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Federal Reserve raises rates to 3.75%-4% in September 2026

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On 16 September 2026 the Federal Reserve raised the federal funds target range by 25 basis points to 3.75% to 4%, unanimously, saying inflation remains elevated.

Country reference

- Country: United States (planned expansion country)
- Authorities: Board of Governors of the Federal Reserve System; FOMC
- Topic: Federal Open Market Committee (FOMC) decision
- Key date: Decision of 16 September 2026
- Law: Federal Reserve Act

What the fed decided

- Federal funds target range: 3-3/4% to 4%, up 1/4 percentage point.
- Interest on reserve balances: 3.90% from 17 September 2026.
- Primary credit rate: 4.00%.
- Standing repo rate: 4.00%; overnight reverse repo rate 3.75%.
- Vote: 12-0, with no dissents.

Why

The FOMC said inflation remains elevated and that the rise supports a timelier return to its 2% goal. It described growth as solid, with resilient domestic spending, strong productivity and robust capital investment. Job gains have kept pace with the workforce and unemployment has changed little. Geopolitical developments add uncertainty.

Why it matters outside the US

- Currencies pegged to the dollar follow: the Saudi Central Bank and the Hong Kong Monetary Authority raised their policy rates the same week.
- Dollar borrowing costs, including SOFR-based loans, rise at the next reset.
- A stronger dollar raises the cost of dollar debt for companies earning in other currencies.

What to do now

- Update interest forecasts and covenant tests for SOFR-linked debt.
- Review hedge ratios on floating-rate borrowing.
- Move surplus dollars into higher-yielding deposits or Treasury bills where policy allows.
- Recheck discount rates used in impairment and lease calculations.

Our take

After a period of easing, the Fed is tightening again. For Gulf groups, the effect is immediate: pegged currencies import US rates. Plan 2027 budgets on higher, not lower, dollar rates.

Sources

- Federal Reserve: FOMC statement, 16 September 2026

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