AGENDA

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

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

11:10am-11:30am  Regional Update  
Jaison Abel, Senior Economist

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 earlier this year?

2:00 pm  Adjourn
Overview

- Key indicators suggest that the US economy continues to operate below potential.
- First quarter growth held down by transitory factors.
- Fundamentals underlying consumer spending much improved.
- Housing recovery rather tepid to date due to product mix, continued tight mortgage underwriting standards, and slow household formations.
- Business fixed investment continues to disappoint, but fundamentals improving.
- Unemployment rate down to 6.3% in April due to surprisingly large decline in the labor force participation rate.
- Core inflation appears to have stabilized but at a low level.
<table>
<thead>
<tr>
<th>Time Period</th>
<th>Potential GDP (CBO)</th>
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<tbody>
<tr>
<td>2000 - 2005</td>
<td>3.0%</td>
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<tr>
<td>2005 – 2010</td>
<td>2.0%</td>
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<tr>
<td>2010 – 2015</td>
<td>1.7%</td>
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<td>2015 – 2020</td>
<td>2.25%</td>
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</tbody>
</table>

2000Q1 to 2007Q4: 2.5% Growth Rate

2009Q2 to 2014Q1: 2.2% Growth Rate

Source: Bureau of Economic Analysis
Labor Market Indicators

Source: Bureau of Labor Statistics
PCE Deflator

% Change Over Year

Total PCE

Core PCE

FOMC Objective

Source: Bureau of Economic Analysis
Private Employment Cost Indices

Year over Year % Change

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Compensation Index</th>
<th>Benefits Index</th>
<th>Wage and Salaries Index</th>
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<tbody>
<tr>
<td>1980</td>
<td>15.0</td>
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<tr>
<td>2010</td>
<td>8.0</td>
<td>5.0</td>
<td>3.0</td>
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</tbody>
</table>

Source: Bureau of Labor Statistics
Disposable Income, Consumption, and Wealth

% Change Over Year

Real Personal Consumption (Left Axis)

Real Disposable Income (Left Axis)

Household Net Worth, % of Disposable Income (Right Axis)

Source: Bureau of Economic Analysis
Household Financial Obligation Ratio

Source: Federal Reserve Board
Consumer Debt by Credit Score Quintile

% Change – 4 Quarter

% Change – 4 Quarter

Source: FRBNY Consumer Credit Panel

Note: Includes Student Loans
Housing Starts and Existing Home Sales Per Capita

Source: BLS, Census Bureau, National Association of Realtors
Household Formations

2 Year Avg. Change

Source: Census Bureau
Single Family Housing Market

Index, January 2000 = 100

CoreLogic House Price Index (Left Axis)

Months Supply (Right Axis)

Source: CoreLogic, National Association of Realtors
Private Nonresidential Fixed Investment

(Percent of GDP)

Source: BEA

Note: Nominal USD / Nominal USD
Real Net Stock of Private Fixed Nonresidential Capital

Year/Year % Change

Source: BEA

Note: Includes structures, equipment, and intellectual property products.
Net Exports of Goods and Services

Contribution to GDP Growth

Percentage Points

Source: Bureau of Economic Analysis
Nominal Goods Exports by Destination

Quarterly Index, NSA, 2010 Q1 = 100

Source: Census Bureau

Share of total good imports in 2013Q4:
NAFTA 32.9%; EU15 16.3%; China 9.6%; Asia NIE 8.9%; Japan 4.0%;

Note: SA data are unavailable. This chart uses 4-quarter moving moving averages.
Real Government Consumption and Gross Investment

% Change - Year to Year

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

Source: Bureau of Labor Statistics
TIPS Based Inflation Expectations

Note: Dashed lines represent 2 Standard Deviations from the mean

Source: Federal Reserve Board
Compensation and Inflation

% Change over Year

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<th>% Change over Year</th>
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<td>2002</td>
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<td>2006</td>
<td>2010</td>
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<td>2014</td>
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Compensation Per Hour, Nonfarm Business Sector

Core PCE

Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Haver Analytics
Reference Charts
Private Nonfarm Payroll Employment and Total Hours Worked

3-Month Moving Average of One-Month Change

Percent

Source: Bureau of Labor Statistics
Job-Finding Rate and Job-to-Job Transitions
12mma, SA

Source: Bureau of Labor Statistics
Job Openings Rate and Hires Rate

Openings (Left Axis)

Hires (Right Axis)

Percent


1.2 1.6 2.0 2.4 2.8 3.2 3.6 4.0 4.4 4.8

2.4 2.8 3.2 3.6 4.0 4.4
Long-Term Trends in Productivity, Compensation, and Consumption

Source: Bureau of Labor Statistics and Bureau of Economic Analysis
Federal Receipts and Outlays
(CBO Current Law Baseline)

Percent of GDP

Sources: Bureau of Economic Analysis and Congressional Budget Office
Federal Debt
(CBO Current Law Baseline)

Percent of GDP

Sources: Bureau of Economic Analysis and Congressional Budget Office
Stance of Fiscal Policy
Change in Full Employment Budget Balance as a Percent of Potential GDP

Source: Congressional Budget Office
Transition of Mortgage Accounts from 30-60 Days Late

Source: FRBNY Consumer Credit Panel
Loans and Leases in Bank Credit

Yr/Yr % Change

Source: Federal Reserve Board

Note: “Large Banks” include the 25 largest domestically chartered banks, ranked by assets (about 2/3 of the total).
Overview of Regional Conditions

• Though the Great Recession was less severe in upstate New York, the region’s recovery now lags that of the nation and downstate New York.

• The region’s housing markets have continued to experience modest home price appreciation.

• Looking forward, a growing backlog of foreclosures and weak consumer confidence present headwinds for the region.
Current Economic Conditions

FRBNY Business Surveys, Current Conditions

Source: Federal Reserve Bank of New York.
Status of Jobs Recovery
Share of Lost Jobs Gained Back During Local Recovery

United States: 99 percent
Upstate NY: 54 percent

Recession Employment Dynamics
Past Three Cycles

Changing Structure of the Upstate Economy

Shares of Total Employment

Manufacturing: 21%
Education & Health Services: 12%
Professional & Business Services: 9%

Regional Home Prices

CoreLogic Single-Family Home Price Index, Seasonally Adjusted

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

[Graph showing the home price index for New York State, Upstate NY, United States, and United States with percent change Dec11-Mar14: +6.1%, +16.4%, +25.7%.

Shading indicates NBER recession.

Source: CoreLogic Home Price Index (including distressed sales); Aggregation and seasonal adjustment by FRBNY staff.]
Household Debt

Total Household Debt Per Capita, 2014 Constant Dollars

Backlog of Foreclosures in the Region

Share of Mortgages in Foreclosure

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

Overall Consumer Confidence

Source: Sienna Research Institute, University of Michigan.