AGENDA

10:30am  Introductory Remarks
         Christine Cumming, First Vice President

10:40am-11:10am  The National Economy
                  Joseph Tracy, Executive Vice President

11:10am-11:30am  Regional Update
                  Jim Orr, Vice President

11:30am-12:00pm  International Update
                  John Clark, Senior Vice President

12:00pm  Adjourn to NWCR-10F

12:15pm  Lunch

12:15pm-1:55pm  Round Table Discussion with
                  William Dudley, President

Questions for discussion with President Dudley:

Your experience and that of your customers and suppliers can give us insight into current economic conditions.

1. Has your firm experienced an increase in demand in recent months?
2. Has demand for your product or service increased sufficiently that you increased or plan to increase employment in 2014?
3. Has demand for your product or service increased sufficiently that you plan to increase investment in plant and equipment in 2014?
4. Has your access to credit changed in 2014?
5. Has demand for your products or services or your plans for employment at your firm been impacted by recent changes in tax policy, legislation or regulations?
6. Did severe weather reduce demand for your product or services this year?

2:00 pm  Adjourn
Overview of US Economic Conditions

• Since the end of the Great Recession, the US economy has grown at a compound annual rate of 2.3%, somewhat less than over the period from 2000 to 2007.
  • The apparent “output gap” has not closed despite significant fiscal & monetary stimulus
  • Price and wage data are consistent with the economy still operating with “slack”.
  • The amount of slack is unknown and the subject of a great deal of research.

• Consumer spending strengthened over the second half of 2013.
  • Household deleveraging is well advanced – wealth effects supporting consumption
  • Need stronger income growth to sustain momentum

• Excess supply of housing appears to have been worked off, but household formation remain low, likely due to relatively weak labor market and continued tight mortgage underwriting standards.

• Business investment spending not providing the growth contribution that it has at this point in previous business cycles.

• Inflation running below the FOMC’s stated goal of 2% (measured by PCE deflator).
Real GDP

Trillions of 2009 US$

2000Q1 to 2007Q4:
2.5% Compound Annual Growth Rate

2009Q2 to 2013Q4:
2.3% Compound Annual Growth Rate

Note: * Based on 2000Q1-2007Q4 Trend

Source: Bureau of Economic Analysis
Real Personal Consumption Expenditures (PCE)

% Change - Year to Year

Source: Bureau of Economic Analysis
Consumer Debt by Credit Score Quintile

% Change – 4 Quarter

Source: FRBNY Consumer Credit Panel

Note: Includes Student Loans
Household Net Worth and the Saving Rate

- **Household Net Worth As a Percent of Disposable Income (left axis)**
- **Personal Saving Rate (right axis)**

Source: Federal Reserve Board and BEA
Source: Bureau of Economic Analysis and Federal Reserve Board

Note: Fitted line is from 1983Q1 to 2005Q4.
Private Employment and Hours Worked

% Change – 3-month Annual Rate

Source: Bureau of Labor Statistics

Note: Both series are private industries only.
Measures of the Employment Situation

Source: Bureau of Labor Statistics
Cumulative Housing Production and Household Formations Relative to Trend

Source: Census Bureau and author’s calculations.
Housing Starts

Units (Thousands)

Source: Census Bureau
Real Net Stock of Private Fixed Nonresidential Capital

Year/Year % Change


Includes structures, equipment, and intellectual property products.

Source: Bureau of Economic Analysis
Inflation Breakdown: Core Goods and Core Services

<table>
<thead>
<tr>
<th>Yr/Yr % Change</th>
<th>Yr/Yr % Change</th>
</tr>
</thead>
</table>

Source: Bureau of Labor Statistics
TIPS Based Inflation Expectations

Note: Dashed lines represent 2 Standard Deviations from the mean.
Household Formations

2 Year Avg. Change

Source: Bureau of the Census
Long-Term Trends in Productivity and Compensation

Source: Bureau of Labor Statistics, and Bureau of Economic Analysis
## Age and Gender Contributions to Change in Labor Force Participation Rate

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>16-24</td>
<td>Men</td>
<td>-0.7</td>
<td>-0.5</td>
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<tr>
<td></td>
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<td>-0.4</td>
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<td>25-54</td>
<td>Men</td>
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<td>-1.2</td>
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<td></td>
<td>Women</td>
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<td>-1.5</td>
<td>-1.6</td>
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<td>55-64</td>
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<td>Women</td>
<td>0.3</td>
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<td>0.6</td>
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<td>65+</td>
<td>Men</td>
<td>-0.5</td>
<td>0.5</td>
<td>0.8</td>
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<tr>
<td></td>
<td>Women</td>
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<td>0.3</td>
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<tr>
<td>Total</td>
<td>Men</td>
<td>-2.4</td>
<td>-0.5</td>
<td>-1.8</td>
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<tr>
<td></td>
<td>Women</td>
<td>10.8</td>
<td>-0.6</td>
<td>-1.0</td>
</tr>
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Components of Net Lending/Borrowing as a Share of GDP

Source: Federal Reserve Board, BEA

Note: Shading represents NBER recessions.
Regional Economic Outlook
Presentation to the Advisory Council on Small Business and Agriculture
James Orr, Vice President
April 15, 2014

The views expressed here are those of the presenter and do not necessarily represent the views of the Federal Reserve Bank of New York or the Federal Reserve System.
Regional Economic Activity

Index of Coincident Economic Indicators (CEI)

Index (December 2007 = 100)

Shading indicates NBER recession

Note: The Puerto Rico composite index is based on a different methodology than the indexes produced by the FRBNY.
Current Economic Conditions

FRBNY Business Surveys, Current Conditions

Shading indicates NBER recession

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.
Total Employment
Seasonally Adjusted Index

Index (December 2007 = 100)

Dashed Line Indicates
U.S. Employment Trough
(February 2010)

Shading indicates NBER recession

Total Employment
Seasonally Adjusted Index

Total Employment
Seasonally Adjusted Index

Index (December 2007 = 100)

Shading indicates NBER recession
Dashed Line Indicates U.S. Employment Trough (February 2010)

Status of Jobs Recovery
Share of Lost Jobs Gained Back During Local Recovery

US = 92 percent

Recovered All Lost Jobs
Recovered At Least 75 percent of Lost Jobs
Recovered Less Than 75 percent of Lost Jobs
No Recovery

Note: Putnam and Bergen are the Putnam-Rockland-Westchester and Bergen-Hudson-Passaic Special BLS Areas.
# Job Growth by Sector

## Year-Over-Year Percent Change, February 2014

<table>
<thead>
<tr>
<th>Sector</th>
<th>United States</th>
<th>New York State</th>
<th>New York City</th>
<th>New Jersey</th>
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</thead>
<tbody>
<tr>
<td>Professional &amp; Business Services</td>
<td>3.7</td>
<td>2.2</td>
<td>2.9</td>
<td>1.4</td>
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<tr>
<td>Leisure &amp; Hospitality</td>
<td>3.0</td>
<td>2.7</td>
<td>2.5</td>
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<td>Construction</td>
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<td>Wholesale Trade</td>
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<td>1.5</td>
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<tr>
<td>Retail Trade</td>
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<td>1.8</td>
<td>4.2</td>
<td>1.6</td>
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<tr>
<td>Transportation &amp; Utilities</td>
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<td>3.1</td>
<td>5.1</td>
<td>1.6</td>
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<tr>
<td>Education &amp; Health Services</td>
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<td>2.3</td>
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<td>Financial Activities</td>
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<td>Manufacturing</td>
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<td>2.8</td>
<td>0.7</td>
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<tr>
<td>State &amp; Local Government</td>
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<td>-0.4</td>
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<tr>
<td>Information</td>
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<td>-3.4</td>
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<tr>
<td>Total</td>
<td>1.6</td>
<td>1.3</td>
<td>2.2</td>
<td>0.0</td>
</tr>
</tbody>
</table>

## Job Growth by Sector

### Year-Over-Year Percent Change, February 2014

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<td><strong>Total</strong></td>
<td><strong>0.7</strong></td>
<td><strong>0.1</strong></td>
</tr>
</tbody>
</table>

State and Local Government

Seasonally Adjusted Index

Index (December 2007 = 100)

Note: Dotted line smoothes fluctuations due to summer jobs programs.

Shading indicates NBER recession

Financial Activities Employment

Seasonally Adjusted


Thousands – New York City

Thousands – New Jersey

Shading indicates NBER recessions

Financial Activities Employment

February 2014

NYC  438,046
NJ   250,700

New York City
( left scale)

New Jersey
( right scale)


NYC Technology Employment
Level Change, 2009Q3 to 2013Q3

14,429 new jobs
35% change

10,175
205%

Unemployment Rates in the Region
Seasonally Adjusted, February 2014

Home Prices

CoreLogic Home Price Index, Seasonally Adjusted

Index (U.S. Peak of March 2006 = 100)

Source: CoreLogic Home Price Index (including distressed sales); Seasonally adjusted by FRBNY staff.
Note: 'NYC Metro' refers to the 'New York-White Plains-Wayne NY-NJ Metro Division.'
Negative Equity
Share of Mortgages with Amount Owed Greater Than Home Value

Source: CoreLogic Negative Equity Report.
Backlog of Foreclosures

Share of Mortgages in Foreclosure

Source: CoreLogic LoanPerformance (LP) and Lender Processing Services Mortgage Performance data (LPS).

Downstate New York includes Ulster, Dutchess, Orange, and all New York counties to the south. Upstate New York includes all metropolitan counties to the north. Northern New Jersey includes Ocean, Monmouth, Middlesex, Somerset, Hunterdon and all counties to the north.

Shading indicates NBER recession.
Household Debt

Total Debt Balance Per Capita

Source: FRBNY Consumer Credit Panel/Equifax.
Home Prices
CoreLogic Home Price Index, Seasonally Adjusted

Index (U.S. Peak of March 2006 = 100)

Shading indicates NBER recessions

Source: CoreLogic Home Price Index (including distressed sales); Seasonally adjusted by FRBNY staff.
Note: ‘NYC Metro’ refers to the ‘New York-White Plains-Wayne NY-NJ Metro Division.’
Office Vacancy Rates

Overall Vacancy Rates

Source: Cushman & Wakefield.

Shading indicates NBER recessions.
Office Vacancy Rates

Overall Vacancy Rates

Source: Cushman & Wakefield.
Occupations by Skill Categories

Based on 2010 Median Occupational Wage, United States

Source: U.S. Bureau of the Census and FRBNY Calculations.
Job Growth by Skill Category

Change in Jobs: 1980-2010, Our Region

United States

- High Skill: 101%
- Low Skill: 91%
- Upper Middle: 46%
- Lower Middle: 20%

Downstate NY

- 60%
- 38%
- -7%

Note: Downstate NY includes all counties in New York State to the south of and including Dutchess and Orange counties.

Recent College Graduates
Note: College graduates are those with a BA degree or higher; recent college graduates are those aged 22-27; figures exclude those currently enrolled in school.
College Graduate Underemployment

• Classify jobs into two categories based on information from the Department of Labor:

  ▪ Bachelor’s degree required:
    • e.g., pharmacist, social worker, software developer

  ▪ Bachelor’s degree not required:
    • e.g., retail salesperson, food server, electrician, health care technician
    • Graduates working in these jobs are considered underemployed
Regional Unemployment & Underemployment

Recent College Graduates, Share of Labor Force, 2009-11

Source: U.S. Census Bureau, American Community Survey; U.S. Department of Labor, O*NET.
Note: Recent college graduates are those with a BA degree or higher aged 22-27; figures exclude those currently enrolled in school.