AGENDA

10:30am  Welcome, Claire Kramer Mills, AVP

10:35am  Introductory Remarks, Kausar Hamdani, Senior Vice President

10:40am-11:10am  The National Economy, Richard Peach, Senior Vice President

11:10am-11:40am  International Update, Matthew Higgins, Vice President

11:40am-12:00pm  Regional Update, Jason Bram, Officer

12:00pm  Adjourn to NWC Room-10F

12:15pm  Lunch

12:15pm-1:55pm  Round Table Discussion with William Dudley, President and Michael Strine, First Vice President

Your experience and that of your customers and suppliers can give us insight into current economic conditions.

Questions for discussion with President Dudley:

1. Has your firm’s sales volume increased, decreased, or stayed the same in the second half of 2016?
2. Do you expect your firm’s sales to increase, decrease, or stay the same in the first quarter of 2017?
3. Do you plan to increase investment in your firm (plant & equipment) in the first half of 2017?
4. Has your firm faced any recent shortage of labor that has limited your ability to meet demand?
5. Do you plan to increase employment in 2017? Why or why not?
6. Do you expect input prices to increase in 2017? Do you expect prices of products/services sold to increase?
7. Over the past two quarters, have you made any recent changes to your firm’s financing? How have the terms and conditions for obtaining financing changed (tightened, eased, not changed)?

2:00 pm  Adjourn
Small Business & Agricultural Advisory Council
Federal Reserve Bank of New York
33 Liberty Street
New York, NY
Tuesday, November 15 2016

ATTENDEE LIST

Council Members

Michael Arnoff
President
Arnoff Moving & Storage

Charles Feit
President and Founder
OnForce Solar

Adenah Bayoh
Co-Founder
Kapwood, LLC

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

Eric Caslow
President
Acme Smoked Fish Corporation

Deborah Leo
President
Retail Solutions, Inc.

Kevin Ellis
Chief Executive Officer
Cayuga Milk Industries

Federal Reserve Bank of New York

William Dudley
President

Michael Strine
First Vice President

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

Luis Uranga
Officer, Chief of Staff’s Office

Javier Silva
Senior Associate, Outreach & Education

Edison Reyes
Associate, Outreach & Education

Angela Sun
Associate, Legal
US Macro Overview
Richard Peach, Senior Vice President
November 15, 2016
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
Manufacturing Output and Real I/S Ratio

Quarterly Growth (Annualized)

Real I/S Ratio

Source: Federal Reserve Board and Bureau of Economic Analysis via Haver Analytics
Aggregate Weekly Hours Worked

Source: Bureau of Labor Statistics
Labor Market Indicators

- Labor Force Participation Rate (Left Axis)
- Unemployment Rate (Right Axis)
- Employment-Population Ratio (Left Axis)

Source: Bureau of Labor Statistics, via Haver Analytics

Note: Shading shows NBER recessions.
Consumer Debt by Credit Score

% Change – Year to Year

Source: FRBNY Consumer Credit Panel

Note: Includes Student Loans
Housing Starts and Existing Homes Sales Per Capita

Source: BLS, Census Bureau, NAR

Note: Shading shows NBER recessions.
Credit Score at Mortgage Origination: All First Mortgages

Credit Score

Source: FRBNY / Consumer Credit Panel

Note: Shading shows NBER recessions.
Real Business Fixed Investment

4Q % Change

Source: Bureau of Economic Analysis

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)

Quarterly data
1980Q1 – 2016Q3

Manufacturing Capacity Utilization
(Percent of Capacity)

2016 Q3: (75.0, -4.5)

Source: Federal Reserve Board, Bureau of Economic Analysis
Real Government Consumption and Gross Investment

4 Quarter % Change

Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.
PCE Deflator

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

Source: Bureau of Labor Statistics

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

Source: Census Bureau, BLS

Note: Shading shows NBER recessions.
Dollar Exchange Rate and Nonoil Import Prices

12 Month % Change

Dollar (Left Axis)

Nonoil Import Prices (Right Axis)

Note: Shading shows NBER recession and dollar is Board’s trade-weighted measure.

Source: Federal Reserve Board, Bureau of Labor Statistics via Haver Analytics
Reference Charts
Personal Consumption Expenditures: Health Care Price Index

12 Month % Change

Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.
Bank Assets: Domestically and Foreign Chartered Banks

% Change Year-to-Year

Commercial and Industrial Loans (Left Axis)

Residential Real Estate Loans (Right Axis)

Commercial Real Estate Loans (Left Axis)

Source: Federal Reserve Board

Note: Shading shows NBER recessions.
Labor Share of National Income and Unemployment Rate

Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Note: Shading shows NBER recessions.
Aggregate Homeownership Rate*

Contribution to Decline by Age of Household Head:
- Under 35: 23.7%
- 35 to 44: 35.4%
- 45 to 54: 29.1%
- 55 to 64: 11.7%
- 65 plus: -0.9%

*Owner-occupied housing units divided by total occupied housing units.

Source: Census Bureau
Excess Supply of Housing

Thousands of Units

Source: US Bureau of the Census, Housing Vacancy Survey, and author’s calculations.

Note: Shading represents NBER recessions.
Single Family Housing Market

12 Month % Change

Months

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

Note: Shading shows NBER recessions.
Transition of Mortgage Accounts from 30-60 Days Late

Source: FRBNY Consumer Credit Panel
Data from 2015Q1 to 2016Q3 are in red.
Dashed lines represent 95% CI of predicted values.

Source: BLS, CBO, Federal Reserve Board
Note: Data spans from 1950Q1 to 2016Q3.
Global Economic Outlook

Small Business and Agricultural Advisory Council
Matthew Higgins, November 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

- Recent global economic performance
- Foreign advanced economies’ struggle to escape “lowflation”
- Capital outflows and pressures on China’s exchange rate
- U.S. international trade by geography and product type
Global GDP Growth

Percent Q/Q-4

Sources: National sources. Dotted lines show market calendar-year growth forecasts for 2017.

Evolution of EME Market Growth Forecasts

Percent CY/CY

Sources: Blue Chip Economics, Consensus Economics. Figures are GDP-weighted averages for 25 EMEs.
Citigroup Economic Surprise Indexes

Percent positive or negative*

*Weighted by series’ historical FX impact

AE GDP Growth and Composite PMI

Percent SAAR

Correlation = 0.85

Sources: Markit Economics, national authorities.
EME GDP Growth and Composite PMI

Sources: Markit Economics, national sources.

Euro area real GDP and European Commission Forecast

Trillions of 2010 euros

Sources: Eurostat, EC CIRCA database.

Sources: BEA, Eurostat, BoJ. U.S. inflation measured using the PCE index.
### Central Bank Credit as a Share of GDP

![Graph showing central bank credit as a share of GDP over time for Japan, Euro Area, and United States.](image)

Sources: BoJ, ECB, Federal Reserve.

### AE Core Inflation Performance with Negative Policy Rates

<table>
<thead>
<tr>
<th>Country</th>
<th>Date Adopted</th>
<th>Initial Core Inflation</th>
<th>Current Core Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>January 2016</td>
<td>1.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Sweden</td>
<td>February 2015</td>
<td>1.0</td>
<td>0.7</td>
</tr>
<tr>
<td>Switzerland</td>
<td>December 2014</td>
<td>0.4</td>
<td>-0.3</td>
</tr>
<tr>
<td>Denmark</td>
<td>September 2014</td>
<td>0.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Euro Area</td>
<td>June 2014</td>
<td>0.8</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Sources: National sources, OECD. Policy rates are as follows: Japan, marginal current account balances; Sweden, repo rate; Switzerland, 3-month LIBOR target; Denmark, CD rate; Euro Area, deposit rate.
China: Reserve Sales and Capital Flows

$U.S. billions

Source: SAFE, staff calculations.

China: Market exchange rate & reference value

Rmb / $U.S.

Actual Rmb/$ market closing rate

Rate that would keep CFETS reference index at 8/13/15 value

Sources: Bloomberg, SAFE, staff calculations
### U.S. Merchandise Trade Flows ( $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>1,446</td>
<td>2,178</td>
<td>-733</td>
</tr>
<tr>
<td>Canada</td>
<td>269</td>
<td>277</td>
<td>-8</td>
</tr>
<tr>
<td>Mexico</td>
<td>231</td>
<td>294</td>
<td>-63</td>
</tr>
<tr>
<td>Euro area</td>
<td>201</td>
<td>329</td>
<td>-128</td>
</tr>
<tr>
<td>Asia ex. China, Japan</td>
<td>189</td>
<td>278</td>
<td>-89</td>
</tr>
<tr>
<td>South America</td>
<td>132</td>
<td>106</td>
<td>26</td>
</tr>
<tr>
<td>China</td>
<td>112</td>
<td>461</td>
<td>-350</td>
</tr>
<tr>
<td>OPEC</td>
<td>71</td>
<td>60</td>
<td>11</td>
</tr>
<tr>
<td>Japan</td>
<td>61</td>
<td>130</td>
<td>-69</td>
</tr>
<tr>
<td>Europe ex. EMU, UK</td>
<td>61</td>
<td>102</td>
<td>-41</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>56</td>
<td>53</td>
<td>3</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>64</td>
<td>88</td>
<td>-24</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau. Figures are for the 12 months through September 2016, and at customs values.

### U.S. Merchandise Trade by End-Use ( $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>Total</td>
<td>1,449</td>
<td>2,173</td>
<td>-724</td>
</tr>
<tr>
<td>Capital Goods</td>
<td>520</td>
<td>583</td>
<td>-63</td>
</tr>
<tr>
<td>Industrial Supplies</td>
<td>392</td>
<td>433</td>
<td>-42</td>
</tr>
<tr>
<td>Petrol. &amp; Gas Products</td>
<td>92</td>
<td>148</td>
<td>-56</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>194</td>
<td>583</td>
<td>-389</td>
</tr>
<tr>
<td>Motor Vehicles &amp; Parts</td>
<td>151</td>
<td>350</td>
<td>-199</td>
</tr>
<tr>
<td>Food, Feeds and Bev.</td>
<td>132</td>
<td>128</td>
<td>3</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>61</td>
<td>96</td>
<td>-34</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau. Figures are for the 12 months through Sep. 2016, at customs value. Consumer goods are ex. food and autos.
Domestic profits are net of payments to foreign equity holders.

Source: BEA.
U.S. Merchandise Exports by Destination

Source: U.S. Census Bureau. Figures are for the 12 months through September 2016.

U.S. Merchandise Imports by Source

Source: U.S. Census Bureau. Figures are for the 12 months through September 2016.
Holdings of U.S. Treasury Securities

$U.S. billions

2007:Q4 2016:Q2

Foreign private
Foreign official
Federal Reserve
U.S. private

$2,243,$4,038,$2,462,$5,189

Sources: U.S. Treasury, Federal Reserve Board.
Regional Economic Outlook
Presentation to the Advisory Council on Small Business and Agriculture
Jason Bram, Research Officer
November 15, 2016

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

• New York City’s economy continues to lead the region in growth, led by the outer boroughs.

• While NYC’s key finance sector has been sluggish, tech (which tends to pay fairly well) has been booming.

• New Jersey’s economy continues to grow modestly.

• Job trends in much of upstate NY look much stronger than current data suggest. Upstate housing markets strengthening, especially in metro Buffalo.

• Puerto Rico’s economy remains depressed.
State Coincident Indexes
Three-Month Change Ending September 2016

Source: Federal Reserve Bank of Philadelphia
Regional Economic Activity
Index of Coincident Economic Indicators (CEI)

Index (Dec 2007 = 100)

Source: Federal Reserve Bank of New York
Current Economic Conditions
FRBNY Business Surveys, Current Conditions

Diffusion Index

Empire State Manufacturing Survey

Business Leaders Survey

Shading indicates NBER recession

Source: Federal Reserve Bank of New York
Recent Private Sector Job Trends
Percent Change from September 2015 to September 2016

Source: Bureau of Labor Statistics and Moody's Economy.com
Longer-Term Private Sector Job Trends
Percent Change From Previous Peak to September 2016

Source: Bureau of Labor Statistics and Moody's Economy.com
Private-Sector Employment
Seasonally Adjusted Index

Index (Dec2007=100)

Shading indicates NBER recession

Source: Bureau of Labor Statistics and Moody's Economy.com
Private-Sector Employment
Seasonally Adjusted Index

Index (Dec2007=100)


Rochester
United States
Syracuse
Buffalo

Shading indicates NBER recession

Source: Bureau of Labor Statistics and Moody's Economy.com
Albany Employment
Preliminary vs Expected Revision

Buffalo Employment
Preliminary vs Expected Revision

Rochester Employment
Preliminary vs Expected Revision

Private-Sector Employment
Seasonally Adjusted Index

Index (Dec2007=100)

Shading indicates NBER recession

Source: Bureau of Labor Statistics and Moody's Economy.com
NYC Securities Employment
Seasonally Adjusted Levels

Source: Bureau of Labor Statistics, Moody's Economy.com, and FRBNY calculations
NYC Finance and Securities

Sectors’ Share of NYC Employment and Earnings

NYC Tech and Securities Employment

Thousands of Jobs


Technology Employment
- Computer manufacturing
- Electronic shopping
- Software publishing
- Data processing, hosting, etc.
- Internet/web search portals
- Computer systems design
- Scientific R&D services

Securities Employment

Shading indicates NBER recession

2010 to 2015

+53,000

+12,000
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

Index (Mar2006=100)

Shading indicates NBER recession

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)

Shading indicates NBER recession
Home Prices
CoreLogic Home Price Index, Seasonally Adjusted

Index (Mar2006=100)

United States

Albany

Rochester

Buffalo

Upstate NY

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)
Office Vacancy Rates
Overall Vacancy Rates

Shading indicates NBER recessions

Source: Cushman & Wakefield
Shading indicates NBER recessions.

Source: Cushman & Wakefield