Second District Advisory Council  
Via WebEx Conference  
Wednesday, March 31, 2021

AGENDA

10:30 a.m. – 10:40 a.m.  Welcome, John Williams, President & CEO
10:40 a.m. – 10:50 a.m.  National Economy Update, David Lucca
10:50 a.m. – 11:00 a.m.  Regional Economy Update, Jaison Abel
11:00 a.m. – 11:15 a.m.  Member Q&A with President Williams and Economists
11:15 a.m. – 12:20 p.m.  Member Insights, Claire Kramer Mills
12:20 p.m. – 12:30 p.m.  Concluding Remarks, John Williams, President & CEO
SDAC Advisory Members

Donnel Baird
Founder & CEO
BlocPower

Adenah Bayoh
Founder
Adenah Bayoh & Companies

Jaswinder Chadha
President & CEO
Axtria, Inc.

Kevin Ellis
CEO
Cayuga Milk Ingredients

Lynne Marie Finn
President & CEO
Broadleaf Results

Hugh Johnston
Vice Chairman & CFO
PepsiCo

Sarah LaFleur
Founder & CEO
M.M.LaFleur

Melanie Littlejohn
VP NY Customer and Community Engagement
National Grid

Steve Priest
EVP & CFO
JetBlue Airways Corp.

Jonathan F.P. Rose
President
Jonathan Rose Companies

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

Federico Stubbe, Jr.
President
PRISA Group

Federal Reserve Bank of New York

John Williams
President & CEO

Naureen Hassan
First Vice President

David Erickson
Communications & Outreach

Andrew Haughwout
Research & Statistics

Michael Nelson
Communications & Outreach

Rosanne Notaro
Legal

David Lucca
Research & Statistics

Matthew Higgins
Research & Statistics

Jaison Abel
Research & Statistics

Claire Kramer Mills
Communications & Outreach

Jason Bram
Research & Statistics

Tony Davis
Communications & Outreach

Edison Reyes
Communications & Outreach

Rebecca Landau
Communications & Outreach
U.S. Economic Conditions

David Lucca, Research and Statistics Group
March 31, 2021

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.
The economic recovery is progressing more quickly than anticipated

Business re-openings in the service sector, fiscal transfers to household and business, and accommodative financial conditions will support economic activity in 2021

As of February, jobs are about 9.5 million below their peak level and the labor market recovery is very uneven

On a 12-month basis, inflation also remains below the FOMC longer-run target of 2%
A more rapid economic recovery

- Upward revision of consensus real GDP forecast:
  1. Anticipated business re-openings in services sector
  2. Fiscal transfers from the federal government
  3. Accommodative financial conditions

Source: BEA, Blue Chip Economic Indicators.
Uneven economic recovery and re-openings

- Activity in the consumer services remains depressed
- Reopenings and vaccinations to support rebound in hard-hit service sectors
- Robust residential construction and equipment investment
- Investment in private structures lags, and depressed drilling activity

Source: BEA, Census, Federal Reserve Board.
Fiscal support to households and businesses

- Fiscal transfers to households pushed disposable income above trend

- Subsidies to corporate and non-corporate businesses supported profits

- Higher income and profits will boost consumption and investment

Source: BEA. Note: annual rate
Accommodative financial conditions

- Stock market valuations are at multi-year highs and long-term rates remain low
- Corporate credit spreads narrowed and no further tightening in bank lending standards
- Accommodative financial conditions support growth


Note: S&P P/E is the Shiller cyclically adjusted S&P price-to-earnings ratio.
Labor market far from full employment

- Unemployment rate fell to 6.2% in February
- The unemployment rate understates labor market distress: labor force participation at 61.4%
- Minorities and less educated workers hit most

Source: BLS
Inflation remains below long-run 2% target

- Inflation at 1.4% on a 12-month basis
- Large swings last year and variation by subcomponents

Source: BEA
Economic Conditions in the Region

Jaison R. Abel

Second District Advisory Council Meeting – March 31, 2021

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 Regional Conditions

• Economic conditions have shown signs of improvement in early 2021, though business activity remains weak outside of manufacturing.

• Employment is still far below pre-pandemic levels, particularly in New York City, with little gain in recent months.

• Businesses report widespread pricing pressures.

• Optimism about the near-term outlook has increased noticeably, particularly among businesses operating in the service sector.
Coronavirus Spread in the Region

Daily New Cases Per Capita, 7-Day Average

New Cases Per 100,000 People

Weak Business Activity But Brightening Outlook
New York Fed Regional Business Surveys

Source: Federal Reserve Bank of New York.
Employment Far Below Pre-Pandemic Levels

Percent Change in Total Employment Since Feb 2020

Widespread Pricing Pressures in the Region

New York Fed Regional Business Surveys

Source: Federal Reserve Bank of New York.
Reference Slides
Pre-Pandemic Jobs Gap by Local Area
Percent Below Pre-Pandemic Employment Level (as of Feb)

Job Losses and Gains in the Second District

Change in Employment Level by Sector


Job Change

Percent of lost jobs gained back.

Feb20 to Apr20

Leisure & Hospitality

-800,000

-600,000

-400,000

-200,000

0

200,000

400,000

600,000

800,000

Education & Health

Retail Trade

Professional & Business

Other Services

Construction

Mnfctrng.

Wholesale Trade

Transport & Utilities

Gov.

Finance

Information

Ongoing Loses

39% 49% 70% 45% 49% 79% 65% 61% 35% 2% 21%

Aggregate of NYS, NNJ, Fairfield, CT, PR, and the USVI.
Solid Consumer Spending Outside of NYC
Percent Change in Debit & Credit Card Spending Since Feb 2020

Start of Stay-at-Home Orders & Nonessential Business Closures
Stay-at-Home Orders Begin to Lift & Select Businesses Reopen
Increased Restrictions on Select Nonessential Businesses
Feb 28 to Mar 6

Source: Commerce Signals, a Verisk Analytics Business; data are seasonally adjusted by NY Fed Staff.
Home Price Increases Accelerating
Percent Change in Home Prices, Indexed to Jan 2015

Source: CoreLogic Home Price Index (including distressed sales).

Shading indicates NBER recession.