



**Remarks as Prepared for Delivery**

EMBARGOED UNTIL 1:20 PM U.S. Eastern Time,  
Friday, March 6, 2025 – OR UPON DELIVERY

# Observations on the Economic Outlook, and Small Businesses

## Remarks at Outlook 2026, hosted by the Springfield Regional Chamber

**Susan M. Collins**

*President & Chief Executive Officer*  
Federal Reserve Bank of Boston

March 6, 2026  
Springfield, Massachusetts

*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*

**Remarks as Prepared for Delivery**

EMBARGOED UNTIL 1:20 PM U.S. Eastern Time,  
Friday, March 6, 2026 – OR UPON DELIVERY

## Key Takeaways

**1.** Collins, visiting a variety of sites in western Massachusetts, noted that the value Fed policymakers get from listening to stakeholders in their district underlines the wisdom of the U.S. central bank’s framing as a federated system.

*“The federated structure, with elements in different areas, befits our expansive, varied country filled with such a range of people, industries, and places.”*

**2.** In 2025, Collins said, real GDP growth was stronger than many expected. Despite solid economic growth, labor market conditions softened, with job gains well below the pace in recent years. Even with the economy growing near capacity, and limited price pressures from the labor market, inflation remained elevated.

*“Returning the inflation rate to target will not, of course, reduce the price level, but it is essential for restoring the steady, predictable pricing environment that is conducive to a vibrant economy.”*

**3.** For 2026, though considerable economic uncertainty remains, exacerbated by the outbreak of hostilities in the Middle East, Collins’ baseline outlook is fairly benign – featuring continued solid growth, relatively balanced labor market conditions, and disinflation resuming later this year as tariff effects fade.

*“My outlook has demand exerting some upward pressure on prices, slowing the return of inflation to 2 percent.”*

**4.** Monetary policy should be based on an assessment of where the economy is *heading*, and based on her outlook, Collins sees a patient, deliberate approach as appropriate. Her baseline features a still-uncertain inflation picture, with continued upside risks, combined with recent evidence suggesting continued relative balance in the labor market – and given this outlook, she would expect to maintain policy rates at their current, mildly restrictive levels for some time.

*“I do not see an urgency for additional policy adjustments, and I will be looking for clear evidence that inflation is moving durably toward the 2 percent target – something that might occur only over the second half of the year.”*

**5.** Collins hears a great deal about cost concerns from small businesses. Rising cost pressures in a strongly competitive environment are pushing many companies to reduce profit margins. Several noted reduced capital investment, as a result.

*“We hear many accounts of rising costs for insurance, energy, construction, packaging, and inputs. And an issue mentioned in almost every conversation is high housing costs affecting labor availability.”*

**6.** Collins hears as well about the positives for small businesses, especially around innovation, adaptation, and collaboration. For example, small businesses are identifying areas where skills gaps exist and designing programs with local partners to train workers, in a “win-win-win.” Collins said she has seen innovative start-ups solving problems, and others building new businesses based on the region’s legacy strengths.

*“My tremendous optimism for New England [is] rooted in meeting so many people working on the front lines of the economy to leverage the skills and character of New England’s people, the vibrancy of our unique ecosystem of institutions and companies, and the benefits of collaboration and innovation.”*

**Remarks as Prepared for Delivery**

EMBARGOED UNTIL 1:20 PM U.S. Eastern Time,  
Friday, March 6, 2026 – OR UPON DELIVERY

Good afternoon. It is wonderful to be with you today, and an honor to be on the program with Governor Healey, Secretary Paley, Congressman Neal, and Mayor Sarno. It is really a pleasure to be with all of you attending this event, who are building the present and future economy in western Massachusetts. I'd also like to thank Diana Szydal and Dominick Ianno for the invitation to be here.

Today I'd like to share, for context, a bit about the Federal Reserve; then discuss the economy, my outlook, and my views about appropriate monetary policy – and end with some perspectives regarding small businesses. I'll share some numbers, because objective rigor is always important, and will also relate some of the *qualitative* themes I hear when meeting with people across New England.<sup>1</sup> But first, as always, I'll give my standard disclaimer. These comments reflect my own views, not necessarily those of my colleagues at the Board of Governors in Washington, D.C., or at the other Reserve Banks.

In my job, it's vital to complement good data with outreach to people on the front lines of the economy, in all kinds of places: rural, urban, and suburban; thriving and struggling. So, I spend time hearing about economic challenges and opportunities, as well as experiences with costs and prices, and the job market – reflecting the Fed's Congressionally mandated goals, price stability and maximum employment.

Eight times a year, I gather with other Fed officials as part of the Federal Open Market Committee, or FOMC, to deliberate on interest rates – relaying our analysis and insights to each other and determining the appropriate stance of monetary policy. While this isn't the Fed's only responsibility, it is a key one. We also provide vital payment services and platforms, which underpin the financial system; ensure safety, soundness, and fair access to credit by supervising many financial institutions; and do rigorous research on a wide variety of economic issues. All of our work supports a vision of a vibrant economy that works for all, and a resilient financial system.

The value policymakers get from listening to stakeholders in their district underlines the wisdom of the U.S. central bank's framing more than 112 years ago as a federated system – with components spread throughout the country, not just in the nation's capital and the “financial capital” of New York. The federated structure befits our expansive, varied country filled with such a range of people, industries, and places. That's one reason I'm excited that today I've been able to learn more

---

<sup>1</sup> The Federal Reserve Bank of Boston is one of 12 Reserve Banks in the Federal Reserve System, and covers most of New England. Together with the Board of Governors in Washington D.C., the 12 Reserve Banks form the Federal Reserve System, established in 1913 as the U.S. central bank.

**Remarks as Prepared for Delivery**

EMBARGOED UNTIL 1:20 PM U.S. Eastern Time,  
Friday, March 6, 2026 – OR UPON DELIVERY

about the energy grid in Holyoke, and meet with members of the Western Mass. Economic Development Council. Later today I'll be seeing aspects of the Mass. agricultural economy in Greenfield, and holding a roundtable on the rural economy.

A final introductory point, before turning to economic conditions and then small businesses. Springfield, where we gather today, has long been important to the Boston Fed, and you've had a major impact on the ways we work with communities across New England. Like so many mid-sized cities, Springfield experienced the decline in U.S. manufacturing over the decades. With our focus on the public's economic wellbeing, the Boston Fed began in the mid-2000s analyzing economic development approaches of mid-sized manufacturing-oriented cities like Springfield during the prior half century. We found that for the most resurgent small cities, *"industry mix, demographic composition, and geographic position are not the key factors [...] Instead, the most important lessons from the resurgent cities concern...collaborations among numerous organizations and sectors."*<sup>2</sup>

Building on the insight that cross-sector collaboration on shared goals was the "secret sauce" in the most resurgent cities, under my predecessor Eric Rosengren the Boston Fed developed programs to help spark and support it – first in smaller cities and then in rural areas as well. The solutions are local ideas – developed and refined by local people, from various sectors. For example, the Springfield Working Places effort ("Springfield Works") included more than 40 partners involved in workforce development, and identified ways to address employment barriers and create career ladders (even across firms), so residents can locate job openings and advance in them, and employers can hire and retain the workers they need. In nearby Holyoke, the effort focused on strengthening the overall business ecosystem, with a variety of partners collaborating to nurture entrepreneurs and tackle barriers to business development. Ultimately, the Boston Fed's Working Places programs<sup>3</sup> engaged 30 sites across five states, and we continue to draw lessons from those collective efforts.

While many of the challenges in places seeking resurgence are the purview of fiscal policymakers, the Boston Fed's commitment to a vibrant economy that works for all leads us to contribute as objective researchers and, at times, as "conveners." There are no shortages of

---

<sup>2</sup> *Reinvigorating Springfield's Economy: Lessons from Resurgent Cities*, by Yolanda K. Kodrzycki and Ana Patricia Muñoz, with Lynn Browne, DeAnna Green, Marques Benton, Prabal Chakrabarti, David Plasse, Richard Walker, and Bo Zhao. <https://www.bostonfed.org/publications/public-policy-discussion-paper/2009/reinvigorating-springfields-economy-lessons-from-resurgent-cities.aspx>

<sup>3</sup> See <https://www.bostonfed.org/workingplaces.aspx>

***Remarks as Prepared for Delivery***

EMBARGOED UNTIL 1:20 PM U.S. Eastern Time,  
Friday, March 6, 2026 – OR UPON DELIVERY

challenges, but many opportunities as well. The keys for all of us who care about the New England economy are engagement, cross-sector collaboration, objective analysis, and commitment to progress.

With that as introduction and context, let me turn to the national economy and monetary policy, before concluding with some comments about recent trends involving small businesses and their vital importance to New England.

## **The National Economy and Policy**

Turning to the national economy, and in keeping with the themes of this forum, I'll briefly discuss economic performance last year, implications for this year's economic outlook, and my views on monetary policy – focusing first on overall growth, then the labor market, then inflation. And I'll refer to a few charts to illustrate key points.

### *Economic Activity*

Starting with economic activity, real GDP growth in 2025 was stronger than many expected, especially when considering the unanticipated changes in tariff and immigration policies and the extended government shutdown. **Figure 1** shows that, despite these headwinds, the economy grew at 2.2 percent – only a bit slower than in 2024, and near my estimate of GDP growth when the economy is operating at full capacity.

Consumer spending, the largest component of aggregate expenditure, was an important contributor to sustained growth in 2025. This reflected still-favorable compensation growth<sup>4</sup> as well as elevated household net worth, with continued increases in equity and housing valuations likely accounting for about a third of the growth in household spending. But I will note that aggregate data mask a range of experiences across geographies and demographic groups. In particular, I continue to hear about financial strains among lower-income households, and how these strains are affecting their spending.

Business spending on both R&D and equipment – a notable portion AI related, also bolstered demand last year.<sup>5</sup> At the same time, the strength in consumption and investment was

---

<sup>4</sup> On a four-quarter basis, compensation of employees in the NIPA accounts grew by 4 percent in 2025:Q4, or 1.2 percent when adjusted for inflation.

*Remarks as Prepared for Delivery*

EMBARGOED UNTIL 1:20 PM U.S. Eastern Time,  
Friday, March 6, 2026 – OR UPON DELIVERY

offset, to some extent, by a contraction in investment in housing and in business structures other than AI data centers.

*The Labor Market*

Despite the solid economic growth, labor market conditions softened in 2025. **Figure 2** shows that job growth was well below the pace of recent years – and low for a period when the economy is not in a recession, which are shown by the grey vertical bars. However, since population growth and the supply of workers change over time, the pace of job growth needed to keep the unemployment rate stable, the so-called breakeven pace, also fluctuates. Still, it appears that the rate of hiring last year was below breakeven as we saw a modest increase in the unemployment rate as shown in **Figure 3**. And while I do not put too much emphasis on any particular data point, at 4.4 percent in February, the unemployment rate remains low by historical standards and has been relatively stable over the last few months.<sup>6</sup>

I will make three points in this context. First, firms' hesitancy to hire last year likely reflected both the highly uncertain economic environment due to changing tariff policies and also the potentially reduced need for workers due to productivity gains – including advances in AI.<sup>7</sup> But while noteworthy, developments potentially related to AI adoption appear to have been contained, at least so far.

Second, last year's labor market softening reflected reduced growth in both labor demand and labor supply, which is difficult to disentangle. However, the sharp immigration slowdown implies that a slower net pace of job creation is now needed to keep the labor market relatively well balanced – though this balance is somewhat unusual.

---

<sup>5</sup> A large portion of equipment purchases was likely AI-related, though some of these goods were imported, not produced domestically. And while investment in AI-related structures was especially strong, it is a small component of GDP.

<sup>6</sup> The charts accompanying these remarks were prepared before the Employment Situation report release on Friday March 6 (the day the speech is delivered) by the U.S. Bureau of Labor Statistics (<https://www.bls.gov/>).

<sup>7</sup> To that point, the small unemployment rate rise has been concentrated among college-educated workers, which is broadly consistent with a potentially reduced need for skilled labor. AI's ability to perform some basic entry-level tasks may also help explain why workers entering or reentering the labor market are having more difficulty finding jobs.

**Remarks as Prepared for Delivery**

EMBARGOED UNTIL 1:20 PM U.S. Eastern Time,  
Friday, March 6, 2026 – OR UPON DELIVERY

Third, solid growth with little job creation implies that 2025 was another good year for labor *productivity*. In fact, output per hour worked has been growing notably faster since the COVID-19 pandemic, compared with its average pace between 2008 and 2019. In my travels around the District, I hear numerous examples of efficiency gains – most of them *not* AI related – such as automation or streamlined business processes. And as I will discuss, this strong productivity growth has important implications for thinking about how economic conditions may evolve.

*Inflation*

Even with activity growing near capacity, and little inflationary pressures from the labor market, inflation has remained elevated. The left panel of **Figure 4** shows that core PCE inflation, which excludes the important but volatile food and energy categories, was 3 percent on a 12-month basis in December 2025. While down from the earlier peak, it was the same as in December 2024 and still a full percentage point above the FOMC’s 2 percent inflation target.

As shown in the right-hand panel, five years of high rates of inflation have resulted in a surge in the price *level* – which I hear about frequently in conversations around New England. Returning the inflation rate to target will not, of course, reduce the price level, but it is essential for restoring the steady, predictable pricing environment that is conducive to a vibrant economy that works for everyone.

The lack of overall progress on inflation reflects different dynamics across different categories, as shown in **Figure 5**. Goods inflation, in panel A, moved up noticeably – due to tariffs. In contrast, shelter inflation – which is driven importantly by changes in rents – is back down to pre-pandemic levels, shown in panel B. However, panel C shows that there was little improvement in services inflation excluding shelter, which is the largest of these three components.<sup>8</sup>

*The Outlook*

I will now turn to how economic developments last year inform my 2026 outlook. Though considerable economic uncertainty remains, exacerbated by recent geopolitical developments like the hostilities in the Middle East, my baseline outlook is fairly benign – featuring continued solid

---

<sup>8</sup> Elevated inflation for non-housing services reflects rapid price growth for a range of categories, including health care, insurance, and financial services, some of which are classified as “non-market” services.

**Remarks as Prepared for Delivery**

EMBARGOED UNTIL 1:20 PM U.S. Eastern Time,  
Friday, March 6, 2026 – OR UPON DELIVERY

economic growth, relatively balanced labor market conditions, and disinflation resuming later this year as tariff effects fade. I will say a bit more about each.

Starting again with real activity, there are a few reasons to expect continued solid growth. Broad financial conditions remain supportive of economic activity, especially given the FOMC's cumulative policy rate cuts late last year, totaling three-quarters of a percentage point. For households, tax cuts should increase disposable income and consumers' ability to spend. Business spending is likely to be bolstered by increased investment incentives, while robust AI-related data center expenditures continue. And the drag from reduced investment in housing and non-AI business structures seems likely to diminish. This more broad-based growth should also provide some insurance against the possibility of more limited gains in household net worth, and the resulting support to consumption, going forward.

With respect to the labor market, past productivity expansions suggest that hiring tends to pick up, after an initial period of limited job growth, as more firms enter the market to take advantage of the gains from the productivity improvements. However, the path of job gains depends on the extent to which the new technology complements or displaces labor, and it is still too early to know the impact of recent, and on-going, productivity gains. Relative to average historical patterns, I see the potential for somewhat more labor replacement, possibly unfolding more quickly than in the past, even though I still expect some labor-enhancing effects as well. So, while hiring could pick up relative to last year's sluggish pace, job gains are likely to remain modest.

Finally, regarding inflation, while I expect tariff-driven increases in goods prices to wane later this year, other scenarios are also plausible. If the enacted tariff rate rises again after the current temporary 10 percent global tariff expires in July, we could see additional tariff-related price increases.

More broadly, an important issue for the inflation outlook is the extent to which firms will pass productivity gains through to consumer prices, limiting upward pressures on inflation from solid demand. This is most likely to occur if there is price competition as more firms adopt new technologies, and new firms enter profitable markets. This process, however, could take time. As a result, my outlook has demand exerting some upward pressure on prices, slowing the return of inflation to 2 percent.

*Remarks as Prepared for Delivery*

EMBARGOED UNTIL 1:20 PM U.S. Eastern Time,  
Friday, March 6, 2026 – OR UPON DELIVERY

*Monetary Policy*

Monetary policy should be based on an assessment of where the economy is *heading*, and based on my outlook I see a patient, deliberate approach as appropriate. My baseline features a still-uncertain inflation picture, with continued upside risks. This, combined with recent evidence suggesting a relatively stable labor market, in my view argues for maintaining policy rates at their current, mildly restrictive levels for some time.

I do not see an urgency for additional policy adjustments, and I will be looking for clear evidence that inflation is moving durably toward the 2 percent target – something that might occur only over the second half of the year. Of course, it remains very important to continue assessing the incoming data in their entirety – and policy is well positioned to adjust as needed, depending on how conditions and the outlook evolve.

**Small Businesses**

For the last part of my remarks, I would like to talk about small businesses. I don't need to tell the people in this room that these firms are an important part of the economy, especially in New England – contributing greatly to job creation, vibrancy, and innovation.

As **Figure 6** shows, businesses with less than 100 employees nationally accounted for a third of total employment in 2023 – the most recent year for which we can break down total employment by firm size nationally and locally. Moreover, the so-called micro enterprises – those with 1 to 19 workers – provide 1 out of every 6 jobs. More generally, smaller businesses (those with fewer than 250 workers) accounted for 55 percent of net new job creation between 2013 and 2023.<sup>9</sup>

The importance of small businesses is even more apparent when measured as a share of all companies in the United States. In fact, more than 70 percent of all businesses are headed by sole proprietors, while micro-enterprises account for nearly 85 percent of firms with any employees.

Turning to New England, the share of jobs in micro enterprises is well above the national average. This is highlighted in **Figure 7**, where counties with shares above the national average are shaded in blue. Note that this is particularly true for northern New England but is also evident in

---

<sup>9</sup> For additional details see: <https://www.bls.gov/opub/ted/2024/small-businesses-contributed-55-percent-of-the-total-net-job-creation-from-2013-to-2023.htm>

**Remarks as Prepared for Delivery**

EMBARGOED UNTIL 1:20 PM U.S. Eastern Time,  
Friday, March 6, 2026 – OR UPON DELIVERY

Rhode Island, Connecticut, and Massachusetts. In fact, in 14 of New England’s 68 counties, micro enterprises provide 30 percent or more of all jobs.

I will note that counties that contain a larger city tend to have smaller shares of micro enterprises. That is true for Suffolk County, which includes Boston, and Hampden County – where we are right now – which includes Springfield.

The critical importance of small and micro businesses has been a theme in so many of the areas I’ve visited across New England. This certainly includes some rural economies contending with the loss of large employers (like Millinocket, Maine). But it has also been a theme in areas where smaller firms are essential to the supply chain of large entities – for example, small manufacturers in Connecticut and Rhode Island are essential to Electric Boat.

Despite their economic importance, we do not have a lot of data – especially on a timely basis – on small businesses. This is one of the many reasons I spend time traveling around the region (the Federal Reserve’s First District).

One timely source we have is monthly survey data gathered by the National Federation of Independent Businesses (NFIB), representing a wide range of small and independent businesses of various sizes across different industries. Given my focus on inflation and the labor market, I’ll highlight a few related recent trends in the NFIB survey. And I’ll augment this information with some of what I’ve heard in discussions with small businesses around New England.

In terms of price pressures, **Figure 8** shows the percentage of respondents in the NFIB survey who cite inflation as the “single most important problem they face” in a given month. The figure highlights that while these concerns have eased a good deal in conjunction with inflation trending down nationally, they remain notably elevated relative to historical norms.

I do hear a great deal, anecdotally, about cost concerns from small businesses. Many report large increases in health-insurance benefit costs, for example. At a recent meeting with a dozen small businesses, almost all mentioned rising cost pressures, which in most cases are pushing them to reduce margins in a strongly competitive environment. Several noted reduced capital investment as a result. We hear many accounts of rising costs for energy, construction, packaging, and inputs. And an issue mentioned in almost every conversation is high housing costs affecting labor availability.<sup>10</sup>

---

<sup>10</sup> I consistently hear about undersupply of workforce housing across New England. A lack of housing limits the ability to attract new workers to parts of the region, and high costs have impacted new project

**Remarks as Prepared for Delivery**

EMBARGOED UNTIL 1:20 PM U.S. Eastern Time,  
Friday, March 6, 2026 – OR UPON DELIVERY

At the same time, the NFIB survey finds that a shrinking share of small and independent businesses report having open positions they are unable to fill, as shown in **Figure 9**. This pattern is consistent with the overall labor market softening we have seen at the national level, where conditions are relatively balanced and generating limited wage-inflationary pressures.<sup>11</sup>

Even so, it remains challenging for many businesses around the region to fill highly-skilled positions. This has led some companies to focus more on workforce development programs, including providing further training to existing employees.

Despite these challenges, I hear as well about the positives for small businesses, especially around innovation, adaptation, and vibrancy – not to mention, some remarkable collaboration.

**Figure 10** shows some of the small business visits I've been privileged to make.

- I've seen small businesses identifying areas where skills gaps exist and designing programs with local partners to train workers in a "win-win-win." A great example is Cape Air and Plymouth Airport working with Cape Cod Community College and other partners on aerospace mechanic training.
- I've seen smaller companies that are challenged to do large-scale workforce training collaborate with each other and the public sector to create manufacturing-skills "pipelines".
- I've seen innovative start-ups solving problems and building new businesses on the region's legacy strengths. For example, a company aiming *"to solve the modern problem of plastic waste by leveraging Maine's legacy of pulp and paper, using molded fiber packaging as a replacement for rigid single-use plastic."*<sup>12</sup>

---

development. Limited availability has led some recruited talent to accept jobs, but leave when housing does not pan out.

<sup>11</sup> Consistent with relatively stable labor market conditions, the majority of small businesses in New England expect employment to remain unchanged over the next year with twice as many expecting employment to increase versus decline according to the recent 2025 Small Business Credit Survey conducted by the Federal Reserve. For further details see the data appendix in the "2026 Report on Employer Firms: Findings from the 2025 Small Business Credit Survey (<https://www.fedsmallbusiness.org/reports/survey/2026/2026-report-on-employer-firms>).

<sup>12</sup> <https://www.tanbarkmfp.com/>

***Remarks as Prepared for Delivery***

EMBARGOED UNTIL 1:20 PM U.S. Eastern Time,  
Friday, March 6, 2026 – OR UPON DELIVERY

**Concluding Observations**

The theme of today's gathering is of course the outlook for 2026 and beyond. I hope that sharing my assessment of the economy, and the implications for monetary policy, is helpful context for you. While there are many uncertainties and challenges in the national economic outlook, I hope I've conveyed my tremendous optimism for New England – an optimism rooted in meeting so many people working on the front lines of the economy to leverage the skills and character of New England's people, the vibrancy of our unique ecosystem of institutions and companies, and the benefits of collaboration and innovation.

In that spirit I'll end as I started, saying what a pleasure it is to be with you who are building the western Mass. economy. I wish you the very best in 2026 and beyond.