AGENDA

10:30 a.m. Welcome, Claire Kramer Mills, Chair & Assistant Vice President
10:40 a.m. - 11:00 a.m. The National Economy, Richard Peach, Senior Vice President
11:00 a.m. - 11:20 a.m. International Update, Matthew Higgins, Vice President
11:20 a.m. - 11:40 a.m. Regional Update, Jason Bram, Officer
11:40 a.m. - 12:00 p.m. Facilitated Discussion, Claire Kramer Mills, Chair & Assistant Vice President
12:00 p.m. Adjourn to NWC Room-10F
12:15 p.m. Lunch
12:15 p.m. - 1:55 p.m. Round Table Discussion with John Williams, President and CEO

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 2019?
What are your expectations for the second half of 2019?

Investment
Has investment (e.g. plant, equipment, technology) increased, decreased, or stayed the same in the first half of 2019?
What are your expectations for the second half of 2019?

Employment
Has employment increased, decreased, or stayed the same in the first half of 2019?
Have you faced any recent labor shortages that have limited the ability to meet demand? Please explain.
What are your employment expectations for the second half of 2019?

Prices
Have input prices increased, decreased, or stayed the same in the first half of 2019?
What are your expectations for the second half of 2019?
Have prices of products/services sold increased, decreased, or stayed the same in the first half of 2019?
Do you expect prices of products/services sold to increase in the second half of 2019?

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

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?

1:55 p.m. – 2:00 p.m. Concluding Remarks from President Williams

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

Monday, June 24, 2019

ATTENDEE LIST

Council Members

Donnel Baird
Founder & CEO
BlocPower

Ranjini Poddar
Founder & CEO
Artech Information Systems, LLC

Kevin Ellis
CEO
Cayuga Milk Ingredients

Waleska Rivera
President
Danosa Caribbean, Inc.

Federal Reserve Bank of New York

John Williams
President & CEO

Michael Strine
First Vice President

Jack Gutt
EVP, Communications & Outreach

Kausar Hamdani
SVP, Communications & Outreach

Rosanne Notaro
VP, Legal

Richard Peach
SVP, Research & Statistics

Matthew Higgins
VP, Research & Statistics

Claire Kramer Mills
AVP, Outreach & Education

Jason Bram
Officer, Research & Statistics

Rebecca Landau
Senior Analyst, Outreach & Education
Growth of Real PCE

Year-to-Year % Change

Monthly % Change at Annual Rate

Source: Bureau of Economic Analysis.

Note: Red shading represent 2 SD bands. Dots indicate peaks during tax rebate months.
Housing Starts

New Single-Family Housing Starts (Left Axis)

New Multi-Family Housing Starts (Right Axis)

Source: Census Bureau/Haver Analytics

Note: Shading shows NBER recessions.
Real Residential Investment per Completion

(2012 $s, thousands)

Source: Census Bureau via Haver Analytics.

Note: Shading shows NBER recessions.
Diffusion Indexes

Index based on GDP weighting for 45 countries, including the U.S.

Global Manufacturing and Services PMIs

Source: Markit Economics.
Growth of Real Final Sales to Domestic Purchasers and Real Exports

Source: Bureau of Economic Analysis via Haver Analytics.

* Consumption, fixed investment, and government.
Inventories to Sales Ratio and Manufacturing Output

Total Business: Inventories to Sales Ratio (Left Axis)
Manufacturing Output (Right Axis)

Source: Census Board and Federal Reserve Board via Haver Analytics.
Growth in Aggregate Hours Worked

Year-to-Year Percent Change

Business Optimism and Investment in Nonresidential Equipment

Index

Duke/CFO Optimism Index: Own Company (Left Axis)

Nonresidential Equipment (Right Axis)

Source: Duke Fuqua School of Business/CFO Magazine and Bureau of Economic Analysis via Haver Analytics.

Note: Shading shows NBER recessions.
Growth of Real Investment in Nonresidential Structures

Year-to-Year Percent Change

Petroleum & Natural Gas, Exploration/Wells

Total Nonres. Structures

Nonres. Structures ex. Petroleum & Natural Gas, Exploration/Wells

Source: Bureau of Economic Analysis via Haver Analytics.
Nonpetroleum Import Prices vs. Dollar Index

Year-to-Year Percent Change

Import Price Index: Nonpetroleum Imports (Left Axis)

Real FRB Broad Trade-Weighted Dollar Index (Right Axis)

$r = -0.67$

Source: Bureau of Economic Analysis and Federal Reserve Board via Haver Analytics.
Nonpetroleum Import Prices vs. Core CPI Goods

Year-to-Year Percent Change

Import Price Index: Nonpetroleum Imports (Left Axis)

CPI: Goods ex. Food & Energy (Right Axis)

r=0.25

Source: Bureau of Economic Analysis and Federal Reserve Board via Haver Analytics.
Consumers’ Inflation Expectations

Source: University of Michigan via Haver Analytics.
Global Economic Outlook

Small Business and Agricultural Advisory Council
Matthew Higgins, 24 June 2019

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

- Update on the global economic and industrial cycle
- Lagging inflation performance in advanced economies
- China’s cyclical and policy challenges
Global Composite Purchasing Managers' Index

Diffusion Index

Average 2004 – 2008:Q1 = 56.8

Source: Markit Economics.

Global Growth and PMI-Based Tracking Estimate

Percent SAAR

$R^2 = 0.77$

Source: national sources, Markit Economics.

Note: Tracking model growth estimate based on current and lagged value of global composite PMI index (as quarterly averages) and a Great Recession dummy variable. Sample: 1997:Q2 – 2019:Q1.
Citigroup Economic Surprise Indexes

Percent positive or negative*

Emerging Economies
Advanced Economies

*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.
Global Manufacturing and Services PMIs
Diffusion Indexes

Source: Markit Economics.

Manufacturing New Orders
Diffusion Index

Source: Markit Economics, JPMorgan.
Global Consumption and Capex Growth (ex. China)

Four-quarter percent change

Source: national sources, staff calculations. Sample includes 35 advanced and EME economies (counting the euro area as a single economy). Series are weighted by lagged shares of U.S. dollar capital spending.

G-3: Core Consumer Price Inflation

Percent change from year ago

Sources: BEA, Eurostat, BoJ. U.S. inflation measured using the PCE index.
Female Prime-Age Employment-Population Ratio
Percent active, ages 25-54

United States
Euro Area
Japan

Sources: OECD, BLS.

Mature Adult Employment-Population Ratio
Percent employed, ages 55-64

Japan
United States
Euro Area

Sources: OECD, BLS.
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.

China: Credit growth

Percent change from a year earlier

Sources: CEIC, PBoC, Moody's.
Reference Charts

"Young Elderly" Employment-Population Ratio

Percent employed, ages 65-74

Japan

United States

Euro Area

Sources: OECD, BLS.
Sources: China National Bureau of Statistics, Caixin. PMI is average of NBS and Caixin indexes.
*Data are three-month moving averages.

Note: Index values are in dollar terms.
Regional Economic Conditions

Jason Bram, Research Officer

Small Business & Agriculture Advisory Group Meeting – June 24, 2019

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Overview

• A quick look at state economies across the U.S.
• An overview of the 2nd District’s economy, focusing on job trends
• Results from recent FRBNY business surveys
• Wage trends and minimum wage response
• Housing markets across the District
Recent Private-Sector Job Trends

Year-Over-Year Percent Change as of May 2019

Private-Sector Job Trends

Percent Change From Previous Peak to May 2019

Total Employment

Seasonally Adjusted Index

Index (Dec2007=100)

Source: Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by FRBNY staff.
Total Employment

Seasonally Adjusted Index

Index (Dec2007=100)

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

Percent

Shading indicates NBER recession

Labor Force Participation

Seasonally Adjusted

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

Diffusion Index

Empire State Manufacturing Survey

Business Leaders Survey

Shading indicates NBER recession

Source: Federal Reserve Bank of New York.
June 2019 Empire State Manufacturing Survey

In the past several months, to what extent have you modified your sales expectations for the second half of this year?

Percentage of Respondents

* In July 2012 and earlier surveys, manufacturers were asked about "production plans", as opposed to sales/revenue expectations.
In the past several months, to what extent have you modified your sales expectations for the second half of this year?

Percentage of Respondents

- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

June 2019

June 2018

June 2017

July 2016

July 2015

June 2014

Aug. 2013

July 2012

July 2011

July 2010

July 2009

June 2019 Business Leaders (Service Sector) Survey
June 2019 Survey on Trade & Tariffs

What overall effect have U.S. trade policy and tariffs had on your business in the 1st half of this year, and what effects do you expect them to have in the 2nd half?

2nd Half of 2019

Percentage of Survey Respondents

1st Half of 2019

Business Leaders Survey

Empire State Manufacturing Survey

Significant Negative Effect

Modest Negative Effect

No Effect

Modest Positive Effect

Significant Positive Effect

Significant negative effect  Modest Negative Effect  No Effect  Modest Positive Effect  Significant Positive Effect
Average Earnings vs Job Growth (2010-18) for Selected NYC Industries

Sources: NY State Department of Labor, QCEW; FRBNY staff calculations
New York State Wages by County
Average Weekly Wages, Leisure & Hospitality, 1st Half of 2018

NY State Average =$622

County | Average Weekly | % of Min Wage
--- | --- | ---
Bronx | $709 | 182%
Brooklyn | $578 | 148%
Manhattan | $909 | 233%
Queens | $588 | 151%
Staten Isl | $409 | 105%

Sources: Bureau of Labor Statistics, Moody’s Economy.com, New York State Department of Labor, FRBNY calculations.
April 2019 Empire State Manufacturing Survey

Please indicate what effect you think this increase in the minimum wage has had, for your operations in New York State, on each of the following?

- Your overall profits
- Your overall revenue
- The prices you charge
- Your business’ overall compensation costs
- The overall degree of automation in your business
- Hours worked per week by your typical worker
- Employee turnover
- The general quality of your entry-level workers
- The number of entry-level workers you employ
- The total number of workers you employ

Percentage of Survey Respondents
April 2019 Business Leaders (Service Sector) Survey

Please indicate what effect you think this increase in the minimum wage has had, for your operations in New York State, on each of the following?

- Your overall profits
- Your overall revenue
- The prices you charge
- Your business’ overall compensation costs
- The overall degree of automation in your business
- Hours worked per week by your typical worker
- Employee turnover
- The general quality of your entry-level workers
- The number of entry-level workers you employ
- The total number of workers you employ

Percentage of Survey Respondents
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted

Index (Mar2006=100)

NYC Metro

United States

Westchester

Rockland

Fairfield

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).