## AGENDA

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>10:30am</td>
<td>Welcome, Jack Gutt, Executive Vice President</td>
</tr>
<tr>
<td>10:35am</td>
<td>Introductory Remarks, Claire Kramer Mills, Assistant Vice President</td>
</tr>
<tr>
<td>10:40am-11:10am</td>
<td>The National Economy, Richard Peach, Senior Vice President</td>
</tr>
<tr>
<td>11:10am-11:40am</td>
<td>International Update, Matthew Higgins, Vice President</td>
</tr>
<tr>
<td>11:40am-12:00pm</td>
<td>Regional Update, Jason Bram, Officer</td>
</tr>
<tr>
<td>12:00pm</td>
<td>Adjourn to NWC Room-10F</td>
</tr>
<tr>
<td>12:15pm</td>
<td>Lunch</td>
</tr>
<tr>
<td>12:15pm-1:55pm</td>
<td>Discussion with William Dudley, President and Michael Strine, First Vice President</td>
</tr>
</tbody>
</table>

Your experiences can give us insight into current economic conditions.

Questions for discussion with President Dudley:

1. Have firms of your size and in your industry seen sales volume increase, decrease, or stay the same in the first quarter of 2017?
2. Do you expect sales for firms of your size and in your industry to increase, decrease, or stay the same in the second quarter of 2017?
3. Do you expect firms of your size and in your industry to increase investment (plant & equipment) in the second quarter of 2017?
4. Have firms of your size and in your industry faced any recent shortage of labor that has limited their ability to meet demand?
5. Do you expect firms of your size and in your industry to increase employment this year? Why or why not?
6. Do you expect input prices for firms of your size and in your industry to increase this year? Do you expect prices of products/services sold to increase?
7. Over the past two quarters, have you noticed any financing changes for firms of your size and in your industry? How have the terms and conditions for obtaining financing changed (tightened, eased, not changed)?

2:00 pm Adjourn
Council Members

Michael Arnoff
President
Arnoff Moving & Storage

Kevin Ellis
Chief Executive Officer
Cayuga Milk Ingredients

Charles Feit
President and Founder
OnForce Solar

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

Patrick Marotta
President and CEO
Marotta Controls

Waleska Rivera
President
Danosa Caribbean, Inc.

Federal Reserve Bank of New York

William Dudley
President

Michael Strine
First Vice President

Jack Gutt
EVP, Communications & Outreach

Richard Peach
SVP, Research & Statistics

Kausar Hamdani
SVP, Communications & Outreach

Matthew Higgins
VP, Integrated Policy Analysis

Anand Marri
VP, Outreach & Education

Claire Kramer Mills
AVP, Outreach & Education

Jason Bram
Officer, Research & Statistics

Julia Gouny
Officer, Executive Office

Edison Reyes
Associate, Outreach & Education

Angela Sun
Associate, Legal
US Macro Overview
Richard Peach, Senior Vice President

Presented to Advisory Council on Small Business and Agriculture
April 18, 2017

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

• The US economy appears to be regaining its footing after suffering a significant shock beginning in mid to late 2014.

• US labor market is now showing classic signs of being at or near full employment.

• Core inflation has edged higher over the past year but remains somewhat below the FOMC’s objective.
  – Rent inflation continues to edge higher.
  – Health care price inflation has moved higher.
  – The rate of decline of core goods prices has begun to slow as past dollar appreciation has largely worked its way through the system.

• Big policy question is whether fiscal stimulus could boost the economy’s underlying trend growth rate.
Growth of Real GDP

Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.
Nominal Trade-Weighted Value of US$ and Rig Count

Active Oil Rigs

Rig Count (left axis)

Broad Trade-Weighted Exchange Value of US $ (right axis)

Source: Federal Reserve Board and Baker Hughes

Note: Shading shows NBER recessions.
Manufacturing Across Countries

Index Level

Source: IHS Markit and Institute for Supply Management via Haver Analytics

Note: Shading shows NBER recessions.
Employment Cost Index: Private Industry Workers

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Nonfarm Business Sector

Y/Y % Change

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
CPI Inflation: Core Goods and Core Services

12 Month % Change

Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.
Rental Vacancy Rate and Rent of Primary Residence

Source: Census Bureau, BLS via Haver Analytics
Note: Shading shows NBER recessions.
Labor Force and Nonfarm Business Sector Real Output

20-Qtr %Change-annualized

Nonfarm Business Sector: Real Output per Hour of All Persons

Civilian Labor Force: 16+

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Reference Charts
### Private Nonfarm Business Sector

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>2.9</td>
<td>3.3</td>
<td>3.0</td>
<td>5.0</td>
<td>2.8</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Hours Worked</strong></td>
<td>0.9</td>
<td>1.7</td>
<td>1.3</td>
<td>2.1</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Labor Productivity</strong></td>
<td>2.0</td>
<td>1.6</td>
<td>1.6</td>
<td>2.9</td>
<td>2.6</td>
<td>1.2</td>
</tr>
</tbody>
</table>

(percentage points)

**Contribution to Labor Productivity from:**

- **TFP (2)**: 0.9, 0.7, 0.5, 1.5, 1.4, 0.4
- **Labor Composition (3)**: 0.3, 0.2, 0.5, 0.2, 0.2, 0.3
- **Capital Intensity (4)**: 0.8, 0.7, 0.6, 1.2, 1.0, 0.5

(1) Output per hour worked.

(2) Output per combined units of labor input and capital services.

(3) Labor composition multiplied by labor's share of current dollar costs.

(4) Capital services per hour multiplied by capital's share of current dollar costs.

Note: Labor composition measures the effects of shifts in the age, gender, and educational attainment of the work force on the efficiency of hours worked.

Private Investment Over Depreciation

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
Growth of Net Private Nonresidential Capital Stock

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
Equipment Investment Spending and Capacity Utilization

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

Quarterly data 1980Q1 – 2007Q4

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

Source: Federal Reserve Board, Bureau of Economic Analysis

Manufacturing Capacity Utilization (Percent of Capacity)

2016 Q4: (75.0, 0)

Source: Federal Reserve Board, Bureau of Economic Analysis
### Average Percentage Point Deviation from Average Quarterly Real GDP Growth Rate

<table>
<thead>
<tr>
<th></th>
<th>20-years</th>
<th>15-years</th>
<th>10-years</th>
<th>5- years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>-0.9</td>
<td>-0.8</td>
<td>-1.4</td>
<td>-0.6</td>
</tr>
<tr>
<td>Q2</td>
<td>0.6</td>
<td>0.4</td>
<td>0.8</td>
<td>0.1</td>
</tr>
<tr>
<td>Q3</td>
<td>0.3</td>
<td>0.5</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Q4</td>
<td>0.1</td>
<td>-0.1</td>
<td>0.0</td>
<td>-0.2</td>
</tr>
</tbody>
</table>
Global Economic Outlook

Small Business and Agricultural Advisory Council
Matthew Higgins, 18 April 2017

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

- Recent signs of stronger global growth
  - Temporary rebound or return to stronger trend?
- Advanced economies’ struggle to escape “lowflation”
- Political risk in Europe
- Implications of potential U.S. trade restrictions
Global GDP Growth and Composite PMI

Correlation = 0.84

Sources: Eurostat, Markit Economics

Citigroup Economic Surprise Indexes

*Weighted by series' historical FX impact
Evolution of Global Market Growth Forecasts

Sources: Blue Chip Economics, Consensus Economics. Figures are GDP-weighted averages for five AEs (with the euro area country as one) and 25 EMEs.

Global Manufacturing PMI

Source: Markit Economics.
Global Industrial Production Growth

Percent SAAR, rolling 3-mo. basis

Average 2005 – 2008:Q1 = 4.8
Average 2011 – 2016:Q3 = 2.2
Jan. 5.1

Source: CPB World Trade Monitor. Data exclude construction.

Global Trade Volume Growth

Percent SAAR, rolling 3-mo. basis

Average 2005 – 2008:Q1 = 7.4
Average 2011 – 2016:Q3 = 1.9
Jan. 9.9

Source: CPB World Trade Monitor. Data exclude construction.
Manufacturing Inventories, Asia ex. China

Percent change, annualized 3-mo. basis

Sources: METI, KOSTAT, MOEA, Haver Analytics. Data are in real terms, and are a weighted average for Japan, Korea and Taiwan.

Global Commodity Prices

Indexes, 2014:01 = 100

Sources: METI, KOSTAT, MOEA, Haver Analytics. Data are in real terms, and are a weighted average for Japan, Korea and Taiwan.
Global Industrial Production Performance

Indexes, 2008:Q1 = 100

Source: CPB World Trade Monitor
Data exclude construction.

G-3: Core Consumer Price Inflation

Percent change from year ago

Sources: BEA, Eurostat, BoJ. U.S. inflation measured using the PCE index.
G-3: Unemployment Rates

Percent change from year ago


Euro Area Sovereign Spreads

Basis points, 5-yr. treasuries vs. bunds

Source: Reuters
### U.S. Merchandise Trade by Partner (U.S. bn.)

<table>
<thead>
<tr>
<th>Country or Region</th>
<th>Exports</th>
<th>Imports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>1,455</td>
<td>2,189</td>
<td>-734</td>
</tr>
<tr>
<td>Canada</td>
<td>269</td>
<td>278</td>
<td>-10</td>
</tr>
<tr>
<td>Mexico</td>
<td>231</td>
<td>294</td>
<td>-64</td>
</tr>
<tr>
<td>Euro area</td>
<td>200</td>
<td>326</td>
<td>-126</td>
</tr>
<tr>
<td>Asia ex. China, Japan</td>
<td>194</td>
<td>280</td>
<td>-86</td>
</tr>
<tr>
<td>South America</td>
<td>137</td>
<td>108</td>
<td>29</td>
</tr>
<tr>
<td>China</td>
<td>116</td>
<td>463</td>
<td>-347</td>
</tr>
<tr>
<td>OPEC*</td>
<td>69</td>
<td>67</td>
<td>2</td>
</tr>
<tr>
<td>Japan</td>
<td>63</td>
<td>132</td>
<td>-69</td>
</tr>
<tr>
<td>Europe ex. EMU, UK</td>
<td>63</td>
<td>103</td>
<td>-40</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>55</td>
<td>54</td>
<td>1</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>63</td>
<td>84</td>
<td>-21</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau. Figures are for the 12 months through December 2016. * Excluding Venezuela.

### U.S. Merchandise Trade with Canada

(values for 2016, U.S. bn.)

<table>
<thead>
<tr>
<th></th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>266</td>
<td>278</td>
</tr>
<tr>
<td>Capital Goods ex Autos</td>
<td>69</td>
<td>33</td>
</tr>
<tr>
<td>Motor Vehicles and Parts</td>
<td>58</td>
<td>65</td>
</tr>
<tr>
<td>Passenger Cars</td>
<td>14</td>
<td>45</td>
</tr>
<tr>
<td>Auto Parts and Trucks</td>
<td>44</td>
<td>19</td>
</tr>
<tr>
<td>Industrial Supplies</td>
<td>77</td>
<td>120</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>35</td>
<td>18</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau.
### U.S. Merchandise Trade with Mexico
(values for 2016, $U.S. bn.)

<table>
<thead>
<tr>
<th></th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>231</td>
<td>294</td>
</tr>
<tr>
<td>Capital Goods ex Autos</td>
<td>81</td>
<td>86</td>
</tr>
<tr>
<td>Motor Vehicles and Parts</td>
<td>33</td>
<td>107</td>
</tr>
<tr>
<td>Passenger Cars</td>
<td>4</td>
<td>24</td>
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<tr>
<td>Auto Parts and Trucks</td>
<td>30</td>
<td>84</td>
</tr>
<tr>
<td>Industrial Supplies</td>
<td>78</td>
<td>31</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>14</td>
<td>37</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>16</td>
<td>24</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau.

### Current and Hypothetical MFN Tariffs Rates on U.S. Imports from Mexico (percent)

<table>
<thead>
<tr>
<th></th>
<th>NAFTA</th>
<th>MFN*</th>
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<tbody>
<tr>
<td><strong>Total</strong></td>
<td>0.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Capital Goods ex. Autos</td>
<td>0.1</td>
<td>0.8</td>
</tr>
<tr>
<td>Motor Vehicles and Parts</td>
<td>0.1</td>
<td>6.0</td>
</tr>
<tr>
<td>Passenger Cars</td>
<td>0.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Auto Parts and Trucks</td>
<td>0.1</td>
<td>6.9</td>
</tr>
<tr>
<td>Industrial Supplies</td>
<td>0.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>0.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>0.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau; United States International Trade Commission. * Implied MFN tariff rate is derived from duties actually paid in 2016 on U.S. imports from Brazil, China, Japan, and the EU, weighted to reflect the commodity composition of imports from Mexico.
Source: Census Bureau; OECD; Koopman et al. The upper and lower bounds of the adjusted manufacturing balance are derived using estimates of the share of U.S. value-added in bilateral Mexican imports from Koopman, Powers, Wang, and Wei (2010) and the OECD TiVA database, respectively.
Overview of the Regional Economy

Jason Bram, Research Officer

Presented to Advisory Council on Small Business and Agriculture
April 18, 2017

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Private-Sector Job Trends

Percent Change From Previous Peak to January 2017

- Down
- Flat to up 3%
- Up 3% to 7%
- Up more than 7%

Private-Sector Job Growth

Percent Change From January 2016 to January 2017

- Down
- Flat to up 1.25%
- Up 1.25% to 2%
- Up more than 2%

Regional Economic Activity

Index of Coincident Economic Indicators (CEI)

Index (Dec2007=100)


New York City
New York
New Jersey
Puerto Rico

Shading indicates NBER recession

Source: Federal Reserve Bank of New York.
Private-Sector Employment

Seasonally Adjusted Index

Shading indicates NBER recession

Index (Dec2007=100)

United States

New York City

Long Island

Fairfield

Orange-Rockland-Westchester

Private-Sector Employment
Seasonally Adjusted Index

Index (Dec2007=100)

United States
Rochester
Buffalo
Upstate
Syracuse
Mar
Feb

Private-Sector Employment

Seasonally Adjusted Index

Index (Dec2007=100)

NYC Finance and Securities

Sectors’ Share of NYC Employment and Earnings

NYC Securities Employment

Seasonally Adjusted Levels

Shading indicates time between securities peak and trough.

Total Employment Minus Securities (right axis)

Securities Employment (left axis)

Recent NYC Securities Employment

Seasonally Adjusted Levels

NYC Tech Employment in Select Industries

Number of Payroll Jobs, 2007 and 2015

- **Scientific R & D Services**
  - 2015: 15,509
  - 2007: 13,174

- **Computer Systems Design & Related**
  - 2015: 62,556
  - 2007: 39,706

- **Internet Pub, Web Search Portals Etc.**
  - 2007: 4,444
  - 2015: 28,496

- **ISPs; Search Portals; Data Processing**
  - 2015: 7,746
  - 2007: 5,382

- **Software Publishers**
  - 2015: 5,412
  - 2007: 1,507

- **Electronic Shopping**
  - 2015: 10,508
  - 2007: 4,568

- **Computer Manufacturing**
  - 2015: 4,028
  - 2007: 3,272

Source: U.S. Bureau of Labor Statistics (QCEW) and FRBNY Staff Calculations.
Trends in NYC Tech Employment

Employment Levels in Thousands

Source: U.S. Bureau of Labor Statistics (QCEW) and FRBNY Staff Calculations.
Current Economic Conditions

FRBNY Business Surveys, Current Conditions

Source: Federal Reserve Bank of New York.
Future Economic Conditions

FRBNY Business Surveys, Conditions Six Months Ahead

Source: Federal Reserve Bank of New York.
Expected Percent Change in Salaries for Existing Workers

Empire State Manufacturing Survey

Business Leaders Survey (Service Firms)

Survey Conducted in ...

Percentage Distribution of Responses

- Up more than 4 percent
- Up 2-4 percent
- Up 2 percent or less
- No change
- Decrease

Source: FRBNY Supplementary Survey Jan. 2017
Expected Percent Change in Salaries for **New Workers**

Empire State Manufacturing Survey

Business Leaders Survey (Service Firms)

Source: FRBNY Supplementary Survey Jan. 2017
Regional Recap

• NYC has led the regional economy in growth; upstate NY and northern NJ have lagged, while PR remains in a deep slump.

• The Lower Hudson Valley has kept pace with the nation in job growth, while Fairfield County has lagged.

• The securities industry, which typically drives NYC’s economy has been flat during this rapid expansion.

• The city’s tech sector has picked up some of the slack.

• Businesses have grown more upbeat about the economy and have become a bit more inclined to raise wages.
Supplementary Charts on Housing Markets
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted

Index (Mar2006=100)

Shading indicates NBER recession

Source: CoreLogic Home Price Index (including distressed sales).
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted

Source: CoreLogic Home Price Index (including distressed sales).
United States

NYC Metro

Westchester

Fairfield

Rockland

Index (Mar2006=100)

Shading indicates NBER recession

Source: CoreLogic Home Price Index (including distressed sales).
Source: CoreLogic Home Price Index (including distressed sales).
Source: CoreLogic Home Price Index (including distressed sales).
Home Prices
CoreLogic Home Price Index, Seasonally Adjusted

Index (Mar2006=100)

Source: CoreLogic Home Price Index (including distressed sales).
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted

Source: CoreLogic Home Price Index (including distressed sales).