



Economic Conditions and Outlook

Directors College - Monroeville

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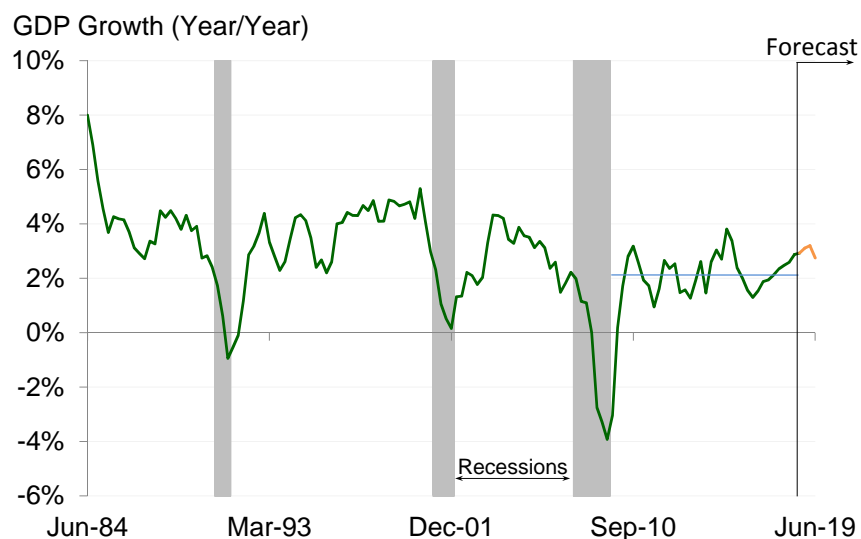
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Discussion Points

- **National Trends:**
 - Strong economic growth
 - Tight labor market
 - Inflation at target
 - Asset market imbalances
- Local conditions are steady.
- There are pockets of concern in CRE.
- Going forward: slowing, with both upside and downside risk.

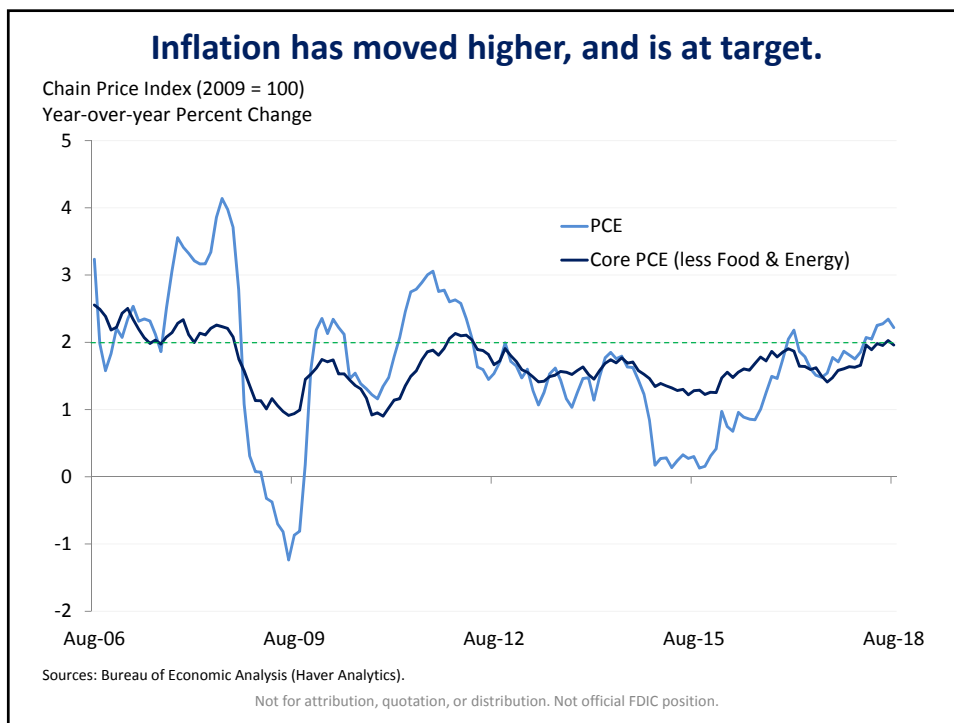
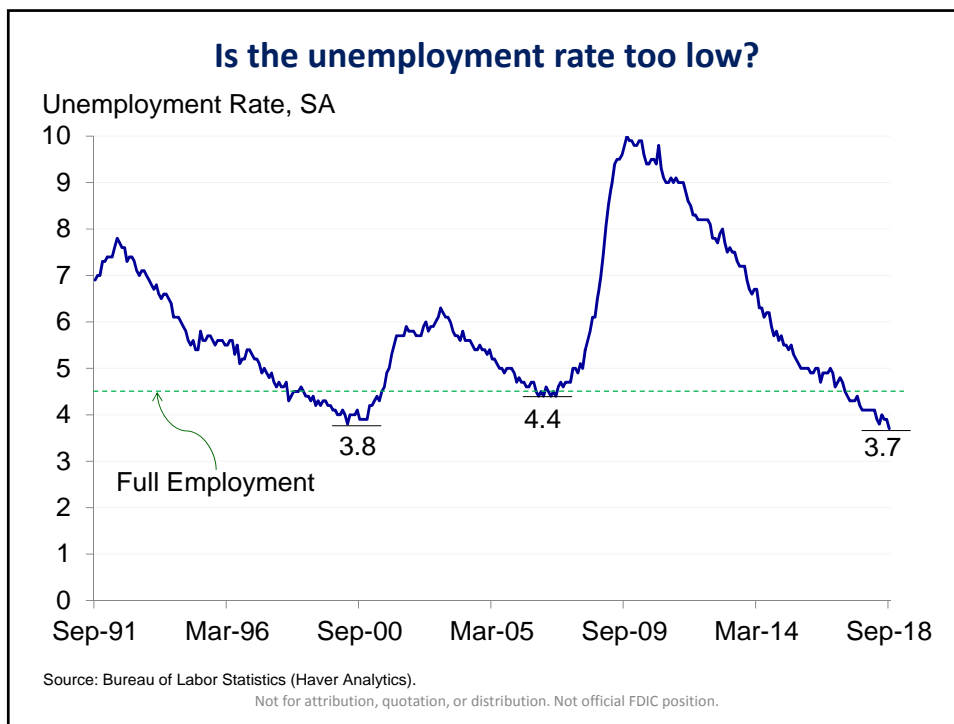
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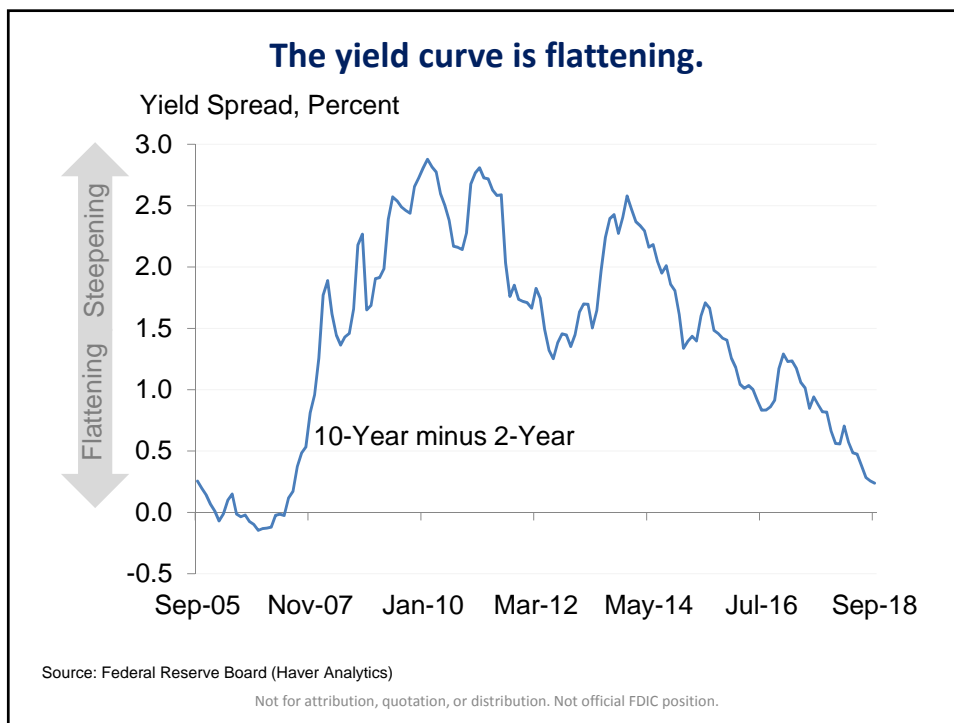
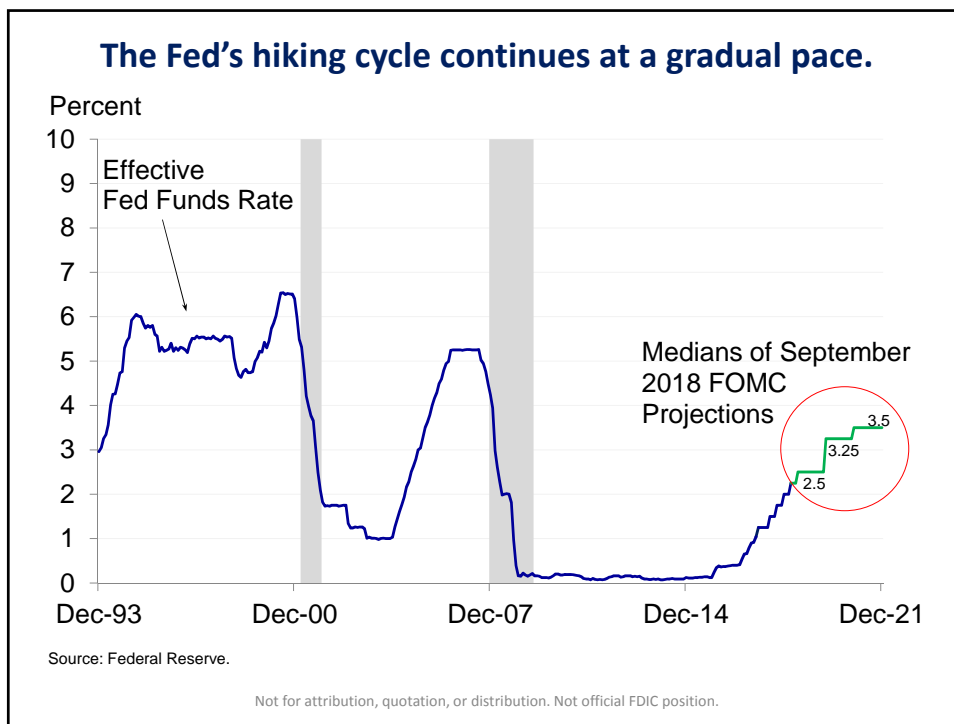
Fiscal stimulus contributes to near-term growth.



Source: BEA, NBER (Haver Analytics). Forecast from Macroeconomic Advisers, August 2018.

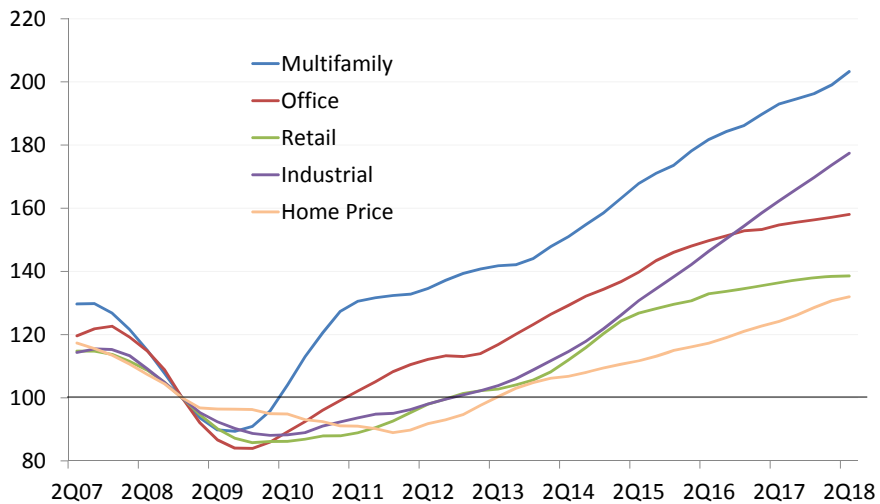
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Commercial and residential real estate values are also high.

Price Indices, 4Q08 = 100

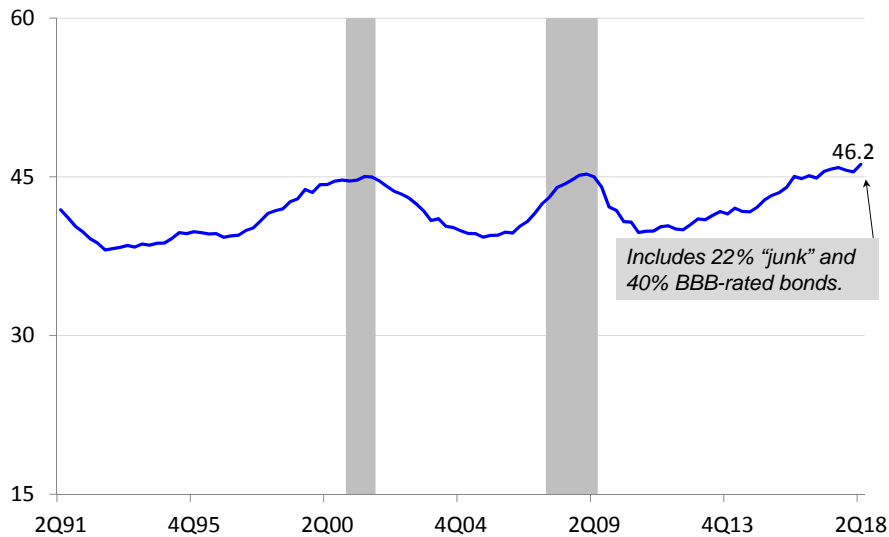


Sources: CoStar, CoreLogic (Moody's Analytics).

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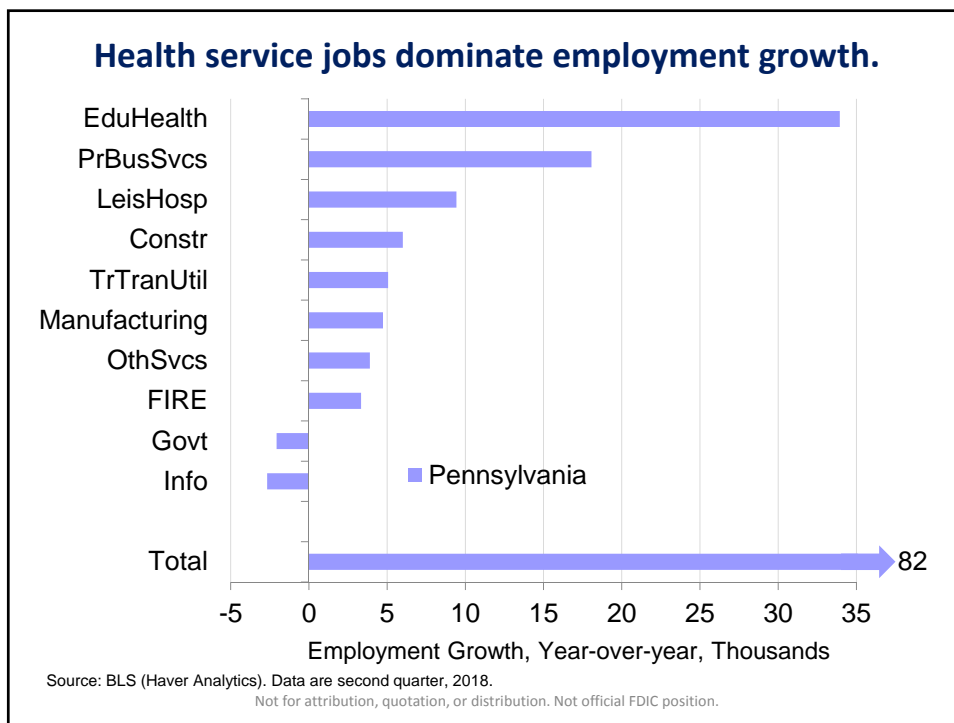
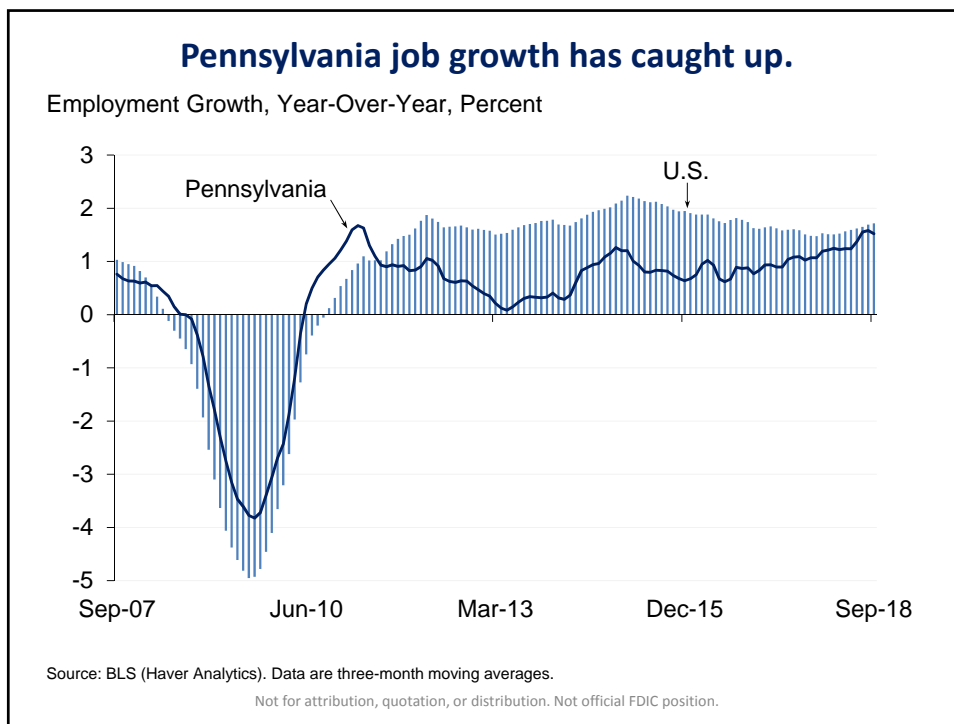
Corporate debt is at an all-time high.

Nonfinancial Corporate Debt as a Share of GDP



Sources: Federal Reserve, Bureau of Economic Analysis, National Bureau of Economic Research (Haver Analytics).

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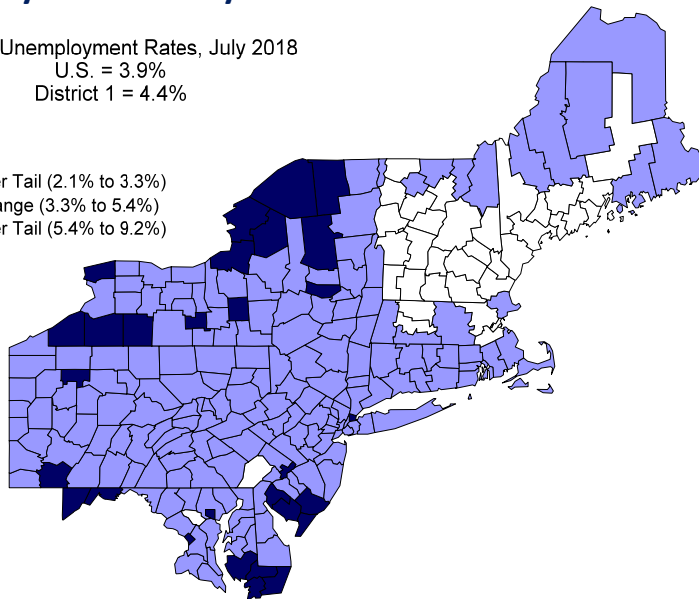
PA unemployment is fairly consistent within the Northeast.

County Unemployment Rates, July 2018

U.S. = 3.9%

District 1 = 4.4%

- Lower Tail (2.1% to 3.3%)
- Midrange (3.3% to 5.4%)
- Upper Tail (5.4% to 9.2%)



Source: BLS. Data are three-month moving averages.

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Higher unemployment rates tend to be in rural counties

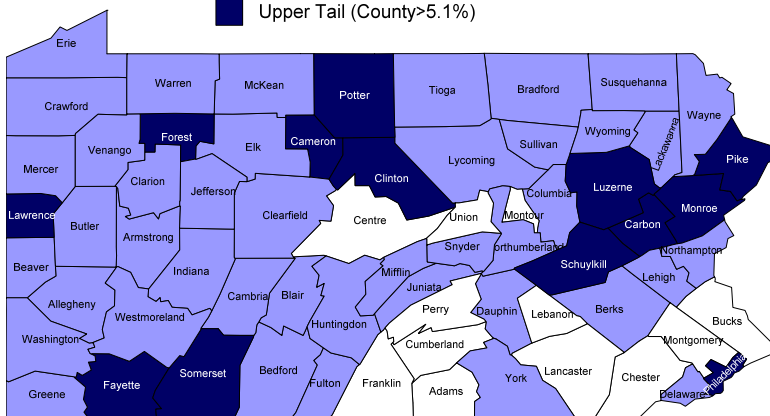
PA County Unemployment Rates

August, 2018 (3MMA)

U.S. = 3.9%

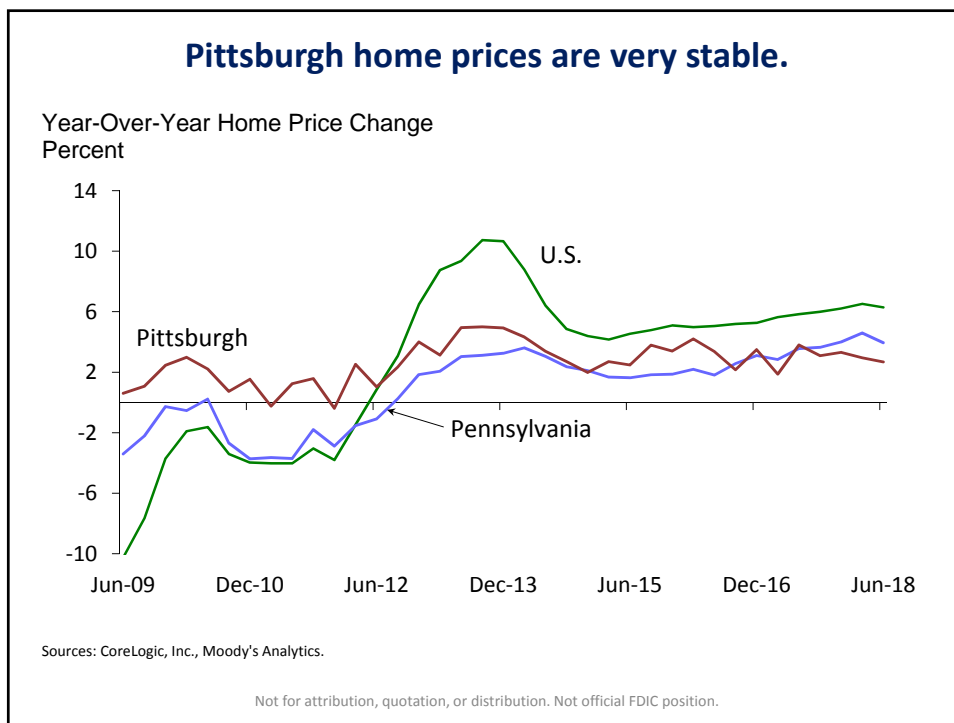
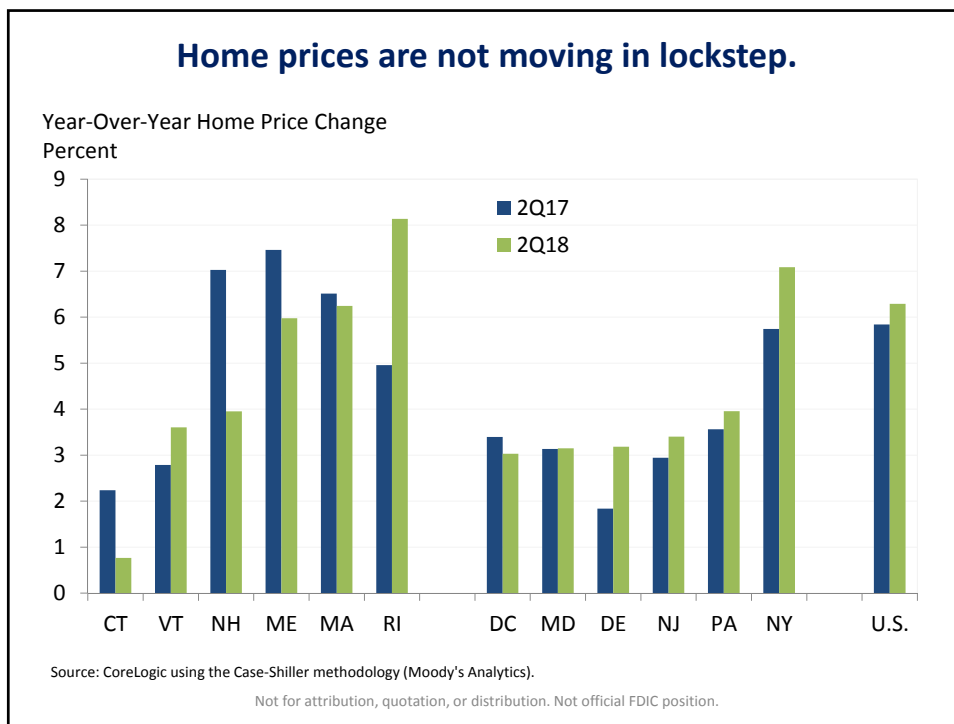
PA = 4.4%

- Low Tail (County < 3.7%)
- Midrange (3.7% < County < 5.1%)
- Upper Tail (County > 5.1%)



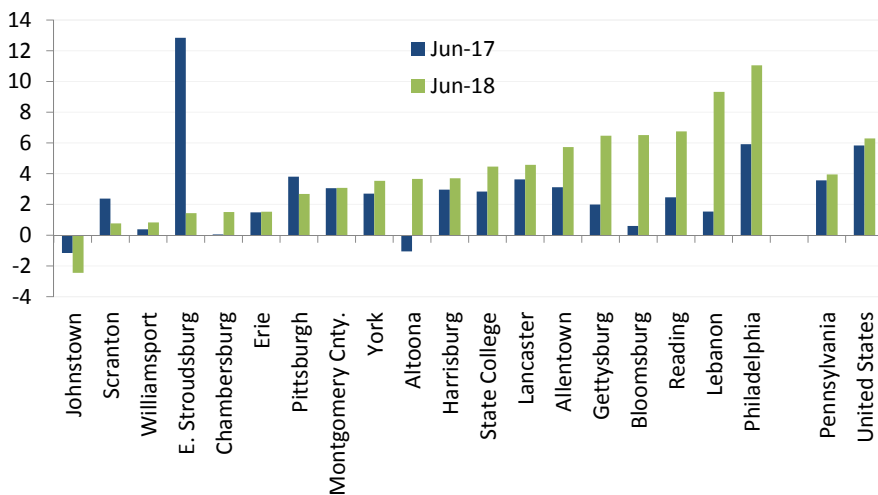
Source: BLS. Data are three-month moving averages.

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Metro level home prices are mostly rising.

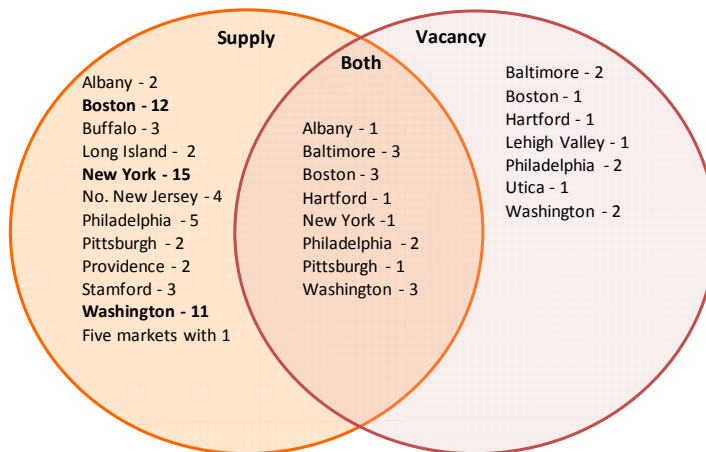
Year-Over-Year Home Price Change
Percent



Source: CoreLogic using the Case-Shiller methodology (Moody's Analytics).

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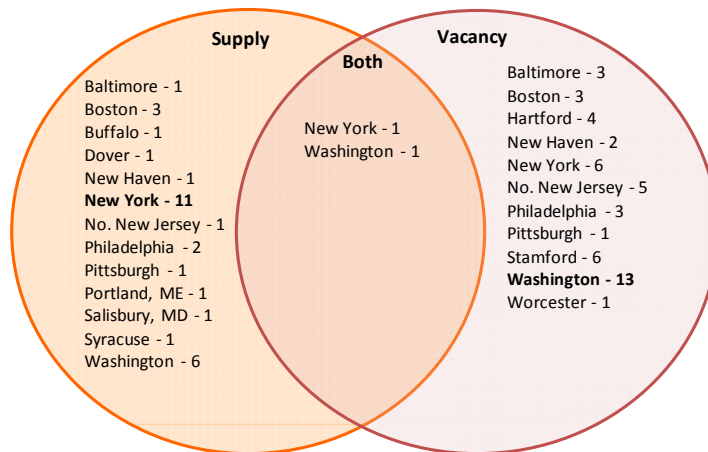
Multifamily construction is raising some flags.



Source: FDIC, using 2Q18 CoStar data.

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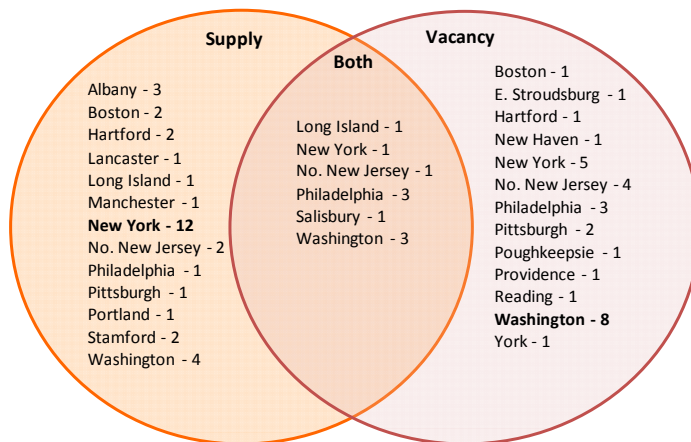
New York and Washington office markets have different concerns.



Source: FDIC, using 2Q18 CoStar data.

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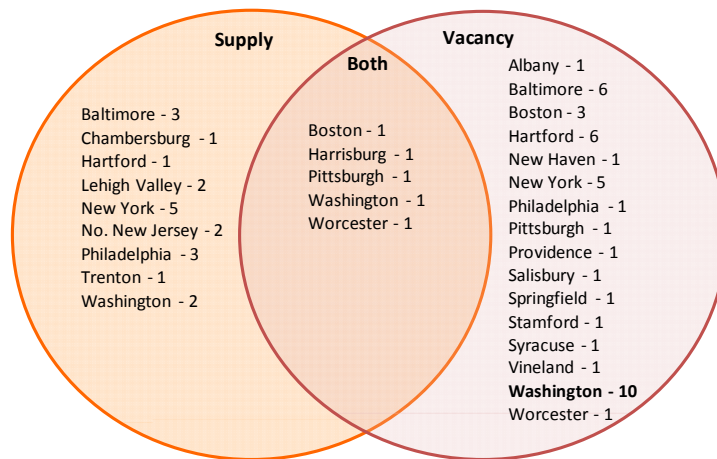
Retail concerns are fairly widespread, but not too deep.



Source: FDIC, using 2Q18 CoStar data.

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Industrial concerns also touch a lot of submarkets.

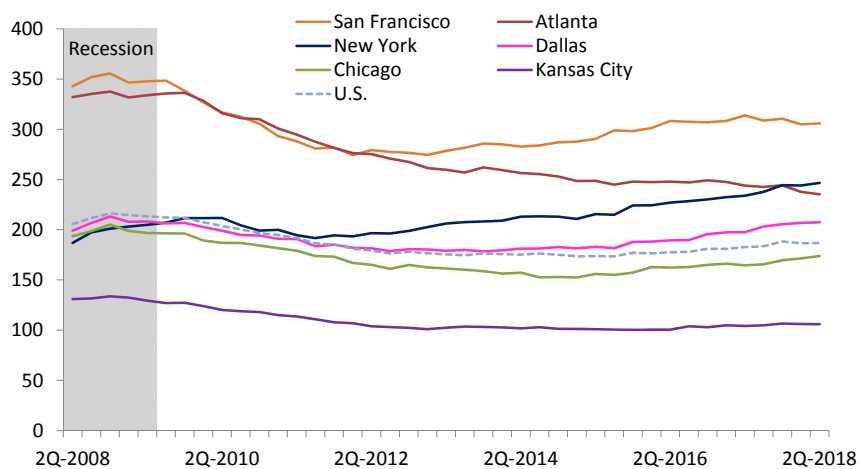


Source: FDIC, using 2Q18 CoStar data.

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New York Region CRE concentrations are increasing.

Commercial Real Estate Loans to Total Capital (FDIC Region)
Median Percent

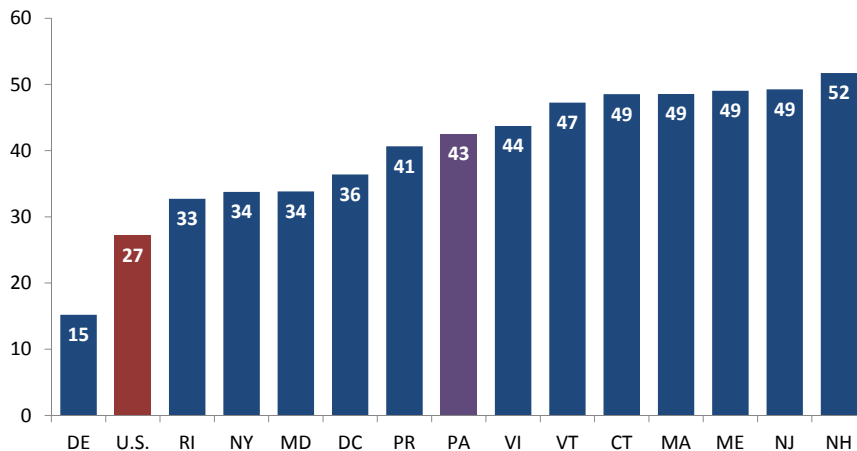


Source: FDIC.

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Long-term assets are relatively high in the Region's institutions.

Long-term Assets to Total Assets
Median Percent



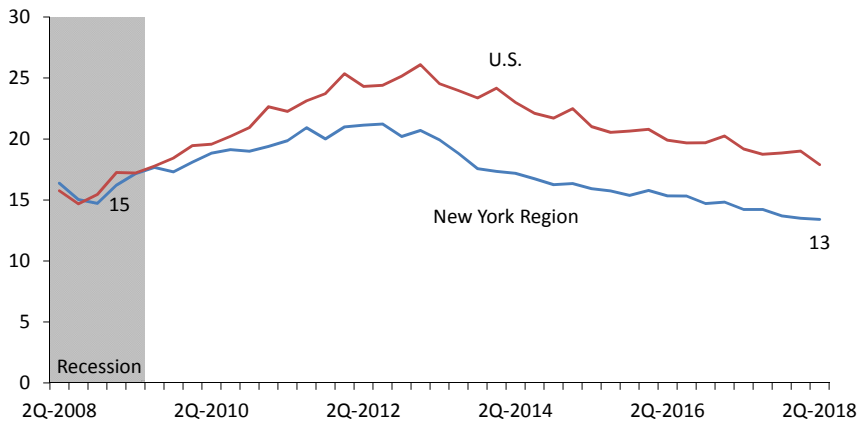
Source: FDIC.

Note: Long-term assets include those that mature or reprice in 5 or more years; data as of June 30, 2018.

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As loans have increased, liquidity has declined.

Liquid Assets to Total Assets
Median Percent



Source: FDIC.

Note: Includes cash, due from balances, securities at market value net of pledged securities, Fed Funds sold, and securities purchased under agreements to resell.

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Looking ahead

Upside Risks to the Economy:

- Fiscal stimulus persists
- Broader contribution from business investment
- Productivity increase

Downside Risks to the Economy:

- Spike in inflation, interest rates
- Trade relations
- Asset price declines, loss of confidence

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