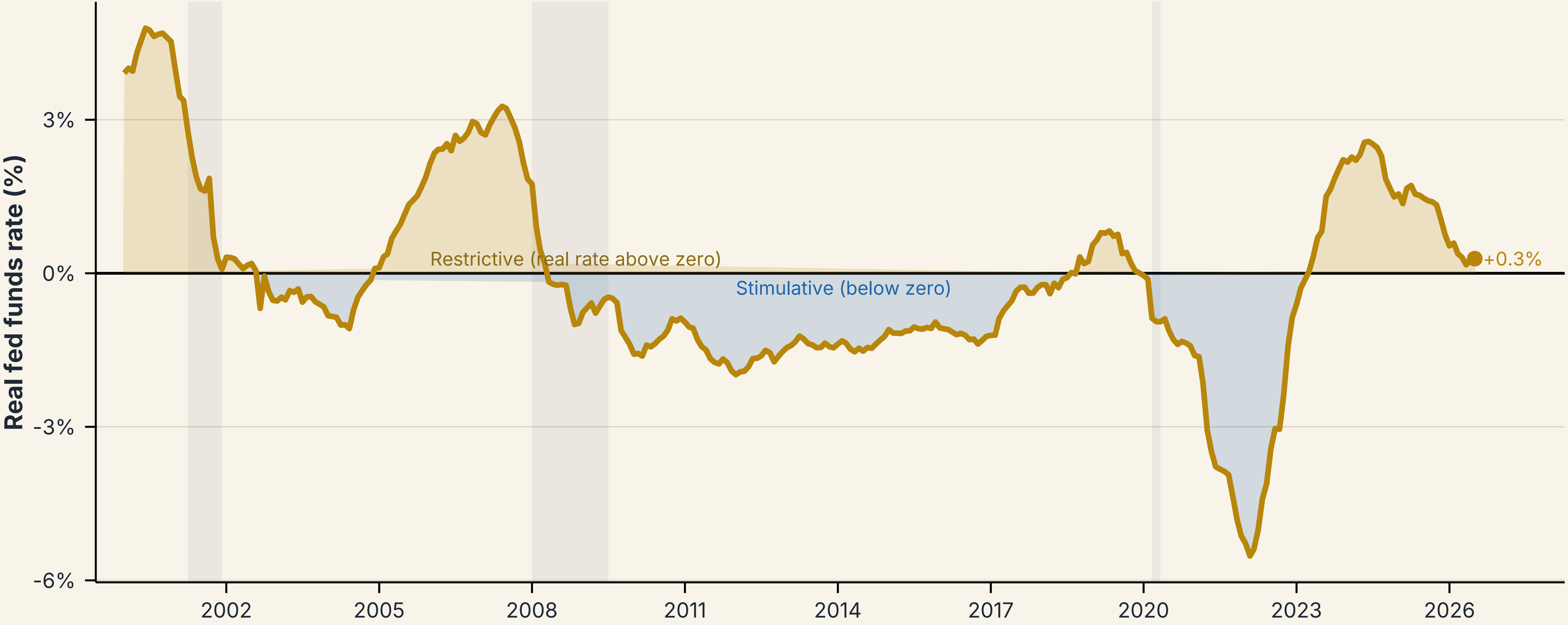
How Restrictive Is the Fed, Really?

Real policy rate: fed funds minus core PCE inflation · Latest: July 2026



Notes: Effective federal funds rate minus year-over-year core PCE inflation (the Fed's preferred core gauge; its 2% goal is defined on headline PCE). A backward-looking real rate — uses realized, not expected, inflation. Zero is a convention, not the neutral rate: policy stance is properly judged against r*, which is estimated rather than observed. Shaded bars: NBER recessions.
Source: Federal Reserve & U.S. Bureau of Economic Analysis via FRED (FEDFUNDS, PCEPILFE). Retrieved 29 Aug 2026.
Chart by Mokhtar Tabari · vizdelta.com