



**Upstate New York Regional Advisory Council Meeting
Monroe Community College - Downtown Campus
321 State Street
Rochester, NY
Tuesday, September 26, 2017**

AGENDA

10:30am-10:35am	Introductory Remarks Anand Marri, Vice President
10:35am-11:05am	The National Economy Richard Peach, Senior Vice President
11:05am-11:35am	International Update Matthew Higgins, Vice President
11:35am-12:05pm	Regional Update Jaison Abel, Research Officer
12:05pm	Adjourn to High Falls Room B, 3 rd Floor
12:10pm	Lunch
12:10pm-1:40pm	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 by the end of 2017?
3. Has demand for your product or service increased sufficiently that you plan to increase investment in plant and equipment by the end of 2017?
4. Do you anticipate any change in your ability to access credit for the remainder of this year?
5. How is the labor market in meeting your needs?

1:40 pm Adjourn



**Upstate New York Regional Advisory Board
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ATTENDEE LIST

Board Members

Aminy Audi
CEO
L. & J.G. Stickley

Bridget-Ann Hart
President & CEO
KPH Healthcare Services, Inc.

Scott Bieler
President & CEO
West Herr Automotive Group, Inc.

Dr. Anne Kress
President
Monroe Community College

Tim Busch
President & CEO
Nexstar Broadcasting Group, Inc.

Jordan Levy
NY Partner
Softbank Capital

Lynne Marie Finn
CEO
Superior Workforce Solutions, Inc.

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

Kenneth M. Franasiak
Chairman
Calamar

Larry Kessler
Founder & Co-Owner
Kessler Group, Inc.

Federal Reserve Bank of New York

William Dudley
Michael Nelson
Richard Peach
Matthew Higgins
Anand Marri
Julia Gouny
Jaison Abel
Tony Davis
Chelsea Cruz
Betsy Bourassa

President
SVP, Assistant General Counsel, Legal
SVP, Research & Statistics
VP, Integrated Policy Analysis
VP and Head of Outreach & Education
Officer and Deputy Chief of Staff, Executive Office
Officer & Economist, Research & Statistics
Officer, Community Engagement, Outreach & Education
Associate, Community Engagement, Outreach & Education
Associate, Media Relations, Communications & Outreach



FEDERAL RESERVE BANK *of* NEW YORK

US Macro Overview
September 26, 2017

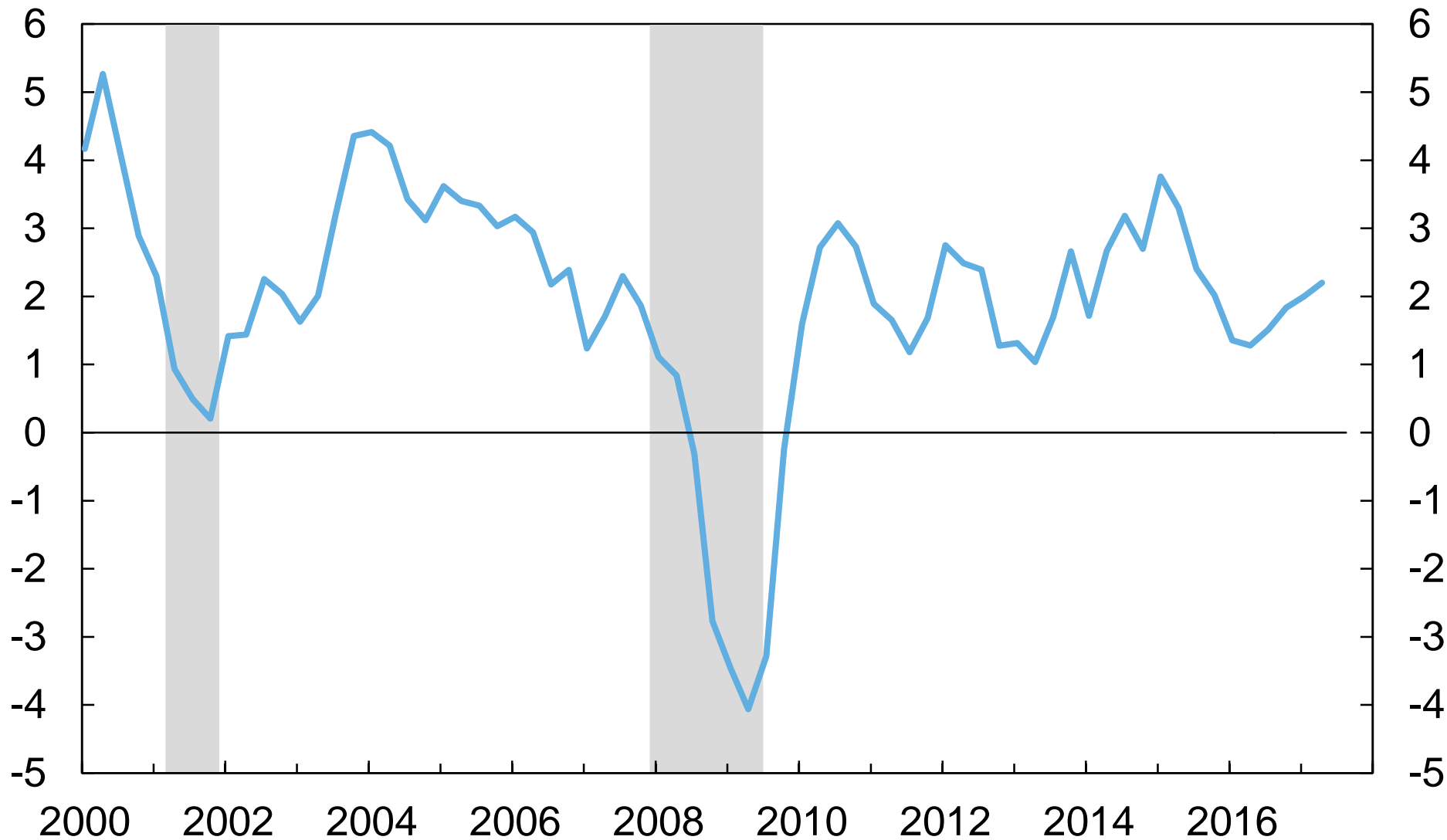
Overview

- The US economy appears to be regaining its footing after suffering a significant shock beginning in mid to late 2014.
- US labor market is showing classic signs of being at or near full employment yet growth of labor compensation remains surprisingly low.
- Core inflation has slowed since the beginning of 2017. Is this a transitory phenomenon or something more fundamental?

Growth of Real GDP

Four Quarter Percent Change

Four Quarter Percent Change



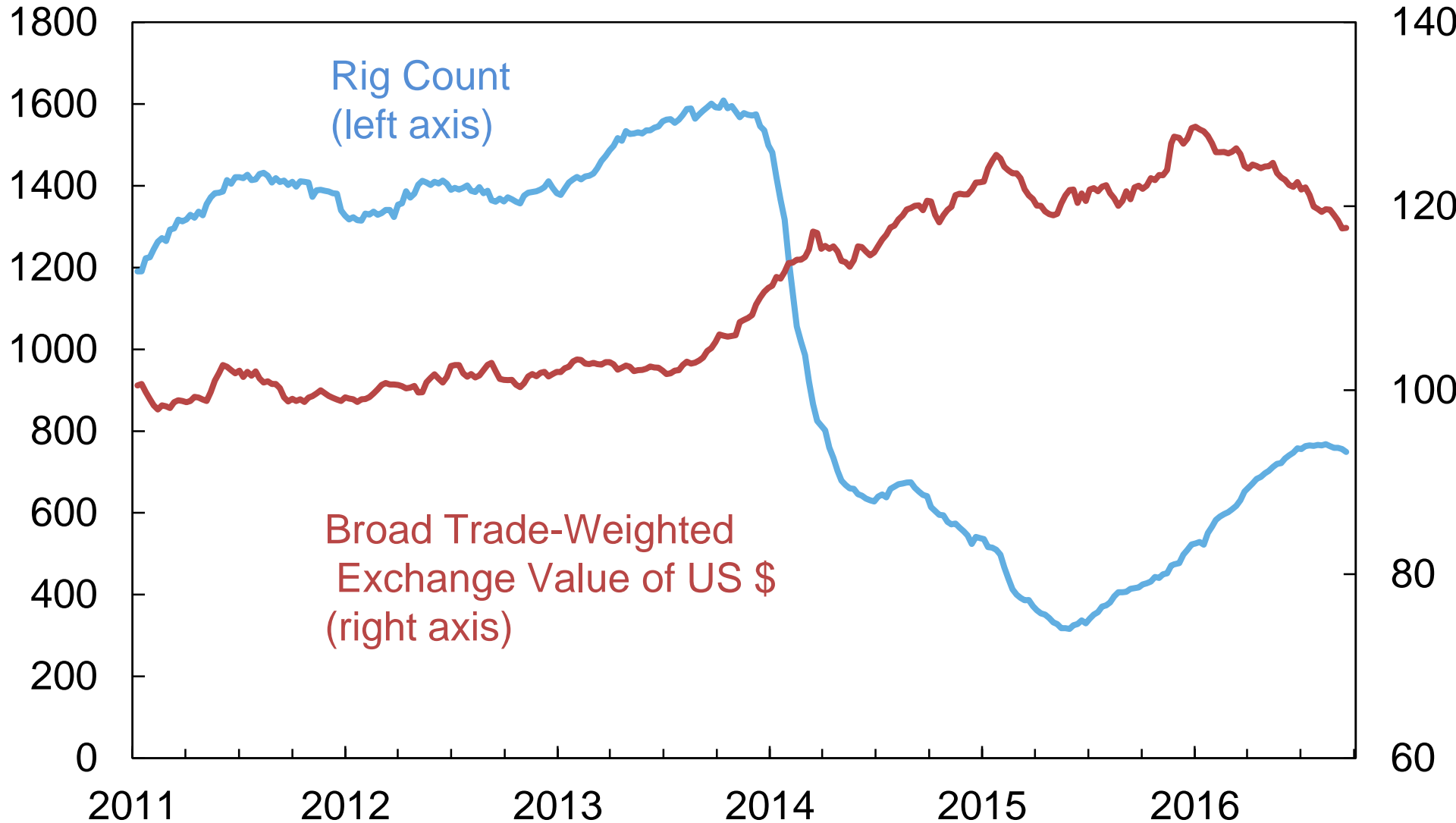
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

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

Active Oil Rigs

Index



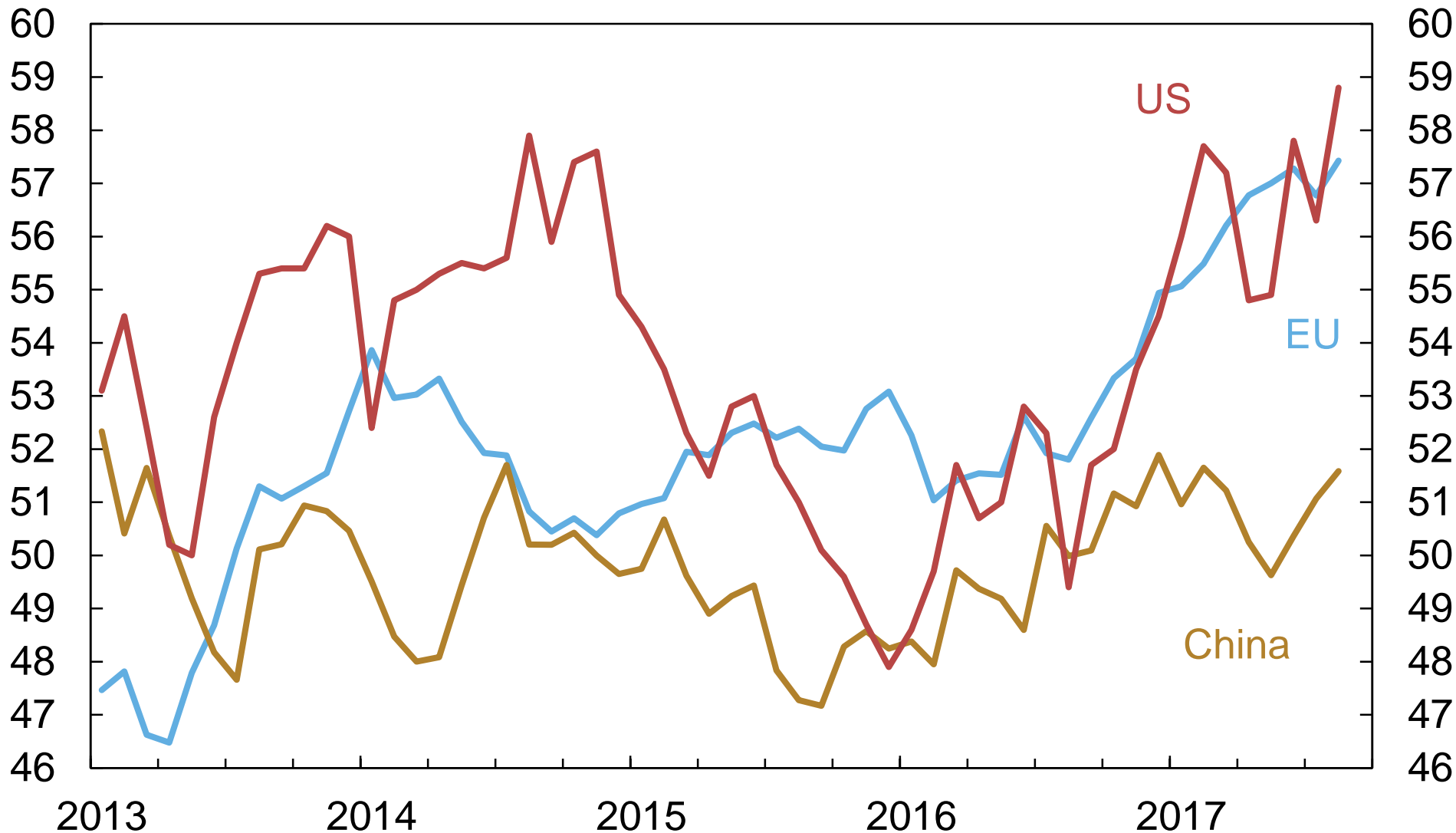
Source: Federal Reserve Board and Baker Hughes

Note: Shading shows NBER recessions.

Surveys of Manufacturing Activity

Index Level

Index Level



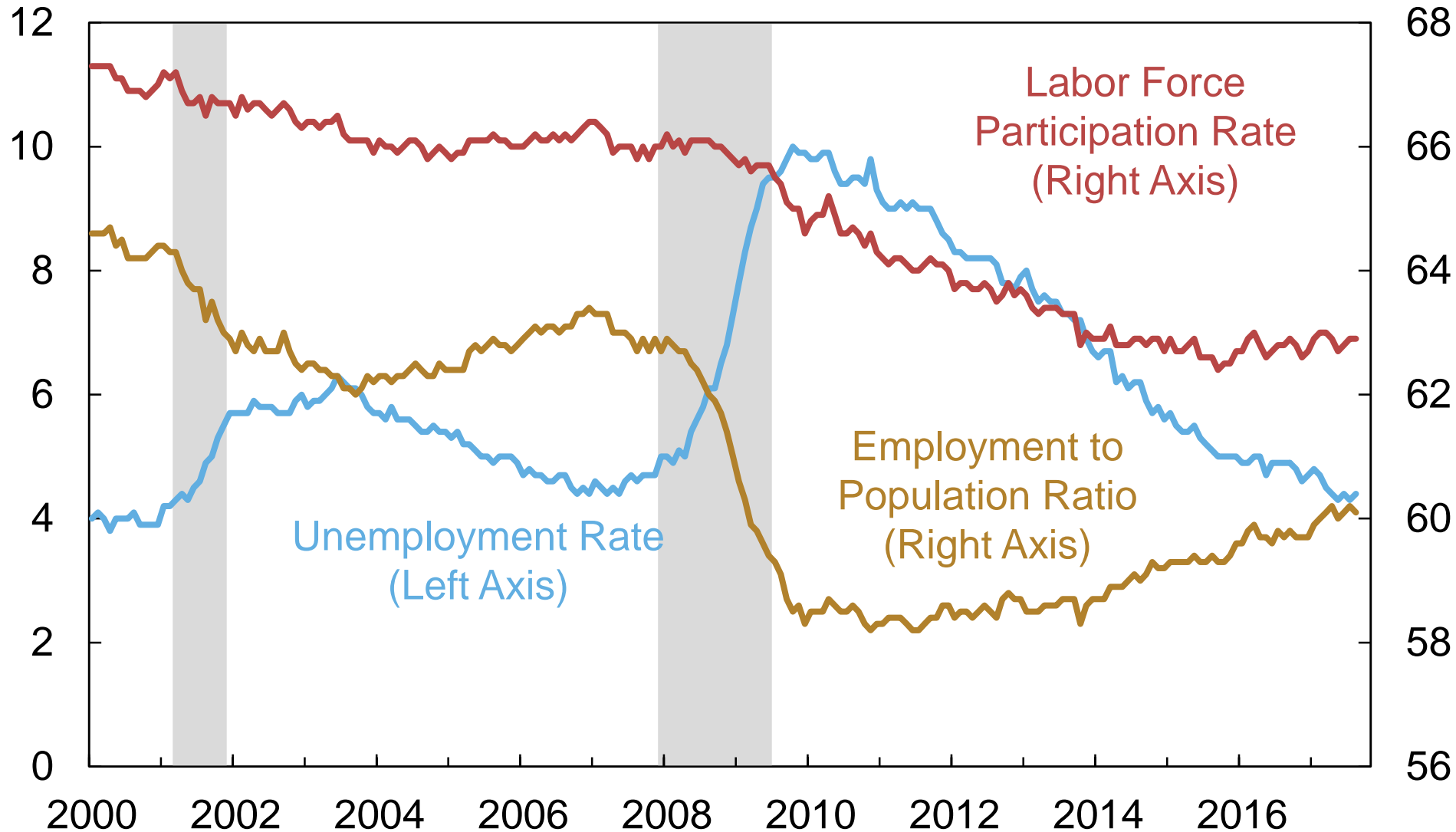
Source: IHS Markit and Institute for Supply Management via Haver Analytics

Note: Shading shows NBER recessions.

Labor Market Indicators

Percent

Percent



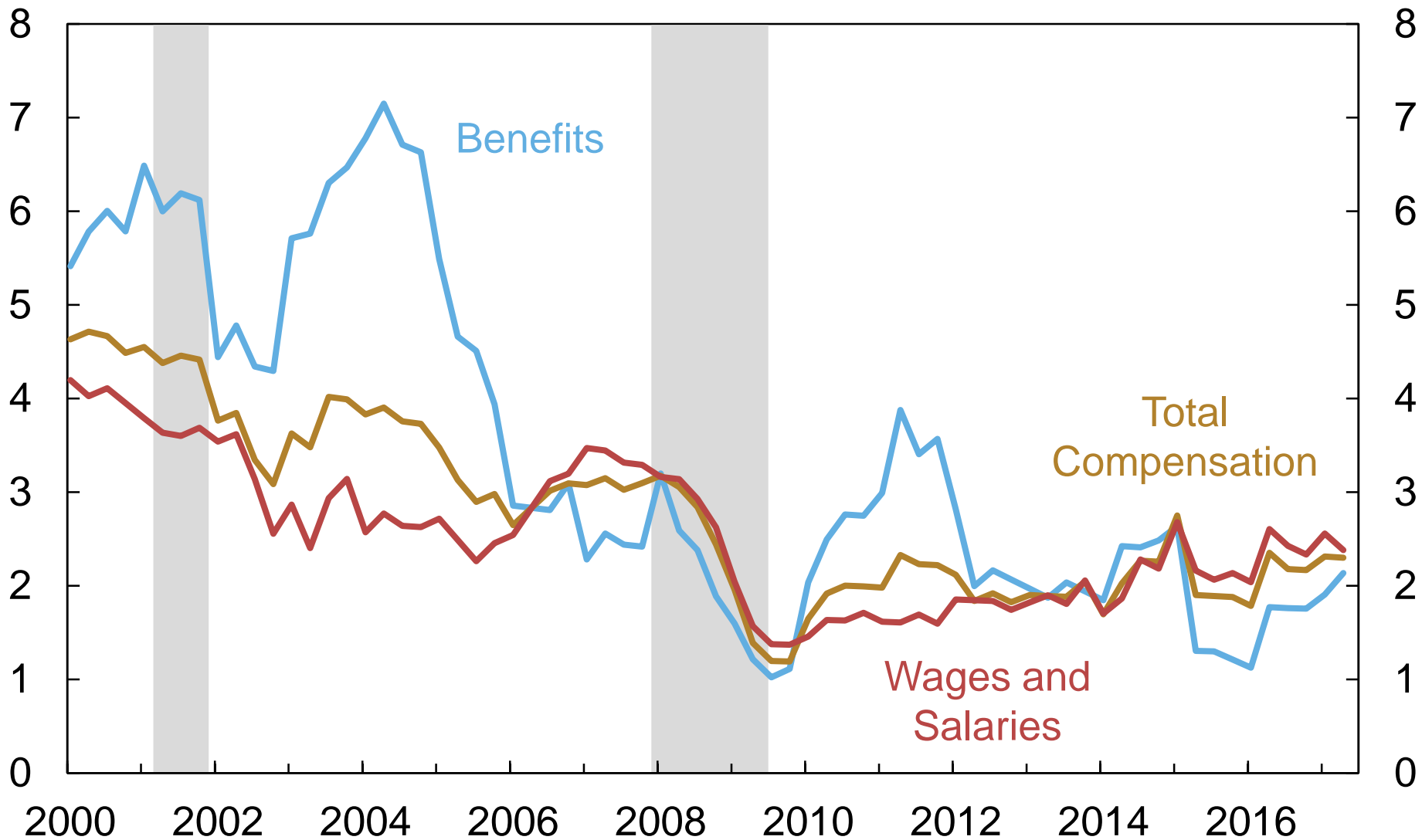
Source: Bureau of Labor Statistics
via Haver Analytics

Note: Shading shows NBER recessions.

Employment Cost Index: Private Industry Workers

4 Qtr % Change

4 Qtr % Change



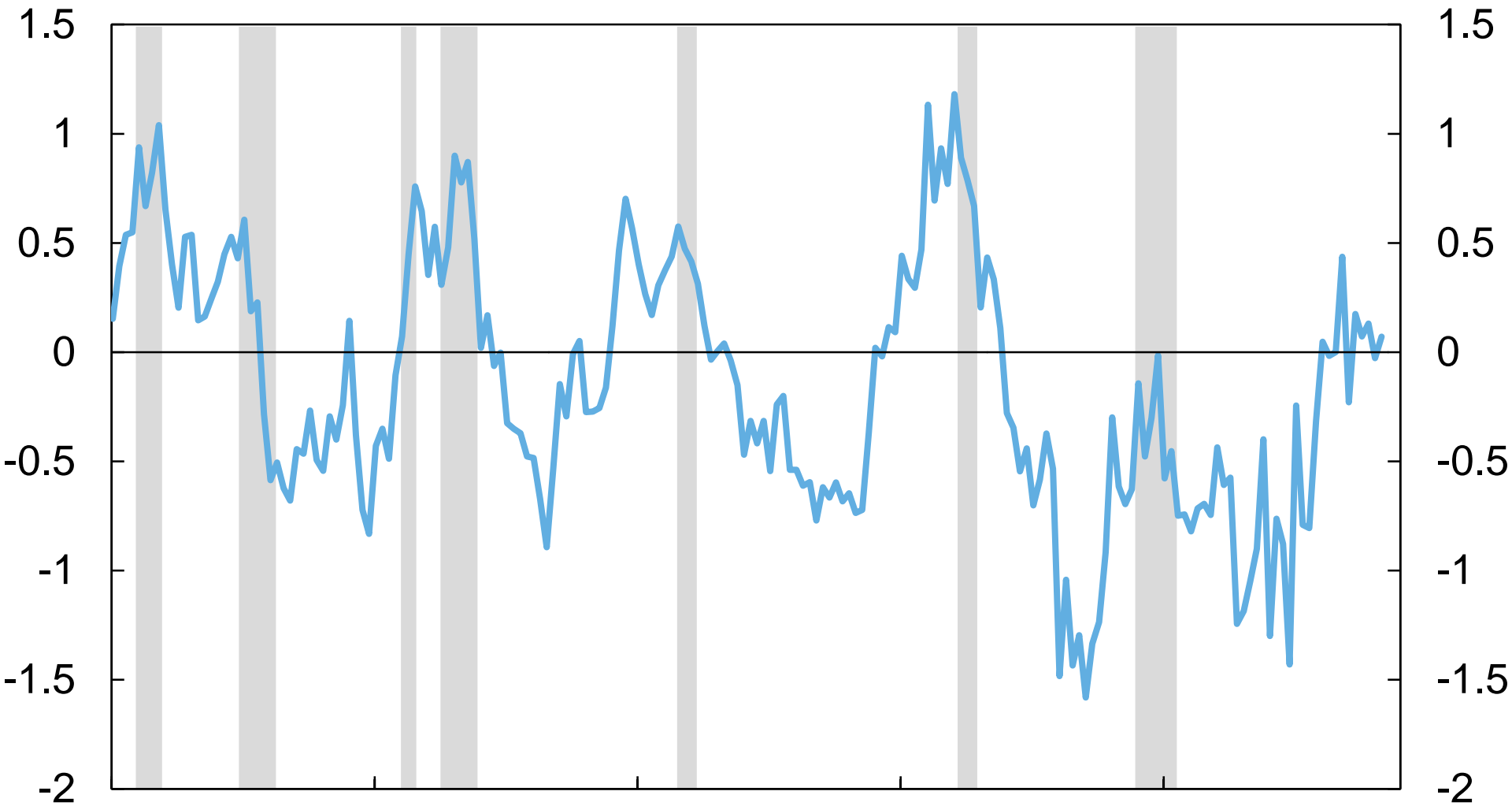
Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

Labor Costs in the Nonfarm Business Sector

Index (100 = 2009)

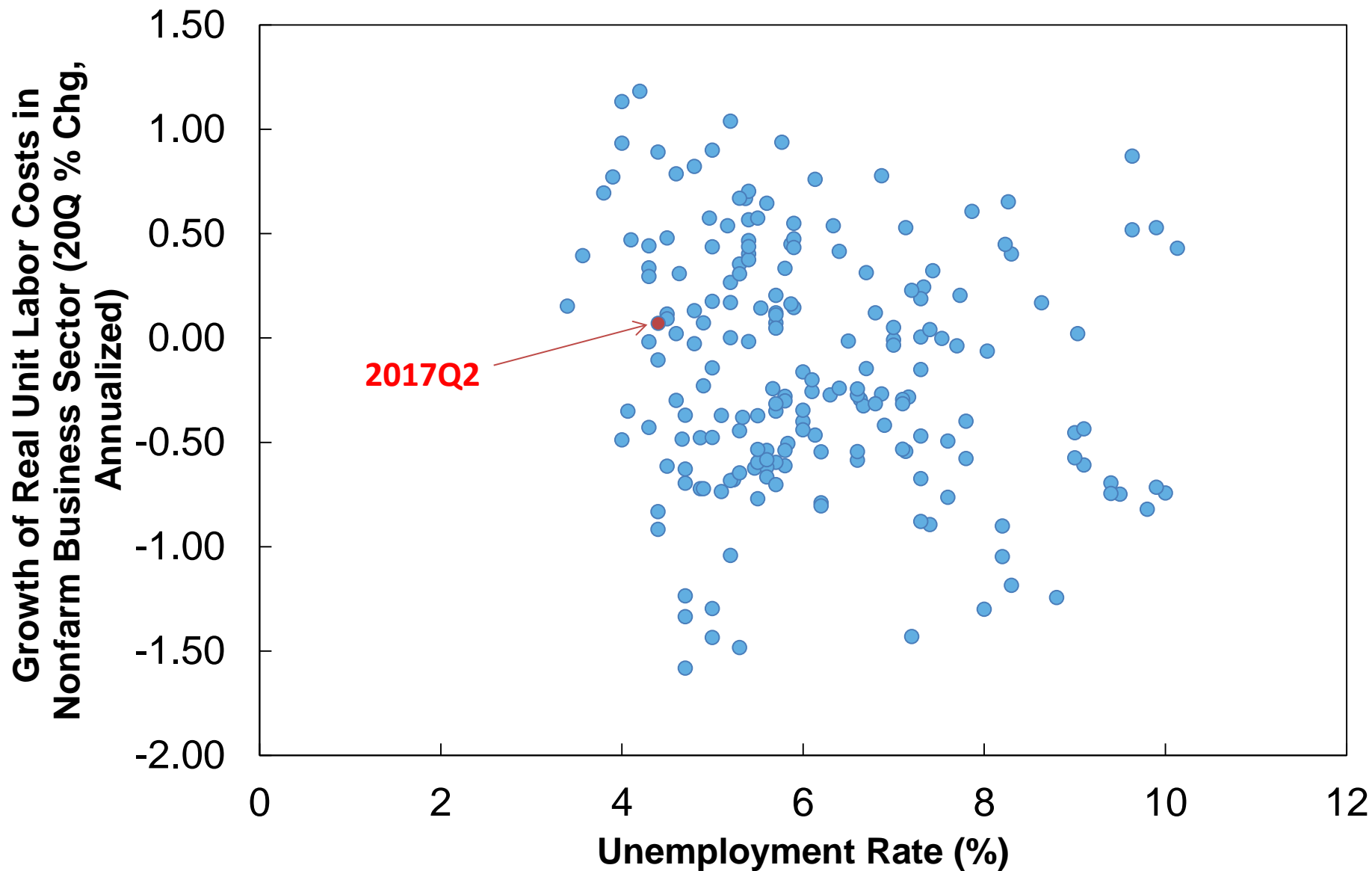
Index (100 = 2009)



Source: BLS; Haver.

Note: Shading shows NBER recessions.

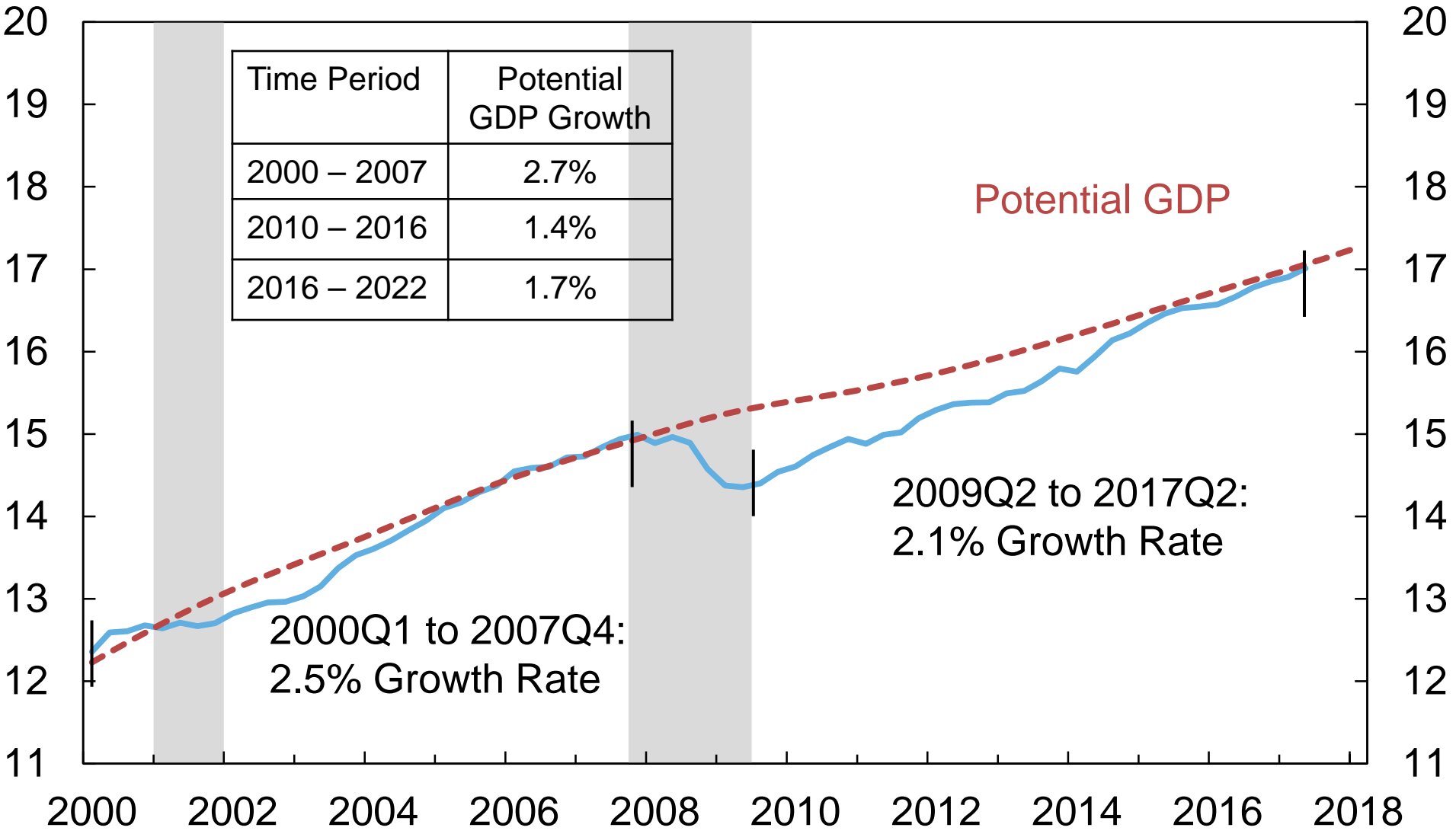
Growth of Real Unit Labor Costs versus Unemployment Rate



GDP

Trillions of 2009 US\$

Trillions of 2009 US\$



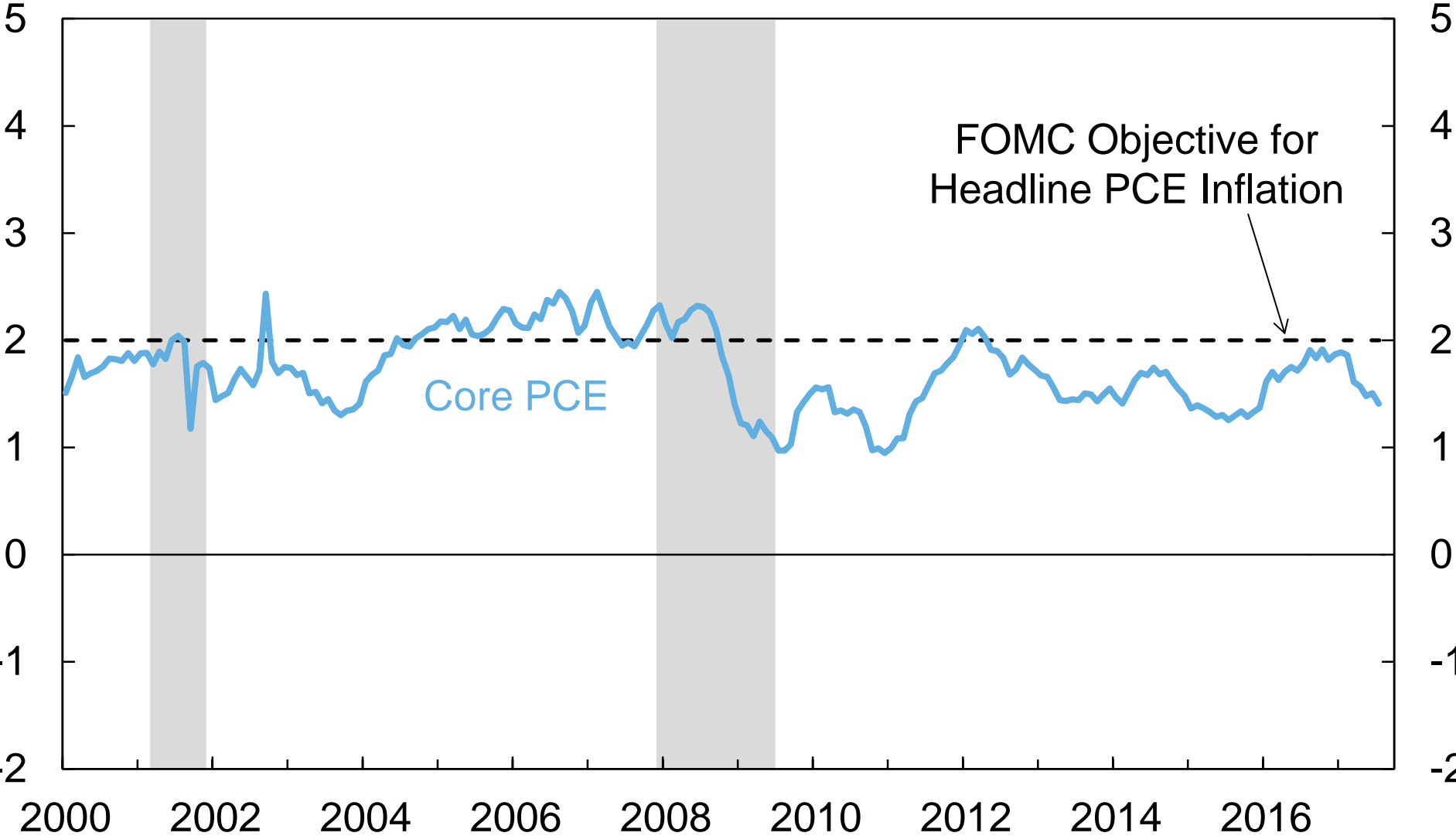
Source: Bureau of Economic Analysis,
Congressional Budget Office via Haver Analytics

Note: Shading shows NBER recessions.

Measure of Underlying PCE Price Inflation

12 Month % Change

12 Month % Change



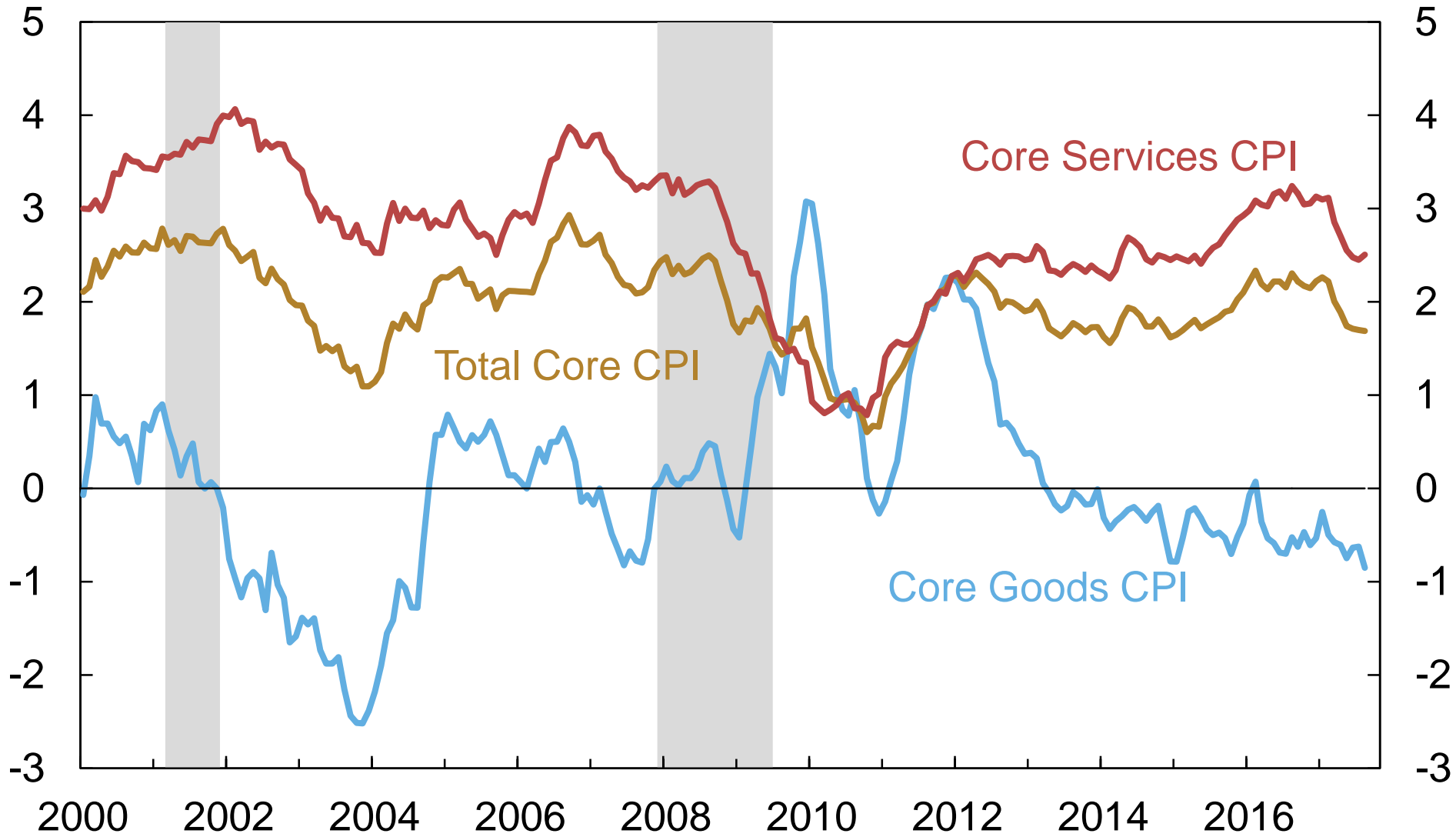
Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.

CPI Inflation: Core Goods and Core Services

12 Month % Change

12 Month % Change



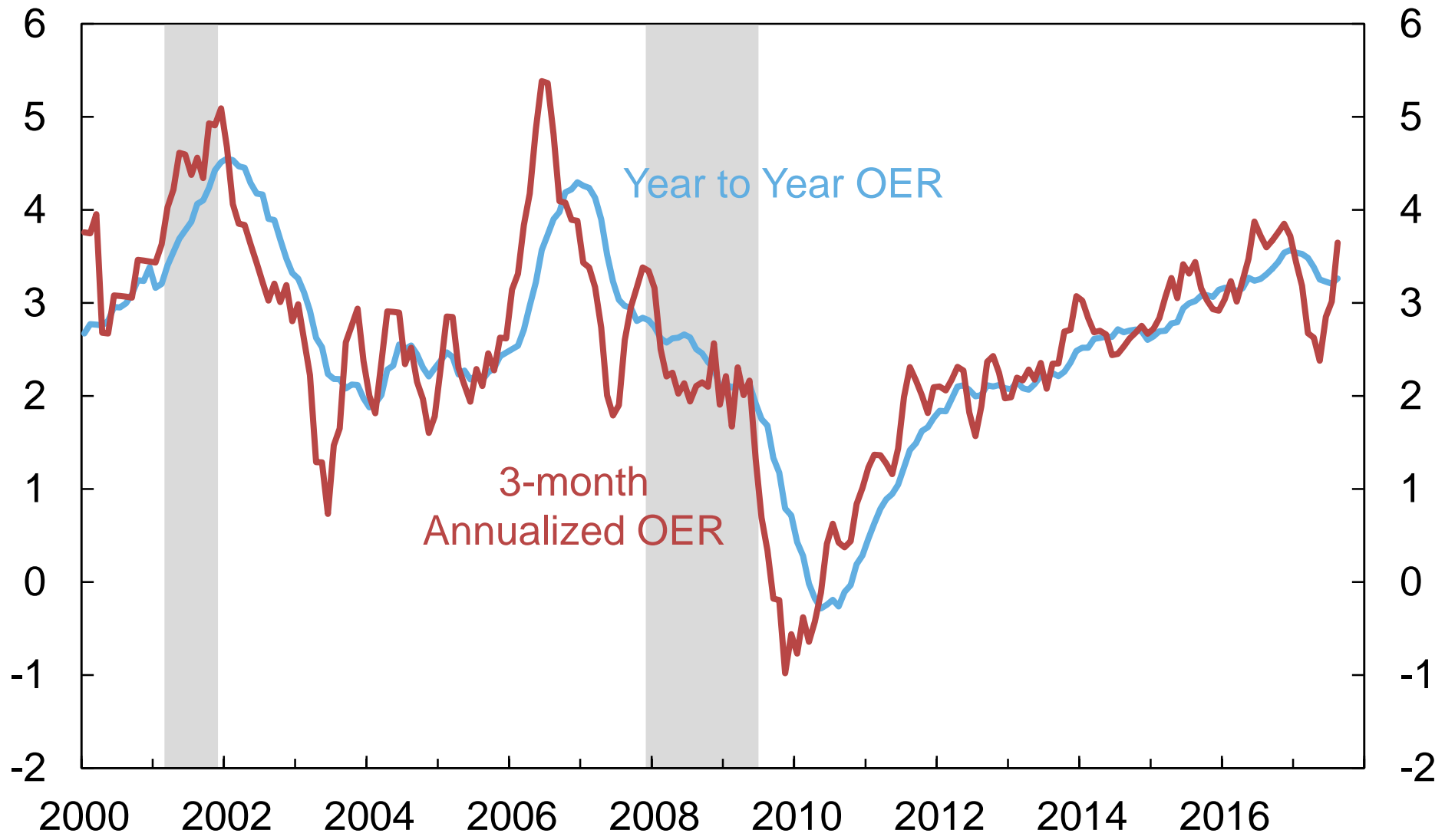
Source: Bureau of Labor Statistics
via Haver Analytics

Note: Shading shows NBER recessions.

Owner's Equivalent Rent

% Change

% Change



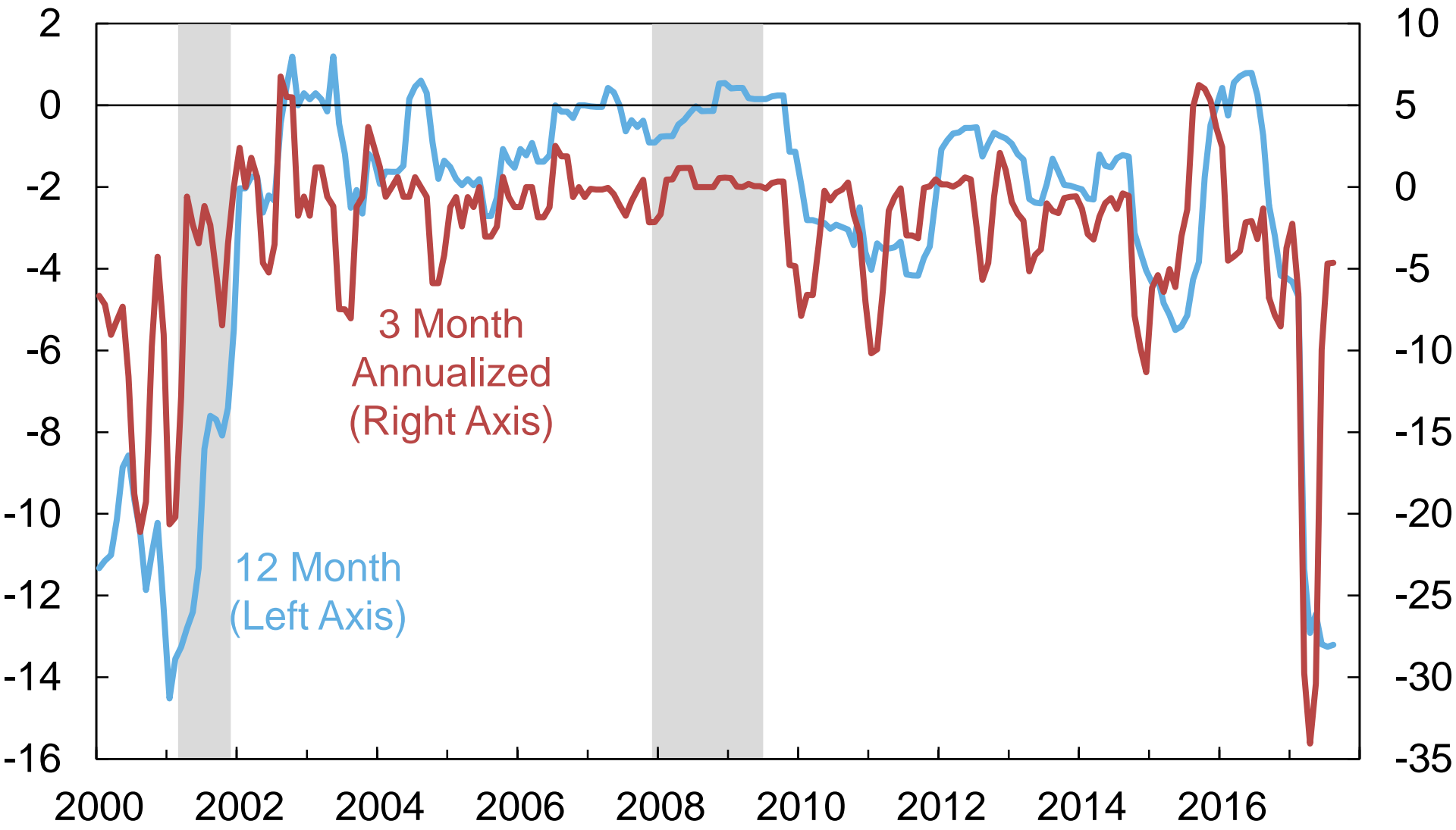
Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

CPI-U: Wireless Telephone Services

% Change

% Change



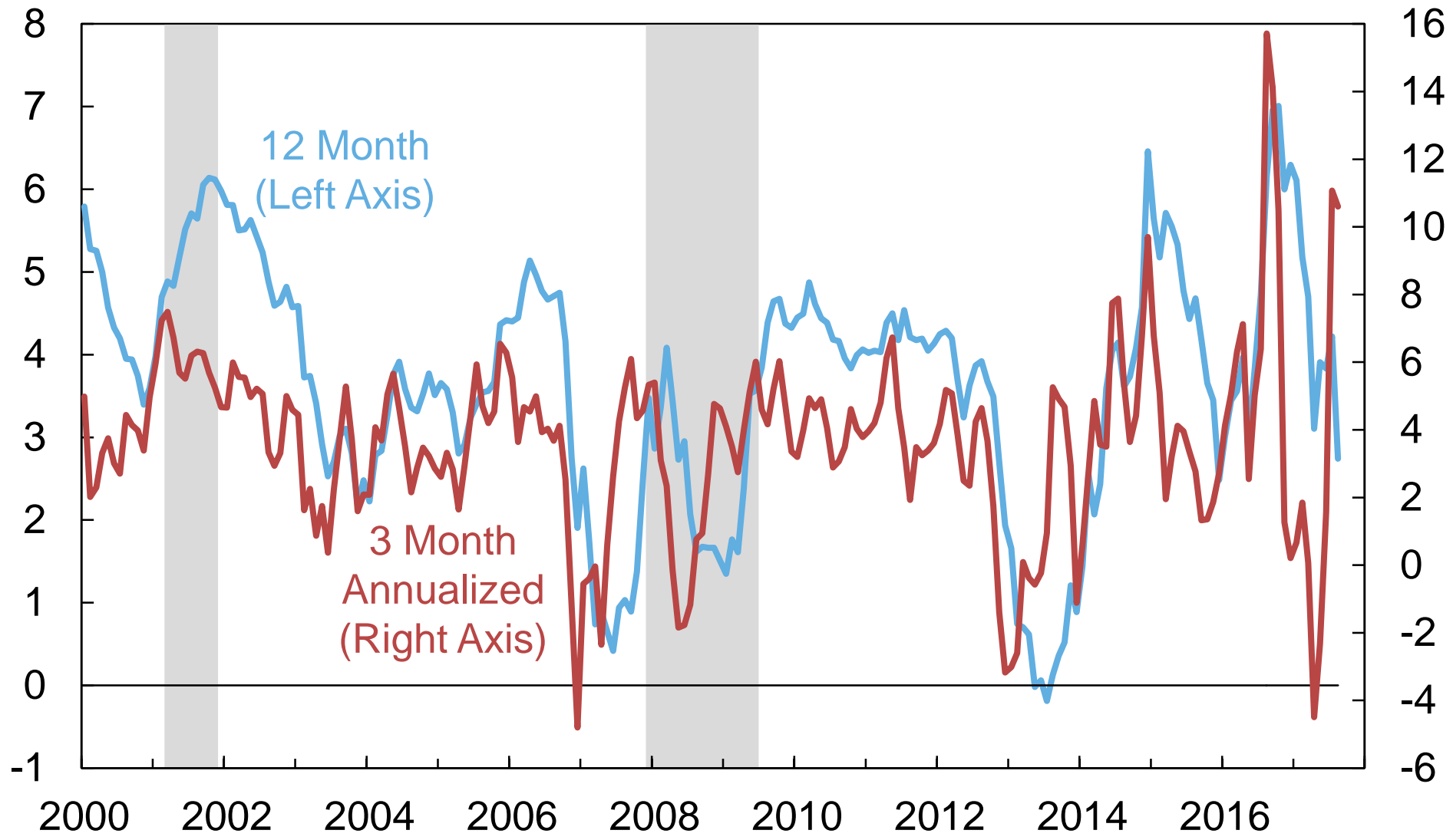
Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

CPI-U: Prescription Drugs

% Change

% Change



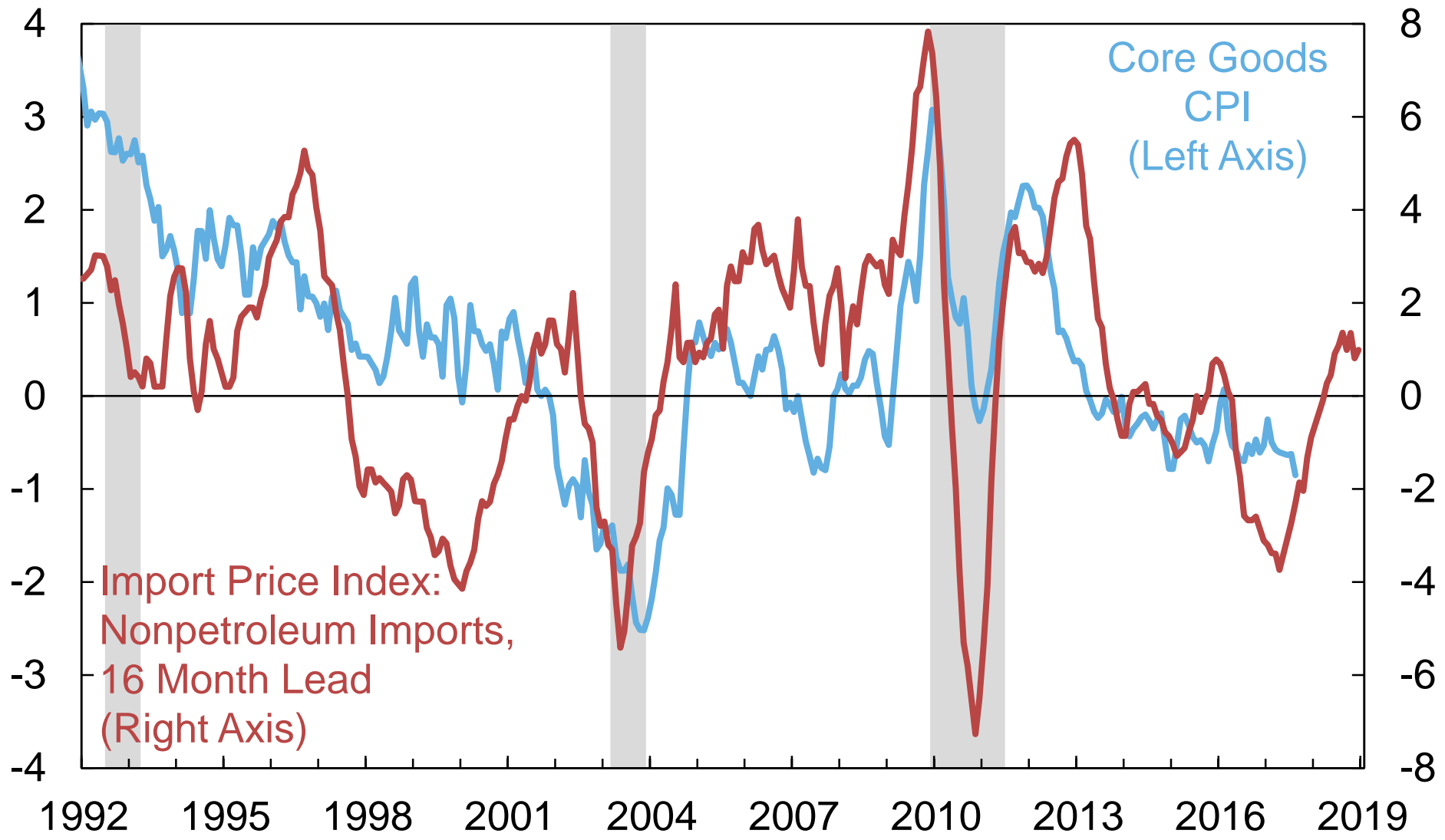
Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

Core Goods CPI and Nonpetroleum Import Price Index

% Change – Year to Year

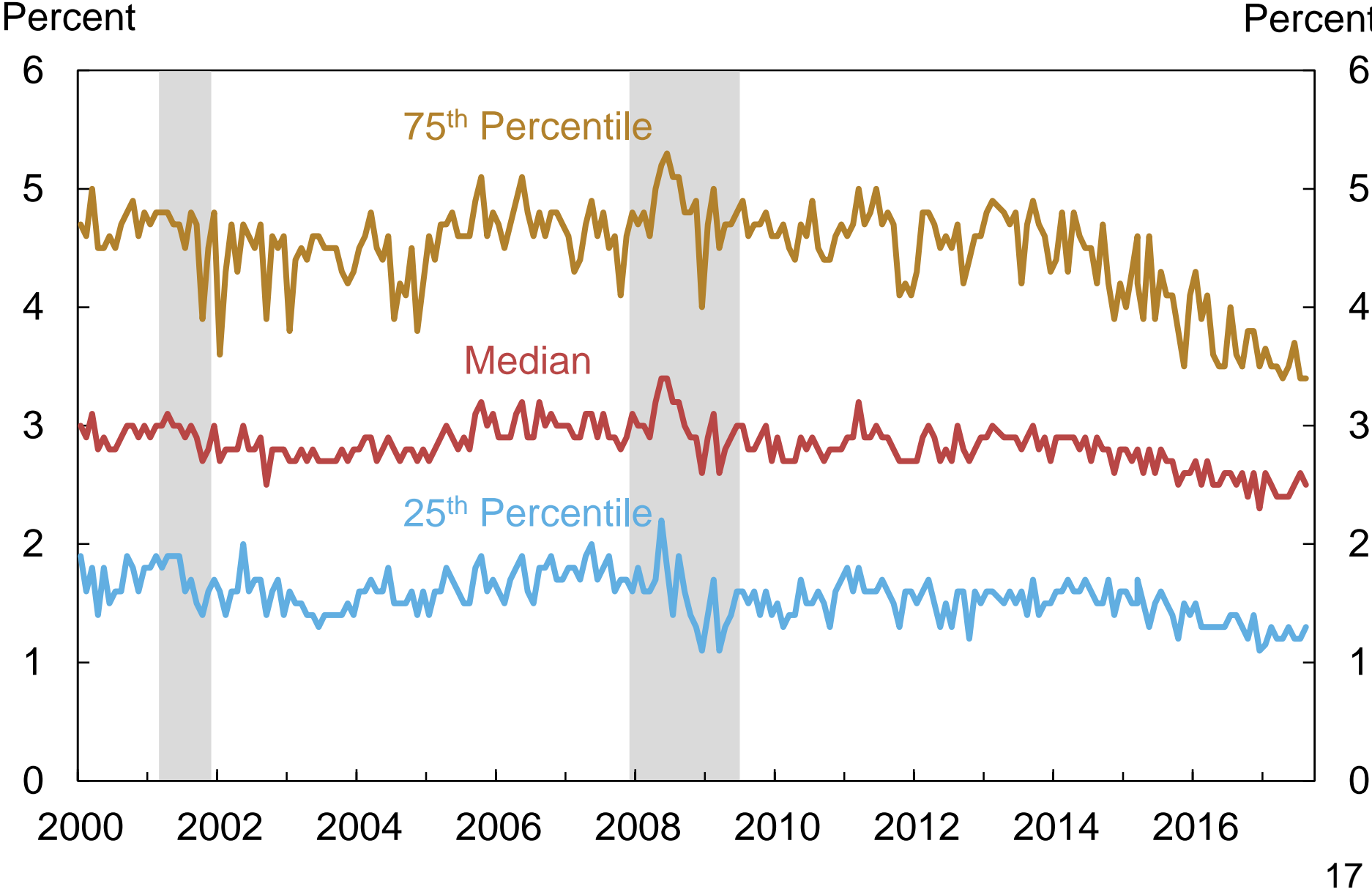
% Change – Year to Year



Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

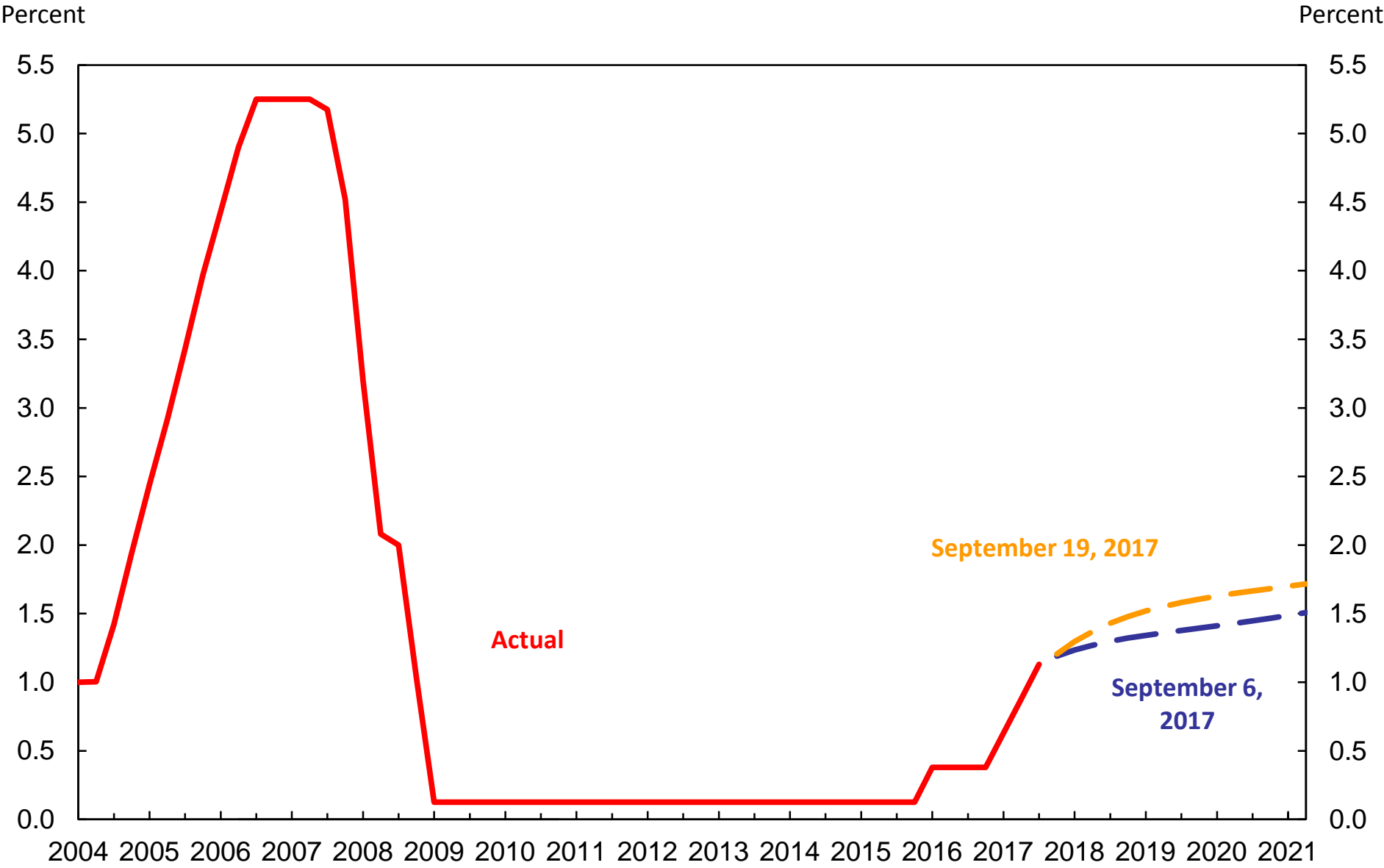
Michigan Inflation Expectations 5 to 10 Years



Source: University of Michigan

Note: Shading shows NBER recessions.

Actual and Expected Fed Funds Target



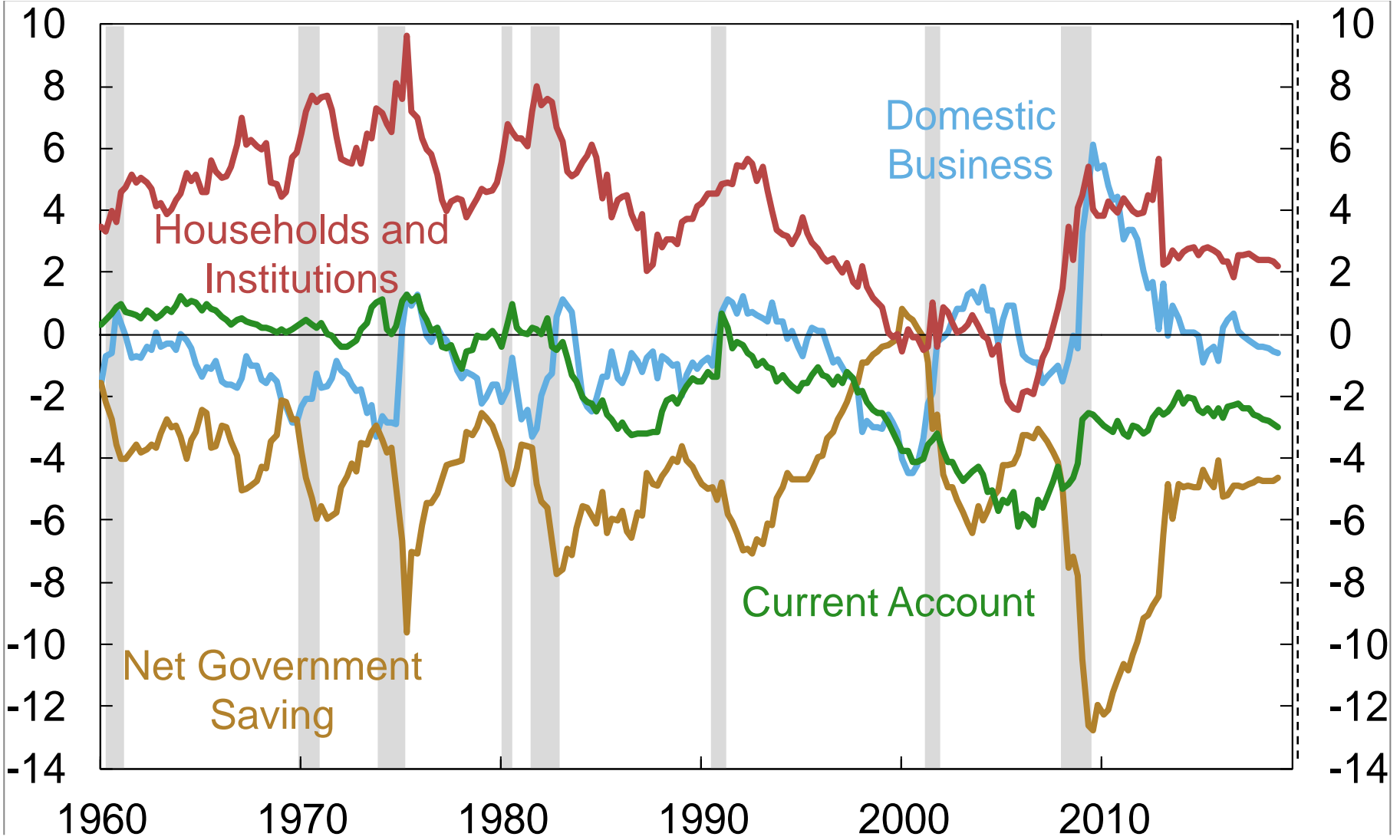
Source: Federal Reserve Board

Reference Charts

Saving and Investment Balance

Percent of GDP

Percent of GDP



Source: Bureau of Economic Analysis via Haver Analytics

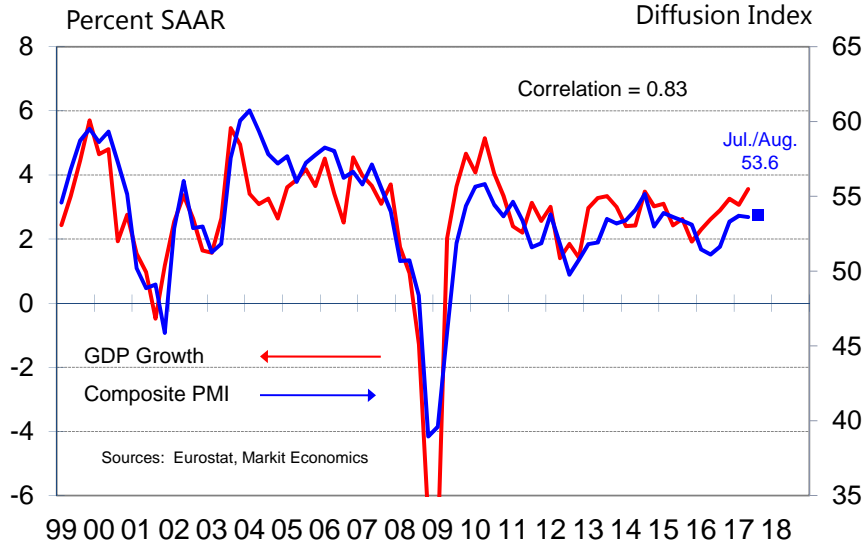
Note: Shading shows NBER recessions. 19



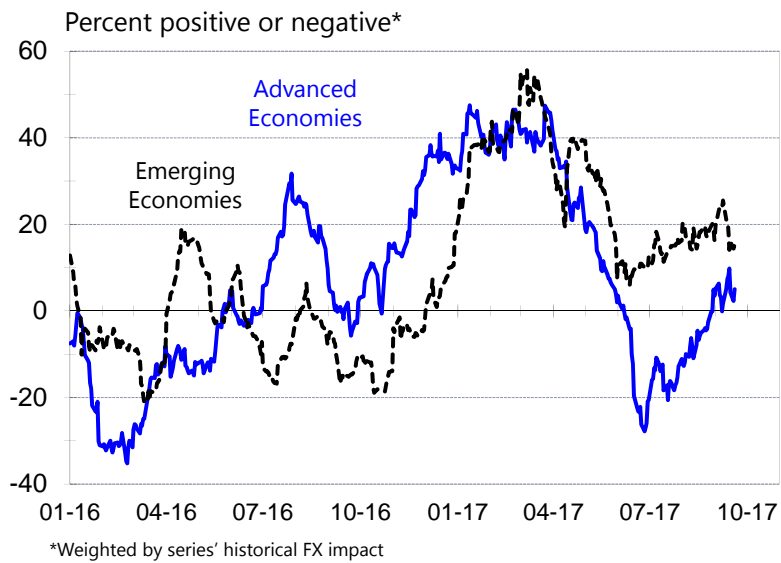
Roadmap

- Update on the global economic and industrial cycle
- Ongoing struggle to meet inflation objectives in the advanced economies
- Economic performance and risks in Canada
- Chinese financial sector reform update

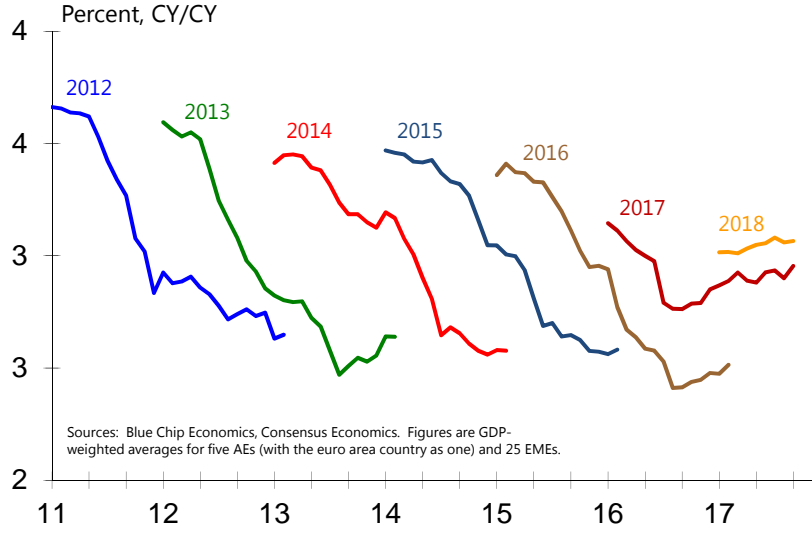
Global GDP Growth and Composite PMI



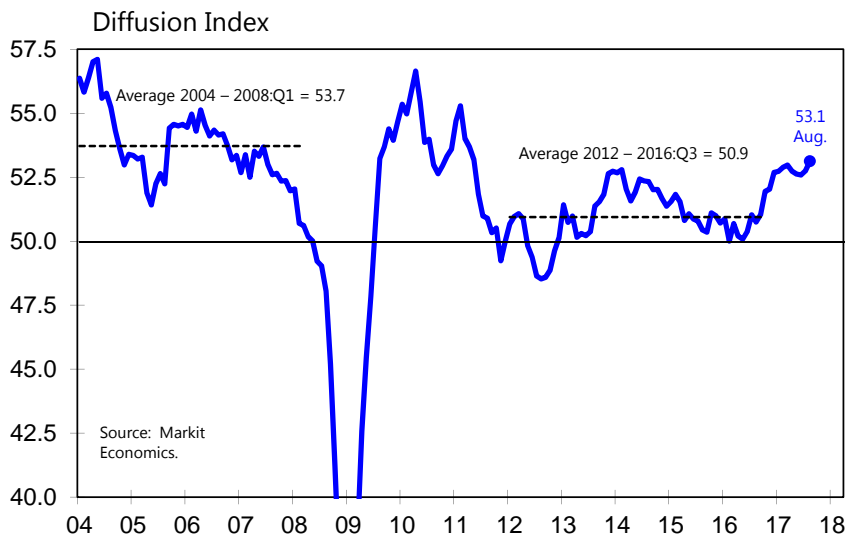
Citigroup Economic Surprise Indexes



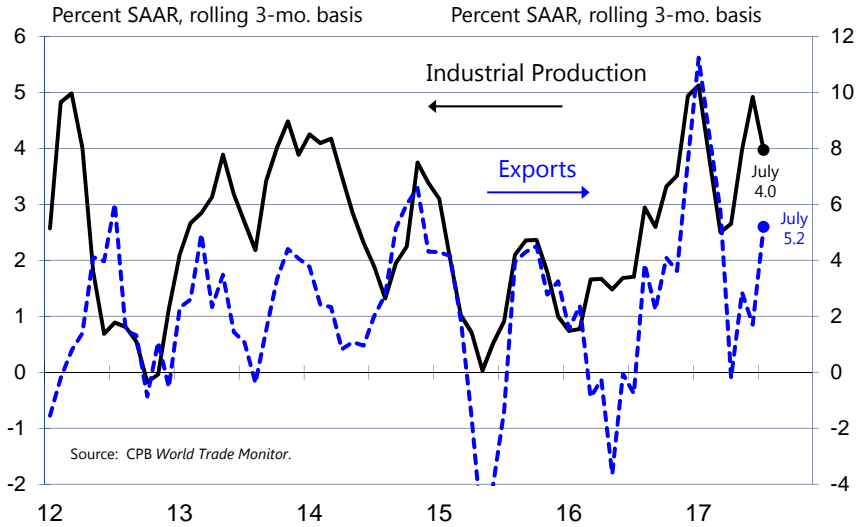
Evolution of Global Market Growth Forecasts



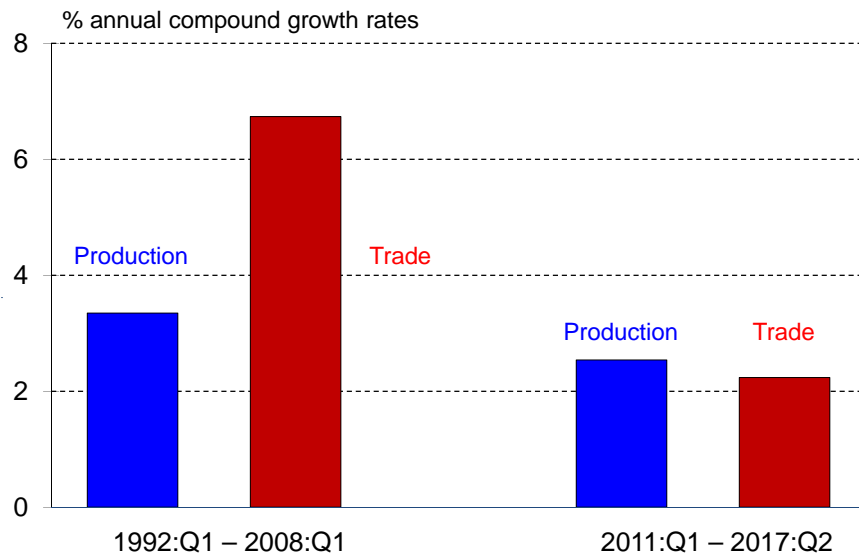
Global Manufacturing PMI



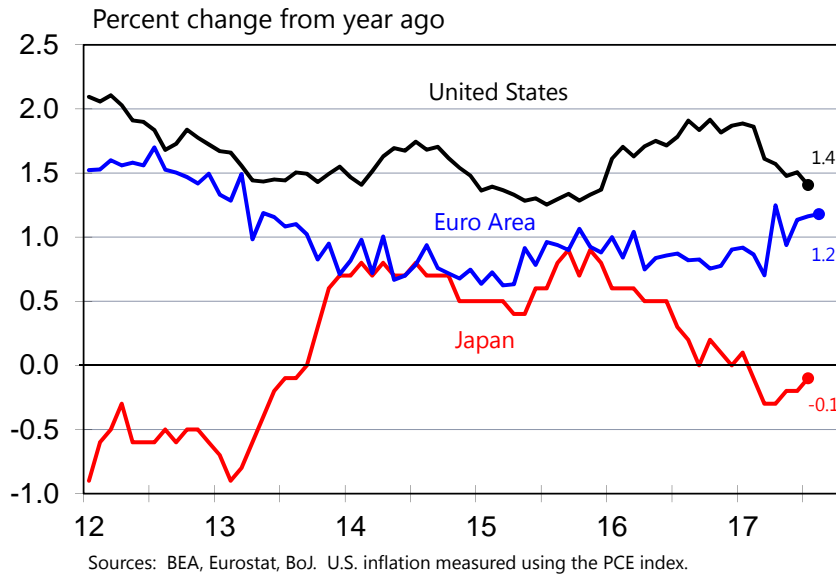
Global Industrial Production and Export Growth



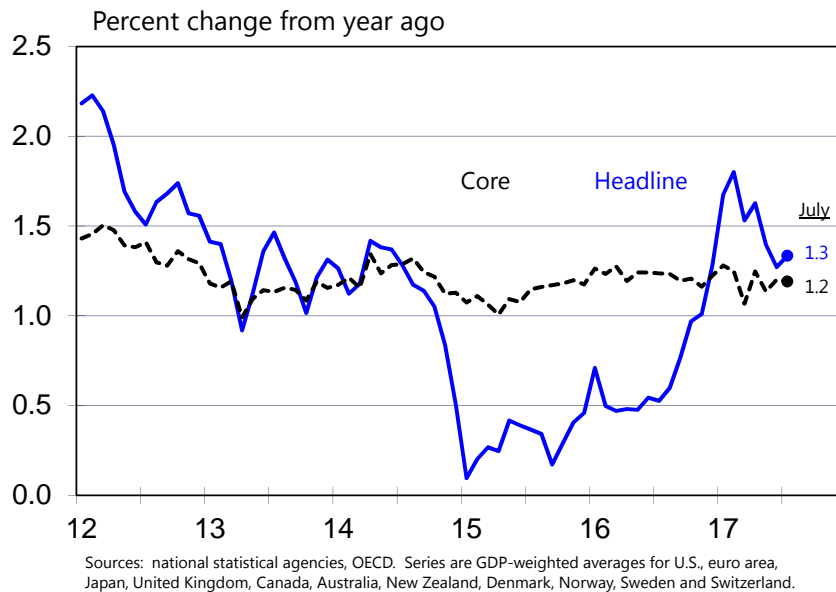
Global Industrial Production and Trade Volume Growth



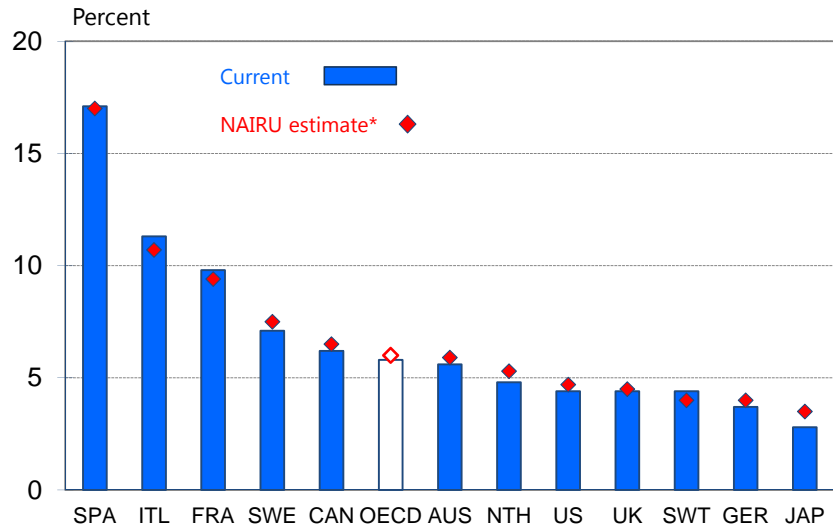
G-3: Core Consumer Price Inflation



Advanced Economy CPI Inflation

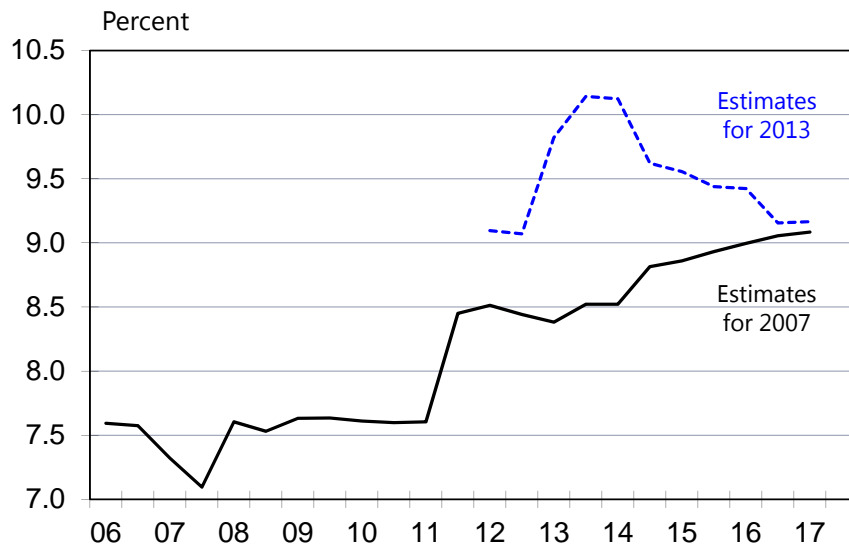


Advanced Economy Unemployment Rates



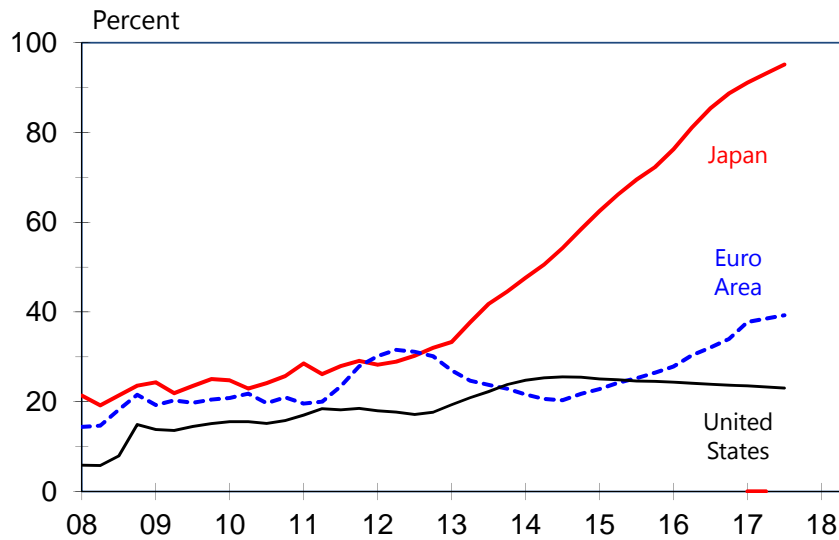
Sources: National sources, OECD. * NAIRU estimates from CBO for the U.S., the European Commission for euro area countries, the BoJ for Japan, the BoE for the UK, and from OECD elsewhere.

Euro Area: NAIRU Estimates Over Time



Source: OECD *Economic Outlook* database, various editions.

Central Bank Credit as a Share of GDP



Central Bank and Consensus Inflation Forecasts

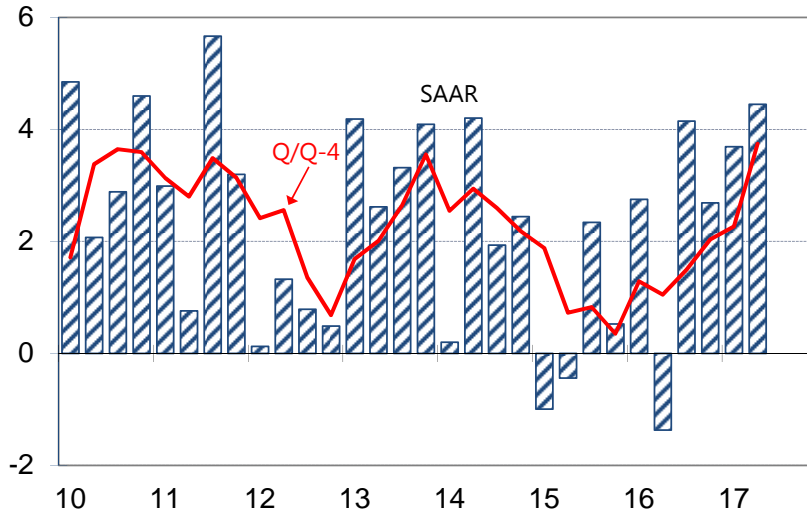
Percent

	2017	2018	2019
United States^{1/}			
Central Bank	1.5	1.9	2.0
Consensus	1.5	1.8	2.0
Euro Area^{2/}			
Central Bank	1.5	1.2	1.5
Consensus	1.5	1.4	1.6
Japan^{3/}			
Central Bank	1.1	1.5	1.8
Consensus	0.5	0.7	0.8

1/ Central bank figures reflect FOMC members' median projection for core PCE inflation on a Q4/Q4 basis, from September. Consensus forecast is from Survey of Professional Forecasters, on a similar basis from August. 2/ Central bank figures reflect mean staff forecast for calendar year CPI inflation, from September. Consensus forecast is from Survey of Professional Forecasters, on a similar basis from July. 3/ Central bank figures reflect median policy board members' projection for CPI inflation ex. fresh food, on a fiscal year basis from July. Consensus forecast is from Bloomberg, on a calendar-year basis from September.

Canada: Real GDP Growth

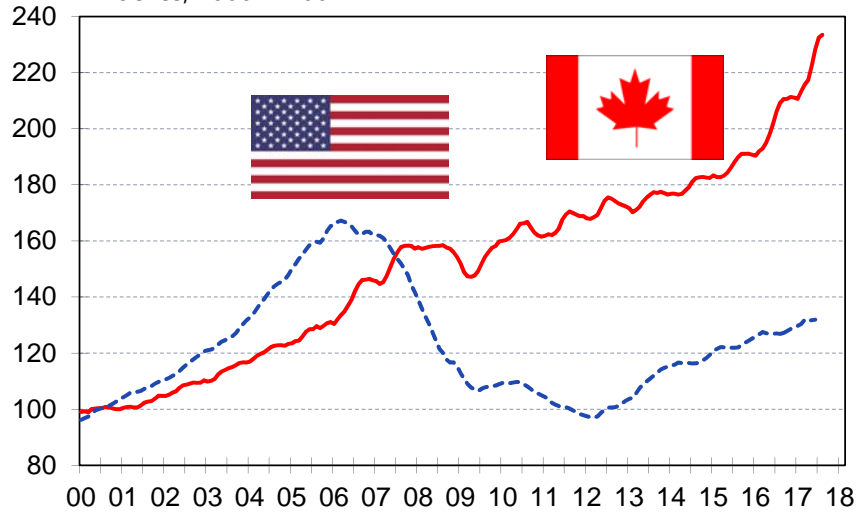
Percent SAAR and Q/Q-4



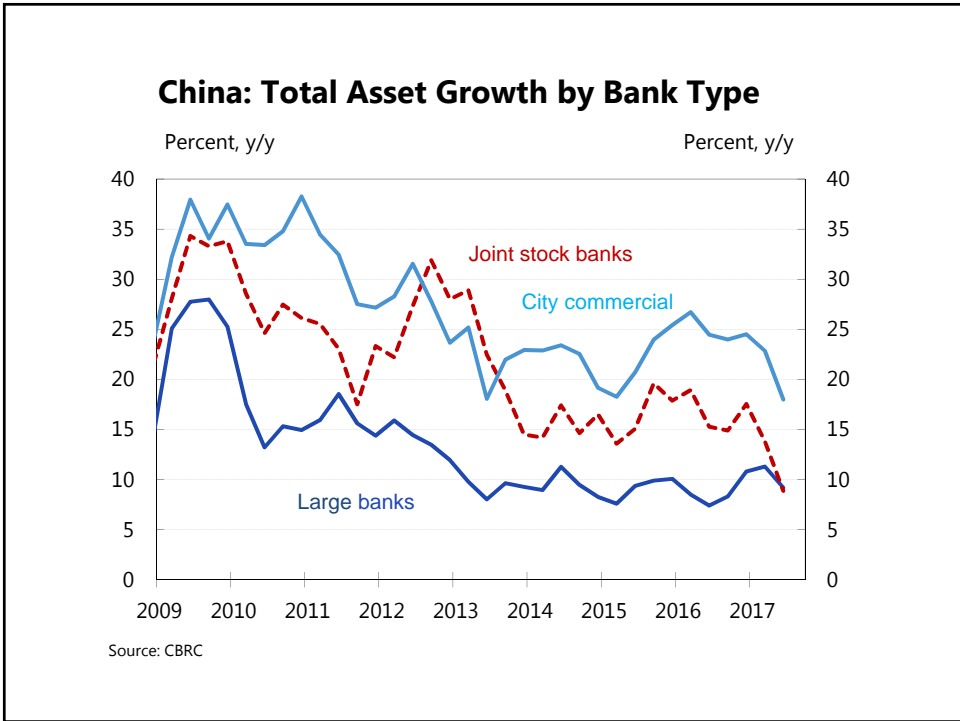
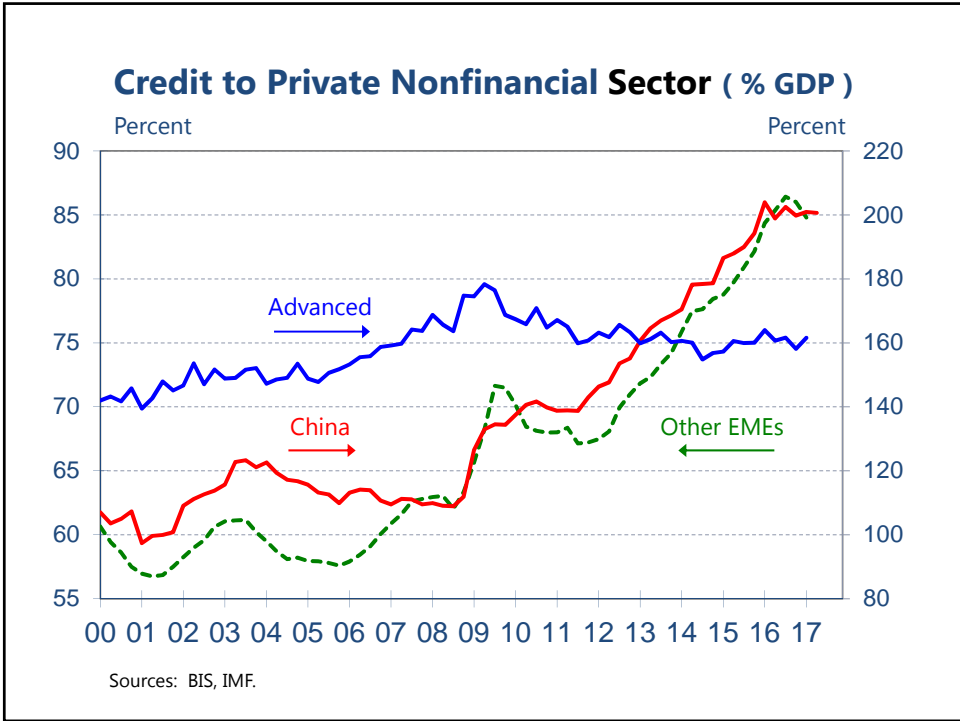
Source: Statistics Canada

Canada and U.S.: Real House Prices

Indexes, 2000 = 100

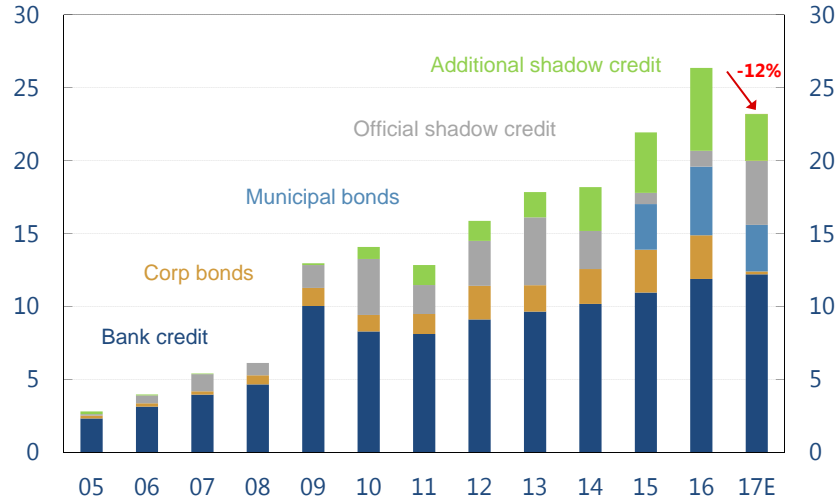


Sources: Teranet/National Bank of Canada, Statistics Canada, S&P CoreLogic Case-Shiller, Bureau of Labor Statistics.



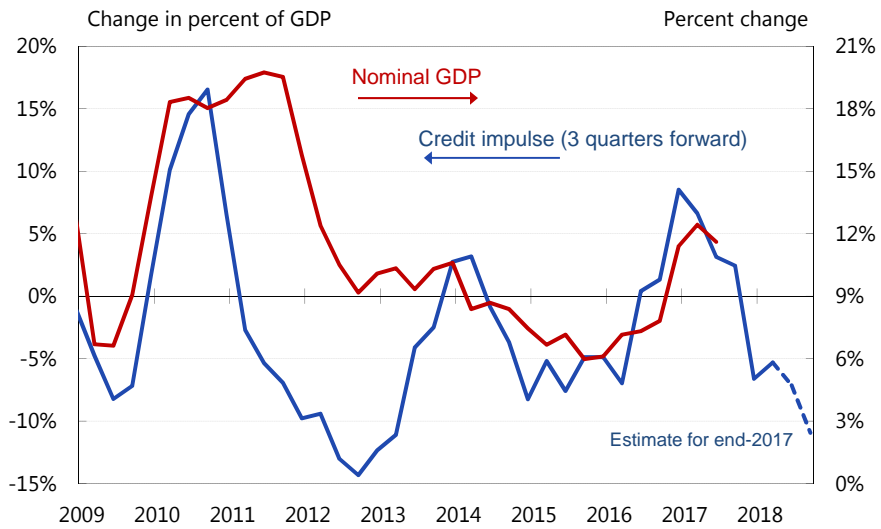
China: Net New Credit

RMB, tn



Source: CEIC

China: Credit Impulse and Nominal GDP Growth



Source: CEIC. Change in new aggregate credit is as a share of GDP



FEDERAL RESERVE BANK *of* NEW YORK

Regional Economic Conditions

Jaison R. Abel, Research Officer

Upstate New York Regional Advisory Board Meeting – September 26, 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.

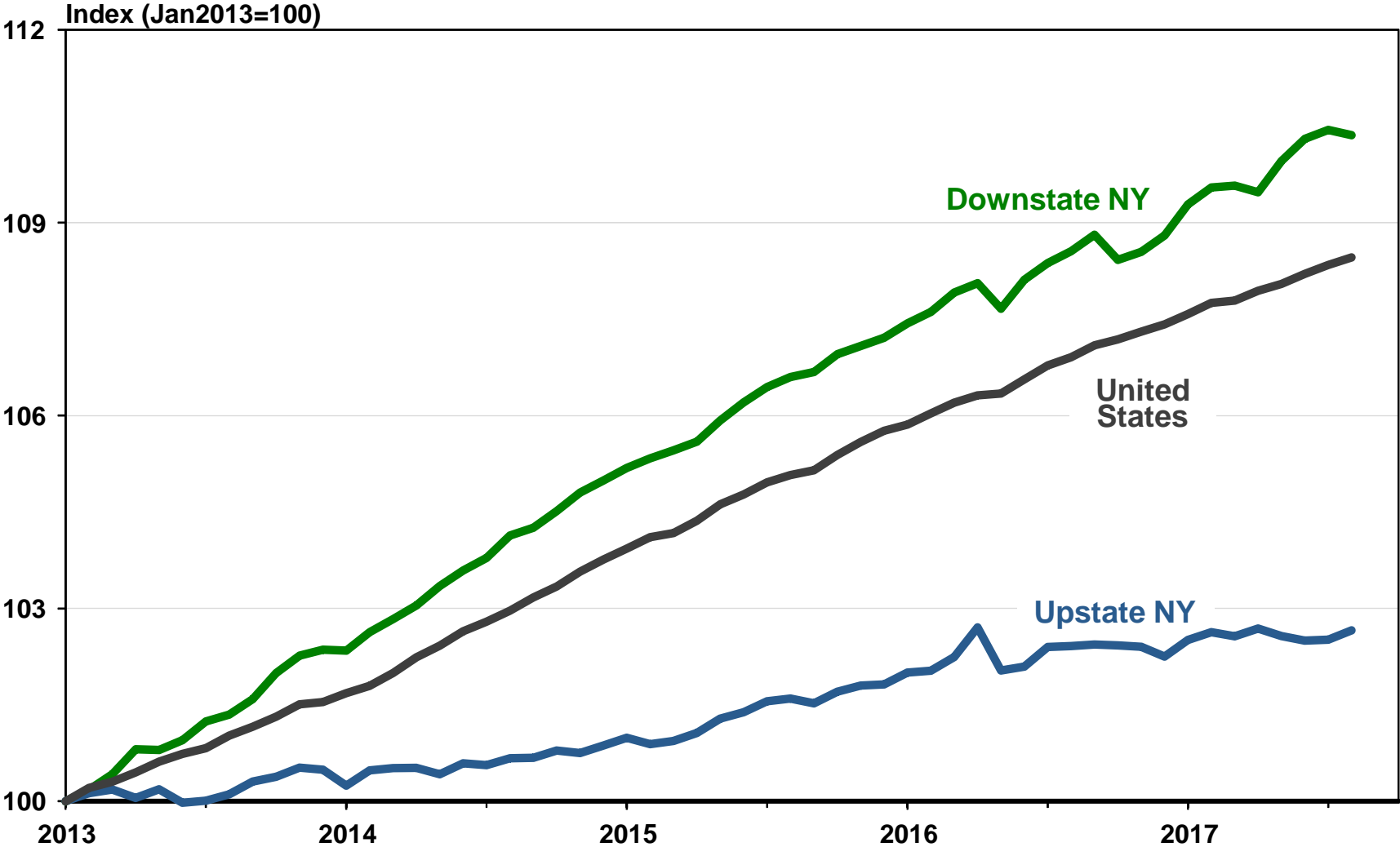
Overview

- Over the past year, the pace of job growth has slowed to a crawl in upstate New York.
- Western New York has been especially weak, with steep declines in manufacturing, business services, and retail weighing on overall job growth.
- Focusing on wage inequality, the New York-Northern New Jersey region is home to some of the most unequal and least unequal metros in the country.



Regional Employment Trends

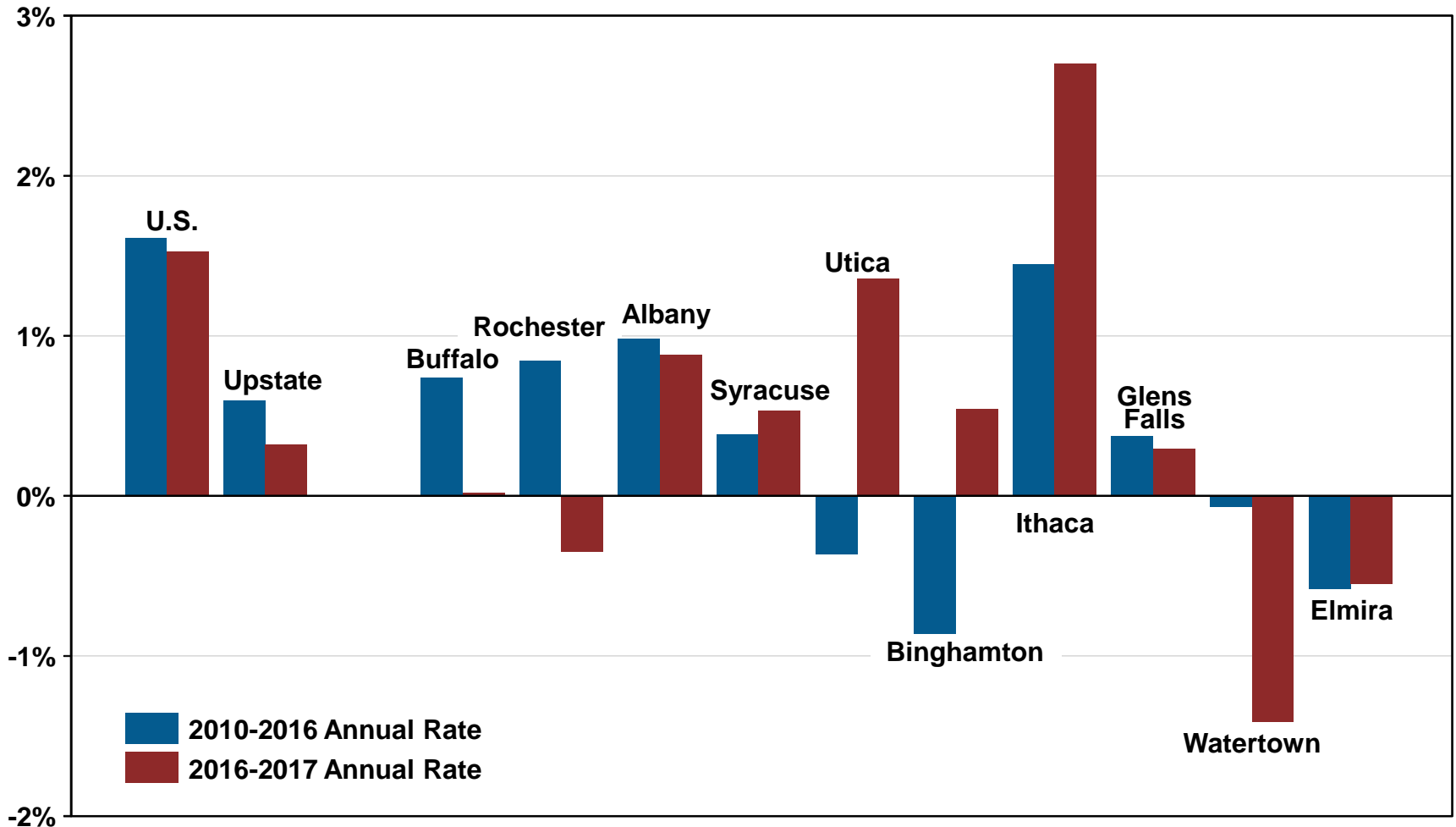
Indexes of Total Employment, August 2017



Source: U.S. Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by FRBNY staff.

Job Growth in Upstate New York

2010-2016 vs 2016-2017



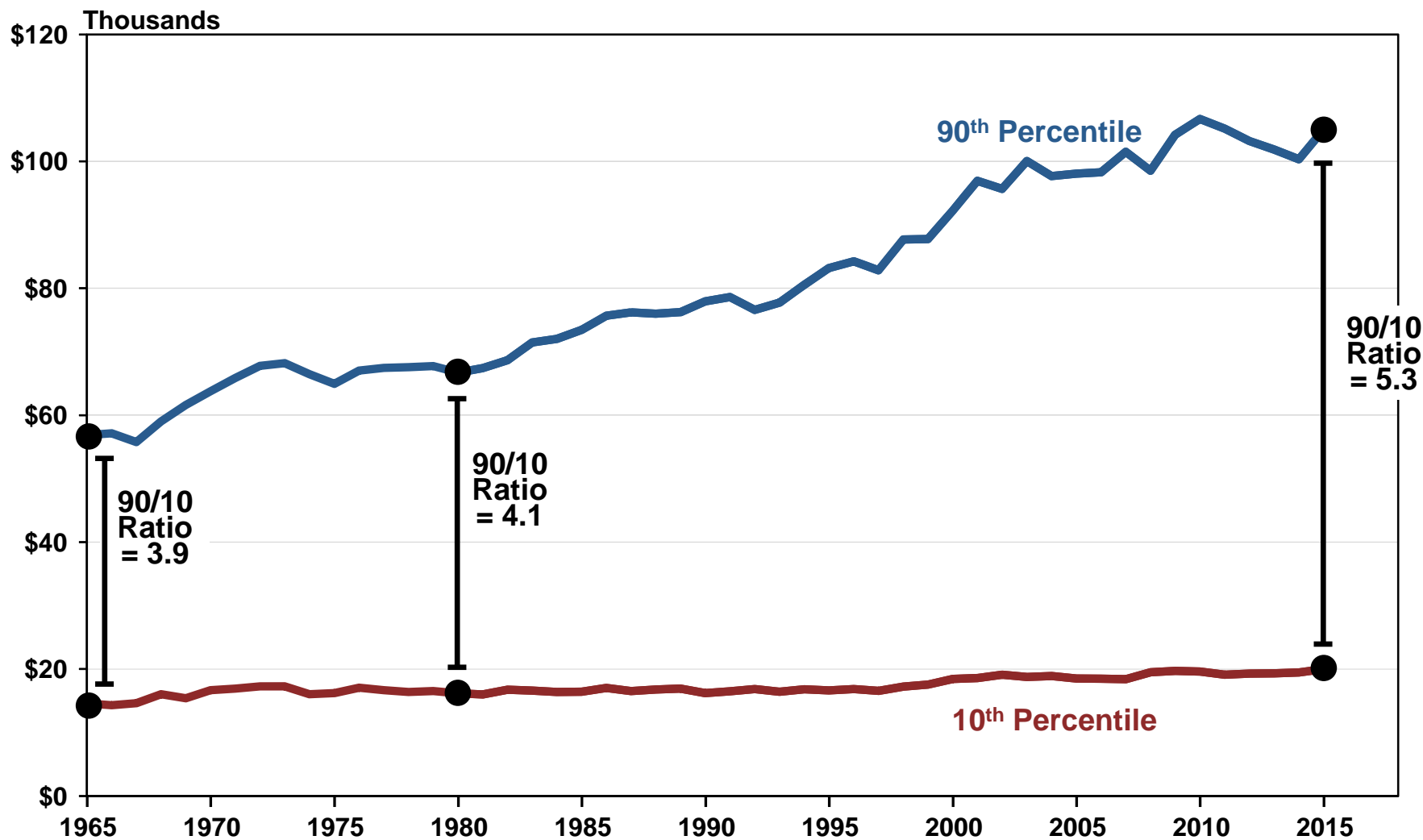
Regional Wage Inequality

- Wage inequality has increased among all workers since the early 1980s.
- Some places are much more unequal than others, even within our own region.
- The most unequal places tend to be large metros with strong wage growth for those at the top of the wage distribution.



Annual Wages in the United States

Full-Time Workers, Constant 2015 Dollars

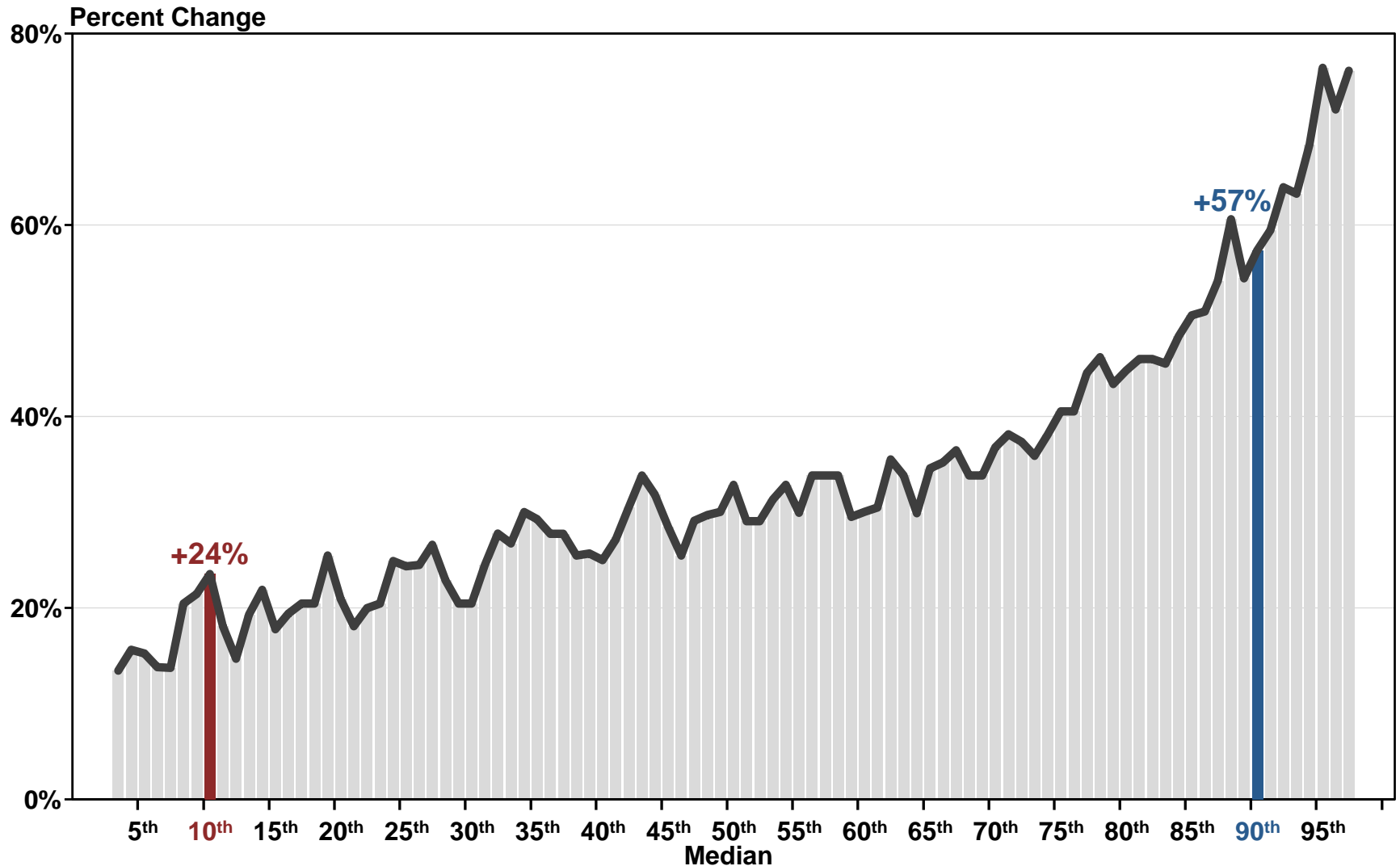


Source: U.S. Census Bureau and Bureau of Labor Statistics, Current Population Survey; U.S. Bureau of Economic Analysis, PCE Price Index.

Note: Full-time workers are those aged 16 to 64 working at least 35 hours per week and 40 weeks per year.

Real Wage Growth in the United States

1980-2015 Percent Change by Percentile



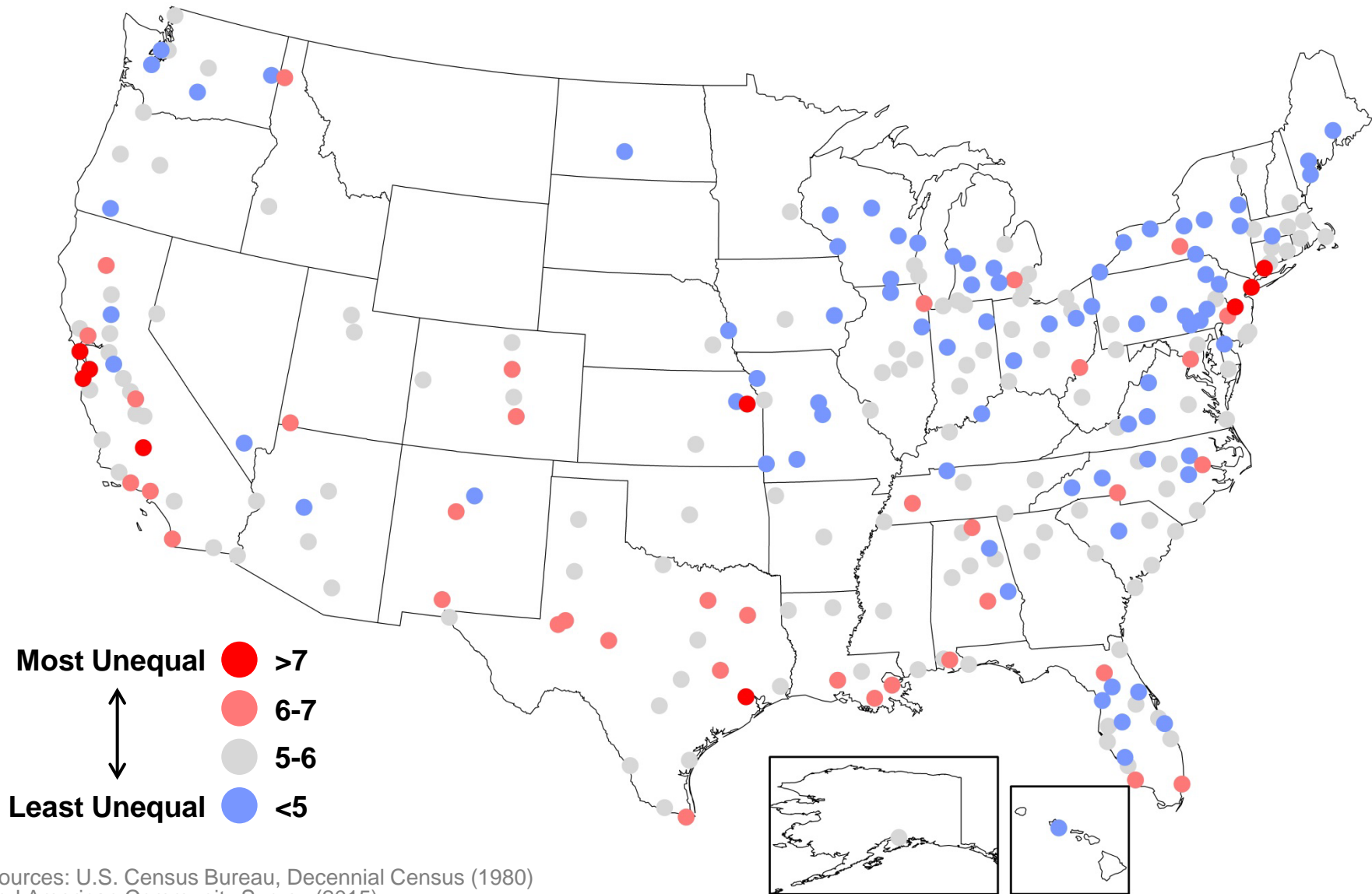
What's Driving Wage Inequality?

- Technological change and globalization have changed the pattern of demand for workers.
 - Strong demand for skilled workers has resulted in larger wage gains for workers toward the top of the wage distribution.
 - Demand for lesser skilled workers has been weaker, stifling wage growth for workers at the middle and bottom of the wage distribution.
- Other contributing factors include the decline in unions and the falling real value of the minimum wage.



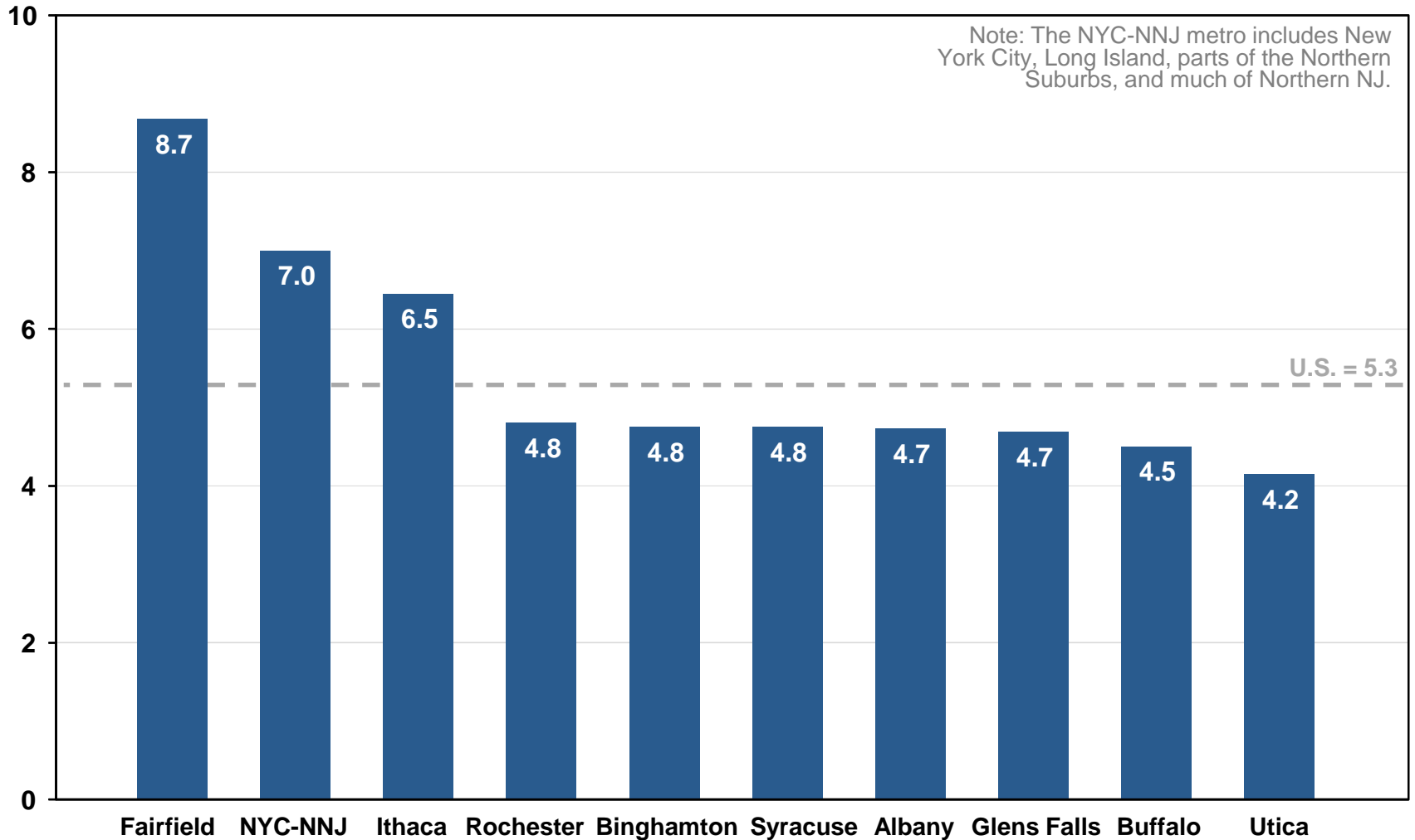
The Geography of Wage Inequality

2015 90-10 Ratio for U.S. Metropolitan Areas



Wage Inequality in the Region

2015 90-10 Ratios for 2nd District Metro Areas



Why Are Some Places More Unequal?

- **Differences in Local Demand for Workers**

- Demand for skilled workers has been particularly strong in some metros leading to outsized wage gains for those at the top.
- Decline in demand for lesser skilled workers has been geographically concentrated, stifling wage growth for workers toward the middle and bottom of the wage distribution.

- **Agglomeration Economies**

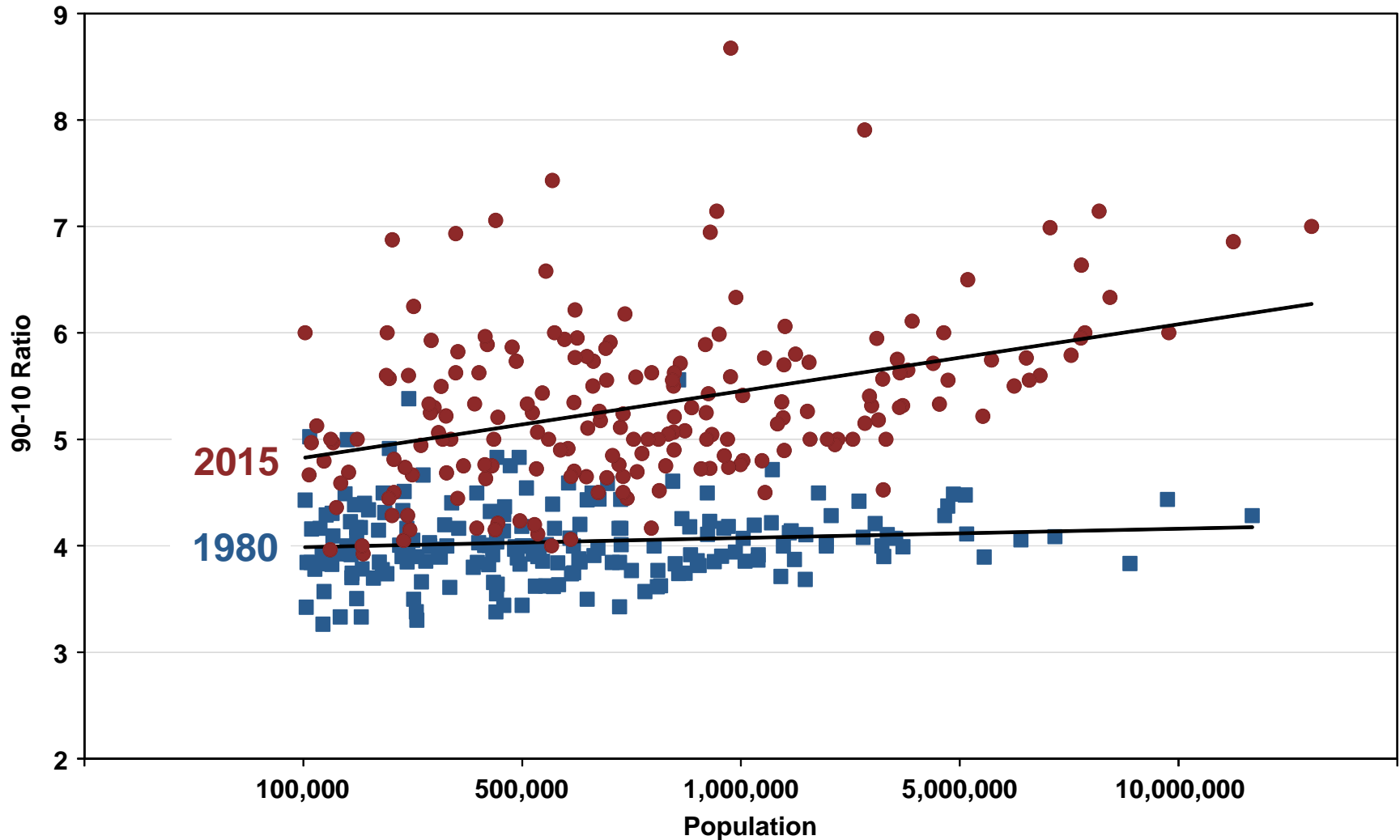
- Productivity benefits from clustering together in cities have been particularly strong for skilled workers located in large metros.

- **Migration**

- Skilled workers are increasingly moving to large metros that offer urban amenities and higher wages.

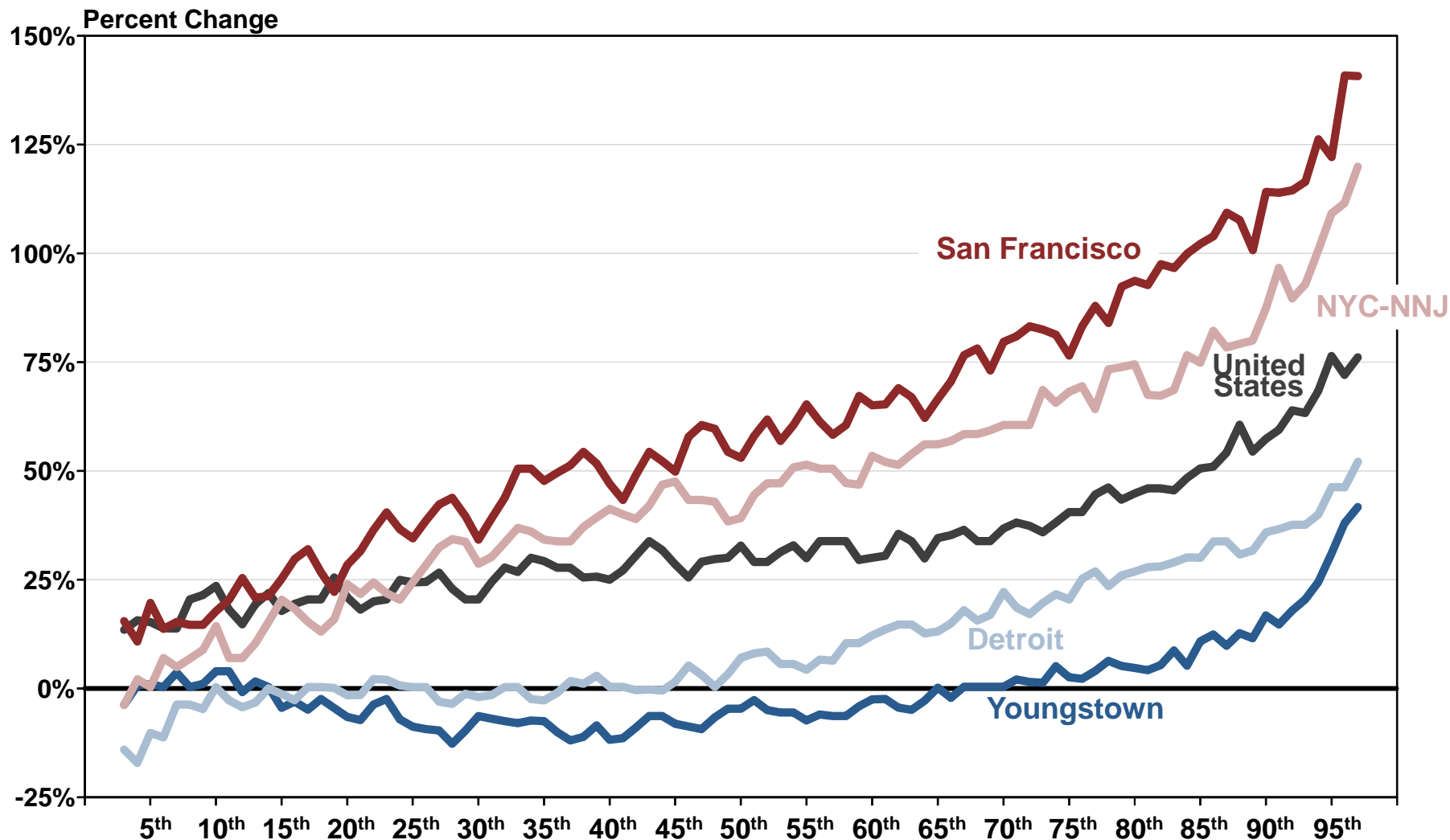


Larger Metros Now Tend to Be More Unequal than Smaller Metros



Real Wage Growth in U.S. Metros

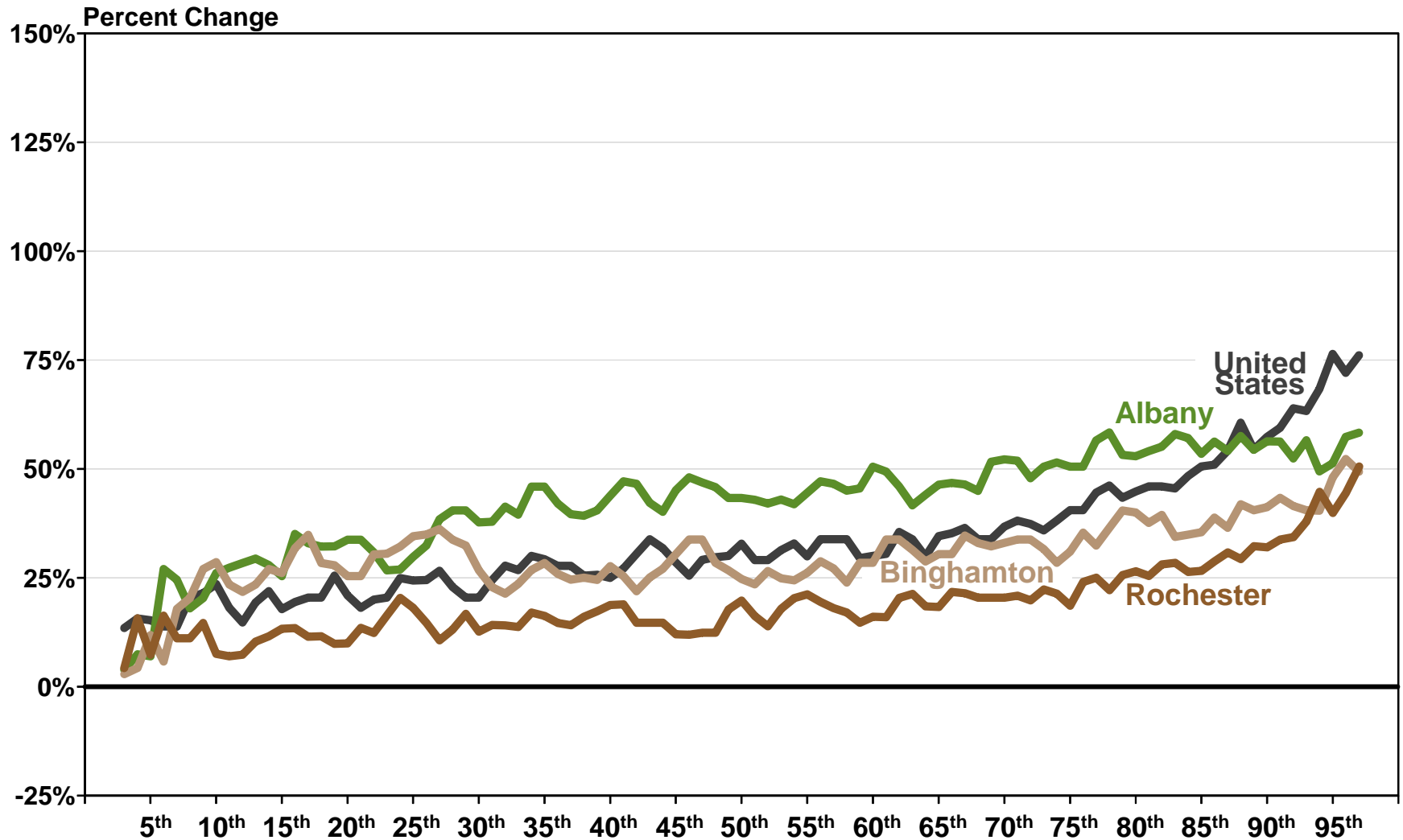
1980-2015 Percent Change by Percentile



Sources: U.S. Census Bureau and Bureau of Labor Statistics, Current Population Survey; U.S. Census Bureau, Decennial Census (1980); American Community Survey (2015); U.S. Bureau of Economic Analysis, PCE Price Index.

Real Wage Growth in Upstate New York

1980-2015 Percent Change by Percentile



Sources: U.S. Census Bureau and Bureau of Labor Statistics, Current Population Survey; U.S. Census Bureau, Decennial Census (1980); American Community Survey (2015); U.S. Bureau of Economic Analysis, PCE Price Index.

Summary

- Wage inequality has increased in nearly every metro since the early 1980s, though it has increased much more in some places than others.
- The most unequal places tend to be large metros with strong demand for skill, agglomeration economies, and appeal for skilled workers (e.g., NYC-NNJ Metro).
- The least unequal places tend to have lackluster wage growth across the board, due in large part to weak demand (e.g., most metros in upstate New York).

