

**Federal Reserve Bank of New York
Second District Advisory Council Meeting
Virtual
Friday, February 2, 2024**

AGENDA

- | | |
|-----------------------|---|
| 3:00 p.m. – 3:05 p.m. | Welcome Remarks, Shawn Phillips, Head of External Engagement |
| 3:05 p.m. – 3:10 p.m. | Introductory Remarks, John Williams, President & CEO |
| 3:10 p.m. – 3:20 p.m. | National Economy Update, Jonathan McCarthy, Economic Research Advisor |
| 3:20 p.m. – 3:30 p.m. | Regional Economy Update, Jaison Abel, Research Department Head, Household and Public Policy |
| 3:30 p.m. – 4:00 p.m. | Member Q&A with President Williams and Economists |
| 4:00 p.m. – 4:55 p.m. | Member Insights, Shawn Phillips, Head of External Engagement Moderator |
| 4:55 p.m. – 5:00 p.m. | Concluding Remarks, John Williams, President & CEO |

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Discussion Questions

1. How has your business fared over the past several months?
2. How have business or economic conditions stayed the same, improved, or worsened (e.g. recruitment or retention of workers, access to capital, and other supply-side pressures)?
3. What are your projections for 2024?

**Second District Advisory Council Meeting
Friday, February 2, 2024**

Attendee List - Virtual

SDAC Members

Virtual

Donnel Baird
Founder & CEO
BlocPower

Kelly Bliss
President, U.S. Group Health
Teladoc Health

Jaswinder Chadha
President & CEO
Axtria, Inc.

Wetteny Joseph
Executive Vice President & CFO
Zoetis

Sarah LaFleur
Founder & CEO
M.M. LaFleur

Jonathan Rose
President
Jonathan Rose Companies

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

Federico Stubbe, Jr.
CEO
PRISA Group

Federal Reserve Bank of New York

Jaison Abel, Research & Statistics

Andrew Haughwout, Research & Statistics

Tiffany Hewlin, Corporate Secretary

Andrea Grenadier, Communications & Outreach

Jack Gutt, Communications & Outreach

Eric Lewin, Legal

Jonathan McCarthy, Research & Statistics

Shawn Phillips, Communications & Outreach

John Williams, President & CEO



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U.S. Economic Conditions

Jonathan McCarthy, Economic Research Economist, Research and Statistics Group
Second District Advisory Council: February 2, 2024

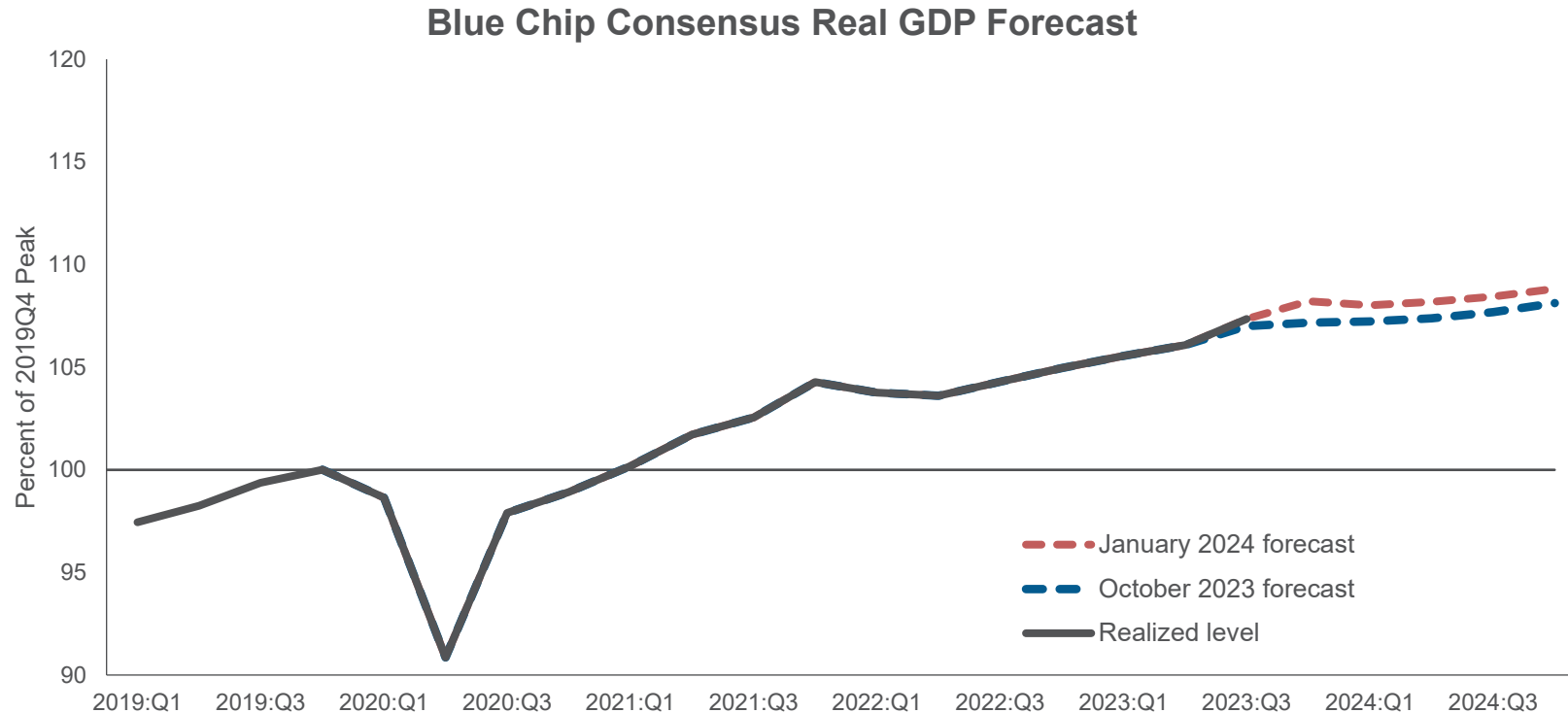
The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

Overview

- As it was throughout 2023, real GDP growth was robust in Q4.
- Labor demand and supply continued to move into better balance, but the labor market remains tight.
- Inflation slowed significantly in 2023, but it continues to run above the FOMC goal.



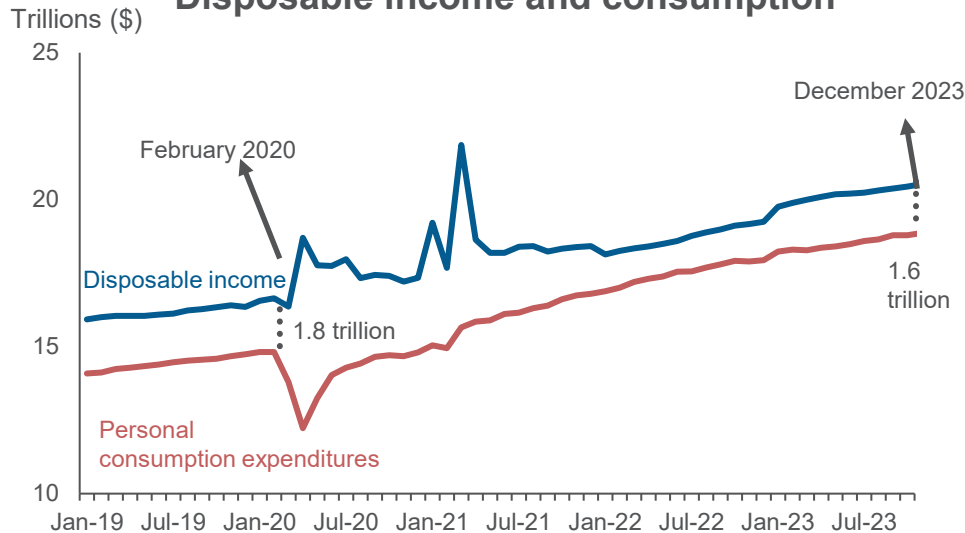
GDP growth was strong in 2023Q4



- Real GDP grew at a robust pace in 2023Q4.
- Expenditures were more resilient in 2023 than anticipated.
- Since October, private forecasts moved higher.

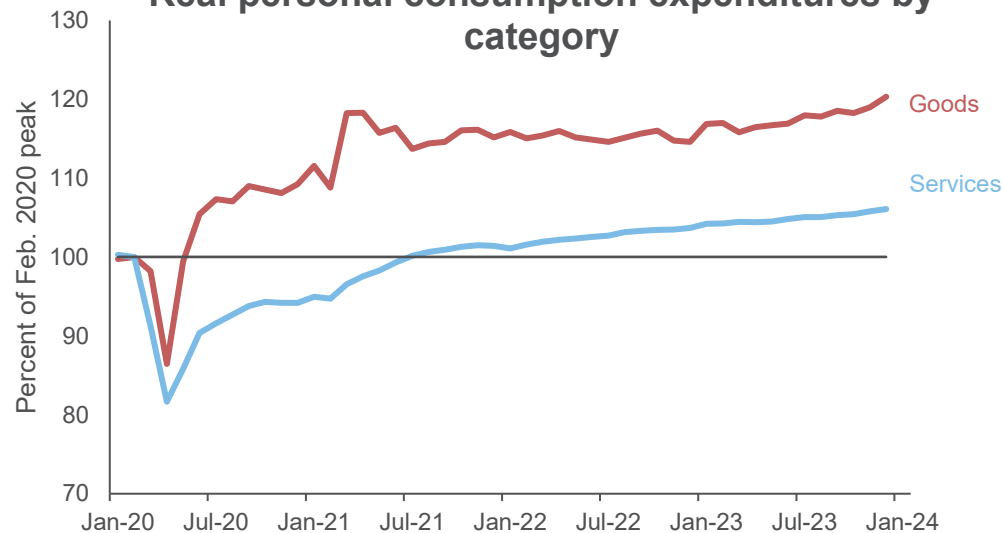
Robust consumption growth in 2023

Disposable income and consumption



- Consumption increased solidly through December.
- Saving rate was 3.7% in December, well below pre-pandemic levels.

Real personal consumption expenditures by category



- Goods spending is still well above pre-pandemic levels.
- Services expenditures are moderately above pre-pandemic levels.
- Little change recently in balance between goods and services.

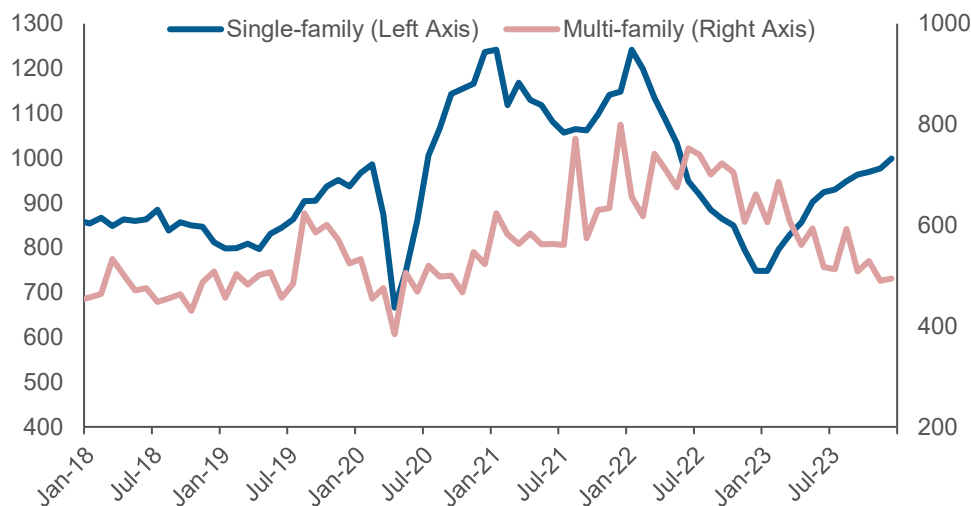
Housing market stabilizing at subdued level

Home Sales (thousands)



- With mortgage rates still high, affordability is strained.
- Also hindered by limited supply, existing home sales are very weak.

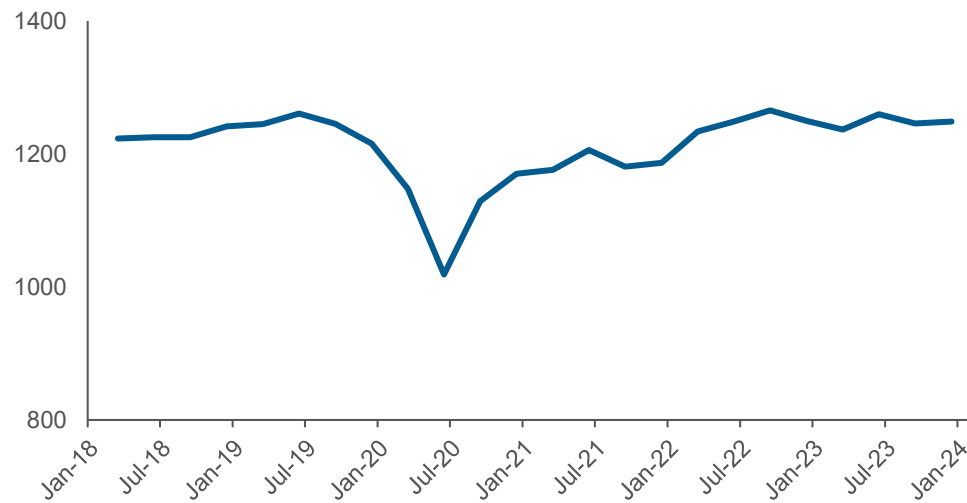
Residential building permits (thousands)



- Single-family home building moved up over 2023, as new home sales held up fairly well for the year.
- Multi-family building activity fell from high levels over the course of the year.

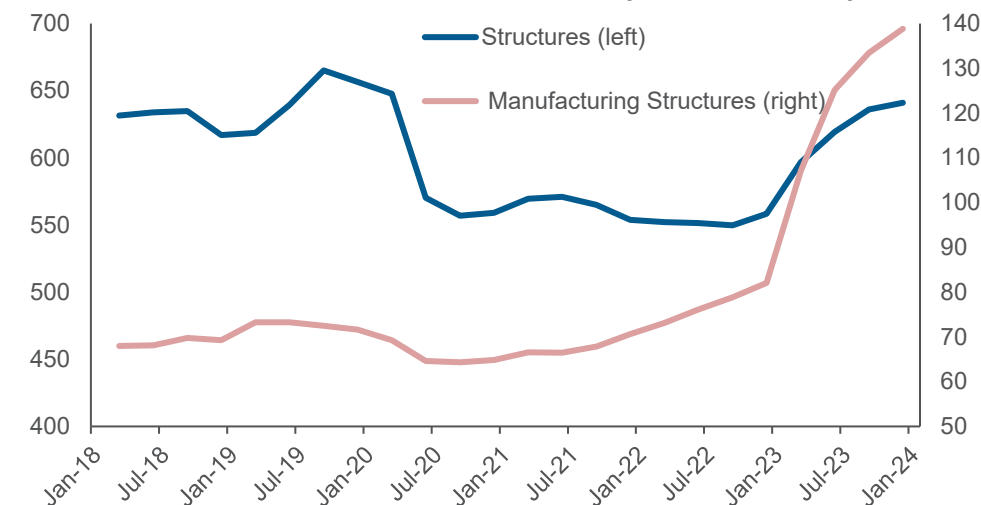
Business investment composition shifted in 2023

Real Equipment Investment (bil. of 2017\$)



- Real spending on business equipment rebounded strongly after the pandemic.
- But equipment spending has been flat since mid-2022.

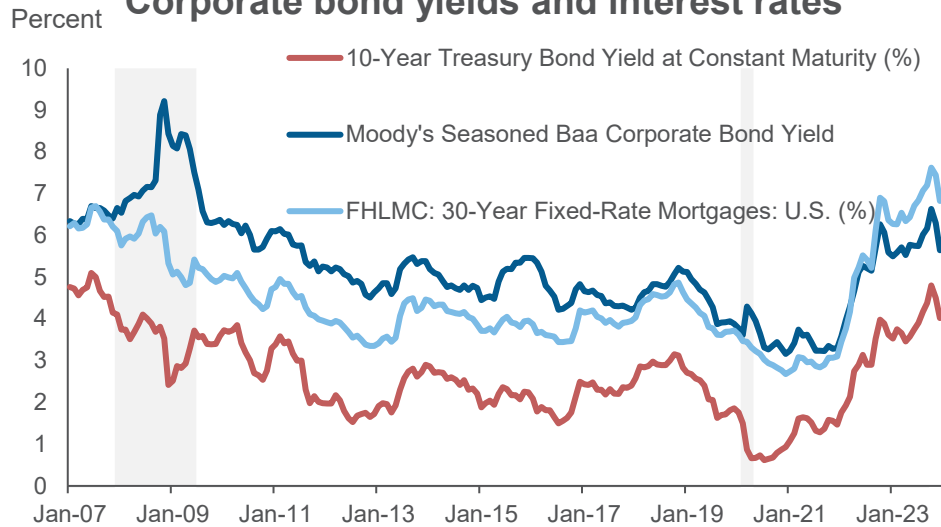
Real Structures Investment (bil. of 2017\$)



- After weakness following the pandemic, real spending on business structures has risen strongly since mid-2022.
- A surge in manufacturing structures is a factor in that rise.

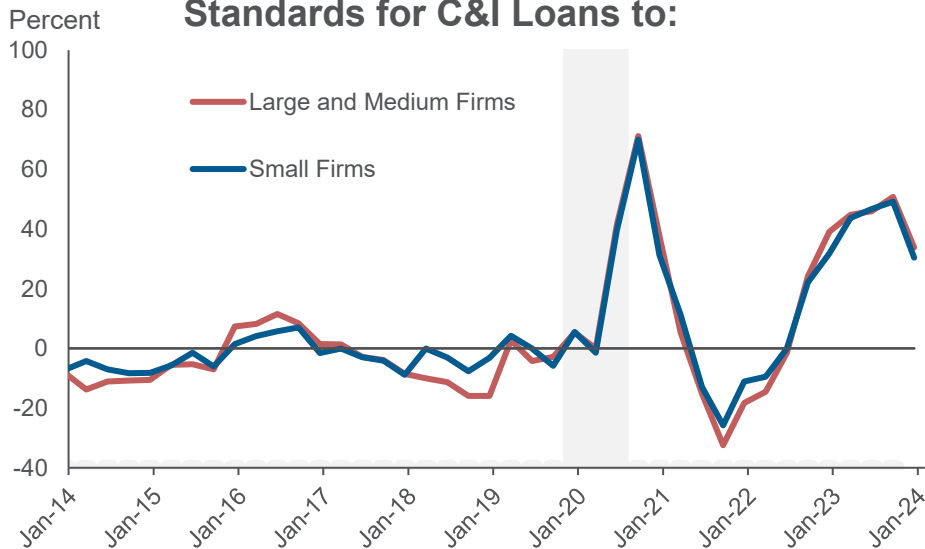
Financial and credit conditions have eased recently

Corporate bond yields and interest rates



- Long-term Treasury yields and mortgage rates have eased recently but are still above year-ago levels.

Standards for C&I Loans to:

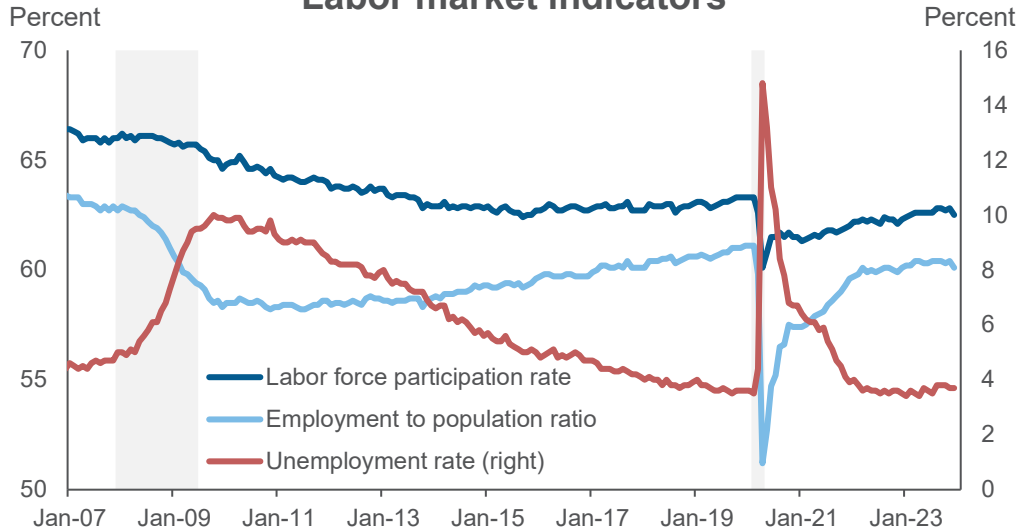


- The net percentage of banks stating that they are tightening standards for C&I loans to firms has fallen some, but it is still elevated.



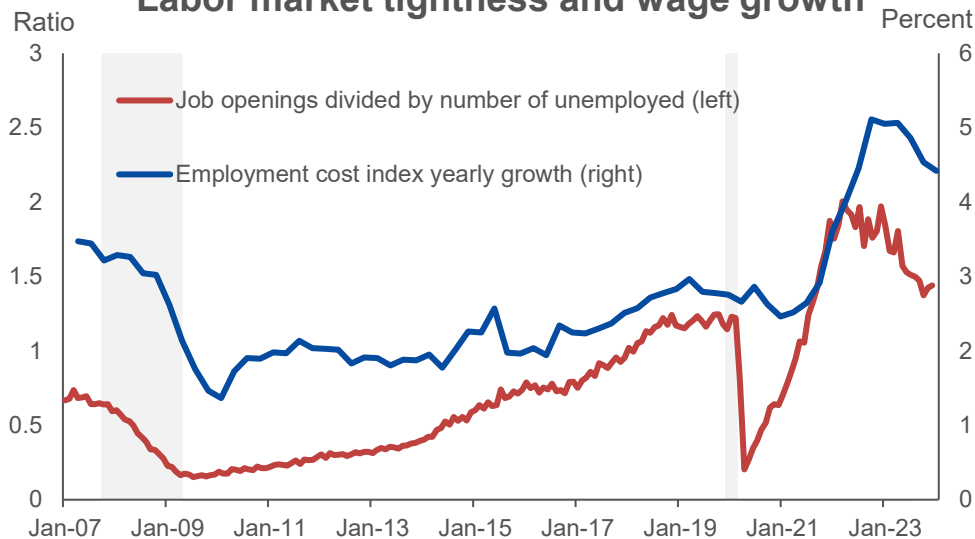
Better balanced, but the labor market remains tight

Labor market indicators



- Unemployment rate was 3.7% in December.
- Participation somewhat below pre-pandemic levels.
- Job growth still solid: 3-month average was 165,000 in December.

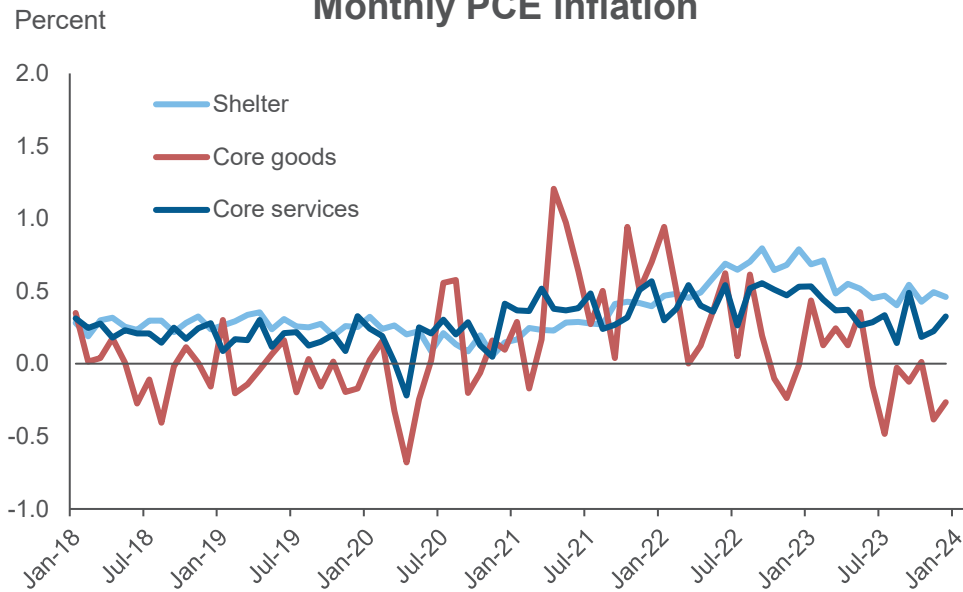
Labor market tightness and wage growth



- Even with easing, there are more job openings than people looking for work.
- Wage growth moderated over 2023 but is still above pre-pandemic rates.

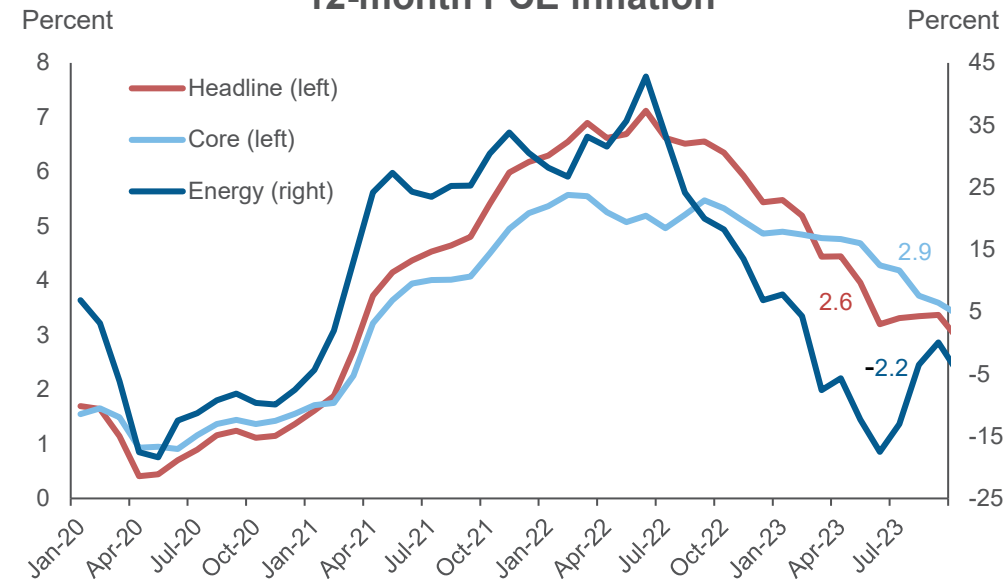
Inflation slowed in 2023, but it remained above 2%

Monthly PCE inflation



- Core goods prices fell in 2nd half of 2023, as supply chain issues improved.
- Core services inflation slowed in 2023 but is still elevated.

12-month PCE inflation



- Ex-food & energy (core) inflation thus slowed in 2023 but it remained near 3%.
- Headline inflation was a little lower than core in 2023, reflecting a fall in energy prices over the year.

Concluding observations

- Economic activity increased robustly in 2023.
- The labor market was resilient over the year.
- Inflation remains above 2 percent.
- Supply and demand in goods and labor markets are in better balance, but some imbalances are still evident.





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Economic Conditions in the Region

Jaison R. Abel

SDAC Meeting – February 2, 2024

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Overview

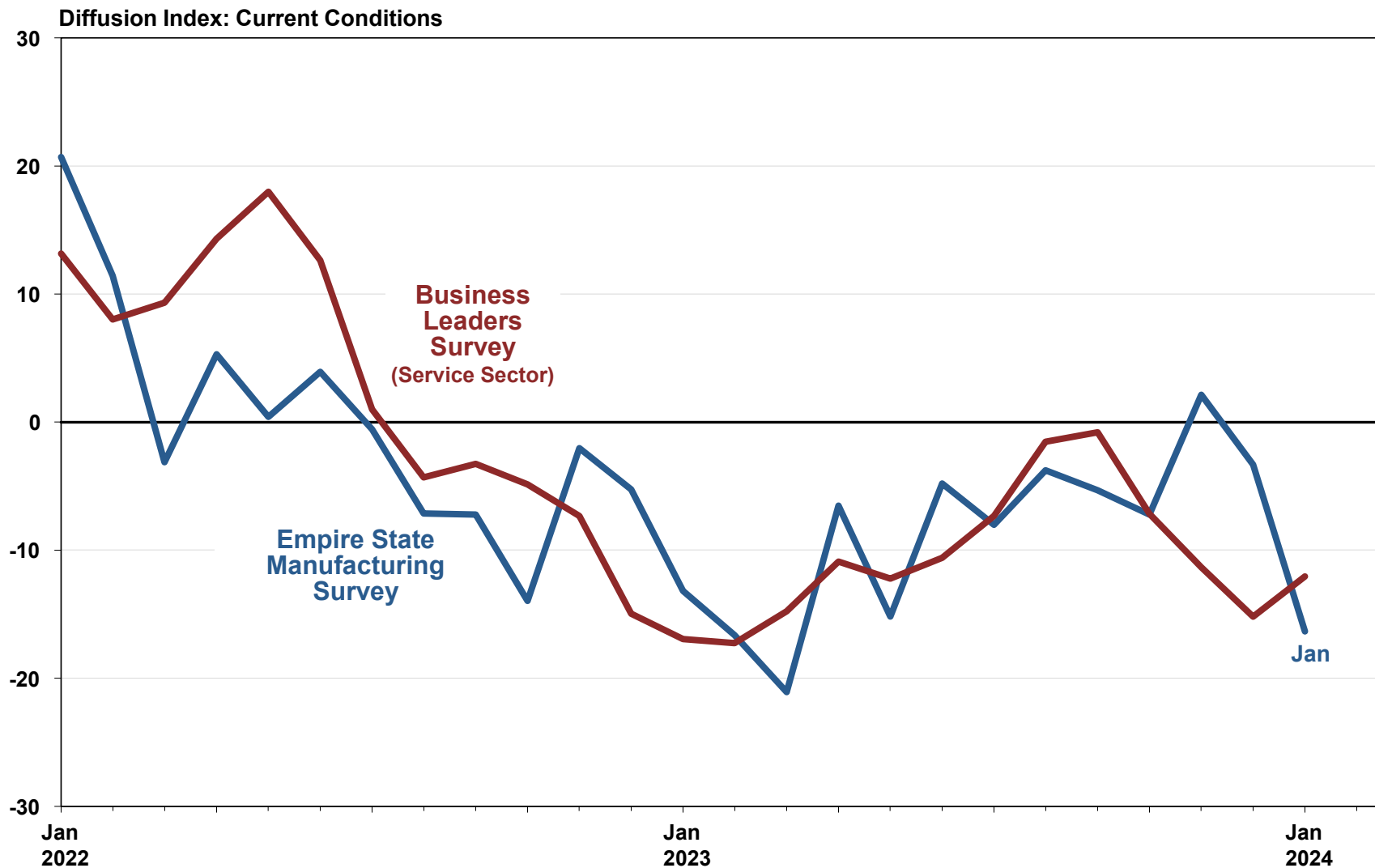
- Businesses report sustained weakness in the regional economy.
- Job growth remains solid in much of the region.
- Price increases by regional businesses have slowed to a more modest pace.





Sustained Weakness in the Regional Economy

New York Fed Regional Business Surveys

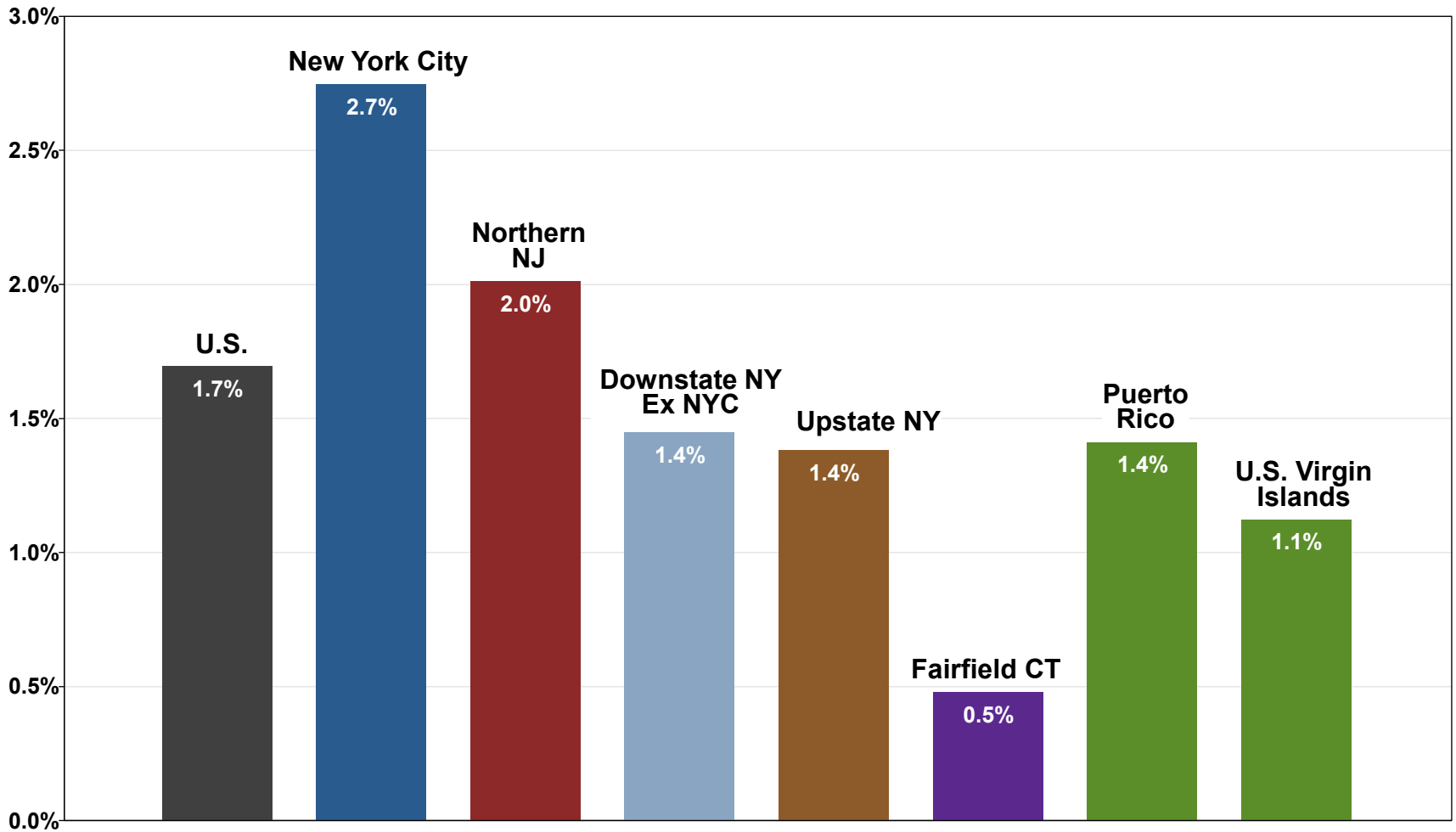


Source: Federal Reserve Bank of New York; indexes shown as a 3-month moving average.



Solid Job Growth in Much of the Region

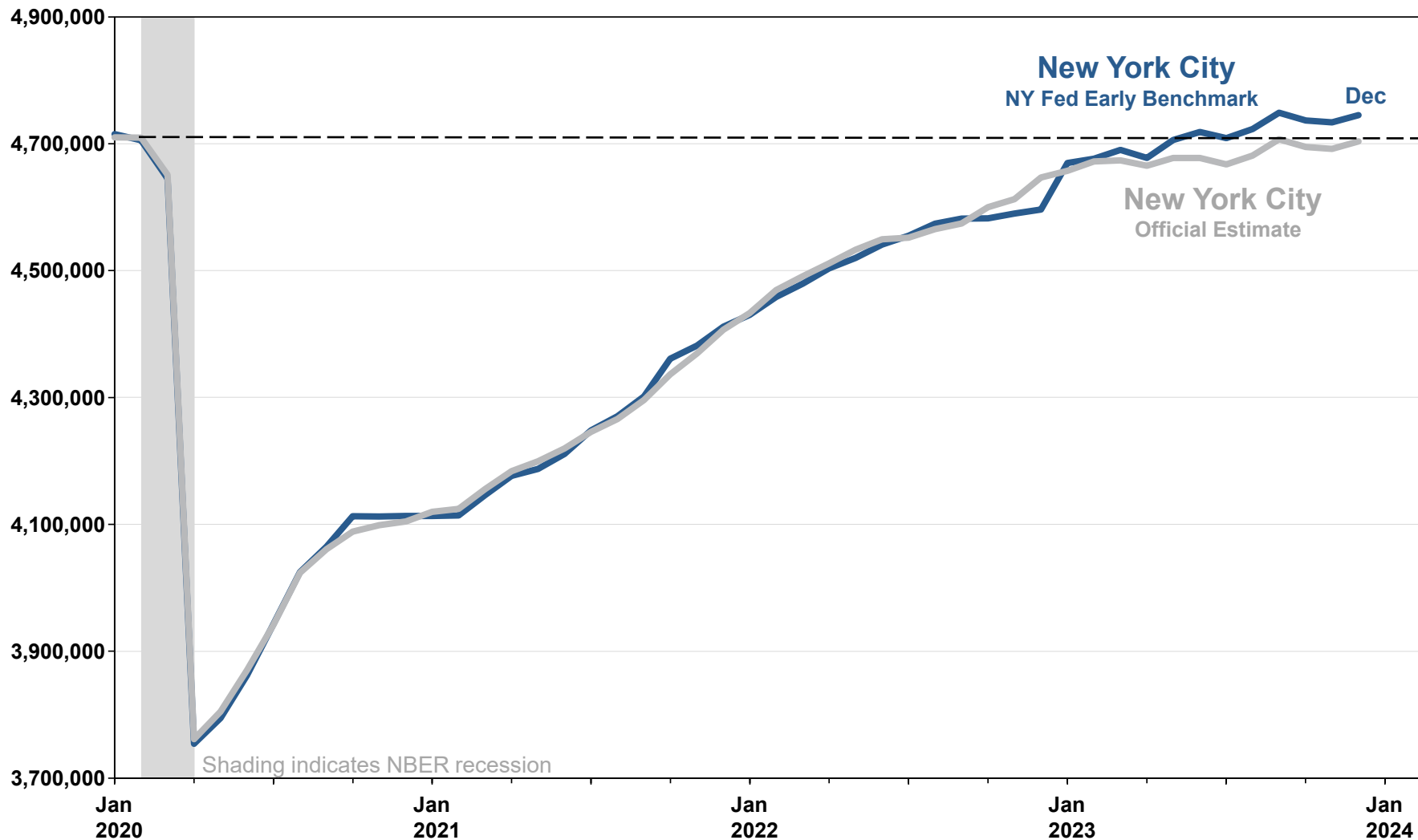
Year-Over-Year Percent Change, Dec 2023





New York City Back to Pre-Pandemic Employment Levels

Total Employment, 2020 to 2023



Shading indicates NBER recession

New York City
NY Fed Early Benchmark

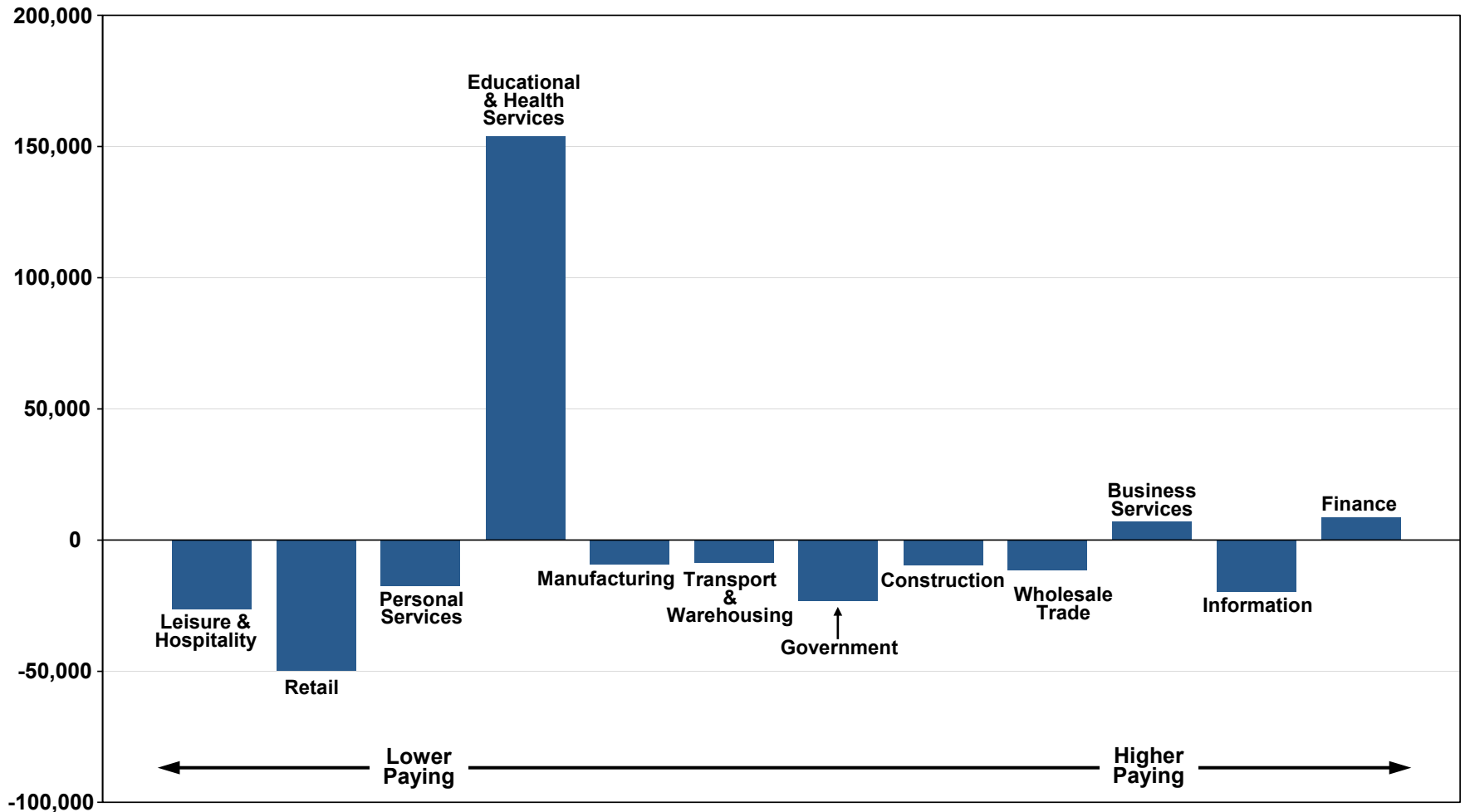
New York City
Official Estimate

Dec



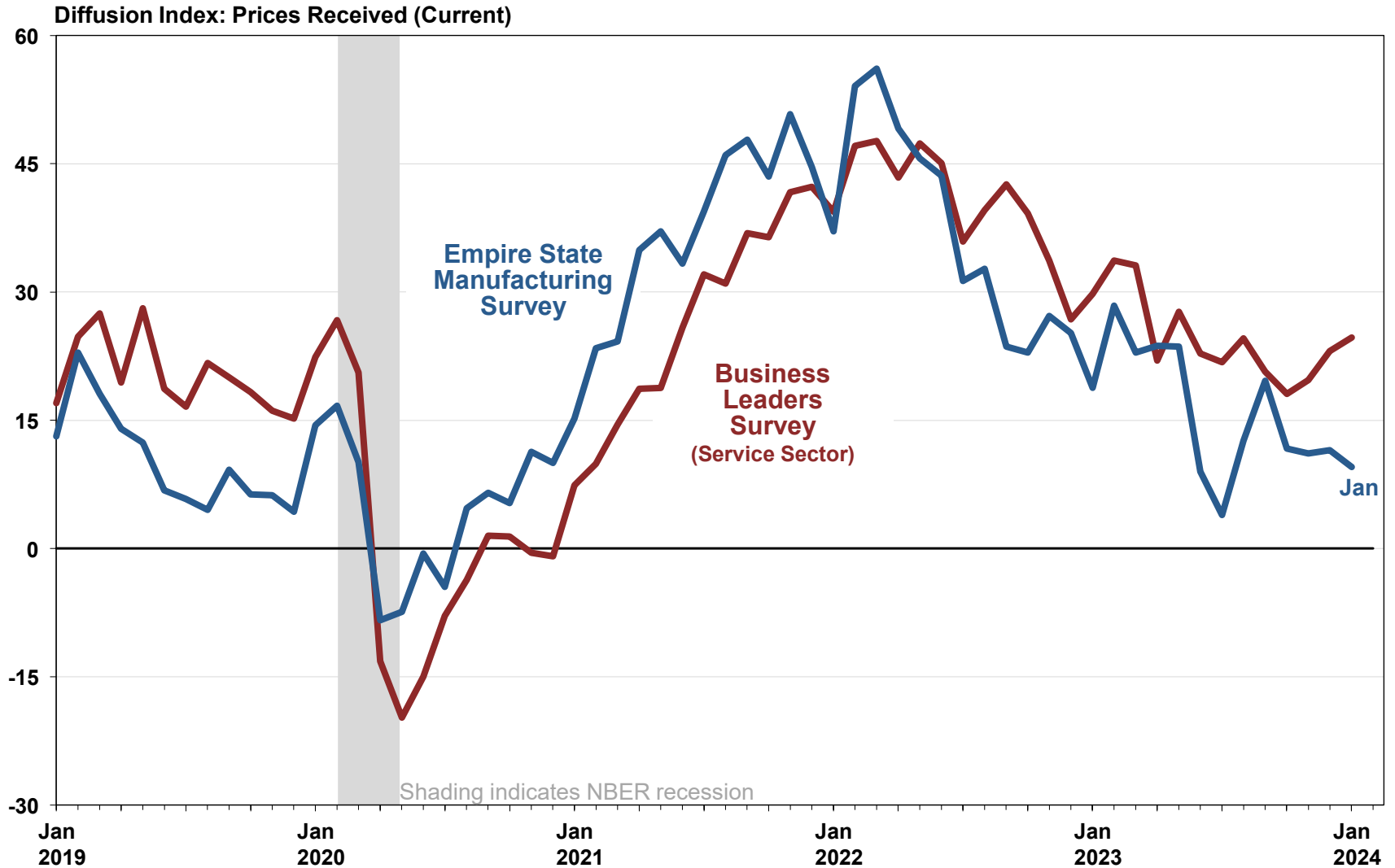
Jobs Gained in New York City Different from Jobs Lost

Change in Number of Jobs by Sector, Feb 2020 to Dec 2023



Price Increases Have Slowed to a More Modest Pace

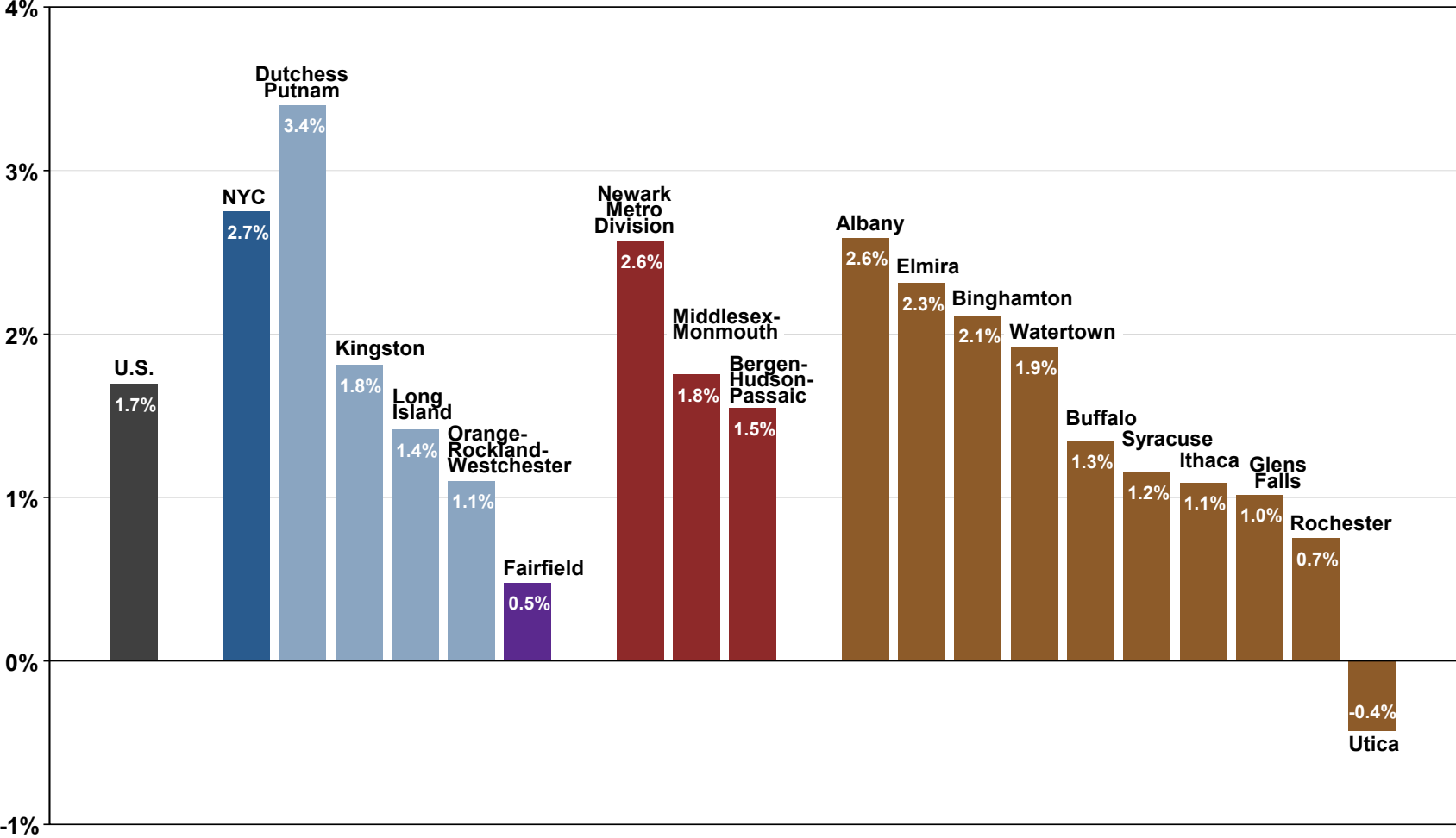
New York Fed Regional Business Surveys



Reference Slides

Recent Job Growth by Local Area

Year-Over-Year Percent Change, Dec 2023



Source: U.S. Bureau of Labor Statistics and Moody's Economy.com; regional data are early benchmarked by New York Fed staff.