Upstate New York Regional Advisory Council Meeting  
Federal Reserve Bank of New York  
33 Liberty Street  
10F, Paul Volcker Boardroom  
Friday, March 20, 2015

## AGENDA

<table>
<thead>
<tr>
<th>Time</th>
<th>Session Title</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>10:30am</td>
<td>Introductory Remarks</td>
<td>Christine Cumming, First Vice President</td>
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<tr>
<td>10:40am-11:10am</td>
<td>The National Economy</td>
<td>Richard Peach, Senior Vice President</td>
</tr>
<tr>
<td>11:10am-11:30am</td>
<td>Regional Update</td>
<td>Jaison Abel, Research Officer</td>
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<tr>
<td>11:30am-12:00pm</td>
<td>International Update</td>
<td>John Clark, Senior Vice President</td>
</tr>
<tr>
<td>12:00pm</td>
<td>Adjourn to NWCR-10F</td>
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<tr>
<td>12:15pm</td>
<td>Lunch</td>
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<tr>
<td>12:15pm-1:55pm</td>
<td>Round Table Discussion with</td>
<td>William Dudley, President</td>
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Questions for discussion with President Dudley:

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 2015?
3. Has demand for your product or service increased sufficiently that you plan to increase investment in plant and equipment in 2015?
4. Has your access to credit changed in 2015?
5. Has unseasonably harsh winter weather reduced demand for your product or services in 2015?

2:00 pm     | Adjourn                                           |                            |
## ATTENDEE LIST

### Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Company/Museum</th>
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</thead>
<tbody>
<tr>
<td>Aminy Audi</td>
<td>CEO &amp; Chairman of the Board</td>
<td>L. &amp; J.G. Stickley</td>
</tr>
<tr>
<td>Bal Dixit</td>
<td>Chairman</td>
<td>Newtex Industries</td>
</tr>
<tr>
<td>Lynne Marie Finn</td>
<td>President</td>
<td>Superior Workforce Solutions</td>
</tr>
<tr>
<td>Kenneth M. Franasiak</td>
<td>Chairman</td>
<td>Calamar</td>
</tr>
<tr>
<td>William Gisel</td>
<td>President and CEO</td>
<td>Rich Products Corporation</td>
</tr>
<tr>
<td>Melanie LittleJohn</td>
<td>Regional Director</td>
<td>National Grid</td>
</tr>
<tr>
<td>Linda MacFarlane</td>
<td>President &amp; CEO</td>
<td>Community Loan Fund of the Capital Region</td>
</tr>
<tr>
<td>Martin Mucci</td>
<td>President &amp; CEO</td>
<td>PayChex</td>
</tr>
<tr>
<td>Carlos Unanue</td>
<td>President</td>
<td>Goya de Puerto Rico, Inc.</td>
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### Federal Reserve Bank of New York

<table>
<thead>
<tr>
<th>Name</th>
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</thead>
<tbody>
<tr>
<td>William Dudley</td>
<td>President</td>
</tr>
<tr>
<td>Christine Cumming</td>
<td>First Vice President</td>
</tr>
<tr>
<td>Jack Gutt</td>
<td>EVP, Head of Communications Group</td>
</tr>
<tr>
<td>John Clark</td>
<td>SVP, Global Economic Analysis</td>
</tr>
<tr>
<td>Richard Peach</td>
<td>SVP, Research &amp; Statistics</td>
</tr>
<tr>
<td>Anand Marri</td>
<td>VP, Head of Outreach &amp; Education</td>
</tr>
<tr>
<td>James Bergin</td>
<td>VP Executive Chief of Staff, Chief of Staff’s Office</td>
</tr>
<tr>
<td>Tony Davis</td>
<td>Director, Community Engagement, Outreach &amp; Education</td>
</tr>
<tr>
<td>Jaison Abel</td>
<td>Research Officer, Research &amp; Statistics</td>
</tr>
<tr>
<td>David Parkinson</td>
<td>Counsel, Legal</td>
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Overview

• Real GDP increased 2.4% (Q4/Q4) in 2014, somewhat faster than the economy’s potential growth rate, narrowing the output gap and reducing, though not eliminating, slack in labor markets.

• While the consensus forecast is for growth of around 3% in 2015, recent expenditure data have been choppy and generally inconsistent with that projection.

• Inflation running lower than expected, due in part to the appreciation of the dollar and a continued slowing in the rate of increase of medical care prices.
Potential GDP

Source: Bureau of Economic Analysis, Congressional Budget Office

Note: Grey 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
Private Nonfarm Payroll Employment and Hours

% Change – Year to Year

% Change – Year to Year

Hours*

Employment

Source: Bureau of Labor Statistics

* Note: Production and Non-Supervisory, Employees Only
Job-Finding Rate and Employment-to-Population Ratio

Source: CPS

Note: Grey shading shows NBER recessions
Nonfarm Business Sector: Compensation Per Hour

Source: BLS/Haver Analytics
Civilian Employment and Part Time Employment for Economic Reasons

Thousands, SA

Source: BLS/Haver Analytics

Note: Data are quarterly
Note: The index is a weighted historical standard deviation of data surprises (actual releases vs Bloomberg survey median). Indices are assigned weights based upon the spot FX impacts of 1 standard deviation surprises.
Disposable Income, Consumption, and Wealth

% Change over 20 Quarters, Annual Rate

% of Disposable Income

Real Personal Consumption (Left Axis)

Household Net Worth (Right Axis)

Real Disposable Income (Left Axis)

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

Note: Fitted line is from 1983Q1 to 2005Q4.
Total Light-Weight Vehicle Retail Sales

Millions, SAAR

Source: Autodata/Haver Analytics
Consumer Debt by Credit Score

% Change – Year to Year

Source: FRBNY Consumer Credit Panel

Note: Includes Student Loans
Change in Debt 2013Q4-2014Q4
By Credit Score Quintile

Note: * 2013Q4 Quintiles
Transition of Mortgage Accounts from 30-60 Days Late

Source: FRBNY Consumer Credit Panel
Housing Starts
Thousands, 3 MMA

Source: Census Bureau

Total Multifamily (Right Axis)
1 Unit (Left Axis)
Credit Score at Mortgage Origination: All First Mortgages

About 35 to 40 Million People

Source: FRBNY Consumer Credit Panel.
Equipment Investment and Capacity Utilization

% Change – Year to Year % of Capacity

Source: Federal Reserve Board, Bureau of Economic Analysis

Manufacturing Capacity Utilization Rate (Right Axis)

Real Business Investment in New Equipment (Left Axis)

Note: Grey shading shows NBER recessions
Real Government Consumption and Gross Investment

% Change – Year to Year

Source: Bureau of Economic Analysis

Note: Grey shading shows NBER recessions
PCE Deflator

% Change – Year to Year

Total PCE

Core PCE

FOMC Objective

Source: Bureau of Economic Analysis

Note: Grey shading shows NBER recessions
Trade-Weighted Exchange Value of US$ & Nonpetroleum Imports

Source: Federal Reserve Board, BLS/Haver Analytics
Rental Vacancy Rate and Rent of Primary Residence

Source: Census Bureau, BLS/Haver Analytics
Personal Consumption Expenditures: Health Care Price Index

% Change – Year to Year

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

Source: Bureau of Economic Analysis / Haver Analytics
Producer Price Index: General Medical and Surgical Hospitals by Patient Type

Source: Bureau of Labor Statistics PPI

Note: Jan-2005 set to 1
Producer Price Index: General Medical and Surgical Hospitals by Patient Type

12 Month % Change

Source: Bureau of Labor Statistics PPI

Medicare Patients (26.1%)

Medicaid Patients (18.1%)

Private Insurance and all other Patients (55.8%)

Source: Bureau of Labor Statistics PPI
TIPS Based Inflation Expectations

Source: Federal Reserve Board

Note: Dashed lines represent 2 Standard Deviations from the mean

2011 – Present Average 2.68

Mar 18: 1.88
Reference Charts
HDD – Percentage Deviation from 5-yr MA

Source: Author’s Calculations of data generated by NOAA
Source: Author’s Calculations of data generated by NOAA
Overview of Regional Conditions

- Though growth remains slow, the upstate economy gained momentum in the second half of last year.

- Unusually harsh winter weather restrained economic activity in early 2015.

- Looking ahead, businesses in the region expect economic conditions to improve, particularly those in the service sector.
Current Economic Conditions
FRBNY Regional Business Surveys

Source: Federal Reserve Bank of New York.
How much lower (or higher) do you think your revenues were in early 2015 as a result of the unusually inclement winter weather?

### Empire State Manufacturing Survey

<table>
<thead>
<tr>
<th>Significant Decrease (10%+)</th>
<th>Some Decrease (2%-10%)</th>
<th>Little Or No Effect</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>38%</td>
<td>50%</td>
<td>2%</td>
</tr>
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### Business Leaders Survey

<table>
<thead>
<tr>
<th>Significant Decrease (10%+)</th>
<th>Some Decrease (2%-10%)</th>
<th>Little Or No Effect</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>37%</td>
<td>46%</td>
<td>2%</td>
</tr>
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</table>

Source: Federal Reserve Bank of New York.
Current Business Climate

FRBNY Business Leaders Survey

Diffusion Index

Shading indicates NBER recession

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

Index (December 2007 = 100)

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

Jan YOY % Change

Downstate NY

+2.1%

Upstate NY

+2.3%

United States

+1.2%

Shading indicates NBER recession

Upstate Job Creation During the Recovery

Annual Net Change in Jobs

Source: New York State Department of Labor.
Upstate Job Growth by Industry
Year-Over-Year Change, January 2015

Source: New York State Department of Labor.
Status of Jobs Recovery Across the Region

Percent Change, Total Employment

<table>
<thead>
<tr>
<th>Local Recession</th>
<th>Local Recovery (Through Jan15)</th>
</tr>
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<tbody>
<tr>
<td>United States</td>
<td>8.9%</td>
</tr>
<tr>
<td>Ithaca</td>
<td>10.8%</td>
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<tr>
<td>Buffalo</td>
<td>4.1%</td>
</tr>
<tr>
<td>Rochester</td>
<td>4.5%</td>
</tr>
<tr>
<td>Albany</td>
<td>5.9%</td>
</tr>
<tr>
<td>Syracuse</td>
<td>2.0%</td>
</tr>
<tr>
<td>Glens Falls</td>
<td>2.2%</td>
</tr>
<tr>
<td>Utica</td>
<td>1.4%</td>
</tr>
<tr>
<td>Elmira</td>
<td>2.6%</td>
</tr>
<tr>
<td>Binghamton</td>
<td>1.0%</td>
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