

**Federal Reserve Bank of New York
Second District Advisory Council Meeting
Hybrid
Tuesday, October 1, 2024**

AGENDA

- | | |
|-------------------------|---|
| 10:00 a.m. – 10:05 a.m. | Welcome Remarks, Shawn Phillips, Head of External Engagement |
| 10:05 a.m. – 10:15 a.m. | Introductory Remarks, John Williams, President & CEO |
| 10:15 a.m. – 10:25 a.m. | National Economy Update, Jonathan McCarthy, Economic Research Advisor |
| 10:25 a.m. – 10:35 a.m. | Regional Economy Update, Andrew Haughwout, Director of Household and Public Policy Research |
| 10:35 a.m. – 11:00 a.m. | Member Q&A with President Williams and Economists |
| 11:00 a.m. – 11:55 a.m. | Member Insights, Shawn Phillips, Head of External Engagement, Moderator |
| 11:55 a.m. – 12:00 p.m. | Concluding Remarks, John Williams, President & CEO |

**Second District Advisory Council Meeting
Tuesday, October 1, 2024**

Discussion Questions

1. How has your business fared in recent months?
2. Since mid-year, have economic conditions improved, weakened, or stayed the same?
 - Regarding labor, have you made or are you contemplating any changes to your workforce? Are there workforce or skills gaps that are affecting your business?
 - Regarding prices, have you experienced any changes in costs and/or modified your own pricing in the past few months?
3. What is your outlook for the rest of 2024 and 2025?

**Second District Advisory Council Meeting
Tuesday, October 1, 2024**

Attendee List - Hybrid

SDAC Members

In-Person

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

Sarah LaFleur
Founder & CEO
M.M. LaFleur

Jaswinder Chadha
President & CEO
Axtria, Inc.

Nicole Russo
Owner, President & CEO
Microboard Processing, Inc.

Gary Dake
President & CEO
Stewart's Shops Corporation

Virtual

Donnel Baird
Founder & CEO
BlocPower

Izzy Martins
Executive Vice President and
Chief Financial Officer
Avis Budget Group

Federal Reserve Bank of New York

Andrea Grenadier, Communications & Outreach
Andrew Haughwout, Research & Statistics
Tiffany Hewlin, Corporate Secretary
Jack Gutt, Communications & Outreach
Jonathan McCarthy, Research & Statistics
Rosanne Notaro, Legal
Shawn Phillips, Communications & Outreach
John Williams, President & CEO



FEDERAL RESERVE BANK *of* NEW YORK

U.S. Economic Conditions

Jonathan McCarthy, Economic Research Advisor, Research and Statistics Group
Second District Advisory Council: October 1, 2024

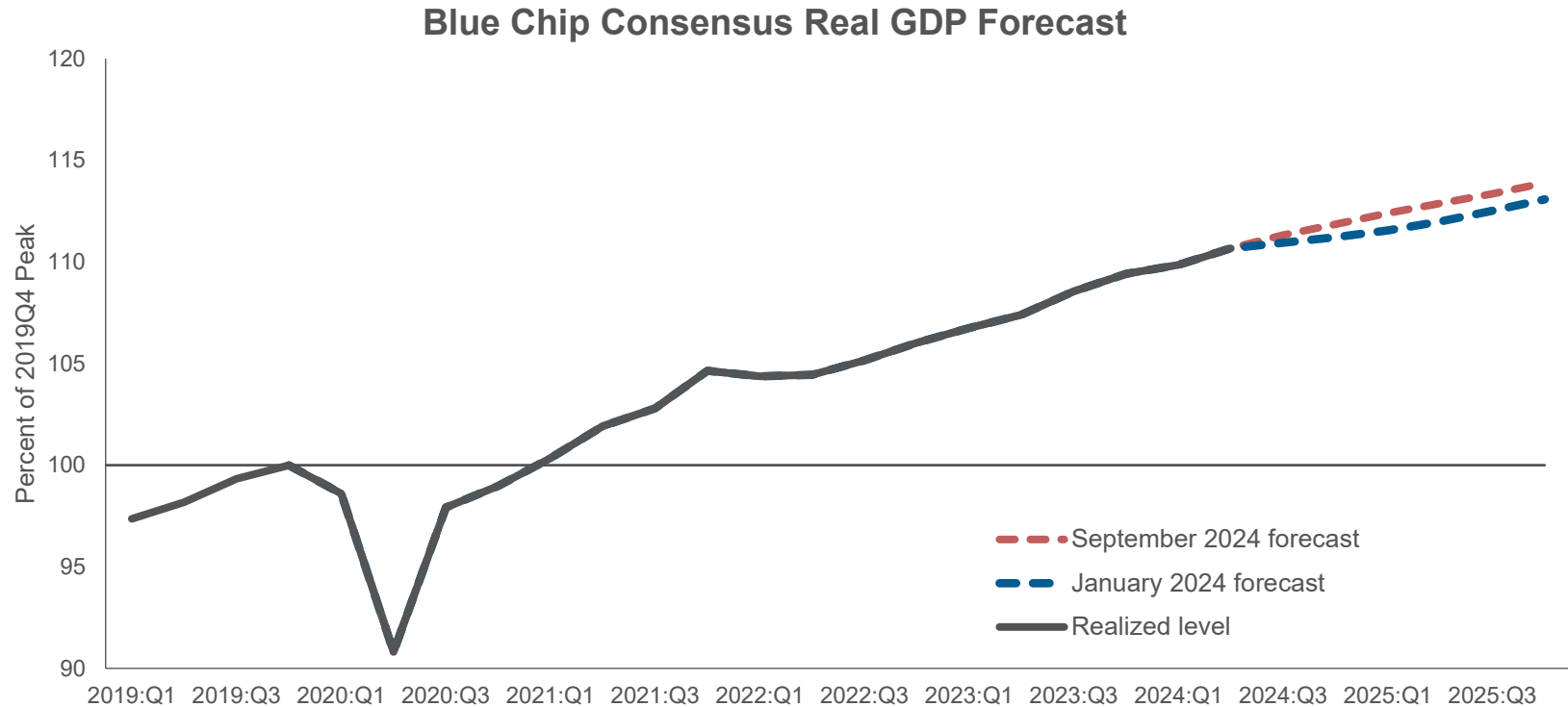
The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

Overview

- After a strong 2023, real GDP growth slowed in 2024H1 but was still solid.
- The labor market is sound, even though labor market conditions have softened in recent months.
- After a bump up in 2024Q1, inflation again is slowing gradually, but it remains above the FOMC goal.



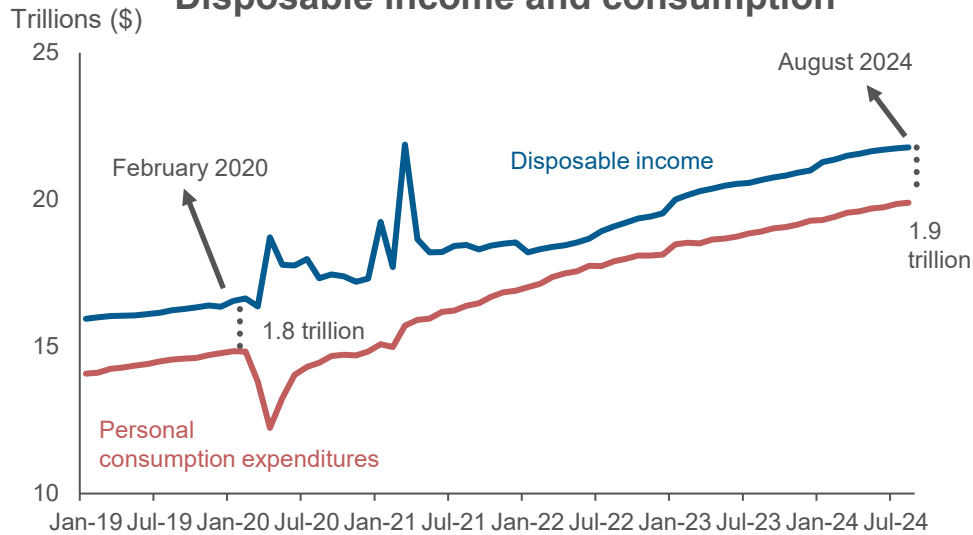
GDP growth was solid in 2024H1



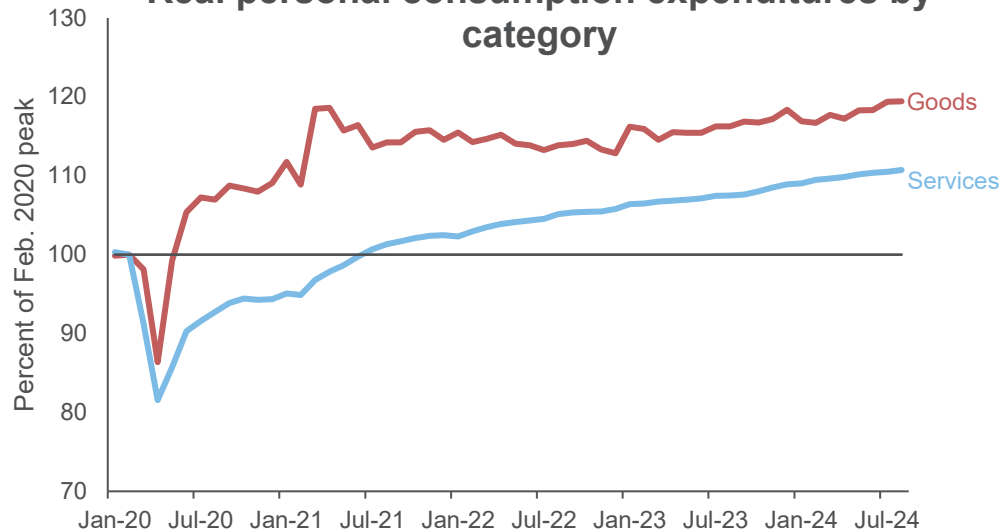
- Real GDP grew at about a 2¼% rate in the first half.
- Final expenditures have been resilient so far this year.
- Since January, private growth forecasts have moved higher.

Consumer spending remains resilient

Disposable income and consumption



Real personal consumption expenditures by category



- Consumption increased solidly through August.
- Saving rate was 4.8% in August, modestly below pre-pandemic levels.
- Real goods spending is well above pre-pandemic levels.
- Real services spending are moderately above pre-pandemic levels.
- Services share of nominal consumer spending is near its pre-pandemic share.

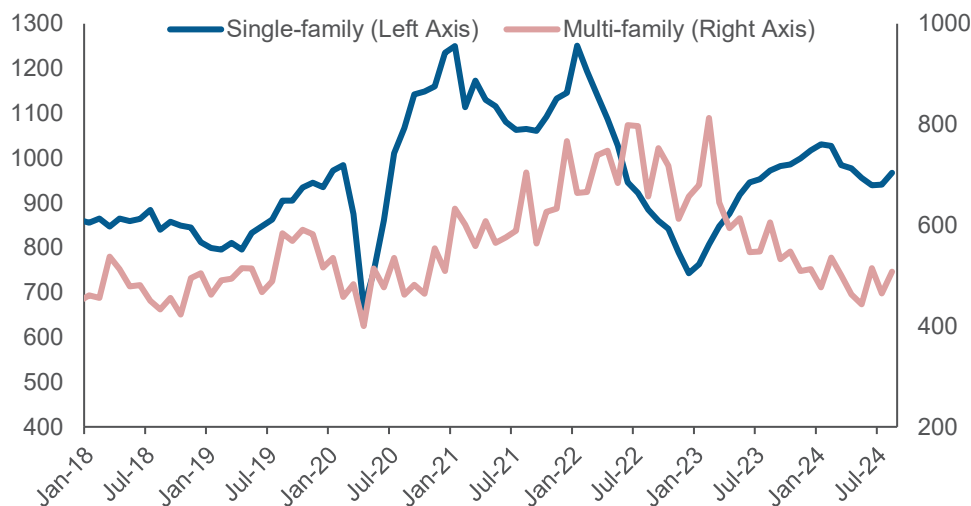
Housing market remains soft

Home Sales (thousands)



- Even with recent falls in mortgage rates, affordability is strained.
- Also hindered by limited supply, existing home sales are very weak.

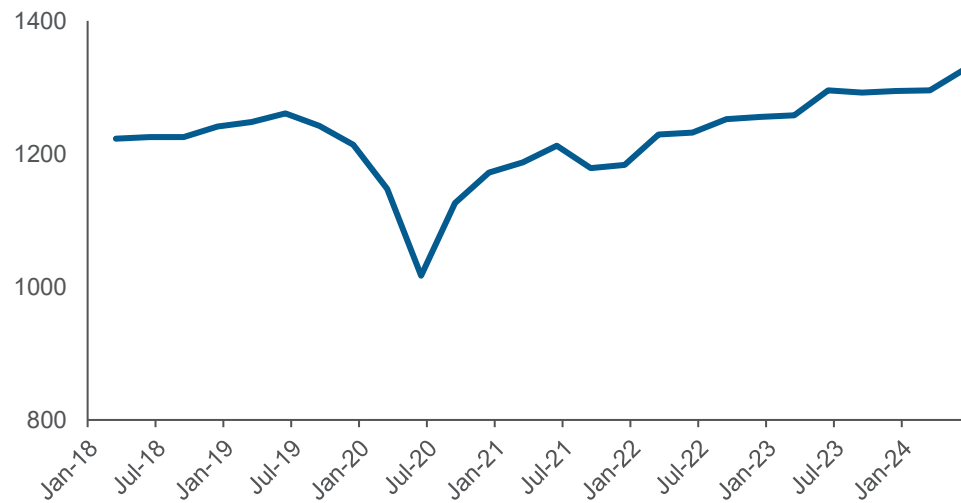
Residential building permits (thousands)



- Single-family home building slowed some in recent months with sales showing more weakness.
- Multi-family building activity stabilized, but at levels below those of recent years.

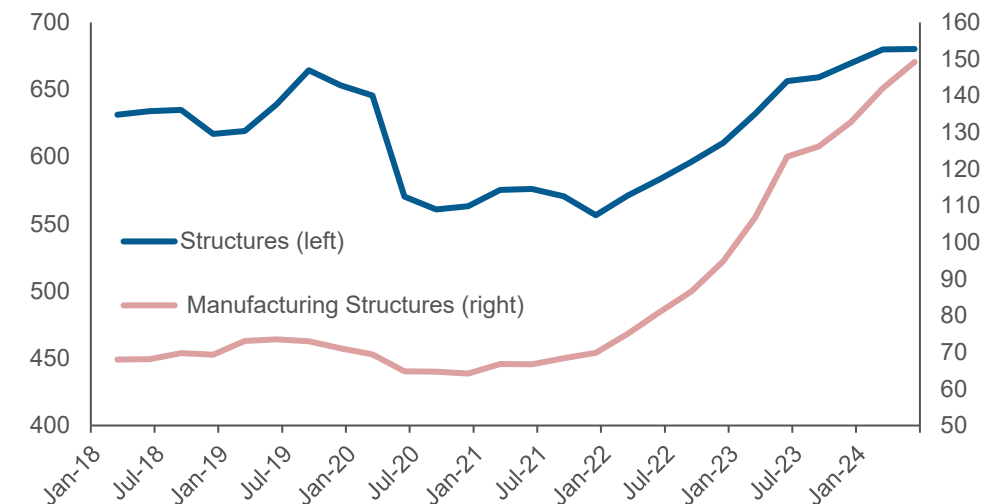
Business investment composition shifted again

Real Equipment Investment (bil. of 2017\$)



- Real spending on business equipment rebounded strongly after the pandemic.
- It was flat from mid-2022 to early this year but picked up again so far this year.

Real Structures Investment (bil. of 2017\$)

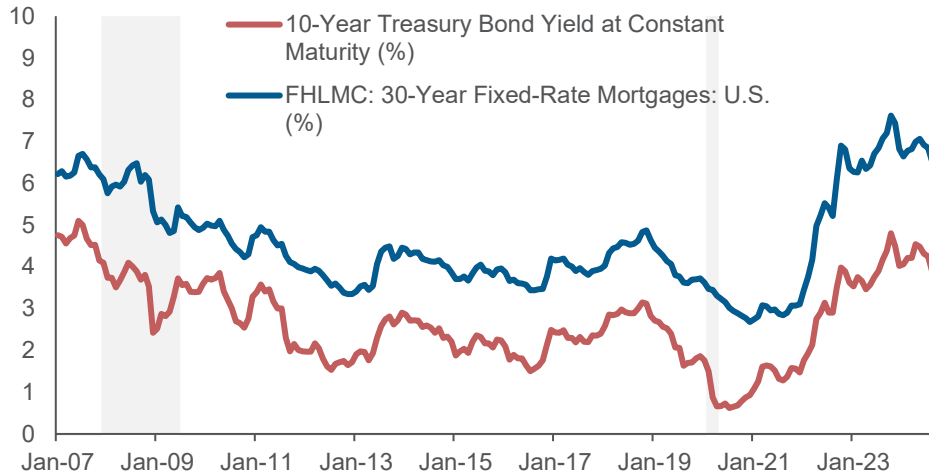


- Real spending on business structures rose strongly in 2022H2 and 2023.
- A surge in manufacturing structures was a factor.
- It has flattened at a high level so far this year.

Financial and credit conditions have eased

Corporate bond yields and interest rates

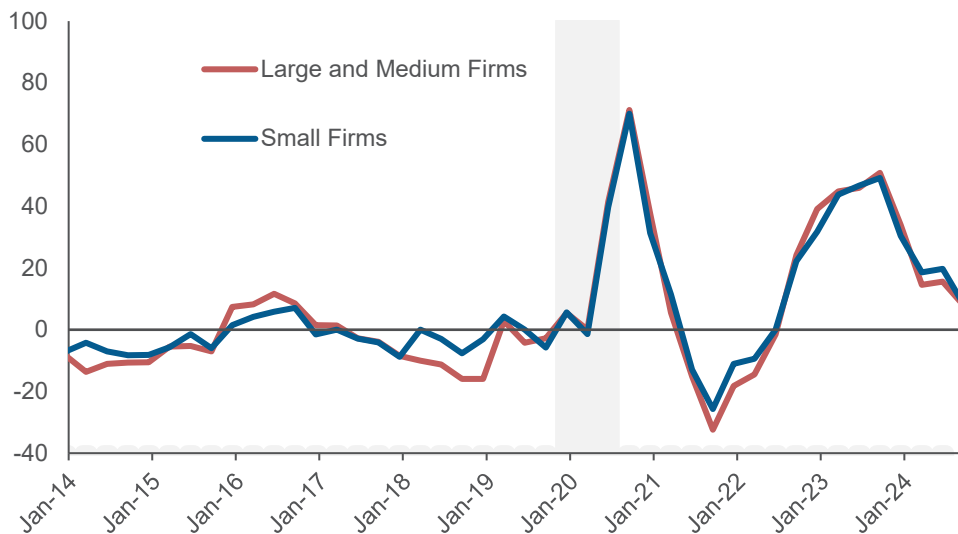
Percent



- Long-term Treasury yields and mortgage rates have fallen recently to levels seen in the first half of 2023.

Standards for C&I Loans to:

Percent

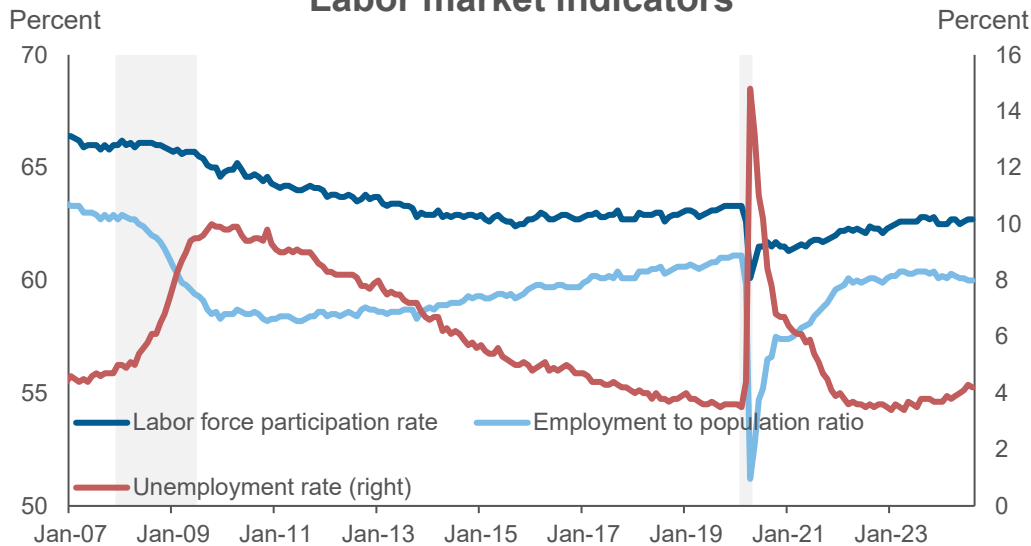


- The net percentage of banks stating that they are tightening standards for C&I loans to firms has fallen and is now only moderately elevated.



Labor market conditions softened, but still solid

Labor market indicators



- Unemployment rate was 4.2% in August.
- Participation somewhat below pre-pandemic levels.
- Job growth slower: 3-month average was 116,000 in August.

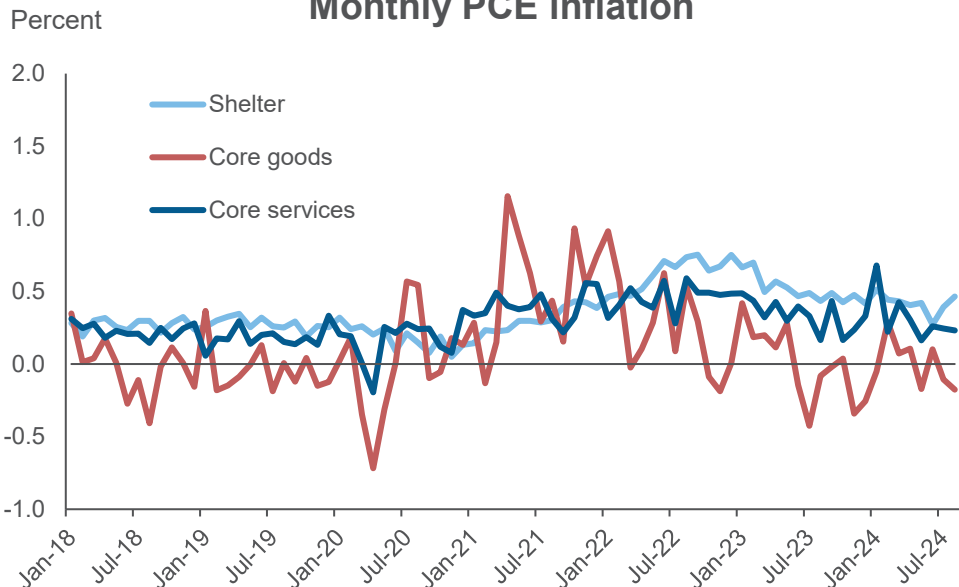
Labor market tightness and wage growth



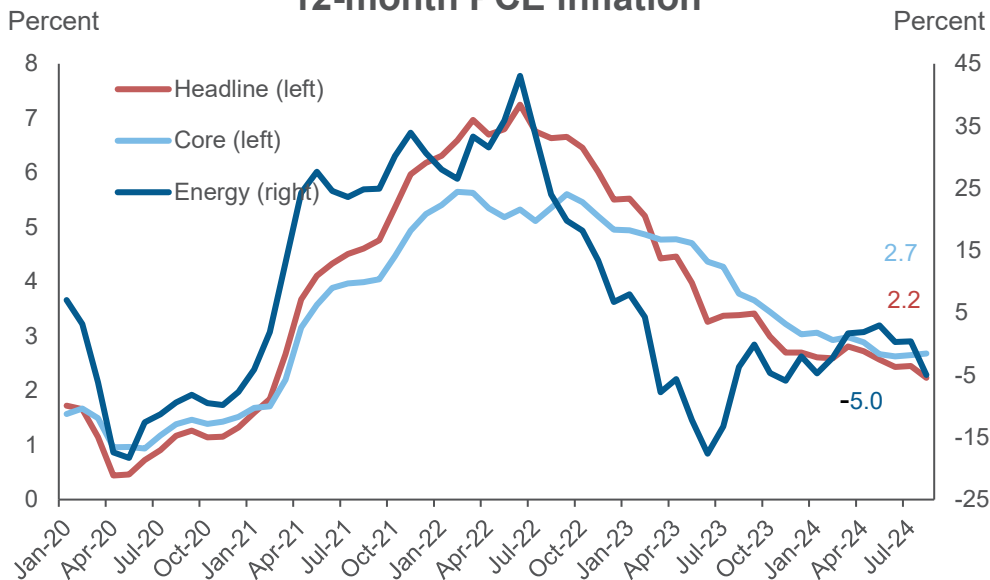
- Even with easing, there are still more job openings than people looking for work.
- Wage growth continued to moderate but is still above pre-pandemic rates.

Inflation slowed after a hotter Q1

Monthly PCE inflation



12-month PCE inflation



- Core goods prices changed little so far in 2024, as supply chain issues dissipated.
- Core services inflation has slowed in 2024 but is still elevated.
- Ex-food & energy (core) inflation has slowed in 2024 and is now 2.7%.
- Headline inflation is lower than core, reflecting a recent fall in energy prices and lower food inflation.



Concluding observations

- Economic activity increased solidly in 2024H1.
- The labor market is less tight than in 2019 but is still in sound shape.
- Inflation moderating but remains above 2 percent.
- Risks to achieving inflation and employment goals are now in balance.



FEDERAL RESERVE BANK *of* NEW YORK

Economic Conditions in the Second District

Andrew Haughwout

Second District Advisory Council, October 1, 2024

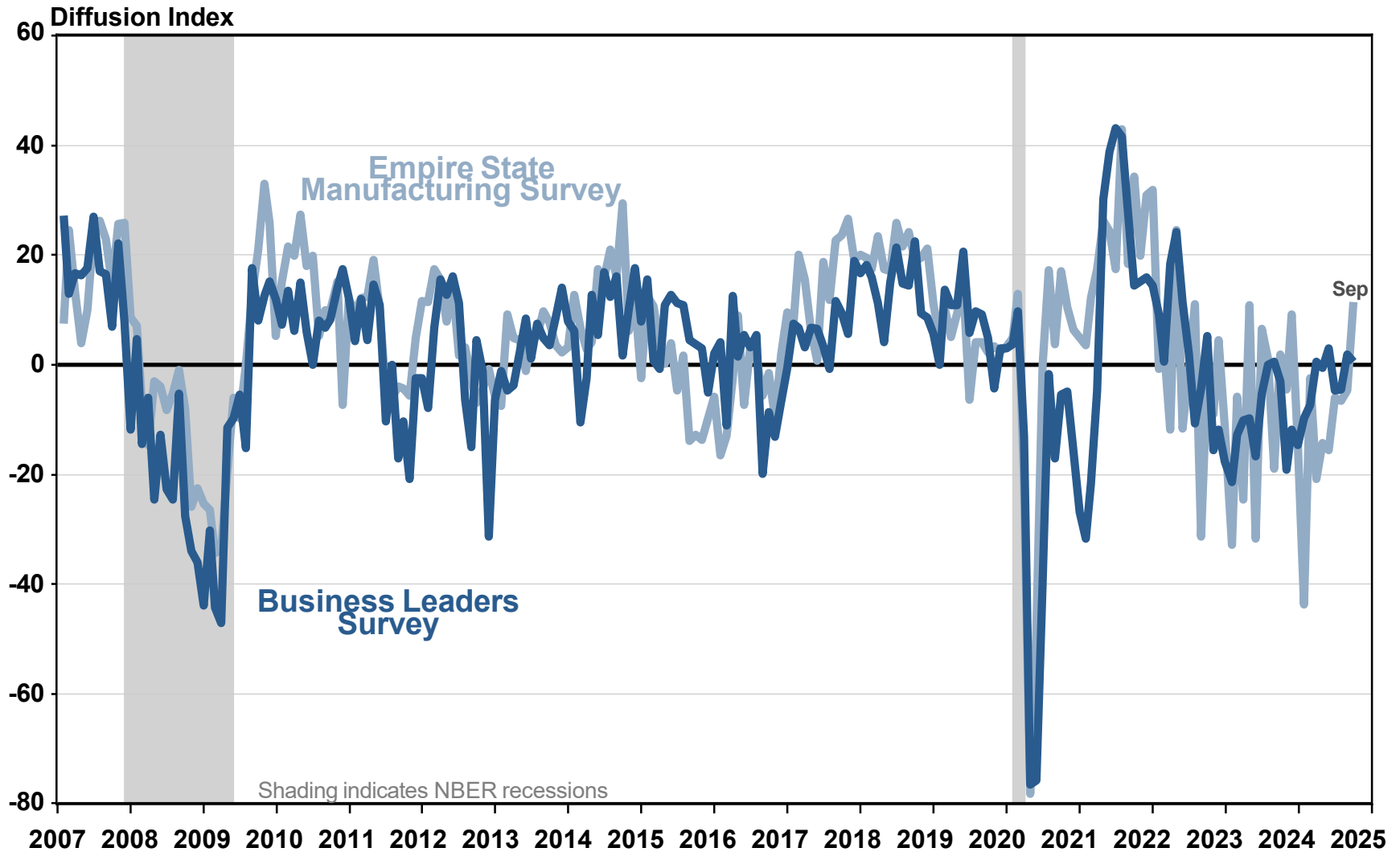
The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

Overview

- Business activity is flat to growing slowly in the region.
- Employment growth is slowing across most parts of the region.
- The region's housing markets remain very tight, while household debt performance in the region has been weakening over the last two years.

Current Economic Conditions

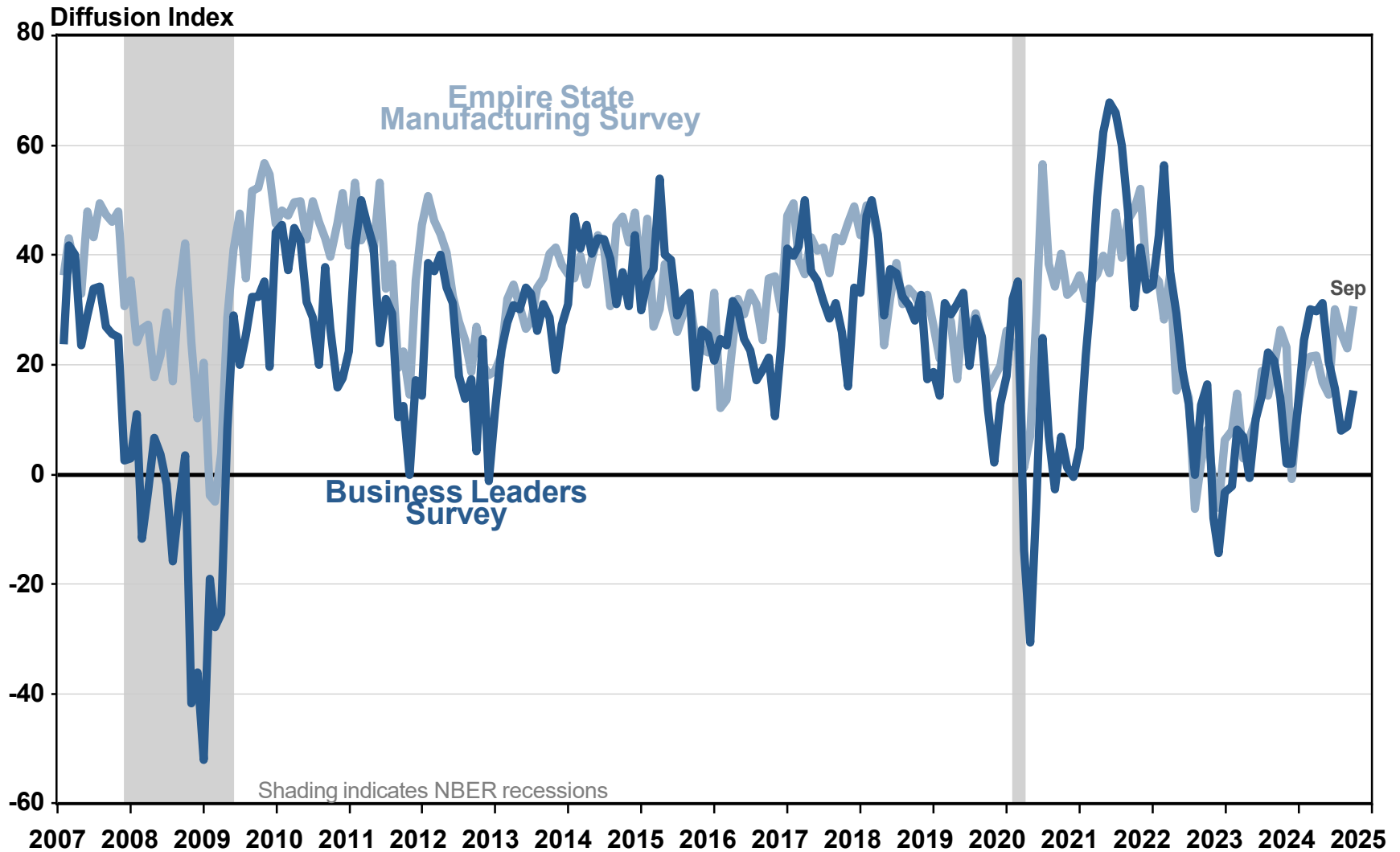
FRBNY Business Surveys, Current Conditions



Source: Federal Reserve Bank of New York.

Future Economic Conditions

FRBNY Business Surveys, Conditions Six Months Ahead

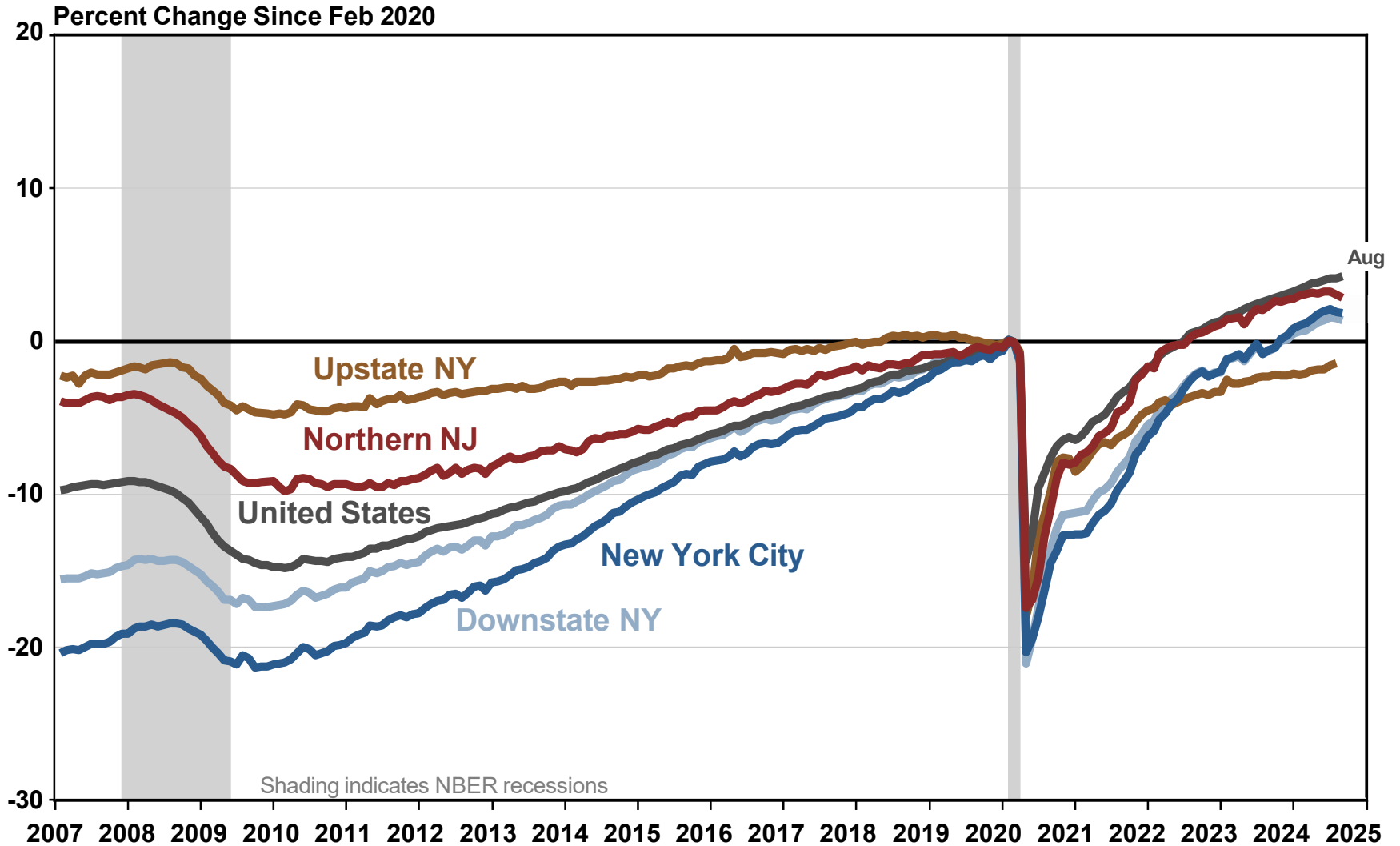


Shading indicates NBER recessions

Source: Federal Reserve Bank of New York.

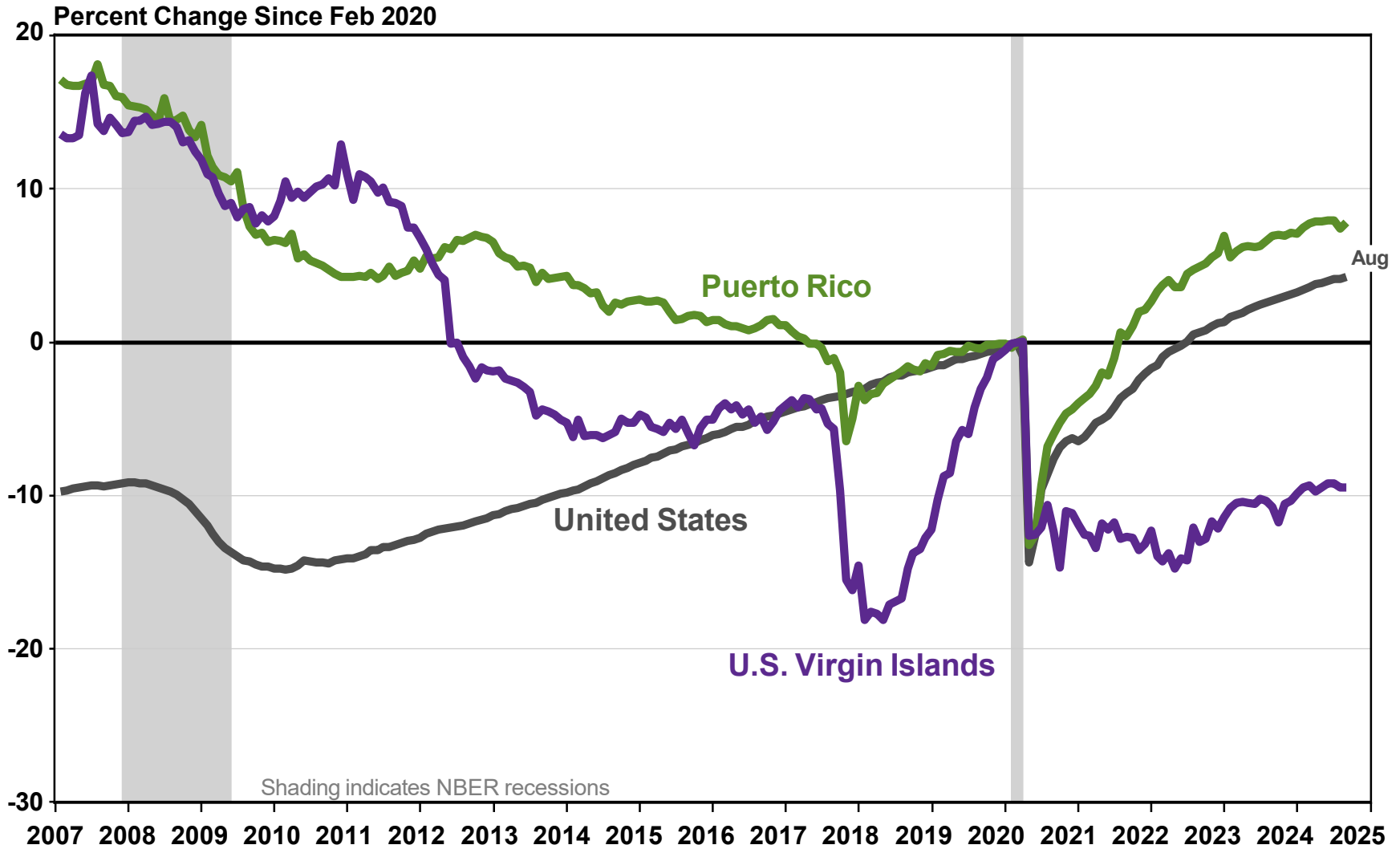
Total Employment Growth in NY-NNJ

Seasonally Adjusted Index



Total Employment Growth in PR & USVI

Seasonally Adjusted Index



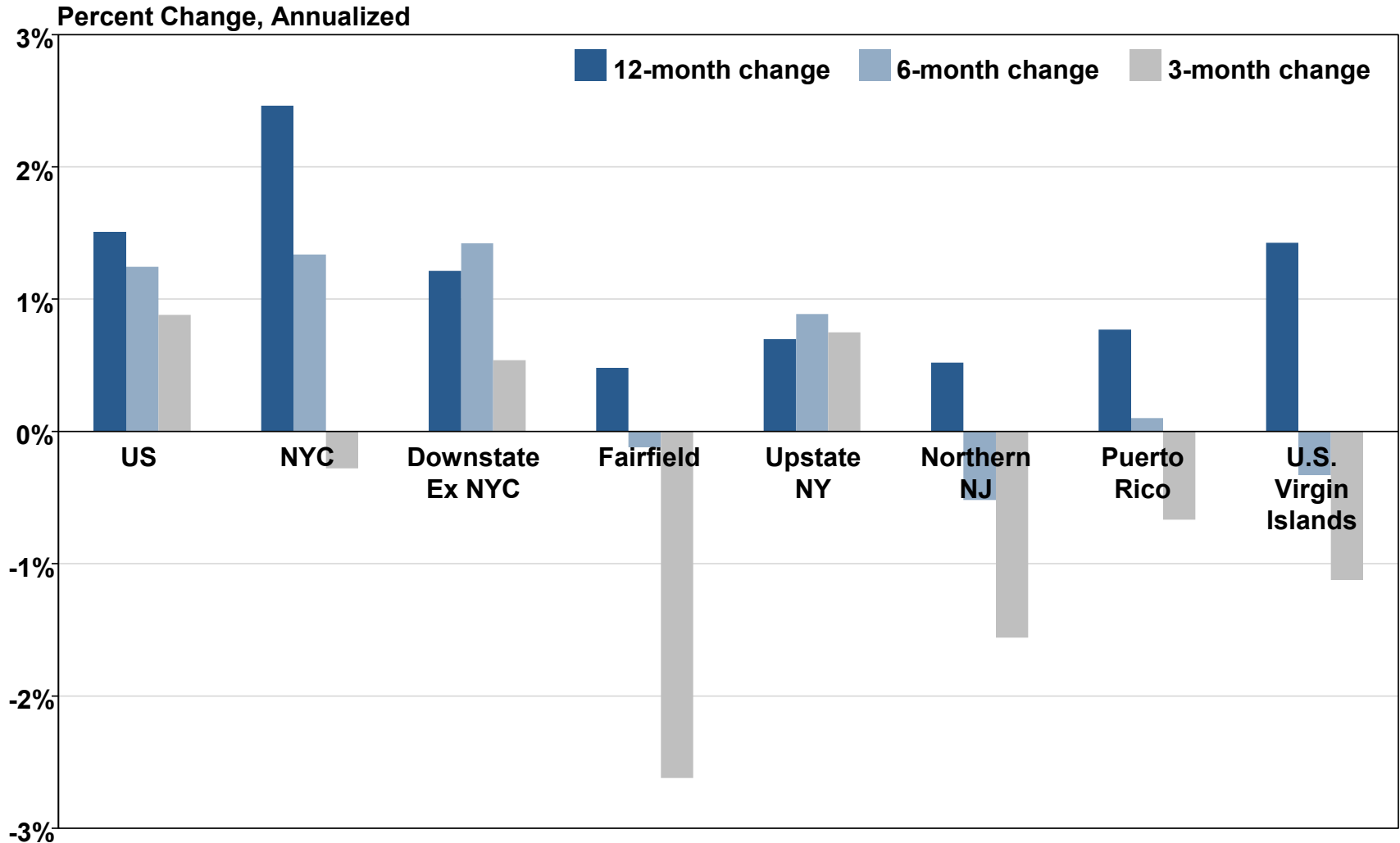
Shading indicates NBER recessions

Aug

Source: Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by FRBNY staff.

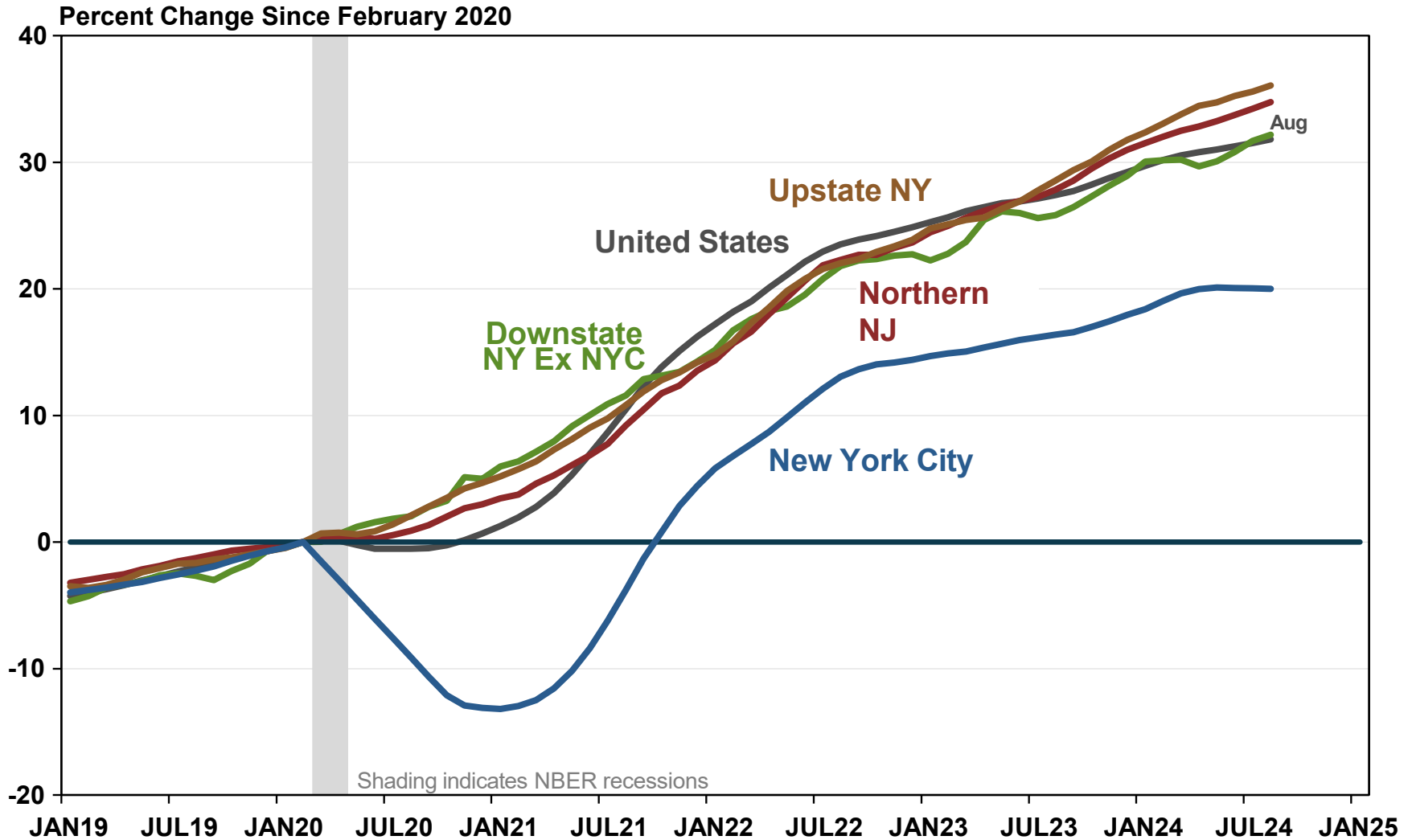
Employment Growth Slowing

Percent Change at 3 Horizons, August 2024



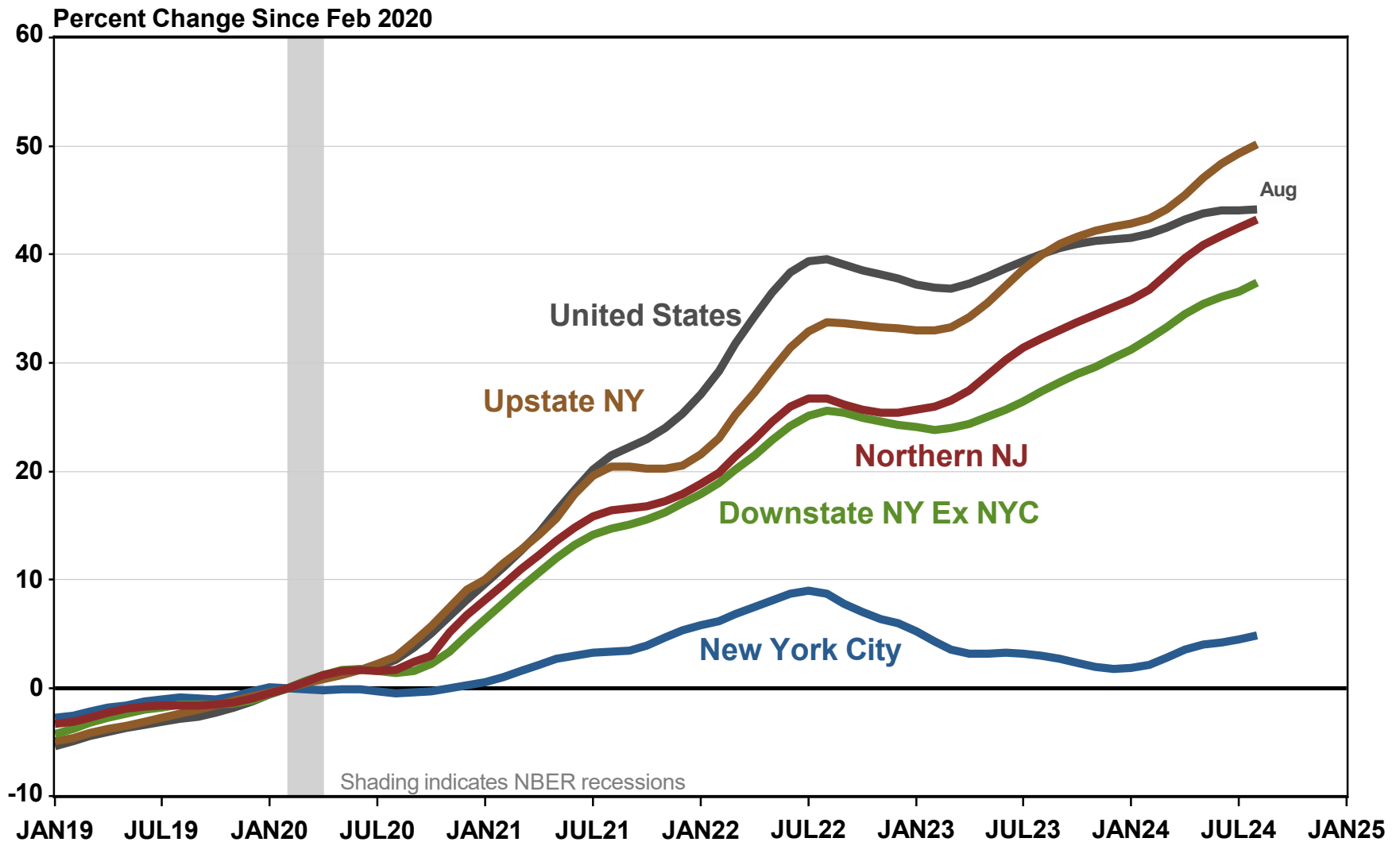
Rent Increases in the Region

Percent Change in Rental Prices Since Feb 2020



Home Price Increase in the Region

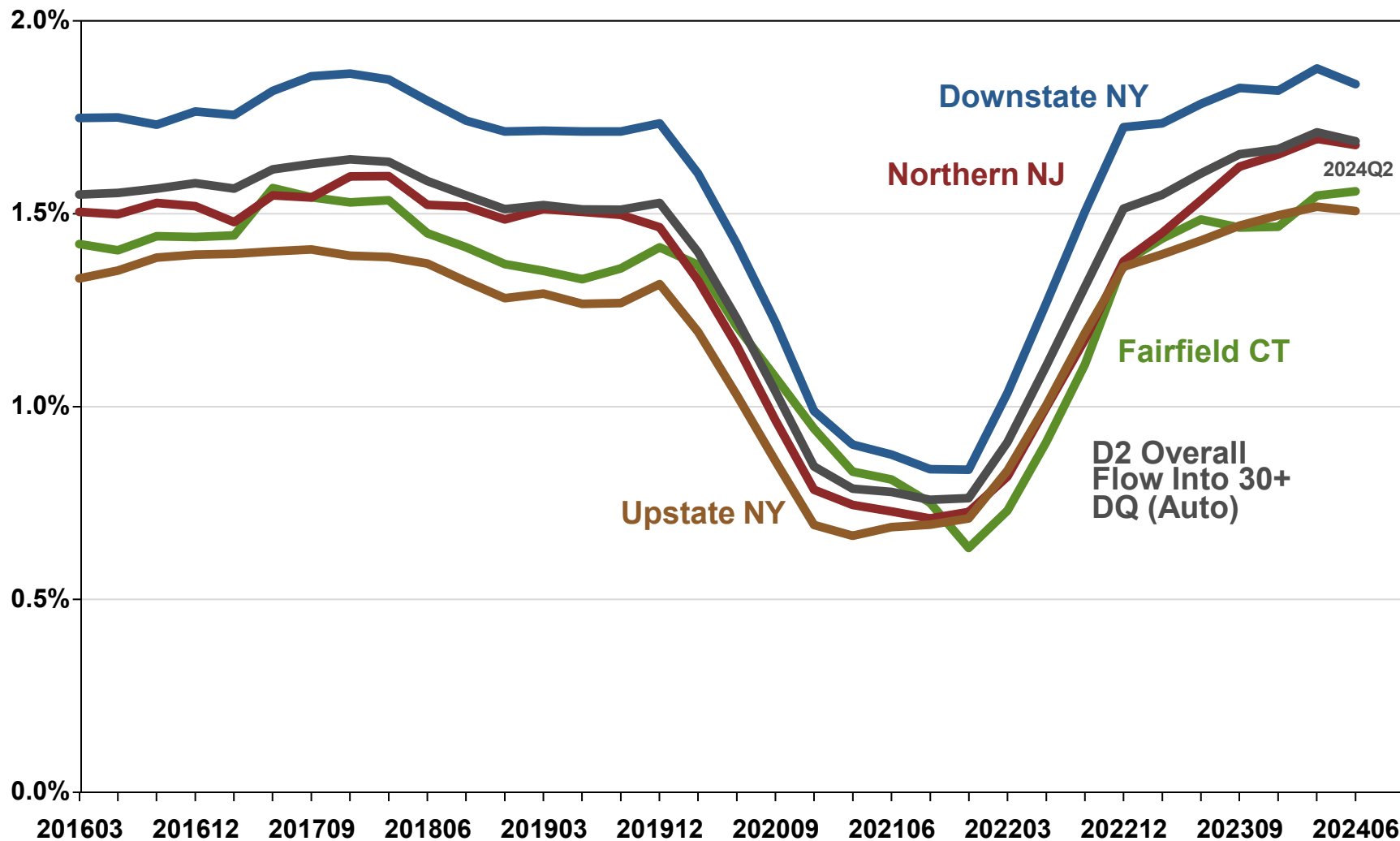
Percent Change in Home Prices Since Feb 2020



Shading indicates NBER recessions

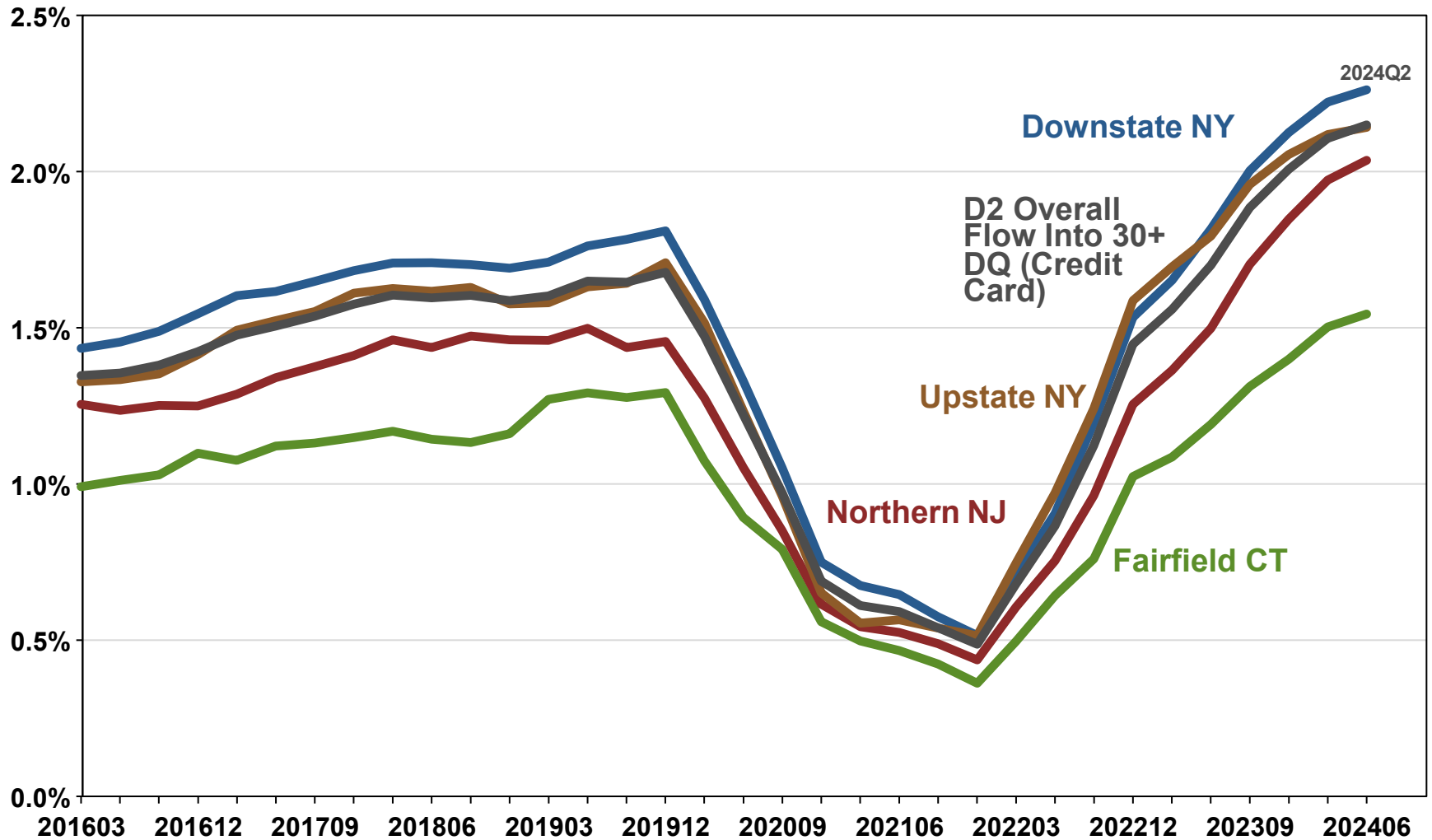
Newly Delinquent Auto Loans in the Region

Percent Transitioning Into 30+ Days Delinquent, 4Q MA



Newly Delinquent Credit Cards in the Region

Percent Transitioning Into 30+ Days Delinquent, 4Q MA



Summary

- The region's economy is growing slowly.
- Job growth is slowing noticeably in the region.
- Housing prices and rent continue to pressure household budgets.