

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

## **2026 Regional and Community Banking Conference**

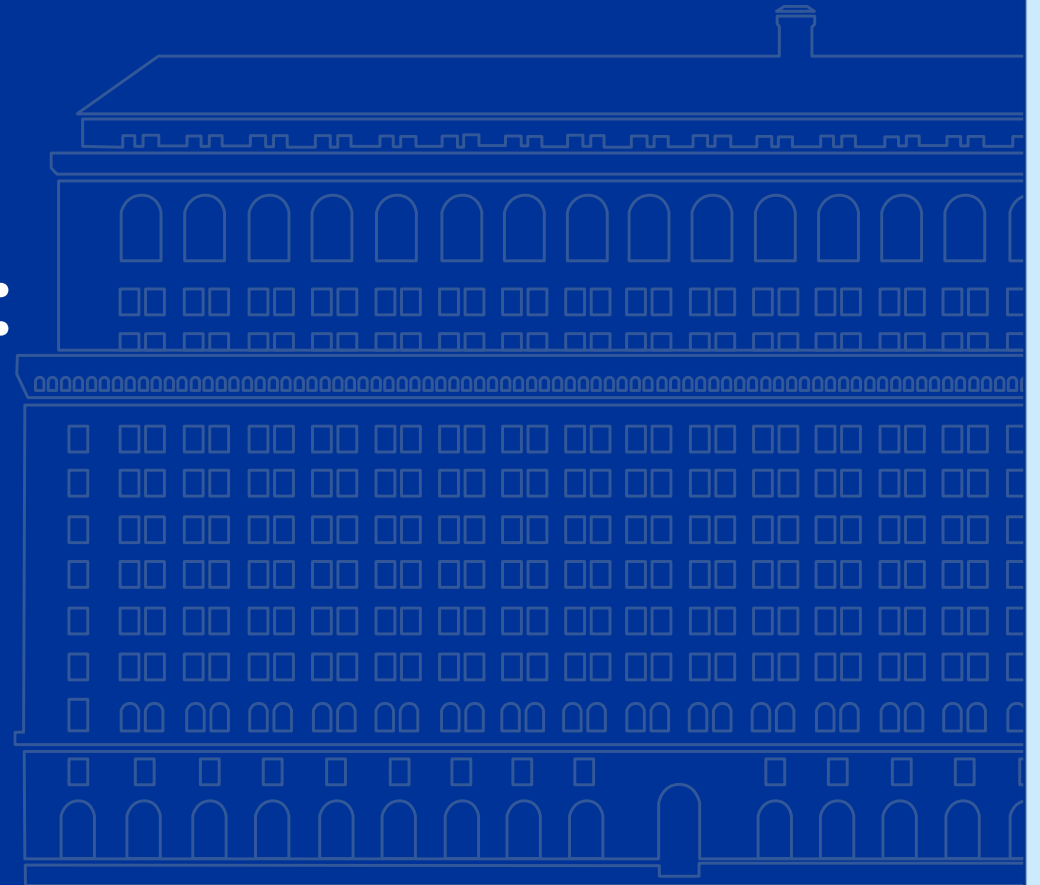
**June 24, 2026**

**Kartik Athreya, Federal Reserve Bank of New York**

**Slides prepared by Elizabeth Li and William Zeng**

*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

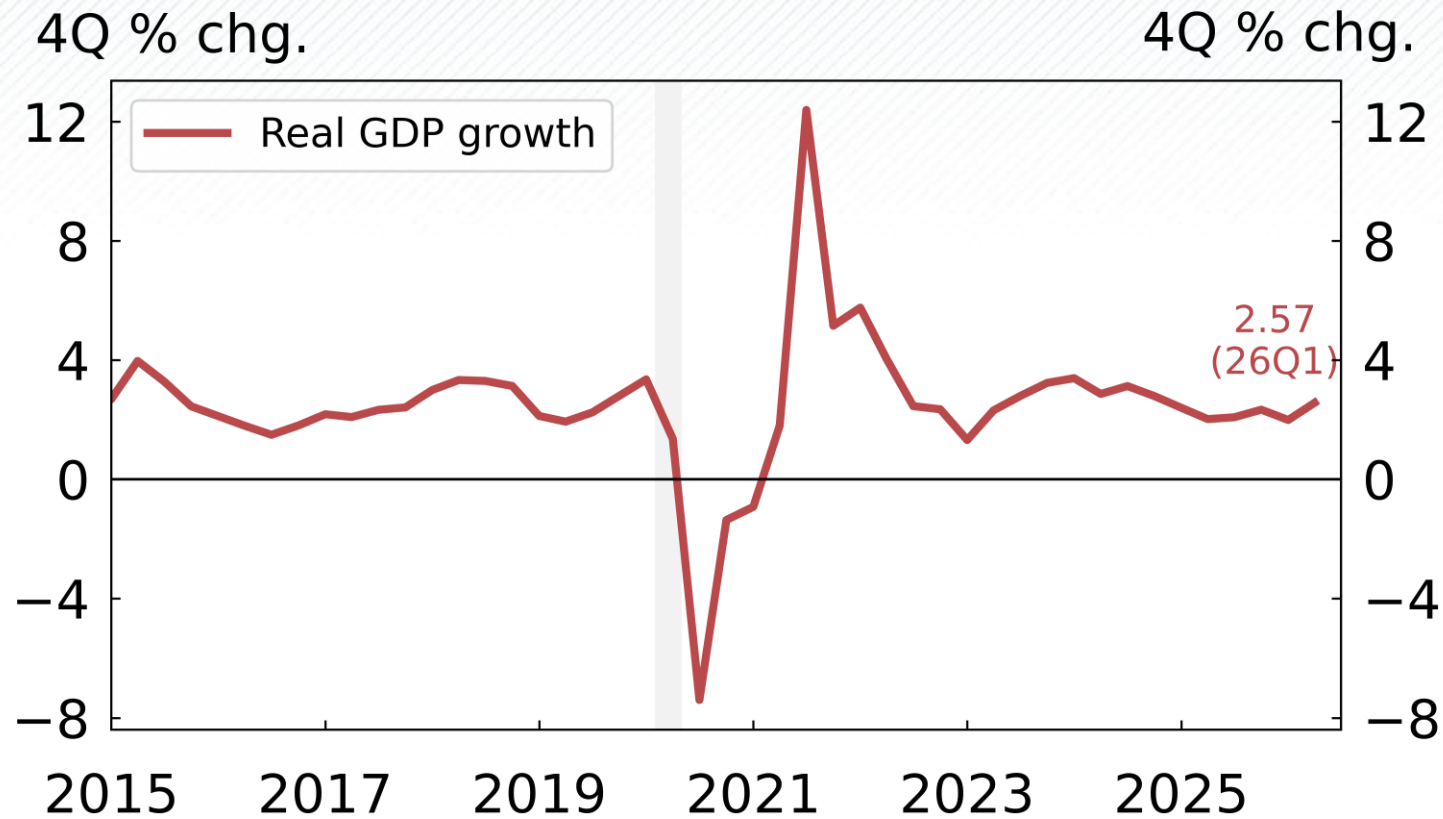


# Current U.S. Economy: Strong but Cooling

- **Growth:**
  - Market expecting 2026 real GDP to grow at trend, at around 2.1%.
- **Labor market:**
  - Conditions remain steady (unemployment rate at 4.3% as of May 2026).
- **Inflation:**
  - Above target: April 2026 core PCE y-o-y inflation at 3.8%. That is not close enough.
- **Economy appears to be *softening but resilient*:**
  - New York Fed's HPW Labor Market Tightness Index was -0.14 in April 2026, which implies expected wage growth below historical average.
  - Consumer spending remains robust at 0.1% m-o-m (2.1% y-o-y) in April.

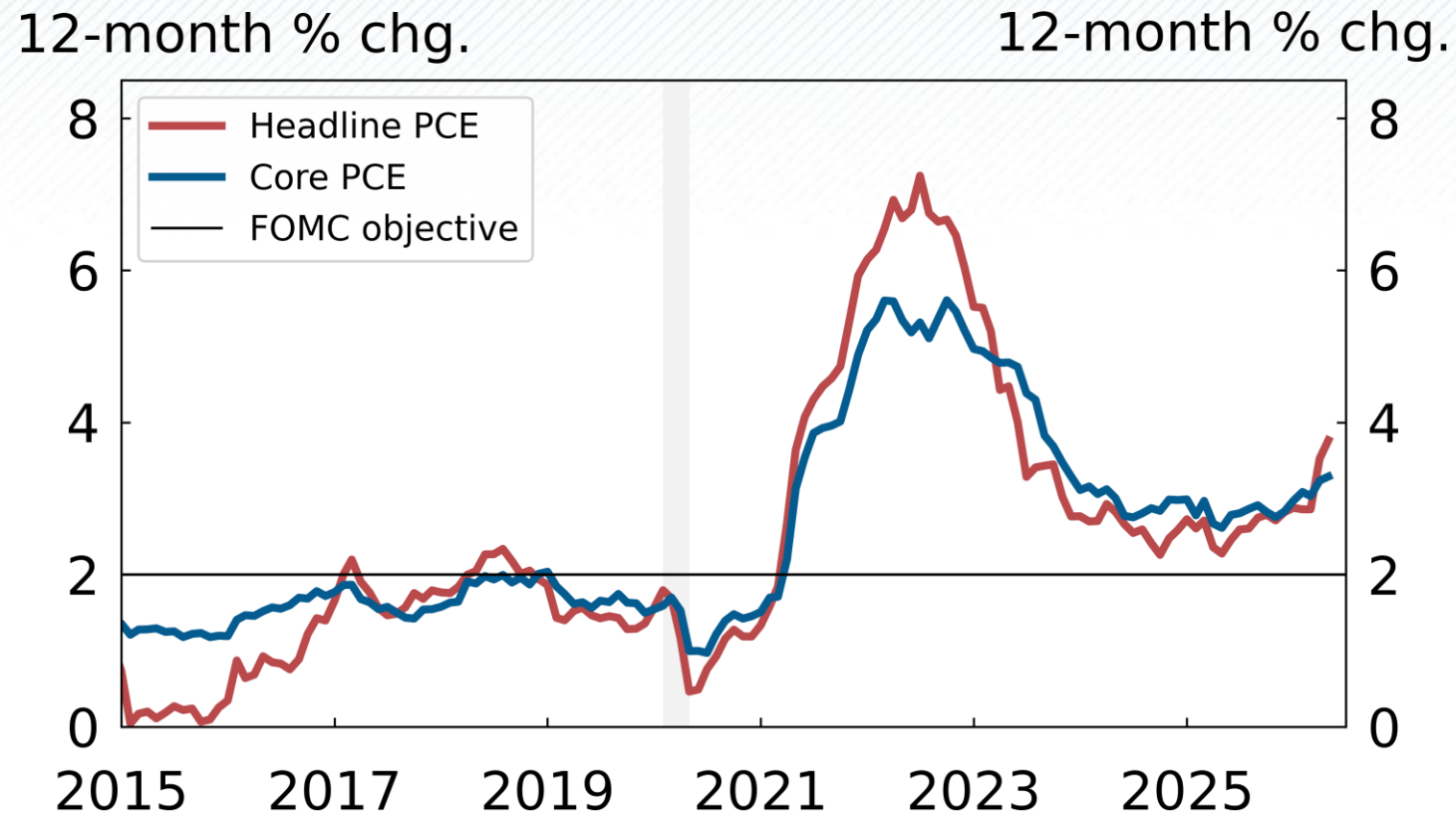
## GDP

- Real GDP increased by 1.6% average annual rate in 2026 Q1.
- Private forecasts for growth are at roughly 2% in 2026.



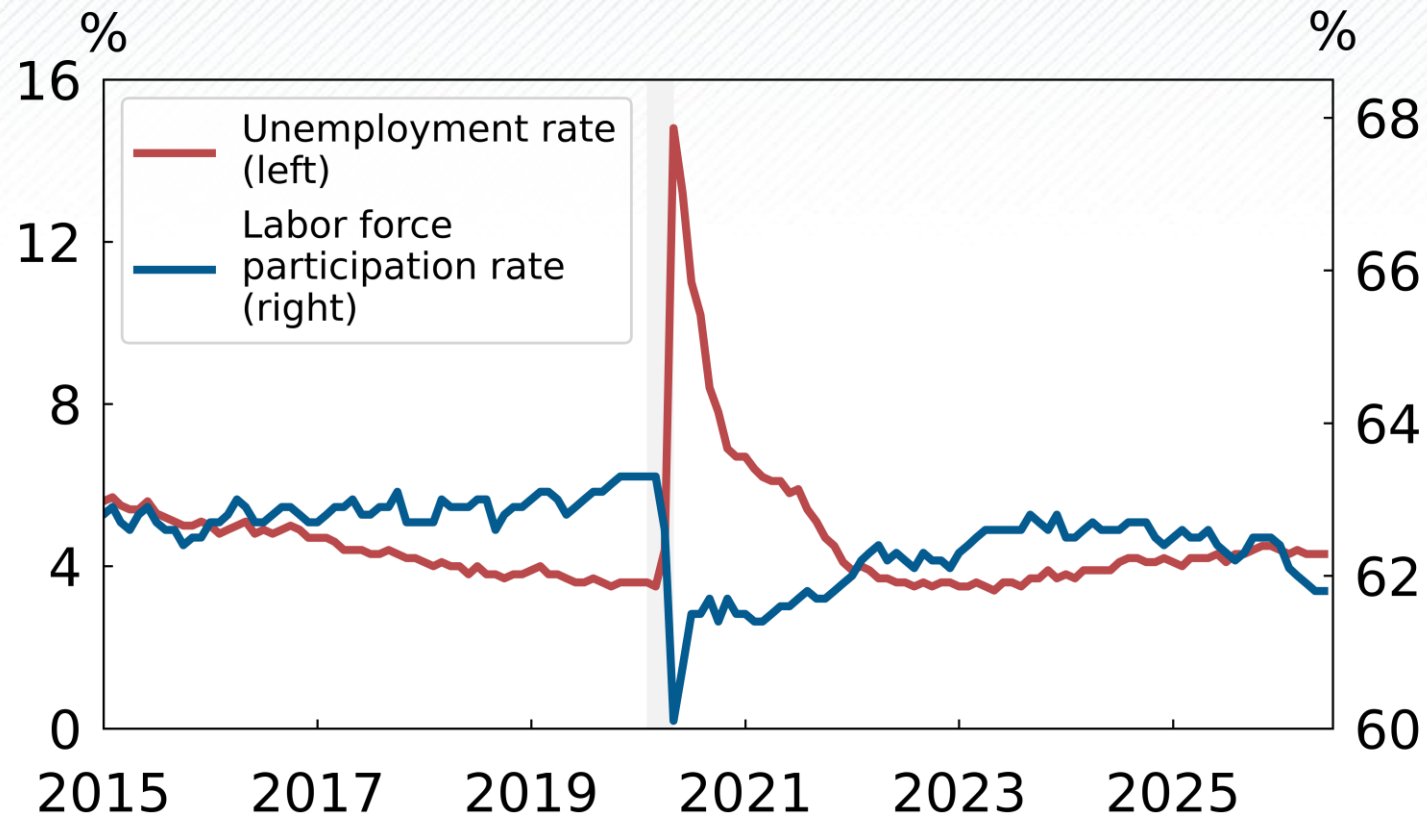
## Inflation

- PCE inflation was 3.8% in April, up substantially from February's 2.8%.
- Core PCE inflation was 2.9% in April. Goods price inflation has spiked (4.4% y-o-y), reflecting passthrough from tariffs and energy price shocks.



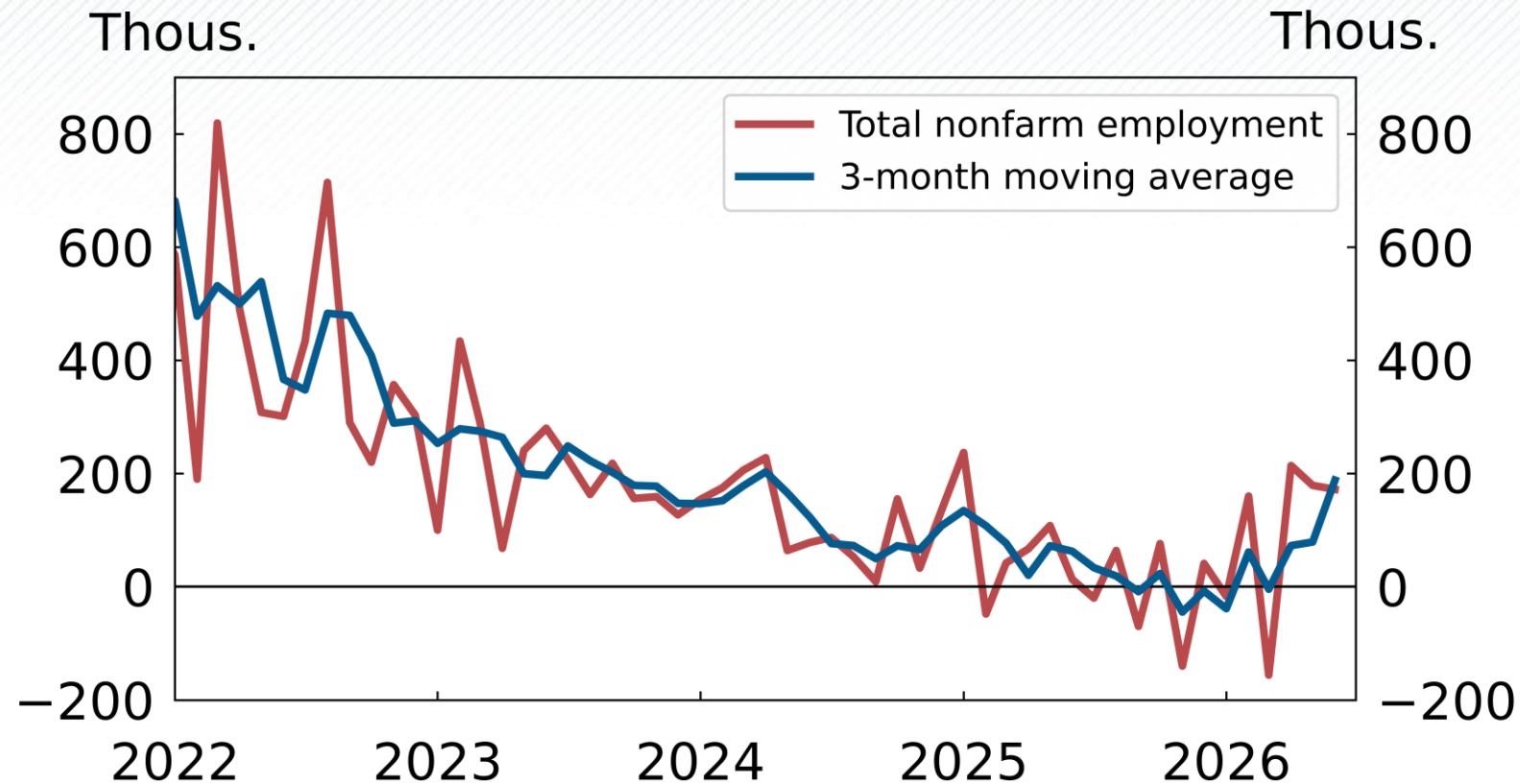
## Labor Market – Household Side

- 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.



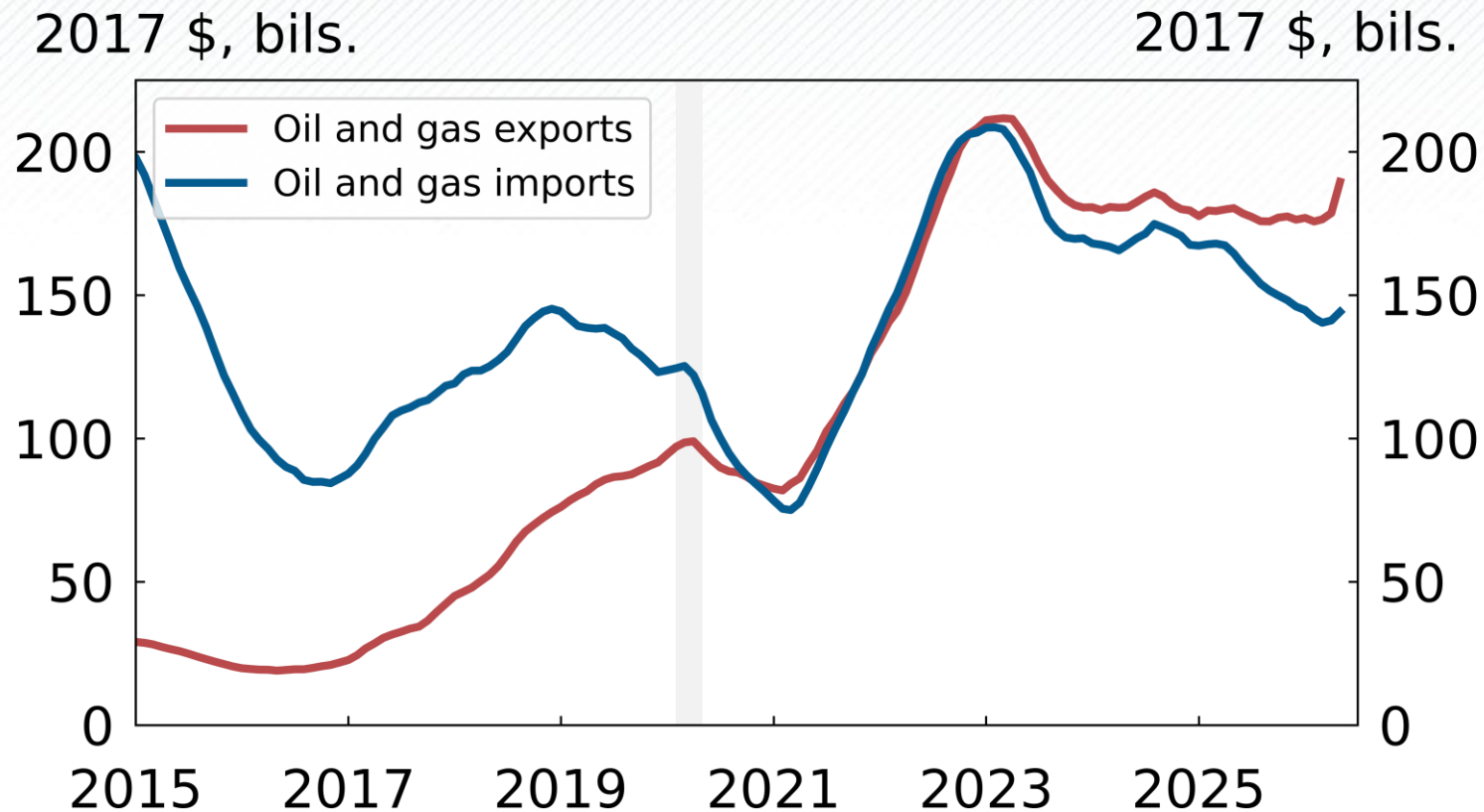
## Labor Market – Employer Side

- 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.

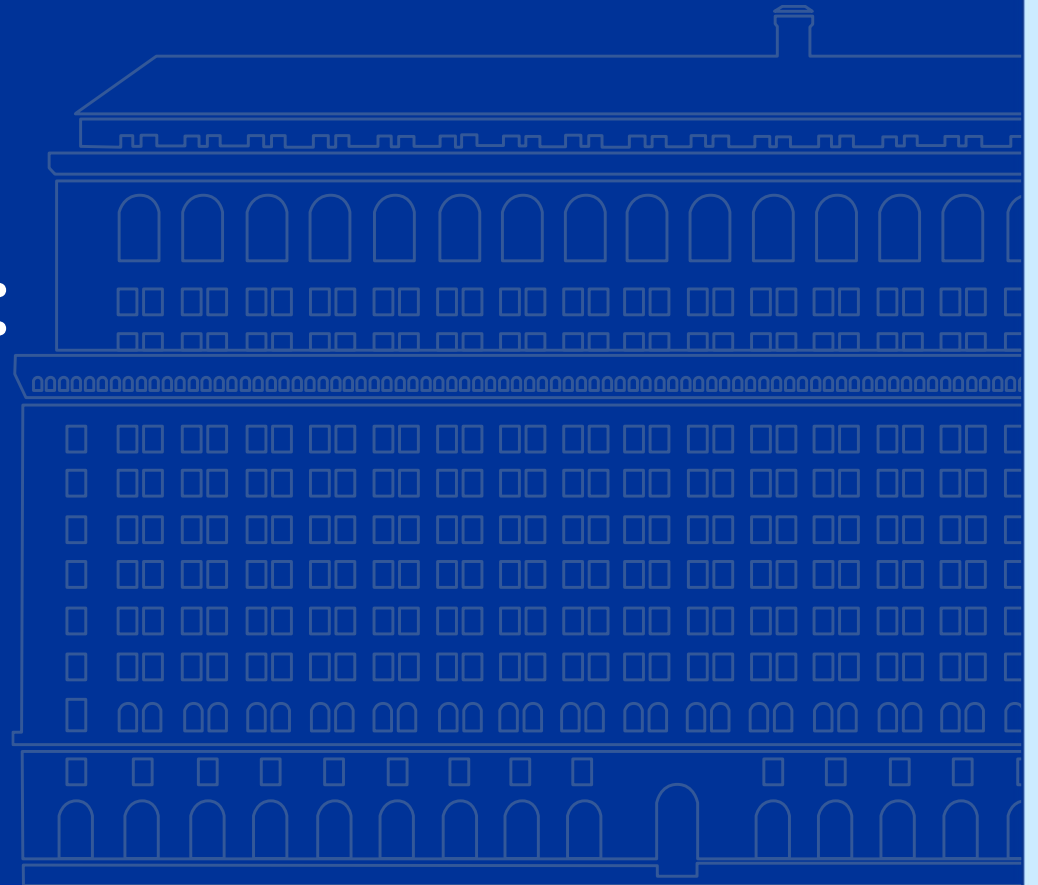


## Oil Trade

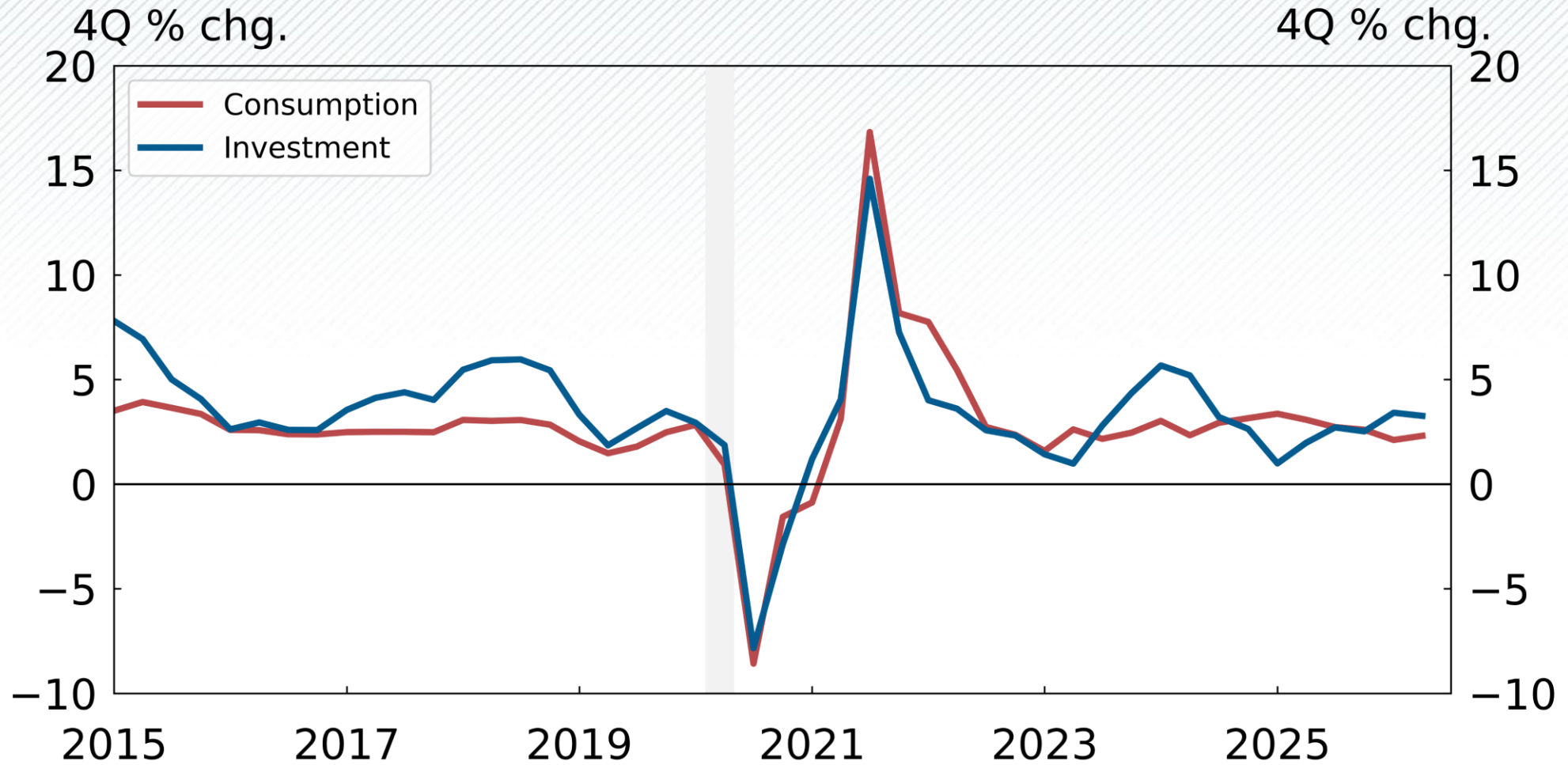
- The U.S. has been drawing down oil inventories to export due to increased oil prices. Oil trade balance surplus from March and April amounts to \$17 billion.
- Consumers are more exposed: spending on energy goods is about 2% of PCE.



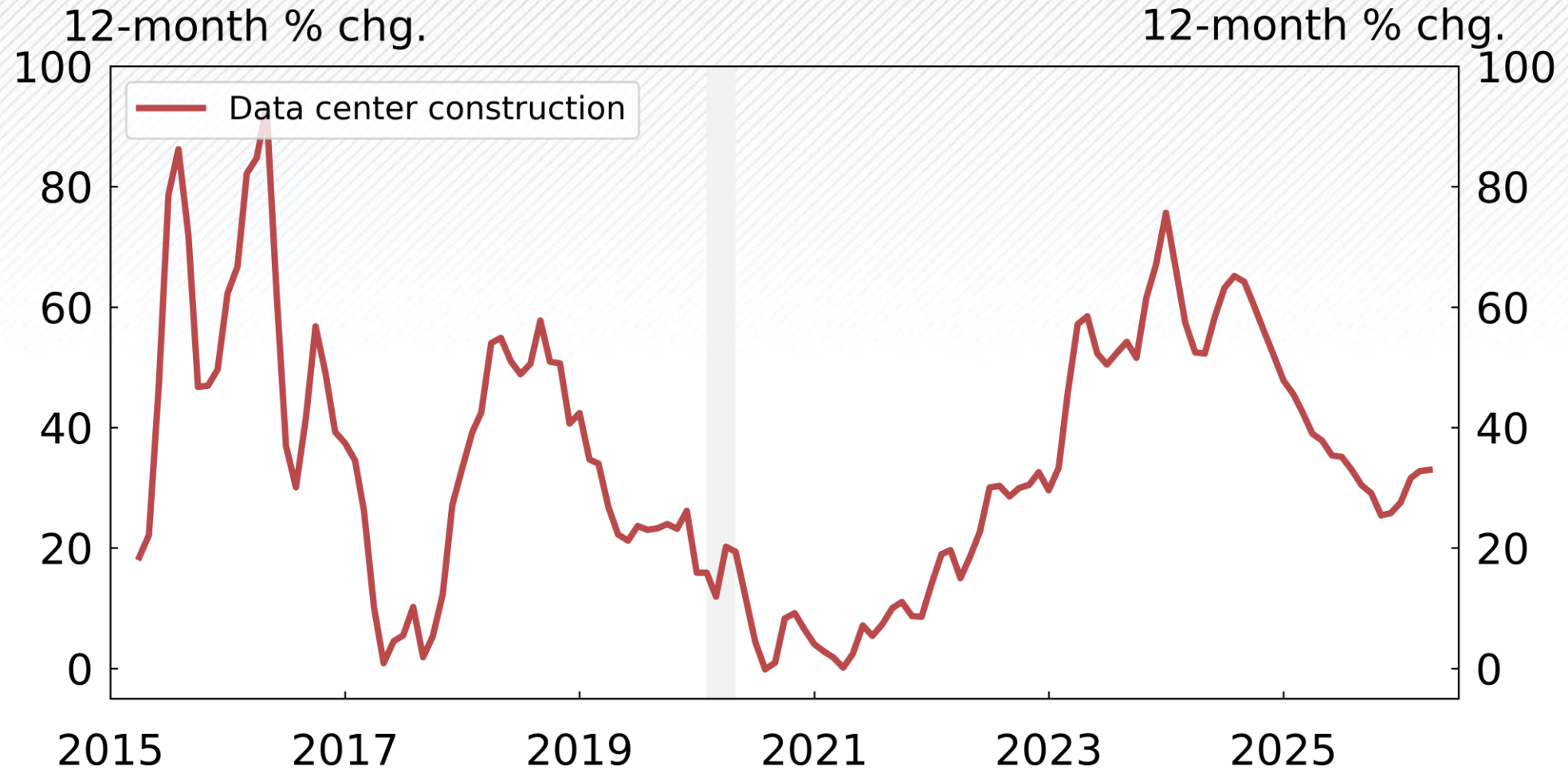
# U.S. Economic Conditions: Underneath The Waves



# Consumption and Investment Remain Robust



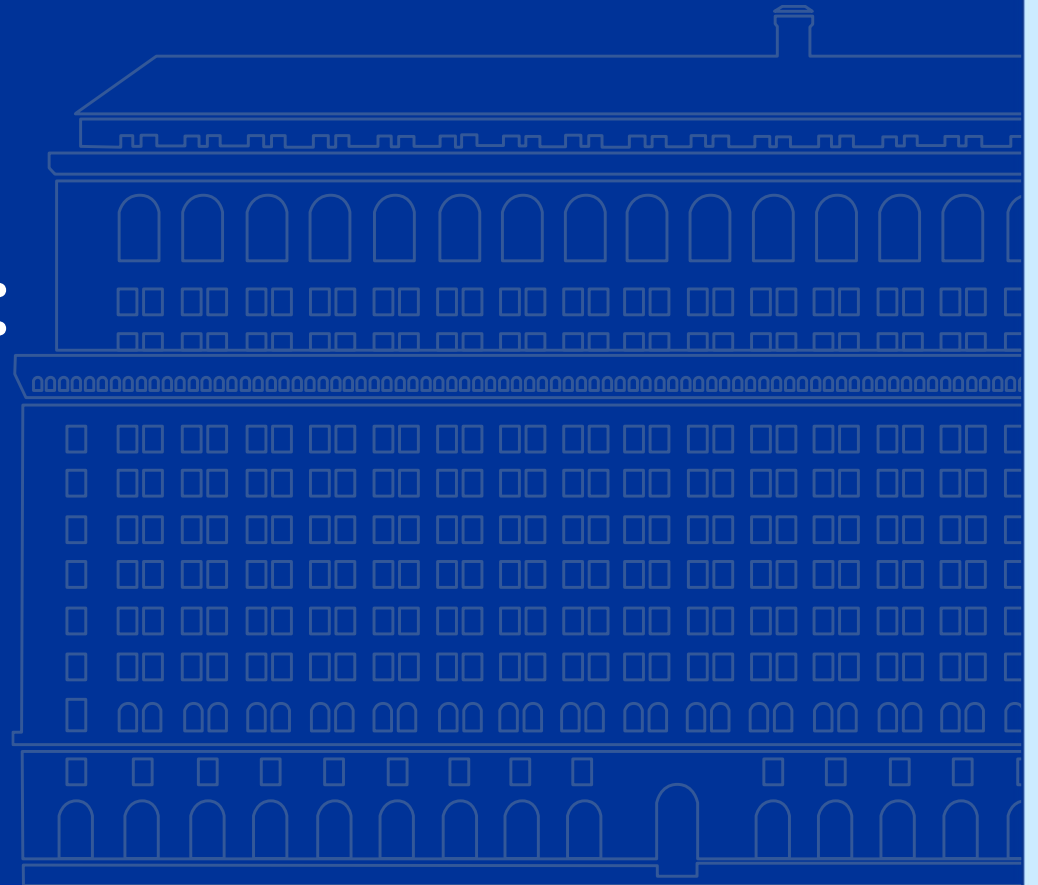
# Data Center Construction Has Cooled (But Still Growing)



Source: Bureau of Economic Analysis via Haver Analytics.

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

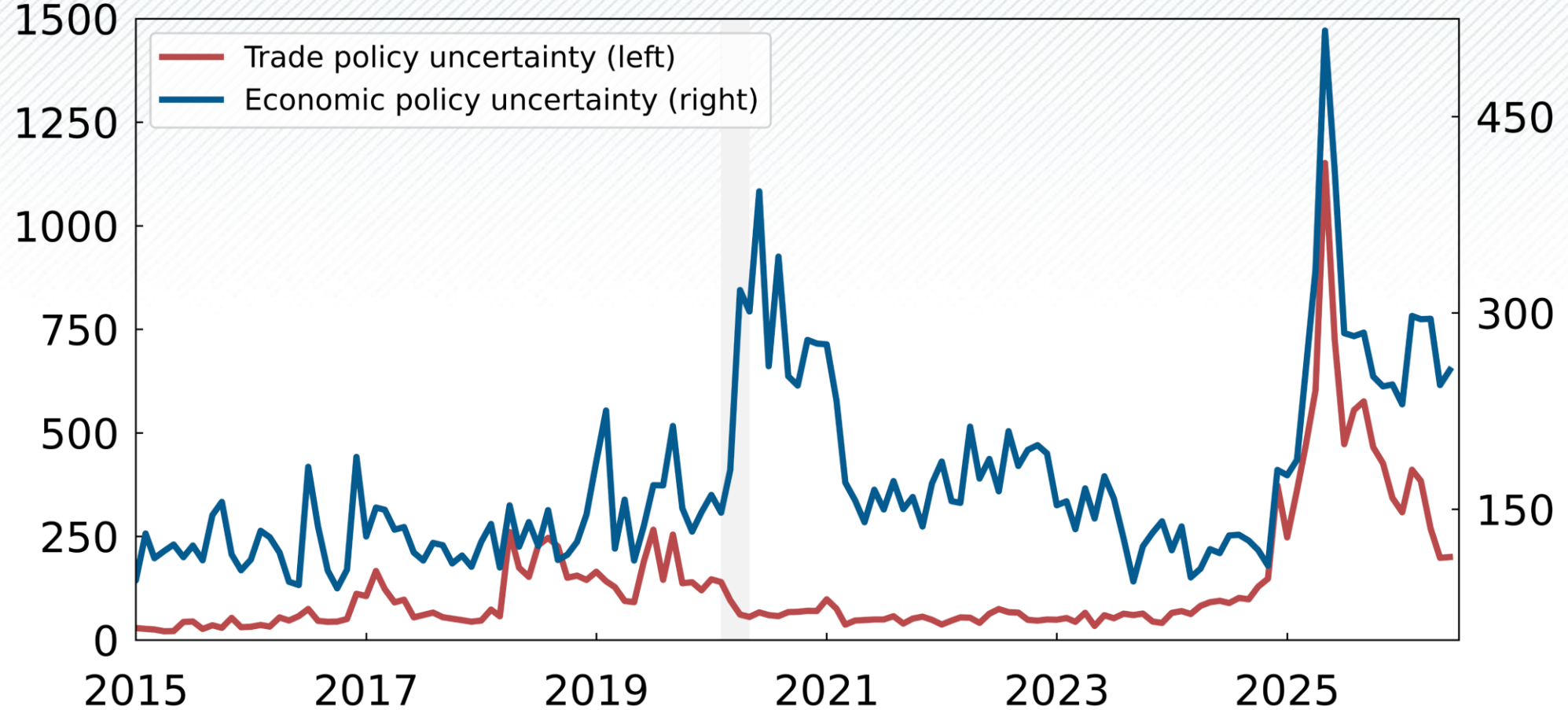
# U.S. Economic Conditions: Shifts In The Currents



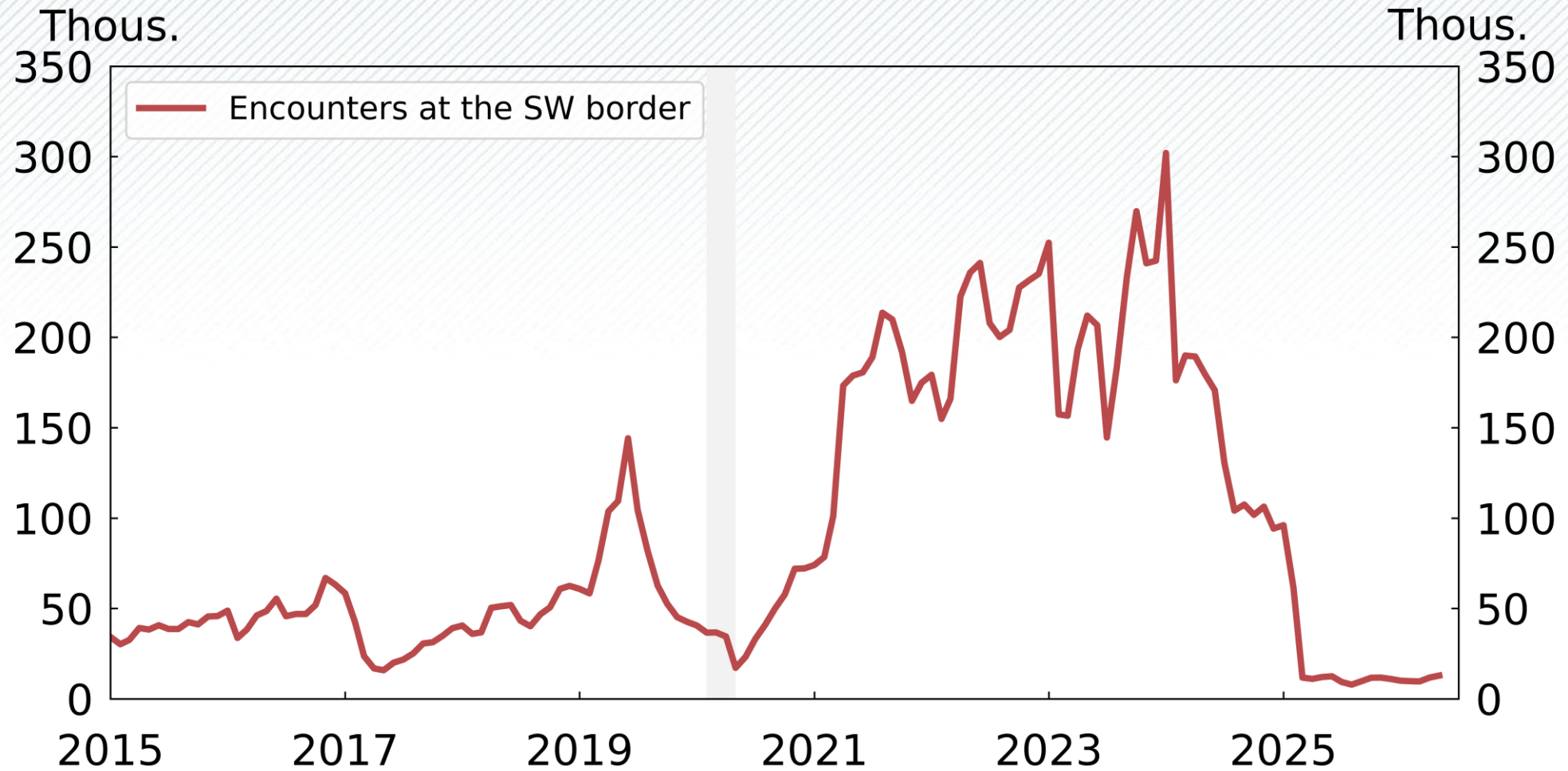
# Policy Uncertainty Remains Elevated

1% of news articles=100

2000-01=100

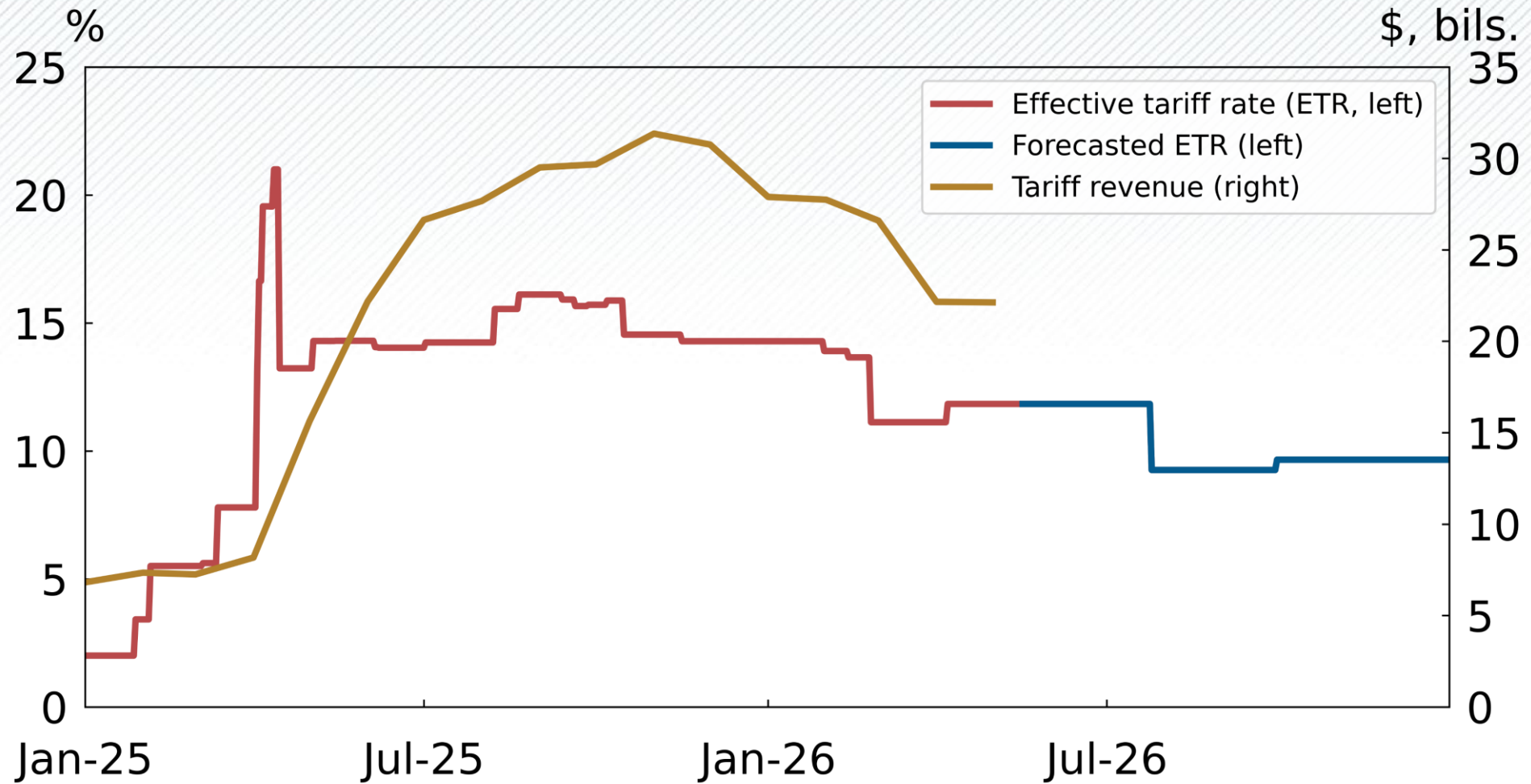


# Shift #1: Large Immigration Changes

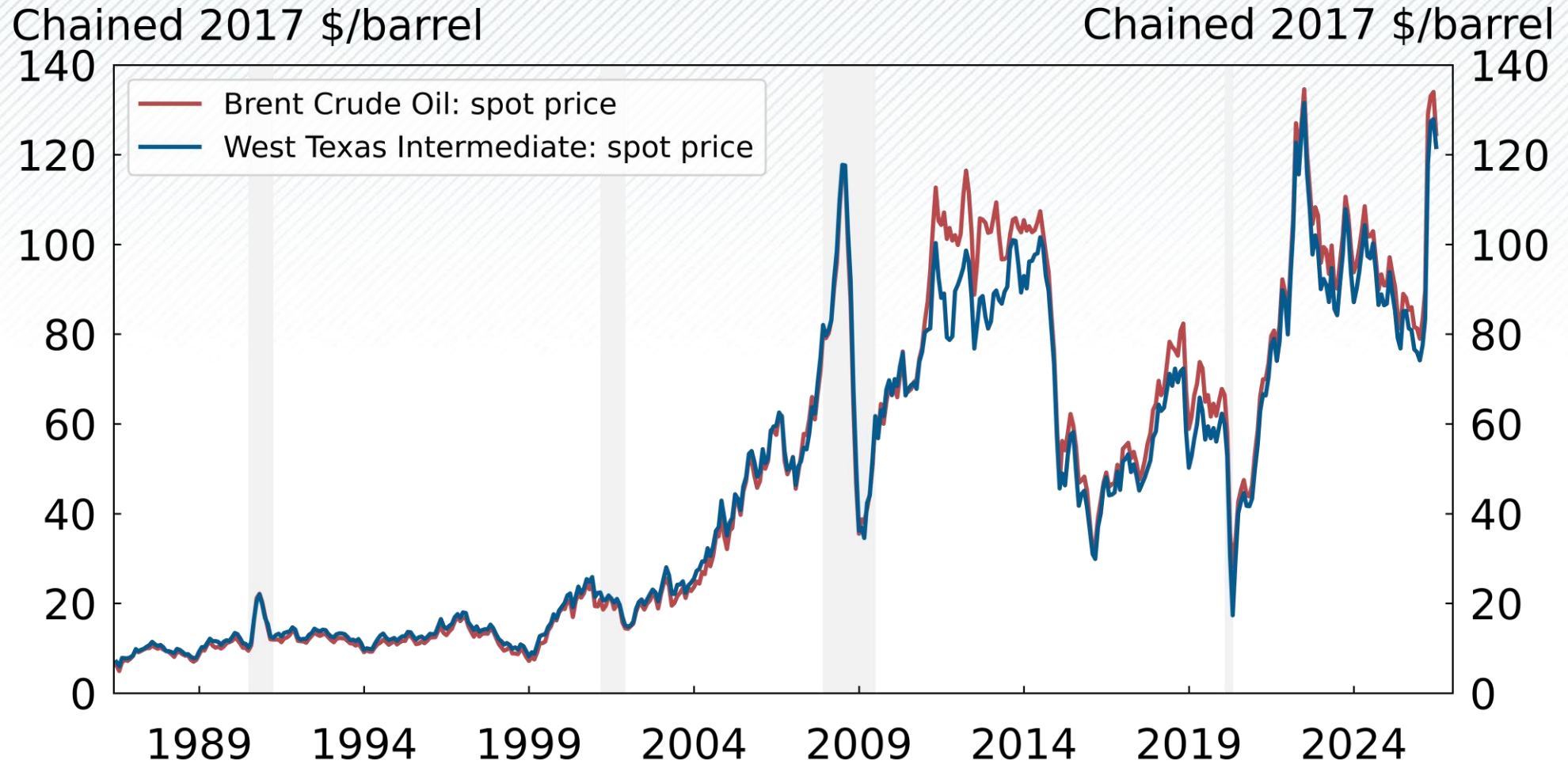


Source: Customs and Border Protection via Haver Analytics.

## Shift #2: Effective Tariff Rate and Revenue



## Shift #3: Oil Shocks



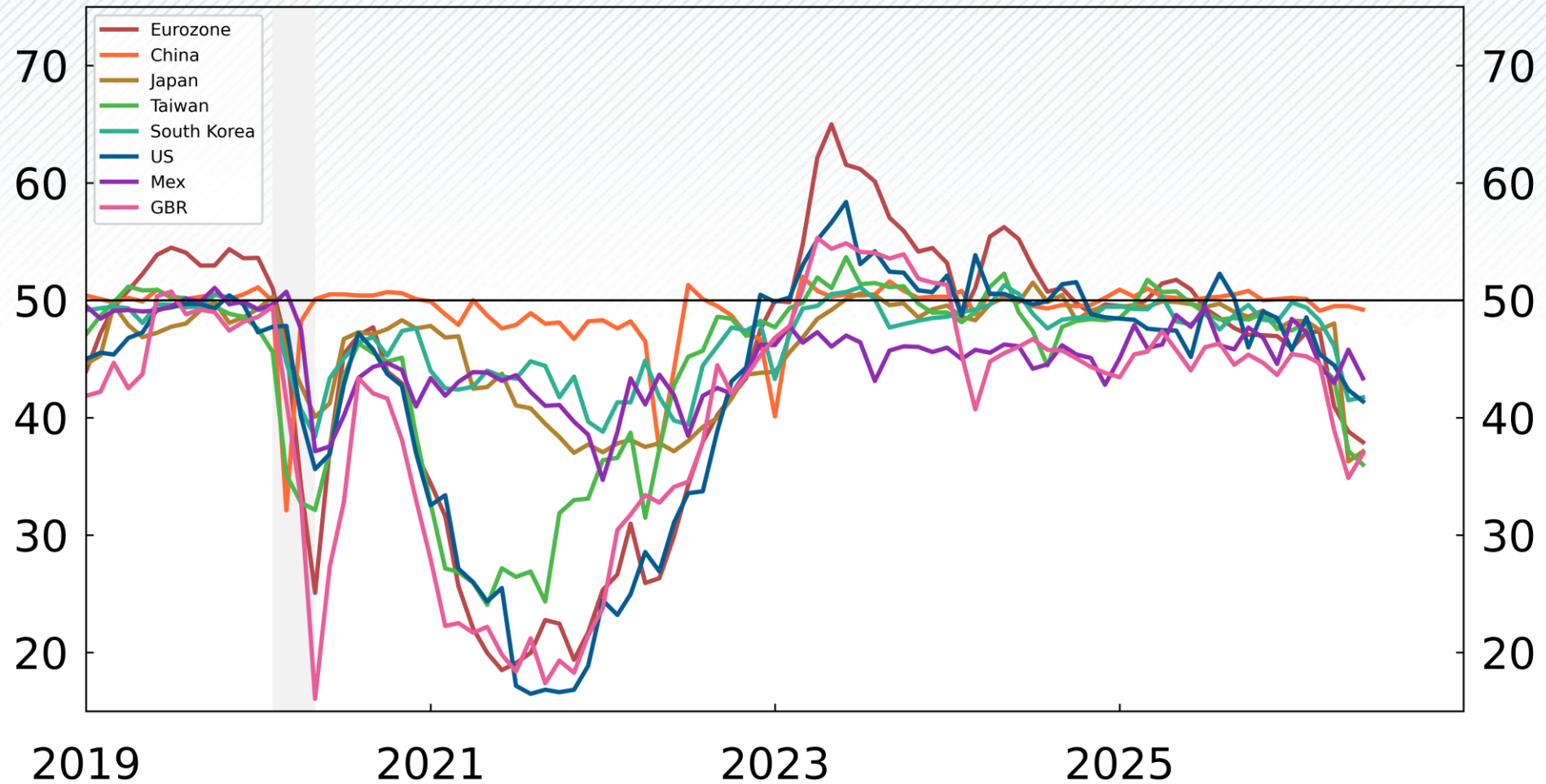
Sources: Energy Information Administration, Chicago Mercantile Exchange, Intercontinental Exchange, and Bureau of Economic Analysis via Haver Analytics.

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

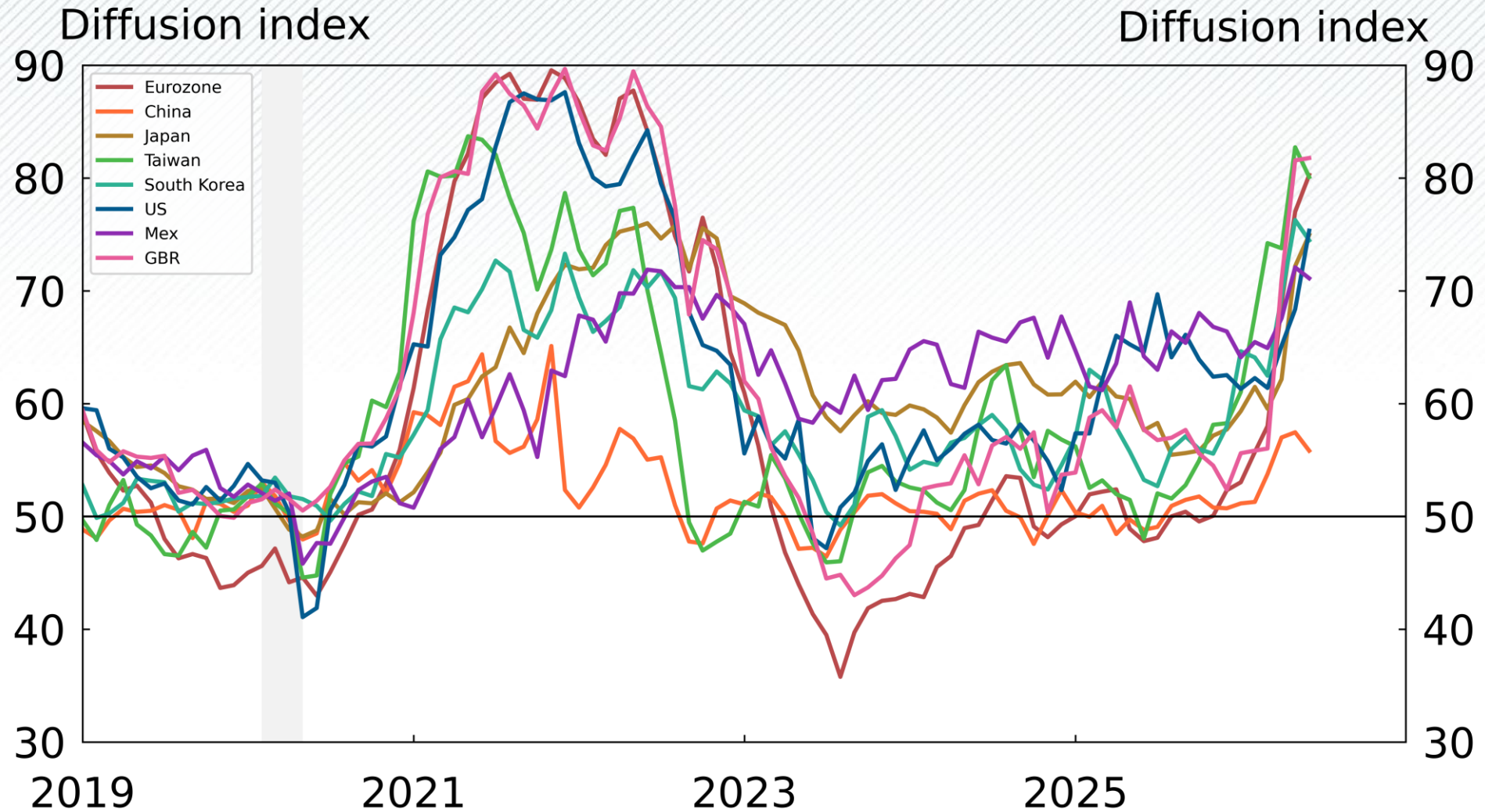
# Shift #4a: Oil Shocks Reverberations – Delivery Times

Diffusion index

Diffusion index



# Shift #4b: Oil Shocks Reverberations – Input Prices



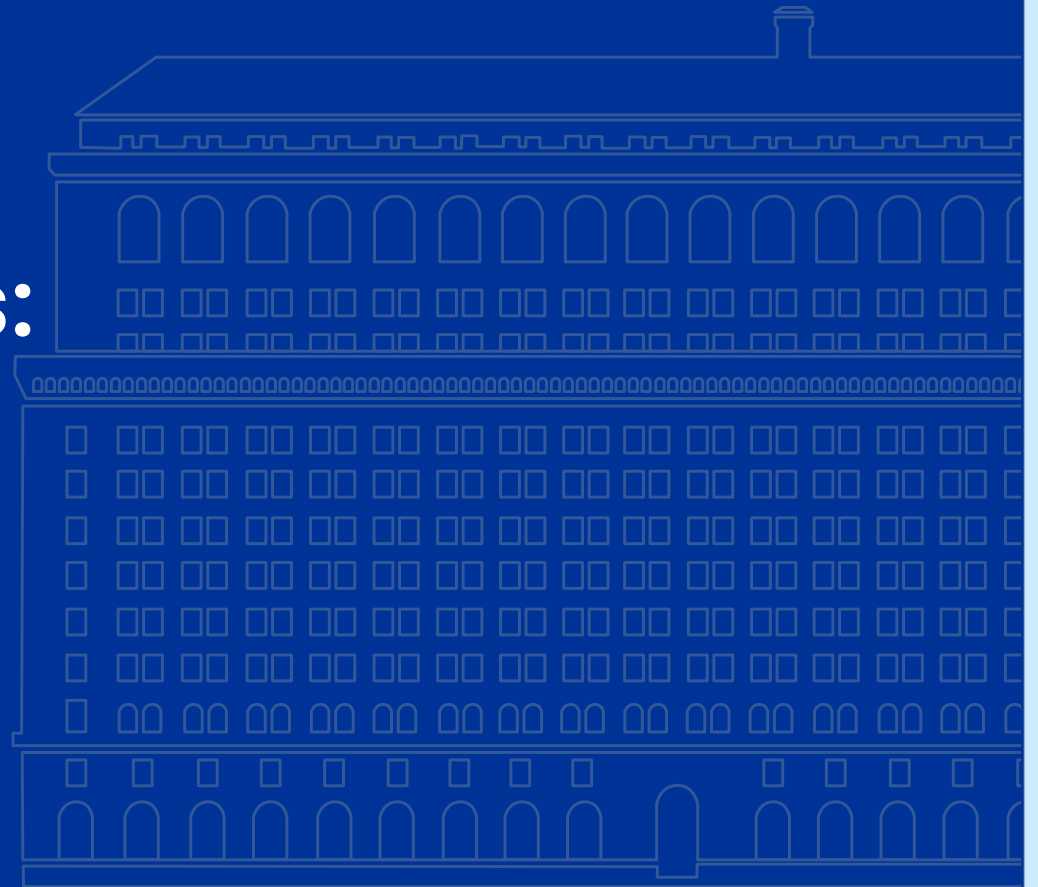
Source: S&P Global via Haver Analytics.

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

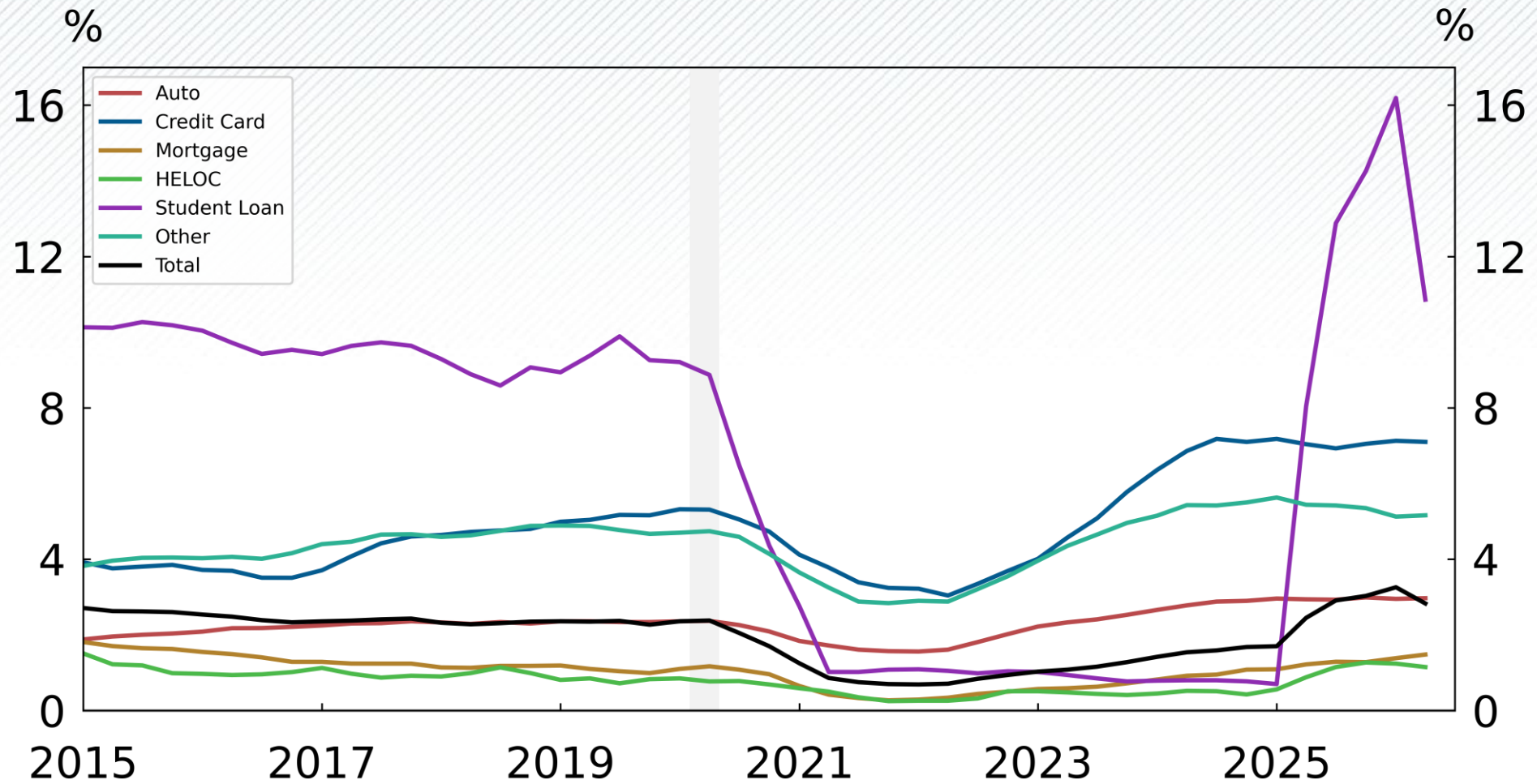
# Policy Shifts Heavily *Distributional*

- 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



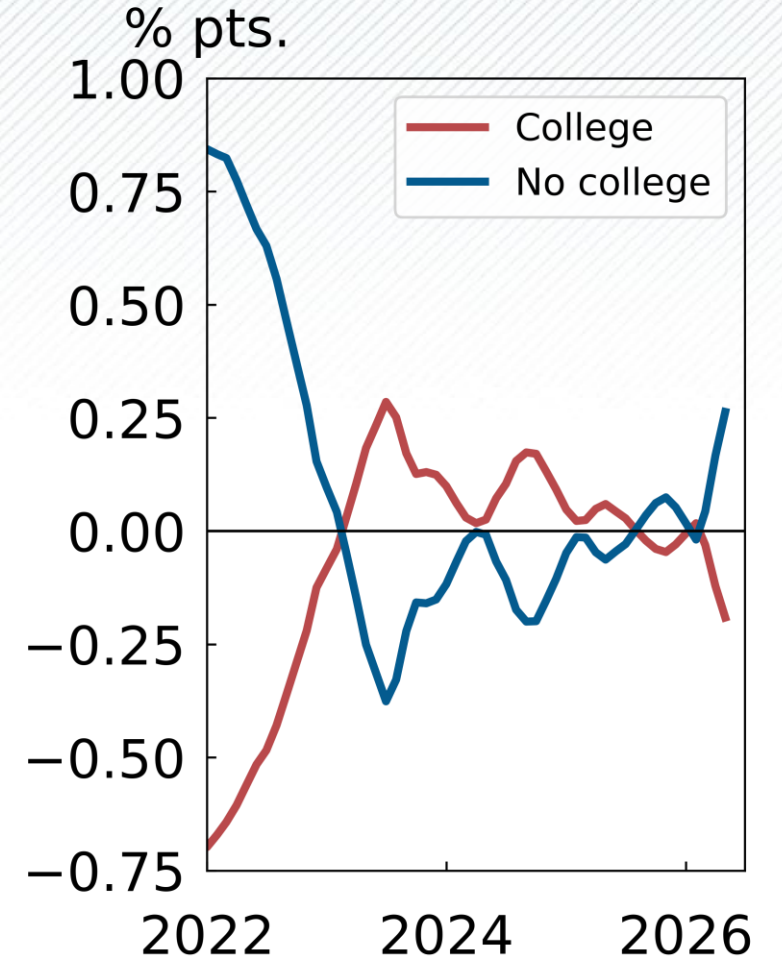
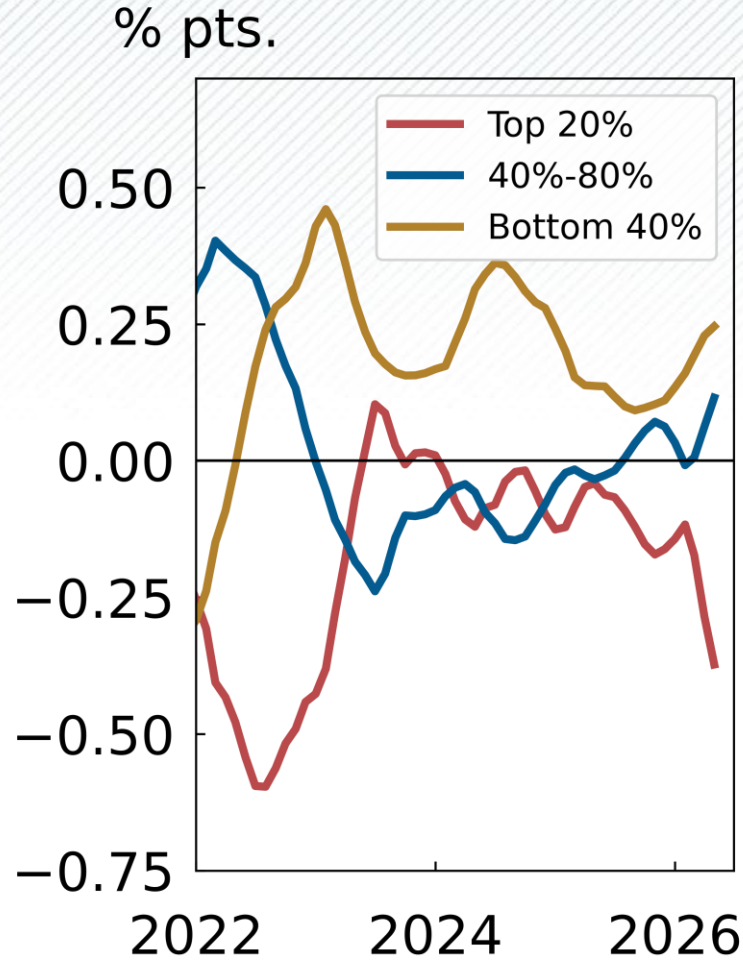
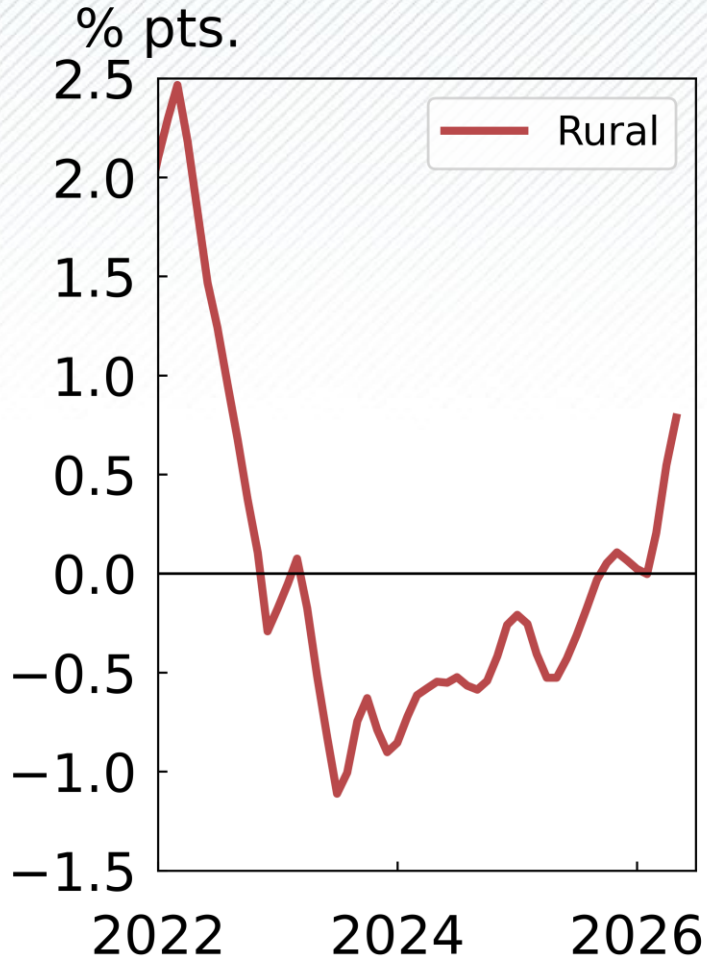
# Consumers Feel the Cooling



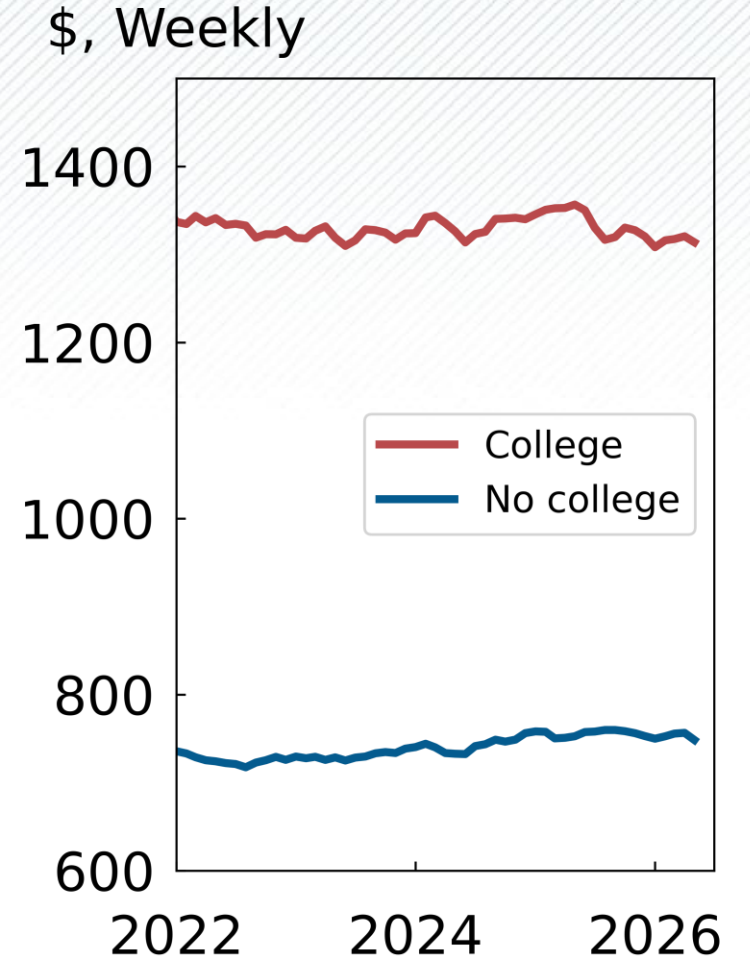
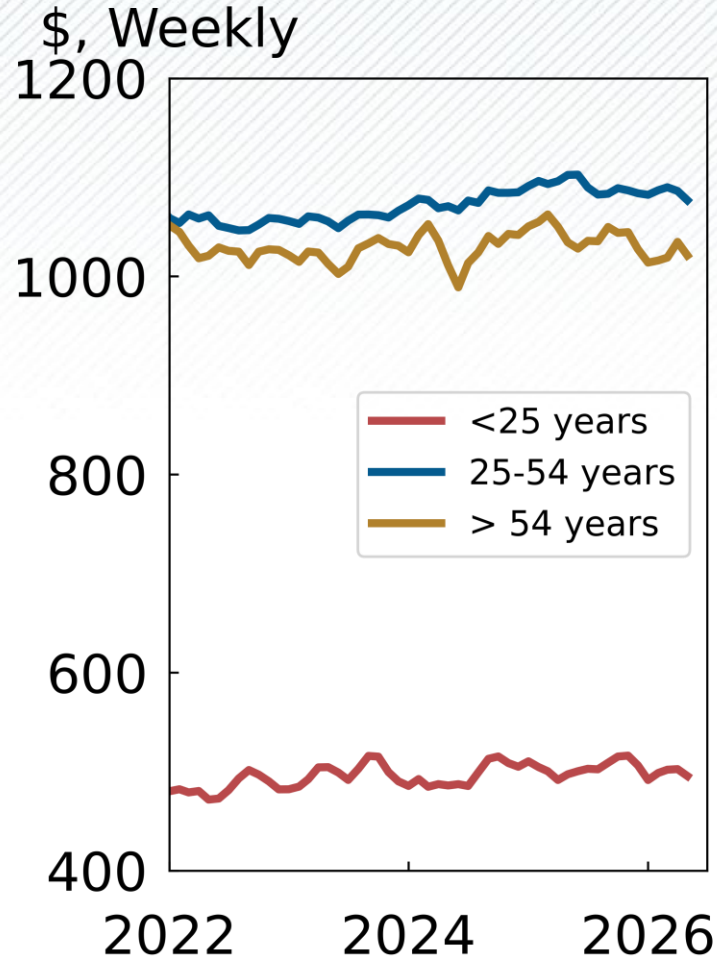
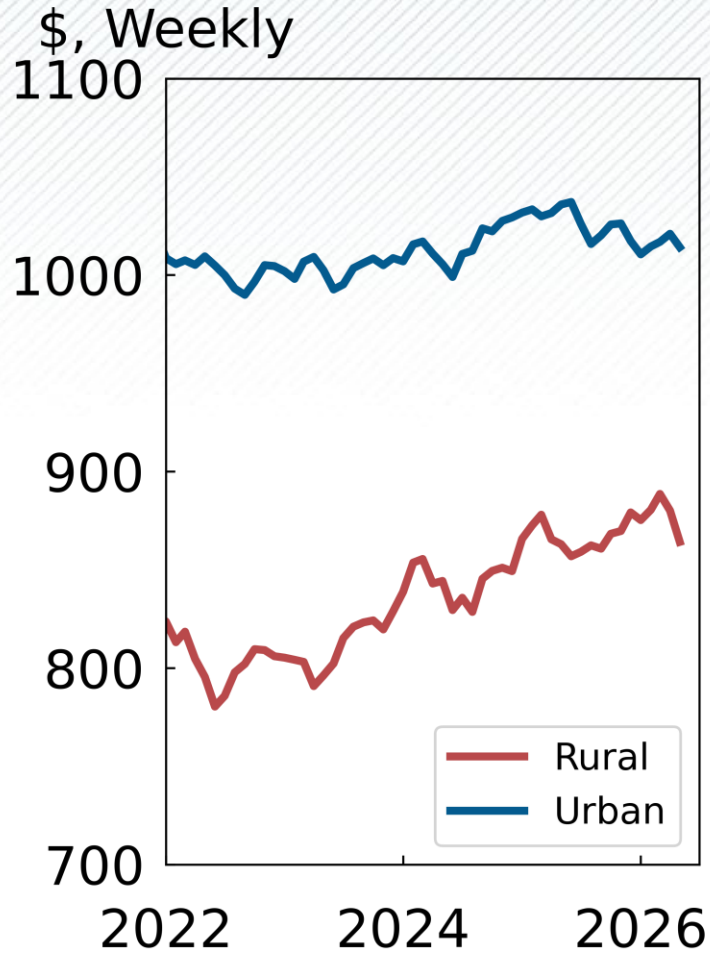
Source: New York Fed Household Debt and Credit Report (2026 Q1).

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

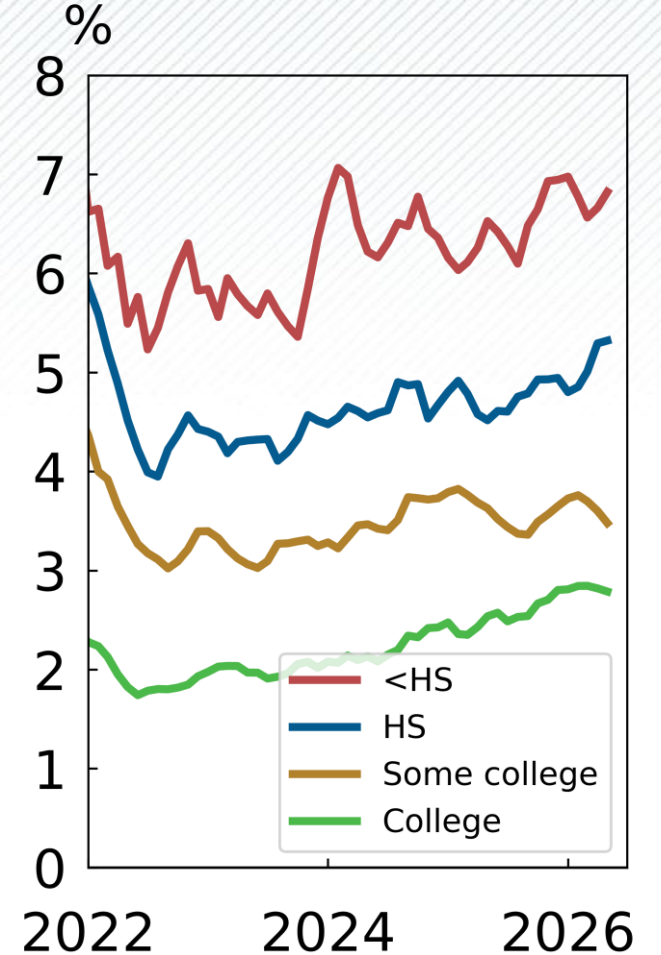
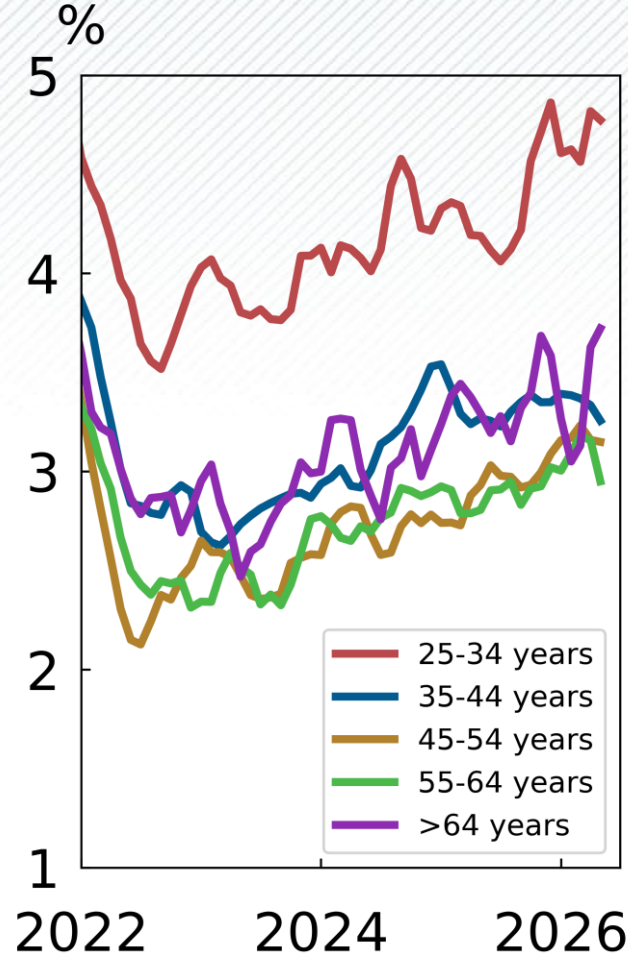
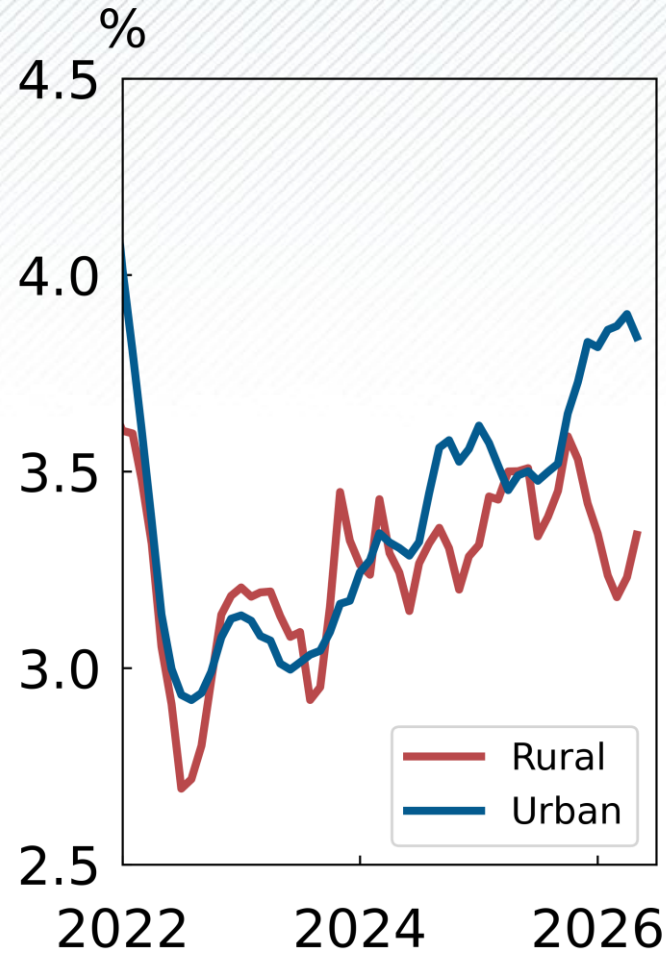
# Inflation by Urban Status, Income, and Education



# Real Earnings by Urban Status, Age, and Education



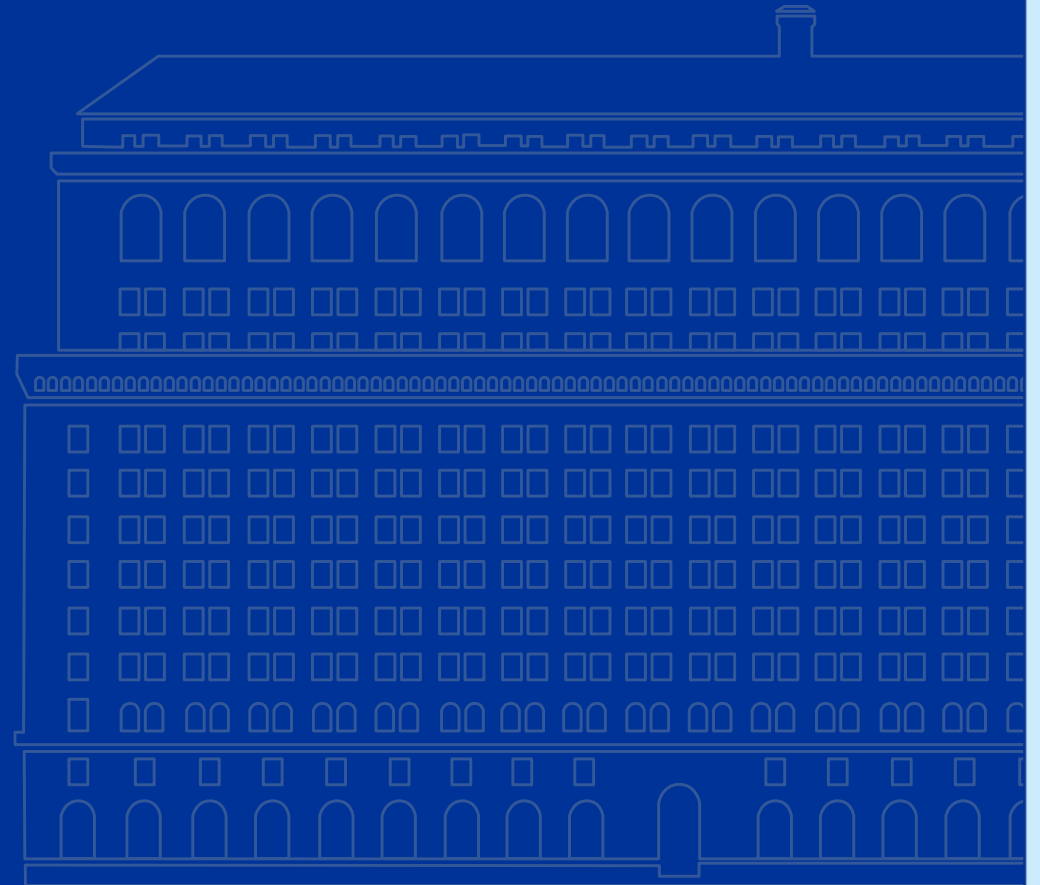
# Unemployment Rate by Urban Status, Age, and Education



Source: New York Fed Economic Heterogeneity Indicators.

Note: Unemployment rate gaps are relative to overall (urban) unemployment.

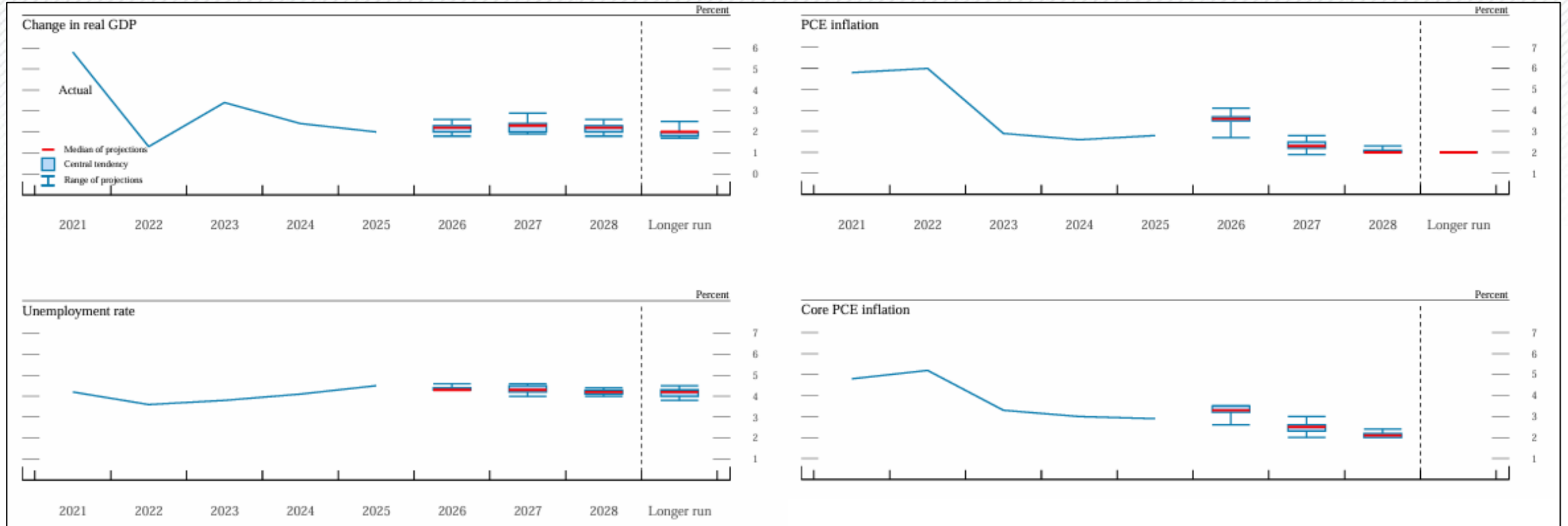
# Monetary Policy: Here and Ahead



# A Bird's-Eye View of Monetary Policy

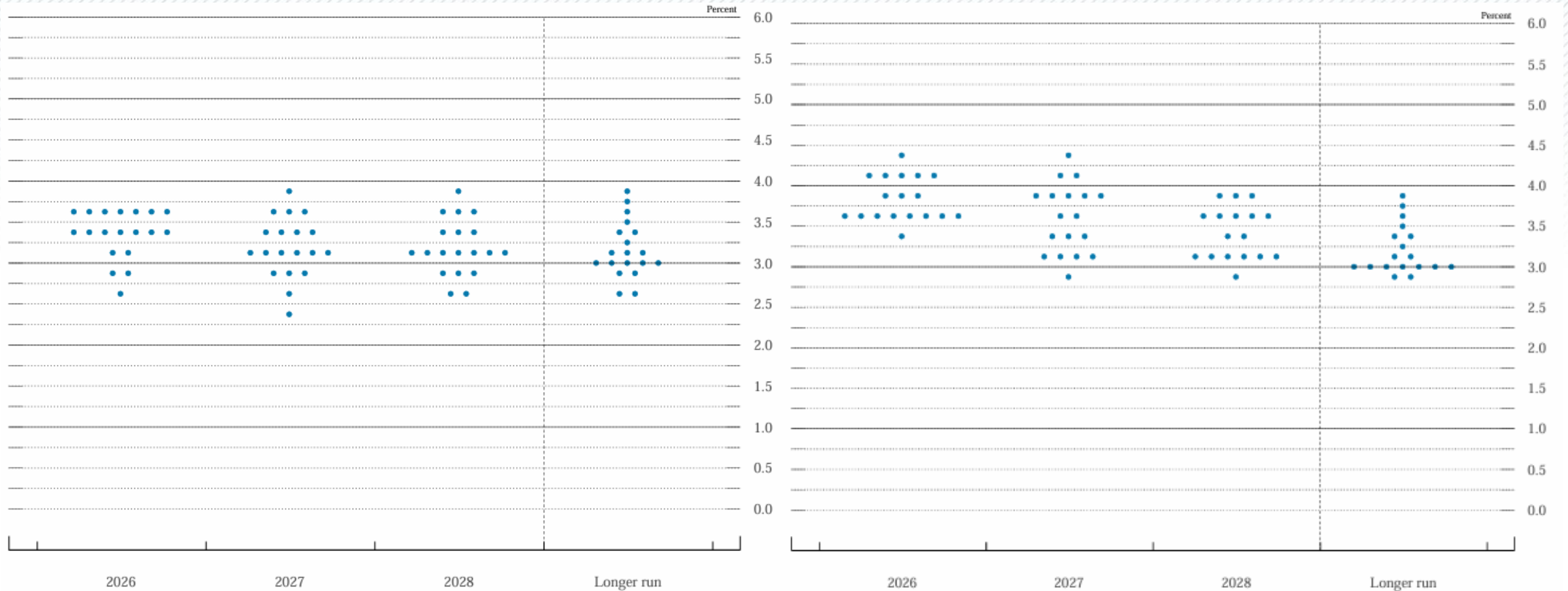
- **Two key observations:**
  - **Monetary policy can have big real effects in the short-run.**
    - Implication: Use monetary policy to help manage shocks hitting the economy, especially to prevent or soften recessions.
  - **Monetary policy can at best control only inflation in the longer run.**
    - 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 June 2026 Federal Open Market Committee Meeting.

# FOMC Policymakers' View on Rates Ahead



Sources: Survey of Economic Projections from the March 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 conveyed a continued need to watch and wait!**

## June FOMC Statement

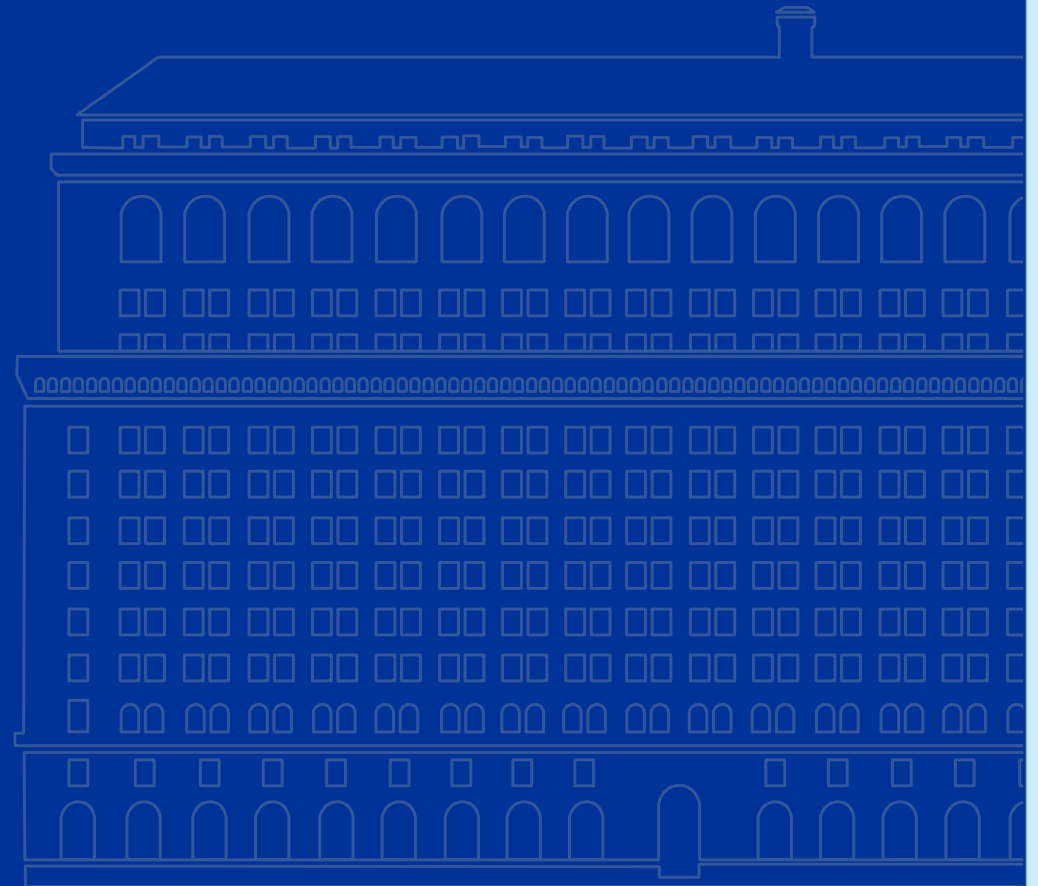
- **Fundamentals:**

- “The Committee decided to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent, in support of the Federal Reserve’s dual mandate. The Committee reaffirmed its policy of maintaining ample reserves in the banking system.”

- **Uncertainty:**

- “Economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East. Productivity growth and capital investment are strong. Job gains have kept pace with the workforce, and the unemployment rate has changed little.”

# 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 cooling, but not icing: mid-4s unemployment.
  - Private forecasts have inflation closer to 3.6% this year, but SEP expects closer to target in 2028.
- **However...**

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

- **Micro (household and business-level) uncertainty is unusually high.**
  - Labor market cooling.
  - 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**
  - [Measuring Treasury Market Liquidity](#)



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