

**Minutes of the meeting of the
SECOND DISTRICT ADVISORY COUNCIL**

10:00 a.m. – 12:00 p.m., Monday, March 27, 2023
Federal Reserve Bank of New York
33 Liberty Street, New York, NY
Virtual - WebEx Conference

Member Attendees:

Donnel Baird, Founder & CEO, BlocPower
Jaswinder Chadha, President & CEO, Axtria, Inc.
Sarah LaFleur, Founder & CEO, MM.LaFleur
Anthony E. Shorris, John Weinberg/Goldman Sachs Visiting Scholar & Senior Advisor,
Princeton University, McKinsey & Company
Joseph Wetteny, Executive Vice President & CFO, Zoetis Inc.

Federal Reserve Bank of New York attendees:

John Williams, President & CEO
Jaison Abel, Research & Statistics
Jack Gutt, Communications & Outreach
Andrew Haughwout, Research & Statistics
Jason Bram, Research & Statistics
Jonathan McCarthy, Research & Statistics
Rosanne Notaro, Legal
Andrea Grenadier, Communications & Outreach
Shawn Phillips, Communications & Outreach
Camille Pennycooke-Dieudonne, Legal

Shawn Phillips called the meeting to order at approximately 10:03 a.m.

1. Welcome

Mr. Williams welcomed council members and introduced Joseph Wetteny, Executive Vice President and Chief Financial Officer of Zoetis, and the newest member of the Second District Advisory Council. Mr. Williams noted that we are still dealing with effects of the pandemic on the economy and now the added stresses in the banking sectors. He added that while it is not yet clear what effect these stressors will have on lending and confidence in the economy, an advantage of convening this group is the ability to hear in real time what is happening in businesses and communities.

2. National Economy Update

Mr. McCarthy presented an update on the national economy. He noted that economic activity was resilient at the beginning of the year, the labor market remains tight, and inflation continues to be high and well above the FOMC's 2% target. He added that the recent banking system stresses have raised uncertainty about the economic outlook and are likely to tighten credit conditions and impact economic activity.

3. Regional Economy Update

Mr. Abel provided an update on regional economic conditions. He indicated that overall economic activity has been quite weak with a modest decline in activity for the past six months. He explained that supply chain disruptions have continued to improve, although supply availability has not fully returned to normal. He added that the region is still experiencing job shortfalls because of the pandemic but is showing signs of remarkable recovery especially in New York City. He further noted that while Puerto Rico is at a multiyear high for employment, the US Virgin Islands (USVI) are still struggling to recover after the economic impact of the pandemic. Mr. Abel also mentioned that inflationary pressures are persistent but have moderated, and home prices across the region have plateaued after seeing a boom during the pandemic.

4. Member Q&A with President Williams and Economists

President Williams and the economists were asked about the economic challenges facing the USVI. President Williams and the economists explained that the USVI was benchmarked

against a high point due to the construction boom that came in the aftermath of Hurricanes Irma and Maria. In addition, the closing of a major refinery has led to significant decline in the overall economy. Additionally, they explained that the USVI is a small economy that is heavily dependent on tourism and is still feeling the effects of the change in travel patterns from the pandemic. President Williams also mentioned that he and others from the NY Fed will be visiting the USVI shortly to deepen their understanding of local economy and the challenges faced.

In light of recent issues currently facing the banking sector, President Williams was asked about any continuous interventions to support small and mid-sized banks, and whether there is concern about broader issues in this sector. He responded that while there were a few notable events happening at once in the banking system, the banking system is sound and resilient. He stressed that matters have stabilized, and the efforts of the FDIC has restored confidence around the safety of deposits. President Williams went on to highlight that small and medium-sized businesses tend to rely on regional banks and that the Federal Reserve will continue to monitor this sector.

5. Facilitated Discussion

Ms. Phillips began the facilitated discussion by asking council members how business and economic conditions have improved in their respective businesses/ industries, and what has remained a challenge or worsened. Most members indicated that business growth and consumer spending are generally strong although discretionary spending has shrunk in some areas. Some members noted that the recent stresses in the banking sector have had a noticeable impact on performance for Q1. Members also highlighted improvements with staffing, indicating that attrition rates have stabilized somewhat, but pointing out that employees in the U.S. are reluctant to return to the office. As a result, members indicated that hybrid-work models will be in place for the foreseeable future and demand for office space expansion has remained low. A member noted that this continues to have an impact on the hospitality and local public transportation sectors, with the burden on these industries being heightened by the fact that tourism is not yet back to pre-pandemic levels. Wage inflation expectations continue to be high across sectors, and members noted some concerns with access to credit because of the recent issues in the banking sector, including some concern

among small and medium-sized businesses in utilizing regional banks.

Overall, members reported a strong outlook in terms of business and economic conditions. While some members highlighted increased personnel costs and challenges with recruitment, most members noted improvements in pricing power with expectations that this will continue trending upward. President Williams added that the Global Supply Chain Pressure Index's recent movements suggest that global supply chain conditions had largely normalized.

6. Concluding Remarks

President Williams provided some concluding remarks, thanking members for sharing their insights and reiterating the value of the council.

The meeting adjourned at approximately 11:52 a.m.