



**Upstate New York Regional Advisory Council Meeting  
Federal Reserve Bank of New York  
33 Liberty Street  
10F, Paul Volcker Boardroom  
Tuesday, April 11, 2017**

**AGENDA**

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10:30am	Introductory Remarks Jack Gutt, Executive Vice President
10:40am-11:10am	The National Economy Richard Peach, Senior Vice President
11:10am-11:40am	International Update Matthew Higgins, Vice President
11:40am-12:00pm	Regional Update Jaison Abel, Research Officer
12:00pm	Adjourn to NWCR-10F
12:15pm	Lunch
12:15pm-1:55pm	Round Table Discussion with William Dudley, President

Your experiences can give us insight into current economic conditions.

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 2017?
3. Has demand for your product or service increased sufficiently that you plan to increase investment in plant and equipment in 2017?
4. Has your access to credit changed in 2017?
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  
Tuesday, April 11, 2017**

**ATTENDEE LIST**

**Board Members**

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

Kenneth M. Franasiak  
Chairman  
Calamar

James P. Laurito  
President  
Central Hudson Electric & Gas

Linda MacFarlane  
President & CEO  
Community Loan Fund of the Capital Region

Melanie Littlejohn  
VP & Regional Director- NY  
National Grid

Martin Mucci  
President & CEO  
PayChex, Inc.

Robert L. Stevenson  
President  
Eastman Machine Company

Carlos Unanue  
President  
Goya de Puerto Rico, Inc.

**Federal Reserve Bank of New York**

William Dudley  
Jack Gutt  
Richard Peach  
Matthew Higgins  
Anand Marri  
Sarah Bell  
Jason Bram  
Jaison Abel  
Tony Davis  
Chelsea Cruz  
Angela Sun

President  
EVP, Head of Communications & Outreach Group  
SVP, Research & Statistics  
VP, Integrated Policy Analysis  
VP and Head of Outreach & Education  
VP and Executive Chief of Staff, Executive Office  
Officer & Economist, Research & Statistics  
Officer & Economist, Research & Statistics  
Director, Community Engagement, Outreach & Education  
Associate, Community Engagement, Outreach & Education  
Associate, Legal



FEDERAL RESERVE BANK *of* NEW YORK

# US Macro Overview

## April 11, 2017

# Overview

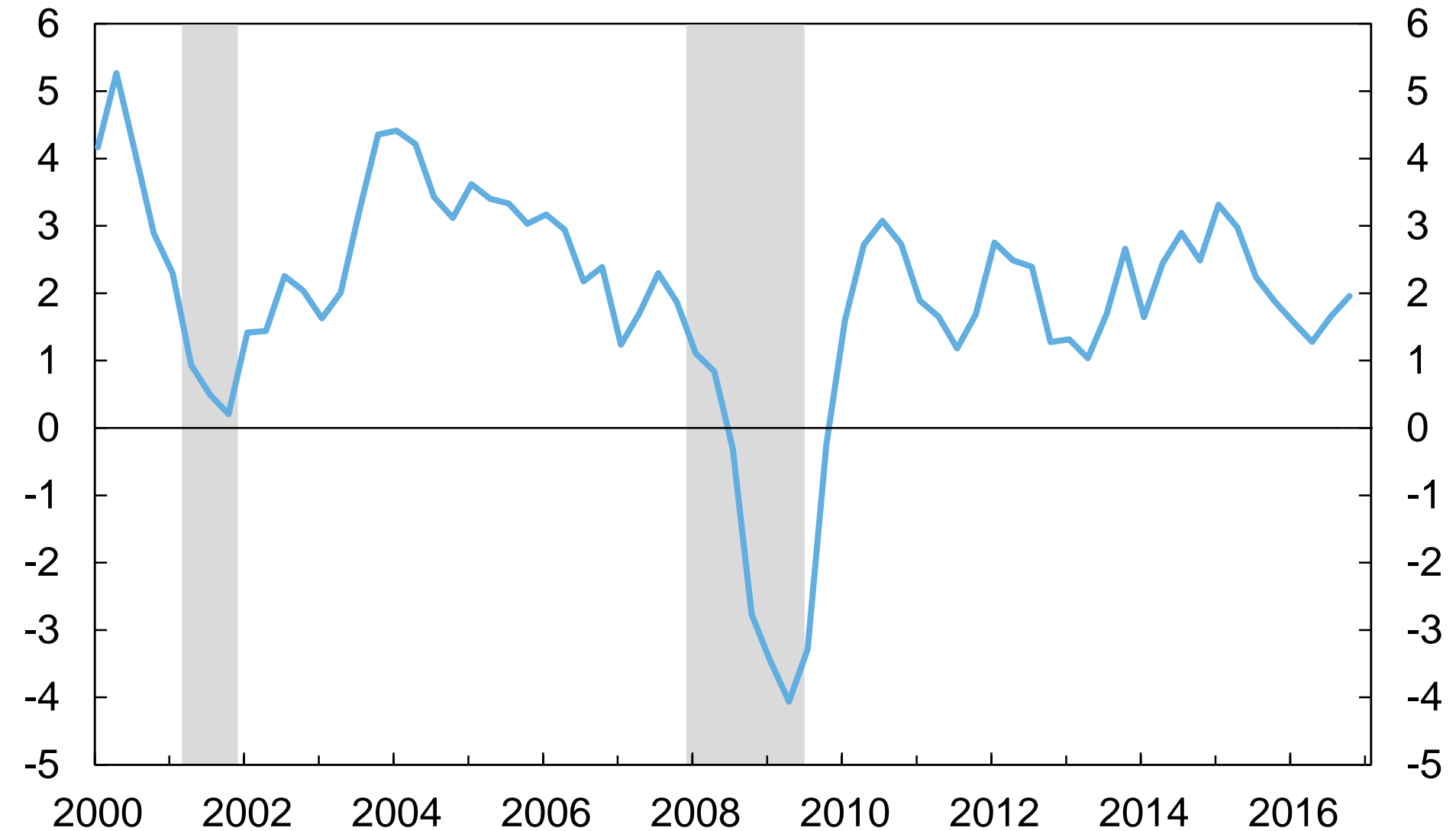
- The US economy appears to be regaining its footing after suffering a significant shock beginning in mid to late 2014.
- US labor market is now showing classic signs of being at or near full employment.
- Core inflation has edged higher over the past year but remains somewhat below the FOMC's objective.
  - Rent inflation continues to edge higher.
  - Health care price inflation has moved higher.
  - The rate of decline of core goods prices has begun to slow as past dollar appreciation has largely worked its way through the system.
- Big policy question is whether fiscal stimulus could boost the economy's underlying trend growth rate.



# Growth of Real GDP

Four Quarter Percent Change

Four Quarter Percent Change

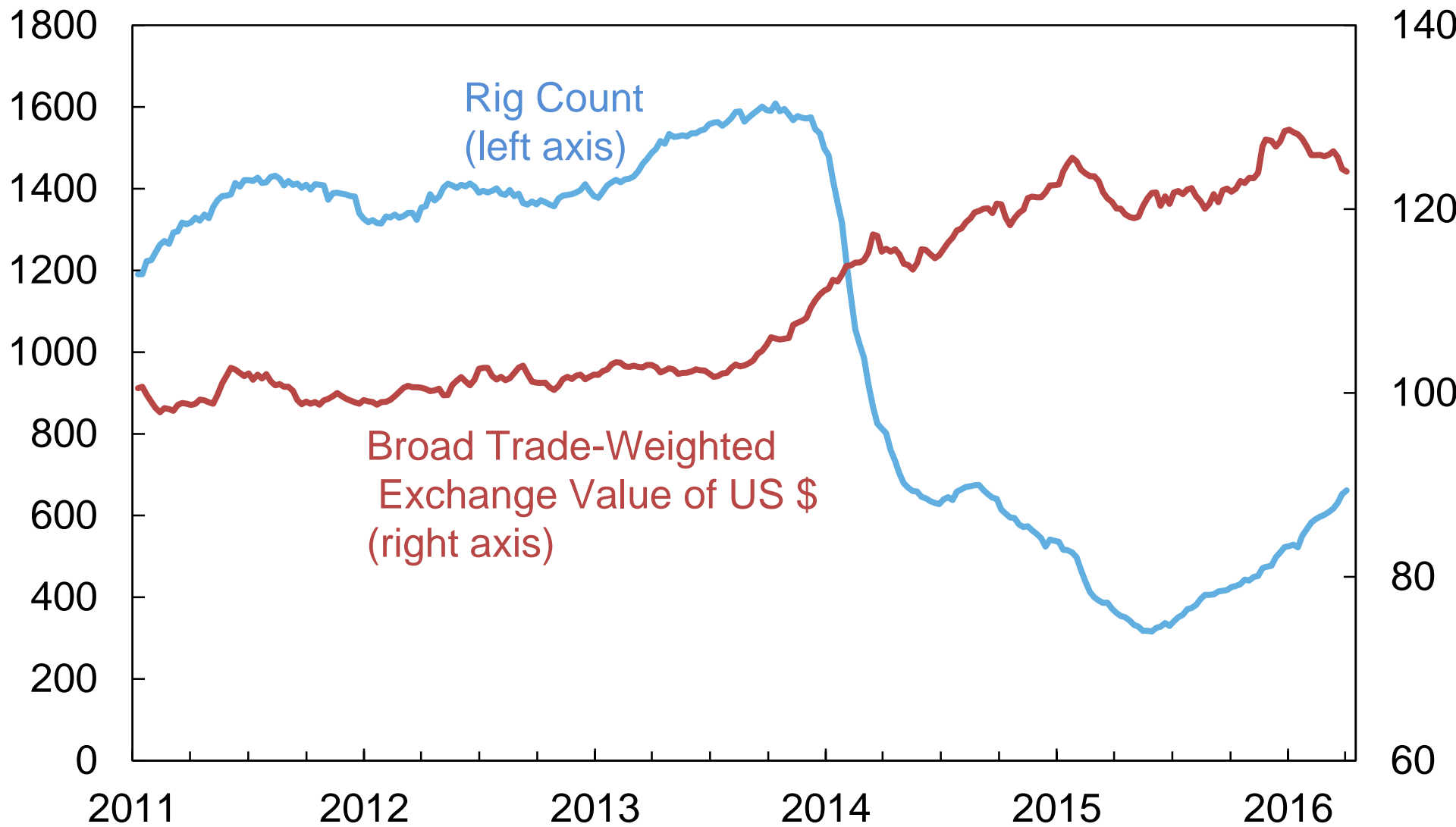




# Nominal Trade-Weighted Value of US\$ and Rig Count

Active Oil Rigs

Index



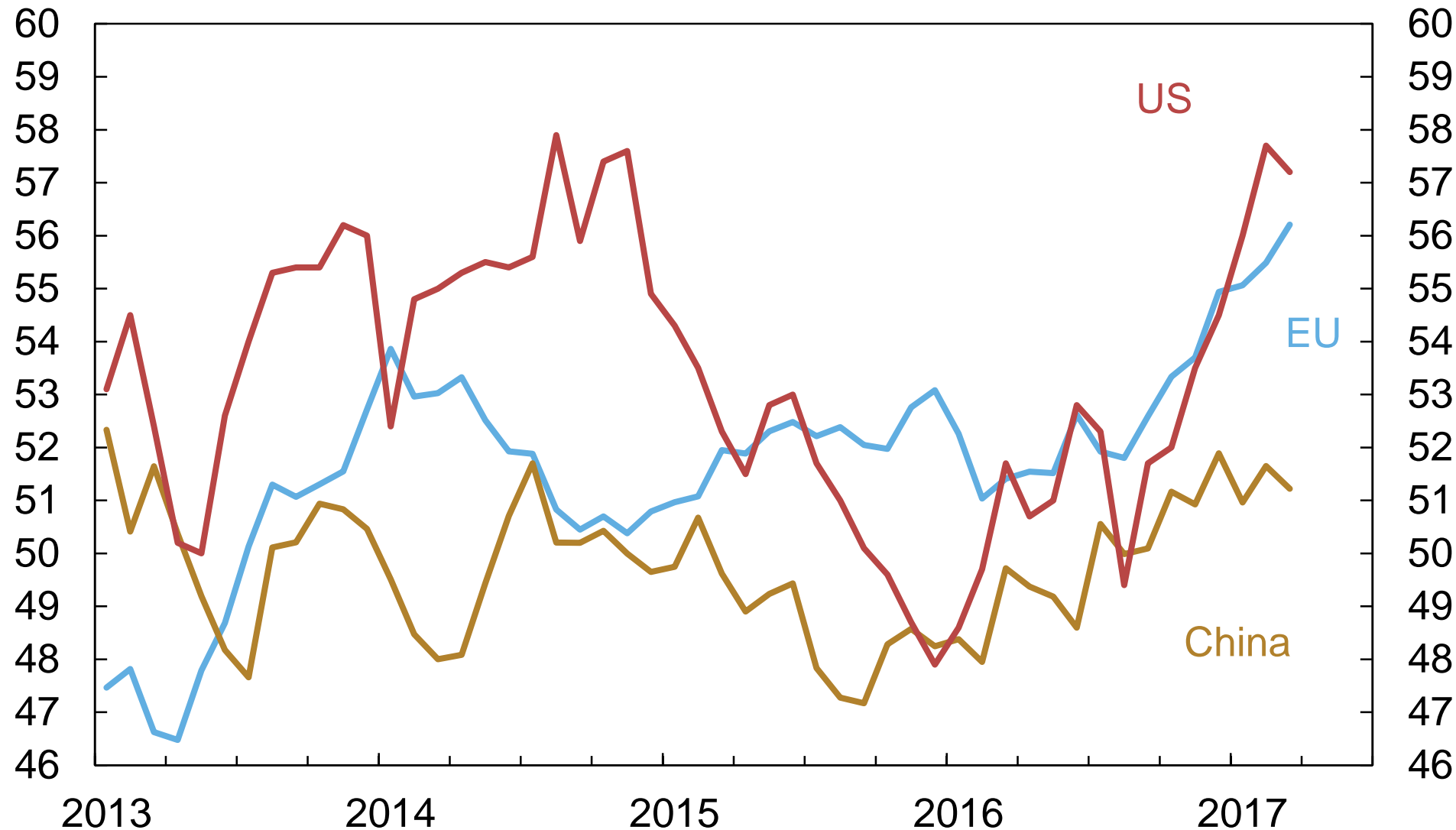
Source: Federal Reserve Board and Baker Hughes

Note: Shading shows NBER recessions.

# Manufacturing Across Countries

Index Level

Index Level



Source: IHS Markit and Institute for Supply Management via Haver Analytics

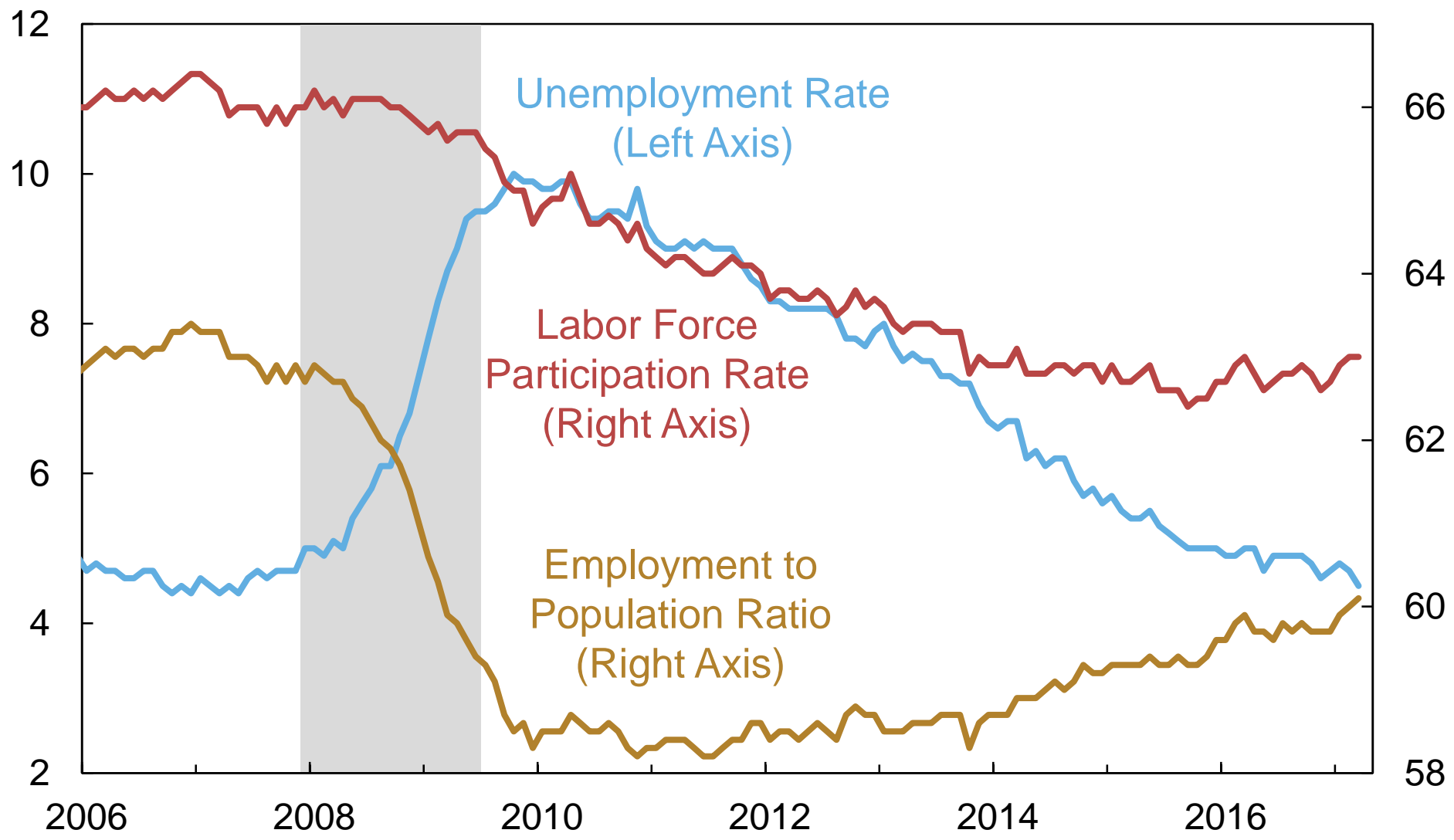
Note: Shading shows NBER recessions.



# Labor Market Indicators

Percent

Percent



Source: Bureau of Labor Statistics  
via Haver Analytics

Note: Shading shows NBER recessions.

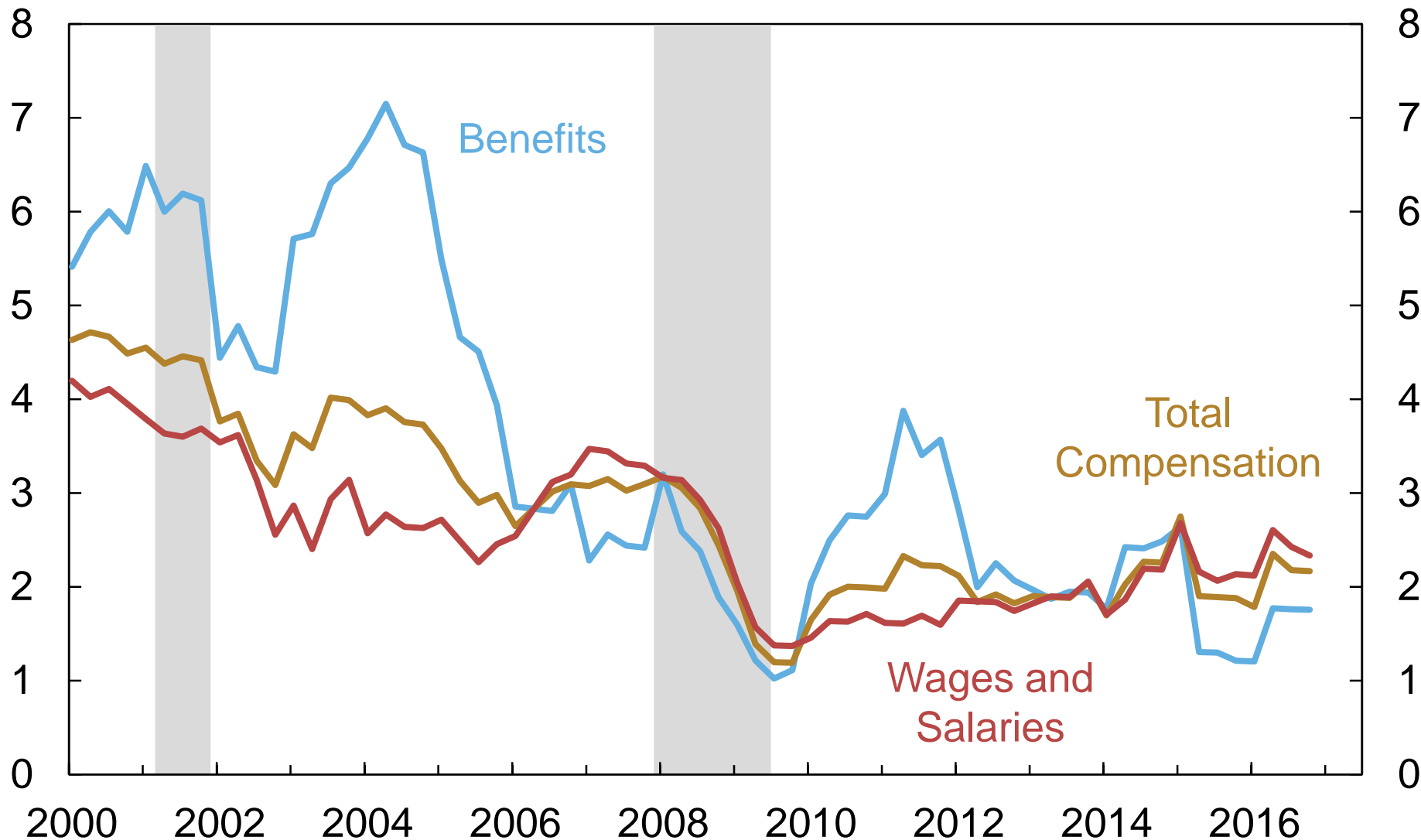




# Employment Cost Index: Private Industry Workers

4 Qtr % Change

4 Qtr % Change



Source: Bureau of Labor Statistics via Haver Analytics

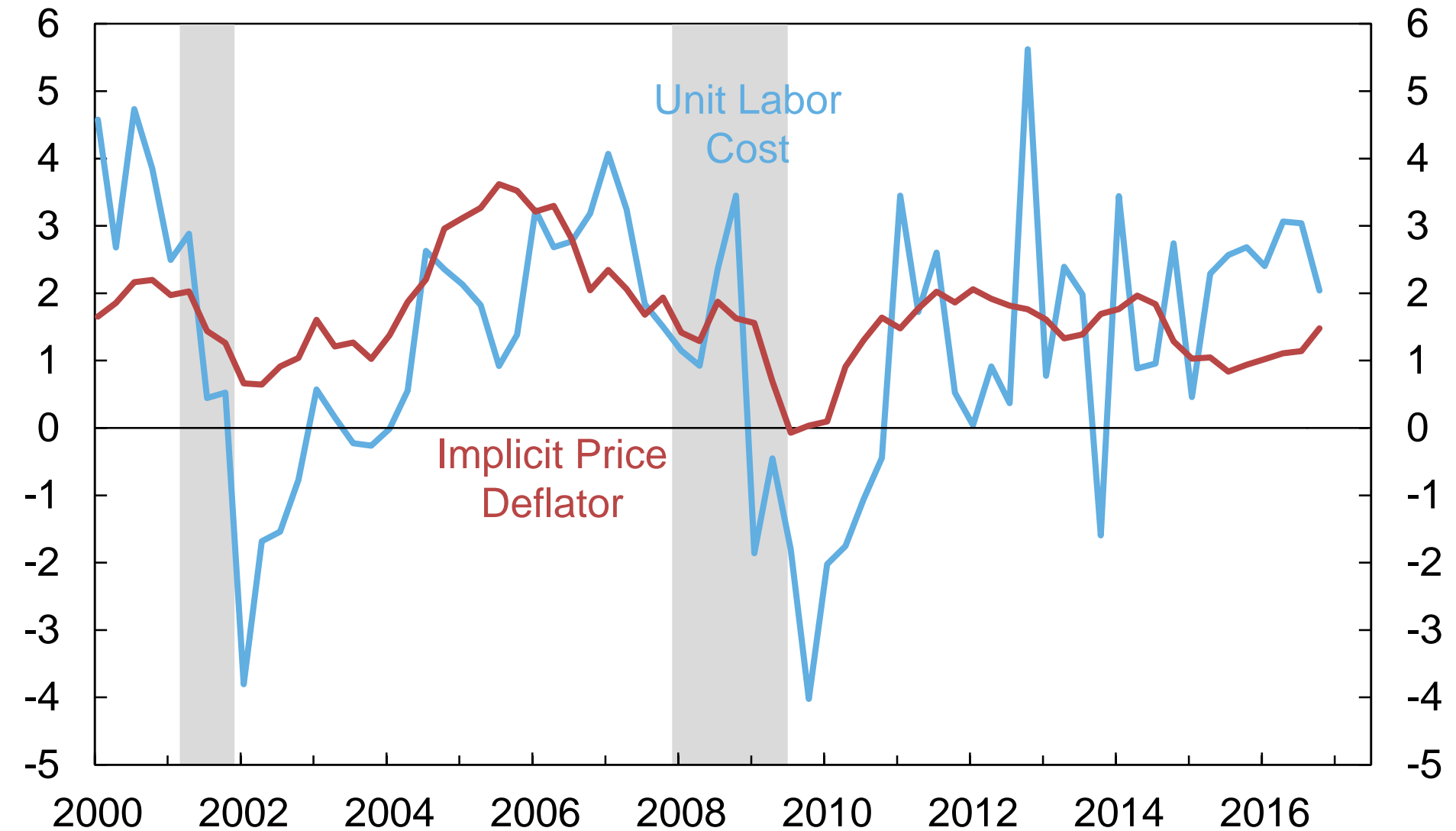
Note: Shading shows NBER recessions.



# Nonfarm Business Sector

Y/Y % Change

Y/Y % Change



Source: Bureau of Labor Statistics via Haver Analytics

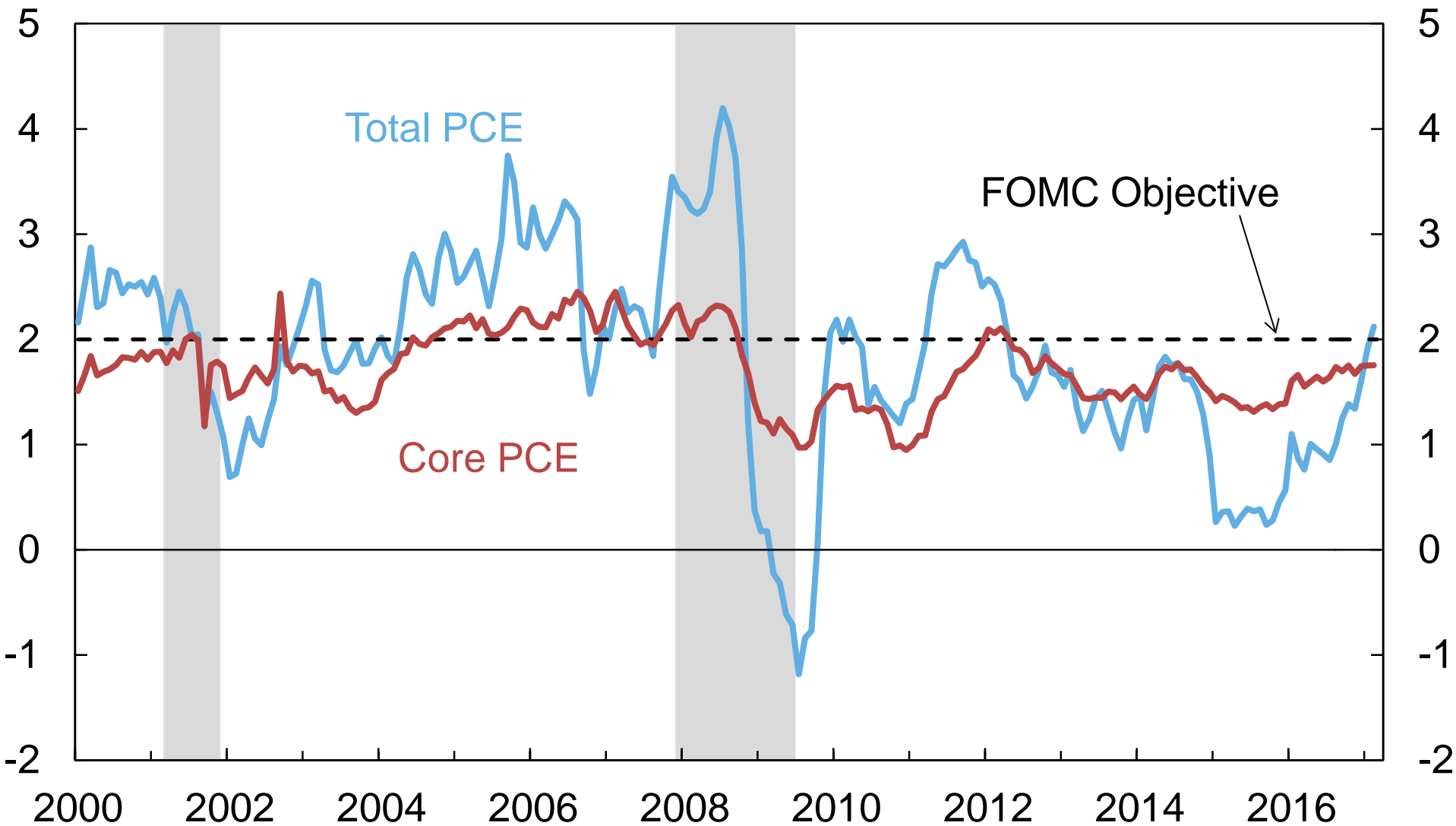
Note: Shading shows NBER recessions.



# PCE Deflator

12 Month % Change

12 Month % Change



Source: Bureau of Economic Analysis  
via Haver Analytics

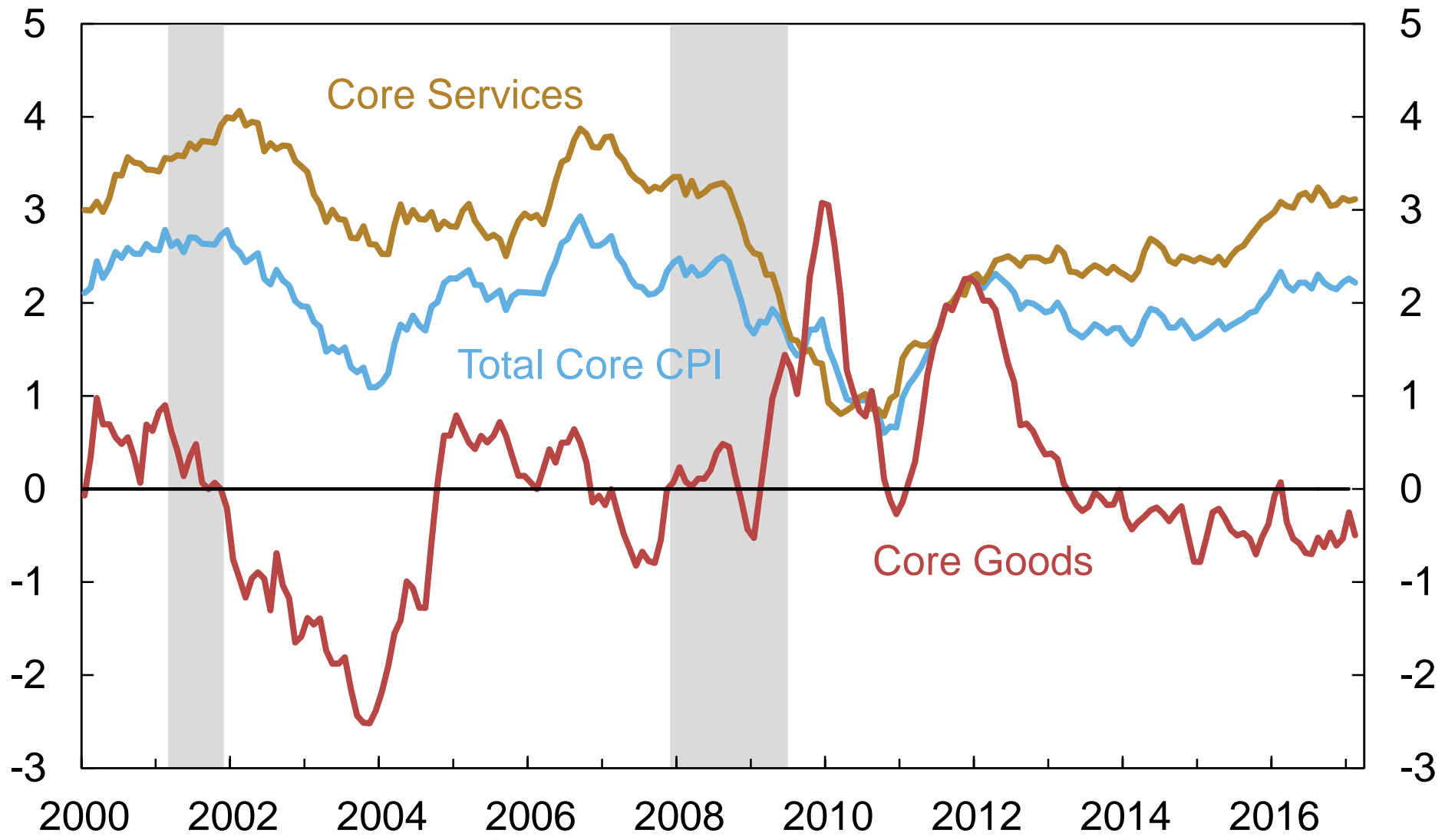
Note: Shading shows NBER recessions.



# CPI Inflation: Core Goods and Core Services

12 Month % Change

12 Month % Change



Source: Bureau of Labor Statistics

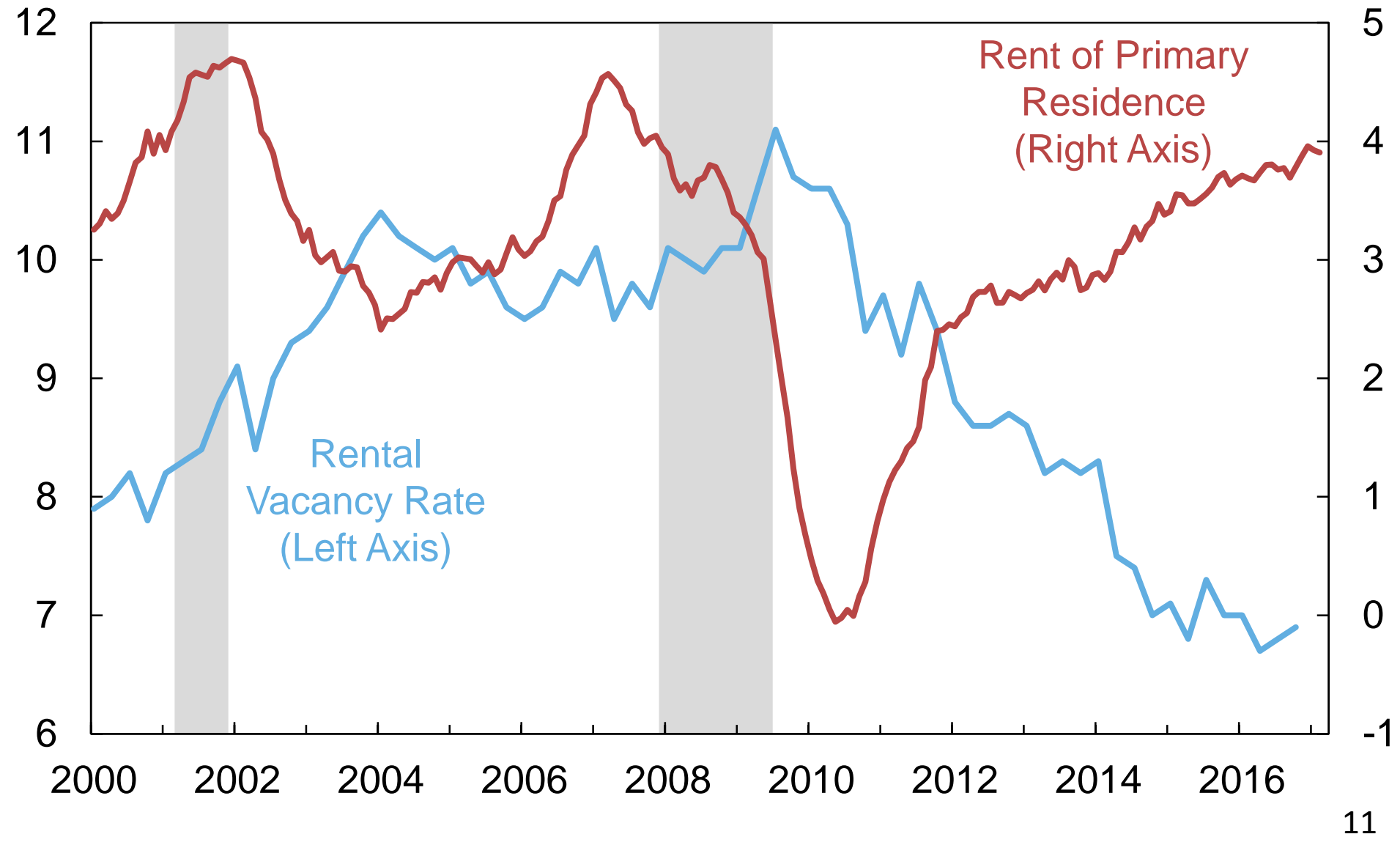
Note: Shading shows NBER recessions.



# Rental Vacancy Rate and Rent of Primary Residence

Percent

12 Month % Change



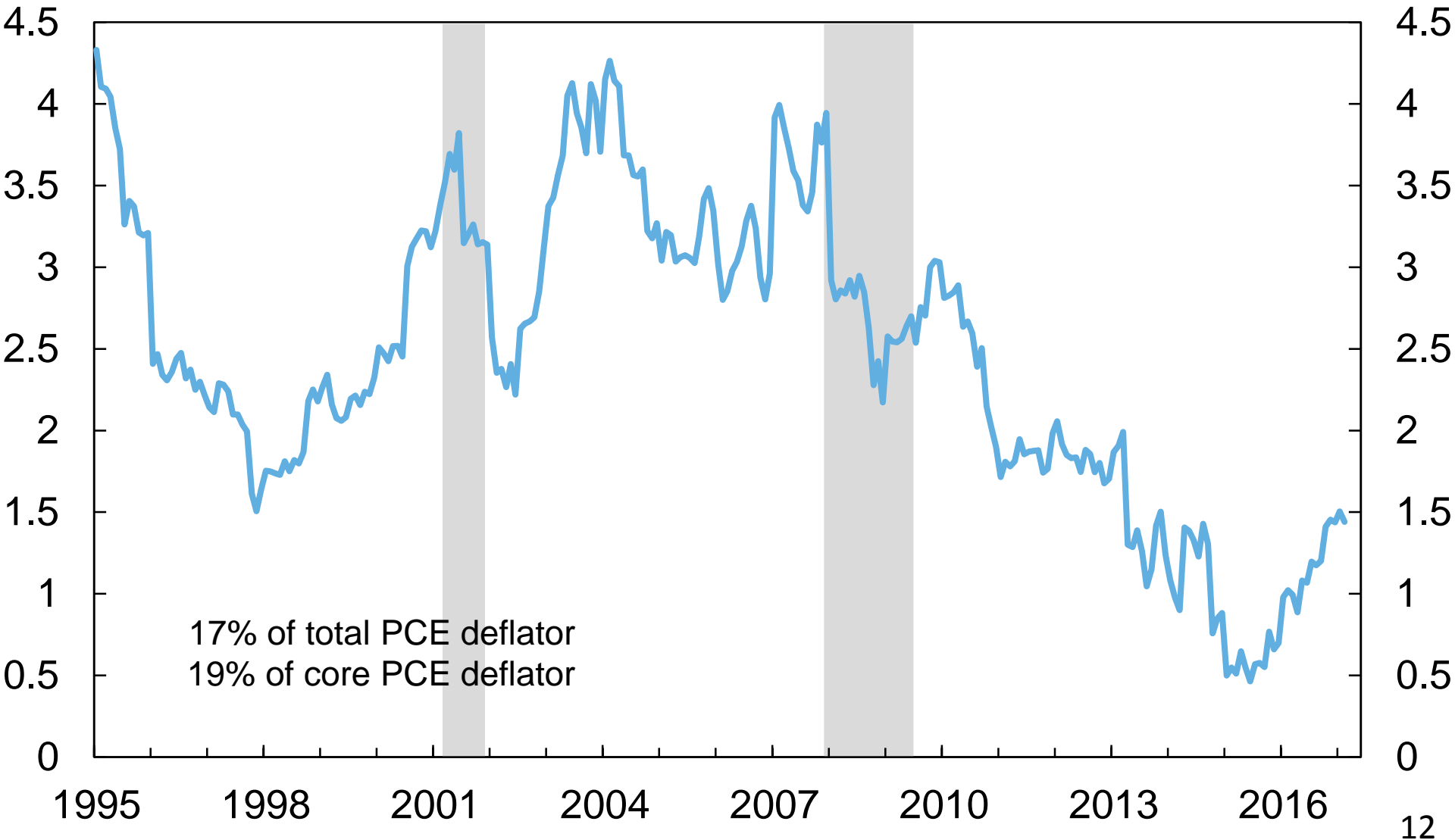
Source: Census Bureau, BLS via Haver Analytics

Note: Shading shows NBER recessions.

# Personal Consumption Expenditures: Health Care Price Index

12 Month % Change

12 Month % Change



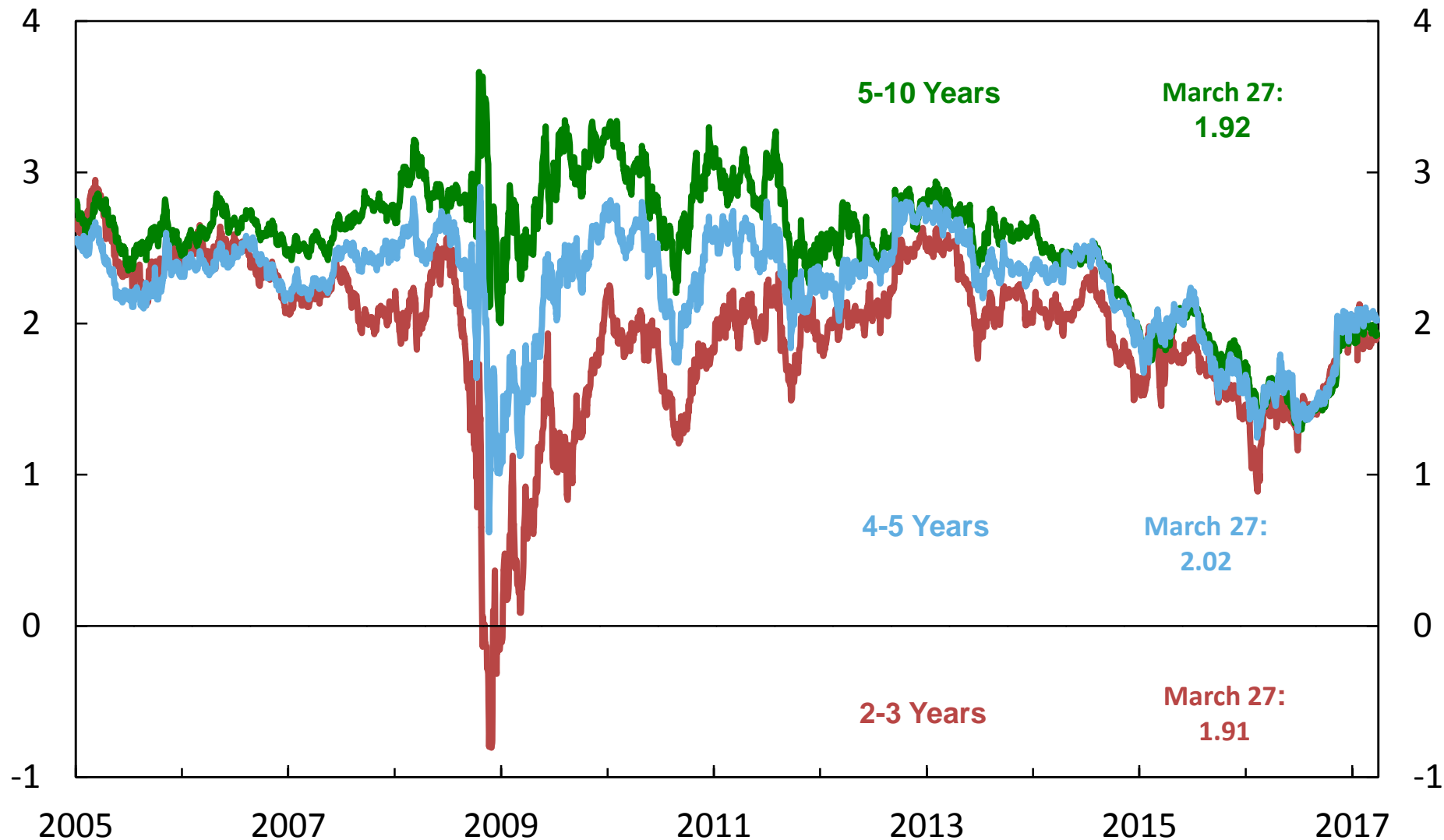
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

# TIPS Based Inflation Expectations

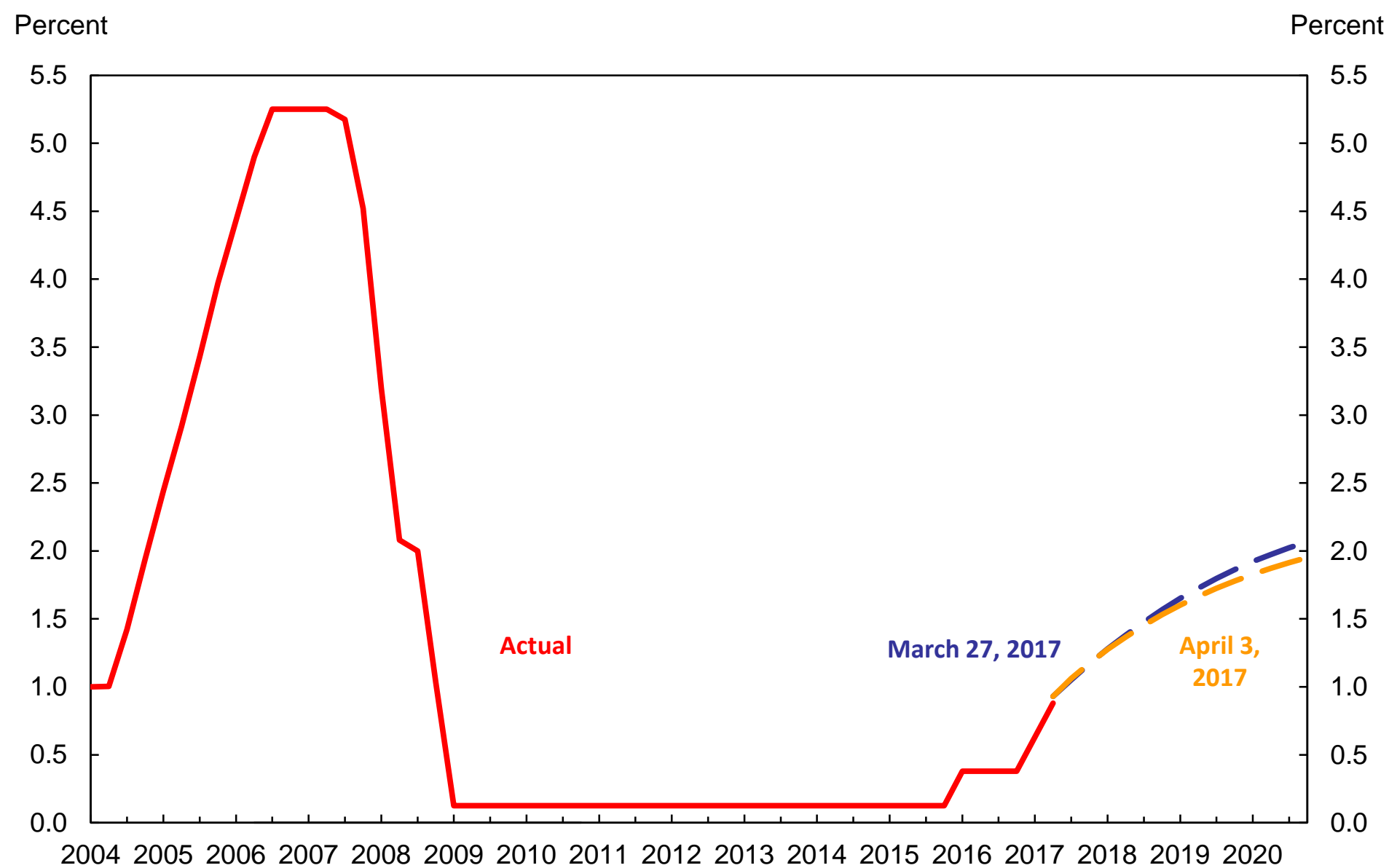
Percent

Percent





# Actual and Expected Fed Funds Target

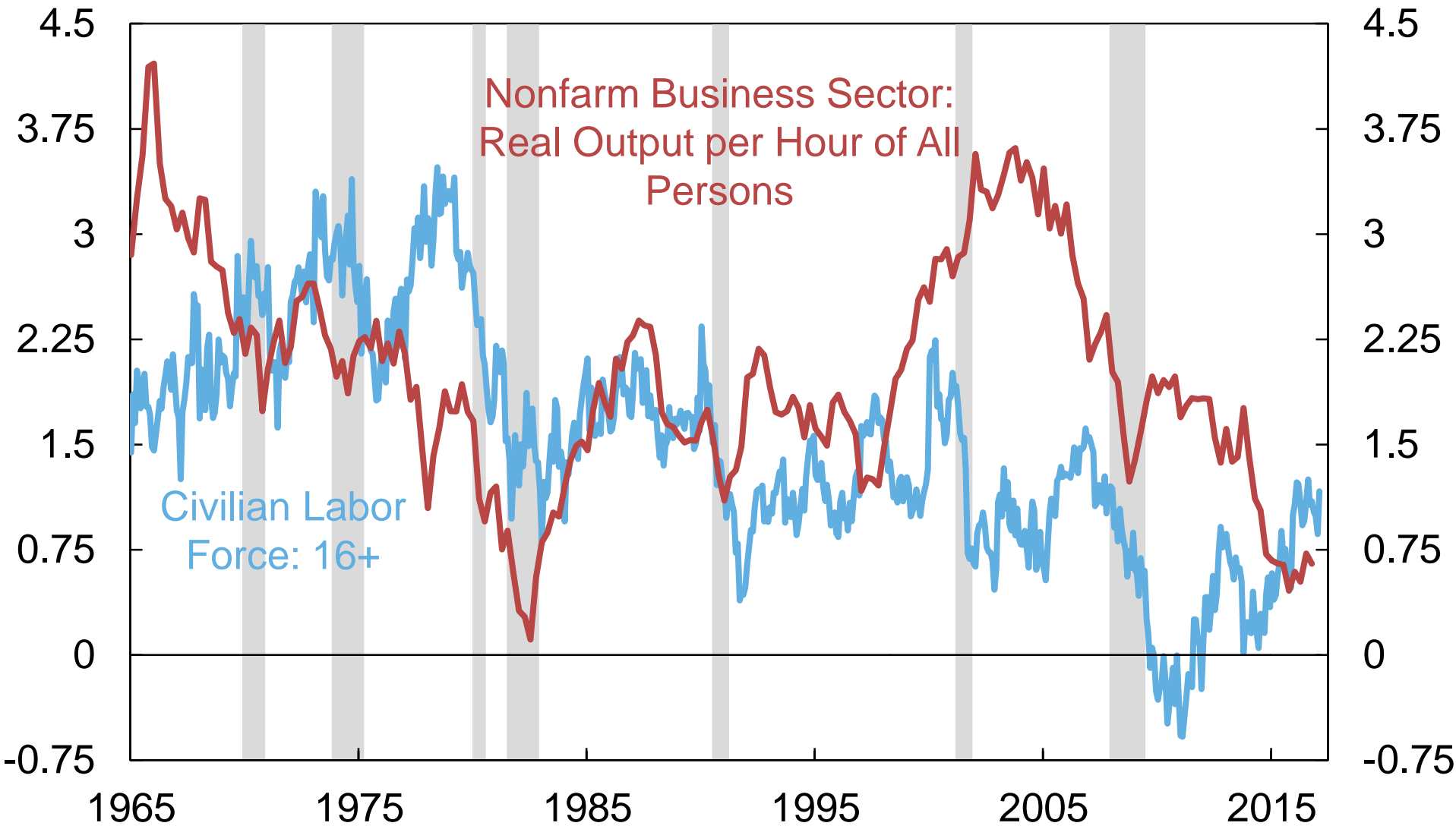




# Labor Force and Nonfarm Business Sector Real Output

20-Qtr %Change-annualized

20-Qtr %Change-annualized



## Private Nonfarm Business Sector

	1987-2015	1987-1990	1990-1995	1995-2000	2000-2007	2007-2015
(compound annual growth rates)						
Output	2.9	3.3	3.0	5.0	2.8	1.3
Hours Worked	0.9	1.7	1.3	2.1	0.2	0.2
Labor Productivity (1)	2.0	1.6	1.6	2.9	2.6	1.2
(percentage points)						
Contribution to Labor Productivity from:						
TFP (2)	0.9	0.7	0.5	1.5	1.4	0.4
Labor Composition (3)	0.3	0.2	0.5	0.2	0.2	0.3
Capital Intensity (4)	0.8	0.7	0.6	1.2	1.0	0.5

(1) Output per hour worked.

(2) Output per combined units of labor input and capital services.

(3) Labor composition multiplied by labor's share of current dollar costs.

(4) Capital services per hour multiplied by capital's share of current dollar costs.

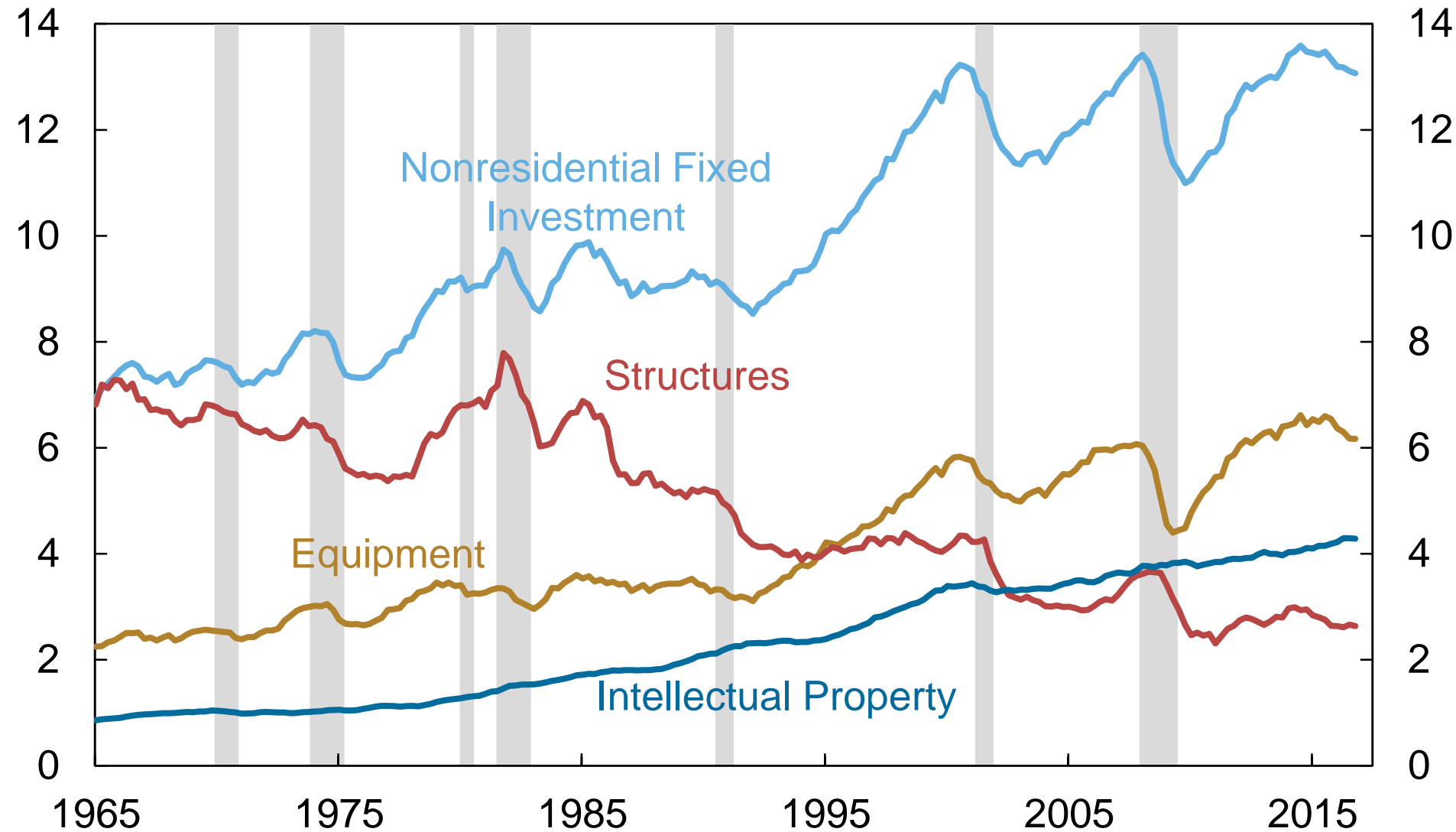
Note: Labor composition measures the effects of shifts in the age, gender, and educational attainment of the work force on the efficiency of hours worked.



# Real Private Investment Share of Real GDP

Percent of GDP

Percent of GDP

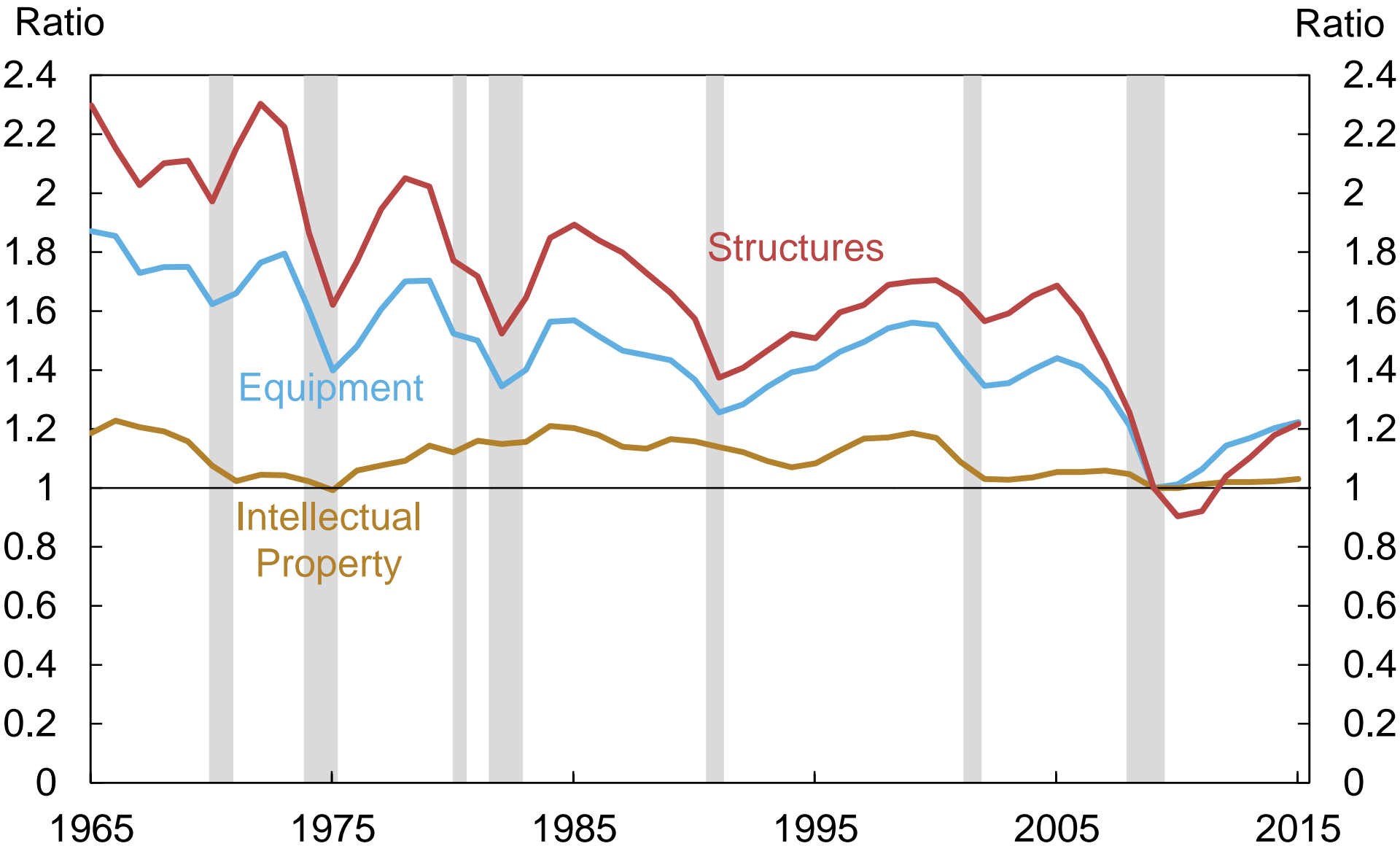


Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.



# Private Investment Over Depreciation



Source: Bureau of Economic Analysis via Haver Analytics

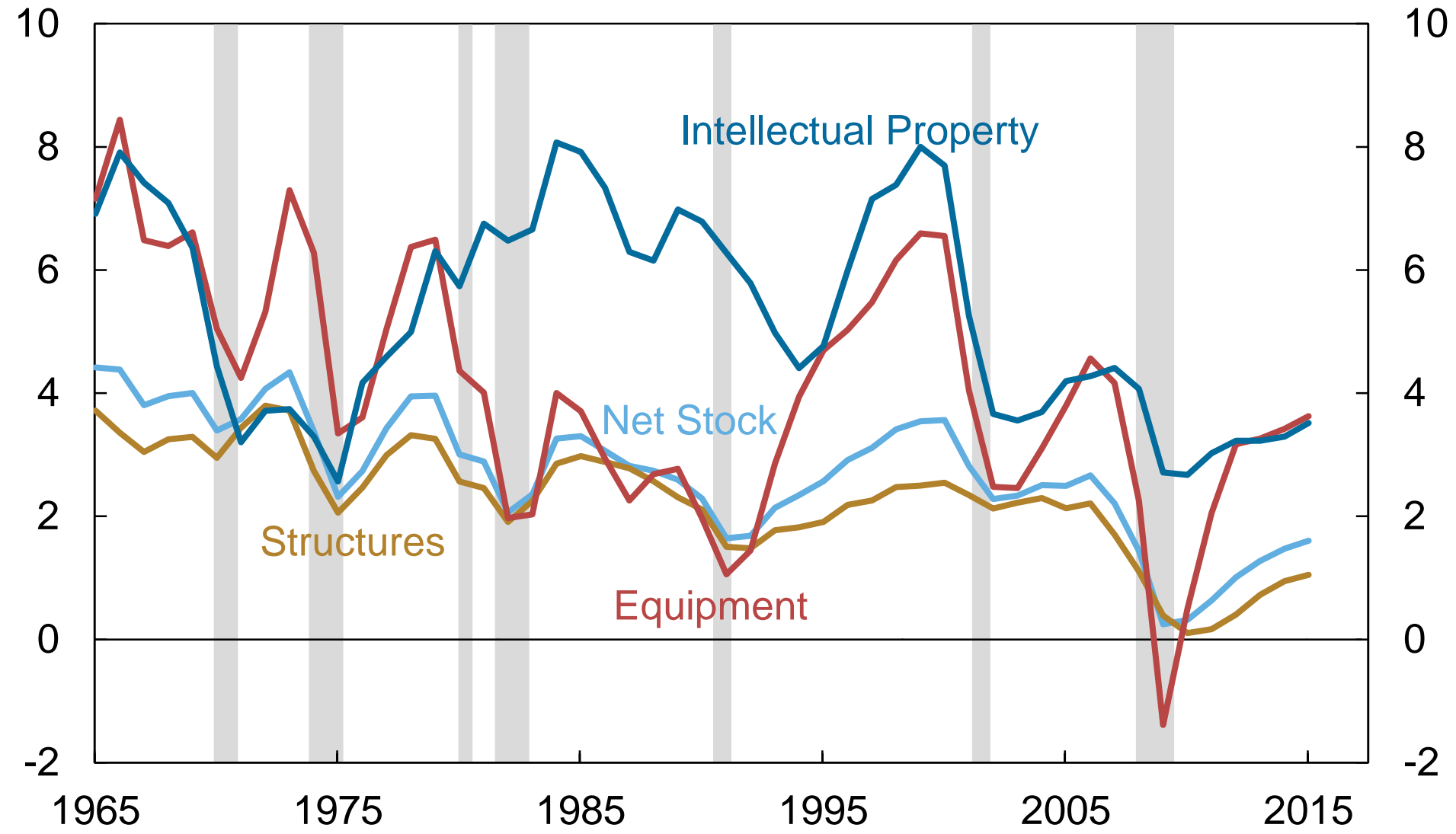
Note: Shading shows NBER recessions.



# Growth of Net Private Nonresidential Capital Stock

Y/Y Growth Rate

Y/Y Growth Rate



Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.

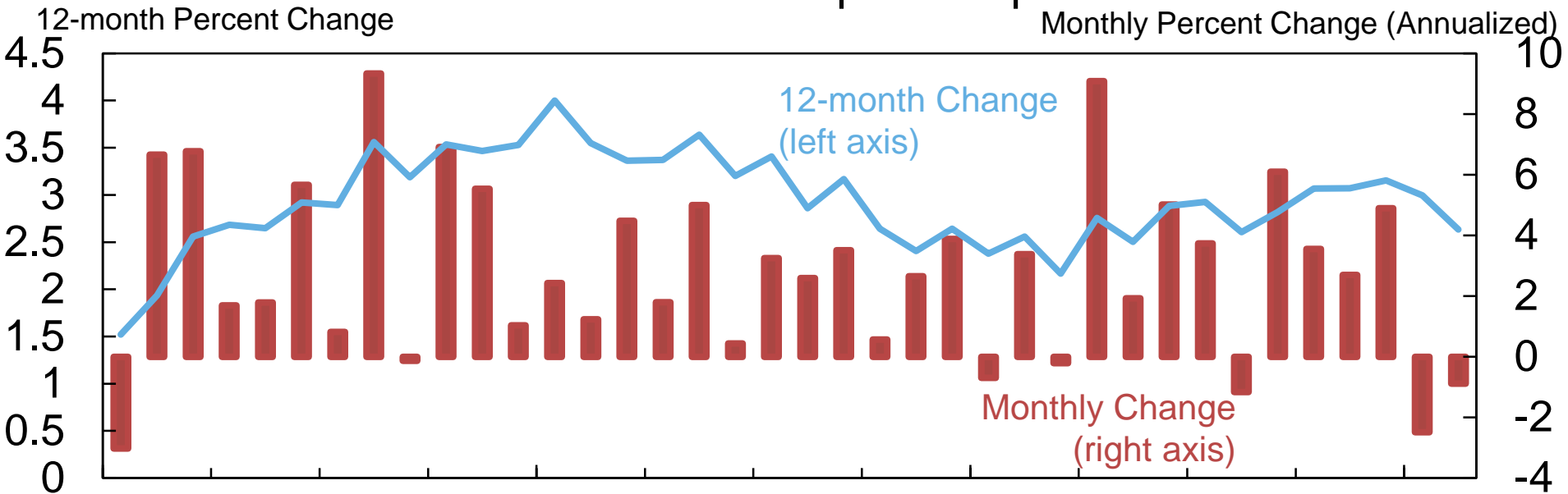
# Reference Charts

Average Percentage Point Deviation from Average Quarterly Real GDP Growth Rate

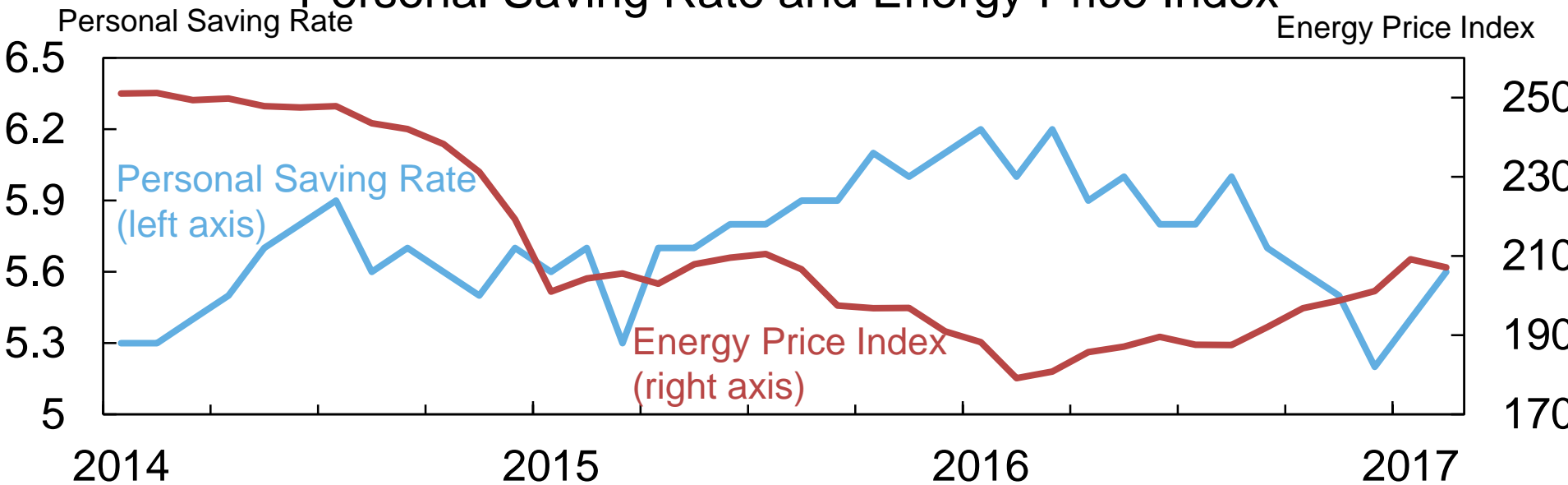
	<b>20-years</b>	<b>15-years</b>	<b>10-years</b>	<b>5- years</b>
<b>Q1</b>	-0.9	-0.8	-1.4	-0.6
<b>Q2</b>	0.6	0.4	0.8	0.1
<b>Q3</b>	0.3	0.5	0.6	0.8
<b>Q4</b>	0.1	-0.1	0.0	-0.2



# Real Personal Consumption Expenditures



# Personal Saving Rate and Energy Price Index



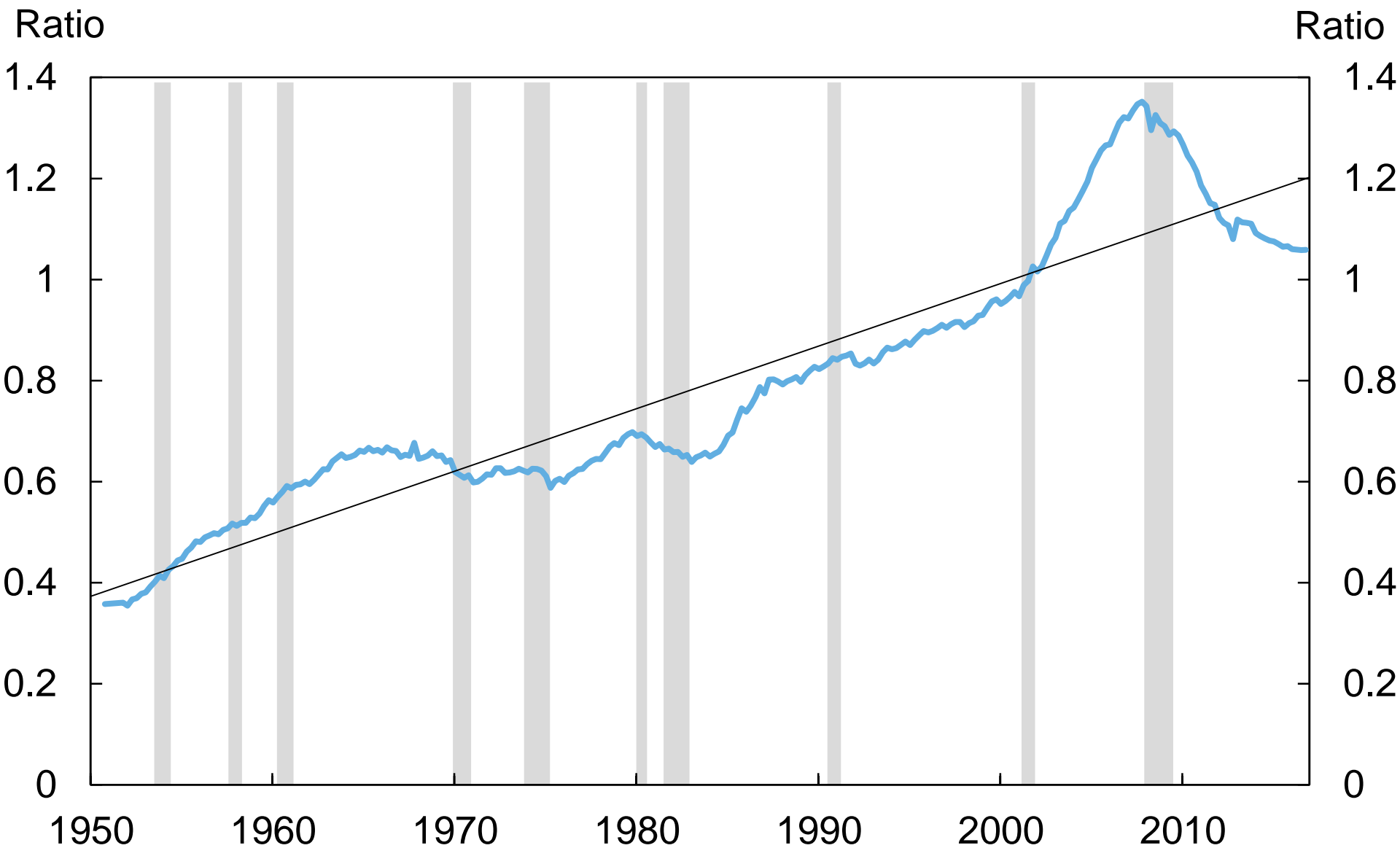
Sources: Bureau of Economic Analysis and Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions. 22





# Household Liabilities/Disposable Personal Income

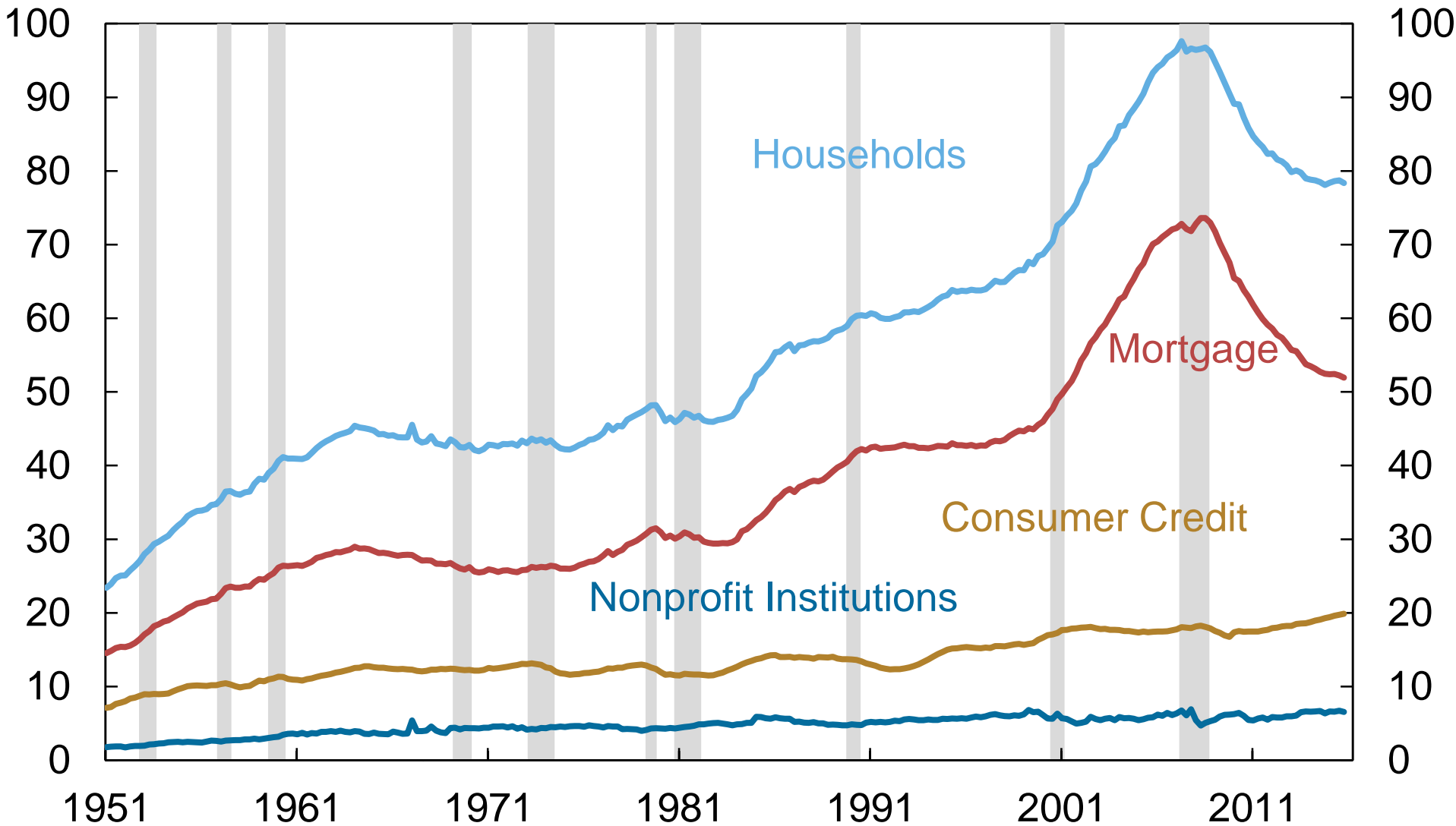




# Debt by Sector: Households and Nonprofit Institutions

Percentage of GDP

Percentage of GDP



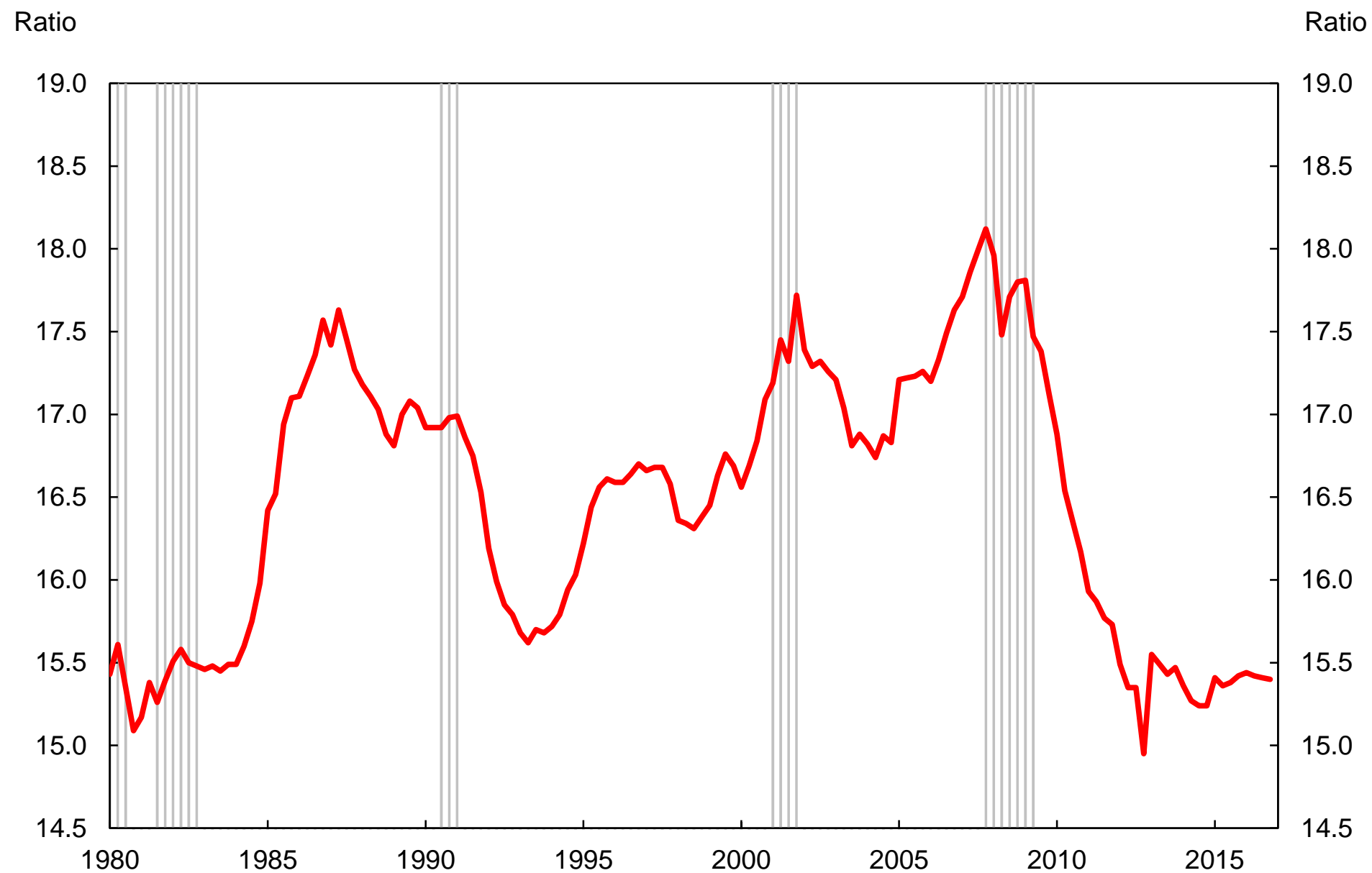
24

Source: Haver; Author's Calculations.

Note: Shading shows NBER recessions.



# Household Financial Obligation Ratio



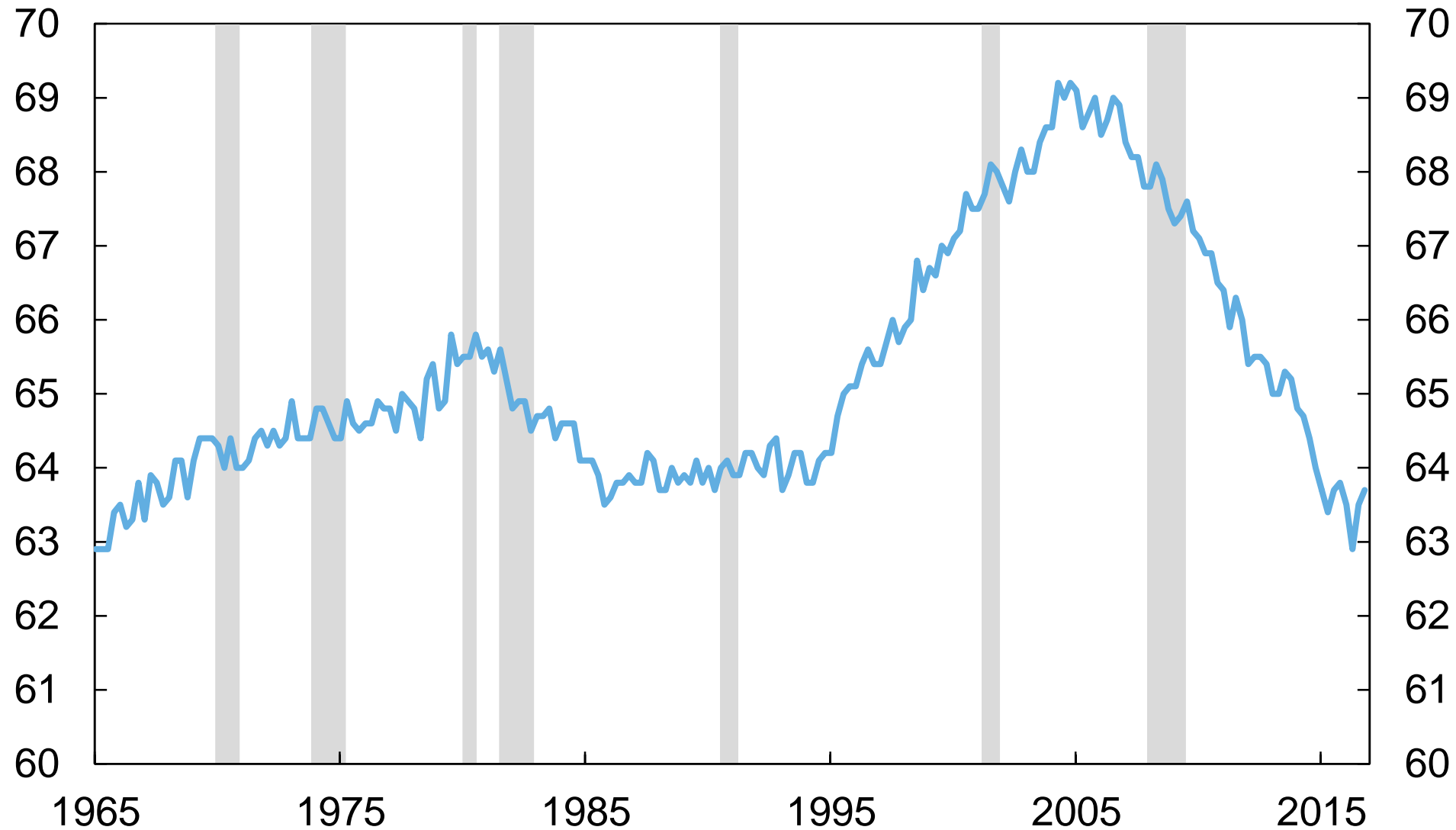
Source: Federal Reserve Board



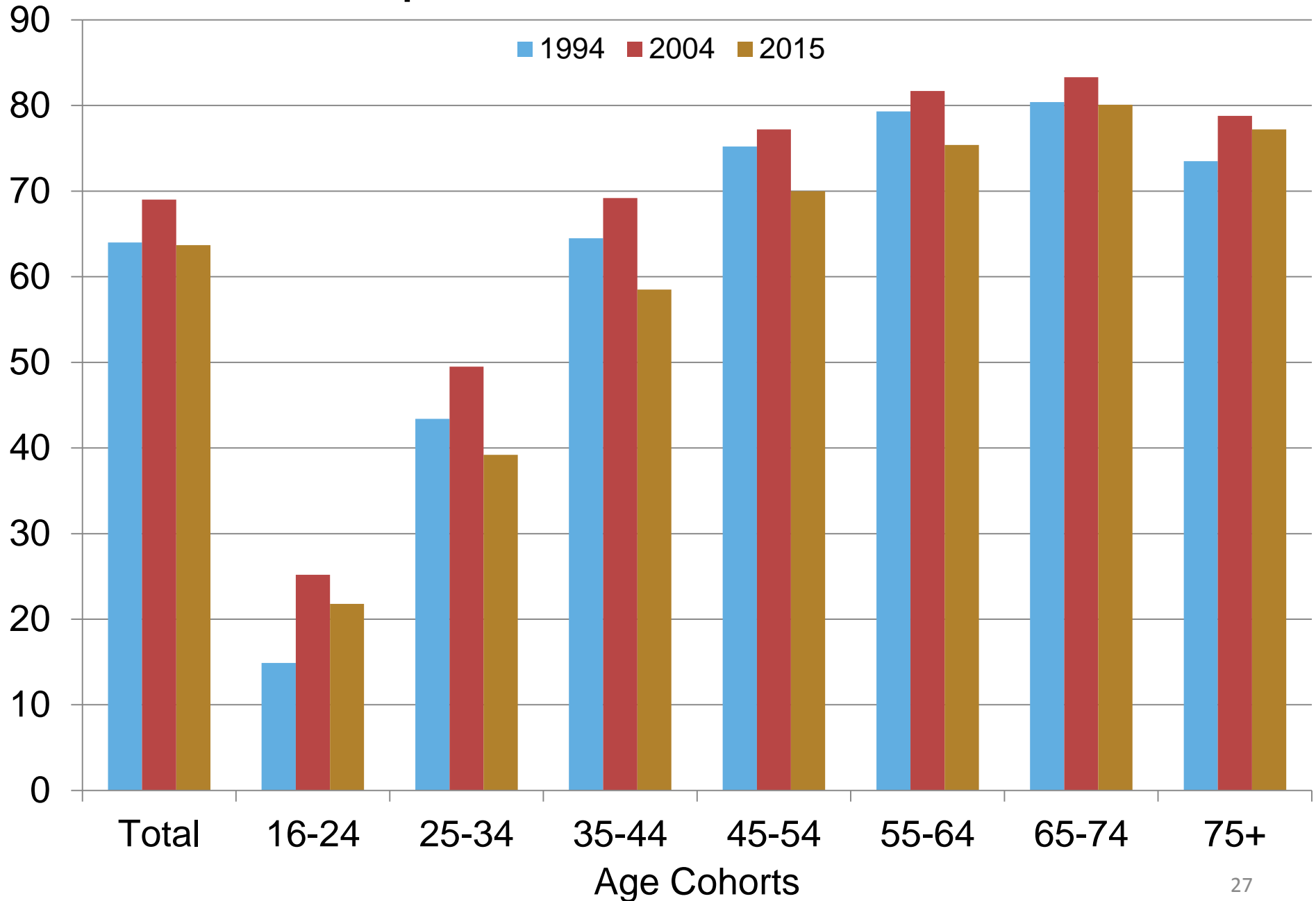
# U.S. Homeownership Rate

Homeownership Rate

Homeownership Rate



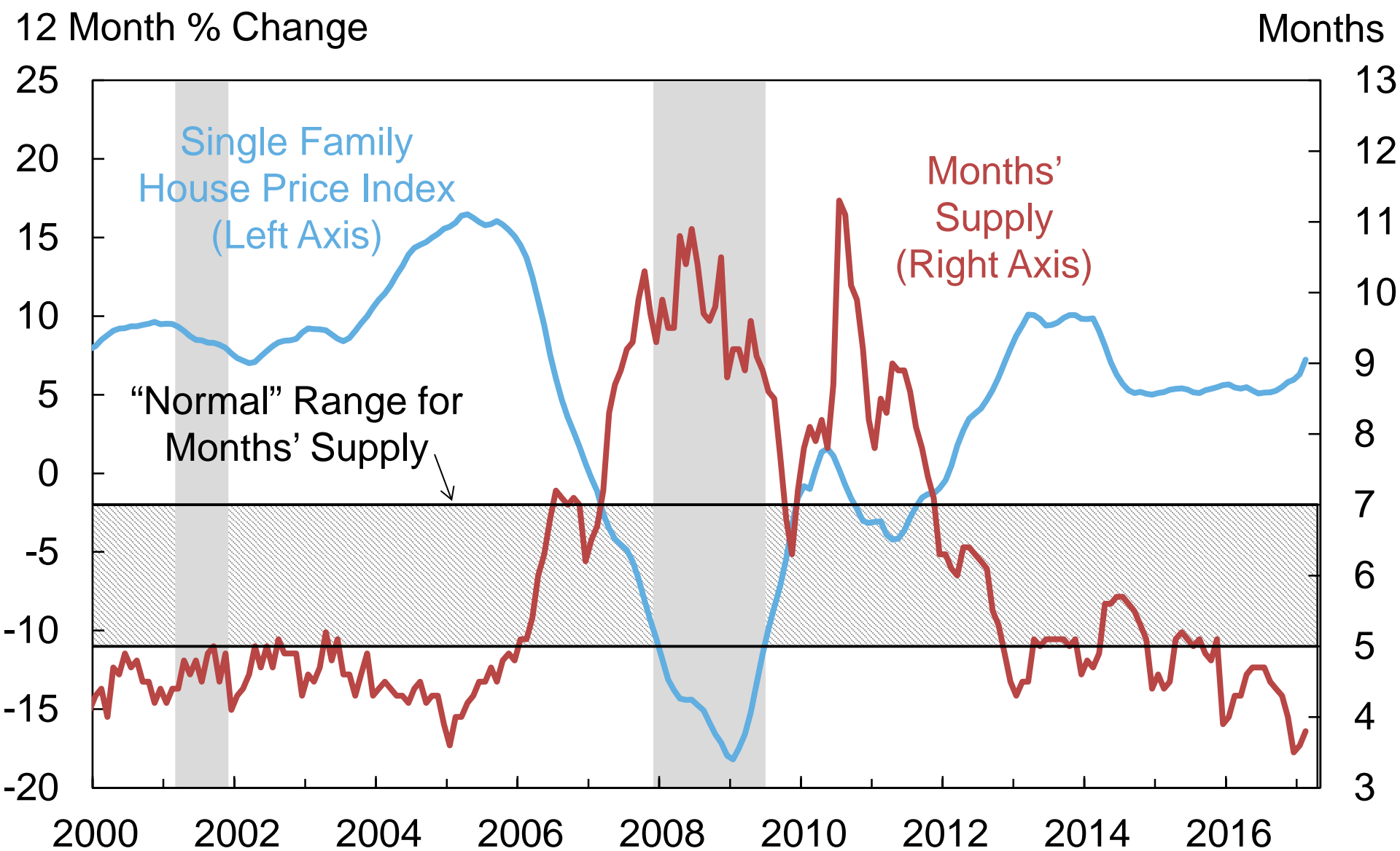
# Homeownership Rate



Source: Census Bureau



# Single Family Housing Market



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

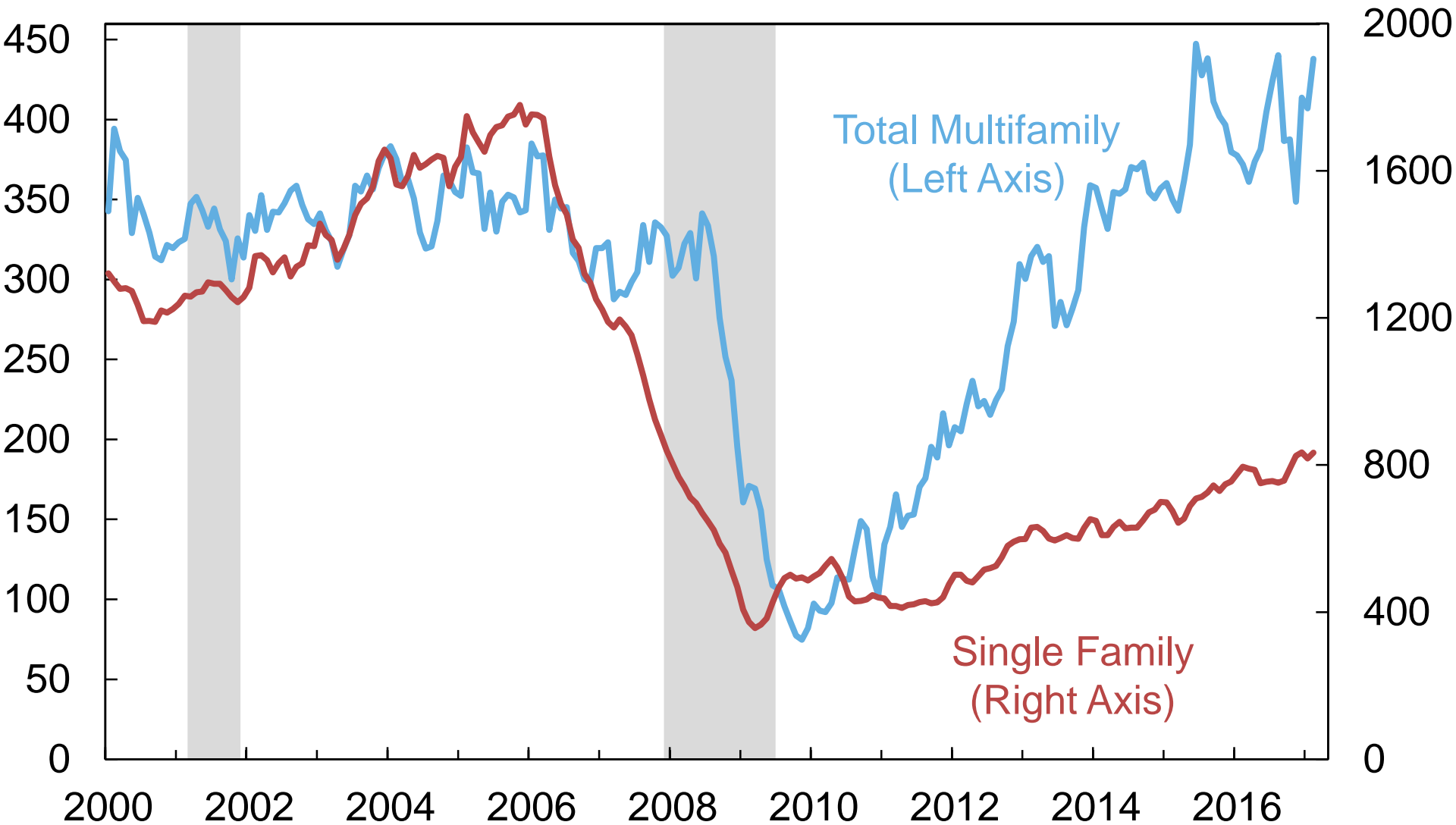
Note: Shading shows NBER recessions. 28



# Housing Starts

Thousands, 3 MMA

Thousands, 3 MMA

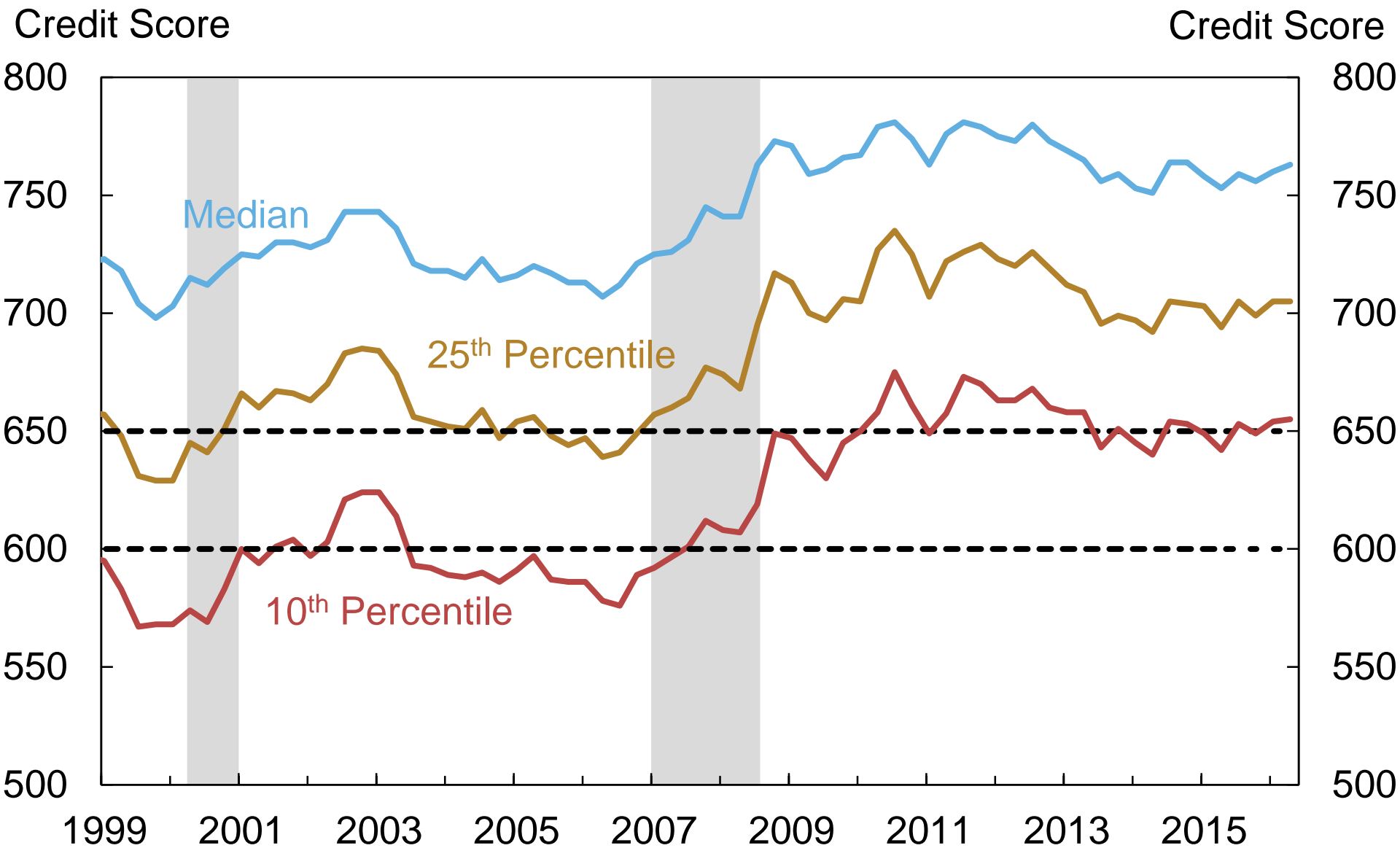


Source: Census Bureau via Haver Analytics

Note: Shading shows NBER recessions.



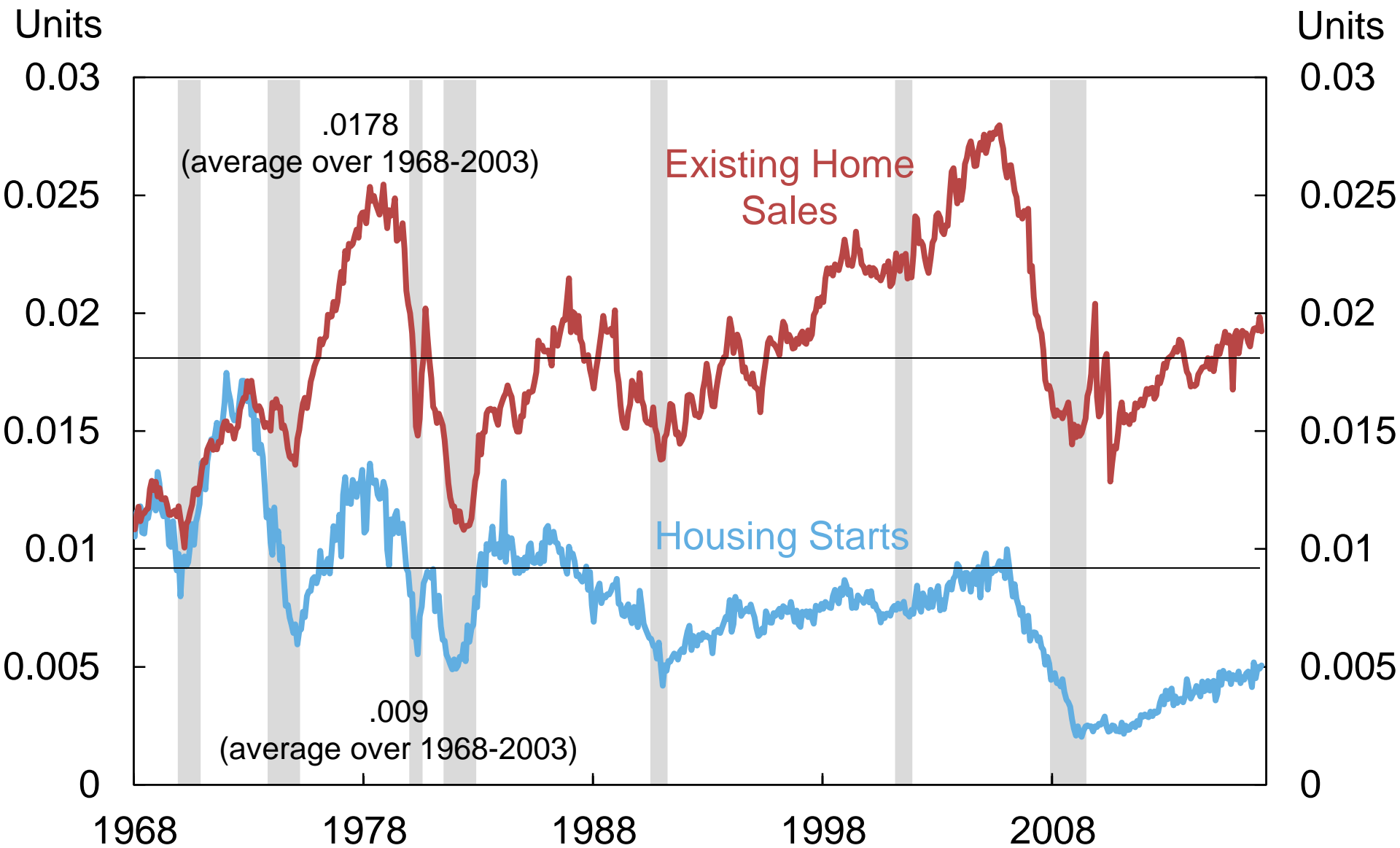
# Credit Score at Mortgage Origination







# Housing Starts and Existing Homes Sales Per Capita

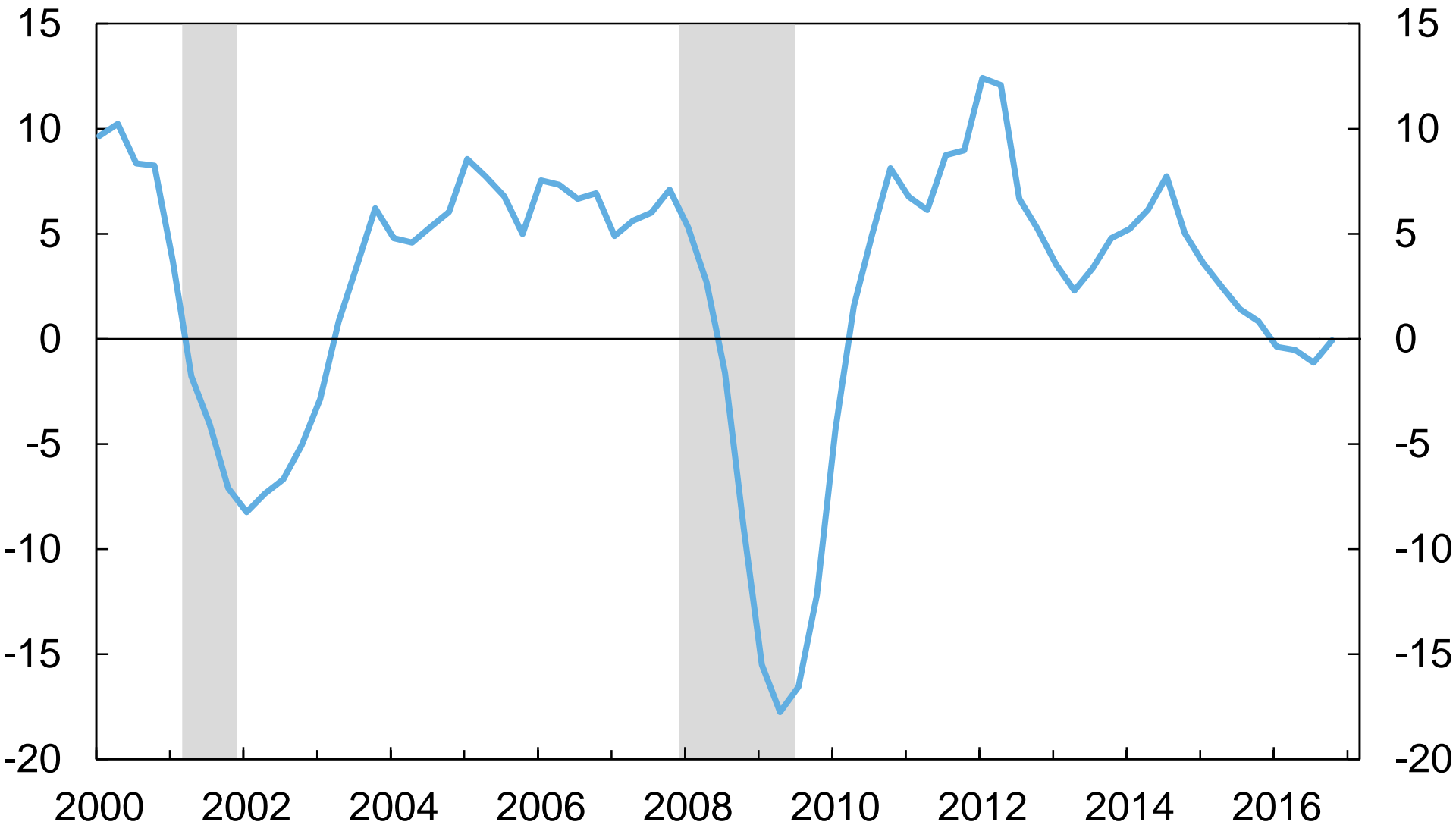




# Real Business Fixed Investment

4Q % Change

4Q % Change

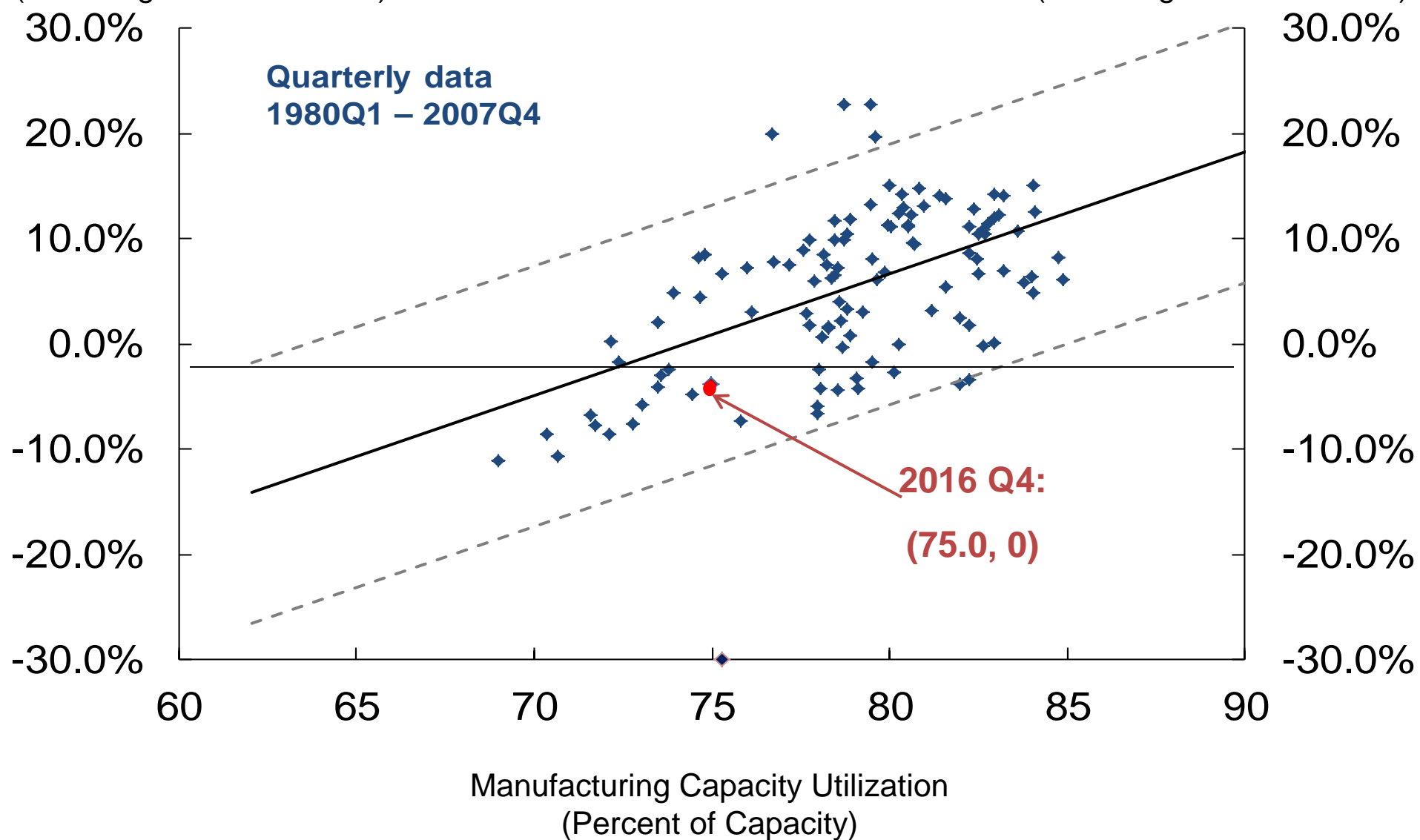




# Equipment Investment Spending and Capacity Utilization

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

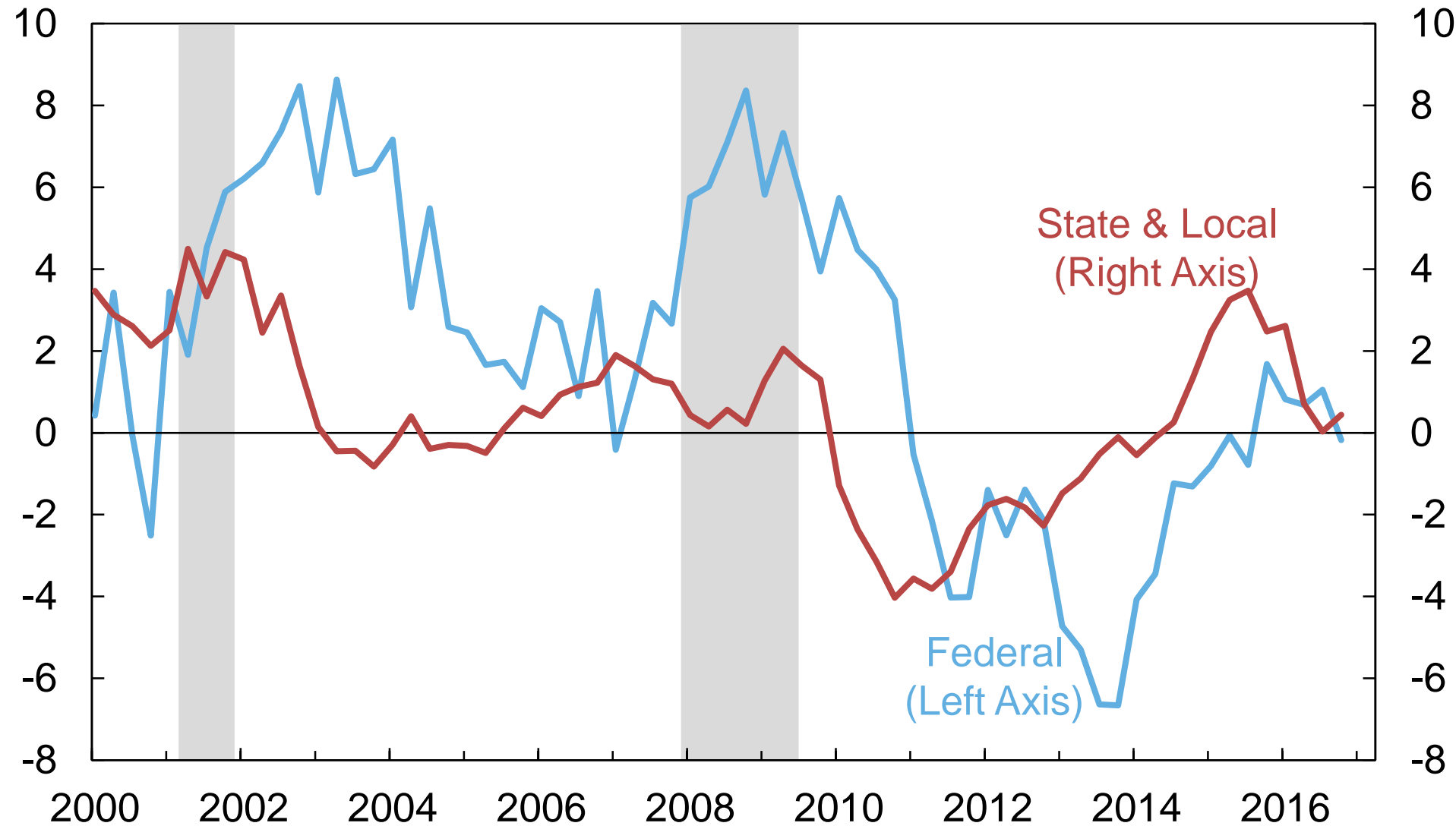
Real Business Investment in New Equipment  
(% Change – Year to Year)



# Real Government Consumption and Gross Investment

4 Quarter % Change

4 Quarter % Change



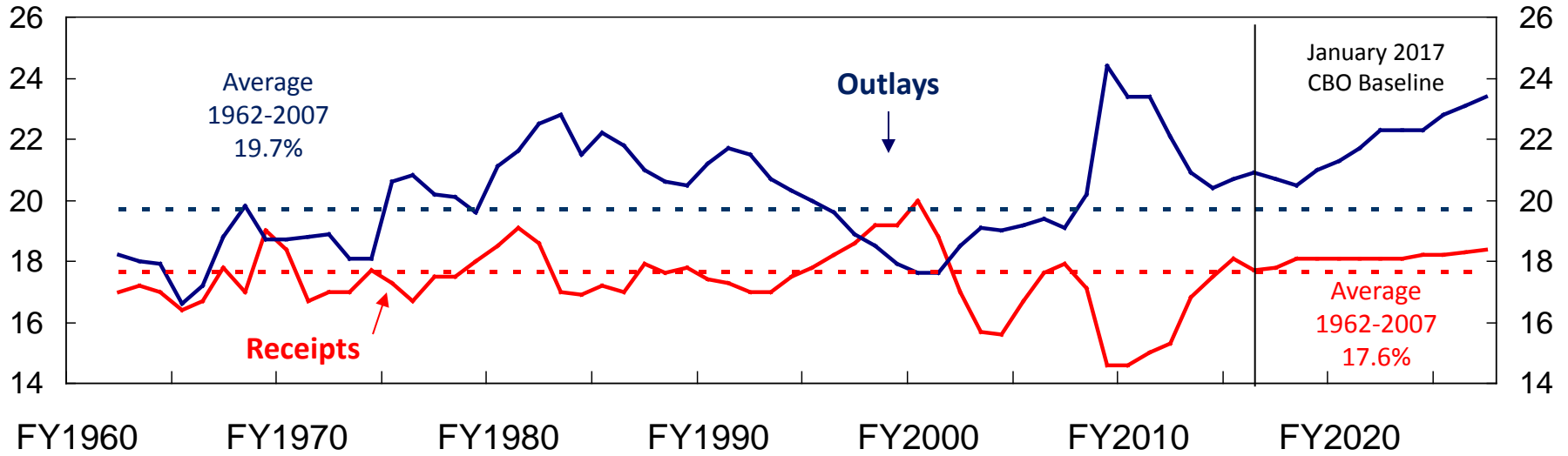


# Federal Receipts, Outlays, and Debt

(CBO Current Law Baseline)

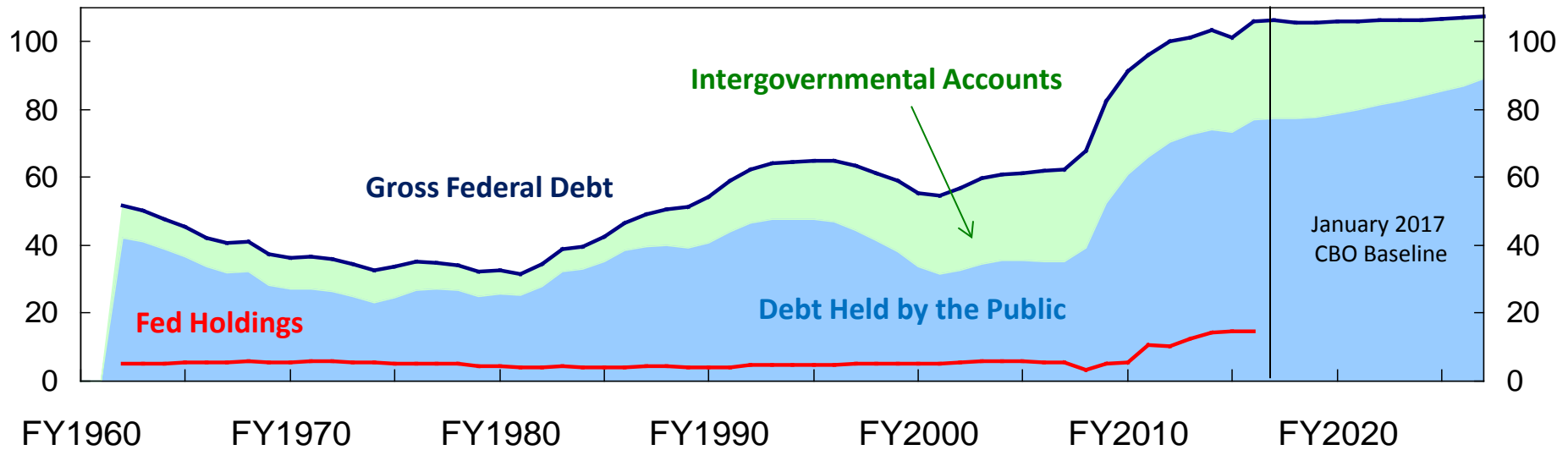
Percent of GDP

Percent of GDP



Percent of GDP

Percent of GDP

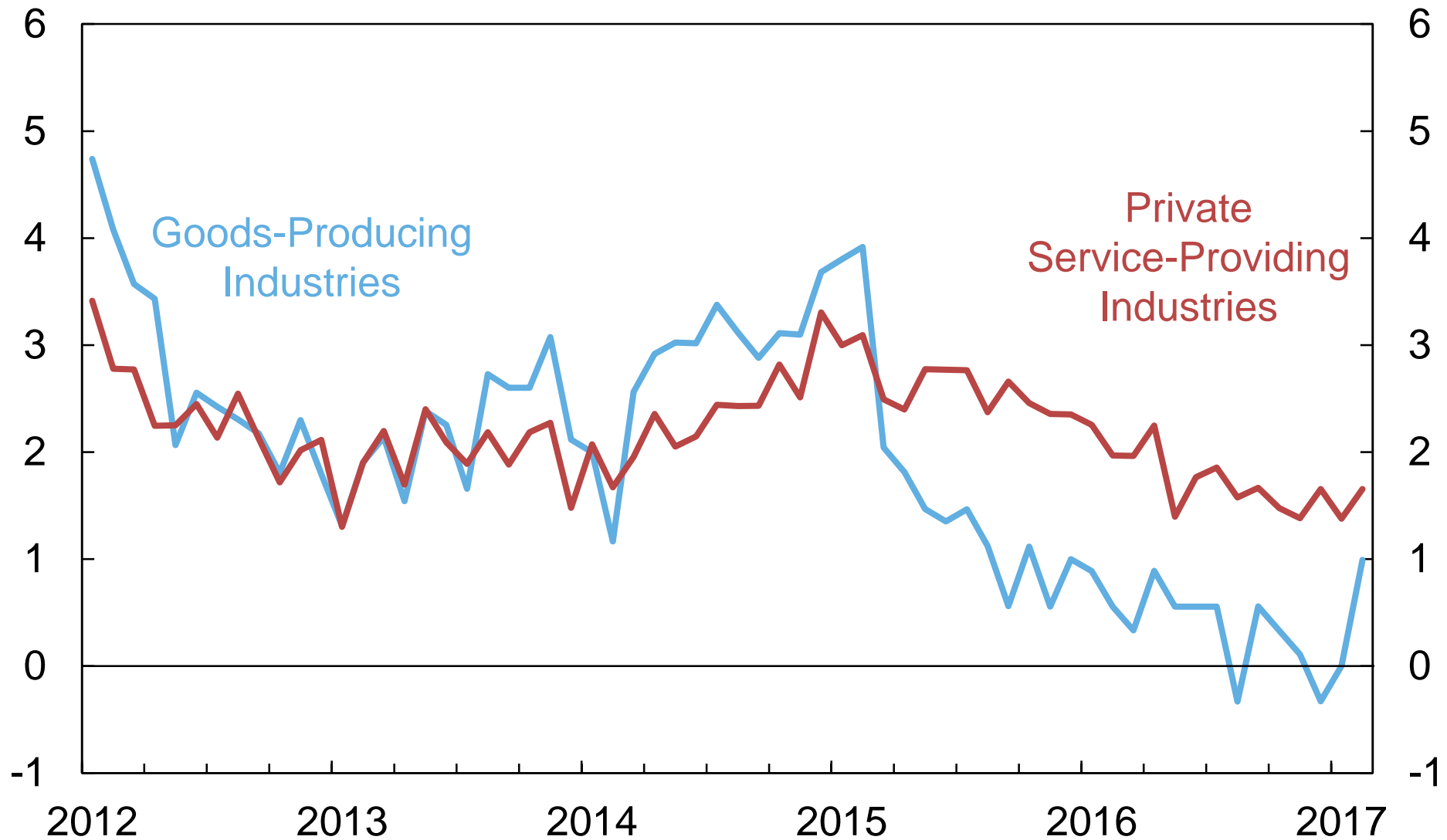




# Aggregate Weekly Hours Worked

Y/Y % Change

Y/Y % Change

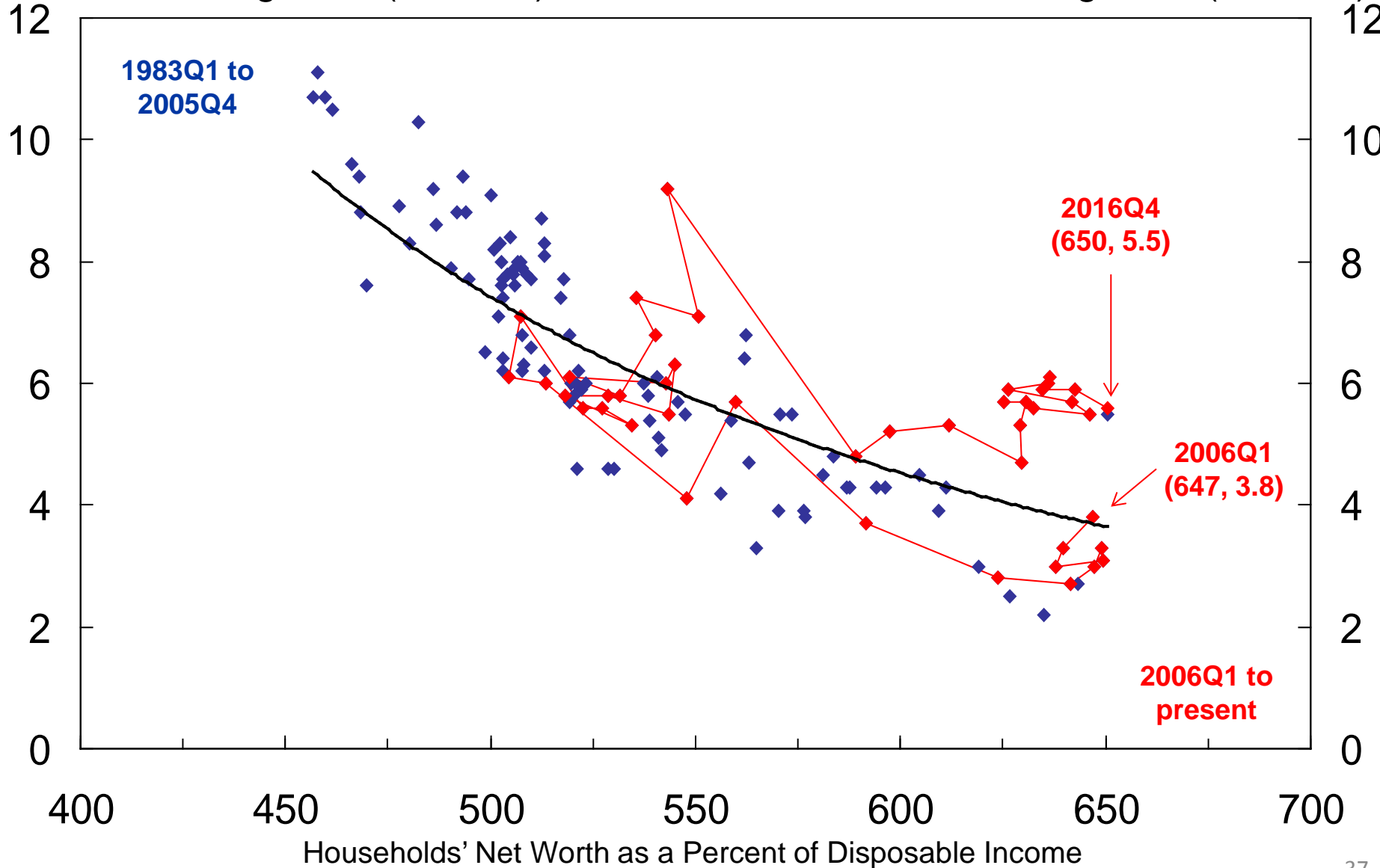




# Personal Saving Rate and Household Net Worth

Personal Saving Rate (Percent)

Personal Saving Rate (Percent)



Source: Bureau of Economic Analysis and Federal Reserve Board

Note: Fitted line is from 1983Q1 to 2005Q4.

## Change in Labor Force Participation Rate by Age and Sex

	<b>All Ages</b>			<b>Ages 16 to 24</b>			<b>Ages 25 to 54</b>			<b>Ages 55 and over</b>		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
<b>2006</b>	66.2	73.5	59.4	60.6	63.3	57.9	82.9	90.6	75.5	38.0	44.9	32.3
<b>2016</b>	62.8	69.2	56.8	55.2	56.5	53.8	81.3	88.5	74.3	40.0	46.2	34.7
<b>Change</b>	-3.4	-4.3	-2.6	-5.4	-6.8	-4.1	-1.6	-2.0	-1.2	2.0	1.3	2.3

### Contribution to Change in Participation Rate (Percent)

	100.0	61.4	38.9	42.0	24.8	17.2	145.8	83.3	62.6	-87.8	-46.7	-40.9
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### Memo: Share of Population

<b>2006</b>	100.0	48.3	51.7	16.1	8.2	8.0	54.6	26.9	27.6	29.3	13.2	16.0
<b>2016</b>	100.0	48.3	51.7	15.2	7.6	7.5	49.6	24.4	25.2	35.2	16.3	18.9
<b>Change</b>	0.0	0.0	0.0	-1.0	-0.5	-0.5	-5.0	-2.6	-2.4	6.0	3.0	2.9



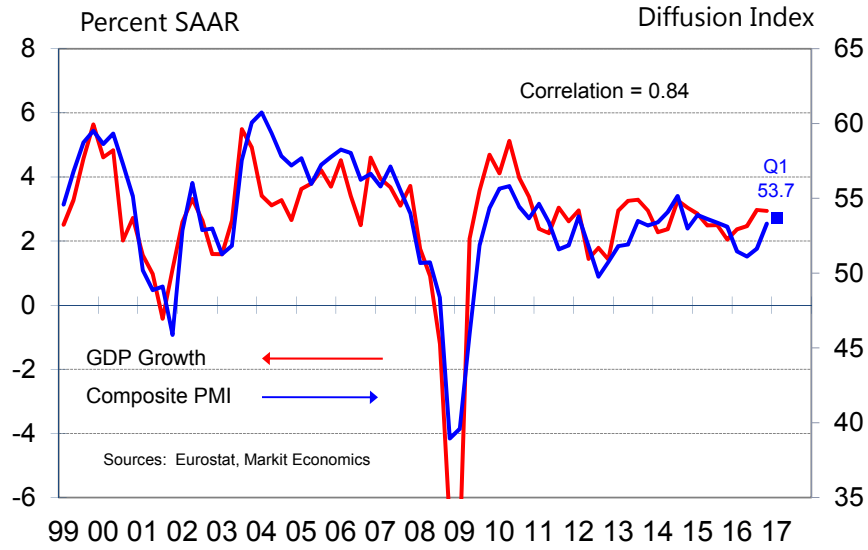


## Roadmap

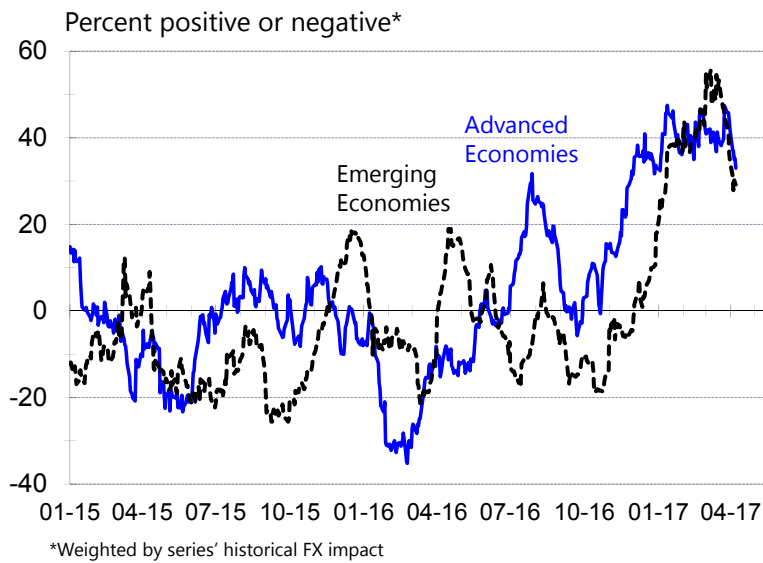
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- Recent signs of stronger global growth
  - Temporary rebound or return to stronger trend?
- Advanced economies' struggle to escape "lowflation"
- Implications of potential U.S. trade restrictions

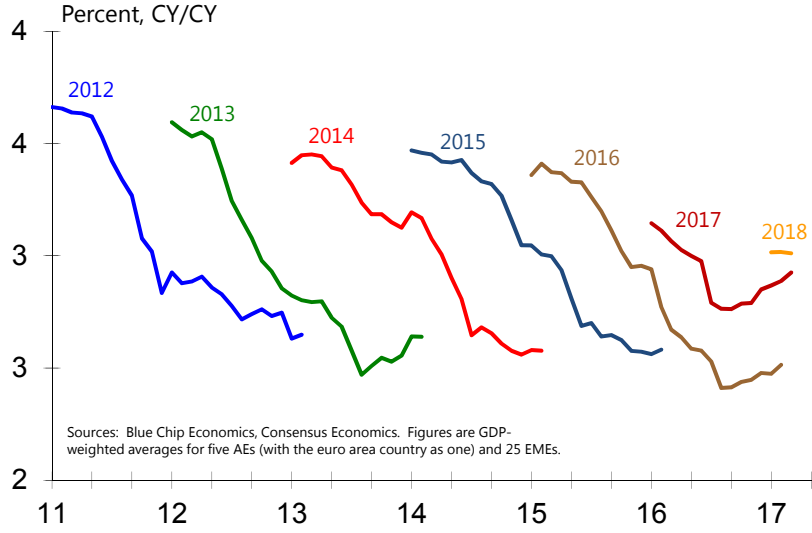
## Global GDP Growth and Composite PMI



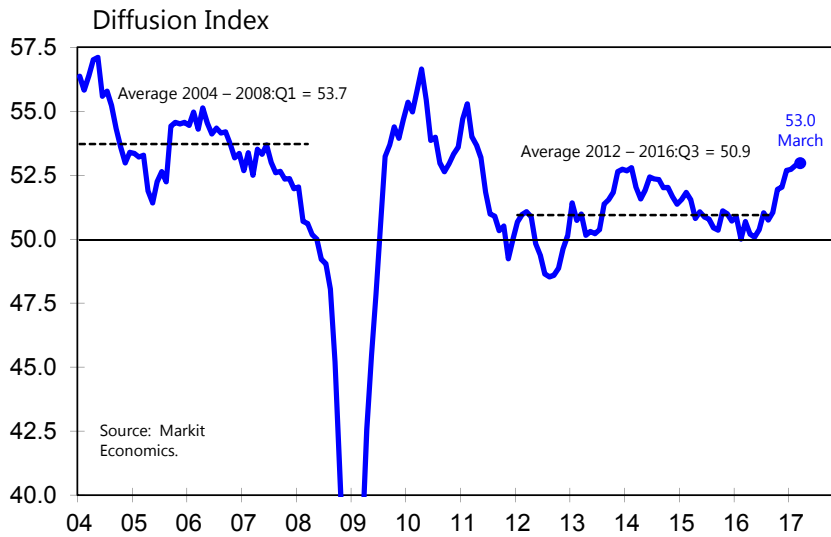
## Citigroup Economic Surprise Indexes



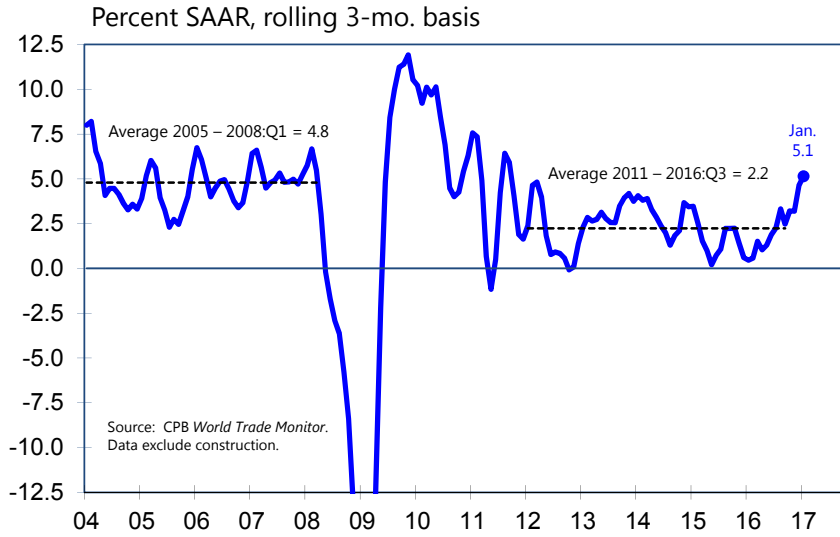
### Evolution of Global Market Growth Forecasts



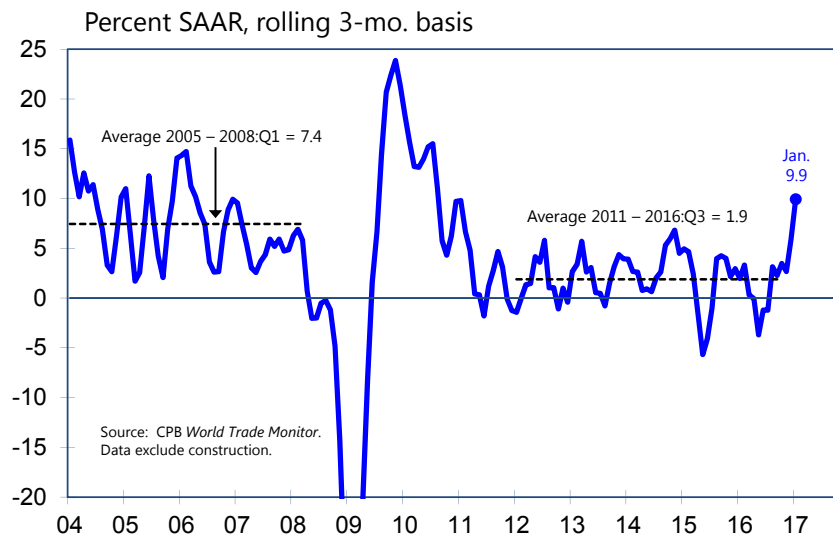
### Global Manufacturing PMI



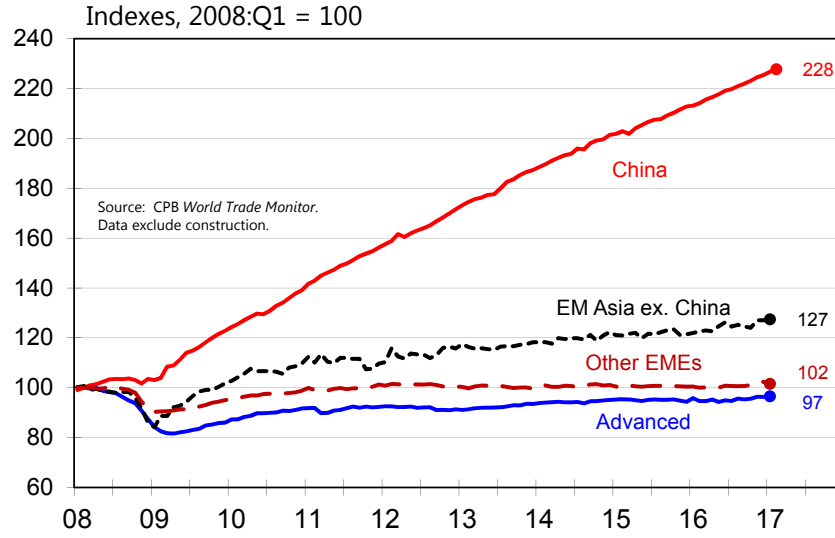
## Global Industrial Production Growth



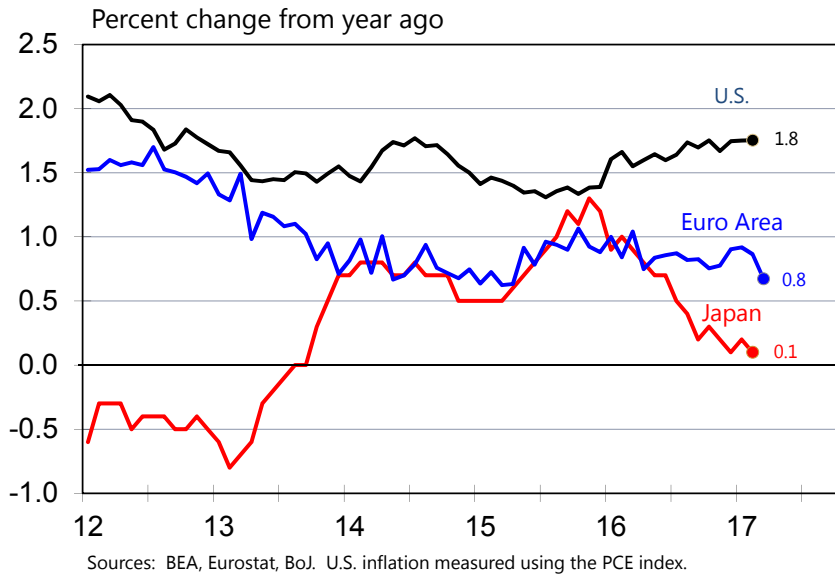
## Global Trade Volume Growth



### Global Industrial Production Performance

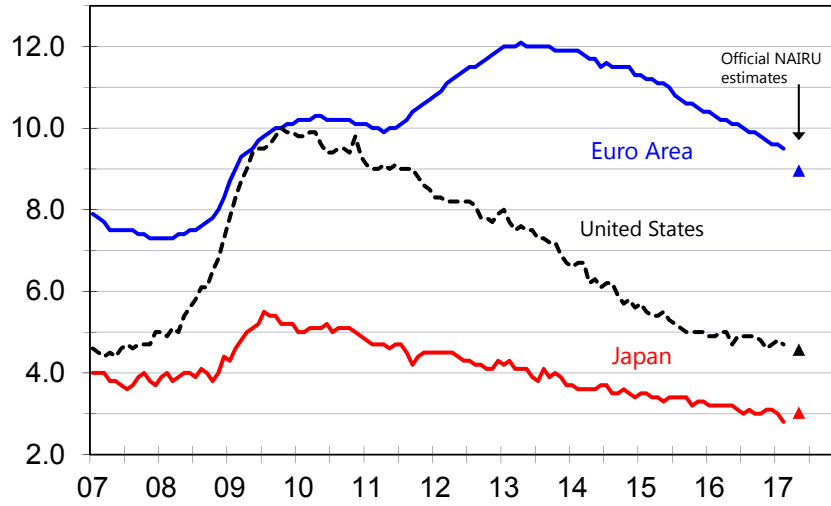


### G-3: Core Consumer Price Inflation



### G-3: Unemployment Rates

Percent change from year ago



Sources: BEA, Eurostat, BoJ. U.S. inflation measured using the PCE index.

### U.S. Merchandise Trade by Partner (\$U.S. bn.)

Country or Region	Exports	Imports	Balance
World	1,455	2,189	-734
Canada	269	278	-10
Mexico	231	294	-64
Euro area	200	326	-126
Asia ex. China, Japan	194	280	-86
South America	137	108	29
China	116	463	-347
OPEC*	69	67	2
Japan	63	132	-69
Europe ex. EMU, UK	63	103	-40
United Kingdom	55	54	1
Miscellaneous	63	84	-21

Source: U.S. Census Bureau. Figures are for the 12 months through December 2016. \* Excluding Venezuela.

### **U.S. Merchandise Trade with Canada**

( values for 2016, \$U.S. bn. )

	<b>Exports</b>	<b>Imports</b>
Total	266	278
Capital Goods ex Autos	69	33
Motor Vehicles and Parts	58	65
Passenger Cars	14	45
Auto Parts and Trucks	44	19
Industrial Supplies	77	120
Consumer Goods	35	18
Food and Beverages	23	24
Other	10	19

Source: U.S. Census Bureau.

### **U.S. Merchandise Trade with Mexico**

( values for 2016, \$U.S. bn. )

	<b>Exports</b>	<b>Imports</b>
Total	231	294
Capital Goods ex Autos	81	86
Motor Vehicles and Parts	33	107
Passenger Cars	4	24
Auto Parts and Trucks	30	84
Industrial Supplies	78	31
Consumer Goods	14	37
Food and Beverages	16	24
Other	8	8

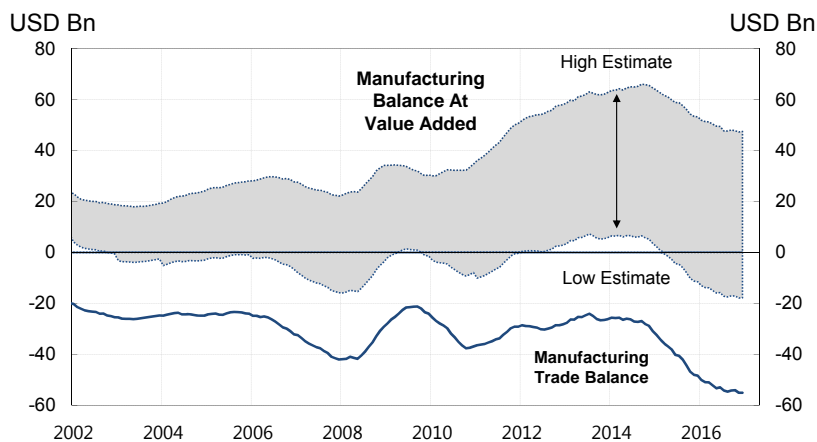
Source: U.S. Census Bureau.

### Current and Hypothetical MFN Tariffs Rates on U.S. Imports from Mexico ( percent )

	NAFTA	MFN*
Total	0.1	3.3
Capital Goods ex. Autos	0.1	0.8
Motor Vehicles and Parts	0.1	5.9
Passenger Cars	0.0	2.6
Auto Parts and Trucks	0.1	6.8
Industrial Supplies	0.1	1.4
Consumer Goods	0.2	3.2
Food and Beverages	0.0	3.9
Other	0.1	0.1

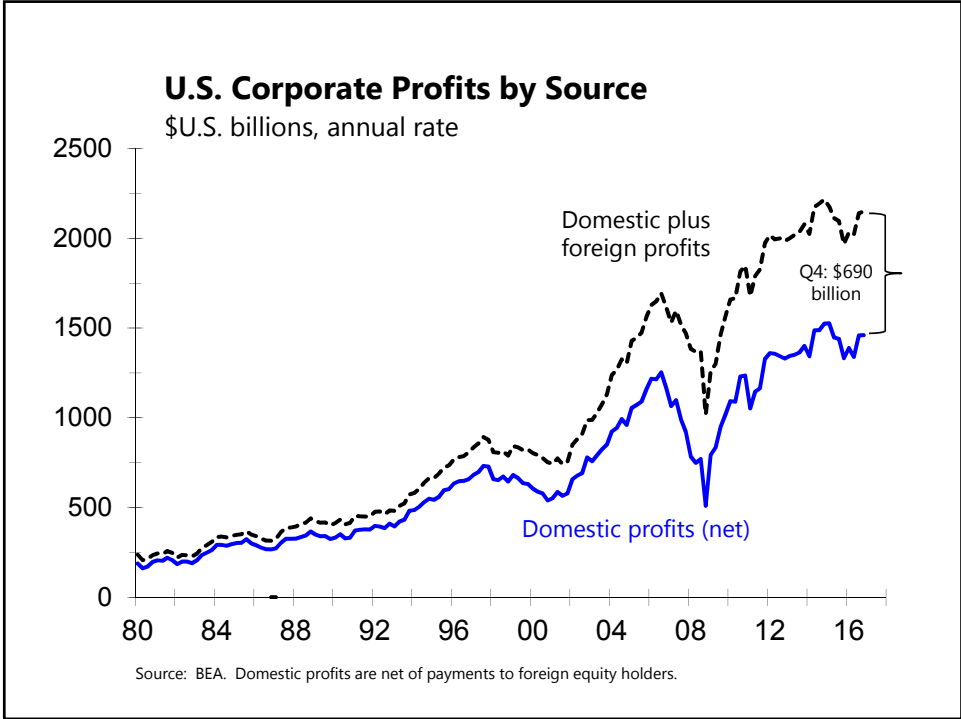
Source: U.S. Census Bureau; United States International Trade Commission. \* Implied MFN tariff rate is derived from duties actually paid in 2016 on U.S. imports from Brazil, China, Japan, and the EU, weighted to reflect the commodity composition of imports from Mexico.

### U.S. Trade Balance with Mexico



Source: Census Bureau; OECD; Koopman et al. The upper and lower bounds of the adjusted manufacturing balance are derived using estimates of the share of U.S. value-added in bilateral Mexican imports from Koopman, Powers, Wang, and Wei (2010) and the OECD TIVA database, respectively.







FEDERAL RESERVE BANK *of* NEW YORK

# Regional Economic Conditions

Jaison R. Abel, Research Officer

Upstate New York Regional Advisory Board Meeting – April 11, 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.

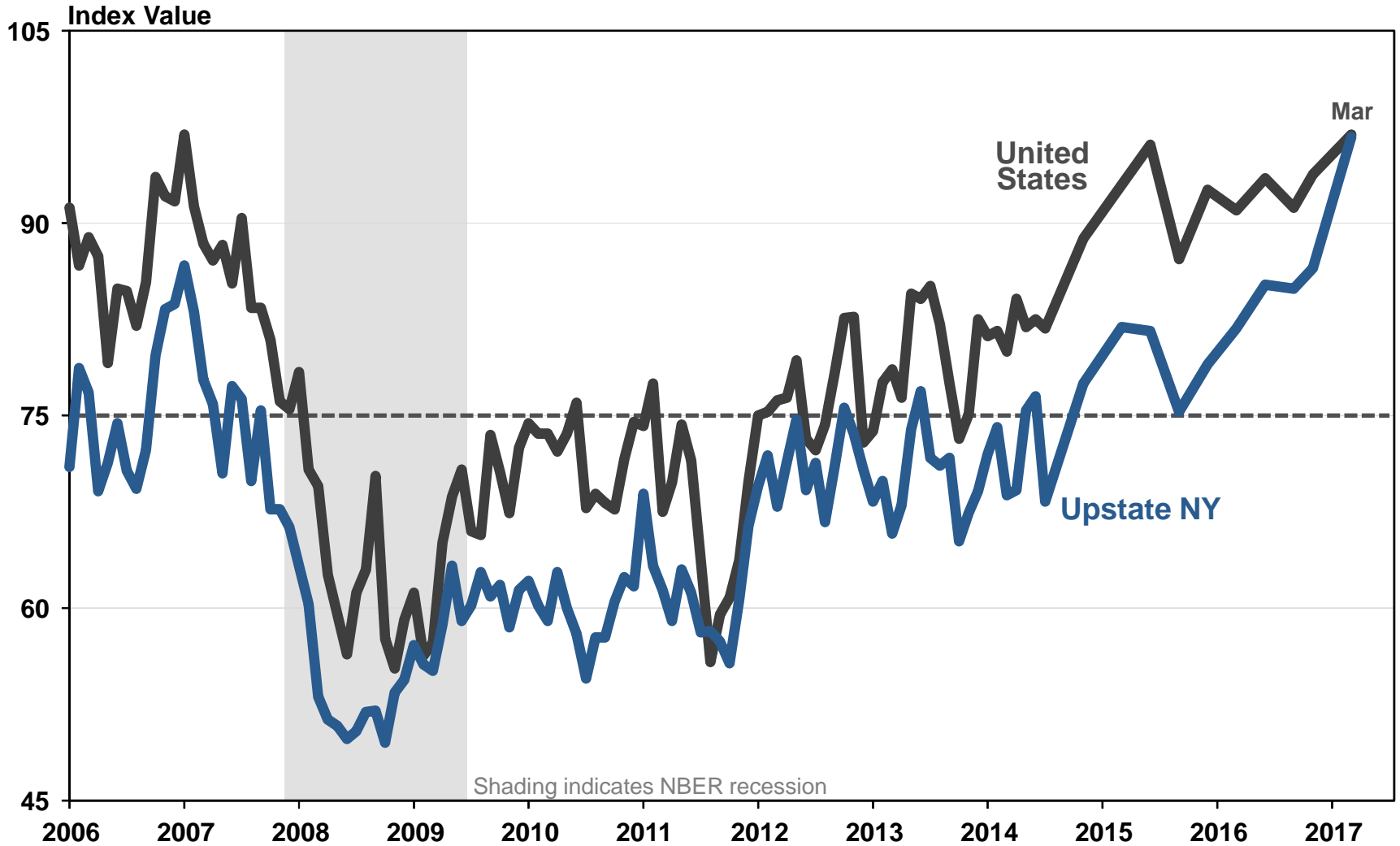
# Overview of Regional Conditions

- 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, more moderate in Albany and Buffalo, and slower in most other parts of the state. Puerto Rico continues to lose jobs.
- So far, businesses in New York State report fairly limited effects on employment and compensation from the recent increase in the minimum wage.



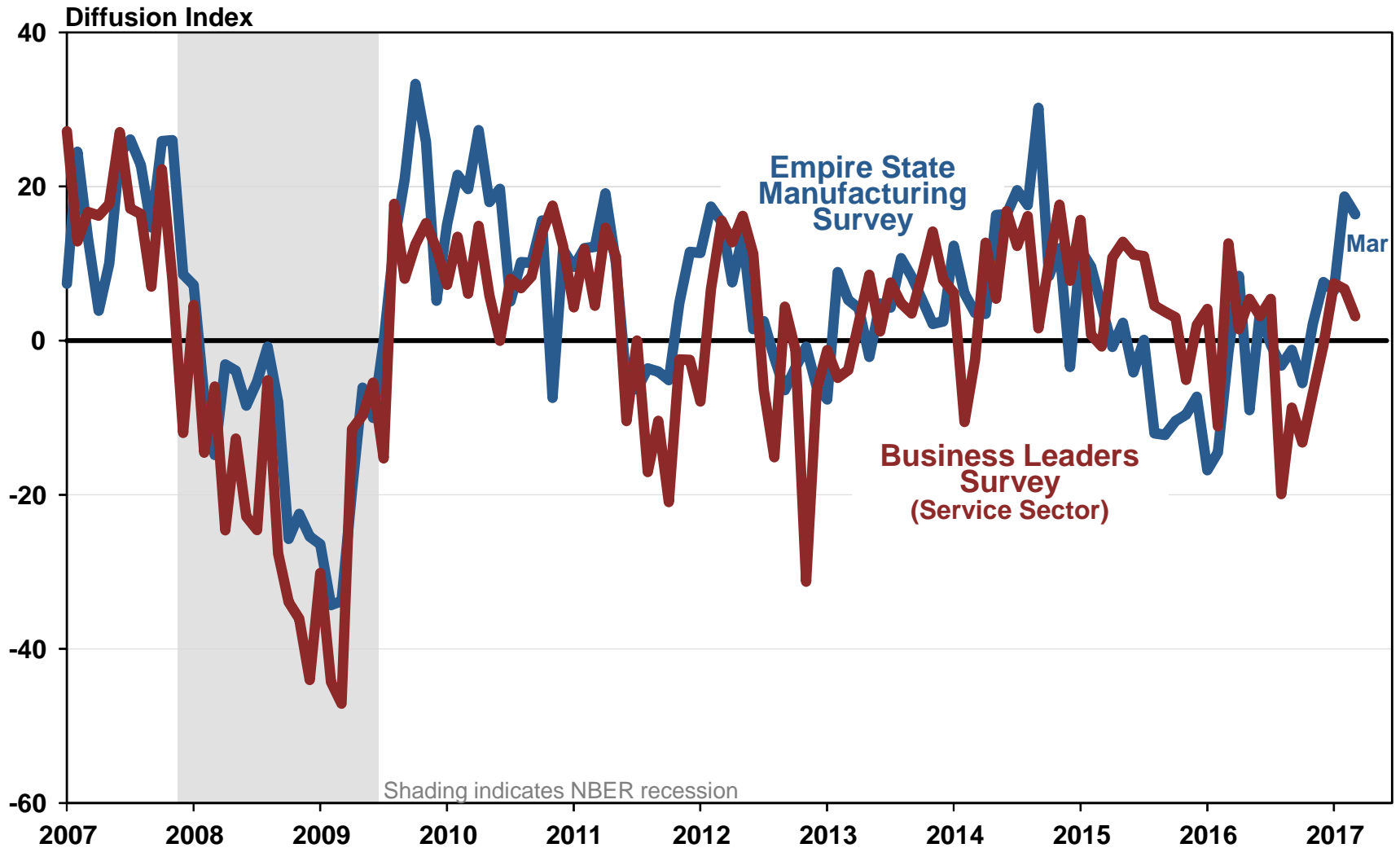
# Regional Consumer Confidence

## Overall Consumer Confidence



# Current Economic Conditions

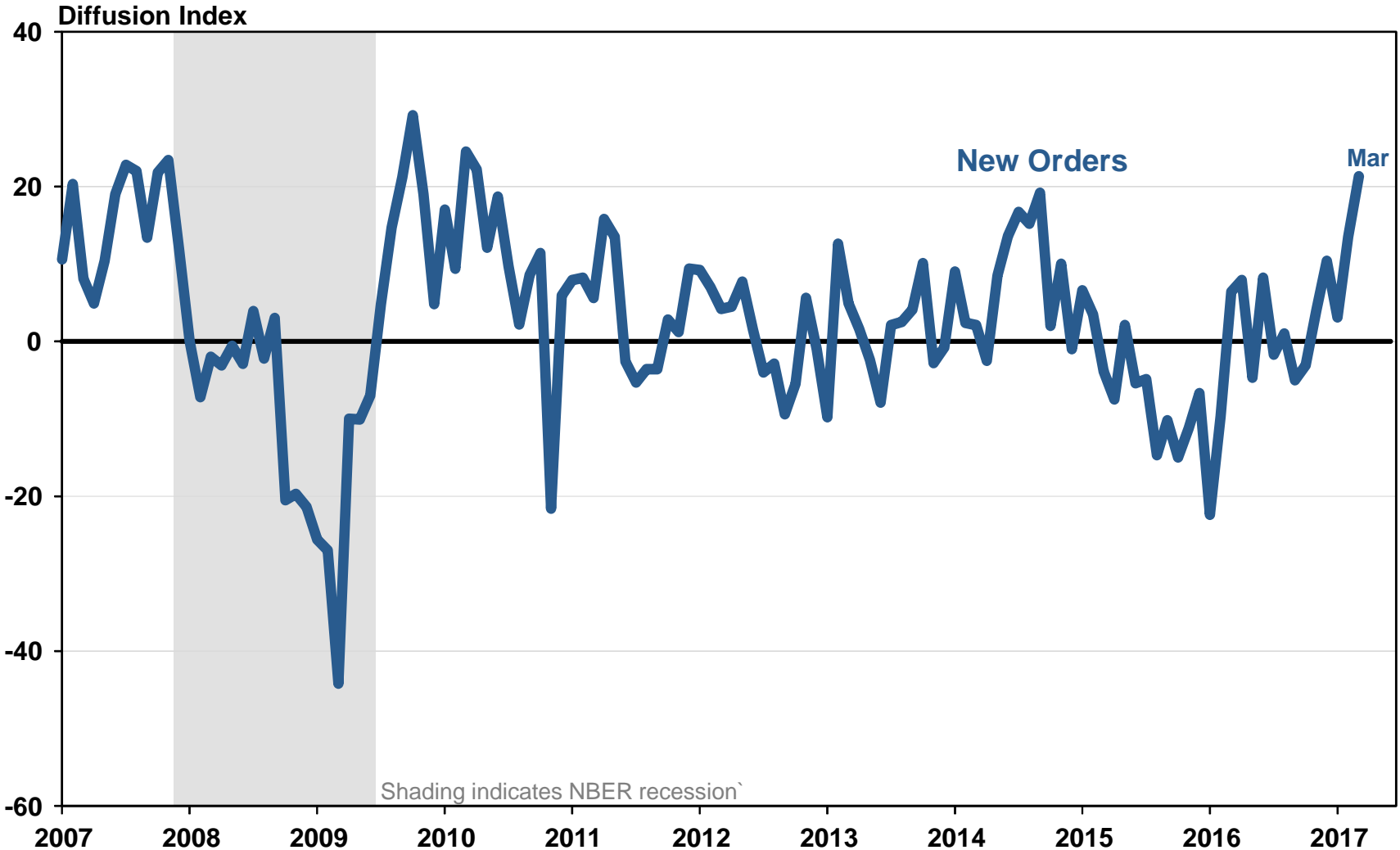
## FRBNY Regional Business Surveys



Shading indicates NBER recession

# New Orders

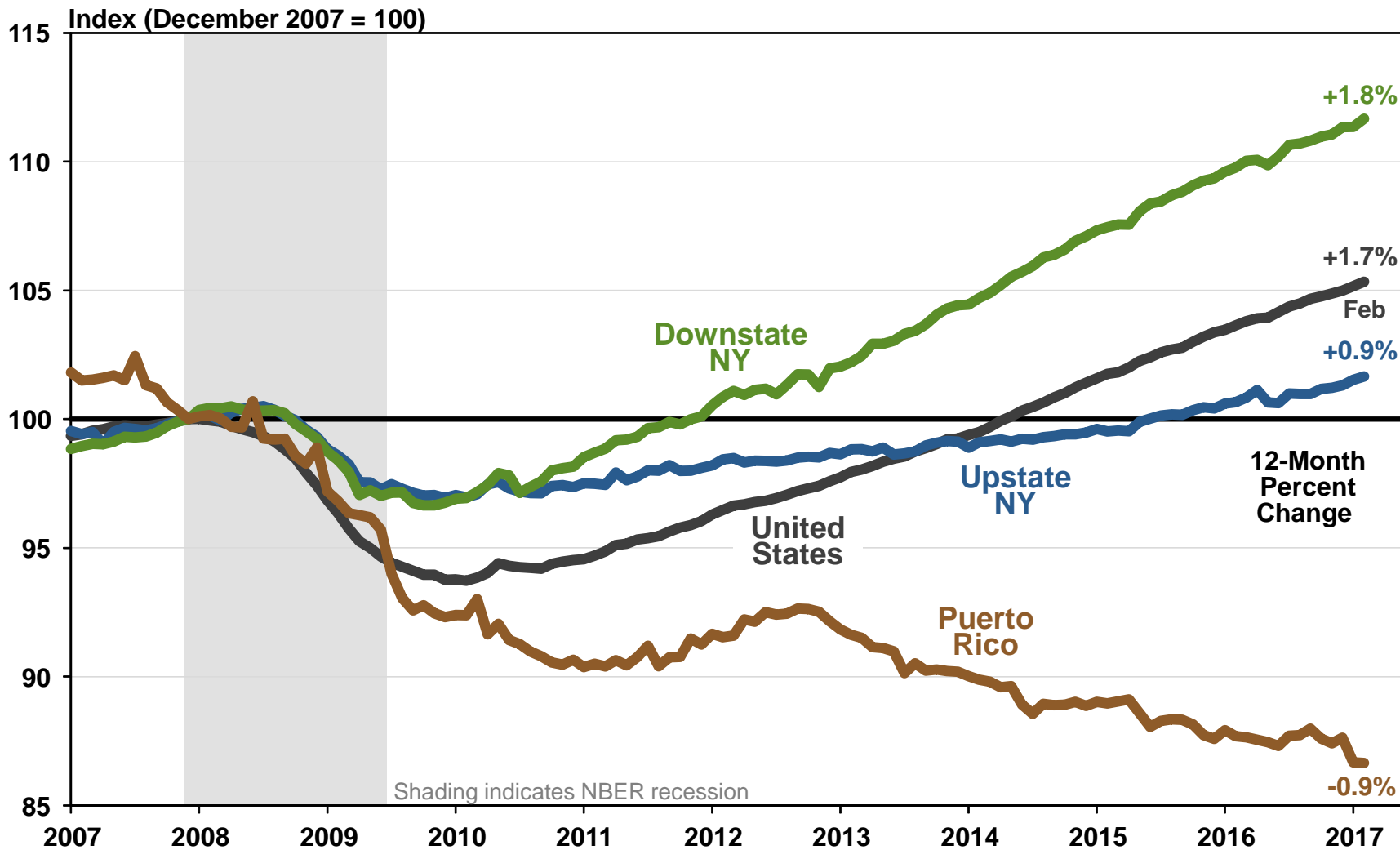
FRBNY Empire State Manufacturing Survey



Source: Federal Reserve Bank of New York.

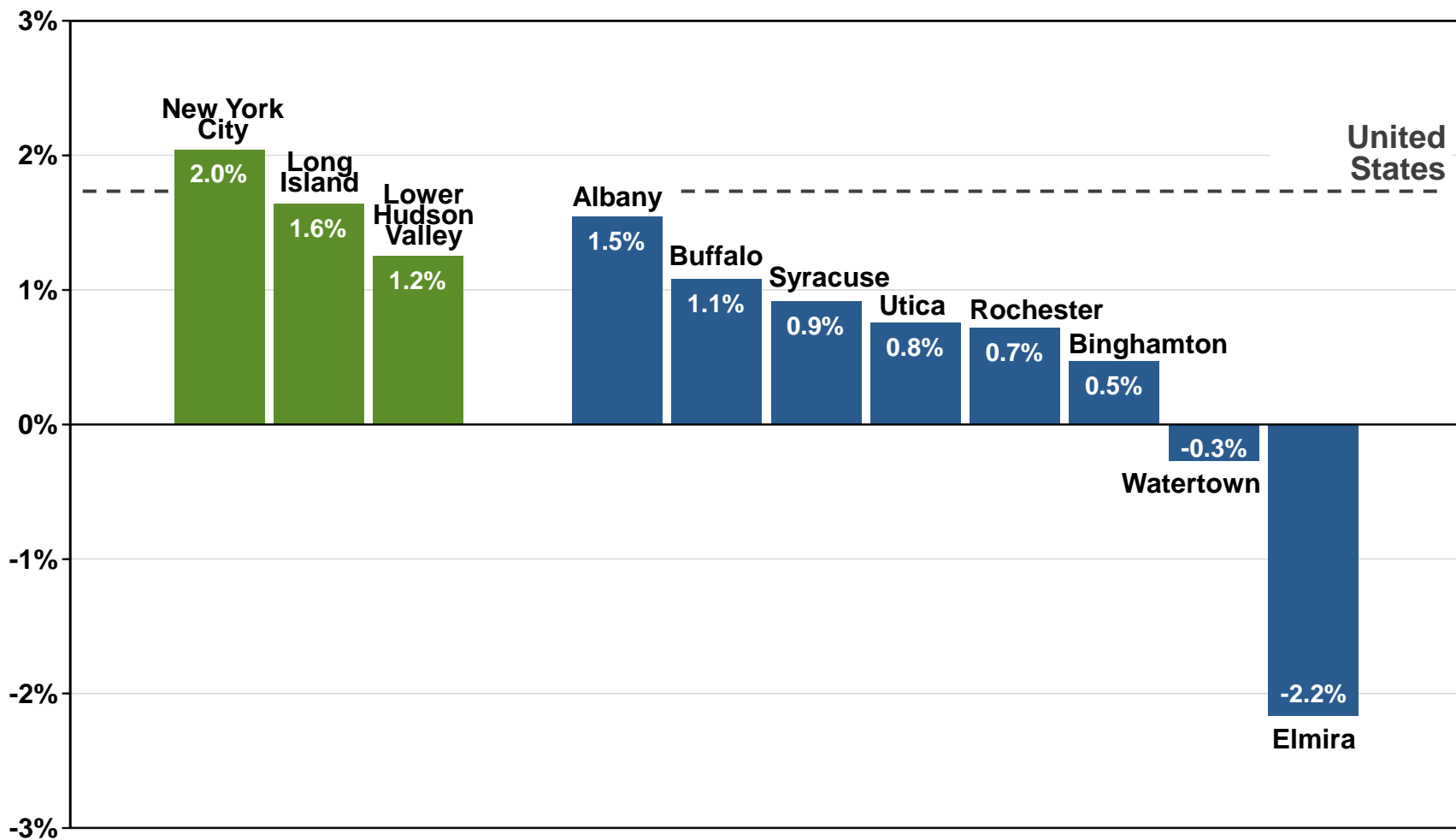
# Regional Employment Trends

Indexes of Total Employment, Seasonally Adjusted



# Job Growth in the Region

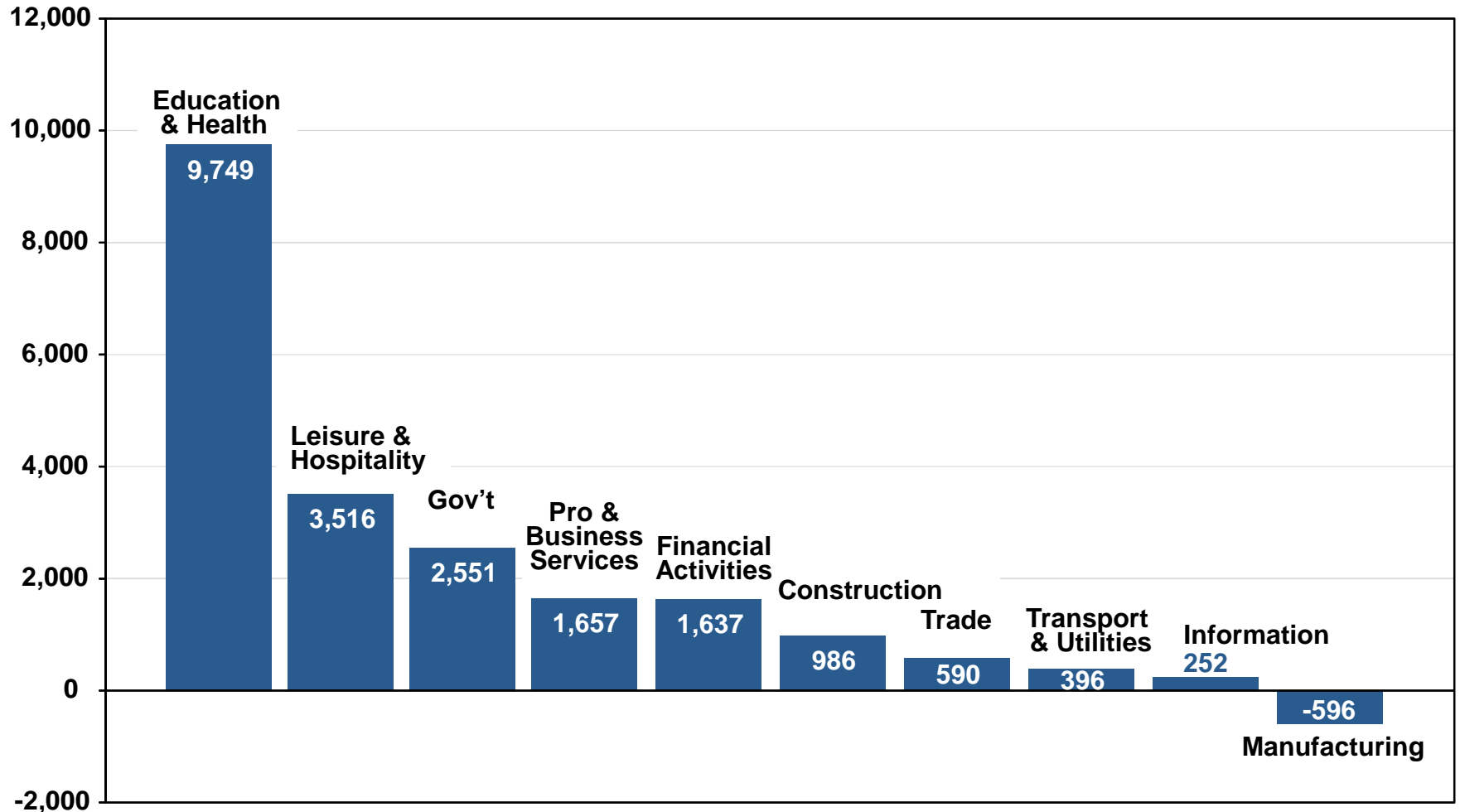
Annual Percent Change in Total Employment, February 2017





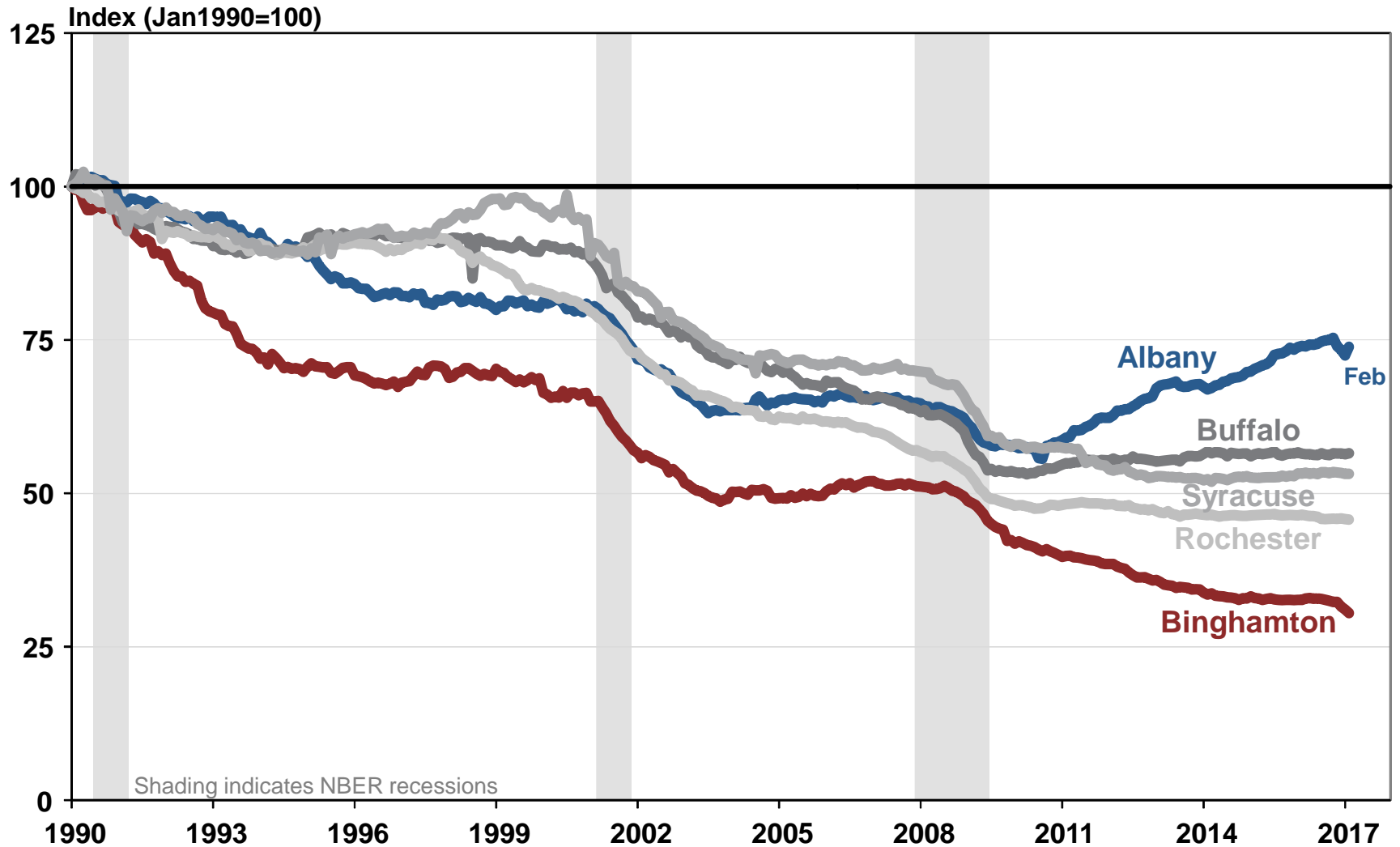
# Job Growth by Industry in Upstate NY

Annual Change in Employment, February 2017



# Upstate Manufacturing Trends

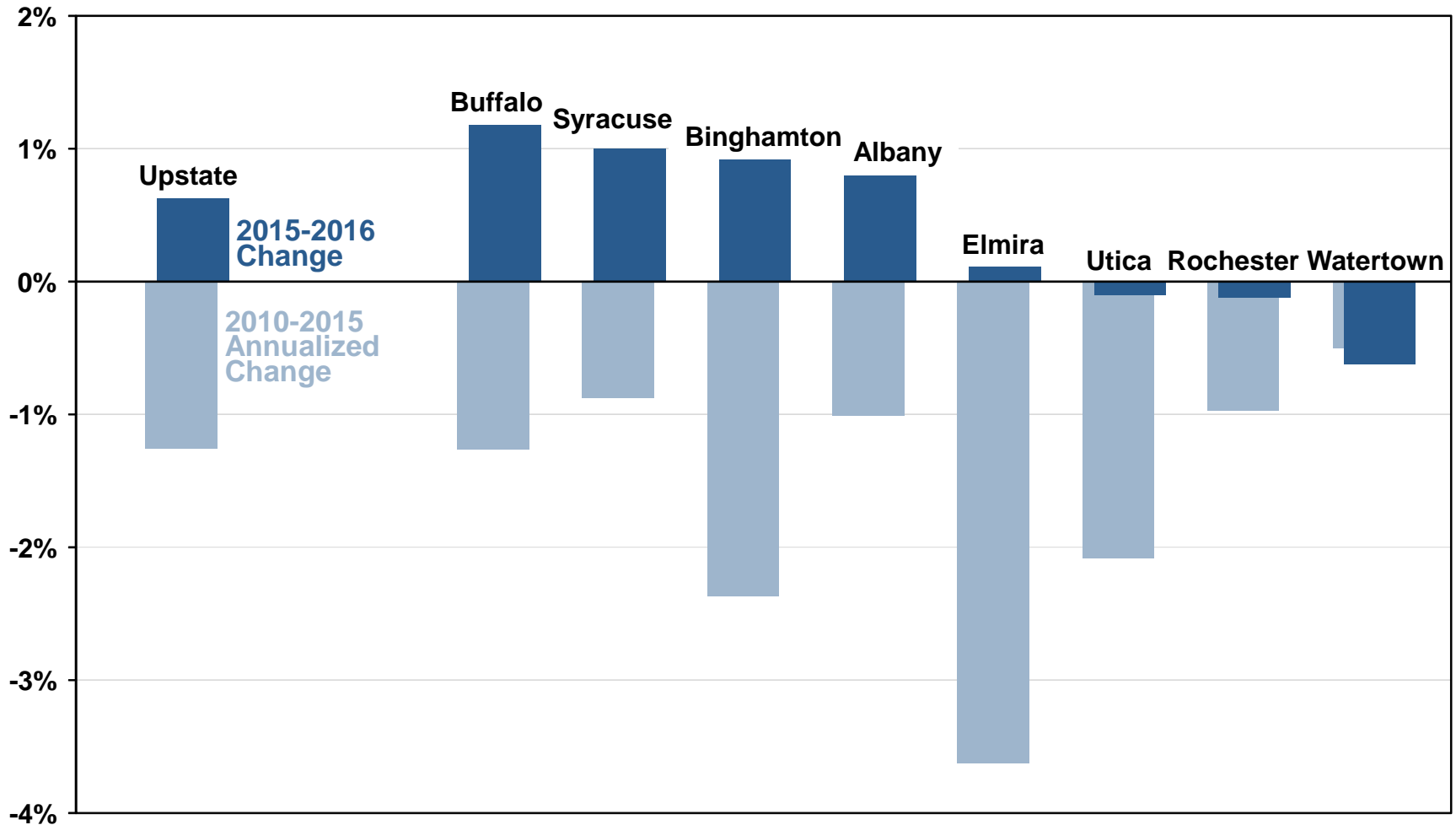
Indexes of Manufacturing Employment, Seasonally Adjusted





# Government Job Growth in Upstate NY

Annual Percent Change



# 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?*

