

## **John C Williams: The cosmos**

Remarks by Mr John C Williams, President and Chief Executive Officer of the Federal Reserve Bank of New York, at the Federal Home Loan Bank of New York 2026 Member Symposium, New York City, 16 April 2026.

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*As prepared for delivery*

### **Introduction**

Good morning. It's great to be here today. I last spoke at this event two years ago, just a few days after a total solar eclipse. Today, I'm here less than a week after the conclusion of the Artemis II moon voyage. Perhaps it has something to do with the cosmos.

Now, many of you may find this surprising, but there are some similarities between the Federal Open Market Committee (FOMC) and the Artemis crew. Both are mission-focused. Both have scheduled blackout periods-although ours are not nearly as nerve-racking. And just as astronauts travel through competing gravitational forces to circle the dark side of the moon, the FOMC navigates through uncertainty as it balances the risks to achieving its dual mandate goals of maximum employment and price stability.

Today I'm going to talk about those goals, the uncertainty, and the current stance of monetary policy. I'll also give my economic outlook.

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

### **Heightened Uncertainty and Unusual Dynamics**

Right now, the No. 1 topic related to the economy is the Middle East conflict, which has introduced substantial risks and heightened uncertainty. This is an area I'm watching closely, and I'll discuss its implications in a bit. But first, I want to set the stage by talking about where the regional and national economies have been and where they are today.

Over the past year, the economies of the New York metro area and the U.S. have been resilient to uncertainty from a number of sources, including trade and other government policies. Consumer spending has been solid, and business investment strong.

Meanwhile, the regional housing market has stood in contrast to a sluggish national one. Demand across the New York-New Jersey region has remained robust amid exceptionally low home inventories. And home price appreciation in recent years has been quite strong, with prices rising substantially faster compared to the nation as a whole.

Rents have also risen faster in the New York-Northern New Jersey region than they have nationally. One factor undoubtedly supporting this housing demand is the return of workers to the office. This dynamic can be seen in transit ridership, which has rebounded to about 80 percent of pre-pandemic levels for the subway and 90 percent for key commuter rails. Those are big increases from just a few years ago.

Against this backdrop, the Middle East conflict has intensified the uncertainty around our local, regional, and national economies. At the same time, economic data are showing some unusual dynamics in the form of mixed signals coming from the labor market and crosscurrents in inflation.

Like astronauts, economists love to collect and study data. So, I'm going to spend some time digging a little deeper into the economic data, starting with the employment side of the Fed's dual mandate.

## Mixed Signals

Lately, the labor market has been displaying conflicting signs. In recent months, much of the hard data point to a stabilization in the balance between supply and demand, while some of the soft data suggest a labor market that continues to gradually soften.

Let's take the hard data first. At 4.3 percent, the unemployment rate has changed little since July of last year. Similarly, other measures-including payroll growth, unemployment insurance claims, and the New York Fed's Labor Market Tightness Index, which measures how difficult it is for businesses to find workers<sup>1</sup>-are not pointing to a change in direction in overall labor market conditions.

What all of this means is that it's a reasonably good labor market if you have steady employment. But in a low-hire, low-fire labor market, it's not so good if you are looking for a job or worried you may need one soon. 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 suggest.

We can see this pattern in perceptions of jobs availability published by the Conference Board and job-finding expectations reported in the New York Fed's Survey of Consumer Expectations, both of which have continued to trend downward.<sup>2</sup> In particular, the New York Fed's survey measure may foreshadow a further decline in job-finding rates in coming months. These and other labor market indicators bear continued monitoring.

## Crosscurrents

While labor market data are sending mixed signals, the price stability side of the Fed's mandate is displaying some unusual crosscurrents, too.

The FOMC defines price stability as 2 percent inflation. As of February, before the start of the Middle East conflict, overall inflation-as measured by the Personal Consumption Expenditures price index-was 2.8 percent. Higher tariffs have contributed between one half and three quarters of a percentage point to that figure.

Over the next few quarters, the effects of tariffs on the inflation rate should begin to wane, creating some downward momentum in core inflation. At the same time, developments in the Middle East are driving significant increases in energy prices, which are already lifting overall inflation. Assuming energy supply disruptions ease reasonably soon, energy prices should come down, and these effects should partially reverse later this year.

However, the conflict could also result in a large supply shock with pronounced effects that simultaneously raises inflation-through a surge in intermediate costs and commodity prices-and dampens economic activity. This has begun to play out already. While the data have not pointed to significant broad-based supply-chain bottlenecks yet, we are seeing increasing disruptions related to the supply of energy and related goods.<sup>3</sup> Not only are elevated energy prices showing up in the rising cost of fuel, but there are also pass-through costs in the form of higher airfares, groceries, fertilizer, and other consumer products.

Despite these uncertainties, there are some positive trends. There are still no signs of significant second-round effects from tariffs spilling over to the rest of the economy. Underlying inflation excluding imported goods has been moving in the right direction. And, according to the New York Fed's Labor Market Tightness Index and confirmed by the data on wage growth, there are no indications that the labor market is adding to inflation pressures.

In addition, survey- and market-based measures of inflation expectations-including those from the New York Fed's Survey of Consumer Expectations-remain well anchored. The most recent readings show that while short-term inflation expectations have risen since the onset of the conflict-reflecting higher energy prices-medium and longer-term expectations remain at levels consistent with the FOMC's 2 percent longer-run inflation goal. I pay close attention to inflation expectations, because well-anchored expectations have proven to be invaluable to ensuring price stability during unexpected shocks and extreme uncertainty.

## **Monetary Policy and the Economic Outlook**

This is an unusual set of circumstances, but the current stance of monetary policy is well positioned to balance the risks to our maximum employment and price stability goals. Accordingly, at its meeting in March, the FOMC decided to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent.<sup>4</sup>

The economic outlook remains highly uncertain, particularly due to the effects of the Middle East conflict. But given what we know now, I expect real GDP growth to be between 2 and 2-1/2 percent this year. My forecast reflects a balance between factors supporting growth-such as tailwinds from fiscal policy, favorable financial conditions, and investment in AI-and those damping spending, including higher energy prices and uncertainty. With growth running close to trend, I anticipate the unemployment rate will remain in its recent range of 4-1/4 to 4-1/2 percent. And I expect overall inflation to come in between 2-3/4 and 3 percent this year-reflecting the effects of energy price increases-and then reach our 2 percent longer-run target in 2027 as the effects of tariffs and energy prices fade.

## The Balance Sheet

Before I wrap up, I'd like to say a few words about the Fed's balance sheet. The FOMC operates in an ample reserves framework, where interest rate control is exercised primarily through administered rates, and the active management of reserves is not required.<sup>5</sup>

The system has proven to work very well and to be flexible as the environment changes. We are well positioned to manage shifts in demand for reserves and other Federal Reserve liabilities that result from changes in the banking system-whether that's due to regulations, financial sector innovations, or seasonal fluctuations, such as those driven by tax payments. This helps ensure the safety and soundness of the financial system.

Determining when reserves are ample is an inexact science-and of course, relies on data. I will continue to closely monitor a variety of market indicators related to the fed funds market, repo market, and payments to help assess the state of reserve demand conditions.

## Conclusion

The inflation crosscurrents, mixed messages from the labor market, and heightened uncertainty from the Middle East conflict create gravitational forces that define the economic environment we face today. One thing that is certain is my unwavering commitment to supporting maximum employment and bringing inflation to our 2 percent longer-run goal on a sustained basis.

As with the Artemis mission, it's the safe return home that's essential. In assessing the future path of monetary policy, my views, as always, will be based on the evolution of the totality of the data, the economic outlook, and the balance of risks to the achievement of our maximum employment and price stability goals.

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<sup>1</sup> Federal Reserve Bank of New York, [Heise, Pearce, Weber \(HPW\) Labor Market Tightness Index](#) (February 2026).

<sup>2</sup> Federal Reserve Bank of New York, [Survey of Consumer Expectations](#) (March 2026).

<sup>3</sup> Federal Reserve Bank of New York, [Global Supply Chain Pressure Index](#), March 2026.

<sup>4</sup> Board of Governors of the Federal Reserve System, [Federal Reserve issues FOMC statement](#), March 18, 2026.

<sup>5</sup> Board of Governors of the Federal Reserve System, [Statement Regarding Monetary Policy Implementation and Balance Sheet Normalization](#), January 30, 2019.

