

# NEW ENGLAND ECONOMIC OUTLOOK

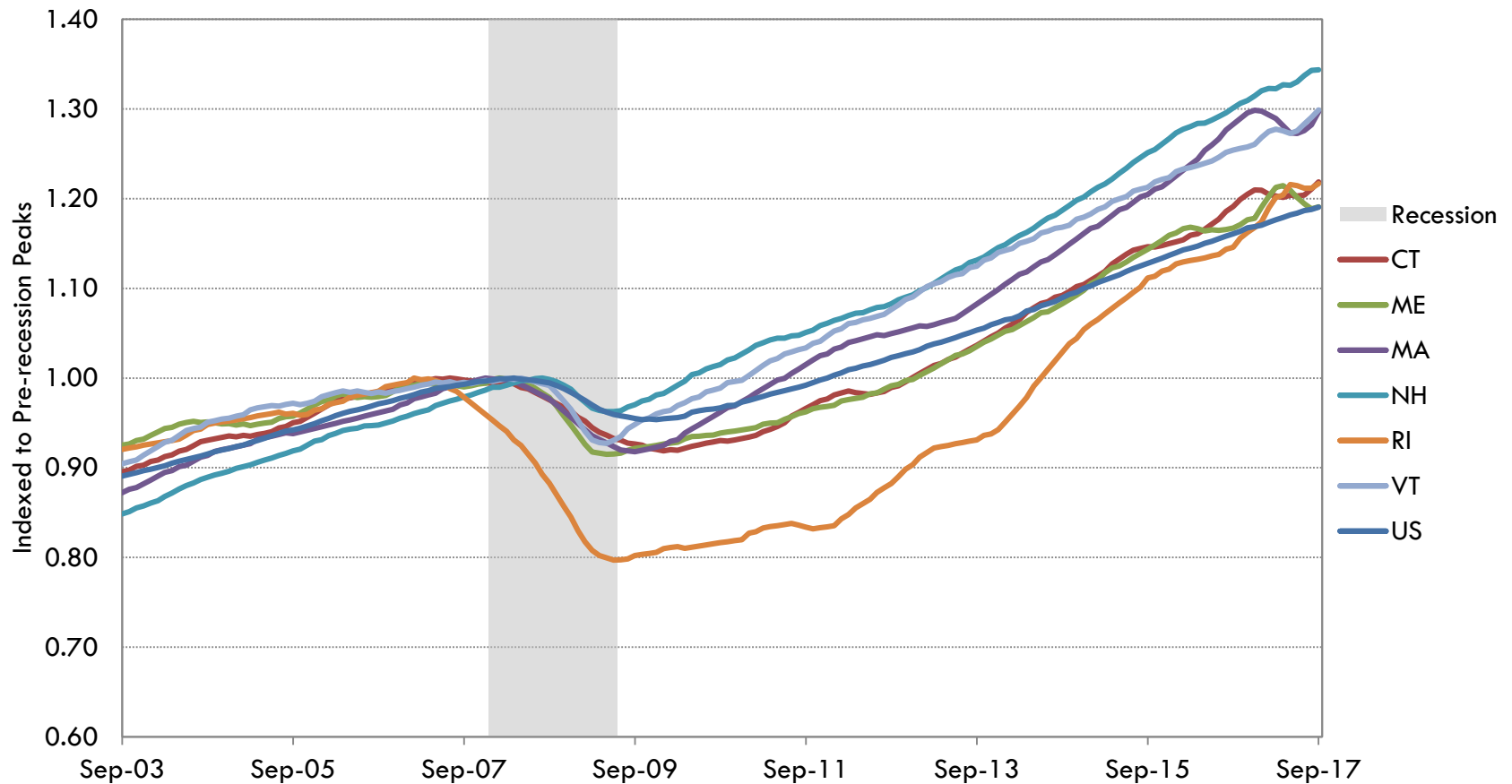
16<sup>th</sup> Annual Regional & Community Bankers Conference  
Federal Reserve Bank of Boston  
November 16, 2017

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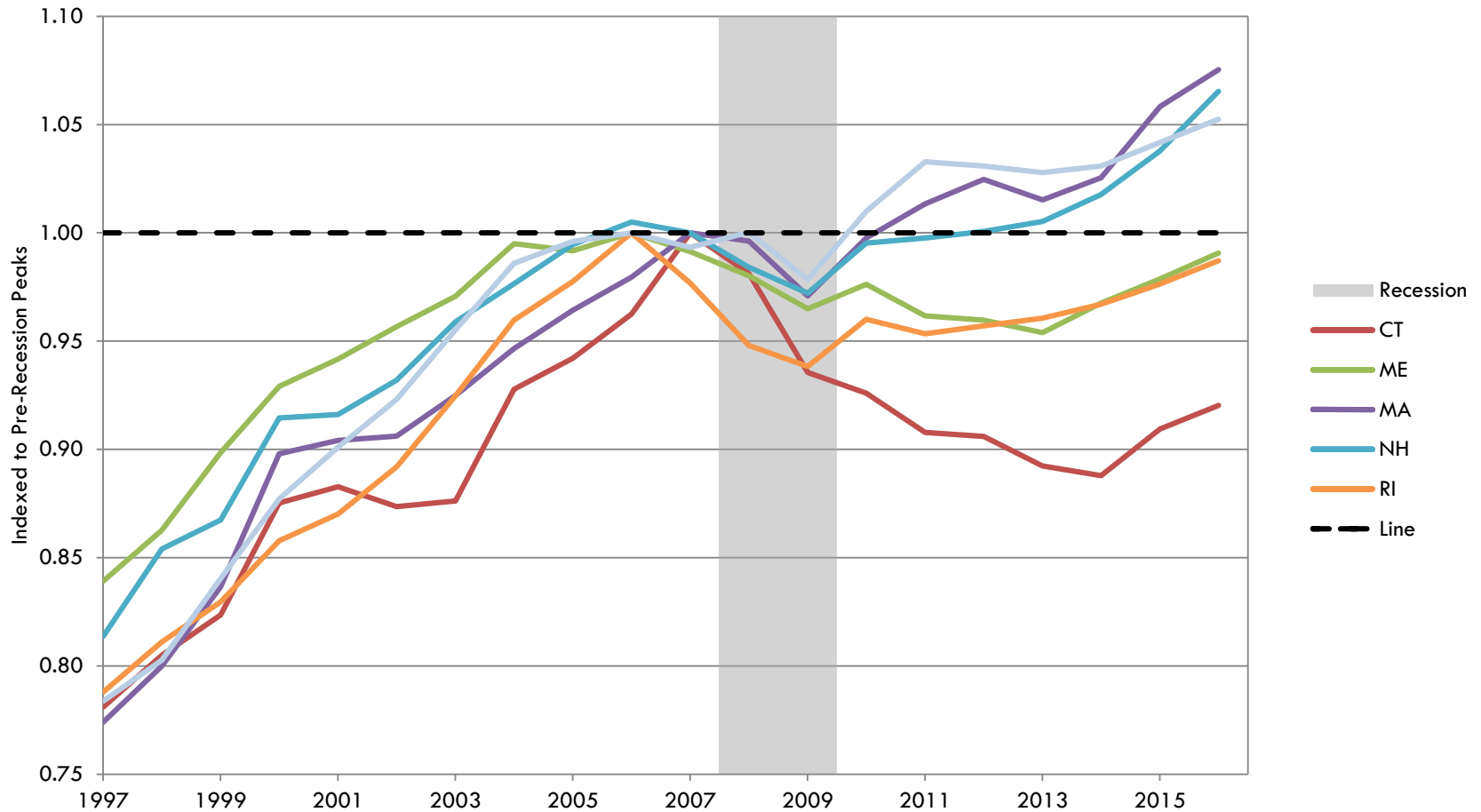


Disclaimer: The views expressed here are those of the speaker and do not necessarily represent the views of the Federal Reserve Bank of Boston or the Federal Reserve System.

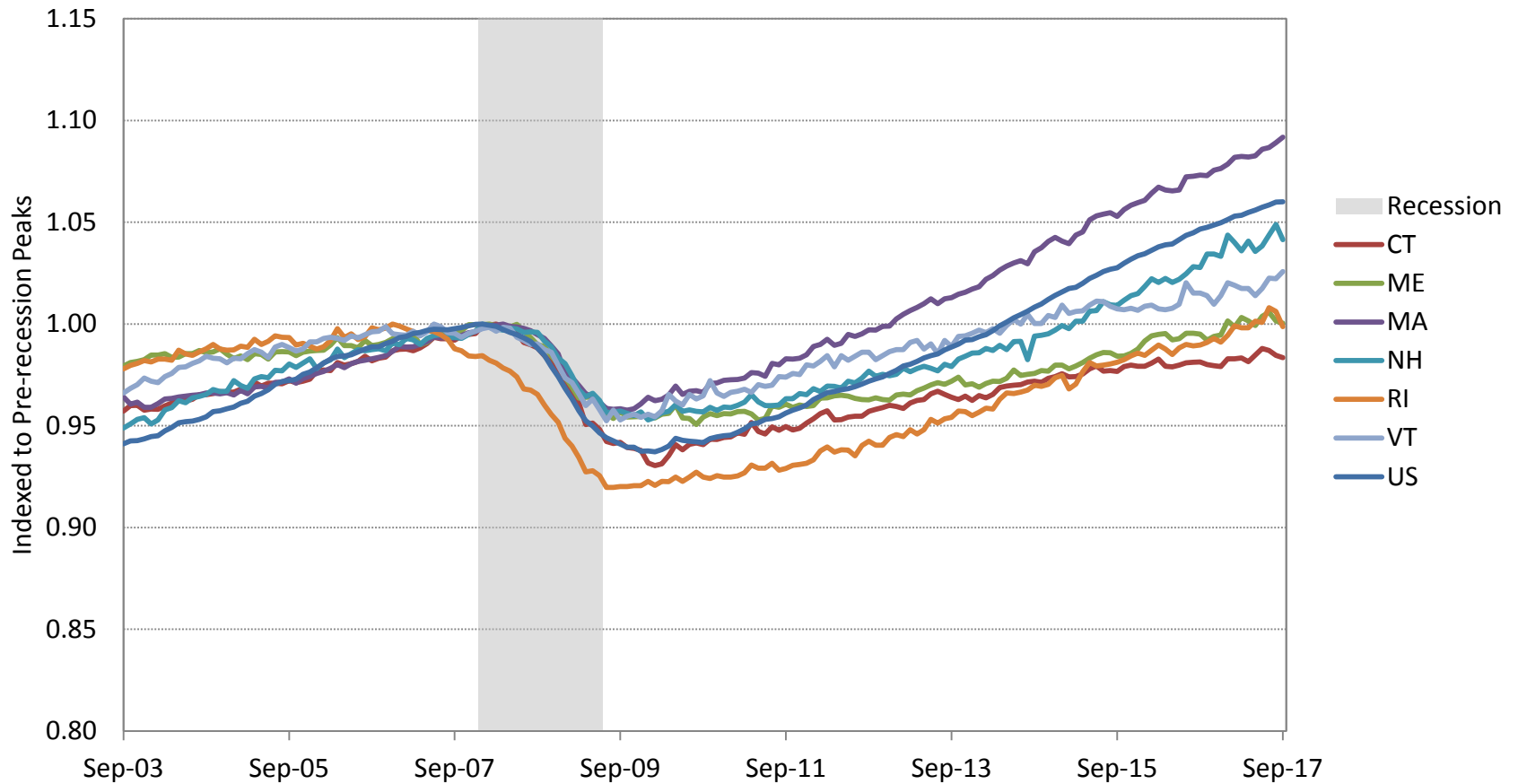
# Economic Activity Indexes: Robust Net Growth From Pre-Recession Peak



# Real GDP Per Capita Below Pre-Recession Peak in CT, ME, RI



# Payroll Jobs Still Below Peak in CT; Job Growth Weak in VT Since 2015



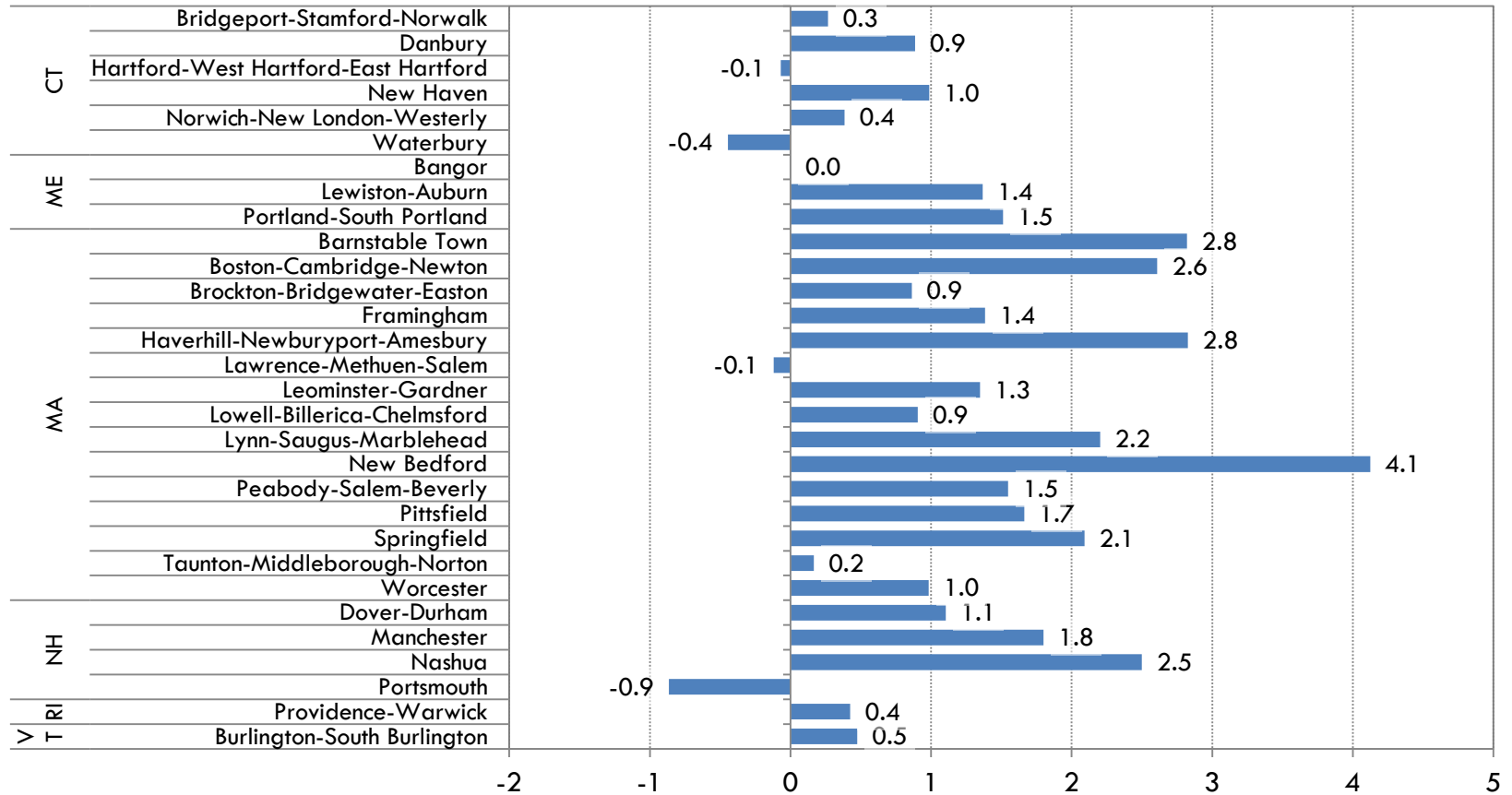
# Last 12 Months: Employment Growth Below Trend in CT, ME, NH, VT

	Annual Long-term Trend	Last 12 months		Since Peak	
	Percent	Percent	Number	Percent	Number
<b>United States</b>	1.4	1.2	1,777,000	5.9	8,229,000
<b>New England</b>	0.9	1.2	85,900	4.6	326,100
<b>Connecticut</b>	0.5	0.2	3,500	-1.7	-28,400
<b>Maine</b>	1.2	0.6	3,400	0.0	300
<b>Massachusetts</b>	0.9	1.7	62,300	9.2	306,100
<b>New Hampshire</b>	1.5	1.3	8,900	4.1	27,000
<b>Rhode Island</b>	0.7	0.9	4,500	-0.1	-600
<b>Vermont</b>	1.3	1.0	3,300	2.6	8,000

Note: “Last 12 months” refers to year-over-year growth through September 2017. “Annual Long-term trend” refers to average year-over-year growth for the period 1984-2016. “Since Peak” refers to employment change from each state’s pre-recession peak employment level.

# Metro Area Job Growth is Mixed; 4 Metros Saw Losses in Last 12 Months

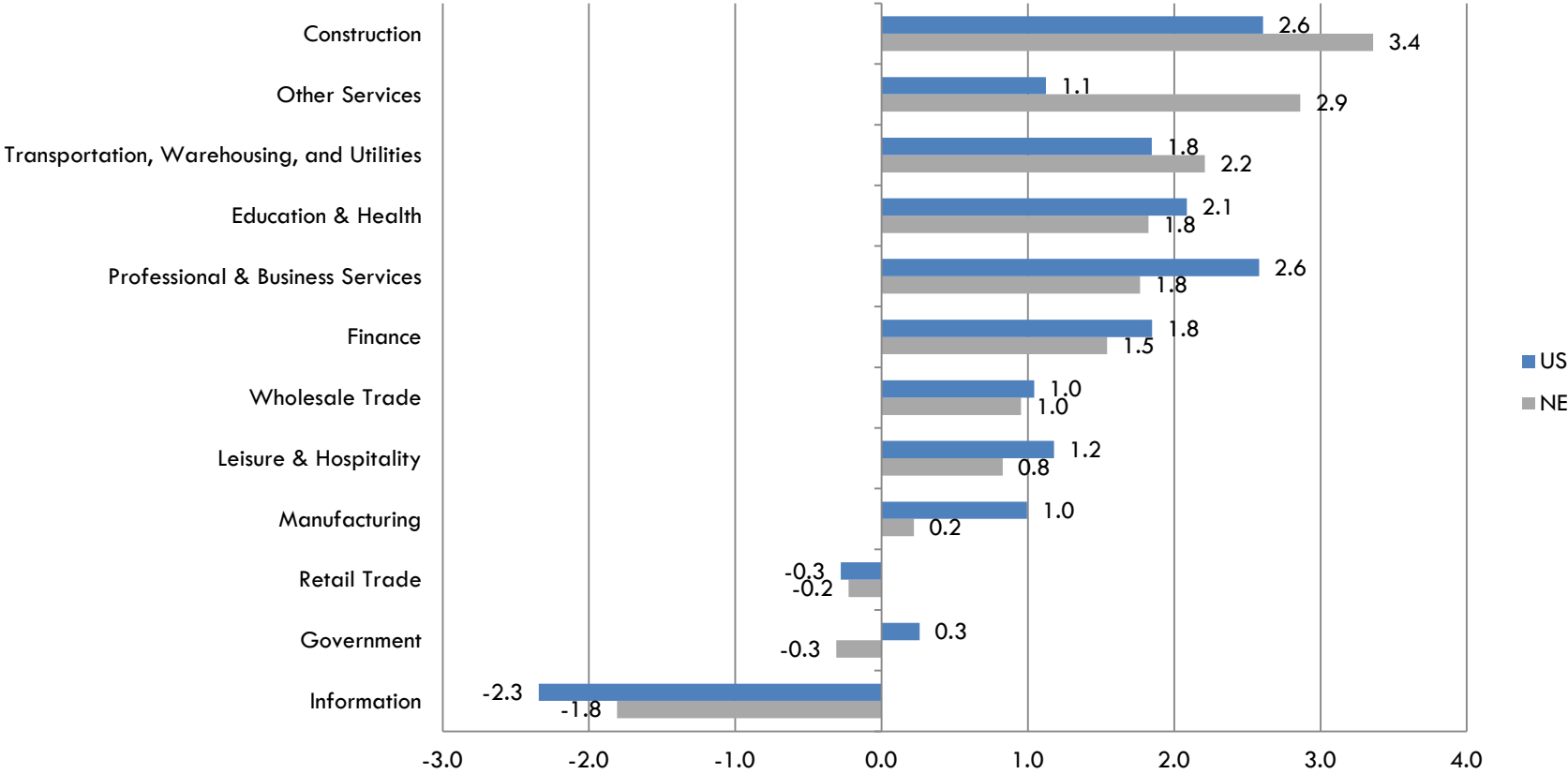
**Percent Change, September 2016 - September 2017**



Source: Bureau of Labor Statistics, Haver Analytics

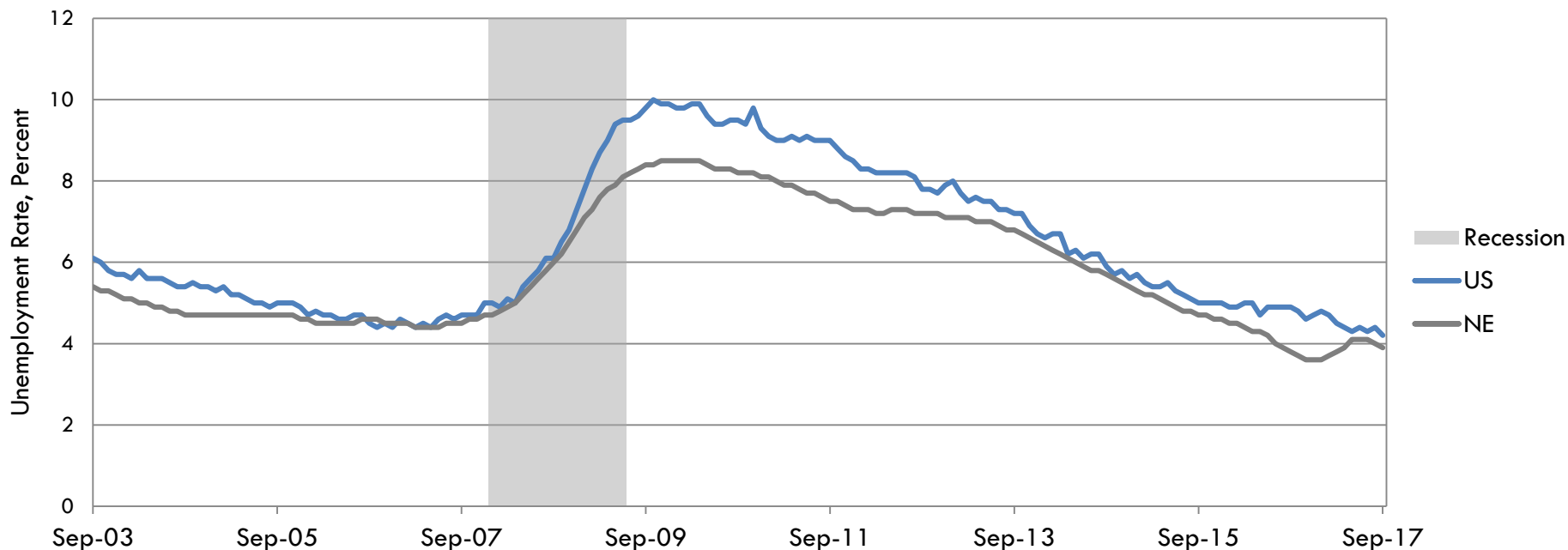
# Construction Sector First in Job Growth; Warehousing Up, Retail Down

**Percent Change, September 2016 - September 2017**



Source: Bureau of Labor Statistics, Haver Analytics

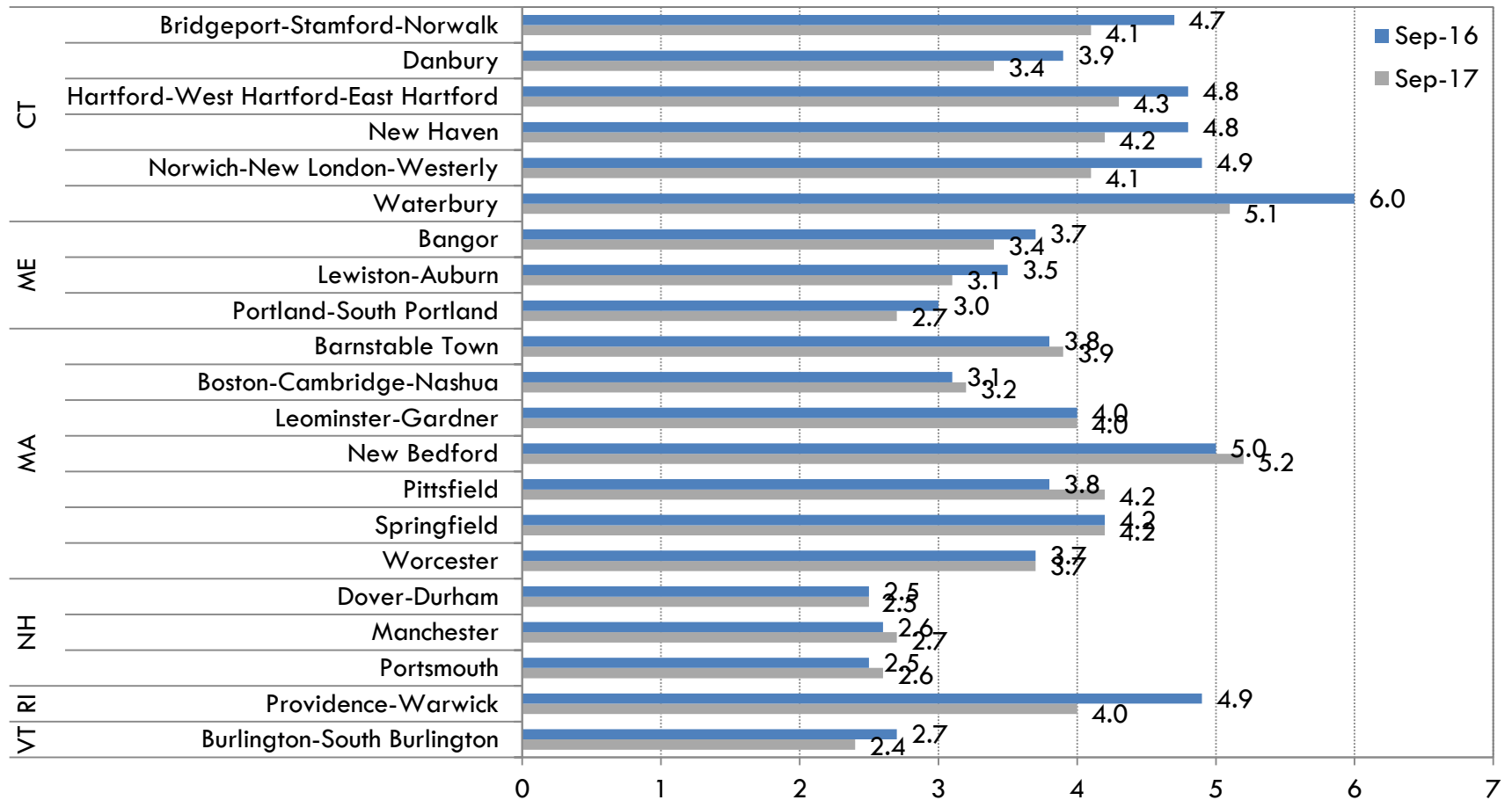
# Unemployment Flat in Region; Up in MA, Down Sharply in RI



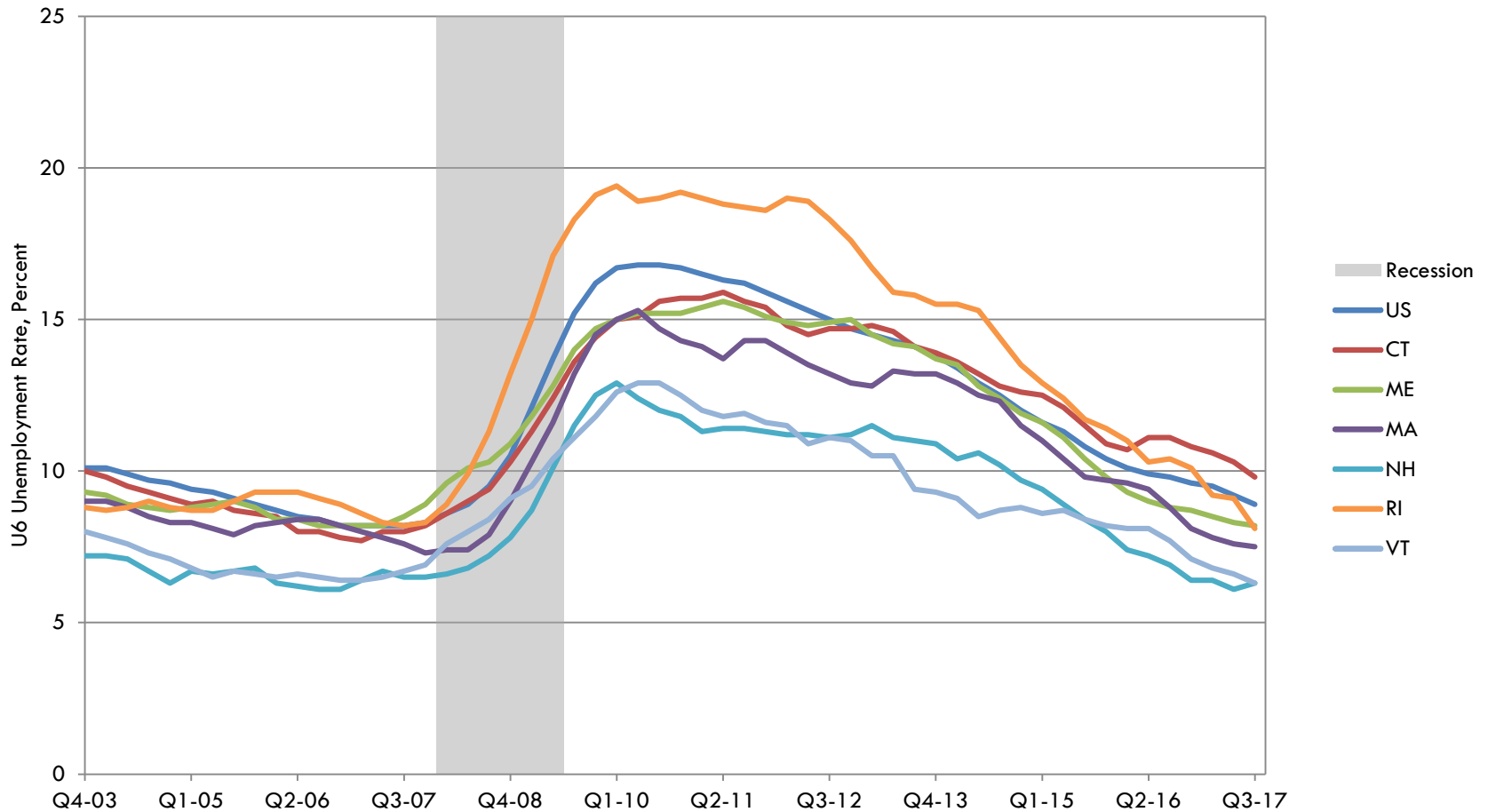
	Sep-16	Sep-17
United States	4.9	4.2
New England	3.8	3.9
Connecticut	4.8	4.6
Maine	4.0	3.7
Massachusetts	3.3	3.9
New Hampshire	2.8	2.7
Rhode Island	5.3	4.2
Vermont	3.2	2.9



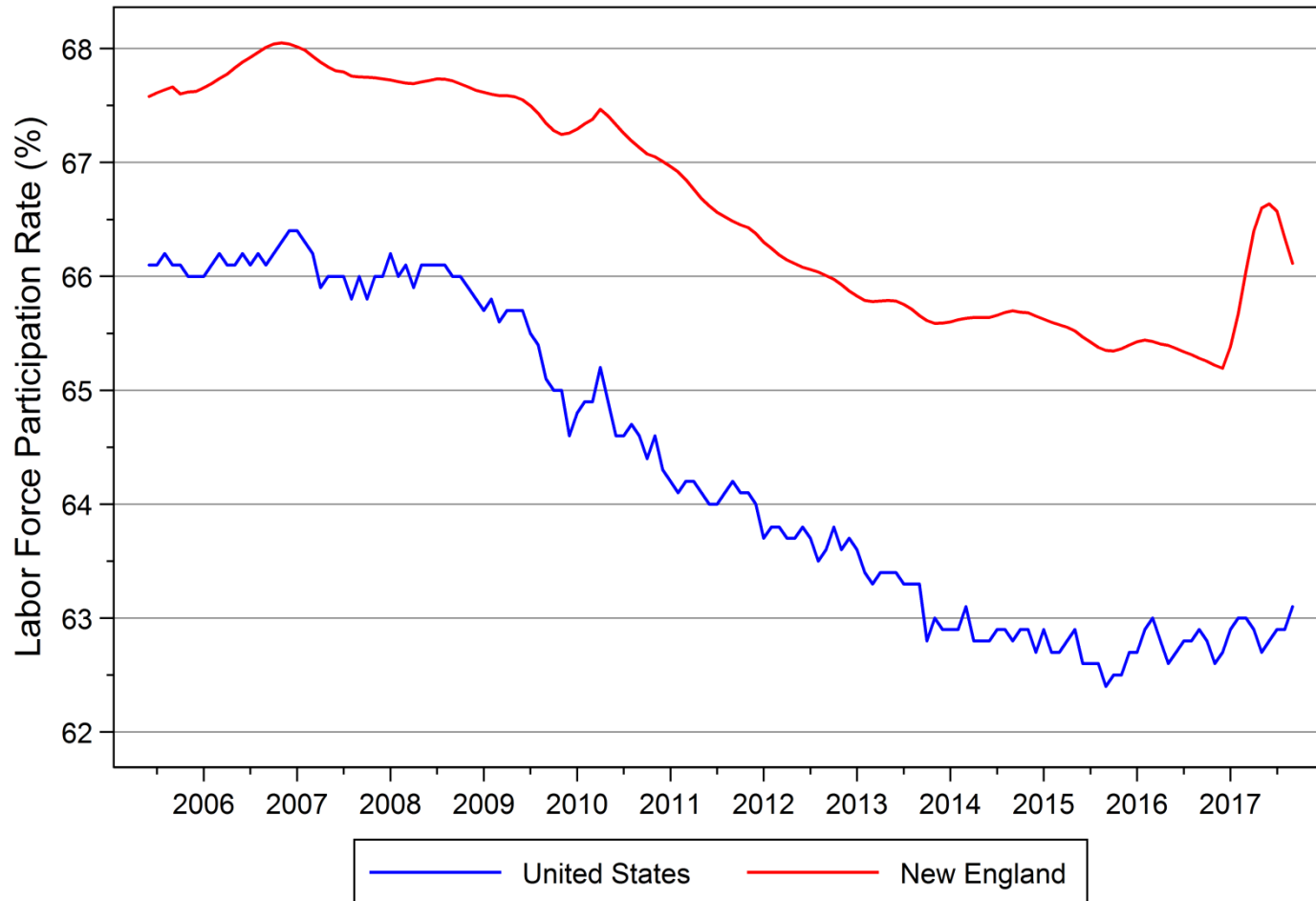
# Unemployment Rate Movements Mixed Across Metros



# Broader Unemployment Measure (U6) Still Elevated in CT

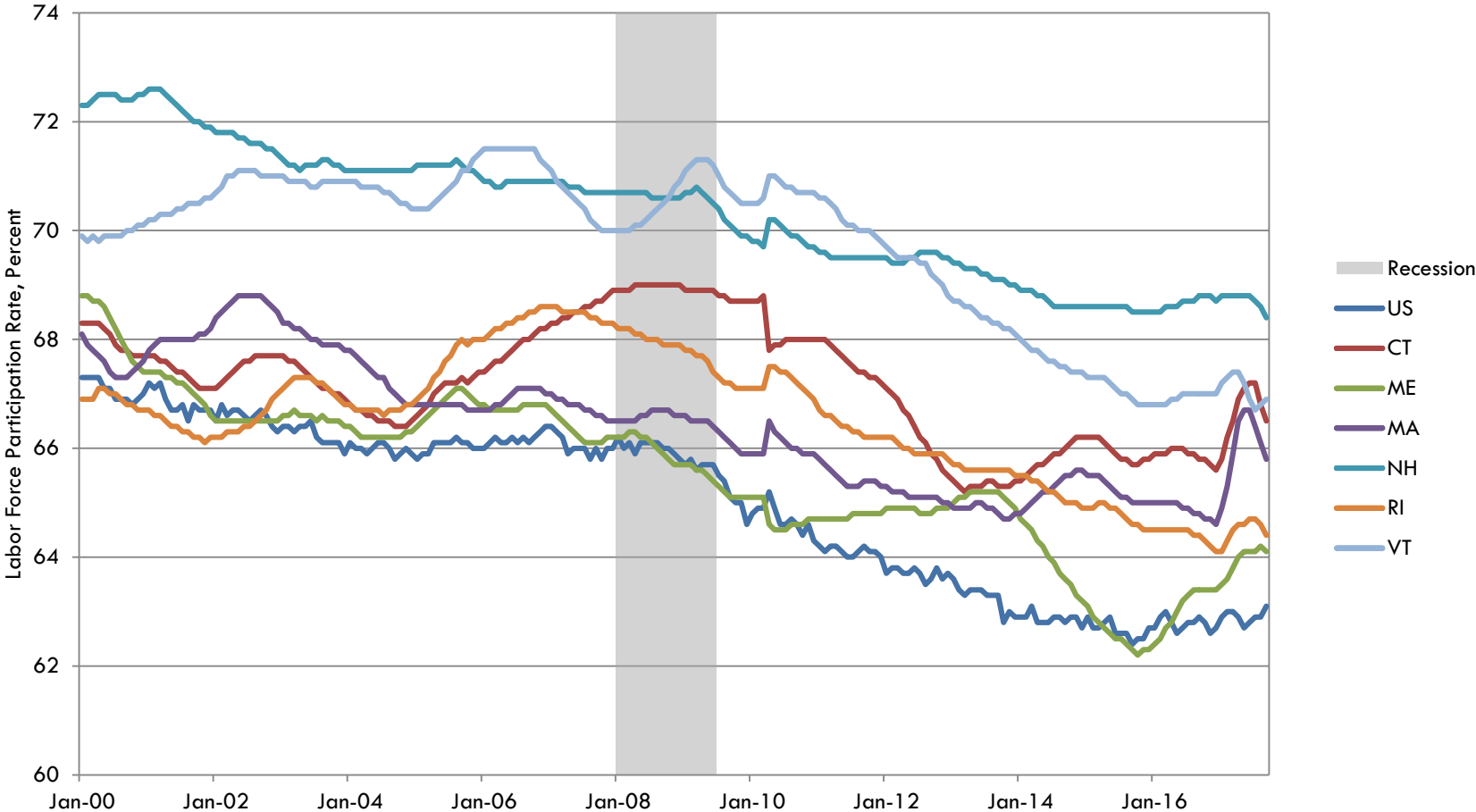


# Region's Labor Force Participation Rate Up Since Dec. 2016, Despite Recent Decline



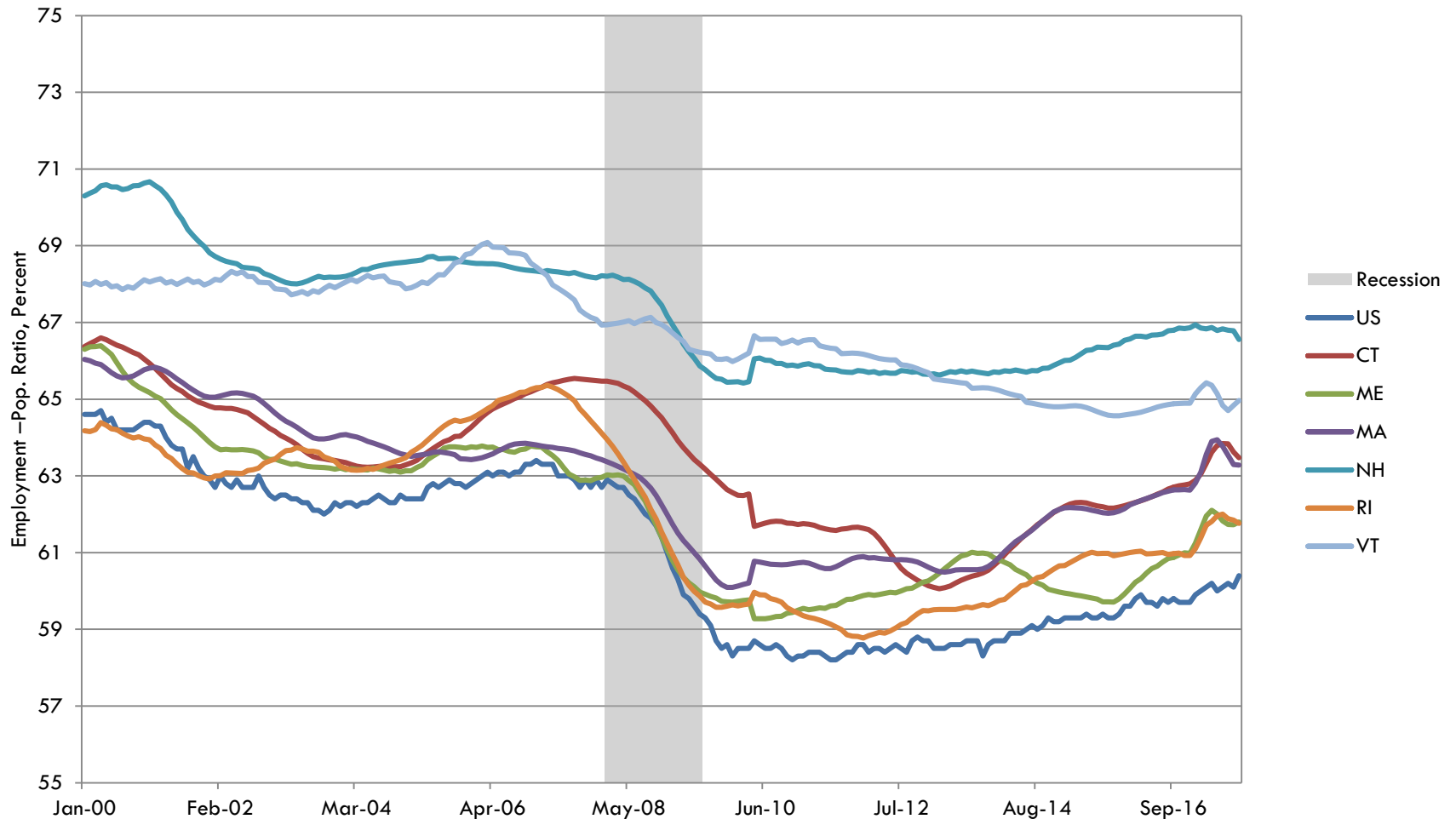
Source: Bureau of Labor Statistics; Seasonally-Adjusted Data

# Labor Force Participation Rebound Owes to MA, CT, ME

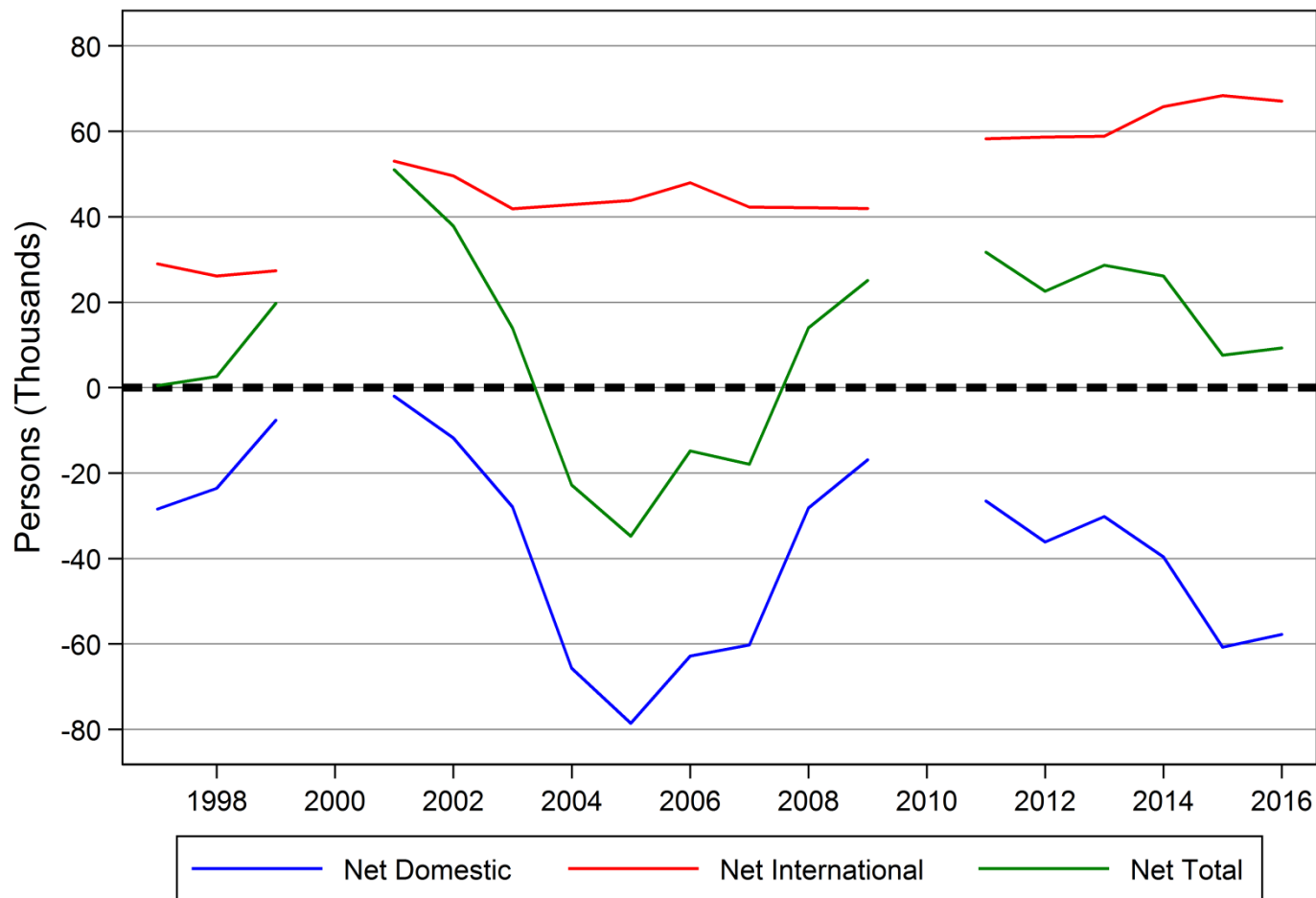


Source: Bureau of Labor Statistics, NBER, Haver Analytics

# Employment-to-Population Ratios Up Since 2013, Except in VT

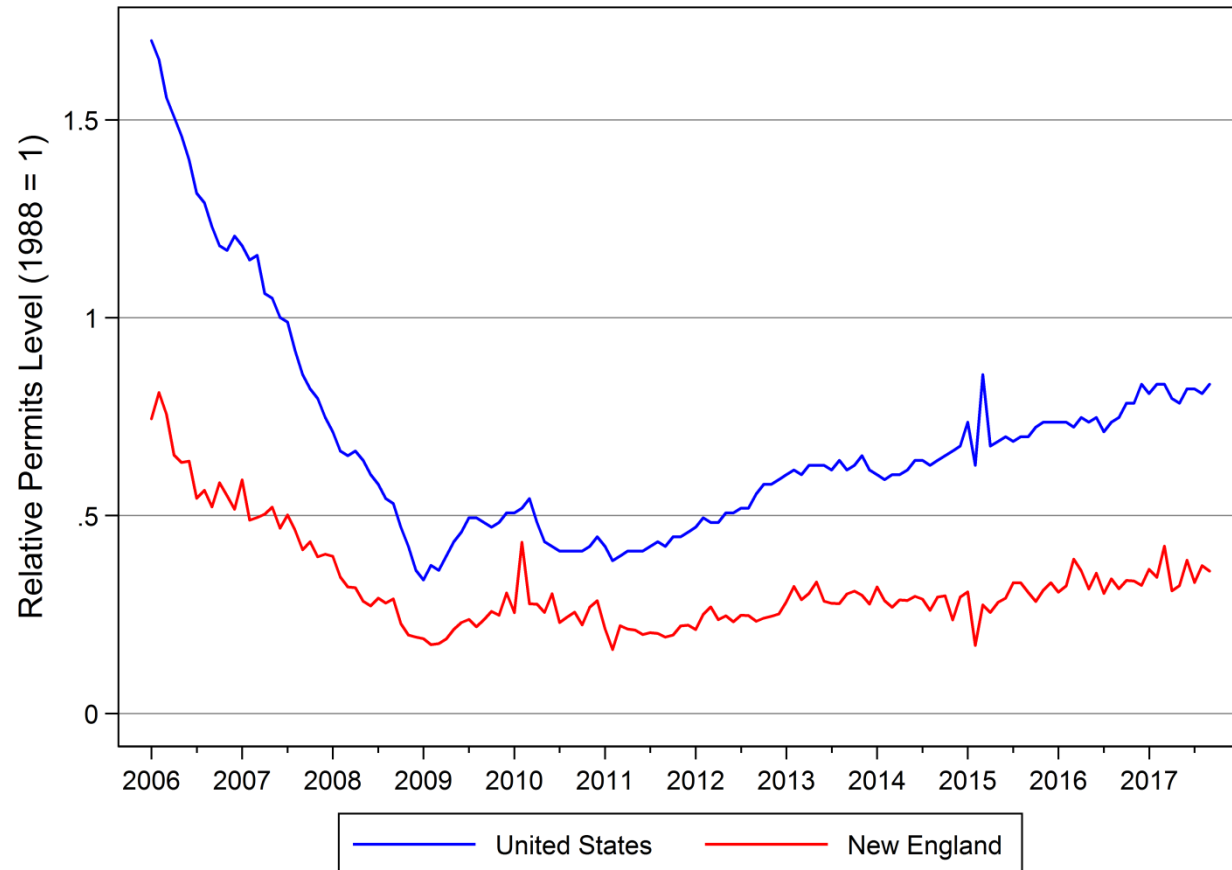


# Without International Migration, New England Population Would be Declining



Source: Census Bureau/Haver Analytics

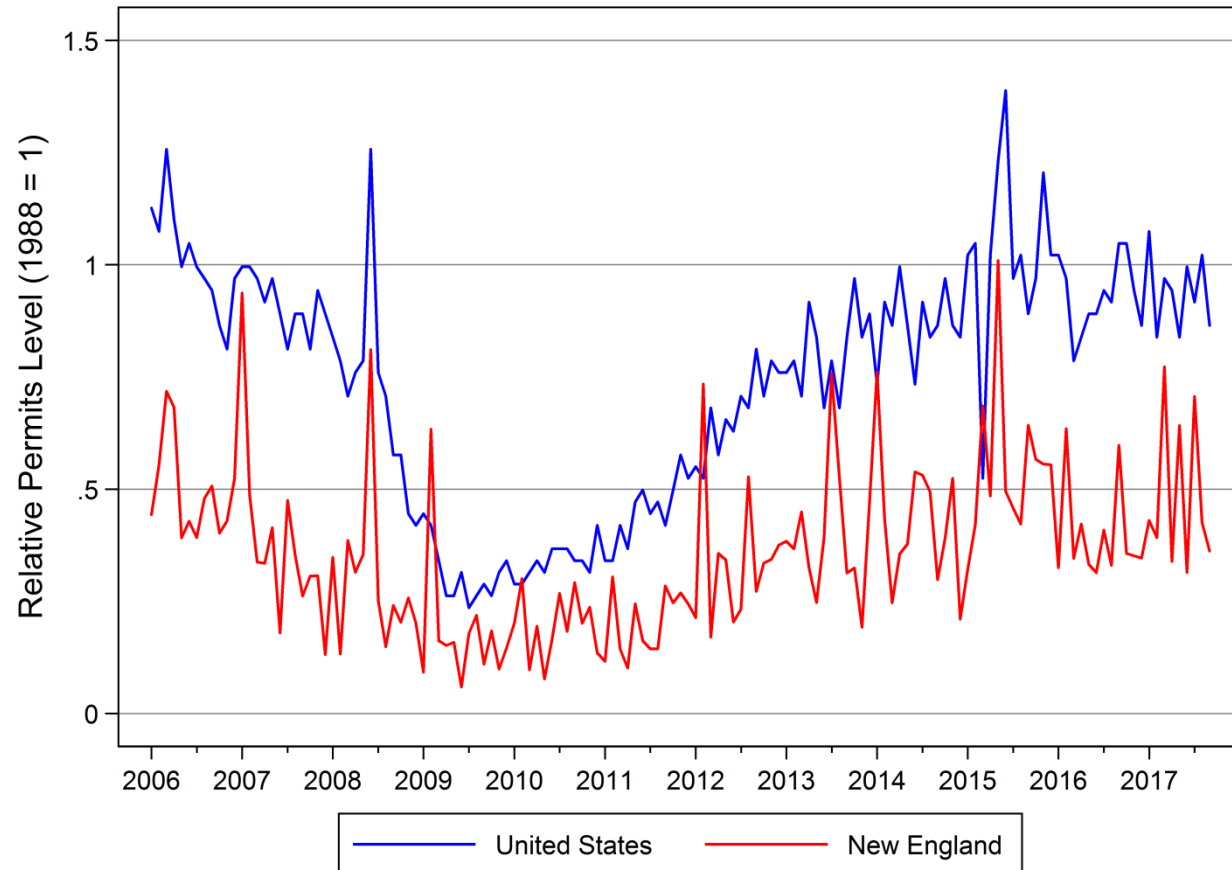
# Single-Family Permits Still Well Below Pre-Recession Highs



Source: U.S. Census Bureau / Federal Reserve Bank of Boston

Note: Data are seasonally adjusted.

# Multifamily Permits Activity At or Above Pre-Recession Levels Since Late 2015

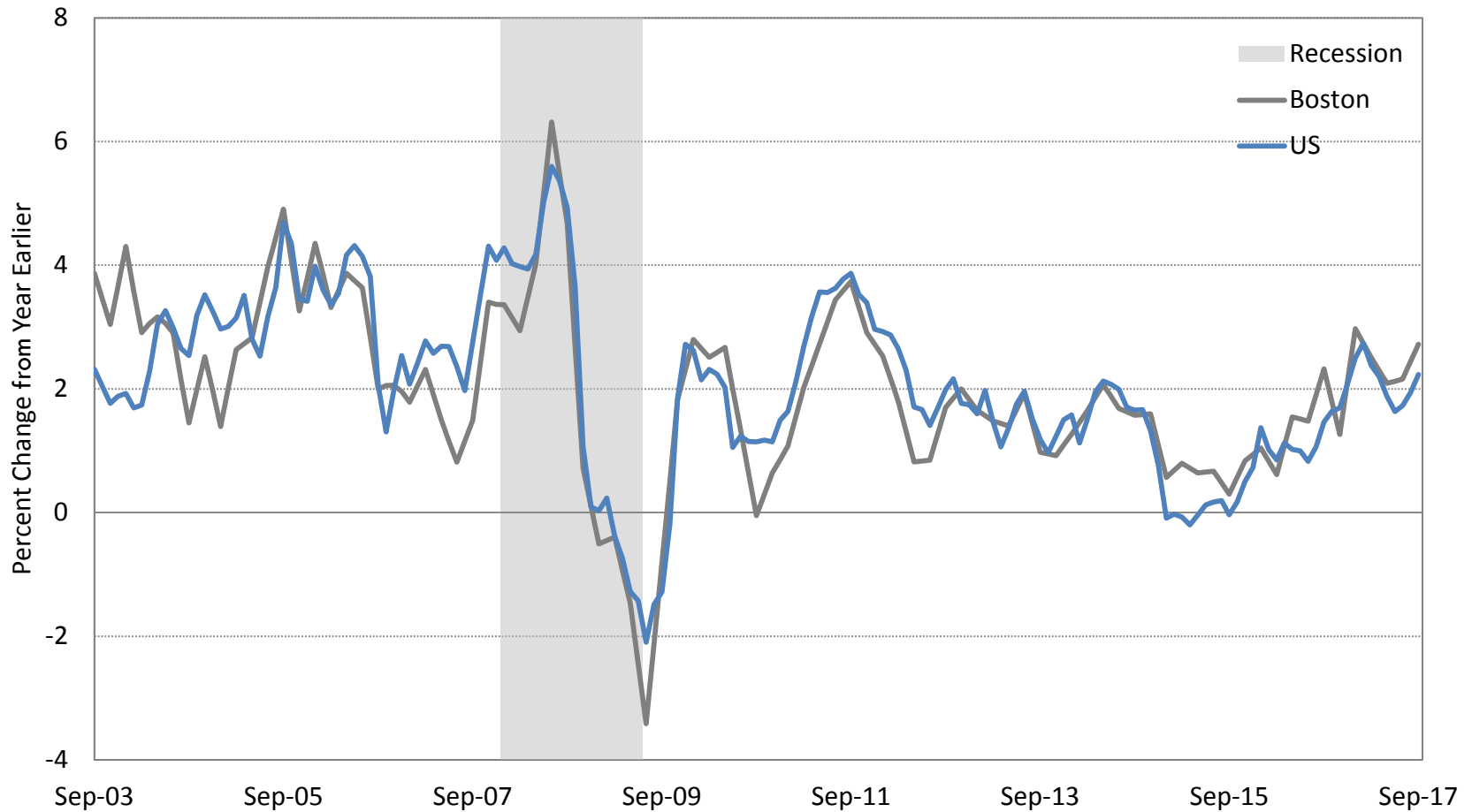


Source: U.S. Census Bureau / Federal Reserve Bank of Boston

Note: Data are seasonally adjusted.

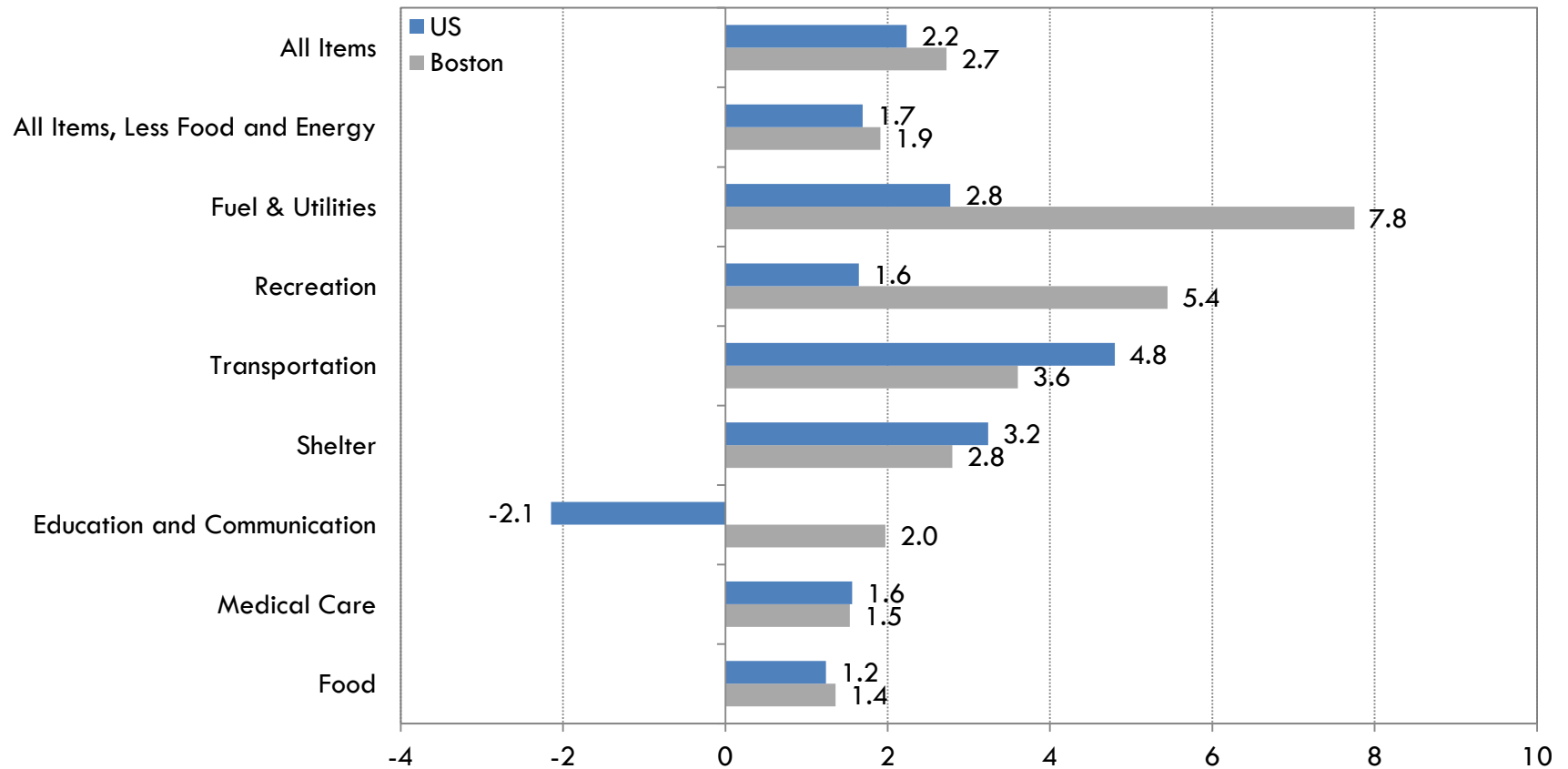


# Headline CPI Inflation Up Since 2015; Boston Rate 2.7%

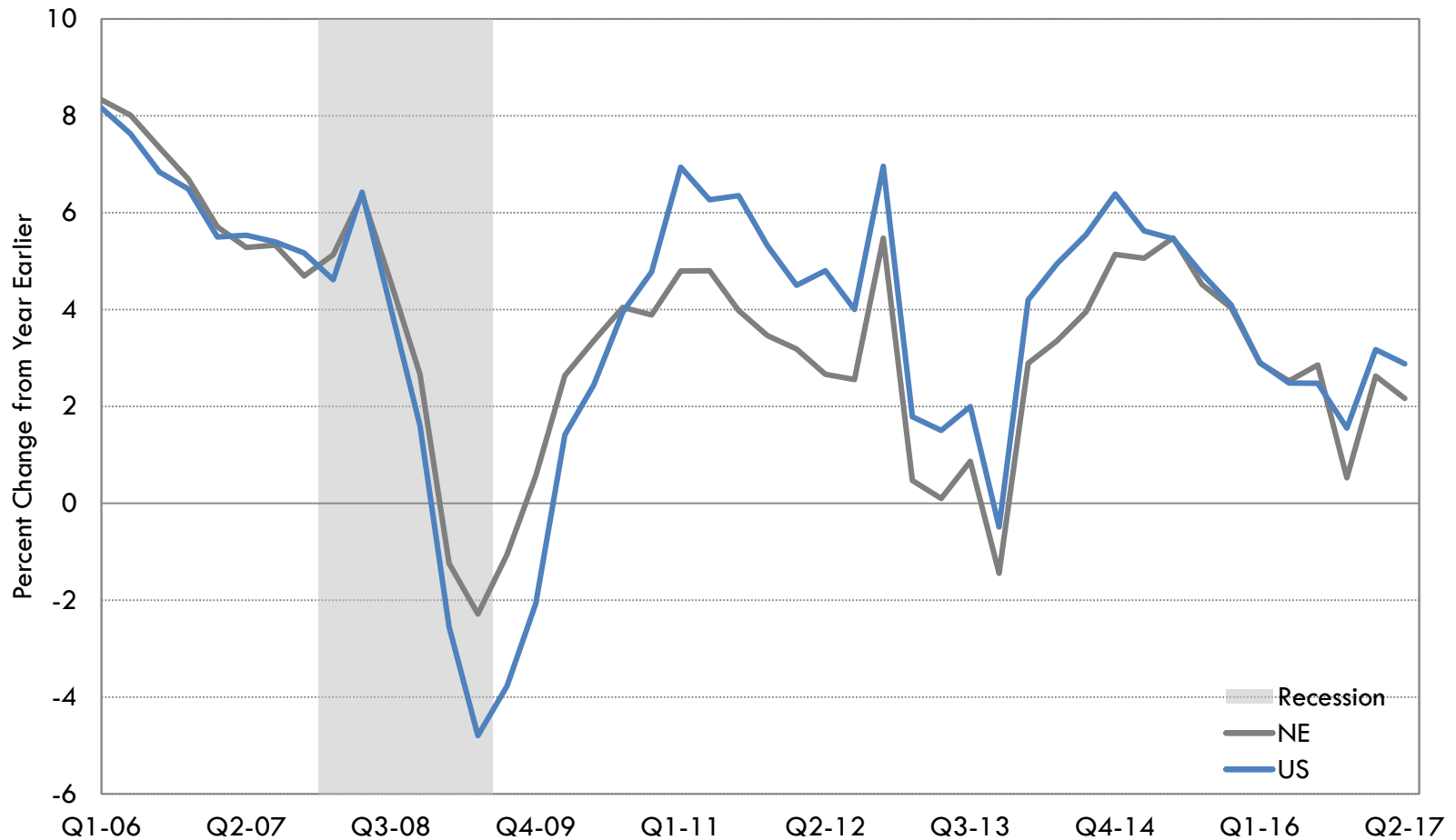


# Fuel & Utilities Prices Extend Sharp Increases in Boston (not Gasoline)

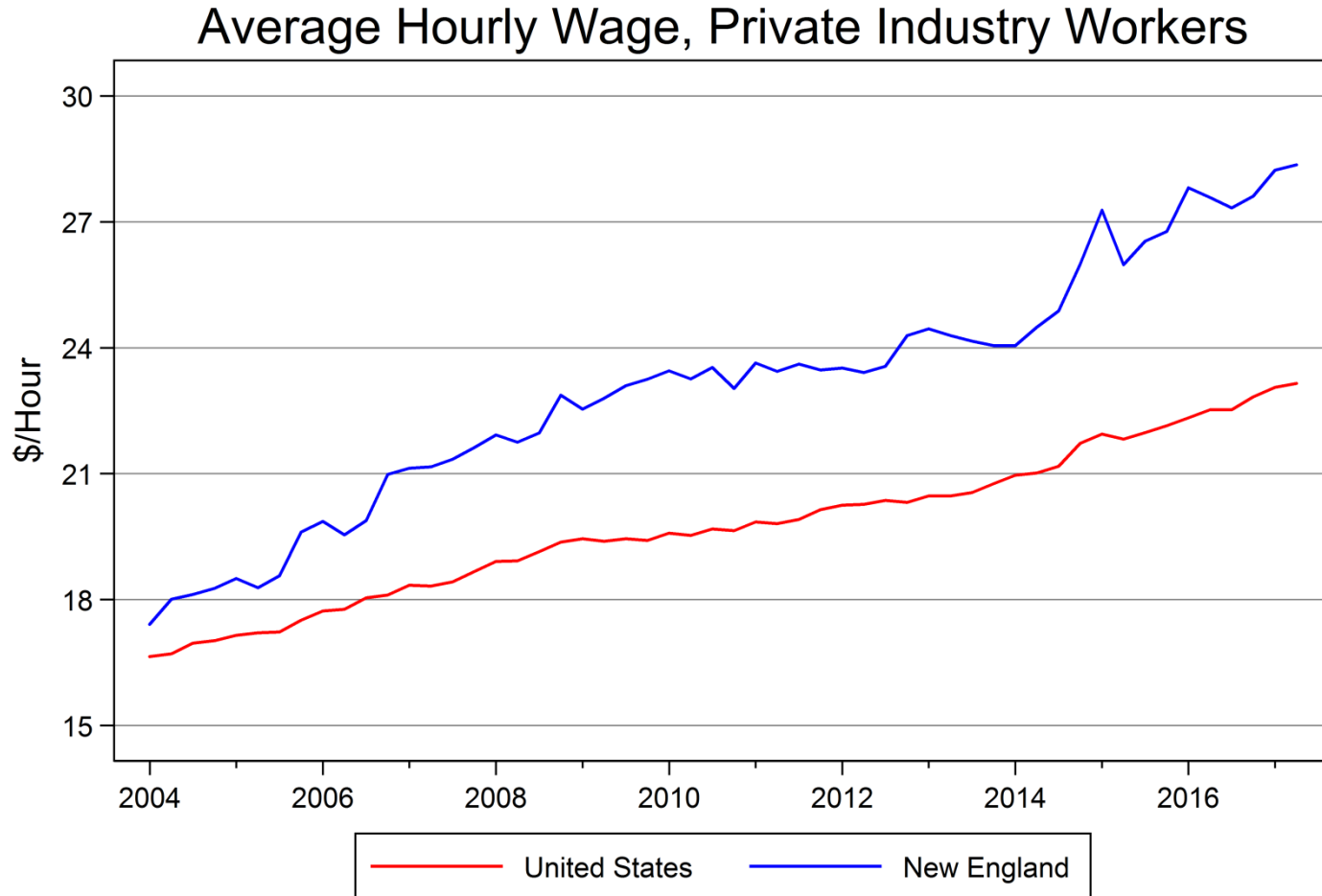
Percent Change, September 2016 - September 2017



# Personal Income Growth Up from 2016Q4, But Still Moderate

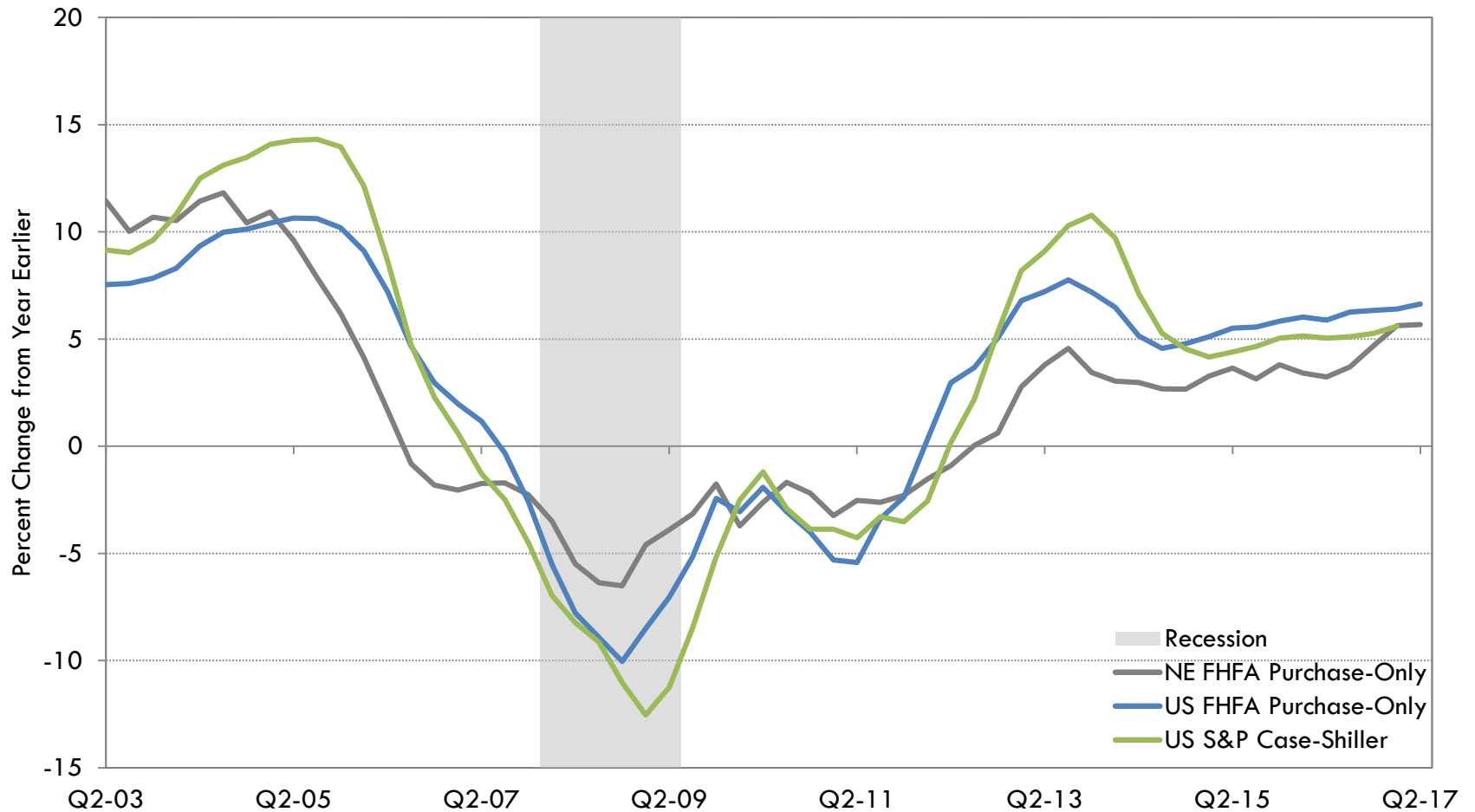


# New England Hourly Wages Above U.S. Average; Increased More Since 2005



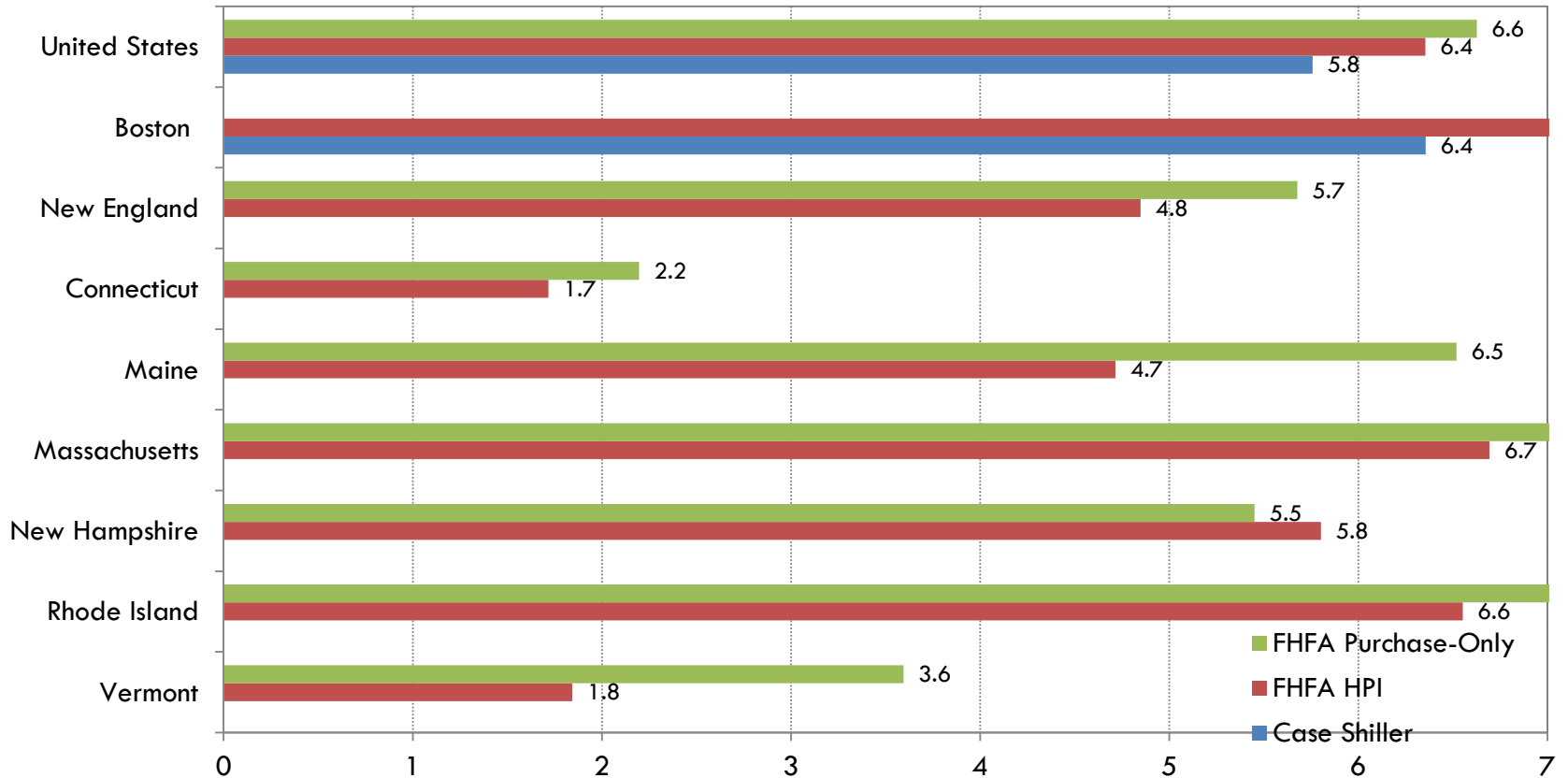
Source: Bureau of Labor Statistics/Haver Analytics

# House Price Growth Accelerating in New England Since Mid-2016



# MA (and Boston) Seeing Strongest House Price Gains in Region

Percent Change, Q2 2016 - Q2 2017



# Boston Tops Donovan Index\* of Major Cities

City	Donovan Index Rating	Rank
Boston	1.80	1
Los Angeles	1.76	2
San Francisco	1.65	3
New York	1.65	4
Oakland	1.62	5
Pittsburgh	1.55	6
Miami	1.52	7
Baltimore	1.45	8
Dallas	1.19	9
Chicago	1.12	11
Detroit	1.01	12
Houston	0.78	17

\*Source: [www.donovanindex.com](http://www.donovanindex.com)

\*The Donovan Index is a measure of the rate at which a city's professional sports teams win championships.



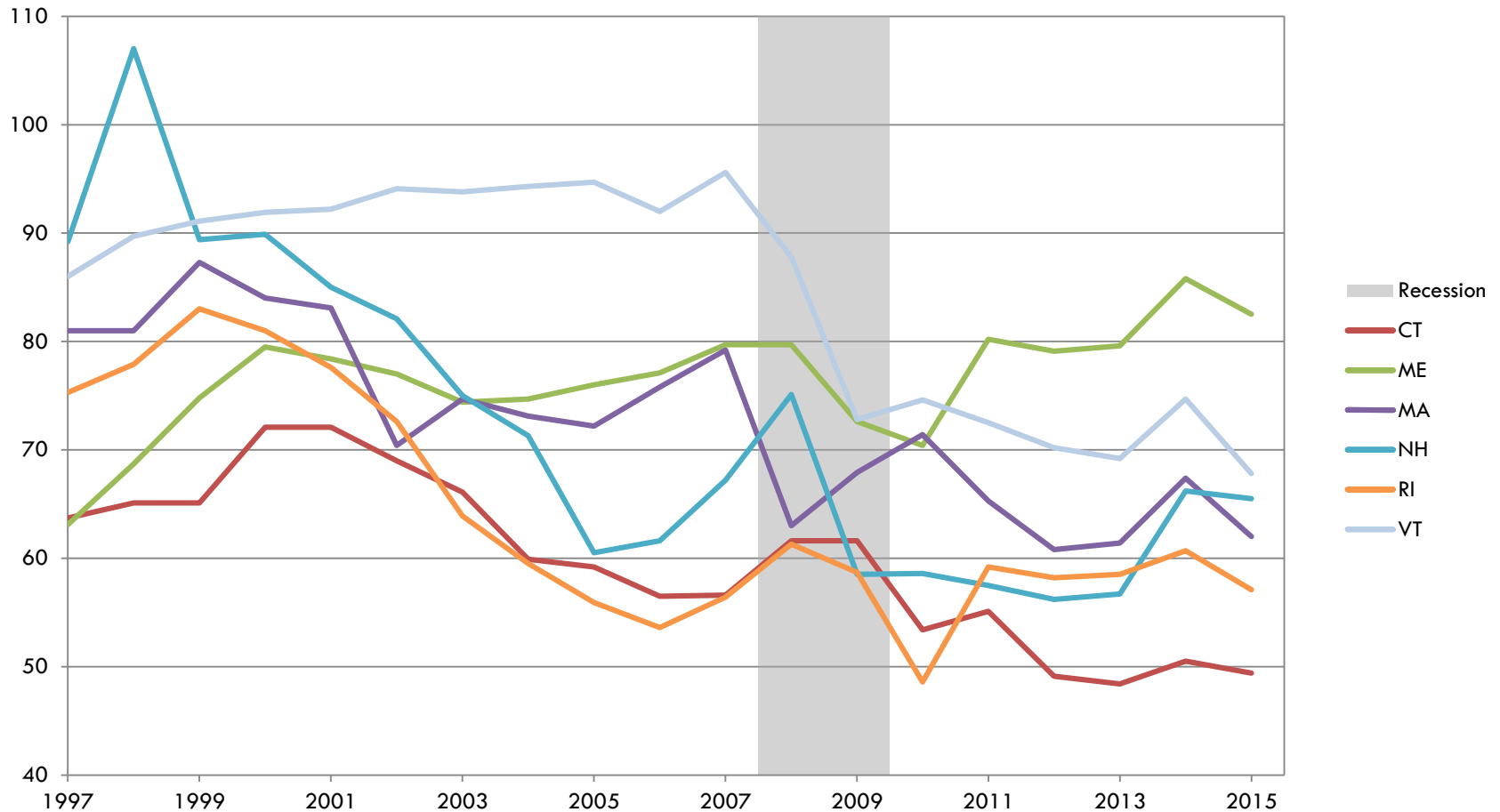


# Most NE States Facing Fiscal Strain, Weak Revenue Growth

	2017YTD- 2016YTD Taxes (%)	FY17 Shortfall	As % of Gen. Fund	FY18 Shortfall	As % of Gen. Fund
CT	-0.3%	(\$467M)	3%	(\$2.3B)	13%
ME	2.1%	--	--	--	--
MA	-0.5%	(\$431M)	1%	(\$749M)	2%
NH	-11.1%	--	--	--	--
RI	-1.8%	--	--	(\$134M)	4%
VT	2.1%	--	--	(\$76M)	5%

Sources: Census Bureau/Haver Analytics; Center on Budget and Policy Priorities

# Pension Funding Level Below 70 Percent in Most States (Except ME)



# Proposed Federal Policy Changes Could Have Large Impact on States

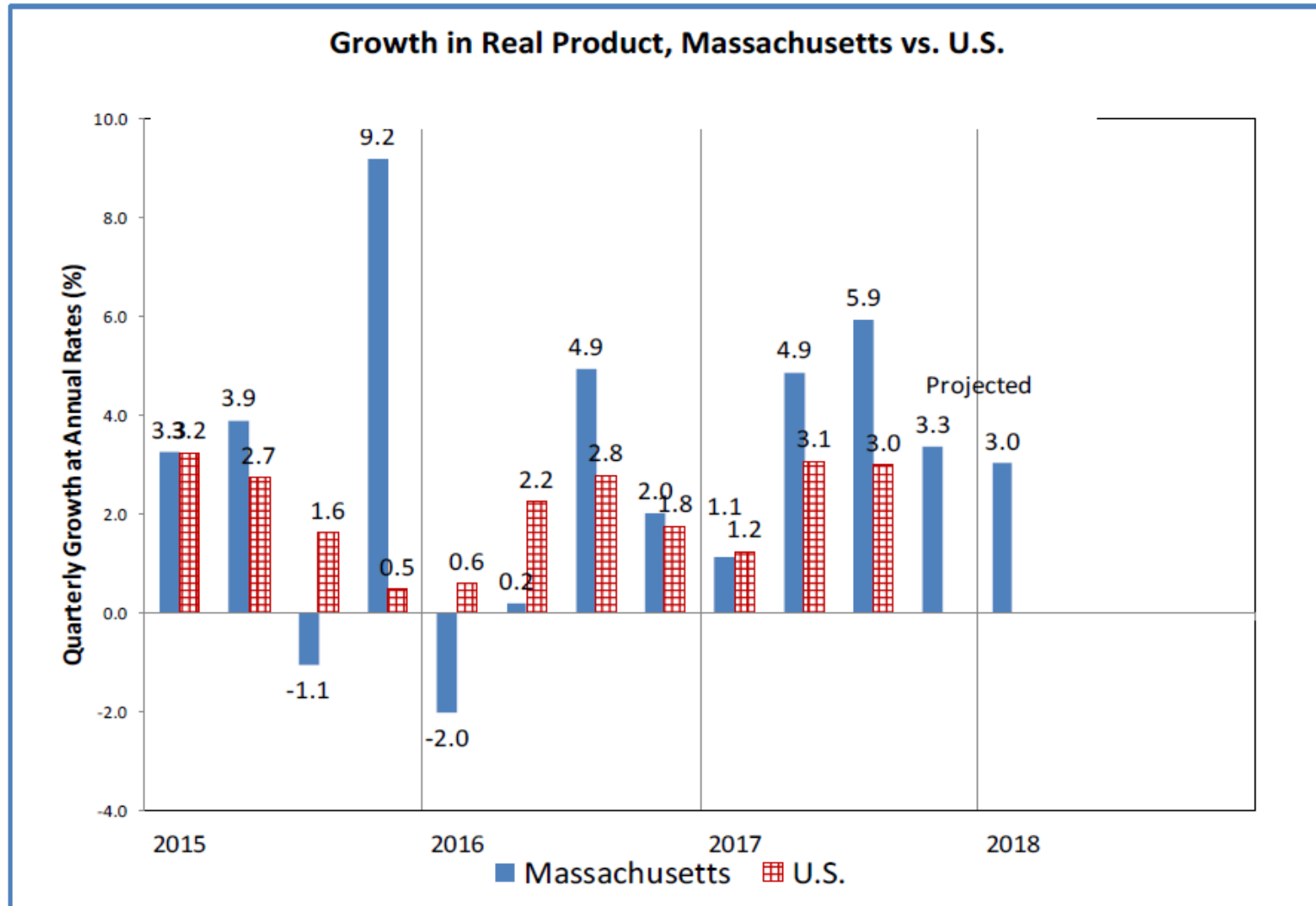
- Anticipated tax reductions already having effects
  - Delayed capital gains hurting tax revenues
- Elimination of State and Local Tax Deduction
- Changes (mostly cuts) in Medicaid funding to states (Graham-Cassidy bill)
- Uncertainty makes fiscal planning more difficult

# Gov. Charlie Baker signs bipartisan letter opposing Graham-Cassidy Obamacare repeal bill

Updated Sep 19; Posted Sep 19

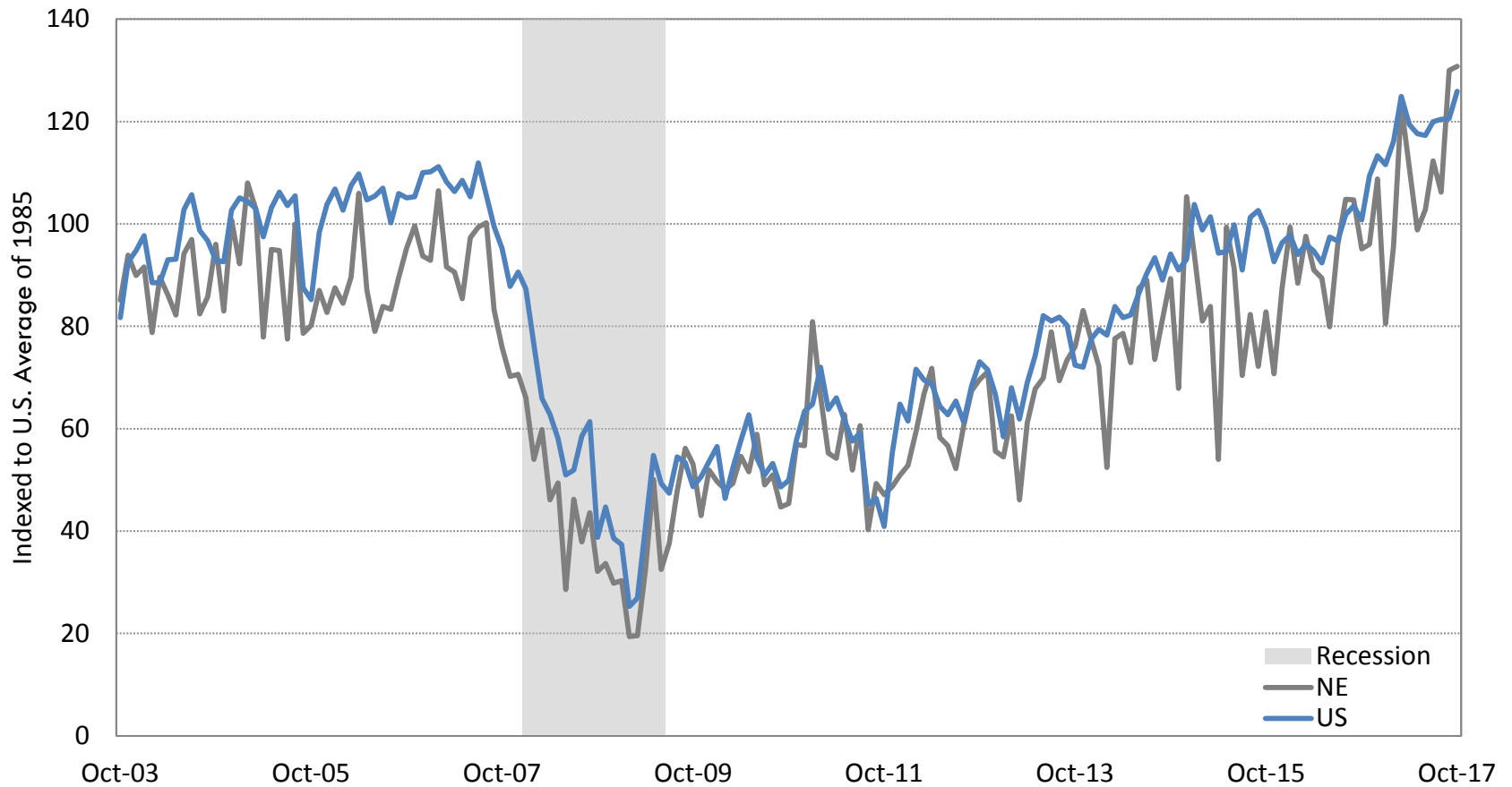


# GDP Growth Surged in Q2 and Q3 in MA; Forecast Calls for Solid Growth

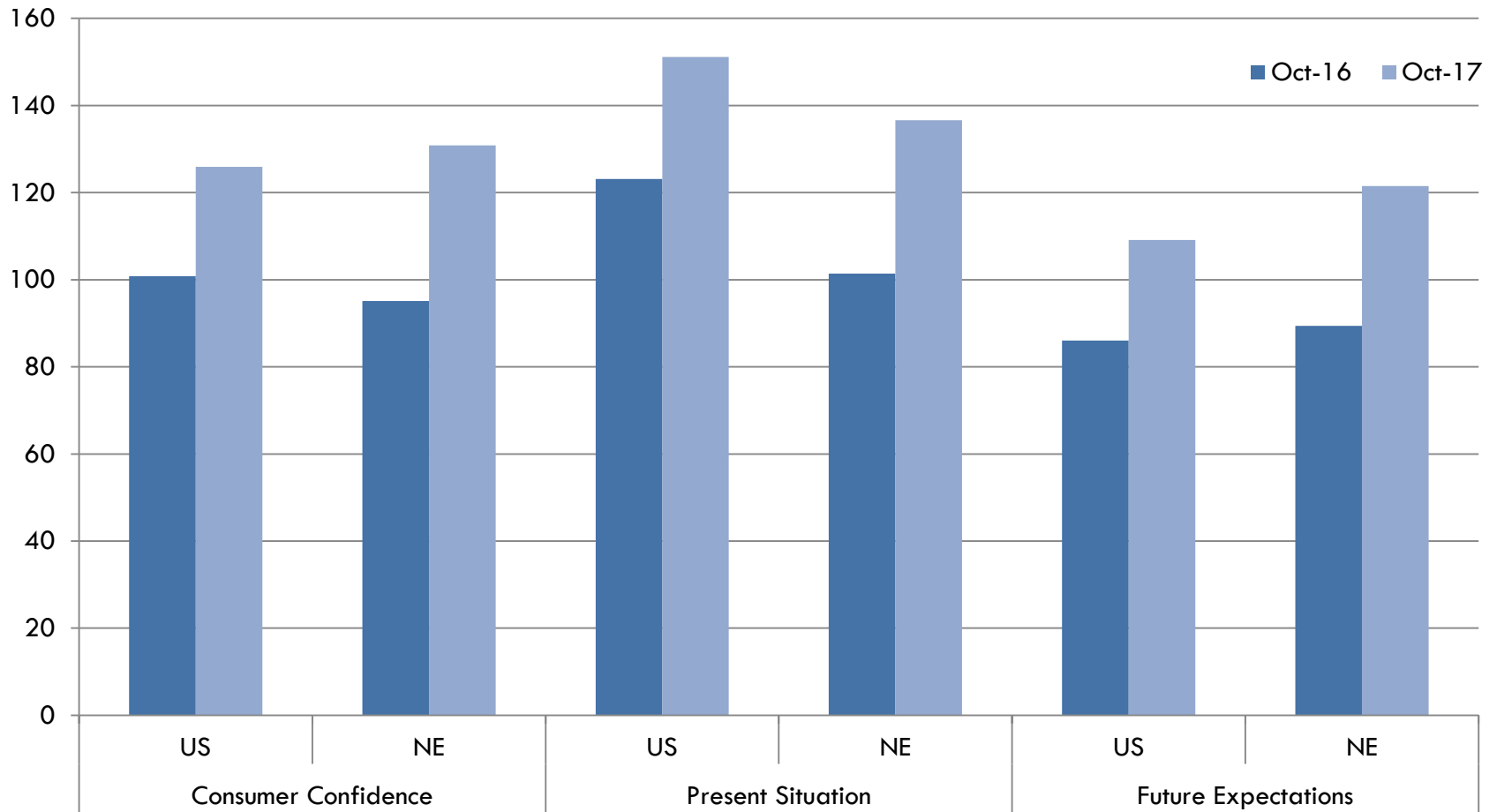


Source: U.S., Bureau of Economic Analysis (BEA); MassBenchmarks (Massachusetts 2017Q1 and later only).

# Consumer Confidence Exceeds Pre-Recession Levels

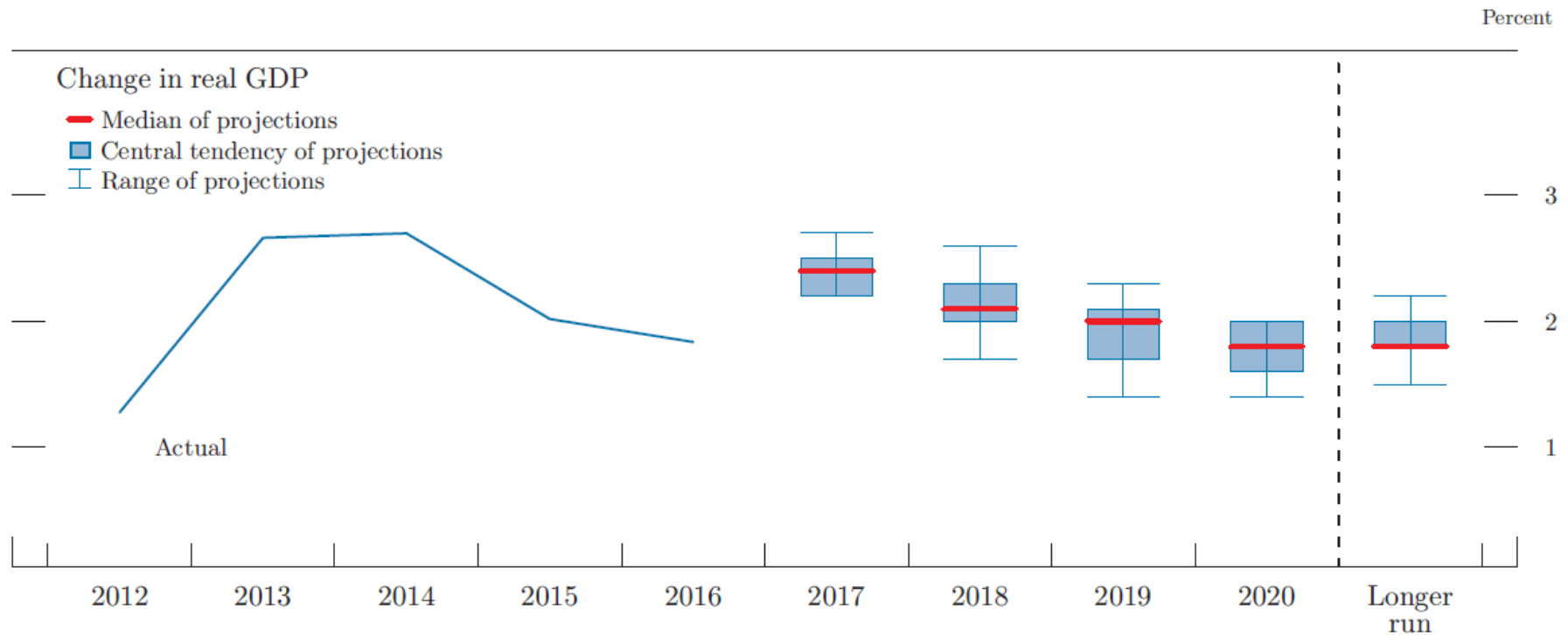


# Present and Future Confidence Both Increased



# FOMC Projections: GDP Growth Slows to 2% by 2019; at 1.8% in Long-Run

Figure 1. Medians, central tendencies, and ranges of economic projections, 2017–20 and over the longer run

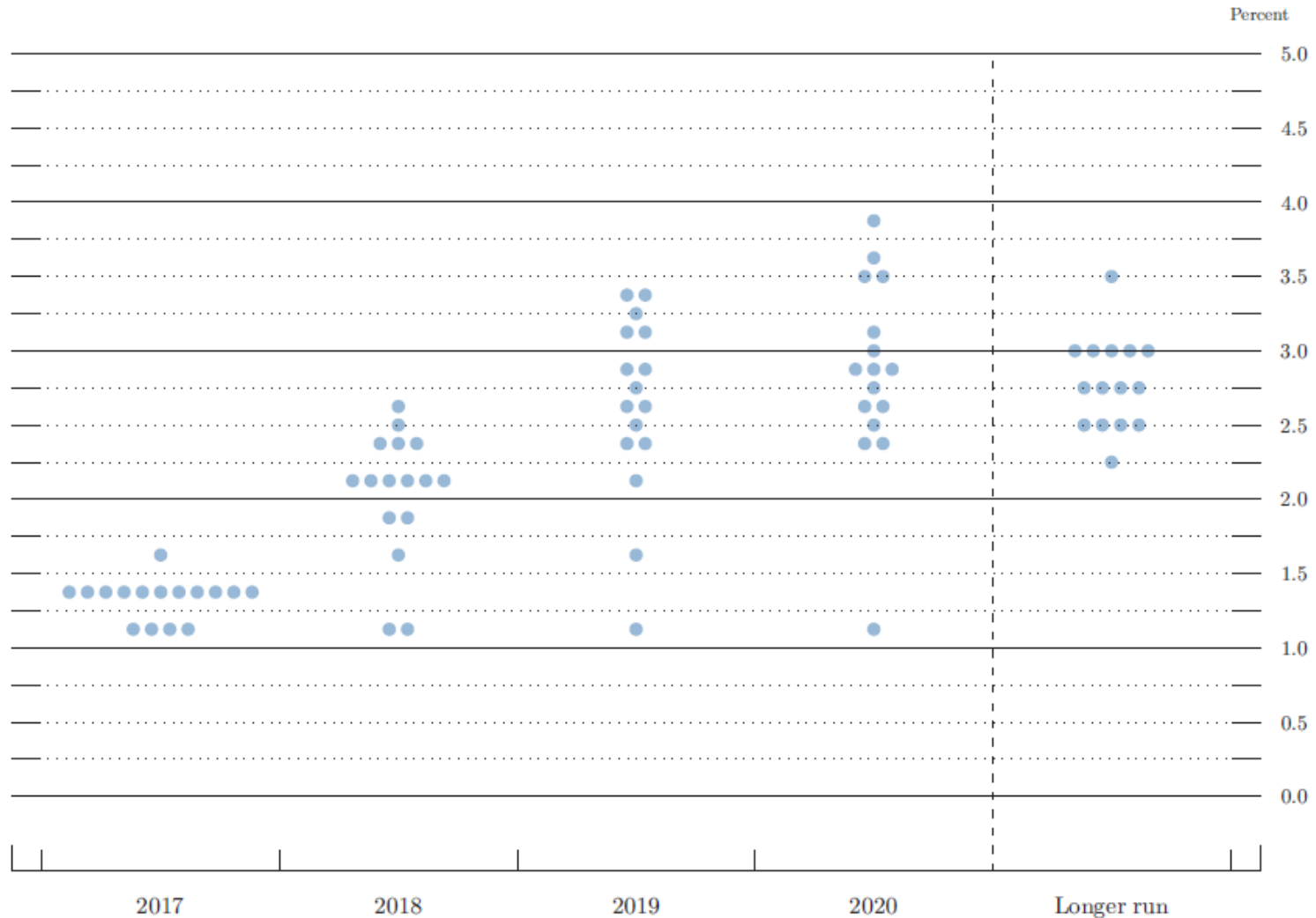


Source: Minutes of the Federal Open Market Committee September 20, 2017.

<https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20170920.pdf>.



# FOMC: Federal Funds Rate Below 4 Percent Through 2020; Long-Run Rate 2.8 Percent (Median)



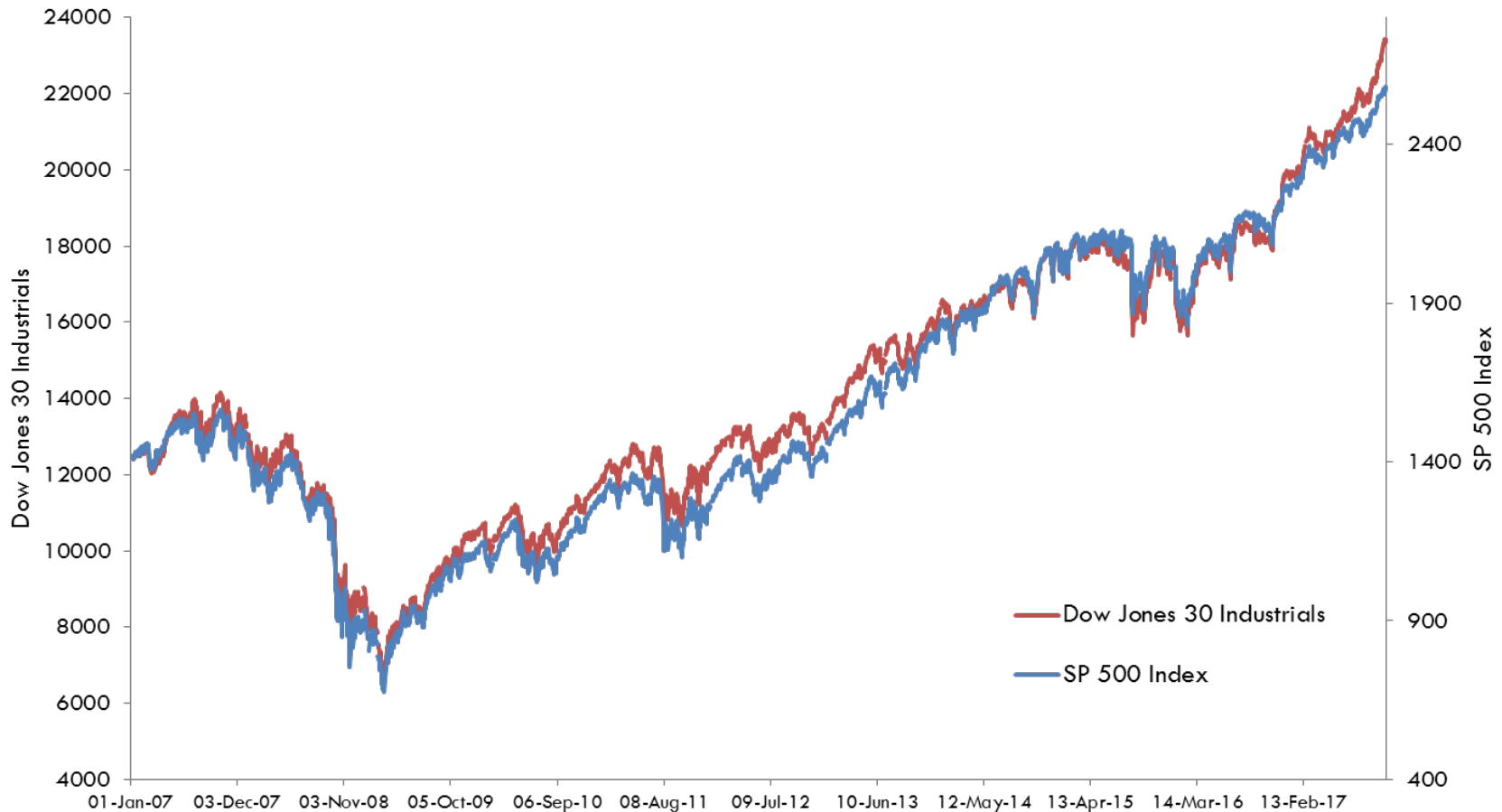
Source: Minutes of the Federal Open Market Committee September 20, 2017.

<https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20170920.pdf>.

# Risks to the Outlook

- Upside risks to growth
  - Strong labor market, bullish sentiment
  - Federal tax reform and/or deregulation
- Downside risks to growth
  - Can Fed achieve “soft landing”?
  - Debt-financed tax cuts can be contractionary
  - Stock market correction
- Risks for the region
  - Proposed federal policy changes
  - Ongoing drags on growth of labor force

# Major Stock Indexes Above Pre-Recession Highs by 50% or More



Sources: Dow Jones, The Wall Street Journal/Haver Analytics