



Economic and Community Advisory Council

August 7, 2024

The Federal Reserve Bank of Philadelphia's Economic and Community Advisory Council (ECAC) convened the second meeting of 2024 on August 7, in person at the Federal Reserve Bank of Philadelphia with an option to attend virtually. The ECAC consists of national and regional leaders offering a broad range of perspectives, including business, philanthropy, academics, community development, and organized labor. The meeting focused on changes in consumer spending, the impact of reductions in government supports, shifting demand in the labor market, and the changing narrative around college education and workforce preparedness. There were 13 ECAC members in attendance, five of whom attended virtually. More information about the ECAC council and its members can be found on the [Federal Reserve Bank of Philadelphia website](#).

Erin Mierzwa, assistant vice president for Strategic Outreach & Engagement, opened the meeting and facilitated introductions. Chair Dennis Pullin then gave a brief overview of the agenda, before turning it over to President Patrick Harker, for his reflections on the economy. After taking questions, President Harker turned the meeting over to Ryo Tashiro, senior outreach economist, who gave a presentation on the current economic outlook, business and consumer conditions, and labor market dynamics. Following Tashiro, Bob Hunt, the associate director of the Consumer Finance Institute, presented the results of the April 2024 LIFE (Labor, Income, Finances, and Expectations) survey administered by the Consumer Finance Institute. Chair Pullin then facilitated a group discussion.

The discussion began with a focus on consumer sentiment and changes in consumer spending. Council members noted that vulnerable communities are struggling with costs while capacity to support them is diminishing. Across industry sectors, council members noted that consumers are cutting back on purchasing discretionary goods or trading down to more budget-friendly substitutions when grocery shopping or spending on entertainment and leisure. A council member in the energy sector also noted a return to pre-pandemic levels of debt and delinquencies among their customer bases. Another council member from the consumer goods sector shared how they are seeing a compressed "back-to-school" shopping season as families spend less time shopping and buy fewer items than in prior years.

Consumers are further pressured by reduction in government supports post-COVID, such as the end of the Affordable Connectivity Program (ACP) subsidy. A few council members also highlighted the impacts of recent nonprofit closures and how the closures may further limit capacity to serve communities in need across the Third District. One council member shared that these nonprofit closings are happening while more people are seeking help from local food banks. On the giving side, a council member is seeing a decline in donation amounts from middle-income households relative to amounts donated in prior years. The sentiment on the strain that households are feeling was echoed by another council member who said that they have noticed an increase in the number of people with full-time jobs taking up additional part-time or gig employment to make ends meet.

While consumer challenges were at the forefront of the discussion, other council members were positive about other factors they have observed. One council member from the sports and live entertainment sector voiced that they have not seen a decline in revenue and have had one of the strongest years to date for concert ticket sales. Another council member in the hospitality sector discussed an upward shift in optimism for urban downtown restaurants as more employees return to



office and crime and safety concerns decline from early post-pandemic levels. A member in the healthcare industry noted that while the sector is now exceeding pre-pandemic consumer volumes, it is still struggling financially in part because of a 10 percent inflation of pharmaceutical prices year over year and significant rising salary costs. The Philadelphia region is particularly dependent on the healthcare sector for employment and business activity, so consolidations and profit losses have an outsize impact on the local economy.

The discussion continued with a focus on shifting demand in the labor market and the changing narrative around college education and workforce preparation. An easing of labor supply challenges over the past several months compared with the first post-COVID years was noted by several council members who observed a lower turnover across industry sectors. Council members discussed how a wave of recent small liberal arts college closures and declining enrollment across colleges nationwide points to changes in student preferences and the tradeoffs of increasingly costly higher education. One council member also expressed concern over an aging workforce in certain professions, particularly skilled trades. Another council member discussed the larger dialogue underway challenging the notion that a four-year college degree is always a good investment. Several council members echoed this sentiment and discussed various initiatives their respective businesses have undertaken to partner with community colleges, unions, or intermediaries to hire and train younger people for in-demand trade professions.

The group also discussed housing, noting both the lack of supply and affordability challenges in many markets. A council member in the commercial real estate industry expressed how subsidies and tax credits in the affordable and workforce housing space are limited and can be restrictive. Inconsistent and outdated building guidelines further hinder the construction process. To make multifamily housing projects viable, the member noted builders need to make units smaller, which is less desirable. A council member from the residential homebuilding sector said there has been a rising trend in first-time homebuyers needing financial support from their parents, indicating a lack of affordability and the importance of intergenerational wealth transfer. The member also noted the rising prices of newly built homes are to cover the inflationary costs to build. Another factor restricting the housing supply is that many existing homeowners are opting to stay in their homes rather than sell in the current interest rate environment.

After the facilitated group discussions, Chair Pullin turned the meeting back over to President Harker for closing remarks. President Harker expressed his appreciation for the members' insights on the current state of the economy. The council will reconvene one more time in 2024 and continue to provide insights on the economy within the Third District.