



Economic and Community Advisory Council November 13, 2020 – Meeting Summary

The Federal Reserve Bank of Philadelphia’s Economic and Community Advisory Council (ECAC) convened virtually on November 13 for its final meeting of 2020. 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 recent business and economic trends, current conditions, and challenges related to the COVID-19 pandemic. In addition, the group was updated on several topical areas based on member feedback: current healthcare conditions, inclusive recovery, and municipal fiscal challenges. All ECAC members were in attendance.

Erin Mierzwa, strategic outreach and engagement officer, opened the meeting and led group introductions. ECAC Chair Don Schwarz gave welcoming remarks and reviewed goals for the meeting. President Patrick Harker provided his reflections on the economy and the Federal Reserve’s response to the pandemic and answered questions from the members.

The meeting then shifted to topical updates. First, Janice Nevin provided an overview of COVID-19 and current health conditions and her perspective on the availability and distribution of a vaccine. Then Theresa Singleton, senior vice president and community affairs officer, discussed the Fed’s latest work and future programming to explore inclusive recovery and racial equity issues. Finally, Ryo Tashiro, regional economic advisor, explored municipal fiscal challenges due to the pandemic, followed by a brief Q and A session.

After the topical discussions, Don Schwarz facilitated a dialogue with members on business condition shifts, workforce challenges, emerging trends, and priorities for 2021.

Business and Economic Trends

On the day of the meeting, the number of COVID-19 cases was on the rise, signaling a potential second wave, and election results were largely undecided. As a result, uncertainty emerged as a major theme of the meeting discussion, hindering business planning efforts, hampering consumer confidence, and driving economic trends.

Members in the healthcare sector are preparing for another wave of COVID-19 cases this winter while simultaneously planning for rolling out a vaccine when one is available. Unlike during the prior COVID-19 wave, the healthcare industry is better able to manage the caseload and does not have issues obtaining personal protective equipment and other essential supplies. Healthcare industry leaders reported that the continuing financial burden is expected to cause

**Economic and Community Advisory Council
November 13, 2020 – Meeting Summary**

smaller health systems to consider layoffs, facility closures, or consolidation into larger networks.

Members continue to observe disparate impacts across industry sectors and geographies, as well as shifts in demand and supply chain disruptions. The residential market remains very strong across the District, as it has throughout the pandemic. Those who have not suffered financially are investing in new homes or expanding their current homes to make room for the entire household to stay home to work, attend school, and enjoy other activities. The prevalence of work-from-home arrangements has resulted in a willingness to move further from the office, since the frequency of commuting has been reduced.

As COVID-19 cases have become more widespread, worksites and other business operations have shut down intermittently to keep workers safe. Some economic activity has shifted from the urban centers to the suburbs. Consumer behavior is also shifting again to stockpiling essential supplies for fear of new restrictions and shutdowns. Businesses and retail establishments, including overseas operations, are doing the same, carrying more inventory than normal to hedge against anticipated supply chain interruptions in the months ahead. Even within industry sectors, demand can vary by product line.

The aviation sector has been particularly impacted by high overhead costs coupled with low demand for air travel. One council member shared that the current infrastructure channels may not support worldwide distribution of a vaccine, highlighting logistical concerns. Of note, some COVID-19 vaccines that are in development must be stored at very low temperatures, and not all airports are equipped to store the vaccine during transport. In addition, the financial model of airports is not sustainable with the low demand for air travel. While select airports are returning to near normal levels, volumes remain significantly reduced at many others. For example, San Francisco volume is down 90 percent and, locally, Philadelphia volume is down 70 percent. Another member reflected that a reliable vaccine will reduce the uncertainty that has been so detrimental to the economy and will greatly benefit many industry sectors, including aviation.

As in prior meetings, several members noted that their leading concern is the worsening labor market dynamics. Despite elevated levels of unemployment, companies are having difficulty with hiring. Finding workers to fill lower-paying positions and those where personal interaction is required is particularly challenging. Some members have raised wages, but it hasn't alleviated the problem.

**Economic and Community Advisory Council
November 13, 2020 – Meeting Summary**

Equitable Recovery

On advancing a more equitable recovery in 2021, the group continued to emphasize labor market dynamics and the importance of deploying innovative workforce development approaches. Members in education and community development stressed that education, upskilling, and apprenticeship programs need to be more closely aligned to employers' workforce demands. Several members have formed partnerships to develop and also support such programs. However, there are still gaps in reaching potential students, particularly those in low- and moderate-income communities, and promoting the programs to both the students and their parents.

Several members also questioned the future of urban areas. A community development leader highlighted that pre-pandemic, urban hubs had been planning for the future, but cities now have fewer residents and workers who may not be coming back, so adjustments to those plans are necessary. Another concern raised was that traditional stimulus measures may not be adequate in the unique circumstances of the pandemic. For example, commuting and recreational travel patterns have drastically changed. People are driving on some roads less and other roads more, and members noted that traffic has shifted from urban to rural areas. This will require a careful analysis to determine where to make infrastructure investments, particularly when construction labor shortages also exist. Finally, a leader of a global business organization suggested that investing in both innovators and builders is critical to moving forward and that stimulus should catapult our country to become a leader in areas such as technology and we should not just focus on growing GDP.

The meeting concluded with President Harker highlighting the importance of the council members' perspectives, particularly among the uncertainty and quickly evolving economic and business conditions. The next ECAC meeting is scheduled for April 2021.