



**Second District Advisory Council  
Via WebEx Conference  
Wednesday, July 14, 2021**

**AGENDA**

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- |                         |   |
|-------------------------|---|
| 10:30 a.m. – 10:40 a.m. | Welcome, John Williams, President & CEO             |
| 10:40 a.m. – 10:50 a.m. | National Economy Update, David Lucca                |
| 10:50 a.m. – 11:00 a.m. | Survey of Consumer Expectations Update, Gizem Kosar |
| 11:00 a.m. – 11:15 a.m. | Member Q&A with President Williams and Economists   |
| 11:15 a.m. – 12:20 p.m. | Member Insights, Claire Kramer Mills                |
| 12:20 p.m. – 12:30 p.m. | Concluding Remarks, John Williams, President & CEO  |



**Federal Reserve Bank of New York  
Second District Advisory Council  
Wednesday, July 14, 2021**

**Attendee List – WebEx Conference**

**SDAC Advisory Members**

Donnel Baird  
Founder & CEO  
BlocPower

Sarah LaFleur  
Founder & CEO  
M.M.LaFleur

Adenah Bayoh  
Founder  
Adenah Bayoh & Companies

Melanie Littlejohn  
VP NY Customer and Community Engagement  
National Grid

Jaswinder Chadha  
President & CEO  
Axtria, Inc.

Jonathan F.P. Rose  
President  
Jonathan Rose Companies

Kevin Ellis  
CEO  
Cayuga Milk Ingredients

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

Hugh Johnston  
Vice Chairman & CFO  
PepsiCo

Federico Stubbe, Jr.  
CEO  
PRISA Group

**Federal Reserve Bank of New York**

John Williams  
Naureen Hassan  
Jaison Abel  
Jason Bram  
David Erickson  
Jack Gutt  
Andrew Haughwout  
Gizem Kosar  
Rebecca Landau  
David Lucca  
Claire Kramer Mills  
Michael Nelson  
Rosanne Notaro  
Shawn Phillips  
Dominic Ramos-Ruiz  
Edison Reyes  
Wilbert Van Der Klaauw

President & CEO  
First Vice President  
Research & Statistics  
Research & Statistics  
Outreach & Education  
Communications & Outreach  
Research & Statistics  
Research & Statistics  
Outreach & Education  
Research & Statistics  
Outreach & Education  
Communications & Outreach  
Legal  
Executive Office  
Outreach & Education  
Outreach & Education  
Research & Statistics



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# U.S. Economic Conditions

David Lucca, Research and Statistics Group  
July 14, 2021

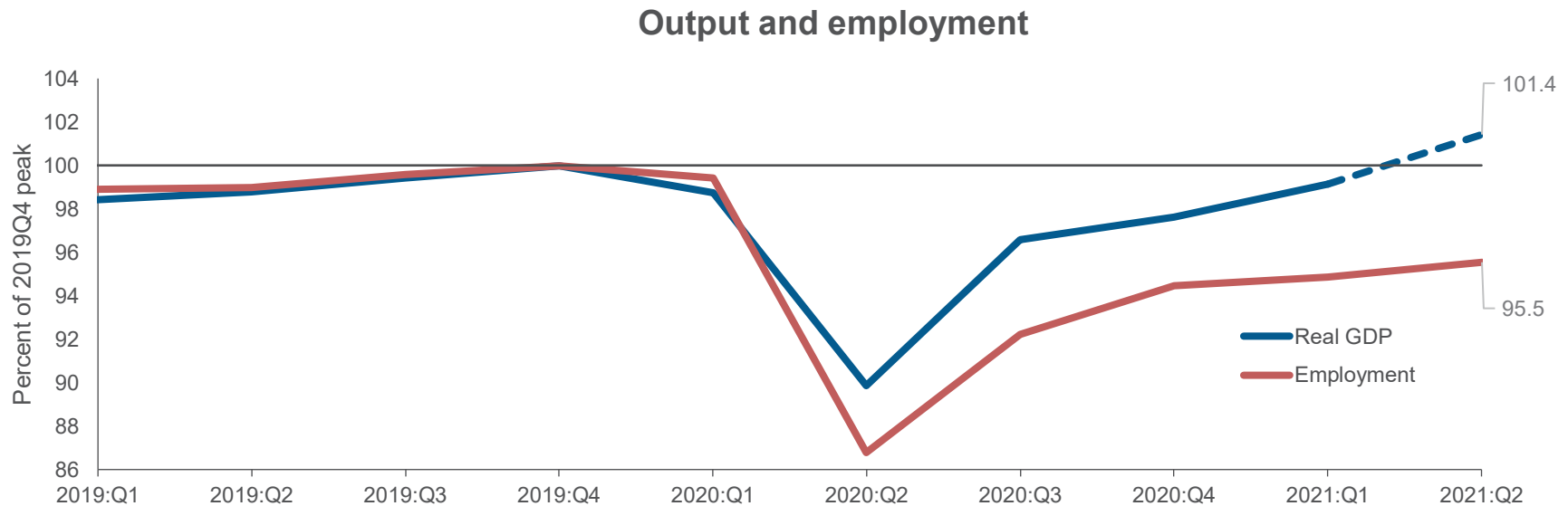
The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

# Overview

- Business reopenings, fiscal transfers, and accommodative monetary policy are supporting a robust economic recovery
- But activity in many service sectors is still depressed and jobs are still 7 million short of their pre-pandemic peak
- Rebound in demand and supply bottlenecks have boosted prices for some goods and services in April and May, but underlying inflation trends remain stable



# Economic activity rebounding but labor market lags



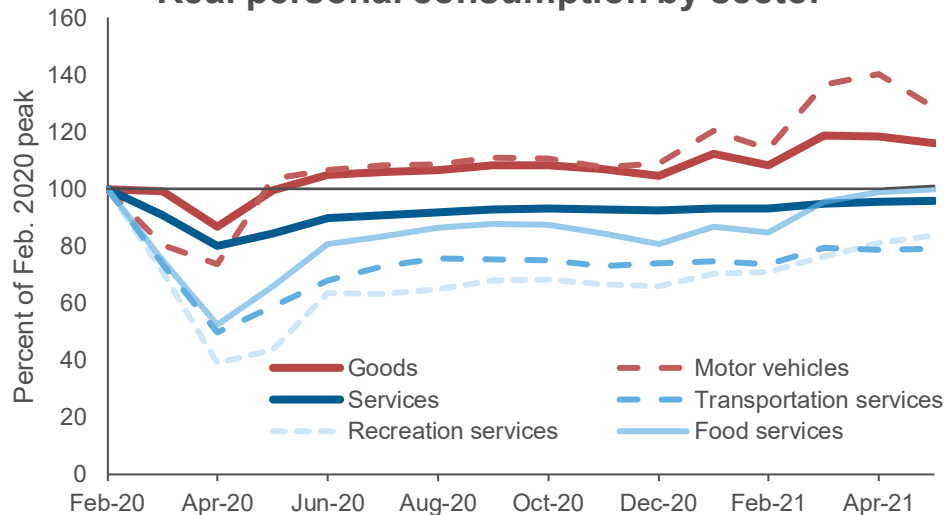
- Consensus real GDP forecast suggests economic activity will be above the pre-recession peak in '21:Q2
- Employment is still 7 million (4.5%) short of the pre-pandemic peak level





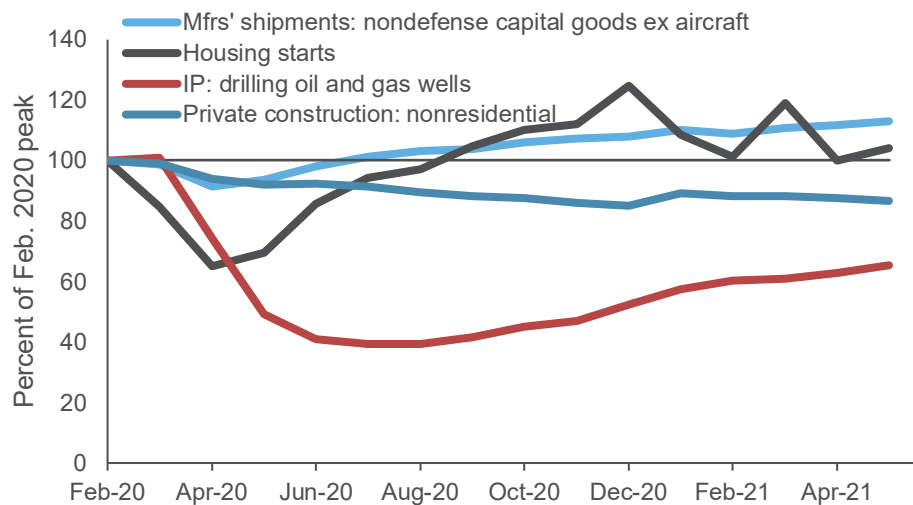
# Recovery is uneven across sectors

## Real personal consumption by sector



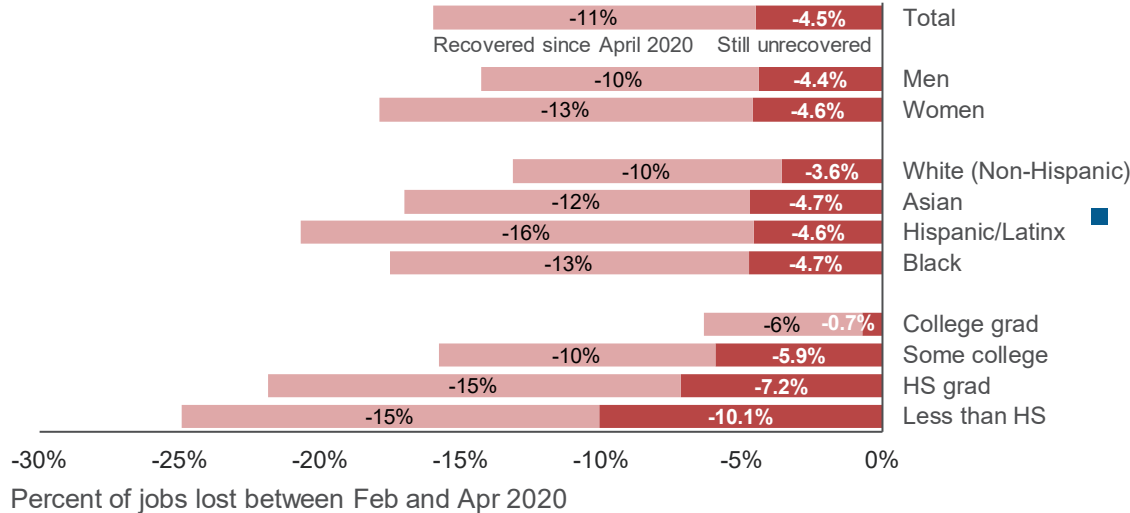
- Household expenditure remains heavily tilted towards the goods sector
- Recreat. and transport. services remain depressed; consumption of durables, e.g. motor vehicles, is elevated
- Residential construction is plateauing
- Business investment in equipment rising; private structures lagging, especially for drilling activity

## Business and residential investment

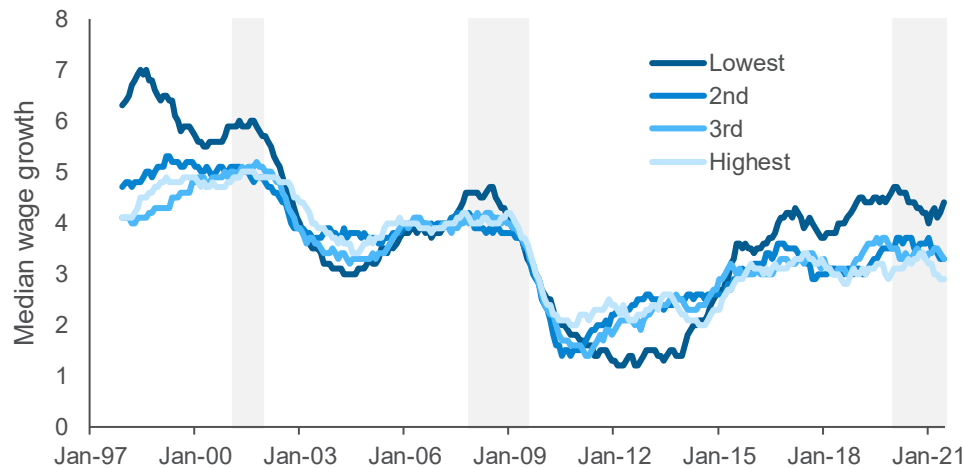


# Labor market far from full employment

Percent changes in jobs by demographic characteristics



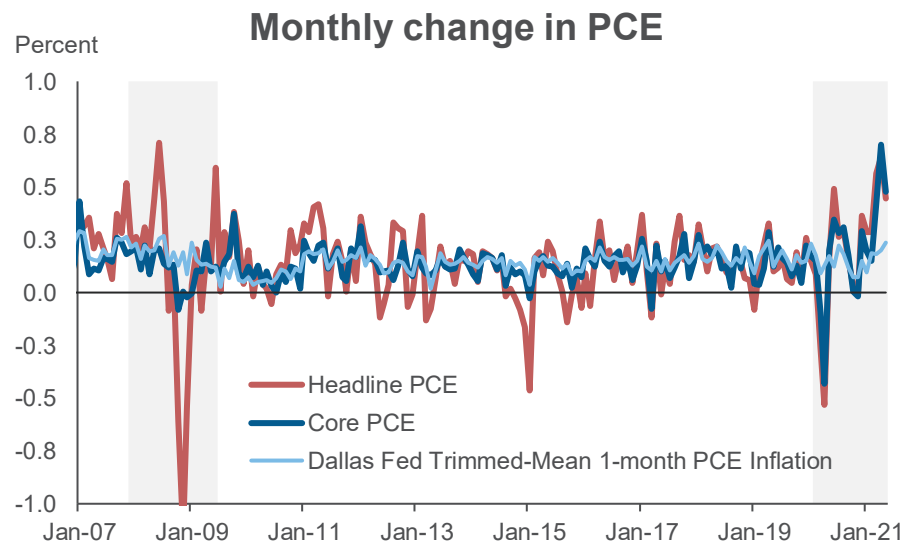
Wage growth by wage levels



- Total employment is 4.5% below the Feb 2020 level
- Earlier in the pandemic gender, racial and education gaps widened
- Many of these gaps are now more compressed; i.e. the labor recovery is becoming more inclusive
- Thus far, wage growth for lowest earners remains robust

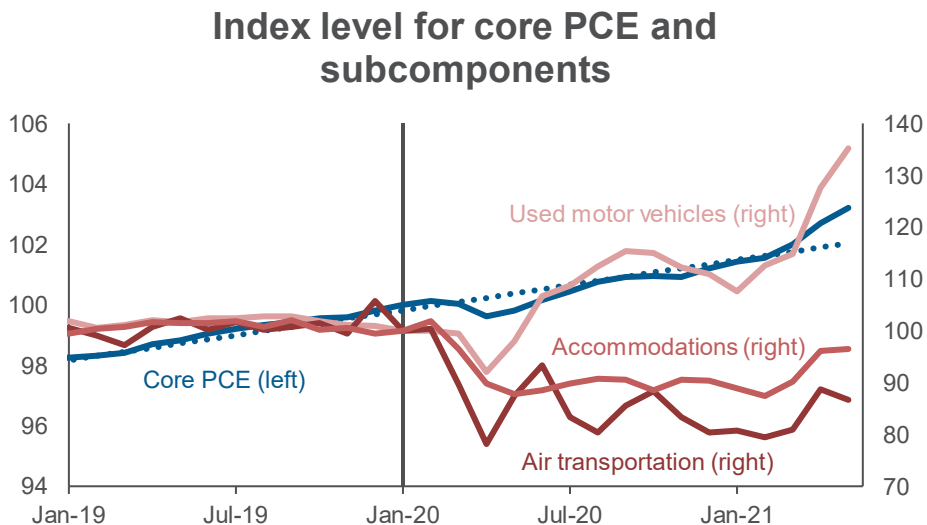


# Bottlenecks, rebound in demand and inflation trends



- Core inflation (ex. food & energy) typically captures underlying inflation trend but not in the current environment

- Bottlenecks (used vehicles) and rebound in demand (hotels and airfares) impact near-term inflation



- Stability of “robust” measures of inflation, such as trimmed-mean inflation, suggest underlying inflation trends little changed







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# Survey of Consumer Expectations

July 14, 2021

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# Overview

- During the pandemic, the NY Fed Survey of Consumer Expectations provided important new insights on the uneven economic impacts of the pandemic and of stimulus checks, and on building wage and inflation pressures.
- At the onset of the pandemic, the SCE showed
  - large declines in home price, income, and spending growth expectations,
  - a deterioration in labor market expectations.
- Since Spring 2020, most expectations gradually recovered to pre-pandemic levels, but consumer inflation, home price and spending growth expectations have continued to rise to unprecedented levels.
- June 2021 data show some stabilization, but inflation and home price growth expectations remain elevated.



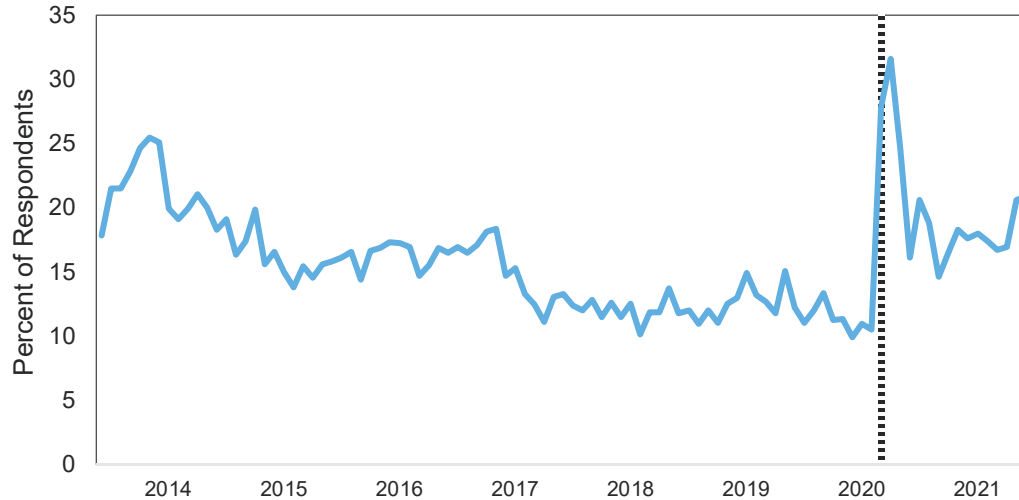
# Survey of Consumer Expectations

- A monthly survey focusing on economic expectations using frontier methodology from economics, psychology and survey design.
- Overall goal: collect timely, high-quality information on *consumer expectations and decisions*.
- Purpose:
  - Important for monetary policy (e.g. monitor inflation expectations),
  - Improve understanding + forecasting of consumer behavior.
- Key features of the survey:
  - Monthly, internet-based, conducted since June 2013
  - ~1,300 household heads, nationally representative
  - Following the same respondents over time (up to 12 months)
  - Rich demographic details



# Sharp deterioration in expectations followed by a gradual recovery

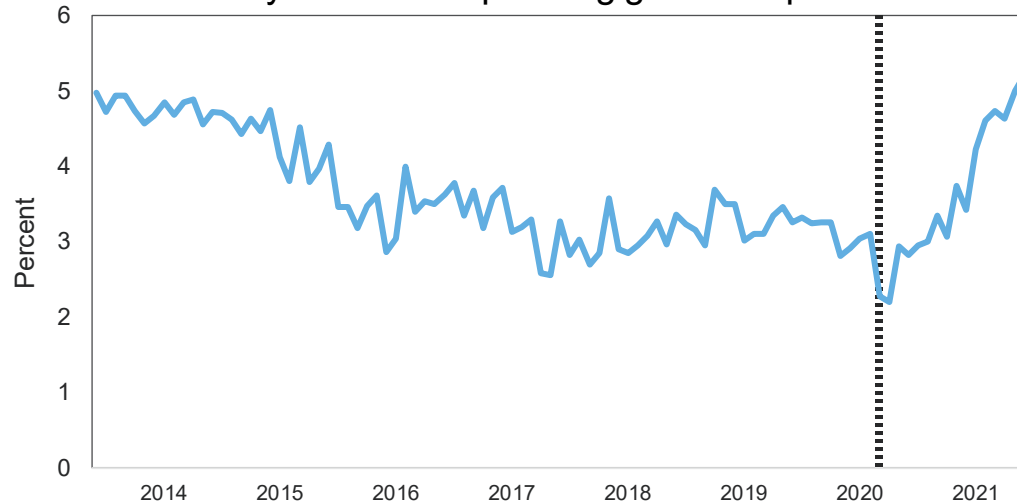
Proportion expecting to be worse off a year from now



- Sharp decline in consumer confidence, with a gradual recovery.

- Spending growth expectations dipped to a series' low.

Median year-ahead spending growth expectations



- The data show similar sharp drops and gradual recovery in home price, earnings, and income growth expectations.





# Findings from the SCE during the pandemic

- Disproportionate effect of the pandemic on households with children:
  - 73% cut back spending
  - 20% skipped rent, mortgage, credit card payments
  - 13% received food donations
  - 13% received aid through SNAP

Stimulus Round	1	2	3
Reporting month	June	January	March
Average percentage spent	29.2	25.5	24.7
Average percentage saved	36.4	37.1	41.6
Average percentage toward debt	34.5	37.4	33.7

- Remarkable stability in how stimulus checks were used over the three rounds
  - Most was saved or used to pay down debt.
  - Household heads without a college degree and those with lower income use more of the stimulus for paying down debt and less for consumption.

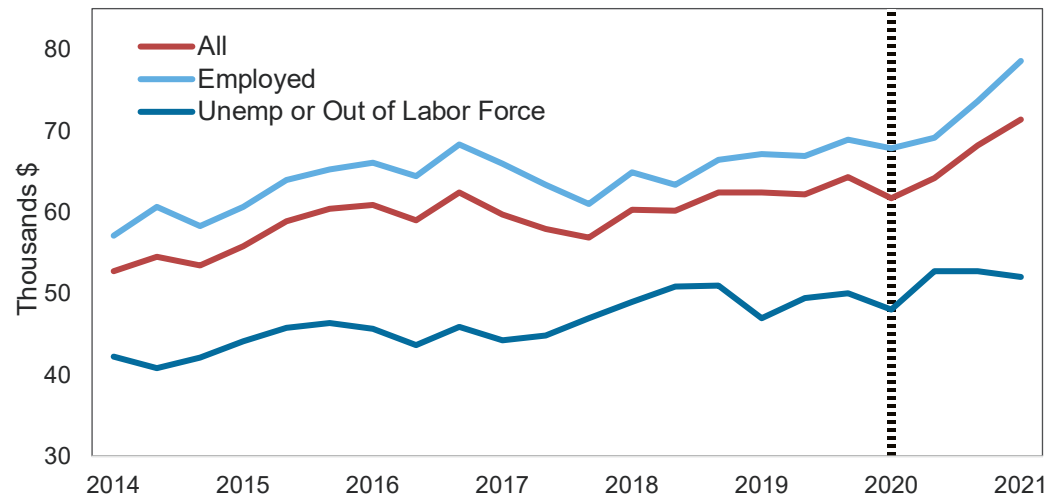


# Recovery in labor market expectations



- Steady improvement in the perceived likelihood of job loss and job finding expectations in the last 3 months.

Average annual reservation wage



- Sharp increase in the average lowest wage a respondent would be willing to accept for a new job—reservation wage: up 15.7% since March 2020.
  - The increase is largely driven by employed respondents.

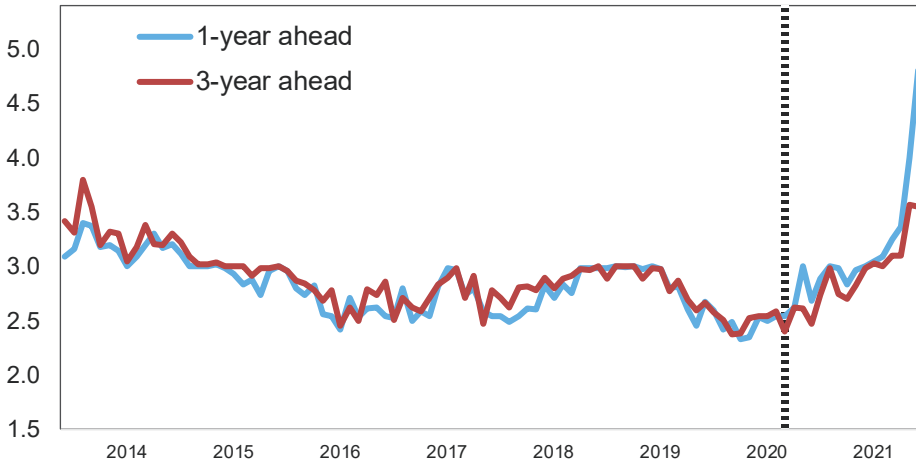




# Sharp Increase in inflation and home price growth expectations

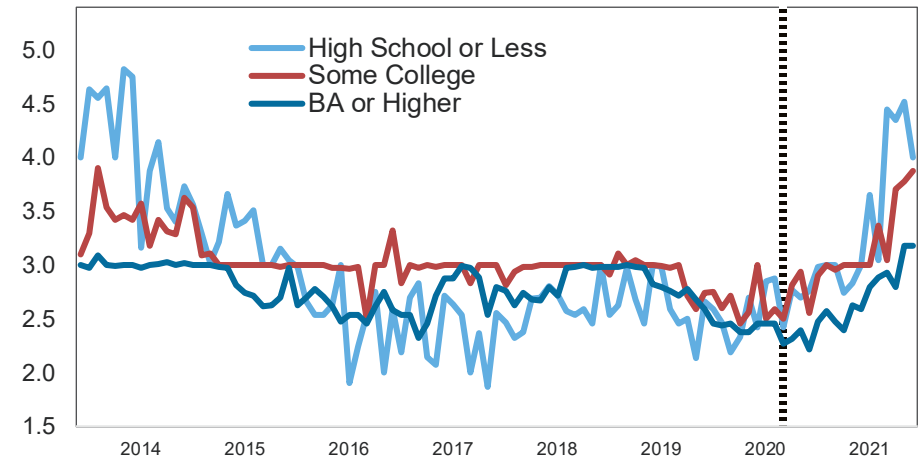
## Median 1-year and 3-year ahead inflation expectations

Percent



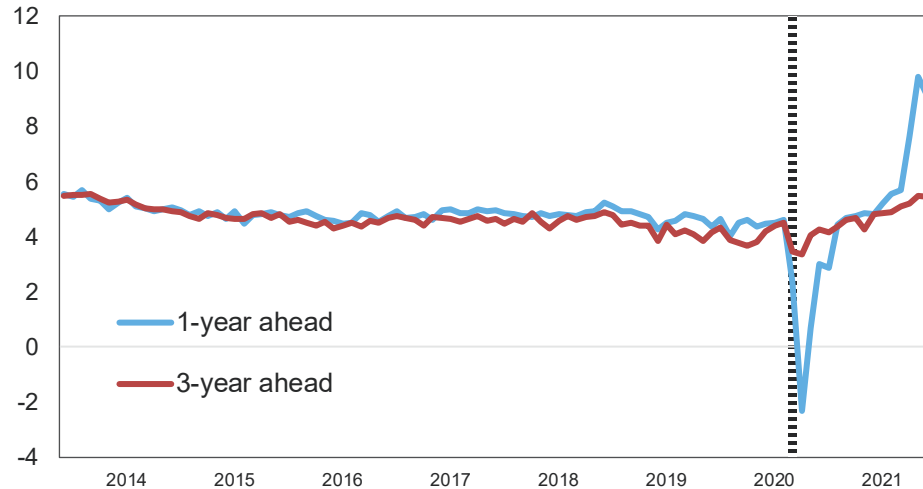
## Median 3-year ahead inflation expectations

Percent



## Median 1-year and 3-year ahead home price growth expectations

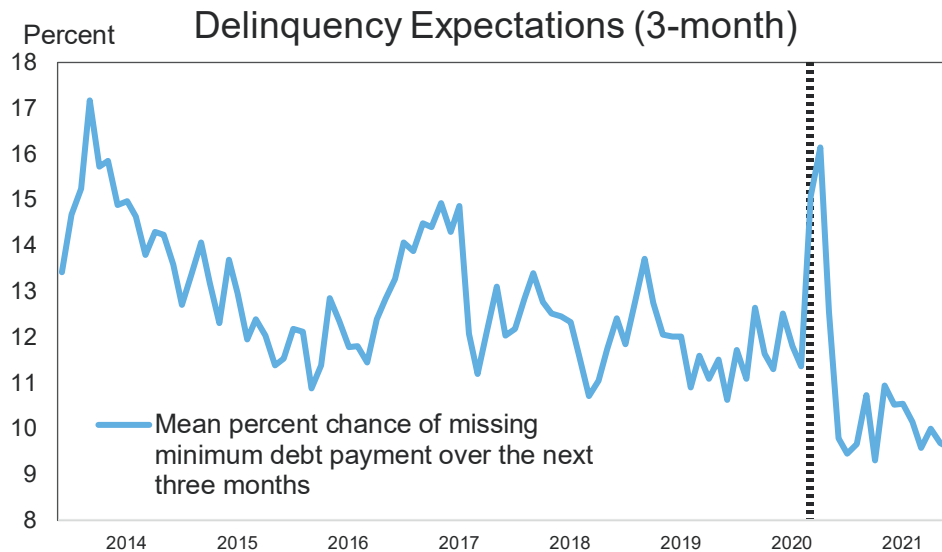
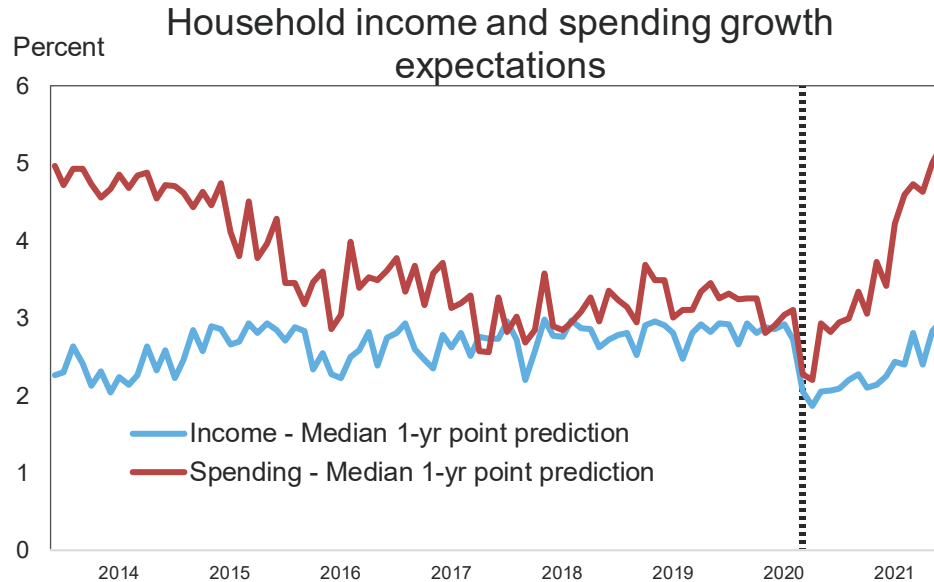
Percent



- Medium-term inflation expectations have risen less sharply than short-term expectations.
  - Rise in medium-term expectations has been more pronounced for lower- educated respondents.
- Year ahead home price growth expectations increased sharply after falling below 0 in April 2020.
  - June 2021 data indicate some stabilization.



# Household finance expectations improve



- The current recovery in income growth expectations are mostly driven by higher-educated and younger respondents.
- Delinquency expectations are close to or lower than pre-pandemic levels for all income and education groups.  
Possible contributors:
  - Additional unemployment insurance payments and extensions,
  - Debt forbearance programs (mortgages, student loans),
  - Stimulus checks.

