AGENDA

10:30am  Welcome
         Claire Kramer Mills, Assistant Vice President

10:40am-11:00am  The National Economy, Richard Peach, Senior Vice President

11:00am-11:20am  Regional Update, Jason Bram, Officer

11:20am-11:40am  NYC Community Credit, Kausar Hamdani, Senior Vice President and Claire Kramer Mills, Assistant Vice President

11:40am-12:00pm  Facilitated Discussion, Claire Kramer Mills, Assistant Vice President

12:00pm  Adjourn to NWC Room-10F

12:15pm  Lunch

12:15pm-1:55pm  Round Table Discussion with John Williams, President

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 second half of 2018?
What are your expectations for 2019?

Investment
Has investment (e.g. plant, equipment, technology) increased, decreased, or stayed the same in the second half of 2018?
What are your expectations for 2019?

Employment
Has employment increased, decreased, or stayed the same in the second 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 2019?
Advisory Council on Small Business and Agriculture
Federal Reserve Bank of New York
10th Floor, Paul Volcker Boardroom
Tuesday, November 20, 2018

Prices
Have input prices increased, decreased, or stayed the same in the second half of 2018?
What are your expectations for 2019?
Have prices of products/services sold increased, decreased, or stayed the same in the second half of 2018?
Do you expect prices of products/services sold to increase in 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?

Concluding Remarks from President Williams

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

Tuesday, November 20, 2018  

ATTENDEE LIST  

Council Members  

Adenah Bayoh  
Founder  
Adenah Bayoh & Companies  

Sarah LaFleur  
Founder & CEO  
MM.LaFleur  

Jassi Chadha  
President & CEO  
Axtria, Inc.  

Ranjini Poddar  
Founder & CEO  
Artech Information Systems, LLC  

Kevin Ellis  
CEO  
Cayuga Milk Ingredients  

Federal Reserve Bank of New York  

John Williams  
President  

Jack Gutt  
EVP, Communications & Outreach  

Kausar Hamdani  
SVP, Communications & Outreach  

Richard Peach  
SVP, Research & Statistics  

Matthew Higgins  
VP, Research & Statistics  

Anand Marri  
VP, Outreach & Education  

Claire Kramer Mills  
AVP, Outreach & Education  

Rosanne Notaro  
AVP, Legal  

Jason Bram  
Officer, Research & Statistics  

Jessica Battisto  
Sr. Analyst, Outreach & Education
Overview

• Growth in the US has firmed since 2016 with real GDP up 3% over the four-quarters ending in 2018Q3.
  • Fiscal stimulus is contributing to this pick up in growth.
• 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.
• Underlying inflation has moved up to the FOMC’s objective of 2%. But at this time we do not see evidence of building inflation pressures.
Growth of Real GDP

Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.
Industrial Production: Total and Manufacturing

% Change, Year to Year

Source: Federal Reserve Board

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.
Personal Saving Rate and Household Net Worth

Source: Bureau of Economic Analysis and Federal Reserve Board

Note: Fitted line is from 1983Q1 to 2005Q4.
Household Liabilities over Disposable Income

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

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

Thousands, 3 MMA

Source: Census Bureau via Haver Analytics

Note: Shading shows NBER recessions.
Business Fixed Investment Firming

Four Quarter Percent Change

Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.
Real Government Consumption and Gross Investment

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
Federal Deficit

% of GDP

Source: Congressional Budget Office, FRBNY staff calculations
Gross Federal Debt as a Percentage of GDP

Gross Federal Debt (Left Axis)

Gross Federal Debt Held by the Public (Right Axis)

Aug 2018

June 2017

Source: CBO; Haver.

Note: Shading shows NBER recessions.
Real Net Exports as a % of GDP

Source: BEA; 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.
Growth of Average Hourly Earnings and ECI

Annual % change

Employment Cost Index: Private Sector Wages & Salaries

Average Hourly Earnings

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Employment Cost Index and the Unemployment Rate

% Change, Year to Year

Source: Bureau of Labor Statistics

Note: Data reported quarterly from Q1-2009 to Q3-2018
Unemployment Rate and Labor Share of National Income

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Measure of Underlying PCE Price Inflation

12 Month % Change

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
Core PCE

6-Mo % Change, Annualized

Source: BEA; Haver Analytics.

Note: Shading shows NBER recessions.
Global Economic Outlook

Small Business and Agricultural Advisory Council
Matthew Higgins, 20 November 2018

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
- China’s economic slowdown
- Italy’s fiscal and economic struggles
Global GDP Growth

Percent SAAR

Sources: national sources, staff calculations. Q3 growth rates for some foreign economies reflect staff estimates.

Global GDP Growth and Composite PMI

Correlation = 0.83

Sources: national sources, Markit Economics
Citigroup Economic Surprise Indexes

Percent positive or negative*

Advanced Economies
Emerging 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 24 EMEs. The latest vintage surveys are from early to mid October.
U.S. and EME equity performance

Indexes, January 2016 = 100

Note: Index values are in dollar terms

Manufacturing New Orders

Diffusion Index

Source: Markit Economics, JPMorgan.
**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

Sources: BLS, CBO, Eurostat, BoJ.
Credit to the private non-financial sector

Percent of GDP, end of period

<table>
<thead>
<tr>
<th></th>
<th>2018:Q1</th>
<th>2017:Q4</th>
<th>Change</th>
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<tbody>
<tr>
<td>China</td>
<td>208</td>
<td>110</td>
<td>99</td>
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<tr>
<td>Other EMEs</td>
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<td>63</td>
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<tr>
<td>Japan</td>
<td>156</td>
<td>161</td>
<td>-5</td>
</tr>
</tbody>
</table>

Sources: Bank for International Settlements, IMF.

China: Credit growth

Percent change from a year earlier

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.

China: Merchandise Trade Growth

Percent change from a year earlier, 3-mo. basis

Italy and Spain: sovereign spread vs. bunds

Basis points, 5-year maturities

Sources: Reuters.

Euro area: major economy real GDP

Indexes, 2008:Q1 = 100

Source: Eurostat
Italy: Fiscal performance

Source: IMF World Economic Outlook, October 2018 edition. Figures refer to general government. Figures for end-2018 are projections.

Italy: Government gross debt projections

Source: OECD, Economic Survey 2017. Baseline scenario assumes 1% real GDP growth, 1.5% of GDP primary surplus, effective interest rate of 3.2%, and inflation in GDP deflator of 1.5%.
Regional Economic Conditions

Jason Bram, Research Officer

Small Business & Agriculture Advisory Group Meeting – November 20, 2018

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

• A quick look at state economies across the U.S.
• An overview of the 2nd District’s economy
• Trends in the finance & tech sectors
• Housing markets
• Update on Puerto Rico’s recovery
Private-Sector Job Trends

Percent Change From Previous Peak to October 2018

Recent Private-Sector Job Trends

Year-Over-Year Percent Change as of October 2018

Total Employment
Seasonally Adjusted Index

Shading indicates NBER recession

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

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

NYC Securities Employment
Seasonally Adjusted Levels

New York City’s New Growth Sector

Number of Jobs in Thousands

Securities Employment

Technology Employment

+71,000
Jan10 to Mar18
+17,000

Technology Employment

- Computer manufacturing
- Electronic shopping
- Software publishing
- Data processing, hosting
- Internet/web search portals
- Internet publishing
- Computer systems design
- Scientific R&D services

NYC Tech Employment in Select Industries

Number of Payroll Jobs, 2007 and 2017

- Internet Publishing: 2017: 30,189, 2007: 4,468
- ISPs; Search Portals; Data Processing: 2017: 8,920, 2007: 5,394
- Electronic Shopping: 2017: 12,731, 2007: 6,189
- Computer Mfg: 2017: 3,889, 2007: 3,368

Source: U.S. Bureau of Labor Statistics (QCEW) and FRBNY Staff Calculations.
Current Economic Conditions
FRBNY Business Surveys, Current Conditions

Diffusion Index

Shading indicates NBER recession

Source: Federal Reserve Bank of New York.
Future Economic Conditions
FRBNY Business Surveys, Conditions Six Months Ahead

Source: Federal Reserve Bank of New York.
Wage Growth Picking Up in the Region
FRBNY Supplemental Survey

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

Source: Federal Reserve Bank of New York.
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

Source: CoreLogic Home Price Index (including distressed sales).
The economy had already been in decline for over a decade.

Public debt in 2016 was roughly 100% of GNP.

The Island had defaulted on debt payments and could no longer borrow.

U.S. Congress implemented PROMESA in 2016 to restore long-term economic growth and fiscal balance, creating a fiscal oversight board and a bankruptcy-like process.
Puerto Rico’s Economy in 2018

• Biggest blackout in U.S. history (in terms of Kw hours lost).
• Post-storm out-migration—initially roughly 200,000 residents left.
  – An estimated 70-100,000 have returned.
• Economy hit hard in late-2017; since then it’s rebounded.
• Mixed signals on magnitude of economic recovery:
  – Private-sector (payroll) employment initially fell by 48,000 (7%), but has since rebounded strongly—still down 11,000 (1.8%) from before Maria.
  – Government employment down more sharply (about 3½%).
  – Unemployment rate has tumbled to record low of 8.0%.
  – Government revenues have been strong in recent months & bond prices have rebounded.
  – Construction, manufacturing industries doing fairly well.
• Heavy investment in power (and water) infrastructure needed.
  – This was true before Maria and now even more so.
Puerto Rico Employment & Unemployment Rate
Based on Household Survey

Puerto Rico Employment: Household vs Payroll Survey

Thousands of Jobs


Household Survey

Payroll Survey

Puerto Rico Employment
Thousands of Jobs, Seasonally Adjusted

Puerto Rico Sectoral Job Trends Since Maria

Thousands of Jobs lost/gained since Aug. 2017 (Before Maria), S.A.

- Leisure & Hospitality
- Retail Trade
- Prof & Business Services
- Construction
- Manufacturing
- Education & Health