

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

1:00 p.m. – 3:00 p.m., Thursday, February 20, 2025
Federal Reserve Bank of New York
33 Liberty Street, New York, NY
Virtual – Teams Conference

Attendee List - Virtual

Member attendees:

Gary Dake
President & CEO
Stewart's Shops Corporation

John Gibson
President & CEO
Paychex

Wetteny Joseph
Executive Vice President and Chief Financial Officer
Zoetis

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

Federico Stubbe, Jr.
CEO
Prisa Group

Federal Reserve Bank of New York Attendees

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

1. Welcome

Ms. Phillips called the meeting to order and welcomed a new member to the Second District Advisory Council: John B. Gibson, President and CEO, Paychex.

Mr. Williams noted that there is considerable uncertainty about current and future conditions and the Fed continues to focus on utilizing the best information to help achieve the Fed's dual mandate goals.

2. National Economy Update

Mr. Topa presented an update on the national economy. He noted that real GDP grew at a solid pace in 2024, adding that solid growth was mostly driven by robust consumer spending. He highlighted that inflation slowed modestly in 2024 but continues to run above the FOMC goal of 2%. He stated that with mortgage rates high, housing affordability remains strained and is hindered by a limited supply. Mr. Topa explained that in terms of business investment, the surge in investment in non-residential structures has flattened and there has been a pickup in spending on business equipment. He noted that the unemployment rate was at 4.0% in January 2025 and that labor force participation remains somewhat below pre-pandemic levels, but that overall, the labor market has come back into balance after being very tight in 2021 and 2022. Mr. Topa concluded that there has been a strong economy with continued progress toward the FOMC goals and that risks to achieving those goals are roughly in balance. Looking ahead, Mr. Topa noted that there is a lot of uncertainty in the landscape.

3. Regional Economy Update

Mr. Deitz provided an update on regional economic conditions. He indicated that regional economic activity has remained flat in recent months and that employment and wage growth have slowed as labor supply and demand have come into better balance. He highlighted that the district was hit hard relative to the nation in terms of jobs lost during the pandemic, and that the district's job recovery post-pandemic remains uneven. He explained that Northern New Jersey's recovery tracks the U.S., while New York City's recovery is slightly lagging the U.S., Fairfield, Connecticut and downstate's recovery has been a little slower, and that upstate New York's recovery lags the district and that employment remains below pre-pandemic levels. He noted that Puerto Rico has seen a very robust recovery post-pandemic, but that the U.S. Virgin Islands remains sluggish. He added that price increases have moderated for regional businesses but are expected to pick up in 2025.

4. Member Q&A with President Williams and Economists

President Williams began by noting that the economy today is in a good place overall and monetary policy is well positioned to address any uncertainty. He noted that he expects growth to slow this year and the

labor market to stay in balance. President Williams was asked about continued challenges in the housing market. He explained that demand is very strong and that the issue is one of supply.

Pointing to concerns about demographic shifts and asset inflation leading to earlier than anticipated retirements, one member asked about labor forecasting and how the Fed measures the skill quality of the workforce. President Williams noted that the Fed tracks the skill composition of the labor force and constructed a measure of mismatch in the labor market noting that the mismatch index has decreased since the pandemic and remains low with a slight uptick in recent months. Lastly, President Williams was asked about whether tariffs would raise prices and bring the U.S. back to the high inflation experienced in recent years. President Williams stated that there is little risk of backtracking because the economy is in better balance than it was two years ago.

5. Facilitated Discussion

Ms. Phillips began the facilitated discussion by asking Council members how their businesses had fared in recent months. Members noted that there is a lot of uncertainty, particularly with respect to tariffs. For example, one member noted that tariffs could add millions to the cost of a project in the pipeline. Similarly, another member noted that they have spent a lot of time lining up alternative suppliers in case tariffs are imposed and further mentioned that many products sold in store don't have viable substitute suppliers. Members agreed that tariffs have raised uncertainty as to the stability of the supply chain.

Additionally, members said that regulatory and geopolitical uncertainty will affect their economic and business outlooks. One member noted that Puerto Rico's economy relies in part on federal funds. Separately, members noted that a halt to immigration would pose economic and structural risk for production of goods, the labor market, and student enrollment. Overall, members were cautiously optimistic about this year's outlook and the ability to navigate the uncertainties ahead.

6. Concluding Remarks

President Williams provided concluding remarks, thanking members for sharing their insights.

Ms. Phillips reminded council members that the next meeting will take place during the annual conference of former directors and advisors on May 14.

The meeting was adjourned at approximately 2:45pm.