



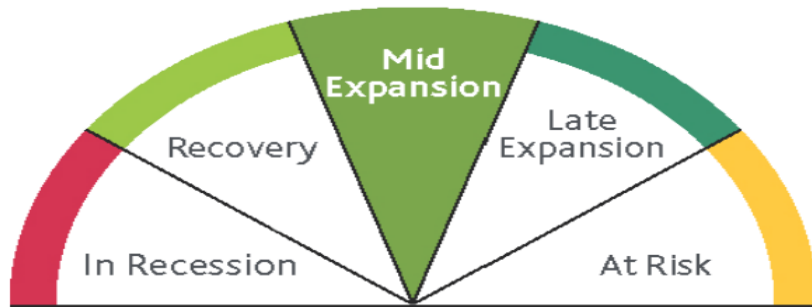
U.S. & CenterState NY Economic Outlook

Gary D. Keith – Regional Economist

January 9, 2019

M&T Bank

“Where Are We in the Economic Cycle?”



Current Business Cycle State

Business Investment	Late-cycle
Housing	Late-cycle
Labor Market	Mid-cycle
Consumer Spending	Mid-cycle
Inflation	Mid-cycle
Interest Rates	Mid-cycle

Positives:

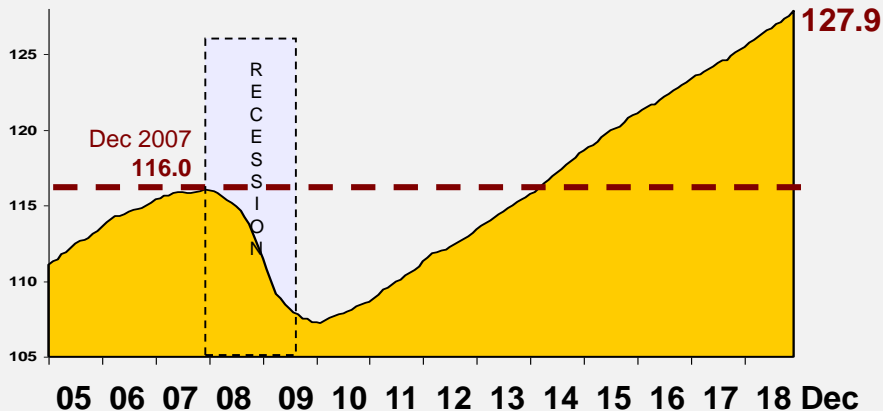
- GDP growth remains above trend
- Household income and spending continue to rise
- Corporate profits remain high

Negatives:

- Labor market is tightening
- Wage growth gradually accelerating
- Inflation nearing the Fed’s 2% target
- Protectionist trade policies are dampening export demand

Labor Market Strength Underpins 2019 Outlook

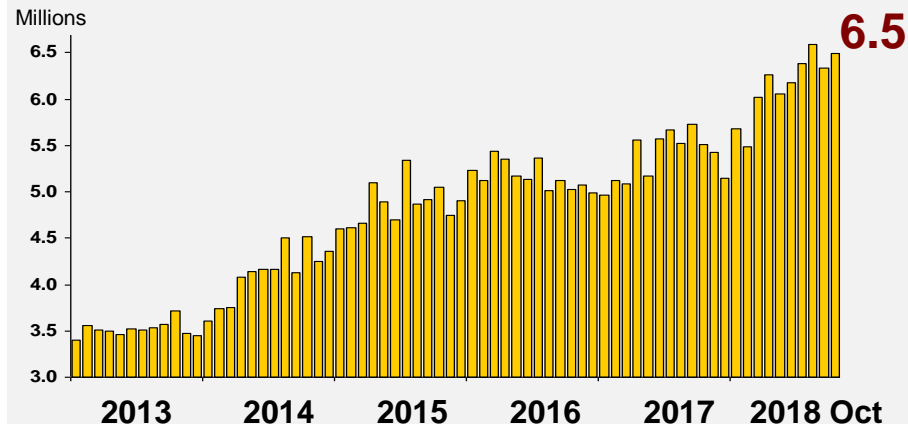
U.S. Private Sector Employment



Job Creation Remains Remarkably Consistent

2 million new jobs have been created annually since 2010, pushing employment 10% above the pre-recession peak

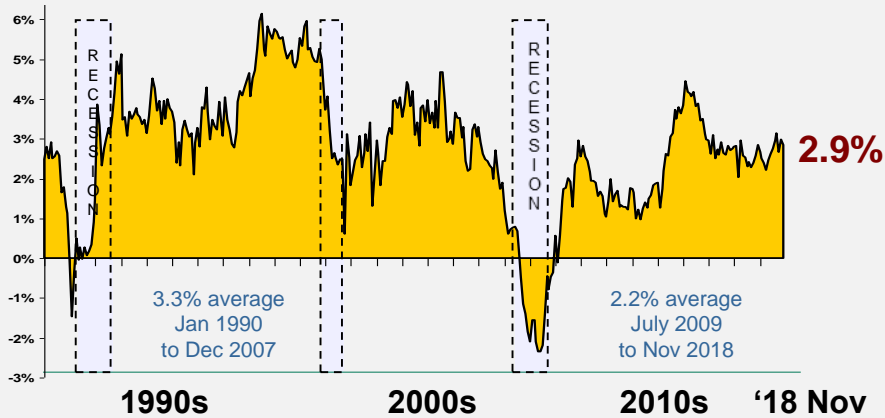
Private Sector Job Openings



“Help Wanted” Signs Are Still Abundant
Hiring plans set the stage for further income and spending growth in 2019

Solid Economic Momentum Heading Into 2019

U.S. Real Personal Consumption Growth



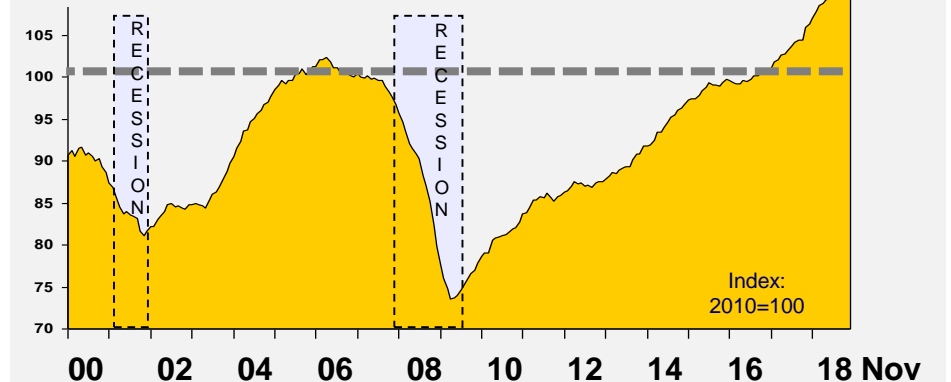
U.S. Leading Indicators Point to Further Expansion

“The index still points to solid economic growth in early 2019”

Consumer Spending Remains Robust

With personal consumption representing 70% of GDP, strong performance in this sector puts a floor under economic growth

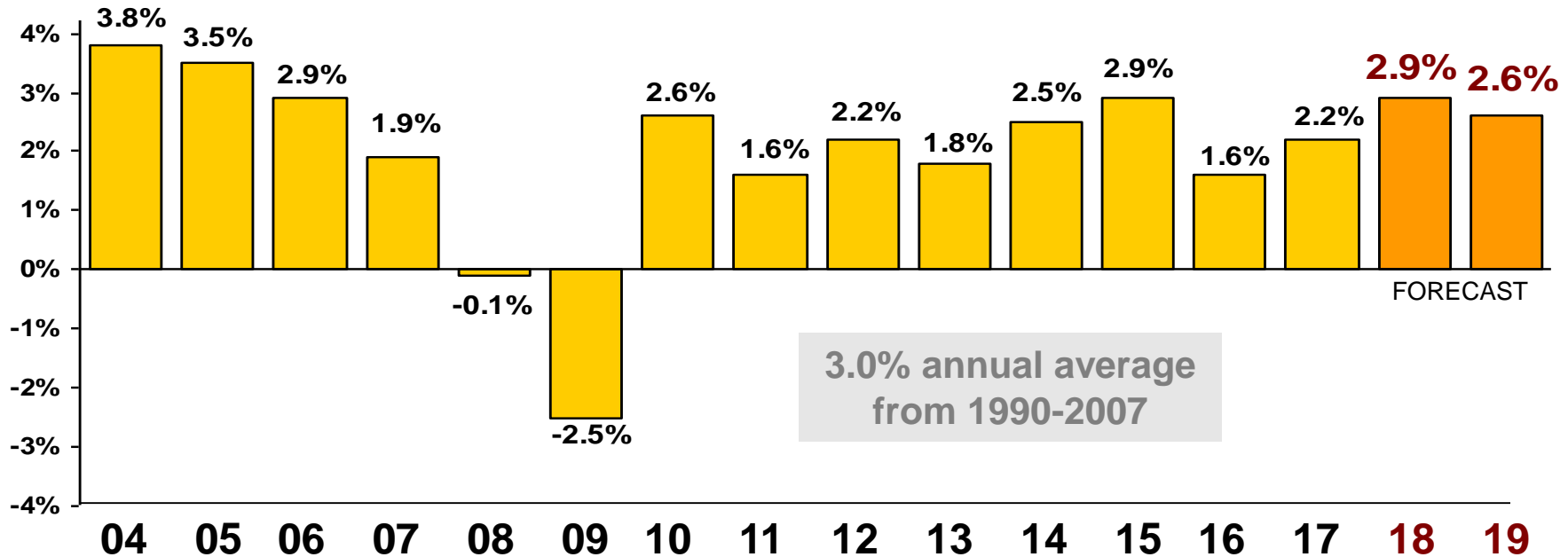
The Conference Board U.S. Leading Economic Index



U.S. Real Gross Domestic Product Growth

Growth Should Remain Elevated...But With Plenty of Wildcards!

The economy is expected to grow at a solid pace in 2019—with potential headwinds from trade policy uncertainty, tightening labor supply and monetary policy direction

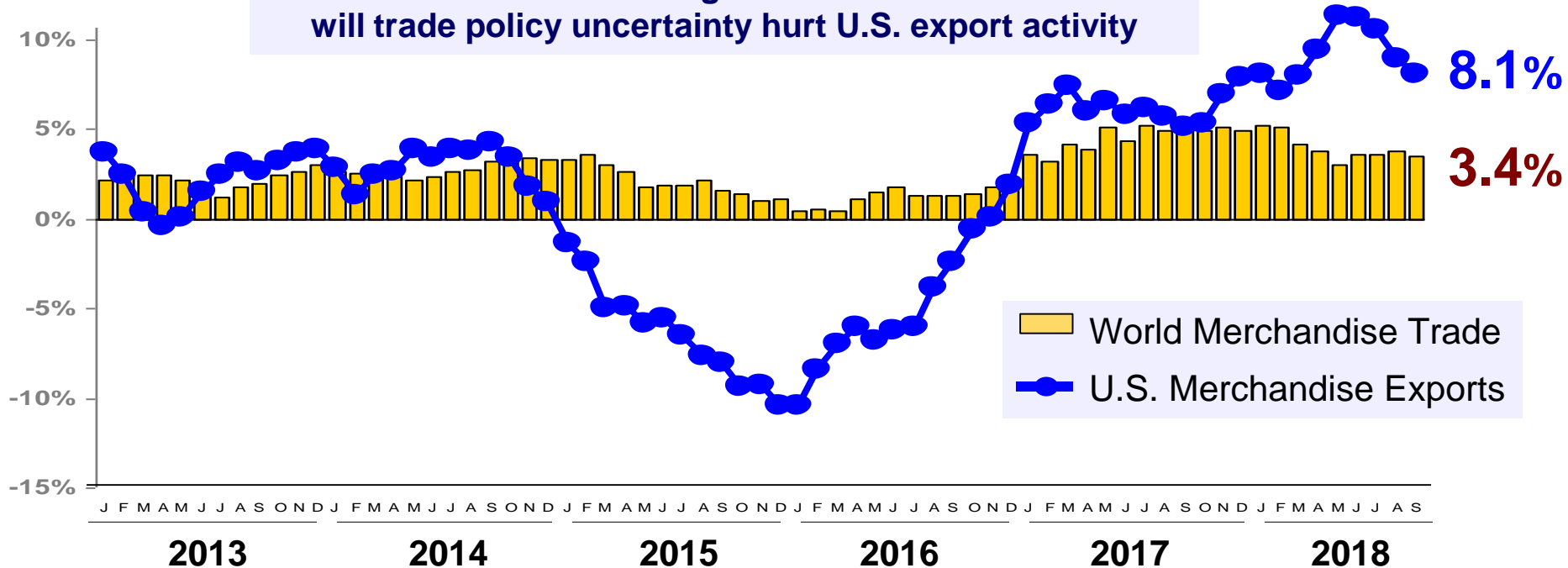


Growth in World Merchandise Trade

Perhaps the Biggest Wildcard:

Will Trade Flip to Drag From Driver?

World merchandise trade growth has started to ease—
will trade policy uncertainty hurt U.S. export activity

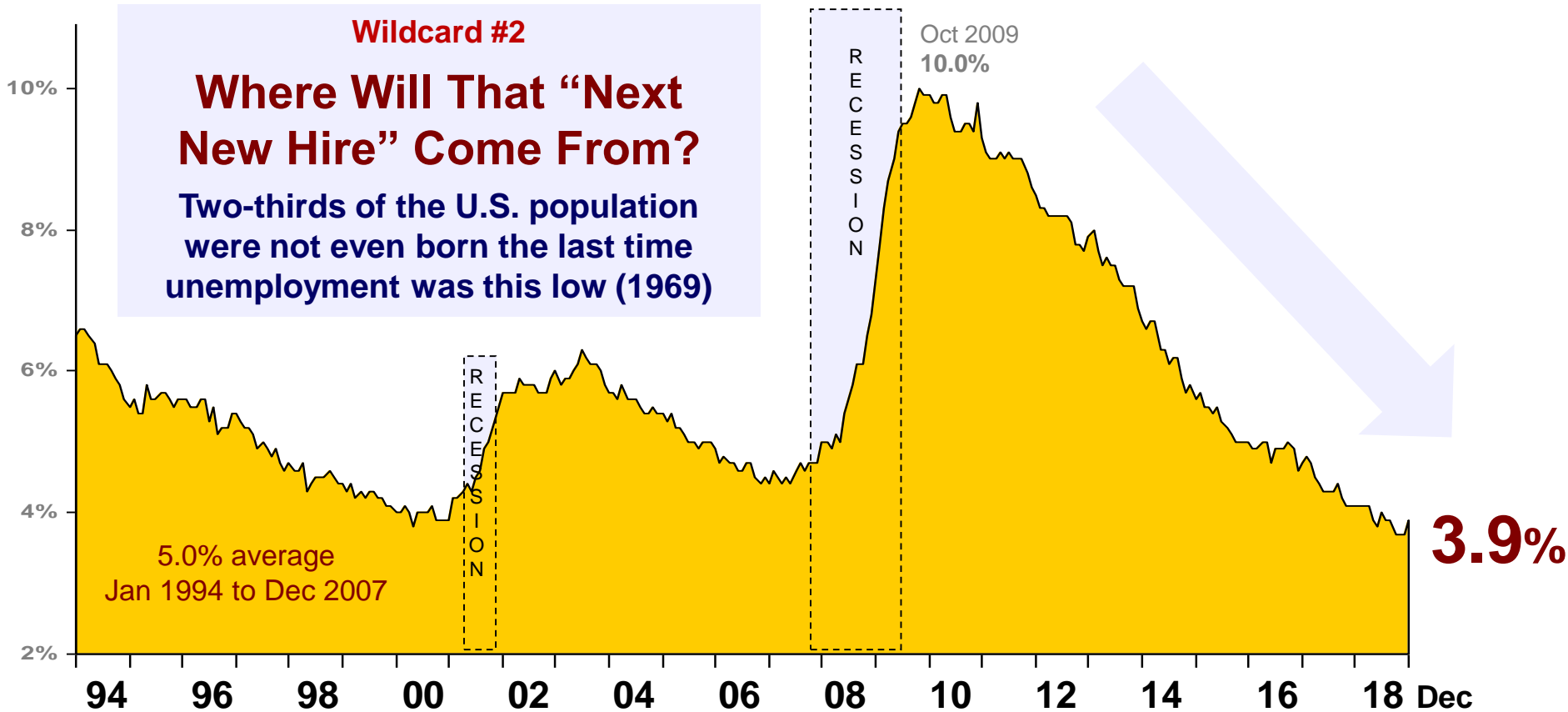


U.S. Unemployment Rate

Wildcard #2

Where Will That “Next New Hire” Come From?

Two-thirds of the U.S. population were not even born the last time unemployment was this low (1969)

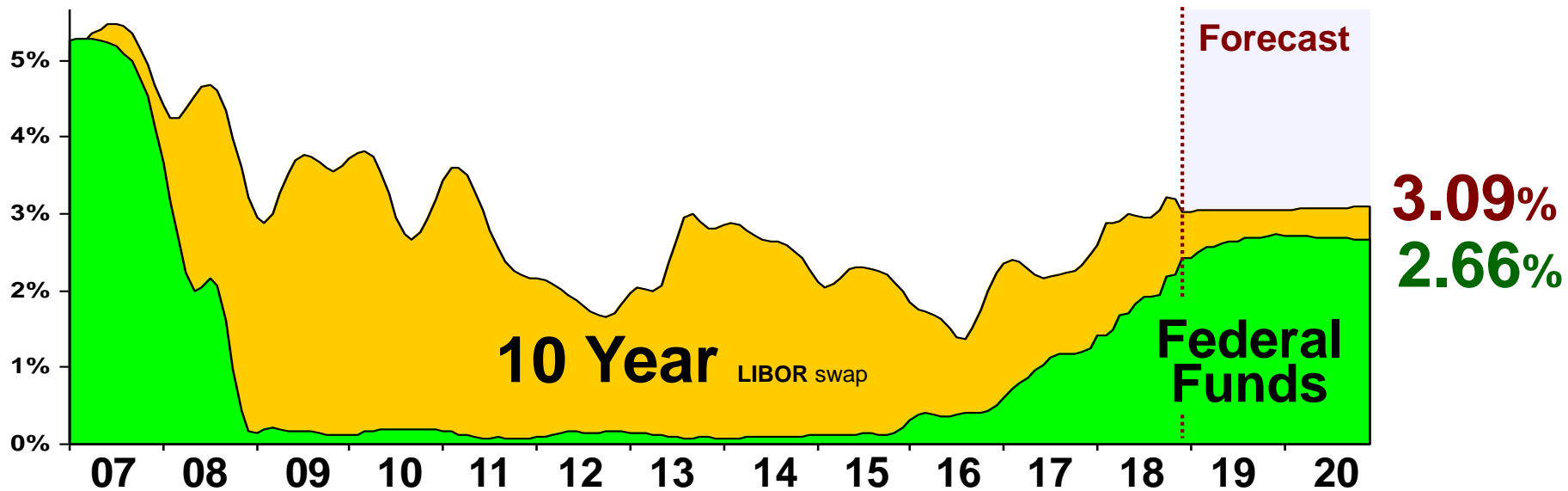


Interest Rate Forecast

Wildcard #3

Will Monetary Policy Continue to Tighten?

The Fed expects to hike short-term rates two more times over the coming year, while moderating inflation concerns keep downward pressure on medium- and long-term rates



How's the CenterState NY region performing?



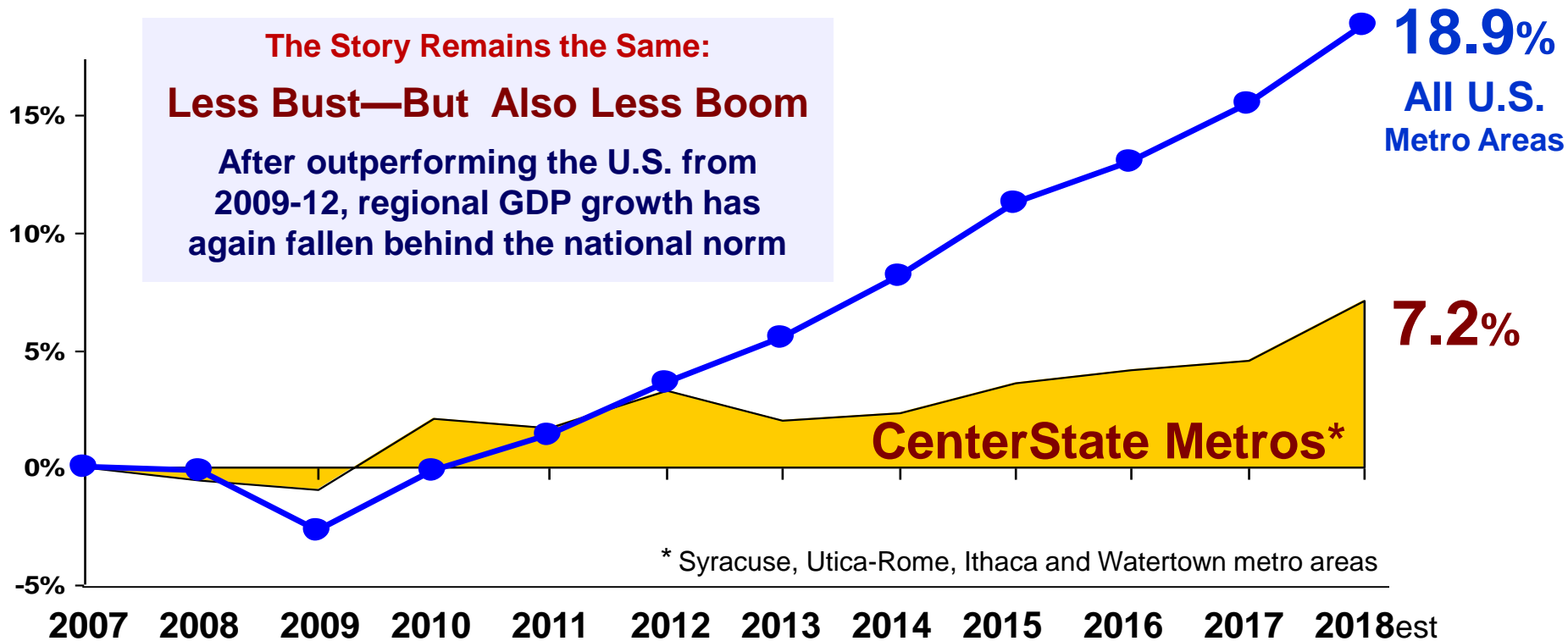
Relative Change in Inflation-Adjusted GDP Since 2007

CenterState NY Real GDP Growth

The Story Remains the Same:

Less Bust—But Also Less Boom

After outperforming the U.S. from 2009-12, regional GDP growth has again fallen behind the national norm



* Syracuse, Utica-Rome, Ithaca and Watertown metro areas

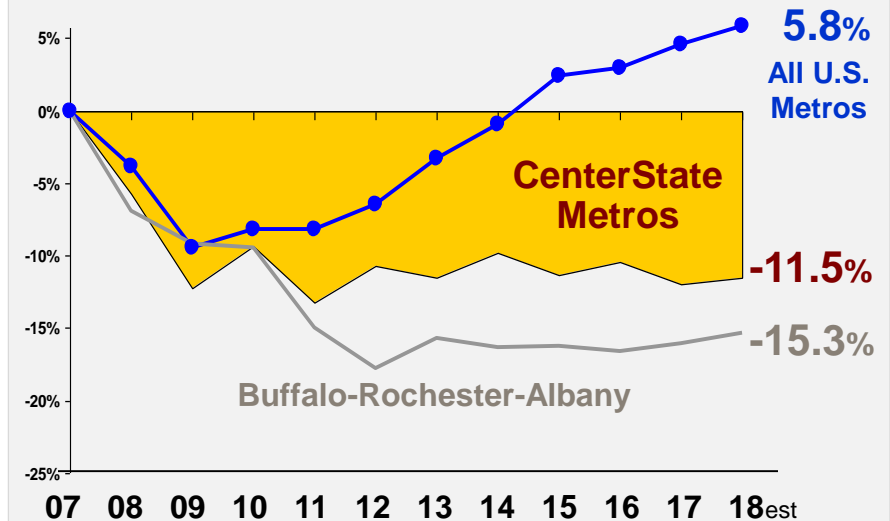
Relative Change in Inflation-Adjusted GDP Since 2007

CenterState NY Real GDP Growth

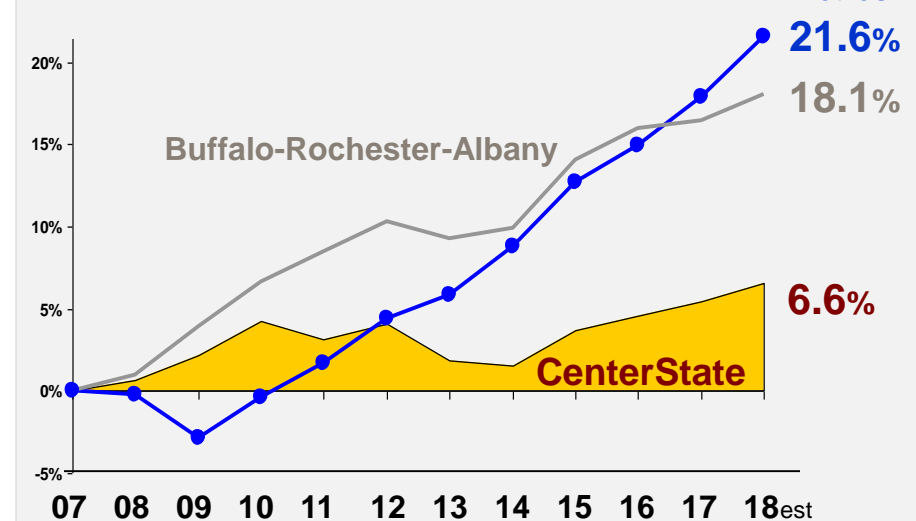
Why the Difference? Limited Contribution From Service Sector Industries

The region continues to lag in generating “New Economy” output sources

Goods Producing GDP

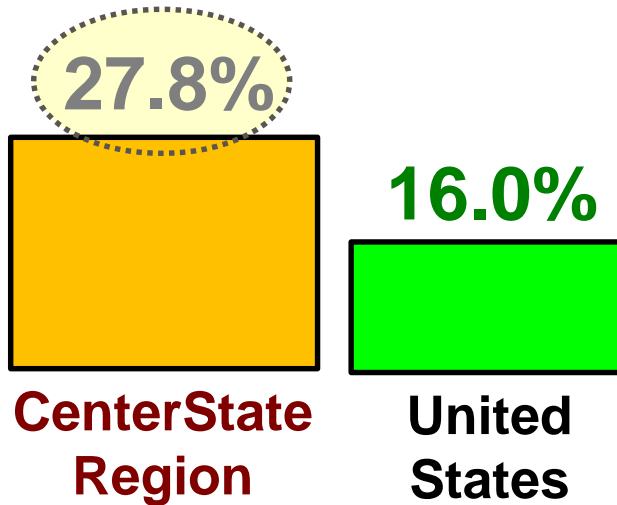


Private Service Providing GDP



“Eds & Meds” Provide Solid Economic Support...

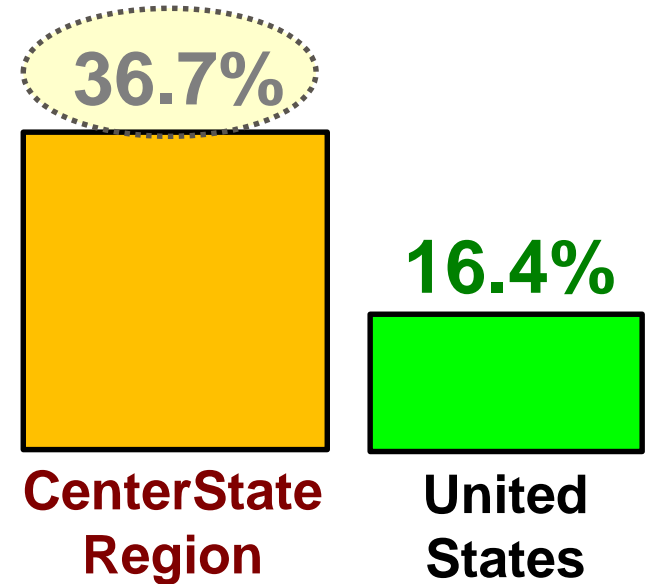
Share of Total Private
Payroll Earnings
2017-18



**Education &
Health Care
Are Key
Pillars of the
CenterState
Economy**

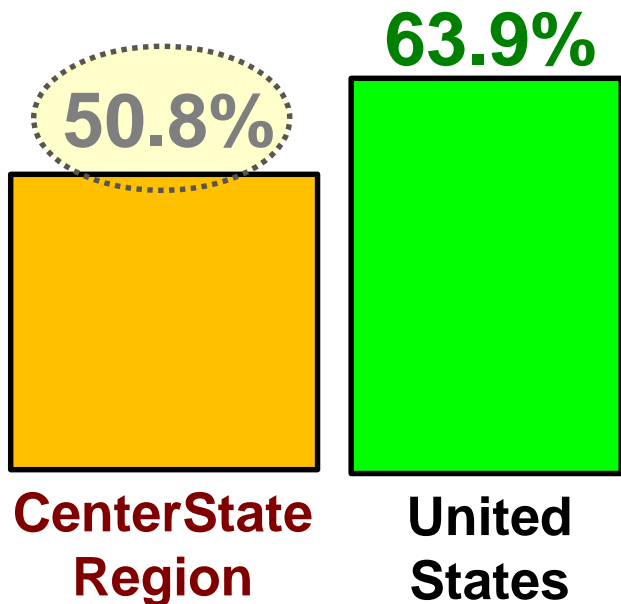
Regional
employment and
payroll income
gains are well
above the U.S.
average

Share of Net Growth in
Overall Private Payroll
Earnings Since 2014



...But More Growth is Needed in Other Service Sectors

Share of Total Private Payroll Earnings 2017-18

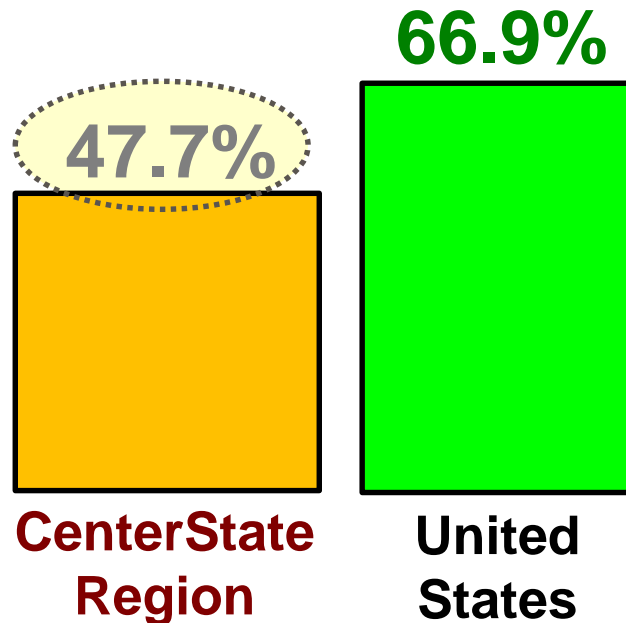


Broadening the Base of High “Value Added” Service Sectors is Essential

Regional employment and payroll income gains continue to trail the U.S. average

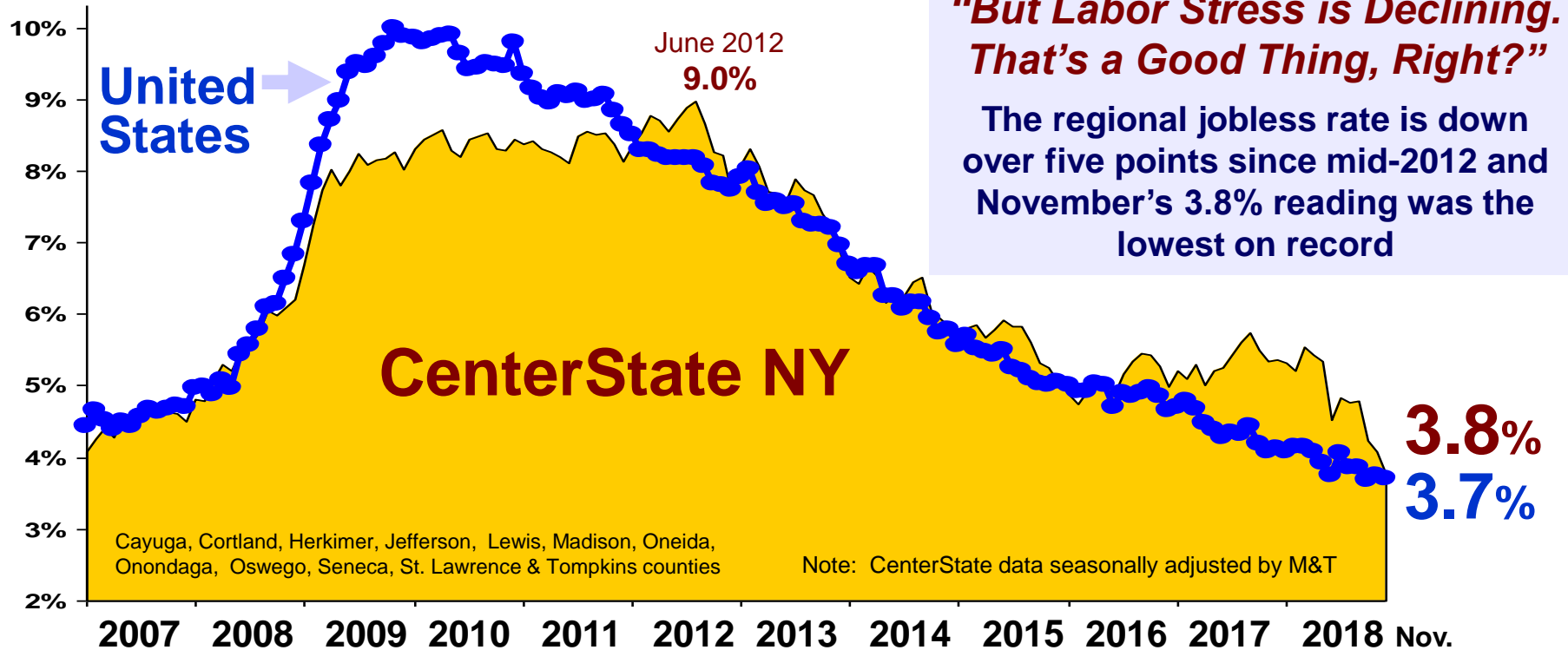
Private service providing industries excluding Education & Health Care

Share of Net Growth in Overall Private Payroll Earnings Since 2014



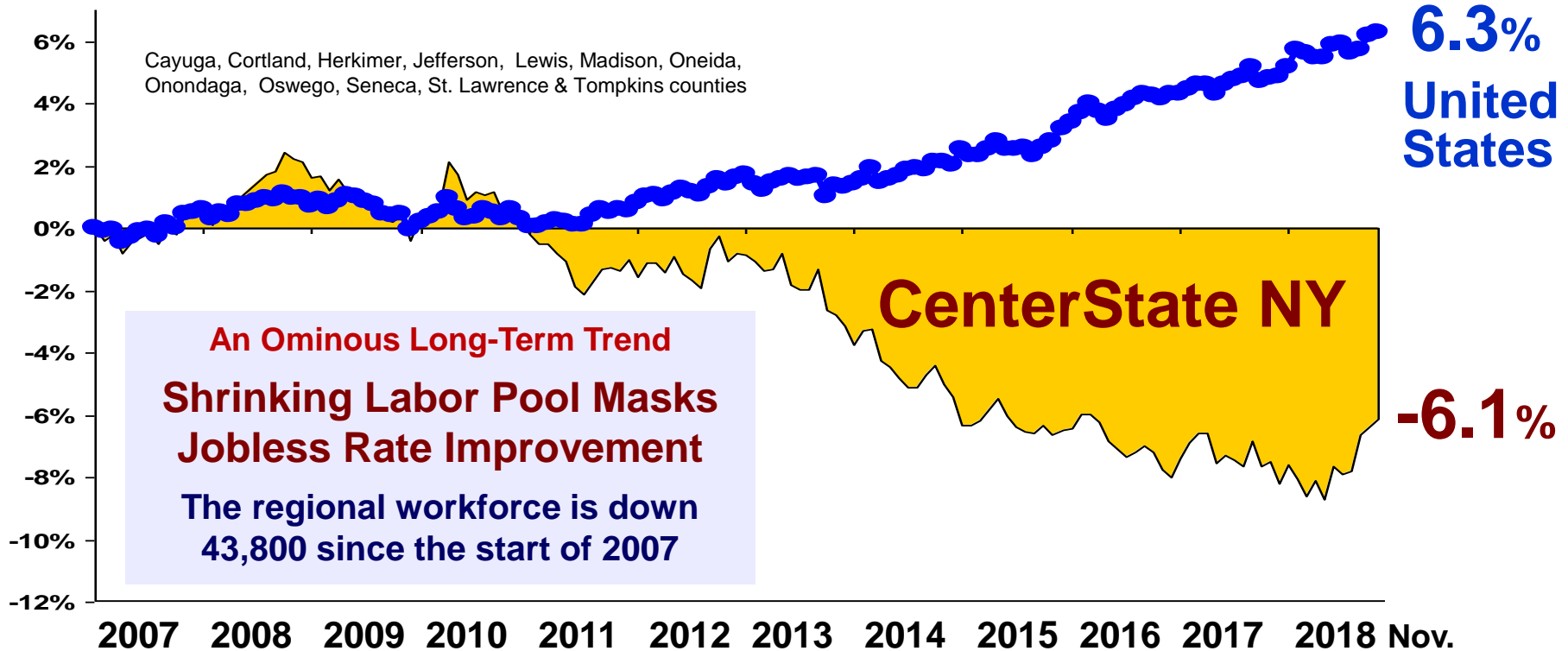
Seasonally Adjusted

CenterState NY Unemployment Rate



Relative Change Since January 2007

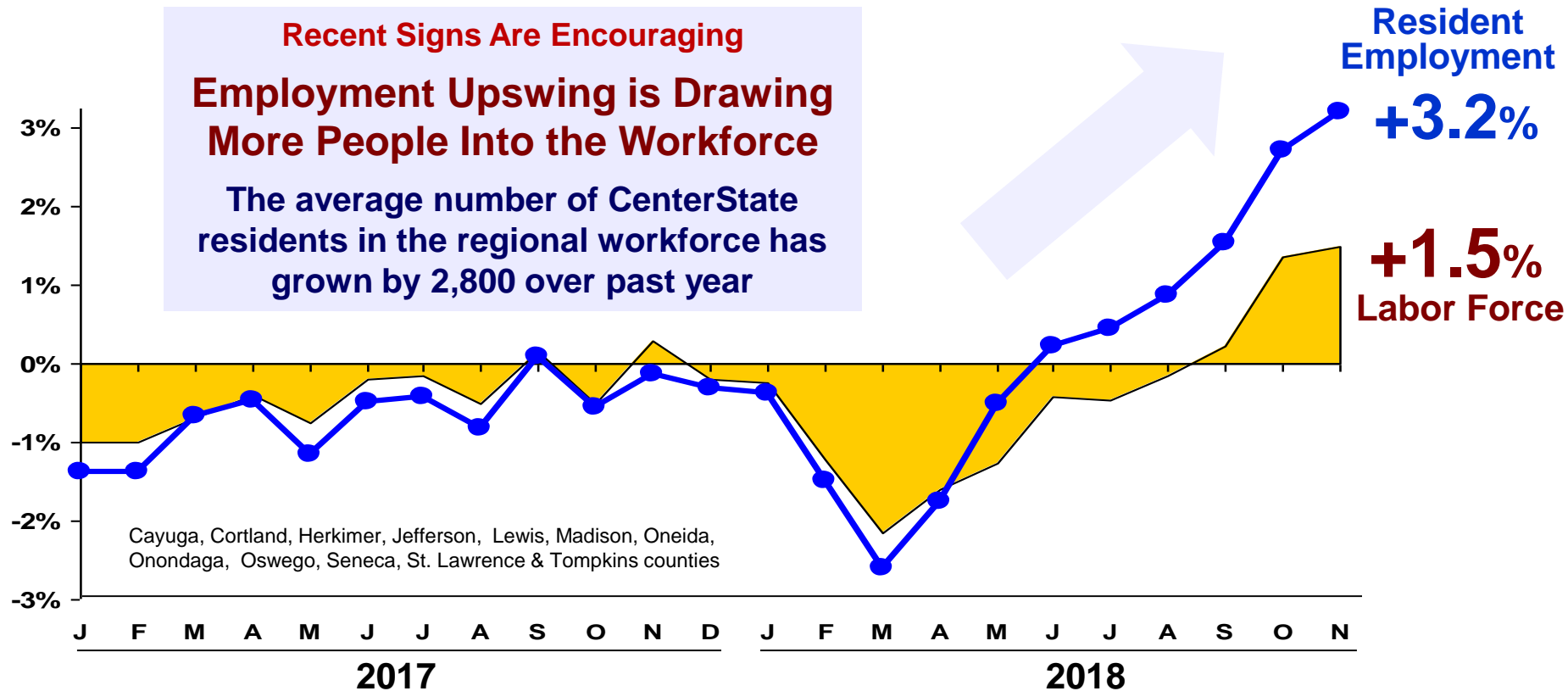
CenterState NY Labor Force



CenterState NY Resident Employment & Labor Force

Recent Signs Are Encouraging
Employment Upswing is Drawing
More People Into the Workforce

The average number of CenterState residents in the regional workforce has grown by 2,800 over past year

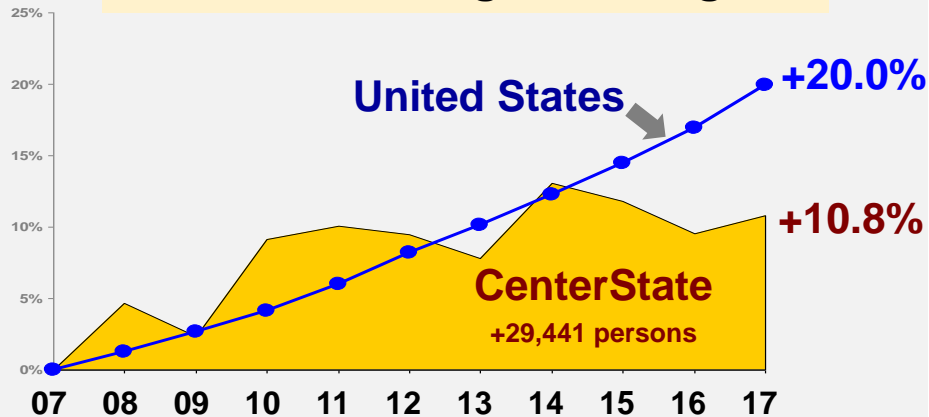


CenterState Population by Educational Attainment

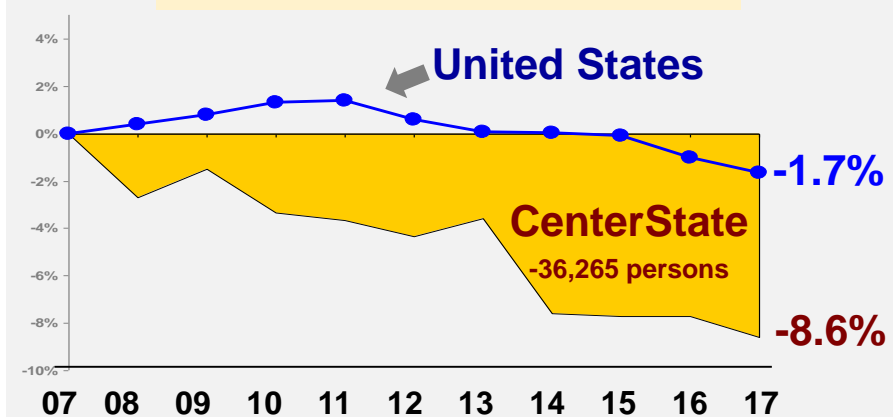
The Workforce is Undergoing a Significant Transformation

The number of prime working age residents in the CenterState region with an Associate's degree or higher is up **10.8%** since 2007, or roughly half the U.S. average—versus a **8.6%** decline among individuals with less educational attainment

Associate's Degree or Higher



Without College Degree





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