Article | 15 August 2025

THINK Ahead: Three questions awaiting Jay Powell at Jackson Hole

The great-and-the-good of the American central banking world are off to the Fed's annual Jackson Hole conference. And for Chair Jerome Powell, his appearance could hardly come at a more challenging moment. James Smith looks at the key questions facing the embattled Fed boss as financial markets brace for another fiery week to come

Having faced the heat of increased political pressure lately, Powell's headed into this year's Jackson Hole symposium on the back foot – and not just because his boss is breathing down his neck

Three questions awaiting Jay Powell at Jackson Hole

You've got to feel for Jay Powell. It's August. He's heading off on his annual jolly to the middle-of-nowhere in the American wilderness. Perhaps a few espresso martinis, the odd panel discussion about niche academic topics that nobody really cares about?

Sadly not, because this year, the Fed Chair is on the back foot – and not just because his boss is breathing down his neck. Here are three key questions he'll be facing at next week's Jackson Hole appearance.

Are tariffs having any impact on inflation?

The Fed worries that tariffs – a one-time boost to prices – will fuel a long-lasting bout of inflation. But this week's CPI data raised a simpler question: is there any sign that tariffs are lifting prices in the first place? Core CPI rose faster on a monthly basis, but not due to tariffs. Excluding cars, goods inflation was milder than it was in July.

Someone has to pay, of course. And my back-of-the-envelope calculations put the cost at 2.5% of consumer spending. But import prices are still rising, which tells us it's not foreign producers who are footing the bill. That leaves corporates absorbing the hit. As our man in New York, James Knightley, told us during our latest webinar this week, the share of small firms hiking prices is little changed from last November.

That hints that firms simply lack the pricing power to pass all of this on, something that's surely bad news for growth and earnings. Yet oddly, producer price data shows retail and wholesale margins expanded in July.

So the jury's out on who's paying. And maybe there's a simpler explanation, which is that firms are leaning on stockpiles built earlier this year, delaying the need to lift prices. Retail inventories have dipped slightly this year, especially in autos, which, despite hefty tariffs, have actually dropped in price.

Some further inflationary pressure is inevitable. But with key areas of the service sector – notably rents – set for slower price rises over the coming months, inflation needn't be a barrier to cutting rates in September.

2 Is the jobs market really not getting any weaker?

It was only two weeks ago that Powell told us he doesn't think the jobs market is getting any weaker. And then barely 48 hours later, big downward revisions to payrolls not only suggested that the jobs market was very much weakening, but that it was potentially flirting with recession.

At least Powell doesn't *have* to talk about this at Jackso– sorry, what's that? The whole conference is titled "Labour Markets in Transition"? Ah, awkward...

So what should he say? You've got to imagine he'll double down on his argument that the unemployment rate is a much better guide of job market health than payrolls right now. And potentially that the President's immigration rules are bearing down on worker supply, creating a more nuanced backdrop to those shocking May/June jobs figures.

The problem with that narrative, as James K argued in the webinar, is that if there were genuine shortages of workers emerging, you'd be seeing the impact play out in higher wage growth. And that's not happening right now.

He's inclined to take the recent payrolls shocker at face value, particularly given that some of the other surveys – like the ISM Services and University of Michigan confidence indices – are also pointing to a weaker hiring backdrop.

3 How divisive will September's meeting be?

Ok, we've yet to confront the real elephant in the room: Powell's tug-of-war with the White House over Fed independence. September's meeting could be explosive.

Treasury Secretary Scott Bessent wants a bold 50bp cut. But as James K asked in our webinar, could Trump's temporary appointee Stephen Miran push for even more – and would Fed board members like Christopher Waller or Michelle Bowman, both seen as future Chair contenders, follow suit?

That may be unlikely, and Miran may not even be confirmed in time. And the latest data doesn't scream a need to go bold just yet.

Still, his brief stint could preview how the board might respond to a dovish Chair. Would they fall in line or resist? And would Powell stay on?

At Jackson Hole, though, Powell faces a more immediate challenge. A September rate cut is fully priced by financial markets. Does he push back?

Ideally, the Fed wants flexibility, especially with one more jobs and inflation report due. But signalling that now means guessing the data – something Powell won't want to do. And that's before considering whether he can shake market conviction in a September cut, even if he wanted to.

Where investors are more divided, it seems, is on what happens beyond September. This week's webinar audience was roughly equally split three ways in expecting either one, two or three cuts through the remainder of this year. We're very much in the latter camp, looking for a slightly more rapid string of cuts than markets currently expect.

That's it for this week, but if you missed our webinar on Tuesday, check out the highlights below or watch the full thing to your heart's content here.

Too late to cut? The Fed's inflation dilemma

A brief snippet of this week's live discussion between James Smith (Developed Markets Economist), James Knightley (Chief International Economist) and Padhraic Garvey (Regional Head of Research, Americas), where they unpacked all of the latest developments in the evolving US inflation and monetary policy story.

Visit our new webinar page here for replays of our recent live sessions, and to avoid missing out on our upcoming events

Watch video

THINK Ahead in developed markets

United States (James Knightley):

- **Jackson Hole/US data:** Aside from Jerome Powell's appearance at Jackson Hole, the calendar is relatively light with housing-related data in focus. A lack of affordability (high prices and elevated mortgage rates) means that demand remains lacklustre. At the same time, we are now seeing a pick-up in supply, and this has resulted in house prices falling for three consecutive months on the S&P Case Shiller measure. In this environment, residential construction will continue to soften with profit margins being further squeezed by immigration controls constraining worker supply and tariffs putting up the cost of many building materials.

United Kingdom (James Smith)

- **Inflation (Weds):** Despite a fall in household energy bills, July's headline CPI is likely to pick up a touch, helped by a further rise in food inflation. Services inflation is likely to notch slightly higher too, though this is likely to be on account of a temporary bump in hotel prices around Oasis concerts. That makes the figure harder to predict, but also means the Bank of England will take it with a larger pinch of salt. A material upside surprise, though, would make us more tempted to change our call for a November rate cut.

Sweden (James Smith)

- **Riksbank (Wed):** We don't expect a rate cut at this meeting, despite the Riksbank keeping the door open to one. Inflation is overshooting, even if the economic recovery has been disappointing. We don't expect any further easing from the Riksbank in the foreseeable future. Read our full preview here.

THINK Ahead in Central and Eastern Europe

Poland (Adam Antoniak)

- **Jul Industry** (Thu): Despite early-year optimism driven by frontloaded activity amid concerns over US import tariffs, Poland's anticipated cyclical rebound has failed to materialise. Recent output growth has remained subdued, with calendar effects (particularly variations in working days) causing fluctuations around zero in annual terms. Given that July 2025 had the same number of working days as July 2024, we expect only a marginal increase in output, as European industry continues to stagnate. Producer prices (PPI) have extended their two-year deflationary trend, reflecting ongoing weakness in industrial demand.

- **Jul Labour market** (Wed): The labour market remains generally tight, though recent data presents mixed signals. While surveys suggest easing wage pressures, wage growth remains resilient at high single-digit levels. At the same time, employment continues to decline gradually. We expect a modest month-on-month increase in employment in July, though the year-on-year figure remained negative. The recent uptick in registered unemployment was unexpected but appears to stem from administrative changes in labour office operations and new obligations for the unemployed, which have introduced statistical distortions. Nonetheless, Poland continues to report one of the lowest unemployment rates in the EU, and labour shortages are still widely reported by businesses.

Czech Republic (David Havrlant)

- **PPI** (Mon): Producer prices are expected to have remained in annual decline in July, as a stronger koruna kept prices of imported goods on a short leash. The still lukewarm demand from key European trading partners has not allowed for any bold pricing.

Key events in developed markets next week

Country	Time	Data/event	ING	Prev.
		Monday 18 August		
US	1500	Aug NAHB home builder sentiment	32	33
Eurozone	1000	Jun Trade Balance (EUR bn)	14	16.2
		Tuesday 19 August		
US	1330	Jul housing starts	1300	1321
Eurozone	0900	Jun Current Account (EUR bn)	-	32.3
Canada	1330	Jul CPI (MoM%/YoY%)	-/-	0.1/1.9
	1330	Jul Core CPI (MoM%/YoY%)	-/-	0.1/2.7
		Wednesday 20 August		
US	1600	Fed's Waller speech	-	-
	1900	July FOMC meeting minutes	-	-
Eurozone	0810	ECB's Lagarde Speech	-	-
	1000	CPI Final (MoM%/YoY%)	-/-	0.3/2
UK	0700	Jul Core CPI (MoM%/YoY%)	3.6	3.7
	0700	Jul CPI (MoM%/YoY%)	0.0/3.7	0.3/3.6
	0700	Jul Services CPI (MoM%/YoY%)	4.8	4.7
Sweden	0830	Riksbank Rate Decision	2.00	2.00
		Thursday 21 August		
US	1330	Initial Jobless Claims (000s)	-	226
	1445	Manufacturing PMI Flash	-	49.8
	1445	Services PMI Flash	-	55.7
	1445	Composite PMI Flash	-	55.1
	1500	Jul Existing Home Sales (mn)	3.95	3.9
Eurozone	0900	Manufacturing PMI Flash	-	49.8
	0900	Services PMI Flash	-	51
	0900	Composite PMI Flash	-	50.9
	1500	Confidence Flash	-	-14.7
Germany	0830	Manufacturing PMI Flash	48.8	49.1
	0830	Service PMI Flash	50.2	50.6
	0830	Composite PMI Flash	50.2	50.6
France	0815	Composite PMI Flash	-	48.6
UK	0930	Composite PMI Flash	51.0	51.5
	0930	Manufacturing PMI Flash	48	48
	0930	Services PMI Flash	51.4	51.8
		Friday 22 August		
Germany	0700	Q2 GDP Detailed (QoQ%/YoY%)	-0.1/1.0	-0.1/0
UK	0700	Jul Retail Sales (MoM%/YoY%)	-/-	0.9/1.7
Canada	1330	Jul Retail Sales (MoM%)	-	-1.6
Norway	0700	GDP Growth (QoQ%/YoY%)	-/-	0.1/-0.4
Sweden	0700	Jul Unemployment Rate	-	9.4

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time (BST)	Data/event	ING	Prev.
		Monday 18 August		
Poland	1300	Core CPI (YoY%)	-	3.4
Czech Republic	0800	PPI (MoM%/YoY%)	0.0/-1.1	-0.2/-0.7
		Wednesday 20 August		
Russia	1700	PPI (MoM%/YoY%)	-/-	-1.3/0.1
		Thursday 21 August		
Turkey	1230	Gross FX Reserves (USD bn)	-	84.9
Poland	0900	Jul Employment Growth (YoY%)	-0.8	-0.8
	0900	Jul Industrial Output (YoY%)	2.1	-0.1
	0900	Jul PPI (YoY%)	-1.5	-1.8
	0900	Jul Wages (YoY%)	8.5	9

Source: Refinitiv, ING

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