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Economic and Community Advisory Council

April 8, 2026

The Federal Reserve Bank of Philadelphia's Economic and Community Advisory Council (ECAC) convened on April 8, 2026, at the Federal Reserve Bank of Philadelphia. The council consists of national and regional leaders offering a broad range of perspectives, including business, energy, healthcare, manufacturing, and community development. Eight members participated in the meeting in person and two joined remotely. More information about the ECAC and its members can be found on the Federal Reserve Bank of Philadelphia website.

Opening

President Anna Paulson shared her reflections on the economy and answered questions from council members. Ryo Tashiro, senior outreach economist, provided an economic outlook presentation, and then Chair Loree Jones Brown facilitated a group discussion to gain members' perspectives on business and economic factors as well as labor market dynamics across sectors.

Energy and Fuel Costs

Council members remarked that March 2026 showed the highest percentage gas and diesel price increase in 20 years. Gasoline exceeded $4 per gallon and diesel peaked at over $5 per gallon. In response to these price increases, businesses reported adjusting operations by modifying fleet routes, reducing travel, and reevaluating distribution protocols. Additionally, they noted that consumers were shifting spending patterns as fuel has represented a larger share of discretionary income.

Tariff Impacts

In response to questions about the impact of tariffs, there was significant variation by industry with some facing substantial, difficult-to-offset cost increases. For the healthcare sector, specifically, long-term contracts are masking near-term effects, but major price adjustments are expected. There was one notable example shared of a corporate donor that slashed its annual donation to a nonprofit organization because of tariff impacts.

To manage concerns around tariffs, several organizations have adopted conservative investment strategies and delayed capital commitments. Members report that they are exploring domestic sourcing and partnerships to mitigate future trade risks.

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Consumer Behavior and Affordability

Escalating household expenses (e.g., fuel, utilities) are having a widespread impact on sentiment. Several members identified the issue of rising food insecurity, even among dual-income families. Retailers have focused on value-oriented promotions and are cautious about price increases, given that consumers are increasingly "trading down" – seeking lower-priced alternatives, especially in lower-income segments. It was also noted that thrift store activity has expanded as a result of economic necessity and mainstream adoption.

Nonprofit Sector Pressures

There is a higher demand for essential services from the nonprofit sector, including food distribution, job training, and financial assistance. Given these needs, philanthropy has been more focused on addressing critical needs as opposed to making more strategic investments. However, charitable giving remains resilient despite challenges.

Healthcare System Challenges

Members representing the healthcare sector noted several cost drivers in the industry: rising unit costs driven by an increase in private equity purchases of primary care practices, increasing utilization (e.g., oncology, musculoskeletal care), surging pharmaceutical expenses (e.g., GLP-1), and inadequate federal reimbursements that force hospitals to demand higher commercial insurer rates.

Healthcare institutions are also undergoing a changing business model. Healthcare is decentralizing with an increased number of ambulatory centers. As the business model is shifting there are geographic disparities leading to oversaturation in some areas and shortages in others. They are also dealing with demographic changes in the population (i.e., aging population), staffing challenges (demands for strict nurse staffing ratios, significant pay increases), and unpredictable patient volumes.

Real Estate and Construction

Commercial real estate is a bifurcated market: Modern, well-located buildings have high occupancy and rising rents, while older buildings have high vacancies; locally some commercial properties are only 20 percent occupied. The construction industry is facing several challenges, including elevated material costs. To address this cost uncertainty, many firms are freezing projects and opting for deferrals.

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Housing

Several members noted the difficult transition from renting to homeownership for residents in communities across the district. They identified higher interest rates and limited inventory as factors constraining mobility. Business leaders noted difficulty recruiting employees in areas with limited housing supply.

Labor Market Dynamics

While members identified an improvement in hiring and reduced turnover in administrative and retail roles, there continue to be challenges in recruiting specialized talent (e.g., nurses, physicians, skilled tradespeople). Regions with increased data center construction areas are experiencing tight labor markets, given increased competition for skilled tradespeople. Nonprofit members noted some concerns about employment instability due to federal funding cuts.

Artificial Intelligence Adoption

Members reported that artificial intelligence (AI) adoption is accelerating across many sectors, with organizations using it to support customer service, back-office automation, and technical workflows such as coding. Some members acknowledge the possibility of decreases in staffing levels, while others are looking for AI to help drive growth through applications in customer insights, product promotion, and logistics areas. Members also noted their concerns around the unintended consequences and potential misuse of the technology, and a need for governance frameworks and ethical implementation guidelines.

Overall Summary

The meeting revealed an economy under multiple pressures: energy costs, tariffs, affordability challenges, and sector-specific issues in healthcare and real estate. While some labor market conditions improved, specialized talent remains scarce. Organizations across sectors are adopting conservative, wait-and-see approaches to major investments while accelerating AI adoption for efficiency gains.

After the facilitated group discussion, Chair Brown turned the meeting back over to President Paulson for closing remarks. The council will reconvene on August 18, 2026.