

John C Williams: Stability of Thy Times

Remarks by Mr John C Williams, President and Chief Executive Officer of the Federal Reserve Bank of New York, at the Partnership for New York City, New York City, 15 July 2026.

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As prepared for delivery

Introduction

Thank you, Steve, for that introduction. And thank you, Rob, for what will surely be a fantastic discussion.

Today's event is an example of a great partnership in action. The New York Fed and the Partnership for New York City both have missions that are focused on promoting economic prosperity and stability. We've enjoyed a strong and fruitful relationship over the years, sharing ideas, data, and resources with each other in an effort to better understand how New York City can be best positioned for long-lasting economic success. This has been especially true during times of disruption and uncertainty.

That's why this is such a fitting place for this discussion. When Rockefeller Center was built during the Great Depression, these words were chosen to be inscribed in stone: "Wisdom and knowledge shall be the stability of thy times." If you didn't see it on your way in, make sure to take a look on your way out. Or just rewatch the opening credits of *30 Rock*.

Today, I'll point out sources of stability in our profoundly uncertain and unpredictable times, as well as places where the economy is showing less resilience. I'll also discuss shifts and trends we are seeing right here in New York City, and I'll share my outlook for the U.S. economy more generally. I'll close by explaining how the Federal Reserve is working to achieve its goals of maximum employment and price stability.

Standing in this building, I'm compelled to now say, "Live from New York!" Instead, I'll just 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.

A Resilient U.S. Economy

So, let's start with a zoomed-out view of the U.S. economy, which has remained remarkably resilient amid uncertain and challenging times. While the effects of the Middle East conflict undoubtedly pose significant and unpredictable risks to economies around the world, the U.S. economy so far has absorbed these events fairly well.

Recent data on economic activity support this reading. For the past year and a half, we've seen solid GDP growth, at around 2 percent. There are pockets of red-hot growth fueled by optimism, productivity increases, and strong investment. But the economy has

been only growing near its trend rate because weakness in other sectors has been offsetting these gains.

The resilience is in large part due to strong optimism around technology and AI, leading to surging business investment and stock market gains that are boosting consumer spending. These positive factors have helped offset declines in spending in other sectors, such as residential construction, expenditures by the federal government, and the effects of higher energy costs on household spending.

A Stable Labor Market

When it comes to the labor market-one side of the Fed's dual mandate-we're seeing similar signs of resilience and stability. The unemployment rate has stayed within a narrow range of about 4-1/4 to 4-1/2 percent over the past year. Payroll employment growth has been positive. Other labor market measures-including job openings, unemployment insurance claims, and job-finding and separation rates-have likewise been stable or have modestly strengthened. And survey measures of job and worker availability, along with the New York Fed's "job security gap"-all of which previously flashed warning signs-have also largely stabilized, albeit at low levels.

Elevated Inflation

Now I'll turn to the price stability side of our dual mandate. Inflation is unquestionably too high at about 4 percent,¹ well above the FOMC's longer-run goal of 2 percent.

This elevation primarily reflects three drivers. The first is the effect of higher tariffs on imported goods. The second is supply chain disruptions and higher energy and commodity prices owing to the conflict in the Middle East. And the third is the robust demand for certain categories of goods and electricity associated with the surge in technology investment.

Robust investment related to AI is a topic worthy of further examination. I am confident that these investments will support strong productivity growth in coming years. But, right now, we're in a race between available supply and surging demand. So far, demand is outpacing supply in certain categories of goods. As a result, we are seeing sharp increases in the prices of semiconductors, power transformers, and other technology that is essential for the AI buildout. Because these inputs are also used in other goods purchased by consumers and businesses, higher costs are starting to affect prices.

These three factors together have driven inflation over the past year. But there are encouraging reasons to expect that inflation has peaked and should edge down in coming quarters.

One explanation is that the direct effects of existing tariffs on prices appear to have in large part played out, although some businesses report they expect further tariff-related price increases.² My expectation is that any new tariffs will primarily replace those that were curtailed or will soon expire, so we shouldn't see a significant additional impulse on prices from this source going forward.

A second reason is that the data continue to show relatively modest increases in market rents, which implies that shelter inflation should remain on the downward trajectory observed over the past three years.

Third, based on oil prices today and futures market pricing into next year, it appears that prices for energy and related goods have likely peaked and will come down closer to levels seen before the initial closure of the Strait of Hormuz. Of course, this situation is fluid and subject to a great deal of uncertainty, a topic I will return to shortly.

Fourth, the supply-demand imbalances stemming from AI-related investment should recede over time as more supply comes online. That said, the magnitude and duration of these supply-demand imbalances are highly uncertain.

Fifth, we do not see evidence of the labor market adding to inflationary pressures. This is supported by the New York Fed's HPW Labor Market Tightness Index³ and the data on wage growth, which are consistent with low inflation.

Lastly, medium- and longer-term inflation expectations remain well anchored. In the New York Fed's Survey of Consumer Expectations, one- and three-year-ahead expectations are up modestly, and five-year-ahead expectations are essentially unchanged since the onset of the Middle East conflict. This pattern is consistent with market-based measures of inflation expectations.⁴

A City Like No Other

Let's zoom back in on New York City. When I joined the New York Fed eight years ago, the city's economy was booming as the innovation sector broadened the region's economic base. Rapid growth resulted in challenges to affordability, as well as a housing shortage.

Since then, a series of unprecedented events has created new and daunting challenges for the city. There was the devastating human toll of the pandemic, followed by the move to remote and hybrid work. Then we had the implementation of new immigration and trade policies. And now, the surge in energy prices stemming from the conflict in the Middle East.

Despite these very real ongoing challenges, the city's economy has fully recovered from the pandemic and is experiencing strong momentum for future growth. I should be clear that this conclusion is not just an emotional response to the recent excitement in our region—including an NBA championship 53 years in the making, hosting the World Cup, an American version of a royal wedding, and the semiquincentennial celebrations.

Instead, my optimism is based on careful analysis of the hard data. After being driven primarily by healthcare over the past few years, employment growth in and around New York City has broadened to include the technology sector. Besides being a global financial center, the city has become a powerful technology hub that has grown significantly in recent years, employing tens of thousands of tech workers.

Just a few years ago, the mood around the prospects for New York City's commercial real estate was decidedly glum. Today, with more employers bringing people back into

offices and a resurgence in demand from technology-related companies, demand for city office space is soaring.

With this economic strength, the challenges of affordability and housing are once again dominating discussions about how to create sustained and broad-based economic prosperity.

A Well-Positioned Monetary Policy Stance

I'll close with what this means for the national economic outlook and monetary policy.

Growth in the economy is solid and on trend, and the labor market is likewise solid and stable. But with inflation running high, it is imperative that we restore it to the Federal Reserve's 2 percent longer-run goal on a sustained basis. The current stance of monetary policy is well positioned to do that. Accordingly, at its meeting in mid-June, the FOMC decided to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent in support of the Fed's dual mandate.^{[5](#)}

An Economic Forecast

Looking ahead, I expect real GDP growth to be around 2 to 2-1/4 percent this year and over the next two years. With growth running modestly above my estimate of its potential rate of 2 percent, I expect the unemployment rate to edge down very gradually to 4 percent in 2028.

For the reasons I outlined a moment ago, I expect overall inflation to decline to around 3-1/4 percent by year-end, then continue on a glide path toward our 2 percent goal in 2027 and land on target in 2028.

Even with many sources of stability, substantial risks remain. The full effects of the AI investment surge on growth, employment, and inflation are hard to predict. And the global supply disruptions stemming from the conflict in the Middle East continue to be a source of risk to the outlooks for both growth and inflation.

Conclusion

This is why I remain firmly committed to achieving the Federal Reserve's goals of maximum employment and bringing inflation down to our 2 percent longer-run goal on a sustained basis. And with the shifts we are seeing right here in the city, the Partnership for New York City has an equally important commitment to advancing New York as the global center of economic opportunity.

The economy can be highly unpredictable and uncertain. But the architects of this building remind us that we must be guided by knowledge and wisdom. 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.

¹ As measured by the [Personal Consumption Expenditures \(PCE\) Price Index](#) (Bureau of Economic Analysis).

² Jaison R. Abel, Mary Amiti, Richard Deitz, Sebastian Heise, and Nick Montalbano, "[More Tariff Pass-Through Is in the Pipeline](#)," Federal Reserve Bank of New York *Liberty Street Economics*, July 8, 2026.

³ Federal Reserve Bank of New York, [Heise, Pearce, Weber \(HPW\) Labor Market Tightness Index](#) (May 2026).

⁴ Federal Reserve Bank of New York, [Survey of Consumer Expectations](#) (June 2026).

⁵ Board of Governors of the Federal Reserve System, [Federal Reserve issues FOMC statement](#), June 17, 2026.