



Small Business & Agricultural Advisory Board
Federal Reserve Bank of New York
Tuesday, April 18, 2017

AGENDA

- 10:30am Welcome, Jack Gutt, Executive Vice President
- 10:35am Introductory Remarks, Claire Kramer Mills, Assistant 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 Discussion with William Dudley, President and Michael Strine, First Vice President
- Your experiences can give us insight into current economic conditions.
- Questions for discussion with President Dudley:
1. Have firms of your size and in your industry seen sales volume increase, decrease, or stay the same in the first quarter of 2017?
 2. Do you expect sales for firms of your size and in your industry to increase, decrease, or stay the same in the second quarter of 2017?
 3. Do you expect firms of your size and in your industry to increase investment (plant & equipment) in the second quarter of 2017?
 4. Have firms of your size and in your industry faced any recent shortage of labor that has limited their ability to meet demand?
 5. Do you expect firms of your size and in your industry to increase employment this year? Why or why not?
 6. Do you expect input prices for firms of your size and in your industry to increase this year? Do you expect prices of products/services sold to increase?
 7. Over the past two quarters, have you noticed any financing changes for firms of your size and in your industry? 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, April 18 2017**

ATTENDEE LIST

Council Members

Michael Arnoff
President
Arnoff Moving & Storage

Kevin Ellis
Chief Executive Officer
Cayuga Milk Ingredients

Charles Feit
President and Founder
OnForce Solar

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

Patrick Marotta
President and CEO
Marotta Controls

Waleska Rivera
President
Danosa Caribbean, Inc.

Federal Reserve Bank of New York

William Dudley
Michael Strine
Jack Gutt
Richard Peach
Kausar Hamdani
Matthew Higgins
Anand Marri
Claire Kramer Mills
Jason Bram
Julia Gouny
Edison Reyes
Angela Sun

President
First Vice President
EVP, Communications & Outreach
SVP, Research & Statistics
SVP, Communications & Outreach
VP, Integrated Policy Analysis
VP, Outreach & Education
AVP, Outreach & Education
Officer, Research & Statistics
Officer, Executive Office
Associate, Outreach & Education
Associate, Legal



FEDERAL RESERVE BANK *of* NEW YORK

US Macro Overview

Richard Peach, Senior Vice President

Presented to Advisory Council on Small Business and Agriculture
April 18, 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.

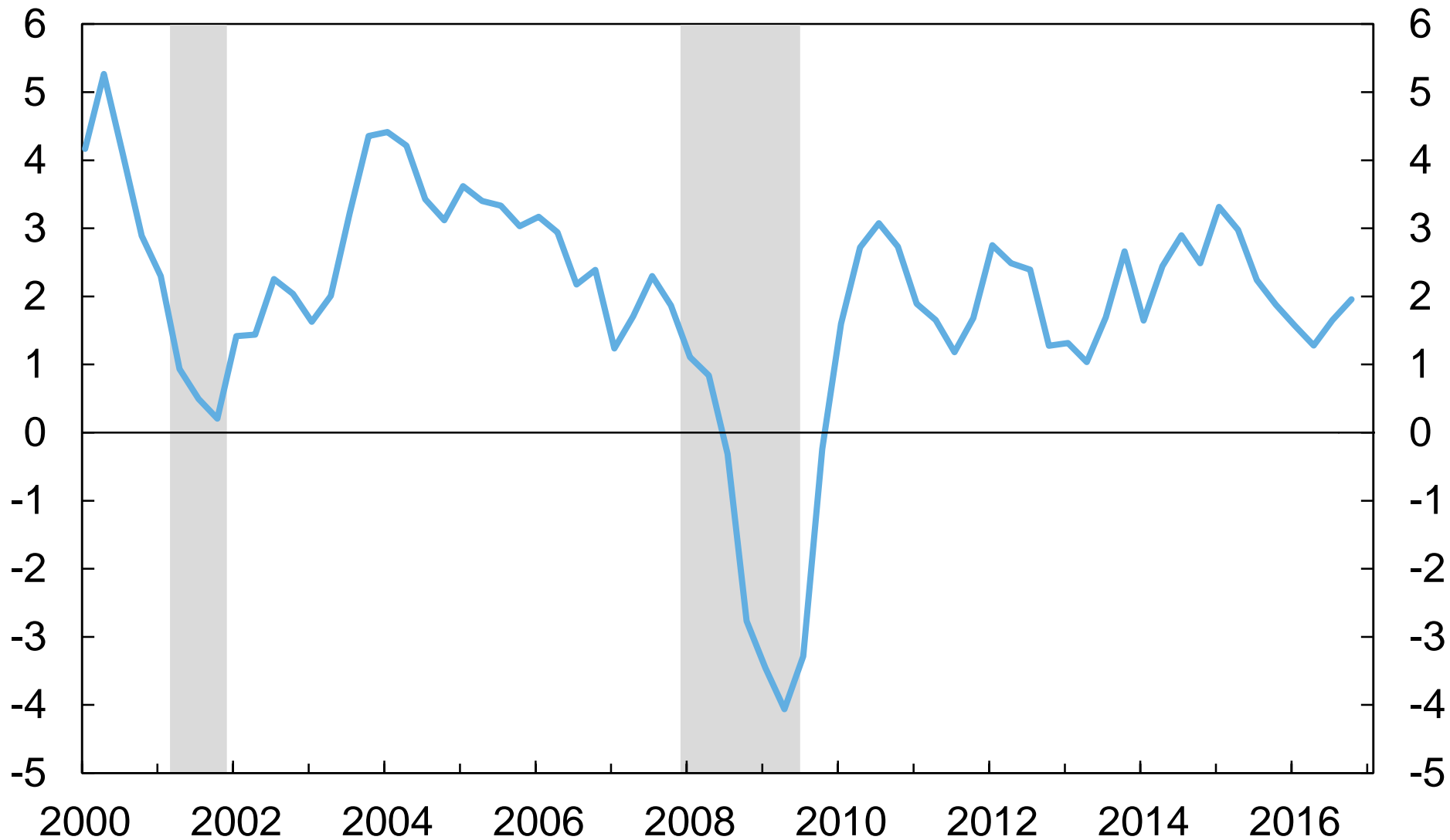
Overview

- 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

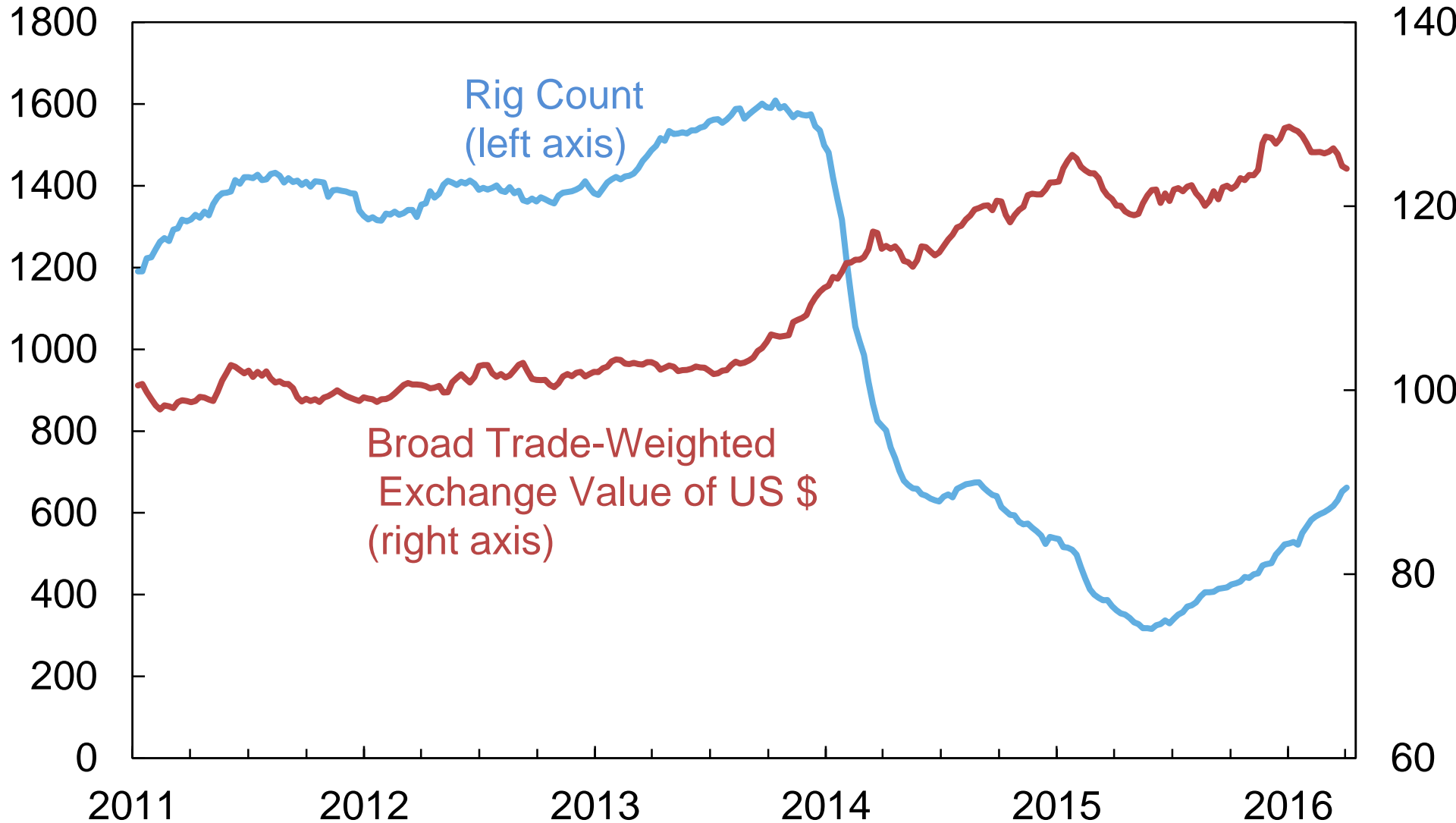
Four Quarter Percent Change



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

Active Oil Rigs

Index



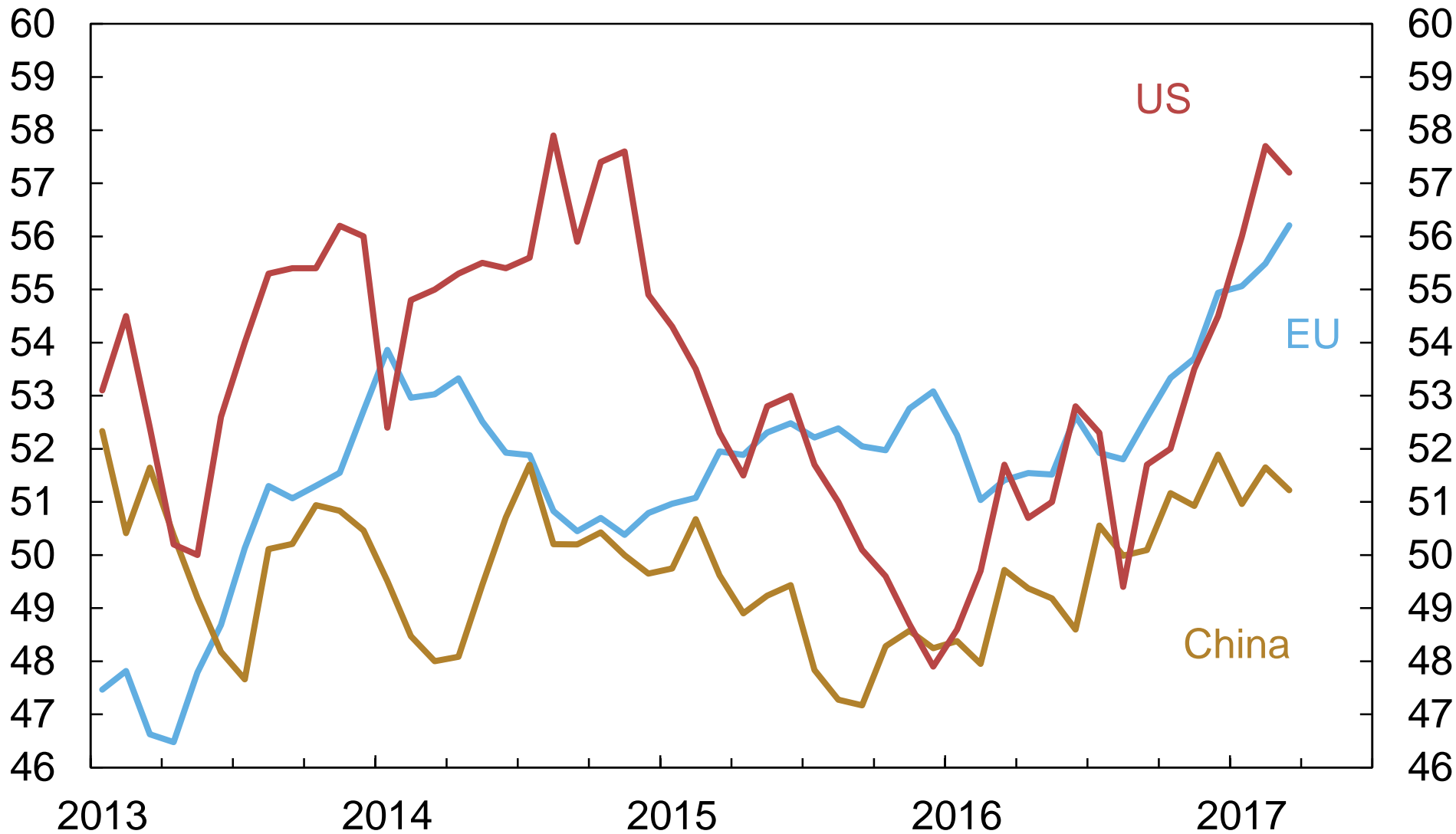
Source: Federal Reserve Board and Baker Hughes

Note: Shading shows NBER recessions.

Manufacturing Across Countries

Index Level

Index Level



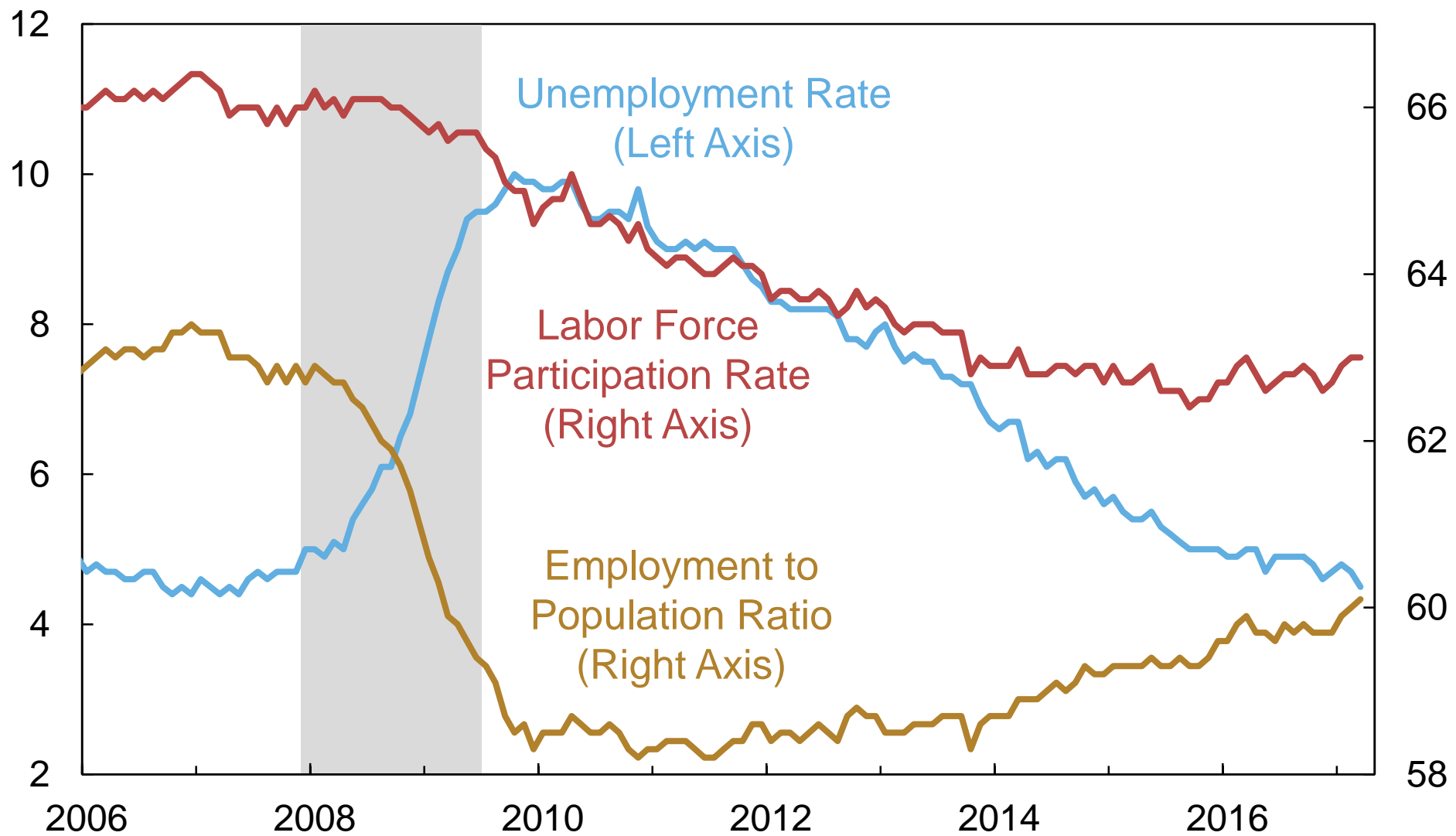
Source: IHS Markit and Institute for Supply Management via Haver Analytics

Note: Shading shows NBER recessions.

Labor Market Indicators

Percent

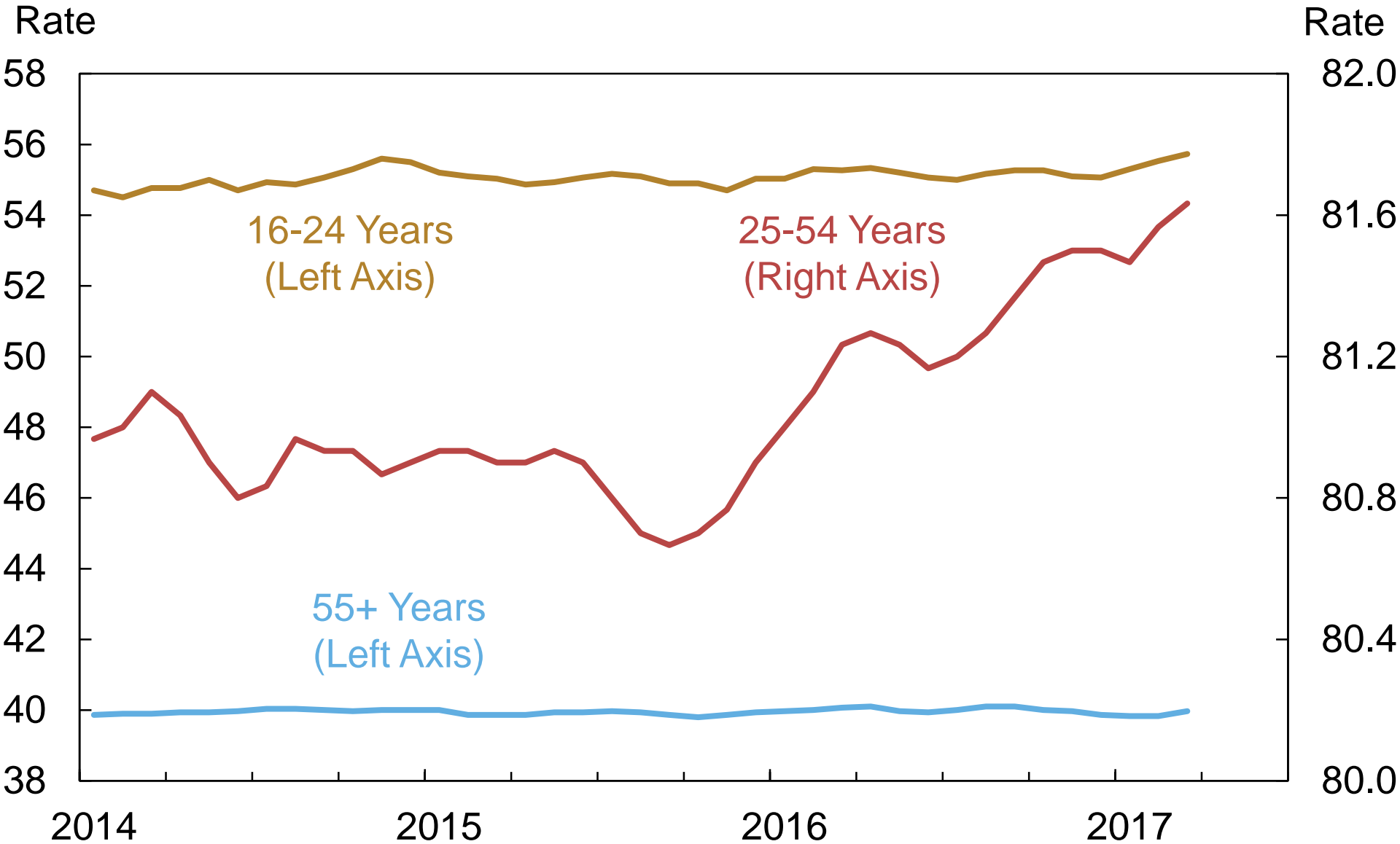
Percent



Source: Bureau of Labor Statistics
via Haver Analytics

Note: Shading shows NBER recessions.

Labor Force Participation Rate by Age Group



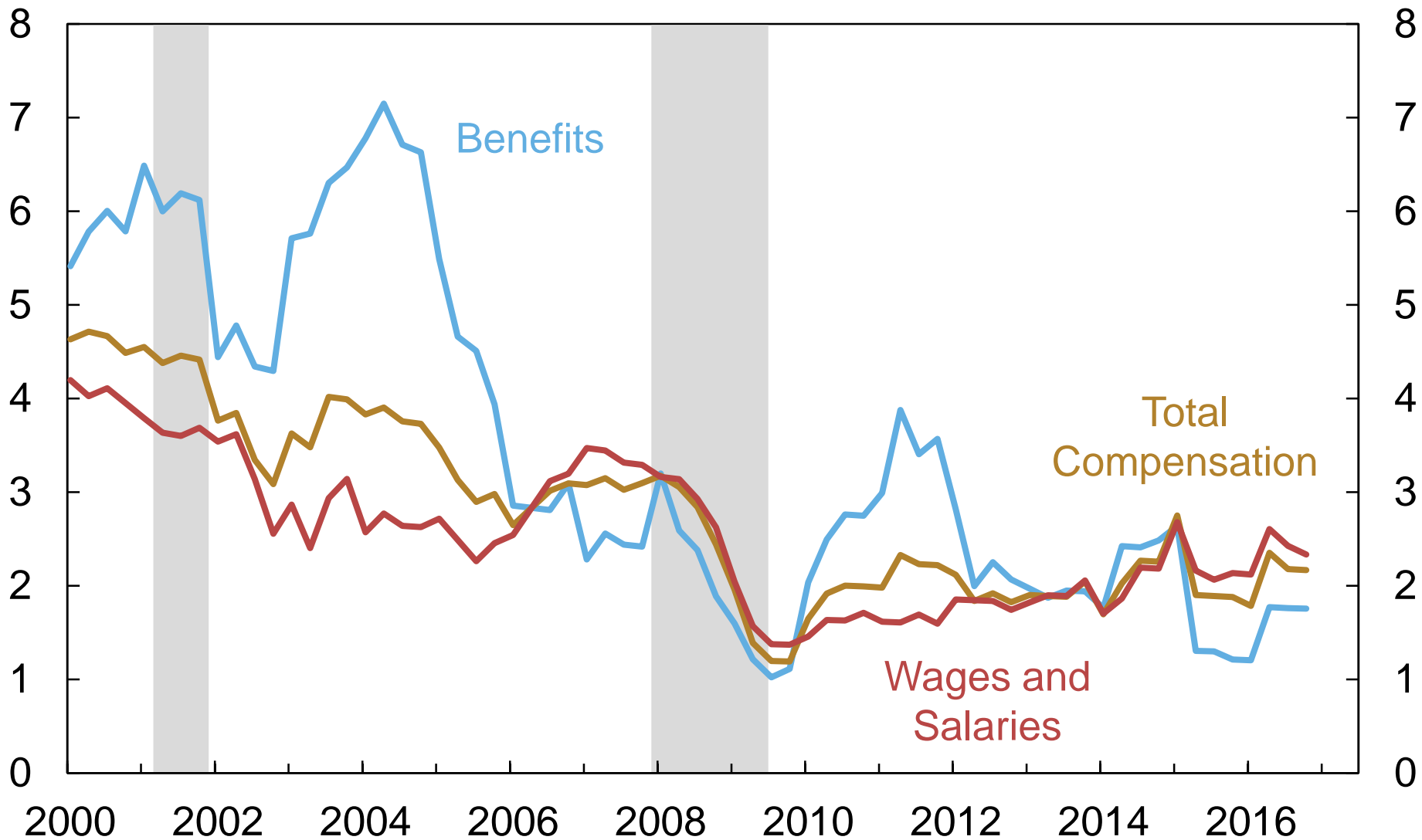
Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

Employment Cost Index: Private Industry Workers

4 Qtr % Change

4 Qtr % Change



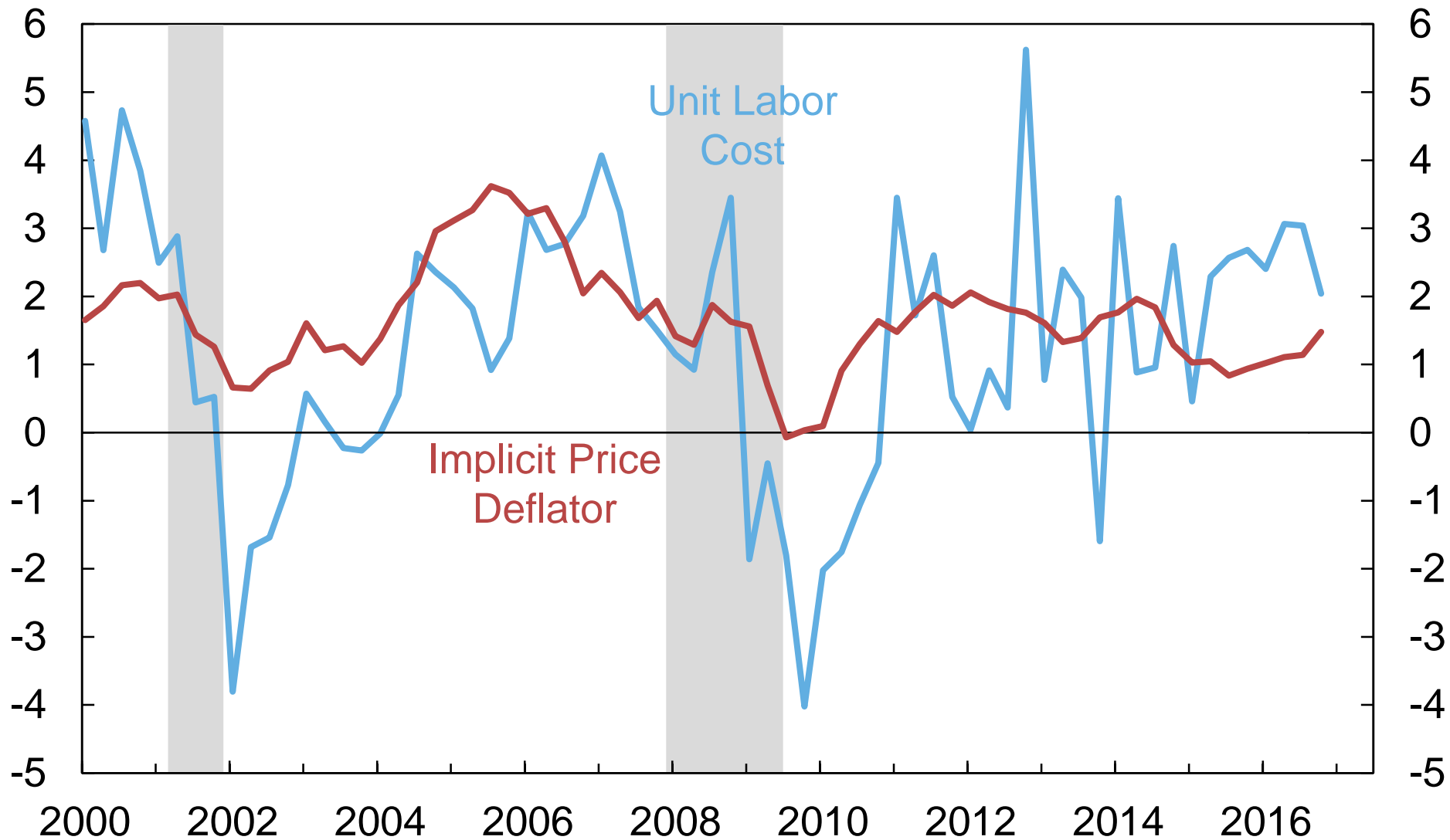
Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

Nonfarm Business Sector

Y/Y % Change

Y/Y % Change



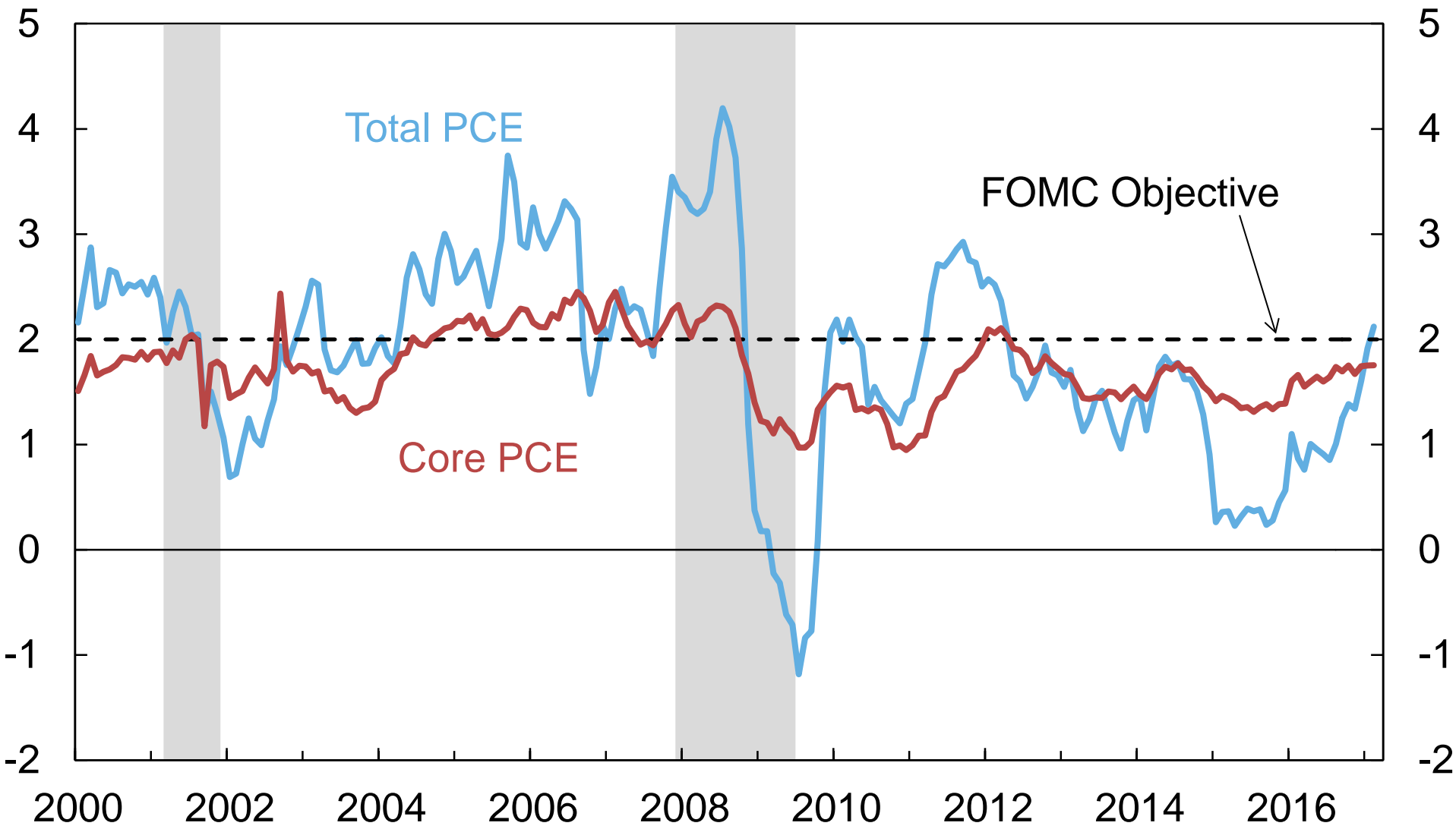
Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

PCE Deflator

12 Month % Change

12 Month % Change



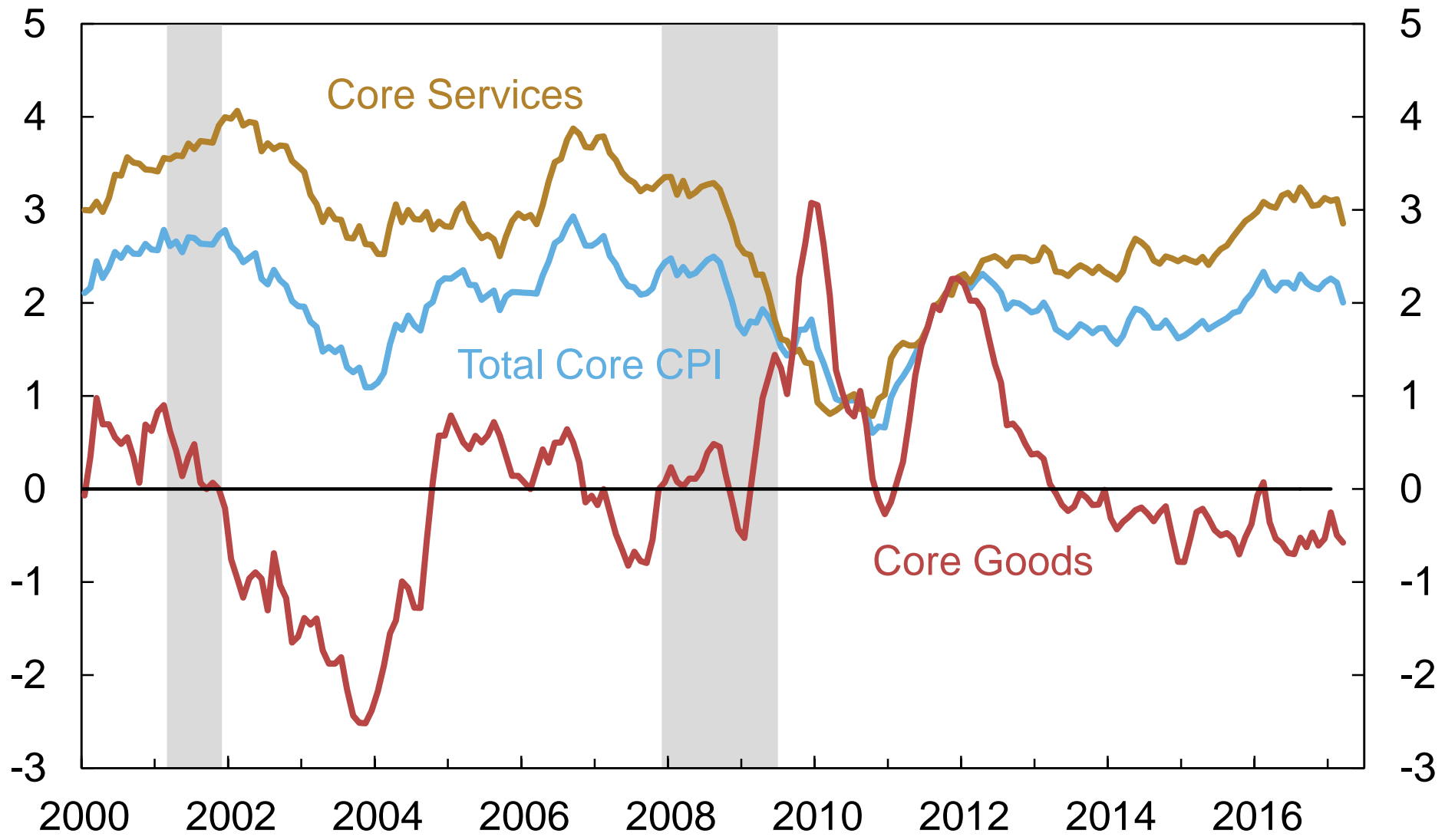
Source: Bureau of Economic Analysis
via Haver Analytics

Note: Shading shows NBER recessions.

CPI Inflation: Core Goods and Core Services

12 Month % Change

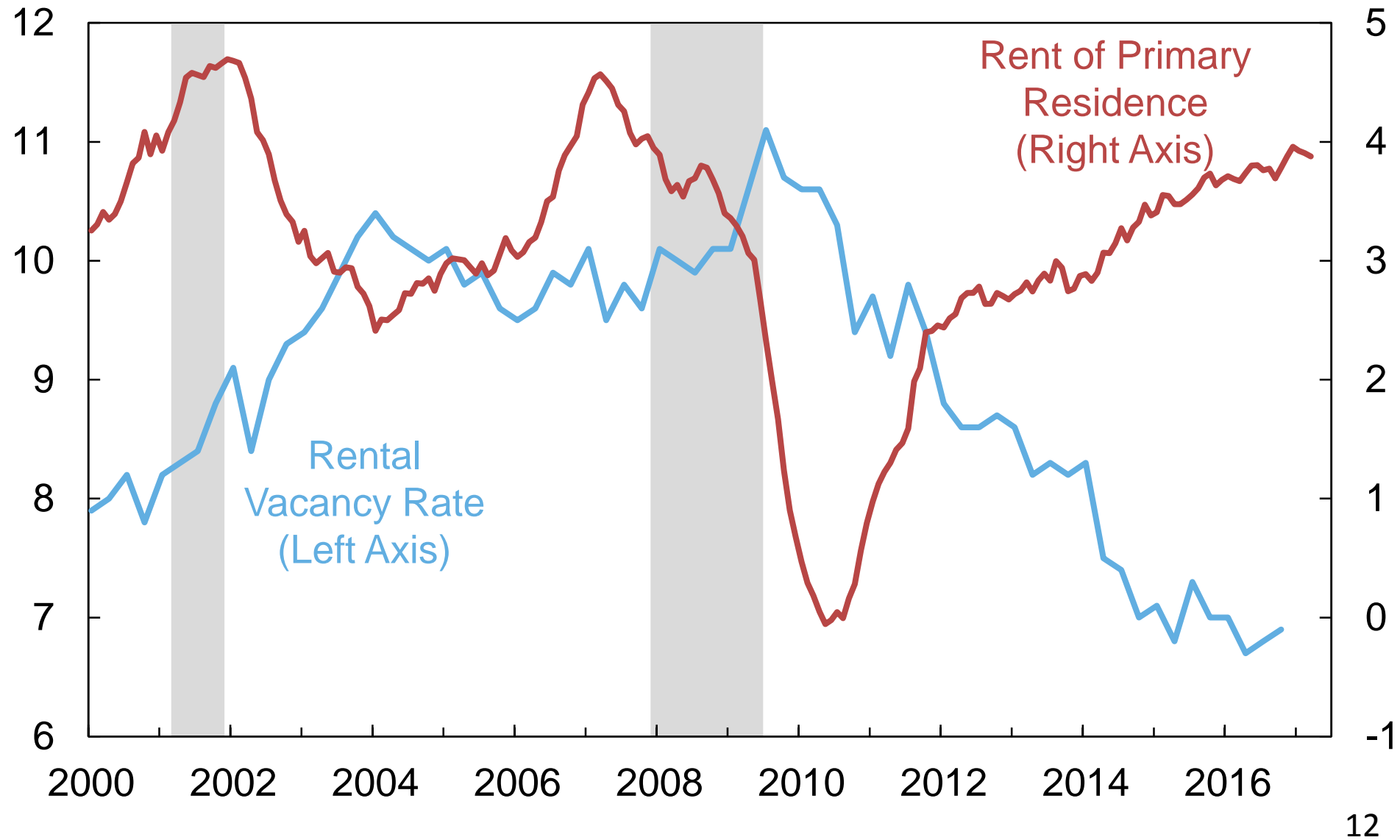
12 Month % Change



Rental Vacancy Rate and Rent of Primary Residence

Percent

12 Month % Change



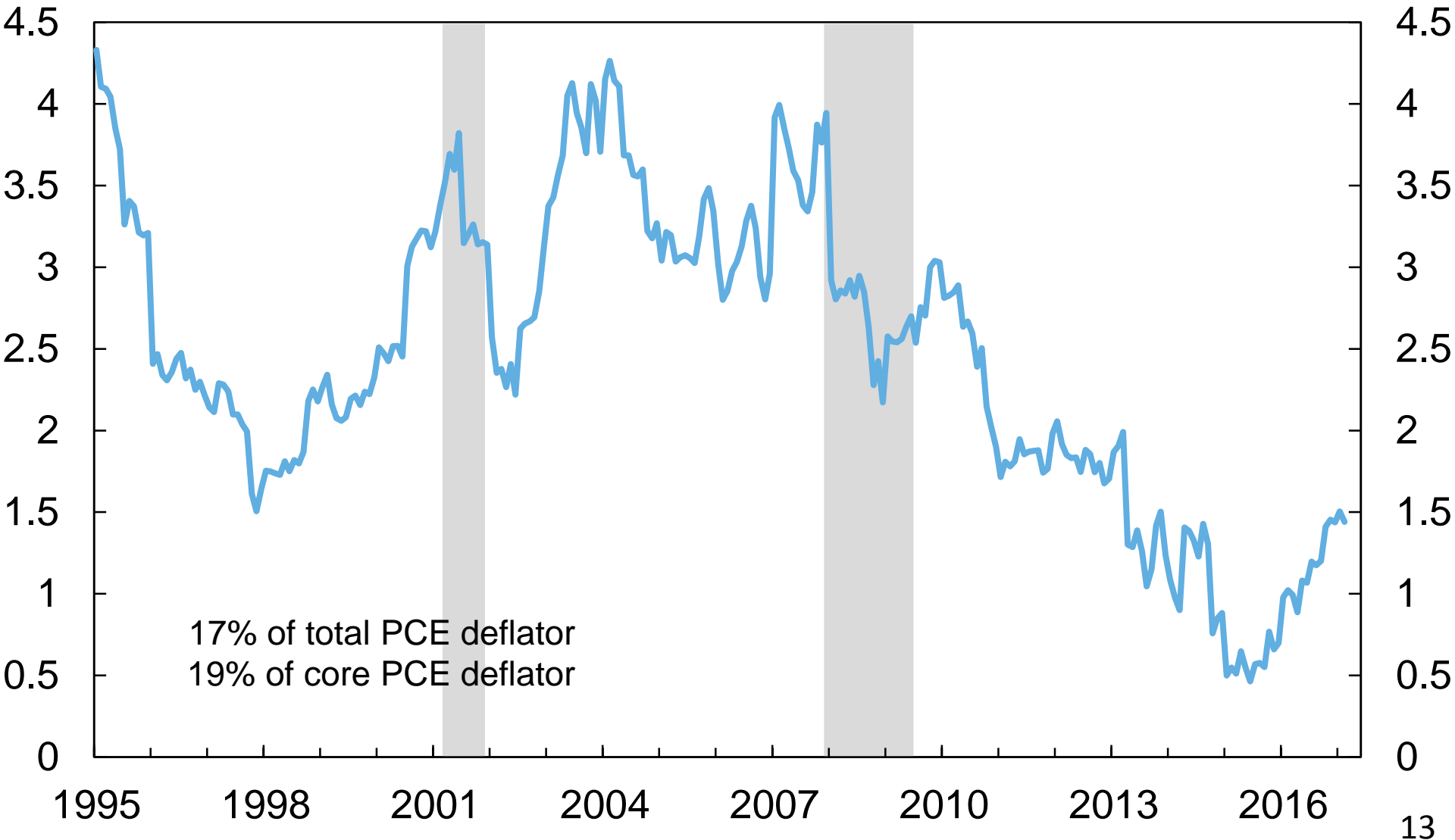
Source: Census Bureau, BLS via Haver Analytics

Note: Shading shows NBER recessions.

Personal Consumption Expenditures: Health Care Price Index

12 Month % Change

12 Month % Change



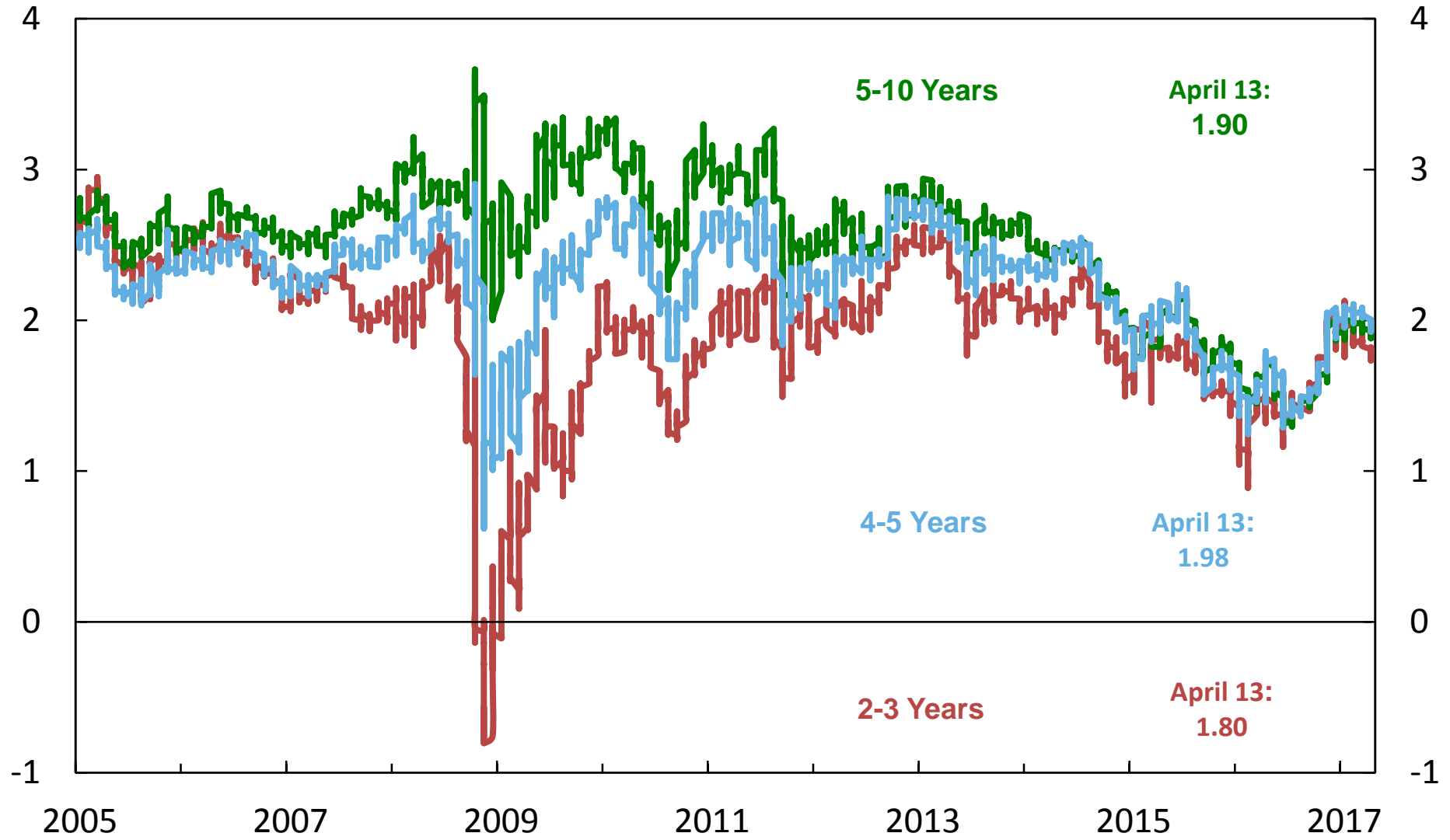
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

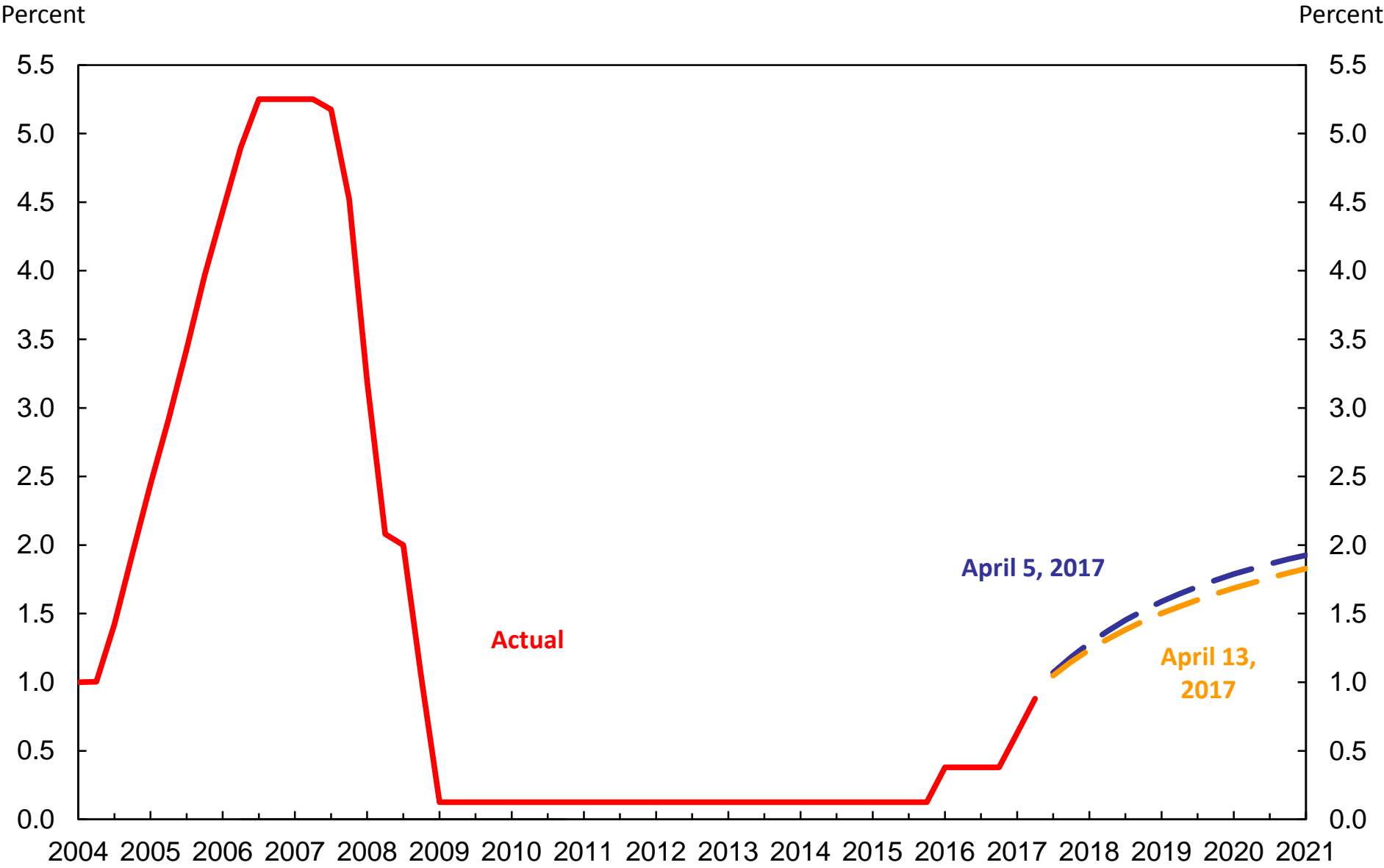
TIPS Based Inflation Expectations

Percent

Percent



Actual and Expected Fed Funds Target

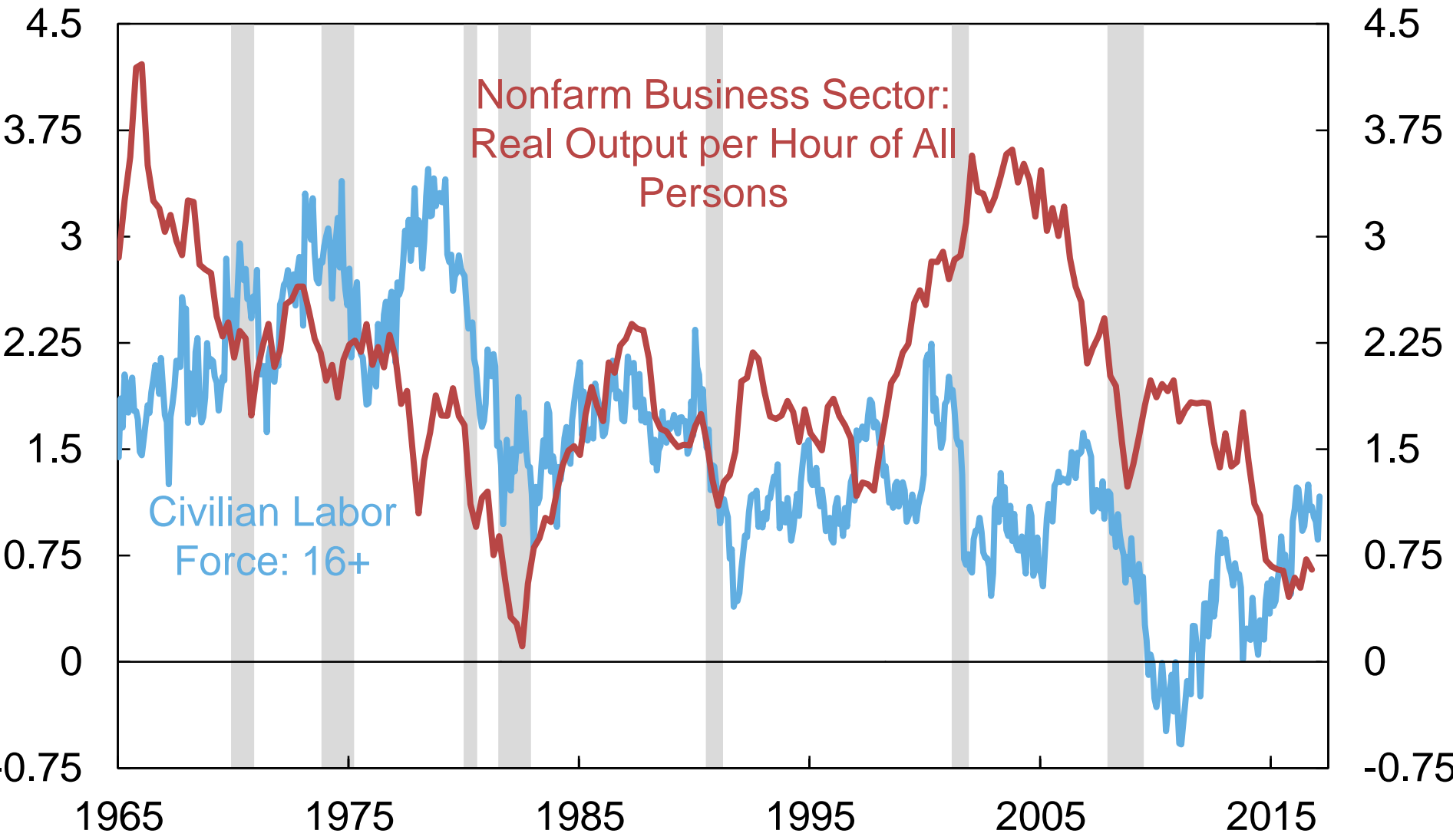


Source: Federal Reserve Board

Labor Force and Nonfarm Business Sector Real Output

20-Qtr %Change-annualized

20-Qtr %Change-annualized



Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions. 16

Reference Charts

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.

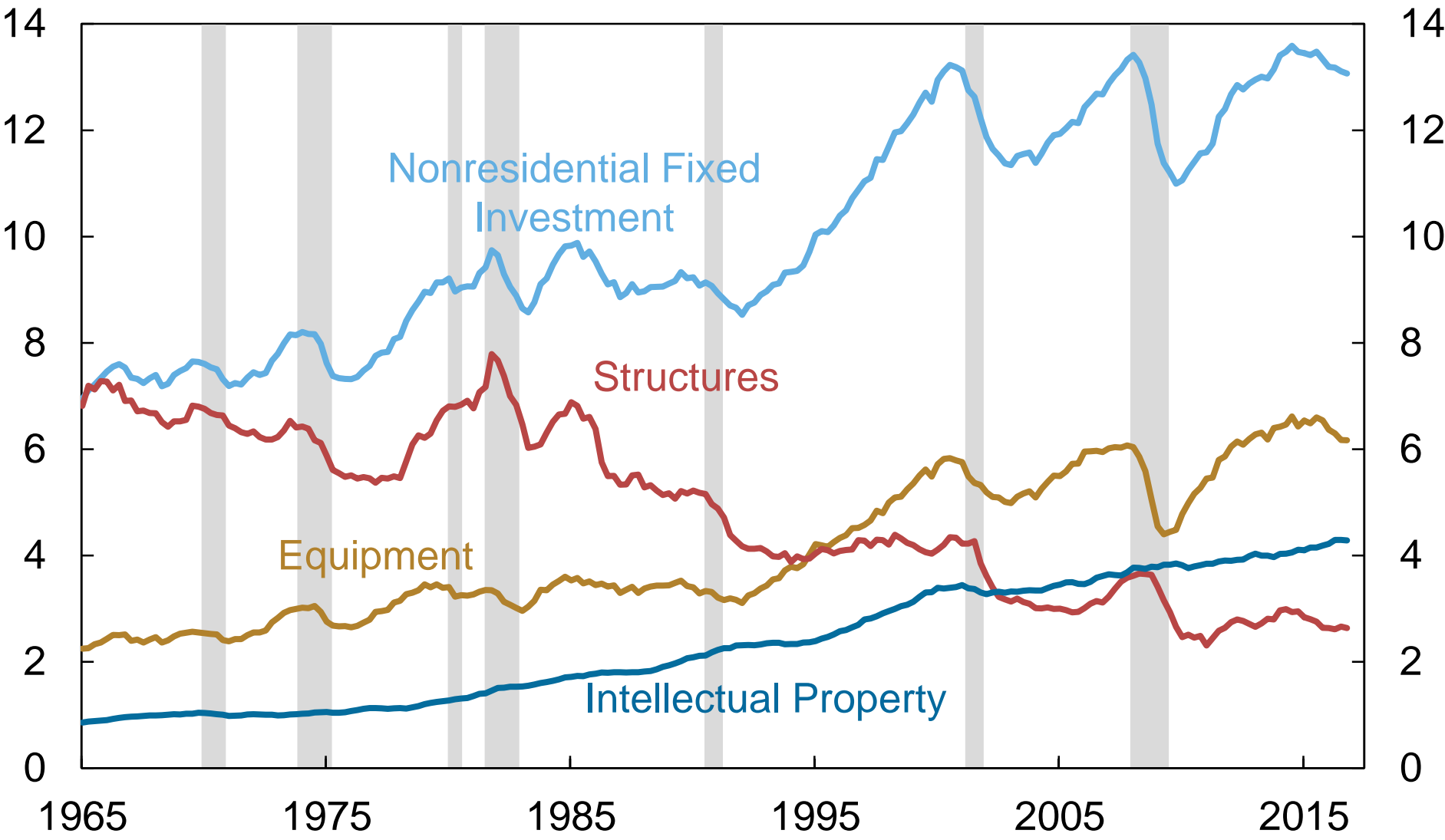
(4) Capital services per hour multiplied by capital's share of current dollar costs.

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

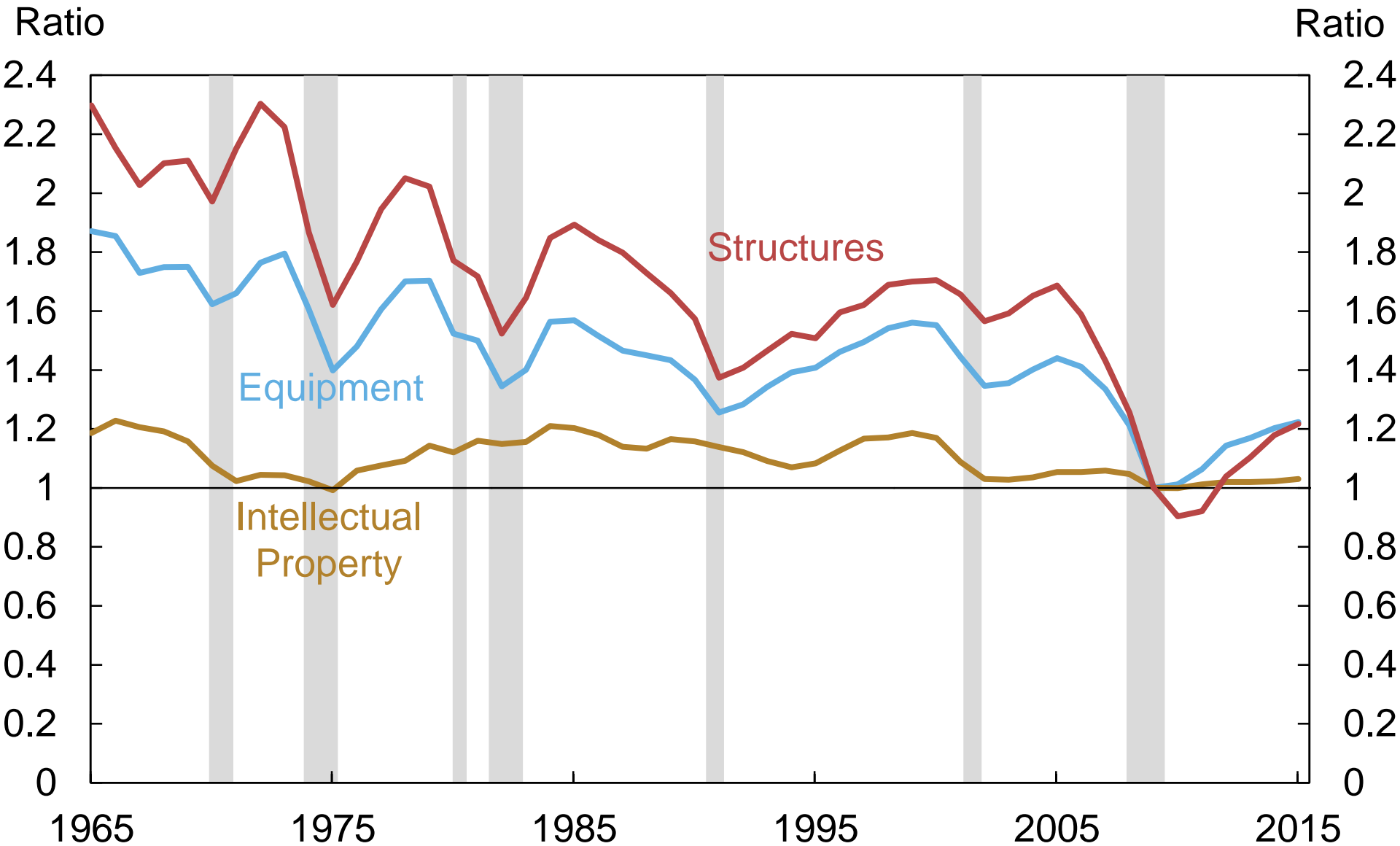
Percent of GDP



Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions. 19

Private Investment Over Depreciation



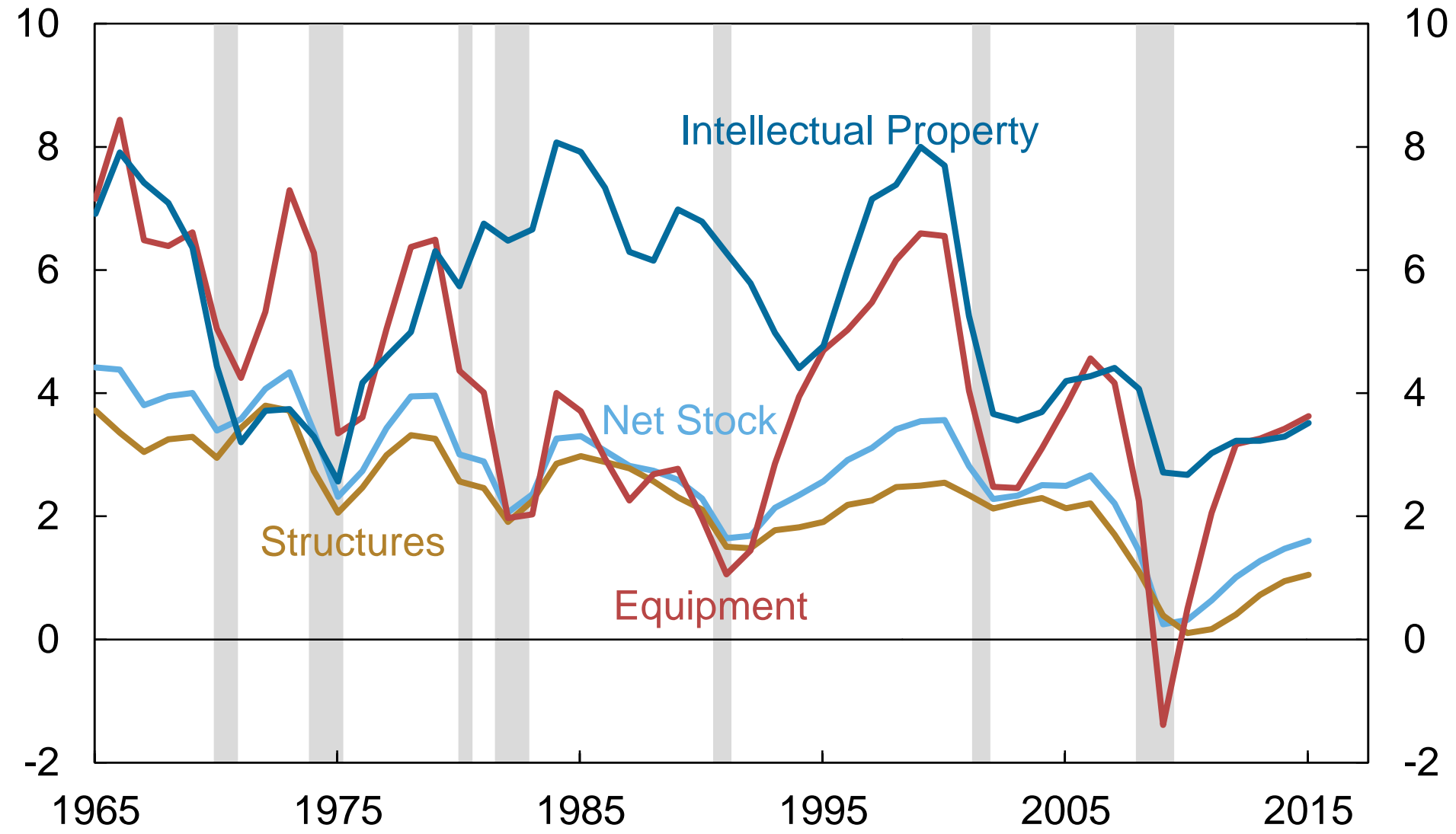
Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.

Growth of Net Private Nonresidential Capital Stock

Y/Y Growth Rate

Y/Y Growth Rate



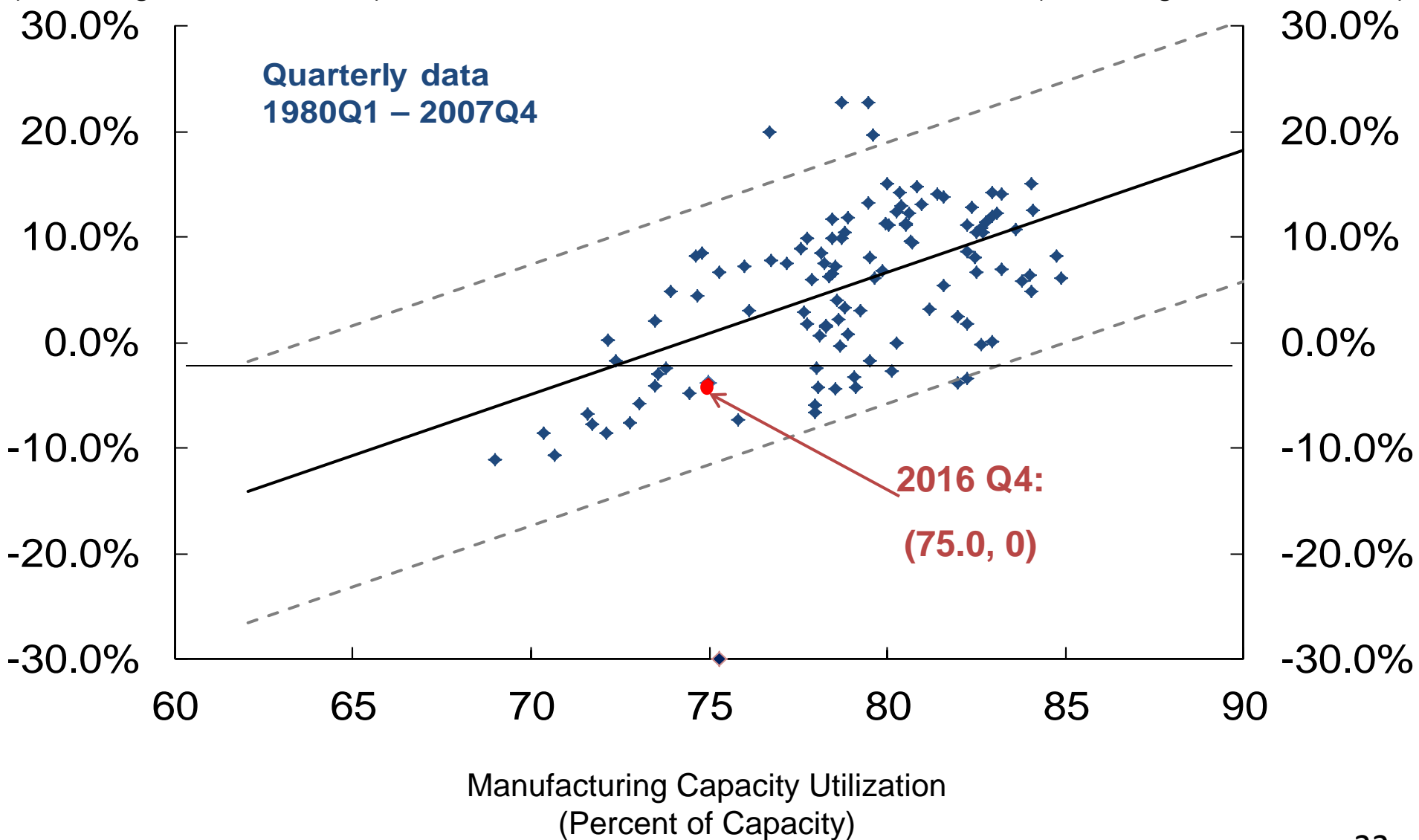
Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.

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)



Average Percentage Point Deviation from Average Quarterly Real GDP Growth Rate

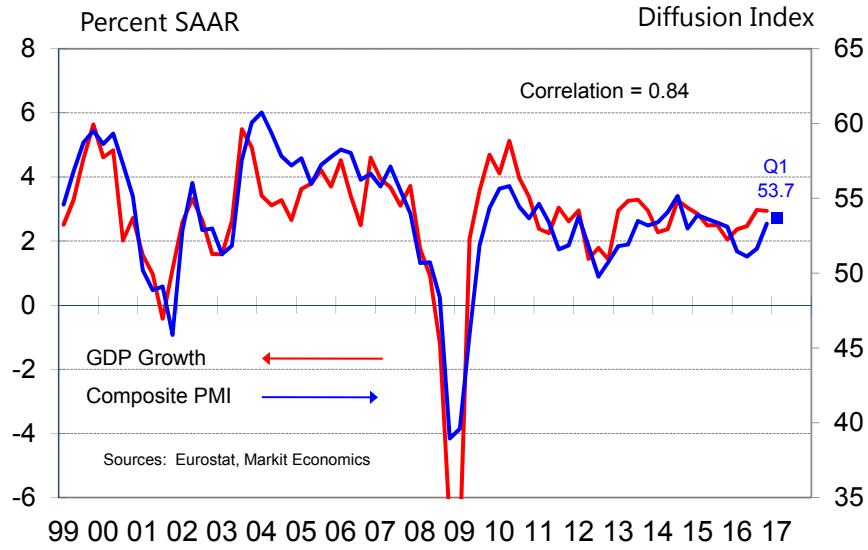
	20-years	15-years	10-years	5- years
Q1	-0.9	-0.8	-1.4	-0.6
Q2	0.6	0.4	0.8	0.1
Q3	0.3	0.5	0.6	0.8
Q4	0.1	-0.1	0.0	-0.2



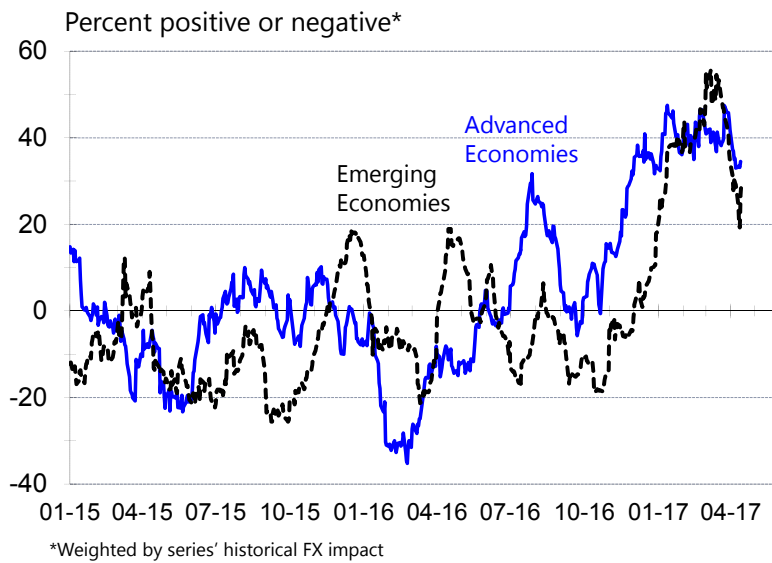
Roadmap

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

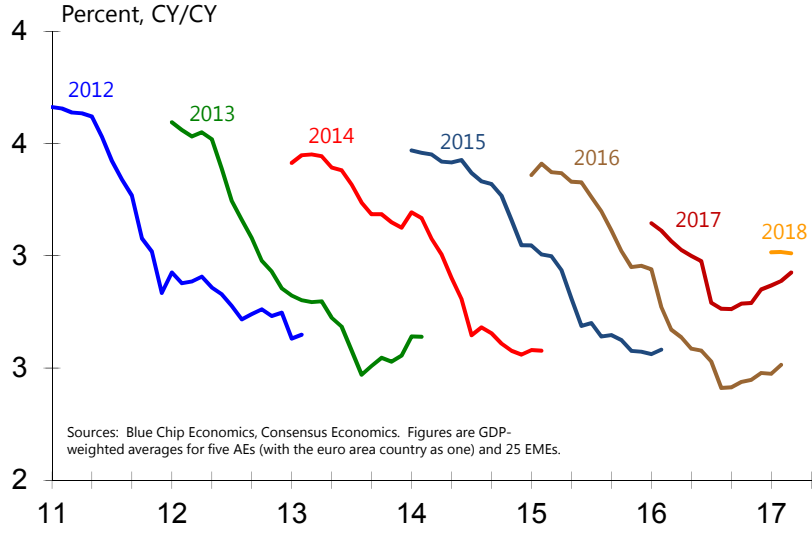
Global GDP Growth and Composite PMI



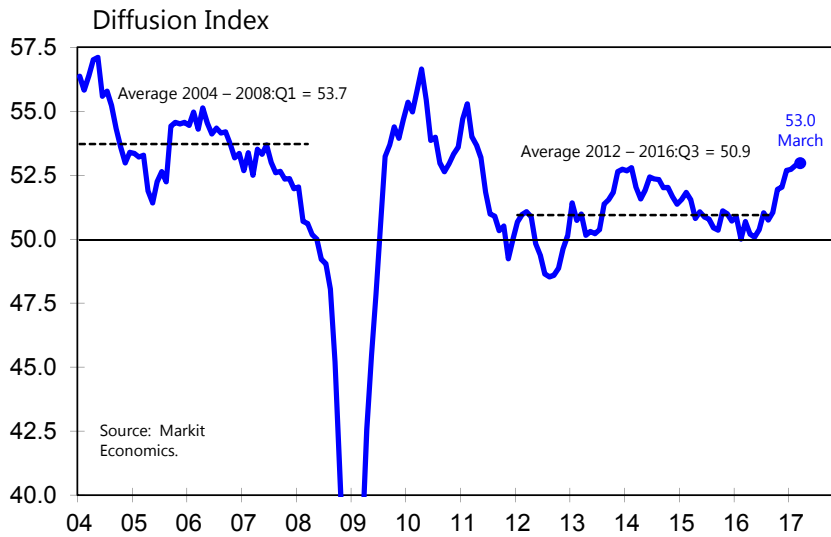
Citigroup Economic Surprise Indexes



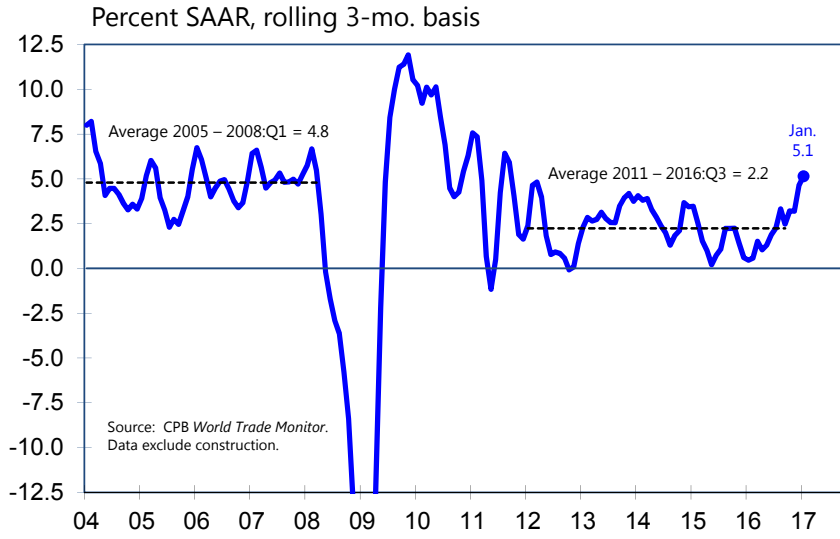
Evolution of Global Market Growth Forecasts



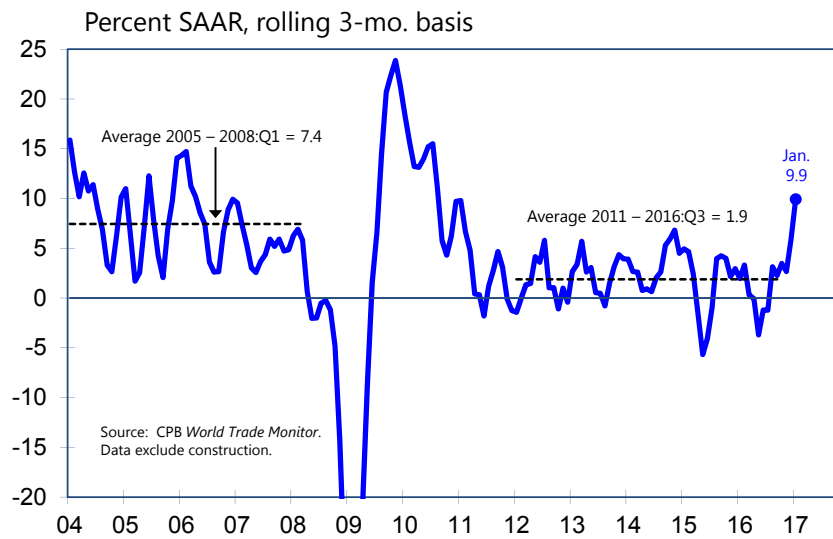
Global Manufacturing PMI



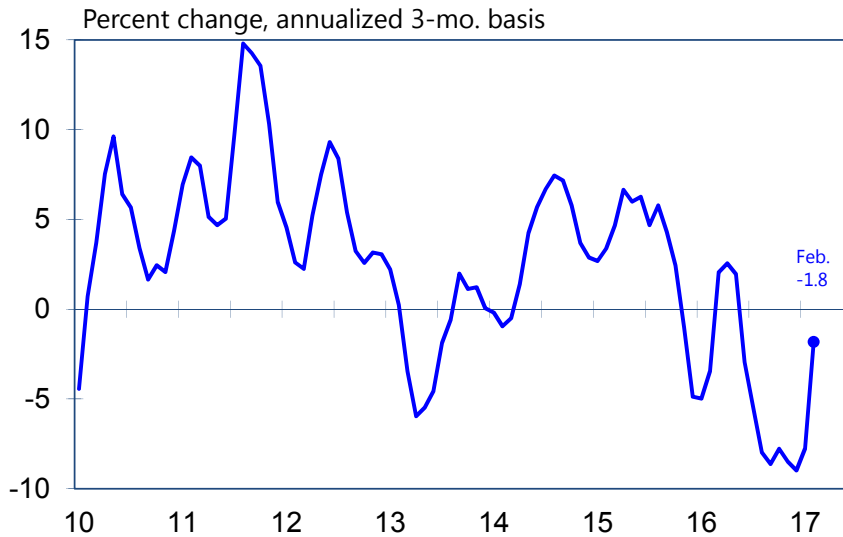
Global Industrial Production Growth



Global Trade Volume Growth

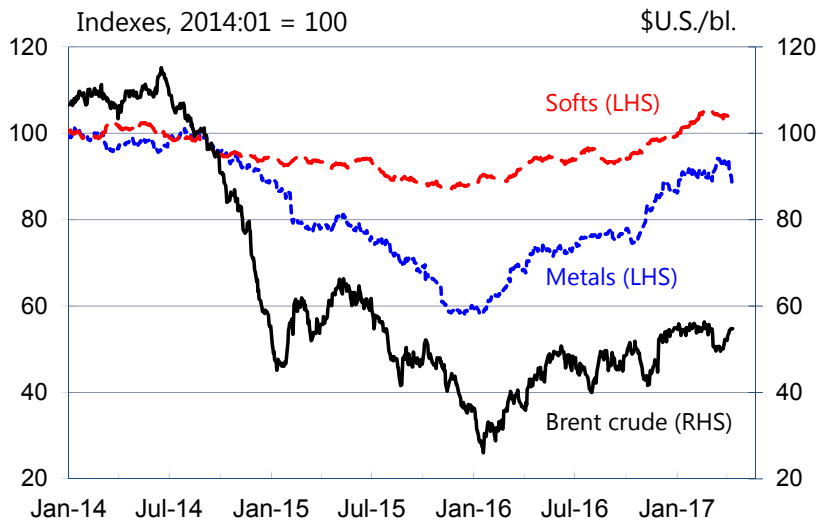


Manufacturing Inventories, Asia ex. China

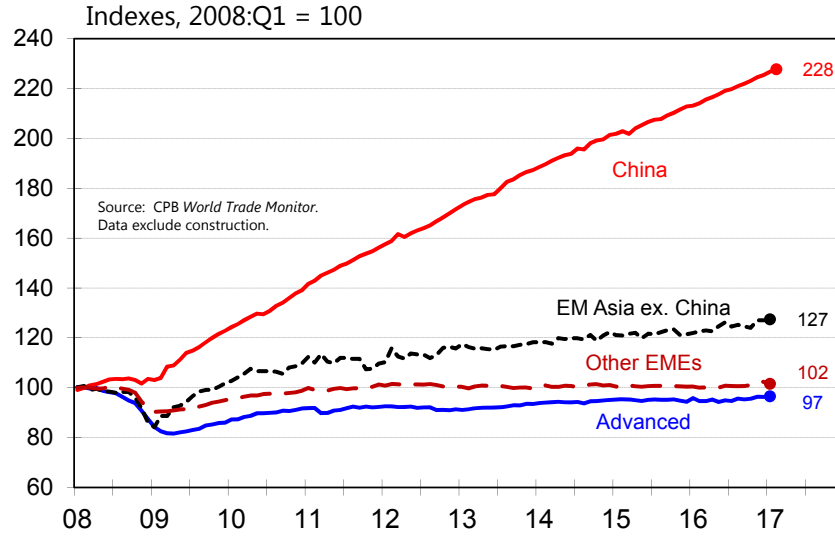


Sources: METI, KOSTAT, MOEA, Haver Analytics. Data are in real terms, and are a weighted average for Japan, Korea and Taiwan.

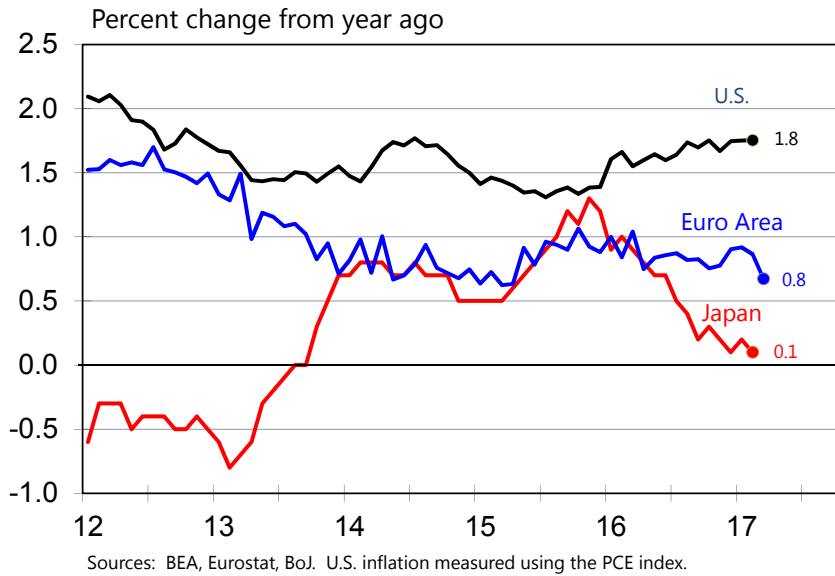
Global Commodity Prices



Global Industrial Production Performance

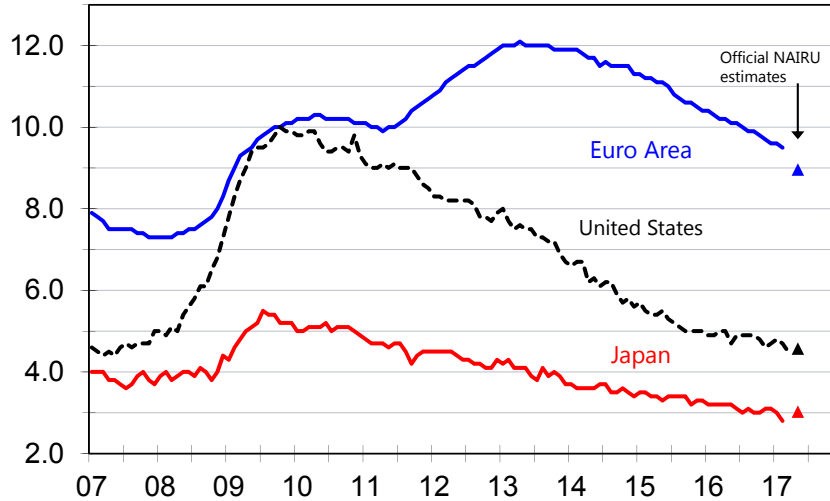


G-3: Core Consumer Price Inflation



G-3: Unemployment Rates

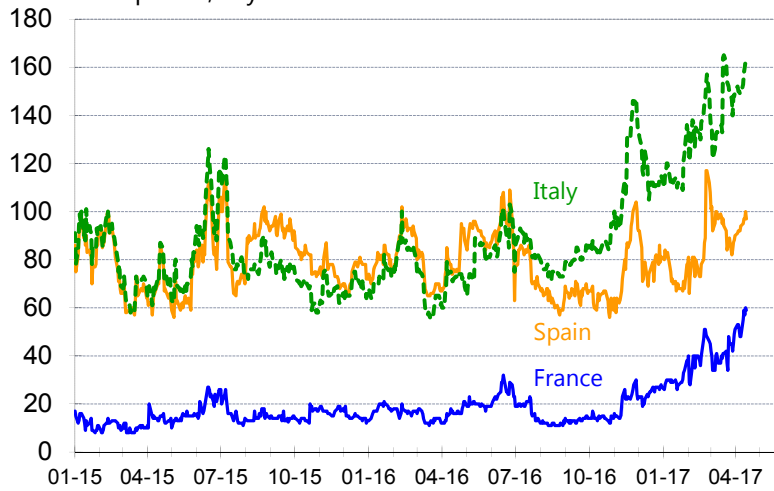
Percent change from year ago



Sources: BLS, Eurostat, Ministry of Health, Labor and Welfare. NAIUR estimates from Congressional Budget Office, European Commission and Bank of Japan.

Euro Area Sovereign Spreads

Basis points, 5-yr. treasuries vs. bunds



Source: Reuters

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.)

	Exports	Imports
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.)

	Exports	Imports
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

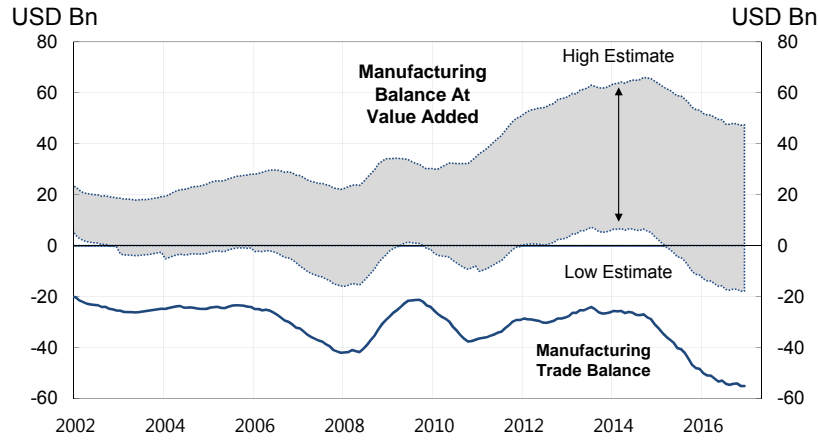
Source: U.S. Census Bureau.

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	6.0
Passenger Cars	0.0	2.6
Auto Parts and Trucks	0.1	6.9
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.



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Overview of the Regional Economy

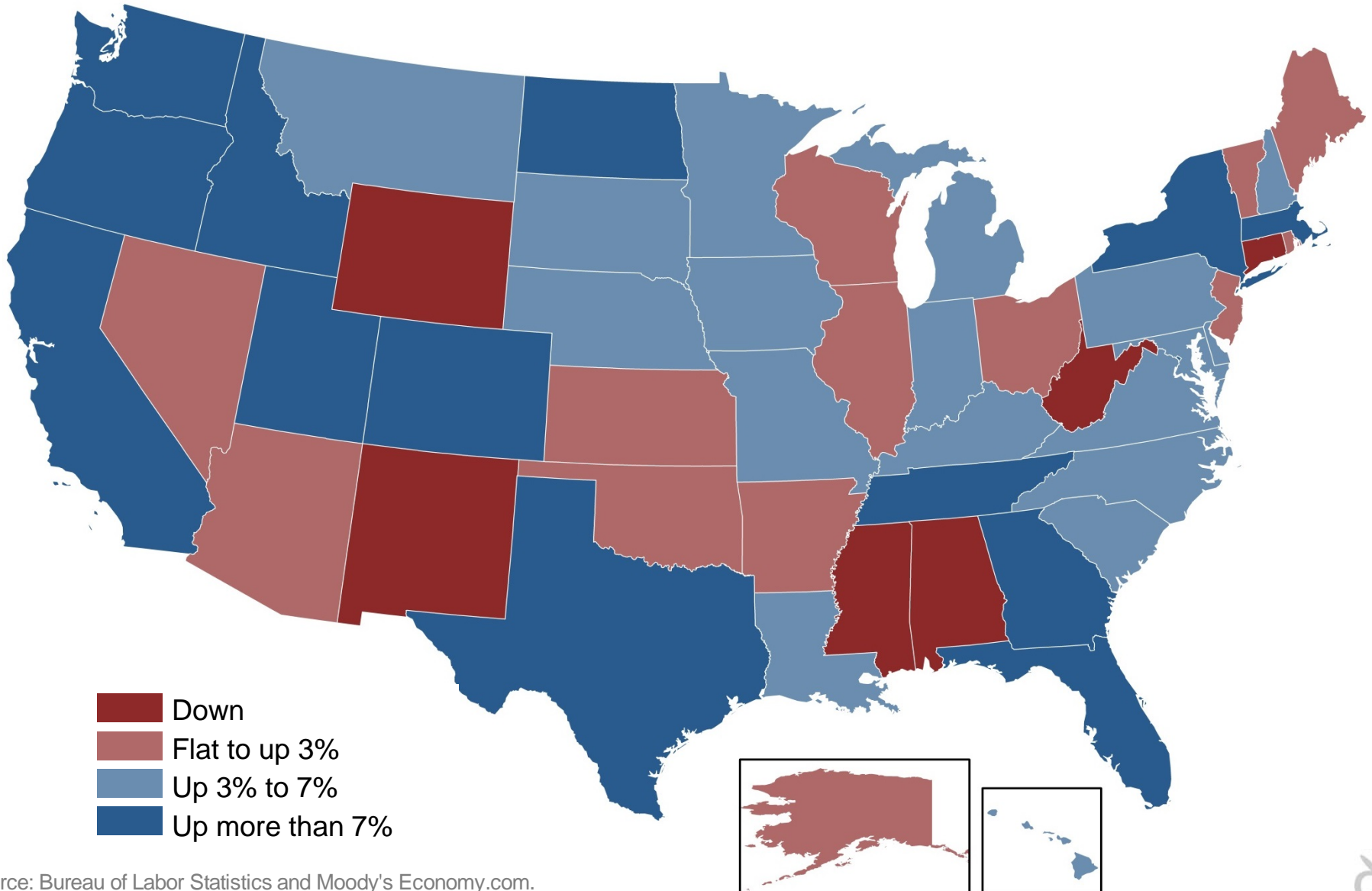
Jason Bram, Research Officer

Presented to Advisory Council on Small Business and Agriculture
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Private-Sector Job Trends

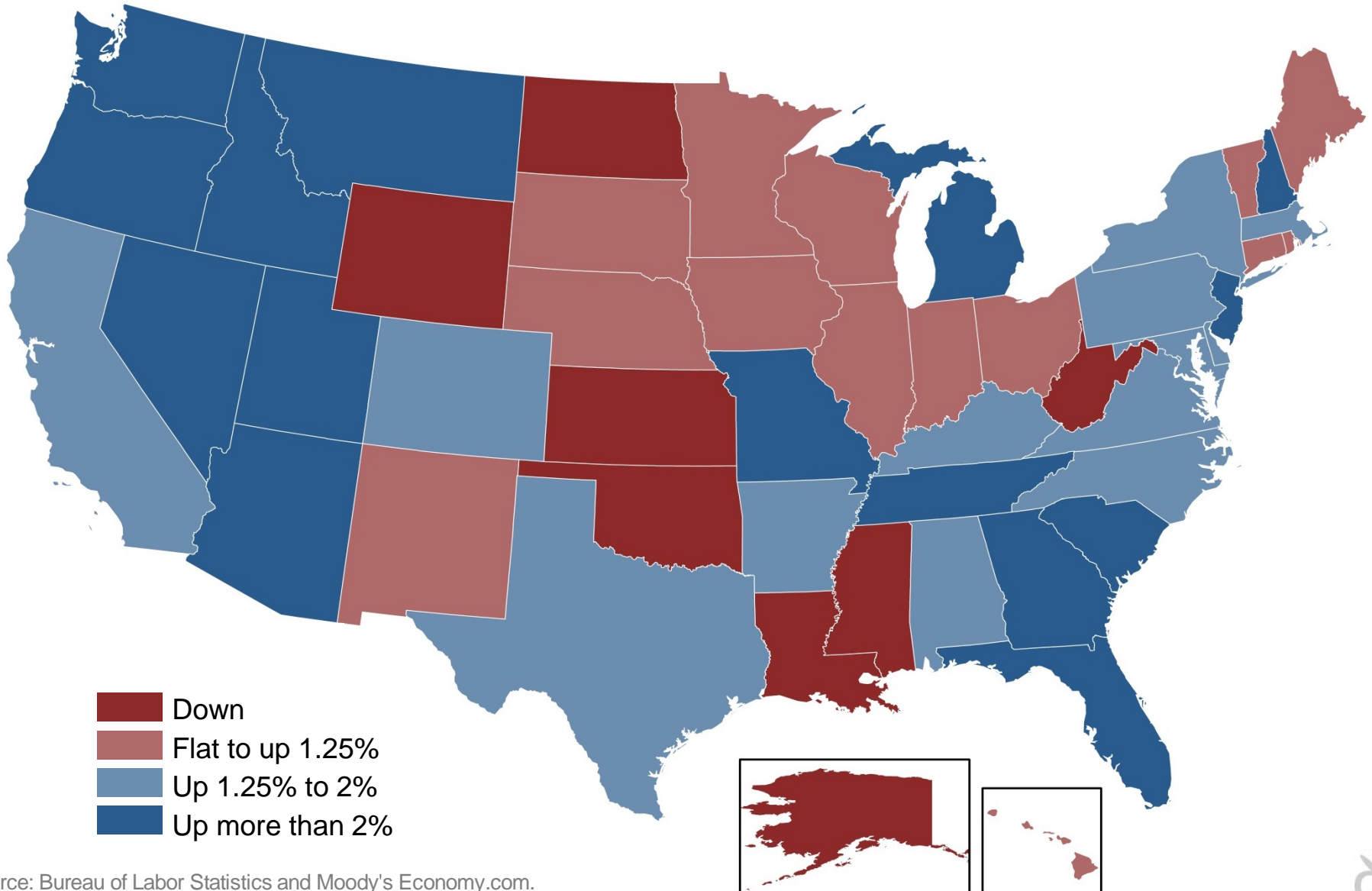
Percent Change From Previous Peak to January 2017



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

Private-Sector Job Growth

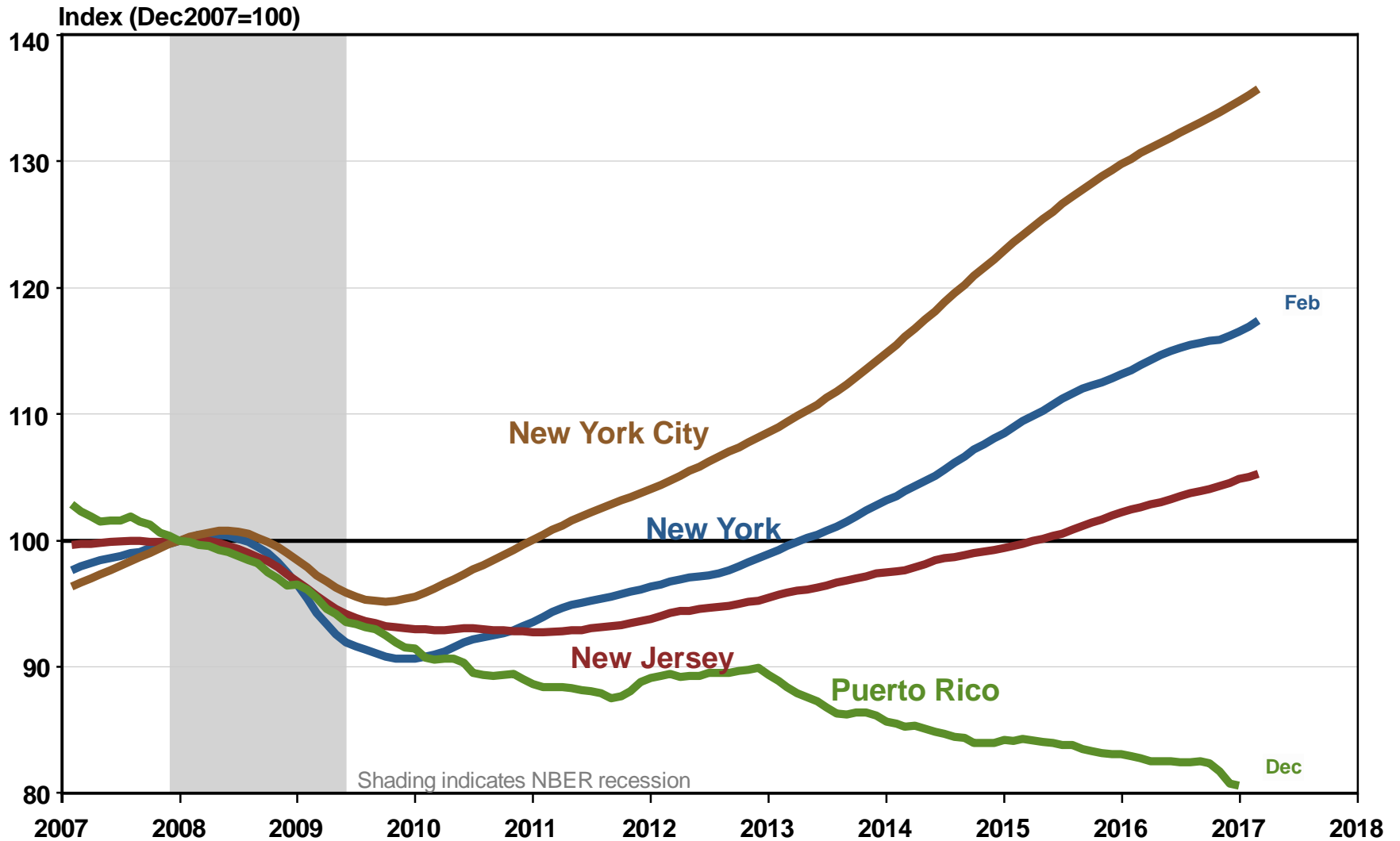
Percent Change From January 2016 to January 2017



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

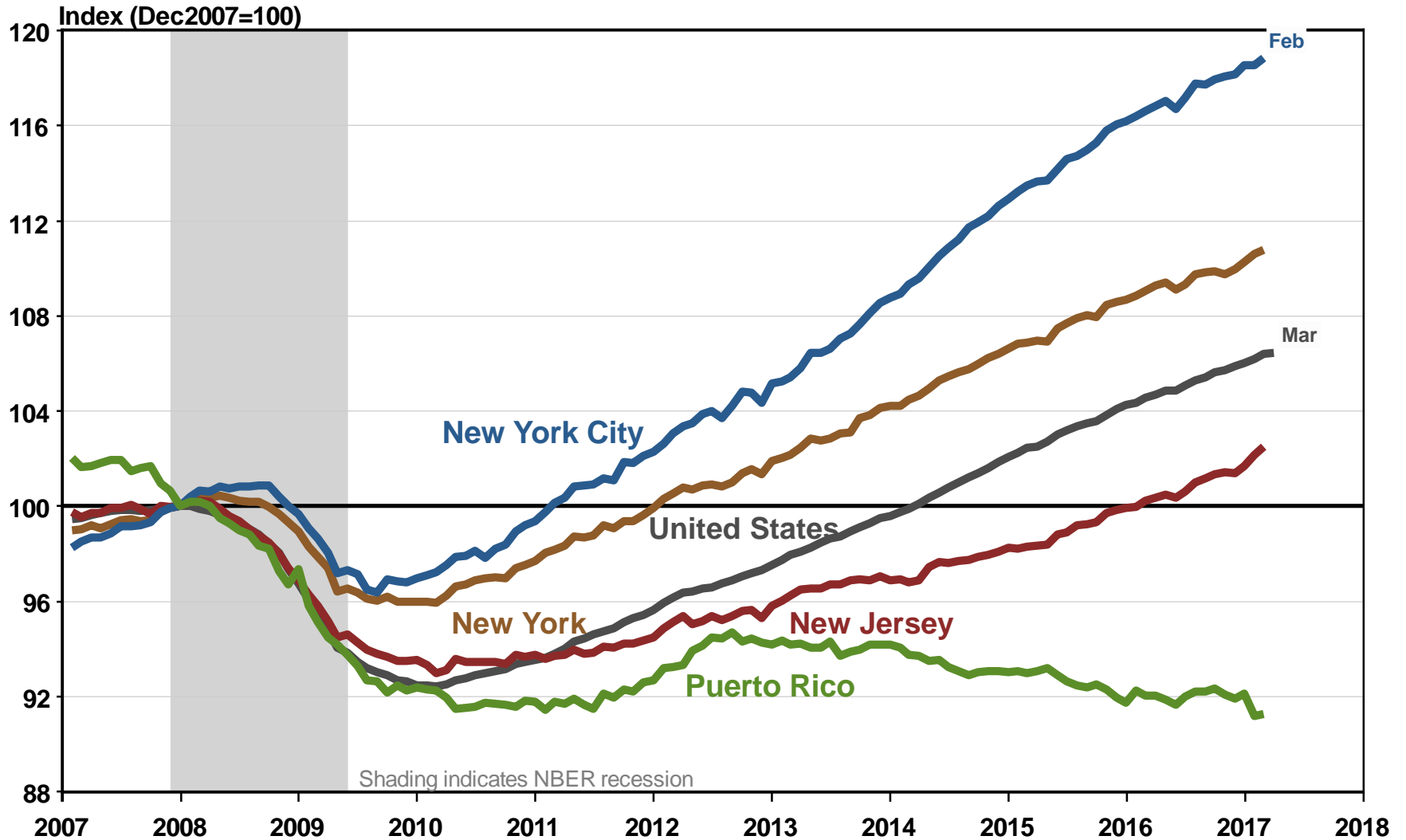
Regional Economic Activity

Index of Coincident Economic Indicators (CEI)



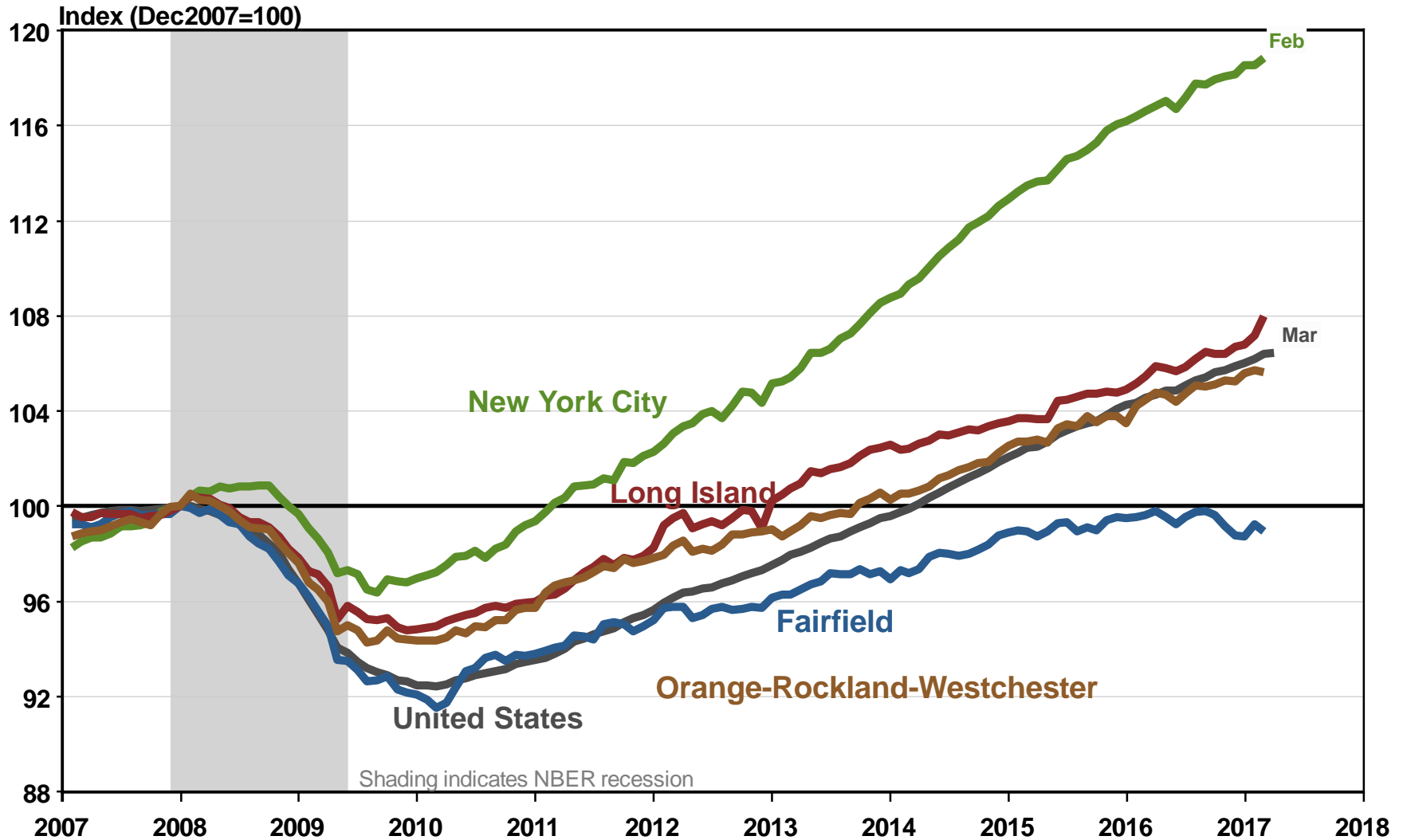
Private-Sector Employment

Seasonally Adjusted Index



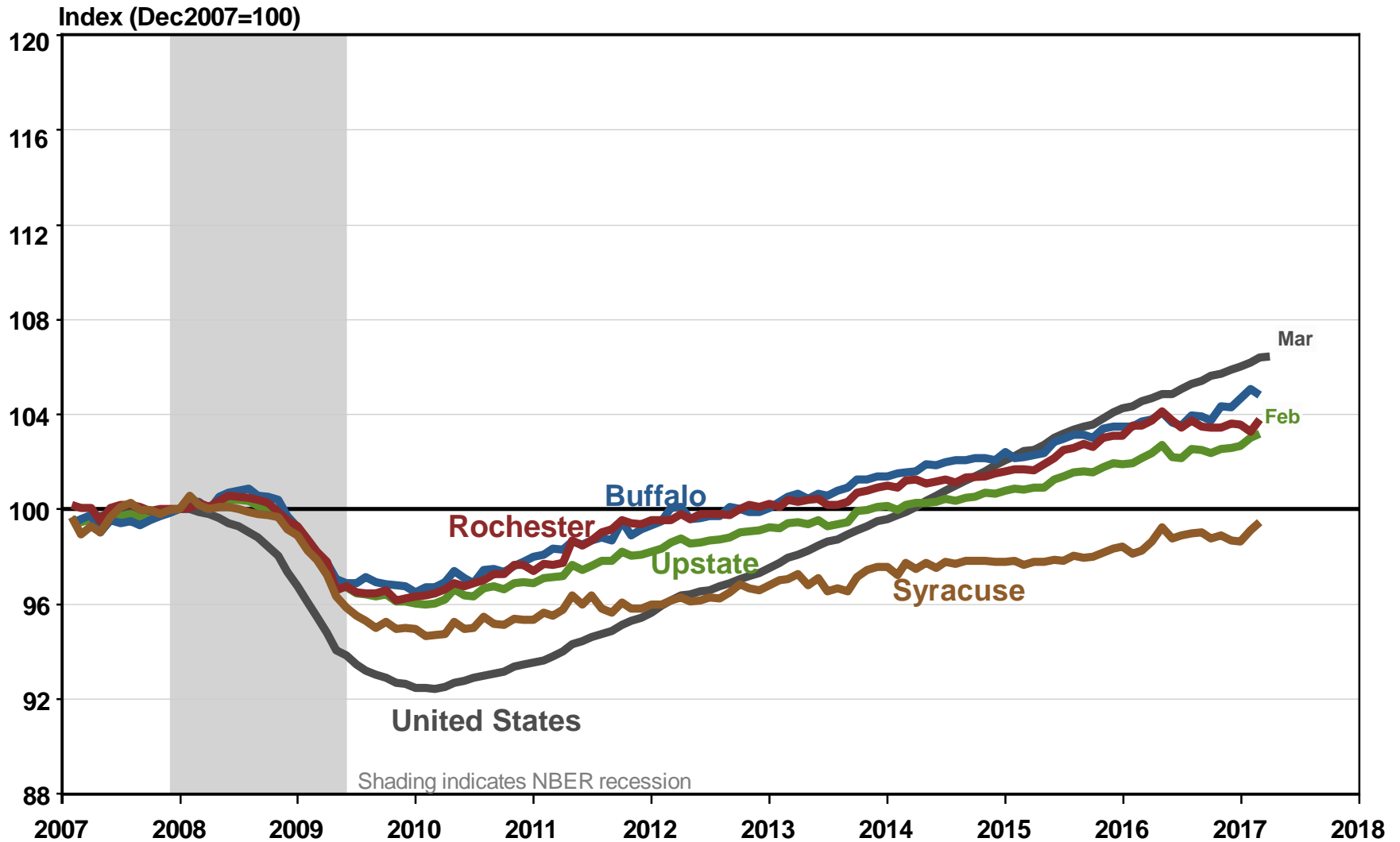
Private-Sector Employment

Seasonally Adjusted Index



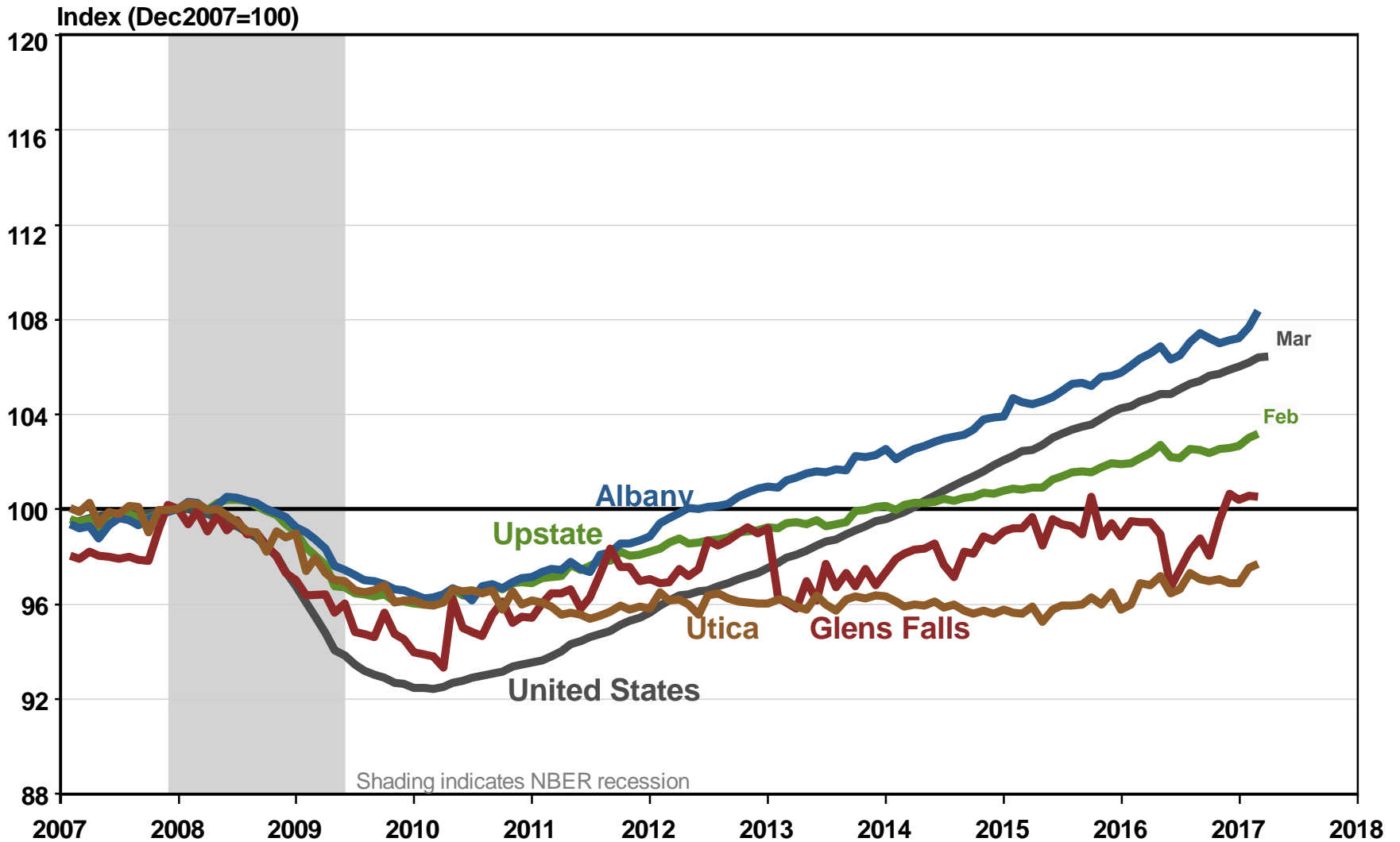
Private-Sector Employment

Seasonally Adjusted Index



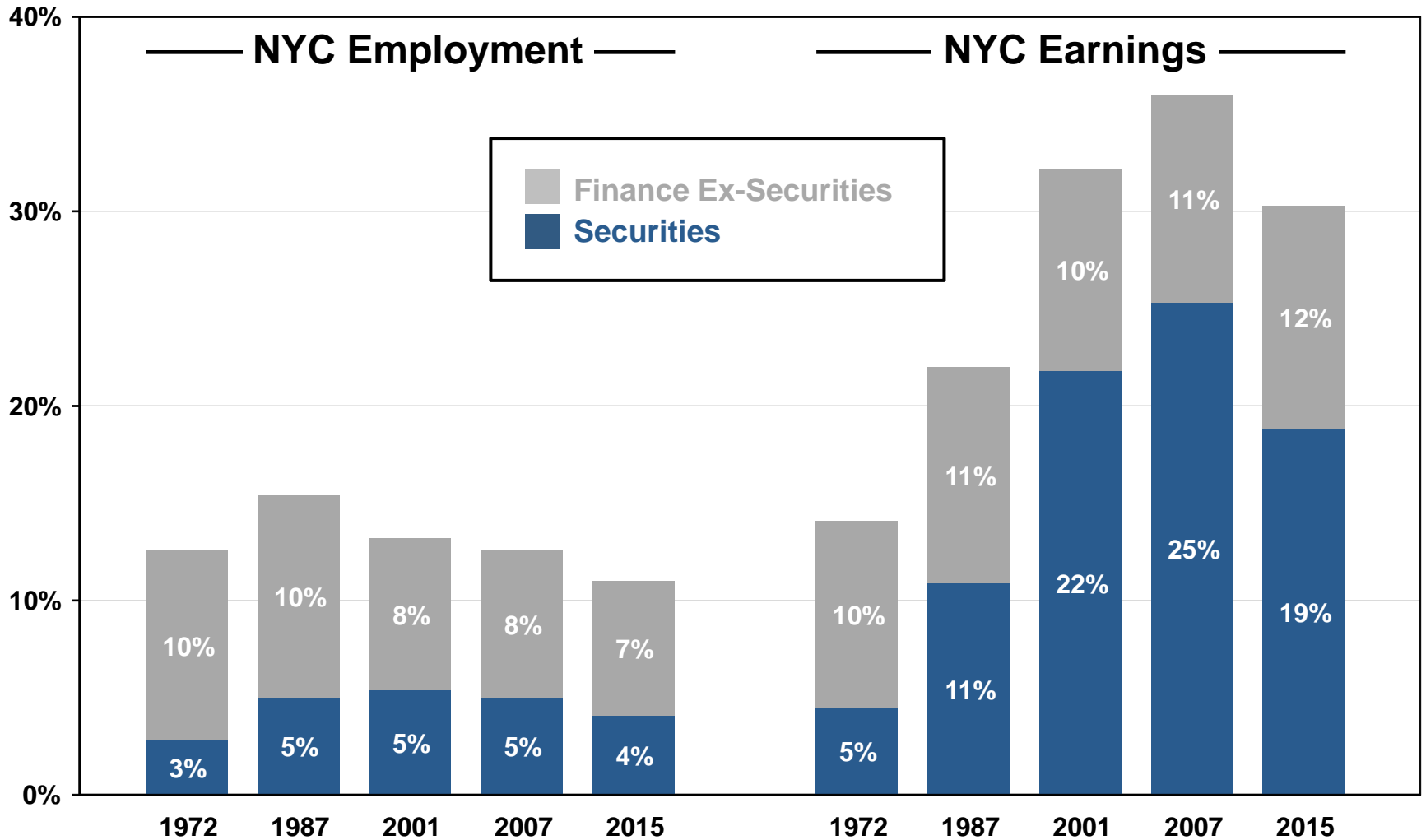
Private-Sector Employment

Seasonally Adjusted Index



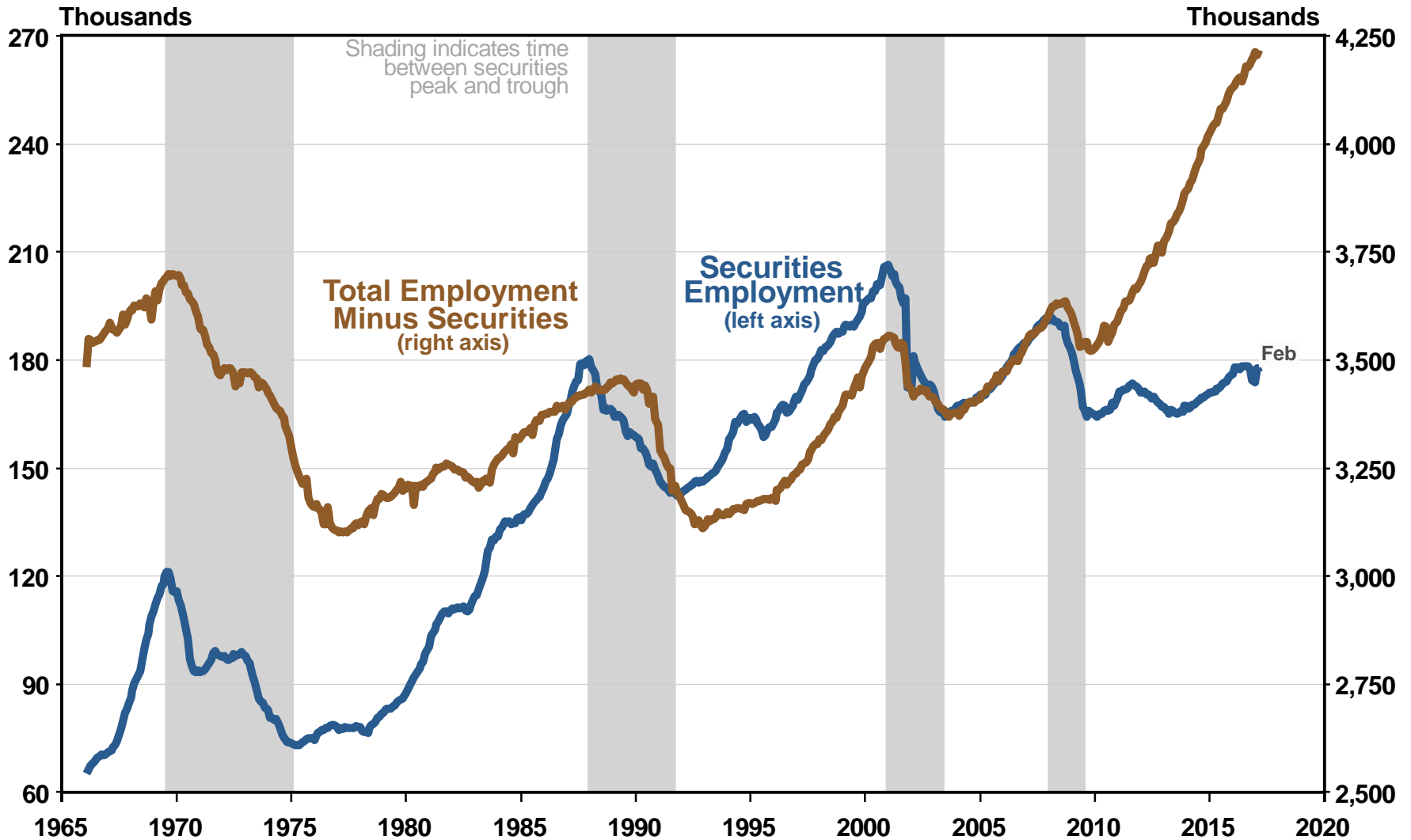
NYC Finance and Securities

Sectors' Share of NYC Employment and Earnings



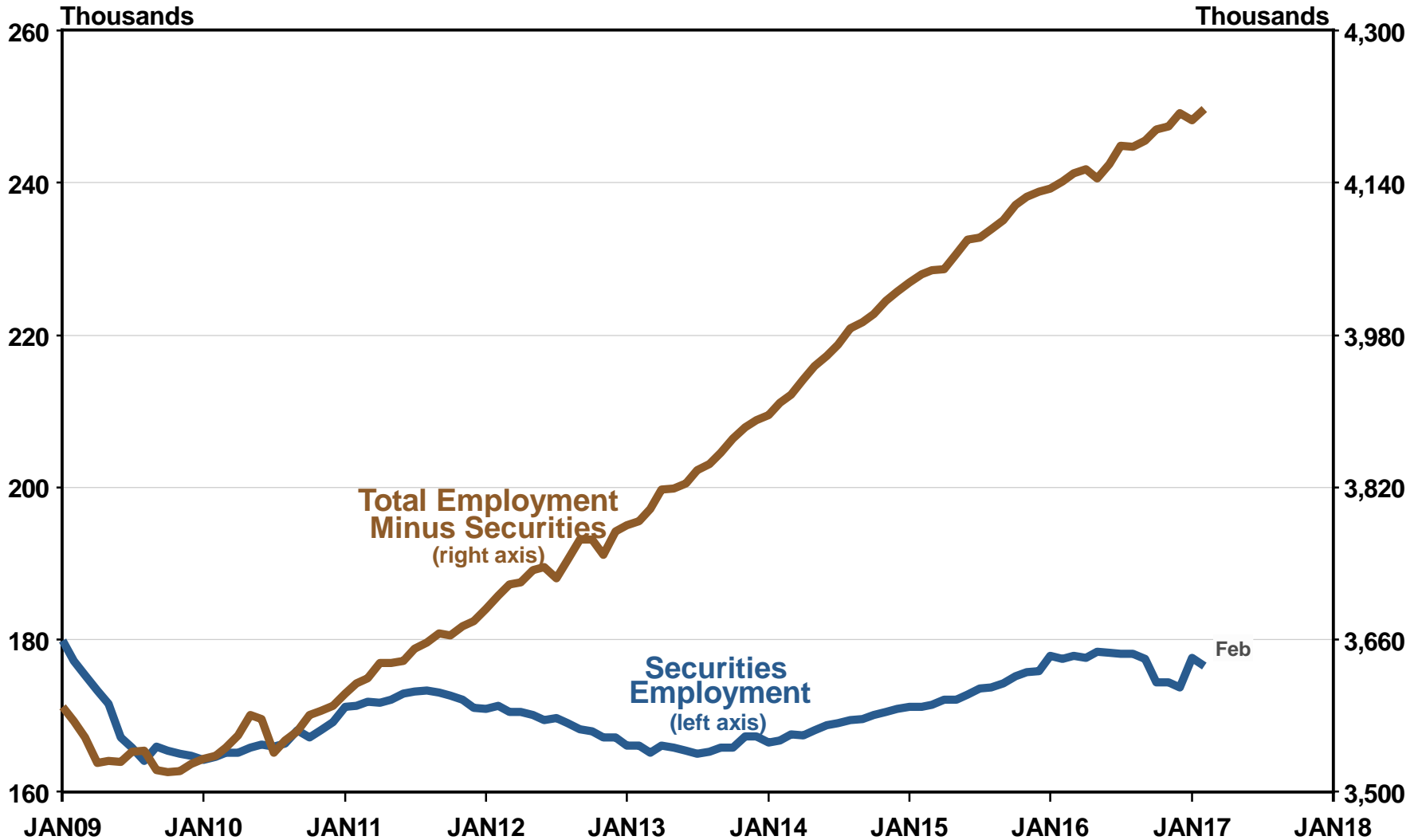
NYC Securities Employment

Seasonally Adjusted Levels



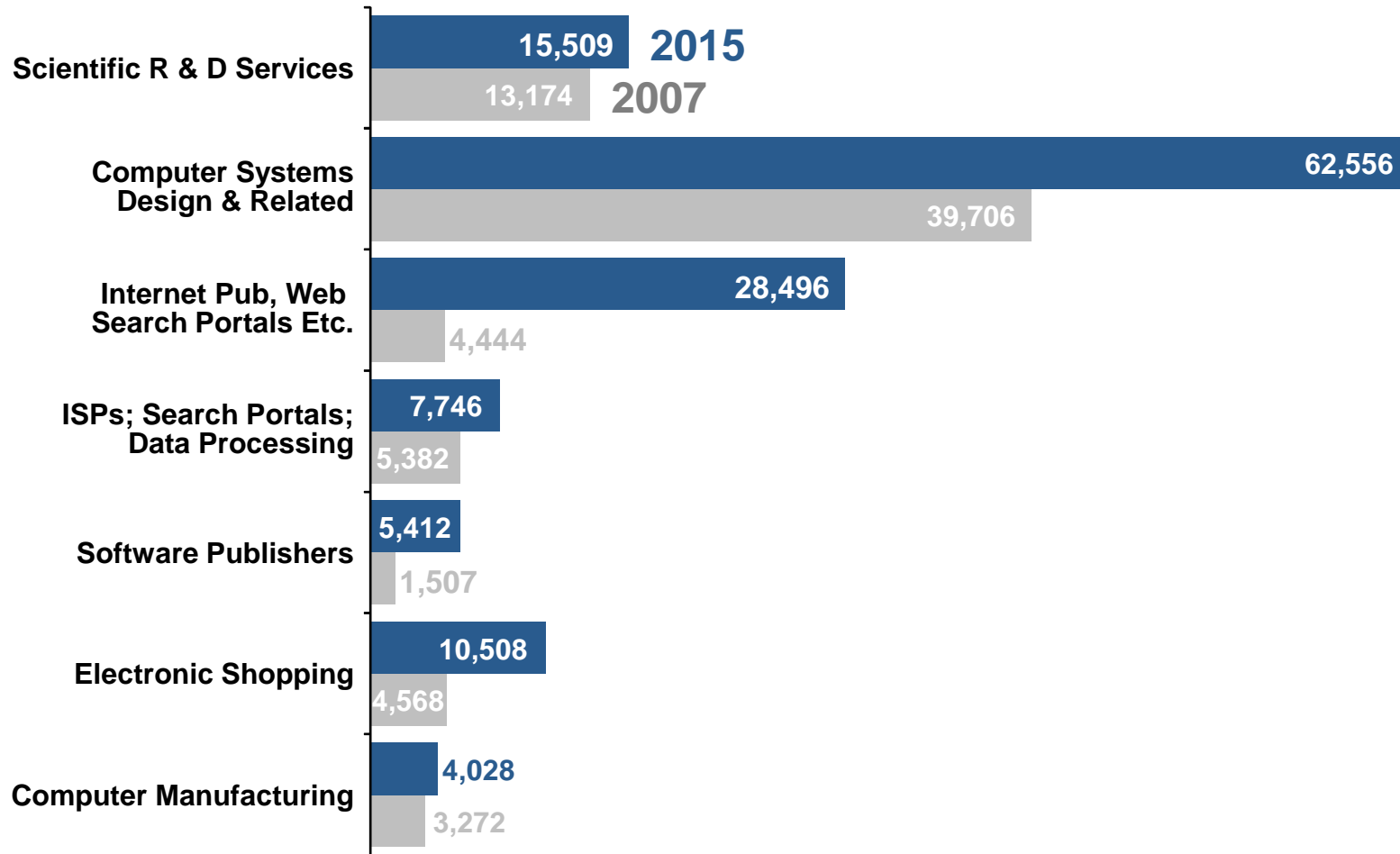
Recent NYC Securities Employment

Seasonally Adjusted Levels



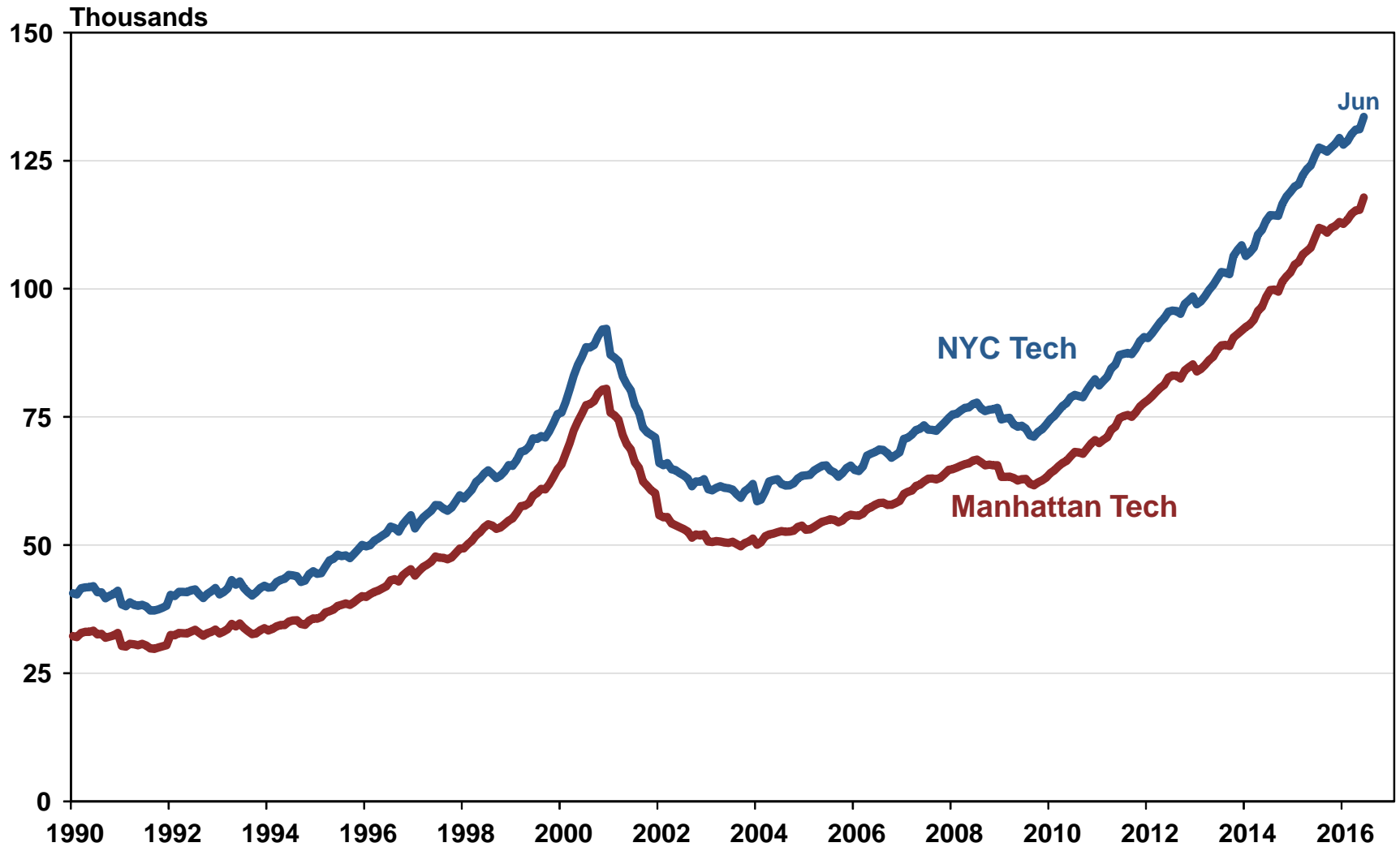
NYC Tech Employment in Select Industries

Number of Payroll Jobs, 2007 and 2015



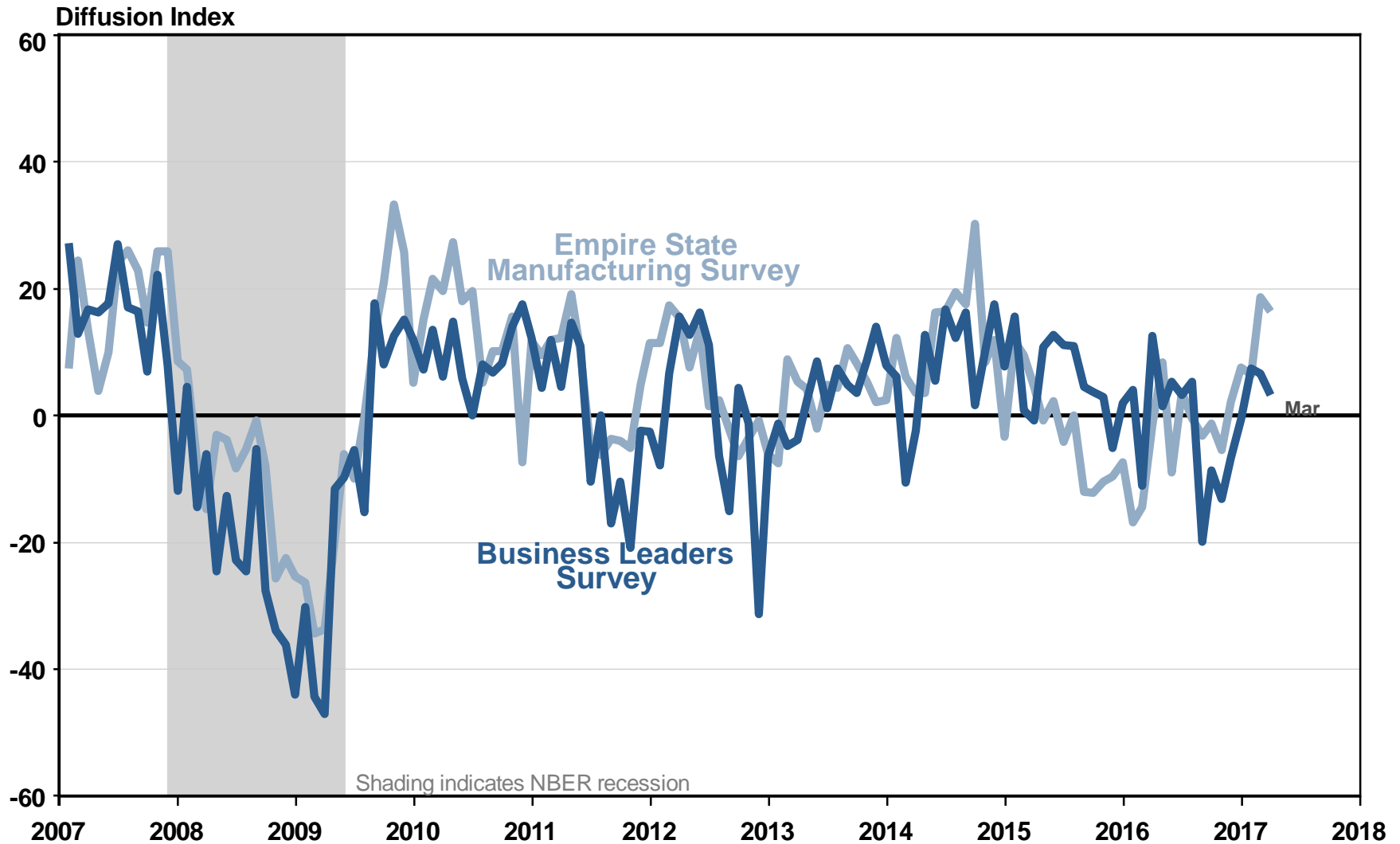
Trends in NYC Tech Employment

Employment Levels in Thousands



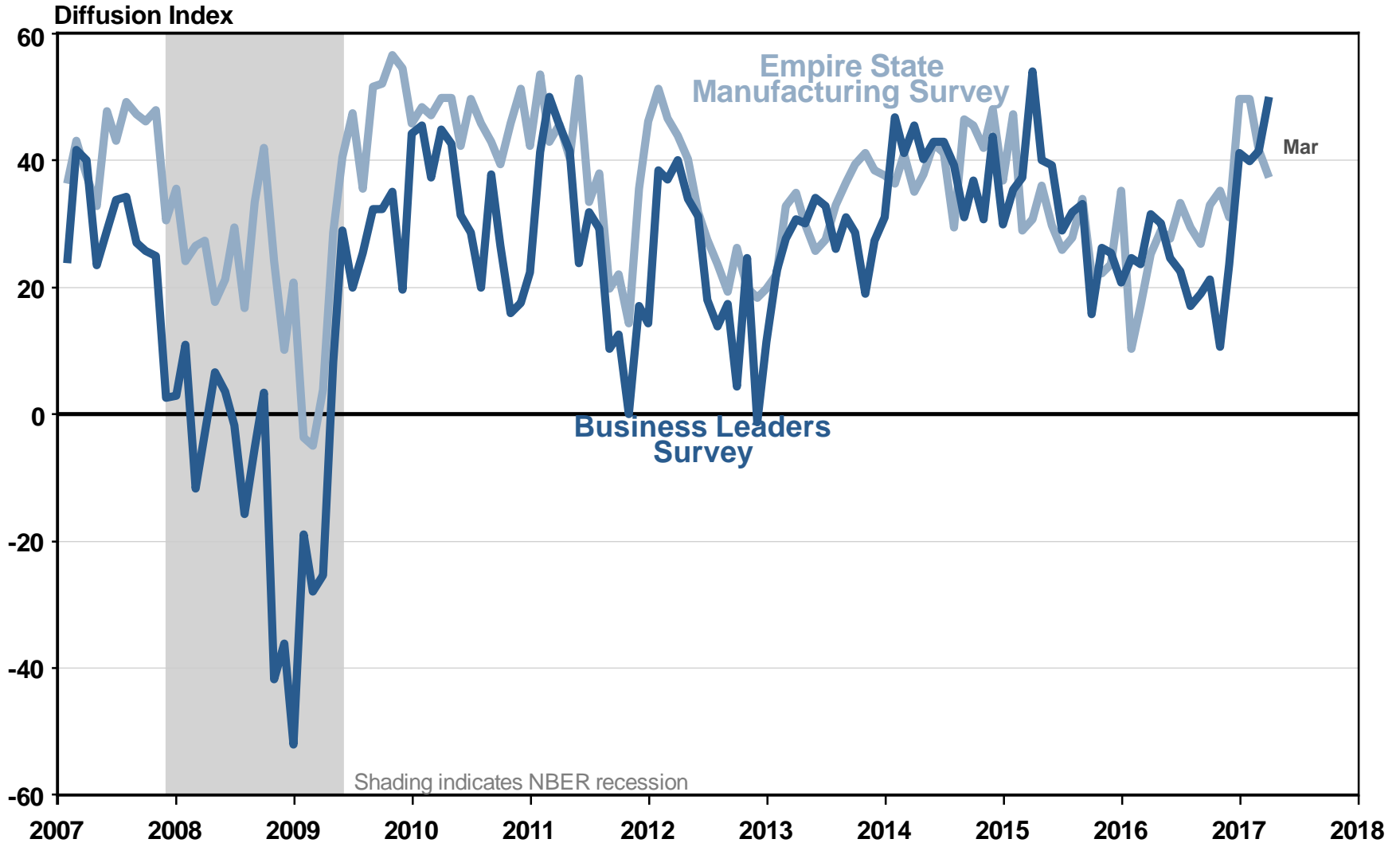
Current Economic Conditions

FRBNY Business Surveys, Current Conditions



Future Economic Conditions

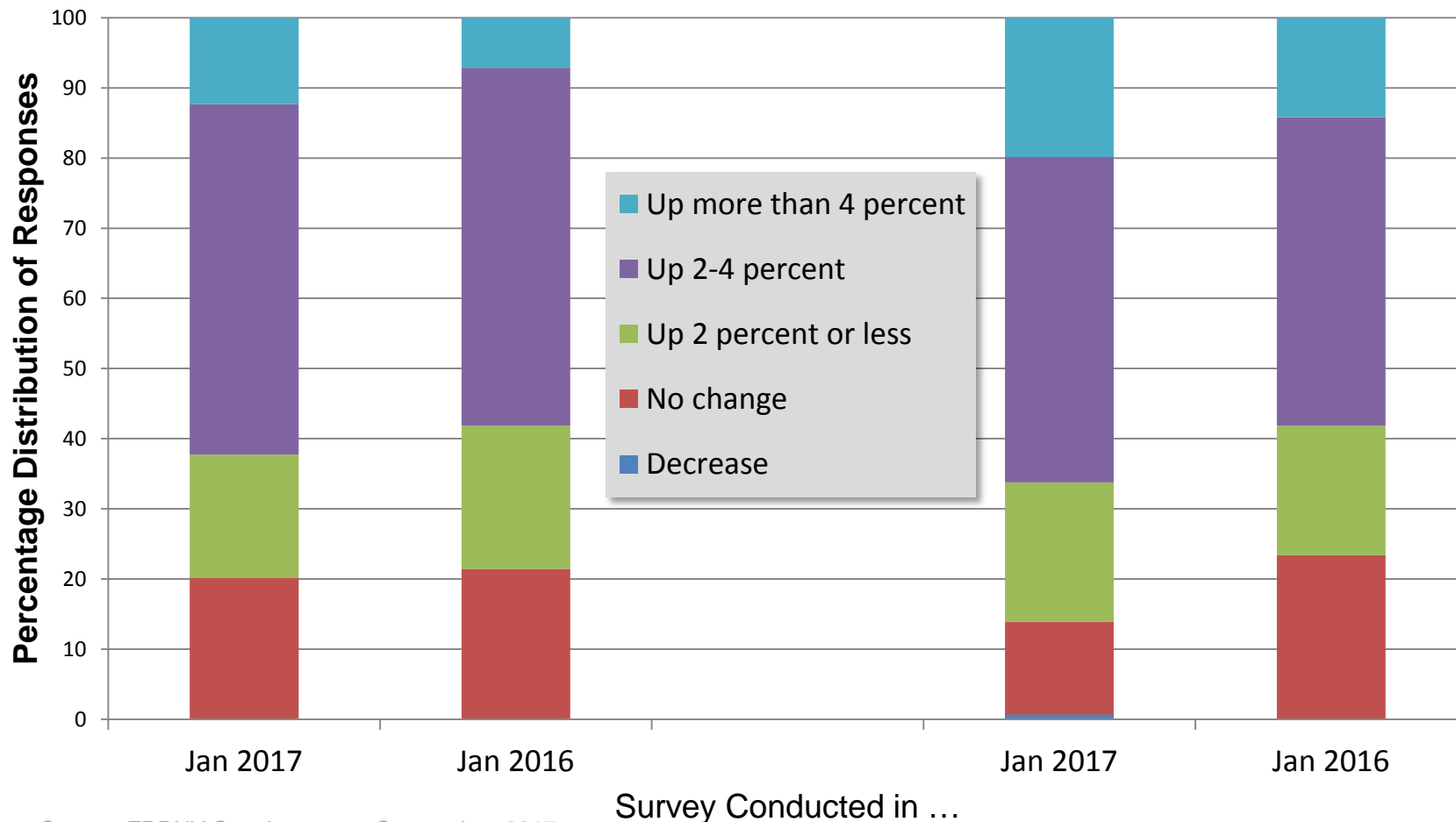
FRBNY Business Surveys, Conditions Six Months Ahead



Expected Percent Change in Salaries for Existing Workers

Empire State Manufacturing Survey

Business Leaders Survey (Service Firms)



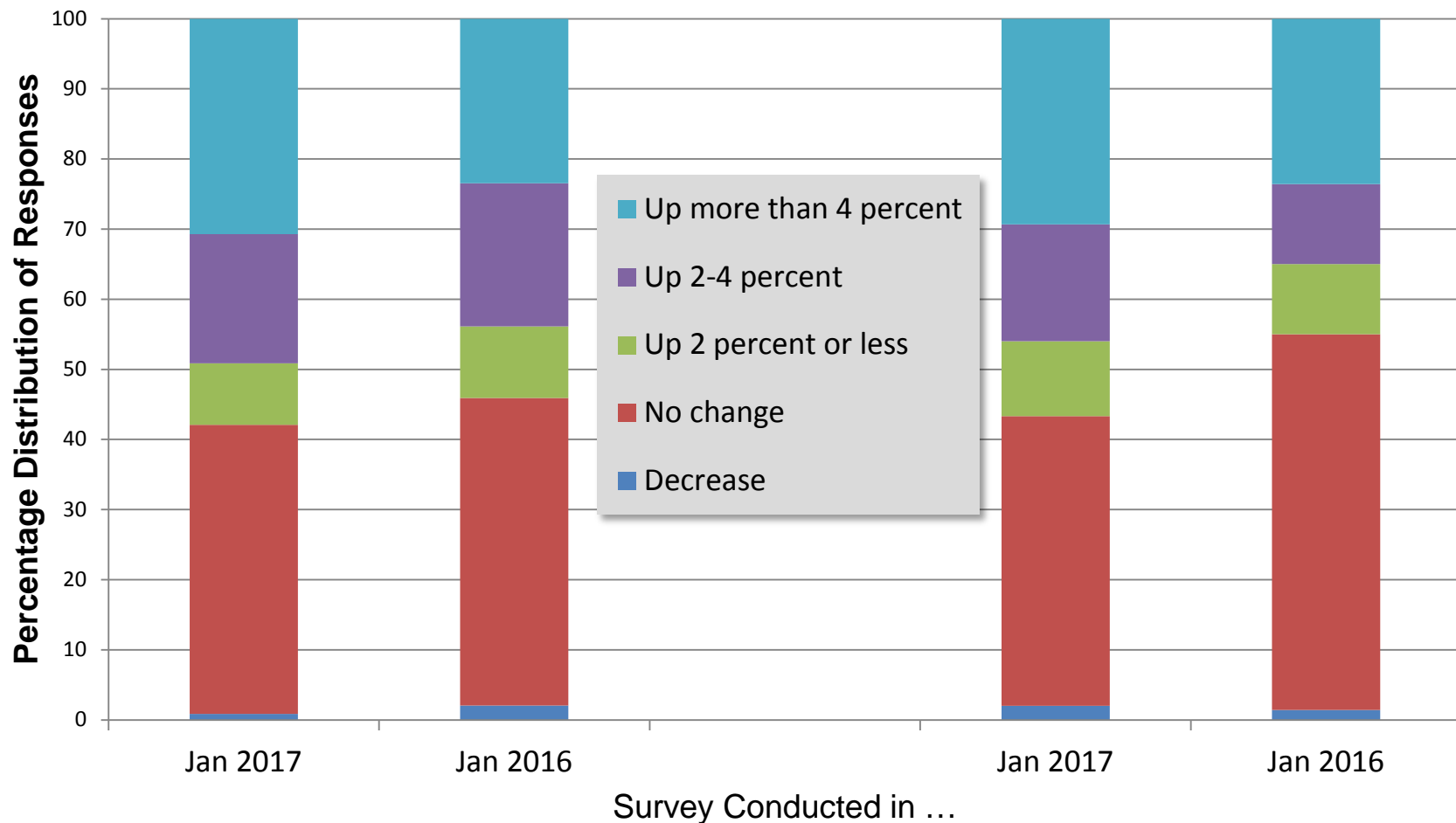
Source: FRBNY Supplementary Survey Jan. 2017

https://www.newyorkfed.org/medialibrary/media/survey/business_leaders/2017/2017_01supplemental.pdf

Expected Percent Change in Salaries for New Workers

Empire State Manufacturing Survey

Business Leaders Survey (Service Firms)

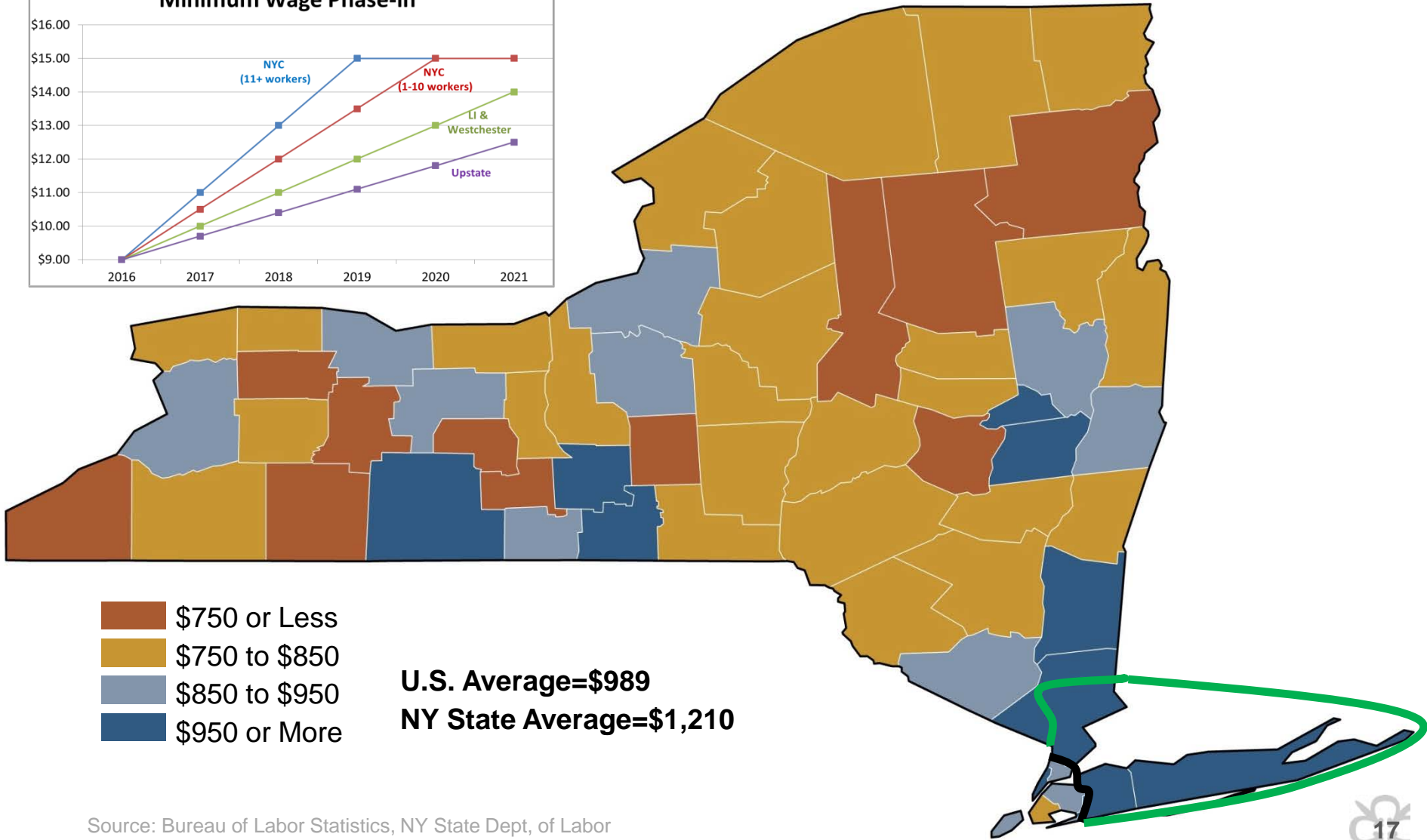
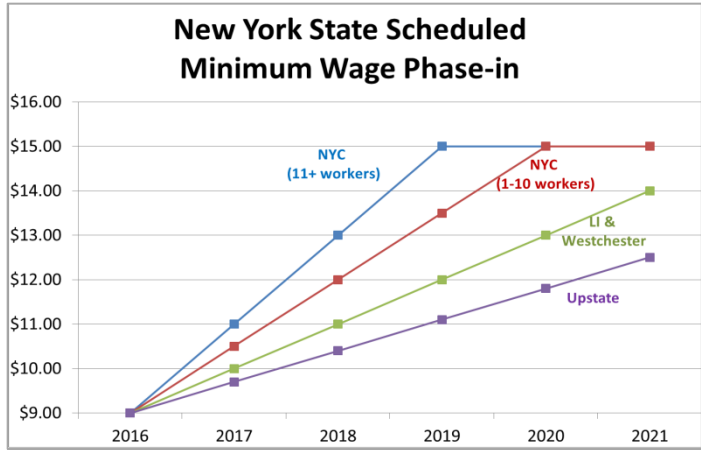


Source: FRBNY Supplementary Survey Jan. 2017

https://www.newyorkfed.org/medialibrary/media/survey/business_leaders/2017/2017_01supplemental.pdf

New York State Wages by County

Average Weekly Wages, 2016Q2



Source: Bureau of Labor Statistics, NY State Dept, of Labor

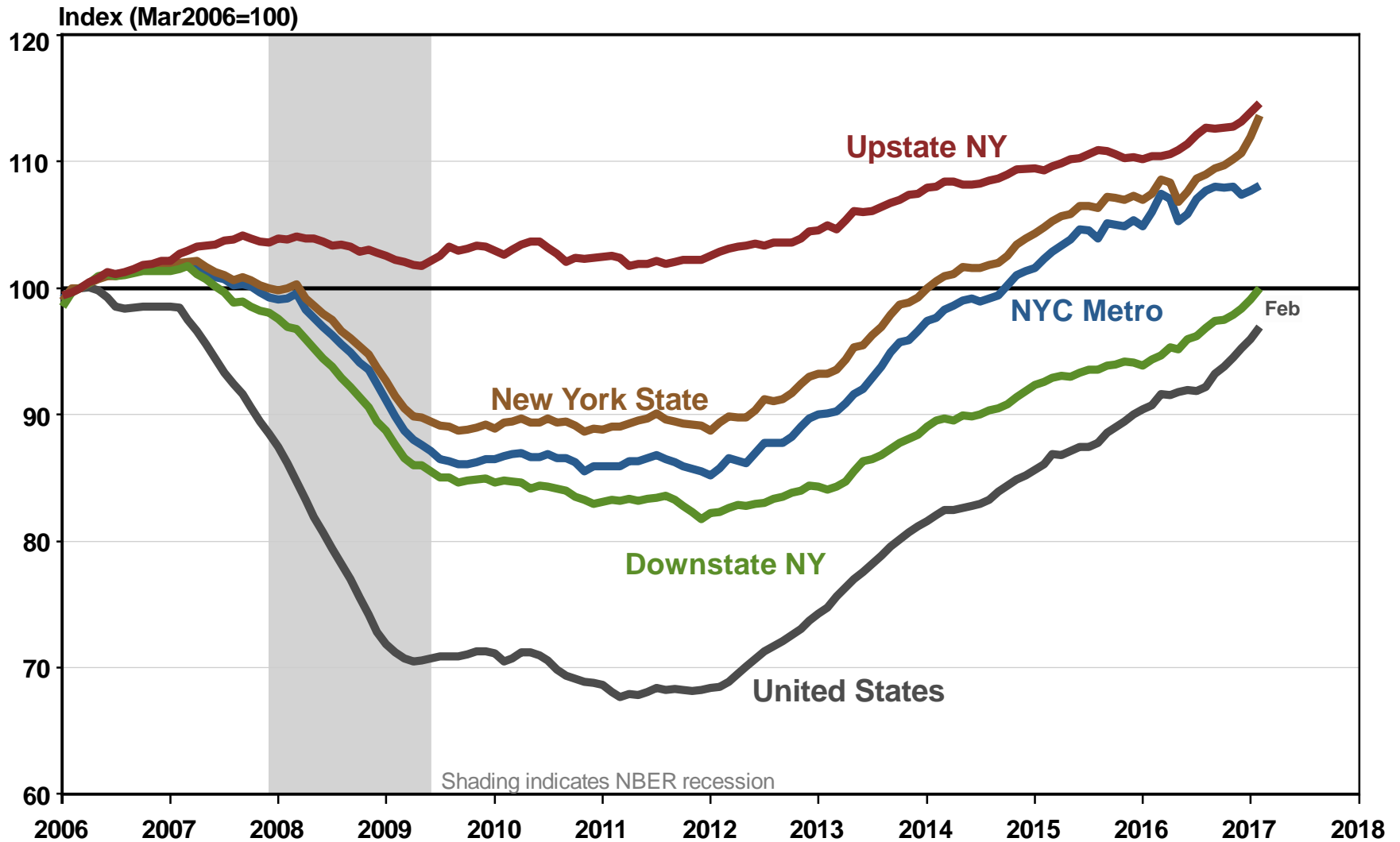
Regional Recap

- NYC has led the regional economy in growth; upstate NY and northern NJ have lagged, while PR remains in a deep slump.
- The Lower Hudson Valley has kept pace with the nation in job growth, while Fairfield County has lagged.
- The securities industry, which typically drives NYC's economy has been flat during this rapid expansion.
- The city's tech sector has picked up some of the slack.
- Businesses have grown more upbeat about the economy and have become a bit more inclined to raise wages.

Supplementary Charts on Housing Markets

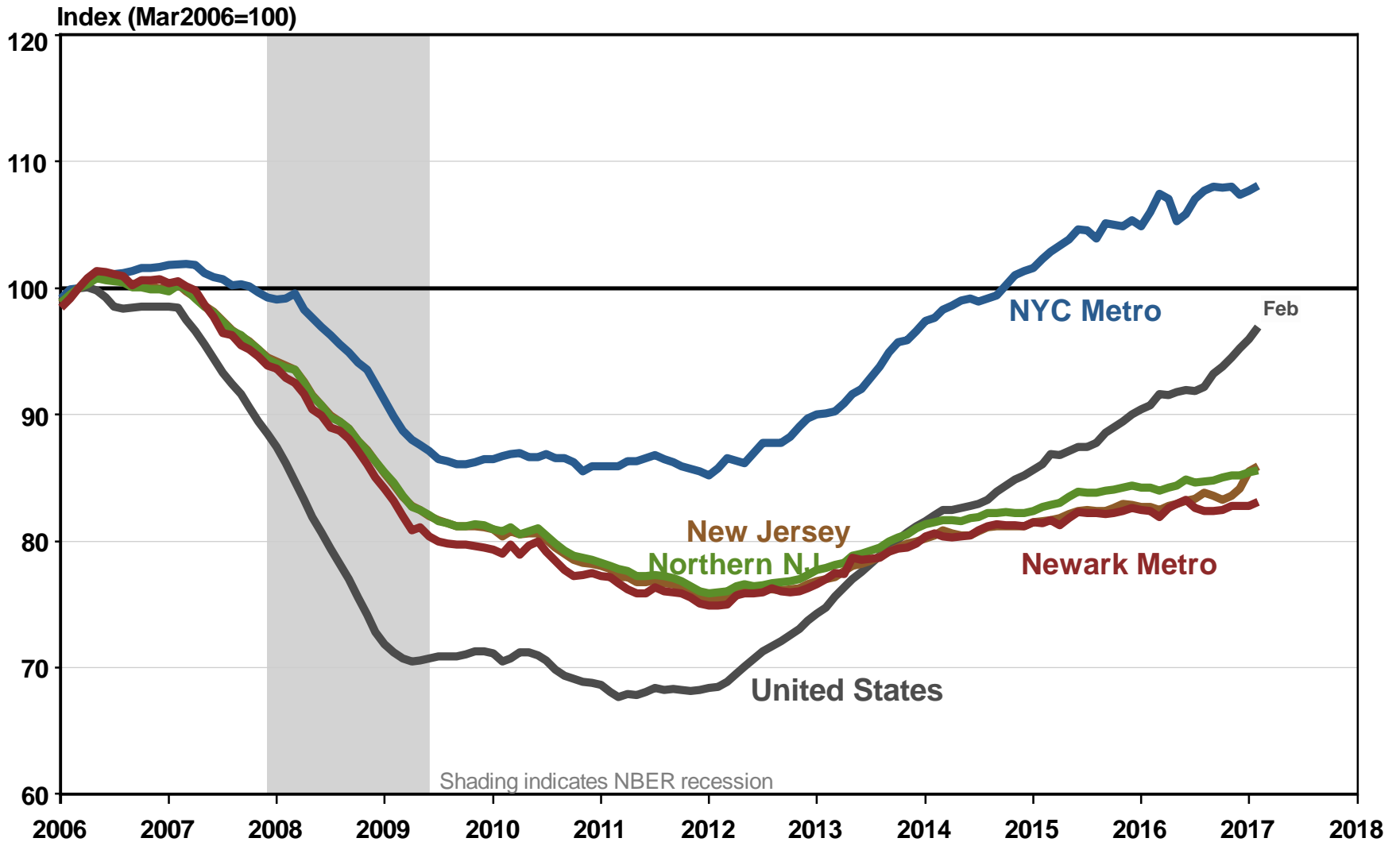
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted



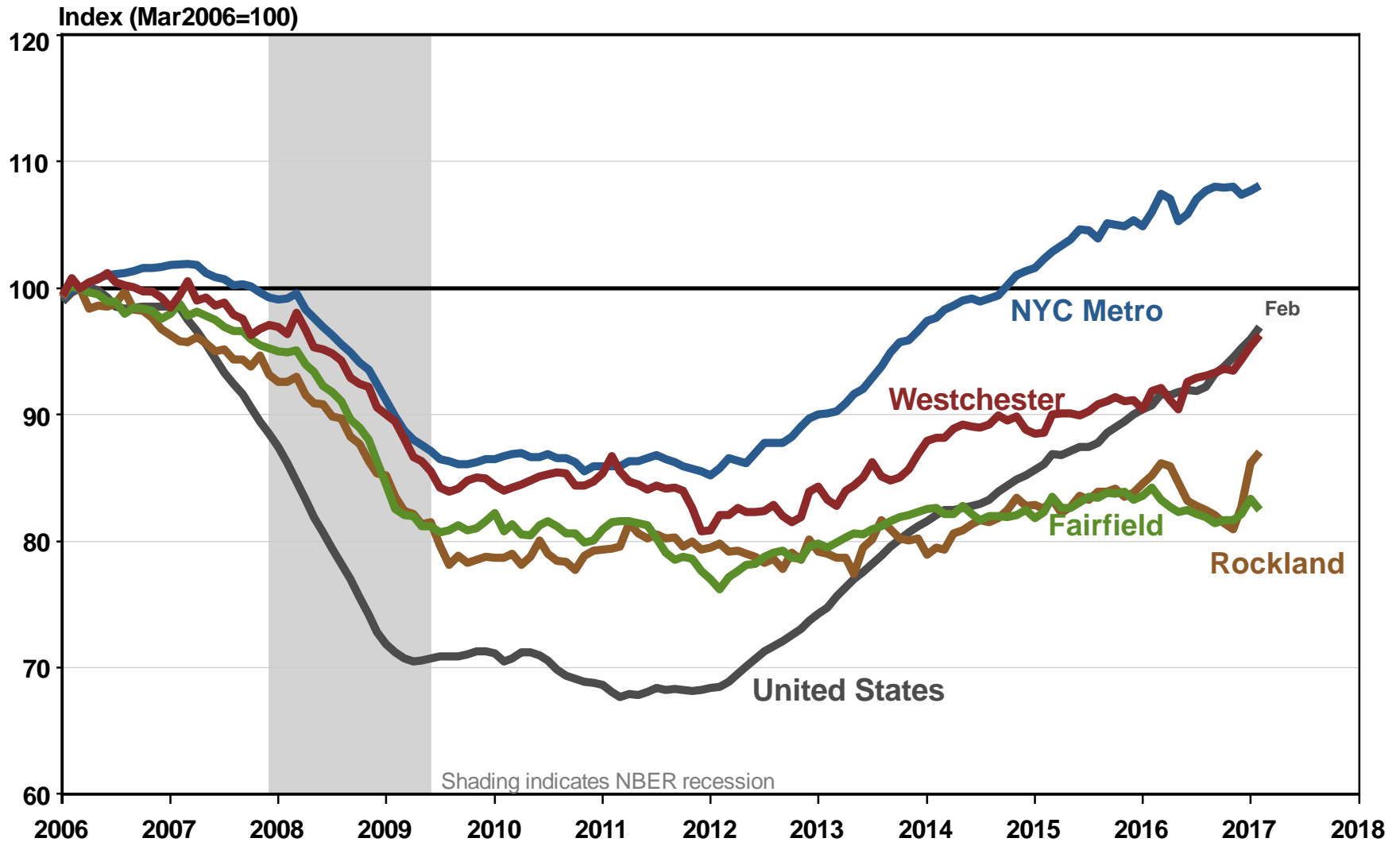
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted



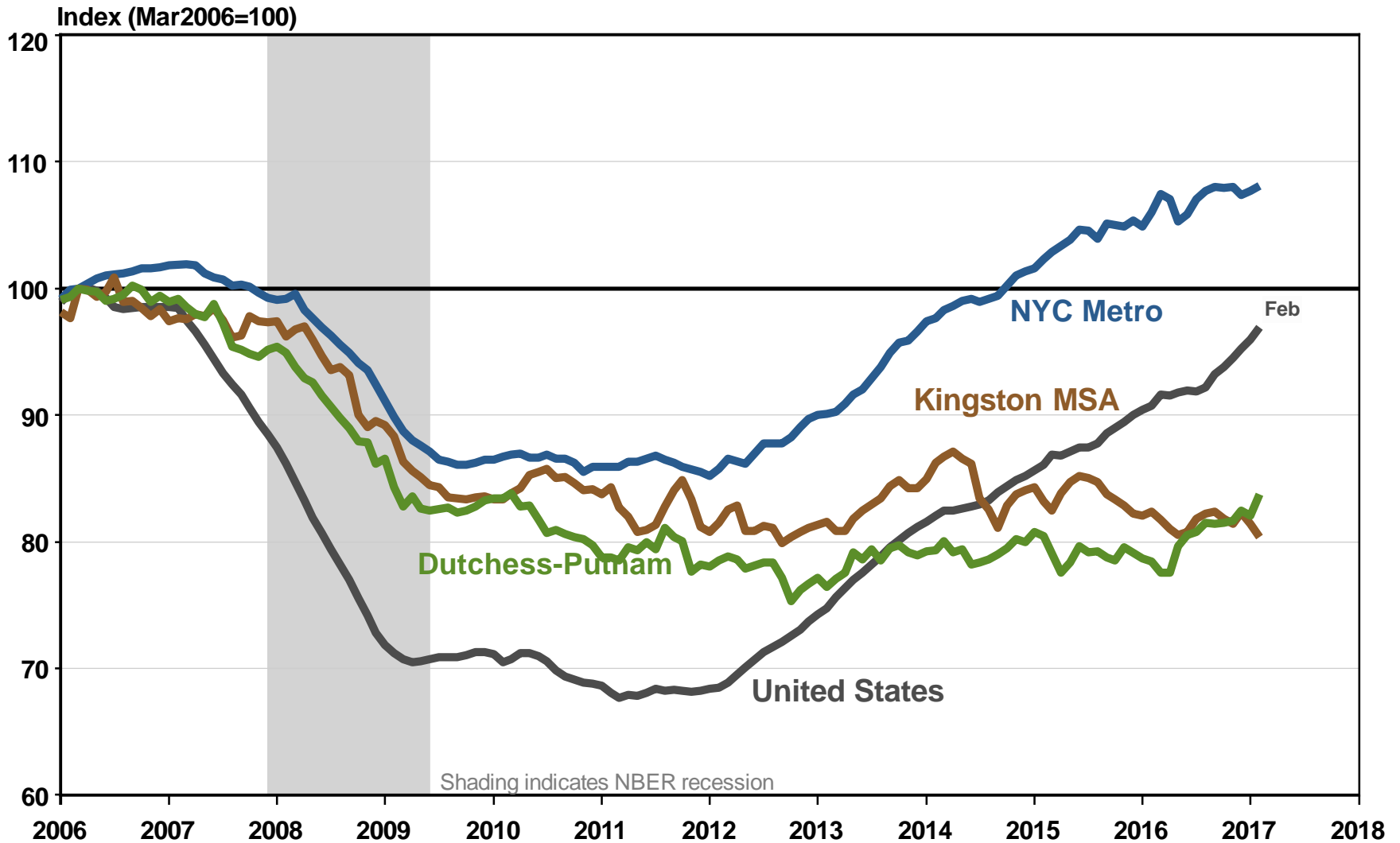
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted



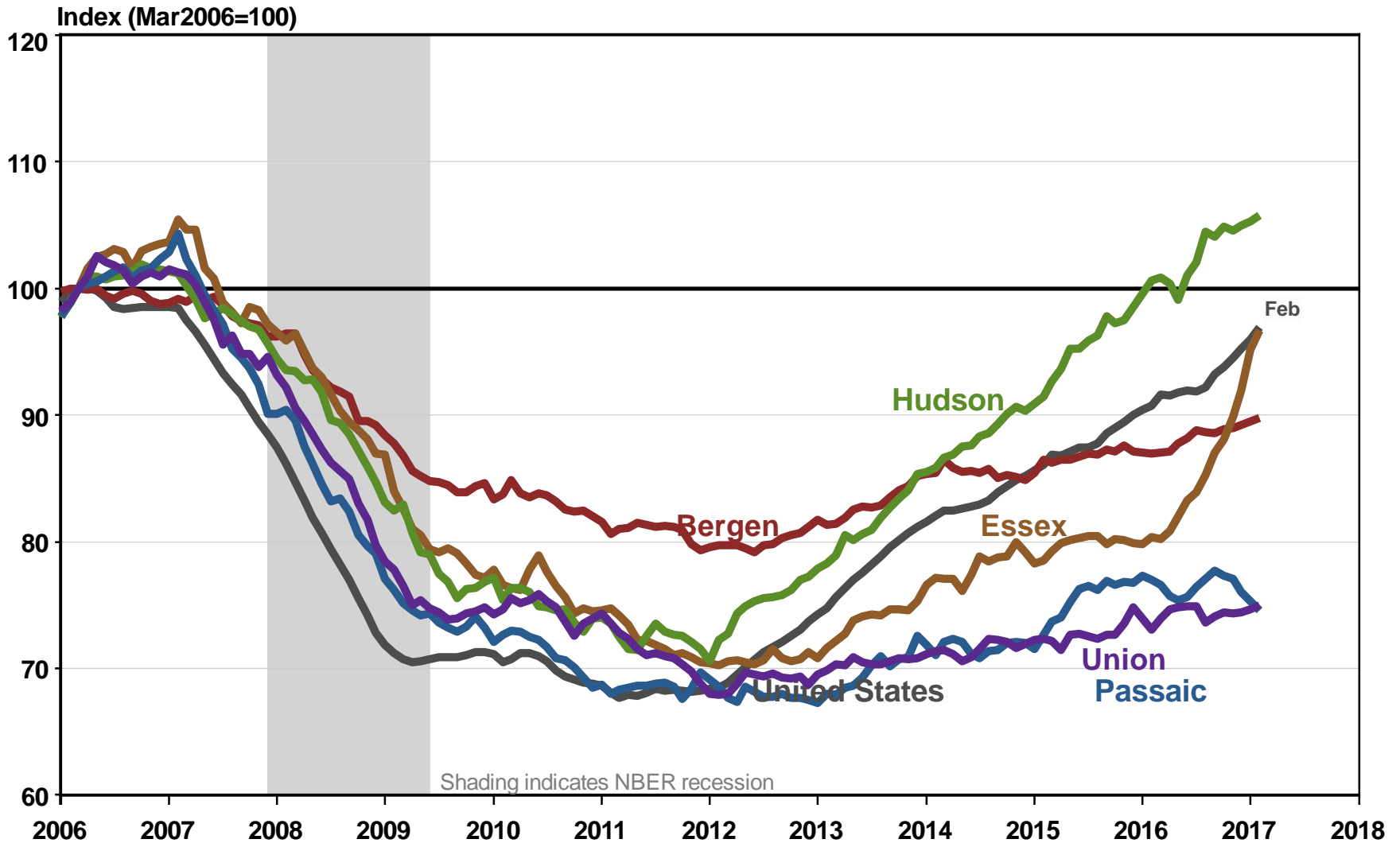
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted



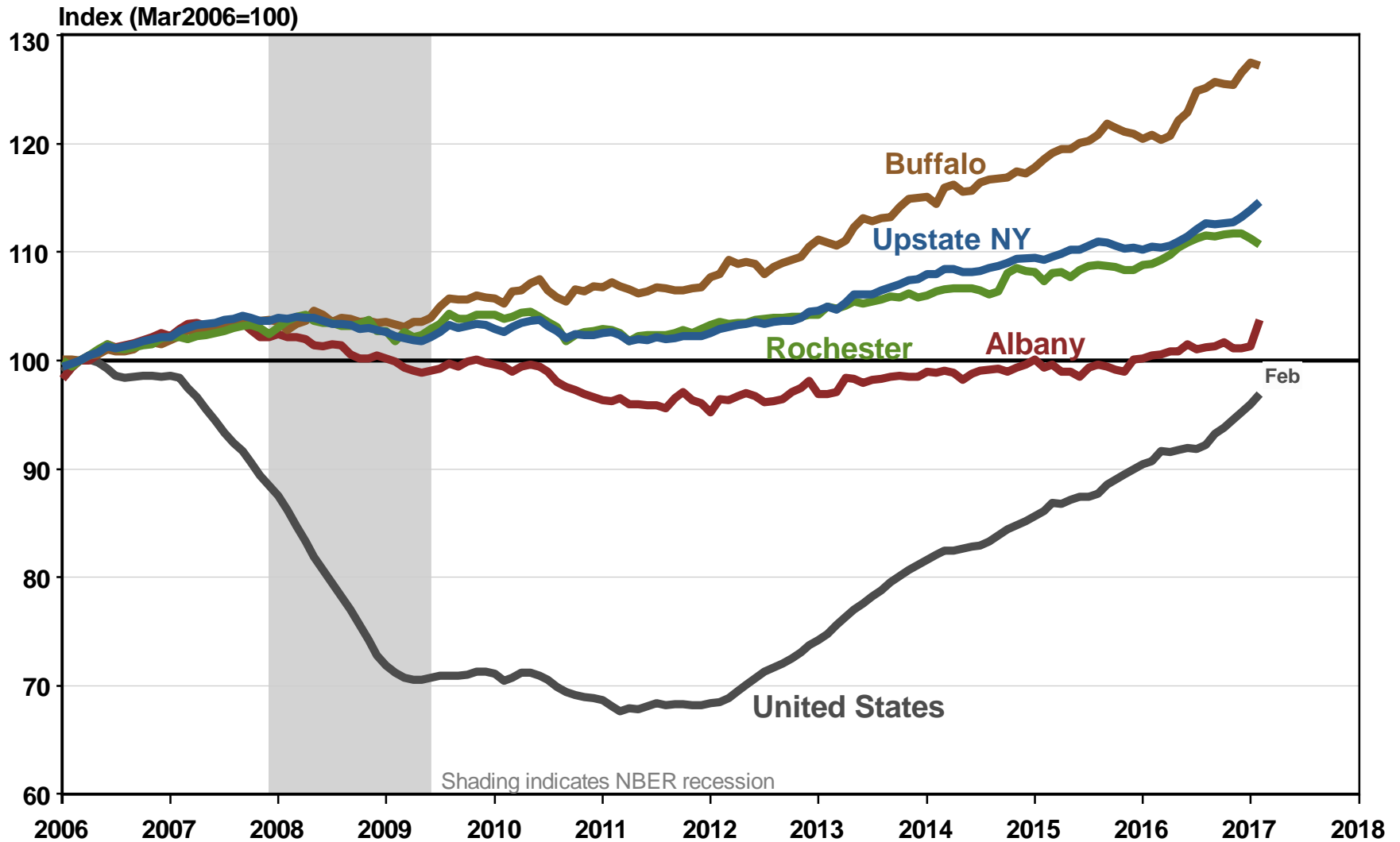
Home Prices

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