



**Upstate New York Regional Advisory Board
Federal Reserve Bank of New York
Tuesday, March 26, 2019**

AGENDA

10:30am-10:35am	Welcome Tony Davis, Officer & Director
10:35am-11:05am	The National Economy Tom Klitgaard, Vice President
11:05am-11:35am	International Update Matthew Higgins, Vice President
11:35am-12:00pm	Regional Update Jaison Abel, Assistant Vice President
12:00pm	Adjourn to NWC Room-10F
12:15pm	Lunch
12:15pm-2:00pm	Round Table Discussion with John Williams, President and Michael Strine, First Vice President

Introductory Remarks and Welcome from President Williams

12:15pm-1:15pm	Group Discussion
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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.

Business Activity

Have sales volumes increased, decreased, or stayed the same since the first quarter of 2019?

What are your expectations for the first half of 2019?

Prices

Have prices of products/services sold increased, decreased, or stayed the same so far in 2019?

What are your expectations for the second half of 2019?

Employment

What are your employment expectations for the first half of 2019?

How have you partnered with other organizations (ex. educational institutions) to address labor demands? Has your organization created workforce development programs?



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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?

1:15pm-2:00pm

Fed Listens Session with John Williams, President and CEO

Concluding Remarks from President Williams

2:00 pm

Adjourn



**Upstate New York Regional Advisory Board Meeting
Federal Reserve Bank of New York
33 Liberty Street
Tuesday, March 26, 2019**

ATTENDEE LIST

Board Members

Lynne Marie Finn
President & CEO
Broadleaf Results, Inc.

James Laurito
President
Fortis, Inc.

Kenneth M. Franasiak
Chairman
Calamar

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

Bridget-Ann Hart
President & CEO
KPH Healthcare Services, Inc.

Federal Reserve Bank of New York

John Williams
Michael Strine
Jack Gutt
Tom Klitgaard
Matthew Higgins
Rosanne Notaro
Jaison Abel
Tony Davis
Chelsea Cruz
Scott Lieberman
Alexandra Rosen

President
First Vice President
EVP, Communications & Outreach
VP, Research & Statistics
VP, Research & Statistics
VP, Legal
AVP & Head of Regional Analysis, Research & Statistics
Officer & Director, Outreach & Education
Associate, Outreach & Education
Associate, Outreach & Education Associate, Corporate
Secretary Office



FEDERAL RESERVE BANK *of* NEW YORK

US Macro Overview

March 26, 2019

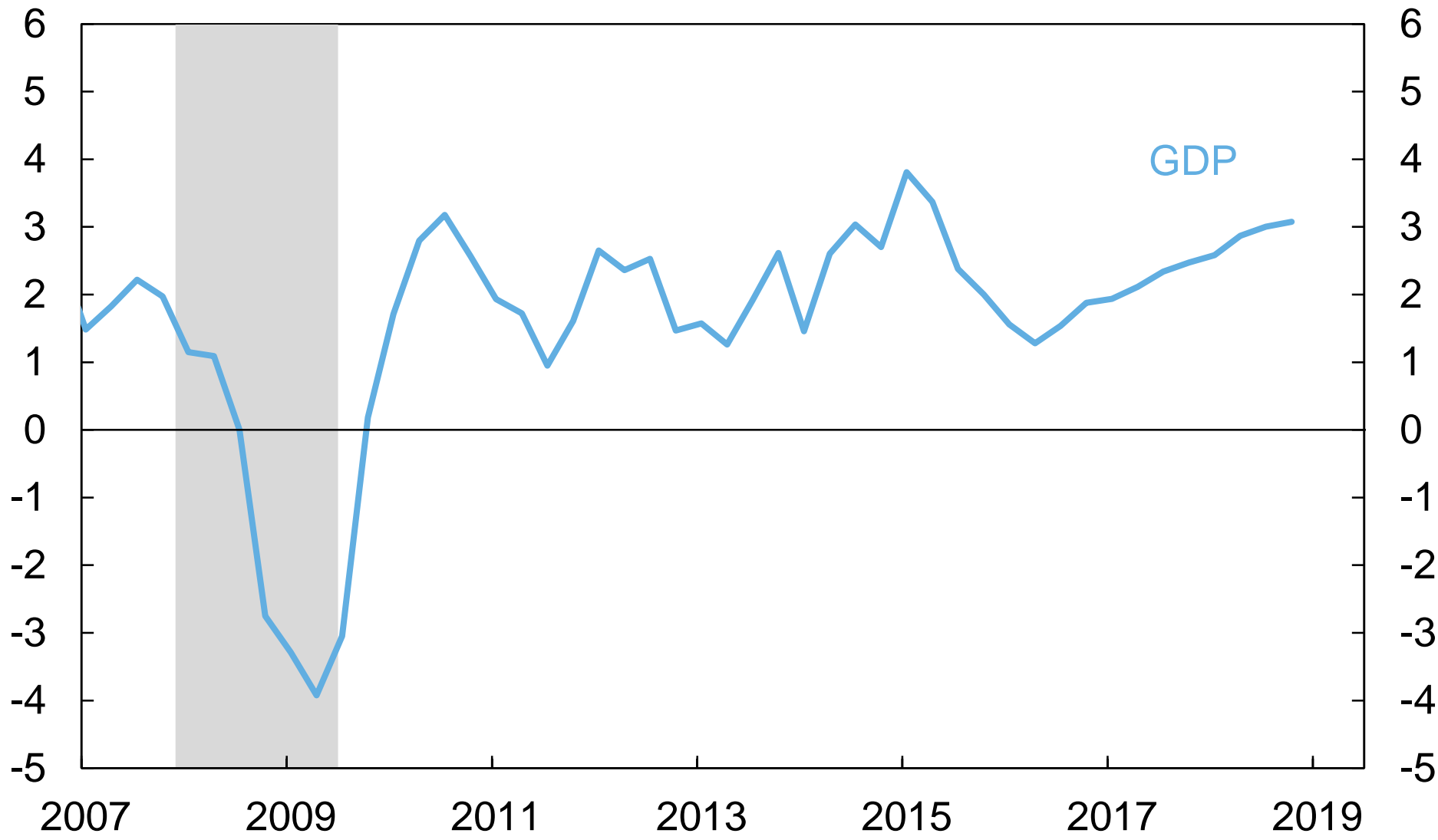
Thomas Klitgaard

Overview

- Real GDP grew 3.1% in 2018, well above the economy's potential growth rate
 - This was a pickup from 2.5% in 2017, with government spending and an inventory buildup key sources of the faster growth
 - Labor markets tighten while the rate of increase of wages and core inflation moved higher
- Growth is expected to slow in 2019 to near 2.0%, just above the potential growth rate of around 1 $\frac{3}{4}$ %
 - In this scenario, the labor market would remain tight and there would continue to be some upward pressure on wages and prices

GDP grew 3 percent in 2018

4 Quarter % Change



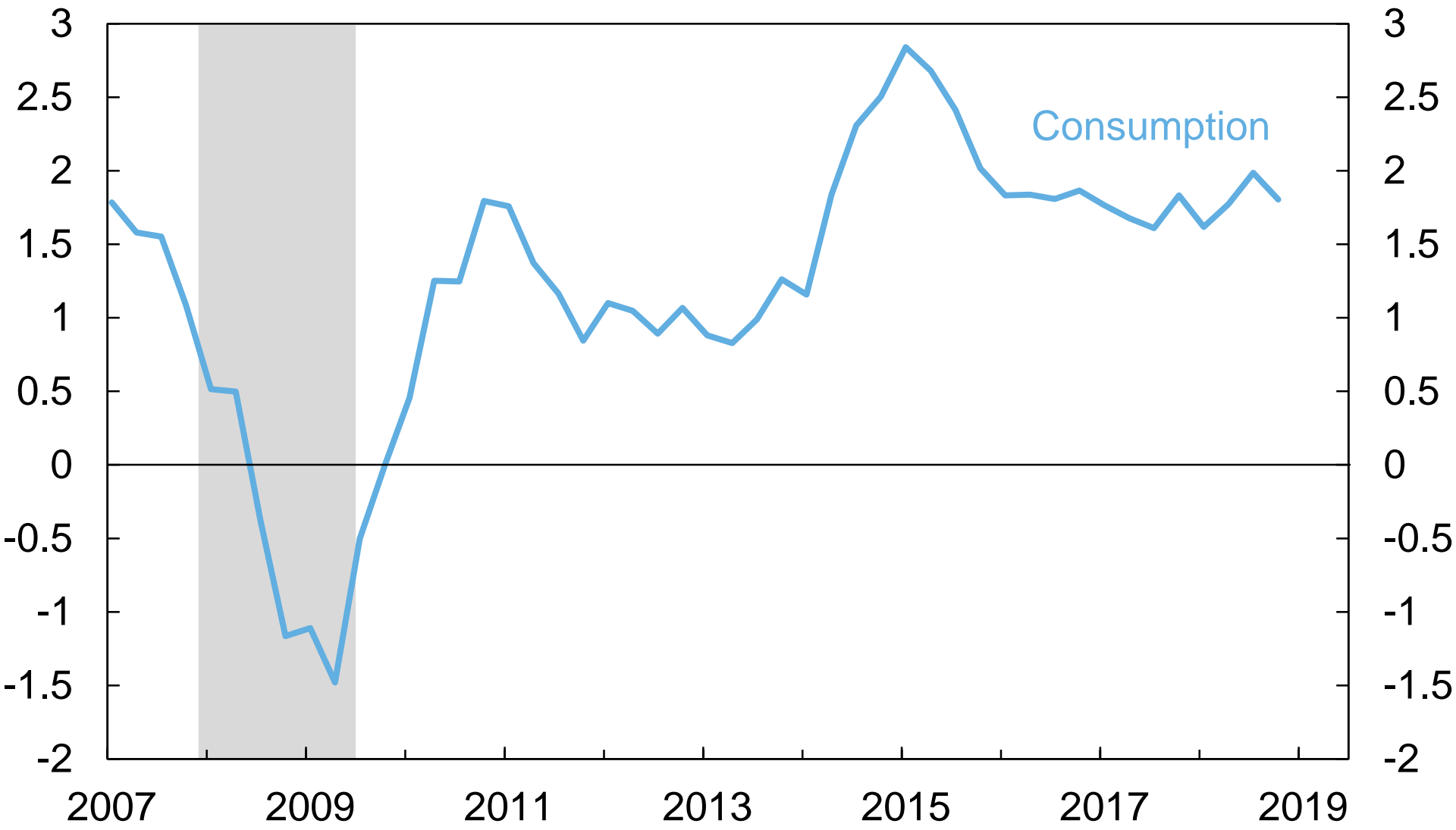
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

Consumer spending growth slowed in Q4

Contribution to growth, 4-quarter avg.

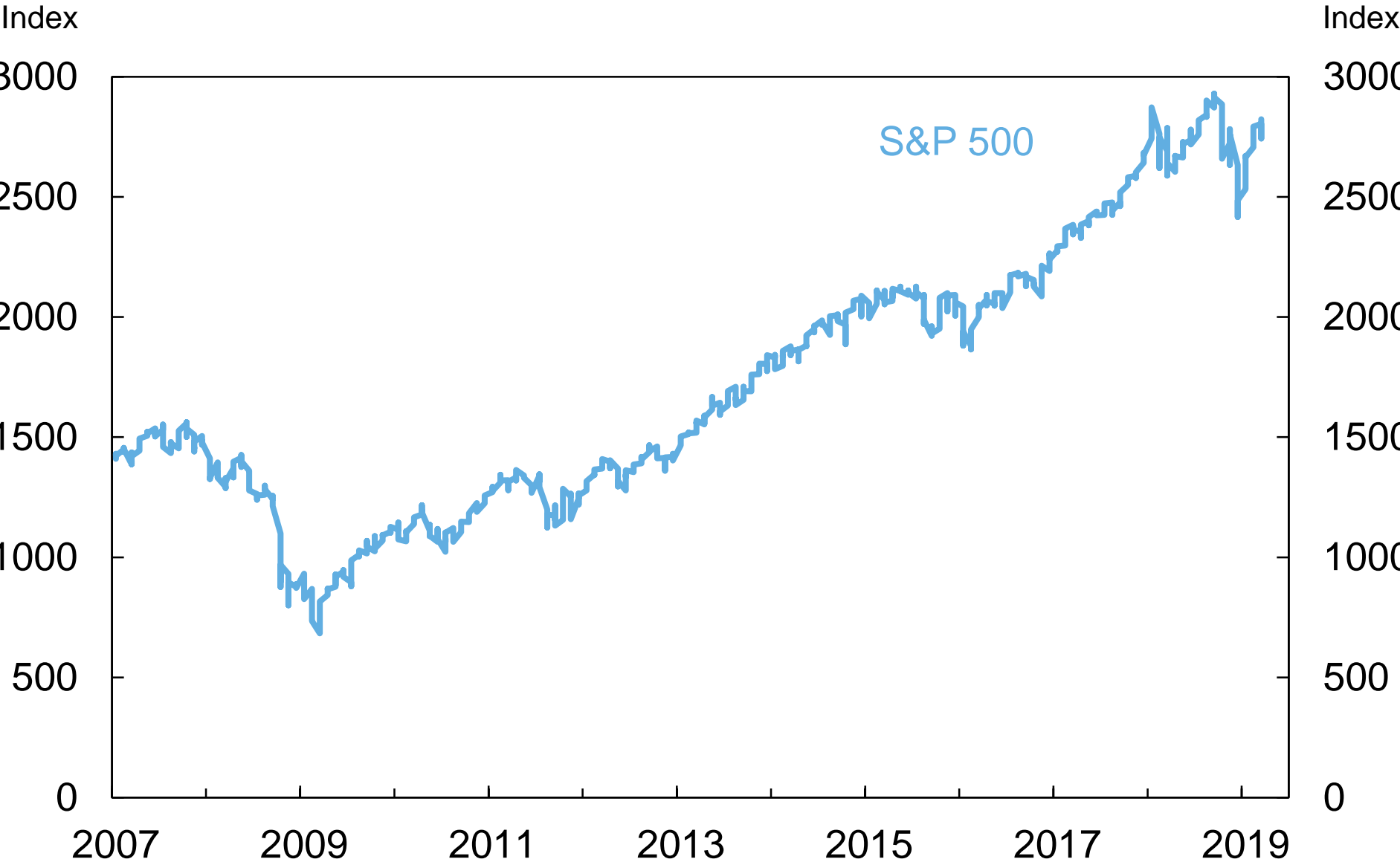
Contribution to growth, 4-quarter avg.



Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

Q4 consumption affected by financial markets?

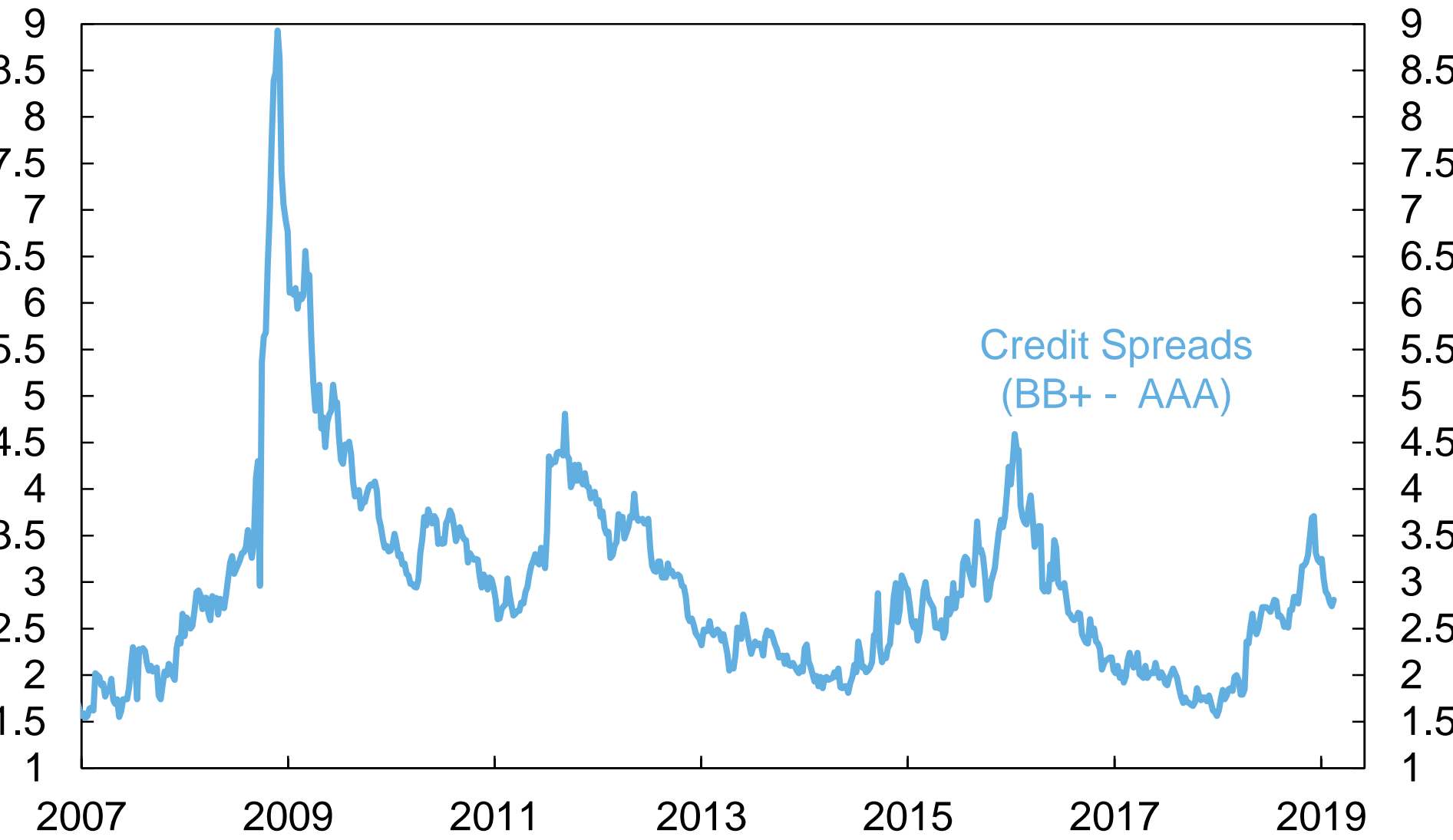


Source: Wall Street Journal via Haver Analytics.

The financial turmoil in Q4 has diminished in Q1

Percentage Points

Percentage Points

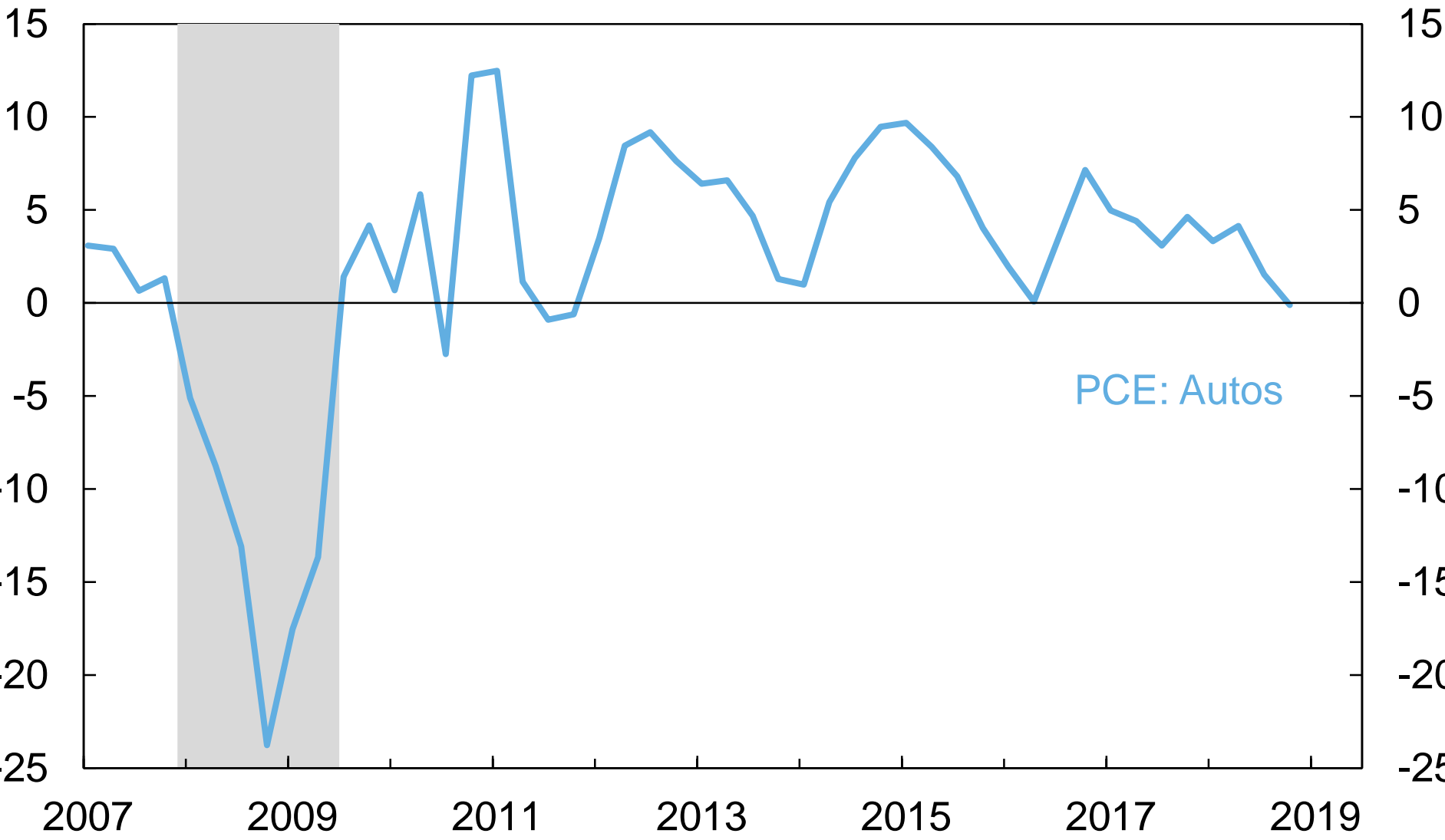


Source: Standard & Poor's Global Fixed Income Research via Haver Analytics.

Notable weakness in durables, such as autos

4 Quarter % Change

4 Quarter % Change



PCE: Autos

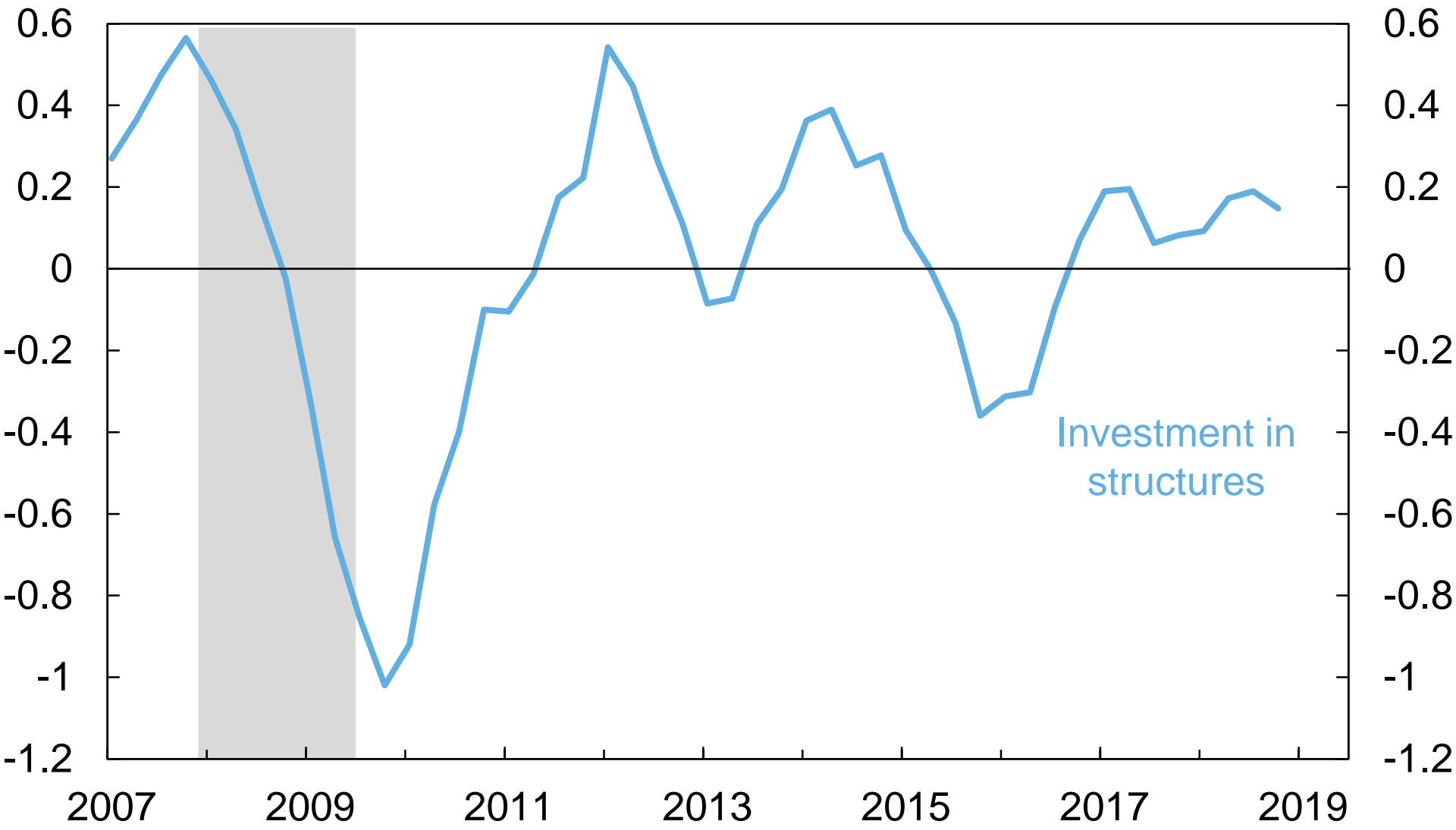
Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

Investment in structures recovered from the 2015-16 fall

Contribution to growth, 4-quarter avg.

Contribution to growth, 4-quarter avg.



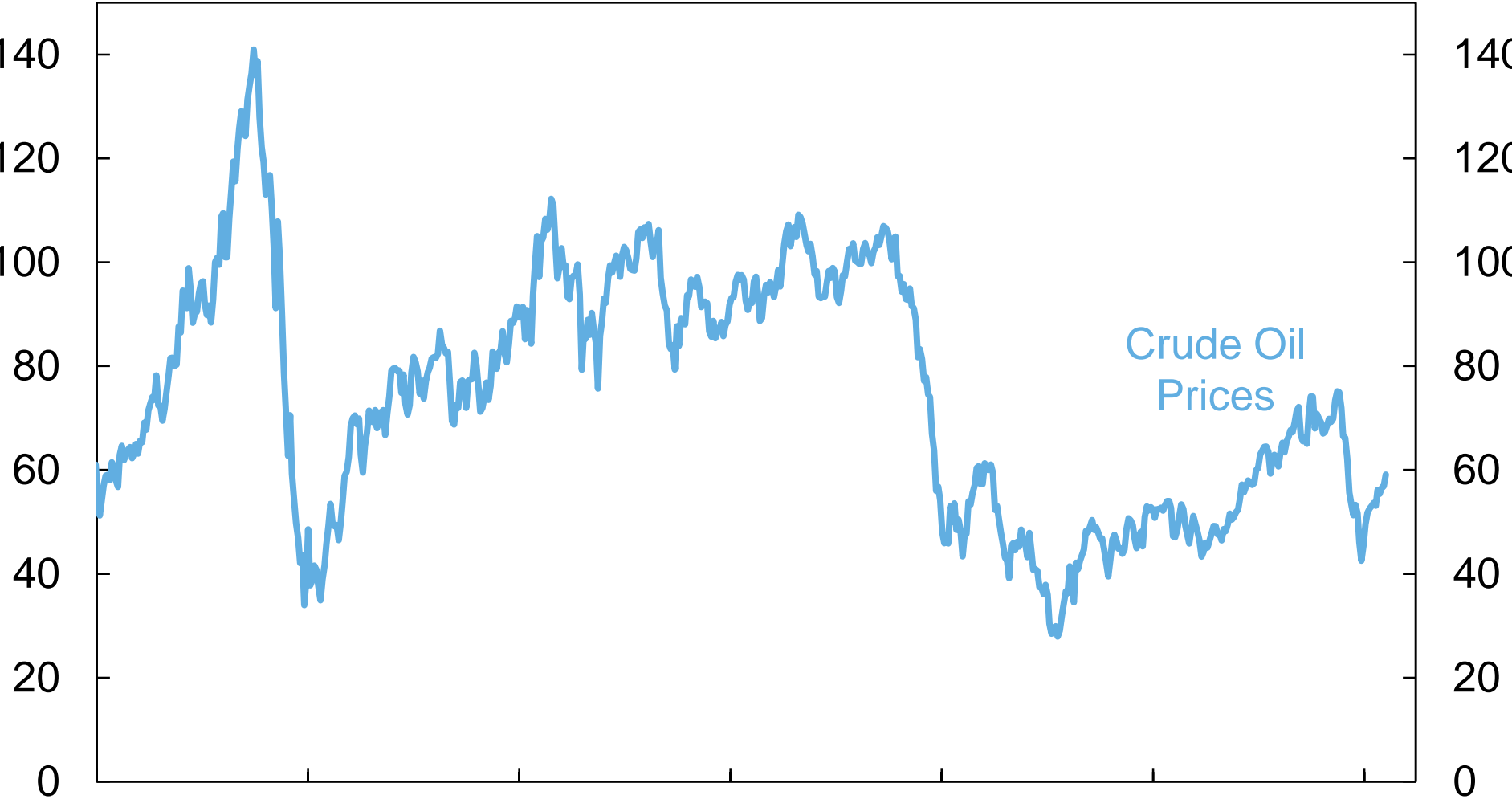
Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

Lower oil prices may drag structure spending down

Dollar Per Barrel

Dollar Per Barrel



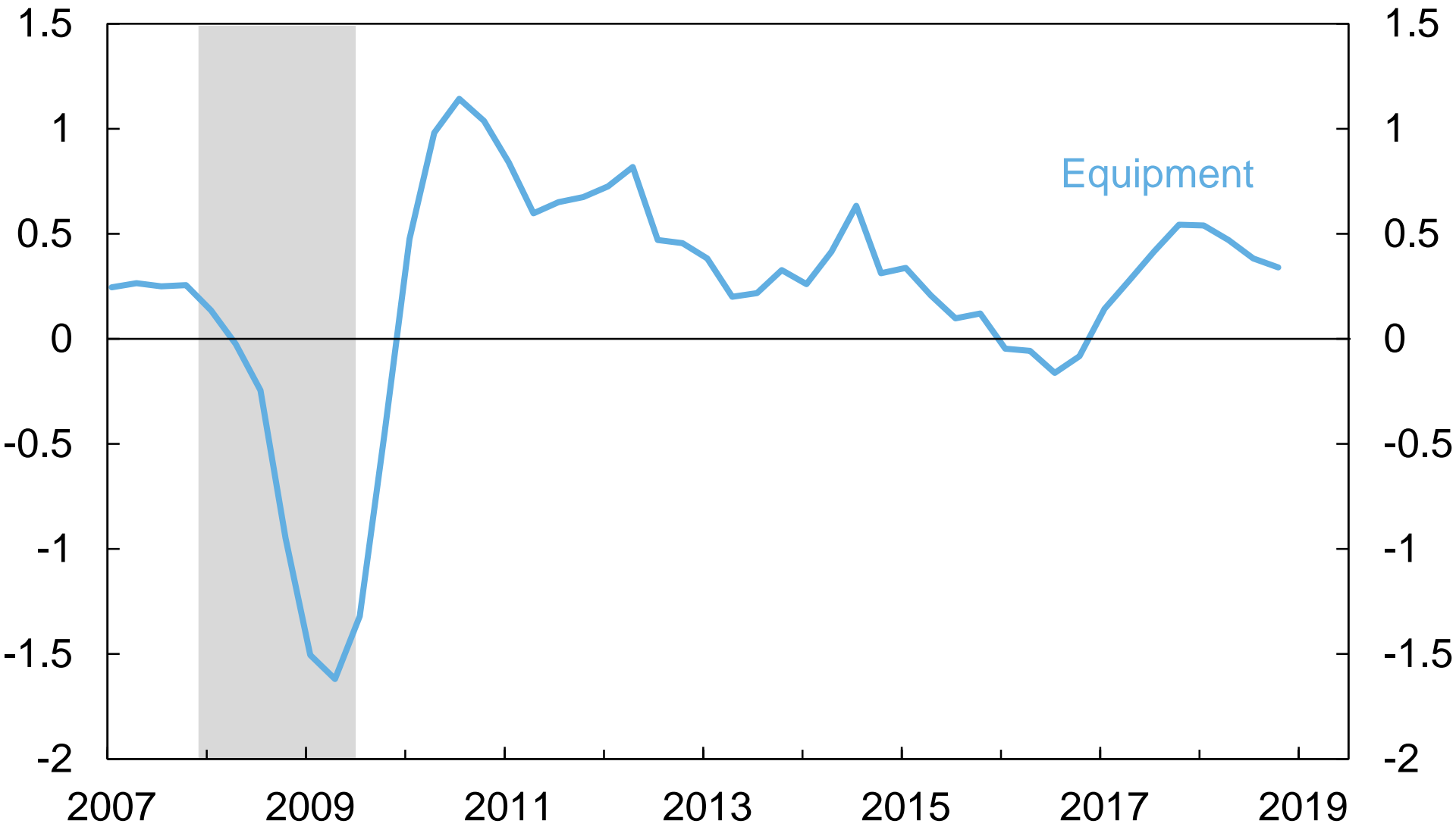
Crude Oil Prices

Source: WTI, EIA/Chicago Mercantile Exchange via Haver Analytics.

Solid growth in spending on equipment

Contribution to growth, 4-quarter avg.

Contribution to growth, 4-quarter avg.



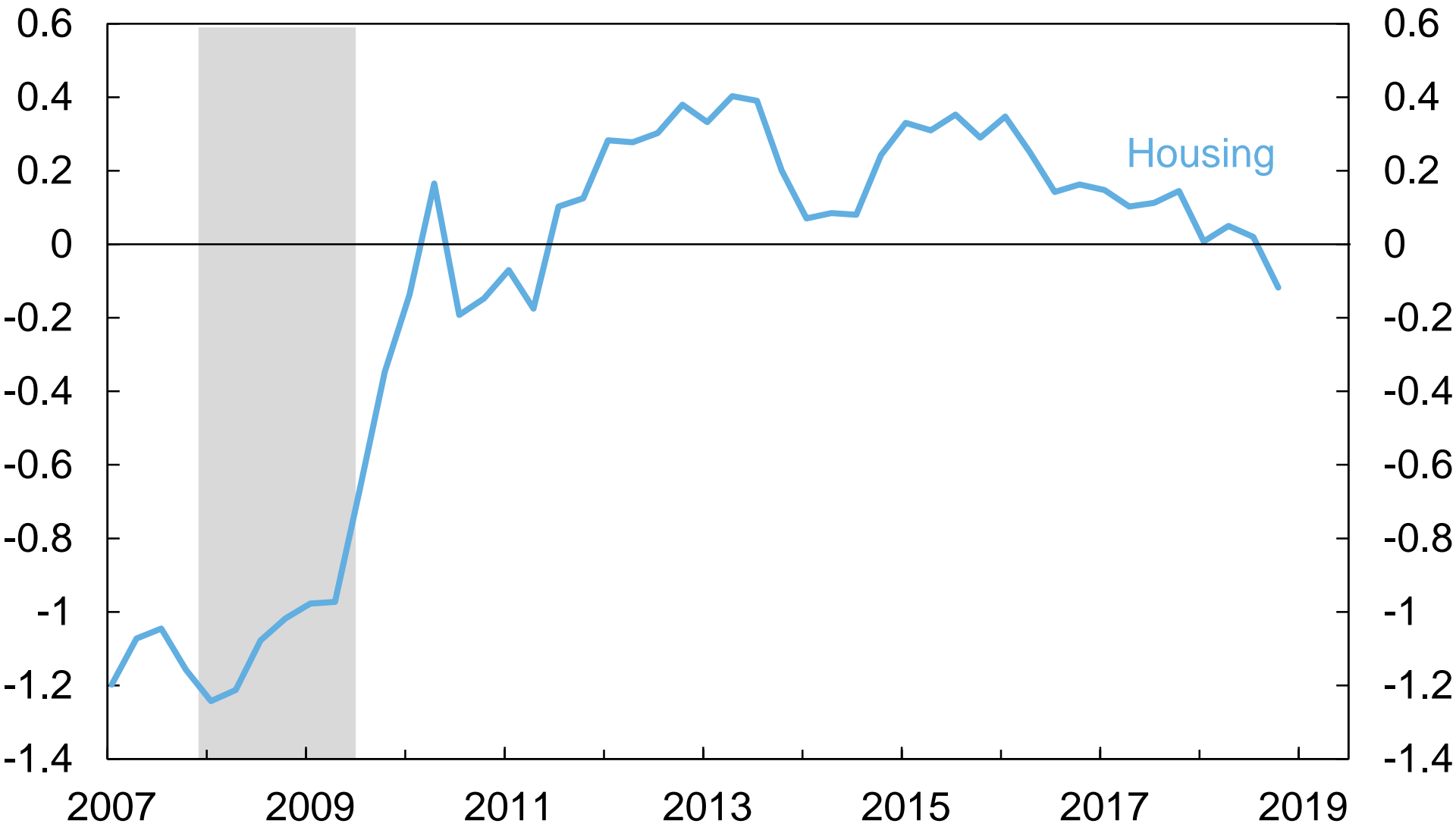
Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

Residential investment spending is falling

Contribution to growth, 4-quarter avg.

Contribution to growth, 4-quarter avg.

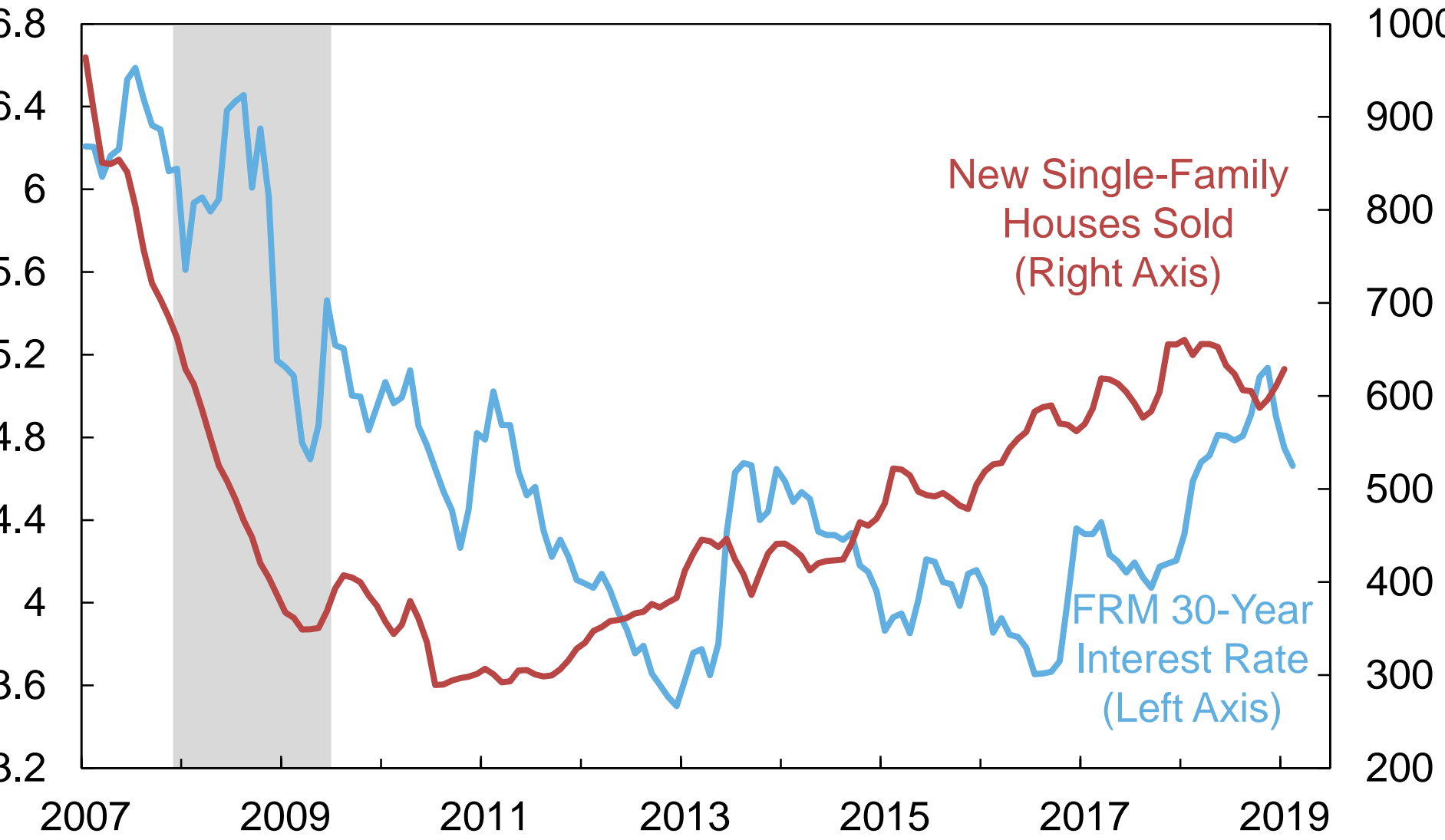


Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

Home sales dropped in 2018 with higher mortgage rates

% 3-month moving average SAAR, Thous.



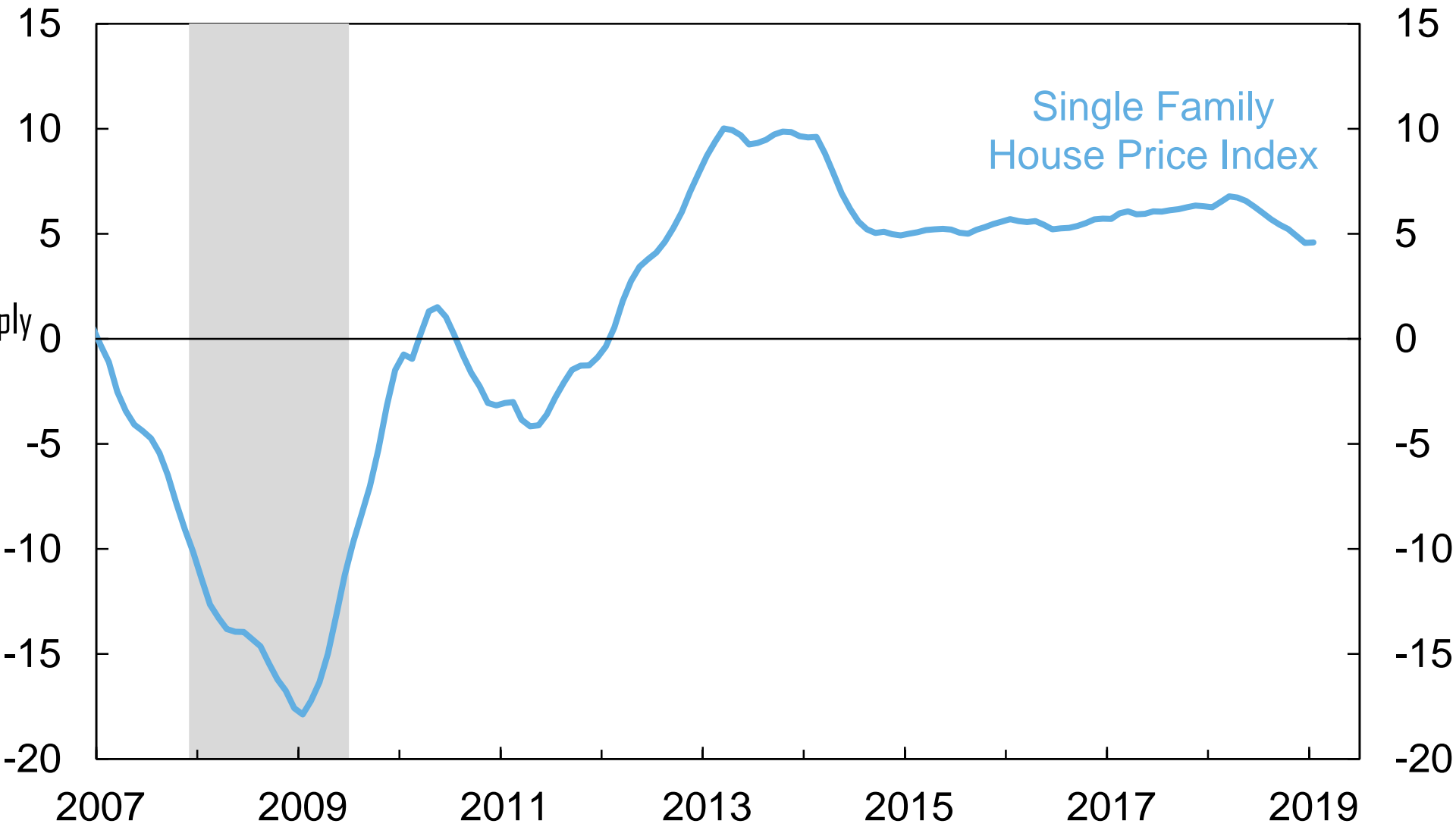
Source: Mortgage Bankers Association, US Census Bureau via Haver Analytics

Note: Shading shows NBER recessions.

Questions of affordability

12 Month % Change

12 Month % Change

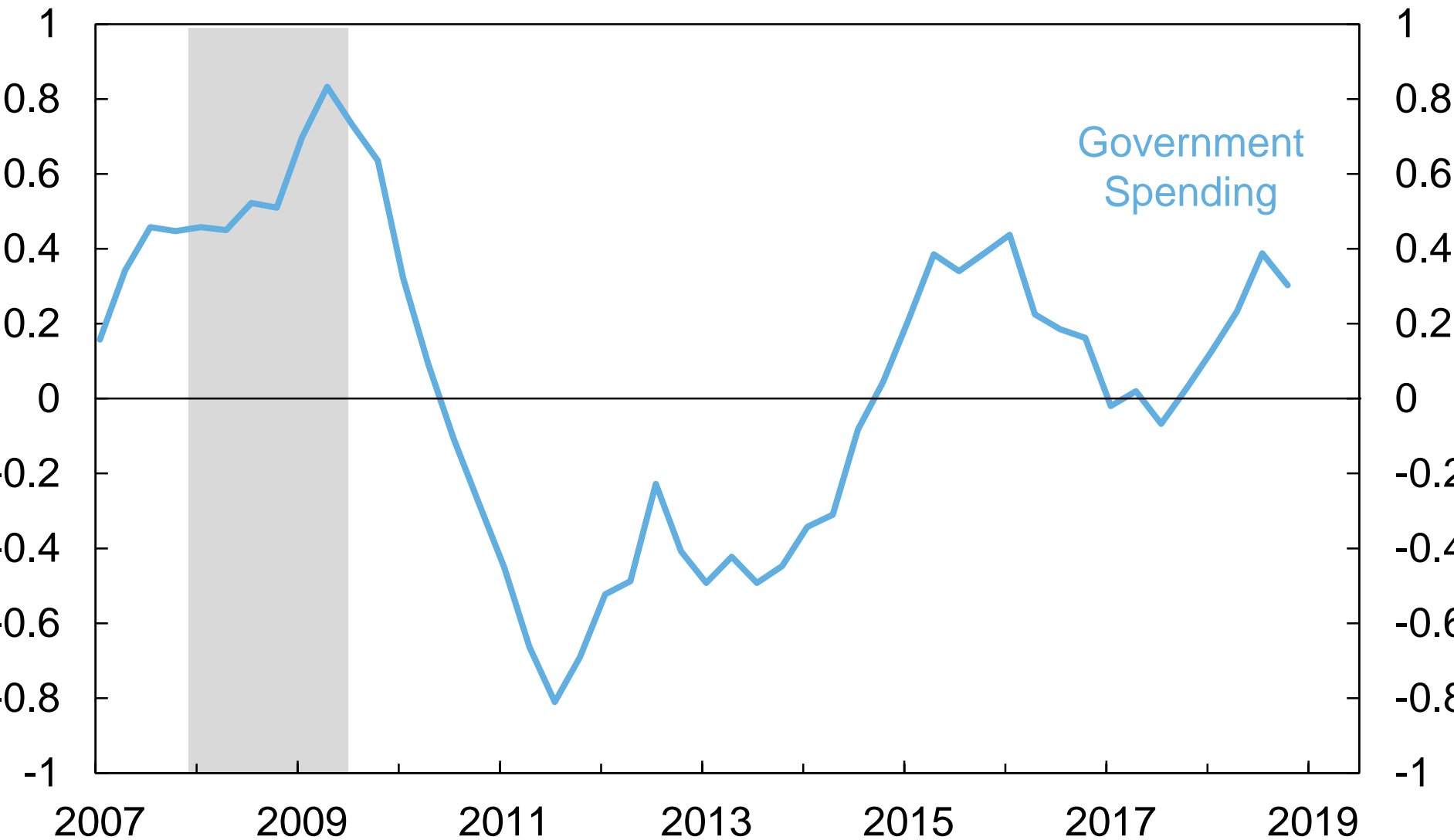


Single Family
House Price Index

Government spending boosted 2018 growth

Contribution to growth, 4-quarter avg.

Contribution to growth, 4-quarter avg.



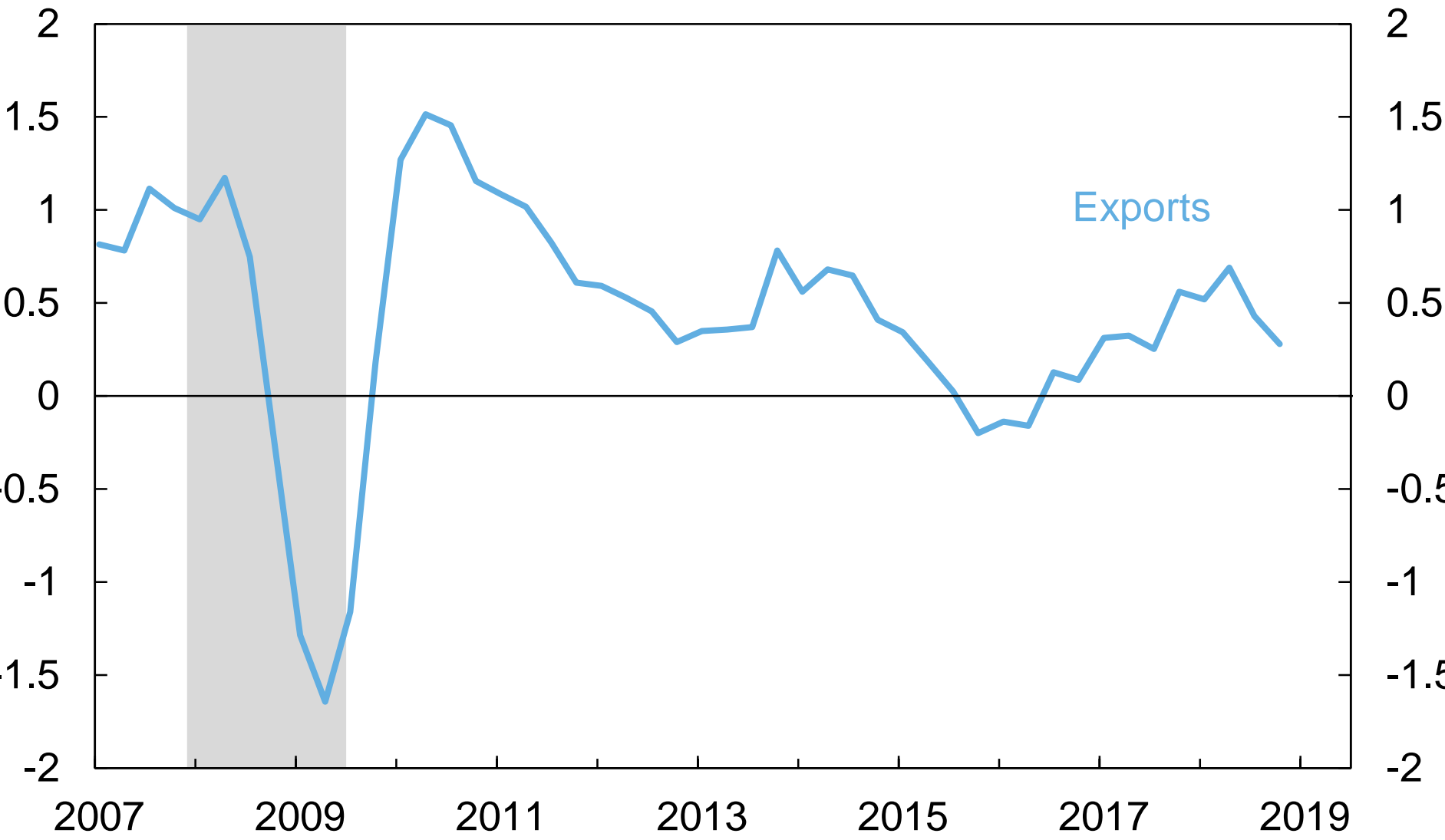
Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

Export growth slowed in second half of 2018

Contribution to growth, 4-quarter avg.

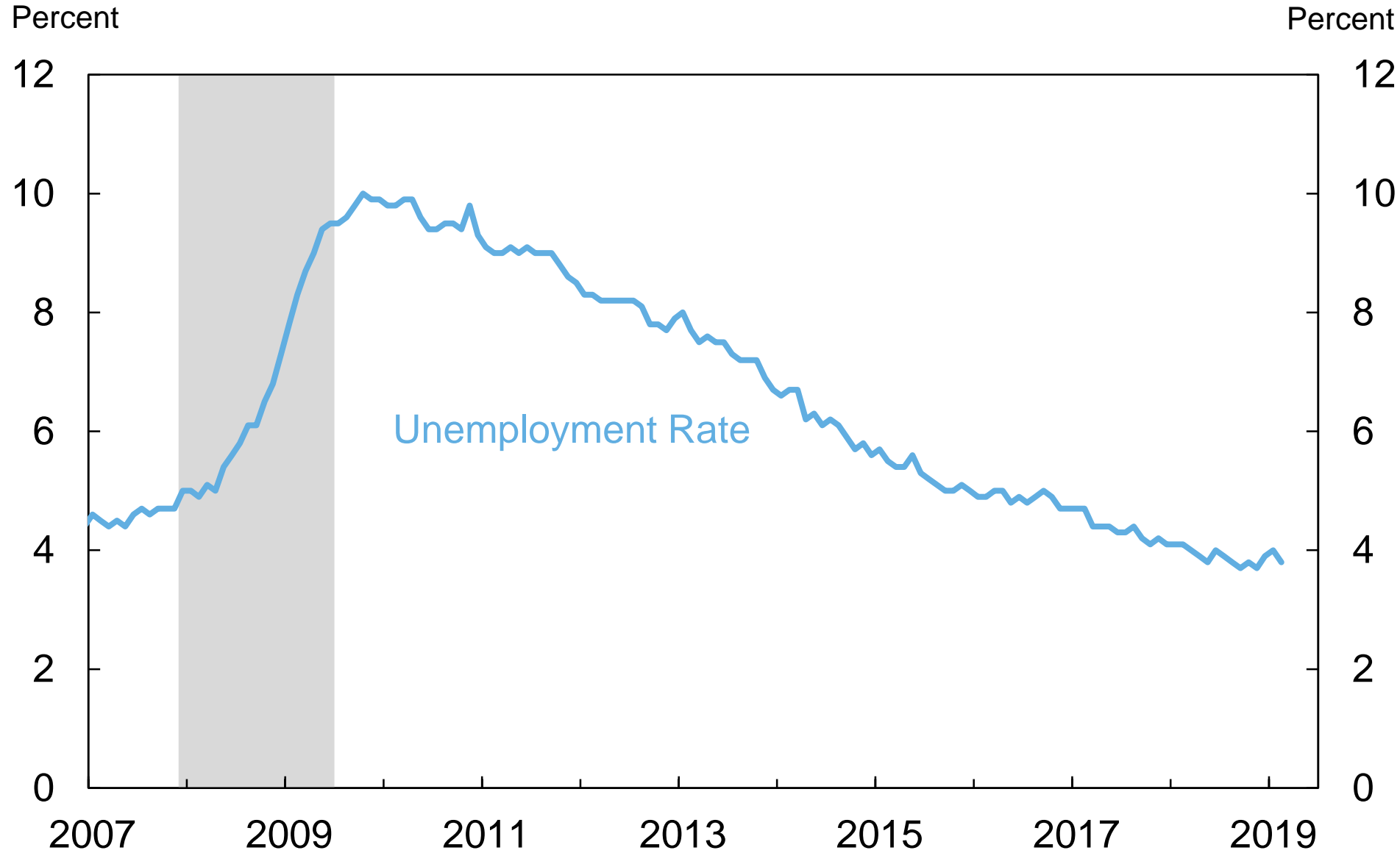
Contribution to growth, 4-quarter avg.



Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

The unemployment rate remains low



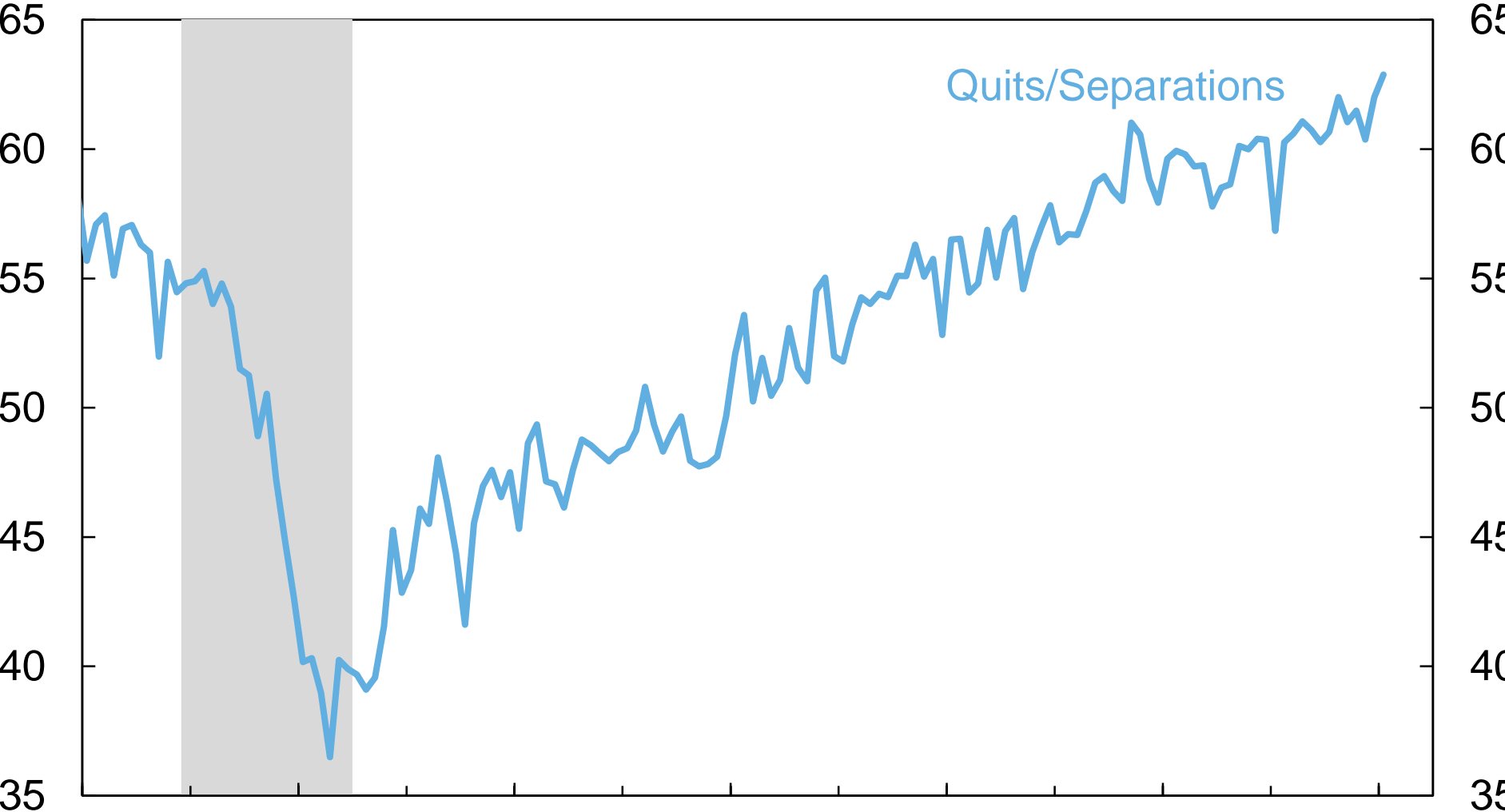
Source: Bureau of Labor Statistics
via Haver Analytics

Note: Shading shows NBER recessions.

Data on quits suggest a tight labor market

Percent

Percent



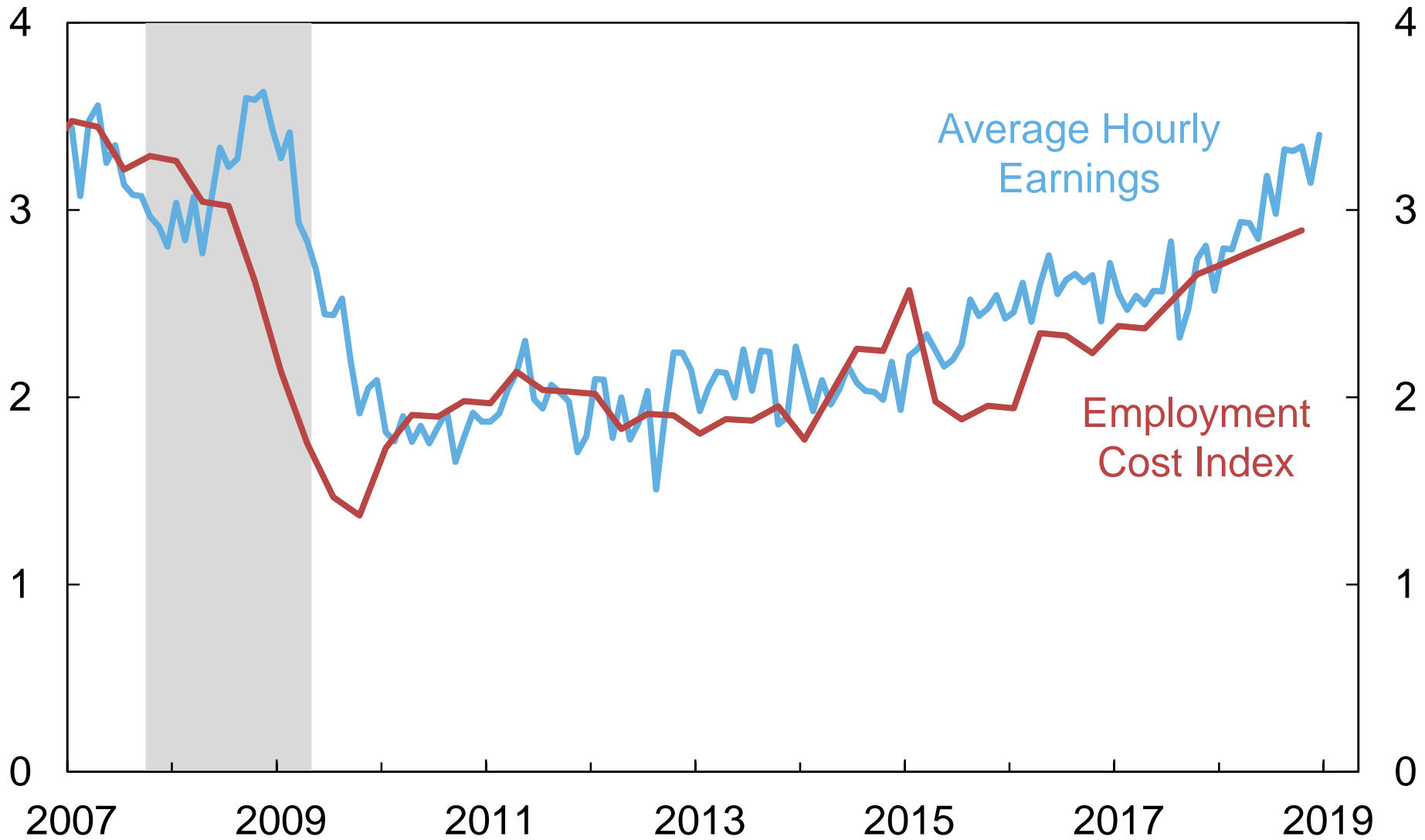
Source: Bureau of Labor Statistics

Note: Grey shading shows NBER recessions.

Wage inflation appears to be increasing

% change over year

% change over year



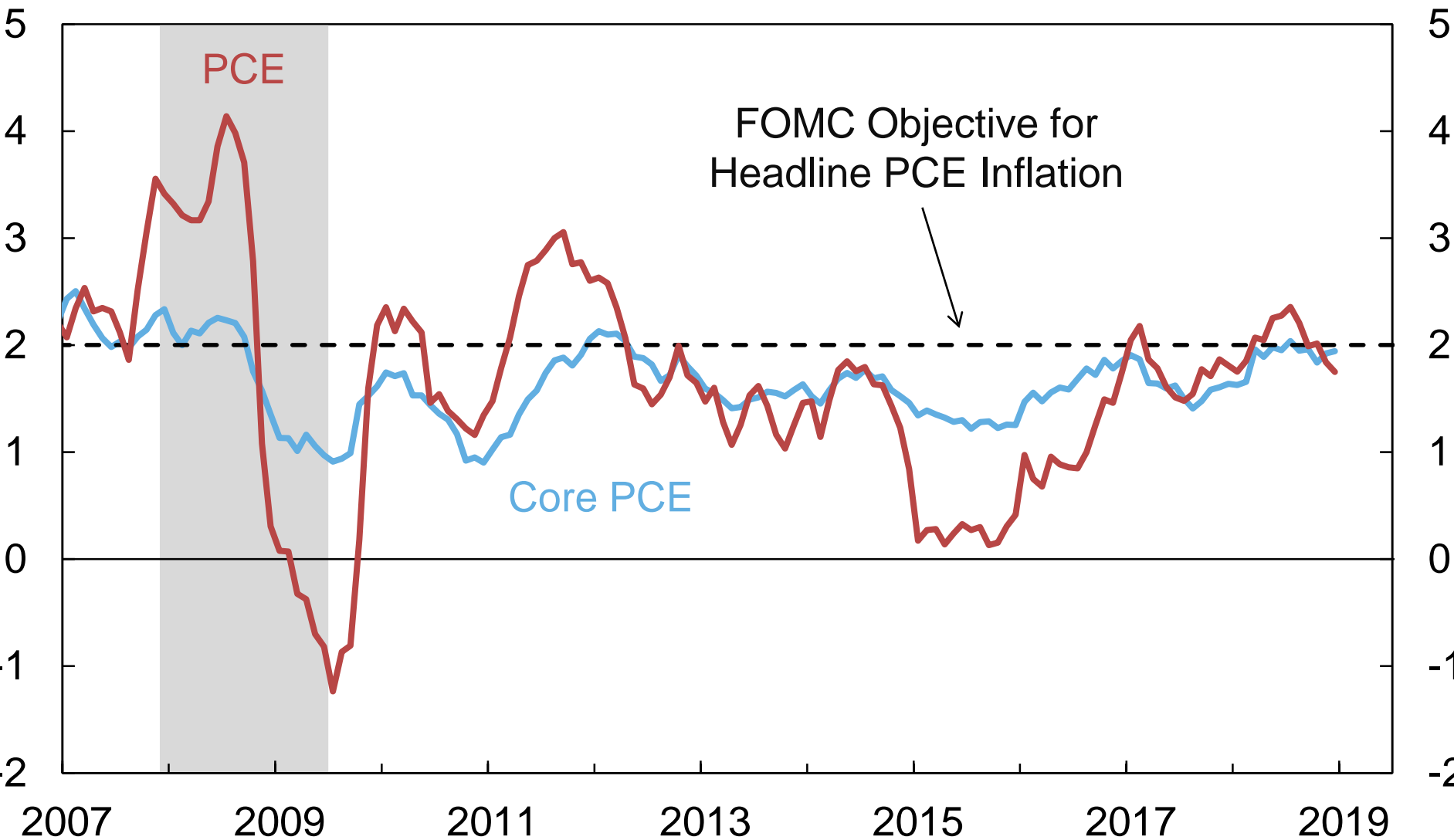
Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

Inflation is near the FOMC Objective of 2 percent

12 Month % Change

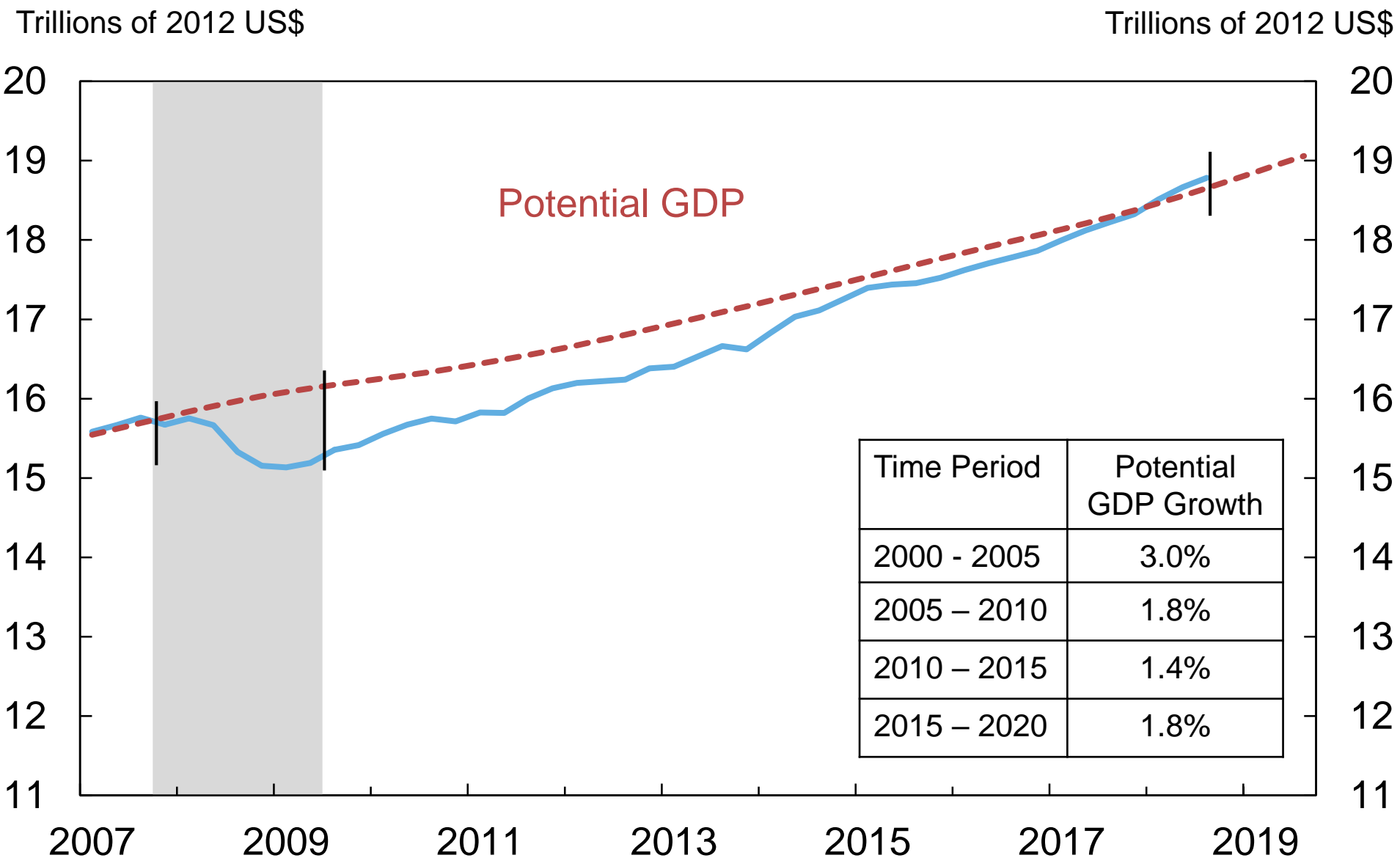
12 Month % Change



Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.

GDP is above potential by some estimates



Source: Bureau of Economic Analysis,
Congressional Budget Office via Haver Analytics

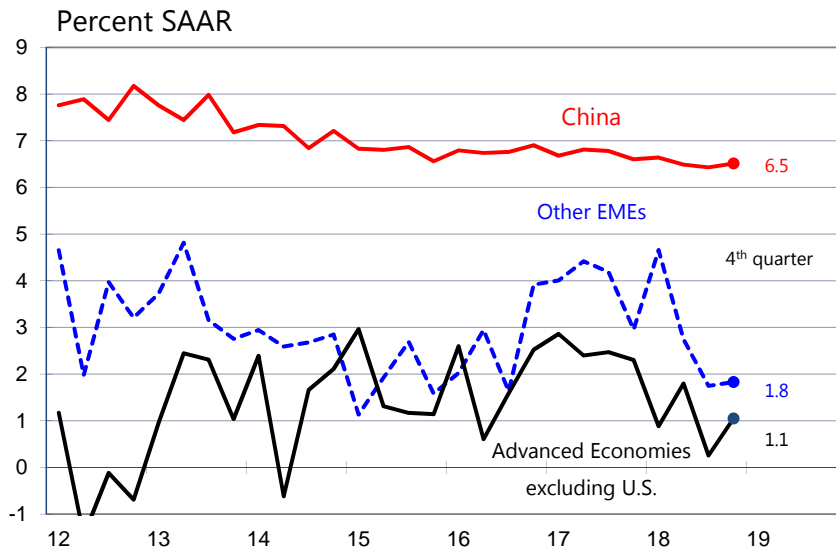
Note: Shading shows NBER recessions.



Roadmap

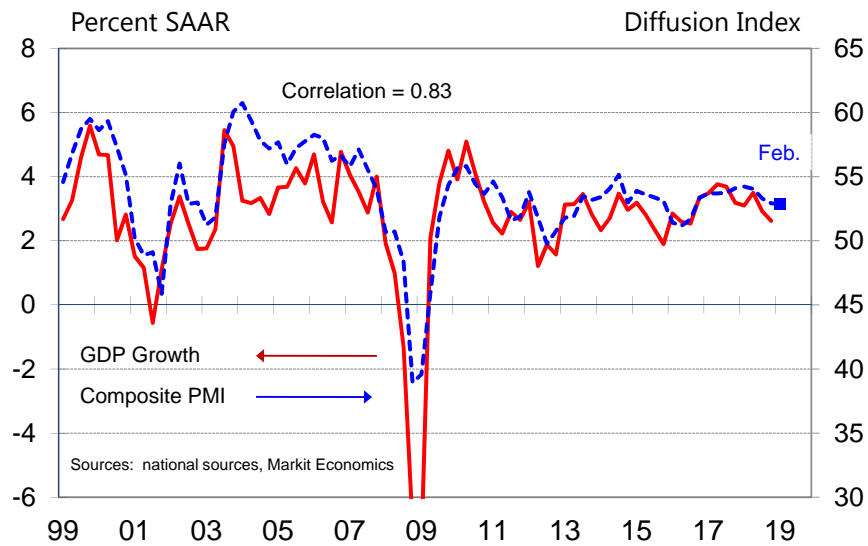
- Update on the global economic and industrial cycle
- China's recent growth performance and long-term prospects

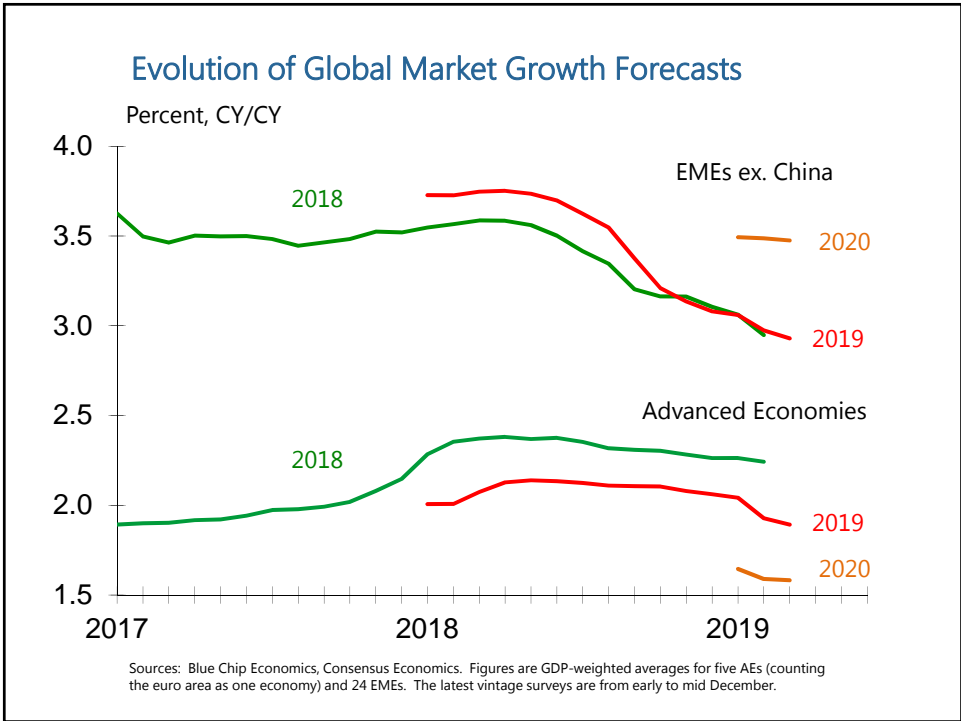
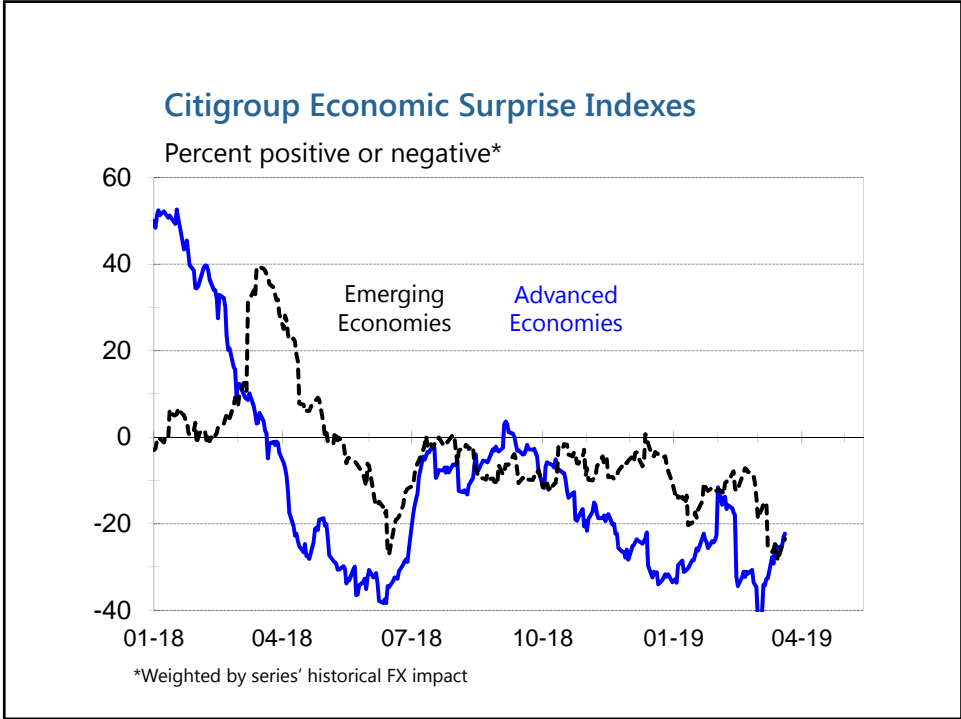
Global GDP Growth



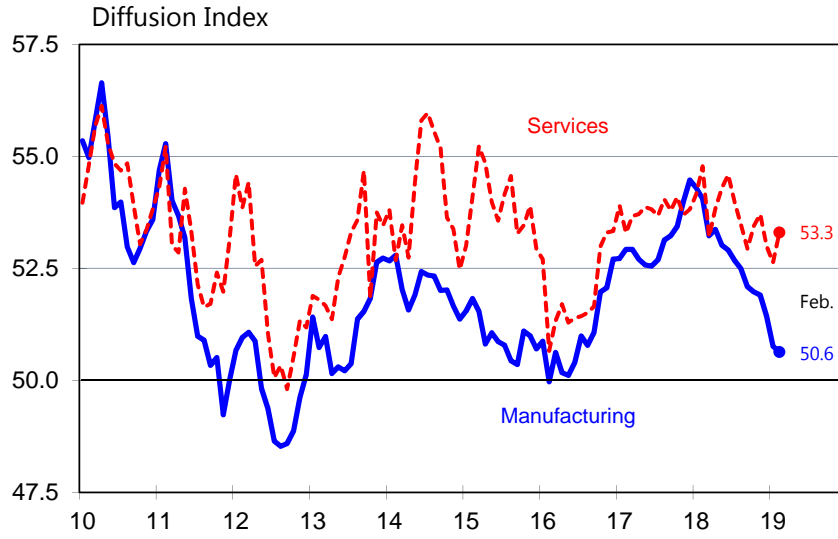
Sources: national sources, staff calculations. Q4 growth rates for some foreign economies reflect staff estimates.

Global GDP Growth and Composite PMI



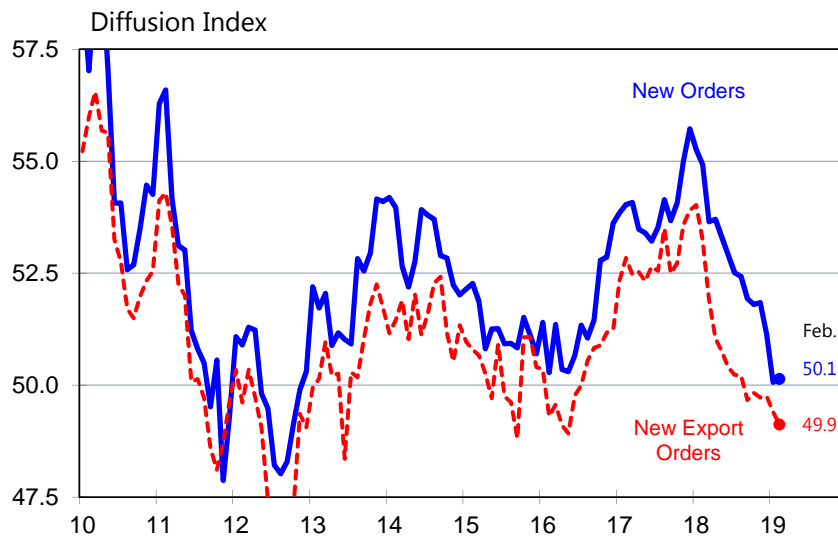


Global Manufacturing and Services PMIs



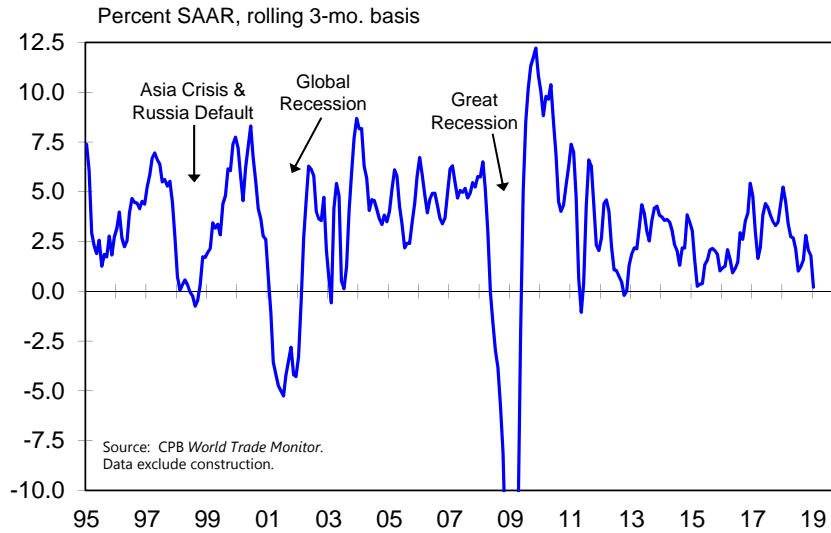
Source: Markit Economics.

Manufacturing New Orders

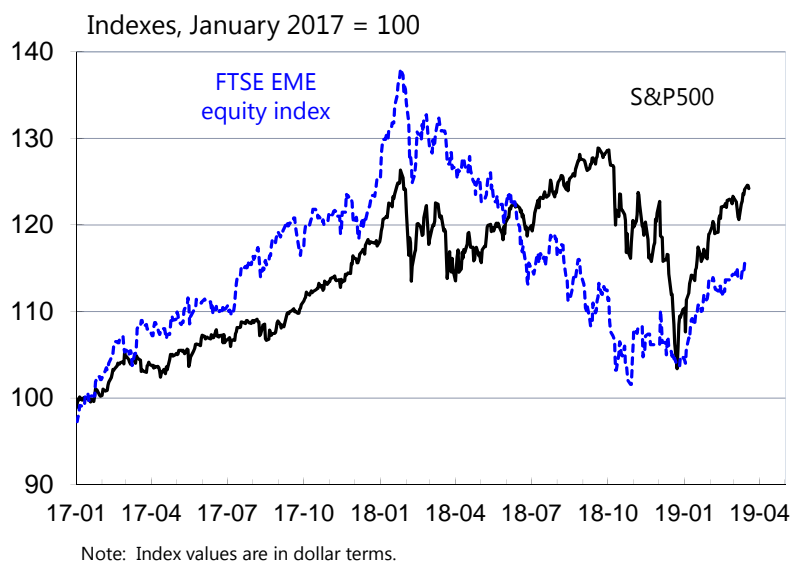


Source: Markit Economics, JPMorgan.

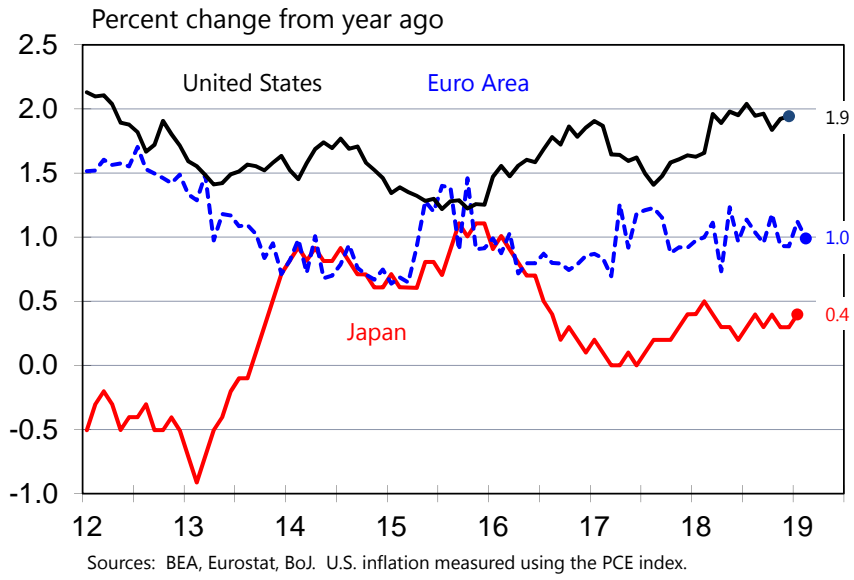
Global Industrial Production Growth



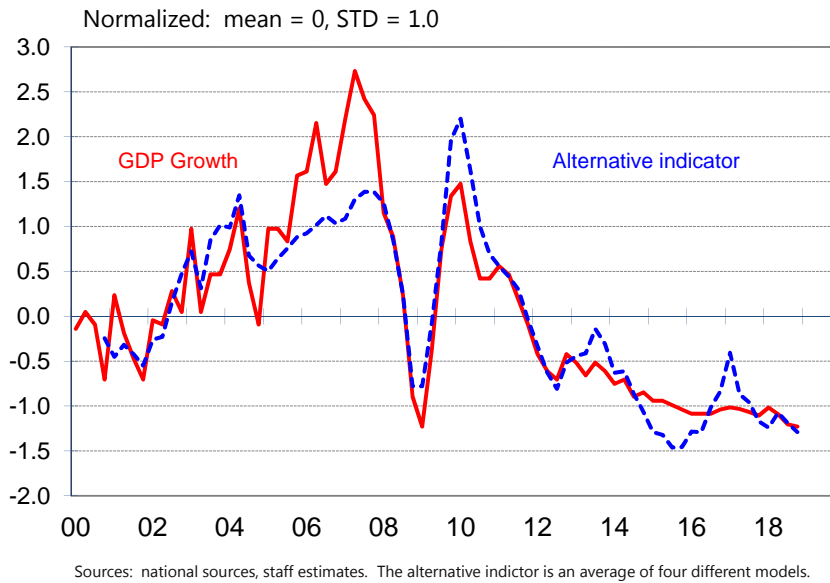
U.S. and EME equity performance

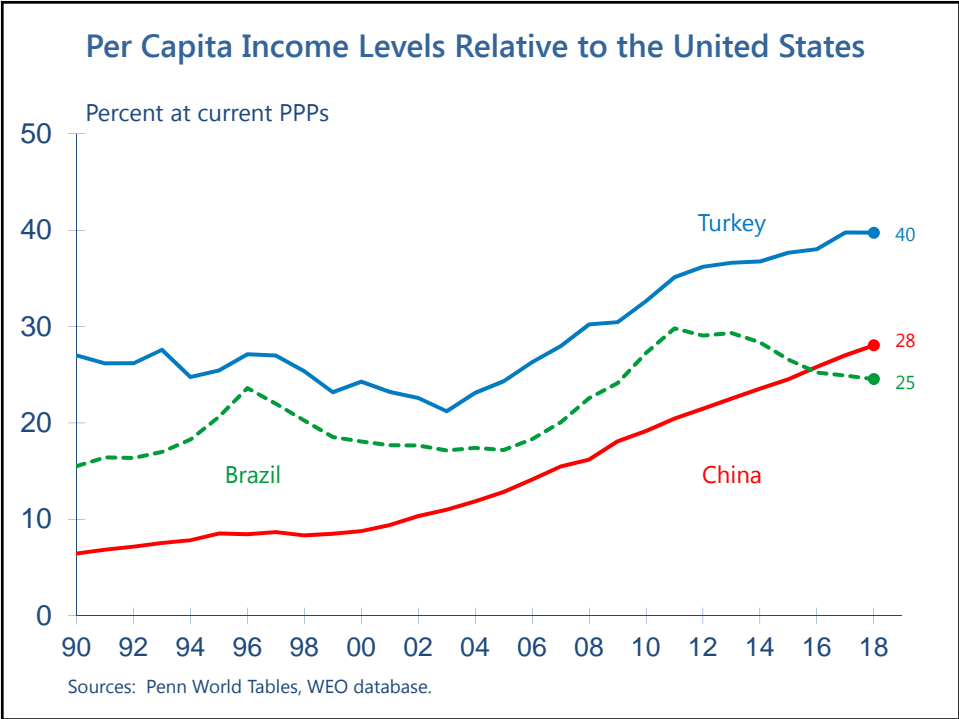
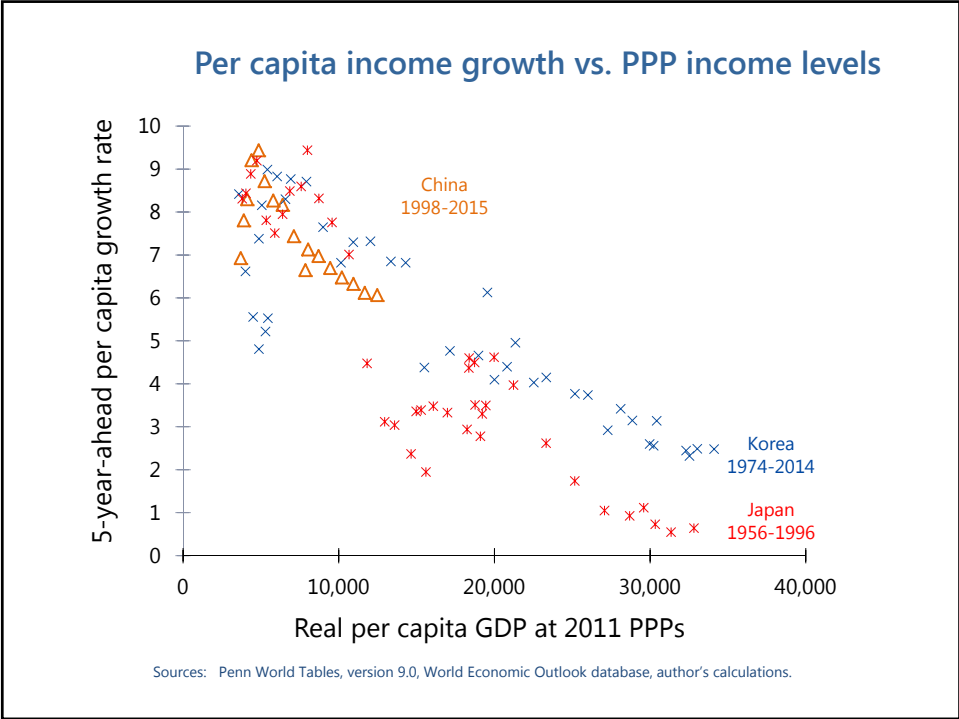


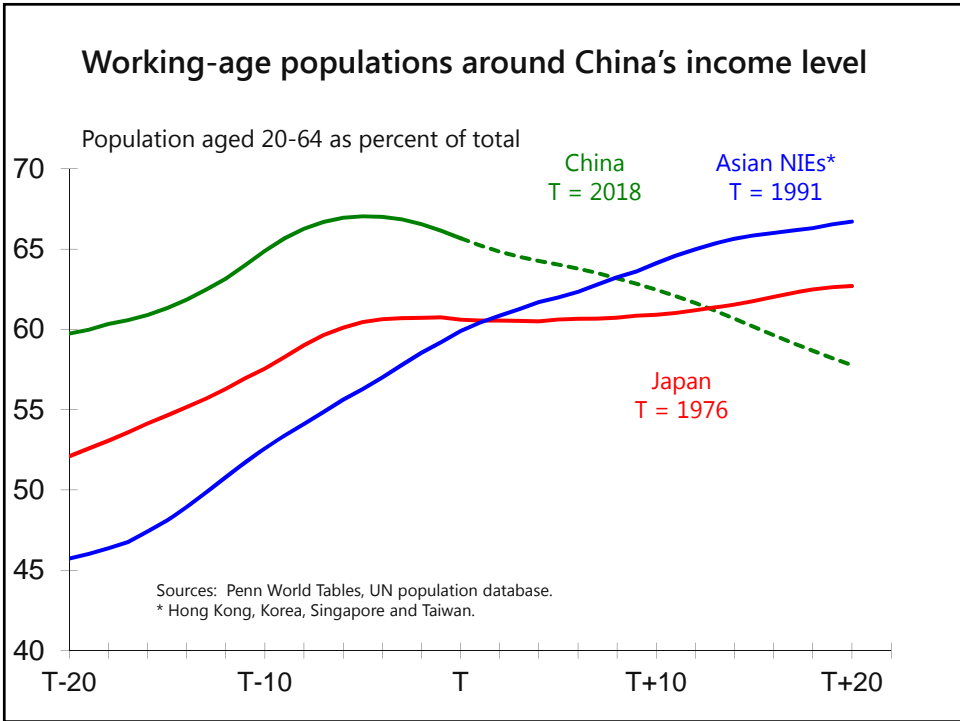
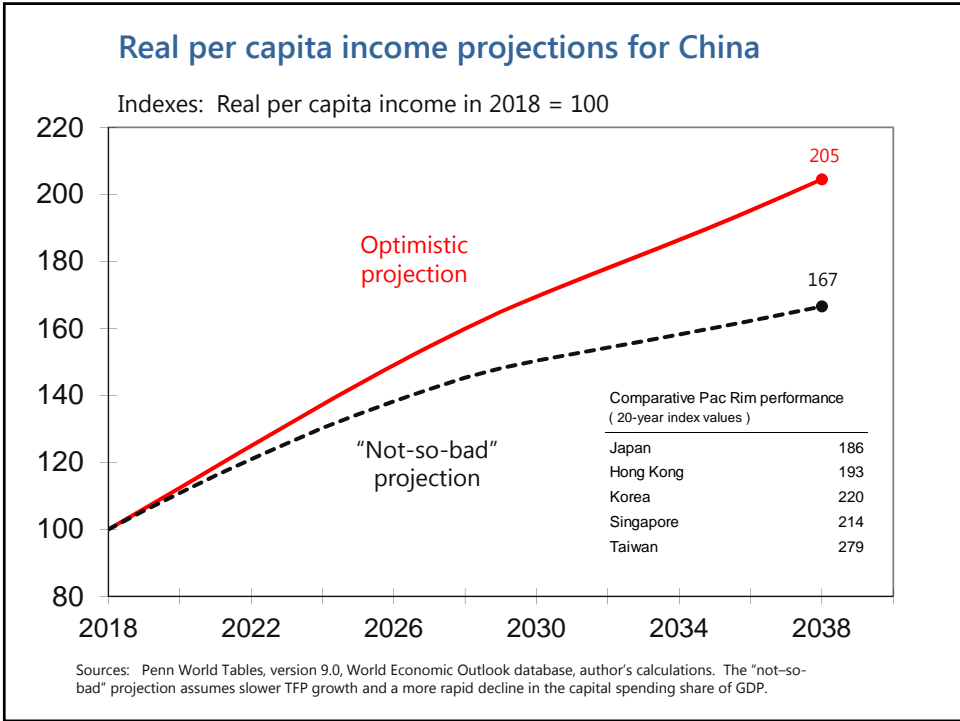
G-3: Core Consumer Price Inflation



Chinese GDP growth and alternative indicator









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Regional Economic Conditions

Jaison R. Abel

Upstate New York Regional Advisory Board Meeting – March 26, 2019

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.

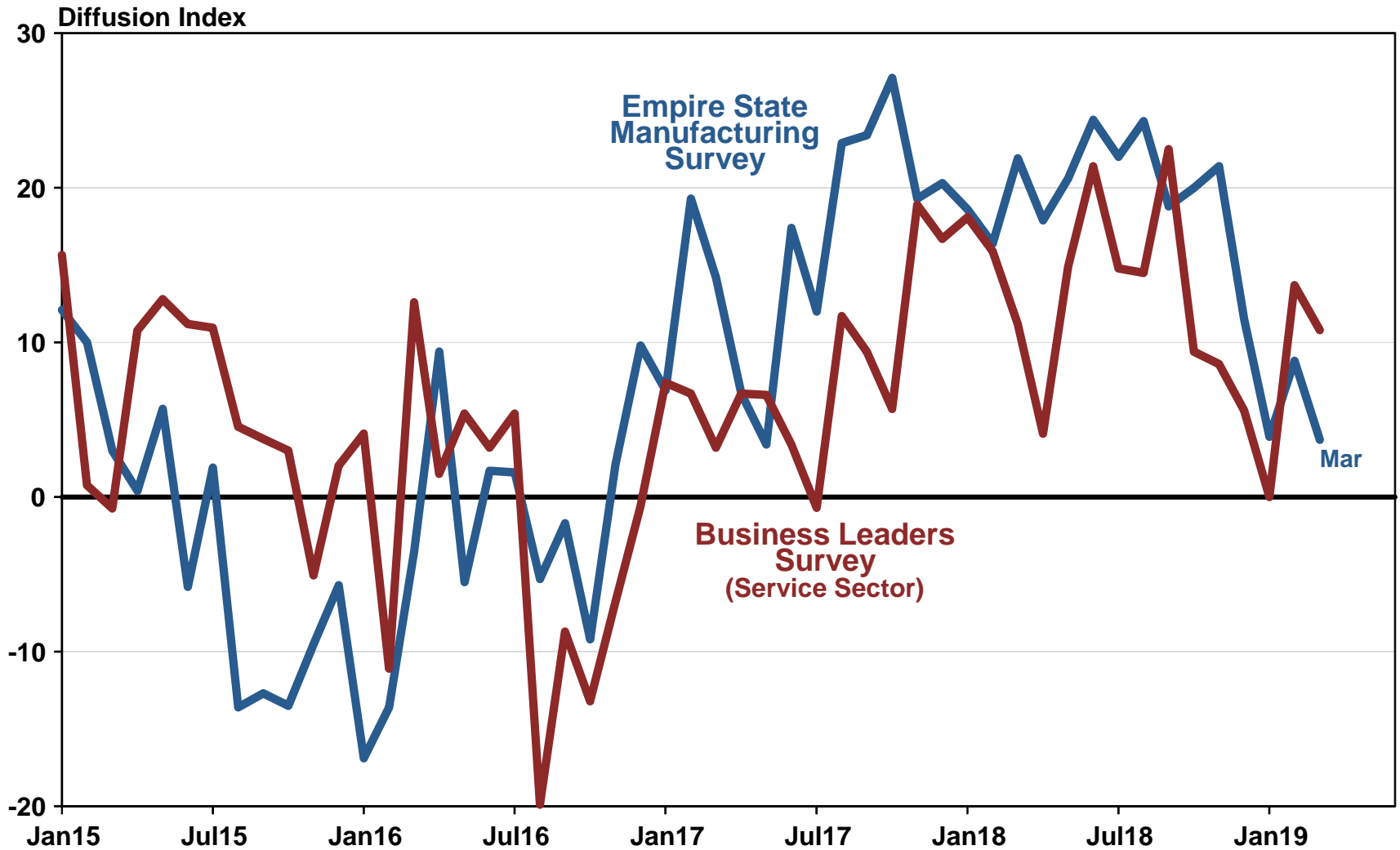
Overview of Regional Conditions

- Business activity in the New York-Northern New Jersey region slowed in late 2018 and has remained subdued in early 2019.
- Despite modest job growth in much of the region, particularly in upstate New York, labor markets have become extremely tight. As a result, wage growth has picked up throughout the region.
- Private-sector employment in Puerto Rico is now above pre-storm levels, though overall job gains on the island continue to be weighed down by a weak public sector.
- Manufacturers in New York State report fairly significant effects on employment and compensation from the recent increase in the minimum wage, while service firms report more limited effects.



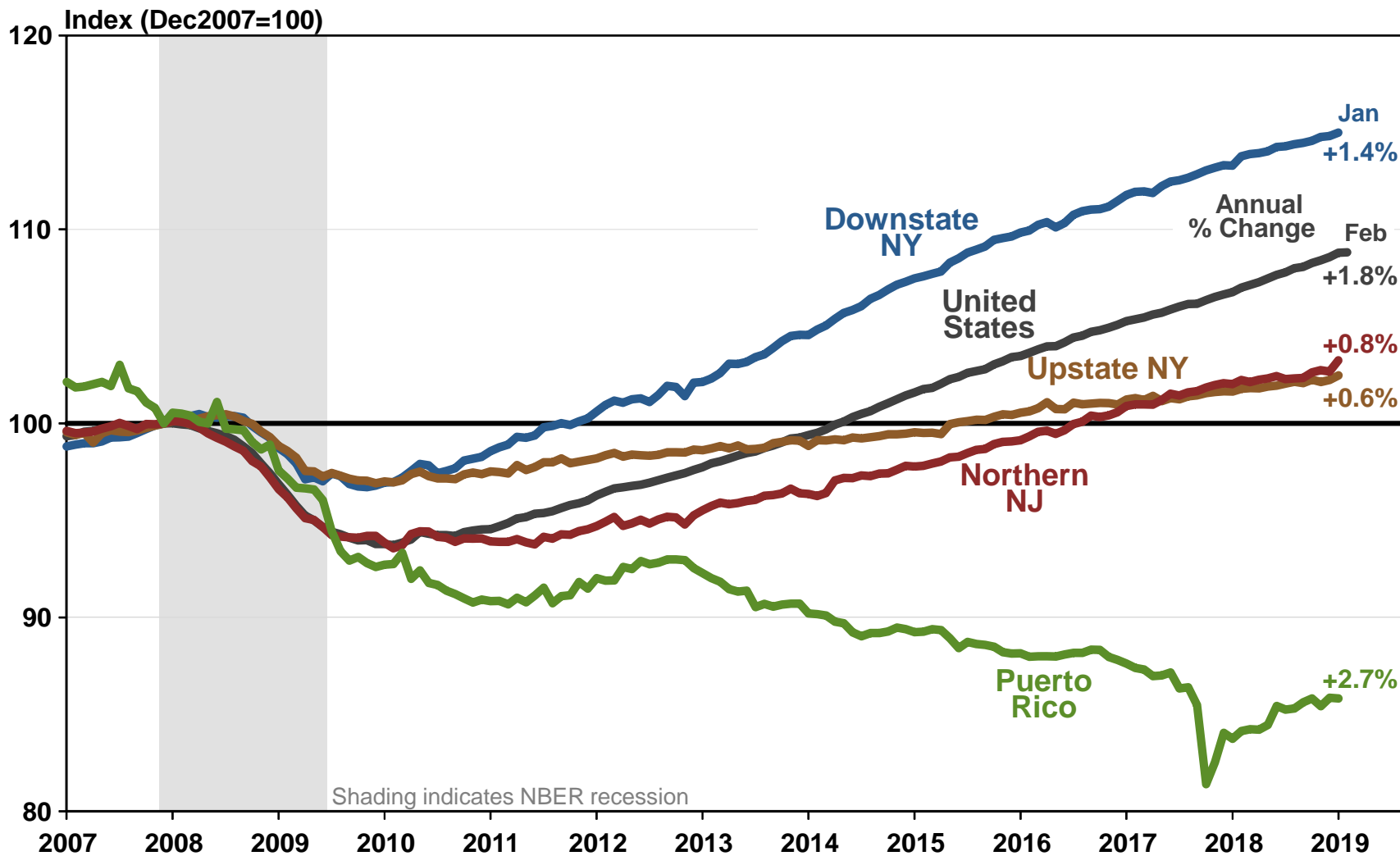
Current Economic Conditions

FRBNY Regional Business Surveys



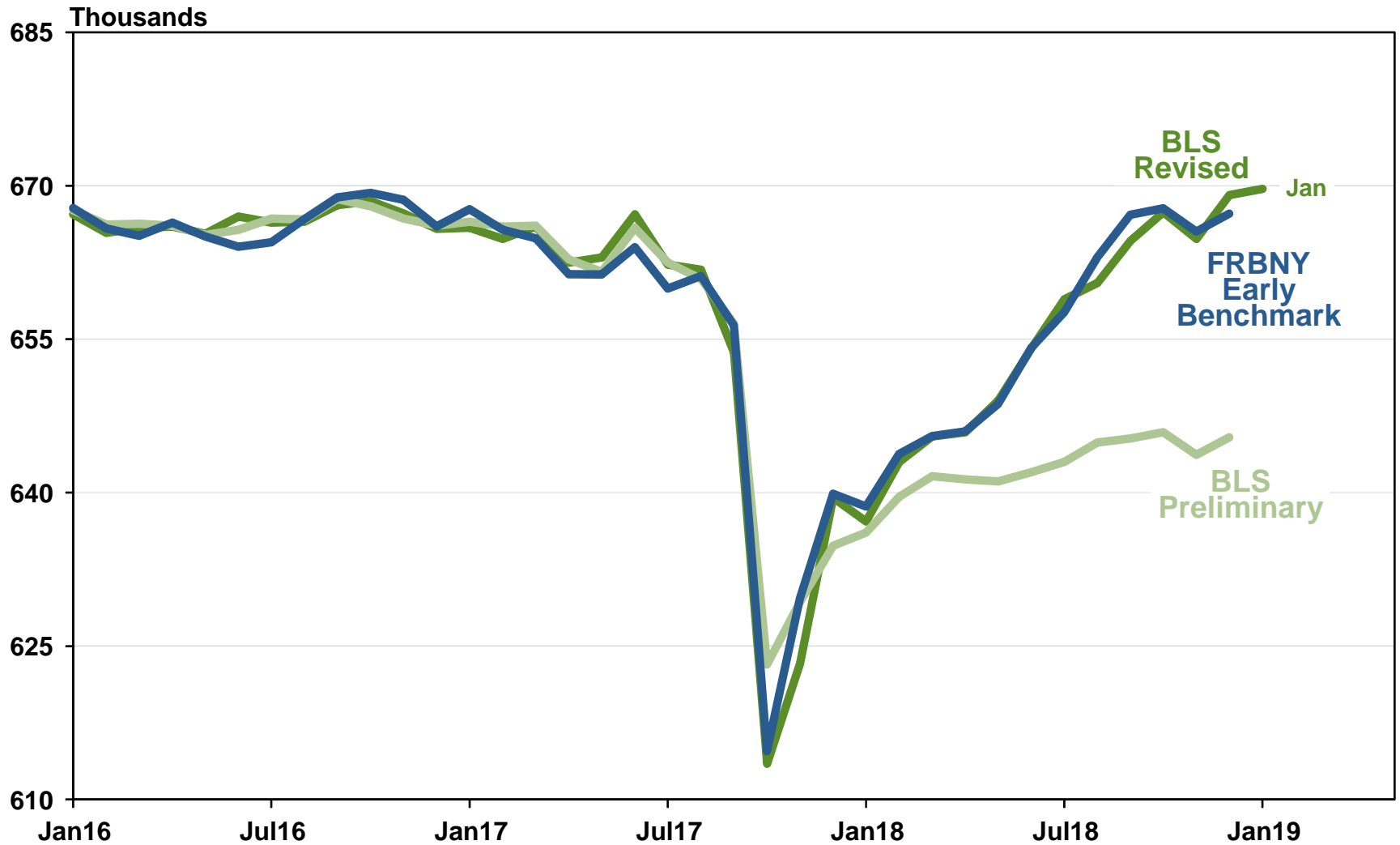
Regional Employment Trends

Indexes of Total Employment, Seasonally Adjusted



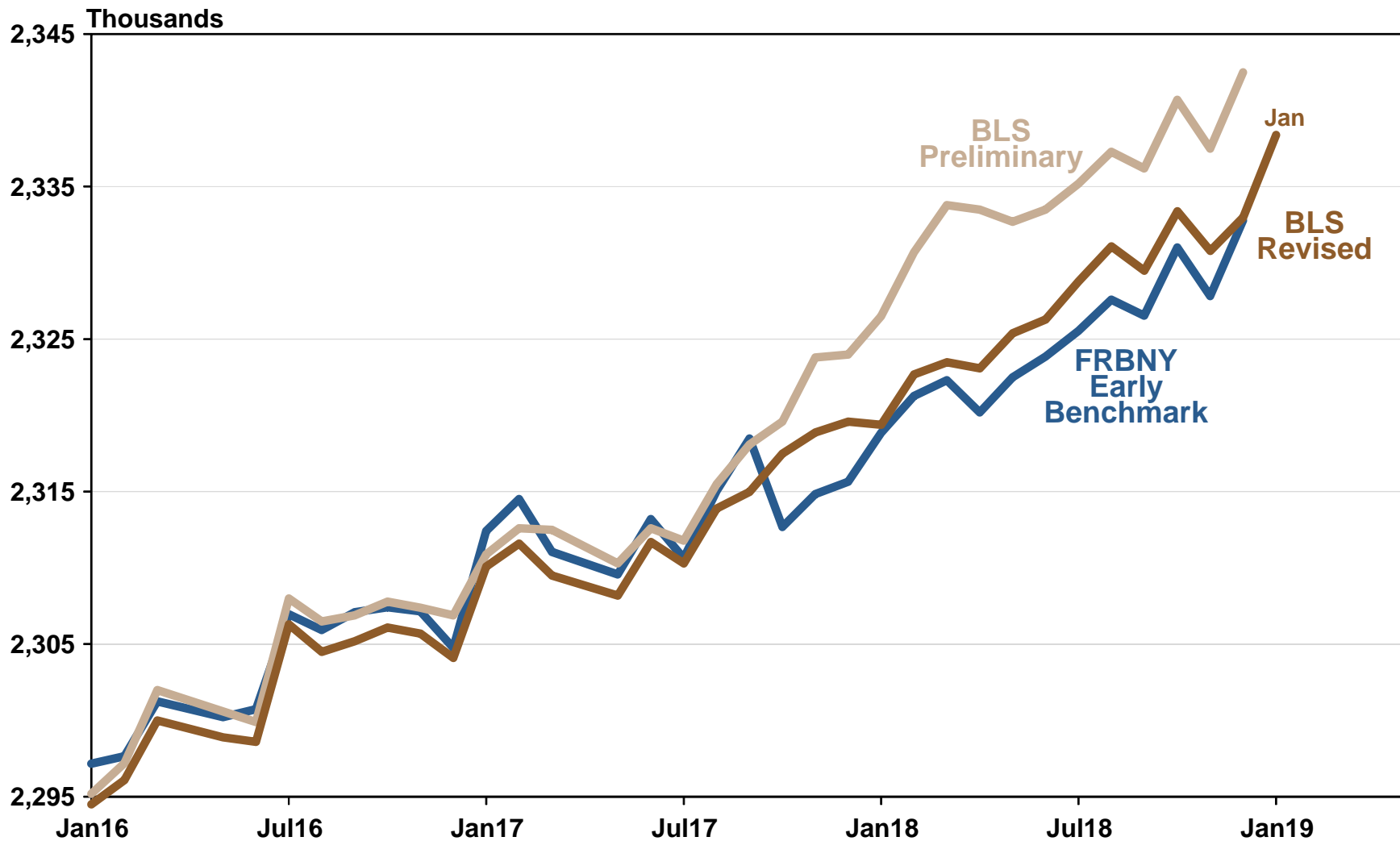
Upward Revisions in Puerto Rico

Preliminary vs Revised Private-Sector Employment Estimates



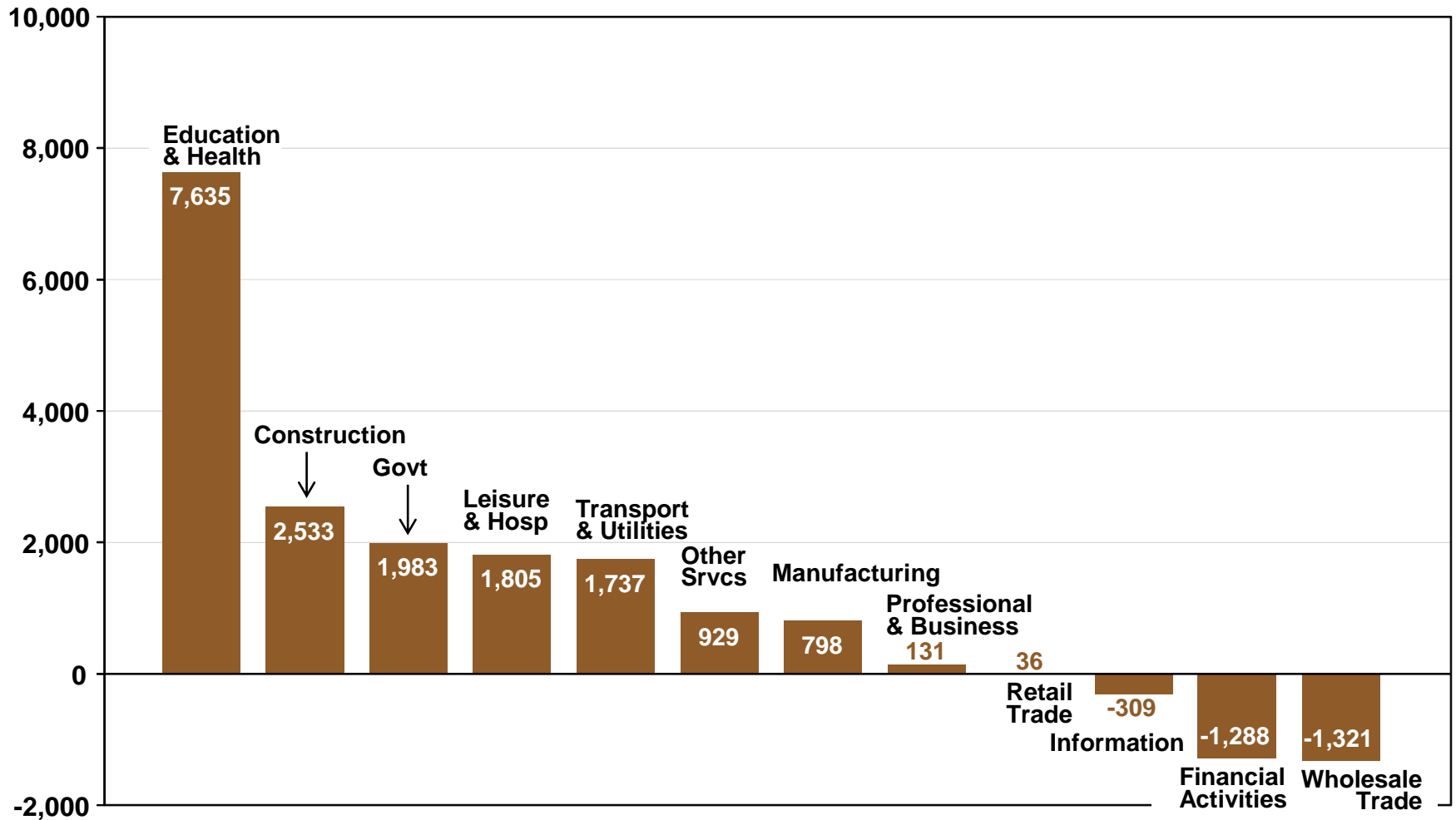
Downward Revisions in Upstate NY

Preliminary vs Revised Total Employment Estimates



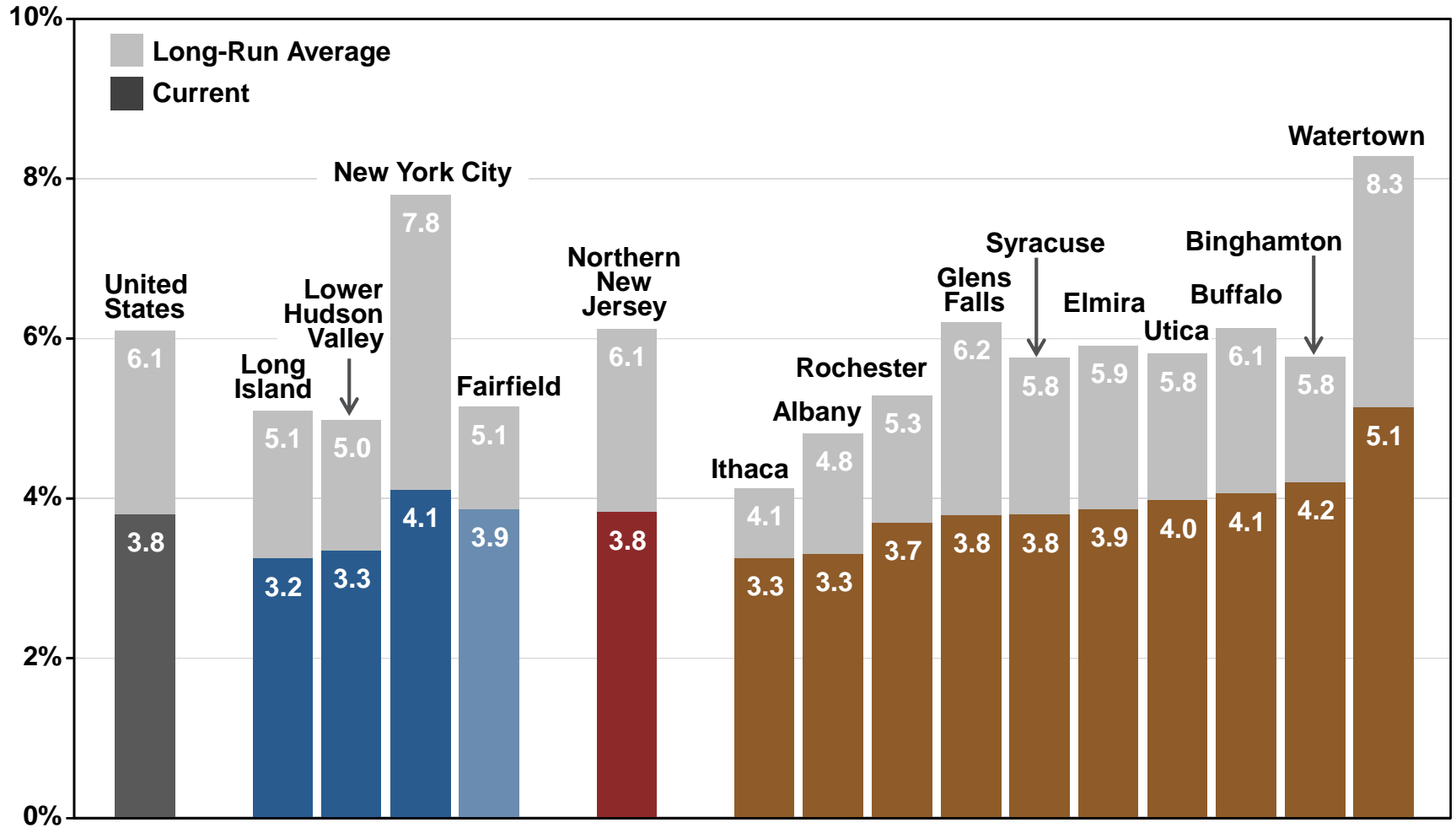
Job Gains by Industry in Upstate NY

Annual Change in Employment, 3-Month Average (Nov-Jan)



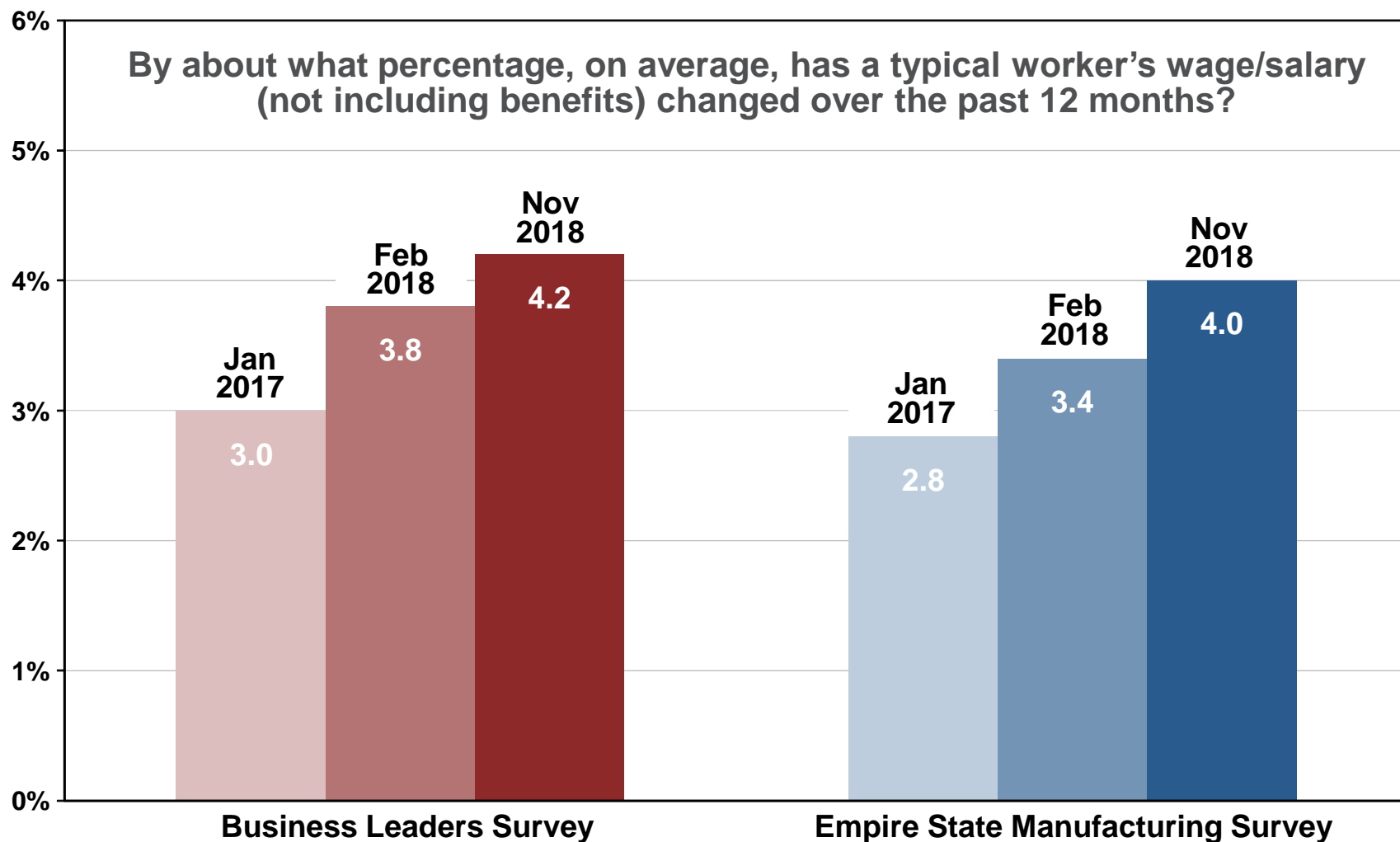
Exceptionally Tight Labor Markets

Long-Run and Current Unemployment Rates, Seasonally Adjusted



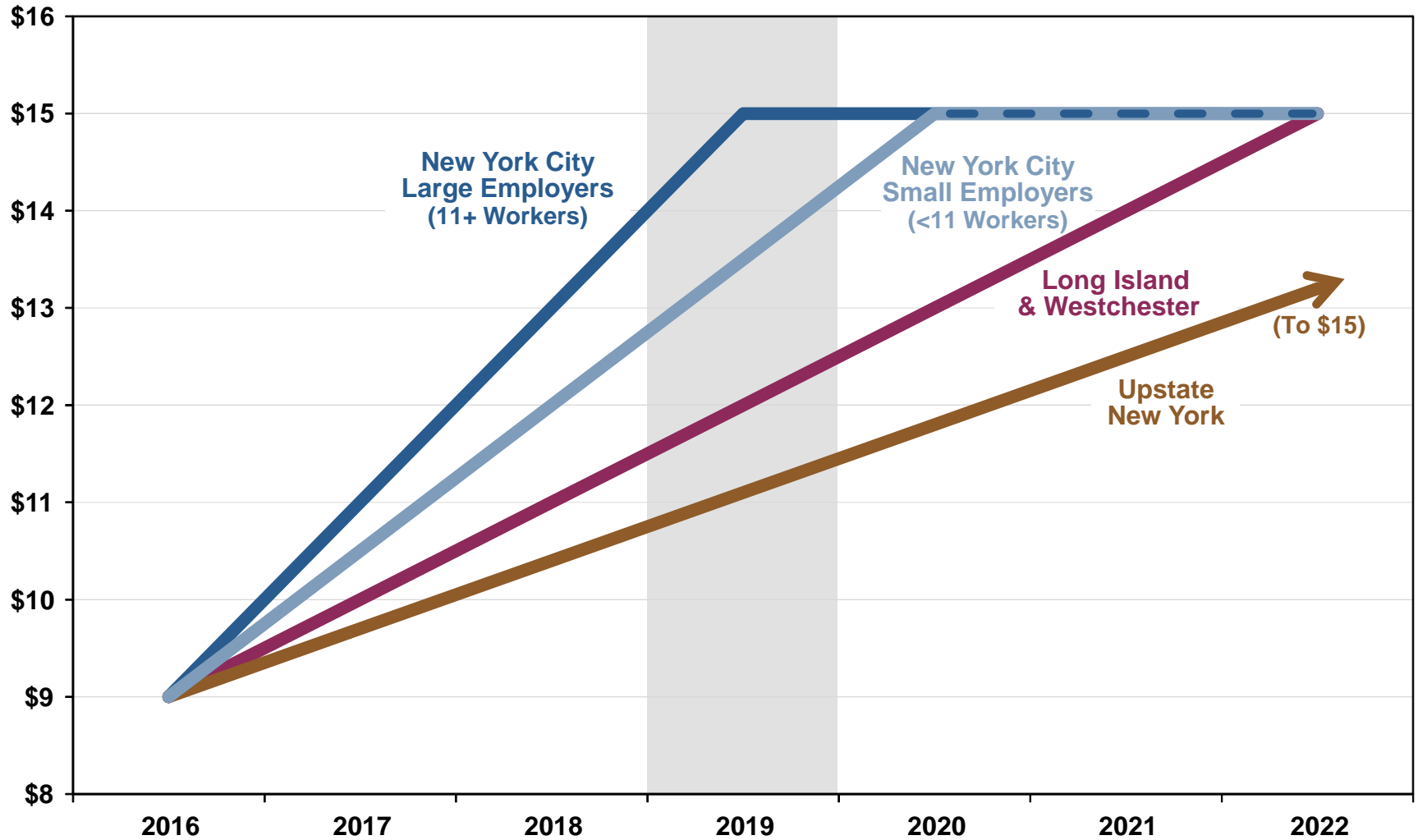
Wage Growth Has Picked Up in the Region

FRBNY Supplemental Survey



Increase in NYS Minimum Wage

2017 Through 2022



Effects of NYS Minimum Wage Increase

FRBNY Supplemental Survey Report, February 2019

Q: *Has the increase in the minimum wage, effective January 1, 2019, had any effect on your business's decisions about compensation and/or employment?*

