AGENDA

10:00am  Arrival and Continental Breakfast

10:30am  Welcome and Adoption of the CAG Charter, Adrian Franco, Officer

10:35am  Introductory Remarks, Jack Gutt, Executive Vice President

10:40am-11:10am National Economy Update, Robert Rich, Assistant Vice President

11:10am-11:40am Regional Economy Update, Jaison Abel, Officer

11:40am-12:00pm Community Credit Presentation, Kausar Hamdani, Senior Vice President & Claire Kramer Mills, Assistant Vice President

12:00pm  Adjourn to NWC Room-10F

12:15pm  Lunch

12:15pm-1:55pm Round Table Discussion with William Dudley, President & Michael Strine, First Vice President

1. Presentations on Conditions in Upstate New York by Kate Fish, ANCA; Michael Martin, NACS; and Stuart Mitchell, PathStone
   • What are the major challenges that your constituencies face in achieving financial security in Upstate New York?
   • Are there any unique geographic factors that cause barriers to sustainable employment?
   • Are these challenges persistent or have they been exacerbated due to specific or recent economic changes?
   • How do you see these issues/challenges evolving in the next year and in the long-run?
2. Discussion on Conditions in the Second District by CAG Membership: What are the most pressing socio-economic issues facing the community you serve? In other words, what are your constituents talking about? (Please discuss the below topics that are most relevant to your scope of work)
   • Sustainable employment and skills/location mismatch
   • Access to financial services
   • Affordable housing

2:00 pm Adjourn
Regional Economic Conditions

Jaison R. Abel, Research Officer

Community Advisory Group Meeting – April 19, 2017

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.
The 2nd Federal Reserve District

Regions in the District

Puerto Rico & U.S. Virgin Islands

Upstate

Northern NJ

Downstate
Overview of Regional Conditions

• Regional economic conditions have improved noticeably in recent months, particularly in the manufacturing sector.

• Job growth has been strongest in and around New York City, while growth in upstate New York and northern New Jersey has been slower. Puerto Rico continues to lose jobs.

• Middle-wage jobs have finally started to return, though to different degrees across the region.
Current Economic Conditions

FRBNY Regional Business Surveys

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

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

Recent Job Growth in the Region

Annual Percent Change, February 2017

[Map showing job growth in various regions of New York State, with color-coding for Strong Growth, Moderate Growth, Modest Growth, Little or No Growth, and Declining.]

Note: Orange*, Bergen*, and Middlesex* are the Orange-Rockland-Westchester, Bergen-Hudson-Passaic, and Middlesex-Monmouth-Ocean Special BLS Areas.
Job Categories

Based on 2015 Median Wages, United States

Job Gains and Losses in the United States

Net Change in Total Employment, Thousands

-8,000 -6,000 -4,000 -2,000 0 2,000 4,000 6,000

Thousands

2007 to 2010

2010 to 2013

2013 to 2016

Middle-Wage Jobs Returning

• Growth in traditional blue collar jobs:
  - Construction
  - Production
  - Transportation
  - Installation & Repair

• **Education** jobs growing again as local government fiscal pressures have subsided.

• Rebound in **Administrative Support** jobs.
Job Gains and Losses in the Region

Net Change in Total Employment, Thousands

Job Gains and Losses in the Region

Net Change in Total Employment, Thousands

# A Shrinking Middle

## Share of Jobs by Wage Group, 2007 and 2016

<table>
<thead>
<tr>
<th>Wage Group</th>
<th>2007</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Wage</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>Middle Wage</td>
<td>52%</td>
<td>48%</td>
</tr>
<tr>
<td>Lower Wage</td>
<td>28%</td>
<td>29%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location</th>
<th>2007</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>Downstate</td>
<td>50%</td>
<td>46%</td>
</tr>
<tr>
<td>Upstate</td>
<td>54%</td>
<td>49%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>52%</td>
<td>49%</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>60%</td>
<td>53%</td>
</tr>
</tbody>
</table>

NYS Minimum Wage Increase
2017 Through 2022

Source: New York State Government.
Effects of NYS Minimum Wage Increase
FRBNY Supplemental Survey Report, March 2017

Q: Has the recent increase in the minimum wage, effective January 1, had any effect on your decisions about compensation and employment?

- No Effect: 36%
- Small Effect: 34%
- Moderate Effect: 17%
- Significant Effect: 17%

Source: Federal Reserve Bank of New York.
Real consumer spending fell for a second consecutive month in February, suggesting a marked slowdown in real PCE growth in Q1 compared to recent quarters. Weak consumer spending in 2017 likely reflects some effect from the delay in tax refund disbursements.

February data suggested some improvement in the near-term outlook for business equipment spending, and single-family housing starts continued to trend upward at a moderate rate.

Surveys continued to indicate sizable improvement in manufacturing conditions, with production data showing tentative signs of a sustained rebound in sectorial activity.
Payroll growth was weak in March due to weather impacting the reported numbers, but other indicators pointed to ongoing improvement in the labor market.

- The unemployment rate fell, the employment-population ratio rose, and the labor force participation rate held steady in the month.

February price data suggest headline inflation is close to the FOMC’s objective, while core inflation still appears to be running modestly below the objective.

U.S. equity indexes and nominal long-term Treasury yields moved lower. Oil prices retraced part of the decline that occurred during the first part of March, while the dollar moved lower against most major currencies.
2016Q4 growth revised up – divergent views for 2017Q1

Source: Bureau of Economic Analysis via Haver Analytics
Very weak productivity growth since 2010

Output Per Hour (Nonfarm business sector)

Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.
Consumer spending in 2017 retreats from Q4 pace

Source: Bureau of Economic Analysis,
Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions.
Consumer confidence at or near multi-year high

Source: Conference Board, University of Michigan

Note: Shading shows NBER recessions.
Investment in equipment rose modestly in Q4

Source: Bureau of Economic Analysis, Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions.
Labor market conditions continue to strengthen

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.
Mixed evidence of stronger labor compensation growth

Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.
Headline inflation is close to the FOMC’s 2% objective

Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.