

John C Williams: Two sides of a coin

Remarks by Mr John C Williams, President and Chief Executive Officer of the Federal Reserve Bank of New York, at the America's Credit Unions Governmental Affairs Conference 2026, Washington DC, 3 March 2026.

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As prepared for delivery

Introduction

I'm so pleased to be with you today. My parents were California state employees and lifelong credit union members. They taught me the value of saving at an early age, and I am proud to be a lifetime credit union member. In fact, my first car loan was from a credit union. At the time, my mother admonished me that the point was to *save* for the future, not to *borrow* to buy a sports car. Alas, I was in my early 20s and had my own priorities.

Now, as president of the New York Fed, I oversee an organization that has several important responsibilities-including implementing monetary policy. Today, I'm going to talk about the U.S. economy and how the Federal Reserve is working to achieve its dual mandate goals of maximum employment and price stability-which, for us, are two sides of the same coin. Like most coins, this one can be broken down into smaller denominations, and I'll discuss some of those, too.

Before I go further, I must give the standard Fed disclaimer that the views I express today are mine alone and do not necessarily reflect those of the Federal Open Market Committee (FOMC) or others in the Federal Reserve System.

Importance of Credit Unions

Credit unions play a critical role in our economy. They provide banking services and credit access to communities, including those that would otherwise be underserved. Although the Fed does not regulate or supervise credit unions, their CEOs are important members of our Community Depository Institutions Advisory Councils.

Each of the 12 Federal Reserve Banks meets regularly with its Council. Their perspectives help us better understand our local economies, and they provide context and real-world examples that complement all of the other data we gather. This, in turn, helps to inform our policy decisions.

Speaking of data, lately we have been seeing some interesting and somewhat unusual dynamics in the economy, the labor market, and inflation. More on that in a moment.

Resilience

I'll start with the big picture. Despite heightened uncertainty around the impact of trade and other policies, the U.S. economy has been surprisingly resilient. Real GDP grew at a solid pace last year, and growth is poised to pick up steam this year.

An important source of this resilience has been strength in consumer spending, which, in part, has been driven by robust spending by higher-income households. Research by New York Fed economists found that over recent years, higher-income households and homeowners have experienced substantially stronger consumption growth than lower-income households and renters. A soaring stock market and rising home prices are two factors behind that. Another is the 2020-21 mortgage refinancing boom. Lower mortgage payments significantly increased homeowners' disposable income and, in turn, their spending.

Meanwhile, lower-income households have shown signs of becoming more financially constrained. A recent New York Fed analysis showed that mortgage delinquency rates were higher and most pronounced among borrowers who live in lower-income zip codes and counties with rising unemployment rates.¹

Mixed Signals

This leads me to the employment side of the Fed's dual mandate. Despite solid economic growth in 2025, we saw a gradual softening of the labor market through much of the year. In recent months, however, there have been promising signs of stabilization.

After edging up over much of 2025, the unemployment rate has since come down some. The January reading of 4.3 percent is back to where it was in July 2025. In addition, job growth and the New York Fed's Labor Market Tightness Index, which measures how difficult it is for firms to find workers, have stabilized in recent months.²

Even with these positive developments, this remains an unusual low-hire, low-fire job market. The low hiring rate, along with an increase in long-term unemployment, may be contributing to a somewhat more pessimistic perception among households than other indicators of the labor market might suggest. We're seeing this reflected in survey-based measures of the balance between labor demand and supply, such as those produced by the Conference Board and the New York Fed's Survey of Consumer Expectations.³ These measures have not yet shown the same signs of stabilization in recent months that the other indicators I mentioned have, and they provide a cautionary signal that I will continue to monitor.

Some Encouraging Trends

Turning to the price stability side of our mandate, tariffs have been the big focus over the past year, and the incoming data have sharpened our understanding of their likely effects.

Based on the data in hand, we can draw a few conclusions. First, the tariffs have overwhelmingly been borne domestically—a New York Fed analysis estimates that most of the burden has fallen on U.S. firms and consumers.⁴ In addition, the tariffs have

already meaningfully increased U.S. prices of imported goods, and the full effects have likely not yet been felt.

My current estimate is that, to date, the increase in tariffs has contributed around one half to three quarters of a percentage point to the current inflation rate of about 3 percent.⁵ The FOMC defines price stability as 2 percent inflation over the longer run. Owing to the effects of tariffs, progress toward that goal has temporarily stalled.

Despite this lack of headway, we are seeing some encouraging trends. First, there are no signs of significant second-round effects from tariffs. No global supply-chain bottlenecks have emerged. And wage growth has remained stable at levels consistent with price stability. Second, underlying inflation excluding imported goods has been moving in the right direction. And third, most survey- and market-based measures of inflation expectations-including the New York Fed's Survey of Consumer Expectations-are at levels consistent with the FOMC's 2 percent goal.

Taking all of that into account, I expect we will see some additional pass-through of tariffs into consumer prices during the first half of this year. Given the lack of second-round effects and well-anchored inflation expectations, I expect the tariffs largely to have one-off effects on prices. Therefore, I anticipate inflation to start coming back down later this year when the peak effect of tariffs on the inflation rate is behind us.

Monetary Policy and the Economic Outlook

Overall, the U.S. economy appears to be on a good footing. Growth is solid, the labor market is showing signs of stabilizing, and while inflation remains above our 2 percent target, recent data have been reassuring.

Over the past year and a half, the FOMC has lowered the target range for the federal funds rate by a total of 1-3/4 percentage points in response to rising downside risks to employment and the lessening upside risks to inflation.⁶ With these actions, the risks to achieving our maximum employment and price stability goals are now in better balance.

In terms of my outlook, I expect real GDP to grow about 2-1/2 percent this year, supported by stimulus from fiscal policy, favorable financial conditions, and robust investments in artificial intelligence.

With real GDP poised for continued solid growth, I expect the unemployment rate to edge down over the course of this year and next year. And with the effects of tariffs on inflation waning later in the year, I expect overall inflation to come in at around 2-1/2 percent in 2026, then fall to 2 percent in 2027.

Conclusion

Monetary policy is currently well positioned to support the stabilization of the labor market and return inflation to our 2 percent goal. Looking further ahead, if inflation follows the path I expect, further reductions in the federal funds rate will eventually be warranted to prevent monetary policy from inadvertently becoming more restrictive.

In assessing the future path of monetary policy, my view, as always, will be based on the totality of the data, the economic outlook, and the balance of risks to achieving both sides of our dual mandate goals.

¹ Andrew F. Haughwout, Donghoon Lee, Daniel Mangrum, Joelle W. Scally, and Wilbert van der Klaauw, "[Where Are Mortgage Delinquencies Rising the Most?](#)," Federal Reserve Bank of New York *Liberty Street Economics*, February 10, 2026.

² Federal Reserve Bank of New York, [Heise, Pearce, Weber \(HPW\) Labor Market Tightness Index](#) (December 2025).

³ Federal Reserve Bank of New York, [Survey of Consumer Expectations](#) (January 2026).

⁴ Mary Amiti, Chris Flanagan, Sebastian Heise, and David E. Weinstein, "[Who Is Paying for the 2025 U.S. Tariffs?](#)," Federal Reserve Bank of New York *Liberty Street Economics*, February 12, 2026.

⁵ As measured by the [Personal Consumption Expenditures \(PCE\) Price Index](#) (Bureau of Economic Analysis), December 2025.

⁶ Board of Governors of the Federal Reserve System, [Federal Reserve issues FOMC statement](#), January 28, 2026.