



**Small Business & Agricultural Advisory Board  
Federal Reserve Bank of New York  
33 Liberty Street  
10F, Paul Volcker Boardroom  
Tuesday, August 16, 2016**

**AGENDA**

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- |                 |  |
|-----------------|--|
| 10:30am         | Welcome and Adoption of the SBAAC Charter, Claire Kramer, AVP                                  |
| 10:35am         | 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, Jason Bram, 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:
1. Did your firm's sales volume increase, decrease, or stay the same in the first half of the year?
  2. Do you expect your firm's sales to increase, decrease, or stay the same during the second half?
  3. Do you plan to increase investment in your firm (plant & equipment) during the second half of this year?
  4. Has your firm faced any recent shortage of labor that has limited your ability to meet demand?
  5. Do you plan to increase employment this year? Why or why not?
  6. Do you expect input prices to increase this year? Do you expect prices of products/services sold to increase?
  7. Over the past two quarters, how have the terms and conditions for obtaining financing changed (tightened, eased, not changed)?
- |         |         |
|---------|---------|
| 2:00 pm | Adjourn |
|---------|---------|



**Small Business & Agricultural Advisory Council  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, NY  
Tuesday, August 16 2016**

**ATTENDEE LIST**

**Council Members**

Michael Arnoff  
President  
Arnoff Moving & Storage

Adenah Bayoh  
Co-Founder  
Kapwood, LLC

Eric Caslow  
President  
Acme Smoked Fish Corporation

Kevin Ellis  
Chief Executive Officer  
Cayuga Milk Industries

Charles Feit  
President and Founder  
OnForce Solar

Gabriel Hernández  
Co-Founder and Head of Tax Division  
BDO Puerto Rico

Patrick Marotta  
President/CEO  
Marotta Controls

Waleska Rivera  
President  
Danosa Caribbean, Inc.

**Federal Reserve Bank of New York**

William Dudley  
Michael Strine  
Jack Gutt  
Richard Peach  
Linda Goldberg  
Kausar Hamdani  
Matthew Higgins  
Claire Kramer  
Jason Bram  
Luis Uranga  
Angela Sun  
Marisa Casellas-Barnes  
Edison Reyes

President  
First Vice President  
EVP, Communications & Outreach  
SVP, Research & Statistics  
SVP, Integrated Policy Analysis  
SVP, Communications & Outreach  
VP, Integrated Policy Analysis  
AVP, Outreach & Education  
Officer, Research & Statistics  
Officer, Chief of Staff's Office  
Associate, Legal  
Associate, Outreach & Education  
Associate, Outreach & Education



FEDERAL RESERVE BANK *of* NEW YORK

# US Macro Overview

Richard Peach, Senior Vice President

August 16, 2016

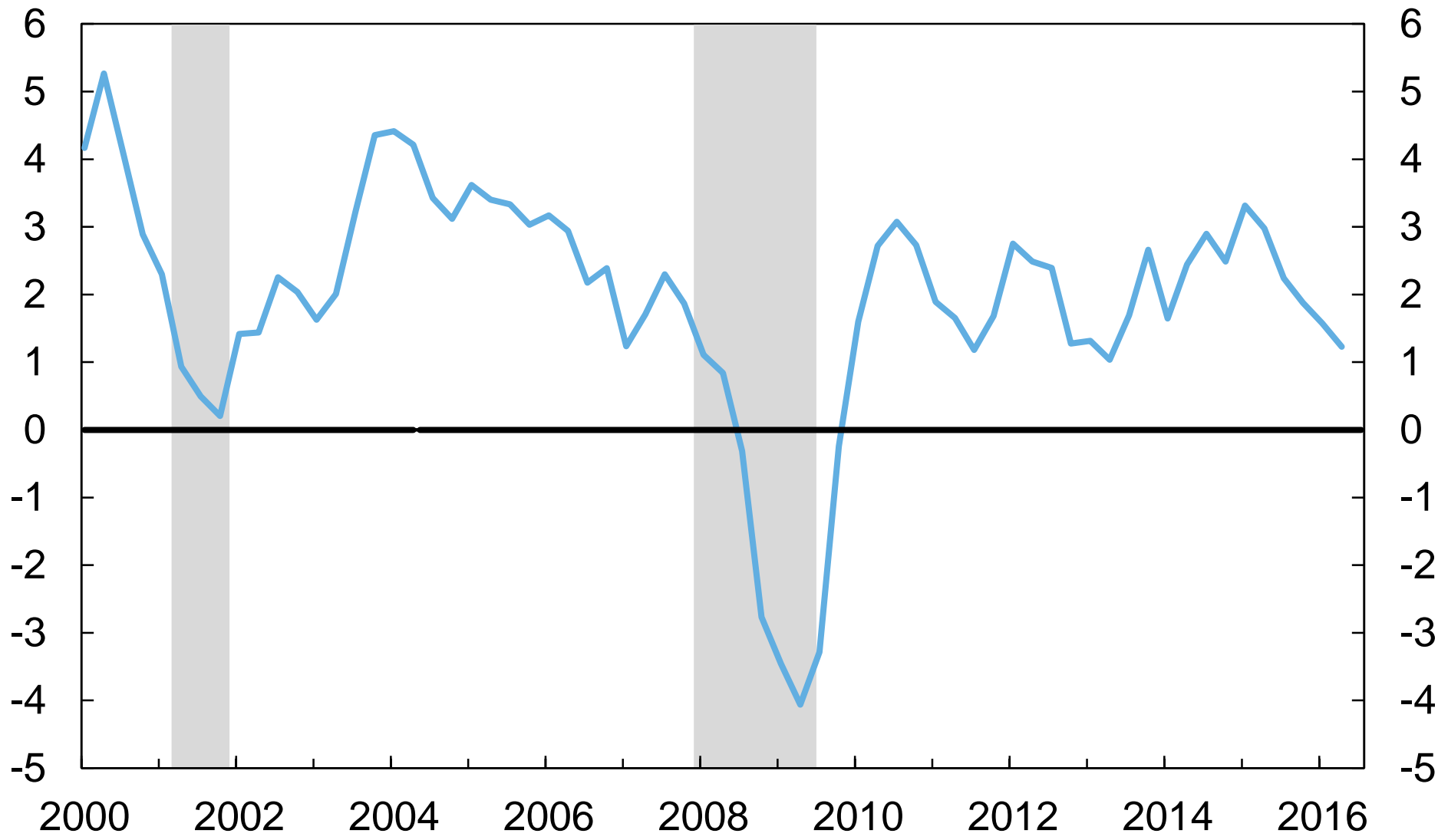
# Overview

- 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



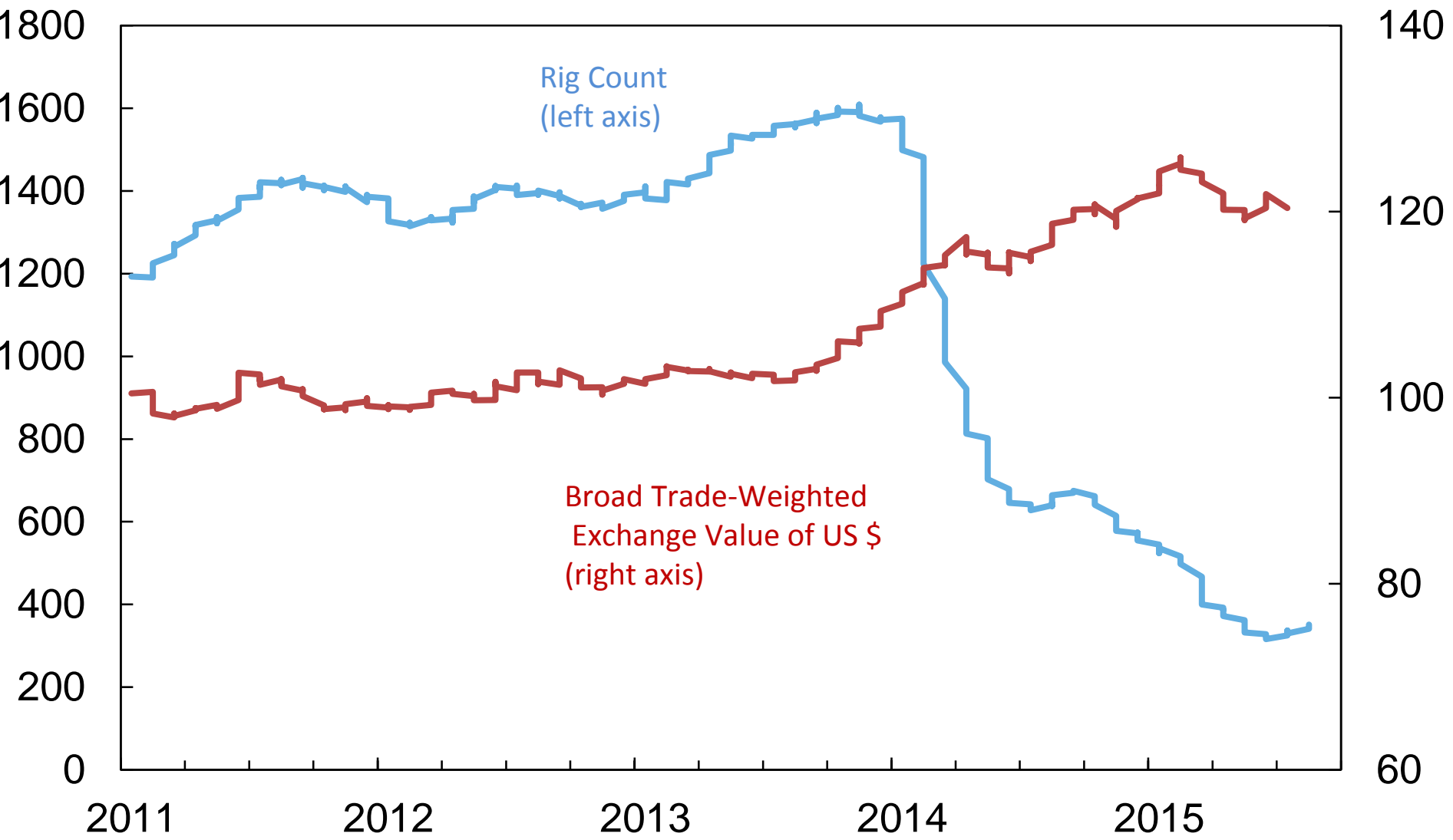
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions. 1

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

Active Oil Rigs

Index



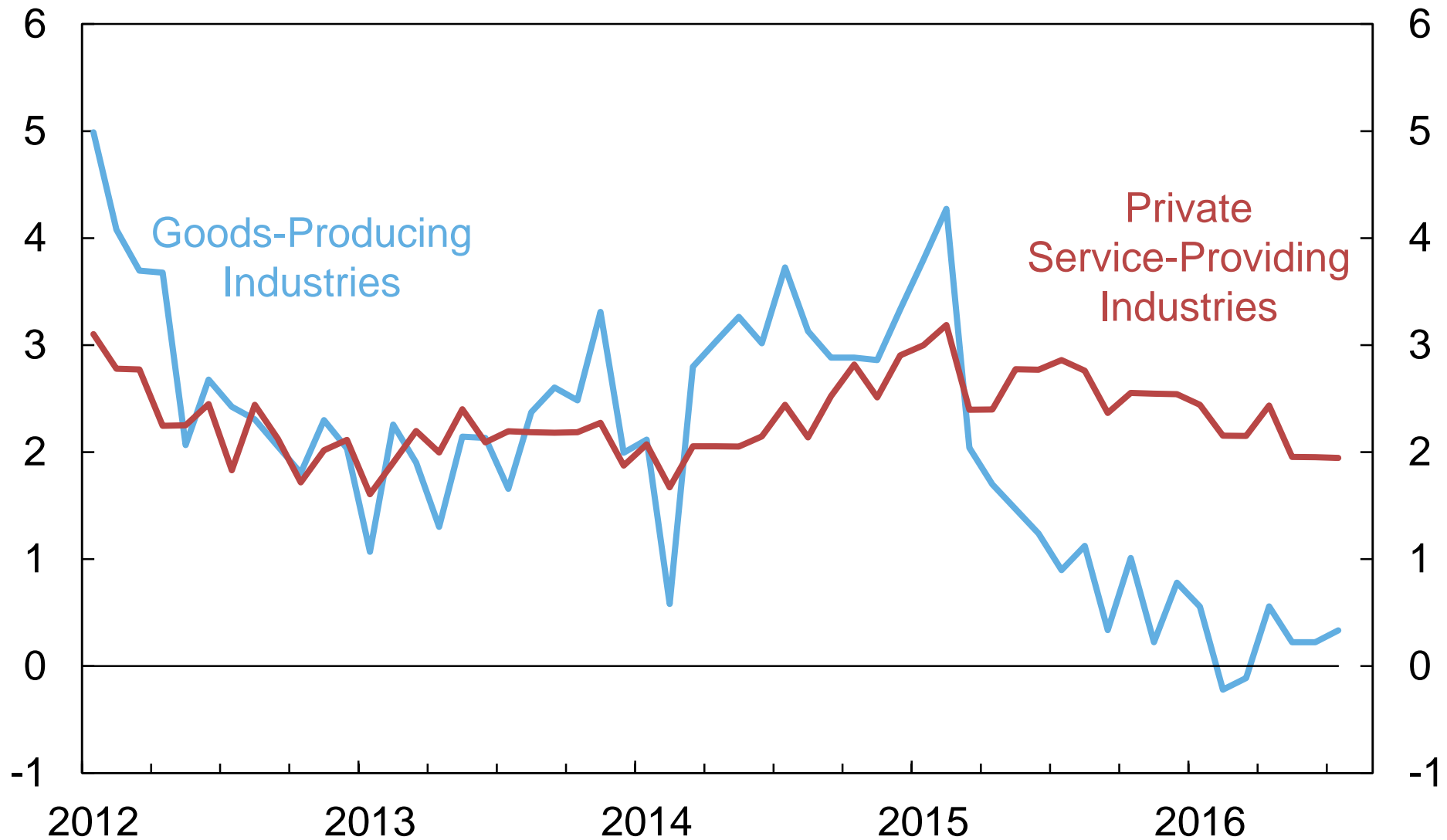
Source: Federal Reserve Board and Baker Hughes

Note: Shading shows NBER recessions.

# Aggregate Weekly Hours Worked

Y/Y % Change

Y/Y % Change



3

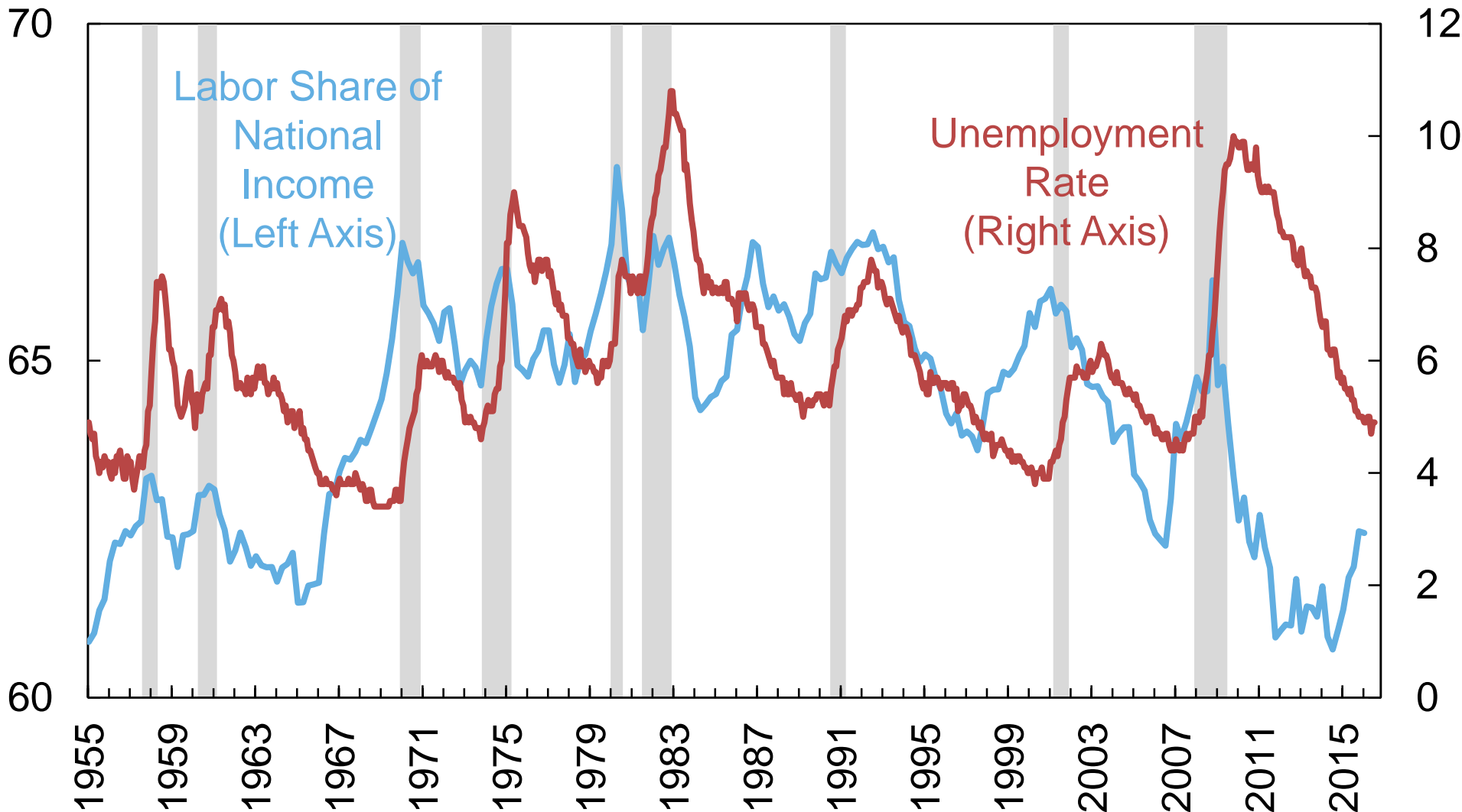
Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.

# Labor Share of National Income and Unemployment Rate

Percent

Rate

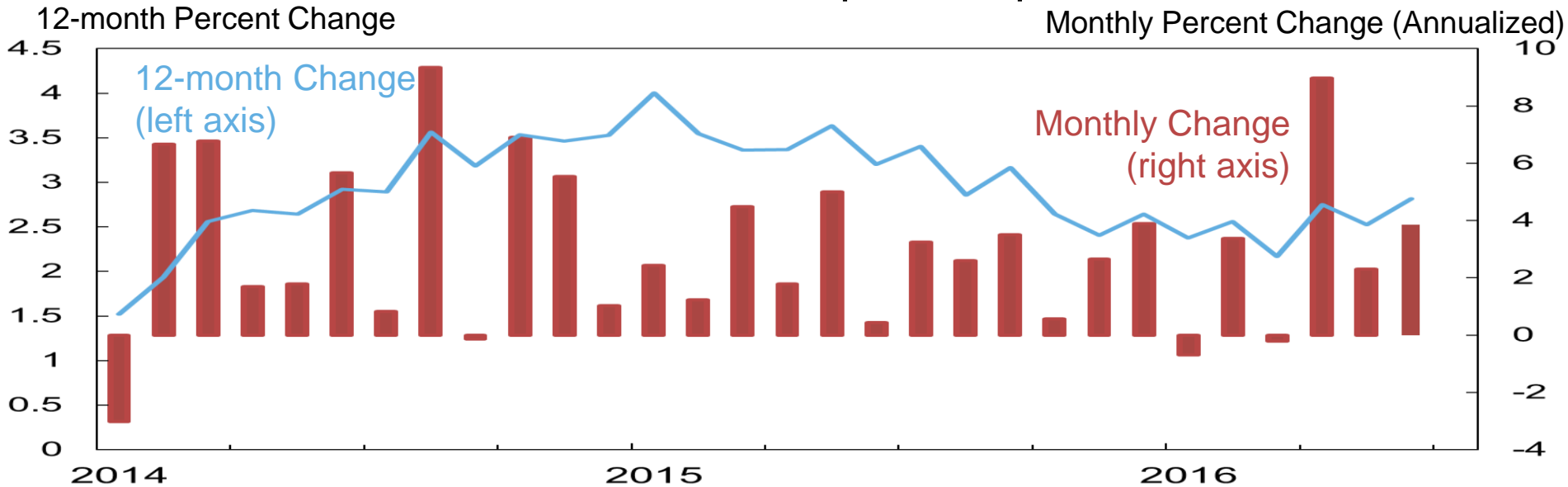


Source: Bureau of Economic Analysis,  
Bureau of Labor Statistics

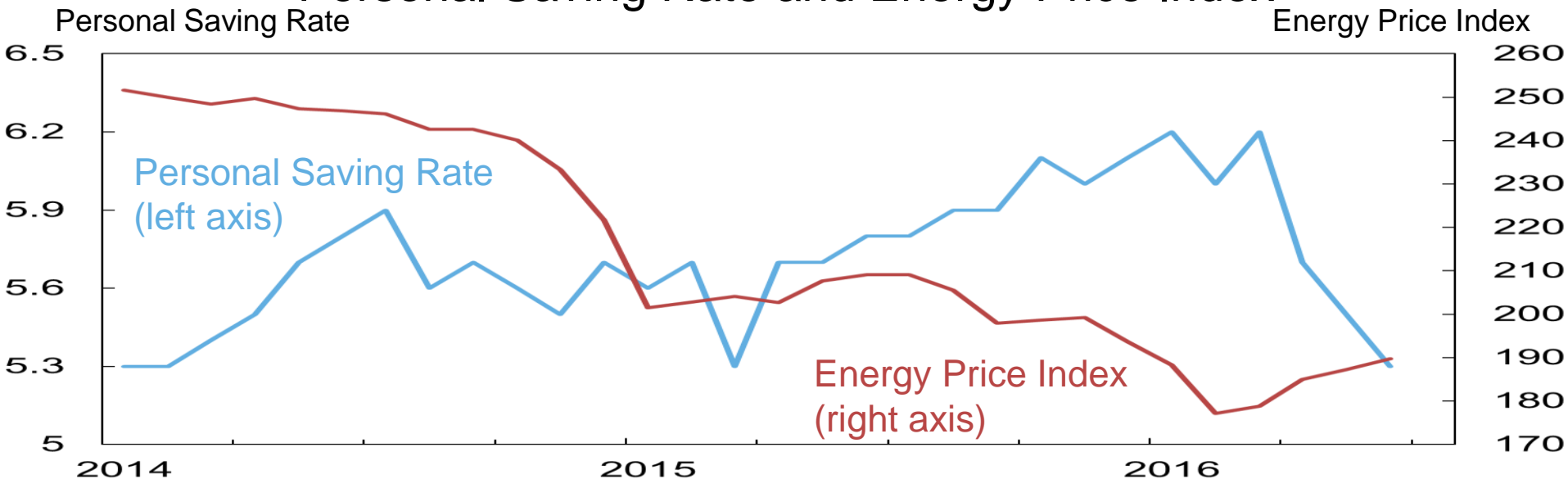
Note: Shading shows NBER recessions.



# Real Personal Consumption Expenditures



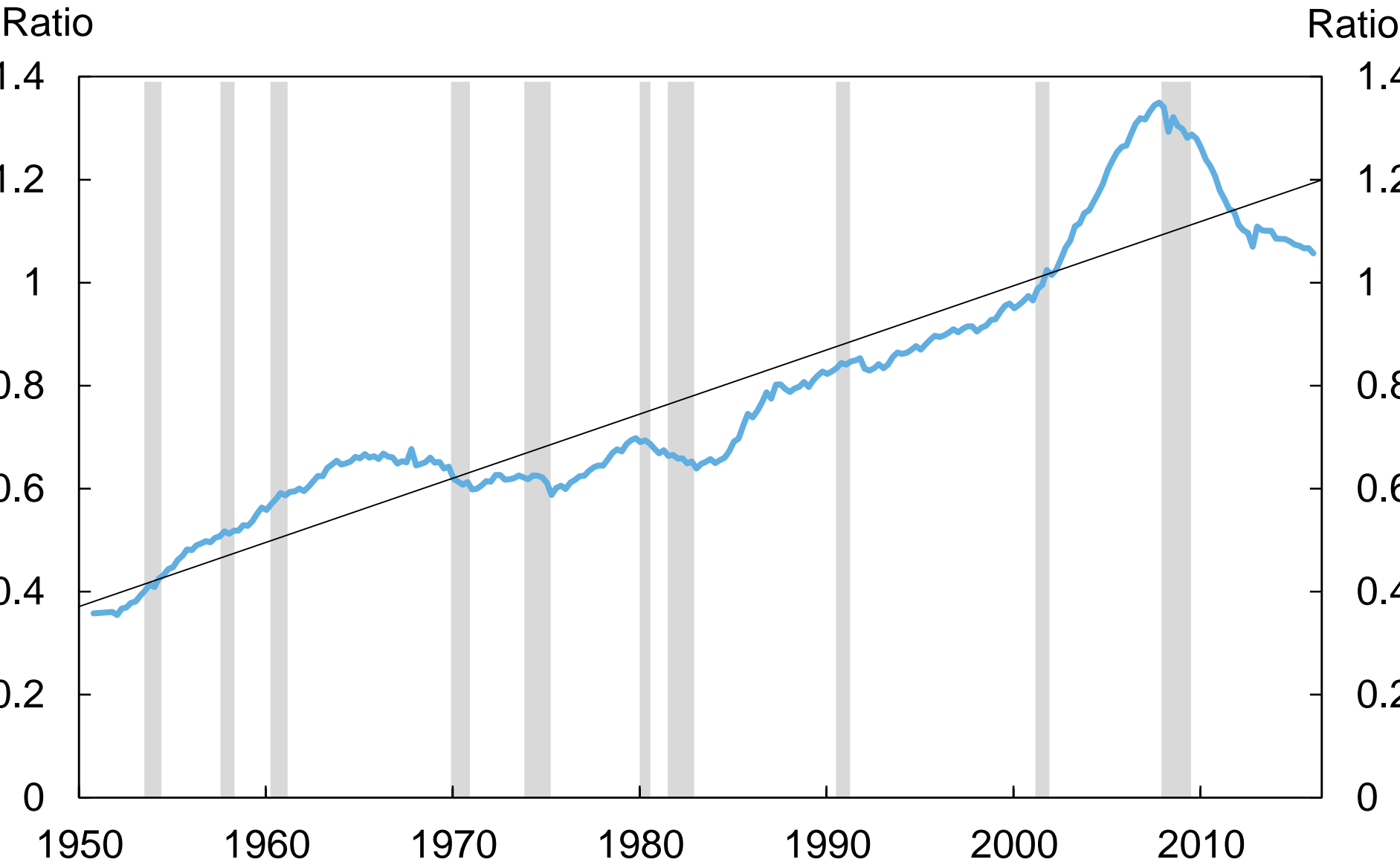
# Personal Saving Rate and Energy Price Index



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

Note: Shading shows NBER recessions.

# Household Liabilities/Disposable Personal Income



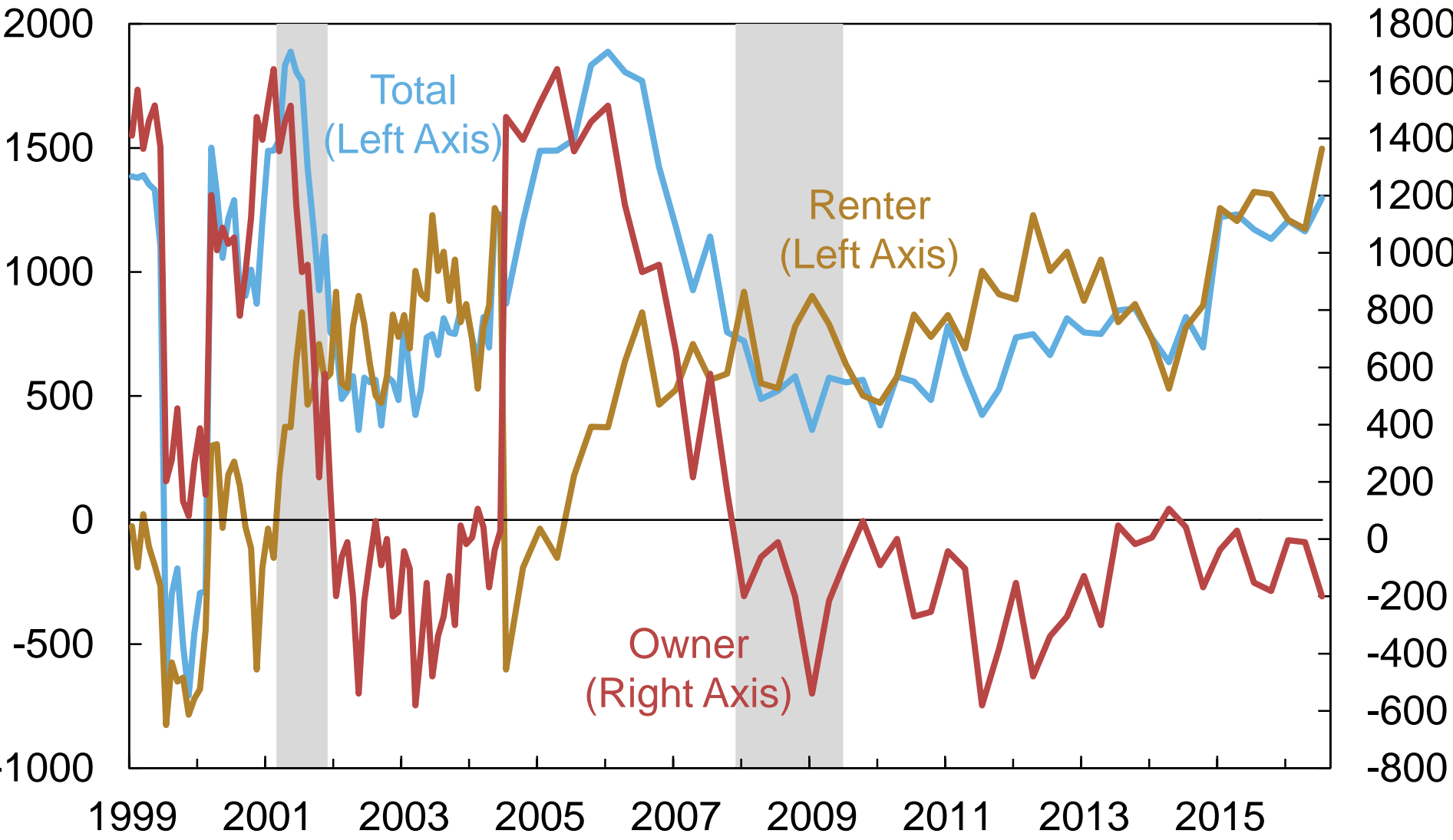
Source: Federal Reserve Board

Note: Shading shows NBER recessions.

# Household Formations

2 Year Avg. Change

2 Year Avg. Change



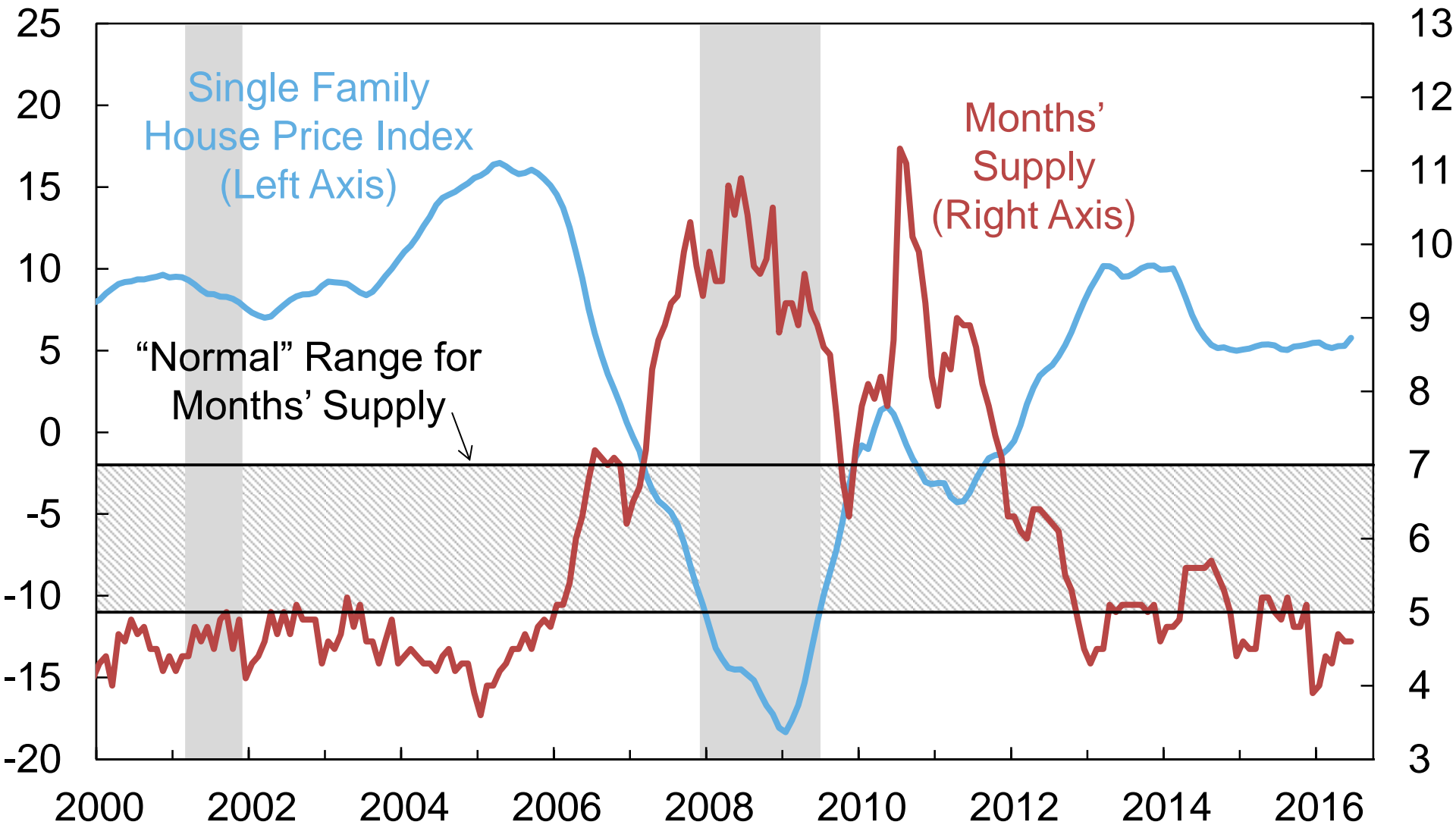
Source: Bureau of the Census

Note: Shading shows NBER recessions.

# Single Family Housing Market

12 Month % Change

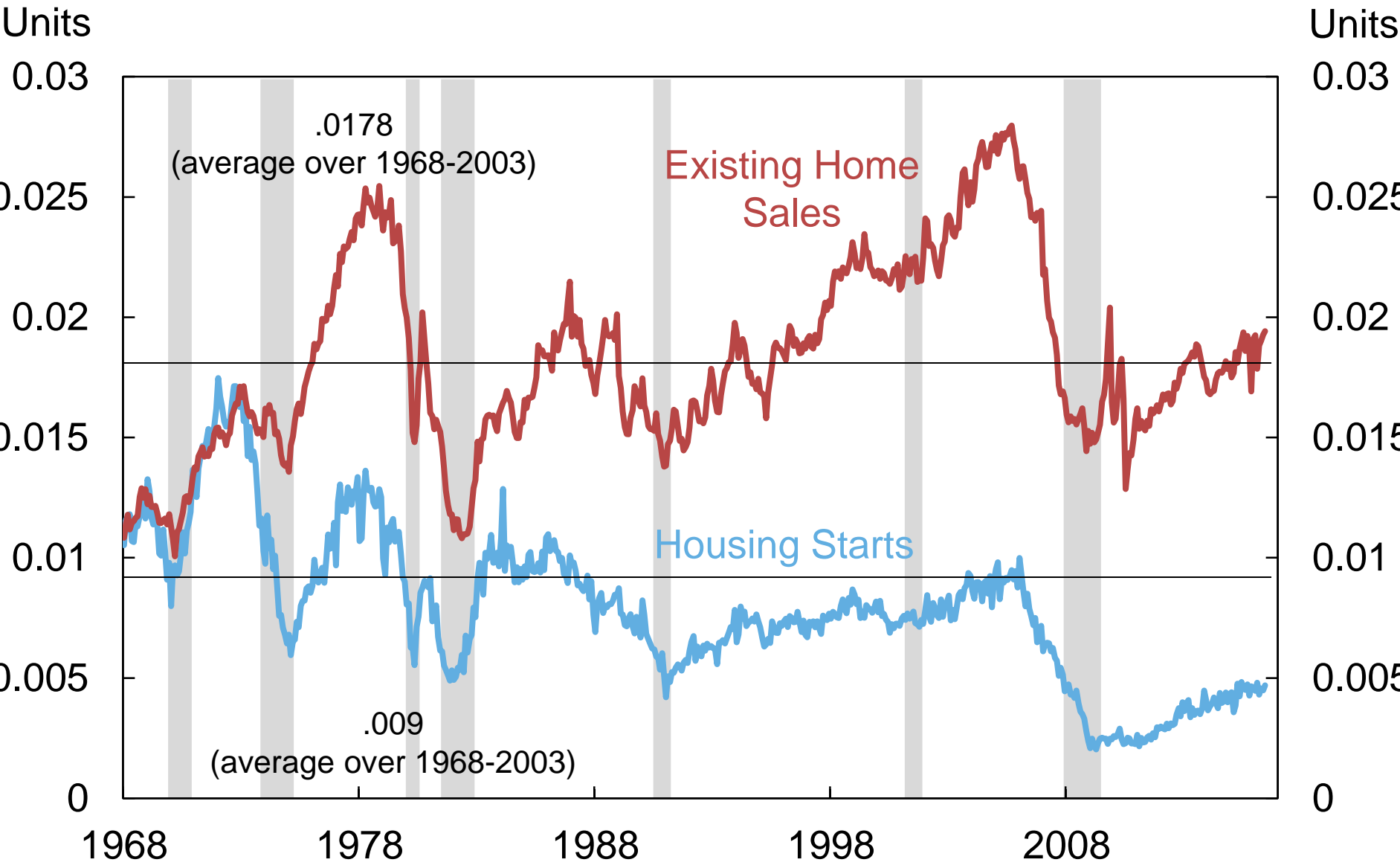
Months



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

Note: Shading shows NBER recessions. 8

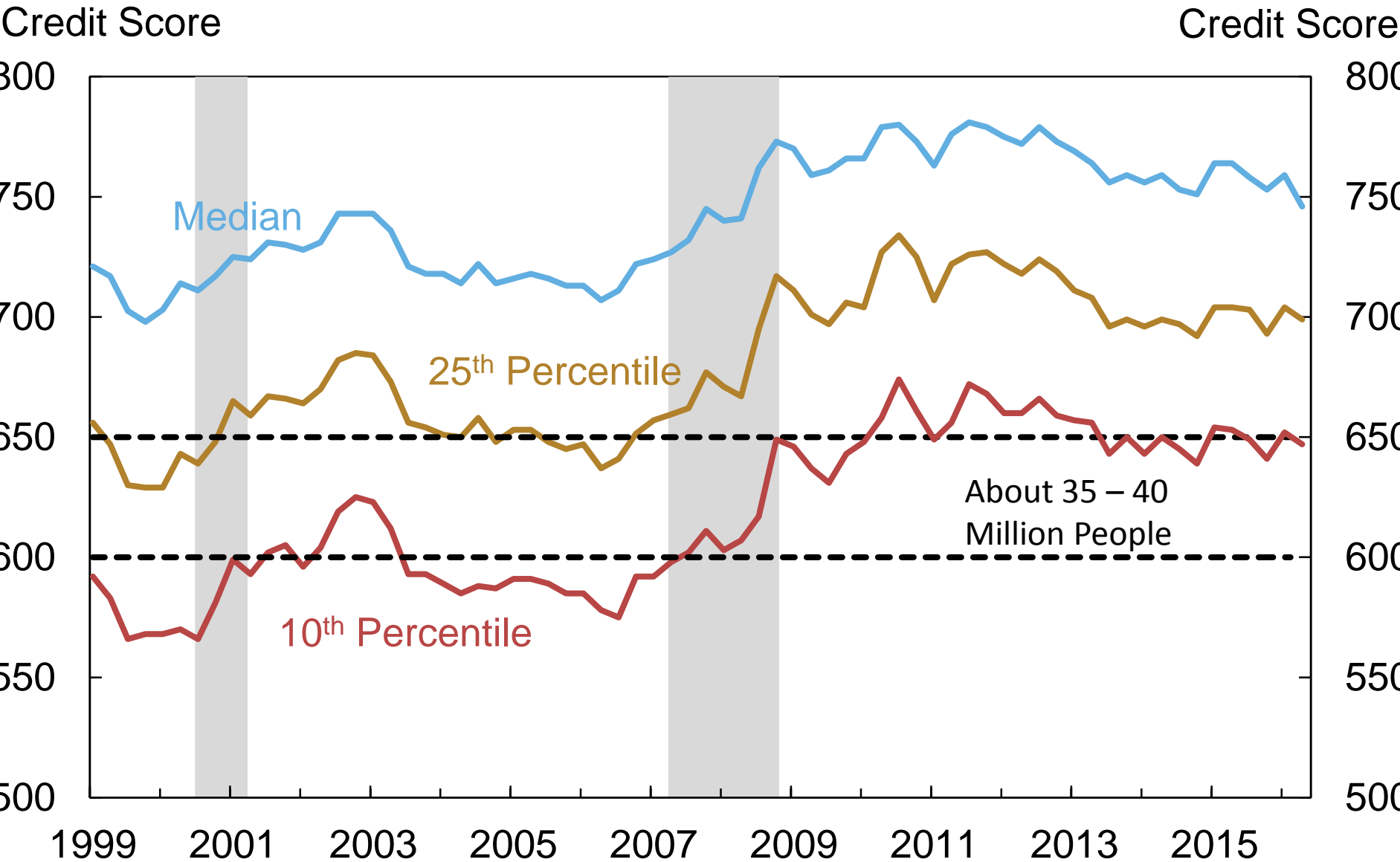
# Housing Starts and Existing Homes Sales Per Capita



Source: BLS, Census Bureau, NAR

Note: Shading shows NBER recessions.

# Credit Score at Mortgage Origination: All First Mortgages



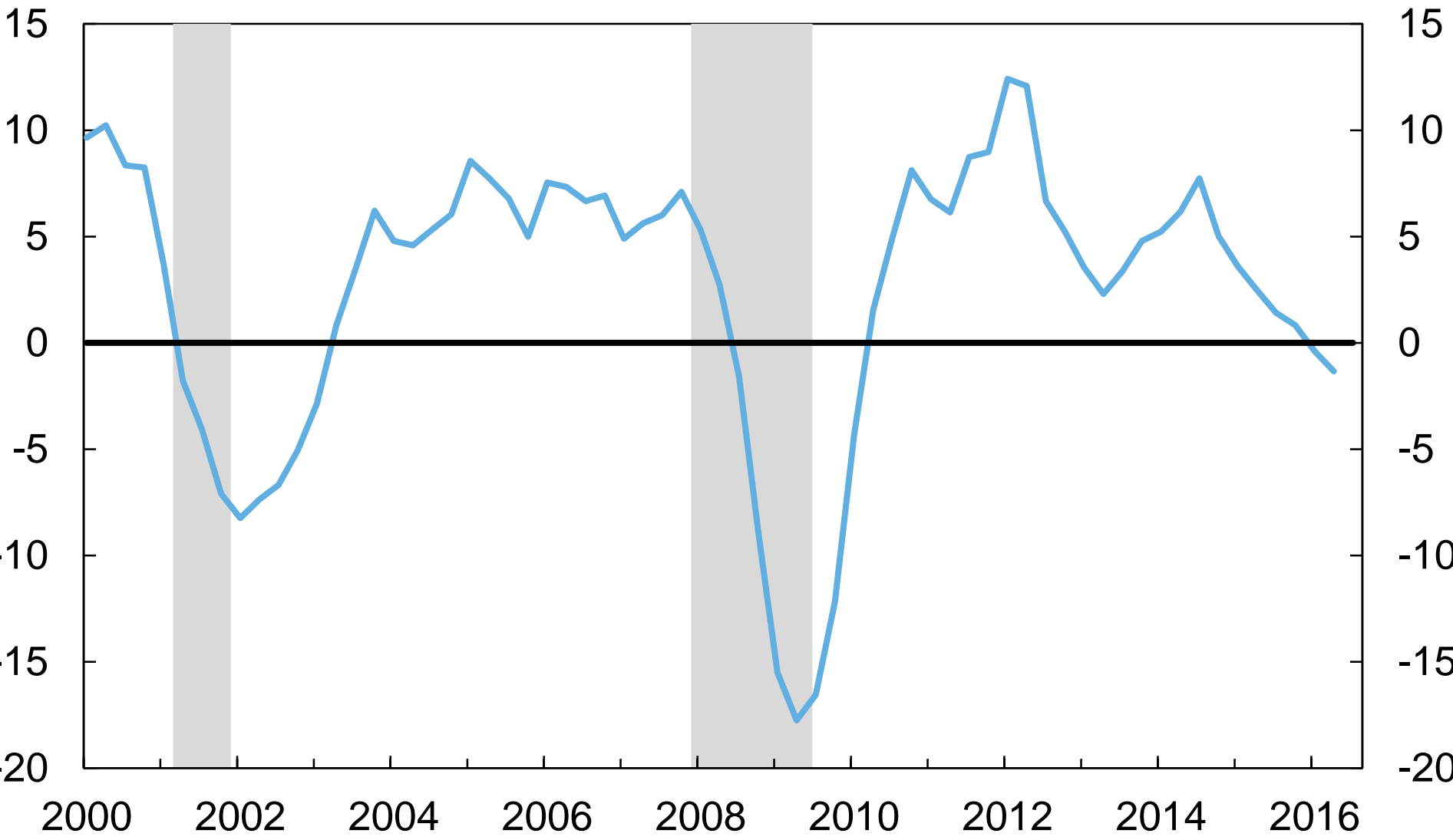
Source: FRBNY / Consumer Credit Panel

Note: Shading shows NBER recessions.

# Real Business Fixed Investment

4Q % Change

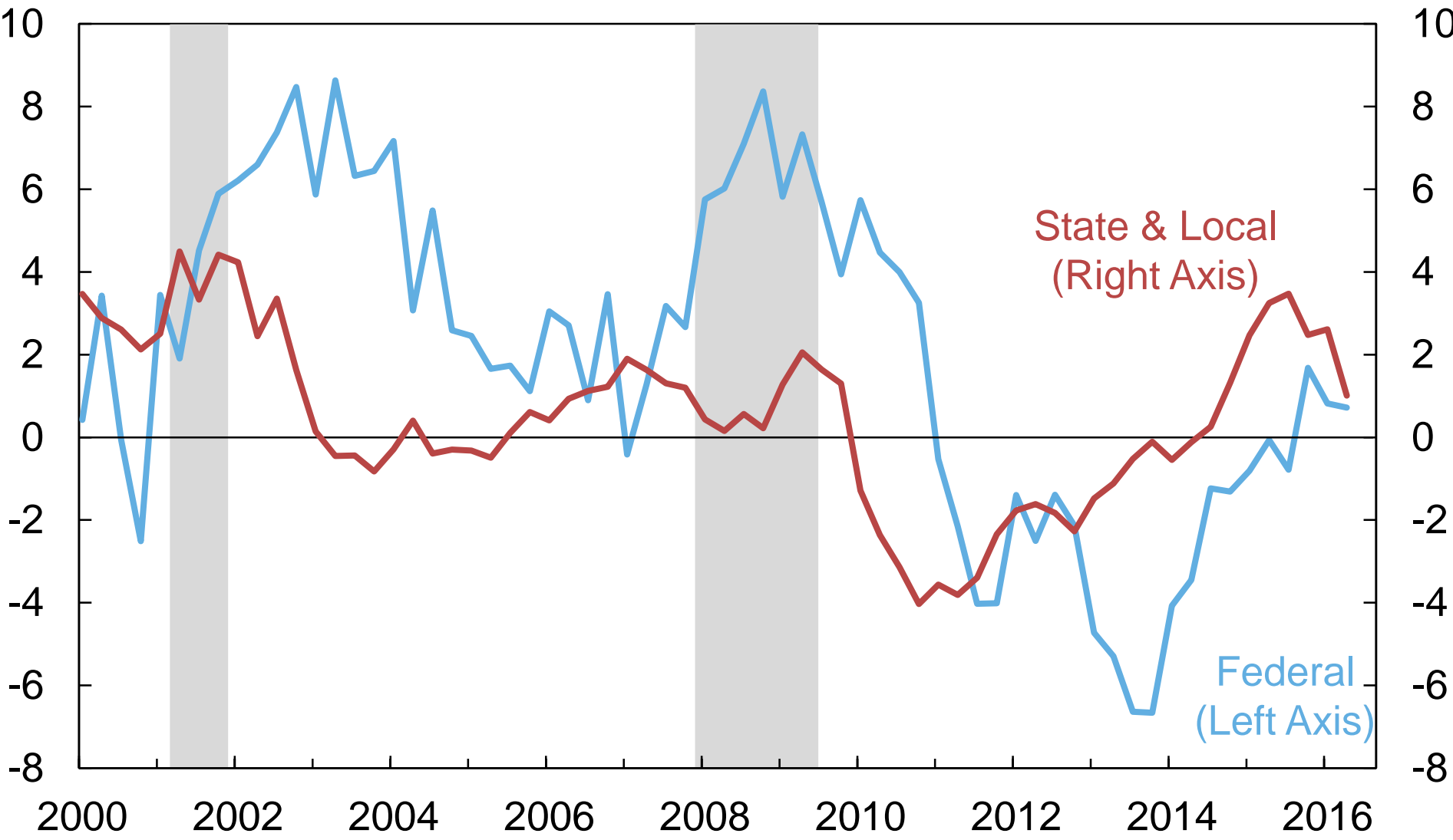
4Q % Change



# Real Government Consumption and Gross Investment

4 Quarter % Change

4 Quarter % Change

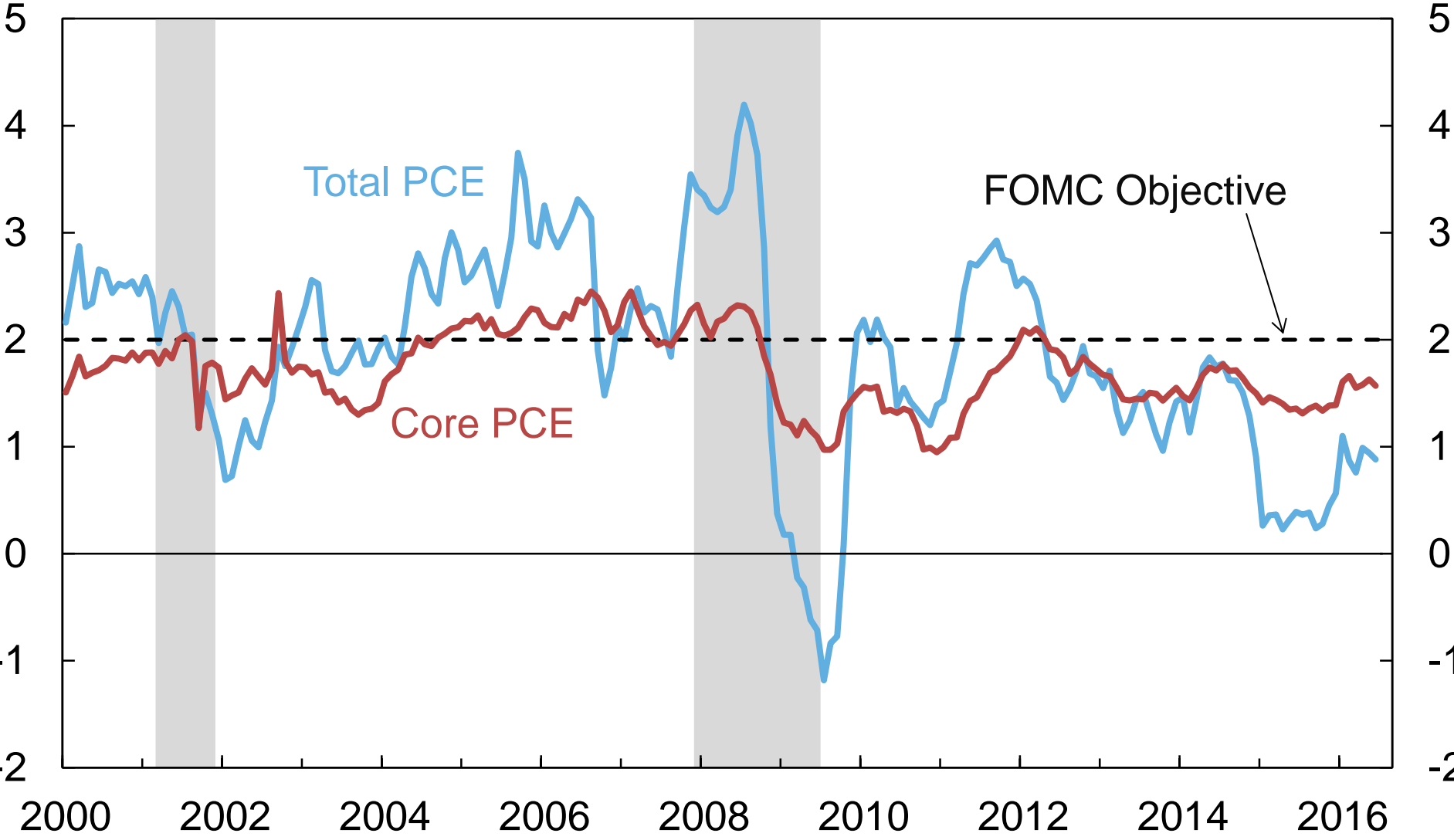




# PCE Deflator

12 Month % Change

12 Month % Change



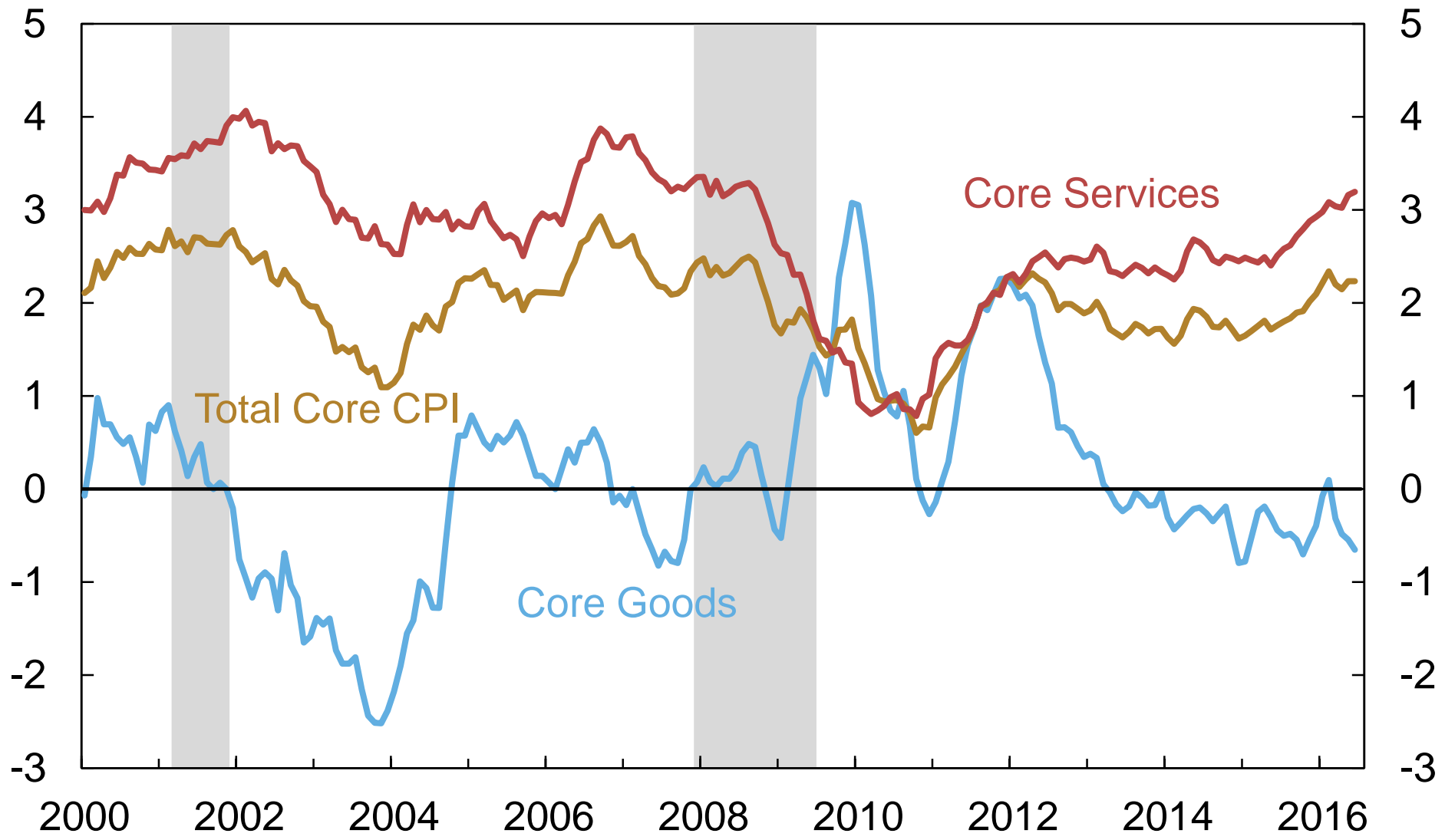
Source: Bureau of Economic Analysis, via Haver Analytics

Note: Shading shows NBER recessions. 13

# CPI Inflation: Core Goods and Core Services

12 Month % Change

12 Month % Change



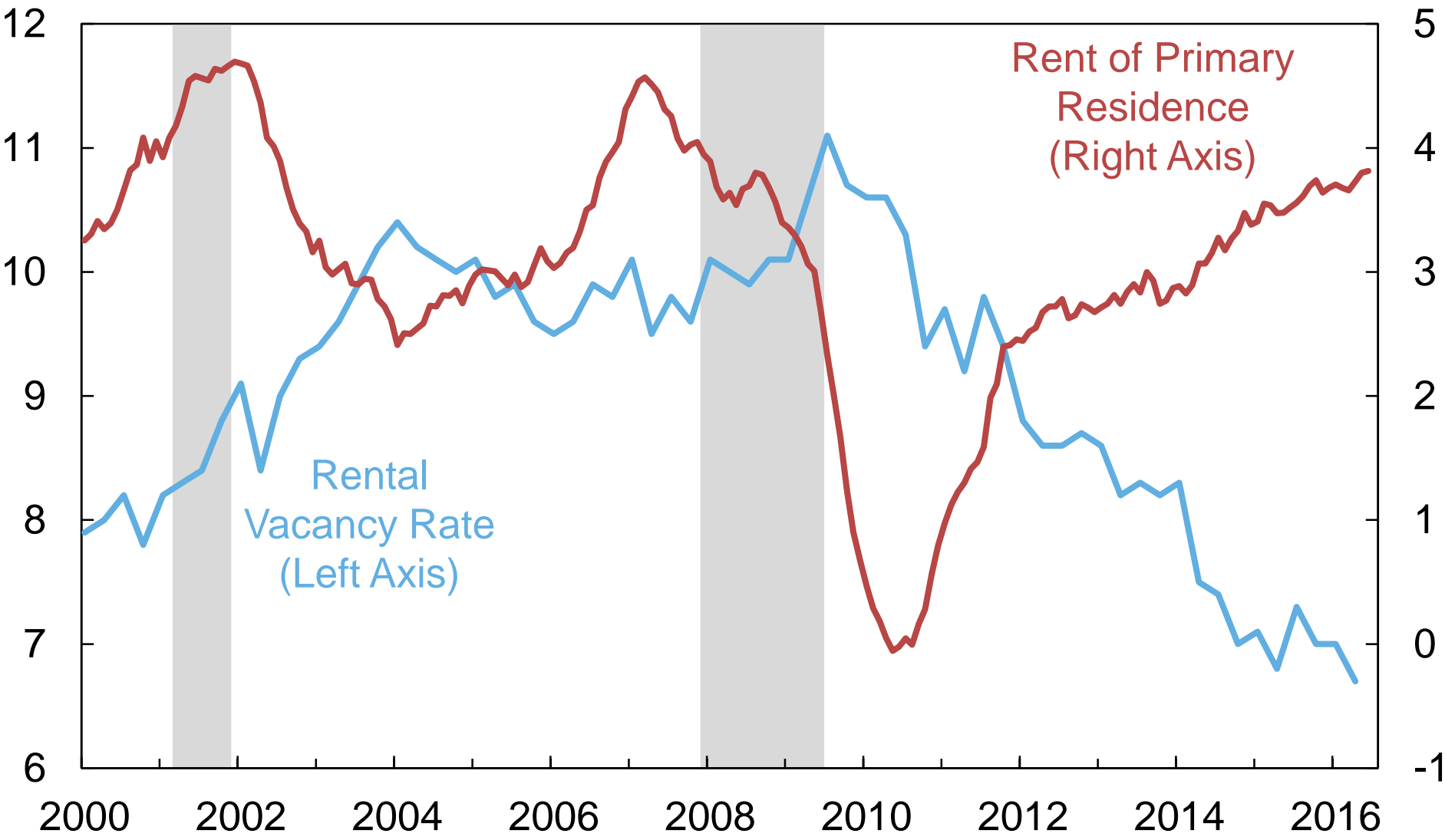
Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.

# Rental Vacancy Rate and Rent of Primary Residence

Percent

12 Month % Change



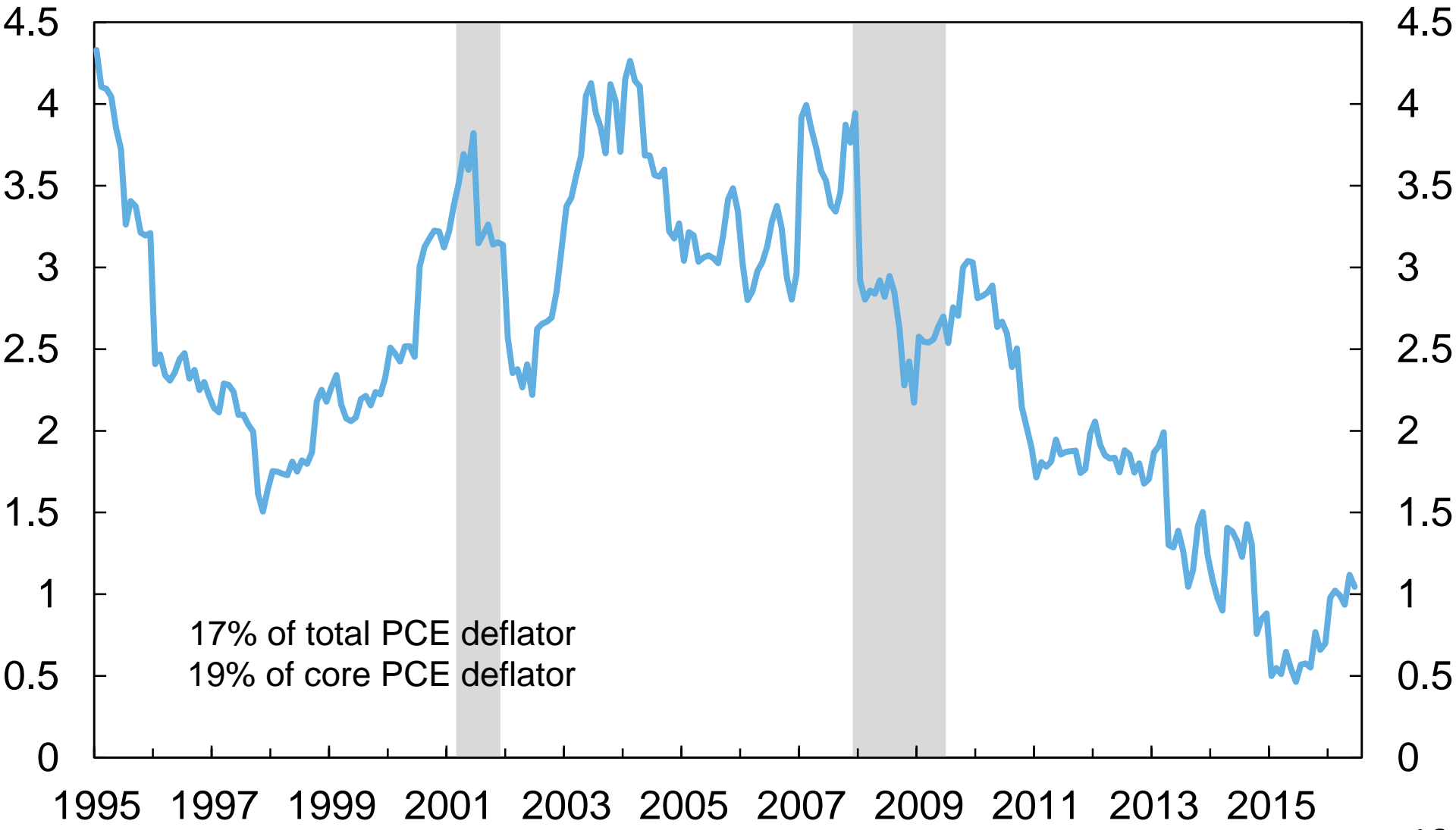
Source: Census Bureau, BLS

Note: Shading shows NBER recessions.

# 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

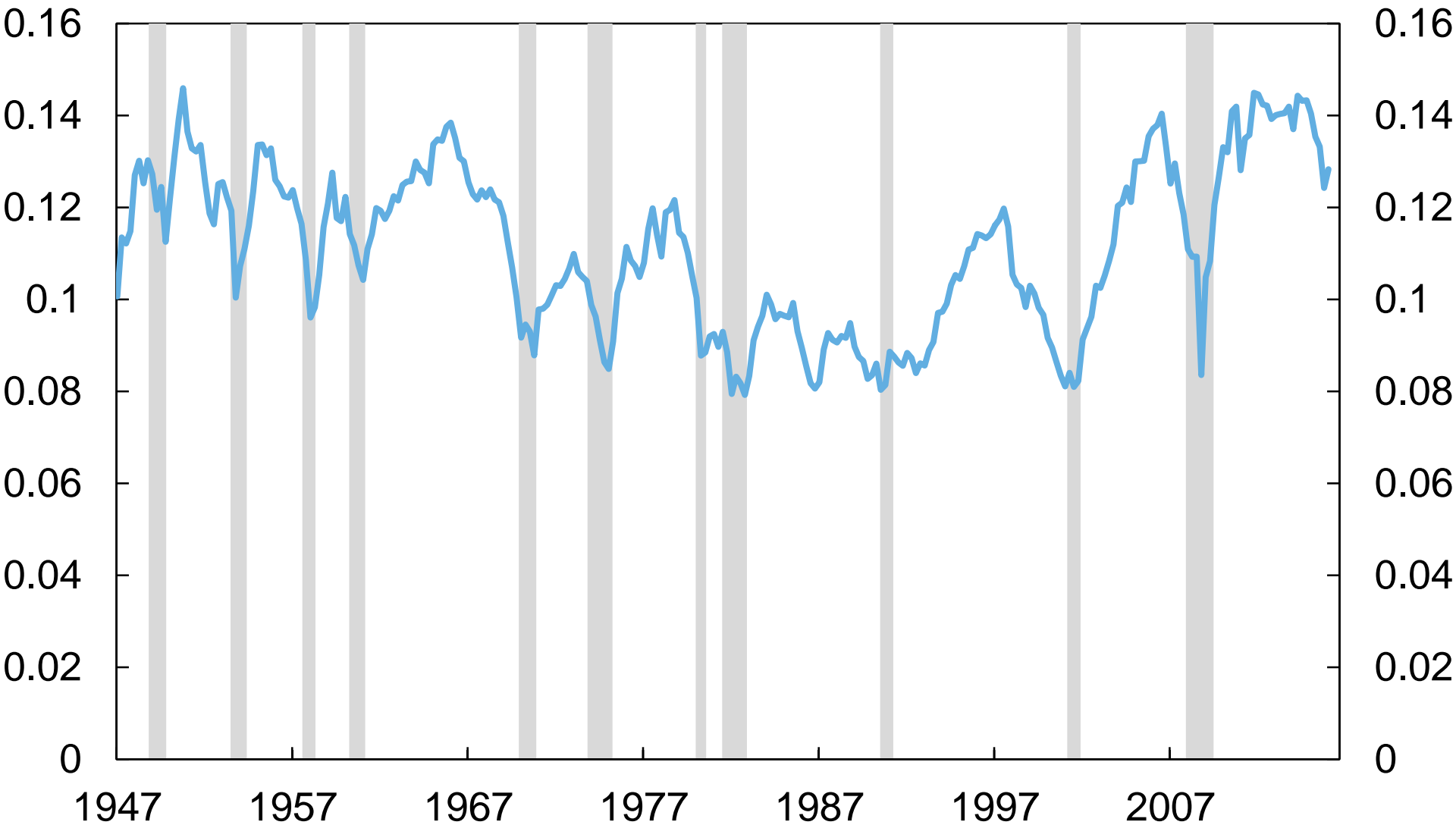
# Impact of Brexit on US Forecast

- 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	
				2014Q3-	
		Q3-2014		Q1-2016	
				2016Q1	
<b>TOTAL CORPORATE PROFITS</b>		14.2		12.2	-2.0
<b>DOMESTIC INDUSTRIES</b>		11.4		10.0	-1.4
<b>FINANCIAL</b>		2.7		2.3	-0.4
<b>NONFINANCIAL</b>		8.7		7.7	-1.0
<b>REST OF WORLD</b>		2.8		2.2	-0.6
<b>RECEIPTS FROM</b>		4.6		4.2	-0.5
<b>PAYMENTS TO</b>		1.8		2.0	0.1

Source: Bureau of Economic Analysis

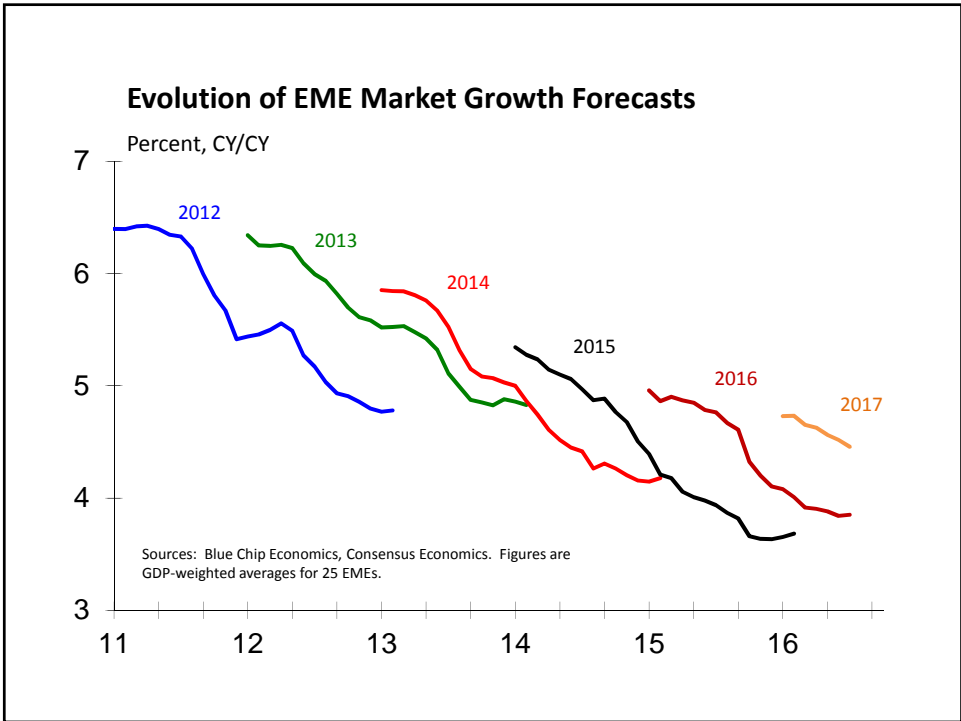
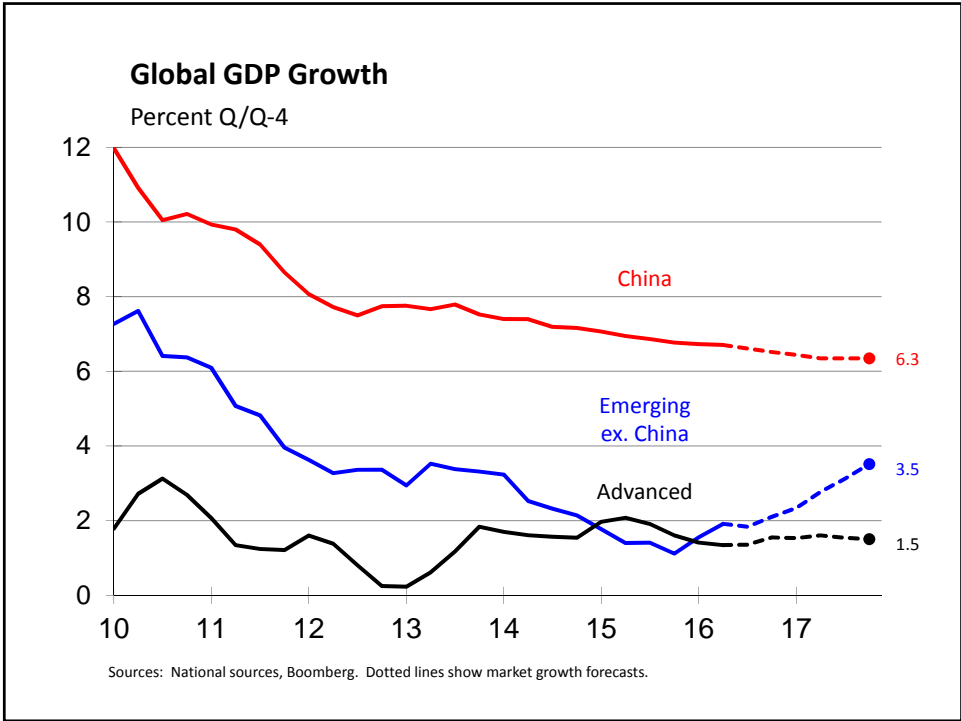




### Roadmap

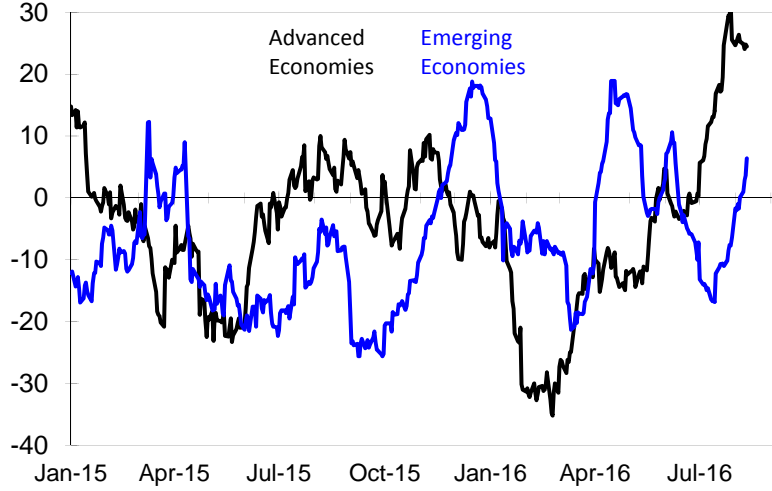
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- Recent global economic performance and medium-term outlook
- Foreign advanced economies' struggle to escape "lowflation"
- The United Kingdom after the Brexit referendum
- China's excess capacity challenge
- Canadian economic performance since the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



### Citigroup Economic Surprise Indexes

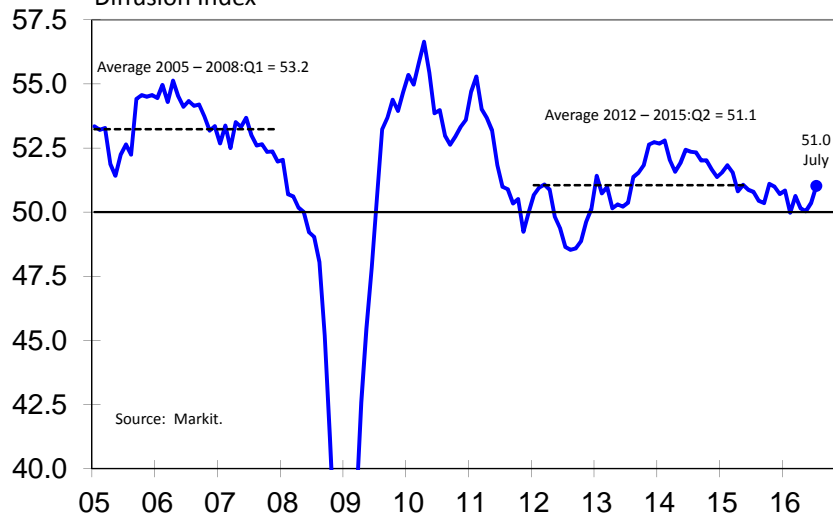
Percent positive or negative\*



\*Weighted by series' historical FX impact

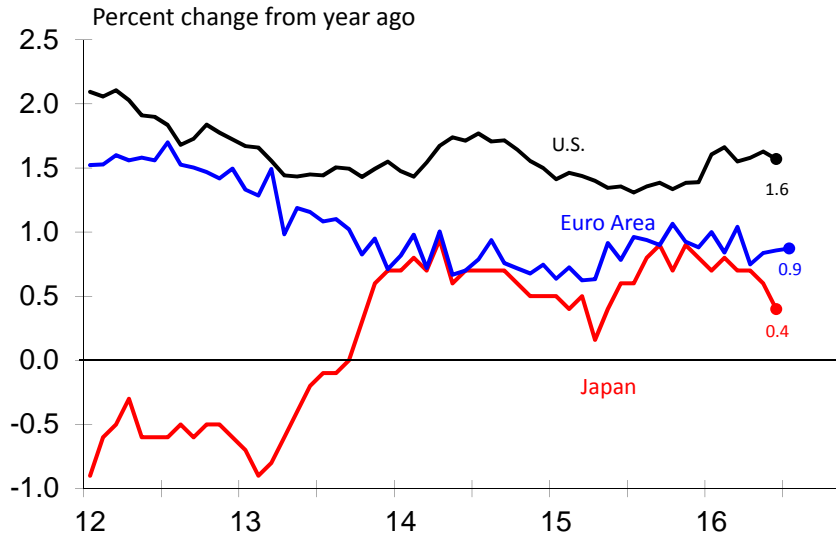
### Global Manufacturing PMI

Diffusion Index

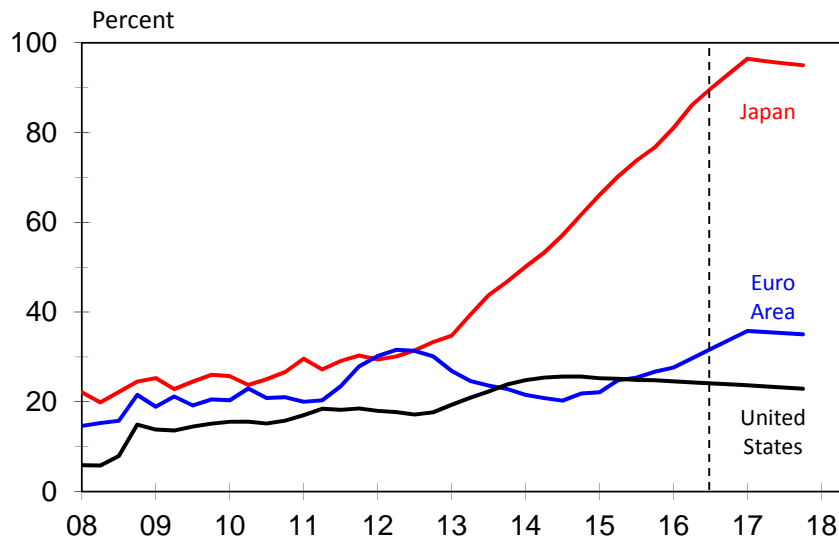


Source: Markit.

### 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	0.4
Sweden	February 2015	1.0	1.3
Switzerland	December 2014	0.4	-0.2
Denmark	September 2014	0.7	0.6
Euro Area	June 2014	0.8	0.9

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.

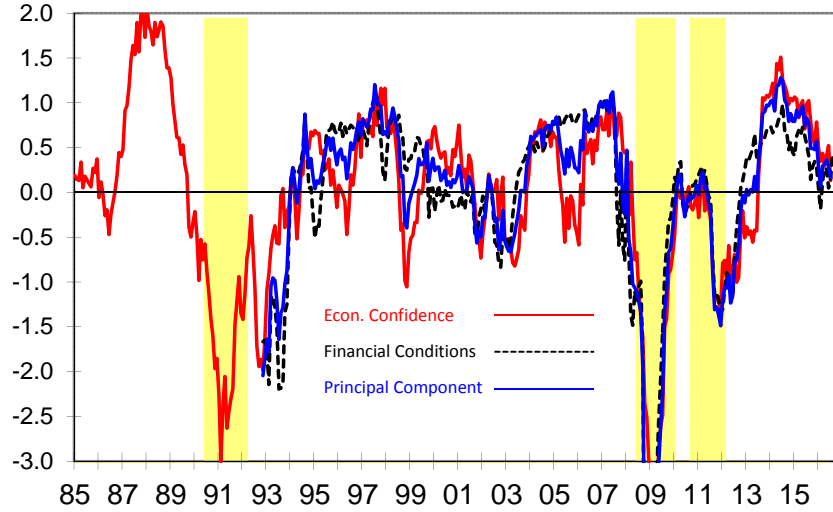
### Market Growth Forecast Changes Since Brexit Referendum ( percent, calendar-year basis )

	United Kingdom		Euro Area	
	2016	2017	2016	2017
<b>Current Forecast</b>	1.5	0.3	1.6	1.3
Top 3	1.8	1.3	1.7	1.6
Bottom 3	1.2	-0.9	1.4	0.9
<b>Change Since Vote</b>	-0.3	-1.8	0.0	-0.4
Top 3	-0.2	-1.1	0.0	-0.3
Bottom 3	-0.4	-2.8	-0.1	-0.7

Source: Blue Chip Economics. Panel includes 22 individual forecasts. Survey dates are August 10 and June 10, respectively.

### UK Confidence, Financial Conditions and Summary Indicator

Normalized Indexes (mean = 0.0, STD = 1.0)

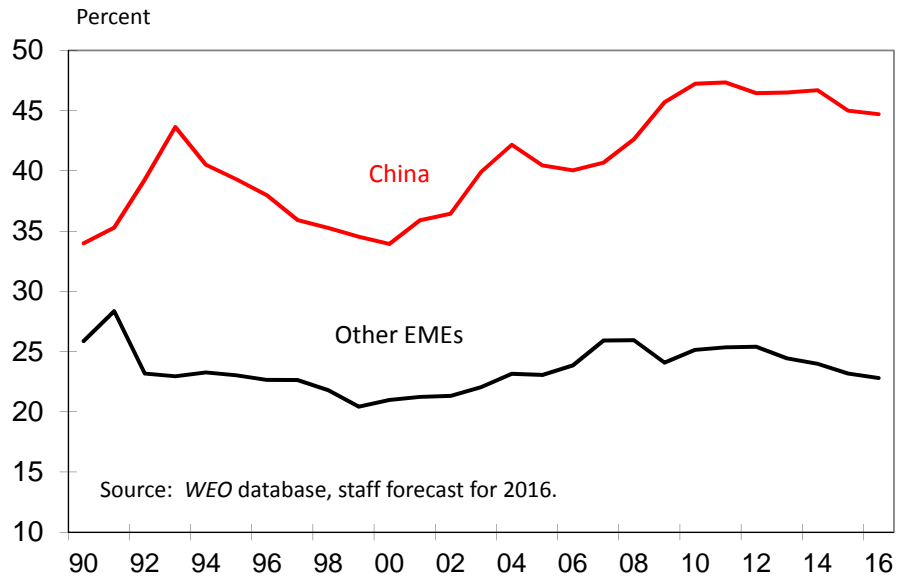


Sources: Eurostat, Bloomberg, staff estimates. Recession shading follows data set by ECRI.

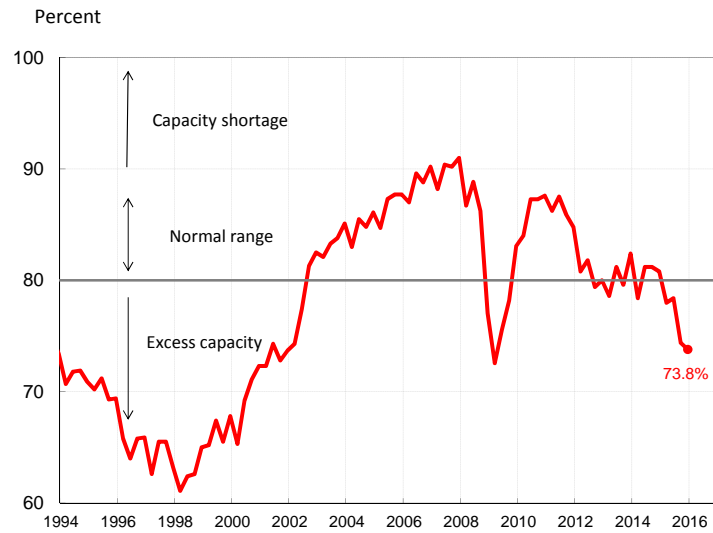
### Legal Arrangements of Selected Non-EU Countries

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

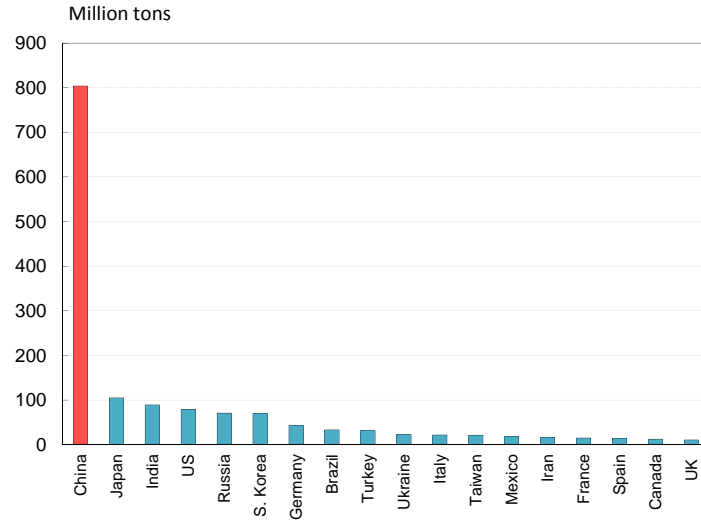
### China and other EMEs: Capital Spending as a Share of GDP



### China: Capacity Utilization in the Industrial Sector

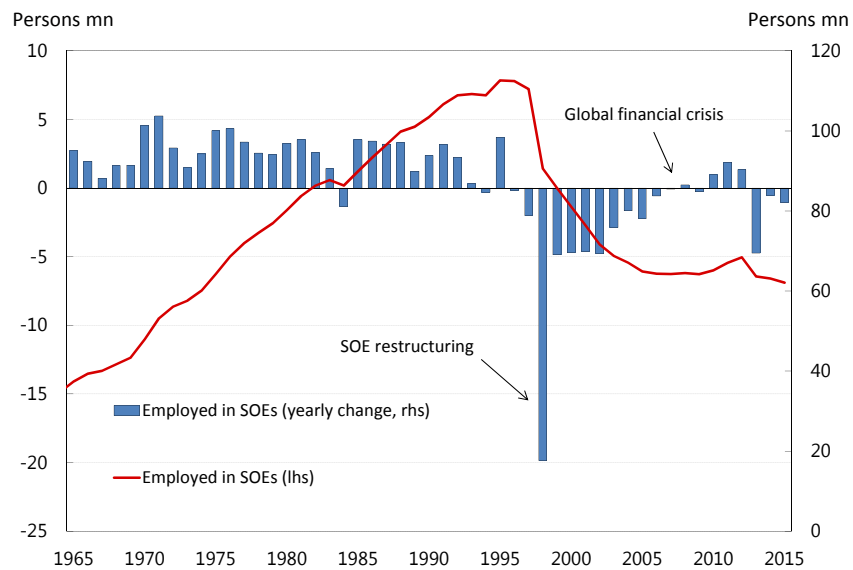


## Crude Steel Production



Source: World Steel Association, data as of 2015

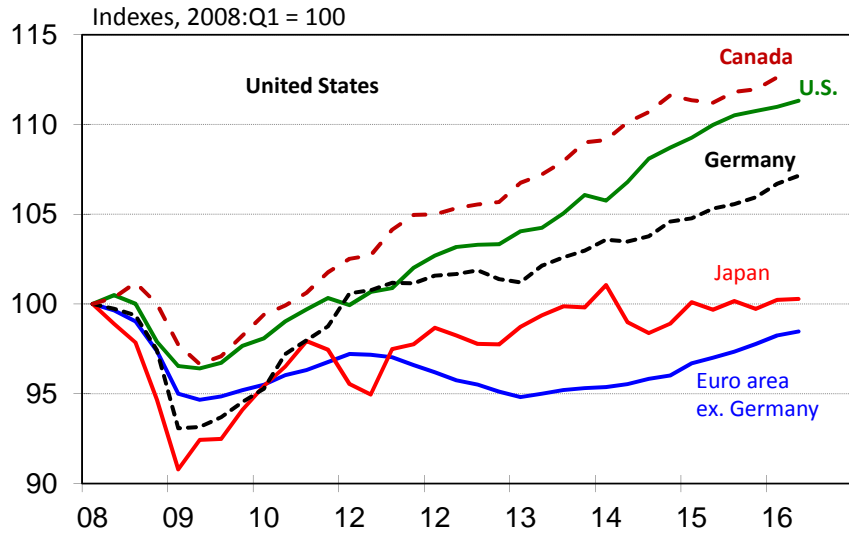
## China: SOE Employment



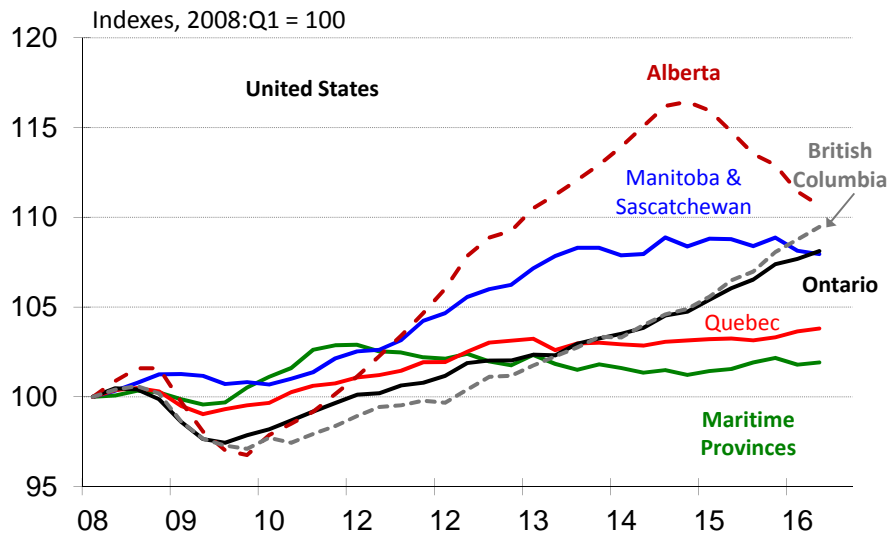
Source: CEIC



### Advanced Economy Real GDP



### Canada: Provincial Employment





FEDERAL RESERVE BANK *of* NEW YORK

# Regional Economic Outlook

Presentation to the Advisory Council on Small Business and Agriculture

Jason Bram, Research Officer

August 16, 2016

The views expressed here are those of the presenter and do not necessarily represent the views of the Federal Reserve Bank of New York or the Federal Reserve System.

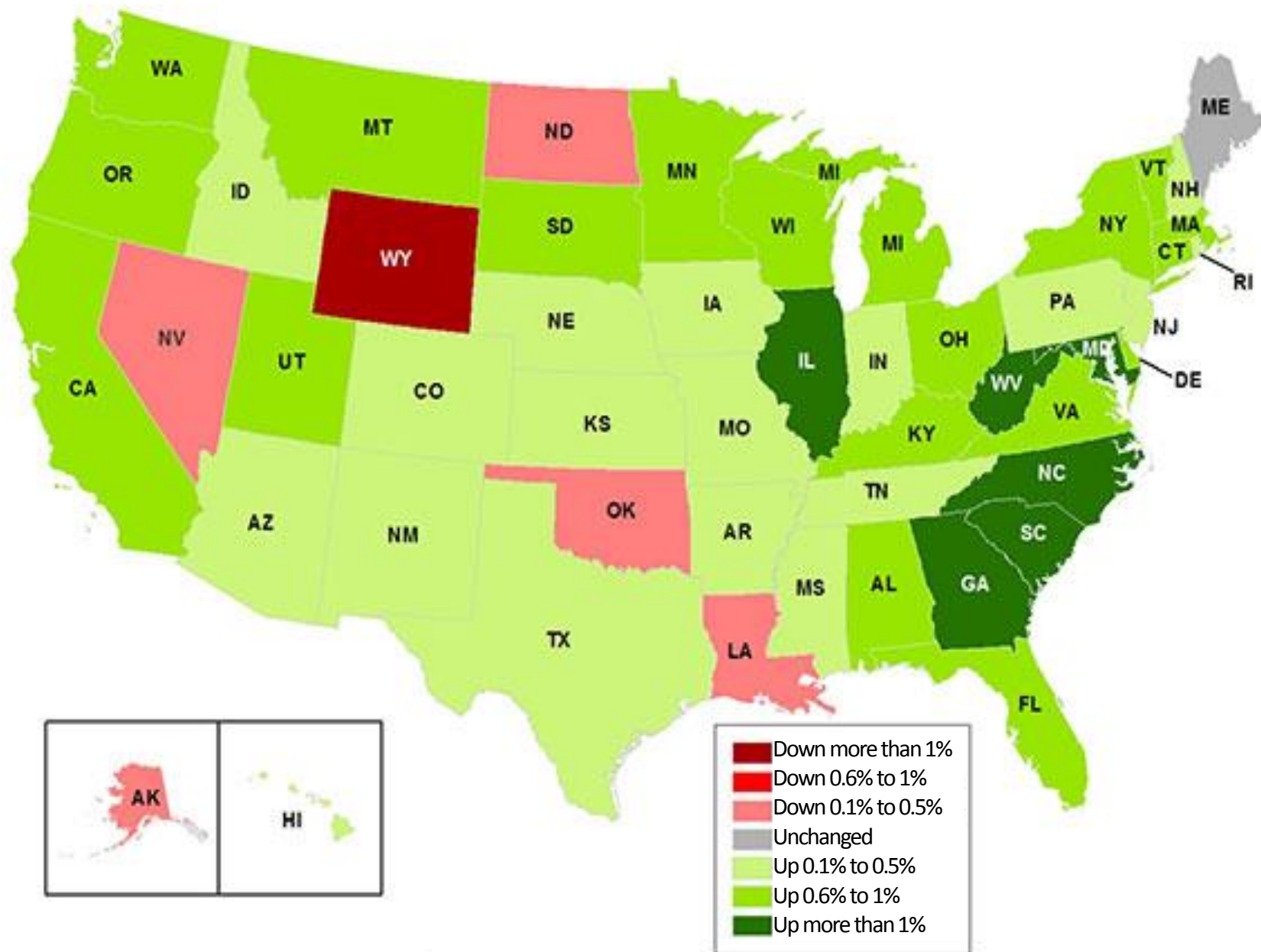
# Overview of Regional Conditions

- New York City's economy continues to lead the region in growth, led by the outer boroughs.
- While NYC's key finance sector has been sluggish, tech (which tends to pay fairly well) has been booming.
- New Jersey's economy continues to grow at a modest pace.
- Upstate New York continues to lag in job growth, though housing markets remain stable.
- Puerto Rico's economy remains depressed, though a couple sectors have held up fairly well.



# State Coincident Indexes

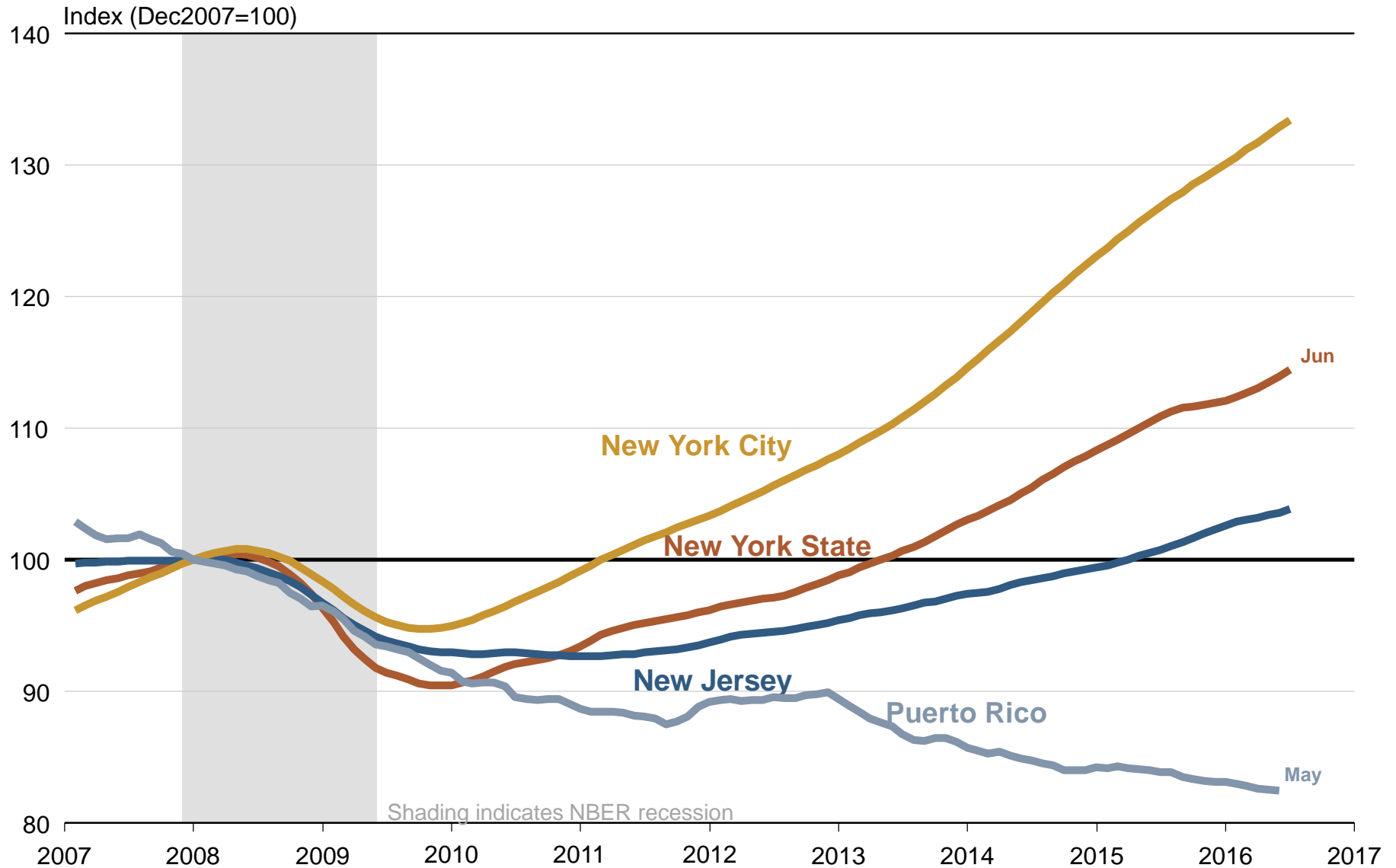
Three-Month Change Ending June 2016



Source: Federal Reserve Bank of Philadelphia

# Regional Economic Activity

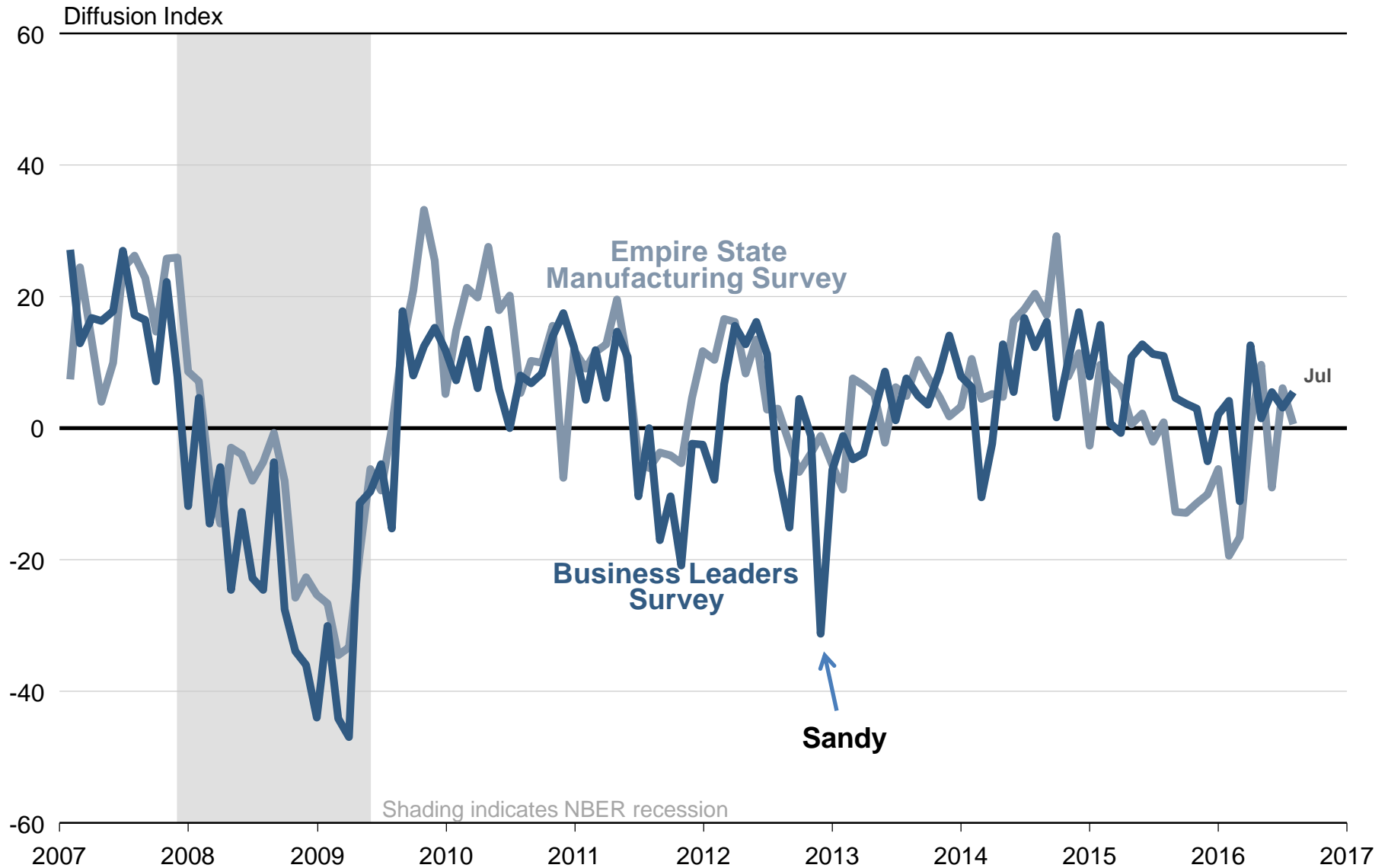
## Index of Coincident Economic Indicators (CEI)



Source: Federal Reserve Bank of New York

# Current Economic Conditions

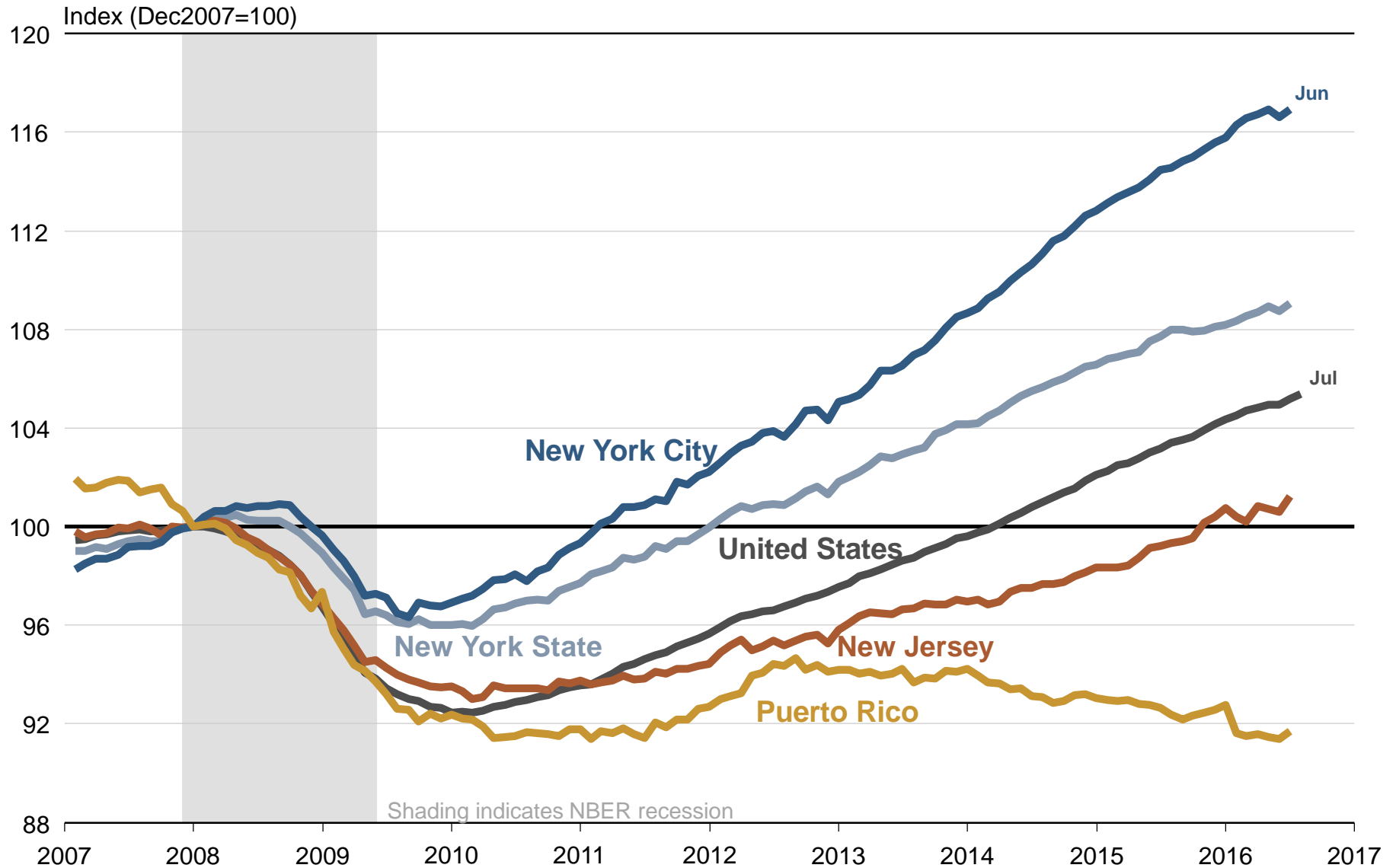
## FRBNY Business Surveys, Current Conditions



Source: Federal Reserve Bank of New York

# Private-Sector Employment

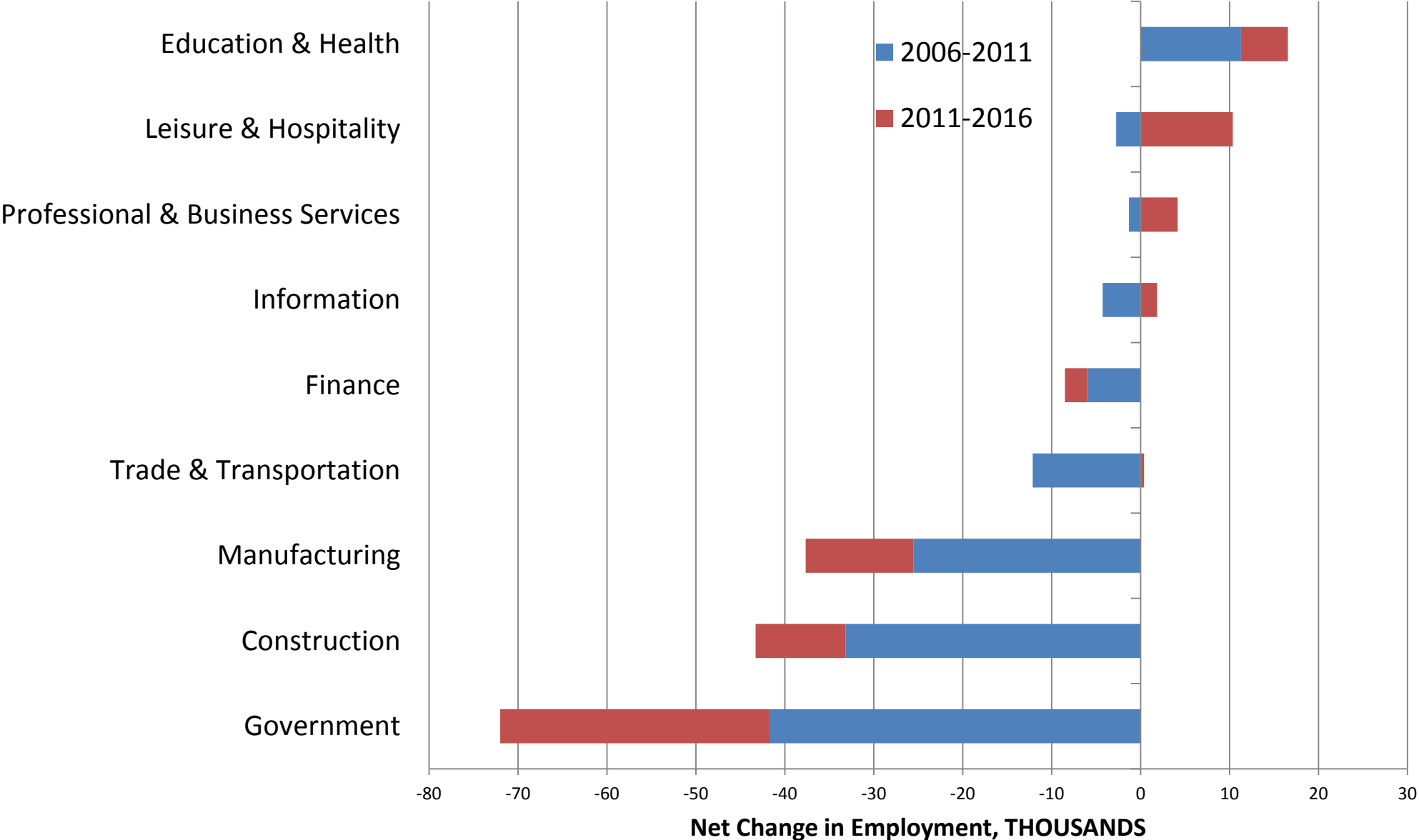
## Seasonally Adjusted Index



Source: Bureau of Labor Statistics and Moody's Economy.com

# Puerto Rico Job Trends by Sector

2006-2011 & 2011-2016(YTD)

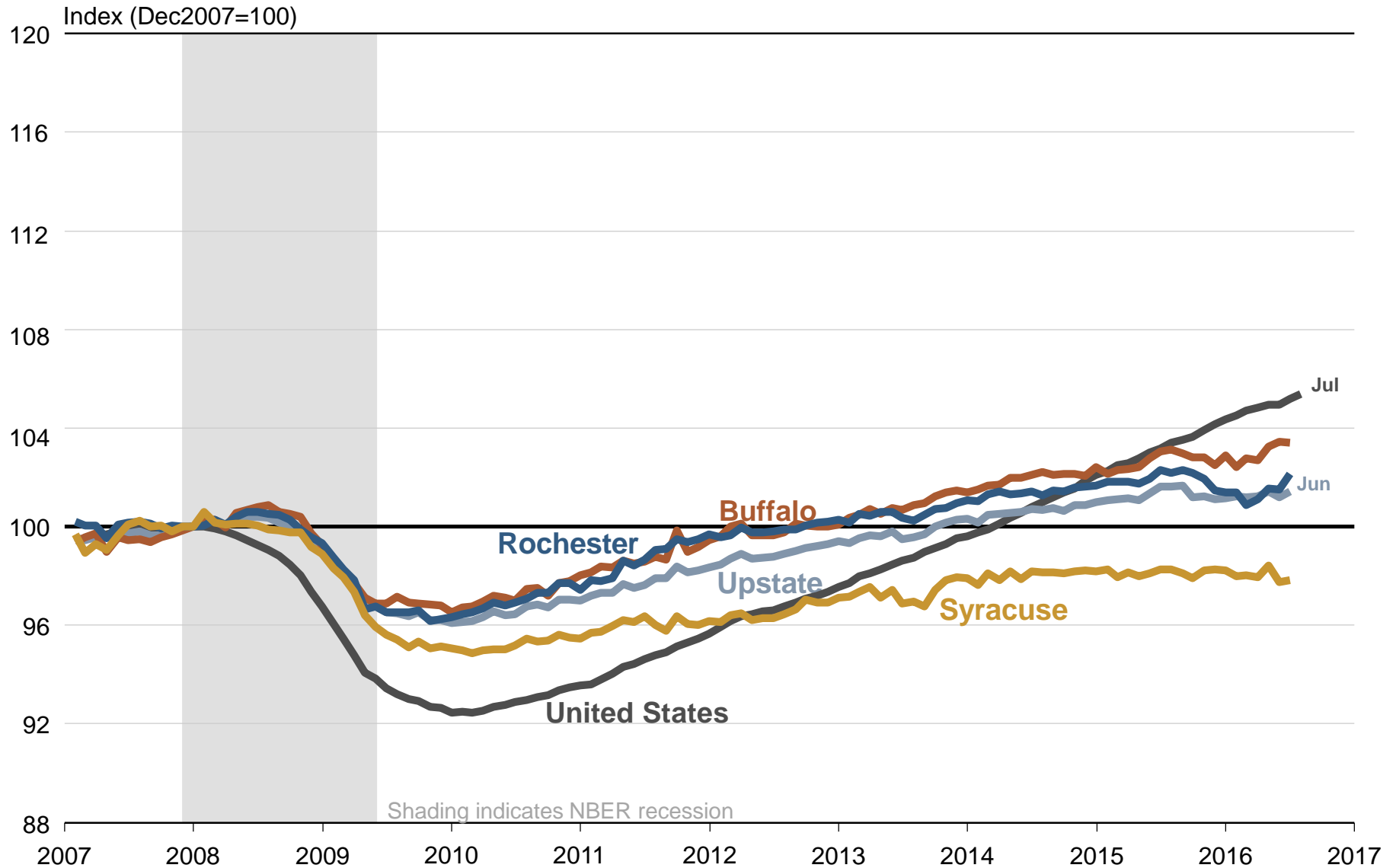


Source: US Bureau of Labor Statistics



# Private-Sector Employment

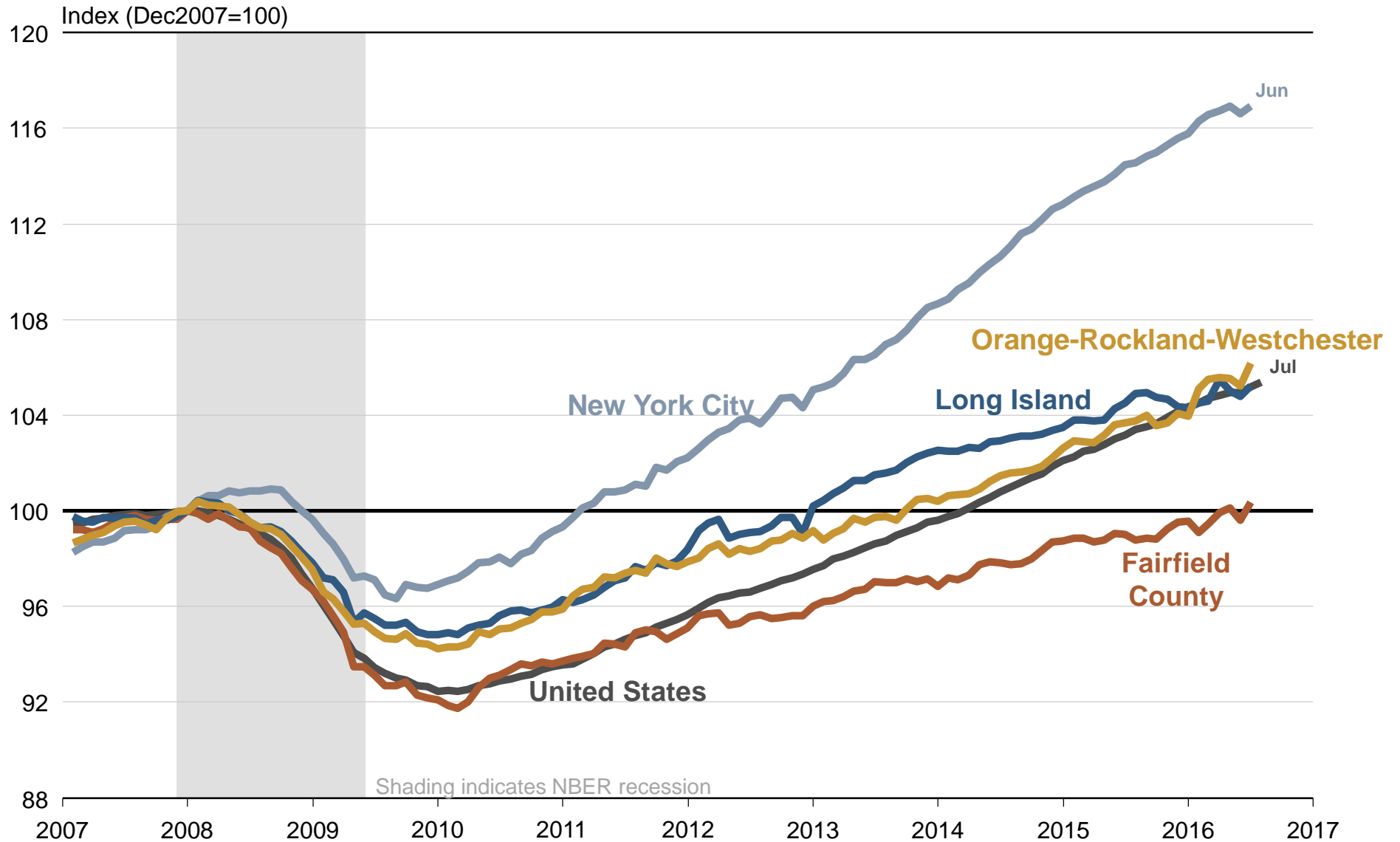
## Seasonally Adjusted Index



Source: Bureau of Labor Statistics and Moody's Economy.com

# Private-Sector Employment

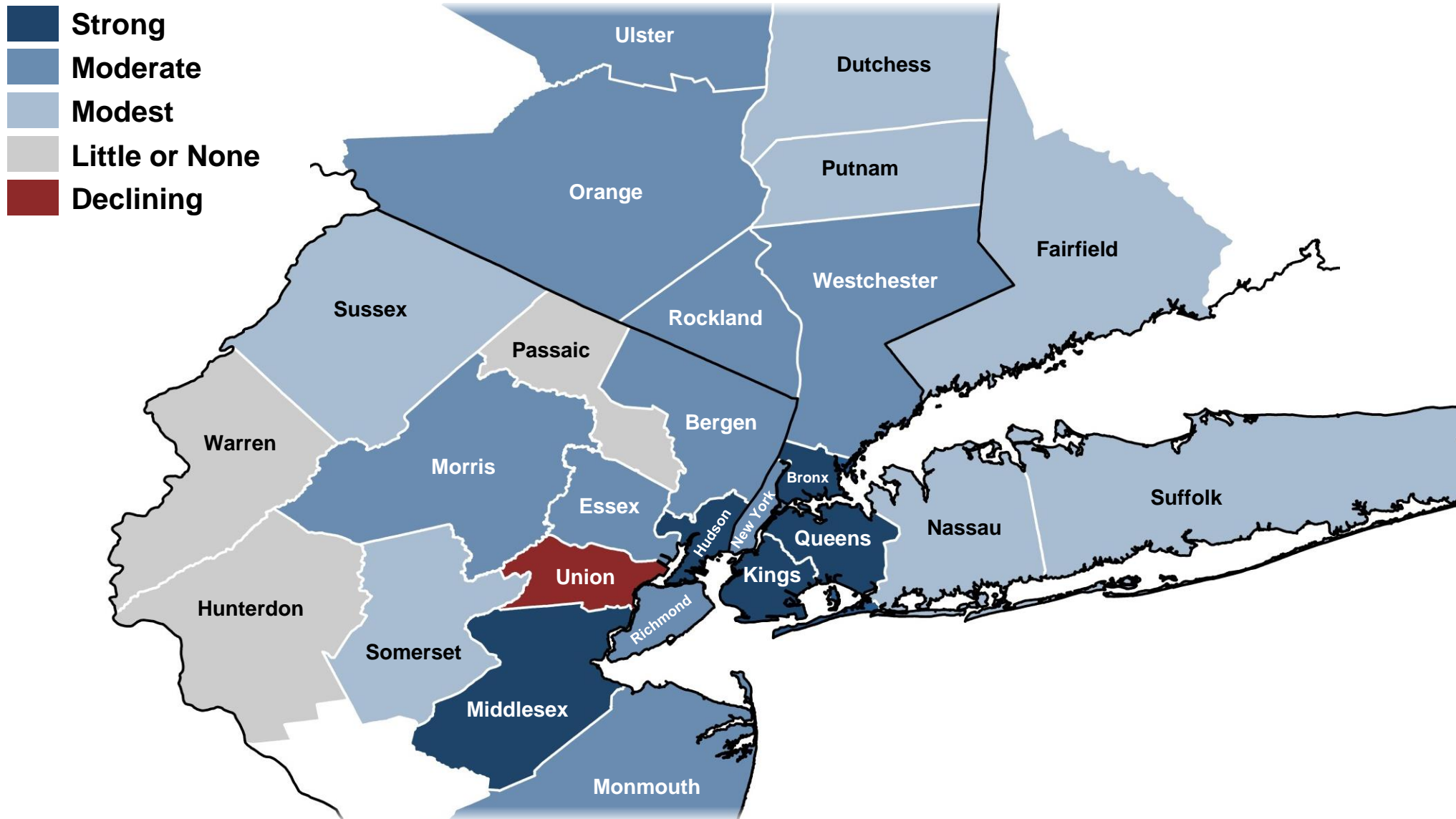
## Seasonally Adjusted Index



Source: Bureau of Labor Statistics and Moody's Economy.com

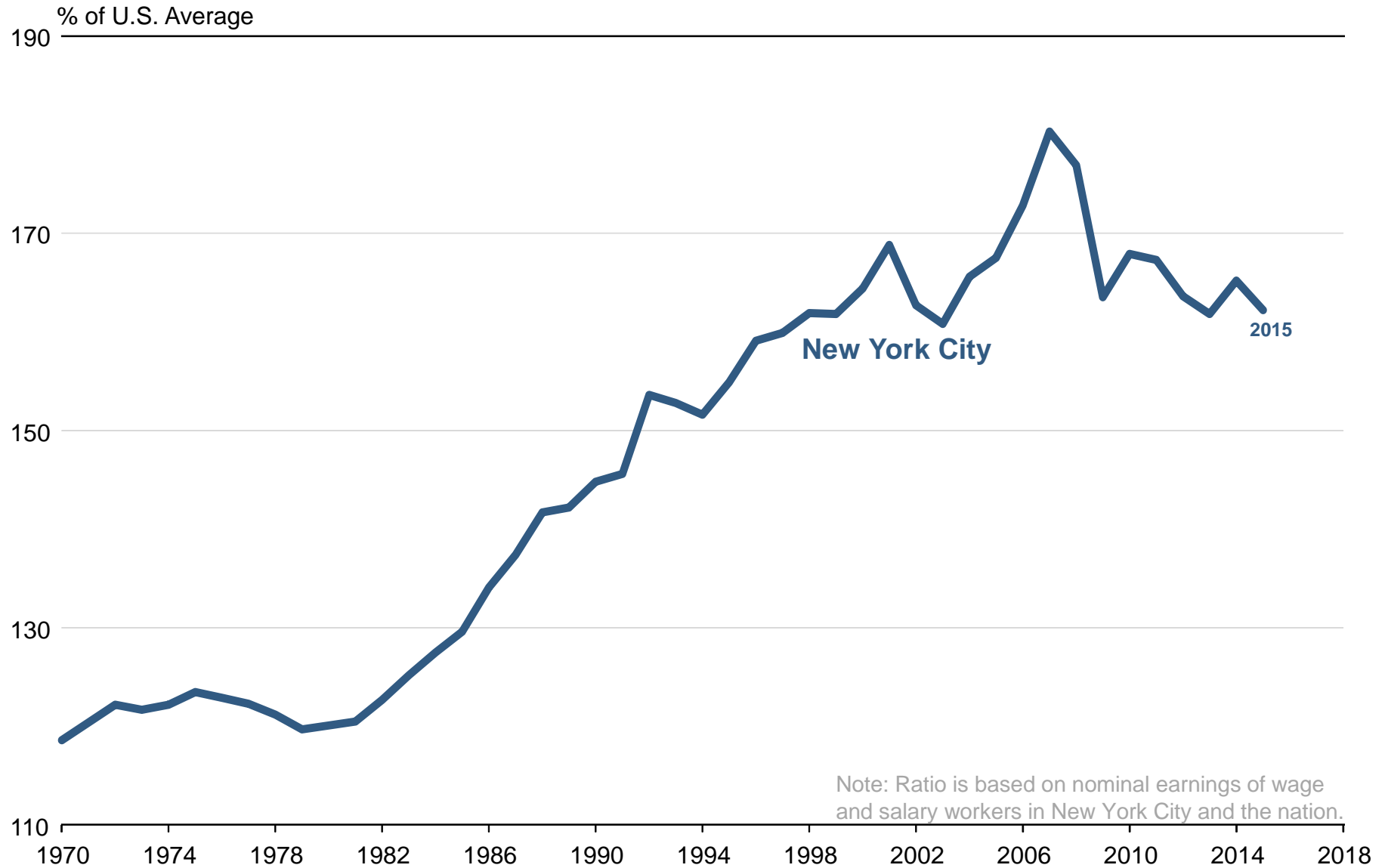
# Recent Growth in and around NYC

## 2015 Private-Sector Job Growth



# The New York City Premium

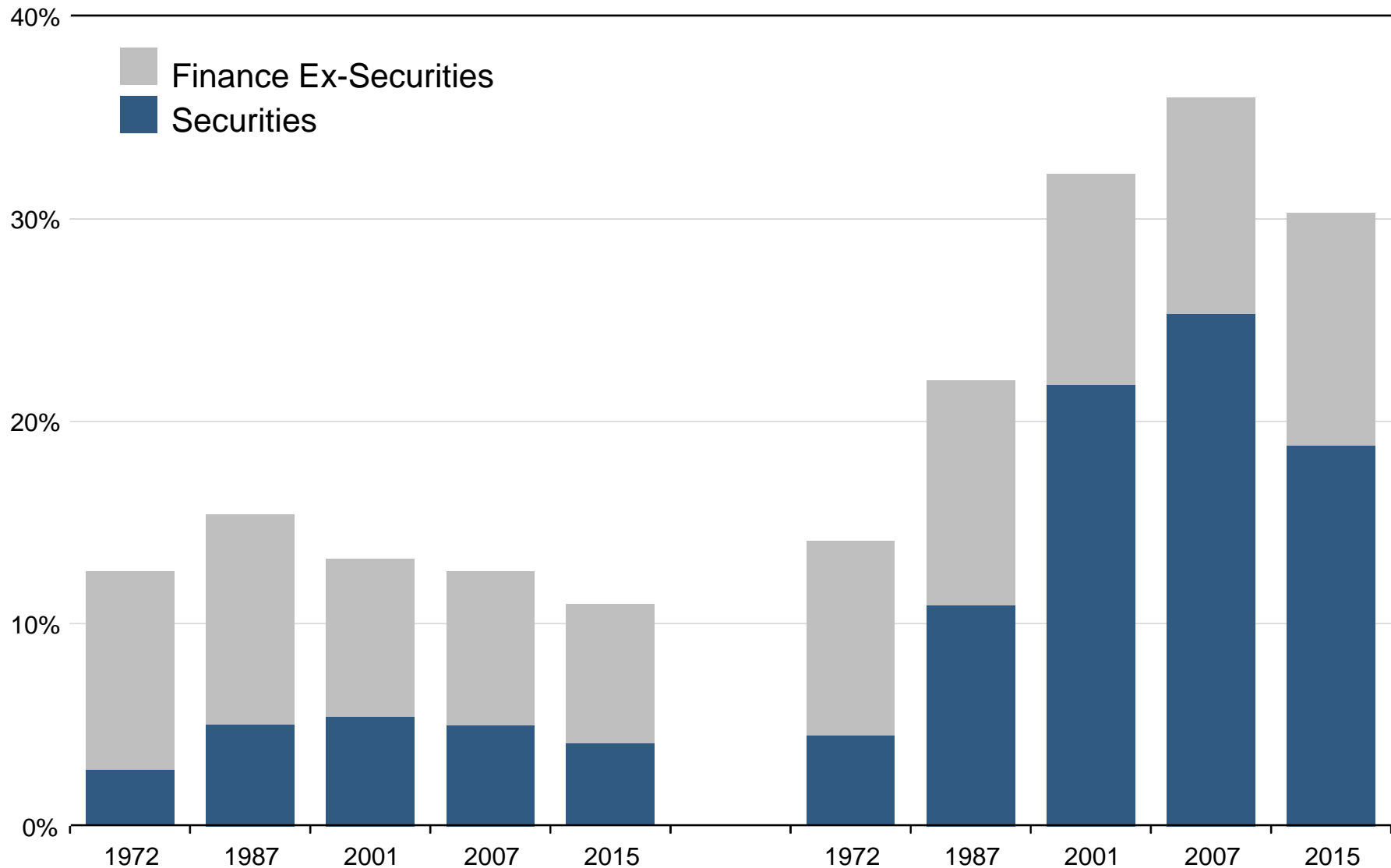
Average Earnings Per Worker in NYC as a Percent of the U.S. Average



Source: U.S. Bureau of Economic Analysis (earnings); U.S. Bureau of Labor Statistics (total employment).

# NYC Finance and Securities

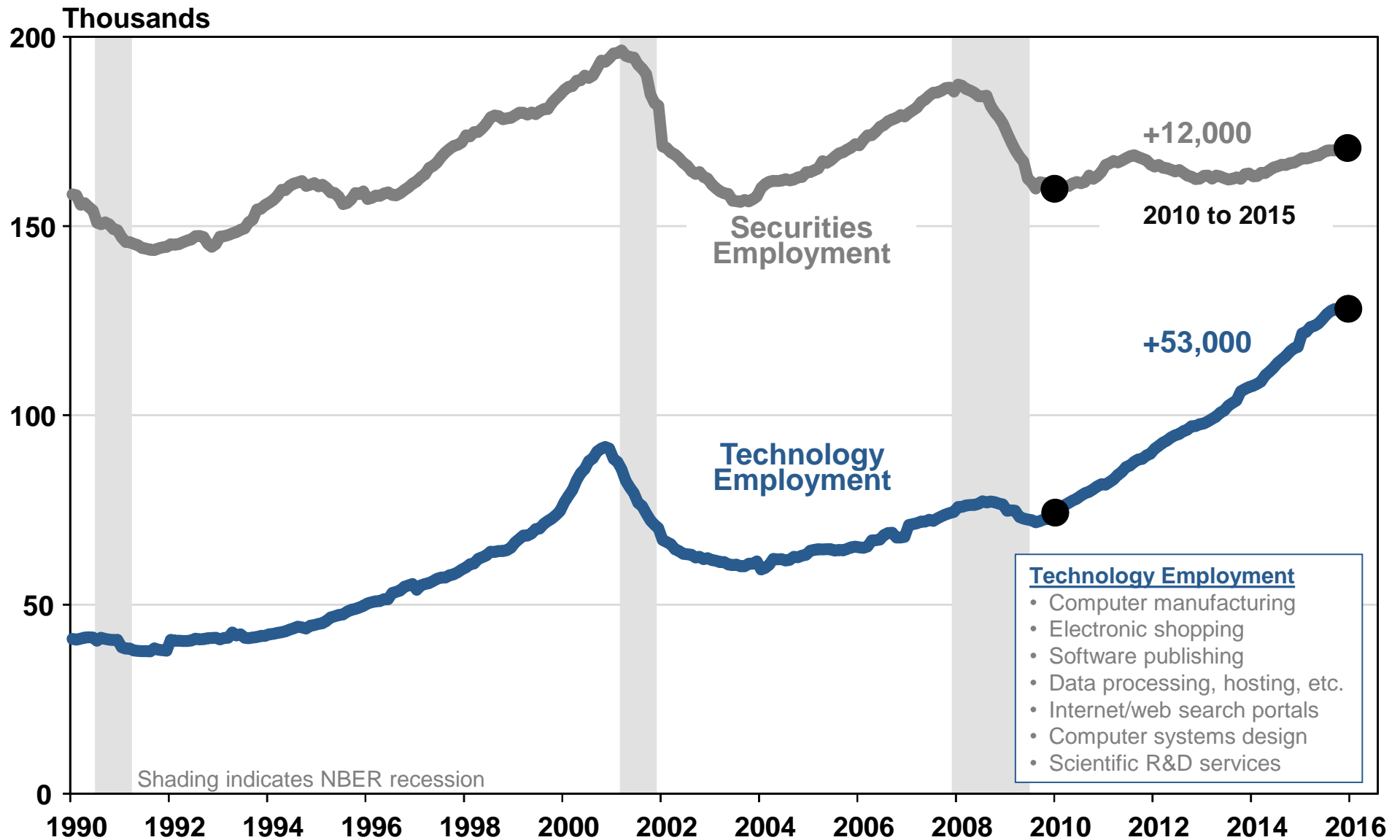
## Sectors' Share of NYC Employment and Earnings



Source: Bureau of Labor Statistics (QCEW).

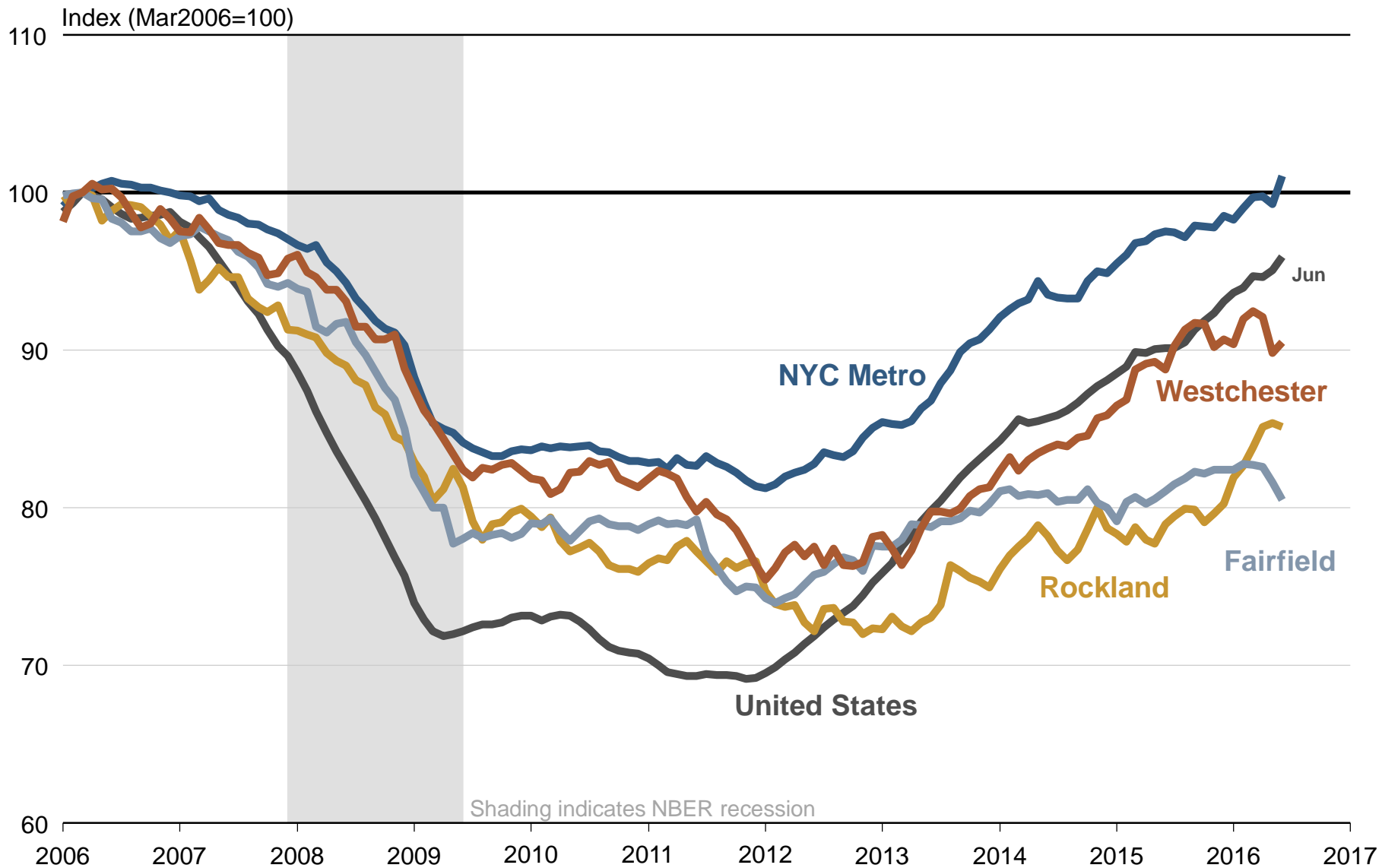
# NYC Tech and Securities Employment

Thousands of Jobs



# Home Prices

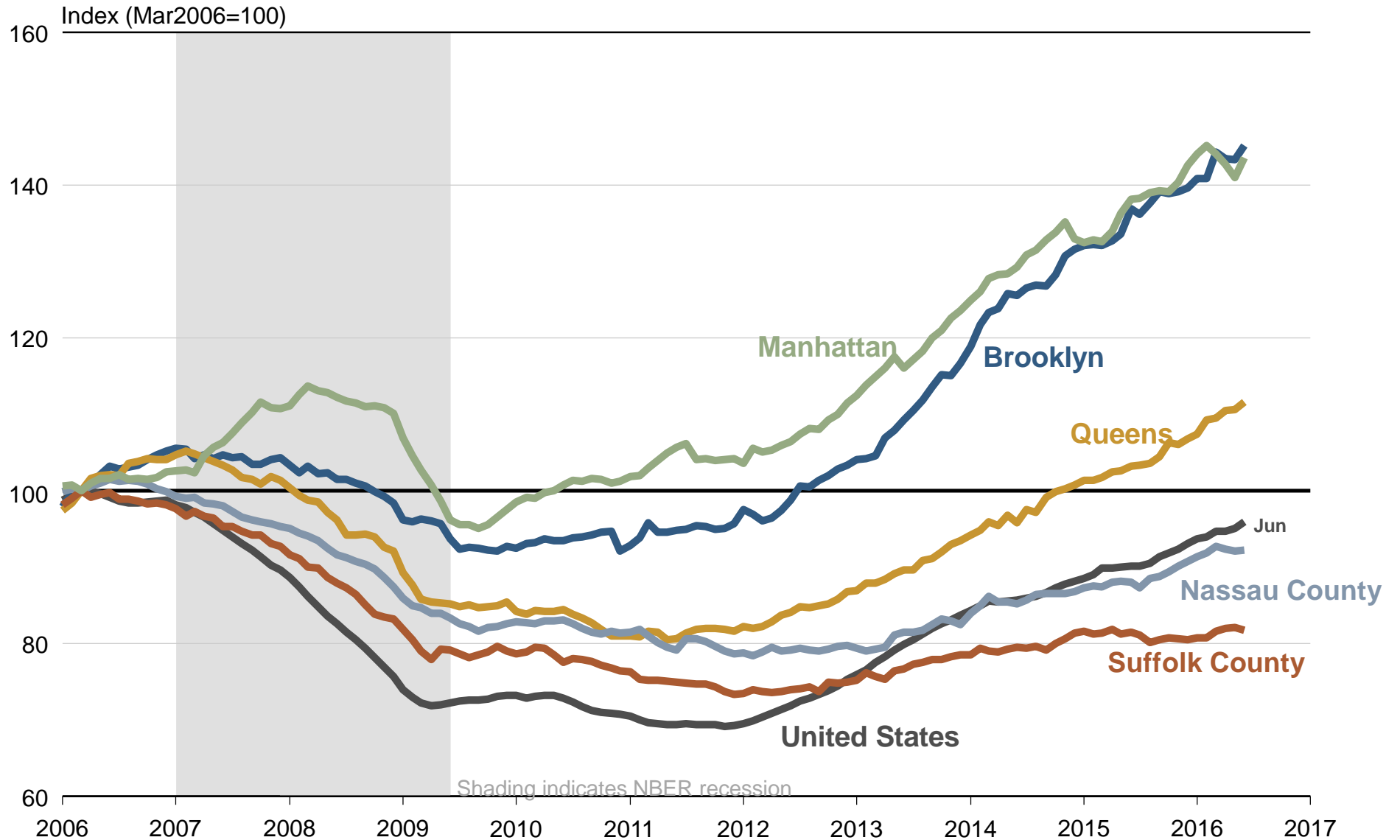
## CoreLogic Home Price Index, Seasonally Adjusted



Source: CoreLogic Home Price Index (including distressed sales)

# Home Prices

## CoreLogic Home Price Index, Seasonally Adjusted

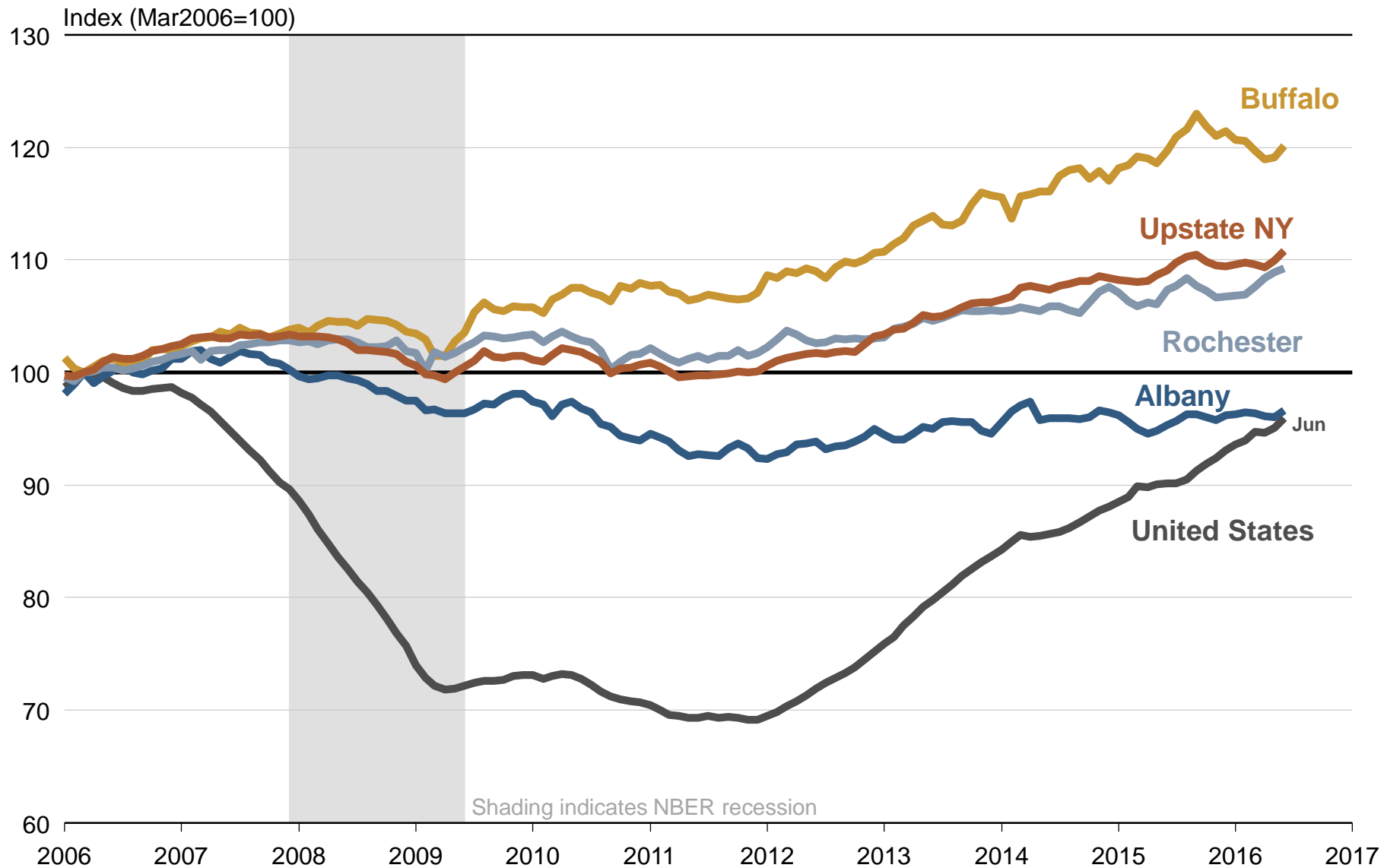


Source: CoreLogic Home Price Index (including distressed sales)



# Home Prices

## CoreLogic Home Price Index, Seasonally Adjusted

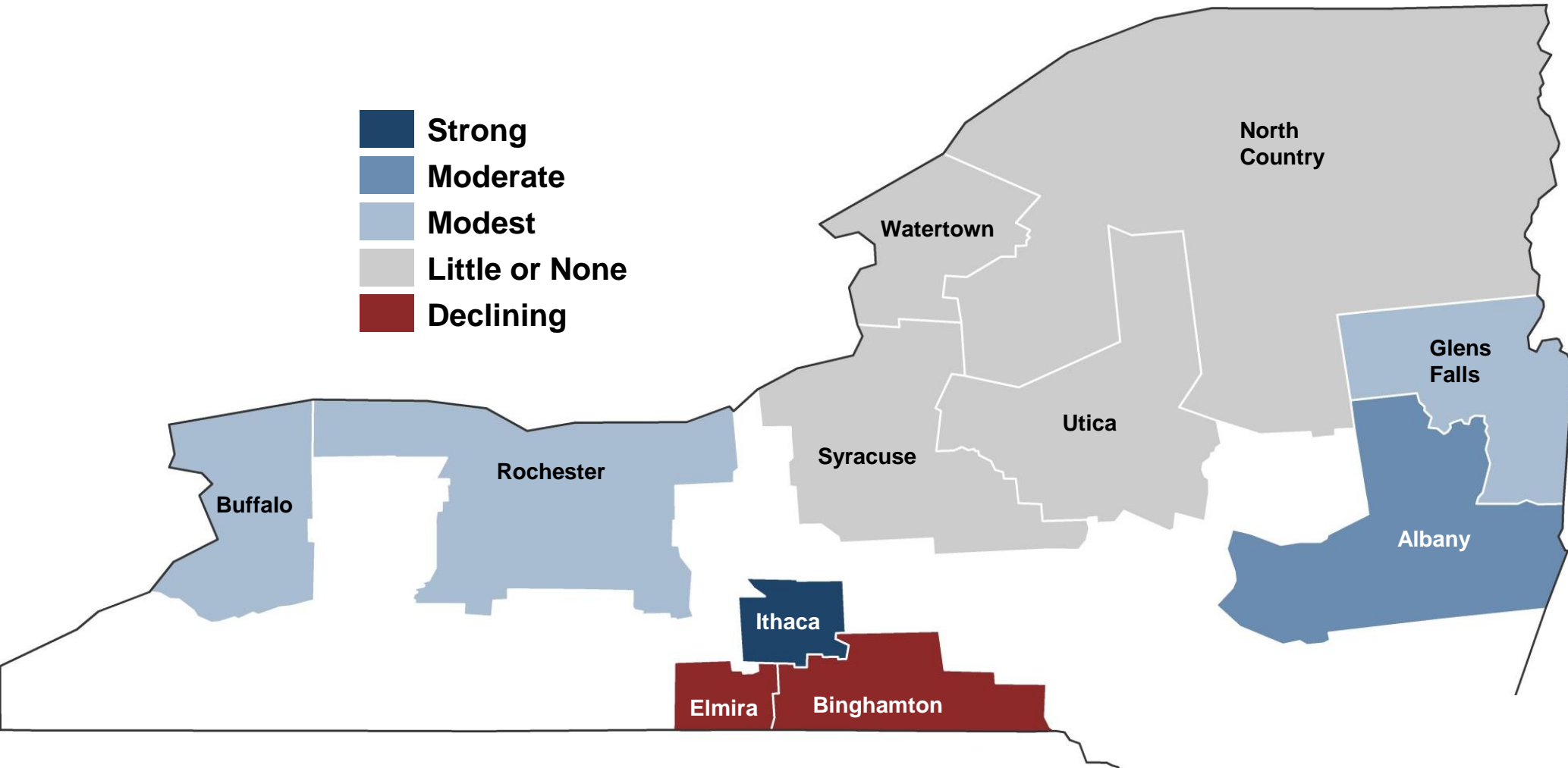


Source: CoreLogic Home Price Index (including distressed sales)

# Appendix

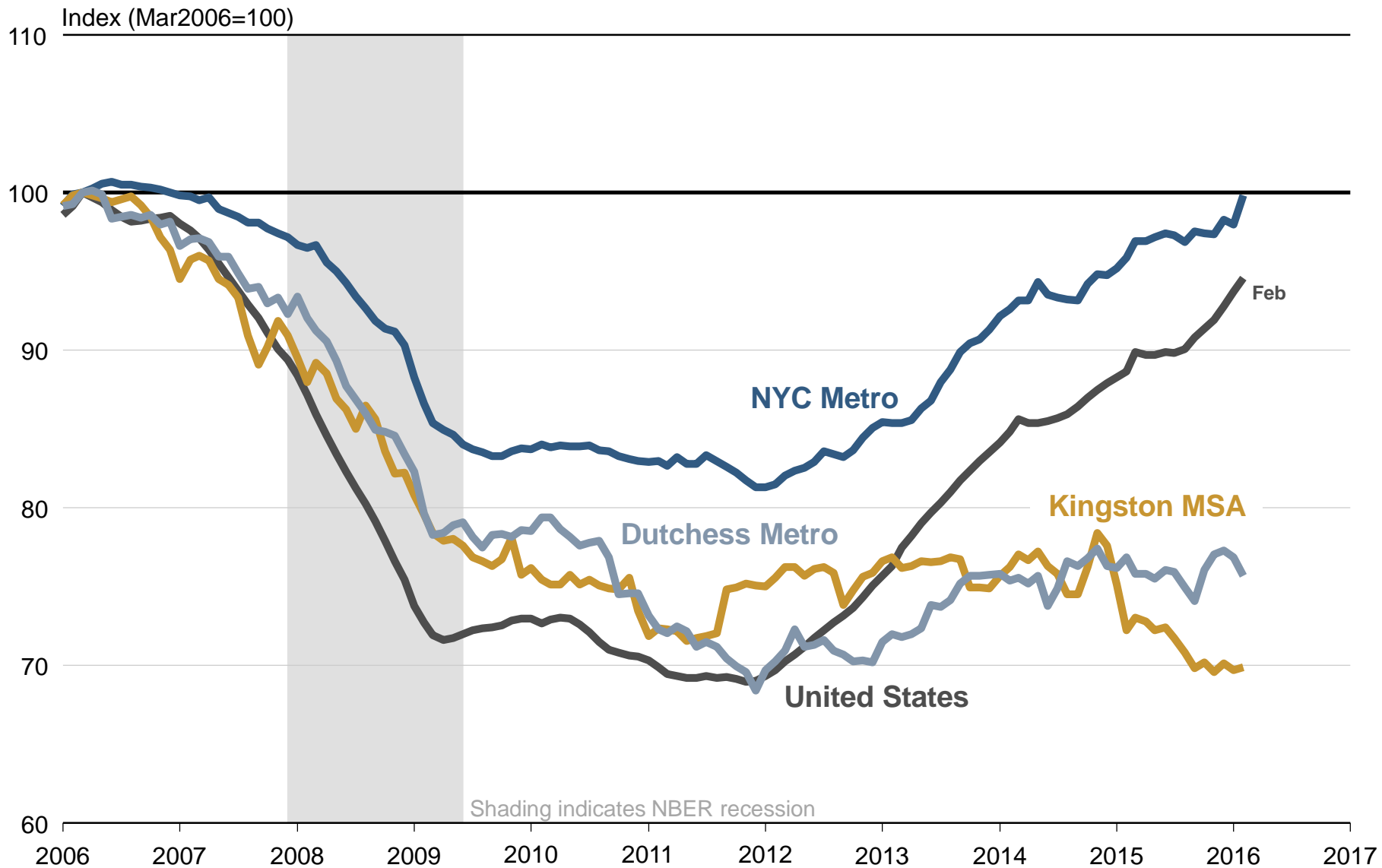
# Recent Job Growth in Upstate NY

## 2015 Private-Sector Job Growth



# Home Prices

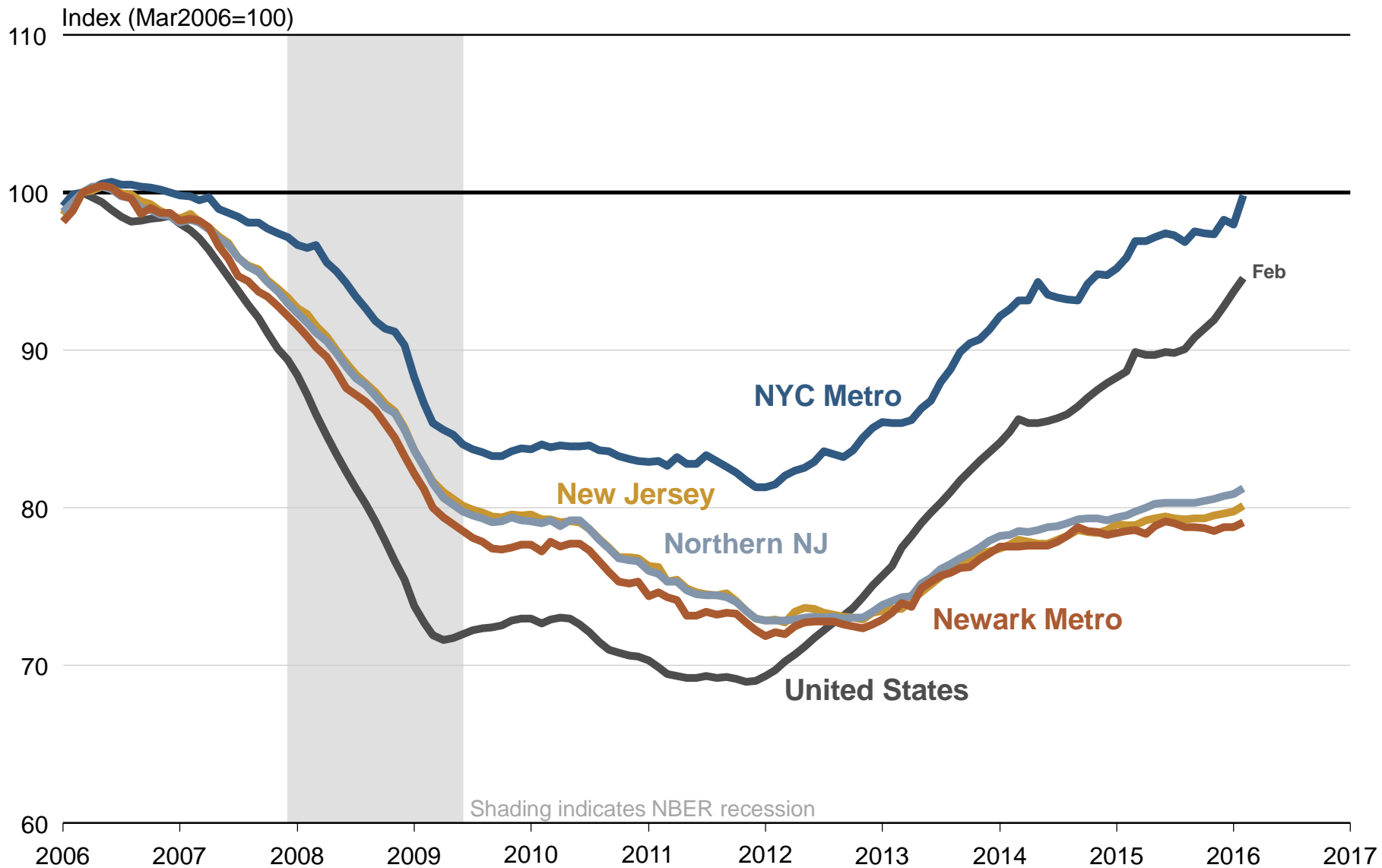
## CoreLogic Home Price Index, Seasonally Adjusted



Source: CoreLogic Home Price Index (including distressed sales)

# Home Prices

## CoreLogic Home Price Index, Seasonally Adjusted



Source: CoreLogic Home Price Index (including distressed sales)