



Small Business & Agricultural Advisory Board
Federal Reserve Bank of New York
33 Liberty Street
10F, Paul Volcker Boardroom
Tuesday, April 15, 2014

AGENDA

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

10:40am-11:10am The National Economy
Joseph Tracy, Executive Vice President

11:10am-11:30am Regional Update
Jim Orr, Vice President

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 this year?

2:00 pm Adjourn



FEDERAL RESERVE BANK *of* NEW YORK

US Macro Overview
April 15, 2014

Joe Tracy

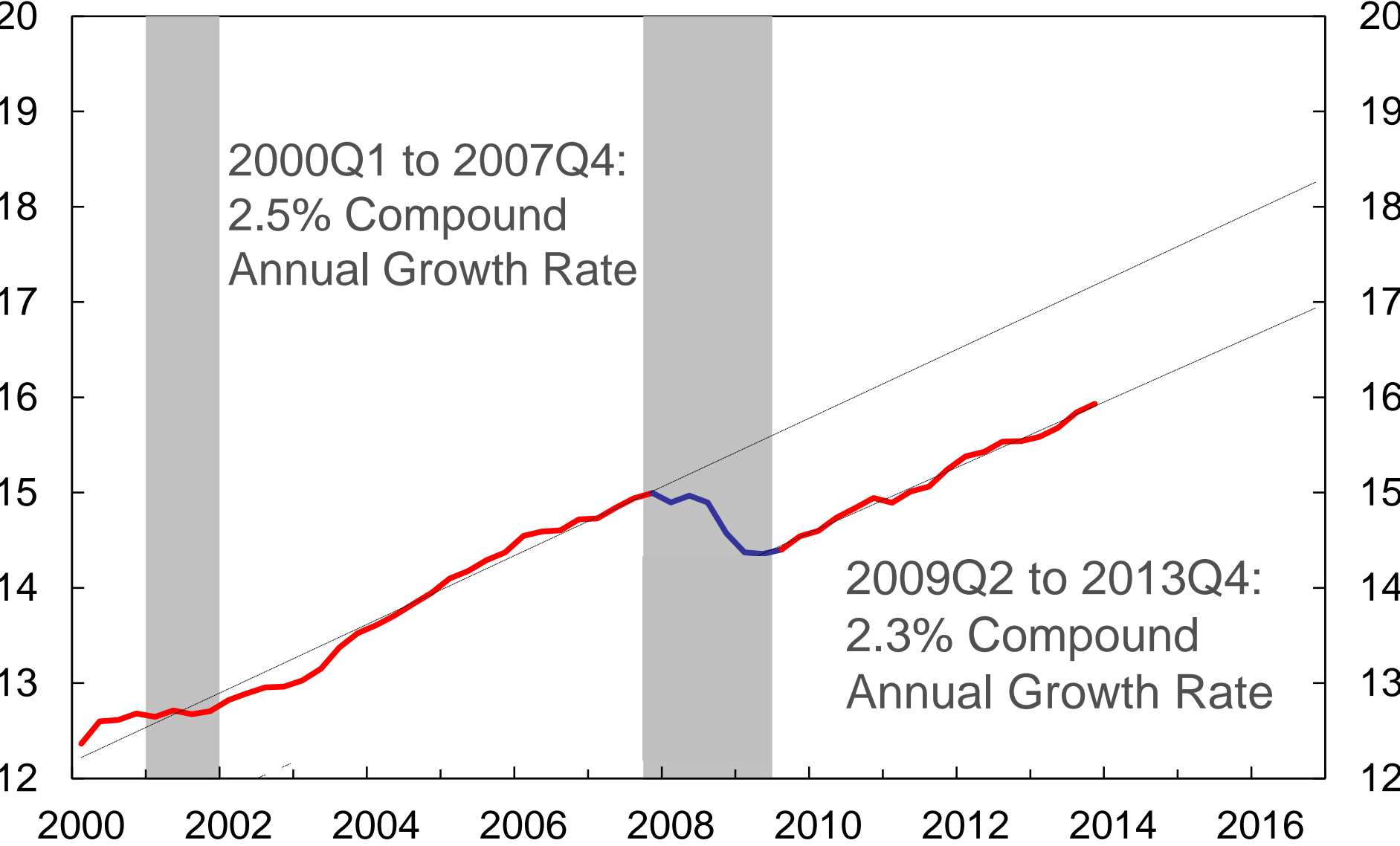
Overview of US Economic Conditions

- Since the end of the Great Recession, the US economy has grown at a compound annual rate of 2.3%, somewhat less than over the period from 2000 to 2007.
 - The apparent “output gap” has not closed despite significant fiscal & monetary stimulus
 - Price and wage data are consistent with the economy still operating with “slack”.
 - The amount of slack is unknown and the subject of a great deal of research.
- Consumer spending strengthened over the second half of 2013.
 - Household deleveraging is well advanced – wealth effects supporting consumption
 - Need stronger income growth to sustain momentum
- Excess supply of housing appears to have been worked off, but household formation remain low, likely due to relatively weak labor market and continued tight mortgage underwriting standards.
- Business investment spending not providing the growth contribution that it has at this point in previous business cycles.
- Inflation running below the FOMC’s stated goal of 2% (measured by PCE deflator).

Real GDP

Trillions of 2009 US\$

Trillions of 2009 US\$



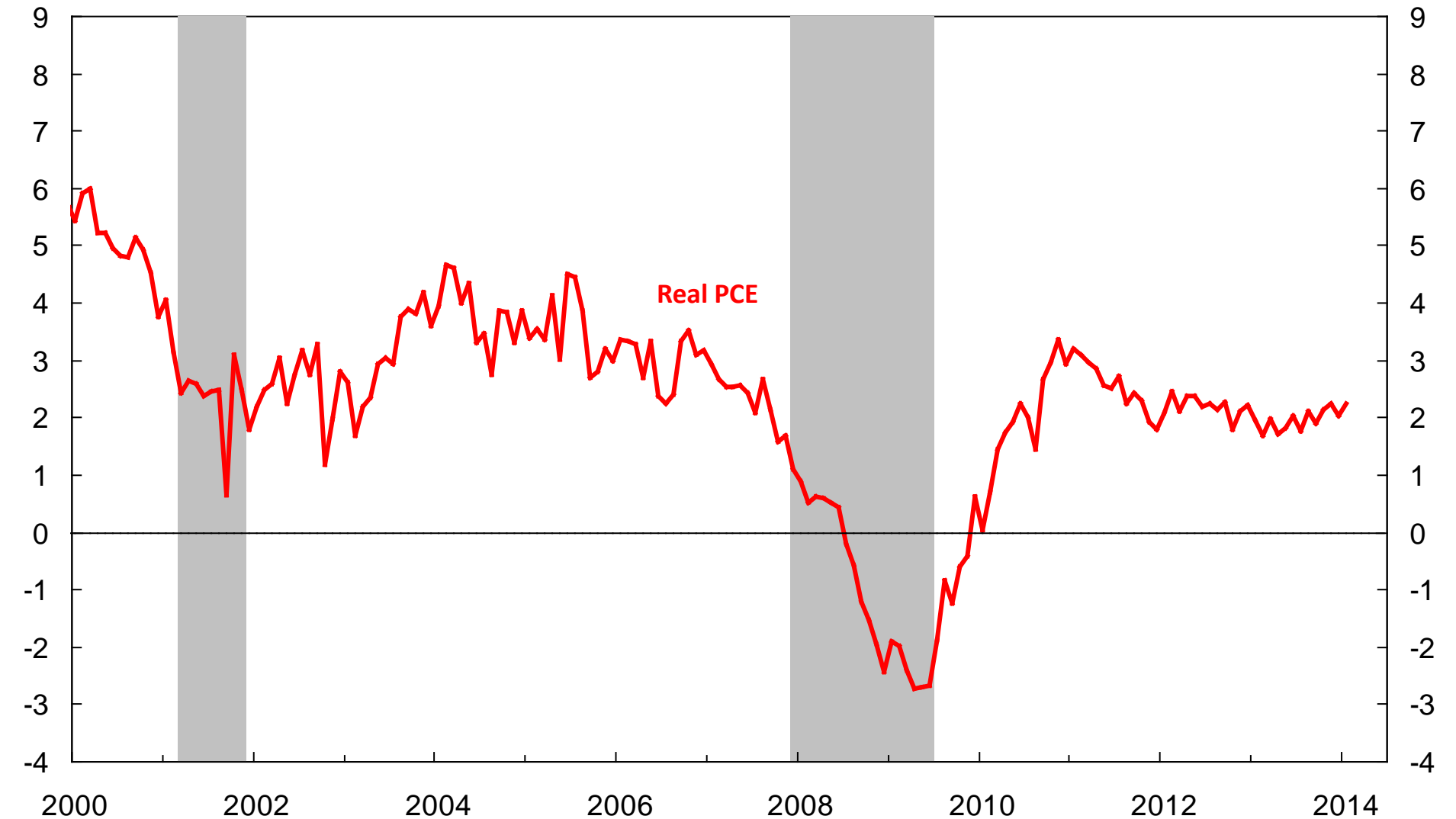
Source: Bureau of Economic Analysis

Note: * Based on 2000Q1-2007Q4 Trend

Real Personal Consumption Expenditures (PCE)

% Change - Year to Year

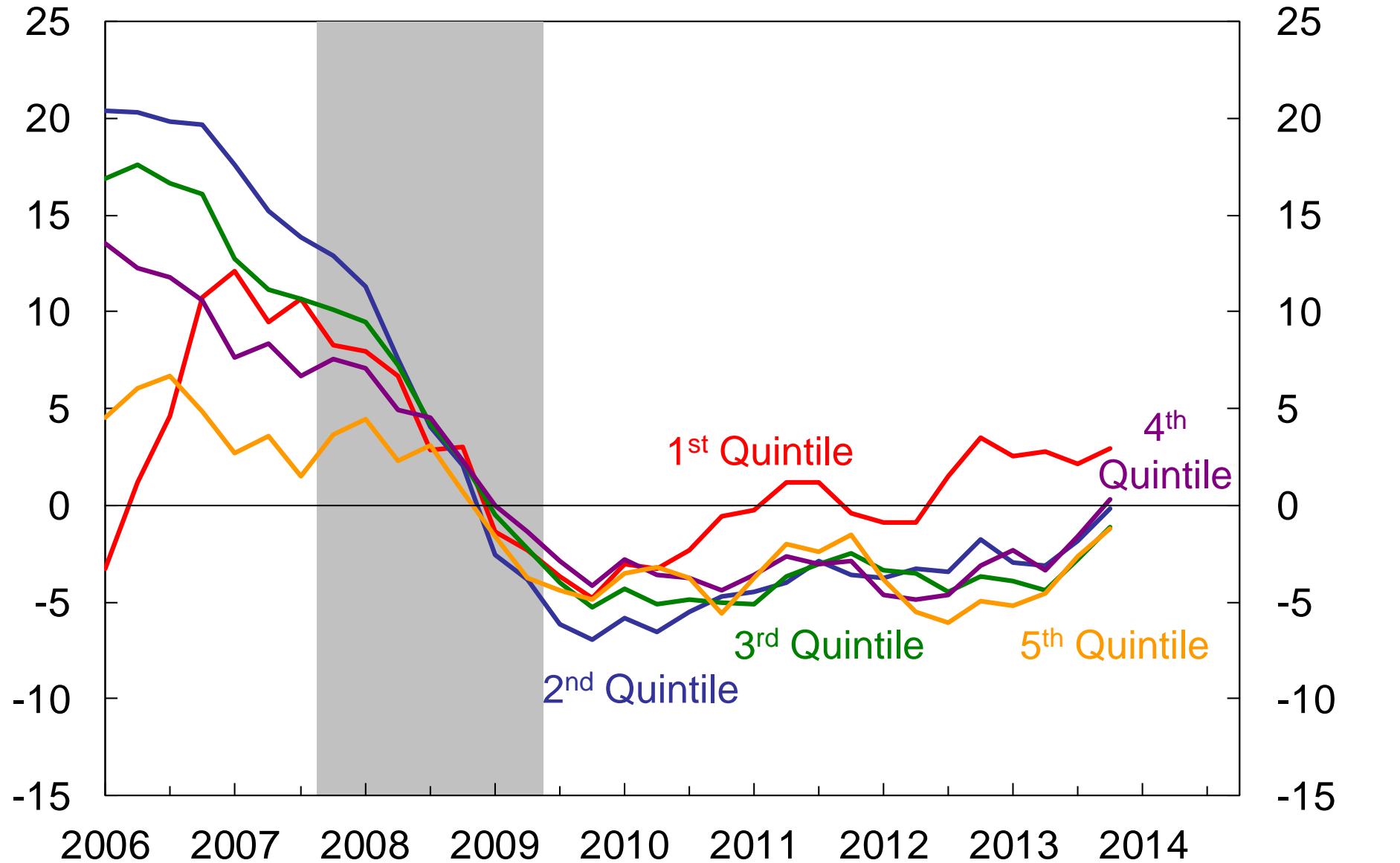
% Change – Year to Year



Consumer Debt by Credit Score Quintile

% Change – 4 Quarter

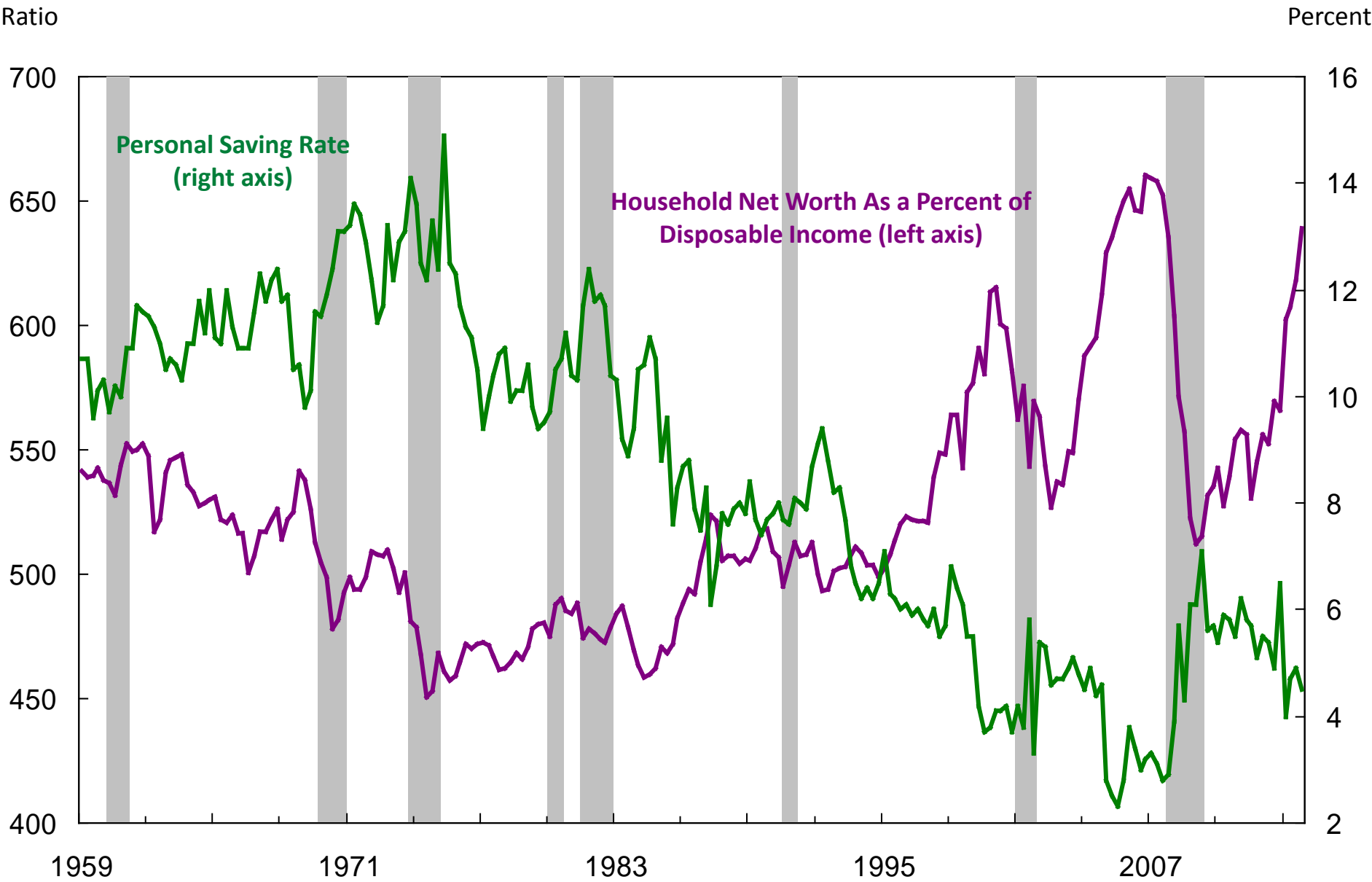
% Change – 4 Quarter



Source: FRBNY Consumer Credit Panel

Note: Includes Student Loans

Household Net Worth and the Saving Rate

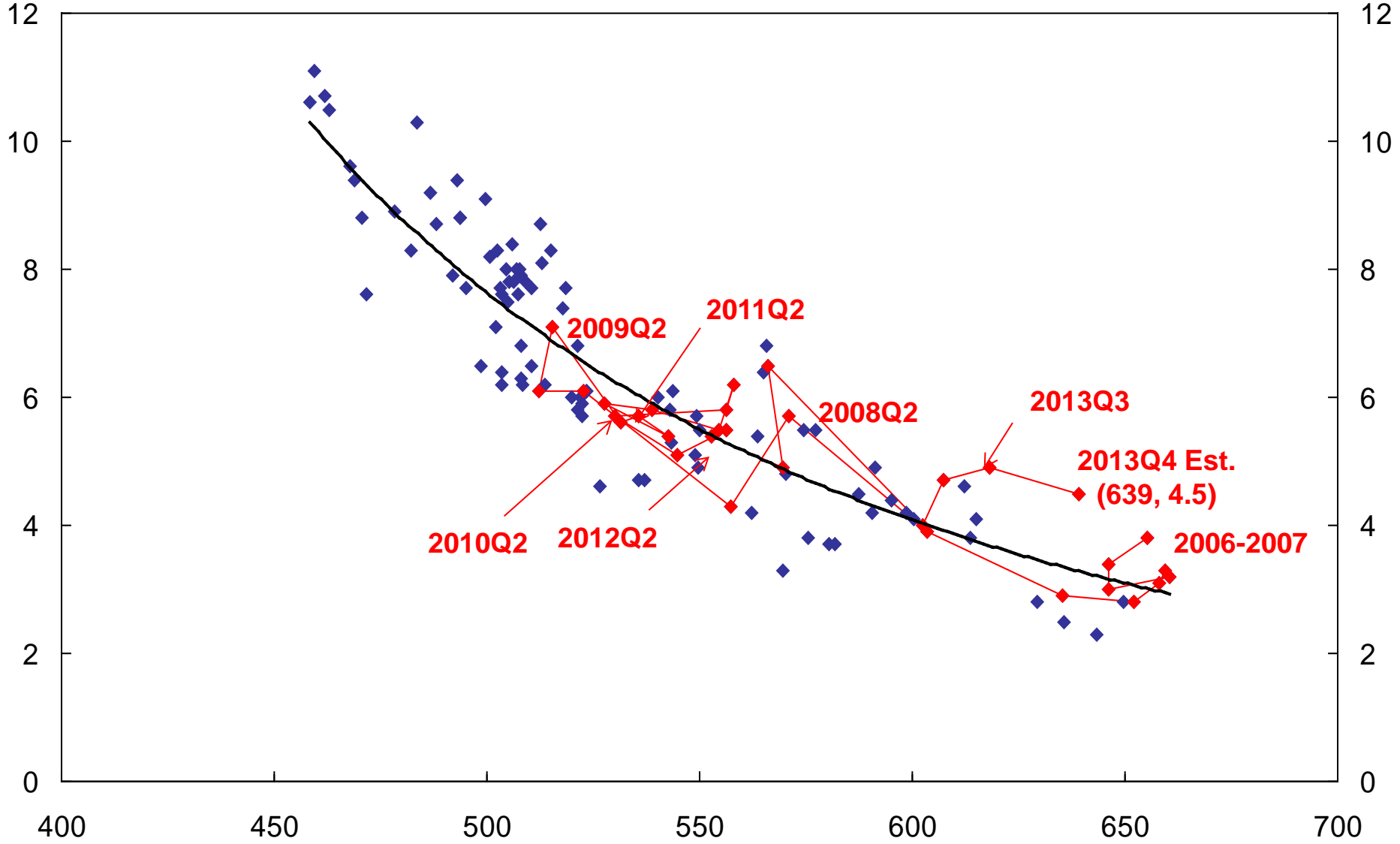


Source: Federal Reserve Board and BEA

Personal Saving Rate and Household Net Worth

Personal Saving Rate (Percent)

Personal Saving Rate (Percent)



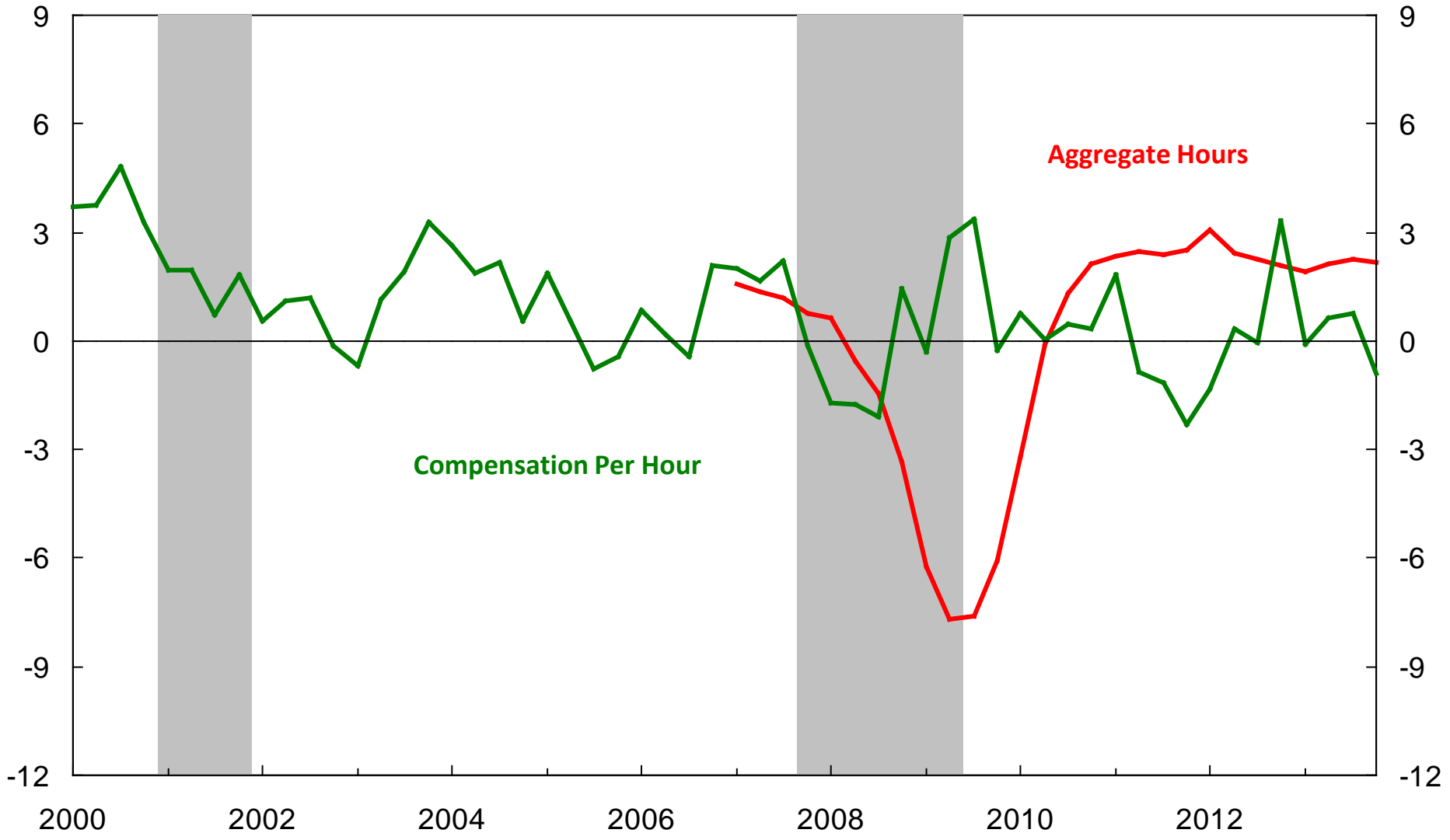
Households' Net Worth as a Percent of Disposable Income

Real Compensation and Aggregate Hours

Nonfarm Business Sector

% Change - Year to Year

% Change - Year to Year

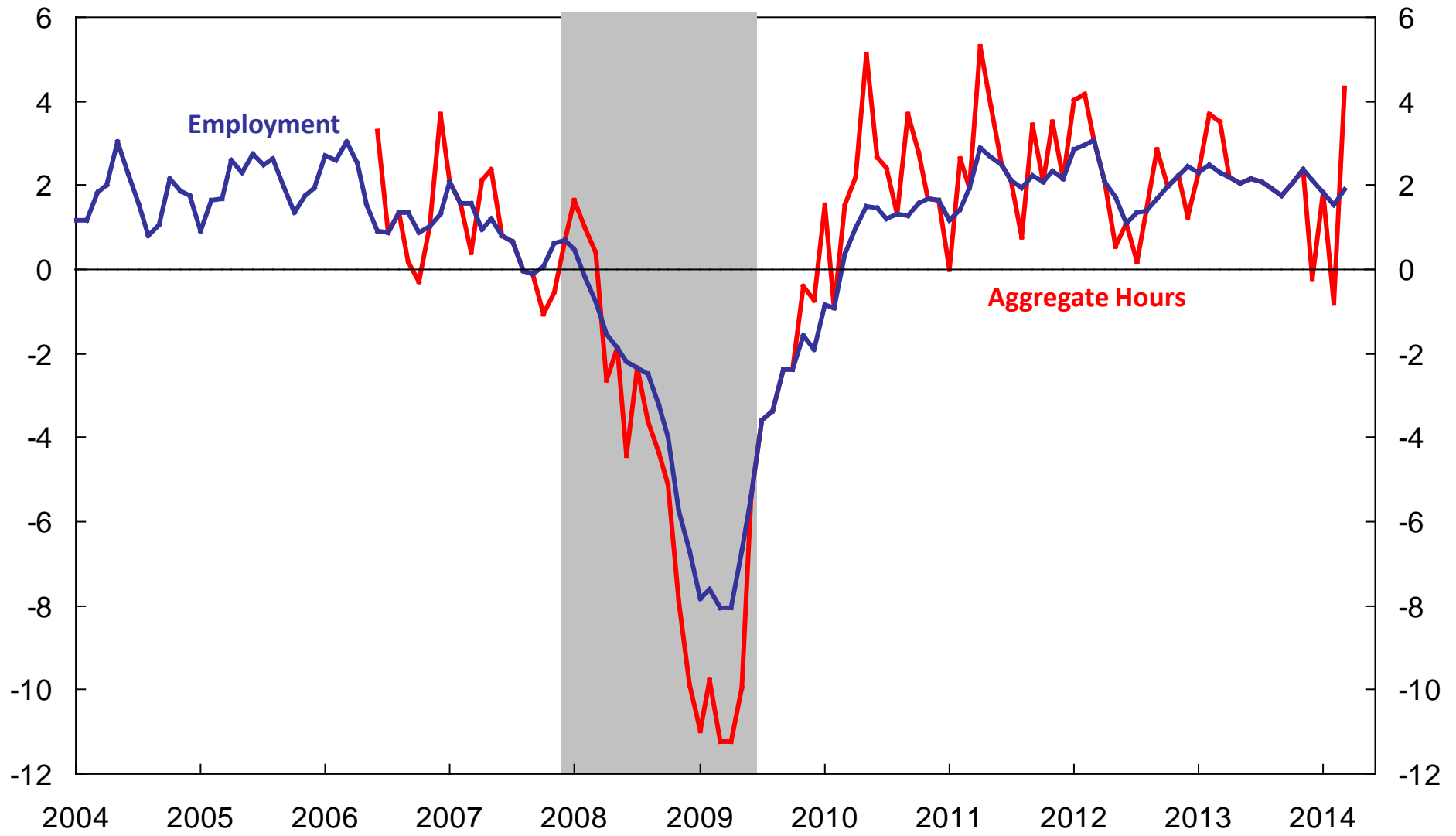


Source: Bureau of Labor Statistics

Private Employment and Hours Worked

% Change – 3-month Annual Rate

% Change – 3-month Annual Rate

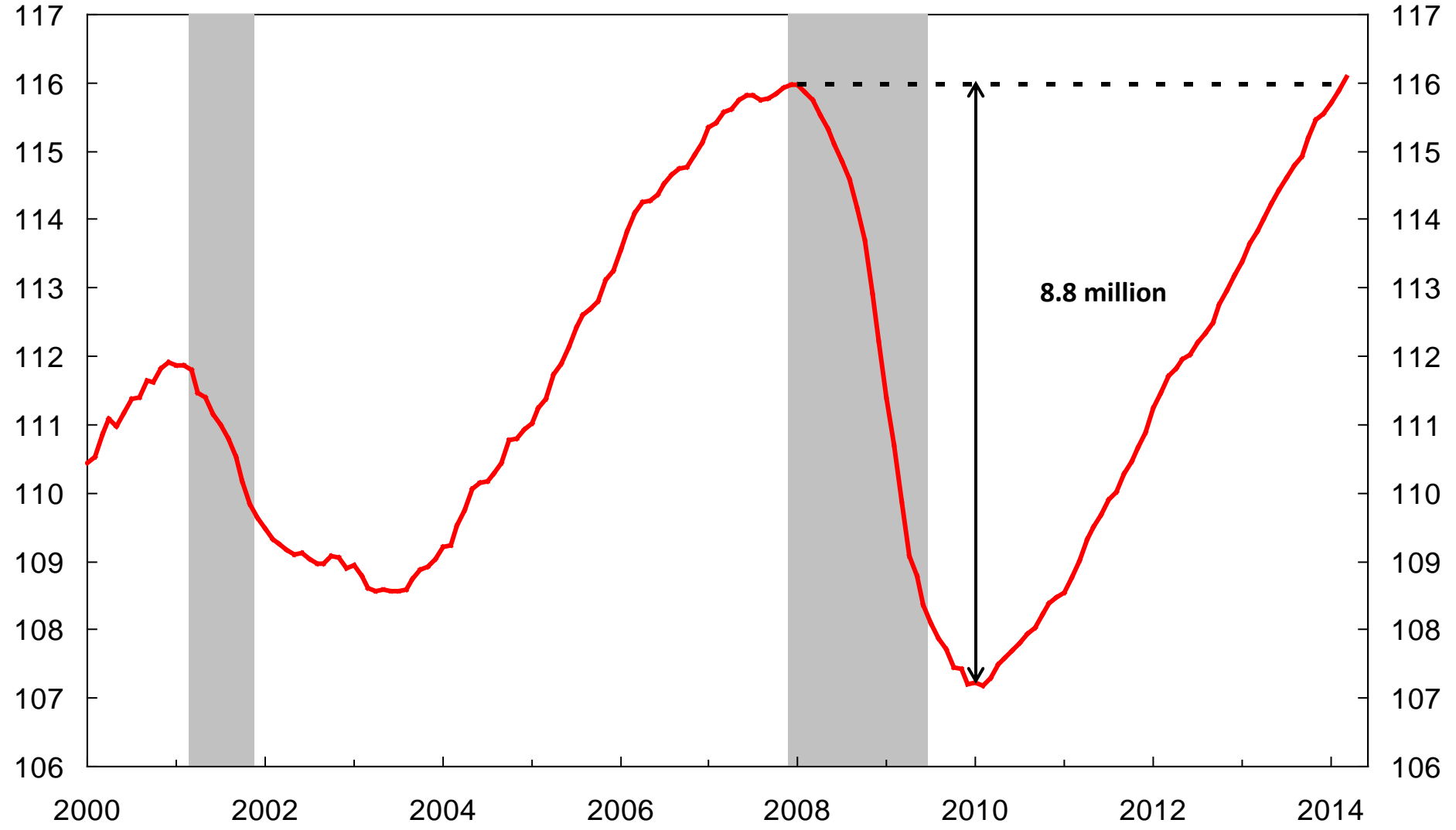


Source: Bureau of Labor Statistics

Note: Both series are private industries only.

Private Non-Farm Payroll Employment

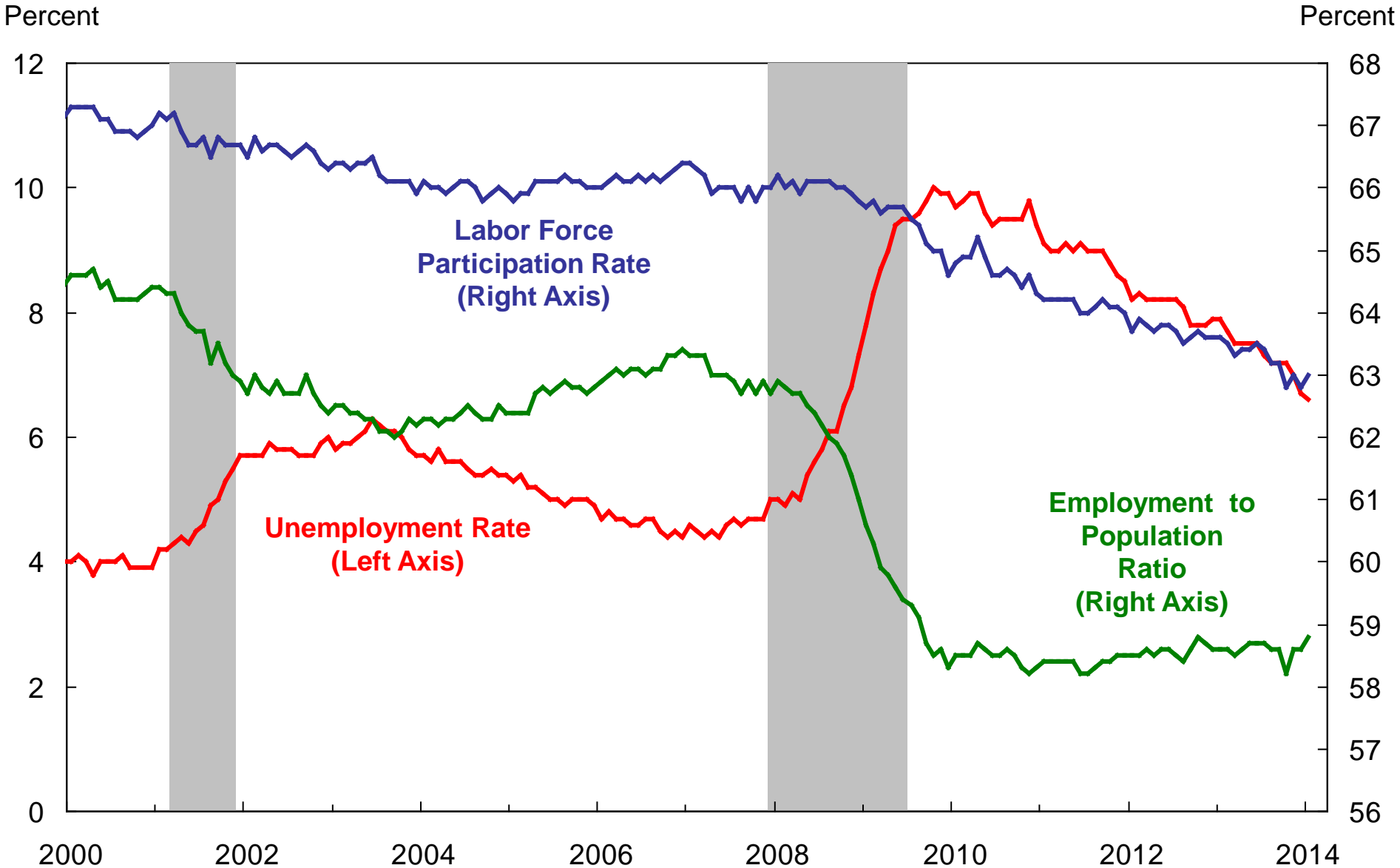
Millions



8.8 million

Source: Bureau of Labor Statistics

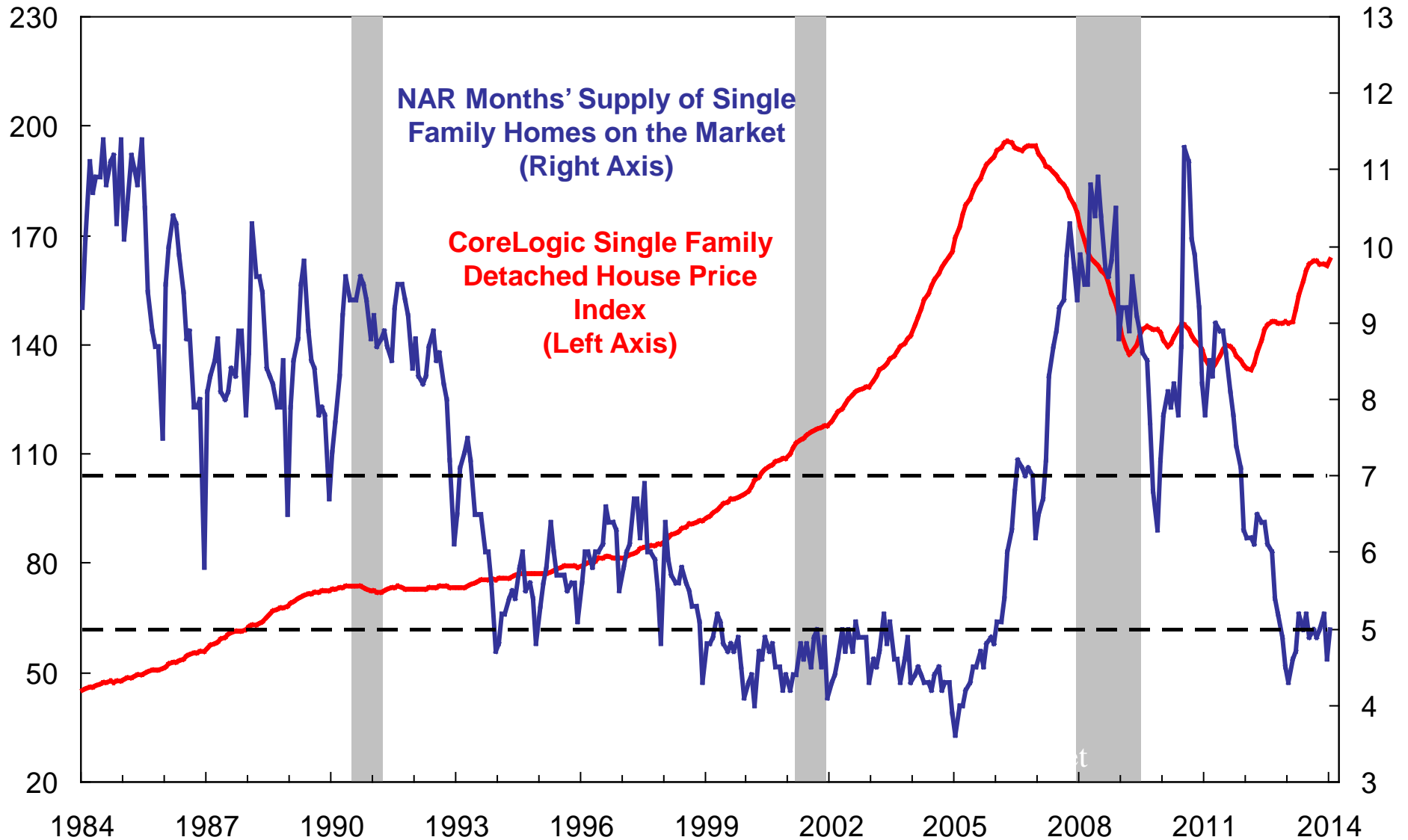
Measures of the Employment Situation



Single Family Housing Market

Index

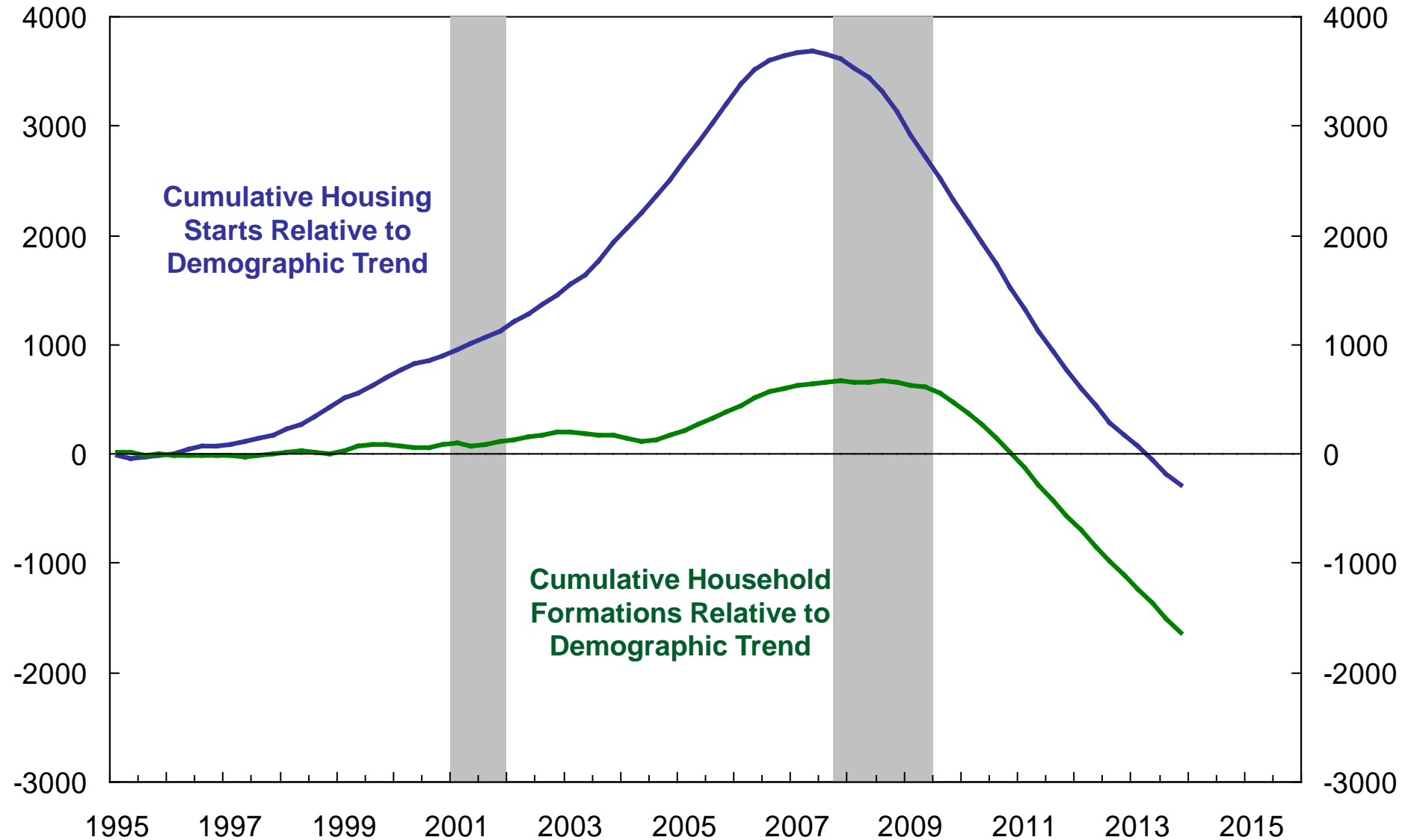
Months' Supply



Cumulative Housing Production and Household Formations Relative to Trend

Thousands

Thousands



Cumulative Housing Starts Relative to Demographic Trend

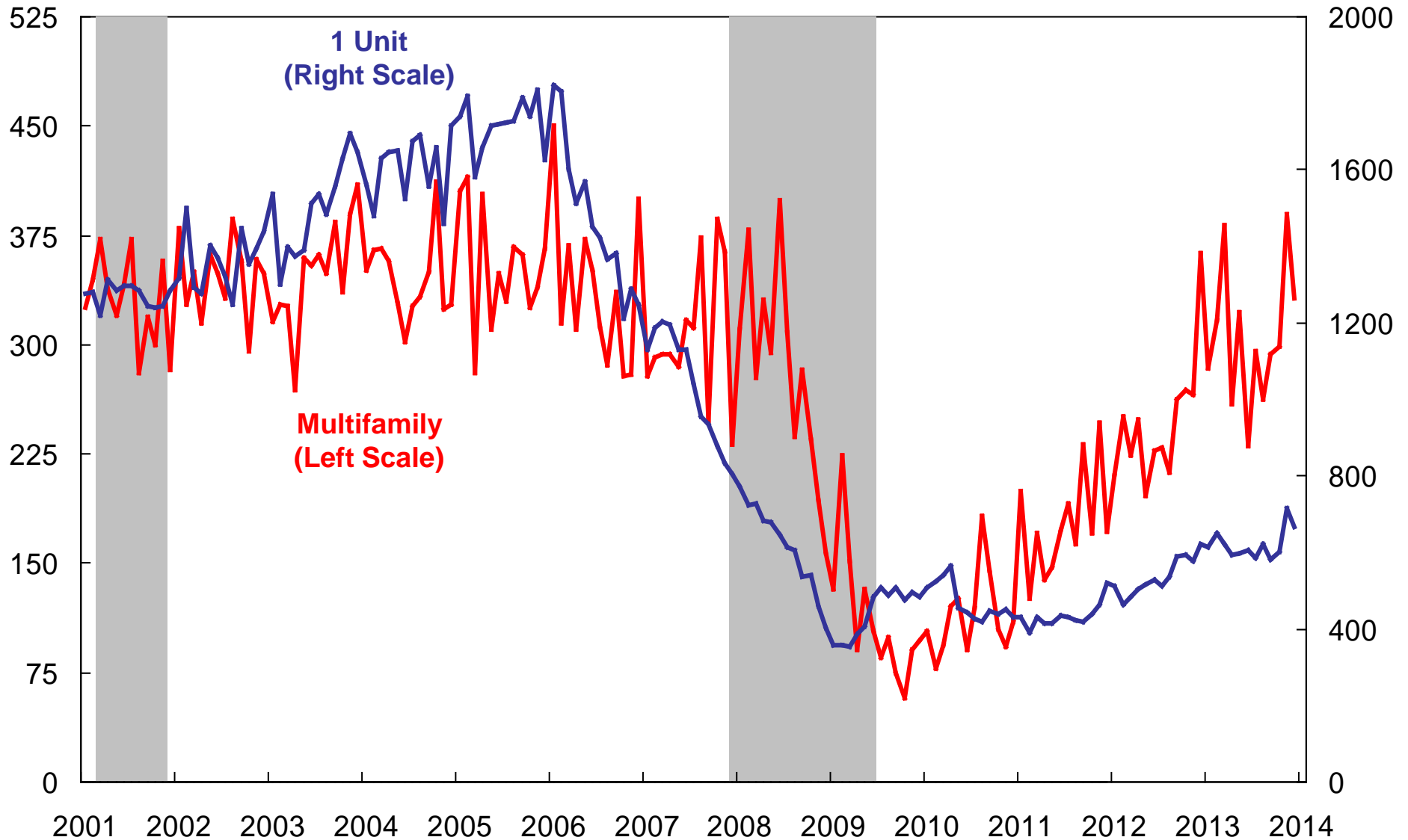
Cumulative Household Formations Relative to Demographic Trend

Source: Census Bureau and author's calculations.

Housing Starts

Units (Thousands)

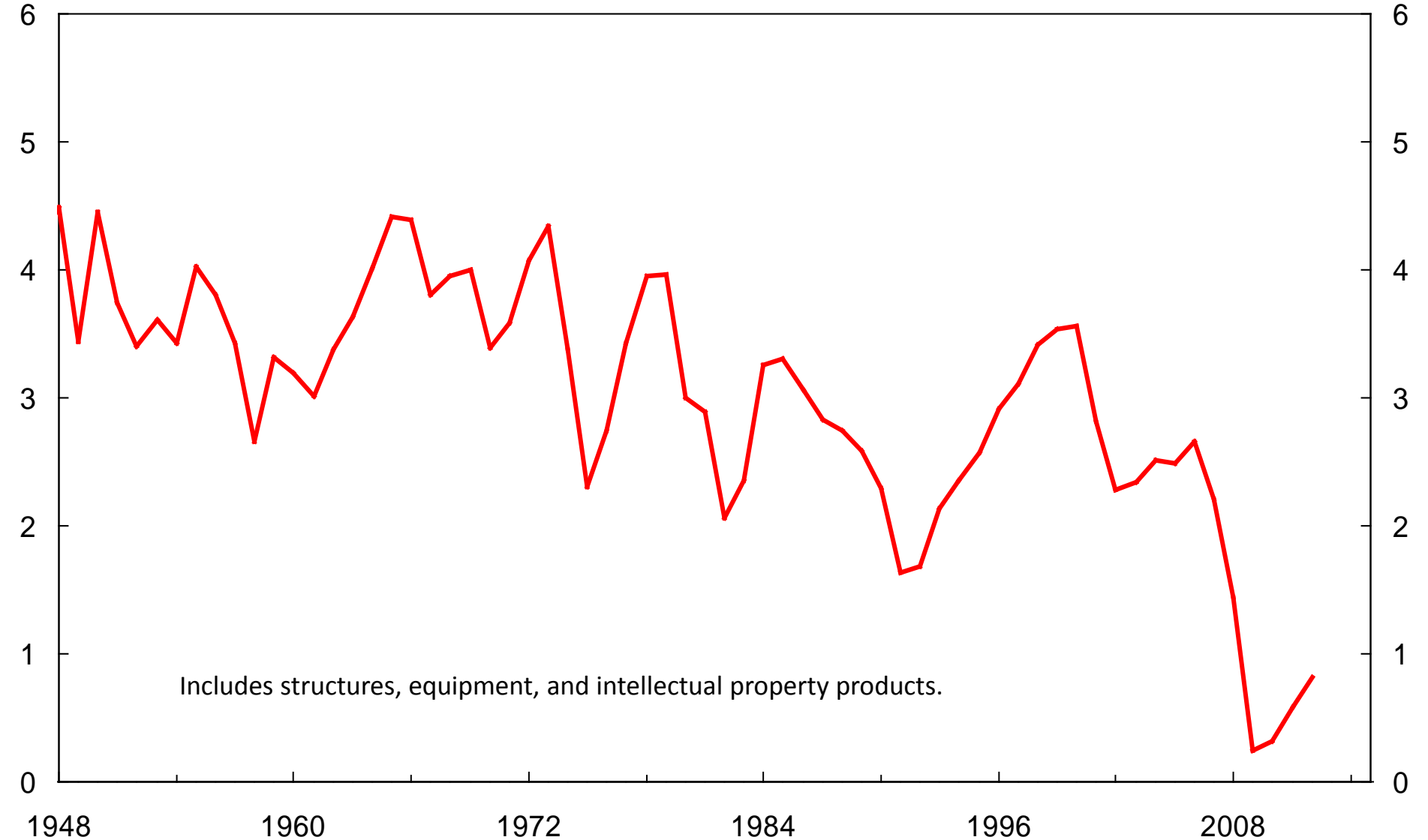
Units (Thousands)



Real Net Stock of Private Fixed Nonresidential Capital

Year/Year % Change

Year/Year % Change

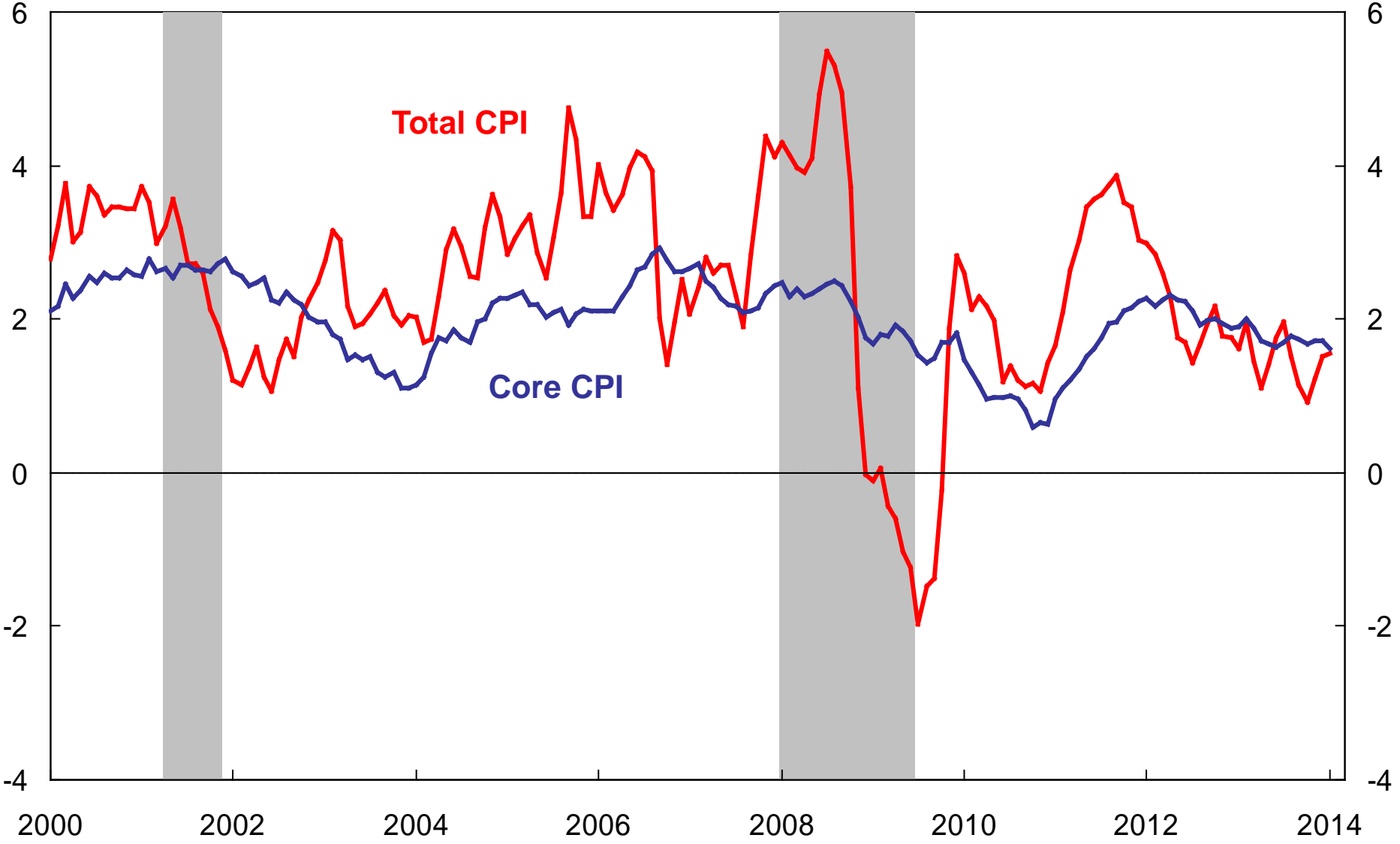


Includes structures, equipment, and intellectual property products.

Inflation: CPI

Yr/Yr % Change

Yr/Yr % Change

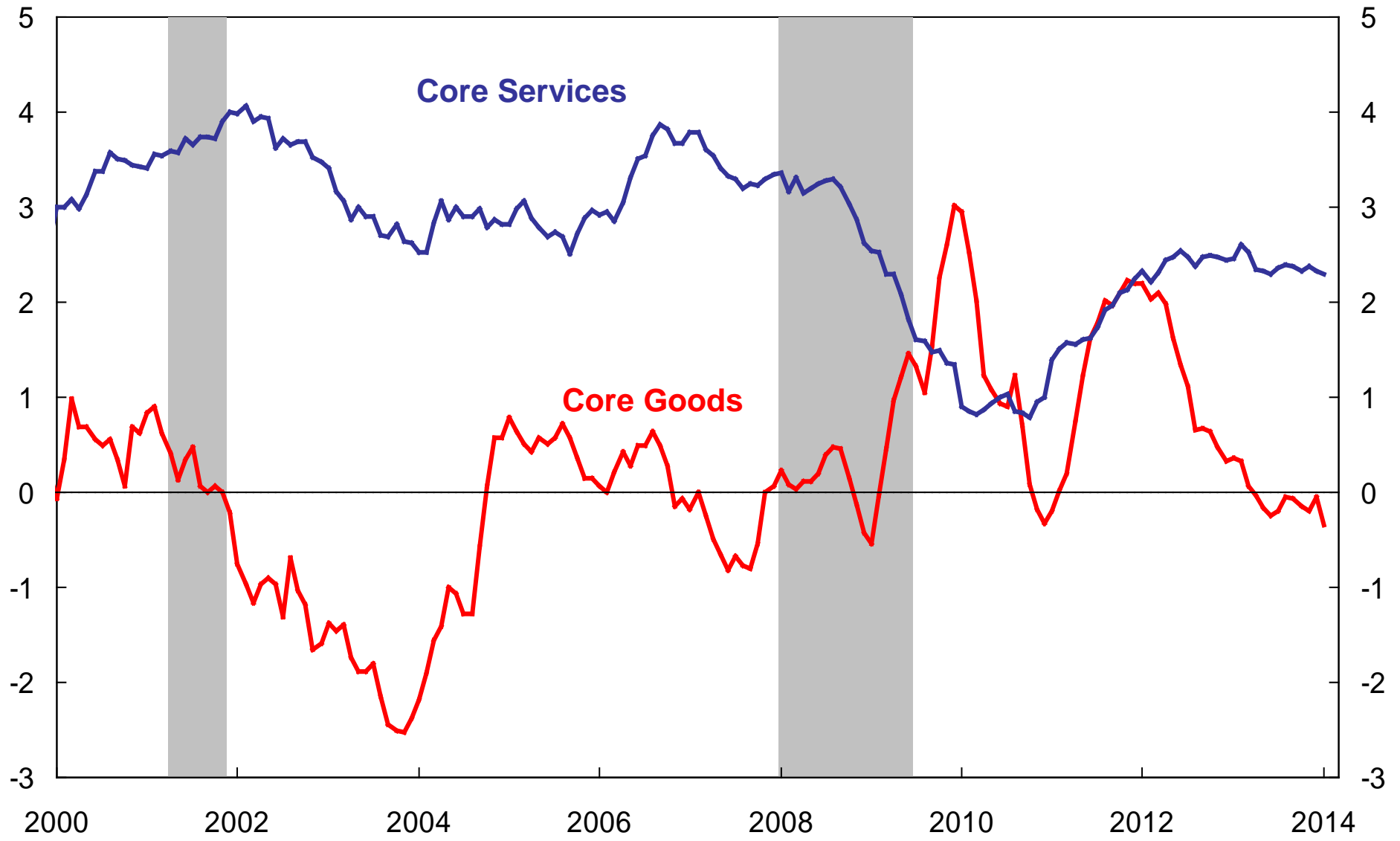


Source: Bureau of Labor Statistics

Inflation Breakdown: Core Goods and Core Services

Yr/Yr % Change

Yr/Yr % Change

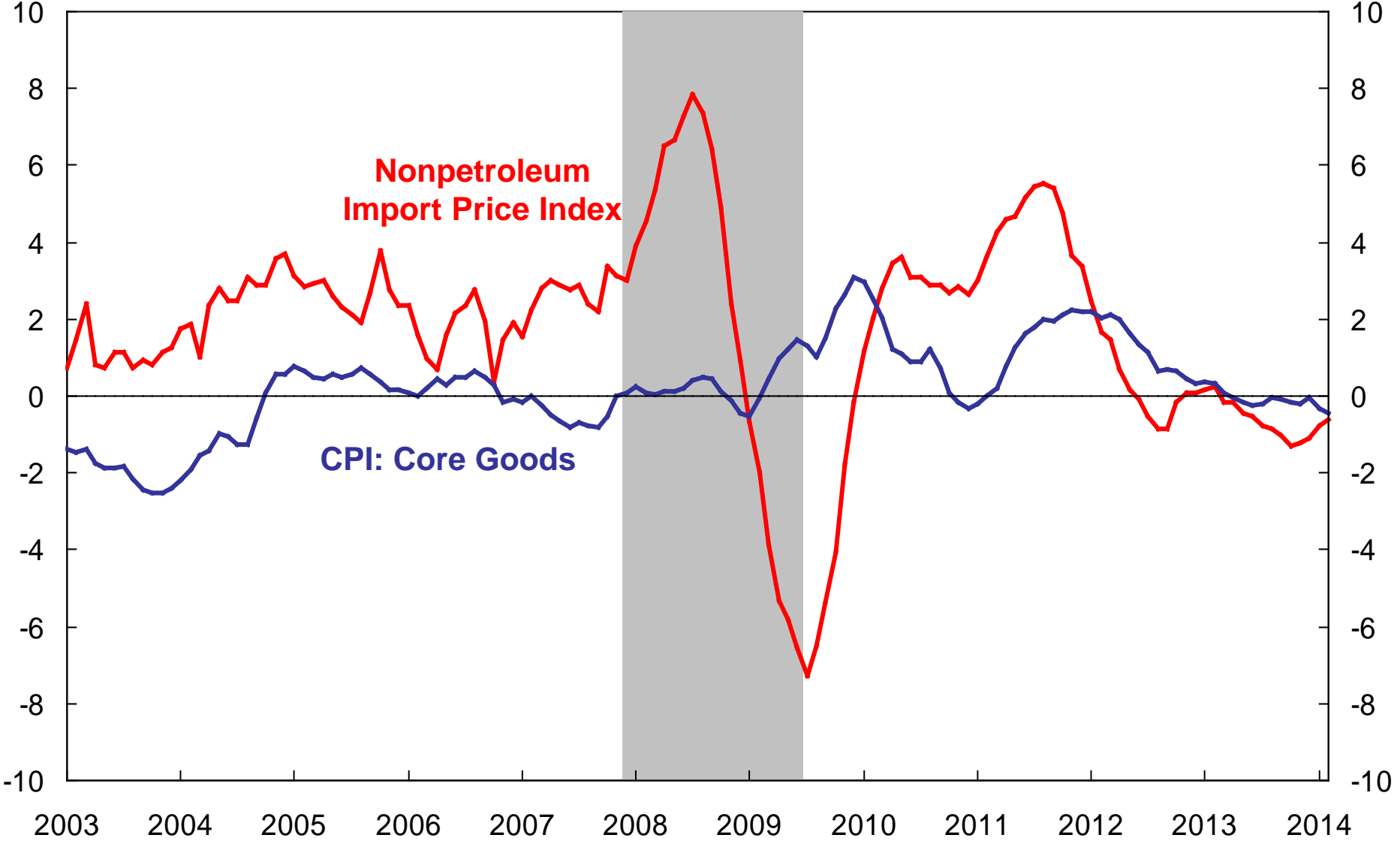


Source: Bureau of Labor Statistics

Import Prices & Core Goods Prices

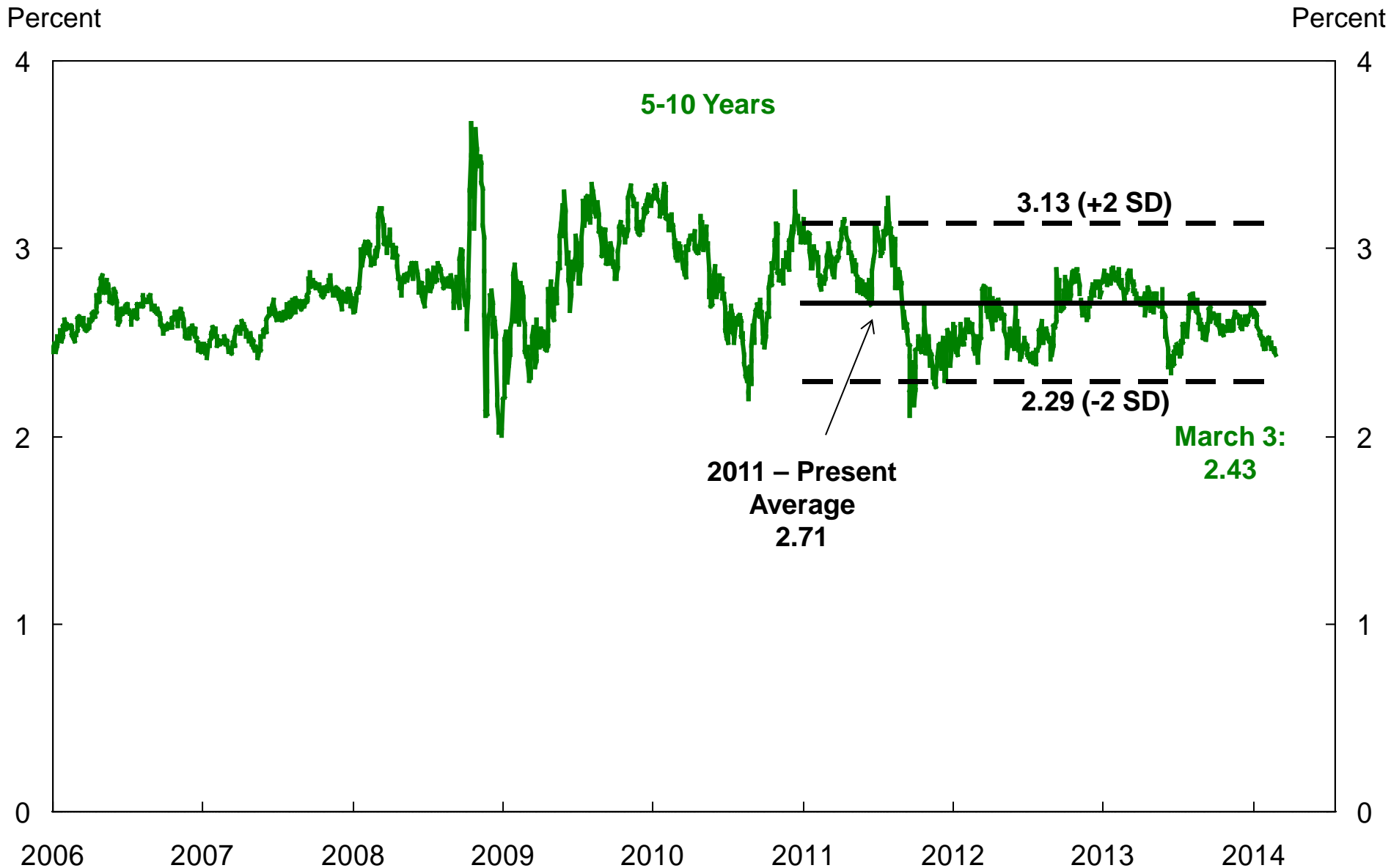
Year over Year % Change

Year over Year % Change



Source: Bureau of Labor Statistics, Federal Reserve Board

TIPS Based Inflation Expectations

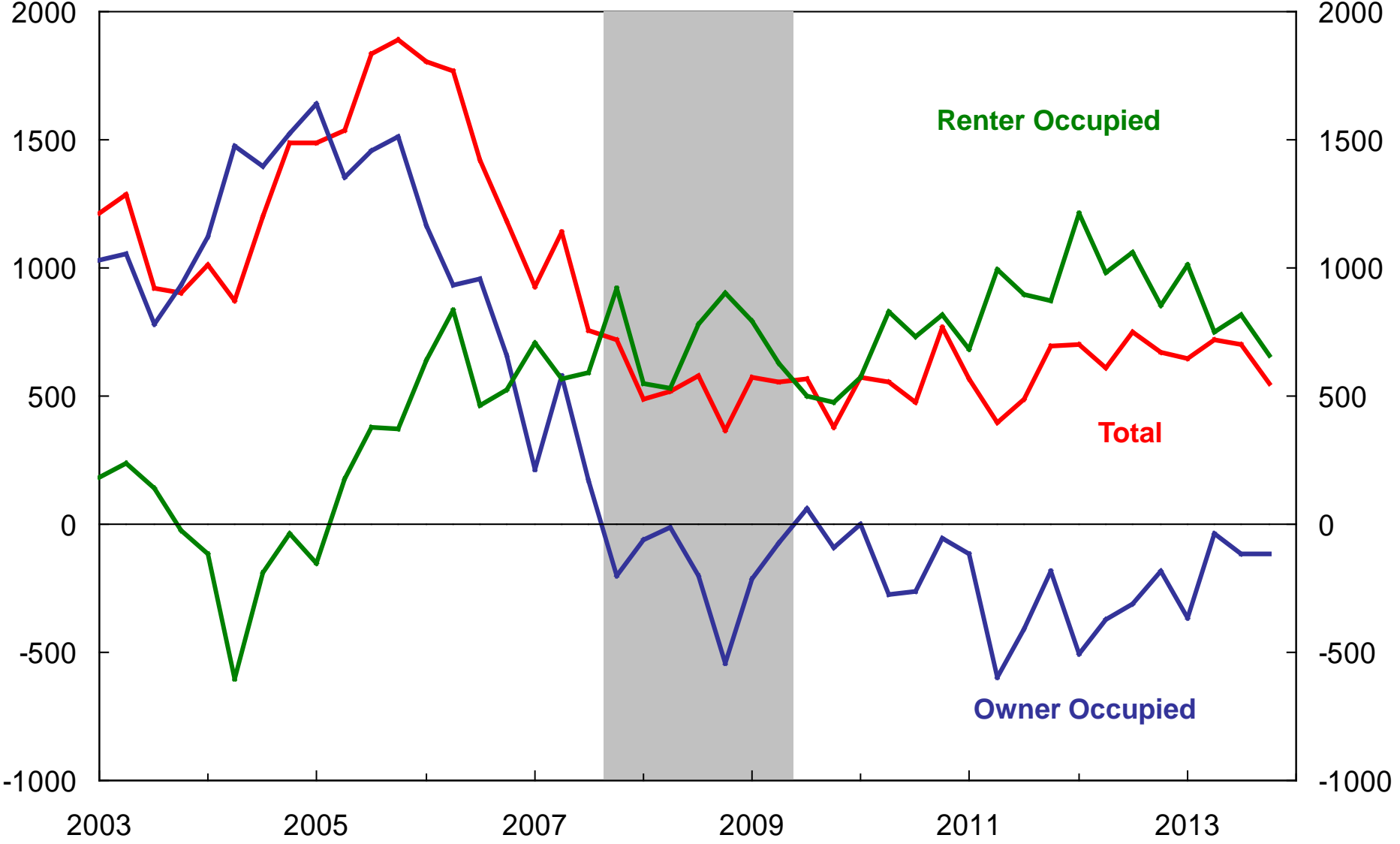


Appendix Charts:

Household Formations

2 Year Avg. Change

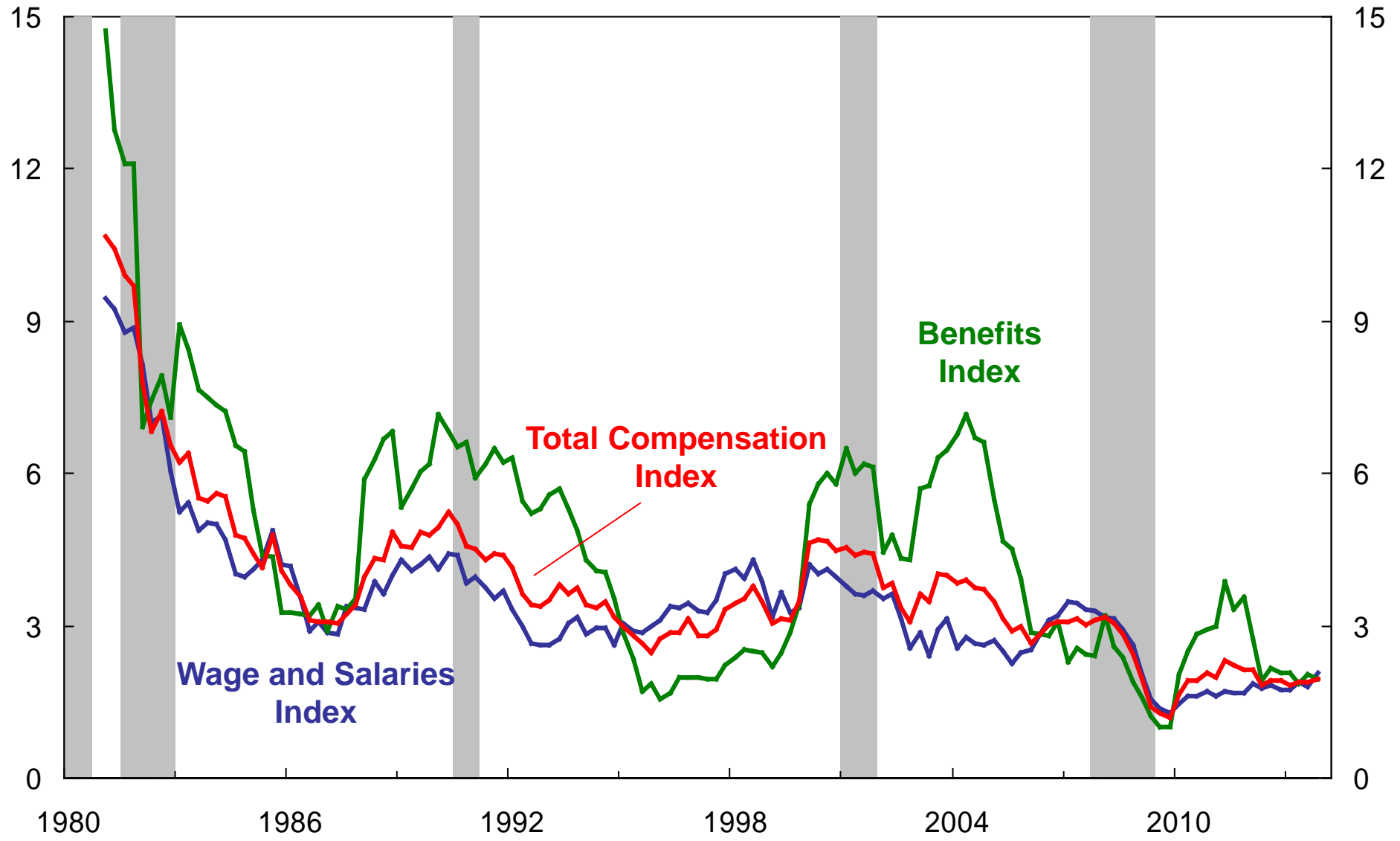
2 Year Avg. Change



Private Employment Cost Indices

Year over Year % Change

Year over Year % Change

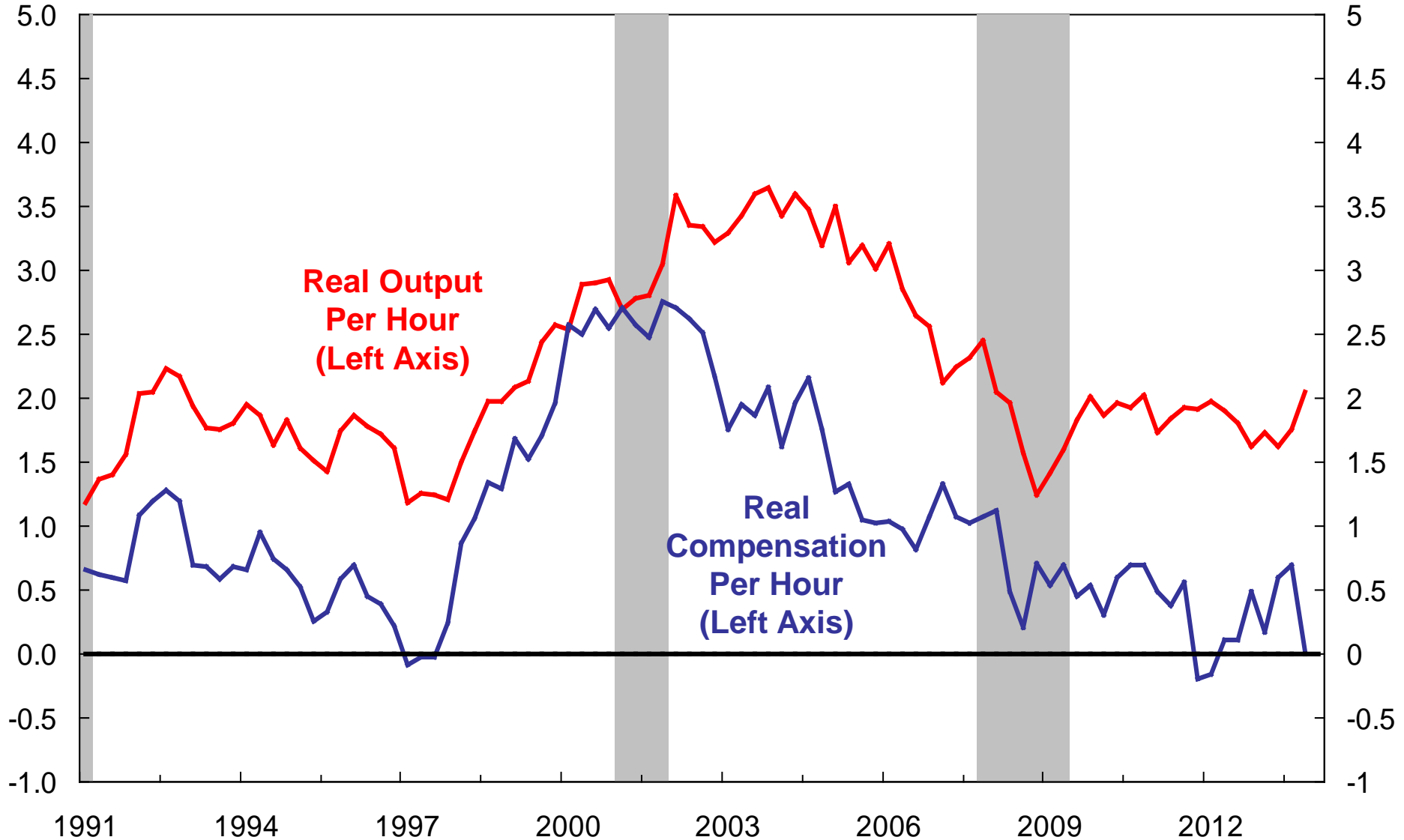


Source: Bureau of Labor Statistics

Long-Term Trends in Productivity and Compensation

5 % Year Change, AR

5 Year % Change, AR



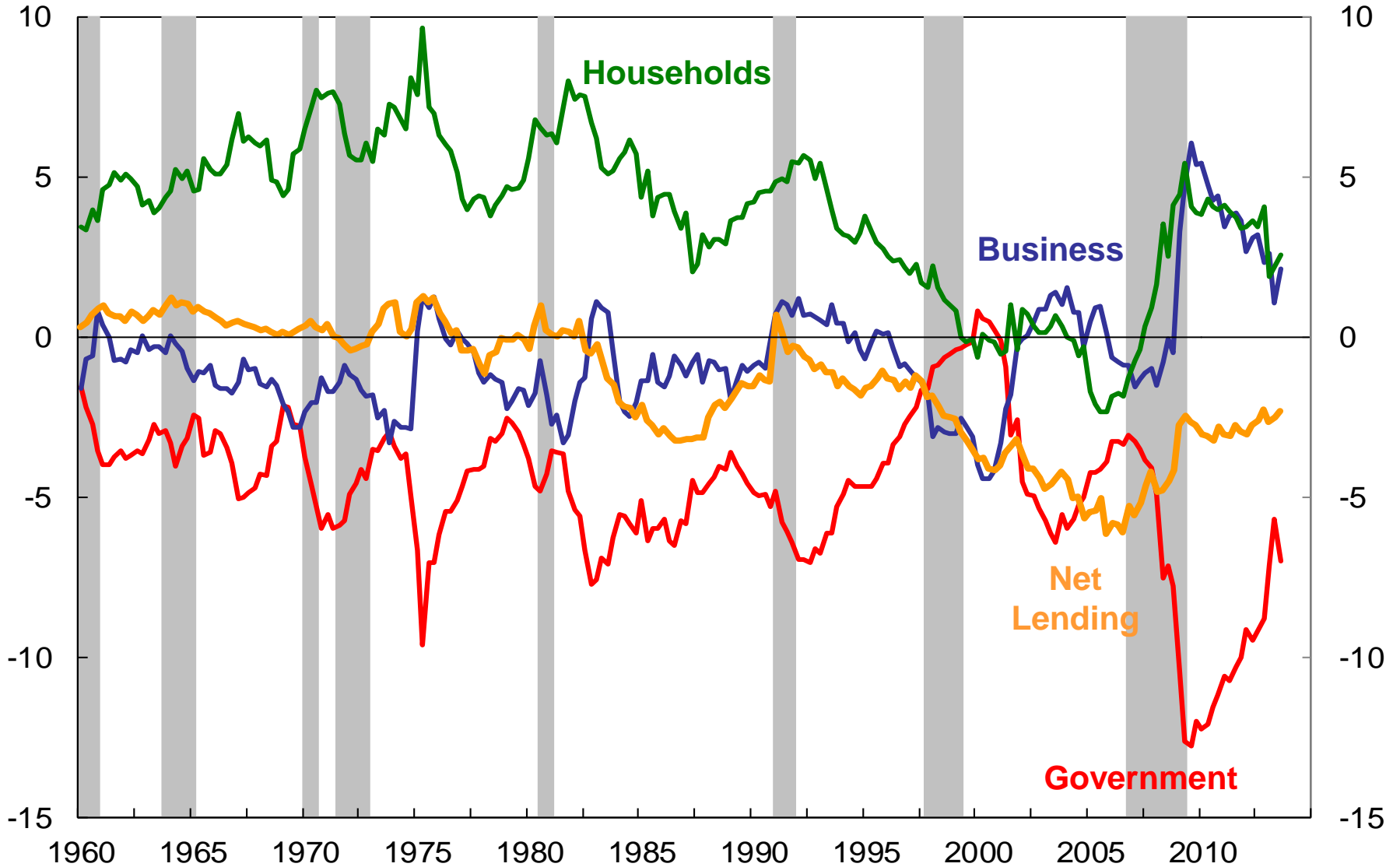
Age and Gender Contributions to Change in Labor Force Participation Rate

Age	Gender	Δ 1964-2000	Δ 2000-2007	Δ 2007-2013
16-24		-0.1	-1.0	-0.9
	Men	-0.7	-0.5	-0.5
	Women	0.6	-0.5	-0.4
25-54		10.4	-2.7	-4.0
	Men	0.6	-1.2	-2.4
	Women	9.8	-1.5	-1.6
55-64		-1.4	2.2	1.3
	Men	-1.7	1.0	0.6
	Women	0.3	1.2	0.6
65+		-0.5	0.5	0.8
	Men	-0.5	0.2	0.5
	Women	0.8	0.3	0.3
Total		8.4	-1.0	-2.8
	Men	-2.4	-0.5	-1.8
	Women	10.8	-0.6	-1.0

Components of Net Lending/Borrowing as a Share of GDP

Share of GDP

Share of GDP





FEDERAL RESERVE BANK *of* NEW YORK

Regional Economic Outlook

Presentation to the Advisory Council on Small Business and Agriculture

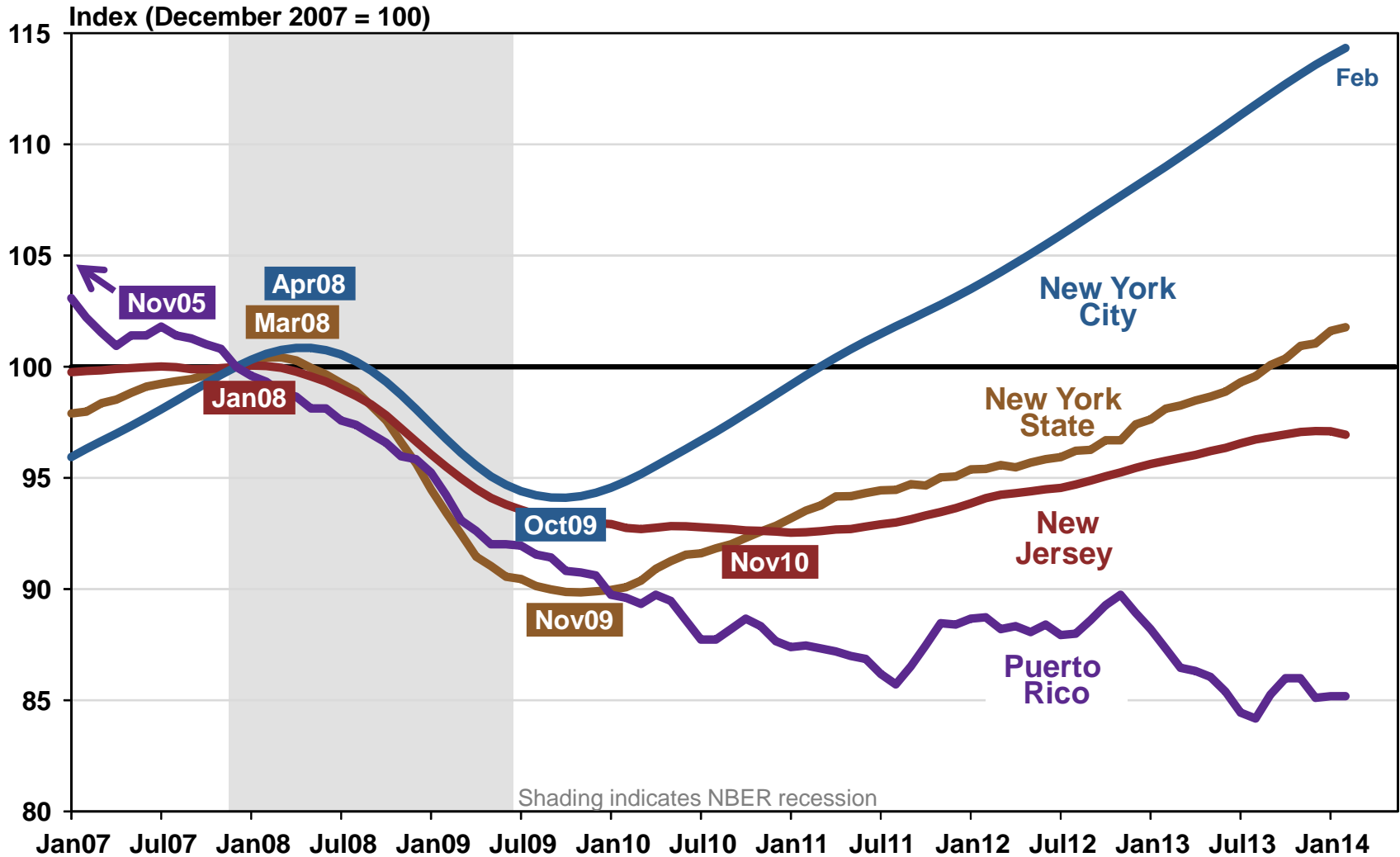
James Orr, Vice President

April 15, 2014

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.

Regional Economic Activity

Index of Coincident Economic Indicators (CEI)



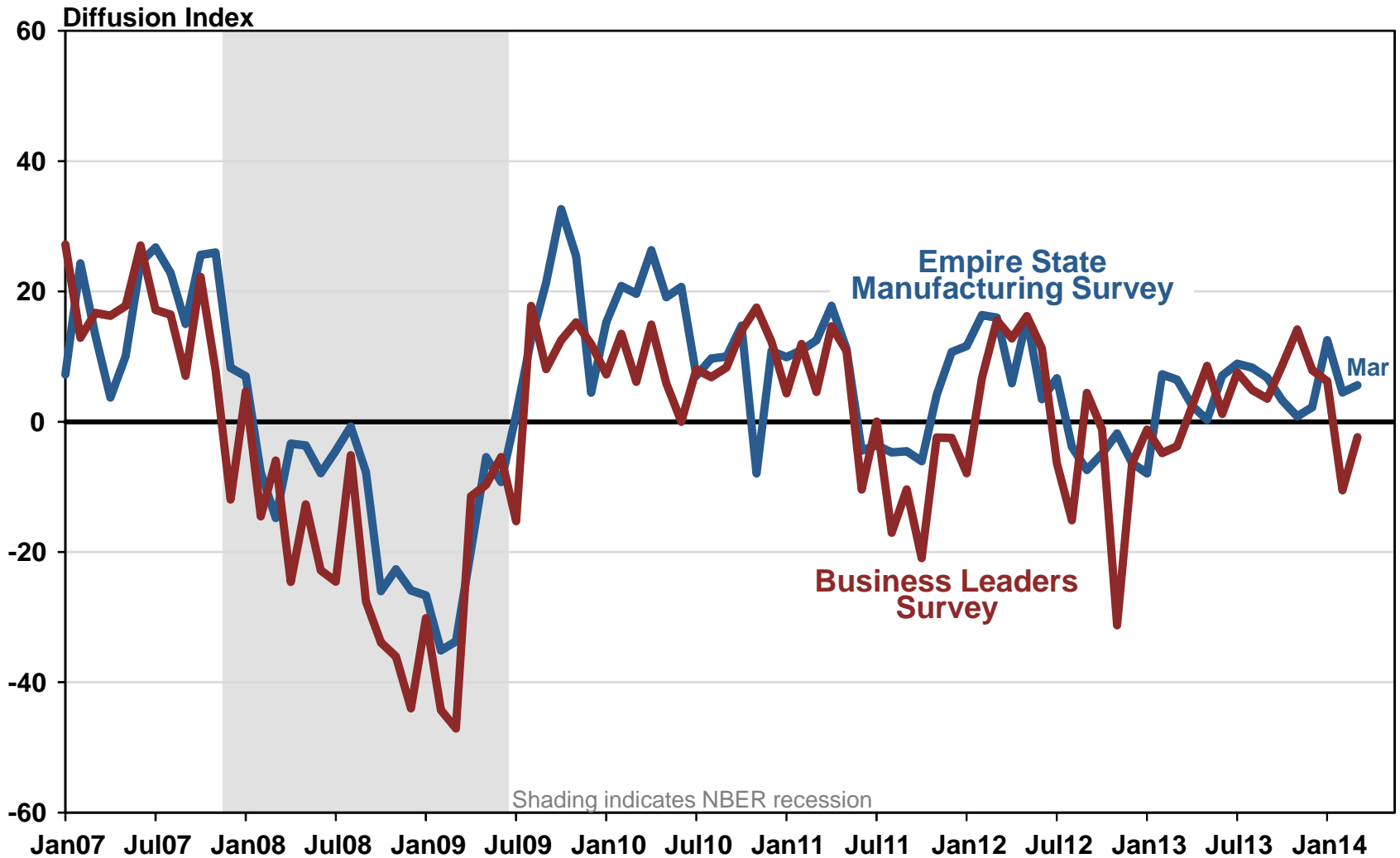
Source: Federal Reserve Bank of New York; Puerto Rico Government Development Bank.

Note: The Puerto Rico composite index is based on a different methodology than the indexes produced by the FRBNY.



Current Economic Conditions

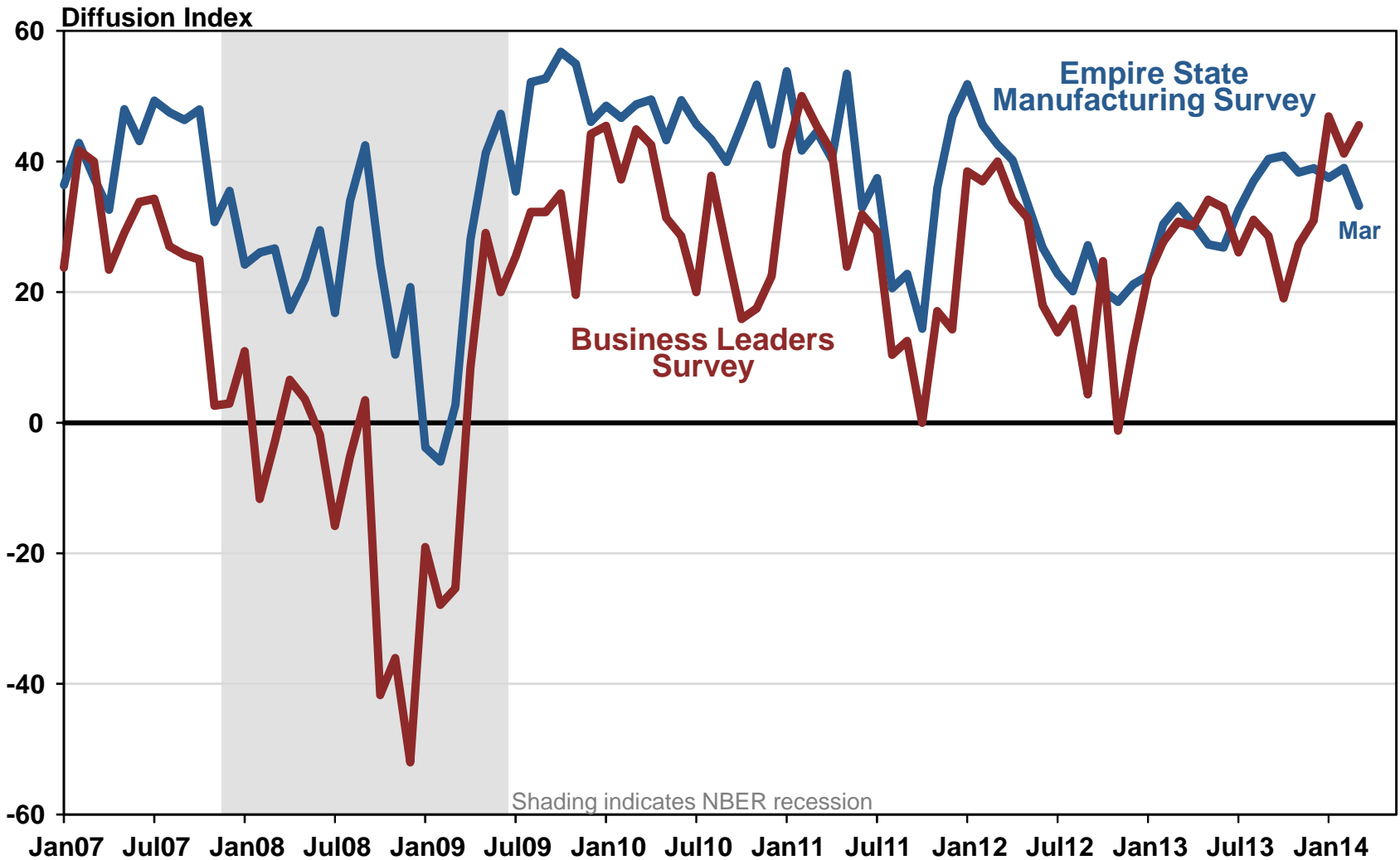
FRBNY Business Surveys, Current Conditions



Shading indicates NBER recession

Future Economic Conditions

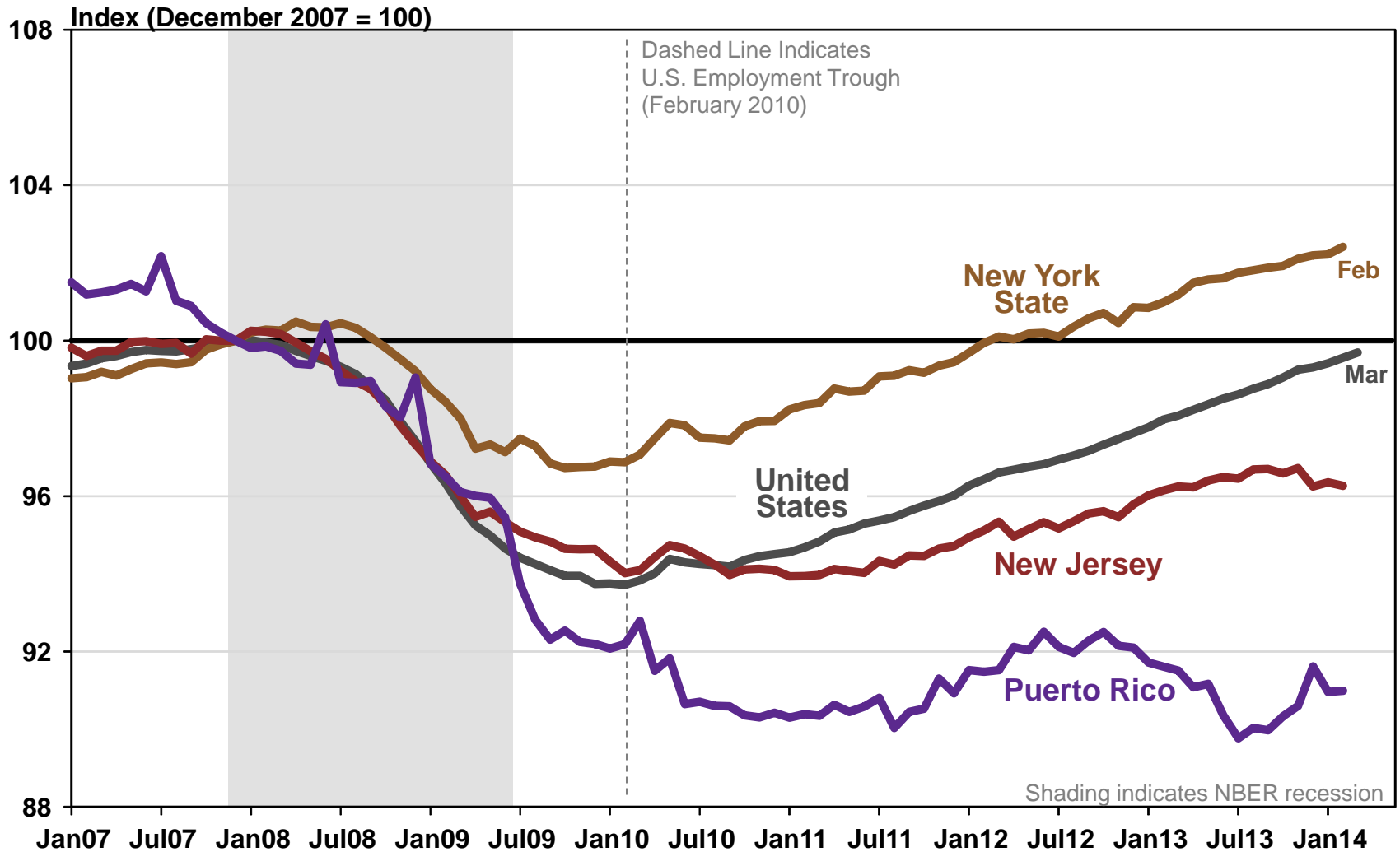
FRBNY Business Surveys, Conditions Six Months Ahead



Shading indicates NBER recession

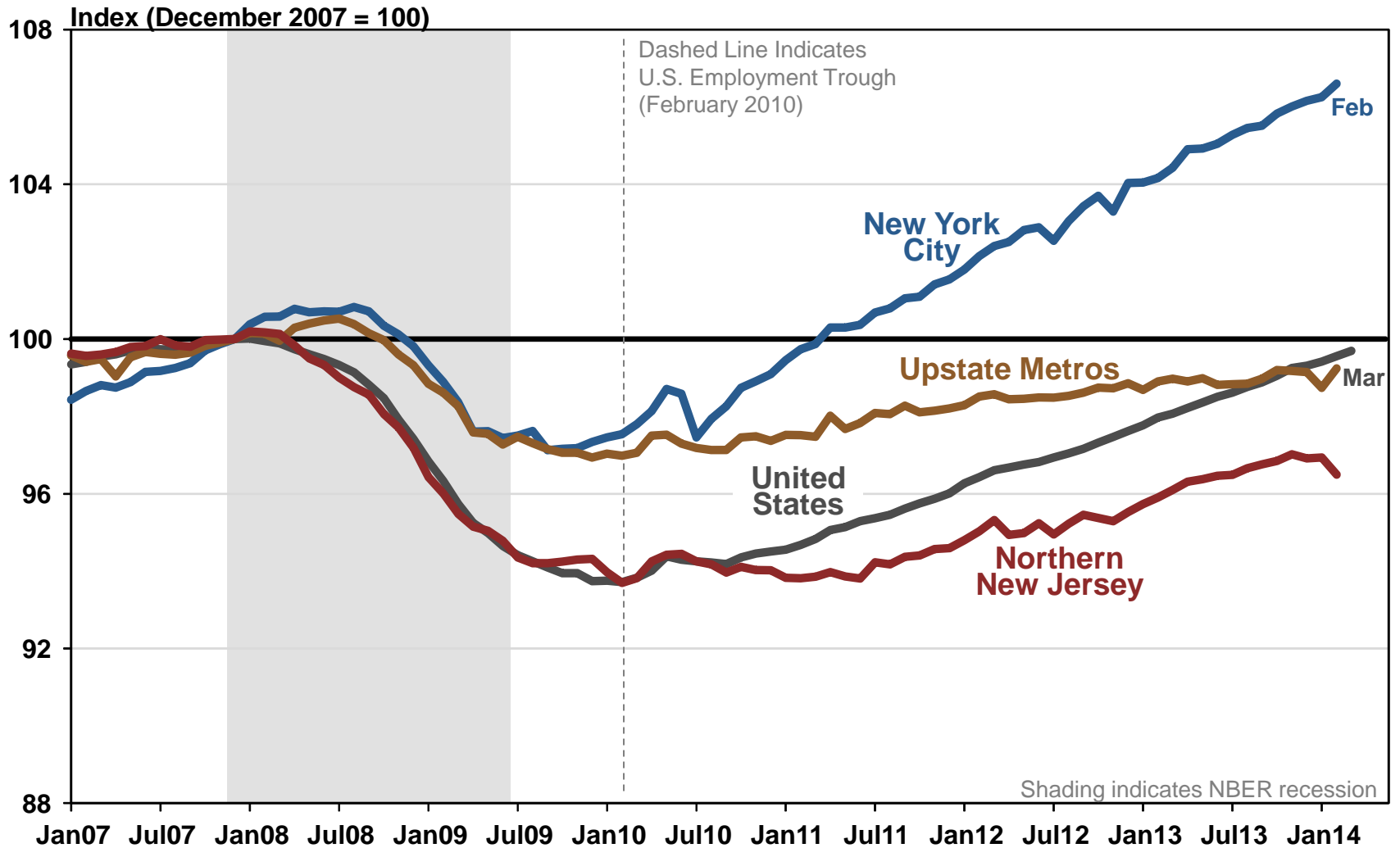
Total Employment

Seasonally Adjusted Index



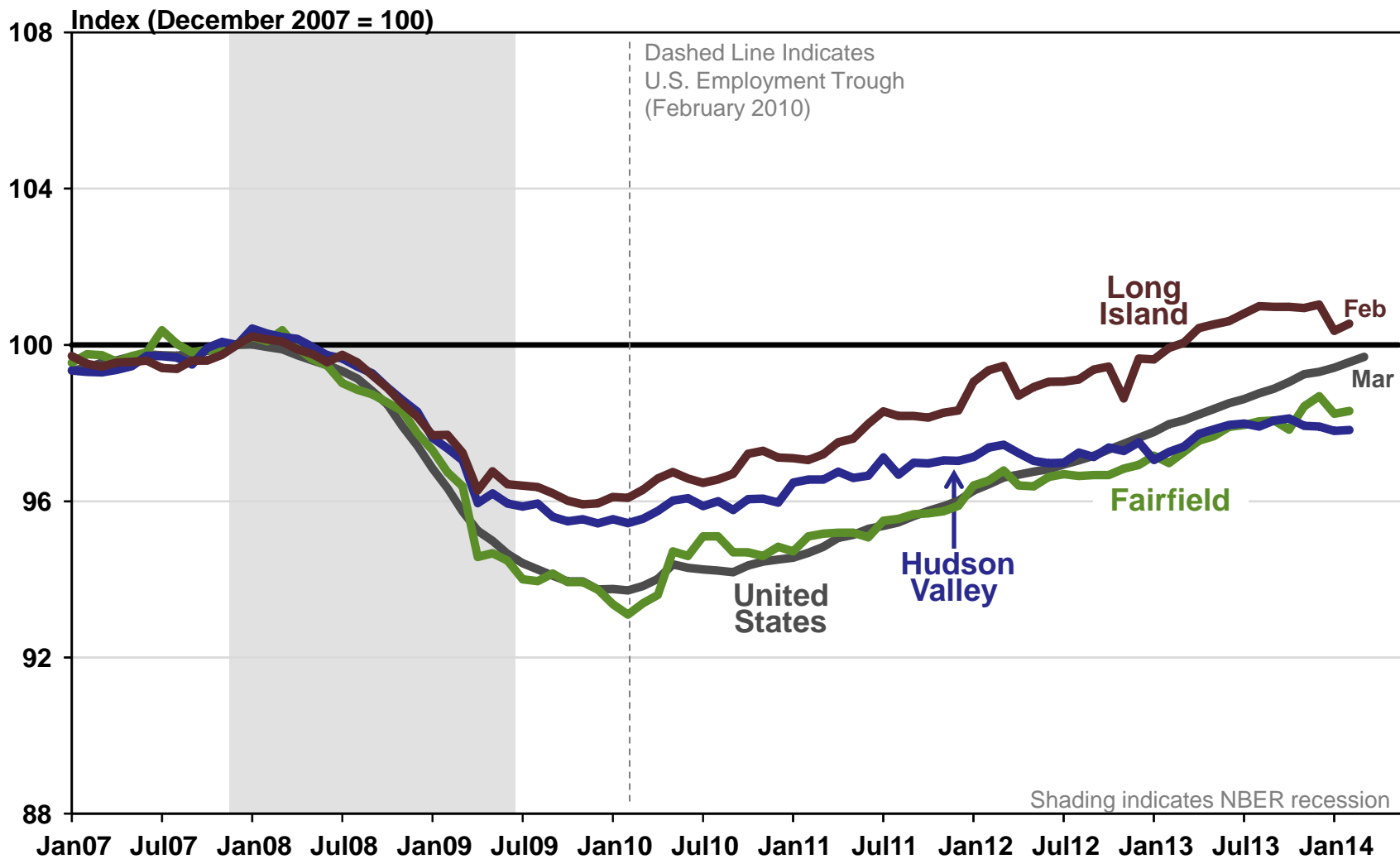
Total Employment

Seasonally Adjusted Index



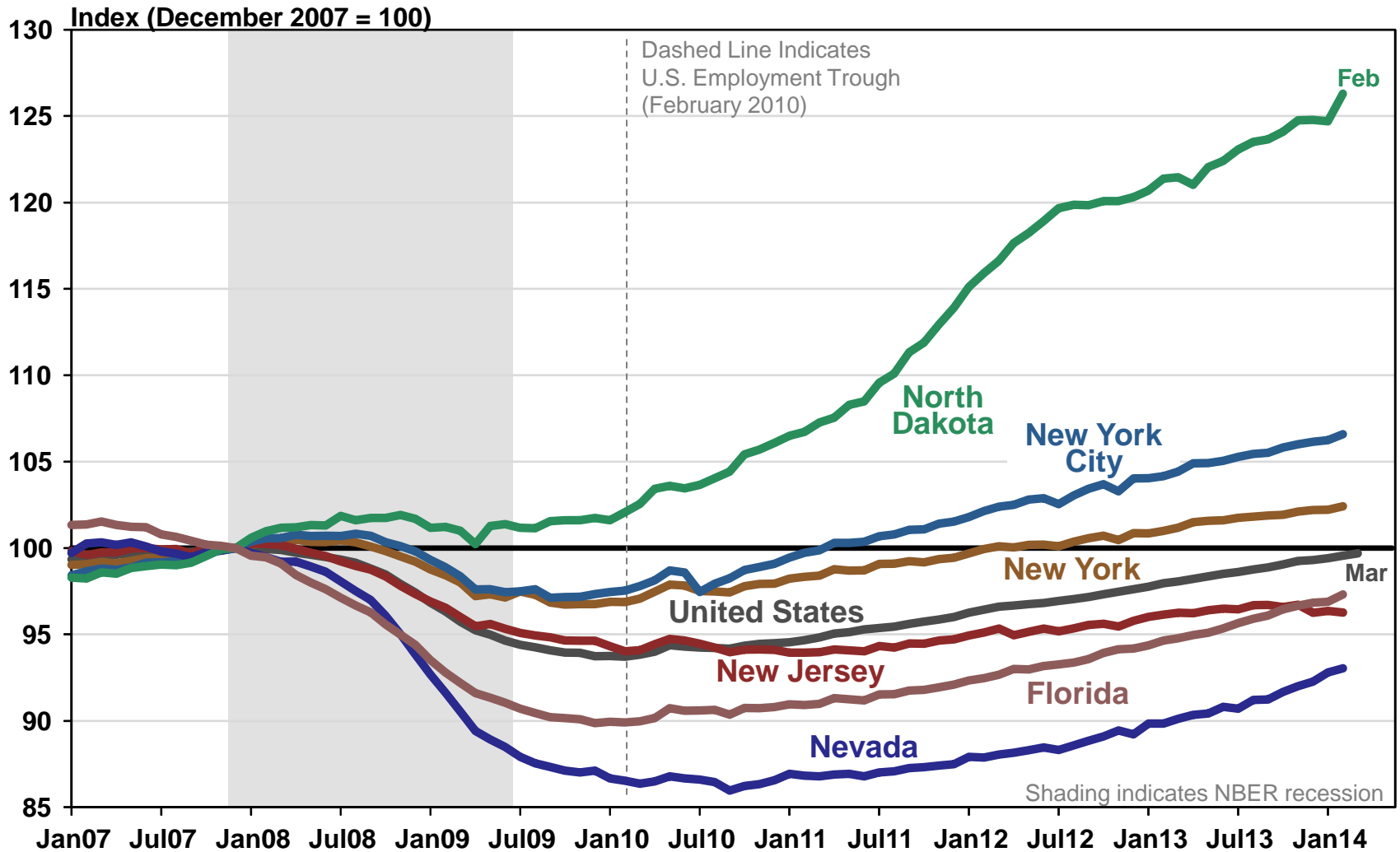
Total Employment

Seasonally Adjusted Index



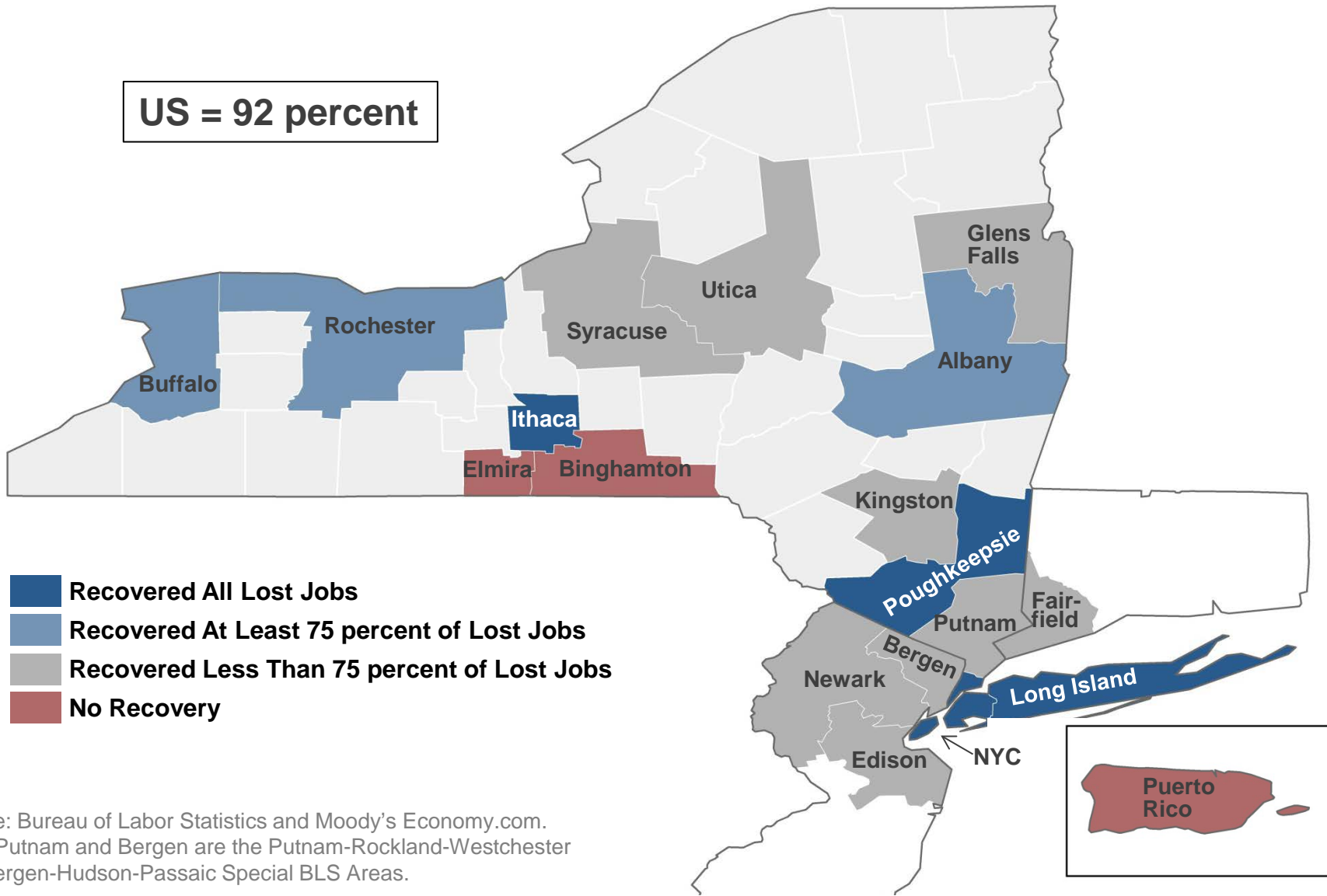
Total Employment

Seasonally Adjusted Index



Status of Jobs Recovery

Share of Lost Jobs Gained Back During Local Recovery



Source: Bureau of Labor Statistics and Moody's Economy.com.
Note: Putnam and Bergen are the Putnam-Rockland-Westchester and Bergen-Hudson-Passaic Special BLS Areas.

Job Growth by Sector

Year-Over-Year Percent Change, February 2014

	United States	New York State	New York City	New Jersey
Professional & Business Services	3.7	2.2	2.9	1.4
Leisure & Hospitality	3.0	2.7	2.5	-1.4
Construction	2.6	-1.1	0.5	-5.5
Wholesale Trade	2.0	1.0	1.3	1.5
Retail Trade	1.9	1.8	4.2	1.6
Transportation & Utilities	1.8	3.1	5.1	1.6
Education & Health Services	1.5	2.3	3.2	0.5
Financial Activities	0.8	0.1	0.3	-1.9
Manufacturing	0.7	-0.8	2.8	0.7
State & Local Government	0.1	-0.2	-0.4	-0.9
Information	-2.0	1.5	4.2	-3.4
Total	1.6	1.3	2.2	0.0

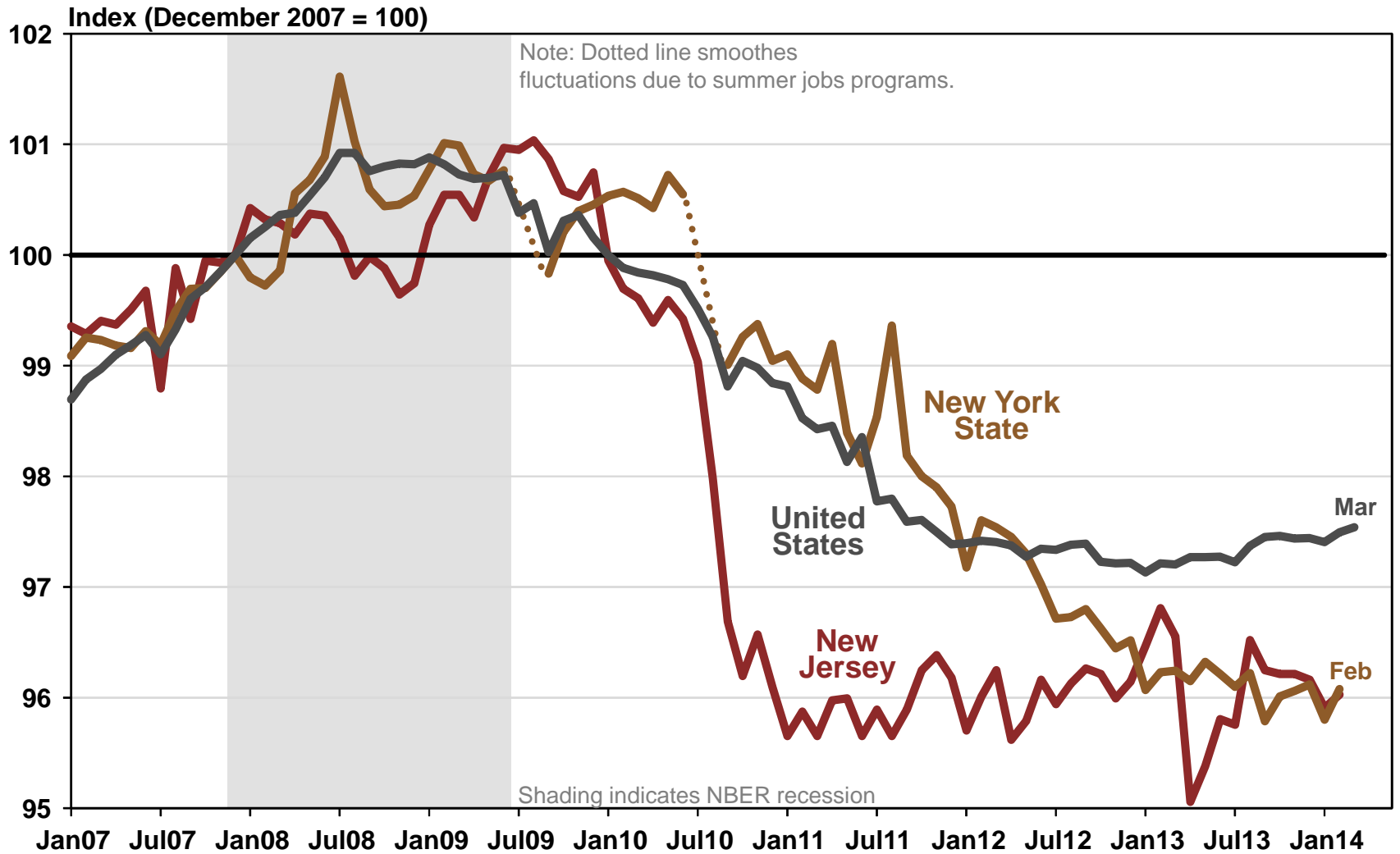
Job Growth by Sector

Year-Over-Year Percent Change, February 2014

	Connecticut	Puerto Rico
Professional & Business Services	0.5	5.9
Leisure & Hospitality	4.7	3.6
Construction	6.8	-5.9
Wholesale Trade	1.8	1.9
Retail Trade	0.3	1.2
Transportation & Utilities	4.0	4.8
Education & Health Services	1.8	1.1
Financial Activities	-1.1	-1.6
Manufacturing	-2.0	-1.3
State & Local Government	-1.1	-3.7
Information	-2.8	1.6
Total	0.7	0.1

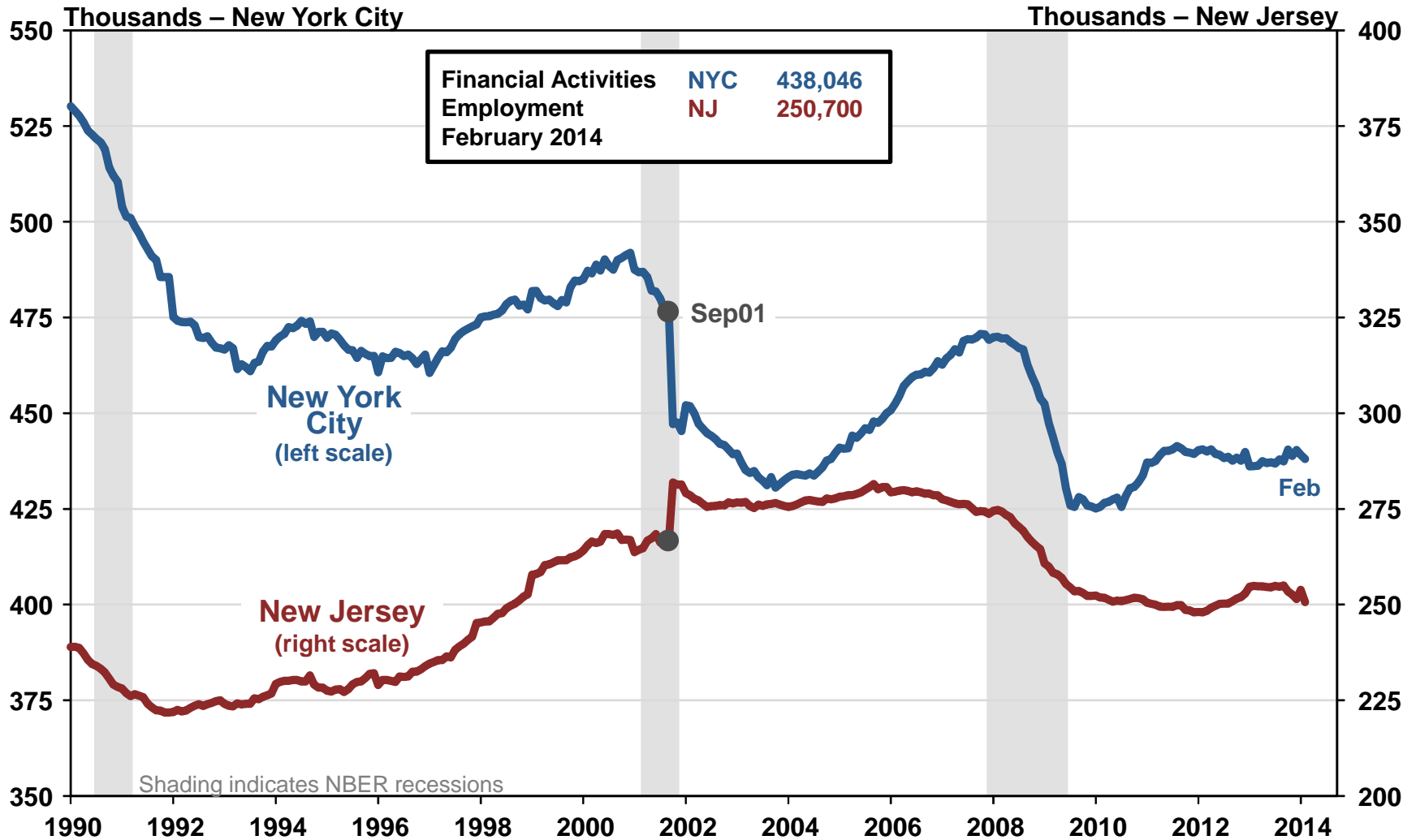
State and Local Government

Seasonally Adjusted Index



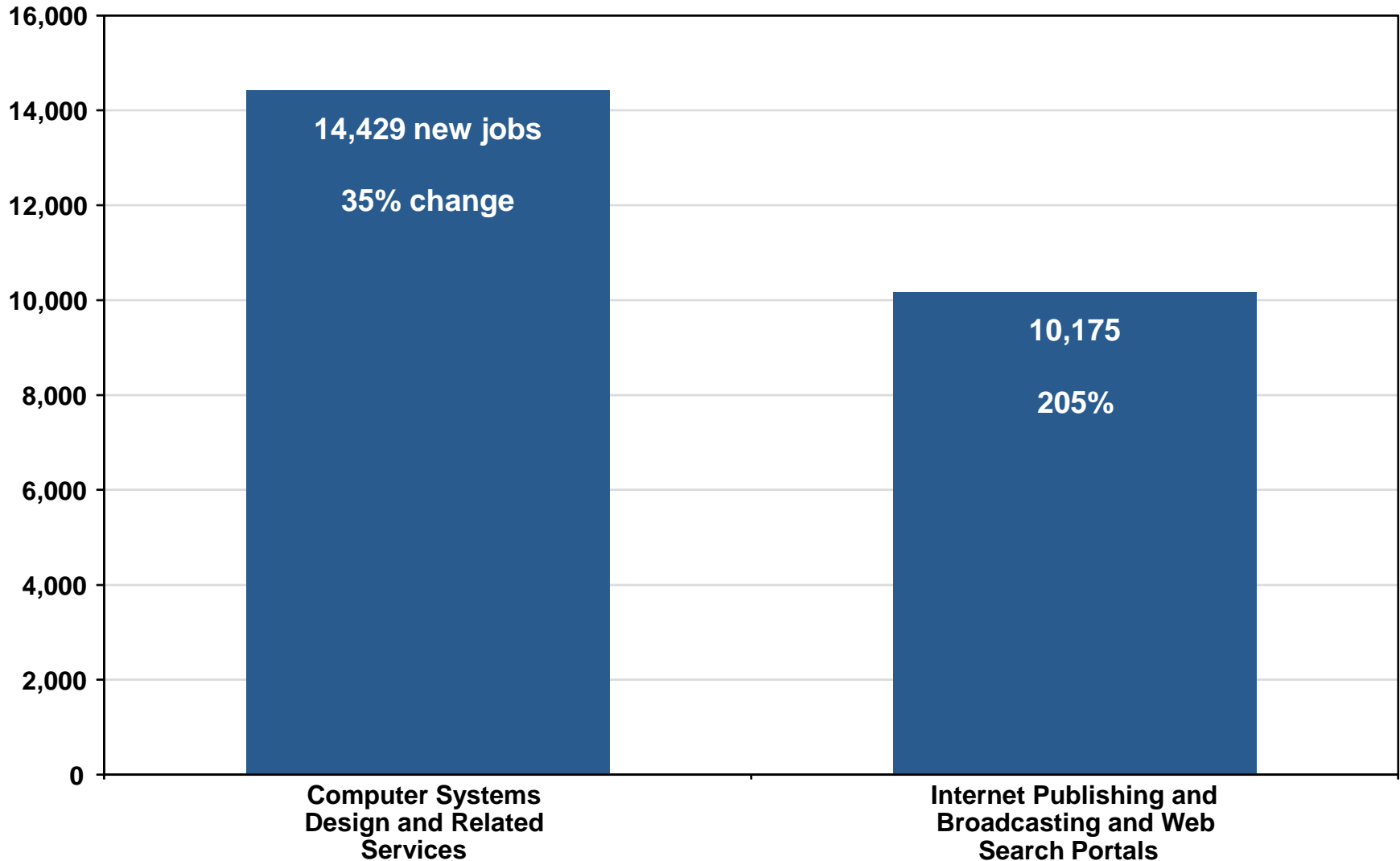
Financial Activities Employment

Seasonally Adjusted



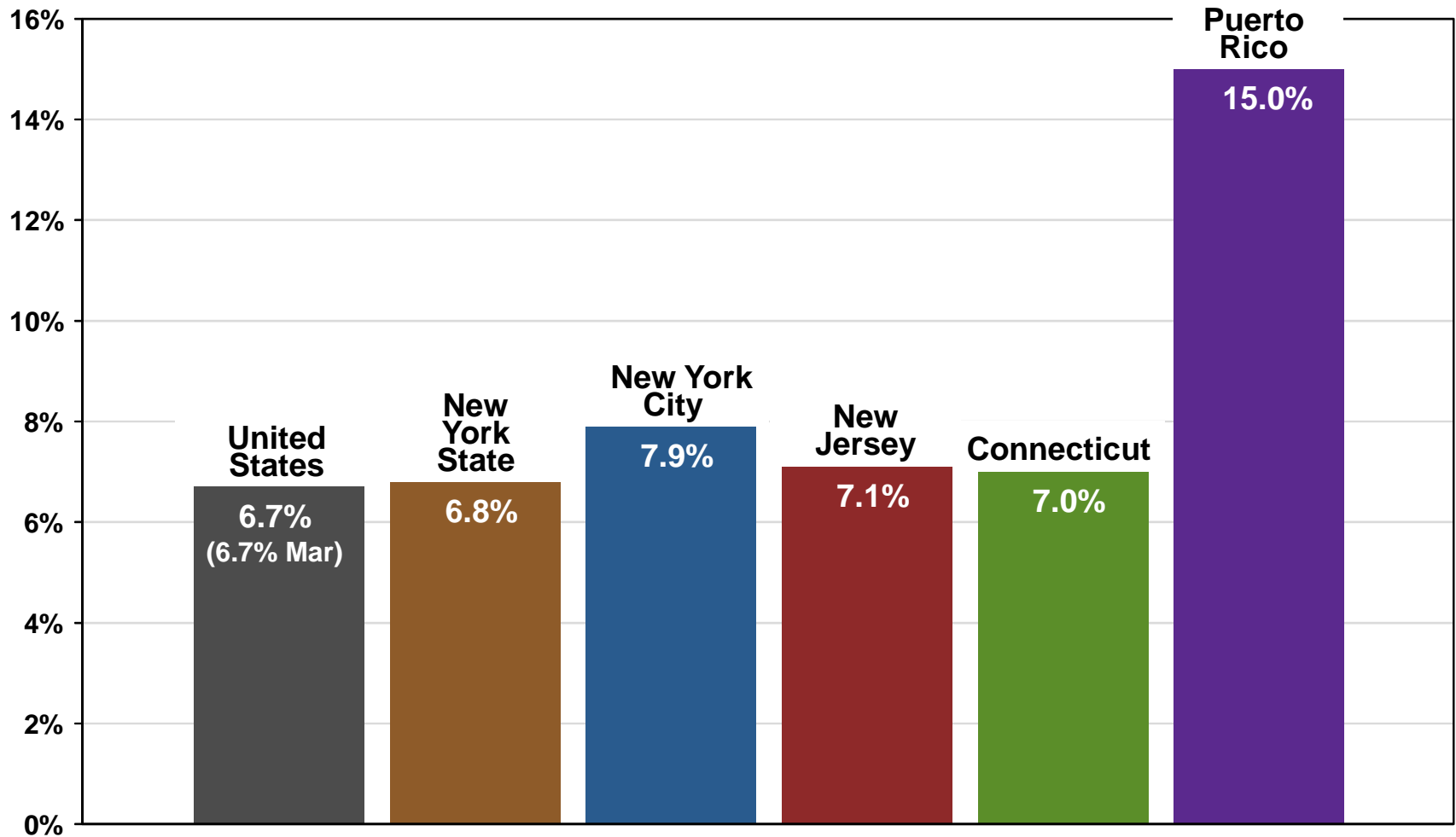
NYC Technology Employment

Level Change, 2009Q3 to 2013Q3



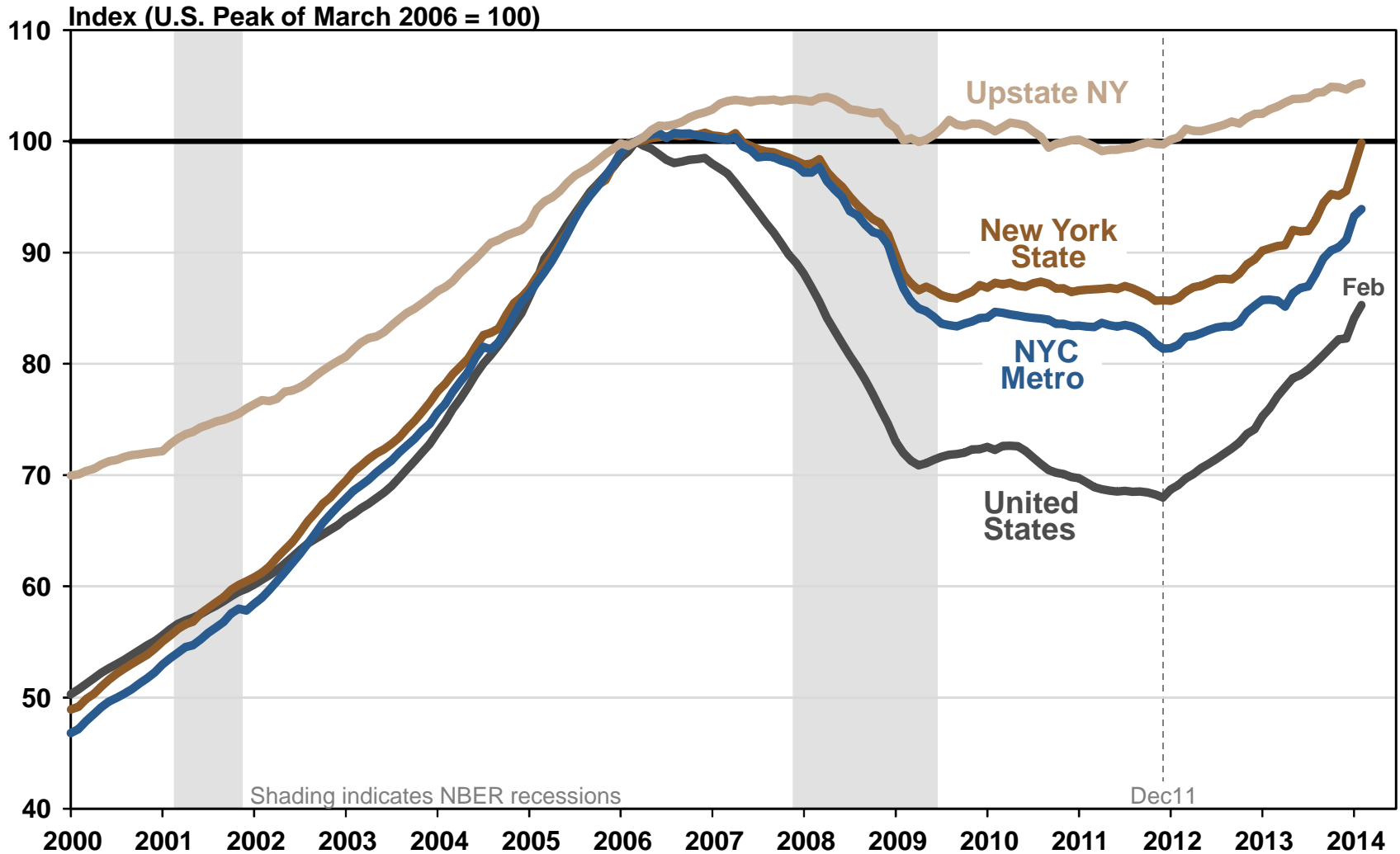
Unemployment Rates in the Region

Seasonally Adjusted, February 2014



Home Prices

CoreLogic Home Price Index, Seasonally Adjusted

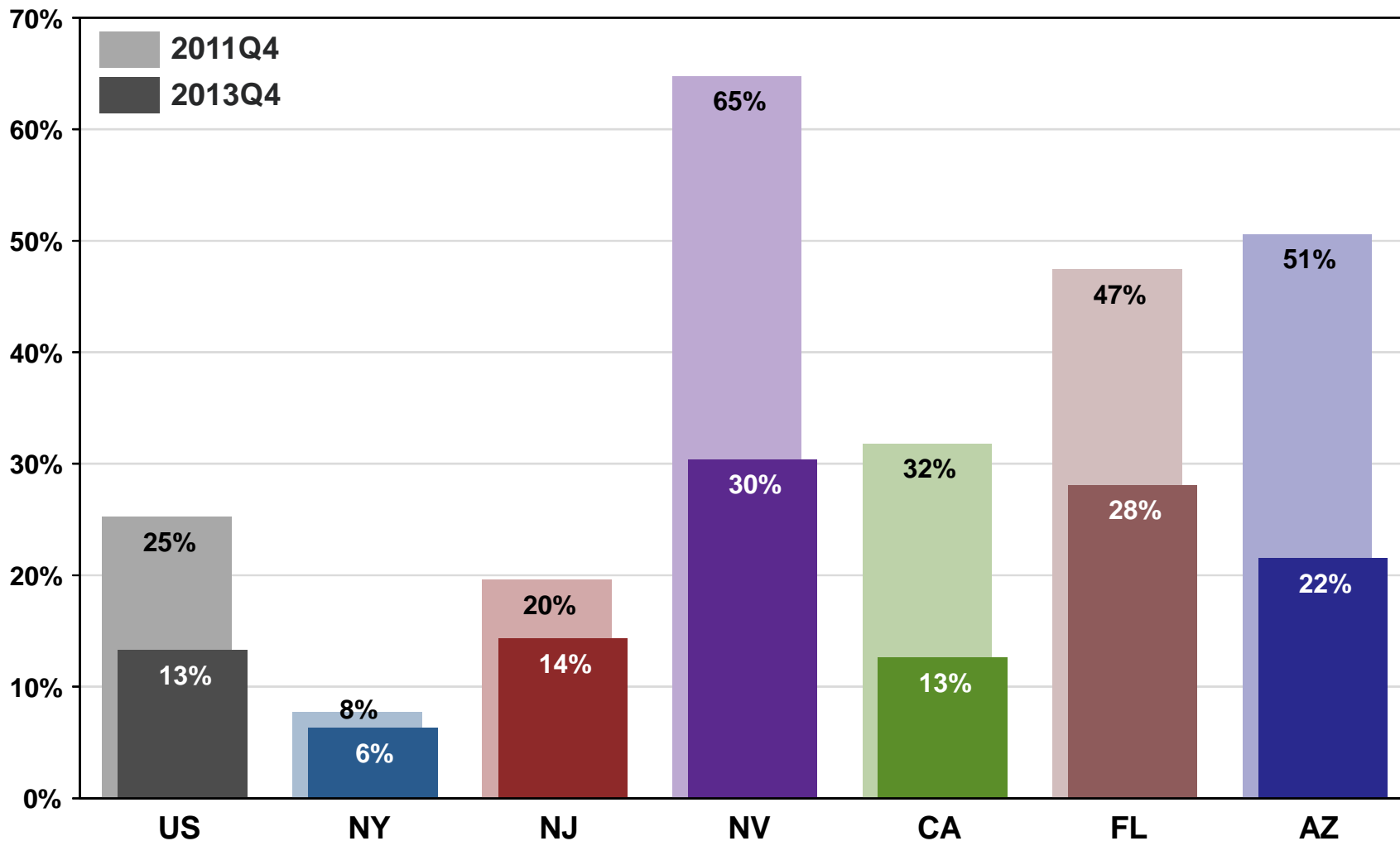


Source: CoreLogic Home Price Index (including distressed sales); Seasonally adjusted by FRBNY staff.

Note: 'NYC Metro' refers to the 'New York-White Plains-Wayne NY-NJ Metro Division.'

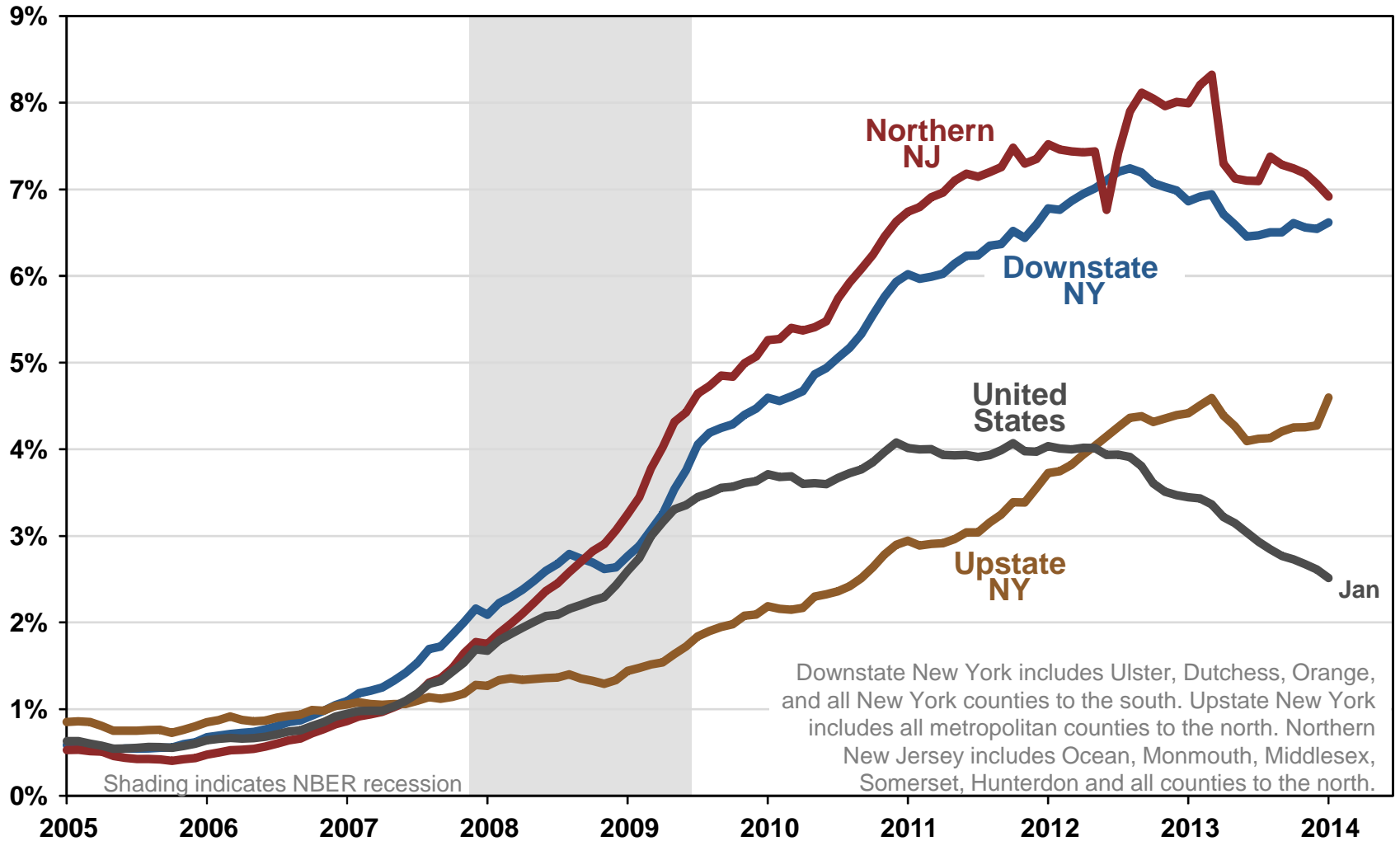
Negative Equity

Share of Mortgages with Amount Owed Greater Than Home Value



Backlog of Foreclosures

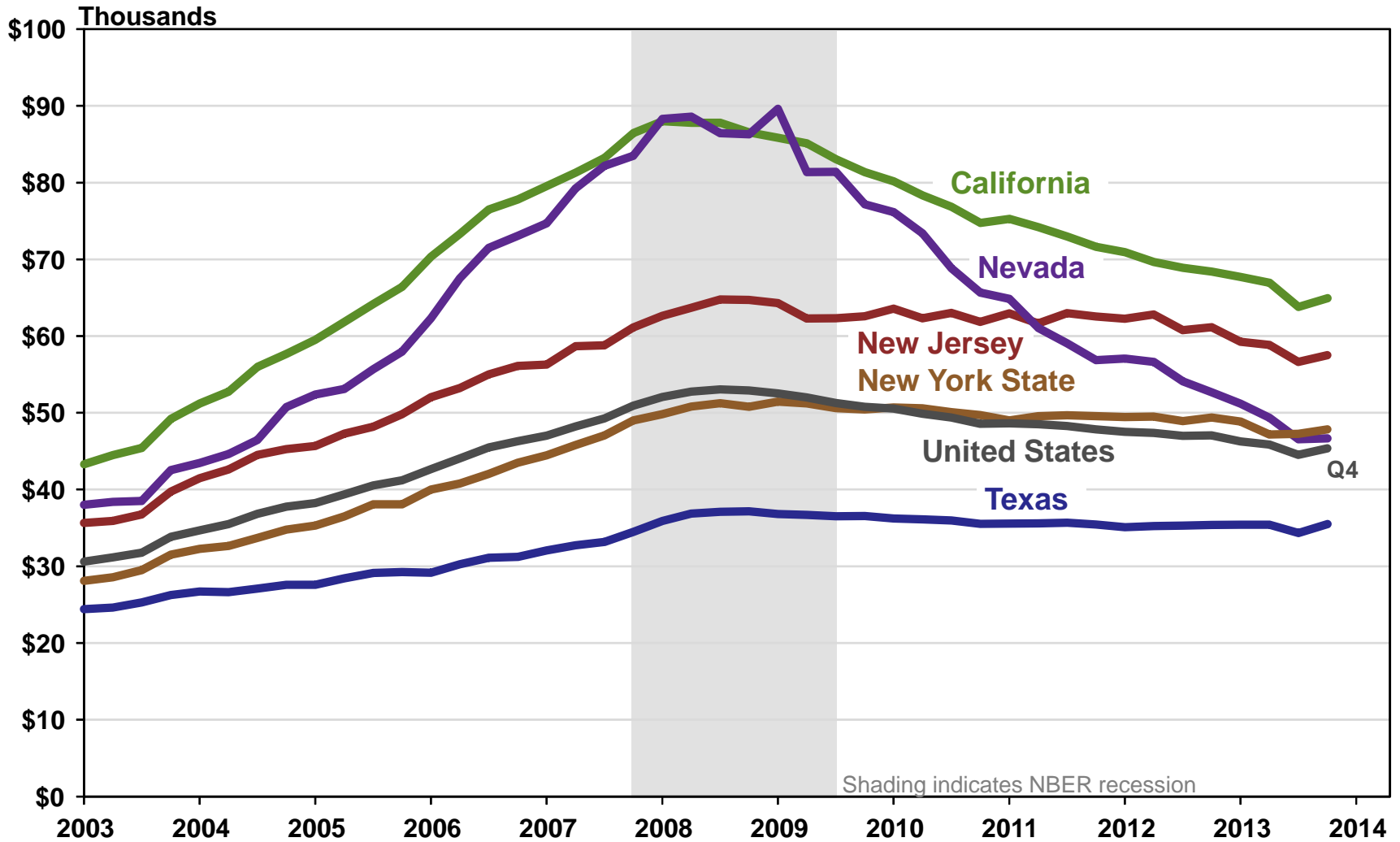
Share of Mortgages in Foreclosure



Jan

Household Debt

Total Debt Balance Per Capita

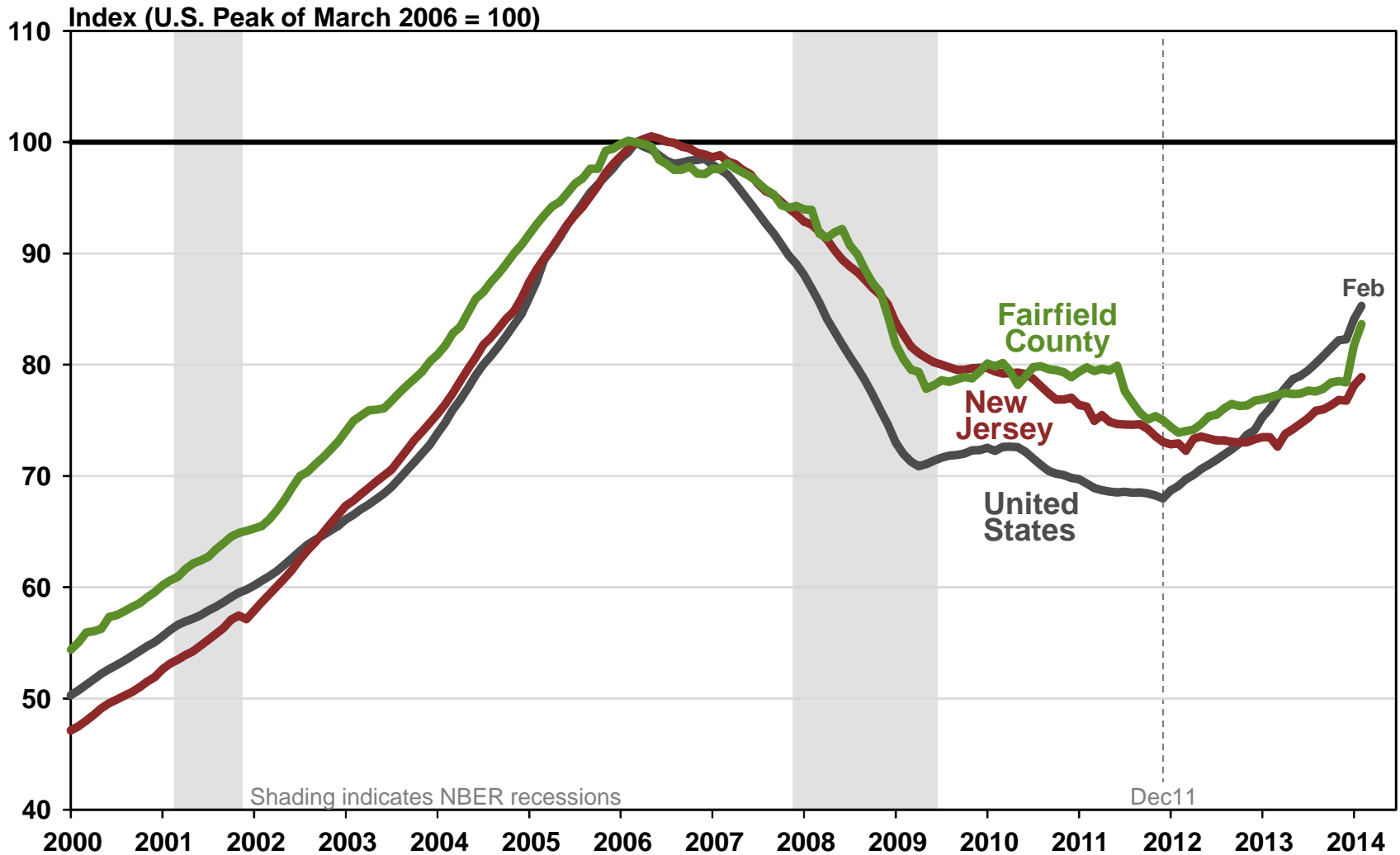


Shading indicates NBER recession

Q4

Home Prices

CoreLogic Home Price Index, Seasonally Adjusted

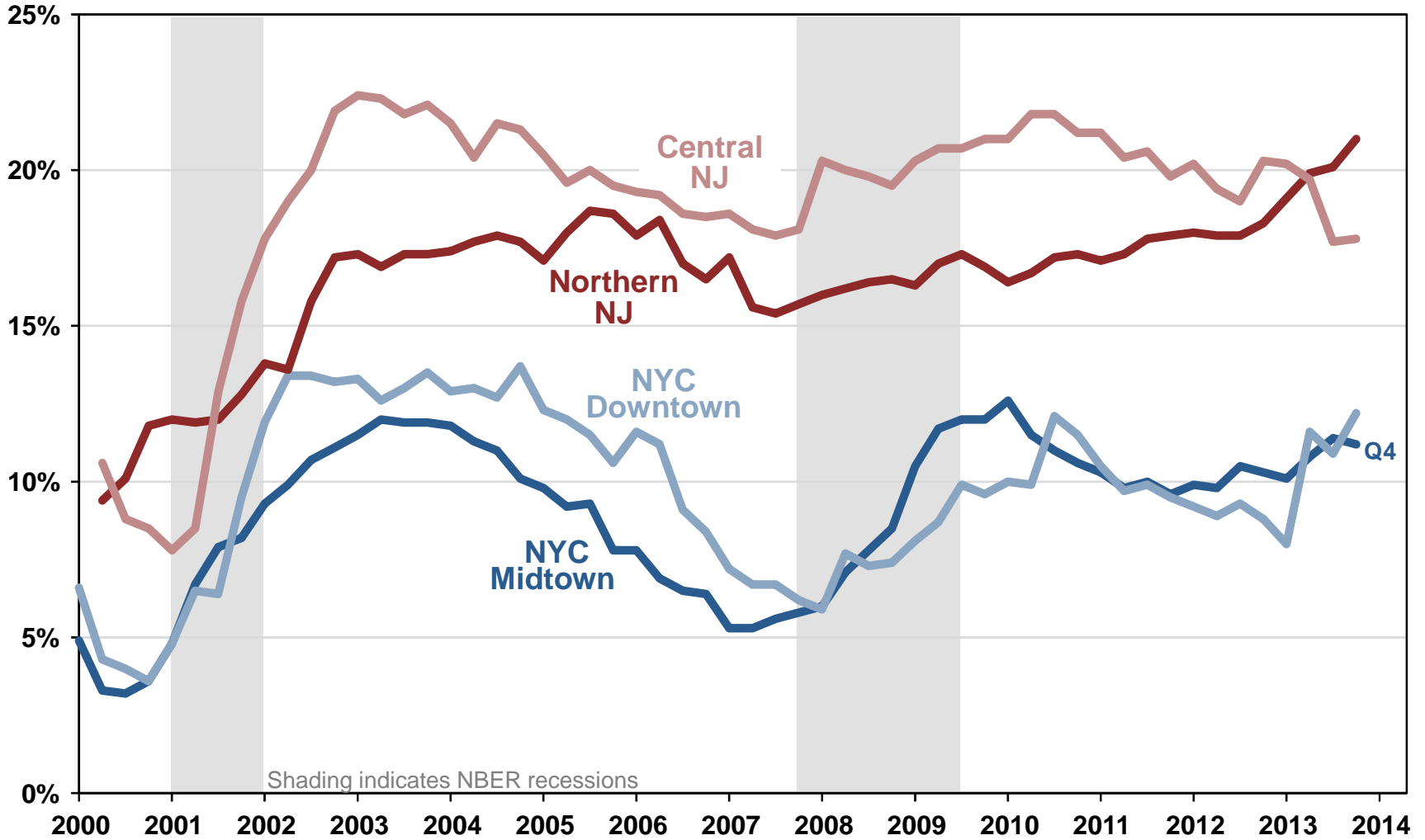


Source: CoreLogic Home Price Index (including distressed sales); Seasonally adjusted by FRBNY staff.

Note: 'NYC Metro' refers to the 'New York-White Plains-Wayne NY-NJ Metro Division.'

Office Vacancy Rates

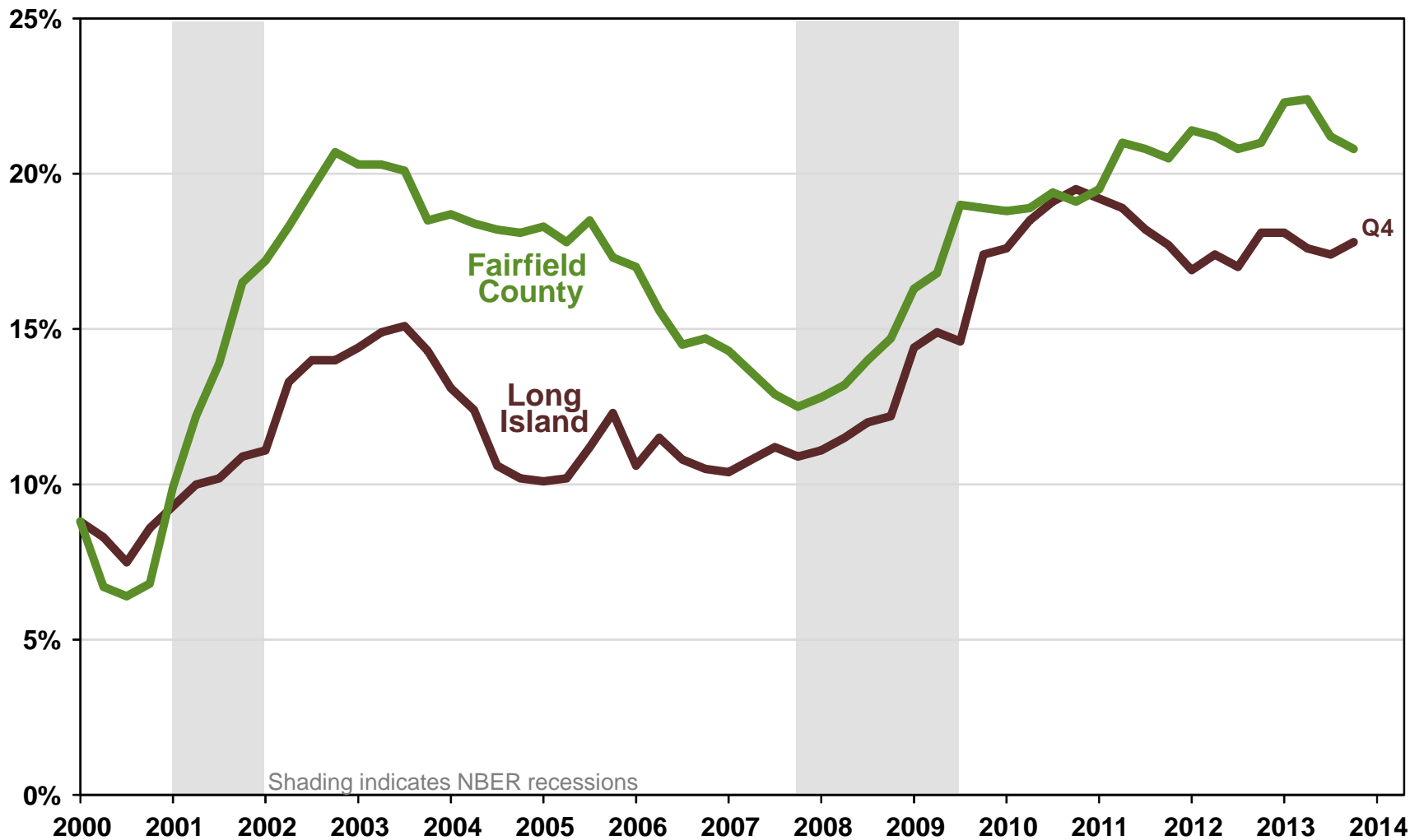
Overall Vacancy Rates



Shading indicates NBER recessions

Office Vacancy Rates

Overall Vacancy Rates

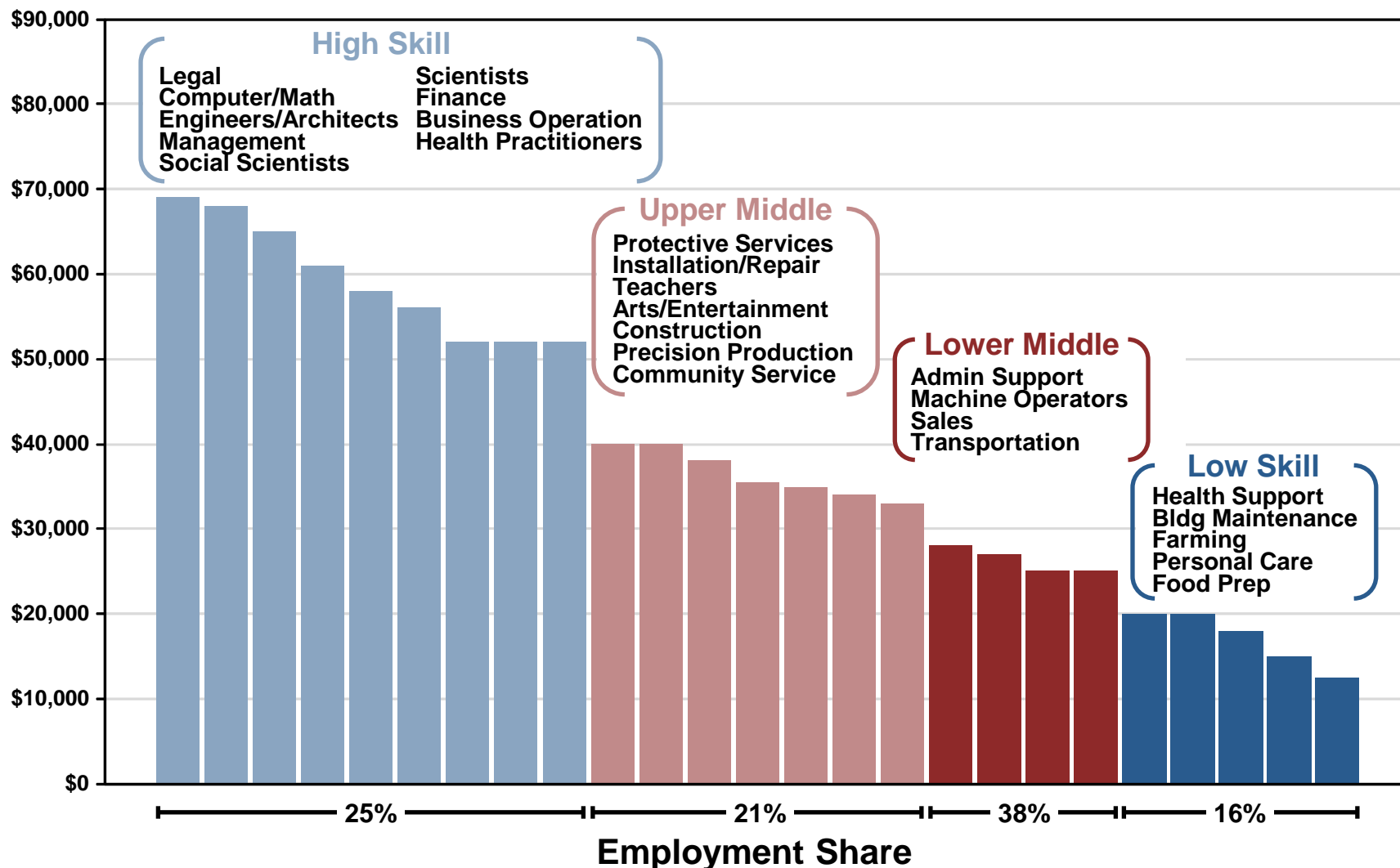


Shading indicates NBER recessions

Job Polarization

Occupations by Skill Categories

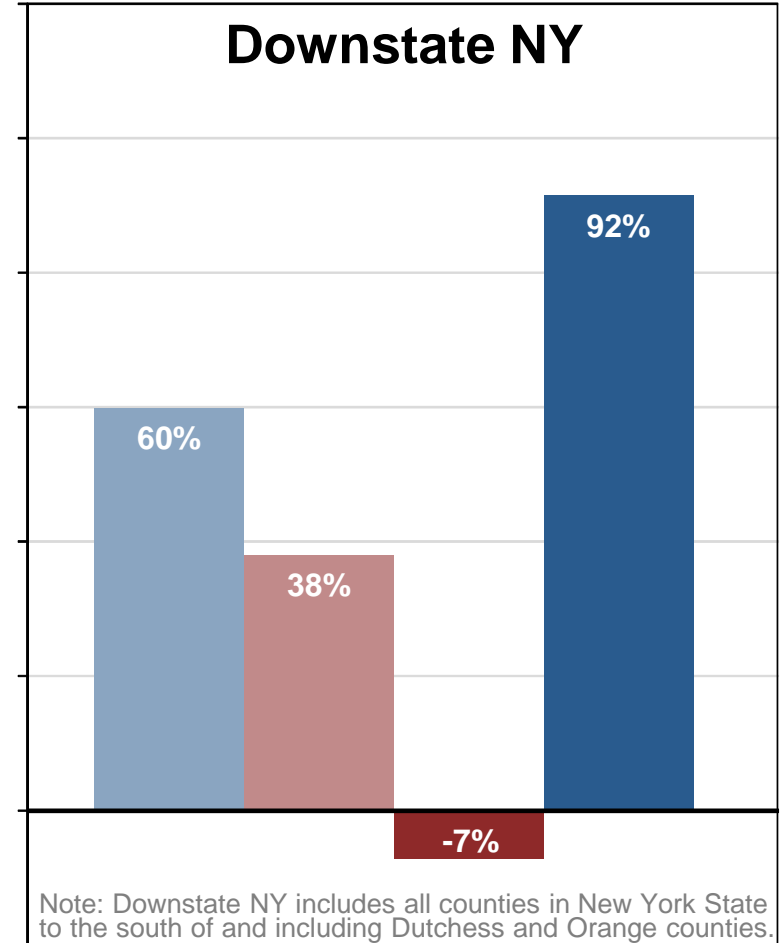
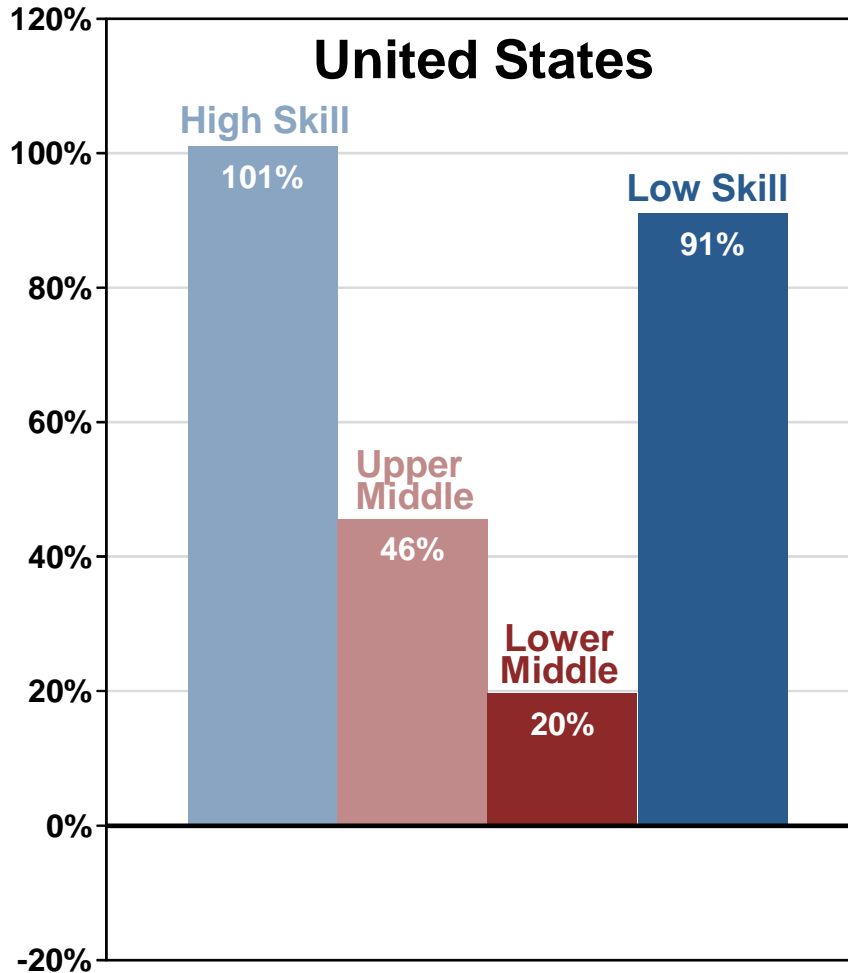
Based on 2010 Median Occupational Wage, United States



Source: U.S. Bureau of the Census and FRBNY Calculations.

Job Growth by Skill Category

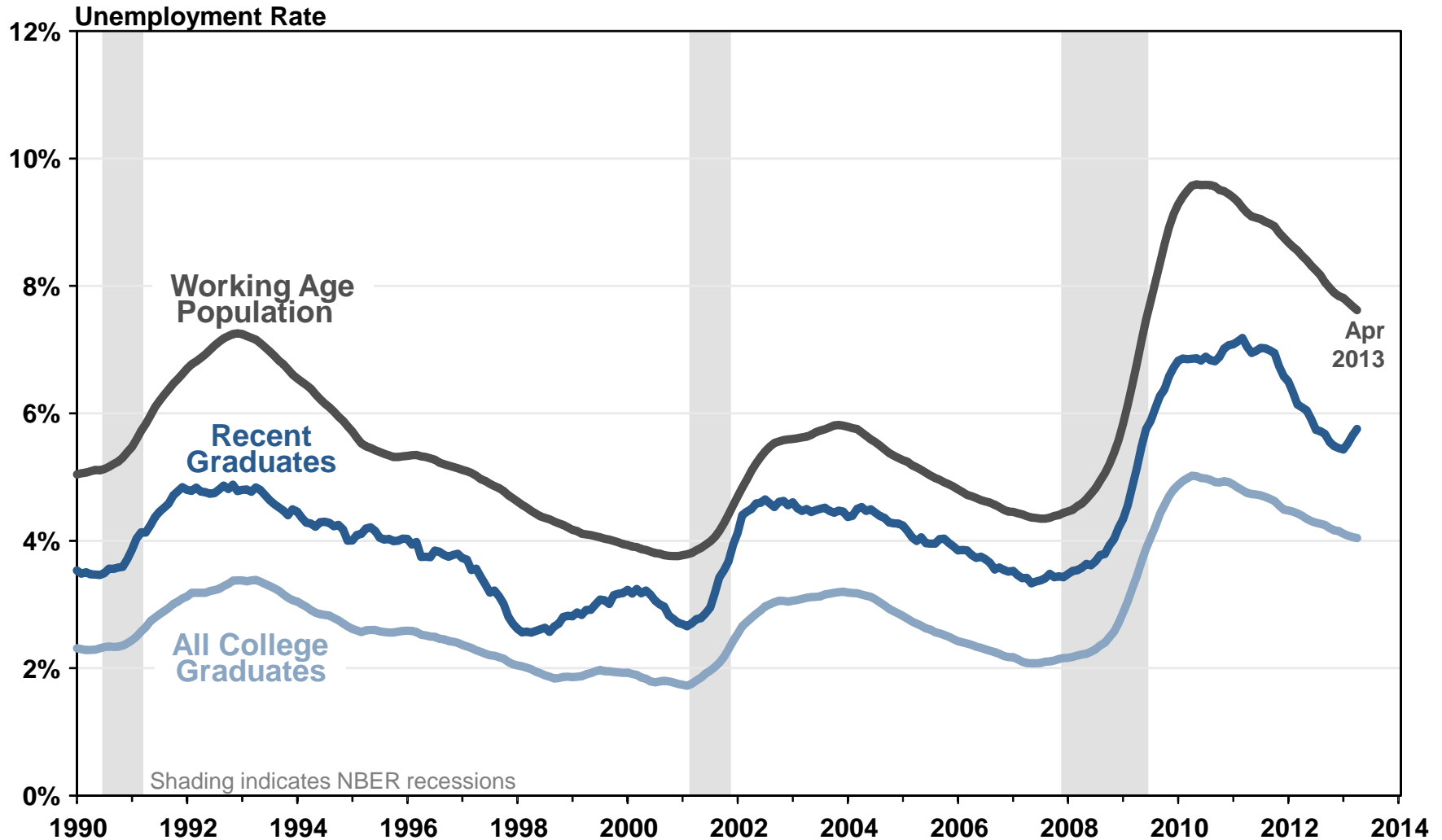
Change in Jobs: 1980-2010, Our Region



Recent College Graduates

U.S. Unemployment Rates

12-Month Moving Average



Source: U.S. Census Bureau and U.S. Bureau of Labor Statistics, Current Population Survey.

Note: College graduates are those with a BA degree or higher; recent college graduates are those aged 22-27; figures exclude those currently enrolled in school.

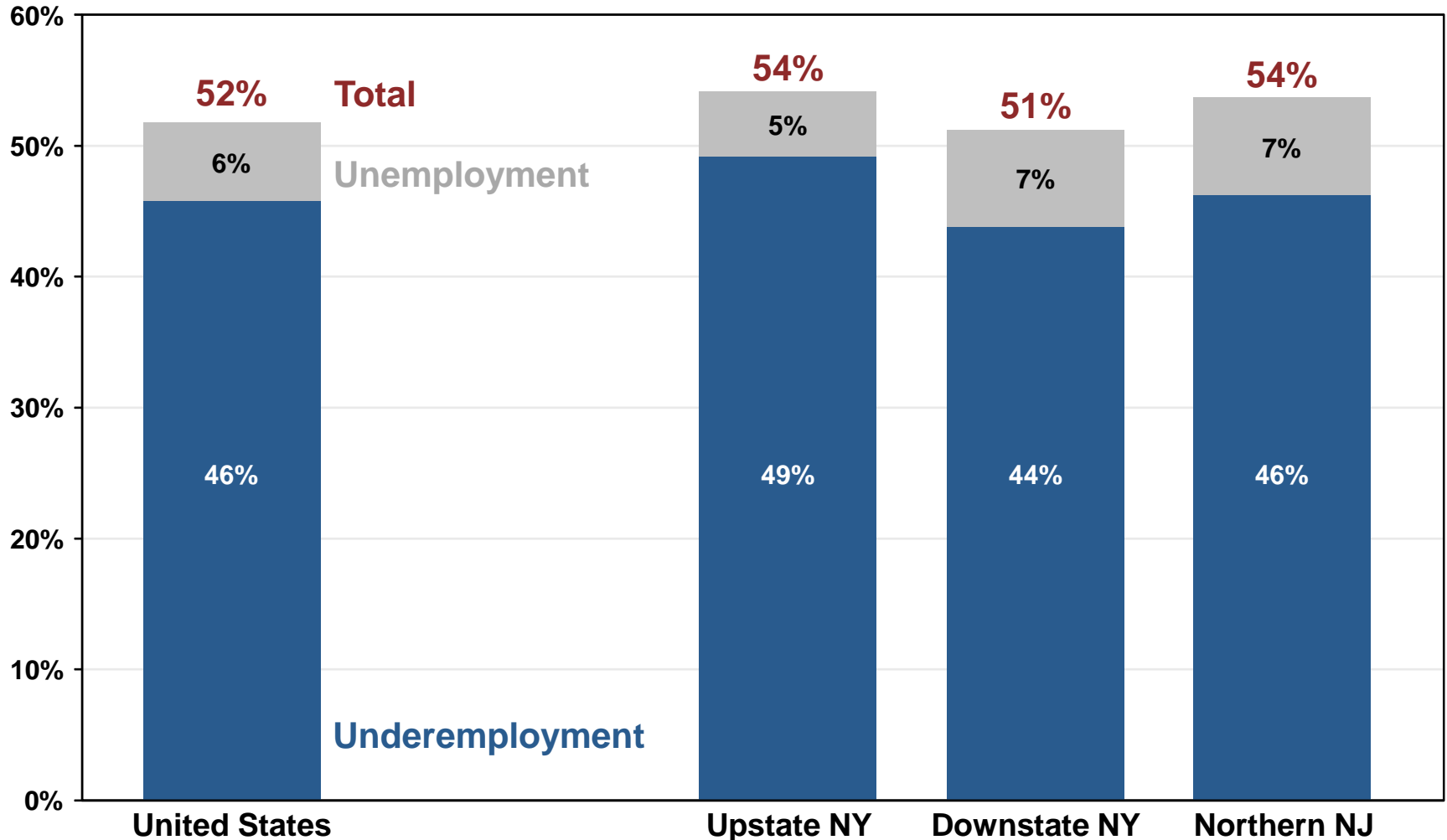
College Graduate Underemployment

- Classify jobs into two categories based on information from the Department of Labor:
 - **Bachelor's degree required:**
 - e.g., pharmacist, social worker, software developer
 - **Bachelor's degree not required:**
 - e.g., retail salesperson, food server, electrician, health care technician
 - Graduates working in these jobs are considered ***underemployed***



Regional Unemployment & Underemployment

Recent College Graduates, Share of Labor Force, 2009-11



Source: U.S. Census Bureau, American Community Survey; U.S. Department of Labor, O*NET.

Note: Recent college graduates are those with a BA degree or higher aged 22-27; figures exclude those currently enrolled in school.