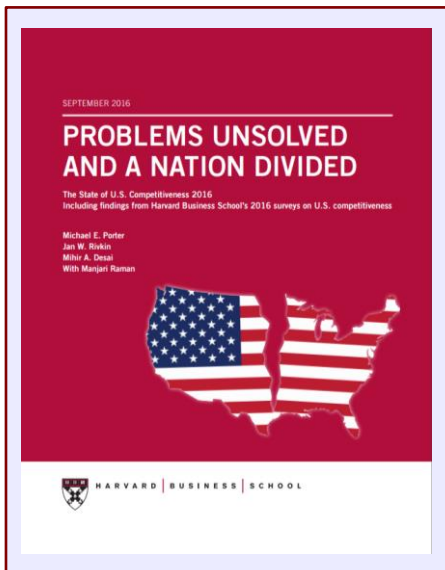


## 2017 U.S. and Rochester Area Economic Trends and Outlook

Gary D. Keith – Vice President, Regional Economist  
Commercial Planning & Analytics Department  
January 26, 2017

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### Political Dysfunction Drove Election Outcome



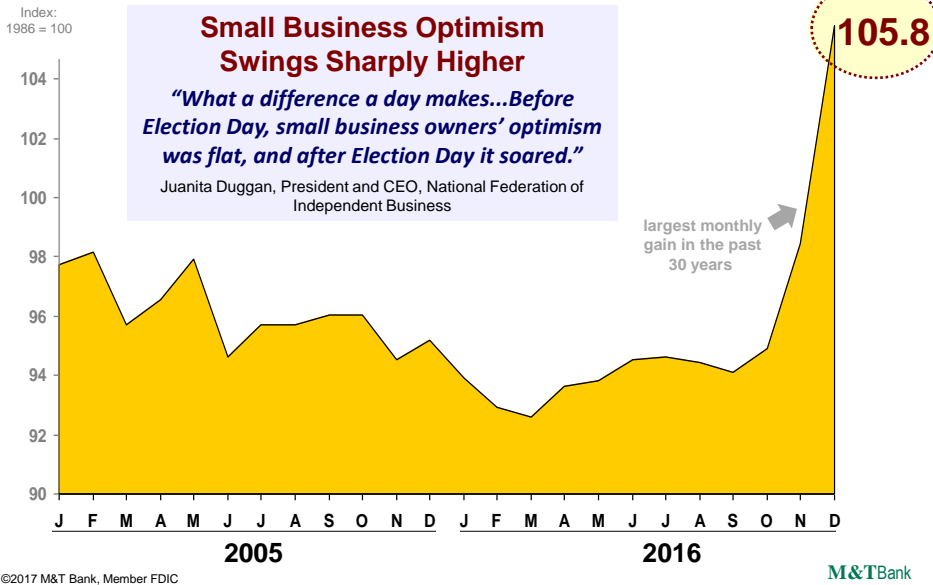
*“The political system is no longer delivering good results for the average American.*

*Numerous indicators point to failure to compromise and deliver practical solutions to the nation’s problems.*

*Political polarization has...made it harder to build consensus on sensible economic policies that address key U.S. weaknesses.*

***Overall, we believe that dysfunction in America’s political system is now the single most important challenge to U.S. economic progress.”***

National Federation of Independent Business  
**U.S. Small Business Optimism Index**



Seasonally Adjusted Annual Rate  
**Number of U.S. Nonfarm Job Openings**

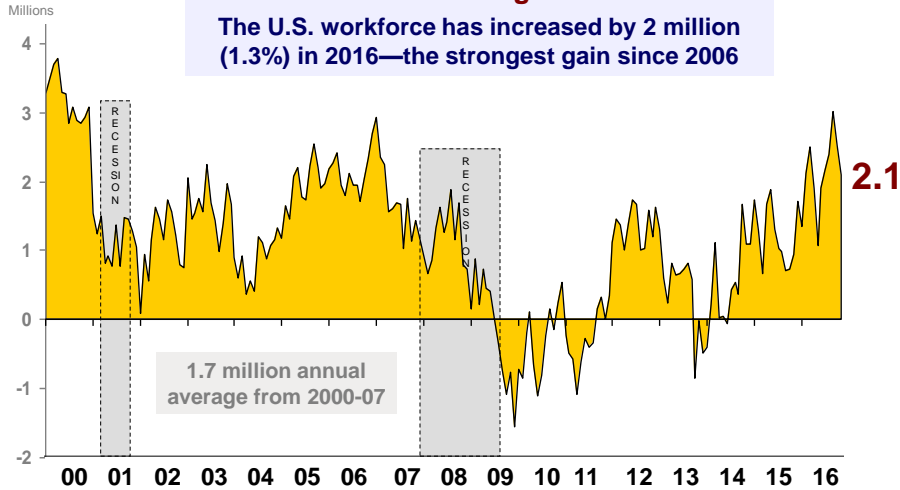


Seasonally Adjusted Year-Over-Year Absolute Change

## Number of Persons in the U.S. Labor Force

### Job Seekers Are Coming Off the Sidelines

The U.S. workforce has increased by 2 million (1.3%) in 2016—the strongest gain since 2006



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Source: U.S. Bureau of Labor Statistics

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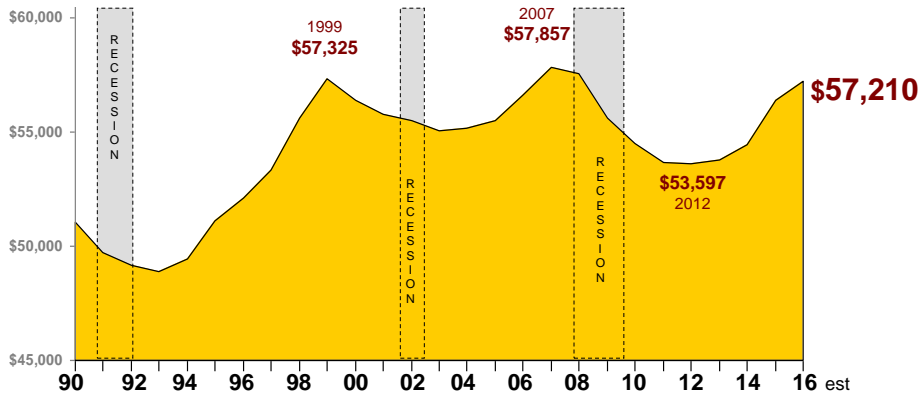
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Constant 2016 Dollars

## U.S. Real Median Household Income

### Job Creation is Spurring Income Growth

While still 1.1% below the pre-recession peak, household incomes are moving solidly higher—with the 2016 median up 6.7% since 2012



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Sources: U.S. Census Bureau, Bureau of Economic Analysis, Moody's Analytics

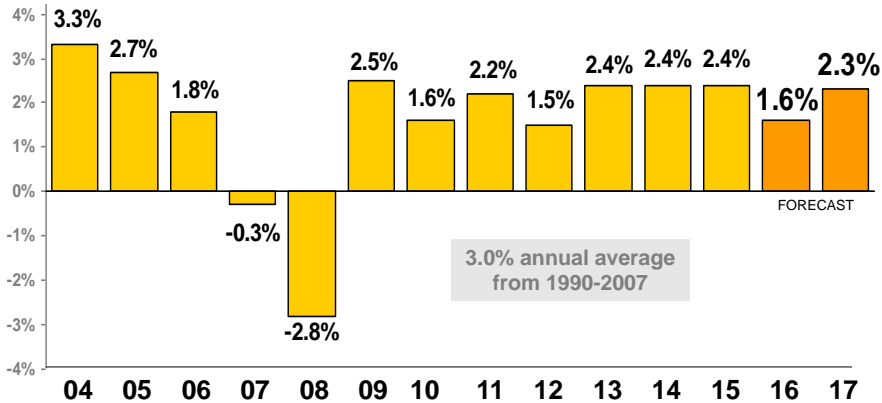
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## U.S. Real Gross Domestic Product Growth

### 2017 Growth Should Modestly Improve...With Plenty of Wildcards!

The economy is expected to grow at a solid if unspectacular pace in 2017, with a potential lift from expanded fiscal policy in the second half of the year



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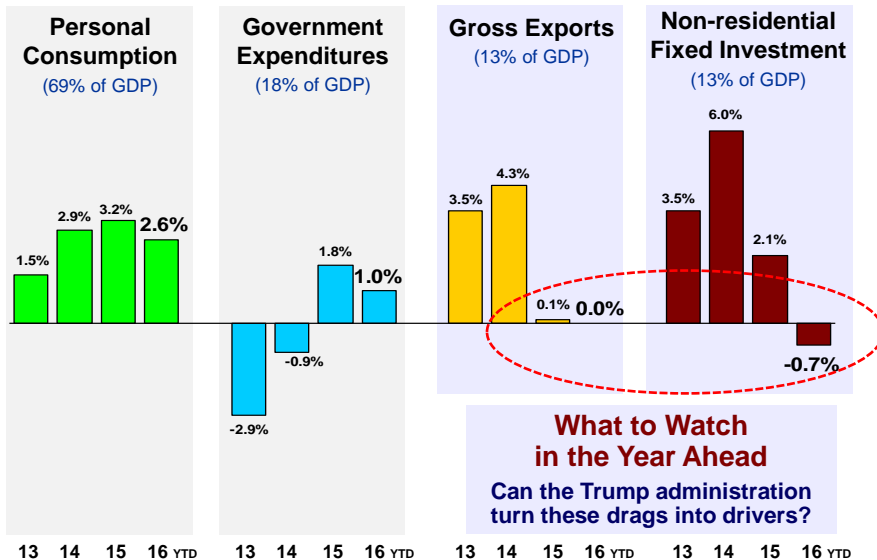
Sources: U.S. Bureau of Economic Analysis, Consensus Forecast

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### Year-Over-Year Percentage Change

## U.S. Real GDP Components



**What to Watch in the Year Ahead**  
Can the Trump administration turn these drags into drivers?

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Source: U.S. Bureau of Economic Analysis

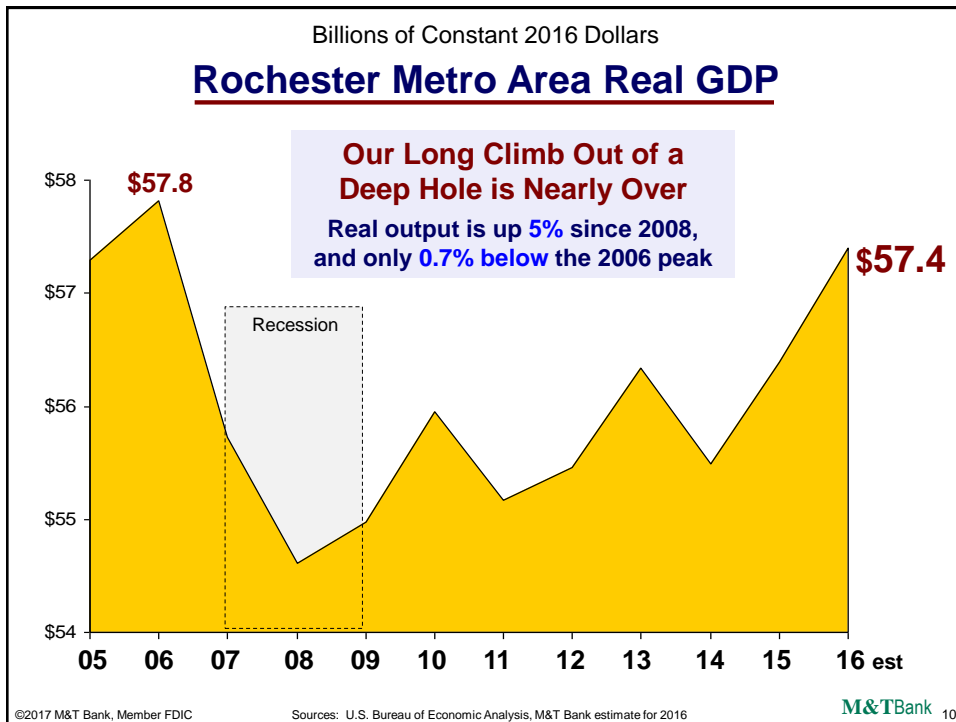
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# Rochester Area Economic Trends & Near-Term Outlook

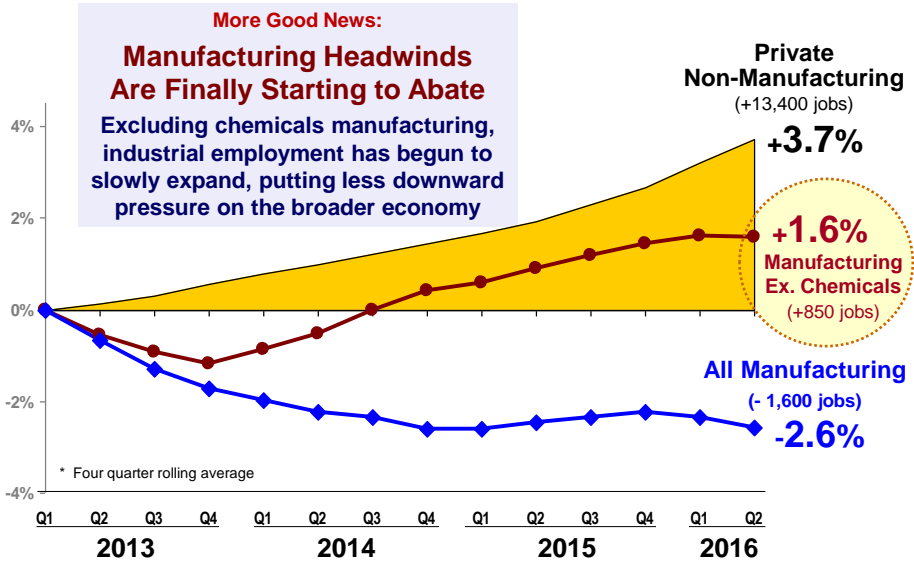


Understanding what's important.



Relative Change Since Q1 2013\*

## Rochester Area Private Employment Growth



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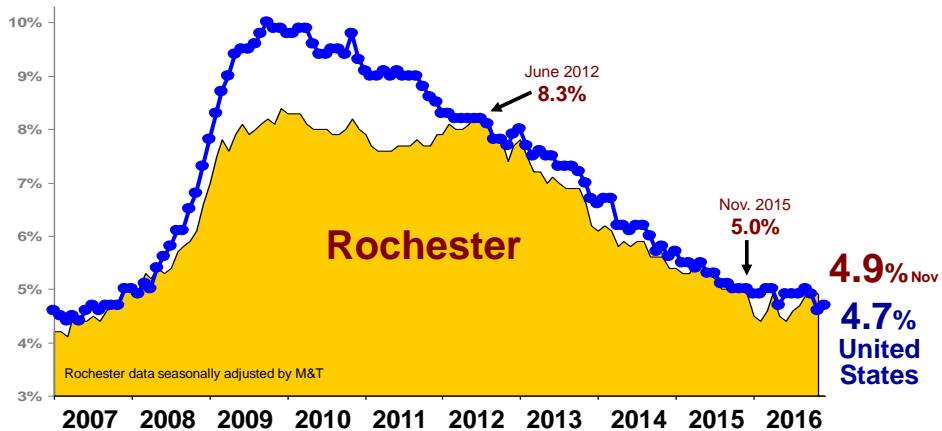
Sources: U.S. Bureau of Labor Statistics, NYS Department of Labor

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Seasonally Adjusted

## Rochester Area Unemployment Rate

**The Labor Market is Approaching "Full Employment"**  
 The local jobless rate has returned to pre-recession levels



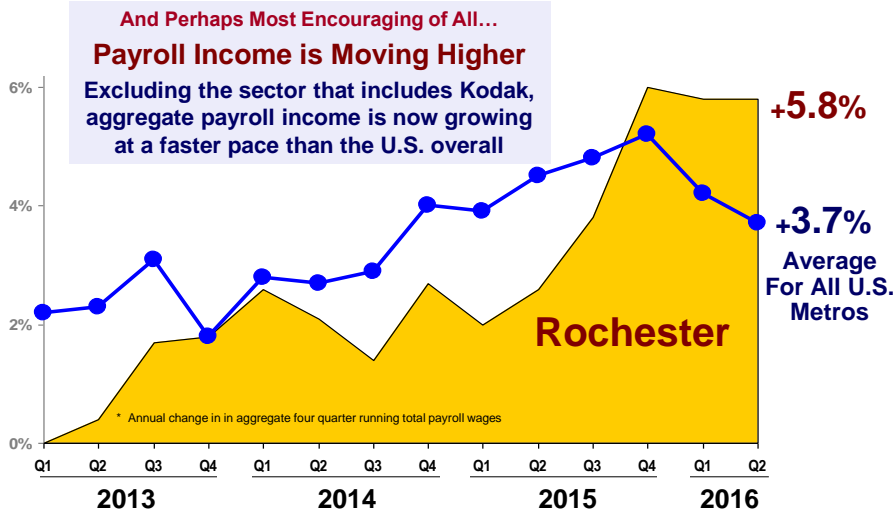
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Sources: U.S. Bureau of Labor Statistics, New York State Department of Labor

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Inflation-Adjusted Year-Over-Year Percentage Change\*

## Real Rochester Area Private Payroll Income Growth Ex. Chemical Manufacturing



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Sources: U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, NYS Department of Labor

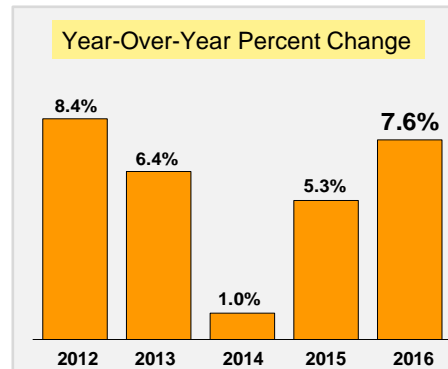
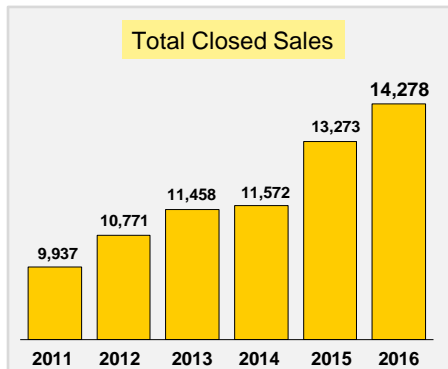
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## Rochester Regional Housing Market\*

### Closed Home Sales

**Rising Employment & Pent Up Demand Are Driving Sales Higher**

Existing home sales have steadily increased since 2011, propelled by improving labor market fundamentals and affordable mortgage rates



\* Monroe, Allegany, Genesee, Livingston, Ontario, Orleans, Seneca, Steuben, Wayne, Wyoming and Yates counties

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Source: Greater Rochester Realtors Association

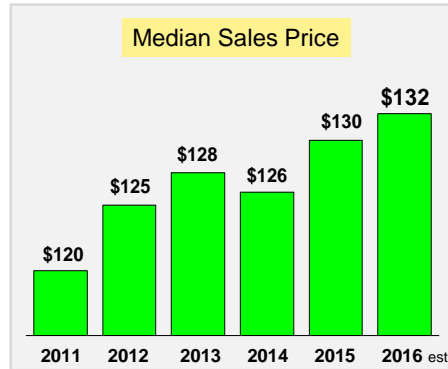
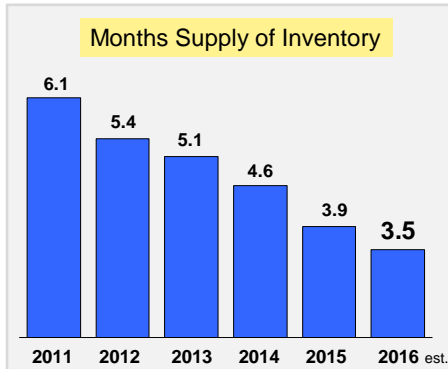
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## Rochester Regional Housing Market\*

### Months Supply of Homes For Sale

**...Even as Available Supply Continues to Tighten**

Inventory constraints are a major challenge, intensifying competition for prime properties and putting upward pressure on pricing



\* Monroe, Allegany, Genesee, Livingston, Ontario, Orleans, Seneca, Steuben, Wayne, Wyoming and Yates counties

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Sources: Greater Rochester Realtors Association, M&T estimate for 2016

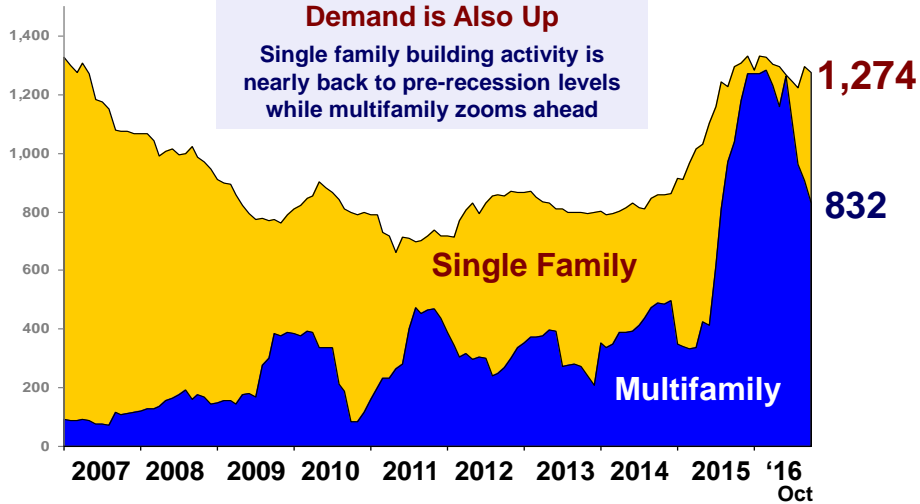
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12-Month Running Total

## Rochester Metro Area Home Building Permits

**New Residential Construction Demand is Also Up**

Single family building activity is nearly back to pre-recession levels while multifamily zooms ahead



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Sources: U.S. Census Bureau, Moody's Analytics

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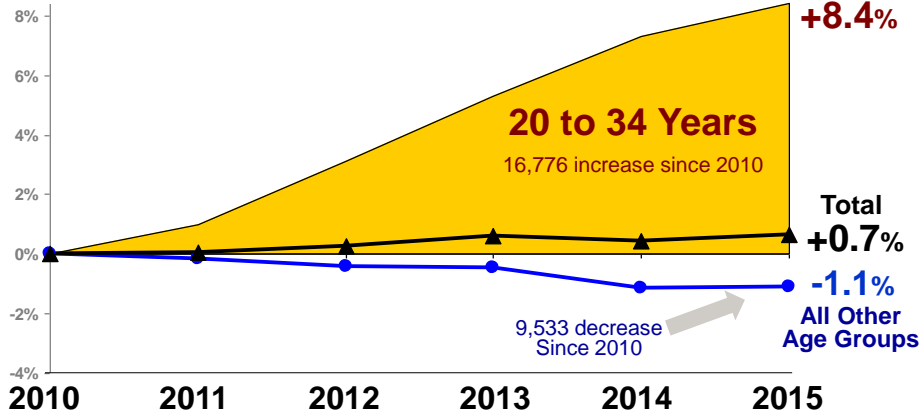


Relative Change Since 2010

## Rochester Area Population by Age Group

### Shifting Demographics Should Further Boost Housing Demand

The 8.4% increase since 2010 tops the 6.7% U.S. average gain.  
Retaining and attracting Millennials is essential to future economic growth



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Source: U.S. Census Bureau—American Community Survey 5-Year Estimate

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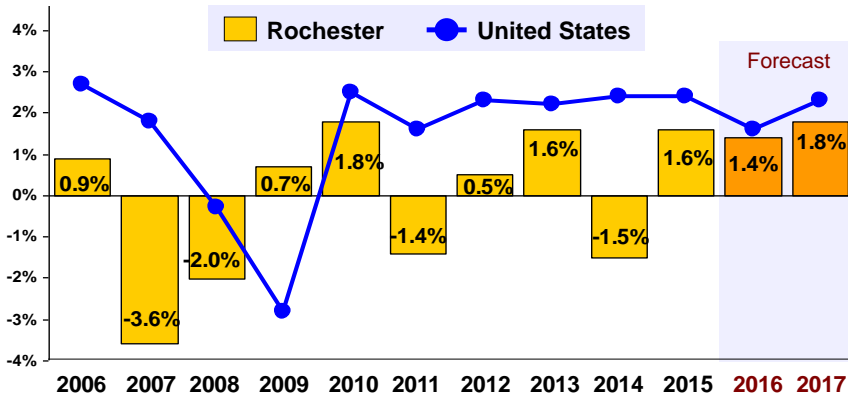


Inflation-Adjusted Year-Over-Year Percentage Change

## Rochester Area Real GDP Growth Forecast

**Growth Should Continue to Improve—  
But We Are Still in Rochester, After All**

Local growth is expected to modestly accelerate in 2017 as drag from industrial downsizing continues to ease



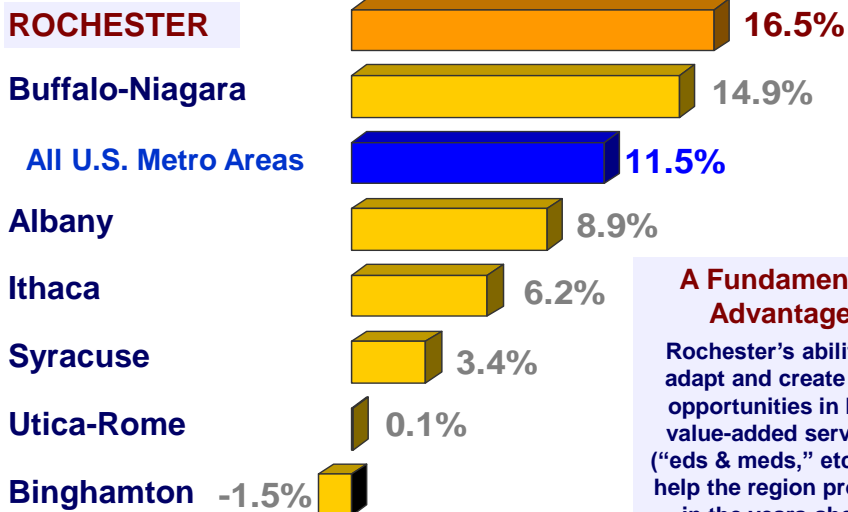
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Sources: U.S. Bureau of Economic Analysis, Moody's Analytics, M&T Bank and Consensus U.S. forecast

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Inflation-Adjusted Percentage Change Since 2007

## Real Non-Manufacturing GDP Growth



**A Fundamental Advantage**

Rochester's ability to adapt and create new opportunities in high value-added services ("eds & meds," etc.) will help the region prosper in the years ahead

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Sources: U.S. Bureau of Economic Analysis, M&T Bank estimates for 2016

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