10-10-25

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Hiring slowdown worries top Fed official

BY COLBY SMITH

THE NEW YORK TIMES

John C. Williams, president of the Federal Reserve Bank of New York, says he supports further interest rates cuts this year, even though inflation has moved away from the central bank's 2% target in recent months. His rationale revolves around the labor market, where cracks have emerged.

What Williams wants is to protect those cracks from deepening further.

In an interview with The New York Times on Wednesday, Williams said he did not believe the economy was on the verge of a recession. But the slowdown in monthly jobs growth, coupled with other signs that companies are more hesitant to hire, warrants attention, he said.

The views of Williams are important given his role as president of the New York Fed, a position that confers a permanent vote on interest rates. He is also a close ally of Jerome Powell, the Fed chair.

Williams spoke at a fraught moment for the Fed, which is balancing dueling economic risks. On the one hand, Fed officials do not want to exacerbate the slowdown in the labor market. But they also want to avoid inadvertently stoking inflation, which has started to accelerate again because of President Donald Trump's tariffs.

Williams said the Fed had the flexibility to shore up the labor market because the inflation outlook did not appear as dire as it did earlier in the year. Trump's tariffs have raised some consumer prices, Williams said, but he expects the impact on inflation to fade over time despite the president's new import taxes on products such as furniture and drugs. Those tariffs build on steep levies that Trump put on imports from dozens of countries on Aug. 7, in addition to sector-specific ones.

"The risks of a further slowdown in the labor market is something I'm very focused on," Williams said. He later added that if the economy evolved as expected — inflation moving up to around 3% and the unemployment rate inching up beyond its current 4.3% — he would back "lower rates this year, but we'll have to see exactly what that means."

Williams indicated that a lapse in official government data because of the shutdown would not deter him from wanting to take action at the Fed's coming meetings. The shutdown, which has stretched into its second week, has already delayed the September jobs report. The Bureau of Labor Statistics may also have to withhold the consumer price index report that is due for release Wednesday if lawmakers do not reach a deal by then.

Fed officials lack official government data at a particularly bad moment, as they debate how quickly to lower interest rates after cutting them last month for the first time this year. Policymakers meet twice more this year, with the next gathering scheduled for Oct. 28-29.