

Minutes of the regular meeting of the Advisory Council on Small Business and Agriculture

11:00 a.m. – 2:00 p.m., Friday, June 22, 2012

Federal Reserve Bank of New York

33 Liberty St., New York, NY

Present:

William C. Dudley, President, Federal Reserve Bank of New York (luncheon discussion only)

Christine Cumming, First Vice President, Federal Reserve Bank of New York

Krishna Guha, Executive Vice President, Federal Reserve Bank of New York

Stewart Brunhouse, President, A&A Company LLC

William Byrne, Chairman, Byrne Dairy Inc.

Steve Chen, Executive Vice President, Crystal Window & Door Systems, Ltd.

Gale Epstein, President and Creative Director, Hanky Panky, Ltd.

Kenneth Franasiak, Chairman and CEO, Calamar

Lisa Hirsh, President and CEO, Accurate Box Company, Inc.

Peter Maglathlin, CEO, MBI, Inc.

Eileen Manitsas, CFO, Baldor Specialty Foods, Inc.

Ted Tregurtha, President, Moran Towing Corp.

Federal Reserve Bank of New York staff:

Kausar Hamdani

Rae Rosen

Nora Fitzpatrick

Tom Klitgaard

Richard Peach

James Bergin

David Sewell

Ms. Cumming called the meeting to order at approximately 11:00 a.m.

1. Economic Outlook

a. The National Economy

Mr. Peach presented a briefing on domestic economic trends in the second quarter.

b. International Developments

Mr. Klitgaard presented a briefing on the global economy and recent developments in the Eurozone.

2. Luncheon Discussion

Members discussed the following questions:

Incoming data on the US economy has softened in recent weeks. Explanations vary from (a) the economy is fundamentally weaker than previously perceived to (b) unusually

warm weather distorted seasonal patterns and led to overestimation of growth in Q4 2011 and Q1 2012. Your experience and that of your business associates can give us insight into this issue.

- a. *Has your firm experienced an increase in demand in recent months?*
- b. *Has demand for your product or service increased sufficiently that you plan to increase employment in 2012?*
- c. *Has demand for your product or service increased sufficiently that you plan to increase investment in plant and equipment?*

Members described a range of views on each of the questions presented.

While demand in some represented sectors picked up appreciably in the second quarter, others reported little change from the first quarter, and even from year-end 2011. For those businesses that saw increased demand, there is suspicion that the warm winter affected seasonality – pulling forward into the second quarter orders that would otherwise have occurred in the third or fourth – but that net demand remains flat when compared to prior years. Members agreed that construction and housing were the sectors most likely to be affected by this trend.

With respect to hiring, some members reported that their firms are increasing headcount modestly, while others are cautious about bringing on new staff. Nearly all agreed that finding qualified applicants is a challenge; most firms have had positions remain open for significant periods of time simply because they cannot find applicants with the requisite skills and experience.

Members reported divergent plans with respect to investment and capital projects. The interest rate environment has led some to undertake capital projects in 2012 that they might otherwise have postponed. Others, however, remain reluctant to make significant investments in light of ongoing uncertainty about the regional economy. Absent clearer evidence that conditions will continue to improve, they will likely stay on the sidelines.

Members also noted that ongoing uncertainty regarding tax and fiscal policies are affecting their appetite for new hiring and investment. Many feel more comfortable to continue holding cash in the near term.

The meeting adjourned at approximately 2:00 p.m.