AGENDA

10:30 am-10:35 am Welcome
Claire Kramer, Assistant Vice President & Director

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

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

11:35 am-12:00 pm Regional Update
Jason Bram, Officer

12:00 pm Adjourn to NWC Room-10F

12:15 pm Lunch

12:15 pm-1:55 pm Round Table Discussion with John Williams, President and Michael Strine, First Vice 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.

Business Activity
Have sales volumes increased, decreased, or stayed the same since this time last year?
What are your expectations for the second half of 2019?

Prices
Have prices of products/services sold increased, decreased, or stayed the same so far in 2019? How does this compare to a year ago?
What are your expectations for the second half of 2019?

Employment
Please describe employment conditions in the first half of 2019.
Have they eased, tightened, or stayed the same compared to this time last year?
Have you partnered with other organizations (e.g. educational institutions) to address labor demand and if so, how?
Has your organization participated in or created workforce development programs?

**Outlook**
What is the most significant business opportunity you see in 2019?
What is the chief growth barrier or concern facing your firm/industry/region in 2019?

1:55-2:00 pm  
*Concluding remarks from President Williams*

2:00 pm  
Adjourn
Upstate New York Regional Advisory Board Meeting
Federal Reserve Bank of New York
33 Liberty Street
Tuesday, June 25, 2019

ATTENDEE LIST

Board Members

Kenneth M. Franasiak  
Chairman  
Calamar

Martin Mucci  
President & CEO  
Paychex

Jordan Levy  
NY Partner  
SoftBank Capital

Anthony Shorris  
John L. Weinberg/ Goldman Sachs Visiting Professor  
Princeton University

Melanie Littlejohn  
Regional Director of Community & Customer Management  
National Grid

Robert Stevenson  
President & CEO  
Eastman Machine Company

Linda MacFarlane  
Executive Director  
Community Loan Fund of the Capital Region

Carlos Unanue  
President  
Goya de Puerto Rico, Inc.

Federal Reserve Bank of New York

John Williams  
President

Michael Strine  
First Vice President

Jack Gutt  
EVP, Communications & Outreach

Richard Peach  
SVP, Research & Statistics

Matthew Higgins  
VP, Research & Statistics

Rosanne Notaro  
VP, Legal

Claire Kramer Mills  
AVP & Director, Outreach & Education

Jason Bram  
Officer, Research & Statistics

Chelsea Cruz  
Associate, Outreach & Education
Growth of Real PCE

Year-to-Year % Change

Monthly % Change at Annual Rate

Note: Red shading represent 2 SD bands. Dots indicate peaks during tax rebate months.

Source: Bureau of Economic Analysis.
Housing Starts

Source: Census Bureau/Haver Analytics

Note: Shading shows NBER recessions.
Real Residential Investment per Completion

(2012 $s, thousands)

Source: Census Bureau via Haver Analytics. Note: Shading shows NBER recessions.
Global Manufacturing and Services PMIs

Diffusion Indexes

Index based on GDP weighting for 45 countries, including the U.S.

Source: Markit Economics.
Growth of Real Final Sales to Domestic Purchasers and Real Exports

Year-to-Year Percent Change

Source: Bureau of Economic Analysis via Haver Analytics.

* Consumption, fixed investment, and government.
Inventories to Sales Ratio and Manufacturing Output

Source: Census Board and Federal Reserve Board via Haver Analytics.
Growth in Aggregate Hours Worked

Year-to-Year Percent Change

Business Optimism and Investment in Nonresidential Equipment

Index

Nonresidential Equipment (Right Axis)

Source: Duke Fuqua School of Business/CFO Magazine and Bureau of Economic Analysis via Haver Analytics.

Note: Shading shows NBER recessions.
Growth of Real Investment in Nonresidential Structures

Year-to-Year Percent Change

2011 2013 2015 2017 2019

Source: Bureau of Economic Analysis via Haver Analytics.
CPI

Year-to-Year Percent Change

CPI: Commodities
Less Food & Energy

CPI: Services
Less Energy

Core CPI (Left Axis)

Source: Bureau of Economic Analysis via Haver Analytics.

Note: Shading shows NBER recessions.
Nonpetroleum Import Prices vs. Dollar Index

Year-to-Year Percent Change

Import Price Index: Nonpetroleum Imports (Left Axis)

Real FRB Broad Trade-Weighted Dollar Index (Right Axis)

r=-0.67

Source: Bureau of Economic Analysis and Federal Reserve Board via Haver Analytics.
Nonpetroleum Import Prices vs. Core CPI Goods

Year-to-Year Percent Change

CPI: Goods ex. Food & Energy (Right Axis)

Import Price Index: Nonpetroleum Imports (Left Axis)

r=0.25

Source: Bureau of Economic Analysis and Federal Reserve Board via Haver Analytics.
Consumers’ Inflation Expectations

Michigan Survey: Expected Inflation Rate Next Five Years (Left Axis)

FRBNY Survey of Consumer Expectations: 3 Year Ahead Inflation Expectation (Right Axis)

Source: University of Michigan via Haver Analytics.
Global Economic Outlook

Upstate New York Regional Advisory Board
Matthew Higgins, 25 June 2019

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
- Lagging inflation performance in advanced economies
- China’s cyclical and policy challenges
Global Composite Purchasing Managers’ Index

Diffusion Index

Average 2004 – 2008:Q1 = 56.8

May 51.2

Global Growth and PMI-Based Tracking Estimate

Percent SAAR

Global GDP Growth
Tracking Model Fitted Value

$R^2 = 0.77$

Source: national sources, Markit Economics.

Note: Tracking model growth estimate based on current and lagged value of global composite PMI index (as quarterly averages) and a Great Recession dummy variable. Sample: 1997:Q2 – 2019:Q1.
Citigroup Economic Surprise Indexes

Percent positive or negative*

*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 25 EMEs.
Global Consumption and Capex Growth (ex. China)

Four-quarter percent change

Source: national sources, staff calculations. Sample includes 35 advanced and EME economies (counting the euro area as a single economy). Series are weighted by lagged shares of U.S. dollar capital spending.

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, Bank of Japan.

Male Prime-Age Employment-Population Ratio

Percent active, ages 25-54

Sources: OECD, BLS.
Female Prime-Age Employment-Population Ratio

Percent active, ages 25-54

United States  | Euro Area  | Japan

77.8
73.4
73.4

Sources: OECD, BLS.

Mature Adult Employment-Population Ratio

Percent employed, ages 55-64

Japan  | United States  | Euro Area

76.4  | 63.1  | 59.4

Sources: OECD, BLS.
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: Credit growth

Percent change from a year earlier

Sources: CEIC, PBoC, Moody’s.
China: Export growth

% change from a year earlier, $U.S. terms, 3mma

Source: China Customs.

China: Import growth

% change from a year earlier, $U.S. terms, 3mma

Source: China Customs.
Reference Charts

“Young Elderly” Employment-Population Ratio

Percent employed, ages 65-74

Sources: OECD, BLS.
Sources: China National Bureau of Statistics, Caixin. PMI is average of NBS and Caixin indexes.
*Data are three-month moving averages.

Note: Index values are in dollar terms.
Overview

• A quick look at state economies across the U.S.
• An overview of the 2nd District’s economy, focusing on job trends
• Results from recent FRBNY business surveys
• Wage trends and minimum wage response
Recent Private-Sector Job Trends

Year-Over-Year Percent Change as of May 2019

Private-Sector Job Trends
Percent Change From Previous Peak to May 2019

Total Employment
Seasonally Adjusted Index

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

Index (Dec2007=100)

Shading indicates NBER recession

Source: Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by FRBNY staff.
United States Upstate

Total Employment
Seasonally Adjusted Index

Index (Dec2007=100)


United States
Ithaca
May
Upstate
Binghamton
Elmira

Shading indicates NBER recession

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

Index (Dec2007=100)

Shading indicates NBER recession

Source: Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by FRBNY staff.
Total Employment
Seasonally Adjusted Index

Index (Dec2007=100)

Shading indicates NBER recession

Source: Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by FRBNY staff.
Labor Force Participation
Seasonally Adjusted

Current Economic Conditions
FRBNY Business Surveys, Current Conditions

Diffusion Index

Shading indicates NBER recession

Source: Federal Reserve Bank of New York.
June 2019 Empire State Manufacturing Survey

*In the past several months, to what extent have you modified your sales expectations for the second half of this year?*

Percentage of Respondents

-70% -60% -50% -40% -30% -20% -10% 0% 10% 20% 30% 40%

June 2019
- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

June 2018
- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

June 2017
- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

July 2016
- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

July 2015
- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

June 2014
- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

Aug. 2013
- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

July 2012
- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

July 2011
- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

July 2010
- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

July 2009
- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

* In July 2012 and earlier surveys, manufacturers were asked about "production plans", as opposed to sales/revenue expectations.
In the past several months, to what extent have you modified your sales expectations for the second half of this year?

Percentage of Respondents

- Reduced Substantially
- Reduced Moderately
- Increased Substantially
- Increased Moderately

June 2019 Business Leaders (Service Sector) Survey
What overall effect have U.S. trade policy and tariffs had on your business in the 1st half of this year, and what effects do you expect them to have in the 2nd half?

June 2019 Survey on Trade & Tariffs
New York State Wages by County
Average Weekly Wages, Leisure & Hospitality, 1st Half of 2018

NY State Average=$622

$325 or Less
$325 to $425
$425 to $525
$525 or More

Sources: Bureau of Labor Statistics, Moody’s Economy.com, New York State Department of Labor, FRBNY calculations.

Average Weekly Wage (as a % of minimum wage*)
* Assuming 26-hour week
April 2019 Empire State Manufacturing Survey

Please indicate what effect you think this increase in the minimum wage has had, for your operations in New York State, on each of the following?

- Your overall profits
- Your overall revenue
- The prices you charge
- Your business’ overall compensation costs
- The overall degree of automation in your business
- Hours worked per week by your typical worker
- Employee turnover
- The general quality of your entry–level workers
- The number of entry-level workers you employ
- The total number of workers you employ

Percentage of Survey Respondents
Please indicate what effect you think this increase in the minimum wage has had, for your operations in New York State, on each of the following?

- Your overall profits
- Your overall revenue
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Percentage of Survey Respondents