



**Upstate New York Regional Advisory Board
Federal Reserve Bank of New York
33 Liberty Street
10F, Paul Volcker Boardroom
Wednesday, September 7, 2016**

AGENDA

- | | |
|-----------------|--|
| 10:30am | Welcome and Adoption of the UNYRAB Charter, Tony Davis, Director |
| 10:35am | Introductory Remarks, Jack Gutt, EVP |
| 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, Officer |
| 12:00pm | Adjourn to NWC Room-10F |
| 12:15pm | Lunch |
| 12:15pm-1:55pm | Round Table Discussion with William Dudley, President and Michael Strine, First Vice President |
| | Your experience and that of your customers and suppliers can give us insight into current economic conditions. |
| | Questions for discussion with President Dudley: |
| | <ol style="list-style-type: none">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 |



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33 Liberty Street
New York, NY
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ATTENDEE LIST

Board Members

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

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

Scott Bieler
President & CEO
West Herr Automotive Group

Martin Mucci
President & CEO
PayChex, Inc.

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

Robert L. Stevenson
President
Eastman Machine Company

Kenneth M. Franasiak
Chairman
Calamar

Anne Kress
President
Monroe Community College

Federal Reserve Bank of New York

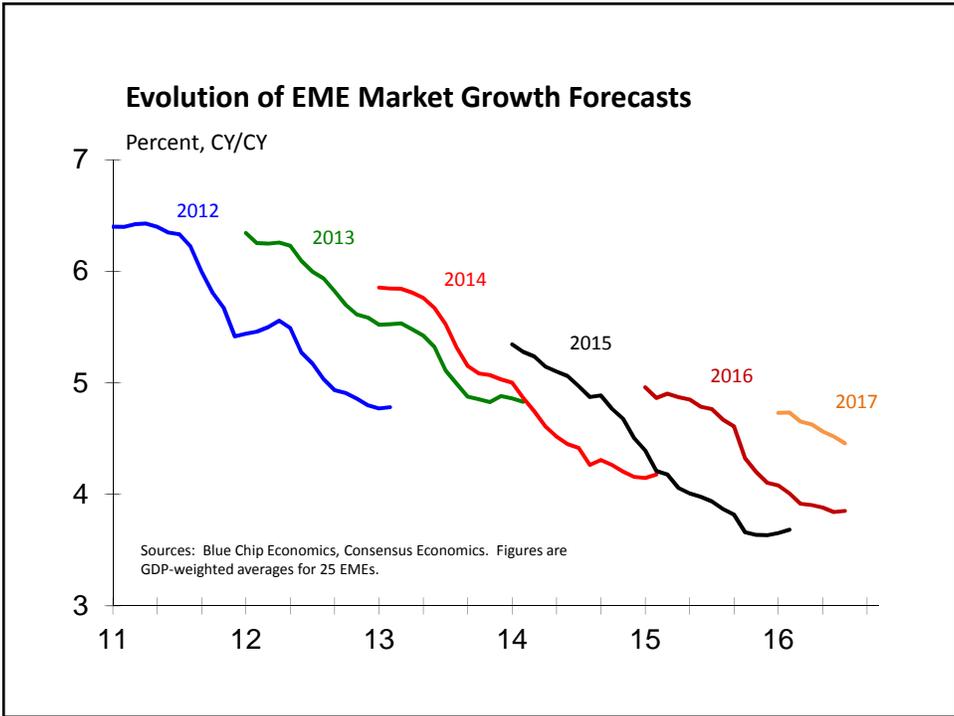
William Dudley
Michael Strine
Jack Gutt
Richard Peach
Linda Goldberg
Matthew Higgins
Anand Marri
Jaison Abel
Luis Uranga
Tony Davis
Adrian Franco
Chelsea Cruz
Angela Sun

President
First Vice President
EVP, Head of Communications & Outreach Group
SVP, Research & Statistics
SVP, Integrated Policy Analysis
VP, Integrated Policy Analysis
VP and Head of Outreach & Education
Research Officer, Research & Statistics
Officer and Chief of Staff, Chief of Staff's Office
Director, Community Engagement, Outreach & Education
Director, Economic Education, Outreach & Education
Associate, Community Engagement, Outreach & Education
Associate, Legal



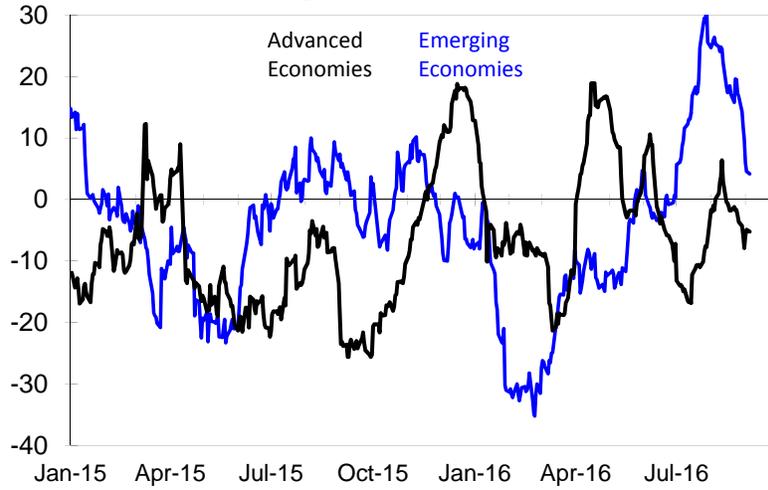
Roadmap

- Recent global economic performance and medium-term outlook
- Foreign advanced economies' struggle to escape "lowflation"
- The United Kingdom after the Brexit referendum
- China's excess capacity challenge
- Canadian economic performance since the global crisis



Citigroup Economic Surprise Indexes

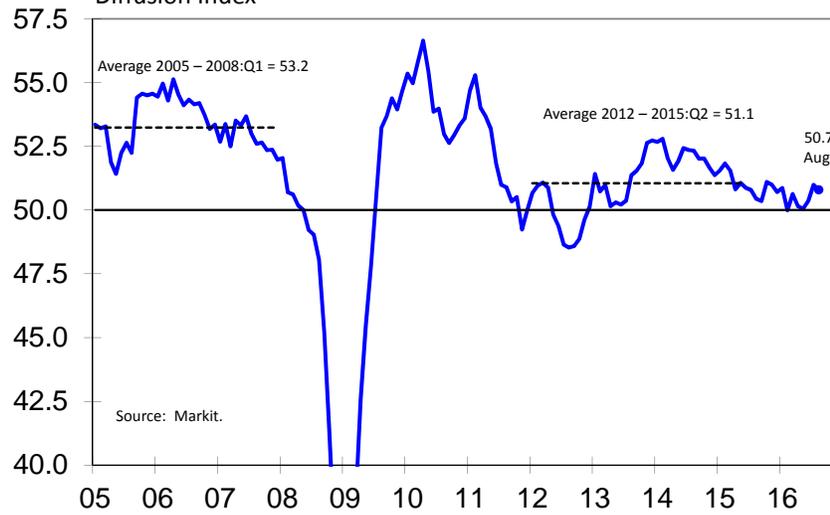
Percent positive or negative*



*Weighted by series' historical FX impact

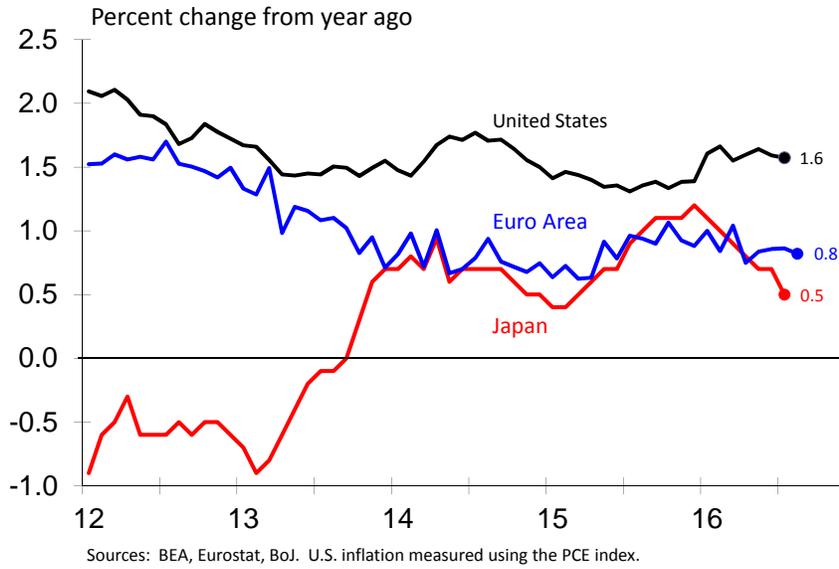
Global Manufacturing PMI

Diffusion Index

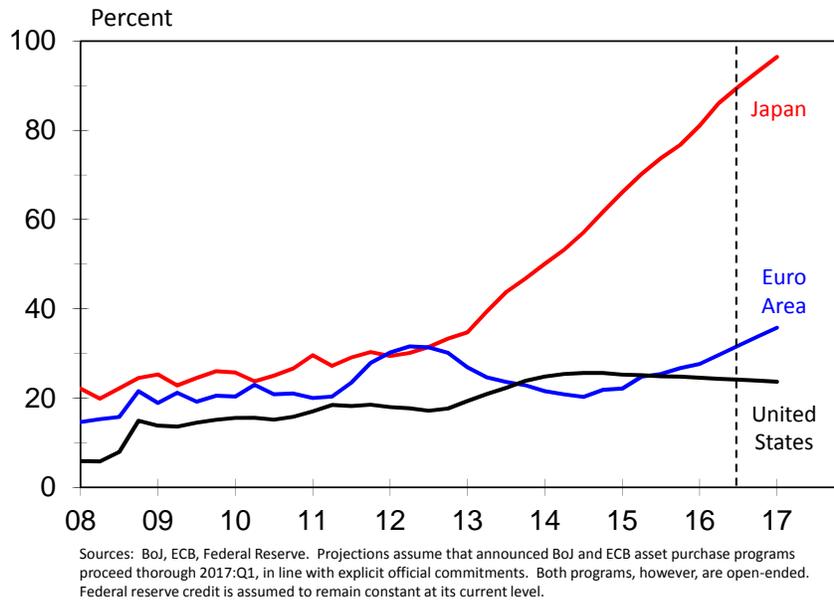


Source: Markit.

G-3: Core Consumer Price Inflation



Central Bank Credit as a Share of GDP



AE Core Inflation Performance with Negative Policy Rates

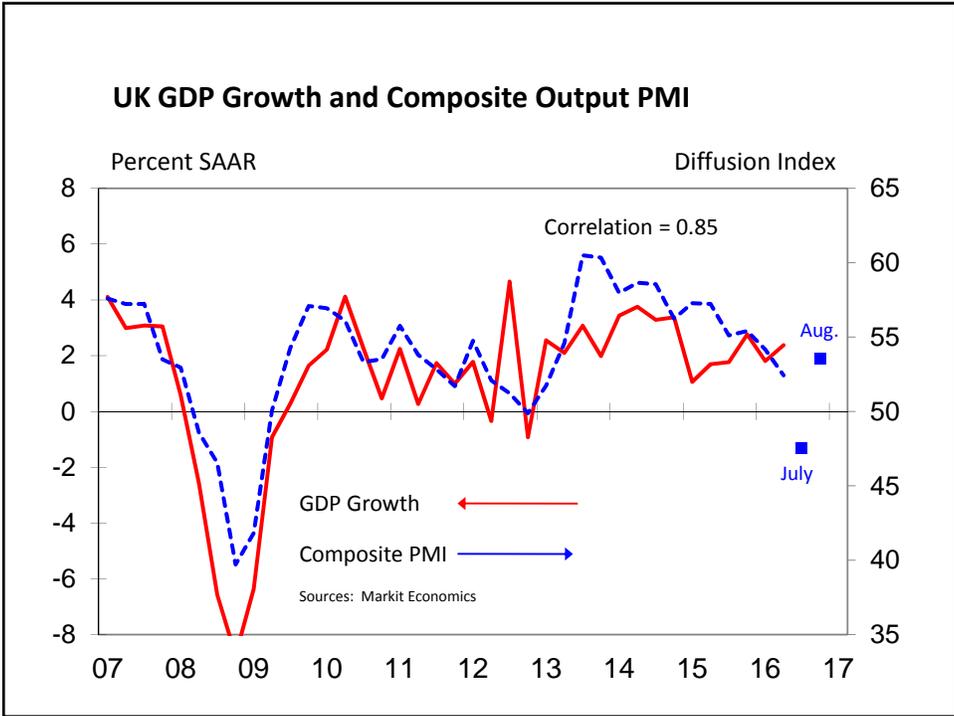
Country	Date Adopted	Initial Core Inflation	Current Core Inflation
Japan	January 2016	1.1	0.5
Sweden	February 2015	1.0	1.2
Switzerland	December 2014	0.4	-0.4
Denmark	September 2014	0.7	1.0
Euro Area	June 2014	0.8	0.8

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.

Market Growth Forecast Changes Since Brexit Referendum (percent, calendar-year basis)

	United Kingdom		Euro Area	
	2016	2017	2016	2017
Current Forecast	1.6	0.4	1.5	1.3
Top 3	1.8	1.4	1.7	1.6
Bottom 3	1.3	-0.8	1.4	0.9
Change Since Vote	-0.2	-1.7	-0.1	-0.4
Top 3	-0.2	-1.0	0.0	-0.3
Bottom 3	-0.3	-2.7	-0.1	-0.7

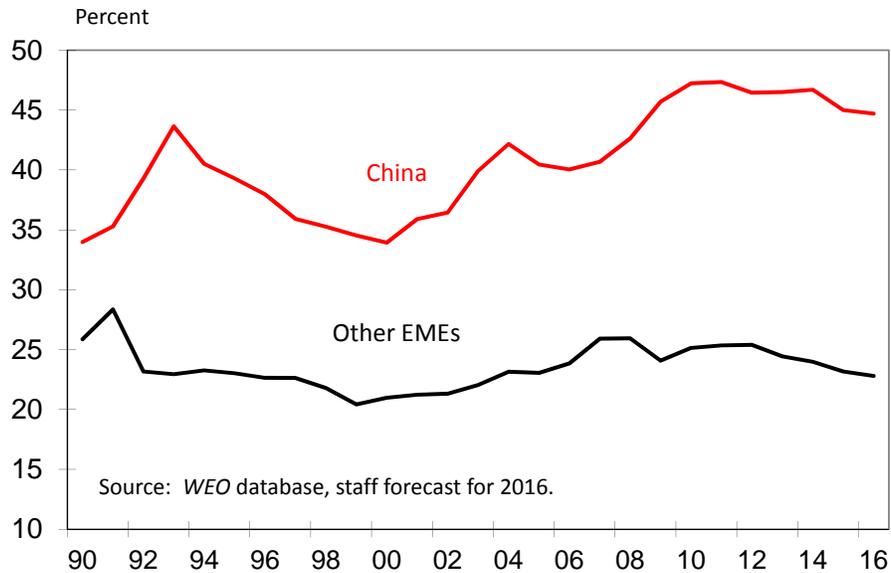
Source: Blue Chip Economics. Panel includes 22 individual forecasts. Survey periods are early September and early June.



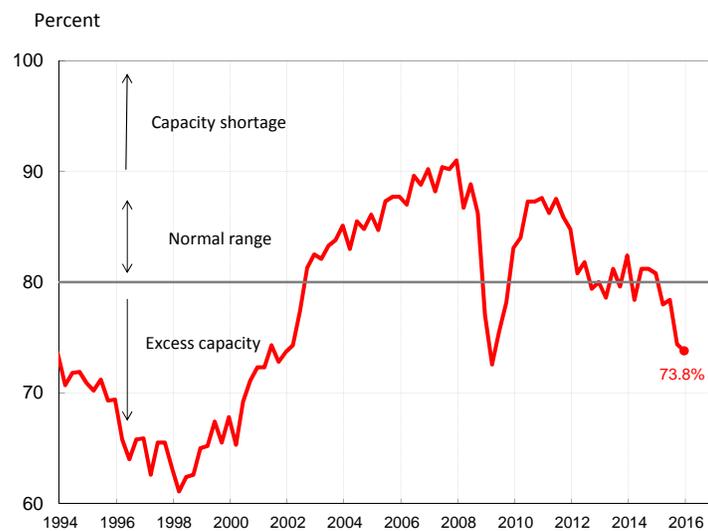
Legal Arrangements of Selected Non-EU Countries

	Norway	Switzerland	Turkey	Canada
	European Economic Association	European Free Trade Area + bilateral agreements	Customs Union	Free Trade Agreement
Tariff-free trade with EU	✓	✓	✓	✓
Contributes to EU budget	✓	✓		
Limited restrictions on labor mobility and immigration from EU	✓	✓		
Implements most EU legal and regulatory norms	✓			
Unrestricted access to EU single market for financial services	✓			
EU voting rights				

China and other EMEs: Capital Spending as a Share of GDP

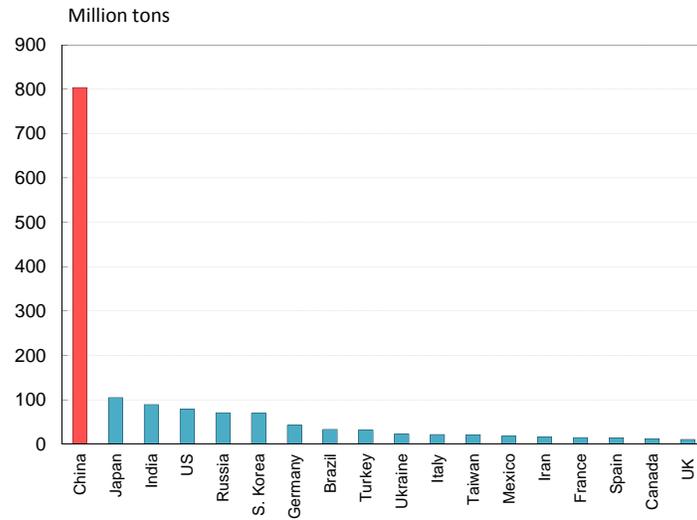


China: Capacity Utilization in the Industrial Sector



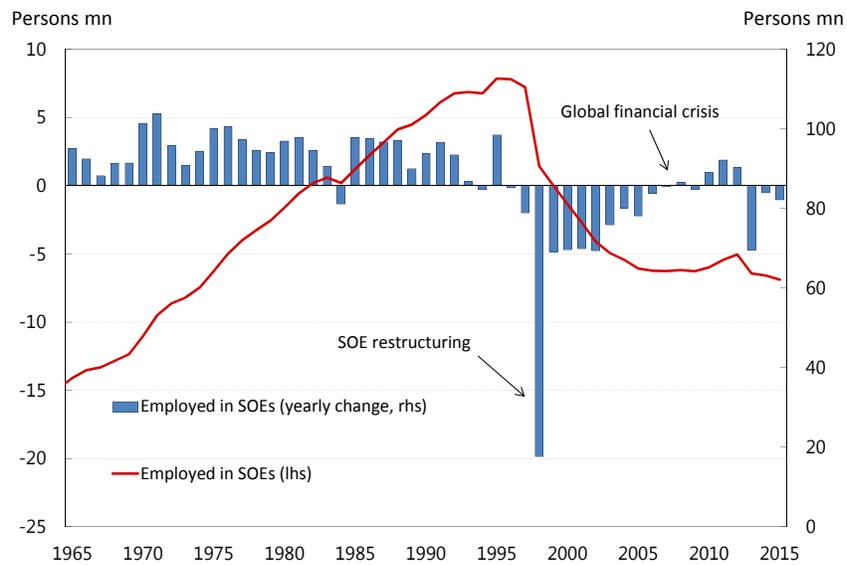
Source: CEIC, PBOC

Crude Steel Production



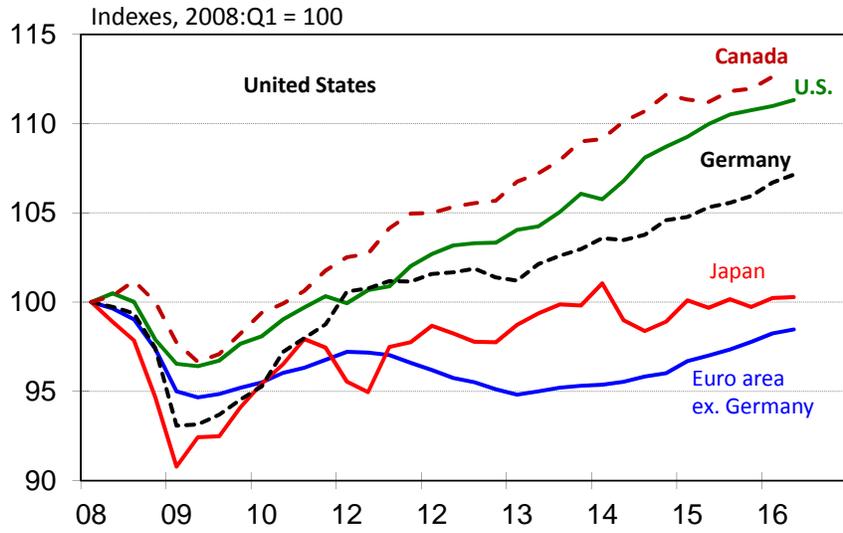
Source: World Steel Association, data as of 2015

China: SOE Employment

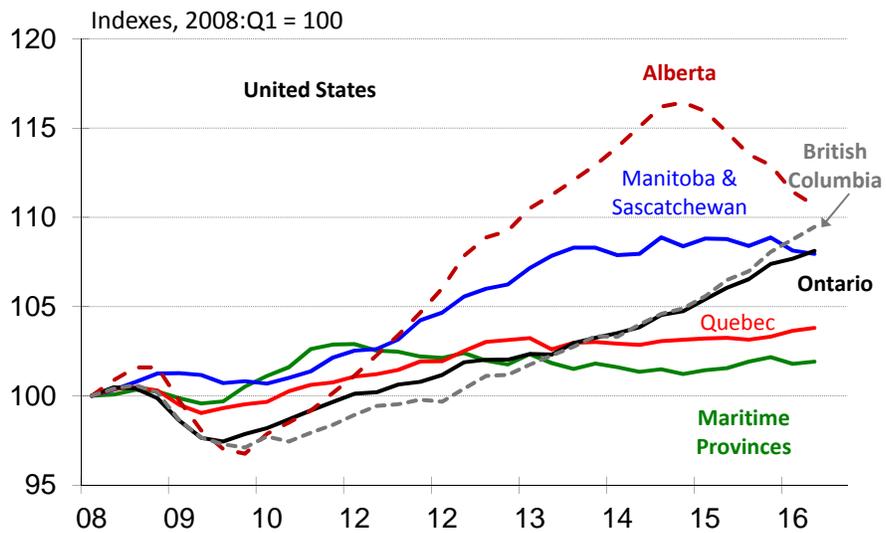


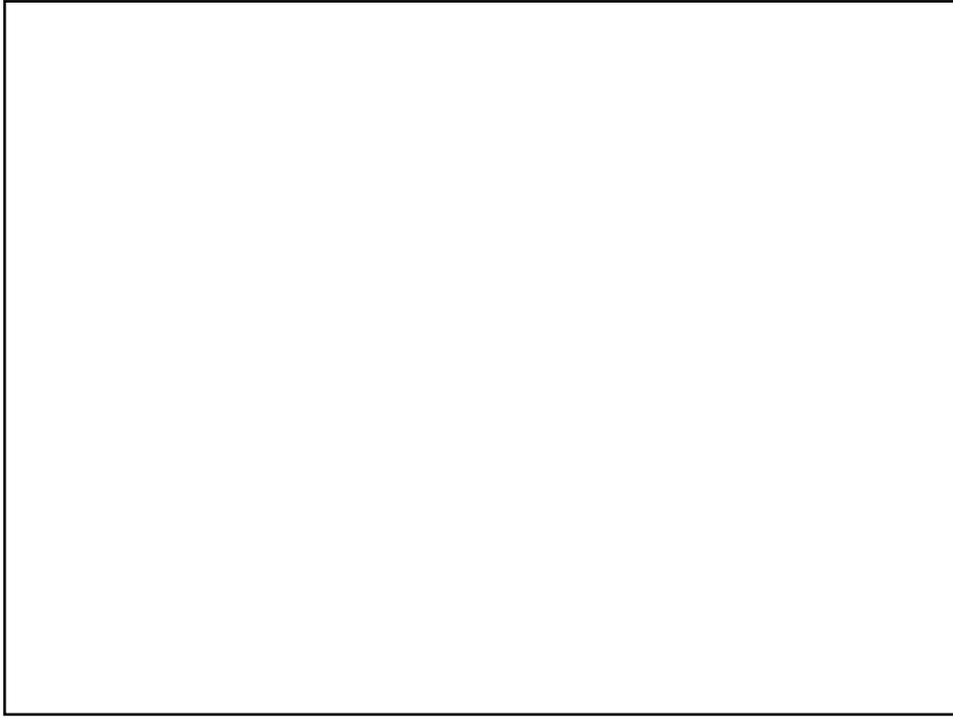
Source: CEIC

Advanced Economy Real GDP



Canada: Provincial Employment







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US Macro Overview

September 7, 2016

Overview

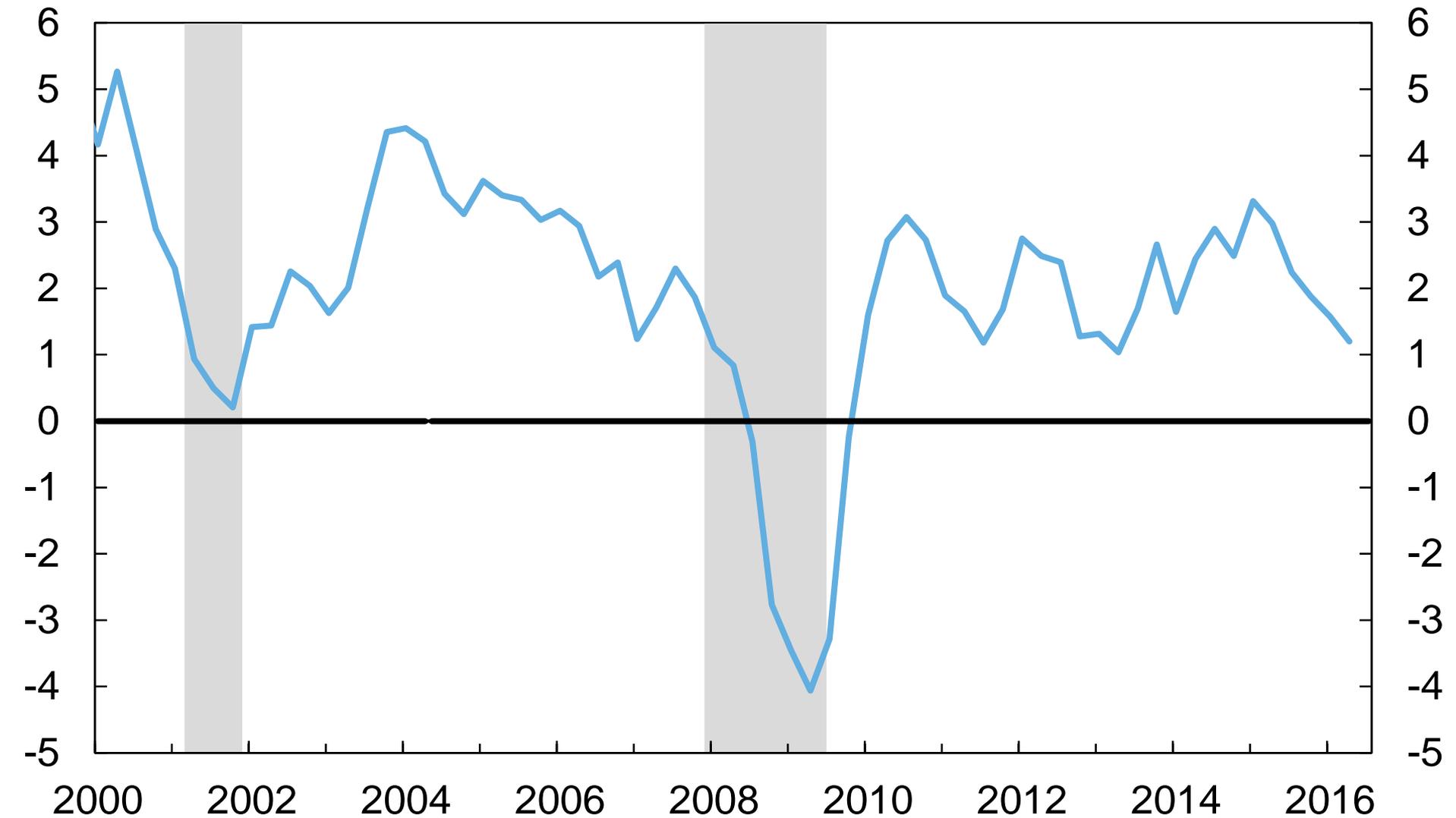
- Growth of real GDP has slowed sharply over the past year and a half due primarily to substantial dollar appreciation, weaker global growth, and steep declines in commodity prices.
 - Consumer spending continued to be the main engine of growth for the US economy, helped along by falling energy and food prices.
 - Housing has lost forward momentum despite quite low mortgage interest rates.
 - 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, the labor market continued to improve over the period and is now showing classic signs of being at or near full employment.
- Core inflation has edged higher over the past year but remains below the FOMC's objective.
 - Rent inflation continues to edge higher.
 - Health care price inflation has moved higher.
 - Core goods prices are declining reflecting past dollar appreciation and excess inventories.



Growth of Real GDP

Four Quarter Percent Change

Four Quarter Percent Change



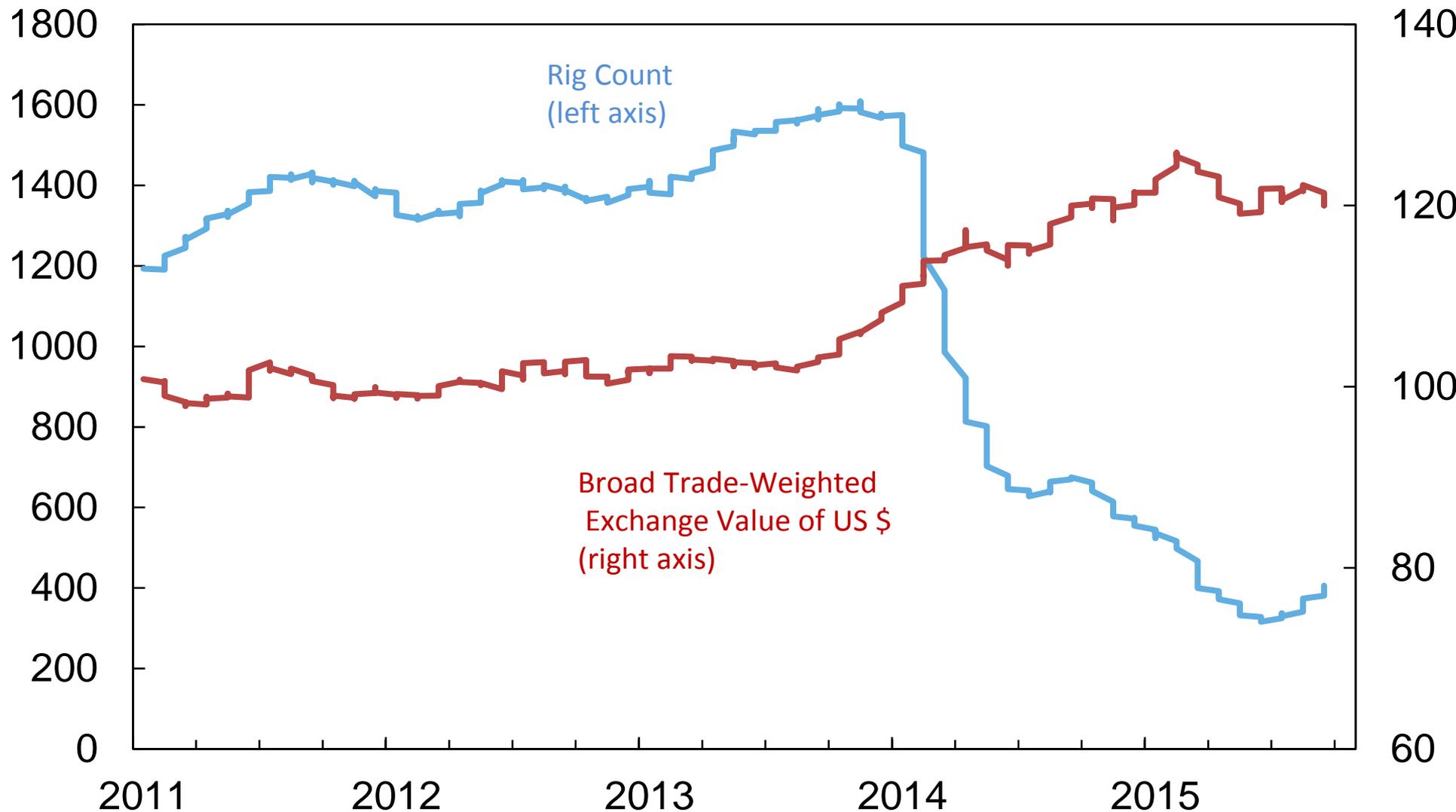
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

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

Active Oil Rigs

Index



Source: Federal Reserve Board and Baker Hughes

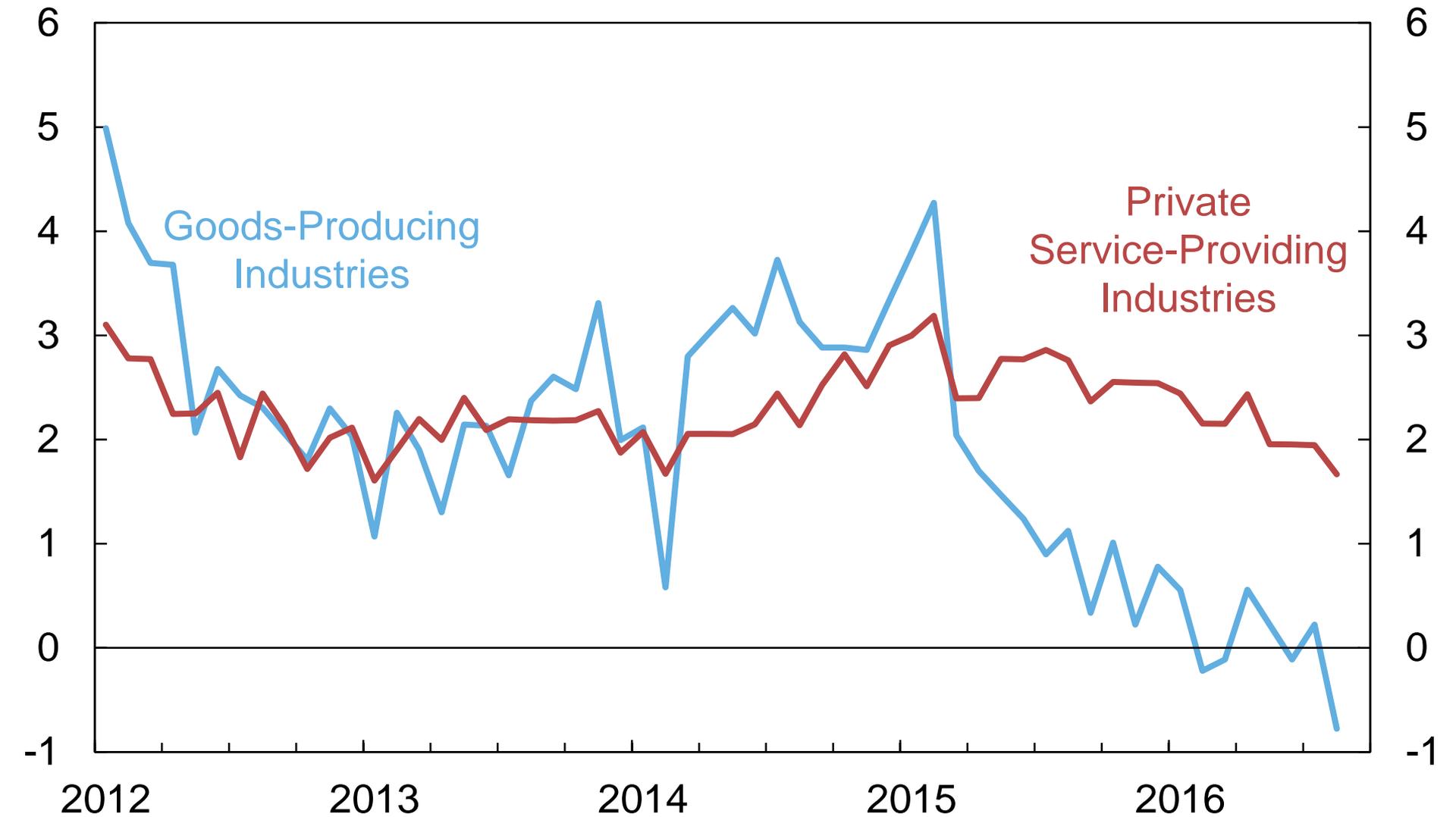
Note: Shading shows NBER recessions.



Aggregate Weekly Hours Worked

Y/Y % Change

Y/Y % Change



Source: Bureau of Labor Statistics

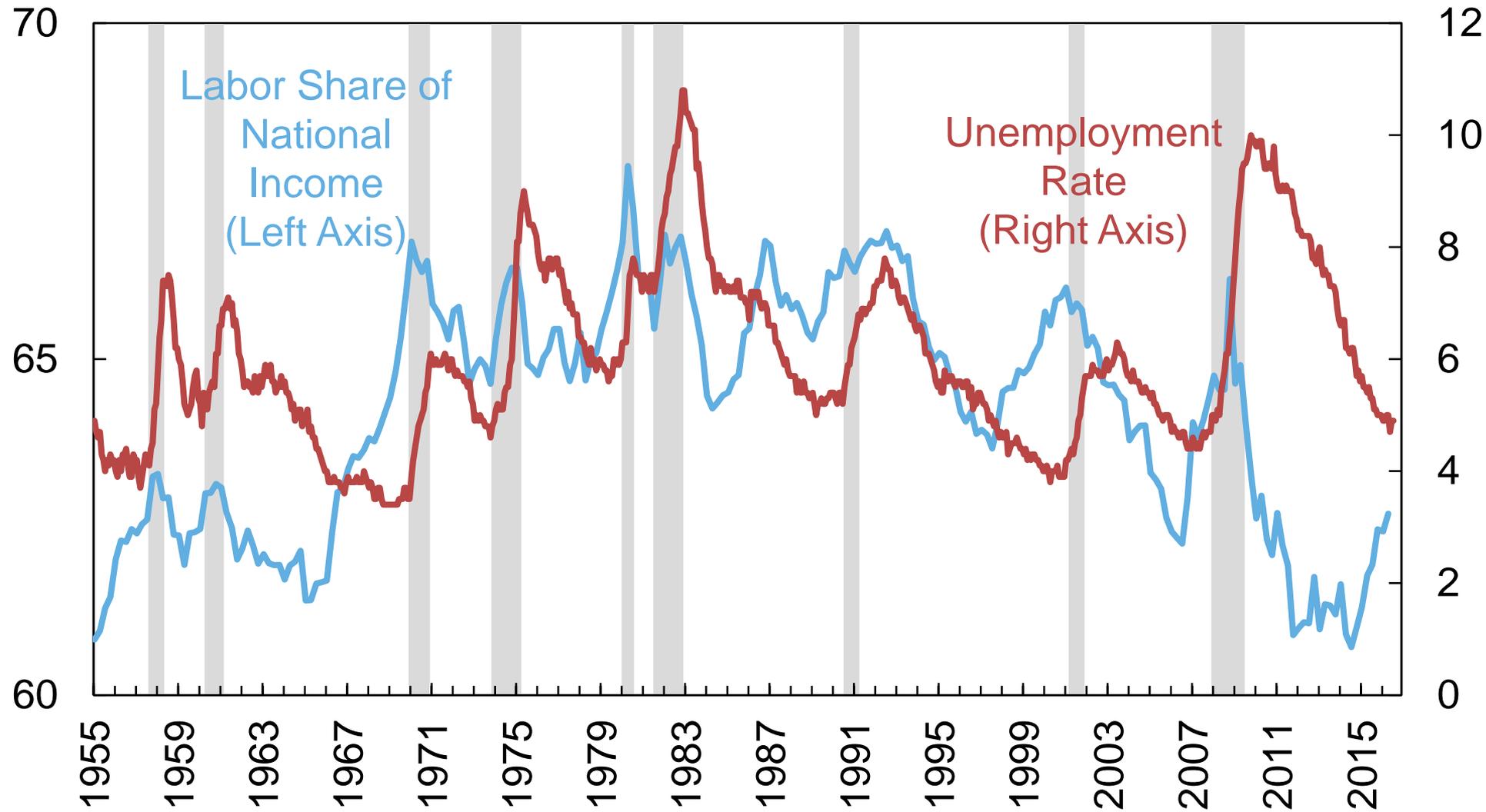
Note: Shading shows NBER recessions.



Labor Share of National Income and Unemployment Rate

Percent

Rate

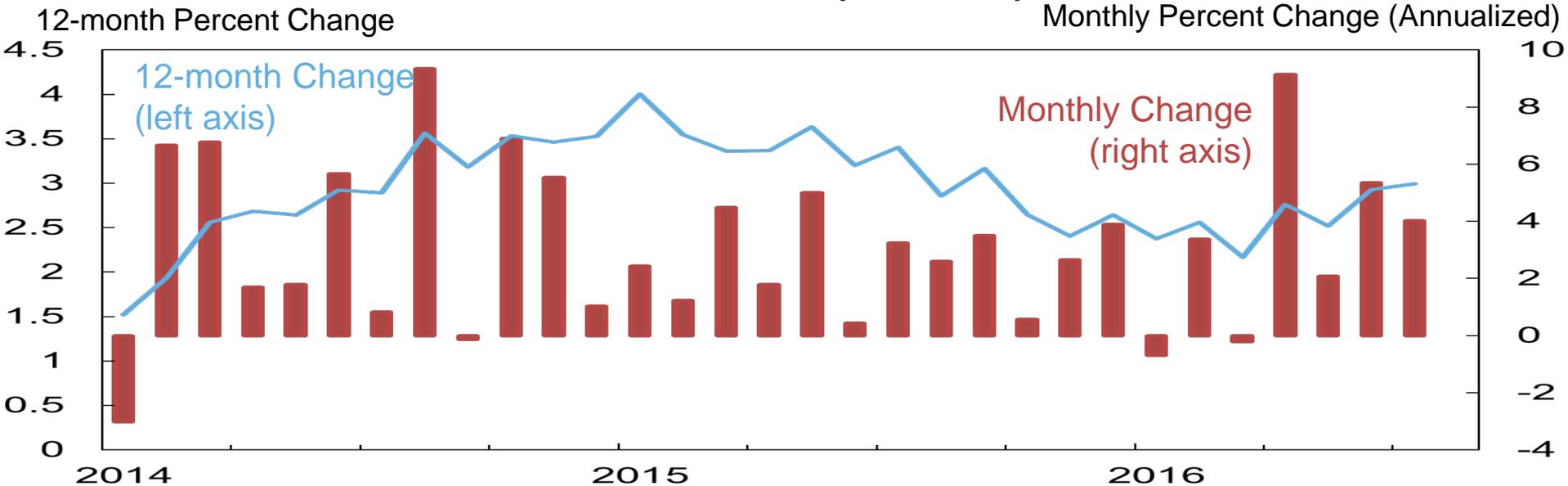


Source: Bureau of Economic Analysis,
Bureau of Labor Statistics

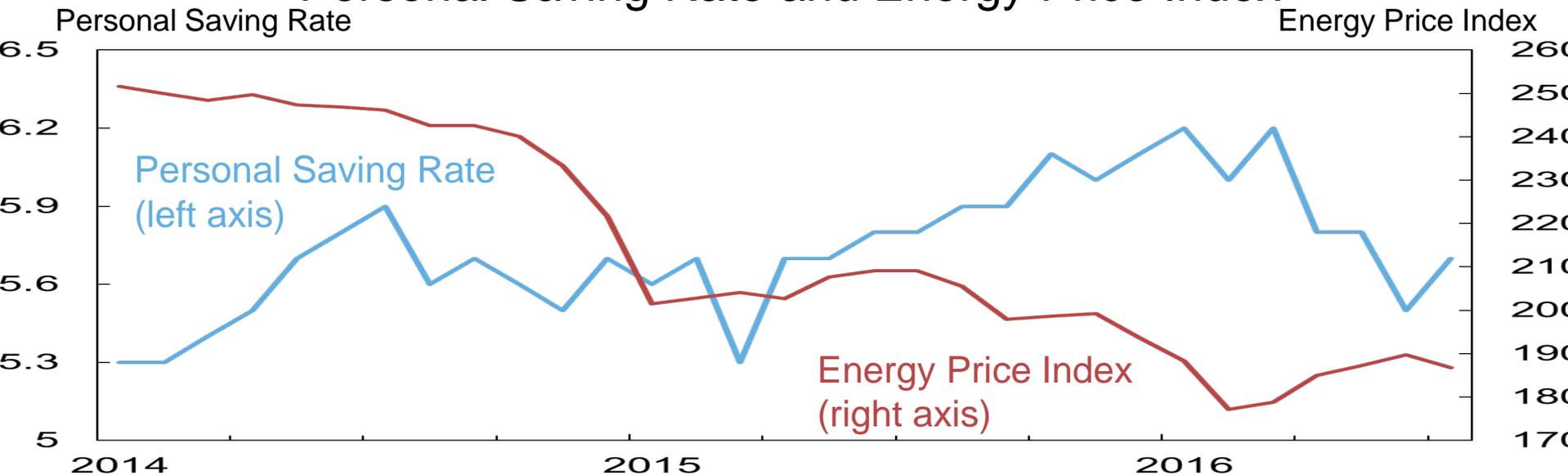
Note: Shading shows NBER recessions.



Real Personal Consumption Expenditures



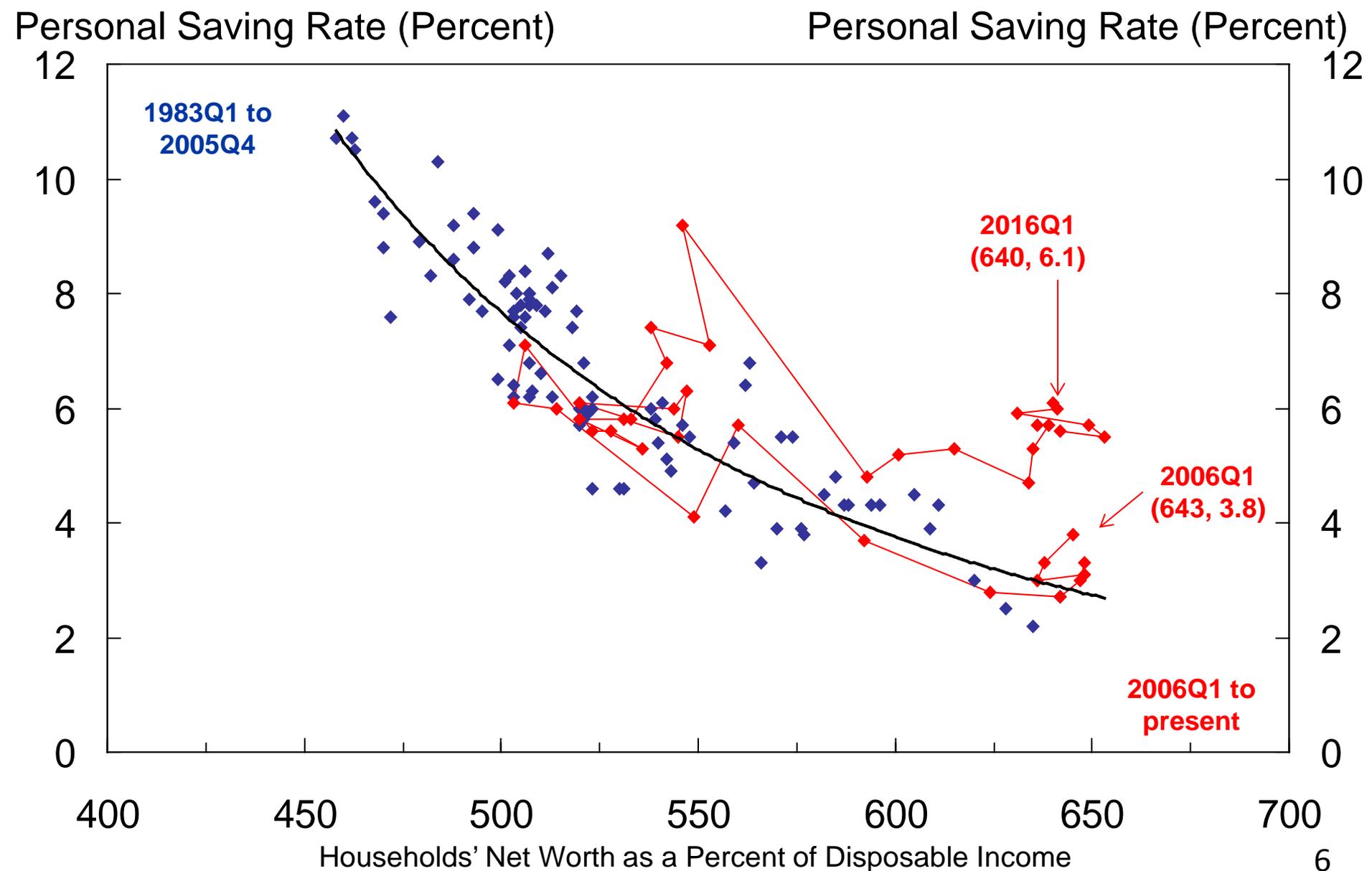
Personal Saving Rate and Energy Price Index



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

Note: Shading shows NBER recessions.

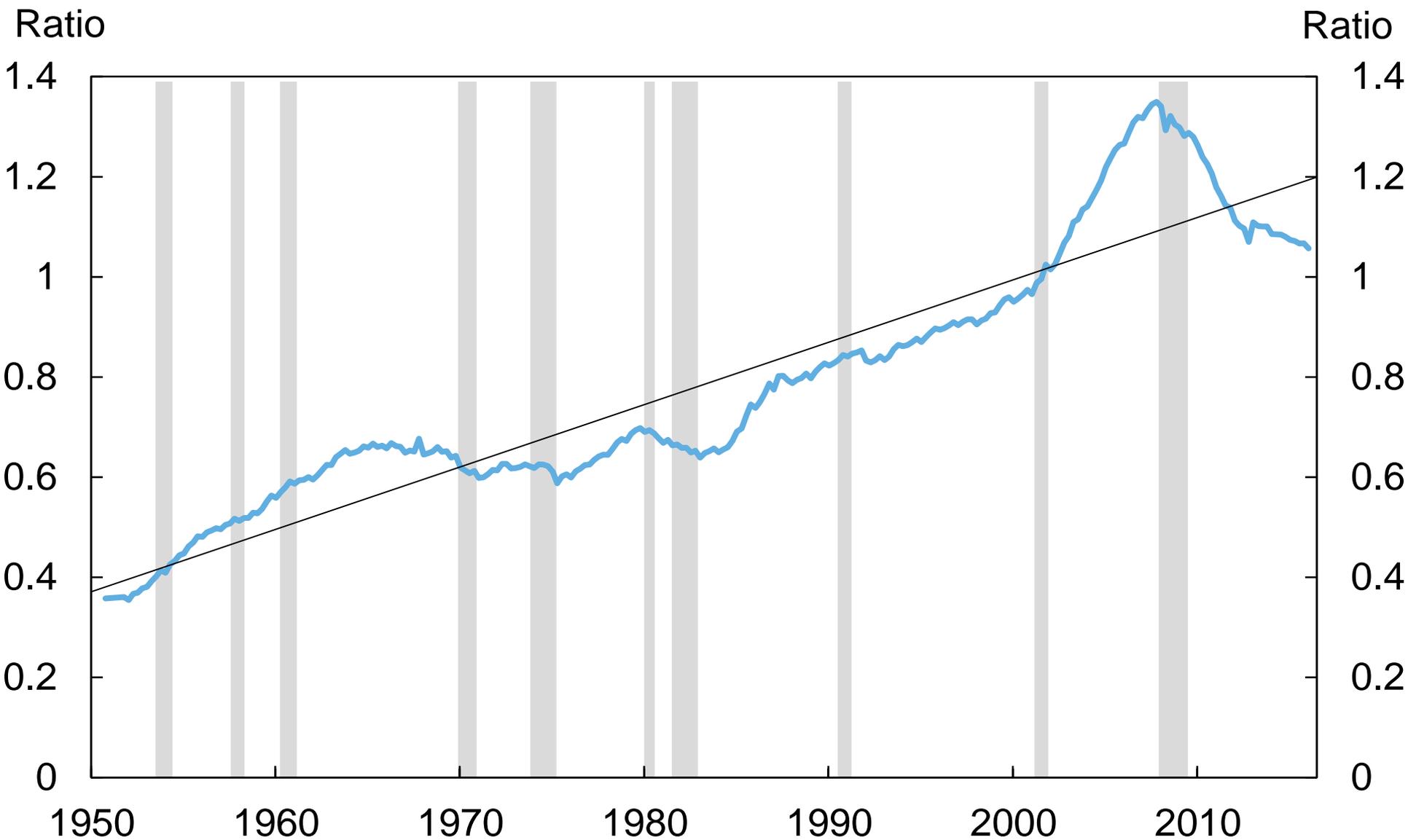
Personal Saving Rate and Household Net Worth



Source: Bureau of Economic Analysis and Federal Reserve Board

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

Household Liabilities/Disposable Personal Income



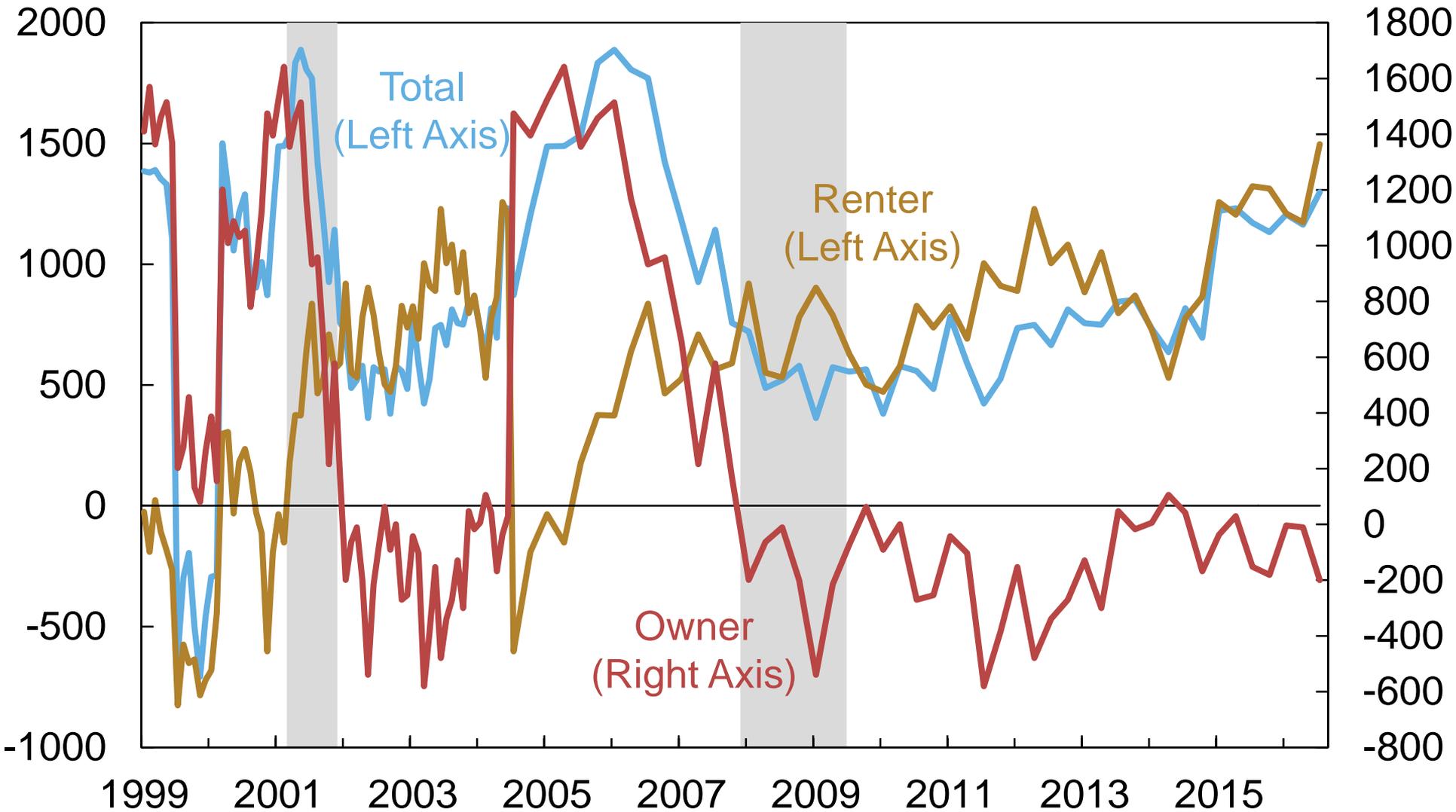
Source: Federal Reserve Board

Note: Shading shows NBER recessions.

Household Formations

2 Year Avg. Change

2 Year Avg. Change

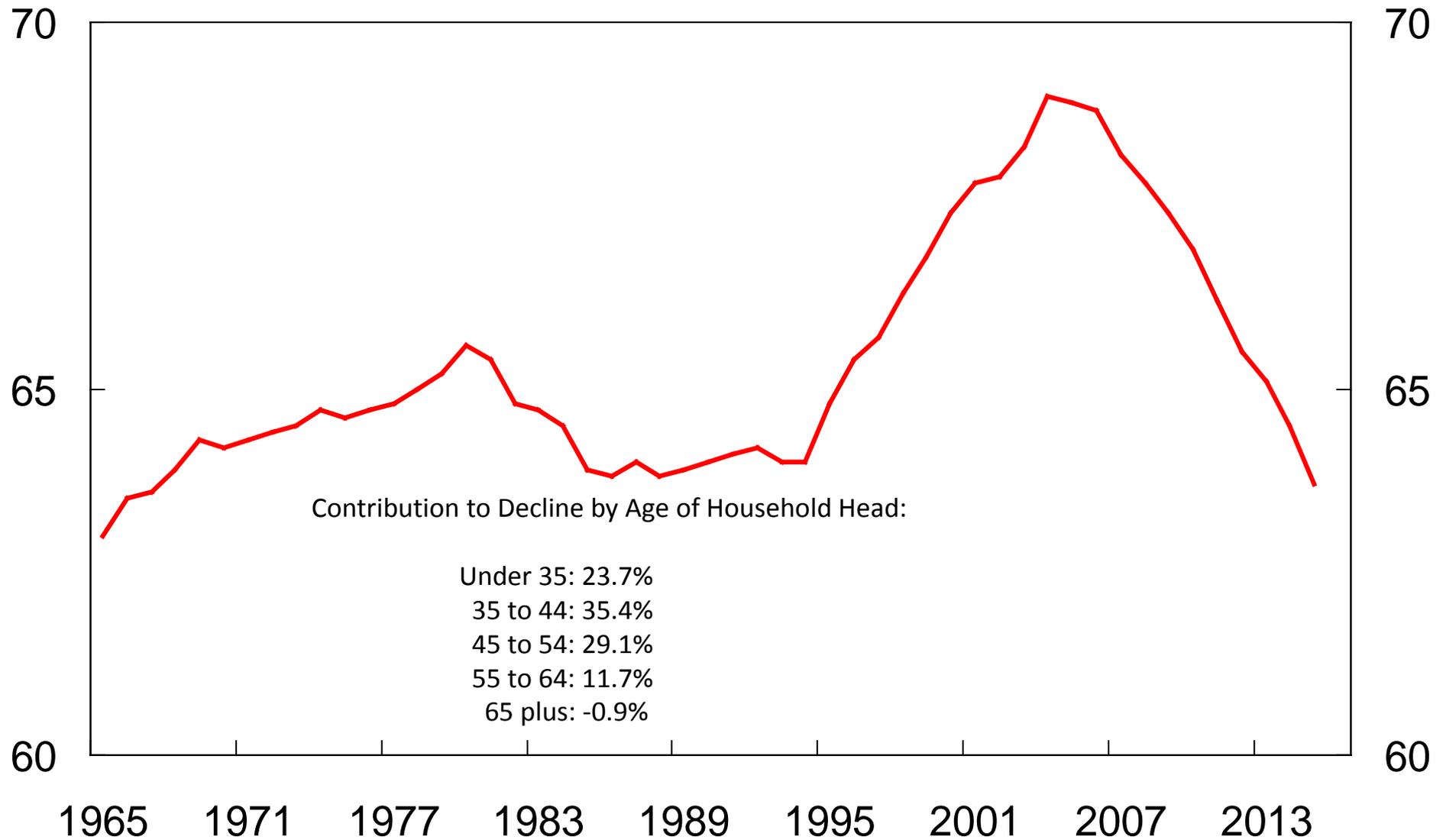




Aggregate Homeownership Rate*

Percent

Percent



*Owner-occupied housing units divided by total occupied housing units.

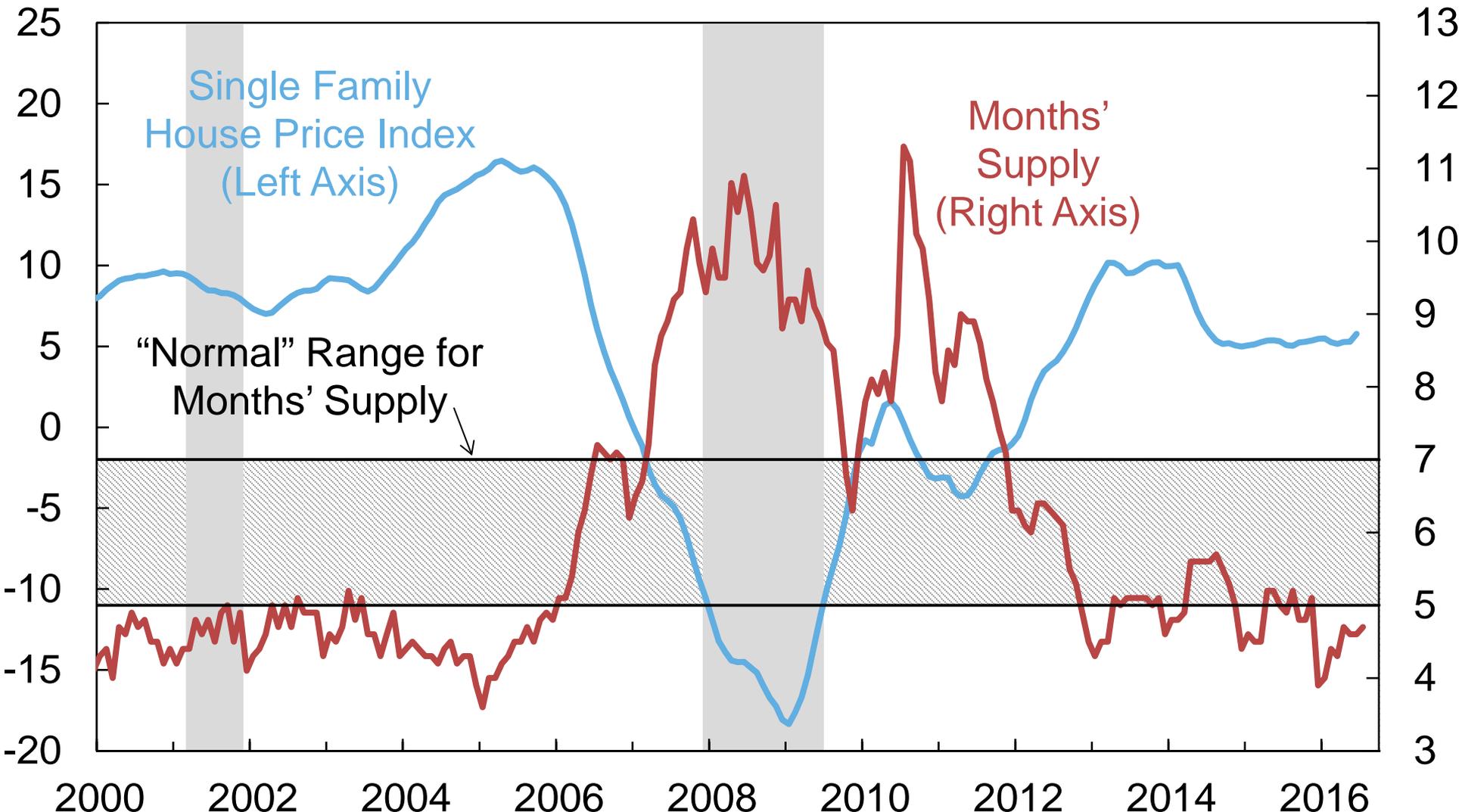
Source: Census Bureau



Single Family Housing Market

12 Month % Change

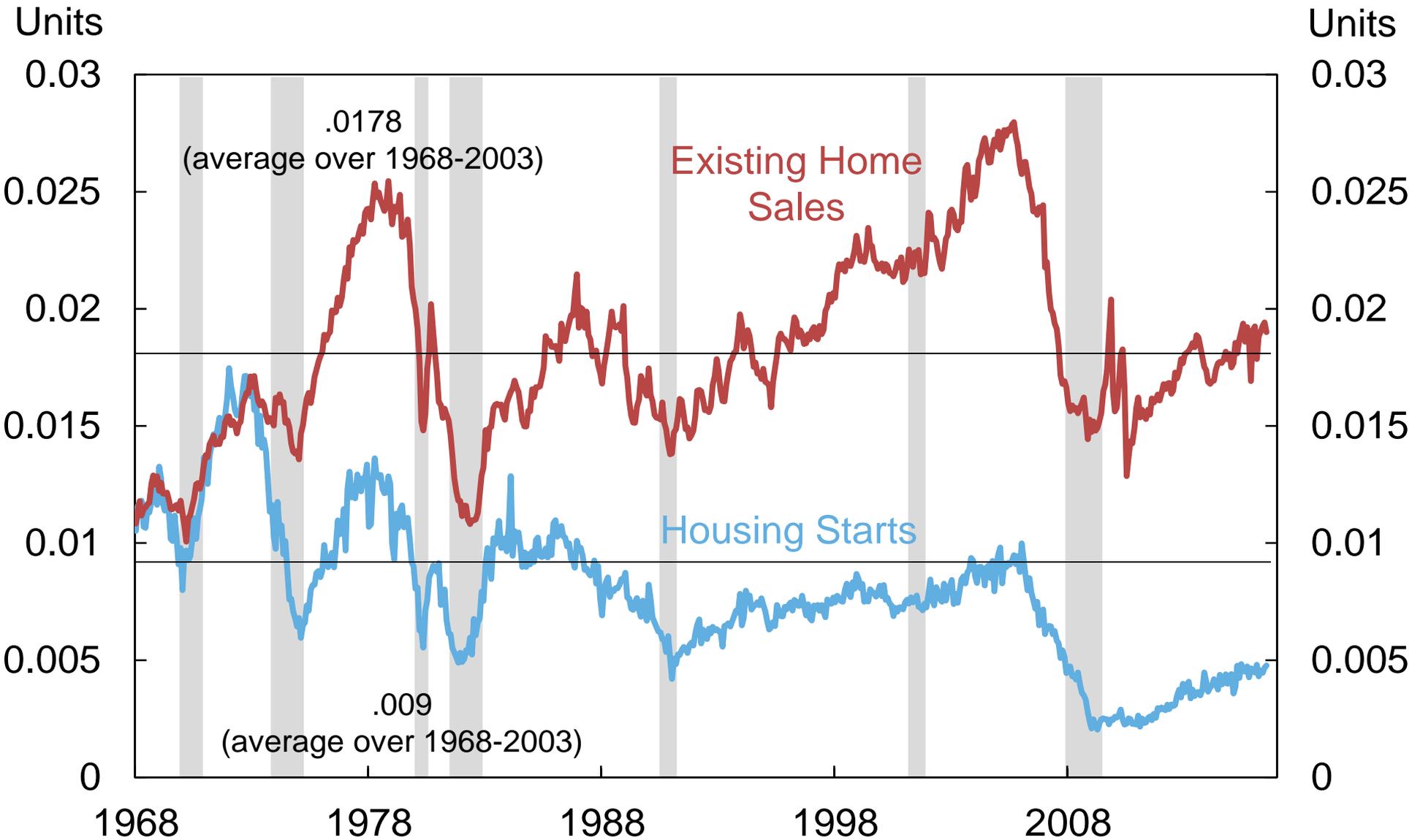
Months



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

Note: Shading shows NBER recessions.

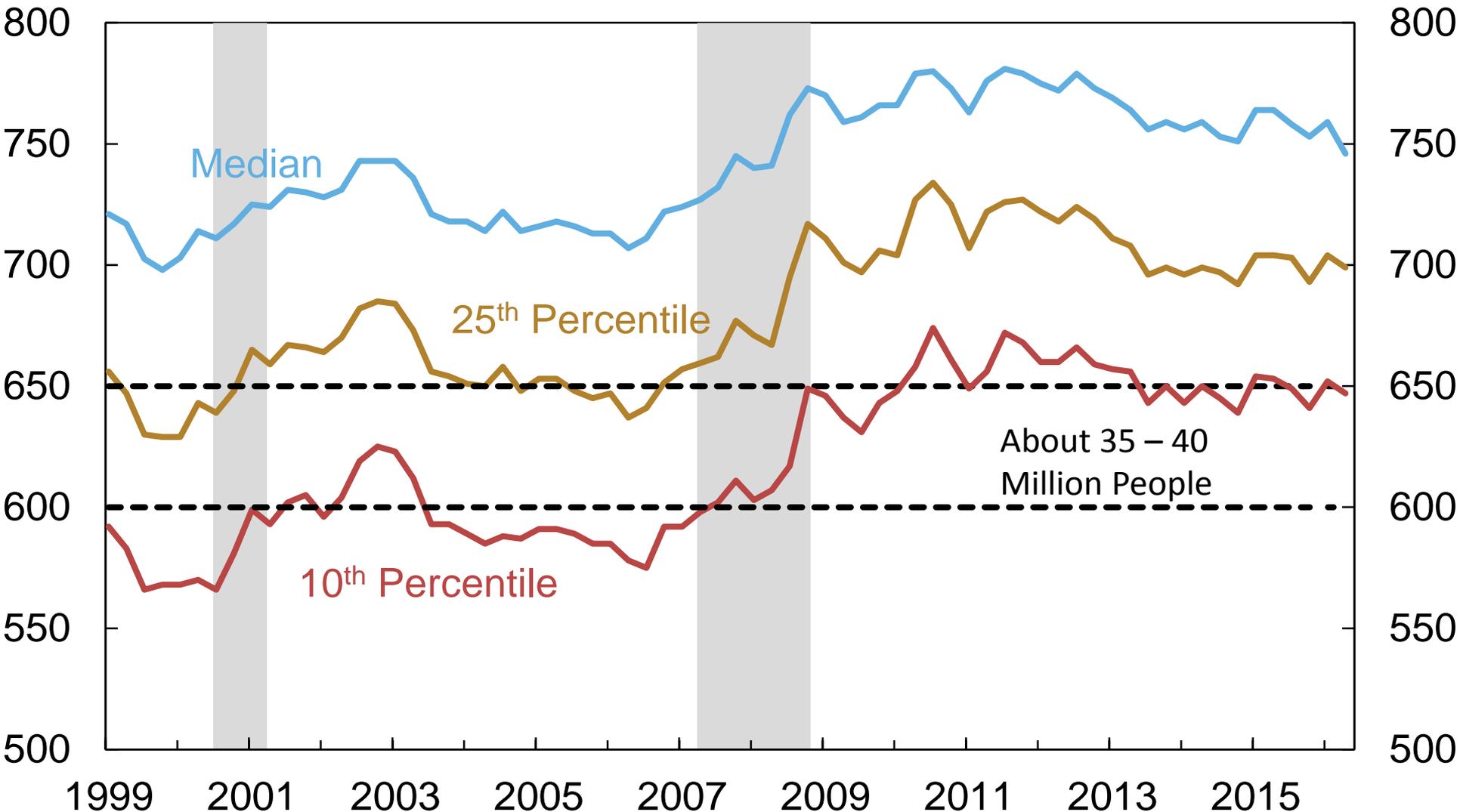
Housing Starts and Existing Homes Sales Per Capita



Credit Score at Mortgage Origination: All First Mortgages

Credit Score

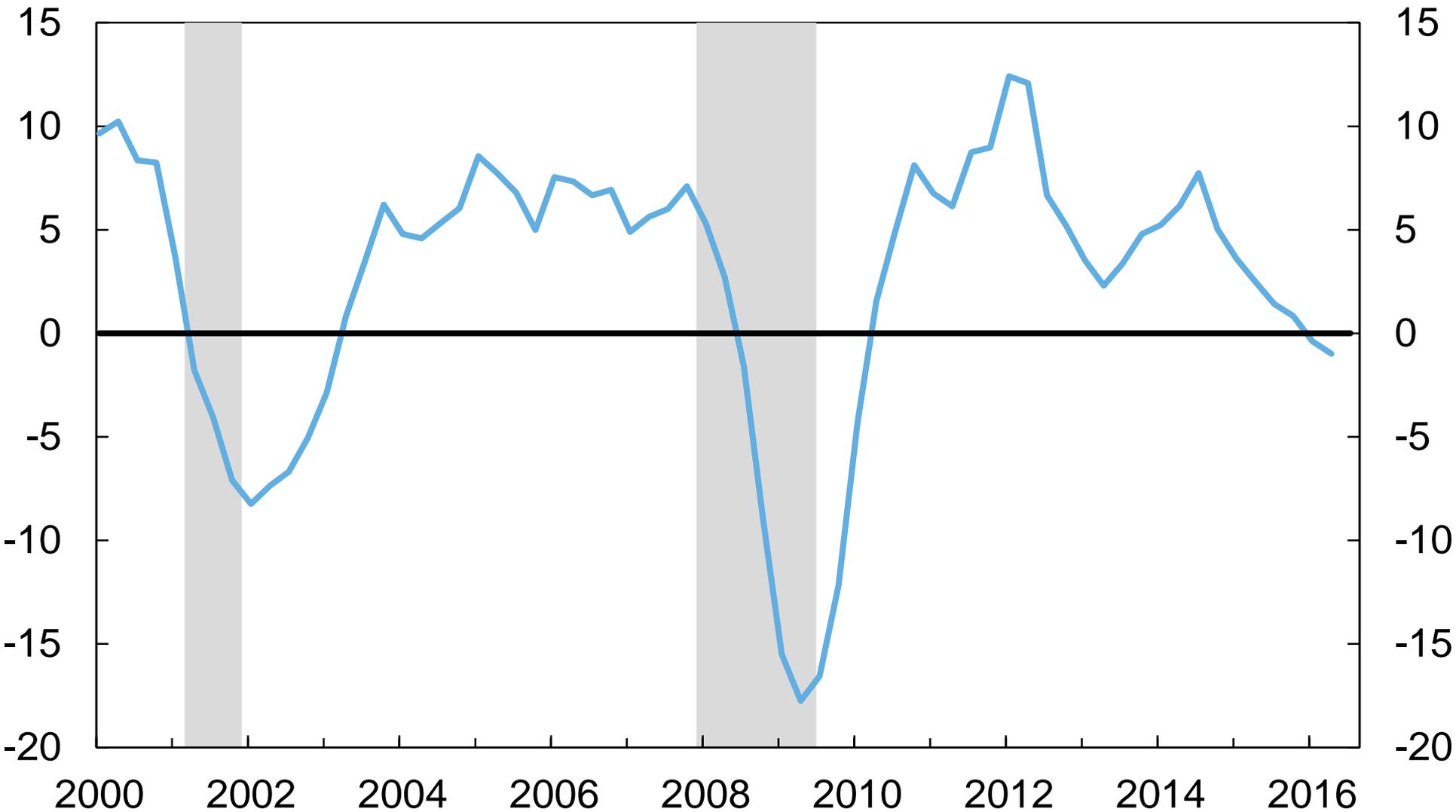
Credit Score



Real Business Fixed Investment

4Q % Change

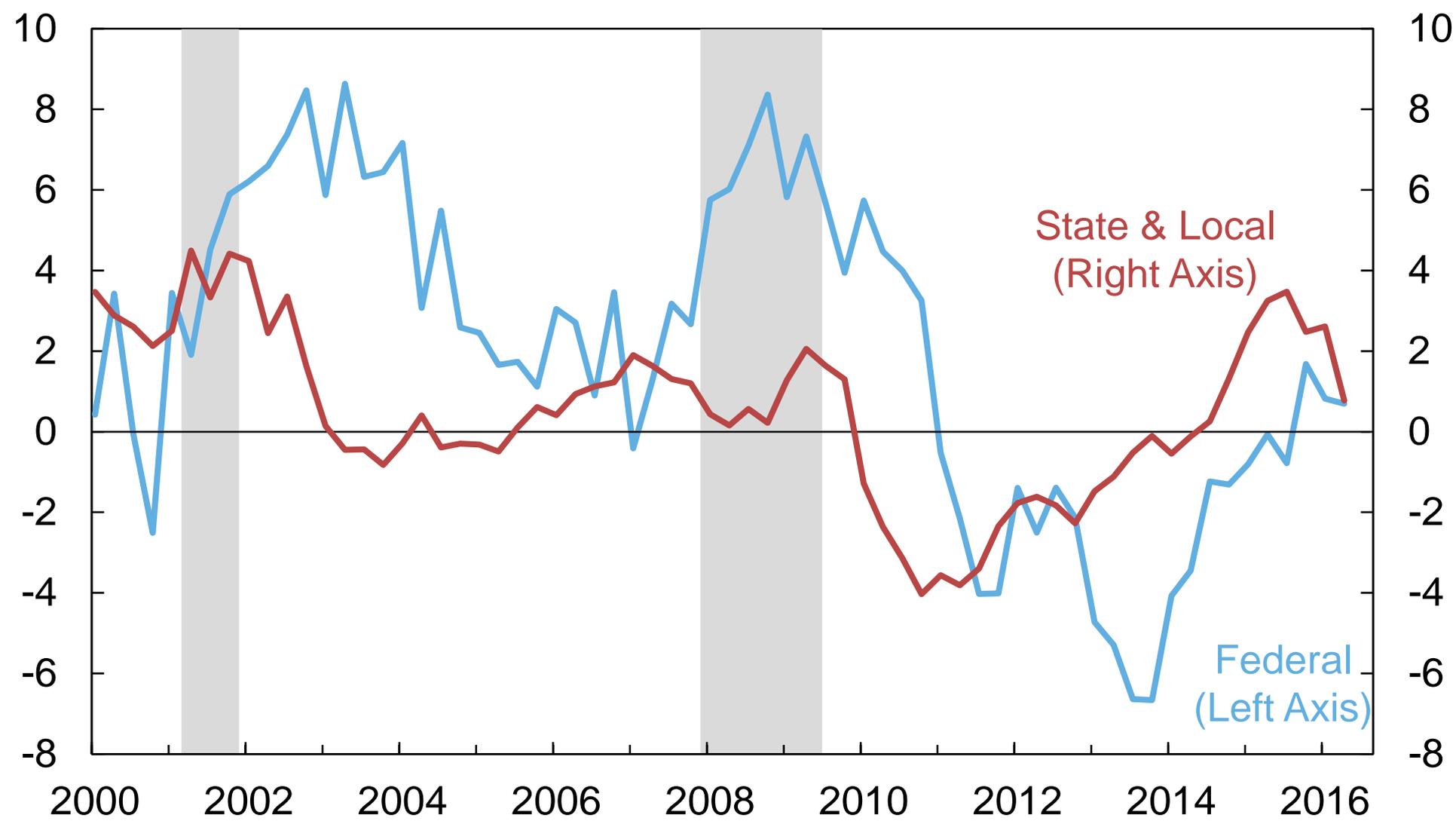
4Q % Change



Real Government Consumption and Gross Investment

4 Quarter % Change

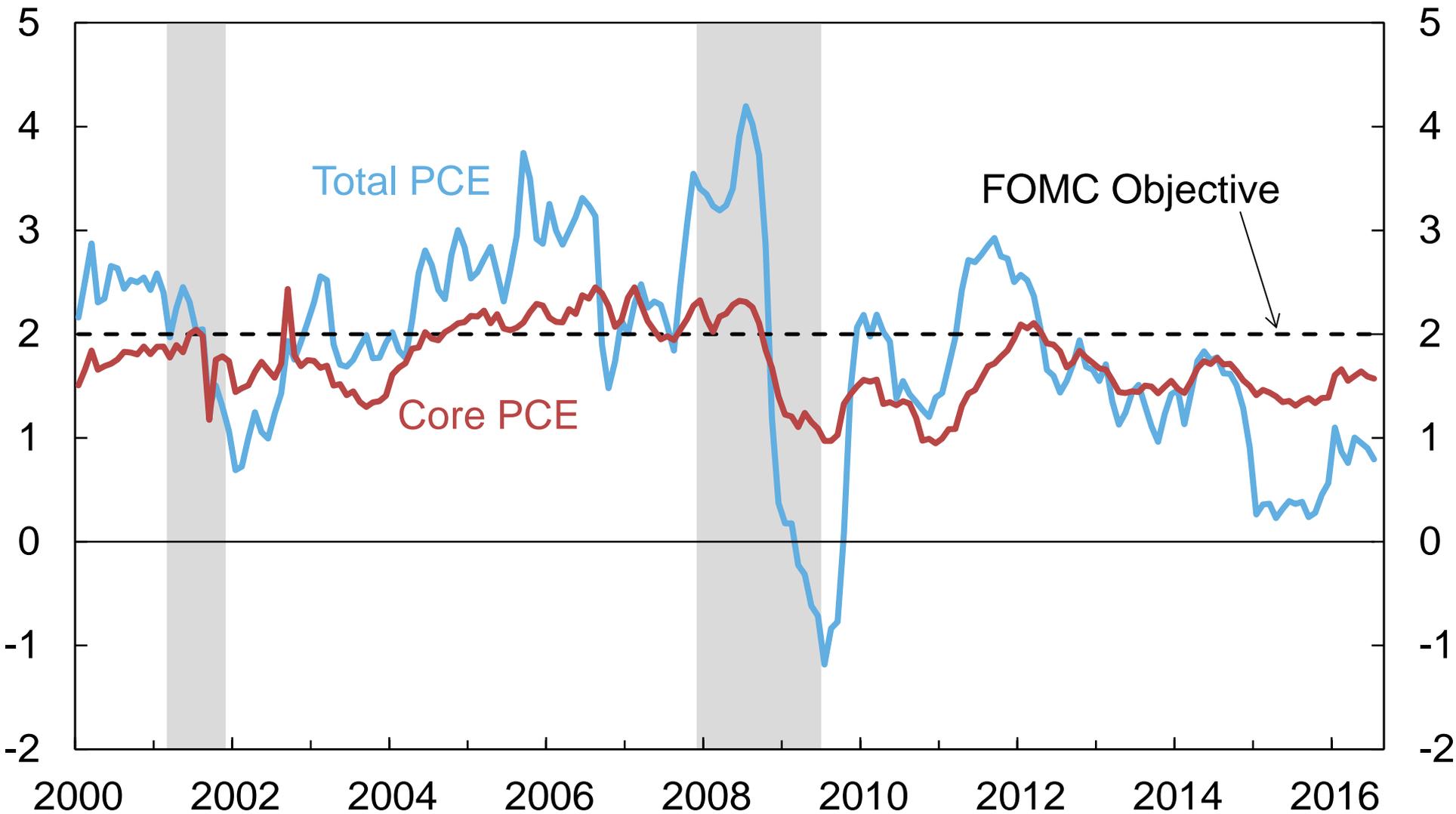
4 Quarter % Change



PCE Deflator

12 Month % Change

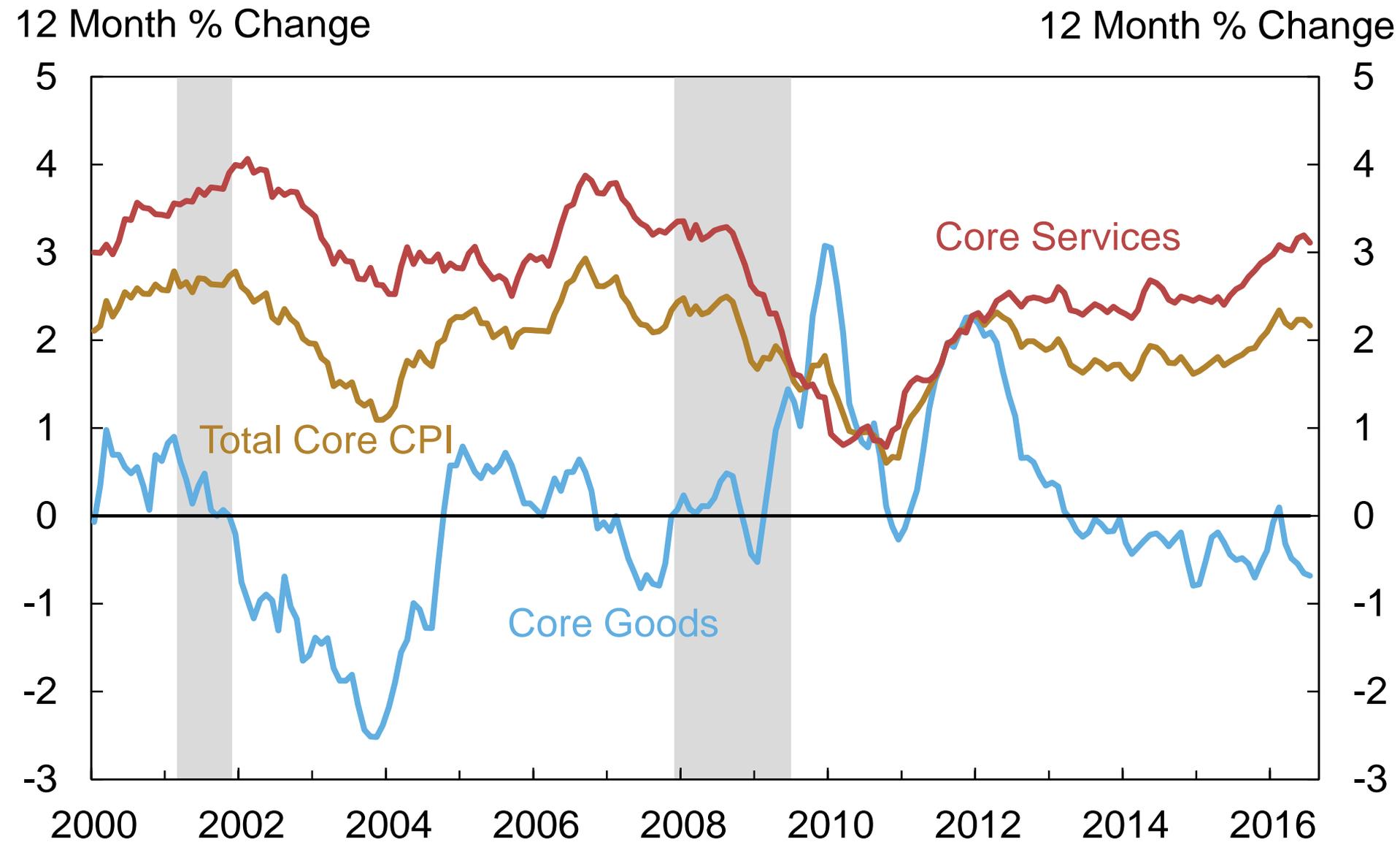
12 Month % Change



Source: Bureau of Economic Analysis, via Haver Analytics

Note: Shading shows NBER recessions.

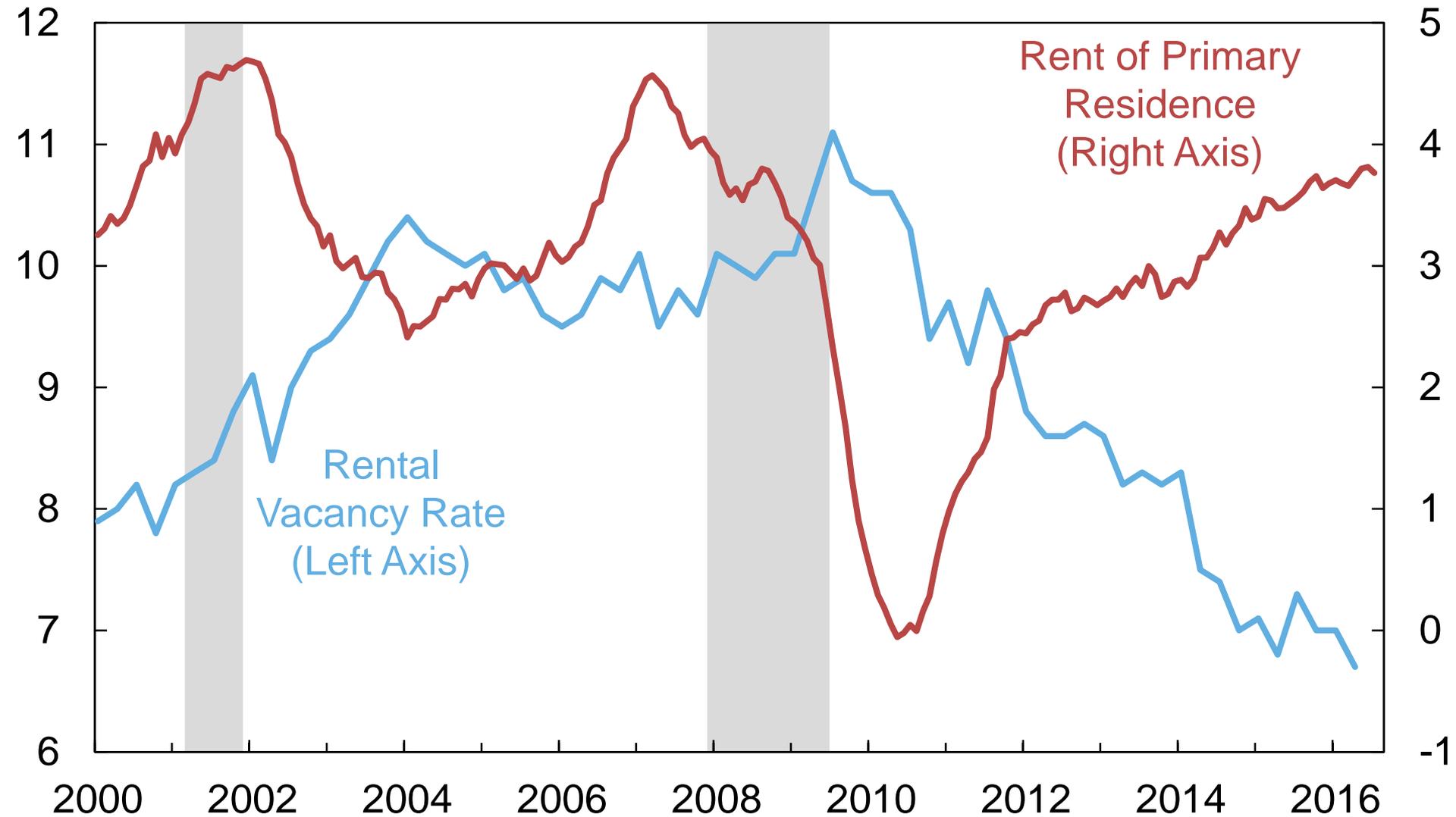
CPI Inflation: Core Goods and Core Services



Rental Vacancy Rate and Rent of Primary Residence

Percent

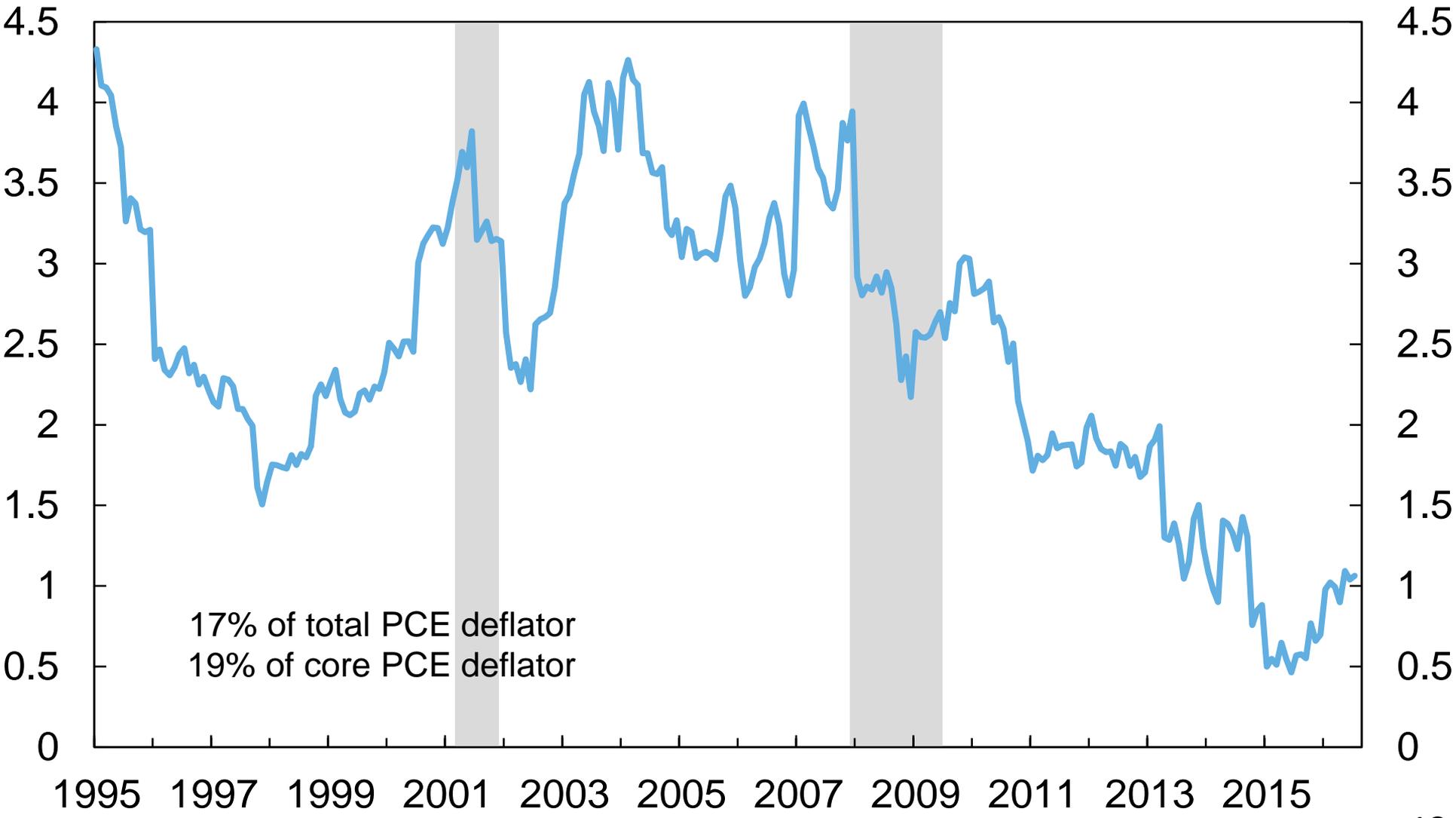
12 Month % Change



Personal Consumption Expenditures: Health Care Price Index

12 Month % Change

12 Month % Change



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

Reference Charts

Impact of Brexit on US Forecast

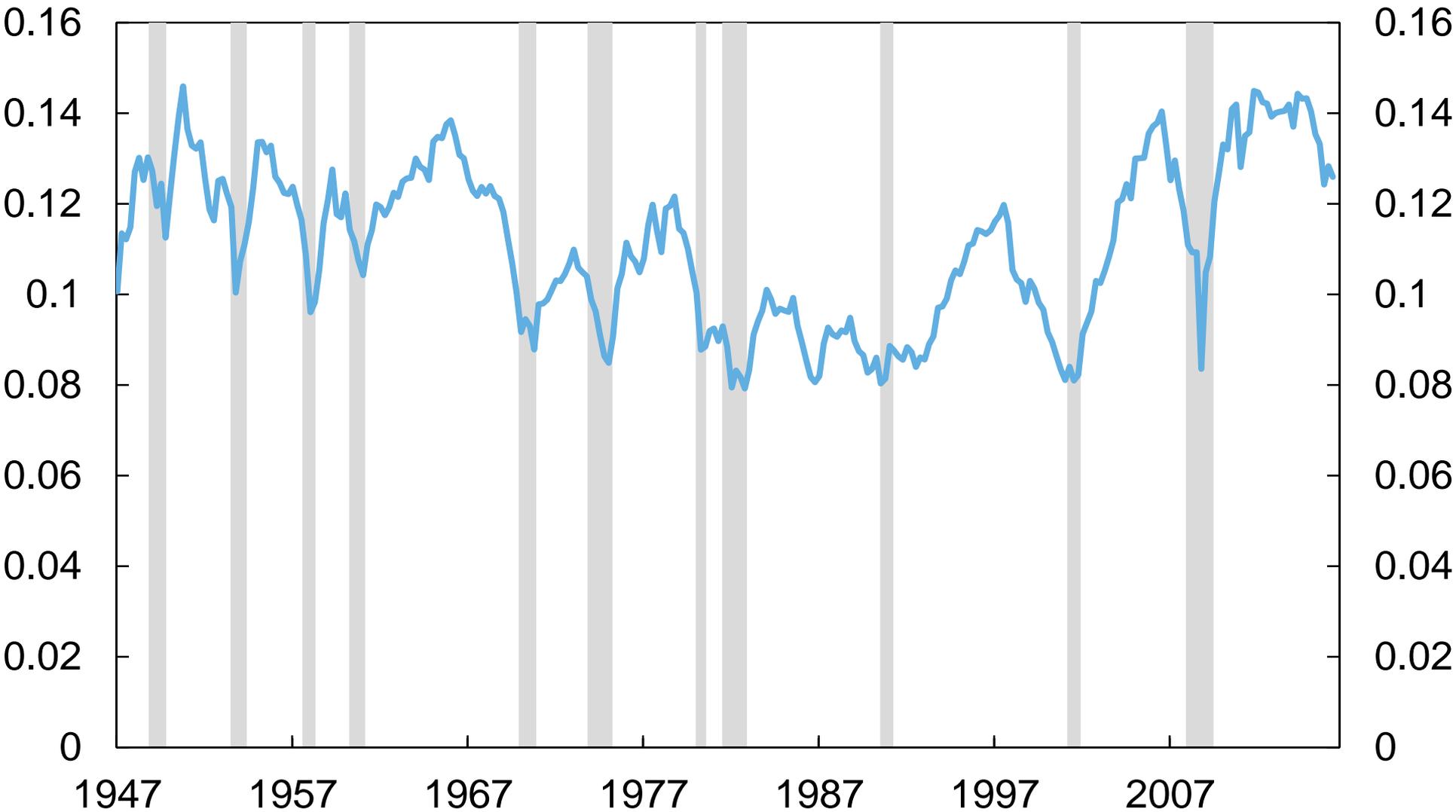
- Slightly higher path for exchange value of US dollar.
- Somewhat weaker foreign growth.
- Somewhat weaker business fixed investment.
- Total estimated impact is to reduce growth of real GDP over the period from 2016Q3 through 2017Q2 by 0.1 percentage point.



Corporate Profits

Corporate Profits/National Income

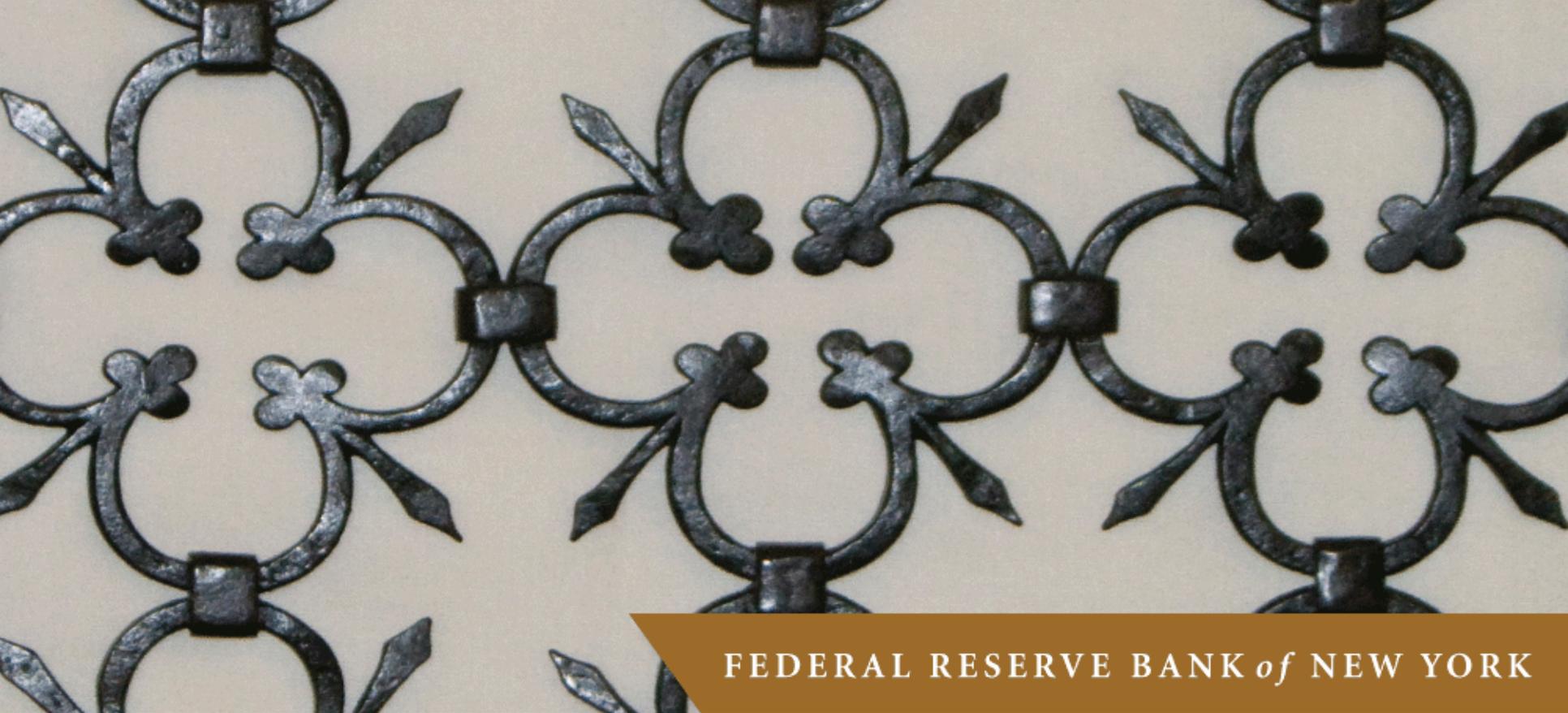
Corporate Profits/National Income



CORPORATE PROFITS BY SOURCE (PERCENT OF NATIONAL INCOME)

					Change
					2014Q2-
					2016Q2
		Q2-2014	Q2-2016		
TOTAL CORPORATE PROFITS		14.4	12.6		-1.8
DOMESTIC INDUSTRIES		11.8	10.1		-1.7
FINANCIAL		3.2	2.8		-0.4
NONFINANCIAL		8.6	7.3		-1.3
REST OF WORLD		2.7	2.5		-0.2
RECEIPTS FROM		4.6	4.2		-0.4
PAYMENTS TO		1.9	1.7		-0.2

Source: Bureau of Economic Analysis



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Regional Economic Conditions

Jaison R. Abel, Research Officer

Upstate New York Regional Advisory Board Meeting – September 7, 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.

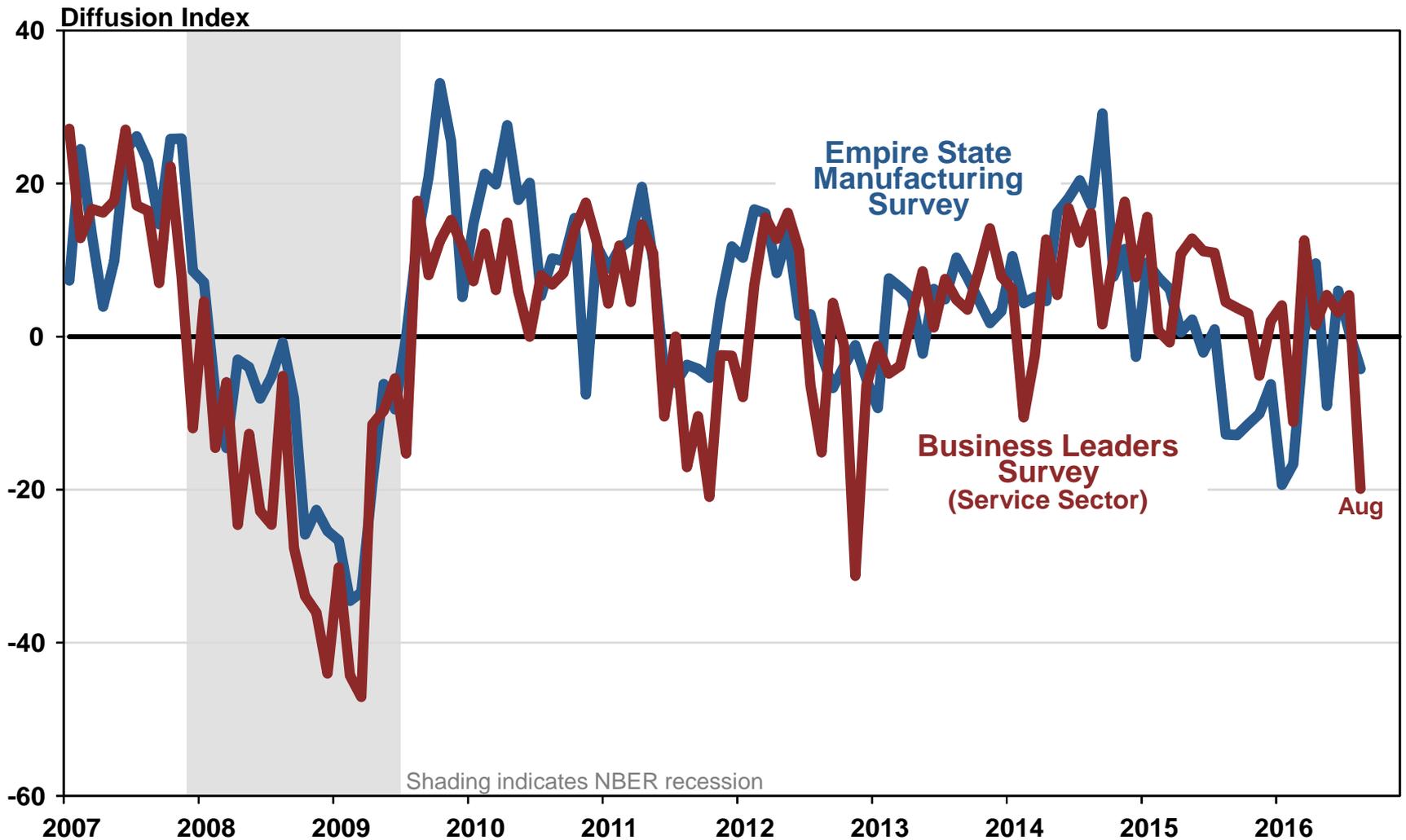
Overview of Regional Conditions

- Job growth has continued in most parts of the District, though the August regional business surveys point to a decline in activity.
- New York City remains on a strong growth trajectory, while job growth in upstate NY and northern NJ 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

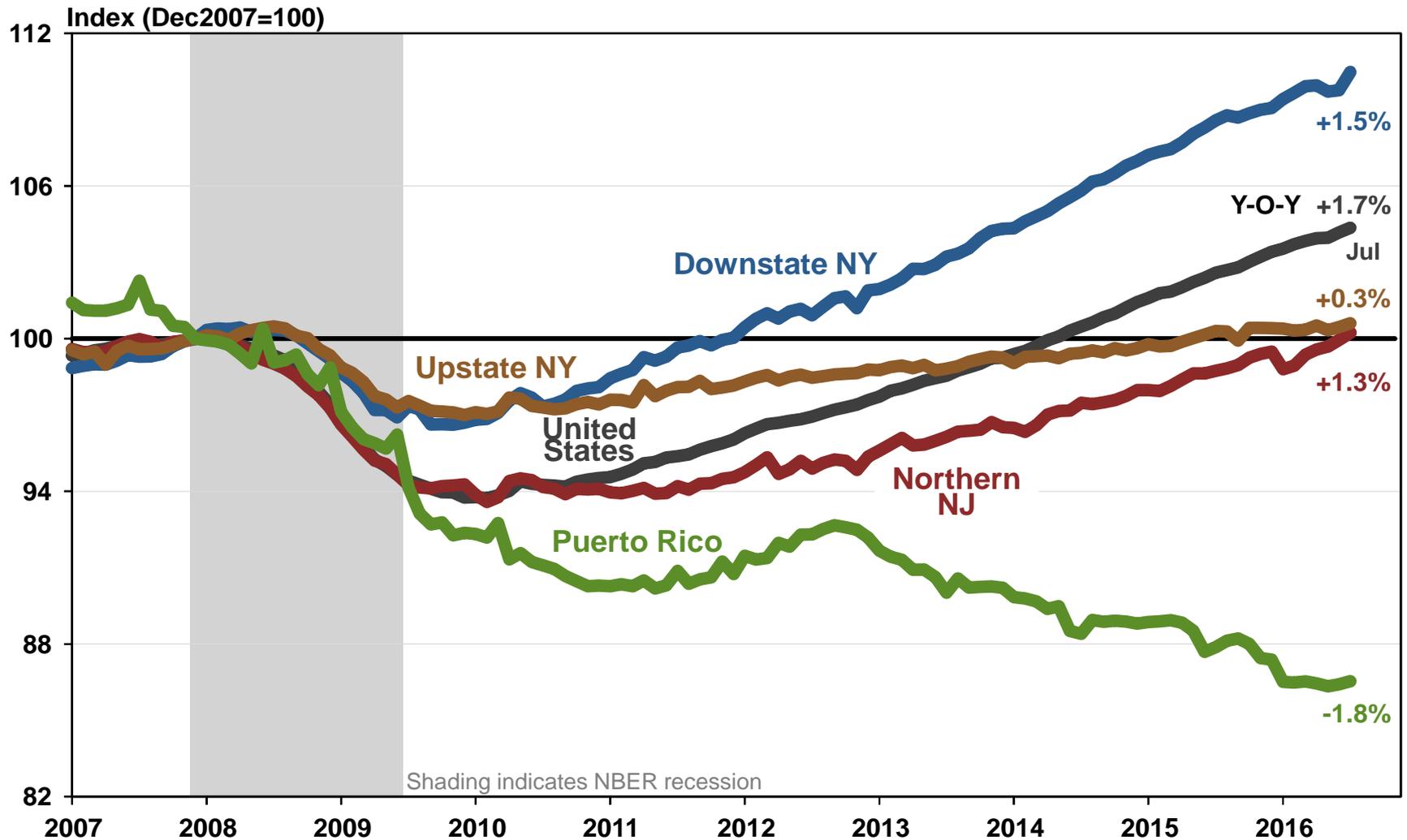
FRBNY Regional Business Surveys



Shading indicates NBER recession

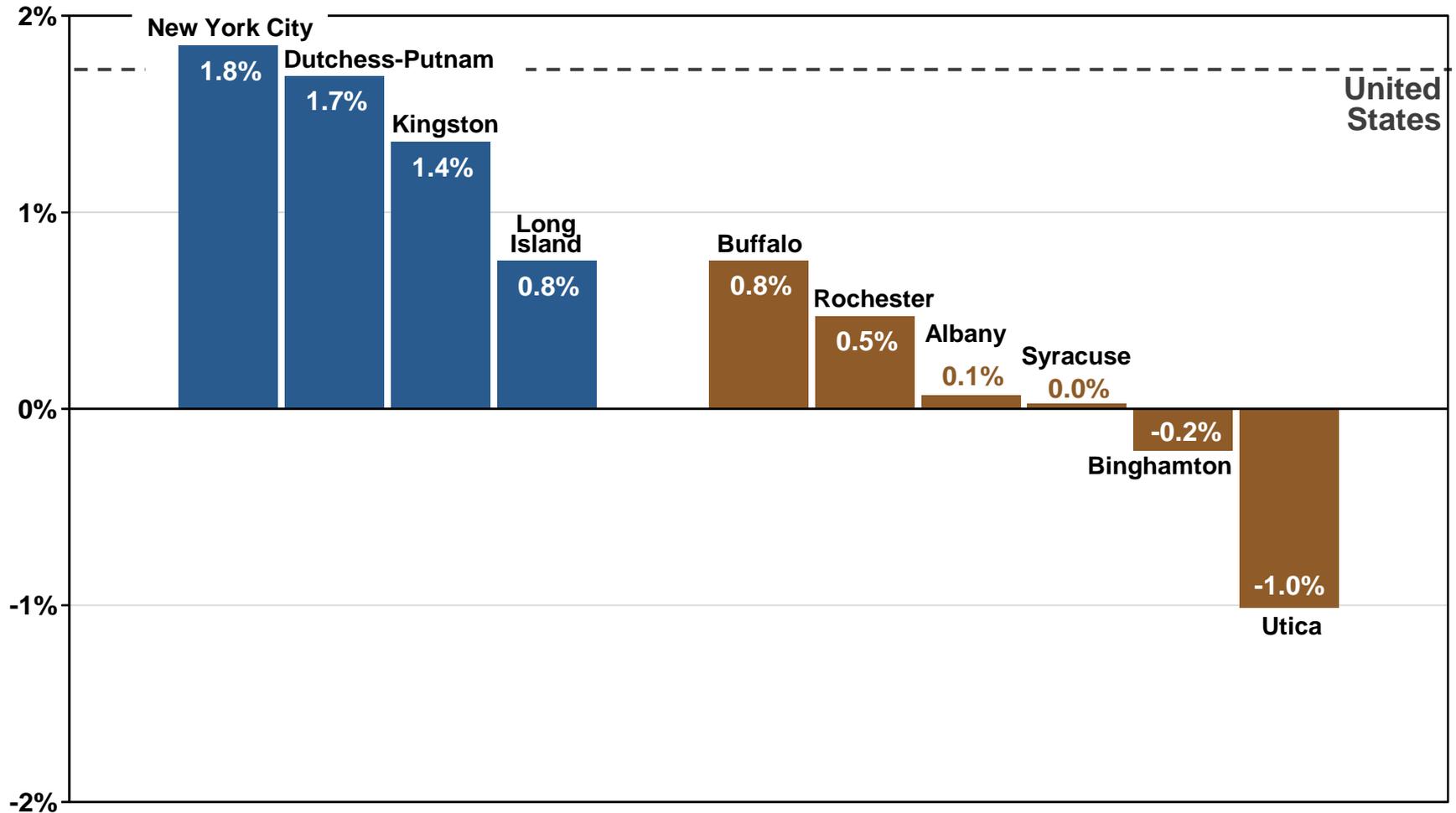
Regional Employment Trends

Indexes of Total Employment, Seasonally Adjusted



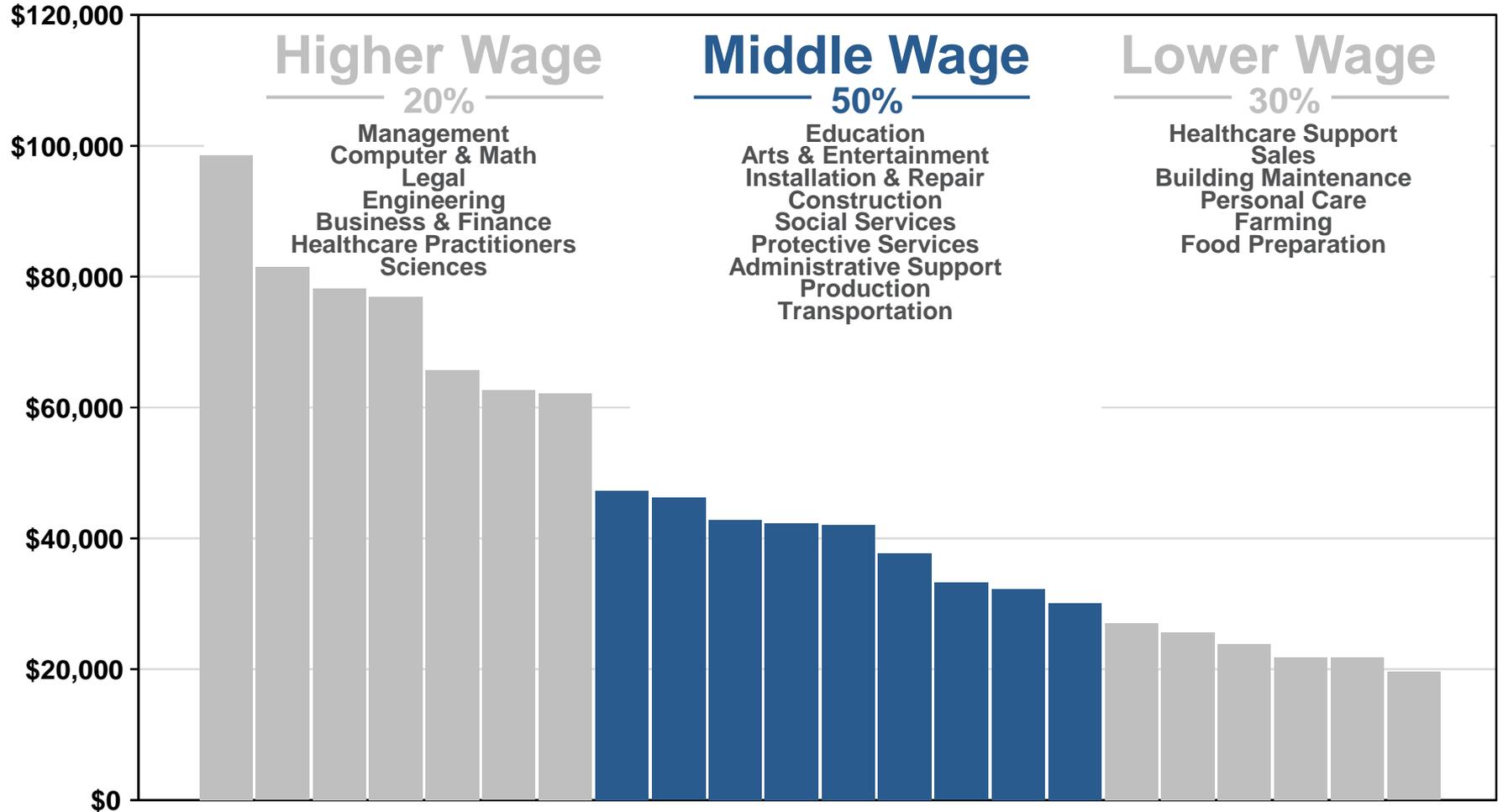
Recent Job Growth in the Region

Percent Change in Total Employment, 2015 to 2016 (May-July)



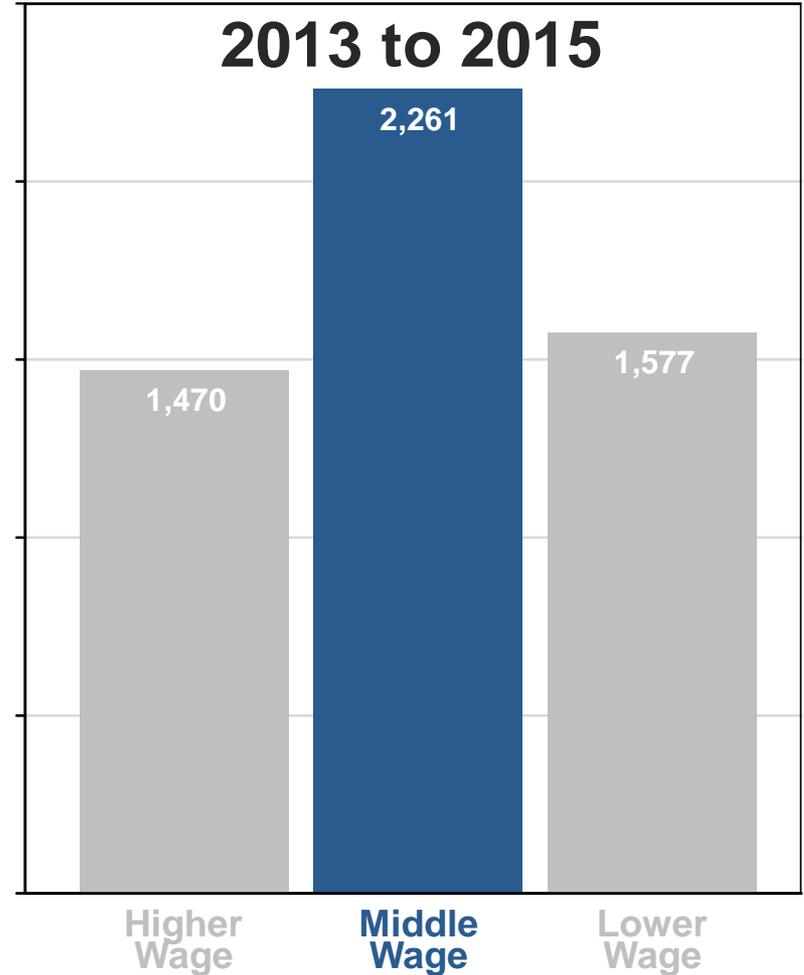
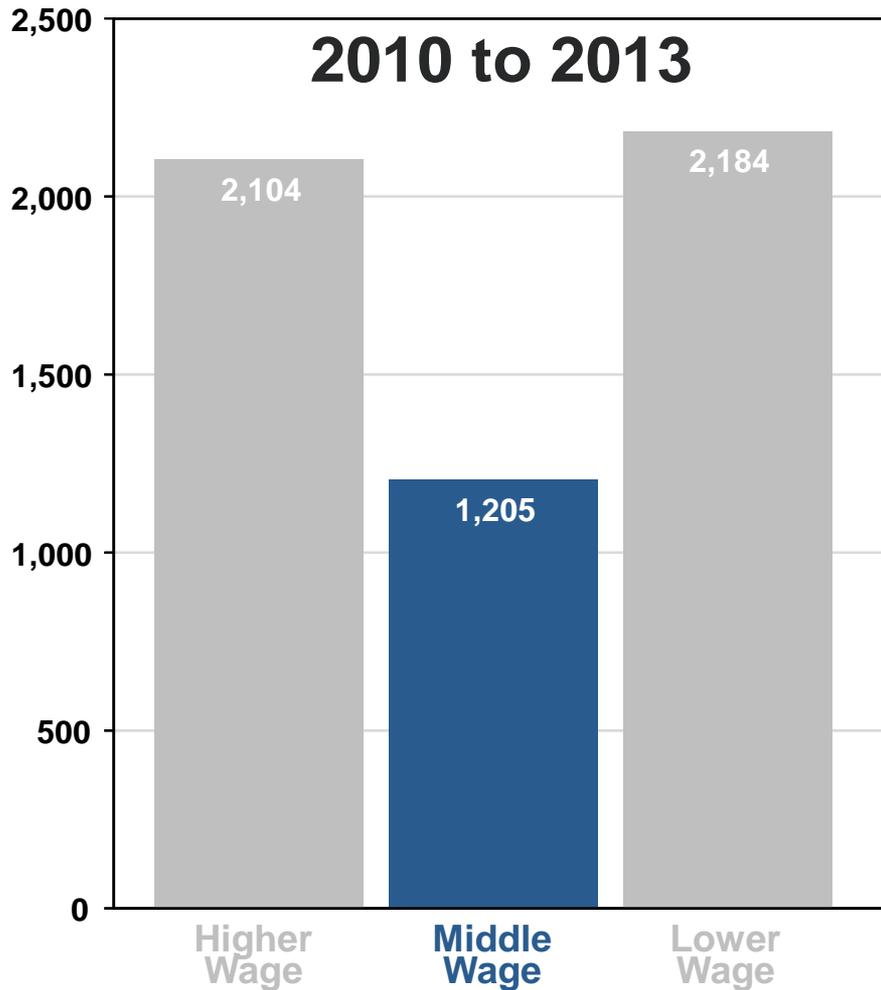
Job Categories

Based on 2015 Median Wages, United States



Job Gains in the United States

Net Change in Total Employment, Thousands



Middle-Wage Jobs Returning in the U.S.

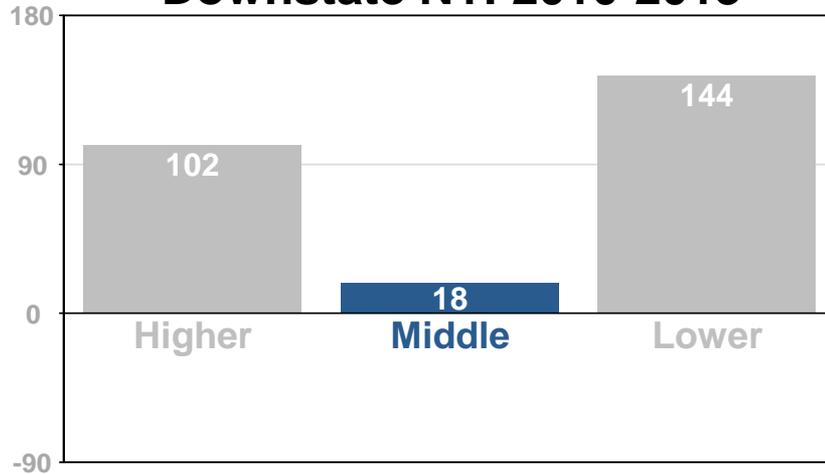
- Growth in traditional blue collar jobs:
 - **Construction** [+400,000]
 - **Production** [+300,000]
 - **Transportation** [+500,000]
 - **Installation & Repair** [+250,000]
- **Education** jobs growing again as local government fiscal pressures have subsided. [+150,000]
- Rebound in **Administrative Support** jobs. [+400,000]



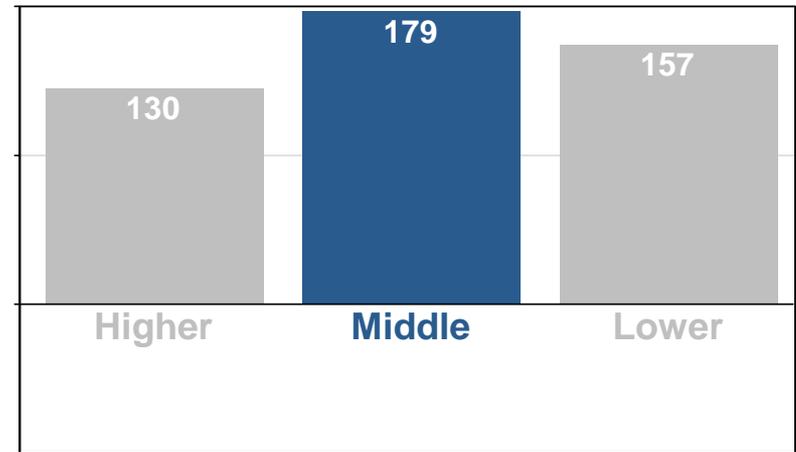
Job Gains and Losses in the Region

Net Change in Total Employment, Thousands

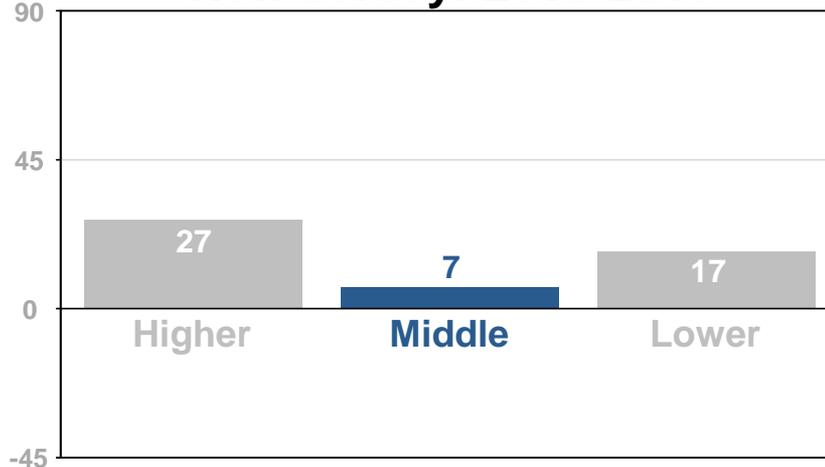
Downstate NY: 2010-2013



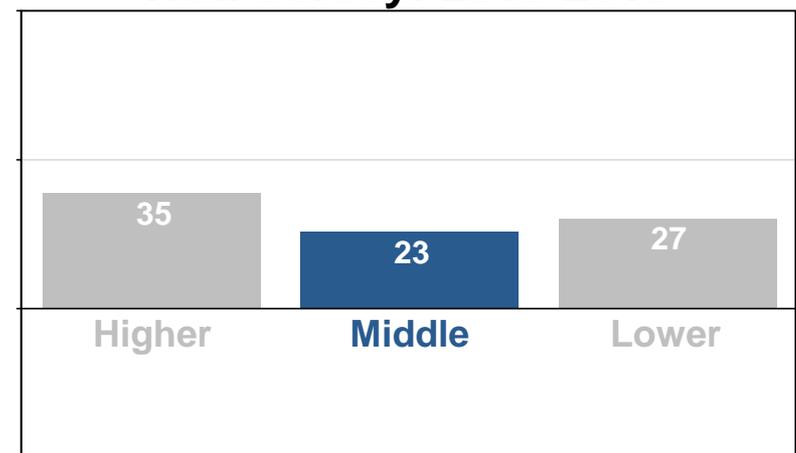
Downstate NY: 2013-2015



New Jersey: 2010-2013



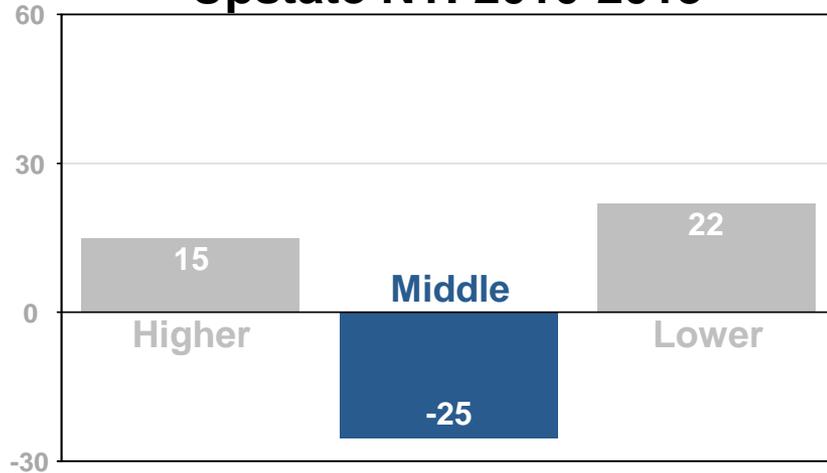
New Jersey: 2013-2015



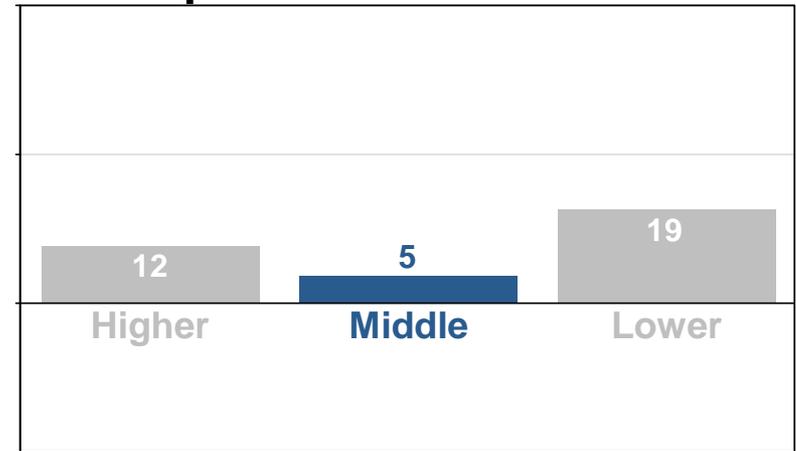
Job Gains and Losses in the Region

Net Change in Total Employment, Thousands

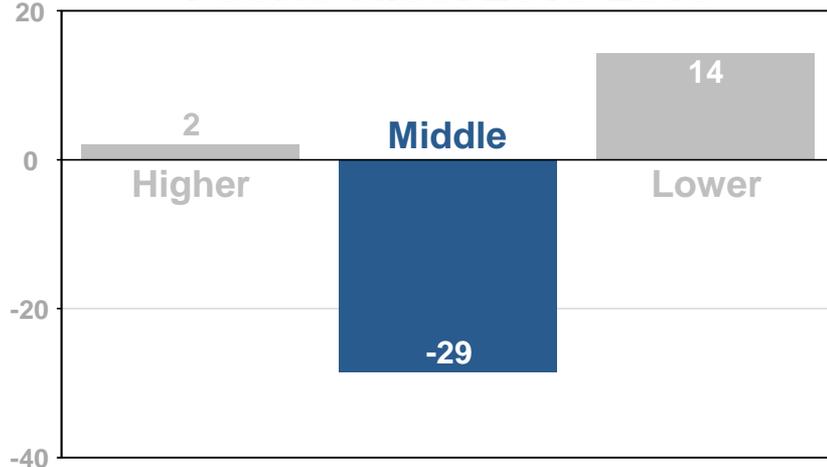
Upstate NY: 2010-2013



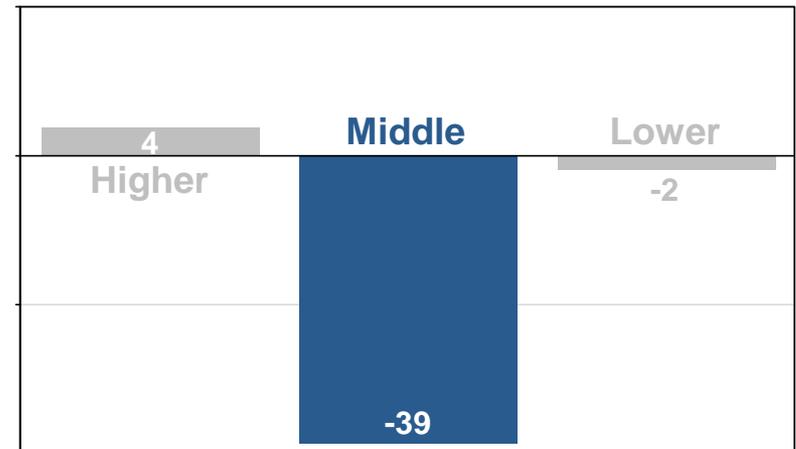
Upstate NY: 2013-2015



Puerto Rico: 2010-2013



Puerto Rico: 2013-2015



Middle-Wage Job Gains Weak in Some Areas

Upstate NY

- Limited bounce back in **Education** and **Construction** jobs coupled with ongoing declines in **Administrative Support** and **Production** jobs.

New Jersey

- Steep losses in **Administrative Support** and **Production** jobs.

Puerto Rico

- Broad-based declines in middle-wage jobs, with large job losses tied to the island's weak public sector (**Education**, **Protection**) along with an acceleration in **Construction** job losses.

