Remarks as Prepared for Delivery

EMBARGOED UNTIL 9:00 A.M U.S. Eastern Time,
Tuesday, September 30, 2025 – OR UPON DELIVERY

Federal Reserve
Bank of Boston®

"Views on Current Economic Conditions and Monetary Policy"

*Remarks at the Council on Foreign Relations'
C. Peter McColough Series on
International Economics*

Susan M. Collins

President & Chief Executive Officer
Federal Reserve Bank of Boston

September 30, 2025
New York, New York

The views expressed today are my own, not necessarily those of my colleagues on the Federal Reserve Board of Governors or the Federal Open Market Committee.

Thank you. It is wonderful to be here. This is a bit of a homecoming for me – both because I have been a member of the Council for many years, and because I always enjoy being back in Manhattan, where I grew up.

I will start, as I always do, by noting that my comments today are my own perspectives; I'm not speaking for any of my colleagues at the Federal Reserve Board of Governors or other Reserve Banks.

In these opening remarks, I'll refer to a few charts to help illustrate my view of economic conditions, baseline outlook, and assessment of appropriate policy, which are rooted in my analysis of economic data. I think it is very important – always, but perhaps especially in times of change and scrutiny – to clearly explain how, as policymakers, we're analyzing and interpreting the data.

Turning to the Data

Economic growth remains resilient, but the labor market has softened. Inflation has been above target for more than four years, and while well down from earlier peaks, it has picked up recently.

A softening labor market amid inflationary pressures presents a challenge for monetary policy. At the September meeting of the Federal Open Market Committee (FOMC), I supported the 25-basis point policy rate reduction. In my view, a bit of easing was appropriate to address the recent shift in the balance of risks to our inflation and employment mandate. But I continue to see a modestly restrictive policy stance as appropriate, as monetary policymakers work to restore price stability while limiting the risks of further labor market weakening.

My first slide shows two key labor market indicators. First, job growth, in Figure 1A, has declined significantly in recent months. Hiring is way down from the exceptionally tight post-pandemic labor market, and notably below the pre-pandemic pace. This slowdown partly reflects reductions in labor supply – in particular, related to immigration restrictions. But it also reflects reductions in labor demand – as evidenced, for example, by the decline in job openings per unemployed worker (not shown).

However, as shown in Figure 1B, the concurrent reductions in labor demand and supply have resulted in only a modest rise in the unemployment rate to date. Low initial unemployment insurance claims also indicate that firms, while not hiring much, are not laying off many workers. My baseline outlook doesn't see the labor market softening much further – but there are risks. In particular, I see some increased risk that labor demand may fall significantly short of supply, leading to a more meaningful and unwelcome increase in the unemployment rate.

Anemic job gains amid solid economic growth are a somewhat puzzling combination. The current state of heightened uncertainty may explain why many firms are reticent to hire, while also trying to get more output from existing workers.[1] Indeed, as shown in Figure 2, labor productivity continues to expand more rapidly than its pre-pandemic pace, as firms are finding ways to increase efficiencies.[2] This was a priority coming out of the pandemic when it was difficult to find workers. A continued productivity-enhancing mindset, which is ubiquitous in my discussions with CEOs across New England, may now be tempering hiring despite solid economic growth.

Turning to recent price developments, Figure 3 shows the behavior of the three main components of core PCE inflation. In each panel, the blue line shows price growth over 12 months, while the red line shows the timelier, though noisier, three-month measure. As a benchmark, the dashed lines show average inflation rates prevailing over 2001–2007 – a period when core PCE inflation averaged 2 percent. Core goods inflation, in Panel A, has risen notably in recent months, a move largely attributable to tariffs. In contrast, housing inflation – Panel B – continues its slow uneven decline. And inflation for core non-housing services – Panel C – has returned to a range consistent with the FOMC's 2 percent target.[3]

Looking Ahead

As I look ahead, my baseline outlook continues to be relatively benign. I anticipate hiring will pick up as firms adjust to the new tariff environment. And while inflation is likely to remain elevated into next year, I expect it to resume its gradual return to target over the medium term. This outlook is similar to the median forecast in the September Summary of Economic Projections (SEP). But in this highly uncertain environment, I do not rule out scenarios featuring higher and more persistent inflation, more adverse labor market developments – or both. Still, with less scope for inflationary pressures from the labor market, the upside inflation risks I was concerned about a few months ago are more limited.

In this context, it may be appropriate to ease the policy rate a bit further this year – but the data will have to show that.

I'll close with a final slide, showing examples of my engagements across New England. This is something else we consider essential to responsible policymaking – listening to people throughout the

[1] Another margin that firms are leveraging to lower their labor demand is the amount of work done by existing employees. While the economy-wide average work week has been stable for over a year, it has increased in several sectors where job gains have been modest at best, including information, financial activities, and retail trade.
[2] Business outlays for high-tech equipment and software have been robust recently, consistent with elevated demand for AI-related products and associated infrastructure.
[3] While core non-housing services inflation is above its pre-pandemic range (2012-2019), this period also coincides with inflation below the FOMC's 2 percent objective. Thus, the dashed line in Figure 3C shows the mean for the period 2001-2007, when 12-month core PCE inflation averaged 2 percent.

economy. I deeply value engaging with a wide range of people to hear how they are experiencing the economy and anticipating its future. And using those findings to complement the data and analysis.

So there is much to discuss, and I look forward to my conversation with Seema and then to your questions.