AGENDA

10:30am-10:35am  Introductory Remarks  
Tony Davis, Officer & Director of Community Engagement

10:35am-11:05am  The National Economy  
Richard Peach, Senior Vice President

11:05am-11:35am  International Update  
Matthew Higgins, Vice President

11:35am-12:00pm  Regional Update  
Jaison Abel, Assistant Vice President

12:00pm  Adjourn to NWCR-10F

12:15pm  Lunch

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

1. Has your business experienced an increase in demand in recent months? What is your business outlook for the next six months?
2. Are there any noteworthy trends affecting your business?
3. Are you experiencing any difficulties hiring the workers you need? If so, what measures are you taking?
4. Do you anticipate any change in your ability to access credit over the next few months?
5. What are the most significant obstacles facing your business related to operating in upstate New York?

2:00 pm  Adjourn
ATTENDEE LIST

Board Members

Lynne Marie Finn          Melanie Littlejohn
CEO                      Vice President and Regional Director-NY
Superior Workforce Solutions, Inc. National Grid

Kenneth M. Franasiak       Martin Mucci
Chairman                  President & CEO
Calamar

Bridget-Ann Hart          Linda MacFarlane
President & CEO           President & CEO
KPH Healthcare Services, Inc. Community Loan Fund of the Capital Region

Dr. Anne Kress            Robert Stevenson
President                  President
Monroe Community College   Eastman Machine Company

James Laurito              Carlos Unanue
Executive Vice President   President
Fortis, Inc.

Jordan Levy
NY Partner
Softbank Capital

Federal Reserve Bank of New York

John Williams             President
Michael Strine            First Vice President
Jack Gutt                 EVP, Communications & Outreach
Gerard Dages              SVP & Senior Advisor, Executive Office
Richard Peach             SVP, Research & Statistics
Matthew Higgins           VP, Research & Statistics
Anand Marri               VP & Head of Outreach & Education
Rosanne Notaro            AVP, Legal
Jaison Abel               AVP & Head of Regional Analysis, Research & Statistics
Julia Gouny               Officer & Deputy Chief of Staff, Executive Office
Tony Davis                Officer & Director, Outreach & Education
Chelsea Cruz              Associate, Outreach & Education
Regional Economic Conditions

Jaison R. Abel

Upstate New York Regional Advisory Board Meeting – July 18, 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 of Regional Conditions

• Business activity in the region has remained fairly robust through mid-2018, particularly in manufacturing. Businesses continue to report widespread price pressures.

• New York City remains the region’s engine of job growth. Growth has been sluggish in upstate New York, with many areas seeing little or no job growth over the past year. Puerto Rico and the USVI continue to recover from the storms.

• The region’s housing markets have generally continued to firm; however, a backlog of foreclosures remains elevated in the region.
Current Economic Conditions

FRBNY Regional Business Surveys

Source: Federal Reserve Bank of New York.
Input and Selling Prices
FRBNY Regional Business Surveys

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

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

Shading indicates NBER recession

Index (December 2007 = 100)

Upstate NY

United States

Downstate NY

May

Apr-May YOY % Change

+1.5%

+1.6%

+0.6%

Slower Growth in Upstate New York

Total Employment, Seasonally Adjusted

Recent Job Growth in New York State

Apr-May YOY Percent Change

Strong Growth
Moderate Growth
Modest Growth
Little or No Growth

Post-Hurricane Employment Paths

Indexes of Total Employment, Seasonally Adjusted

Index (Month Before Hurricane = 100)

- PR (Maria – Sep 2017)
- USVI (Irma/Maria – Sep 2017)
- New Orleans (Katrina – Aug 2005)
- NY-NNJ Coastal Counties (Sandy – Oct 2012)
- USVI (Hugo – Sep 1989)
- USVI (Marilyn – Sep 1995)

Months Before Hurricane

Months After Hurricane

Regional Home Price Trends

Home Price Indexes, Seasonally Adjusted

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

Upstate NY

Downstate NY

United States

Percent Change
Dec 2011 - Apr 2018

+29%
+51%
+18%

Shading indicates NBER recession

Source: CoreLogic Home Price Index (including distressed sales); aggregation and seasonal adjustment by FRBNY staff.
Local Home Price Growth

Percent Change, Dec 2011 to Apr 2018

Source: CoreLogic Home Price Index (including distressed sales); aggregation and seasonal adjustment by FRBNY staff.
Backlog of Foreclosures

Share of Mortgages in Foreclosure

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

Four Quarter Percent Change

Source: Bureau of Economic Analysis

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 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 and Existing Homes Sales Per Capita

Source: BLS, Census Bureau, NAR

Note: Shading shows NBER recessions.

- **Housing Starts**
  - Series 3 (Left Axis)
  - Series 6 (Right Axis)

- **Existing Home Sales**
  - Series 4 (Right Axis)

- .0178 (average over 1968-2003)
- .009 (average over 1968-2003)
Business Fixed Investment

Four Quarter Percent Change

Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.
Manufacturers’ New Orders of Nondefense Capital Goods

Millions of Dollars

Source: Census Bureau; Haver Analytics.

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

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
Real Imports and Exports

4-Quarter Percent Change

Source: Bureau of Economic Analysis via Haver Analytics.

Note: Shading shows NBER recessions.
Manufacturing and ISM Manufacturing Index

Source: Institute for Supply Management, Federal Reserve Board via 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.
Payroll Employment and Aggregate Hours

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Growth of Average Hourly Earnings and ECI

Source: Bureau of Labor Statistics via Haver Analytics

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

12 Month % Change

FOMC Objective for Headline PCE Inflation

Core PCE Deflator

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.
Core PCE Deflator Inflation

Source: BEA; Haver Analytics.
Global Economic Outlook

Upstate New York Regional Advisory Board
Matthew Higgins, 18 July 2018

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Roadmap

- Update on the global economic and industrial cycle
- Inflation and labor market trends in the advanced economies
- Impact of recent U.S. tariff measures
- Economic Implications of Mexico’s new political landscape
Sources: national sources, staff calculations. Q2 growth rates for advanced economies and for most EM economies outside China reflect market estimates.
Global Manufacturing and Services PMIs

Source: Markit Economics.

Citigroup Economic Surprise Indexes

*Weighted by series' historical FX impact
Evolution of Global Market Growth Forecasts

Sources: Blue Chip Economics, Consensus Economics. Figures are GDP-weighted averages for five AEs (counting the euro area as one economy) and 25 EMEs.

G-3: Core Consumer Price Inflation

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.

Male Prime-Age (25-54) Labor Force Participation
Percent active, ages 25-54

Sources: OECD, BLS.
Female Prime-Age (25-54) Labor Force Participation

Percent active, ages 25-54

Sources: OECD, BLS.

United States 78.7
Japan 75.3
Euro Area 79.7

“Over-the-Hill” (55-64) Labor Force Participation

Percent active, ages 55-64

Sources: OECD, BLS.

Japan 77.1
United States 65.0
Euro Area 62.3
Recent U.S. Tariff Measures

- 25% tariff on steel product imports, with limited exemptions
  - Affects roughly $29 bn in U.S. purchases (1.2% of total U.S. imports)

- 10% tariff on aluminum imports, with limited exemptions
  - Affects roughly $23 bn in U.S. purchases (1.0% of total U.S. imports)

- 25% tariff on roughly $50 bn in Chinese goods, in response to alleged violations of U.S. IP rights (2.1% of total U.S. imports)

- Proposed 10% tariff on additional $200 bn in Chinese goods, to counter Chinese retaliation (8.5% of total U.S. imports)

Observations:
- China has responded with tariffs on $50 bn in U.S. sales to China
- Given the trade imbalance, tariffs enacted to date affect 38% of U.S. sales to China, but only 10% of Chinese sales to the U.S.
### U.S. imports from China subject to Section 301 tariffs by type

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital goods</td>
<td>29%</td>
</tr>
<tr>
<td>Intermediate</td>
<td>47%</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>23%</td>
</tr>
<tr>
<td>Others</td>
<td>1%</td>
</tr>
</tbody>
</table>

Total = $197 bn

**Notes:** Based on July 10 list. Harmonized System (HS) 8-digit tariff code is converted to Broad Economic Categories (BEC) code, using the correspondence table at [https://unstats.un.org/unsd/trade/classifications/correspondence-tables.asp](https://unstats.un.org/unsd/trade/classifications/correspondence-tables.asp).

**Sources:** United States International Trade Commission (USITC) Dataweb. Others include BEC 7 (Health, pharmaceuticals, education, cultural, sport); 12 and 32 (services in food and beverages, and services in construction, wood, glass, stone, metals, housing and furniture) and HS codes that have no match with BEC code.

### Mexican Congressional Election Results: 2018 vs. Prior

**Party coalitions and percent of total membership**

- **Morena & allied**
- **PAN/PRD & allied**
- **PRI & allied**

**Source:** Instituto Nacional Electoral, unofficial totals.
Mexico: Real Per Capita Income Performance

Indexes, 1993 = 100

Source: IMF WEO database. Index for EMEs outside China and Mexico includes 32 major economies, weighted by lagged U.S. dollar GDP.

Perceived Public Corruption: OECD Countries

Index, 0 to 100. Higher = more corrupt.

Source: Transparency International. Data are for 2016.
Mexico: Poverty Trends (% population)

Source: National Council for Evaluation of Social Development Policy. Welfare lines based on income per household member. Welfare lines as of April 2017 are as follows: Basic $151/mo. urban, $97/mo. rural; minimum welfare line $75/mo. urban, $53/mo. rural.