

**Economic and Community Advisory Council
August 11, 2021**

The Federal Reserve Bank of Philadelphia's Economic and Community Advisory Council (ECAC) convened virtually on August 11 for its second meeting of 2021. The ECAC consists of national and regional leaders from a broad range of perspectives encompassing business, philanthropic, academic, and community development voices. This meeting focused on current consumer, business, and economic trends and challenges related to the COVID-19 pandemic. There were thirteen (13) ECAC members in attendance. Ryo Tashiro, senior outreach economist, provided a detailed economic update presentation ahead of the meeting.

Erin Mierzwa, assistant vice president of Strategic Outreach & Engagement, opened the meeting and facilitated group introductions. Chellie Cameron, council chair, provided a brief overview of the agenda and turned the meeting over to President Patrick Harker for his reflections on the economy. After taking questions, President Harker turned the meeting back to Chair Cameron, who asked for insights from each member.

A theme that carried over from previous council discussions was the challenging labor market dynamics. Many members continued to note that they are struggling to find and retain qualified workers. As a result of the compressed labor market, employers are increasing wages in an attempt to attract talent. In some instances, businesses are also offering signing incentives along with higher wages. Some companies are modifying their operating hours due to workforce constraints. The hospitality sector is moving toward third-party delivery services and ghost branding strategies to reduce the labor pool while retaining service offerings.

In addition to the workforce challenges, supply chain disruptions continue to plague many companies. Members noted that prices for raw materials remain inflated. Increased prices in the food service industry have caused businesses to pivot in terms of menu offerings and pricing. The global chip shortage has also affected numerous businesses from both a production and a development standpoint. Border closures, project delays, labor challenges, and the COVID-19 pandemic have all contributed to supply chain disruptions.

Despite these obstacles, council members highlighted that some sectors are experiencing increased or renewed demand. Travel has been showing positive signs of recovery as lockdown restrictions have been lifted nationally and some foreign travel policies have been relaxed. Other sectors including retail, telecommunications, manufacturing, and construction continue to experience strong economic activity.

The demand for homeownership has remained high, despite rising supply costs and increased home prices. One member commented that the strong demand stems mainly from owner-occupier buyers as opposed to investor buyers. Companies have begun re-evaluating the need for building and machine improvements in the face of rising material prices and supply chain delays. Similarly, some plans for business expansion are being thoroughly considered contingent upon economic conditions.

Council members remain committed to protecting the health and well-being of their employees and students, and concerns about mental health persist. Some colleges and universities have begun increasing their mental health services for students and hiring additional mental health counselors. Despite the increasing availability of the COVID-19 vaccine, many businesses are re-evaluating their

return-to-work plans. Several council members had originally projected a fall return to office; however, the continued prevalence of COVID-19 and the emerging variants have caused many to reconsider this timeline. Some businesses have also chosen to retain their mask mandates in accordance with guidance from the CDC. Others are debating the merits of mandating the vaccine for all employees.

The group also reflected on the importance of ensuring that members of traditionally underserved communities have access to the mainstream economy. The group discussed the challenges with state and local governments quickly deploying recovery funds. The need to provide support to small businesses, particularly those owned by people of color, still exists, as does the need to increase the technology and broadband access to all neighborhoods and consumers. Council members expressed that building a more diverse workforce could be beneficial to the economy as a whole. Members also reflected that skilled trade sectors have continued to experience high demand throughout the pandemic. The group discussed the value of increasing the awareness of, and participation in, trade schools and cross-promoting these programs with higher education institutions.

Following the conclusion of the facilitated group discussion, Chair Cameron turned the meeting over to Deborah Diamond, director of the Reserve Bank's Anchor Economy Initiative. Diamond gave an overview presentation of the Anchor Economy Initiative's goals and objectives. Afterward, council members provided their insights and recommendations to advance the initiative.

Mierzwa provided concluding remarks and noted that the council will meet again in November 2021. The group will continue to highlight the impacts of the COVID-19 pandemic on businesses and consumers in regional economies across the Third District and discuss member expectations for 2022.