



Federal Reserve Bank of New York
Second District Advisory Council
ORDER OF BUSINESS

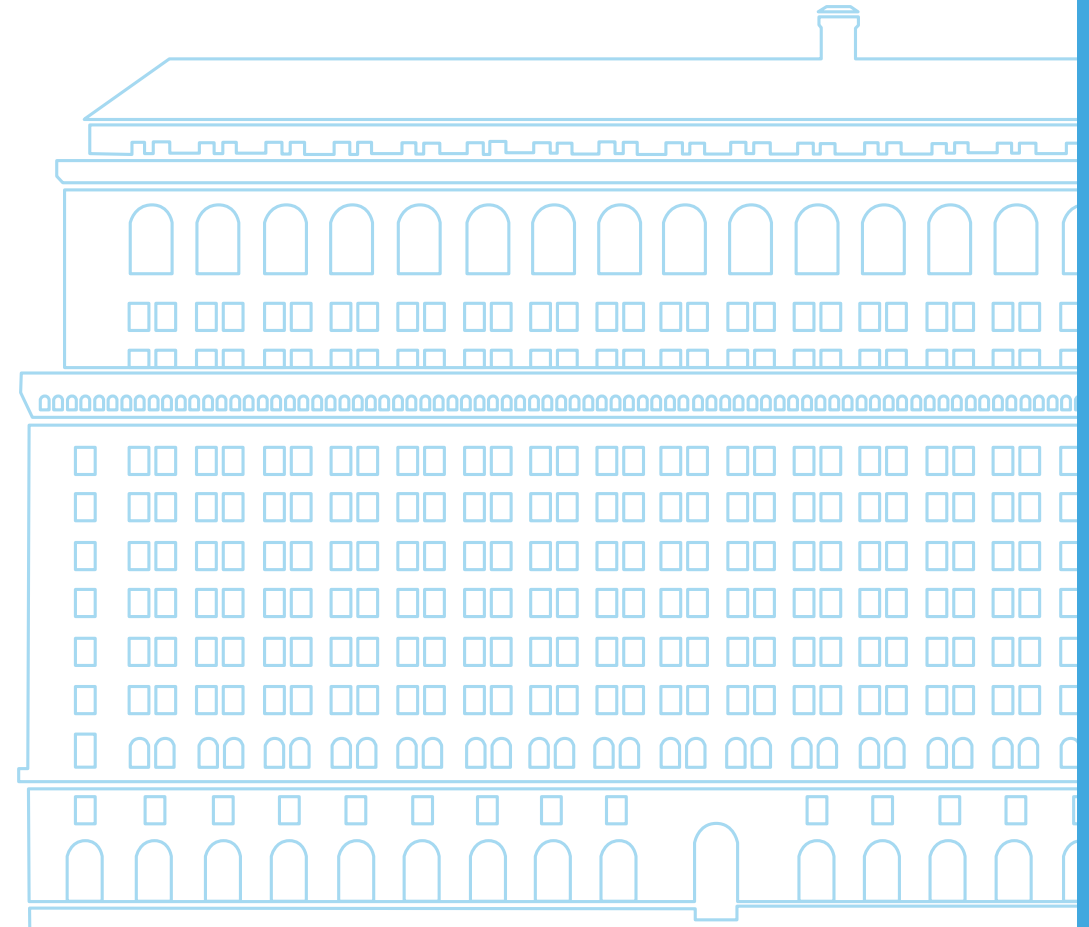
May 16, 2024
1:45 pm – 3:00 pm
Conference Room 13-36

The May 16th Second District Advisory Council meeting will be held as part of the
Conference of Second District Directors and Advisors: Forging the Future.

- I. Opening Remarks (*Shawn Phillips*)..... 1:45 pm
- II. Antitrust Guidelines (*Eric Lewin*)..... 1:50 pm
- III. Second District Population Growth and Demographic Change in the 21st Century
(*Jaison Abel, Research & Statistics*)..... 1:55 pm
- IV. Roundtable Discussion (*Facilitated by Shawn Phillips*) 2:20 pm
- Questions for Consideration:
1. How has the landscape for attracting and retaining workers evolved in response to demographic changes in the Second District?
 2. Are there skill or workforce gaps that are affecting business operations or succession planning and how are you navigating those changes?
 3. What is your outlook for the remainder of the year?
- V. Remarks (*John Williams*)..... 2:45 pm
- VI. Roundtable Discussion Resumes (*Facilitated by Shawn Phillips*)..... 2:50 pm
- VII. Closing Remarks (*Shawn Phillips*)..... 3:00 pm

U.S. Economic Outlook

Jonathan McCarthy
Economic Research Advisor
Macroeconomic and Monetary Studies



The views expressed are those of the speakers, and do not necessarily reflect the position of the New York Fed or the Federal Reserve System.

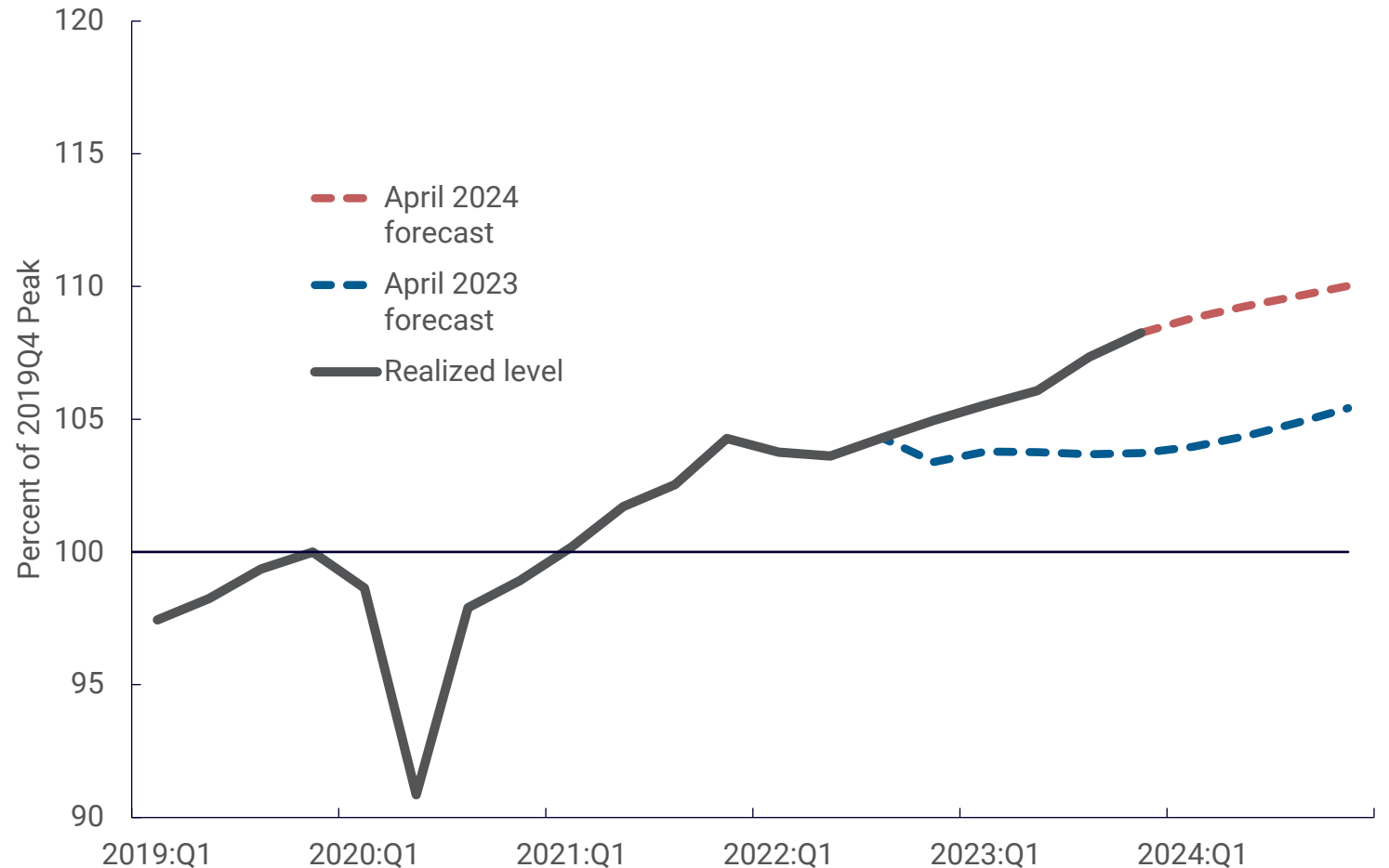
Overview

- Real GDP growth was robust in 2023.
 - Growth slowed in 2024Q1; private final demand was strong.
- Labor market remains tight as it slowly moves into better balance.
- Inflation moderated over past year but little progress recently.

Economic activity strong in 2023

- GDP grew at a robust pace in 2023. Slower growth in 2024Q1.
- Consumer spending growth has remained solid.
- Private forecasts have shifted higher over the past year.

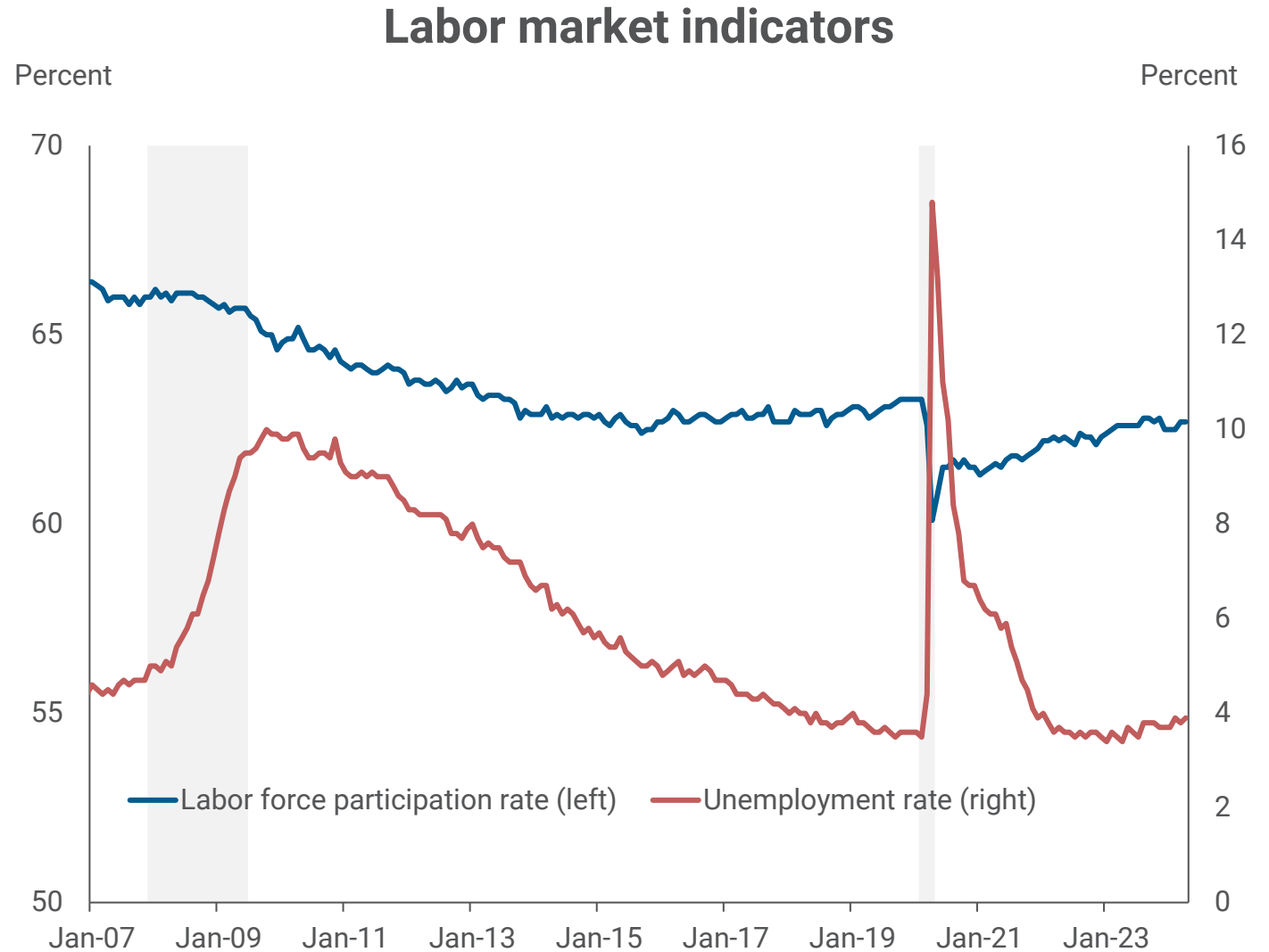
Real GDP and Blue Chip Consensus Forecasts



Sources: Blue Chip Economic Indicators, Bureau of Economic Analysis, Federal Reserve Bank of New York

Labor Market Indicators

- Unemployment rate below 4% for over two years.
- Participation rate flat over the past 12 months.
- Job growth has been brisk.

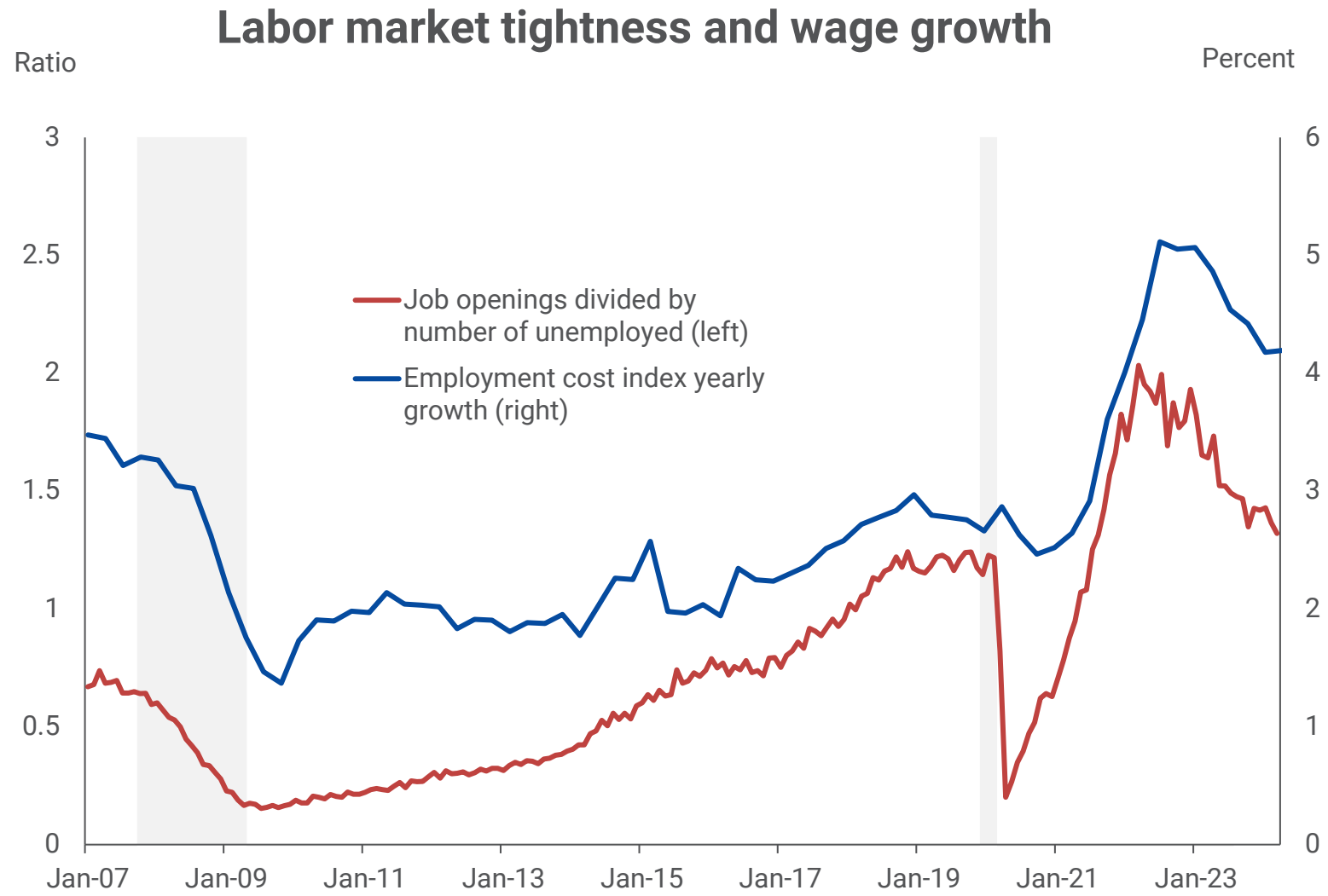


Sources: Bureau of Labor Statistics via Haver Analytics.

Note: Shading shows NBER recessions

Wage growth still elevated in tight labor market

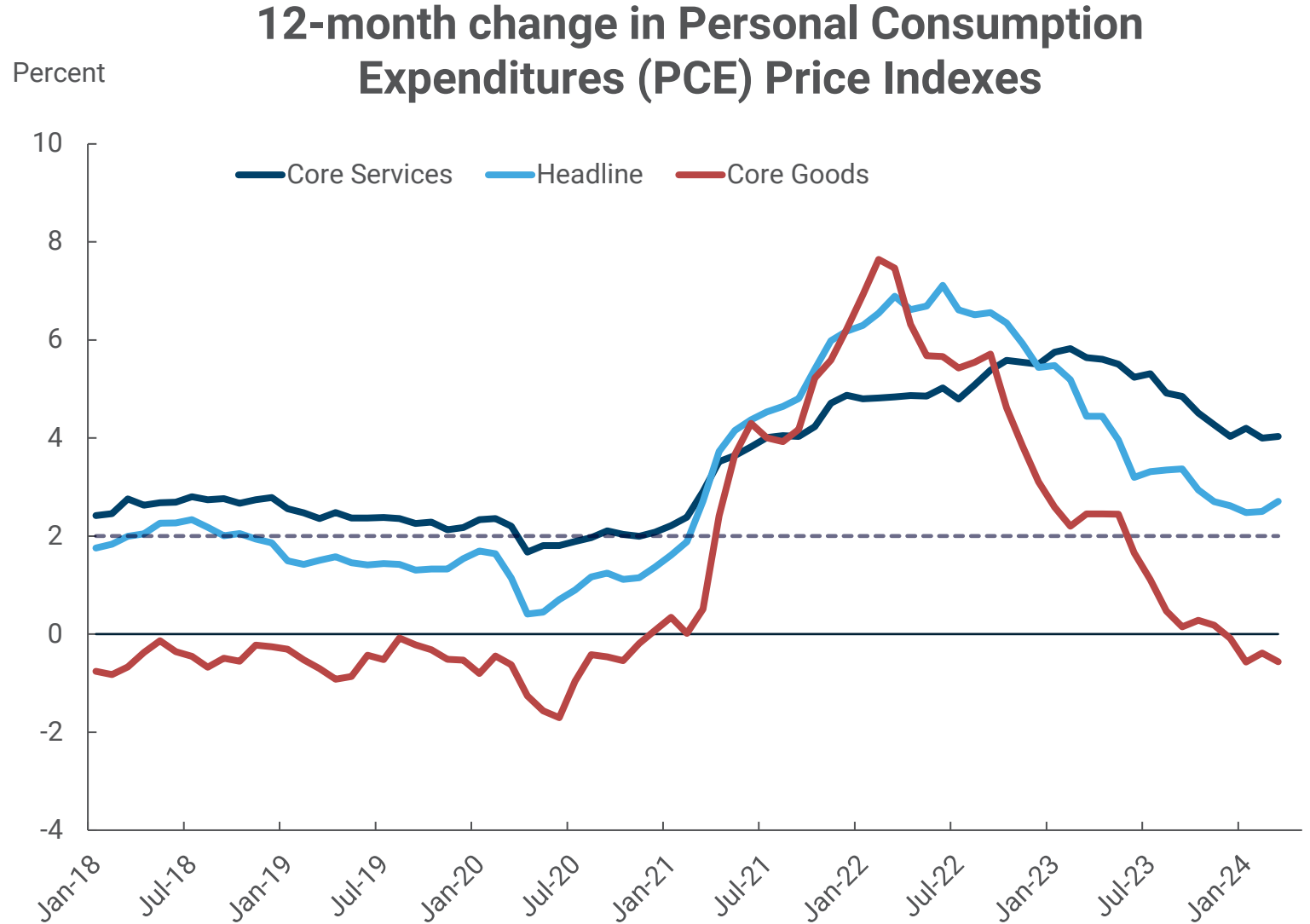
- Still many more job openings than people looking for work.
- Quits rates have declined.
- Wage growth has moderated but still above pre-pandemic rates.



Sources: Bureau of Labor Statistics via Haver Analytics.
Note: Shading shows NBER recessions

Little inflation progress so far in 2024

- Headline and core inflation have slowed over past year.
- Lack of progress in first three months of 2024.
- Core goods inflation has turned negative.
- Core services inflation elevated with little decline recently.



Source: Bureau of Economic Analysis via Haver Analytics

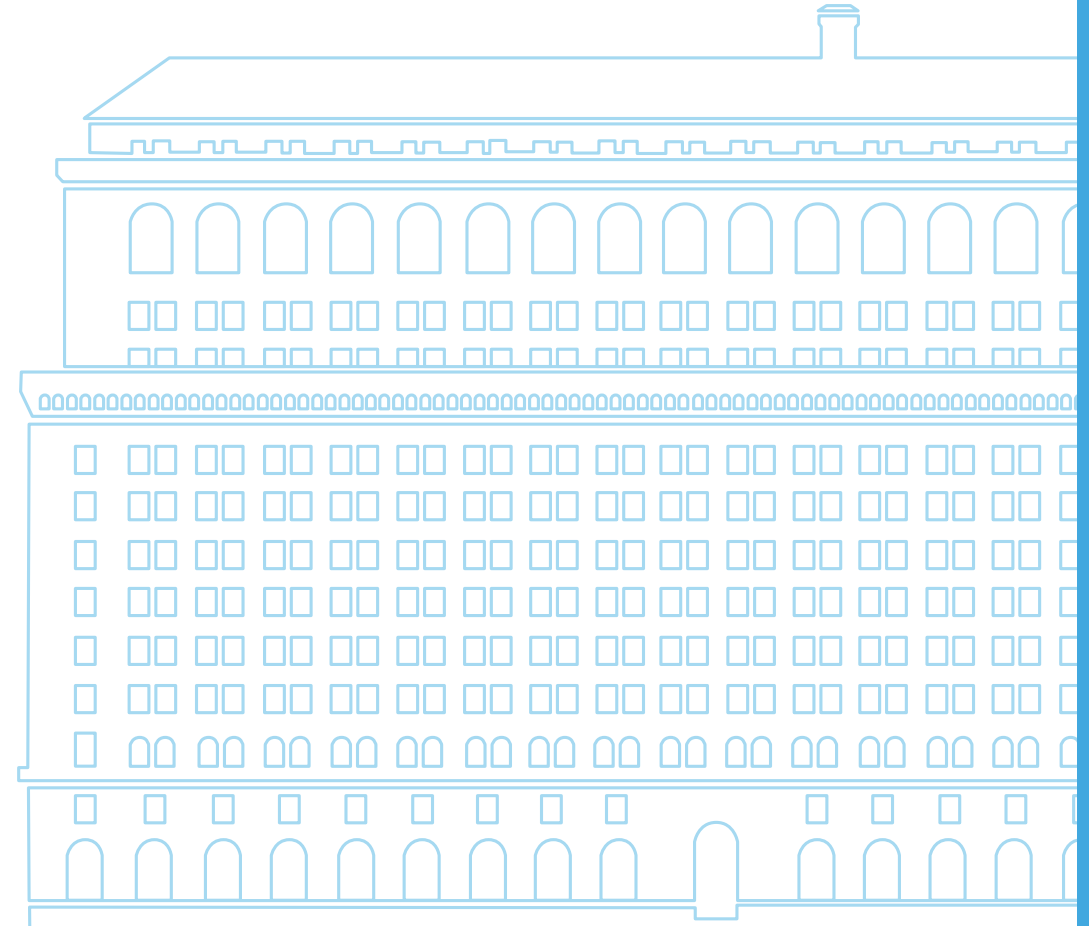
Concluding Observations

- Economic activity has been solid in 2023 and early 2024.
- The labor market has shown continued strength.
- Inflation moderating more slowly and remains above 2 percent.
- Supply and demand slowly moving into better balance.

Inflation Disparities*

Raji Chakrabarti
Head of Equitable Growth Studies

*Co-researchers: Kasey Chatterji-Len, Dan Garcia & Maxim Pinkovskiy.
Presentation derived from the broader set of data available in the
Equitable Growth Indicators.



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Equitable Growth Indicators (EGIs)

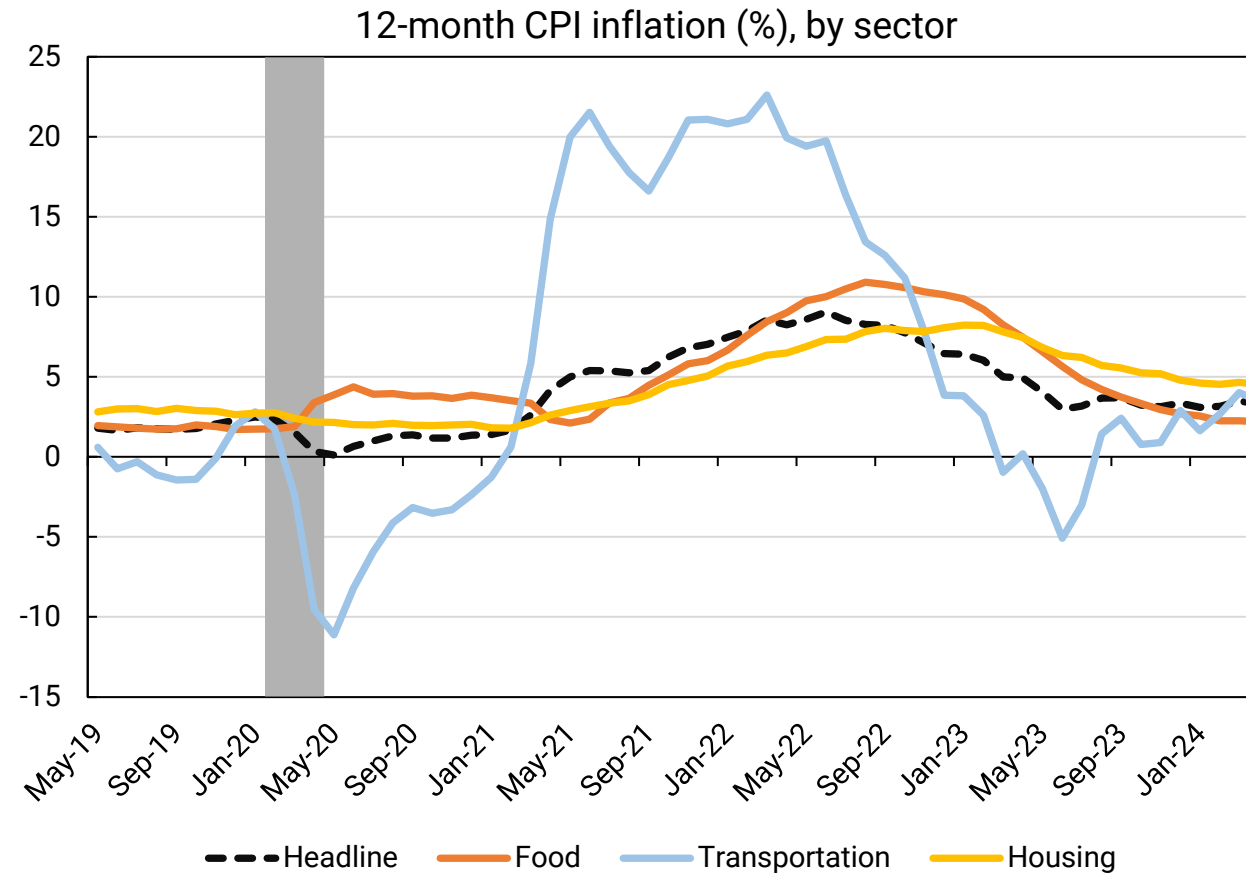


- The EGIs measure disparities in macroeconomic outcomes experienced by different demographic, economic, and geographic groups on both a national and regional level.
- Inequalities in...
 - Inflation
 - Employment
 - Earnings
 - Consumption
 - Wealth

Motivation: Understand Inflationary Impacts

- Were there differences in inflationary experiences across demographic groups?
- Compute demographic inflation leveraging two key pieces of available data
 - City-level inflation for goods and services
 - City-level share of expenditures in goods and services by demographic group

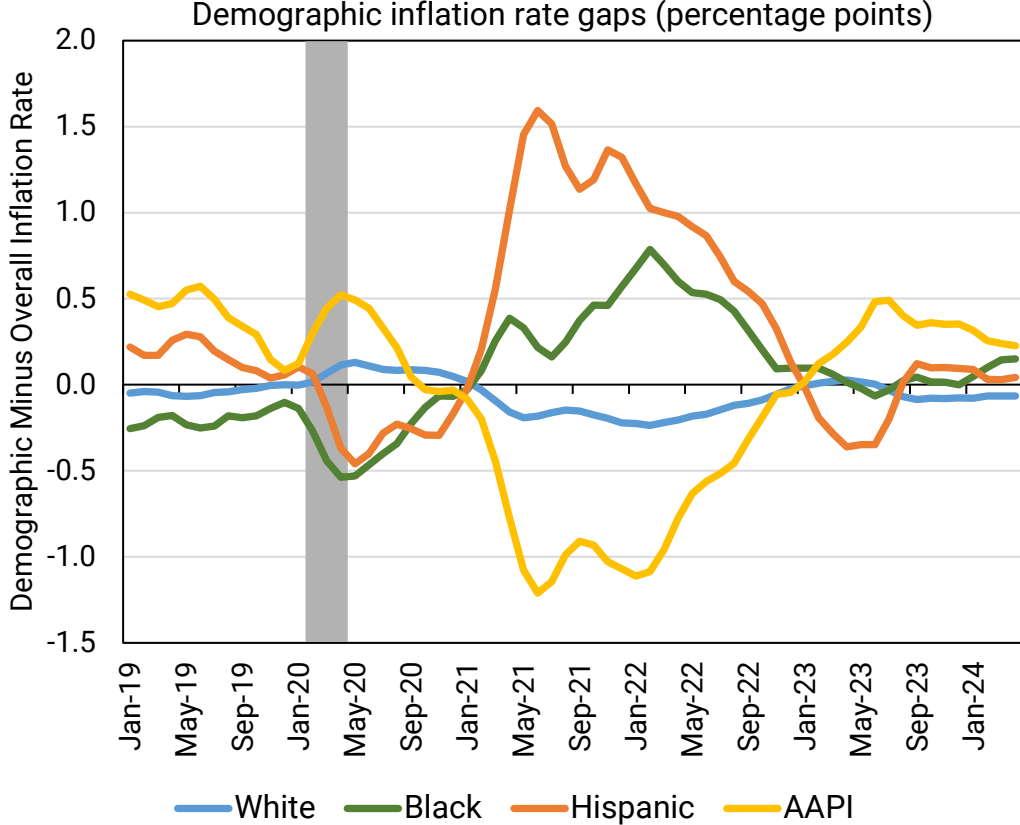
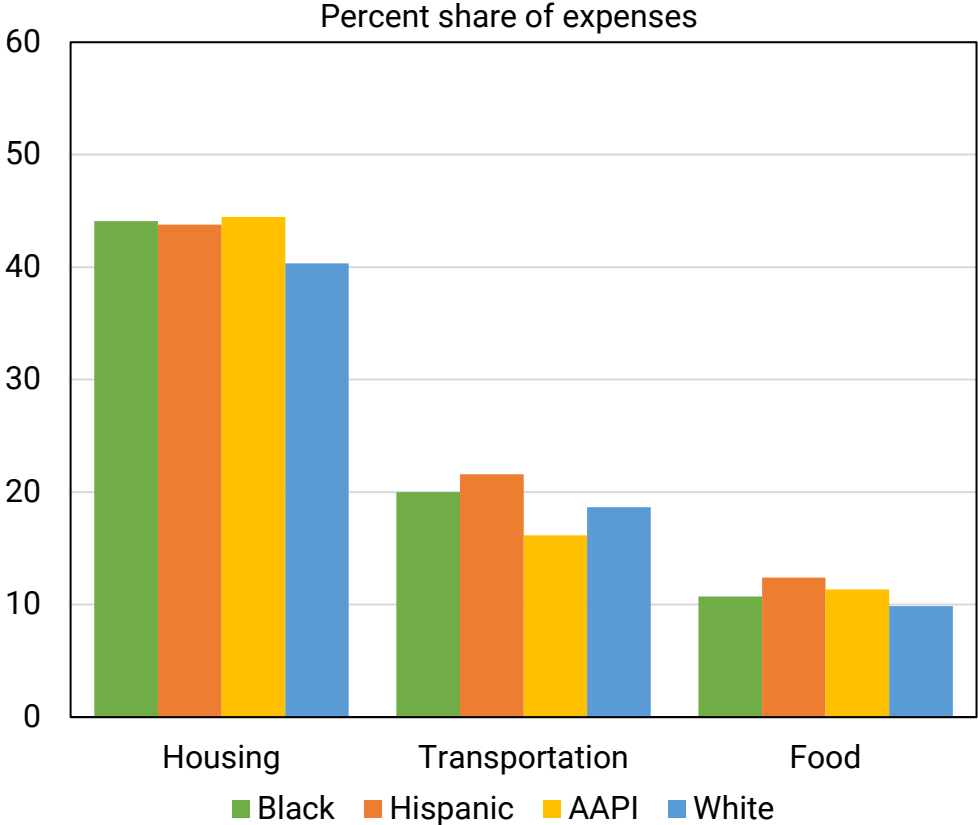
Transportation Inflation: A Major Influence on Overall Inflation in 2021-22



Sources: BLS Consumer Price Indexes.

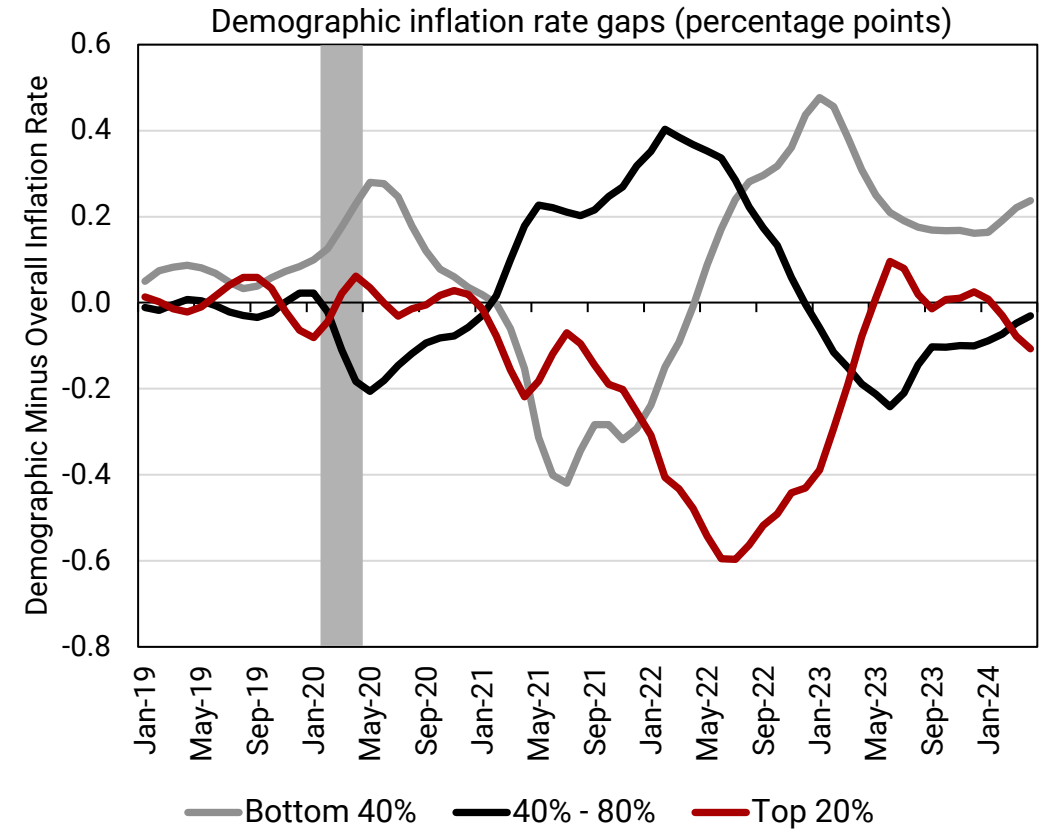
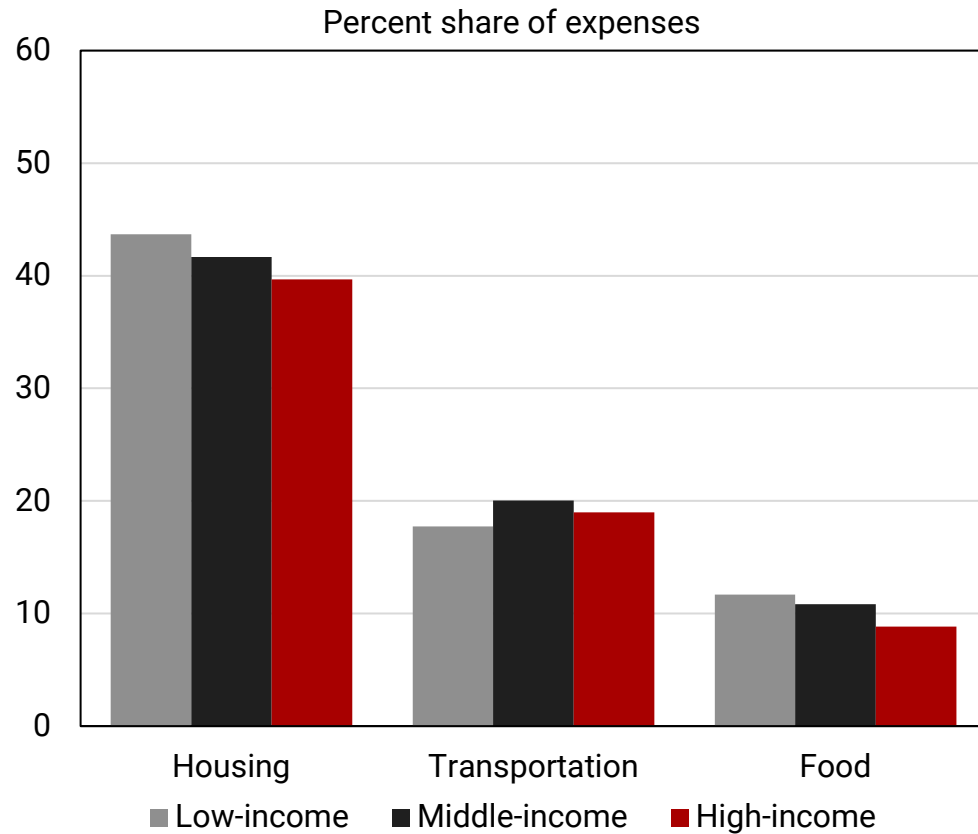
Notes: Shaded region indicates the COVID-19 recession.

Hispanic Households Experienced Highest Inflation in 2021-22



Sources: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.
 Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.

Middle-Income Households Experienced Highest Inflation in 2021-22



Sources: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.

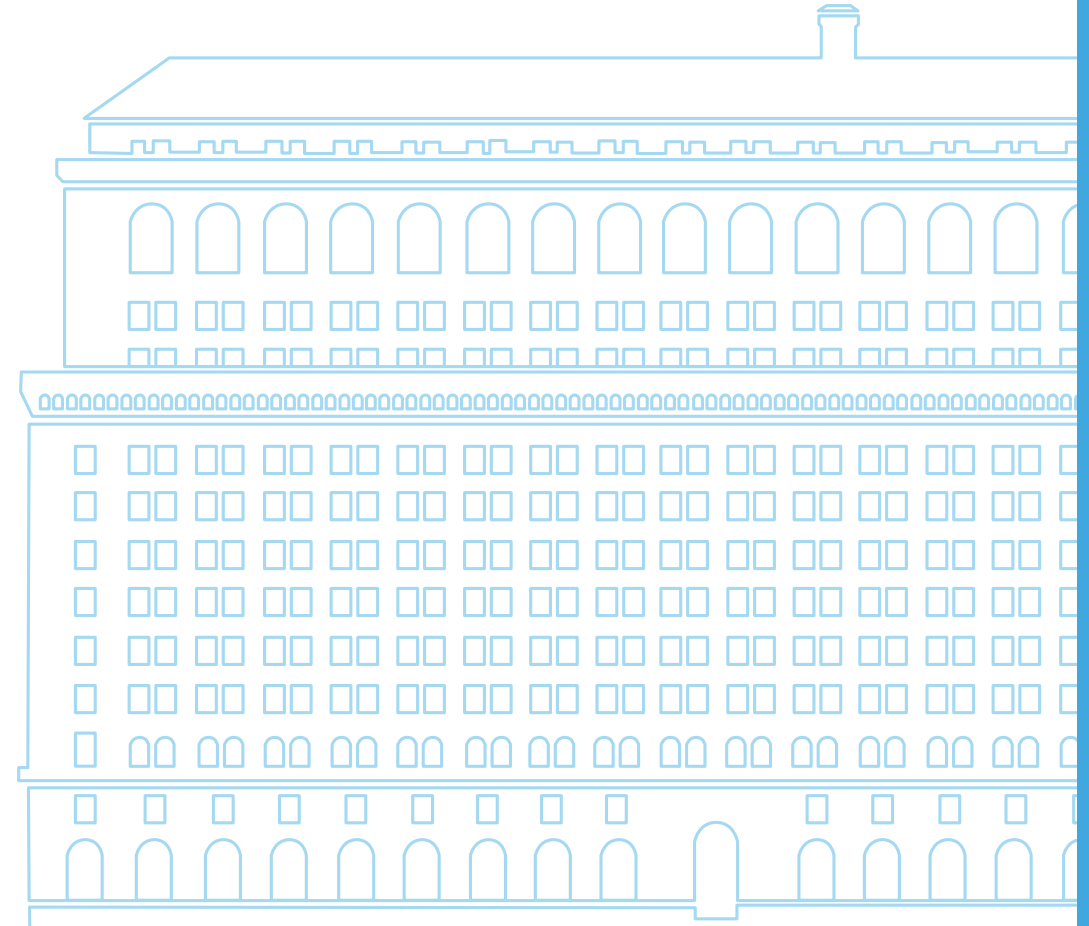
Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.

Conclusion

- Hispanic households faced the highest inflation in 2021-22.
- Currently, most demographic inflation rates have converged to the average.
 - Exceptions: low-income, AAPI, Black households face slightly higher inflation.
- We will continue to monitor disparities in economic trends in the Economic Growth Indicators.

Household Finances

Wilbert van der Klaauw
Economic Research Advisor
Household and Public Policy



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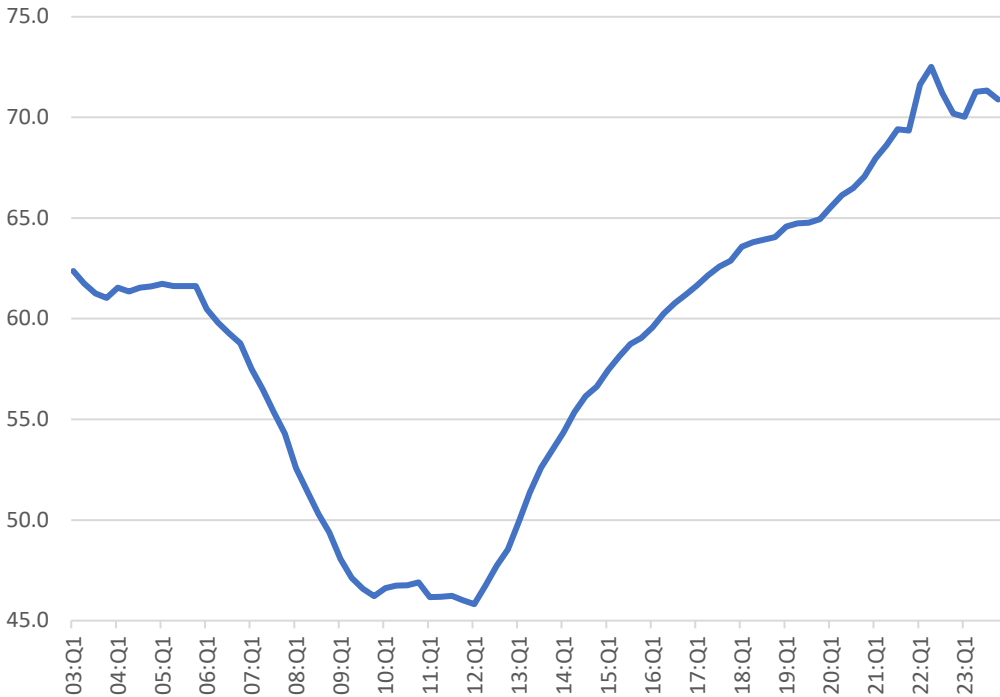
Overview of Household Finances

- Household balance sheets look strong overall
... but with some signs of weakening
- The consumer near-term outlook generally stable and strong
... but see some softening in labor and credit market expectations
- Over the longer term: people report lower chance of working beyond age 62

Household balance sheets remain strong overall

Owners' equity share at 70%

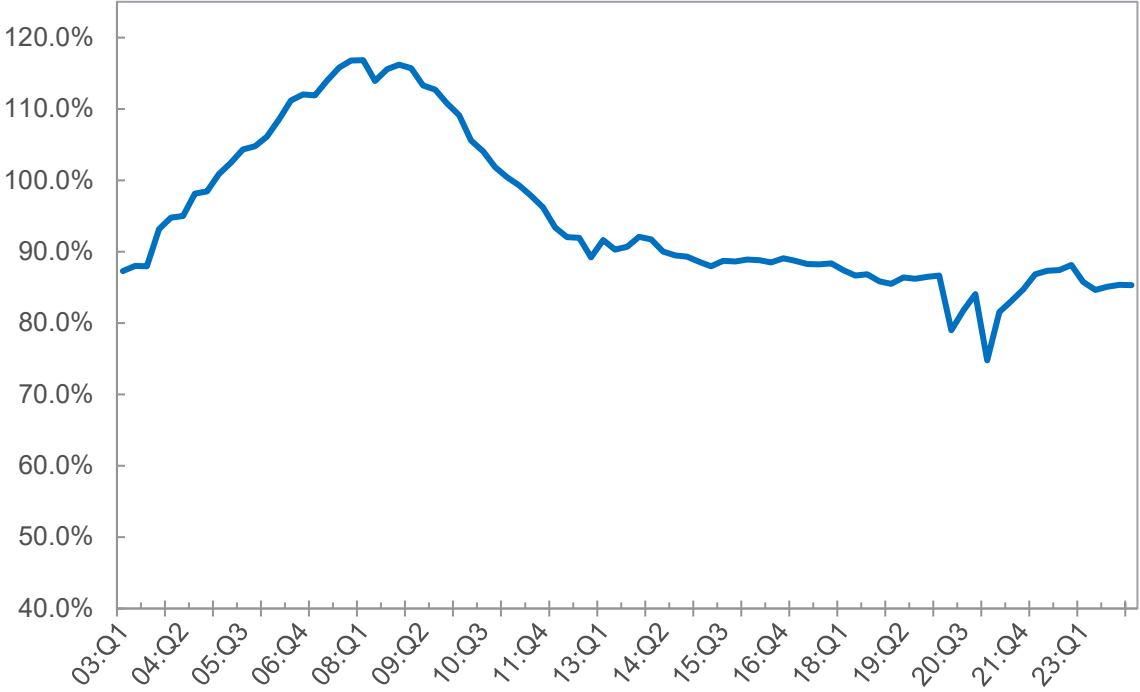
Owners' Equity in Real Estate



Source: Board of Governors, Flow of Funds

Debt to income is low and stable

Total Debt Balance as % of Disposable Income

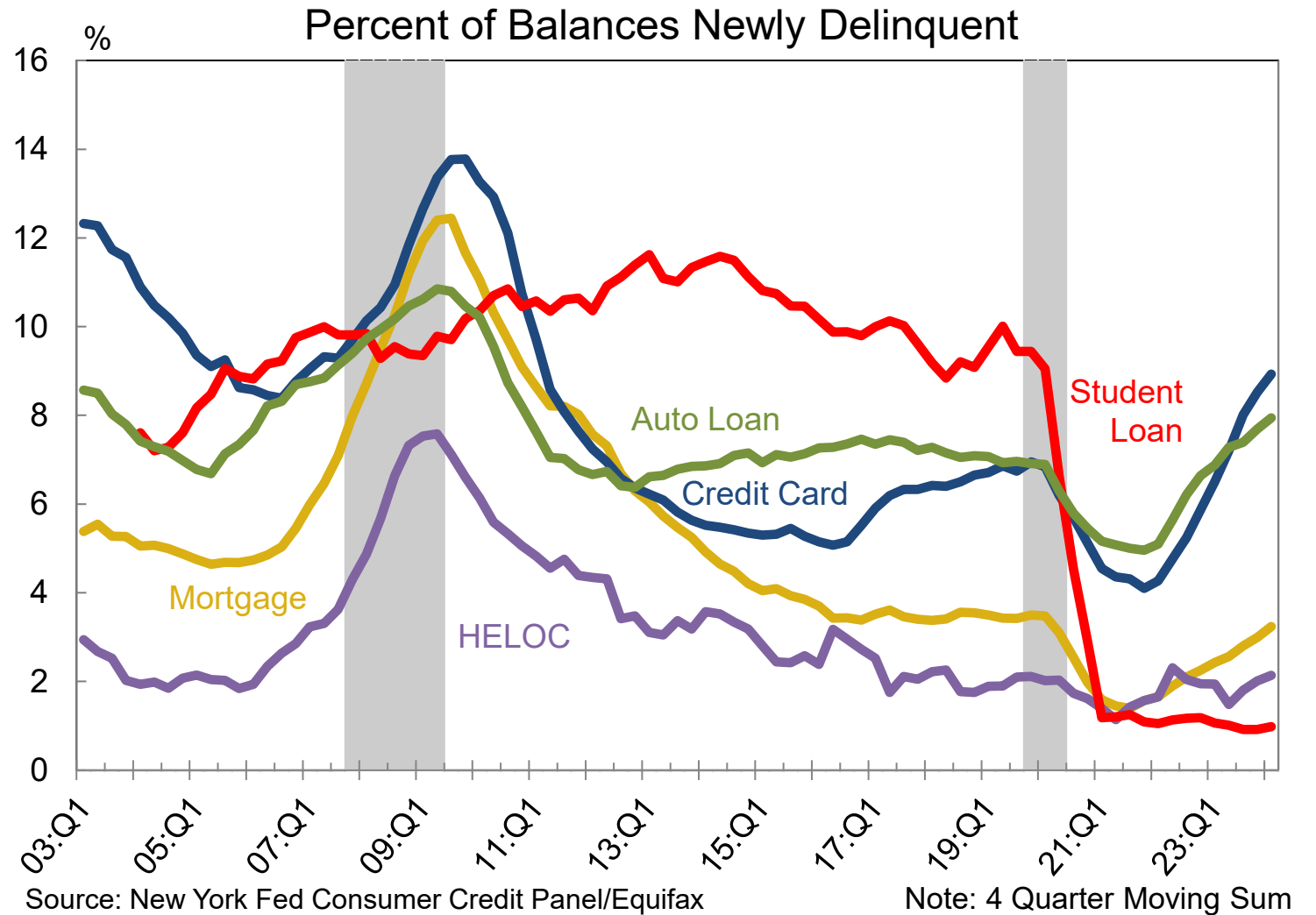


Source: New York Fed Consumer Credit

... with some signs of weakening

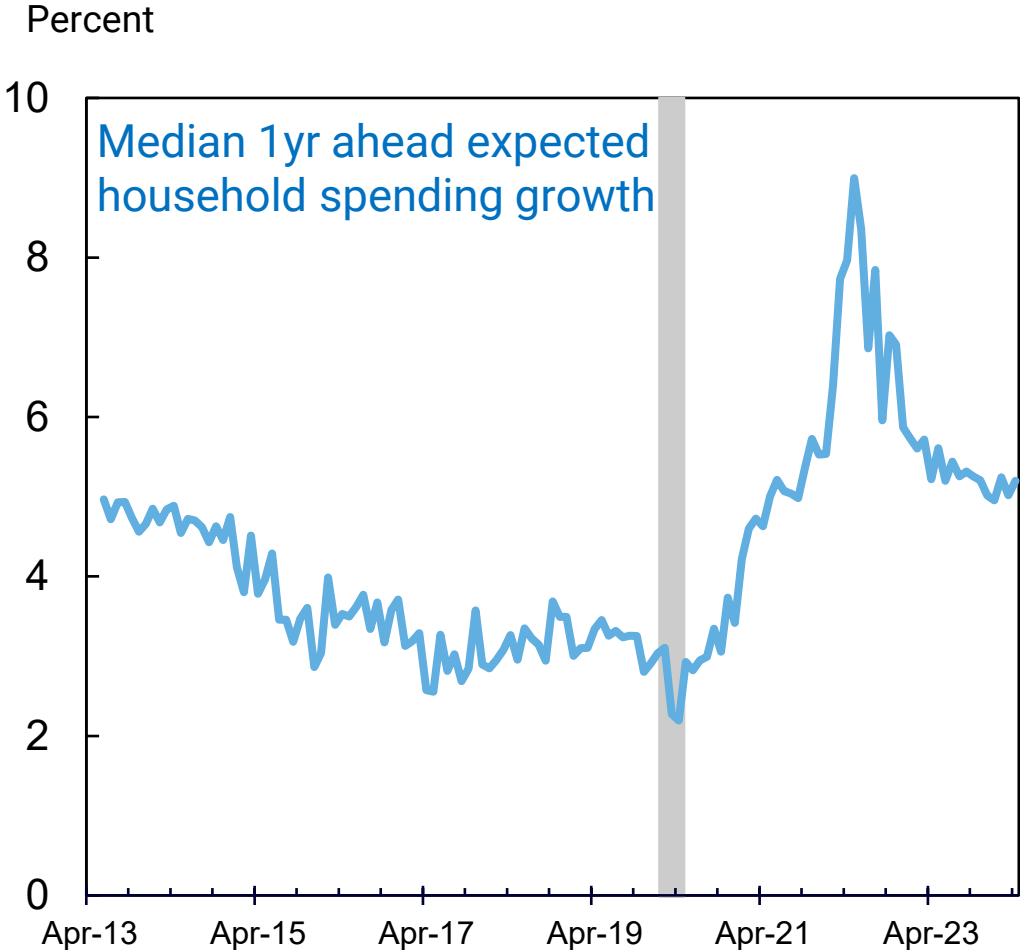
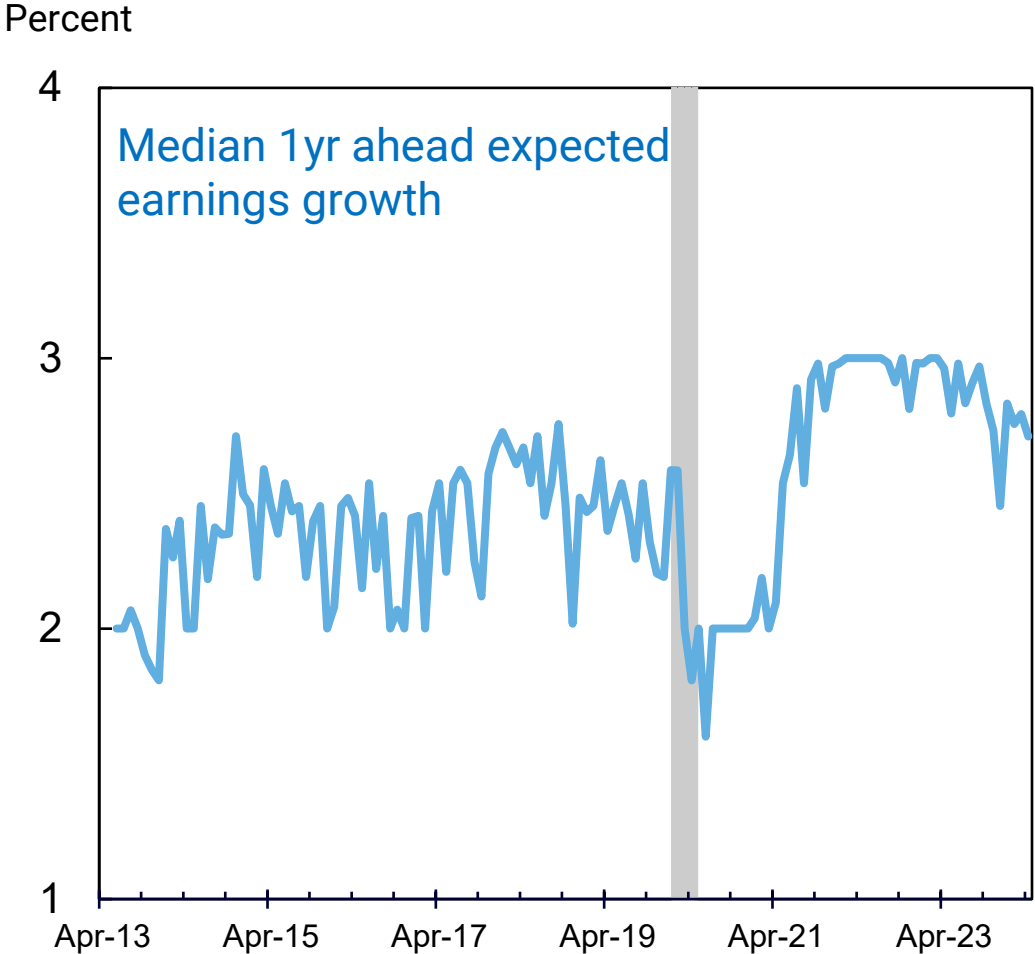
Auto loan and credit card delinquency rates now higher than pre-pandemic for:

- Those living in lower income areas
- Millennials



Consumer outlook generally stable and strong

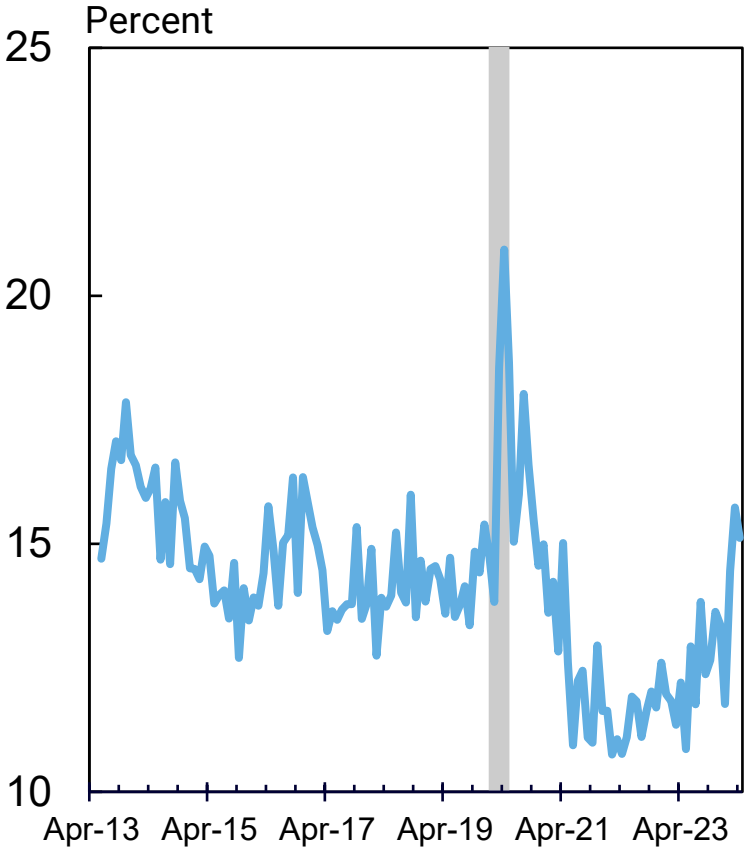
Earnings and spending growth expectations remain well above pre-pandemic levels



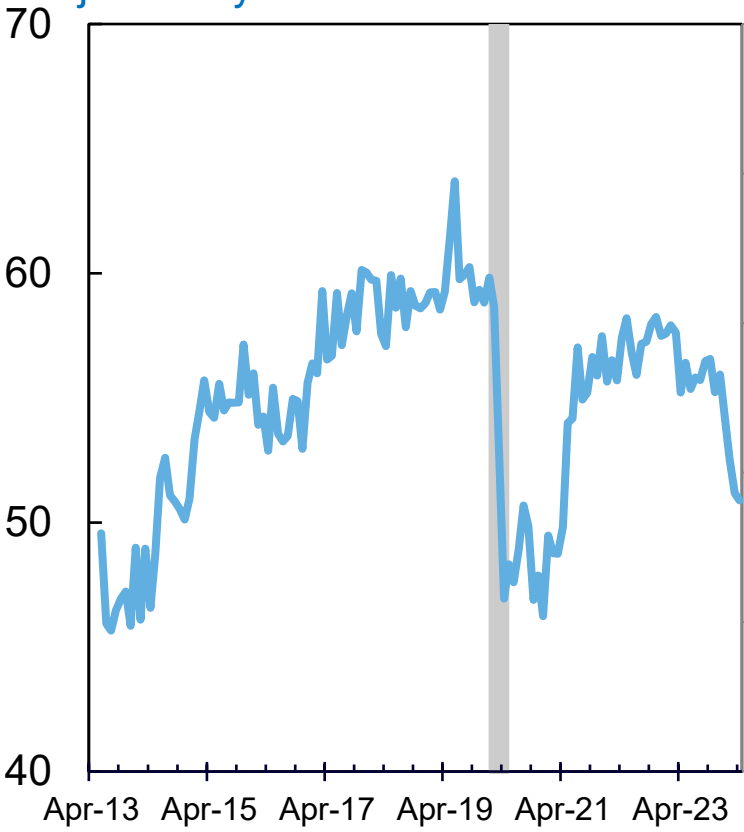
Source: NYFed Survey of Consumer Expectations

... but some softening in labor and credit market expectations

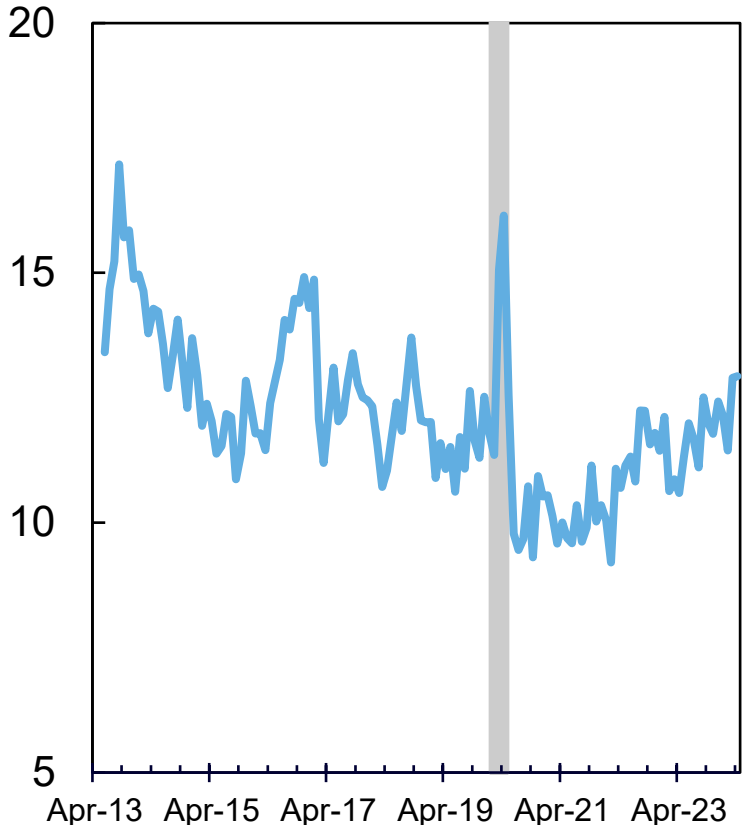
Mean probability of losing job



Mean probability of finding a job in the next three months if one loses job today



Mean probability of missing minimum debt payment over the next three months



Source: NYFed Survey of Consumer Expectations

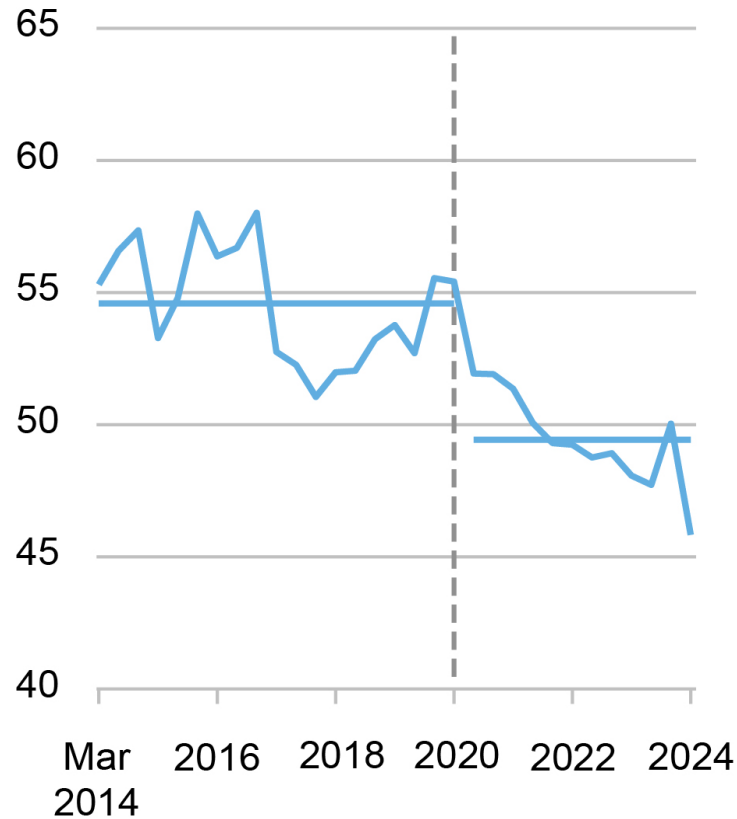
Shift in retirement expectations

Find similar drop in expectations about working past age 67

Shift in expectations may affect consumer consumption and savings decisions and the labor market in years ahead

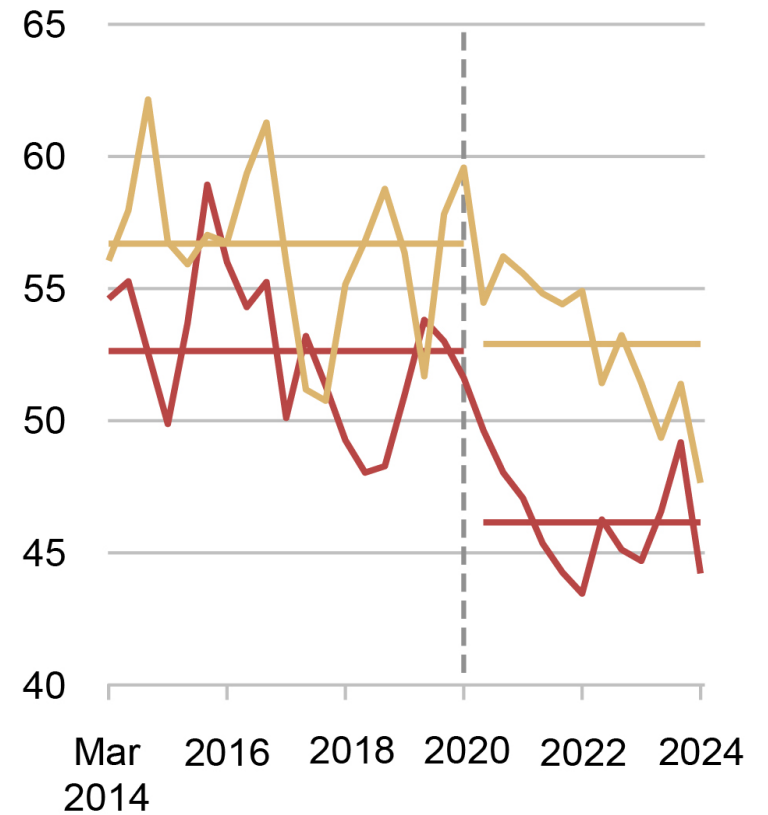
Average Likelihood of Working Full-Time Past 62

Percent



All

Percent

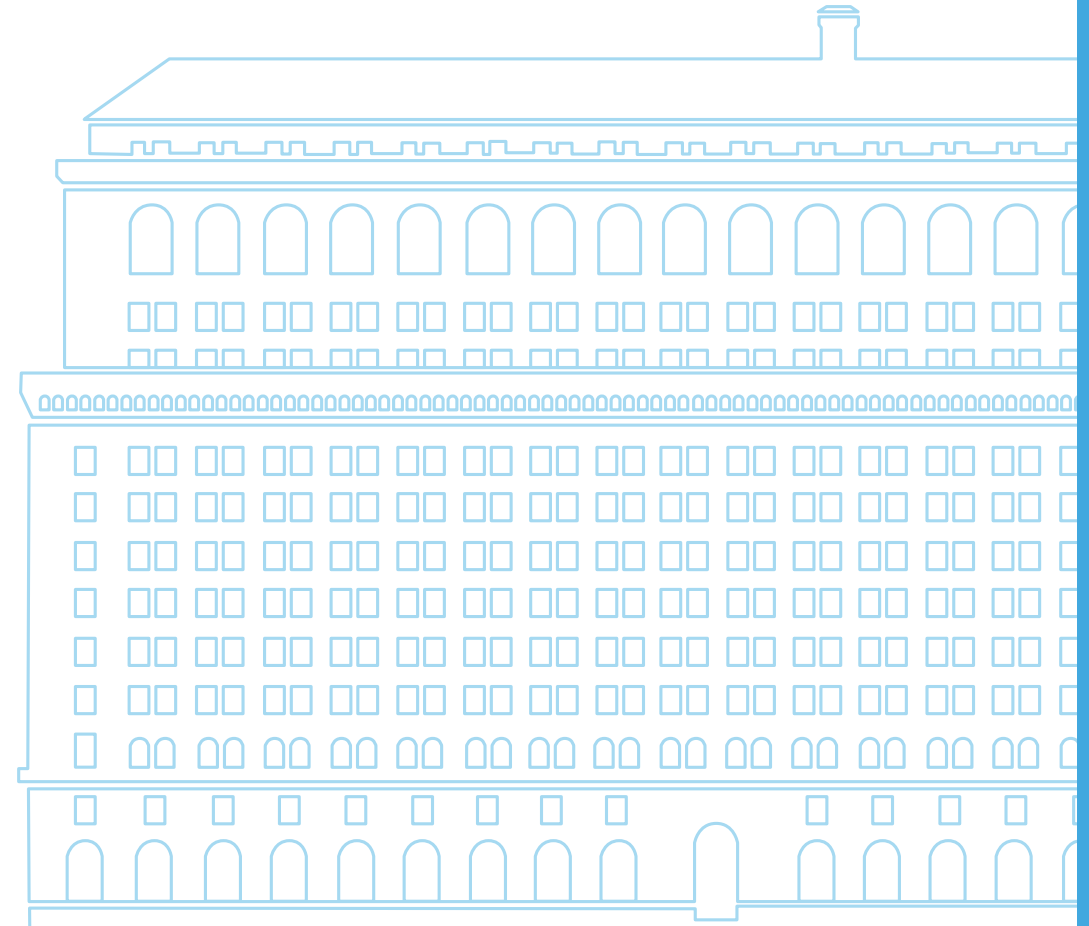


Female

Male

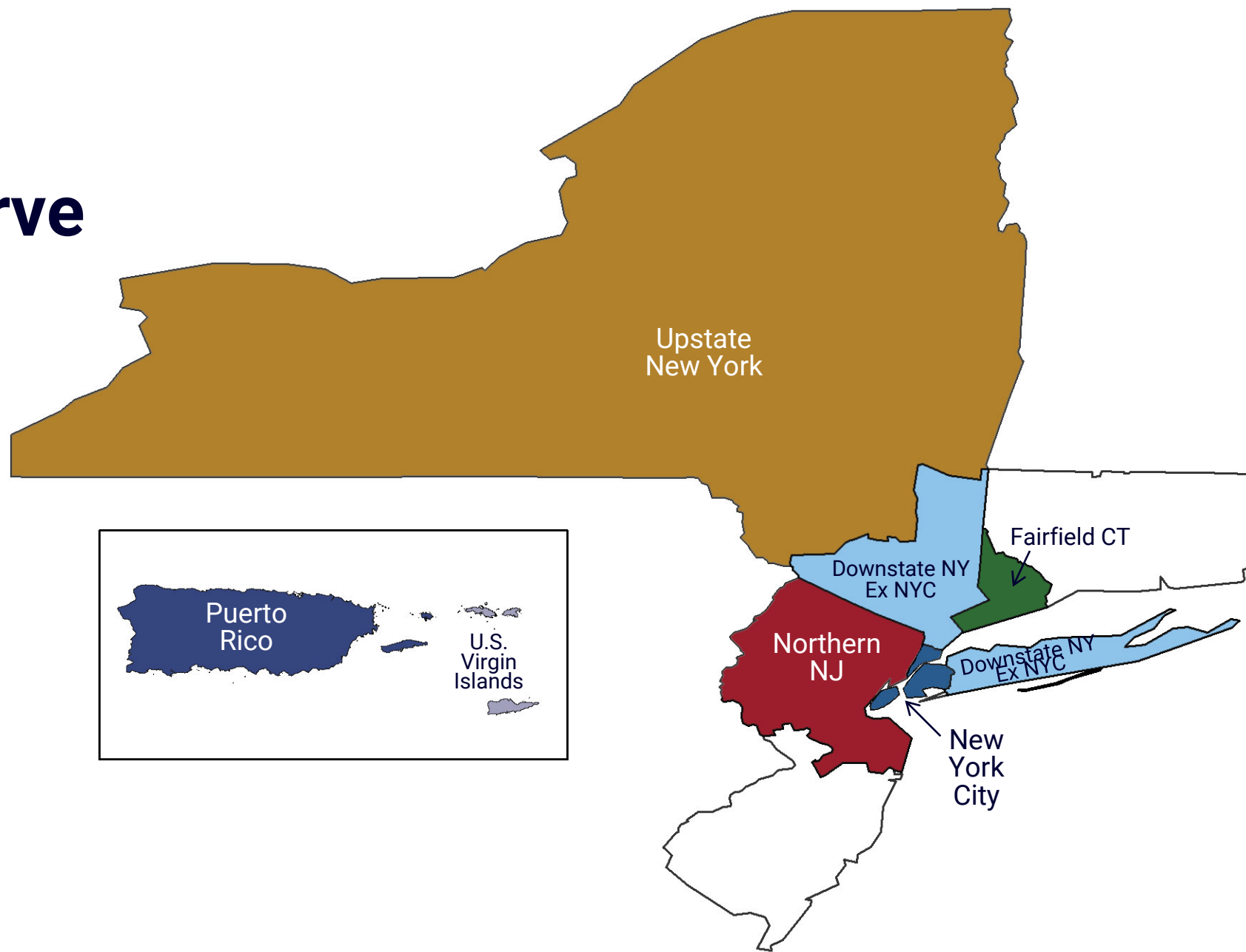
Economic Conditions in the Second District

Joelle Scally
Regional Economic Principal
Urban and Regional Studies



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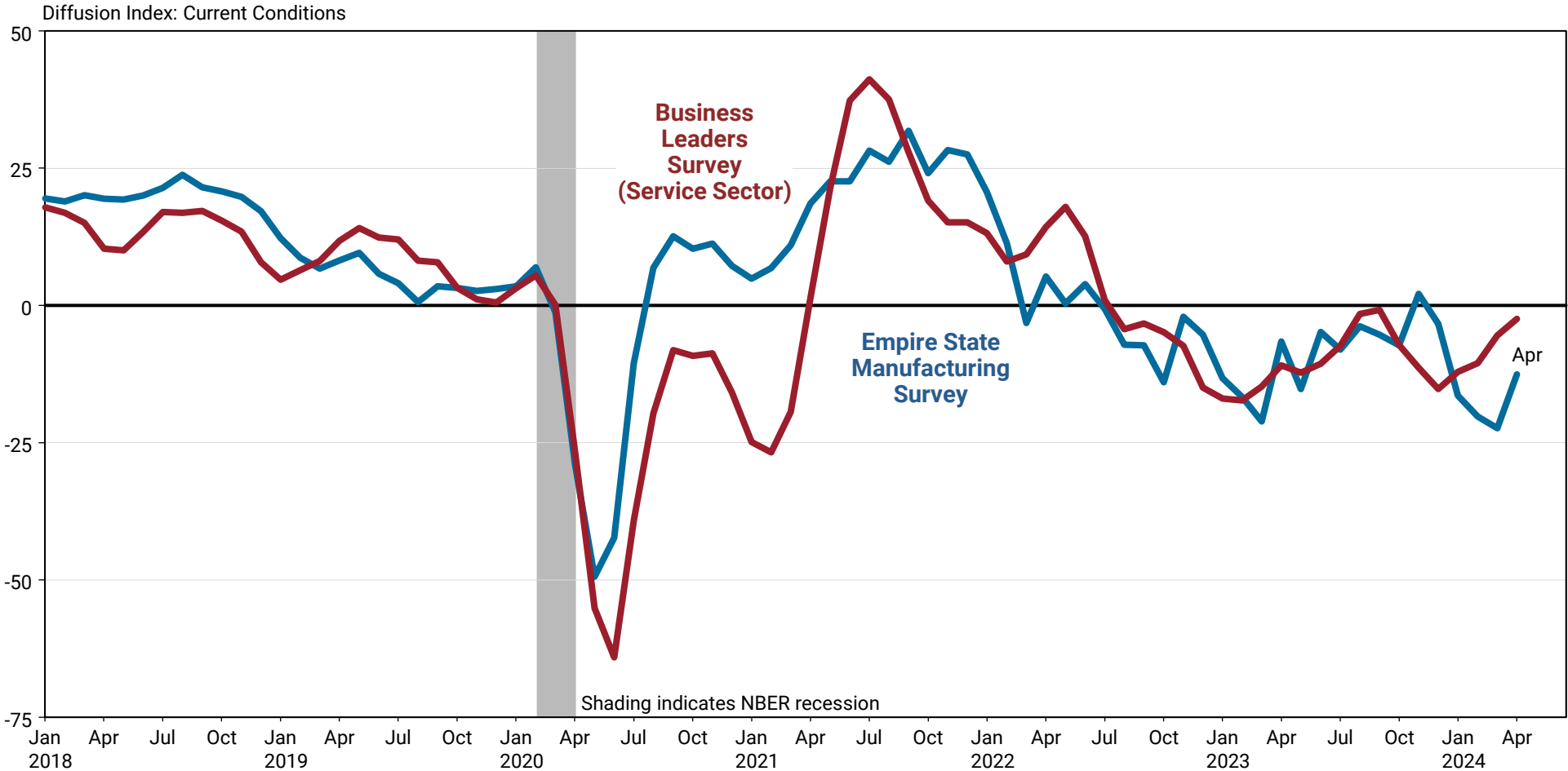
The Second Federal Reserve District



Overview of Regional Conditions

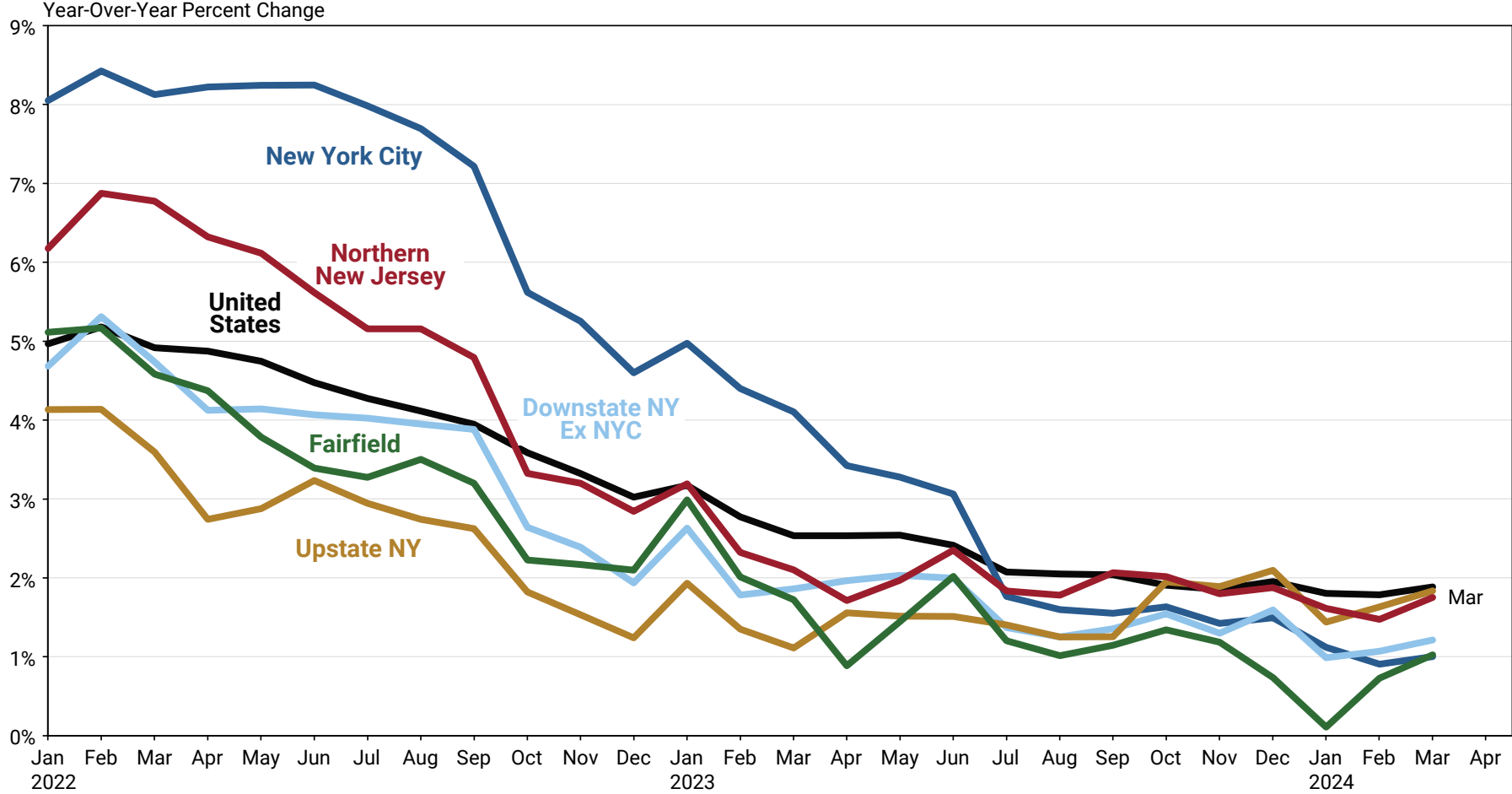
- Businesses report sustained weakness in the regional economy.
- Job growth has slowed as labor market conditions have normalized.
- After a period of high inflation, pricing pressures have moderated but remain elevated.
- Households are showing some signs of financial stress.

Regional Economic Activity Has Been Weak



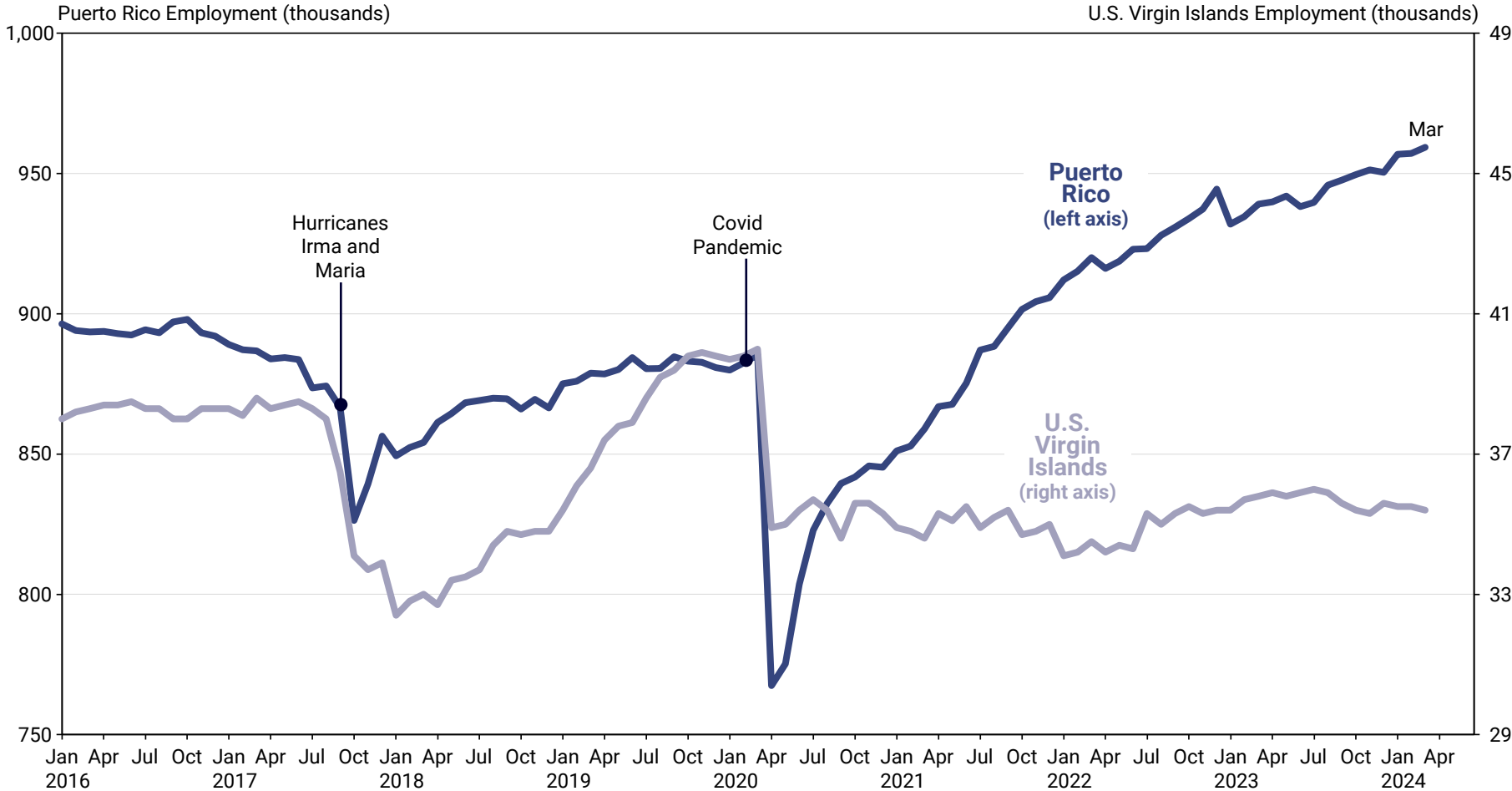
Source: Federal Reserve Bank of New York; indexes shown as a 3-month moving average.

Job Growth Has Slowed in the NY-NNJ Region



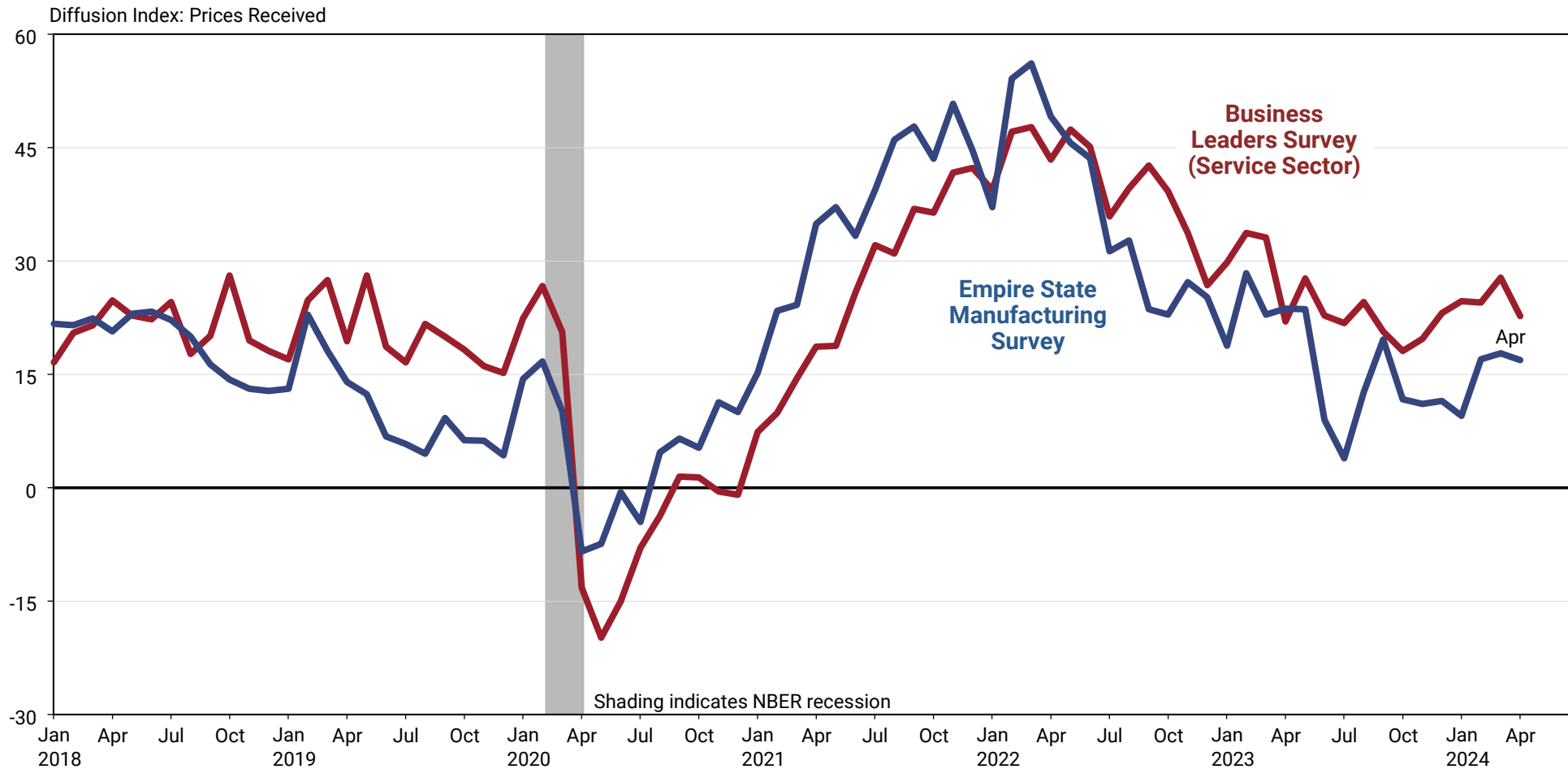
Source: U.S. Bureau of Labor Statistics and Moody's Economy.com.

Diverging Employment Trends in PR and the USVI



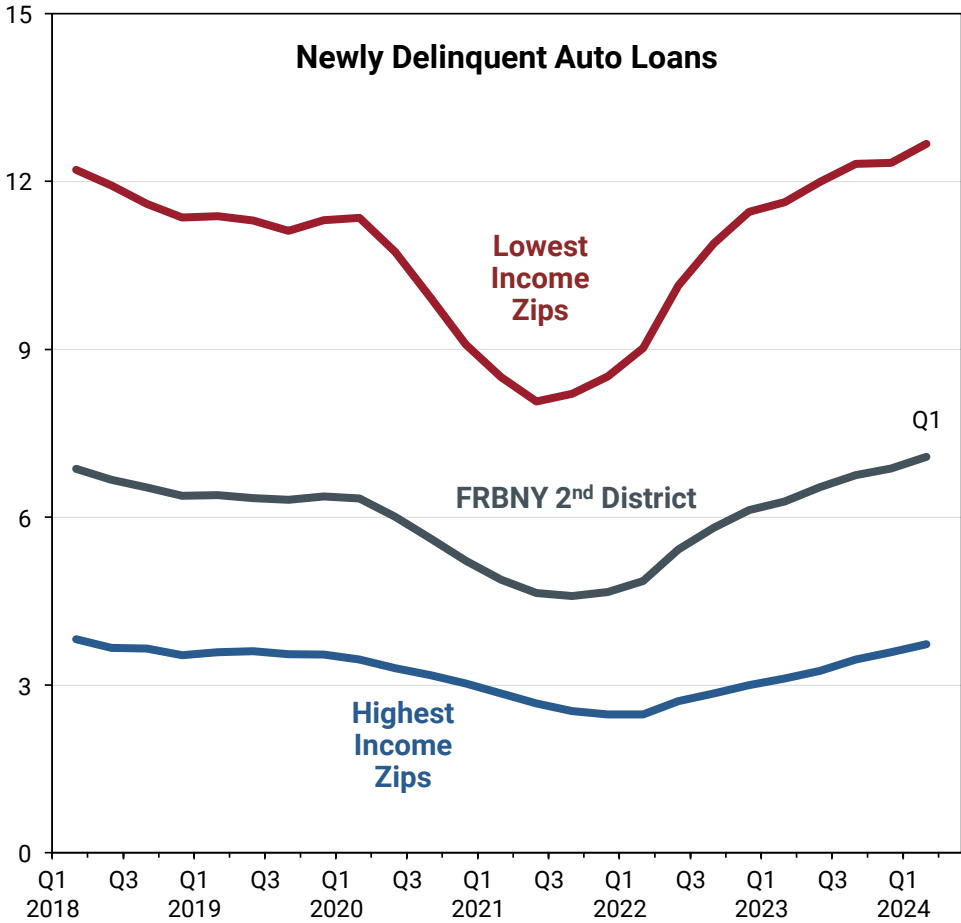
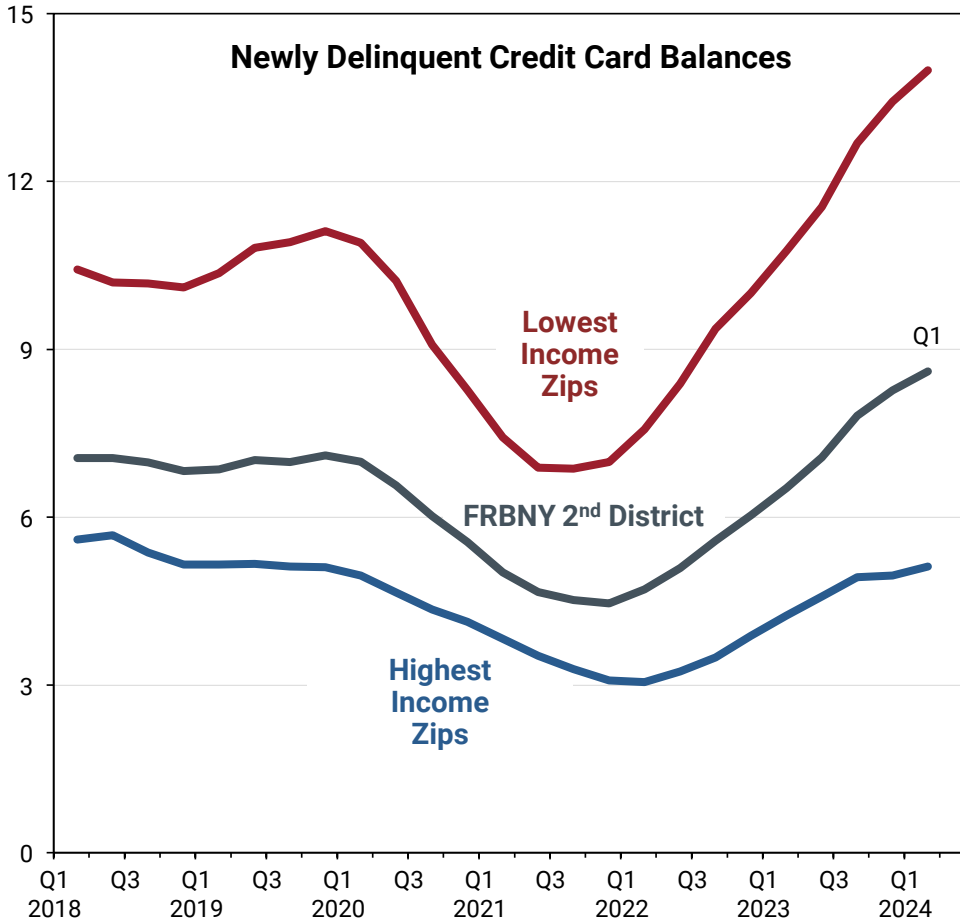
Source: U.S. Bureau of Labor Statistics and Moody's Economy.com.

Pricing Pressures Have Eased but Still Elevated



Source: Federal Reserve Bank of New York.

Rising Delinquencies Point to Financial Stress

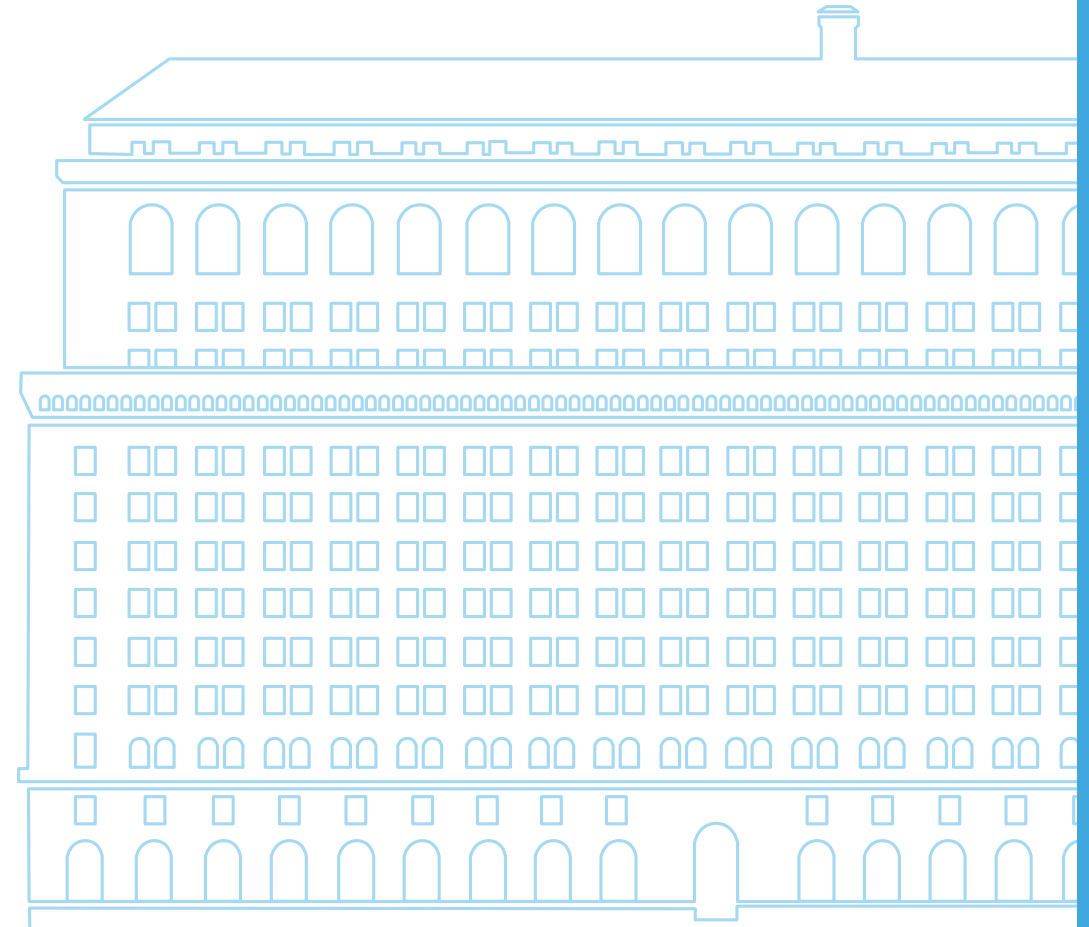


Source: New York Fed Consumer Credit Panel / Equifax; IRS Statistics of Income; annualized as 4-quarter moving sum. Includes second district zip codes only.

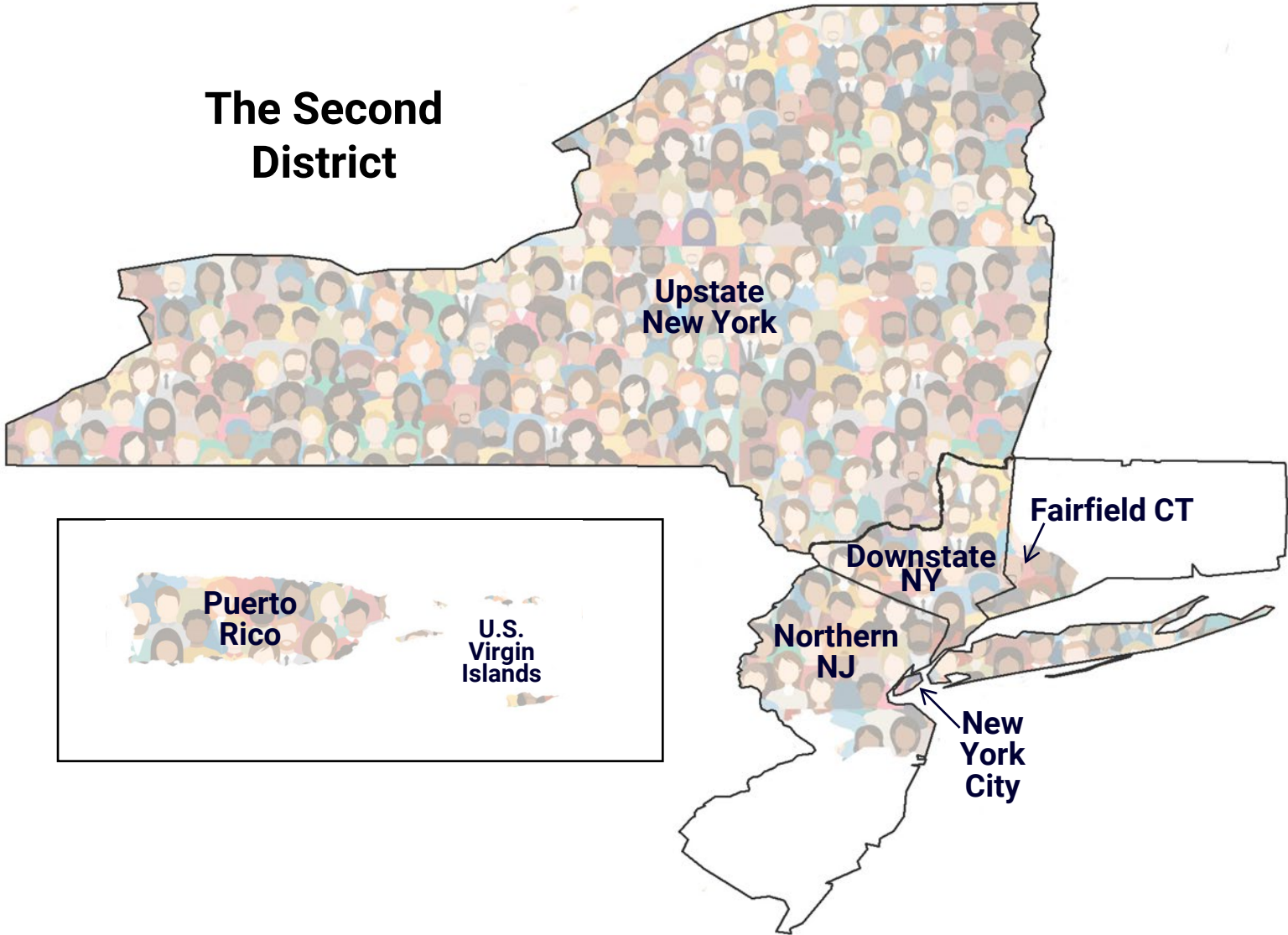
Second District Population Growth and Demographic Change in the 21st Century

Jaison R. Abel
Urban and Regional Studies

**Second District Advisory
Council**



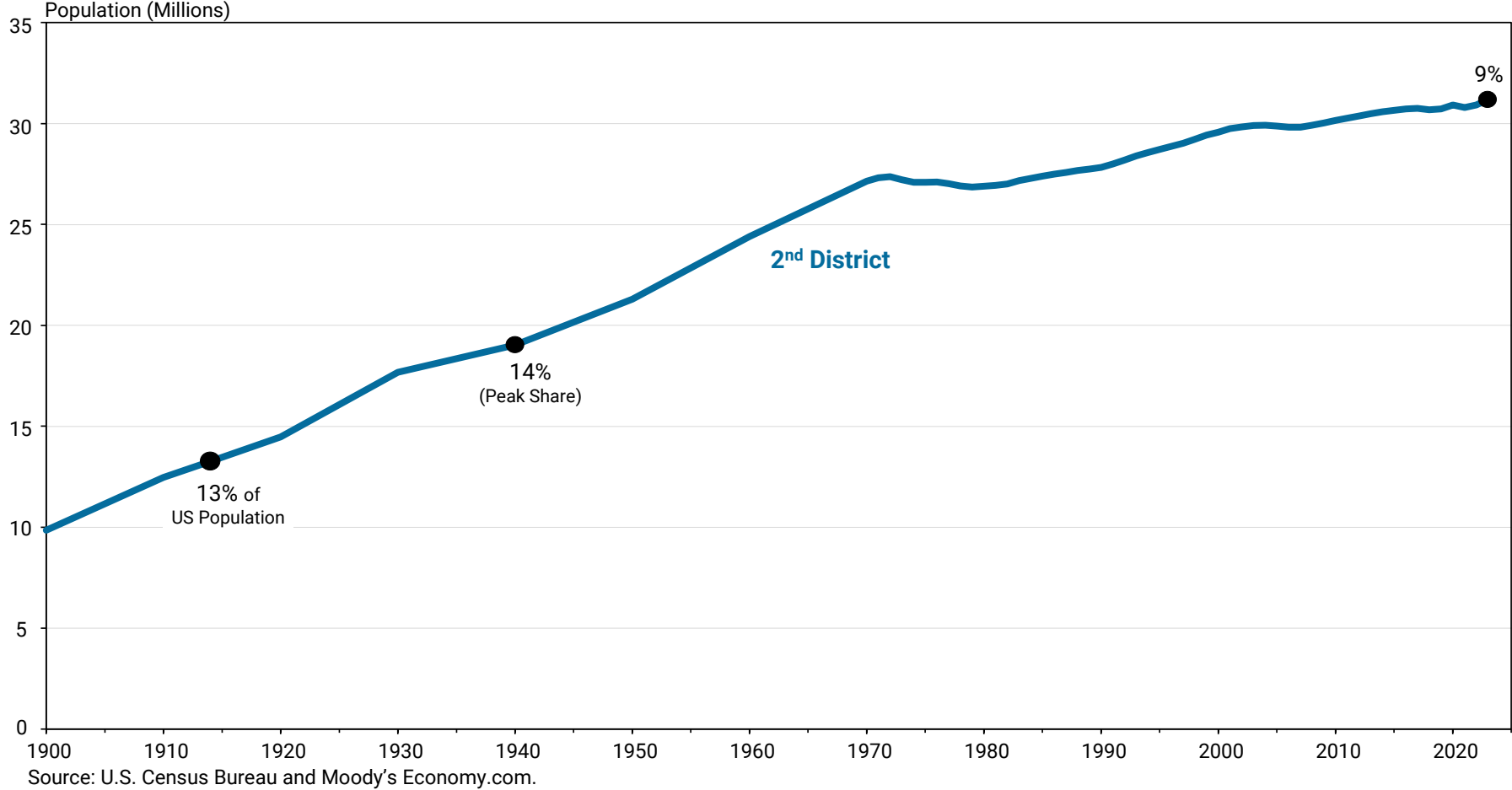
Understanding Population Dynamics in the District



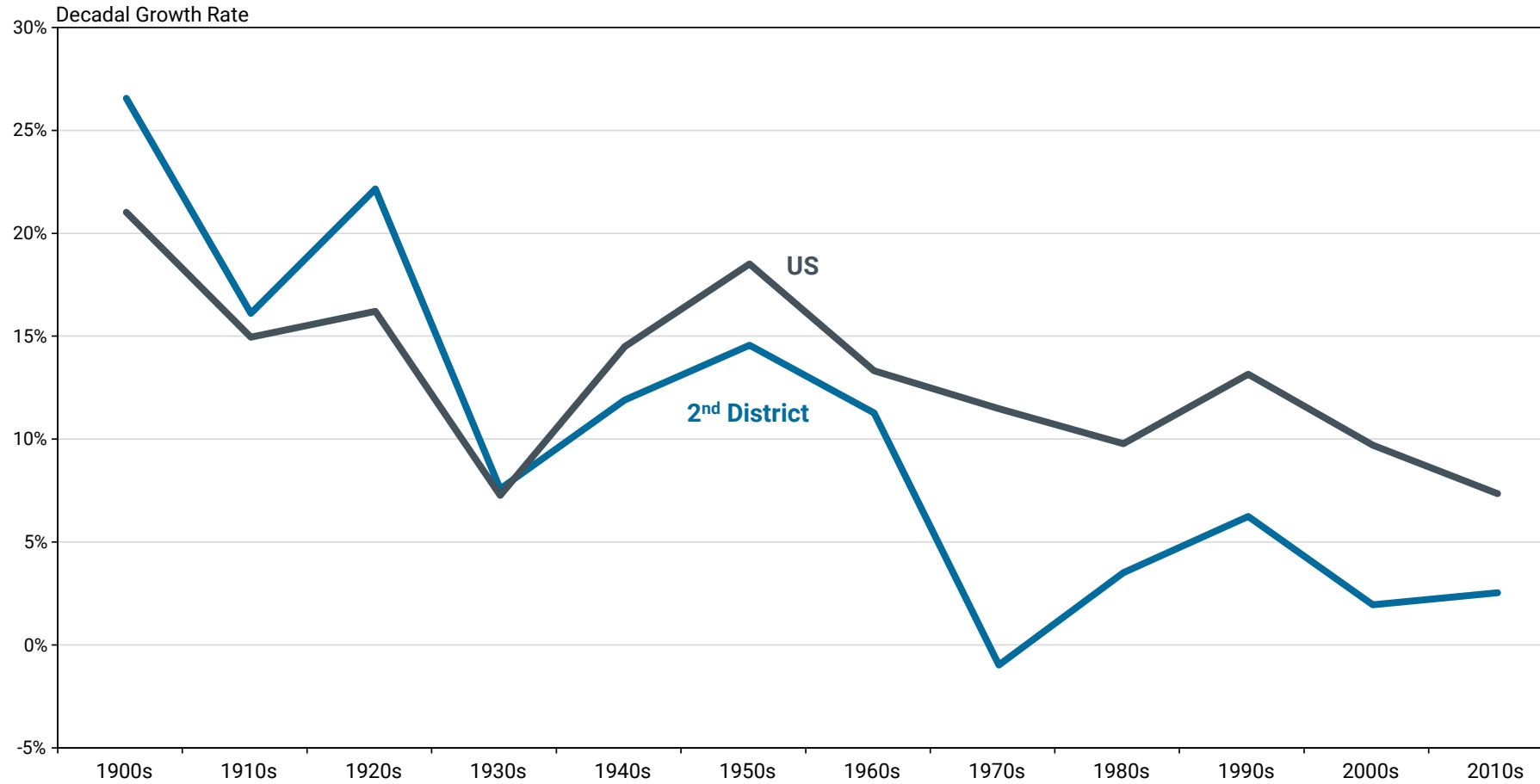
Overview

- Long-term population growth in the Second District
- District demographic change in the 21st century
- Population dynamics in the NY-NNJ region since the pandemic

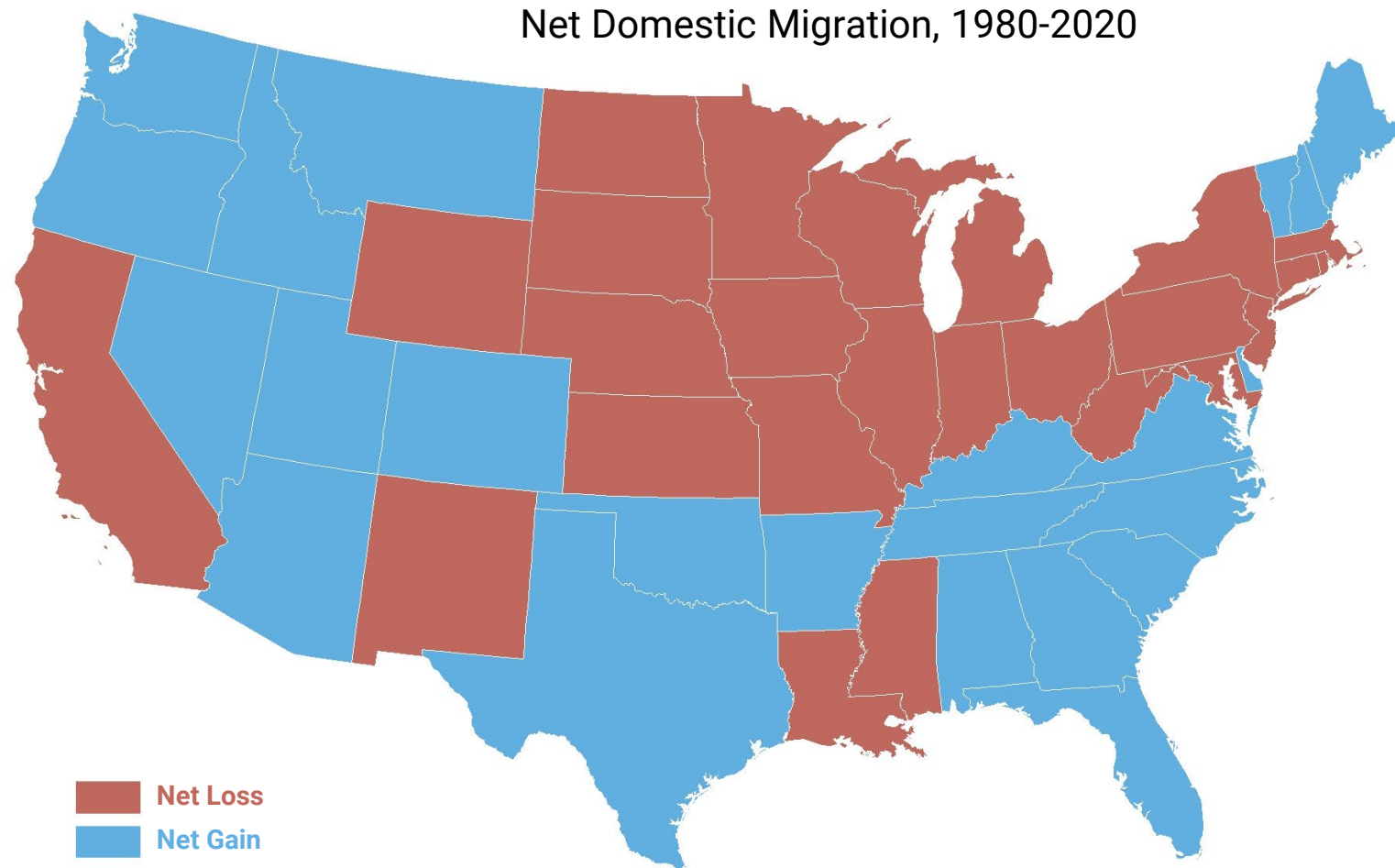
Long-Term Population Growth in the District



Growth Has Slowed and Is Well Below Average

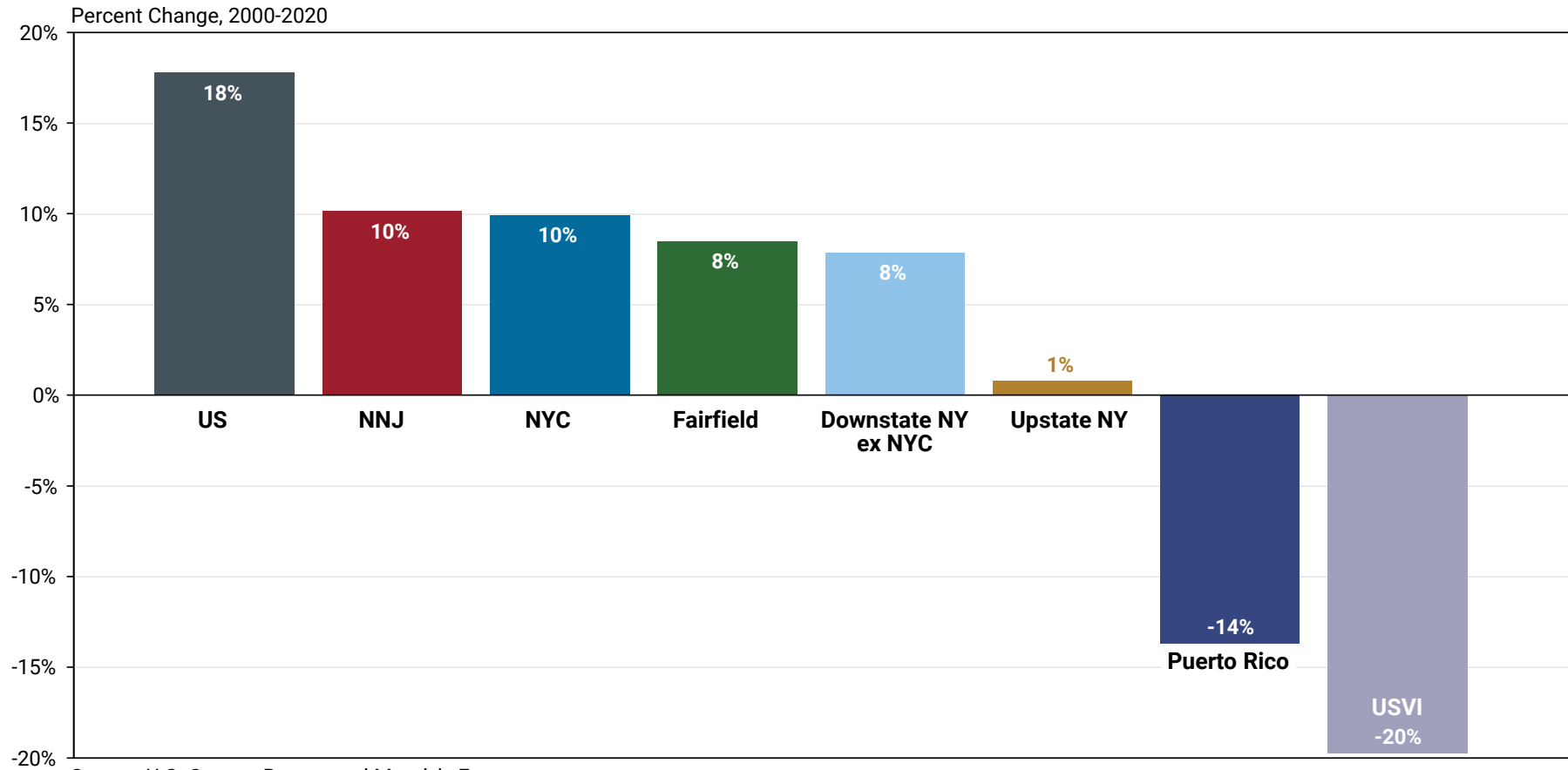


People Have Moved to Other Parts of the Country



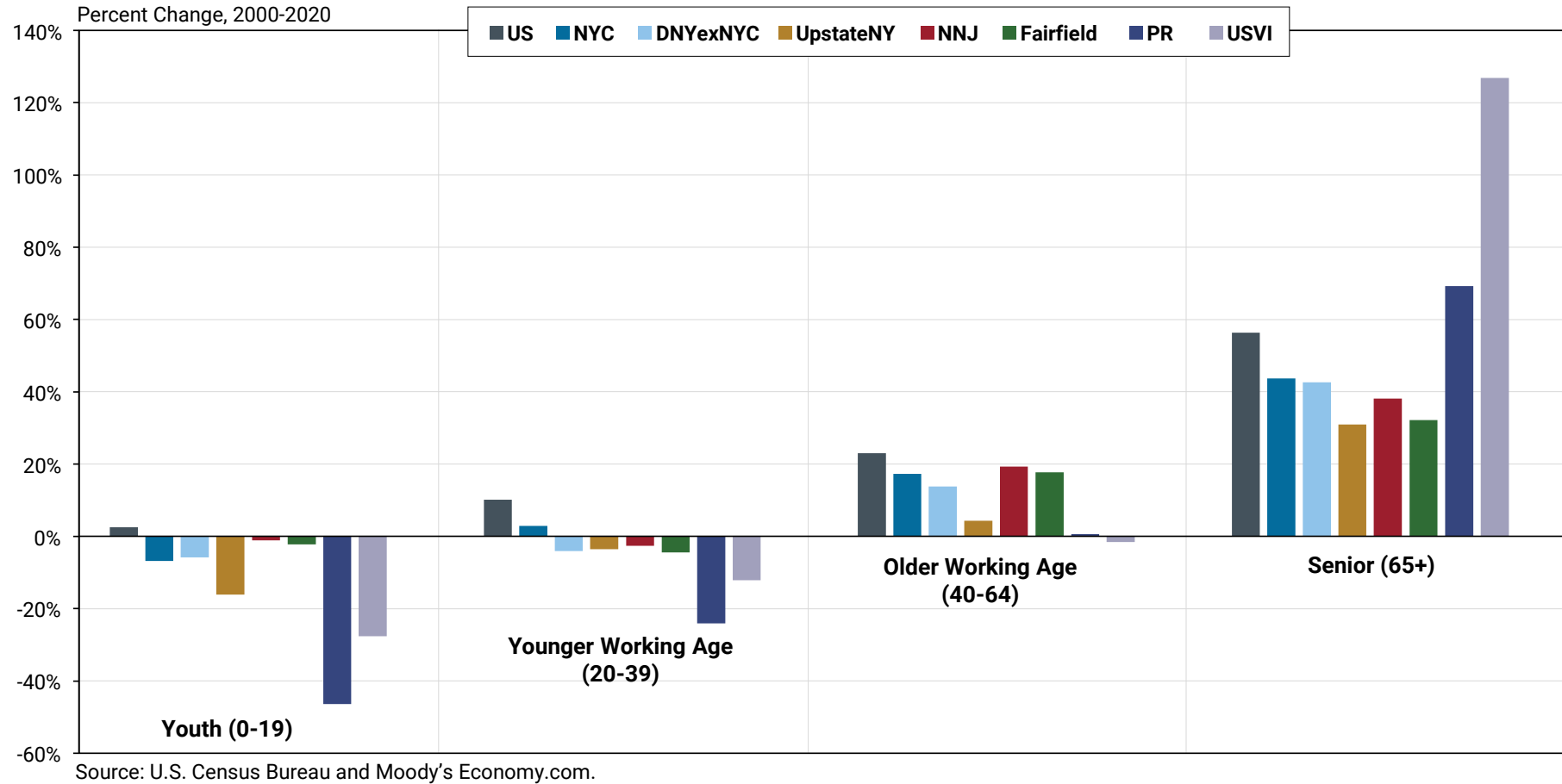
Source: U.S. Census Bureau and Moody's Economy.com.

Population Growth in the 21st Century

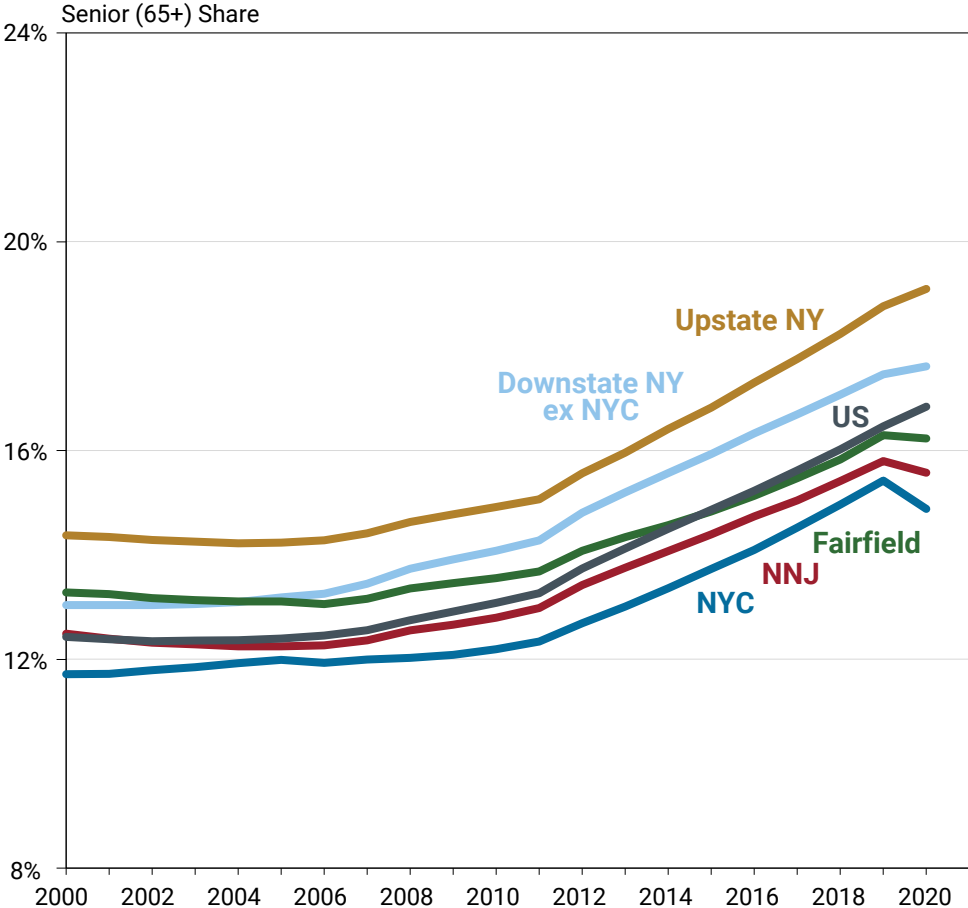


Source: U.S. Census Bureau and Moody's Economy.com.

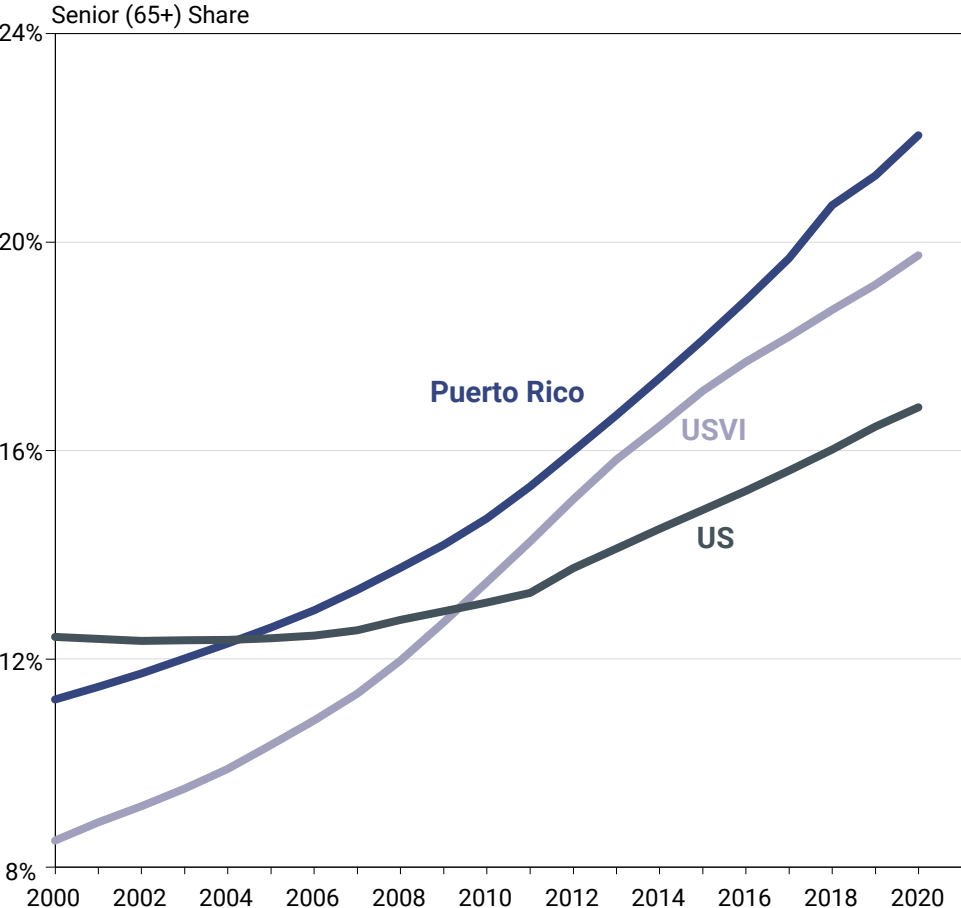
Senior Population Growing Fast Everywhere



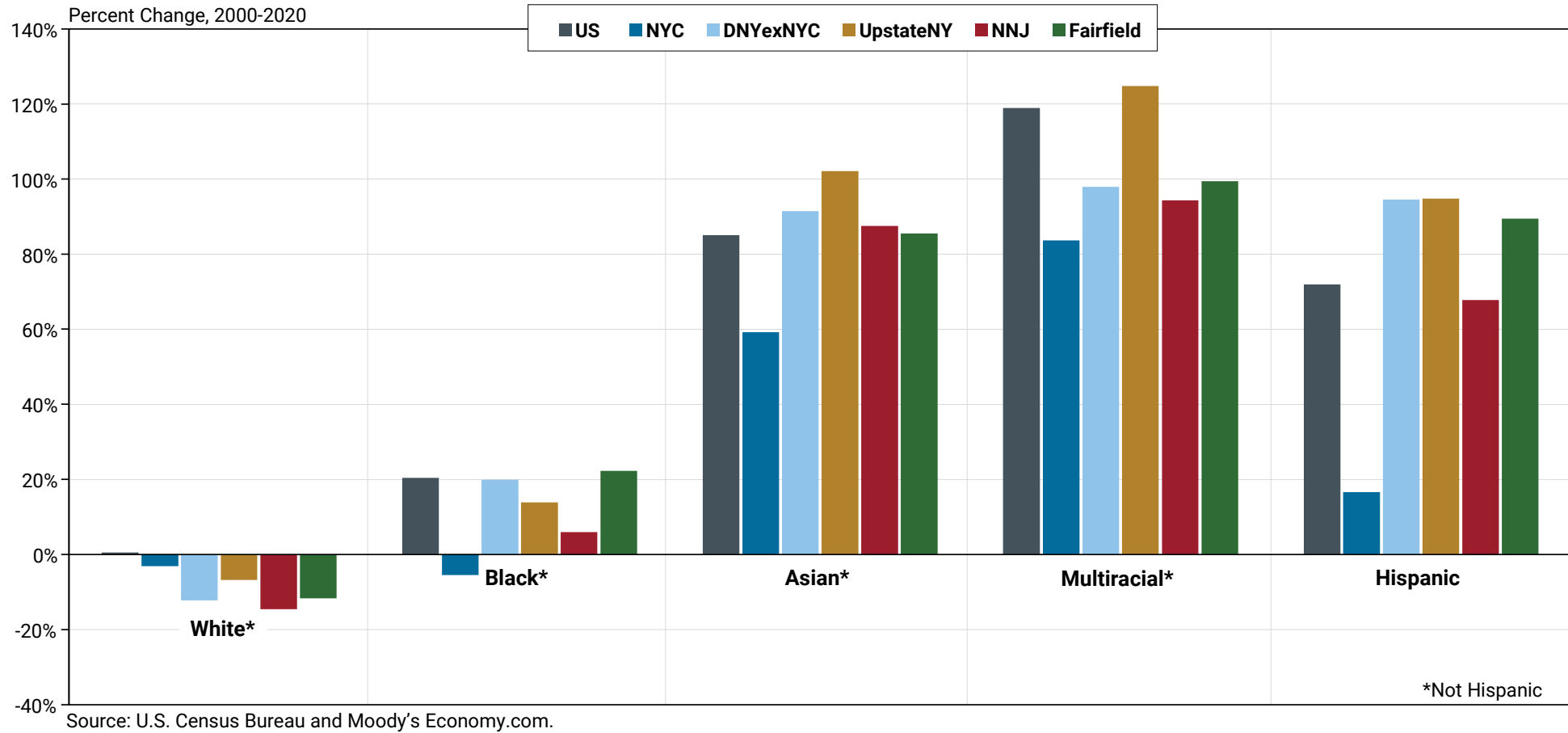
A Rapidly Aging Population



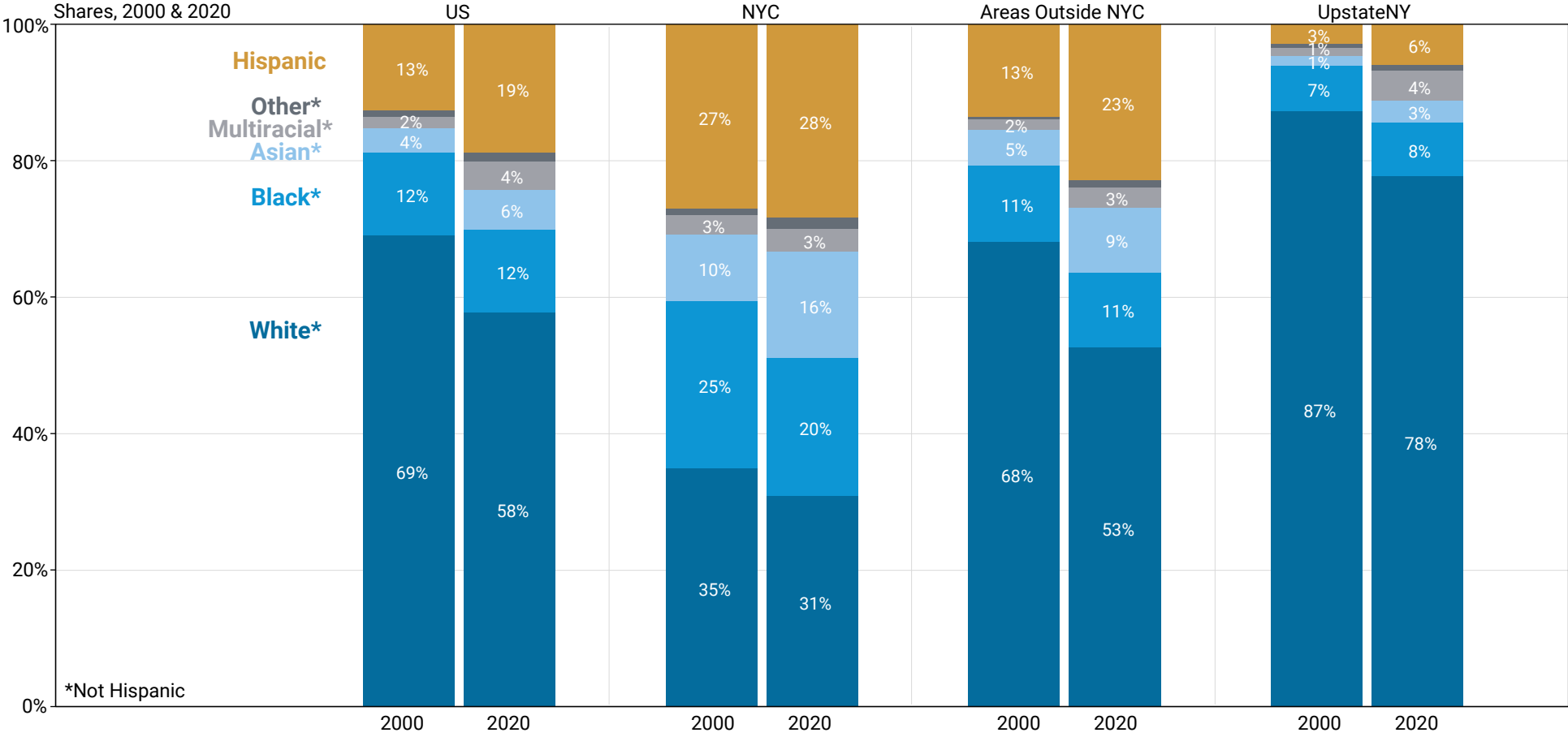
Source: U.S. Census Bureau and Moody's Economy.com.



White Population Declining in the Region

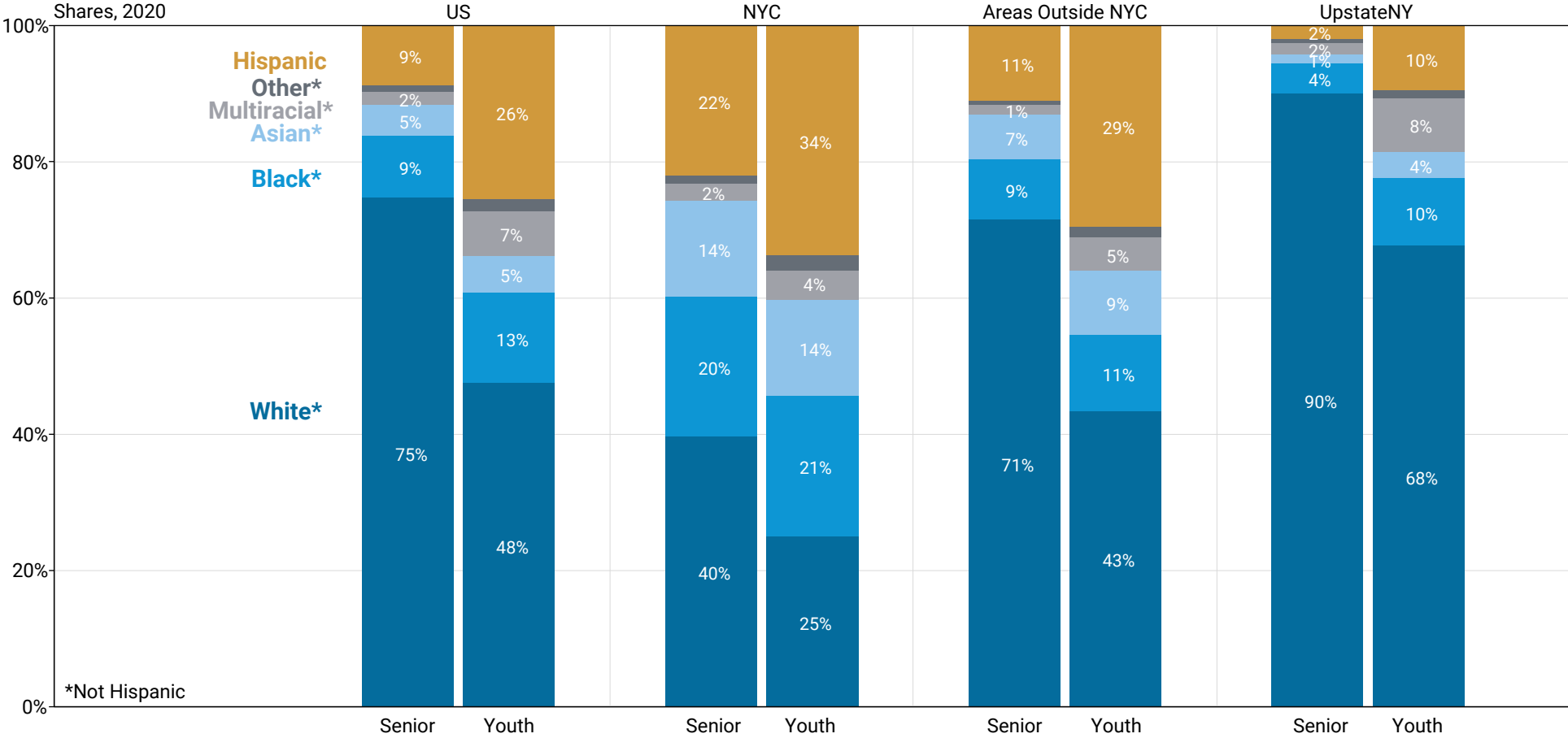


A Much More Diverse Region



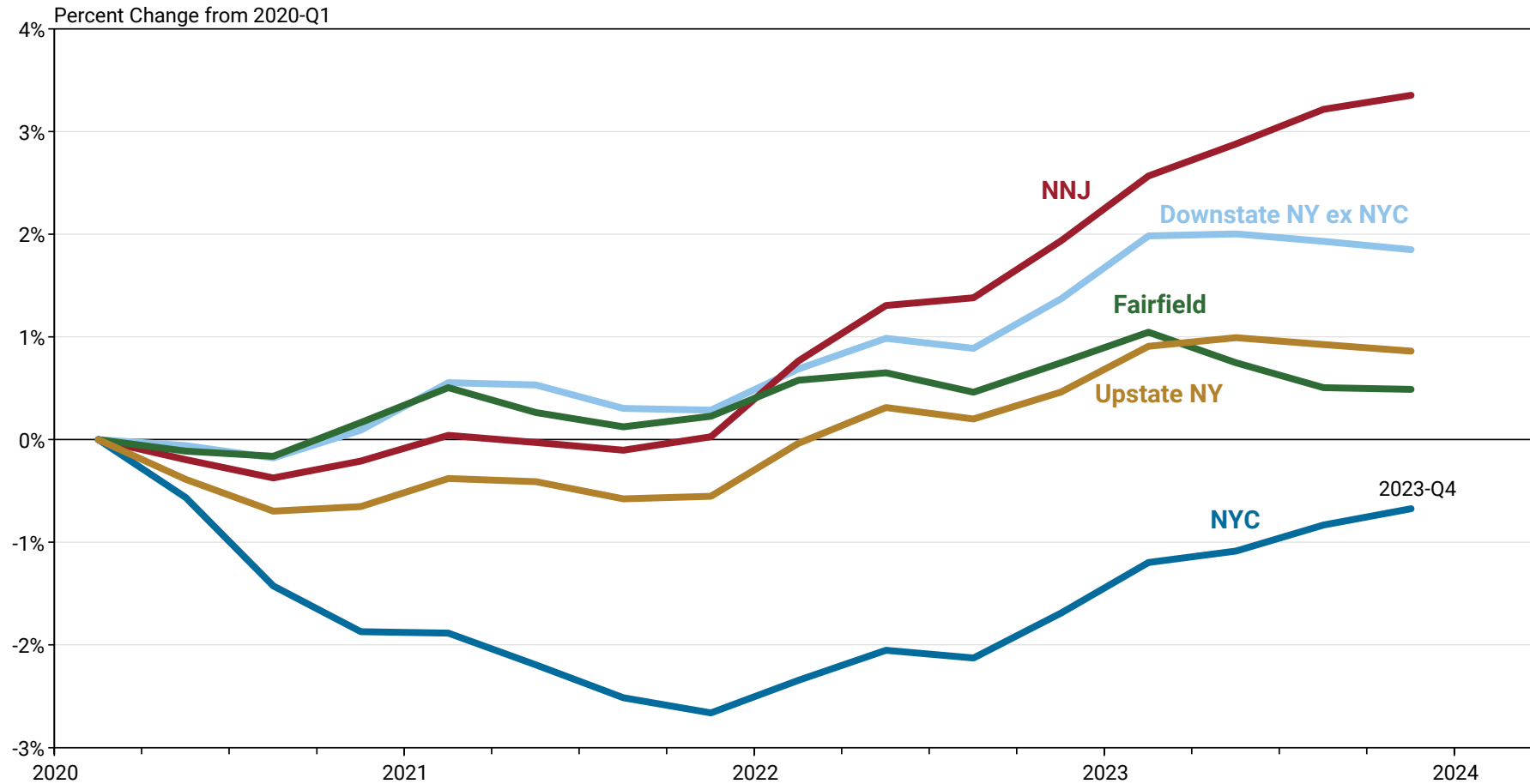
Note: Areas Outside NYC aggregates Downstate NY ex NYC, NNJ, and Fairfield CT.
 Source: U.S. Census Bureau.

A Wide Generational Diversity Gap Has Opened



Note: Areas Outside NYC aggregates Downstate NY ex NYC, NNJ, and Fairfield CT. Senior population is age 65+ and Youth population is age 0-19.
 Source: U.S. Census Bureau.

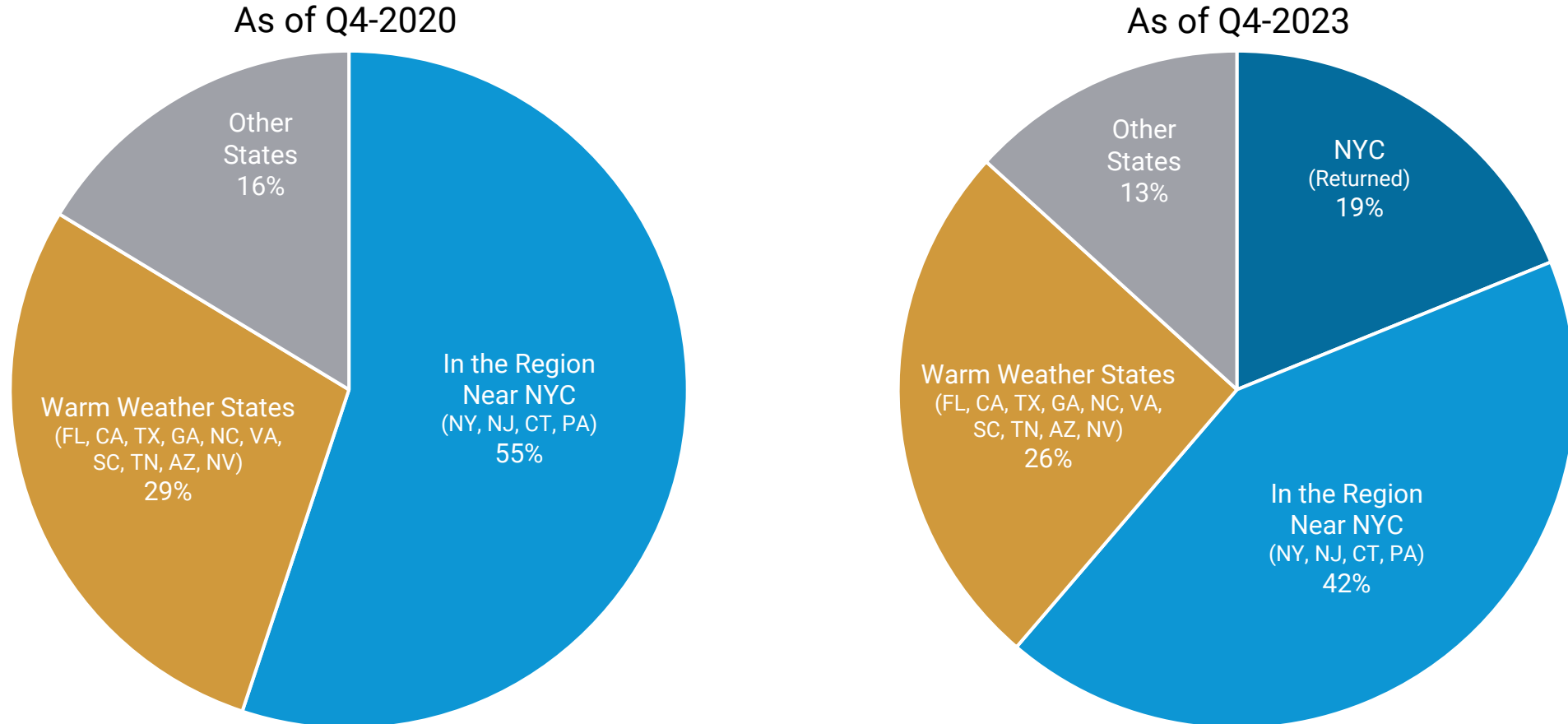
What Has Happened Since the Pandemic?



Source: New York Fed Consumer Credit Panel/Equifax, shown as two-quarter moving average.

Where Did People Go? Where Are They Now?

Location of those who left NYC during the pandemic



Source: New York Fed Consumer Credit Panel/Equifax.

Takeaways

- Population growth in the District slowed to a crawl in the 21st century and is likely to slow even further in the coming years.
- The District has become much older and more diverse in recent decades, leading to a generational diversity gap.
- The NY-NNJ region lost population after the pandemic hit—mostly due to people leaving NYC—though modest growth has now resumed.