

**Federal Reserve Bank of New York
Second District Advisory Council Meeting
Virtual – WebEx Conference
Monday, March 27, 2023**

AGENDA

- | | |
|-------------------------|--|
| 10:00 a.m. – 10:05 a.m. | Welcome, Shawn Phillips, Head of External Engagement |
| 10:05 a.m. – 10:10 a.m. | Introductory Remarks, John Williams, President & CEO |
| 10:10 a.m. – 10:20 a.m. | National Economy Update, Jonathan McCarthy, Economist |
| 10:20 a.m. – 10:30 a.m. | Regional Economy Update, Jaison Abel, Head of Urban and Regional Studies |
| 10:30 a.m. – 10:50 a.m. | Member Q&A with President Williams and Economists |
| 10:50 a.m. – 11:50 a.m. | Member Insights, Moderated by Shawn Phillips |
| 11:50 a.m. – 12:00 p.m. | Concluding Remarks, John Williams, President & CEO |

**Second District Advisory Council Meeting
Monday, March 27, 2023**

Discussion Questions

1. A lot has happened since we last met. How have business and economic conditions improved in your business/industry and what has remained a challenge or worsened?
2. How is your business/industry fairing in terms of job recruitment and retention, and are there particular challenges for certain jobs job types and/or wage levels?
3. As we adapt to a “new normal” post pandemic, how has a hybrid or remote work plan impacted the demand for office space and your overall commercial footprint?
4. Have you experienced any tightening in credit conditions?
5. What is your overall outlook for the remainder of the year?

**Federal Reserve Bank of New York
Second District Advisory Council
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Attendee List – WebEx Conference

SDAC Members

Donnel Baird
Founder & CEO
BlocPower

Frederico Stubbe, Jr.
President
PRISA Group

Jaswinder Chadha
President & CEO
Axtria, Inc.

Hugh Johnston
Vice Chairman & CFO
PepsiCo

Sarah LaFleur
Founder & CEO
M.M. LaFleur

Wetteny Joseph
Executive Vice President & CFO
Zoetis

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

Federal Reserve Bank of New York

John Williams, President & CEO
Shawn Phillips, Communications & Outreach
Andrea Grenadier, Communications & Outreach
Rosanne Notaro, Legal
Camille Pennycooke-Dieudonne, Legal
Jaison Abel, Research & Statistics
Jonathan McCarthy, Research & Statistics



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U.S. Economic Conditions

Jonathan McCarthy, Economic Research Advisor, Research and Statistics Group
Second District Advisory Council: March 27, 2023

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.

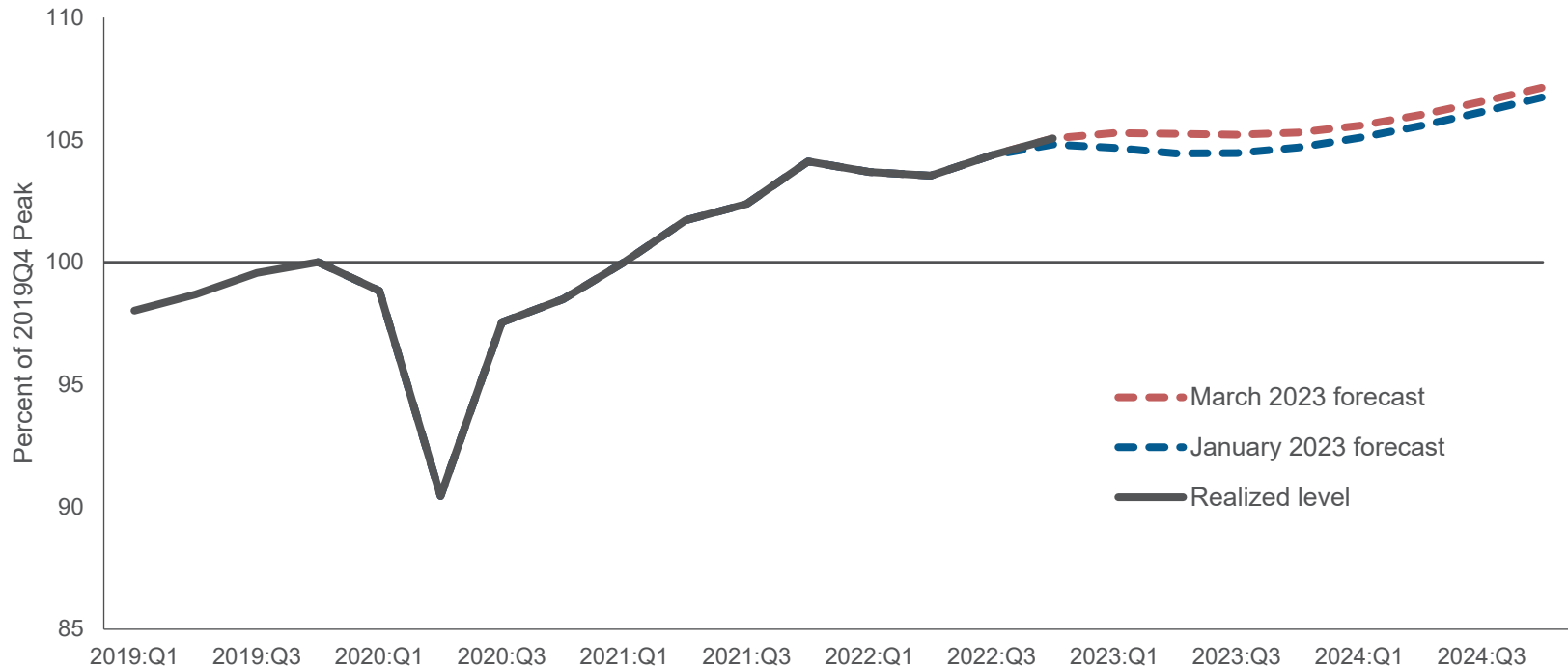
Overview

- Real GDP increased solidly in the second half of 2022.
 - Economic activity was resilient at beginning of this year.
- The labor market remains tight.
- Inflation continues to be high.
- Banking system stresses raise uncertainty and could weigh on economic activity.



GDP rose in 2022H2; spending sturdy in early 2023

Blue Chip Consensus Real GDP Forecast

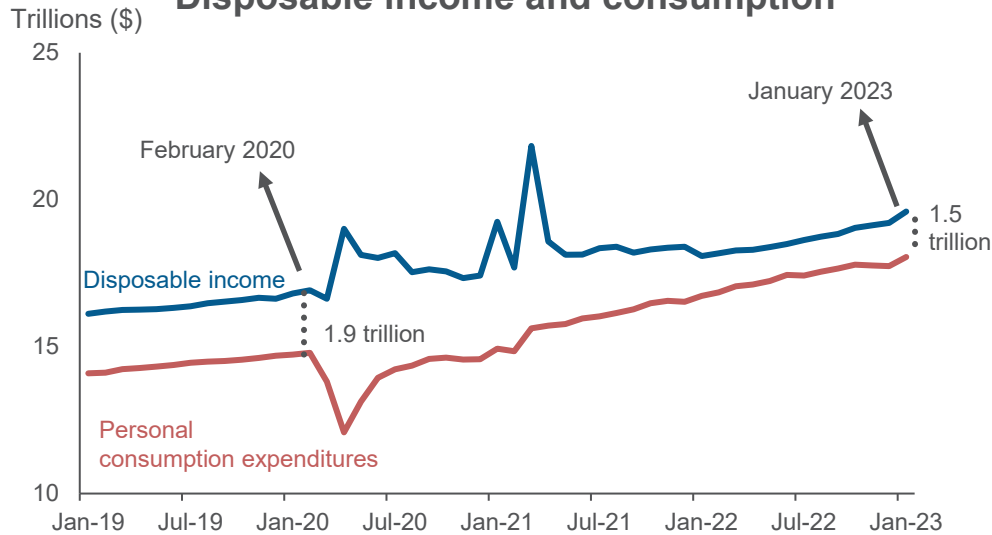


- 2022H2 GDP rose, partly from temporary factors.
- Expenditures showed resiliency in the early part of 2023.
- Data prompted modest upward revisions to private forecasts through early March.



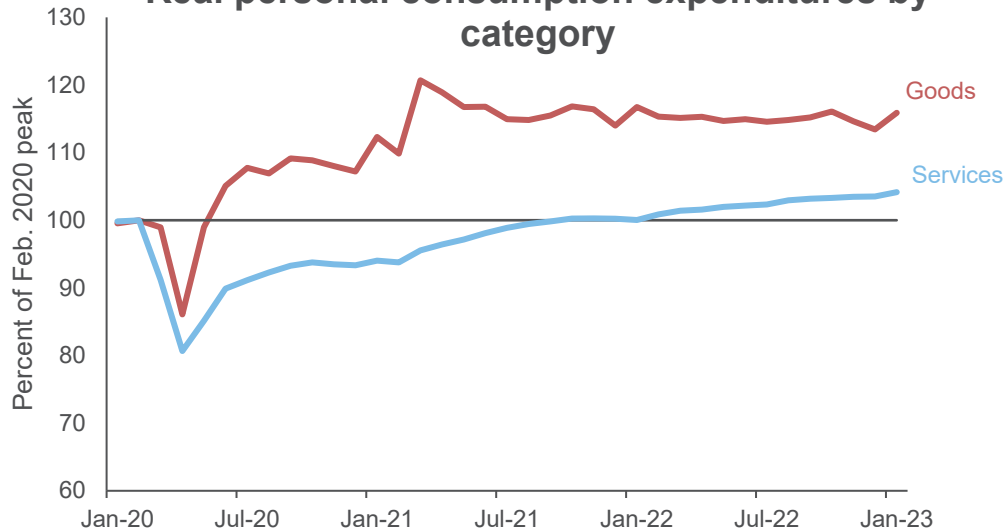
Brisk consumption and income growth in early 2023

Disposable income and consumption



- Disposable income rose solidly since mid-2022.
- After a soft Q4, consumption increased briskly in January.
- Saving rate was 4.7% in January, above its recent low.

Real personal consumption expenditures by category



- Goods expenditures flat since mid-2021.
- Services expenditures are moderately above pre-pandemic levels.
- Rebalancing is proceeding slowly.



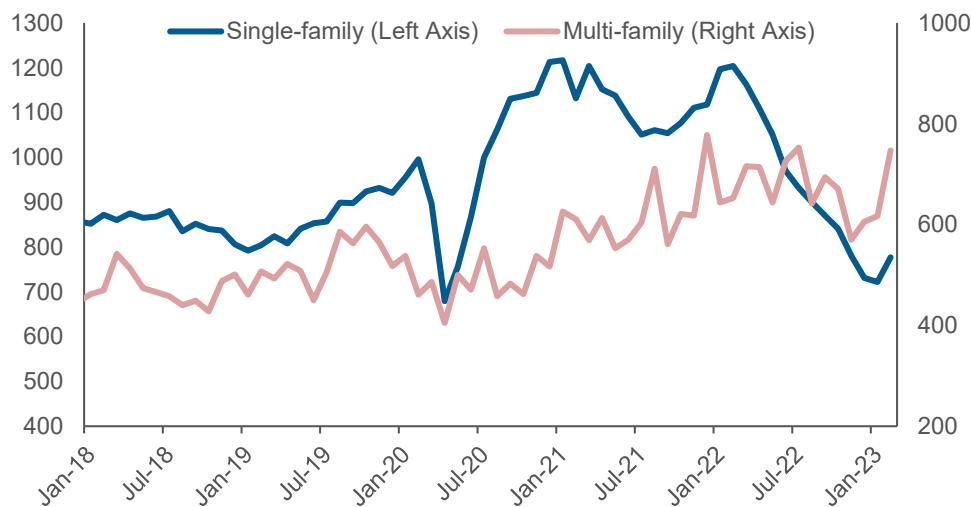
Housing market remains weak

Home Sales (thousands)



- Affordability is still impaired by rise in mortgage rates in 2022.
- Even though they have stabilized, home sales are at low levels.

Residential building permits (thousands)

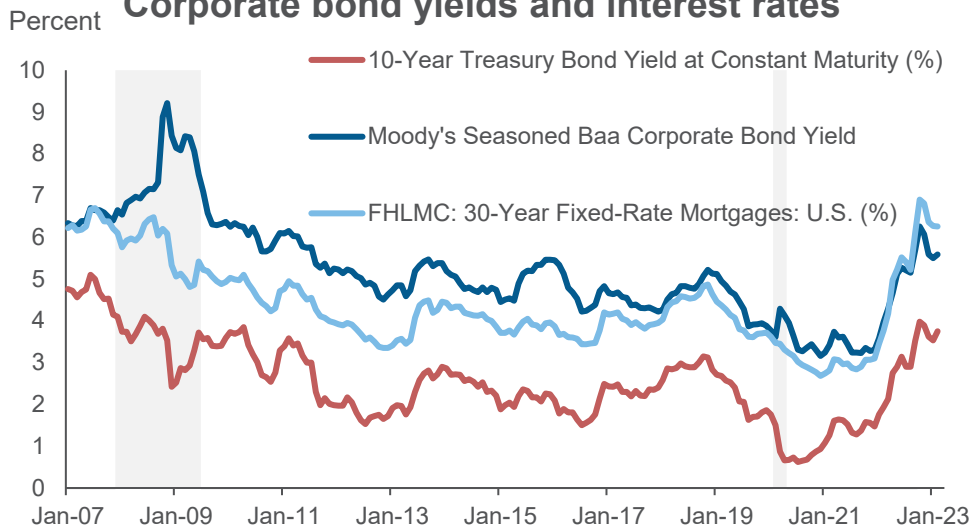


- Single-family home building is low, following a similar pattern as home sales.
- Multifamily building activity has held up fairly well.

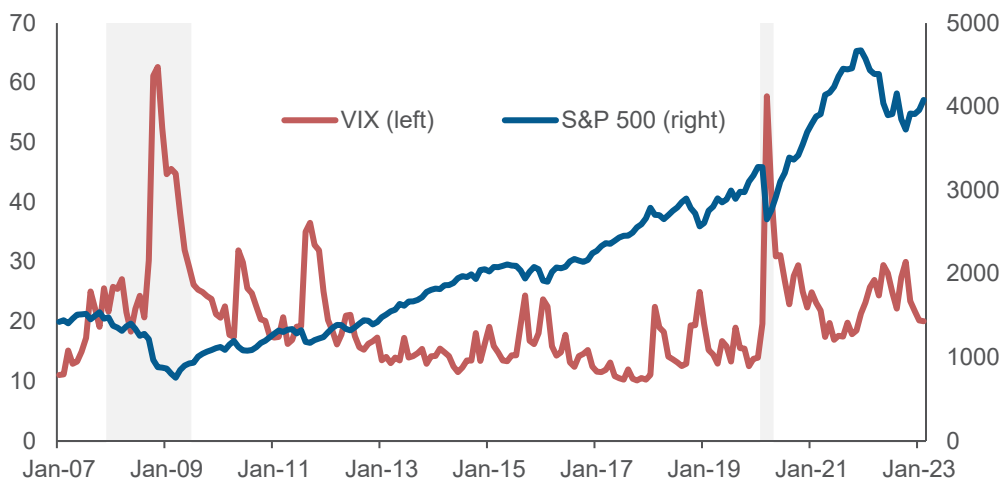


Financial market conditions still tight

Corporate bond yields and interest rates

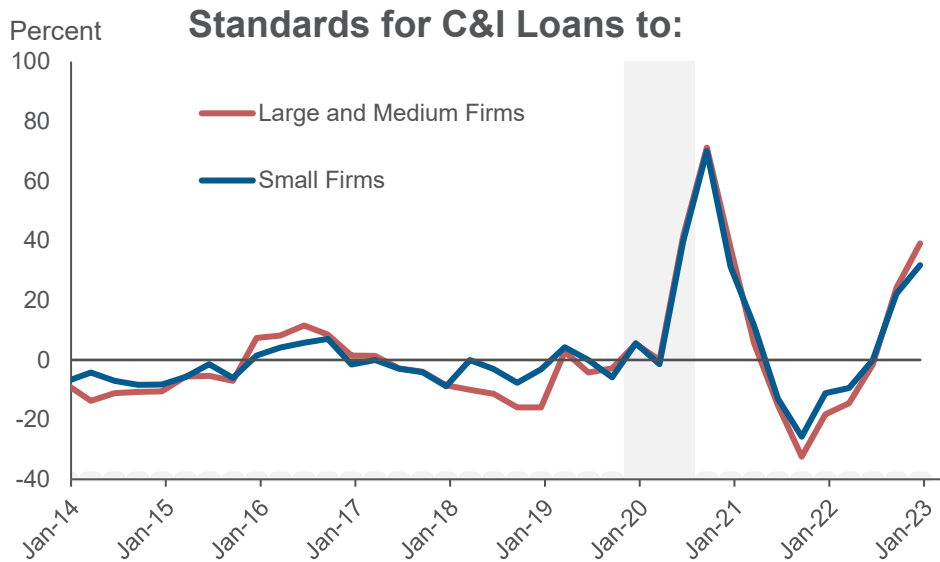


US Equity Market and Volatility

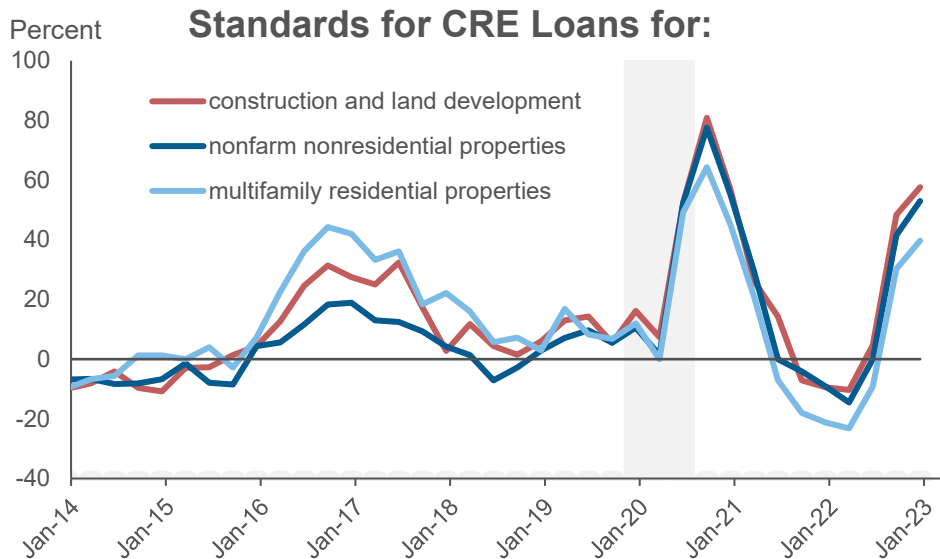


- Amid recent volatility, long-term Treasury yields, mortgage rates, and corporate bond yields are still above year-ago levels.
- Although volatile, equity prices have been flat on net since mid-2022.
- Policy expectations and banking system stresses have contributed to the volatility.

Banks have tightened loan standards recently



- A rising percentage of banks had stated that they are tightening standards for C&I loans to firms.



- An even higher percentage had tightened standards for CRE loans.
- These data do not reflect effects from the recent banking system stresses.

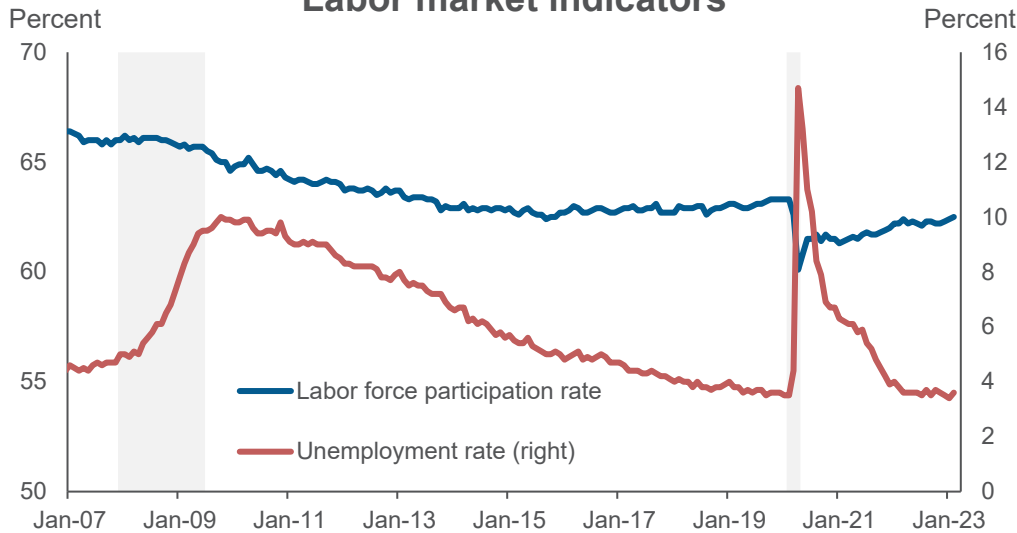
Sources: Senior Loan Officer Opinion Survey, Federal Reserve Board via Haver Analytics.

Notes: Charts show net percentage of respondents tightening standards for loans. Shading shows NBER recessions.



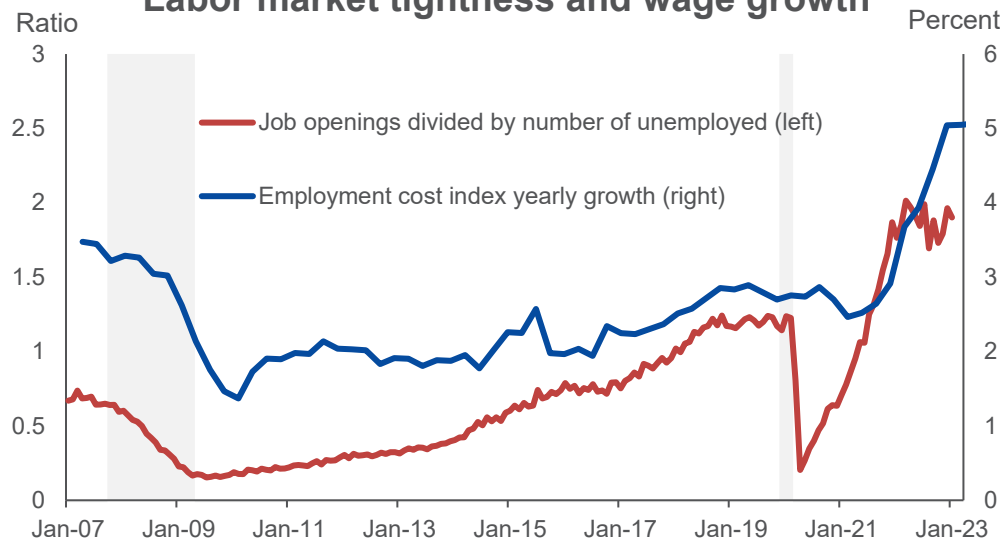
The labor market remains tight

Labor market indicators



- Unemployment rate near 3½% for past year.
- Participation is still below pre-pandemic levels.
- Job growth remains strong: 3-month average at about 350,000 in February.

Labor market tightness and wage growth

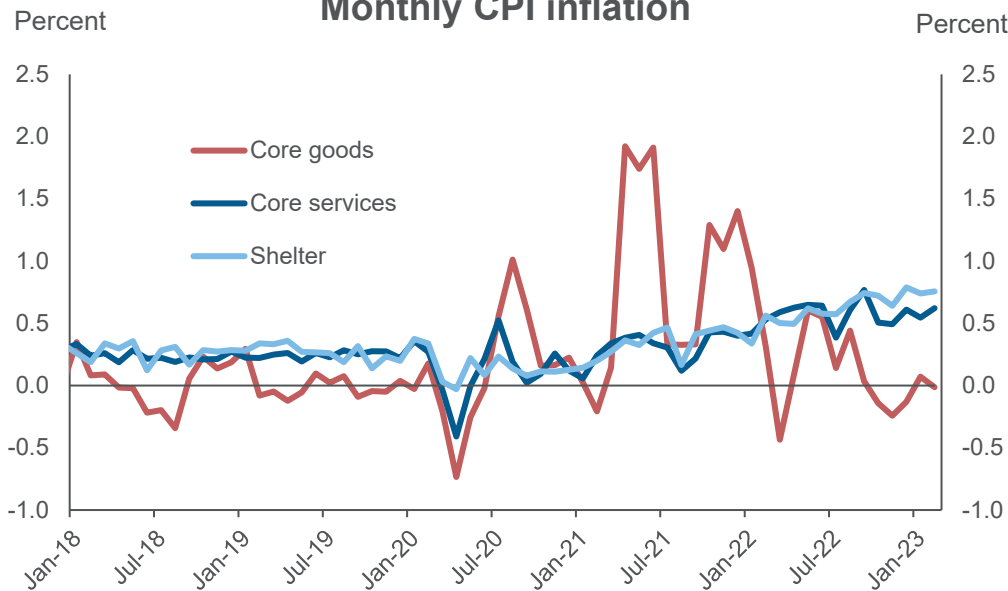


- There are many more job openings than people looking for work
- Wage growth has stabilized at a rate well above those of recent years

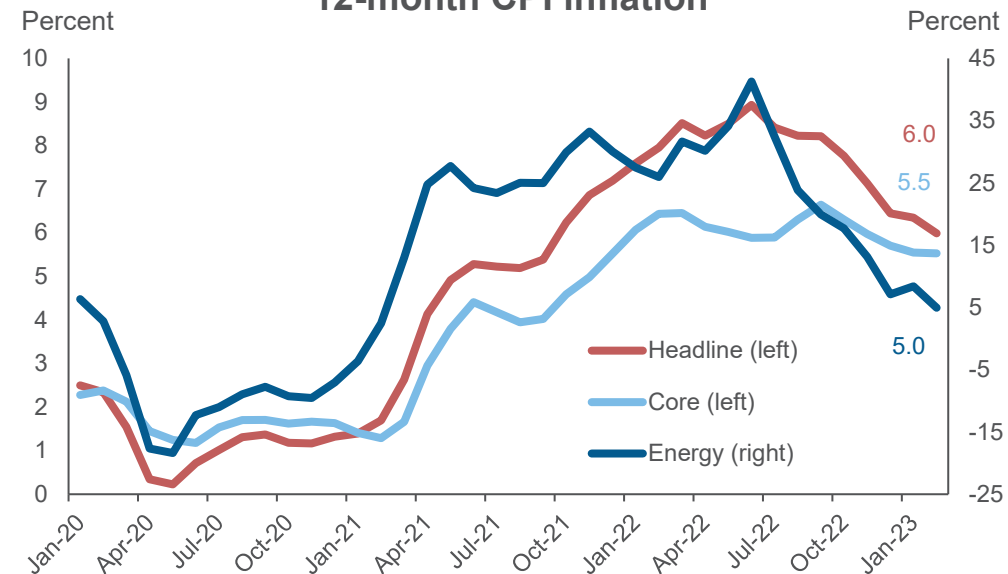


Inflation continues to be high

Monthly CPI inflation



12-month CPI inflation



- Core goods inflation has flattened recently.
- Core services inflation is still elevated, as shelter inflation moved up.
- Ex-food & energy (core) inflation thus remains high.
- Headline inflation has slowed more than core, as energy inflation has moderated.



Concluding observations

- Economic activity and labor market were resilient in early 2023.
- Inflation remains well above 2 percent.
- Tightening of policy over past year had some effects:
 - Most evident on housing sector.
- Recent banking stresses likely to tighten credit conditions and to weigh on economic activity, but the extent is uncertain.
- Monitor data closely for effects on inflation and employment.





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Economic Conditions in the Region

Jaison R. Abel

SDAC Meeting – March 27, 2023

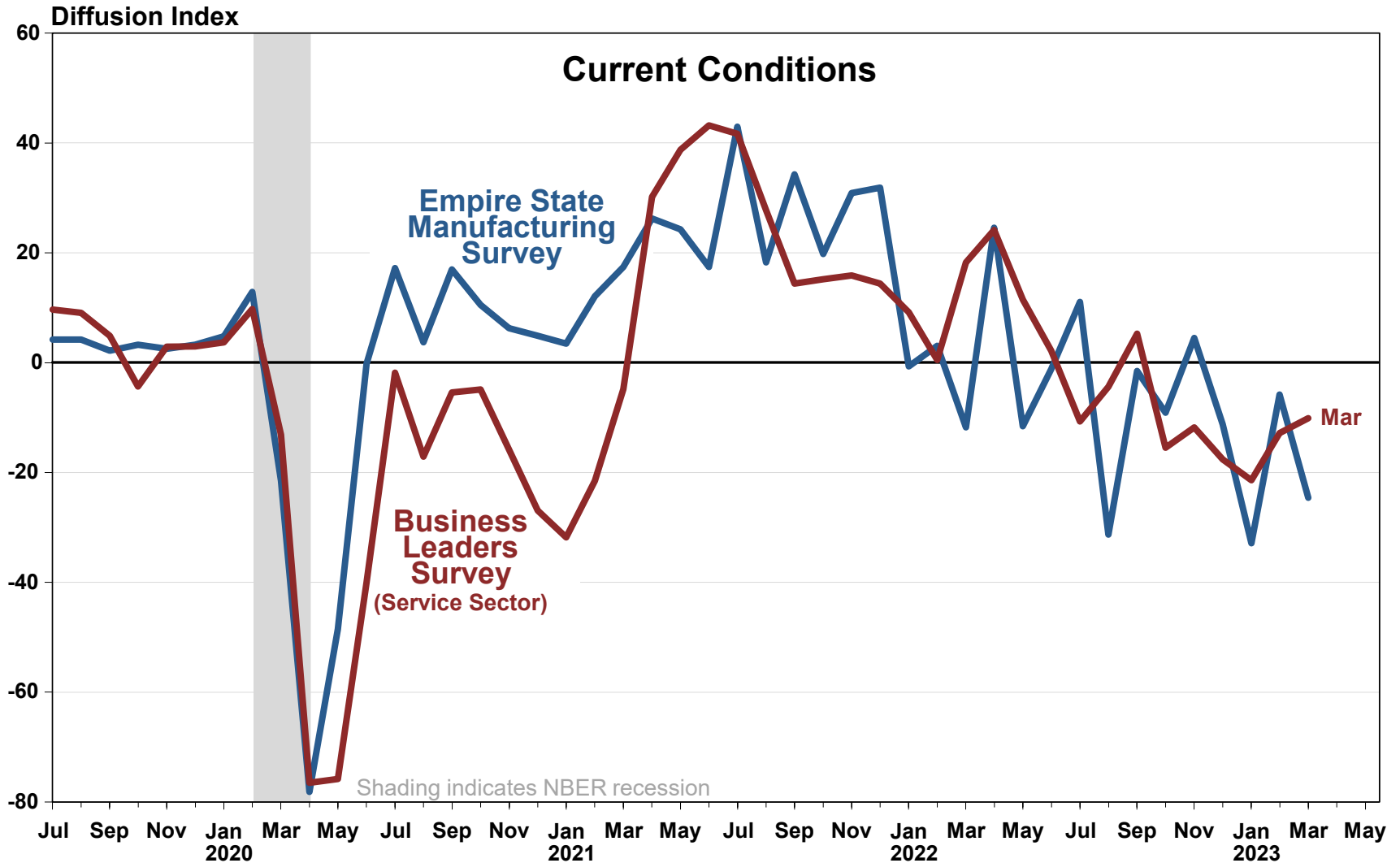
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Overview of Regional Conditions

- Economic activity has been weak in the region, with our business surveys pointing to a modest decline for the past six months.
- Three years after the pandemic hit, much of the region still has not gained back the jobs that were lost. Even so, remarkable progress has been made in hard-hit New York City and employment is at a multi-year high in Puerto Rico.
- Inflationary pressures remain persistent but have moderated. Since peaking last summer, home prices have been flat to down slightly in most areas.

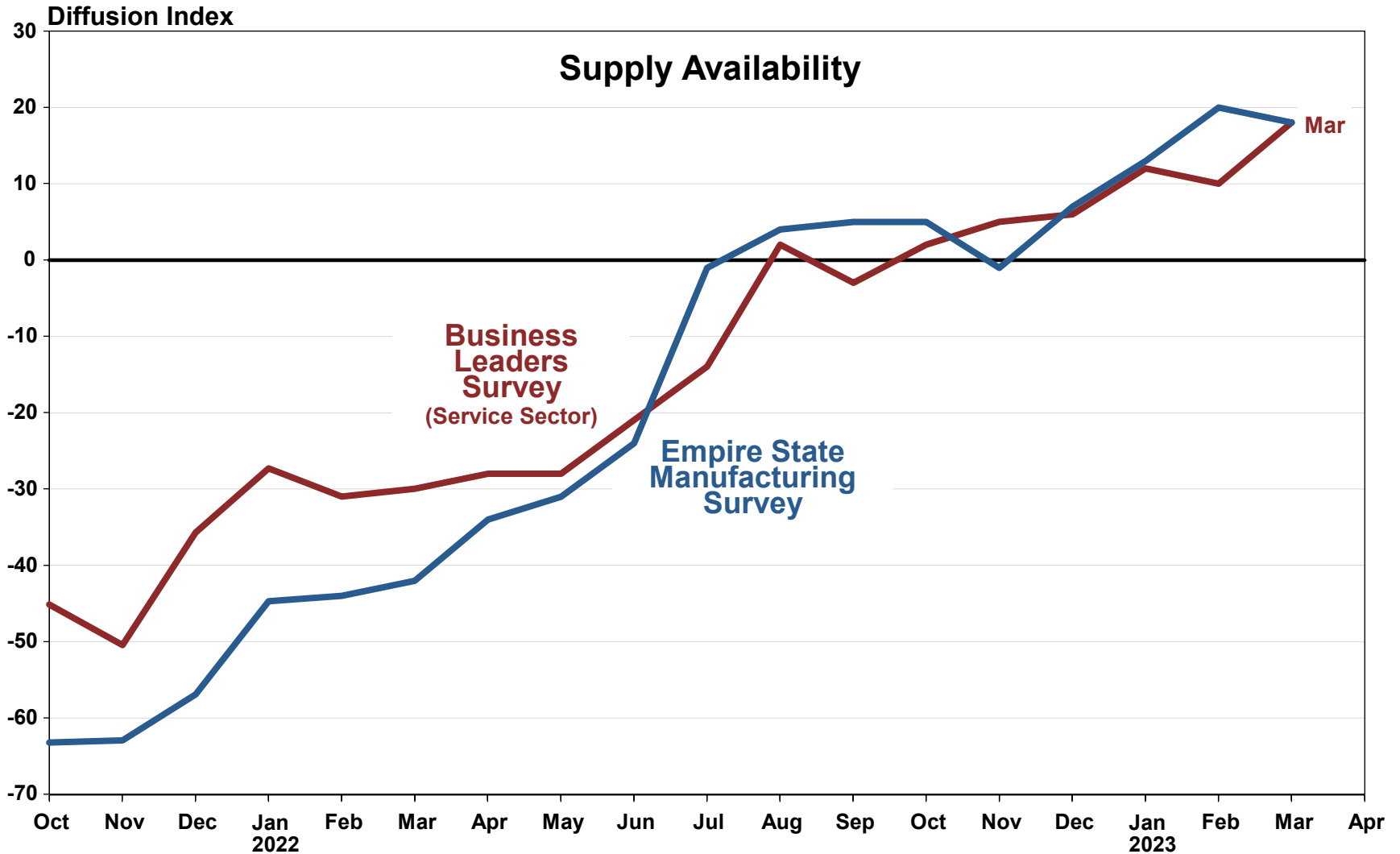
Regional Growth Has Stalled

New York Fed Regional Business Surveys



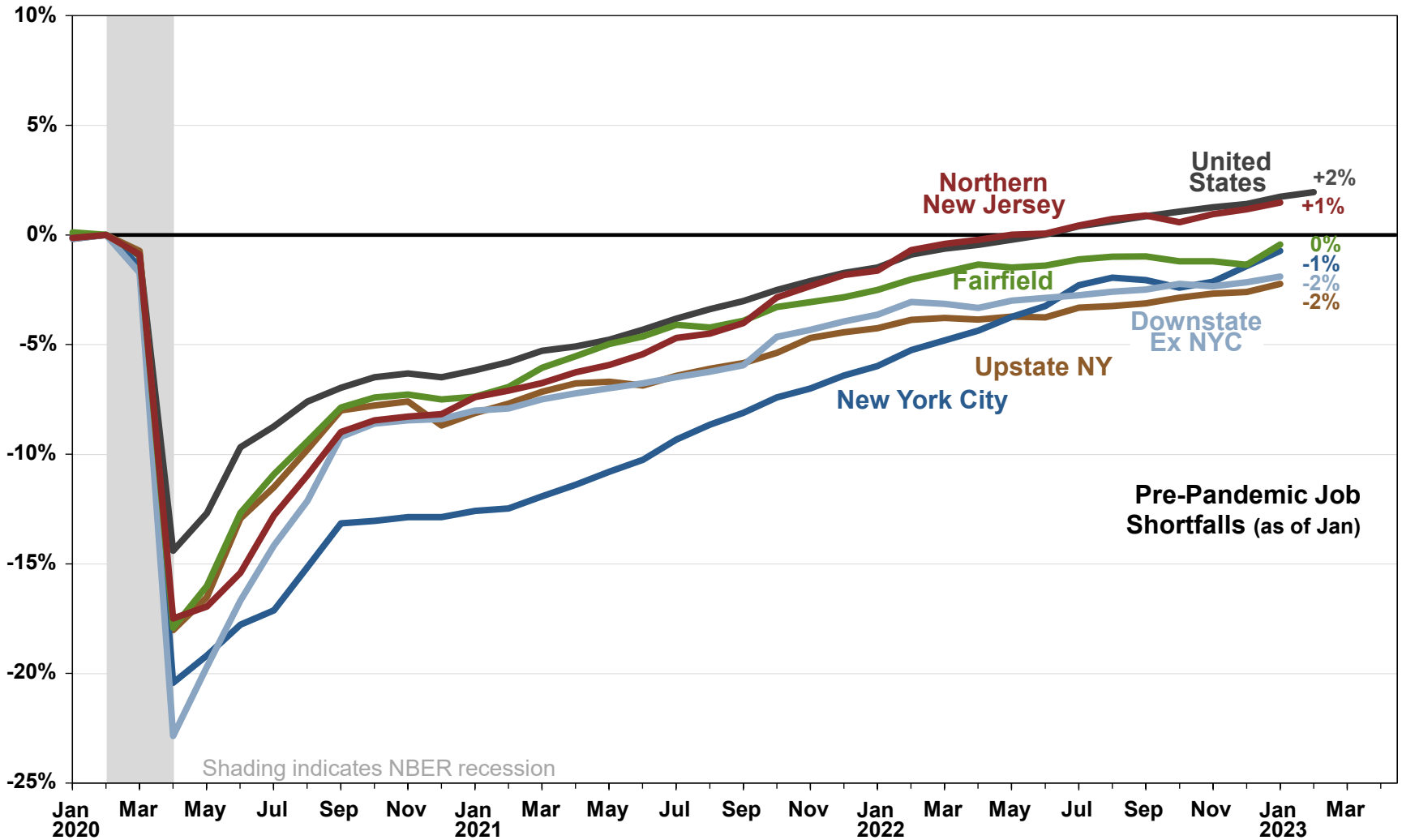
Supply Disruptions Are Easing

New York Fed Regional Business Surveys



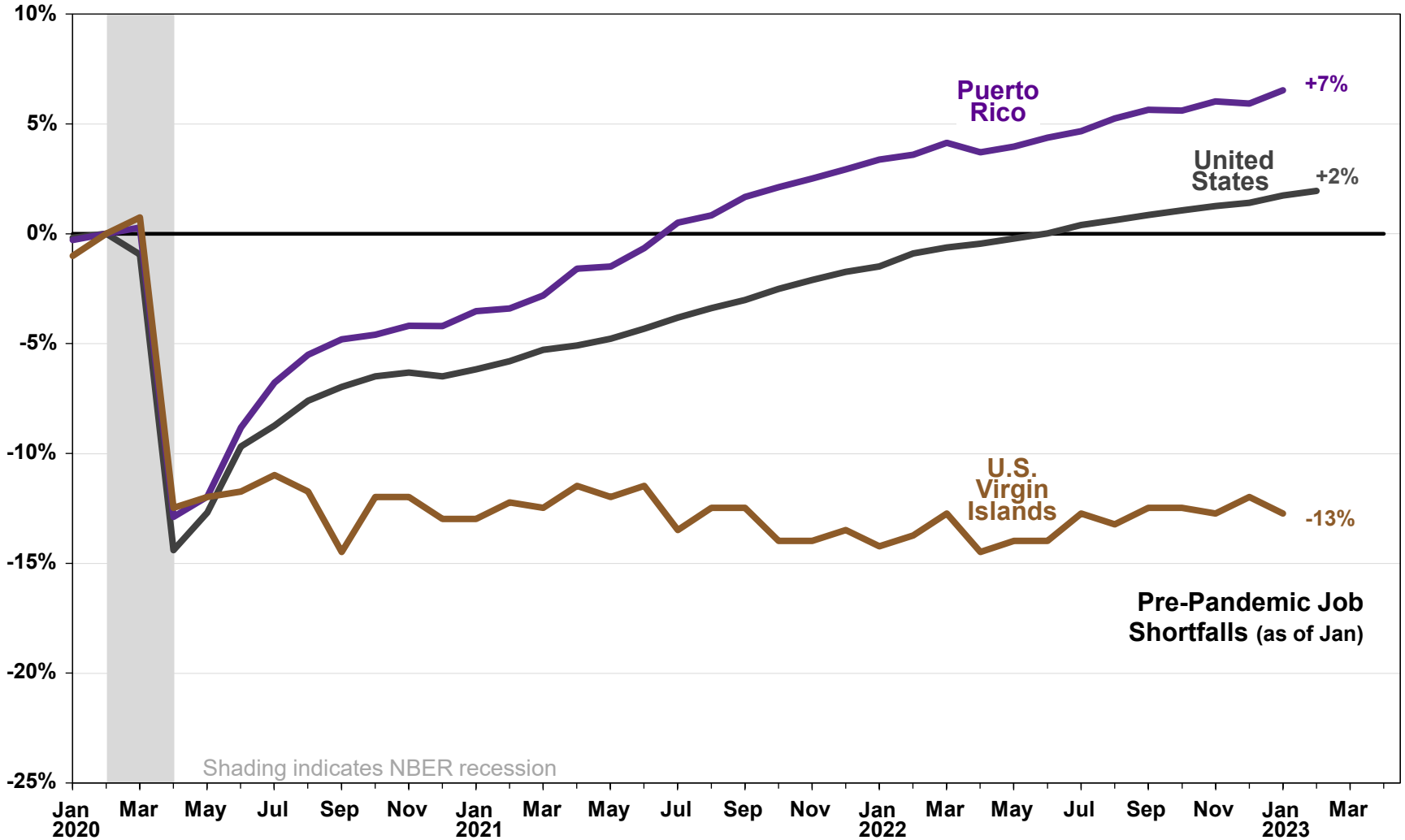
The New York-Northern New Jersey Region's Jobs Recovery

Percent Change in Total Employment Since Feb 2020



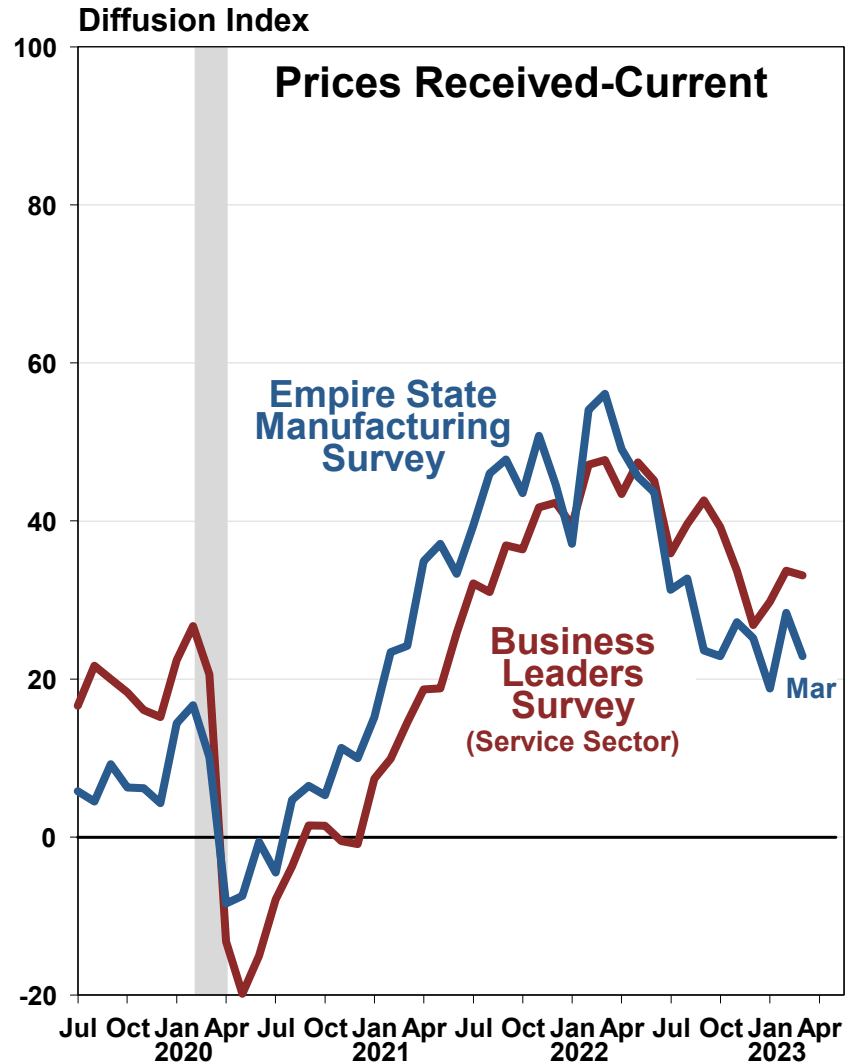
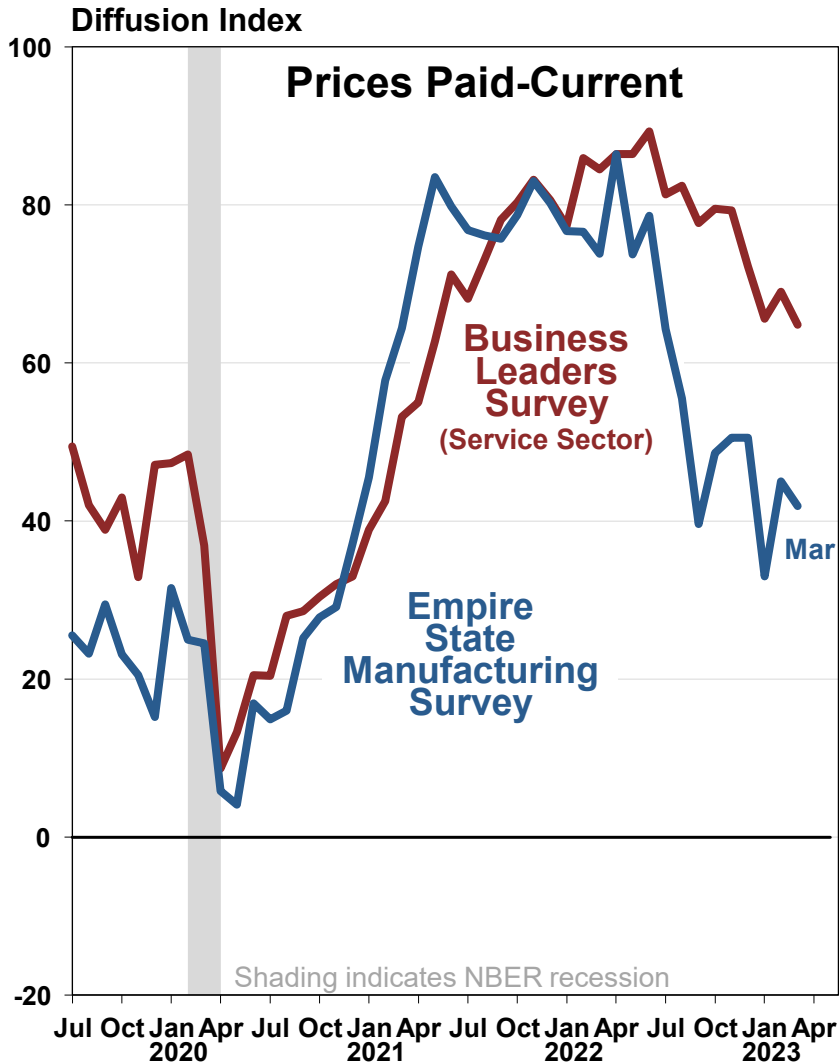
Diverging Employment Paths in Puerto Rico and the USVI

Percent Change in Total Employment Since Feb 2020



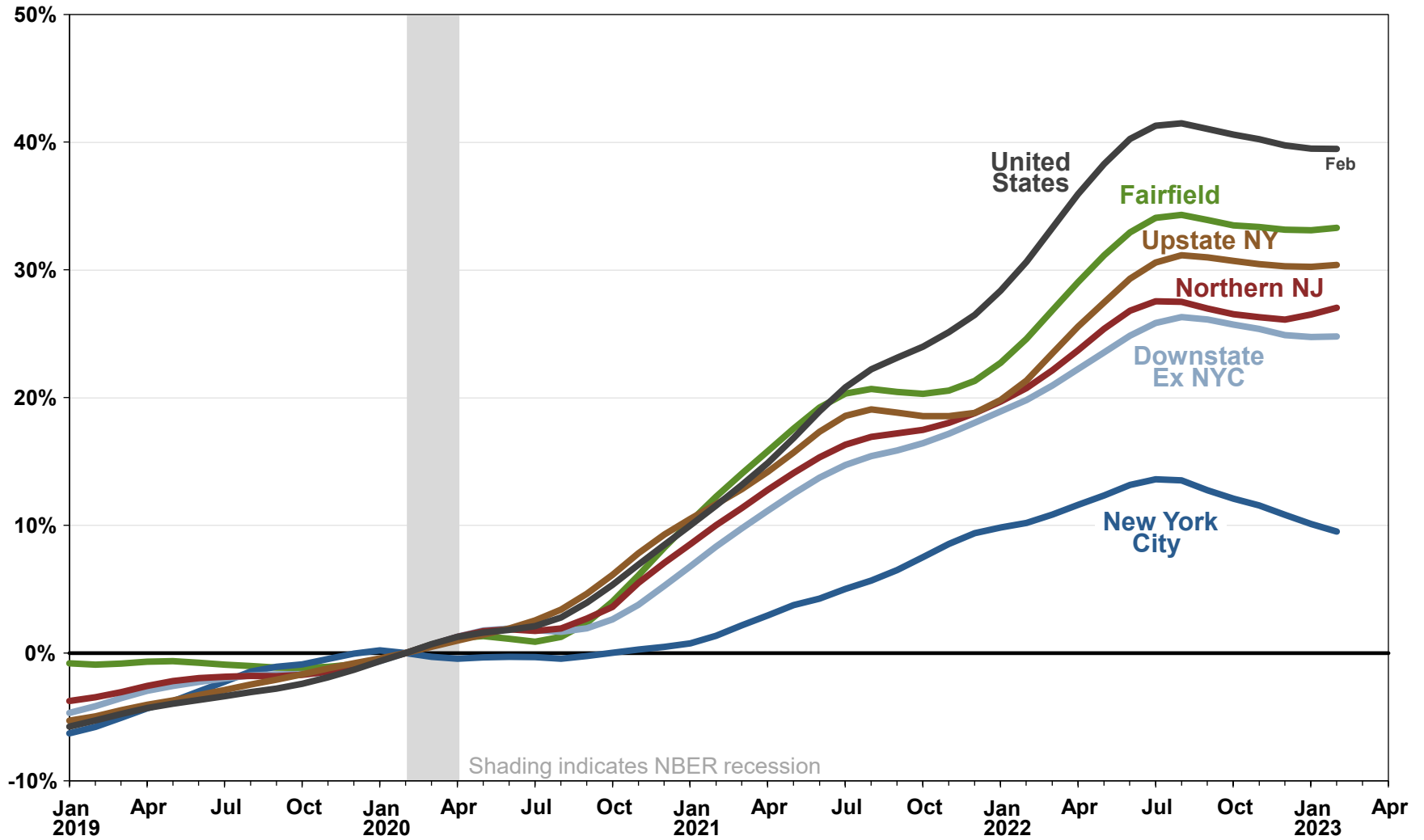
Inflationary Pressures Have Moderated

New York Fed Regional Business Surveys



Home Prices Have Plateaued

Home Price Growth Since Feb 2020

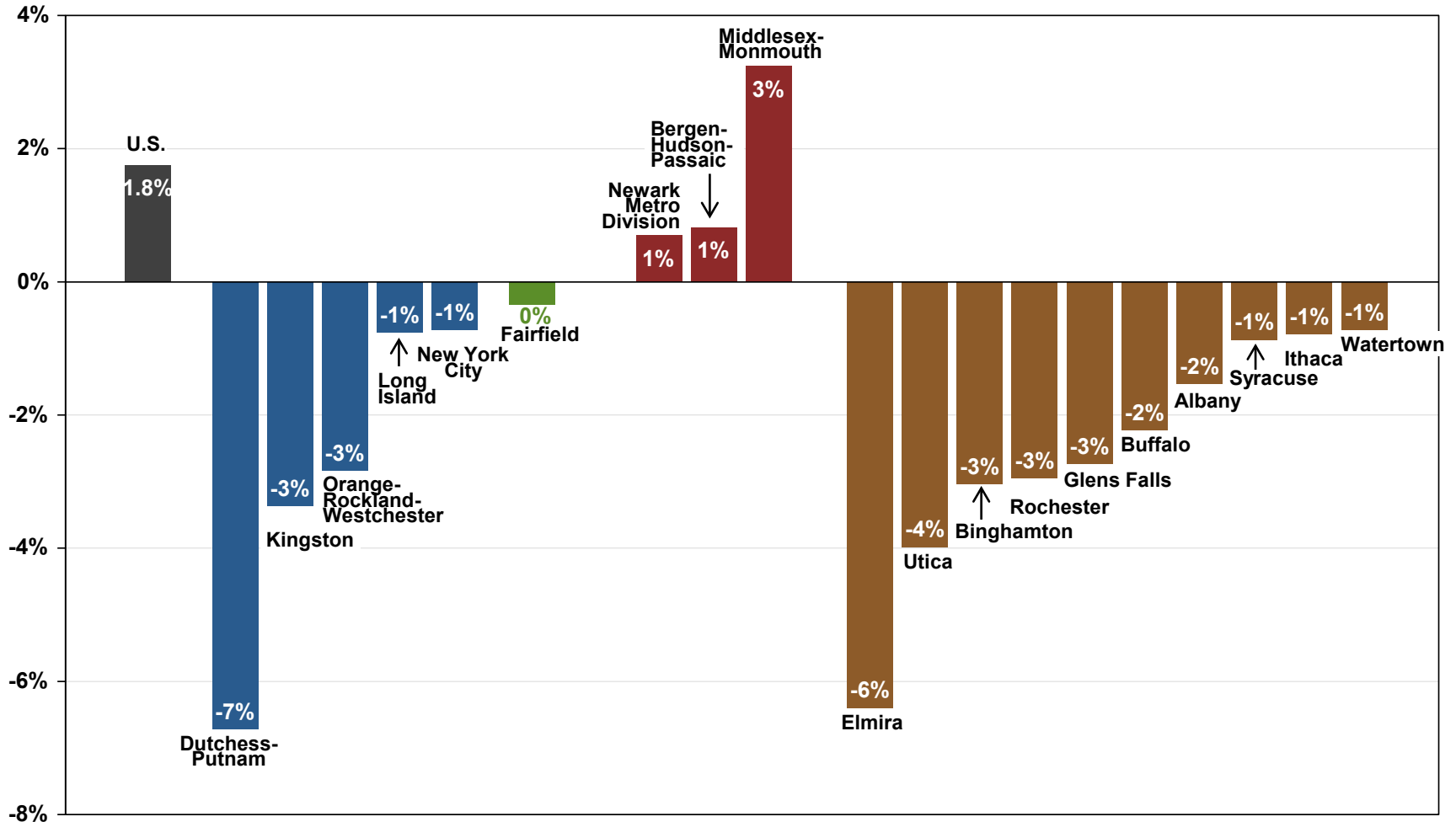


Shading indicates NBER recession

Reference Slides

Pre-Pandemic Job Shortfalls by Local Area

Percent Above/Below Feb 2020 Employment Level (as of Jan 2023)



Home Price Increases by Local Area

Percent Change in Home Prices, Feb 2020 to Feb 2023

