



**Upstate New York Regional Advisory Council Meeting  
Federal Reserve Bank of New York  
33 Liberty Street  
10F, Paul Volcker Boardroom  
Wednesday, June 1, 2016**

**AGENDA**

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- |                 |   |
|-----------------|---|
| 10:30am         | Introductory Remarks<br>Jack Gutt, Executive Vice President   |
| 10:40am-11:10am | The National Economy<br>Richard Peach, Senior Vice President  |
| 11:10am-11:30am | Regional Update<br>Jaison Abel, Research Officer  |
| 11:30am-12:00pm | International Update<br>Matthew Higgins, Vice President   |
| 12:00pm         | Adjourn to NWCR-10F   |
| 12:15pm         | Lunch   |
| 12:15pm-1:55pm  | Round Table Discussion with<br>William Dudley, President<br><br>Questions for discussion with President Dudley:<br><br>Your experience and that of your customers and suppliers can give us insight into current economic conditions.<br><br><ol style="list-style-type: none"><li>1. Has your firm experienced an increase in demand in recent months?</li><li>2. Has demand for your product or service increased sufficiently that you increased or plan to increase employment in 2016?</li><li>3. Has demand for your product or service increased sufficiently that you plan to increase investment in plant and equipment in 2016?</li><li>4. Has your access to credit changed in 2016?</li><li>5. How is the labor market in meeting your needs?</li></ol> |
| 2:00 pm         | Adjourn   |



**Upstate New York Regional Advisory Board  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, NY  
Wednesday, June 1, 2016**

**ATTENDEE LIST**

**Board Members**

Aminy Audi  
CEO & Chairman of the Board  
L. & J.G. Sticklely

Jordan Levy  
NY Partner  
Softbank Capital

Lynn Marie Finn  
President & CEO  
Superior Workforce Solutions, Inc.

Linda MacFarlane  
President & CEO  
Community Loan Fund of the Capital Region

Kenneth M. Franasiak  
Chairman  
Calamar

Martin Mucci  
President & CEO  
PayChex, Inc.

James P. Laurito  
President  
Central Hudson Gas & Electric Corporation

Carlos Unanue  
President  
Goya de Puerto Rico, Inc.

**Federal Reserve Bank of New York**

William Dudley  
Michael Strine  
Jack Gutt  
Richard Peach  
Matthew Higgins  
Anand Marri  
Jaison Abel  
Luis Uranga  
Tony Davis  
Chelsea Cruz  
Edison Reyes  
Angela Sun

President  
First Vice President  
EVP, Head of Communications & Outreach Group  
SVP, Research & Statistics  
VP, Integrated Policy Analysis  
VP and Head of Outreach & Education  
Research Officer, Research & Statistics  
Officer and Chief of Staff, Chief of Staff's Office  
Director, Community Engagement, Outreach & Education  
Associate, Community Engagement, Outreach & Education  
Associate, Community Engagement, Outreach & Education  
Associate, Legal



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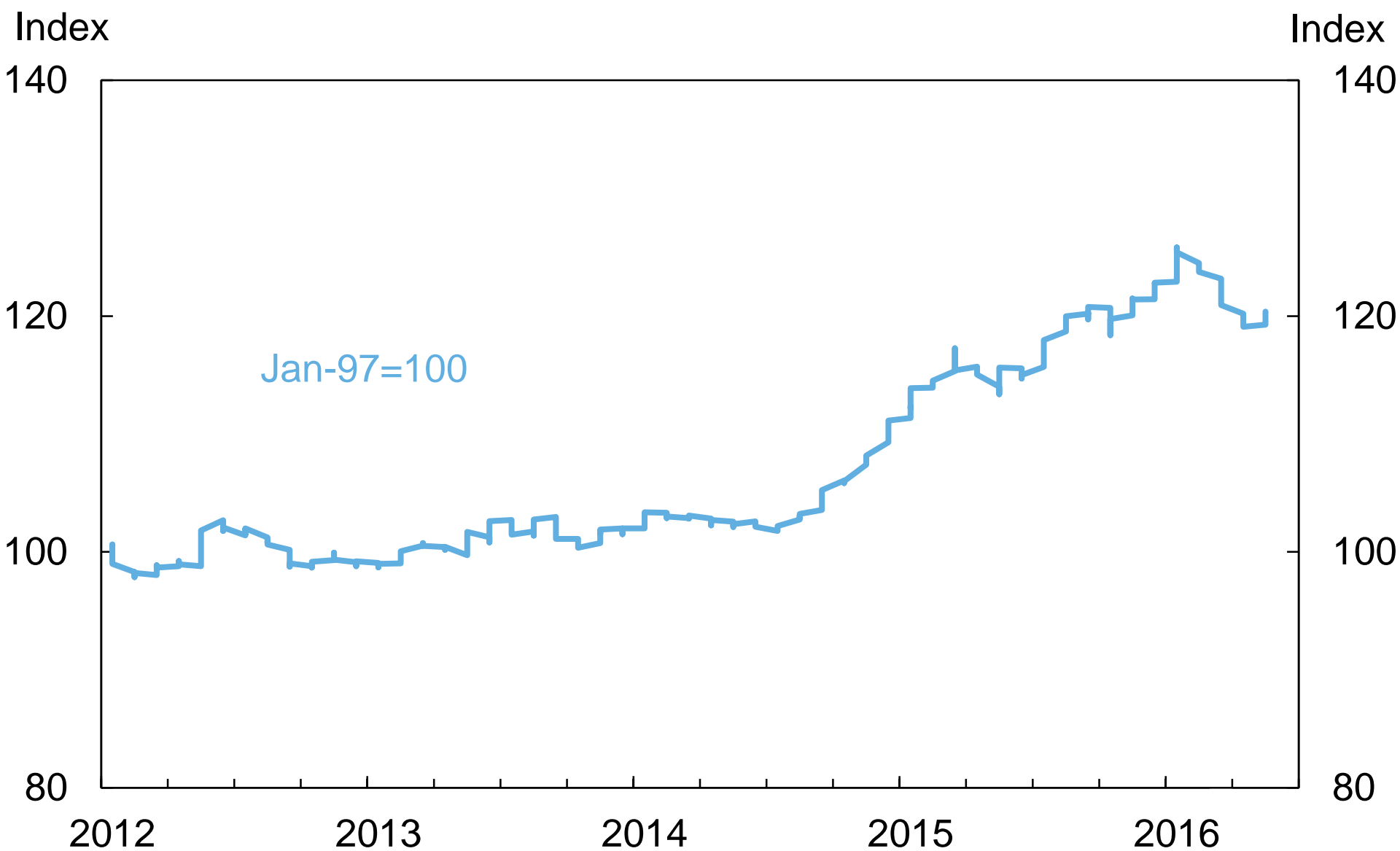
# US Macro Overview

## June 1, 2016

# Overview

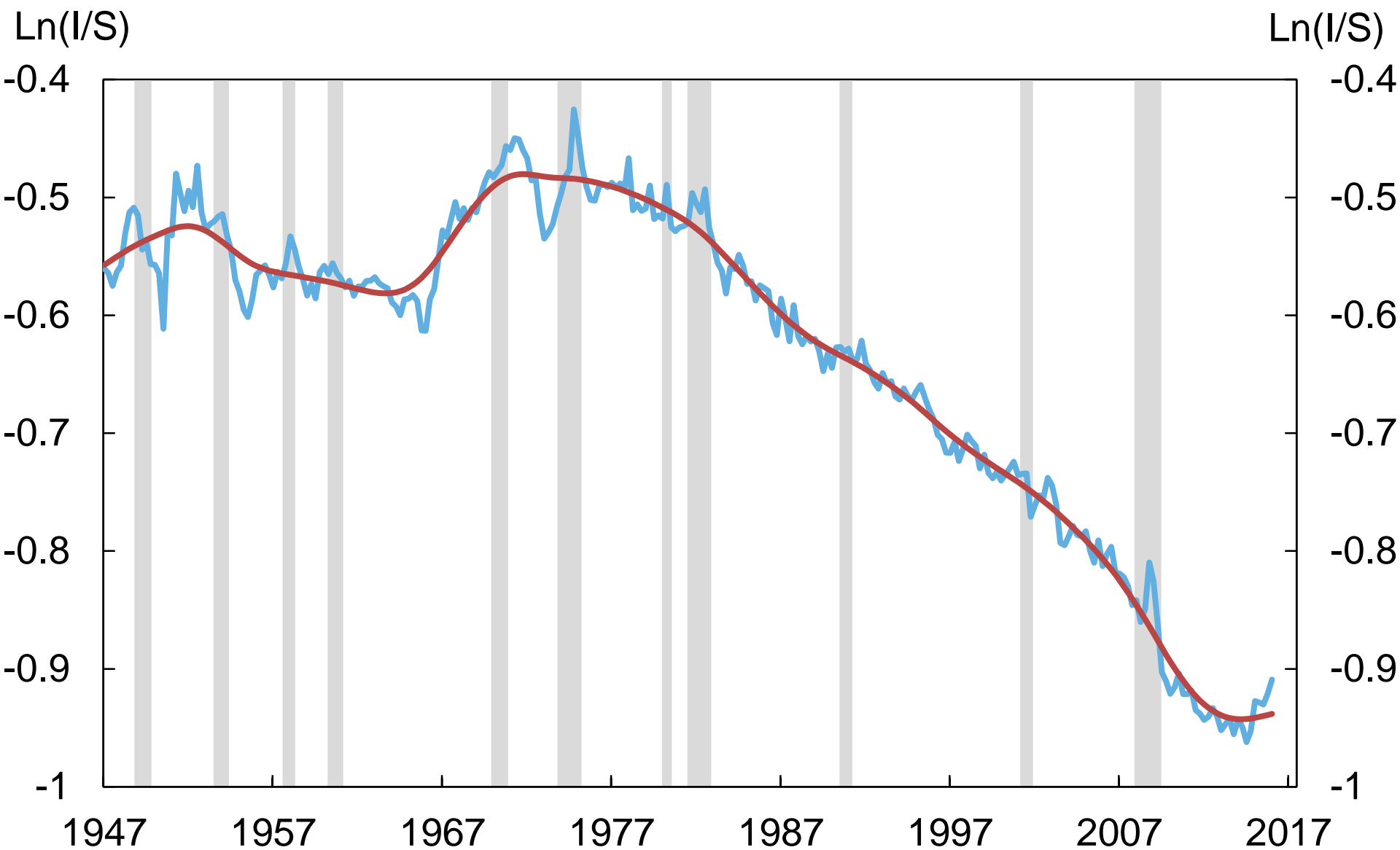
- US economic growth slowed over the past year due primarily to substantial dollar appreciation and weaker global growth.
  - Consumer spending and housing continued to be the engines of growth for the US economy.
  - Growth of business fixed investment slowed substantially, due in part to the sharp contraction in oil and gas drilling activity.
  - Net exports exerted a substantial drag.
  - Inventories high relative to sales.
- Nonetheless, labor market conditions have continued to improve.
  - Labor market is showing classic signs of being at or near full employment.
- Core inflation has moved up of late.
  - Rent inflation continues to edge higher.
  - Health care price inflation has moved higher.
  - Rate of decline of core goods prices has slowed.

# Nominal Trade-Weighted Value of US\$



Source: Federal Reserve Board

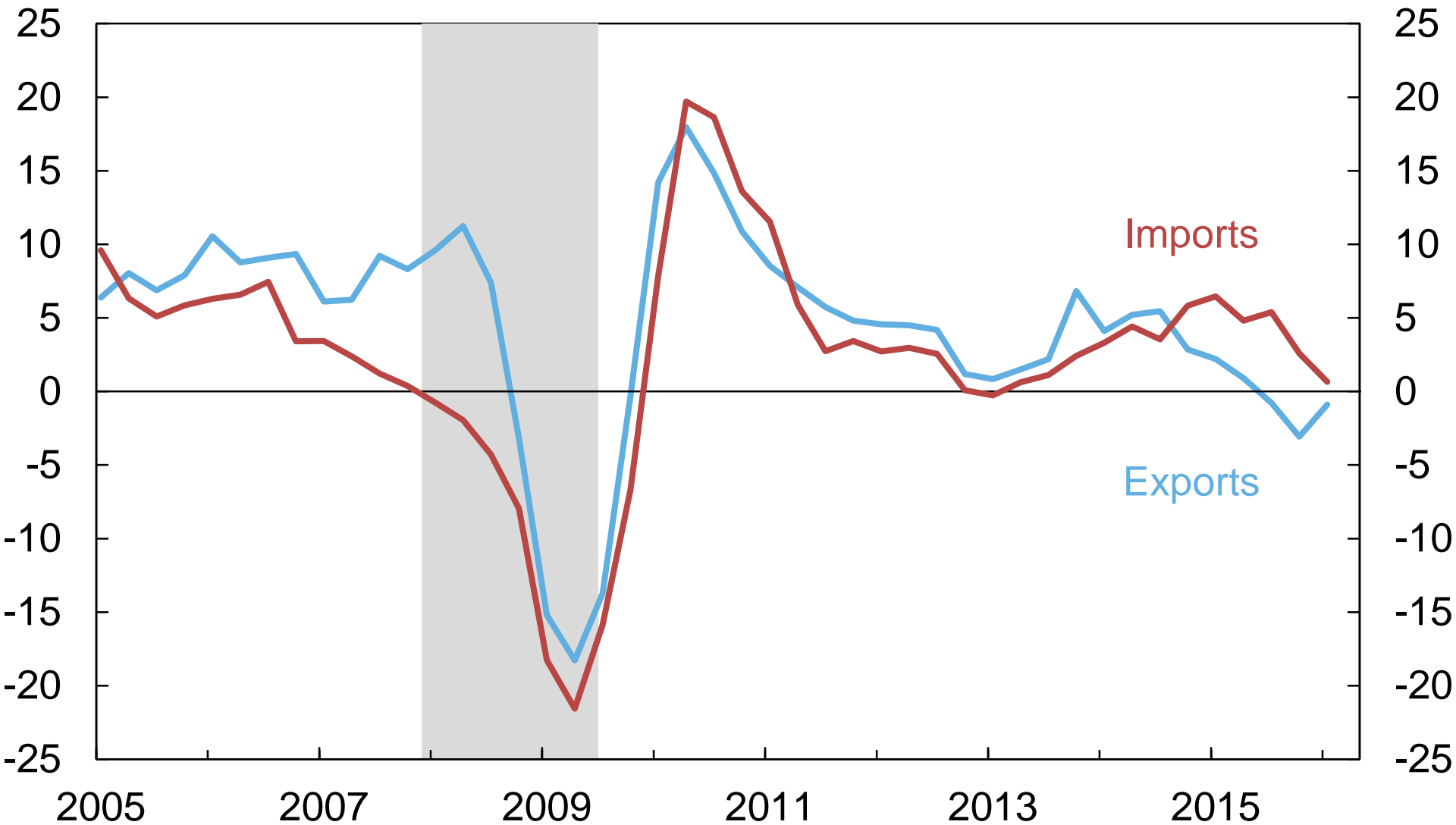
# Log Inventory/Sales with Trend Component (HP, 1600)



# Imports and Exports of Real Goods

4 Quarter % Change

4 Quarter % Change



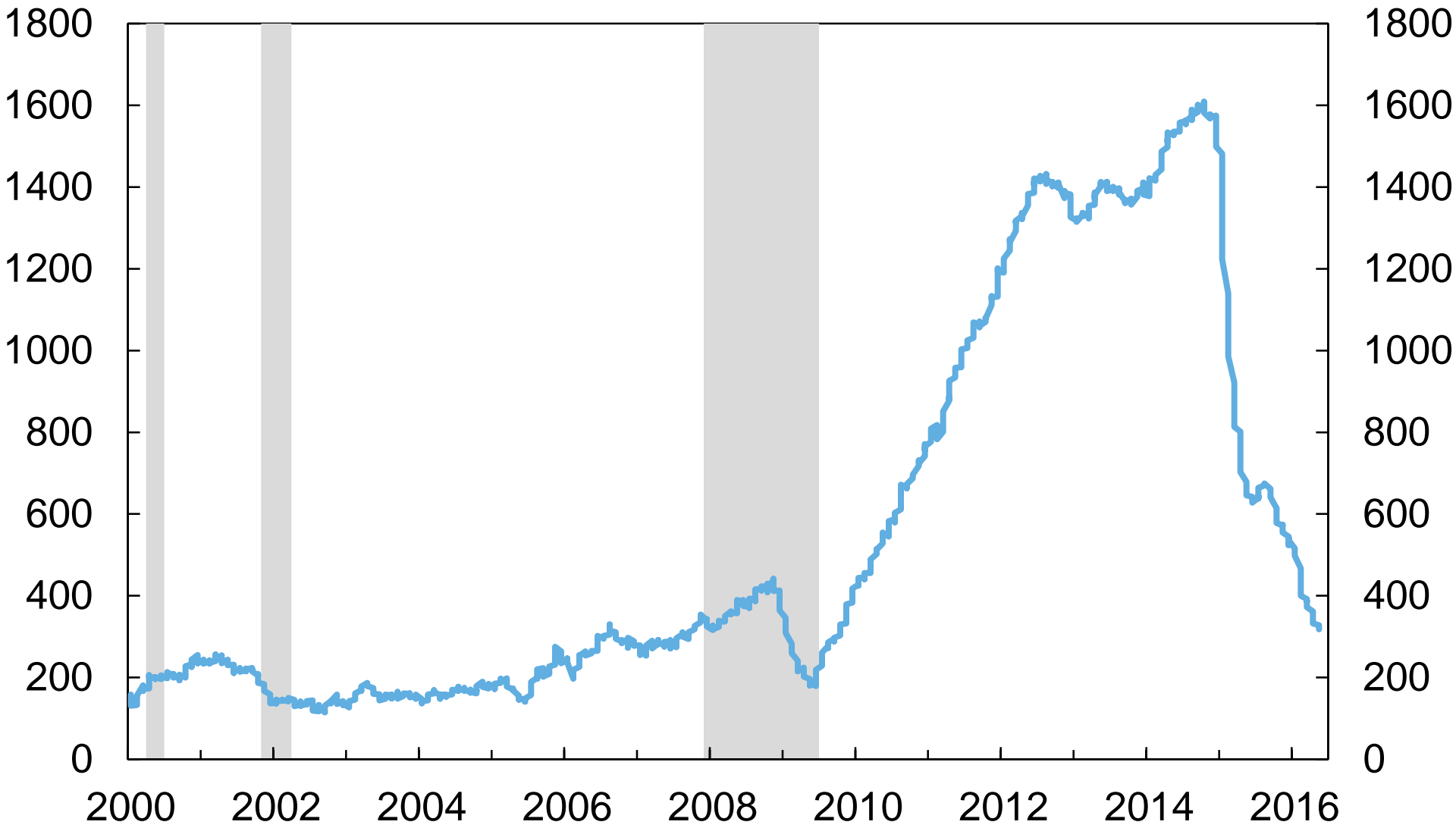
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

# Baker Hughes US Oil Rig Count

Active Oil Rigs

Active Oil Rigs



Source: Baker Hughes

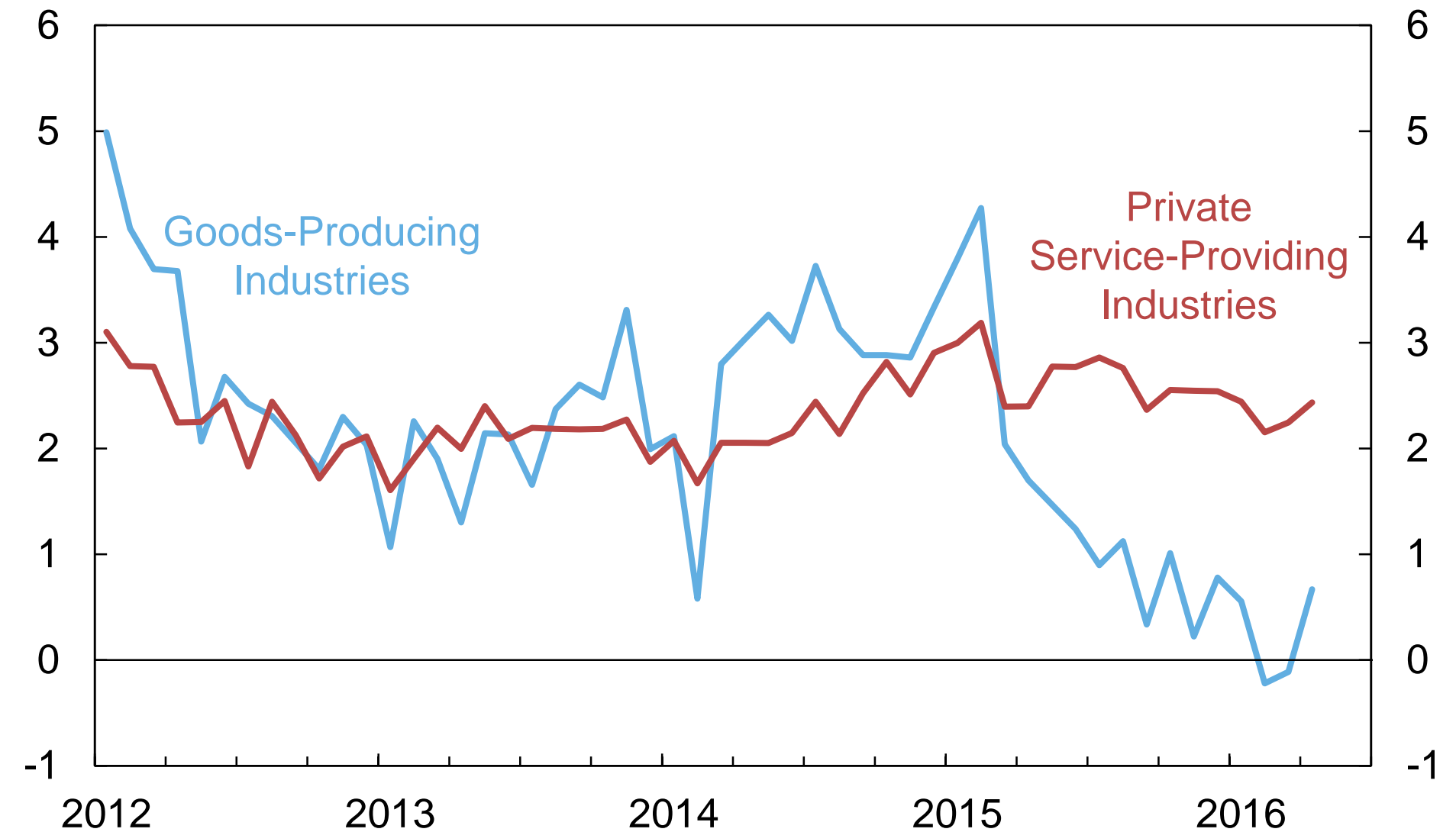
Note: Shading shows NBER recessions.



# Aggregate Weekly Hours Worked

Y/Y % Change

Y/Y % Change



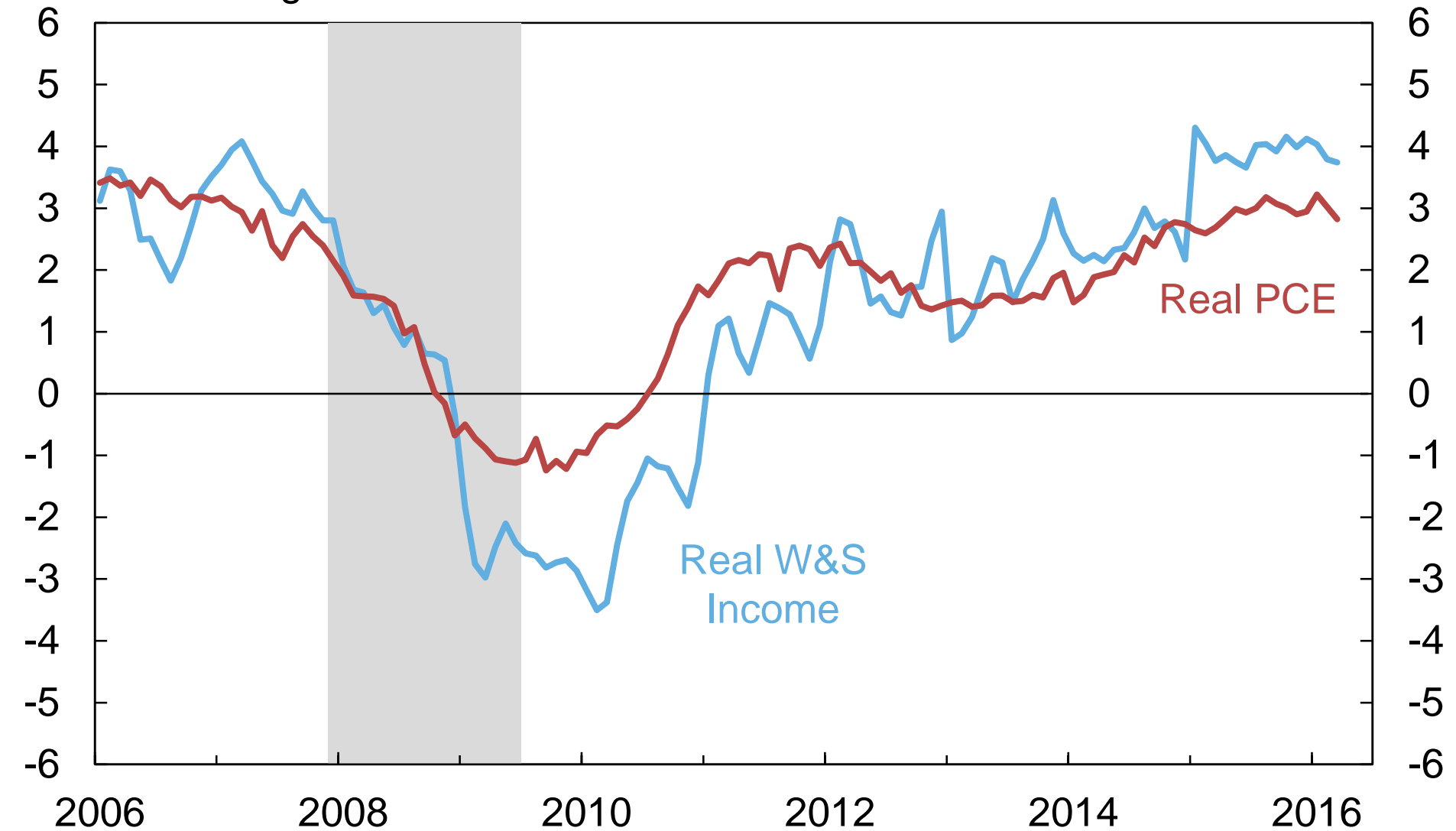
Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.

# Real Wage & Salary Income versus Real PCE

24 Mo % Change AR

24 Y/Y % Change AR



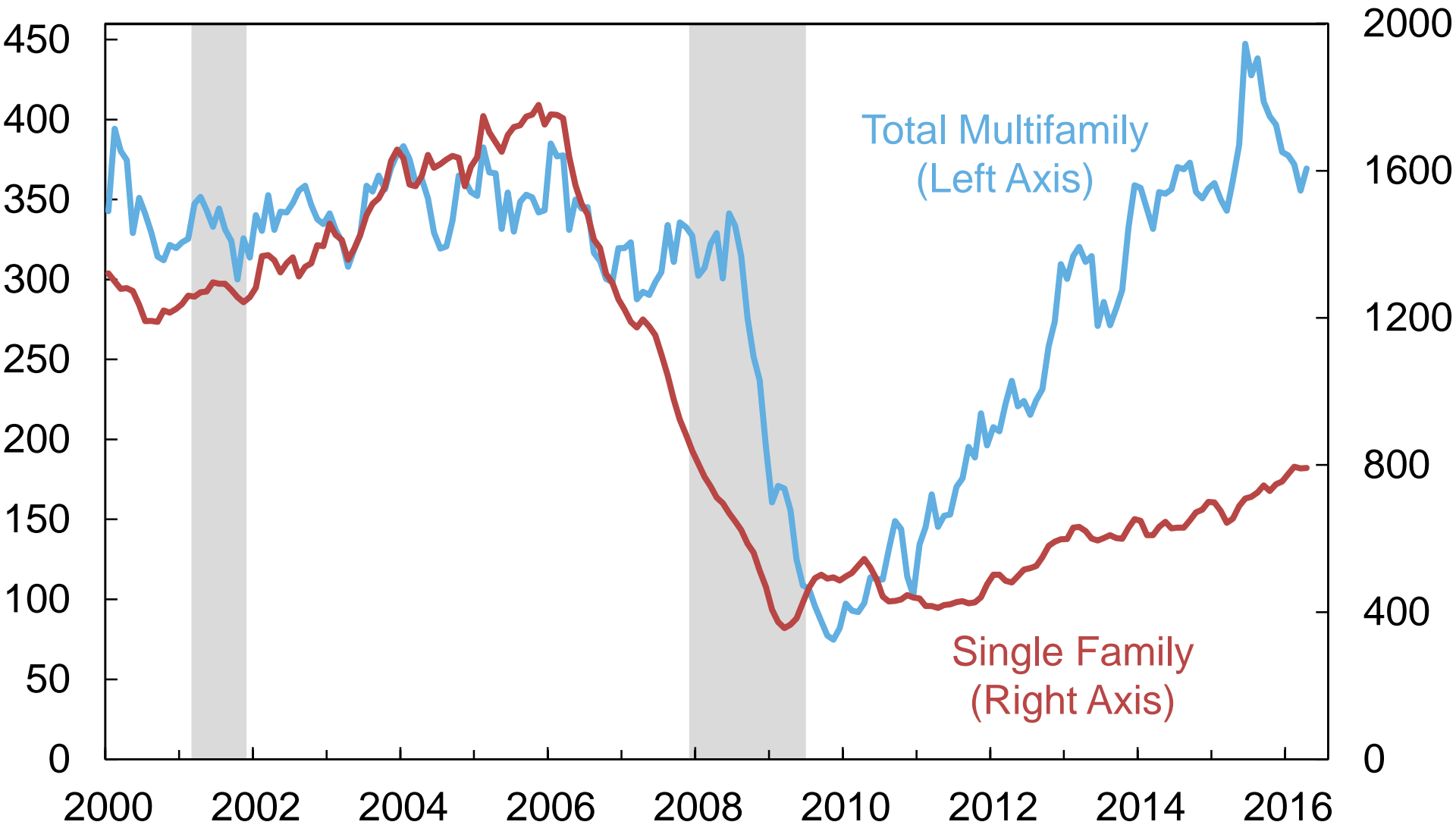
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

# Housing Starts

Thousands, 3 MMA

Thousands, 3 MMA

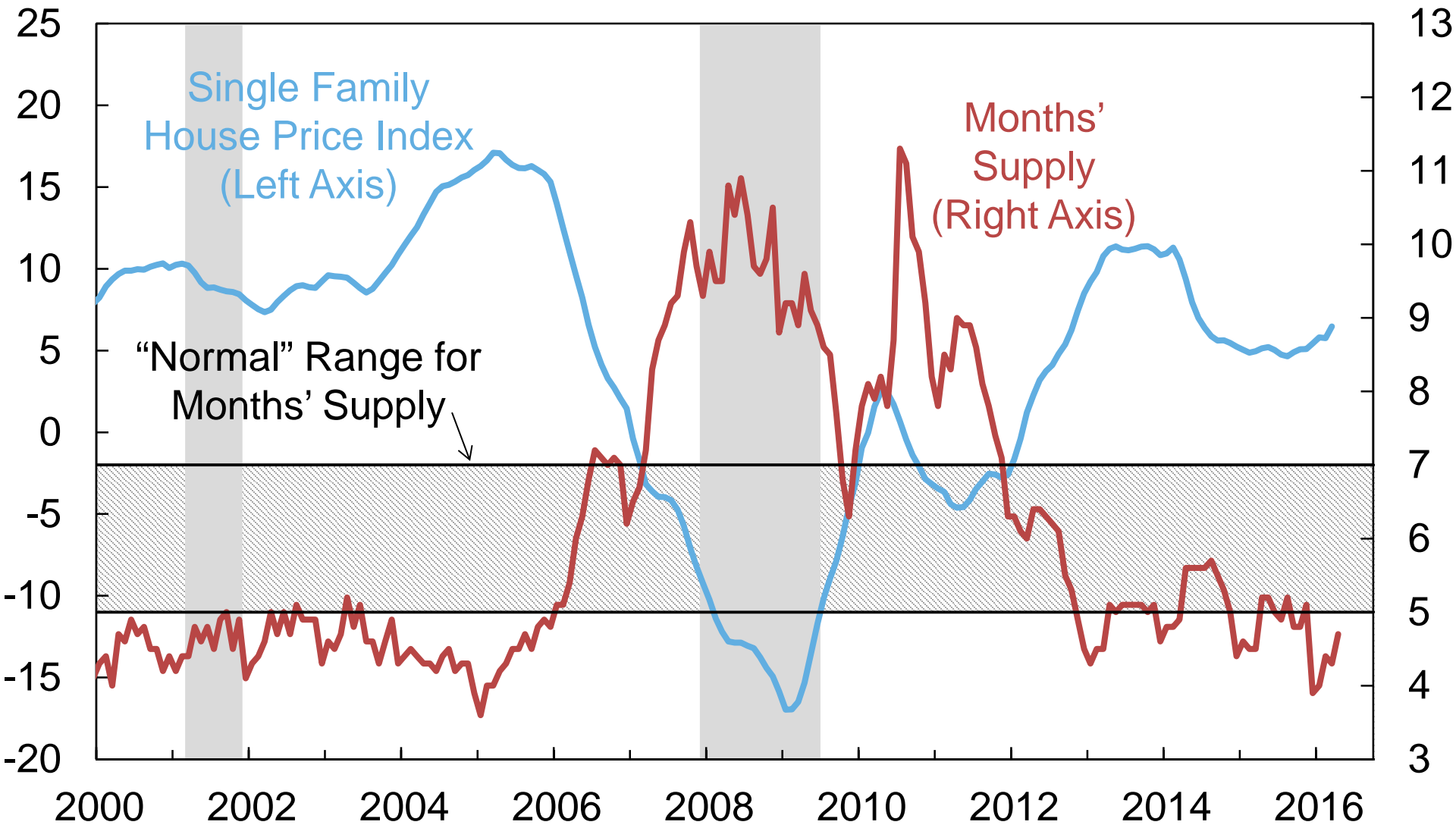




# Single Family Housing Market

12 Month % Change

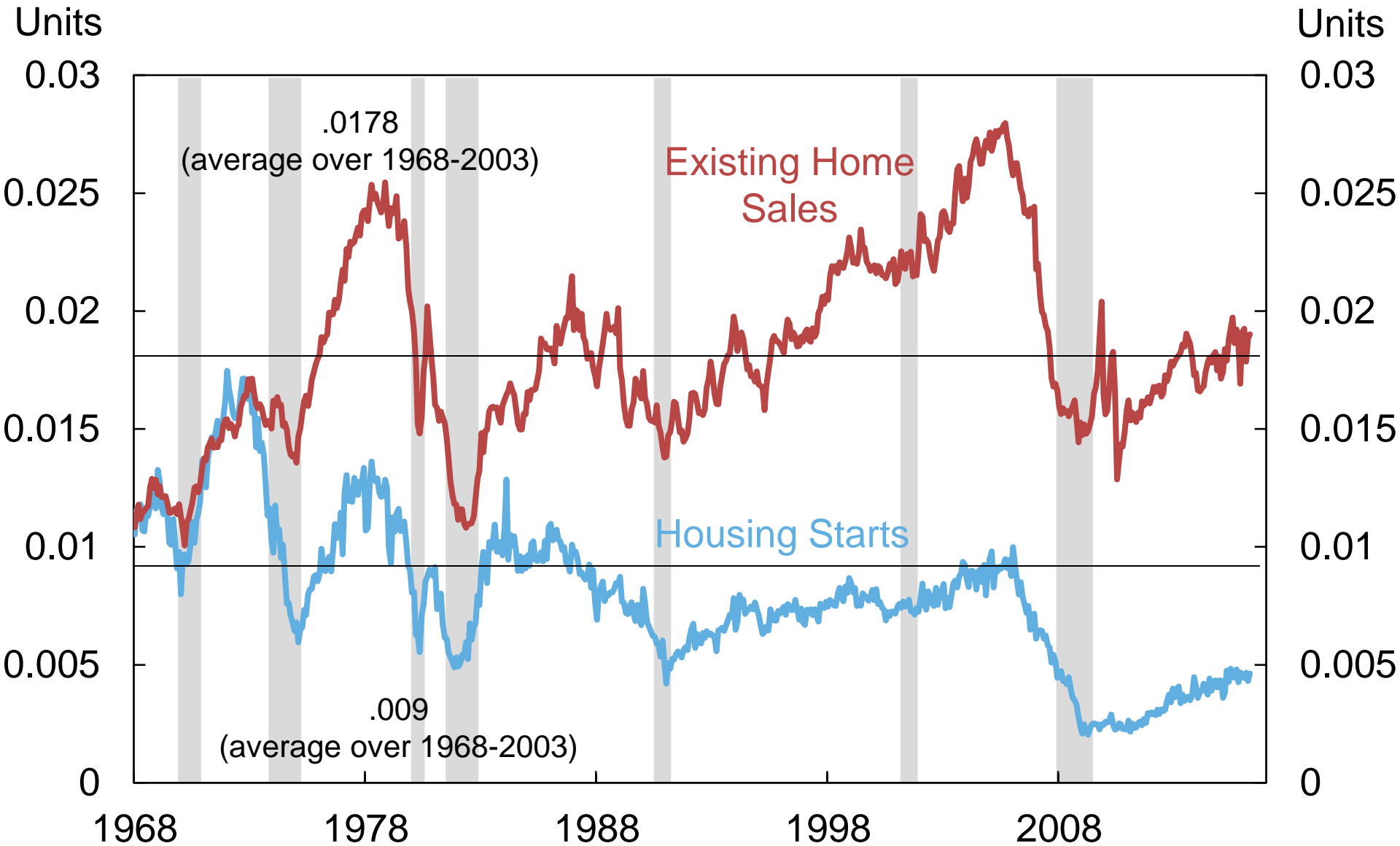
Months



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

Note: Shading shows NBER recessions.

# Housing Starts and Existing Homes Sales Per Capita



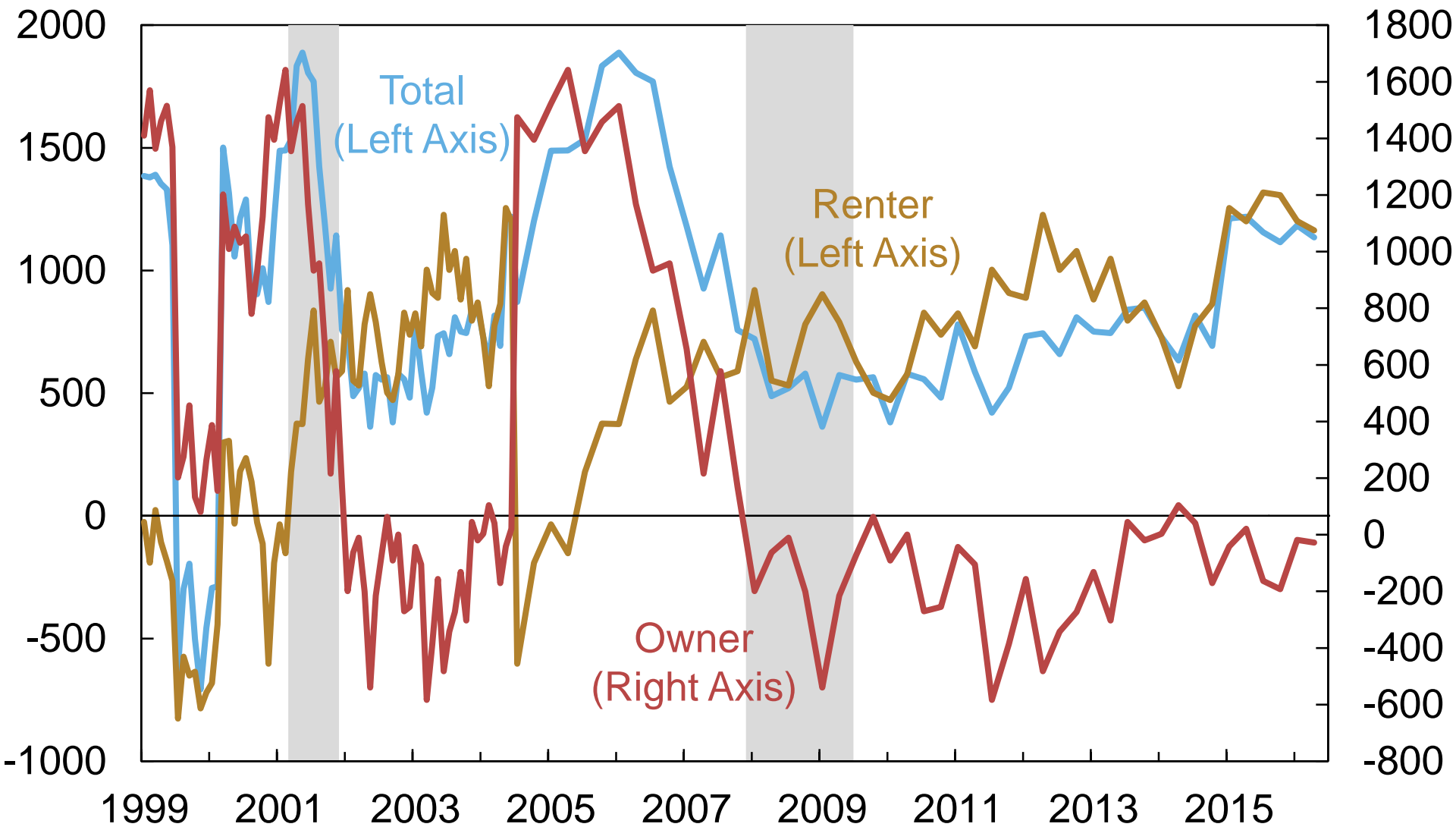
Source: BLS, Census Bureau, NAR

Note: Shading shows NBER recessions.

# Household Formations

2 Year Avg. Change

2 Year Avg. Change



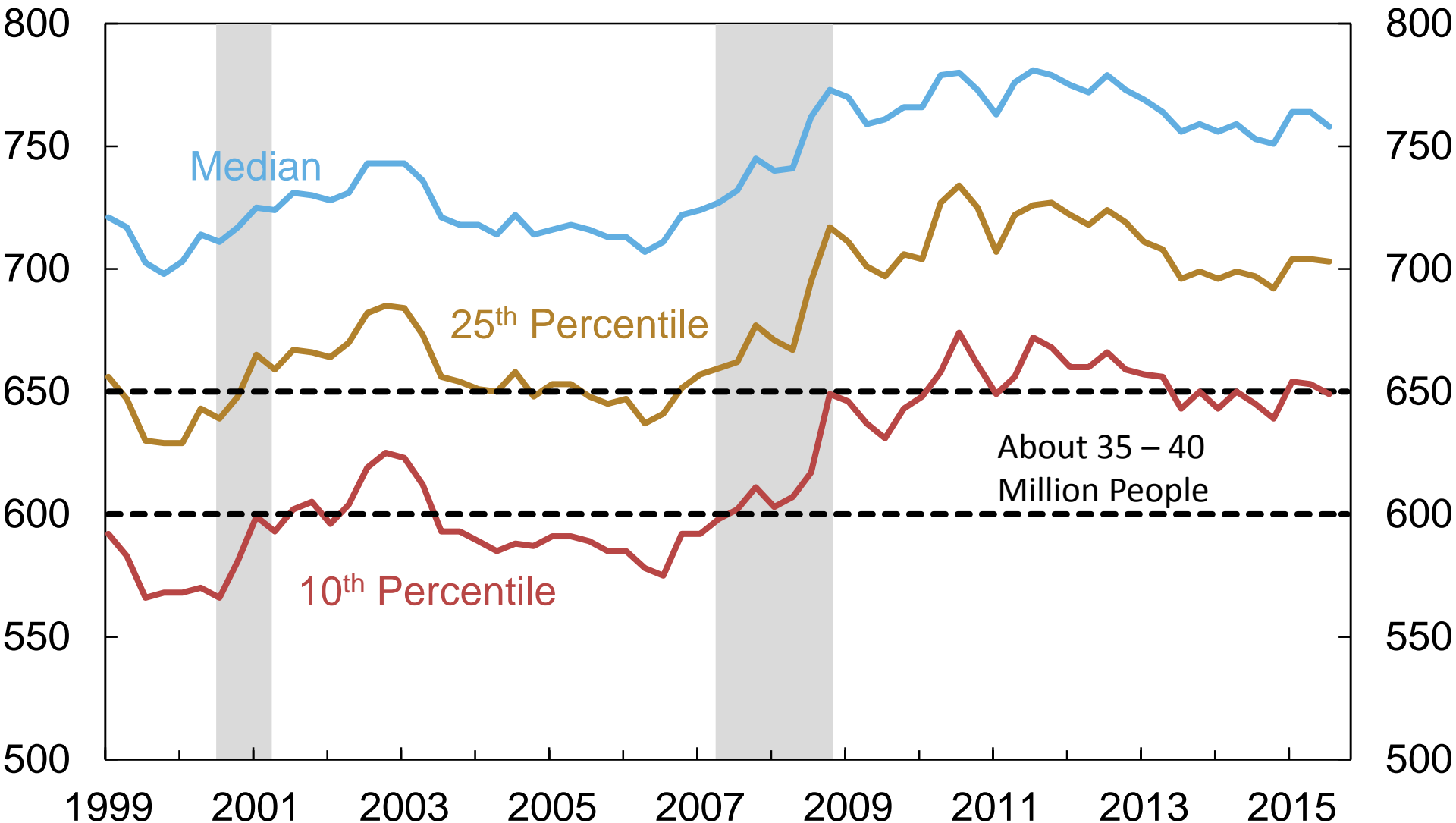
Source: Bureau of the Census

Note: Shading shows NBER recessions.

# Credit Score at Mortgage Origination: All First Mortgages

Credit Score

Credit Score



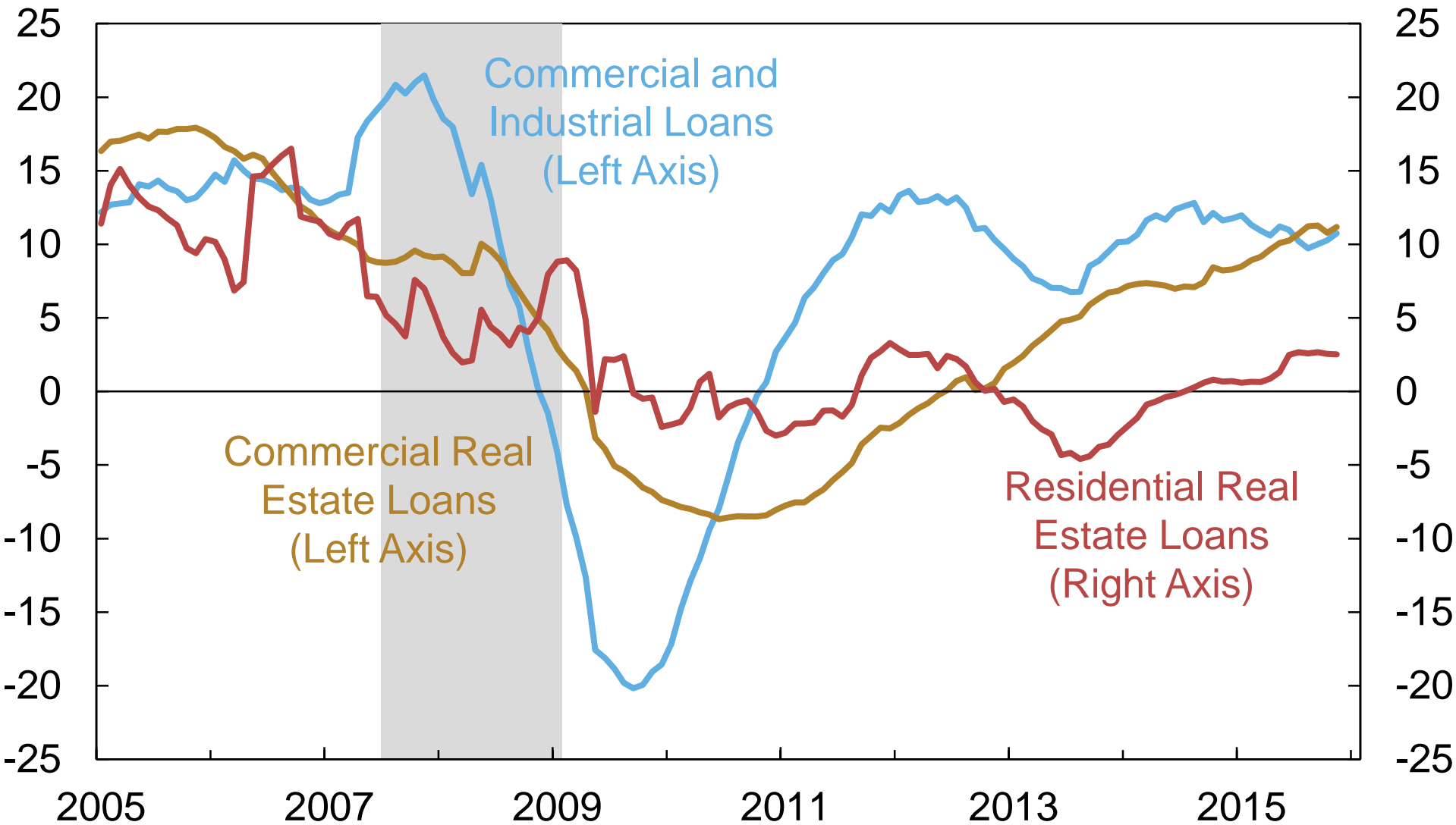
Source: FRBNY / Consumer Credit Panel

Note: Shading shows NBER recessions.

# Bank Assets: Domestically and Foreign Chartered Banks

% Change Year-to-Year

% Change Year-to-Year



Source: Federal Reserve Board

Note: Shading shows NBER recessions.

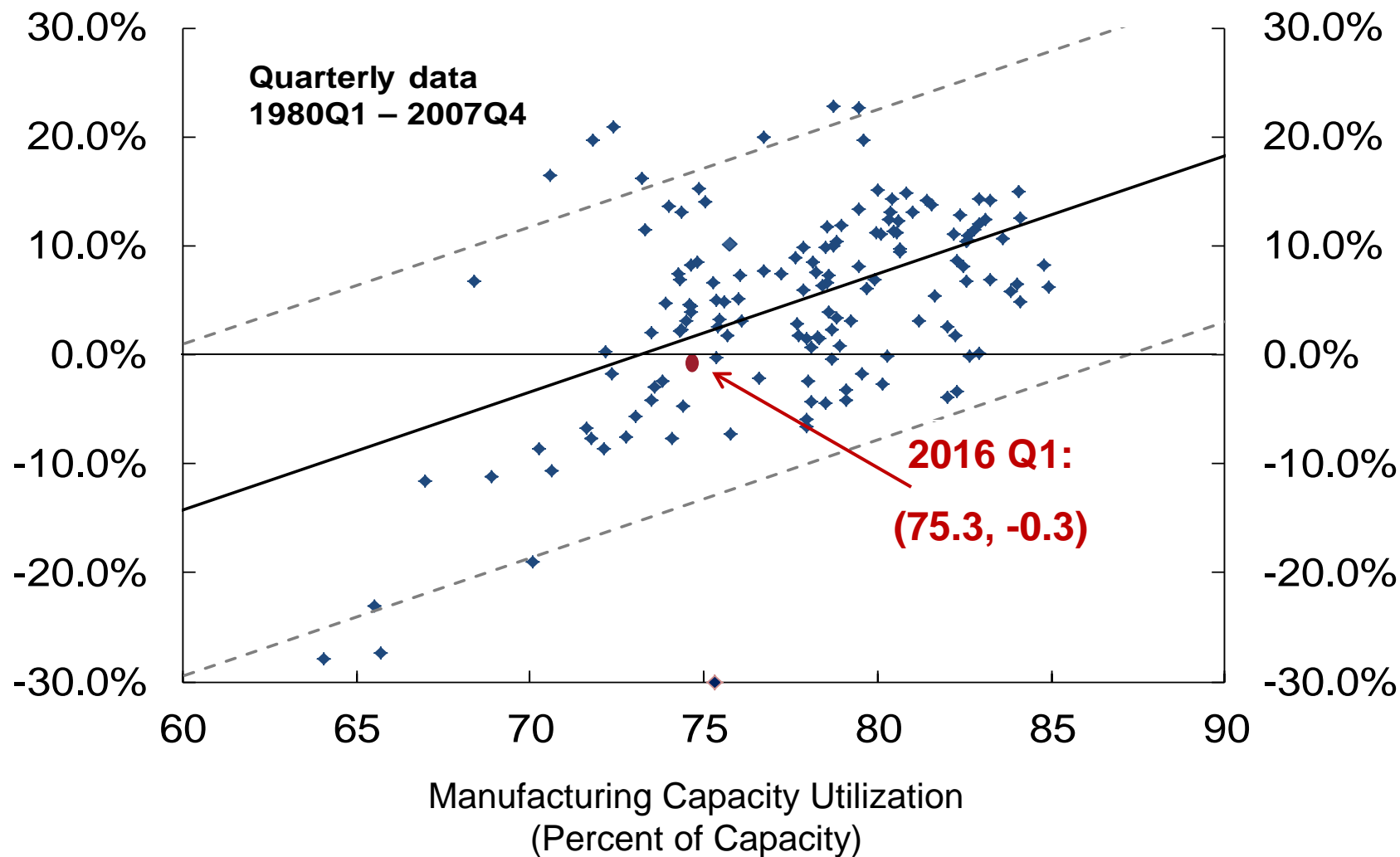




# Equipment Investment Spending and Capacity Utilization

Real Business Investment in New Equipment  
(% Change – Year to Year)

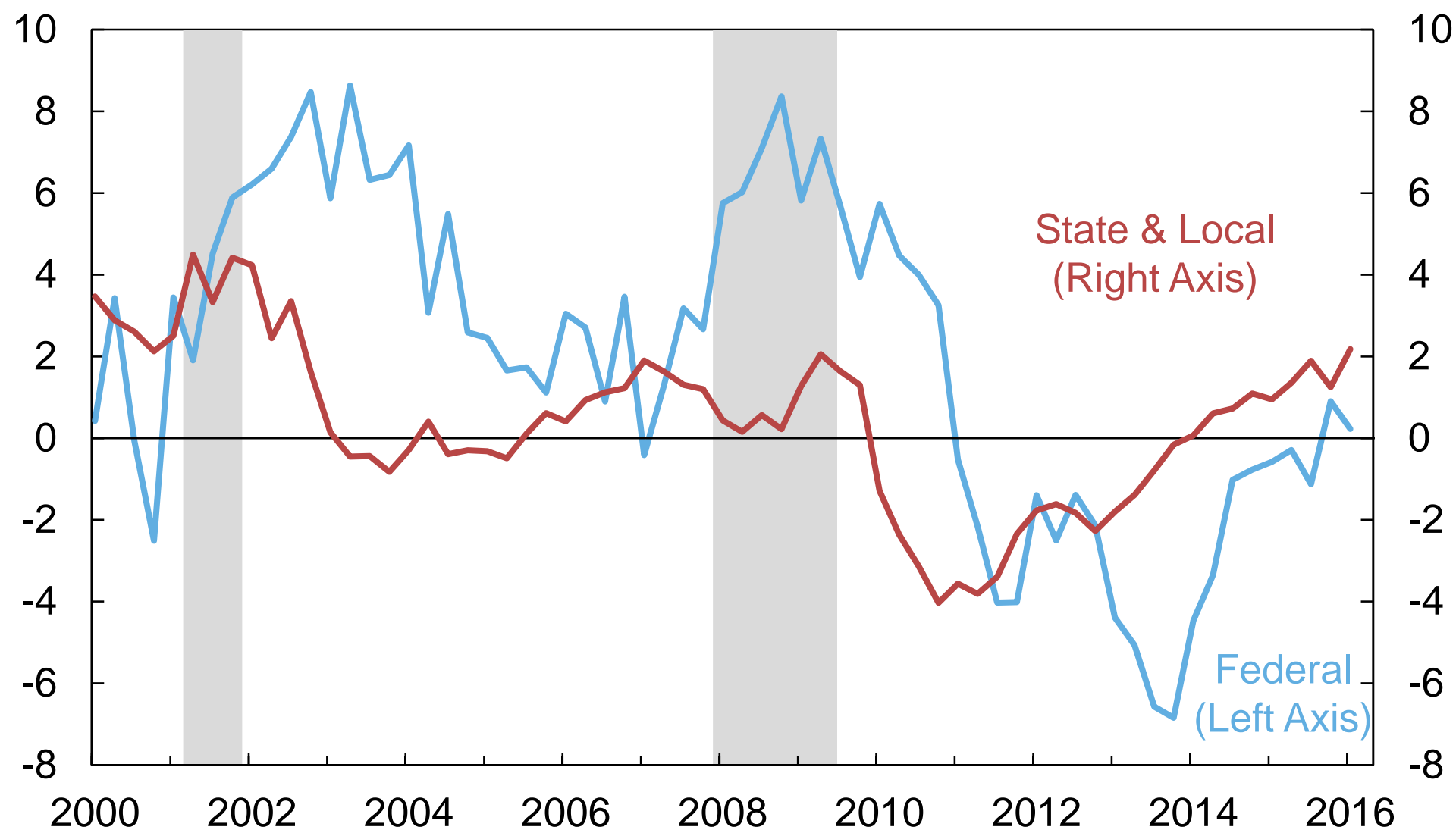
Real Business Investment in New Equipment  
(% Change – Year to Year)



# Real Government Consumption and Gross Investment

4 Quarter % Change

4 Quarter % Change



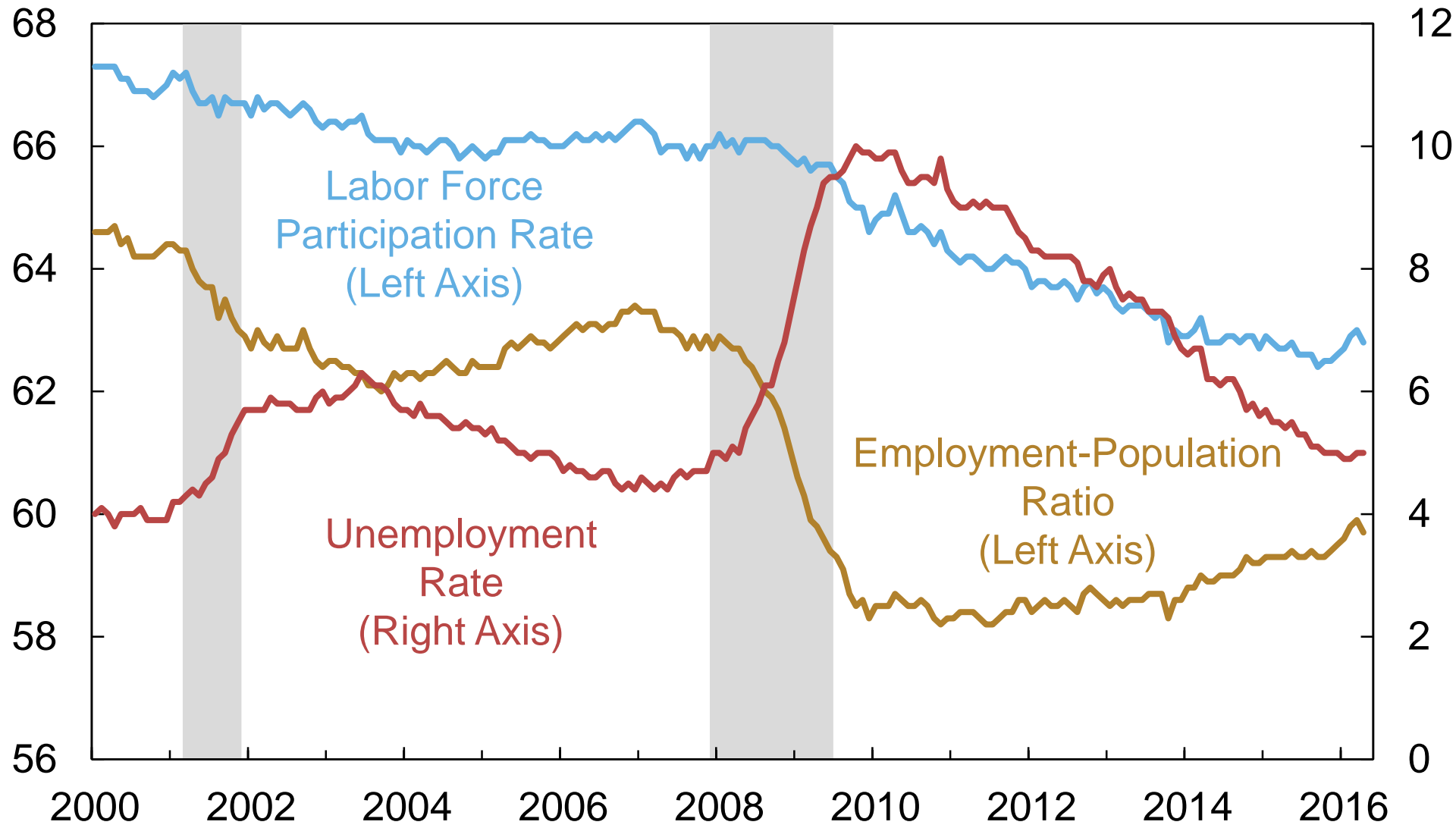
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

# Labor Market Indicators

Percent

Percent



Source: Bureau of Labor Statistics, via Haver Analytics

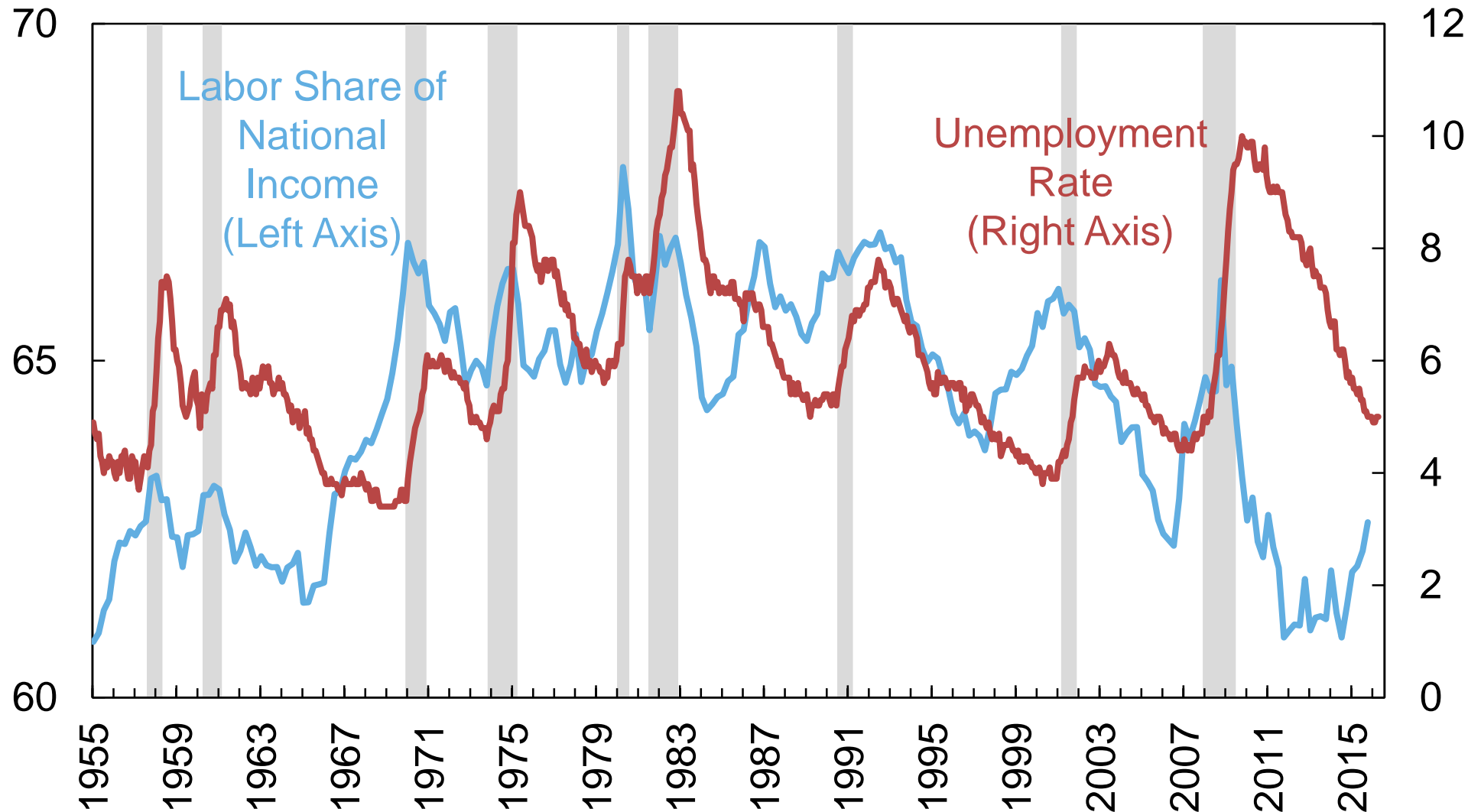
Note: Shading shows NBER recessions.



# Labor Share of National Income and Unemployment

Percent

Rate



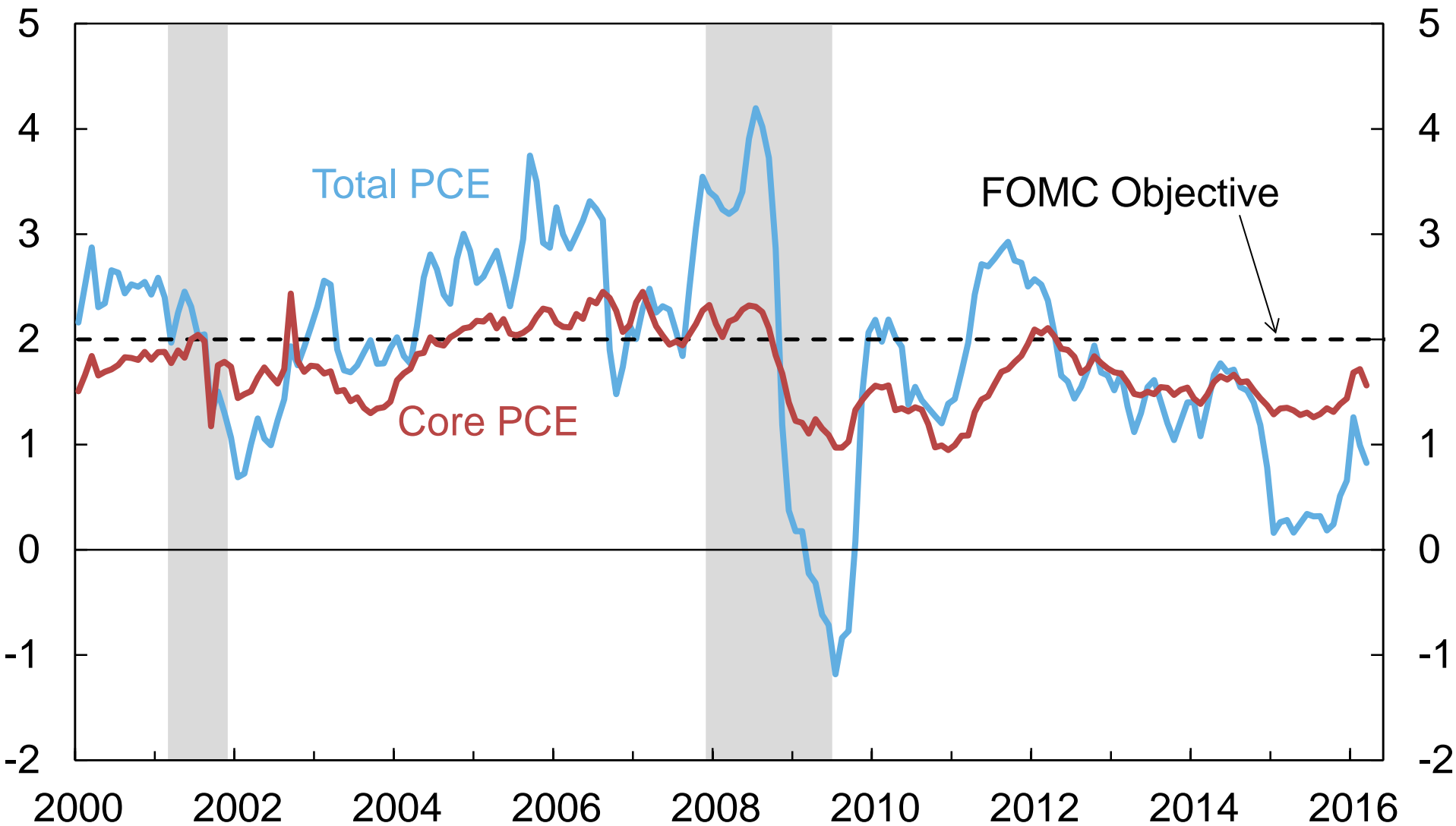
Source: Bureau of Economic Analysis, BLS

Note: Shading shows NBER recessions.

# PCE Deflator

12 Month % Change

12 Month % Change



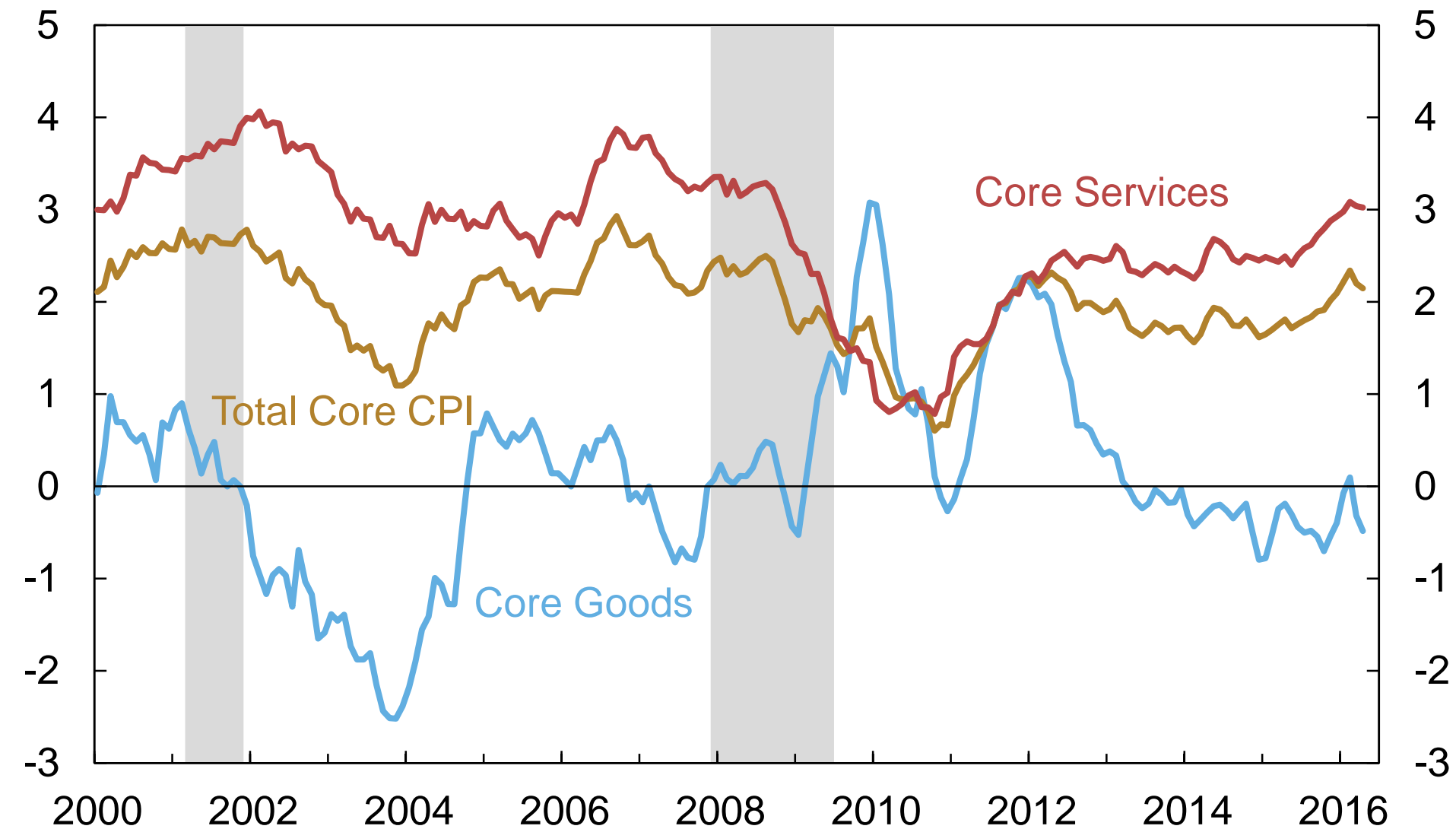
Source: Bureau of Economic Analysis, via Haver Analytics

Note: Shading shows NBER recessions.

# CPI Inflation: Core Goods and Core Services

12 Month % Change

12 Month % Change



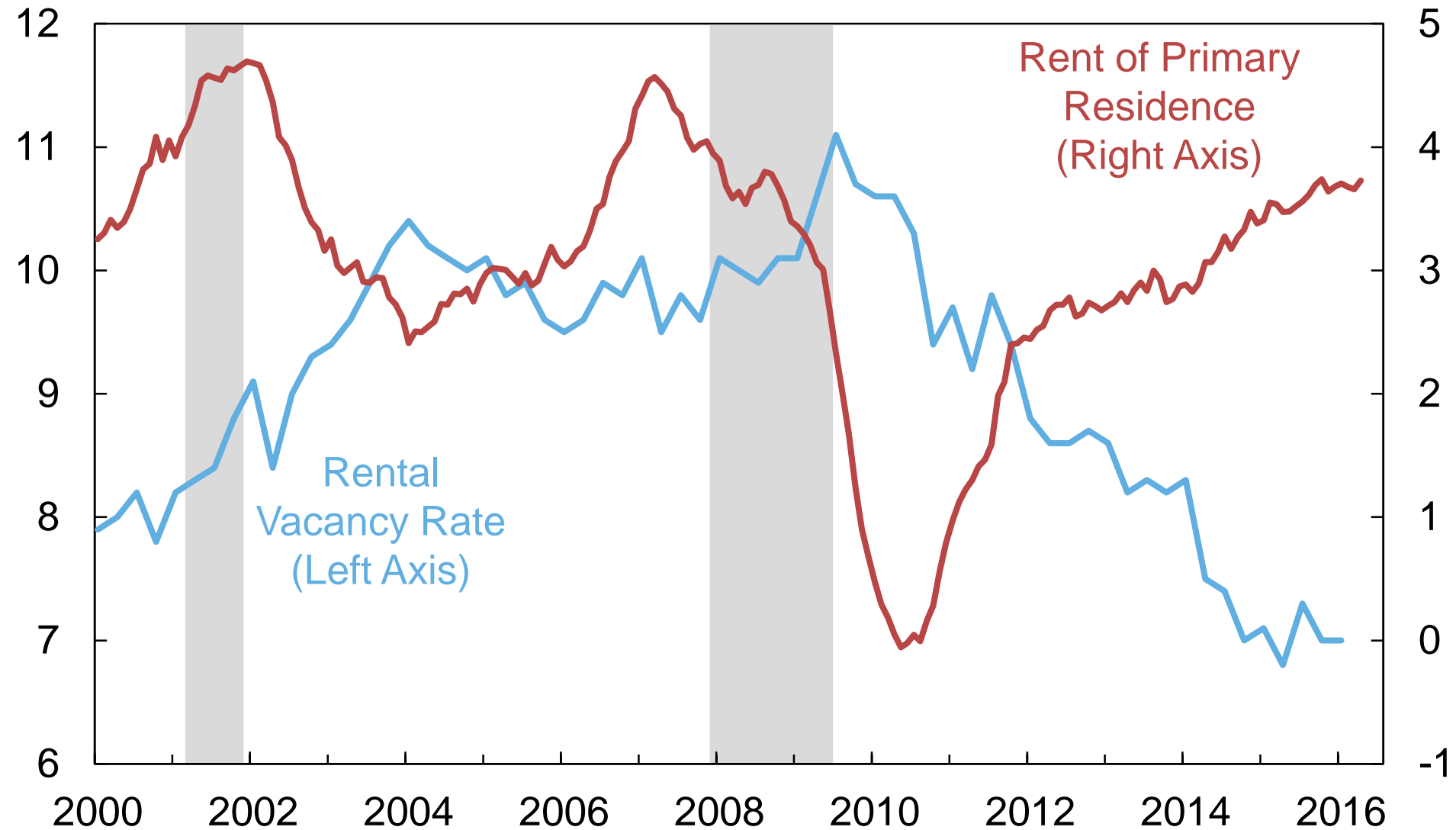
Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.

# Rental Vacancy Rate and Rent of Primary Residence

Percent

12 Month % Change



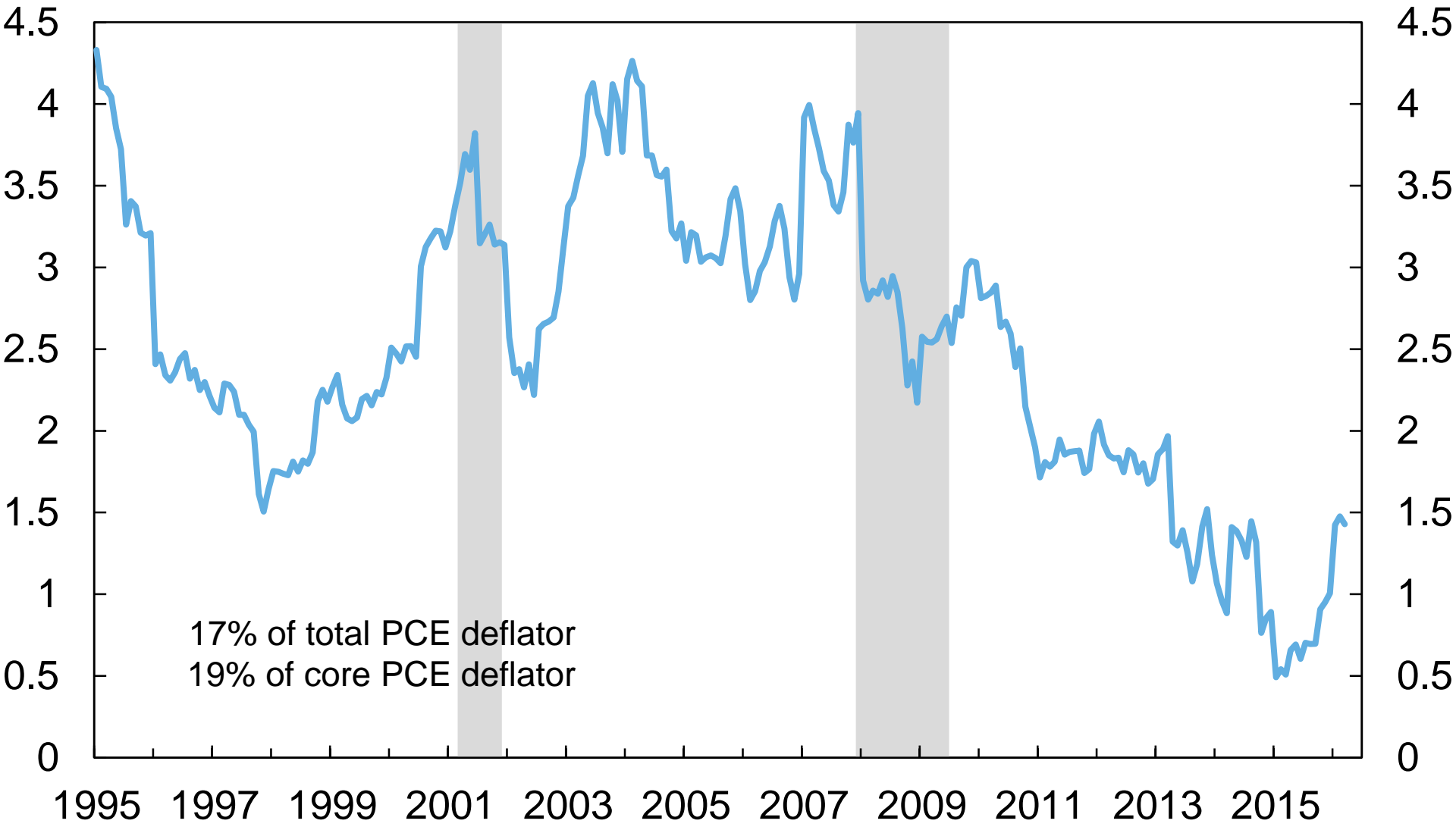
Source: Census Bureau, BLS

Note: Shading shows NBER recessions.

# Personal Consumption Expenditures: Health Care Price Index

12 Month % Change

12 Month % Change



17% of total PCE deflator  
19% of core PCE deflator

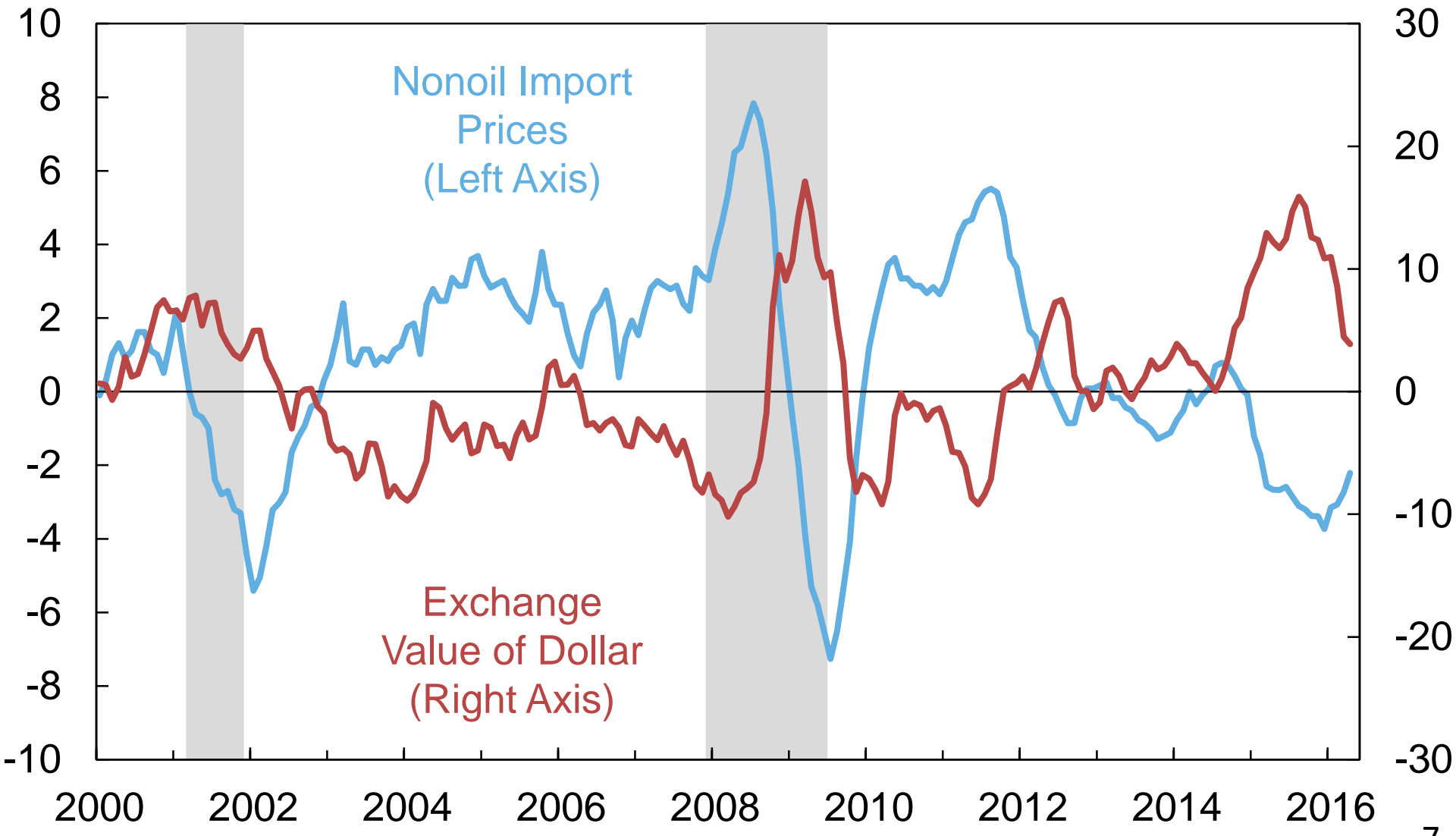




# Dollar Exchange Rate and Nonoil Import Prices

12 Month % Change

12 Month % Change



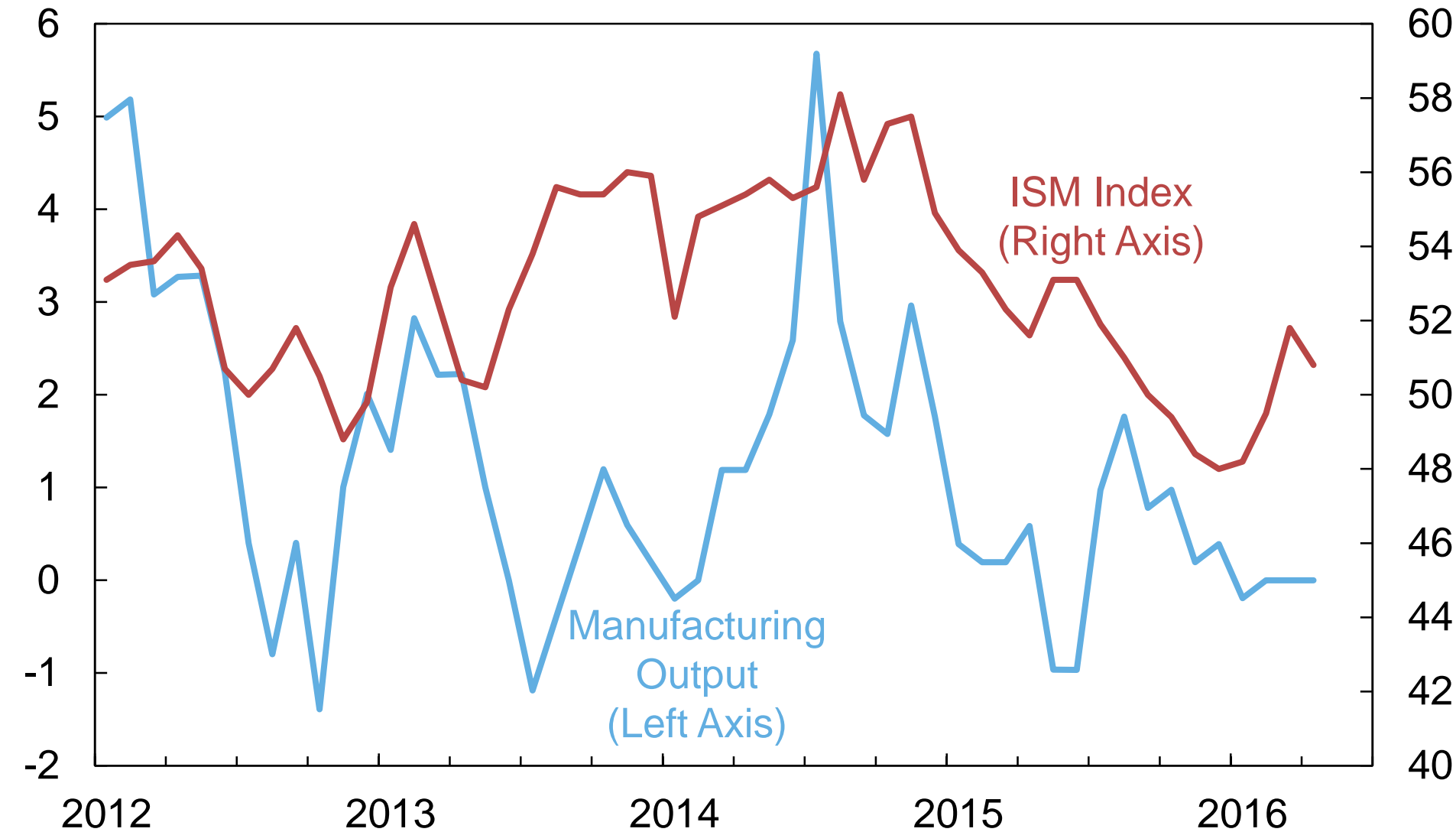
Source: Federal Reserve Board, Bureau of Labor Statistics, via Haver Analytics

Note: Shading shows NBER recessions. Dollar is Board's trade-weighted measure.

# Manufacturing Output and the ISM Manufacturing Index

6 Mo. % Change AR

Level

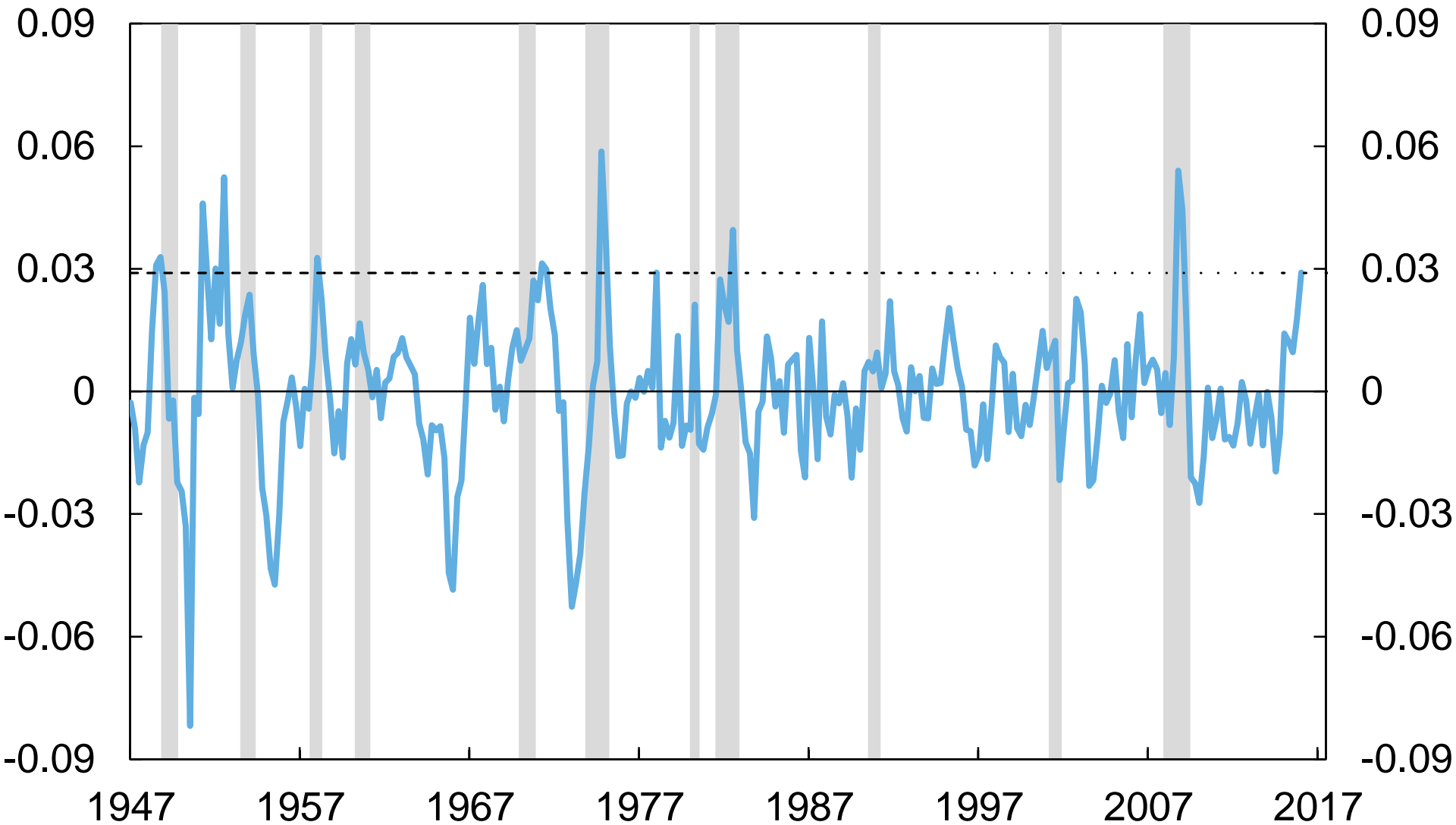


Source: Federal Reserve Board, ISM.

# Cyclical Component of Log Inventory/Sales

Log points

Log points



Source: BEA

Note: Shading shows NBER recessions.



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# Regional Economic Conditions

Jaison R. Abel, Research Officer

Upstate New York Regional Advisory Board Meeting – June 1, 2016

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.

# Overview of Regional Conditions

- Upstate New York's slow and steady expansion lost some momentum over the past year, with little job gains seen in recent months.
- Job growth has been modest in Albany and Buffalo, and flat in Rochester and Syracuse, while steep job losses have continued to plague Binghamton.
- The region's housing markets have generally remained stable, though home building activity has picked up recently in a few areas.



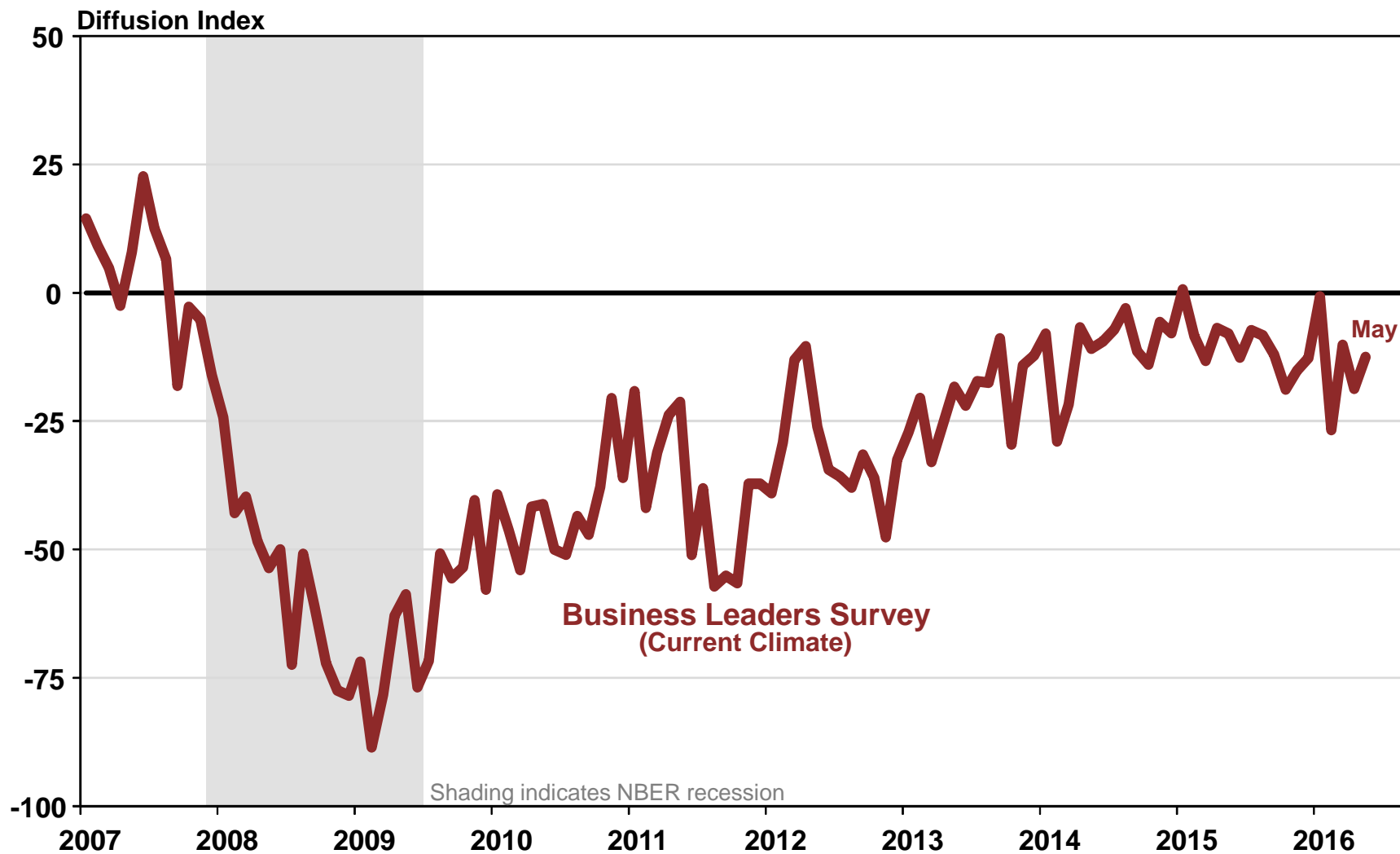
# Current Economic Conditions

## FRBNY Regional Business Surveys



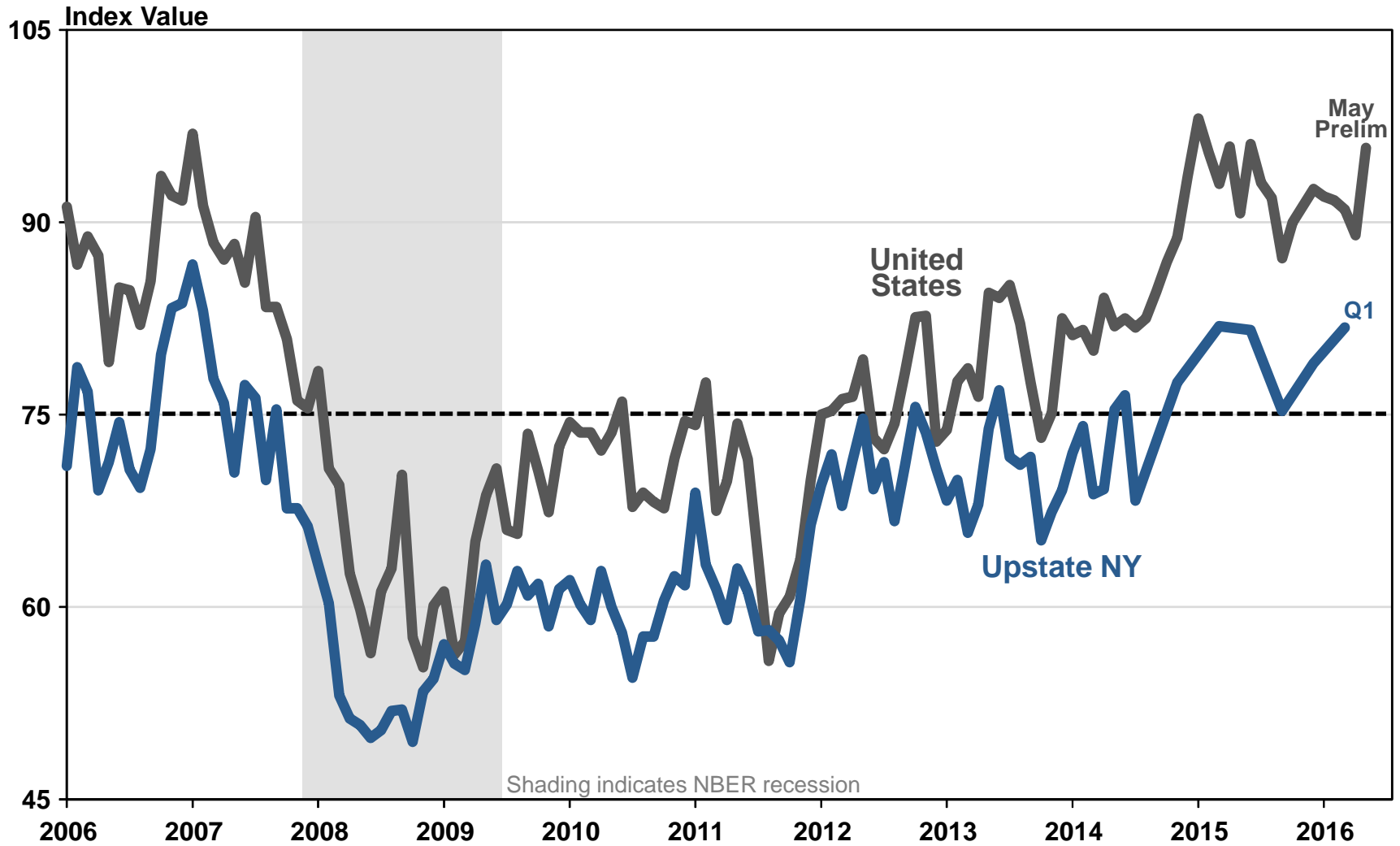
# Current Business Climate

## FRBNY Business Leaders Survey



# Regional Consumer Confidence

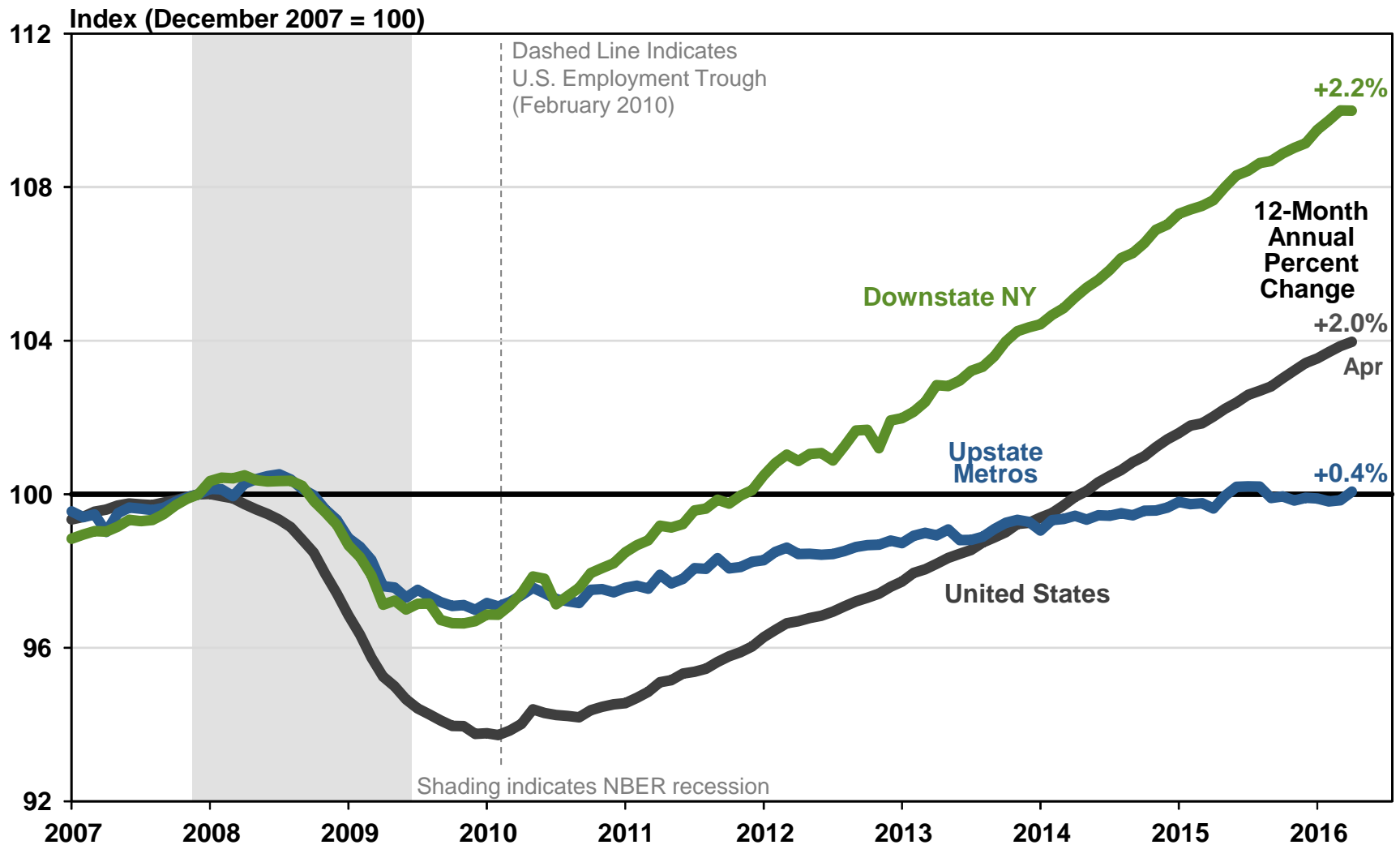
## Overall Consumer Confidence





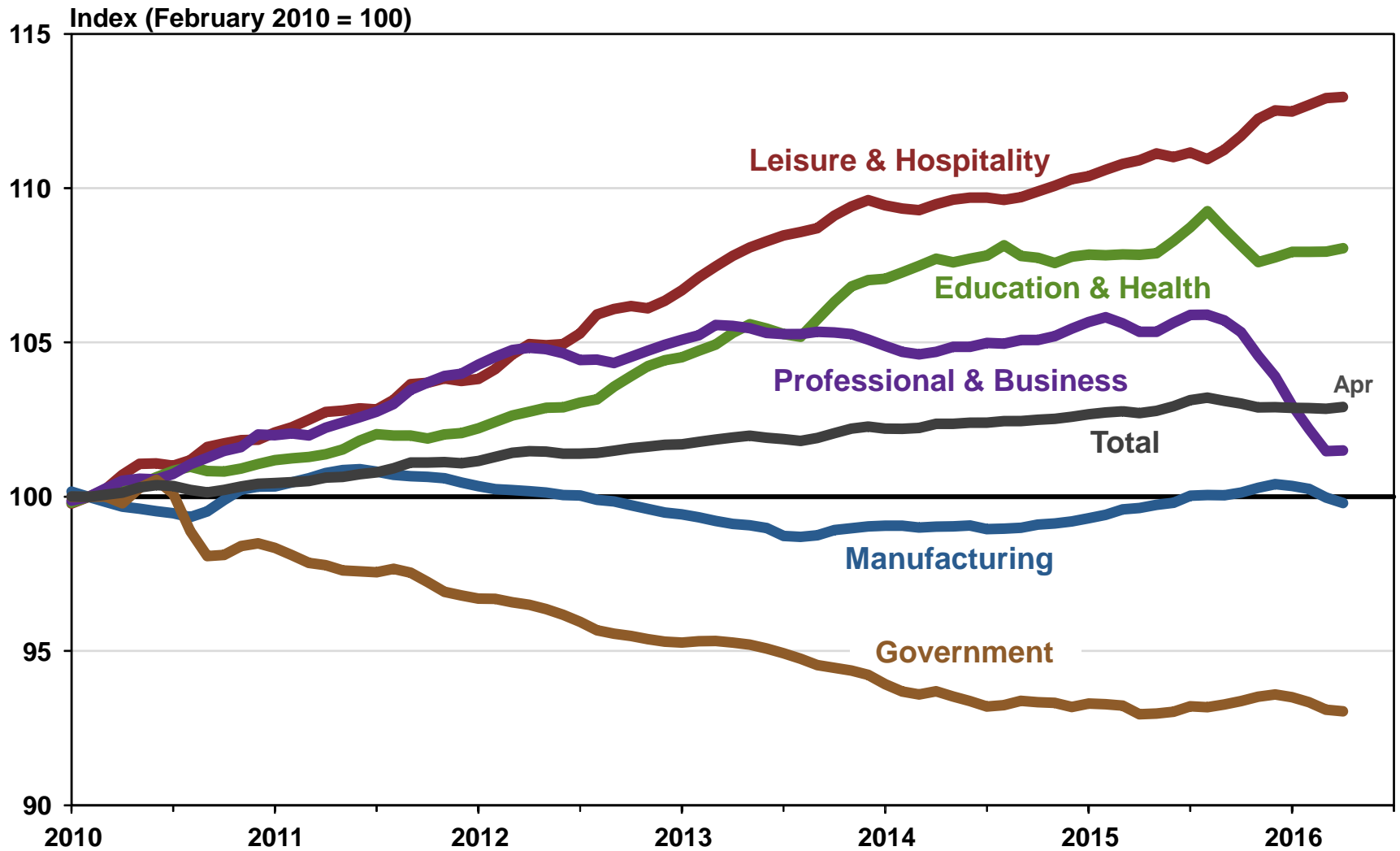
# Regional Employment Trends

## Total Employment, Seasonally Adjusted



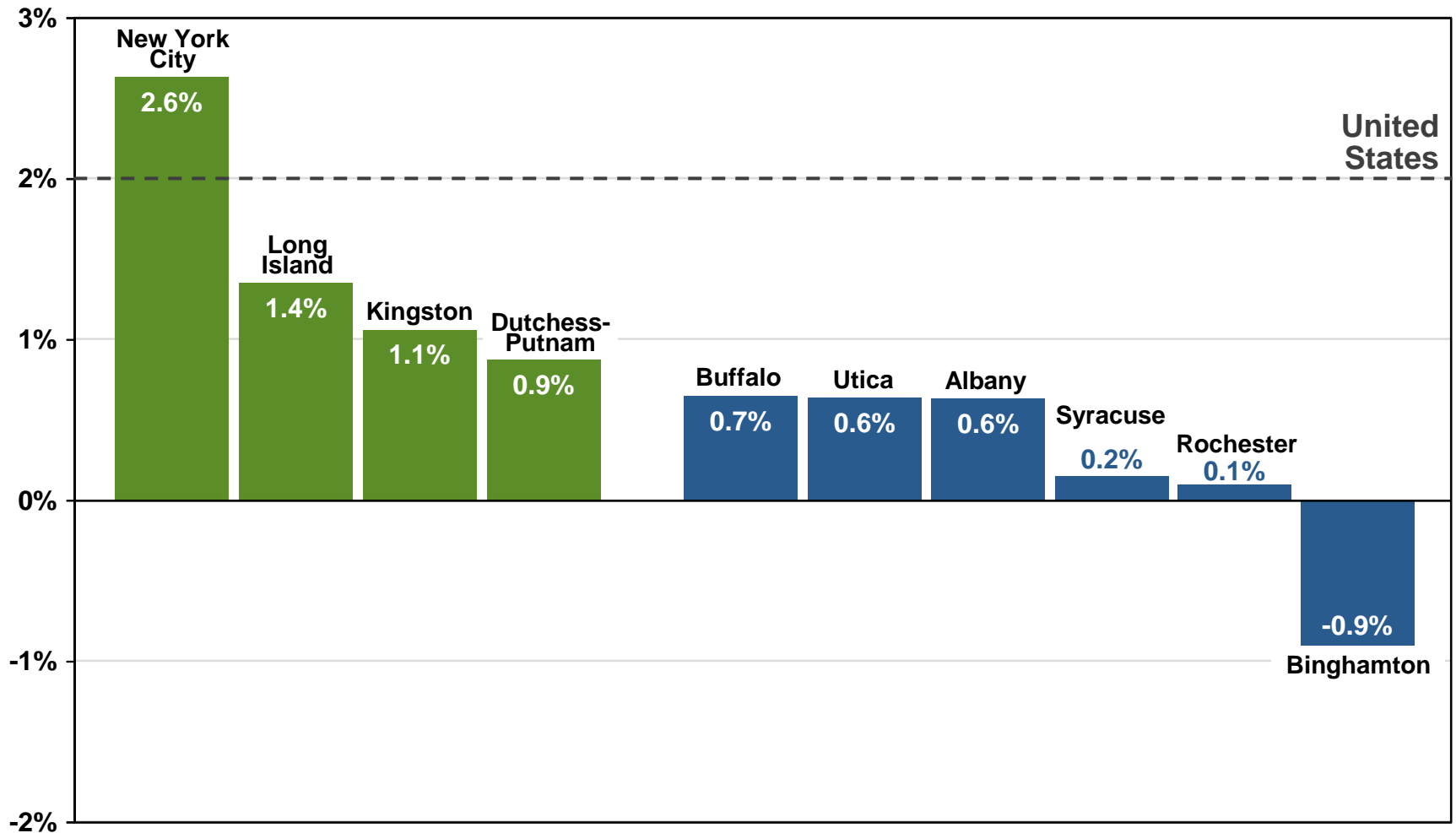
# Sectors Driving Upstate Job Growth

3-Month Moving Average, Seasonally Adjusted



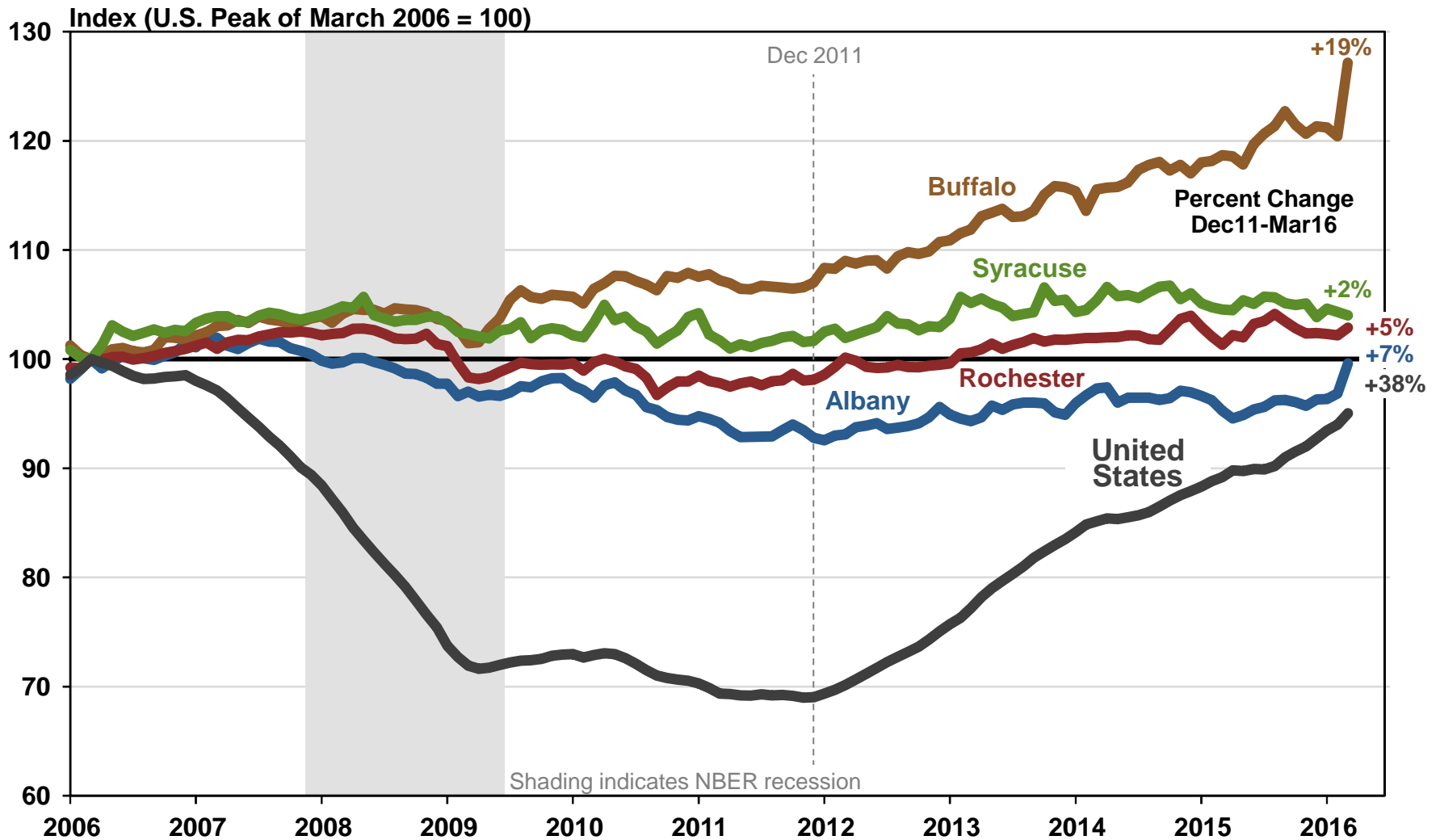
# Job Growth in the Region

12-Month Annual Percent Change



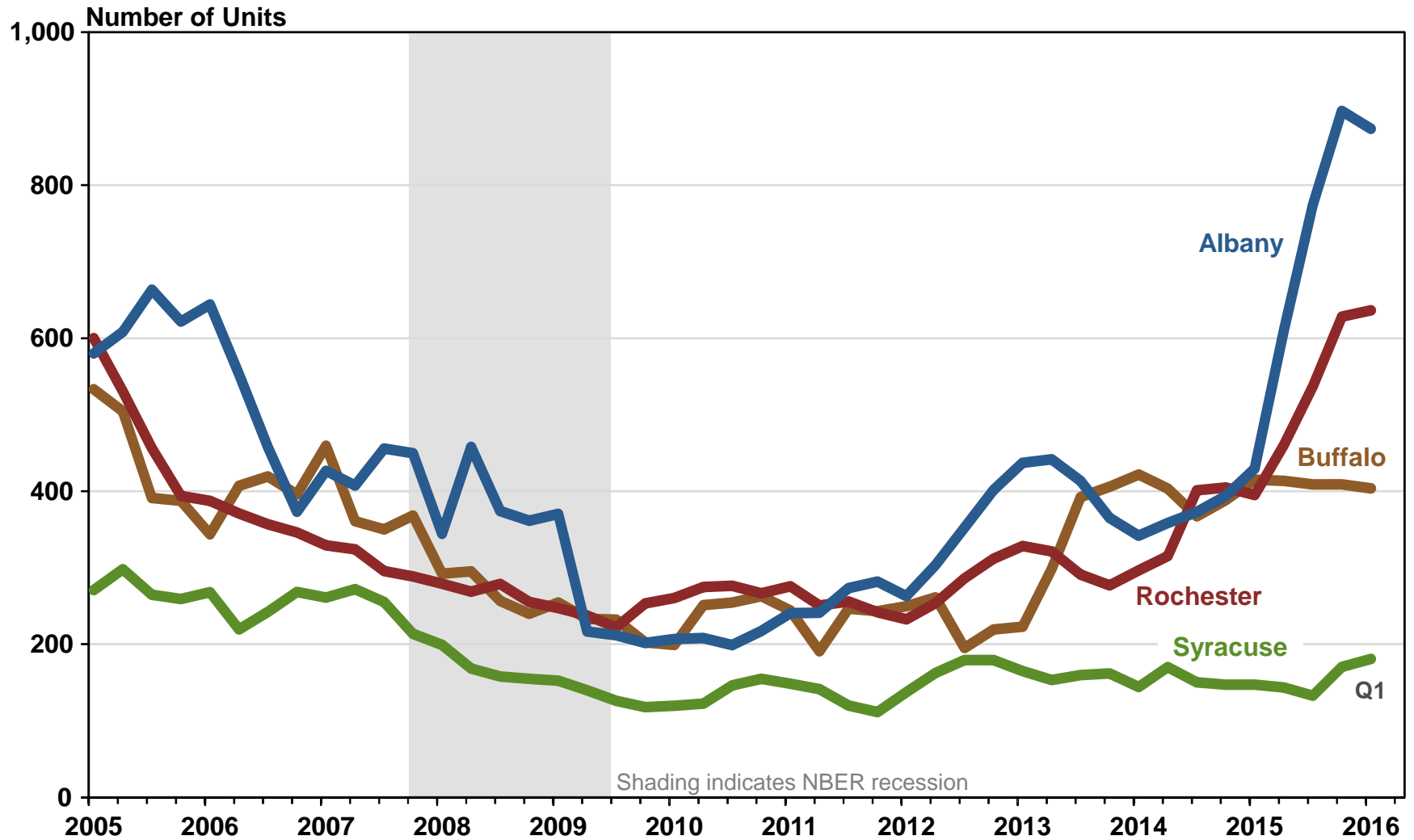
# Regional Home Price Trends

CoreLogic Single-Family Home Price Index, Seasonally Adjusted



# Regional Home Building Activity

Total Residential Permits, 4-Quarter Moving Average





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# Global Economic Outlook

**Upstate New York Regional Advisory Council**  
Matthew Higgins, 1 June 2016

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

# Roadmap

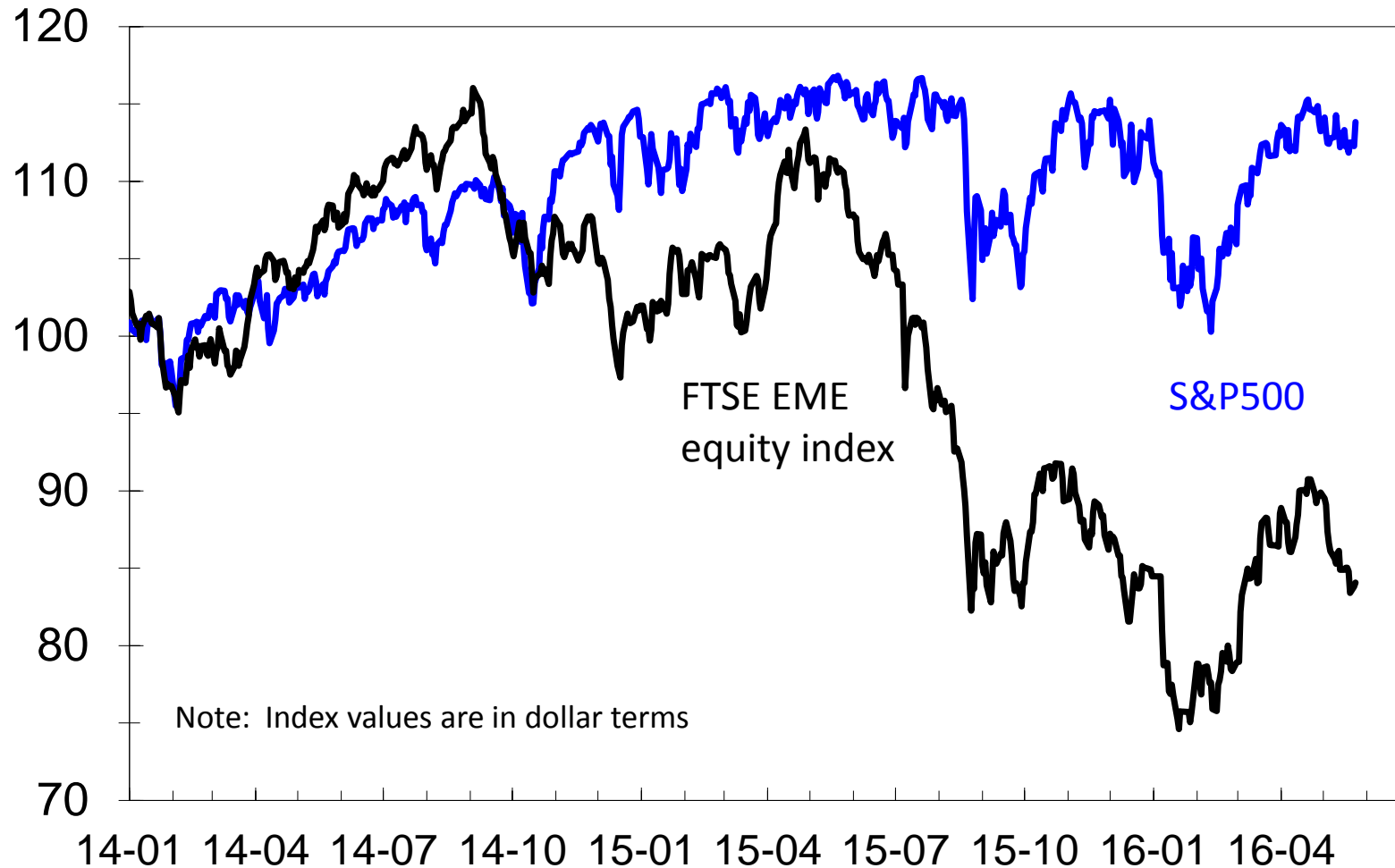
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- Recent global economic performance and medium-term outlook
- Foreign advanced economies' struggle to escape "lowflation"
- Political economy risks in Europe
- Economic outlook and risks in China
- Global oil market developments and outlook



# U.S. and EME equity performance

Indexes, January 2014 = 100

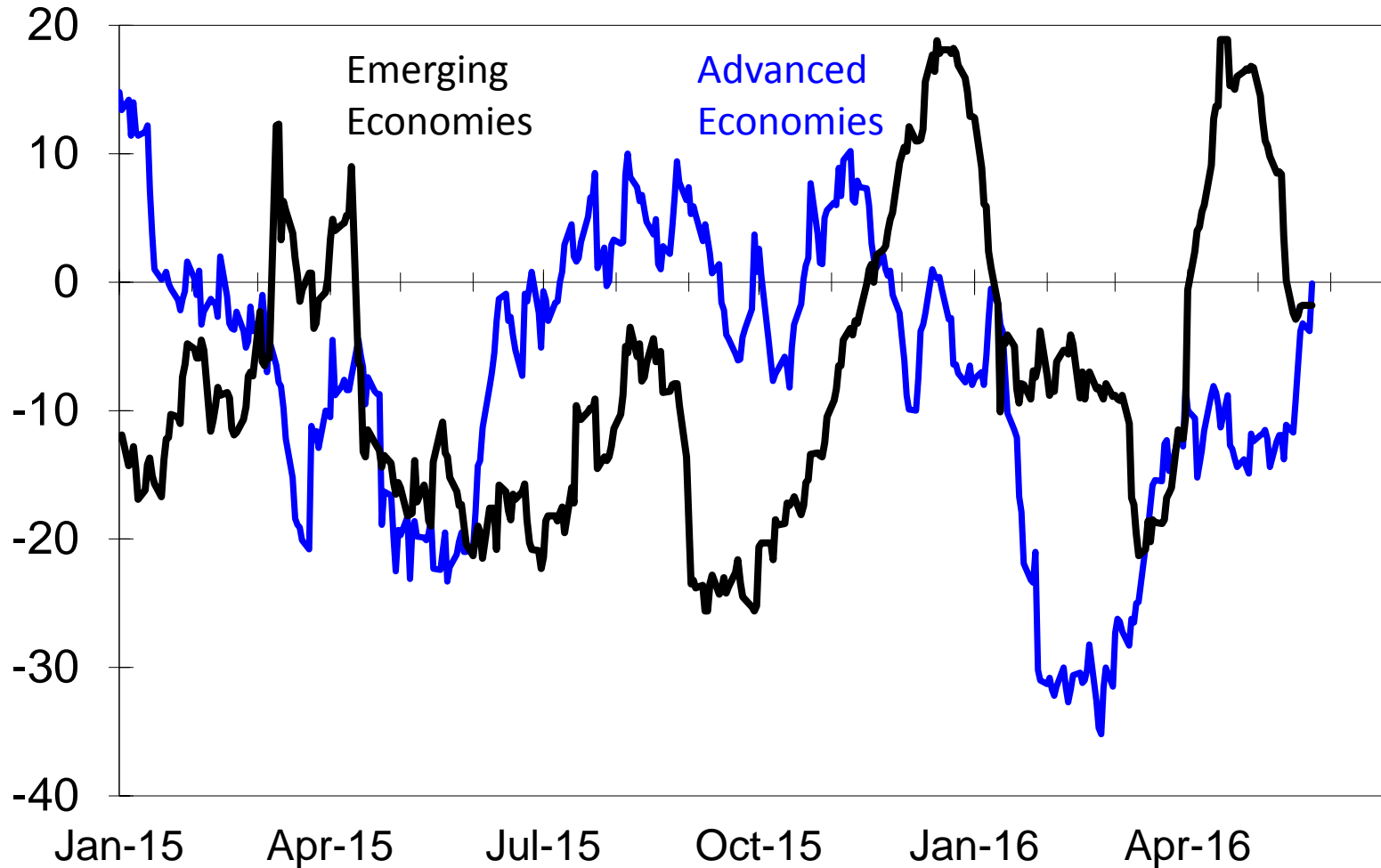






# Citigroup Economic Surprise Indexes

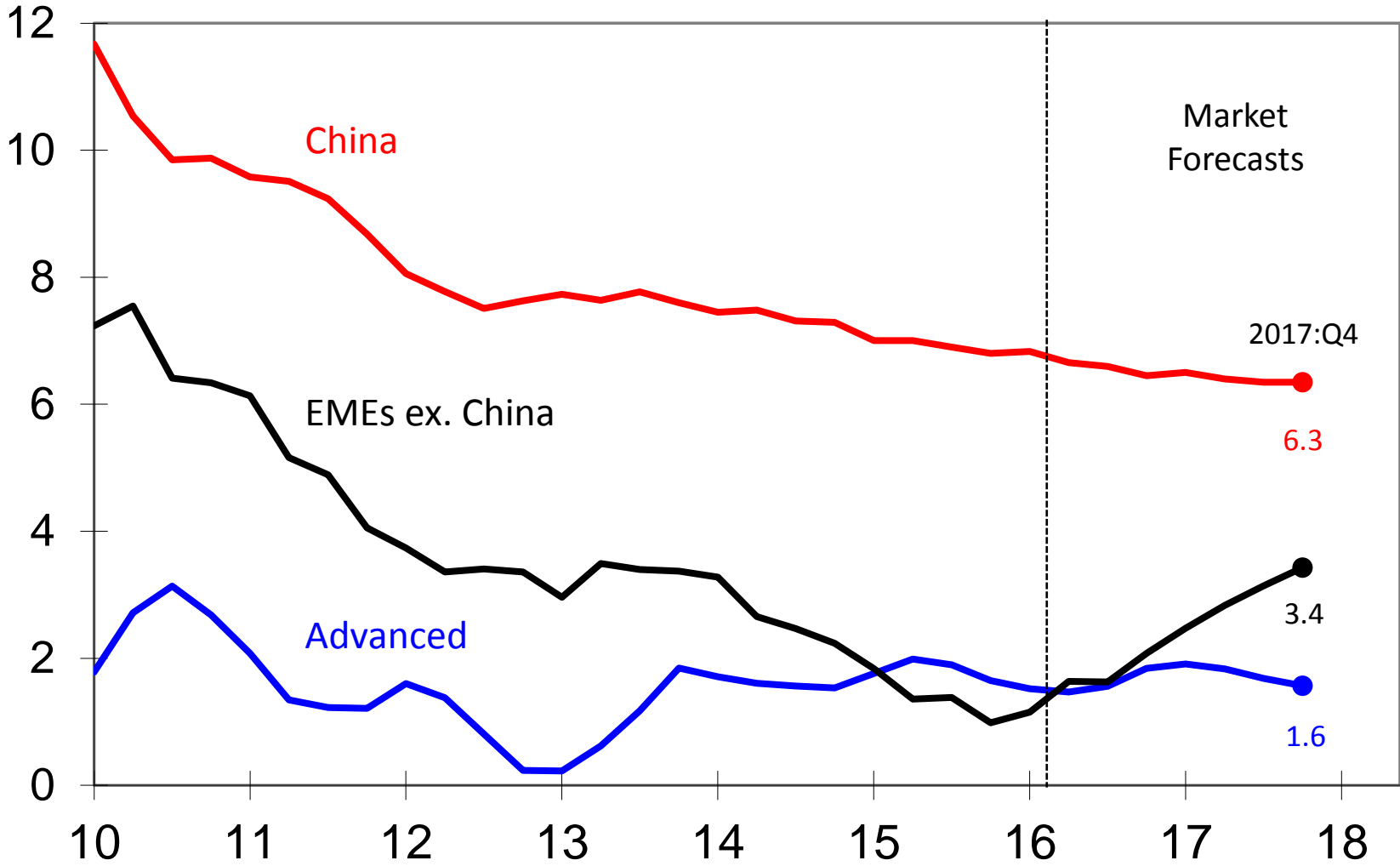
Percent positive or negative\*



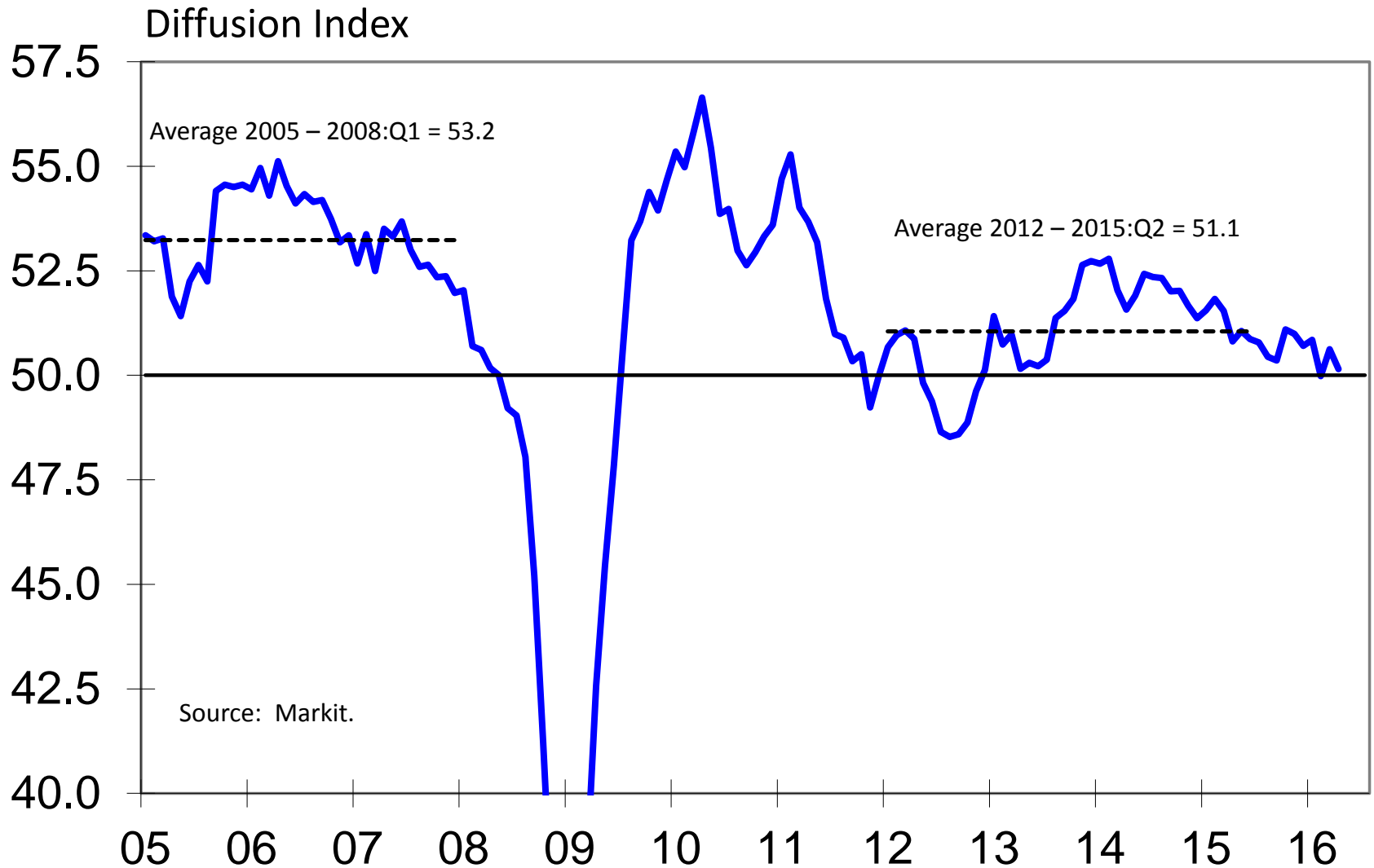
\*Weighted by series' historical FX impact

# Global GDP Growth

Percent Q/Q-4

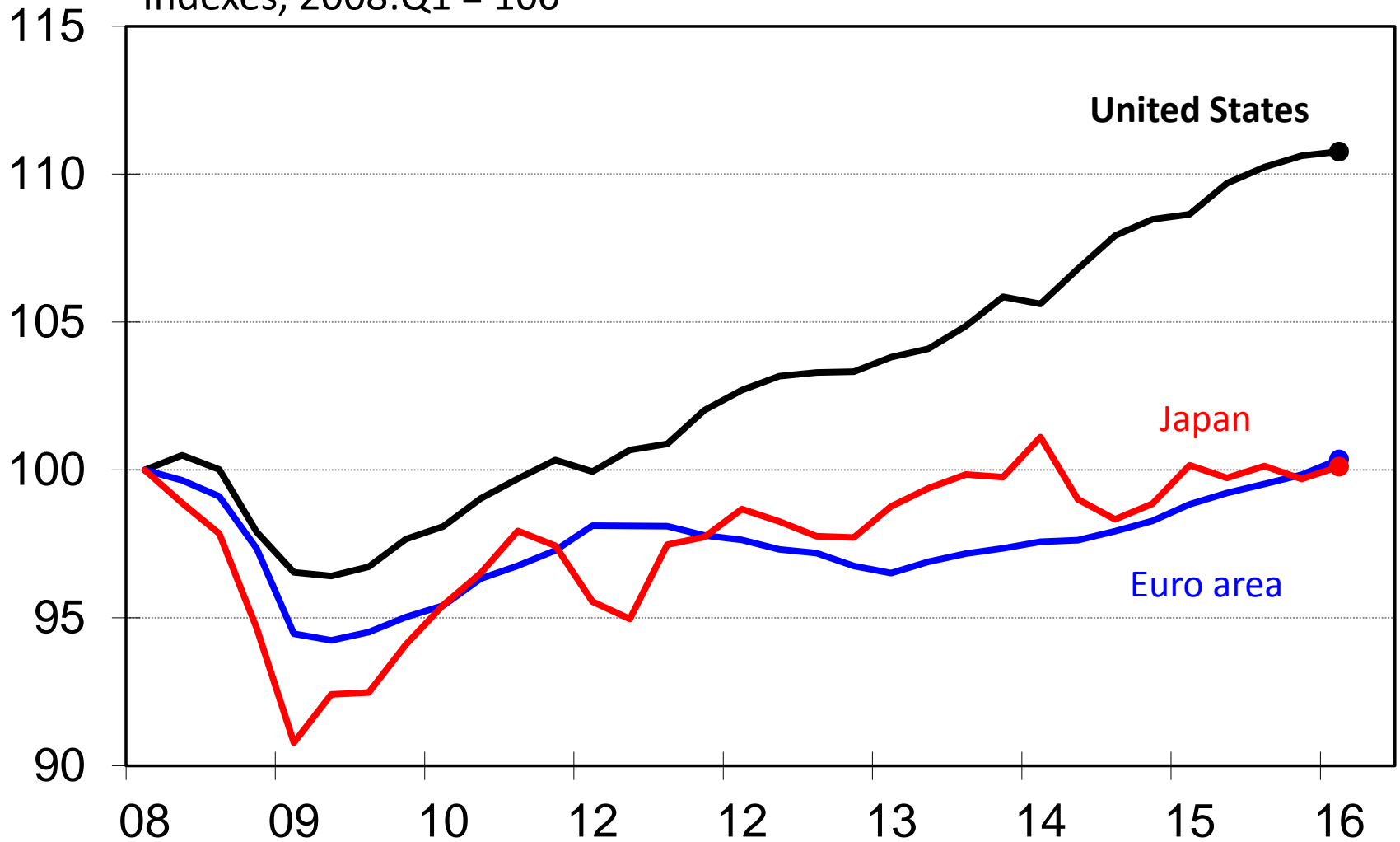


# Global Manufacturing PMI

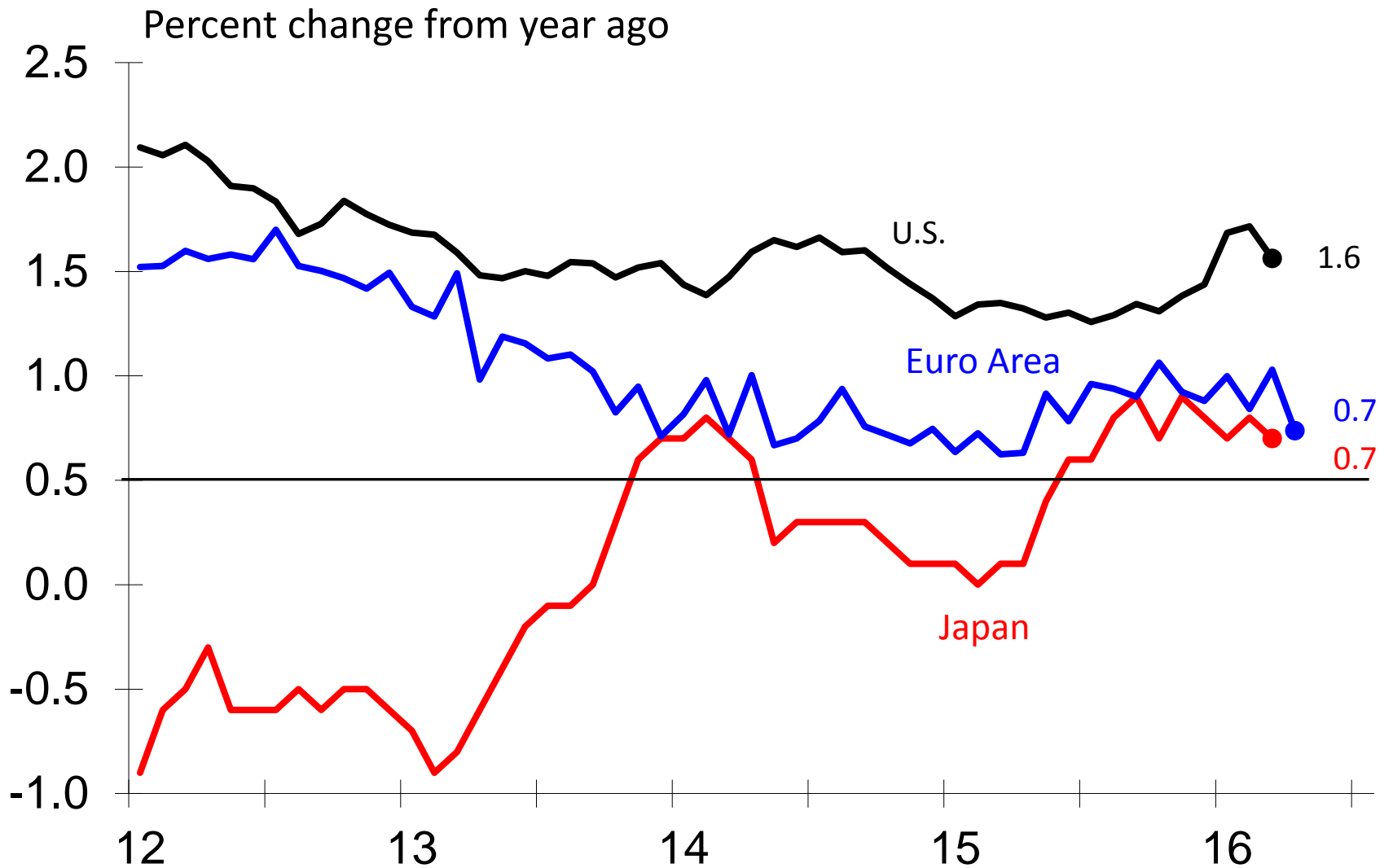


# Advanced Economy Real GDP

Indexes, 2008:Q1 = 100

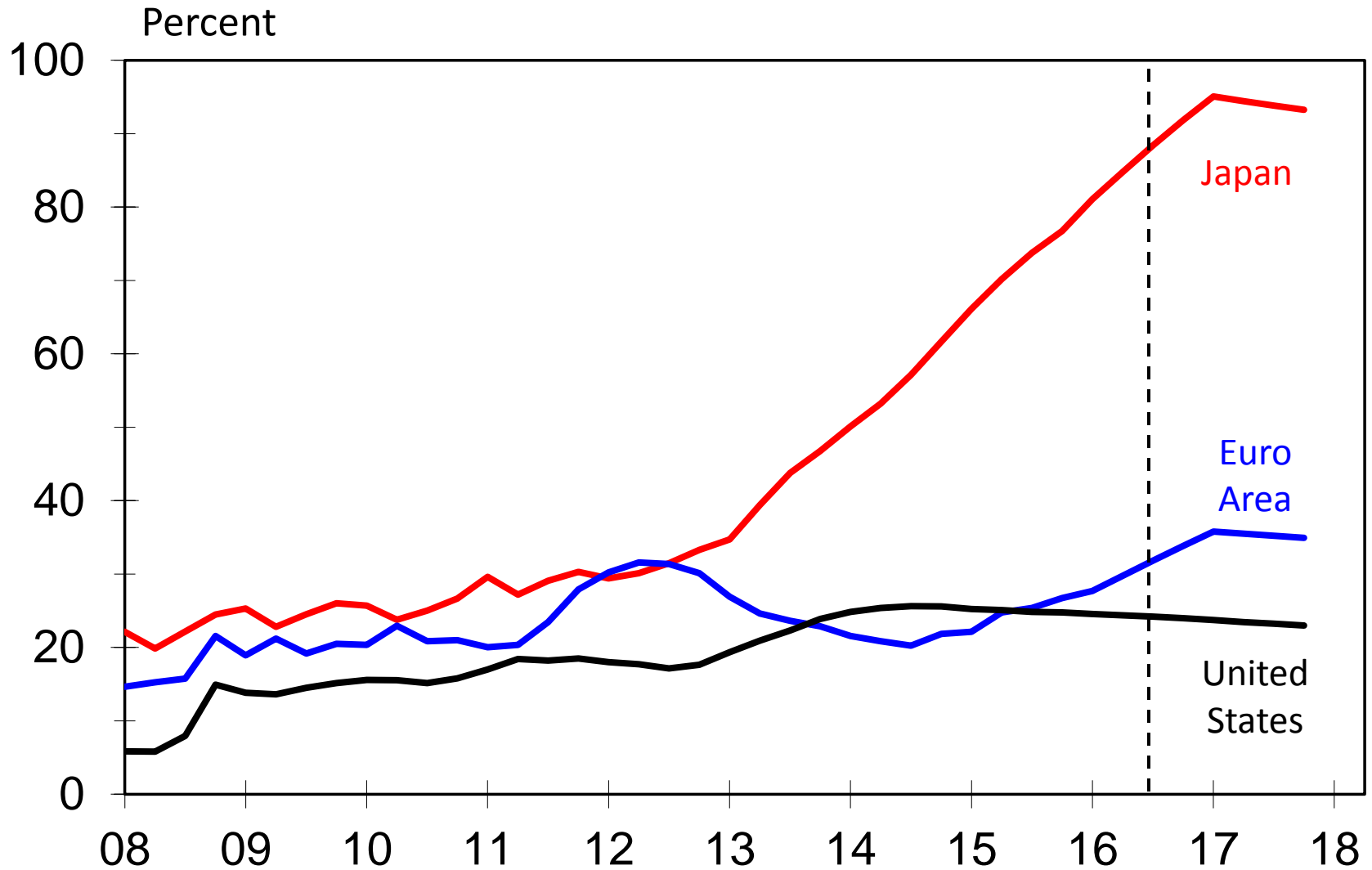


# G-3: Core Consumer Price Inflation



Sources: BEA, Eurostat, BoJ. U.S. inflation measured using the PCE index.

# Central Bank Credit as a Share of GDP



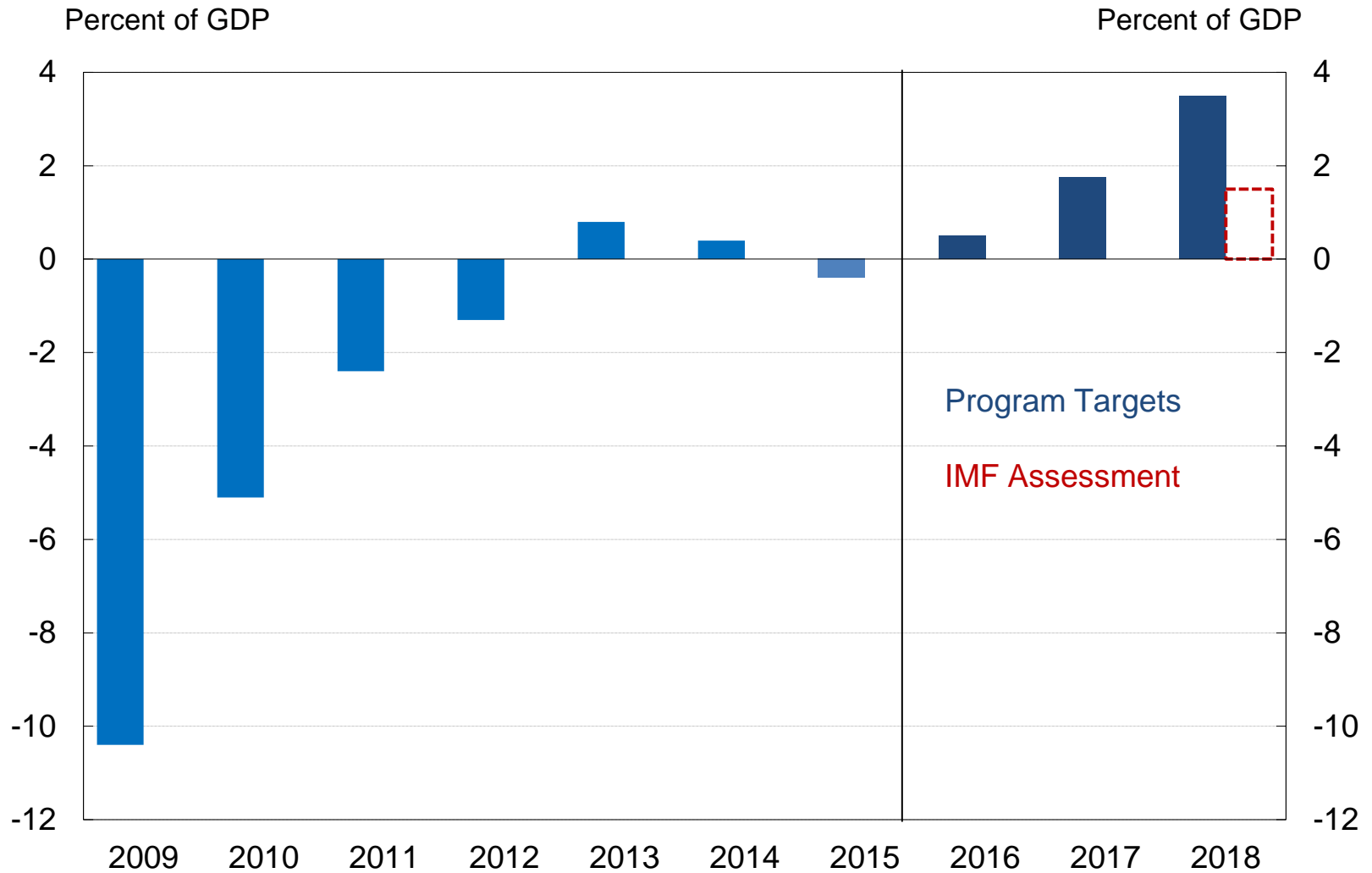
Sources: BoJ, ECB, Federal Reserve. Projections assume that announced BoJ and ECB asset purchase programs proceed as planned, and that Federal Reserve credit remains constant at its current level. Nominal GDP is assumed to grow in line with current market forecasts.

## AE Core Inflation Performance with Negative Policy Rates

Country	Date Adopted	Initial Core Inflation	Current Core Inflation
Japan	January 2016	0.8	0.7
Sweden	February 2015	0.8	1.5
Switzerland	December 2014	0.1	-0.3
Denmark	September 2014	0.6	0.4
Euro Area	June 2014	0.7	0.7

Sources: National sources, OECD. Policy rates are as follows: Japan, marginal current account balances; Sweden, repo rate; Switzerland, 3-mo. LIBOR target; Denmark, CD rate; Euro Area, deposit rate.

# Greece: Primary Budget Balance



Sources: European Commission, IMF April 2016 *Fiscal Monitor*, staff calculations.

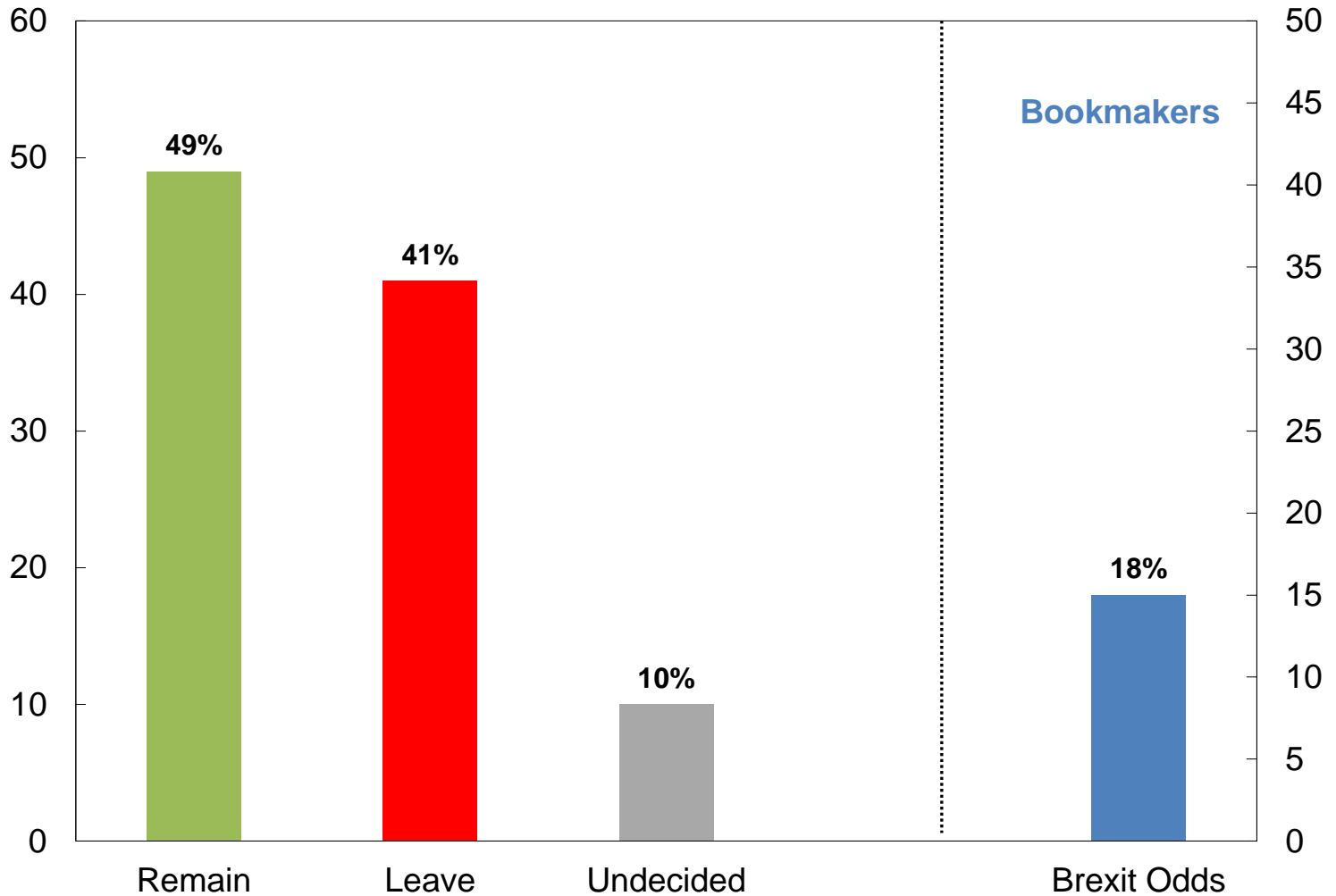
Note: Primary balances exclude bank recapitalization costs.



# Brexit: Current Polls and Bookmakers' Odds

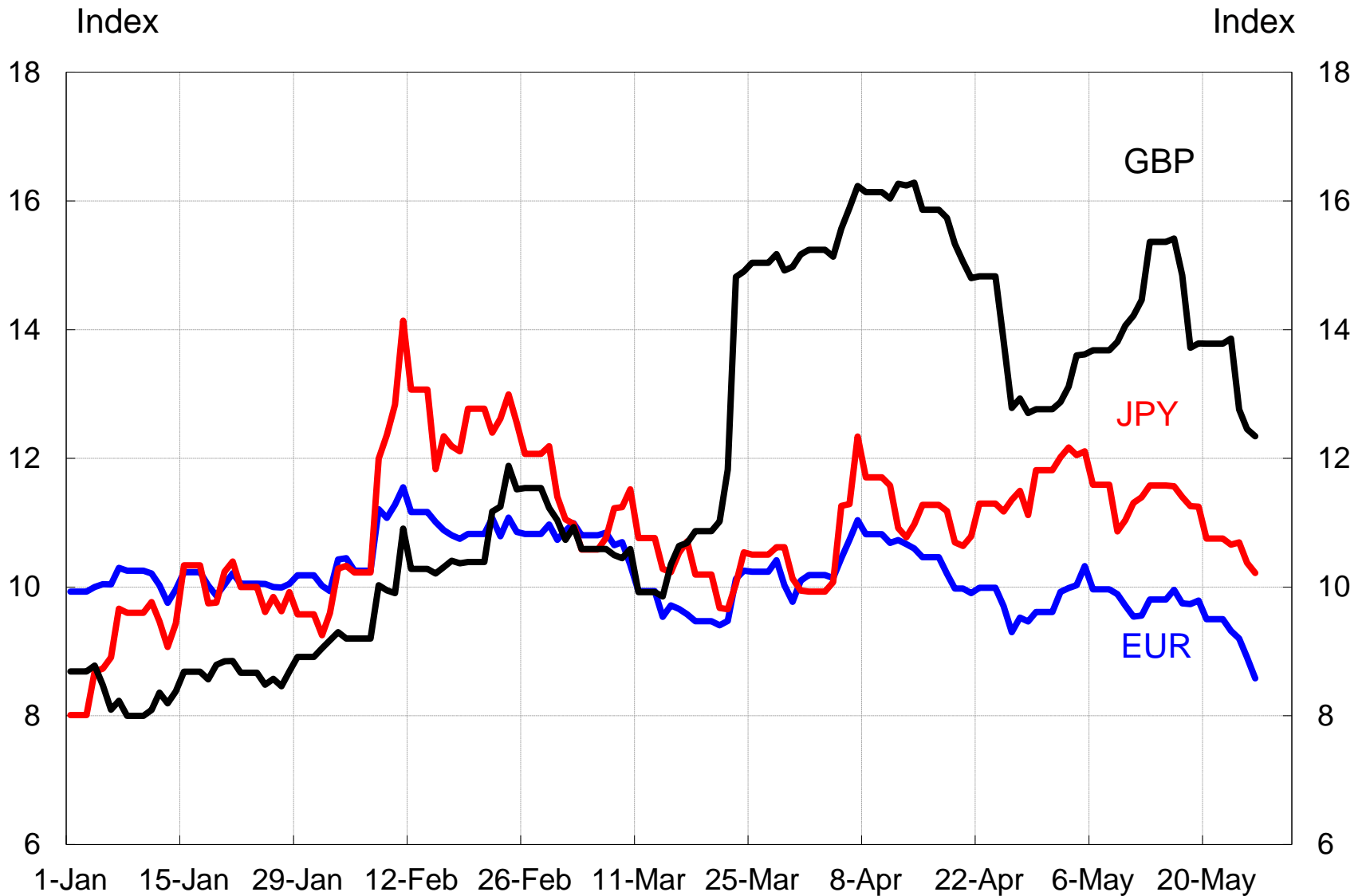
Percent, 5-poll average

Percent

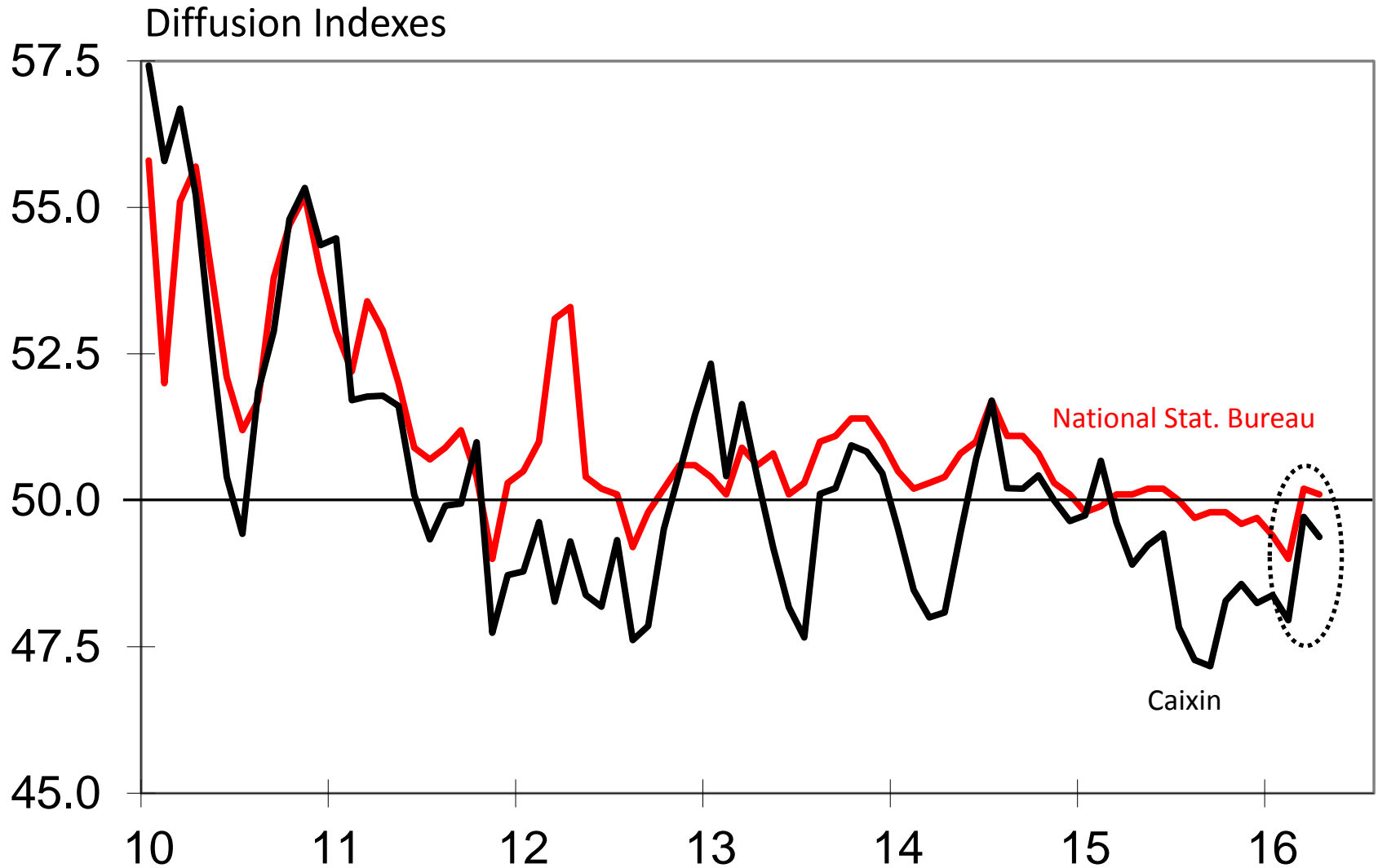


Sources: Whatukthinks.org, Oddschecker.com. As of May 26, 2016.

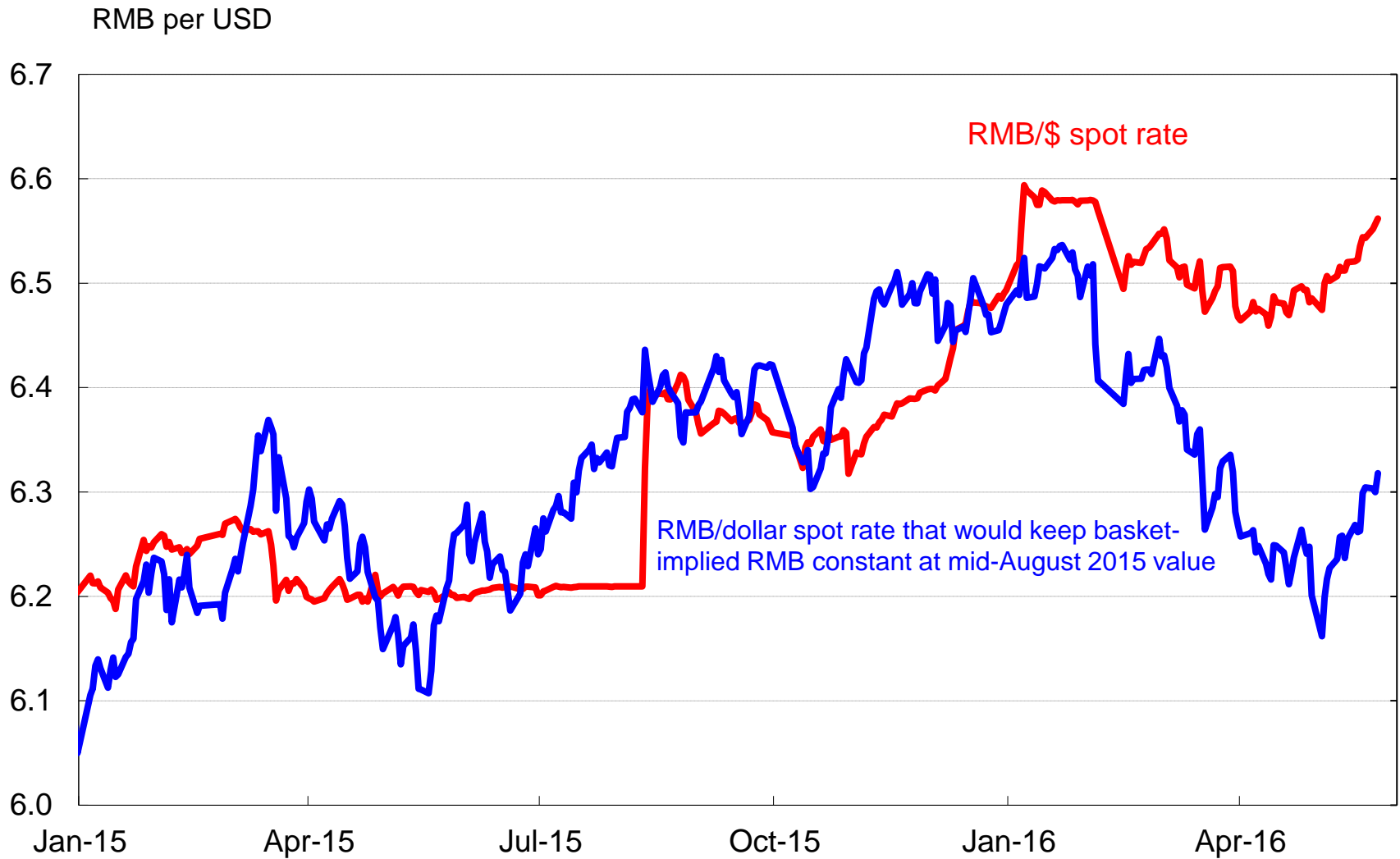
# GBP, EUR, and JPY 3m Implied Volatility



# China: Manufacturing PMIs



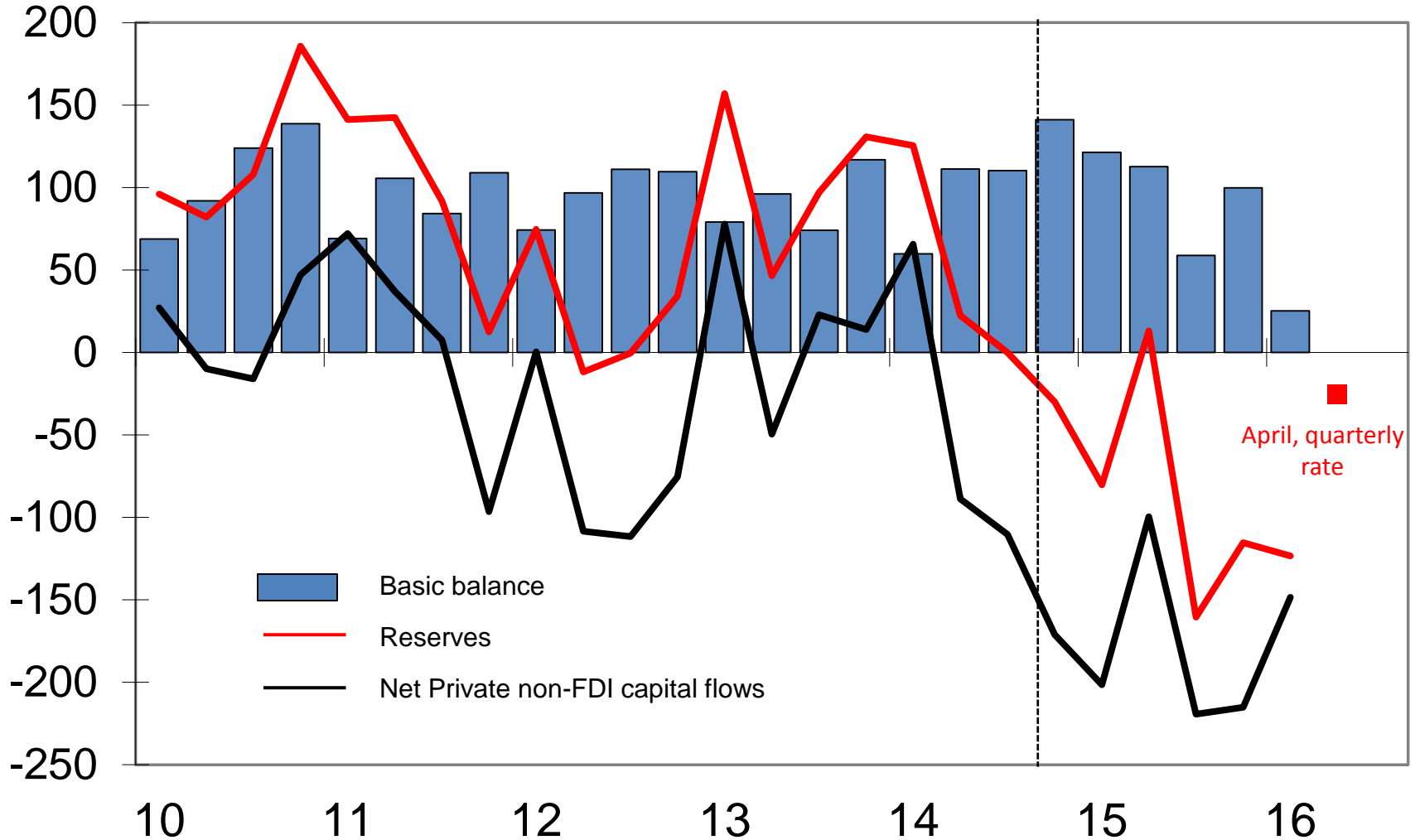
# China: Actual vs basket-implied exchange rate



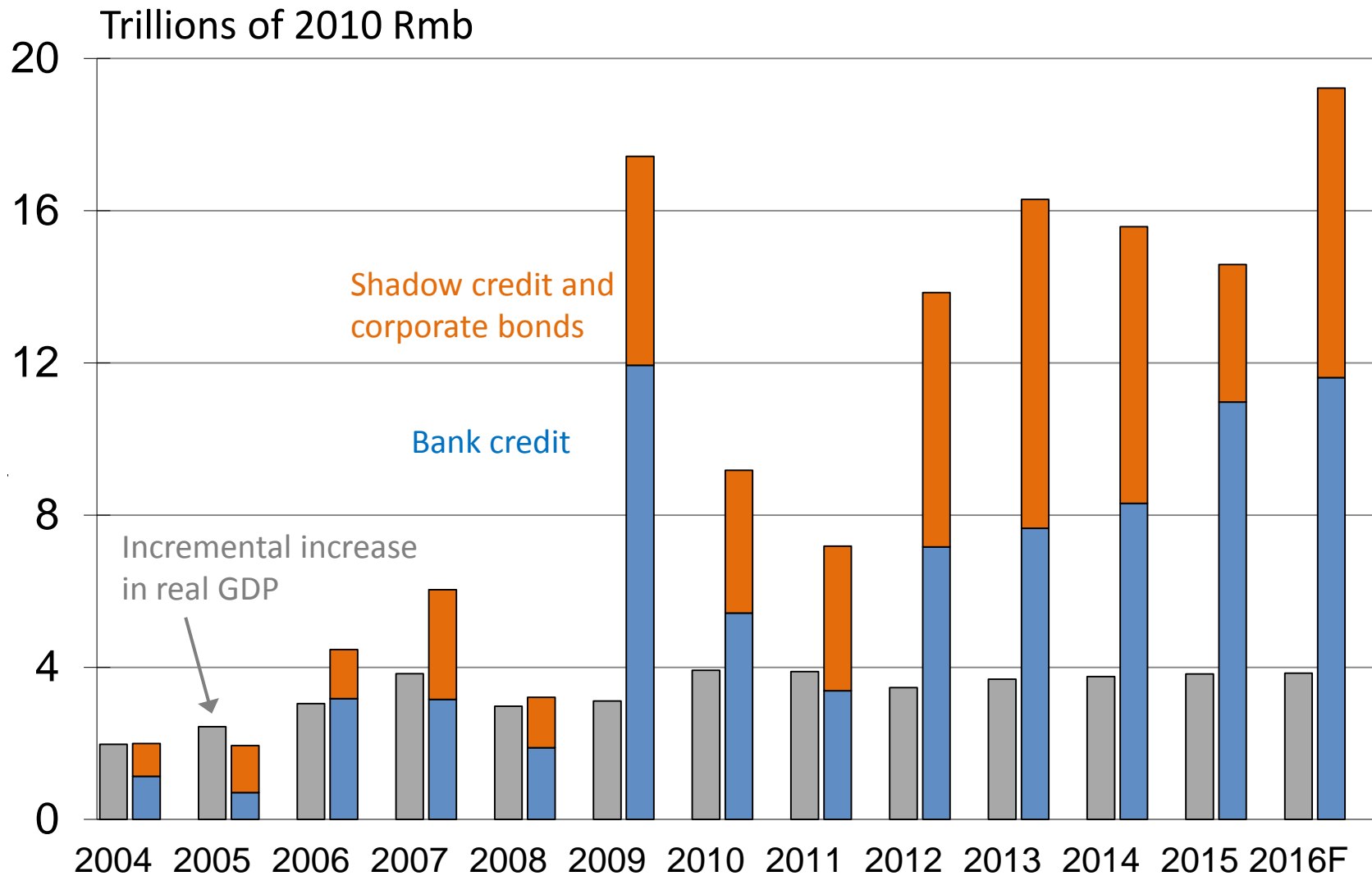
Source: Bloomberg, IPA staff calculations.

# Chinese Capital Flows

\$U.S. billions



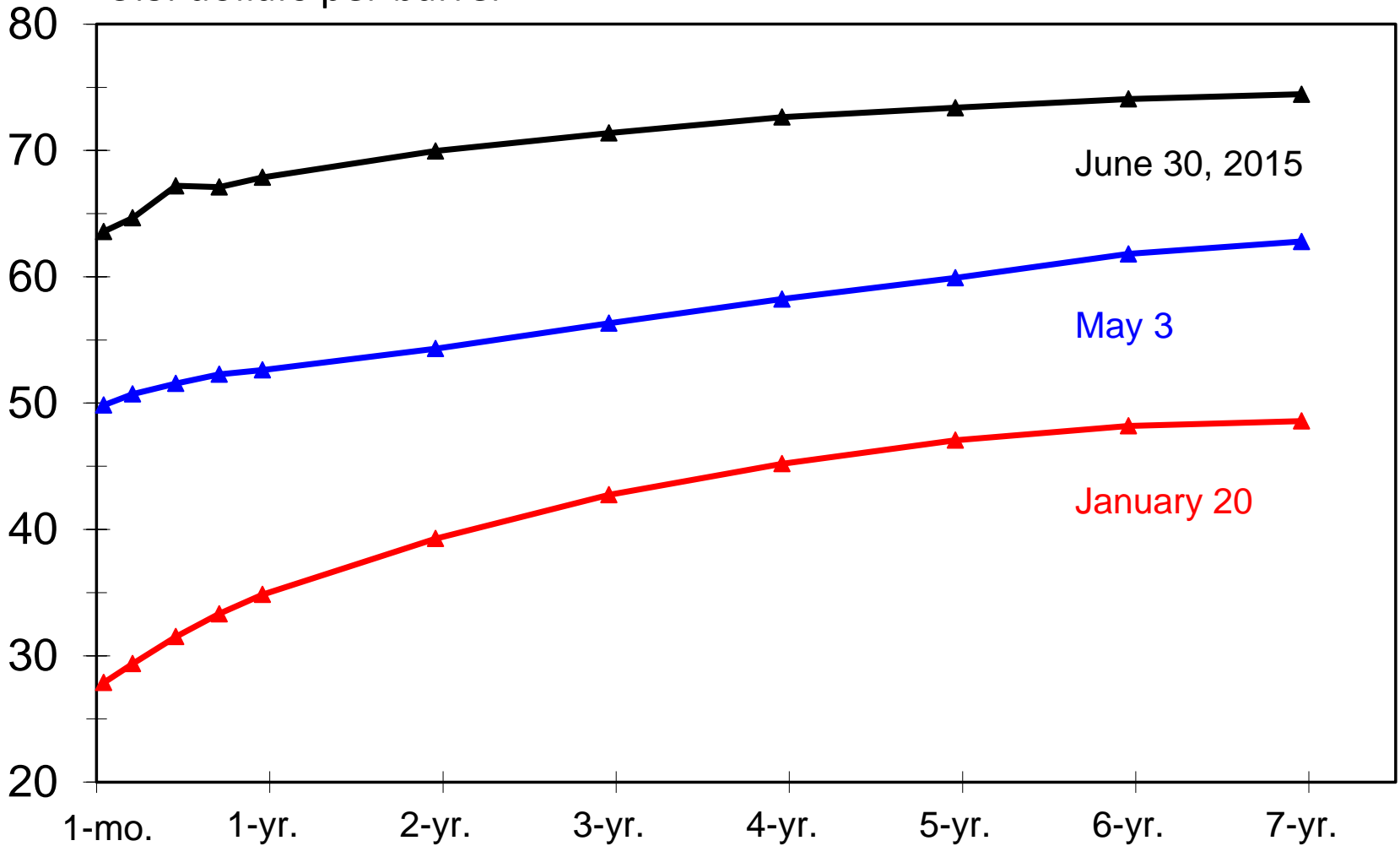
# China: Incremental Increases in Real Credit and Real GDP



Sources: BIS, PBoC, China National Bureau of Statistics, staff estimates and forecast.

# Brent futures curve

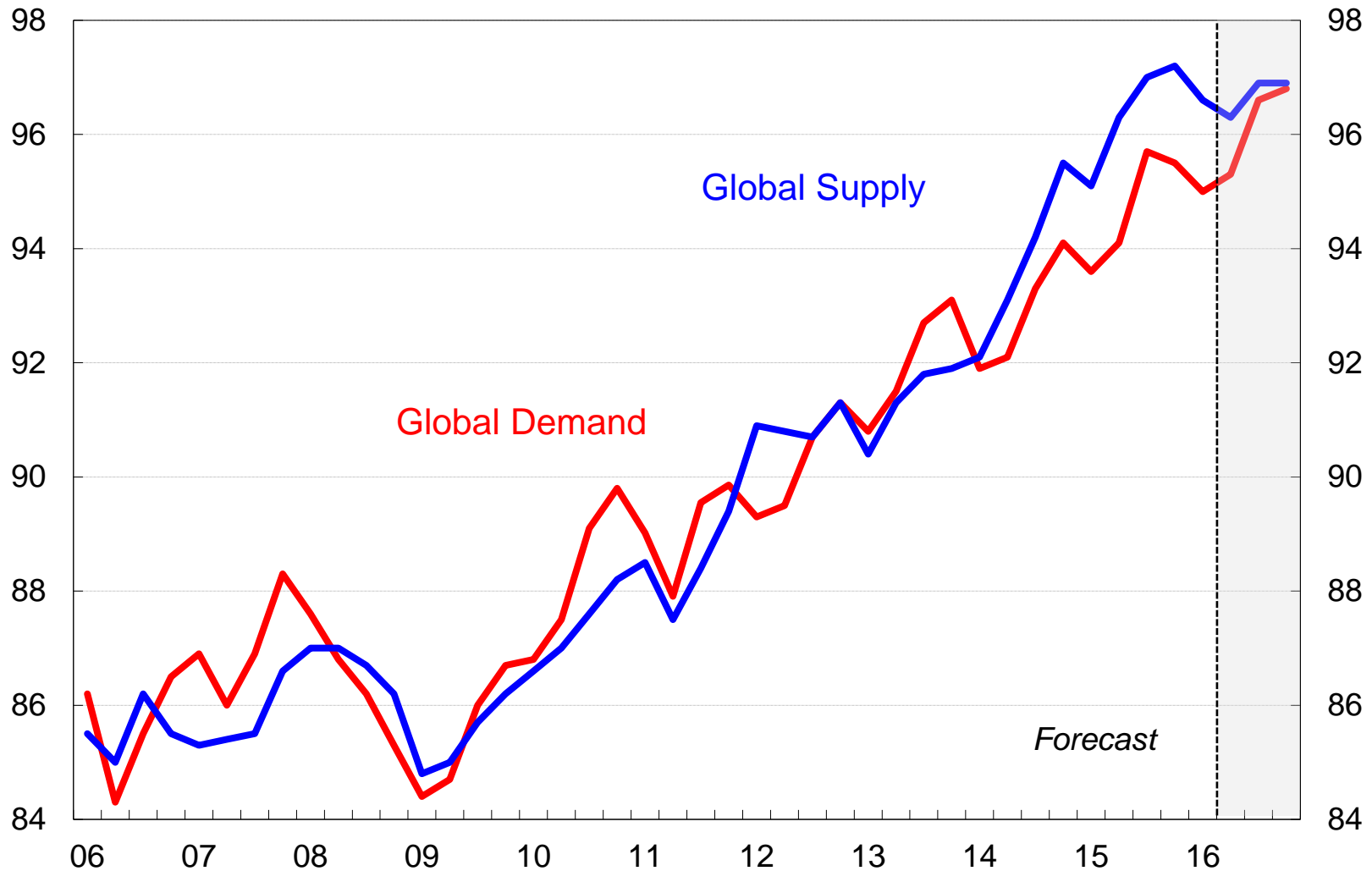
U.S. dollars per barrel



Source: Bloomberg.

# Global Oil Supply and Demand

Millions of barrels per day



Source: International Energy Agency, *Oil Market Report*, various issues