AGENDA

10:30 a.m. Welcome, Claire Kramer Mills, Chair & Assistant Vice President

10:40 a.m. - 11:00 a.m. The National Economy, Tom Klitgaard, 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, Jaison Abel, Assistant Vice President

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. - 1:15 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 quarter of 2019?
What are your expectations for the first half of 2019?

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

Employment
Has employment increased, decreased, or stayed the same in the first quarter 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 first half of 2019?
Advisory Council on Small Business and Agriculture
Federal Reserve Bank of New York
10th Floor, Paul Volcker Boardroom
Monday, March 25, 2019

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

Financing Conditions
Over the past two quarters, please describe the 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 2019?
What is the chief growth barrier or concern facing your firm in 2019?

1:15 p.m. - 2:00 p.m. Fed Listens Session with John Williams, President and CEO

Concluding Remarks from President Williams

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

Monday, March 25, 2019  

**ATTENDEE LIST**

### Council Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Company/Office</th>
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<tbody>
<tr>
<td>Donnel Baird</td>
<td>Founder &amp; CEO</td>
<td>BlocPower</td>
</tr>
<tr>
<td>Gabriel Hernández</td>
<td>Co-Founder and Head of Tax Division</td>
<td>BDO Puerto Rico</td>
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<tr>
<td>Adenah Bayoh</td>
<td>Founder</td>
<td>Adenah Bayoh &amp; Companies</td>
</tr>
<tr>
<td>Sarah LaFleur</td>
<td>Founder &amp; CEO</td>
<td>MM.LaFleur</td>
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<tr>
<td>Waleska Rivera</td>
<td>President</td>
<td>Danosa Caribbean, Inc.</td>
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<tr>
<td>Jassi Chadha</td>
<td>President &amp; CEO</td>
<td>Axtria, Inc.</td>
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### Federal Reserve Bank of New York

<table>
<thead>
<tr>
<th>Name</th>
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<tbody>
<tr>
<td>John Williams</td>
<td>President &amp; CEO</td>
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<tr>
<td>Michael Strine</td>
<td>First Vice President</td>
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<tr>
<td>Jack Gutt</td>
<td>EVP, Communications &amp; Outreach</td>
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<tr>
<td>Kausar Hamdani</td>
<td>SVP, Communications &amp; Outreach</td>
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<tr>
<td>Rosanne Notaro</td>
<td>VP, Legal</td>
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<tr>
<td>Tom Kitgaard</td>
<td>VP, Research &amp; Statistics</td>
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<tr>
<td>Matthew Higgins</td>
<td>VP, Research &amp; Statistics</td>
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<tr>
<td>Claire Kramer Mills</td>
<td>AVP, Outreach &amp; Education</td>
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<tr>
<td>Jaison Abel</td>
<td>AVP, Research &amp; Statistics</td>
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<tr>
<td>Scott Lieberman</td>
<td>Associate, Outreach &amp; Education</td>
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<tr>
<td>Edison Reyes</td>
<td>Associate, Outreach &amp; Education</td>
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<tr>
<td>Alexandra Rosen</td>
<td>Associate, Corporate Secretary</td>
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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

• Real GDP grew 3.1% in 2018, well above the economy’s potential growth rate
  • This was a pickup from 2.5% in 2017, with government spending and an inventory buildup key sources of the faster growth
  • Labor markets tighten while the rate of increase of wages and core inflation moved higher

• Growth is expected to slow in 2019 to near 2.0%, just above the potential growth rate of around 1 ¾%
  • In this scenario, the labor market would remain tight and there would continue to be some upward pressure on wages and prices
GDP grew 3 percent in 2018

Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.
Consumer spending growth slowed in Q4

Contribution to growth, 4-quarter avg.

Source: BEA via Haver Analytics. Note: Shading shows NBER recessions.
Q4 consumption affected by financial markets?

The financial turmoil in Q4 has diminished in Q1

Credit Spreads (BB+ - AAA)

Notable weakness in durables, such as autos

PCE: Autos

Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.
Investment in structures recovered from the 2015-16 fall

Source: BEA via Haver Analytics. Note: Shading shows NBER recessions.
Lower oil prices may drag structure spending down

Source: WTI, EIA/Chicago Mercantile Exchange via Haver Analytics.
Solid growth in spending on equipment

Contribution to growth, 4-quarter avg.

Source: BEA via Haver Analytics. Note: Shading shows NBER recessions.
Residential investment spending is falling

Contribution to growth, 4-quarter avg.

Source: BEA via Haver Analytics. Note: Shading shows NBER recessions.
Home sales dropped in 2018 with higher mortgage rates.

Source: Mortgage Bankers Association, US Census Bureau via Haver Analytics

Note: Shading shows NBER recessions.
Questions of affordability

Source: CoreLogic via Haver Analytics

Note: Shading shows NBER recessions.
Government spending boosted 2018 growth

Contribution to growth, 4-quarter avg.

Source: BEA via Haver Analytics. Note: Shading shows NBER recessions.
Export growth slowed in second half of 2018

Contribution to growth, 4-quarter avg.

Source: BEA via Haver Analytics. Note: Shading shows NBER recessions.
The unemployment rate remains low

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Data on quits suggest a tight labor market

Source: Bureau of Labor Statistics

Note: Grey shading shows NBER recessions.
Wage inflation appears to be increasing

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Inflation is near the FOMC Objective of 2 percent

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
GDP is above potential by some estimates

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Potential GDP Growth</th>
</tr>
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<tbody>
<tr>
<td>2000 - 2005</td>
<td>3.0%</td>
</tr>
<tr>
<td>2005 – 2010</td>
<td>1.8%</td>
</tr>
<tr>
<td>2010 – 2015</td>
<td>1.4%</td>
</tr>
<tr>
<td>2015 – 2020</td>
<td>1.8%</td>
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</table>

Source: Bureau of Economic Analysis, Congressional Budget Office via Haver Analytics
Note: Shading shows NBER recessions.
Global Economic Outlook

Small Business and Agricultural Advisory Council
Matthew Higgins, 25 March 2019

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Roadmap

- Update on the global economic and industrial cycle
- China’s recent growth performance and long-term prospects
Global GDP Growth

Percent SAAR

Sources: national sources, staff calculations. Q4 growth rates for some foreign economies reflect staff estimates.

Global GDP Growth and Composite PMI

Correlation = 0.83

Sources: national sources, Markit Economics
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 24 EMEs. The latest vintage surveys are from early to mid December.
Global Manufacturing and Services PMIs

Diffusion Index

Source: Markit Economics.

Manufacturing New Orders

Diffusion Index

Source: Markit Economics, JPMorgan.
Global Industrial Production Growth

Source: CPB World Trade Monitor.
Data exclude construction.

U.S. and EME equity performance

Indexes, January 2017 = 100

Note: Index values are in dollar terms.
G-3: Core Consumer Price Inflation

Percent change from year ago

United States  Euro Area  Japan

Sources: BEA, Eurostat, BoJ. U.S. inflation measured using the PCE index.

Chinese GDP growth and alternative indicator

Normalized: mean = 0, STD = 1.0

GDP Growth  Alternative indicator

Sources: national sources, staff estimates. The alternative indicator is an average of four different models.
**Per capita income growth vs. PPP income levels**

![Graph showing the relationship between per capita income growth and PPP income levels for selected countries.](image)

*China 1998-2015*

*Korea 1974-2014*

*Japan 1956-1996*

**Sources:** Penn World Tables, version 9.0, World Economic Outlook database, author's calculations.

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**Per Capita Income Levels Relative to the United States**

![Graph showing the percentage of per capita income relative to the United States for selected countries over time.](image)

*Turkey* 40

*Brazil* 25

*China* 28

**Sources:** Penn World Tables, WEO database.
Real per capita income projections for China

Indexes: Real per capita income in 2018 = 100

Optimistic projection

"Not-so-bad" projection

Comparative Pac Rim performance (20-year Index values )

<table>
<thead>
<tr>
<th>Country</th>
<th>Index</th>
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<tbody>
<tr>
<td>Japan</td>
<td>186</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>193</td>
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<tr>
<td>Korea</td>
<td>220</td>
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<tr>
<td>Singapore</td>
<td>214</td>
</tr>
<tr>
<td>Taiwan</td>
<td>279</td>
</tr>
</tbody>
</table>

Sources: Penn World Tables, version 9.0, World Economic Outlook database, author’s calculations. The "not-so-bad" projection assumes slower TFP growth and a more rapid decline in the capital spending share of GDP.

Working-age populations around China’s income level

Population aged 20-64 as percent of total

China

T = 2018

Asian NIEs*

T = 1991

Japan

T = 1976

Sources: Penn World Tables, UN population database.

* Hong Kong, Korea, Singapore and Taiwan.
Regional Economic Conditions

Jaison R. Abel

Advisory Council on Small Business and Agriculture Meeting – March 25, 2019

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Overview of Regional Conditions

• Business activity in the New York-Northern New Jersey region slowed in late 2018 and has remained subdued in early 2019.

• Despite modest job growth in much of the region, labor markets have become extremely tight. As a result, wage growth has picked up throughout the region.

• Private-sector employment in Puerto Rico is now above pre-storm levels, though overall job gains on the island continue to be weighed down by a weak public sector.

• Manufacturers in New York State report fairly significant effects on employment and compensation from the recent increase in the minimum wage, while service firms report more limited effects.
Current Economic Conditions

FRBNY Regional Business Surveys

Source: Federal Reserve Bank of New York.
Regional Employment Trends
Indexes of Total Employment, Seasonally Adjusted

Index (Dec2007=100)


Downstate NY
United States
Upstate NY
Northern NJ
Puerto Rico

Jan +1.4%
Feb +1.8%
Jan +0.8%
Feb +0.6%

Shading indicates NBER recession

Private-Sector Jobs in Puerto Rico

Preliminary vs Revised Estimates

Recent Job Growth in the NY-NNJ Region

Annual Percent Change, 3-Month Average (Nov-Jan)

Strong Growth
Moderate Growth
Modest Growth
Little or No Growth

Exceptionally Tight Labor Markets
Long-Run and Current Unemployment Rates, Seasonally Adjusted

Regional Labor Force Trends
Indexes of Total Labor Force, Seasonally Adjusted

By about what percentage, on average, has a typical worker’s wage/salary (not including benefits) changed over the past 12 months?

- Business Leaders Survey:
  - Jan 2017: 3.0%
  - Feb 2018: 3.8%
  - Nov 2018: 4.2%

- Empire State Manufacturing Survey:
  - Jan 2017: 2.8%
  - Feb 2018: 3.4%
  - Nov 2018: 4.0%

Source: Federal Reserve Bank of New York.
Increase in NYS Minimum Wage

2017 Through 2022

- New York City Large Employers (11+ Workers)
- New York City Small Employers (<11 Workers)
- Long Island & Westchester
- Upstate New York

Source: New York State Government.
Effects of NYS Minimum Wage Increase
FRBNY Supplemental Survey Report, February 2019

Q: Has the increase in the minimum wage, effective January 1, 2019, had any effect on your business’s decisions about compensation and/or employment?

- **No Effect**
  - Empire State Manufacturing Survey: 36%
  - Business Leaders Survey: 60%
- **Small Effect**
  - 14%
- **Moderate/Significant Effect**
  - 27%

Source: Federal Reserve Bank of New York.