Second District Advisory Council
Via WebEx Conference
Thursday, October 14, 2021

AGENDA

10:30 a.m. – 10:35 a.m.  Welcome, John Williams, President & CEO
10:35 a.m. – 10:45 a.m.  National Economy Update, David Lucca
10:45 a.m. – 10:55 a.m.  Regional Economy Update, Jaison Abel
10:55 a.m. – 11:10 a.m.  Member Q&A with President Williams and Economists
11:10 a.m. – 12:05 p.m.  Member Insights, Moderated by Kevin Ellis
12:05 p.m. – 12:50 p.m.  Fed Listens, Jack Gutt
12:50 p.m. – 1:00 p.m.  Concluding Remarks, John Williams, President & CEO
SDAC Advisory Members

Donnel Baird                      Sarah LaFleur
Founder & CEO                   Founder & CEO
BlocPower                       M.M. LaFleur

Adenah Bayoh                      Jonathan F.P. Rose
Founder                          President
Adenah Bayoh & Companies         Jonathan Rose Companies

Jaswinder Chadha                  Anthony E. Shorris
President & CEO                  John Weinberg/Goldman Sachs Visiting Scholar &
Axtria, Inc.                     Senior Advisor
                                      Princeton University, McKinsey & Company

Kevin Ellis                     Federico Stubbe, Jr.
CEO                             President
Cayuga Milk Ingredients         PRISA Group

Federal Reserve Bank of New York

John Williams                     President & CEO
Naureen Hassan                    First Vice President
Jaison Abel                      Research & Statistics
Jason Bram                       Research & Statistics
David Erickson                   Outreach & Education
Jack Gutt                        Communications & Outreach
Andrew Haughwout                  Research & Statistics
Rebecca Landau                   Outreach & Education
David Lucca                      Research & Statistics
Claire Kramer Mills              Outreach & Education
Michael Nelson                   Communications & Outreach
Rosanne Notaro                   Legal
Shawn Phillips                   Executive Office
Dominic Ramos-Ruiz               Outreach & Education
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

- The COVID-19 summer surge has weighed on economic activity, but above-trend economic growth to resume as activity in COVID-19 sensitive sectors normalizes and supply bottlenecks abate.

- Inflation readings have moderated as the impact of idiosyncratic COVID-19 factors have subsided; robust wage growth especially for low-wage workers.

- Labor market recovery is still underway amidst strong labor demand; but jobs remain 5 million below pre-pandemic levels.
A pause, not the end, of above-trend growth

Downward revision of consensus forecast over the summer:

1. Recent COVID-19 surge and supply bottlenecks weighing on economic activity in the near term
2. Activity to re-accelerate as COVID-19 sensitive service sectors normalize and inventories are restocked

Source: BEA, Blue Chip Economic Indicators, BLS
COVID-19 surge but robust service sector growth ahead

- The COVID-19 surge in the summer has weighed on economic activity.
- Job gains in leisure and hospitality flatlined in August and September.

Recovery in COVID-19 sensitive consumer service sectors slowed but tailwinds from future normalization.

Source: BEA, FRB.
Supply bottlenecks but inventory restocking ahead

- Supply bottlenecks in the auto industry led to a sharp decline in motor vehicle sales

- Consumer goods demand remains above pandemic levels; expect a drag from further normalization

- But inventory restocking to offset lower goods demand, especially in the automotive industry

Source: BEA, FRB.
COVID-19 sensitive and underlying inflation

- Idiosyncratic COVID-19 factors continue to disproportionately impact month-to-month inflation readings.

- Measures of “underlying inflation” remain stable: either excluding COVID-19 categories, or robust inflation such as median CPI.

Source: BLS. Cleveland Fed.
Robust wage growth but labor market still recovering

- Wage growth for low-wage workers has accelerated suggesting that the labor market is close to full employment

- Unemployment down to 4.8%, but labor force participation has flatlined and employment to population ratio well below pre-pandemic peak

Source: BLS. Note: Shading shows NBER recessions.
Overview of Regional Conditions

- With the rise of the Delta variant, growth has slowed in the region’s service sector but remains solid in the manufacturing sector.

- The labor market is exceptionally tight with widespread reports of hiring difficulties.

- While the New York-Northern New Jersey region has continued to steadily add jobs, employment remains well below pre-pandemic levels, particularly in New York City. Puerto Rico’s jobs shortfall is less severe than in other parts of the District.

- Home prices have increased sharply through the pandemic, while rents in New York City have rebounded modestly but have not returned to pre-pandemic levels.
Coronavirus Spread in the Region

Daily New Cases Per Capita, 7-Day Average

New Cases Per 100,000 People

Daily updates available at: https://www.newyorkfed.org/regional-economy.

Growth Has Slowed in the Service Sector

New York Fed Regional Business Surveys

Diffusion Index

Current Conditions

Empire State Manufacturing Survey

Business Leaders Survey (Service Sector)

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

Percent Change in Total Employment Since Feb 2020

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; September regional data are preliminary estimates by NY Fed Staff.
**Businesses Are Having Difficulty Hiring**

New York Fed Supplemental Surveys, August 2021

<table>
<thead>
<tr>
<th>Sector</th>
<th>Share of Respondents with Job Openings Reporting Difficulty Hiring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Sector (BLS)</td>
<td>80%</td>
</tr>
<tr>
<td>Manufacturing Sector (Empire)</td>
<td>89%</td>
</tr>
</tbody>
</table>

**Most Widely Cited Reasons:**

- Lack of qualified candidates
- Compensation

**Other Reported Factors:**

- Covid-related health concerns
- Enhanced unemployment insurance benefits
- Preference for remote work arrangements
- Drug tests

Source: Federal Reserve Bank of New York Supplemental Surveys, August 2021.
Sharp Rise in Home Prices

Percent Change in Home Prices, Indexed to Jan 2015

Source: CoreLogic Home Price Index (including distressed sales).
NYC Rents Have Rebounded But Remain Soft

Percent Change in Median Rents, Indexed to Feb 2020

Source: Miller Samuel Elliman Report; Median Rents with Concessions.
Pre-Pandemic Jobs Gap by Local Area
Percent Below Pre-Pandemic Employment Level (as of Aug 2021)

[Bar chart showing the percentage of jobs below the pre-pandemic level for various local areas.]

Job Losses and Gains in the Second District
Change in Employment Level by Sector


Aggregate of NYS, NNJ, Fairfield, PR, and the USVI.