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Economic Outlook

Federal Reserve Bank of
Philadelphia's 80th Annual Field
Meeting Capstone
Conshohocken, PA

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President and Chief Executive Officer
Federal Reserve Bank of Philadelphia

The views expressed
today are my own and not
necessarily those of the
Federal Reserve System or
the Federal Open Market
Committee (FOMC).

Remarks as prepared for delivery.

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Good evening, and thank you, Joe.¹ I'm thrilled to be here for my very first Field Meeting Capstone.

I've had the pleasure of meeting some of you during my visits across the District this fall, and it's wonderful to see some familiar faces again. For those I haven't met yet — welcome! I'm looking forward to getting to know you in the months ahead.

This year marks a special milestone. It's the 80th anniversary of the Field Meeting series.

Since I am new to the Philly Fed, I've been asking a lot of questions about things that other people take for granted. When I first saw the name "field meeting," I didn't get the connection with banking, so I did some digging. And our 1946 annual report provides a clue to the origins of these meetings. It describes the development of "a program of conferences with bankers *in the field*."²

Looking back to the time of the very first field meetings, in many ways things couldn't be more different than they are now. Banking was done face-to-face. Folks tracked the balance in their savings accounts in passbooks.

¹ Joe Budash, senior manager and advisor, financial institutions relations, Federal Reserve Bank of Philadelphia, <https://www.philadelphiafed.org/our-people/joe-budash>.

² Federal Reserve Bank of Philadelphia, 1946, *Early Fruits of Victory: Thirty-Second Annual Report of the Federal Reserve Bank of Philadelphia*.

And FDIC deposit insurance was barely 10 years old. And it covered a whopping \$2,500 per depositor (that's the equivalent of about \$45,000 today, lest you think I am going to forget about inflation!).

While banking has evolved quite a bit over the past 80 years, one constant has been the ongoing and productive relationships we have with you — the financial institutions across our District. From the very beginning, Philly Fed staff recognized the value of open and direct lines of communication with the broad range of constituents we serve. That annual report I mentioned also touted the field meetings as opportunities to “not only to discuss current problems of mutual interest but also to seek solutions to these problems through cooperative efforts.”

And these relationships go beyond our role in supervision. They help us to tailor information and programming to your needs, like the fraud protection resources Jeanne³ talked about. They showcase the many ways that you support your communities. And our dialogues help me to understand our regional economy and are an important input to how I think about monetary policy.

Since starting my job as president of the Philadelphia Fed in July, I've made it a priority to get out into the District to hear directly from community members, nonprofits, banks, and businesses. These conversations give me rich insights into evolving economic and financial conditions.

One of the most valuable things for me is that these conversations help me understand the broad range of economic conditions and experiences in our District. For example, in one conversation, I heard about workers struggling to find jobs and, in another, I heard about employers struggling to keep workers because of the high cost of housing.

And I also hear about creative solutions — converting a vacant Poconos hotel into housing for seasonal workers, for example. And a program in Southern New Jersey

³ Jeanne R. Rentezelas, first vice president and chief operating officer, Federal Reserve Bank of Philadelphia, <https://www.philadelphiafed.org/our-people/rentezelas-jeanne-r>.

pivoted from training workers for offshore wind positions to training them to work safely at heights, opening up opportunities in firefighting and construction.

One thing that's stood out in my conversations across the District, with all of you, but also in conversations with business and nonprofit leaders, is the central role that community banks play in the economy. So, I'm not surprised by the findings of one study, which shows that places with a greater community bank presence are better able to weather economic ups and downs and were less susceptible to job losses during the Great Recession.⁴

Community banks are an enduring part of the financial landscape, but there's also been lots of change. Over the last several months, I've heard concerns about fast moving fintech developments and the potential for stablecoins, in particular, to compete directly with traditional bank deposits.

I've heard a range of very thoughtful comments from community bankers about elements they would like to see in emerging legal and regulatory frameworks. I have also heard from those, including community bankers, who are excited to use these new technologies. These are complex issues that require robust conversations.

Last week we hosted our [Ninth Annual Fintech Conference](#). The goal of that conference is to provide a forum for exactly that kind of robust conversation and to make sure that it includes a range of perspectives — small and large banks, fintech innovators, banking and market regulators, as well as experts and practitioners.

While the prevailing concern I've heard from most of you is wanting a level playing field in which to compete, fintech innovations can also create win-win-win situations for fintechs, traditional financial firms, and consumers.

⁴ Luke Petach, Stephan Weiler, and Tessa Conroy, 2021, "It's a Wonderful Loan: Local Financial Composition, Community Banks, and Economic Resilience," *Journal of Banking & Finance* 126, <https://doi.org/10.1016/j.jbankfin.2021.106077>.

[One Philly Fed study](#) found that banks who partnered with fintechs were able to offer larger credit lines to customers with low or missing credit scores, and the banks actually got better at assessing credit risk. The results were especially pronounced in the mortgage sector.⁵

The United States is relatively unique — with community banks and large banks, and increasingly fintechs coexisting side-by-side. This diverse landscape provides a wealth of options for consumers and for businesses.

One distinct advantage community banks have is that you are well positioned to tailor products and services to your customers' needs and to innovate in ways that make sense for them. And innovations don't always have to be digital. Here in our District, the Bank of Bird-in-Hand has expanded its drive-through lanes so they can handle horse and buggy traffic and better serve their Amish customers.

Our commitment at the Philly Fed is to continue the tradition that began 80 years ago of investing in deep relationships with banks in our region. The 1946 annual report put it well: “not only to discuss current problems of mutual interest but also to seek solutions to these problems through cooperative efforts.”

Now, I'd like to use my remaining time to offer a brief overview of how I see the economy and what that means for monetary policy. But, before I get into that, let me remind everyone that I am speaking just for myself and the views that I express today are not necessarily those of my colleagues on the Federal Open Market Committee (FOMC) or in the Federal Reserve System.

I will start by noting that it was great to get the September labor market report this morning and that I'm eager for the regular flow of official data to resume so we can best assess economic conditions.

⁵ Julapa Jagtiani, Catharine Lemieux, and Brandon Goldstein, 2025, “Fintech Innovations in Banking: Fintech Partnership and Default Rate on Bank Loans,” Federal Reserve Bank of Philadelphia, <https://www.philadelphiafed.org/the-economy/banking-and-financial-markets/fintech-innovations-in-banking-fintech-partnership-and-default-rate-on-bank-loans>.

While the information that I get from conversations with you and other contacts is always valuable, it is especially so now. We also make use of a wide range of data that we collect ourselves or get from the private sector.

So, despite the lack of official data, we are getting a lot of information about how economic conditions are evolving. But there really isn't a good substitute for official data, especially on inflation. The available data and conversations that I am having with a range of contacts suggest that the economy is doing "okay."

Aggregate spending surprised to the upside over the summer — the U.S. consumer has been resilient. But, despite this resilience, consumer sentiment is very low.

And, while higher-income consumers are doing quite well, lower- and moderate-income households are struggling. We see this in the data and hear it from a range of contacts. Credit card data show that for lower-income consumers real spending has been relatively flat while the spending of higher-income consumers continues to grow.⁶

Conversations this week suggested that this bifurcation may have intensified in recent weeks. Competition for value is fierce, and one convenience store chain is discounting take-away meals to keep customers. And consumers continue to look for value in other ways with store brands gaining market share over name brands.

Candy sales over Halloween provide another example of how stretched some families are. Smaller bags of candy — with fewer items — sold better than larger bags that offered greater value per unit. And, at the same time, demand for higher-end chocolate is very strong.

⁶ Rees Hagler and Dhiren Patki, 2025, "Why Has Consumer Spending Remained So Resilient? Evidence from Credit Card Data," Federal Reserve Bank of Boston, accessed November 20, 2025, <https://www.bostonfed.org/publications/current-policy-perspectives/2025/why-has-consumer-spending-remained-resilient.aspx>.

All of this means that aggregate consumption growth is more dependent than usual on the highest earners.⁷ This creates a somewhat narrow base for economic growth and may make the growth outlook particularly sensitive to equity valuations.

The top 20 percent of households by income own over 85 percent of corporate equity, so their spending is linked to the fortunes of the stock market.⁸ And while the stock market has mostly been on a tear, it's also been very sensitive to the narrative around artificial intelligence (AI).

Shifting to the labor market, the unemployment rate ticked up to 4.4 percent in September from 4.3 percent in August, still in the neighborhood of full employment. I usually focus on the quarterly pattern in labor market data because job gains can move around a lot from month to month. Indeed, in August jobs declined by 4,000 and, in September, that flipped and 119,000 jobs were created.

On balance, I view the data for September as encouraging. Taking a step back from the recent monthly data, over the year, we've seen job gains slow substantially, but labor supply has been declining, too.

With demand and supply slowing more or less in tandem, the labor market has stayed roughly in balance. Consistent with that view, in recent roundtables, community bankers have reported that labor markets are in better balance and that upward wage pressure has subsided. Although they noted that in some regions there are still positions that are hard to fill such as teller roles and, for businesses, skilled trade workers remain in demand.

Our monthly business outlook surveys have also been pointing to somewhat weaker but reasonably steady labor market conditions. Although, there was a small uptick in

⁷ Alicia Wallace, "The Impact of the K-Shaped Economy on US Spending Habits," *CNN*, September 18, 2025, <https://www.cnn.com/2025/09/18/business/us-k-shaped-economy-spending>; Abha Bhattarai, "The wealthiest are boosting the economy, as consumer spending rises again," *The Washington Post*, September 26, 2025, <https://www.washingtonpost.com/business/2025/09/26/wealthy-spending-economy-consumers/>.

⁸ Board of Governors of the Federal Reserve System, 2025, "Distributional Financial Accounts," accessed November 20, 2025, <https://www.federalreserve.gov/releases/z1/dataviz/dfa/index.html>.

October in the share of nonmanufacturing firms reporting declining employment. However, virtually all of the net job growth we've seen this year through September has been concentrated in healthcare and social assistance.

Employment in most other sectors has been flat to down on the year.⁹ Historically, when job gains are concentrated in acyclical sectors like healthcare, that is a precursor to a slowdown. So, I continue to see labor market risks as tilted to the downside.

Turning to inflation, CPI inflation was 3 percent on a year-over-year basis in September. Tariffs are pushing goods inflation up and I expect that to continue as they work their way through to final goods prices.

And other components of inflation are also a little elevated as well. My base case is that tariffs will increase prices but that they won't lead to an ongoing inflation problem. So far, the evidence is consistent with this view, but it will take time to fully confirm or refute it.

During my meetings with community bankers, I've heard a lot about how trade policies are impacting your customers and local economies. Although some businesses have seen large negative impacts and others have been winners, for the most part, these conversations suggest that tariff effects have been smaller than feared. This is, in part, because businesses are finding creative ways to manage the impact of tariffs and that has limited price increases.

The overall demand environment is contributing to keeping a lid on inflation as well — with the labor market in balance and many consumers looking for bargains, businesses are cautious about increasing prices. That said, I do view risks to inflation as tilted to the upside, particularly as we are on track for five years of inflation above 2 percent.

⁹ U.S. Bureau of Labor Statistics, "Employment by Industry: Monthly Changes," accessed November 20, 2025, <https://www.bls.gov/charts/employment-situation/employment-by-industry-monthly-changes.htm>.

So, with upside risks to inflation and downside risks to employment, monetary policy has to walk a fine line. In my judgement, the 25-basis-point rate cuts at the September and October meetings were appropriate and have helped to keep policy on that line. But each rate cut raises the bar for the next cut. And that's because each rate cut brings us closer to the level where policy flips from restraining activity a bit to the place where it is providing a boost. So, I am approaching the December FOMC cautiously.

On the margin, I'm still a little more worried about the labor market than I am about inflation, but I expect to learn a lot between now and the next meeting. And, as I think about monetary policy over the longer arc, I'll be focused on how to appropriately balance the risks to both inflation and the labor market, guided by my commitment to deliver on the FOMC's price stability mandate and get inflation all the way back to 2 percent.

With a week to go before Thanksgiving, I'd like to talk now about a couple of things that I am grateful for, starting with Tony Ibargüen. Tony is the chair of the Philly Fed's board of directors. Tony's term concludes at the end of the year. And I want to thank Tony for all that he has done to support me and to support the Bank's engagement efforts and for his help in building and strengthening relationships across our District. Thank you, Tony, for your public service, for your ongoing collaboration, and for spending this evening with us. Please join me in acknowledging Tony.

I'd also like to thank all of you for sharing your insights. They are essential to me and the great team of experts at the Reserve Bank. We look forward to hearing from you throughout the year. You are positioned to see momentum shifts in the economy before they show up in the data. Please don't hesitate to reach out if you see things shifting. We also welcome your questions and feedback and recommendations for new research or programming.

Thank you all for your partnership and best wishes for the holiday season.