



**Small Business & Agriculture Advisory Council
Federal Reserve Bank of New York
Tuesday, November 7, 2017**

AGENDA

- 10:30am Welcome, Jack Gutt, Executive Vice President
- 10:35am Introductory Remarks, Claire Kramer Mills, Assistant Vice President
- 10:40am The National Economy, Richard Peach, Senior Vice President
- 11:00am International Update, Matthew Higgins, Vice President
- 11:30am Regional Update, Jason Bram, Officer
- 12:00pm Adjourn to NWC Room-10F
- 12:15pm Lunch
- 12:15pm Discussion with William Dudley, President
- Your experiences can give us insight into current economic conditions.
- Questions for discussion with President Dudley:
1. Have firms of your size and in your industry seen sales volume increase, decrease, or stay the same in the second half of 2017?
 2. Do you expect sales for firms of your size and in your industry to increase, decrease, or stay the same in the first half of 2018?
 3. Do you expect firms of your size and in your industry to increase investment (plant & equipment) in the first half of 2018?
 4. Have firms of your size and in your industry faced any recent shortage of labor that has limited their ability to meet demand?
 5. Do you expect firms of your size and in your industry to increase employment this year? Why or why not?
 6. Do you expect input prices for firms of your size and in your industry to increase? Do you expect prices of products/services sold to increase?
 7. Over the past two quarters, have you noticed any financing changes for firms of your size and in your industry? How have the terms and conditions for obtaining financing changed (tightened, eased, not changed)?
- 1:15pm Discussion of New York Fed presidential search with Shawn Phillips, Corporate Secretary of Federal Reserve Bank of New York and a search firm representative
- 2:00 pm Adjourn



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Federal Reserve Bank of New York
33 Liberty Street
New York, NY
Tuesday, November 7, 2017**

ATTENDEE LIST

Council Members

Michael Arnoff
President
Arnoff Moving & Storage

Patrick Marotta
President and CEO
Marotta Controls

Charles Feit
Founder and CEO
OnForce Solar

Ranjini Poddar
Founder and CEO
Artech Information Systems, LLC

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

Waleska Rivera
President
Danosa Caribbean, Inc.

Federal Reserve Bank of New York

William Dudley
Jack Gutt
Kausar Hamdani
Richard Peach
Anand Marri
Matthew Higgins
Andrew Giannelli
Claire Kramer Mills
Julia Gouny
Suzanne Elio
Jason Bram
Brian Manning
Angela Sun
Edison Reyes

President
EVP, Communications & Outreach
SVP, Communications & Outreach
SVP, Research & Statistics
VP, Outreach & Education
VP, Research & Statistics
AVP, Digital Strategy
AVP, Outreach & Education
Officer, Executive Office
Officer, Media Relations
Officer, Research & Statistics
Senior Associate, Media Relations
Associate, Legal
Associate, Outreach & Education



FEDERAL RESERVE BANK *of* NEW YORK

US Macro Overview

Richard Peach, Senior Vice President

Presented to SBAAC
November 7, 2017

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.

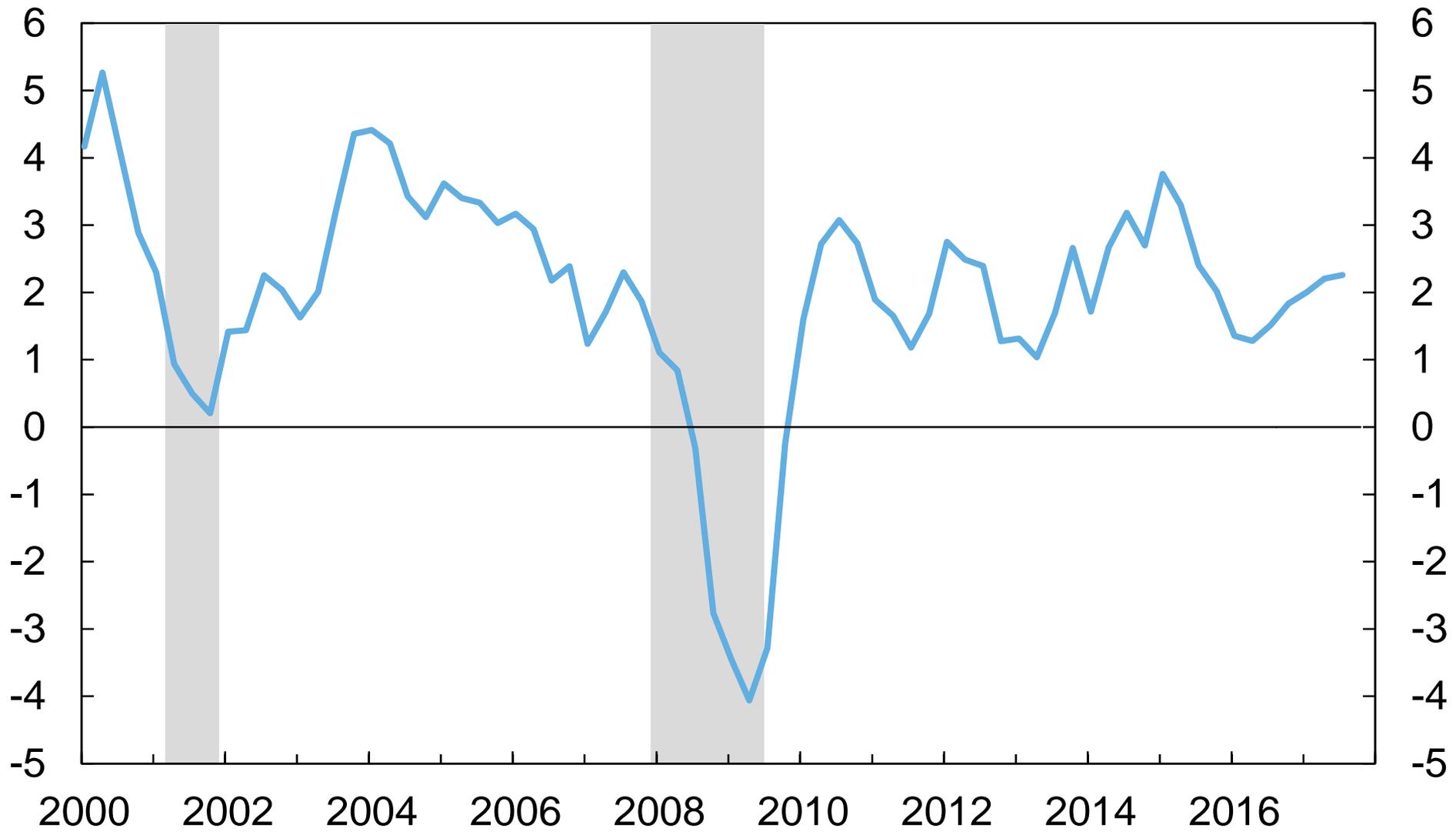
Overview

- Growth in the US has firmed in recent quarters as the shocks that hit the economy in mid 2014—dollar appreciation and falling commodity prices—have largely run their course.
- Several indicators suggest that the economy is at or near full employment, with clearer evidence that the rate of increase of wages/compensation has moved higher.
- Surprisingly, underlying inflation has slowed thus far in 2017 and remains below the FOMC's objective of 2%.
 - Thus far, inflation expectations appear to have been unaffected by this development.

Growth of Real GDP

Four Quarter Percent Change

Four Quarter Percent Change



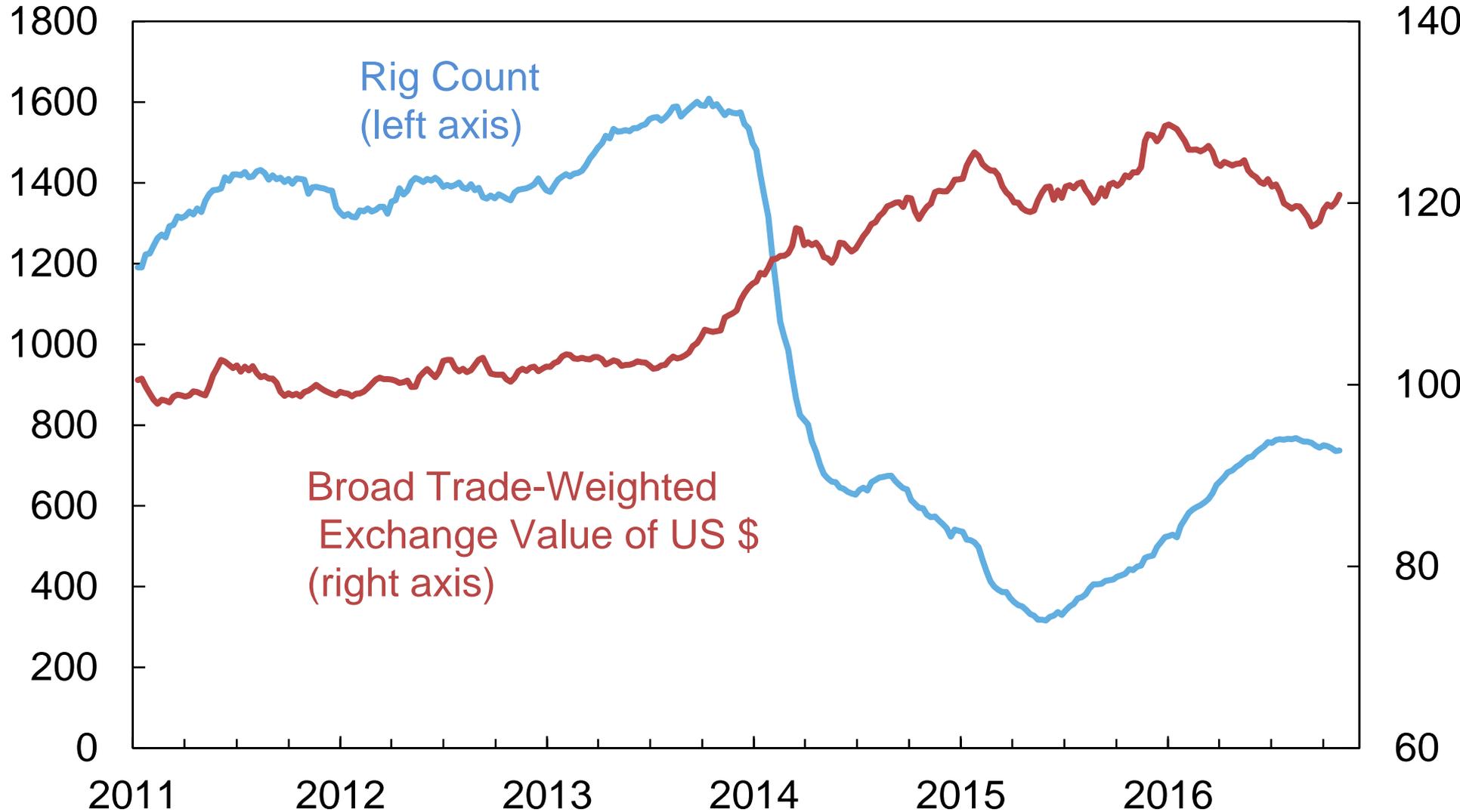
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

Nominal Trade-Weighted Value of US\$ and Rig Count

Active Oil Rigs

Index



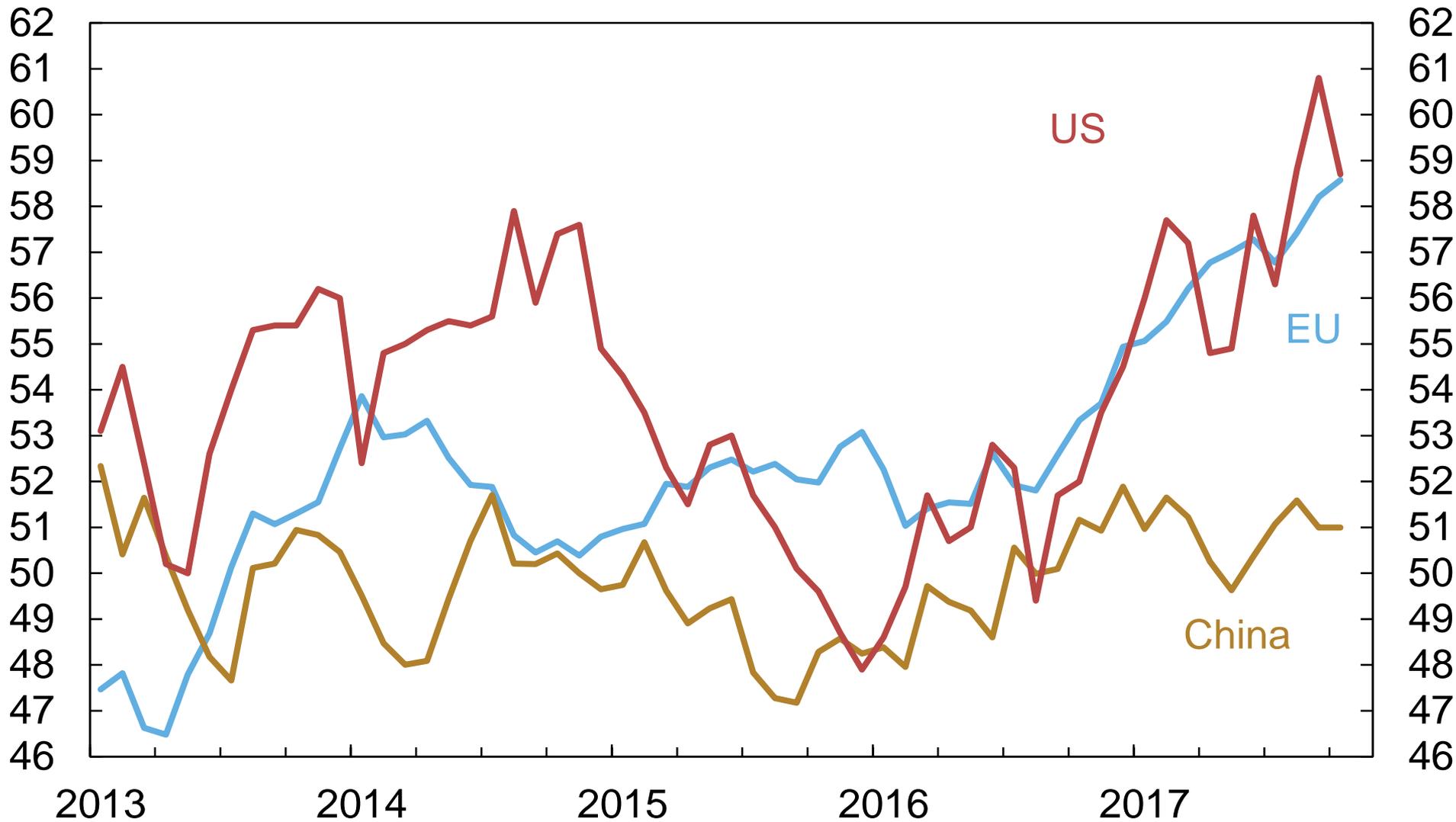
Source: Federal Reserve Board and Baker Hughes

Note: Shading shows NBER recessions.

Manufacturing Indicators for Major Economies

Index Level

Index Level

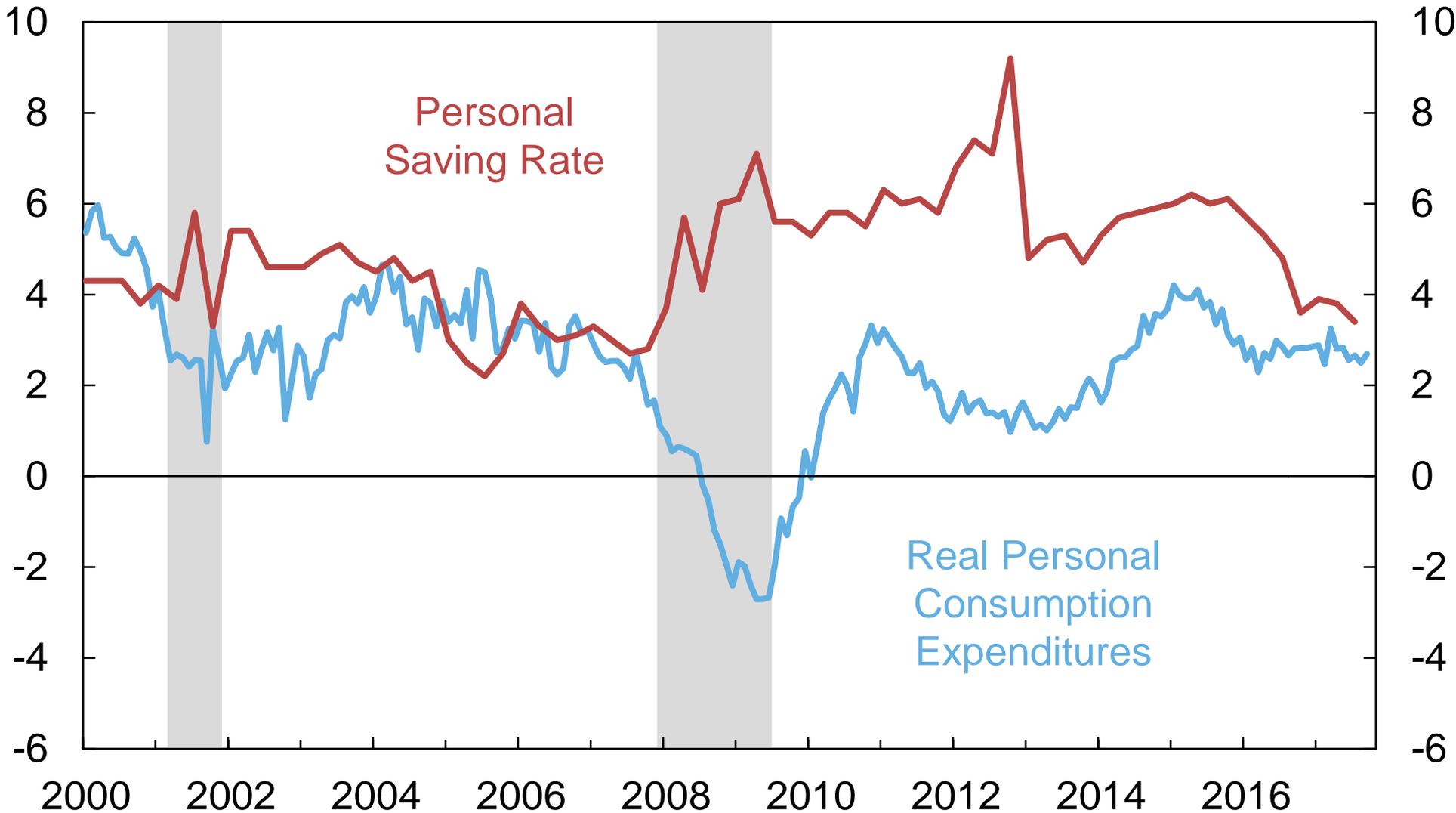


Source: IHS Markit and Institute for Supply Management via Haver Analytics

Note: Shading shows NBER recessions.

Real PCE and the Personal Saving Rate

12 Month % Change



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

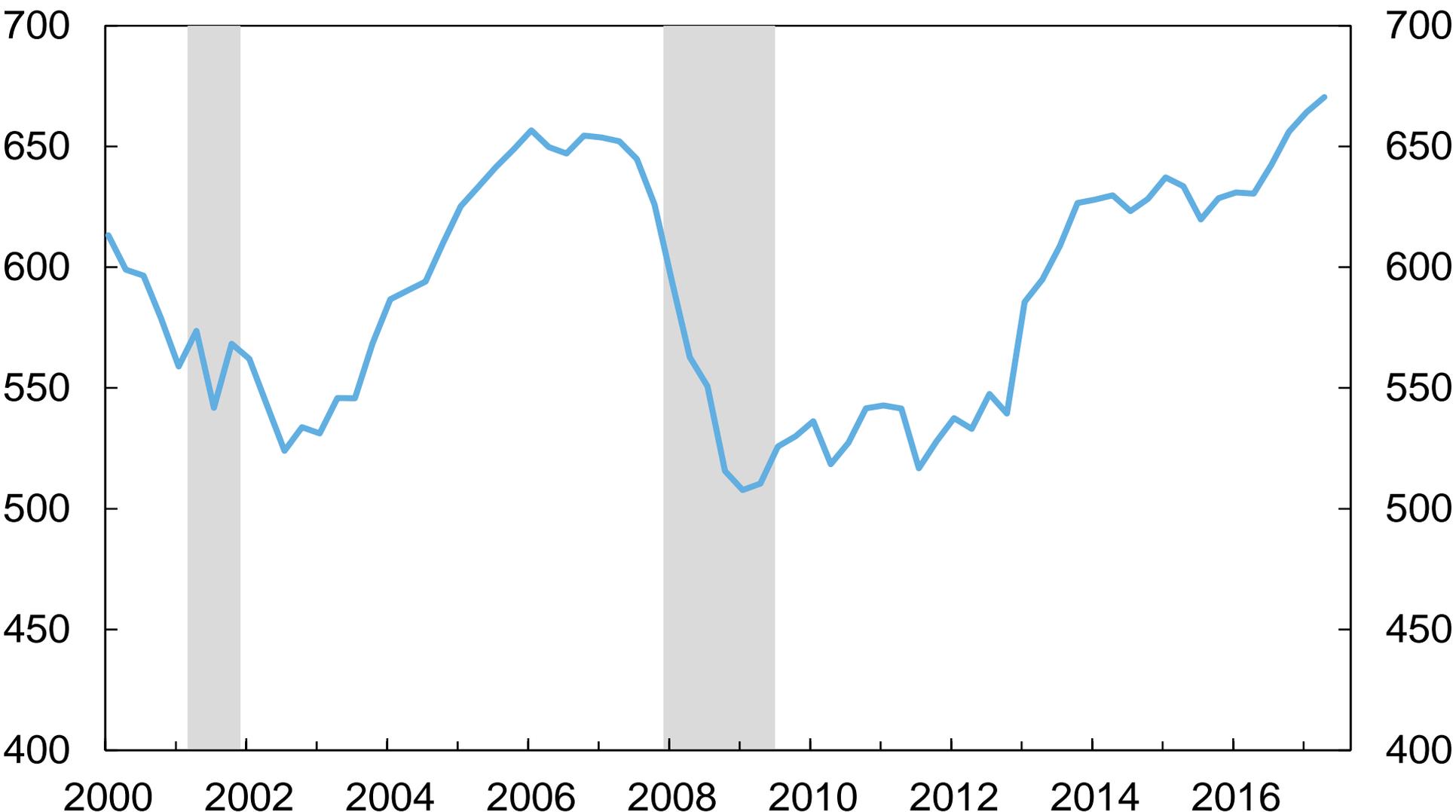
Note: Shading shows NBER recessions.

Household Net Worth at Record High

Percent

(Net Worth over Disposable Income)

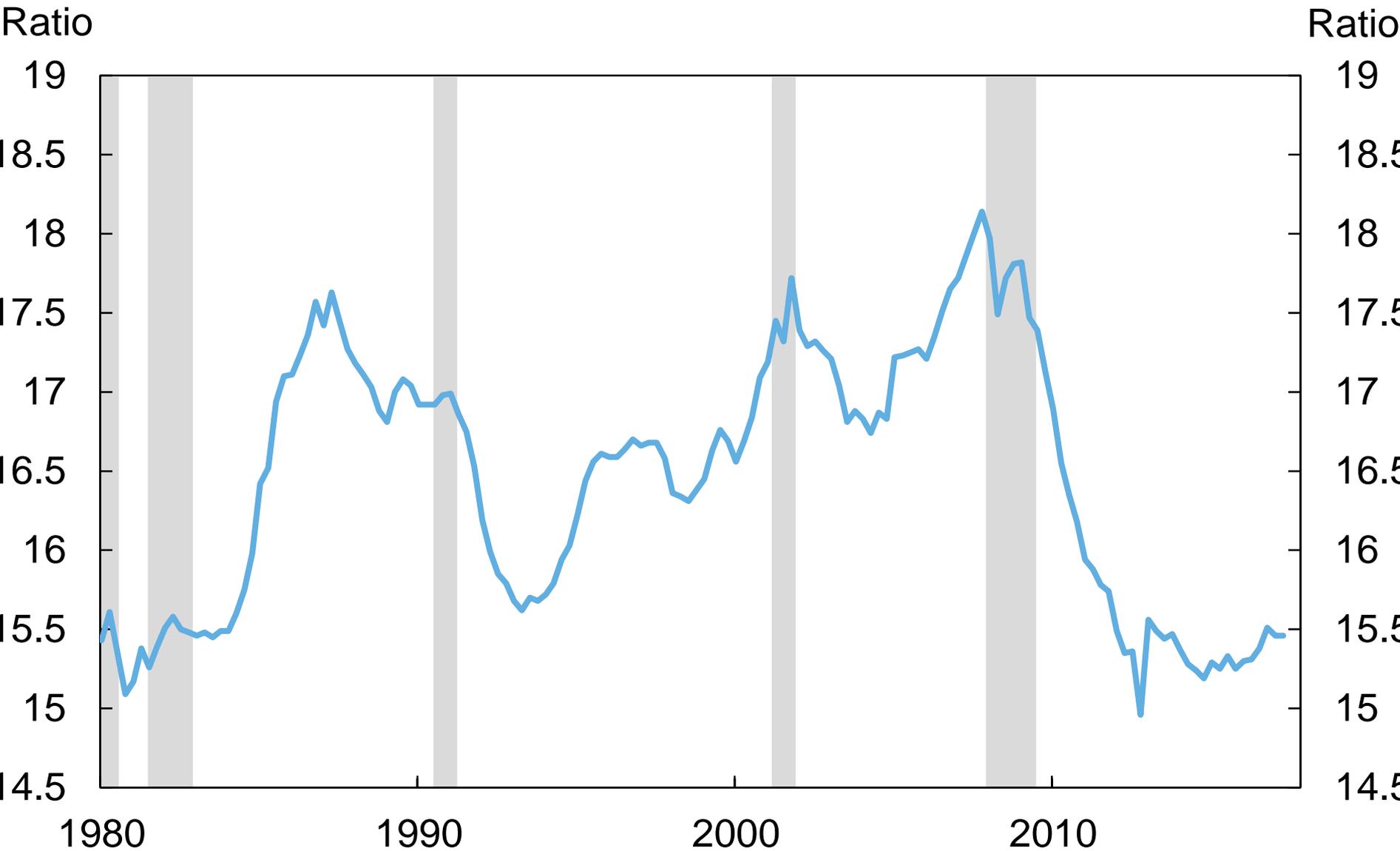
Percent



Source: Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions.

Household Financial Obligation Ratio



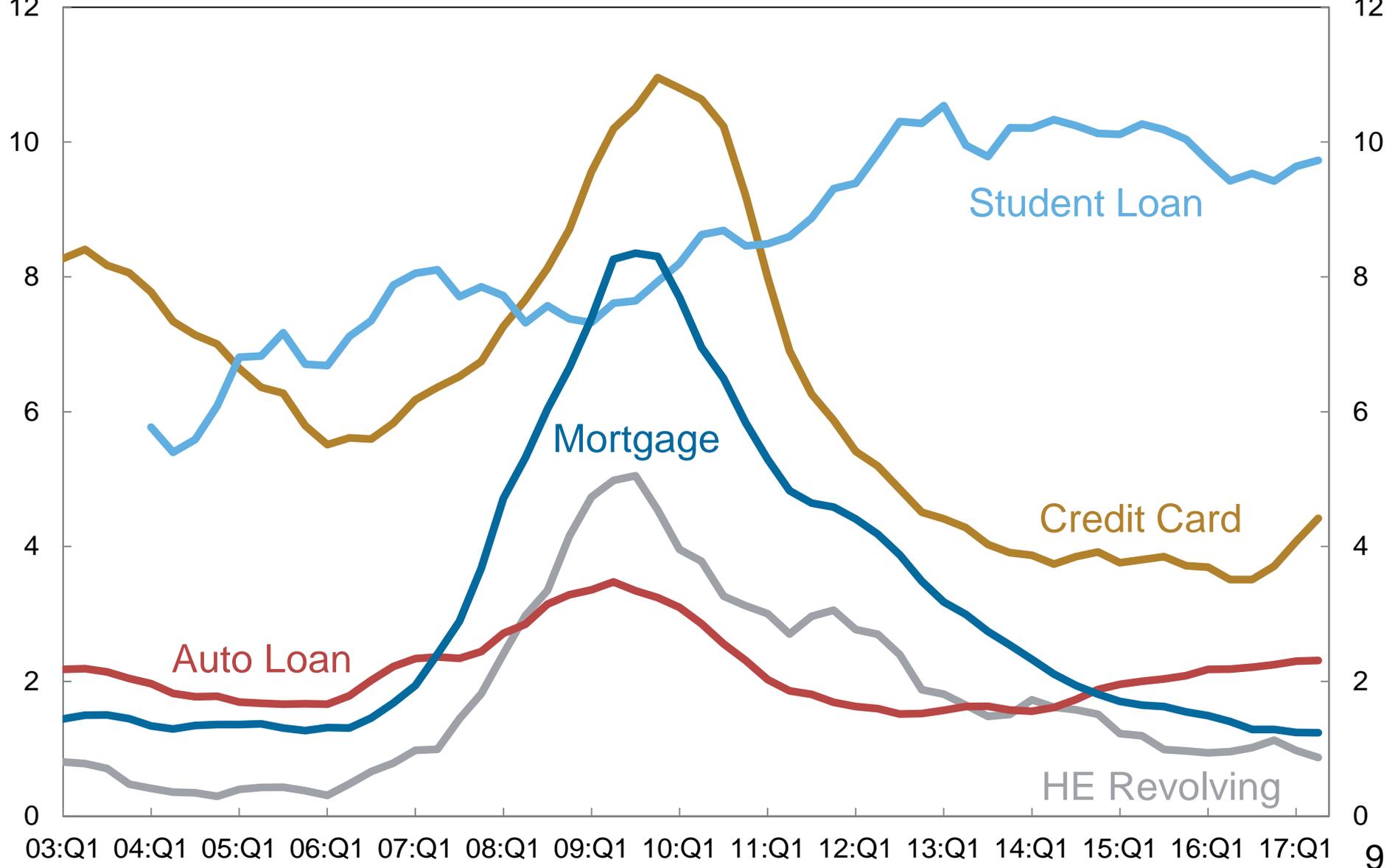
Source: Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions.

Transition into Delinquency (90+) by Loan Type

Percent of Balance

Percent of Balance



Note: 4 Quarter Moving Sum

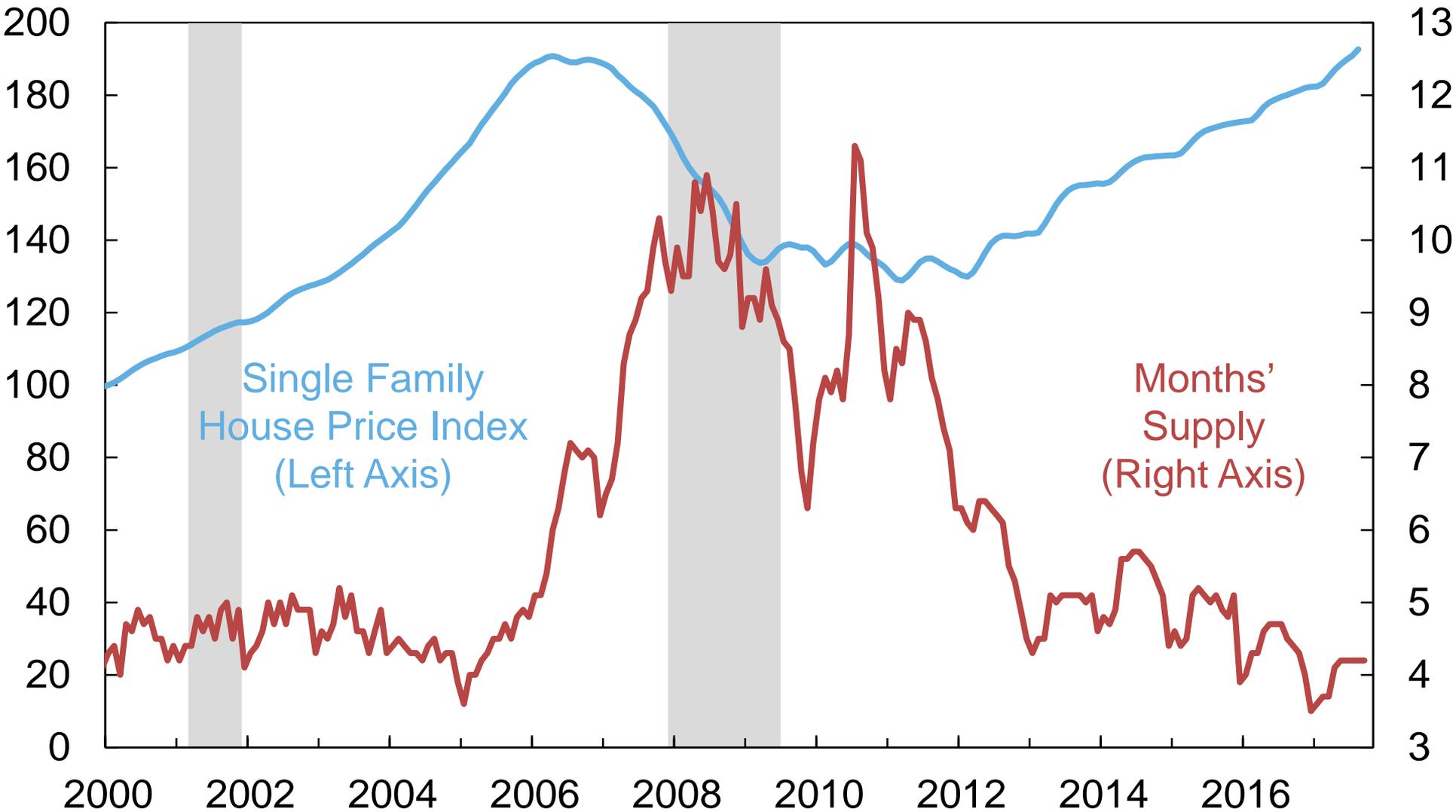
Source: New York Fed Consumer Credit Panel/Equifax

Student loan data are not reported prior to 2004 due to uneven reporting

Single Family Housing Market

Index Level

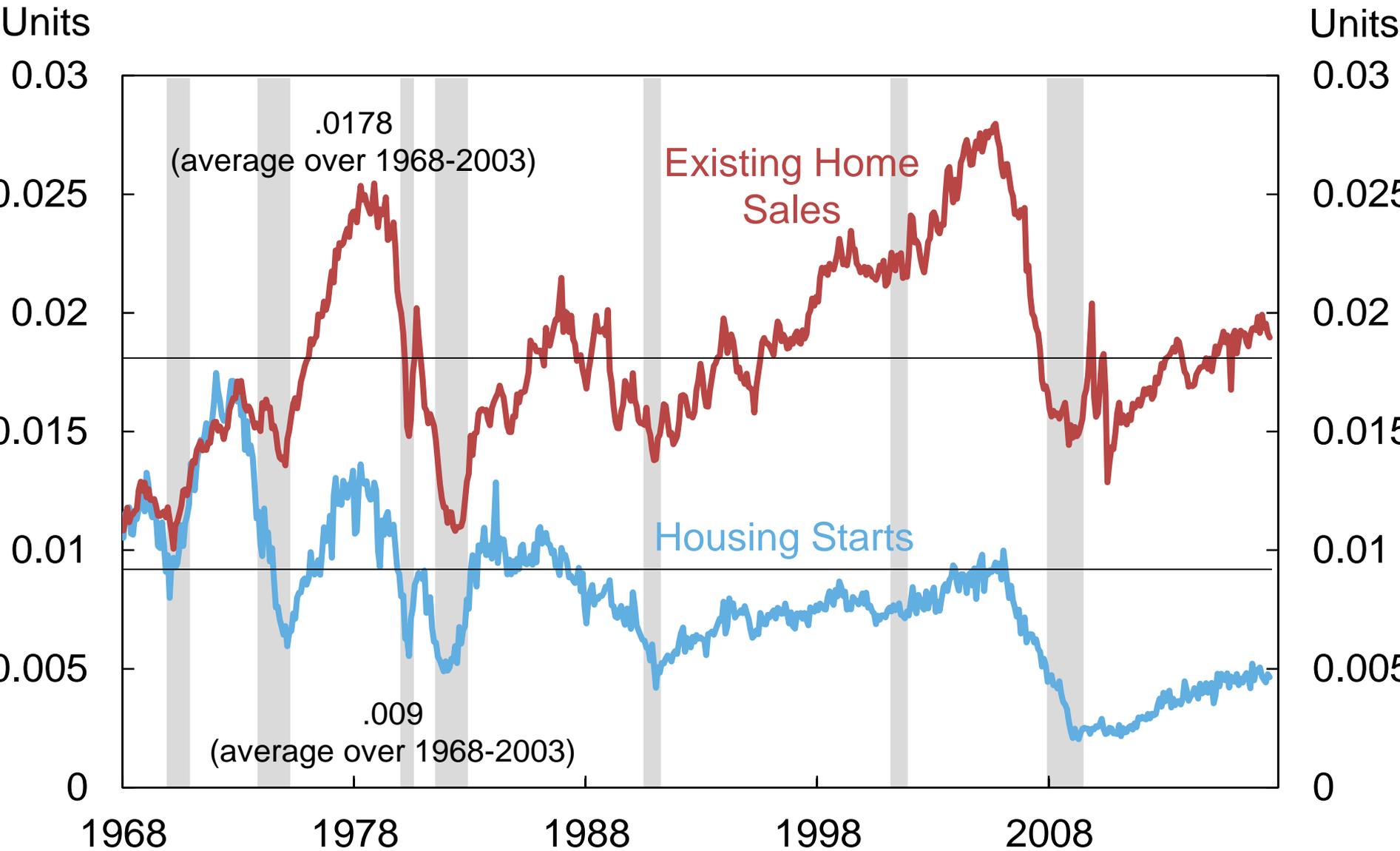
Months



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

Note: Shading shows NBER recessions.

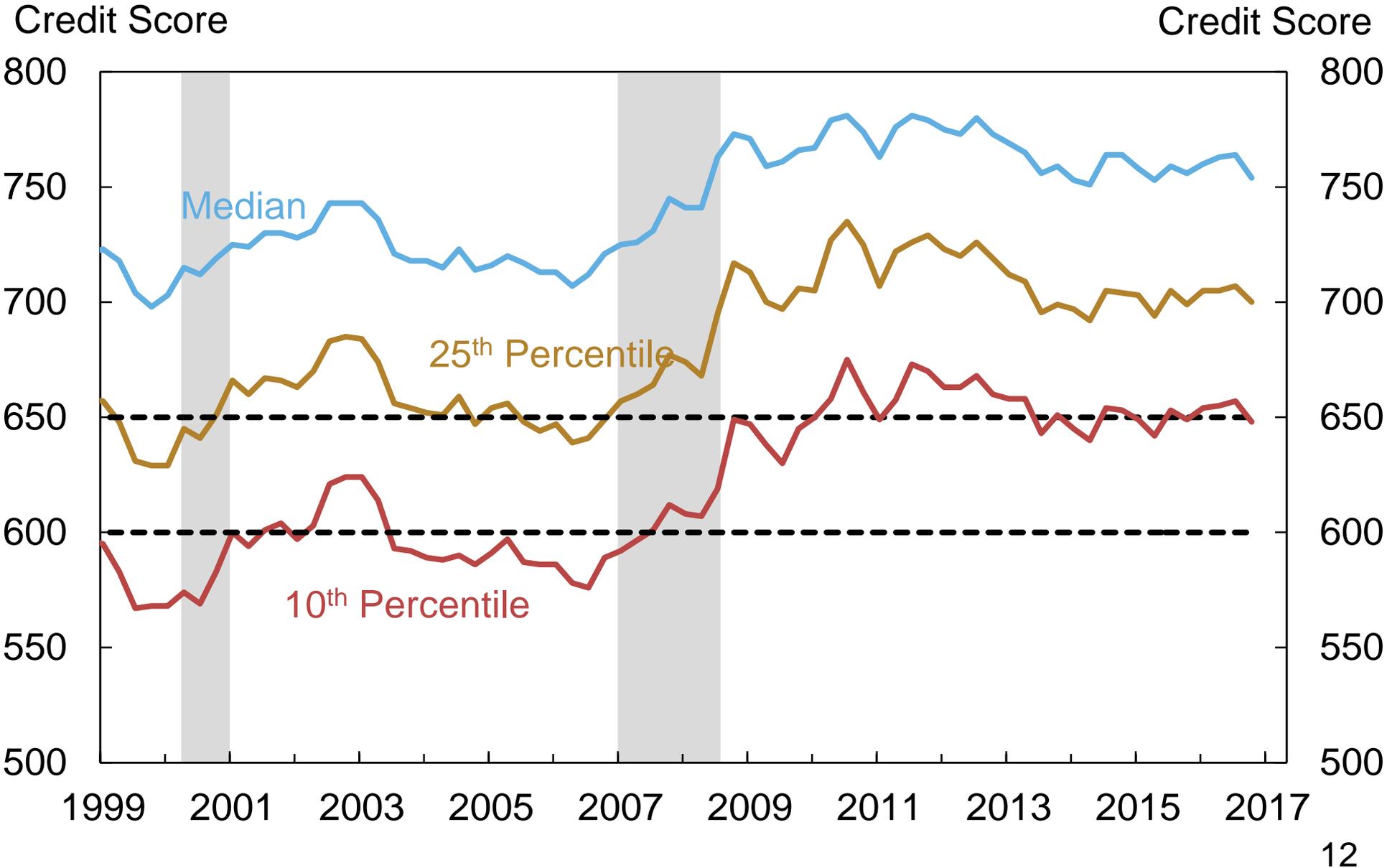
Housing Starts and Existing Homes Sales Per Capita



Source: BLS, Census Bureau, NAR

Note: Shading shows NBER recessions.

Credit Score at Mortgage Origination



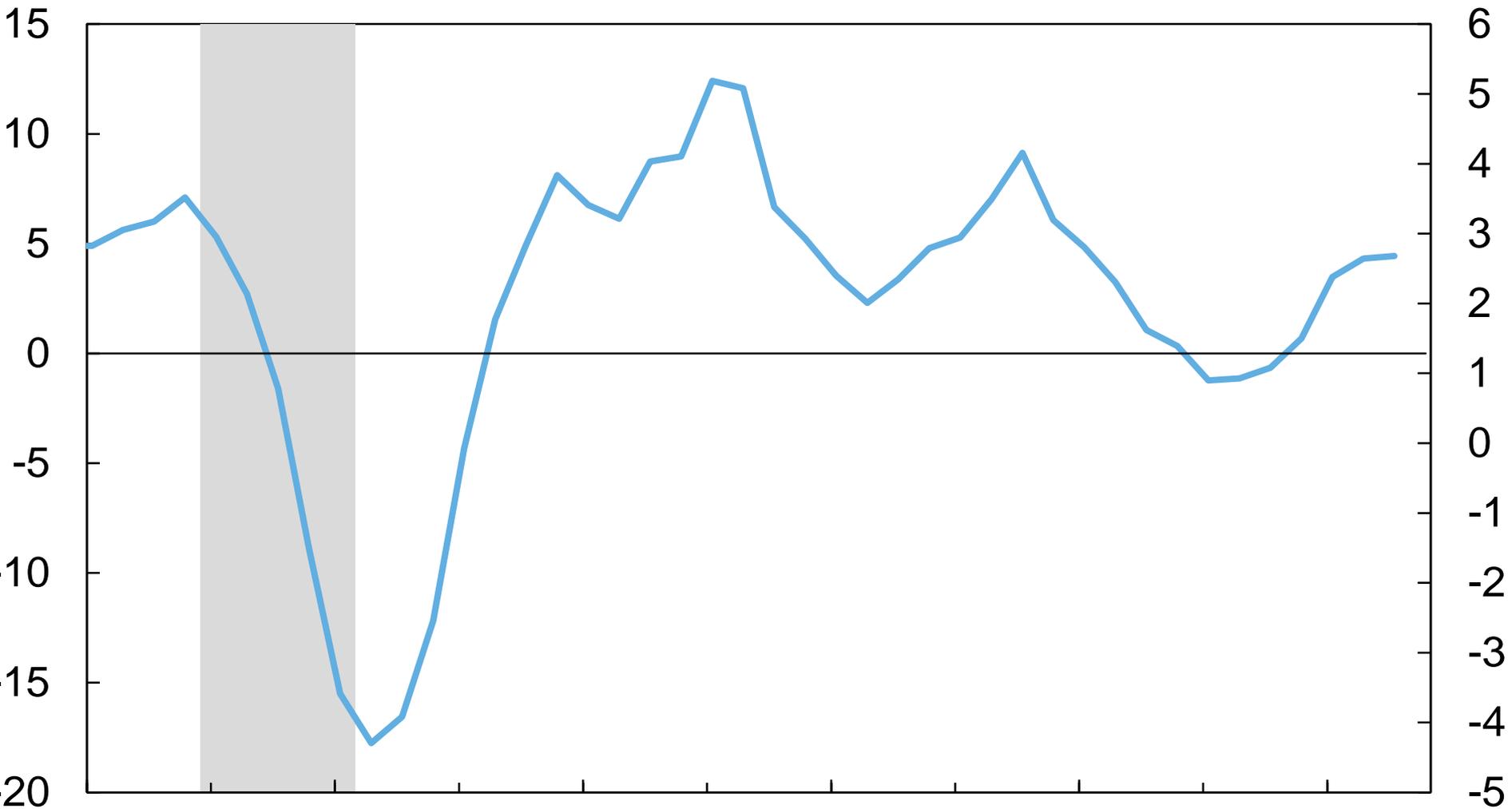
Source: FRBNY / Consumer Credit Panel

Note: Shading shows NBER recessions.

Business Fixed Investment Firming

Four Quarter Percent Change

Four Quarter Percent Change



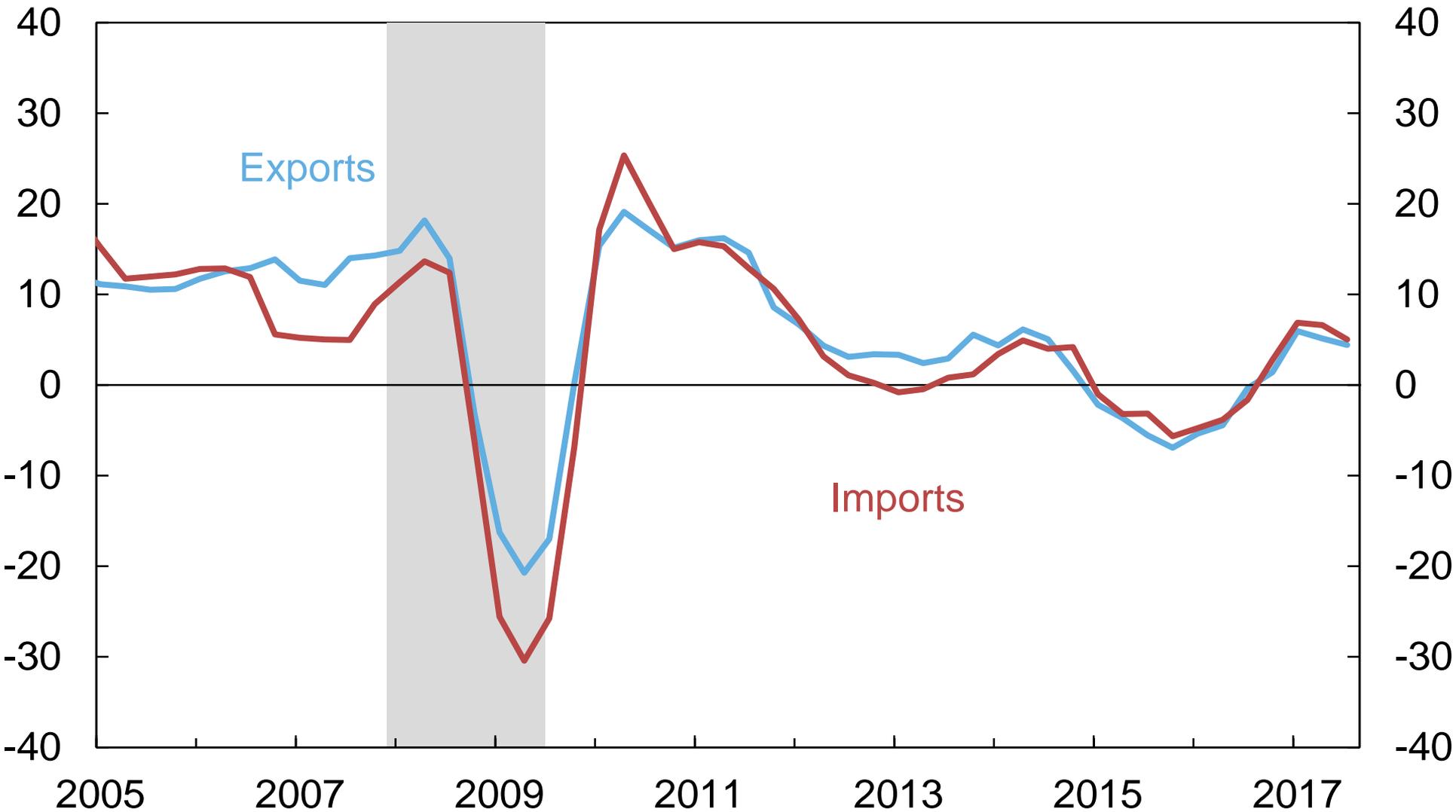
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

Real Exports and Imports

4 Quarter % Change

4 Quarter % Change



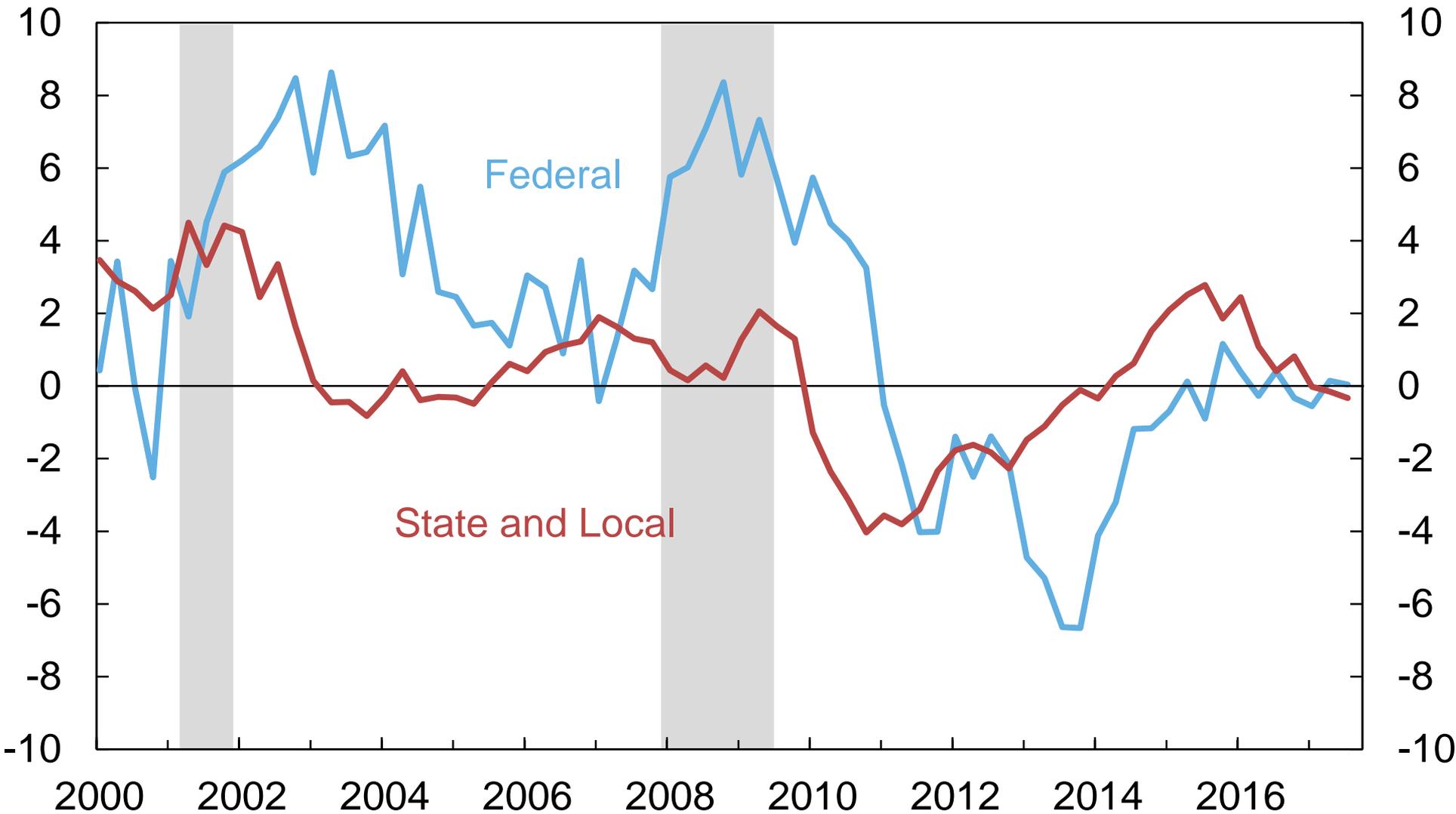
Source: Bureau of Economic Analysis
via Haver Analytics

Note: Shading shows NBER recessions.

Real Government Consumption and Gross Investment

4 Quarter % Change

4 Quarter % Change



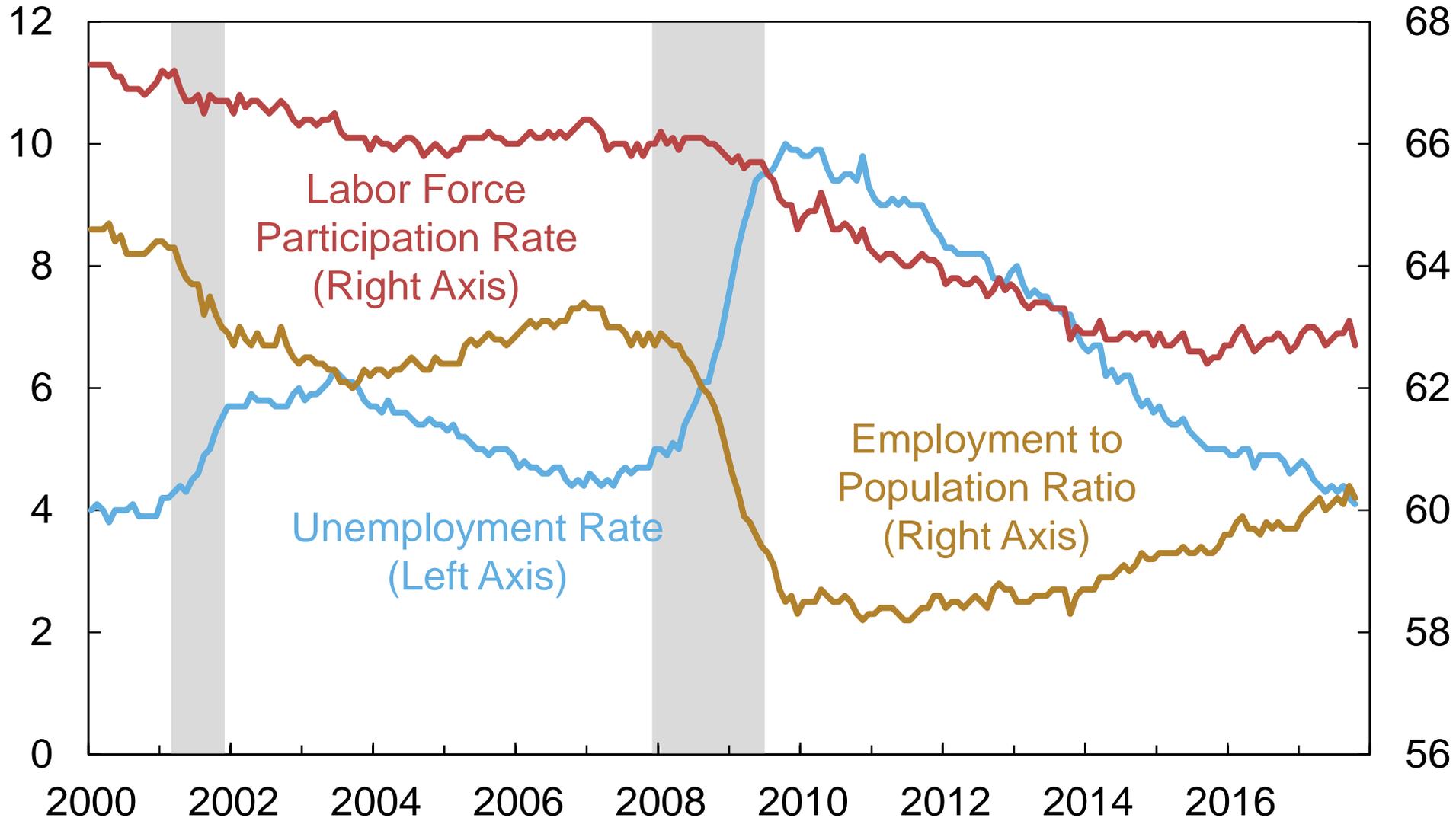
Source: Bureau of Economic Analysis
via Haver Analytics

Note: Shading shows NBER recessions.

Labor Market Indicators

Percent

Percent



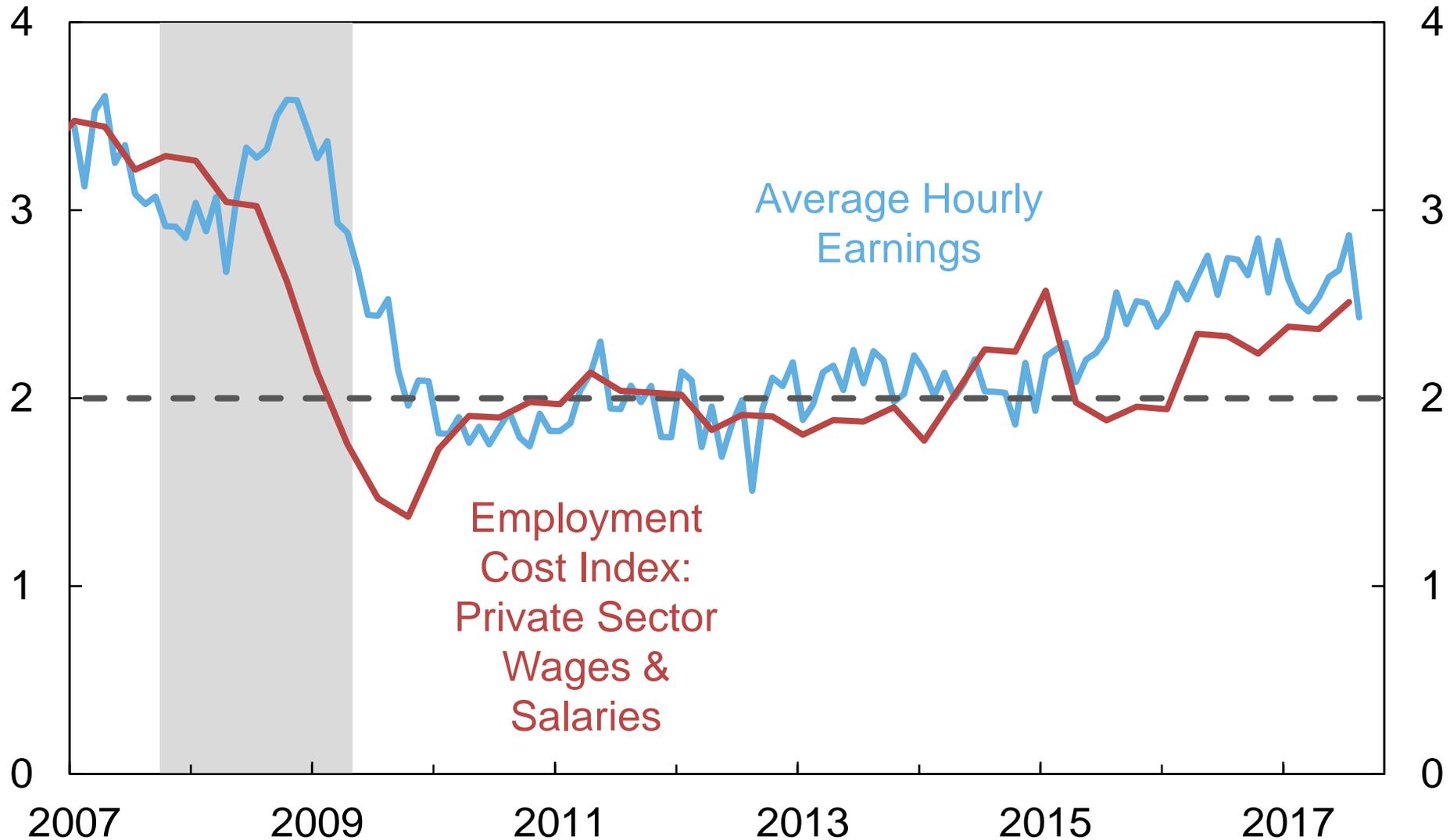
Source: Bureau of Labor Statistics
via Haver Analytics

Note: Shading shows NBER recessions.

Growth of Average Hourly Earnings and ECI

Annual % change

Annual % change



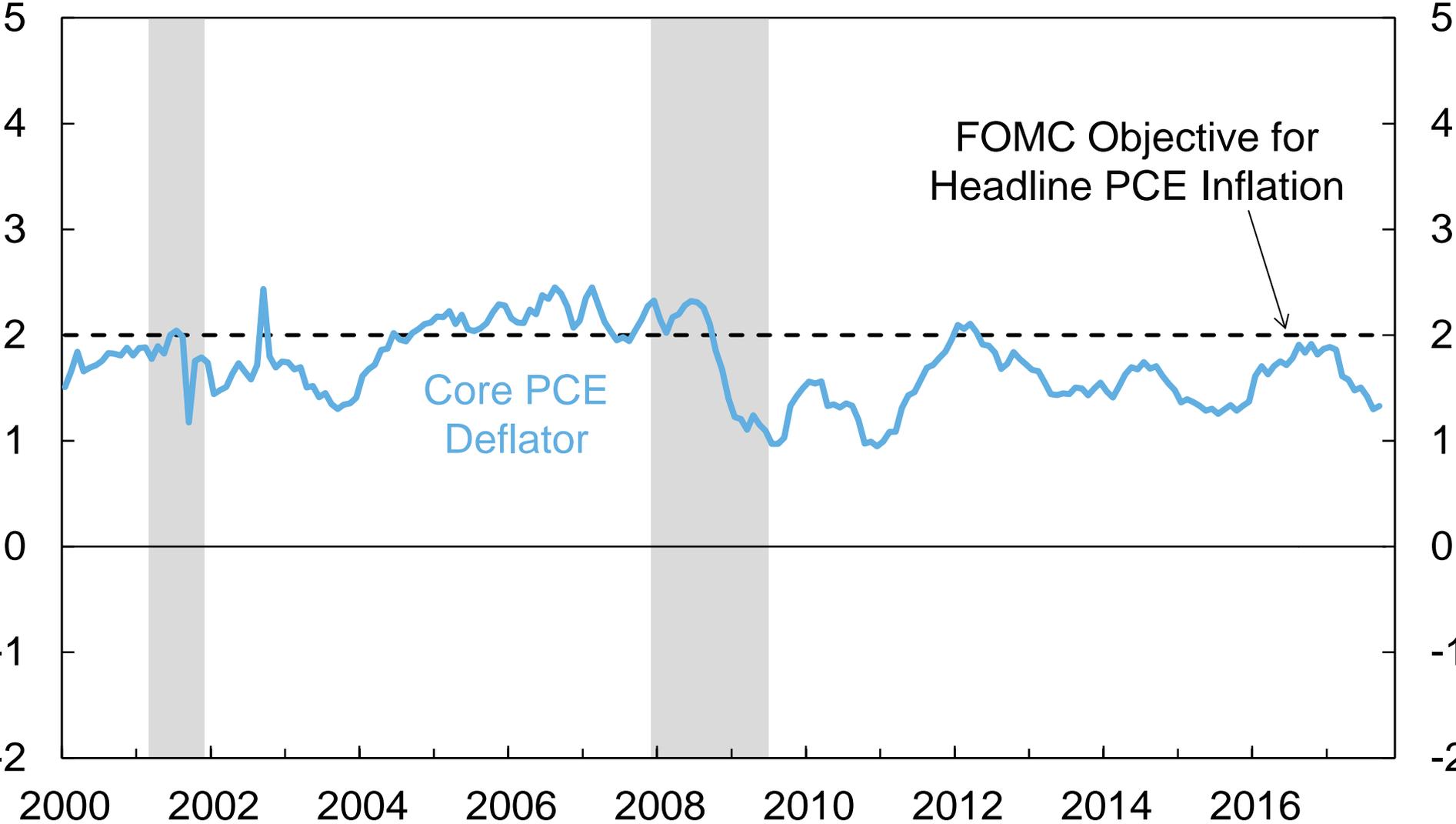
Source: Bureau of Labor Statistics
via Haver Analytics

Note: Shading shows NBER recessions.

Measure of Underlying PCE Price Inflation

12 Month % Change

12 Month % Change



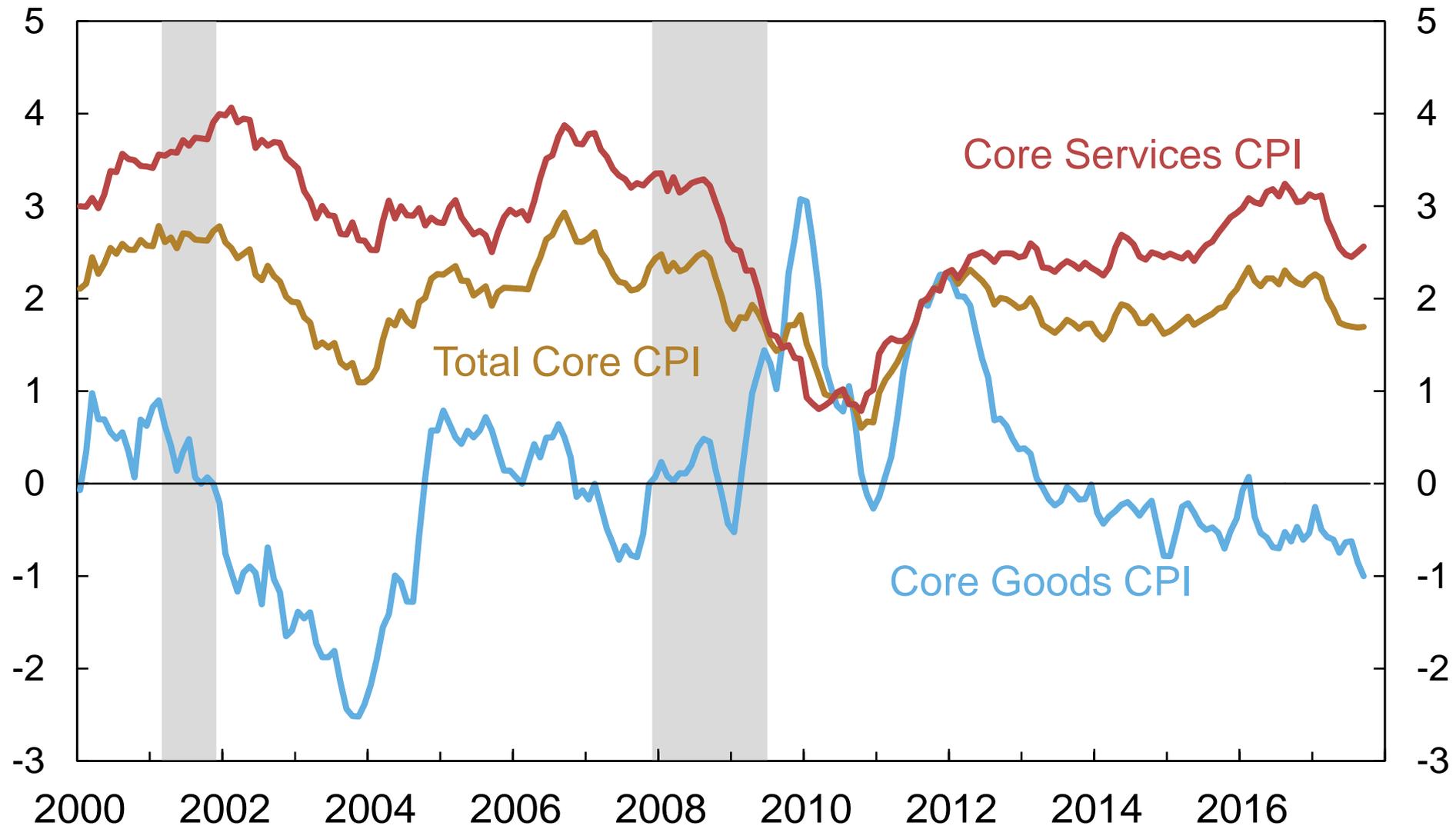
Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.

CPI Inflation: Core Goods and Core Services

12 Month % Change

12 Month % Change



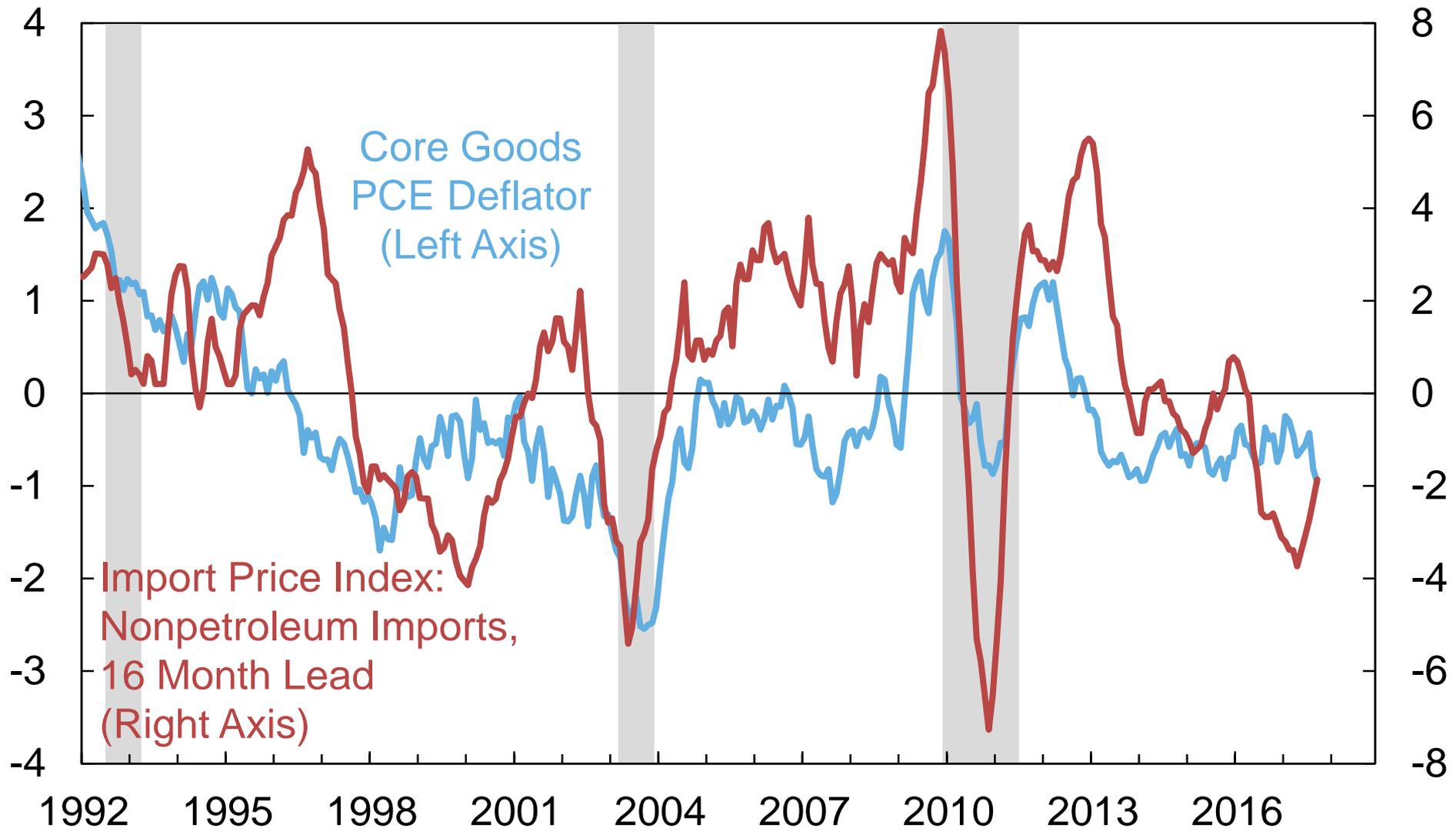
Source: Bureau of Labor Statistics
via Haver Analytics

Note: Shading shows NBER recessions.

Core Goods PCE Deflator and Import Price Index

% Change – Year to Year

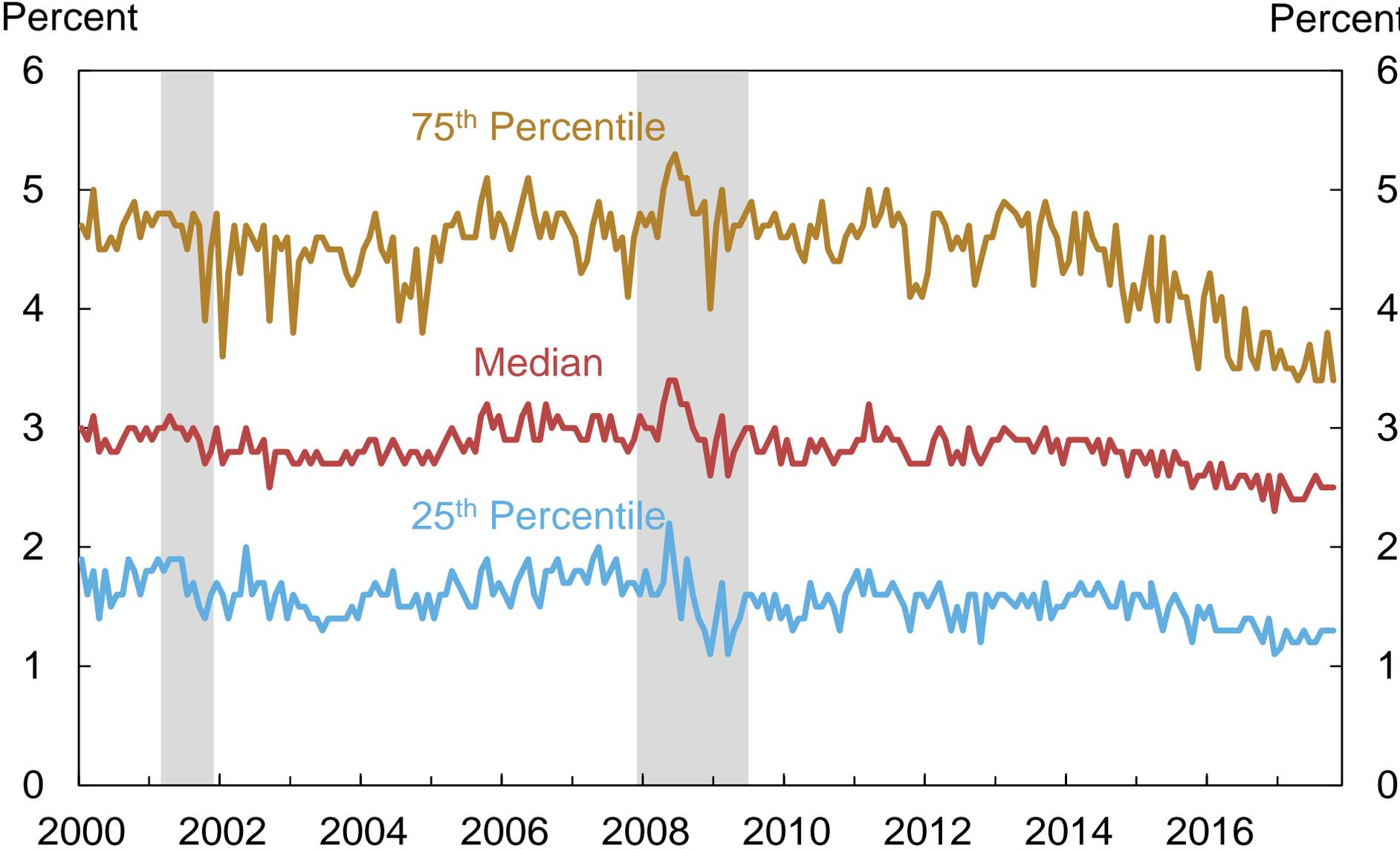
% Change – Year to Year



Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

Michigan Inflation Expectations 5 to 10 Years



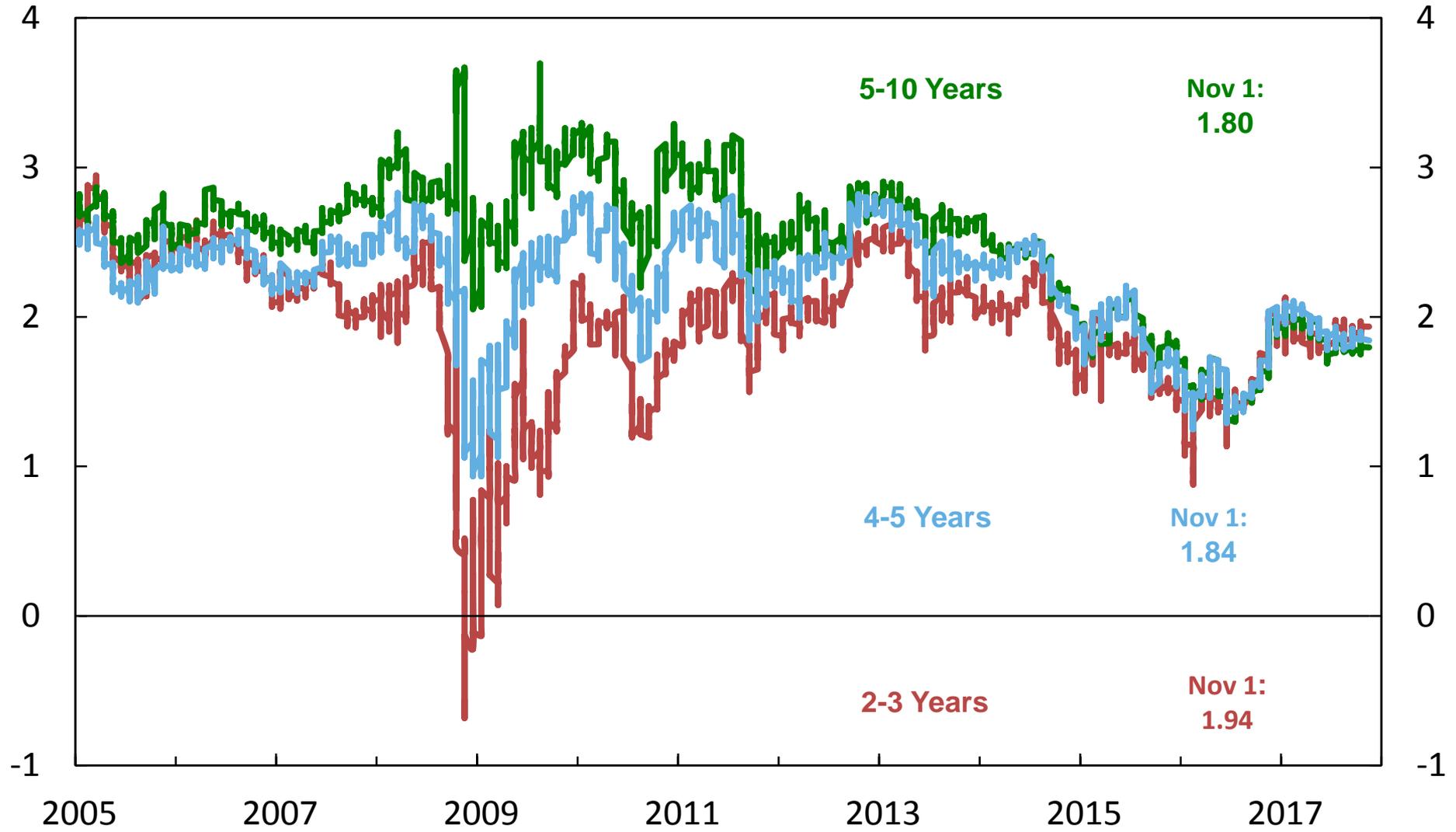
Source: University of Michigan

Note: Shading shows NBER recessions.

TIPS Based Inflation Expectations

Percent

Percent

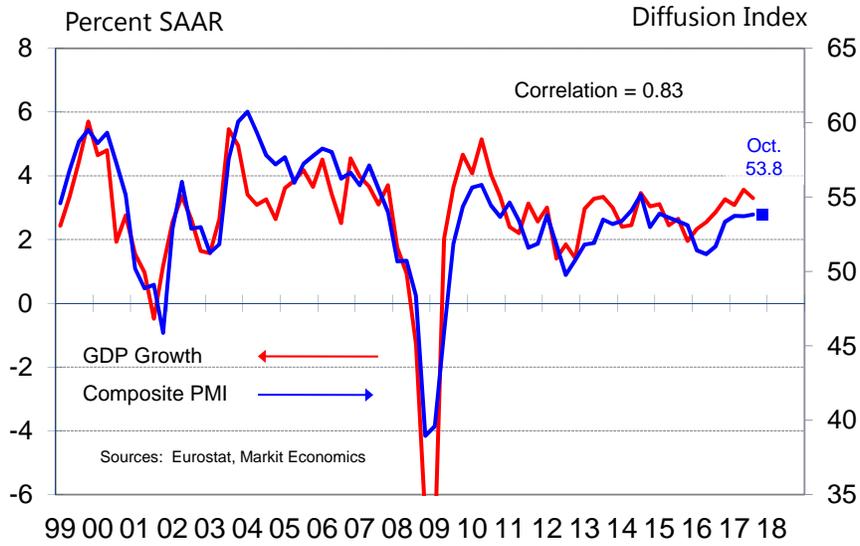




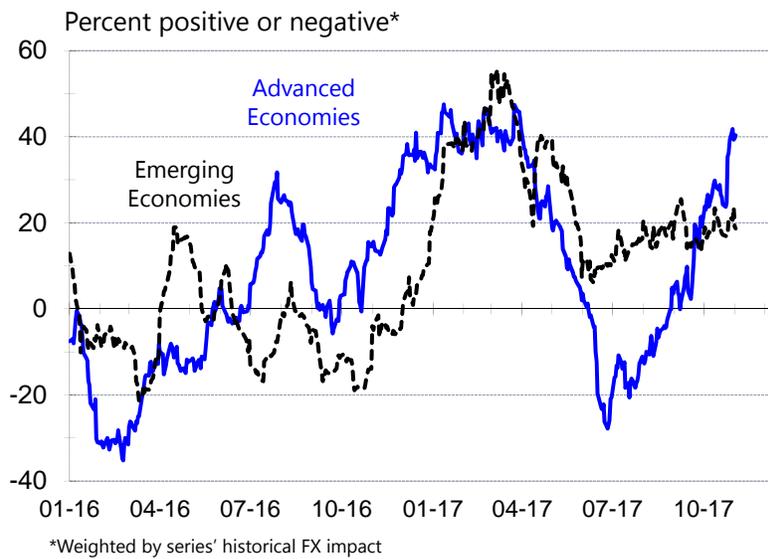
Roadmap

- Update on the global economic and industrial cycle
- Continuing “lowflation” in the advanced economies
- Tax reform and U.S. multinationals’ overseas profits
- Chinese financial sector reform update

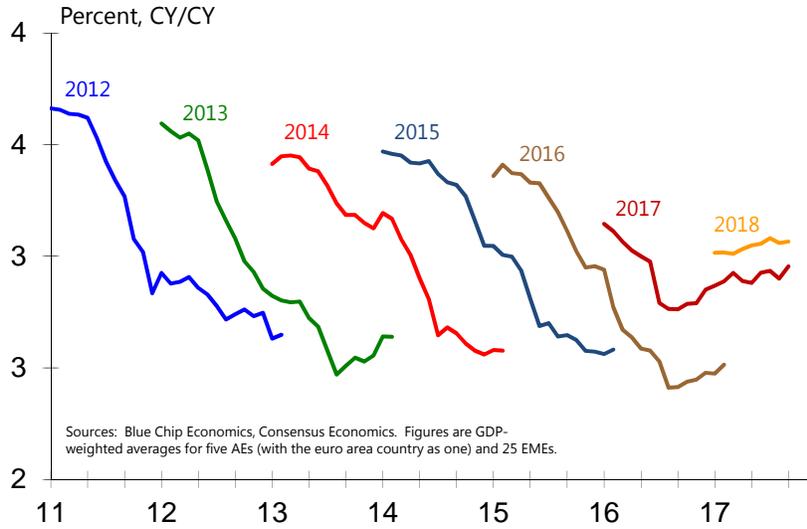
Global GDP Growth and Composite PMI



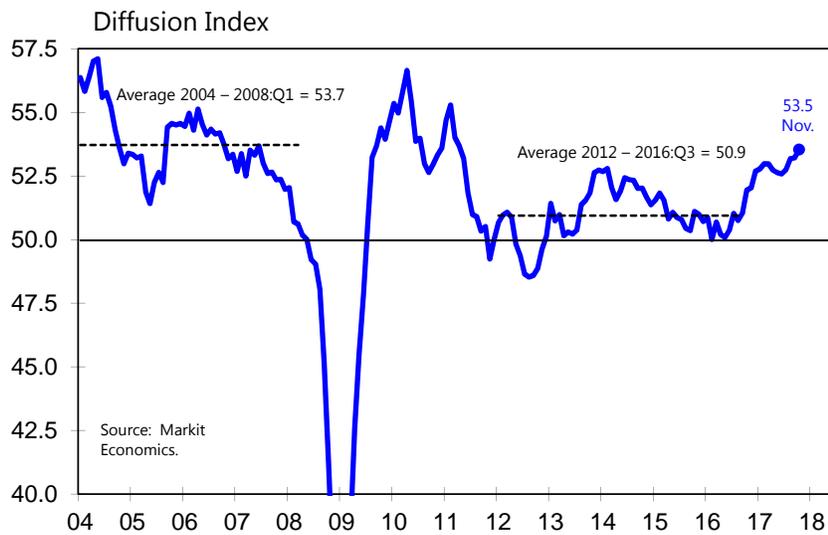
Citigroup Economic Surprise Indexes



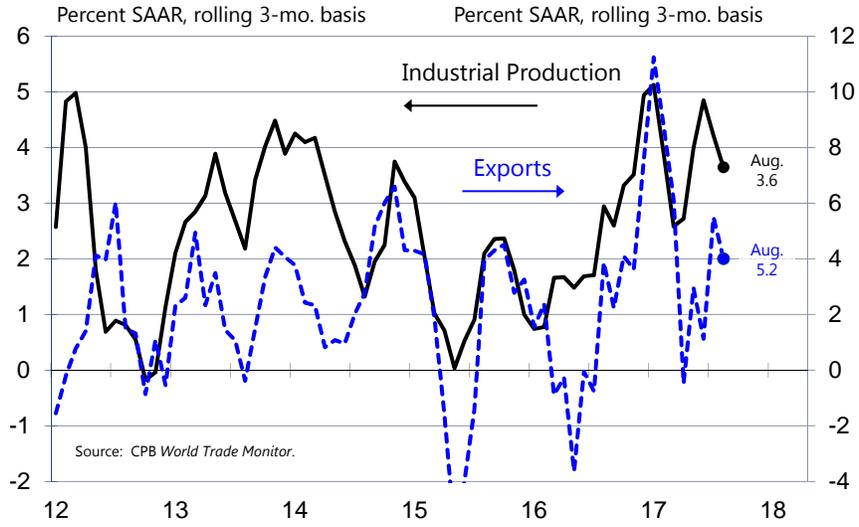
Evolution of Global Market Growth Forecasts



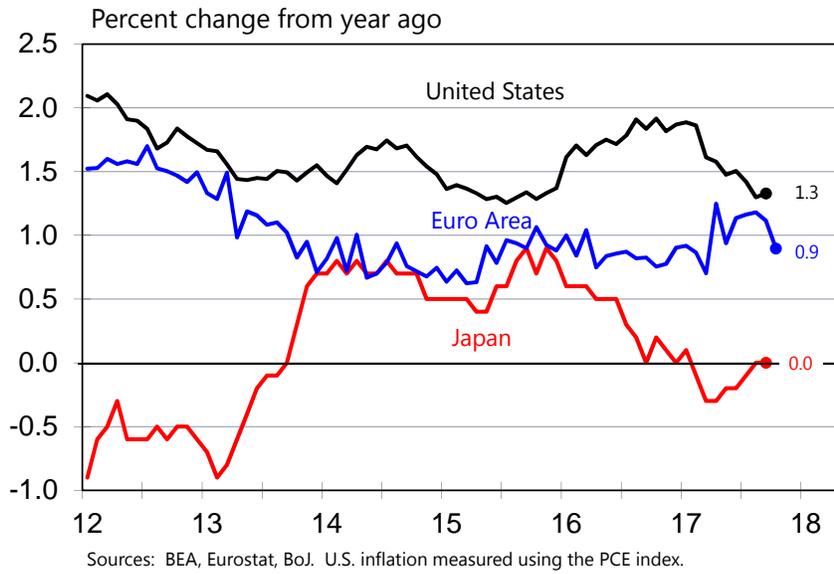
Global Manufacturing PMI



Global Industrial Production and Export Growth

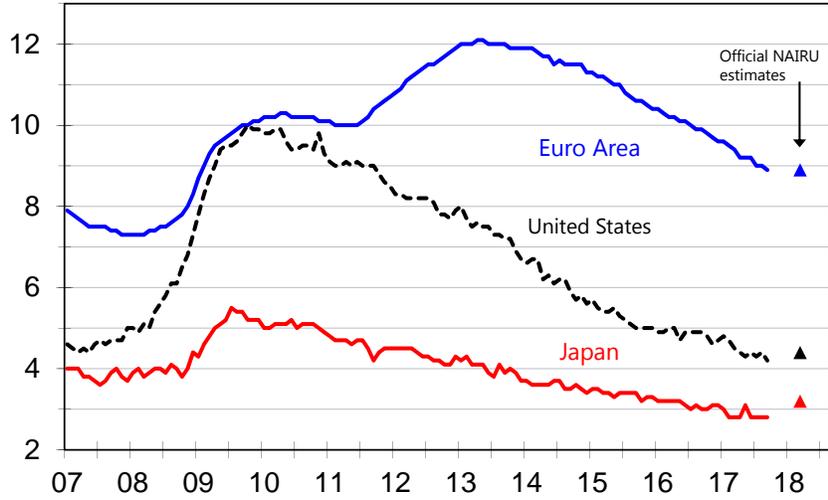


G-3: Core Consumer Price Inflation



G-3 Unemployment Rates

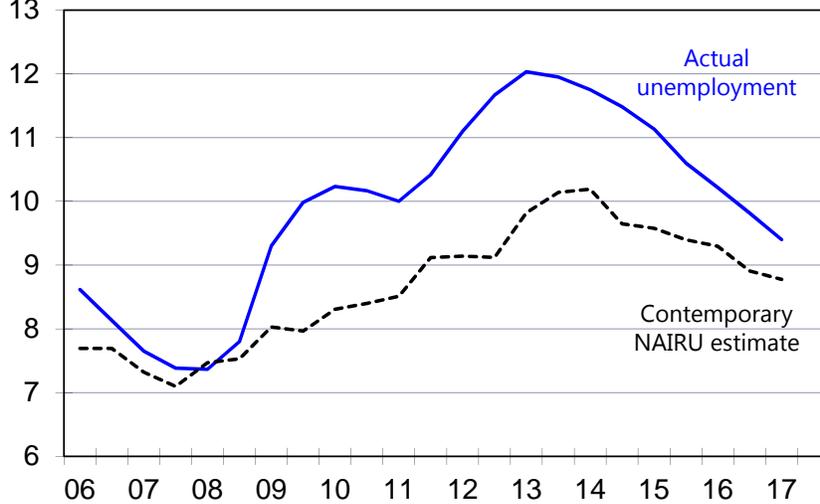
Percent change from year ago



Sources: BLS, CBO, Eurostat, BoJ.

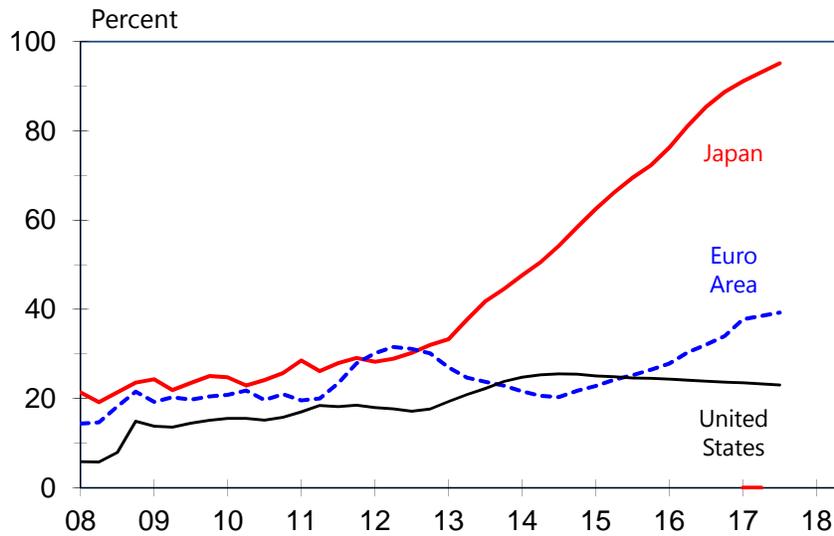
Euro Area Unemployment and NAIRU

Percent



Source: OECD *Economic Outlook* database, various editions. NAIRU estimates are for the current year, and from the fall and spring editions of the *Economic Outlook*.

Central Bank Credit as a Share of GDP



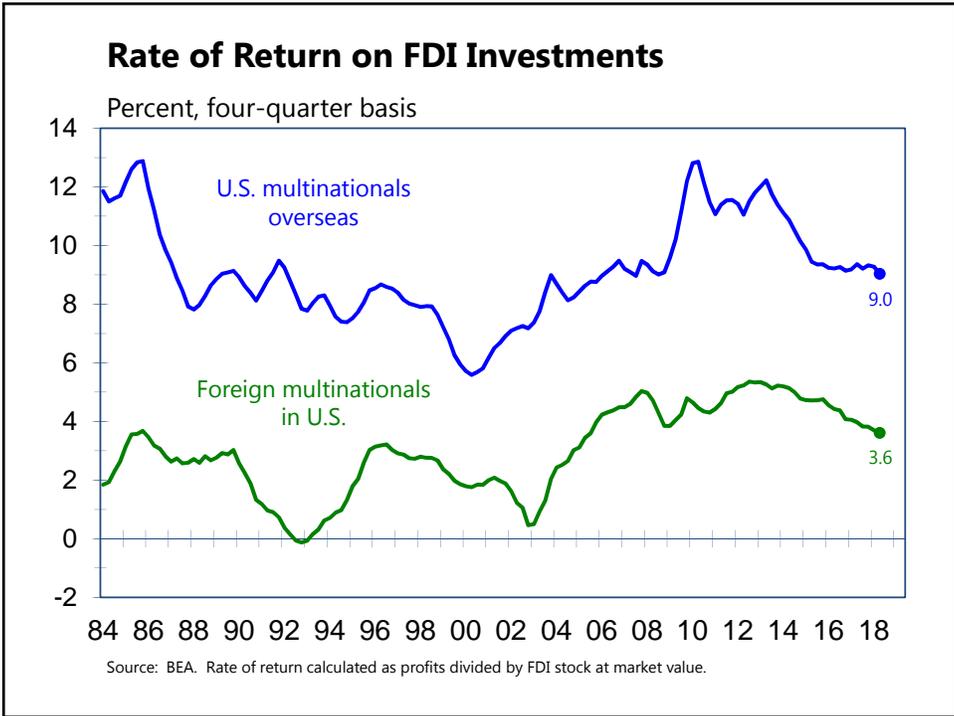
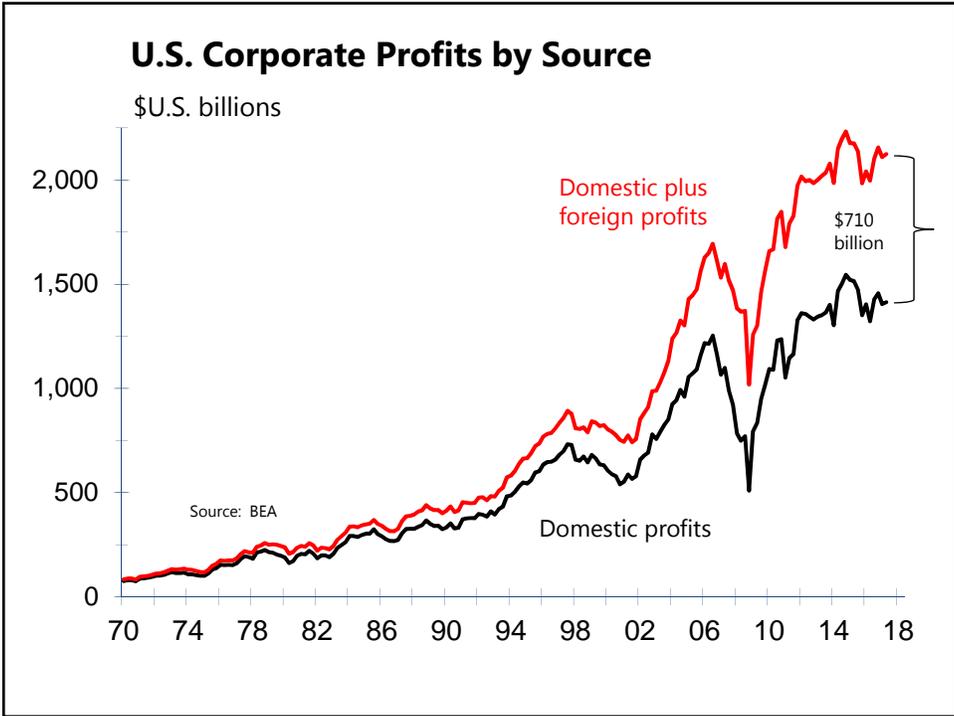
Sources: BoJ, ECB, Federal Reserve.

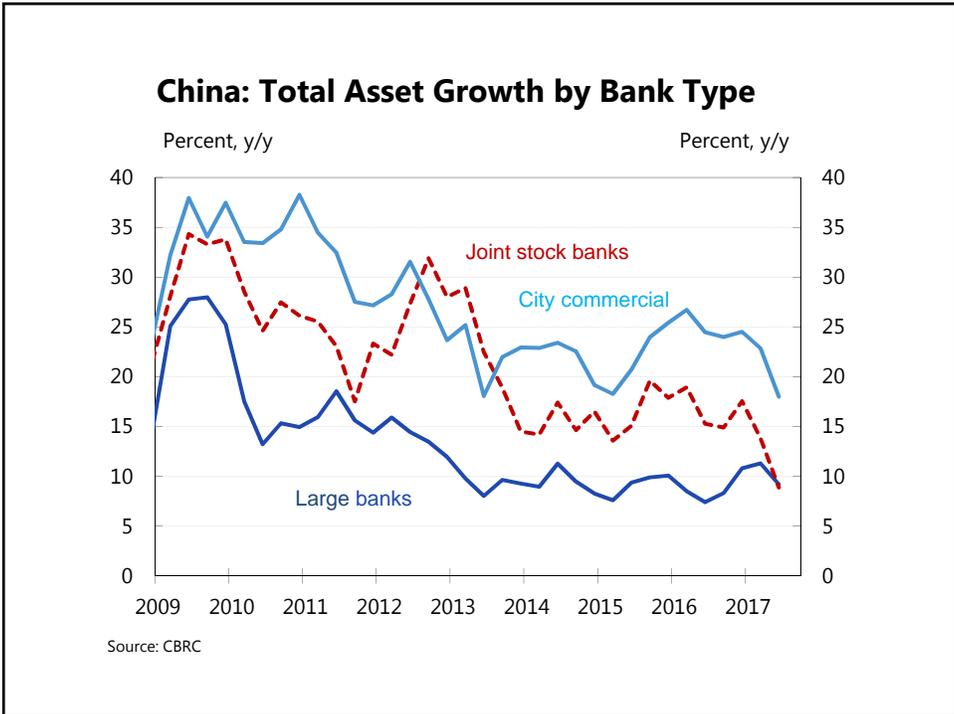
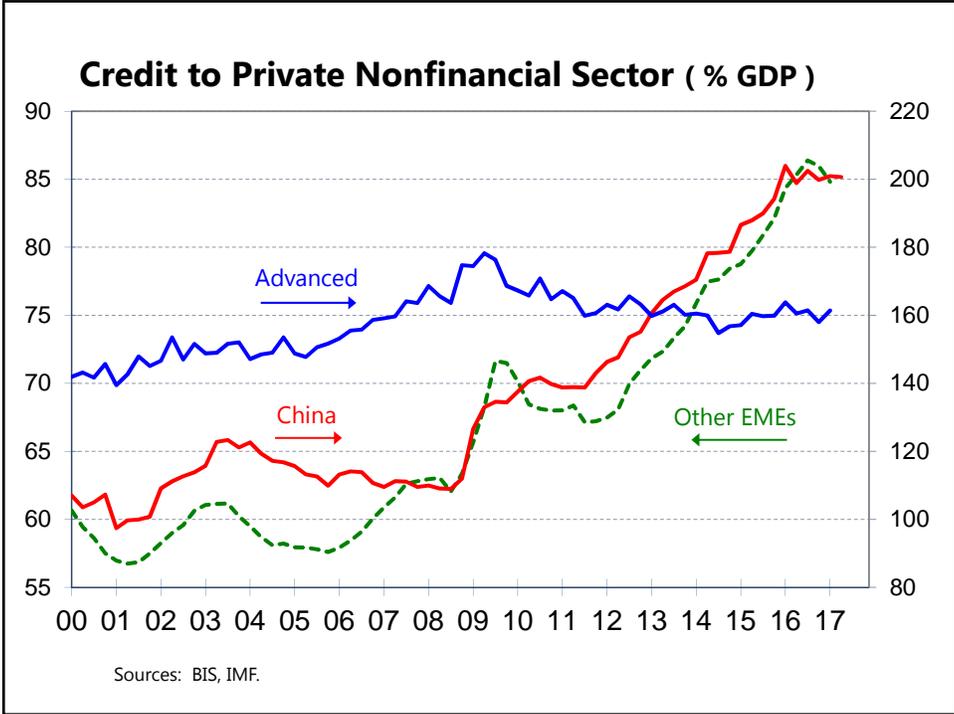
Central Bank and Consensus Inflation Forecasts

Percent

	2017	2018	2019
United States^{1/}			
Central Bank	1.5	1.9	2.0
Consensus	1.5	1.8	2.0
Euro Area^{2/}			
Central Bank	1.5	1.2	1.5
Consensus	1.5	1.4	1.6
Japan^{3/}			
Central Bank	0.8	1.4	1.8
Consensus	0.5	0.7	0.9

1/ Central bank figures reflect FOMC members' median projection for core PCE inflation on a Q4/Q4 basis, from September. Consensus forecast is from Survey of Professional Forecasters, on a similar basis from August. 2/ Central bank figures reflect mean staff forecast for calendar year CPI inflation, from September. Consensus forecast is from Survey of Professional Forecasters, on a similar basis from October. 3/ Central bank figures reflect median policy board members' projection for CPI inflation ex. fresh food, on a fiscal year basis from October. Consensus forecast is from Bloomberg, on a calendar-year basis from October.





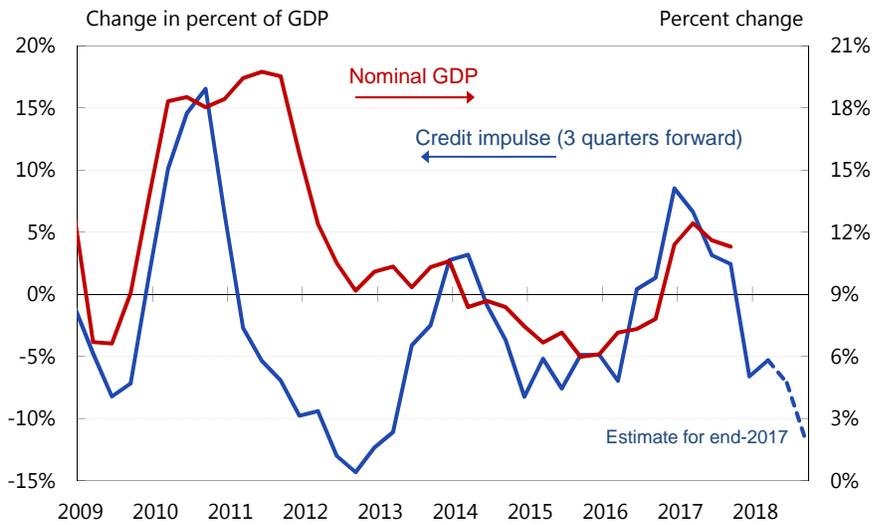
China: Net New Credit

RMB, tn



Source: CEIC

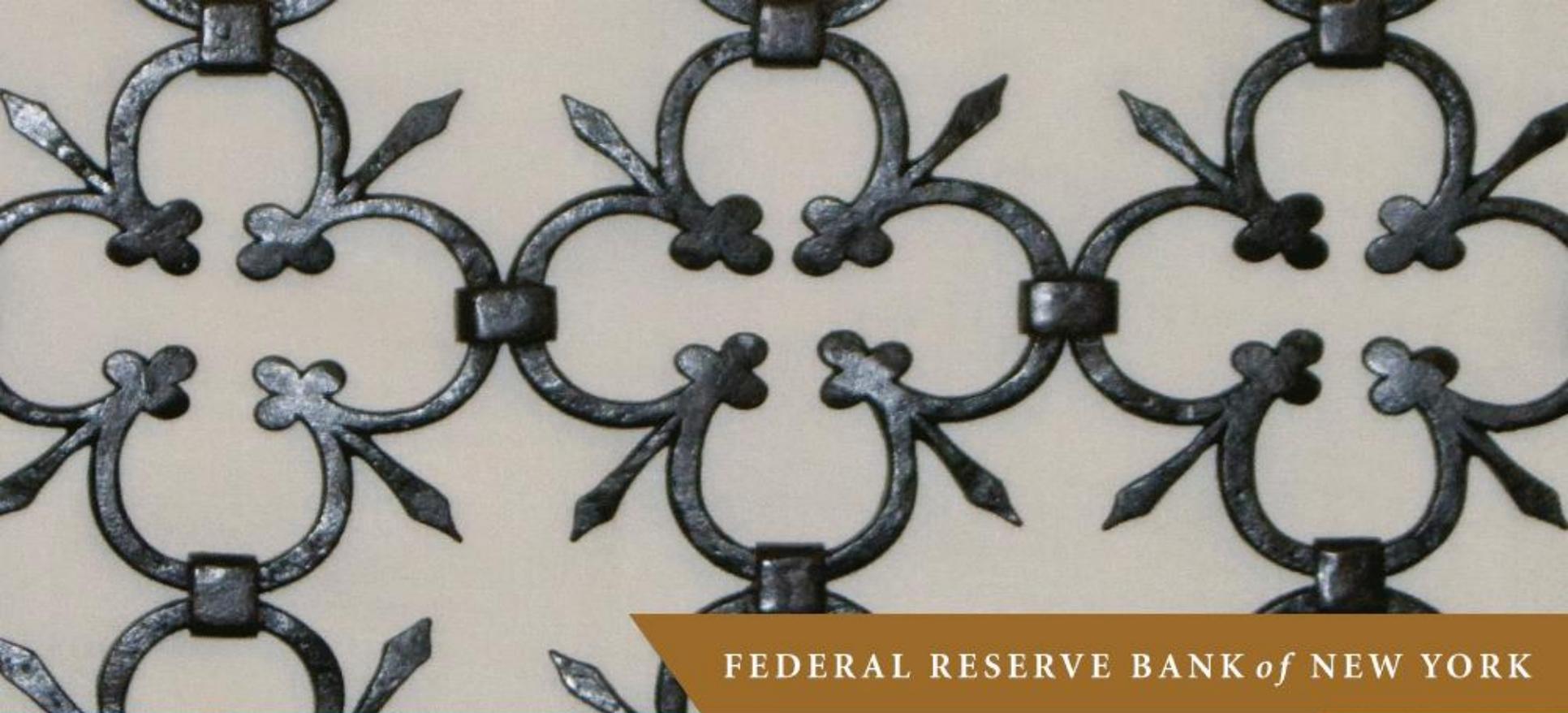
China: Credit Impulse and Nominal GDP Growth



Source: CEIC. Change in new aggregate credit is as a share of GDP

Questions

- Have you seen evidence of stronger foreign activity in your own business operations?
- Would your business be strongly affected by financial turmoil in China?



FEDERAL RESERVE BANK *of* NEW YORK

Overview of the Regional Economy

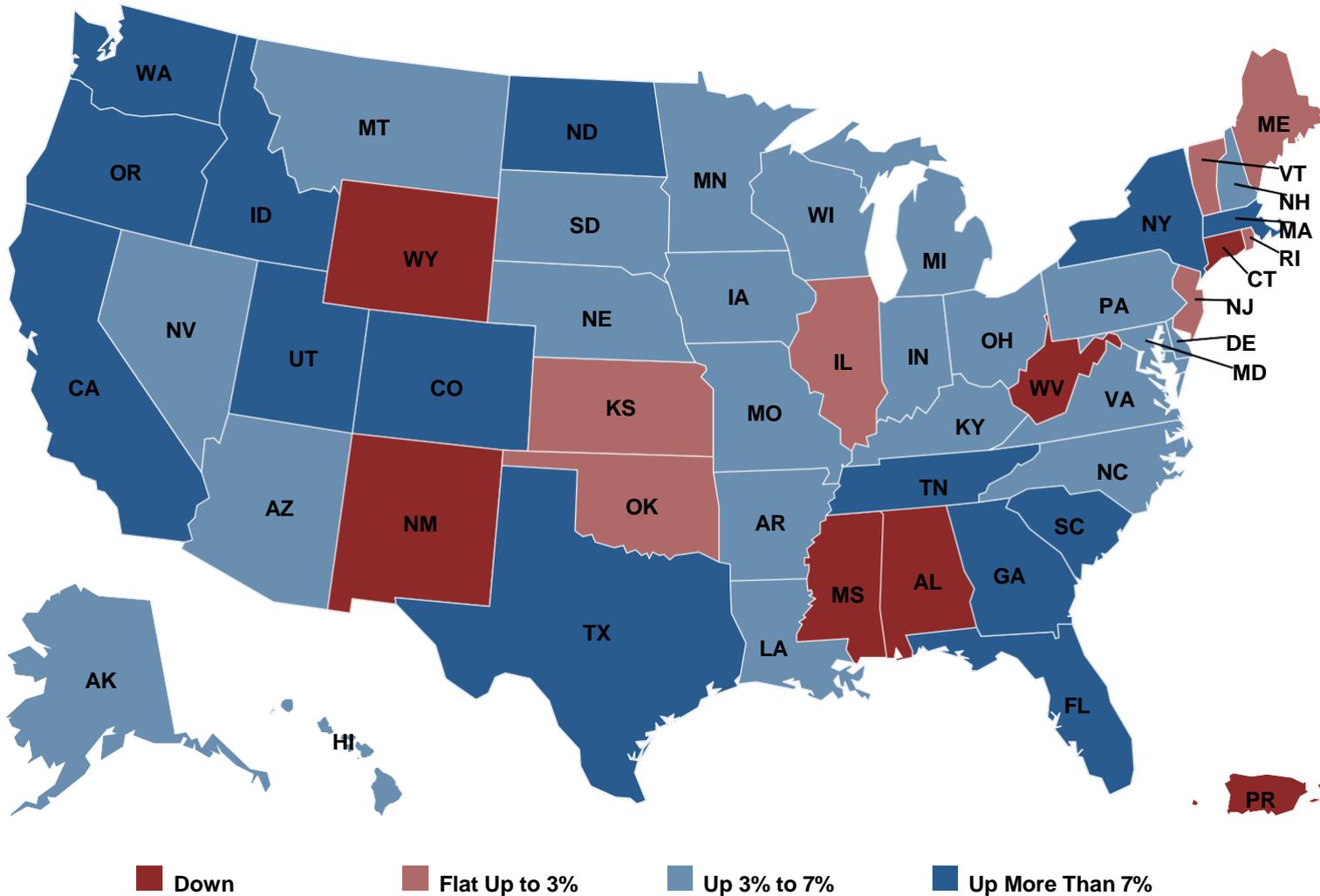
Jason Bram, Research Officer

Presented to SBAAC
November 7, 2017

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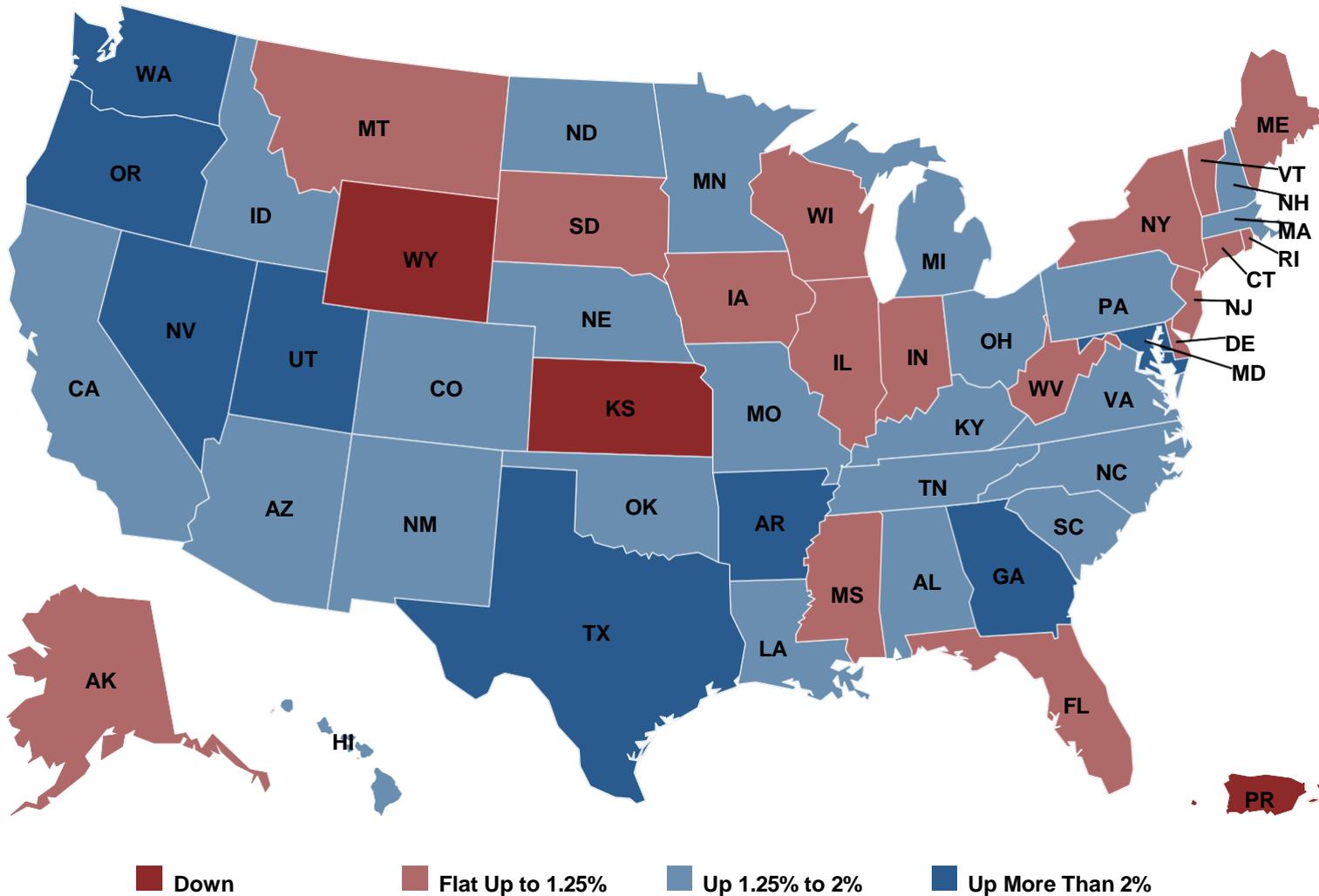
Private-Sector Job Trends

Percent Change From Previous Peak to September 2017



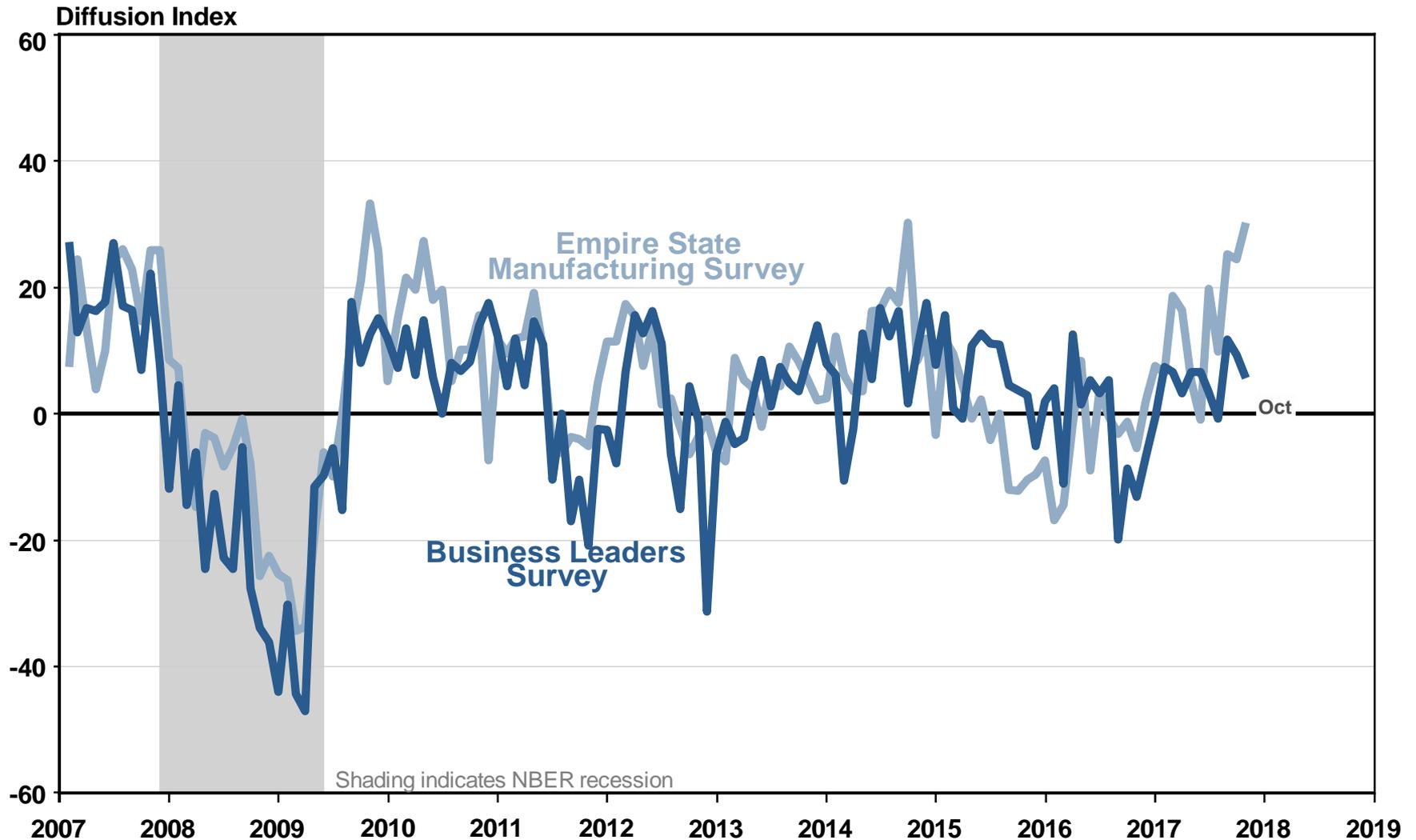
Recent Private-Sector Job Trends

Year-Over-Year Percent Change as of September 2017



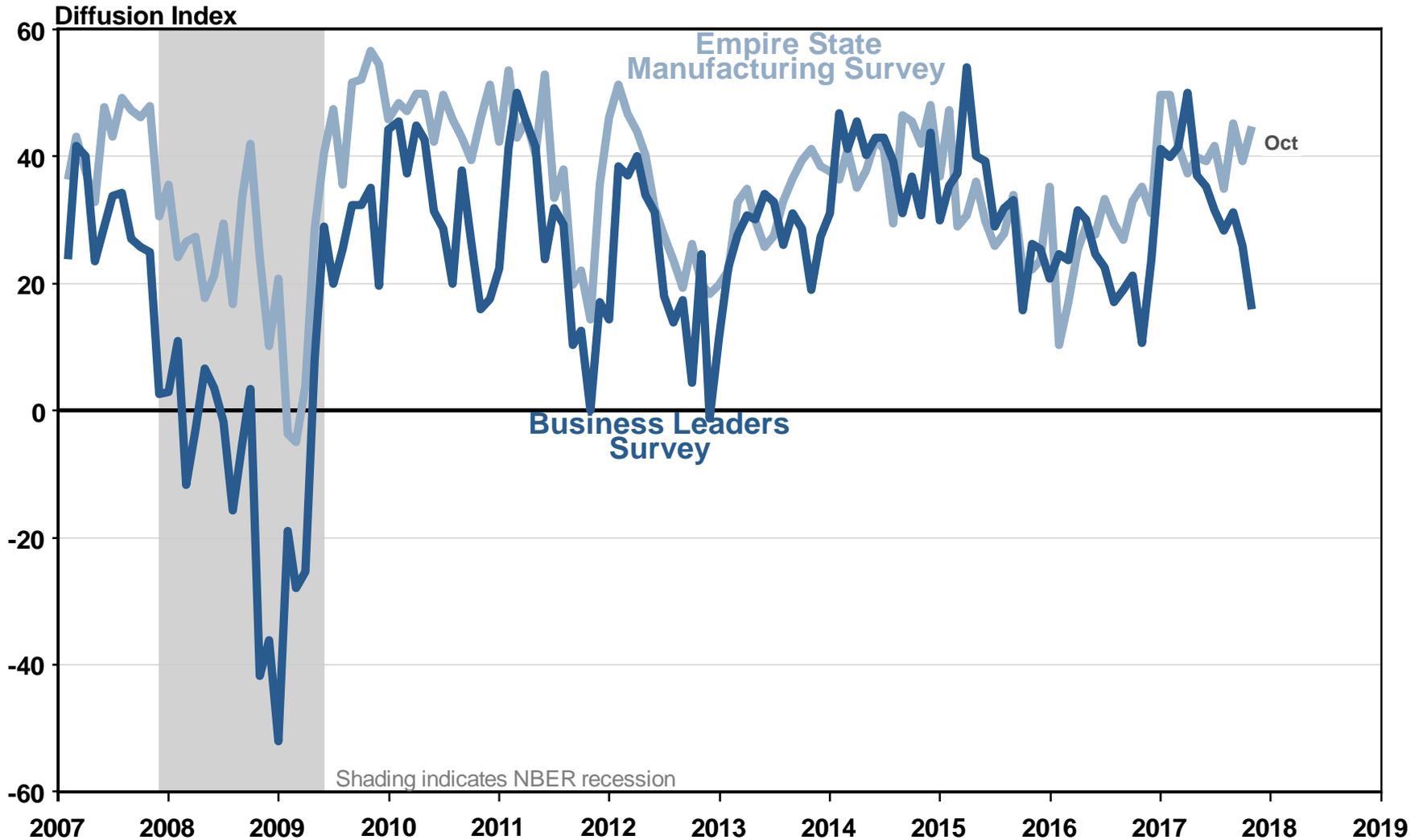
Current Economic Conditions

FRBNY Business Surveys, Current Conditions



Future Economic Conditions

FRBNY Business Surveys, Conditions Six Months Ahead

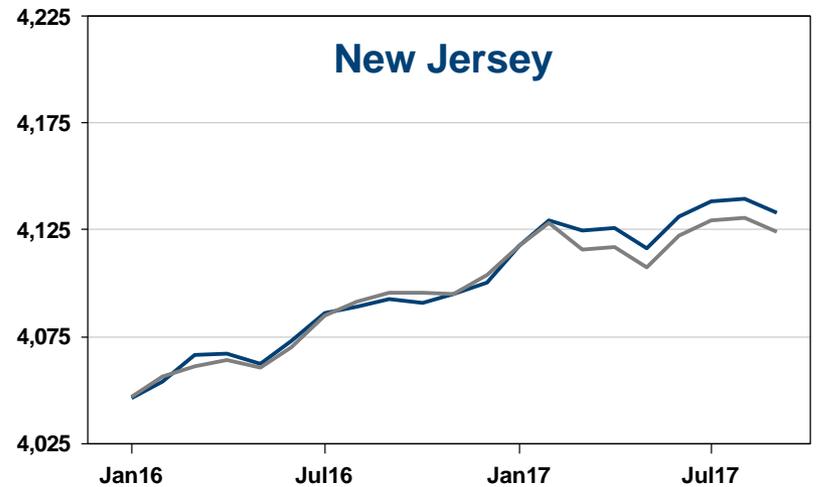
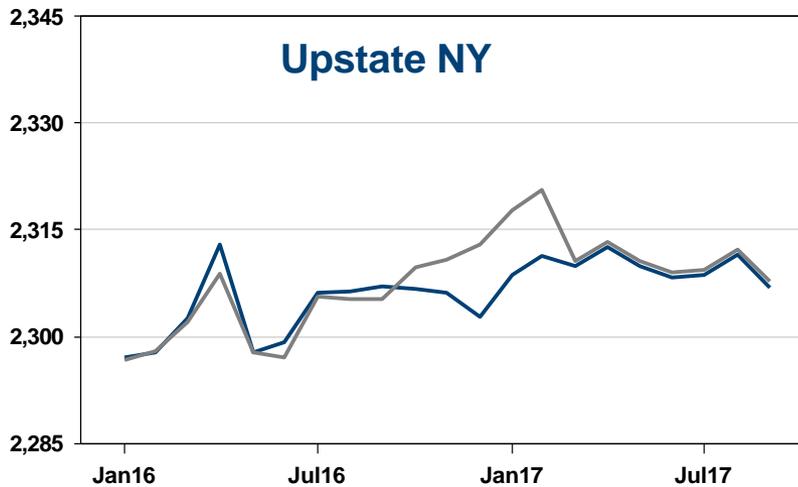
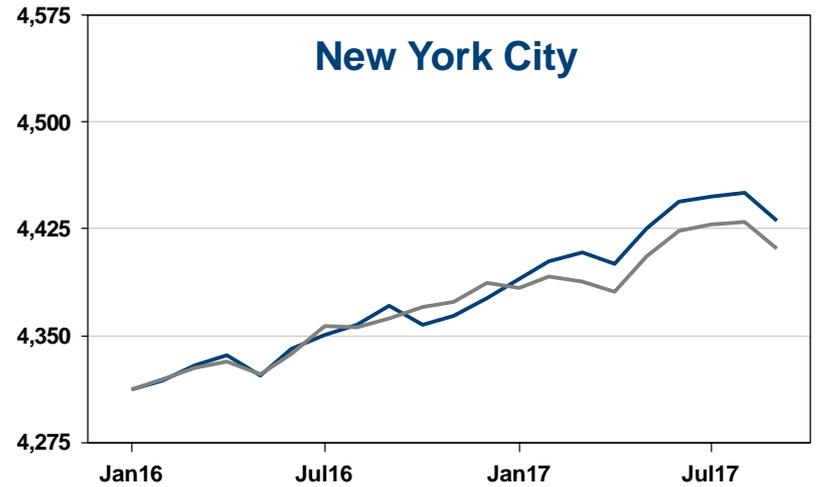
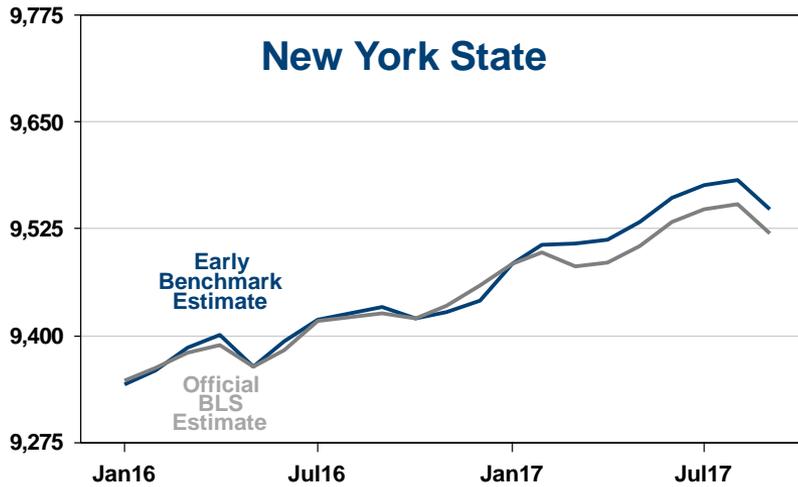


Shading indicates NBER recession

Oct

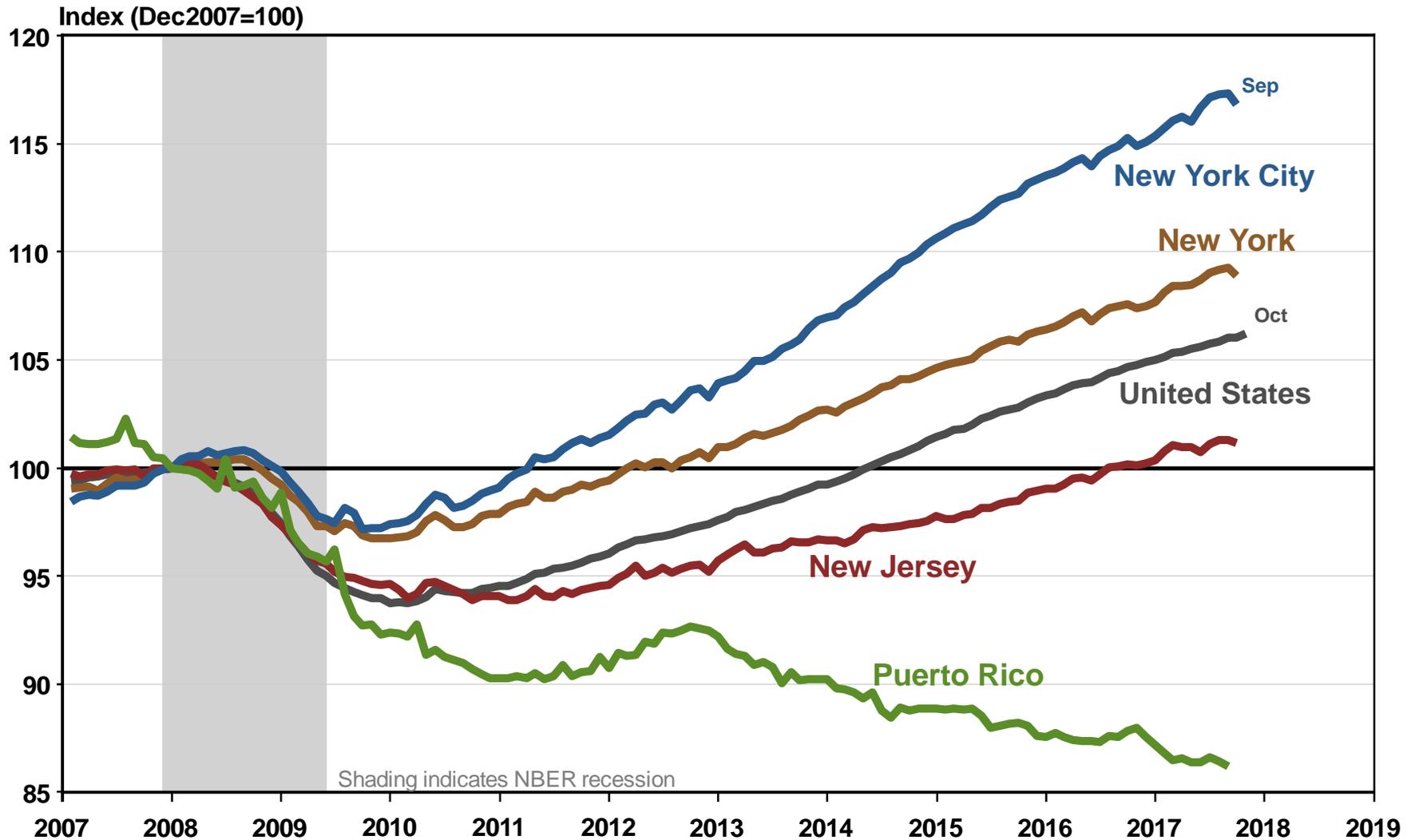
Total Employment

Official vs FRBNY Early Benchmark Estimates (Thousands)



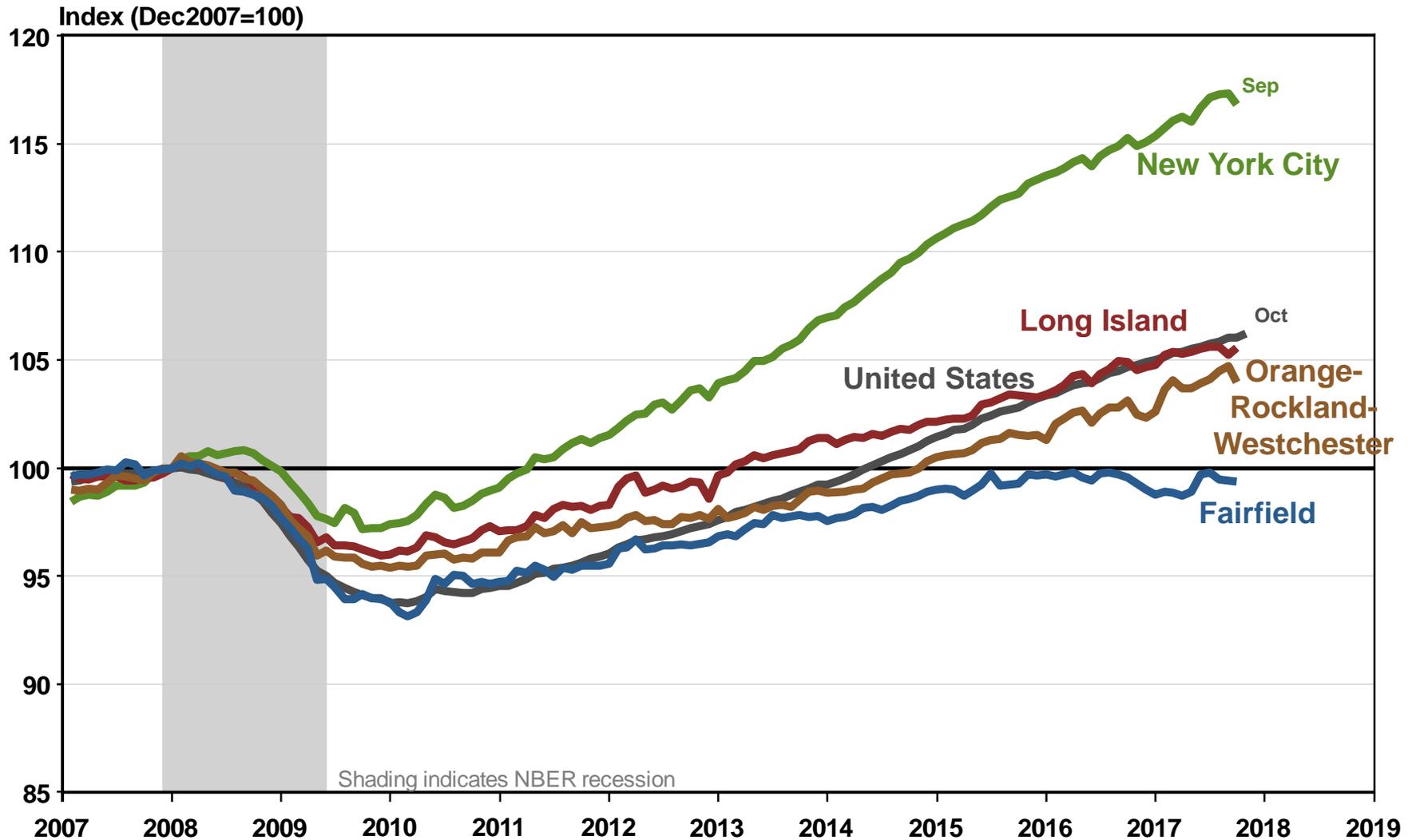
Total Employment

Seasonally Adjusted Index



Total Employment

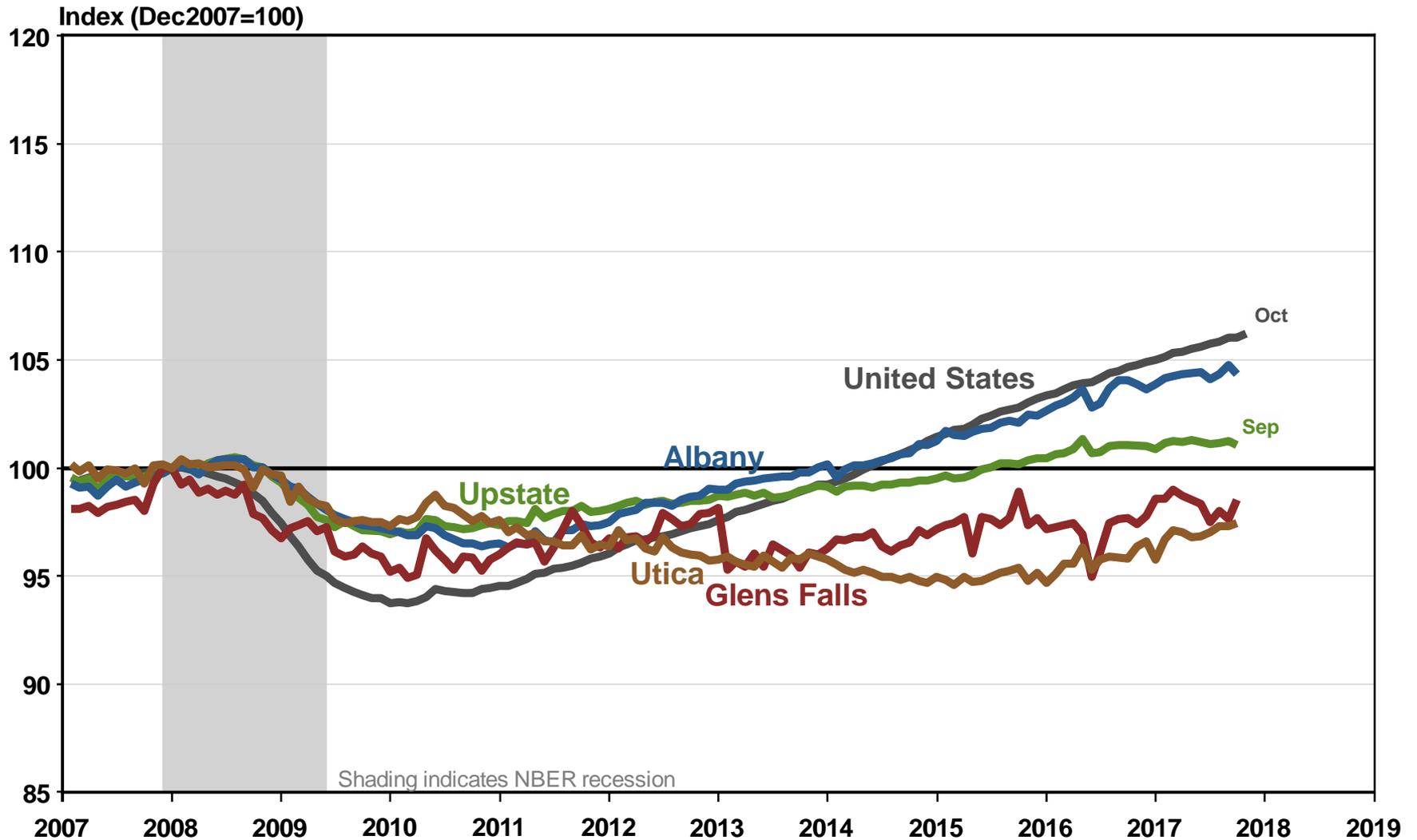
Seasonally Adjusted Index



Shading indicates NBER recession

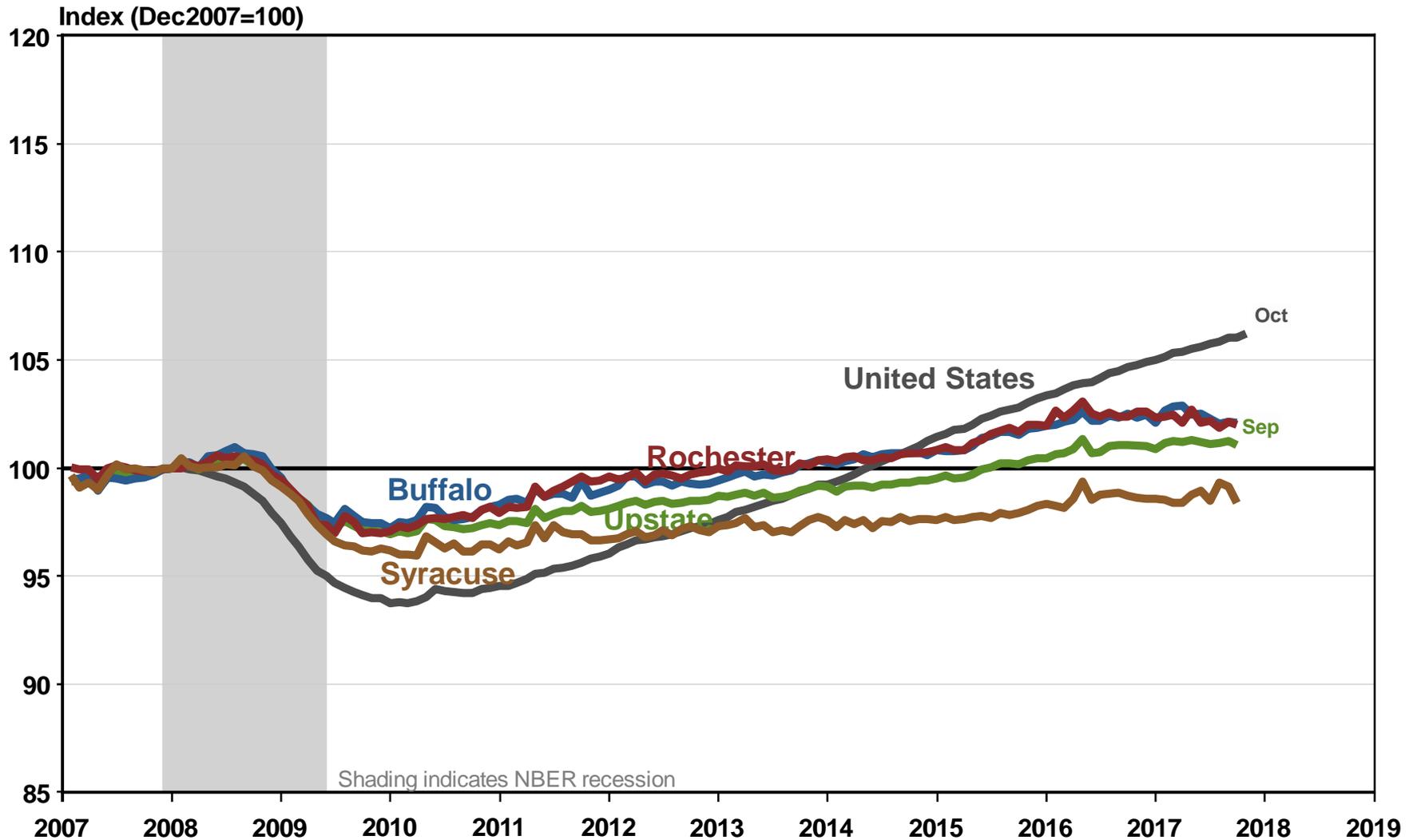
Total Employment

Seasonally Adjusted Index



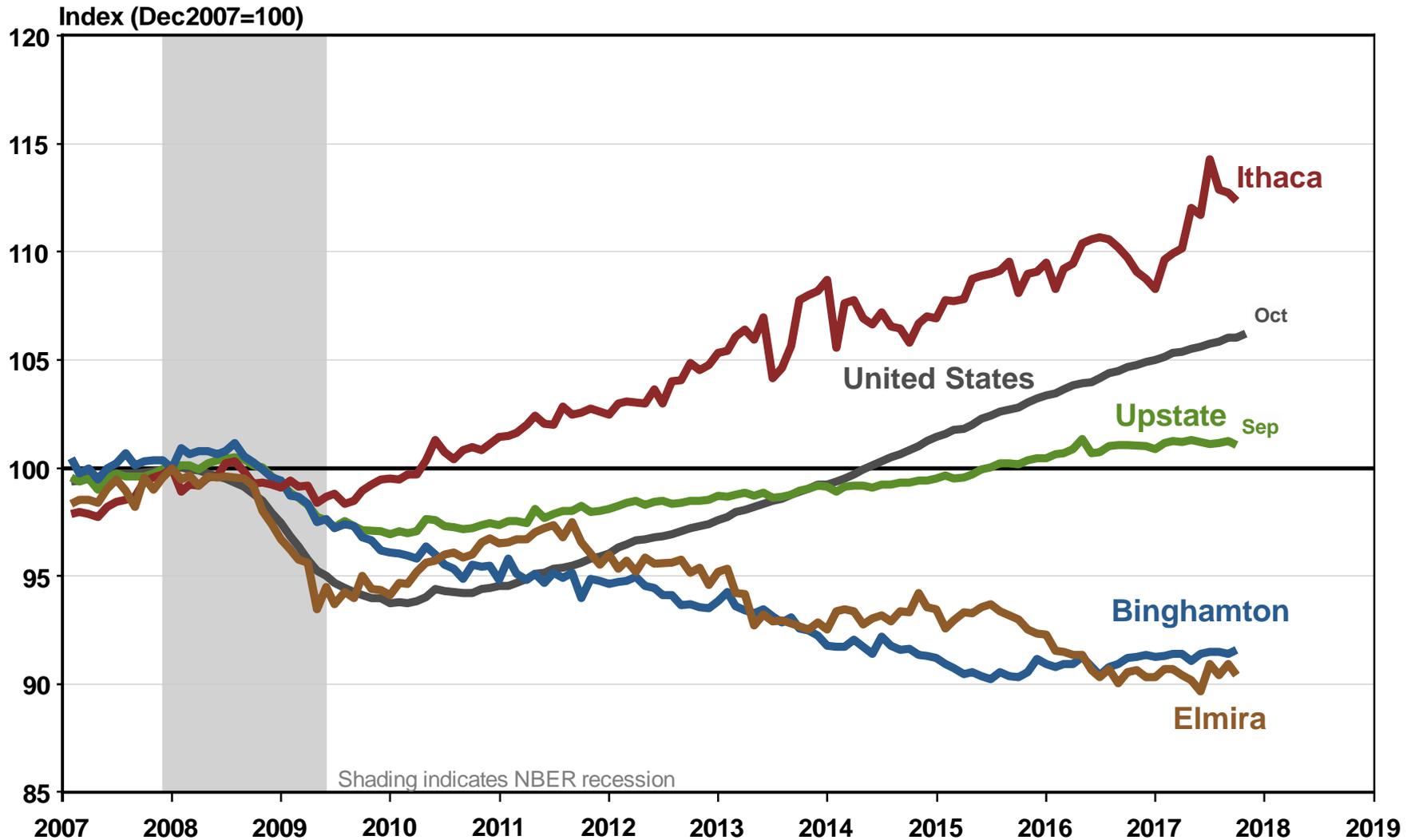
Total Employment

Seasonally Adjusted Index



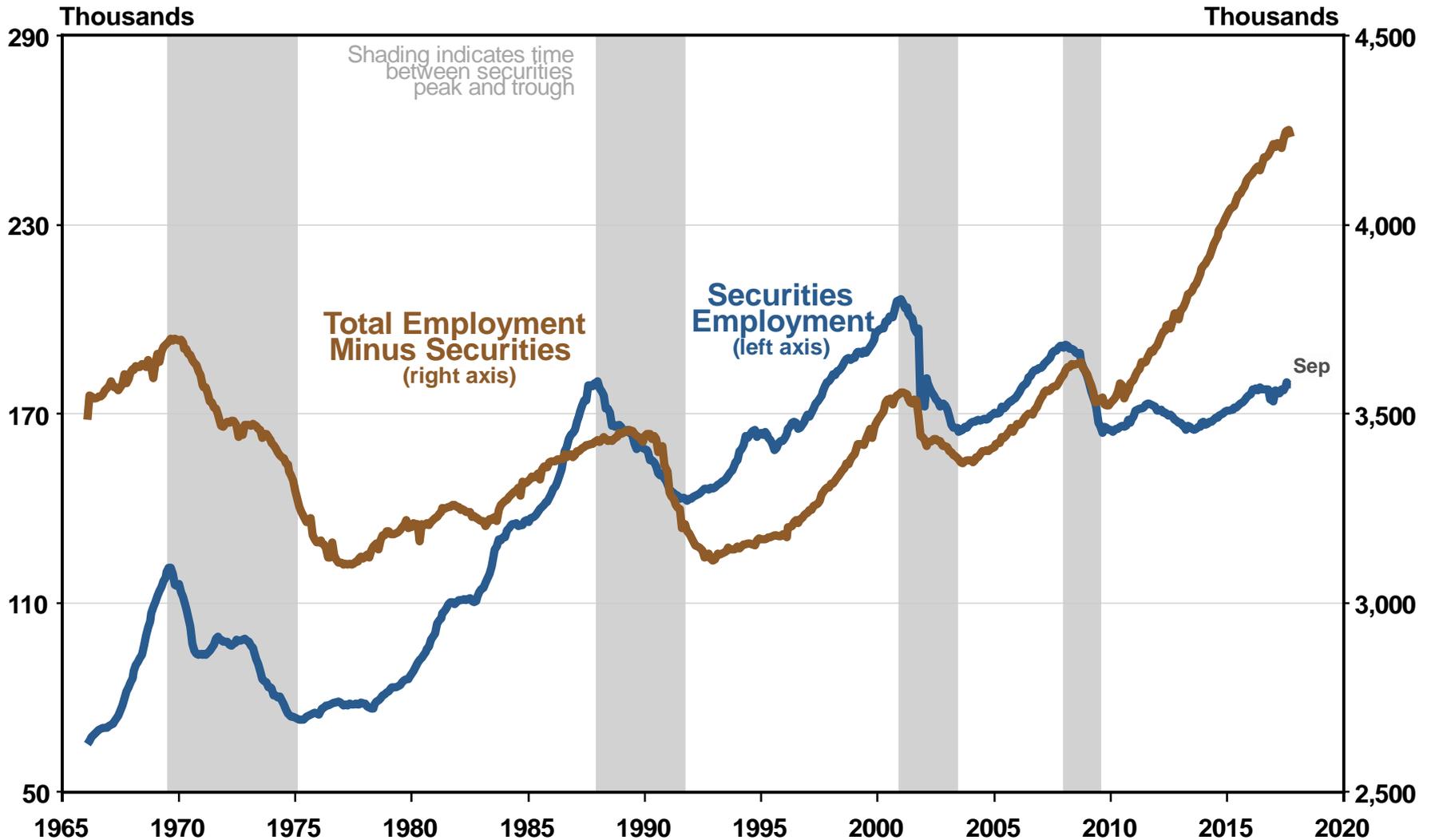
Total Employment

Seasonally Adjusted Index



NYC Securities Employment

Seasonally Adjusted Levels

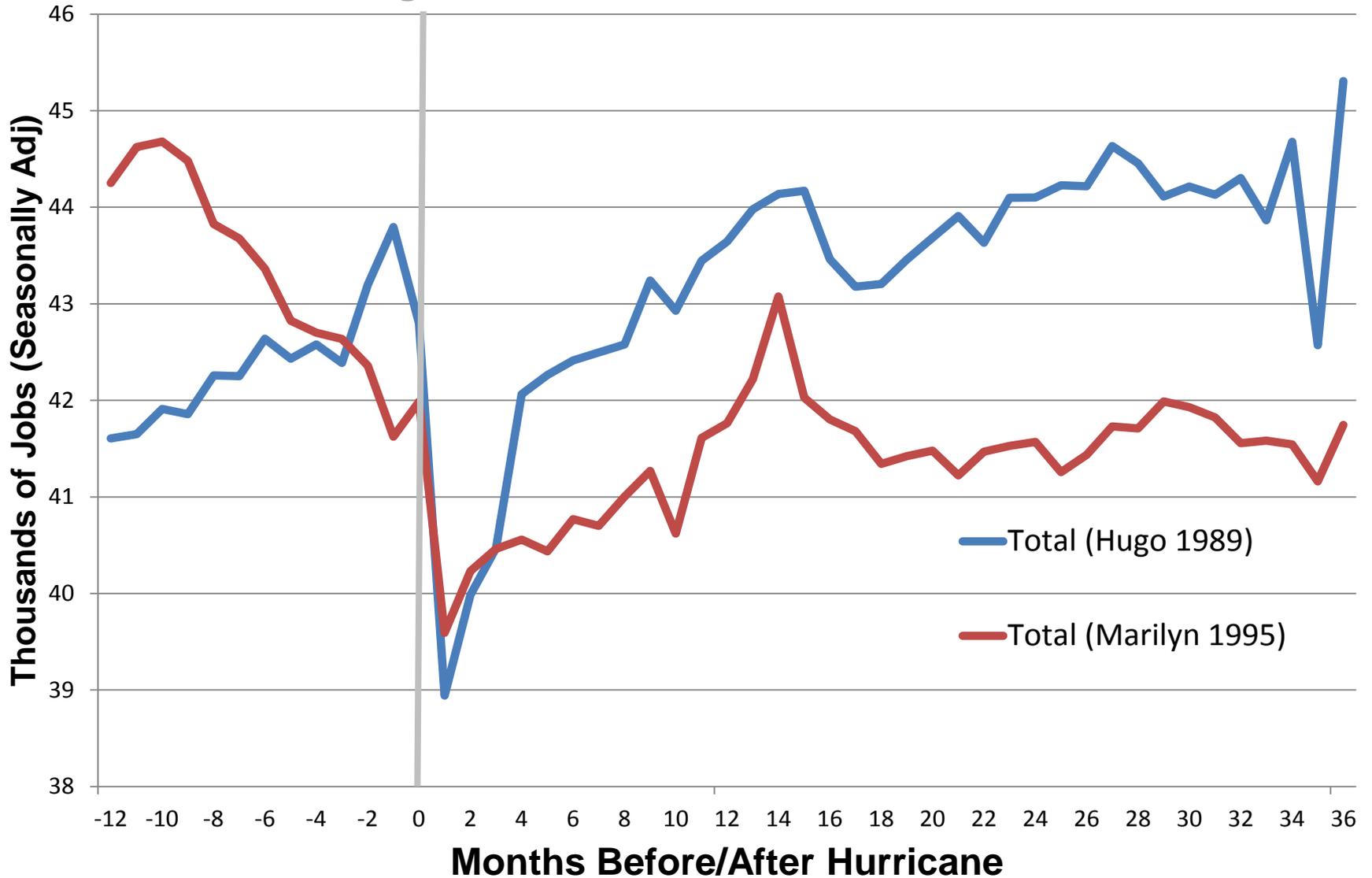


What Lies Ahead for Puerto Rico & the US Virgin Islands?

- Both Puerto Rico & US Virgin Islands were in precarious shape, economically & fiscally, prior to hurricanes Irma & Maria.
- Too early to assess costs & fallout from these hurricanes—unprecedented for PR but there are precedents elsewhere.
- USVI saw similar devastation from Hugo ('89) and Marilyn ('95).
 - Employment fell sharply but rebounded within 6-12 months; tourism industries appear to have been hit hard, while construction got a boost.
 - There do not appear to have been significant long-term effects on population or employment.
- New Orleans was devastated by Katrina (2005): population & employment are still well below pre-storm levels a decade later.

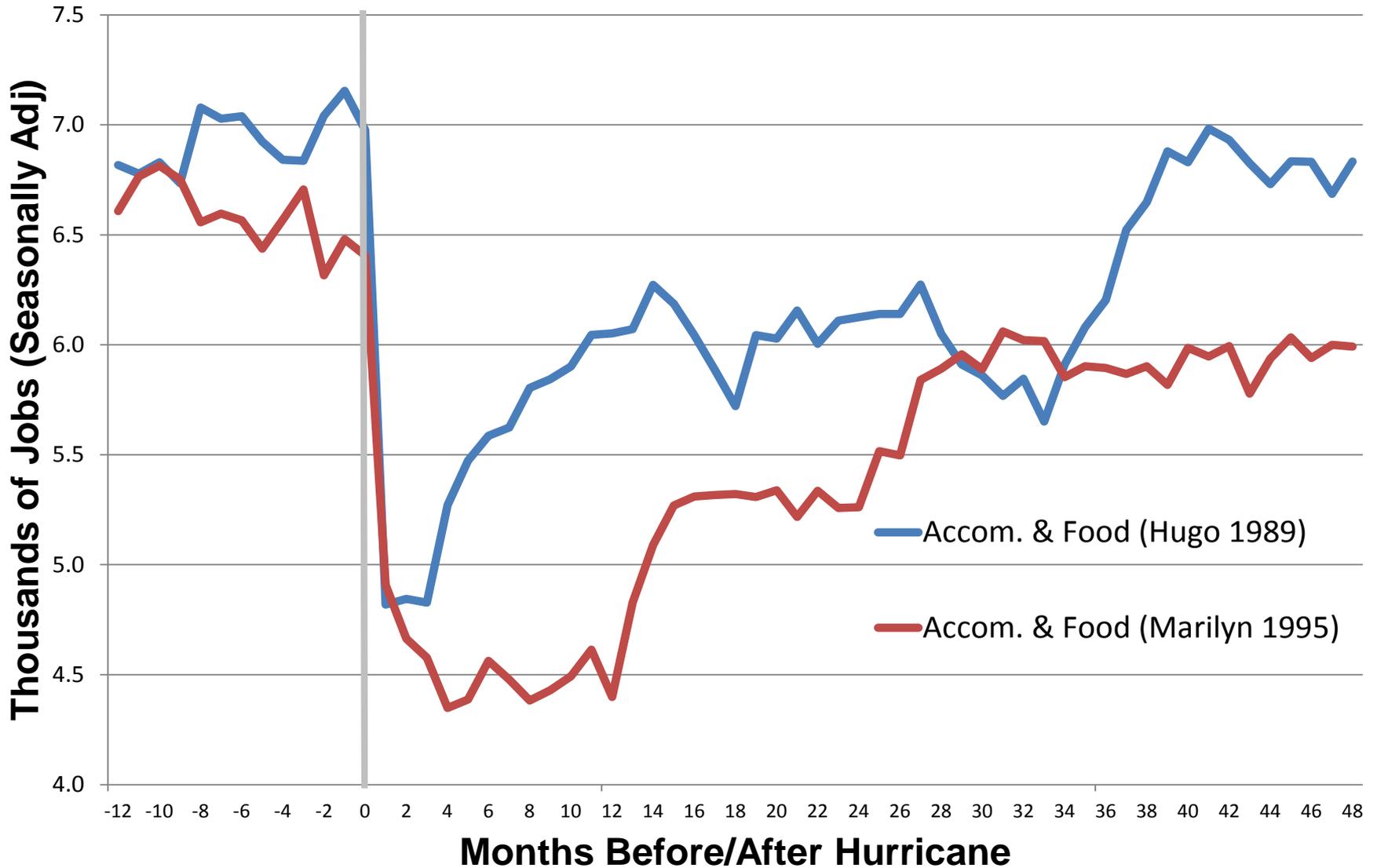
Total Employment

US Virgin Islands: Before & After Hurricanes



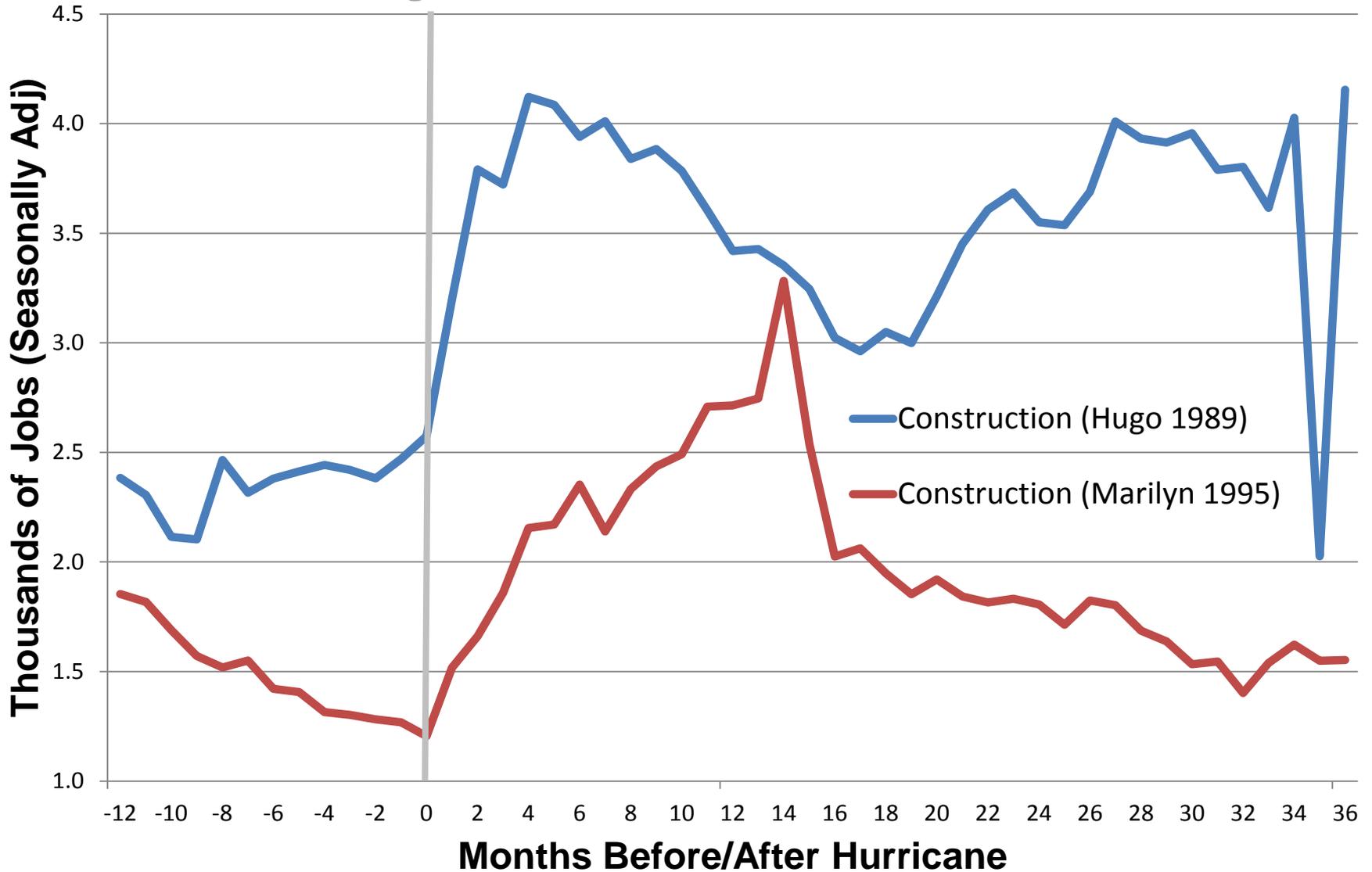
Accommodation & Food Service Employment

US Virgin Islands: Before & After Hurricanes



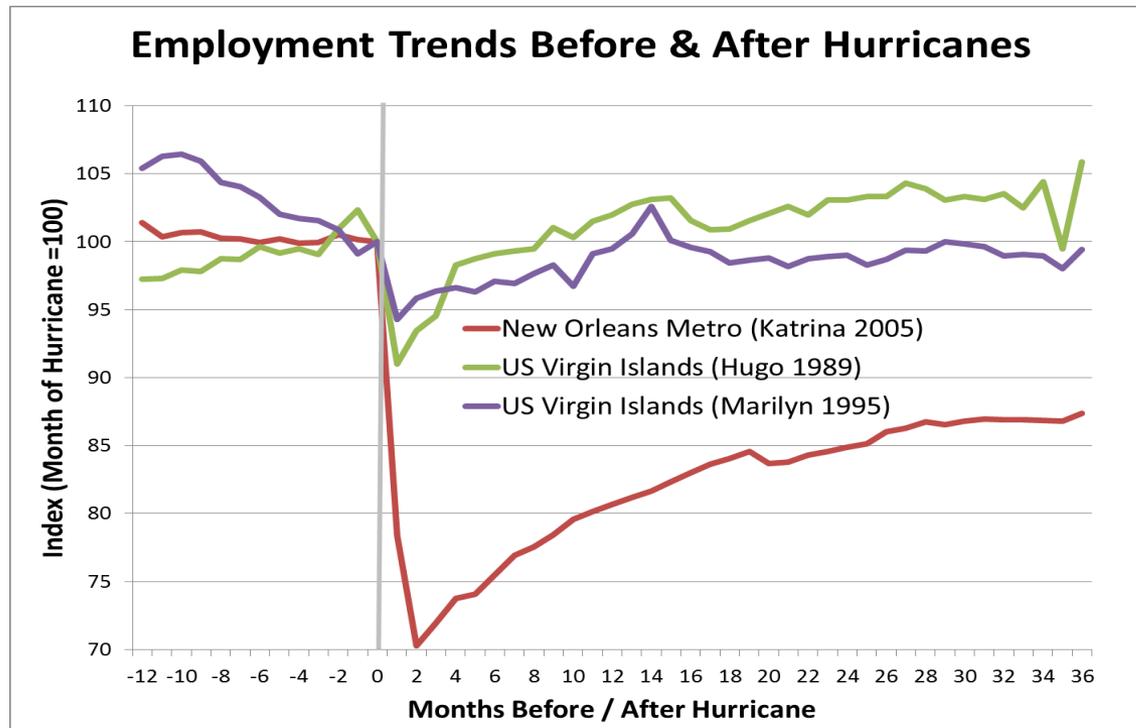
Construction Employment

US Virgin Islands: Before & After Hurricanes



Best-case or worst-case scenario?

- Too early to accurately quantify damage & economic disruption.
 - Preliminary insured loss estimate \$30-70 billion for Puerto Rico.
 - Additional costs: uninsured damage & lost economic activity, cleanup costs (net of federal aid).
- Will the economic effect look more like Katrina (2005) on New Orleans metro? Or Hugo (1989) & Marilyn (1995) on US Virgin Islands?



Sources: US Bureau of Labor Statistics, Moody's economy.com; FRBNY staff calculations.