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
3:55 p.m. – 4:00 p.m. Concluding Remarks, John Williams, President & CEO
Second District Advisory Council Meeting  
Monday, November 6, 2023

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?
Second District Advisory Council Meeting  
Monday, November 6, 2023  

**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
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.

Sources: Bureau of Economic Analysis, Blue Chip Economic Indicators
Robust consumption growth so far in 2023

- Consumption increased solidly through September.
- Saving rate dipped to 3.4% in September, well below pre-pandemic levels.
- Goods spending still well above pre-pandemic levels.
- Services expenditures are moderately above pre-pandemic levels.
- Rebalancing still proceeding slowly.

Source: Bureau of Economic Analysis via Haver Analytics.
Mixed signals in the housing market

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

Sources: Census Bureau, National Association of Realtors via Haver Analytics
Business investment composition is shifting

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

Sources: Census Bureau, National Association of Realtors via Haver Analytics
Financial and credit conditions have tightened

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

- 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.

Sources: Federal Home Loan Mortgage Corporation, Federal Reserve Board, Moody’s, U.S Treasury, Senior Loan Officer Opinion Survey via Haver Analytics. Note: Shading shows NBER recessions. Bottom chart shows net percentage of respondents tightening standards for loans.
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.
Economic Conditions in the Region

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

SDAC Meeting – November 6, 2023

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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

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; regional data are early benchmarked by New York Fed staff.
Sizeable Job Shortfalls Remain in Parts of the Region

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

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; regional data are early benchmarked by New York Fed staff.
Worker Shortages Contributing to Job Shortfalls
Percent Above/Below Pre-Pandemic Levels, September 2023

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; regional employment data are early benchmarked by New York Fed staff.
Source: Zillow Home Value Index, National Association of Realtors, and Moody's Analytics.
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

- U.S.: 1.1%
- Kingston: 4.3%
- Orange-Rockland-Westchester: 3.2%
- Dutchess-Putnam: 3.2%
- Long Island: 1.8%
- Fairfield: 6.3%
- Newark Metro Division: 6.1%
- Middlesex-Monmouth: 5.8%
- Bergen-Hudson-Passaic: 4.2%
- Rochester: 8.2%
- Syracuse: 8.2%
- Binghamton: 6.2%
- Ithaca: 4.6%
- Glens Falls: 4.5%
- Albany: 4.3%
- Buffalo: 3.8%
- Utica: 3.2%
- Elmira: 2.9%
- Watertown: 2.8%
- New York City: -4.7%

Source: Zillow Home Value Index, U.S. Census Bureau, Moody’s Analytics.