



**Second District Advisory Council
Via WebEx Conference
Thursday, October 14, 2021**

AGENDA

- | | |
|-------------------------|--|
| 10:30 a.m. – 10:35 a.m. | Welcome, John Williams, President & CEO |
| 10:35 a.m. – 10:45 a.m. | National Economy Update, David Lucca |
| 10:45 a.m. – 10:55 a.m. | Regional Economy Update, Jaison Abel |
| 10:55 a.m. – 11:10 a.m. | Member Q&A with President Williams and Economists |
| 11:10 a.m. – 12:05 p.m. | Member Insights, Moderated by Kevin Ellis |
| 12:05 p.m. – 12:50 p.m. | Fed Listens, Jack Gutt |
| 12:50 p.m. – 1:00 p.m. | Concluding Remarks, John Williams, President & CEO |



**Federal Reserve Bank of New York
Second District Advisory Council
Thursday, October 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

Jonathan F.P. Rose
President
Jonathan Rose Companies

Jaswinder Chadha
President & CEO
Axtria, Inc.

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

Kevin Ellis
CEO
Cayuga Milk Ingredients

Federico Stubbe, Jr.
President
PRISA Group

Federal Reserve Bank of New York

John Williams
Naureen Hassan
Jaison Abel
Jason Bram
David Erickson
Jack Gutt
Andrew Haughwout
Rebecca Landau
David Lucca
Claire Kramer Mills
Michael Nelson
Rosanne Notaro
Shawn Phillips
Dominic Ramos-Ruiz

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



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U.S. Economic Conditions

David Lucca, Research and Statistics Group
October 14, 2021

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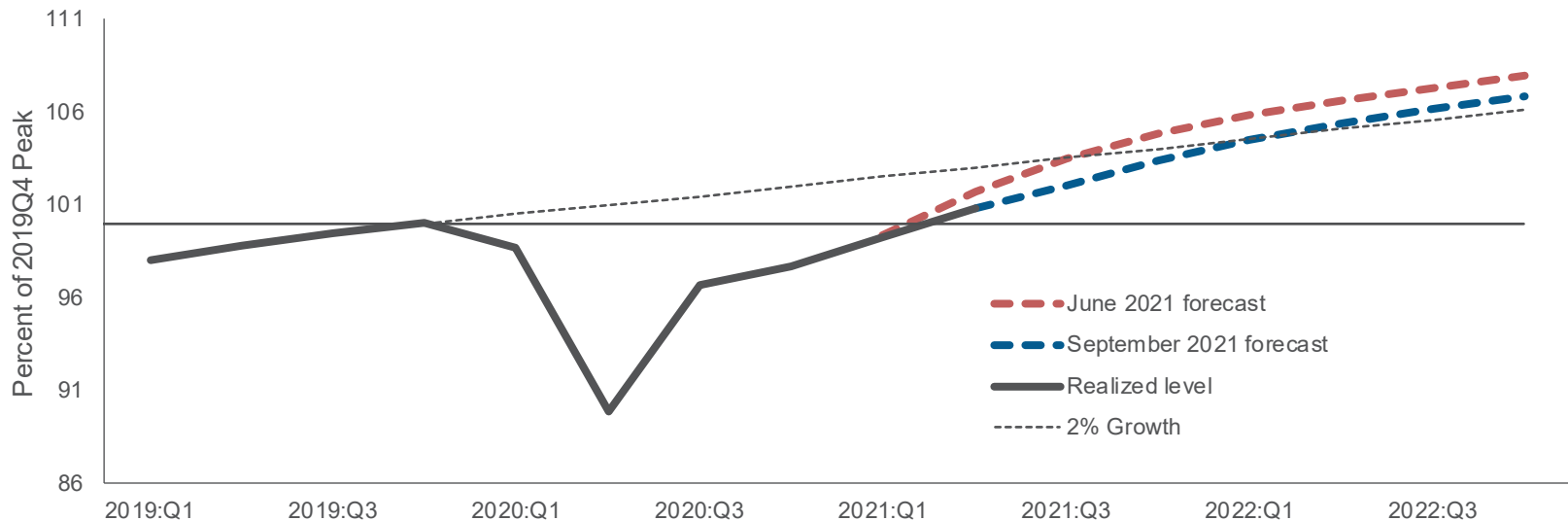
Overview

- The COVID-19 summer surge has weighed on economic activity, but above-trend economic growth to resume as activity in COVID-19 sensitive sectors normalizes and supply bottlenecks abate
- Inflation readings have moderated as the impact of idiosyncratic COVID-19 factors have subsided; robust wage growth especially for low-wage workers
- Labor market recovery is still underway amidst strong labor demand; but jobs remain 5 million below pre-pandemic levels



A pause, not the end, of above-trend growth

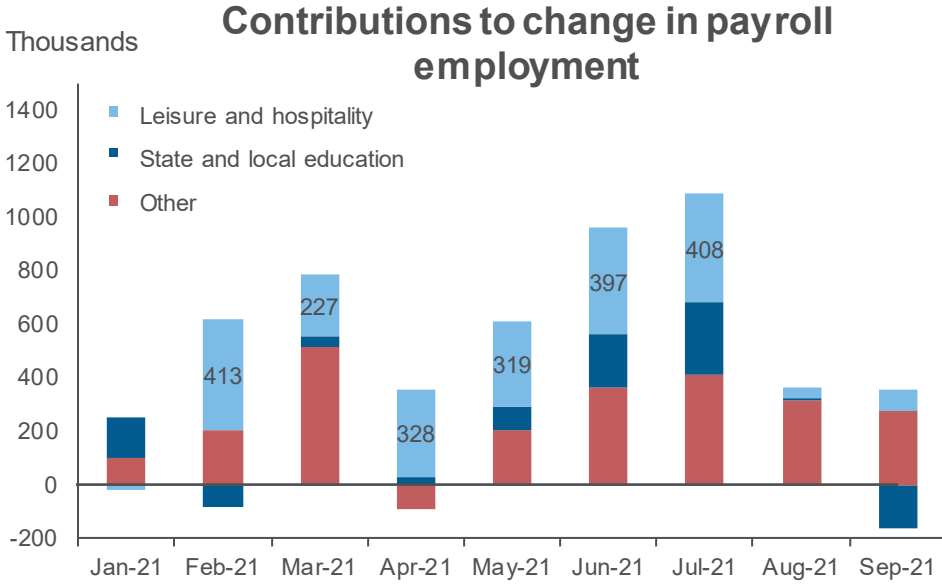
Blue Chip Consensus Real GDP Forecast



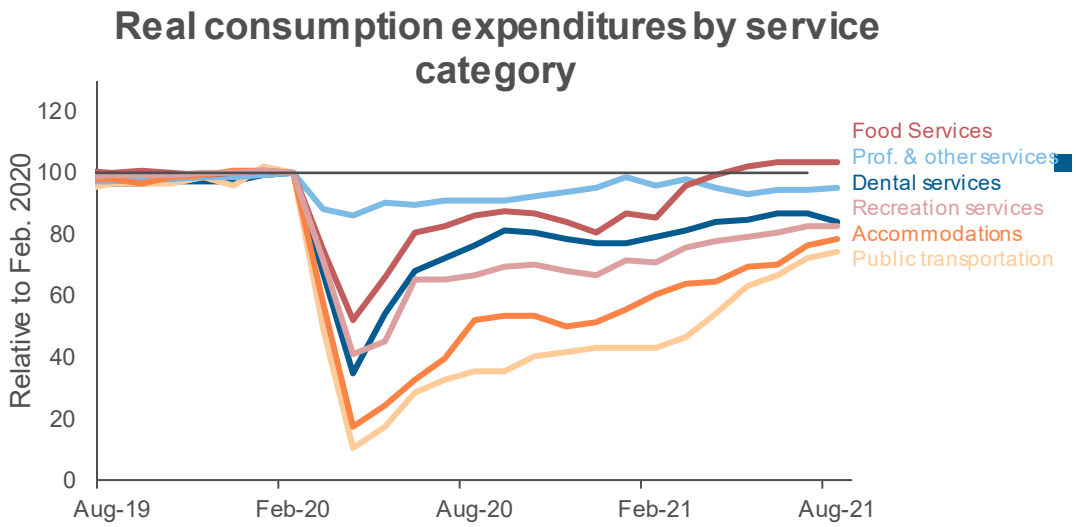
- Downward revision of consensus forecast over the summer:
 1. Recent COVID-19 surge and supply bottlenecks weighing on economic activity in the near term
 2. Activity to re-accelerate as COVID-19 sensitive service sectors normalize and inventories are restocked



COVID-19 surge but robust service sector growth ahead



- The COVID-19 surge in the summer has weighed on economic activity
- Job gains in leisure and hospitality flatlined in August and September



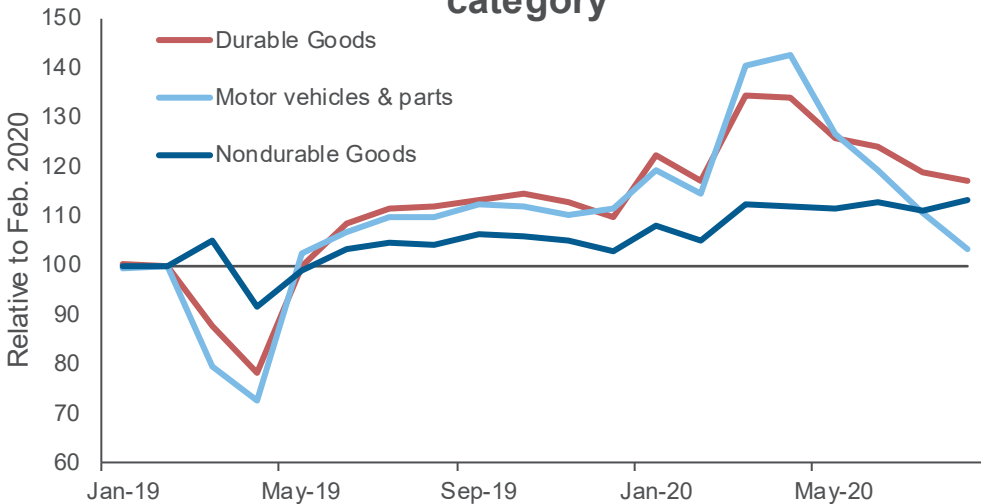
Recovery in COVID-19 sensitive consumer service sectors slowed but tailwinds from future normalization

Source: BEA, FRB.



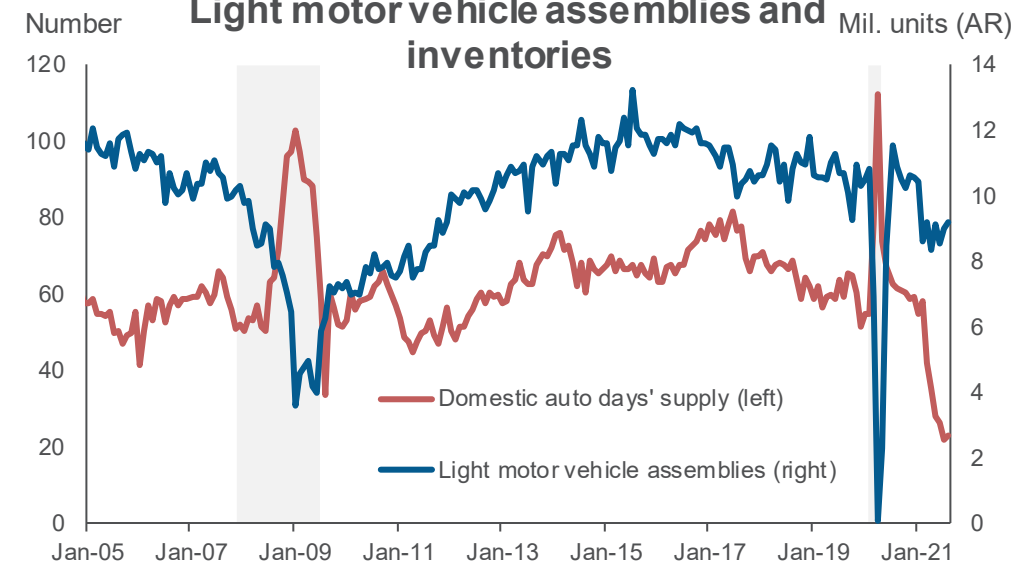
Supply bottlenecks but inventory restocking ahead

Real consumption expenditures by goods category



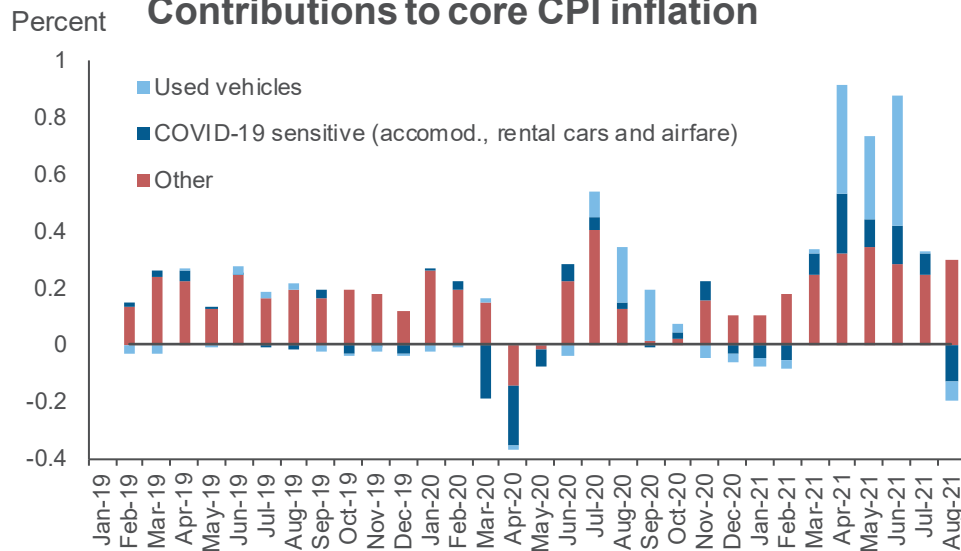
- Supply bottlenecks in the auto industry led to a sharp decline in motor vehicle sales
- Consumer goods demand remains above pandemic levels; expect a drag from further normalization
- But inventory restocking to offset lower goods demand, especially in the automotive industry

Light motor vehicle assemblies and inventories



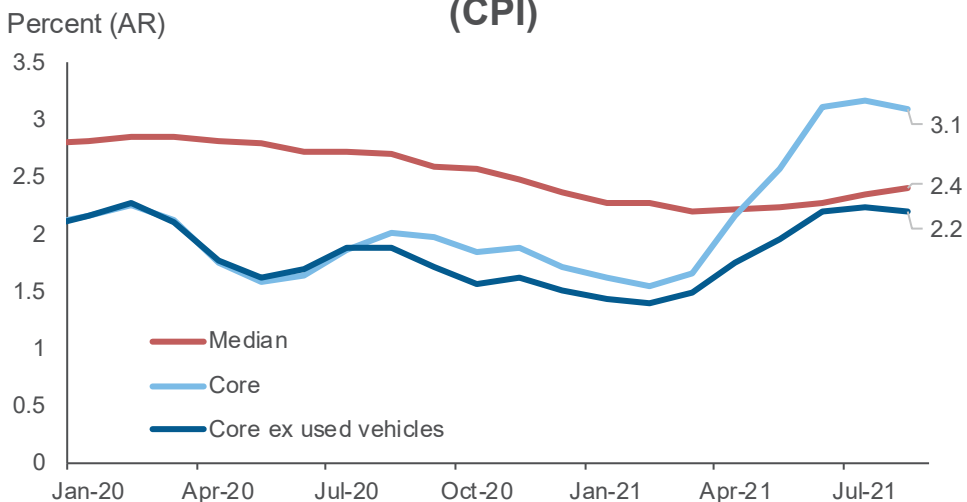
COVID-19 sensitive and underlying inflation

Contributions to core CPI inflation



- Idiosyncratic COVID-19 factors continue to disproportionately impact month-to-month inflation readings

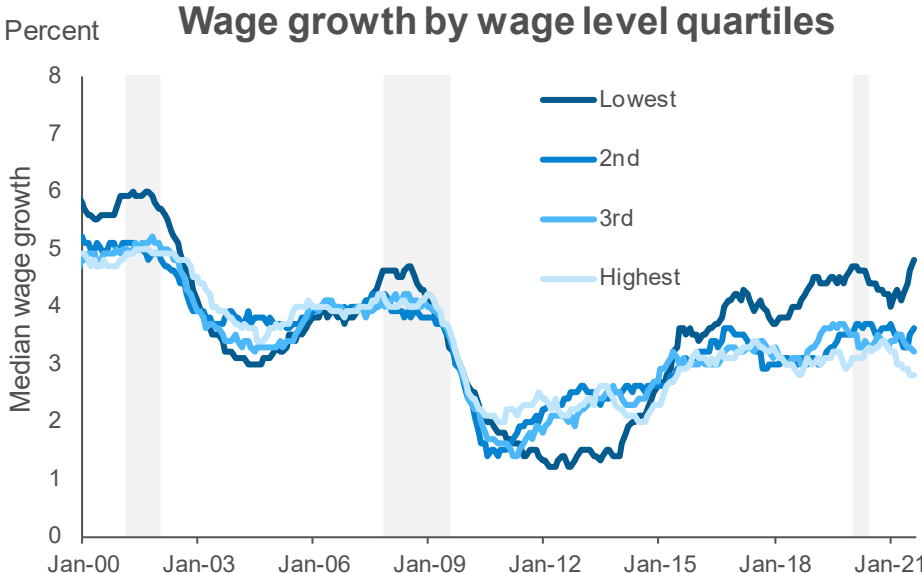
18-month change in Consumer Price Index (CPI)



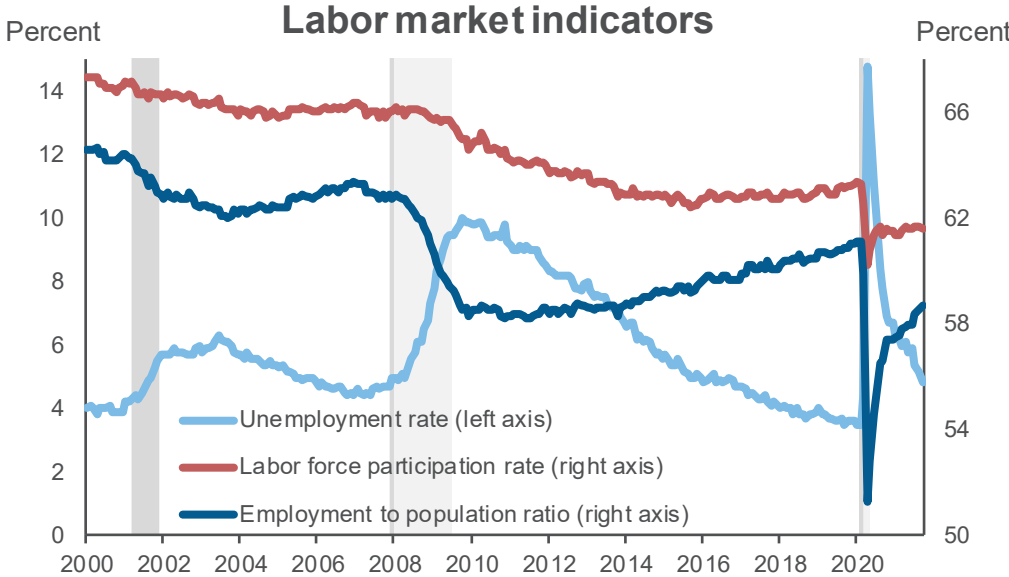
- Measures of “underlying inflation” remain stable: either excluding COVID-19 categories, or robust inflation such as median CPI



Robust wage growth but labor market still recovering



- Wage growth for low-wage workers has accelerated suggesting that the labor market is close to full employment



- Unemployment down to 4.8%, but labor force participation has flatlined and employment to population ratio well below pre-pandemic peak

Source: BLS. Note: Shading shows NBER recessions.





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Economic Conditions in the Region

Jaison R. Abel

Second District Advisory Council – October 14, 2021

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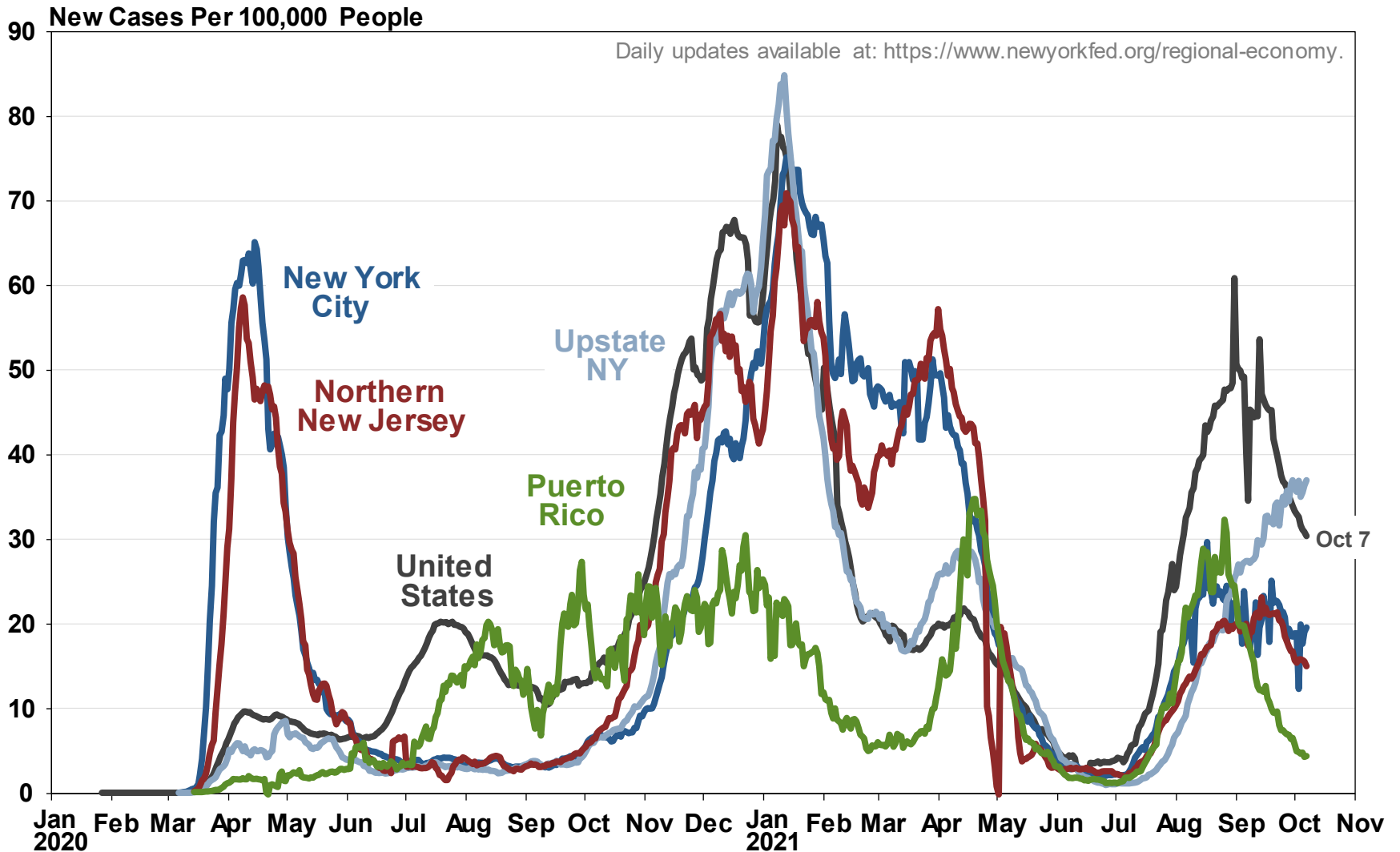
Overview of Regional Conditions

- With the rise of the Delta variant, growth has slowed in the region's service sector but remains solid in the manufacturing sector.
- The labor market is exceptionally tight with widespread reports of hiring difficulties.
- While the New York-Northern New Jersey region has continued to steadily add jobs, employment remains well below pre-pandemic levels, particularly in New York City. Puerto Rico's jobs shortfall is less severe than in other parts of the District.
- Home prices have increased sharply through the pandemic, while rents in New York City have rebounded modestly but have not returned to pre-pandemic levels.



Coronavirus Spread in the Region

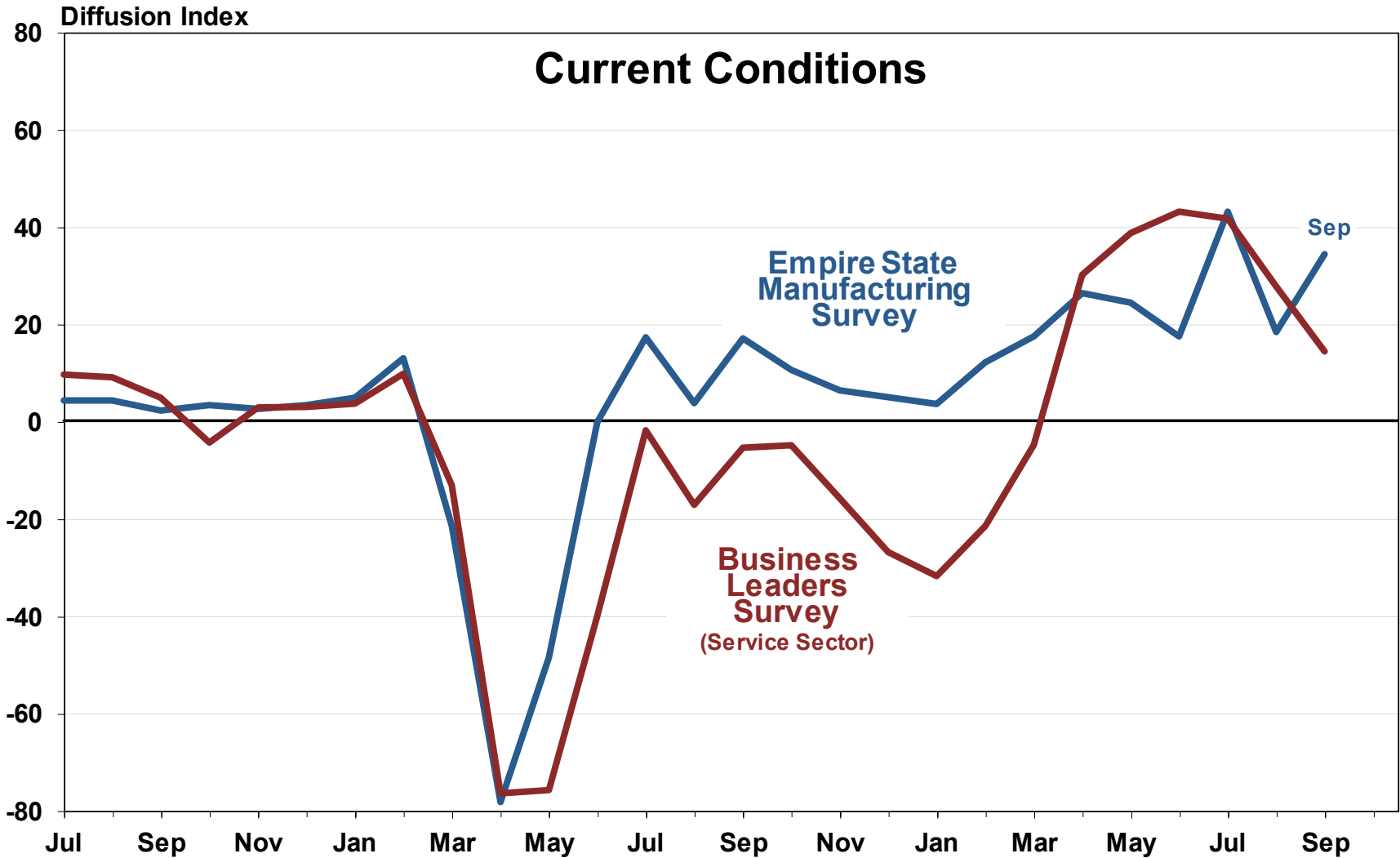
Daily New Cases Per Capita, 7-Day Average



Oct 7

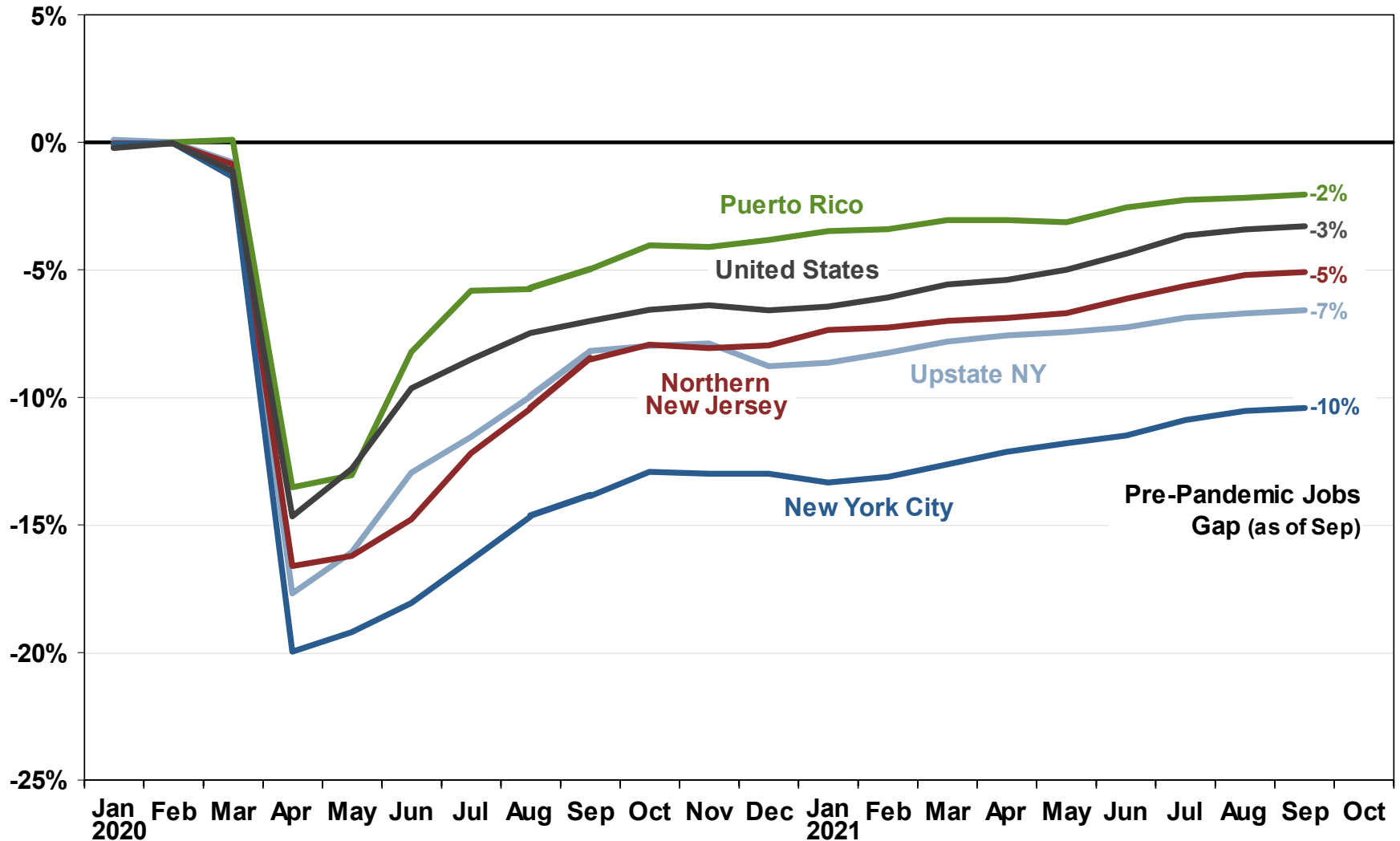
Growth Has Slowed in the Service Sector

New York Fed Regional Business Surveys



Employment Still Below Pre-Pandemic Levels

Percent Change in Total Employment Since Feb 2020



Businesses Are Having Difficulty Hiring

New York Fed Supplemental Surveys, August 2021

Share of Respondents with Job Openings Reporting Difficulty Hiring



Most Widely Cited Reasons:

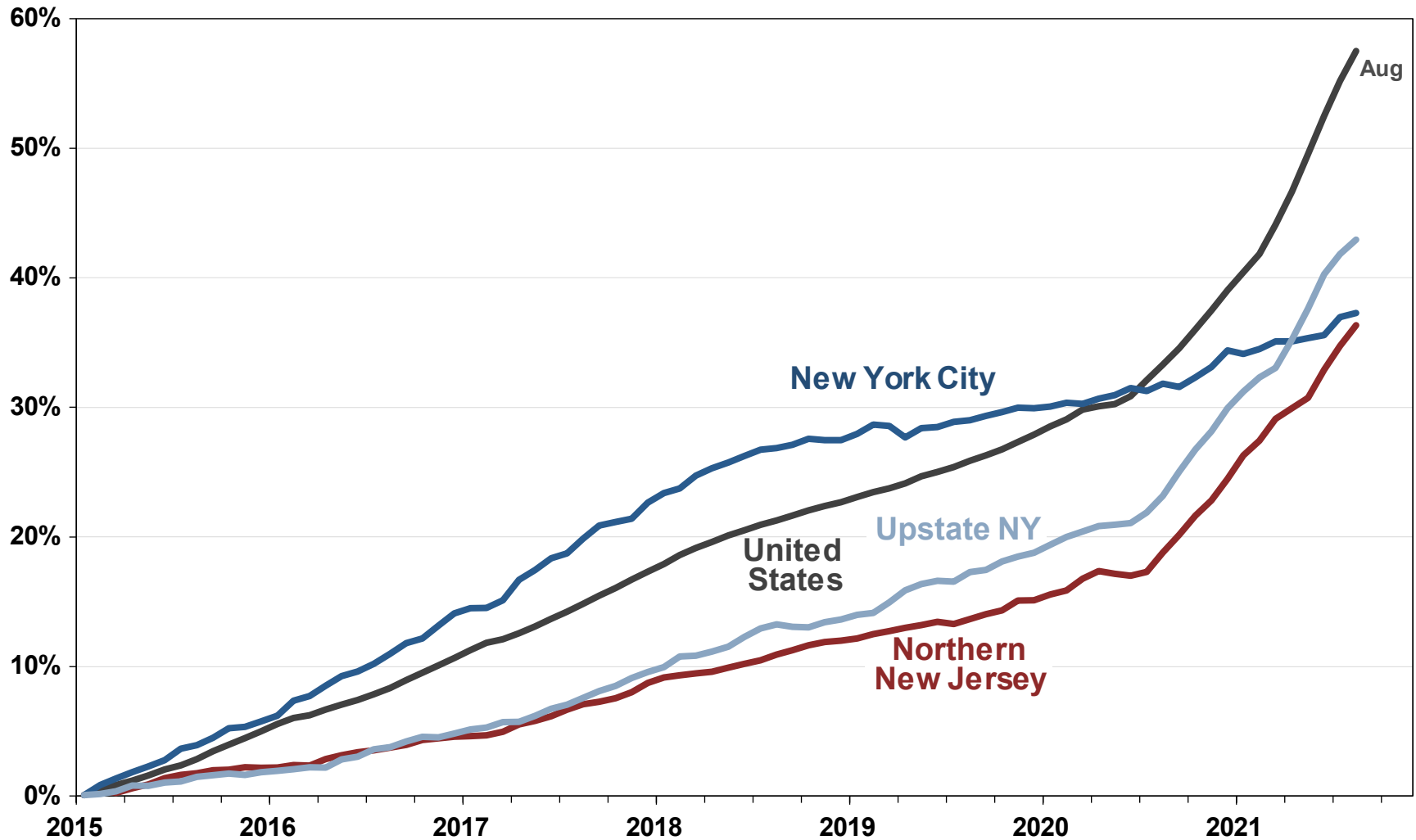
- Lack of qualified candidates
- Compensation

Other Reported Factors:

- Covid-related health concerns
- Enhanced unemployment insurance benefits
- Preference for remote work arrangements
- Drug tests

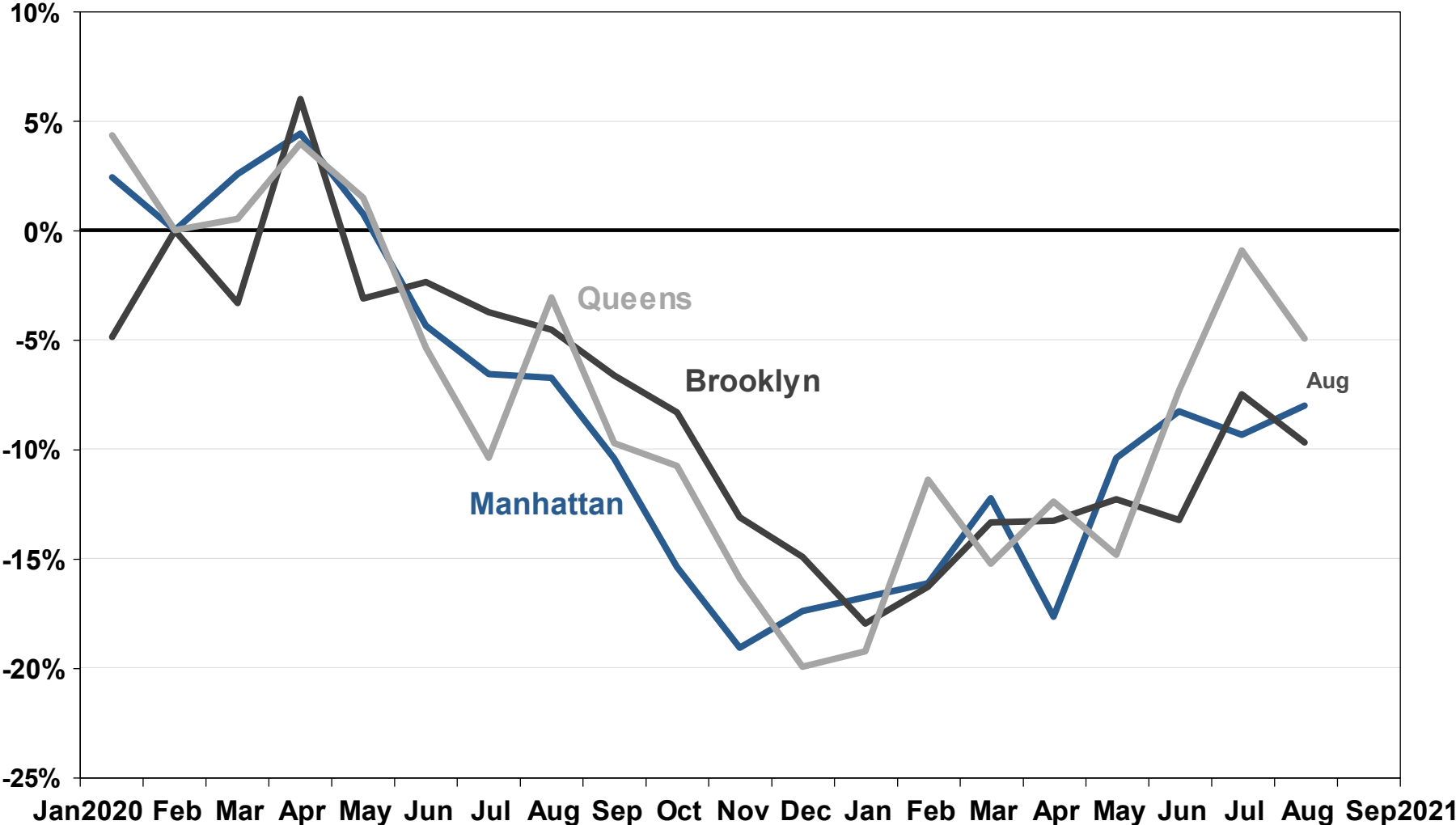
Sharp Rise in Home Prices

Percent Change in Home Prices, Indexed to Jan 2015



NYC Rents Have Rebounded But Remain Soft

Percent Change in Median Rents, Indexed to Feb 2020

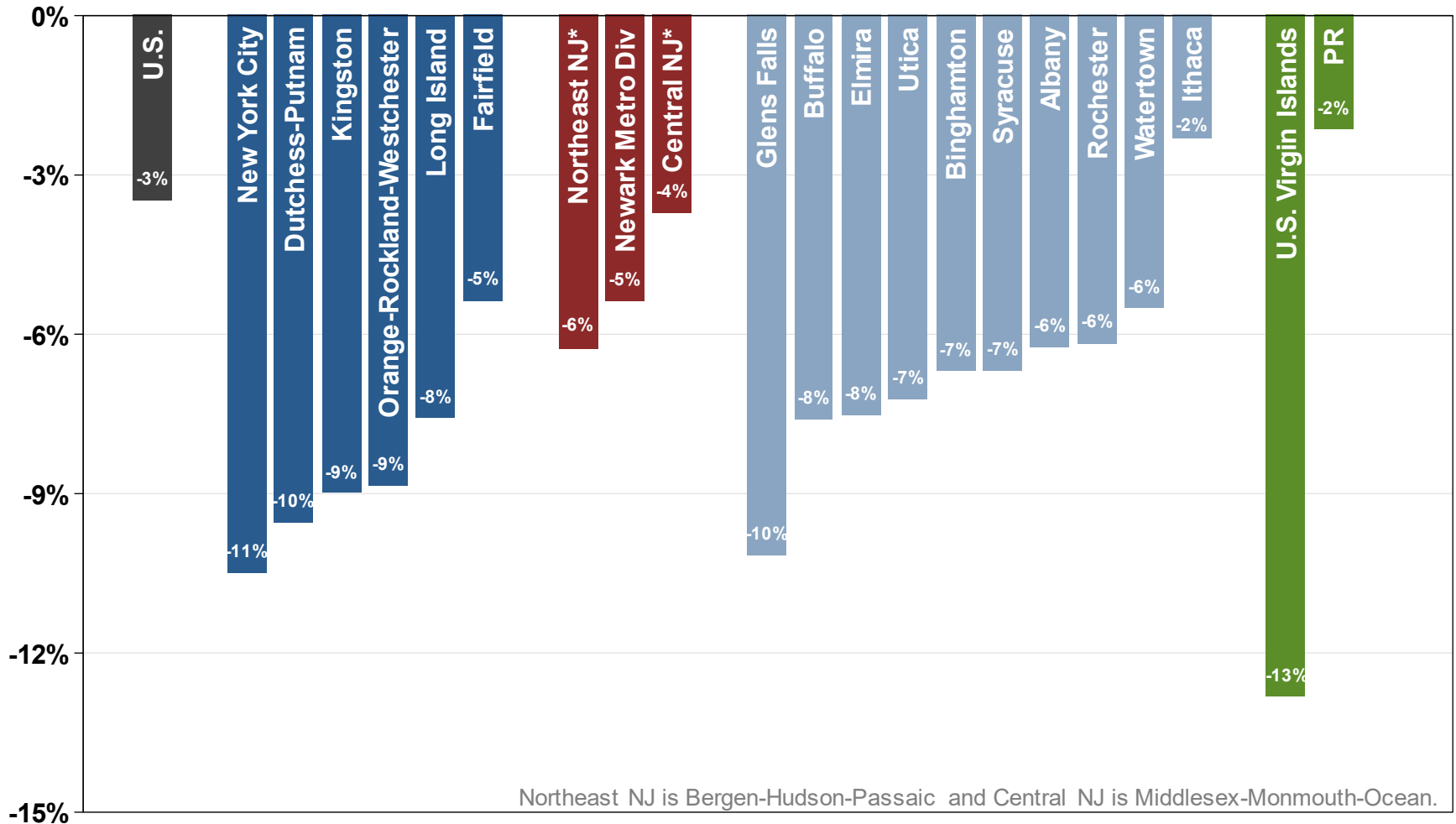


Source: Miller Samuel Elliman Report; Median Rents with Concessions.

Reference Slides

Pre-Pandemic Jobs Gap by Local Area

Percent Below Pre-Pandemic Employment Level (as of Aug 2021)



Job Losses and Gains in the Second District

Change in Employment Level by Sector

