Community Depository Institutions Advisory Council Meeting

Federal Reserve Bank of New York
33 Liberty Street, New York, New York
October 14, 2016

Agenda

11:00 am Presentations to the Council Members:

  o National Economic Outlook (Richard Peach, Macroeconomic and Monetary Studies)
  o Regional Economic Outlook (Jason Bram, Regional Analysis)

12:30 pm Discussion of questions posed by the Board of Governors over lunch
1. **Current Banking Conditions:**
What is the Council’s view of the current condition of, and the outlook for, loan markets and financial markets generally? Please describe any significant changes in the creditworthiness of applicants for loans, loan demand, and lending standards in general.

   a. **Small Business Lending:** Has credit availability for, and demand for credit from, small businesses changed significantly? Have lending standards for these borrowers changed?

   b. **Commercial Real Estate Lending:** Have there been any changes in the Council’s view of challenges in the commercial real estate market since the beginning of the year? How are commercial real estate loans performing compared to your expectations?

   c. **Construction Lending:** What is the Council’s view of the availability of credit for construction and development projects? Have Council members seen any changes in the demand for construction loans since the beginning of the year?

   d. **Home Mortgage Lending:** What changes have you seen in the mortgage market since the beginning of the year? Is a trend developing among community banks to increase, decrease, or cease home mortgage originations, and if so, what are the likely causes for and effects of this trend?

   e. **Consumer Lending:** What changes have you seen in consumer lending?

   f. **Agricultural Lending:** Have there been any changes in agricultural lending?

   g. **Deposits:** Have Council members seen any changes in local deposit markets?
2. **Economic Discussion:**

   a. **Overall Economic Conditions:** How do Council members assess overall economic conditions in their regions?

   b. **Particular Indicators:**

      i. **Inflation:** Are the prices of products and services rising more or less quickly (or declining more) than in the recent past? Are the prices for the products and services you purchase rising more or less quickly?

      ii. **Housing:** How have house prices changed in recent months? Have there been any changes in housing activity overall in your region?

      iii. **Labor Markets:** How have the labor markets in which you operate changed in recent months? In particular, assess the degree of job loss (how much and in which industries). What changes to wages have Council members observed in the past year?

      iv. **Consumer Confidence:** Is the Council seeing signs of improved consumer confidence? What is the outlook for consumer credit losses?

3. **Innovation and Community Banking:** What are the most important innovations currently affecting banking practices, business models, and lines of business for both community banks and their competitors outside the banking system, which are popularly known as “fintechs”? What challenges for compliance with safety and soundness, anti-money-laundering, or consumer protection regulations are presented when community banks adopt innovations or partner with fintechs? What are the barriers, such as costs or regulatory concerns, for community banks seeking to meet the needs of their customers through innovations or fintech partnerships?

4. **Examination Practices:** Have Council members experienced problems with recent examinations? In particular, have examination practices constrained access to credit by creditworthy borrowers? What steps can be taken to address the Council’s concerns?

5. **Regulatory Matters and the Future of Banking:** How are recent changes in the regulatory landscape affecting community depository institutions’ ability to continue to provide services to their customers? What has been the effect on the industry generally?

6. **Additional Matters:** Have any other matters affecting community depository institutions emerged that Council members want to present at this time?
Growth of Real GDP

Four Quarter Percent Change

Source: Bureau of Economic Analysis

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

Active Oil Rigs

Index

2011 2012 2013 2014 2015

Source: Federal Reserve Board and Baker Hughes

Note: Shading shows NBER recessions.
Aggregate Weekly Hours Worked

Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.
Labor Market Indicators

Source: Bureau of Labor Statistics, via Haver Analytics

Note: Shading shows NBER recessions.
Sources: Bureau of Economic Analysis and Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Household Liabilities/Disposable Personal Income

Source: Federal Reserve Board
Note: Shading shows NBER recessions.
Consumer Debt by Credit Score

% Change – Year to Year

Source: FRBNY Consumer Credit Panel

Note: Includes Student Loans
Aggregate Homeownership Rate*

**Percent**

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
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

10th Percentile

25th Percentile

Median

About 35 – 40 Million People

Source: FRBNY / Consumer Credit Panel

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

Source: FRBNY Consumer Credit Panel
Real Business Fixed Investment

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)

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

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

Percent

12 Month % Change


Rental Vacancy Rate (Left Axis)

Rent of Primary Residence (Right Axis)

Source: Census Bureau, BLS

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

12 Month % Change

Nonoil Import Prices (Right Axis)

Dollar (Left Axis)

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

Note: Shading shows NBER recession and dollar is Board’s trade-weighted measure.
Reference Charts
TIPS Based Inflation Expectations

Source: Federal Reserve Board

Note: Carry-adjusted
Bank Assets: Domestically and Foreign Chartered Banks

% Change Year-to-Year

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.
Household Formations

2 Year Avg. Change

Source: Bureau of the Census

Note: Shading shows NBER recessions.
Source: CoreLogic, National Association of Realtors, via Haver Analytics

Note: Shading shows NBER recessions.
The Second Federal Reserve District

CDIAC Members

Five Star Bank
NBT Bank
SEFCU
Visions Federal Credit Union
Hudson Valley Federal Credit Union
North Jersey Federal
Provident Bank
Metuchen Savings Bank
Habib American Bank
First County Bank
Flushing Bank
Overview of Regional Conditions

• Most of the regional economy has fared well, led by New York City; in contrast, Puerto Rico’s economy remains depressed.

• Northern New Jersey’s economy has registered tepid growth.

• New York City continues to boom as other industries, most notably tech, pick up the slack of a sluggish finance sector.

• Job growth in the Buffalo & Rochester metros is looking considerably stronger than preliminary estimates.

• Housing markets remain mixed with New York City and metro Buffalo out-performing.

• Recent business surveys indicate some negativity about current conditions in the region.
State Coincident Indexes
Three-Month Change Ending August 2016

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

Index (Dec2007=100)

Source: Federal Reserve Bank of New York
Shading indicates NBER recession

Private-Sector Employment
Seasonally Adjusted Index

Index (Dec2007=100)

Source: Bureau of Labor Statistics and Moody's Economy.com
Employment Trends in and around NYC

2015 Private-Sector Job Growth

- Strong
- Moderate
- Modest
- Little or None
- Declining

The New York City Premium
Average Earnings Per Worker in NYC as a Percent of the U.S. Average

Note: Ratio is based on nominal earnings of wage and salary workers in New York City and the nation.

Source: U.S. Bureau of Economic Analysis (earnings); U.S. Bureau of Labor Statistics (total employment); FRBNY staff calculations.
NYC Finance and Securities
Sectors’ Share of NYC Employment and Earnings


[Bar chart showing the share of NYC employment and earnings in finance and securities sectors from 1972 to 2015.]
NYC Tech and Securities Employment

Thousands of Jobs

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

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
Buffalo MSA Payroll Employment
Incorporating Estimates Based on QCEW

Source: U.S. Bureau of Labor Statistics and Moody's Economy.com., FRBNY Staff Calculations
Rochester MSA Payroll Employment
Incorporating Estimates Based on QCEW

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; FRBNY Staff Calculations
Puerto Rico Payroll Employment

Incorporating Estimates Based on QCEW

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; FRBNY Staff Calculations
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)
Home Prices
CoreLogic Home Price Index, Seasonally Adjusted

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

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

Index (Mar2006=100)


Source: CoreLogic Home Price Index (including distressed sales)

Shading indicates NBER recession
Current Economic Conditions
FRBNY Business Surveys, Current Conditions

Diffusion Index

Empire State Manufacturing Survey

Business Leaders Survey

Superstorm Sandy

Shading indicates NBER recession

Source: Federal Reserve Bank of New York