



**Advisory Council on Small Business and Agriculture  
Federal Reserve Bank of New York  
10<sup>th</sup> Floor, Paul Volcker Boardroom  
Monday, August 6, 2018**

**AGENDA**

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10:30am	Welcome and Review of Council Charter & Antitrust Guidelines, Claire Kramer Mills, Assistant Vice President
10:40am-11:00am	The National Economy, Richard Peach, Senior Vice President
11:00am-11:20am	International Update, Matthew Higgins, Vice President
11:20am-11:40am	Regional Update, Jason Bram, Officer
11:40am-12:00pm	Facilitated Discussion, Claire Kramer Mills, Assistant Vice President
12:00pm	Adjourn to NWC Room-10F
12:15pm	Lunch
12:15pm-1:55pm	Round Table Discussion with John Williams, President and Michael Strine, First Vice President

*Introductory Remarks and Welcome from President Williams*

*Group Discussion*

Your experiences provide insight into current economic conditions. ***In considering each question, please reflect on the experiences of your firm, firms of similar size, and firms in your industry. Please provide a rationale for each answer.***

**Sales**

Have sales volumes increased, decreased, or stayed the same in the first half of 2018?

What are your expectations for the second half of 2018?

**Investment**

Has investment (e.g. plant, equipment, technology) increased, decreased, or stayed the same in the first half of 2018?

What are your expectations for the second half of 2018?

**Employment**

Has employment increased, decreased, or stayed the same in the first half of 2018?

Have you faced any recent labor shortages that have limited the ability to meet demand? Please explain.

What are your employment expectations in the second half of 2018?



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**Prices**

Have input prices increased, decreased, or stayed the same in the first half of 2018?

What are your expectations for the second half of 2018?

Have prices of products/services sold increased, decreased, or stayed the same in the first half of 2018?

Do you expect prices of products/services sold to increase in the second half of 2018?

**Financing Conditions**

Over the past two quarters, please describe financing conditions for firms of your size and in your industry.

How have the terms and conditions for obtaining financing changed (tightened, eased, not changed)?

**Outlook**

What is the most significant business opportunity you see in 2018?

What is the chief growth barrier or concern facing your firm in 2018?

*Concluding Remarks from President Williams*

2:00 pm

Adjourn



**Advisory Council on Small Business and Agriculture  
Federal Reserve Bank of New York**

**Monday, August 6, 2018**

**ATTENDEE LIST**

**Council Members**

Donnel Baird  
Founder & CEO  
BlocPower

Sarah LaFleur  
Founder & CEO  
MM.LaFleur

Adenah Bayoh  
Founder  
Adenah Bayoh & Companies

Ranjini Poddar  
Founder & CEO  
Artech Information Systems, LLC

Kevin Ellis  
CEO  
Cayuga Milk Ingredients

Waleska Rivera  
President  
Danosa Caribbean, Inc.

Gabriel Hernández  
Co-Founder and Head of Tax Division  
BDO Puerto Rico

**Federal Reserve Bank of New York**

John Williams  
Michael Strine  
Jack Gutt  
Kausar Hamdani  
Richard Peach  
Matthew Higgins  
Sandra Lee  
Anand Marri  
Claire Kramer Mills  
Rosanne Notaro  
Jason Bram  
Edison Reyes

President  
First Vice President  
EVP, Communications & Outreach  
SVP, Communications & Outreach  
SVP, Research & Statistics  
VP, Integrated Policy Analysis  
VP, Executive Office  
VP, Outreach & Education  
AVP, Outreach & Education  
AVP, Legal  
Officer, Research & Statistics  
Associate, Outreach & Education



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# US Macro Overview

## Richard Peach, Senior Vice President

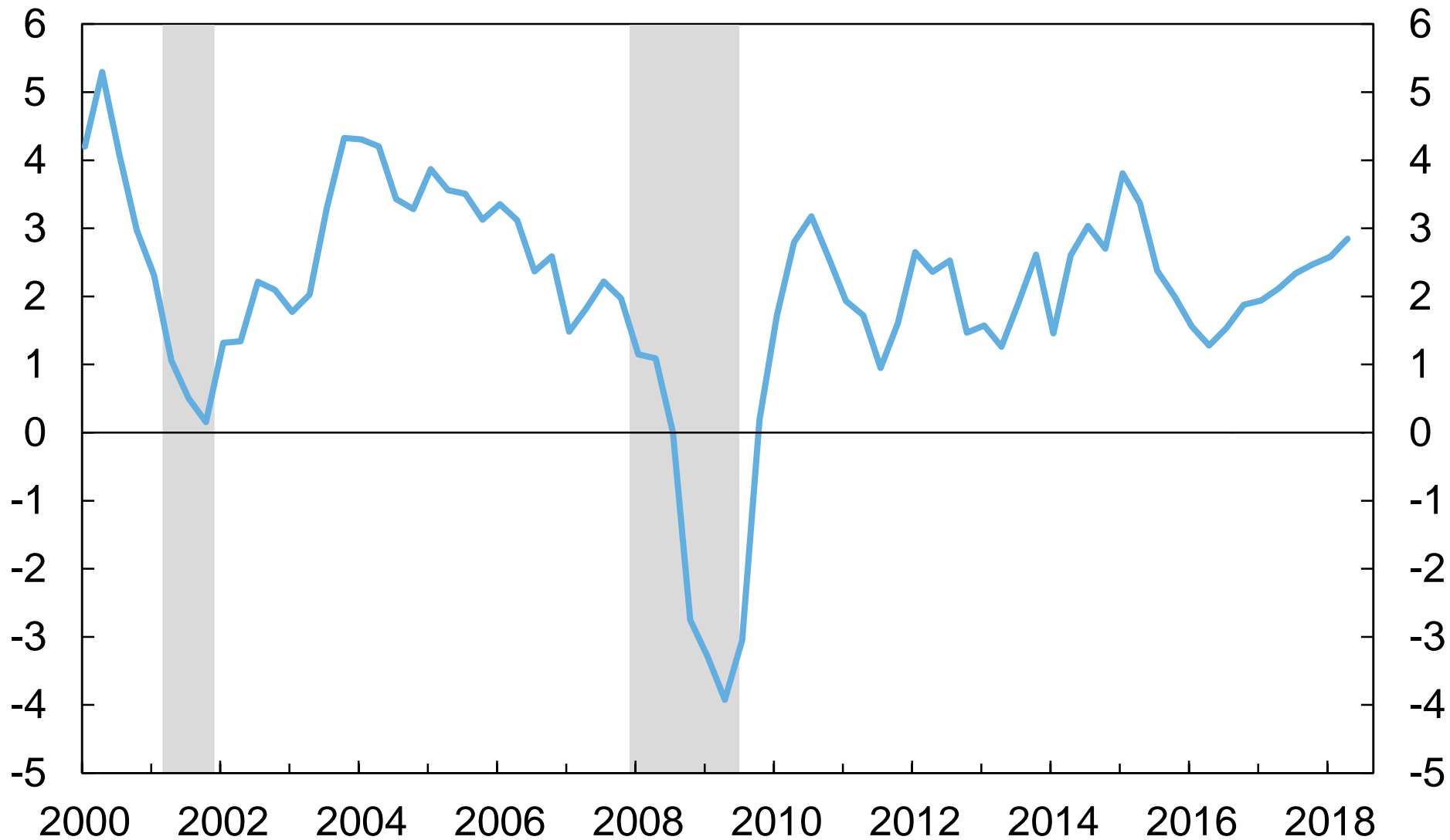
Presented to Advisory Council on Small Business and Agriculture  
August 6, 2018

The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

# Growth of Real GDP

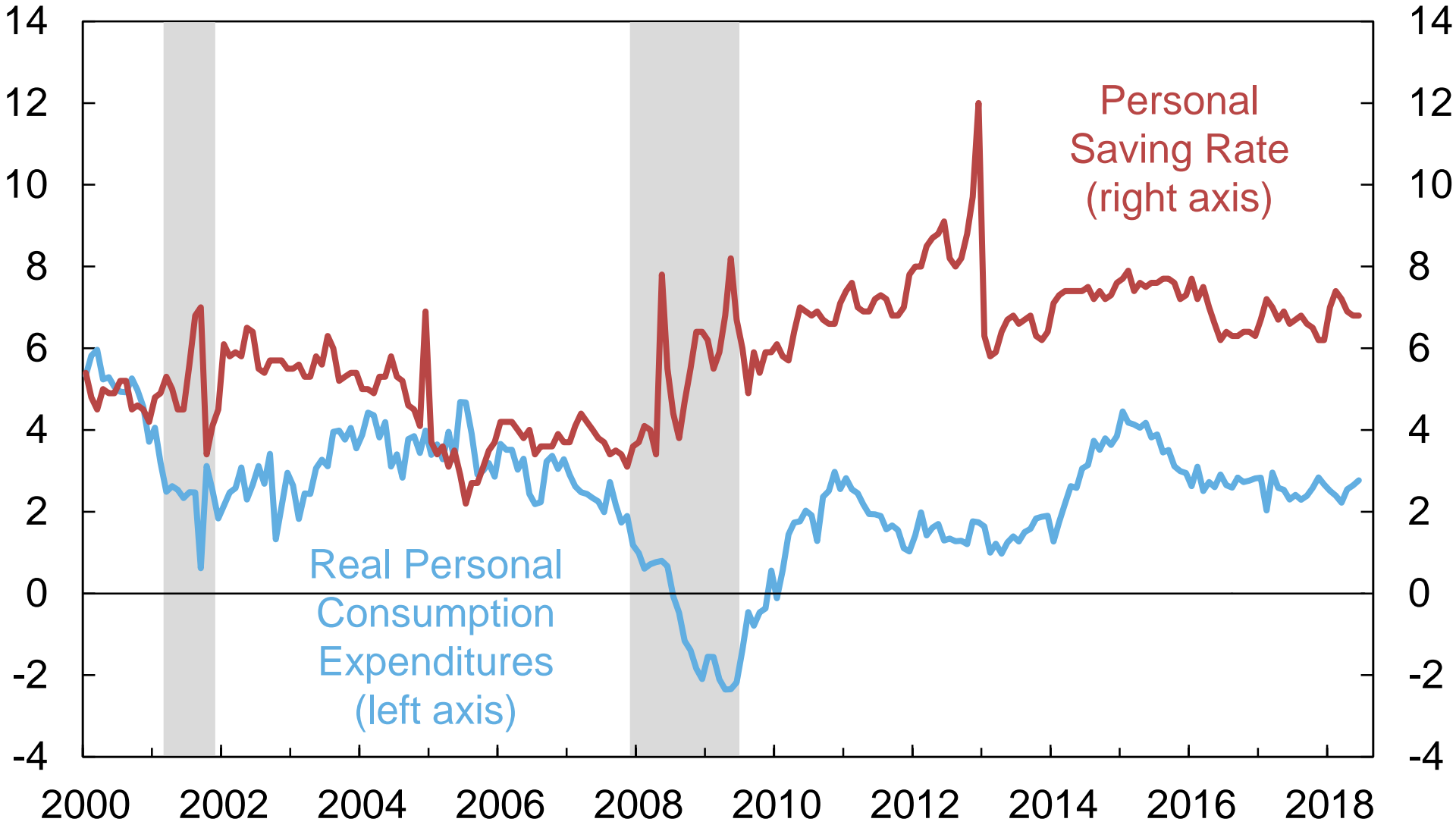
Four Quarter Percent Change

Four Quarter Percent Change



# Real PCE and the Personal Saving Rate

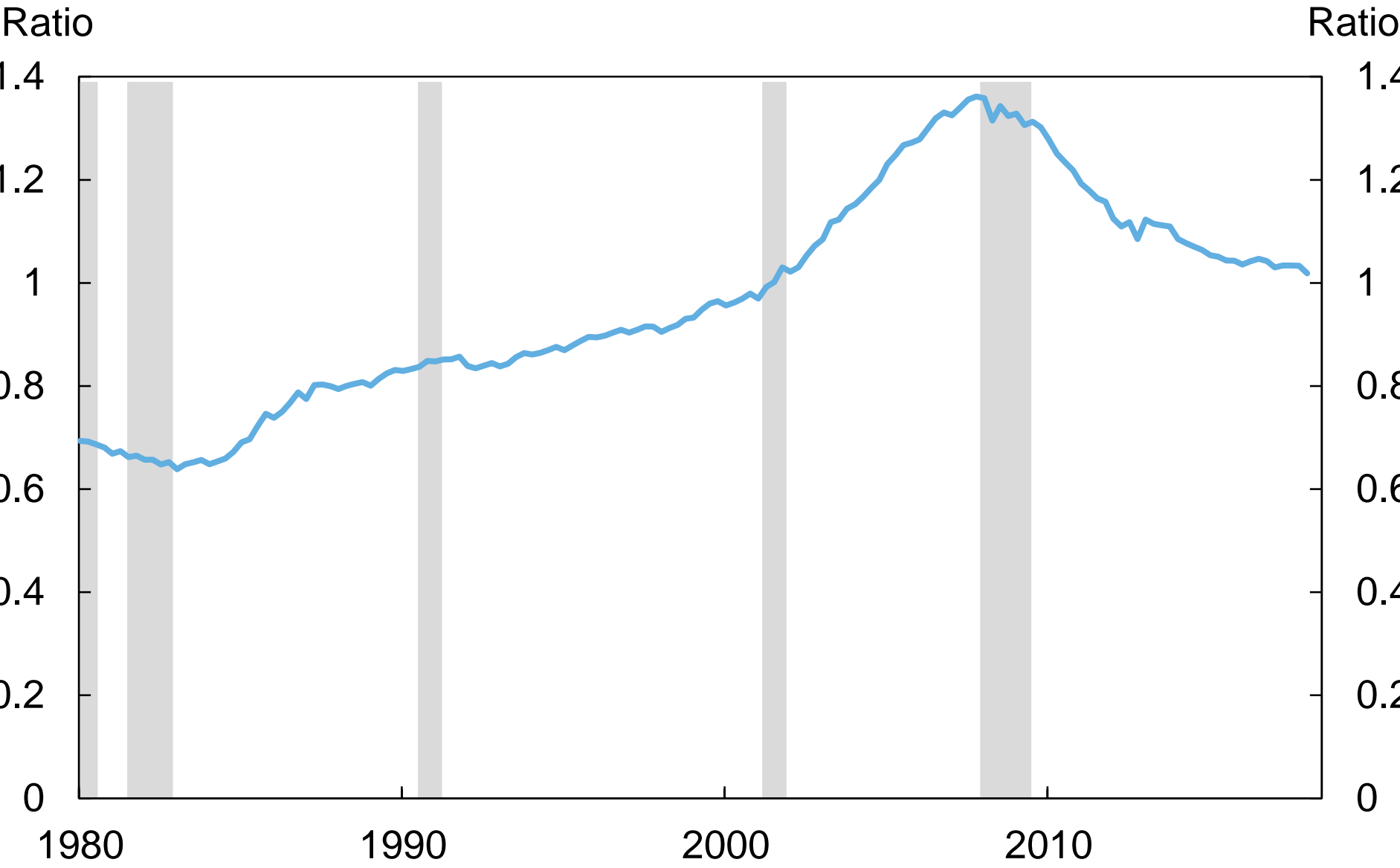
12 Month % Change



Source: Bureau of Economic Analysis, Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions. 3

# Household Liabilities over Disposable Income



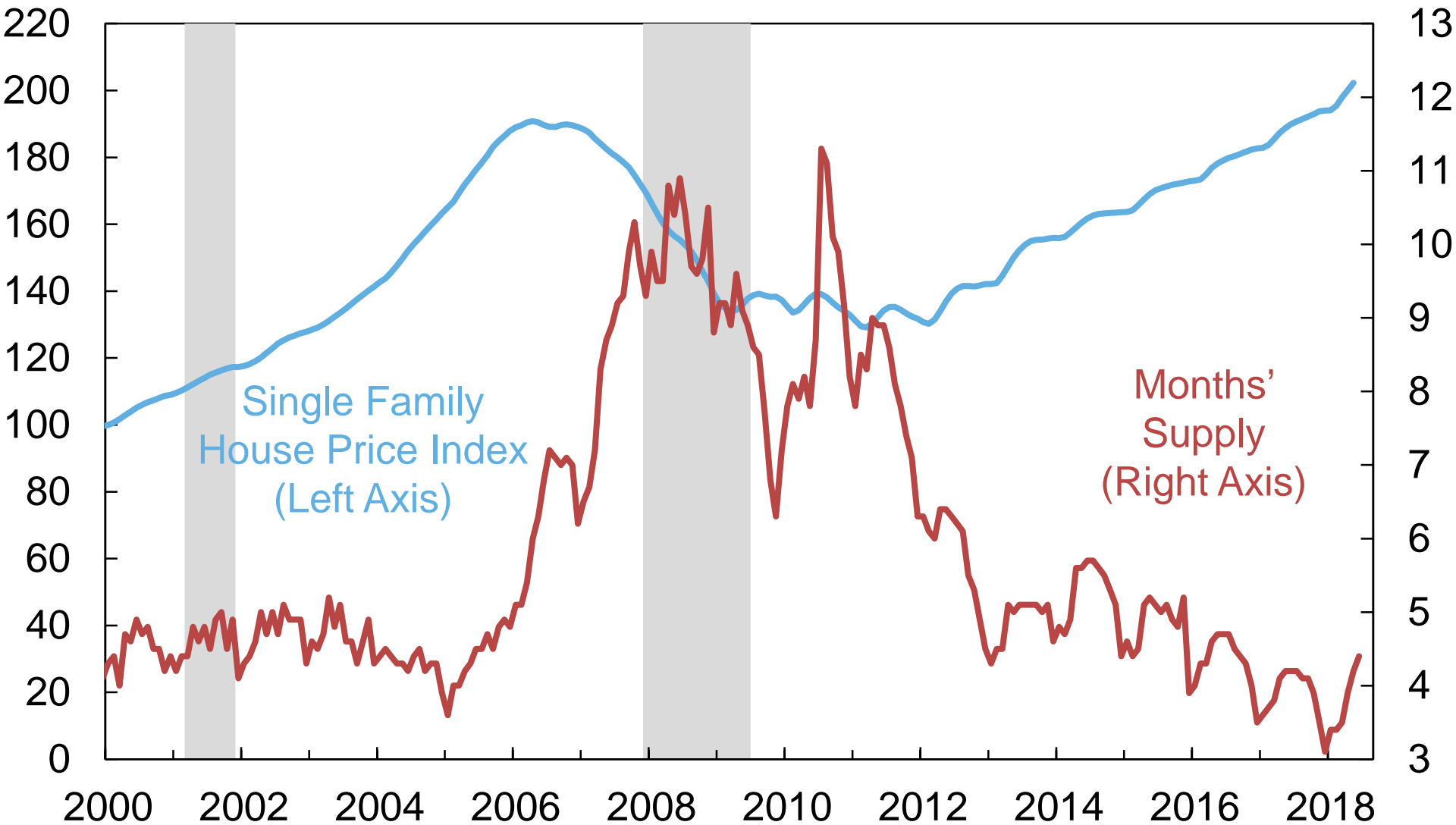
Source: Federal Reserve Board and Bureau of Economic Analysis via Haver Analytics.

Note: Shading shows NBER recessions.

# Single Family Housing Market

Index Level

Months

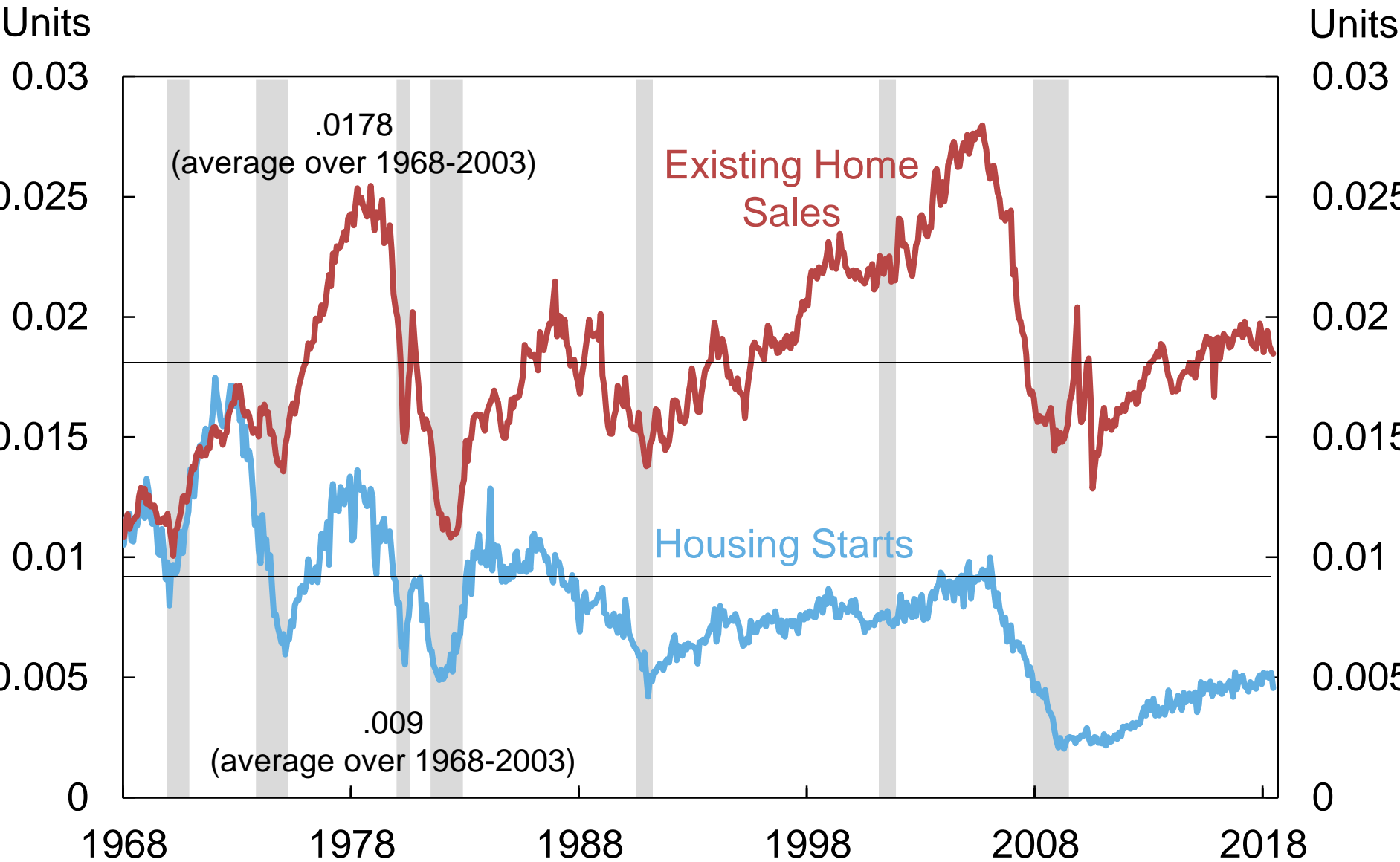


Source: CoreLogic, National Association of Realtors, via Haver Analytics

Note: Shading shows NBER recessions.



# Housing Starts and Existing Homes Sales Per Capita



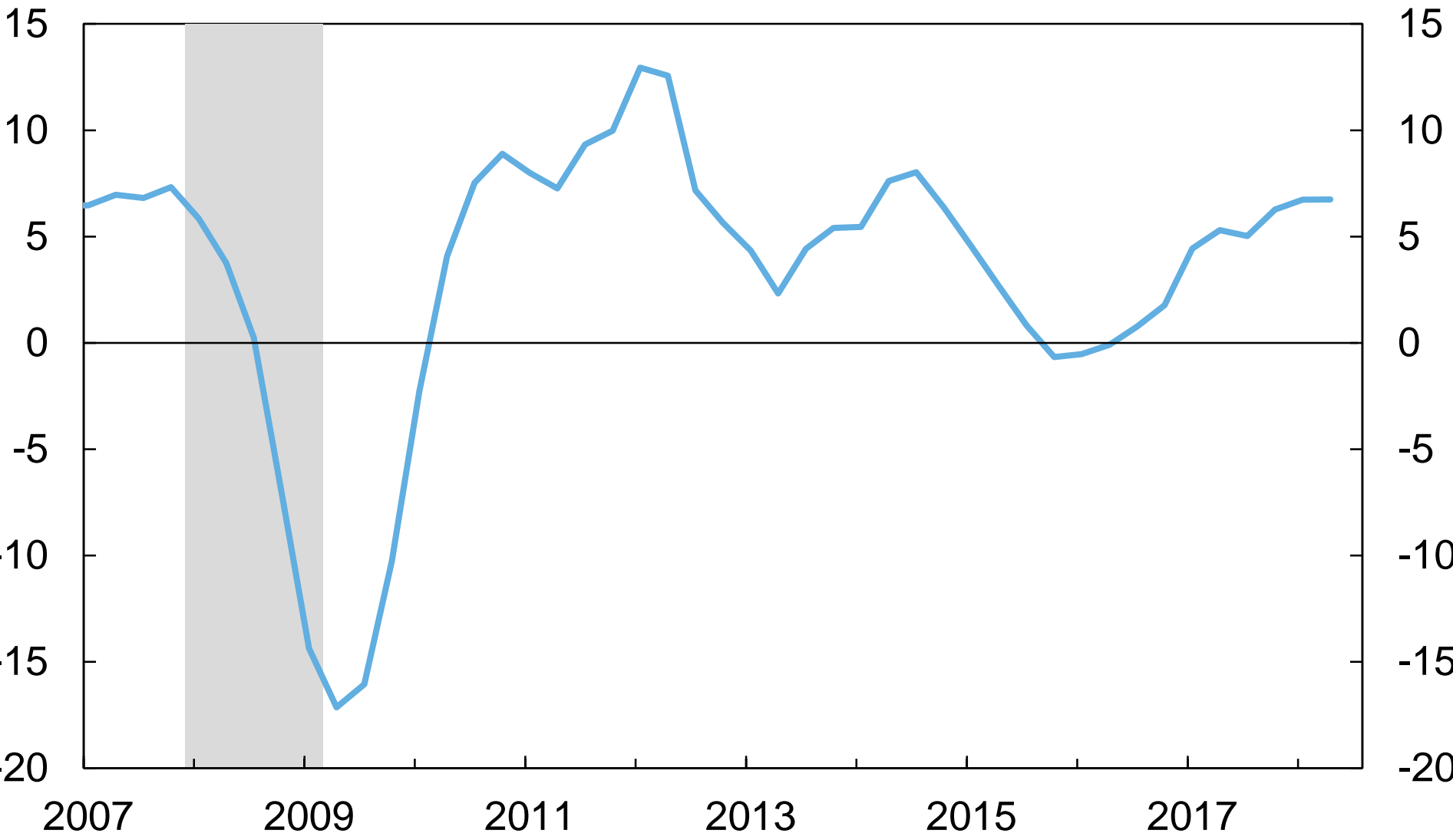
Source: BLS, Census Bureau, NAR

Note: Shading shows NBER recessions.

# Business Fixed Investment

Four Quarter Percent Change

Four Quarter Percent Change



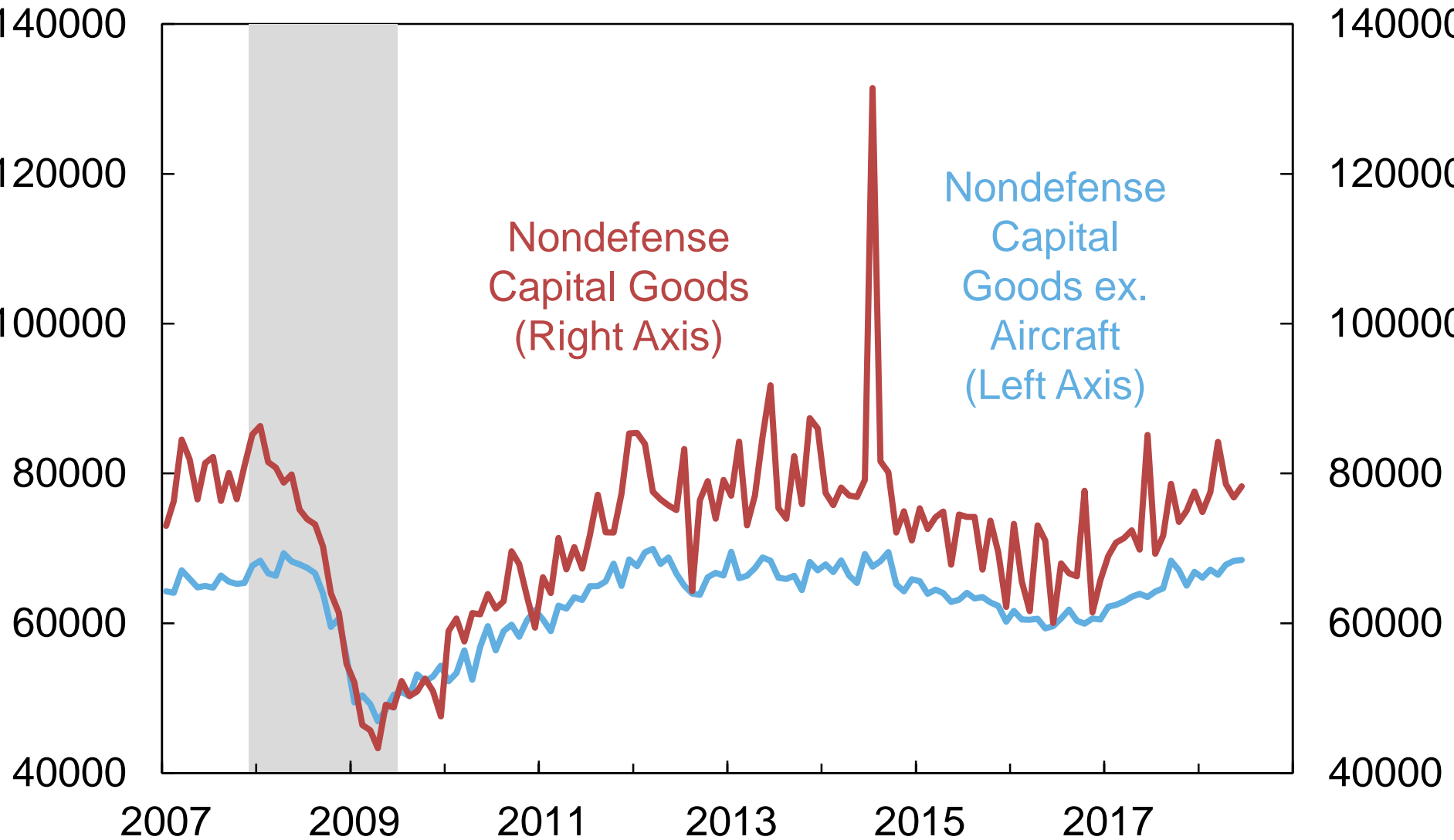
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

# Manufacturers' New Orders of Nondefense Capital Goods

Millions of Dollars

Millions of Dollars



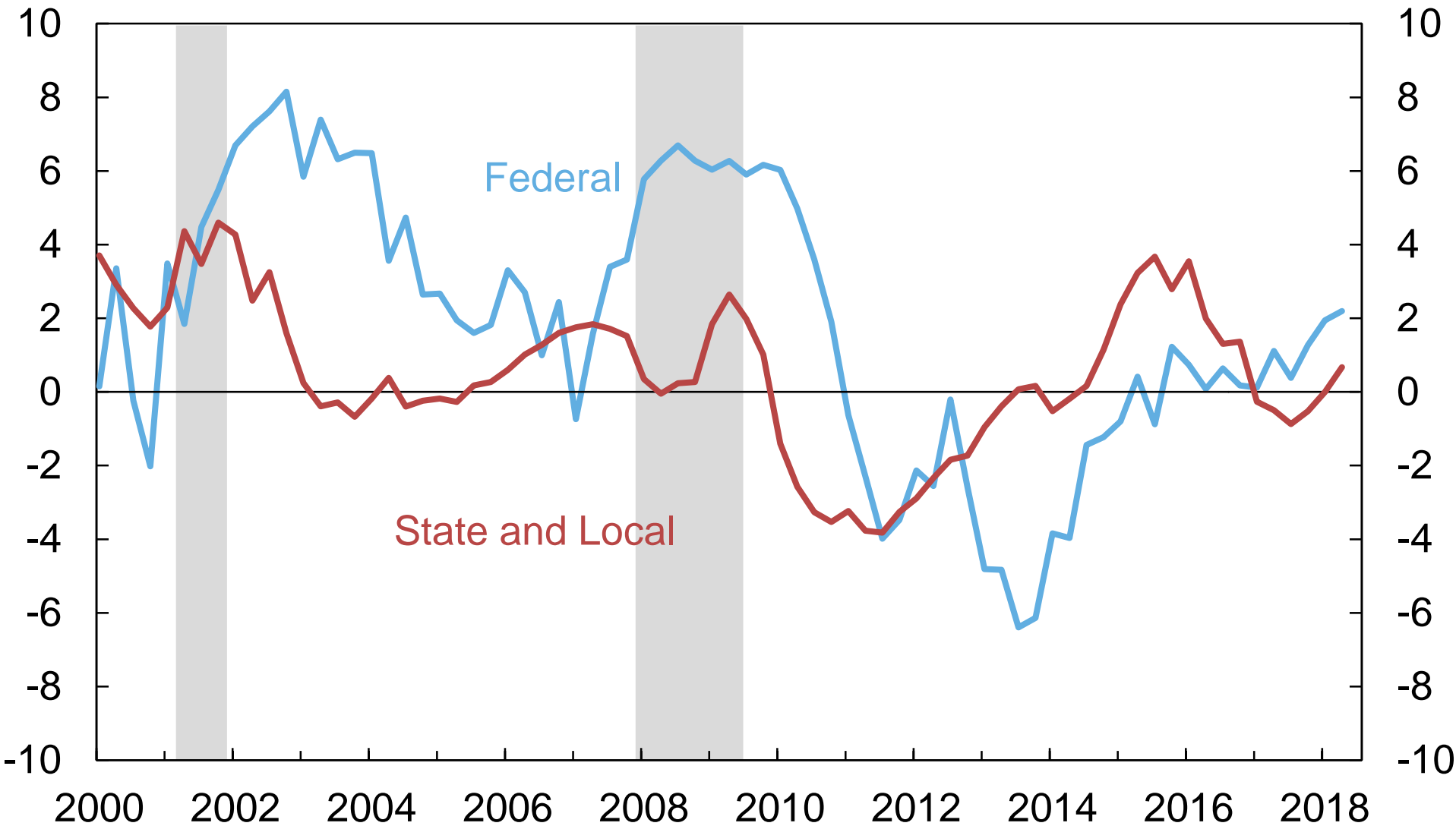
Source: Census Bureau; Haver Analytics.

Note: Shading shows NBER recessions.

# Real Government Consumption and Gross Investment

4 Quarter % Change

4 Quarter % Change



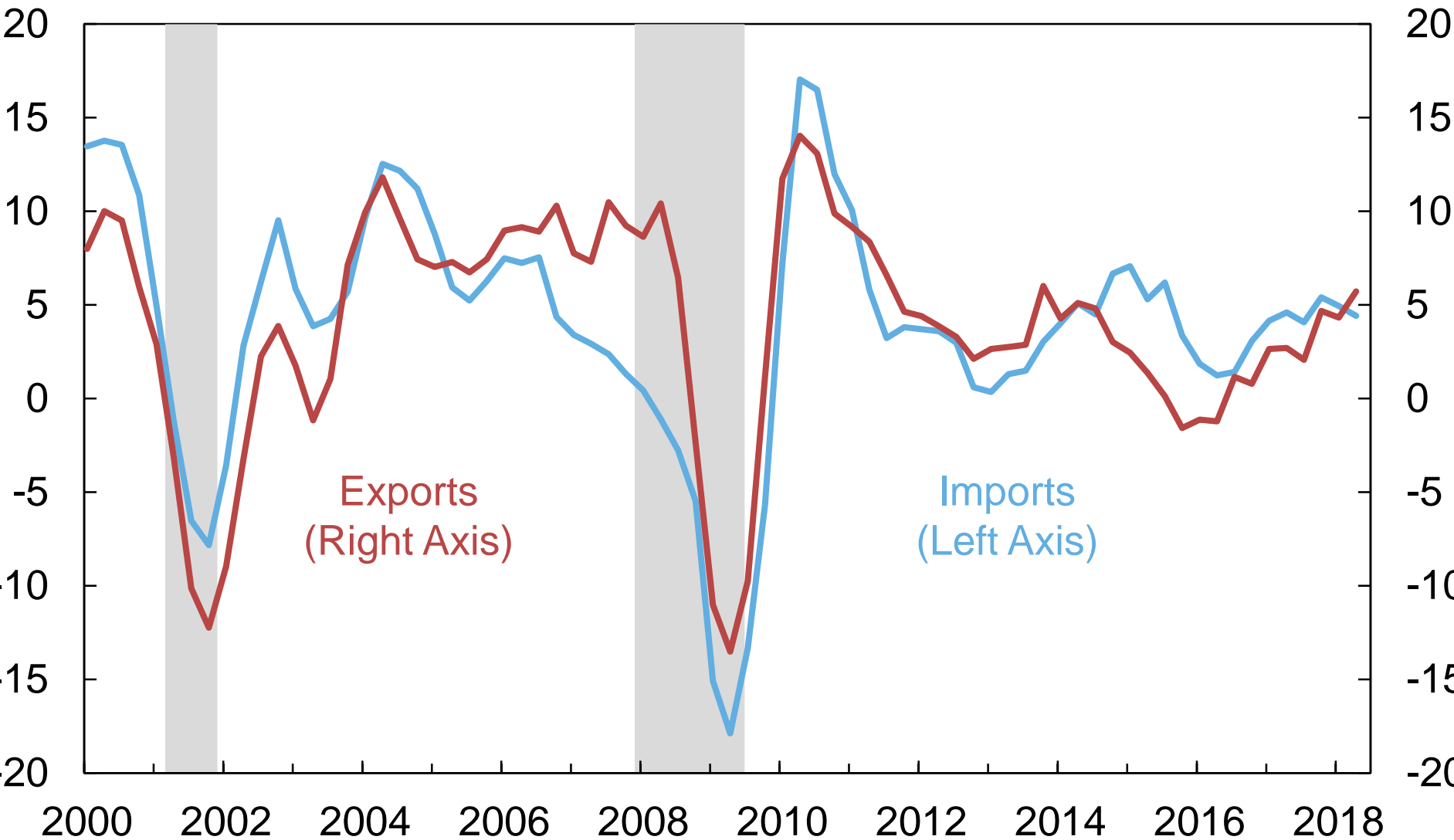
Source: Bureau of Economic Analysis  
via Haver Analytics

Note: Shading shows NBER recessions.

# Real Imports and Exports

4-Quarter Percent Change

4-Quarter Percent Change



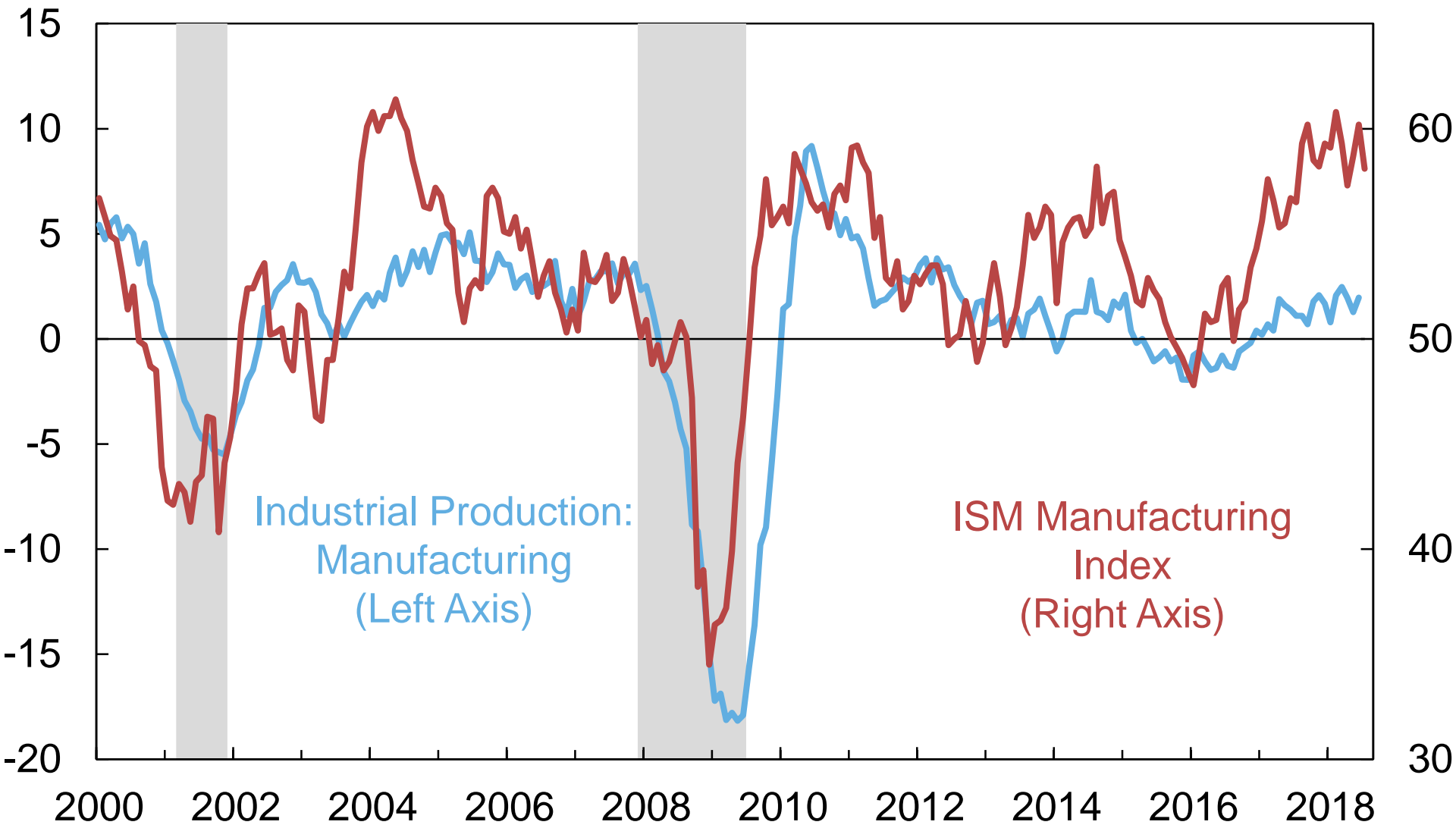
Source: Bureau of Economic Analysis via Haver Analytics.

Note: Shading shows NBER recessions.

# Manufacturing and ISM Manufacturing Index

12 Month % Change

Index



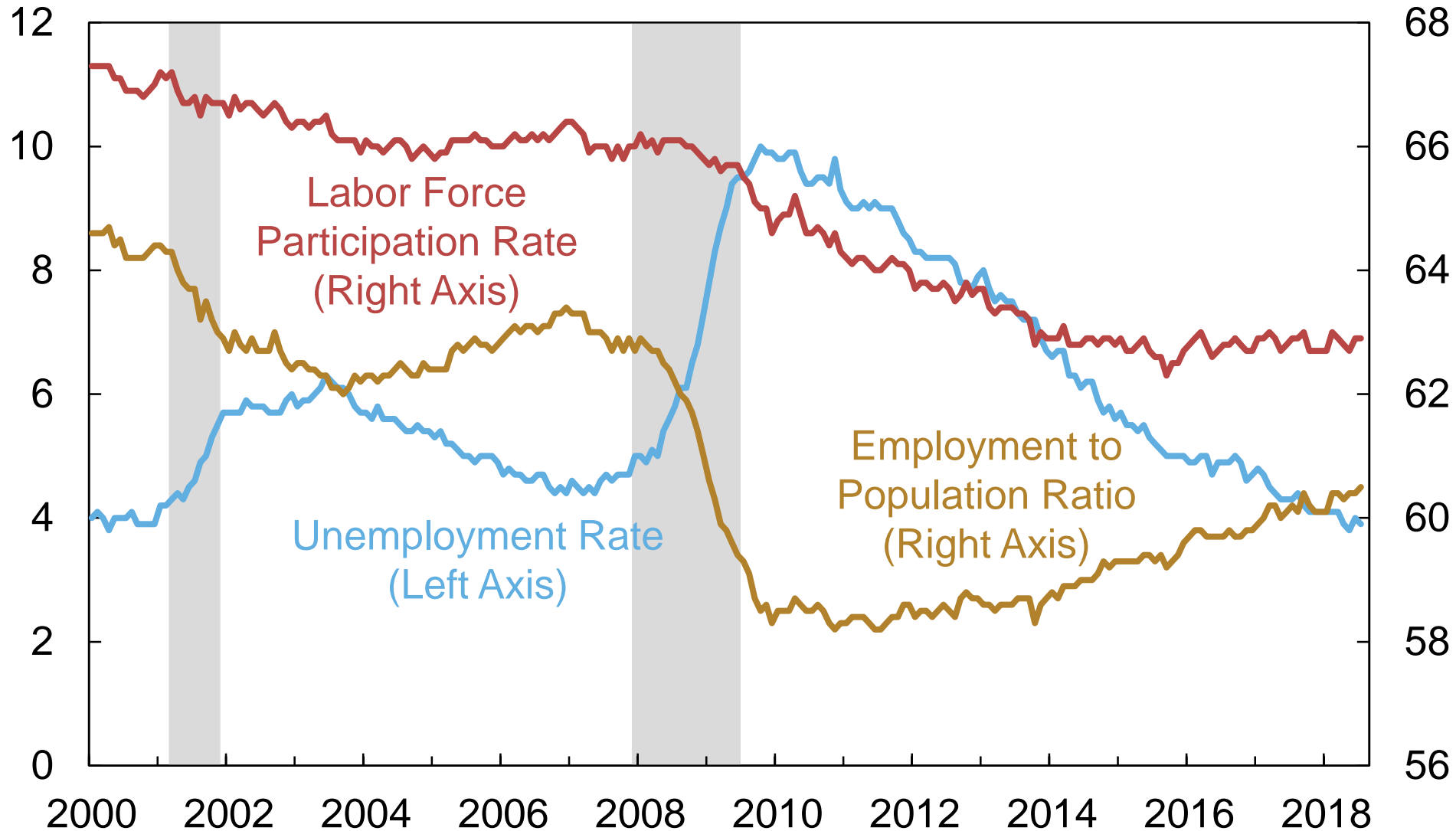
Source: Institute for Supply Management, Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions.

# Labor Market Indicators

Percent

Percent



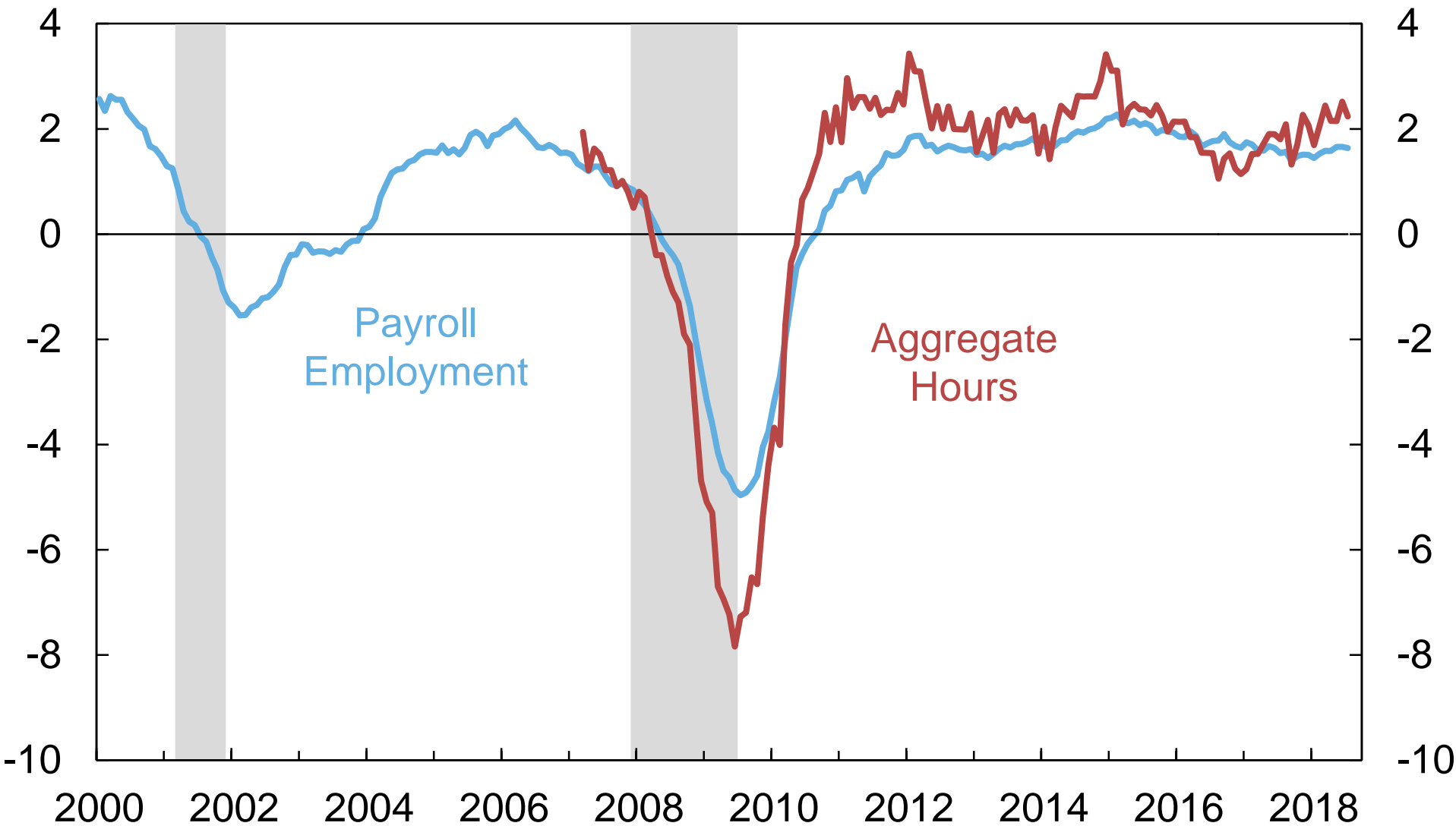
Source: Bureau of Labor Statistics  
via Haver Analytics

Note: Shading shows NBER recessions.

# Payroll Employment and Aggregate Hours

12 Month % Change

12 Month % Change

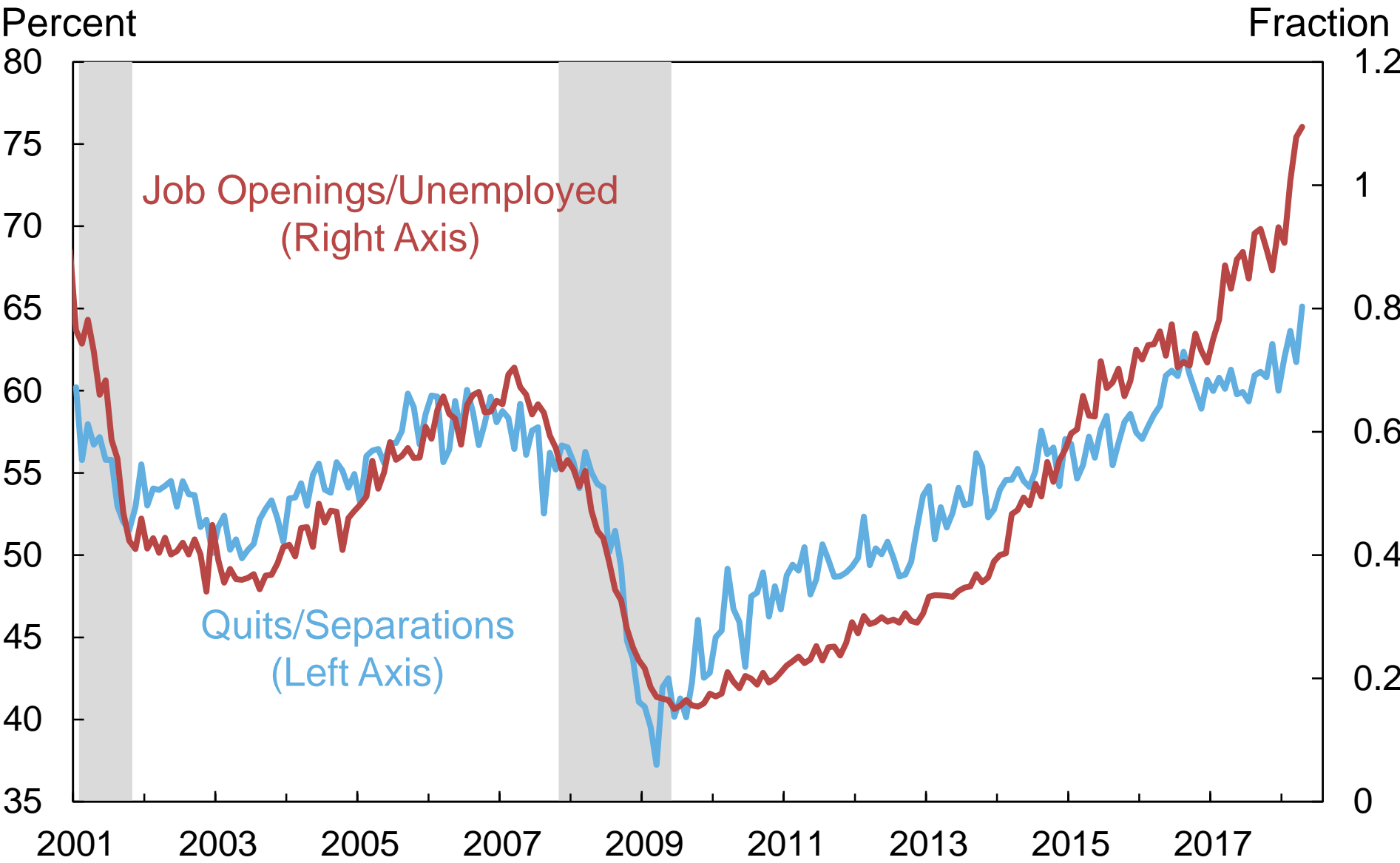


Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.



# Openings/Unemployed and Quits/Separations



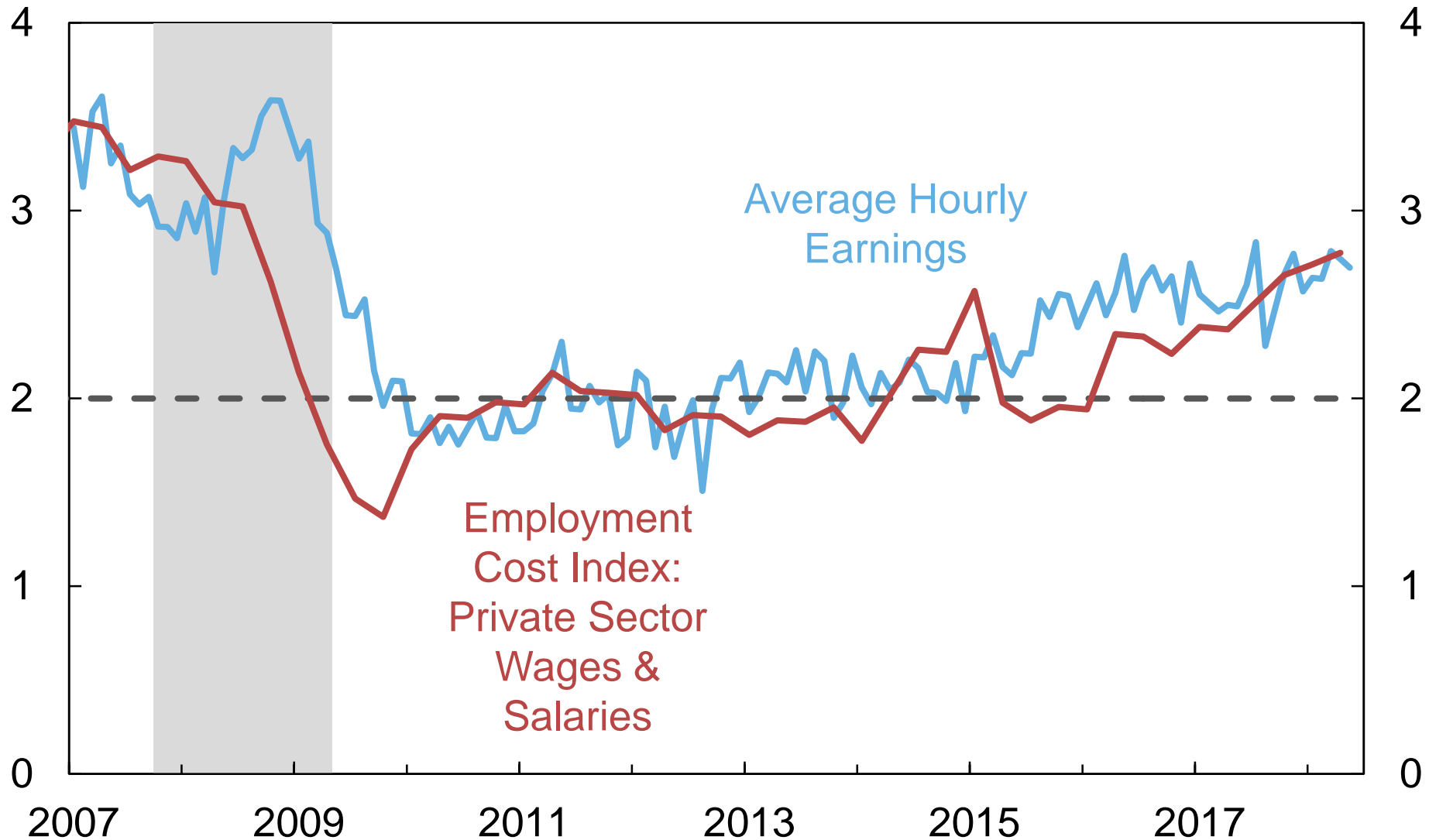
Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.

# Growth of Average Hourly Earnings and ECI

Annual % change

Annual % change



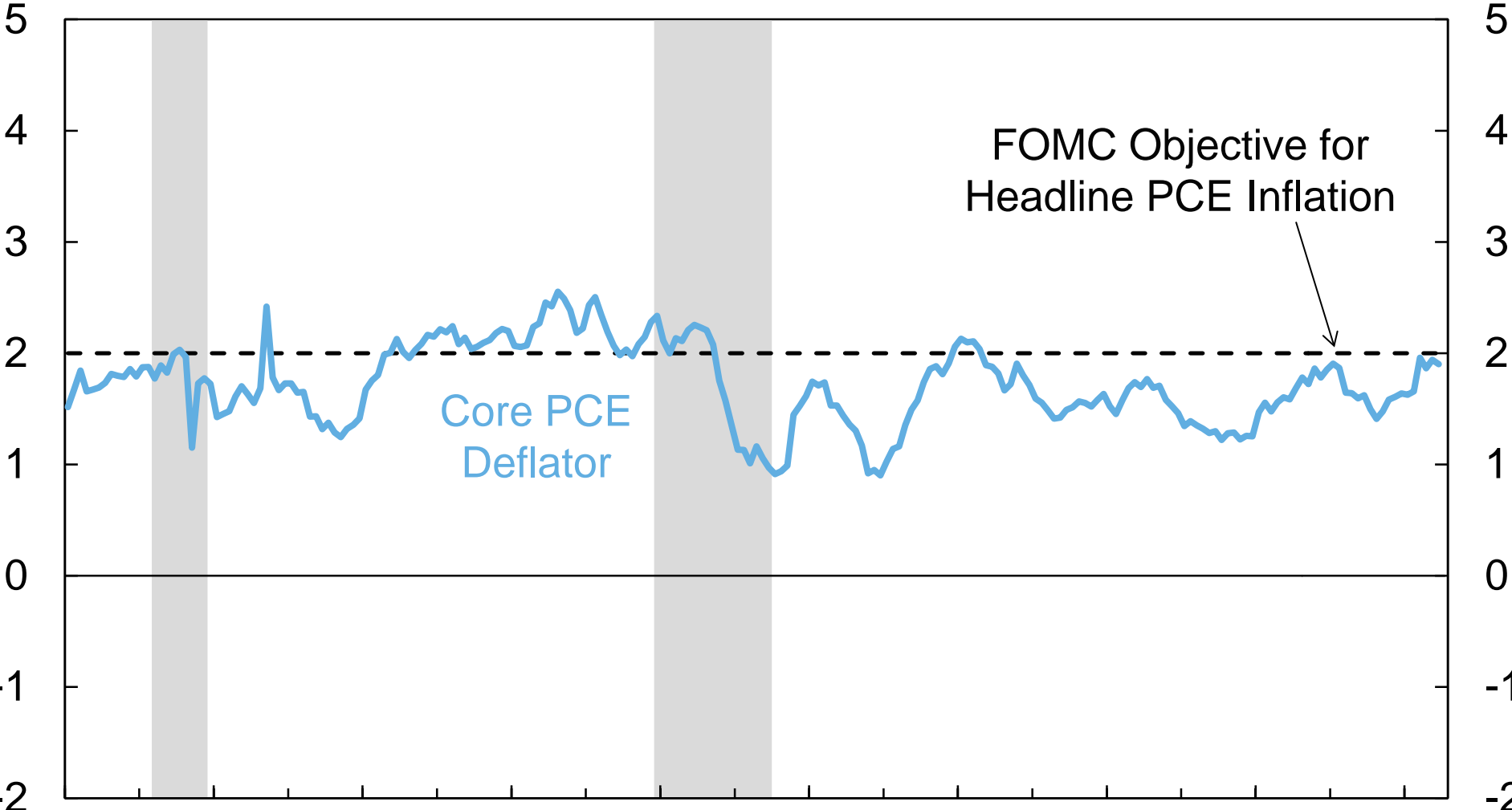
Source: Bureau of Labor Statistics  
via Haver Analytics

Note: Shading shows NBER recessions.

# Measure of Underlying PCE Price Inflation

12 Month % Change

12 Month % Change



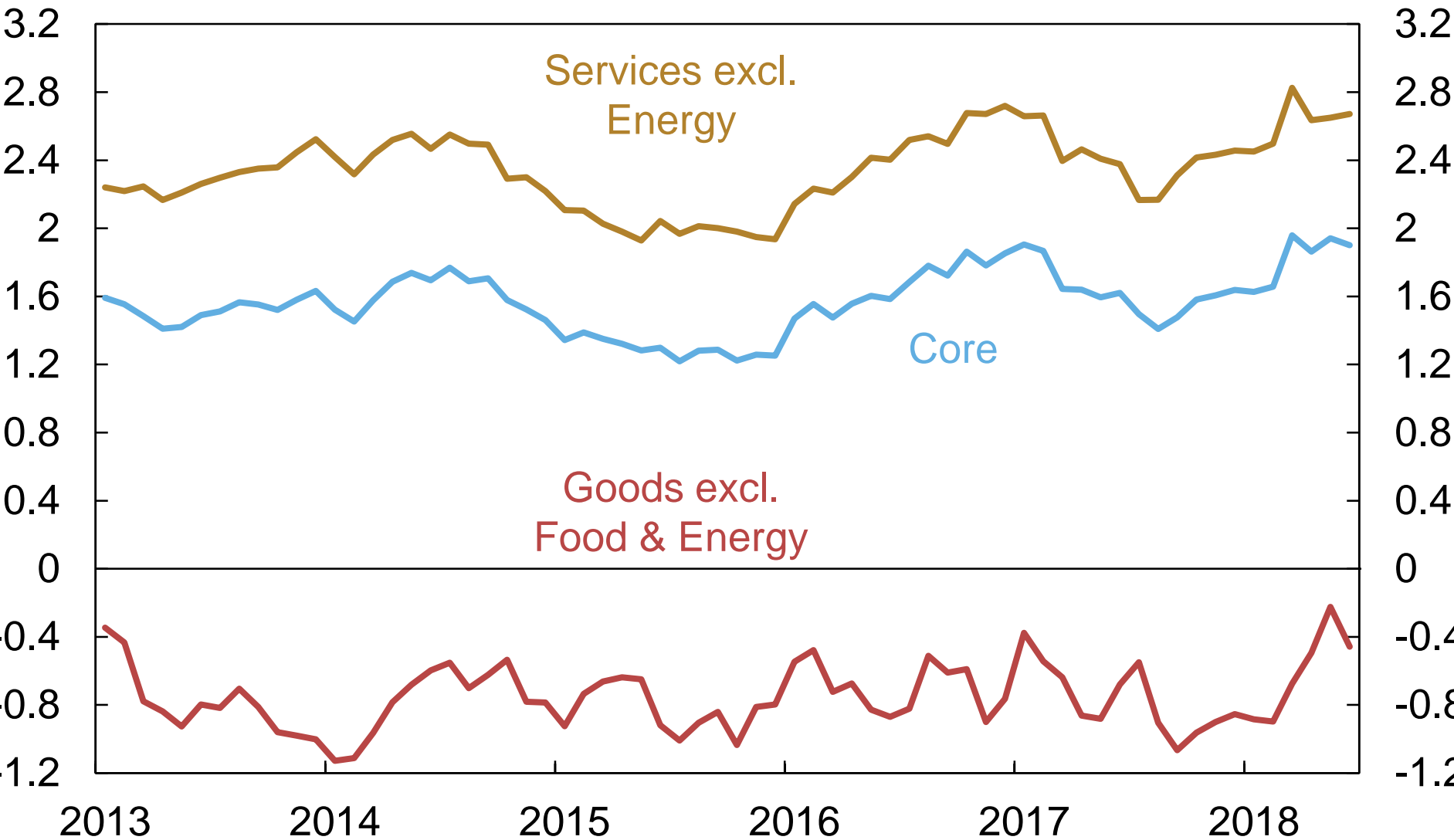
Core PCE Deflator

FOMC Objective for Headline PCE Inflation

# Core PCE Deflator Inflation

12-Mo % Change

12-Mo % Change



Source: BEA; Haver Analytics.

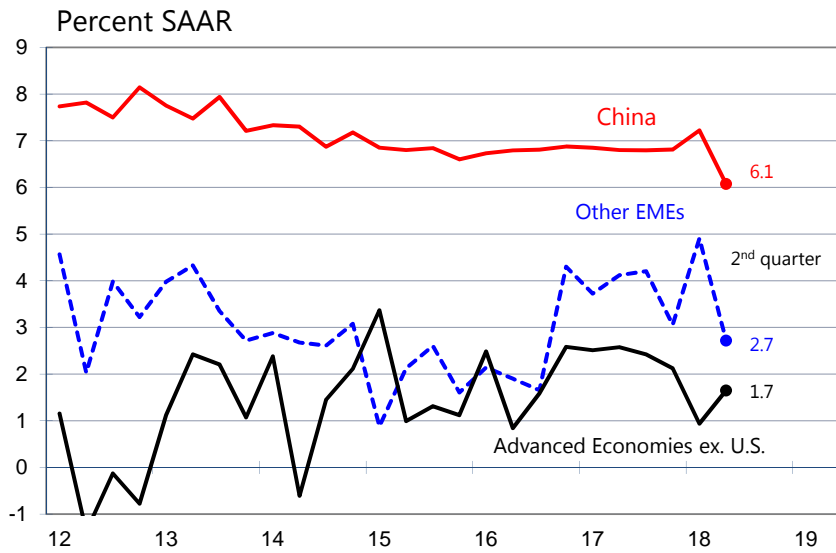


## Roadmap

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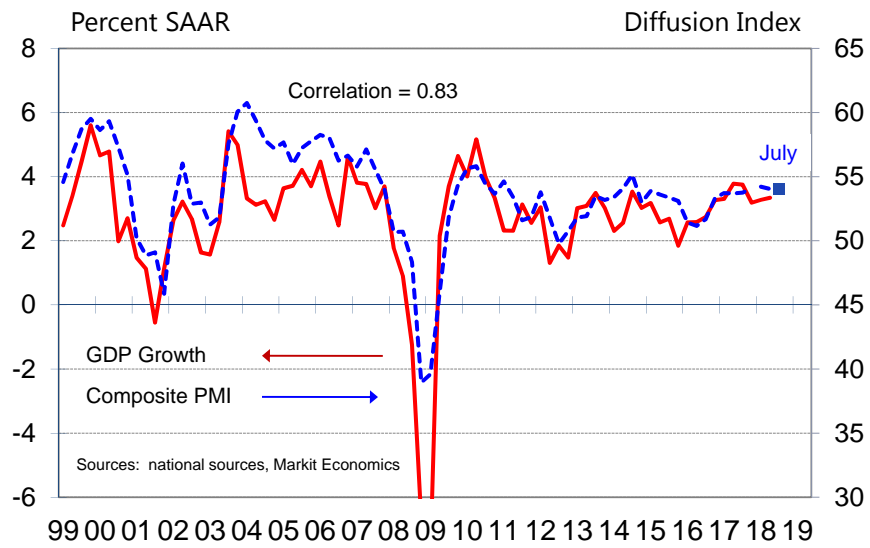
- Update on the global economic and industrial cycle
- Inflation and labor market trends in the advanced economies
- Implications of recent U.S. tariff measures
- China's development and policy challenges

## Global GDP Growth

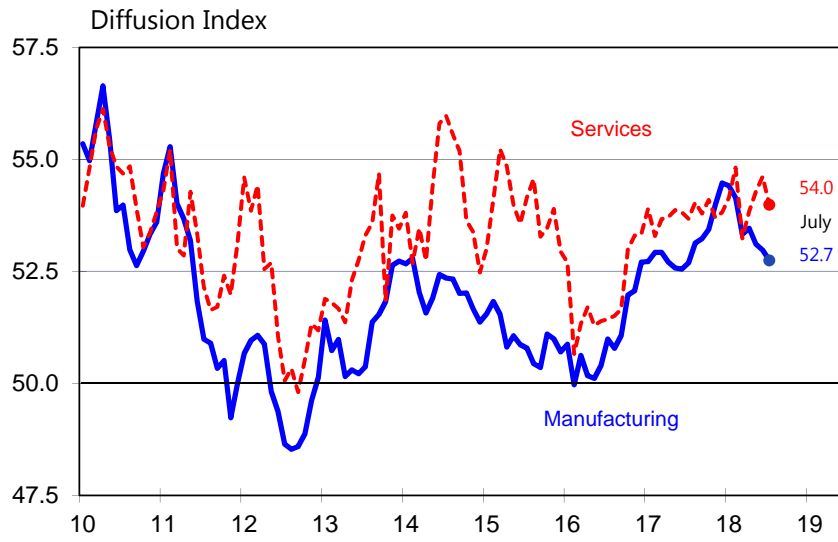


Sources: national sources, staff calculations. Q2 growth rates for most foreign economies reflect staff estimates.

## Global GDP Growth and Composite PMI

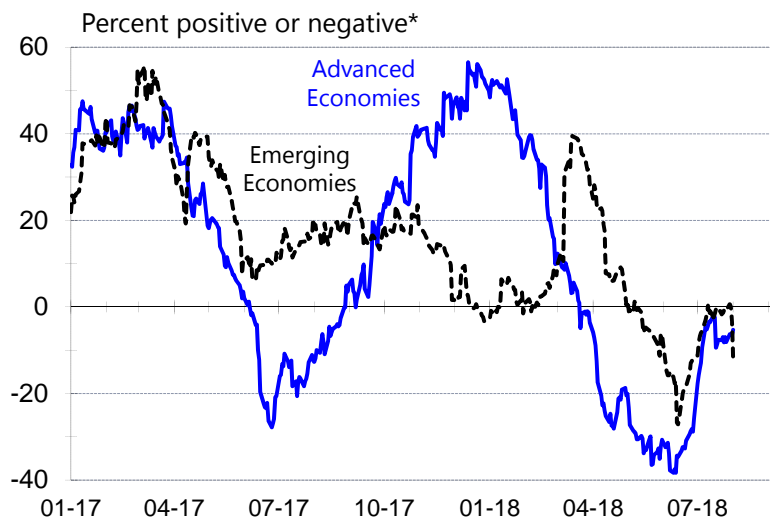


## Global Manufacturing and Services PMIs

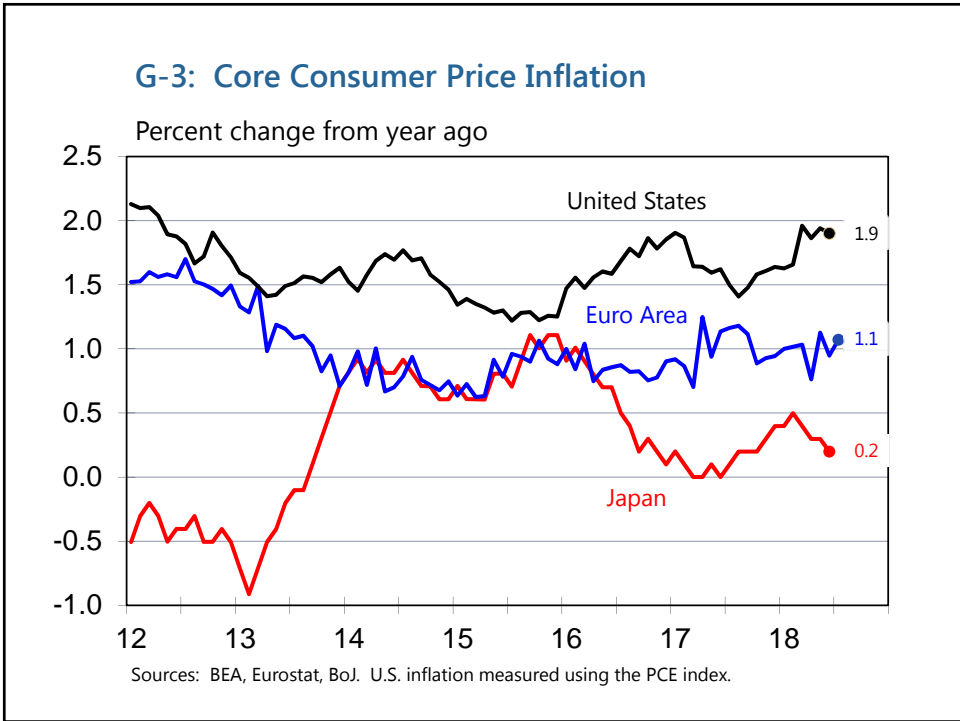
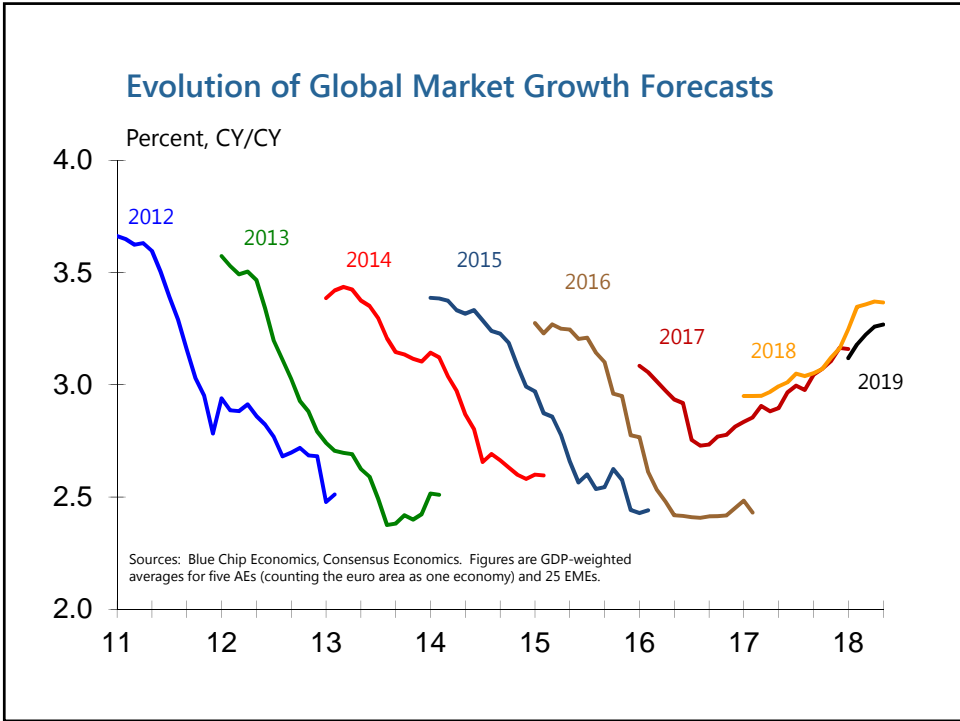


Source: Markit Economics.

## Citigroup Economic Surprise Indexes



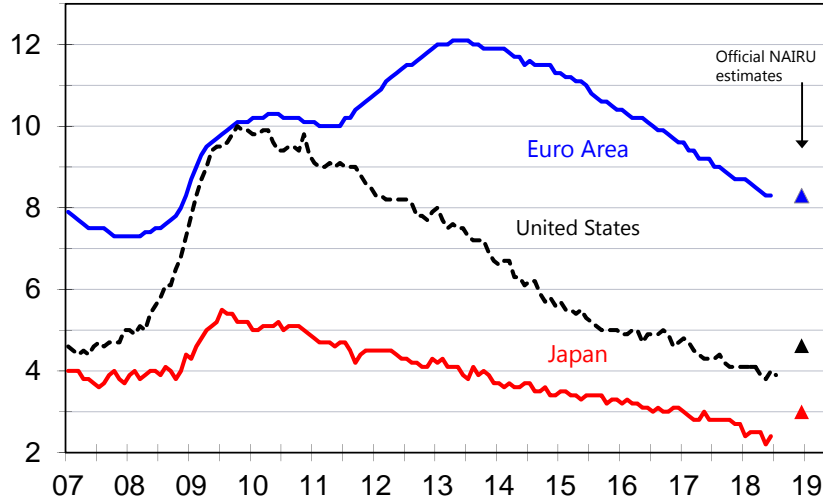
\*Weighted by series' historical FX impact





## G-3 Unemployment Rates

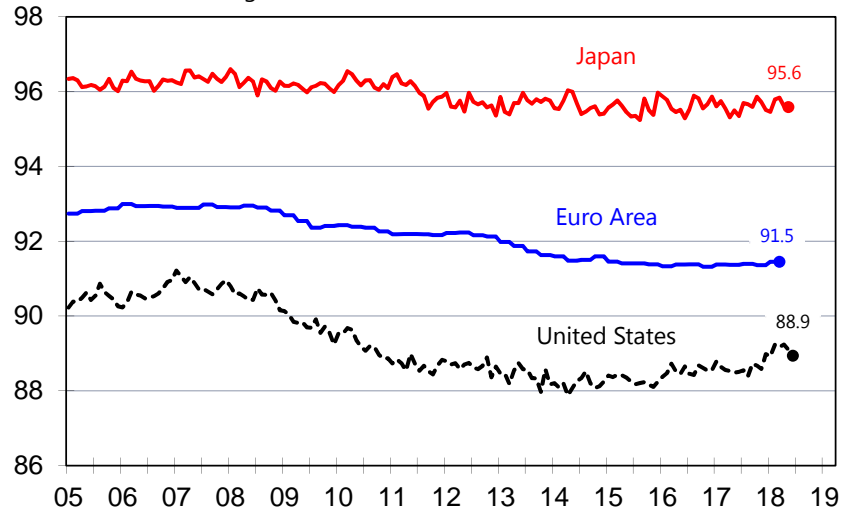
Percent change from year ago



Sources: BLS, CBO, Eurostat, BoJ.

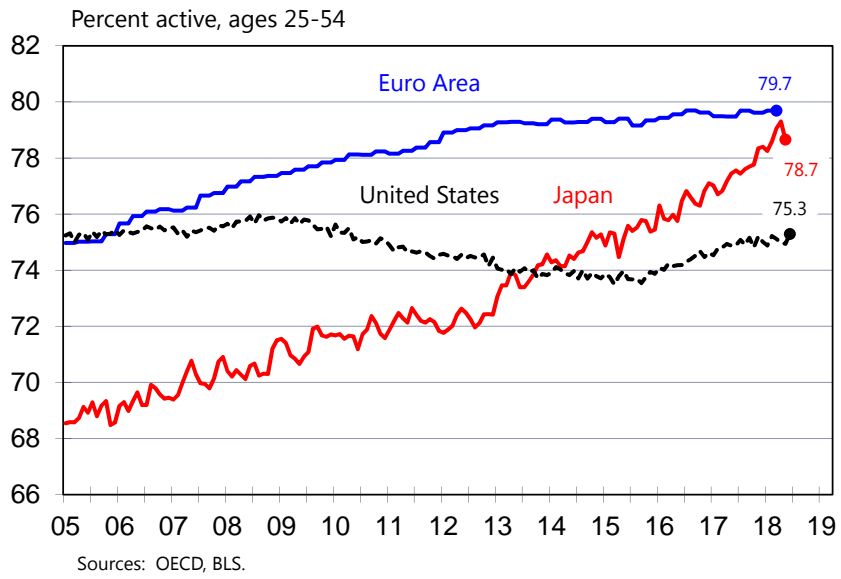
## Male Prime-Age (25-54) Labor Force Participation

Percent active, ages 25-54

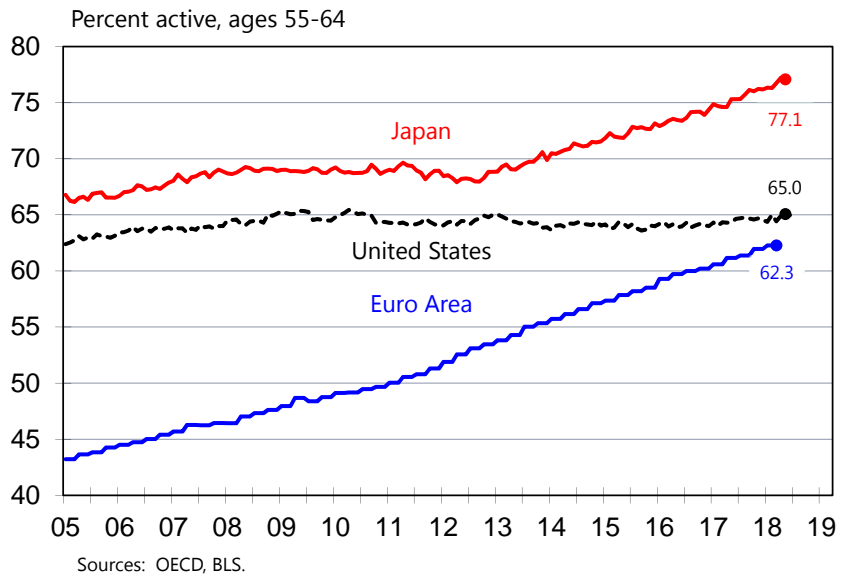


Sources: OECD, BLS.

### Female Prime-Age (25-54) Labor Force Participation

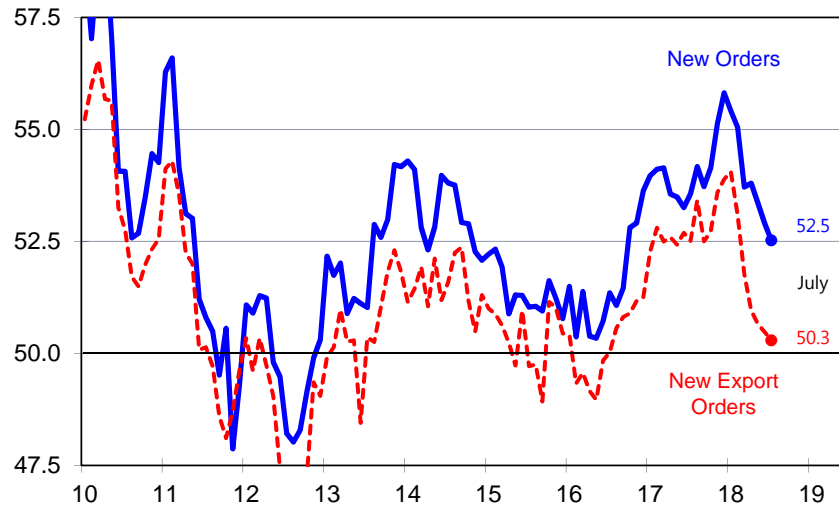


### Mature Adult (55-64) Labor Force Participation



## Manufacturing New Orders

Diffusion Index



Source: Markit Economics, JPMorgan.

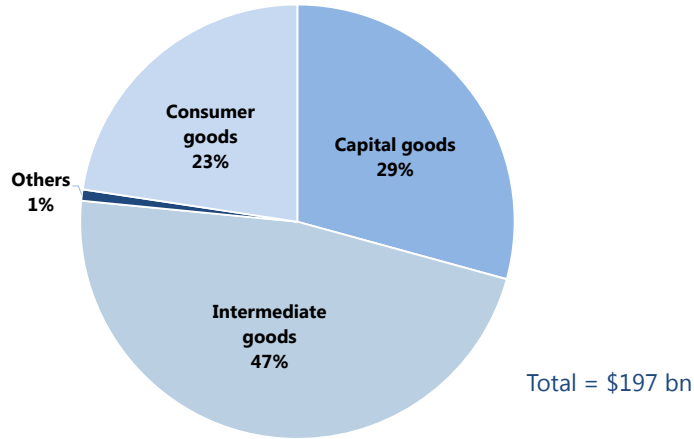
## Recent U.S. Tariff Measures

Product	Rate	Value affected (\$ bn)	Share of U.S. imports
<i>Enacted</i>			
Steel	25%	29	1.2%
Aluminum	10%	23	1.0%
Various	25%	50	2.1%
<i>Proposed</i>			
Various	10%	200	8.5%

Source: Office of the U.S. Trade Representative.

### U.S. imports from China subject to Section 301 tariffs by type

\$U.S. bn

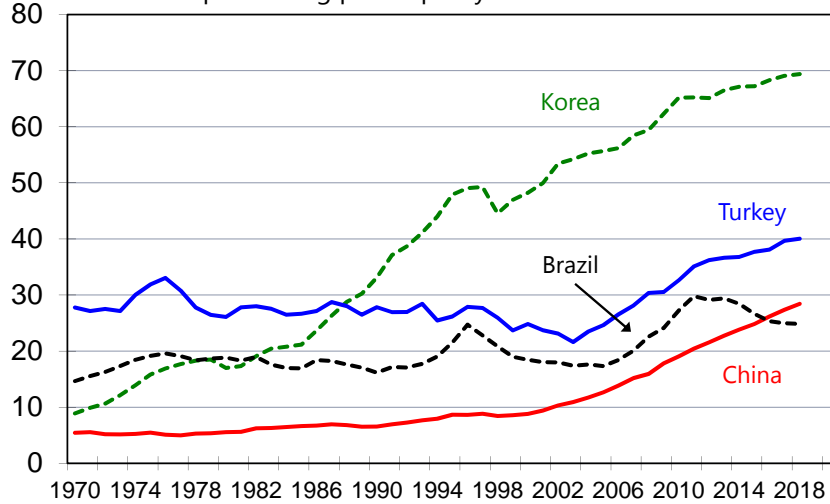


Notes: Based on July 10 list. Harmonized System [HS] 8-digit tariff code is converted to Broad Economic Categories (BEC) code, using the correspondence table at <https://unstats.un.org/unsd/trade/classifications/correspondence-tables.asp>.

Sources: United States International Trade Commission (USITC) Dataweb. Others include BEC 7 (Health, pharmaceuticals, education, cultural, sport), 12 and 32 (services in food and beverages, and services in construction, wood, glass, stone, metals, housing and furnitures) and HS codes that have no match with BEC code.

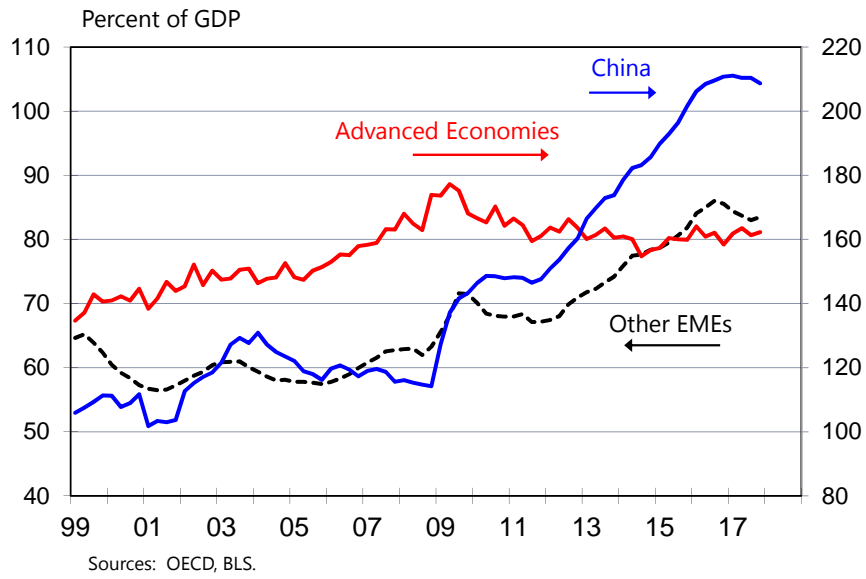
### Real GDP per Capita Relative to United States

Percent at purchasing power parity

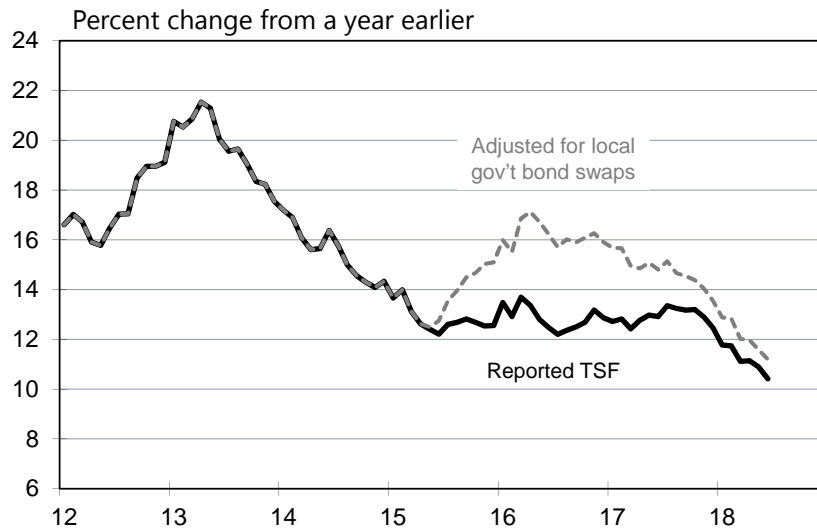


Sources: Penn World Tables, IMF *World Economic Outlook* database.

## Credit to Private Nonfinancial Sector

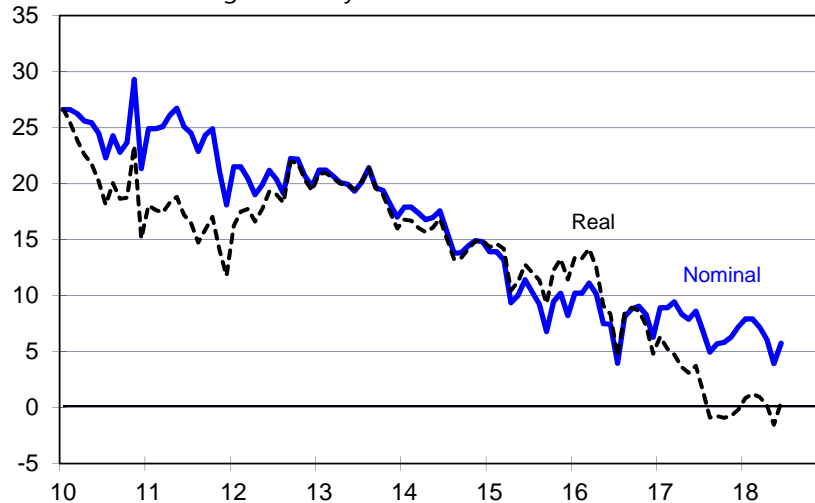


## China: Total Financing Growth



## China: Fixed Asset Investment

Percent change from a year earlier



Source: Monthly index computed from official year-year year-to-date changes. Real series deflated by linearly interpolated quarterly FAI price series.

### Evidence of China's macro policy "fine tuning"

Measure	Time Frame of Implementation, News Story, or Rumor
<b>Monetary policy</b>	
RRR cuts 1/	Jan, April, June
Lower market interest rates	Since Jan
PSL +500bn RMB	Since end-2017
MLF +900bn RMB 2/	Since May /2
<b>On budget fiscal 3/</b>	
Tax cuts totaling ~1000bn RMB	May
Utilities rates cuts for some firms	May
Local gov't special revenue bond issuance (~800bn RMB greater than 2017)	July
<b>Off-budget fiscal 3/</b>	
Measures to "encourage" banks, brokers, insurers, individuals to invest in muni bonds	May
Inspection teams to local governments to meet infrastructure targets	July
<b>Moral suasion, macro prudential, &amp; other 3/</b>	
Additional loan quotas	June
Banks told to significantly cut lending rates to small businesses	July
WMP reg reform timelines eased	July
Local gov't & low rated corp. bonds used as MLF collateral	June
Exhortations by Politburo, State Council	April and July

1/ The January cut was announced in September, effective in January, for selected banks meeting certain criteria. Observed RRRs on the PBOC balance sheet fell by about 90bp in Jan/Feb.

2/ Incorporates about RMB 500bn in July, according to press reports. The increase in MLF outstandings in June and Jul reversed a net paydown in April.

3/ Date of actual implementation is unknown.



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# Regional Economic Conditions

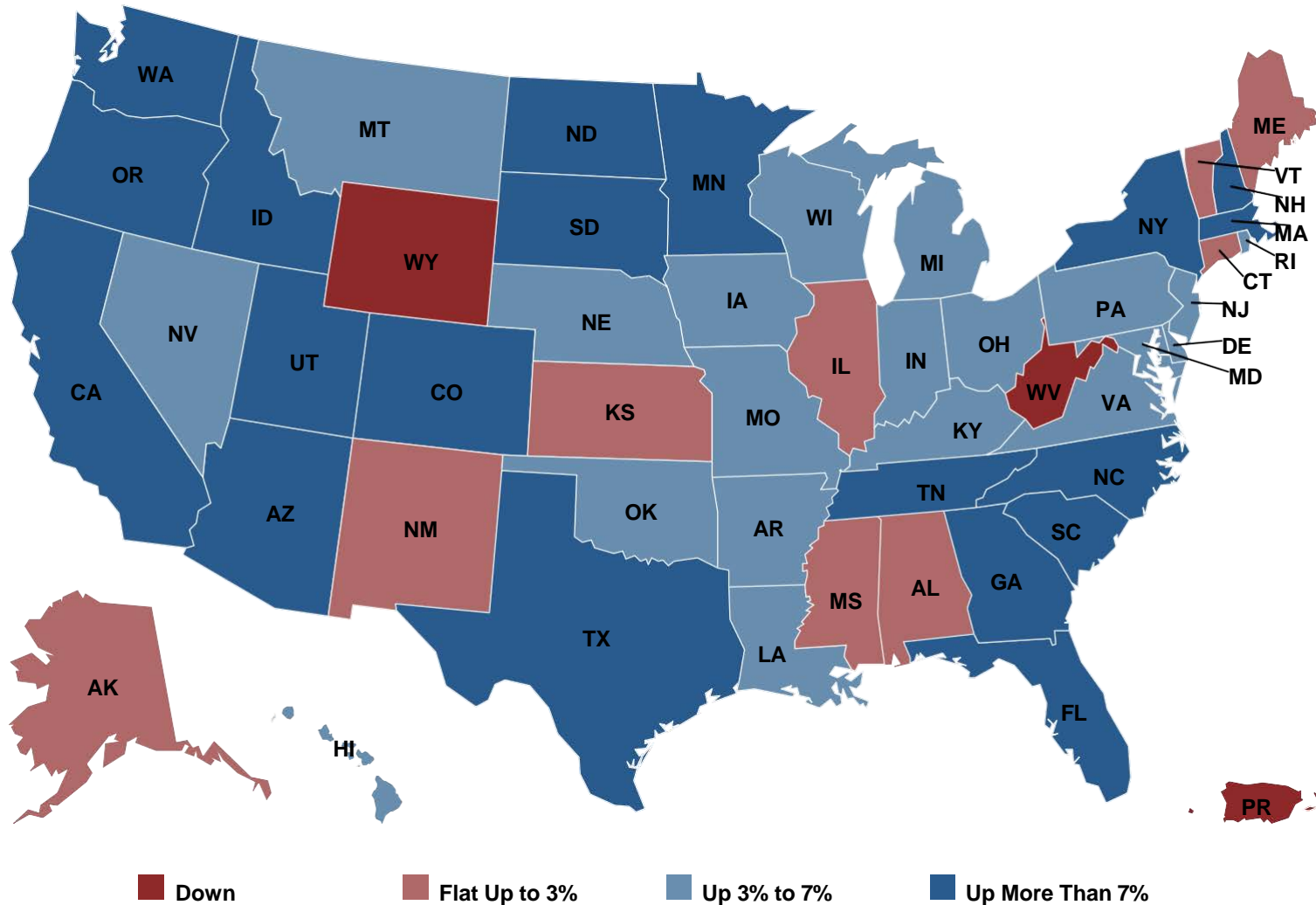
Jason Bram, Research Officer

Small Business & Agriculture Advisory Group Meeting – August 6, 2018

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# Private-Sector Job Trends

Percent Change From Previous Peak to June 2018

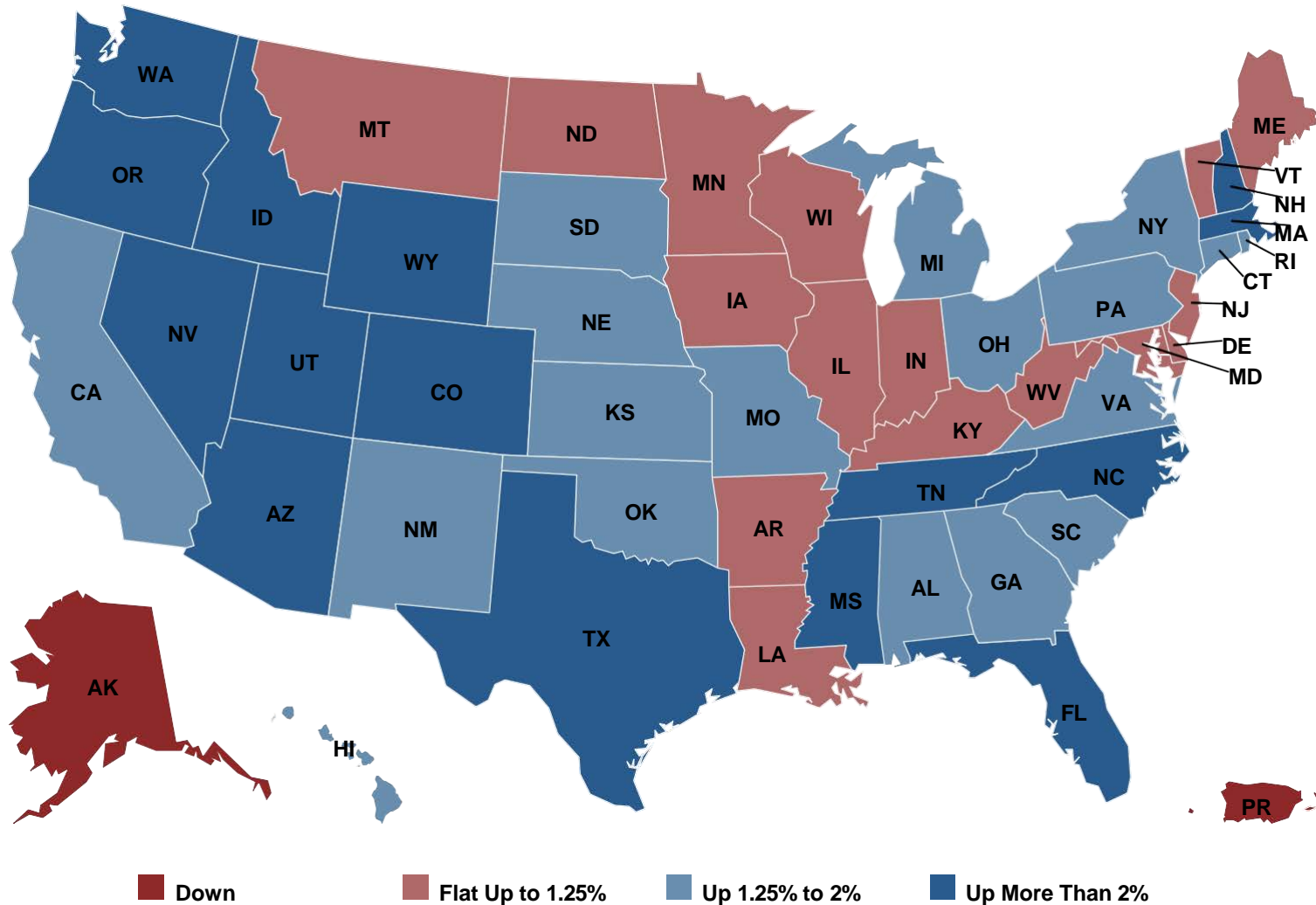


Source: Bureau of Labor Statistics and Moody's Economy.com.



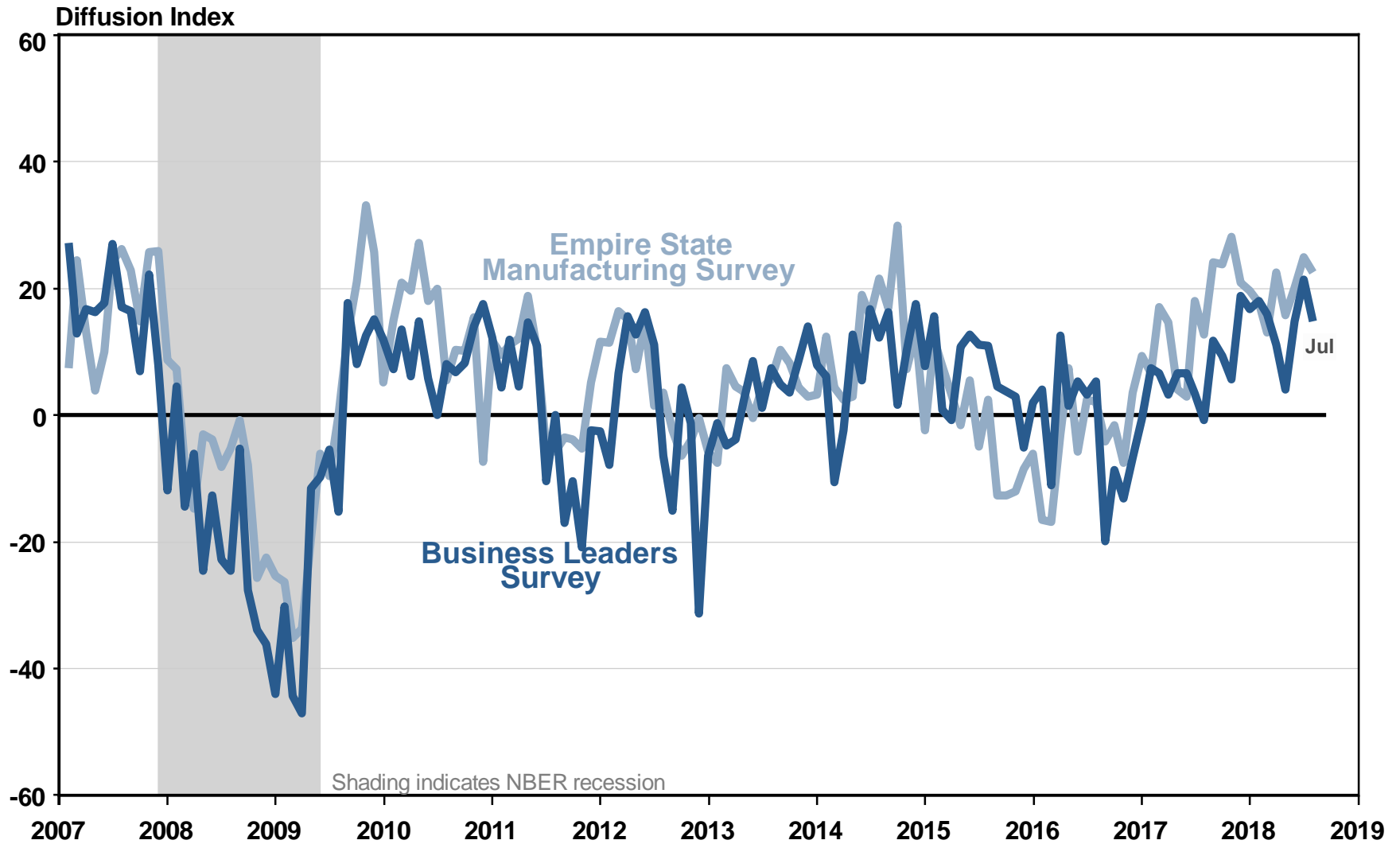
# Recent Private-Sector Job Trends

Year-Over-Year Percent Change as of June 2018



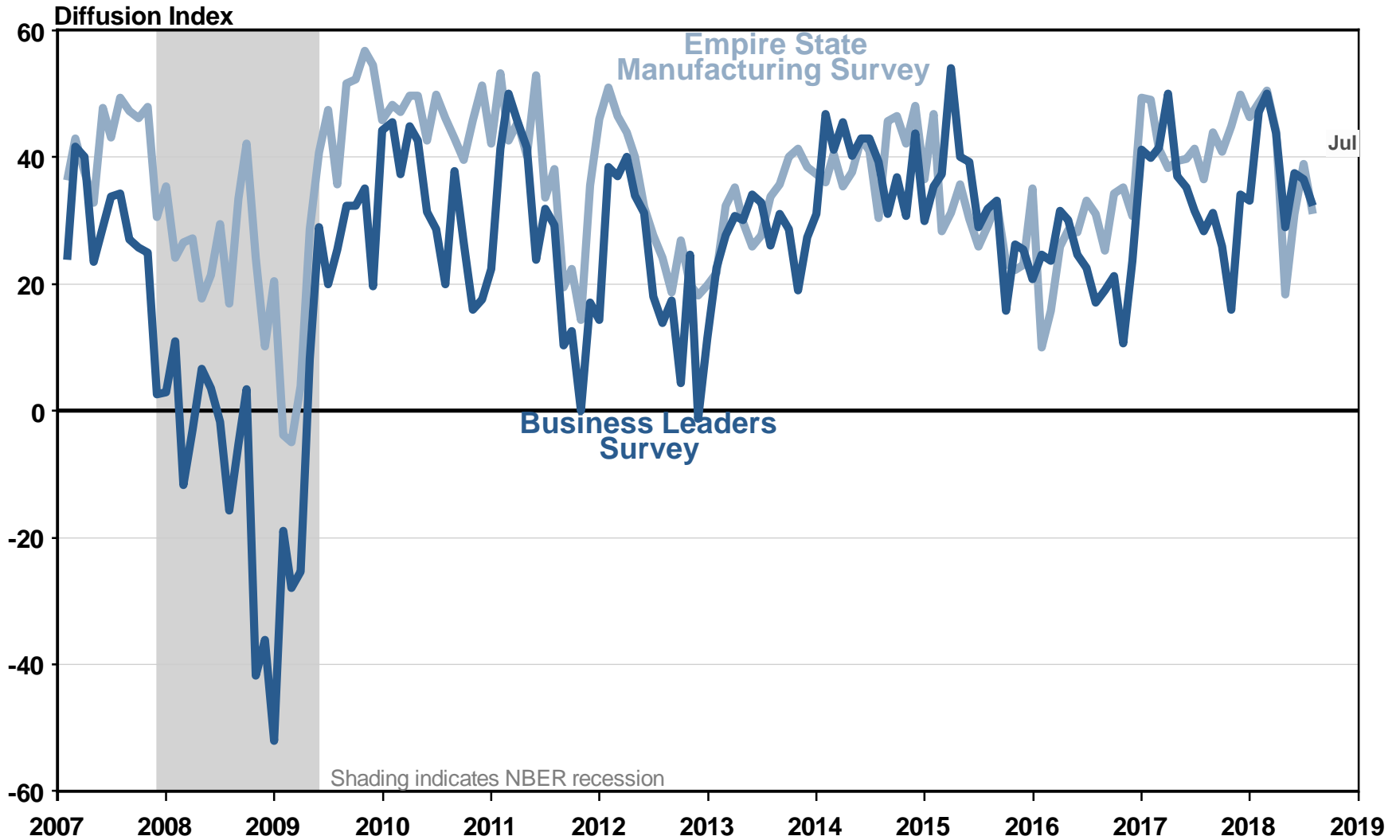
# Current Economic Conditions

## FRBNY Business Surveys, Current Conditions



# Future Economic Conditions

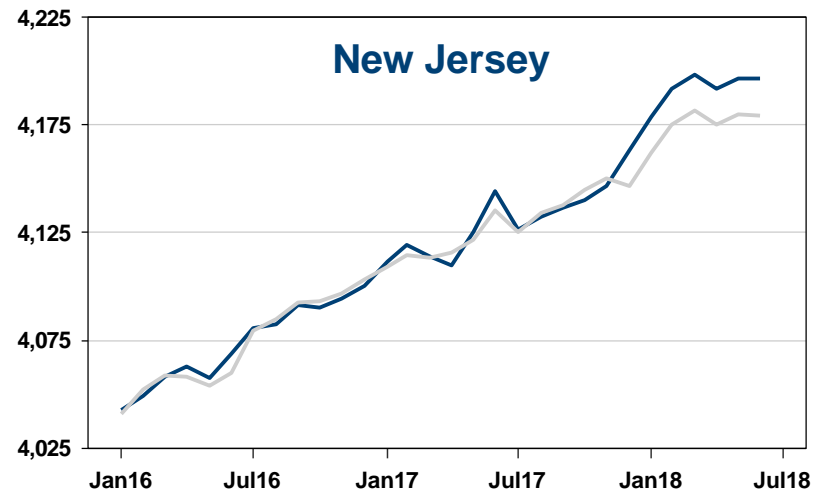
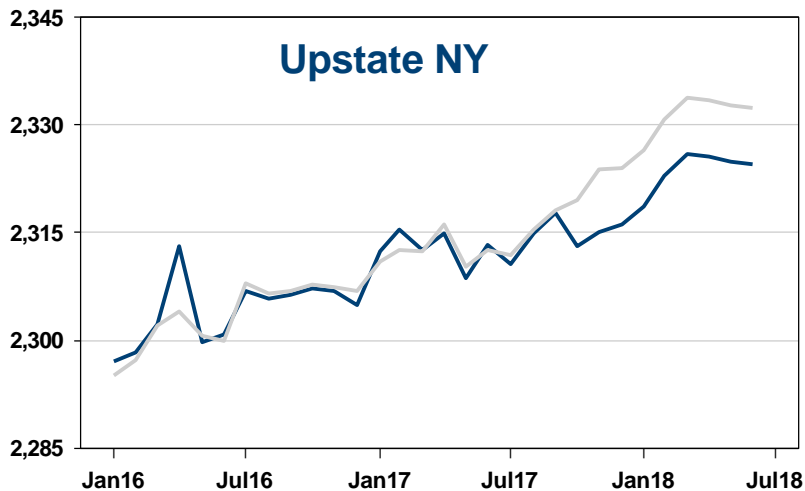
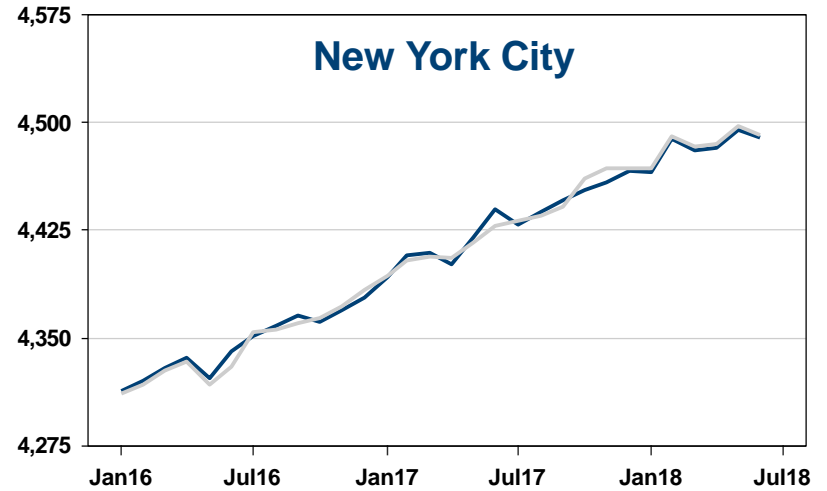
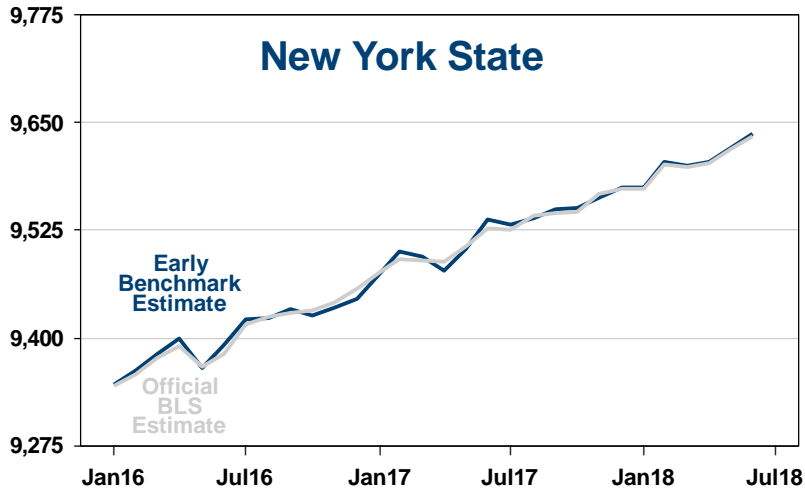
FRBNY Business Surveys, Conditions Six Months Ahead



Shading indicates NBER recession

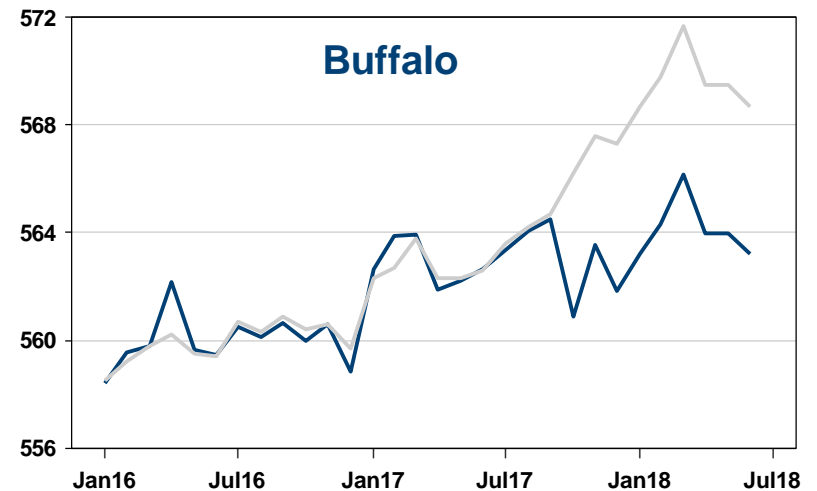
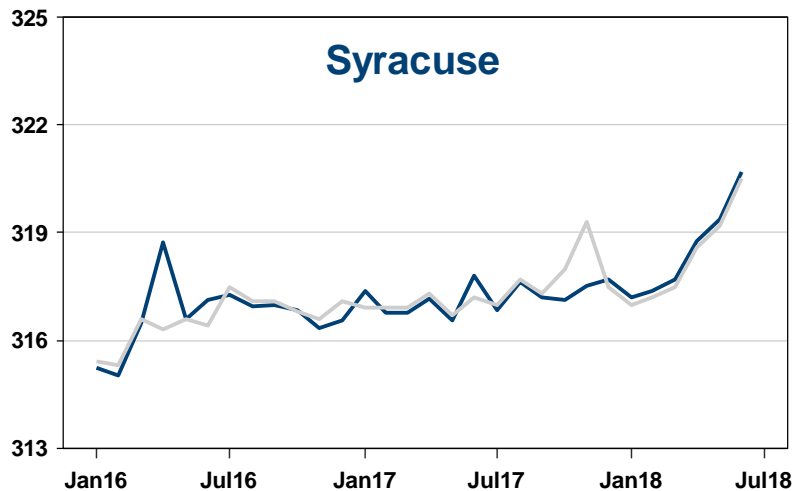
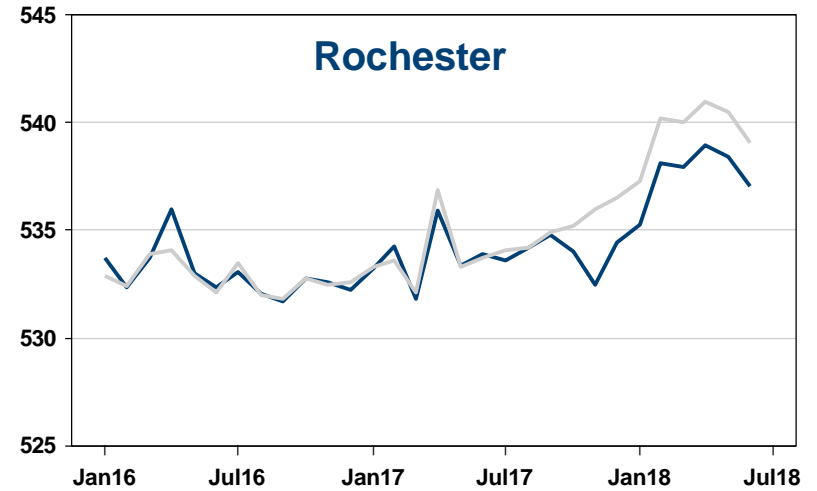
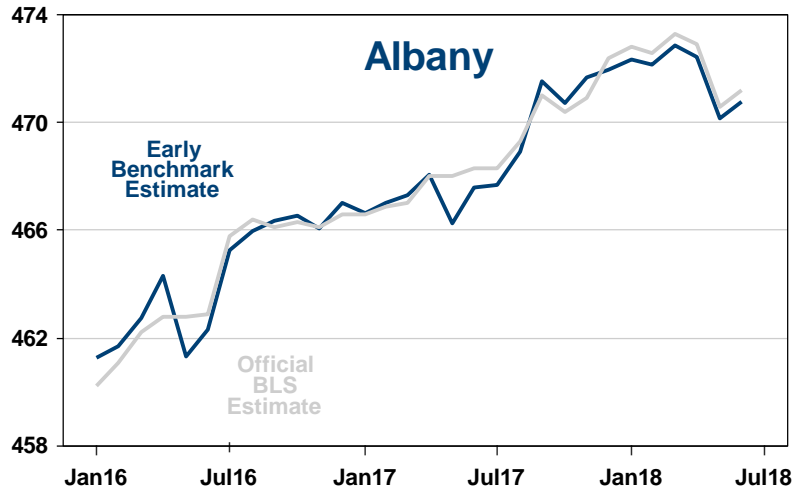
# FRBNY Early Employment Benchmark

Total Employment in Thousands, Jun 2018 (QCEW Q42017)



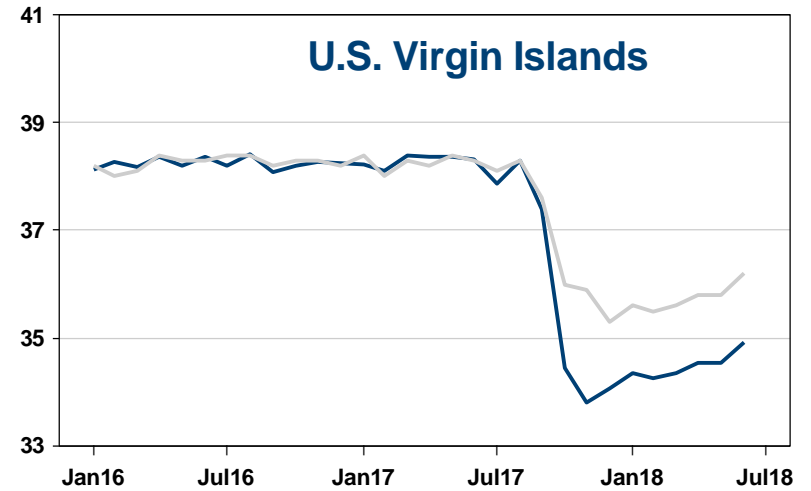
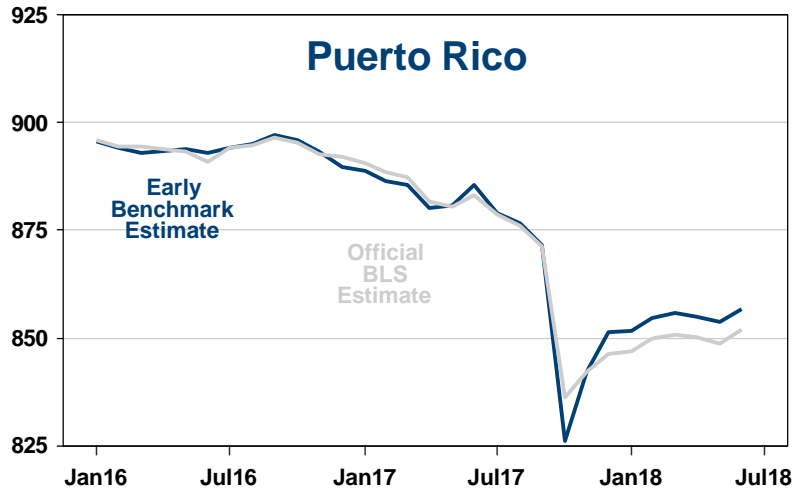
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Total Employment in Thousands, Jun 2018 (QCEW Q42017)



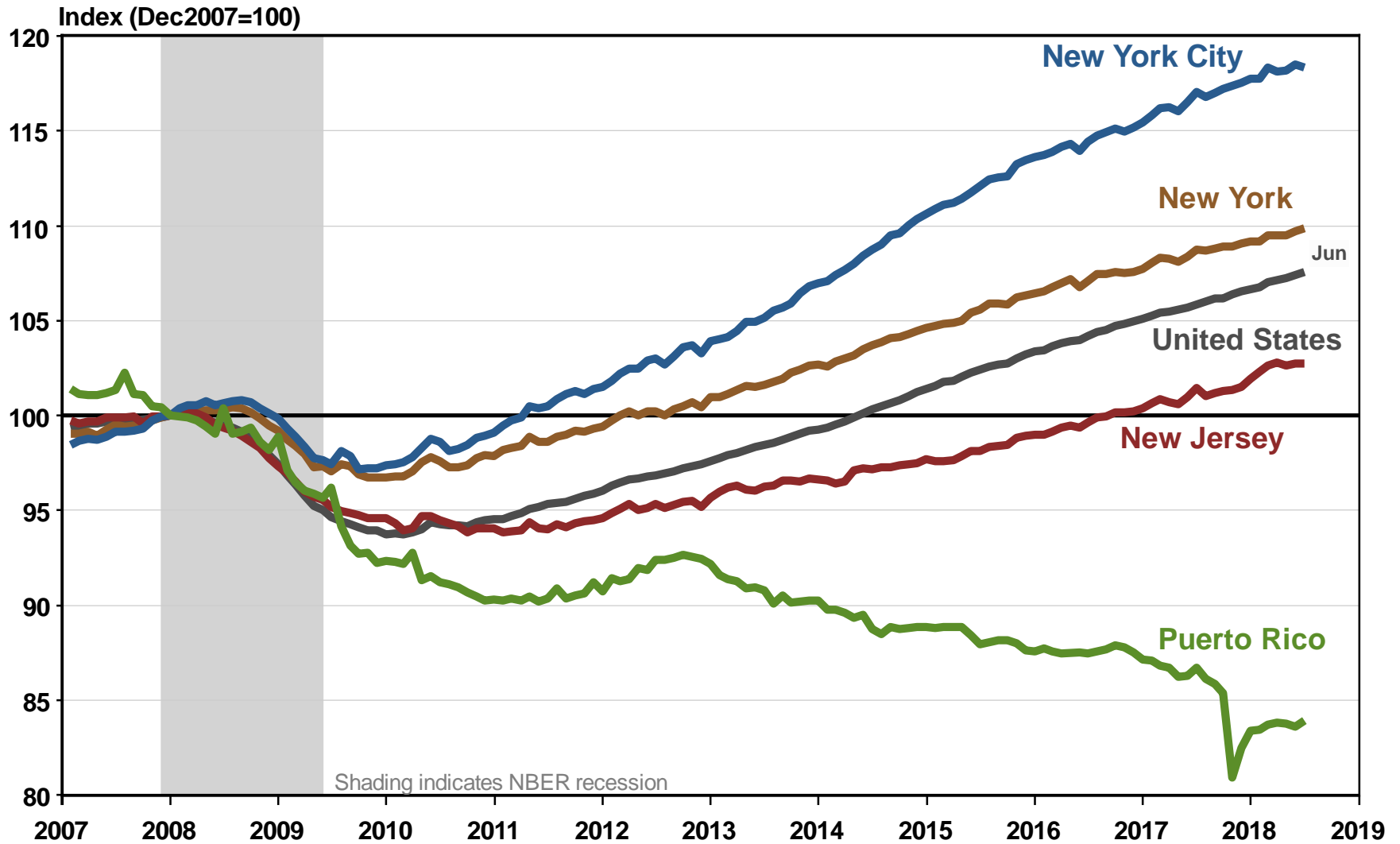
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Total Employment in Thousands, Jun 2018 (QCEW Q42017)



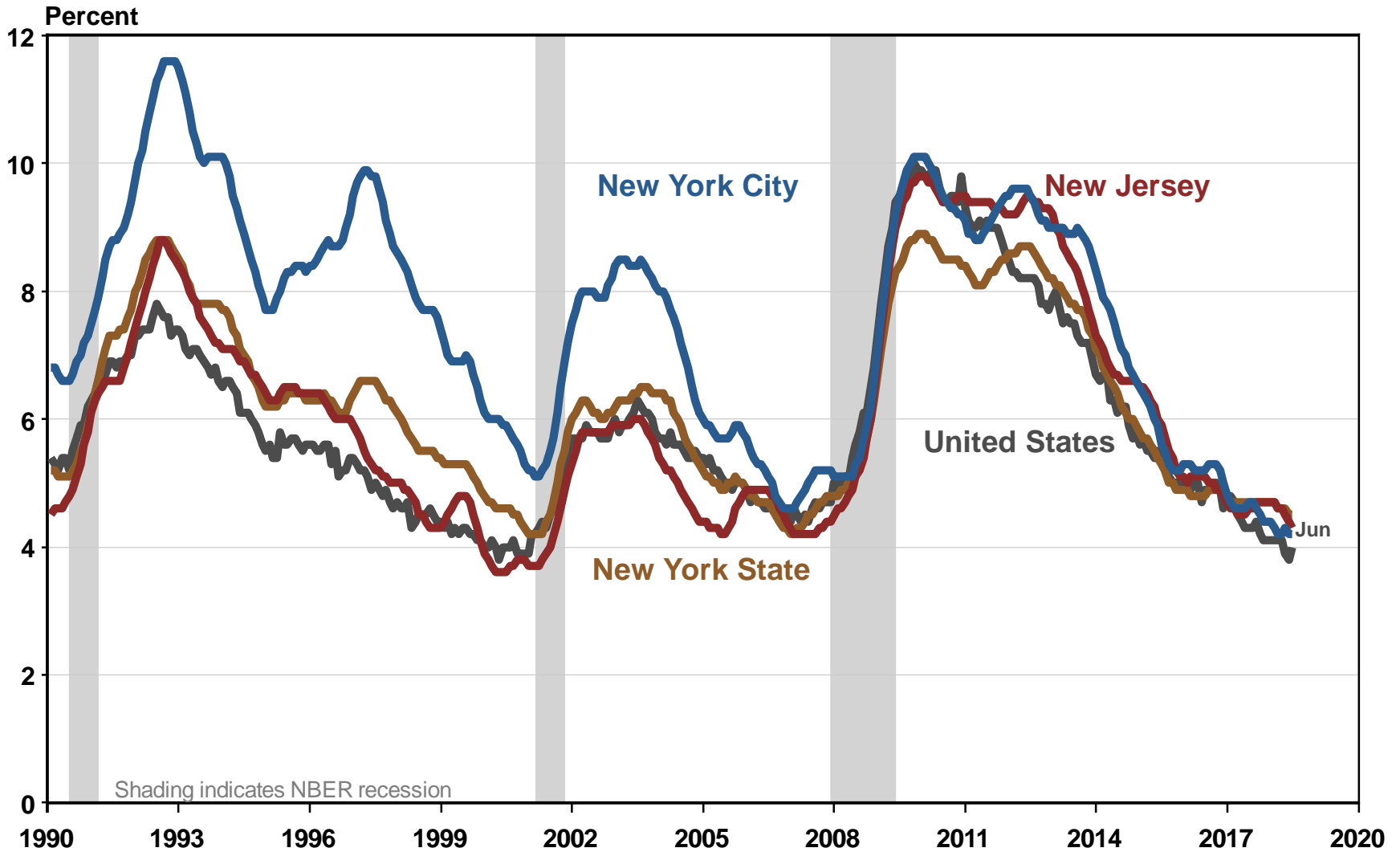
# Total Employment

Seasonally Adjusted Index



# Unemployment Rates

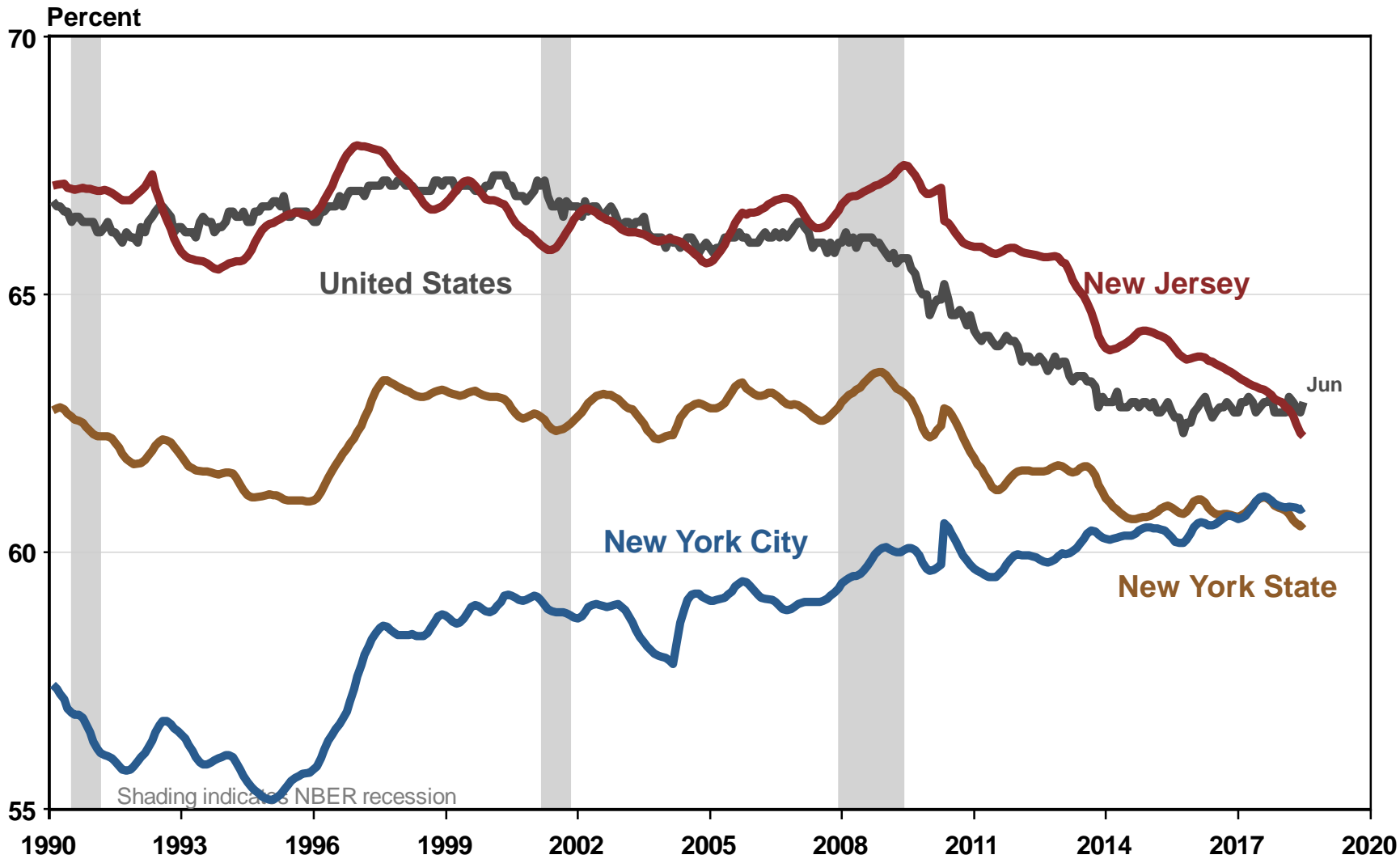
Seasonally Adjusted





# Labor Force Participation

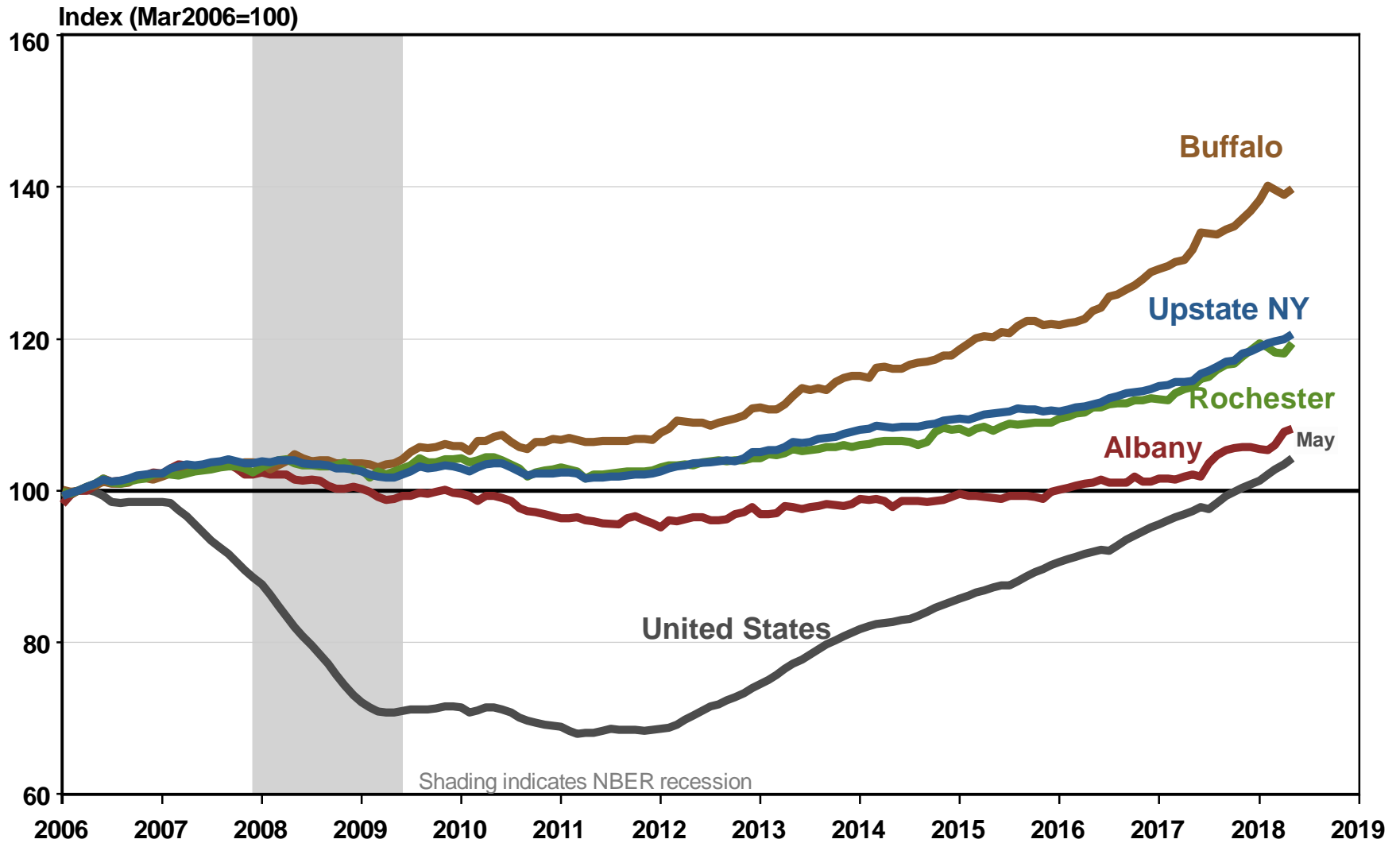
Seasonally Adjusted



Source: Bureau of Labor Statistics and Moody's Economy.com.

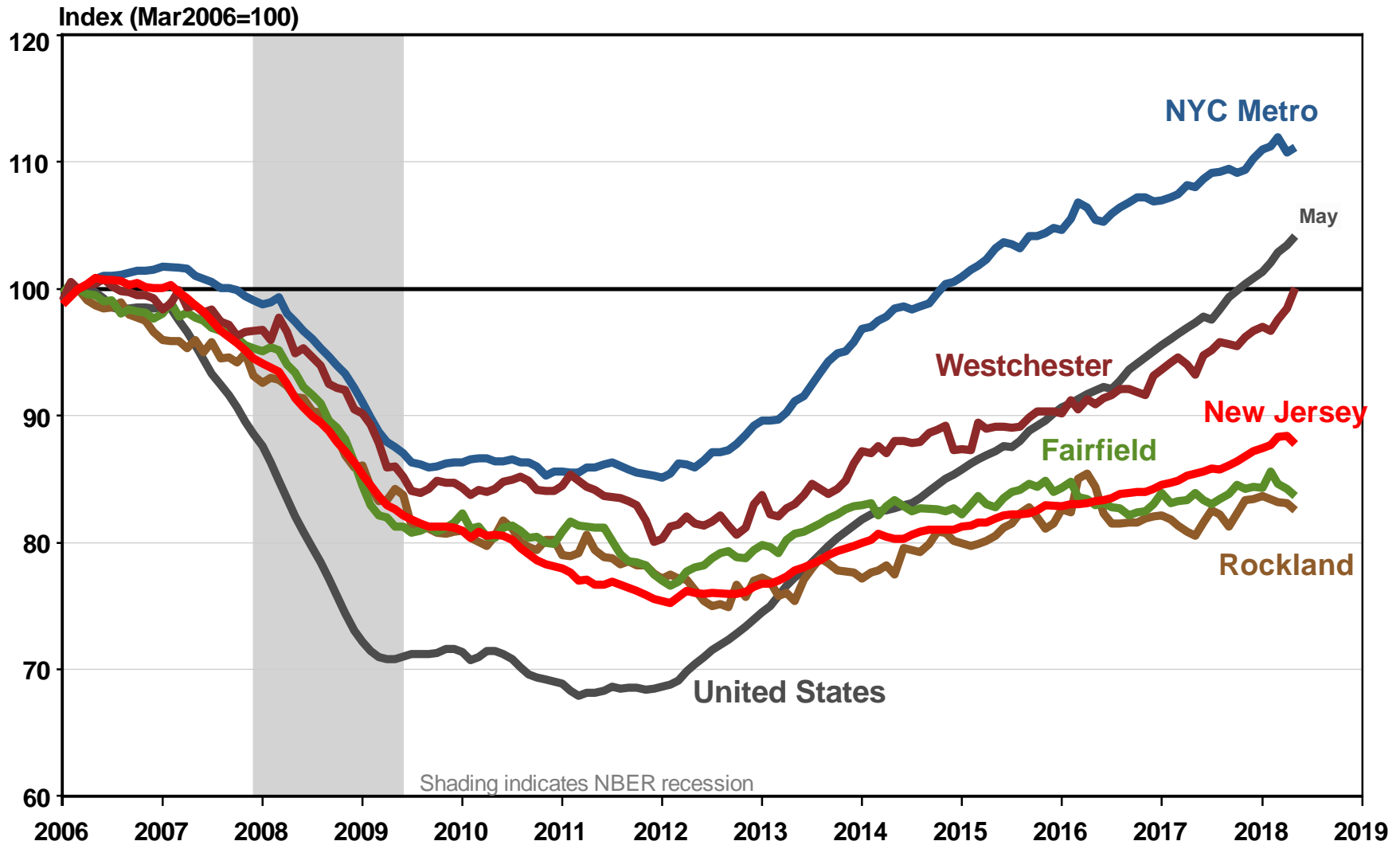
# Home Prices

## CoreLogic Home Price Index, Seasonally Adjusted



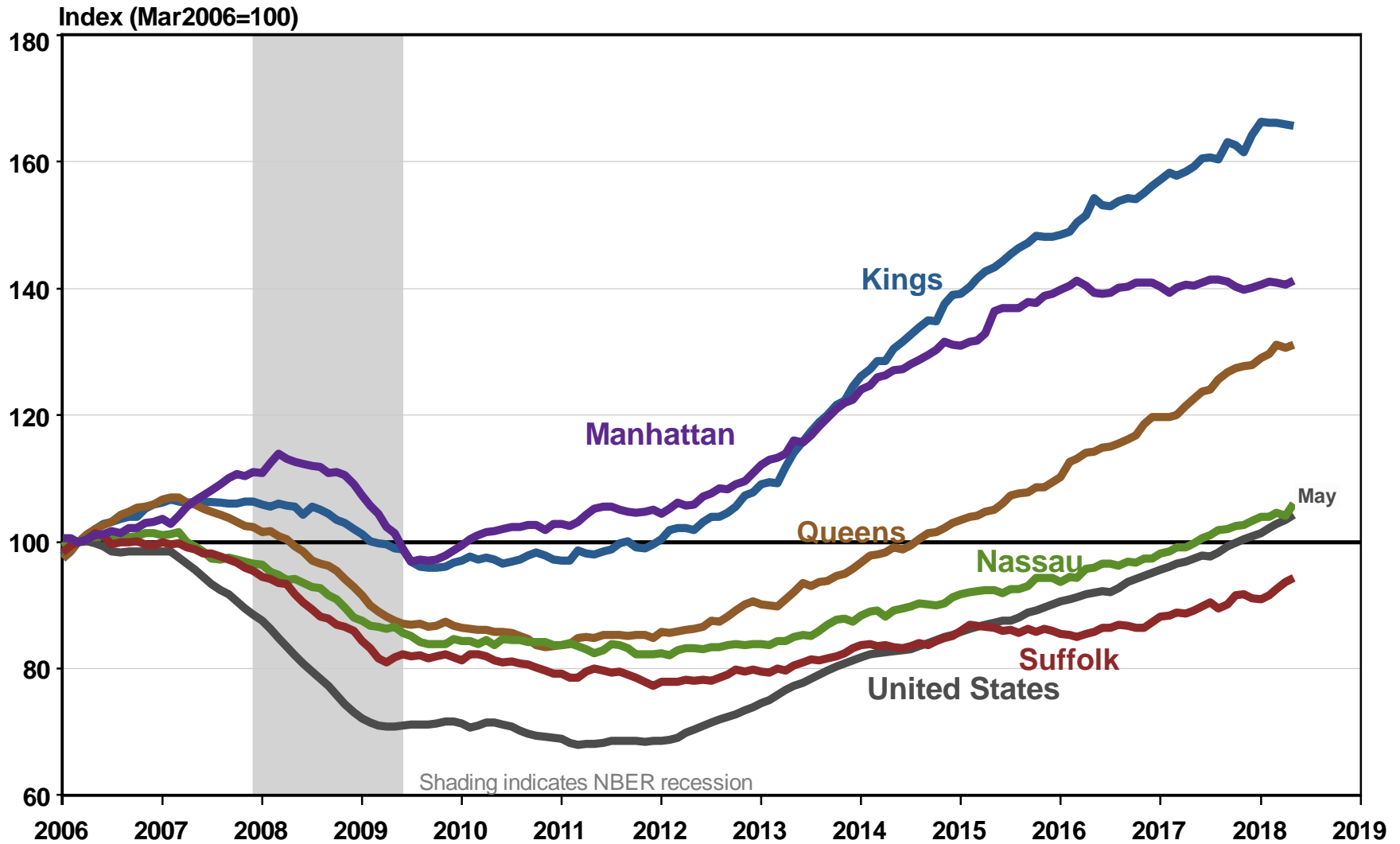
# Home Prices

## CoreLogic Home Price Index, Seasonally Adjusted



# Home Prices

## CoreLogic Home Price Index, Seasonally Adjusted

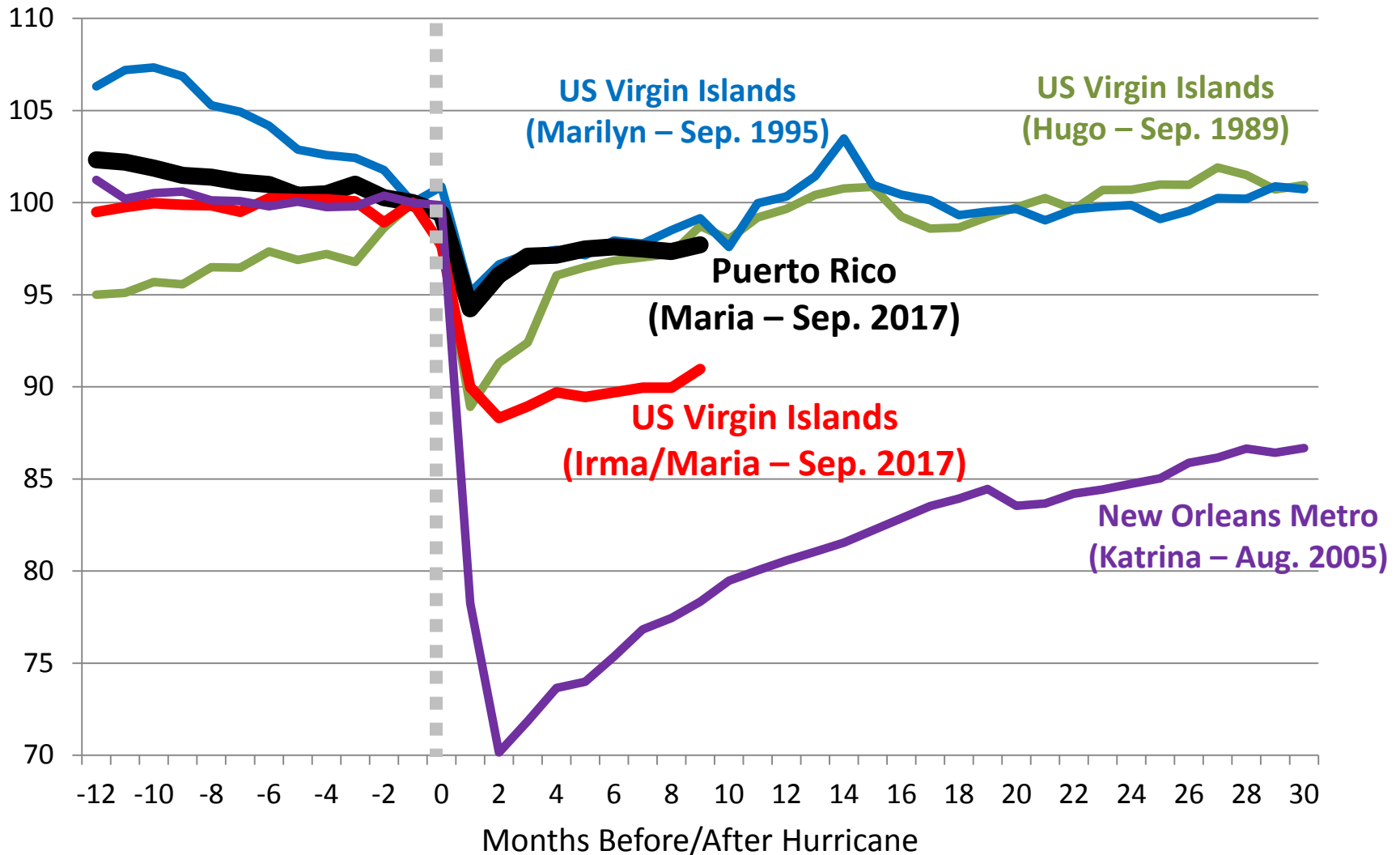


# Update on Puerto Rico & Virgin Islands

- Irma & Maria caused substantial damage and disruption:
  - Widespread damage to homes, businesses, infrastructure, crops, etc.
  - More than 1,000 lost lives, attributable to the storms, in Puerto Rico.
  - Puerto Rico's power outage has been the biggest, by far, in US history.
- How is the recovery proceeding?
  - How severe were job losses and how much of a rebound have we seen?
  - What industries were most affected in both areas?
  - How many people left following the storms?
  - What can satellite imagery of nighttime lights tell us about the persistence and geographic breadth of the disruption?

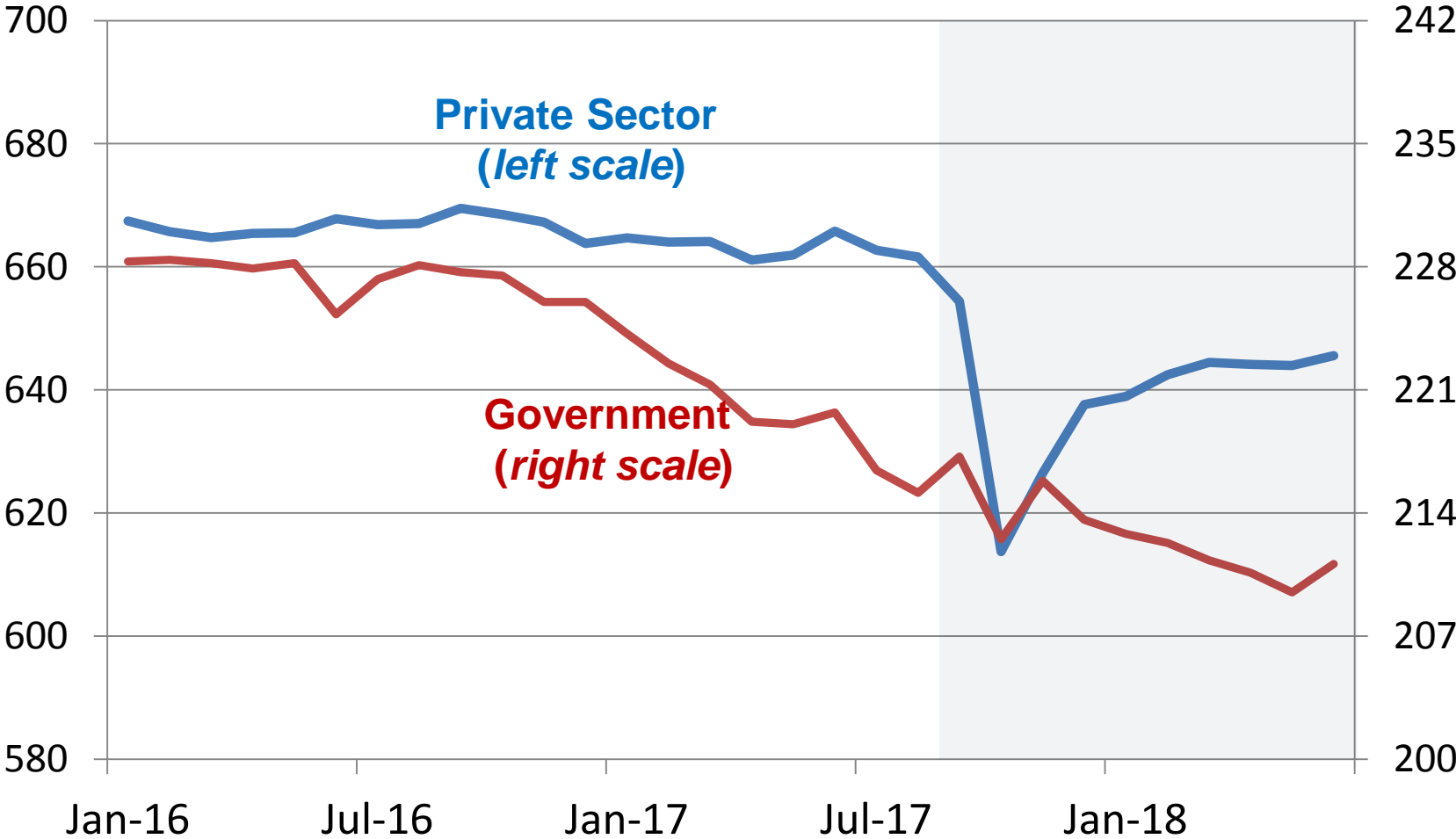
# Employment Paths After Hurricanes

Index (Month Before Hurricane = 100), Seasonally Adjusted



# Puerto Rico: Recent Employment Trends

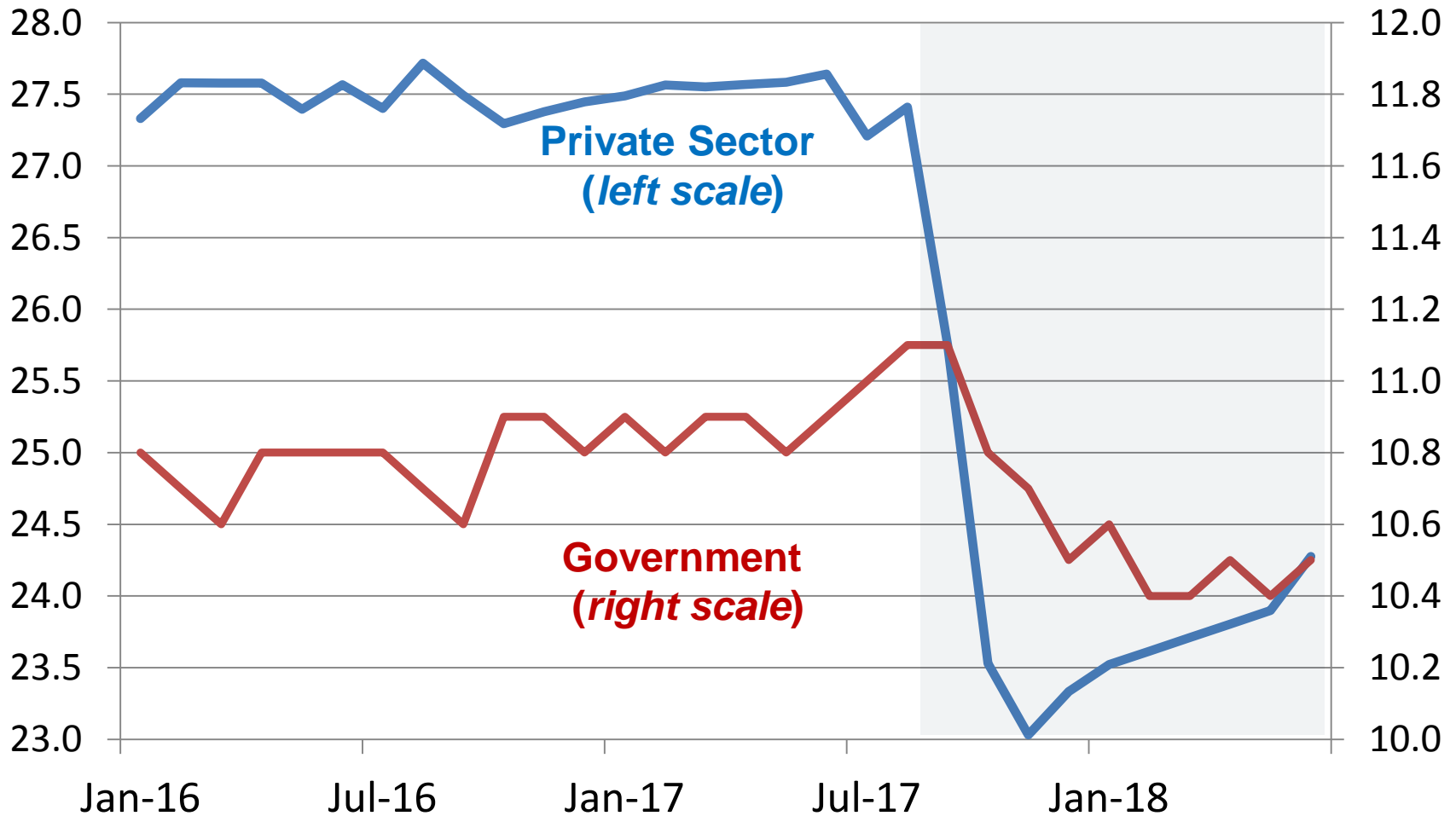
Thousands of Jobs, Seasonally Adjusted



Sources: U.S. Bureau of Labor Statistics, Moody's economy.com  
Data are early benchmarked by FRBNY staff

# US Virgin Islands: Recent Employment Trends

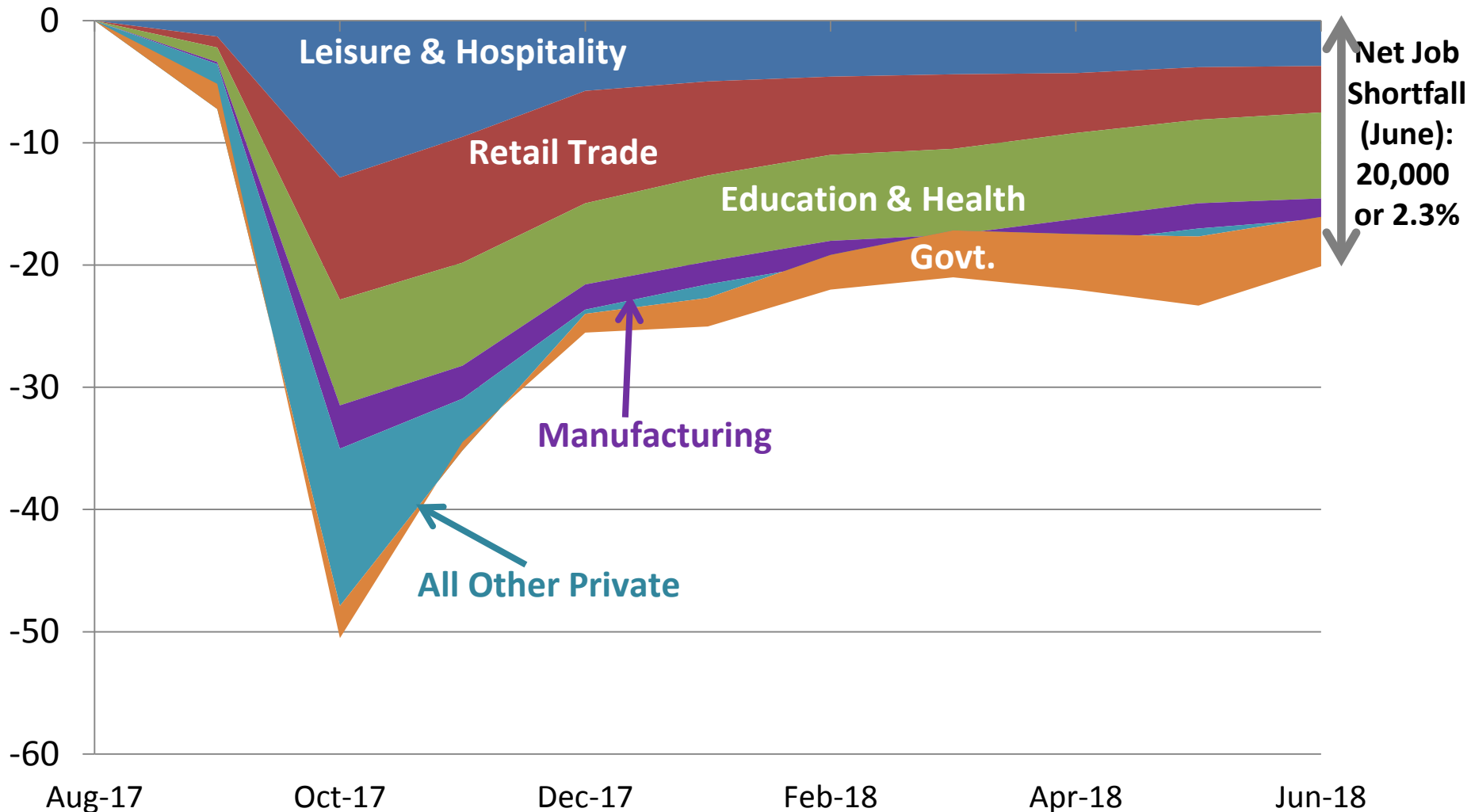
Thousands of Jobs, Seasonally Adjusted





# Puerto Rico Job Shortfall by Sector Since Maria

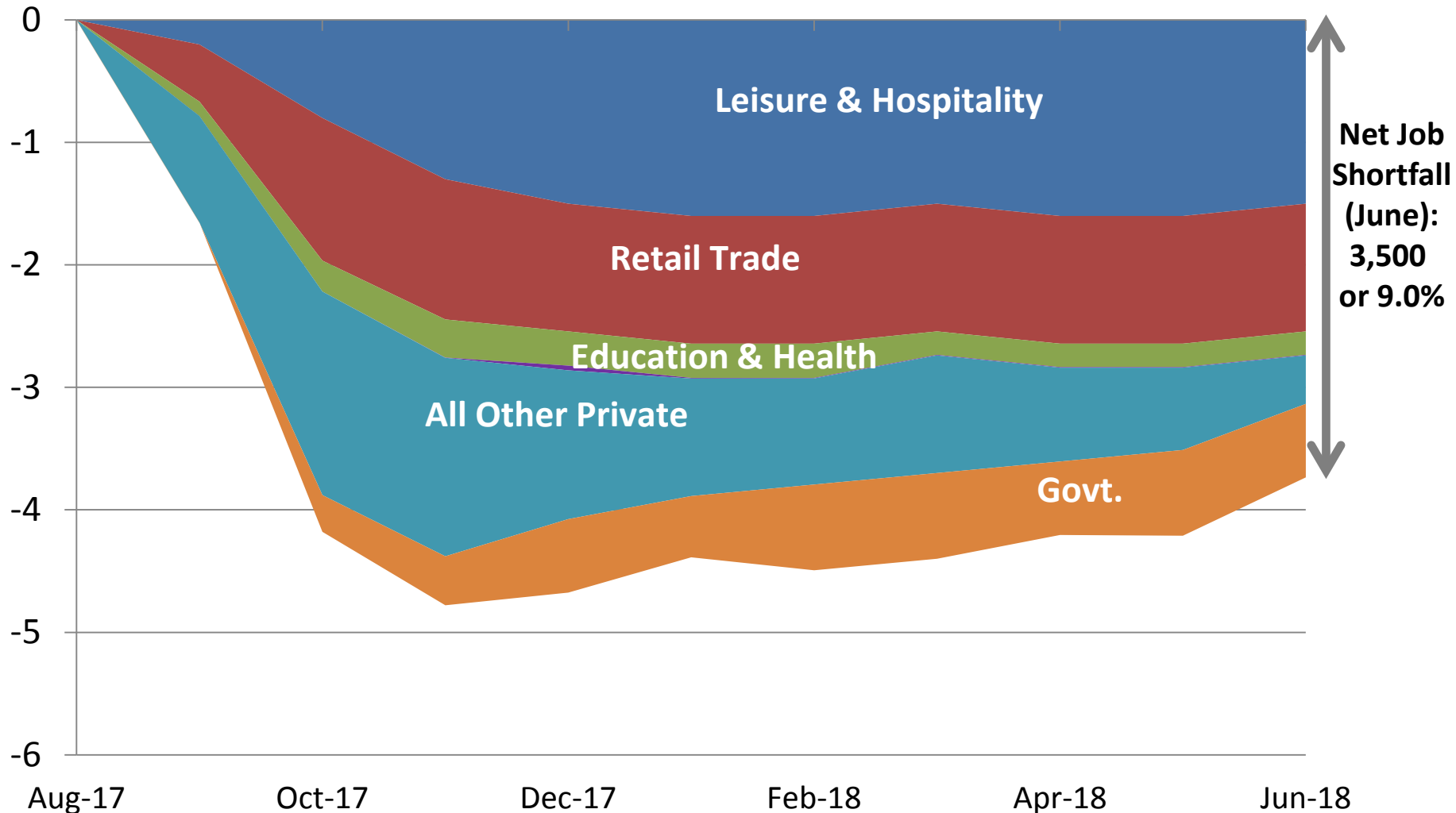
Thousands of Jobs lost since Aug. 2017 (Before Maria), S.A.



Sources: U.S. Bureau of Labor Statistics, Moody's economy.com, FRBNY Staff Calculations  
Data are early benchmarked by FRBNY staff

# USVI Job Shortfall by Sector Since Maria

Thousands of Jobs lost since Aug. 2017 (Before Maria), S.A.

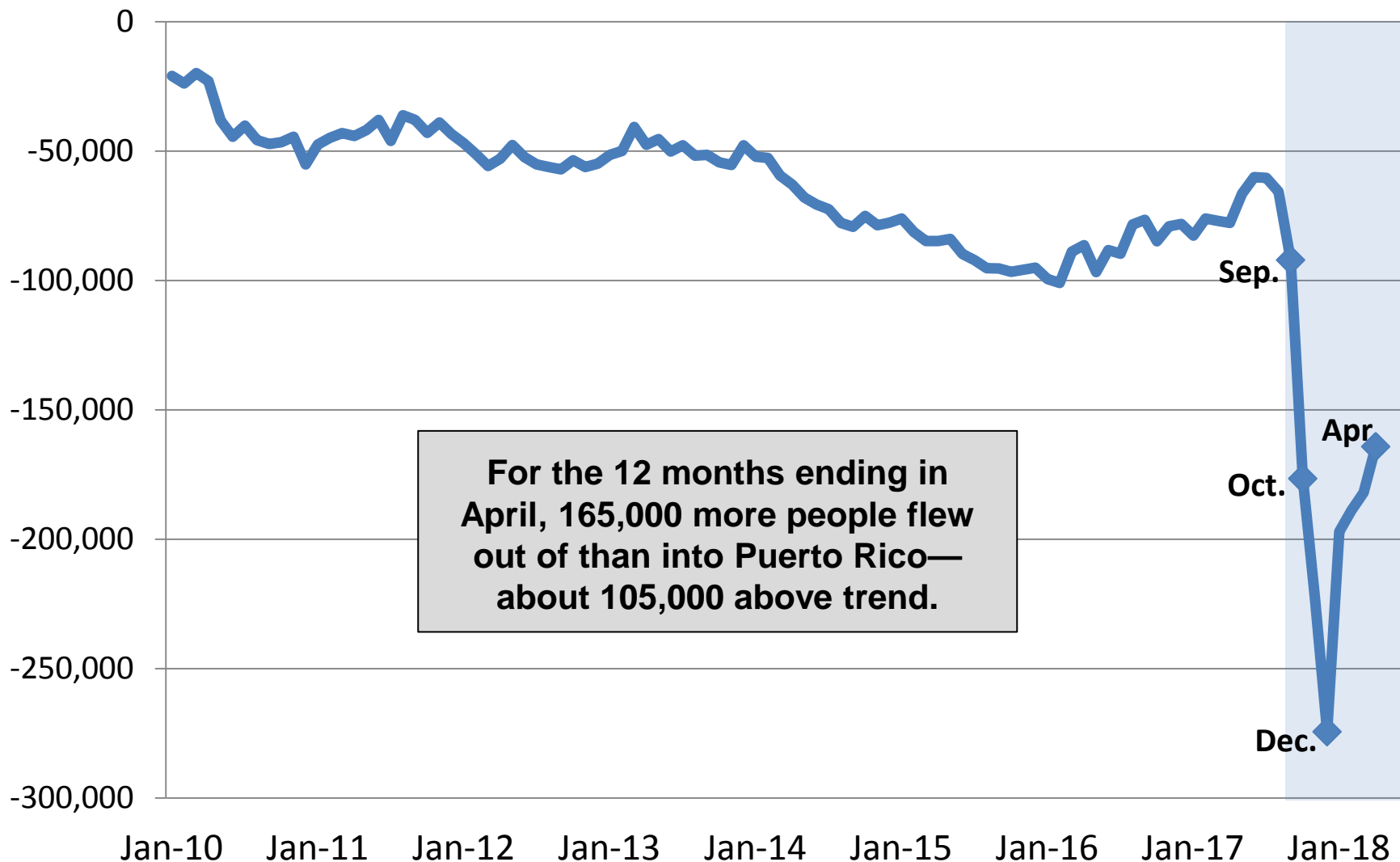


Sources: U.S. Bureau of Labor Statistics, Moody's economy.com, FRBNY Staff Calculations

Data are early benchmarked by FRBNY staff

# Net Domestic Air Passengers to (from) Puerto Rico

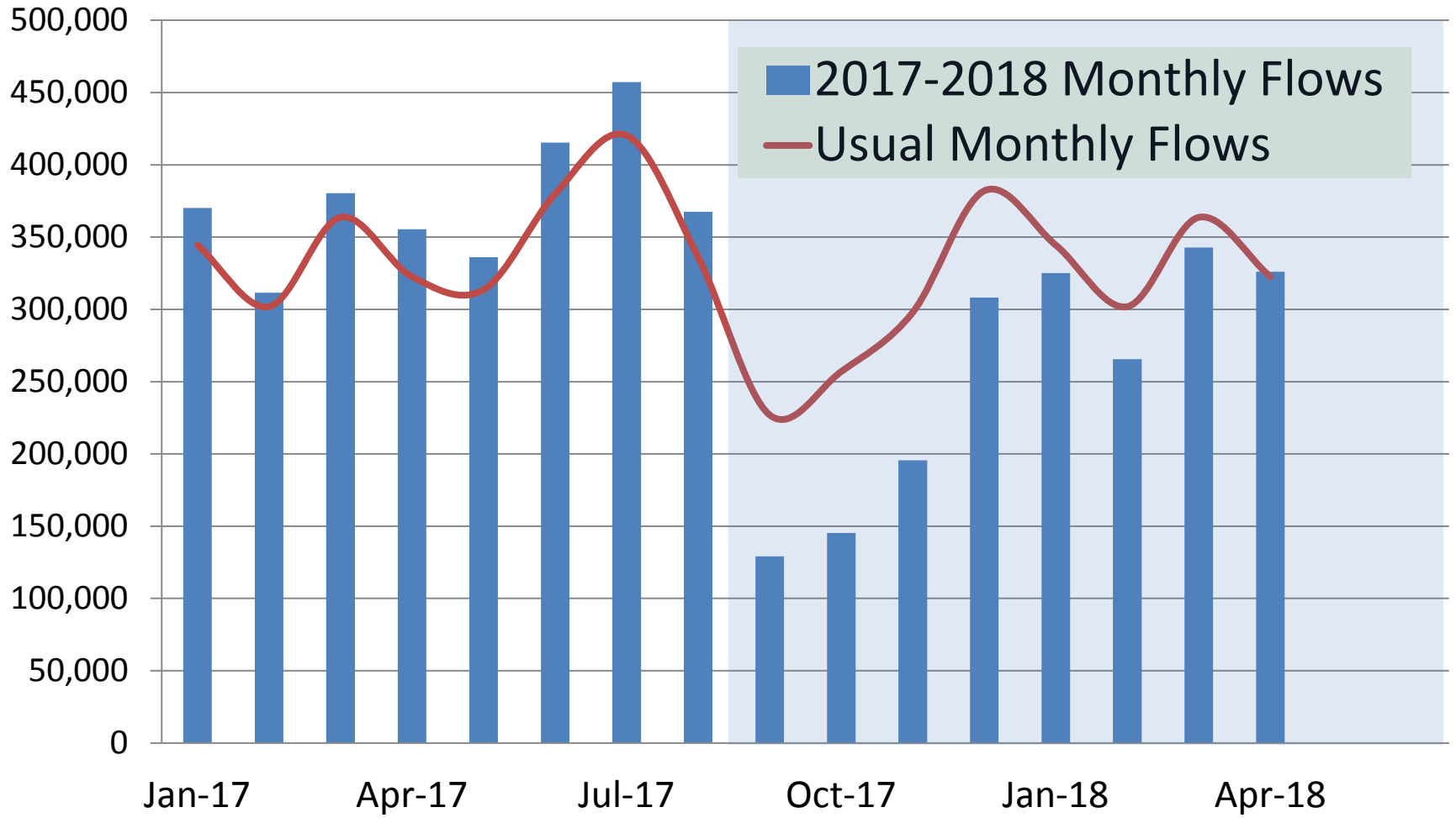
## 12-Month Rolling Sum



**For the 12 months ending in April, 165,000 more people flew out of than into Puerto Rico—about 105,000 above trend.**

Note: Airports are Luis Munoz Marin Intl Airport in San Juan, Mercedita Intl Airport in Ponce, and Rafael Hernandez Intl Airport in Aguadilla  
Source: U.S. Bureau of Transportation Statistics and FRBNY staff calculations.

# Gross Domestic Air Passengers to Puerto Rico

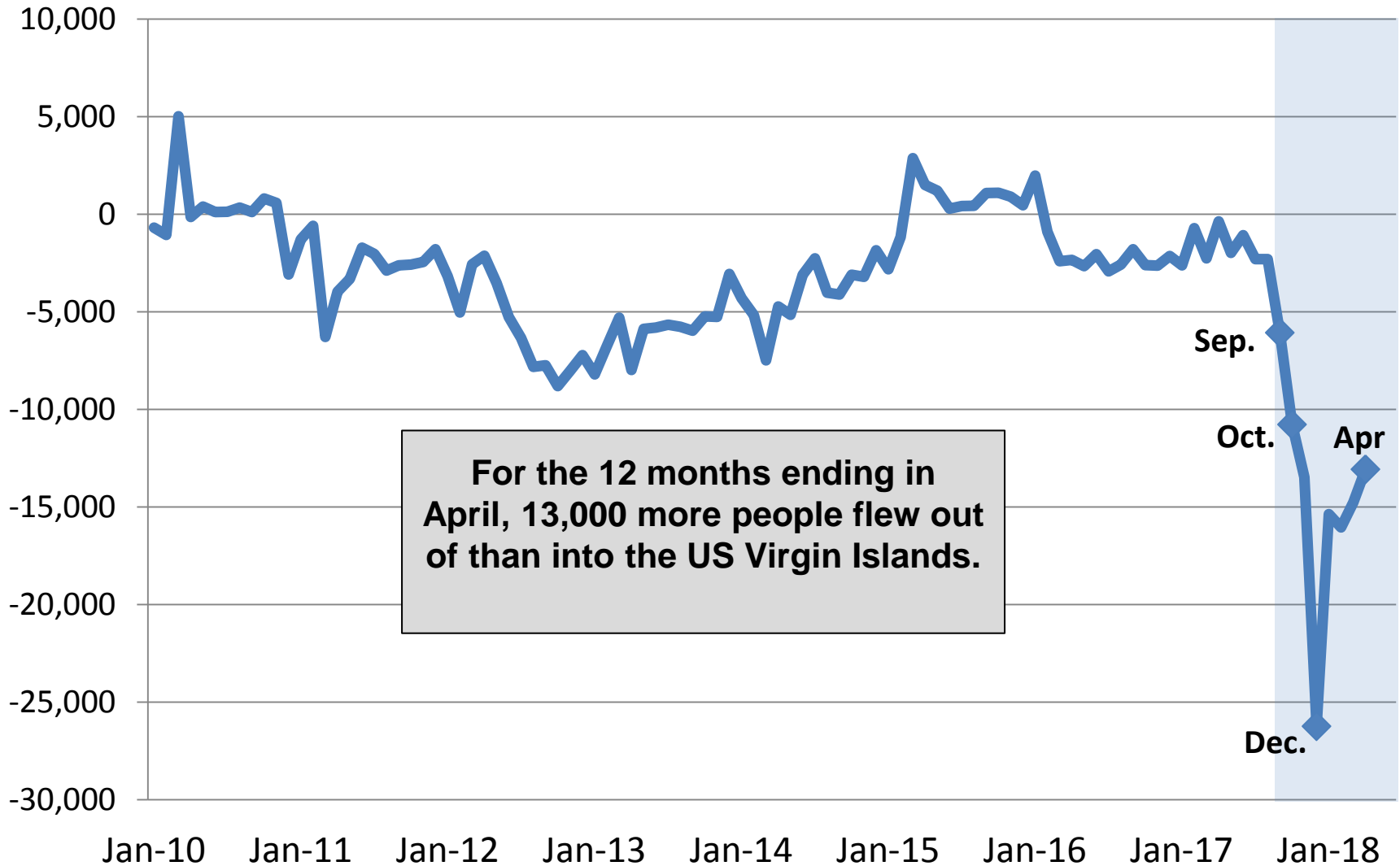


Note: Airports are Luis Munoz Marin Intl Airport in San Juan, Mercedita Intl Airport in Ponce, and Rafael Hernandez Intl Airport in Aguadilla.

Source: U.S. Bureau of Transportation Statistics and FRBNY staff calculations.

# Net Domestic Air Passengers to (from) USVI

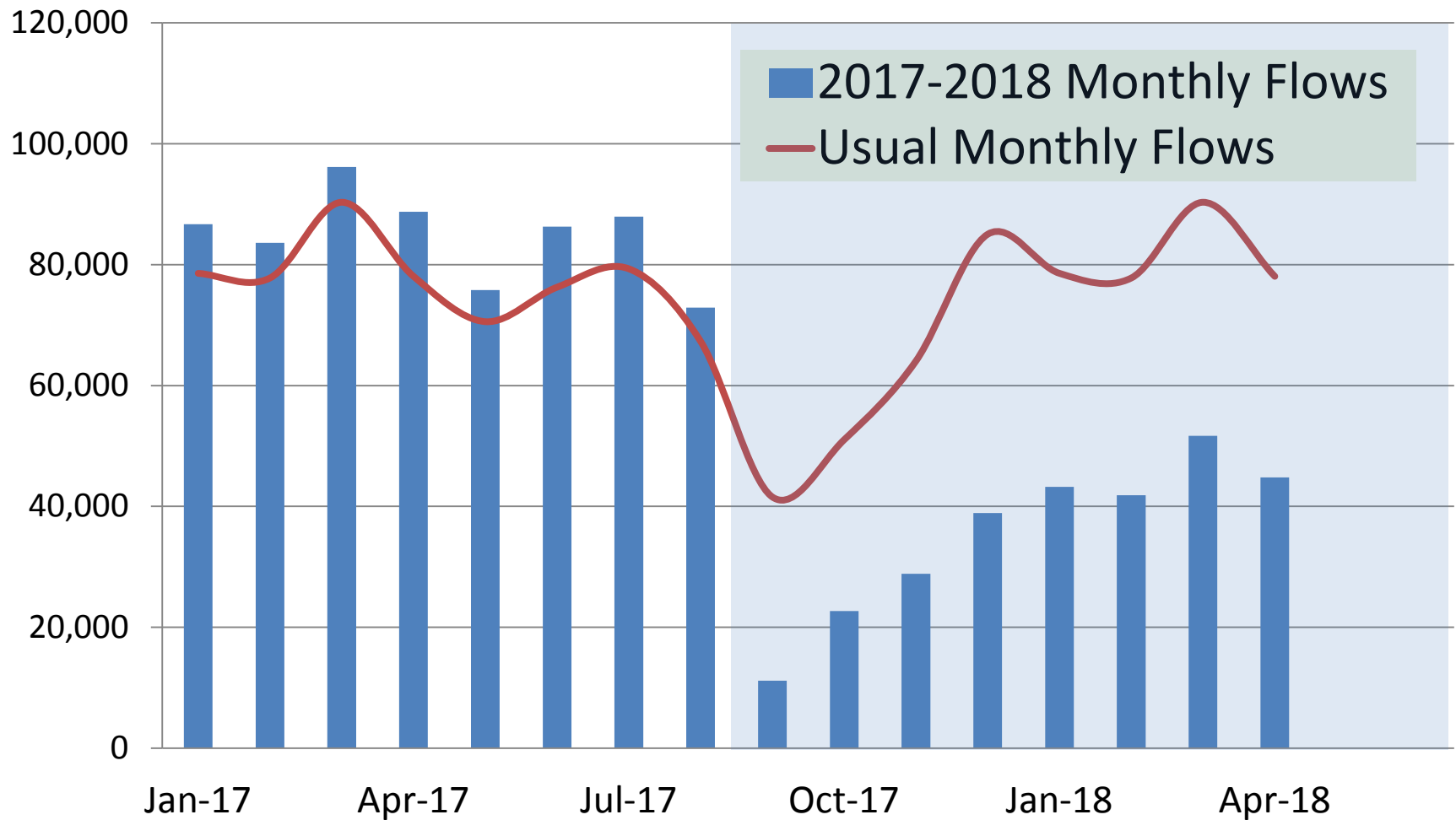
## 12-Month Rolling Sum



**For the 12 months ending in April, 13,000 more people flew out of than into the US Virgin Islands.**

Note: Airports are Cyril E King Airport in St. Thomas and Henry E Rohlsen Airport in St. Croix.  
 Source: U.S. Bureau of Transportation Statistics and FRBNY staff calculations.

# Gross Domestic Air Passengers to US Virgin Islands



Note: Airports are Cyril E King Airport in St. Thomas and Henry E Rohlsen Airport in St. Croix.  
Source: U.S. Bureau of Transportation Statistics and FRBNY staff calculations.

# Regional Recap

- New York City remains the leader in job growth in the region.
- Areas adjacent to NYC have also seen fairly strong growth, while most of upstate NY has seen little or no job growth.
- Northern NJ has remains on a modest growth trajectory.
- Housing markets remain fairly robust in New York City and parts of upstate New York.
- Puerto Rico's economy, though still weak, appears to have rebounded much of the way from hurricanes Irma & Maria.
- In contrast, the Virgin Islands' economy has lagged—in part due to its high dependence on tourism.