Economic and Community Advisory Council
August 8, 2019 – Meeting Summary

The Federal Reserve Bank of Philadelphia’s Economic and Community Advisory Council (ECAC) convened in August for its second meeting of 2019. The ECAC consists of national and regional leaders from a broad range of perspectives encompassing business, philanthropic, academic, and community development voices. The August meeting was held at the Bank and featured a comprehensive discussion of economic trends and market conditions in the Third District and across the country.

Deborah Hayes, senior vice president of Corporate Affairs, welcomed the group and reflected on the role of the ECAC council and the importance of bringing diverse views from across the District. ECAC Chair and Senior Vice President of the Robert Wood Johnson Foundation Donald Schwarz and the Bank’s Strategic Outreach and Engagement Officer Erin Mierzwa opened the meeting by welcoming new member Chellie Cameron, CEO of Philadelphia International Airport.

After Philadelphia Fed President Patrick Harker provided his reflections on the state of economy, the meeting continued with an in-depth economic outlook from Ryo Tashiro, regional economic advisor. Tashiro’s remarks covered various economic conditions at both the regional and national levels, including economic growth projections, trends in consumer and business confidence, and an analysis of labor market trends in the region.

Following each section of the presentation, council members participated in a robust roundtable discussion with Bank leaders, responding to the data and issues presented. One major theme, touched upon by several members from varying industries, was uncertainty in the economy, both domestically and abroad. Some industry sectors, including those that are more recession proof, are seeing sluggish industry activity indicating a possible slowdown. This has reduced capital investments and slowed projects.

Several members also commented that international trade dynamics are impacting their businesses. It is disrupting supply chains and slowing the timing of deliveries of materials. This issue is particularly acute with industries that rely on goods from China. Some industries may not have fully felt the impact of tariffs yet. Burdensome international regulations and unfavorable exchange rates with the U.K., China, and Mexico have made international business even more challenging.
The need to invest in innovation and technology continues to be a concern. The markets demand shorter research and development timelines. Some members feel the U.S. is lagging behind other countries in advances in technology. There is pressure to shorten research and development timelines to realize faster return on investment.

One member indicated that Philadelphia was experiencing increased tourism, both into and out of the region. Another trend noted by members is consolidation of certain industries, particularly in defense, resulting in larger conglomerates with more of a concentration of power.

Members reported that housing starts and construction are down in some markets. One member reflected on the evolving housing market preferences, citing a recent trend of more millennials moving back to the suburbs to raise families. However, one member remarked that some areas had to utilize marketing campaigns to attract talent to local areas that suffer from “brain drain,” when younger populations migrate away from their hometowns to other areas to find jobs after they finish their education.

In addition, a number of industry sectors are facing workforce challenges as the tight labor market continues to impact regions across the District. Finding workers with the skills needed is particularly difficult in trades/manufacturing, hospitality, trucking, and engineering. Some geographic variation was noted. Organizations need to strengthen partnerships with educational institutions, increase their outreach efforts beyond the traditional means to attract potential employees, and get more creative with their training programs and how they are marketing the opportunities they offer to the communities they serve.

Several members highlighted the need to modernize education to prepare workers for the jobs of the future and the need for academic and vocational institutions to be flexible and adapt to changing labor and industry trends.

The final portion of the meeting began with an overview of the Bank’s Consumer Finance Institute by Senior Vice President Bob Hunt. He highlighted the CFI’s key initiatives and trends in the market. The group then had a deep dive into the topic of student loan debt and implications on the economy for both consumers and businesses, led by Senior Research Fellow Dubravka Ritter.
Overall student debt continues to climb in number of accounts as well as balances. The states in the Third District have some of the highest average student debt at graduation: Pennsylvania is ranked first; Delaware is third, and New Jersey is 12th on the list. Student loan debt has relatively stable delinquency rates. Graduate student debt has risen significantly due in part to increased costs. There is considerable uncertainty over loan features and repayment terms for future student loans.

Following the presentation, the group discussed alternative education models including: stackable credentials, three years community college plus one year university, college credit based on work experience, and workforce-based curriculum. Building on the earlier conversation on labor market dynamics, council members highlighted the importance of looking forward to the jobs of tomorrow and training accordingly based on the evolution of work.

The meeting concluded with a broader discussion of consumer debt levels, including healthcare debt. The topic of health and the economy will continue into the first meeting of 2020.