<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>10:30am</td>
<td>Welcome and Review of Council Charter &amp; Antitrust Guidelines, Claire Kramer Mills, Assistant Vice President</td>
</tr>
<tr>
<td>10:40am-11:00am</td>
<td>The National Economy, Richard Peach, Senior Vice President</td>
</tr>
<tr>
<td>11:00am-11:20am</td>
<td>International Update, Matthew Higgins, Vice President</td>
</tr>
<tr>
<td>11:20am-11:40am</td>
<td>Regional Update, Jason Bram, Officer</td>
</tr>
<tr>
<td>11:40am-12:00pm</td>
<td>Facilitated Discussion, Claire Kramer Mills, Assistant Vice President</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>Round Table Discussion with John Williams, President and Michael Strine, First Vice President</td>
</tr>
</tbody>
</table>

**Introductory Remarks and Welcome from President Williams**

**Group Discussion**

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.*

**Sales**

Have sales volumes increased, decreased, or stayed the same in the first half of 2018?
What are your expectations for the second half of 2018?

**Investment**

Has investment (e.g. plant, equipment, technology) increased, decreased, or stayed the same in the first half of 2018?
What are your expectations for the second half of 2018?

**Employment**

Has employment increased, decreased, or stayed the same in the first half of 2018?
Have you faced any recent labor shortages that have limited the ability to meet demand? Please explain.
What are your employment expectations in the second half of 2018?
Prices
Have input prices increased, decreased, or stayed the same in the first half of 2018?
What are your expectations for the second half of 2018?
Have prices of products/services sold increased, decreased, or stayed the same in the first half of 2018?
Do you expect prices of products/services sold to increase in the second half of 2018?

Financing Conditions
Over the past two quarters, please describe financing conditions for firms of your size and in your industry.
How have the terms and conditions for obtaining financing changed (tightened, eased, not changed)?

Outlook
What is the most significant business opportunity you see in 2018?
What is the chief growth barrier or concern facing your firm in 2018?

Concluding Remarks from President Williams

2:00 pm Adjourn
Advisory Council on Small Business and Agriculture
Federal Reserve Bank of New York

Monday, August 6, 2018

ATTENDEE LIST

Council Members

Donnel Baird  
Founder & CEO  
BlocPower

Sarah LaFleur  
Founder & CEO  
MM.LaFleur

Adenah Bayoh  
Founder  
Adenah Bayoh & Companies

Ranjini Poddar  
Founder & CEO  
Artech Information Systems, LLC

Kevin Ellis  
CEO  
Cayuga Milk Ingredients

Waleska Rivera  
President  
Danosa Caribbean, Inc.

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

Federal Reserve Bank of New York

John Williams  
President

Michael Strine  
First Vice President

Jack Gutt  
EVP, Communications & Outreach

Kausar Hamdani  
SVP, Communications & Outreach

Richard Peach  
SVP, Research & Statistics

Matthew Higgins  
VP, Integrated Policy Analysis

Sandra Lee  
VP, Executive Office

Anand Marri  
VP, Outreach & Education

Claire Kramer Mills  
AVP, Outreach & Education

Rosanne Notaro  
AVP, Legal

Jason Bram  
Officer, Research & Statistics

Edison Reyes  
Associate, Outreach & Education
US Macro Overview
Richard Peach, Senior Vice President

Presented to Advisory Council on Small Business and Agriculture
August 6, 2018

The views expressed here are those of the presented and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.
Real PCE and the Personal Saving Rate

Source: Bureau of Economic Analysis, Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions.
Household Liabilities over Disposable Income

Source: Federal Reserve Board and Bureau of Economic Analysis via Haver Analytics.

Note: Shading shows NBER recessions.
Single Family Housing Market

Index Level

Index Level 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.
Manufacturers’ New Orders of Nondefense Capital Goods Goods

Millions of Dollars

Nondefense Capital Goods (Right Axis)
Nondefense Capital Goods ex. Aircraft (Left Axis)

Source: Census Bureau; Haver Analytics.
Note: Shading shows NBER recessions.
Real Government Consumption and Gross Investment

4 Quarter % Change

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
Real Imports and Exports

4-Quarter Percent Change

Source: Bureau of Economic Analysis via Haver Analytics.

Note: Shading shows NBER recessions.
Manufacturing and ISM Manufacturing Index

12 Month % Change

Index


Source: Institute for Supply Management, Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions.
Labor Market Indicators

Unemployment Rate (Left Axis)

Labor Force Participation Rate (Right Axis)

Employment to Population Ratio (Right Axis)

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Payroll Employment and Aggregate Hours

12 Month % Change

Note: Shading shows NBER recessions.

Source: Bureau of Labor Statistics via Haver Analytics

Payroll Employment

Aggregate Hours


-10 -8 -6 -4 -2 0 2 4
Measure of Underlying PCE Price Inflation

12 Month % Change

Core PCE Deflator

FOMC Objective for Headline PCE Inflation

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
Core PCE Deflator Inflation

12-Mo % Change

Source: BEA; Haver Analytics.
Global Economic Outlook

Small Business and Agricultural Advisory Council
Matthew Higgins, 6 August 2018

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Roadmap

- Update on the global economic and industrial cycle
- Inflation and labor market trends in the advanced economies
- Implications of recent U.S. tariff measures
- China’s development and policy challenges
Global GDP Growth

Source: national sources, staff calculations. Q2 growth rates for most foreign economies reflect staff estimates.

Global GDP Growth and Composite PMI

Sources: national sources, Markit Economics
Global Manufacturing and Services PMIs

Diffusion Index

Source: Markit Economics.

Citigroup Economic Surprise Indexes

Percent positive or negative*

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

Percent, CY/CY

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

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

- **Japan**
- **United States**
- **Euro Area**

Sources: BLS, CBO, Eurostat, BoJ.

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**Male Prime-Age (25-54) Labor Force Participation**

Percent active, ages 25-54

- **Japan**: 95.6%
- **Euro Area**: 91.5%
- **United States**: 88.9%

Sources: OECD, BLS.
Female Prime-Age (25-54) Labor Force Participation

Percent active, ages 25-54

Sources: OECD, BLS.

Mature Adult (55-64) Labor Force Participation

Percent active, ages 55-64

Sources: OECD, BLS.
Recent U.S. Tariff Measures

<table>
<thead>
<tr>
<th>Product</th>
<th>Rate</th>
<th>Value affected ($ bn)</th>
<th>Share of U.S. imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enacted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steel</td>
<td>25%</td>
<td>29</td>
<td>1.2%</td>
</tr>
<tr>
<td>Aluminum</td>
<td>10%</td>
<td>23</td>
<td>1.0%</td>
</tr>
<tr>
<td>Various</td>
<td>25%</td>
<td>50</td>
<td>2.1%</td>
</tr>
<tr>
<td>Proposed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various</td>
<td>10%</td>
<td>200</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

Source: Office of the U.S. Trade Representative.
U.S. imports from China subject to Section 301 tariffs by type

$U.S. bn

- Consumer goods: 23%
- Capital goods: 29%
- Intermediate goods: 47%
- Others: 1%

Total = $197 bn

Notes: Based on July 10 list. Harmonized System (HS) 8-digit tariff code is converted to Broad Economic Categories (BEC) code, using the correspondence table at https://unstats.un.org/unsd/trade/classifications/correspondence-tables.asp.

Sources: United States International Trade Commission (USITC) Dataweb. Others include BEC 7 (Health, pharmaceuticals, education, cultural, sport), 12 and 32 (services in food and beverages, and services in construction, wood, glass, stone, metals, housing and furnitures) and HS codes that have no match with BEC code.

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Real GDP per Capita Relative to United States

Percent at purchasing power parity

China
Brazil
Turkey
Korea

Sources: Penn World Tables, IMF World Economic Outlook database.
Credit to Private Nonfinancial Sector

Percent of GDP

Sources: OECD, BLS.

China
Advanced Economies
Other EMEs

China: Total Financing Growth

Percent change from a year earlier

Adjusted for local gov’t bond swaps
Reported TSF

Sources: CEIC, PBoC, Moody’s.
China: Fixed Asset Investment

Percent change from a year earlier

Source: Monthly index computed from official year-year year-to-date changes. Real series deflated by linearly interpolated quarterly FAI price series.

Evidence of China’s macro policy “fine tuning”

<table>
<thead>
<tr>
<th>Measure</th>
<th>Time Frame of Implementation, News Story, or Rumor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetary policy</td>
<td></td>
</tr>
<tr>
<td>RRR cuts 1/</td>
<td></td>
</tr>
<tr>
<td>Lower/ market interest rates</td>
<td></td>
</tr>
<tr>
<td>PSL +500bn RMB</td>
<td></td>
</tr>
<tr>
<td>MEF +100bn RMB 2/</td>
<td></td>
</tr>
<tr>
<td>On-budget fiscal 3/</td>
<td></td>
</tr>
<tr>
<td>Tax cuts totaling ~1000bn RMB</td>
<td></td>
</tr>
<tr>
<td>Utility rate cuts for some firms</td>
<td></td>
</tr>
<tr>
<td>Local govt special revenue bond issuance (~600bn RMB greater than 2017)</td>
<td></td>
</tr>
<tr>
<td>Off-budget fiscal 3/</td>
<td></td>
</tr>
<tr>
<td>Measures to “resuscitate” banks, brokers, insurers, individuals to invest in real bonds</td>
<td></td>
</tr>
<tr>
<td>Inspection teams to local governments to meet infrastructure targets</td>
<td></td>
</tr>
<tr>
<td>Monetization, macro prudential, &amp; other 3/</td>
<td></td>
</tr>
<tr>
<td>Additional loan quotas</td>
<td></td>
</tr>
<tr>
<td>Banks told to significantly cut lending rates to small businesses</td>
<td></td>
</tr>
<tr>
<td>WMP reform timelines extended</td>
<td></td>
</tr>
<tr>
<td>Local govt &amp; low rated corp. bonds used as MFV collateral</td>
<td></td>
</tr>
<tr>
<td>Exhortations by PBoC, State Council</td>
<td></td>
</tr>
</tbody>
</table>

1/ The January cut was announced in September, effective in January, for selected banks meeting certain criteria. Observed RRRs on the PBoC balance sheet fell by about 90bp in Jan/Feb.
2/ Incorporates about RMB 500bn in July, according to press reports. The increase in MFV outstandings in June and Jul reversed a not paydown in April.
3/ Date of actual implementation is unknown.
Regional Economic Conditions

Jason Bram, Research Officer

Small Business & Agriculture Advisory Group Meeting – August 6, 2018

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Private-Sector Job Trends
Percent Change From Previous Peak to June 2018

Recent Private-Sector Job Trends

Year-Over-Year Percent Change as of June 2018

Future Economic Conditions
FRBNY Business Surveys, Conditions Six Months Ahead

Diffusion Index

Source: Federal Reserve Bank of New York.
FRBNY Early Employment Benchmark

Total Employment in Thousands, Jun 2018 (QCEW Q42017)

New York State

New York City

Upstate NY

New Jersey

FRBNY Early Employment Benchmark

Total Employment in Thousands, Jun 2018 (QCEW Q42017)

FRBNY Early Employment Benchmark

Total Employment in Thousands, Jun 2018 (QCEW Q42017)

Puerto Rico

U.S. Virgin Islands

Total Employment

Seasonally Adjusted Index

Index (Dec2007=100)

New York City
New York
United States
New Jersey
Puerto Rico

Shading indicates NBER recession

Source: Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by FRBNY staff.
Unemployment Rates
Seasonally Adjusted

Shading indicates NBER recession

Labor Force Participation

Seasonally Adjusted

Percent


United States
New Jersey
New York City
New York State

Shading indicates NBER recession

Home Prices

CoreLogic Home Price Index, Seasonally Adjusted

United States

Albany

Buffalo

Rochester

Upstate NY

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).
Update on Puerto Rico & Virgin Islands

• Irma & Maria caused substantial damage and disruption:
  – Widespread damage to homes, businesses, infrastructure, crops, etc.
  – More than 1,000 lost lives, attributable to the storms, in Puerto Rico.
  – Puerto Rico’s power outage has been the biggest, by far, in US history.

• How is the recovery proceeding?
  – How severe were job losses and how much of a rebound have we seen?
  – What industries were most affected in both areas?
  – How many people left following the storms?
  – What can satellite imagery of nighttime lights tell us about the persistence and geographic breadth of the disruption?
Employment Paths After Hurricanes
Index (Month Before Hurricane = 100), Seasonally Adjusted

- US Virgin Islands (Marilyn – Sep. 1995)
- Puerto Rico (Maria – Sep. 2017)
- US Virgin Islands (Irma/Maria – Sep. 2017)
- New Orleans Metro (Katrina – Aug. 2005)
Puerto Rico: Recent Employment Trends
Thousands of Jobs, Seasonally Adjusted

Data are early benchmarked by FRBNY staff
US Virgin Islands: Recent Employment Trends
Thousands of Jobs, Seasonally Adjusted

Private Sector
(left scale)

Government
(right scale)
Puerto Rico Job Shortfall by Sector Since Maria
Thousands of Jobs lost since Aug. 2017 (Before Maria), S.A.

Net Job Shortfall (June): 20,000 or 2.3%

Sources: U.S. Bureau of Labor Statistics, Moody's economy.com, FRBNY Staff Calculations
Data are early benchmarked by FRBNY staff
USVI Job Shortfall by Sector Since Maria
 Thousands of Jobs lost since Aug. 2017 (Before Maria), S.A.

- Leisure & Hospitality
- Retail Trade
- Education & Health
- All Other Private
- Govt.

Net Job Shortfall (June): 3,500 or 9.0%

Sources: U.S. Bureau of Labor Statistics, Moody's economy.com, FRBNY Staff Calculations
Data are early benchmarked by FRBNY staff
For the 12 months ending in April, 165,000 more people flew out of than into Puerto Rico—about 105,000 above trend.

Note: Airports are Luis Munoz Marin Intl Airport in San Juan, Mercedita Intl Airport in Ponce, and Rafael Hernandez Intl Airport in Aguadilla.

Source: U.S. Bureau of Transportation Statistics and FRBNY staff calculations.
Gross Domestic Air Passengers to Puerto Rico

Note: Airports are Luis Munoz Marin Intl Airport in San Juan, Mercedita Intl Airport in Ponce, and Rafael Hernandez Intl Airport in Aguadilla.

Source: U.S. Bureau of Transportation Statistics and FRBNY staff calculations.
For the 12 months ending in April, 13,000 more people flew out of than into the US Virgin Islands.
Gross Domestic Air Passengers to US Virgin Islands

Note: Airports are Cyril E King Airport in St. Thomas and Henry E Rohlsen Airport in St. Croix. Source: U.S. Bureau of Transportation Statistics and FRBNY staff calculations.
Regional Recap

- New York City remains the leader in job growth in the region.
- Areas adjacent to NYC have also seen fairly strong growth, while most of upstate NY has seen little or no job growth.
- Northern NJ has remains on a modest growth trajectory.
- Housing markets remain fairly robust in New York City and parts of upstate New York.
- Puerto Rico’s economy, though still weak, appears to have rebounded much of the way from hurricanes Irma & Maria.
- In contrast, the Virgin Islands’ economy has lagged—in part due to its high dependence on tourism.