

**Federal Reserve Bank of New York
Second District Advisory Council Meeting
Hybrid
Monday, November 6, 2023**

AGENDA

- | | |
|-----------------------|---|
| 2:00 p.m. – 2:05 p.m. | Welcome Remarks, Shawn Phillips, Head of External Engagement |
| 2:05 p.m. – 2:10 p.m. | Introductory Remarks, John Williams, President & CEO |
| 2:10 p.m. – 2:20 p.m. | National Economy Update, Davide Melcangi, Research Economist, Labor and Product Market Studies. |
| 2:20 p.m. – 2:30 p.m. | Regional Economy Update, Andrew Haughwout, Interim Director of Research and Head of the Research and Statistics Group |
| 2:30 p.m. – 3:00 p.m. | Member Q&A with President Williams and Economists |
| 3:00 p.m. – 3:55 p.m. | Member Insights, Shawn Phillips, Head of External Engagement Moderator |
| 3:55 p.m. – 4:00 p.m. | Concluding Remarks, John Williams, President & CEO |

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Discussion Questions

1. How have the prices your company pays and/or charges for goods and services changed in recent months? What inflationary pressures is your business/industry experiencing and what has been the impact?
2. How have labor market conditions evolved in recent months? Are you able to find the workers you need to run your business? Are wage pressures coming down/increasing/staying the same?
3. What is your outlook for the remainder of the year?

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Attendee List - Hybrid

SDAC Members

In- Person

Kelly Bliss

President, U.S. Group Health

Teladoc Health

Jaswinder Chadha

President & CEO

Axtria, Inc.

Wetteny Joseph

Executive Vice President & CFO

Zoetis

Jonathan Rose

President

Jonathan Rose Companies

Anthony E. Shorris

John Weinberg/Goldman Sachs

Visiting Scholar & Senior Advisor

Princeton University, McKinsey & Company

Virtual

Federico Stubbe, Jr.

CEO

PRISA Group

Federal Reserve Bank of New York

John Williams, President & CEO

Jack Gutt, Communications & Outreach

Shawn Phillips, Communications & Outreach

Andrea Grenadier, Communications & Outreach

Eric Lewin, Legal

Andrew Haughwout, Research & Statistics

Davide Melcangi, Research & Statistics

Tiffany Hewlin Corporate Secretary



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U.S. Economic Conditions

Davide Melcangi, Economic Research Economist, Research and Statistics Group
Second District Advisory Council: November 6, 2023

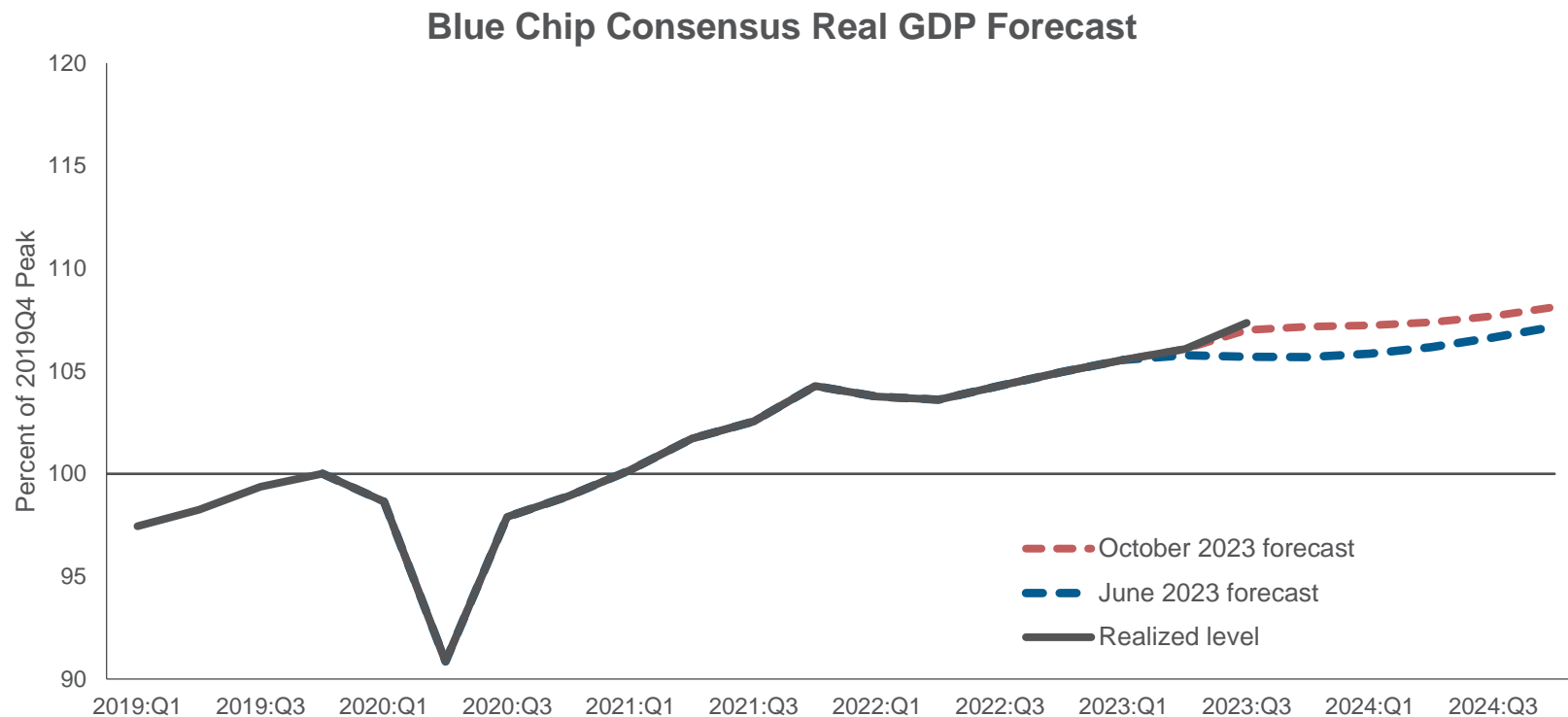
The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

Overview

- Real GDP growth was robust in the first half of 2023 and especially strong in Q3.
- Even with signs of easing, the labor market remains tight.
- Amid a slow moderation, inflation continues to be high.



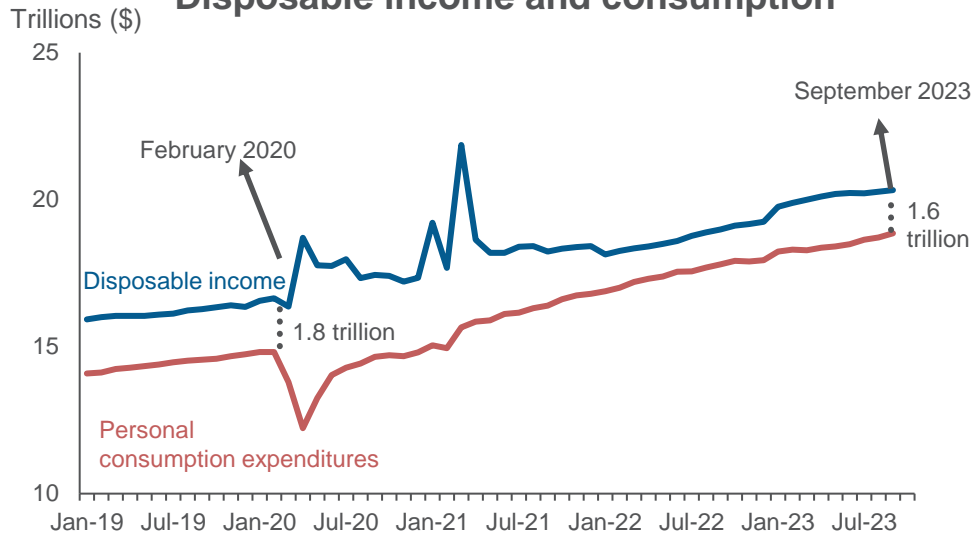
GDP growth strong in 2023Q3; spending still resilient



- 2023Q3 real GDP grew at a strong pace.
- Expenditures continued to be resilient so far in 2023.
- Since June, private forecasts moved higher.

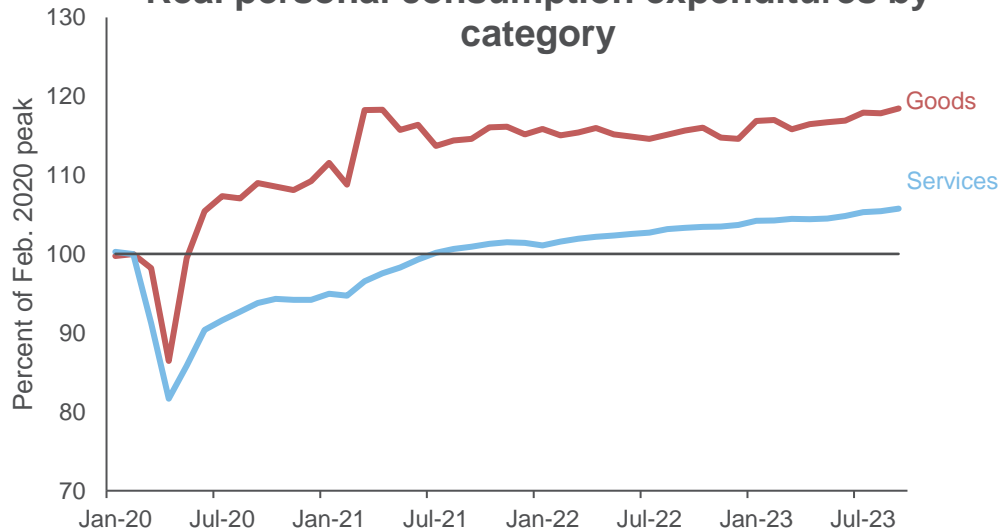
Robust consumption growth so far in 2023

Disposable income and consumption



- Consumption increased solidly through September.
- Saving rate dipped to 3.4% in September, well below pre-pandemic levels.

Real personal consumption expenditures by category

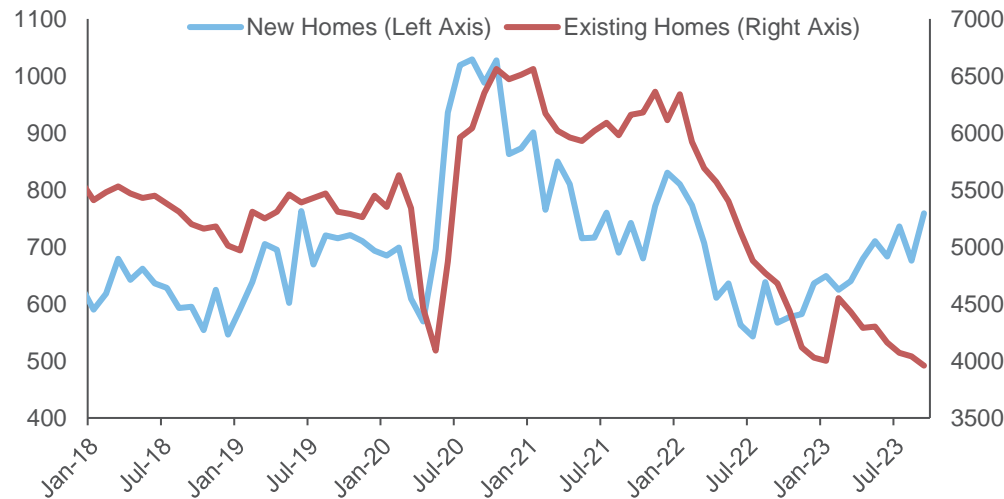


- Goods spending still well above pre-pandemic levels.
- Services expenditures are moderately above pre-pandemic levels.
- Rebalancing still proceeding slowly.



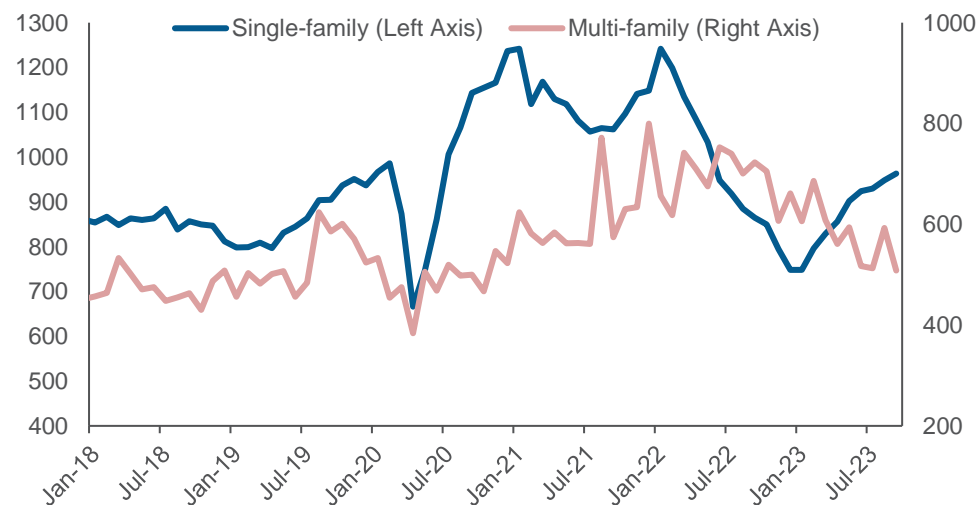
Mixed signals in the housing market

Home Sales (thousands)



- With mortgage rates above 2022 peaks, affordability is further strained.
- Existing home sales remain subdued.

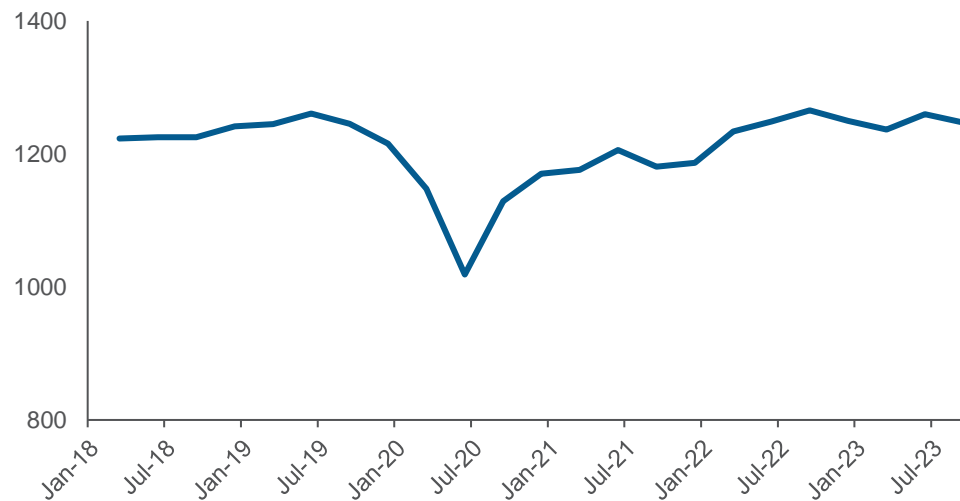
Residential building permits (thousands)



- Single-family home building has moved up since late 2022, following a similar pattern as new home sales.
- Multi-family building activity has fallen from high levels in recent months.

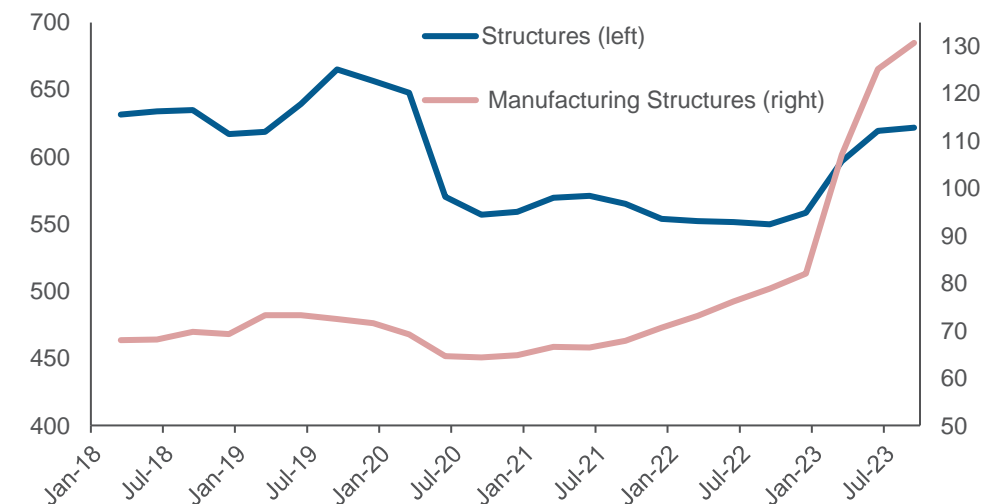
Business investment composition is shifting

Real Equipment Investment (bil. of 2017\$)



- Real spending on business equipment rebounded strongly after the pandemic.
- However, equipment spending has stalled recently.

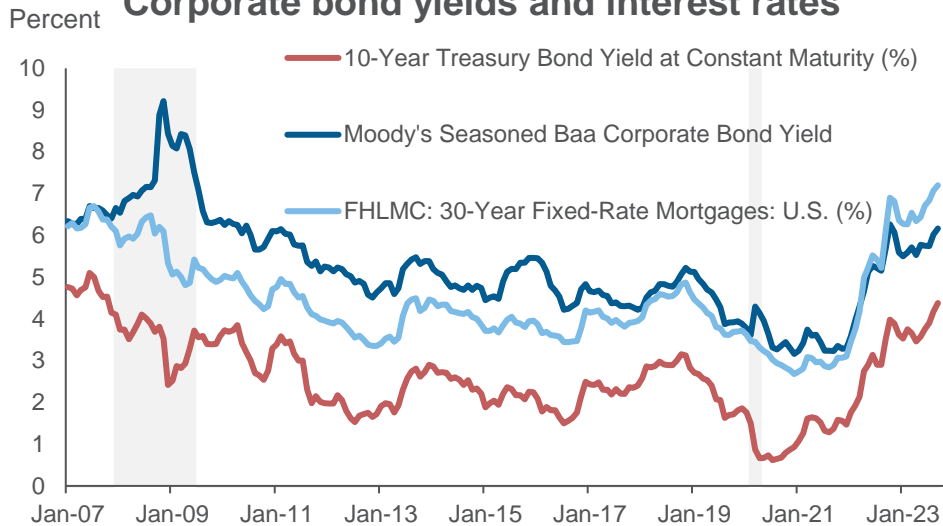
Real Structures Investment (bil. of 2017\$)



- After weakness since the pandemic, real spending on business structures has risen in the last four quarters.
- A surge in manufacturing structures is a factor in the recent rise.

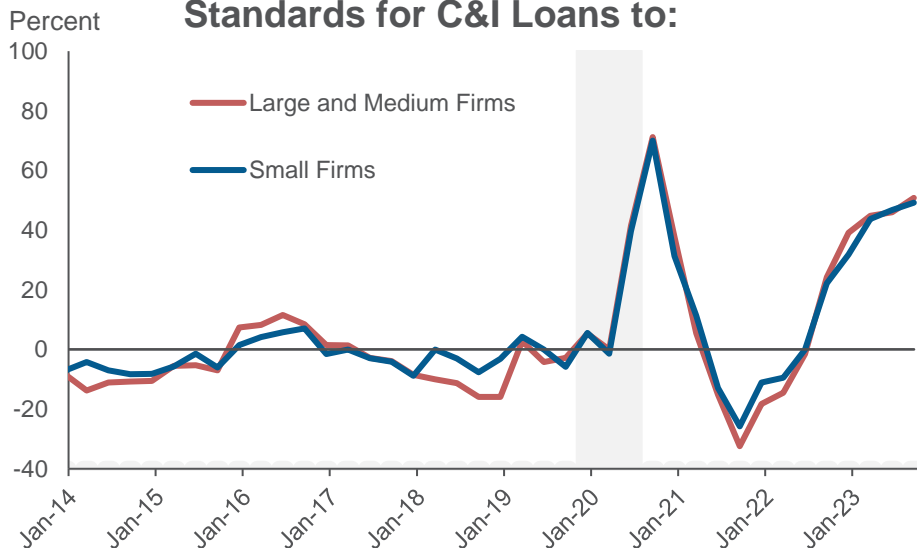
Financial and credit conditions have tightened

Corporate bond yields and interest rates



- Long-term Treasury yields and mortgage rates have recently surpassed their end-2022 levels.

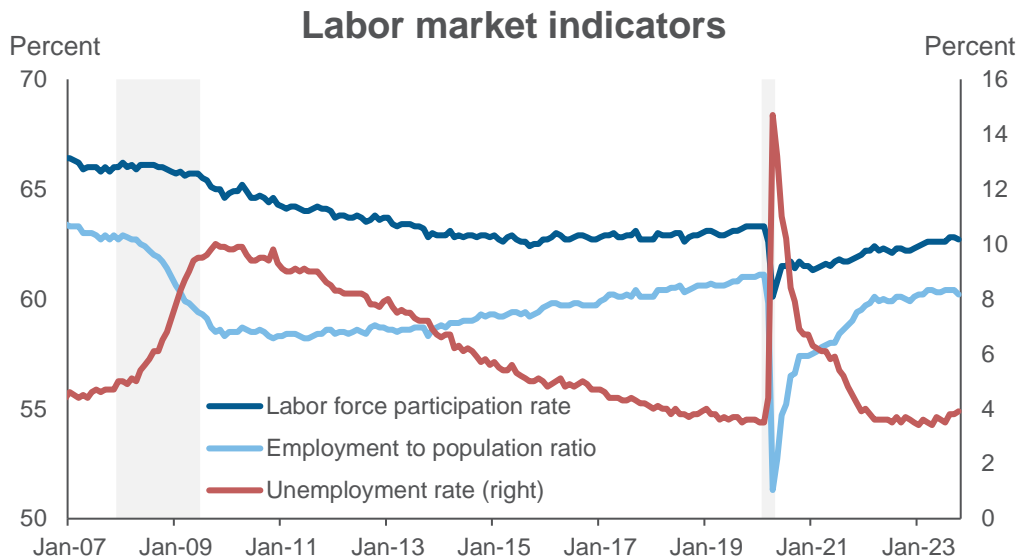
Standards for C&I Loans to:



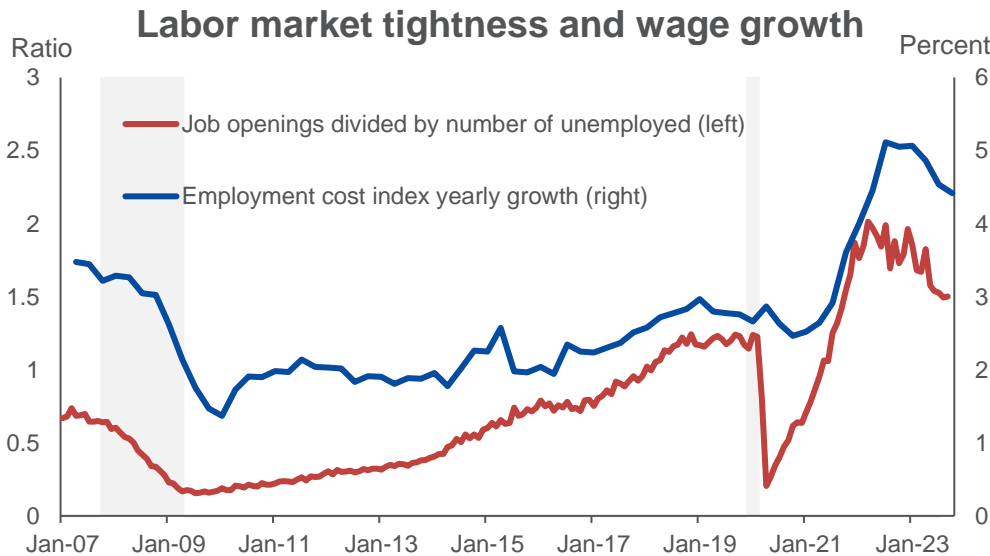
- The net percentage of banks stating that they are tightening standards for C&I loans to firms has continued to rise, but at a slowing pace.



Some signs of easing, but the labor market remains tight

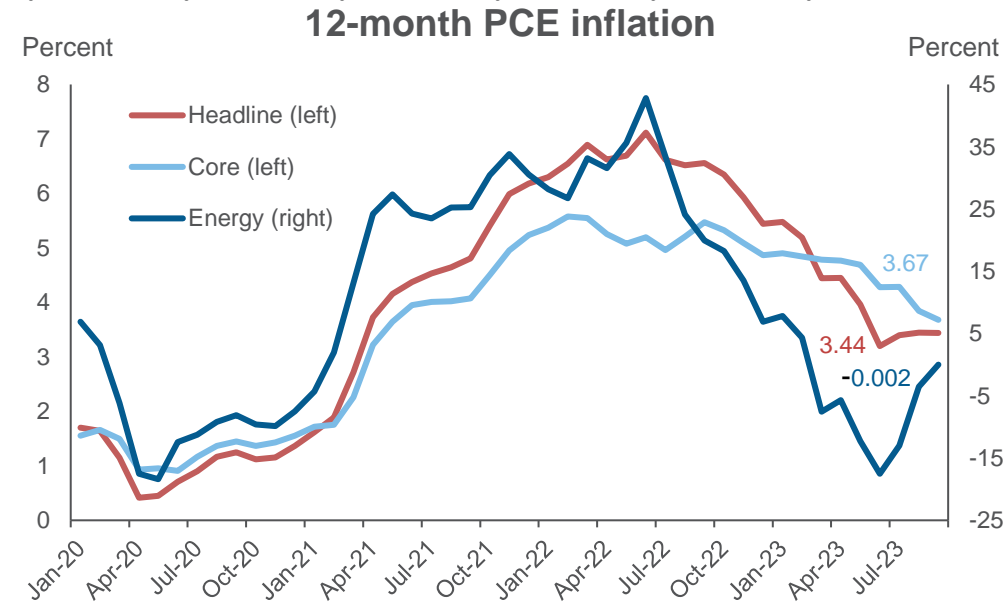
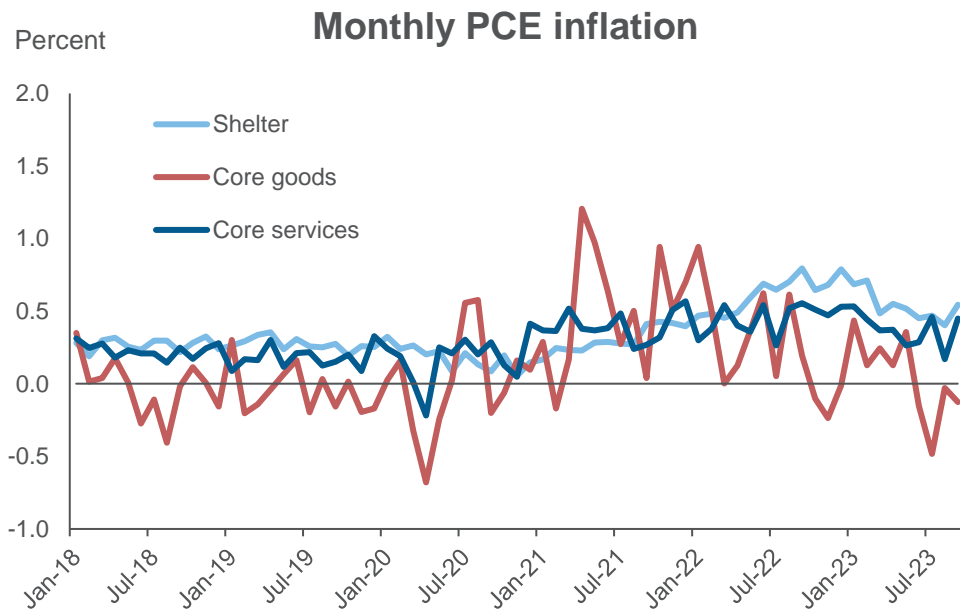


- Unemployment rate edged up to 3.9% in October.
- Participation is close to pre-pandemic levels.
- Job growth remains solid: 3-month average was 204,000 in October.



- Even with some easing, there are many more job openings than people looking for work.
- Wage growth has moderated recently but is above pre-pandemic rates.

Amid a slow moderation, inflation continues to be high



- Core goods prices have fallen recently, as supply chain issues improved.
- Even after some slowing in shelter, core services inflation is still elevated.
- Ex-food & energy (core) inflation thus has slowed but remains high.
- The decline in headline inflation has stalled recently, reflecting increases in energy prices.

Concluding observations

- Economic activity and the labor market have been resilient so far in 2023.
- Inflation remains well above 2 percent.
- Some rebalancing of supply and demand in goods and labor markets is underway.



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Economic Conditions in the Region

Andrew Haughwout, Director of Household and Public Policy Research
and Interim Director of Research

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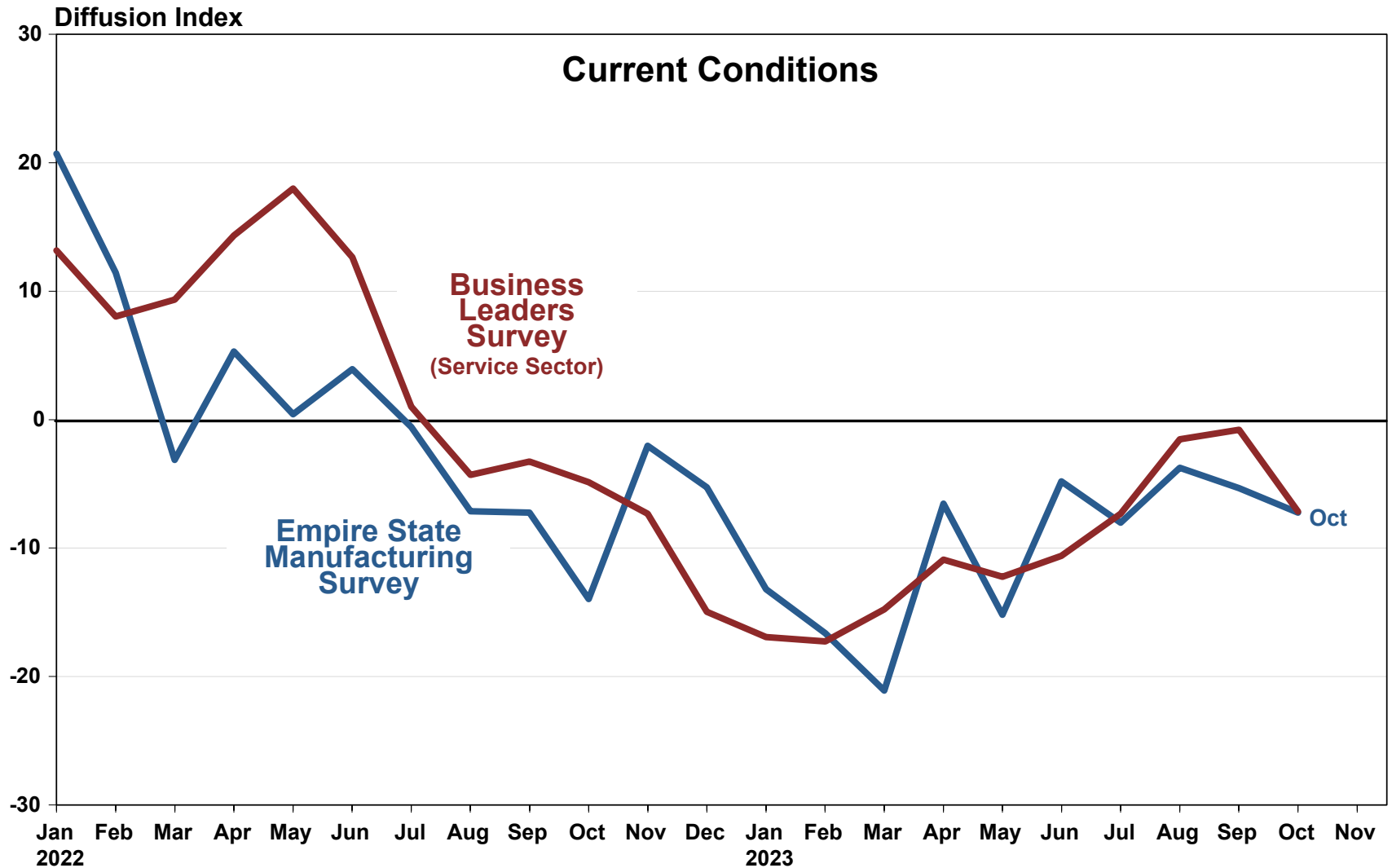
Overview

- Regional business activity has been weak.
- Job growth has slowed but remains solid.
- Despite tighter financial conditions, home prices are rising again.



Regional Business Activity Weak

New York Fed Regional Business Surveys

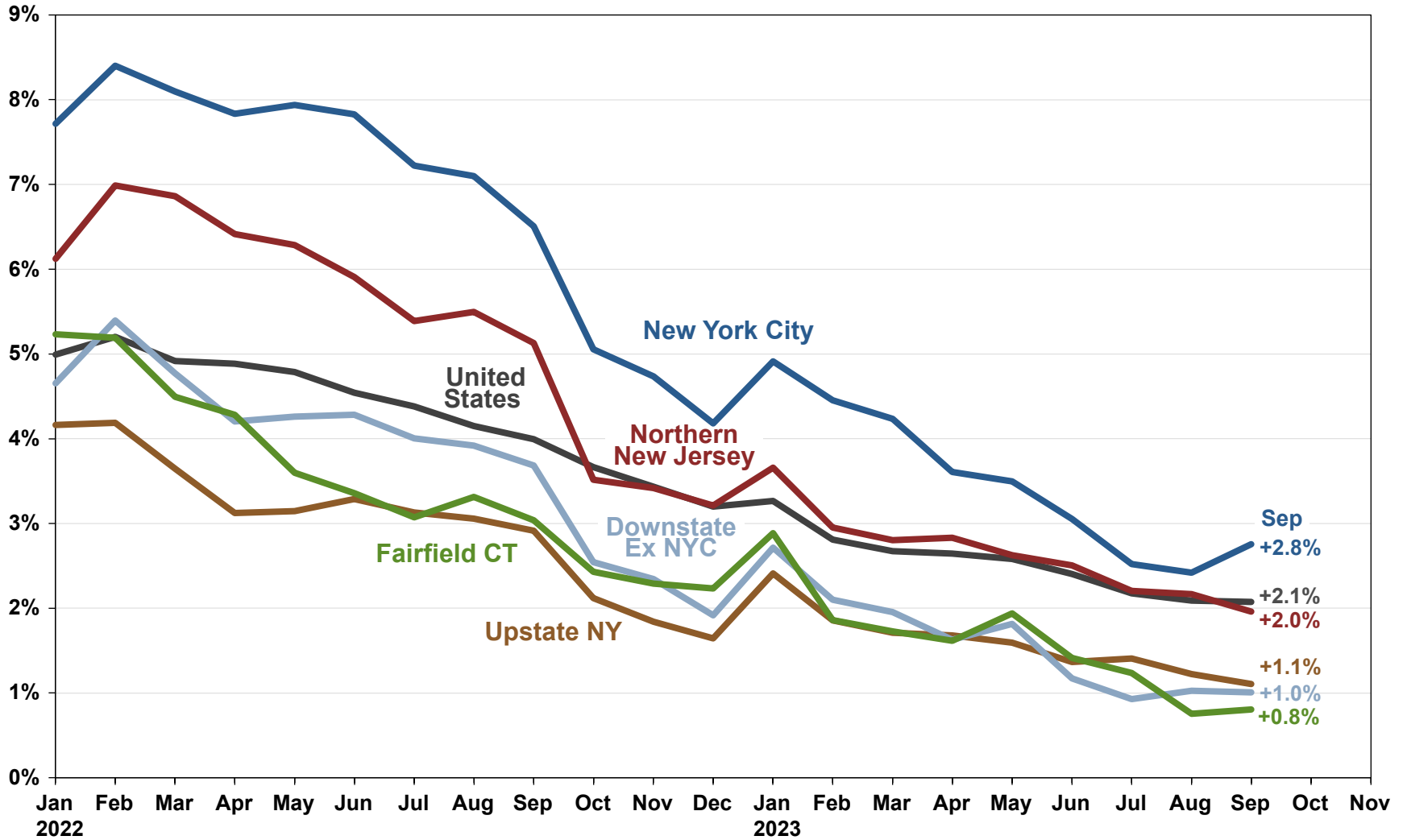


Source: Federal Reserve Bank of New York; indexes shown as a 3-month moving average.



Job Growth in the Tri-State Region Has Slowed

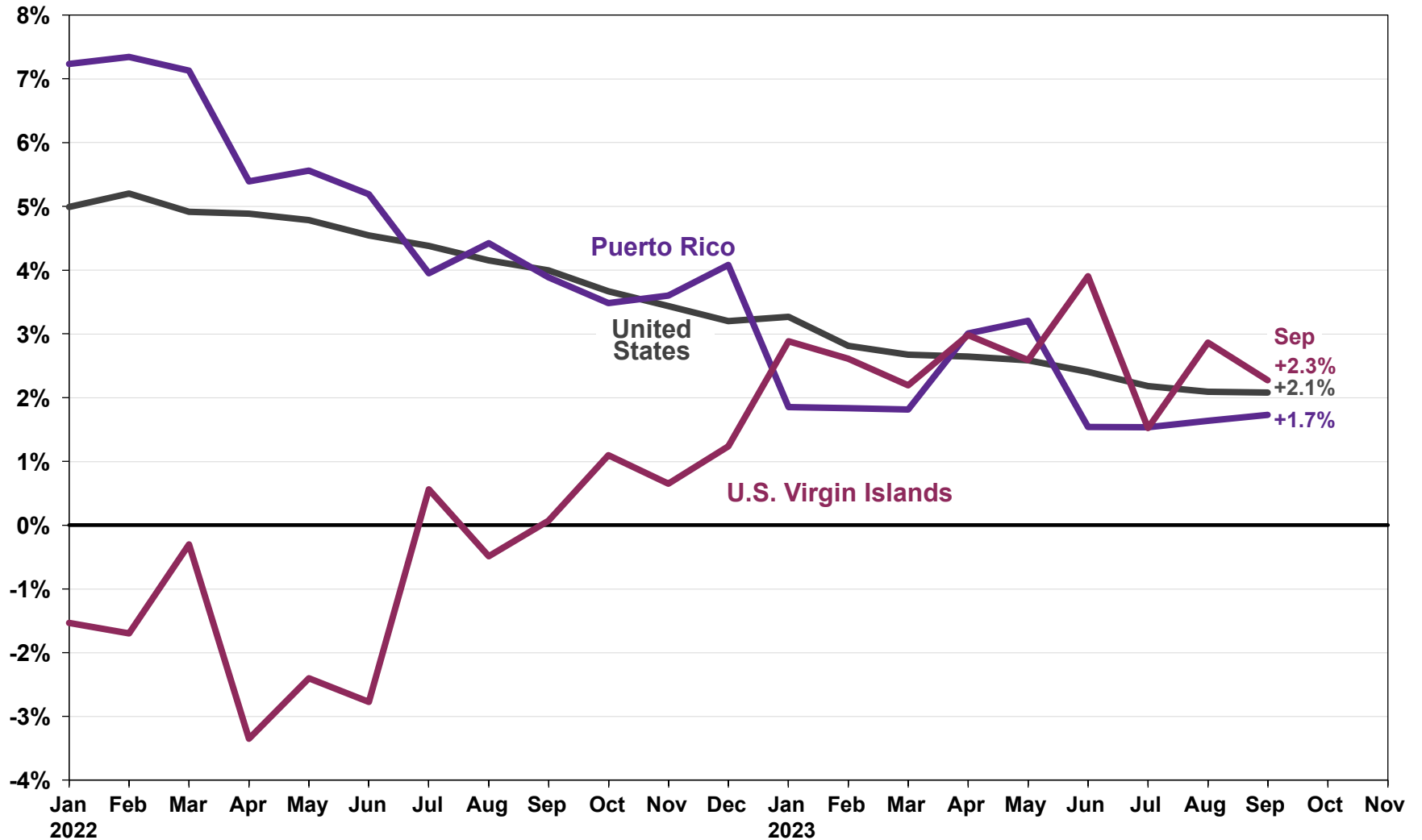
Year-Over-Year Percent Change



Source: U.S. Bureau of Labor Statistics and Moody's Economy.com; regional data are early benchmarked by New York Fed staff.

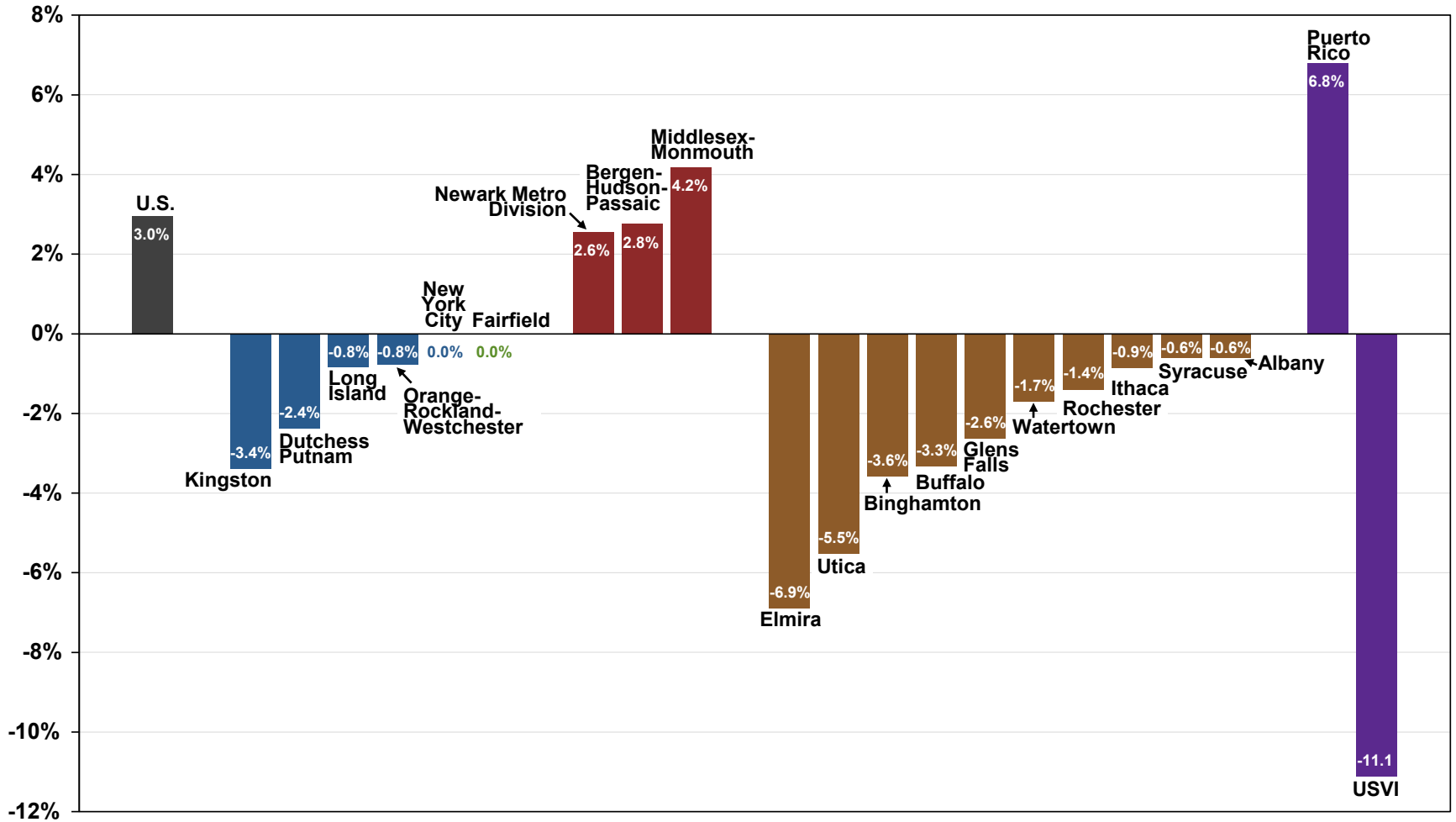
Job Growth Slowing in Puerto Rico, Picking Up in the USVI

Year-Over-Year Percent Change



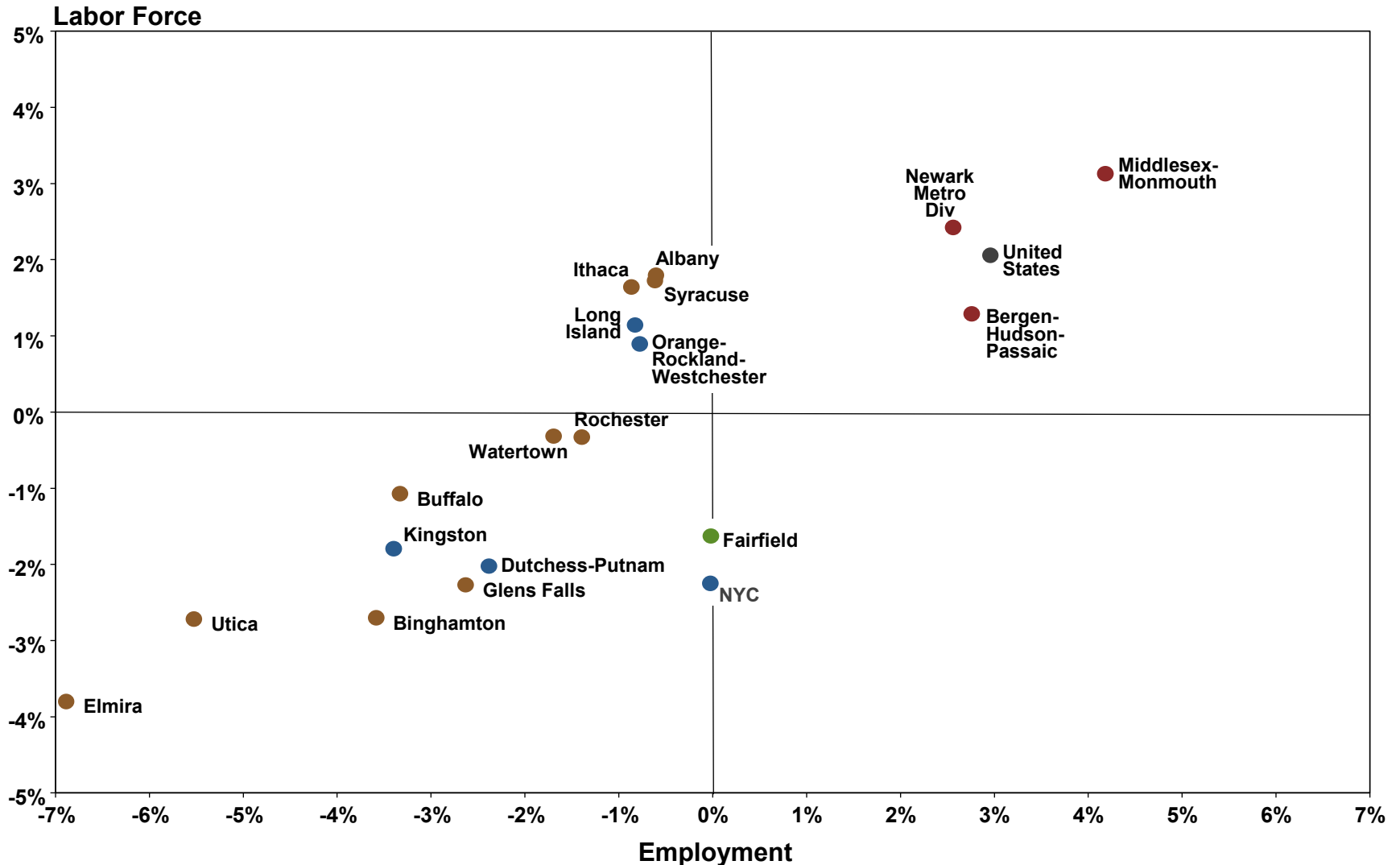
Sizeable Job Shortfalls Remain in Parts of the Region

Percent Above/Below Pre-Pandemic Employment Levels, September 2023



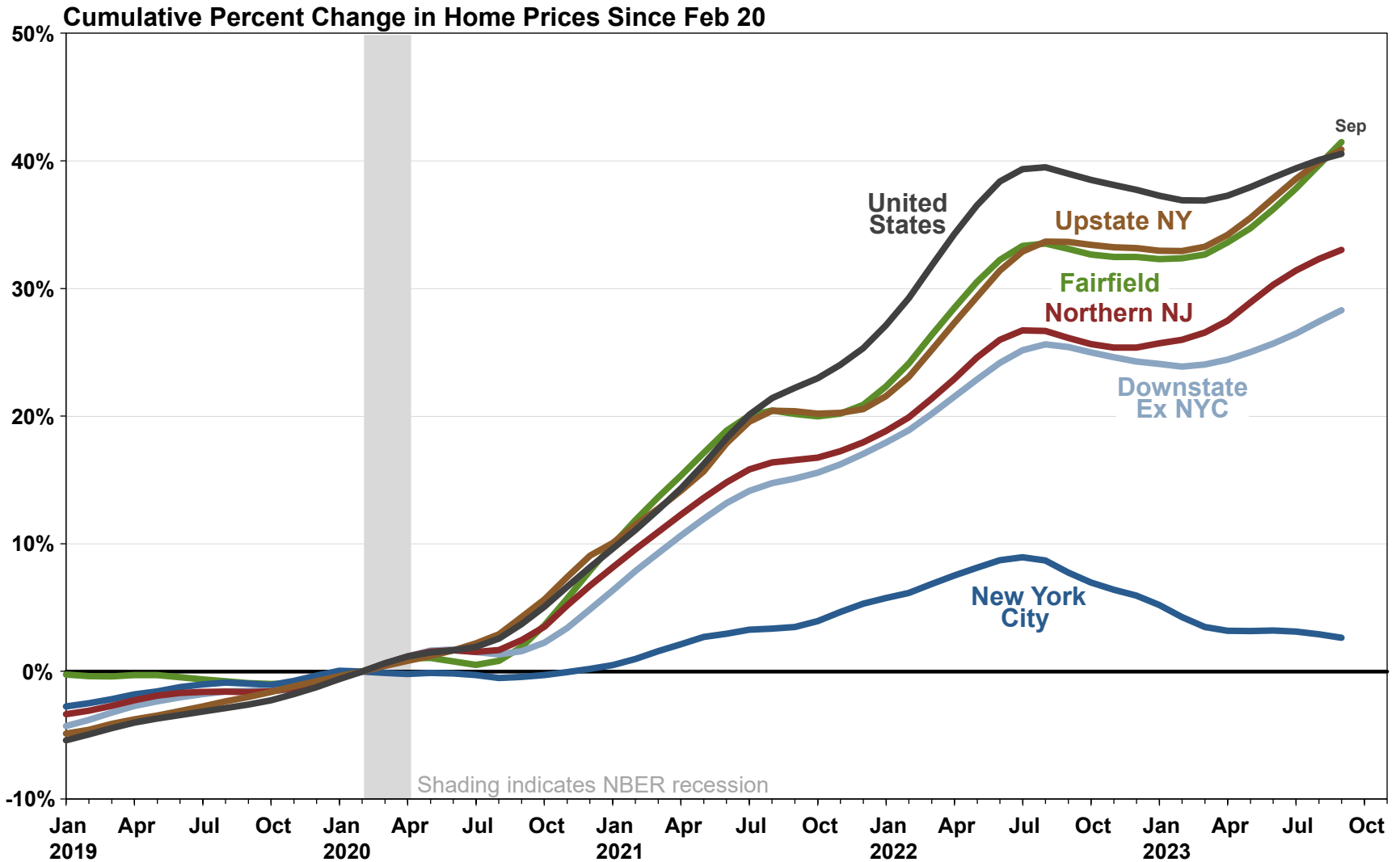
Worker Shortages Contributing to Job Shortfalls

Percent Above/Below Pre-Pandemic Levels, September 2023



Home Prices Rising Again in Much of the Region

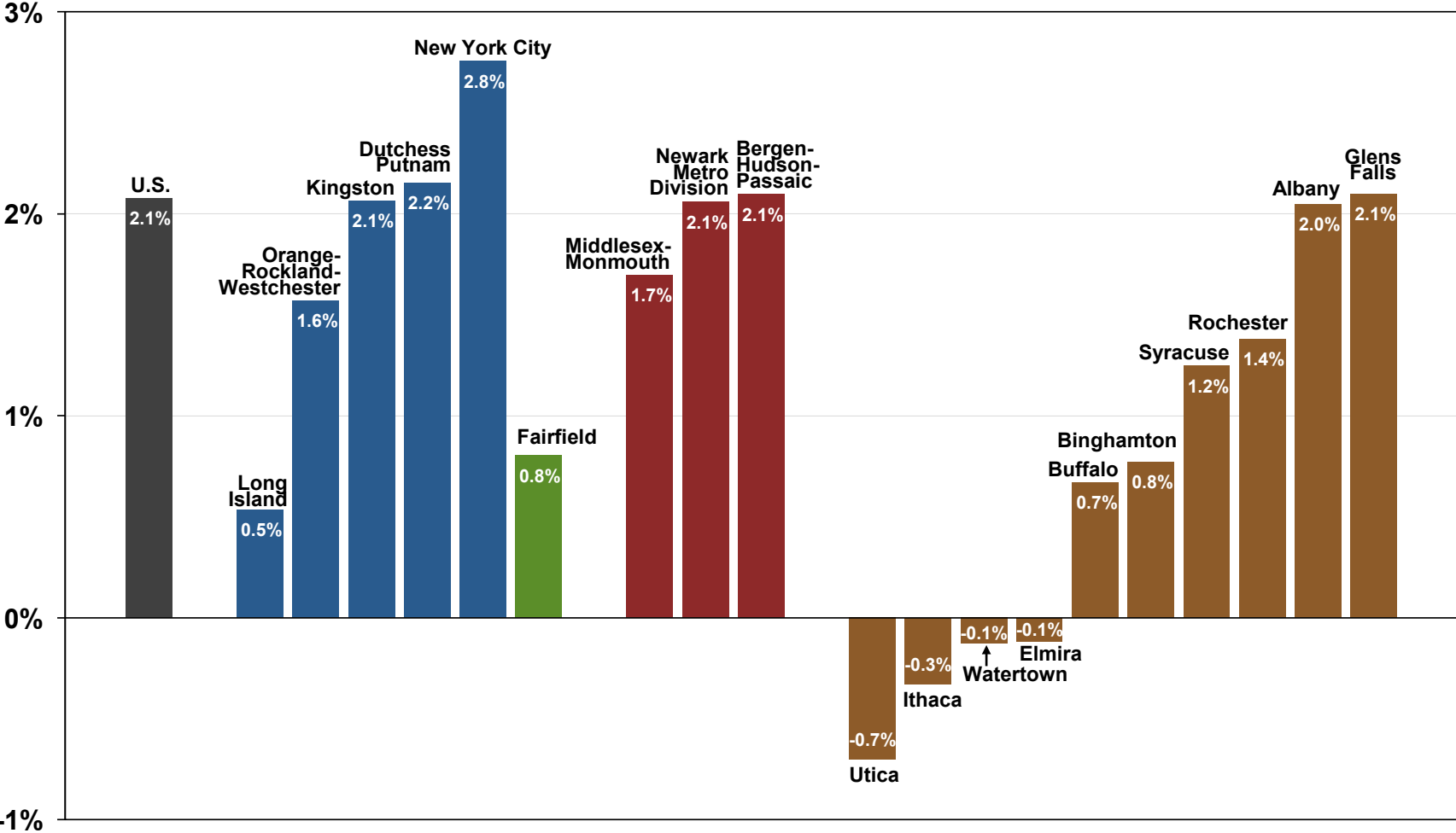
Home Price Growth Since the Start of the Pandemic



Reference Slides

Recent Job Growth by Local Area

Year-Over-Year Percent Change, September 2023



Source: U.S. Bureau of Labor Statistics and Moody's Economy.com; regional data are early benchmarked by New York Fed staff.

Recent Home Price Appreciation by Local Area

Year-Over-Year Percent Change, September 2023

