

**Minutes of the meeting of the
SECOND DISTRICT ADVISORY COUNCIL**

1:00 p.m. – 3:00 p.m., Tuesday, June 20, 2023
Federal Reserve Bank of New York
33 Liberty Street, New York, NY
Hybrid - WebEx Conference

Member attendees:

In- Person

Hugh Johnston, Vice Chairman & CFO, PepsiCo
Sarah LaFleur, Founder & CEO, M.M. LaFleur

Virtual

Frederico Stubbe, Jr. Chief Executive Officer, PRISA Group
Jaswinder Chadha, President & CEO, Axtria, Inc.
Donnel Baird, Founder & CEO President, BlocPower

Federal Reserve Bank of New York Attendees

John Williams, President & CEO
Jack Gutt, Communications & Outreach
Shawn Phillips, Communications & Outreach
Andrea Grenadier, Communications & Outreach
Harry Mendell, Technology
Rosanne Notaro, Legal
Jonathan McCarthy, Research & Statistics
Joelle Scally, Research
Jaison Abel, Research & Statistics

Shawn Phillips called the meeting to order at approximately 1:10 p.m.

1. Welcome

Mr. Williams welcomed council members to the second meeting of the year.

2. National Economic Update

Mr. McCarthy presented an update on the national economy. He noted that real GDP had increased moderately, and economic activity remained resilient in the first quarter of 2023. He stated that inflation remained well above 2 percent and that while there were some signs of easing, the labor market remained tight. He added that banking system stress has subsided for now, but poses a medium-term risk. President Williams added that prices of used cars and goods are coming down, supply chains have normalized broadly, and demand in the economy is strong. He also noted the limited slowing in “super core” inflation and discussed the projected path of inflation for 2023.

3. Member Q&A with President Williams and Economists

Members inquired about the upcoming reset for commercial real estate (CRE) loans, which President Williams recognized as an issue for the local metropolitan economy. He added that community and regional banks have significant CRE loans within their portfolios. He also noted that the labor market is resilient, supply chains have normalized broadly, and there has been some rebalancing of supply and demand. He further emphasized that the economy has more momentum despite a tightening of credit conditions and a decline in real Gross Domestic Income (GDI) over the last two quarters.

4. Artificial Intelligence Presentation and Discussion

Mr. Mendell from the Technology Group joined the meeting for a special presentation on artificial intelligence (AI) and its current and potential uses in business. He noted that there are numerous use cases for AI in business operations in many sectors including retail, consumer goods, and life sciences. He highlighted that the integration of AI in software development can lead to a 30% increase in productivity and will revolutionize the way employees work. He also noted the security risks and vulnerabilities of using such a powerful tool. Mr. Mendell suggested collaborating with governance and security teams along with subject matter experts when deciding whether to integrate generative AI product into business models.

Council members were asked how they plan to utilize AI in business operations. Some members noted that the potential use of generative to create materials for marketing and brand campaigns and noted the benefits AI may provide when generating initial customer service responses and for sourcing customers. Many noted that the ability to automate data analysis will help to increase efficiency and free up time to prioritize other work. A member noted the potential use of AI for building modeling and, as a result, AI may help drive innovation and cut costs in sectors with tight margins and long project lifecycles. Some members noted the ability to use AI to write company announcements, generate graphics and 3D modeling for construction design, and analyze financial information, but that it was challenging to keep up with the fast pace of technological changes. They also discussed how the expansion of AI into everyday life may serve to democratize knowledge and intelligence while soft skills like emotional intelligence will be a competitive advantage.

5. Facilitated Discussion

Ms. Phillips began the facilitated discussion by asking council members how business and economic conditions have changed since the March meeting. Overall, members reported a strong outlook in terms of business and economic conditions. Some members noted that while the job market has cooled somewhat, employees in the U.S. are reluctant to return to office and to pre-pandemic productivity levels in general. A member added that turnover was higher for front line versus office positions. Members also highlighted the increase in costs due to inflation, but that customer demand remained strong across many sectors including consumer goods and travel. Members also noted uncertainty in projecting future demand causing businesses to vertically integrate or find creative solutions to problems.

6. Concluding Remarks

President Williams thanked members for sharing their insights and noted that any additional or new information on business conditions were welcomed between this and the next meeting.

The meeting adjourned at approximately 3:00 p.m.