AGENDA

10:30 am  Introductory Remarks
Jack Gutt, Executive Vice President

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

11:10 am - 11:30 am  Regional Update
Jaison Abel, Research Officer

11:30 am - 12:00 pm  International Update
Matthew Higgins, Vice President

12:00 pm  Adjourn to NWCR-10F

12:15 pm  Lunch

12:15 pm - 1:55 pm  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 2016?
3. Has demand for your product or service increased sufficiently that you plan to increase investment in plant and equipment in 2016?
4. Has your access to credit changed in 2016?
5. How is the labor market in meeting your needs?

2:00 pm  Adjourn
Upstate New York Regional Advisory Board
Federal Reserve Bank of New York
33 Liberty Street
New York, NY
Wednesday, June 1, 2016

ATTENDEE LIST

Board Members

Aminy Audi
CEO & Chairman of the Board
L. & J.G. Stickley

Lynn Marie Finn
President & CEO
Superior Workforce Solutions, Inc.

Kenneth M. Franasiak
Chairman
Calamar

James P. Laurito
President
Central Hudson Gas & Electric Corporation

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Softbank Capital

Linda MacFarlane
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Community Loan Fund of the Capital Region

Martin Mucci
President & CEO
PayChex, Inc.

Carlos Unanue
President
Goya de Puerto Rico, Inc.

Federal Reserve Bank of New York

William Dudley
President

Michael Strine
First Vice President

Jack Gutt
EVP, Head of Communications & Outreach Group

Richard Peach
SVP, Research & Statistics

Matthew Higgins
VP, Integrated Policy Analysis

Anand Marri
VP and Head of Outreach & Education

Jaison Abel
Research Officer, Research & Statistics

Luis Uranga
Officer and Chief of Staff, Chief of Staff’s Office

Tony Davis
Director, Community Engagement, Outreach & Education

Chelsea Cruz
Associate, Community Engagement, Outreach & Education

Edison Reyes
Associate, Community Engagement, Outreach & Education

Angela Sun
Associate, Legal
Overview

• US economic growth slowed over the past year due primarily to substantial dollar appreciation and weaker global growth.
  – Consumer spending and housing continued to be the engines of growth for the US economy.
  – Growth of business fixed investment slowed substantially, due in part to the sharp contraction in oil and gas drilling activity.
  – Net exports exerted a substantial drag.
  – Inventories high relative to sales.

• Nonetheless, labor market conditions have continued to improve.
  – Labor market is showing classic signs of being at or near full employment.

• Core inflation has moved up of late.
  – Rent inflation continues to edge higher.
  – Health care price inflation has moved higher.
  – Rate of decline of core goods prices has slowed.
Nominal Trade-Weighted Value of US$

Source: Federal Reserve Board
Log Inventory/Sales with Trend Component (HP, 1600)

Source: BEA

Note: Shading shows NBER recessions.
Imports and Exports of Real Goods

4 Quarter % Change

Imports
Exports

Source: Bureau of Economic Analysis
Note: Shading shows NBER recessions.
Baker Hughes US Oil Rig Count

Active Oil Rigs

Source: Baker Hughes

Note: Shading shows NBER recessions.
Aggregate Weekly Hours Worked

Y/Y % Change

Y/Y % Change

Goods-Producing Industries

Private Service-Providing Industries

Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.
Real Wage & Salary Income versus Real PCE

Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.
Housing Starts

Thousands, 3 MMA

Source: Census Bureau, via Haver Analytics

Note: Shading shows NBER recessions.
Single Family Housing Market

12 Month % Change

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

Note: Shading shows NBER recessions.
Housing Starts and Existing Homes Sales Per Capita

- Housing Starts: 
  - Average over 1968-2003: 0.0178

- Existing Home Sales: 
  - Average over 1968-2003: 0.009

Source: BLS, Census Bureau, NAR

Note: Shading shows NBER recessions.
Household Formations

2 Year Avg. Change

Source: Bureau of the Census

Note: Shading shows NBER recessions.
Credit Score at Mortgage Origination: All First Mortgages

Credit Score

Source: FRBNY / Consumer Credit Panel

Note: Shading shows NBER recessions.
Bank Assets: Domestically and Foreign Chartered Banks

% Change Year-to-Year

Source: Federal Reserve Board

Note: Shading shows NBER recessions.
Equipment Investment Spending and Capacity Utilization

Real Business Investment in New Equipment (% Change – Year to Year)

Real Business Investment in New Equipment (% Change – Year to Year)

Quarterly data
1980Q1 – 2007Q4

Manufacturing Capacity Utilization
(Percent of Capacity)

Source: Federal Reserve Board, Bureau of Economic Analysis
Labor Market Indicators

Source: Bureau of Labor Statistics, via Haver Analytics

Note: Shading shows NBER recessions.
Labor Share of National Income and Unemployment

Percent

Unemployment Rate (Right Axis)

Labor Share of National Income (Left Axis)

Source: Bureau of Economic Analysis, BLS

Note: Shading shows NBER recessions.
PCE Deflator

Source: Bureau of Economic Analysis, via Haver Analytics

Note: Shading shows NBER recessions.
CPI Inflation: Core Goods and Core Services

12 Month % Change

Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.
Rental Vacancy Rate and Rent of Primary Residence

Source: Census Bureau, BLS

Note: Shading shows NBER recessions.
Personal Consumption Expenditures: Health Care Price Index
12 Month % Change

17% of total PCE deflator
19% of core PCE deflator

Source: Bureau of Economic Analysis
Note: Shading shows NBER recessions.
Dollar Exchange Rate and Nonoil Import Prices

12 Month % Change

Source: Federal Reserve Board, Bureau of Labor Statistics, via Haver Analytics

Note: Shading shows NBER recessions.
Dollar is Board’s trade-weighted measure.
Manufacturing Output and the ISM Manufacturing Index

Source: Federal Reserve Board, ISM.
Cyclical Component of Log Inventory/Sales

Log points

Source: BEA

Note: Shading shows NBER recessions.
Regional Economic Conditions

Jaison R. Abel, Research Officer

Upstate New York Regional Advisory Board Meeting – June 1, 2016

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

• Upstate New York’s slow and steady expansion lost some momentum over the past year, with little job gains seen in recent months.

• Job growth has been modest in Albany and Buffalo, and flat in Rochester and Syracuse, while steep job losses have continued to plague Binghamton.

• The region’s housing markets have generally remained stable, though home building activity has picked up recently in a few areas.
Current Business Climate

FRBNY Business Leaders Survey

Source: Federal Reserve Bank of New York.
Regional Consumer Confidence

Overall Consumer Confidence

Source: Sienna Research Institute, University of Michigan.
Regional Employment Trends

Total Employment, Seasonally Adjusted

Index (December 2007 = 100)

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

12-Month Annual Percent Change

Downstate NY

United States

Sectors Driving Upstate Job Growth

3-Month Moving Average, Seasonally Adjusted

Job Growth in the Region
12-Month Annual Percent Change

Regional Home Price Trends

CoreLogic Single-Family Home Price Index, Seasonally Adjusted

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

Dec 2011

Shading indicates NBER recession

Buffalo
Syracuse
Albany
Rochester
United States

Percent Change
Dec11-Mar16
+19%
+2%
+5%
+7%
+38%

Source: CoreLogic Home Price Index (including distressed sales); Aggregation and seasonal adjustment by FRBNY staff.
Regional Home Building Activity

Total Residential Permits, 4-Quarter Moving Average

Number of Units

Source: Census Bureau and Moody’s Economy.com.
Global Economic Outlook

Upstate New York Regional Advisory Council
Matthew Higgins, 1 June 2016

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

- Recent global economic performance and medium-term outlook
- Foreign advanced economies’ struggle to escape “lowflation”
- Political economy risks in Europe
- Economic outlook and risks in China
- Global oil market developments and outlook
U.S. and EME equity performance

Indexes, January 2014 = 100

Note: Index values are in dollar terms
Citigroup Economic Surprise Indexes

Percent positive or negative*

*Weighted by series’ historical FX impact
Global Manufacturing PMI

Diffusion Index

Average 2005 – 2008:Q1 = 53.2

Average 2012 – 2015:Q2 = 51.1

Source: Markit.
Advanced Economy Real GDP

Indexes, 2008:Q1 = 100

United States

Japan

Euro area
G-3: Core Consumer Price Inflation

Percent change from year ago

Sources: BEA, Eurostat, BoJ. U.S. inflation measured using the PCE index.
Central Bank Credit as a Share of GDP

Sources: BoJ, ECB, Federal Reserve. Projections assume that announced BoJ and ECB asset purchase programs proceed as planned, and that Federal Reserve credit remains constant at its current level. Nominal GDP is assumed to grow in line with current market forecasts.
## AE Core Inflation Performance with Negative Policy Rates

<table>
<thead>
<tr>
<th>Country</th>
<th>Date Adopted</th>
<th>Initial Core Inflation</th>
<th>Current Core Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>January 2016</td>
<td>0.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Sweden</td>
<td>February 2015</td>
<td>0.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Switzerland</td>
<td>December 2014</td>
<td>0.1</td>
<td>-0.3</td>
</tr>
<tr>
<td>Denmark</td>
<td>September 2014</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Euro Area</td>
<td>June 2014</td>
<td>0.7</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Sources: National sources, OECD. Policy rates are as follows: Japan, marginal current account balances; Sweden, repo rate; Switzerland, 3-mo. LIBOR target; Denmark, CD rate; Euro Area, deposit rate.
Greece: Primary Budget Balance

Sources: European Commission, IMF April 2016 *Fiscal Monitor*, staff calculations.

Note: Primary balances exclude bank recapitalization costs.
Brexit: Current Polls and Bookmakers' Odds

Percent, 5-poll average

GBP, EUR, and JPY 3m Implied Volatility

Sources: Bloomberg.
China: Manufacturing PMIs

Diffusion Indexes

National Stat. Bureau

Caixin
China: Actual vs basket-implied exchange rate

RMB per USD

RMB/$ spot rate

RMB/dollar spot rate that would keep basket-implied RMB constant at mid-August 2015 value

Source: Bloomberg, IPA staff calculations.
China: Incremental Increases in Real Credit and Real GDP

Sources: BIS, PBoC, China National Bureau of Statistics, staff estimates and forecast.
Brent futures curve

U.S. dollars per barrel

June 30, 2015
May 3
January 20

Source: Bloomberg.
Global Oil Supply and Demand

Millions of barrels per day

Global Supply

Global Demand

Forecast