



U.S. & CenterState NY Economic Outlook

Gary D. Keith – Regional Economist

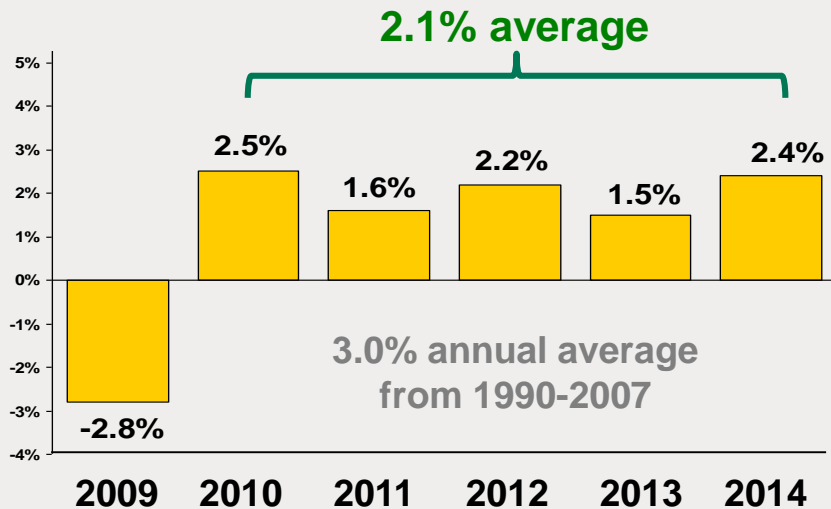
January 13, 2016

U.S. Real Gross Domestic Product Growth

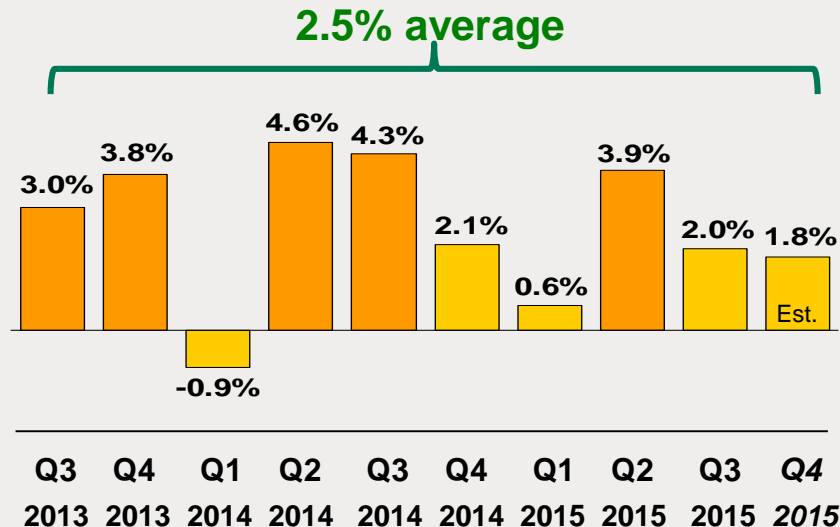
Growth Has Ramped Up Slightly—But Remains Highly Volatile

Real GDP has expanded at a 3.0% or higher rate in 5 of the past 10 quarters but has averaged just 2.5% for the entire period—only slightly above the 2.1% pace from 2010-14

Past Five Years



Past Ten Quarters

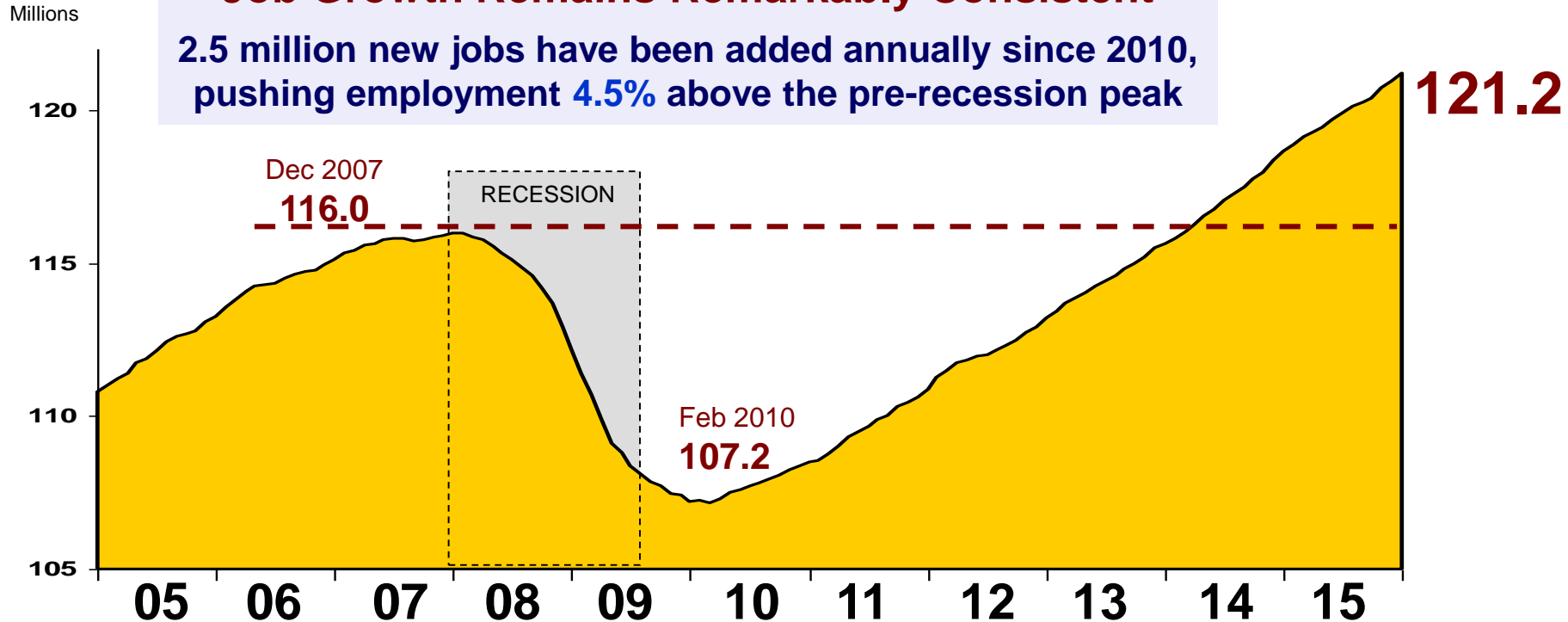


U.S. Private Sector Employment

On the Other Hand:

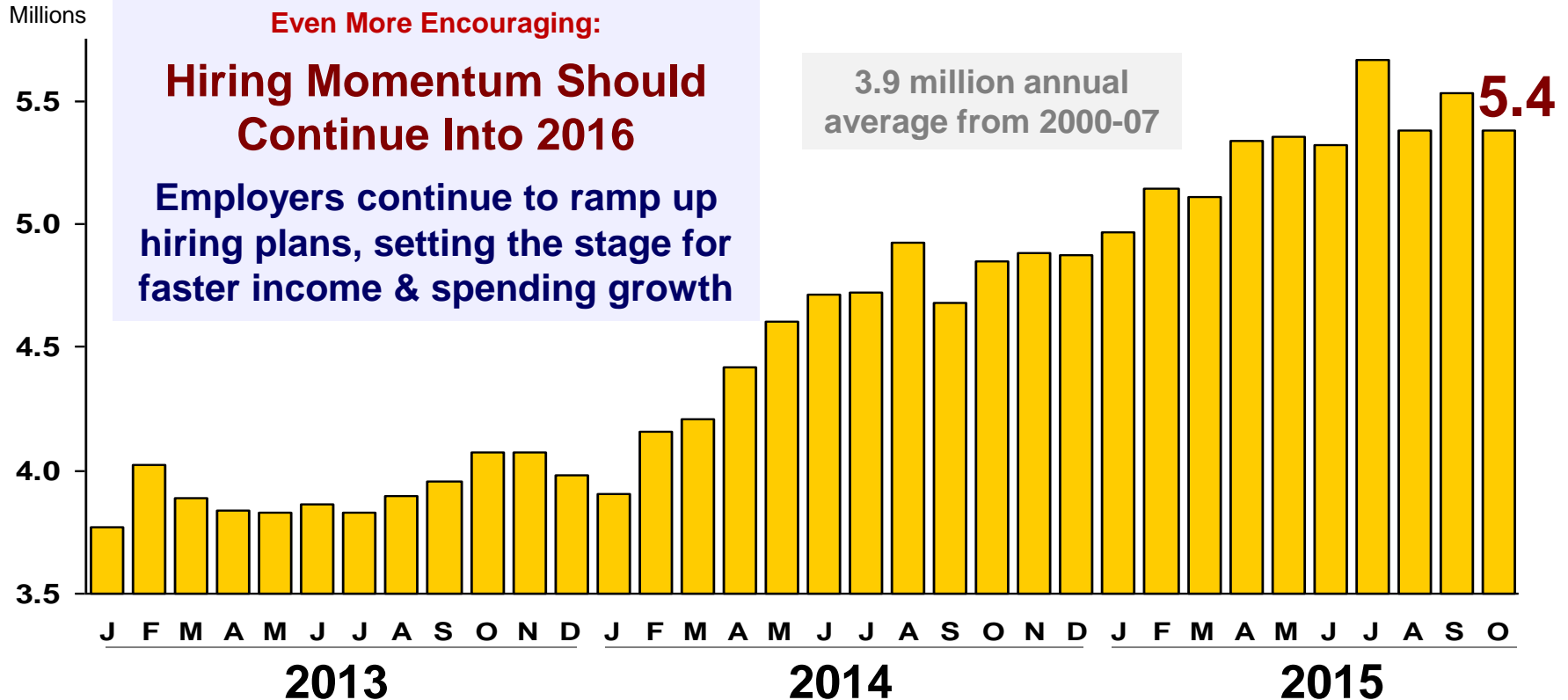
Job Growth Remains Remarkably Consistent

2.5 million new jobs have been added annually since 2010, pushing employment 4.5% above the pre-recession peak



Seasonally Adjusted Annual Rate

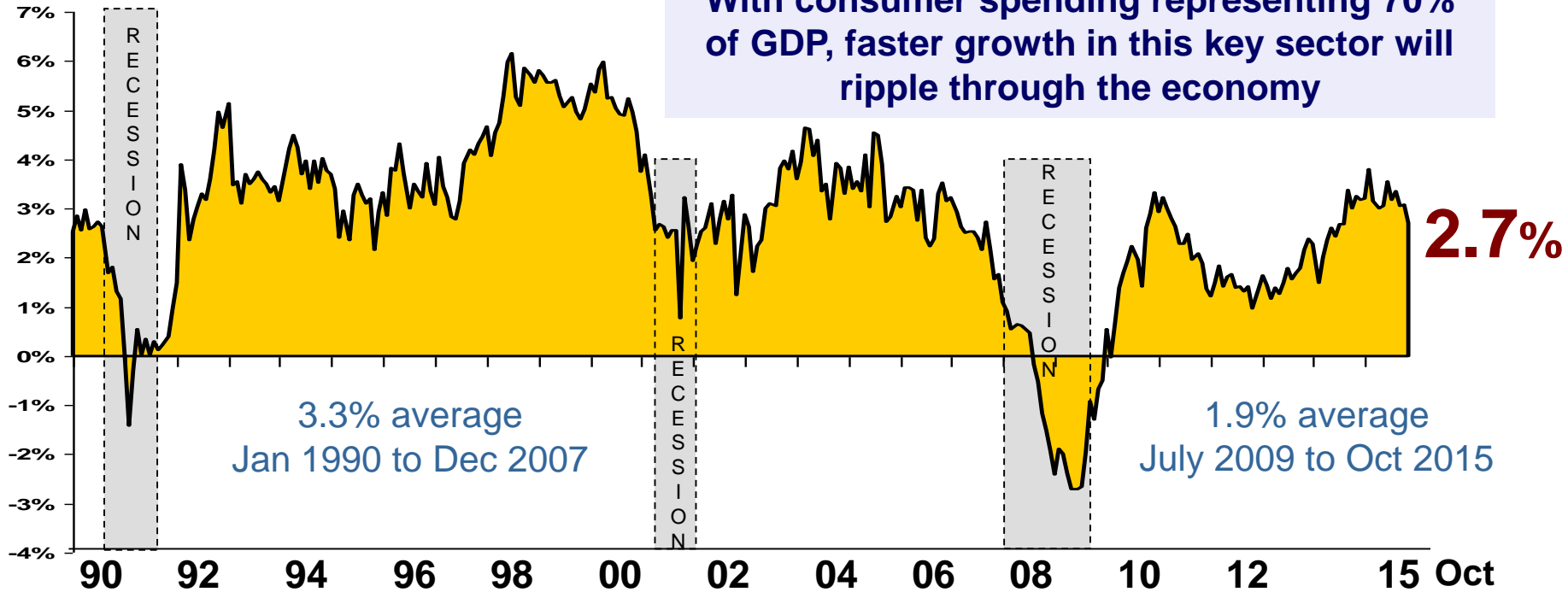
Number of U.S. Nonfarm Job Openings



U.S. Personal Consumption Spending Growth

Net Result—Spending Picks Up Steam

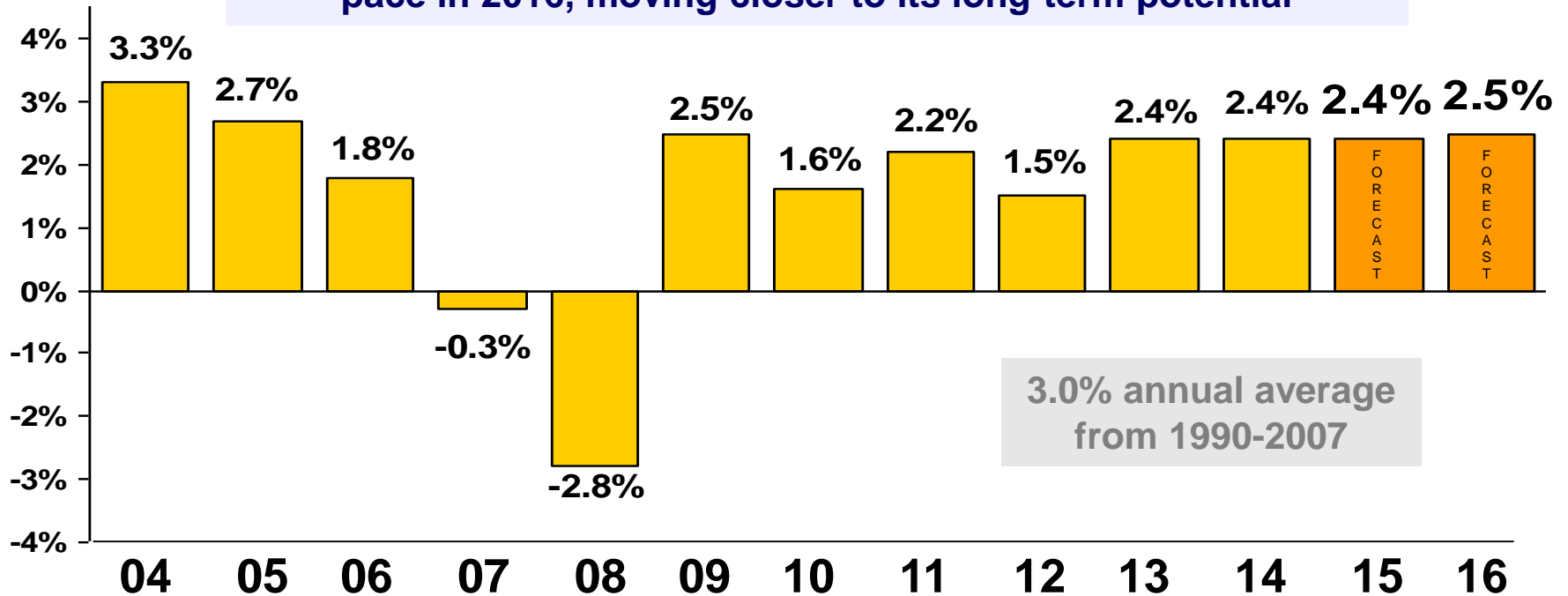
With consumer spending representing 70% of GDP, faster growth in this key sector will ripple through the economy



U.S. Real Gross Domestic Product Growth

2016 Growth Should Continue to Modestly Improve

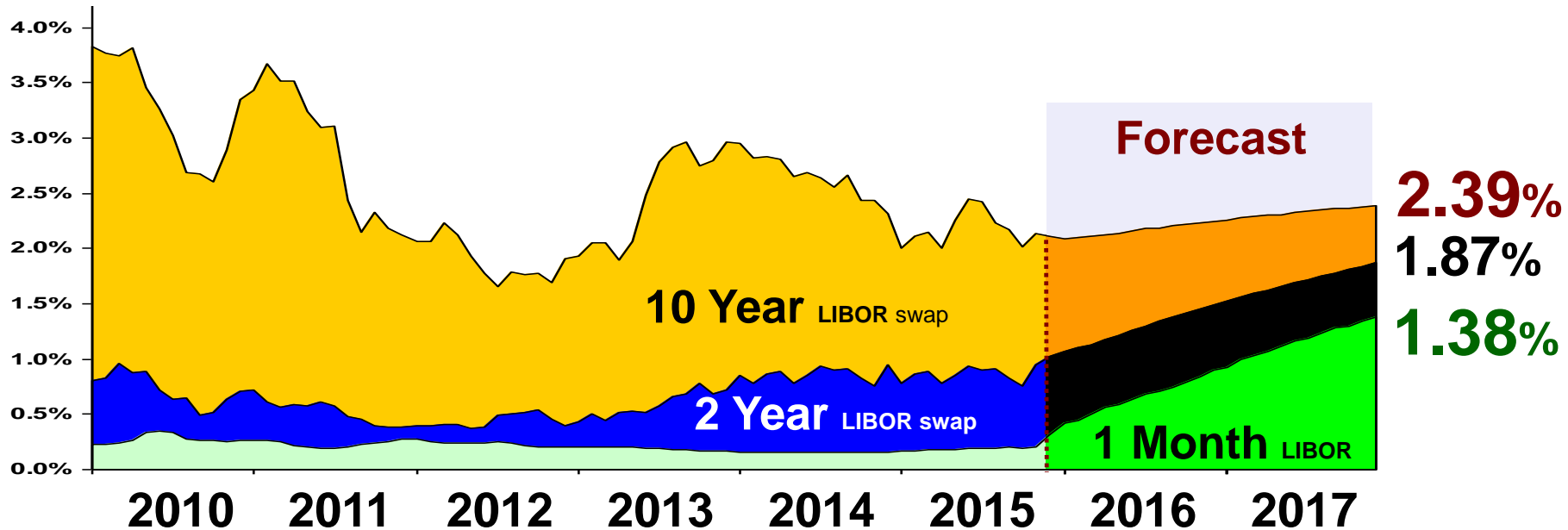
The economy is expected to expand at a solid if unspectacular pace in 2016, moving closer to its long-term potential



Interest Rate Forecast

**Monetary Policy Will Slowly Tighten Even
As Long-Term Rates Remain Relatively Flat**

**Short-term rates are expected to rise 100bp through year-end 2017 while weak
global growth will keep downward pressure on medium- and long term rates**

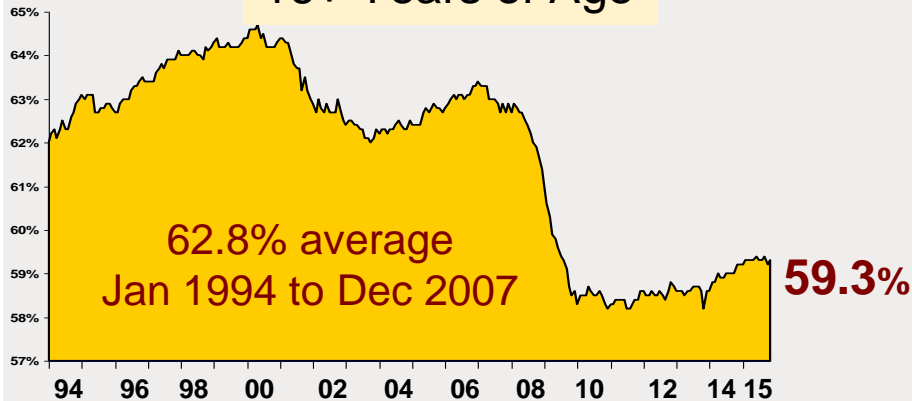


So, the Economy's Getting Back to "Normal" ...Right?



U.S. Employment-to-Population Ratio

16+ Years of Age



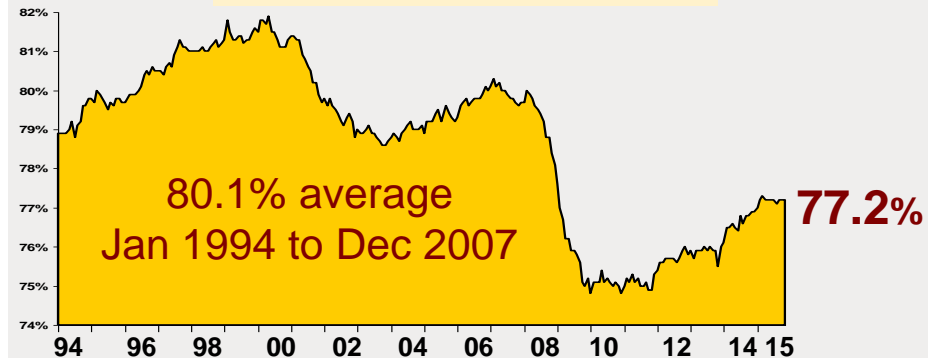
**Not By a Long Shot:
Labor Market Participation
Is Still Way Too Low...**

While demographics account for half of the decline, **8.5 million** more workers would be employed if the ratio were equal to 1990-2007 norms

**...Even Among Prime
Working Age Individuals**

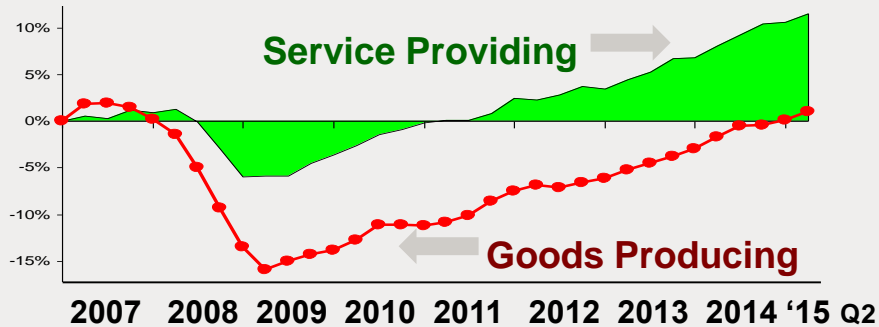
If the ratio were equal to the 1994 to 2007 average, **3.6 million** more workers would be employed

25 to 54 Years of Age



The Economy Looks Very Different Depending on Where You Stand

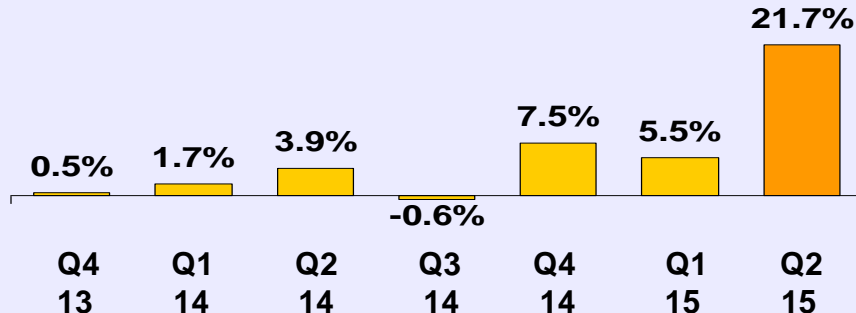
Relative Change in Output Since 2007



- The recovery has proceeded at sharply different rates for different sectors—with “goods producers” (30% of the economy) lagging “service providers”
- Even among goods producers, growth rates are diverging—with construction on the upswing and manufacturing and mining trending downward

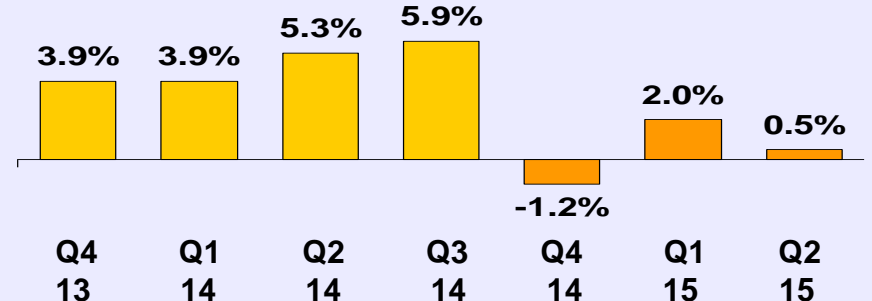
Construction

Growth in Real Output From Previous Quarter at Annualized Rate



Manufacturing & Mining

Growth in Real Output From Previous Quarter at Annualized Rate



“IMF Cuts Global Growth Forecasts”



Martin Barraud | OJO Images | Getty Images

“There is a shift between emerging countries and developed countries. The first ones, who were driving a global recovery not so long ago, are slowing down.”

“The International Monetary Fund cut its global growth forecasts for a second time this year...saying the world economy would grow at **3.1** percent – **0.2** percentage points below the July prediction.”

The U.S. is expected to grow **2.6** percent – up from the **2.5** percent forecast in July.”

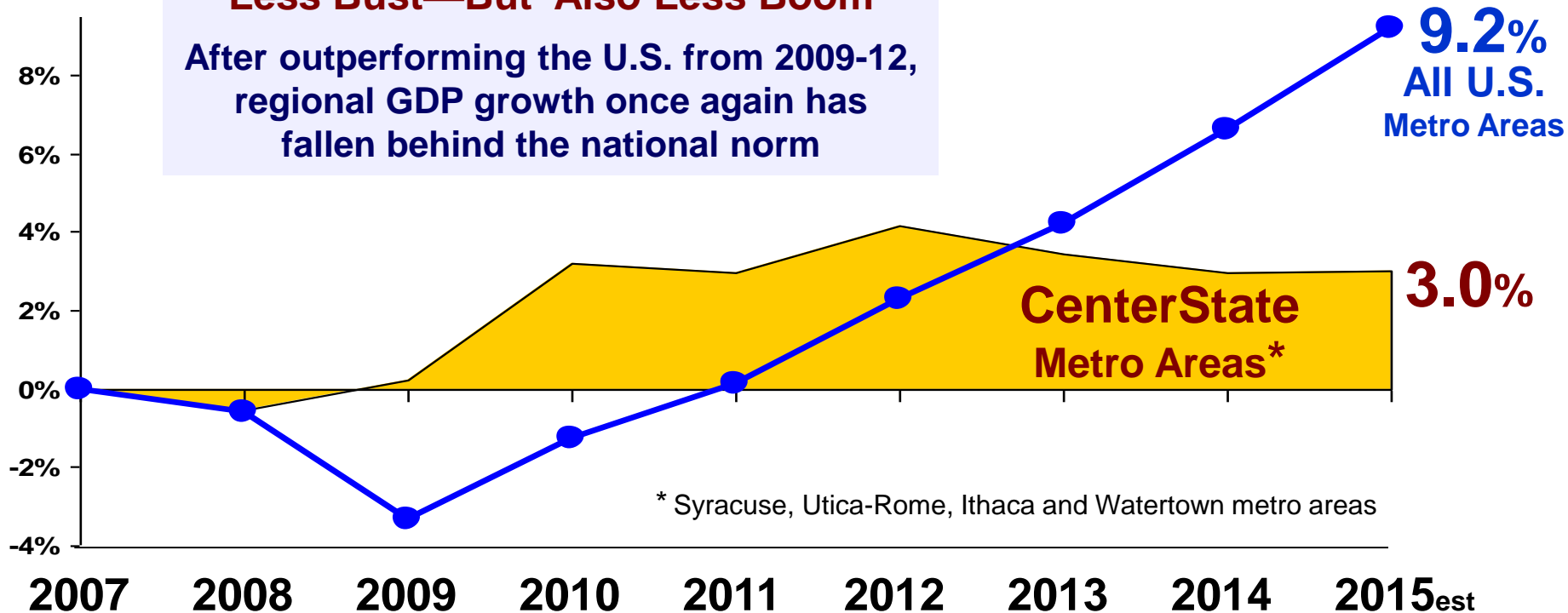
How's the CenterState NY region performing?



CenterState NY Real GDP Growth

Less Bust—But Also Less Boom

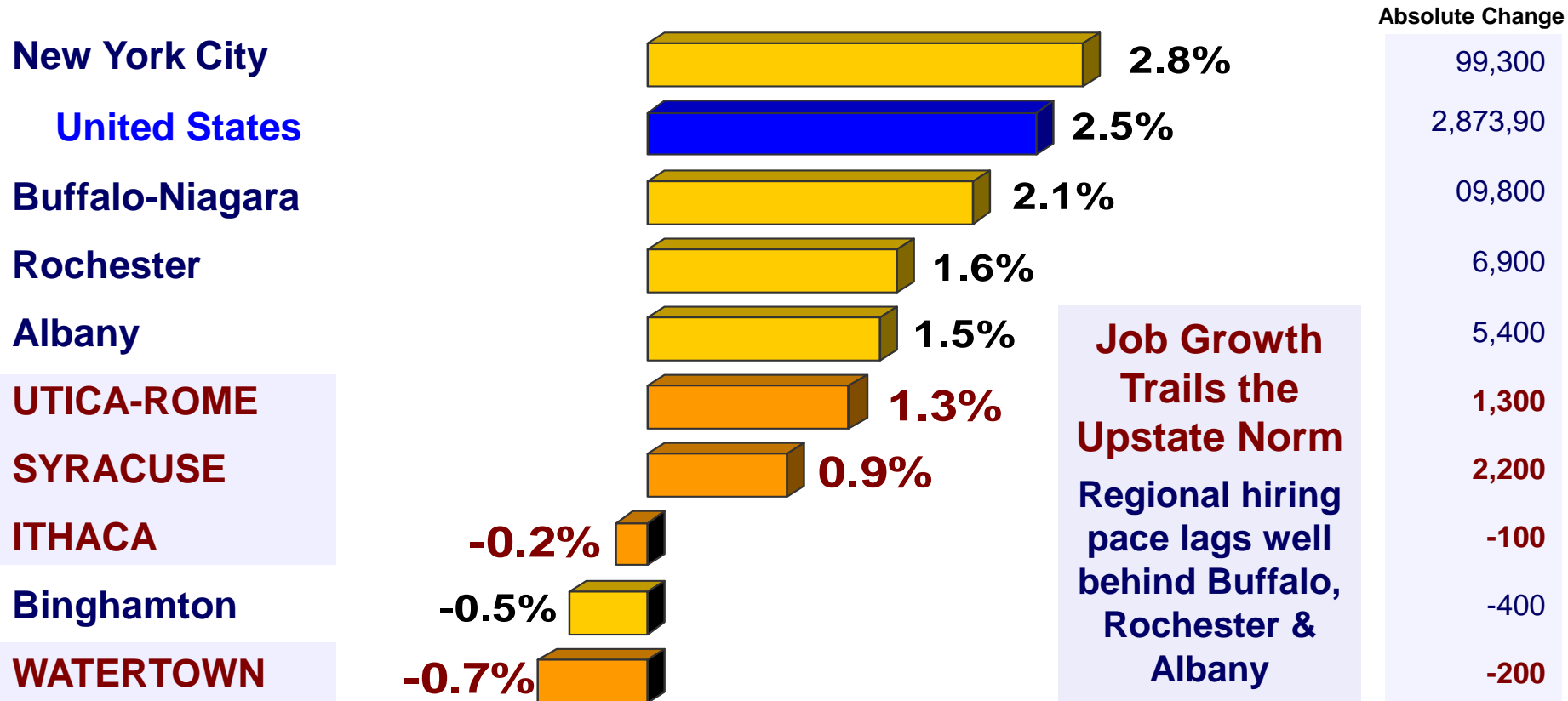
After outperforming the U.S. from 2009-12, regional GDP growth once again has fallen behind the national norm



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

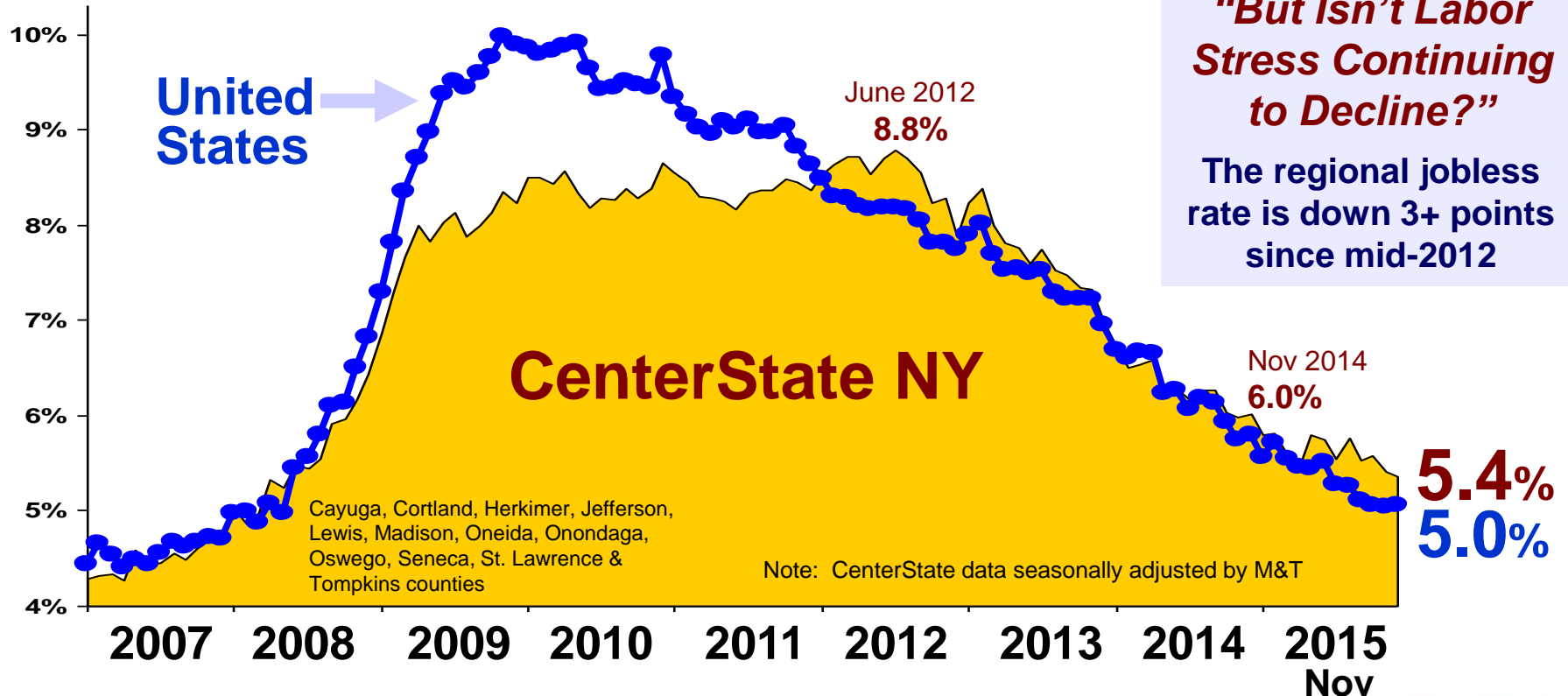
Year-Over-Year Percentage Change

Private Sector Job Growth – 2015*



Seasonally Adjusted

CenterState NY Unemployment Rate

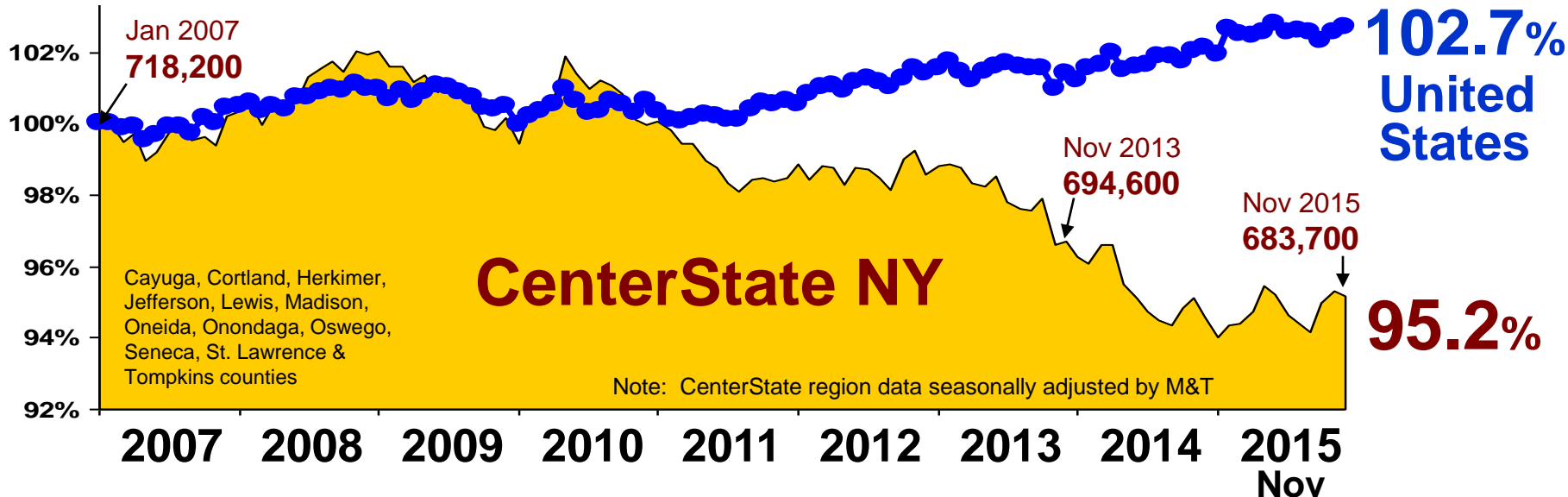


Relative Change Since January 2007

CenterState NY Labor Force

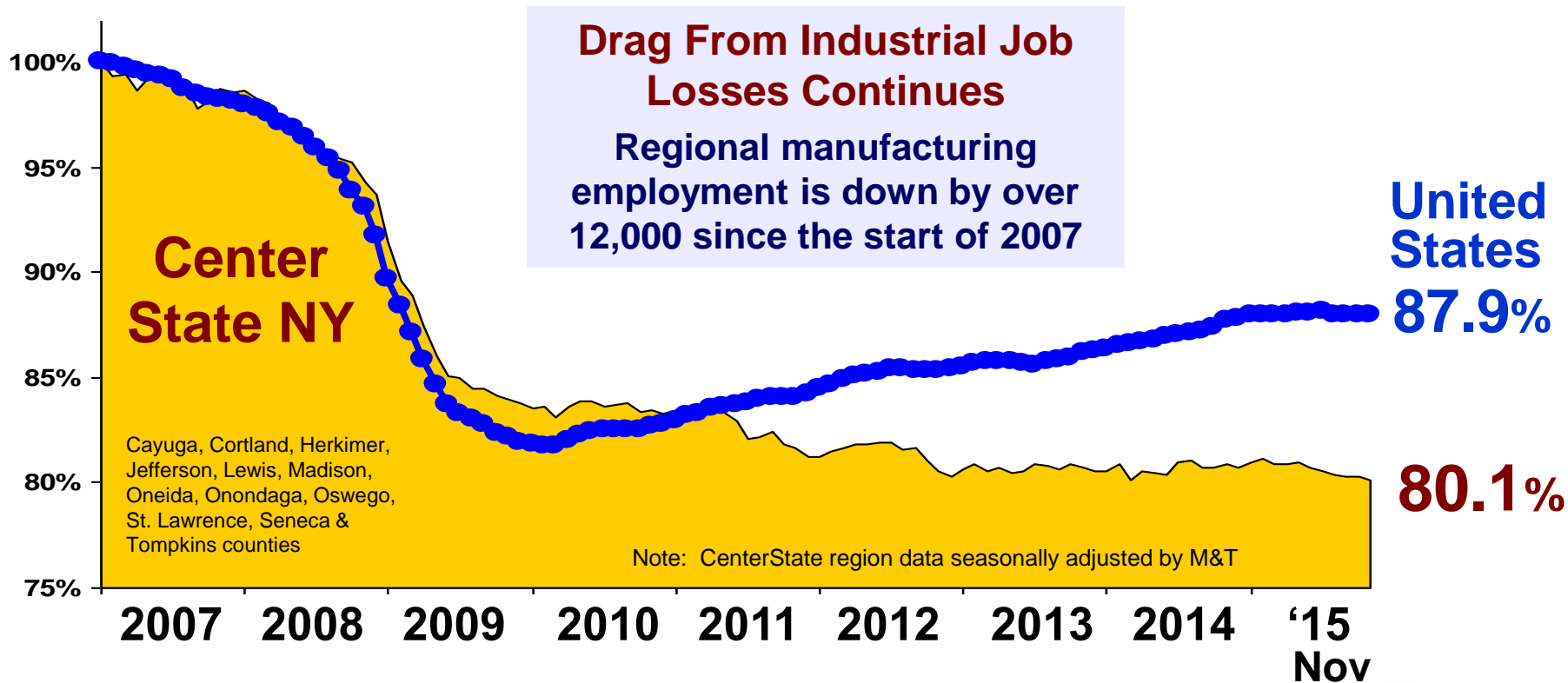
Shrinking Labor Pool Raises Questions About Future Growth Potential

The regional workforce has contracted by nearly 11,000 over the past 24 months (and by nearly 35,000 since January 2007), **distorting the decline in jobless rate**



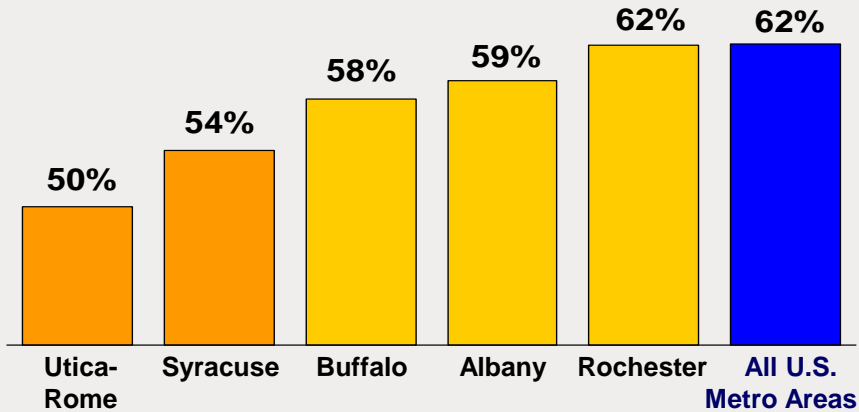
Relative Change Since January 2007

CenterState NY Manufacturing Employment



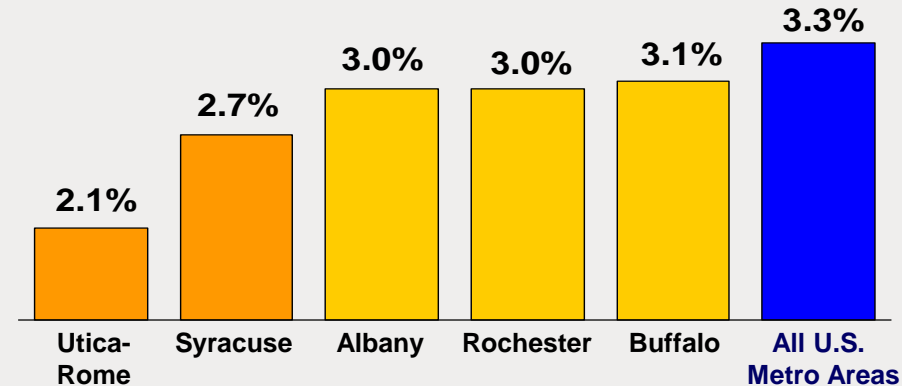
“Cracking the Code” For Economic Growth

“Economy 2.0” Industry Share of GDP - 2014



Diversification and Investment in “New Economy” Sectors is Critical to Future Growth

Average Annual Growth in Per Capita Personal Income 2010-14



Personal Income Growth Follows a Similar Pattern

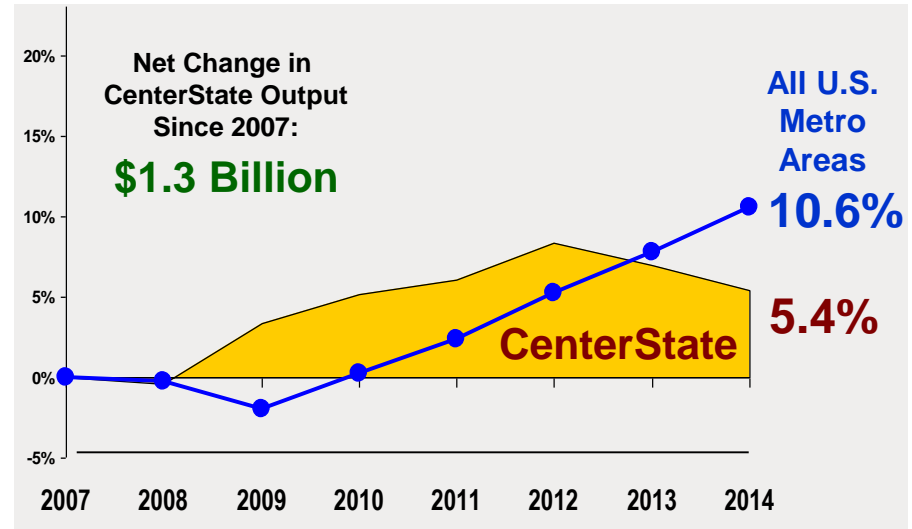
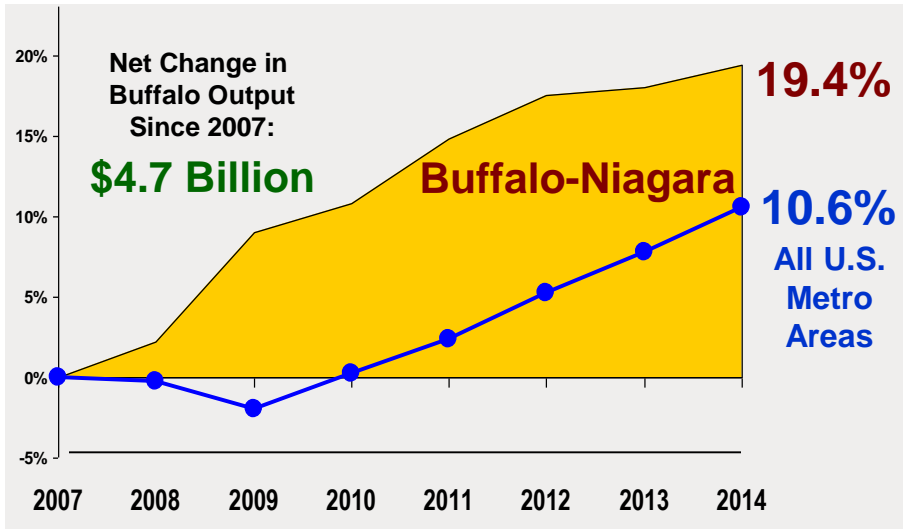
Economy 2.0 = “Eds & Meds,” Advanced Manufacturing, Information, Business Services, Finance, Insurance, Real Estate, Construction, Retail, Leisure & Hospitality

Relative Change Since 2007

Real GDP From “Economy 2.0” Industries

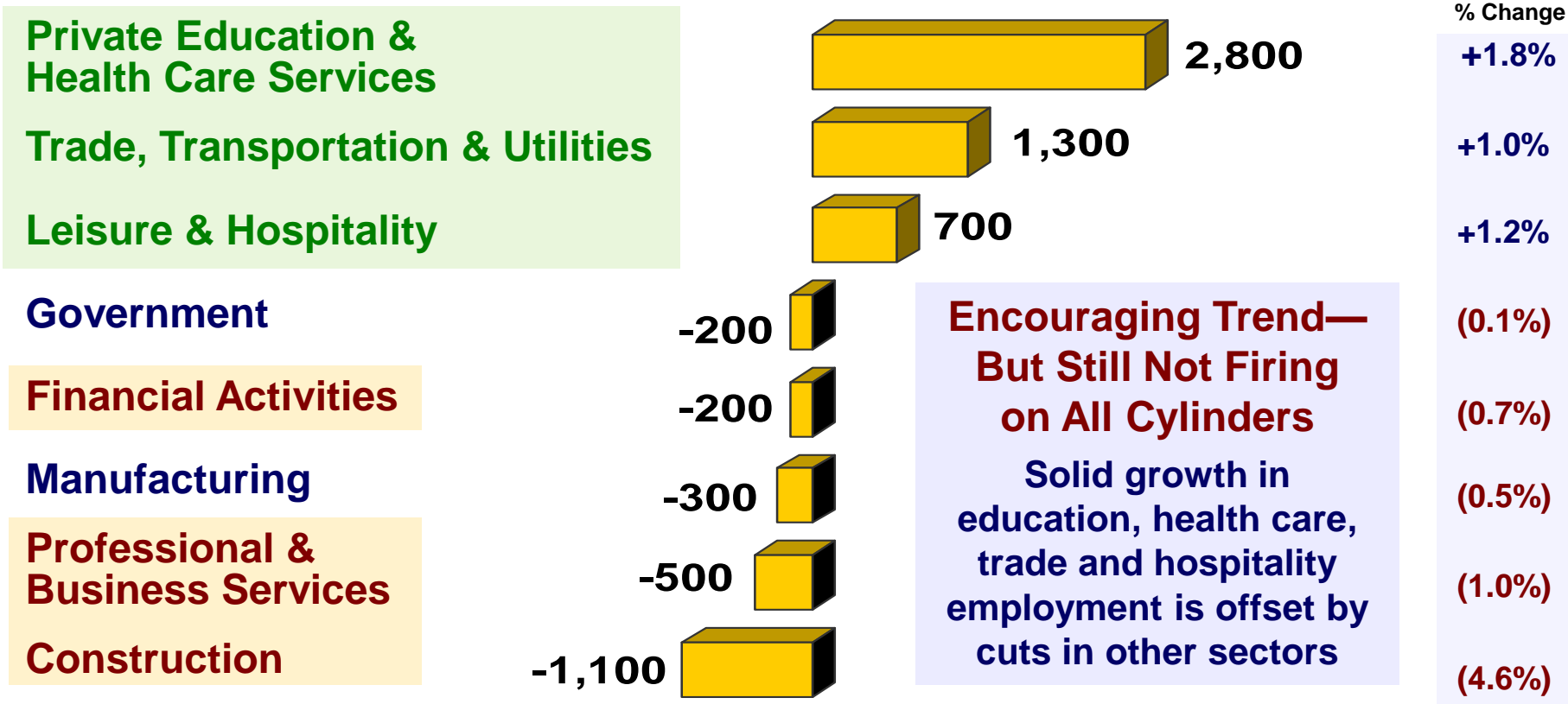
Economic Restructuring—A Tale of Two Regions

“Economy 2.0” sectors now make up **58%** of Buffalo area output (up from **52%** in 2007) versus **52%** for CenterState metros (up from **51%** 2007)



Economy 2.0 = “Eds & Meds,” Advanced Manufacturing, Information, Business Services, Finance, Insurance, Real Estate, Construction, Retail, Leisure & Hospitality

CenterState Job Gain/Loss—Second Half of 2015*



“The state, through the SUNY Polytechnic Institute, will build an 82,500-square-foot facility in DeWitt. Construction has started and is expected to be completed in the second half of 2016.”

Syracuse Post Standard October 29, 2015



Total investment: \$1.3 billion

Total expected jobs: 420

“Hooray! seems quite inadequate. So does woo-hoo! Or yippee! Traditional cheers are pretty lame when it comes to the announcement that two companies will invest billions of dollars and bring roughly 1,500 additional jobs to Nano Utica.”

Utica Observer-Dispatch August 20, 2015



Total investment: \$3.5 billion+

Total expected jobs: 2,500+

Upstate Revitalization Initiative



New York Gov. Andrew Cuomo poses with representatives of the Central New York Regional Economic Development Council during an awards ceremony on Thursday, Dec. 10, 2015, in Albany, N.Y. The Finger Lakes, the Southern Tier and central New York have each won \$500 million in state funds as part of Gov. Cuomo's upstate economic development competition. (AP Photo/Mike Groll) (Mike Groll)

Syracuse Post Standard
December 10, 2015

“The Central New York region will receive \$500 million over five years — doled out in roughly equal installments of \$100 million a year — to help fund development projects and programs designed to generate long-term job growth.”



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