



Upstate New York Regional Advisory Council Meeting
Federal Reserve Bank of New York
33 Liberty Street
10F, Paul Volcker Boardroom
Tuesday, June 3, 2014

AGENDA

10:30am Introductory Remarks
Christine Cumming, First Vice President

10:40am-11:10am The National Economy
Richard Peach, Senior Vice President

11:10am-11:30am Regional Update
Jaison Abel, Senior Economist

11:30am-12:00pm International Update
John Clark, Senior Vice President

12:00pm Adjourn to NWCR-10F

12:15pm Lunch

12:15pm-1:55pm Round Table Discussion with
William Dudley, President

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 2014?
3. Has demand for your product or service increased sufficiently that you plan to increase investment in plant and equipment in 2014?
4. Has your access to credit changed in 2014?
5. Has demand for your products or services or your plans for employment at your firm been impacted by recent changes in tax policy, legislation or regulations?
6. Did severe weather reduce demand for your product or services earlier this year?

2:00 pm Adjourn



FEDERAL RESERVE BANK *of* NEW YORK

US Macro Overview

June 3, 2014

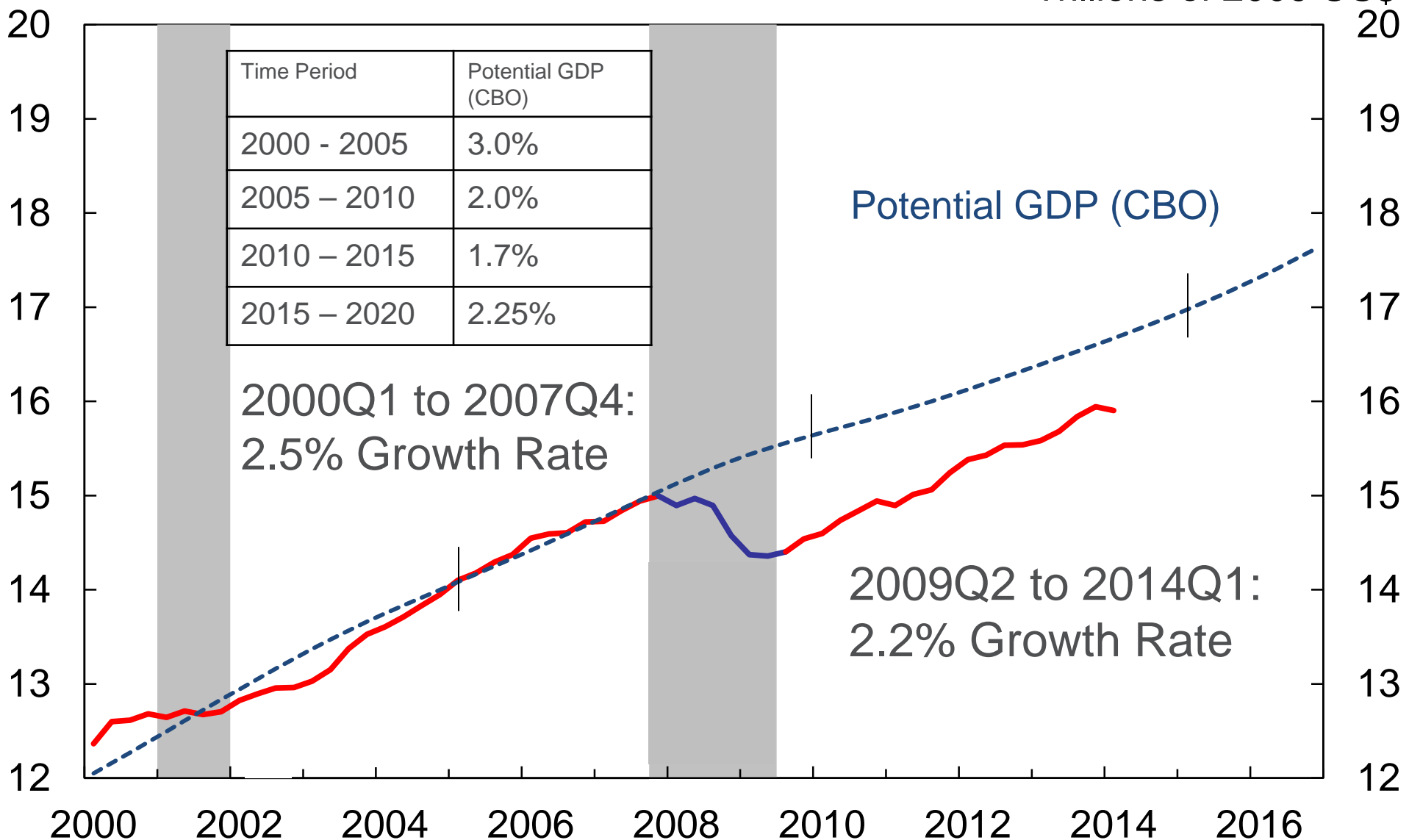
Overview

- Key indicators suggest that the US economy continues to operate below potential.
- First quarter growth held down by transitory factors.
- Fundamentals underlying consumer spending much improved.
- Housing recovery rather tepid to date due to product mix, continued tight mortgage underwriting standards, and slow household formations.
- Business fixed investment continues to disappoint, but fundamentals improving.
- Unemployment rate down to 6.3% in April due to surprisingly large decline in the labor force participation rate.
- Core inflation appears to have stabilized but at a low level.

GDP

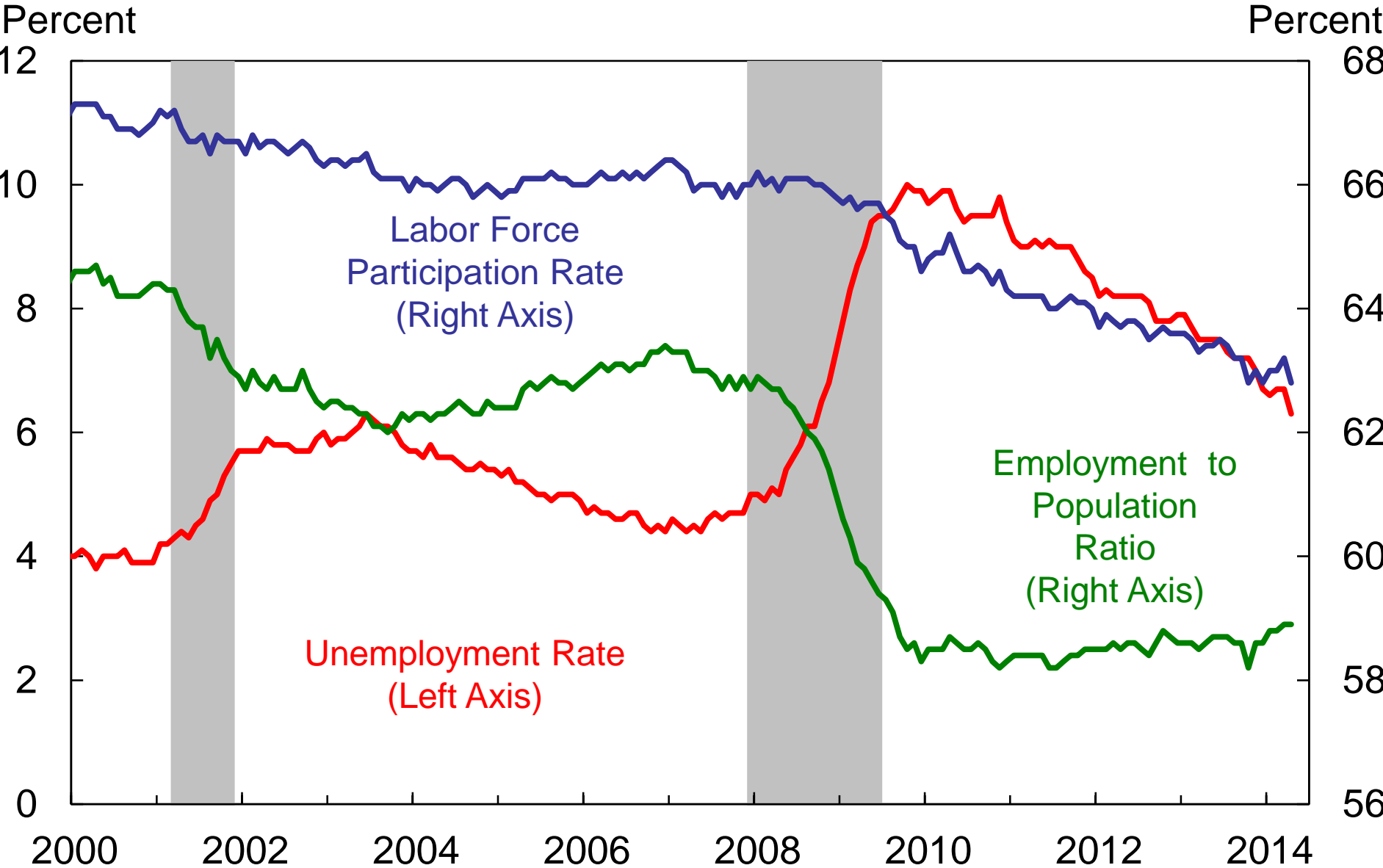
Trillions of 2009 US\$

Trillions of 2009 US\$



Source: Bureau of Economic Analysis

Labor Market Indicators

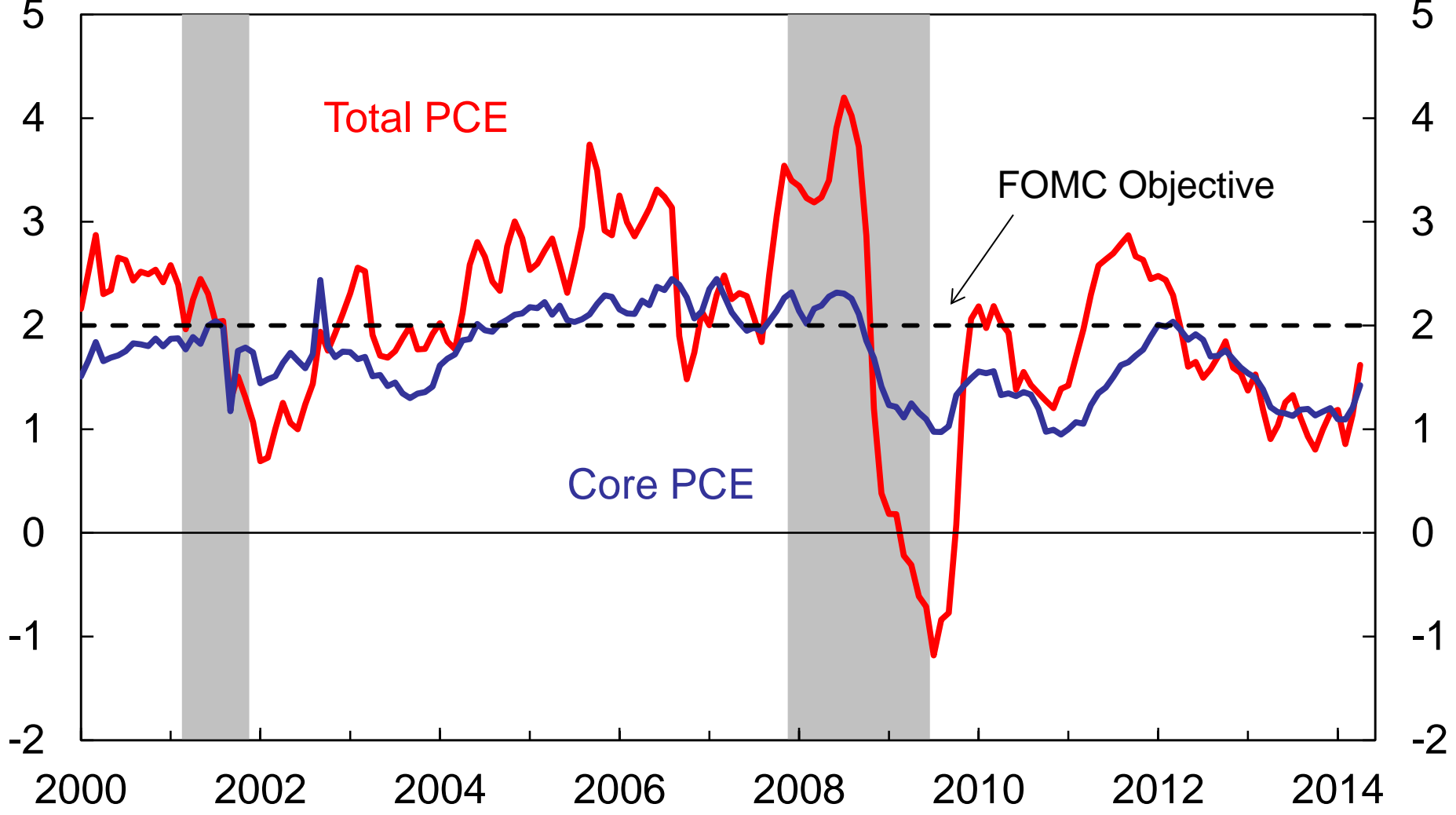


Source: Bureau of Labor Statistics

PCE Deflator

% Change Over Year

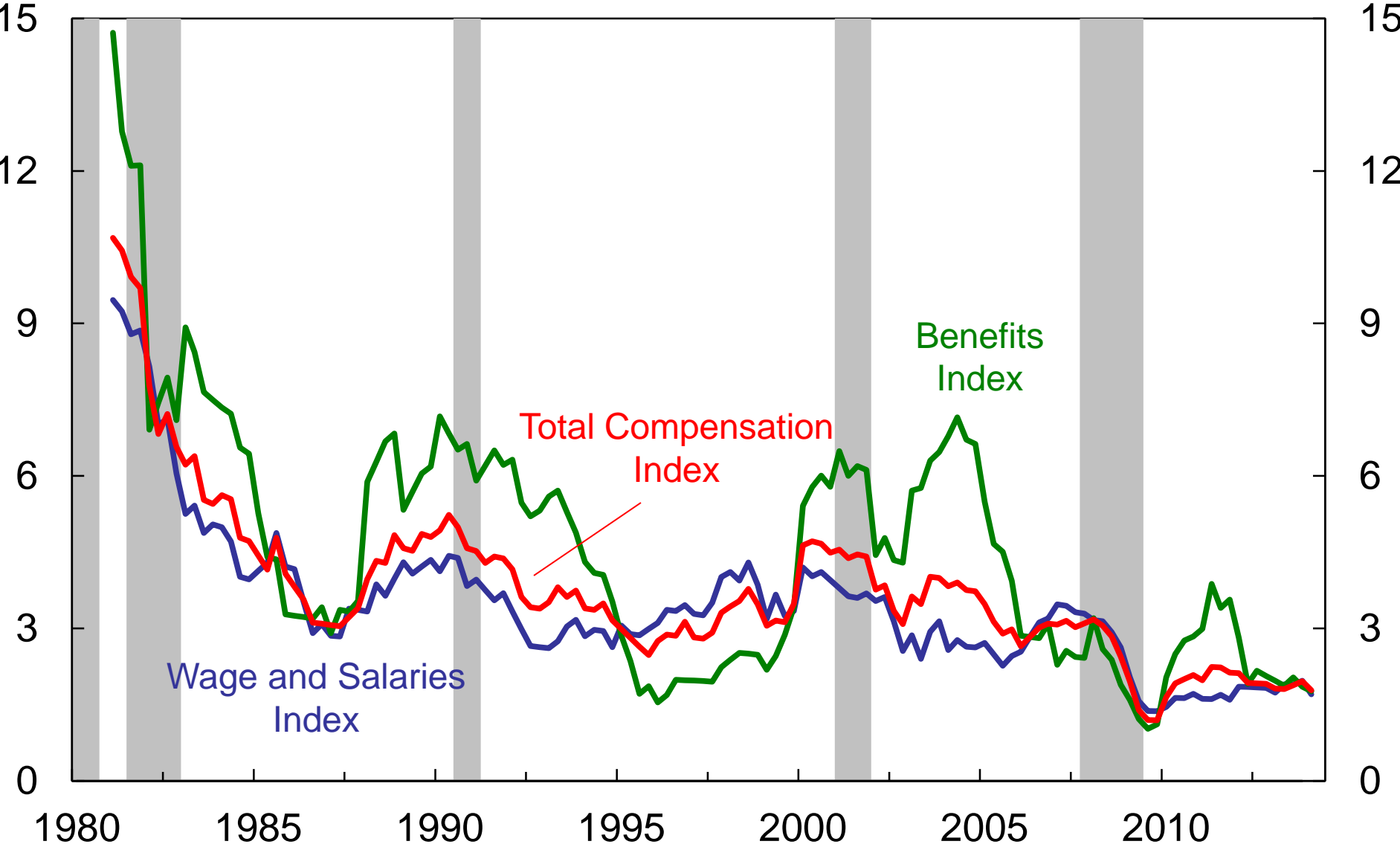
% Change Over Year



Private Employment Cost Indices

Year over Year % Change

Year over Year % Change

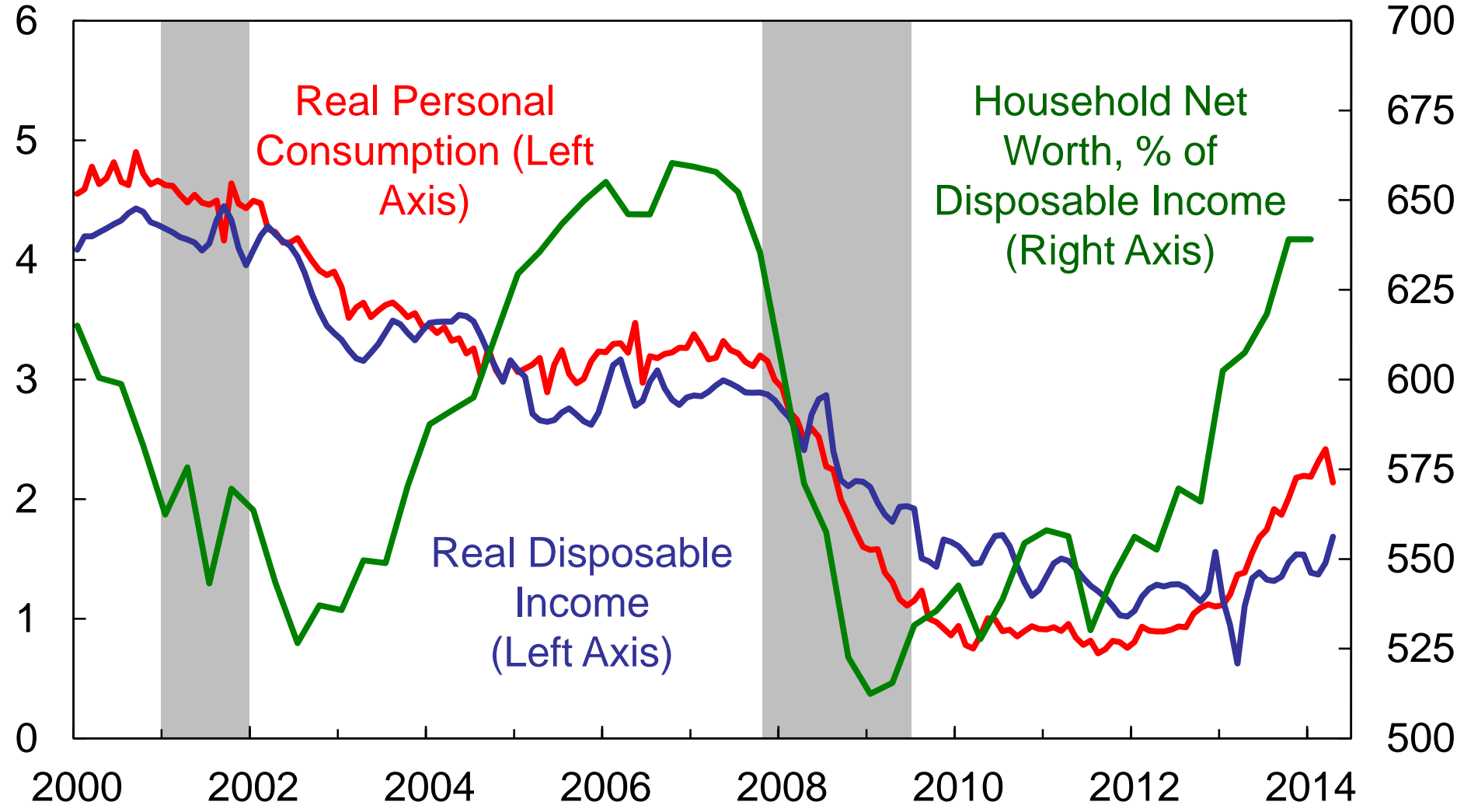


Source: Bureau of Labor Statistics

Disposable Income, Consumption, and Wealth

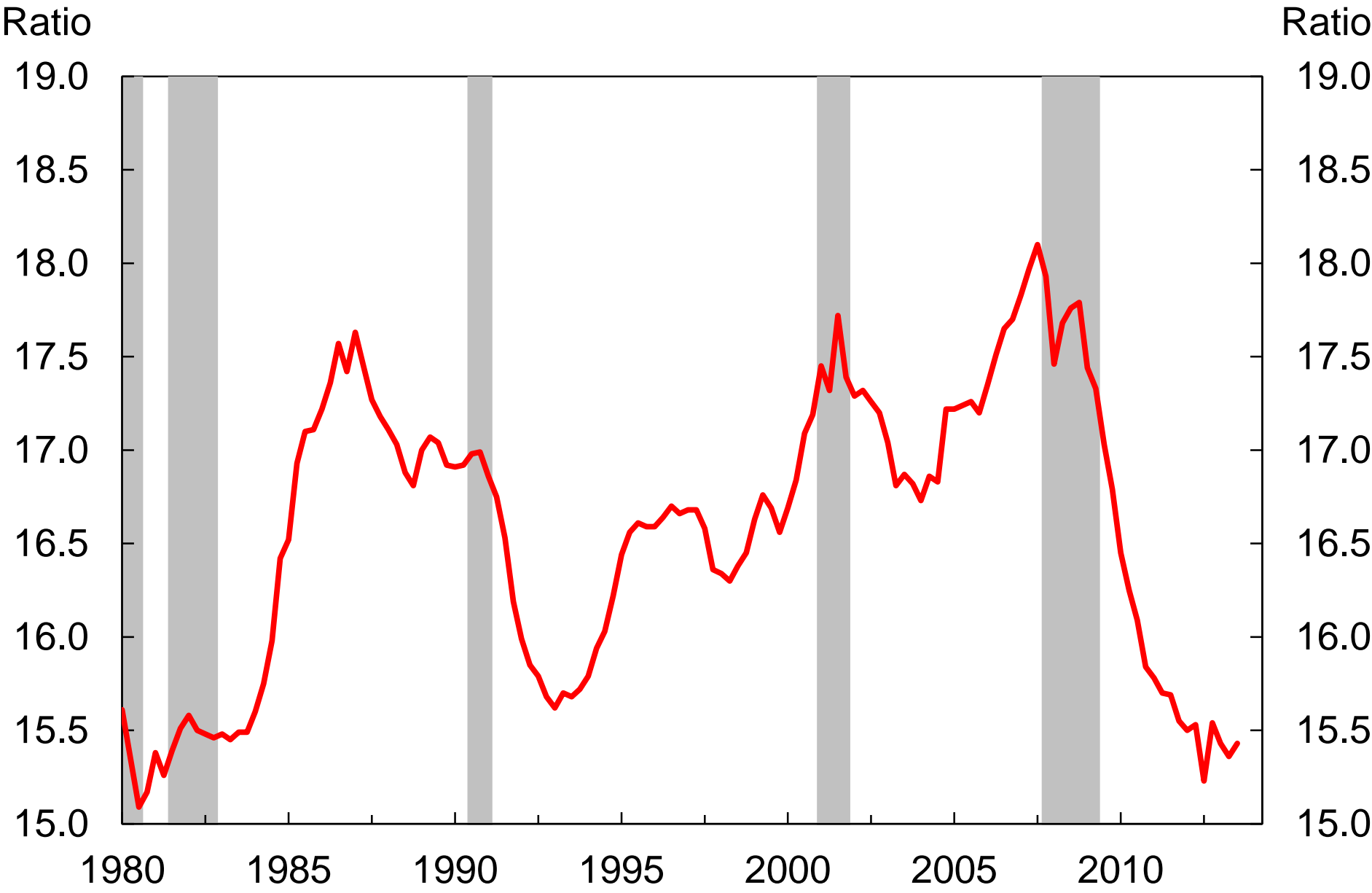
% Change Over Year

Percent



Source: Bureau of Economic Analysis

Household Financial Obligation Ratio

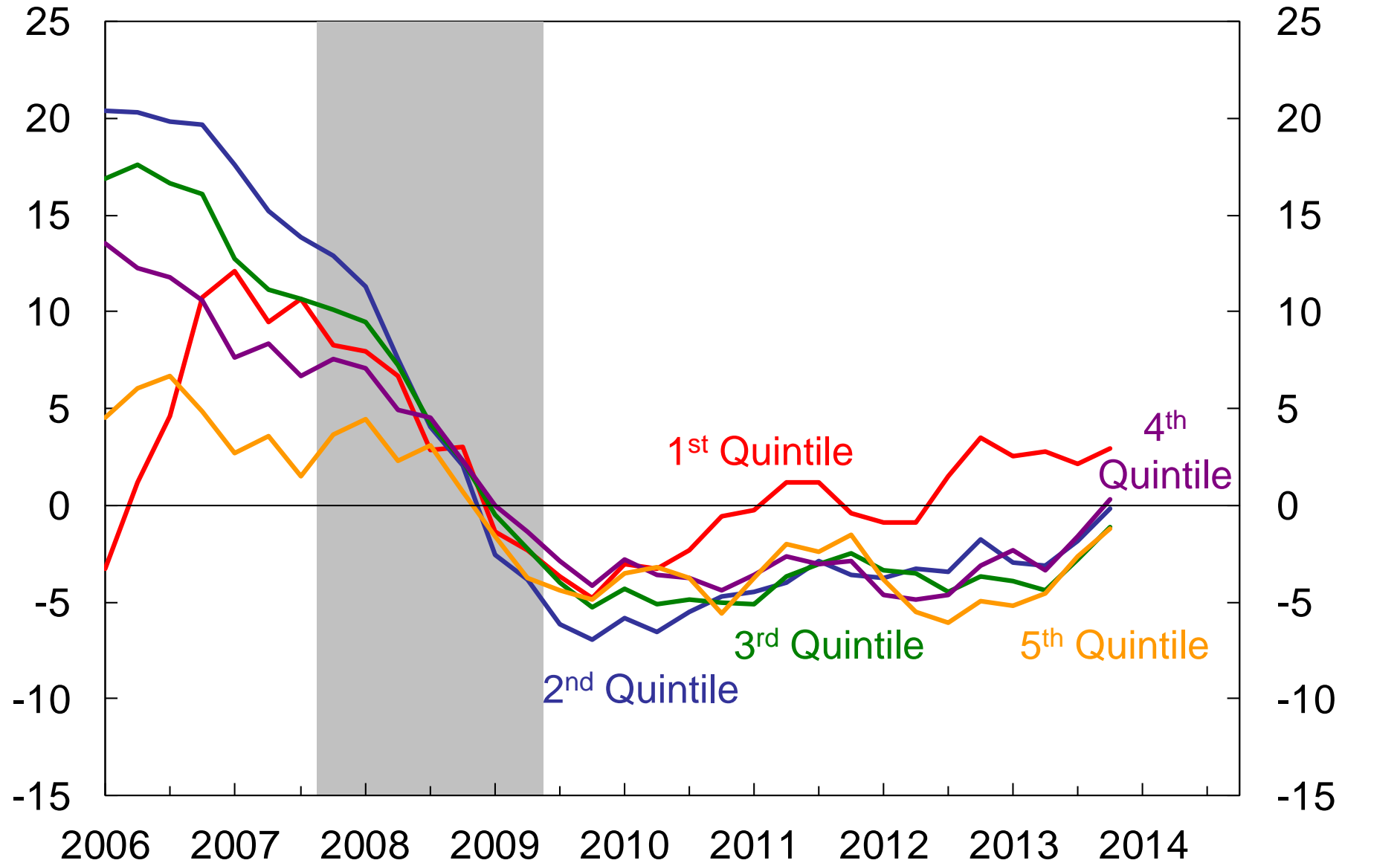


Source: Federal Reserve Board

Consumer Debt by Credit Score Quintile

% Change – 4 Quarter

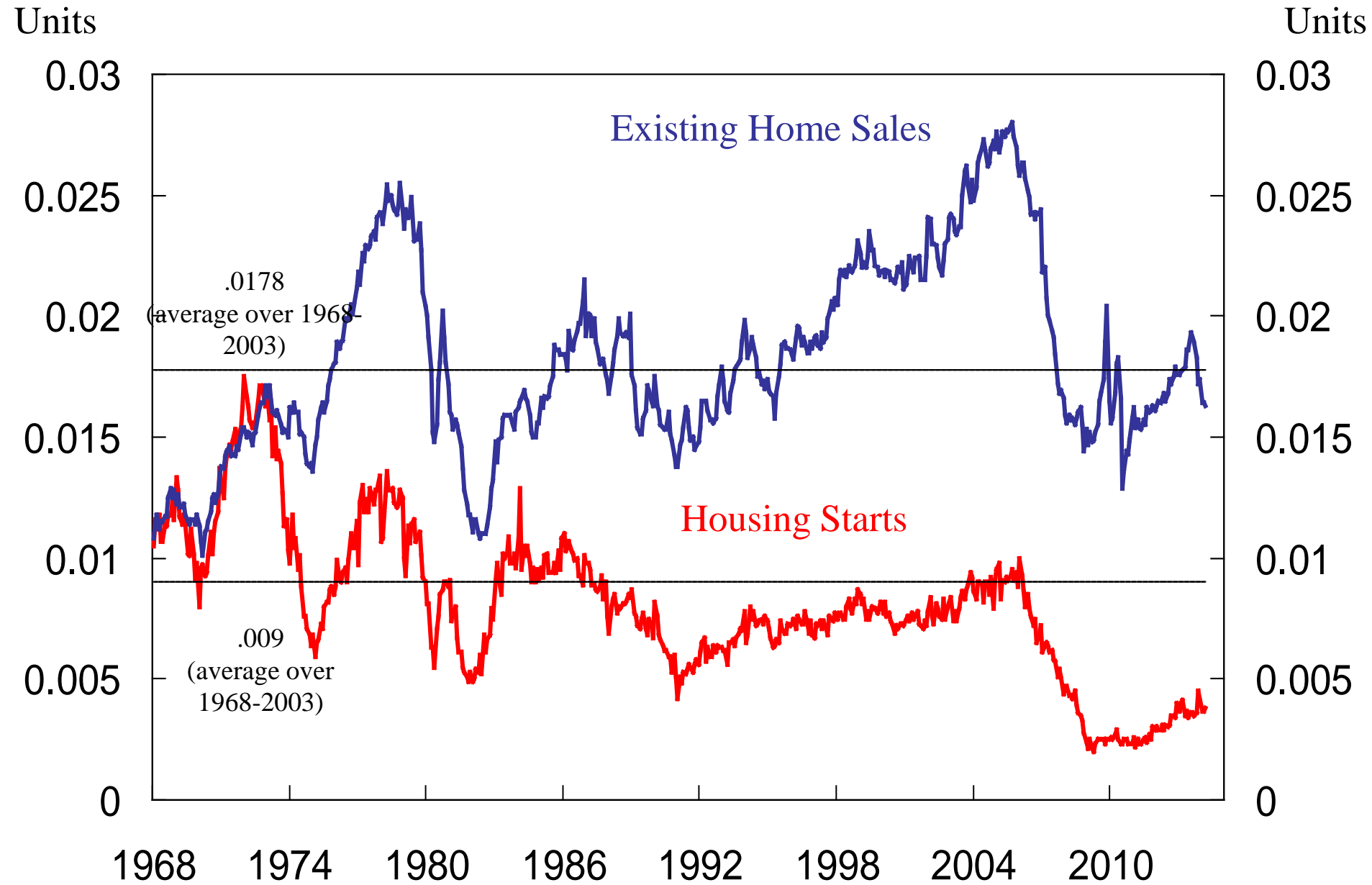
% Change – 4 Quarter



Source: FRBNY Consumer Credit Panel

Note: Includes Student Loans

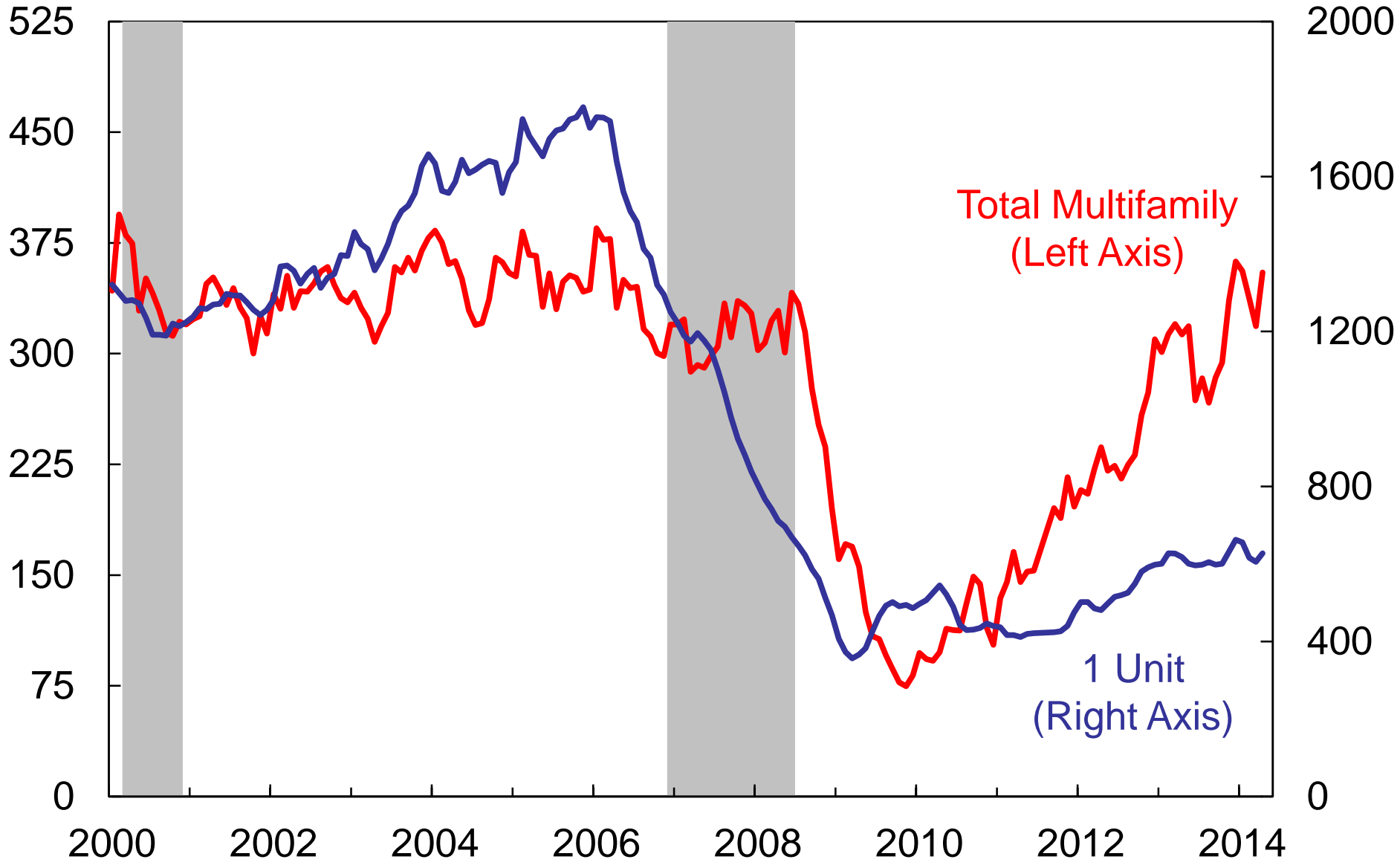
Housing Starts and Existing Home Sales Per Capita



Housing Starts

Thousands, 3 MMA

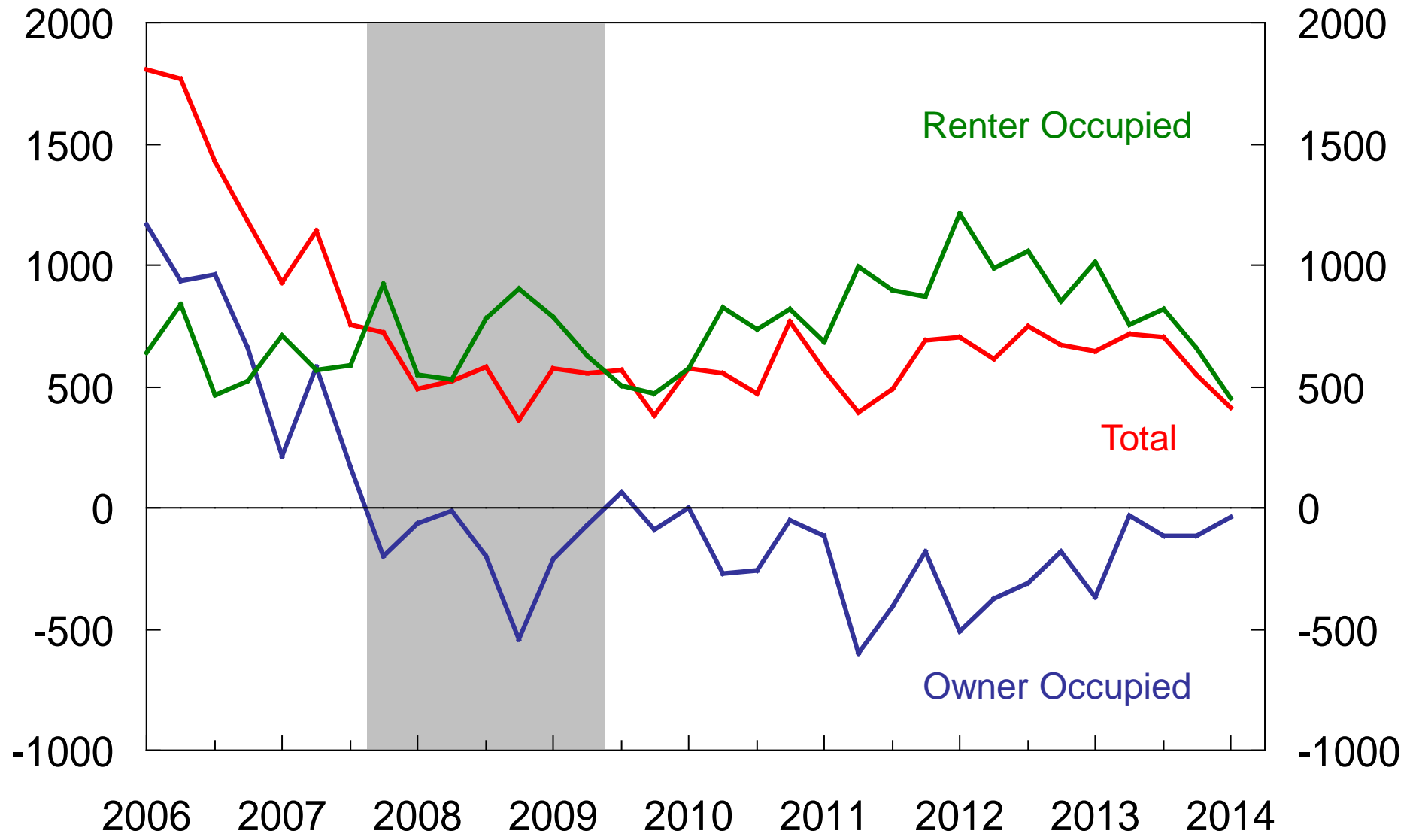
Thousands, 3 MMA



Household Formations

2 Year Avg. Change

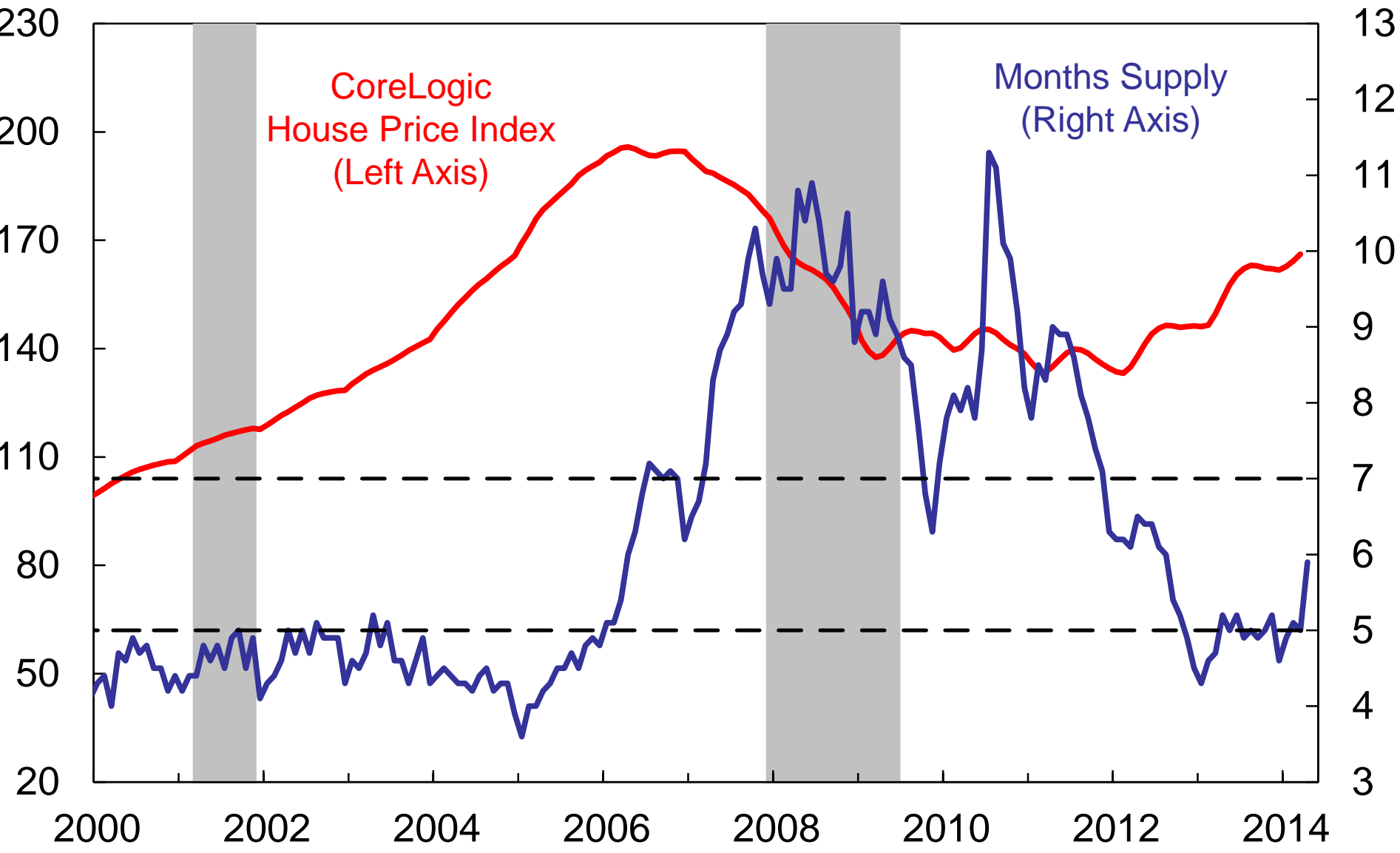
2 Year Avg. Change



Single Family Housing Market

Index, January 2000 = 100

Months' Supply

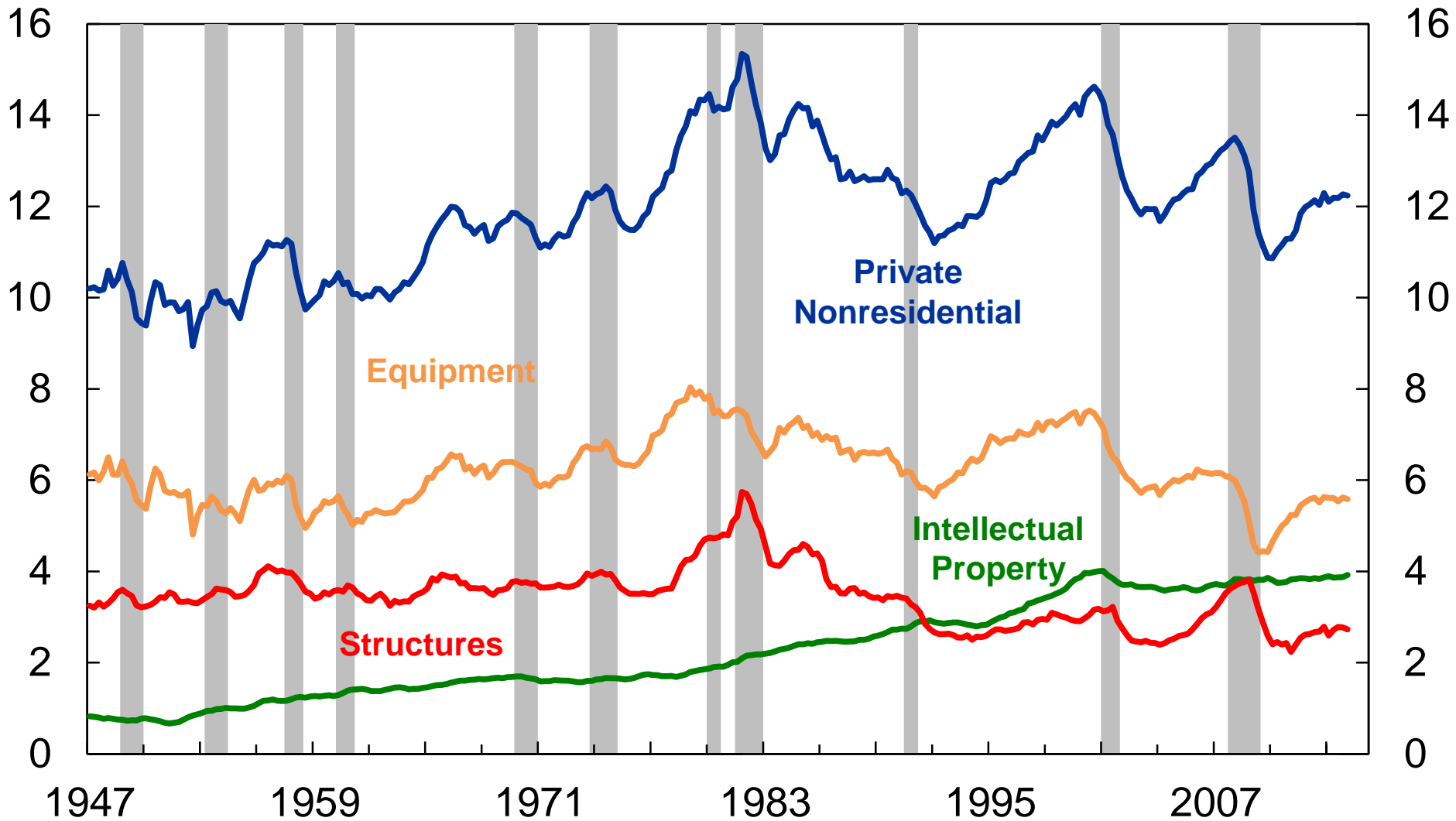


Private Nonresidential Fixed Investment

(Percent of GDP)

Percent

Percent



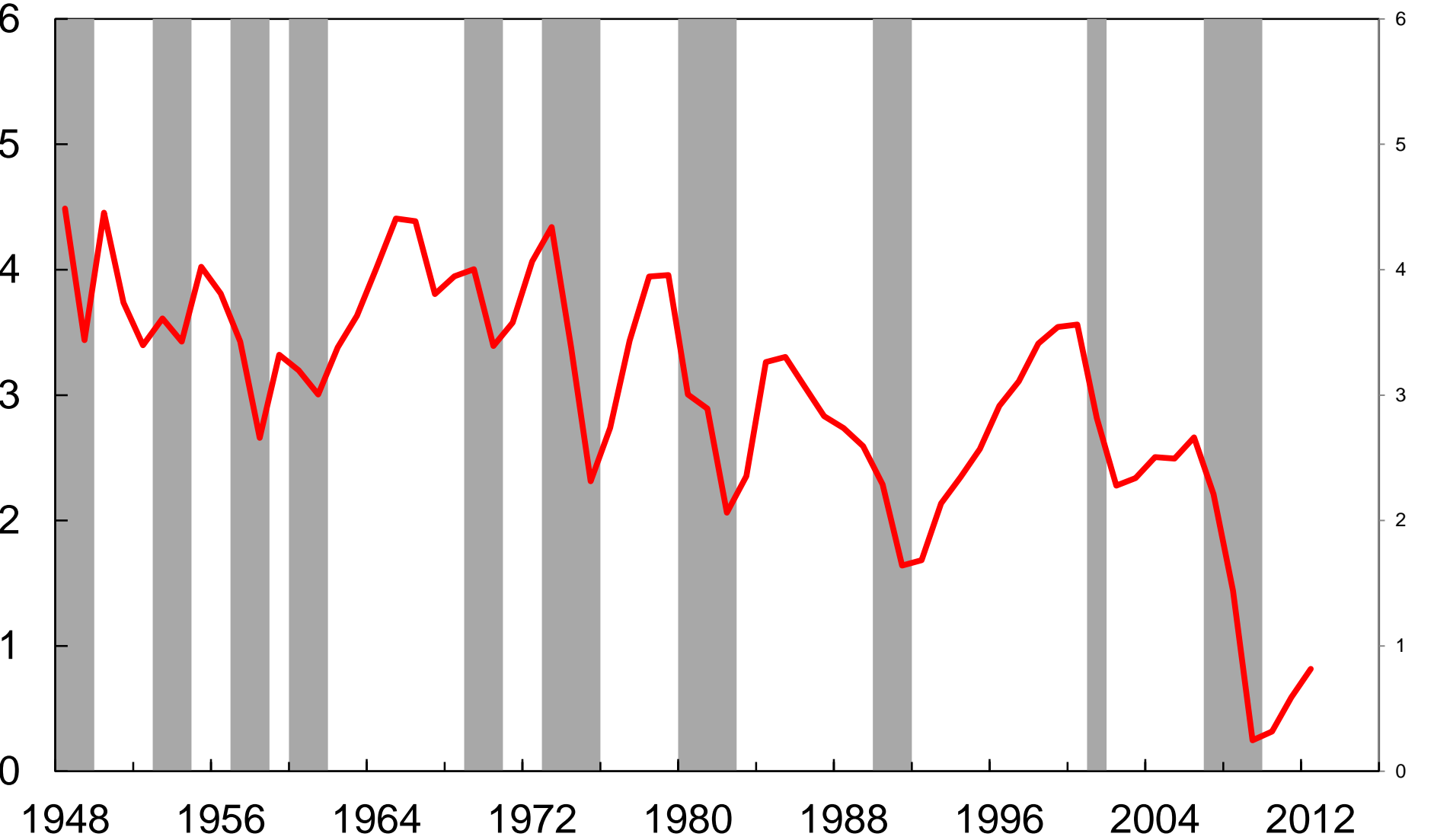
Source: BEA

Note: Nominal USD / Nominal USD

Real Net Stock of Private Fixed Nonresidential Capital

Year/Year % Change

Year/Year % Change



Source: BEA

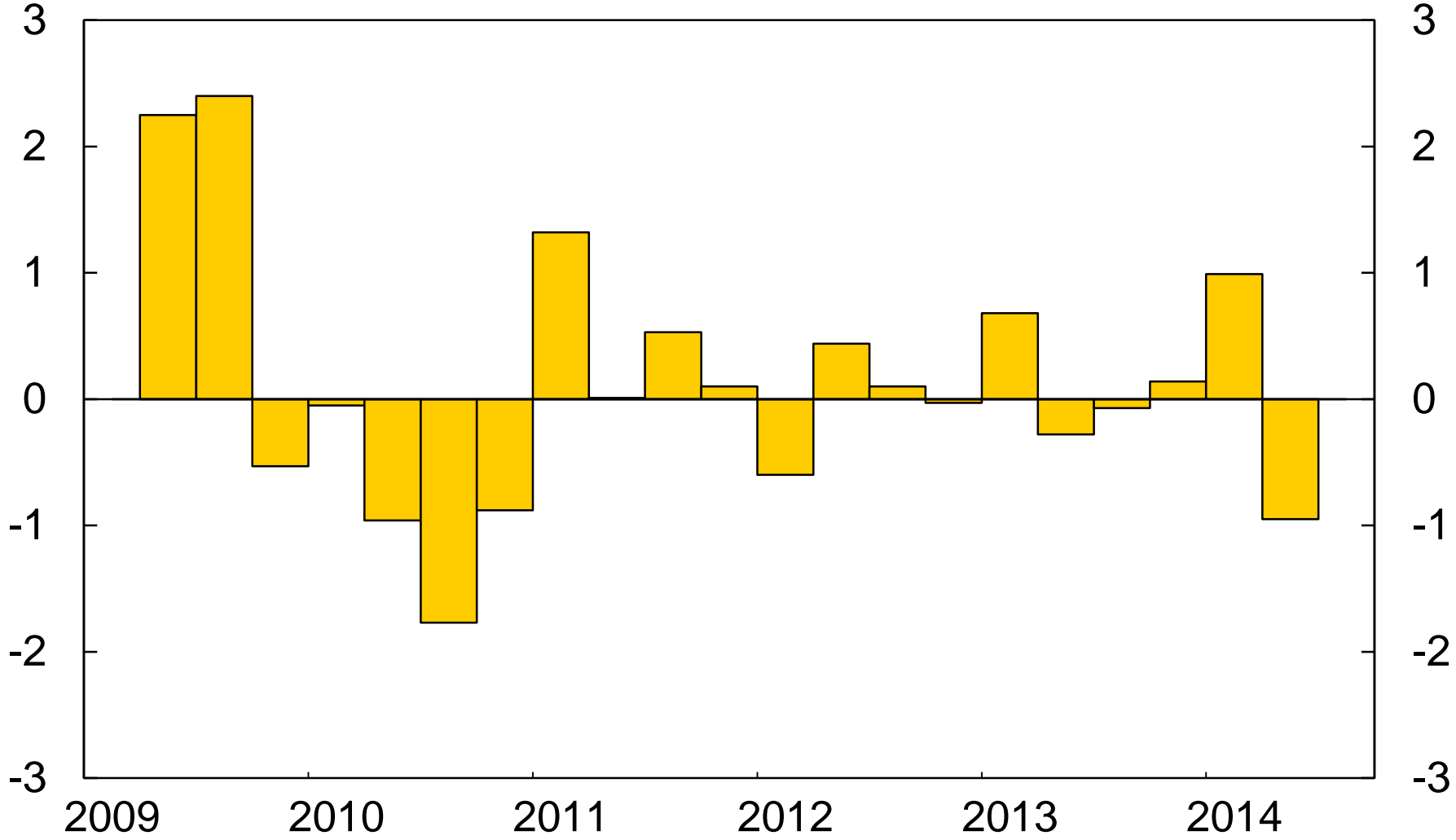
Note: Includes structures, equipment, and intellectual property products.

Net Exports of Goods and Services

Contribution to GDP Growth

Percentage Points

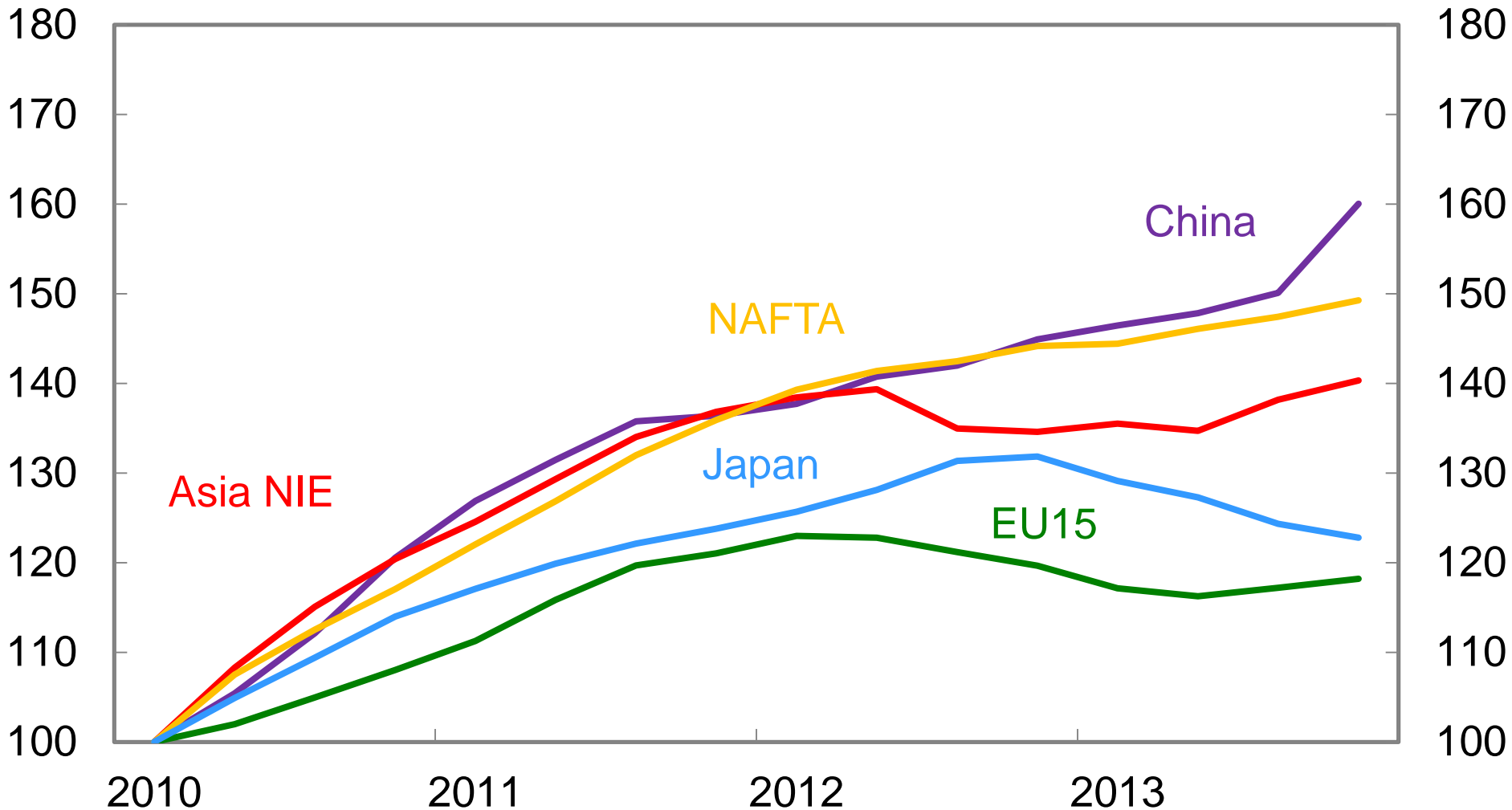
Percentage Points



Nominal Goods Exports by Destination

Quarterly Index, NSA, 2010 Q1 = 100

Quarterly Index, NSA



Source: Census Bureau

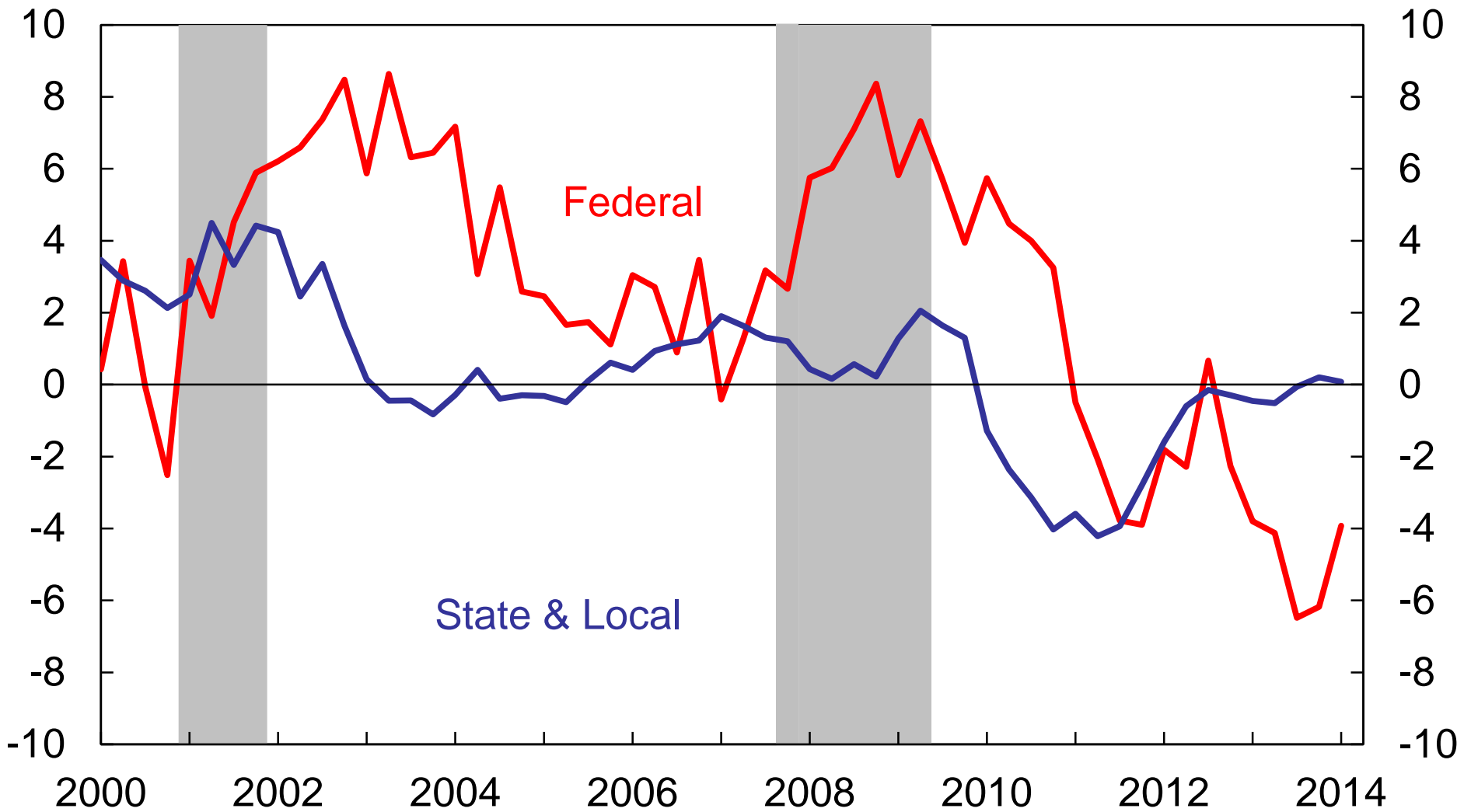
Share of total good imports in 2013Q4:
NAFTA 32.9%; EU15 16.3%; China 9.6%;
Asia NIE 8.9%; Japan 4.0%;

Note: SA data are unavailable. This chart uses 4-quarter moving averages 17

Real Government Consumption and Gross Investment

% Change - Year to Year

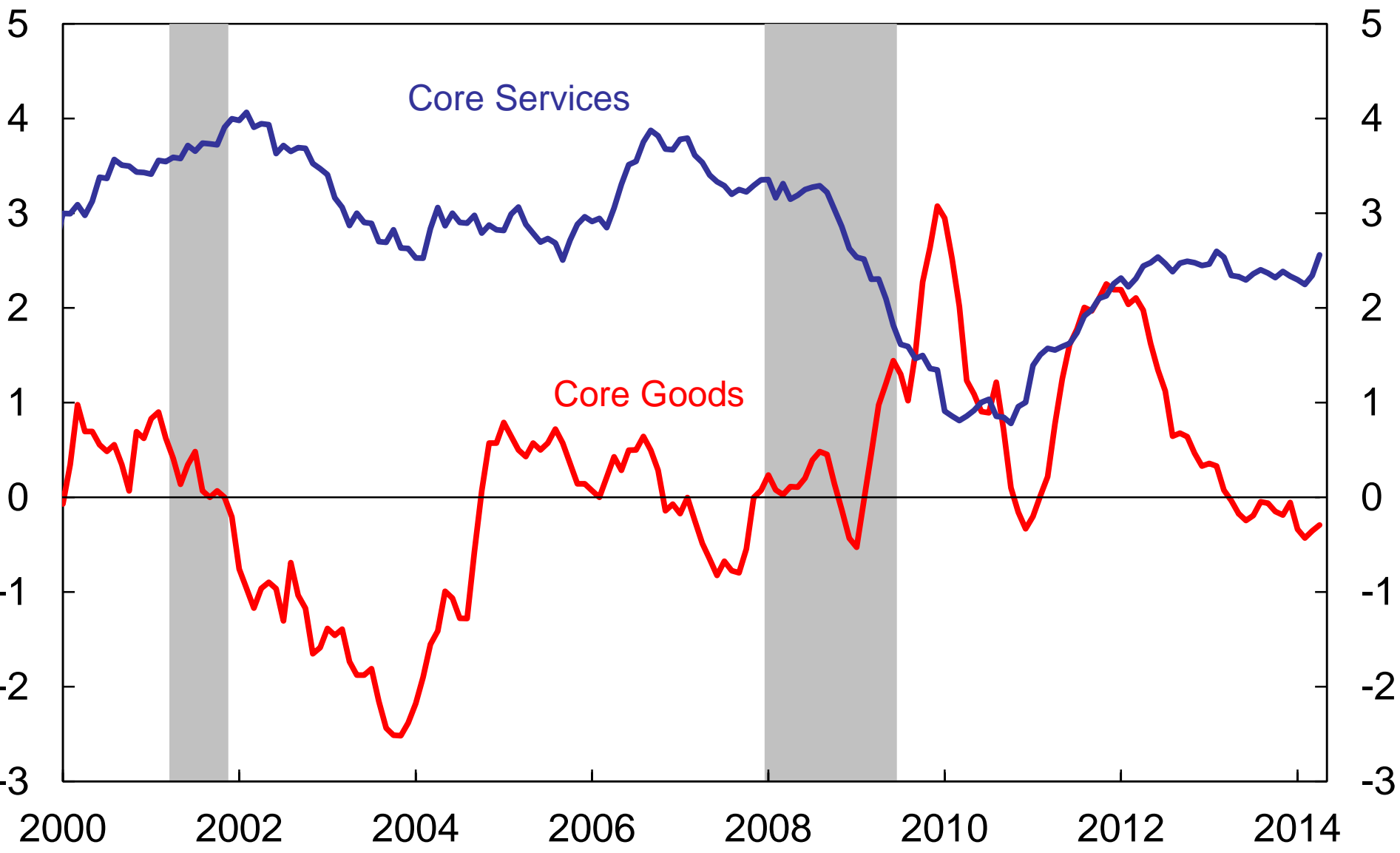
% Change - Year to Year



Inflation Breakdown: Core Goods and Core Services

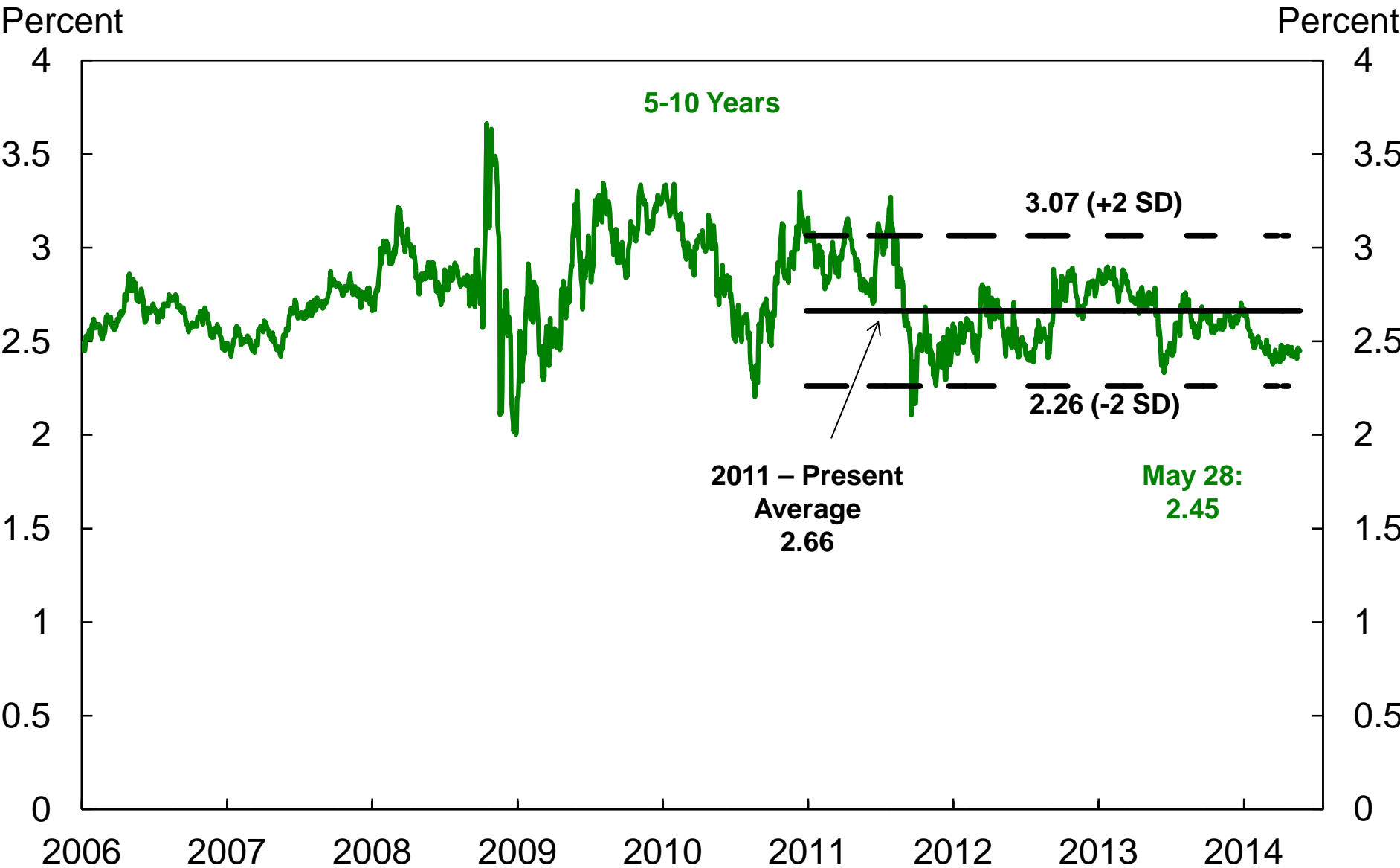
Yr/Yr % Change

Yr/Yr % Change



Source: Bureau of Labor Statistics

TIPS Based Inflation Expectations

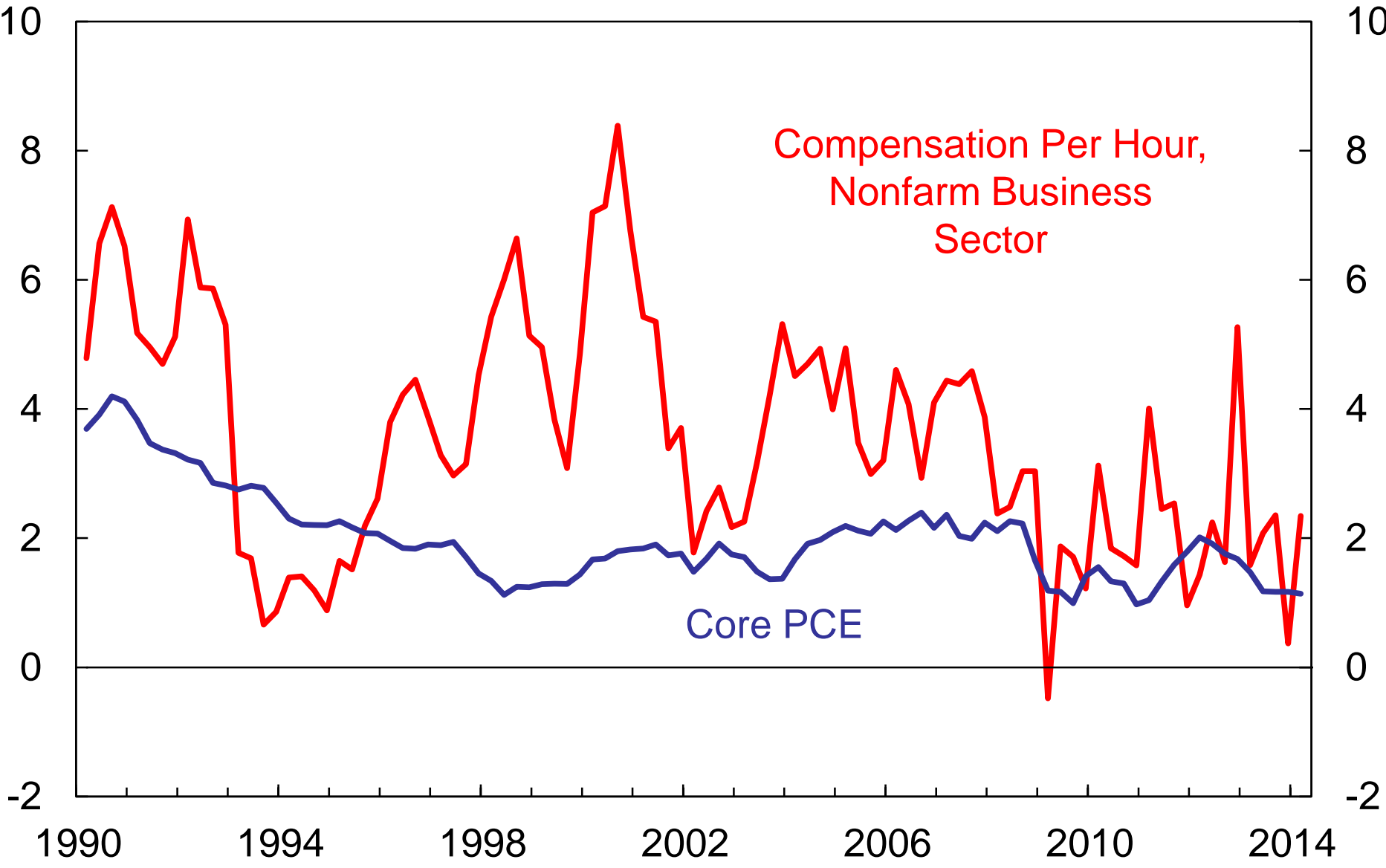


Note: Dashed lines represent 2 Standard Deviations from the mean

Compensation and Inflation

% Change over Year

% Change over Year



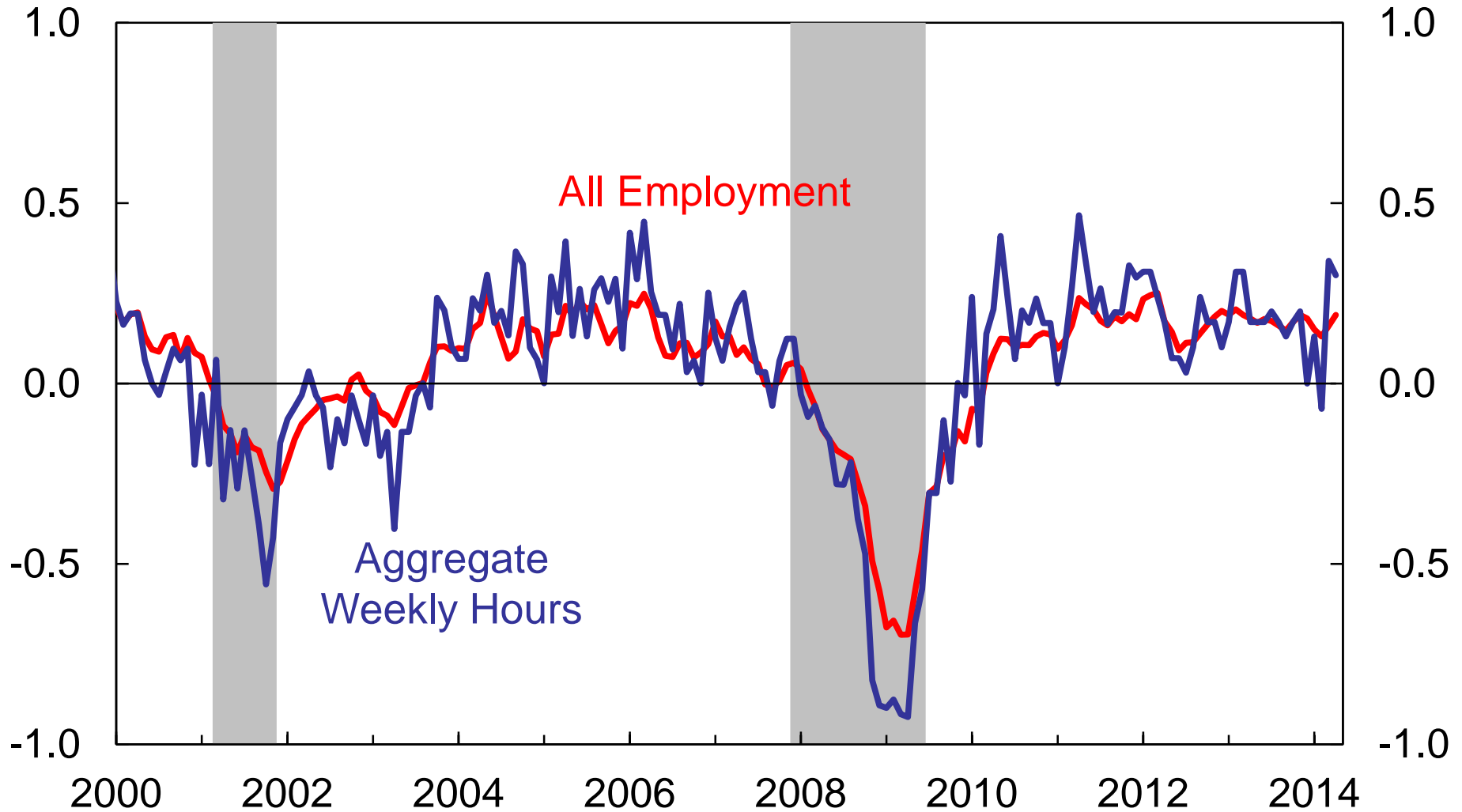
Reference Charts

Private Nonfarm Payroll Employment and Total Hours Worked

3-Month Moving Average of One-Month Change

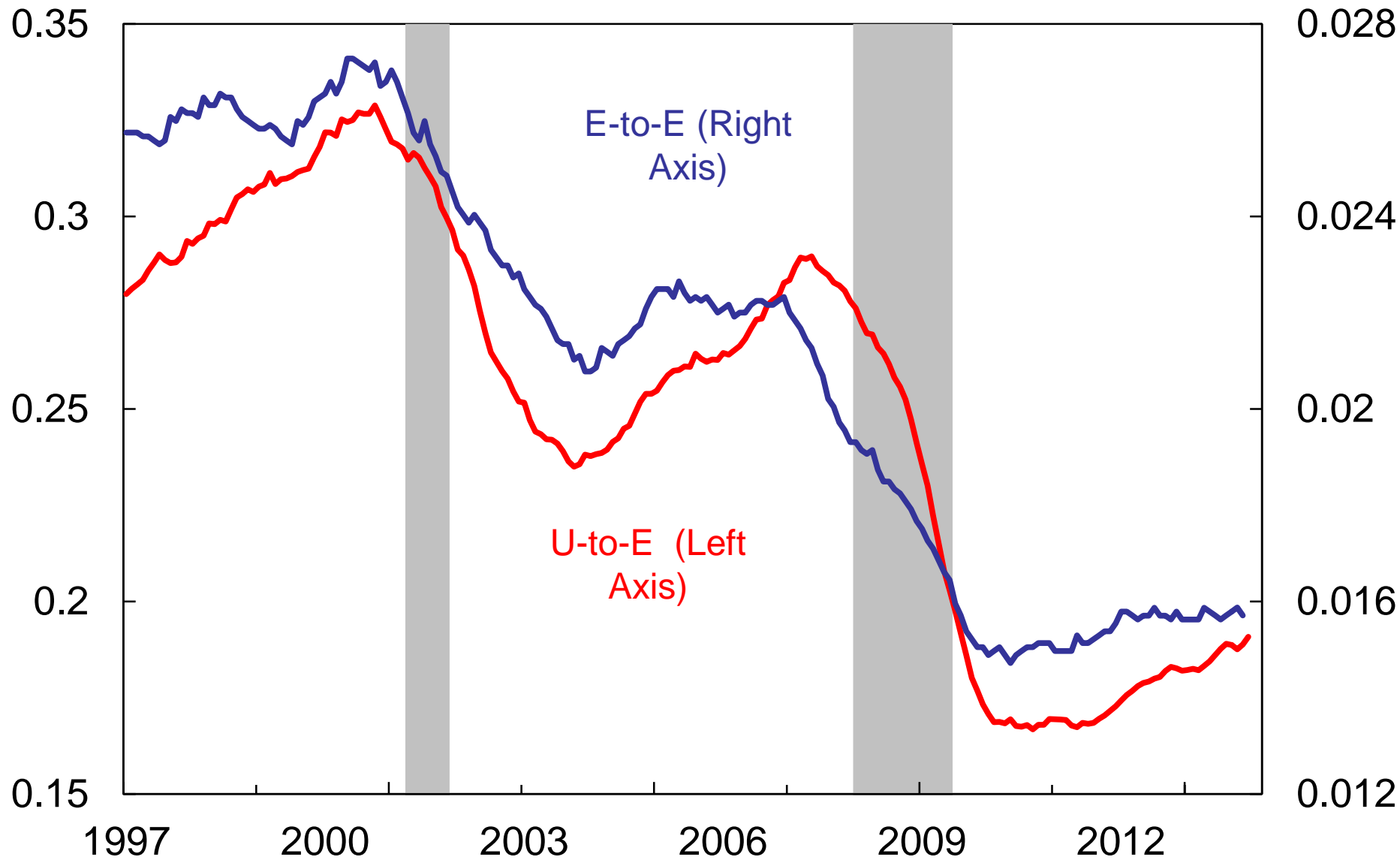
Percent

Percent



Job-Finding Rate and Job-to-Job Transitions

12mma, SA

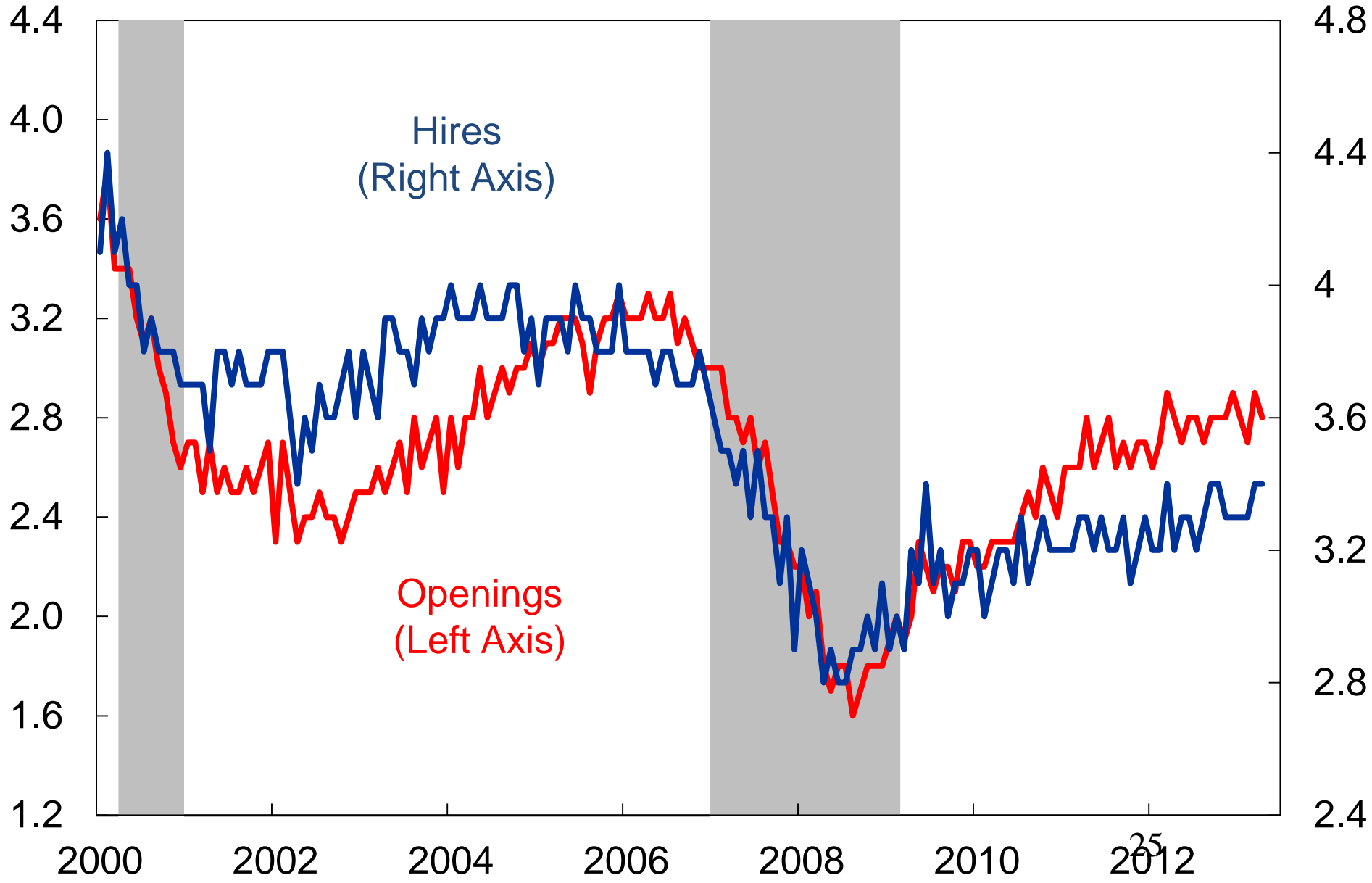


Source: Bureau of Labor Statistics

Job Openings Rate and Hires Rate

Percent

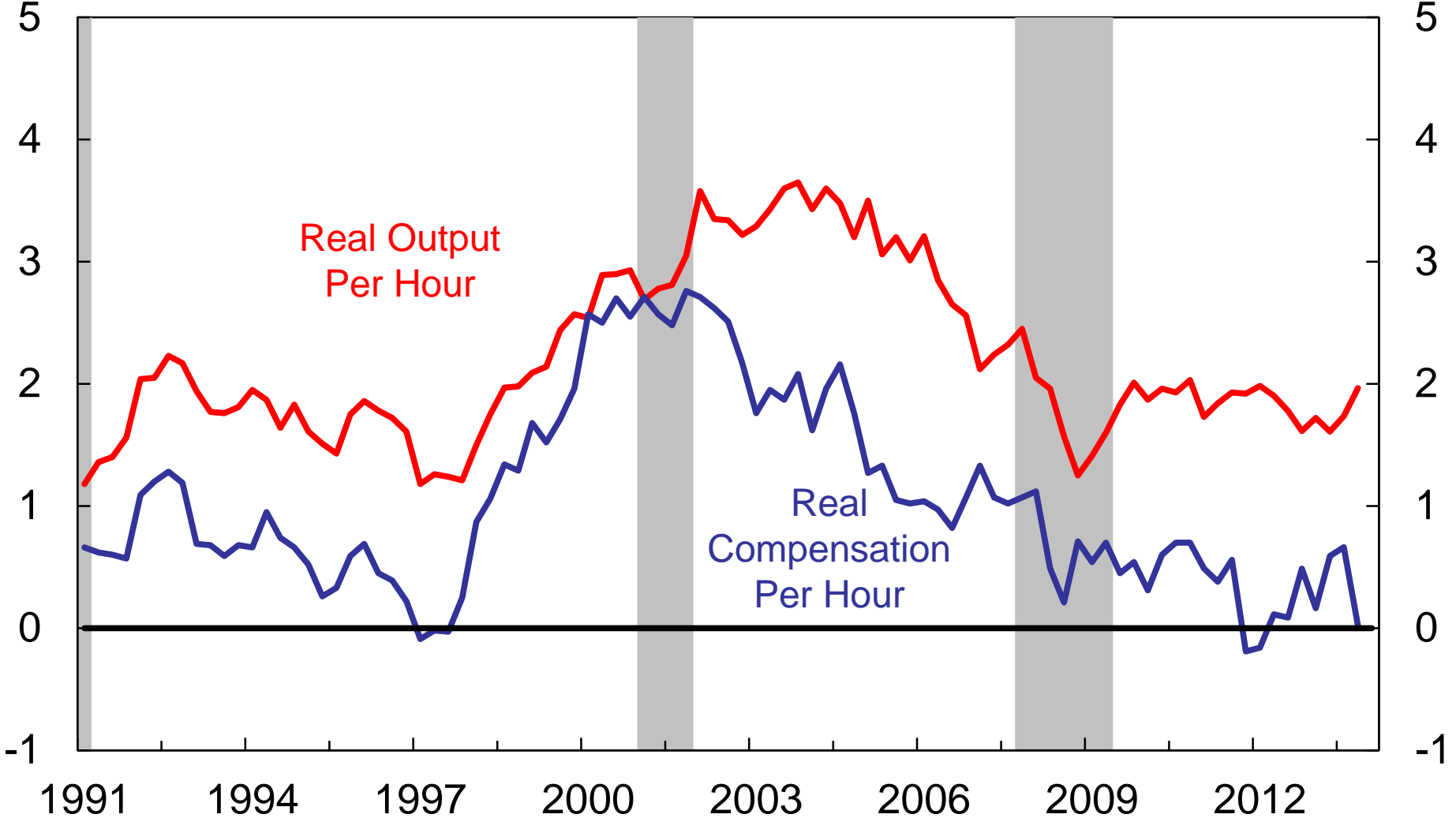
Percent



Long-Term Trends in Productivity, Compensation, and Consumption

5 % Year Change, AR

5 Year % Change, AR



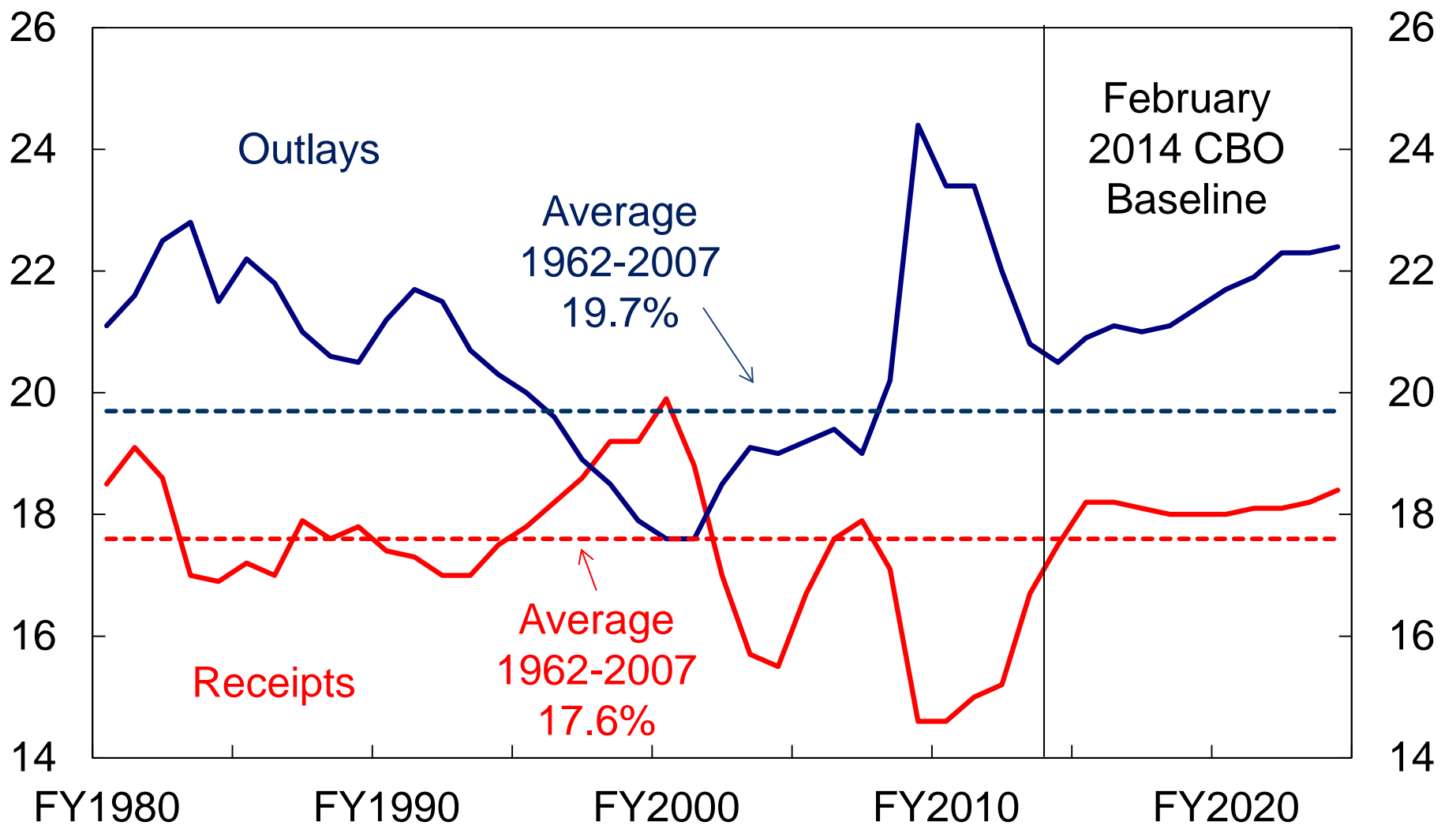
Source: Bureau of Labor Statistics and Bureau of Economic Analysis

Federal Receipts and Outlays

(CBO Current Law Baseline)

Percent of GDP

Percent of GDP

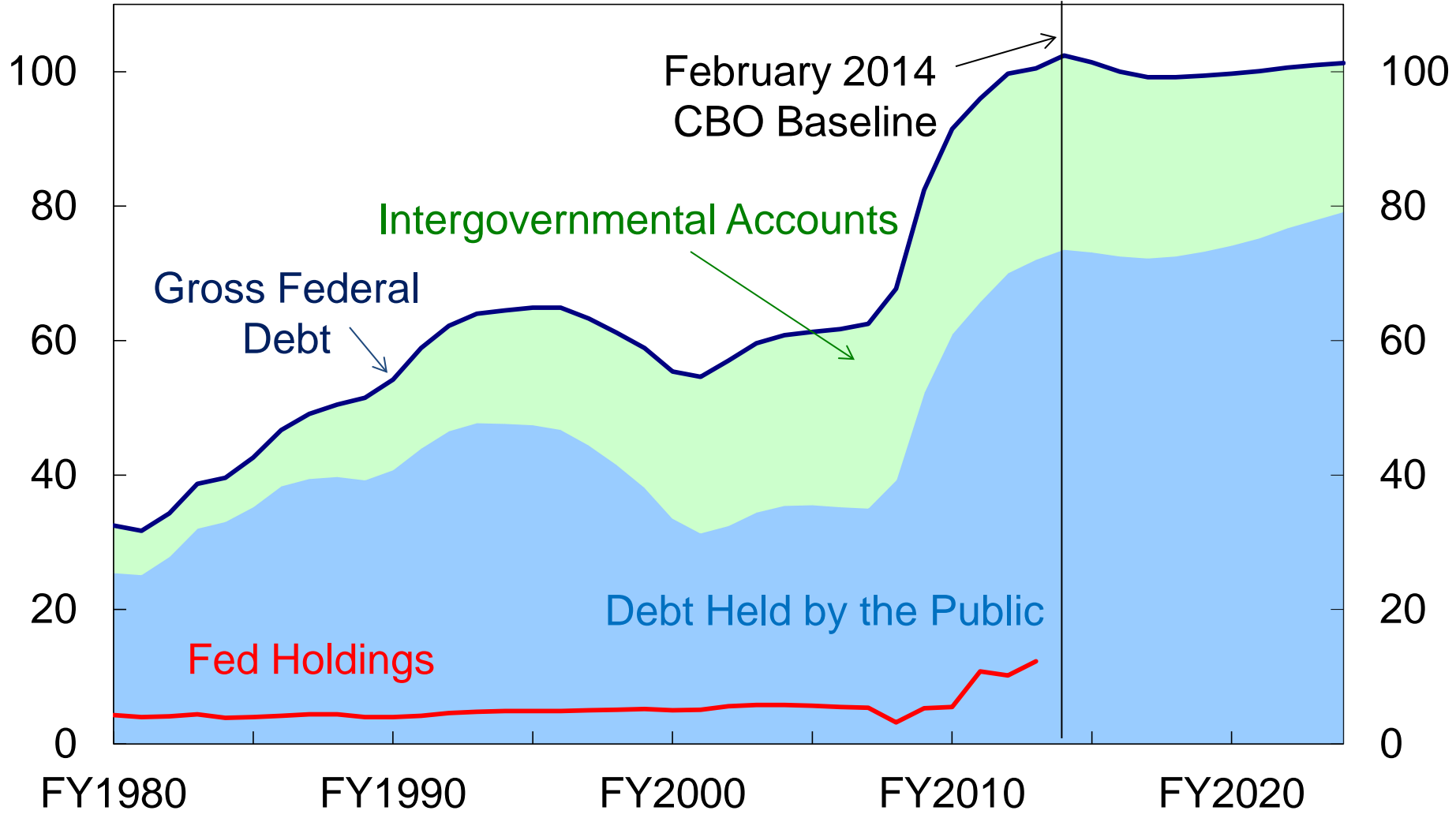


Federal Debt

(CBO Current Law Baseline)

Percent of GDP

Percent of GDP

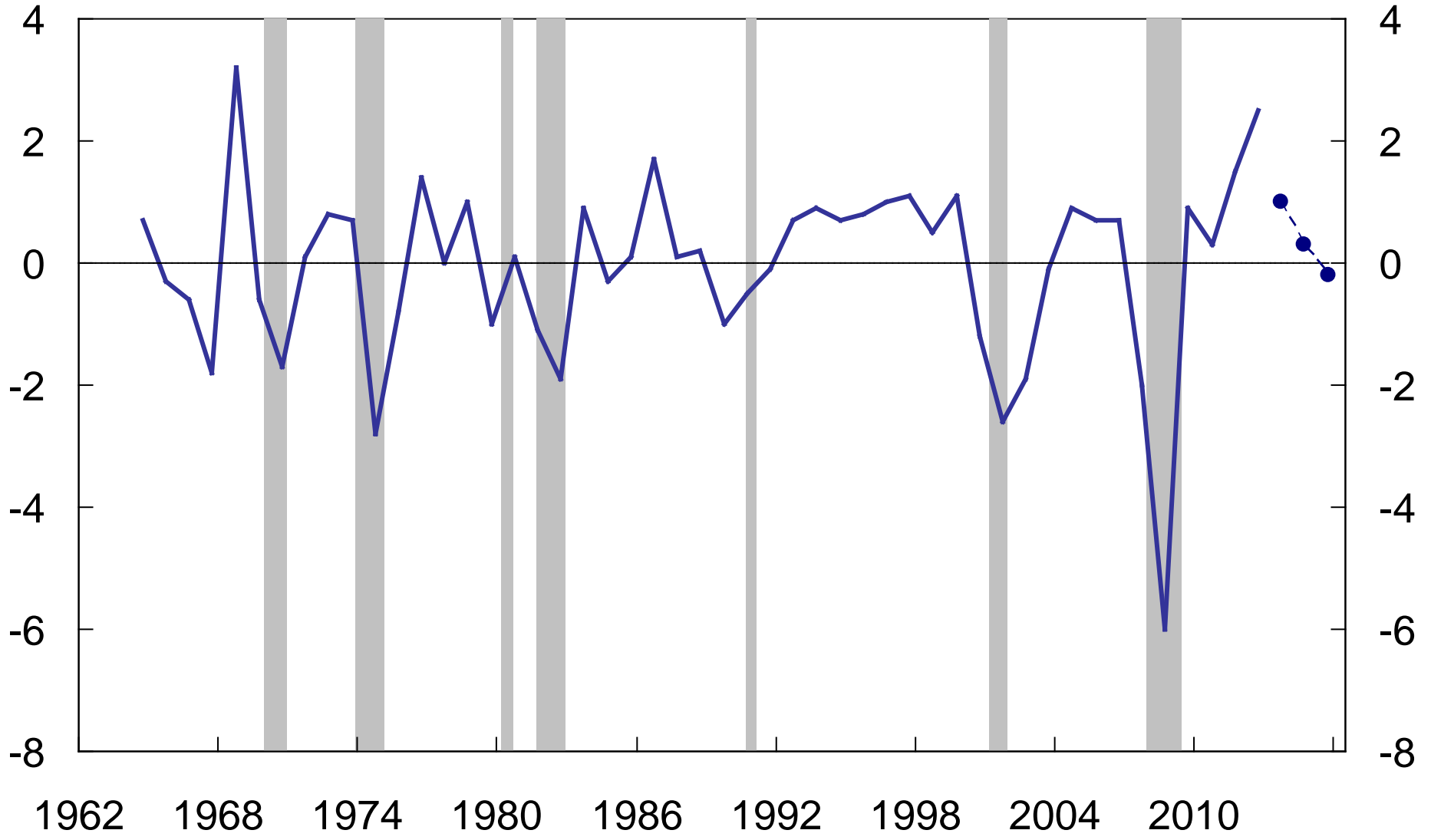


Stance of Fiscal Policy

Change in Full Employment Budget Balance as a Percent of Potential GDP

Percent of Potential GDP

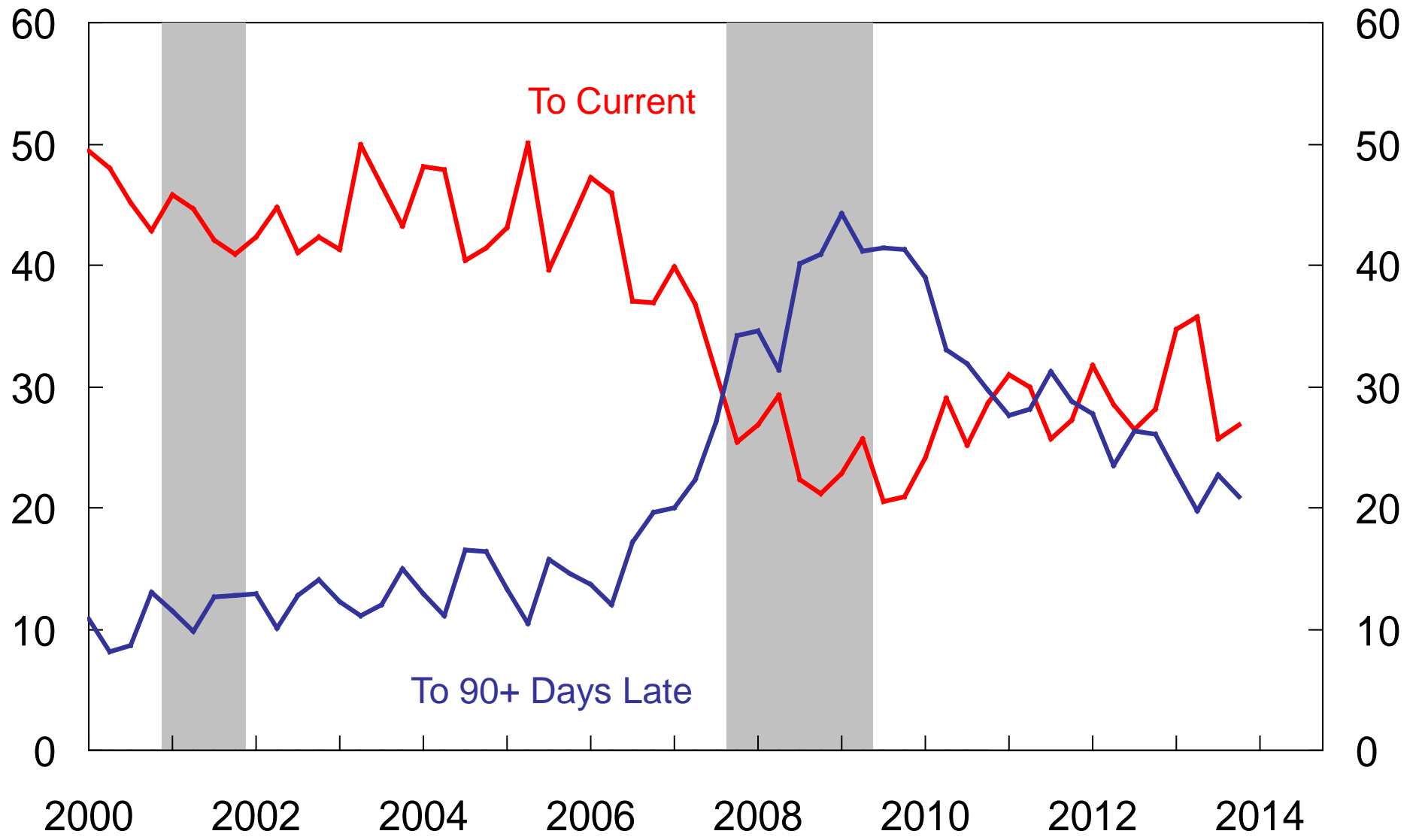
Percent of Potential GDP



Source: Congressional Budget Office

Transition of Mortgage Accounts from 30-60 Days Late

Percent Percent

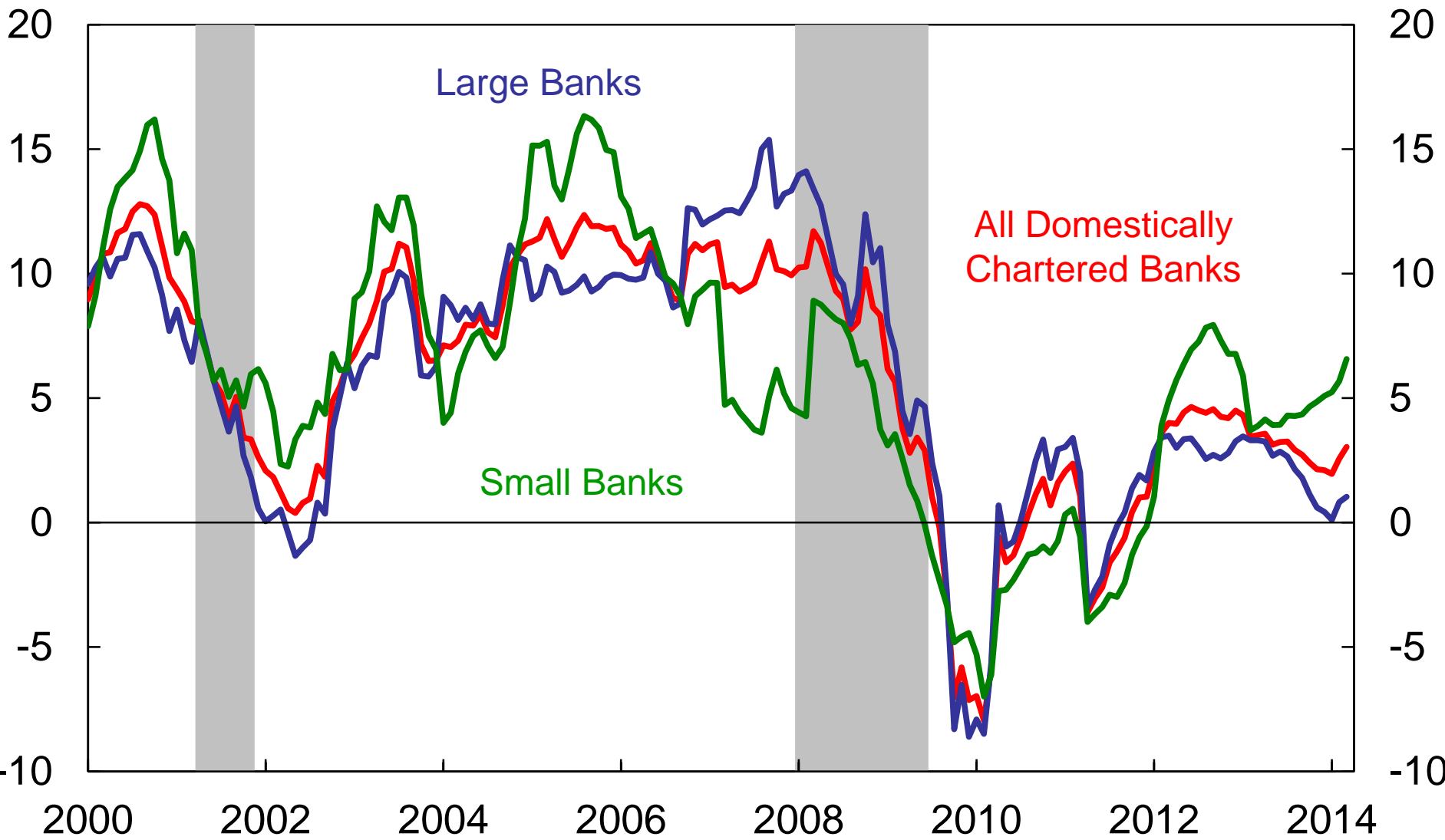


Source: FRBNY Consumer Credit Panel

Loans and Leases in Bank Credit

Yr/Yr % Change

Yr/Yr % Change



Note: "Large Banks" include the 25 largest domestically chartered banks, ranked by assets (about 2/3 of the total).

Source: Federal Reserve Board



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Economic Conditions in Upstate New York

Jaison R. Abel, Senior Economist

Upstate New York Regional Advisory Board Meeting; New York, NY; June 3, 2014

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

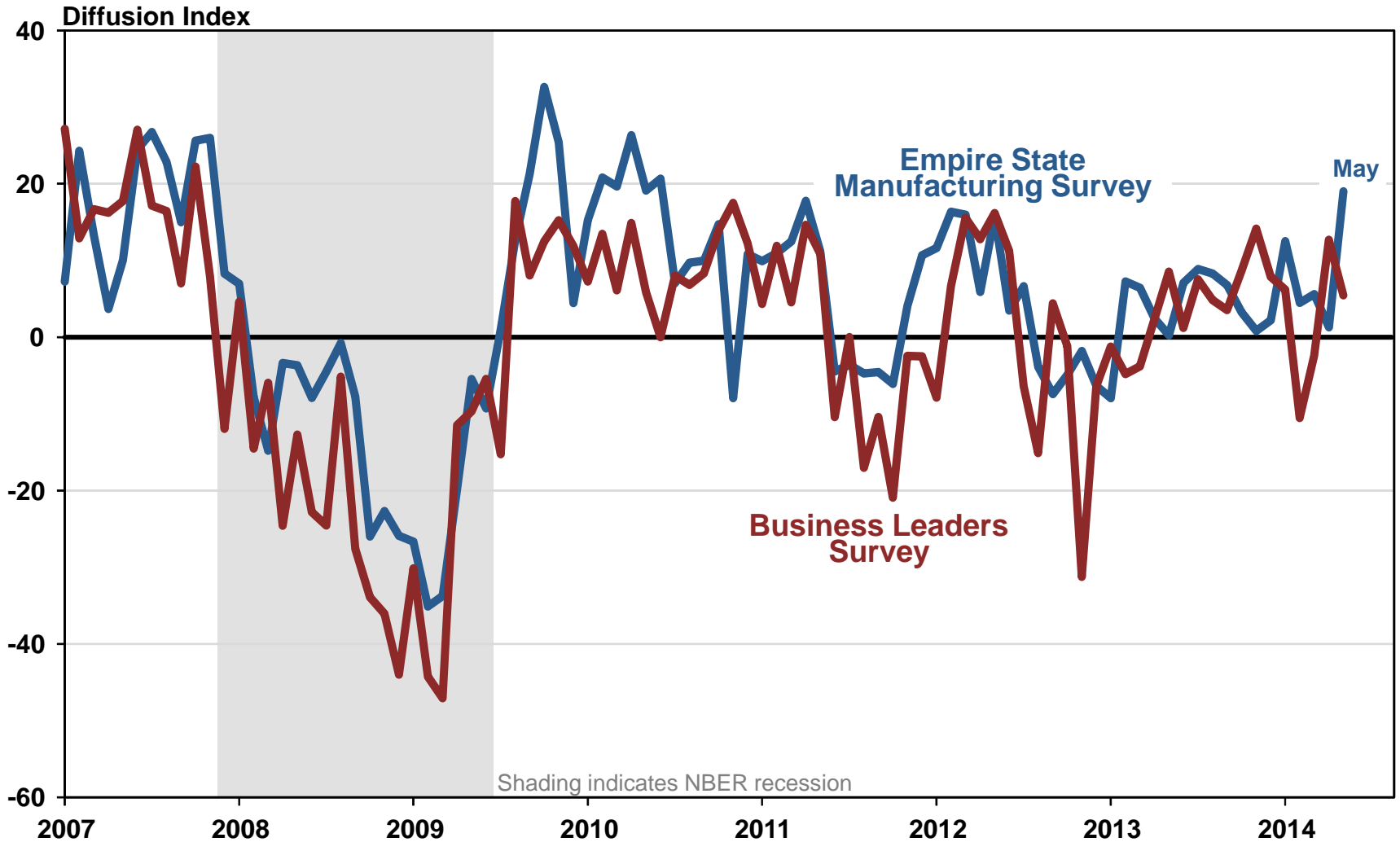
Overview of Regional Conditions

- Though the Great Recession was less severe in upstate New York, the region's recovery now lags that of the nation and downstate New York.
- The region's housing markets have continued to experience modest home price appreciation.
- Looking forward, a growing backlog of foreclosures and weak consumer confidence present headwinds for the region.



Current Economic Conditions

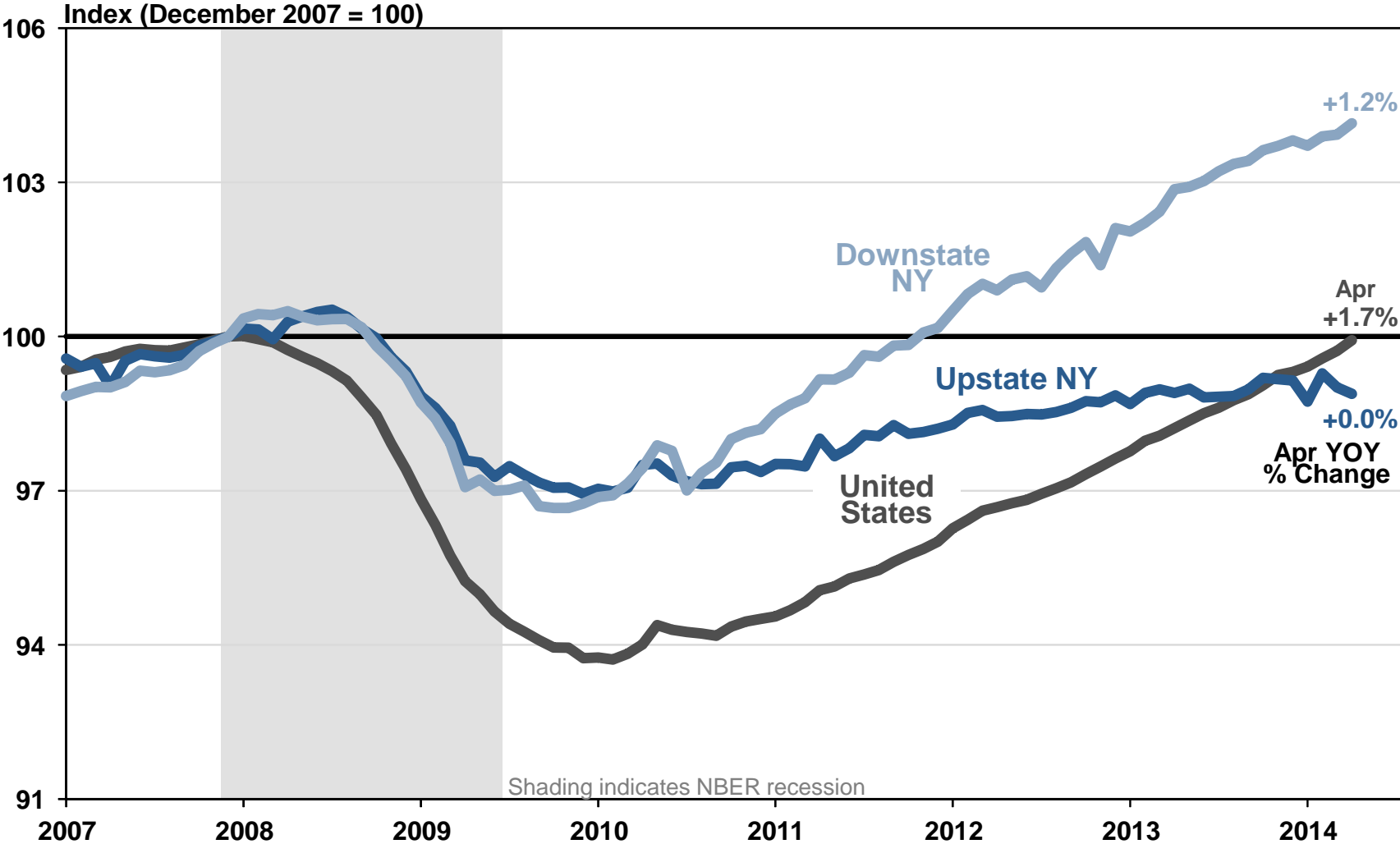
FRBNY Business Surveys, Current Conditions



Shading indicates NBER recession

Regional Employment Trends

Total Employment, Seasonally Adjusted

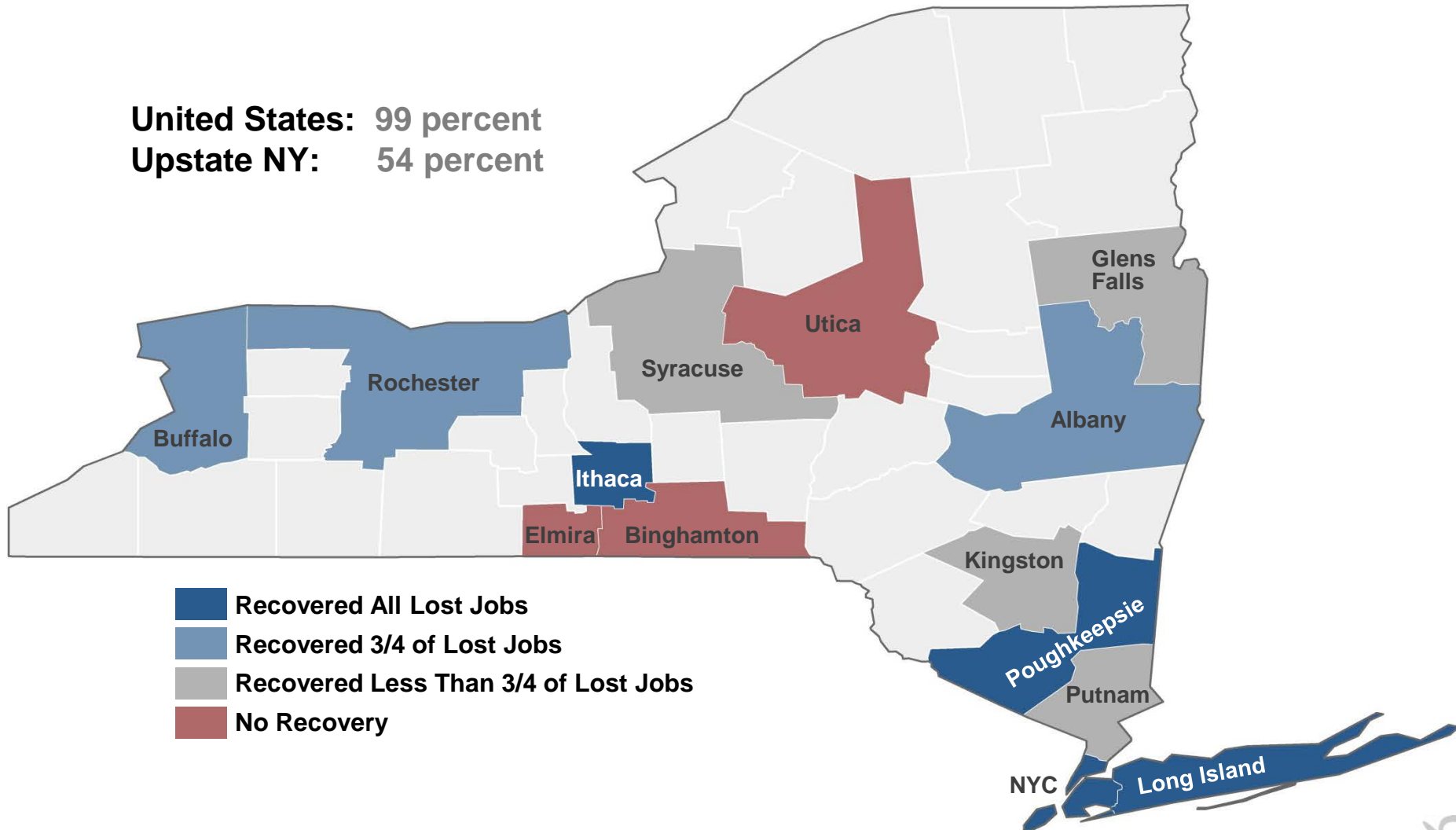


Source: Bureau of Labor Statistics and Moody's Economy.com.

Status of Jobs Recovery

Share of Lost Jobs Gained Back During Local Recovery

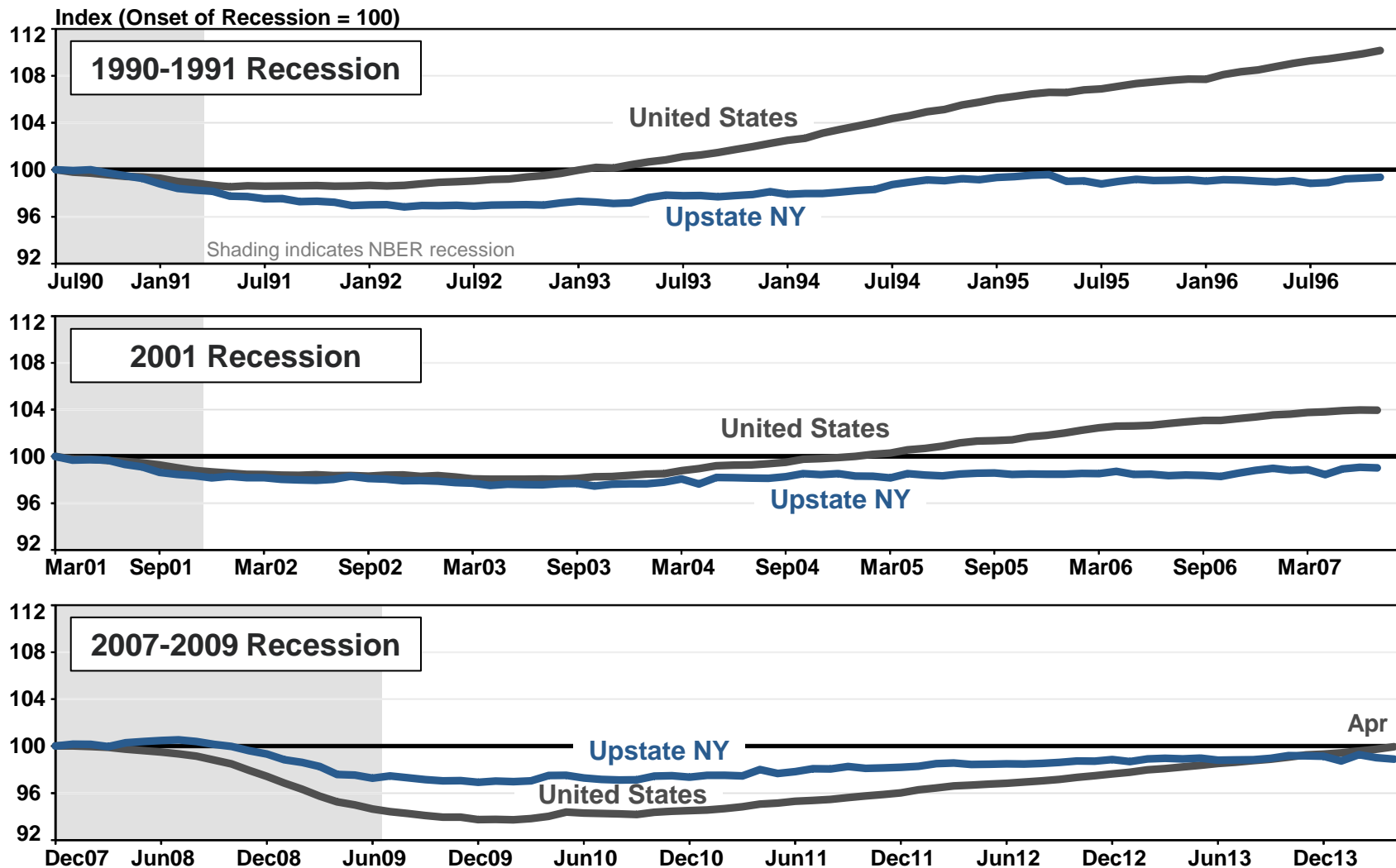
United States: 99 percent
Upstate NY: 54 percent



- Recovered All Lost Jobs
- Recovered 3/4 of Lost Jobs
- Recovered Less Than 3/4 of Lost Jobs
- No Recovery

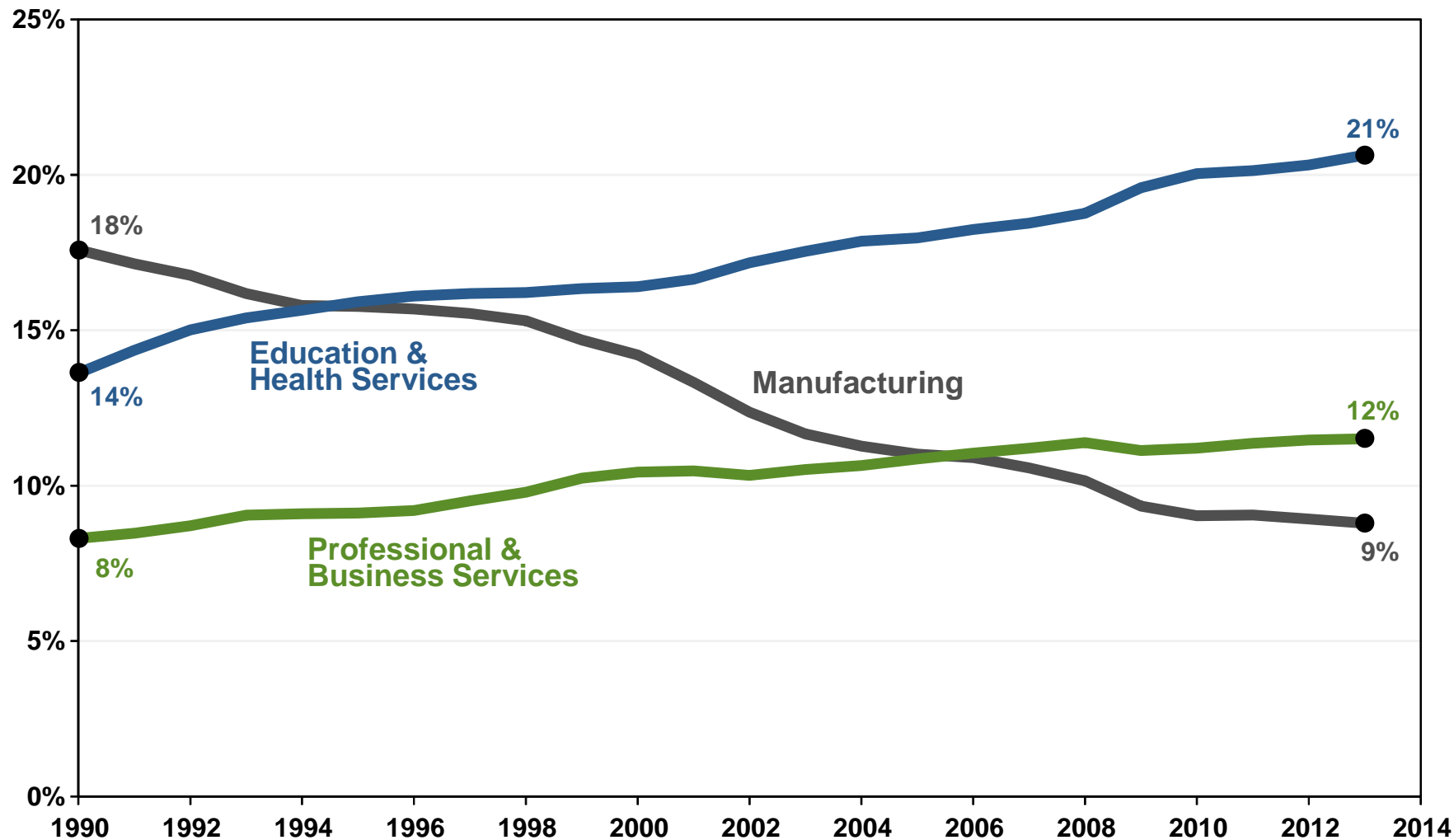
Recession Employment Dynamics

Past Three Cycles



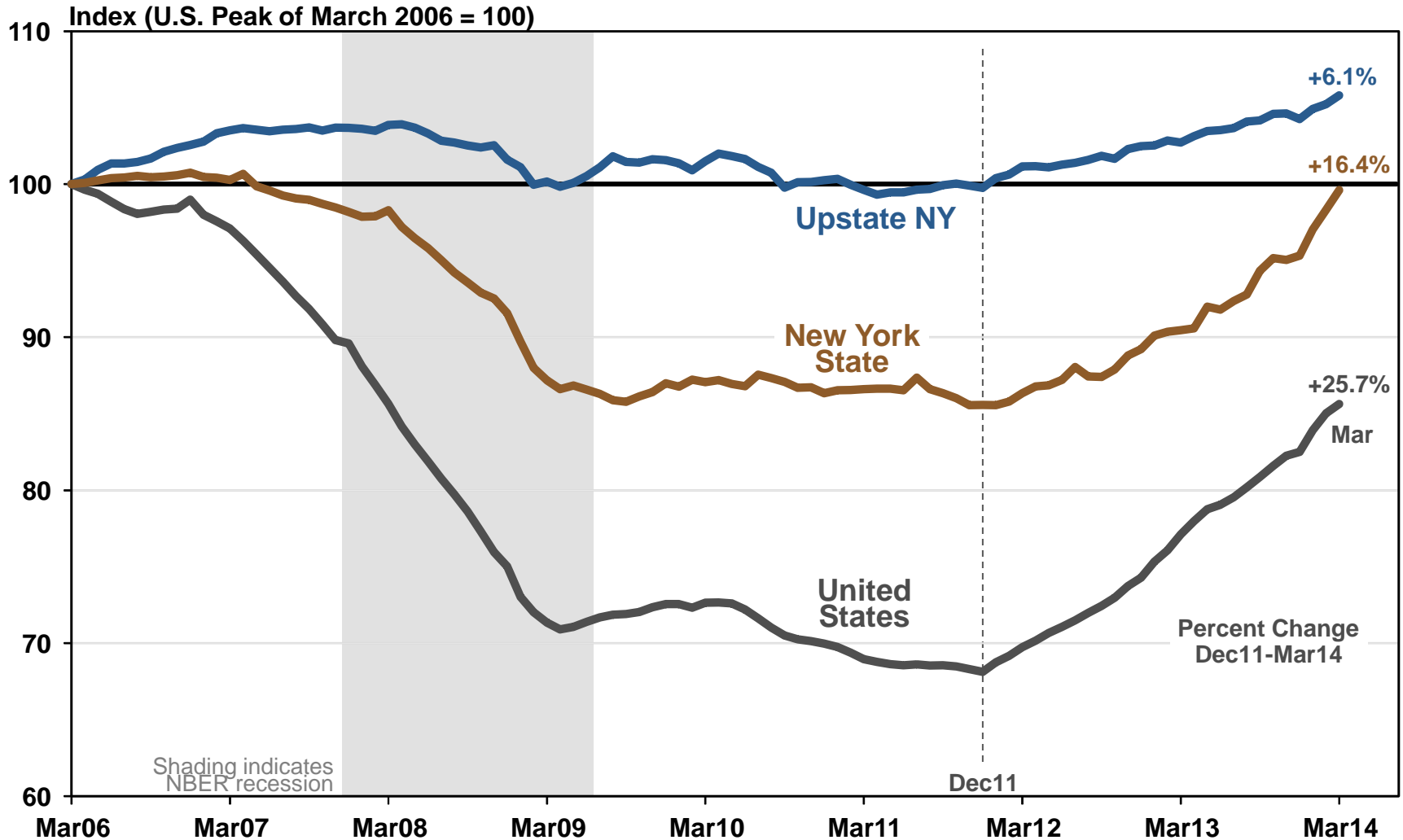
Changing Structure of the Upstate Economy

Shares of Total Employment



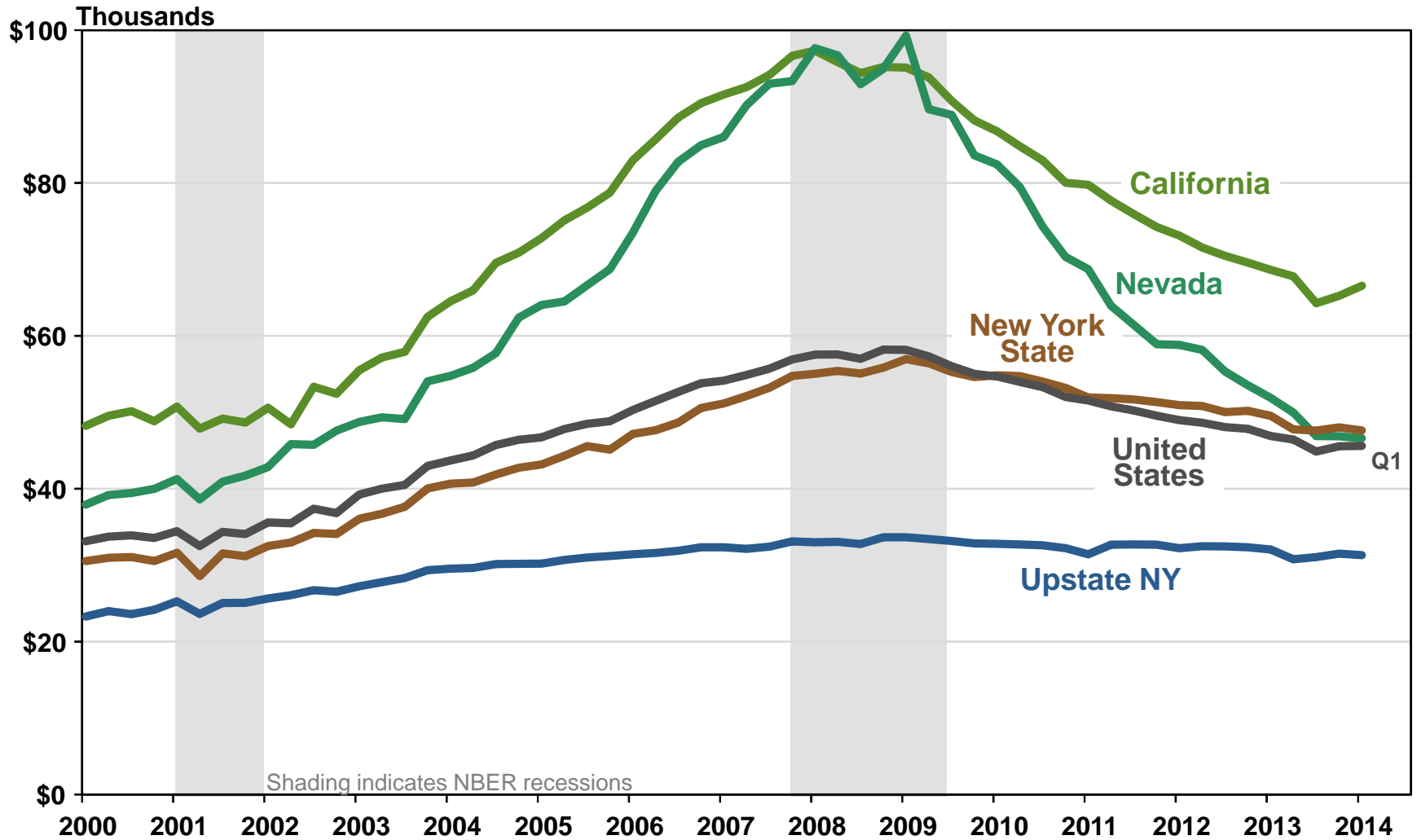
Regional Home Prices

CoreLogic Single-Family Home Price Index, Seasonally Adjusted



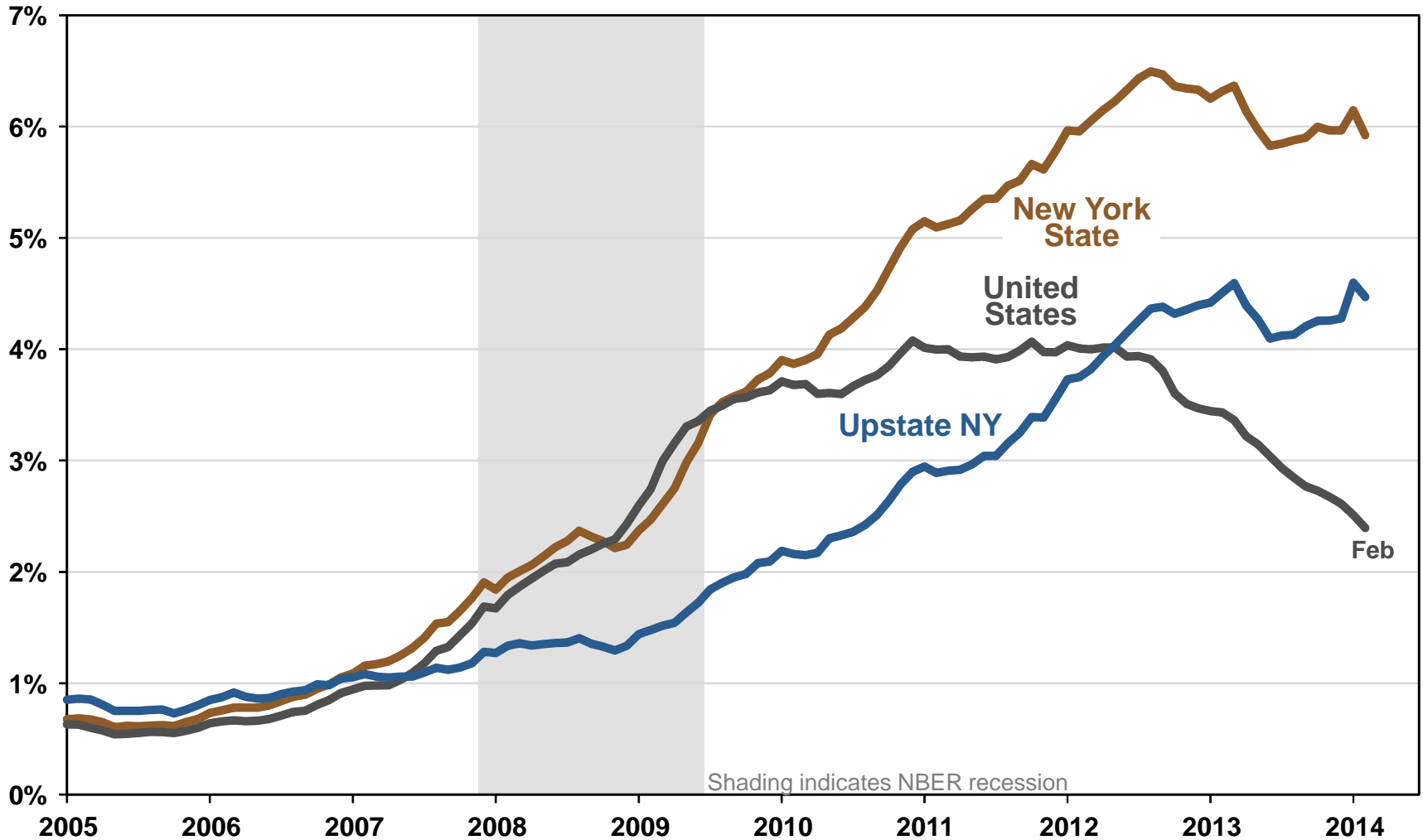
Household Debt

Total Household Debt Per Capita, 2014 Constant Dollars



Backlog of Foreclosures in the Region

Share of Mortgages in Foreclosure



Shading indicates NBER recession

Regional Consumer Confidence

Overall Consumer Confidence

