The U.S. Economy: Reflections and a Look Ahead

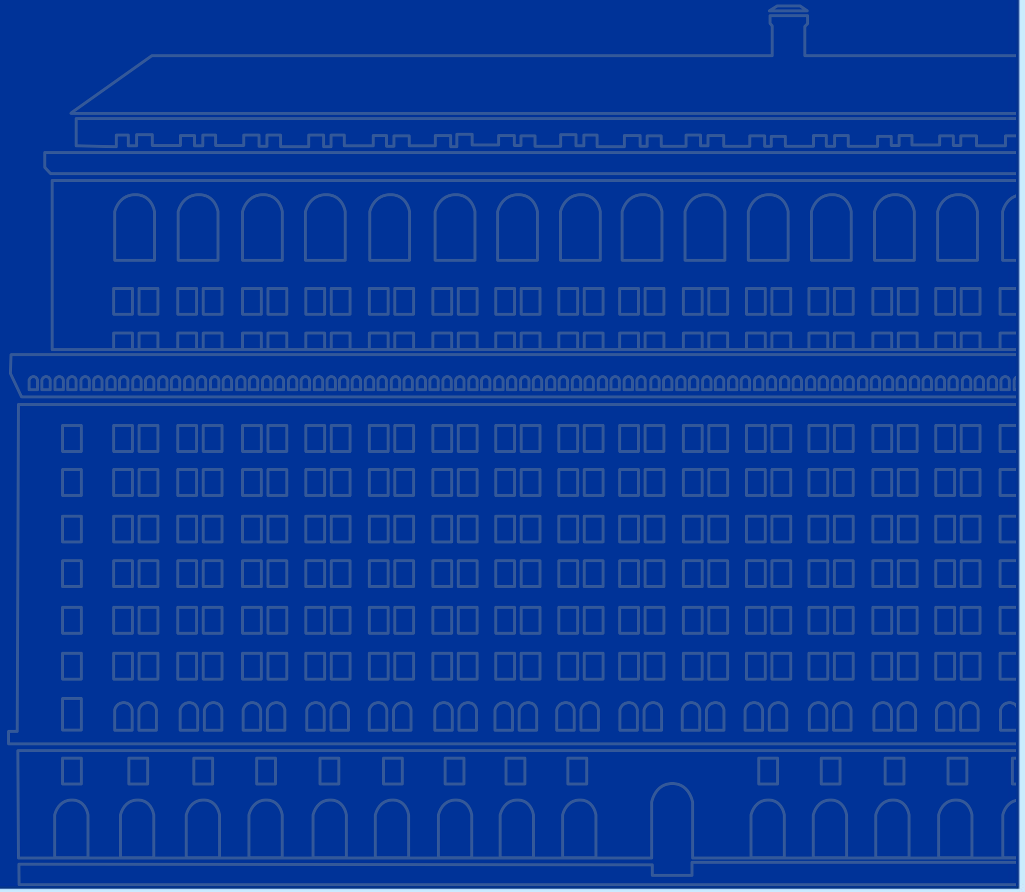
Hosted by the Tioga County Chamber of Commerce
In Partnership with Tioga State Bank; Presented by SUNY Broome

February 19, 2026

Kartik Athreya, Federal Reserve Bank of New York

Slides prepared by Elizabeth Li and William Zeng

From 2025 to 2026: Big Changes, Macro Steadiness



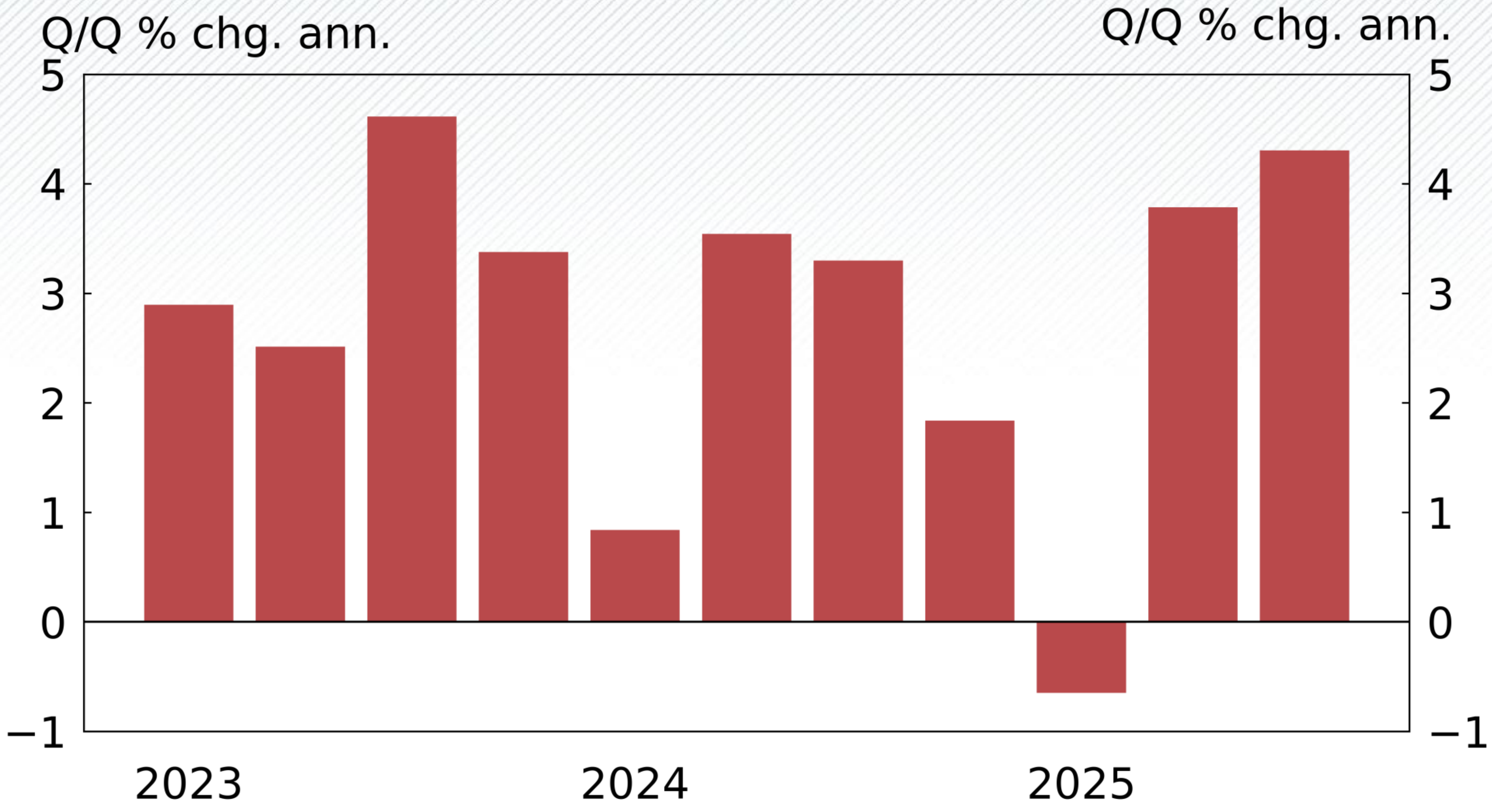
FEDERAL RESERVE BANK *of* NEW YORK

Current U.S. Economy: Strong but Cooling

- **Growth:**
  - Expecting 2026 real GDP to grow above trend, at around 2.5-2.75%.
- **Labor market:**
  - Conditions remain steady, slight decline (4.4% unemployment as of December 2025).
- **Inflation:**
  - Above target still: median December SEP PCE inflation projected at 2.9% for 2025, and, no, that is not close enough.
- **Economy appears to be *softening*:**
  - Fewer vacancies now than unemployed.
  - Investment soft outside of data centers (and even that is cooling).

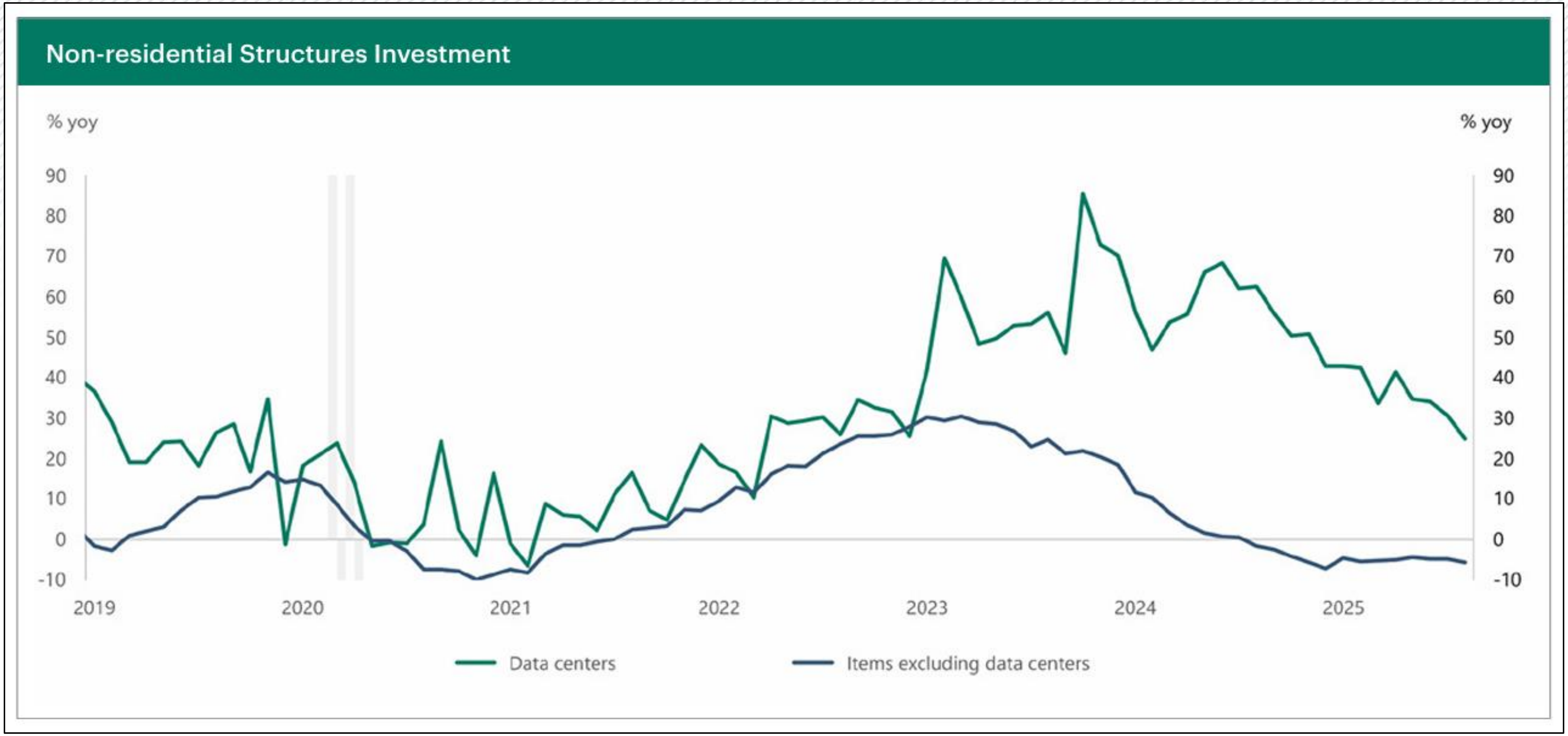
Sources: Bureau of Labor Statistics; Survey of Economic Projections from the December 2025 Federal Open Market Committee Meeting; John C. Williams' 01/12/2026 Remarks at the Council on Foreign Relations in New York City.

Top Line: So Far, So Good—GDP Not Slowing



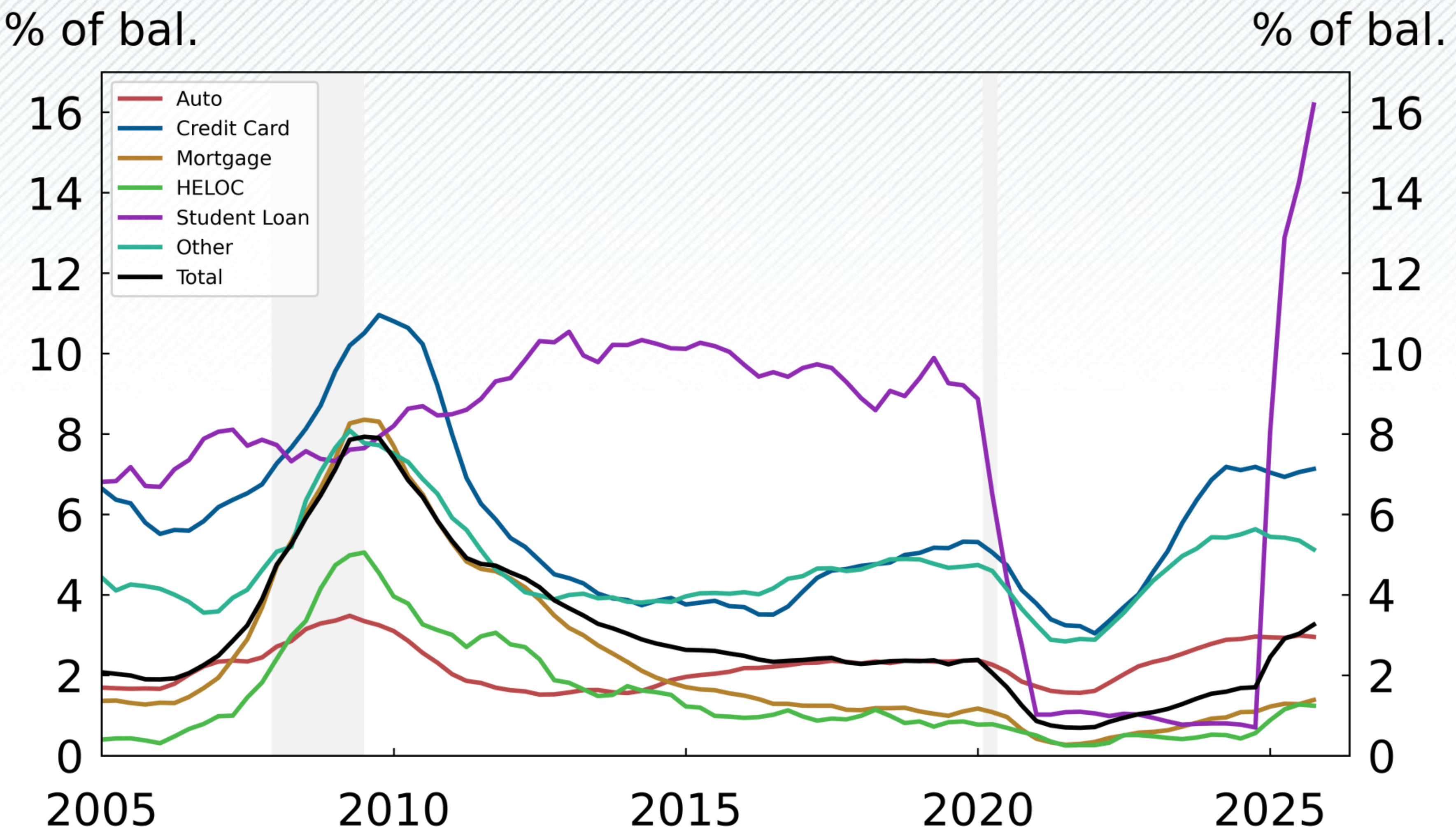
Source: Bureau of Economic Analysis via Haver Analytics.

Cooling Investment (Including for Data Centers)



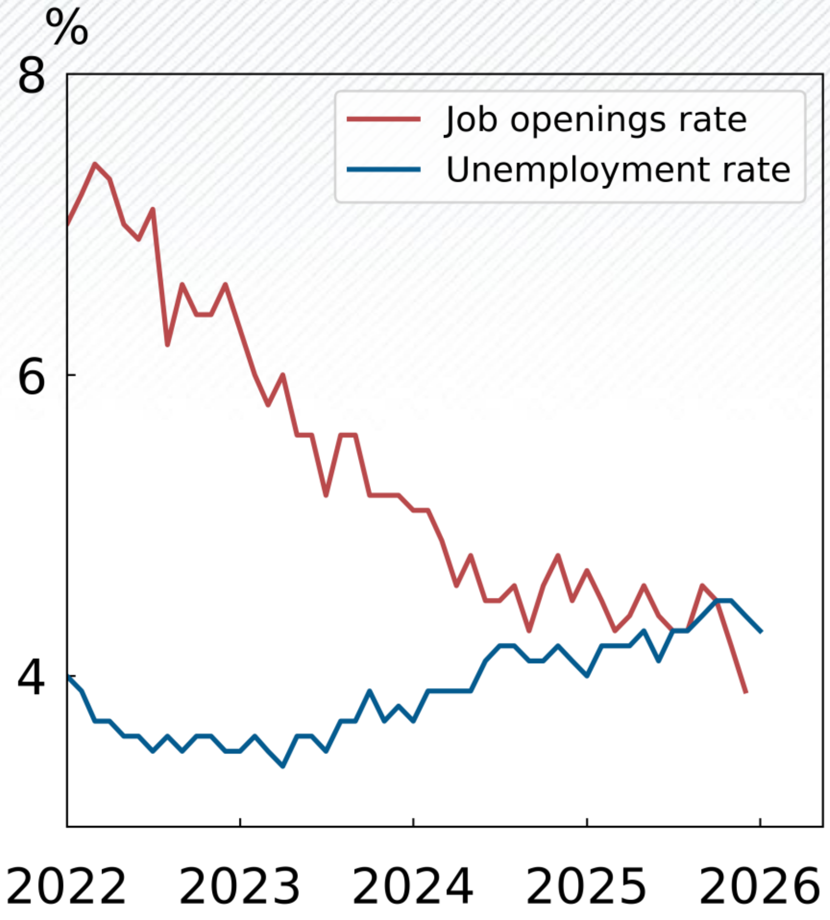
Sources: U.S. Census Bureau; Macrobond; Apollo Chief Economist.

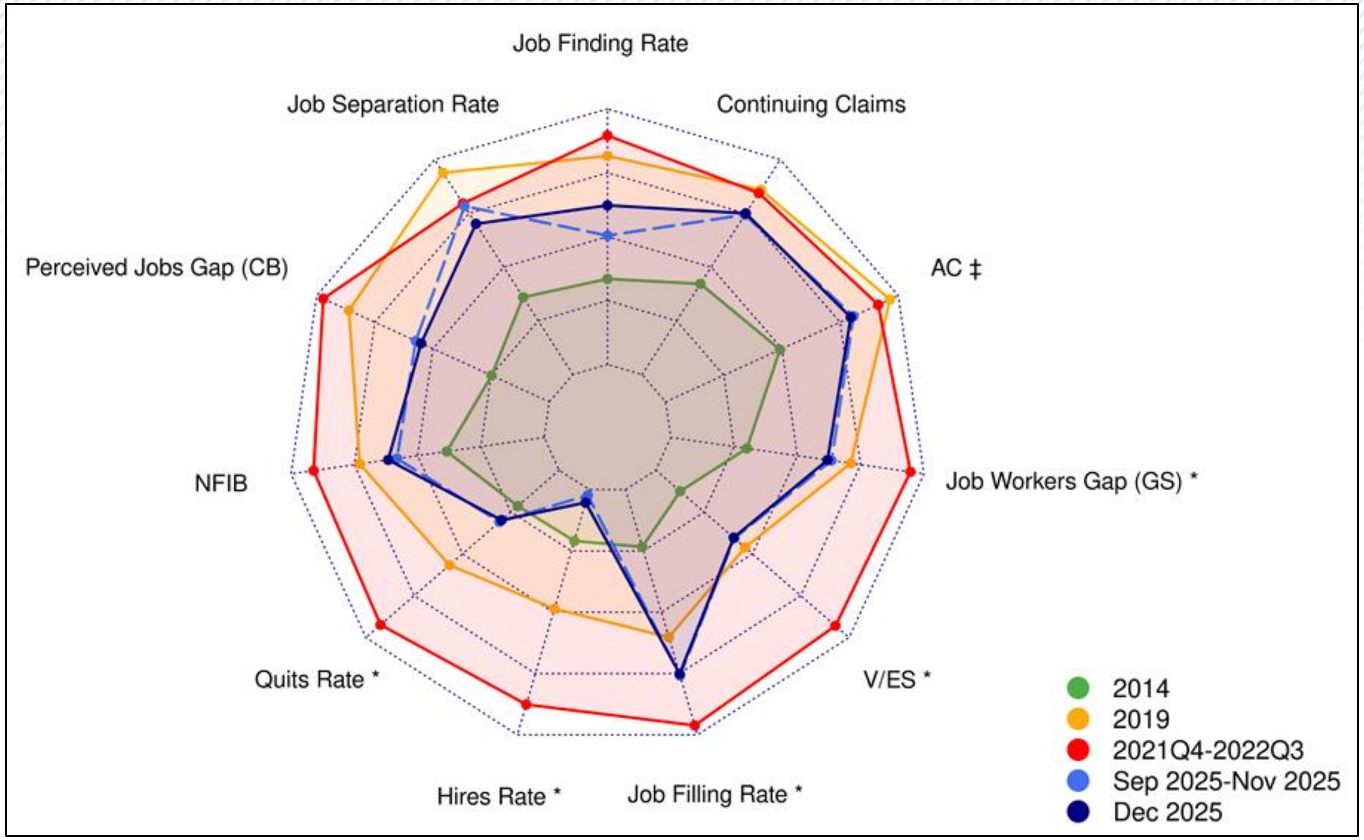
Consumers Feel the Cooling Too



Source: New York Fed Household Debt and Credit Report (Q4).
Note: Transition into serious delinquency (90+ Days) by loan type. Values are 4-quarter moving averages.

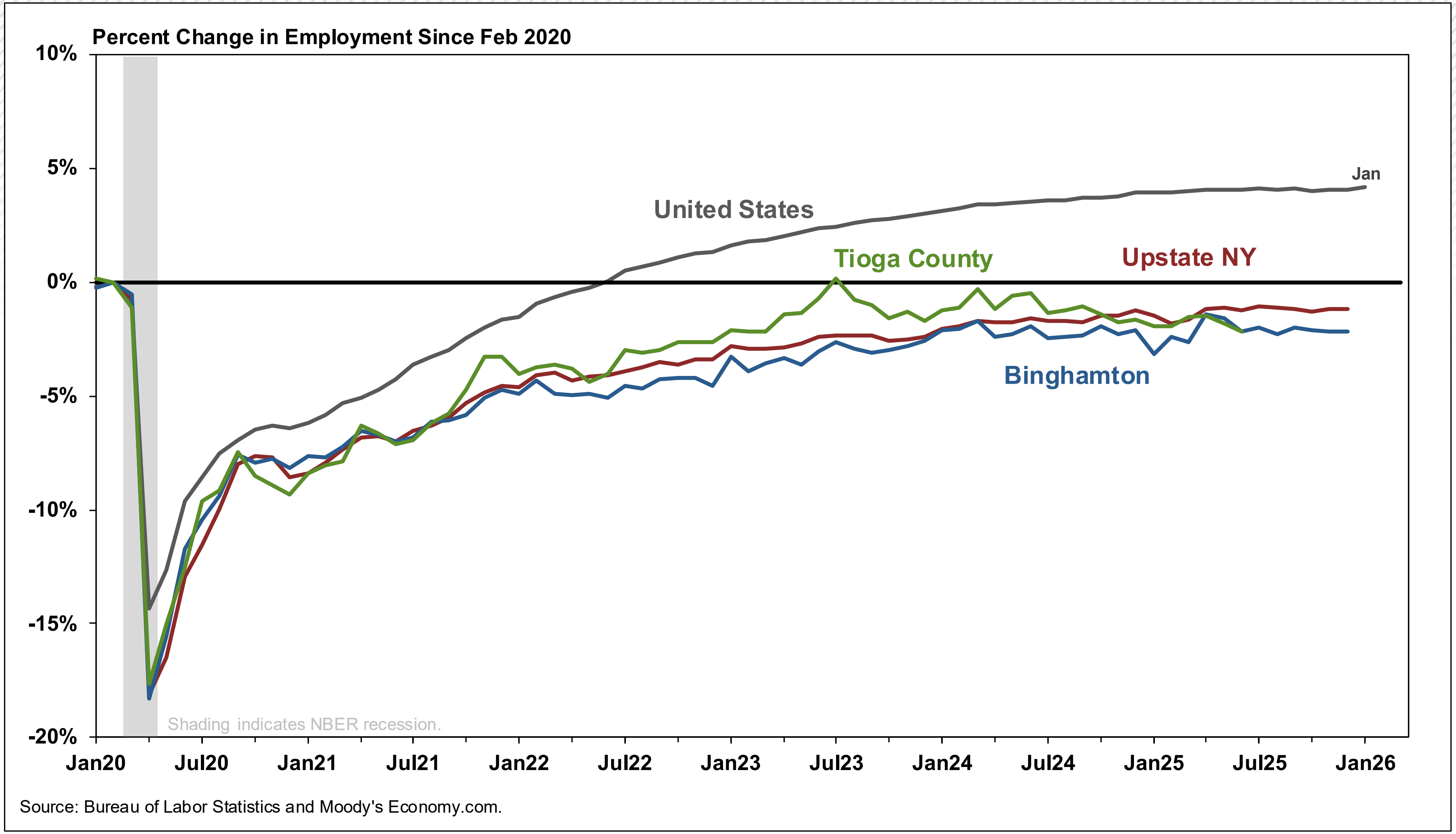
Labor Market Still Strong, But Cooling is Now Evident





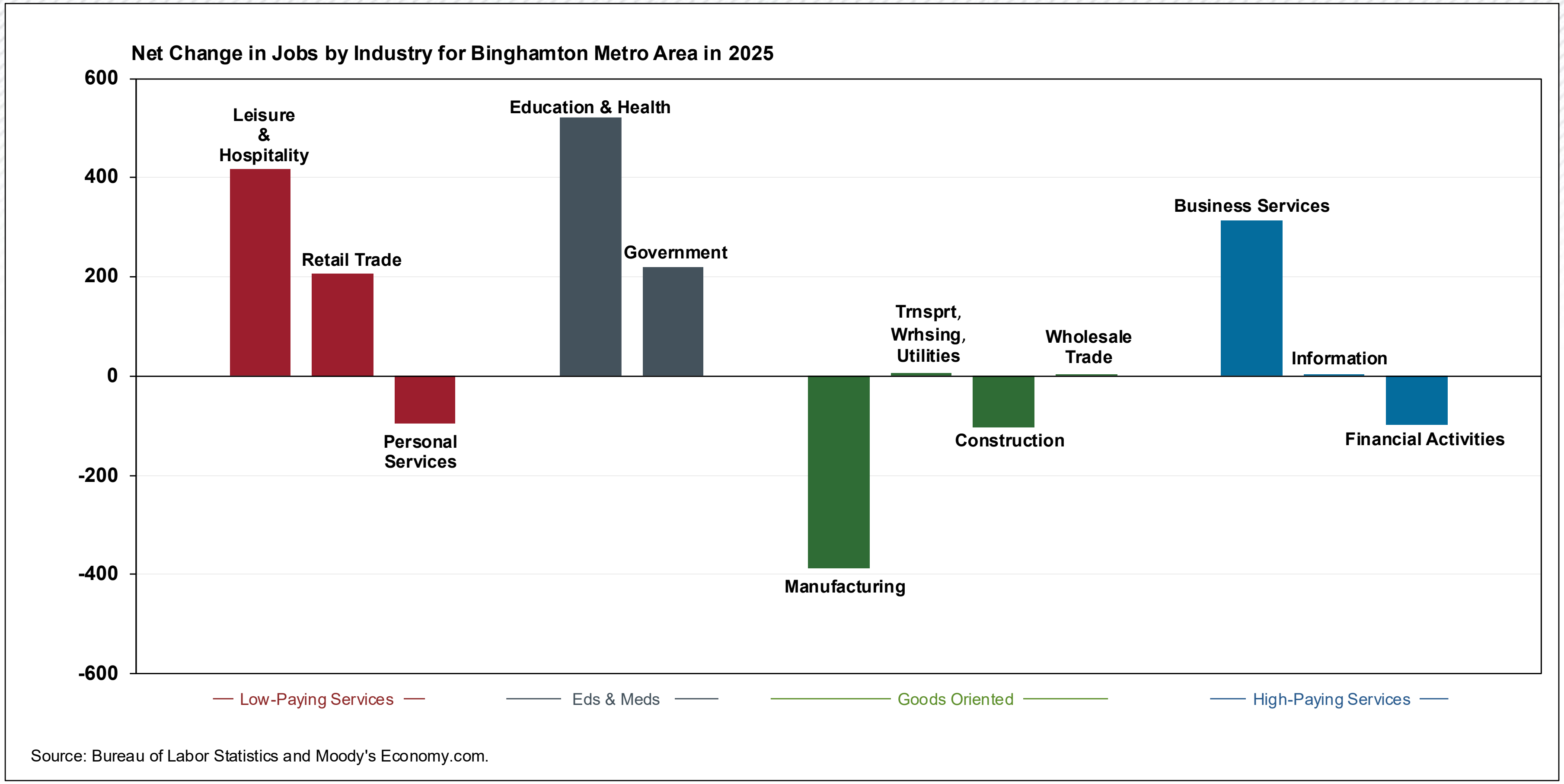
Sources: (Both) Bureau of Labor Statistics via Haver Analytics; (Right) Current Population Survey via U.S. Census Bureau.
Note: (Left) October 2025 unemployment rate interpolated. (Right) *: Measure is lagged by a month. ‡: Uses CPS microdata. Values are 3-month moving averages.

Employment Change: Tioga, Binghamton, New York, and Beyond



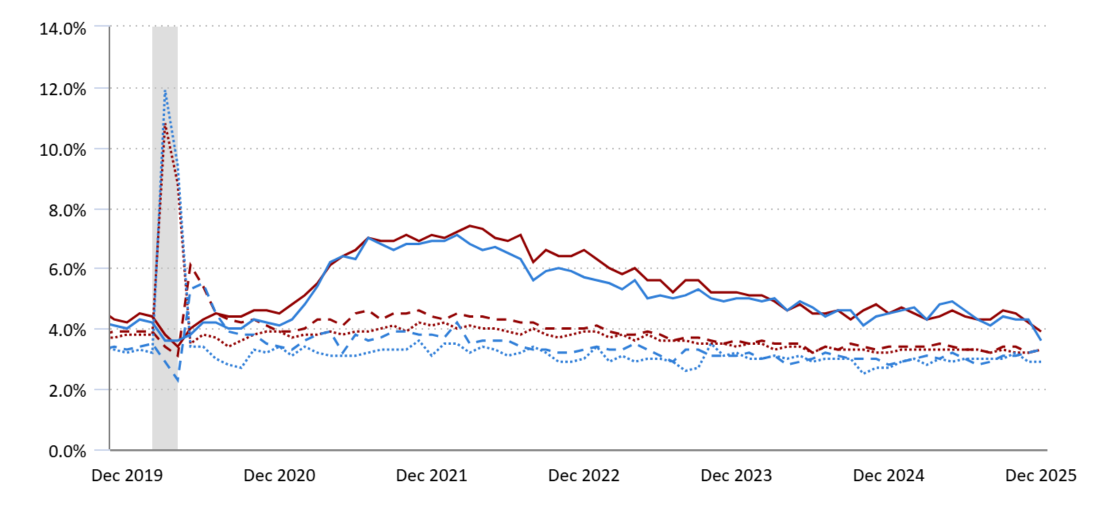
Sources: Bureau of Labor Statistics; Moody's Economy.com.

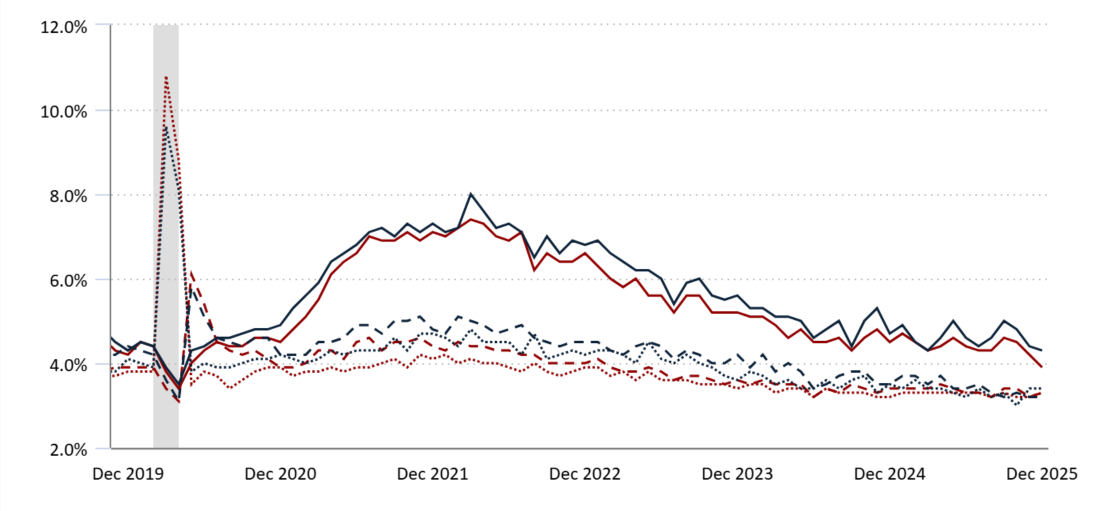
Employment Change: Binghamton Metro Area

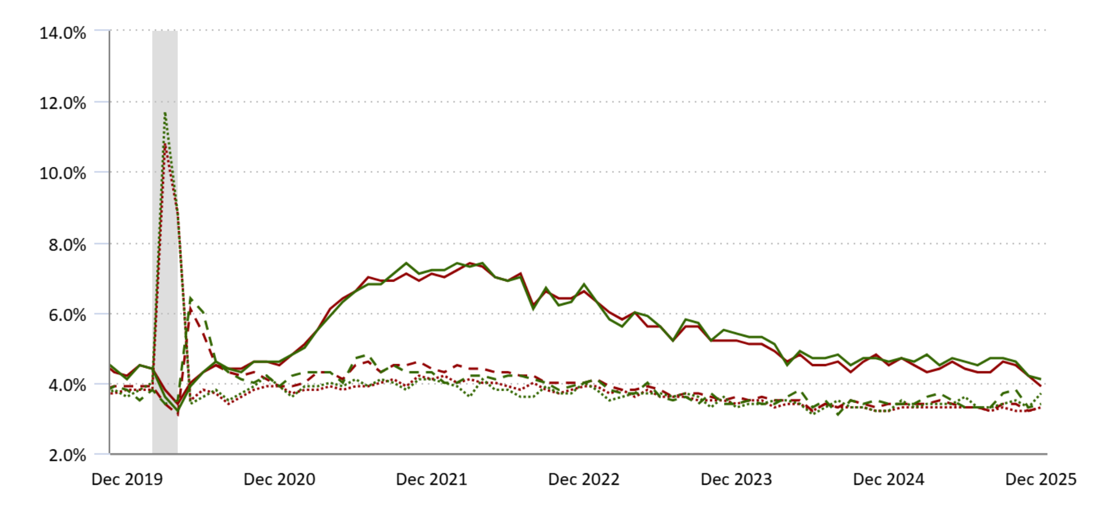


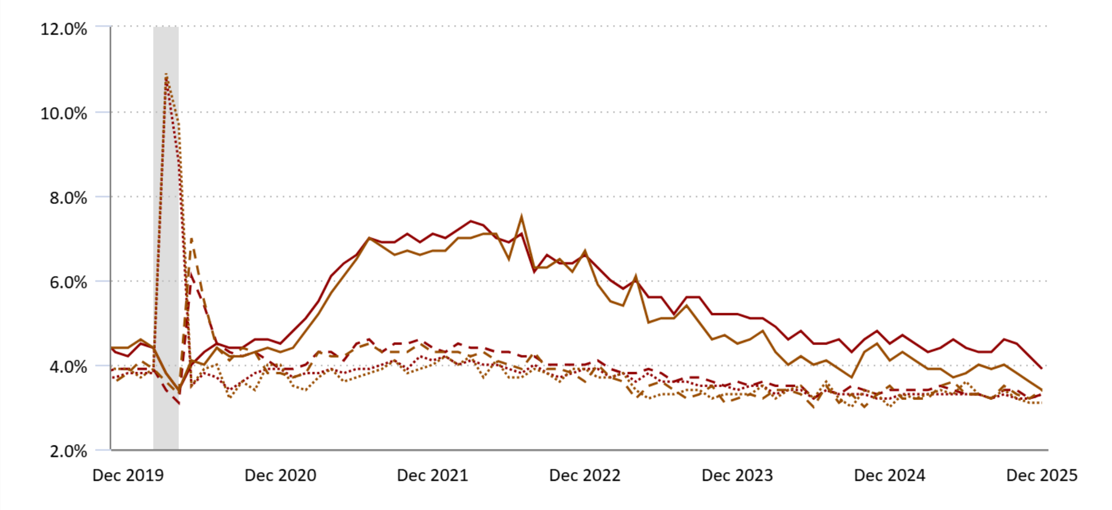
Sources: Bureau of Labor Statistics; Moody's Economy.com.

Nonfarm Job Openings, Hires, and Separation Rates by Region





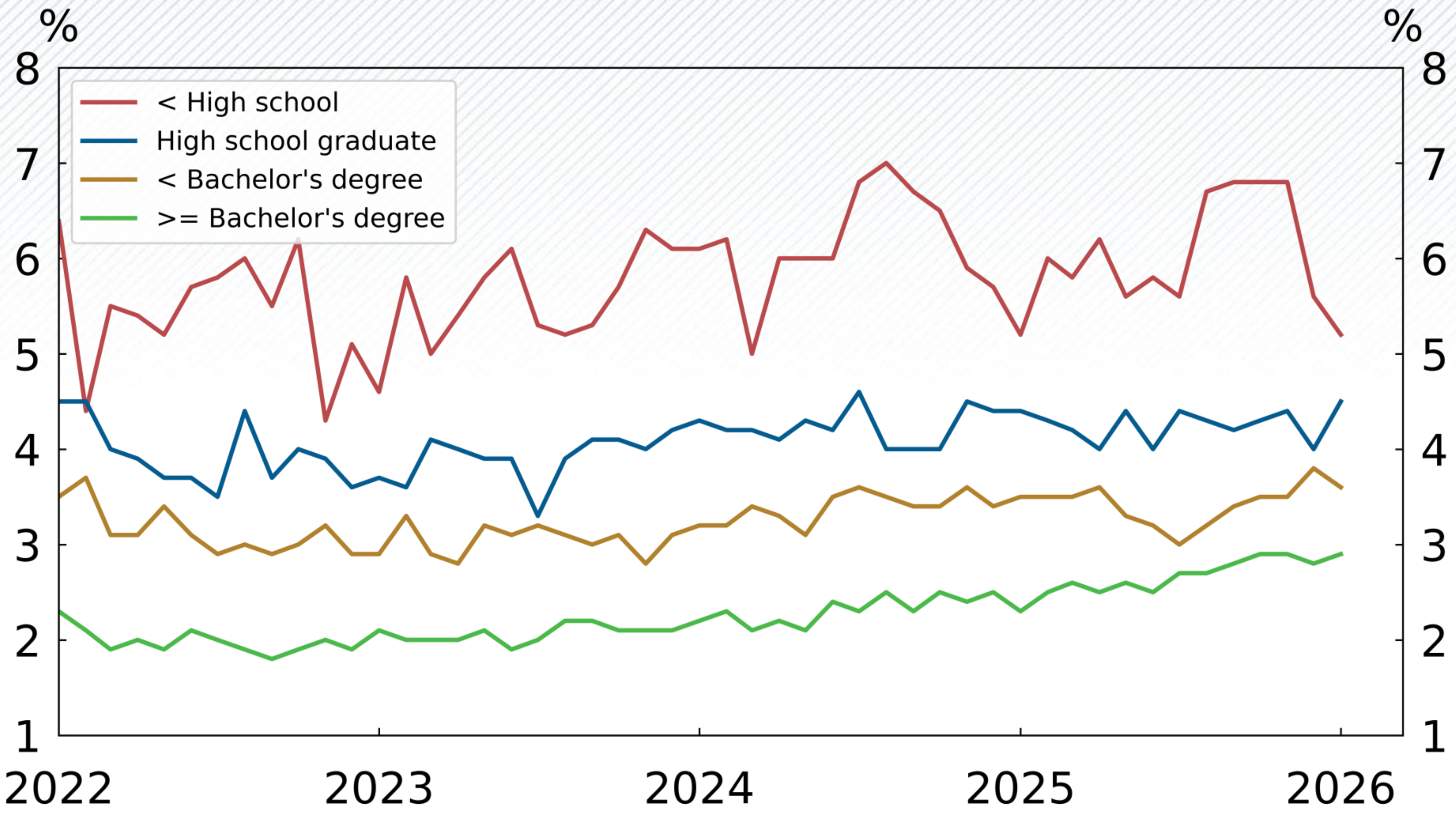




Source: Bureau of Labor Statistics.

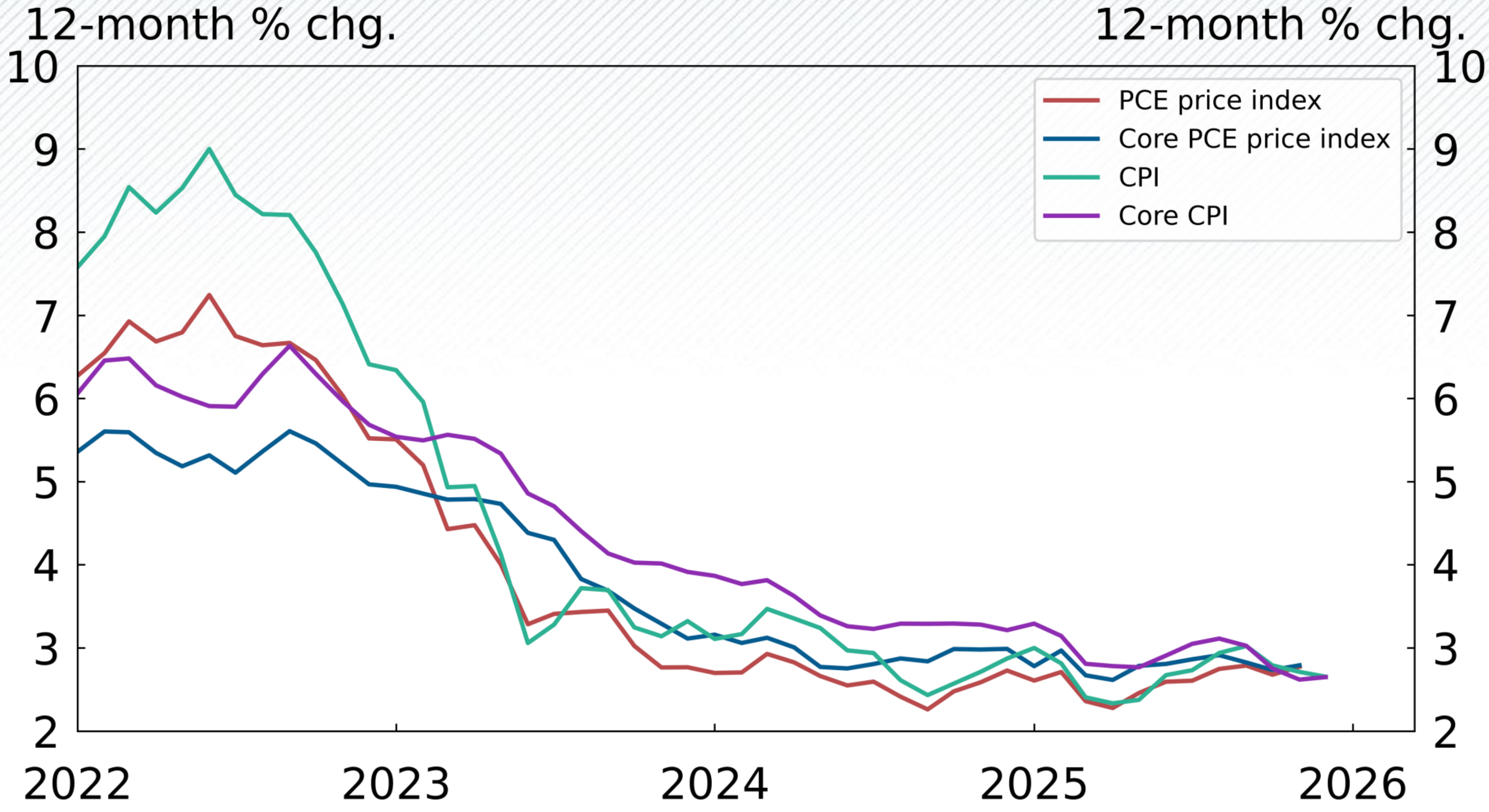
Notes: U.S. in red. (Top Left) Northeast; (Top Right) South; (Bottom Left) Midwest; (Bottom Right) West. Solid: job openings, dashed: hires, dotted: separations. All values SA.

Labor Market Cooling for Many (Unemployment by Education)



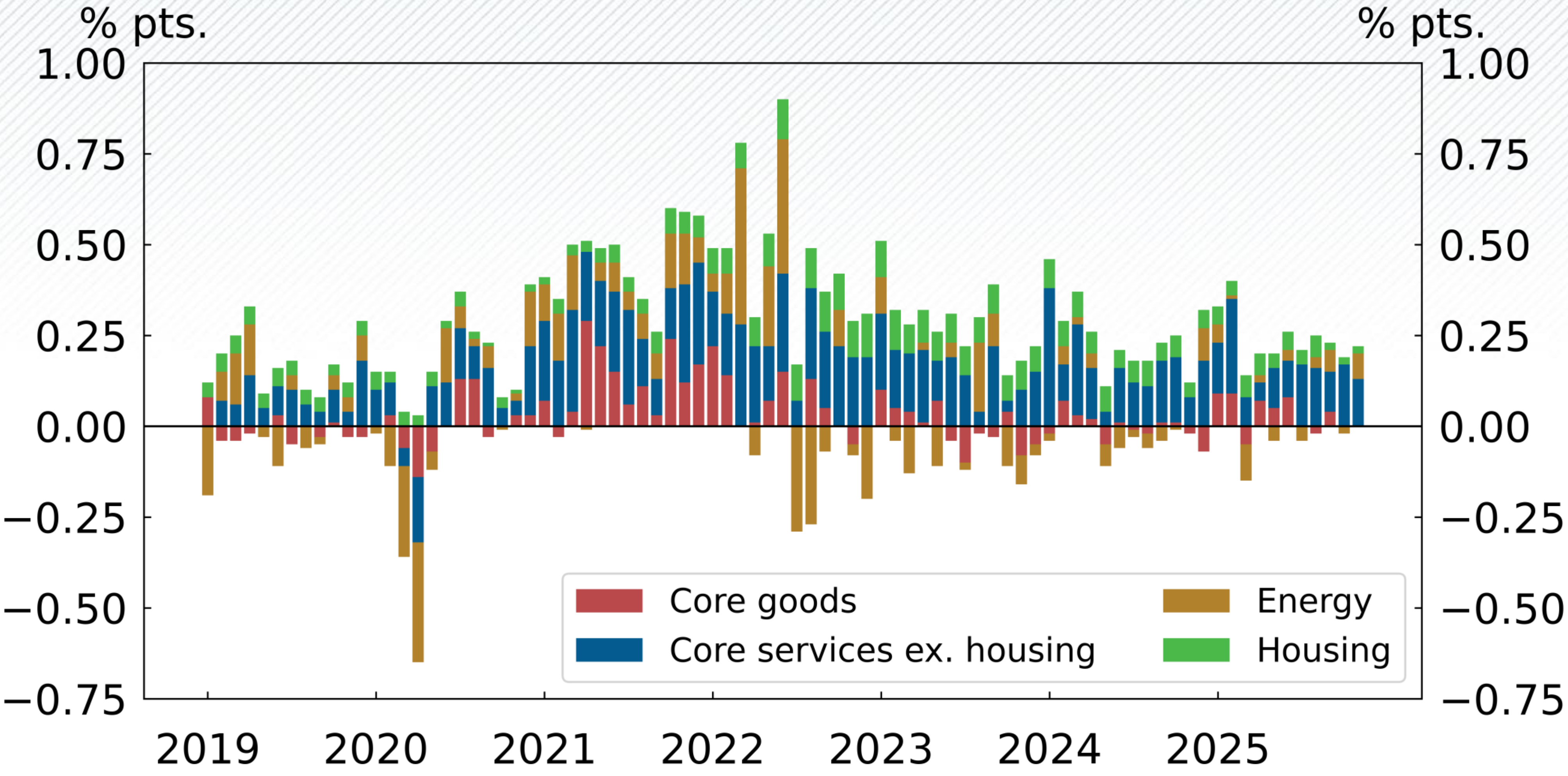
Source: Bureau of Labor Statistics via Haver Analytics.
Note: October 2025 unemployment rates interpolated.

Disinflation: Not Yet Complete



Sources: Bureau of Labor Statistics and Bureau of Economic Analysis via Haver Analytics.

Inflation Components Returning to Historical Norms

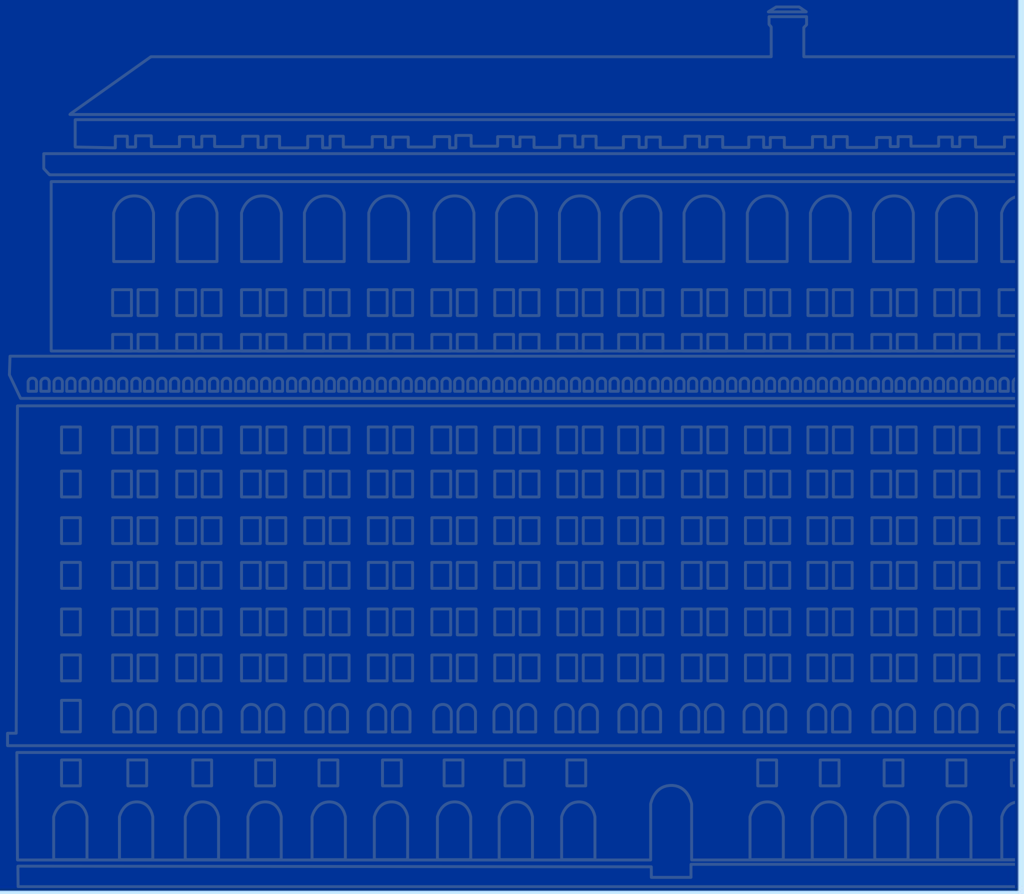


Source: Bureau of Economic Analysis via Haver Analytics.
Note: Contribution to monthly PCE price index changes.

We're Here Today to Look Ahead:

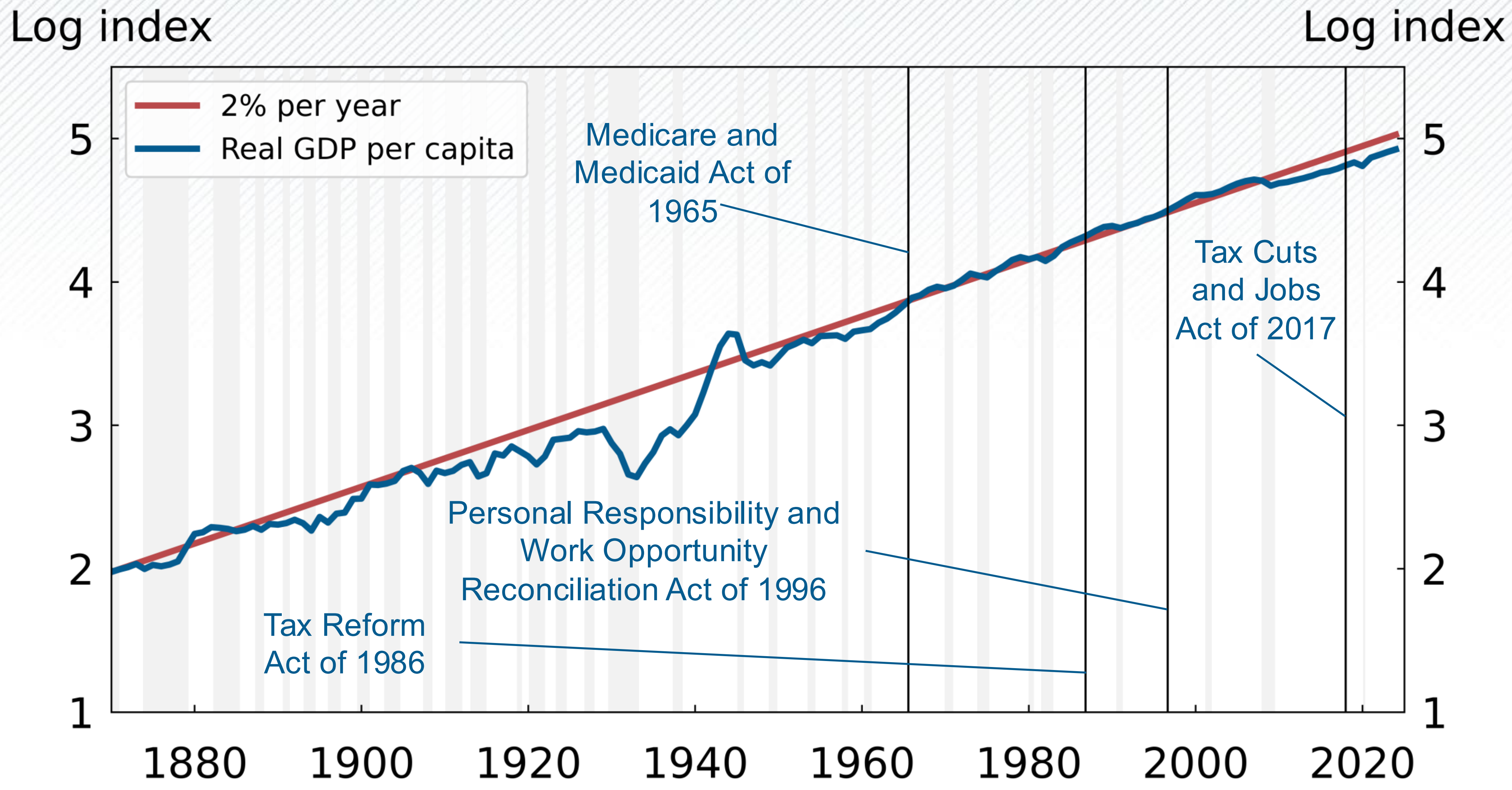
health
dollar's role
energy
a slowdown now
supply chains redefined
USTs as safe-haven assets
trade policy shifts
What is to come?
stock market unfazed
disinflation
R&D
uncertain times
K-shaped economy
stablecoins
AI booming

The U.S. Economy: A Long-Run Perspective



FEDERAL RESERVE BANK *of* NEW YORK

Try to Spot Some Major Policy Changes



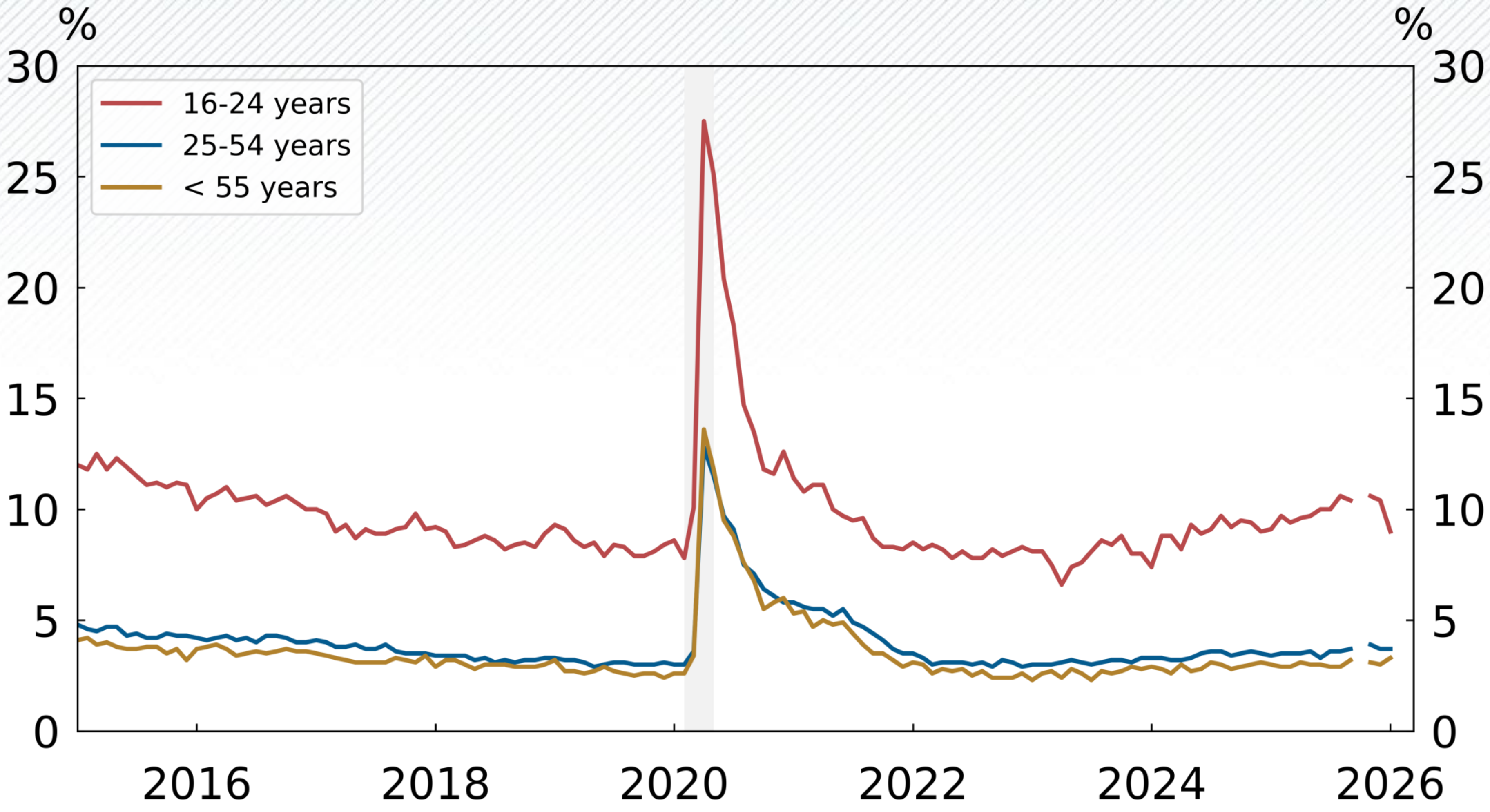
Sources: Chad Jones (2023); Barro and Ursua (2010); Bureau of Economic Analysis and U.S. Census Bureau via Haver Analytics.

However, "Macro" Stability Hides Household Churn

- **Nearly all economic churn and trauma occurs at the "people and household" level.**
  - In a typical year, nearly 20 million job losses occur.
  - In recessions—about 2/3 of the drop in hours is because of job loss, not fewer hours by the employed.
  - Both unemployment and inflation are very hard on people.
- **Recessions (and inflation) are harmful primarily because bad things happen to huge numbers of people.**
  - In typical recent recessions, additional 7-8 million job losses.

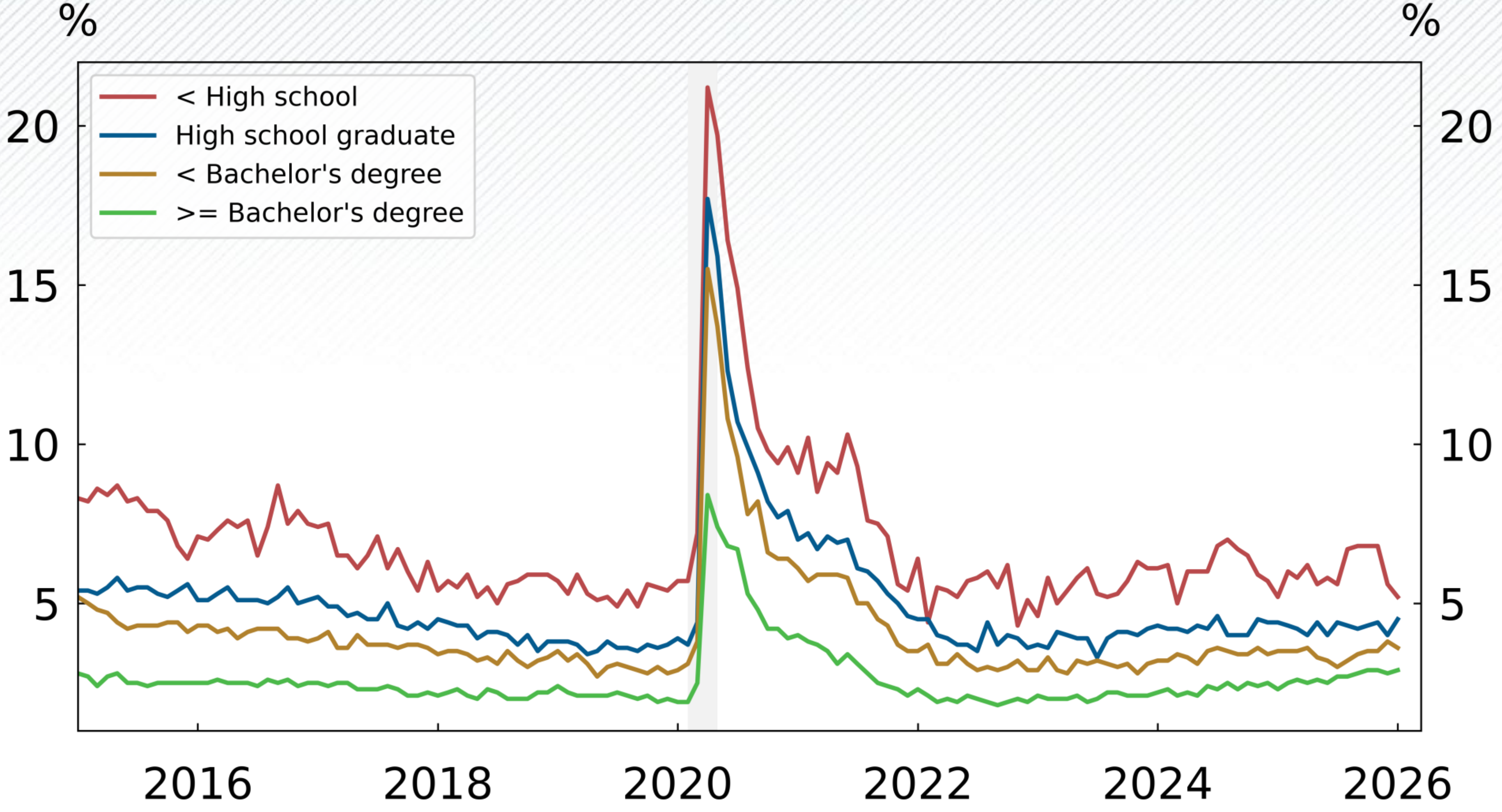
Source: Bureau of Labor Statistics via Haver Analytics.

Unemployment Can Happen to All of Us (Across Age)



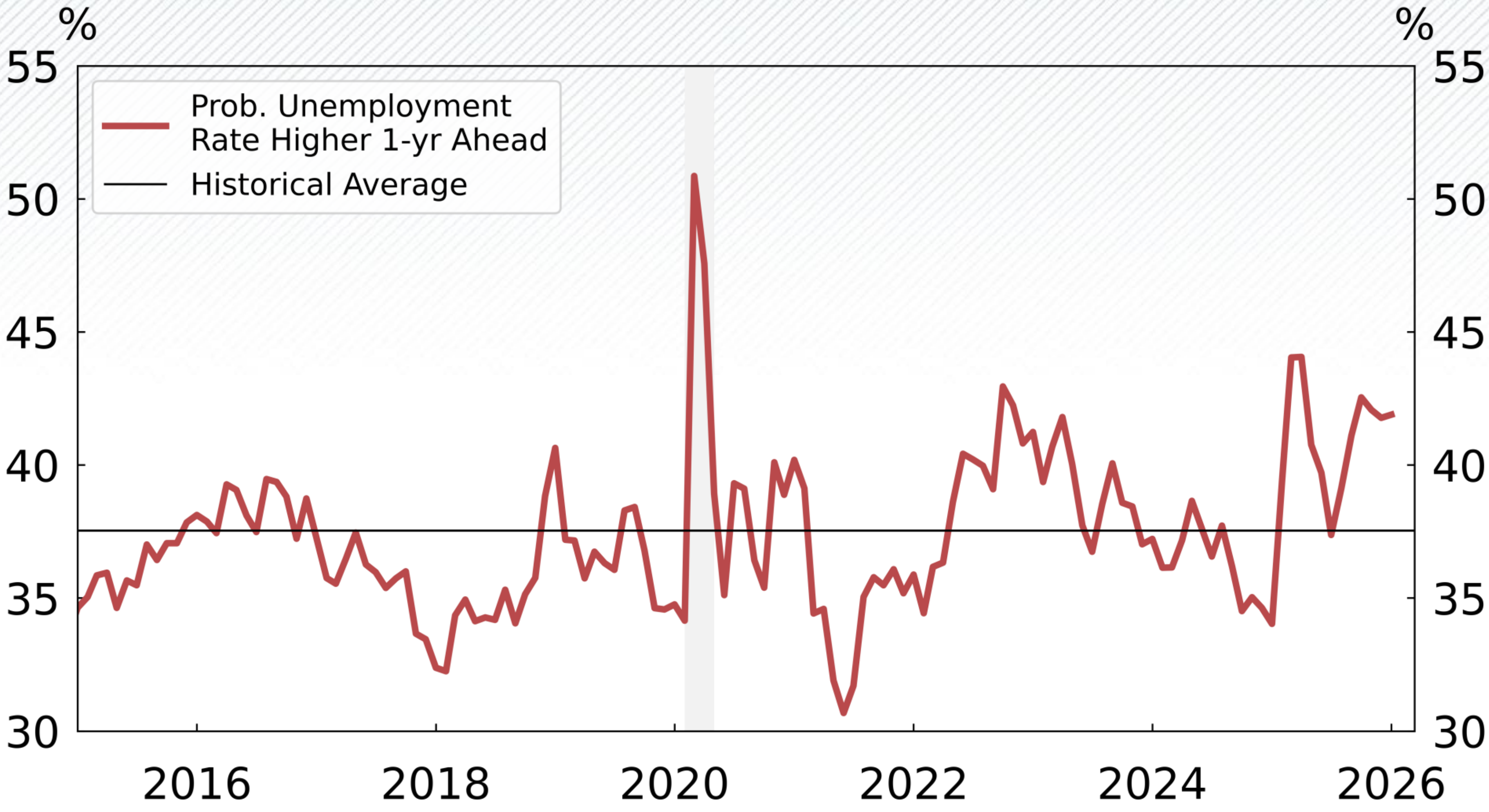
Source: Bureau of Labor Statistics via Haver Analytics.
Note: Gap due to missing October 2025 employment data (noninterpolated series).

Unemployment Can Happen to All of Us (Across Education)



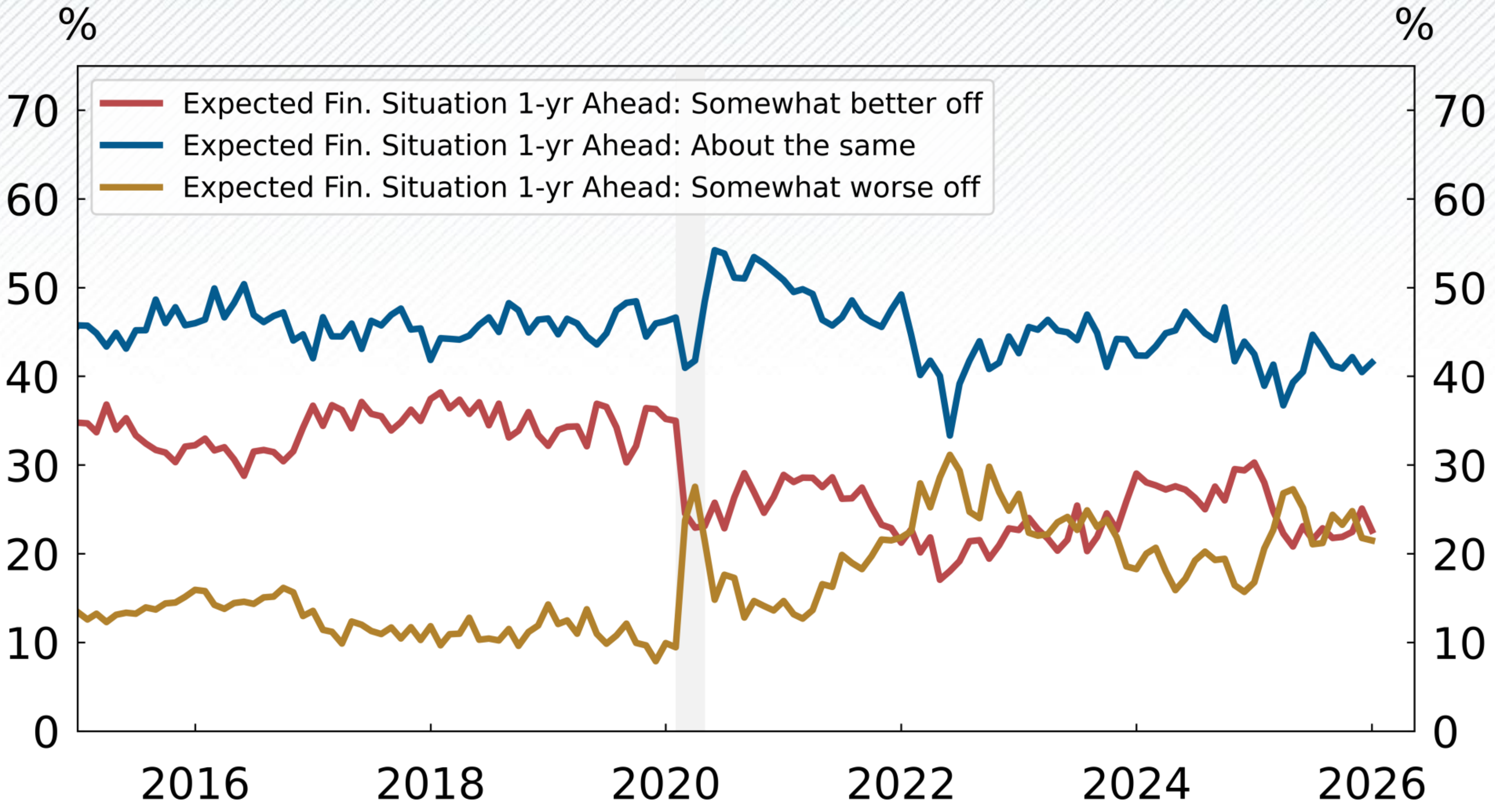
Source: Bureau of Labor Statistics via Haver Analytics.

Households Show Greater Concern Over Unemployment



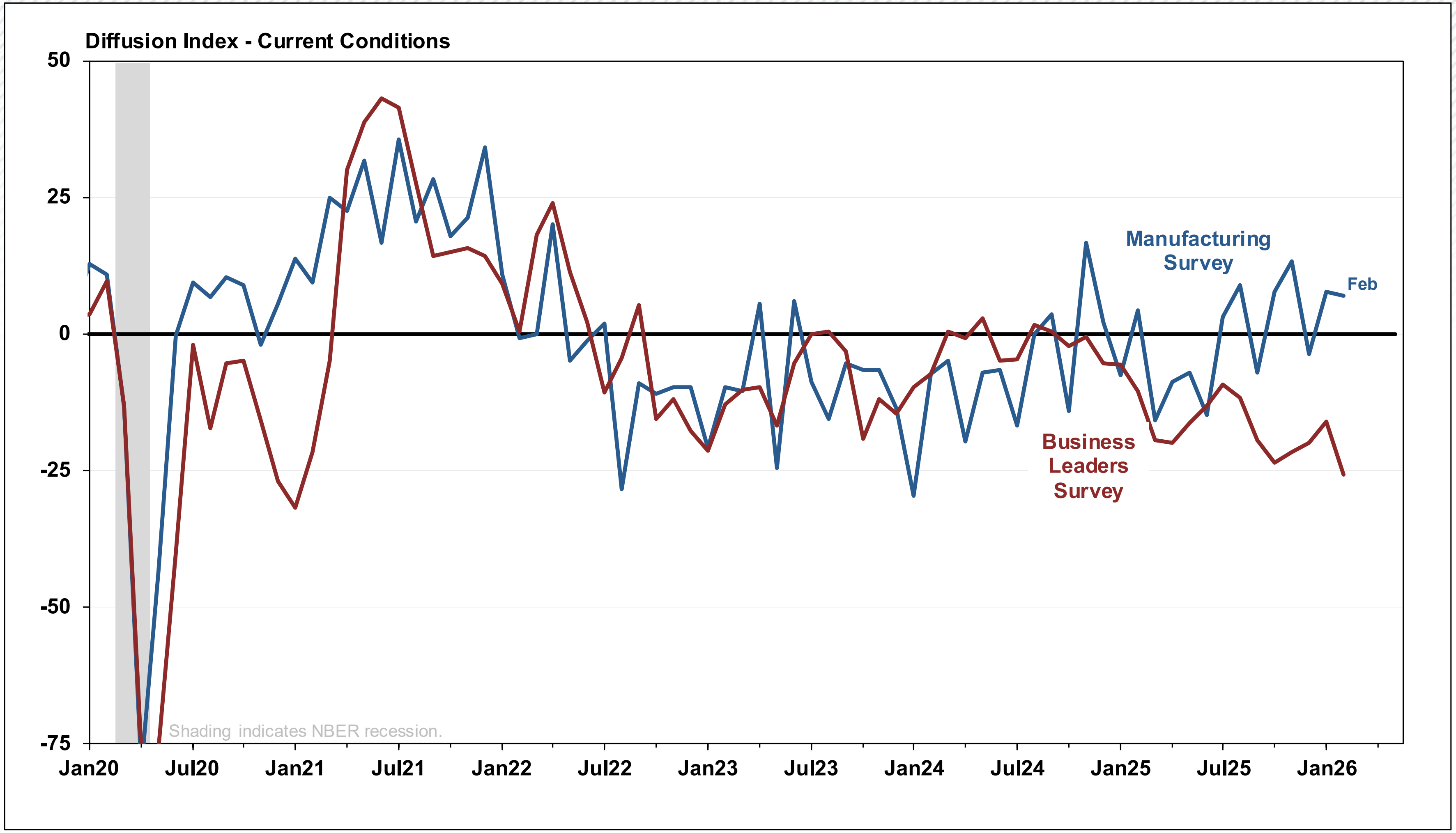
Source: New York Fed Survey of Consumer Expectations via Haver Analytics.

Looking Ahead, Households Expect Greater Downside Risk



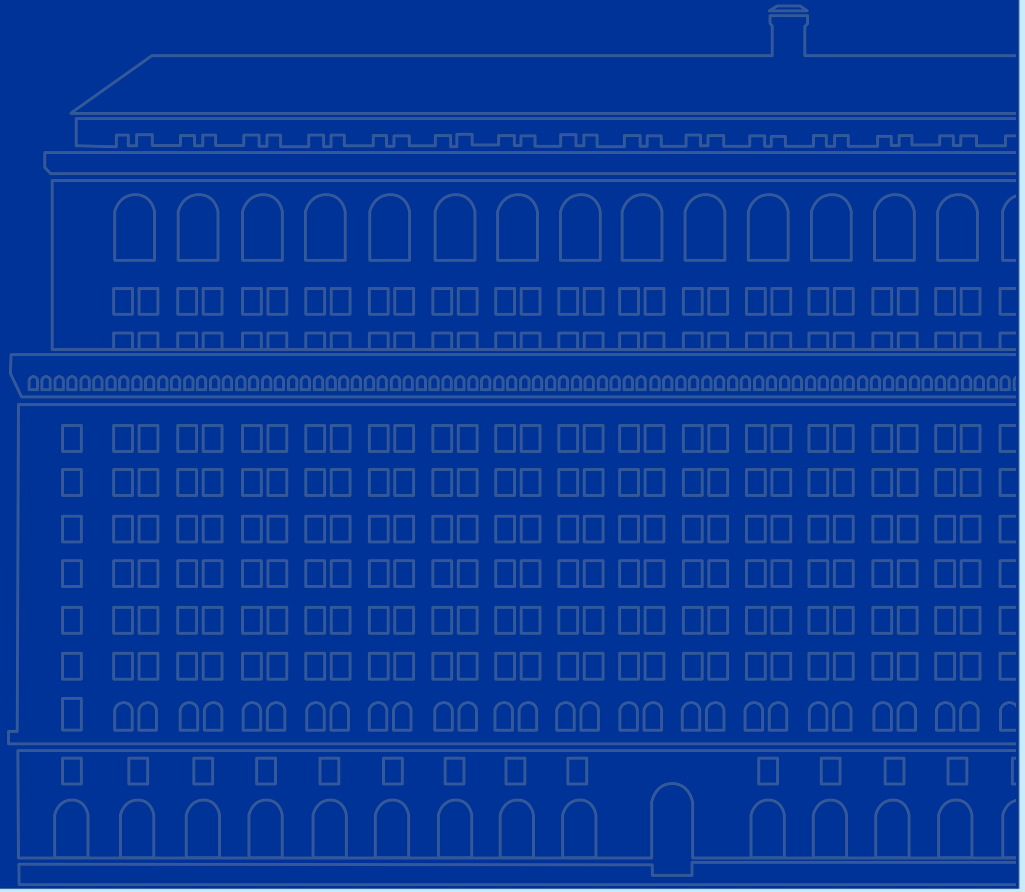
Source: New York Fed Survey of Consumer Expectations via Haver Analytics.

Locally, Second District Businesses See Some Cooling

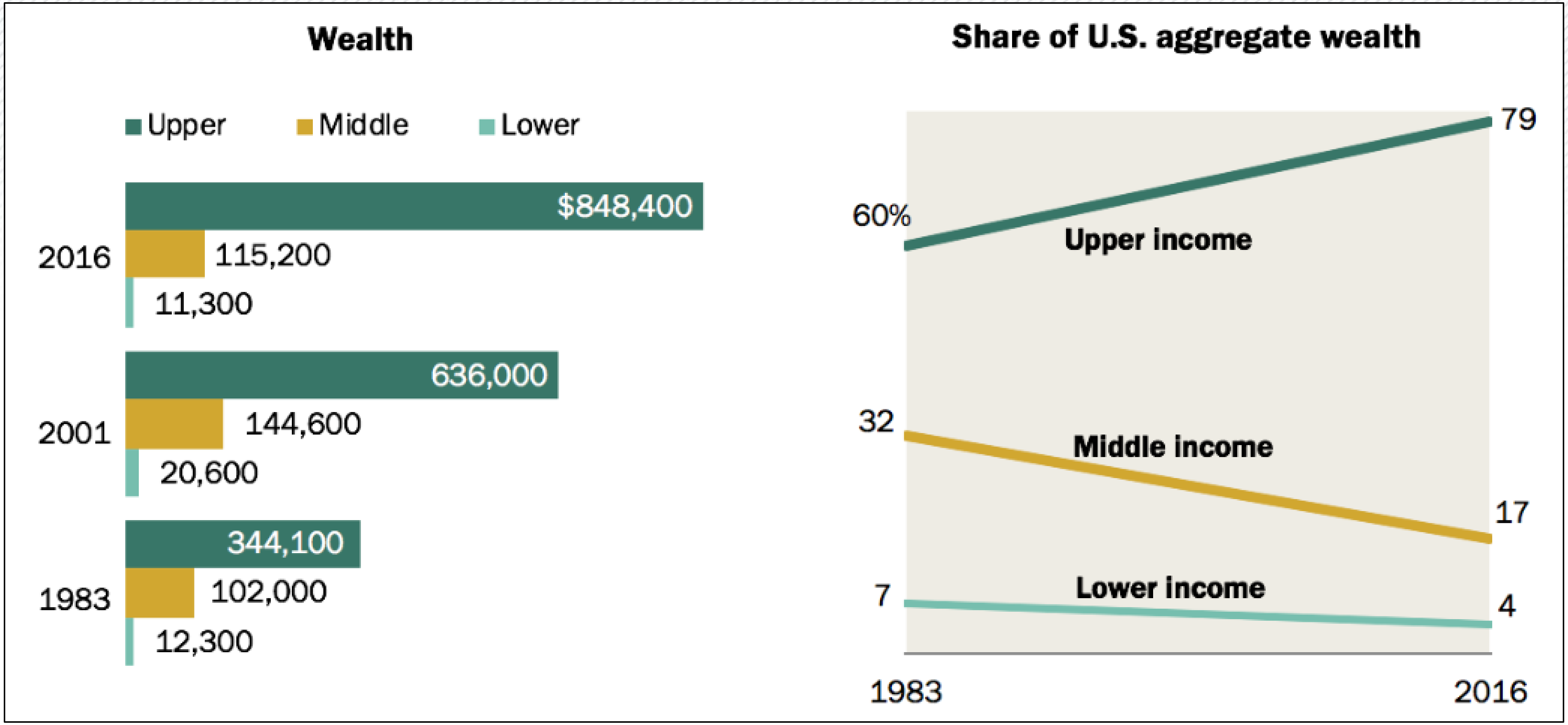


Source: New York Fed Survey of Consumer Expectations via Haver Analytics.

Long-Term Inequality: The "=" Economy?

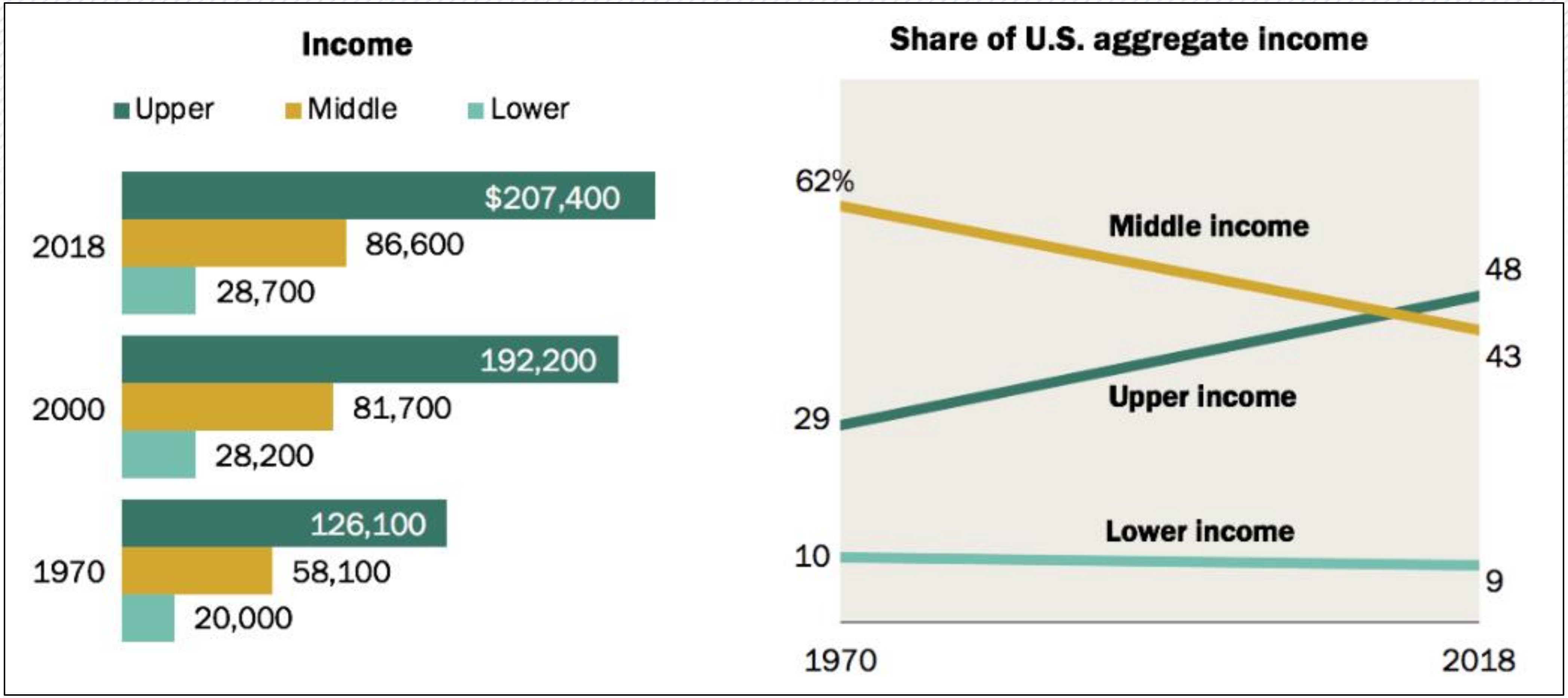


Inequality in U.S. Households is Not New (Median Family Wealth)



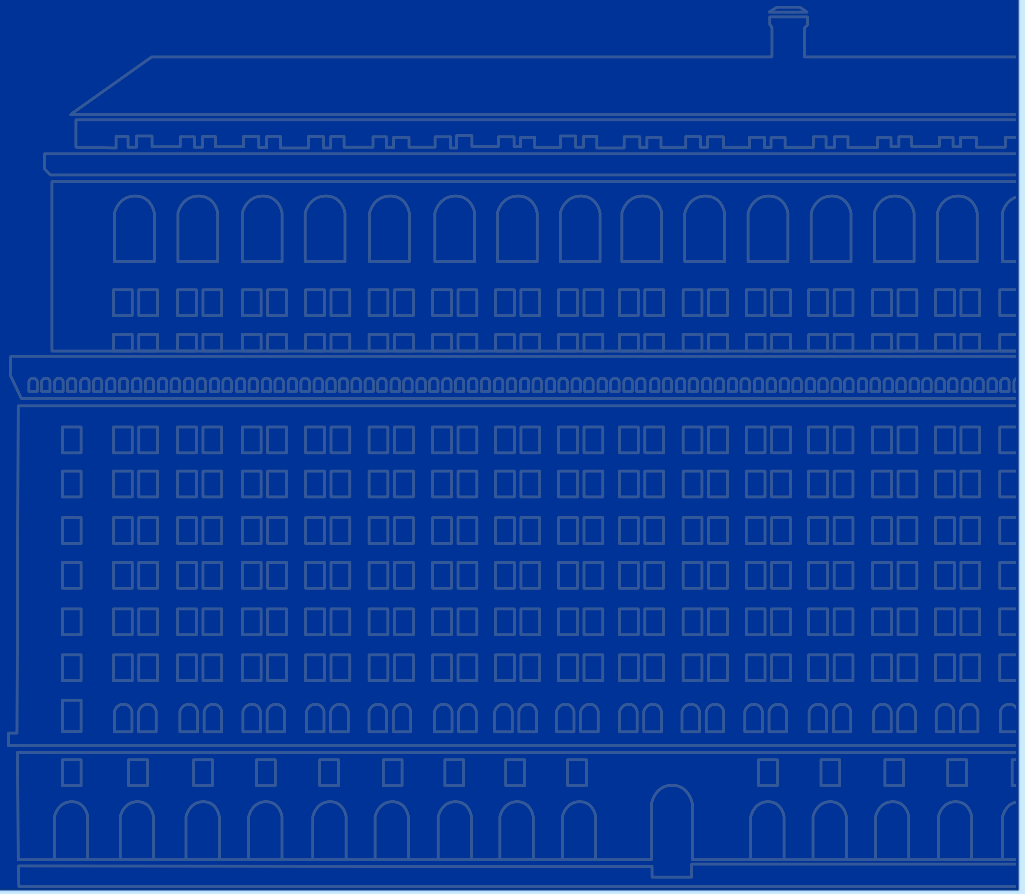
Source: Pew Research Center Analysis of the Survey of Consumer Finances.
Note: Wealth is measured in 2018 dollars and share of U.S. aggregate family wealth is by income tier. Families are assigned to income tiers based on their size-adjusted income.

Inequality in U.S. Households is Not New (Median Family Income)

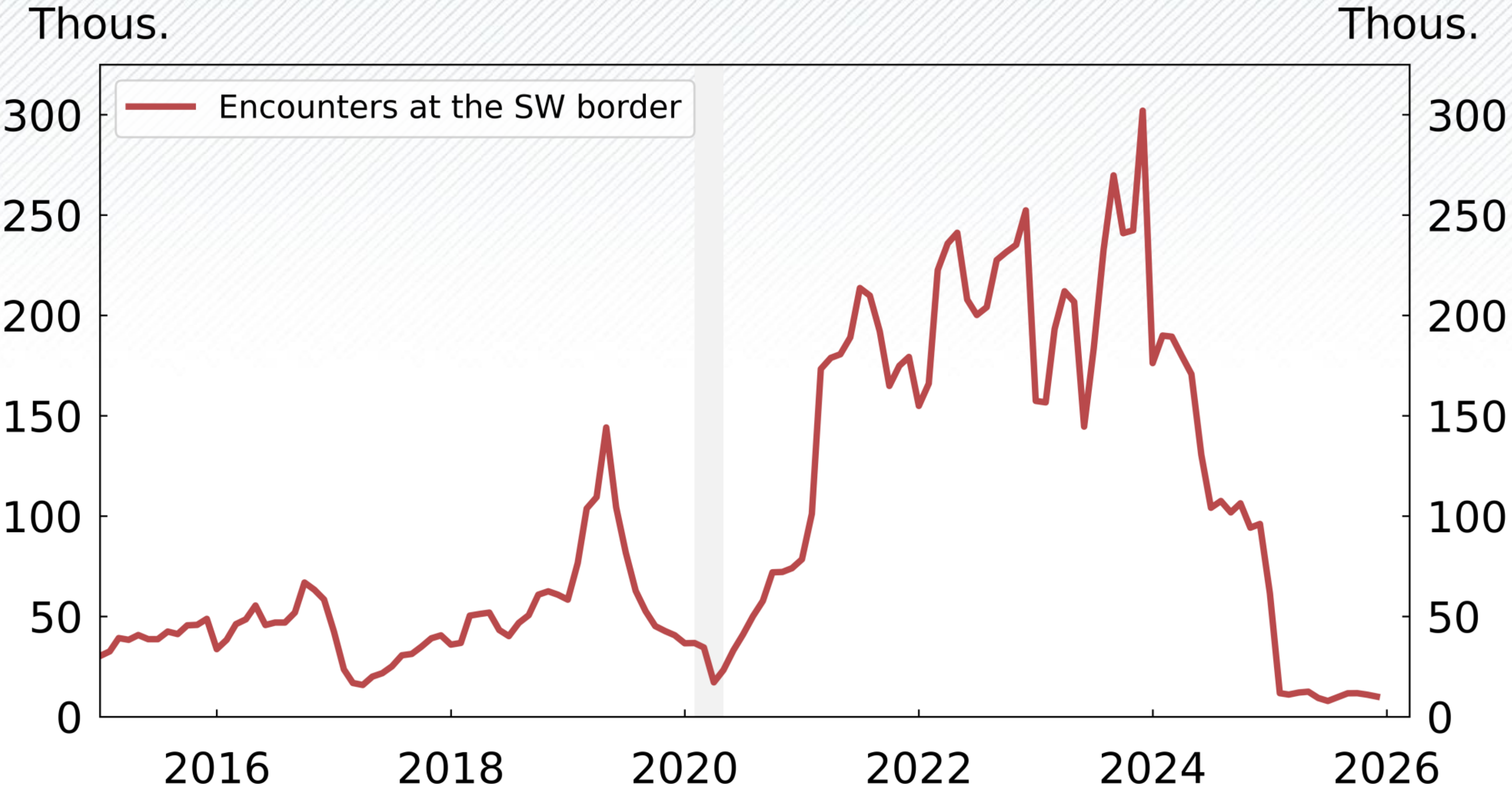


Source: Pew Research Center Analysis of the Current Population Survey and Annual Social and Economic Supplements (IPUMS).
Note: Income is measured in 2018 dollars and share of U.S. aggregate household income is by income tier. Households are assigned to income tiers based on their size-adjusted income.

2025: Policy Shifts



Shift #1: Large Immigration Changes

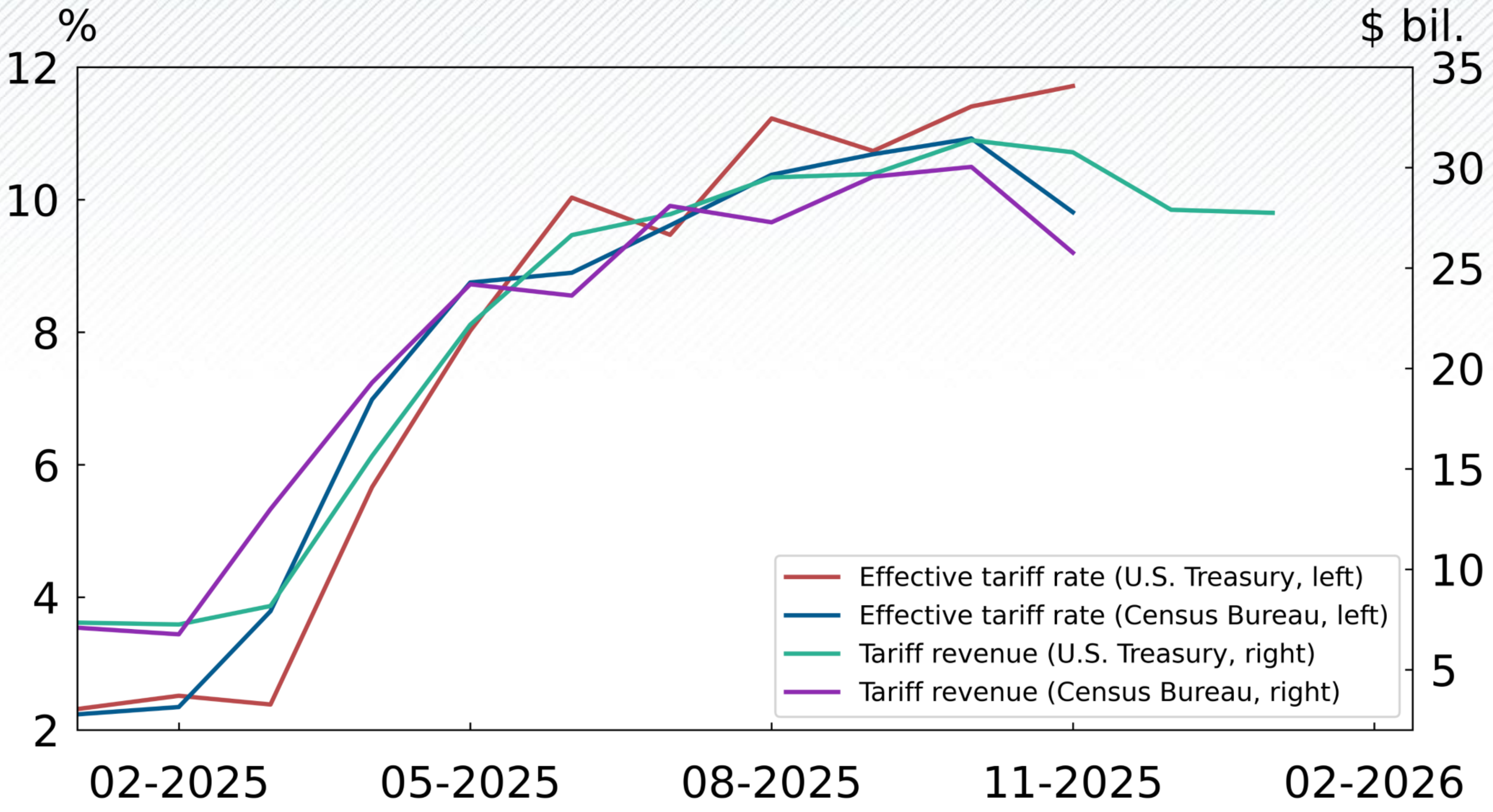


Source: Customs and Border Protection via Haver Analytics.

An Aside: What's *Now* a Good Payroll Number?

- The growth rate of the labor force has slowed—a lot.
- If labor "supply" has dropped, so should the "normal" rate of hiring.
- 30K may not be a far-off estimate—but it is *super uncertain*!

Shift #2: Effective Tariff Rates and Revenue

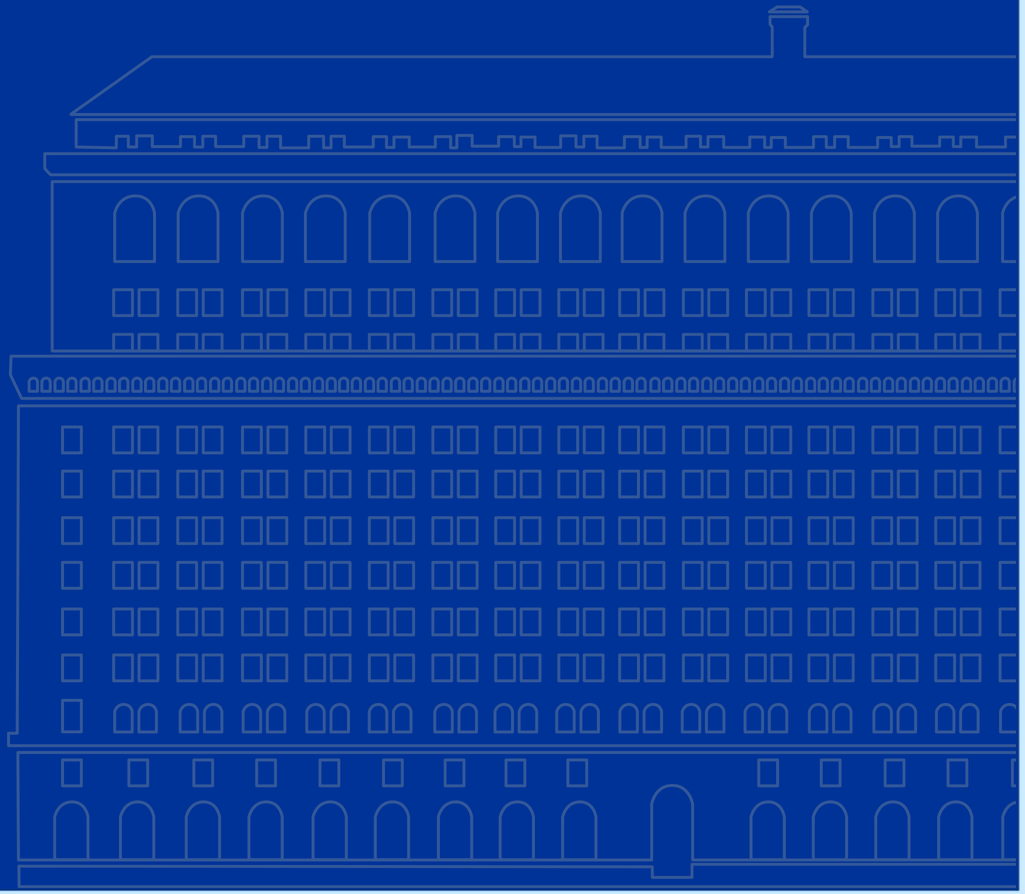


Sources: U.S. Census Bureau and U.S. Treasury via Haver Analytics.
Note: Rate = Duties / Imports.

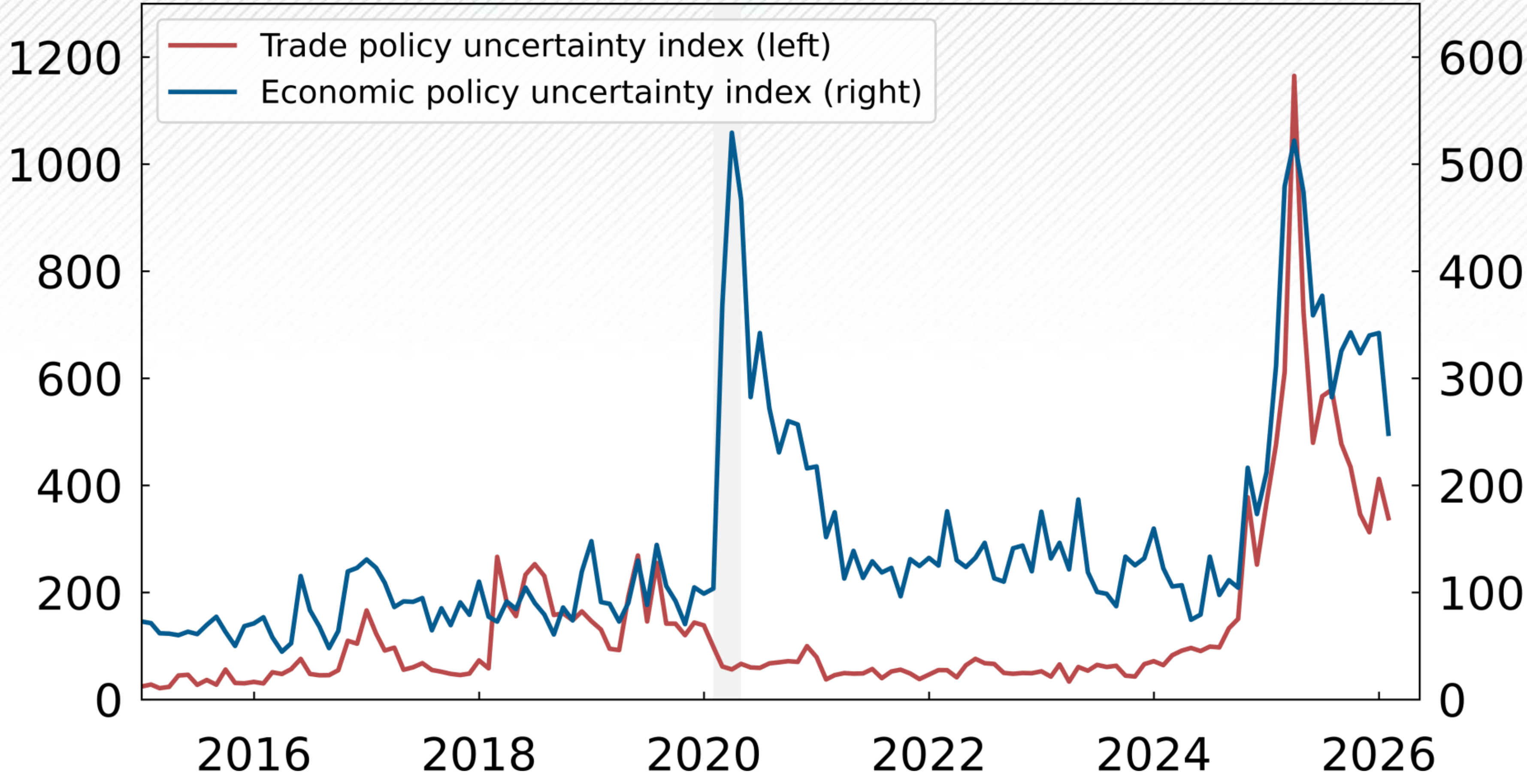
Both Policy Shifts Heavily *Distributional*

- **What does this mean for the macroeconomic outlook?**
- **Recall the “good news” from earlier slide 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.

What's the Policy On How We'll Make Policy?



Currently, Policy Uncertainty Remains Elevated



Sources: Caldara et al. (2020) via matteoiacoviello.com/tpu.htm; PolicyUncertainty.com (Baker, Bloom, and Davis) via Haver Analytics.
Note: Monthly average of daily data.

Thinking About Policy…About Policy

- **If policy reversals are easy: Experiments with the rules can yield new and better pathways.**
  - *Caveat:* It also makes planning harder.
    - Incentivizes short-term thinking, with an eye to preserving flexibility.
- **If not: Experiments with the rules are lotteries with serious downside.**
  - *Caveat:* We may be better able to plan.
    - American businesses: “Just tell me the rules, and we’ll figure it out.”

Are Changes to the Changes Possible? (Immigration)

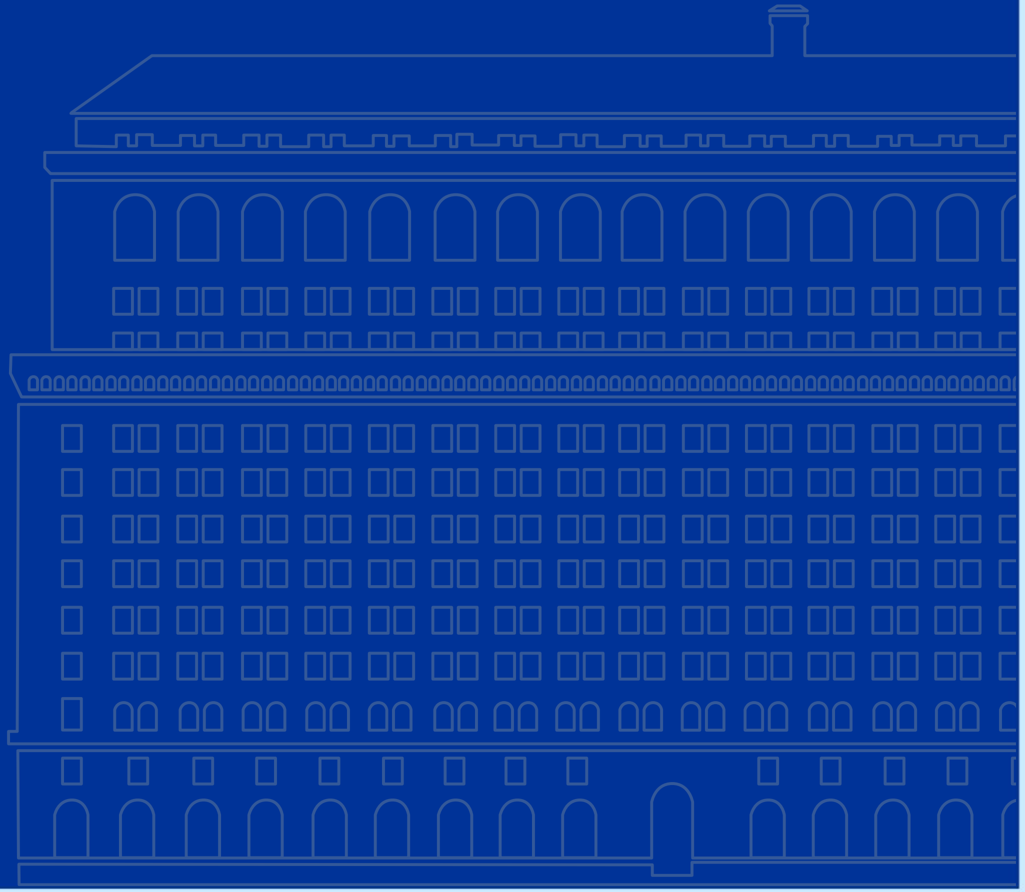
- Immigration policy for highly skilled workers has gone through several iterations.

- International student enrollment projected to decrease by 180,000+ between the 2024-25 and 2025-26 academic years.

Sources: NAFSA: Association of International Educators; Open Doors; Institute of International Education; Bureau of Educational and Cultural Affairs (U.S. Department of State).

The more novel rule changes are, the harder it is to predict what will come next: the past will not be prologue.

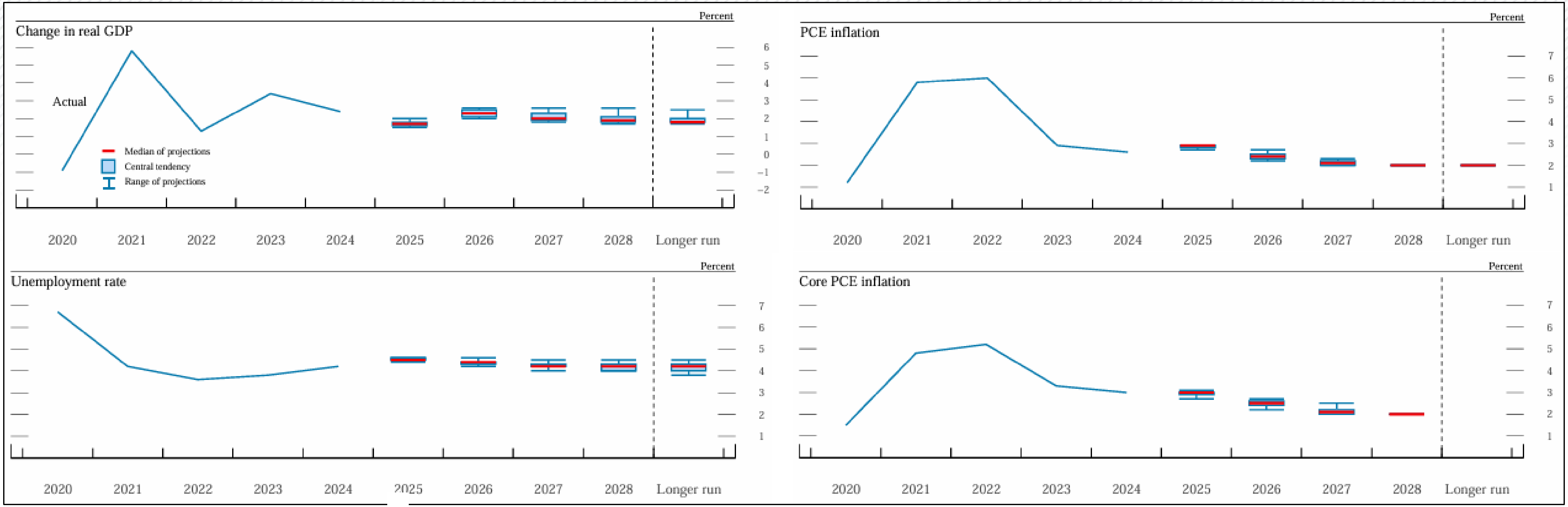
Monetary Policy: Here and Ahead



A Bird's-Eye View of Monetary Policy

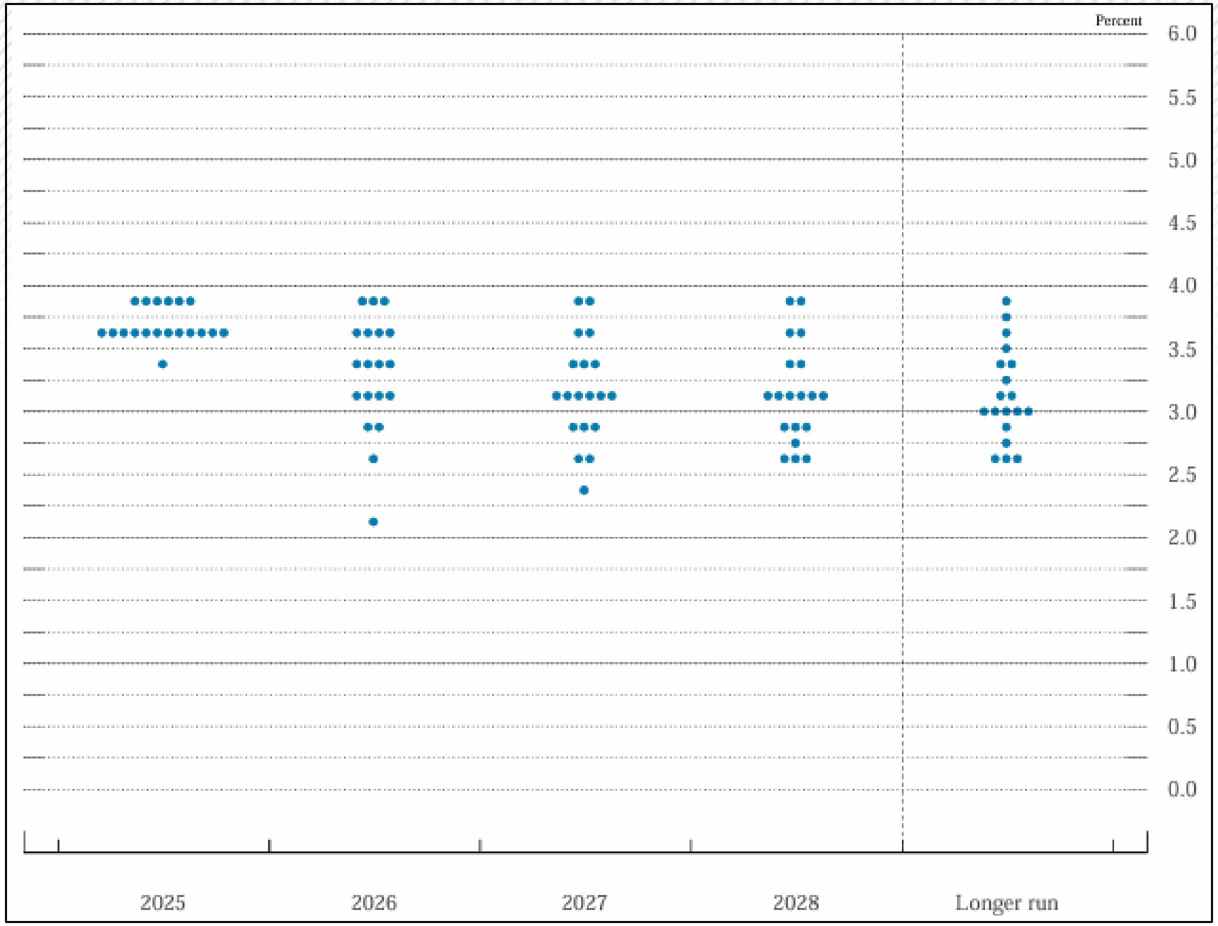
- **Two key observations:**
  - **Fact 1: Monetary policy can have big real effects in the short-run.**
    - Implication: Use monetary policy to help manage shocks hitting the economy, especially to prevent or soften recessions.
  - **Fact 2: Monetary policy can at best control only inflation in the longer run.**
    - Implications:
      - Do not get carried away in the pursuit of Fact 1.
      - 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.**

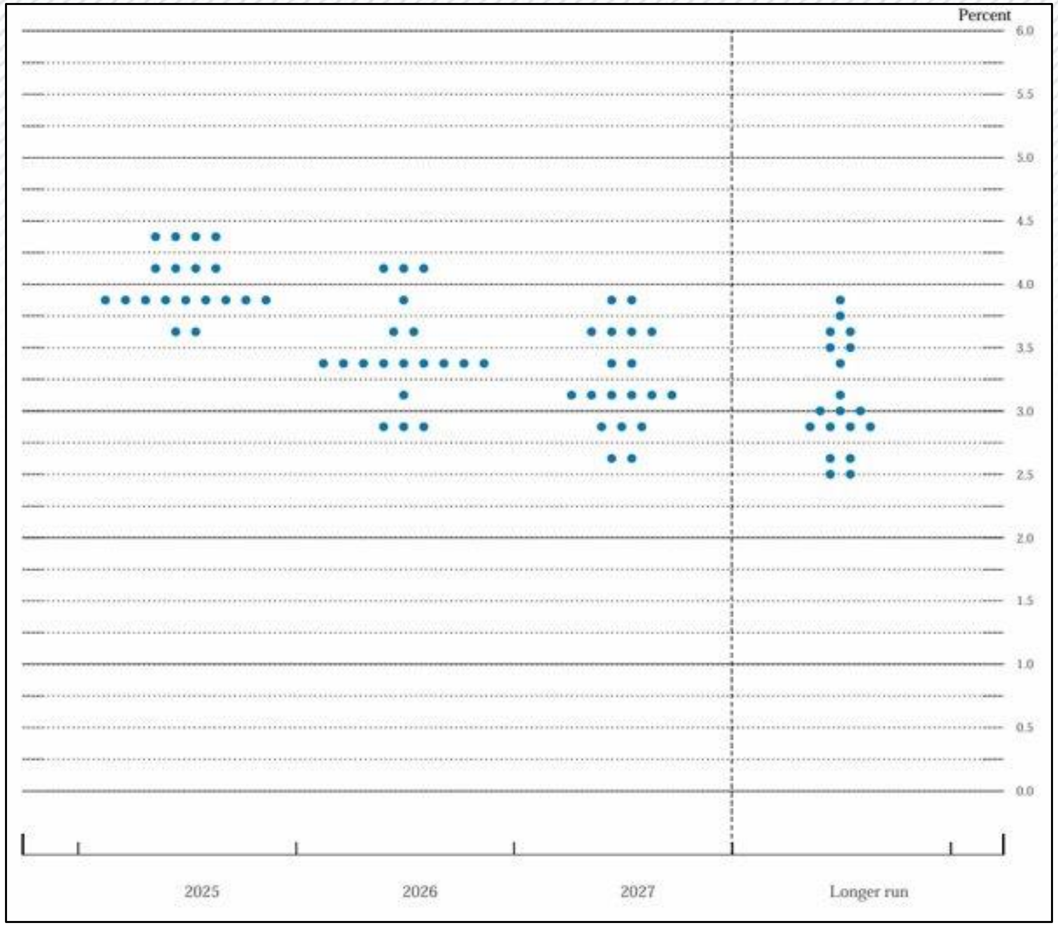
Per Policymakers: A Quiet Disinflation is Still the Baseline



Source: Survey of Economic Projections from the December 2025 Federal Open Market Committee Meeting.

FOMC Policymakers' View on Rates Ahead





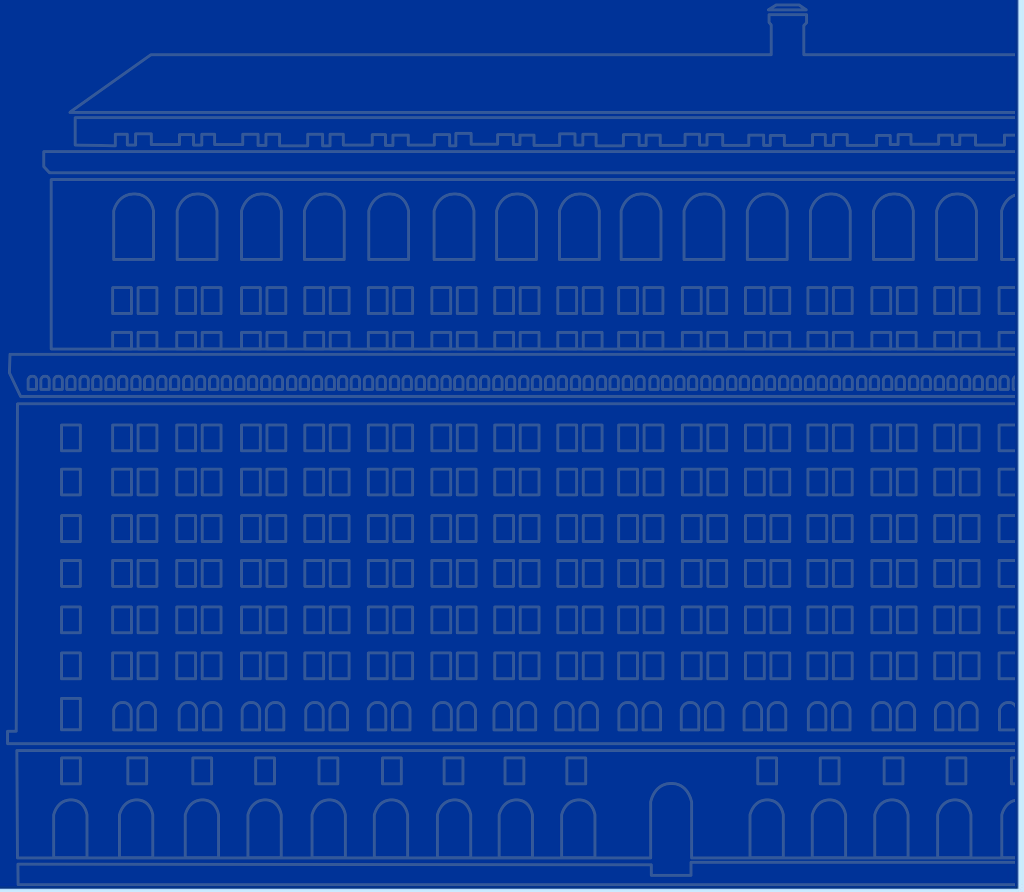
Sources: Survey of Economic Projections from the December 2025 (Left) and September 2025 (Right) Federal Open Market Committee Meeting.

January FOMC Statement

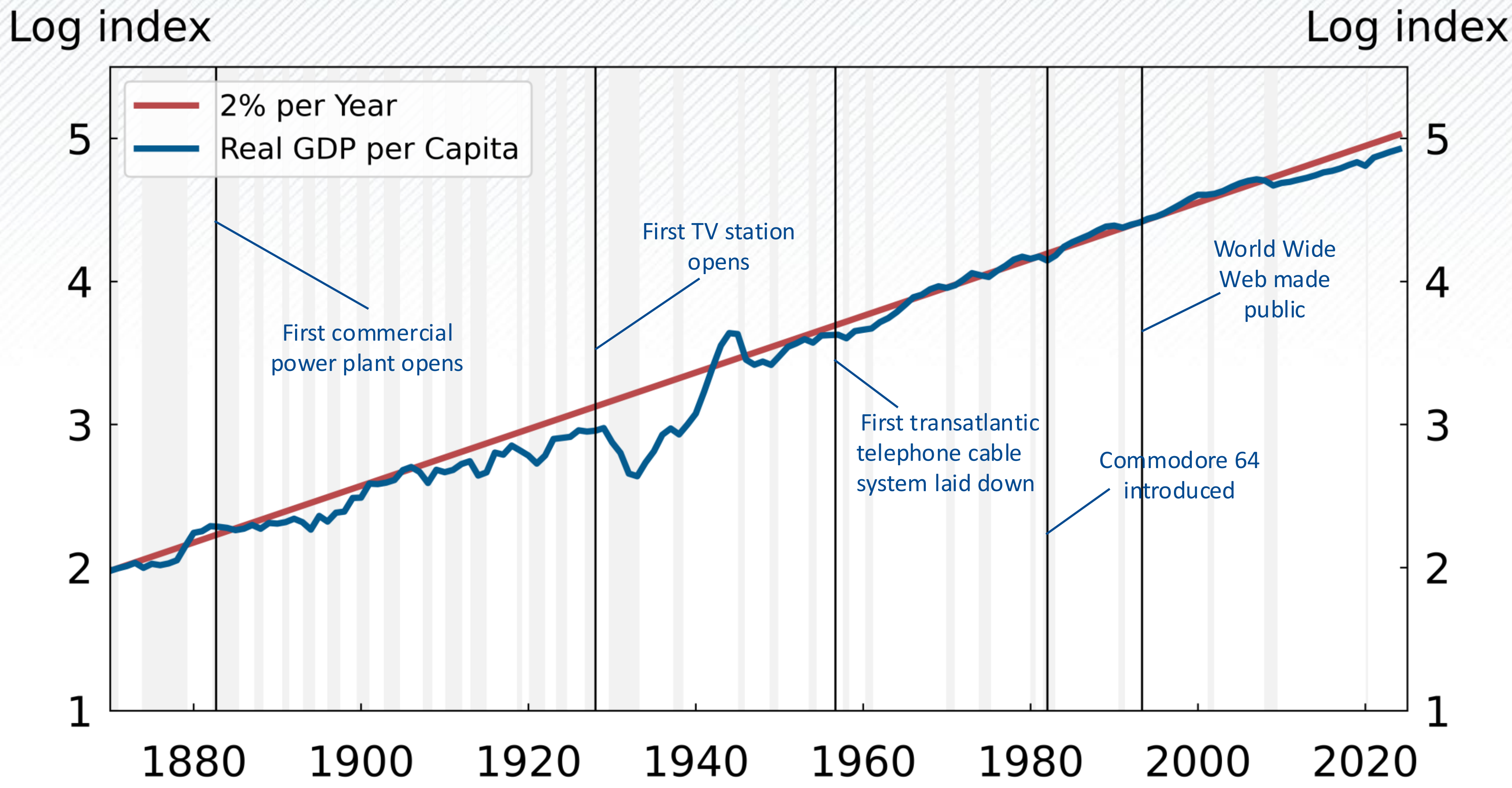
- **Fundamentals:**
  - "...Economic activity has been **expanding at a solid pace**. Job gains have **remained low**, and the unemployment rate has **shown some signs of stabilization**. Inflation remains **somewhat elevated**."
- **Uncertainty:**
  - "**Uncertainty about the economic outlook remains elevated.** The Committee is attentive to the risks to both sides of its dual mandate."
  - "In considering the **extent and timing of additional adjustments** to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks."

Source: Statement from the January 2026 Federal Open Market Committee Meeting.

A Longer-Term Outlook: AI’s Effects

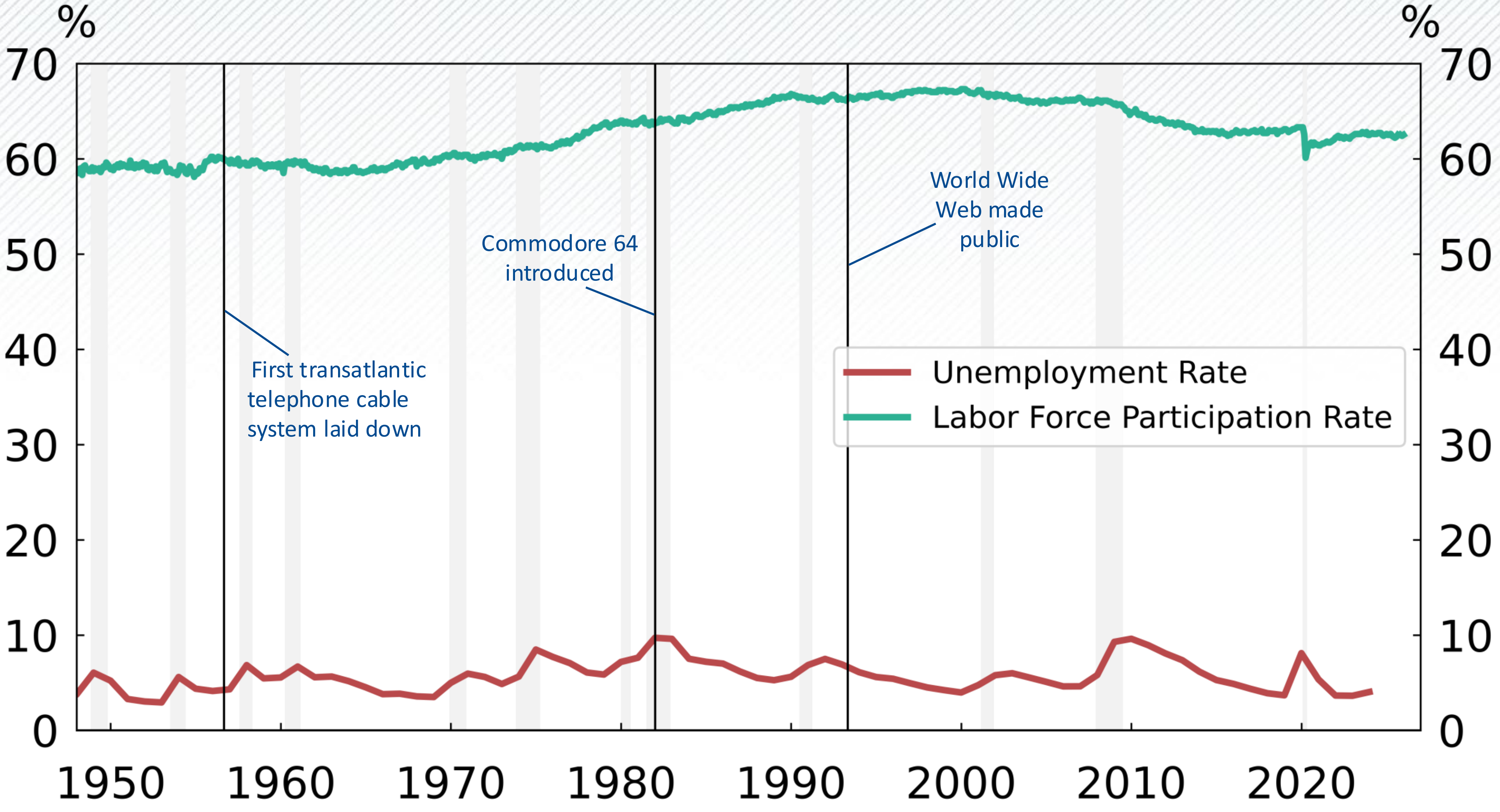


What Tech Revolution?



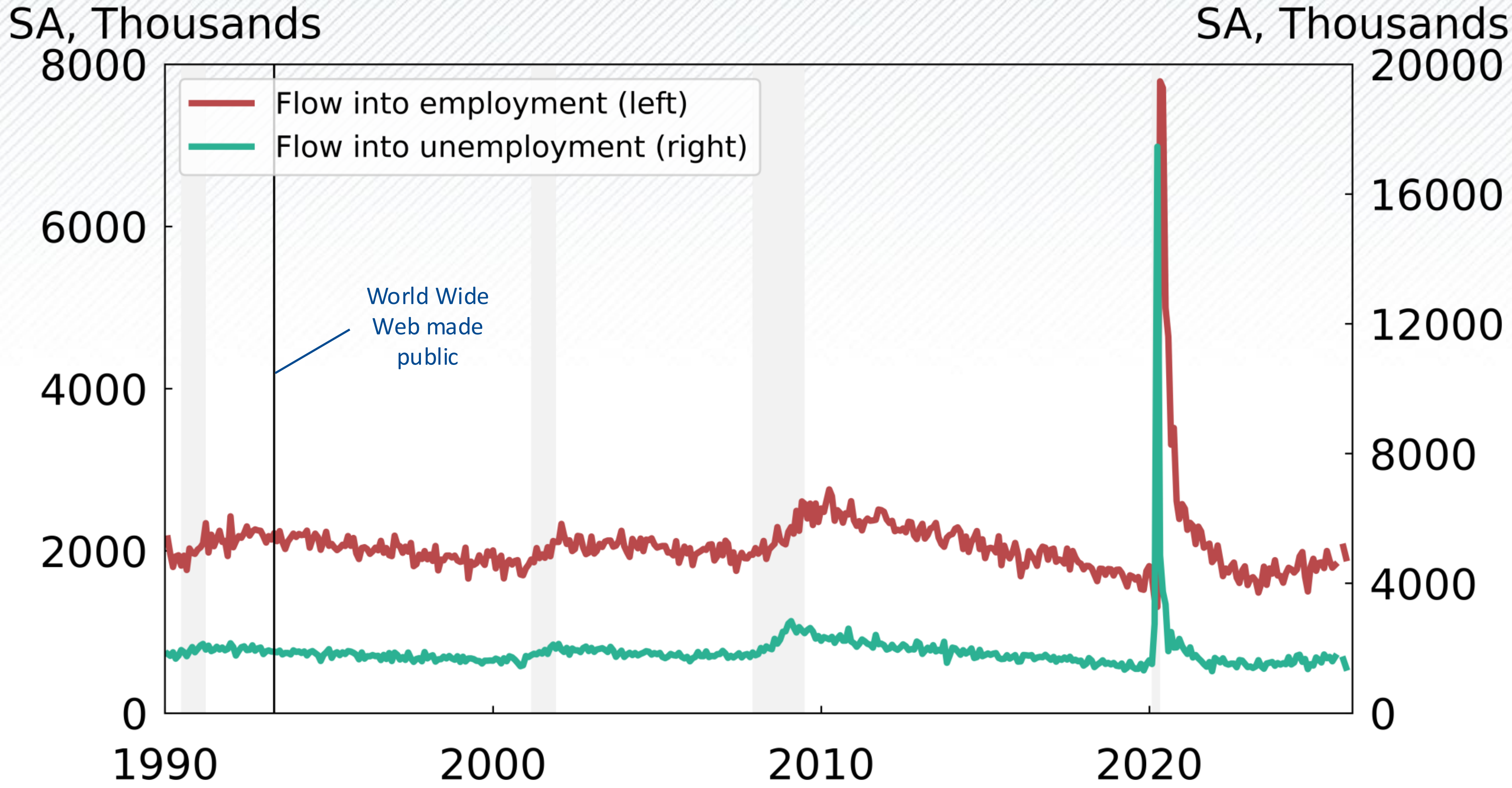
Sources: Chad Jones (2023); Barro and Ursua (2010); Bureau of Economic Analysis and U.S. Census Bureau via Haver Analytics; NBER via FRED.

We've Never Had Mass Unemployment



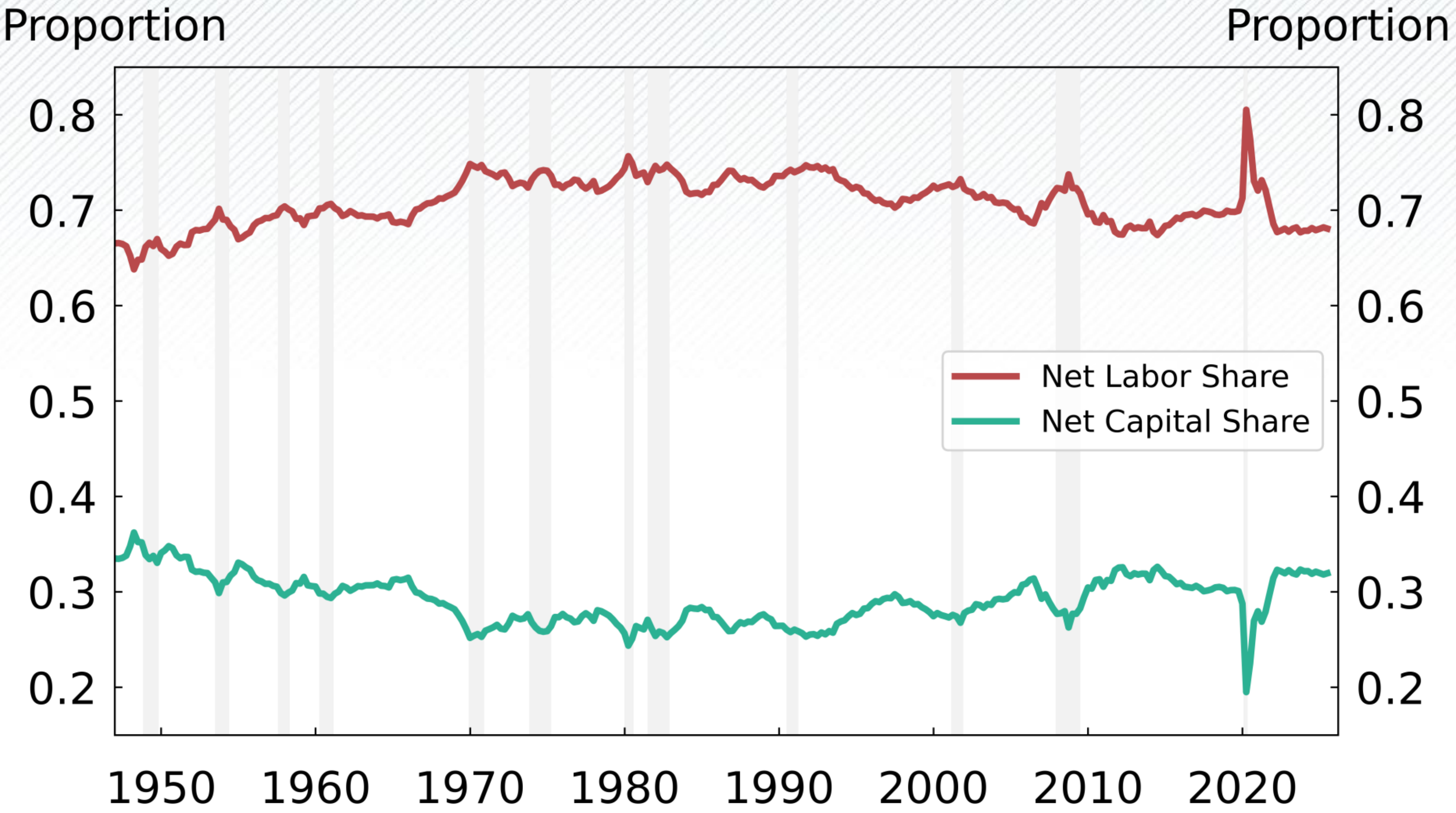
Sources: Bureau of Labor Statistics via Haver Analytics; bls.gov.

Gross Employment Flows Historically Stable



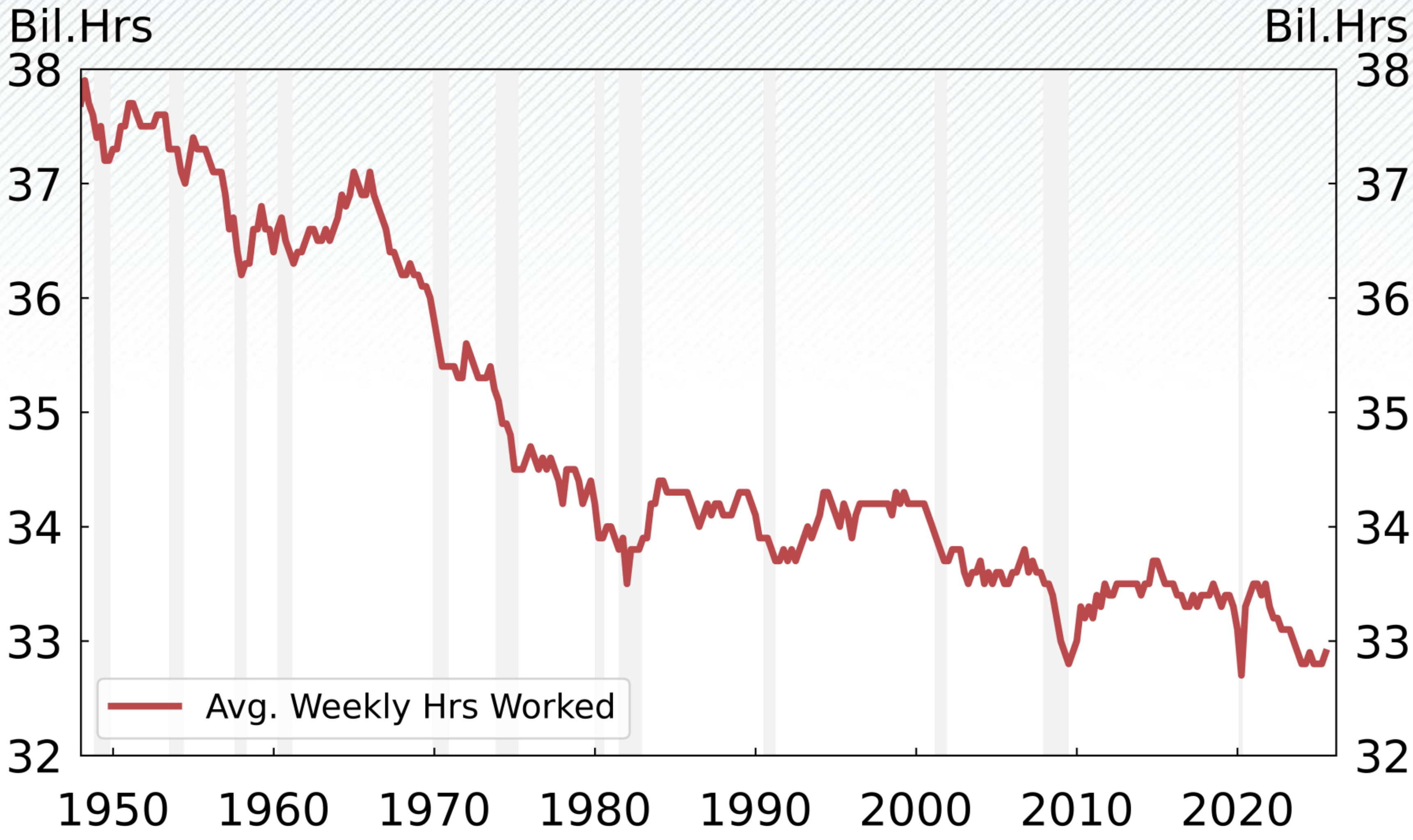
Source: Bureau of Labor Statistics via Haver Analytics.
Note: Gap due to missing October 2025 employment data (noninterpolated series).

Labor and Capital as Shares of National Income Also Steady



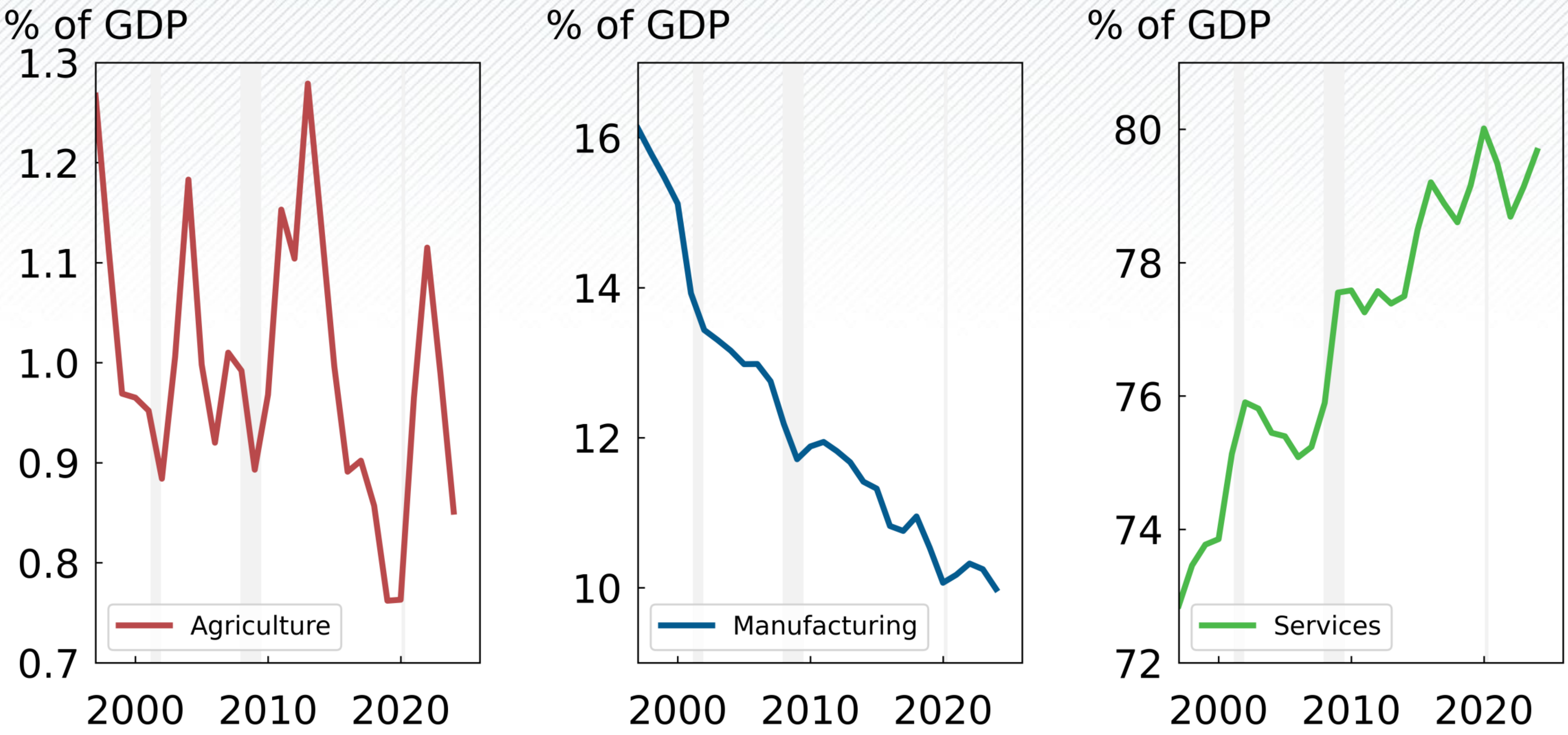
Source: Bureau of Economic Analysis via Haver Analytics.
Note: Net Labor Share = Compensation / (Gross Domestic Income – Consumption of Fixed Capital – Tax on Production and Imports Less Subsidies). Net Capital Share = 1 – Net Labor Share.

Total Economy: Average Weekly Hours Worked Drops



Source: Bureau of Labor Statistics via Haver Analytics.

Agriculture, Manufacturing, and Services as Shares of GDP



Source: World Bank via Haver Analytics.

AI is Here. What Next?

- **If AI's implications are disruptive, what then?**
  - We meaningfully curtailed the use of nuclear power. Is this going to happen with AI?
  - How will electricity demand be met?
    - Power generation is intensely political—local politics matter a lot!
    - Will nuclear come back in the conversation if power demand balloons?
  - Deterioration of not only verbal, but now physical (visual—Sora, etc.) truth.
    - How do you convey credible information when fakes are so good?
    - How closed can your fact bubble be/get?
    - If everything allows wildly varying interpretations, look out.
  - Increased discussion on which services are human-intrinsic and thus difficult to replace.
- **More broadly, AI innovation happens globally, so how can the U.S. ensure talent wants to come here?**
- **What are the implications for AI policy and meta-policy?**

Resting on Our Laureate: Kenneth Arrow in 1972

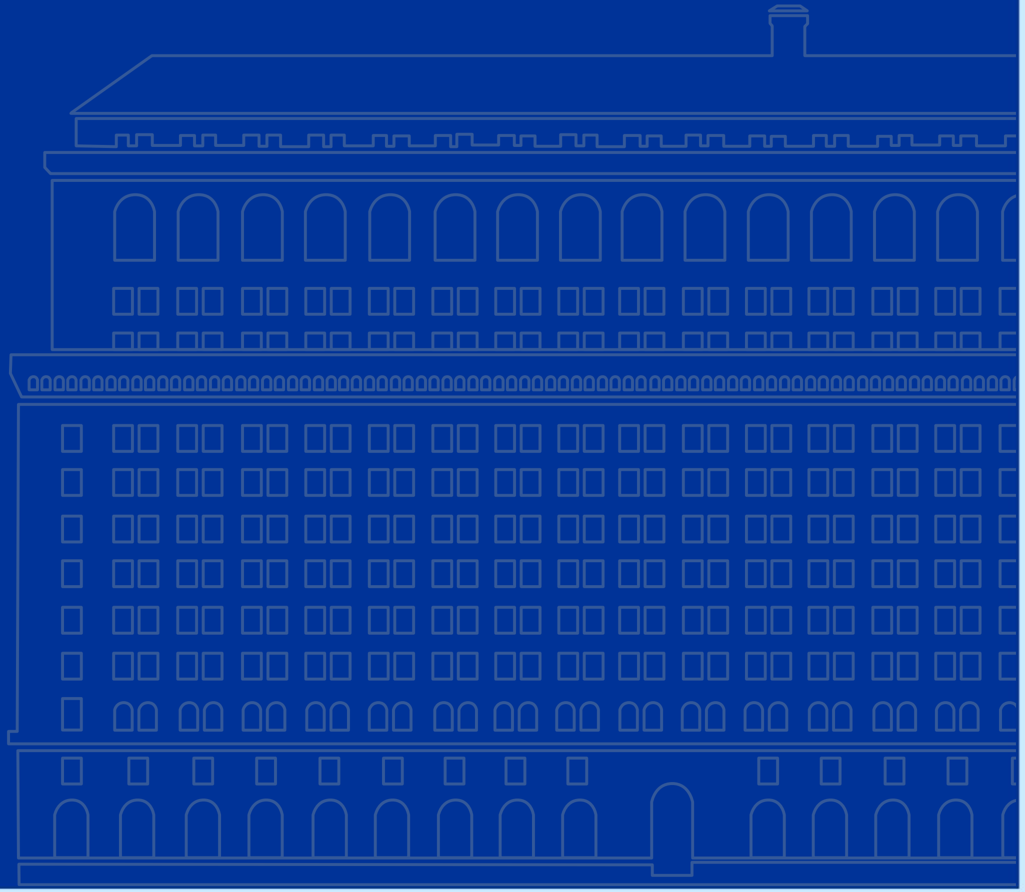
"As technology improves exogenously, through innovations, the labor force made redundant does not become permanently unemployed, but finds its place in the economy. It is truly amazing that the lessons of both theory and over a century of history are still so misunderstood."

"On the other hand, a growing accumulation of instruments of production in turn induces a rise in the prices of labor-intensive commodities relative to those which use little labor."

"…the economic system adjusts with a considerable degree of smoothness and indeed of rationality to changes in the fundamental facts within which it operates."

Source: Kenneth Arrow Nobel Memorial Lecture (1972).

Three Takeaways



#1: As Usual, Macro Steady

- **The U.S. economy is steady at the macro level, and continued *macro* steadiness is my 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.
  - Inflation closer to 2.5% this year, but SEP expects closer to target in 2027.
  - Fed policy: SEP modal view—heading gradually to around 3%.
- **However...**

Sources: Survey of Economic Projections from the December 2025 Federal Open Market Committee Meeting; Bureau of Labor Statistics; "The Facts of Economic Growth" (C. I. Jones).

#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:**
  - Trade and immigration, above all.
  - AI is advancing.
  - 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

Regional Economy Content