

FEDERAL RESERVE BANK *of* NEW YORK

National and Regional Economic Outlook

October 7, 2025

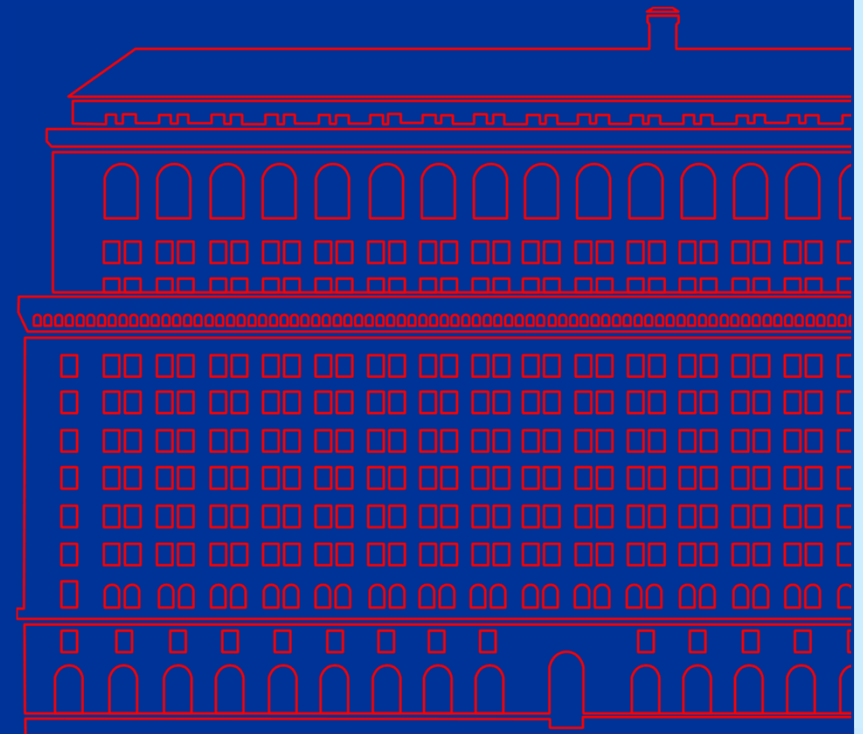
New York Fed and Orange County Partnership

Kartik Athreya, Federal Reserve Bank of New York

Slides prepared by Liz Li, William Zeng, Jaison Abel

The views here are of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or Federal Reserve System.

Where Are We At?



Current State of the Economy

- **Growth**

- Real GDP shrunk at a -0.5% annual rate in 2025Q1 but grew at 3.8% in 2025Q2 (revised up from 3.3%).

- **Labor market**

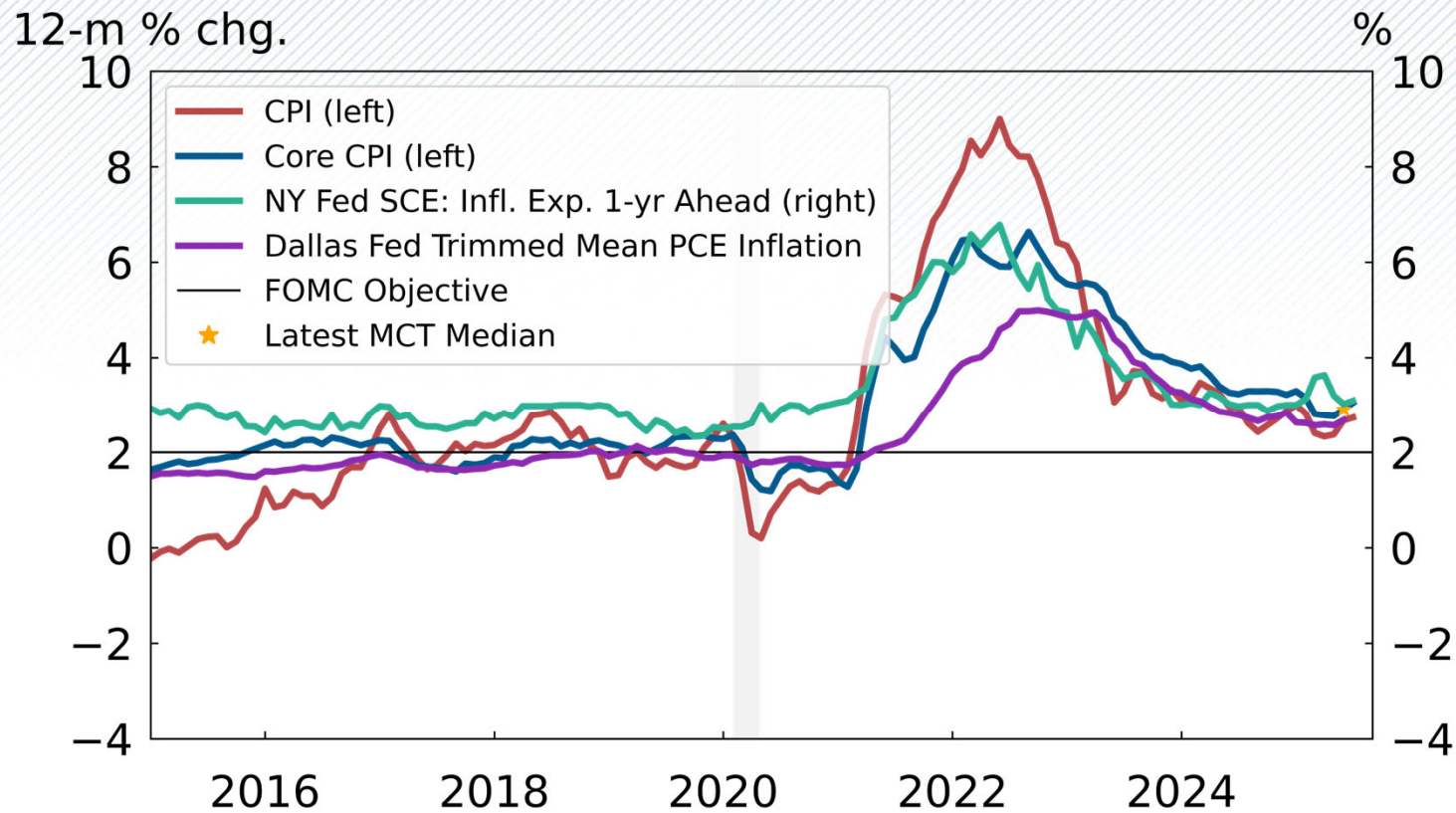
- Payroll growth slowing (3-month average at ~29,333), but likely reflects both labor demand and supply.

- **Inflation**

- Above target still (August PCE inflation 2.7% vs. our 2% target).
- Wage growth is holding steady (overall 4.1%, hourly 4%).

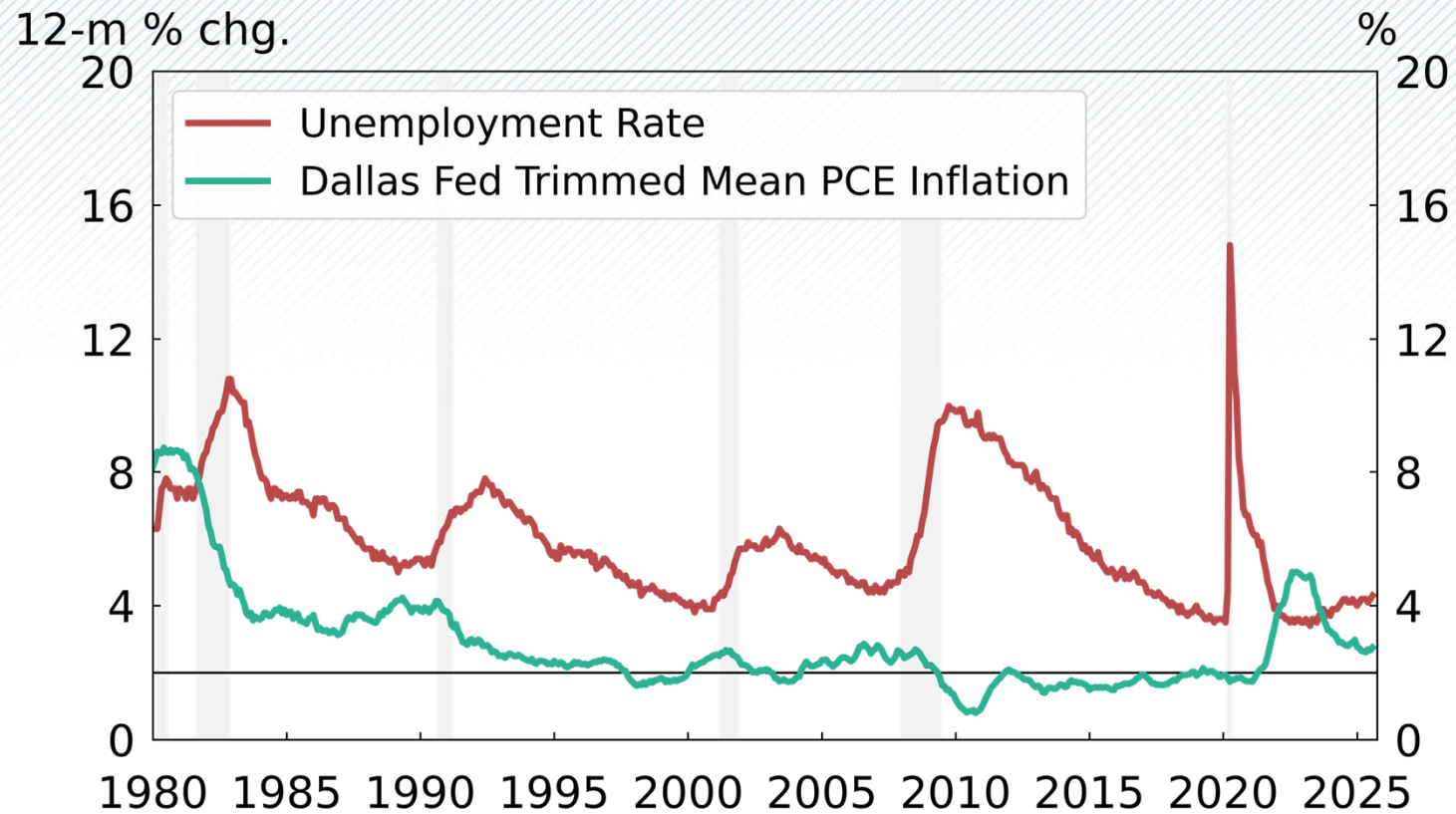
- **Uncertainty is (still) *elevated*.**

Zooming Out on Inflation A Bit...



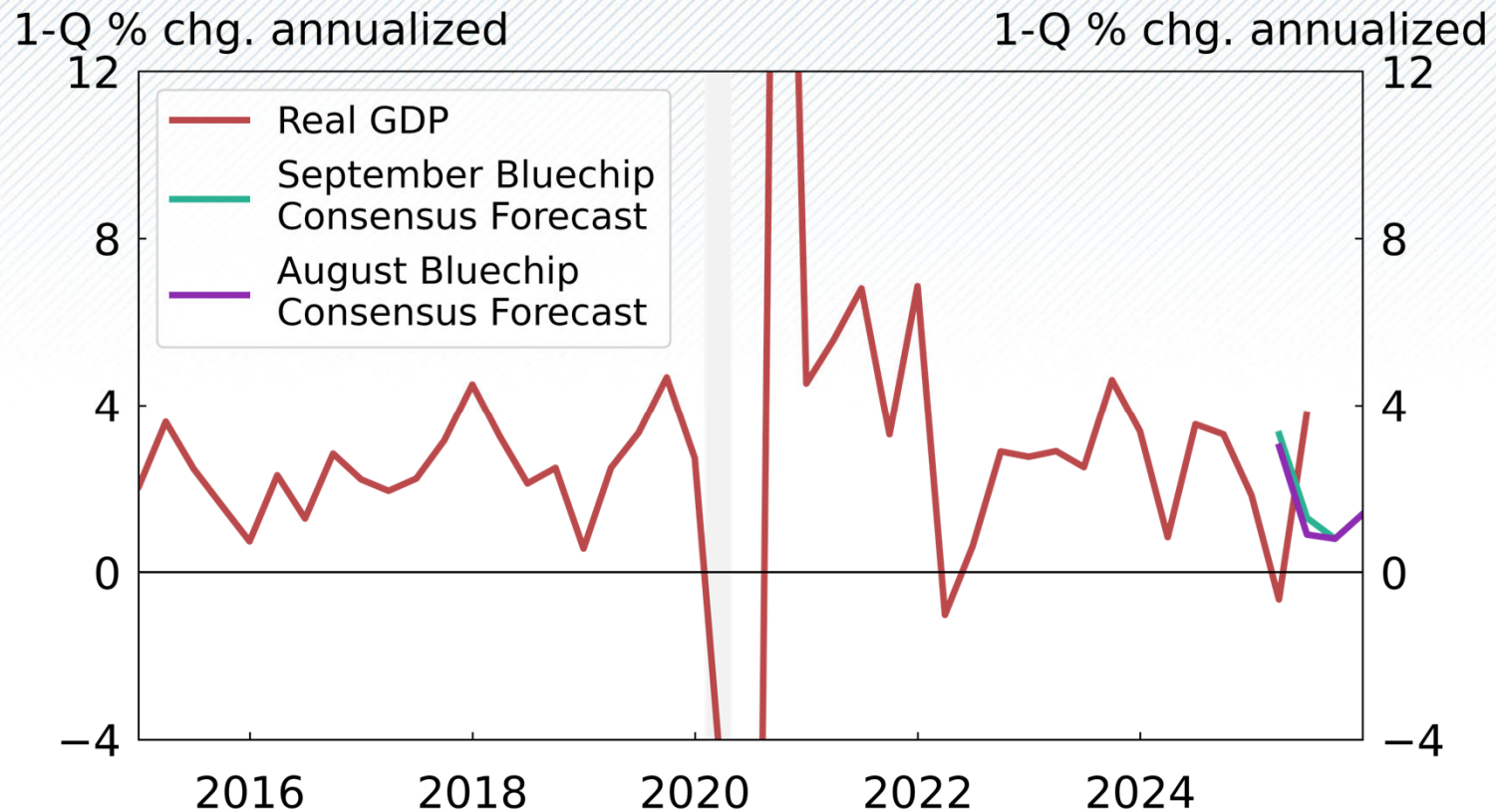
Sources: Bureau of Labor Statistics, New York Fed Survey of Consumer Expectations, Dallas Fed via Haver Analytics

Recession-Free Disinflation



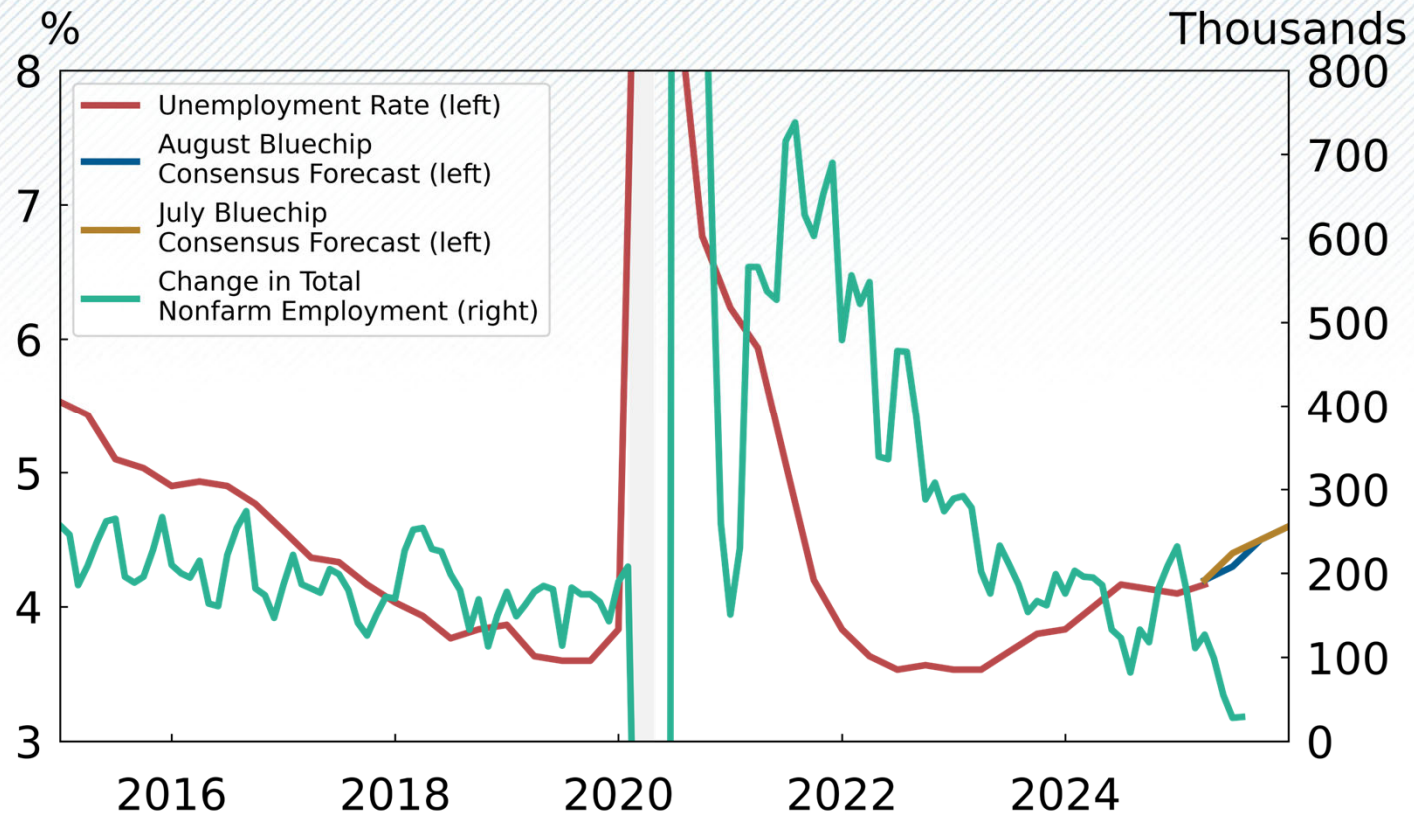
Sources: Bureau of Labor Statistics, Dallas Fed via Haver Analytics

Zooming Out on GDP Growth A Bit...



Sources: Bureau of Economic Analysis, Wolters Kluwer via Haver Analytics

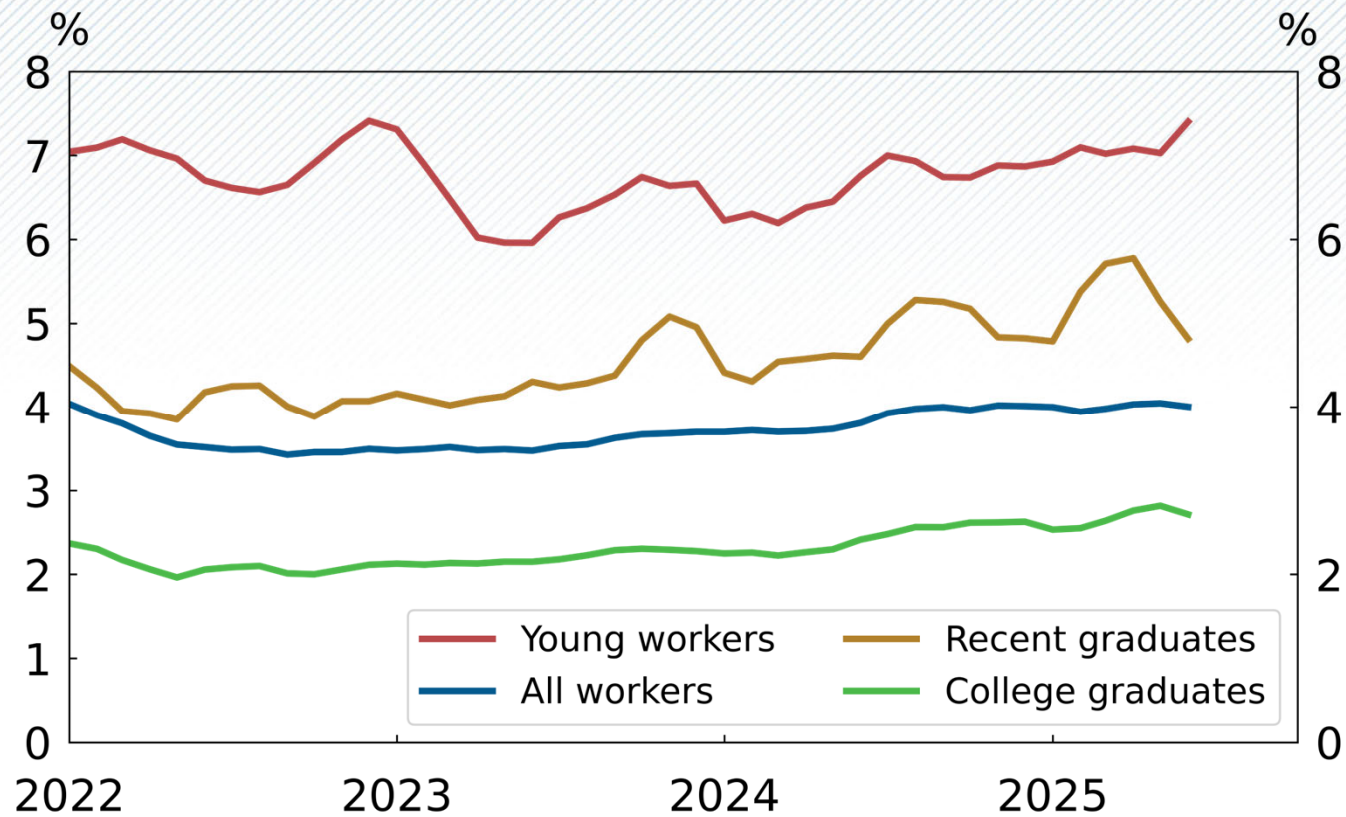
Zooming Out on the Labor Market A Bit...



Sources: Bureau of Labor Statistics, Wolters Kluwer via Haver Analytics

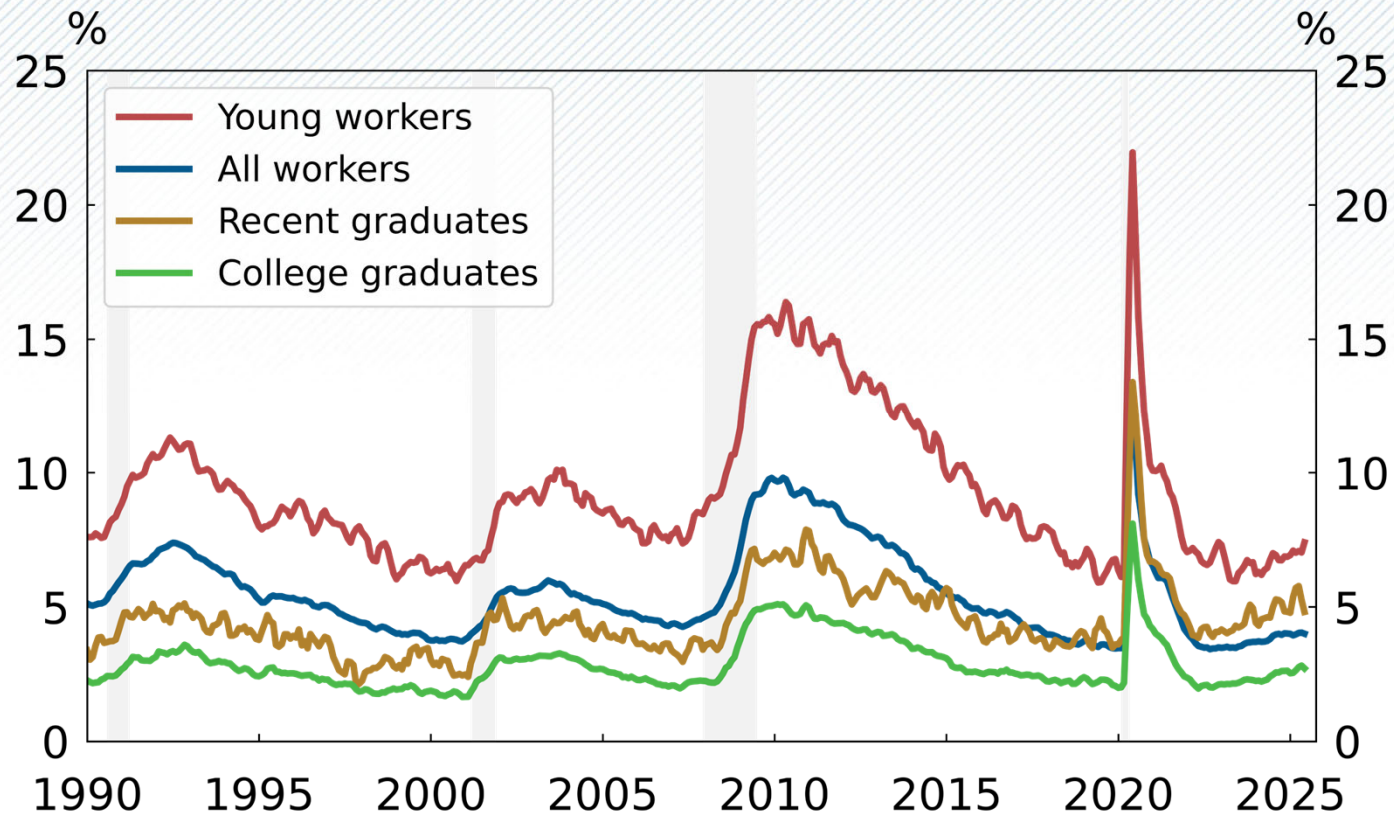
Notes: 3-month average (right)

Unemployment by Education



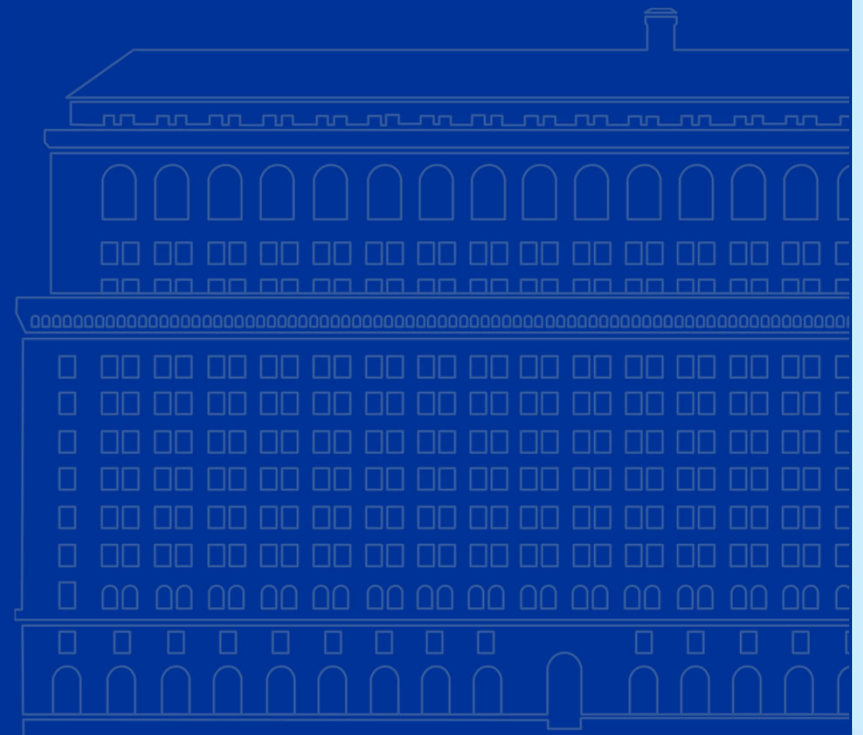
Sources: Wolters Kluwer via Haver Analytics

Unemployment by Education: Longer Run View



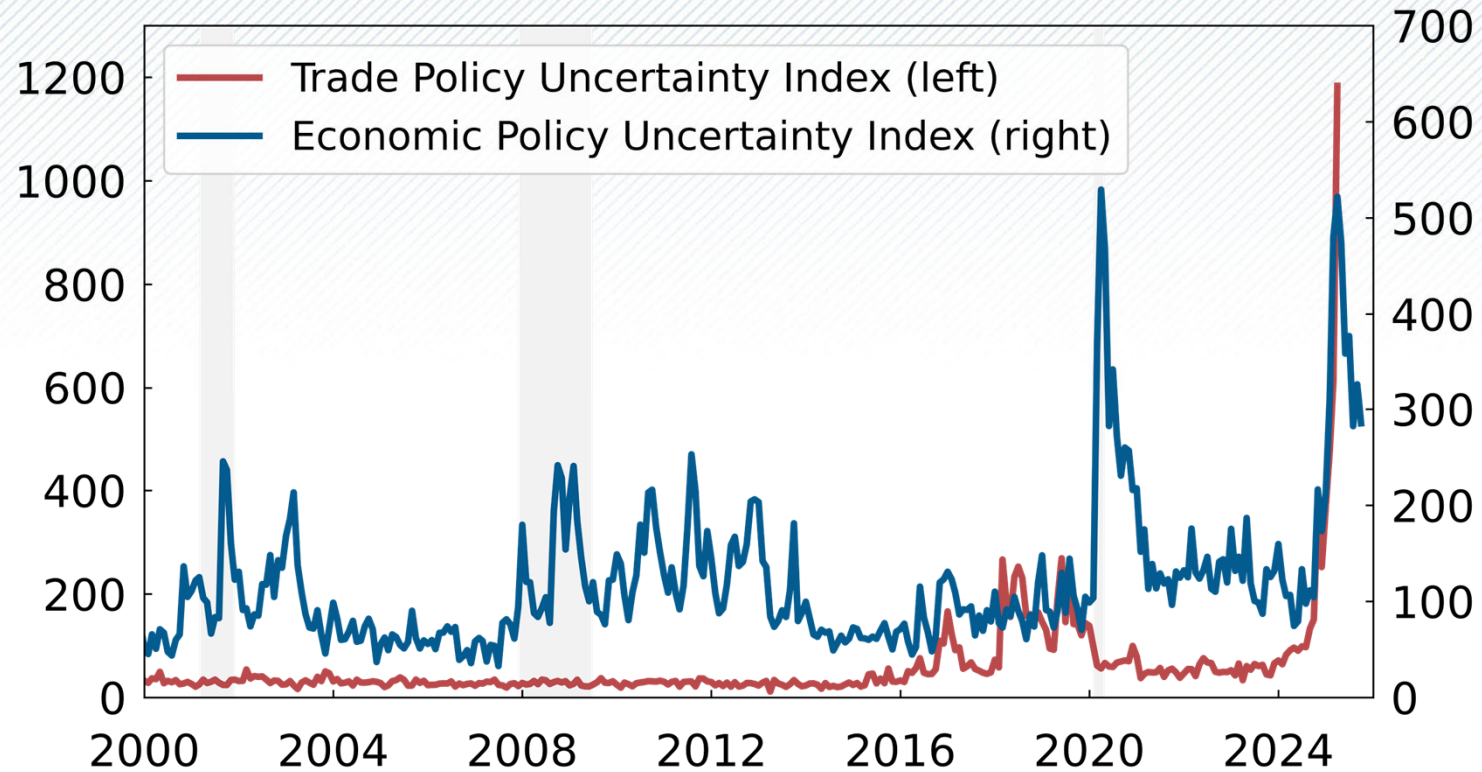
Sources: Wolters Kluwer via Haver Analytics

Uncertainty Abounds



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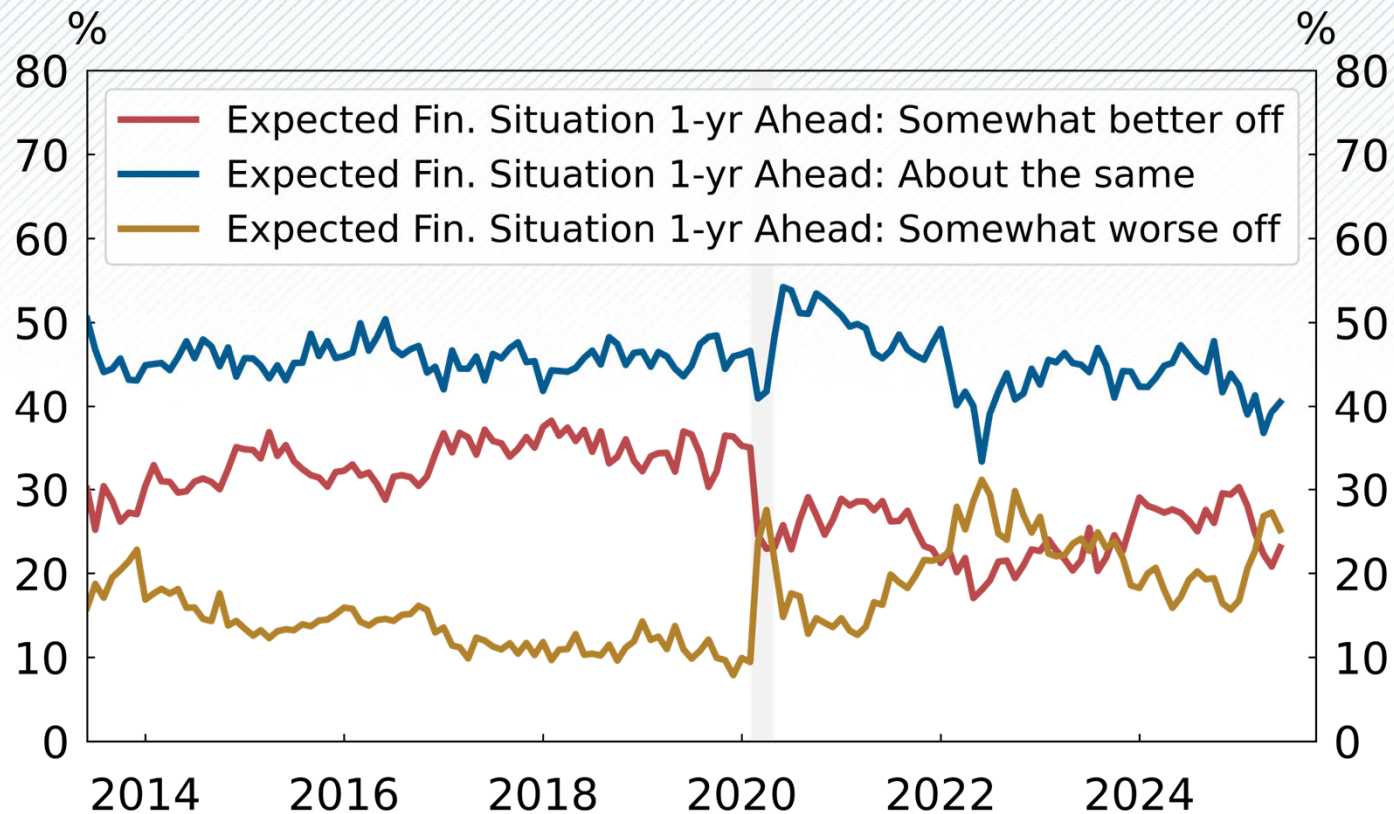
All Up in the Air Right Now...



Sources: PolicyUncertainty.com (Baker, Bloom, Davis) via Haver Analytics; Matteo Iacoviello

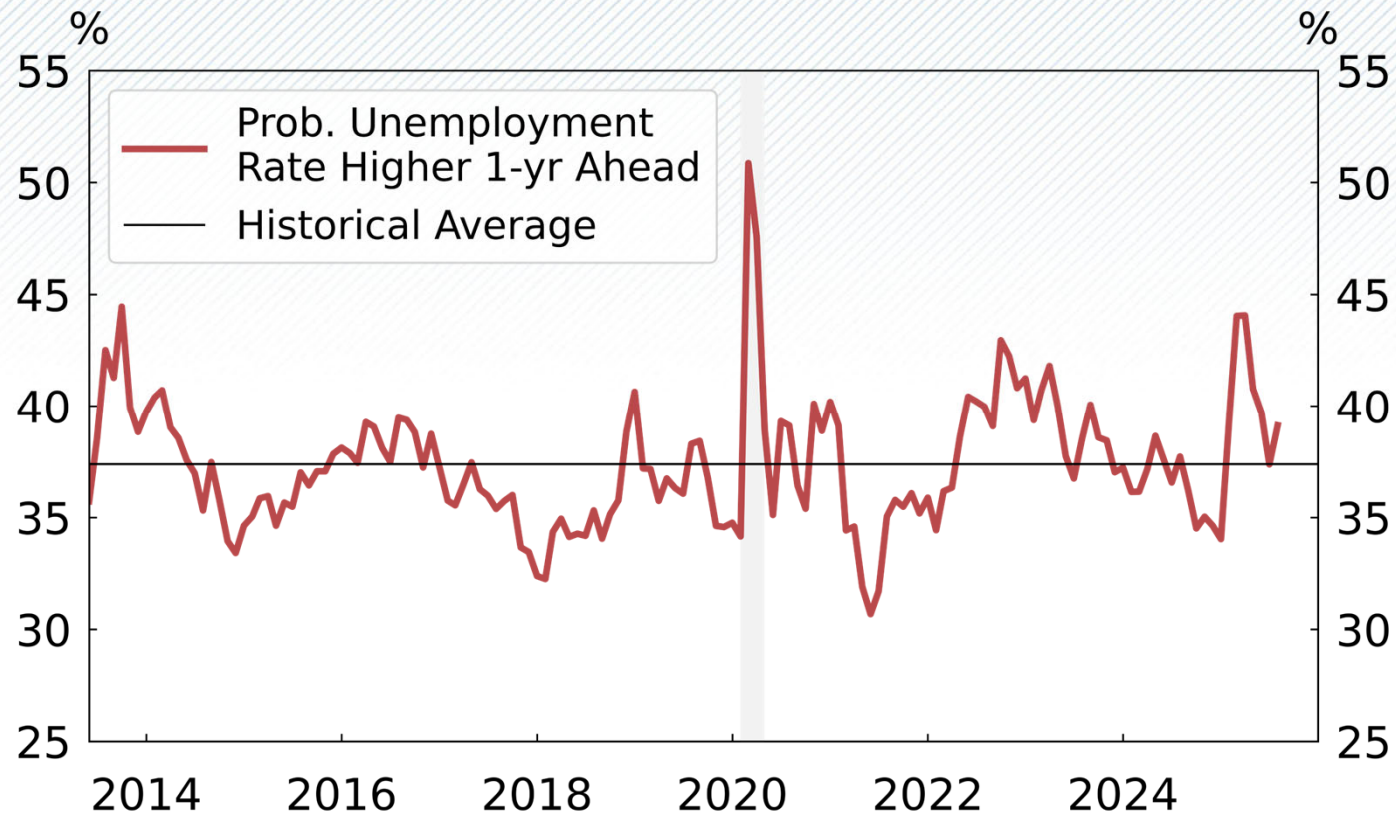
Notes: Monthly average of daily data

Households Are Feeling It...



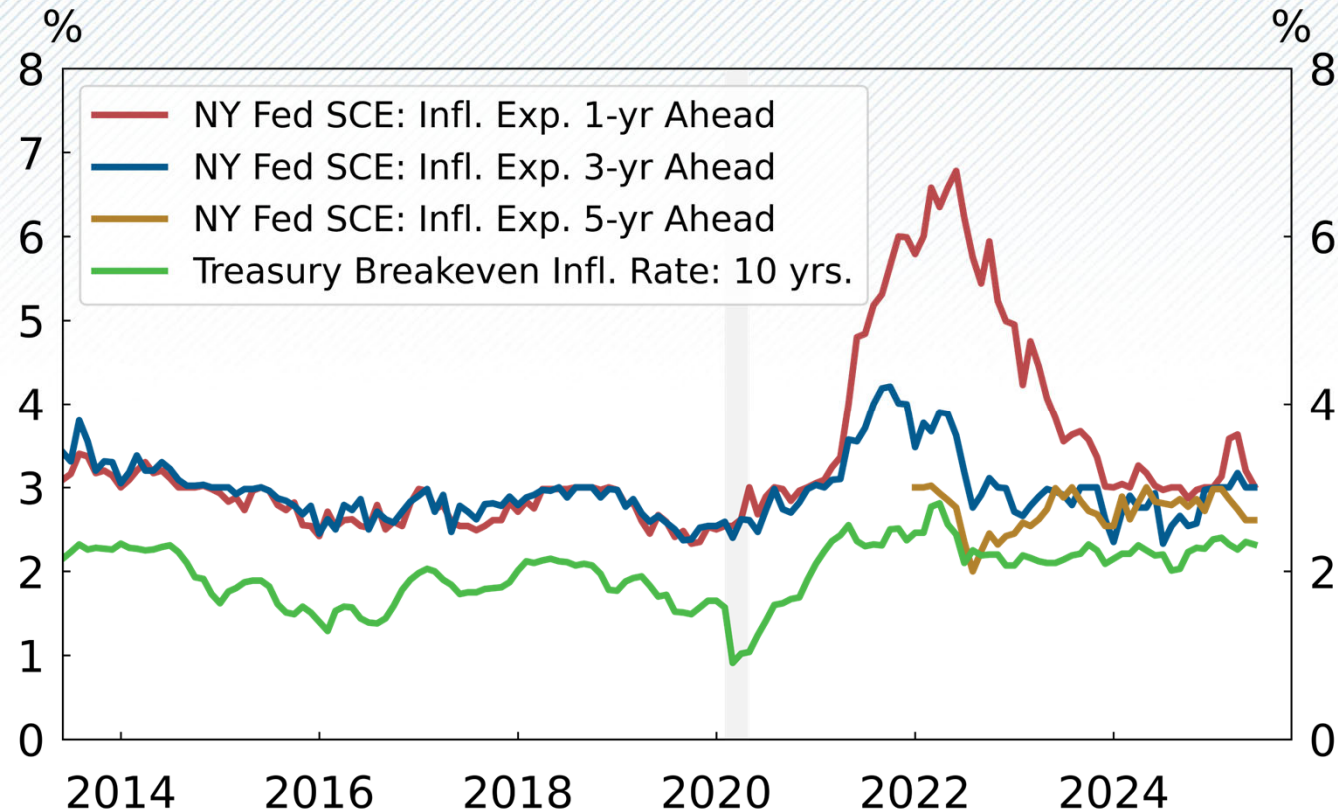
Sources: New York Fed Survey of Consumer Expectations via Haver Analytics

Employment Expectations Softer...



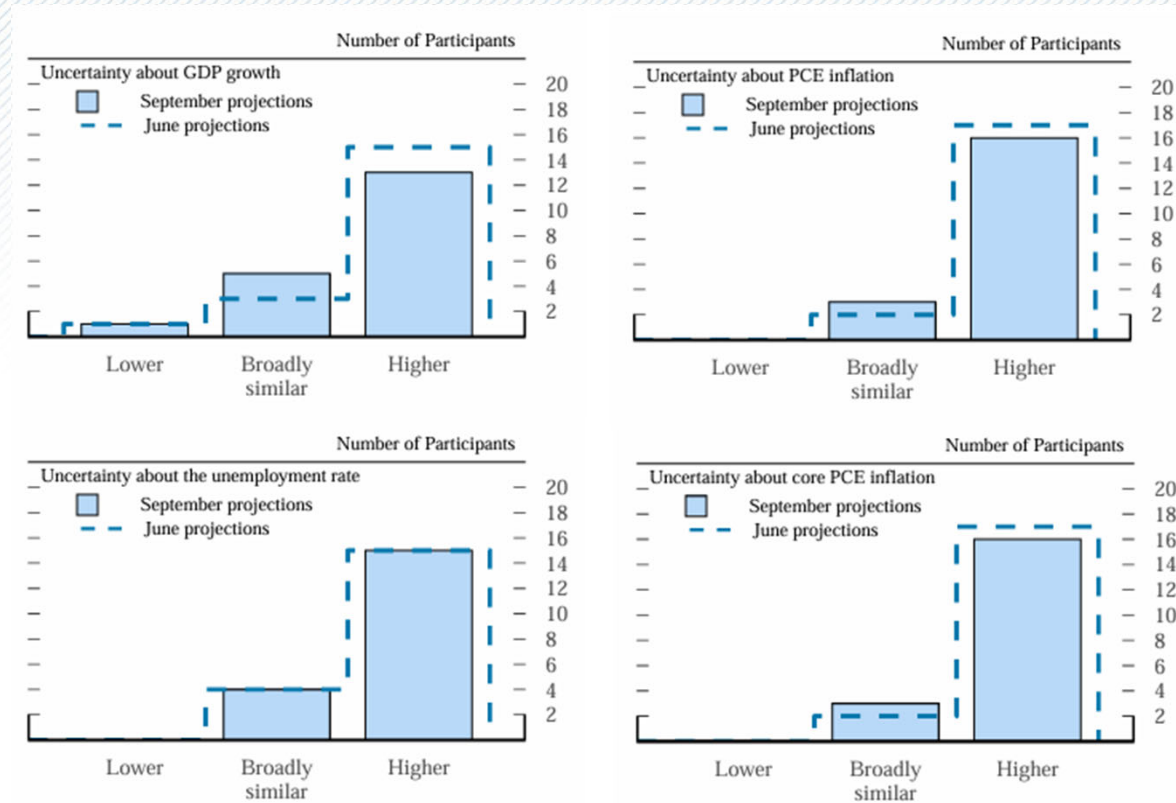
Sources: New York Fed Survey of Consumer Expectations via Haver Analytics

But Inflation Expectations Remain (Mostly) Anchored...



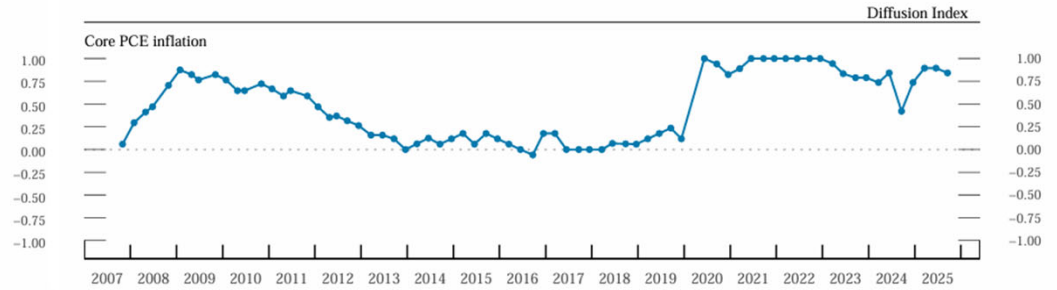
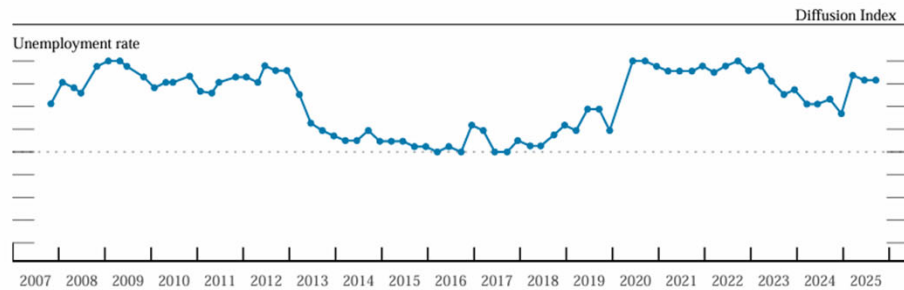
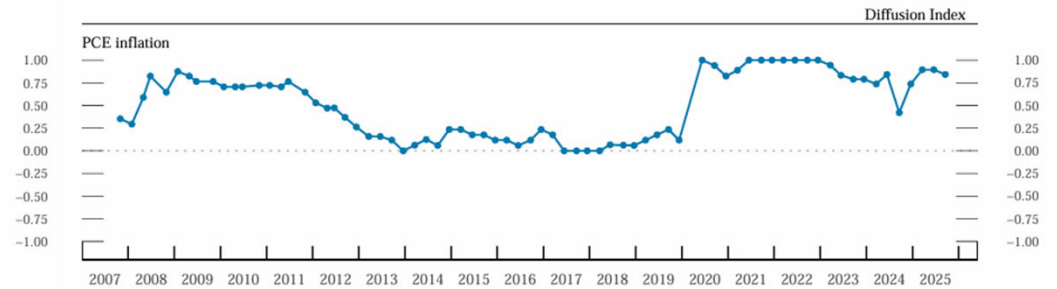
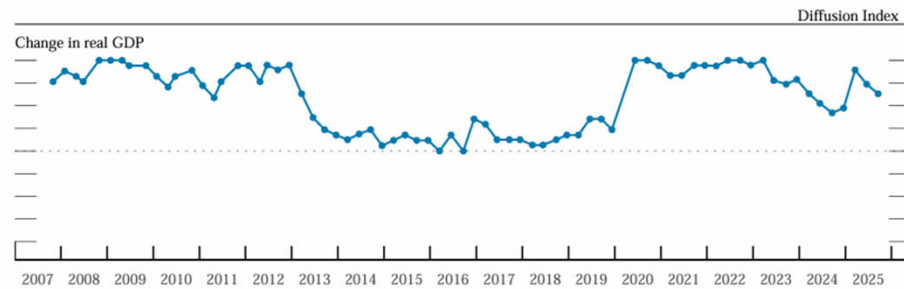
Sources: New York Fed Survey of Consumer Expectations, U.S. Treasury via Haver Analytics

Uncertainty in FOMC Projections... (September 2025)



Sources: Federal Reserve Board

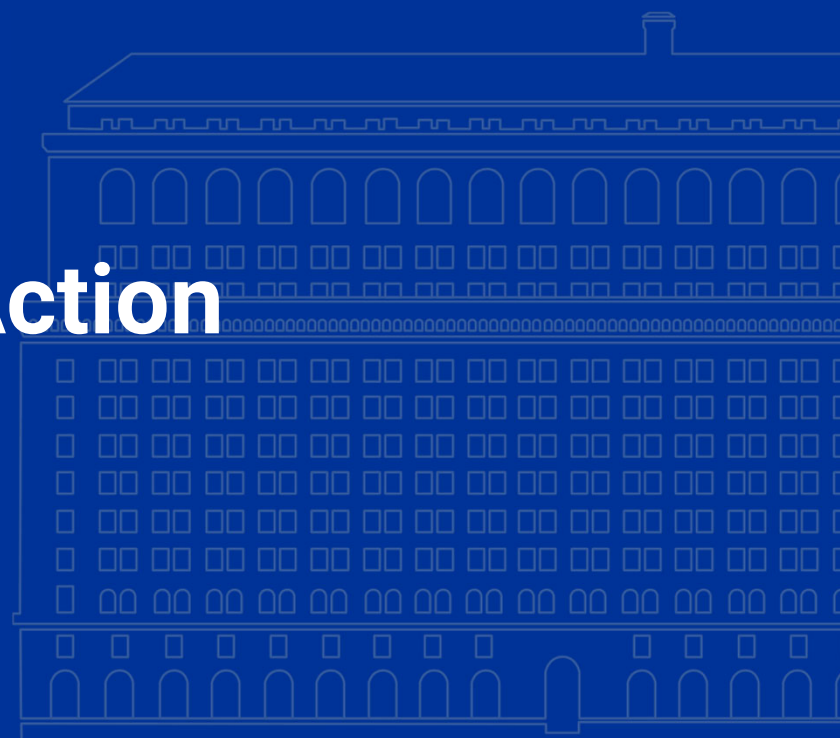
Uncertainty in FOMC Projections... (September 2025)



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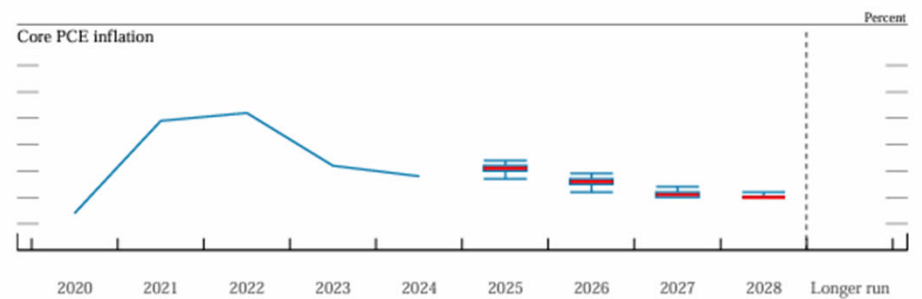
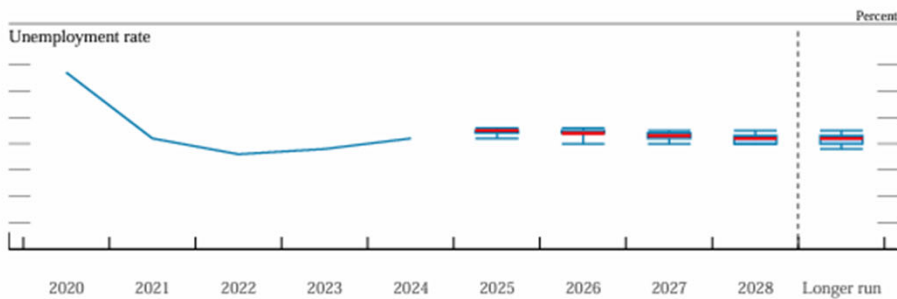
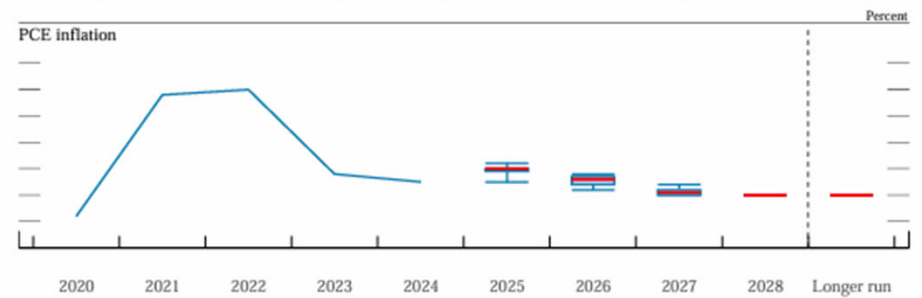
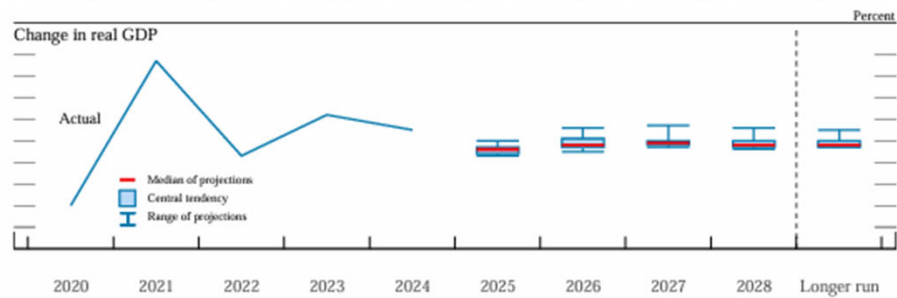
Notes: Responses to “Please indicate your judgment of the uncertainty attached to your projections relative to the levels of uncertainty over the past 20 years;” index = (# of “Higher” responses – # of “Lower” responses) / # of participants

Monetary Policy in Action



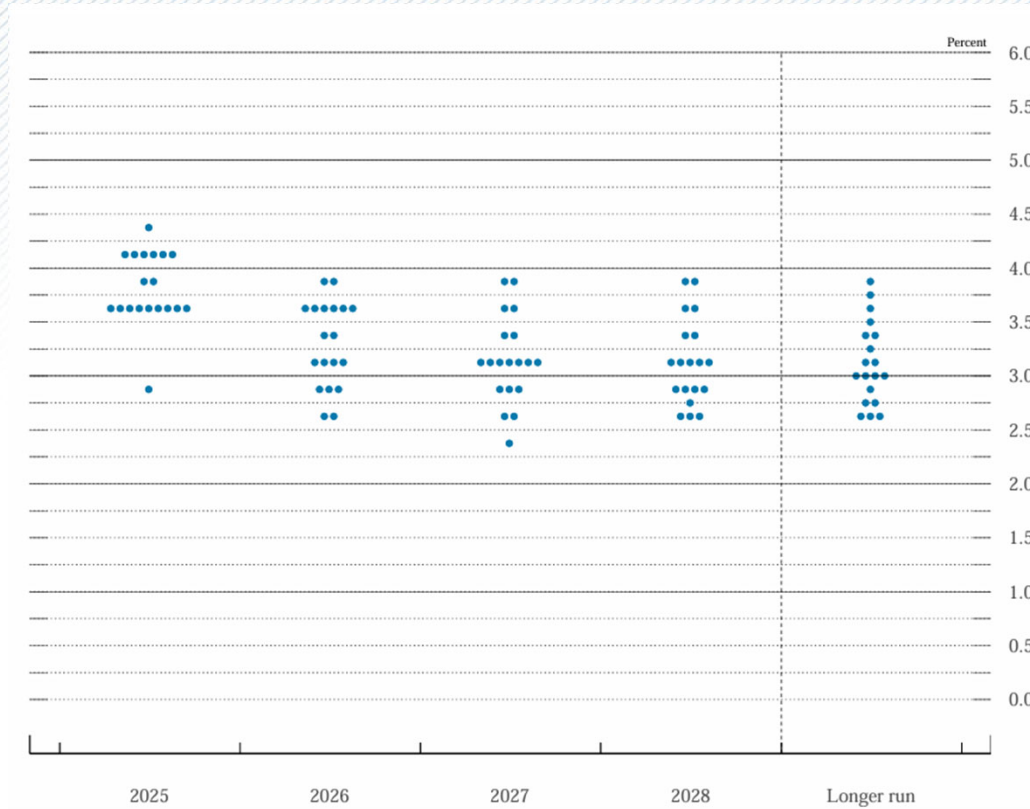
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FOMC Economic Projections (September 2025)



Sources: Federal Reserve Board

FOMC Dot Plot (September 2025)



Sources: Federal Reserve Board

September 2025 FOMC Statement

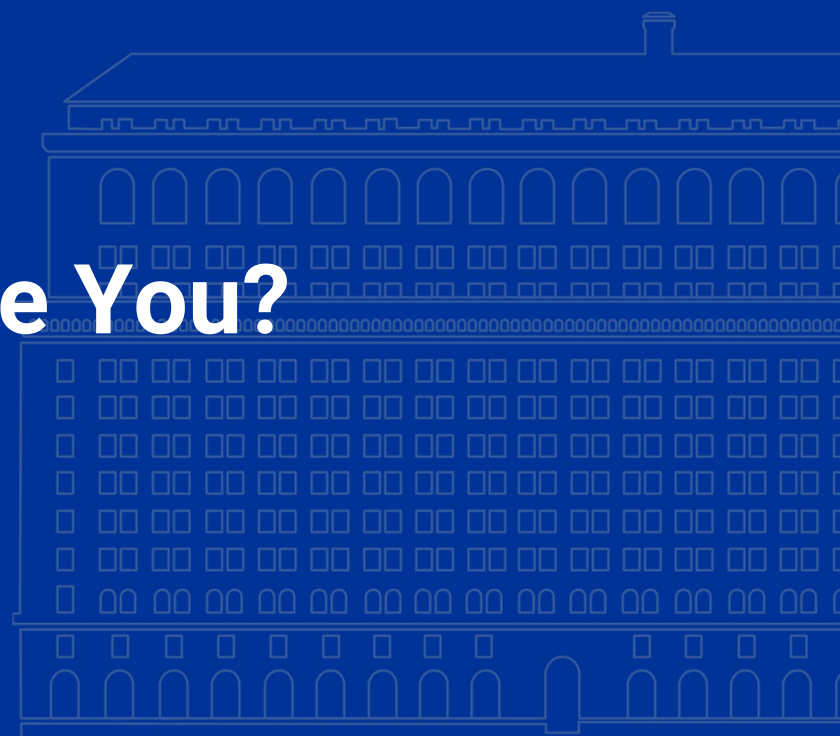
■ Economic Activity

- “**Growth of economic activity moderated** in the first half of the year. **Job gains** have **slowed...**”
- “The **unemployment rate** has **edged up** but **remains low**. **Inflation** has **moved up** and **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 and judges that **downside risks to employment have risen**.”

Consumers—How Are You?

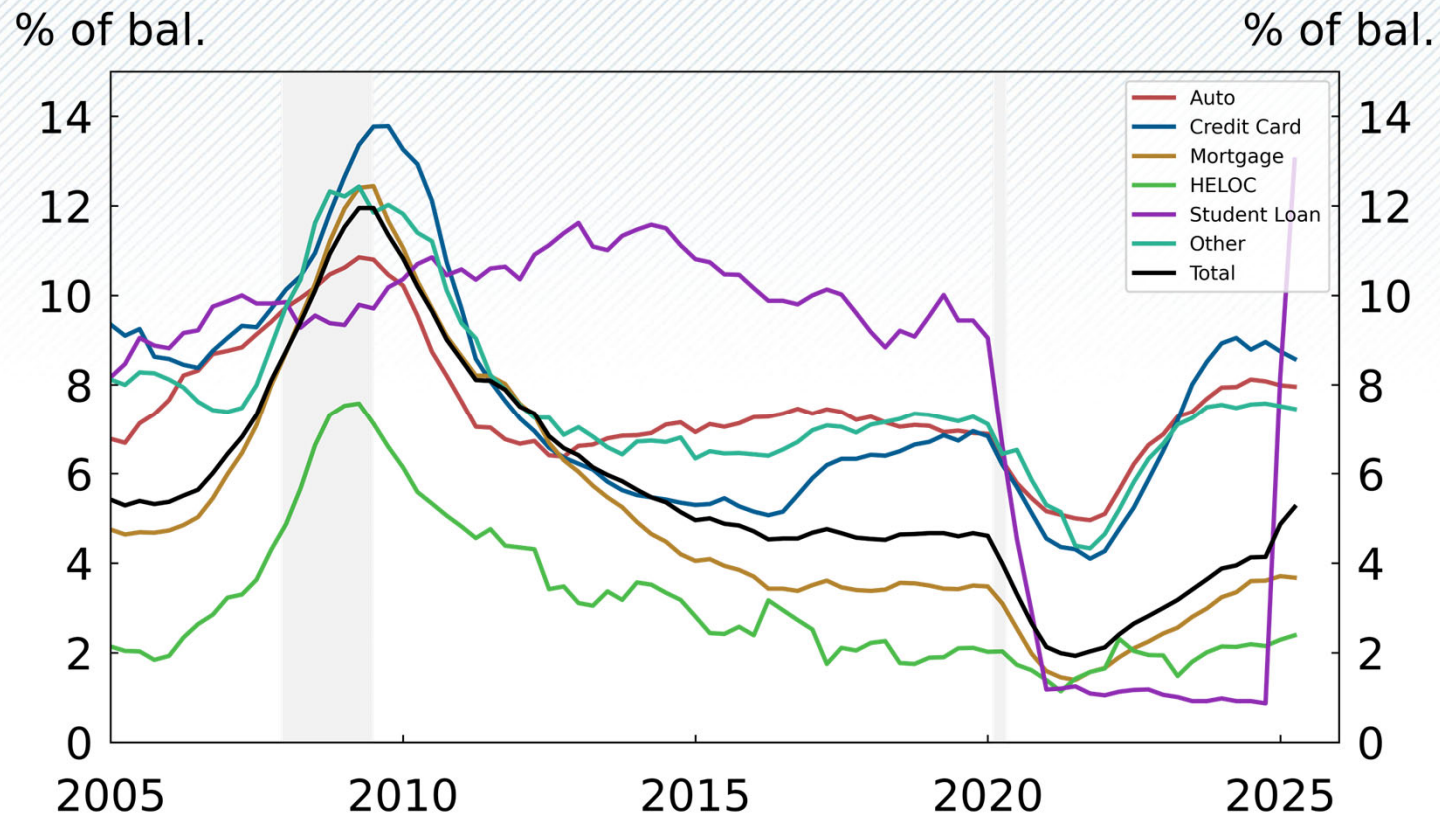


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Checking in on Consumers...

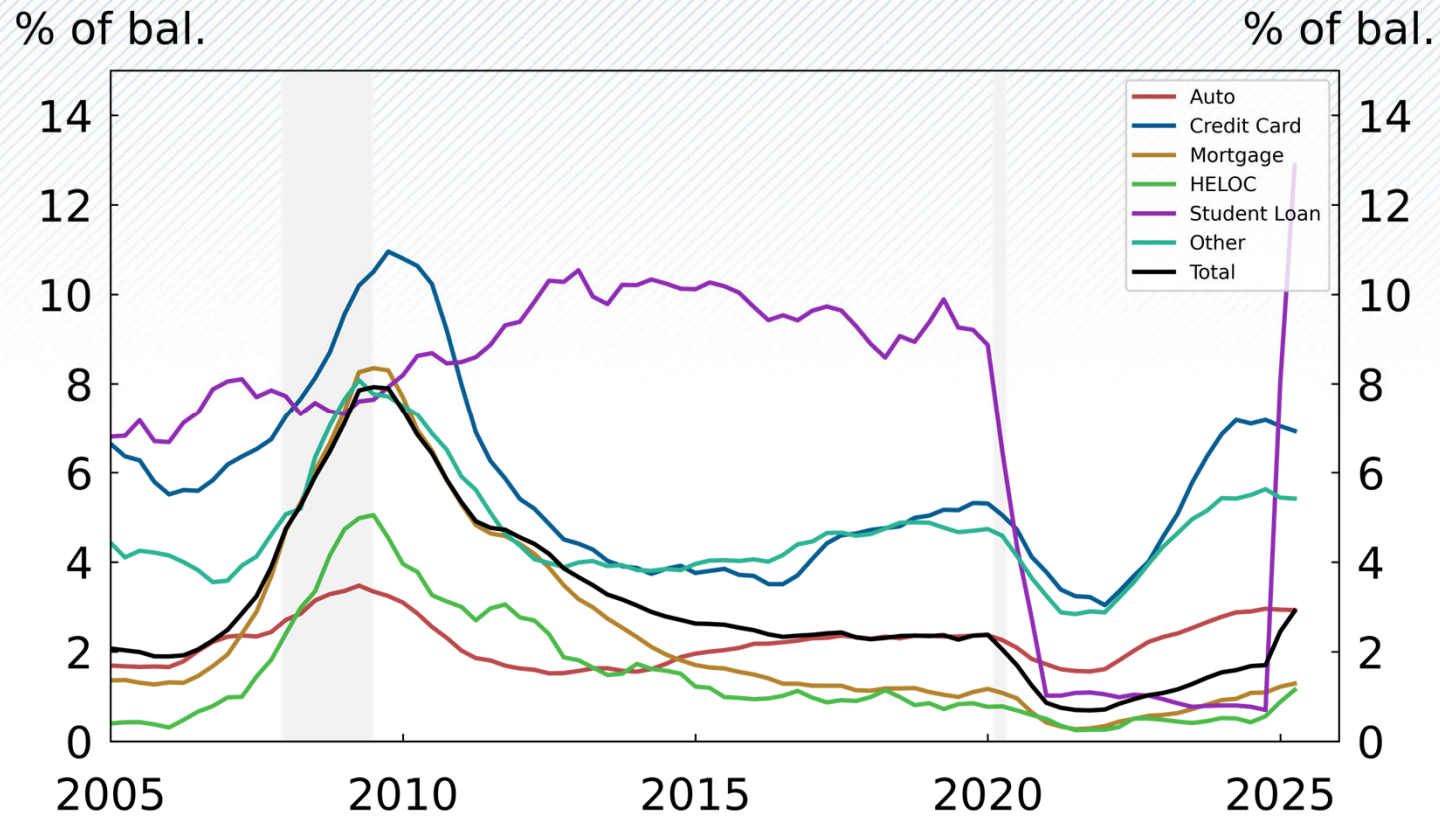
- Owners' home equity remains near all-time high.
- Equity markets continue to boom.
- Debt as share of household disposable income remains relatively low and stable.
- The unemployment rate remains low, real earnings/household income growth solid.

Checking in on Consumers... (30+ Days Delinquent)



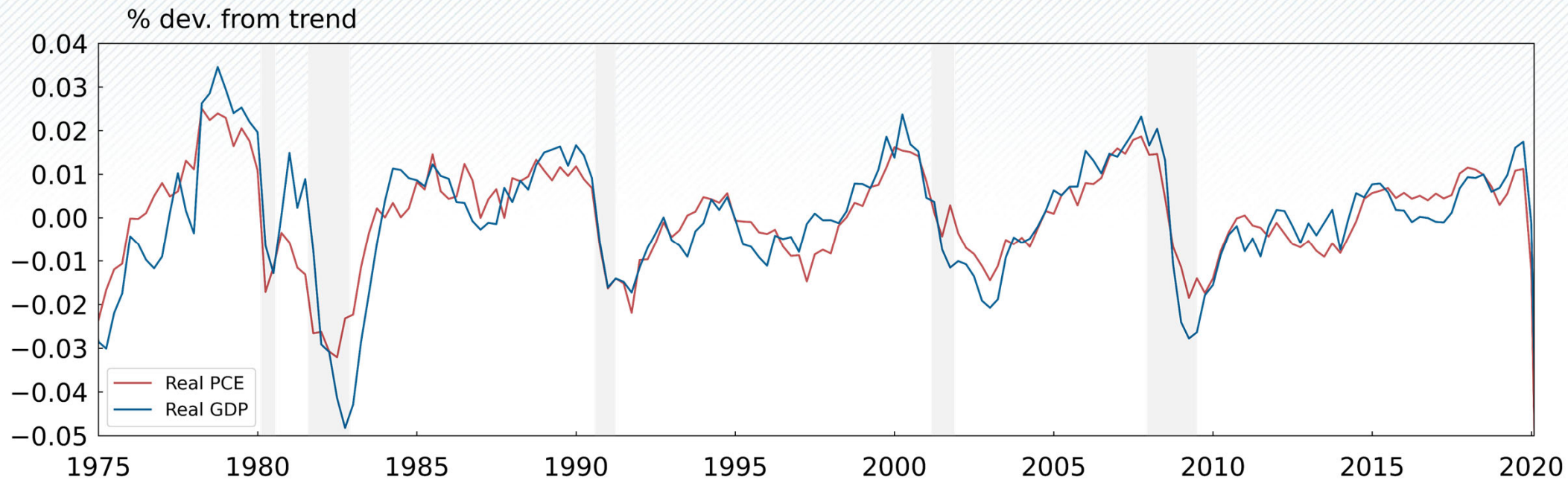
Sources: New York Fed Quarterly Report on Household Debt and Credit (2025:Q1)

Checking in on Consumers... (90+ Days Delinquent)



Sources: New York Fed Quarterly Report on Household Debt and Credit (2025:Q1)

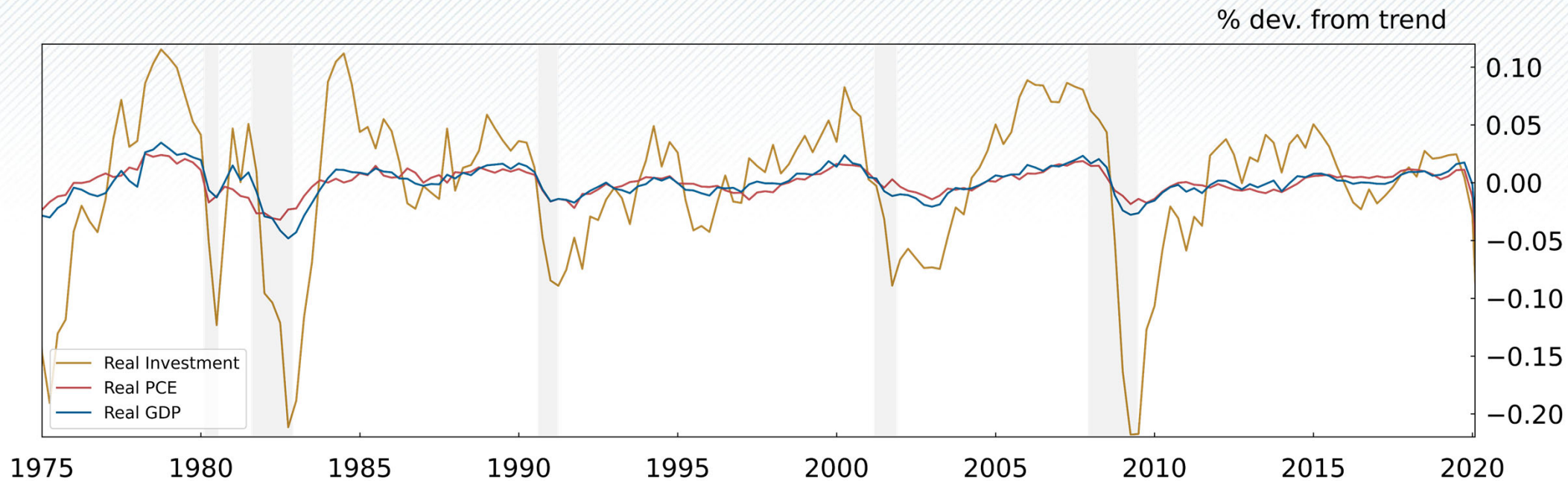
Consumers Don't Fall Down by Themselves



Sources: Bureau of Economic Analysis via Haver Analytics; New York Fed/Equifax

Notes: PCE = Personal consumption expenditure, series are HP-filtered cycles (left); 4Q moving average (right)

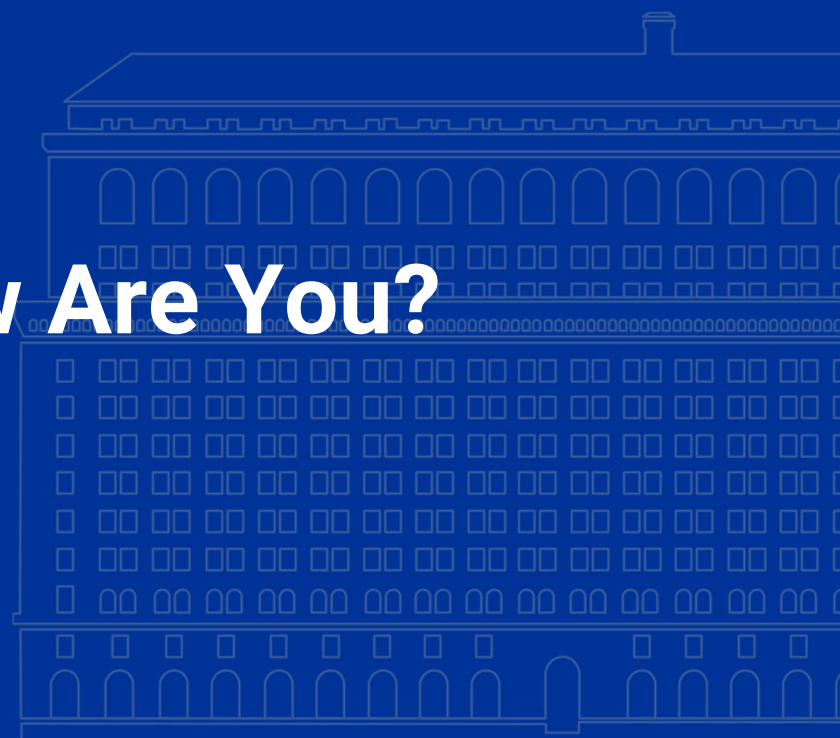
Consumers Don't Fall Down by Themselves



Sources: Bureau of Economic Analysis via Haver Analytics; New York Fed/Equifax

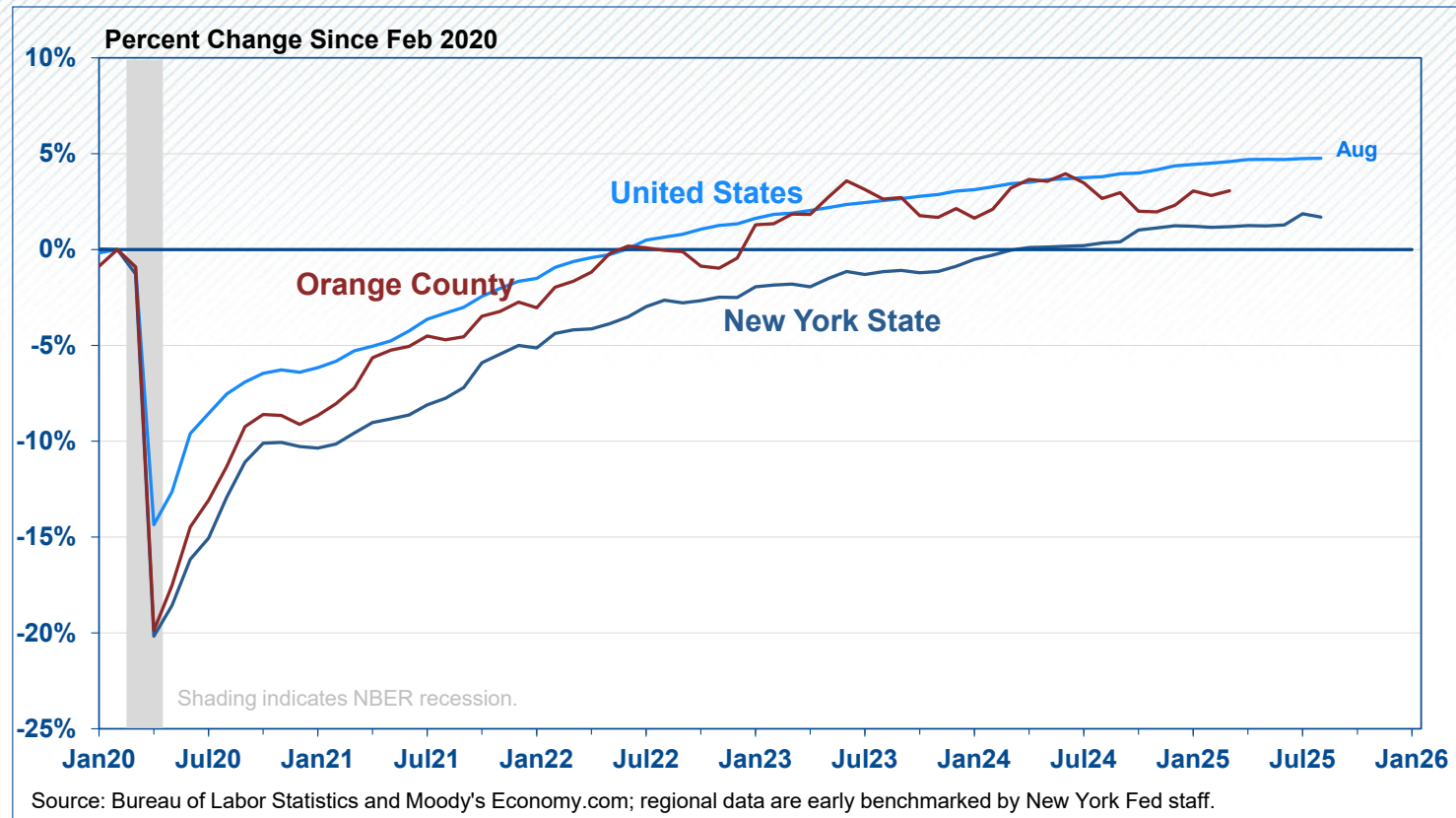
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Orange County—How Are You?



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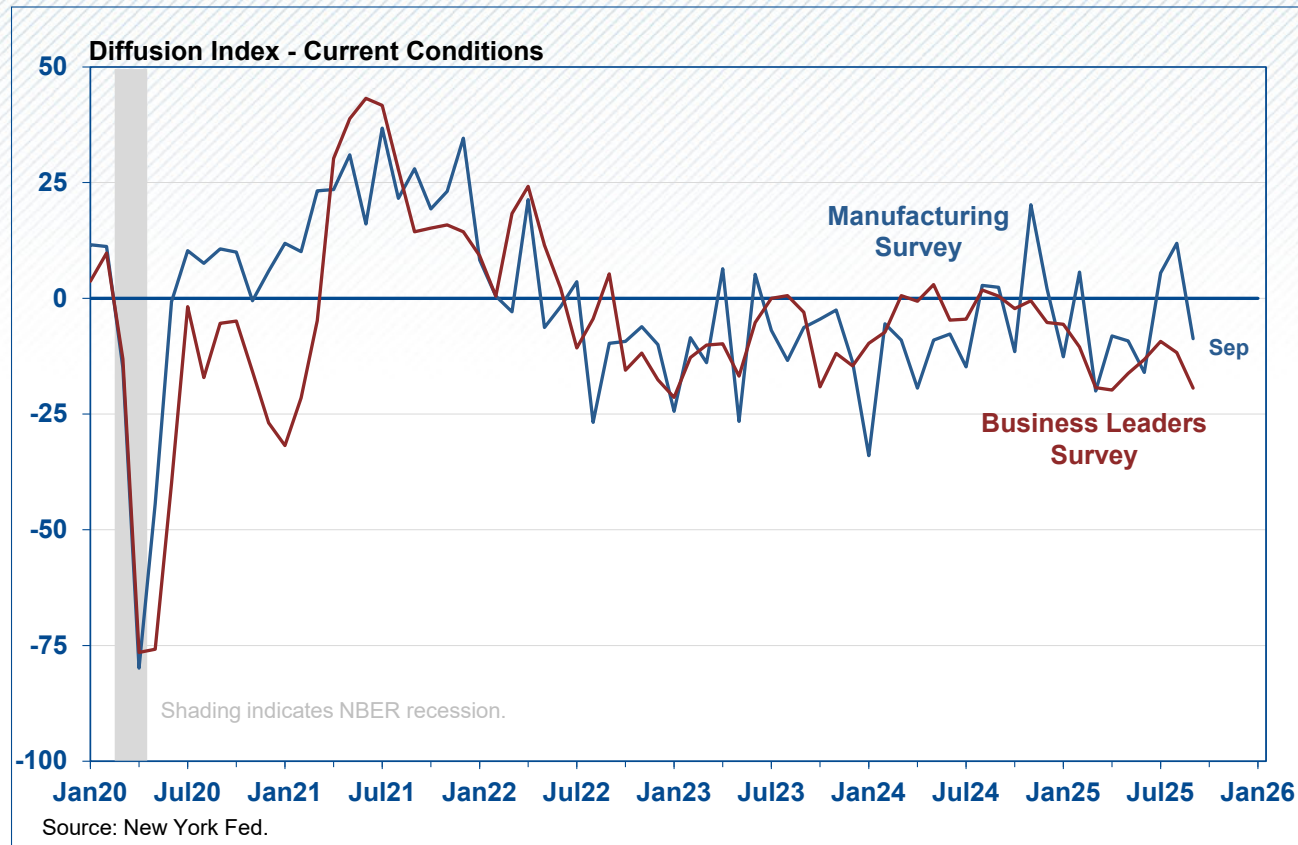
Orange County Employment Trends



Slow Employment Growth in Orange County...

- Noisy data, but when cutting through the noise, Orange County has not seen much employment growth over the last few years.
- Leisure and hospitality, education & health, and transportation sectors have seen post-pandemic job gains.
- Most other sectors have seen little (if any) growth.
- Manufacturing sector down several hundred jobs from its pre-pandemic level.

New York Fed Regional Survey Results



Overall Activity Decline in Orange County...

- Indices generally have been below zero in 2025.
 - Empire State Manufacturing Survey – New York state manufacturers
 - Business Leaders Survey – tristate service sector firms
- Local firms have dampened activity due to uncertainty, particularly around tariffs – planning is difficult.
- Many businesses are passing along at least some of tariff related cost increases to customers.

In Conclusion

- **Recession-free disinflation was well underway, remarkable in U.S. history so far.**
- **Things have shifted. Fed policymakers expect slowing growth, not recession, at this time.**
- **Uncertainty is very elevated.**
- **Supply shocks are challenging.**
- **Consumers don't just fall down by themselves.**

Relevant New York Fed Content

- **Trade**
 - Are Businesses Absorbing the Tariffs or Passing Them On to Their Customers?
 - 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
- **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