Lisa D Cook: Outlook for the US and Alaskan economies

Speech by Ms Lisa D Cook, Member of the Board of Governors of the Federal Reserve System, at the 2026 Economic Luncheon of the Anchorage Economic Development Corporation, Anchorage, Alaska, 5 August 2026.

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Thank you, Jon, for that kind introduction. It is an honor to be here in Alaska. I appreciate the invitation from the Anchorage Economic Development Corporation to meet with you all today.[1] As many of you know, I have spent the majority of my career as an academic economist and professor. I have a deep, longstanding love for data and information. At the Federal Reserve, I have the privilege to have the best and most timely data at my fingertips. Yet, there is no substitute for the information researchers-and policymakers-can gain from real-world interactions. This is a main reason I am delighted to be here today-not only to share my own view of how I see the economy developing but, just as importantly, to hear from all of you and to learn about how monetary policy affects your lives, careers, and businesses here in Alaska.

Specifically, today I would like to share my economic outlook for the U.S. and then drill down a bit further to discuss what the data tell me about Alaska's economy. Finally, I would like to focus on one type of data I watch closely, consumer sentiment data.

Outlook

I view the U.S. economy as remaining resilient and growing at a solid pace. Inflation continues to be stubbornly high and has exceeded the Federal Open Market Committee's (FOMC) 2 percent target for more than five years. Meanwhile, the labor market appears to be stable, in a low-hire, low-fire environment.

Thinking first of the price-stability side of our mandate, my assessment is simple: Inflation is too high. This has been my long-held view, and I have noted that inflation has moved significantly away from our target over the past year.[2] The inflation picture improved modestly in June, the most recent month for which we have data. However, I would not put too much weight on a single data point, especially in what remains a highly uncertain environment. The personal consumption expenditures price (PCE) index rose 3.7 percent in the 12 months through June. That is nearly double our target. Elevated energy prices due to the conflict in the Middle East have contributed significantly to inflation over the past year, but it is not the only factor. Core prices, which exclude food and energy costs, rose 3.3 percent over the same period.

This year has brought two unexpected sources of price pressure: The Middle East conflict has driven the cost of energy and certain other goods higher, and companies are ramping up capital spending to build out artificial intelligence (AI) infrastructure.[3] That investment wave has lifted prices for semiconductors, high-tech equipment, software, and utilities. Taken together, these developments have shifted the balance of risks toward inflation and away from the labor market.

On the other side of the dual mandate, the labor market has remained resilient over the past year. In June, the unemployment rate was 4.2 percent. That rate has barely changed from a year earlier and aligns with what many economists believe is the natural rate of unemployment. Job growth over the past year has been modest. However, it picked up during the spring months, averaging more than 100,000 jobs added per month in the April through June period. Although the hiring rate is low, the unemployment rate remains steady because layoffs are also low. Initial claims for unemployment benefits have trended at historically low levels for several years.

The low-hire, low-fire equilibrium hits some groups, including new entrants, especially hard and may restrain worker sentiment for good reason. Several factors could explain why employers are not hiring as much as they did in the recent past, including longer-term structural shifts, pandemic-era over-hiring, or increased work from home. However, international and state-level evidence suggests that low hiring rates, when they reflect slow population growth, do not signal an impending downturn by themselves. At the same time, many workers understandably worry about how AI will affect their livelihood. Thus far, the most dire predictions about AI job losses have not materialized. I still see this development as a significant risk but one that has not grown over the past year.

Overall economic growth in the U.S. remains solid this year. After being adjusted for inflation, output grew at a 1.8 percent pace through the first half of the year and is on track to grow at a faster pace in the second half. An important driver of those gains is the AI-related investment I previously mentioned. Overall business investment rose at a 10 percent annual rate in the first half of the year. Meanwhile, U.S. households appear resilient, with consumer spending advancing at close to a 2 percent rate in the first half. Housing continued to be a soft spot, with the level of residential investment edging down about 3 percent.

Monetary Policy

What does this outlook mean for monetary policy? As I have described, inflation is too high, and I consider the risks to the inflation side of the dual mandate higher than the risks to the employment side at this point. As such, I am prepared to act by raising rates, if necessary. The labor market and output growth are currently stable. I would consider how a rate increase could negatively affect that stability. Still, I would support an increase, if it becomes necessary to bring inflation down. It may not. Some disinflationary forces are already in play, which could push inflation toward our target without a rate increase. Allow me to describe these forces.

First, the effects of tariffs announced last year on the price level are mostly behind us. So even though those tariffs account for a lot of the elevated inflation seen in 12-month changes, they may no longer provide much inflationary push going forward. We should see some disinflation as the early months of tariff pass-through drop out of the inflation window. However, the exact path of tariff policy remains uncertain.

Second, while oil prices continue to be elevated relative to early this year because of the Middle East conflict, many forecasters suggest that they will come down by the end of the year, providing some deflationary relief. However, similar to tariff policy, uncertainty remains high.

Third, and finally, some of the recent price pressure in goods is due to the relative demand shift from the AI buildout, as demand for chips, especially, has led to stark price increases in high-tech electronics. As supply chains adjust and sector-specific efficiency gains accrue, I believe some of the inflationary pressure coming from the AI buildout will ease.

For these three reasons, I felt it was appropriate not to change rates while we see how these factors evolve. If I do not see signs of continued disinflation soon, I am prepared to act. With five years of above-target inflation, the risk grows that higher inflation may become entrenched in price- and wage-setting behavior, leading to persistence that would be much harder for us to attack. The longer inflation is above target, the more likely this scenario becomes. Thus, while we might be able to afford to wait for longer in a different environment, we do not have that luxury in this one.

Alaska Outlook

When I consider monetary policy, I focus on the national picture I just described. But I know the economy varies from state to state, city to city, and neighborhood to neighborhood. The Alaskan economy has some similarities with and some differences from what I see in the Lower 48 states.

Like the rest of the country, Alaskans have faced substantial increases in the cost of living since the pandemic. And inflation pressure appears to be picking up in the most recent readings. These price increases are likely weighing heavily on Alaskan households, who historically have faced higher prices than other Americans, particularly in remote areas of the state.

The labor market here appears to be stable, as it is in much of the country. The unemployment rate is low in Alaska-just 4.4 percent according to the Bureau of Labor Statistics. In fact, this level is lower than any reading published before the pandemic. Initial unemployment insurance claims are also low, suggesting that layoffs are low. Employment in the health-care sector has been a driver of overall job gains for several years in the state. Meanwhile, federal government employment, which constitutes a higher share of the Alaskan workforce relative to most states, has declined notably this past year.[4] Alaska is facing a shrinking labor force and an aging population. Alaska's working-age population, those aged between 18 and 64, declined slightly in 2025. Simultaneously, the number of Alaskans aged 65 or older increased 3.2 percent last year.[5]

One major difference between the Alaskan economy and that of most states is the large share of the economy attributed to the oil and gas sector. Employment in this sector, which stood at 9,700 in June, has largely moderated over the previous decade, though the sector added a significant number of jobs in the past 12 months.[6] When energy prices fluctuate, as we have seen in recent months, Alaska faces an economic dynamic that no other states experience to the same degree. When oil prices rise, your state government's fiscal position strengthens. At the same time, many Alaskans, particularly those in rural communities, see their energy costs spike. Therefore, the state's balance sheet improves while household budgets in remote areas face real strain. This dynamic is something I want to hear more about, but as an outside observer, this creates a natural tension in how different parts of Alaska's economy experience the same price movement. Certainly, this is something we need to keep in mind when we think about energy price volatility and its broader economic effects.

A View on Sentiment

And before I conclude, I would like to discuss a disconnect I have observed when examining economic data. The discussions I have had here-and around the country-reveal that many workers and business leaders have a less favorable outlook on the economy than official statistics indicate. National consumer sentiment data bear out this observation. Consumer sentiment, by many measures, is lower than one would expect in a solid labor market, and perceptions of job availability have continued to worsen. In outreach calls, I hear that vulnerable households are especially dissatisfied with the economy.

It is important to understand what is driving this low sentiment to ensure that the FOMC is doing what it can to best achieve our dual mandate. I have come to the view that households are currently reporting low sentiment for three main reasons.[7]

First, the introduction of AI has raised uncertainty about the job market. Many Americans see the benefits of AI but are also concerned about the labor-market transition. They wonder whether in coming years jobs will be available for themselves and their families, which seems understandable. Although the labor market has been resilient, the hiring rate is low-which disproportionately affects young entrants. Moreover, some evidence suggests that hiring in certain AI-vulnerable sectors may have slowed.

Second, decades-long structural changes present challenges for today's middle-class families. Most notably, housing costs have increased sharply for both homebuyers and renters. These increases have far surpassed wage gains in almost every region of the country. In Alaska, house prices have increased fivefold since 1990, more than double the rise in the overall price index for all goods and services. In addition, nationally, the cost of education, health care, elder care, and childcare has risen by more than wages; household debt has risen; and intergenerational mobility has declined. These trends may interact with other macroeconomic changes in ways that make them especially painful now. For instance, young adults today compete for housing and jobs with older, wealthier baby boomers-making these long-standing challenges more acute.

Finally, the third reason I point to as an explanation for weak sentiment is the high inflation experienced over the past five years. This high inflation also interacts with the long-standing trends I just mentioned. The extended bout of inflation would have called attention to the corrosive rise in real prices of housing, childcare, and education that occurred over decades.

In sum, the reasons for low sentiment are real and are deeply concerning. They require a varied and broad policy approach, largely outside the scope of monetary policy. But we have our part to play. As a monetary policymaker, I believe that the best thing we can do in our roles is to ensure that inflation returns to and stays at target.

Conclusion

If you take away one thing from this talk, I hope it is that I am firmly committed to restoring price stability. Bringing inflation back to target, first and most importantly, is critical to achieving the dual mandate that Congress assigned to the Fed. Achieving our goal will also bring much needed relief to families who have faced elevated price pressures for far too long. And achieving price stability will help narrow the disconnect that many Alaskans, and many Americans, feel when they assess their personal, less sanguine expectations for the economy relative to solid, more sanguine readings for growth and employment.

Thank you again for the opportunity to speak here today. I look forward to continuing to hear and learn from workers, families, and business leaders here in Alaska.

Thank you.

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[1] The views expressed here are my own and are not necessarily those of my colleagues on the Federal Reserve Board or the Federal Open Market Committee.

[2] See Lisa D. Cook (2026), "Economic Outlook," speech delivered at the Exchequer Club of Washington D.C., Washington, July 15.

[3] See Lisa D. Cook (2026), "The Opportunities and Risks AI Presents for the Economy and the Financial System," speech delivered at the Stanford Institute for Economic Policy Research, Stanford University, Stanford, Calif., May 27.

[4] See Karinne Wiebold (2025), "Federal Jobs and Workers in Alaska (PDF)," Alaska Department of Labor and Workforce Development, *Alaska Economic Trends,* May.

[5] See Alaska Department of Labor and Workforce Development, Office of the Commissioner (2026), "Alaska's Population Grew 0.2 Percent from 2024 to 2025," press release no. 26-2, January 28.

[6] See Alaska Department of Labor and Workforce Development, Office of the Commissioner (2026), "June Jobs Down 0.3% from June 2025," press release no. 26-12, July 17.

[7] See Lisa D. Cook (2026), "Economic Outlook," speech delivered at the Economic Club of Miami, Miami, Fla., February 4.