



**Upstate New York Regional Advisory Council Meeting
Federal Reserve Bank of New York
33 Liberty Street
10F, Paul Volcker Boardroom
Wednesday, June 28, 2017**

AGENDA

10:30am-10:40am Introductory Remarks & Welcome to New Board Member
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, 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
Wednesday, June 28, 2017**

ATTENDEE LIST

Board Members

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

Kenneth M. Franasiak
Chairman
Calamar

William Gisell
President & CEO
Rich Products Corporation

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

Dr. Anne Kress
President
Monroe Community College

James P. Laurito
President
Central Hudson Electric & Gas

Jordan Levy
NY Partner
Softbank Capital

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

Carlos Unanue
President
Goya de Puerto Rico, Inc.

Federal Reserve Bank of New York

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

President
First Vice 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
Director, Community Engagement, Outreach & Education
Associate, Community Engagement, Outreach & Education
Associate, Legal



FEDERAL RESERVE BANK *of* NEW YORK

US Macro Overview

June 28, 2017

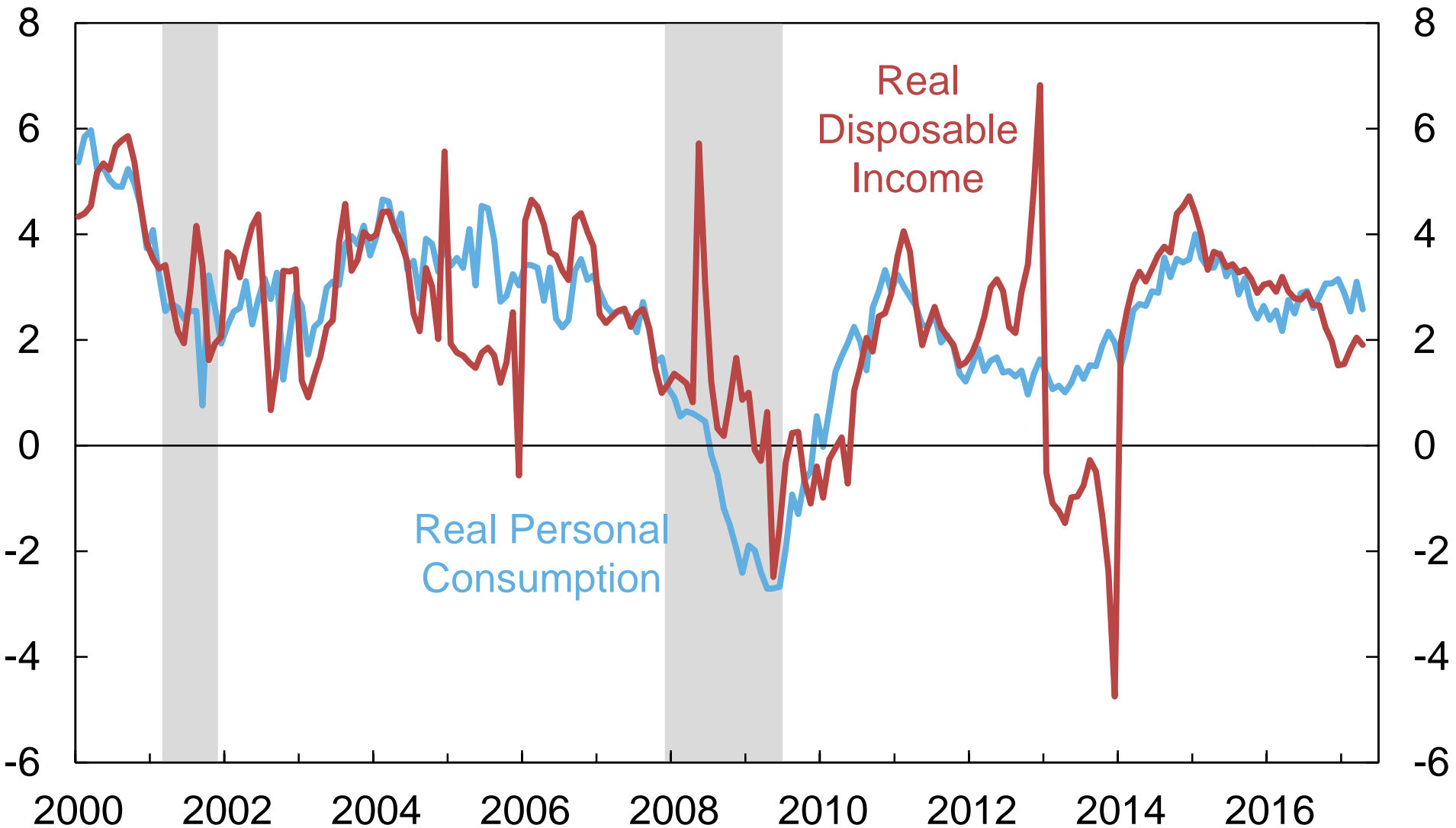
Overview

- US economy likely grew around 2% (annual rate) over the first half of 2017, the same as in 2015 and 2016.
 - Consumer spending and housing leading the economy, business investment remains sluggish.
- Several indicators suggest that the economy is at or near full employment, leading the FOMC to begin to gradually increase the federal funds rate.
- However, underlying inflation remains below the FOMC's objective of 2%, and in recent months has begun to slow.
 - The question policy makers and markets are struggling with is whether this recent slow is due to transitory factors or something more fundamental.

Disposable Income and Consumption

12 Month % Change

12 Month % Change



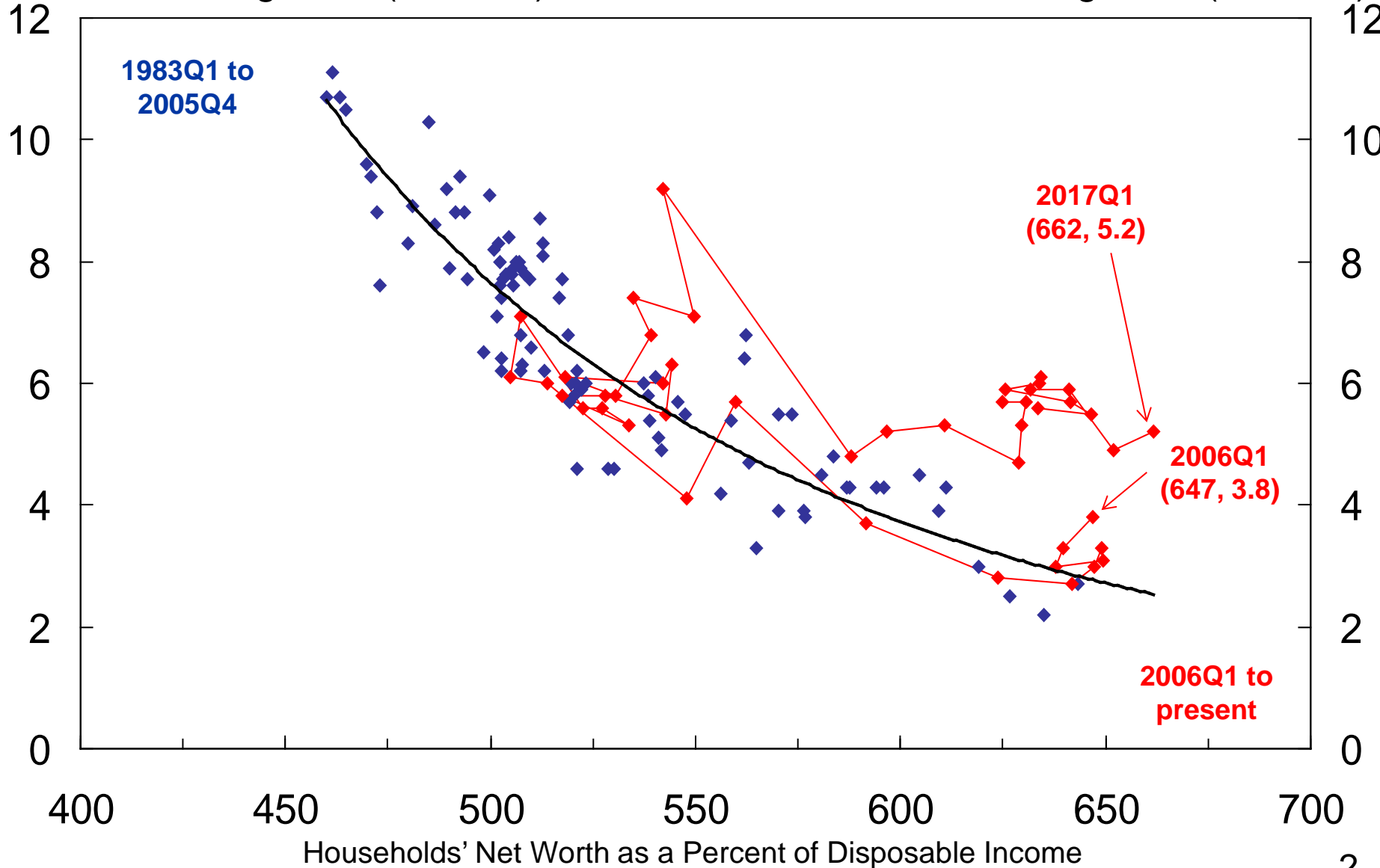
Source: Bureau of Economic Analysis,
Federal Reserve Board via Haver Analytics

Note: Shading shows NBER recessions.

Personal Saving Rate and Household Net Worth

Personal Saving Rate (Percent)

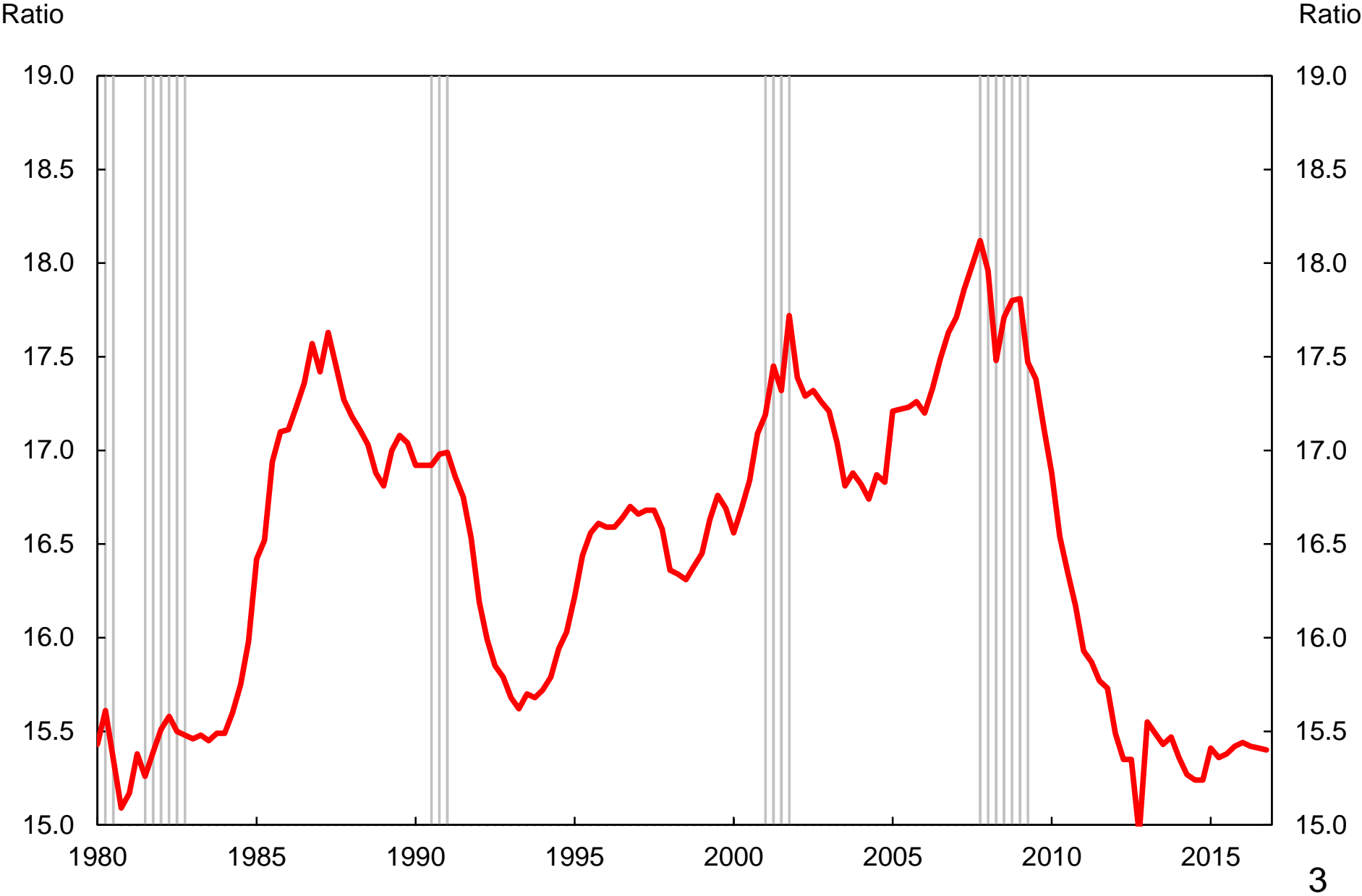
Personal Saving Rate (Percent)



Source: Bureau of Economic Analysis and Federal Reserve Board

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

Household Financial Obligation Ratio

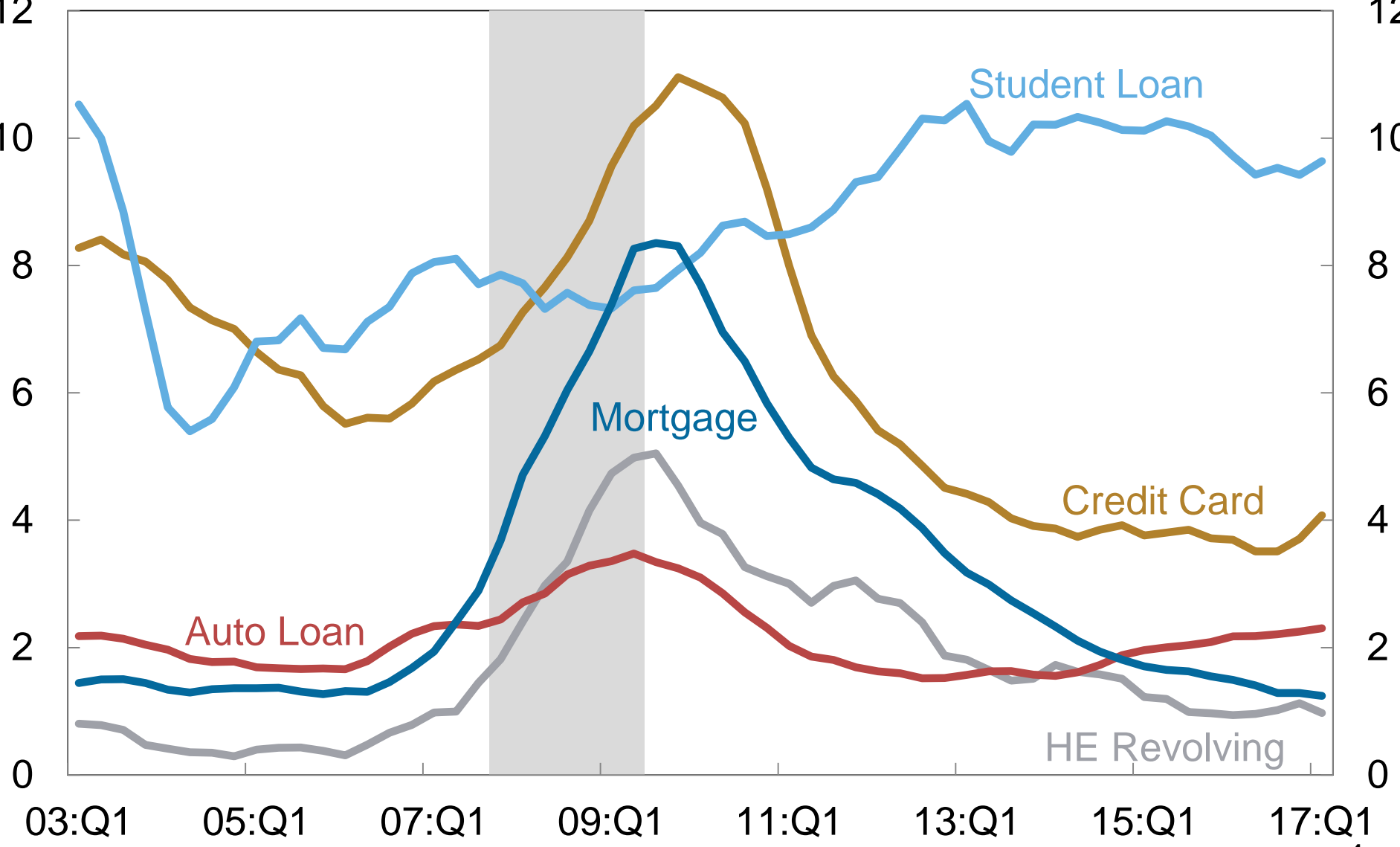


Source: Federal Reserve Board

Transition into Delinquency (90+ days) by Loan Type

Percent of Balance

Percent of Balance



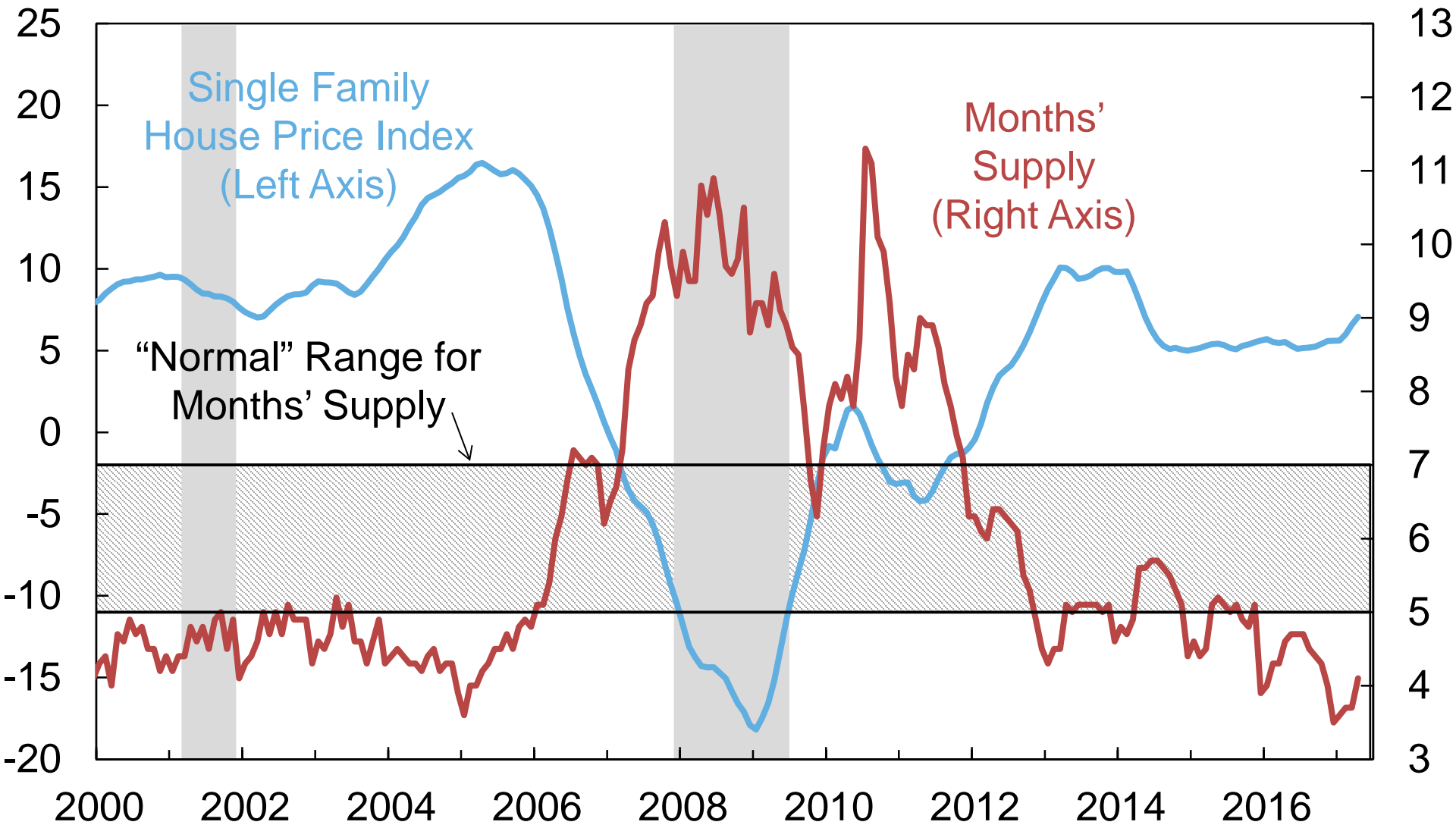
Source: New York Fed Consumer Credit Panel/Equifax

Note: 4 Quarter Moving Sum; Shading shows NBER recessions

Single Family Housing Market

12 Month % Change

Months



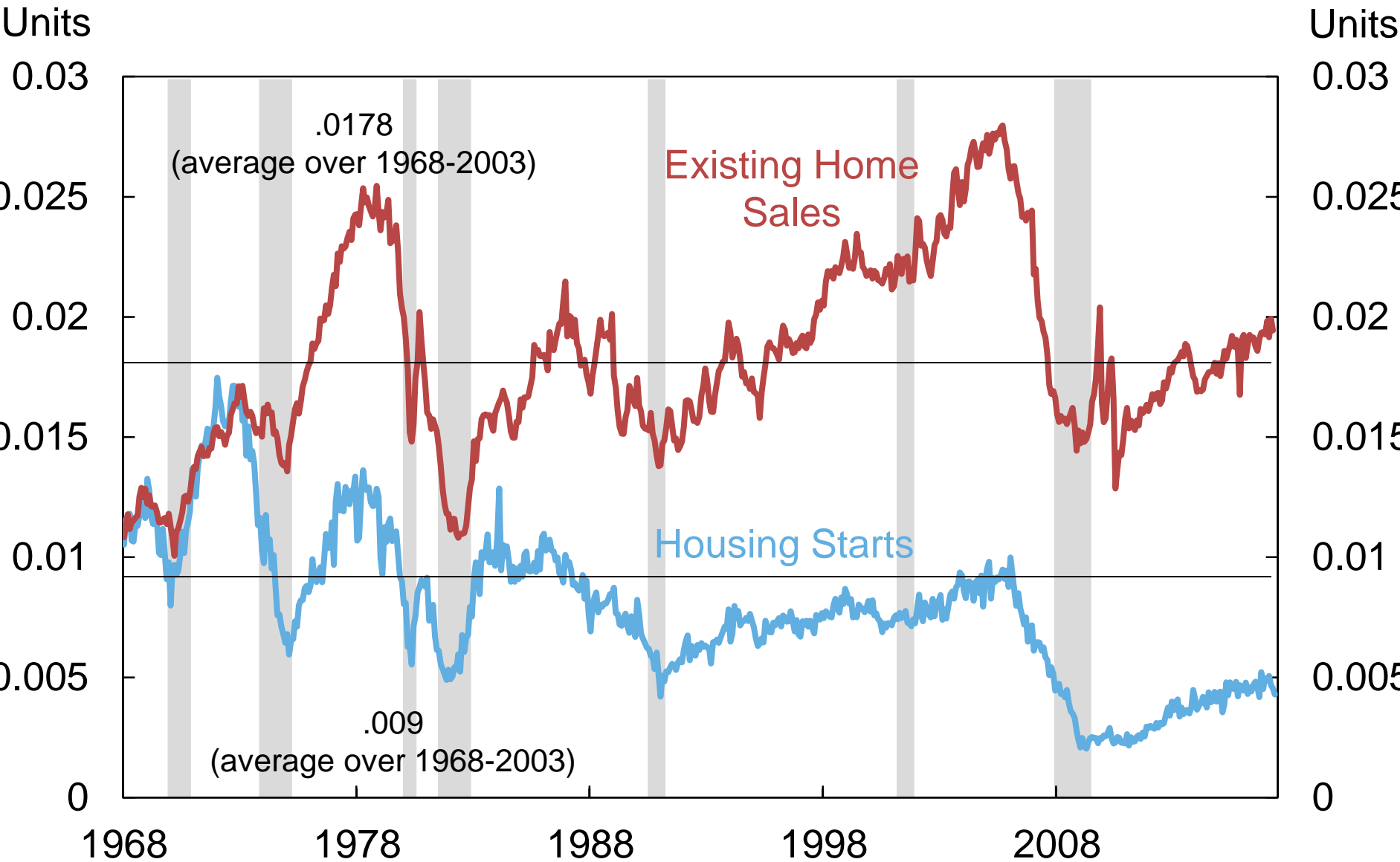
"Normal" Range for Months' Supply

Months' Supply (Right Axis)

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

Note: Shading shows NBER recessions.

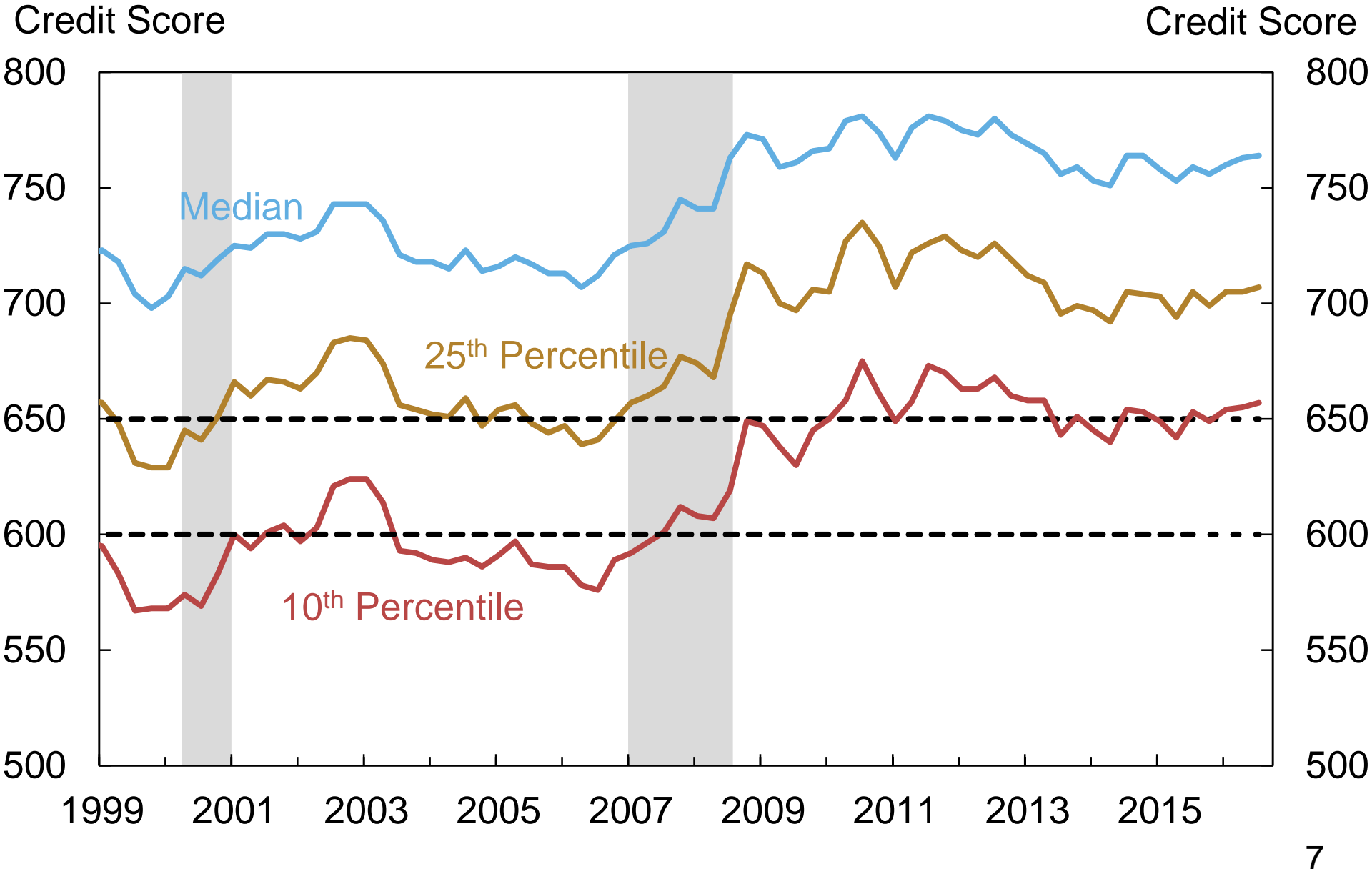
Housing Starts and Existing Homes Sales Per Capita



Source: BLS, Census Bureau, NAR

Note: Shading shows NBER recessions.

Credit Score at Mortgage Origination



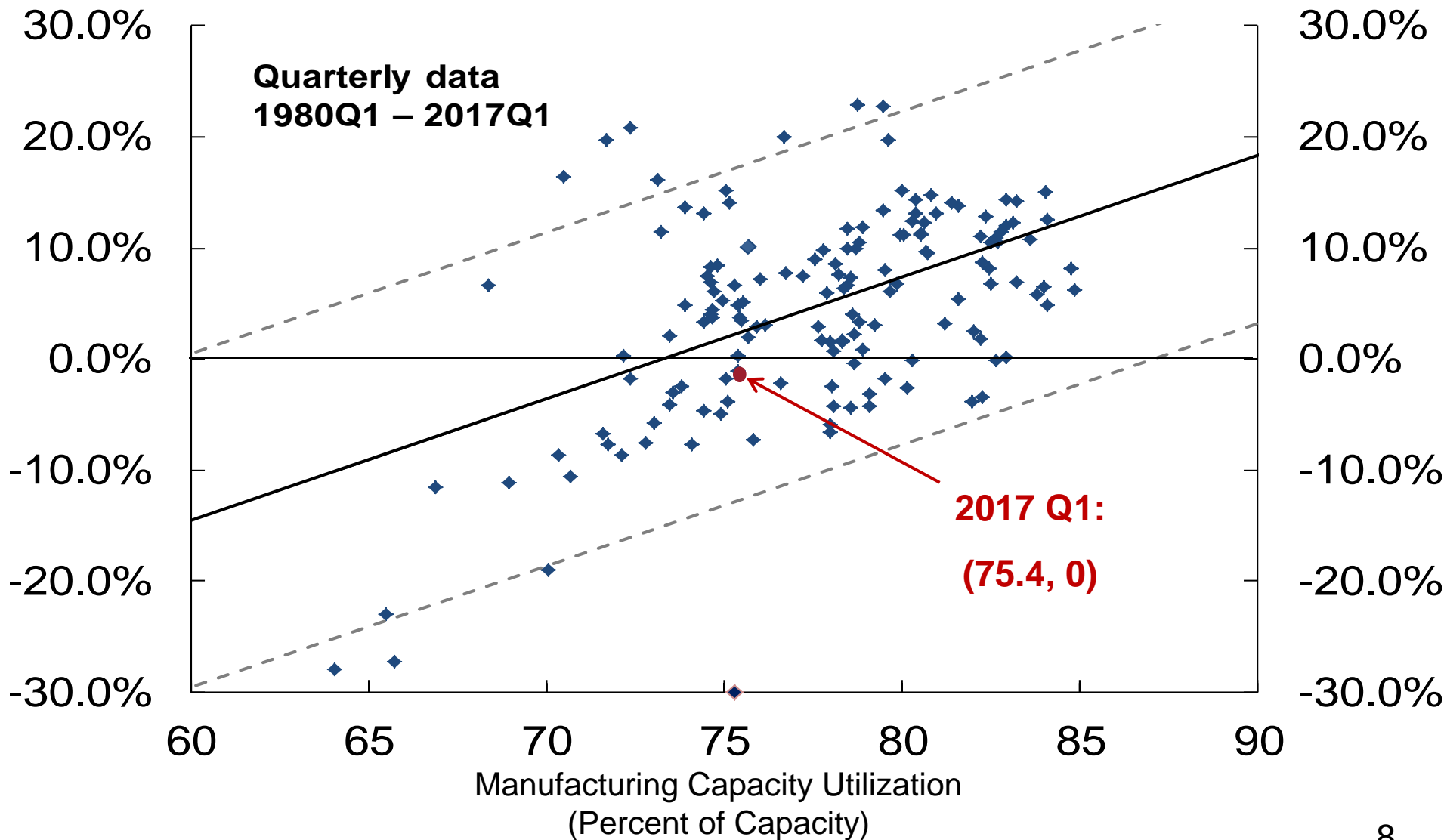
Source: FRBNY / Consumer Credit Panel

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)

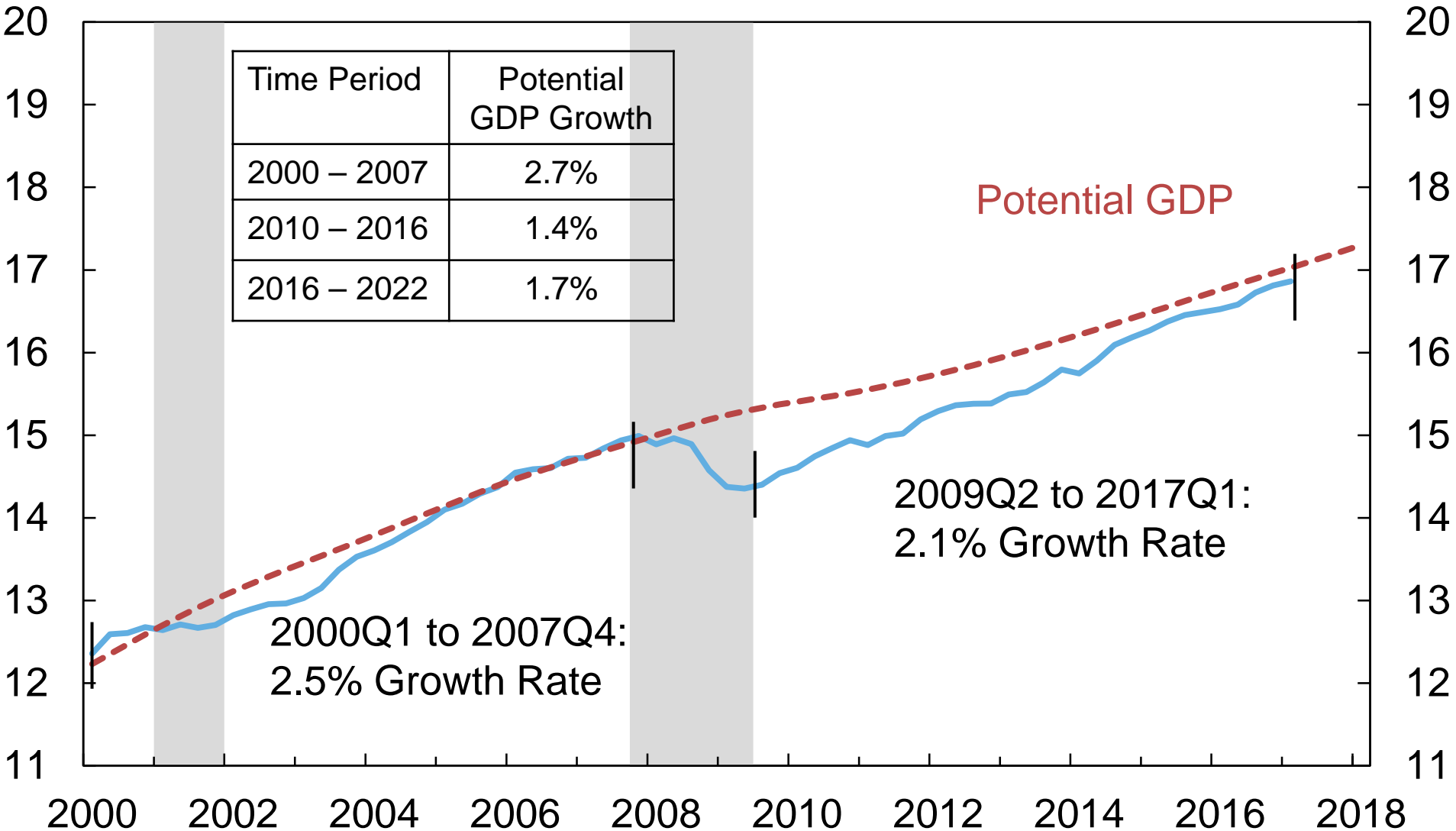


Source: Federal Reserve Board, Bureau of Economic Analysis

GDP

Trillions of 2009 US\$

Trillions of 2009 US\$



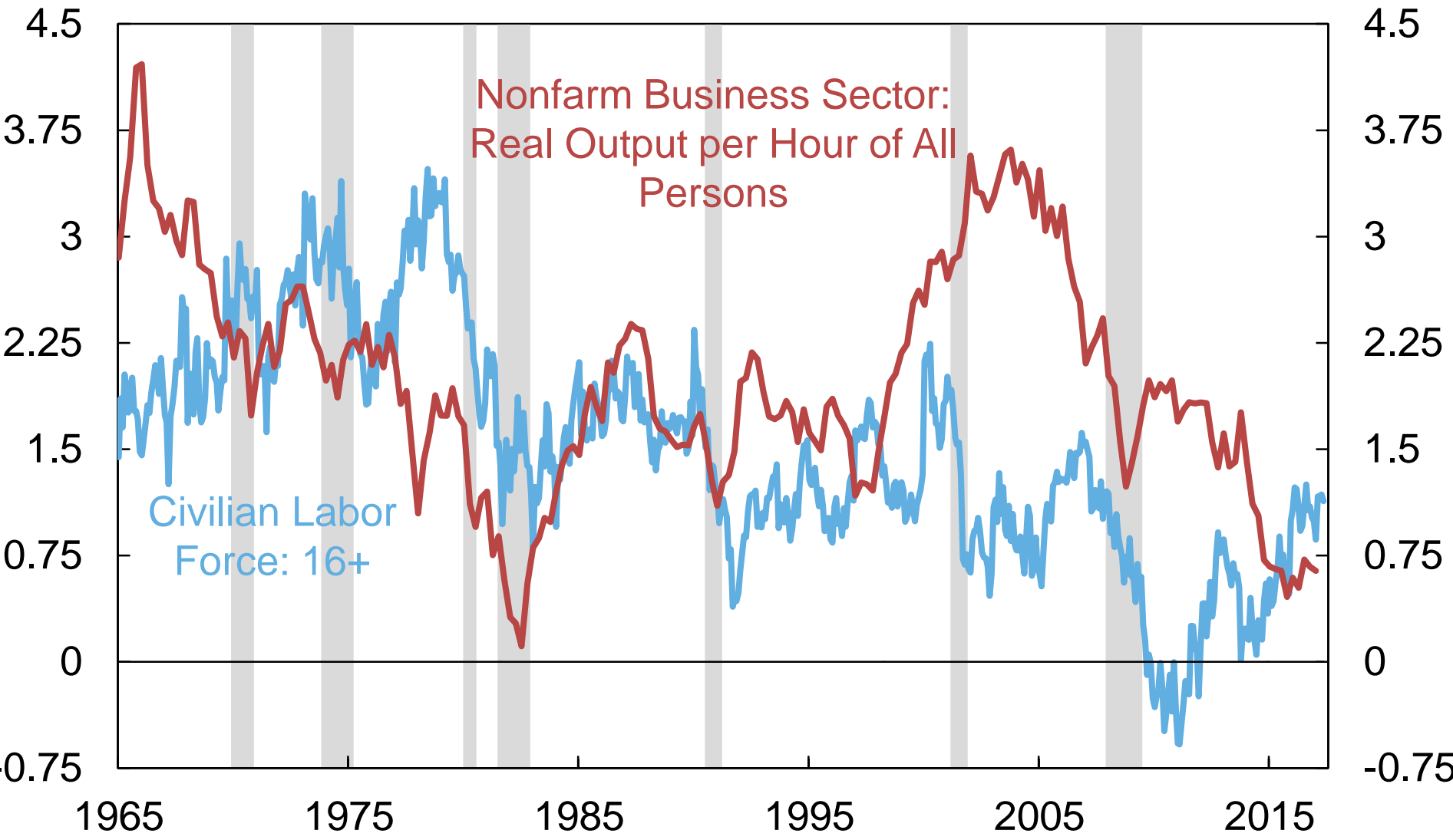
Source: Bureau of Economic Analysis,
Congressional Budget Office via Haver Analytics

Note: Shading shows NBER recessions.

Labor Force and Nonfarm Business Sector Real Output

20-Qtr %Change-annualized

20-Qtr %Change-annualized



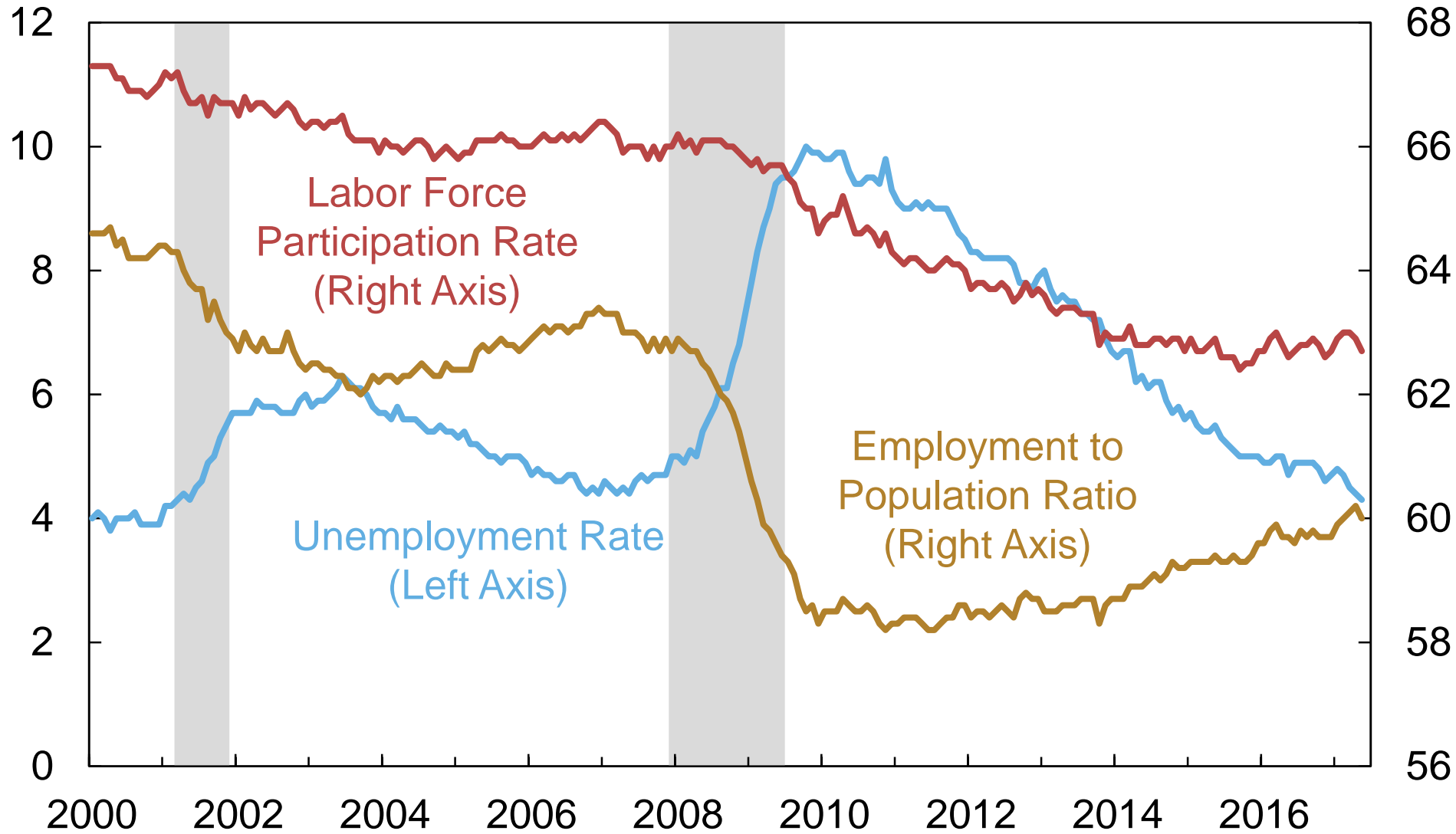
Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

Labor Market Indicators

Percent

Percent



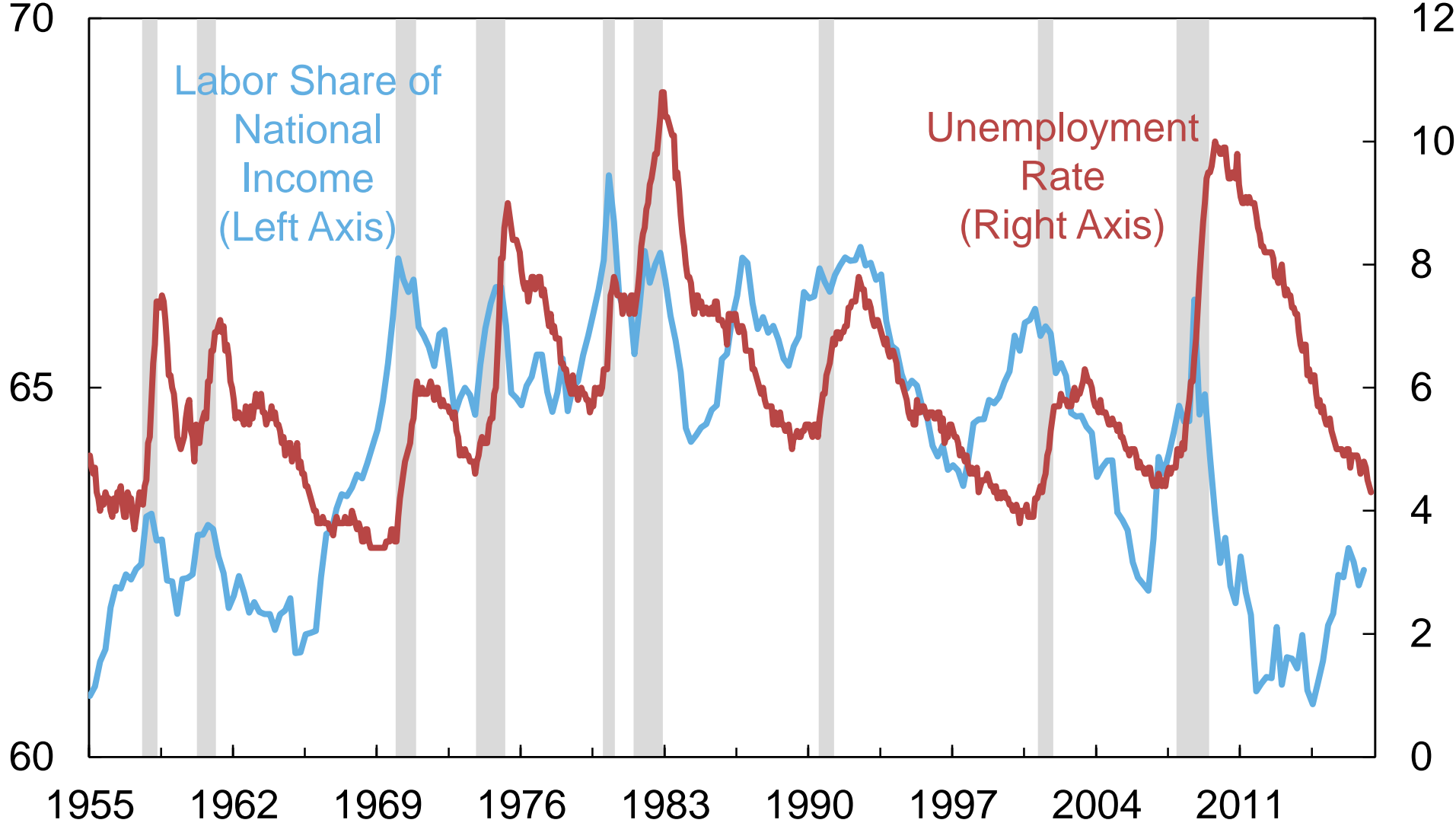
Source: Bureau of Labor Statistics
via Haver Analytics

Note: Shading shows NBER recessions.

Labor Share of National Income and Unemployment Rate

Percent

Rate



Source: Bureau of Economic Analysis,
Bureau of Labor Statistics

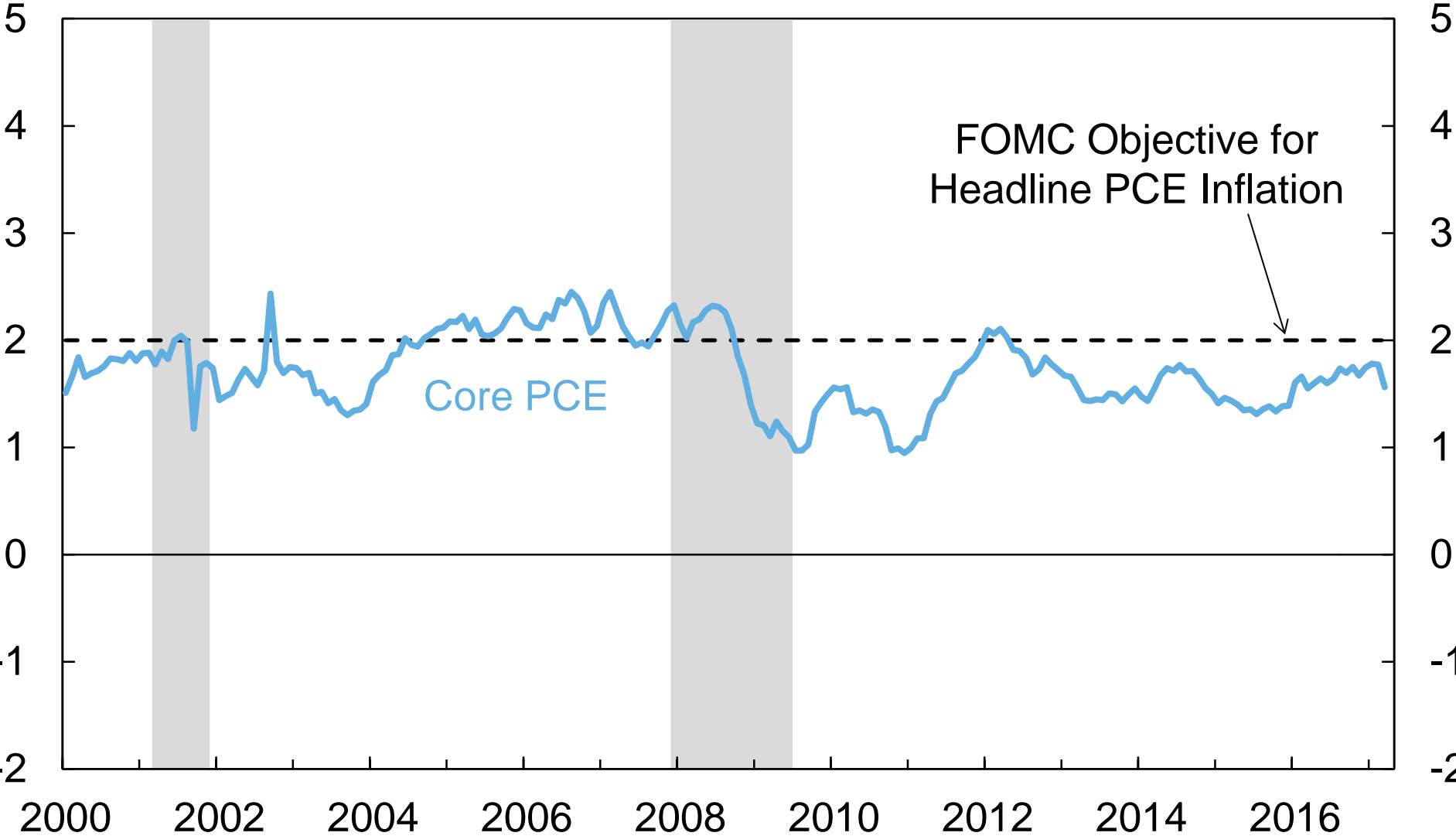
Note: Shading shows NBER recessions.

12

Measure of Underlying PCE Price Inflation

12 Month % Change

12 Month % Change



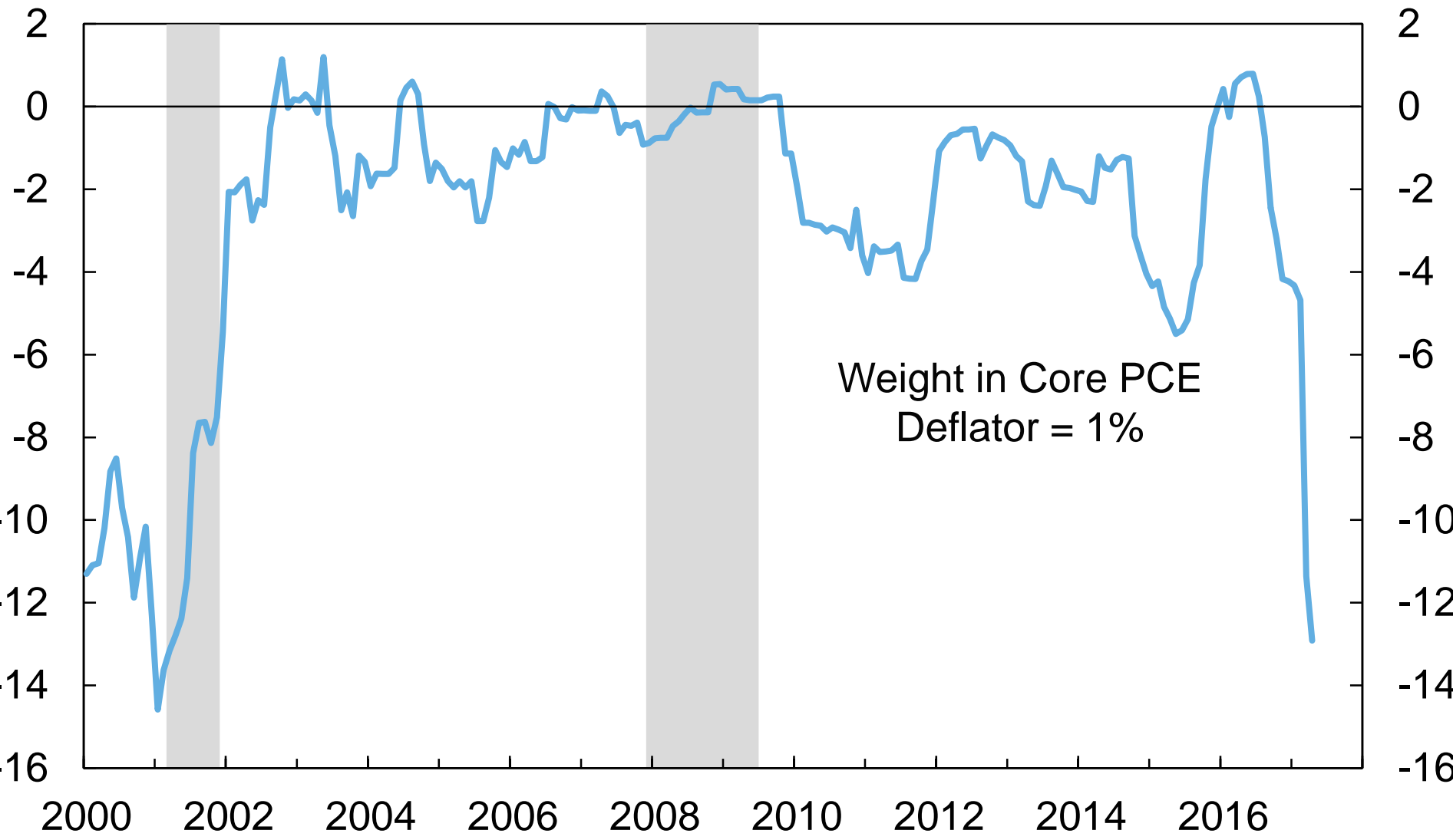
Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.

Cellular Telephone Price Index

12 Month % Change

12 Month % Change



Weight in Core PCE
Deflator = 1%

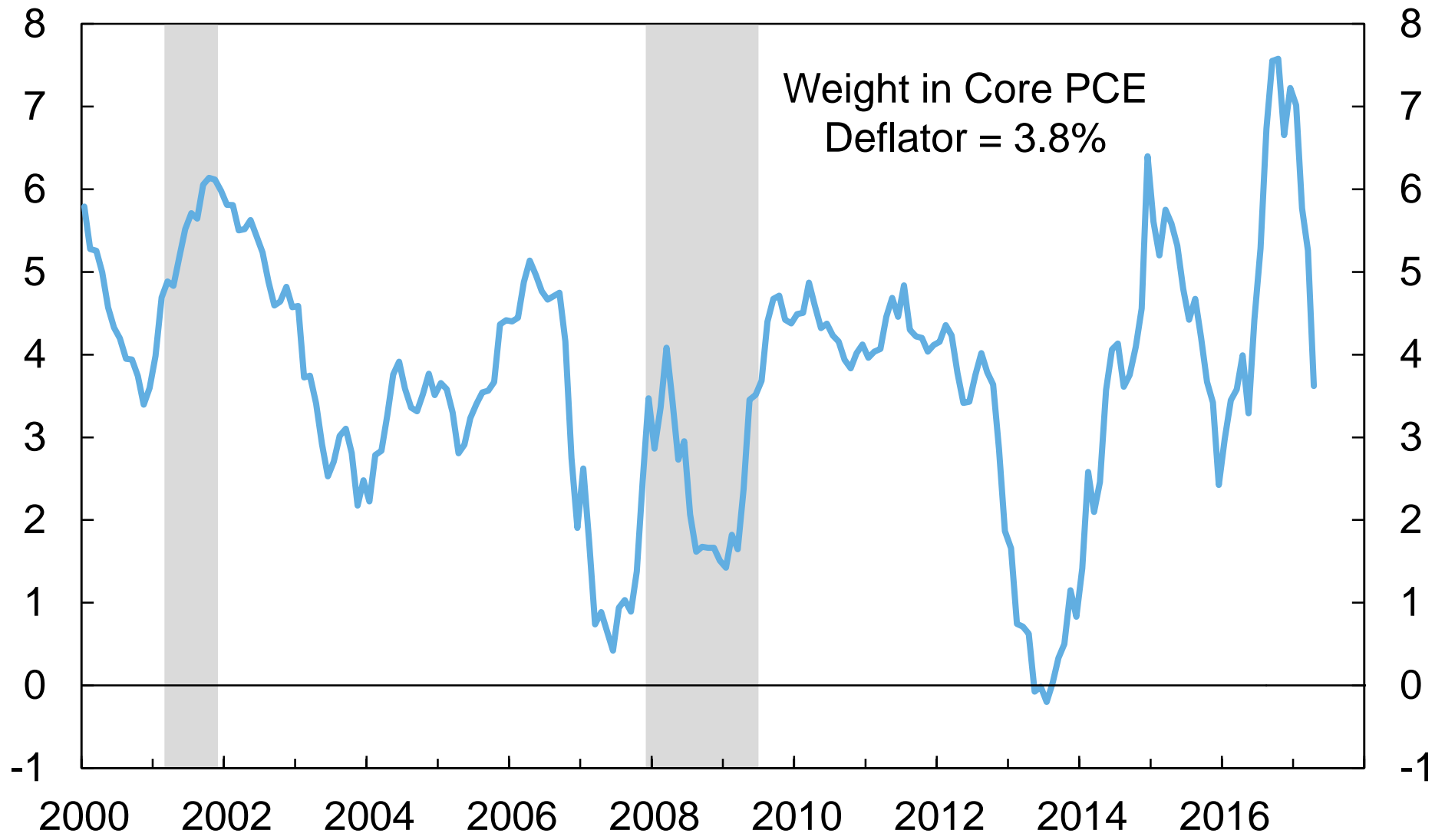
Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.

Prescription Drug Price Index

12 Month % Change

12 Month % Change



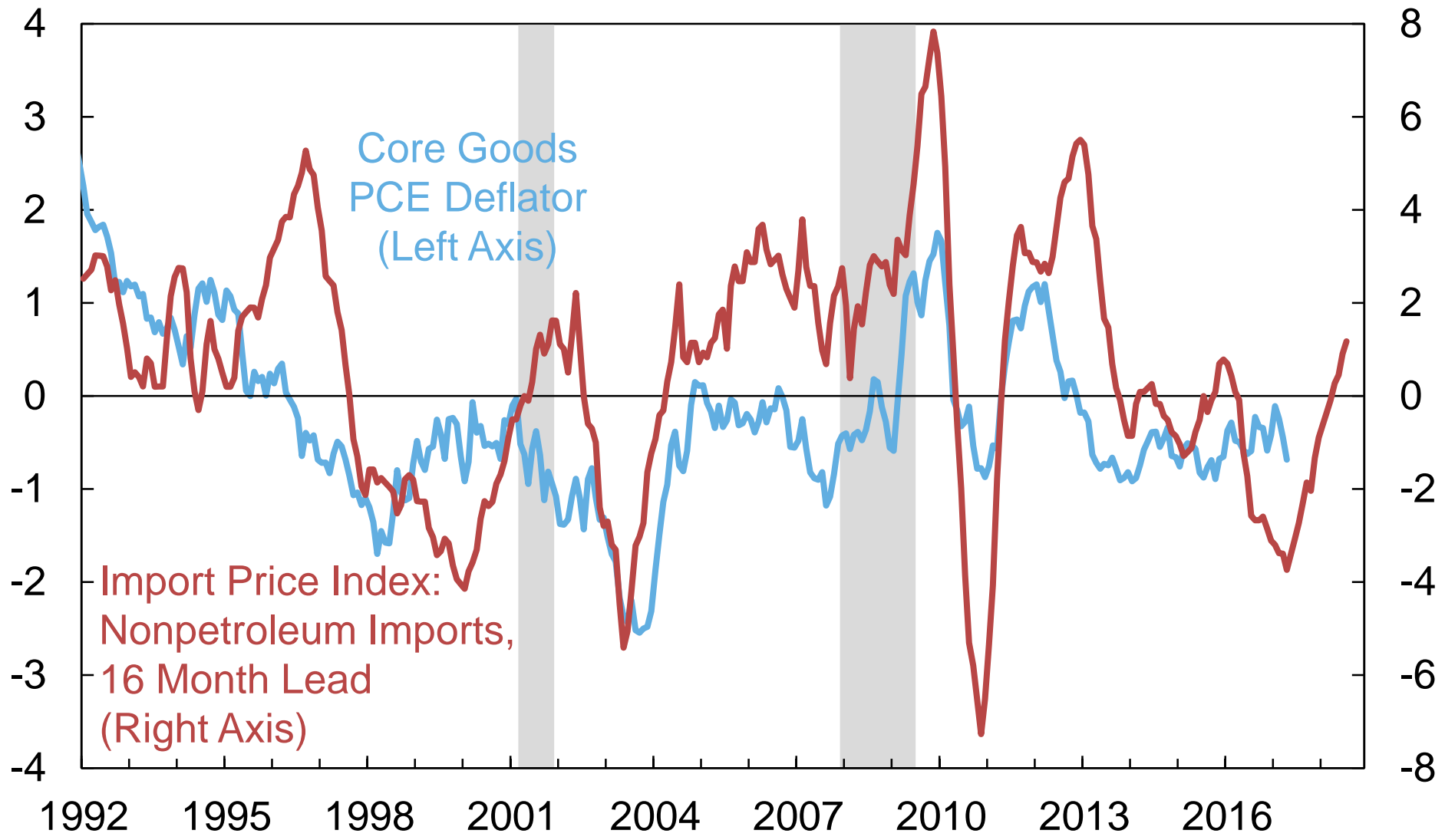
Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.

Core Goods PCE Deflator and Import Price Index

% Change – Year to Year

% Change – Year to Year



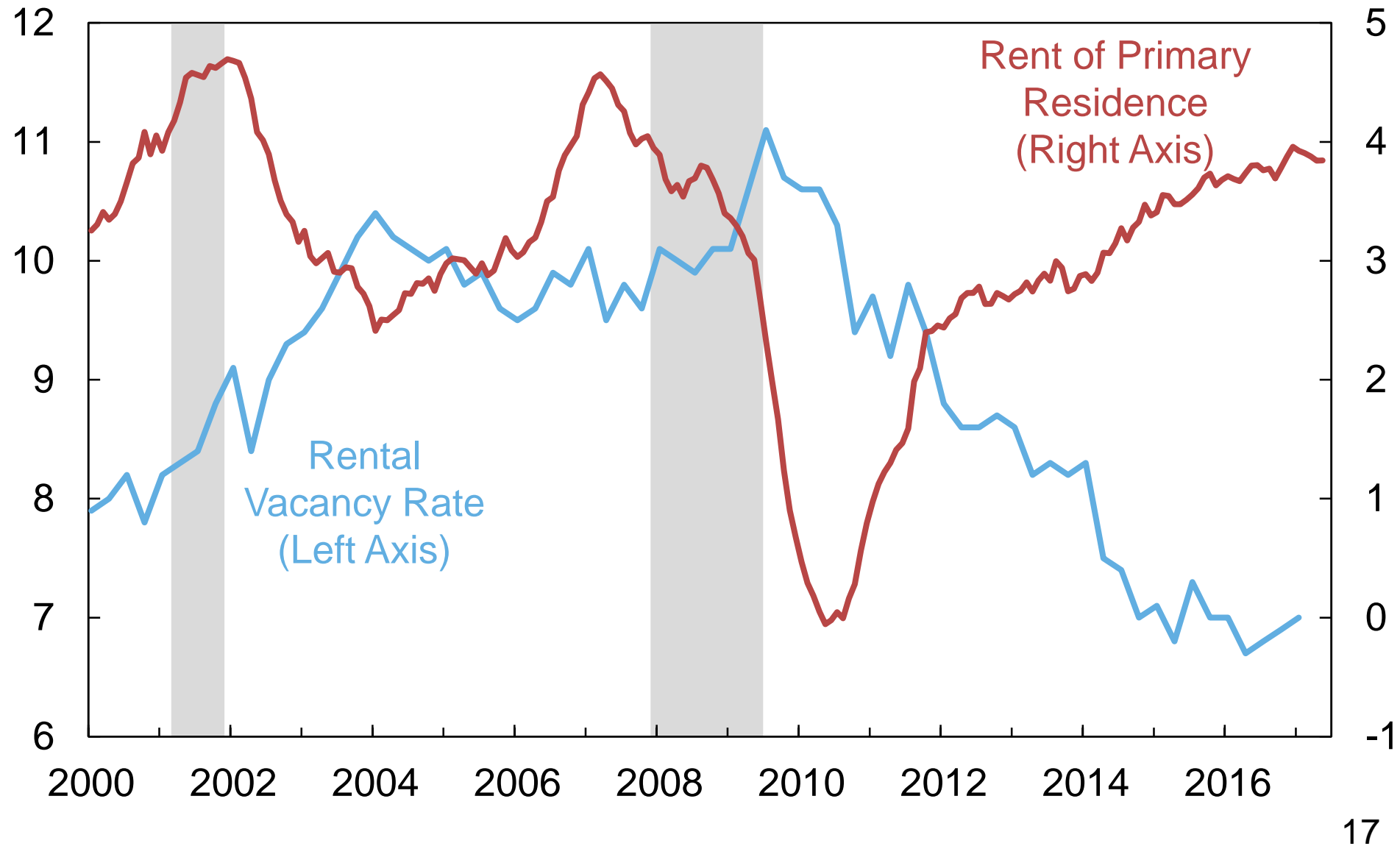
Source: Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

Rental Vacancy Rate and Rent of Primary Residence

Percent

12 Month % Change



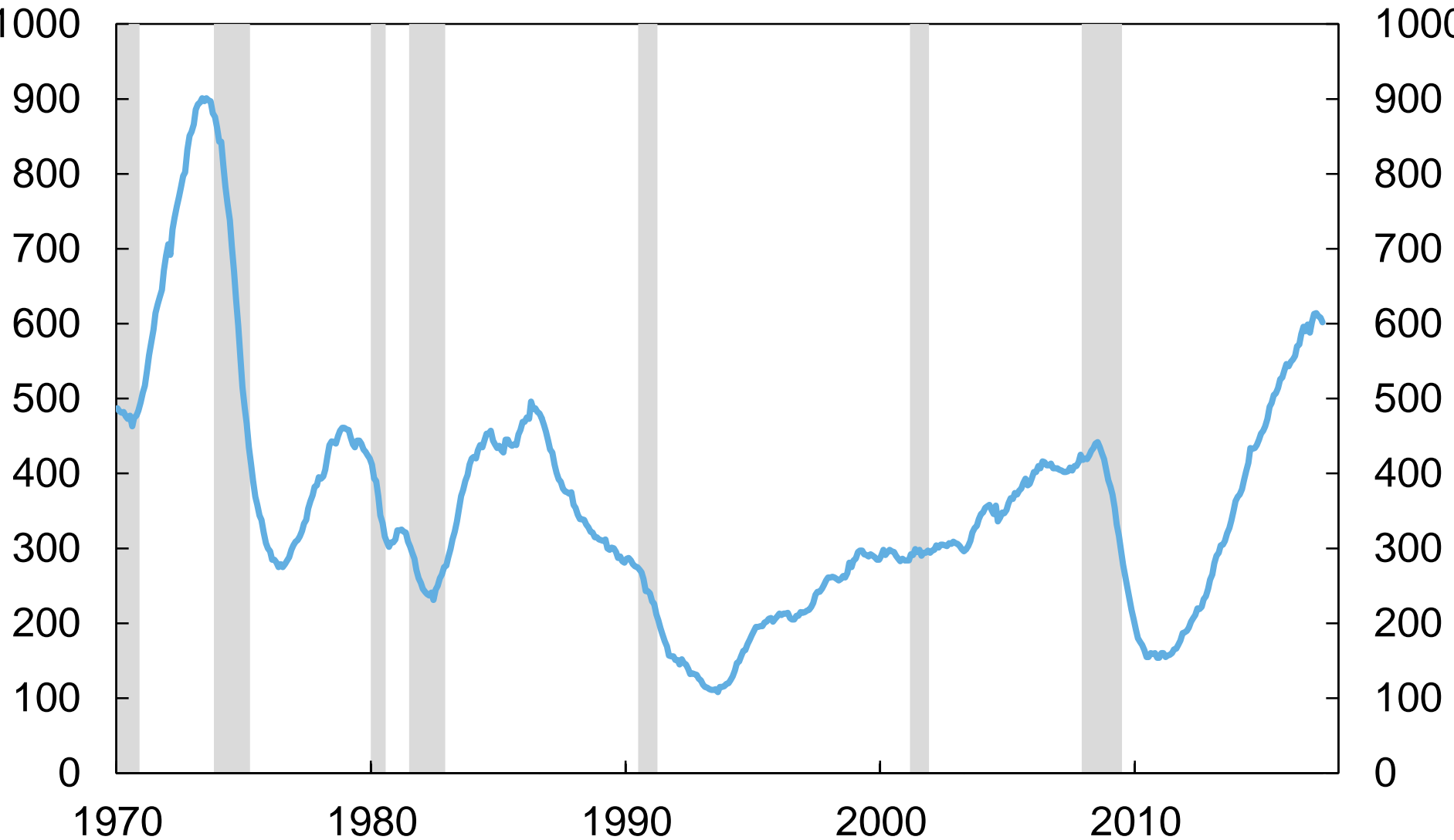
Source: Census Bureau, BLS via Haver Analytics

Note: Shading shows NBER recessions.

Housing Units Under Construction: 5 or More Units

Thousands of units

Thousands of units



Source: Census Bureau/Haver Analytics.

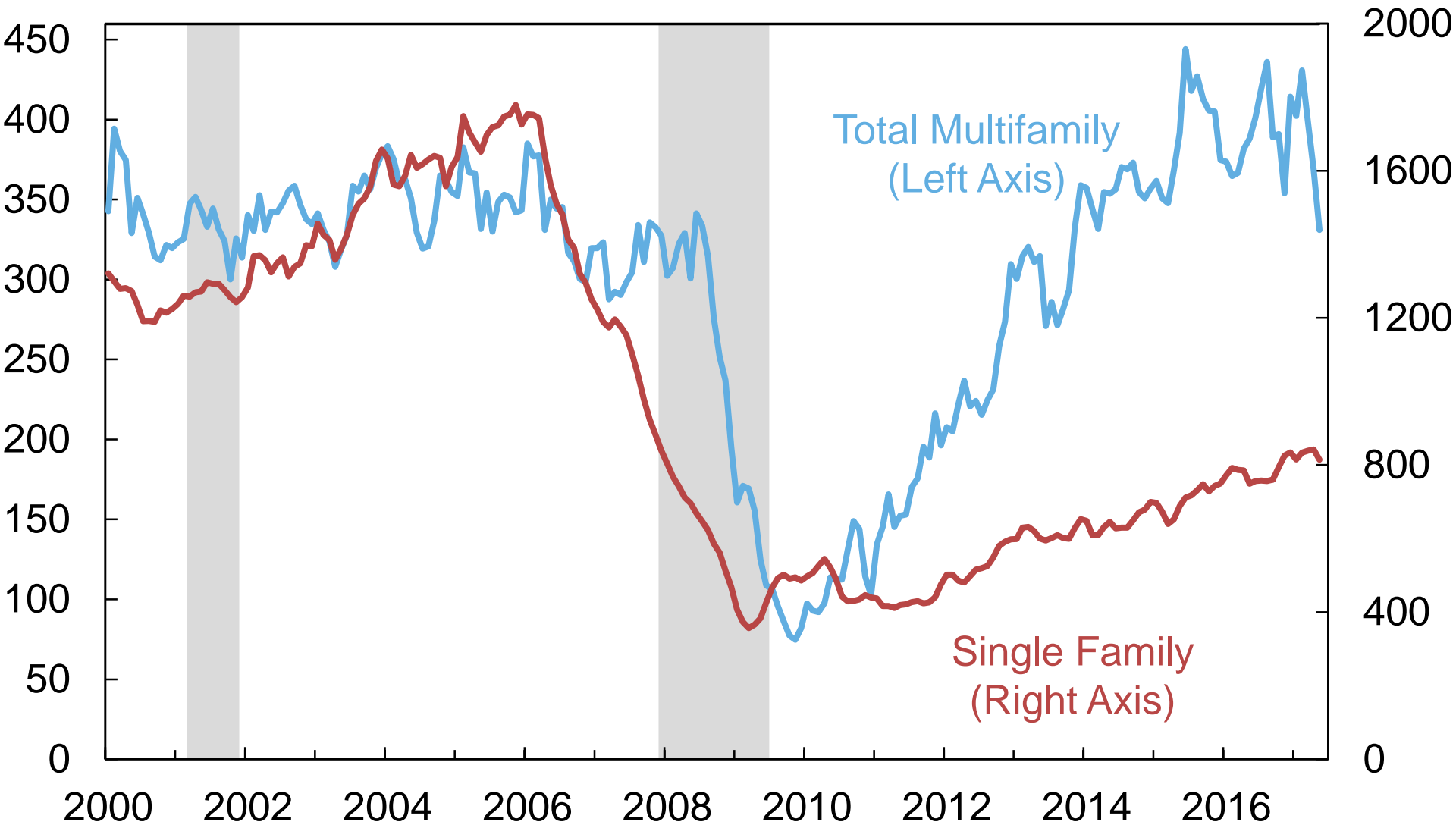
Note: Shading shows NBER recessions.

Reference Charts

Housing Starts

Thousands, 3 MMA

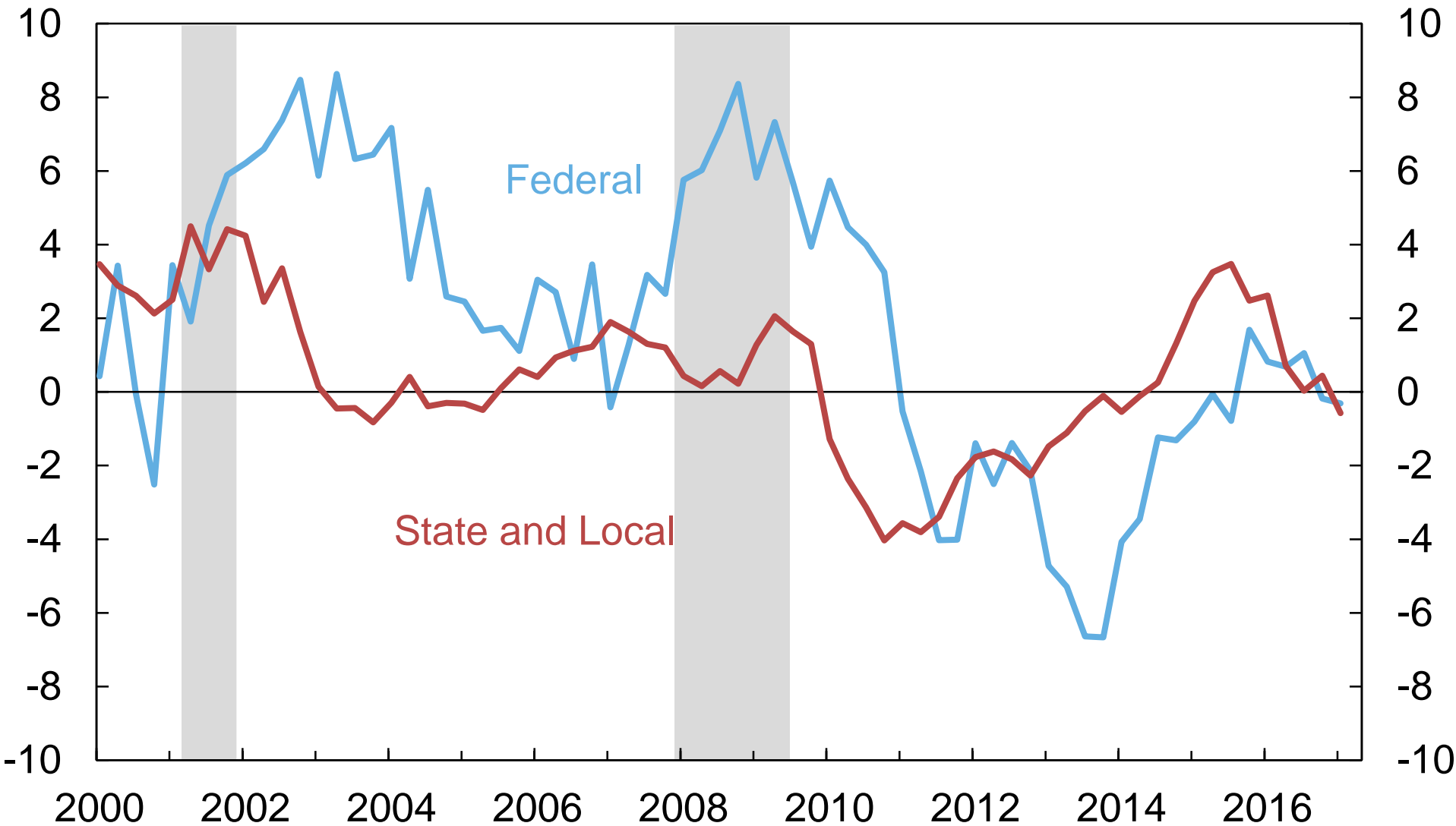
Thousands, 3 MMA



Real Government Consumption and Gross Investment

4 Quarter % Change

4 Quarter % Change



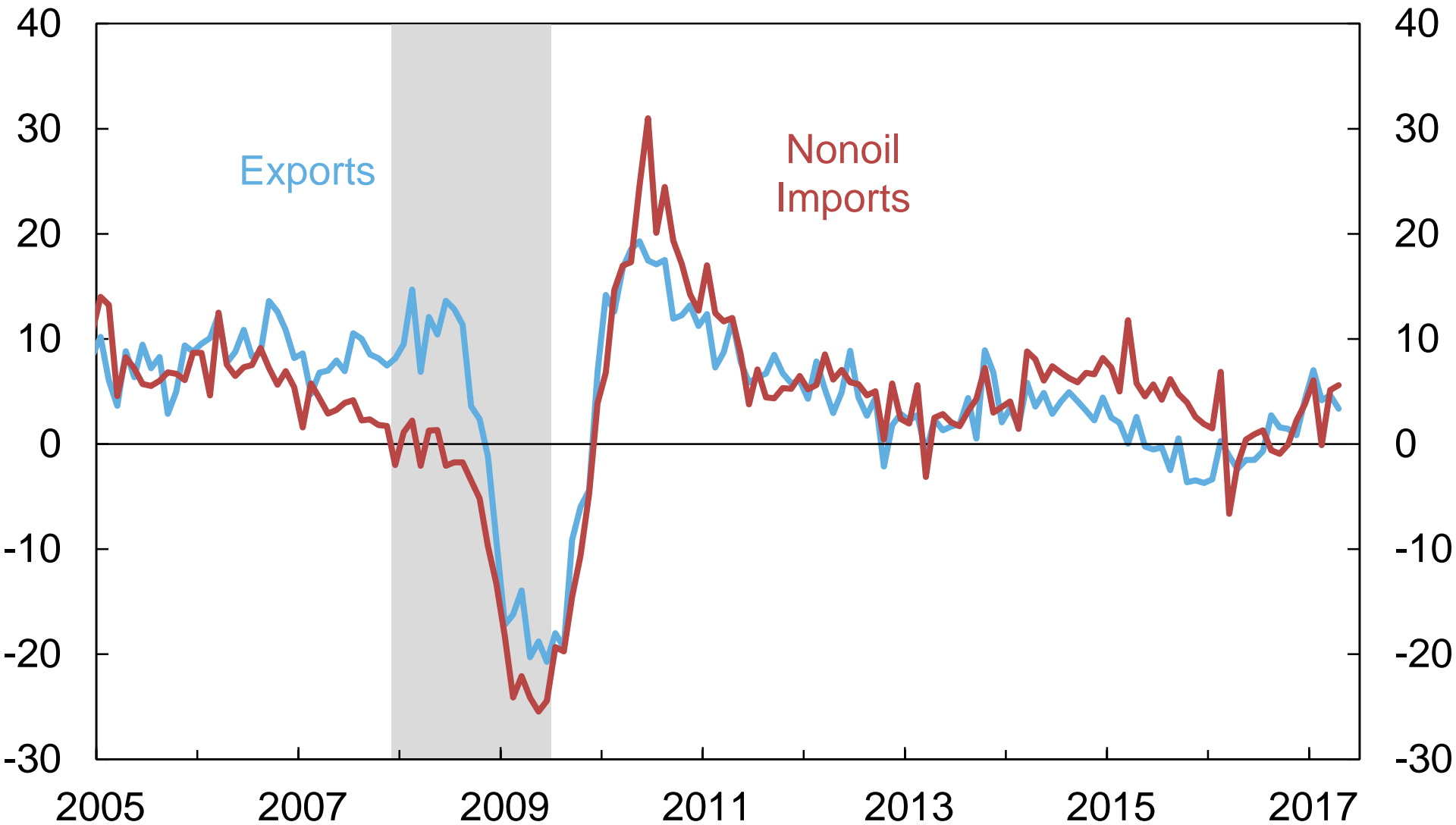
Source: Bureau of Economic Analysis
via Haver Analytics

Note: Shading shows NBER recessions.

Real Exports and Nonoil Imports of Goods

12 Month % Change

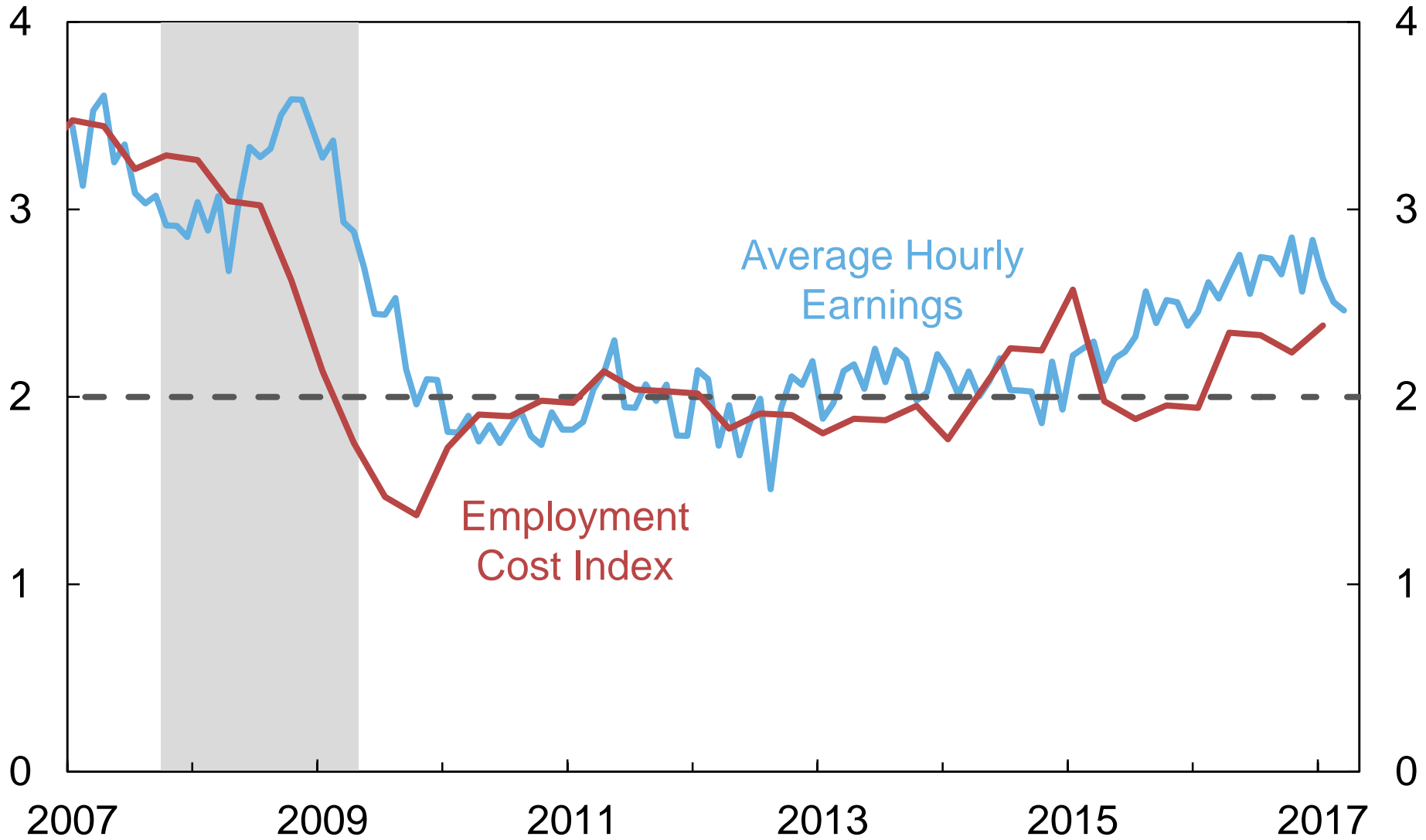
12 Month % Change



Growth of Average Hourly Earnings and ECI

Annual % change

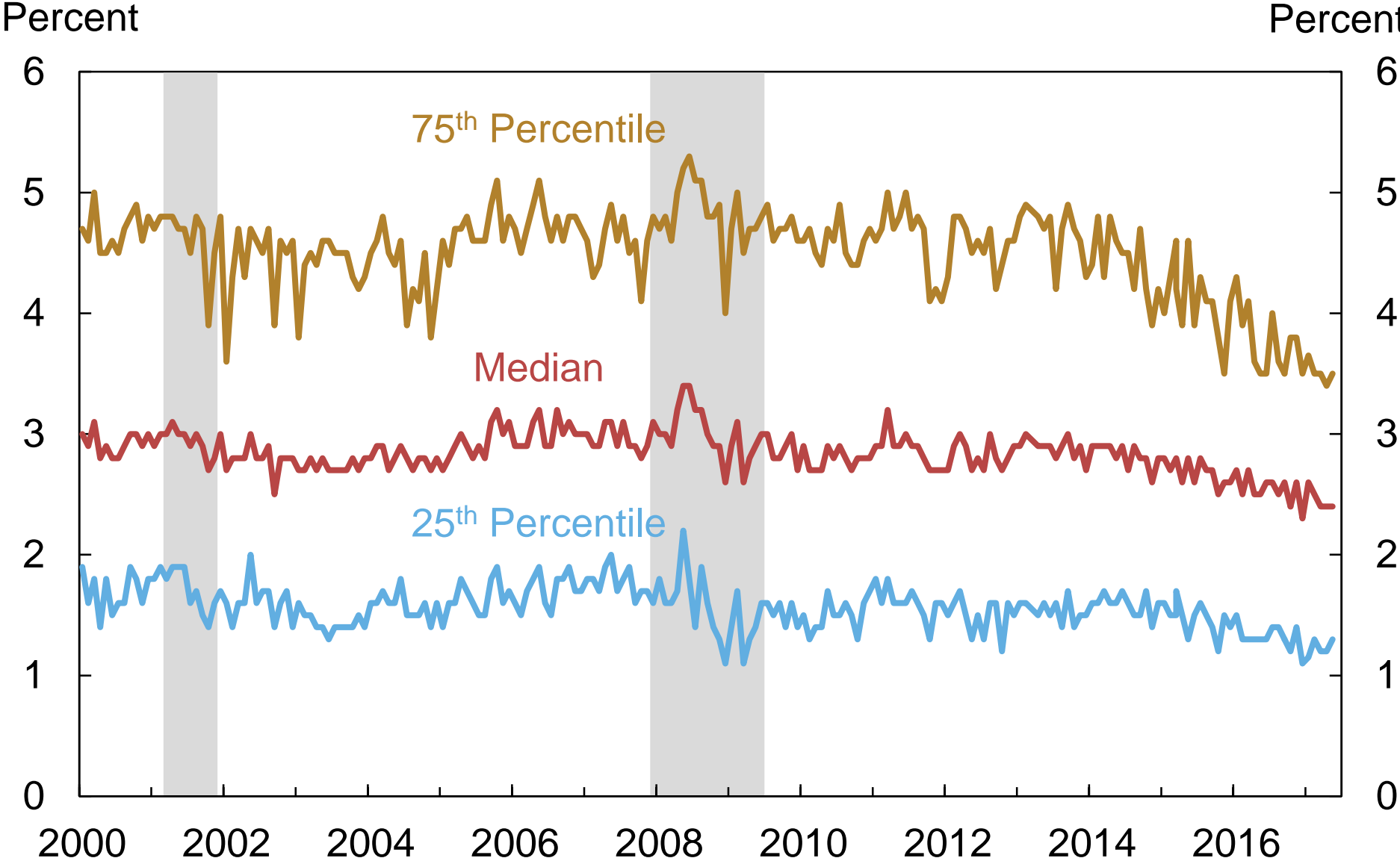
Annual % change



Source: Bureau of Labor Statistics
via Haver Analytics

Note: Shading shows NBER recessions.

Michigan Inflation Expectations 5 to 10 Years

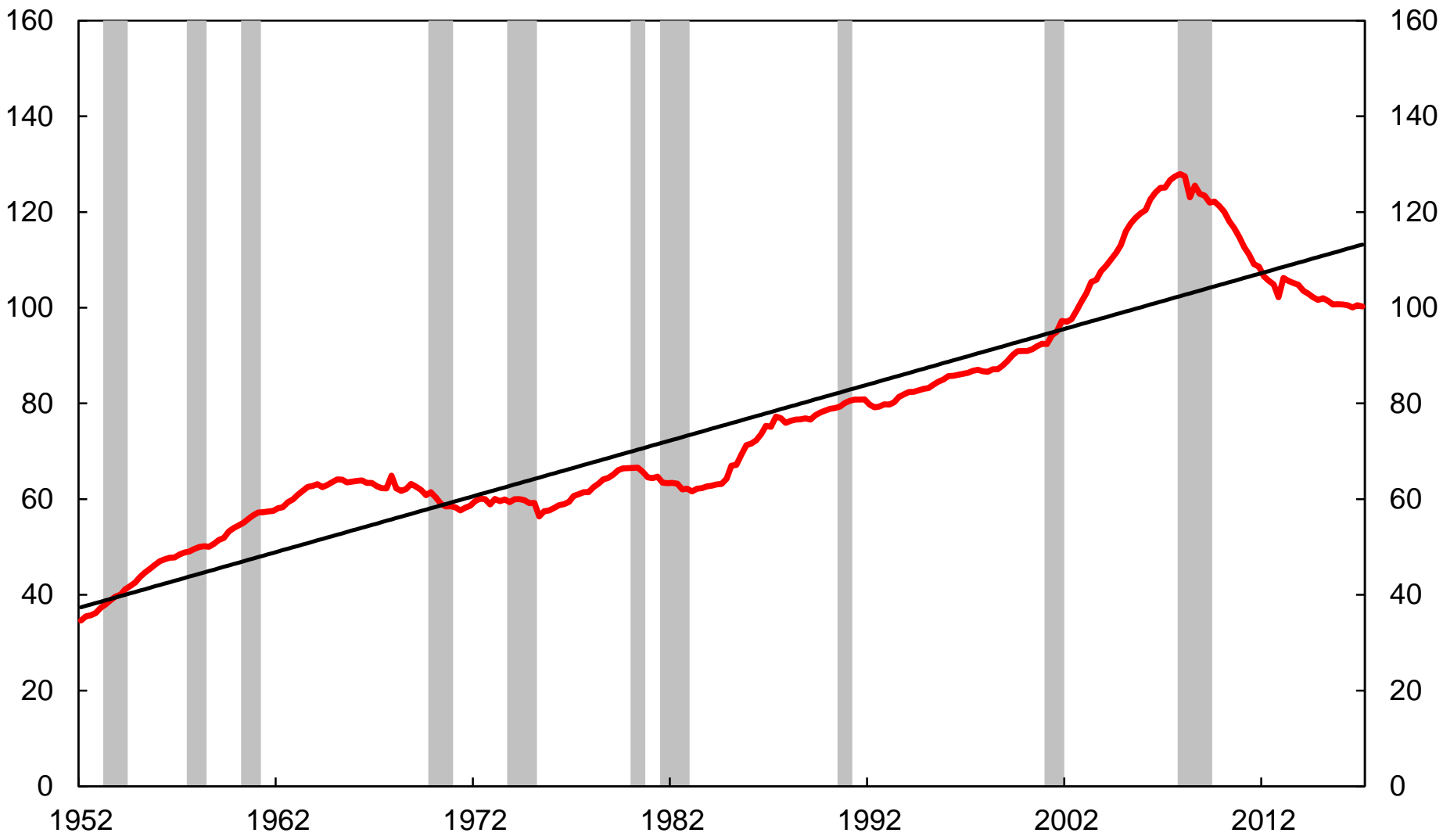


Source: University of Michigan

Note: Shading shows NBER recessions.

Household Liabilities over Disposable Personal Income

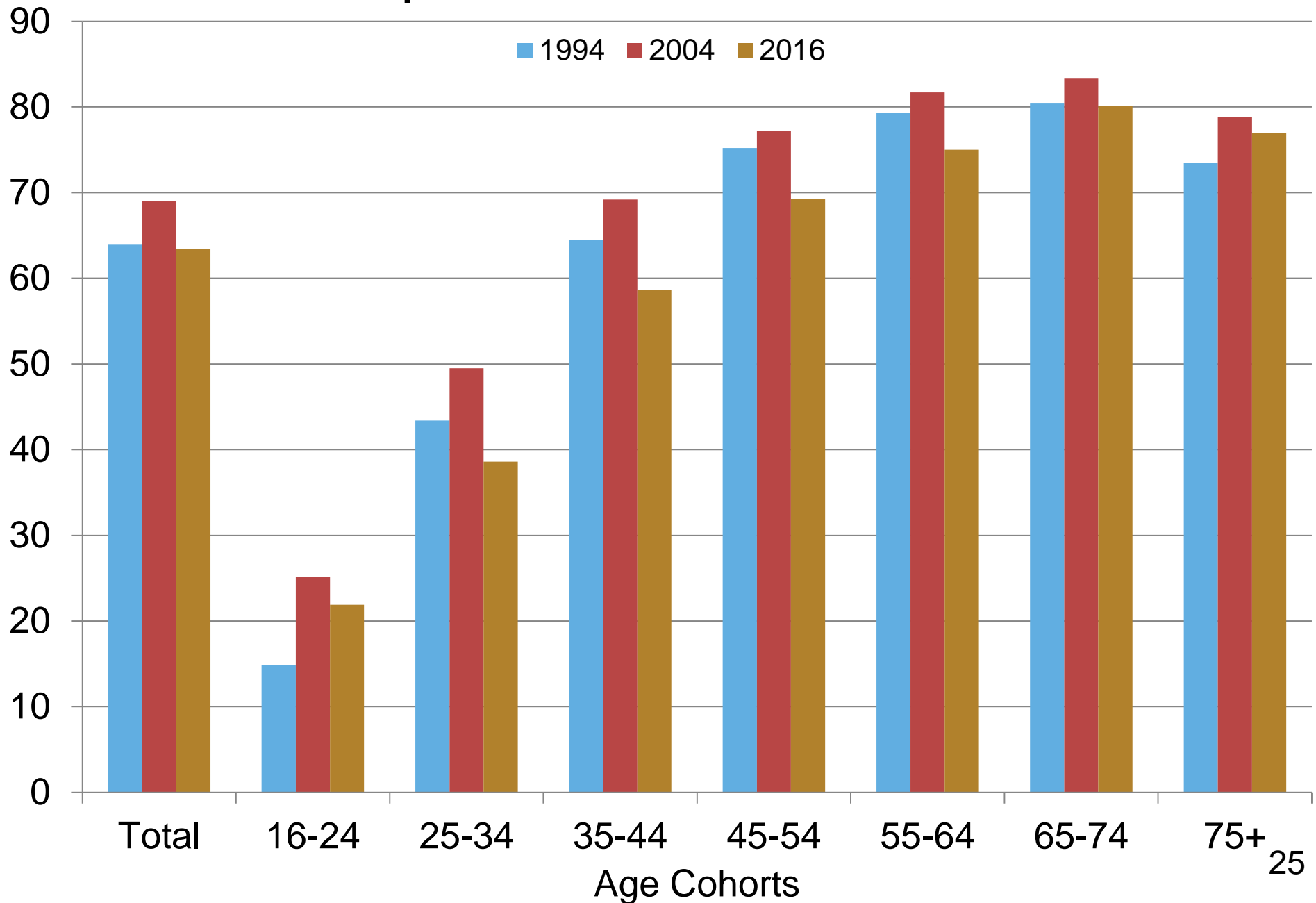
Percent Percent



Source: Federal Reserve Board

Note: Shading represents NBER recessions.

Homeownership Rate

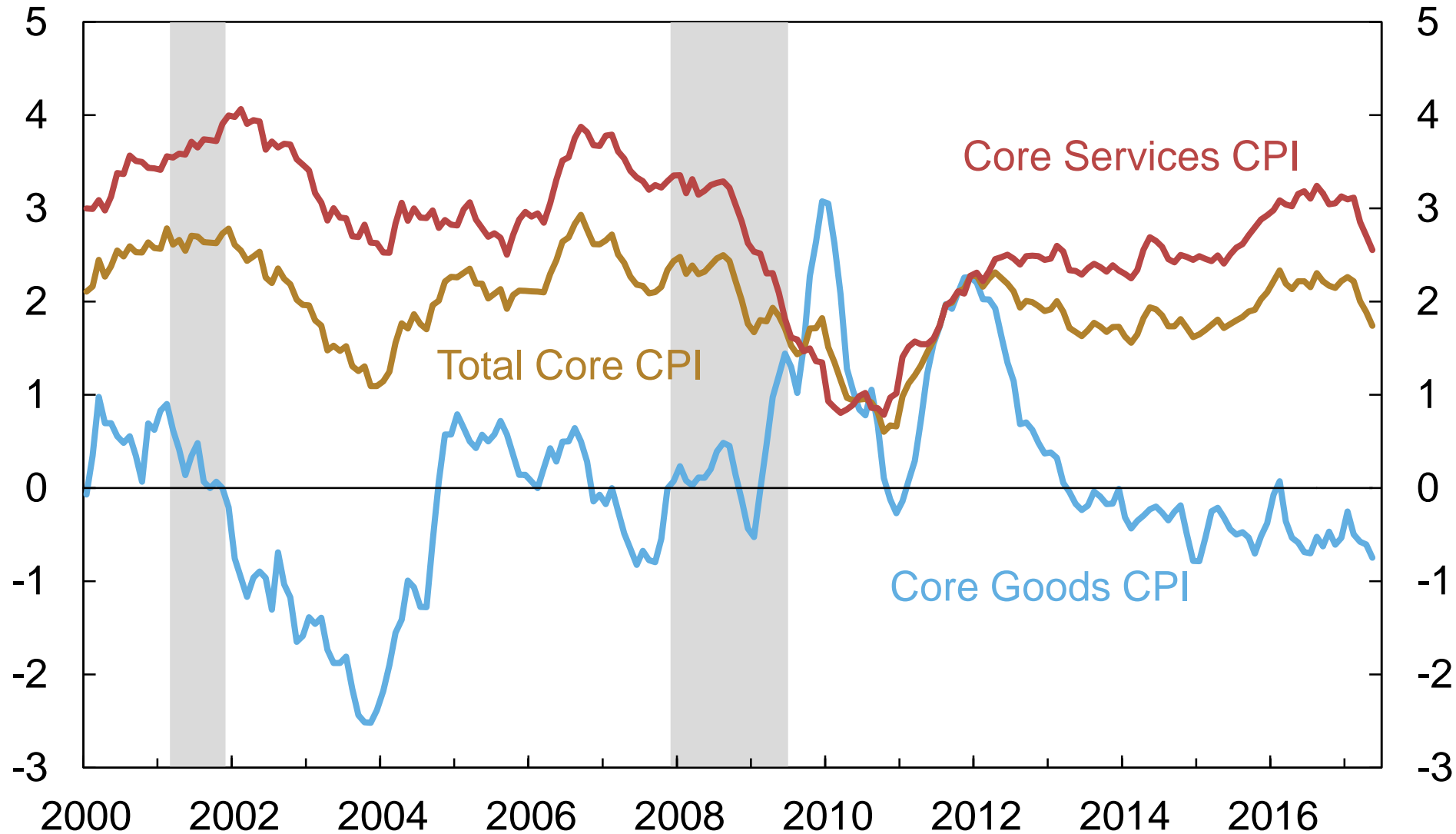


Source: Census Bureau

CPI Inflation: Core Goods and Core Services

12 Month % Change

12 Month % Change



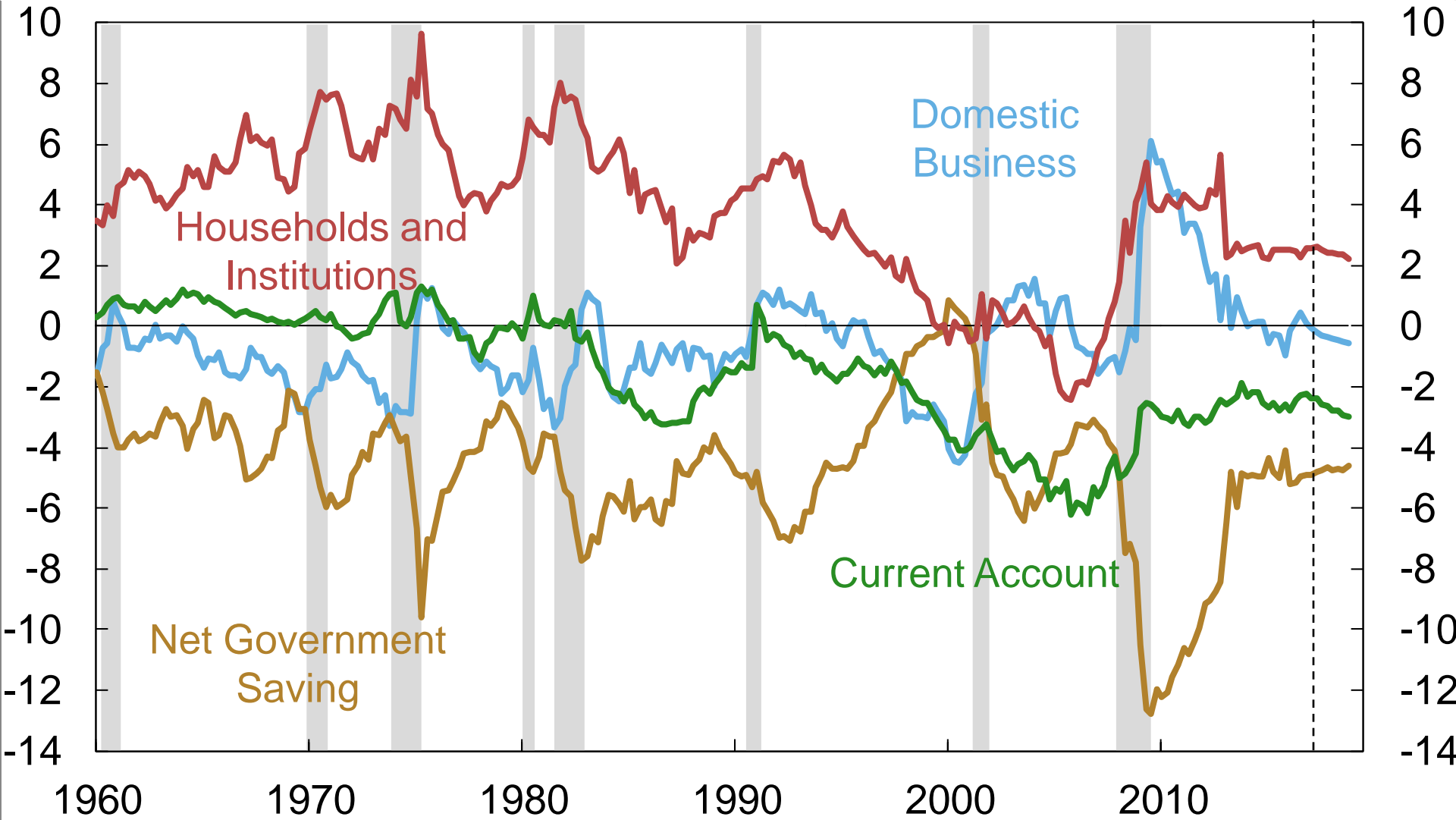
Source: Bureau of Labor Statistics
via Haver Analytics

Note: Shading shows NBER recessions.

Saving and Investment Balance

Percent of GDP

Percent of GDP



Source: Bureau of Economic Analysis via Haver Analytics

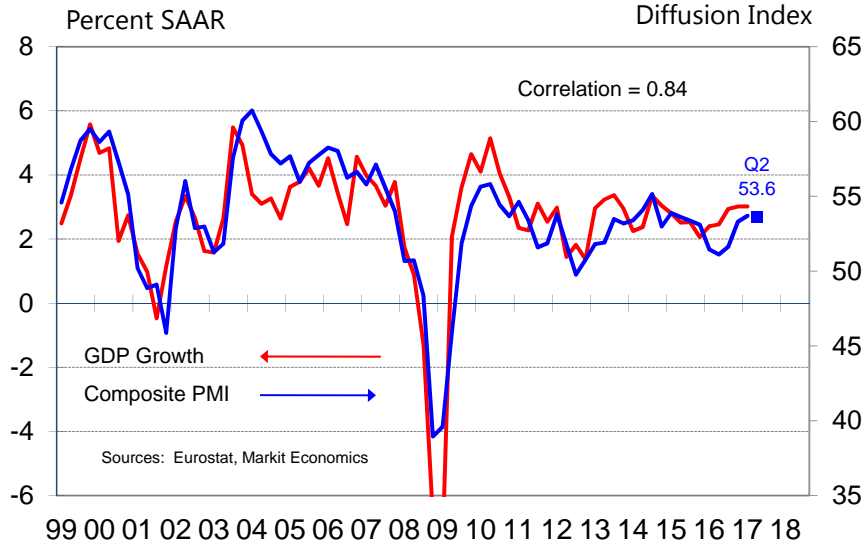
Note: Shading shows NBER recessions.



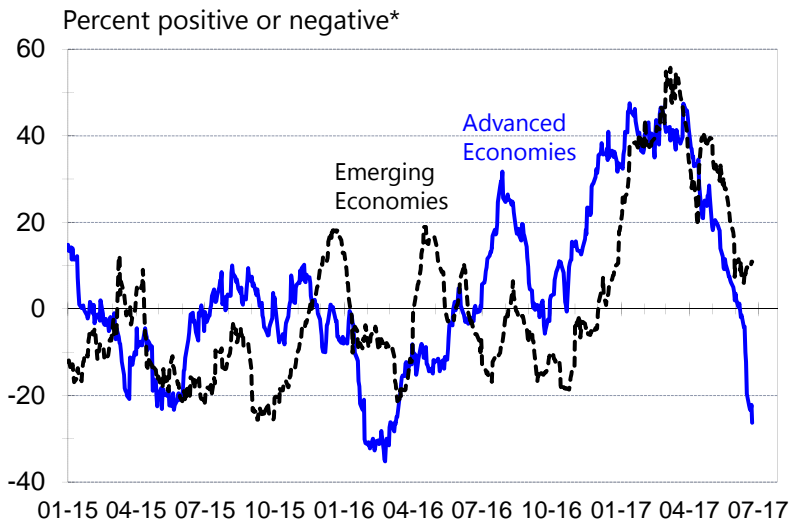
Roadmap

- Update on the global economic and industrial cycle
- The missing link between labor market tightness and inflation in the advanced economies
- Reform challenges in Mexico

Global GDP Growth and Composite PMI

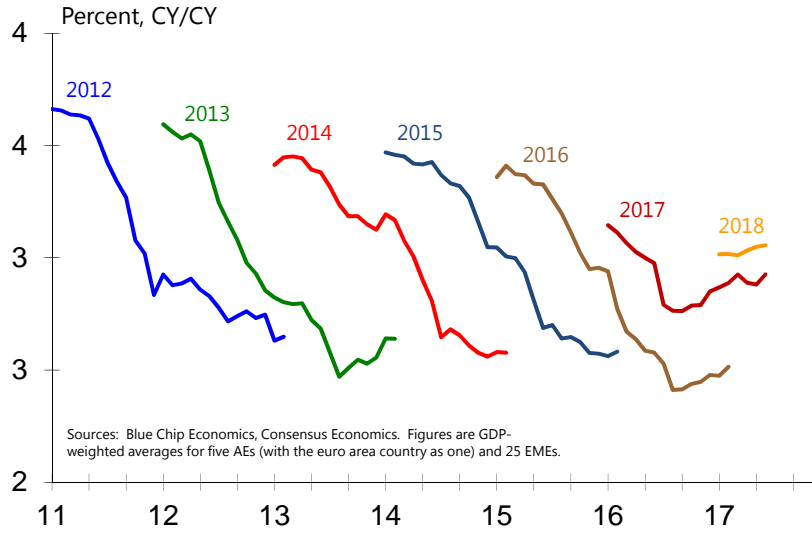


Citigroup Economic Surprise Indexes

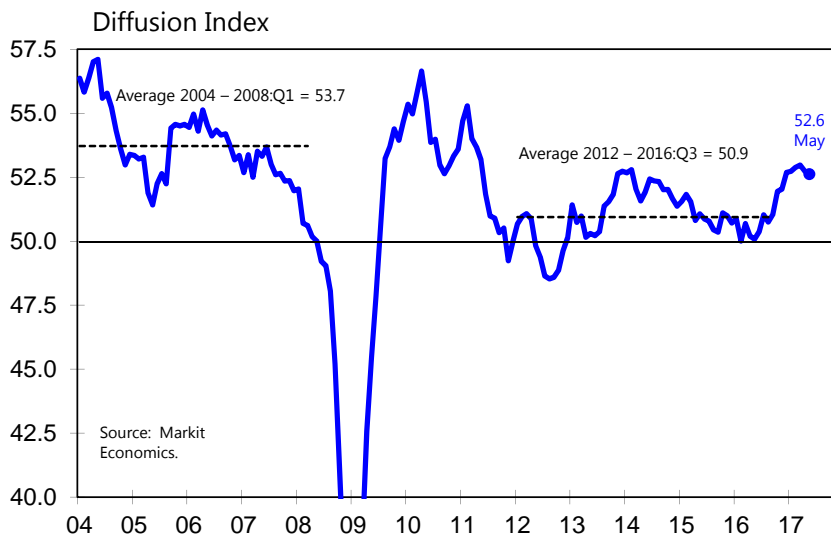


*Weighted by series' historical FX impact

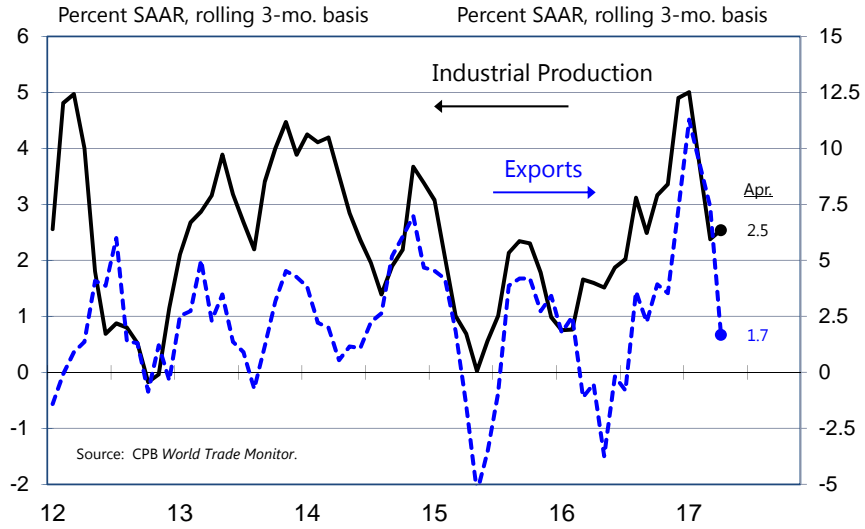
Evolution of Global Market Growth Forecasts



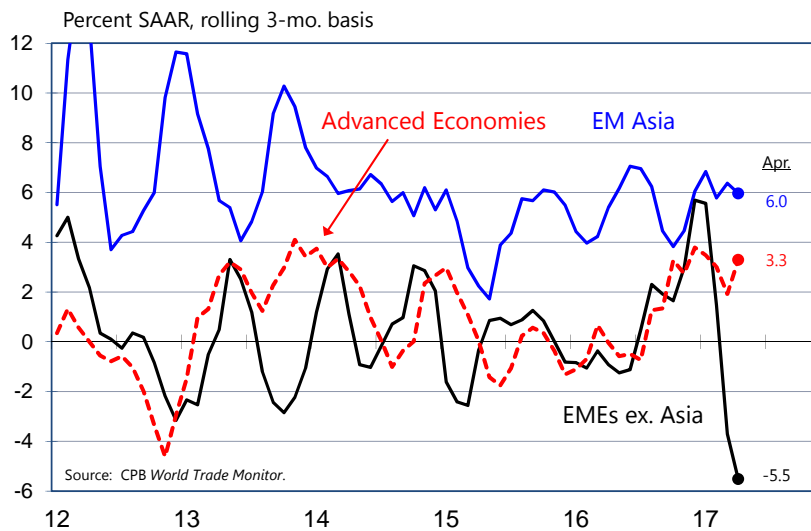
Global Manufacturing PMI



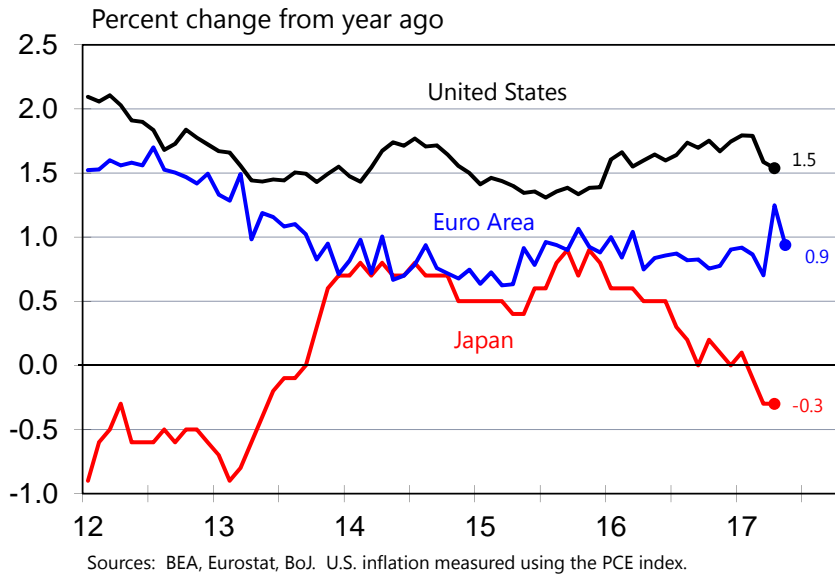
Global Industrial Production and Export Growth



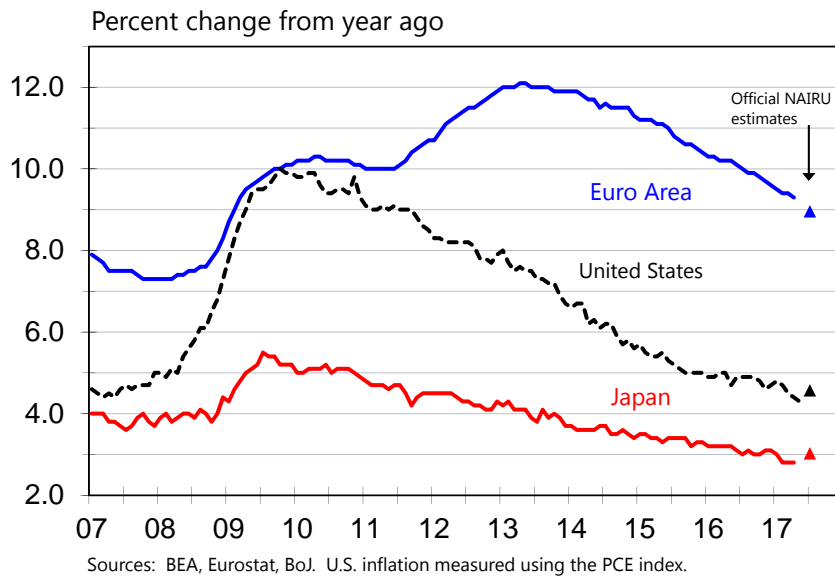
Global Industrial Production by Region



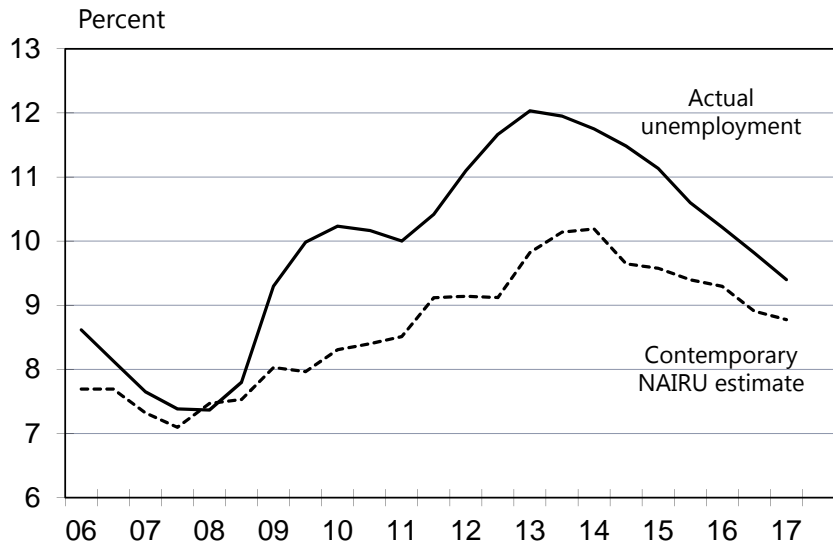
G-3: Core Consumer Price Inflation



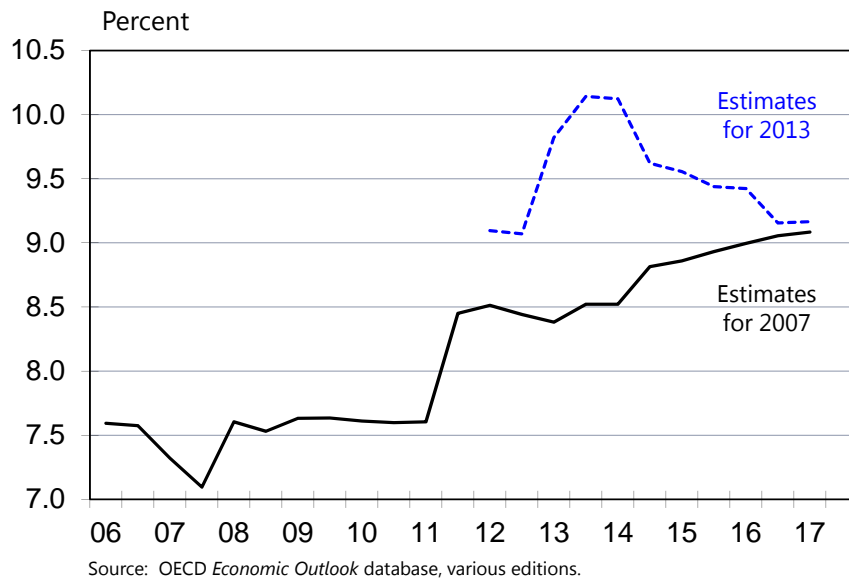
G-3: Unemployment Rates



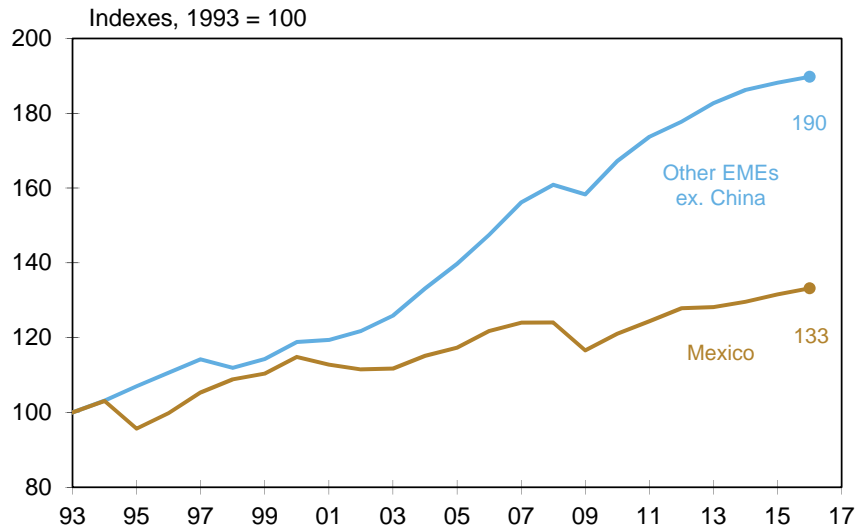
Euro Area: Unemployment and NAIRU Estimates



Euro Area: NAIRU Estimates Over Time

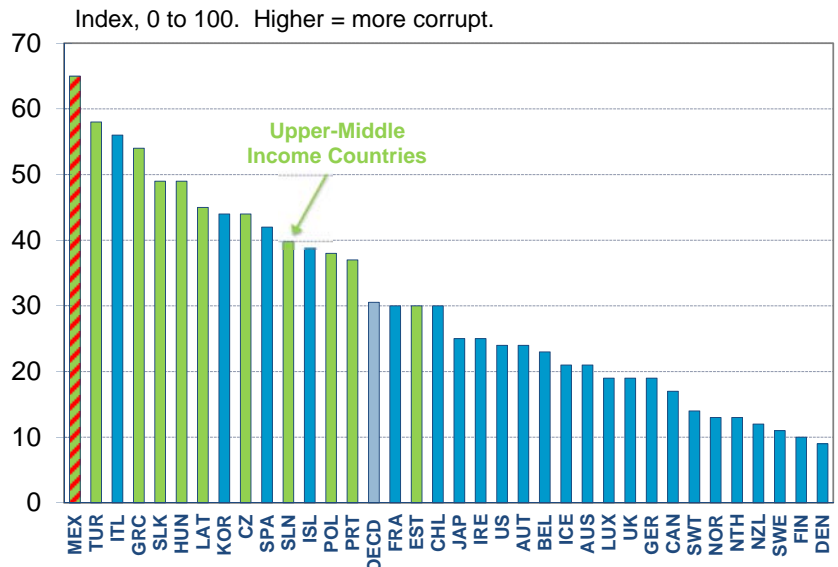


Real Per Capita Income Performance



Source: IMF WEO database. Index for EMEs outside China and Mexico includes 32 major economies, weighted by lagged U.S. dollar GDP.

Perceived Public Corruption: OECD Countries

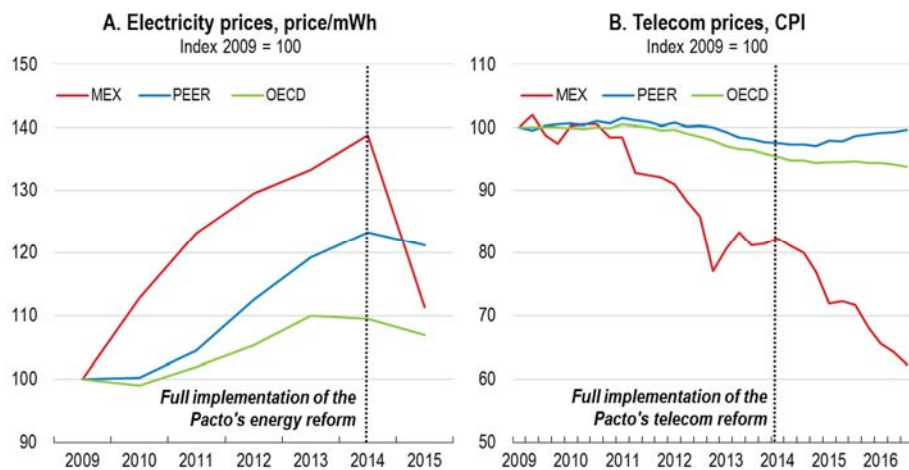


Source: Transparency International. Data are for 2016.

Pacto de México: Landmark reforms

- Pacto de México reforms were signed by three the major parties in 2012, ending years of political gridlock
 - Most major elements passed into legislation by 2014
- Ambitious agenda, embracing energy sector, tax policy, competition in key markets and much more
 - Other reforms address labor market functioning, the education and health systems, credit access, and the judicial system
- Notable early successes in some areas, limited progress elsewhere
 - No visible growth payoff to date

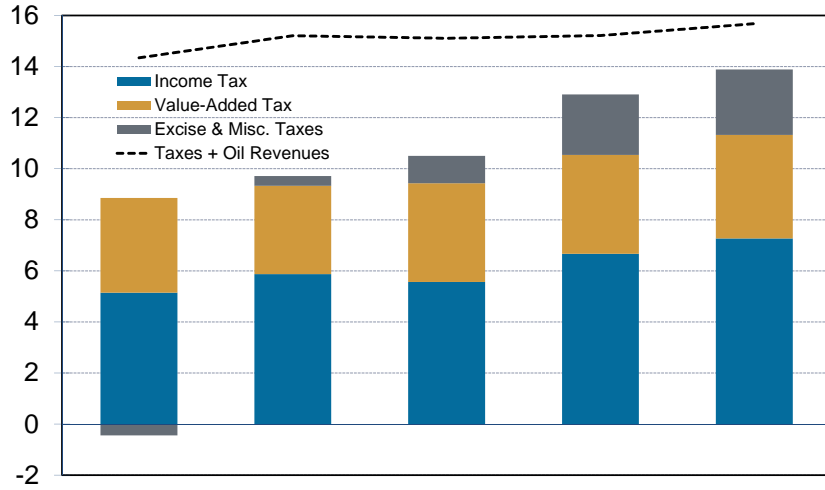
Mexico vs. Other OECD: Electricity & Telecom Prices



Sources: OECD, International Energy Agency, staff calculations. Peer OECD includes Estonia, Hungary, Poland, Portugal, Slovak Rep., Slovenia and Turkey.

Mexico: Tax Revenues

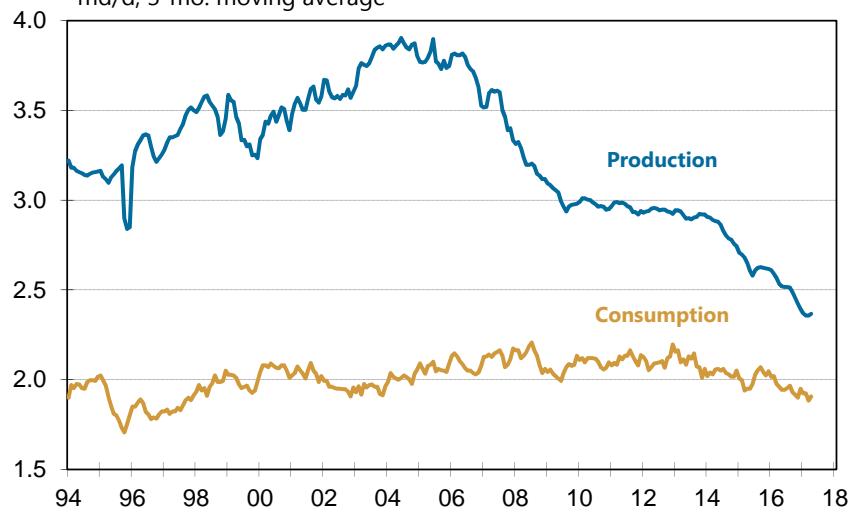
Percent of GDP



Source: Ministry of Finance and Public Credit.

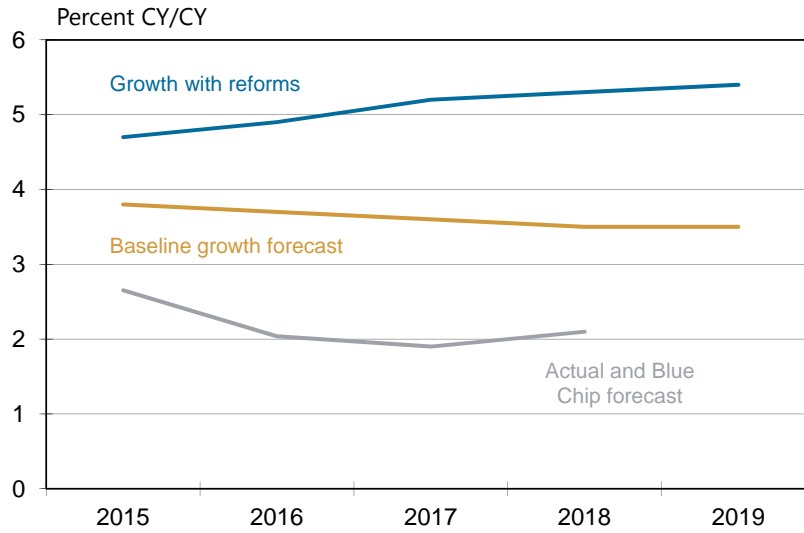
Petroleum liquids production and consumption

md/d, 3-mo. moving average



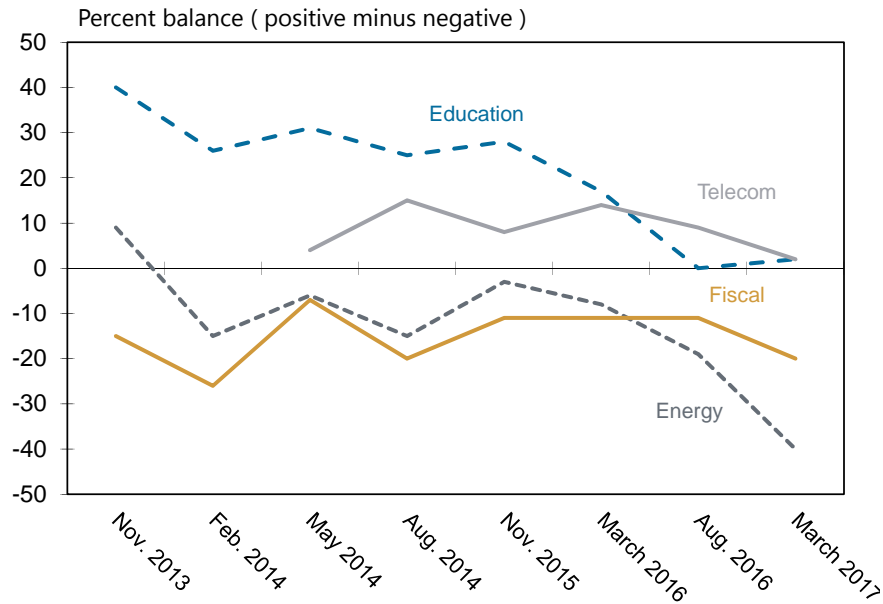
Source: Oil and Gas Journal.

Official Estimate of Reform Growth Impacts



Sources: Ministry of Finance (Hacienda) from 2014, INEGI, Blue Chip Forecasts for outcomes in 2017 and 2018.

Are the Pacto reforms good for Mexico?





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Regional Economic Conditions

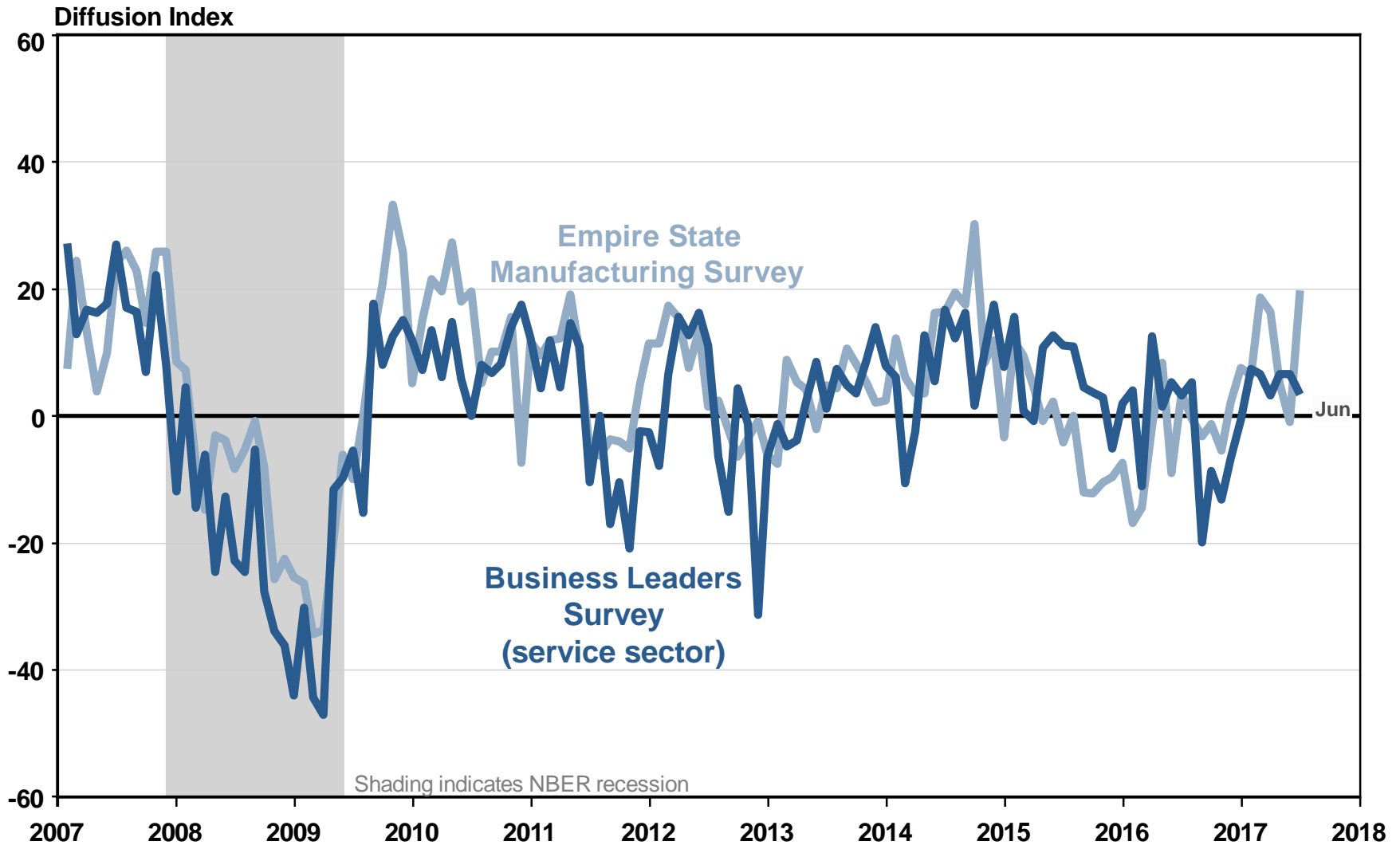
Jason Bram, Research Officer

Upstate NY Regional Advisory Board Meeting – June 28, 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.

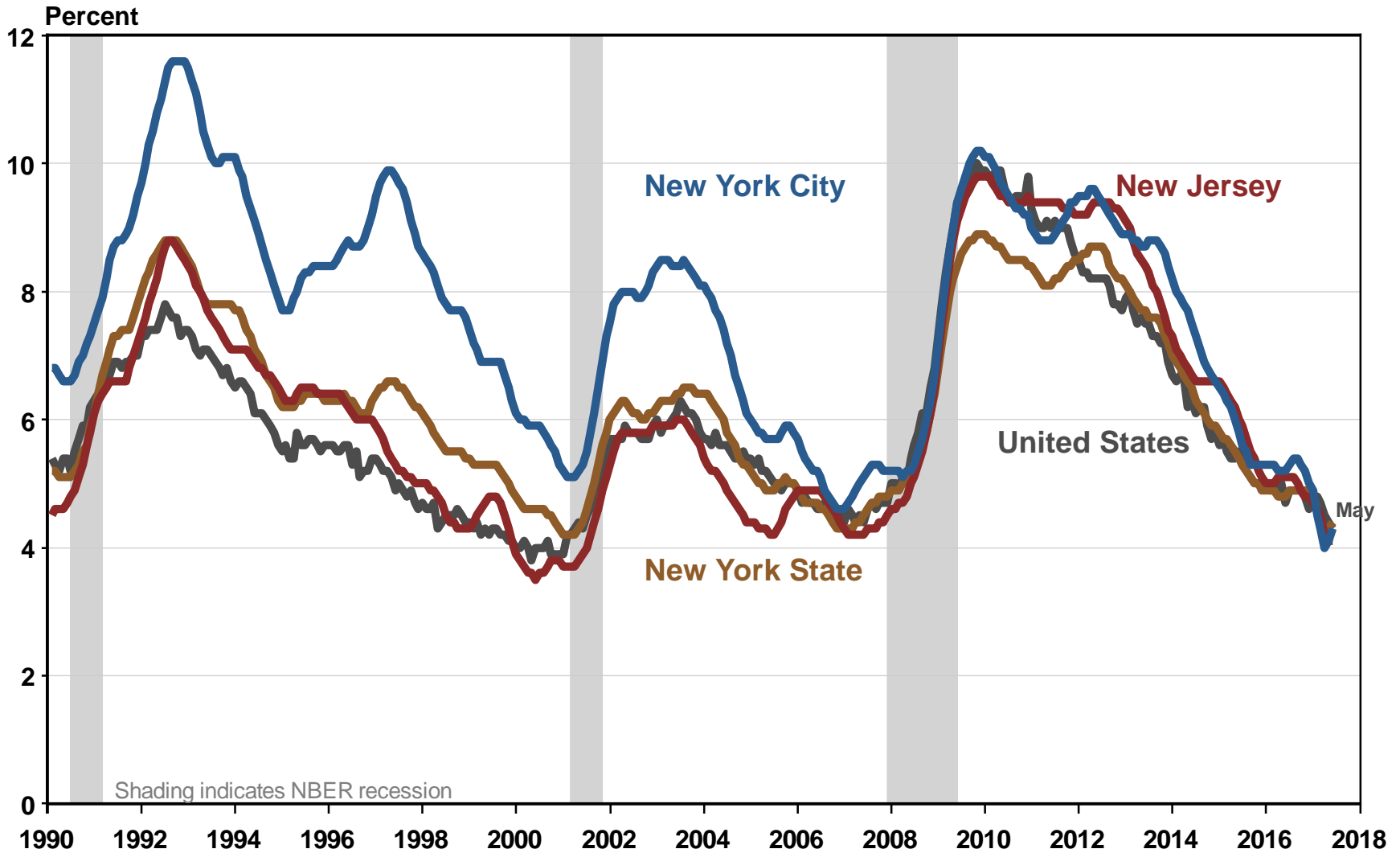
Current Economic Conditions

FRBNY Business Surveys, Current Conditions



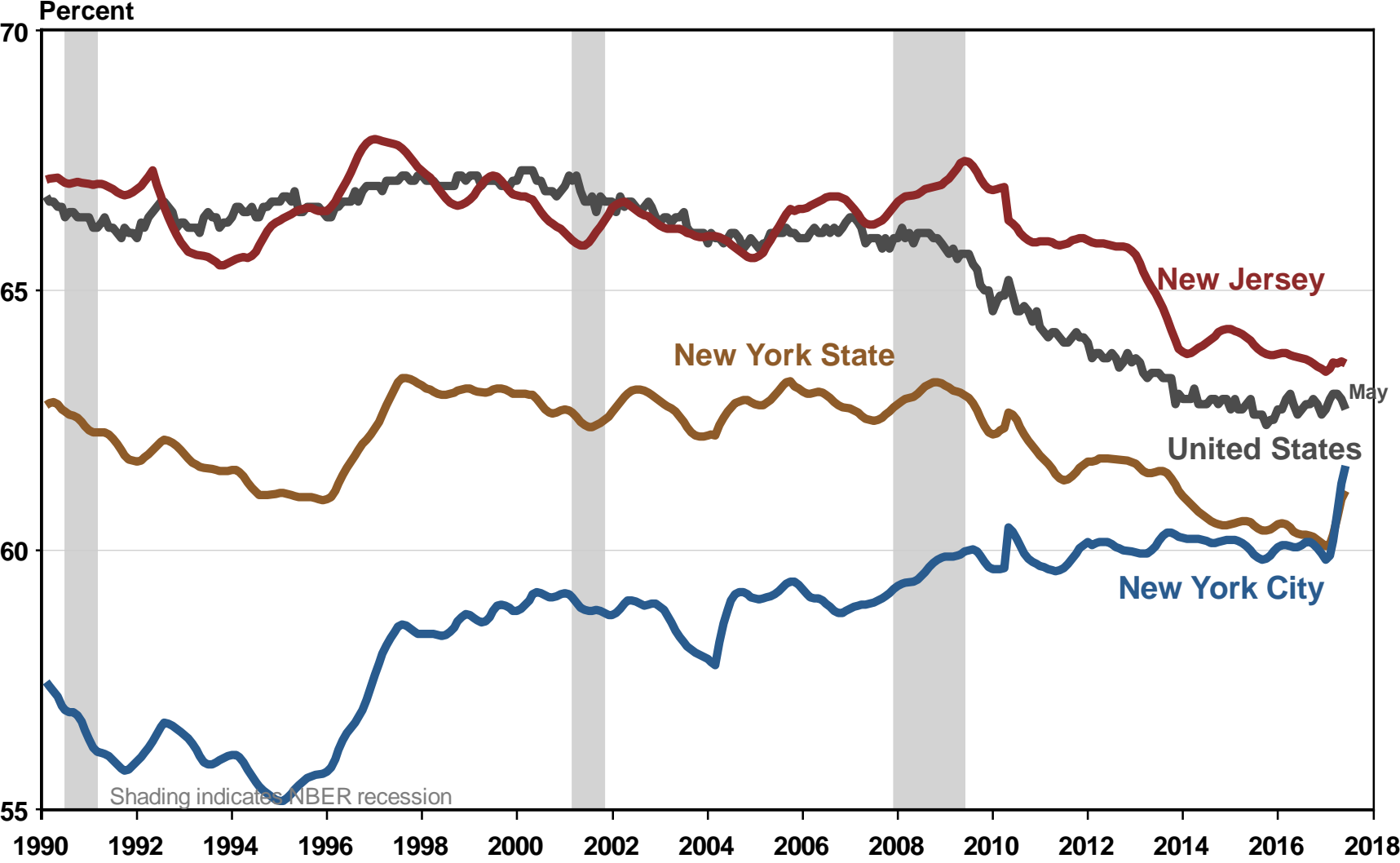
Unemployment Rates

Seasonally Adjusted



Labor Force Participation

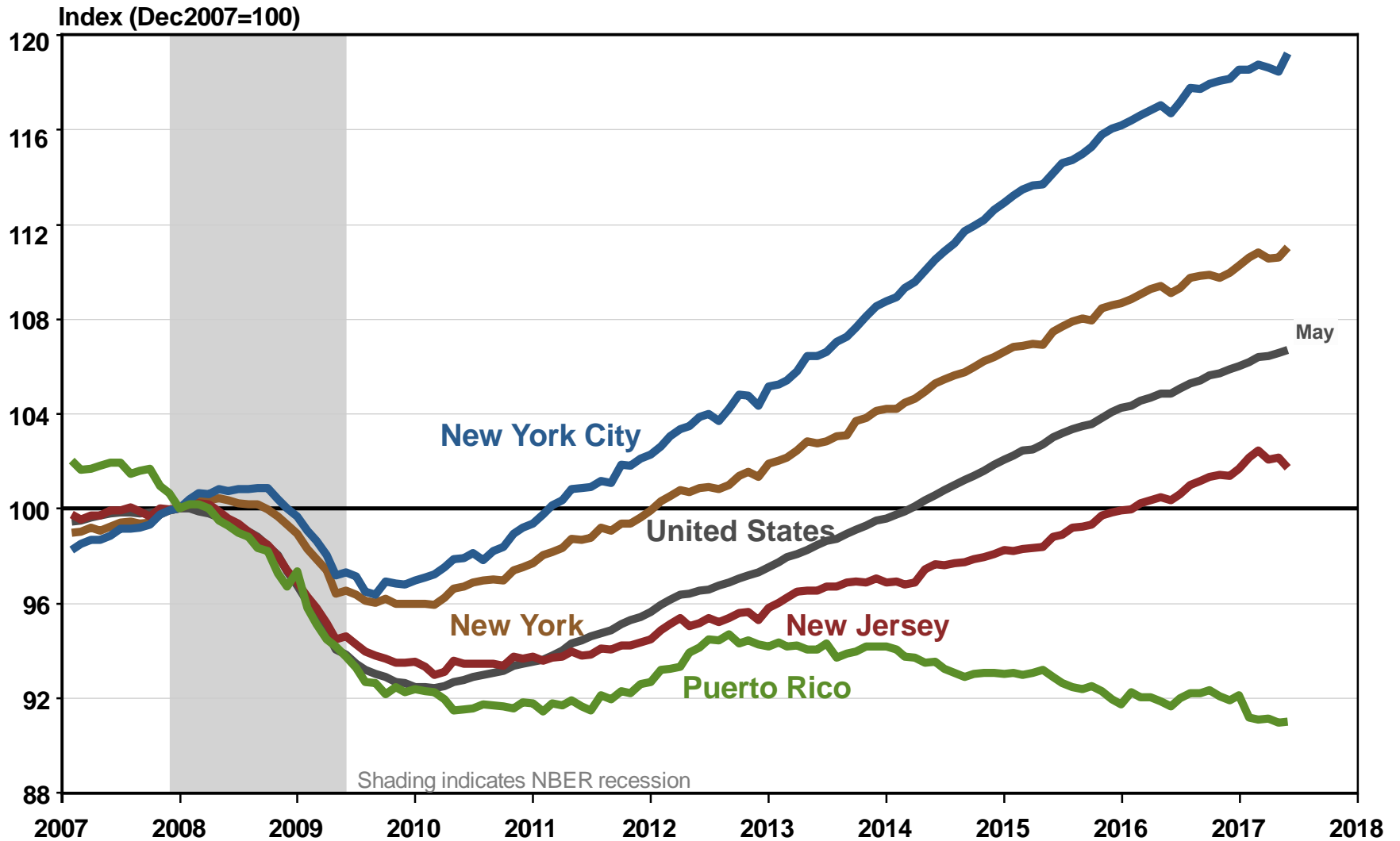
Seasonally Adjusted



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

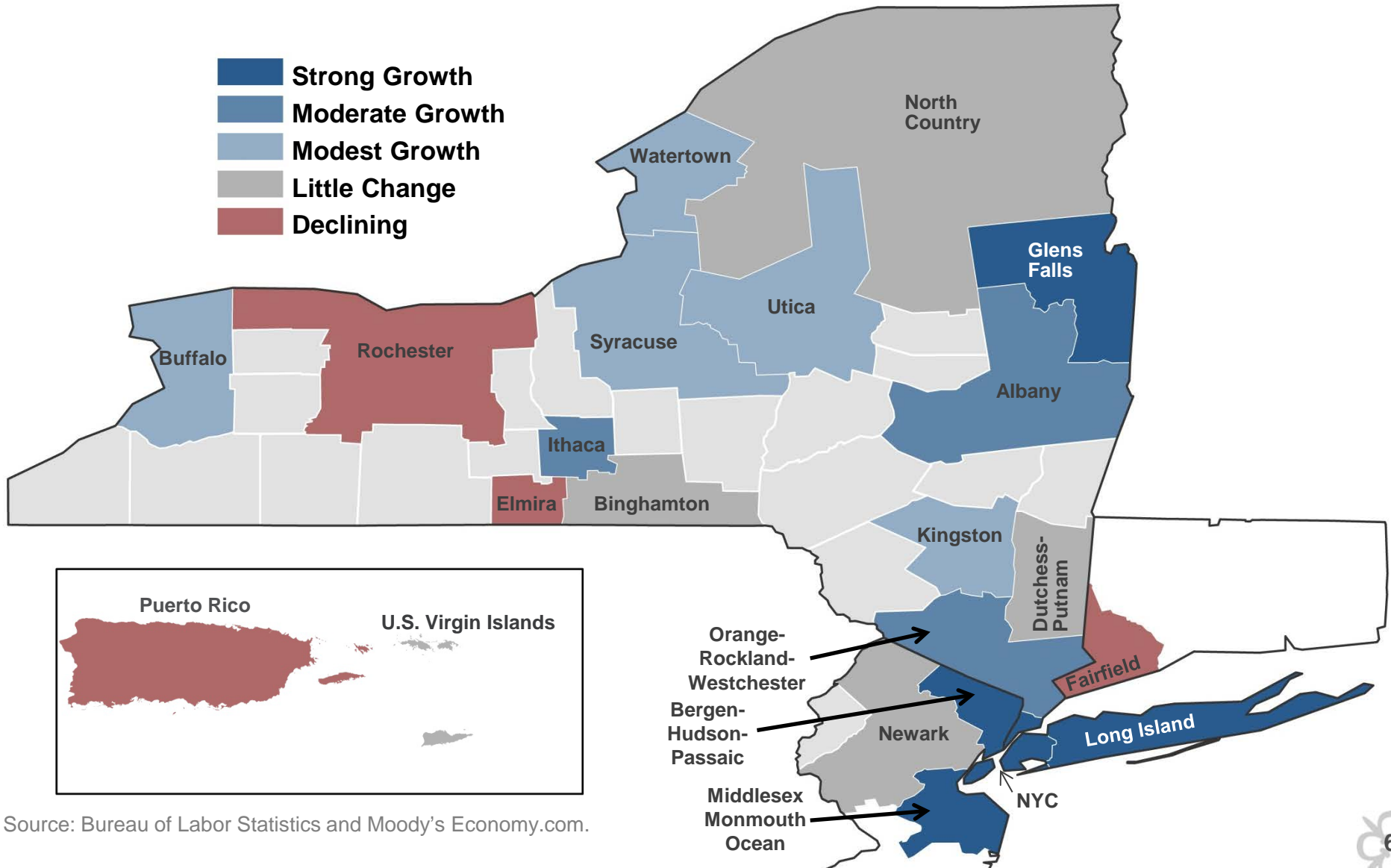
Private-Sector Employment

Seasonally Adjusted Index



Recent Job Growth in the Region

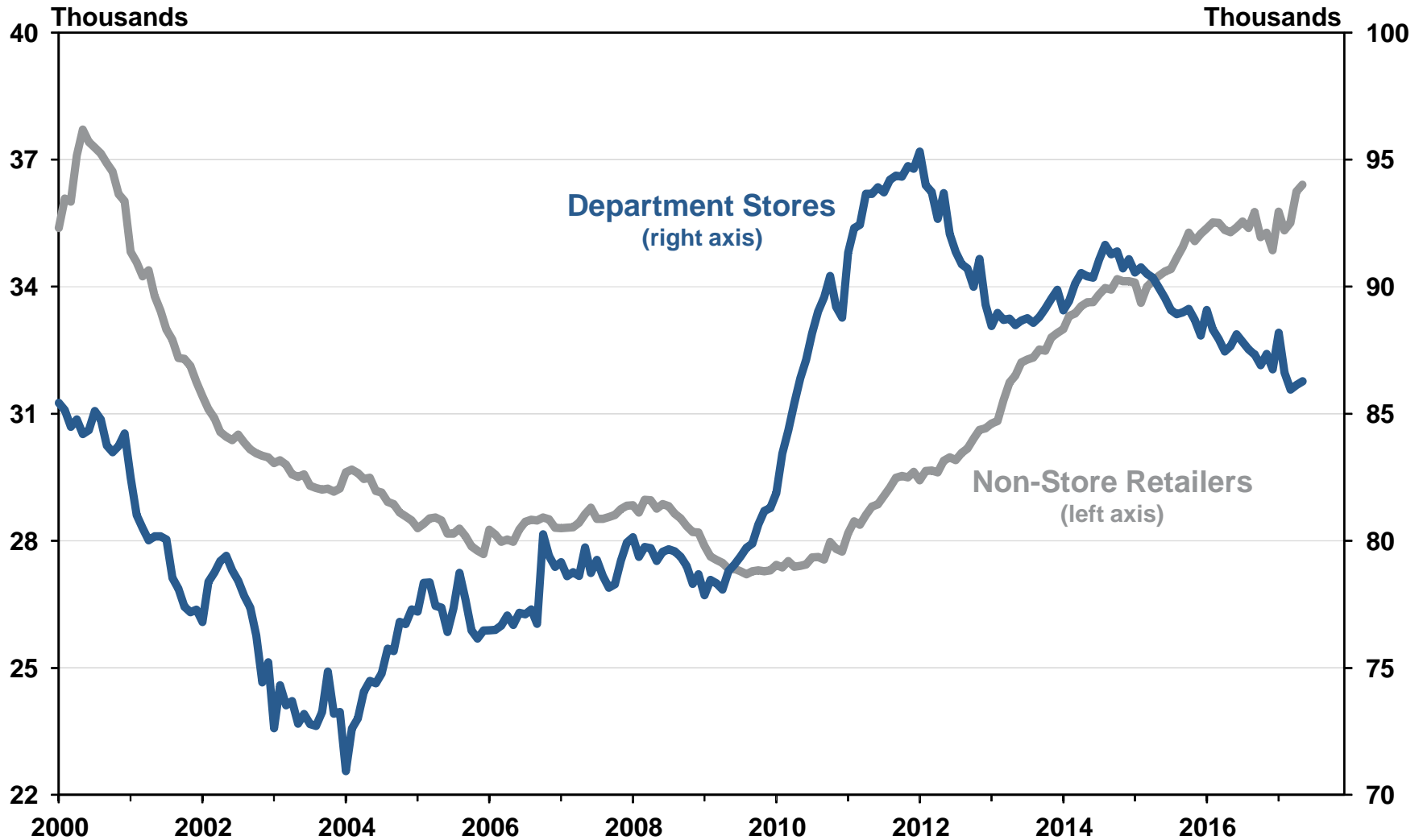
Percent Change from 2016 to 2017, Year-to-Date (Jan-May)



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

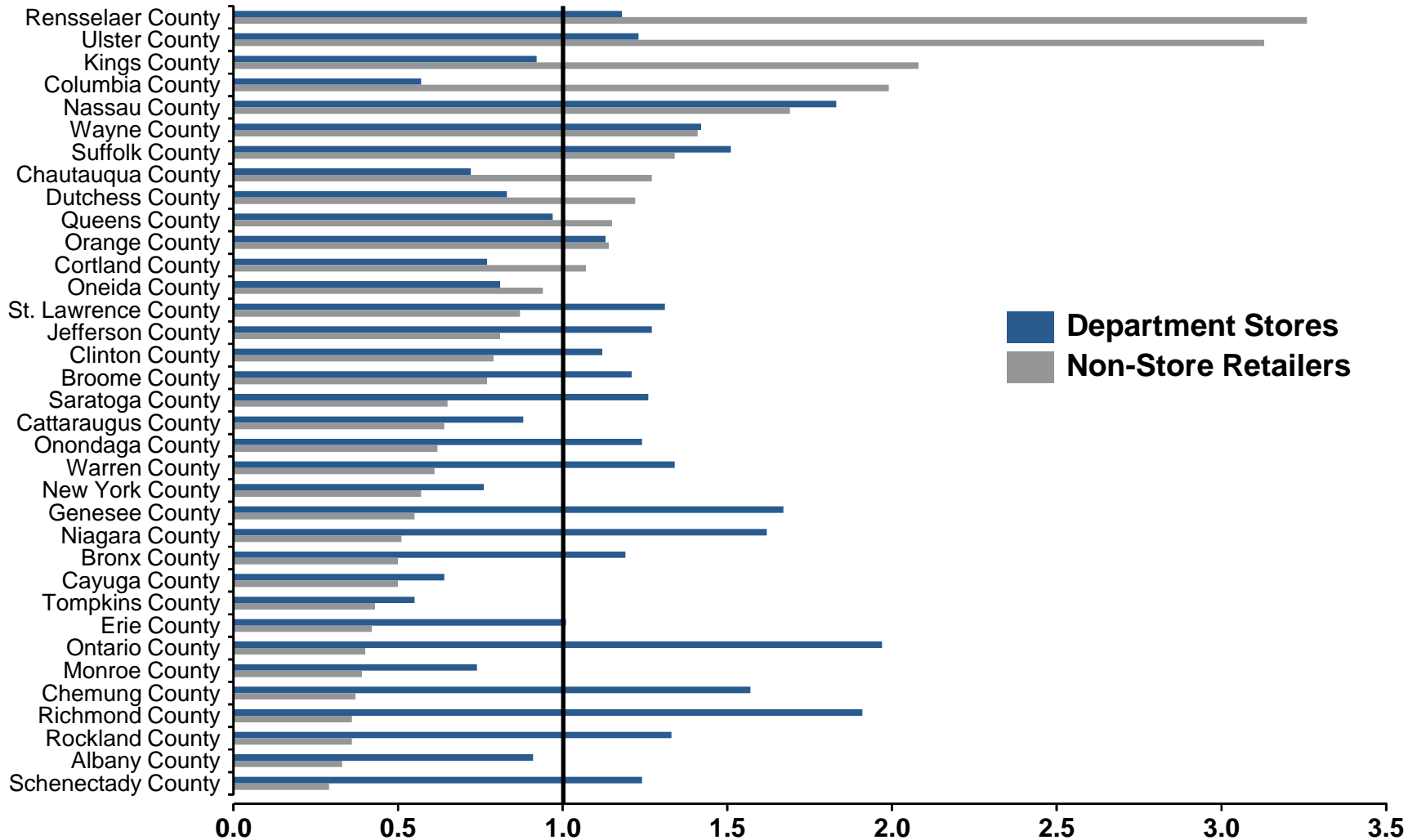
New York State Retail Employment

Thousands of Jobs, Seasonally Adjusted



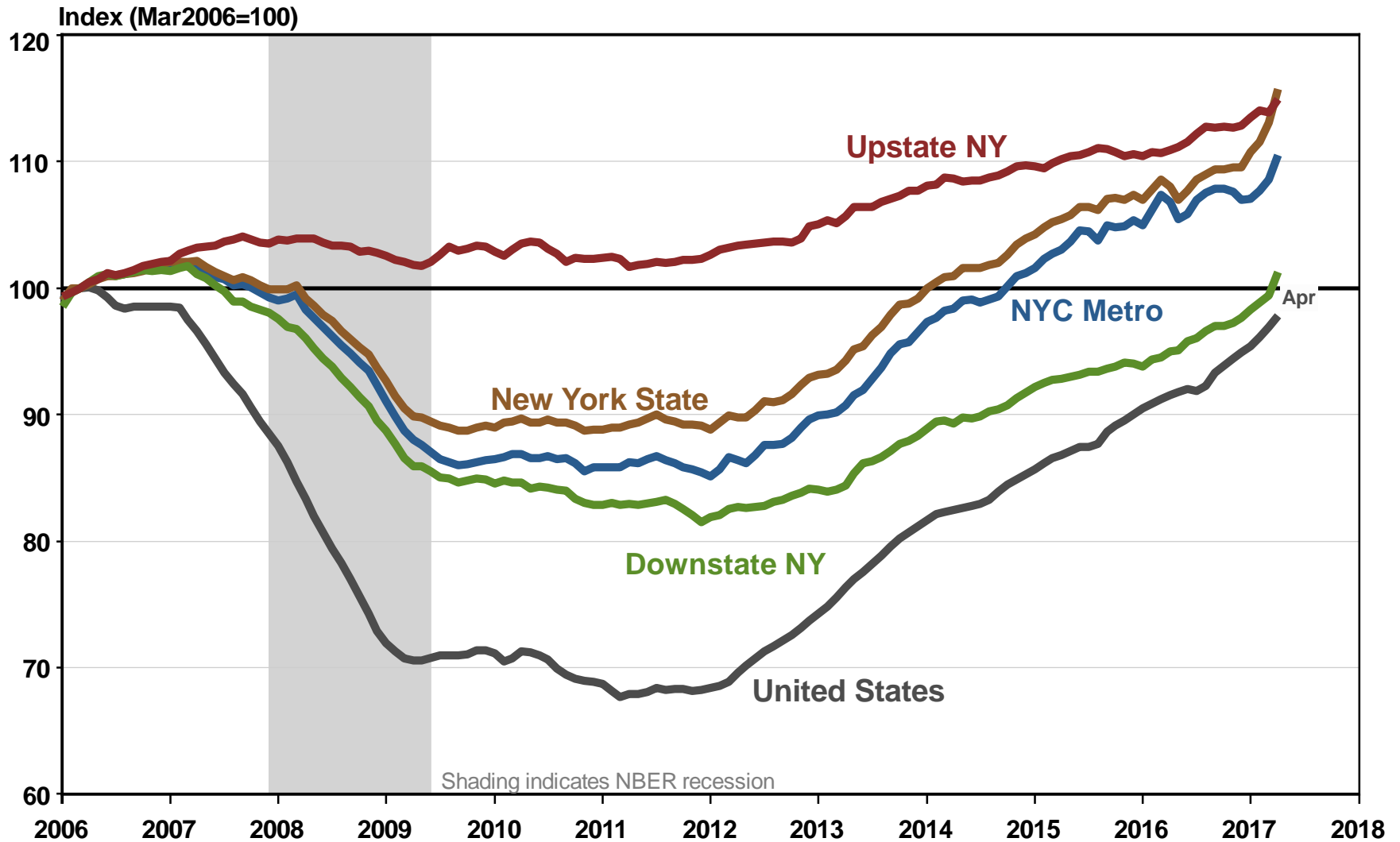
Dept. Store & Non-Store Retail Payrolls

County Share of Payroll Earnings Relative to Nationwide Share



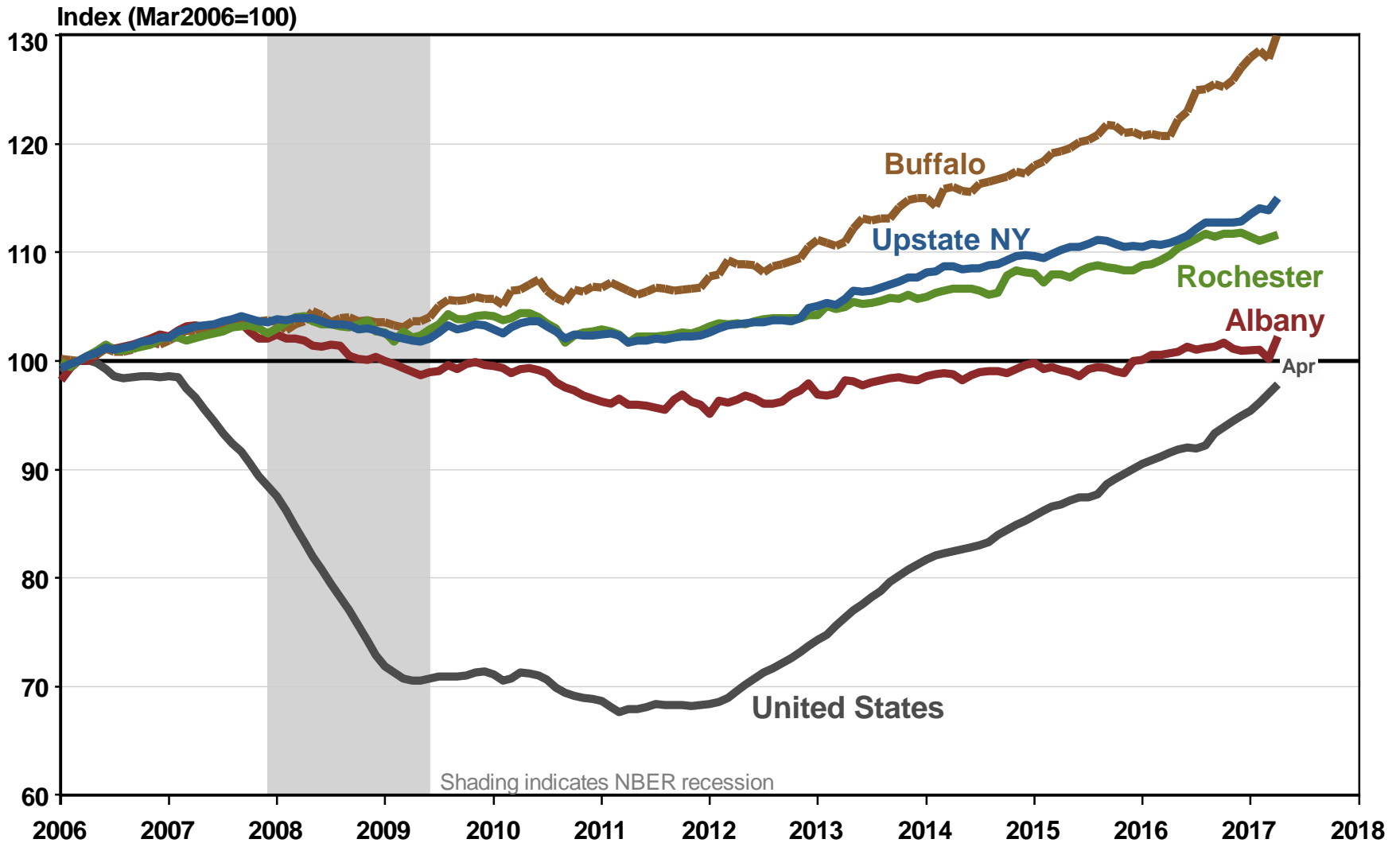
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted



Home Prices

CoreLogic Home Price Index, Seasonally Adjusted



Regional Recap

- Manufacturers are now quite upbeat about the economy, while service-sector firms are more subdued.
- New York City has been the leader in job growth in the region.
- Areas adjacent to NYC have also seen fairly strong growth.
- Most upstate metros have seen steady to moderately rising employment; the two exceptions are Rochester and Elmira.
- The ongoing trend toward on-line shopping has had mixed effects on retail employment.
- Housing markets have been fairly robust in parts of upstate New York as well as New York City.