Federal Reserve Bank of New York
Second District Advisory Council Meeting
Monday, October 6, 2025

AGENDA

10:00 a.m. – 10:05 a.m.	Welcome Remarks, 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, Hunter Clark, Economic Policy Advisor
10:20 a.m. – 10:30 a.m.	Regional Economy Update, Jaison Abel, Economic Research Department Head
10:30 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

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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 is your outlook for the rest of 2025 and beyond?

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Attendee List

SDAC Members

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

Gary Dake
President & CEO
Stewart's Shops Corporation

John B. Gibson
President & CEO
Paychex

Wetteny Joseph
Executive Vice President
& Chief Financial Officer
Zoetis

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

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

Federal Reserve Bank of New York
Jaison Abel, Research and Statistics
Hunter Clark, Research and Statistics
Andrea Grenadier, Communications & Outreach
Tiffany Hewlin, Corporate Secretary
Jack Gutt, Communications & Outreach
Rosanne Notaro, Legal
Shawn Phillips, Communications & Outreach
Alexandra Rubin, Communications & Outreach
John Williams, President & CEO

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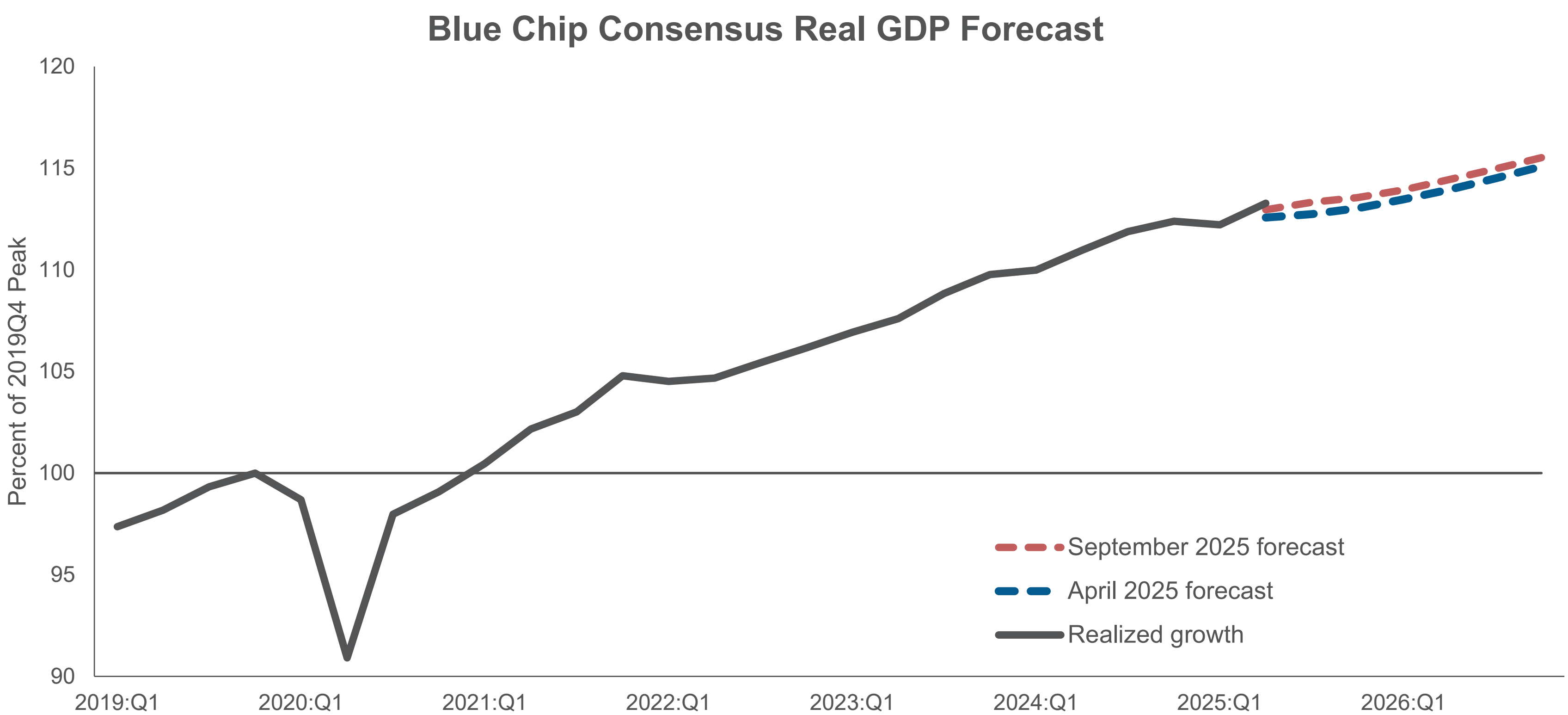
U.S. Economic Conditions

Hunter Clark, Economic Policy Advisor, Research and Statistics Group
Second District Advisory Council: October 6, 2025

Overview of economic conditions

- Real GDP growth this year has moderated from a solid 2024.
- Labor market conditions have cooled gradually and are around 2017 levels.
  - Subdued job gains due to lower labor demand and supply.
- Inflation continues to run above the FOMC goal but tariff passthrough has been somewhat muted.

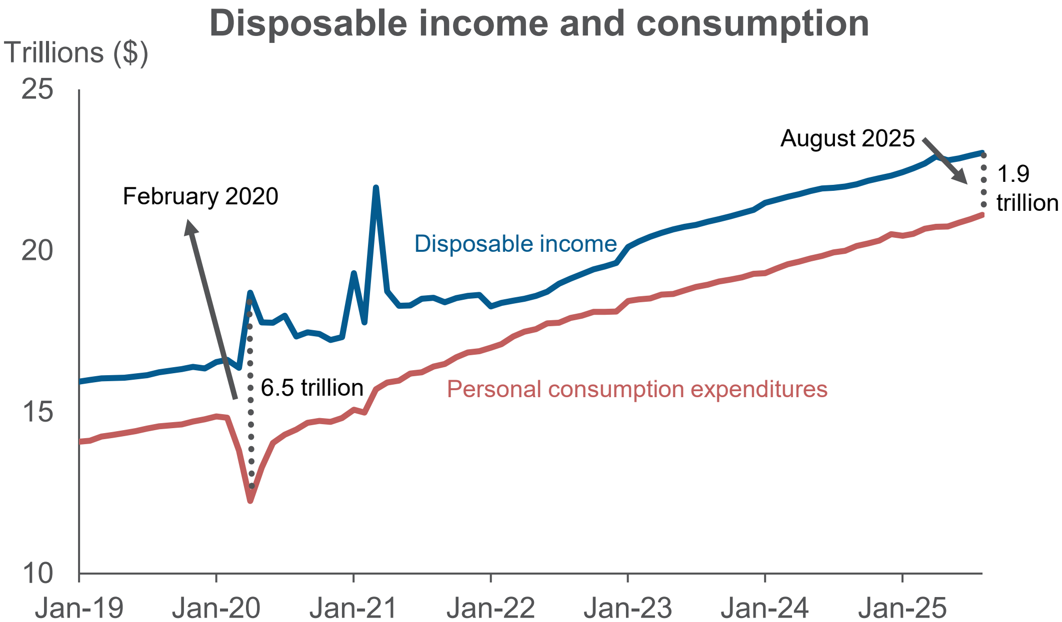
GDP growth slowed in H1 2025

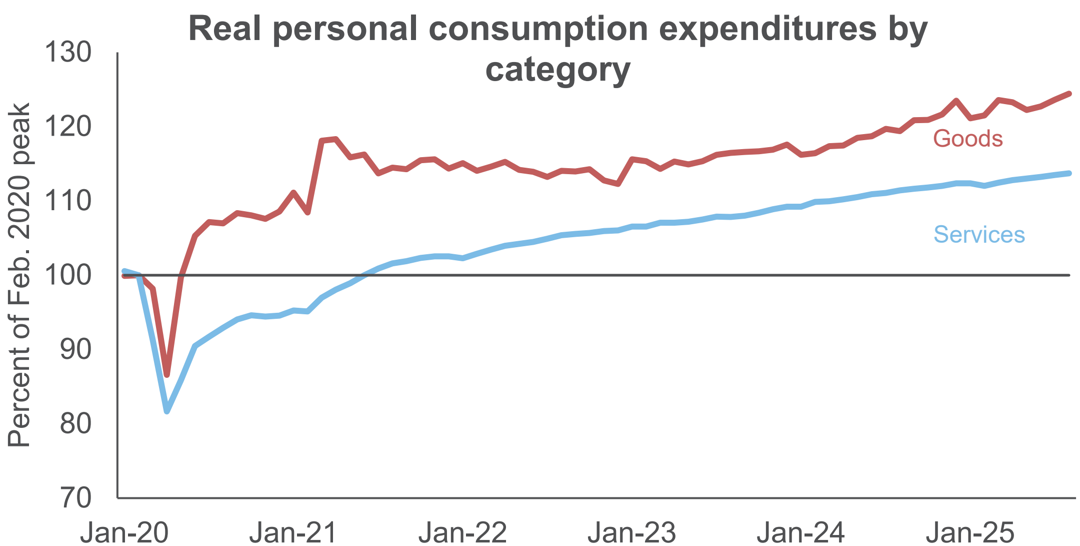


- Real GDP fell in Q1 but rebounded in Q2.
- Excluding swings in net exports, growth of final sales was quite strong in both quarters.
- Since April, private forecasts moved a bit higher.

Sources: Bureau of Economic Analysis, Blue Chip Economic Indicators

Solid consumption growth in 2025

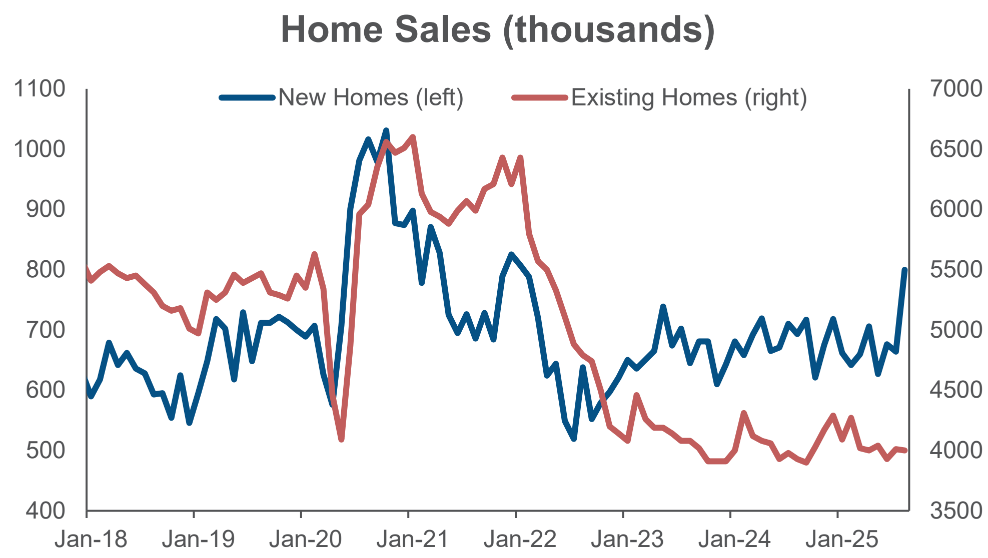


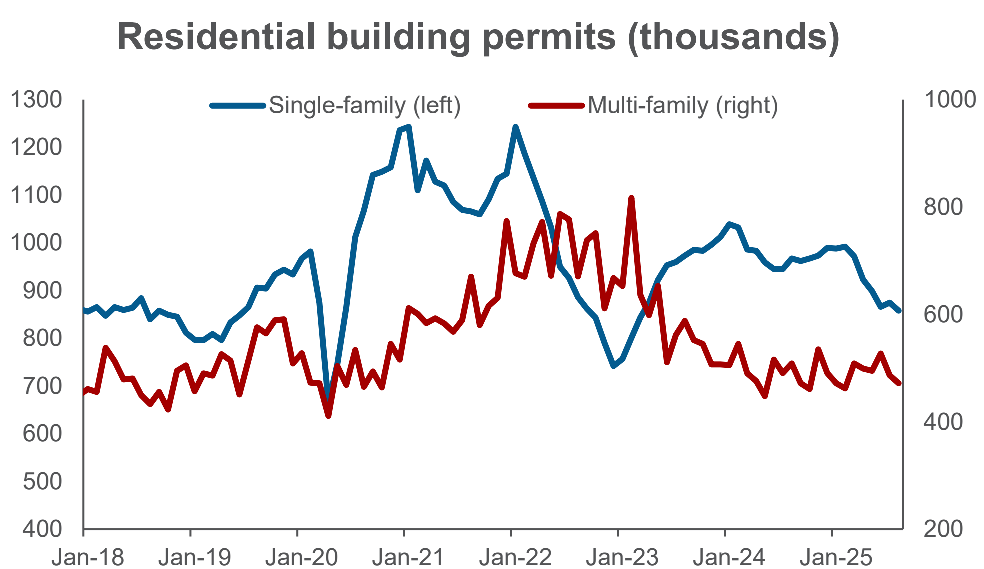


- Consumption growth sped up through Q2 into August.
- Saving rate fell from 5.3% in Q2 to 4.6% in August—still below pre-pandemic levels.
- Real goods spending has slowed from torrid pace of late last year.
- Services expenditures have been more steady.

Source: Bureau of Economic Analysis via Haver Analytics.

Housing market activity roughly flat



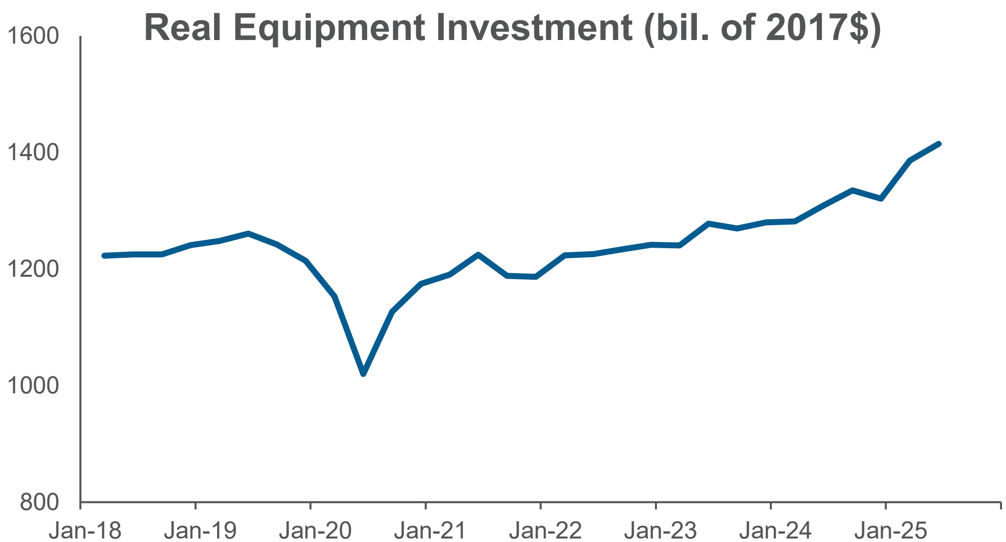


- Affordability remains strained despite decline in mortgage rates.
- Hindered also by limited supply, home sales were weak in 2024 and remain so.
- New and pending home sales jumped in August, however.

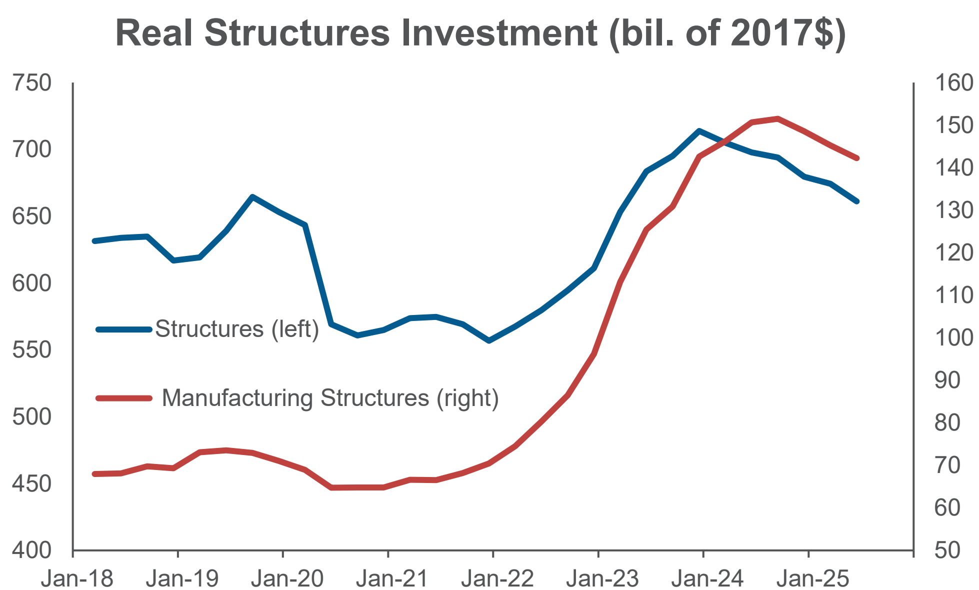
- Single-family home building fell over most of 2024 - 25.
- Multi-family building activity remained below the robust levels of 2021 – 22.

Sources: Census Bureau, National Association of Realtors via Haver Analytics

High tech and AI support investment in 2025



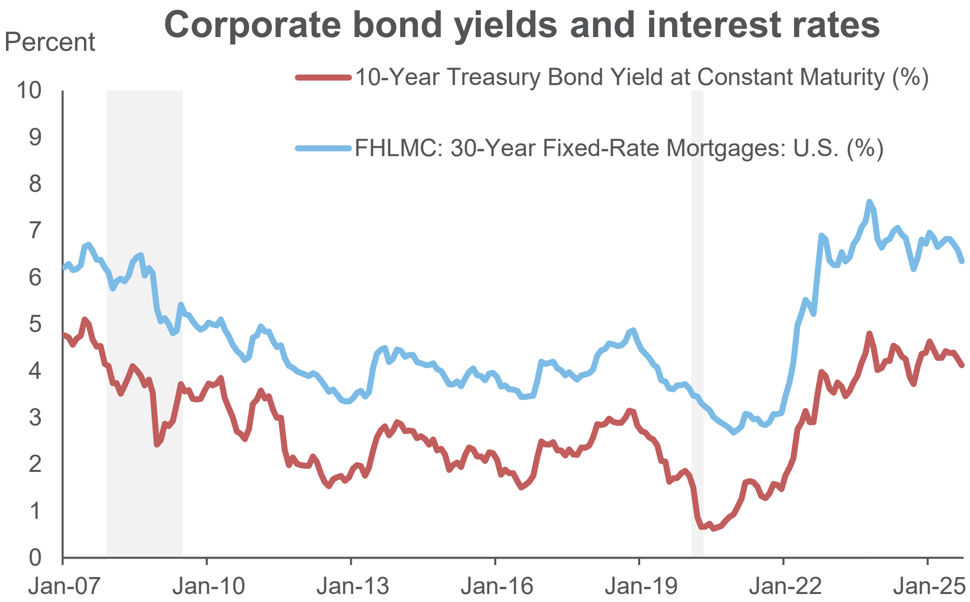
- Real spending on business equipment has been very strong in recent years and accelerated further in 2025.
- Investment has been boosted by spending on high tech and AI.

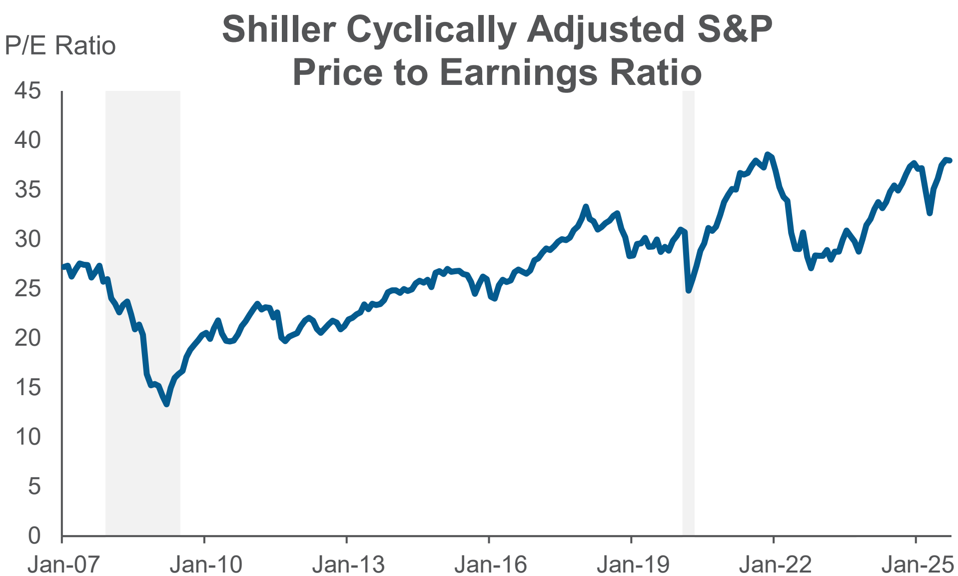


- Real spending on business structures continues to decline in 2025.
- Manufacturing structures is a major factor in this pattern.
- Data center construction has provided only a partial offset.

Sources: Census Bureau, National Association of Realtors via Haver Analytics

Varying signals from financial conditions

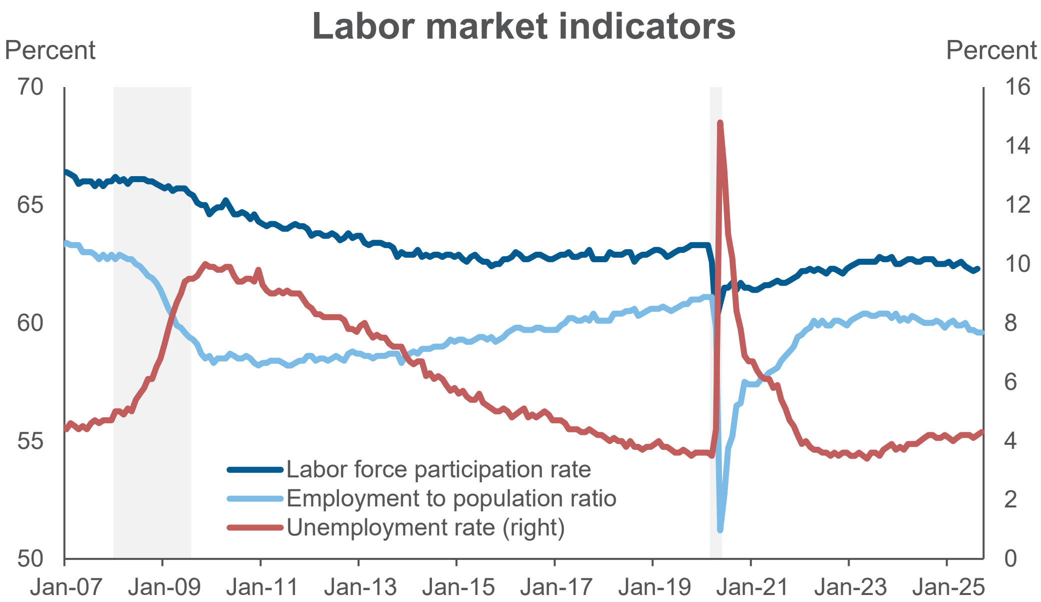




- Long-term Treasury yields and mortgage rates have eased recently but are still elevated.
- Equity prices rose strongly over 2024 – 25 (ignoring drop from April tariff announcement), which probably was supportive of economic growth.
- Equity valuations are high by historical standards.

Sources: Federal Home Loan Mortgage Corporation, Federal Reserve Board, Robert Shiller via Haver Analytics.
Note: Shading shows NBER recessions. Bottom chart shows net percentage of respondents tightening standards for loans.

The labor market has cooled

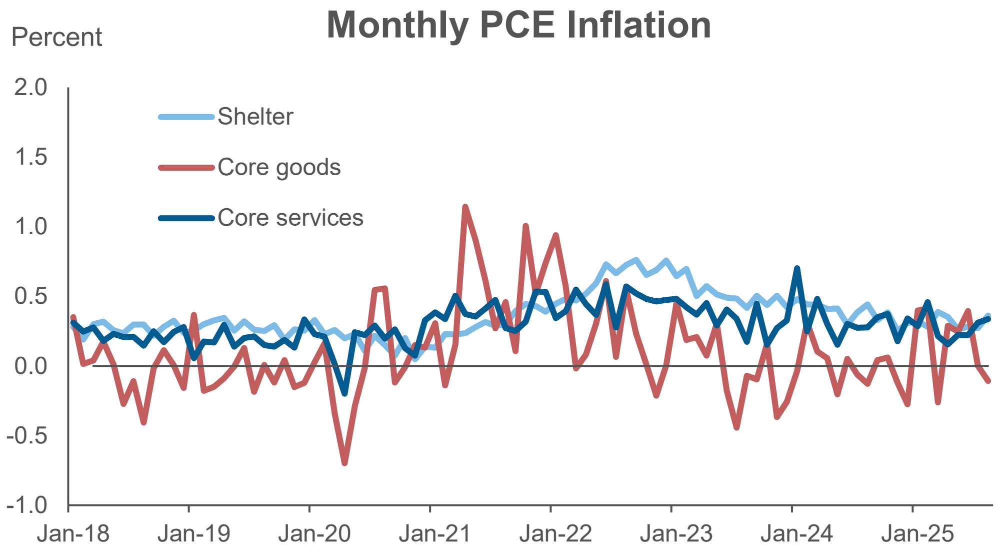


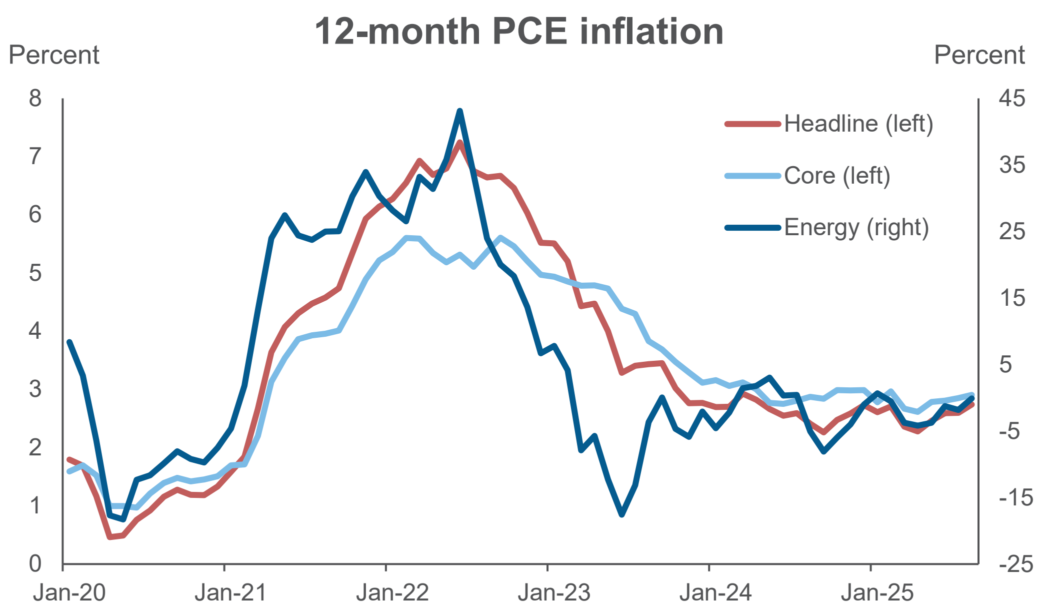
- Unemployment rate was 4.3% in August.
- Participation indicators show moderate cooling
- Employment growth has slowed significantly

- The number of people looking for jobs exceeds openings for the first time since 2018 (excluding pandemic).
- Wage growth moderated over 2024 and 2025 but is still above pre-pandemic rates.

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

Inflation steady in 2025, remaining above 2%





- Ex-food & energy (core) inflation remains is just below 3%.
- Core services inflation gradually slowed over 2024/25, notwithstanding a recent uptick.
- Core goods prices generally fell in 2024 and have risen in 2025.
- Headline and energy inflation still slightly lower than core in 2025, reflecting a fall in energy prices.

Source: Bureau of Labor Statistics via Haver Analytics.

Concluding observations

- Moderately restrictive monetary policy continues to strike a balance between FOMC employment and inflation goals.
  - Growth has slowed but remains reasonably solid.
  - The overall picture from labor market data has shown gradual cooling, notwithstanding the payroll slowdown.
  - Inflation appears to be making gradual progress toward the 2% longer-run goal holding aside tariff effects.
- Greater downside employment risks from cooling labor market, alongside muted tariff-to-inflation passthrough, led to decision to ease monetary policy at the September FOMC meeting.
- Still large uncertainty in landscape
  - Changes in government policies: tariffs, fiscal, immigration, regulations
  - Plus "typical" risks

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Economic Conditions in the Region

Jaison R. Abel
Head of Microeconomics

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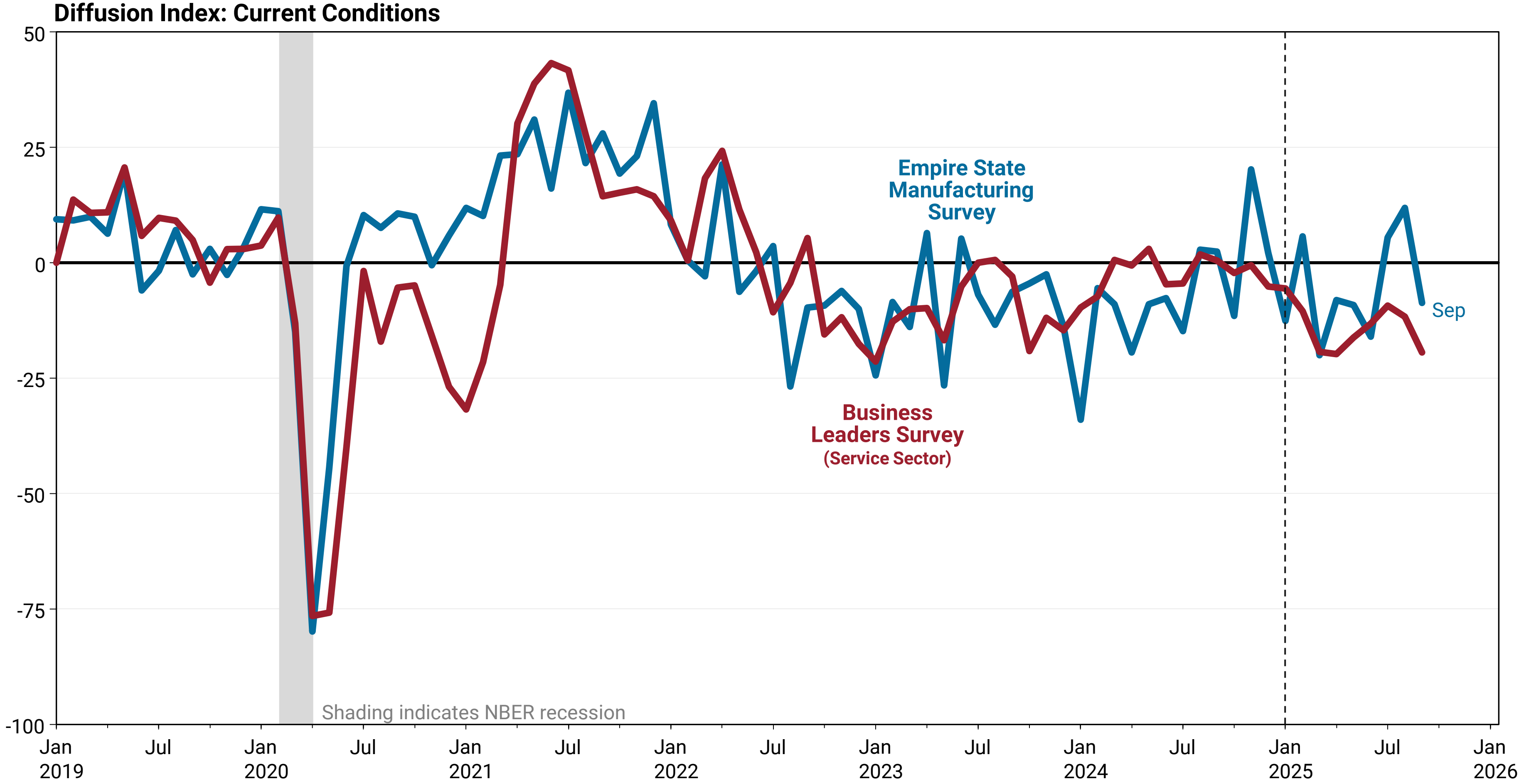
Overview

- Regional economic activity has been weak in 2025.
- Job growth has slowed noticeably in most places, with some parts of upstate New York and Northern New Jersey seeing job losses.
- Businesses in the region report elevated cost and price increases.

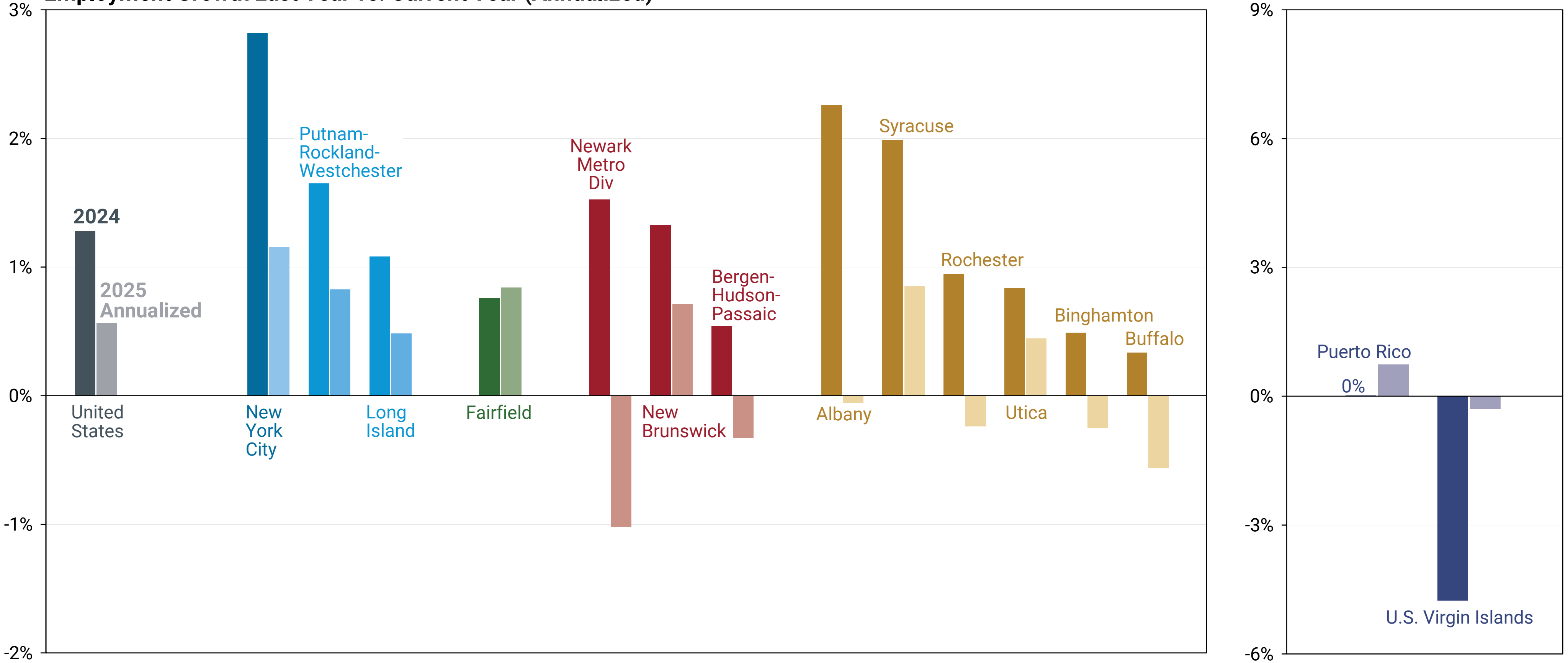
Regional Economic Activity Has Been Weak



Source: Federal Reserve Bank of New York.

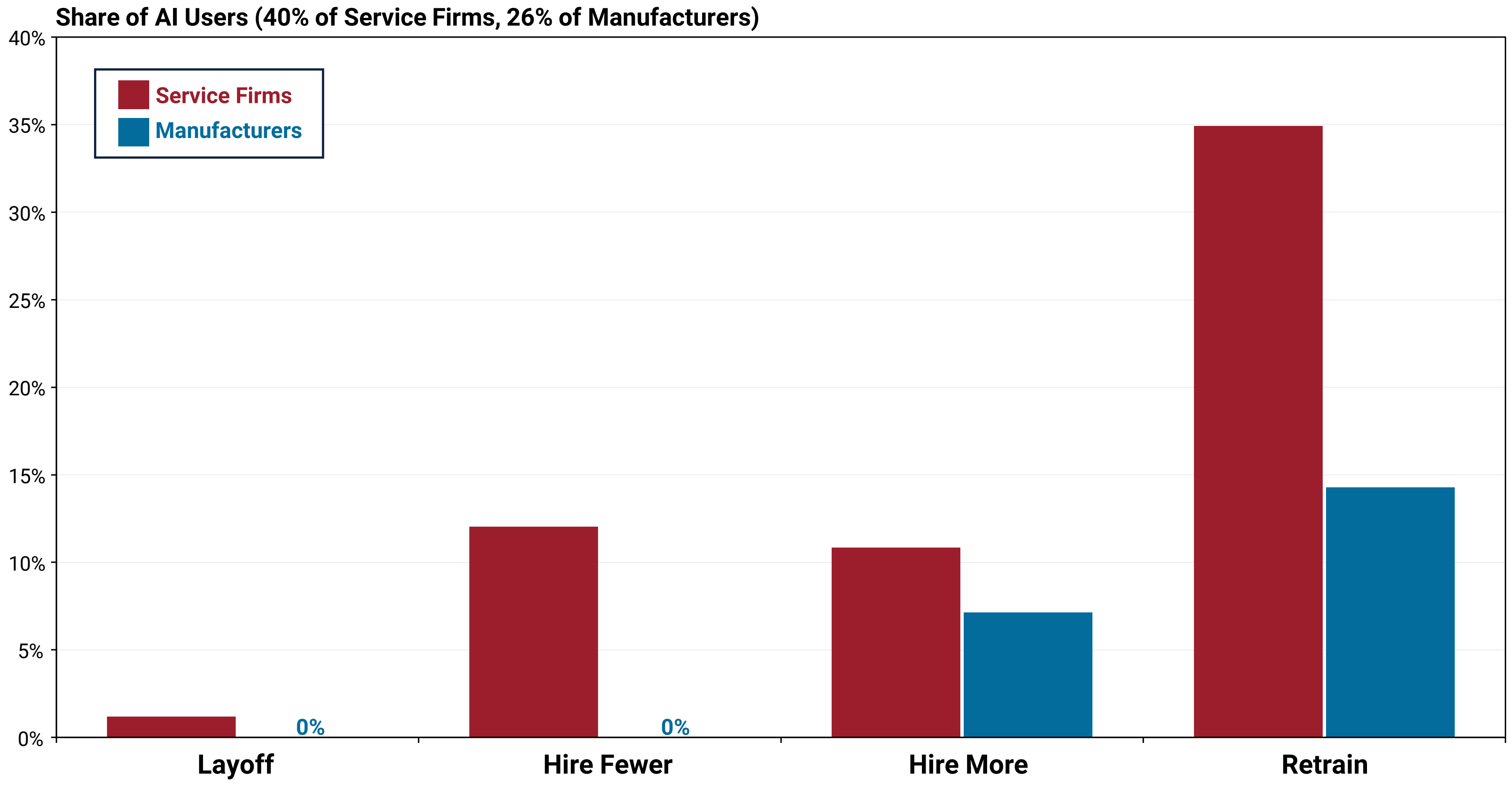
Job Growth Has Slowed Noticeably, Losses in Some Places

Employment Growth Last Year vs. Current Year (Annualized)



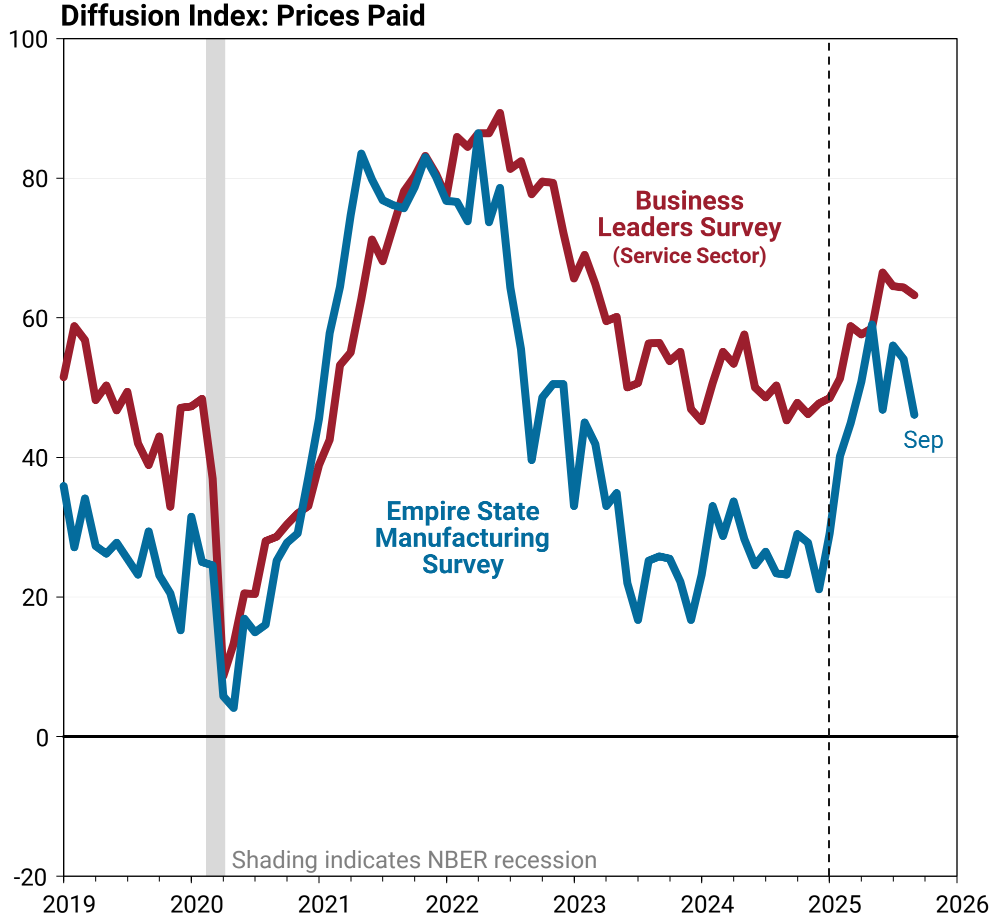
Source: U.S. Bureau of Labor Statistics and Moody's Economy.com. Regional data (except Fairfield) early benchmarked by NY Fed staff.

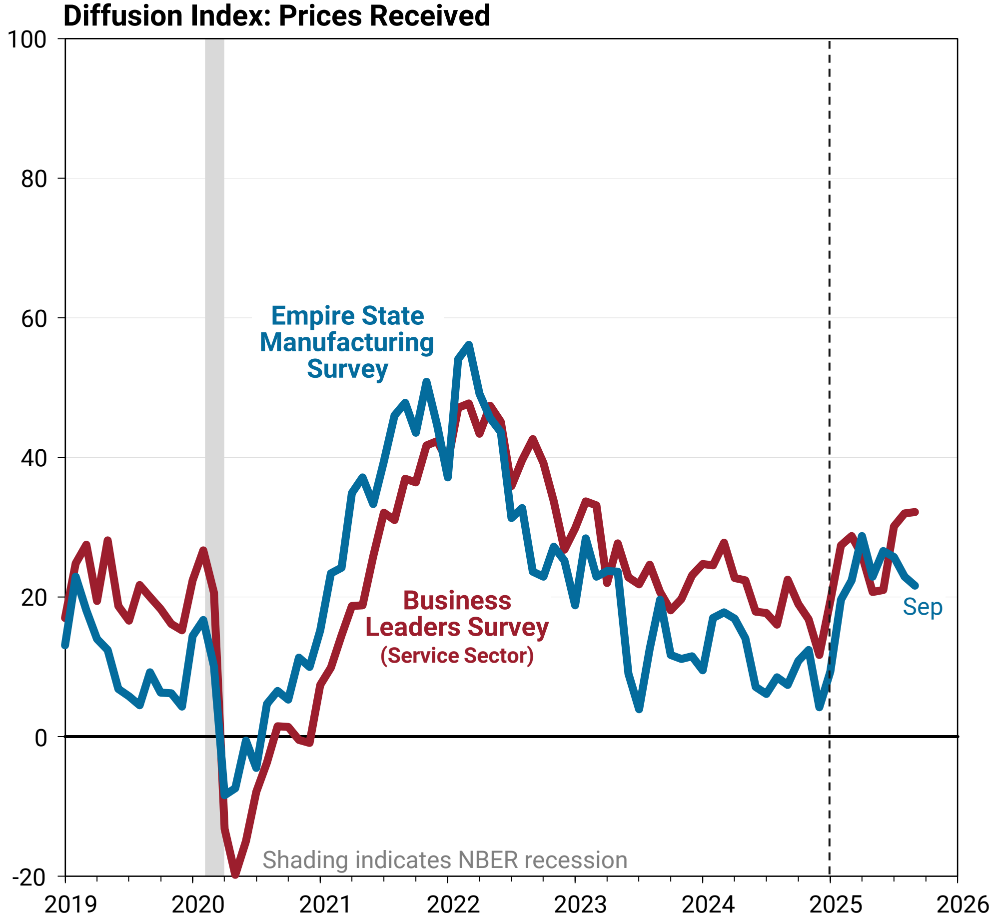
Are Regional Businesses Adjusting Their Workforces to AI?



Source: Abel, Deitz, Emanuel, Hyman, and Montalbano, “Are Businesses Scaling Back Hiring Due to AI?” *LSE* Blog, September 2025.

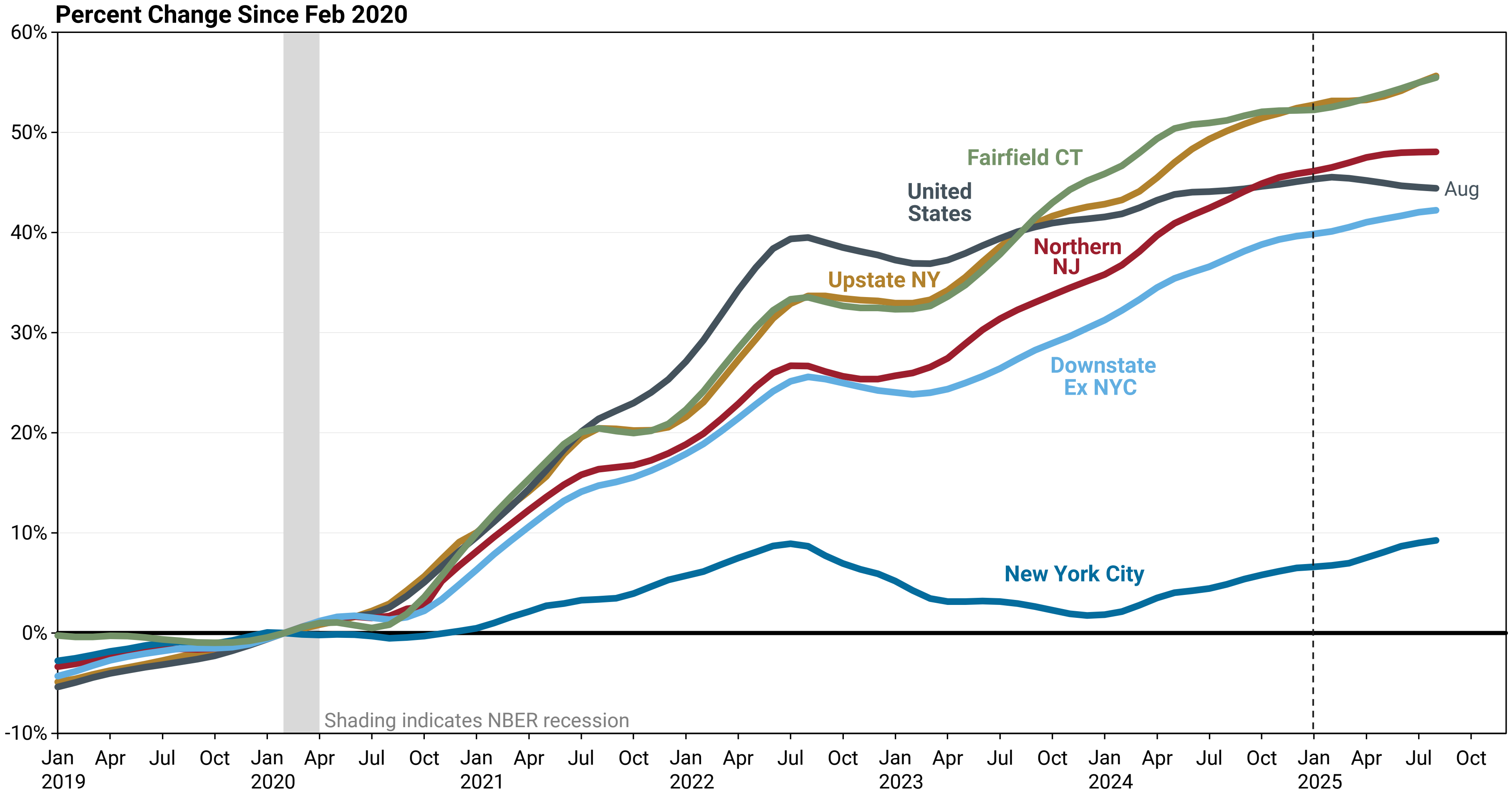
Cost and Price Increases Elevated in the Region





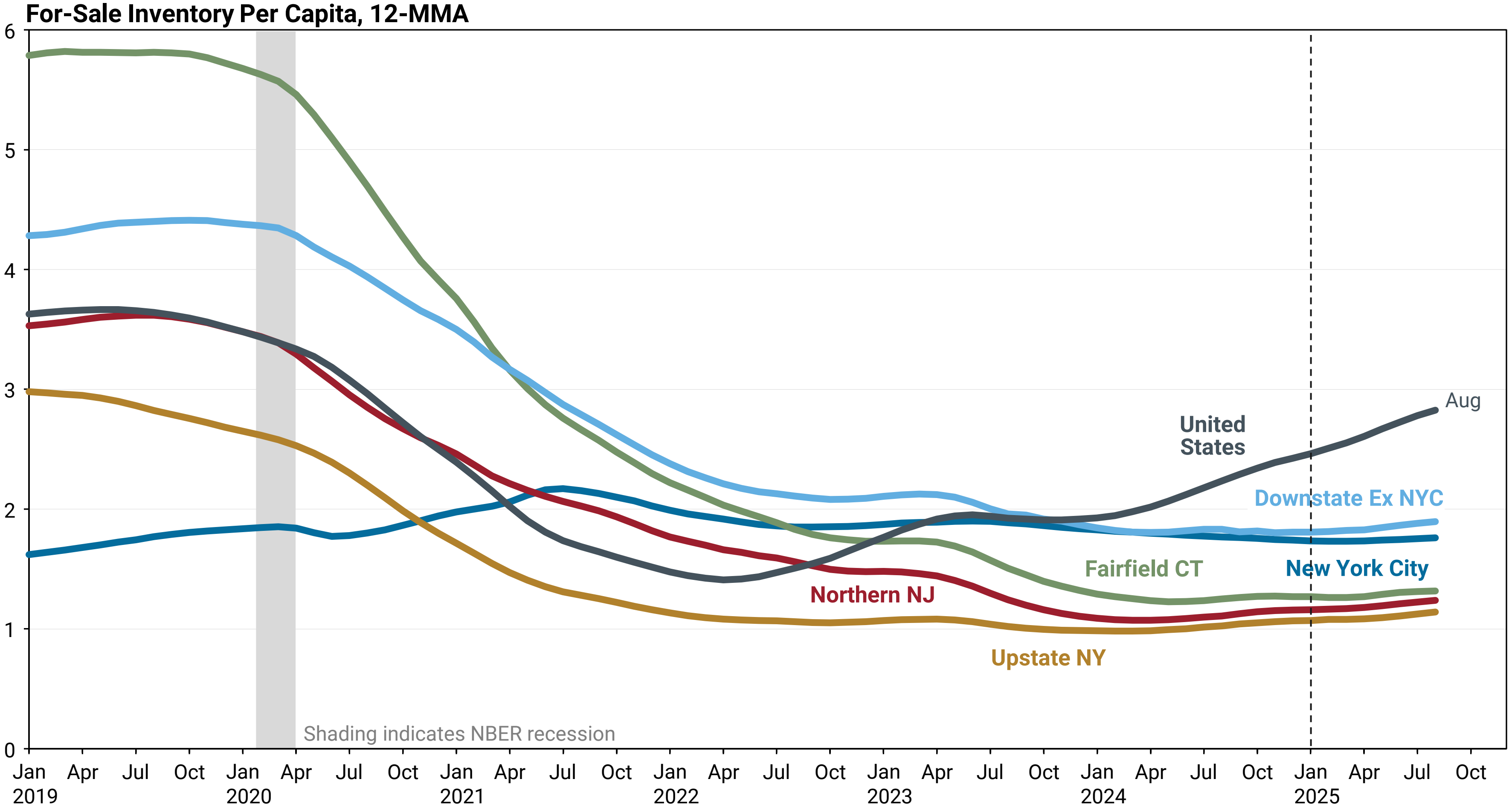
Source: Federal Reserve Bank of New York.

Regional Home Price Increases Bucking the Trend



Source: Zillow Home Value Index.

Inventory Remains Exceptionally Low in the Region



Source: Realtor.com, U.S. Census Bureau, Moody's Analytics.