

# **The U.S. Economy: National Economic Outlook**

## **IBANYS Executive Leadership Symposium**

**Hosted by the Independent Bankers Association of New York State**

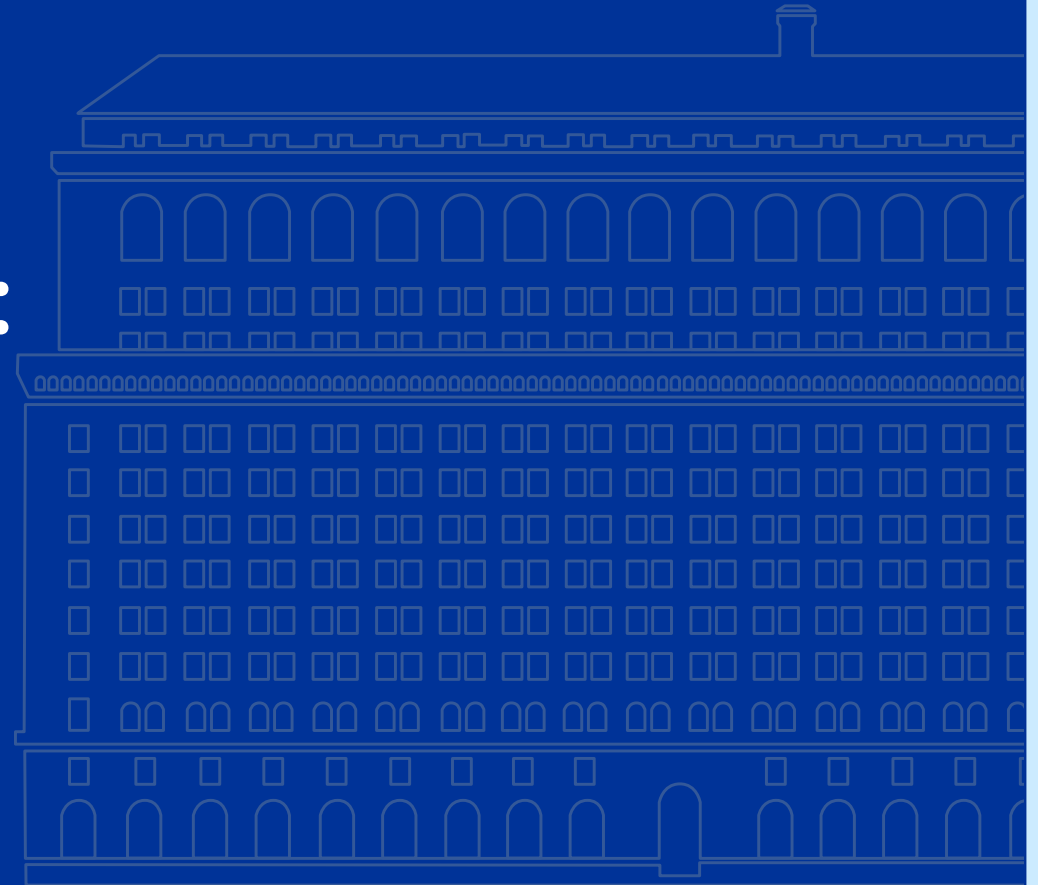
**October 7, 2026**

**Kartik Athreya, Director of Research at New York Fed.**

**Slides prepared by Elizabeth Li and Edbert Jao**

*The views here are of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or Federal Reserve System.*

# U.S. Economic Conditions: Just Keep Swimming

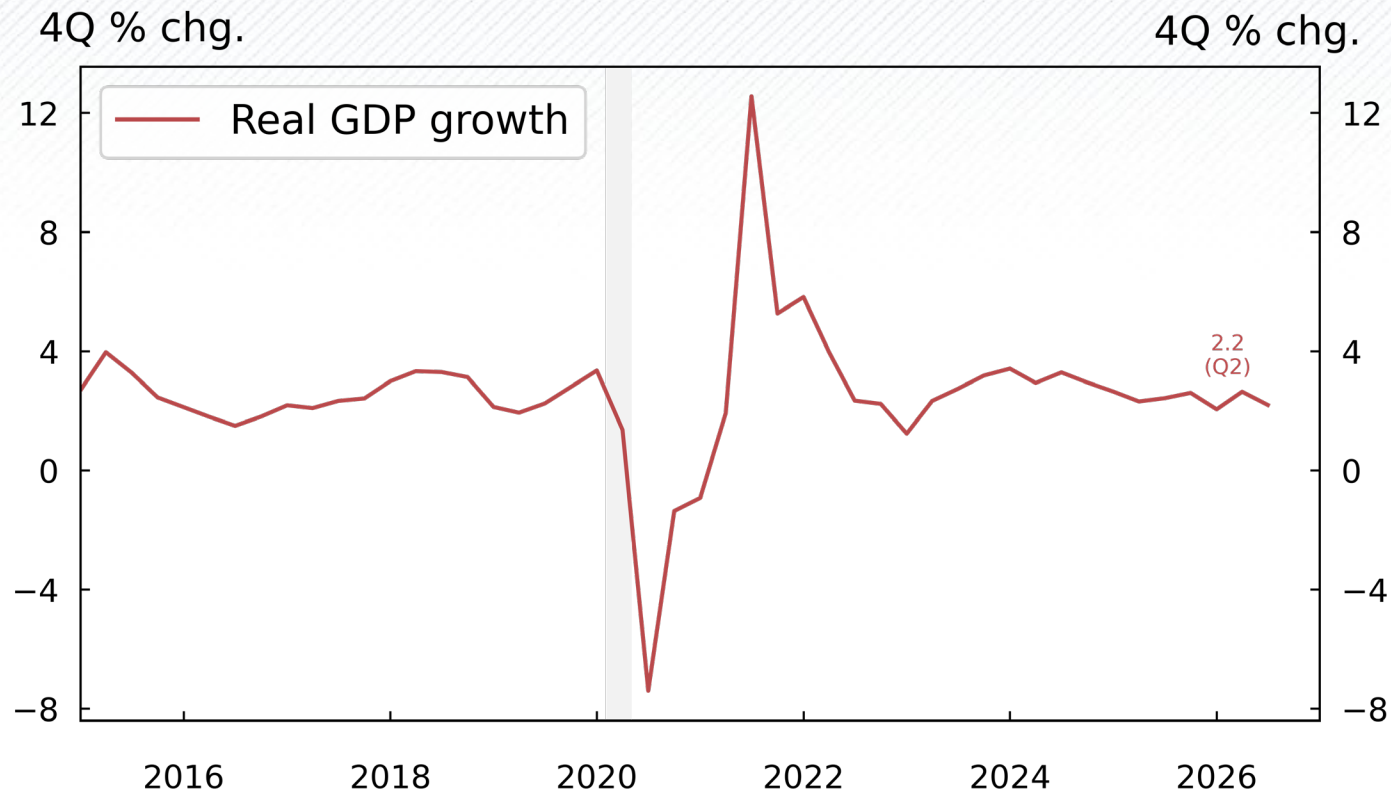


# Current U.S. Economy: Strong but Cooling

- **Growth:**
  - Market expecting 2026 real GDP to grow under trend, at around 2.1%.
- **Labor market:**
  - Conditions remain steady (unemployment rate at 4.2% as of September 2026).
- **Inflation:**
  - Above target: August 2026 core PCE y-o-y inflation at 3.0%. That is not close enough.
- **Economy appears to be *stable*:**
  - New York Fed's HPW Labor Market Tightness Index was -0.09 in August 2026, which implies expected wage growth slightly below historical average.
  - Real consumer spending remains robust at 0.55% m-o-m (2.6% y-o-y) in August 2026.

## GDP

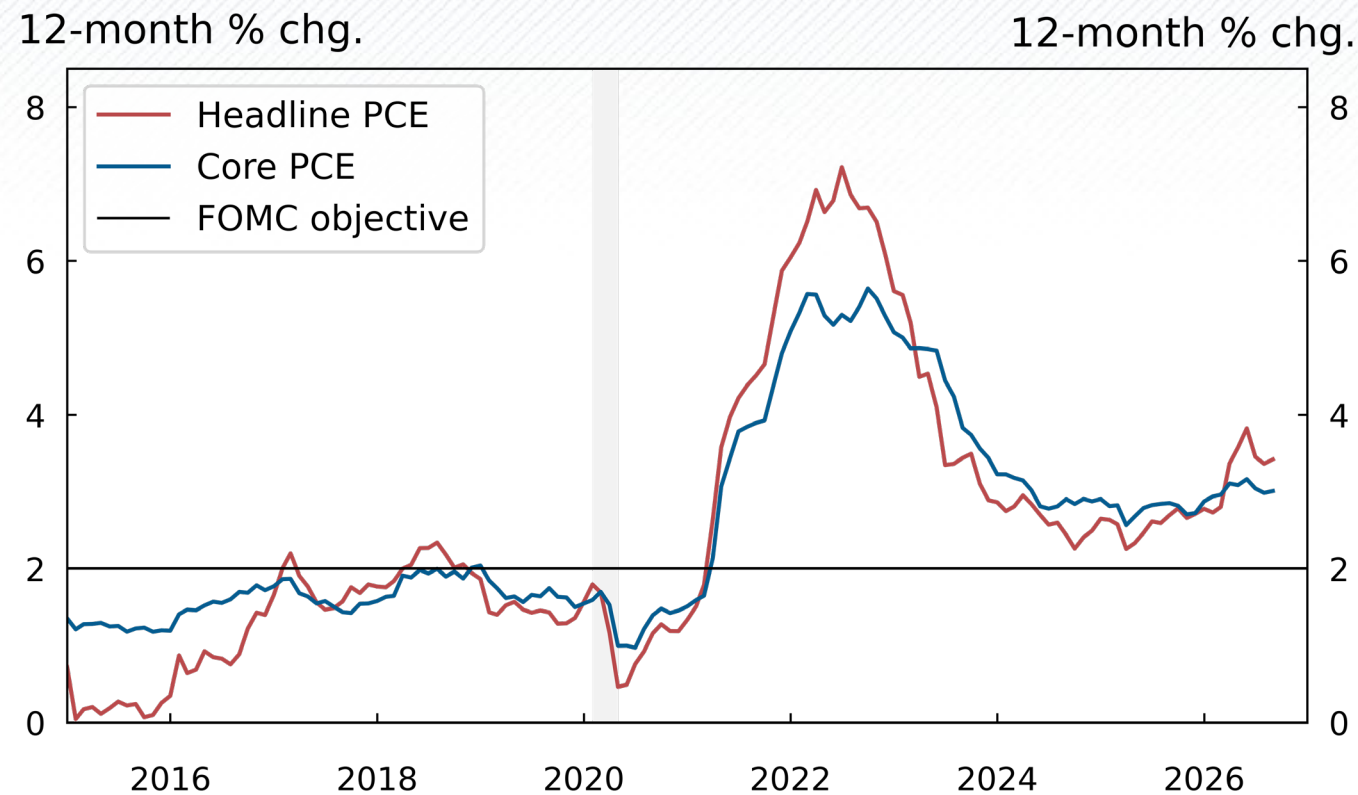
- Real GDP increased by 2.2% average annual rate in 2026 Q2.
- Private forecasts for growth are at roughly 2.1% in 2026.



Source: Bureau of Economic Analysis and Wolters Kluwer via Haver Analytics.

## Inflation

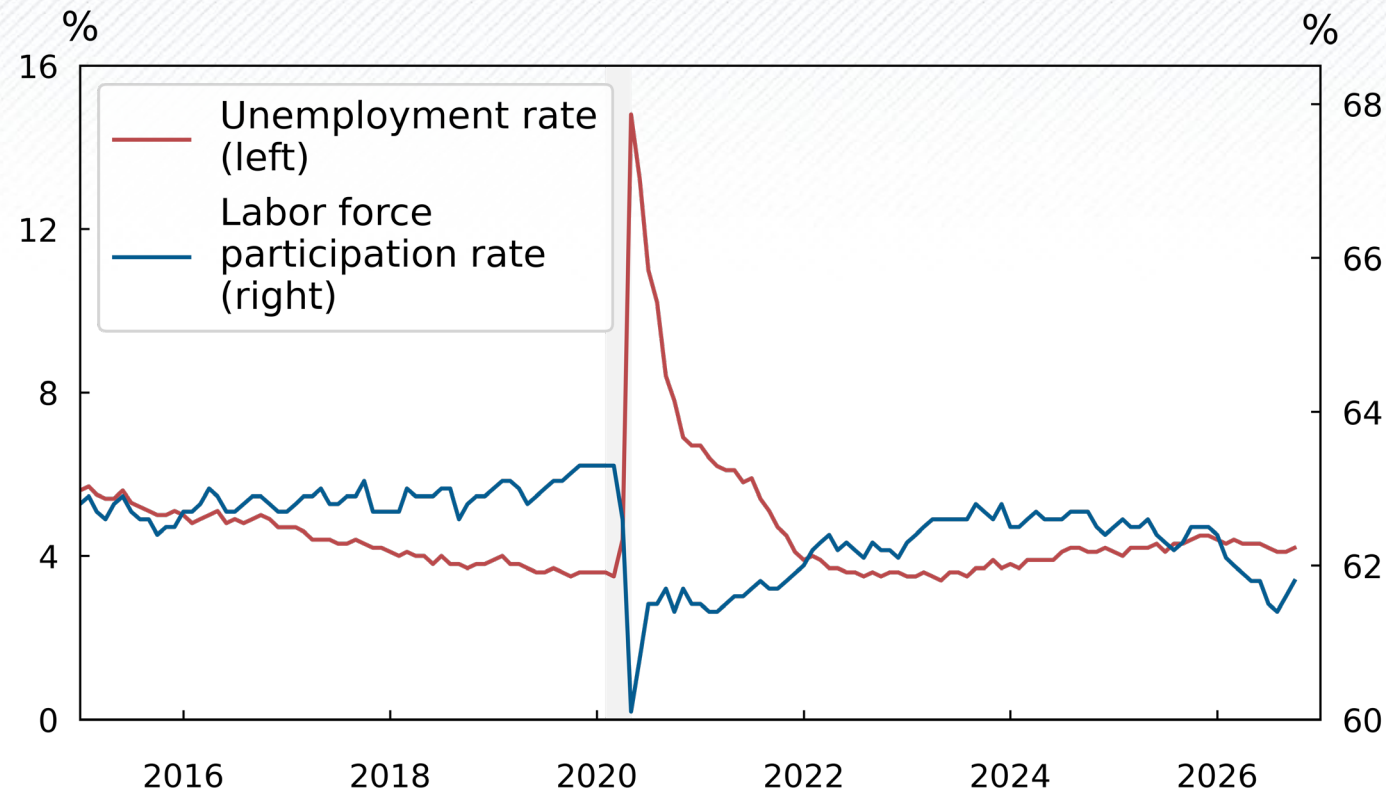
- Headline PCE inflation was 3.4% in August, the same as July's 3.4%
- Core PCE inflation was 3.0% in August. Goods price inflation remains elevated (3.6% y-o-y), reflecting passthrough from tariffs and energy price shocks.



Source: Bureau of Economic Analysis via Haver Analytics.

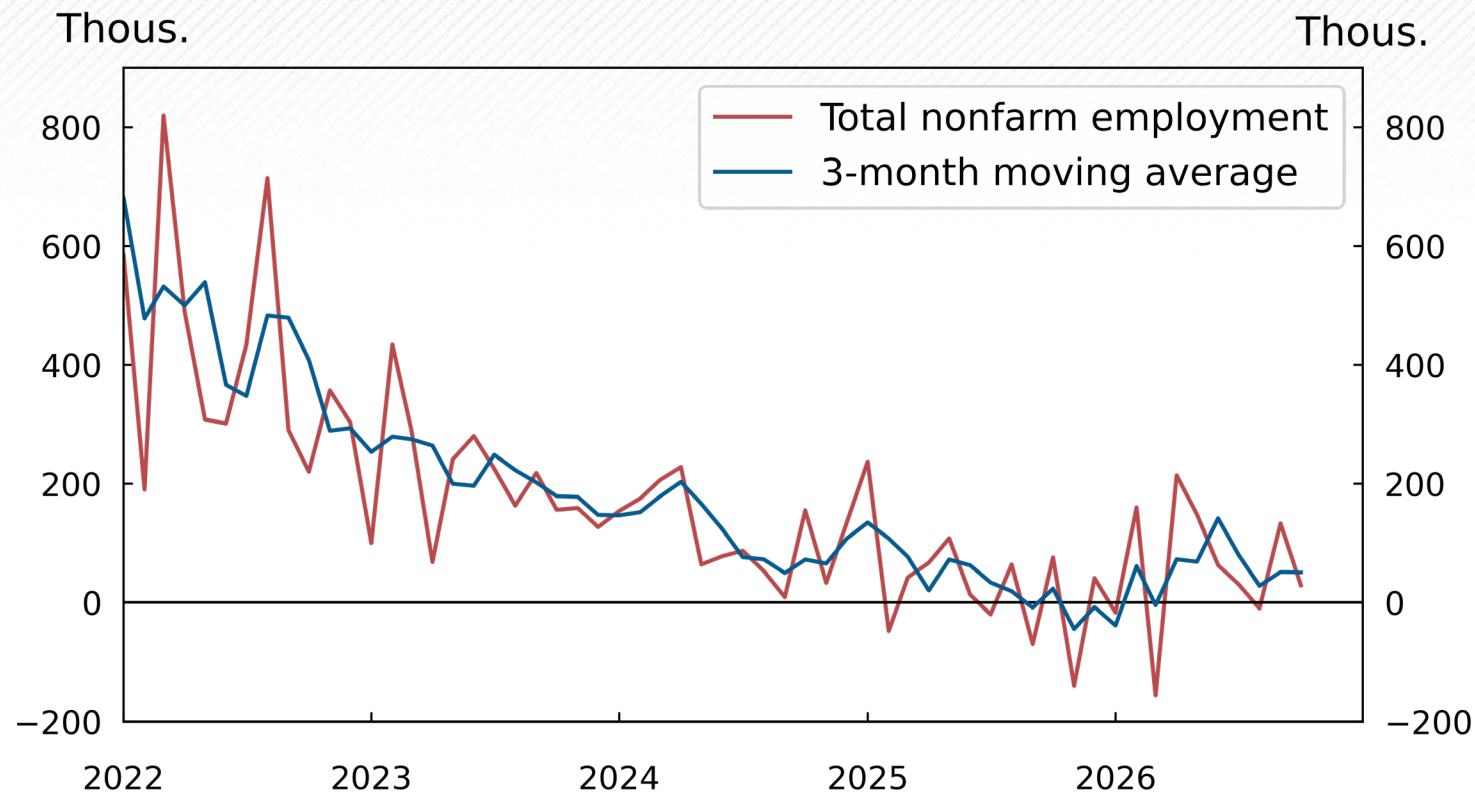
## Labor Market – Household Side

- Unemployment is little changed from six months ago; participation is down slightly.
- Other indicators are steady, points to a “softish” labor market with no signs of sharp deterioration.



## Labor Market – Employer Side

- Payroll employment growth has picked back up, reflecting resiliency and an uptick in labor demand.
- Uncertainty about the “new normal” for labor force growth is considerable.

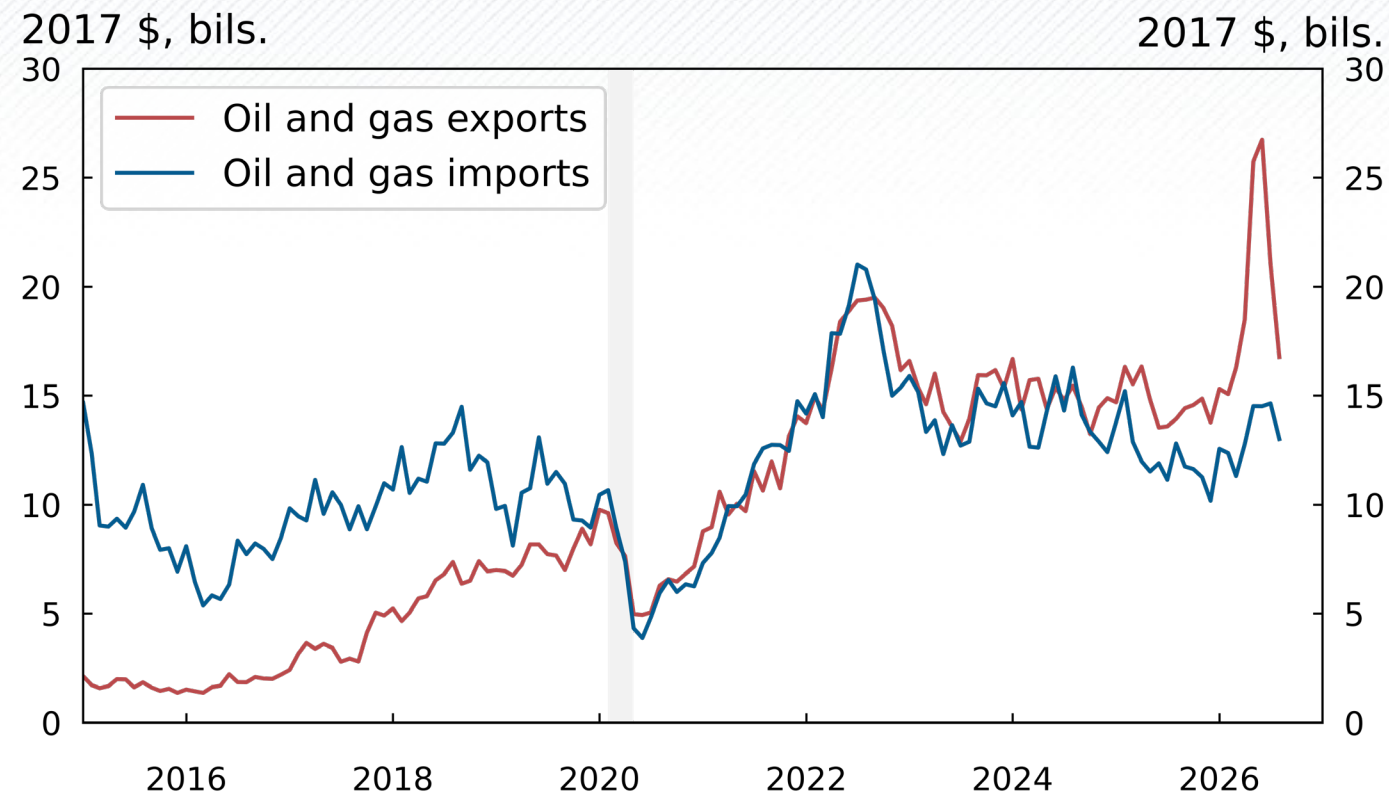


Source: Bureau of Labor Statistics via Haver Analytics.

Note: Series represent month-over-month change.

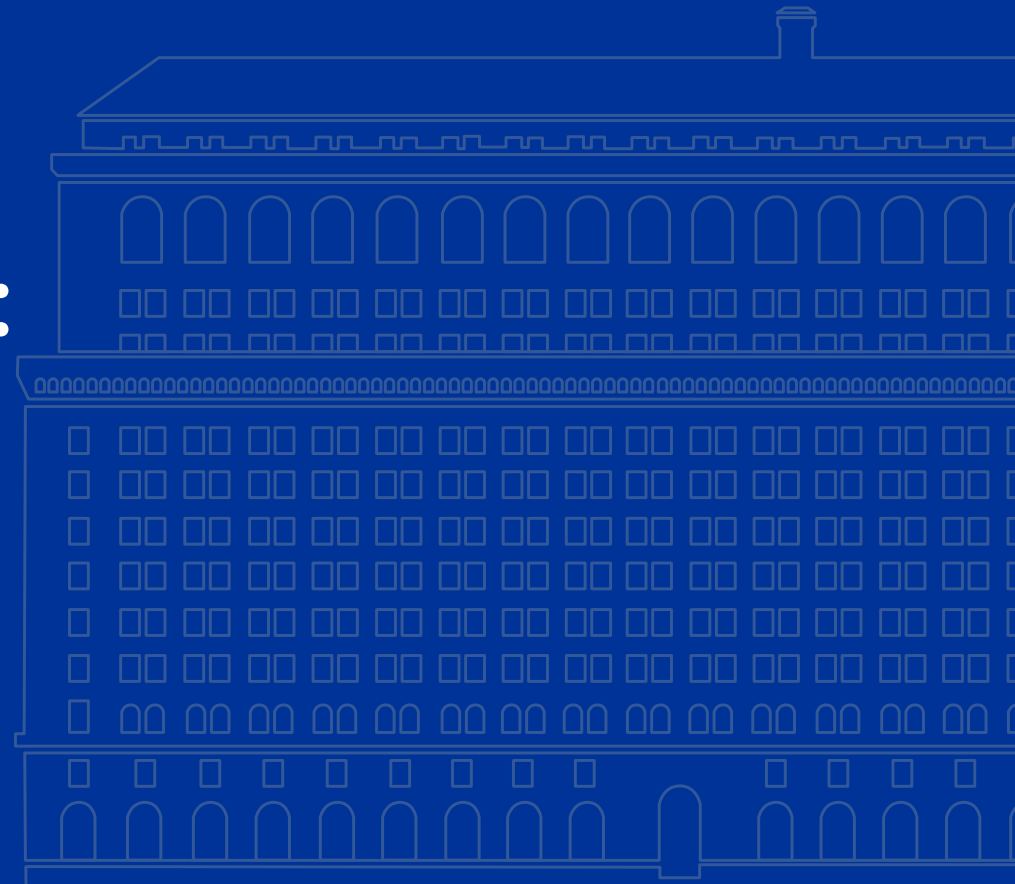
## Oil Trade

- The U.S. has been drawing down oil inventories to export due to increased oil prices. Oil trade balance surplus from March through July amounts to \$39.3 billion.
- Consumers are more exposed: spending on energy goods is about 3.9% of PCE.

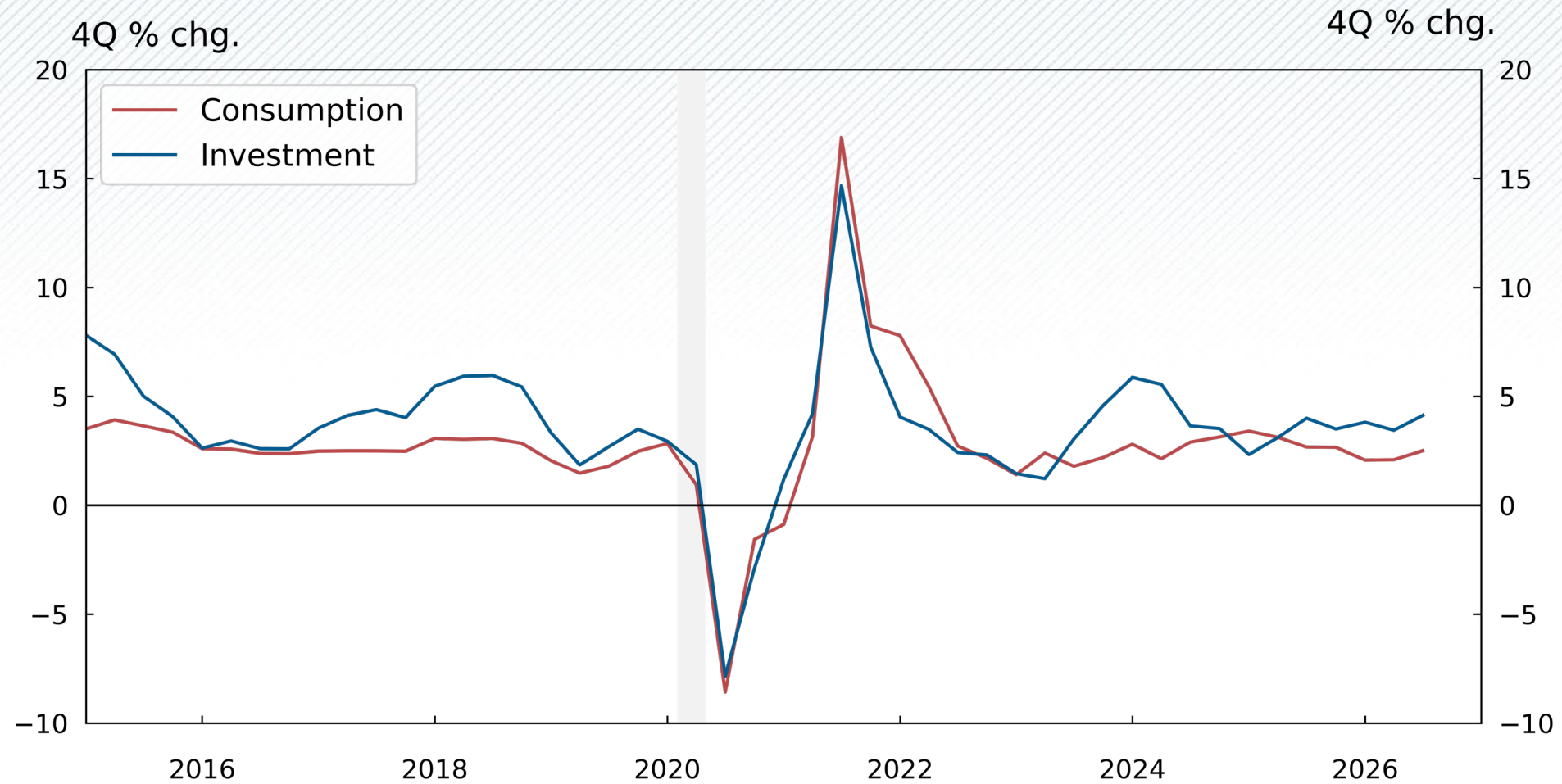


Source: U.S. Census Bureau, Bureau of Economic Analysis via Haver Analytics.

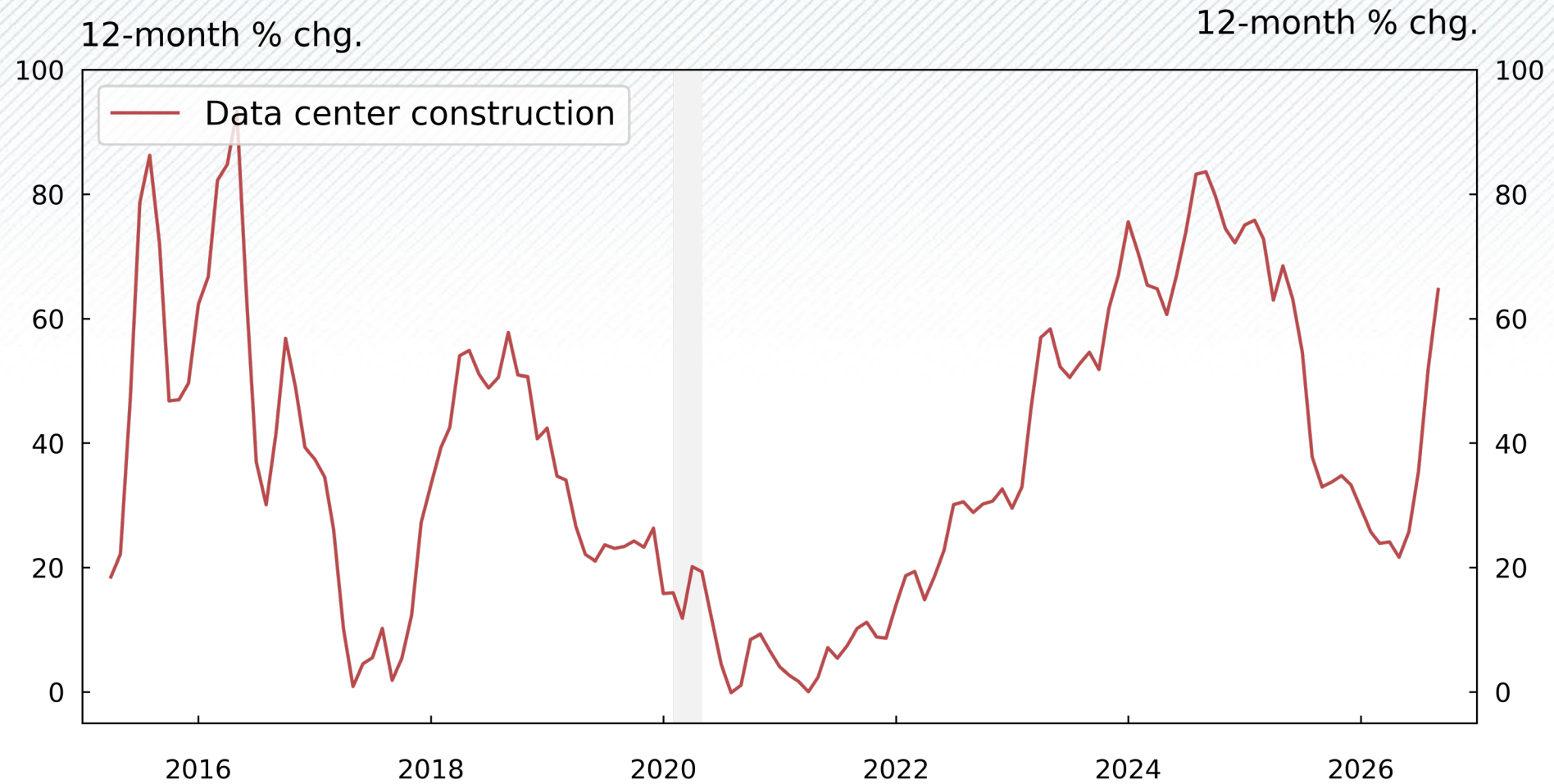
# U.S. Economic Conditions: Underneath The Waves



# Consumption and Investment Remain Robust



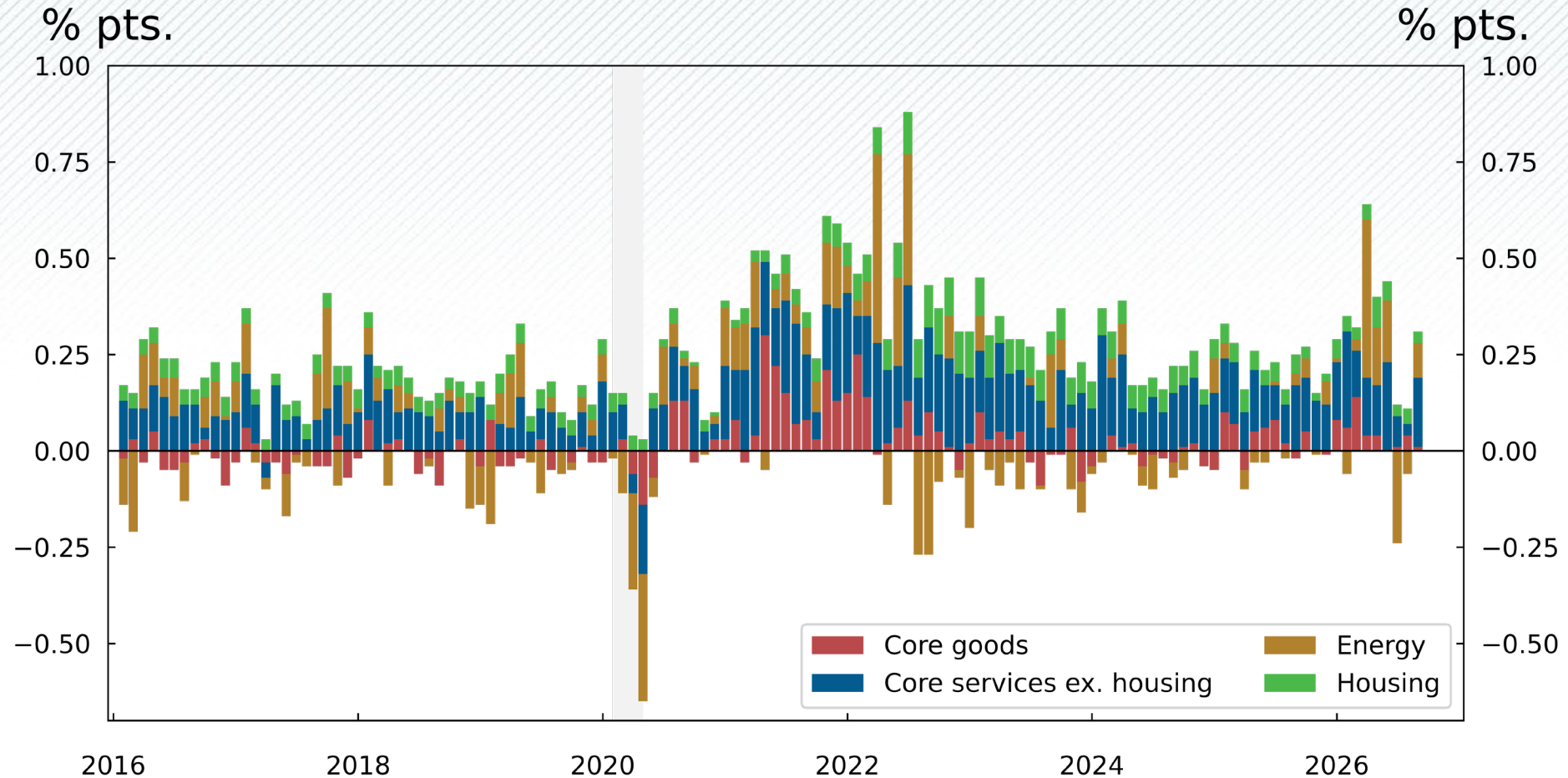
# Data Center Construction Had Cooled, Growing Again



Source: Bureau of Economic Analysis via Haver Analytics.

Note: 12-month % change of 3-month moving average.

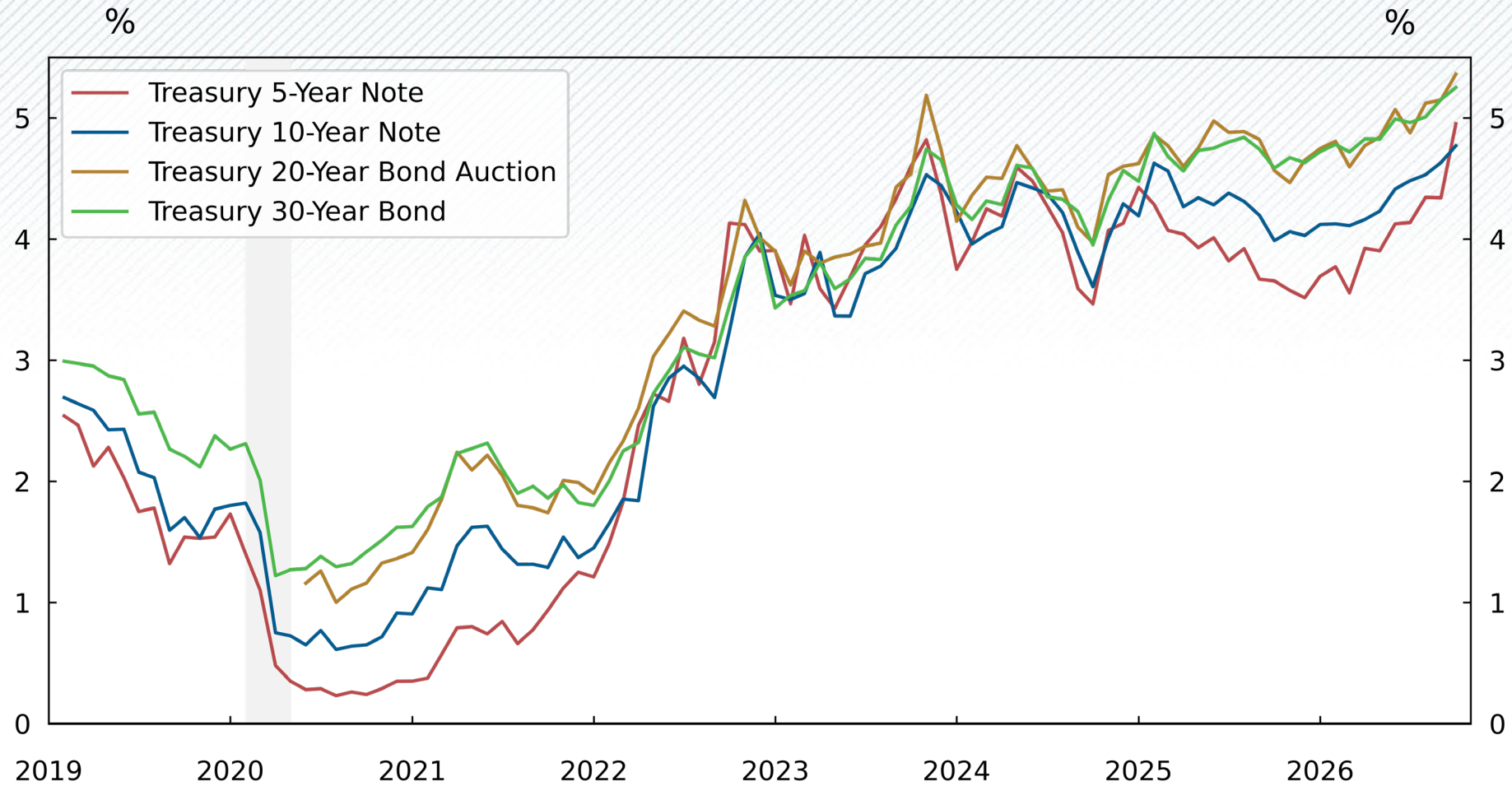
# PCE Inflation Driven by Core Services; Previously, Energy



Source: Bureau of Economic Analysis via Haver Analytics.

Note: Bars indicate contribution to PCE price percent change.

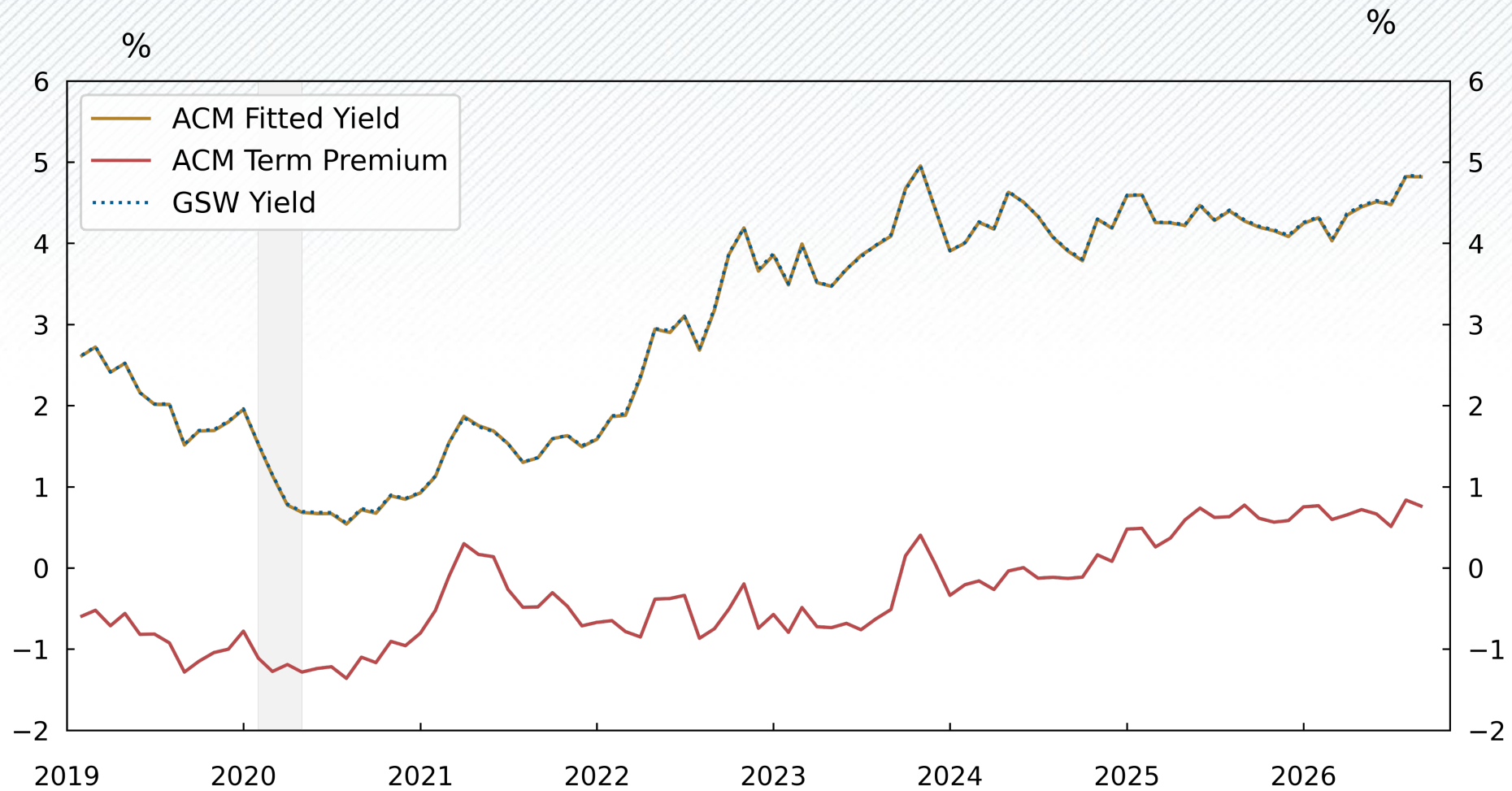
# Treasury Long Bond Yields Increasing



Source: Bureau of Public Debt via Haver Analytics.

Note: Percentages indicate average/median equivalent yield.

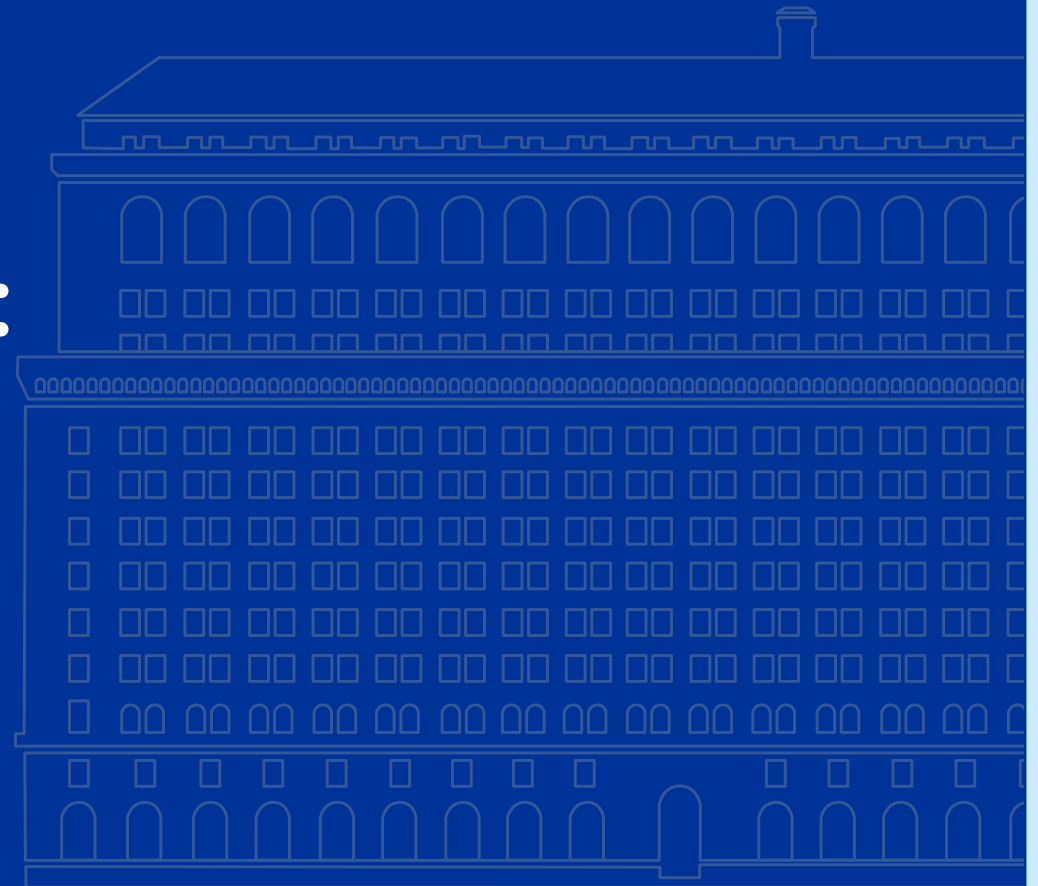
# ACM Term Premium Model Increasing Over Time



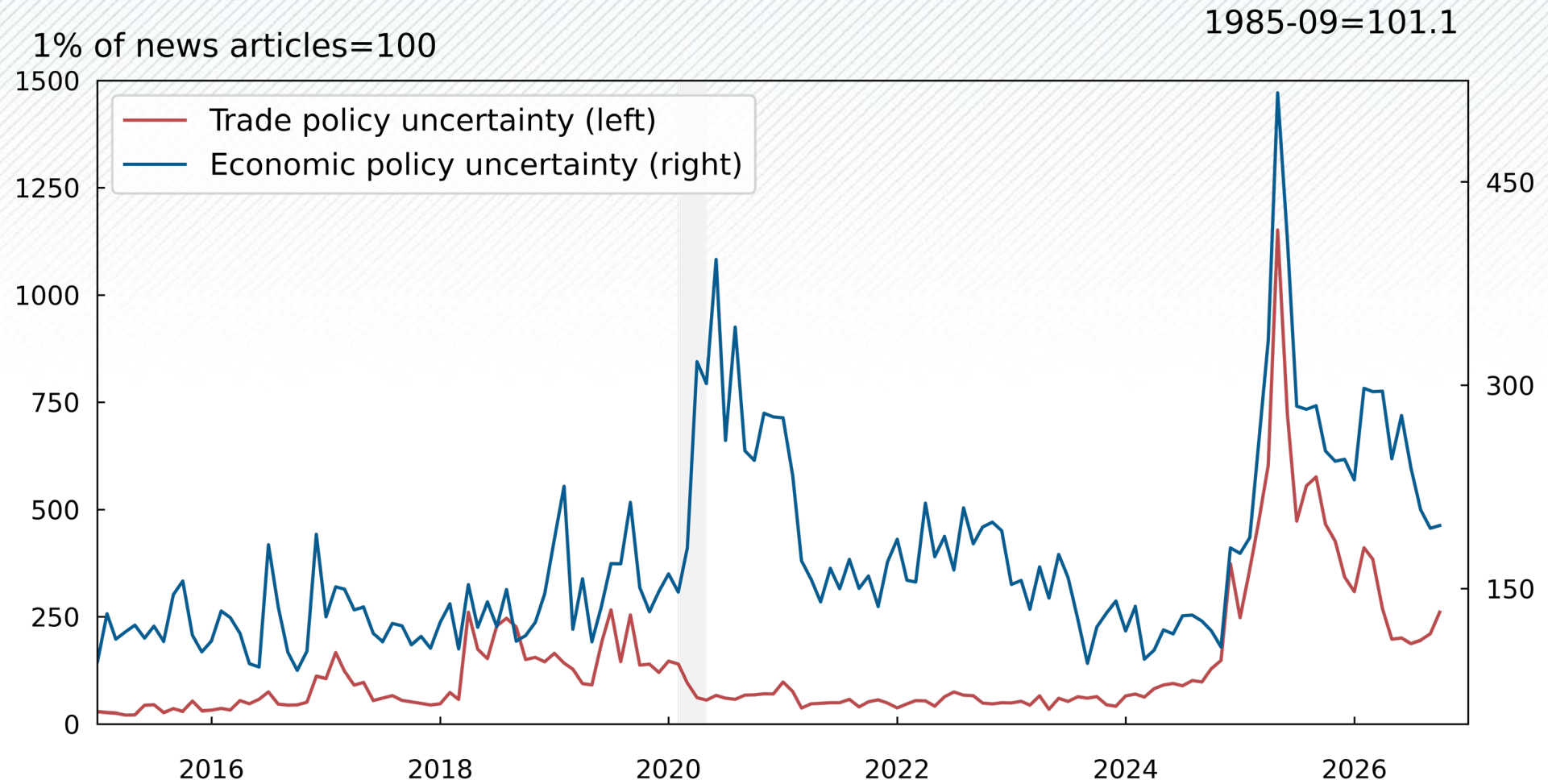
Source: New York Fed and Federal Reserve Board.

Note: GSW refers to yield data described by Gurkaynak, Sack, and Wright (2007). ACM fitted yield and term premia are obtained from the model described in Adrian, Crump, and Moench (2013).

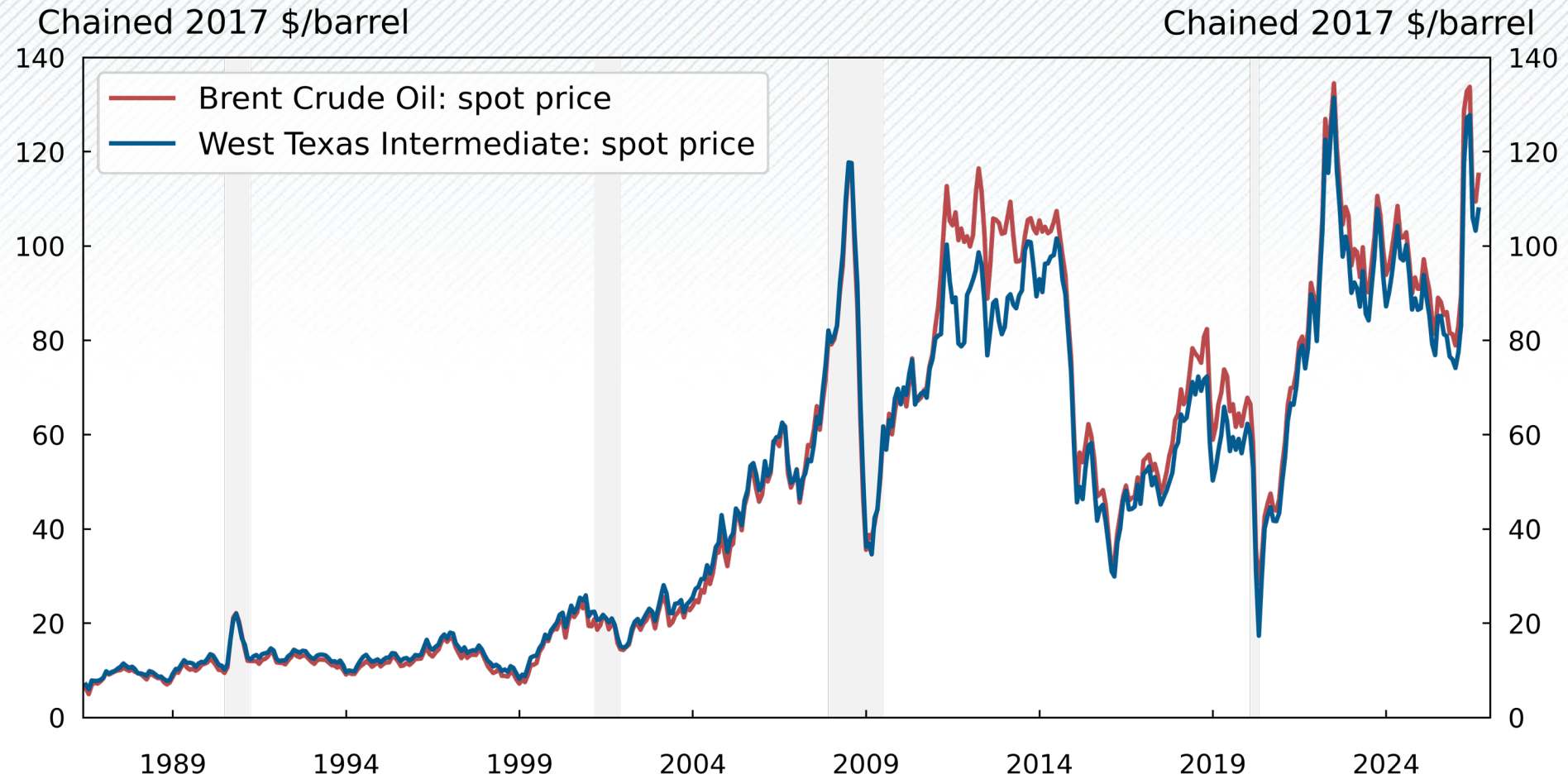
# U.S. Economic Conditions: Shifts In The Currents



# Policy Uncertainty Remains Elevated



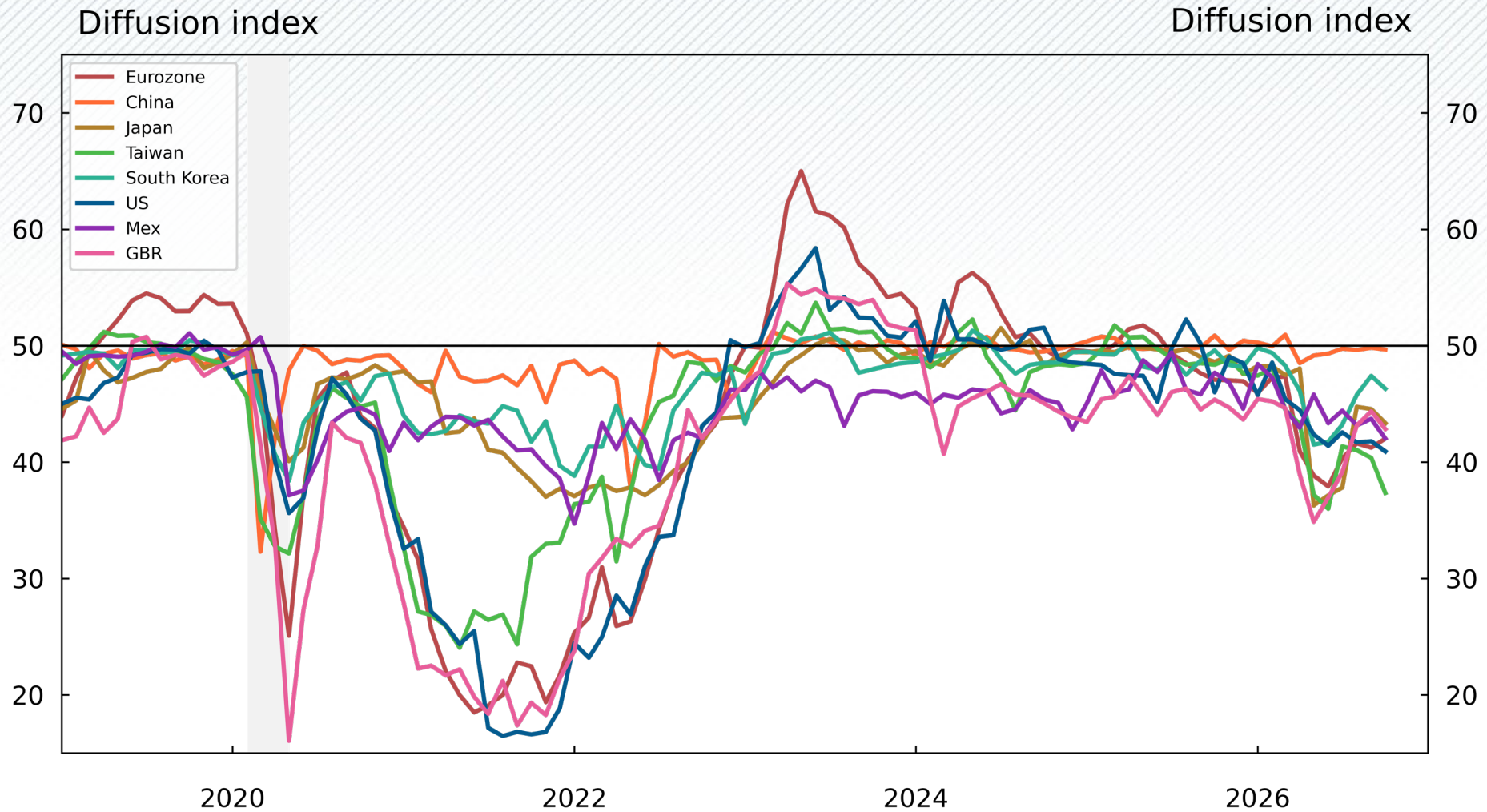
# Shift #1: Oil Shocks



**Sources:** Energy Information Administration, Chicago Mercantile Exchange, Intercontinental Exchange, and Bureau of Economic Analysis via Haver Analytics.

**Note:** Spot prices are deflated using the 2017 PCE Chained Price Index (less energy, goods, and services) = 100.

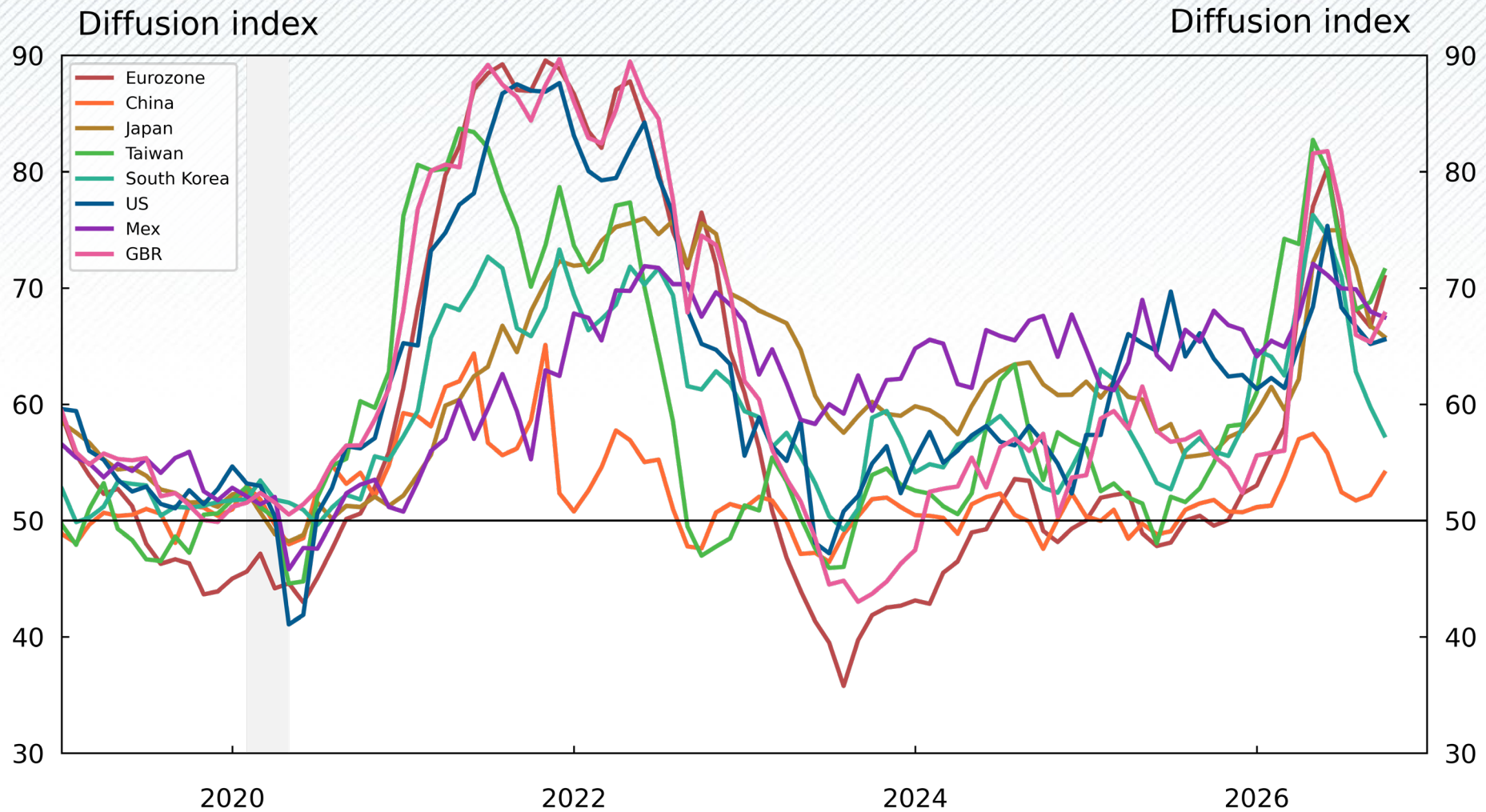
## Shift #2a: Oil Shocks Reverberations – Delivery Times



Source: S&P Global via Haver Analytics.

Note: <50 represents an increase in the share of respondents reporting slower delivery times.

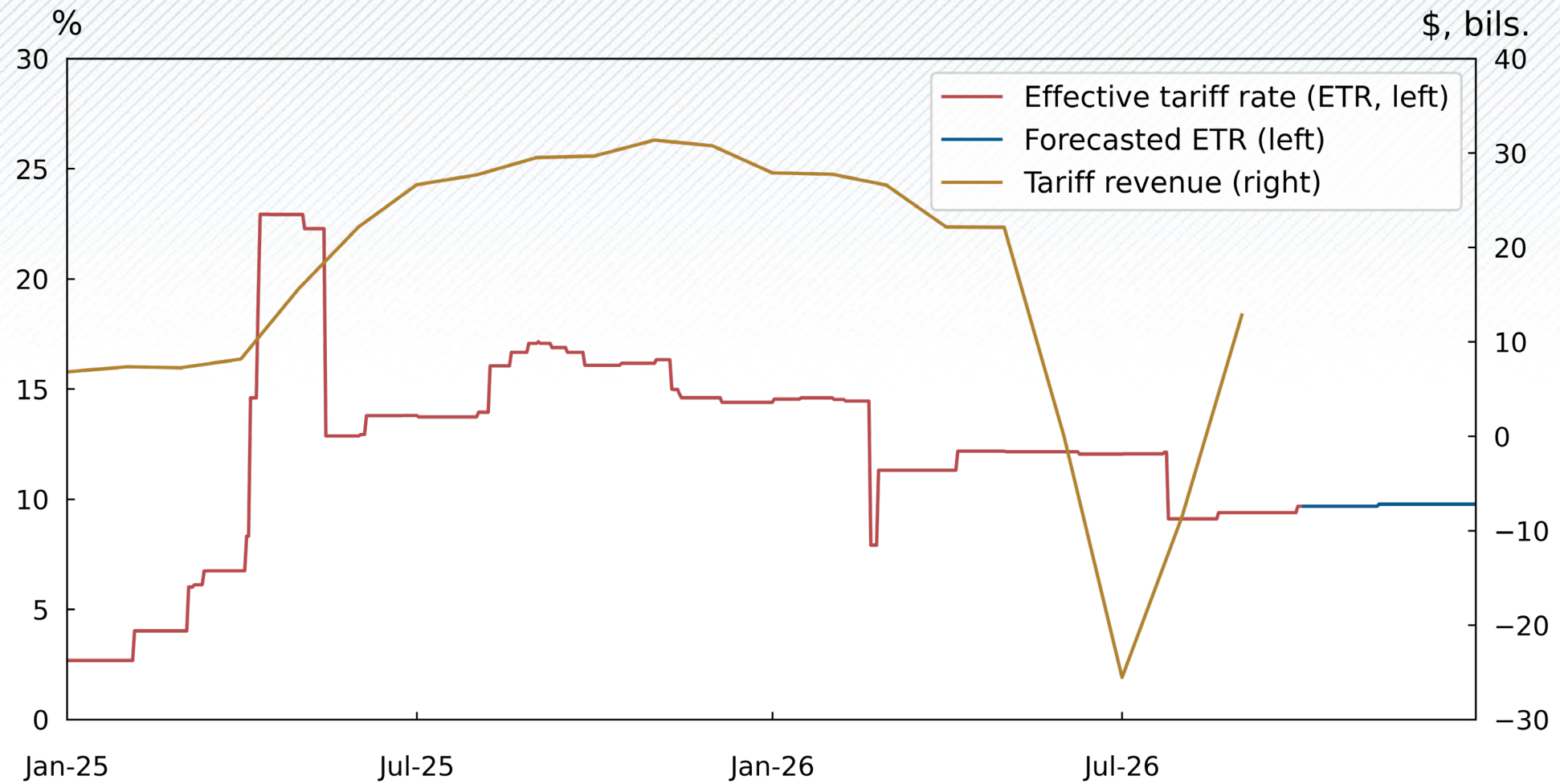
## Shift #2b: Oil Shocks Reverberations – Input Prices



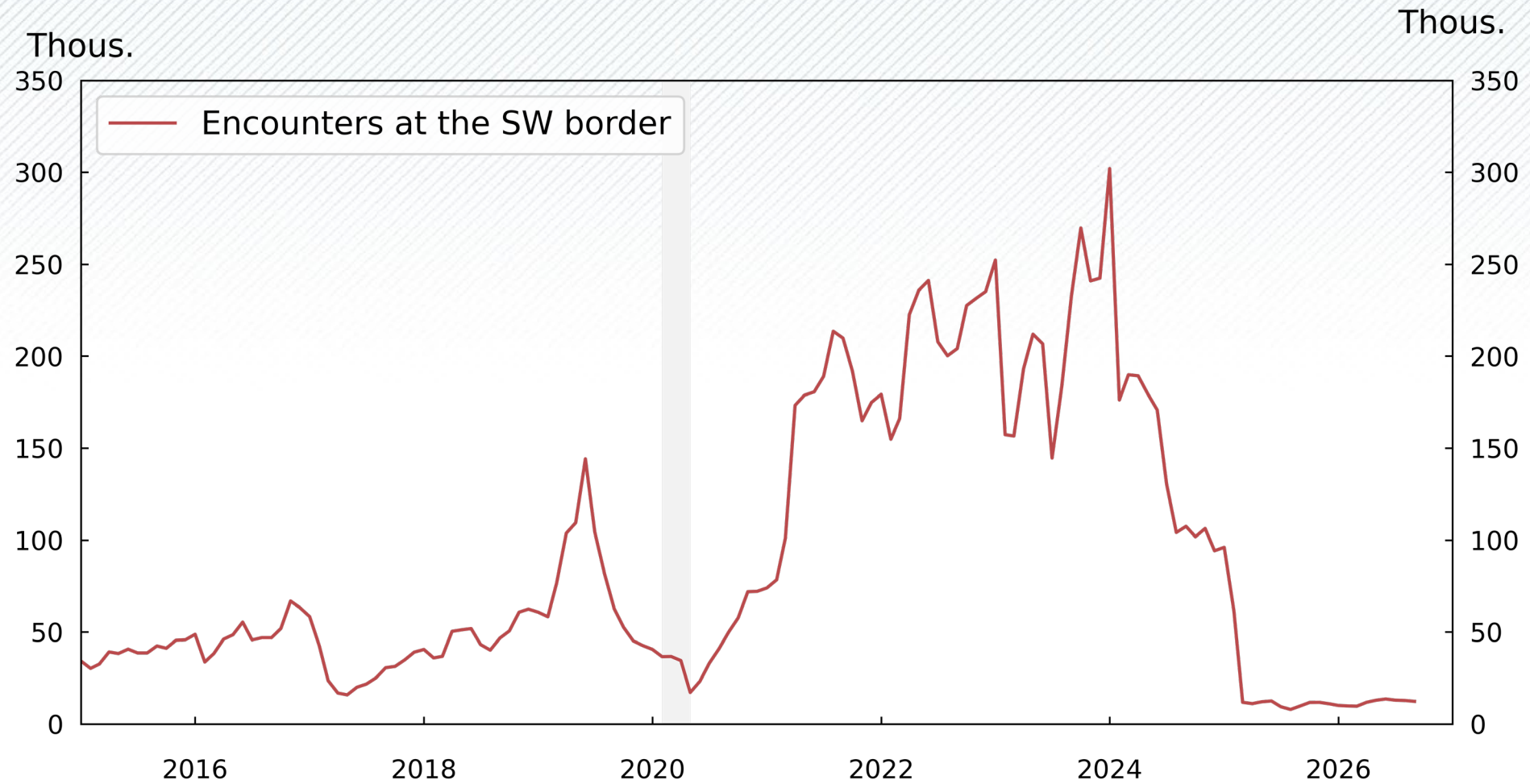
Source: S&P Global via Haver Analytics.

Note: >50 represents an increase in the share of respondents reporting higher input prices.

## Shift #3: Effective Tariff Rate and Revenue



## Shift #4: Large Immigration Changes

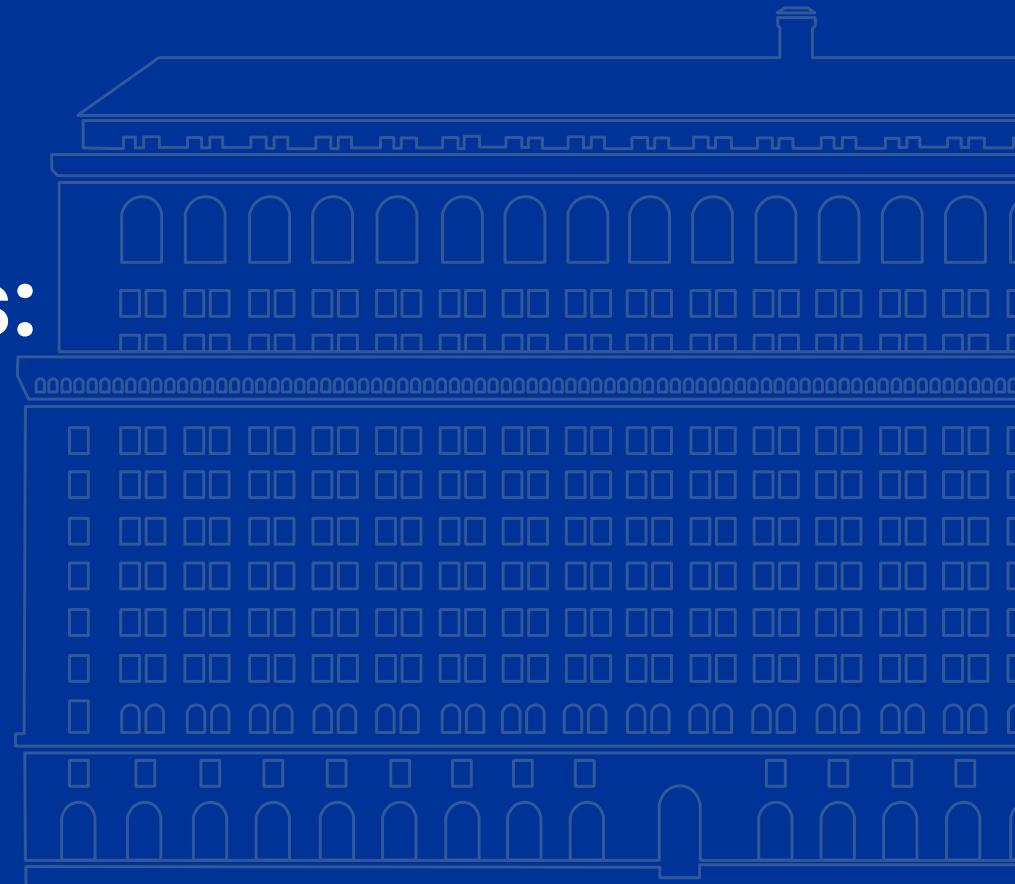


Source: Customs and Border Protection via Haver Analytics.

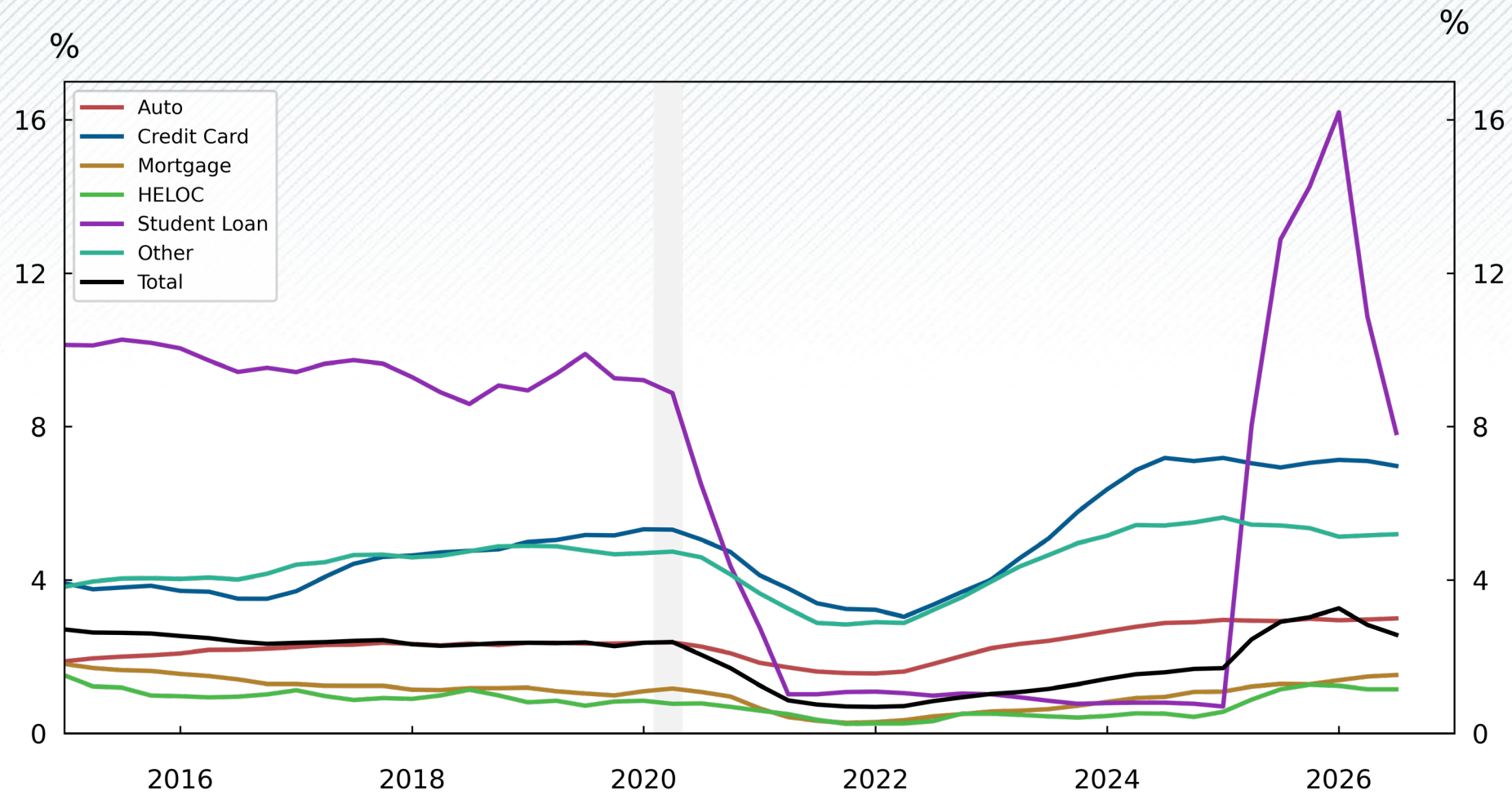
# Policy Shifts Heavily *Distributional*

- What does this mean for the macroeconomic outlook?
- The “good news” on policy changes and GDP:
  - Historically, fiscal policy changes are hard to see at the macro level.
  - Supply-side of U.S. is broadly very resilient, and not too sensitive to policy.

# U.S. Economic Conditions: Households' Response



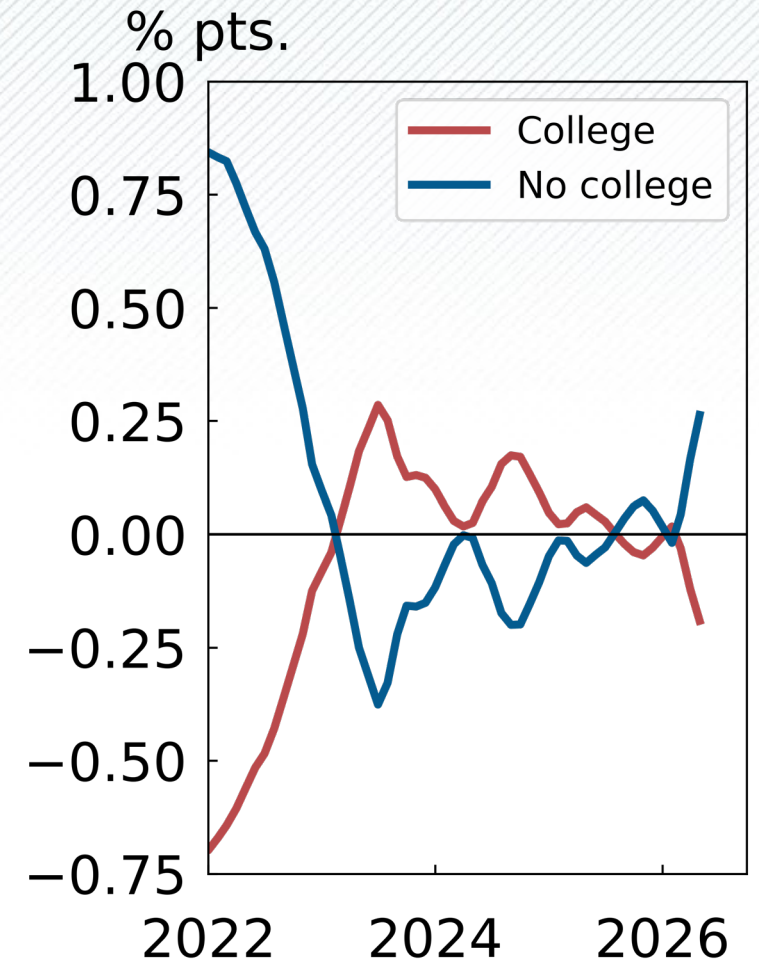
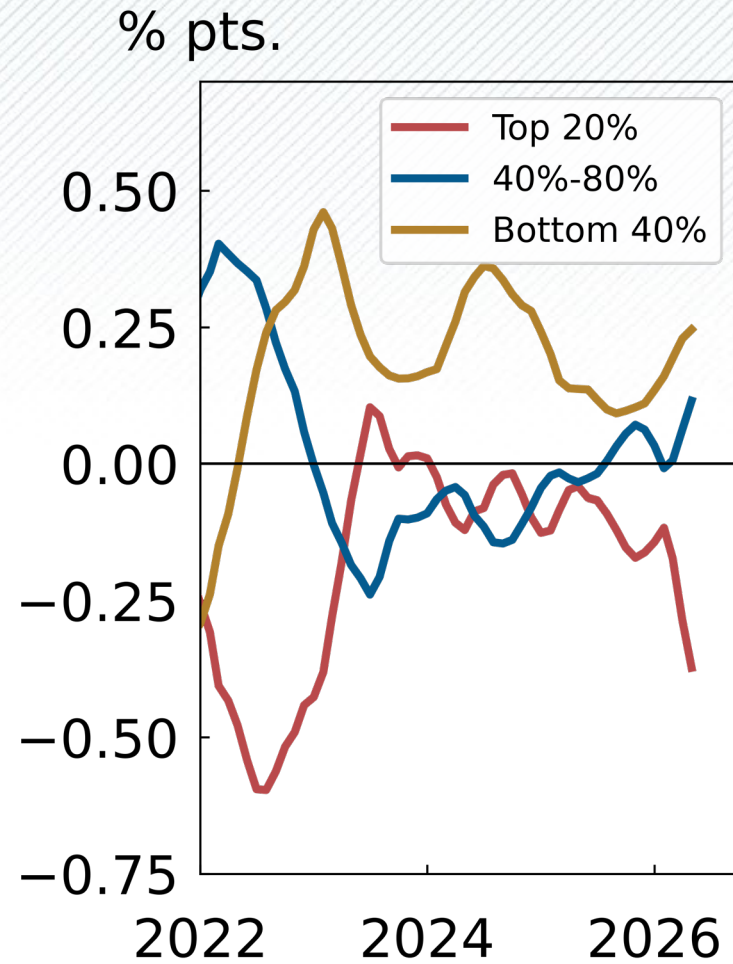
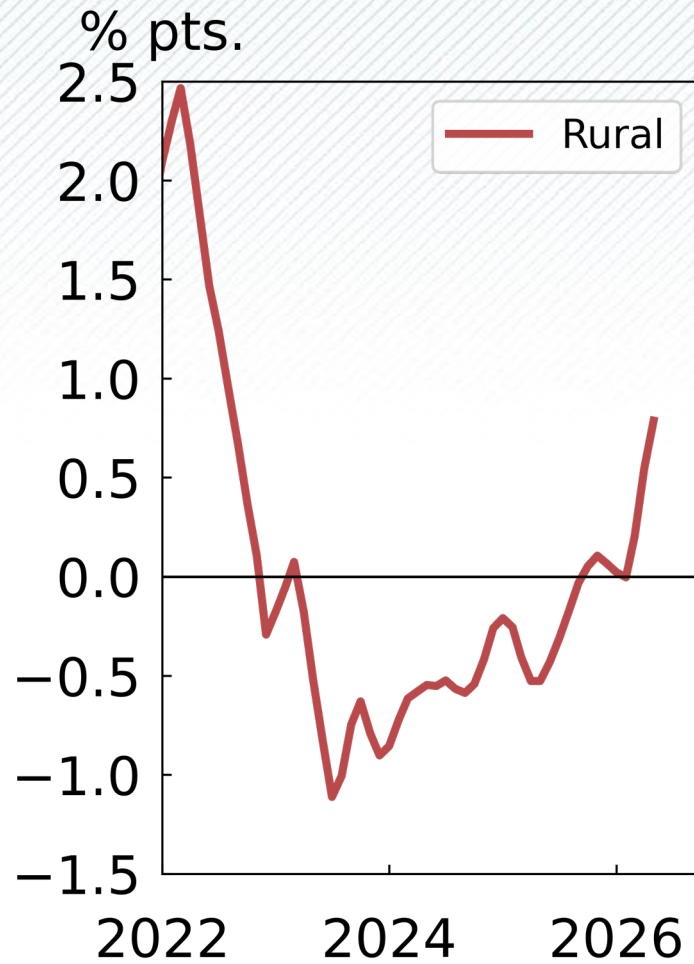
# Consumers Feel the Cooling



Source: New York Fed Household Debt and Credit Report (2026 Q2).

Note: Transition into serious delinquency (90+ days) by loan type, 4-quarter moving averages.

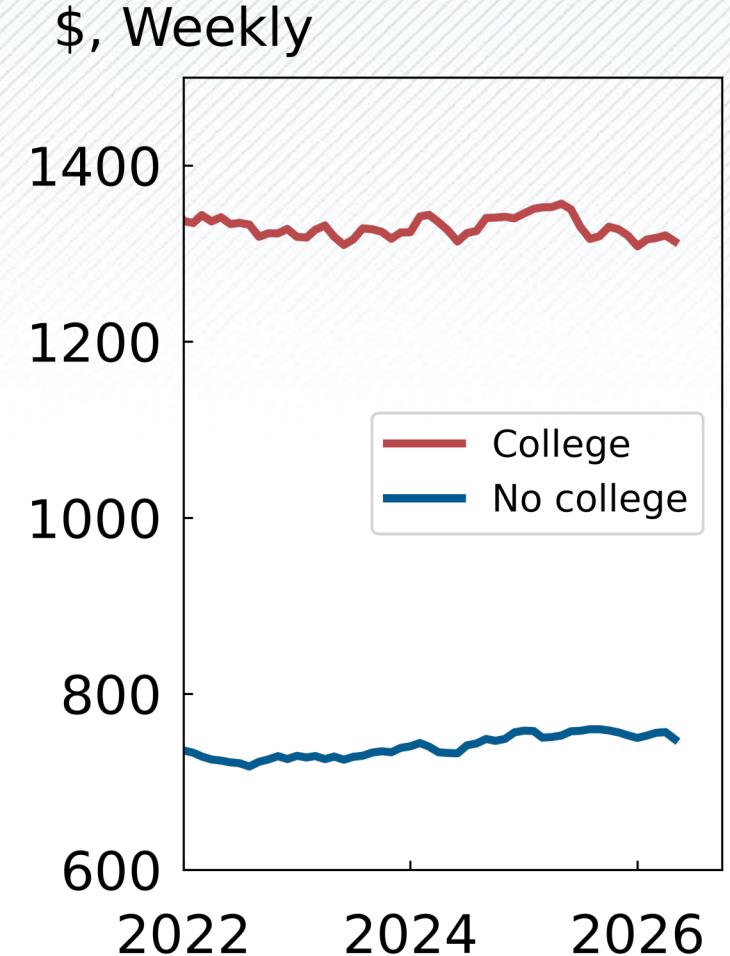
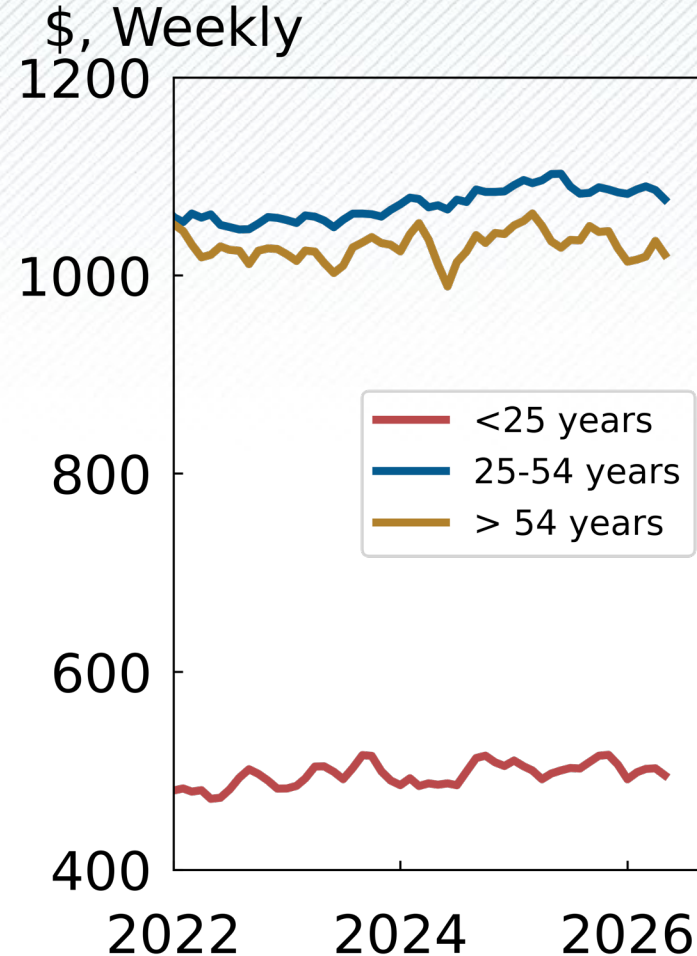
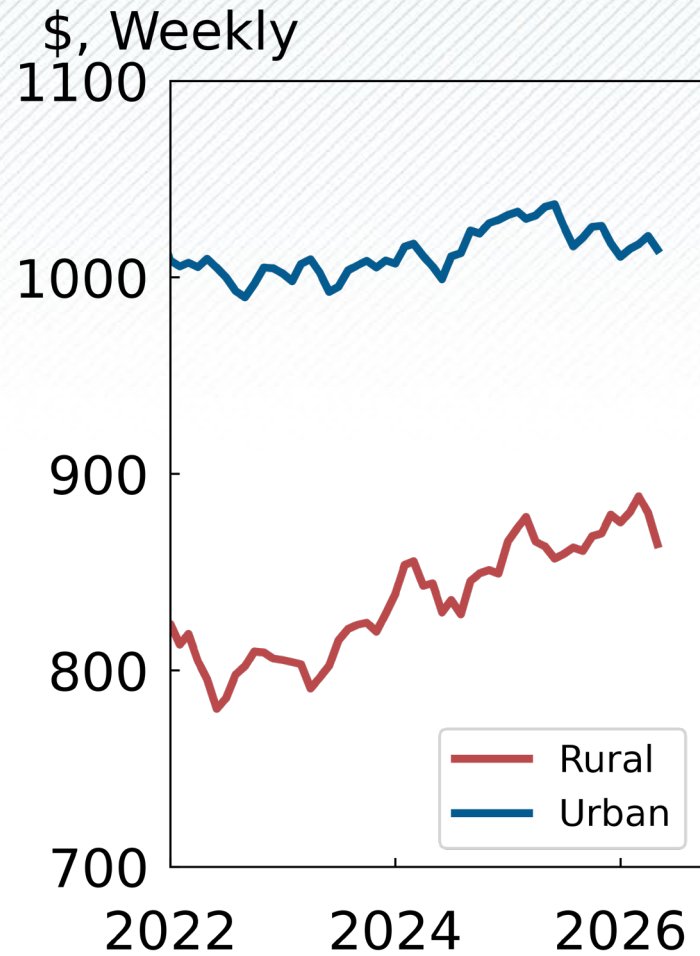
# Inflation by Urban Status, Income, and Education



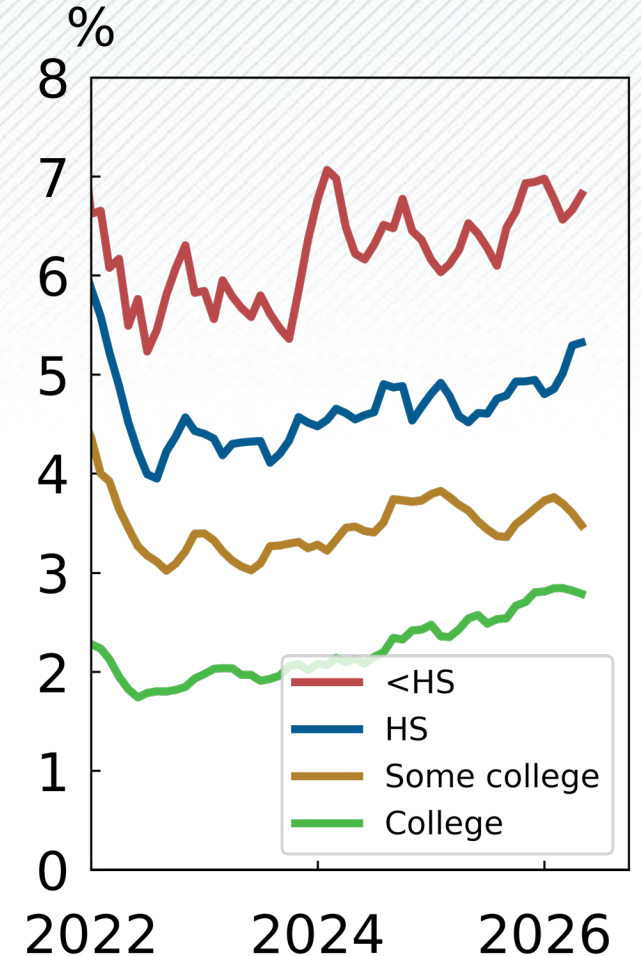
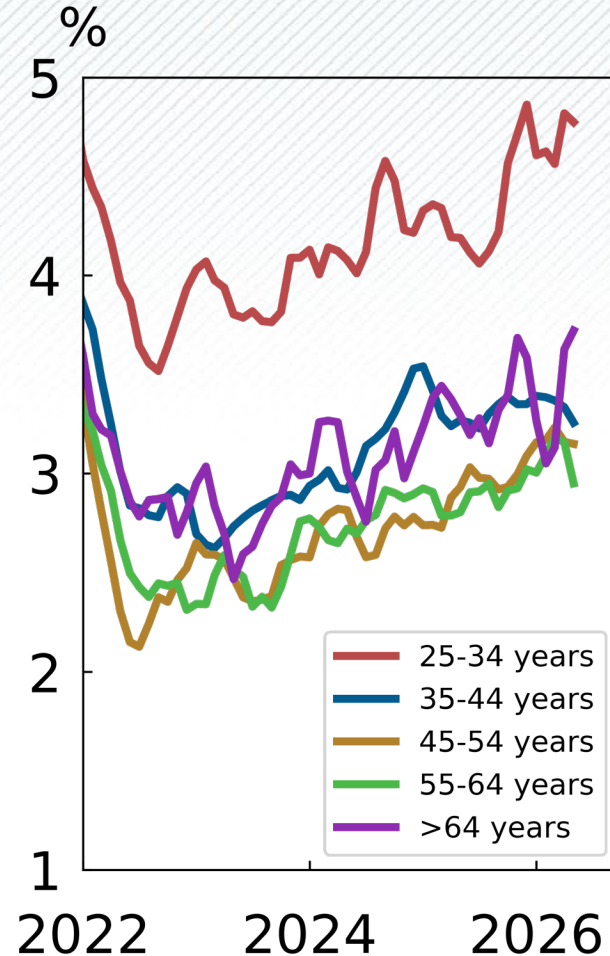
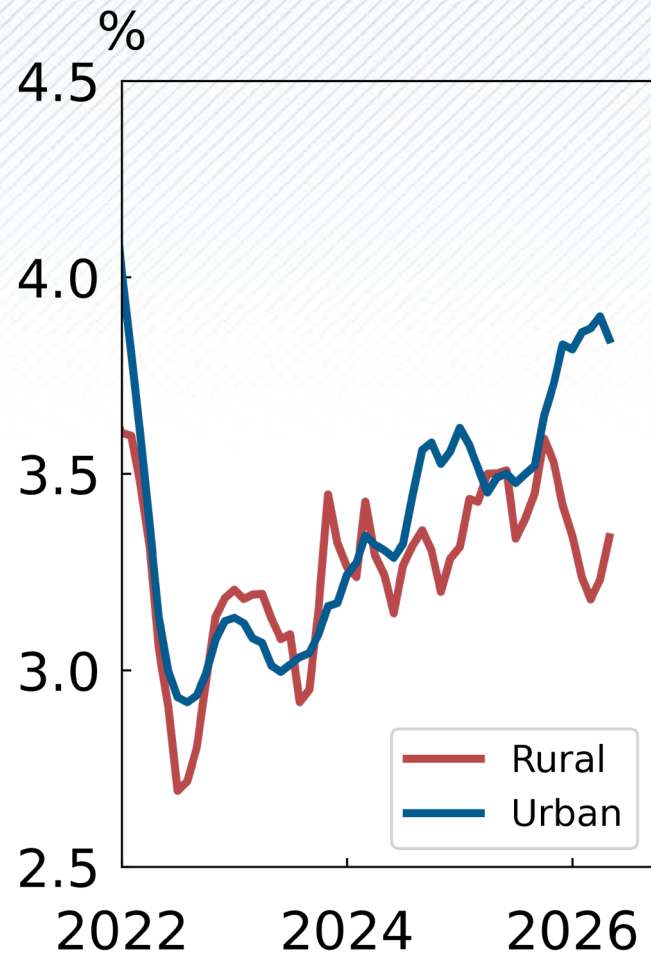
Source: New York Fed Economic Heterogeneity Indicators.

Note: Inflation gaps are relative to overall (urban) inflation.

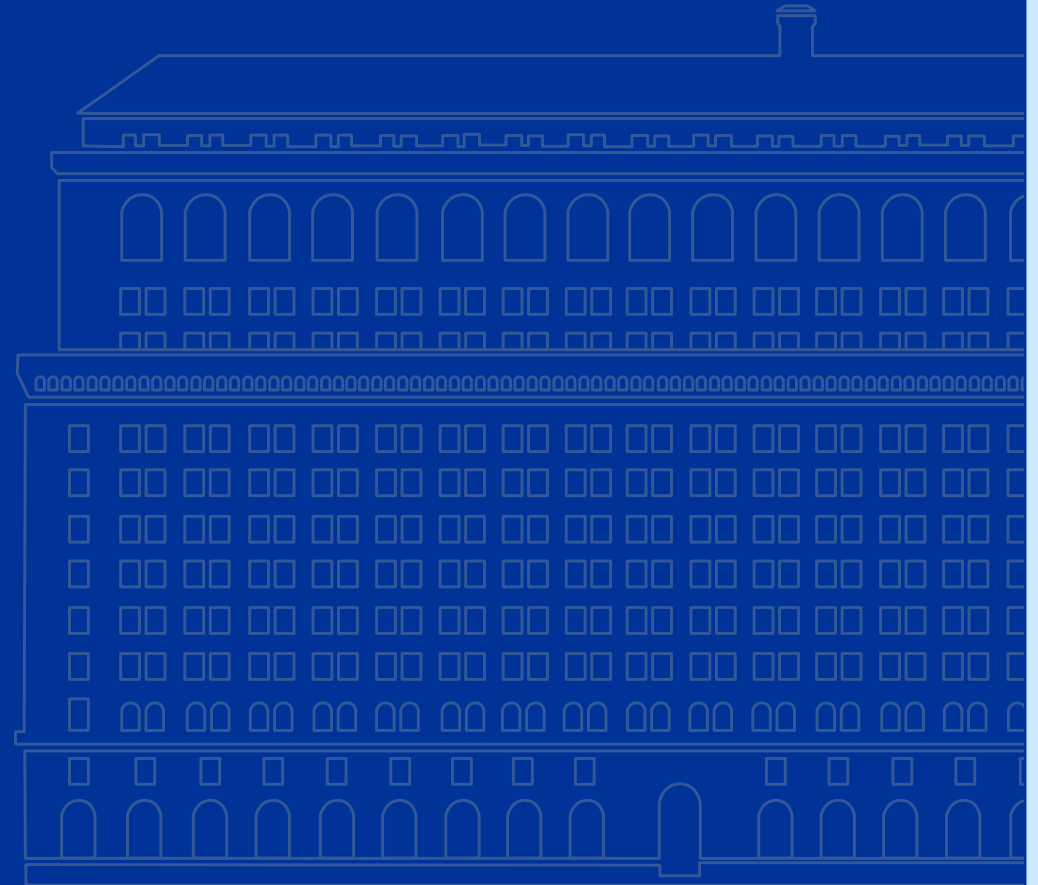
# Real Earnings by Urban Status, Age, and Education



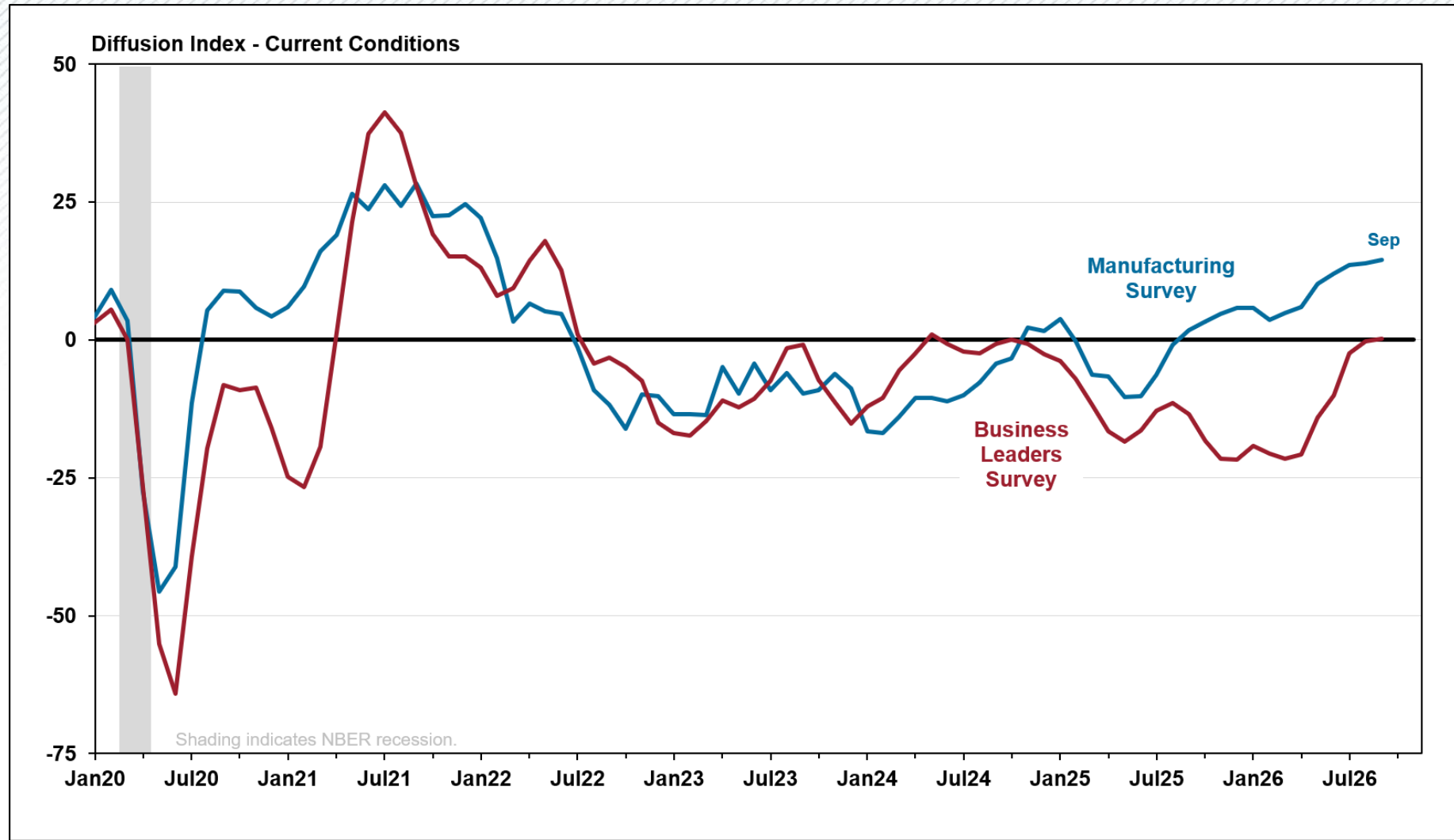
# Unemployment Rate by Urban Status, Age, and Education



# New York State: Taking a Closer Look



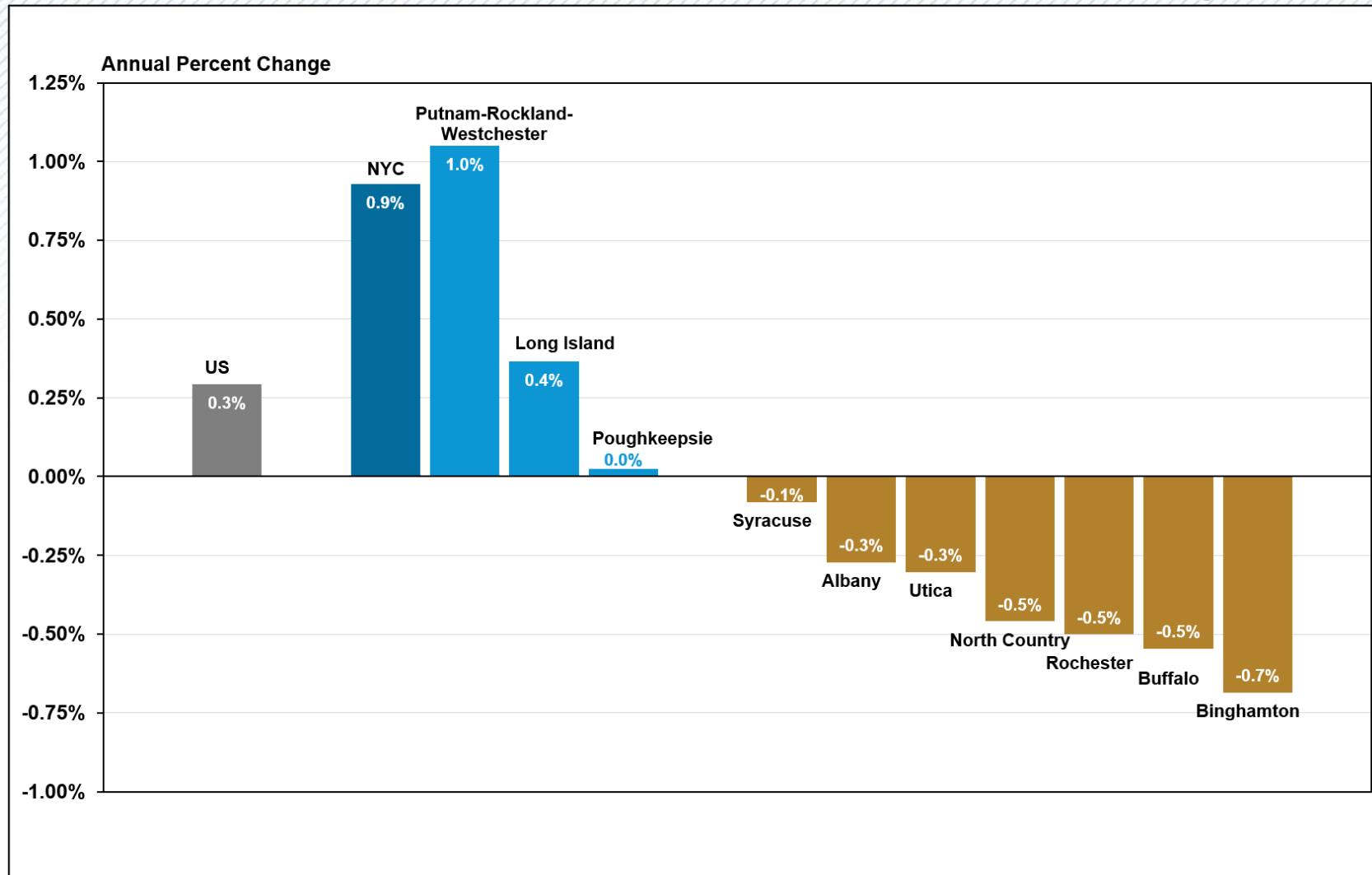
# Business Activity is Picking Up



Sources: New York Fed Empire State Manufacturing Survey and Business Leaders Survey.

Note: Indices are expressed as 3-month moving averages.

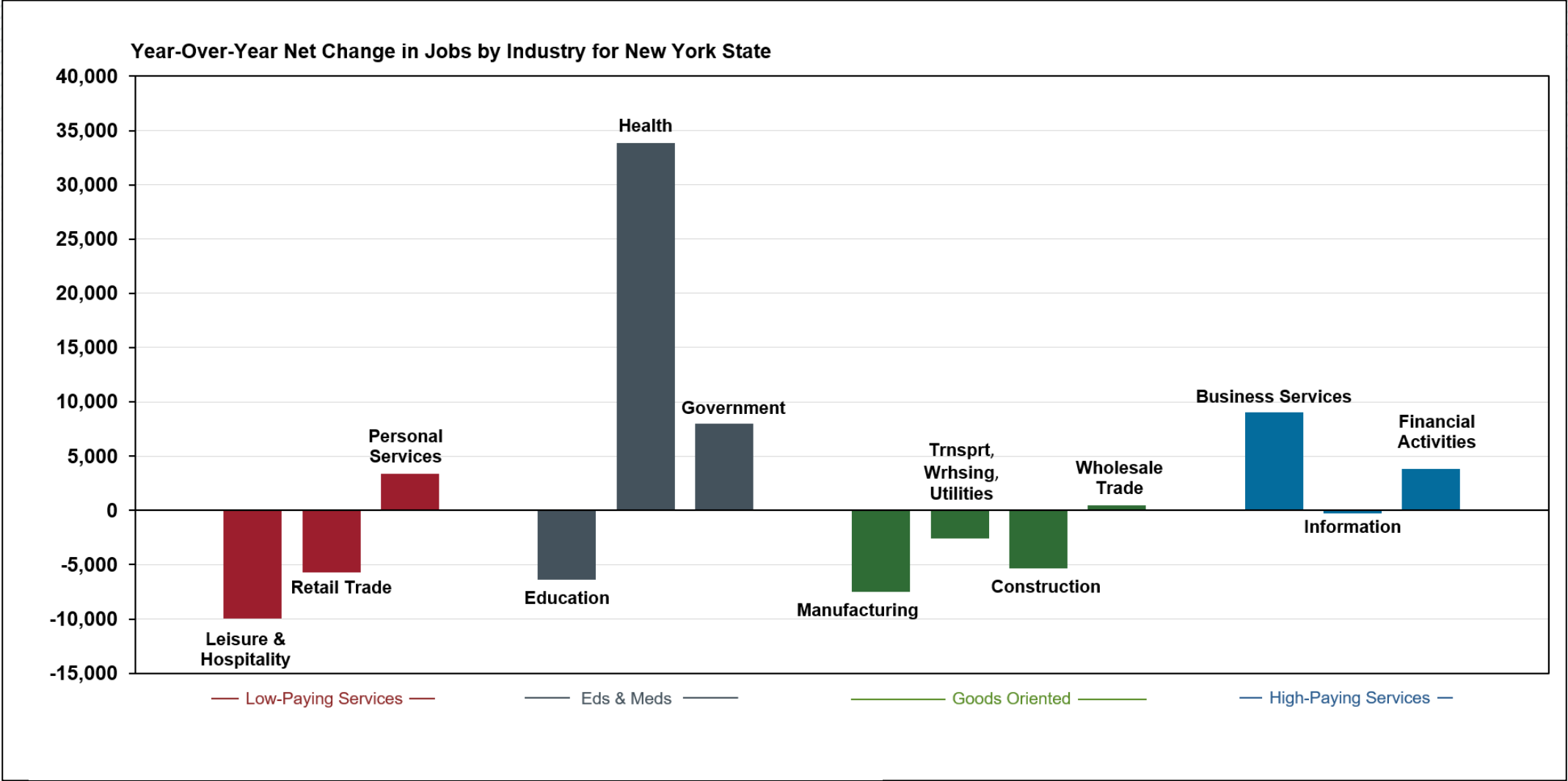
# Strongest Job Growth In and Around New York City



**Sources:** Bureau of Labor Statistics and Moody's Economy.com; New York State Department of Labor.

**Note:** Regional data early benchmarked by New York Fed, expressed as a 3-month average through August.

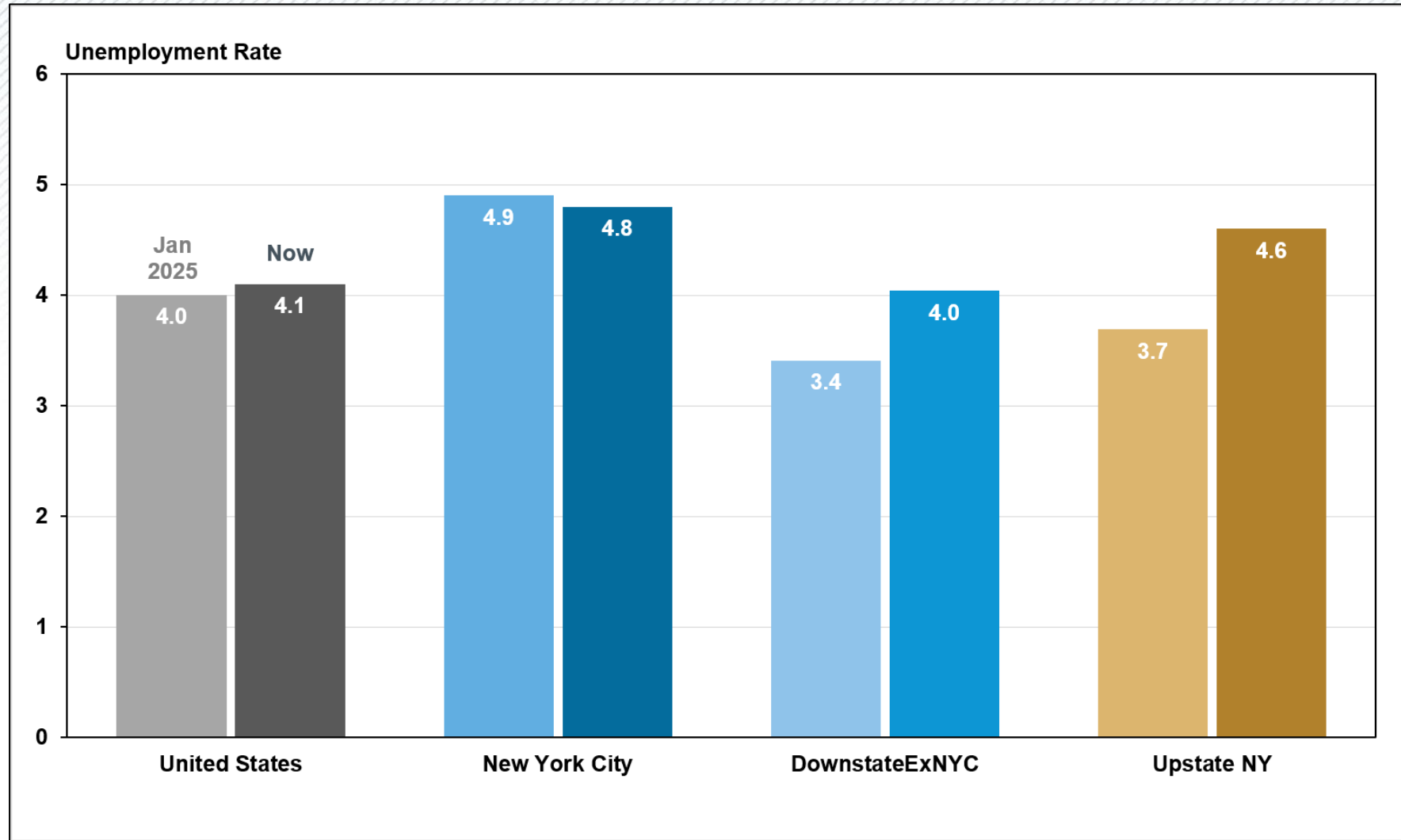
# Job Gains Over Past Year Driven by Healthcare Sector



Sources: Bureau of Labor Statistics and Moody's Economy.com.

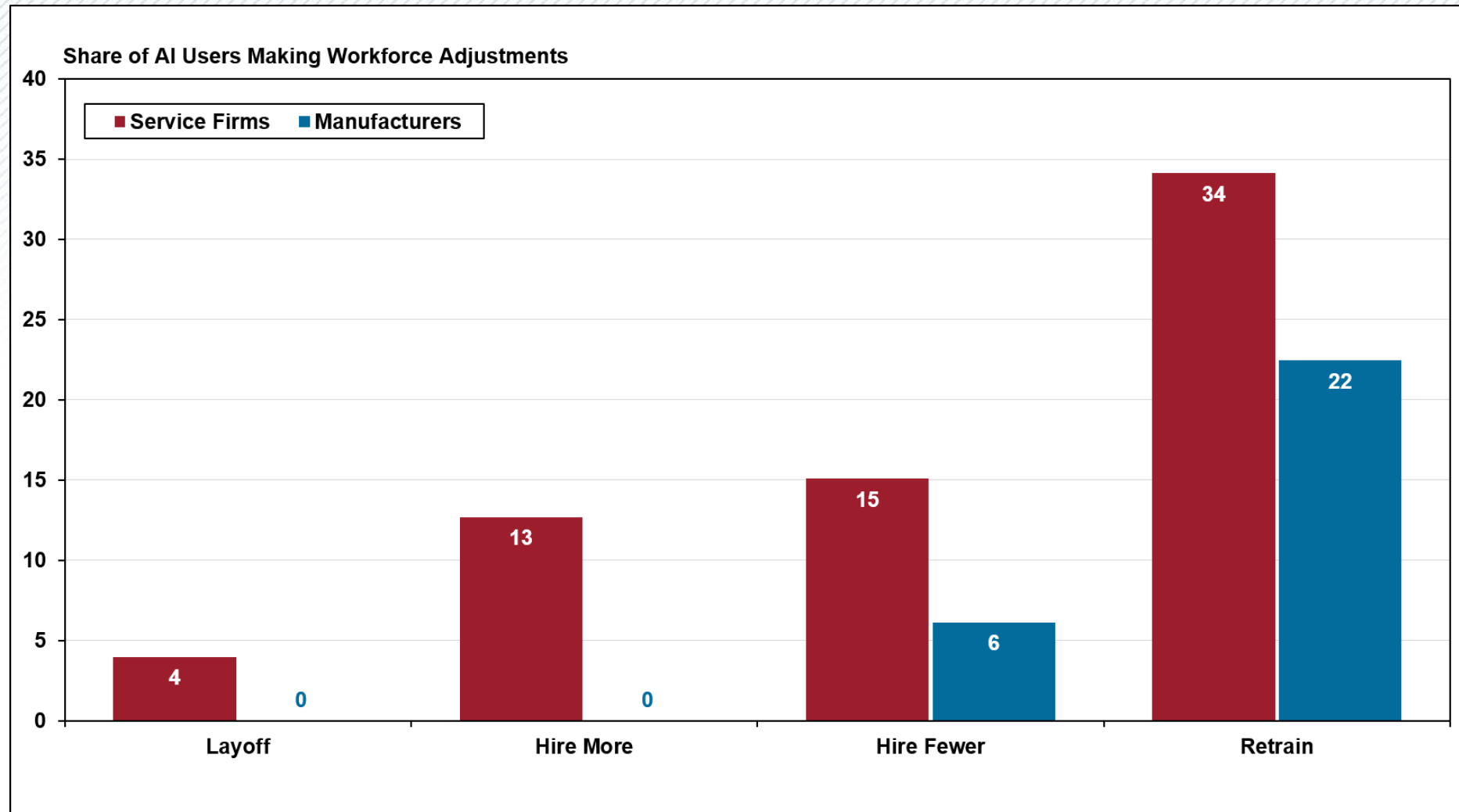
Note: Values are expressed as a 3-month average through August.

# Unemployment Rising in Some Areas But Remains Low



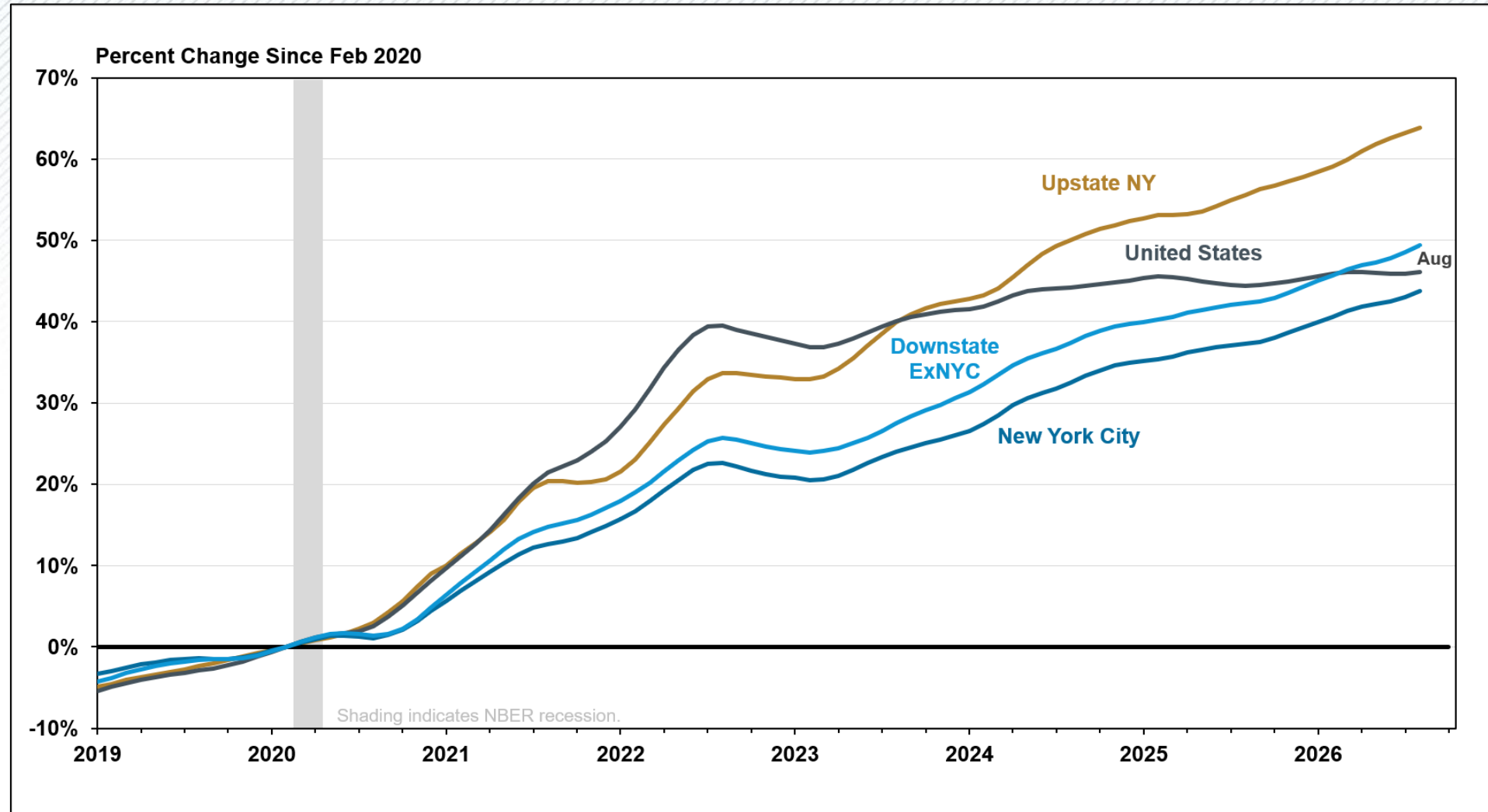
Sources: Bureau of Labor Statistics and Moody's Economy.com.

# Businesses Are Using AI to Transform Work, Not Cut Jobs



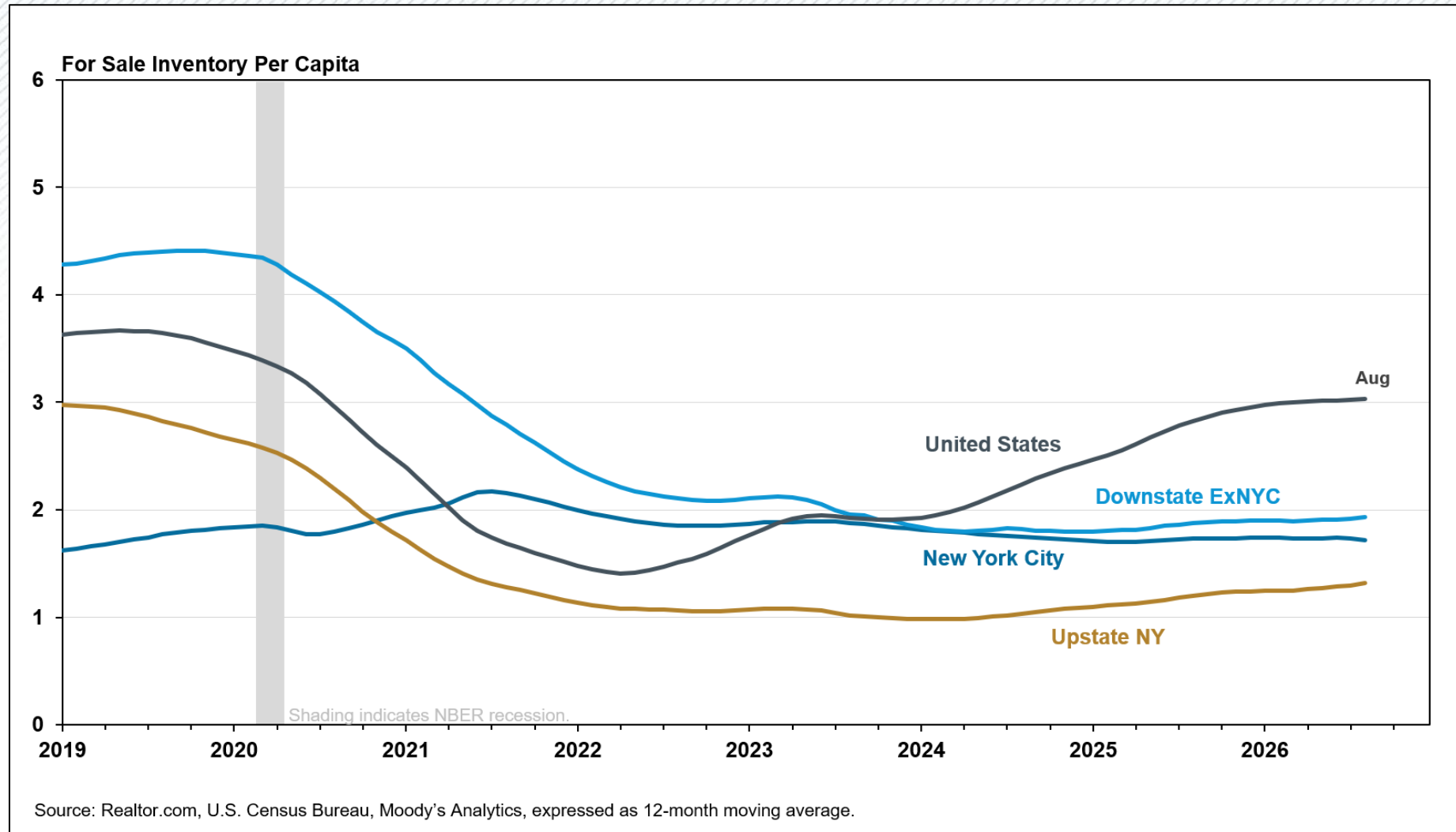
Source: Abel, Deitz, Emanuel, and Montalbano, "Businesses are Using AI to Transform Work, Not Cut Jobs," LSE Blog, September 2026.

# Home Prices Continue to Rise in the Region



Source: Zillow Home Value Index.

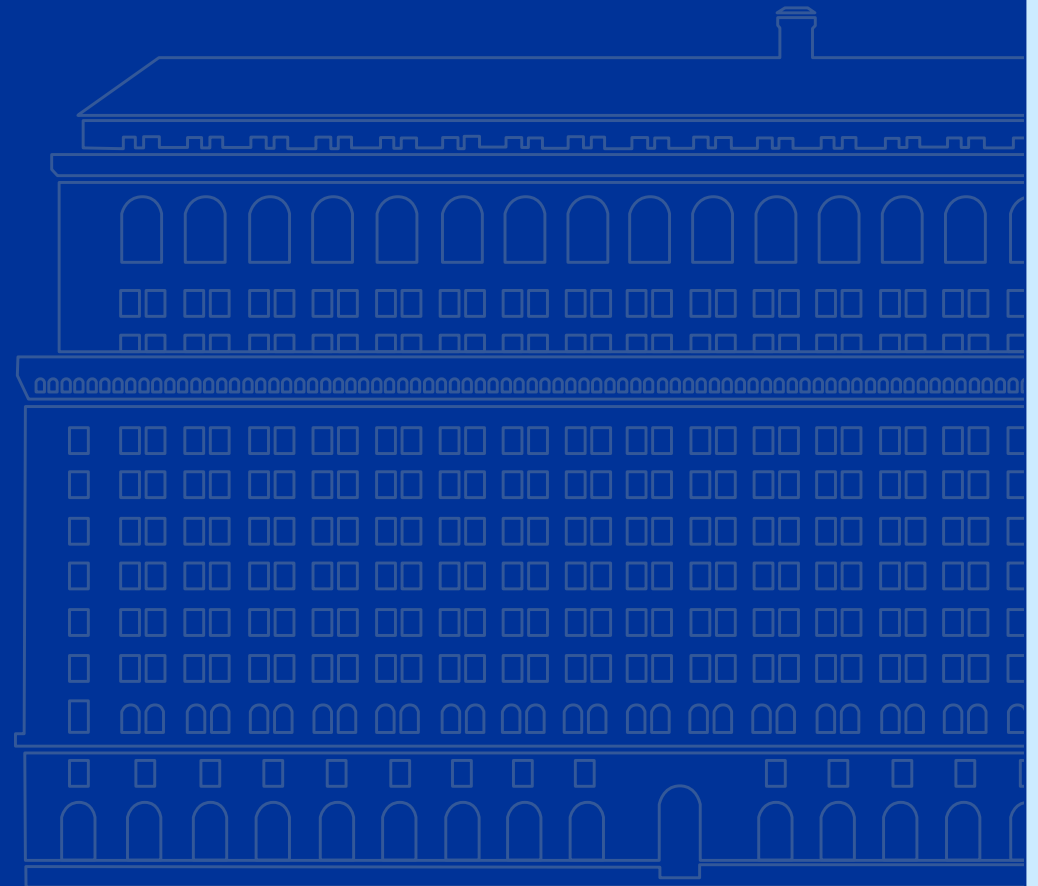
# Exceptionally Low Inventory Driving Up Home Prices



Source: Realtor.com, U.S. Census Bureau, Moody's Analytics.

Note: These values are expressed as 12-month moving averages.

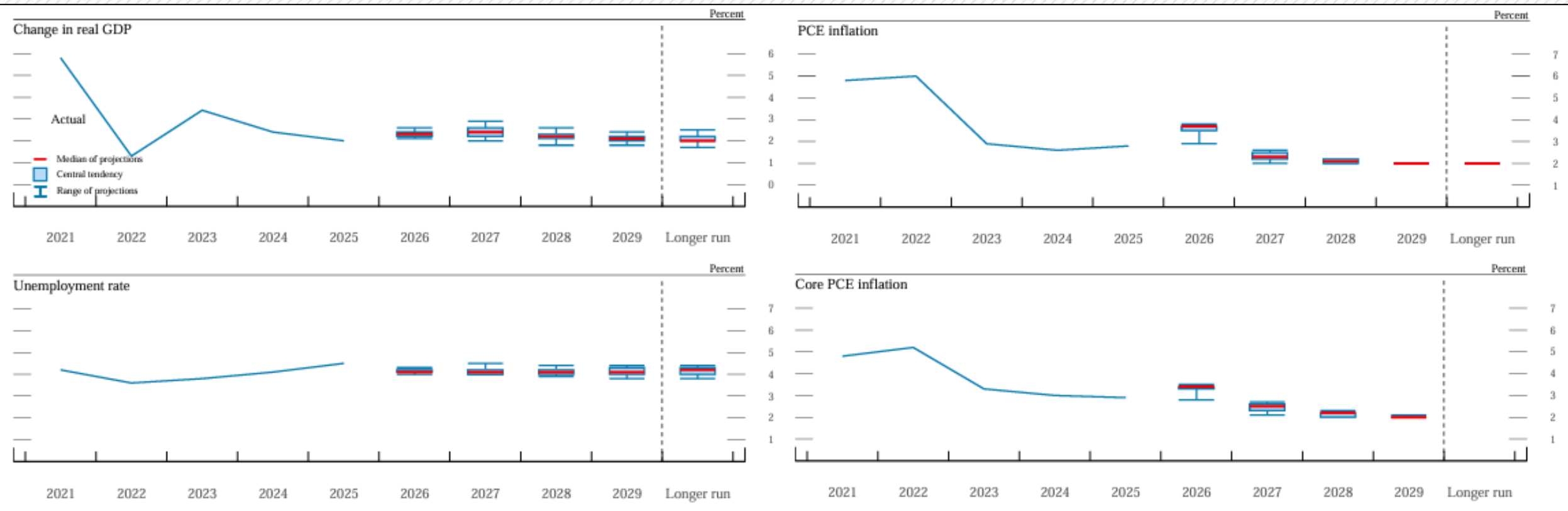
# Monetary Policy: Here and Ahead



# A Bird's-Eye View of Monetary Policy

- **Two key observations:**
  - **Monetary policy can have big real effects in the short-run.**
    - Implication: Use monetary policy to help manage shocks hitting the economy, especially to prevent or soften recessions.
  - **Monetary policy can at best control only inflation in the longer run.**
    - Implications:
      - Do not get carried away in the pursuit of the above.
      - Be very careful not to be a source of macro shocks that cause widespread harm at the micro level.
- **Congress's Dual Mandate to Fed: Conduct monetary policy to attain maximum employment and price stability.**

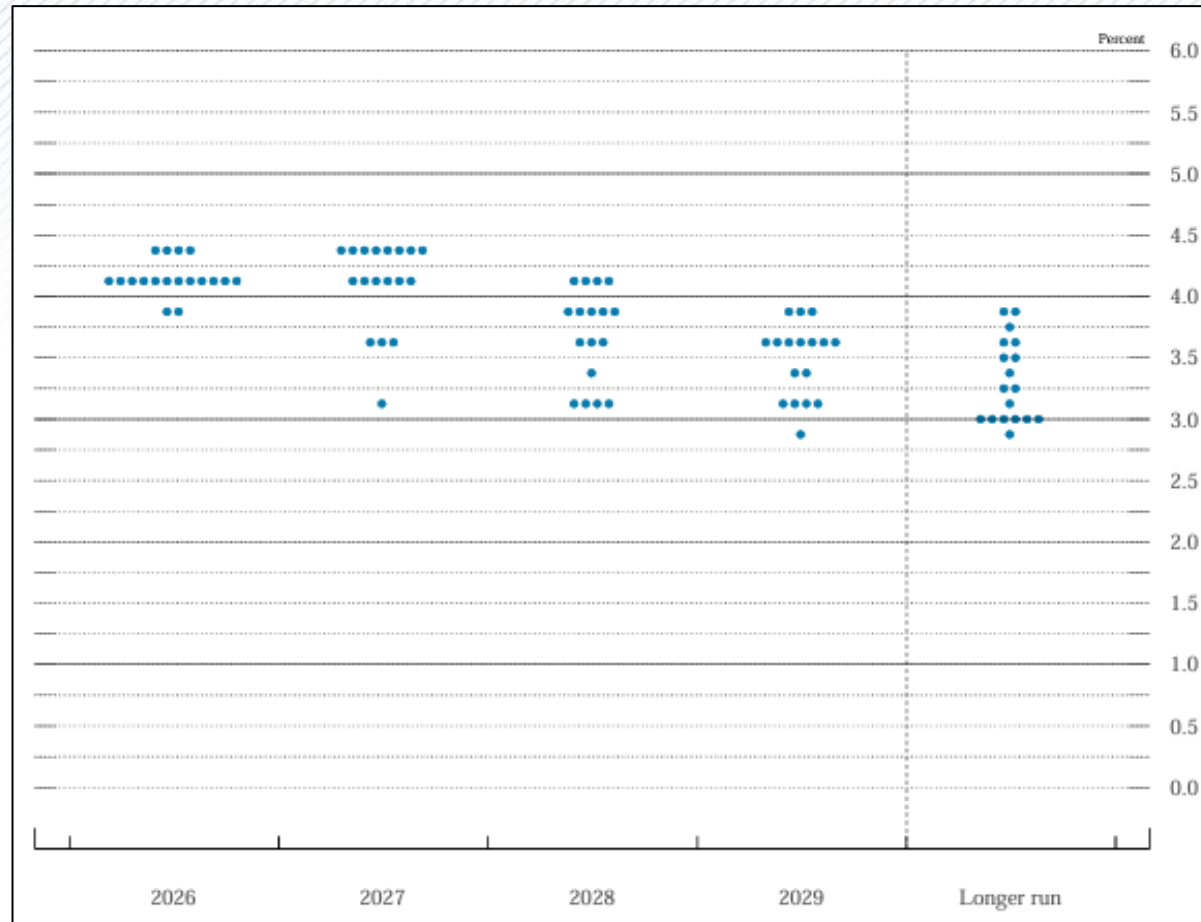
# Per Policymakers: A Quiet Disinflation is Still the Baseline



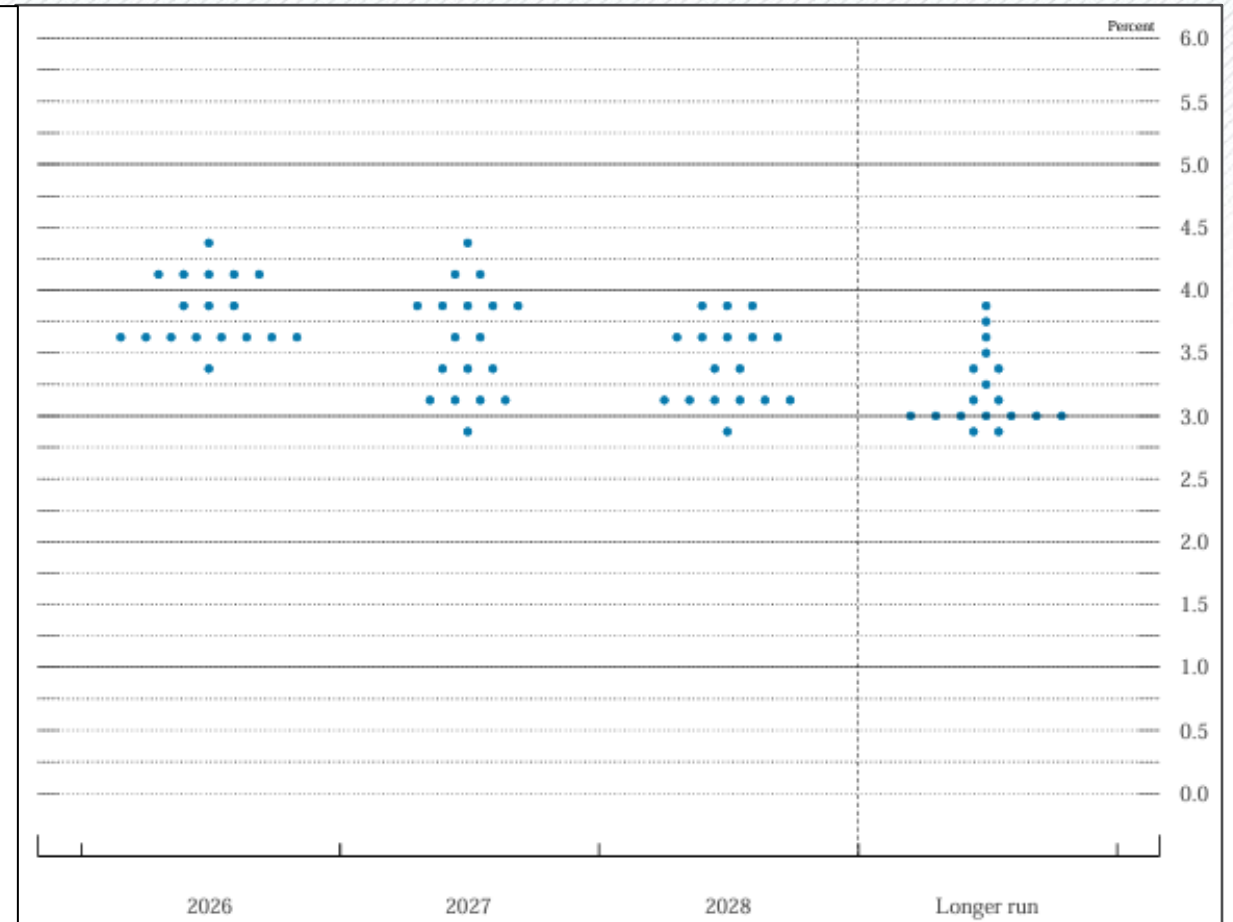
Source: Survey of Economic Projections from the September 2026 Federal Open Market Committee Meeting.

# FOMC Policymakers' View on Rates Ahead

## September 2026



## June 2026



Sources: Survey of Economic Projections from the September 2026 (left) and June 2026 (right) Federal Open Market Committee Meeting.

## **“Supply” Shocks and Monetary Policy**

- **Shocks like oil price spikes affect both real activity and inflation, typically in opposite directions.**
- **Central banks must weigh the tradeoffs between their inflation and employment goals.**
- **The FOMC has moved from a stance of watching and waiting, to carrying out the first federal funds rate hike in three years during the September FOMC meeting.**

## September FOMC Statement

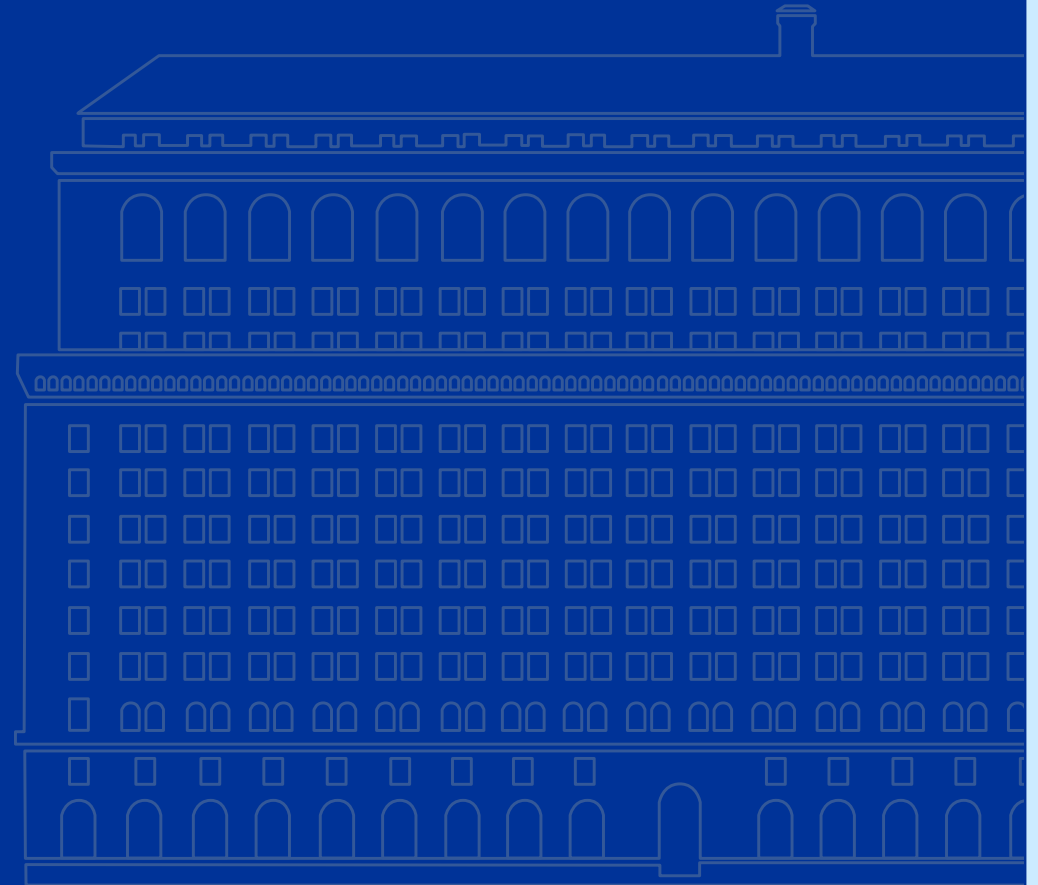
- **Fundamentals:**

- “Productivity growth is strong, and capital investment is robust. Job gains have kept pace with the workforce, and the unemployment rate has changed little.”
- “Inflation remains elevated. Today's policy action will support a timelier return to the Committee's 2 percent goal.”

- **Uncertainty:**

- “Economic activity is expanding at a solid pace. While uncertainty remains elevated owing, in part, to geopolitical developments, domestic spending has been resilient.”
- “The Committee will deliver price stability.”

# Three Takeaways



## #1: As Usual, Macro Steady

- The U.S. economy is steady at the macro level, and continued *macro* steadiness is the base case.
  - A century of data—and SEP—suggest continued per-capita growth to hover around 2% (with headwinds outside AI).
  - Labor market steady: roughly 4% unemployment.
  - Private forecasts have inflation closer to 3.6% this year, and SEP expects closer to target beyond 2028.
- However...

## **#2: As Usual, Macro Masks Micro Turbulence**

- **Micro (household and business-level) uncertainty is unusually high.**
  - Labor market steadiness.
  - Consumer debt repayment is showing stress.
  - Path ahead for conditions less optimistic.

## **#3: As Unusual, This is a Time of Policy and Meta-Policy Uncertainty**

- **Policy change has been large:**
  - Oil shocks, trade, and immigration, above all.
  - Meta-policy change maybe even larger—currently unclear.
- **Meta-policy change can bring risk and upside:**
  - “Policy changes” and AI “tech disruption” ask us to gauge how and when policies will flex as circumstances change.

# Relevant New York Fed Content

- **Trade**
  - [A Country-Specific View of Tariffs](#)
  - [Do Import Tariffs Protect U.S. Firms?](#)
  - [Does Trade Uncertainty Affect Bank Lending?](#)
  - [The Global Supply Side of Inflationary Pressures](#)
  - [The Impact of Import Tariffs on U.S. Domestic Prices](#)
  - [Do Import Tariffs Help Reduce Trade Deficits?](#)
- **Monetary Policy**
  - [Why Do Forecasters Disagree about Their Monetary Policy Expectations?](#)
  - [The Federal Reserve and its Monetary Policy Implementation Framework](#)
  - [Firms' Inflation Expectations Have Picked Up](#)
- **AI**
  - [Are Businesses Scaling Back Hiring Due to AI?](#)
- **Household Issues**
  - [Borrower Expectations for the Return of Student Loan Repayment](#)
  - [When the Household Pie Shrinks, Who Gets Their Slice?](#)
- **Banking Matters**
  - [Flood Risk Outside Flood Zones — A Look at Mortgage Lending in Risky Areas](#)
  - [The Adverse Effect of “Mandatory” Flood Insurance on Access to Credit](#)
- **Treasury Market**
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