

**Federal Reserve Bank of New York
Second District Advisory Council Meeting
Hybrid
Thursday, February 20, 2025**

AGENDA

- | | |
|-----------------------|--|
| 1:00 p.m. – 1:05 p.m. | Welcome Remarks, Shawn Phillips, Head of External Engagement |
| 1:05 p.m. – 1:10 p.m. | Introductory Remarks, John Williams, President & CEO |
| 1:10 p.m. – 1:20 p.m. | National Economy Update, Giorgio Topa, Economic Research Advisor |
| 1:20 p.m. – 1:30 p.m. | Regional Economy Update, Richard Deitz, Economic Research Advisor |
| 1:30 p.m. – 2:00 p.m. | Member Q&A with President Williams and Economists |
| 2:00 p.m. – 2:55 p.m. | Member Insights, Shawn Phillips, Head of External Engagement Moderator |
| 2:55 p.m. – 3:00 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 2025 and beyond?

**Second District Advisory Council Meeting
Thursday, February 20, 2025**

Attendee List - Hybrid

SDAC Members

Virtual

Gary Dake
President & CEO
Stewart's Shops Corporation

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

John B. Gibson
President & CEO
Paychex

Federico Stubbe, Jr.
CEO
PRISA Group

Wetteny Joseph
Executive Vice President
And Chief Financial Officer
Zoetis

Federal Reserve Bank of New York

Jaison Abel, Research and Statistics
Richard Deitz, 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
Giorgio Topa, Research & Statistics
John Williams, President & CEO



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U.S. Economic Conditions

Giorgio Topa, Economic Research Advisor, Research and Statistics Group
Second District Advisory Council: February 20, 2025

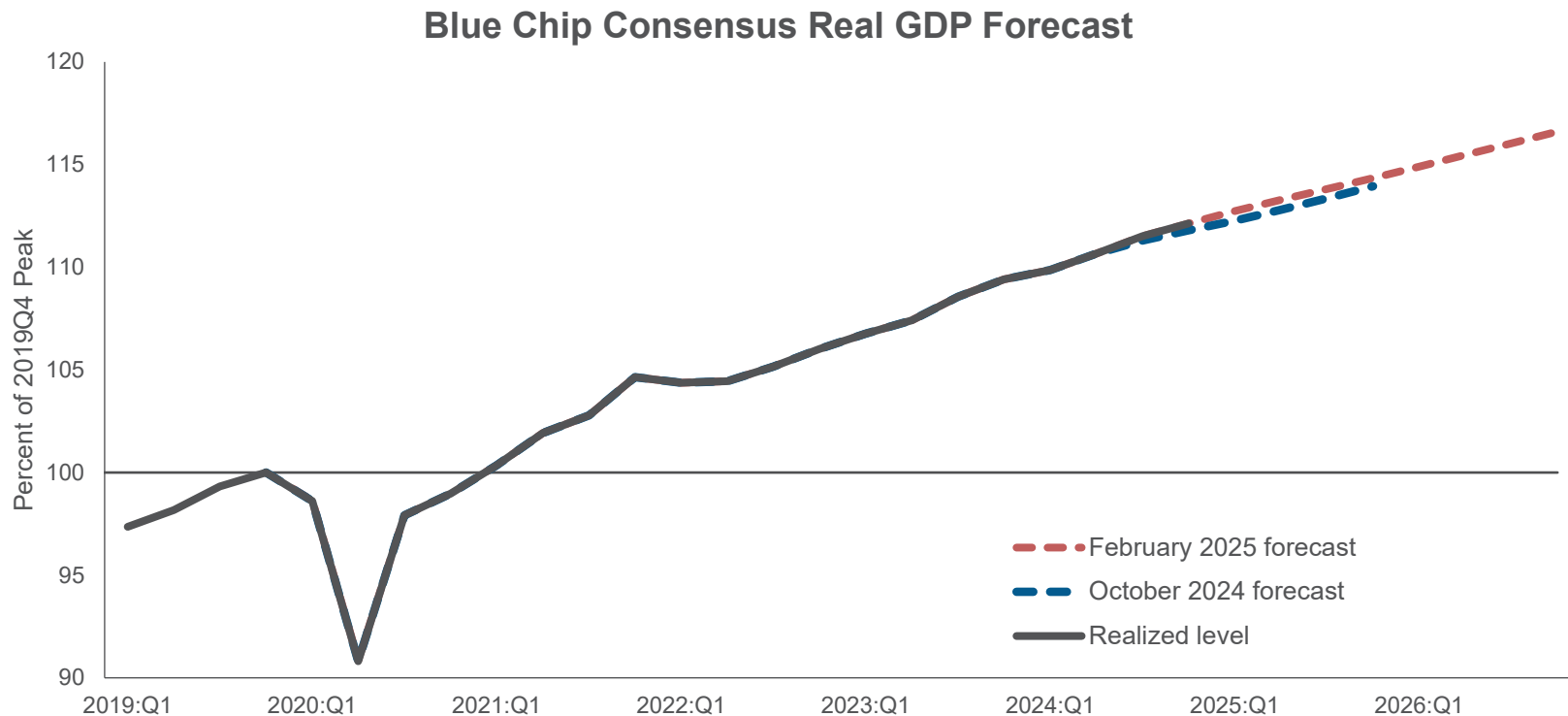
The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

Overview of economic conditions

- Real GDP growth was solid in 2024.
- Labor demand and supply moved into balance, with most indicators near pre-pandemic levels.
- Inflation slowed modestly in 2024 and continues to run somewhat above the FOMC goal.



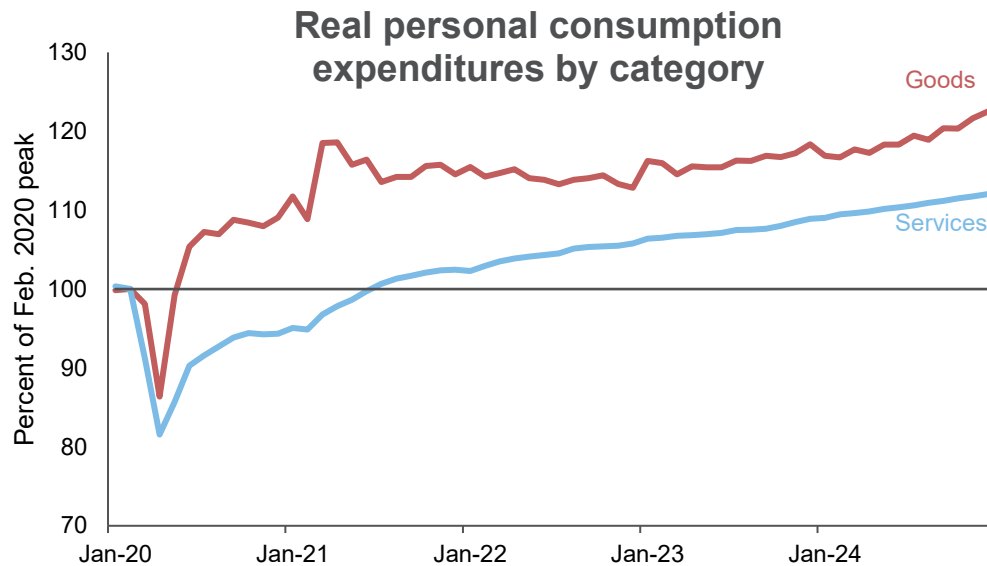
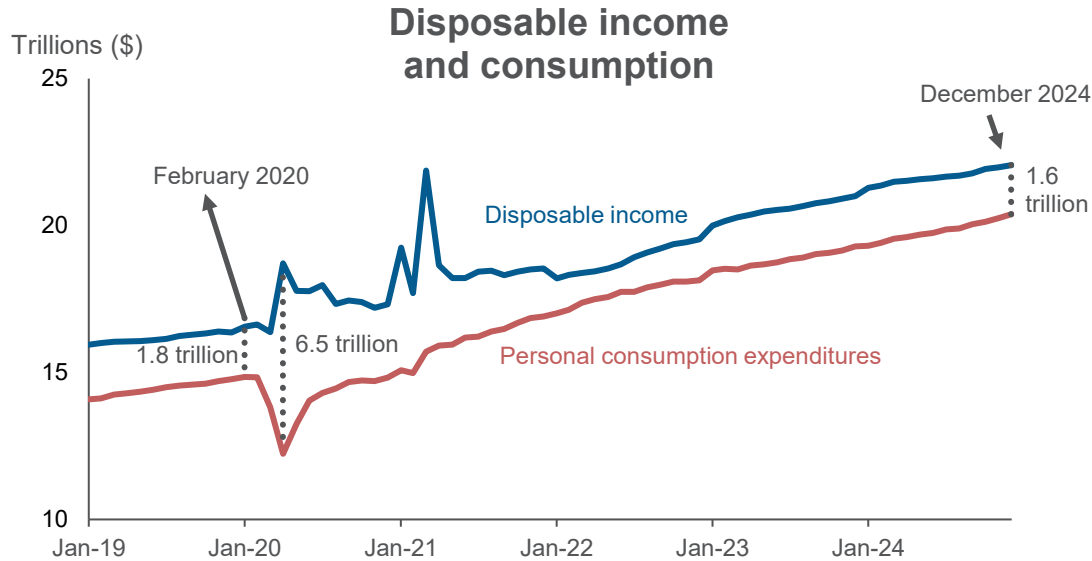
GDP growth was solid in 2024Q4 and 2024



- Real GDP grew at a solid pace in 2024Q4.
- Consumer spending was robust in 2024.
- Since October, private forecasts moved a bit higher.



Robust consumption growth in 2024



- Consumption increased robustly through December.
- Saving rate was 3.8% in December, below pre-pandemic levels.
- Real goods spending is well above pre-pandemic levels.
- Services expenditures are moderately above pre-pandemic levels.
- Services share of **nominal** spending near pre-pandemic levels.



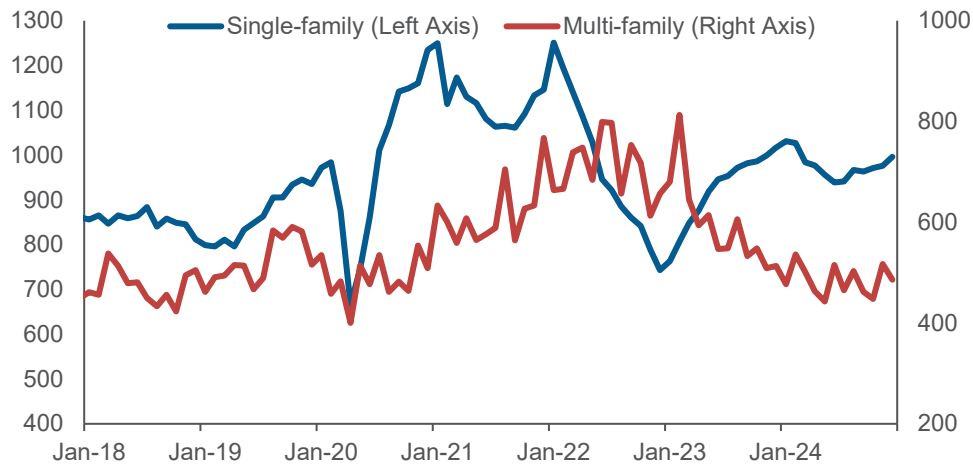
Housing market activity roughly flat

Home Sales (thousands)



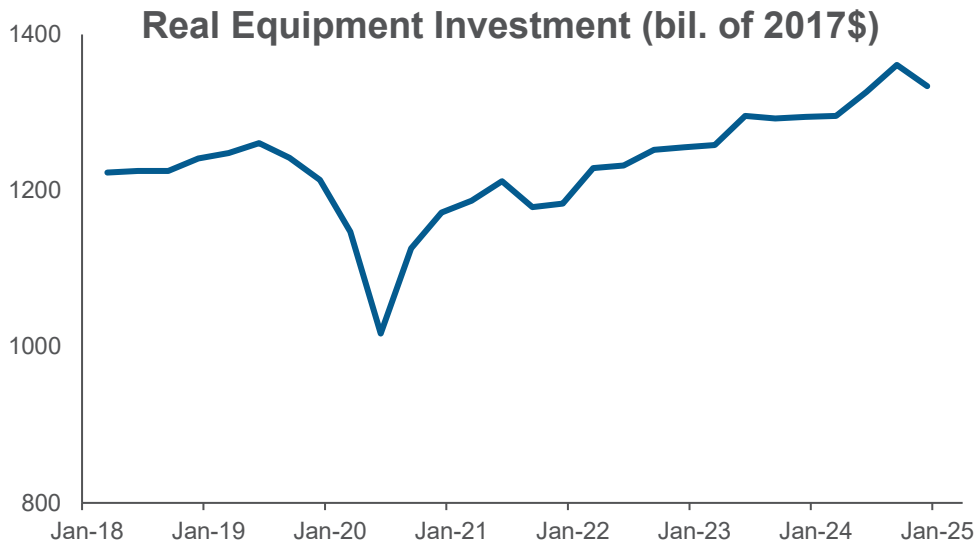
- With mortgage rates still high, affordability is strained.
- Hindered also by limited supply, existing home sales were weak in 2024, even with a late rebound.

Residential building permits (thousands)

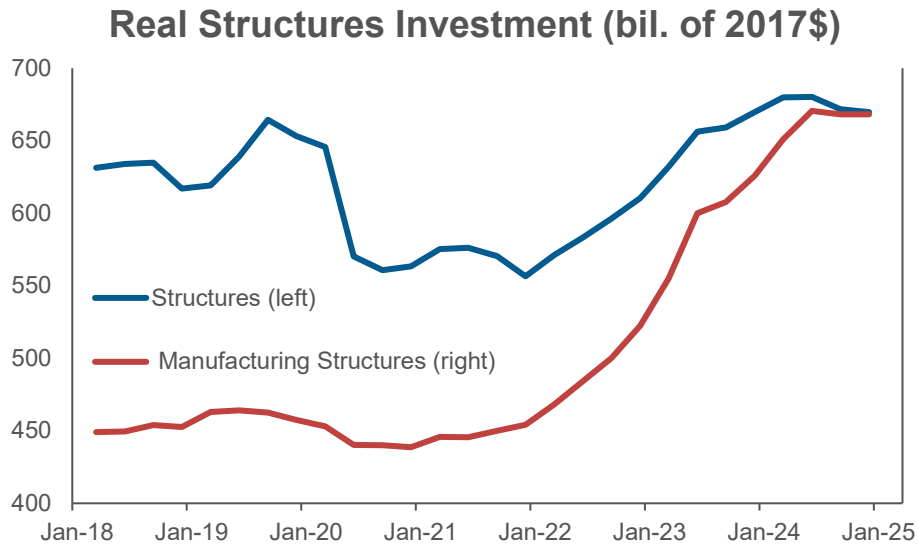


- Single-family home building flat over 2024, as new home sales held up.
- Multi-family building activity remained below the robust levels of 2021 – 22.

Business investment composition shifted in 2024



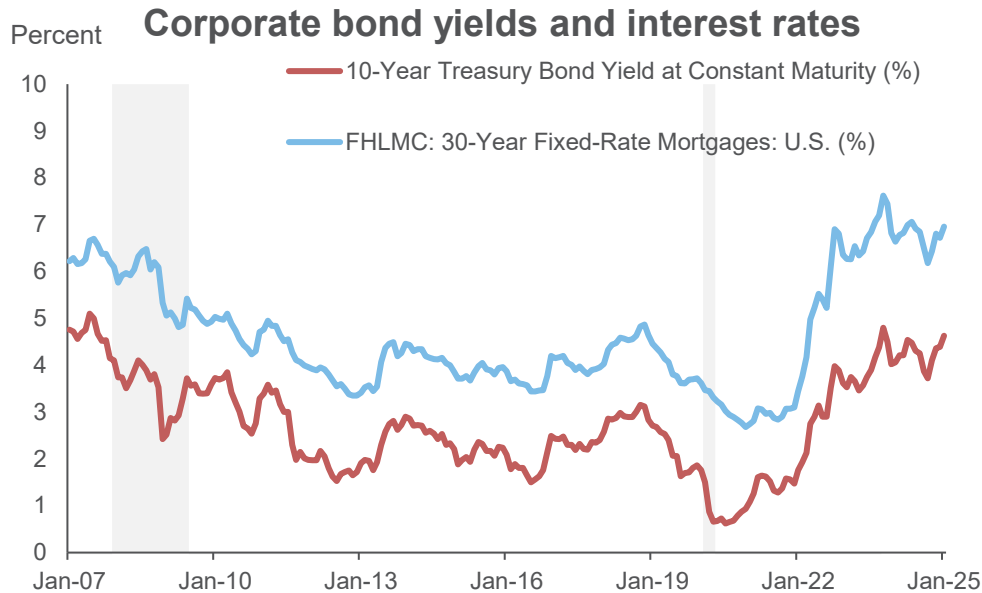
- Real spending on business equipment rebounded strongly after the pandemic.
- After a flat period through 2024Q1, equipment spending rose on net over last 3 quarters of 2024.



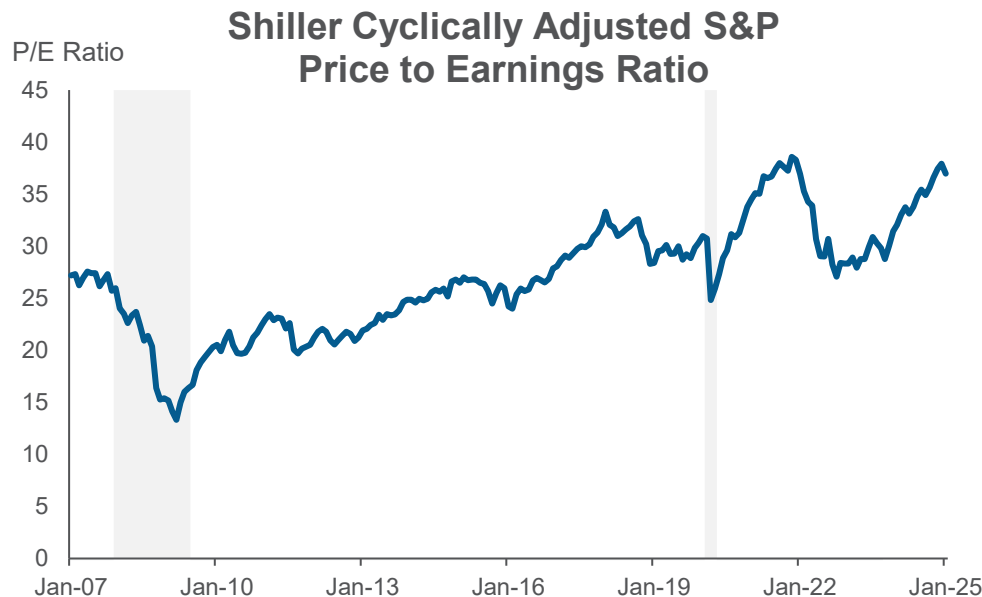
- After rising strongly in 2022 – 23, real spending on business structures flattened in 2024H2.
- Manufacturing structures is a major factor in this pattern.



Varying signals from financial conditions



- Long-term Treasury yields and mortgage rates have eased recently but are still above year-ago levels.



- Equity prices rose strongly over 2023 – 24, which probably was supportive of economic growth.
- Equity valuations are high by historical standards.

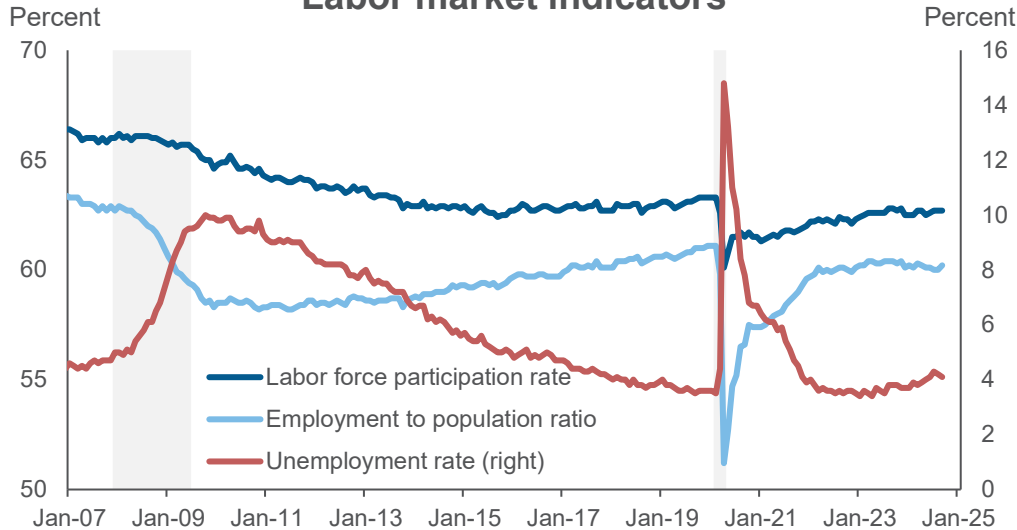
Sources: Federal Home Loan Mortgage Corporation, Federal Reserve Board, Robert Shiller via Haver Analytics.

Note: Shading shows NBER recessions. Bottom chart shows net percentage of respondents tightening standards for loans.



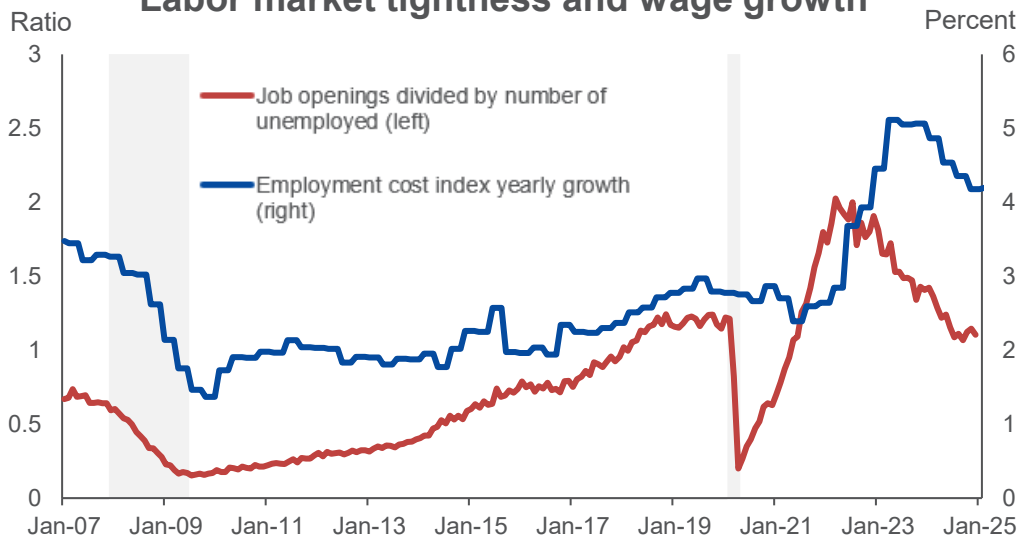
The labor market has come into better balance

Labor market indicators



- Unemployment rate was 4.0% in January.
- Participation somewhat below pre-pandemic levels.
- Job growth picked up recently: 3-month average was 237,000 in January.

Labor market tightness and wage growth

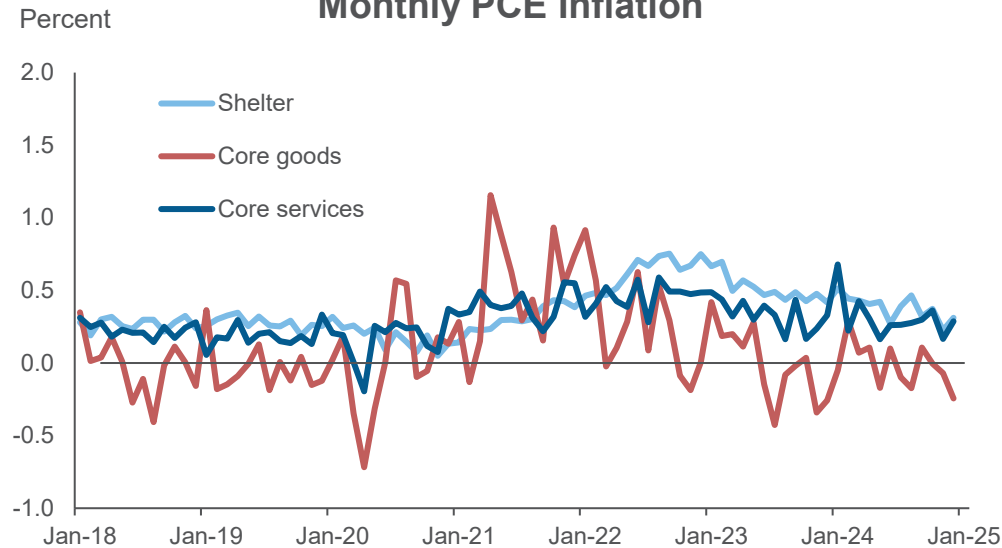


- There are somewhat more job openings than people looking for work.
- Wage growth moderated over 2024 but is still above pre-pandemic rates.



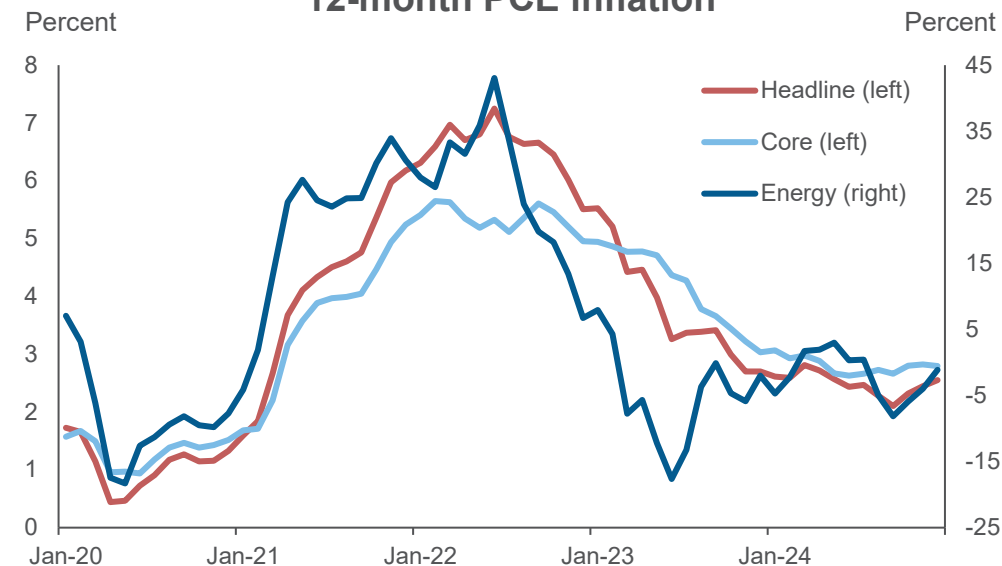
Inflation slowed modestly in 2024, remaining above 2%

Monthly PCE Inflation



- Core goods prices generally fell in 2024, maintaining recent patterns.
- Core services inflation slowed in 2024 but is still elevated, notably for housing.

12-month PCE inflation



- Ex-food & energy (core) inflation slowed in 2024, but it remained near $2\frac{3}{4}\%$.
- Headline inflation was lower than core in 2024, reflecting a fall in energy prices and slower food inflation.



Concluding observations

- Strong economy with progress toward FOMC goals.
 - Brisk growth
 - Solid labor market with low unemployment
 - Slowly moderating inflation
- Risks to achieving the Fed's maximum employment and price stability goals are roughly in balance.
- Still large uncertainty in landscape
 - Changes in government policies: tariffs, fiscal, immigration, regulations
 - Plus “typical” risks

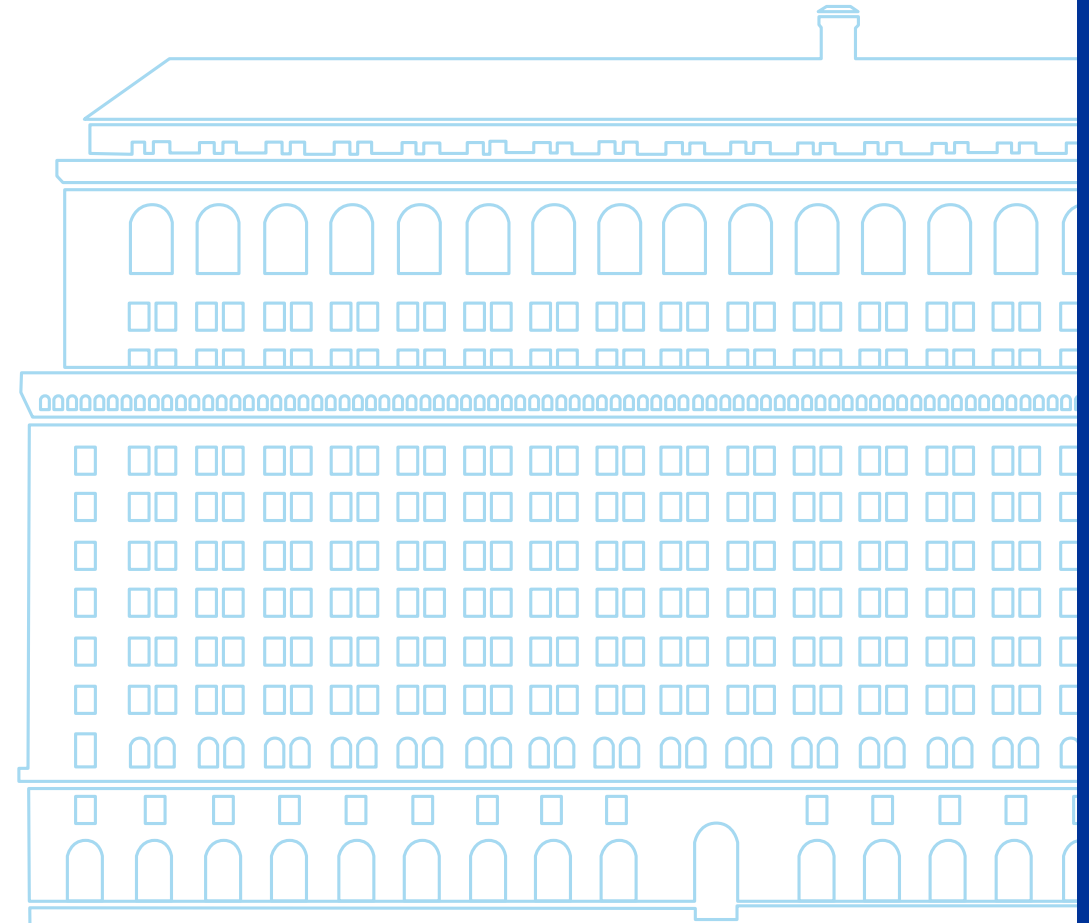


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Economic Conditions in the Second District

Richard Deitz
Economic Policy Advisor, Microeconomics

Second District Advisory Council Meeting
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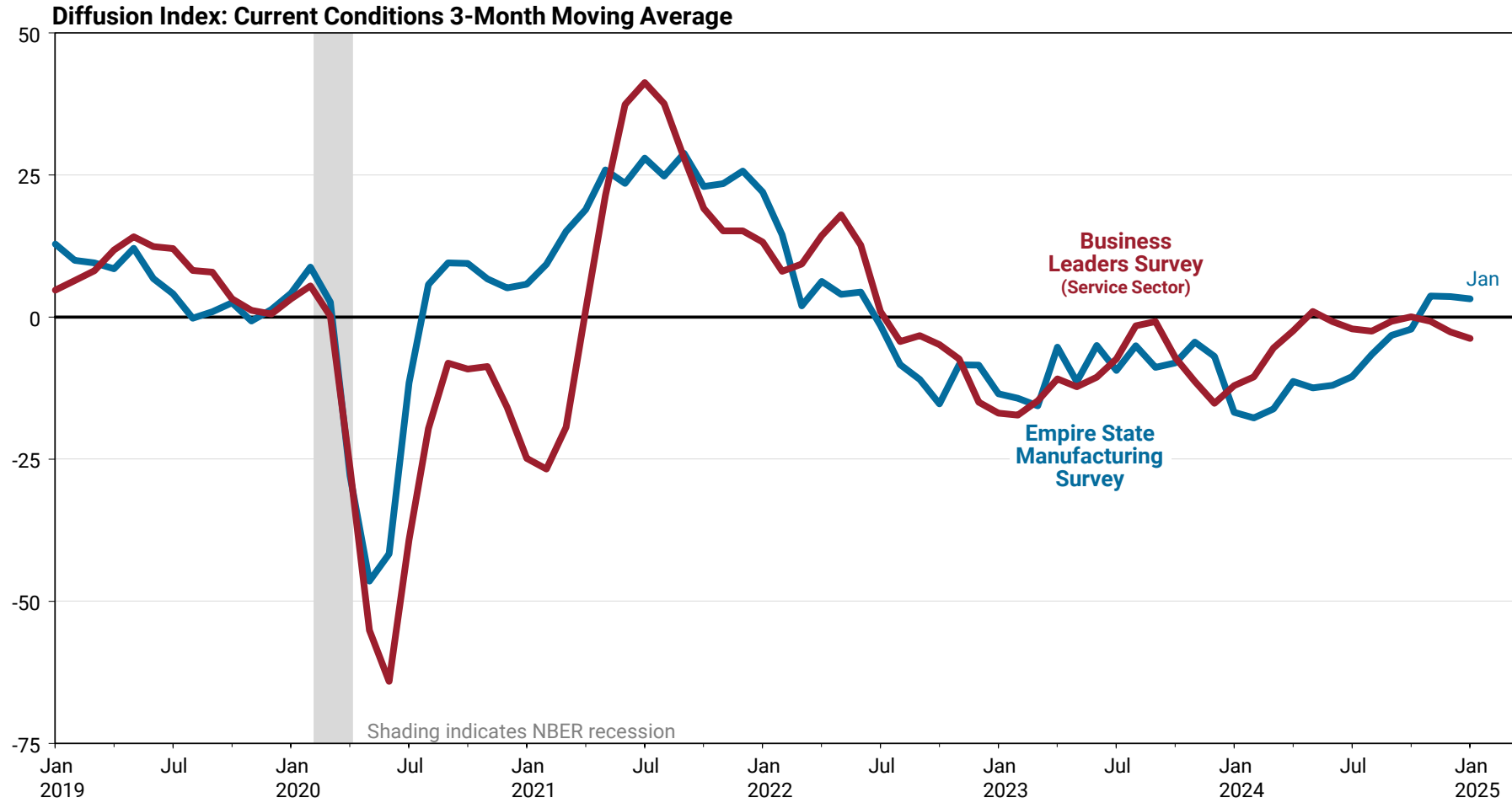


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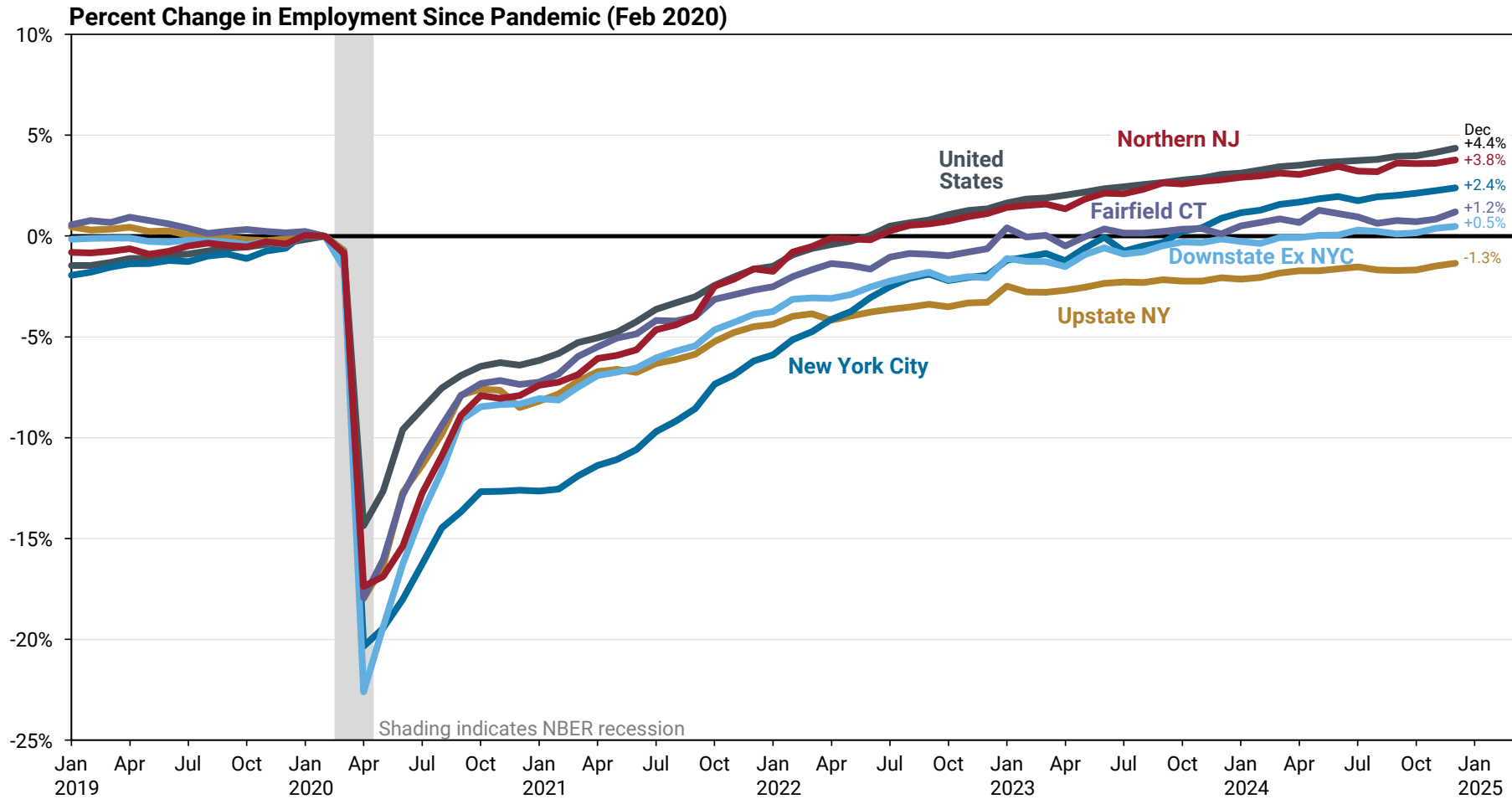
Overview

- Regional economic activity remains flat.
- Job growth and wage growth have slowed as labor supply and demand have come into better balance.
- Cost and price increases have moderated for regional businesses, but a pickup is expected in 2025.

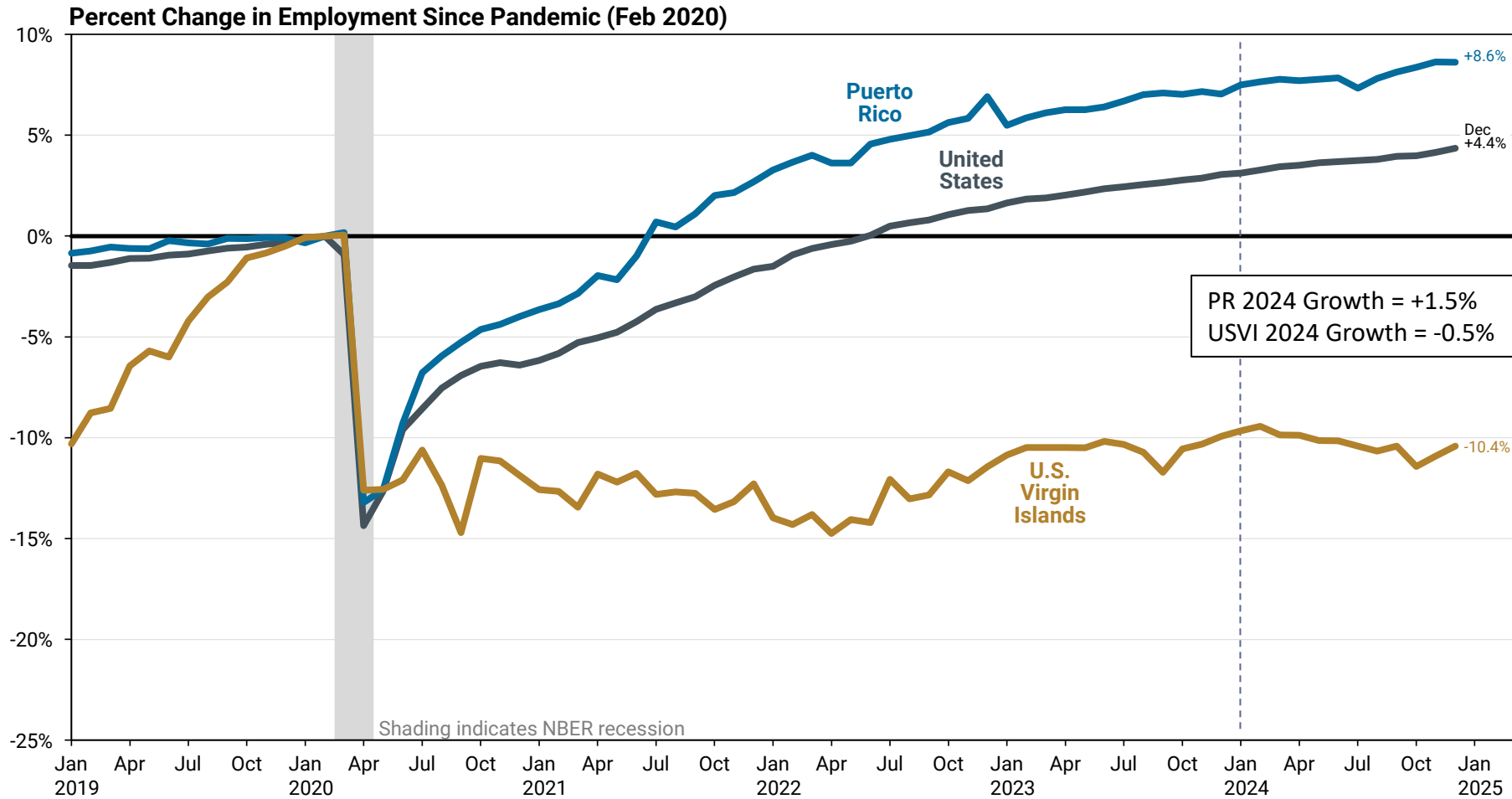
Regional Activity Has Remained Flat in Recent Months



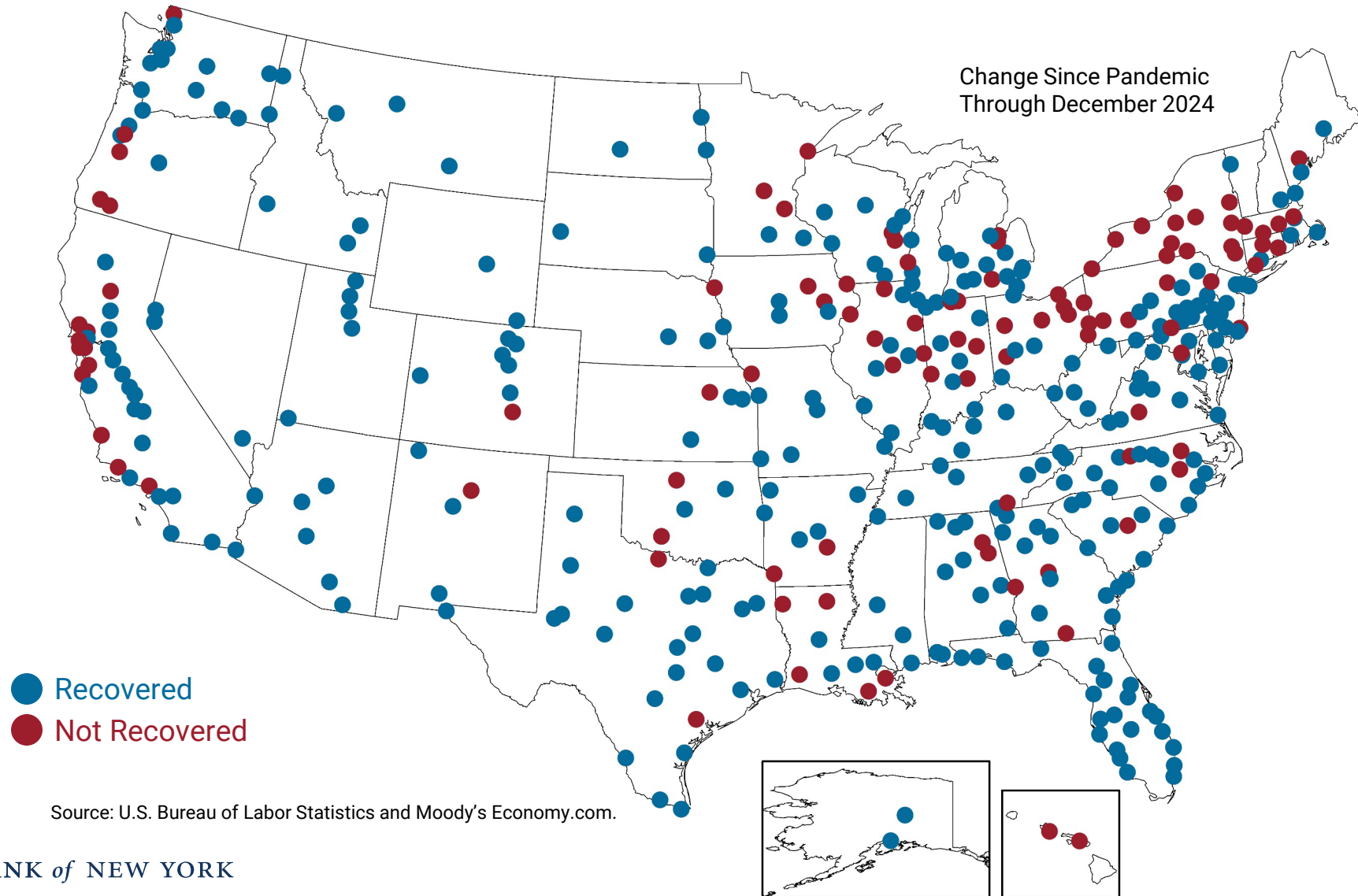
The Second District's Jobs Recovery Remains Uneven



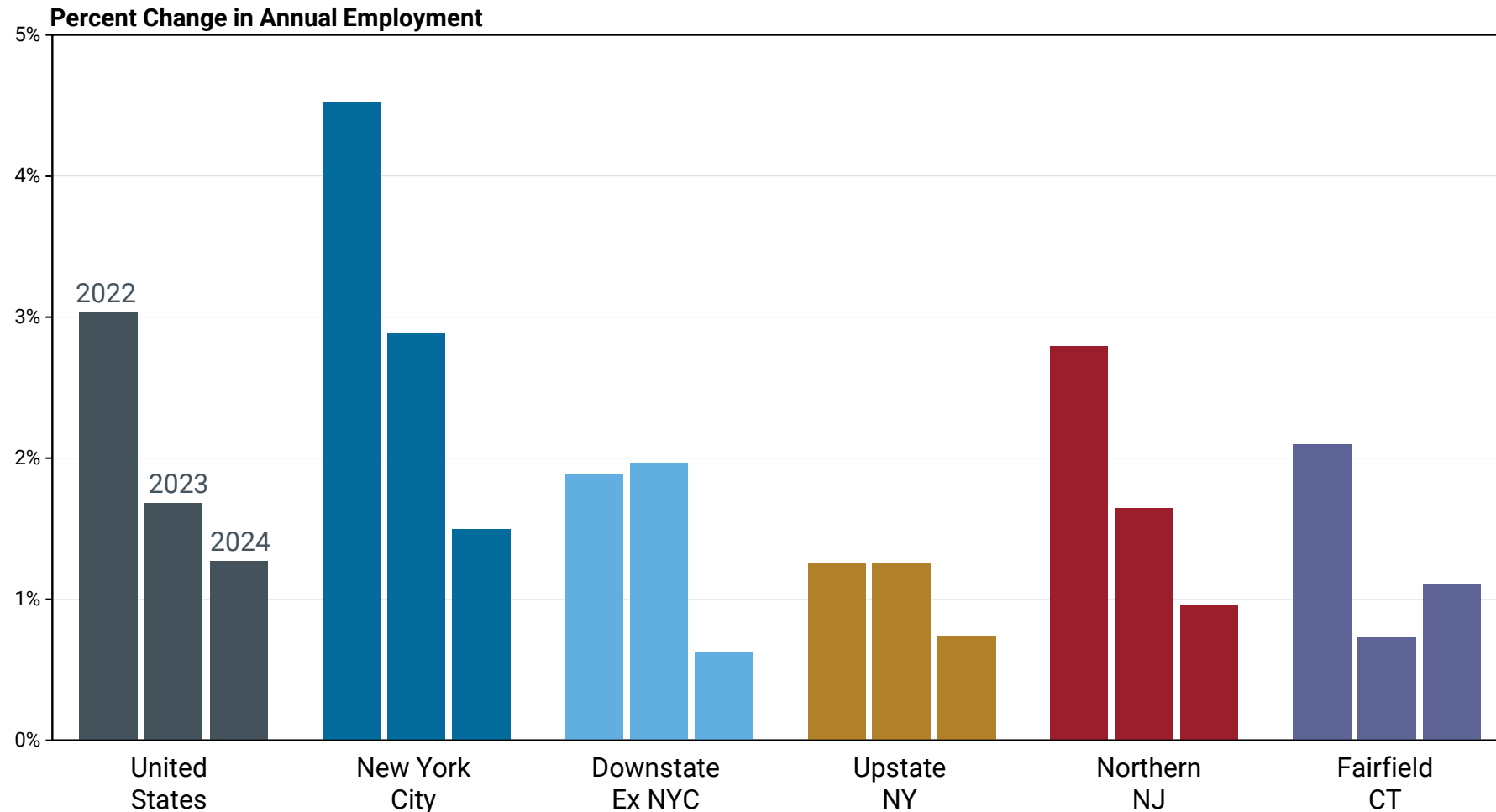
Solid Job Growth in Puerto Rico, USVI Remains Sluggish



The Jobs Recovery is Uneven Across the Country

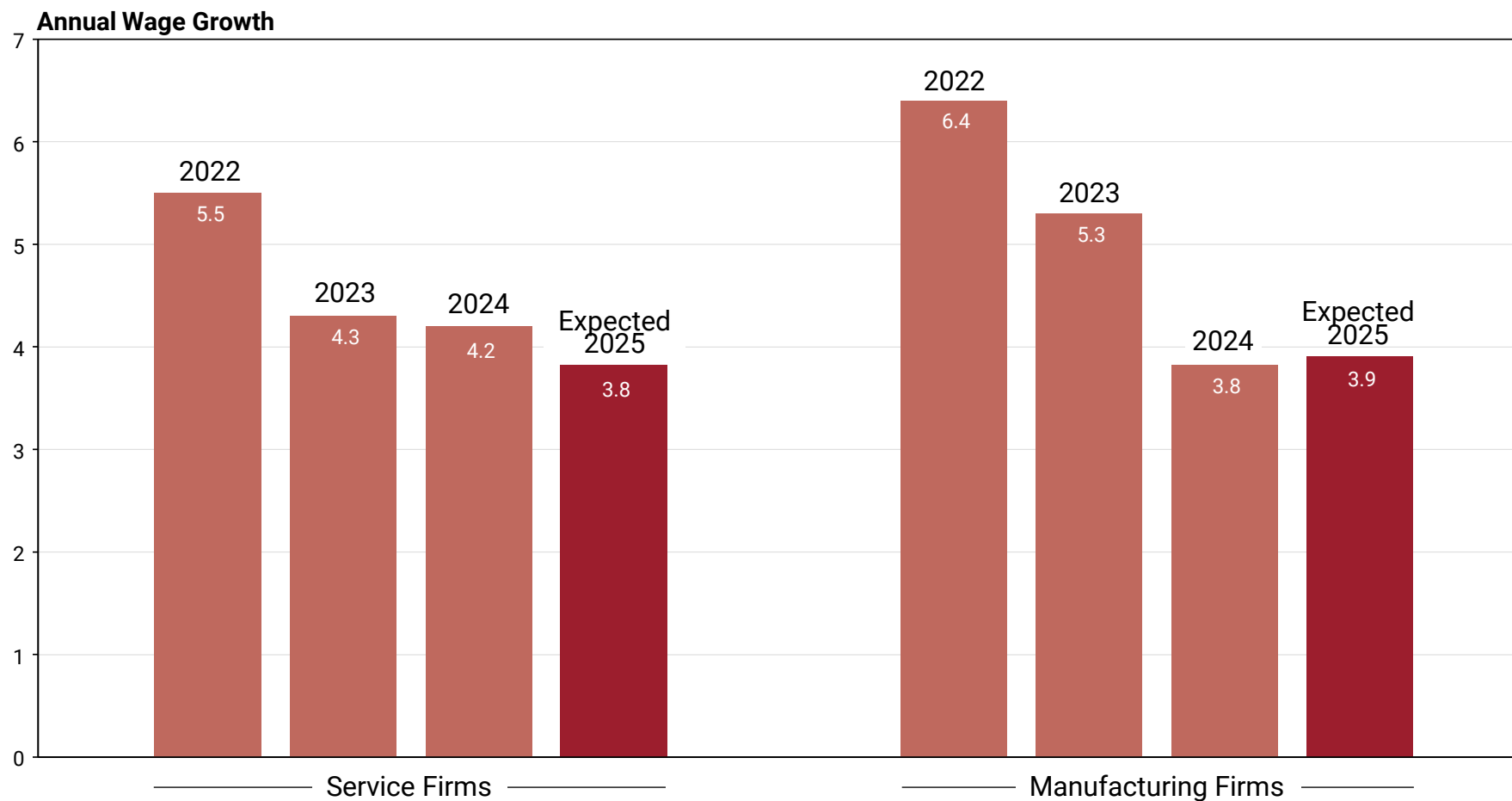


Job Growth Has Slowed as the Labor Market has Rebalanced



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

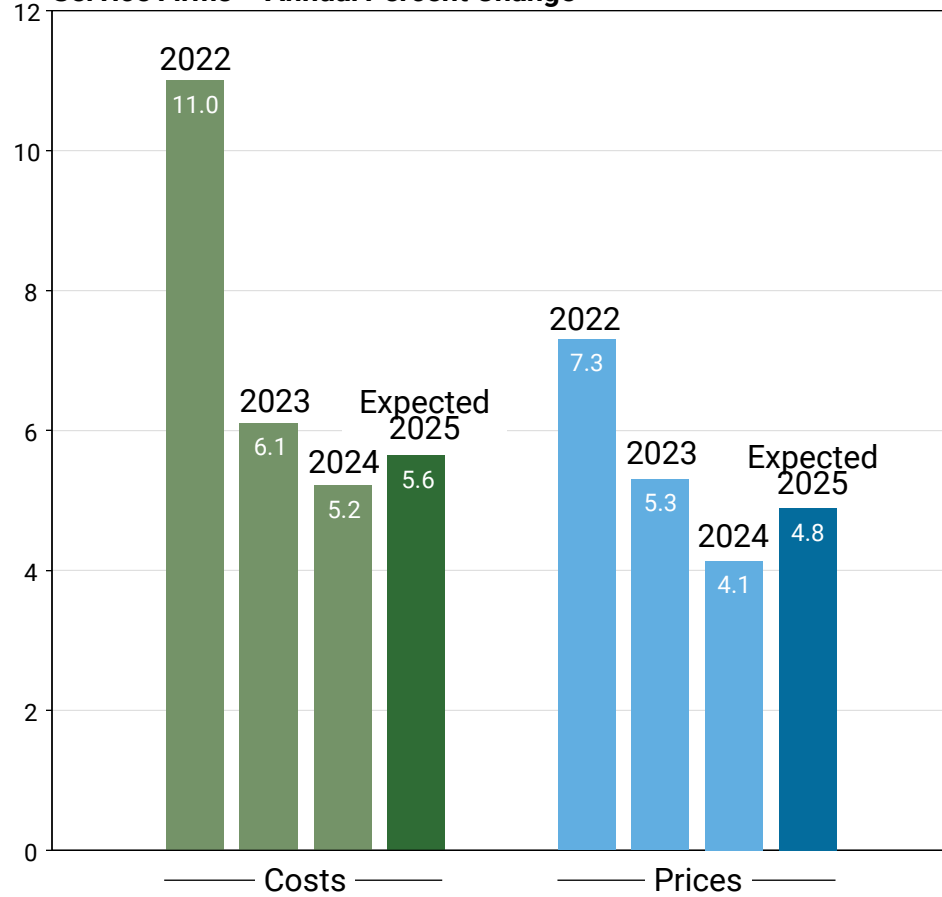
Regional Businesses Reporting Slowing Wage Growth



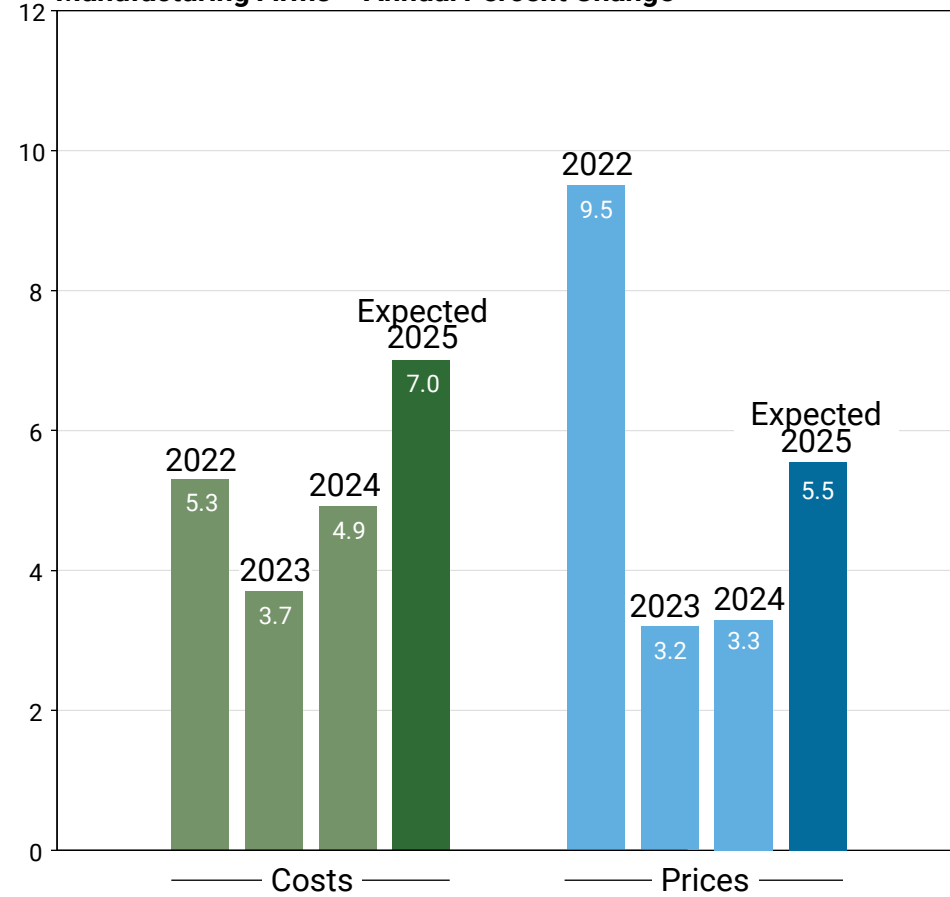
Source: Federal Reserve Bank of New York, Supplemental Survey (Dec 2022, Feb 2024, Feb 2025). Note: Trimmed mean (5% top and 5% bottom).

Cost and Price Increases Have Moderated for Regional Firms

Service Firms – Annual Percent Change



Manufacturing Firms – Annual Percent Change



Source: Federal Reserve Bank of New York (Dec 2022, Feb 2024, Feb 2025). Note: Trimmed mean (5% top and 5% bottom).