# US interest rates hiked again to tackle soaring inflation

The US central bank has imposed its fourth major interest rate rise in a row.

The Federal Reserve, the central bank known as the Fed, has once again hiked **rates** by 0.75 percentage points in an effort to curb soaring inflation.

The **widely-expected rise** will mean more expensive borrowing for the likes of mortgage holders and those paying credit card debt.

American interest rates now stand at 3.75% to 4% up from 3% to 3.25% since the **last increase** in September.

The latest tough stance has been taken in an effort to limit spiralling inflation, which **stood at more than 8.2%** in the US in the 12 months up to September. The rises are being made as part of an overall plan to reduce inflation to 2%.

There is to be no let up in pursuing that target as the committee that decides US interest rates said it anticipated "ongoing increases" in rates will be appropriate "for some time".

The Fed has taken on responsibility for inflation, speaking at the announcement, chair of the Fed, Jay Powell said price stability is the responsibility of his organisation and the bedrock of the economy. "Without price stability, the economy does not work for anyone," he said.

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Just how high those rates reach remains to be seen. Mr Powell added there's "significant uncertainty" around the level of rate rises but it's expected rates will be higher than previously expected.

What will determine how much interest rates rise are readings on public health, labour market conditions, inflation, and financial and international developments.


The longer the current high rate of inflation continues, the greater the chance that expectations of inflation will become entrenched, Mr Powell added.



Now is not the time to be considering when interest rises may moderate, he said, ongoing rate hikes are needed to get to a level that is "sufficiently restrictive".

The impact of those rate rises are already having a negative effect on the economy, economists have said.

"A Fed-induced recession is still a very real – and dangerous – possibility," said Rakeen Mabud, chief economist and managing director of policy and research at the Groundwork Collaborative.

"The slowdown in the housing market is the canary in the coal mine – a warning of the real price we will all pay if Chair Powell continues on his interest rate bender."

If rates continue to rise a recession worse than that experienced after the global financial crisis could result, the United Nations Conference on Trade and Development **(UNCTAD) had warned.**

The rate had been 0% at the beginning of this year but the Fed has progressively increased the figure across five announcements. The low rate was reached during the pandemic when the Fed wanted borrowing to be cheap for businesses and consumers to remain financially afloat.

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Not since the early 1980s has the Fed embarked on such an aggressive monetary-tightening campaign with Mr Powell on Wednesday describing the rises are increasing at a “historically fast pace”.

Prior to Wednesday’s increase, the Fed had already upped rates in September, June and July by what were, at the time, rises not seen since 1994.

The Fed is just one of many central banks targeting interest rates as inflationary pressures drive the **cost of living** crises across economies.

On Thursday, the **Bank of England** is anticipated to also raise its base rate of interest by 0.75% to 3%.