

### Advisory Council on Small Business and Agriculture Federal Reserve Bank of New York 10<sup>th</sup> Floor, Paul Volcker Boardroom Tuesday, November 20, 2018

### **AGENDA**

10:30am	Welcome		
	Claire Kramer Mills, Assistant Vice President		
10:40am-11:00am	The National Economy, Richard Peach, Senior Vice President		
11:00am-11:20am	Regional Update, Jason Bram, Officer		
11:20am-11:40am	NYC Community Credit, Kausar Hamdani, Senior Vice President and Claire Kramer Mills, Assistant Vice President		
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		
	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 second half of 2018?

What are your expectations for 2019?

### **Investment**

Has investment (e.g. plant, equipment, technology) increased, decreased, or stayed the same in the second half of 2018? What are your expectations for 2019?

### **Employment**

Has employment increased, decreased, or stayed the same in the second 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 2019?



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#### **Prices**

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

What are your expectations for 2019?

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

Do you expect prices of products/services sold to increase in 2019?

### **Financing Conditions**

Over the past two quarters, please describe the 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 2019? What is the chief growth barrier or concern facing your firm in 2019?

Concluding Remarks from President Williams

2:00 pm Adjourn



### Tuesday, November 20, 2018

Federal Reserve Bank of New York

### **ATTENDEE LIST**

### **Council Members**

Adenah Bayoh Founder Adenah Bayoh & Companies

Jassi Chadha President & CEO Axtria, Inc.

Kevin Ellis CEO Cayuga Milk Ingredients Sarah LaFleur Founder & CEO MM.LaFleur

Ranjini Poddar Founder & CEO Artech Information Systems, LLC

### Federal Reserve Bank of New York

John Williams
Jack Gutt
Kausar Hamdani
Richard Peach
Matthew Higgins
Anand Marri
Claire Kramer Mills
Rosanne Notaro
Jason Bram
Jessica Battisto

President

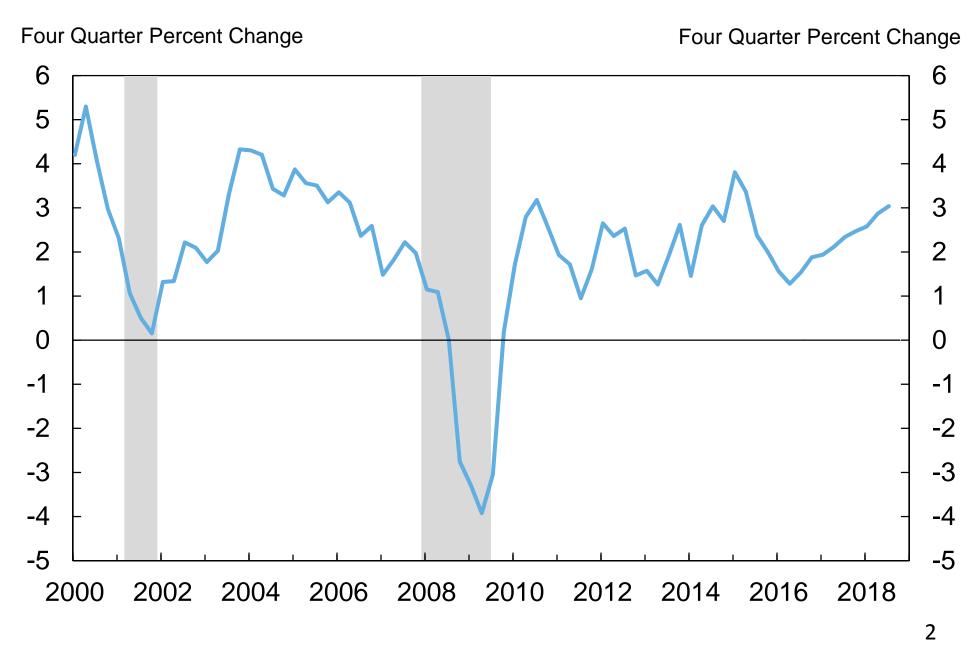
EVP, Communications & Outreach SVP, Communications & Outreach SVP, Research & Statistics VP, Research & Statistics VP, Outreach & Education AVP, Outreach & Education AVP, Legal Officer, Research & Statistics Sr. Analyst, Outreach & Education



## Overview

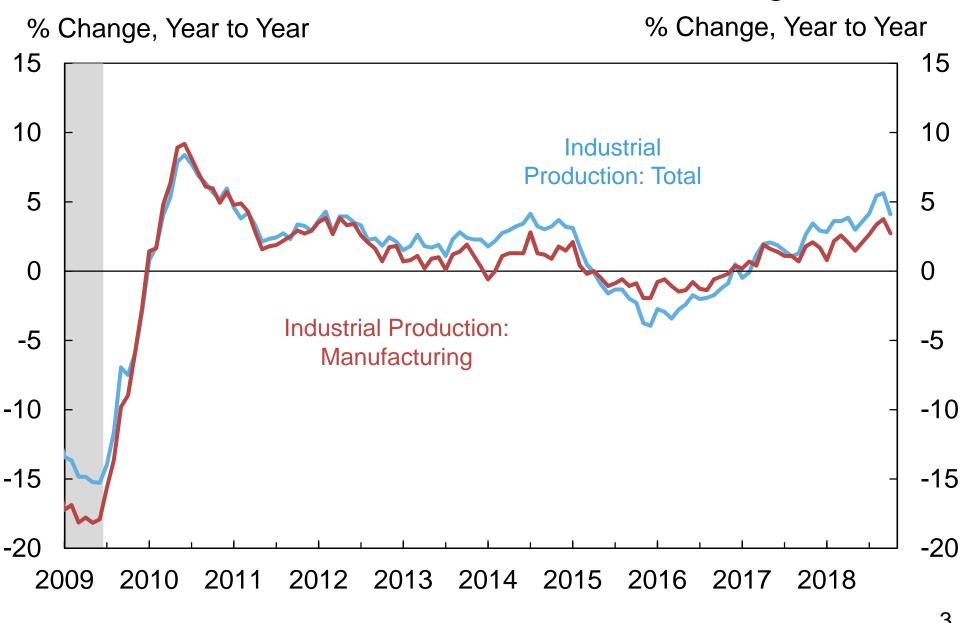
- Growth in the US has firmed since 2016 with real GDP up 3% over the four-quarters ending in 2018Q3.
  - Fiscal stimulus is contributing to this pick up in growth.
- Several indicators suggest that the economy is at or near full employment, with clearer evidence that the rate of increase of wages/compensation has moved higher.
- Underlying inflation has moved up to the FOMC's objective of 2%. But at this time we do not see evidence of building inflation pressures.

### **Growth of Real GDP**



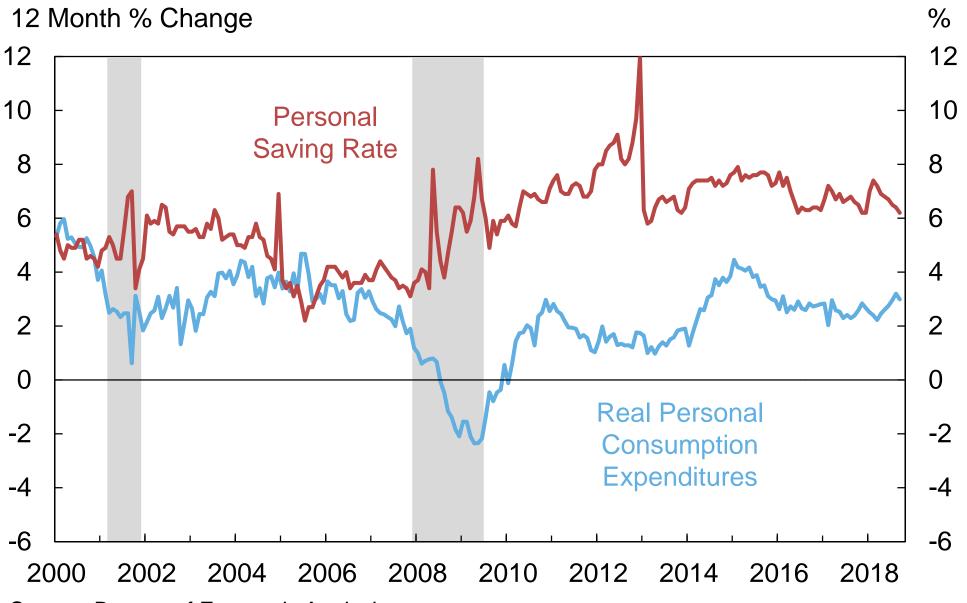
Source: Bureau of Economic Analysis

# Industrial Production: Total and Manufacturing



Source: Federal Reserve Board

# Real PCE and the Personal Saving Rate

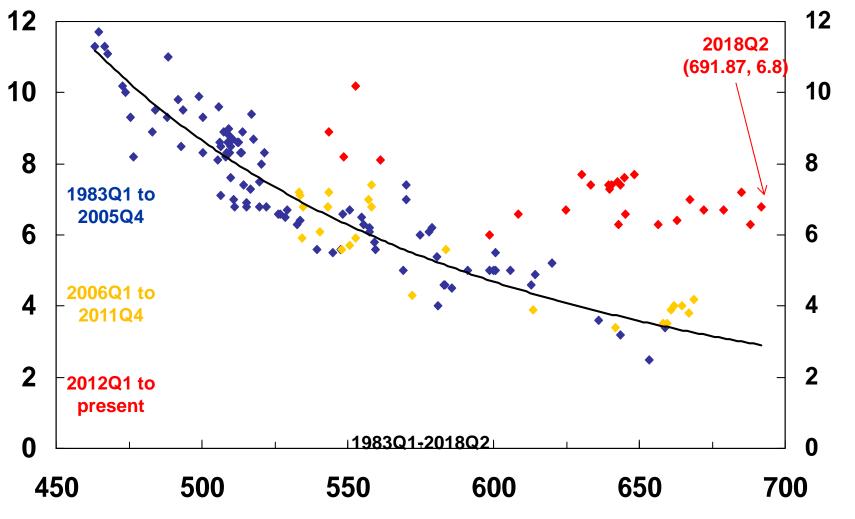


Source: Bureau of Economic Analysis, Federal Reserve Board via Haver Analytics

## Personal Saving Rate and Household Net Worth

Personal Saving Rate (Percent)

Personal Saving Rate (Percent)



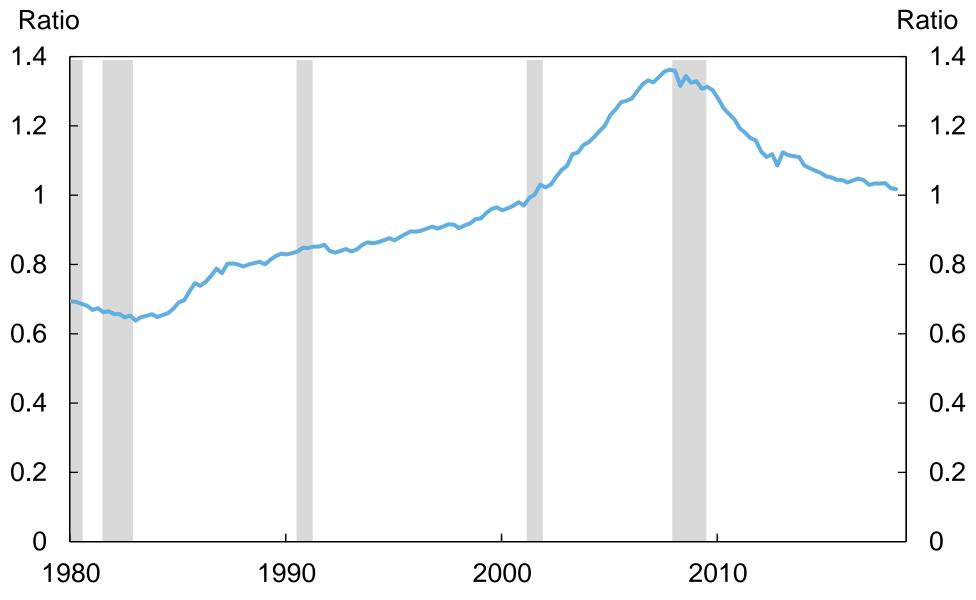
Households' Net Worth as a Percent of Disposable Income

Source: Bureau of Economic Analysis and Federal Reserve Board

Note: Fitted line is from 1983Q1 to 2005Q4.

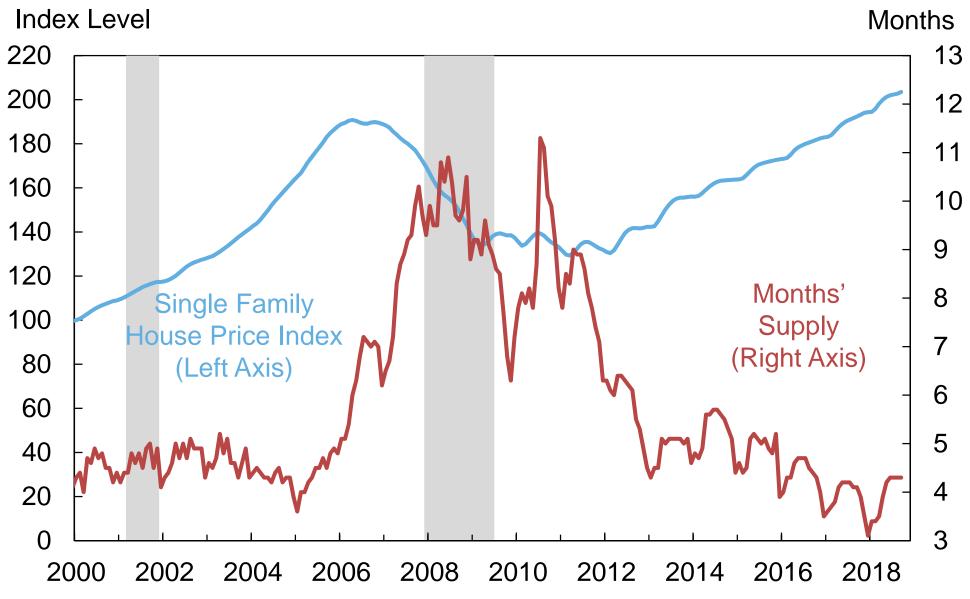
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## Household Liabilities over Disposable Income



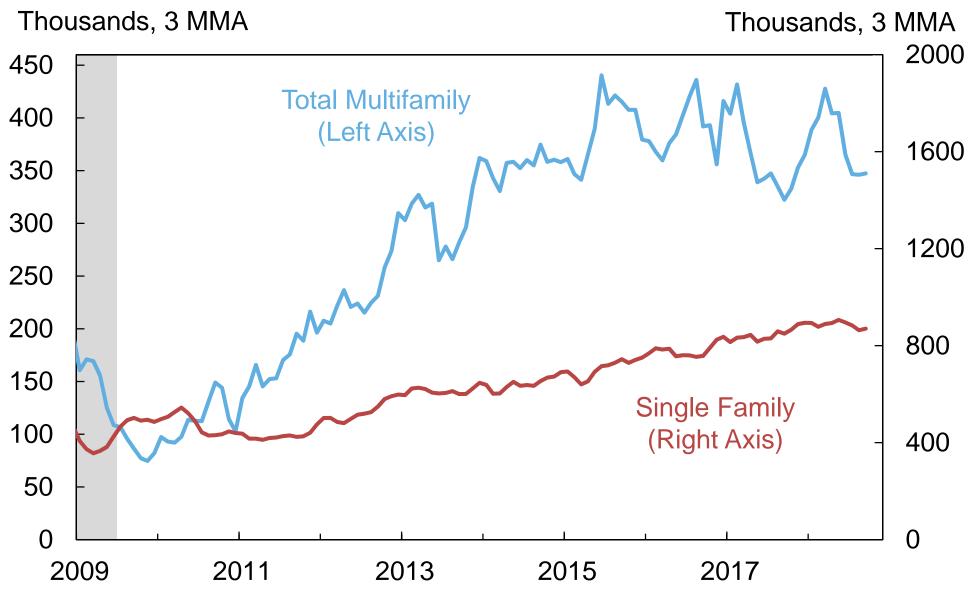
Source: Federal Reserve Board and Bureau of Economic Analysis via Haver Analytics.

# Single Family Housing Market



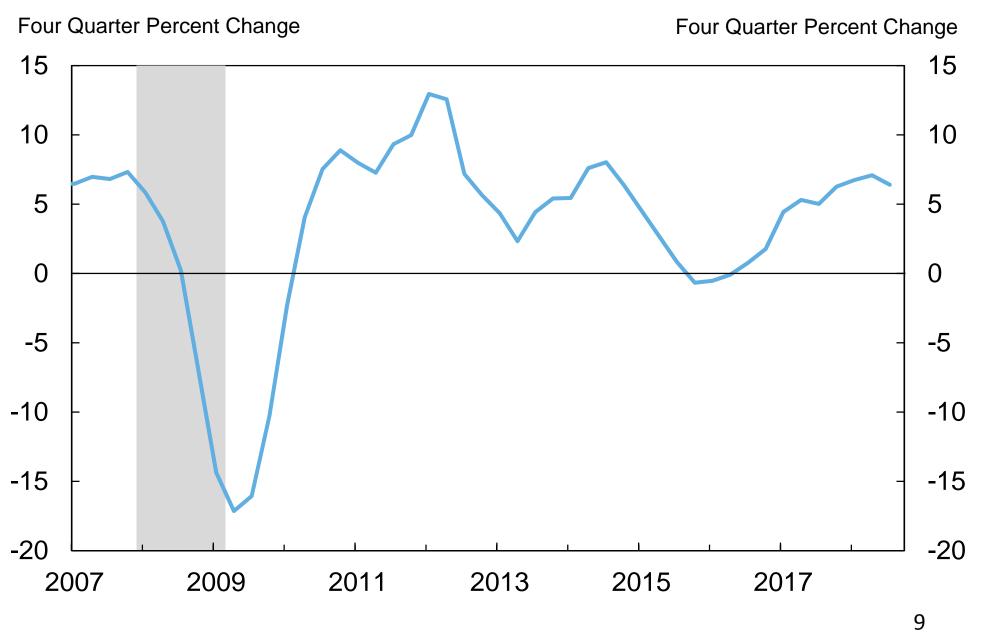
Source: CoreLogic, National Association of Realtors, via Haver Analytics

# **Housing Starts**



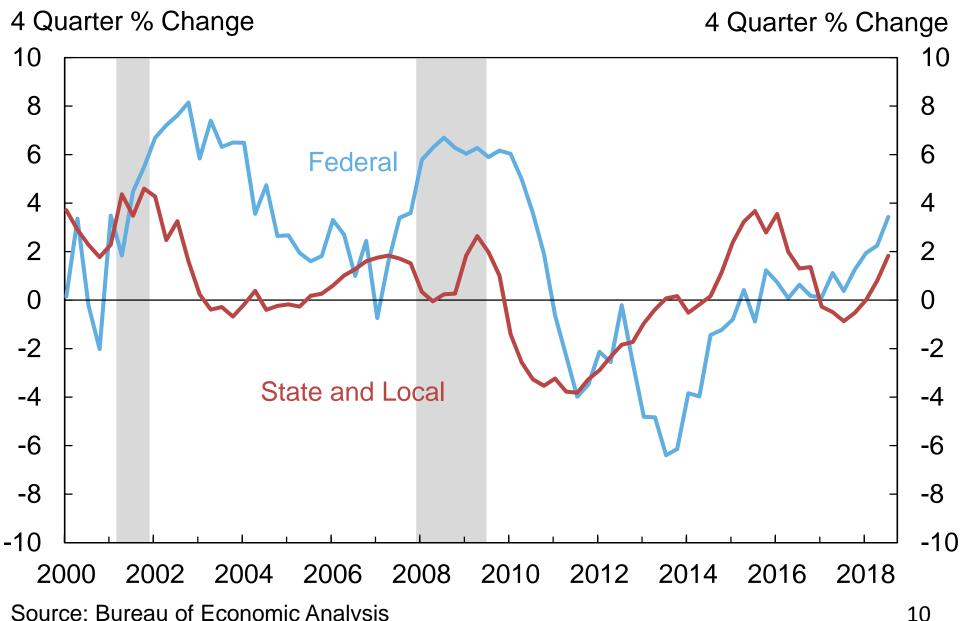
Source: Census Bureau via Haver Analytics

## **Business Fixed Investment Firming**



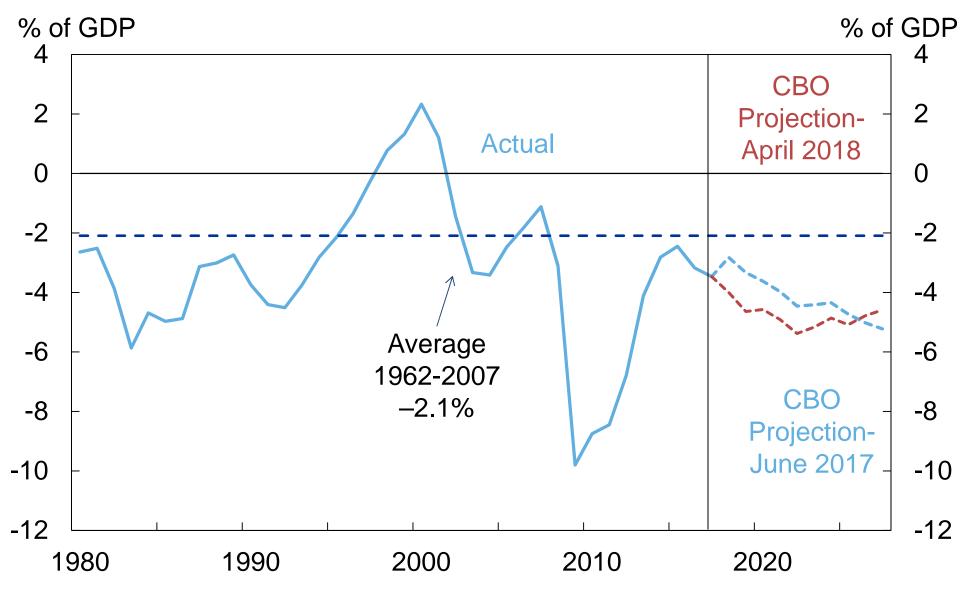
Source: Bureau of Economic Analysis

## Real Government Consumption and Gross Investment



Source: Bureau of Economic Analysis via Haver Analytics

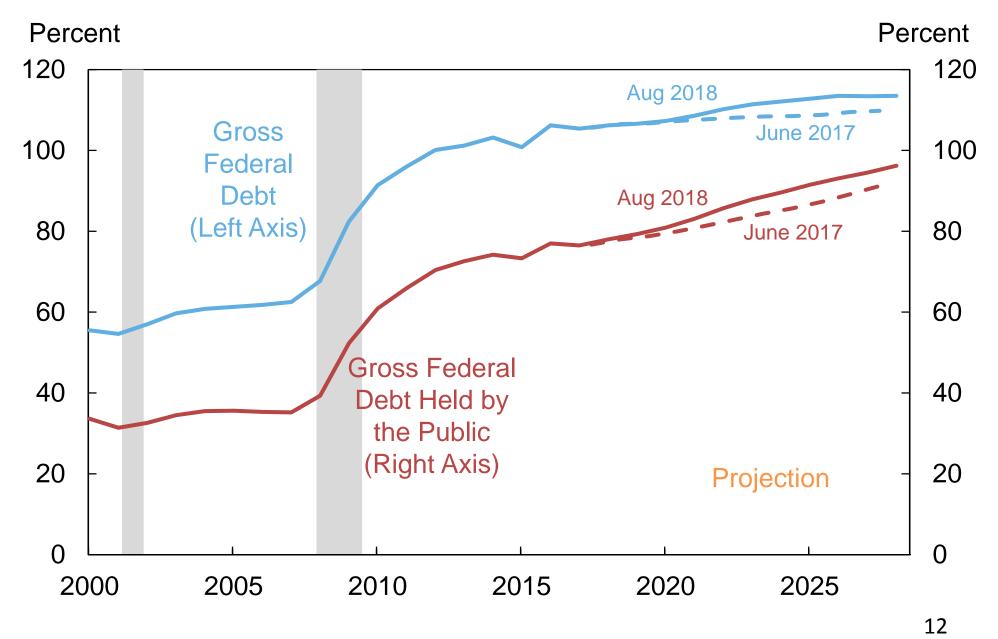
# **Federal Deficit**



Source: Congressional Budget Office,

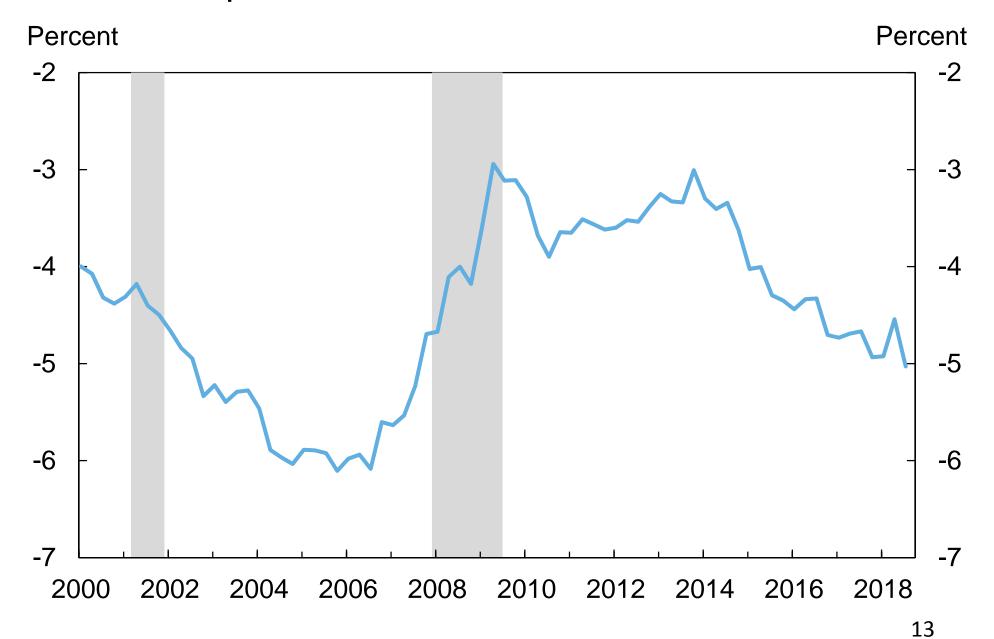
FRBNY staff calculations

# Gross Federal Debt as a Percentage of GDP



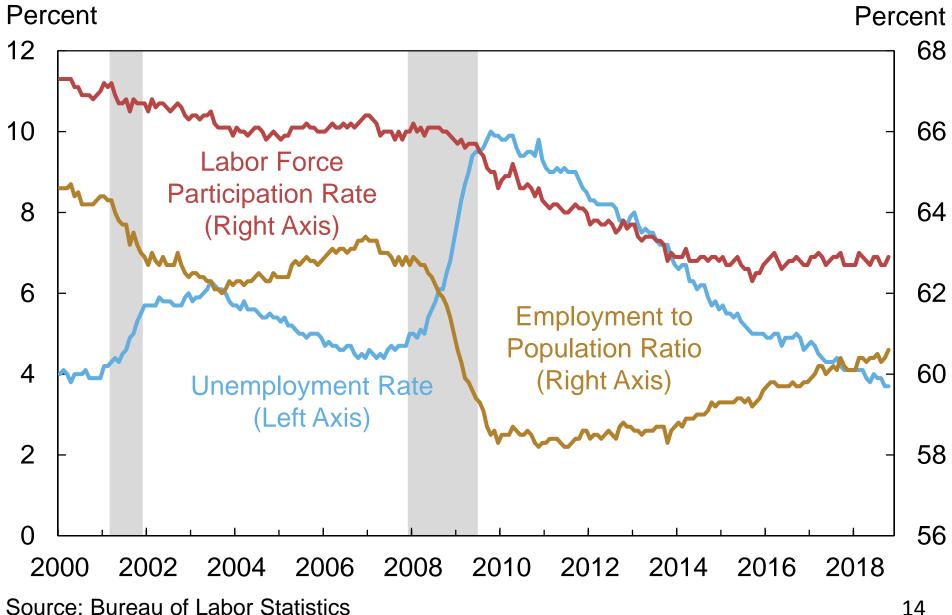
Source: CBO; Haver.

## Real Net Exports as a % of GDP



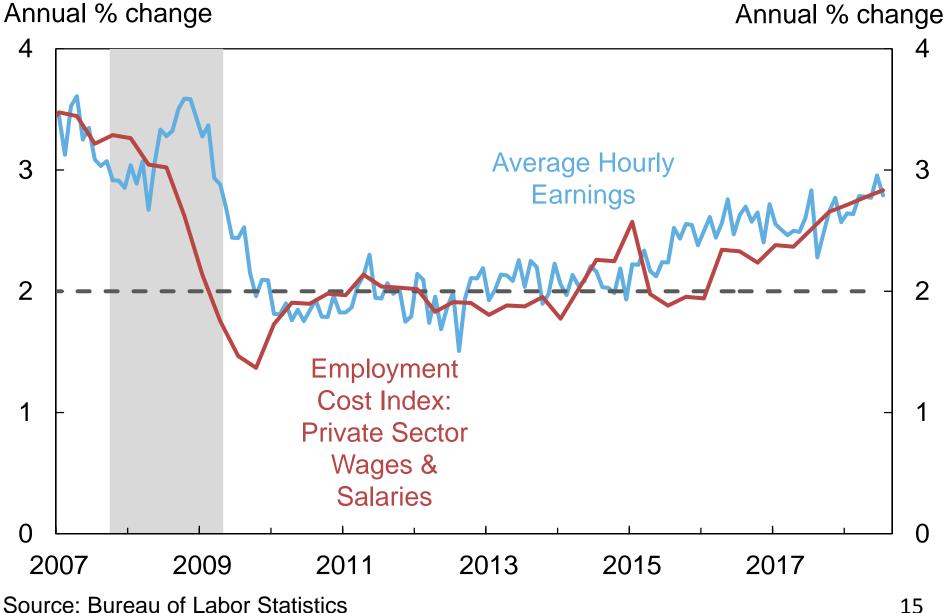
Source: BEA; Haver Analytics.

# **Labor Market Indicators**



Source: Bureau of Labor Statistics via Haver Analytics

# Growth of Average Hourly Earnings and ECI

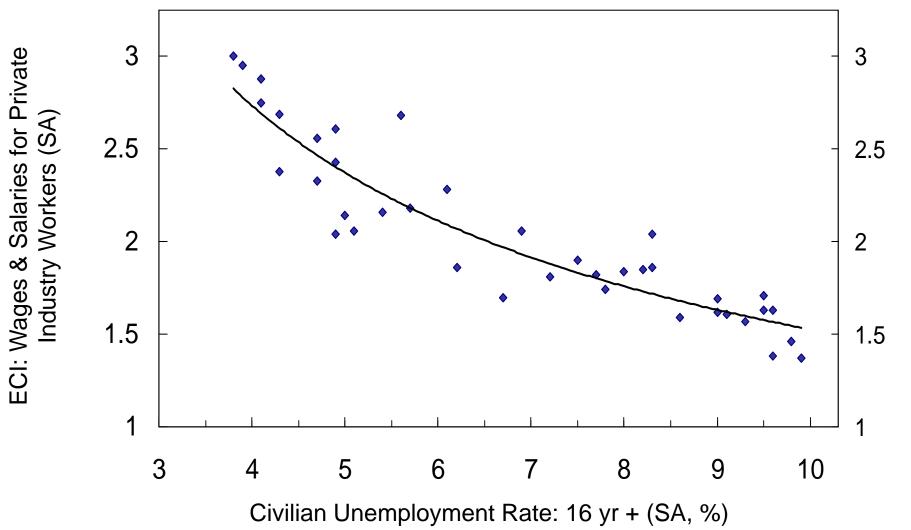


Source: Bureau of Labor Statistics via Haver Analytics

## Employment Cost Index and the Unemployment Rate

% Change, Year to Year

% Change, Year to Year

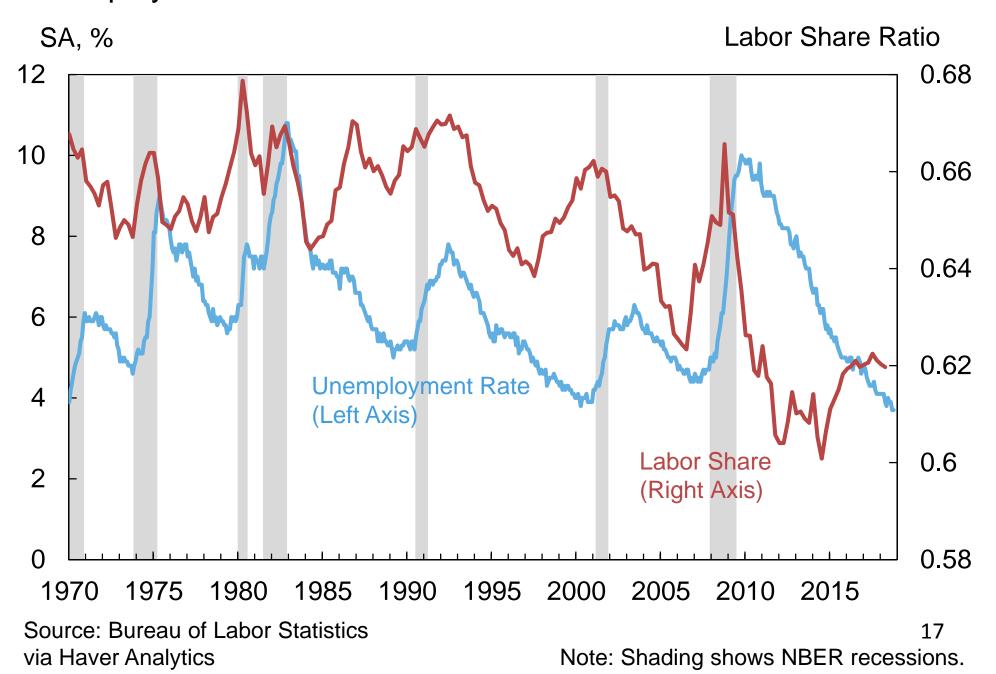


Source: Bureau of Labor Statistics

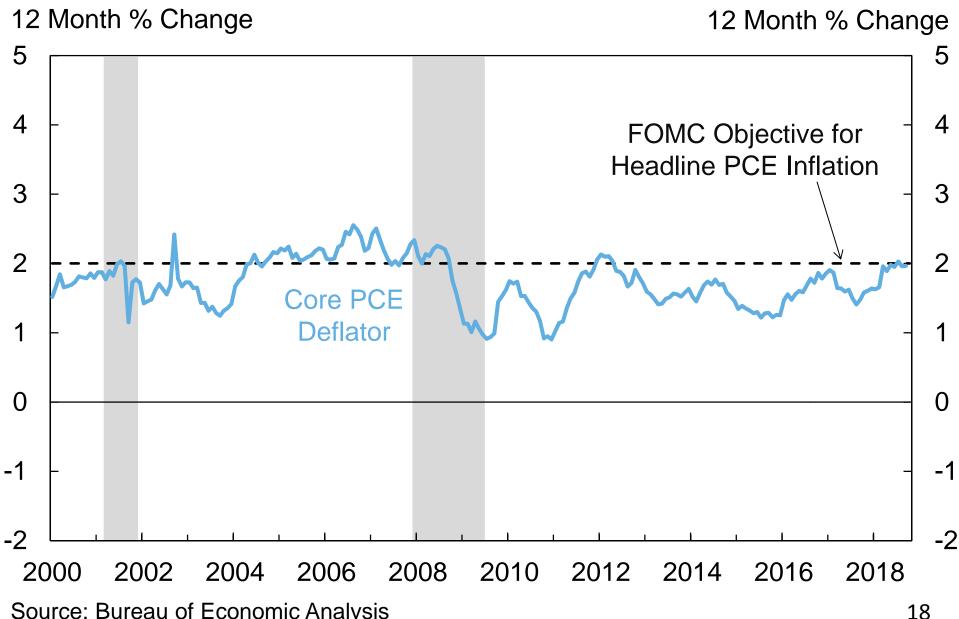
Note: Data reported quarterly from Q1-2009 to Q3-2018

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### Unemployment Rate and Labor Share of National Income

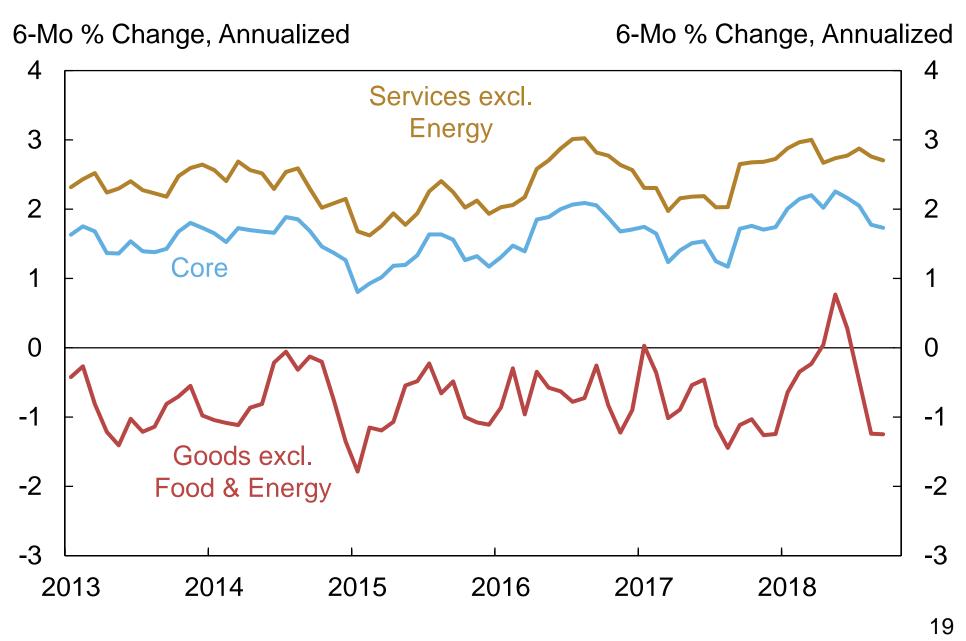


## Measure of Underlying PCE Price Inflation

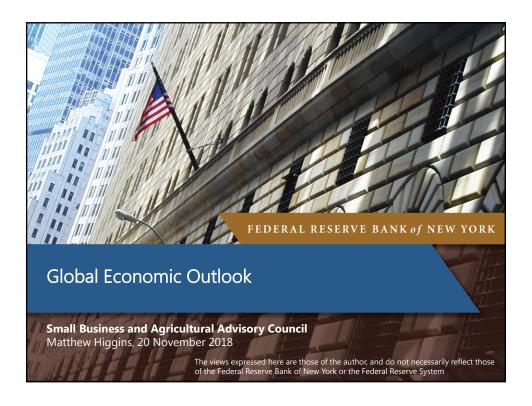


Source: Bureau of Economic Analysis via Haver Analytics

## Core PCE

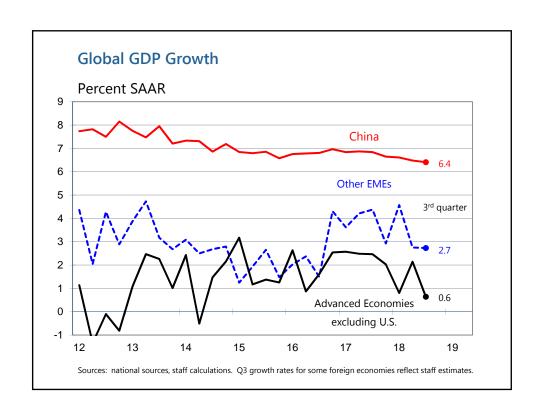


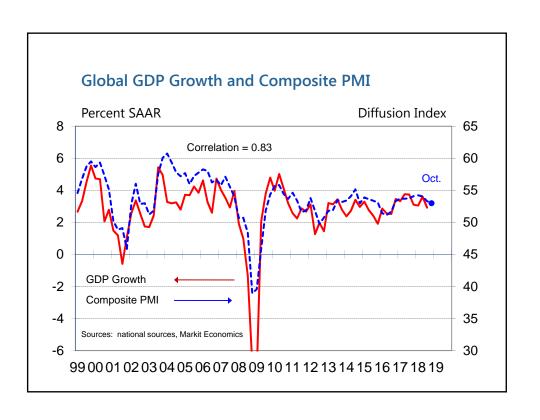
Source: BEA; Haver Analytics.

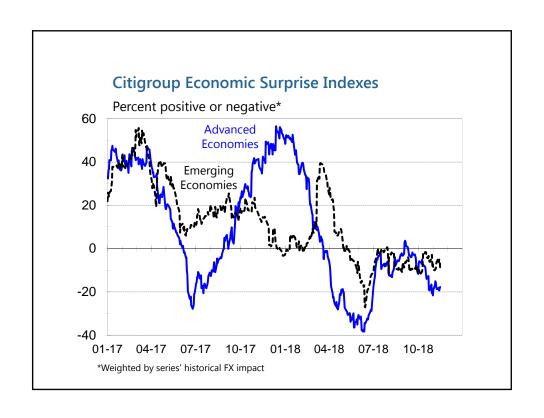


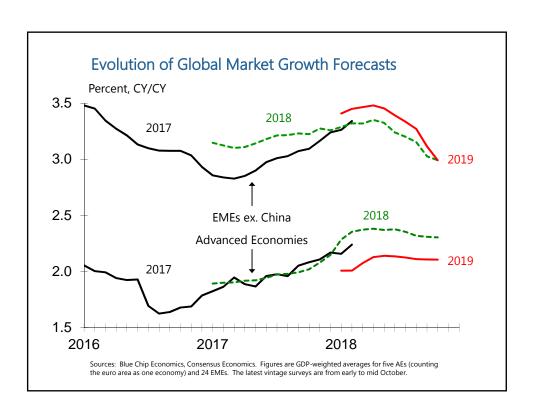
### Roadmap

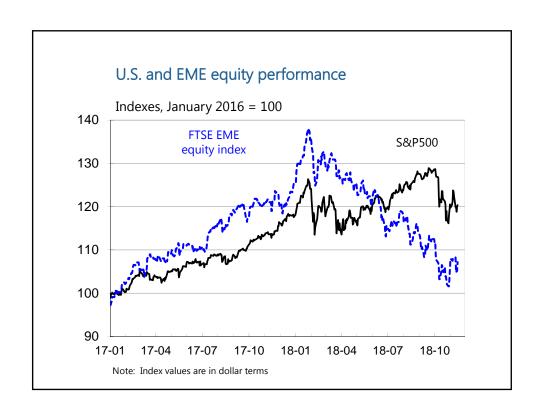
- Update on the global economic and industrial cycle
- China's economic slowdown
- Italy's fiscal and economic struggles



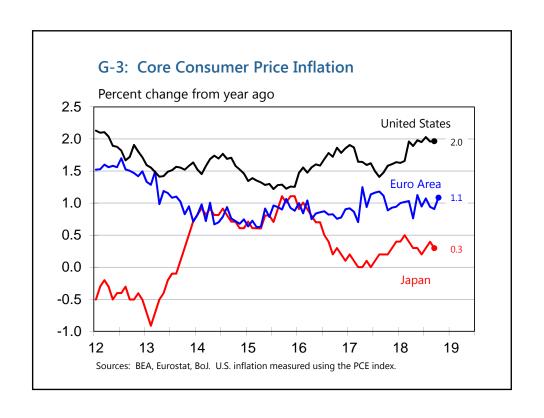


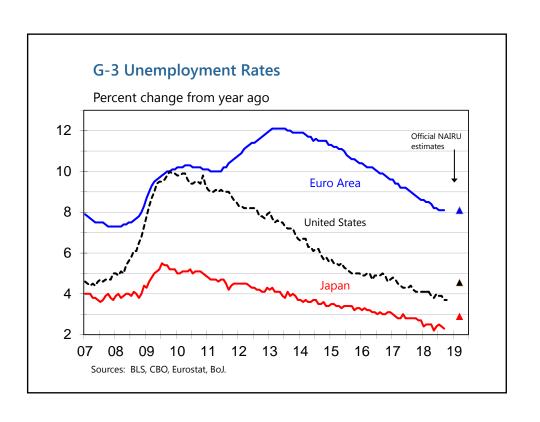










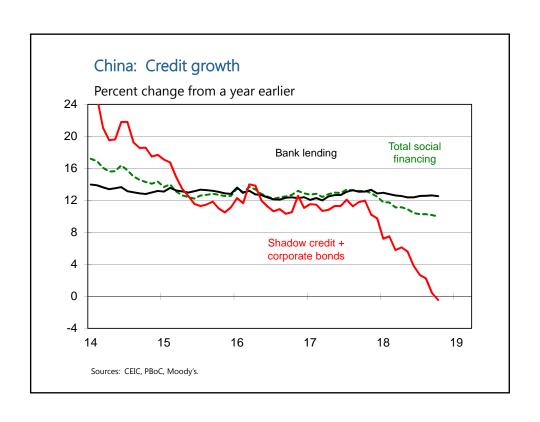


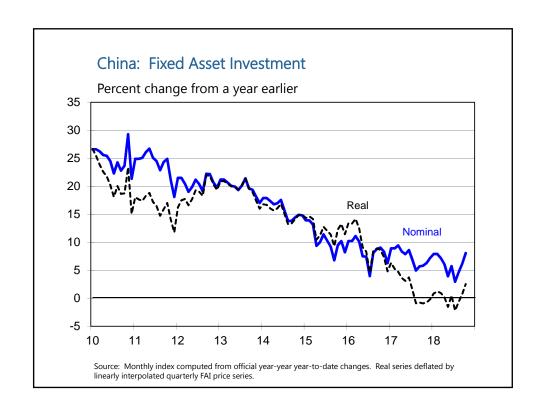
### Credit to the private non-financial sector

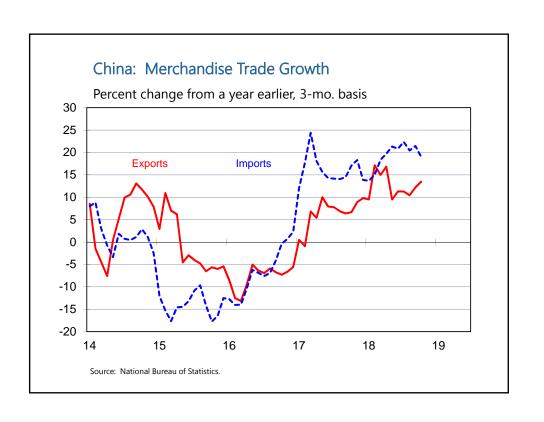
### Percent of GDP, end of period

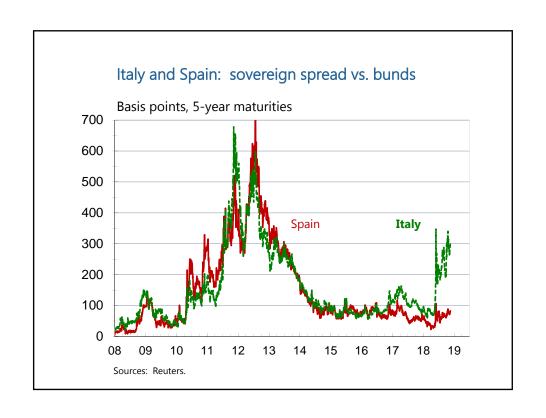
	2018:Q1	2017:Q4	Change
China	208	110	99
Other EMEs	83	63	20
Advanced Economies	167	171	-4
United States	151	168	-17
Euro Area	162	151	10
Japan	156	161	-5

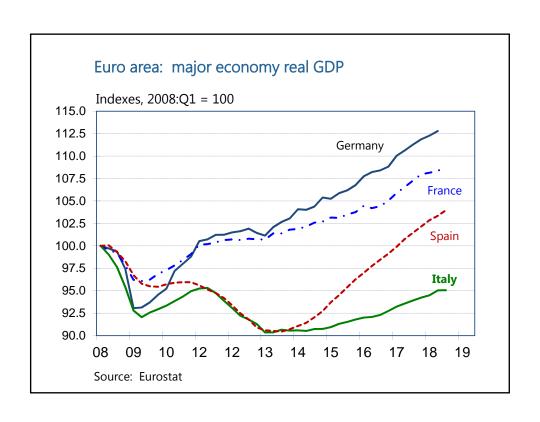
Sources: Bank for International Settlements, IMF.

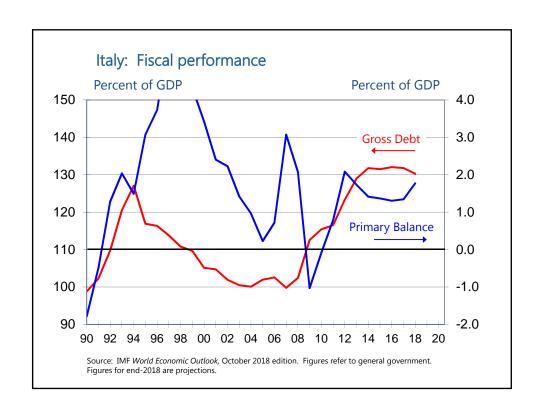


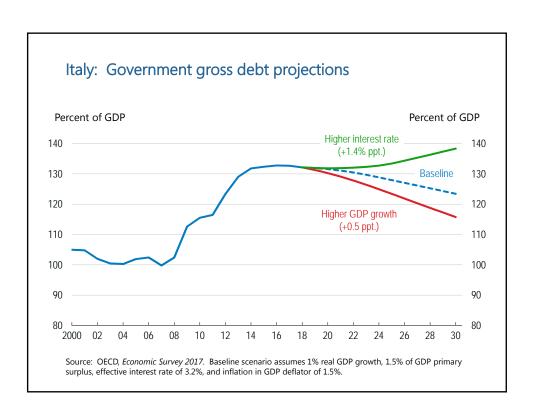


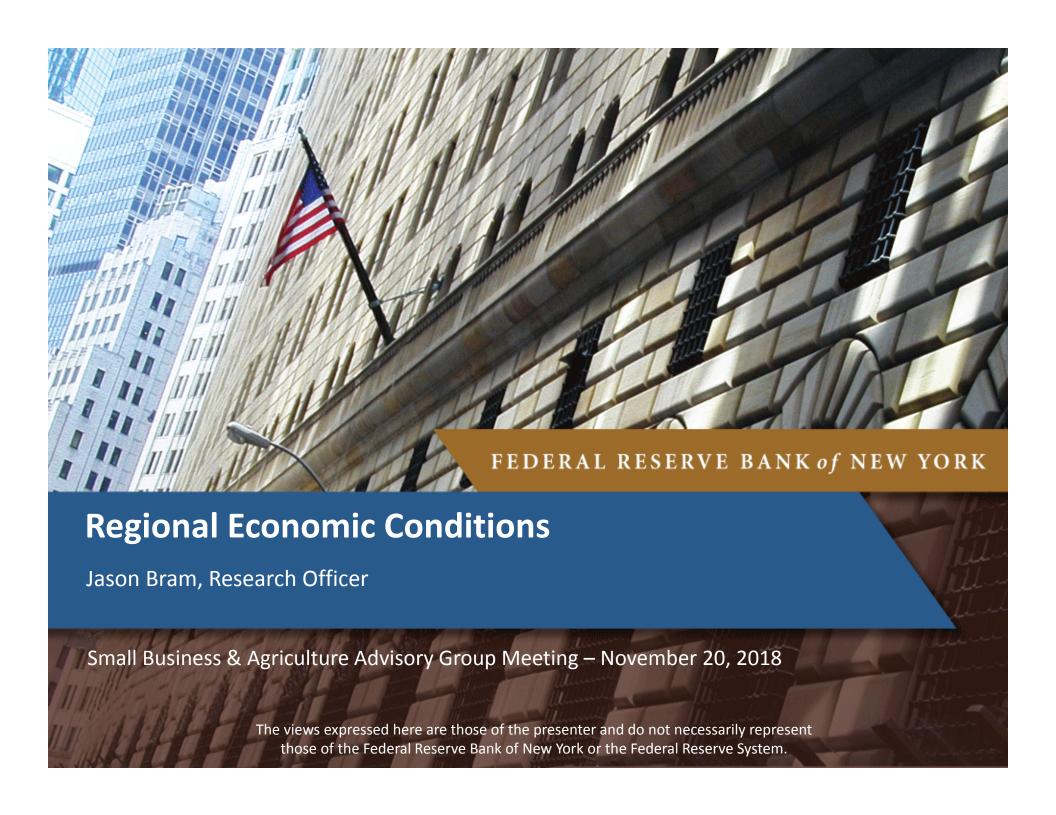












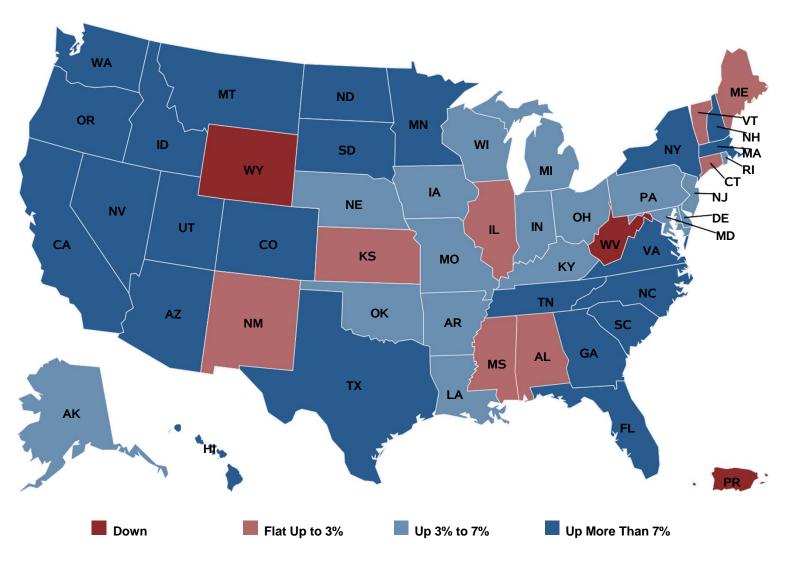
### **Overview**

- A quick look at state economies across the U.S.
- An overview of the 2<sup>nd</sup> District's economy
- Trends in the finance & tech sectors
- Housing markets
- Update on Puerto Rico's recovery



## **Private-Sector Job Trends**

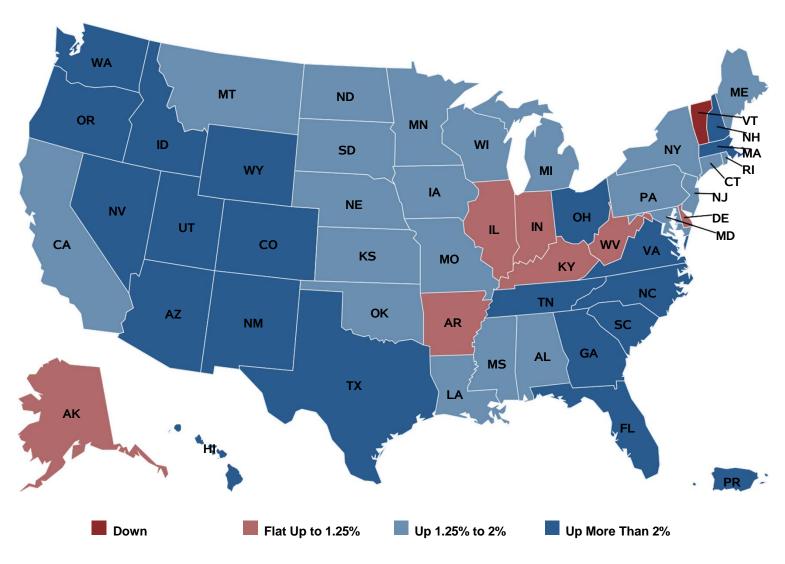
Percent Change From Previous Peak to October 2018





## **Recent Private-Sector Job Trends**

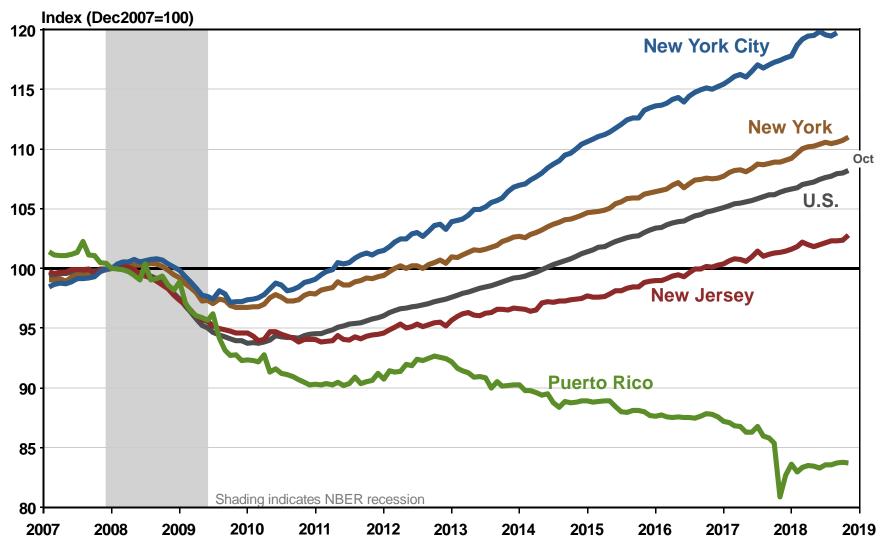
**Year-Over-Year Percent Change as of October 2018** 





## **Total Employment**

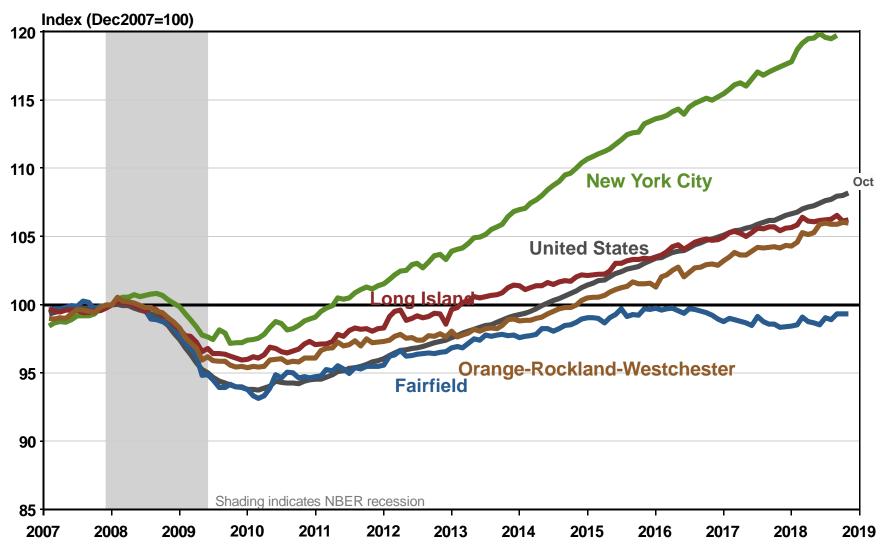
#### **Seasonally Adjusted Index**





## **Total Employment**

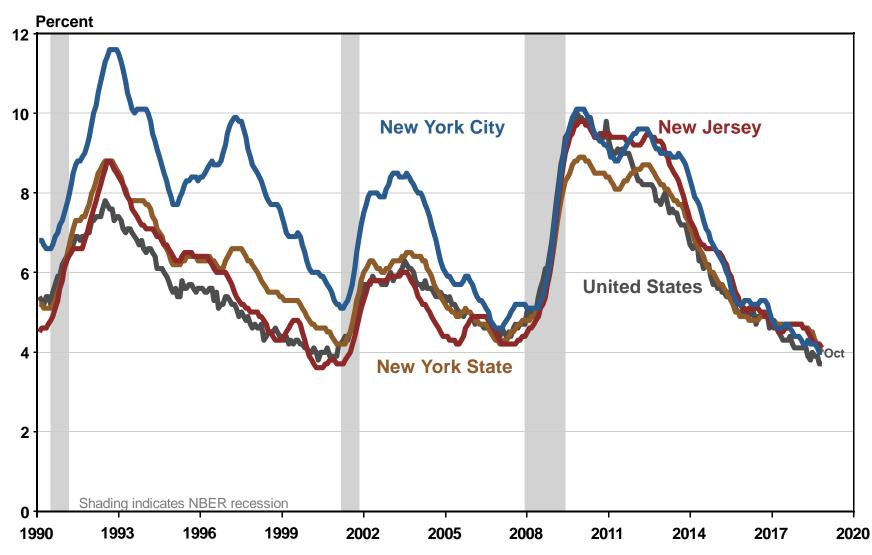
#### **Seasonally Adjusted Index**





### **Unemployment Rates**

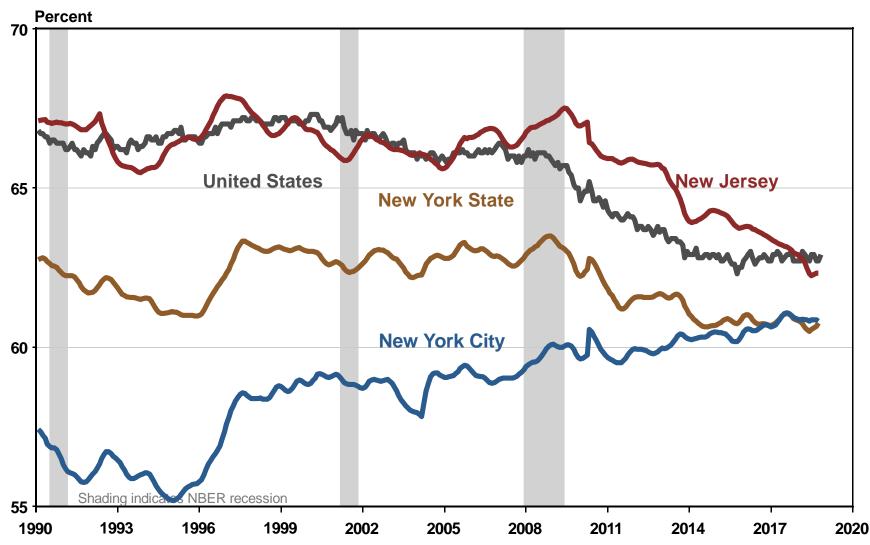
#### **Seasonally Adjusted**





# **Labor Force Participation**

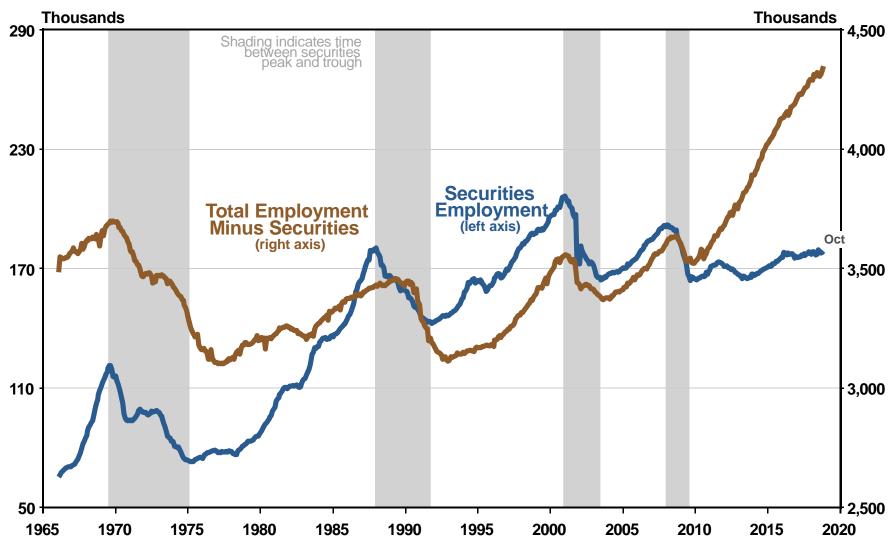
#### **Seasonally Adjusted**





### **NYC Securities Employment**

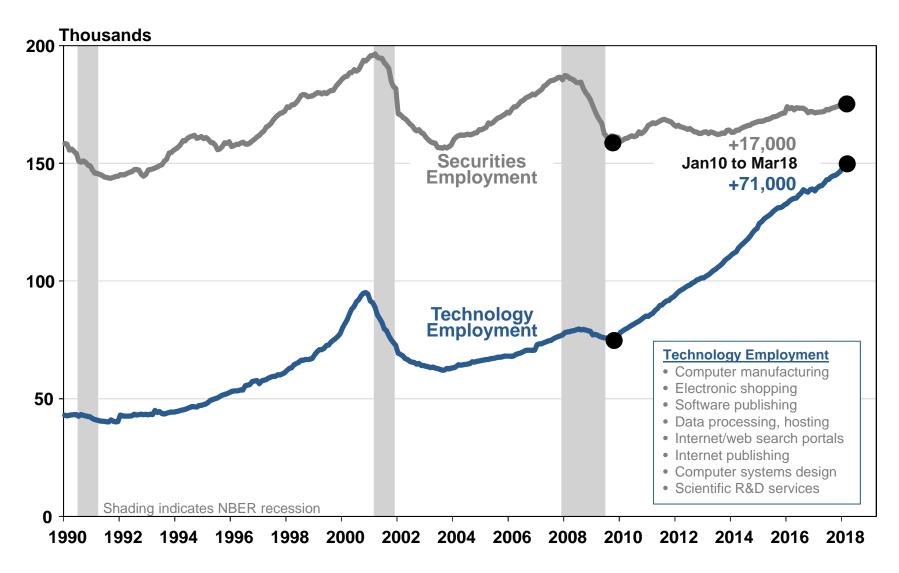
#### **Seasonally Adjusted Levels**





## **New York City's New Growth Sector**

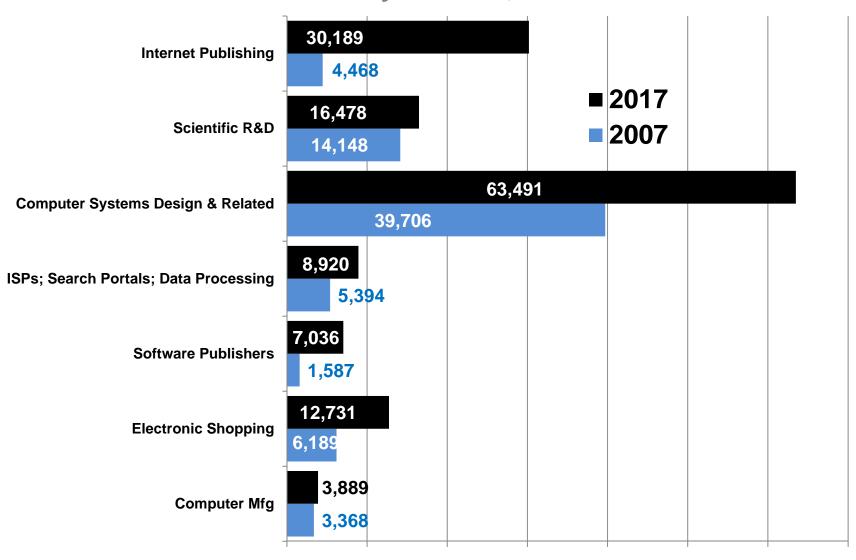
#### Number of Jobs in Thousands





## **NYC Tech Employment in Select Industries**

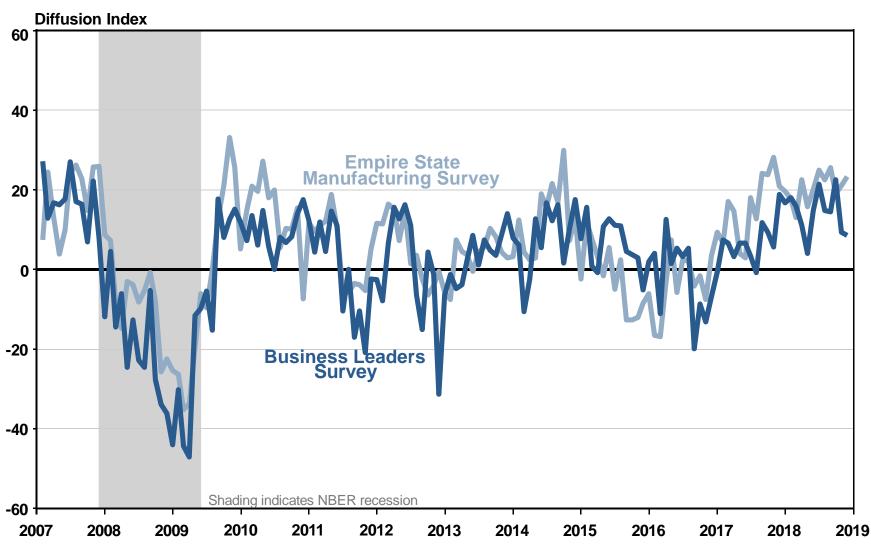
Number of Payroll Jobs, 2007 and 2017





### **Current Economic Conditions**

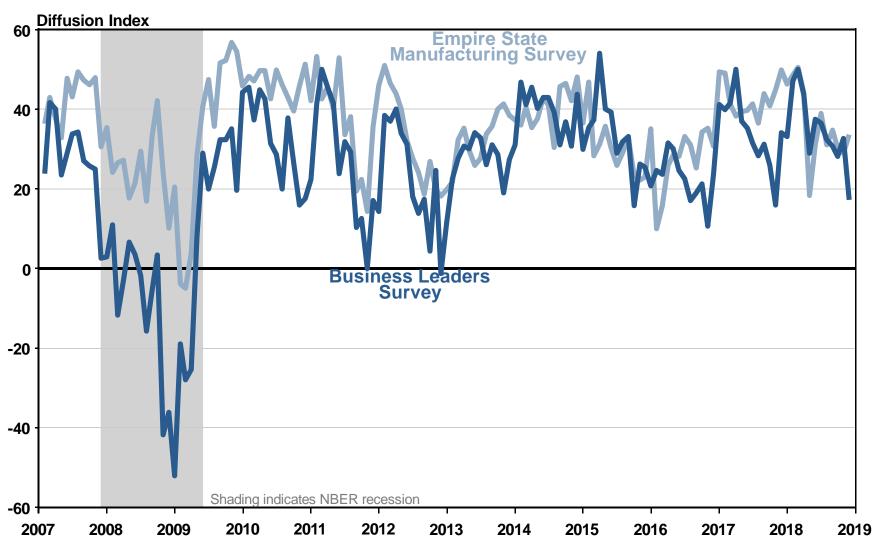
#### **FRBNY Business Surveys, Current Conditions**





### **Future Economic Conditions**

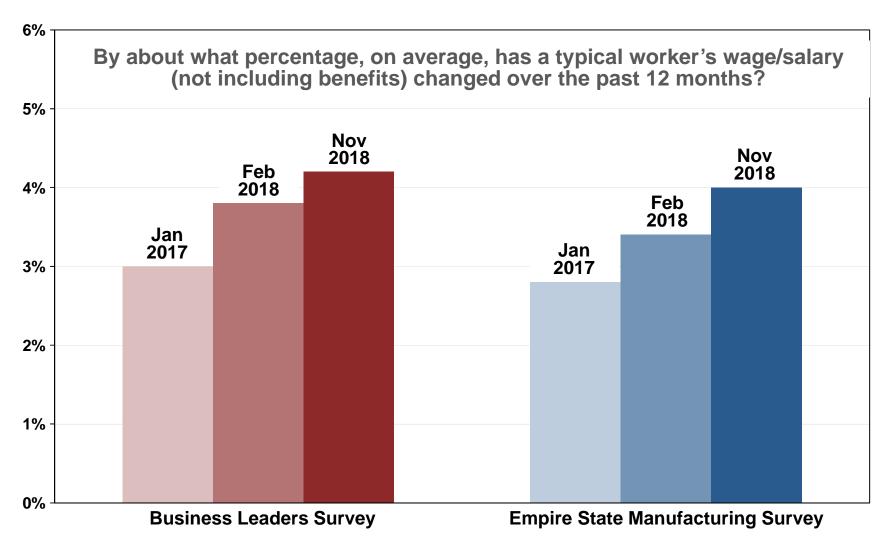
FRBNY Business Surveys, Conditions Six Months Ahead



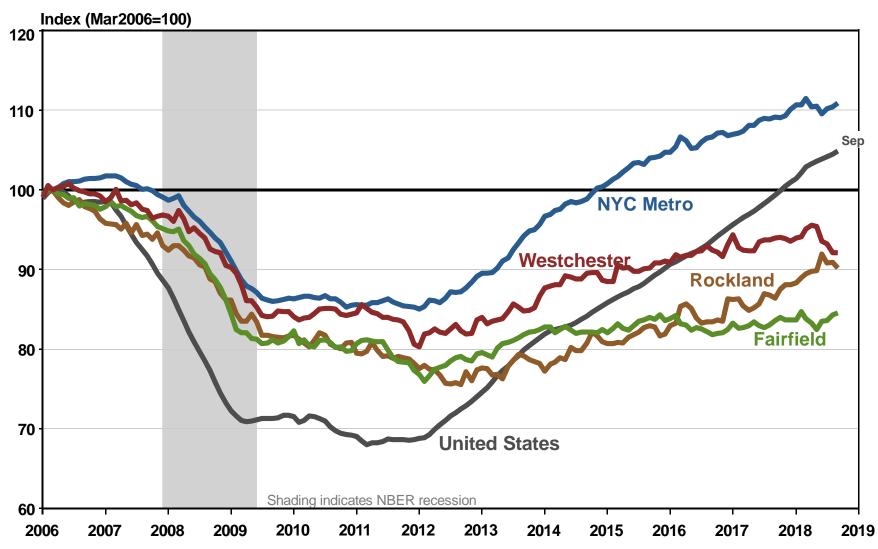


## Wage Growth Picking Up in the Region

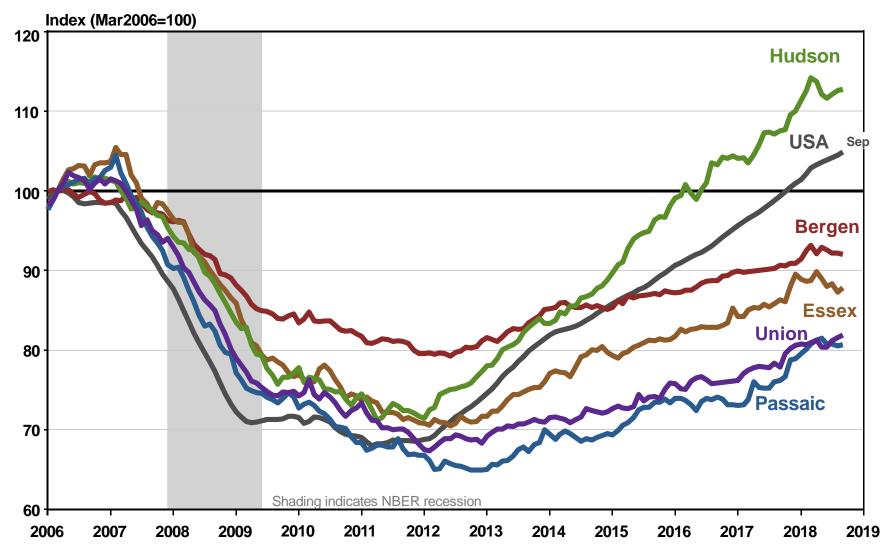
**FRBNY Supplemental Survey** 



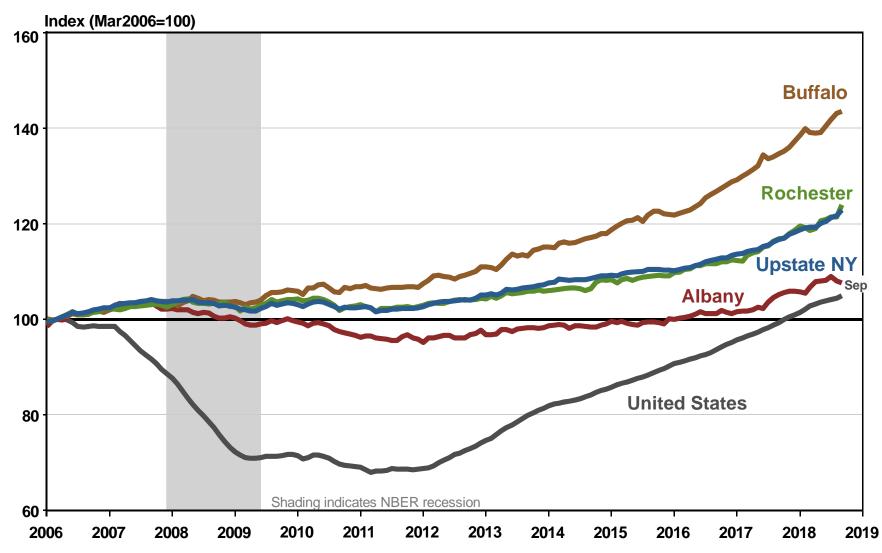




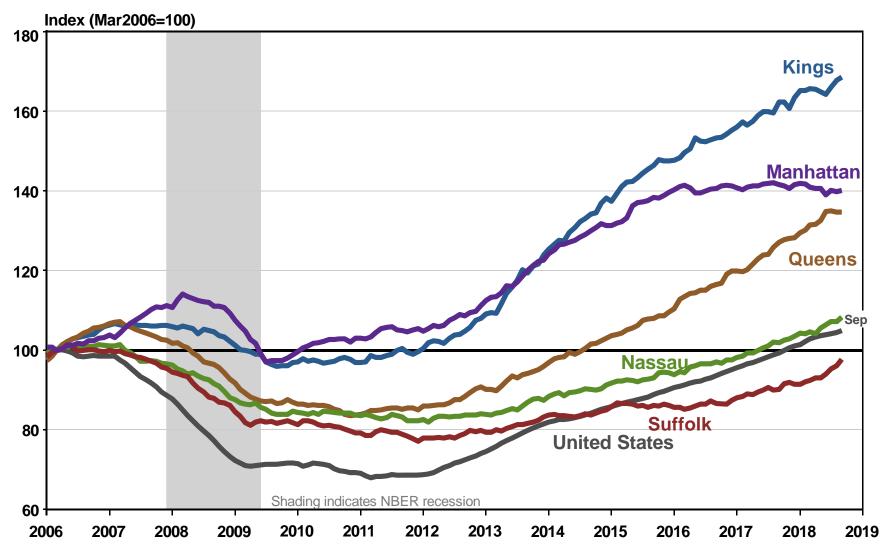








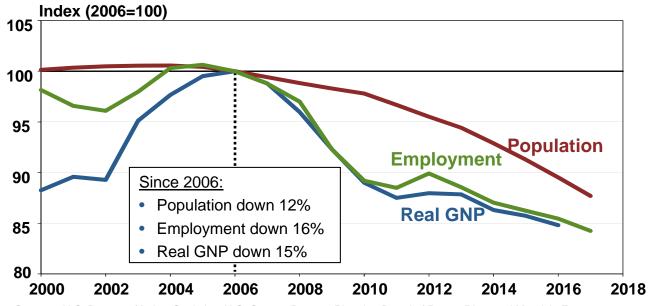






## Puerto Rico's Economy Before Maria

Indexes of Economic Activity, Employment, and Population



- Sources: U.S. Bureau of Labor Statistics, U.S. Census Bureau, Planning Board of Puerto Rico, and Moody's Economy.com.
- The economy had already been in decline for over a decade.
- Public debt in 2016 was roughly 100% of GNP.
- The Island had defaulted on debt payments and could no longer borrow.
- U.S. Congress implemented PROMESA in 2016 to restore long-term economic growth and fiscal balance, creating a fiscal oversight board and a bankruptcy-like process.

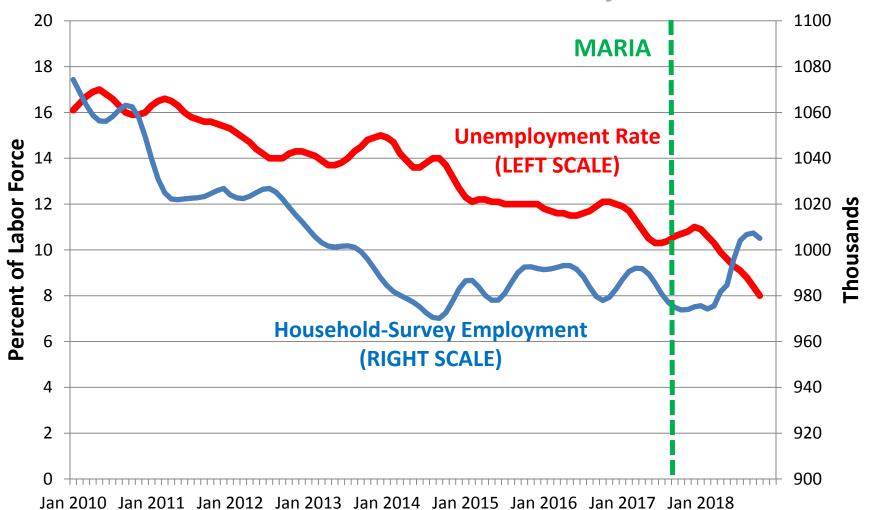


## Puerto Rico's Economy in 2018

- Biggest blackout in U.S. history (in terms of Kw hours lost).
- Post-storm out-migration—initially roughly 200,000 residents left.
  - An estimated 70-100,000 have returned.
- Economy hit hard in late-2017; since then it's rebounded.
- Mixed signals on magnitude of economic recovery:
  - Private-sector (payroll) employment initially fell by 48,000 (7%), but has since rebounded strongly—still down 11,000 (1.8%) from before Maria.
  - Government employment down more sharply (about 3½%).
  - Unemployment rate has tumbled to record low of 8.0%.
  - Government revenues have been strong in recent months & bond prices have rebounded.
  - Construction, manufacturing industries doing fairly well.
- Heavy investment in power (and water) infrastructure needed.
  - This was true before Maria and now even more so.

### Puerto Rico Employment & Unemployment Rate

**Based on Household Survey** 

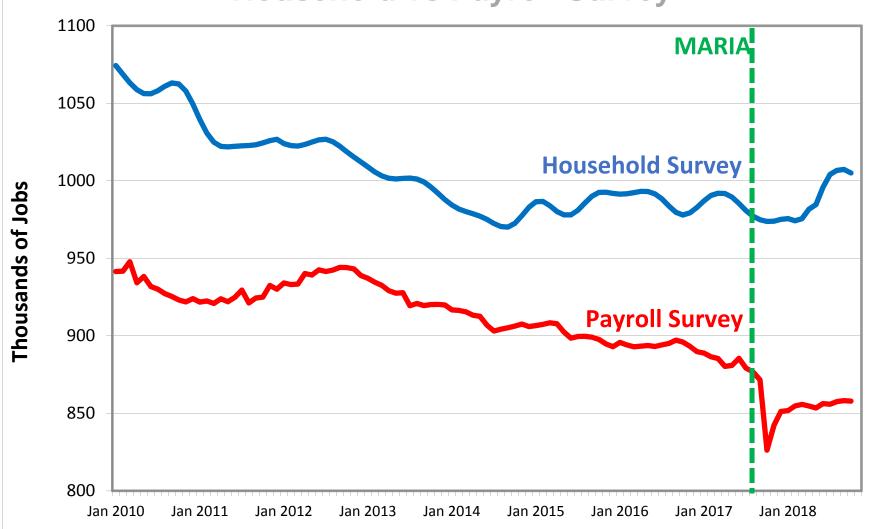


Source: US Bureau of Labor Statistics





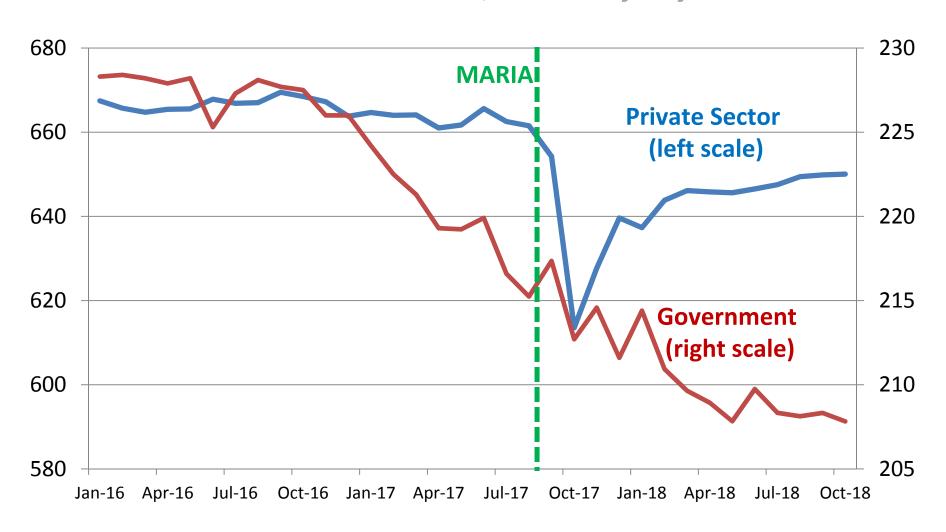
Household vs Payroll Survey



Source: US Bureau of Labor Statistics

### **Puerto Rico Employment**

Thousands of Jobs, Seasonally Adjusted

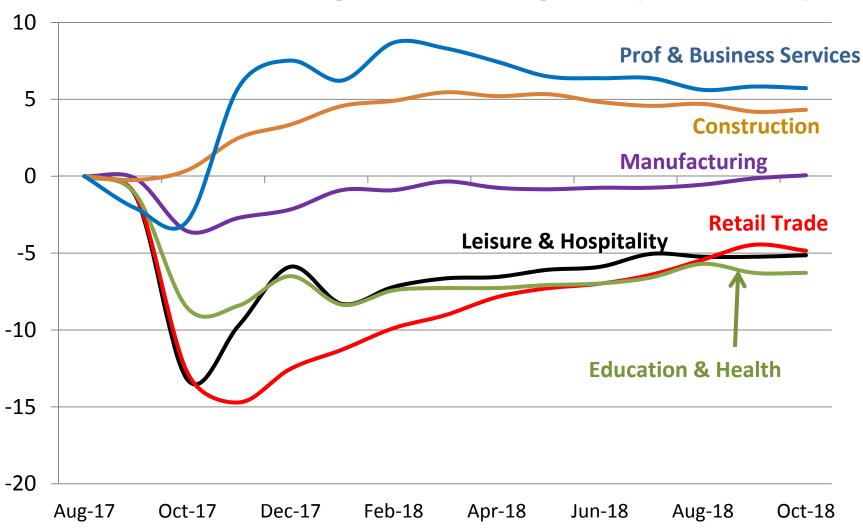


Source: US Bureau of Labor Statistics



### **Puerto Rico Sectoral Job Trends Since Maria**

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



Source: US Bureau of Labor Statistics, FRBNY staff calculations.

