



**Second District Advisory Council
Via WebEx Conference
Wednesday, March 31, 2021**

AGENDA

- | | |
|-------------------------|--|
| 10:30 a.m. – 10:40 a.m. | Welcome, John Williams, President & CEO |
| 10:40 a.m. – 10:50 a.m. | National Economy Update, David Lucca |
| 10:50 a.m. – 11:00 a.m. | Regional Economy Update, Jaison Abel |
| 11:00 a.m. – 11:15 a.m. | Member Q&A with President Williams and Economists |
| 11:15 a.m. – 12:20 p.m. | Member Insights, Claire Kramer Mills |
| 12:20 p.m. – 12:30 p.m. | Concluding Remarks, John Williams, President & CEO |



**Federal Reserve Bank of New York
Second District Advisory Council
Wednesday, March 31, 2021**

Attendee List – WebEx Conference

SDAC Advisory Members

Donnel Baird
Founder & CEO
BlocPower

Sarah LaFleur
Founder & CEO
M.M.LaFleur

Adenah Bayoh
Founder
Adenah Bayoh & Companies

Melanie Littlejohn
VP NY Customer and Community Engagement
National Grid

Jaswinder Chadha
President & CEO
Axtria, Inc.

Steve Priest
EVP & CFO
JetBlue Airways Corp.

Kevin Ellis
CEO
Cayuga Milk Ingredients

Jonathan F.P. Rose
President
Jonathan Rose Companies

Lynne Marie Finn
President & CEO
Broadleaf Results

Anthony E. Shorris
John Weinberg/Goldman Sachs Visiting Scholar &
Senior Advisor
Princeton University, McKinsey & Company

Hugh Johnston
Vice Chairman & CFO
PepsiCo

Federico Stubbe, Jr.
President
PRISA Group

Federal Reserve Bank of New York

John Williams
Naureen Hassan
David Erickson
Andrew Haughwout
Michael Nelson
Rosanne Notaro
David Lucca
Matthew Higgins
Jaison Abel
Claire Kramer Mills
Jason Bram
Tony Davis
Edison Reyes
Rebecca Landau

President & CEO
First Vice President
Communications & Outreach
Research & Statistics
Communications & Outreach
Legal
Research & Statistics
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U.S. Economic Conditions

David Lucca, Research and Statistics Group
March 31, 2021

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

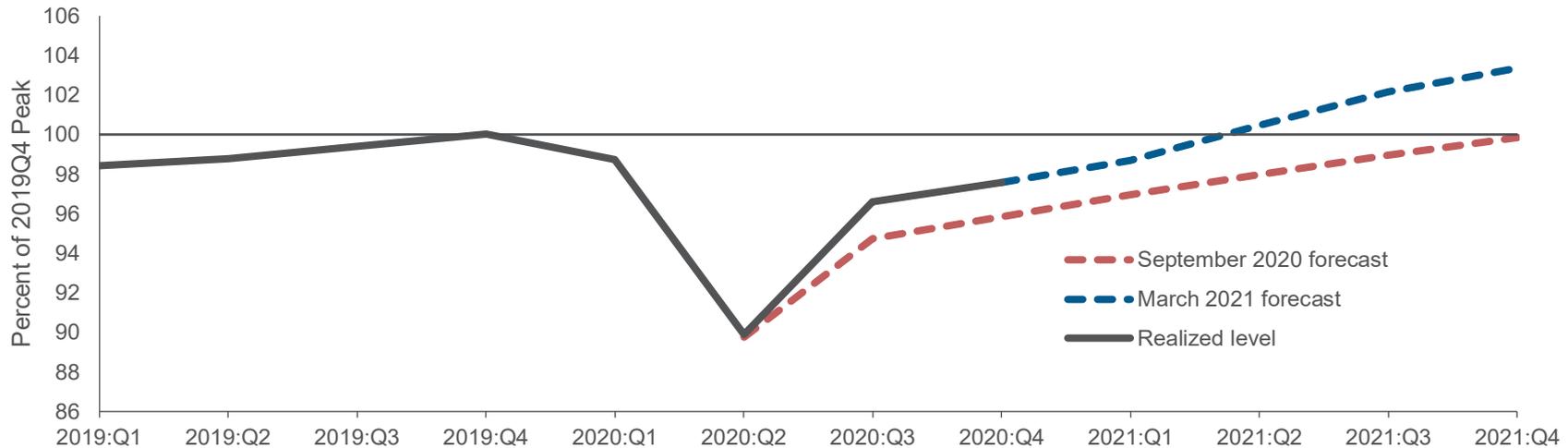
Overview

- The economic recovery is progressing more quickly than anticipated
- Business re-openings in the service sector, fiscal transfers to household and business, and accommodative financial conditions will support economic activity in 2021
- As of February, jobs are about 9.5 million below their peak level and the labor market recovery is very uneven
- On a 12-month basis, inflation also remains below the FOMC longer-run target of 2%



A more rapid economic recovery

Blue Chip Consensus Real GDP Forecast

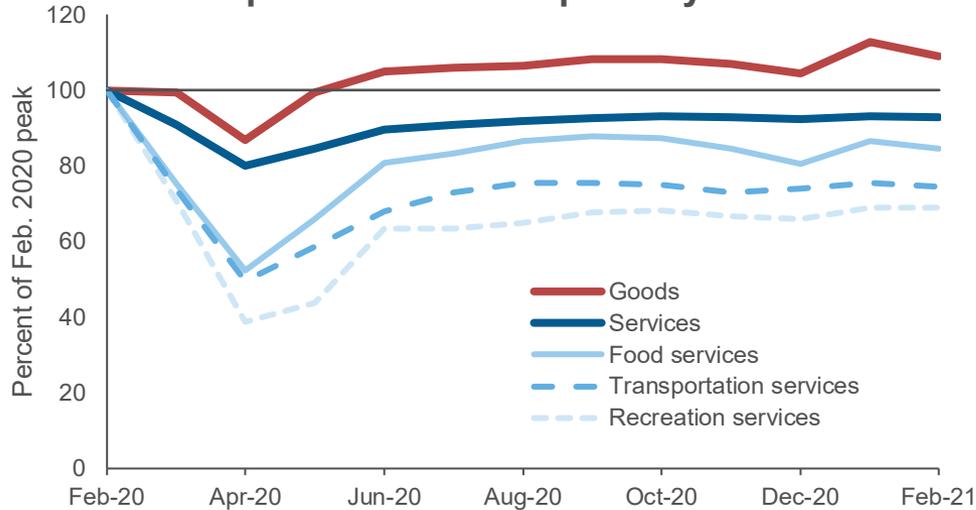


- Upward revision of consensus real GDP forecast:
 1. Anticipated business re-openings in services sector
 2. Fiscal transfers from the federal government
 3. Accommodative financial conditions



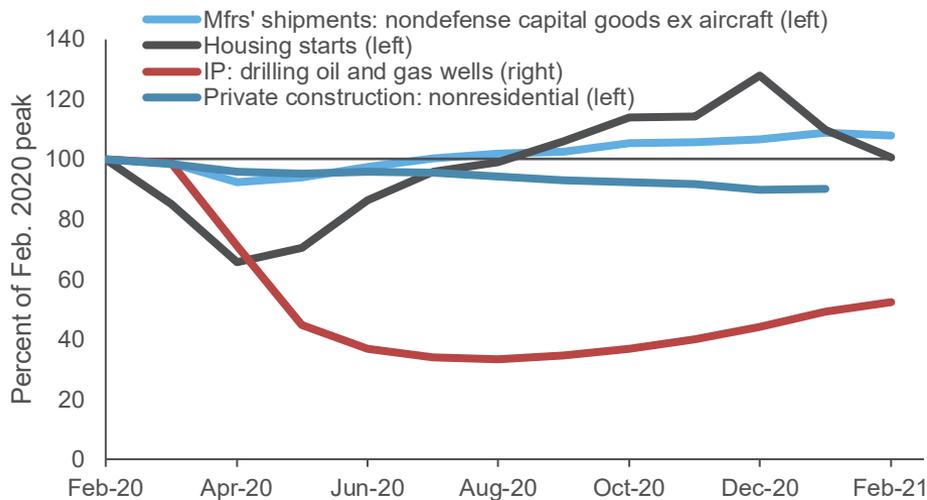
Uneven economic recovery and re-openings

Real personal consumption by sector



- Activity in the consumer services remains depressed
- Reopenings and vaccinations to support rebound in hard-hit service sectors

Business and residential investment

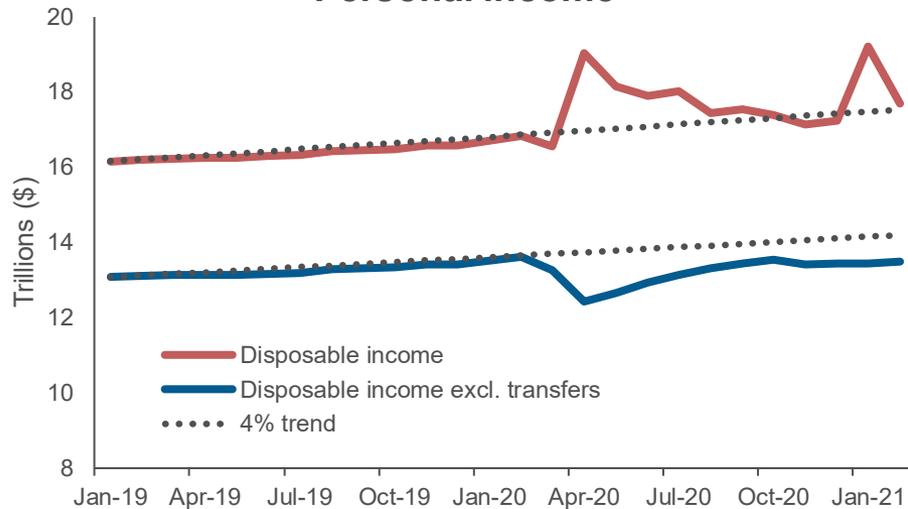


- Robust residential construction and equipment investment
- Investment in private structures lags, and depressed drilling activity



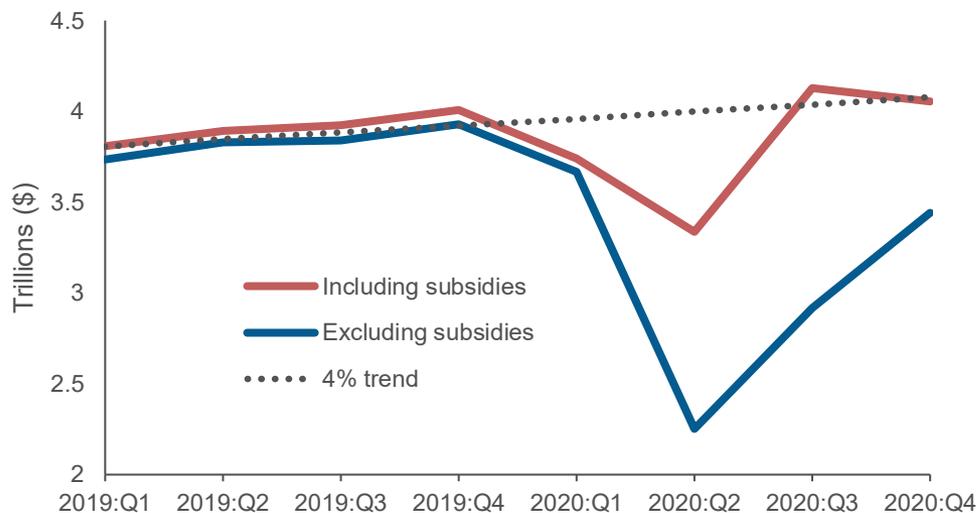
Fiscal support to households and businesses

Personal income



- Fiscal transfers to households pushed disposable income above trend

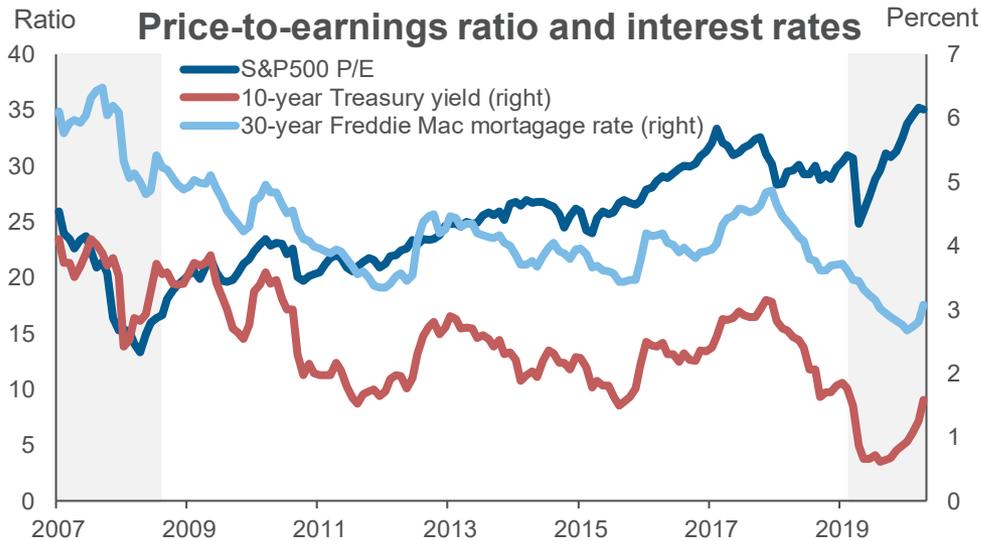
Corporate Profits and Proprietors' Income



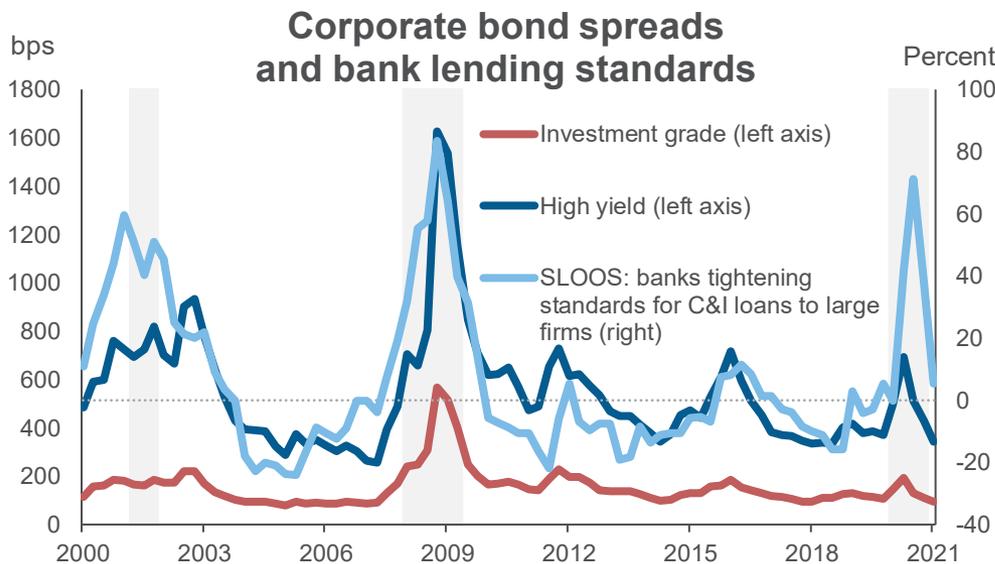
- Subsidies to corporate and non-corporate businesses supported profits
- Higher income and profits will boost consumption and investment



Accommodative financial conditions



- Stock market valuations are at multi-year highs and long-term rates remain low



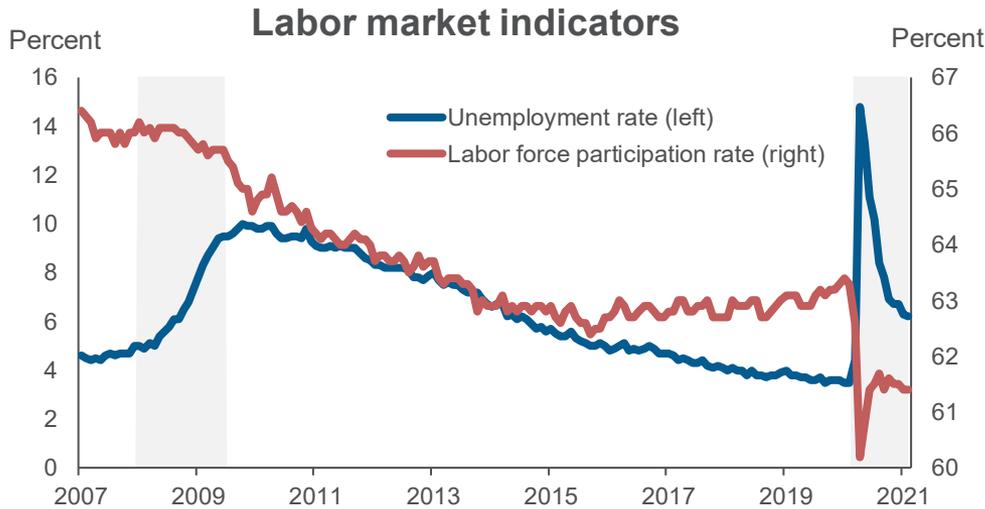
- Corporate credit spreads narrowed and no further tightening in bank lending standards
- Accommodative financial conditions support growth

Source: Robert Shiller, U.S. Treasury, Federal Home Loan Mortgage Corporation, the Federal Reserve Board, and Bloomberg.

Note: S&P P/E is the Shiller cyclically adjusted S&P price-to-earnings ratio.

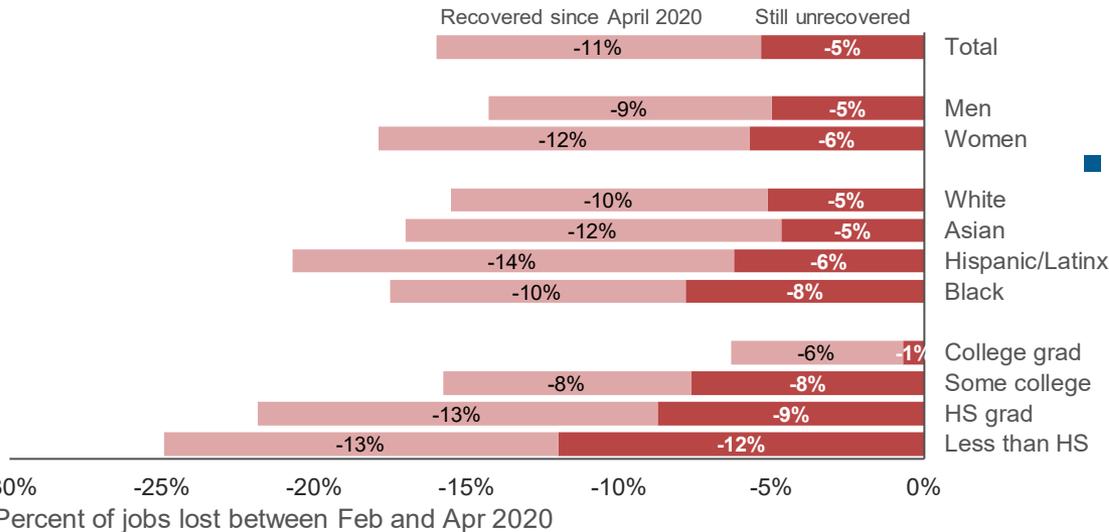


Labor market far from full employment



- Unemployment rate fell to 6.2% in February
- The unemployment rate understates labor market distress: labor force participation at 61.4%

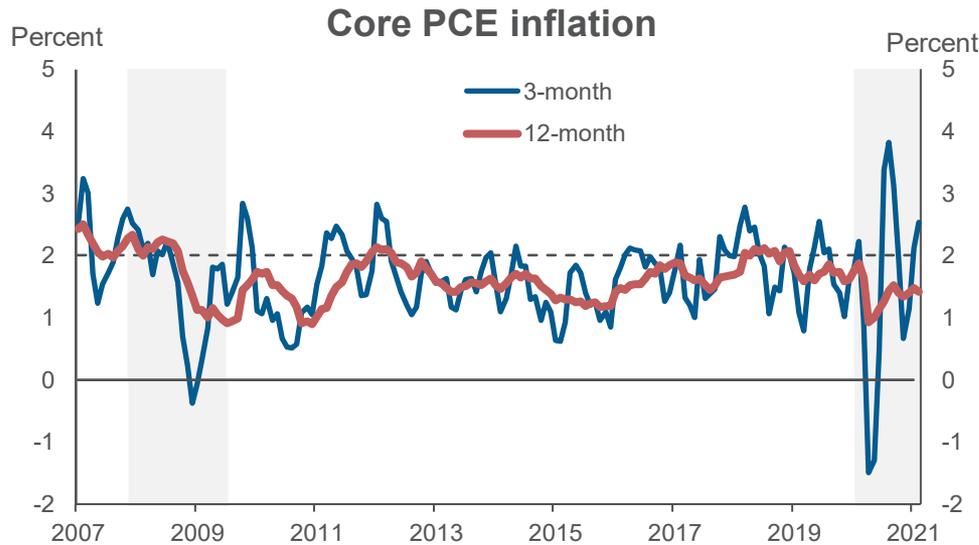
Percent changes in jobs by demographic characteristics



- Minorities and less educated workers hit most

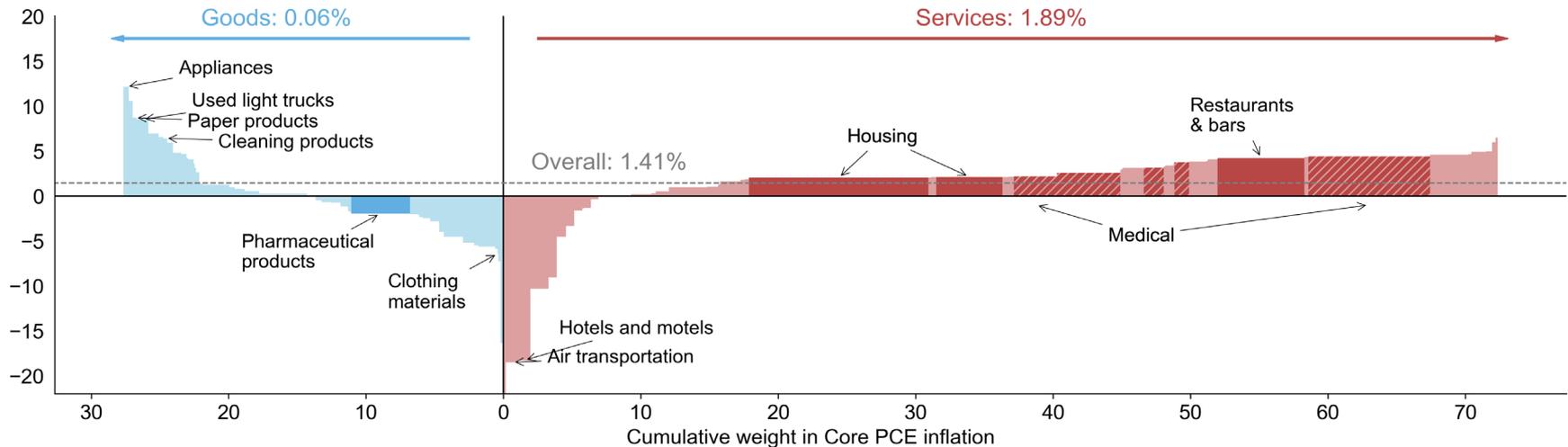


Inflation remains below long-run 2% target



- Inflation at 1.4% on a 12-month basis
- Large swings last year and variation by subcomponents

12-month inflation by subcomponent of Core PCE





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Economic Conditions in the Region

Jaison R. Abel

Second District Advisory Council Meeting – March 31, 2021

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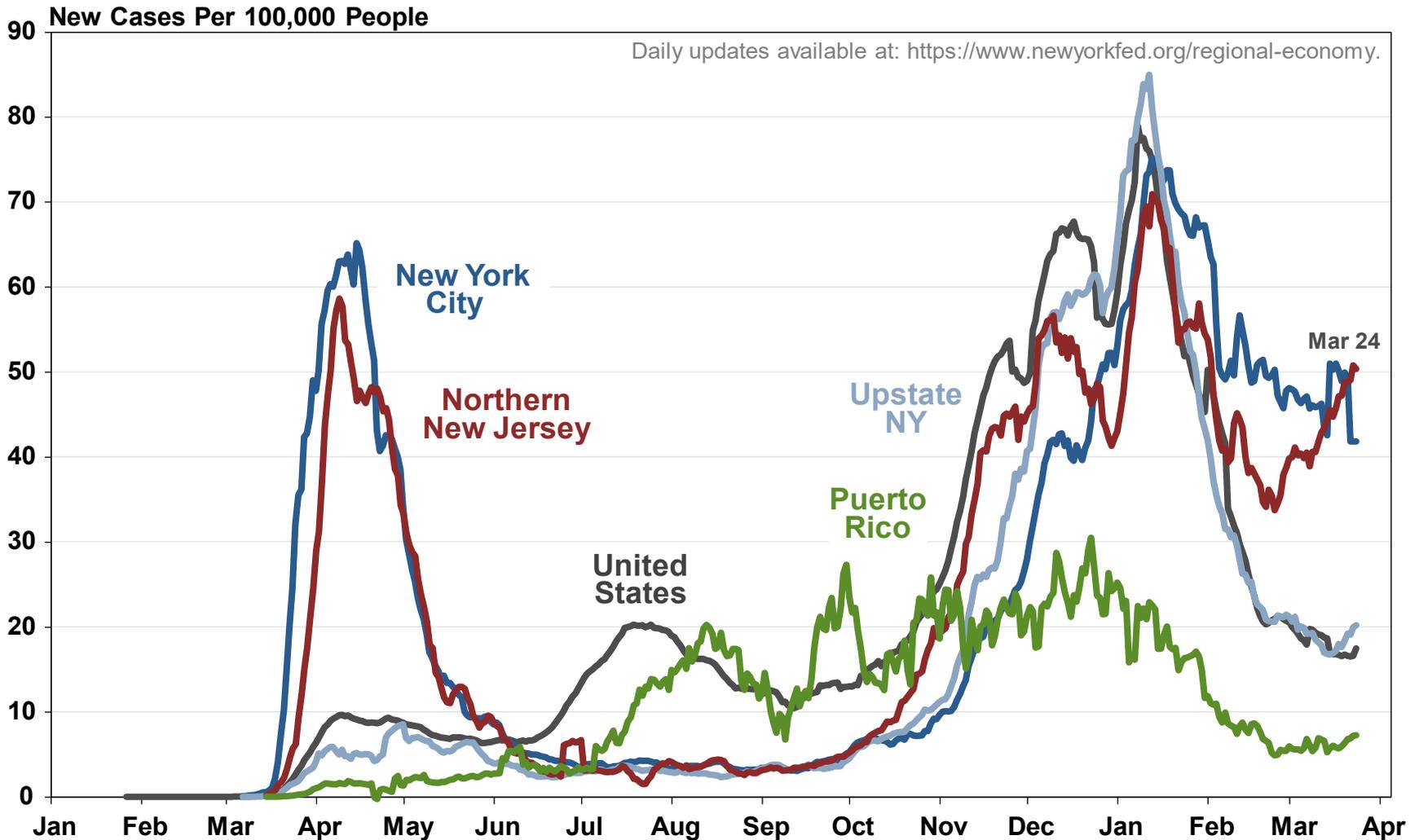
Overview of Regional Conditions

- Economic conditions have shown signs of improvement in early 2021, though business activity remains weak outside of manufacturing.
- Employment is still far below pre-pandemic levels, particularly in New York City, with little gain in recent months.
- Businesses report widespread pricing pressures.
- Optimism about the near-term outlook has increased noticeably, particularly among businesses operating in the service sector.



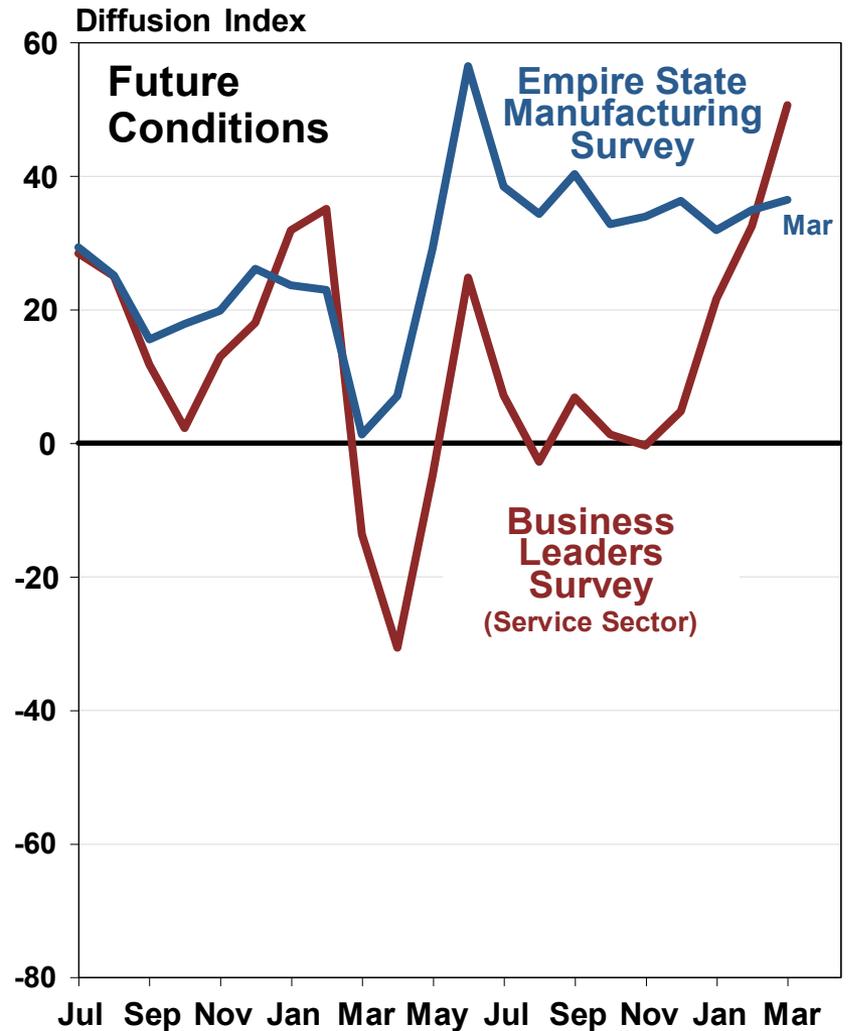
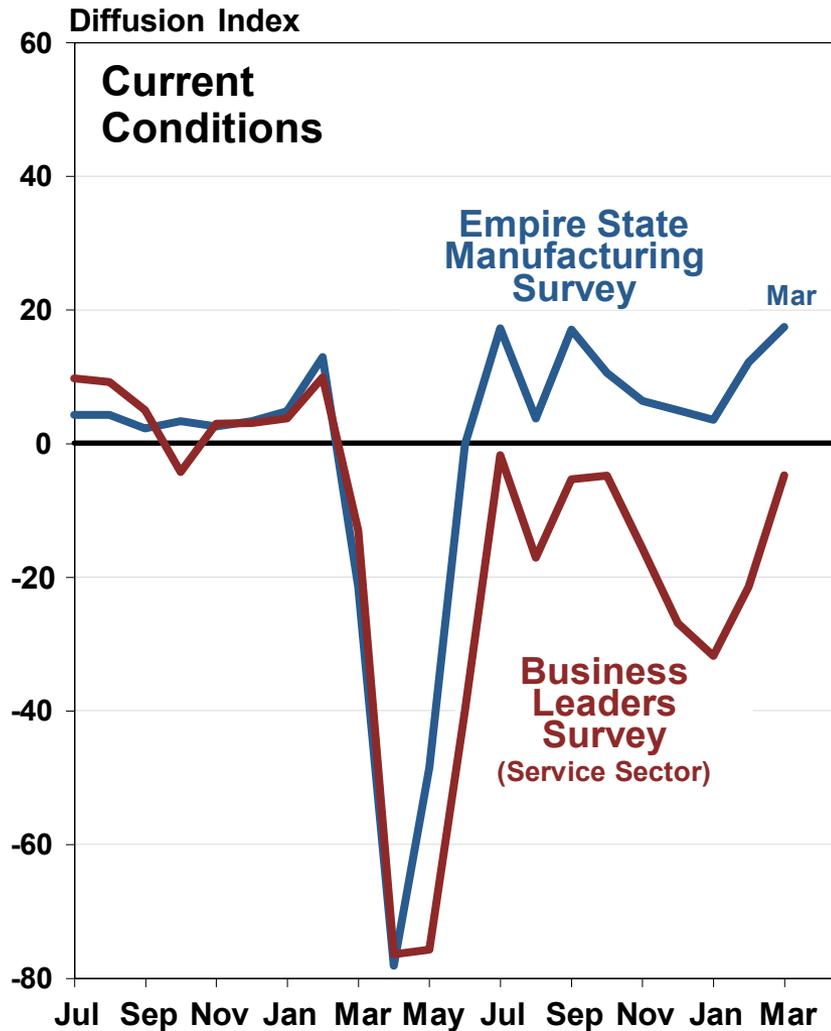
Coronavirus Spread in the Region

Daily New Cases Per Capita, 7-Day Average



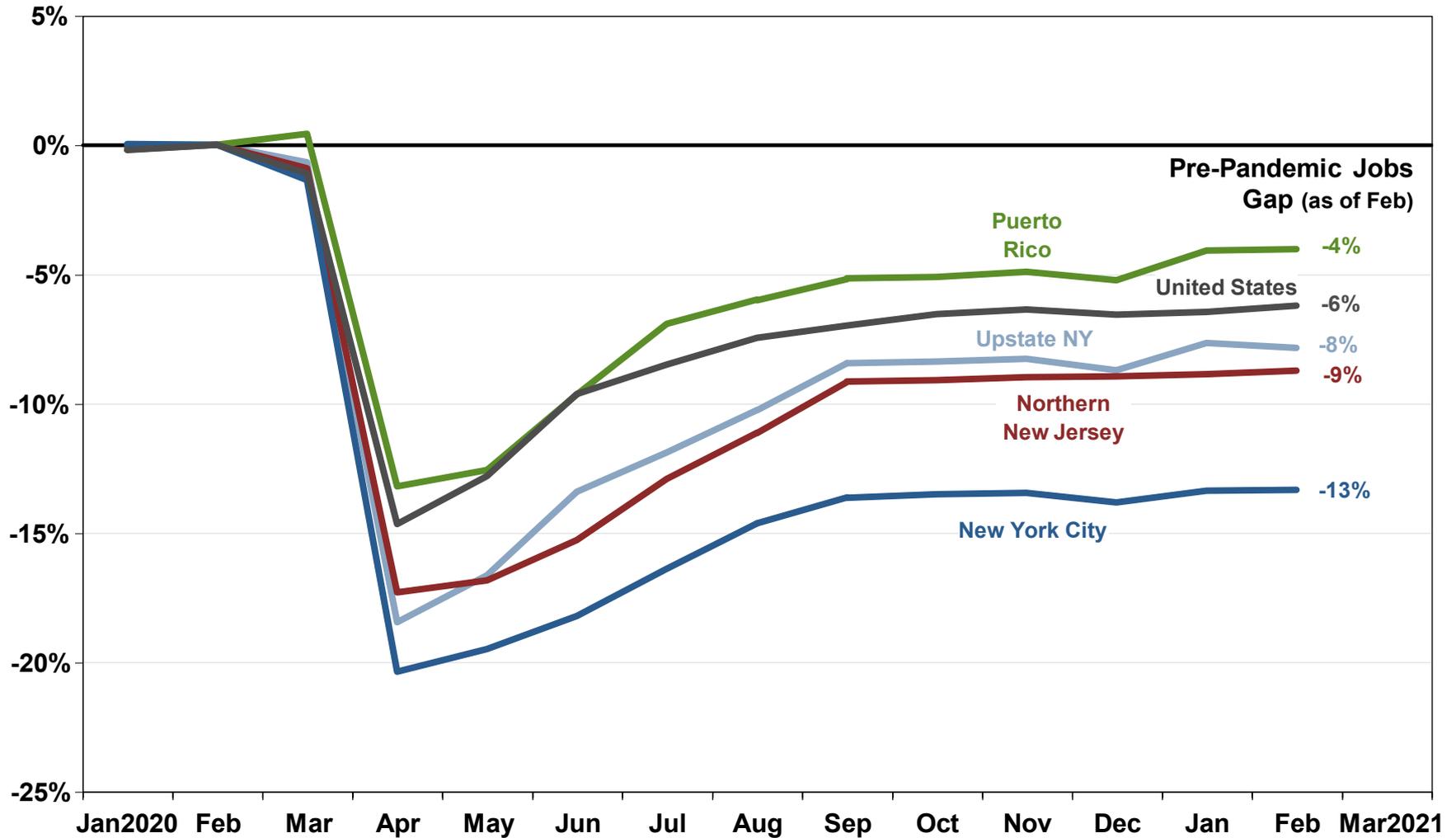
Weak Business Activity But Brightening Outlook

New York Fed Regional Business Surveys



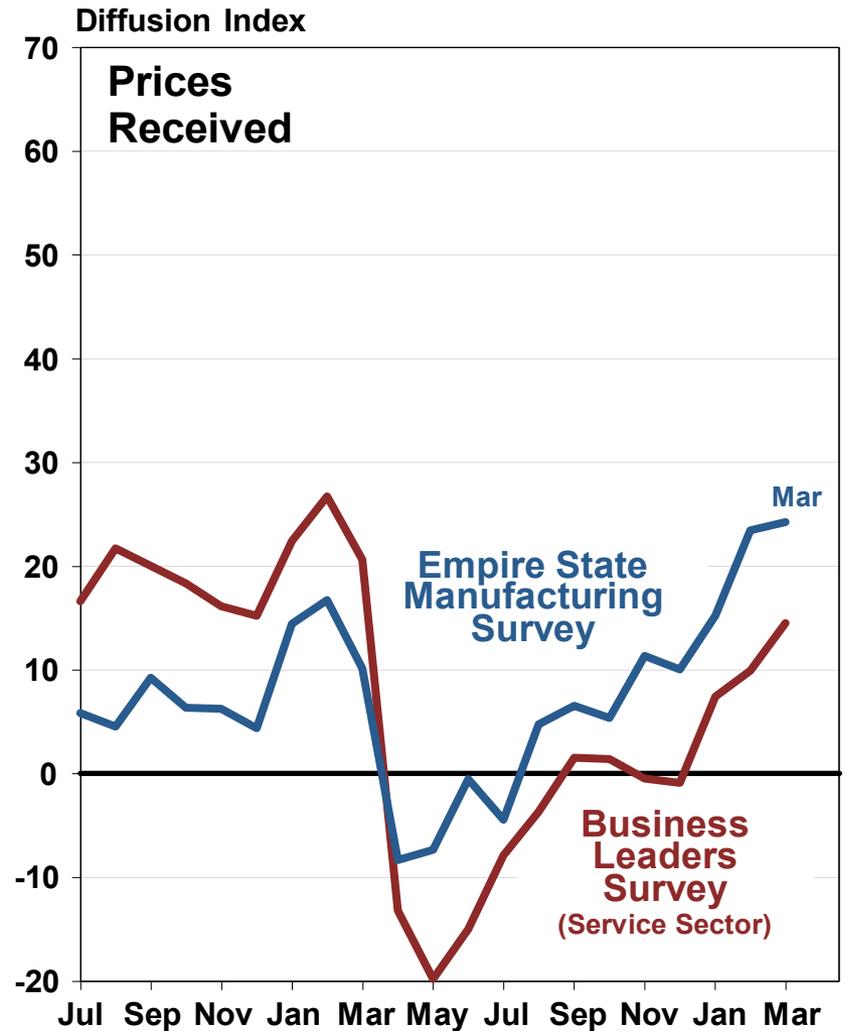
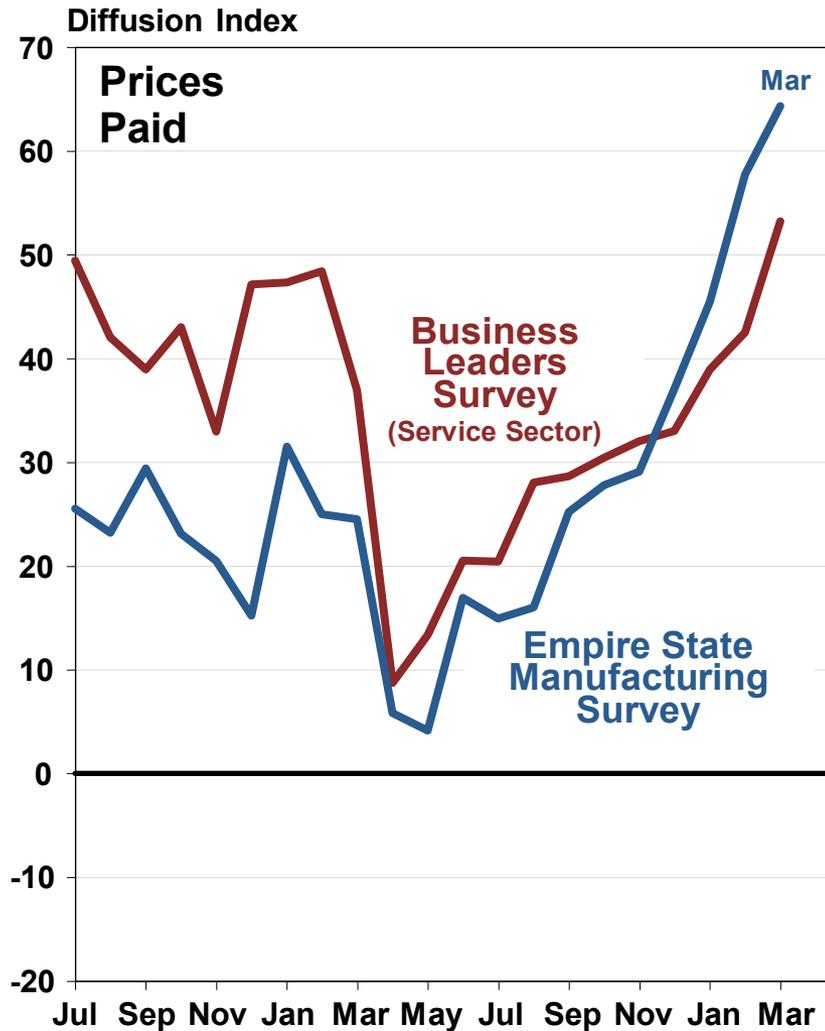
Employment Far Below Pre-Pandemic Levels

Percent Change in Total Employment Since Feb 2020



Widespread Pricing Pressures in the Region

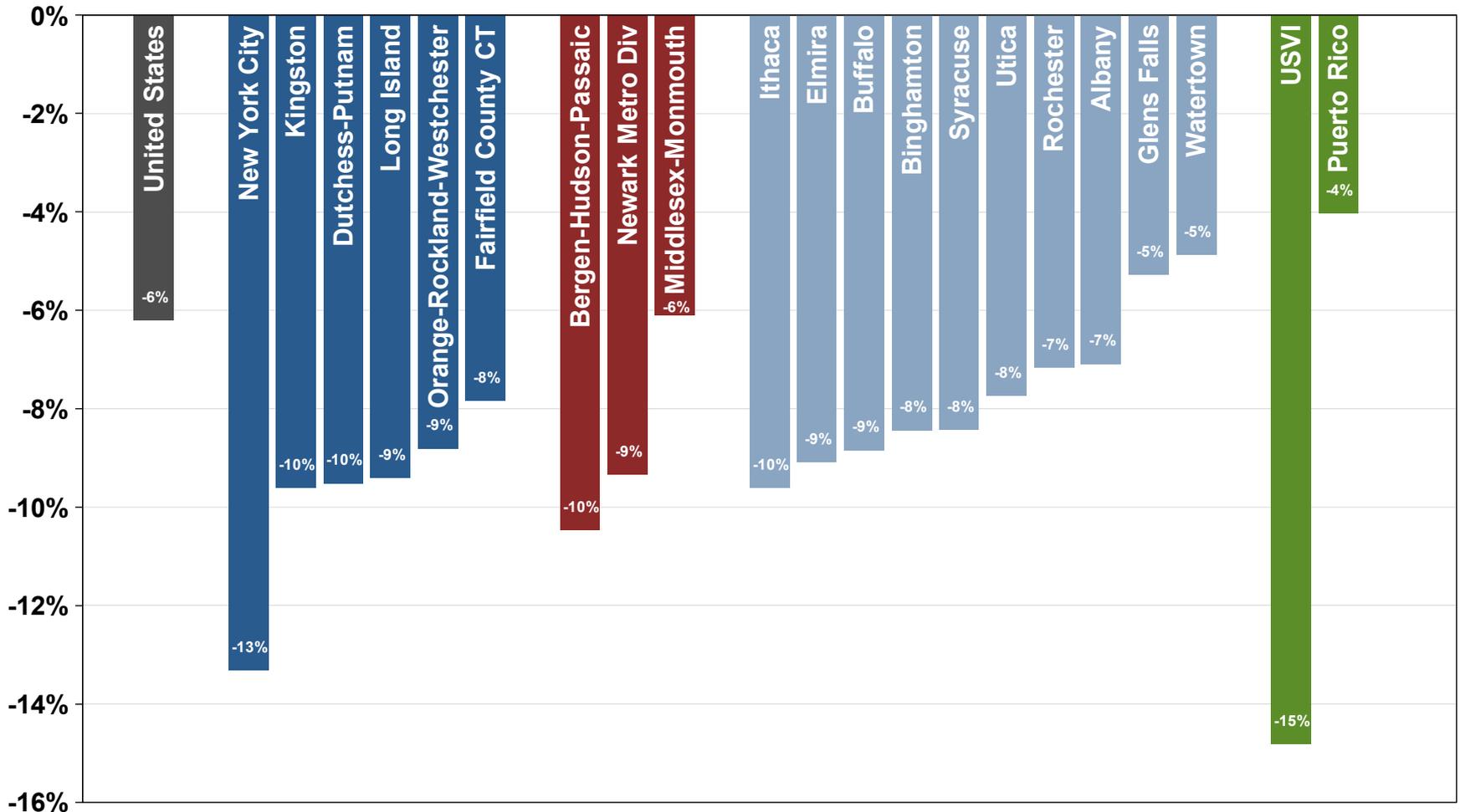
New York Fed Regional Business Surveys



Reference Slides

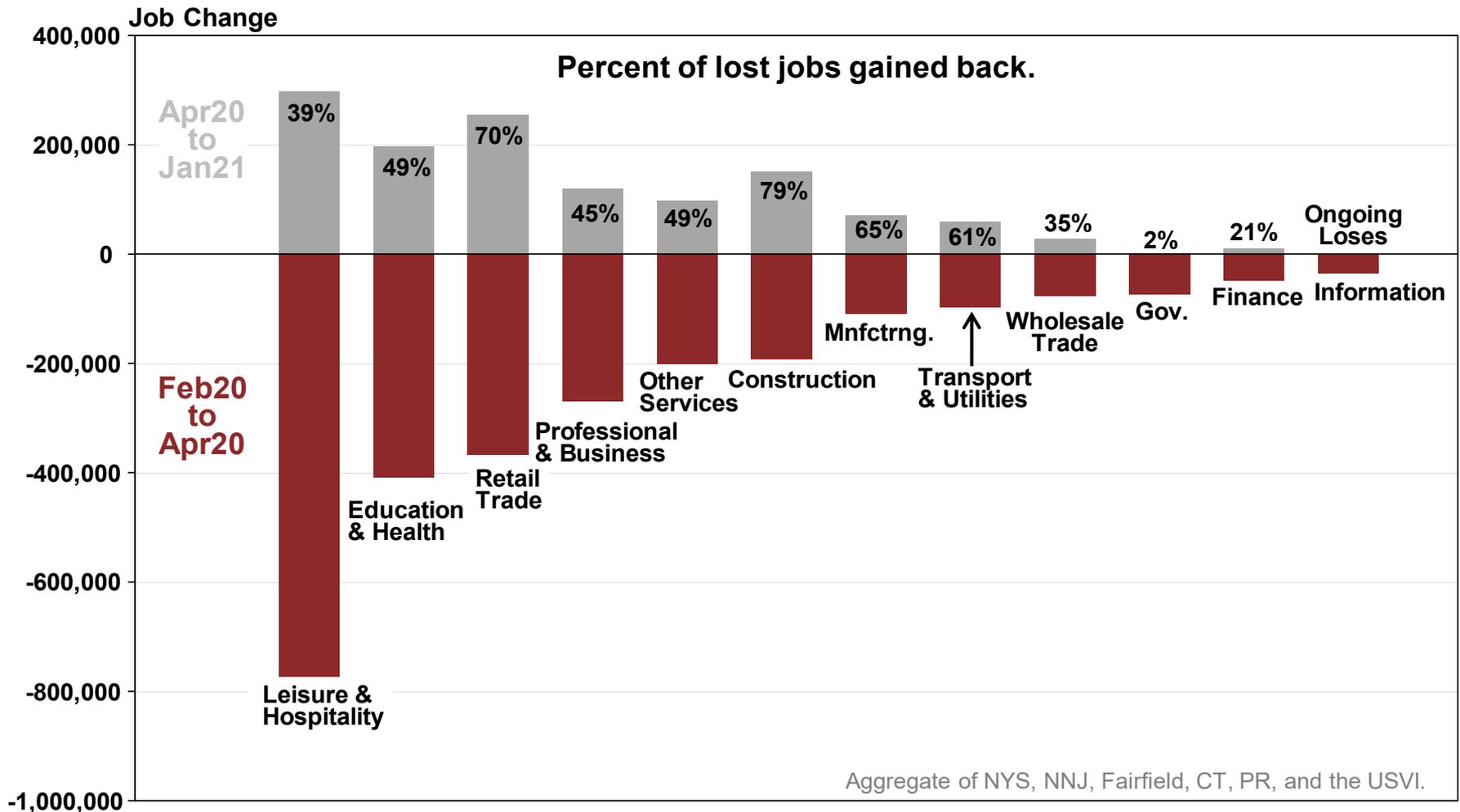
Pre-Pandemic Jobs Gap by Local Area

Percent Below Pre-Pandemic Employment Level (as of Feb)



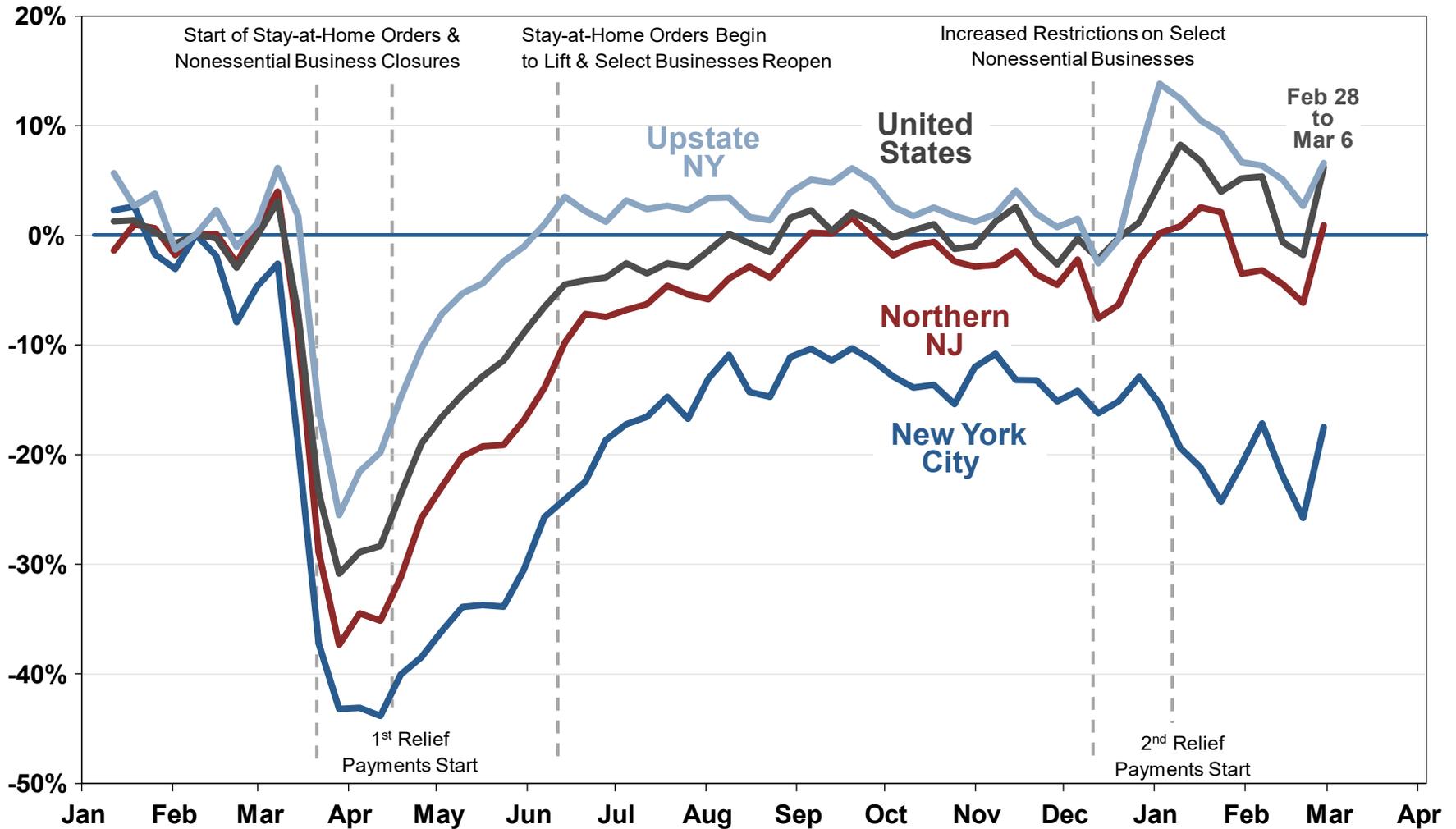
Job Losses and Gains in the Second District

Change in Employment Level by Sector



Solid Consumer Spending Outside of NYC

Percent Change in Debit & Credit Card Spending Since Feb 2020



Home Price Increases Accelerating

Percent Change in Home Prices, Indexed to Jan 2015

