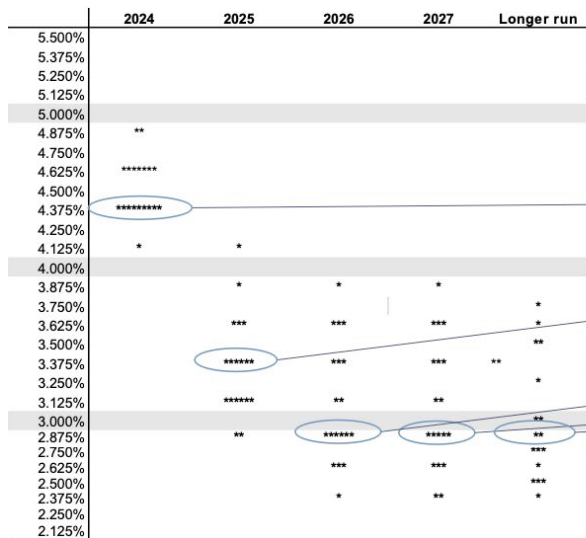
E I J I A O N O

# Dot Plot shows Fed now expects just 50 bps in cuts in 2025 vs 100 bps previously

## Fed "Dot Plot" December vs September

- Fed cut rates by 0.25% as expected but lowered the number of cuts expected in 2025.
- In September, the Fed expected a further 100bps in cuts in 2025 but reduced that to just 50bps in its December projections.
- Fed expects rate to reach 3.25%-3.5% in 2026, 3.0%-3.25% in 2027 and sees a longer-run rate of 3%, up slightly from the 2.9% previously.

September "Dot Plot", 4.375% in 2024, 3.375% in 2025



December "Dot Plot", just 0.50% in cuts in 2025



Source: US Federal Reserve/Bradesco – 18 December 2024  
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## Economic Projections

### Fed's Economic Outlook December vs September

- The Fed's outlook shows confidence in a strong economy with most of its projections for GDP growth, unemployment and inflation pushed one year later, from 2025 to 2026.
- GDP growth is expected at 2.5% in 2024 up from September's projection of 2%. In 2025, the Fed projections show 2.1% growth, slightly more optimistic than the previous 2% expected. For 2026, growth projections are 2%. The longer run expectation remain at 1.8%
- The unemployment rate is seen as remaining near current levels for the next few years, ending 2024 at 4.2% and increasing to 4.3% for 2025-2027 while the longer run is expected to come back down to 4.2%.
- Inflation is expected to remain higher for longer. Core PCE has been revised up to 2.8% from 2.6% in 2024 and up to 2.5% from 2.2% in 2025 and 2.2% from 2.0% in 2026. Core inflation is not expected to reach the target level until 2027, a year later than the previous assumption of reaching 2% by 2026.

**Fed's Economic Outlook: US economy remains strong, but inflation outlook is for higher for longer.**

	Median					Central Tendency					Range				
	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run
Change in real GDP	2.5	2.1	2.0	1.9	1.8	2.4-2.5	1.8-2.2	1.9-2.1	1.8-2.0	1.7-2.0	2.3-2.7	1.6-2.5	1.4-2.5	1.5-2.5	1.7-2.5
Sep Projection	2.0	2.0	2.0	2.0	1.8	1.9-2.1	1.8-2.2	1.8-2.3	1.8-2.1	1.7-2.0	1.8-2.6	1.3-2.5	1.7-2.5	1.7-2.5	1.7-2.5
Unemployment Rate	4.2	4.3	4.3	4.3	4.2	4.2	4.2-4.5	4.1-4.4	4.0-4.4	3.9-4.3	4.2	4.2-4.5	3.9-4.6	3.8-4.5	3.5-4.5
Sep Projection	4.4	4.4	4.3	4.2	4.2	4.3-4.4	4.2-4.5	4.0-4.4	4.0-4.4	3.9-4.3	4.2-4.5	4.2-4.7	3.9-4.5	3.8-4.5	3.5-4.5
PCE Inflation	2.4	2.5	2.1	2.0	2.0	2.4-2.5	2.3-2.6	2.0-2.2	2.0	2.0	2.4-2.7	2.1-2.9	2.0-2.6	2.0-2.4	2.0
Sep Projection	2.3	2.1	2.0	2.0	2.0	2.2-2.4	2.1-2.2	2.0	2.0	2.0	2.1-2.7	2.1-2.4	2.0-2.2	2.0-2.1	2.0
Core PCE inflation	2.8	2.5	2.2	2.0	2.0	2.8-2.9	2.5-2.7	2.0-2.3	2.0	2.0	2.8-2.9	2.1-3.2	2.0-2.7	2.0-2.6	2.0
Sep Projection	2.6	2.2	2.0	2.0	2.0	2.6-2.7	2.1-2.3	2.0	2.0	2.0	2.4-2.9	2.1-2.5	2.0-2.2	2.0-2.2	2.0
Projected appropriate Policy Path:															
Federal funds rate	4.4	3.9	3.4	3.1	3.0	4.4-4.6	3.6-4.1	3.1-3.6	2.9-3.6	2.8-3.6	4.4-4.6	3.1-4.4	2.4-3.9	2.4-3.9	2.4-3.9
Sep Projection	4.4	3.4	2.9	2.9	2.9	4.4-4.6	3.1-3.6	2.6-3.6	2.6-3.6	2.5-3.5	4.1-4.9	2.9-4.1	2.4-3.9	2.4-3.9	2.4-3.8

Source: US Federal Reserve/Bradesco – 18 December 2024  
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