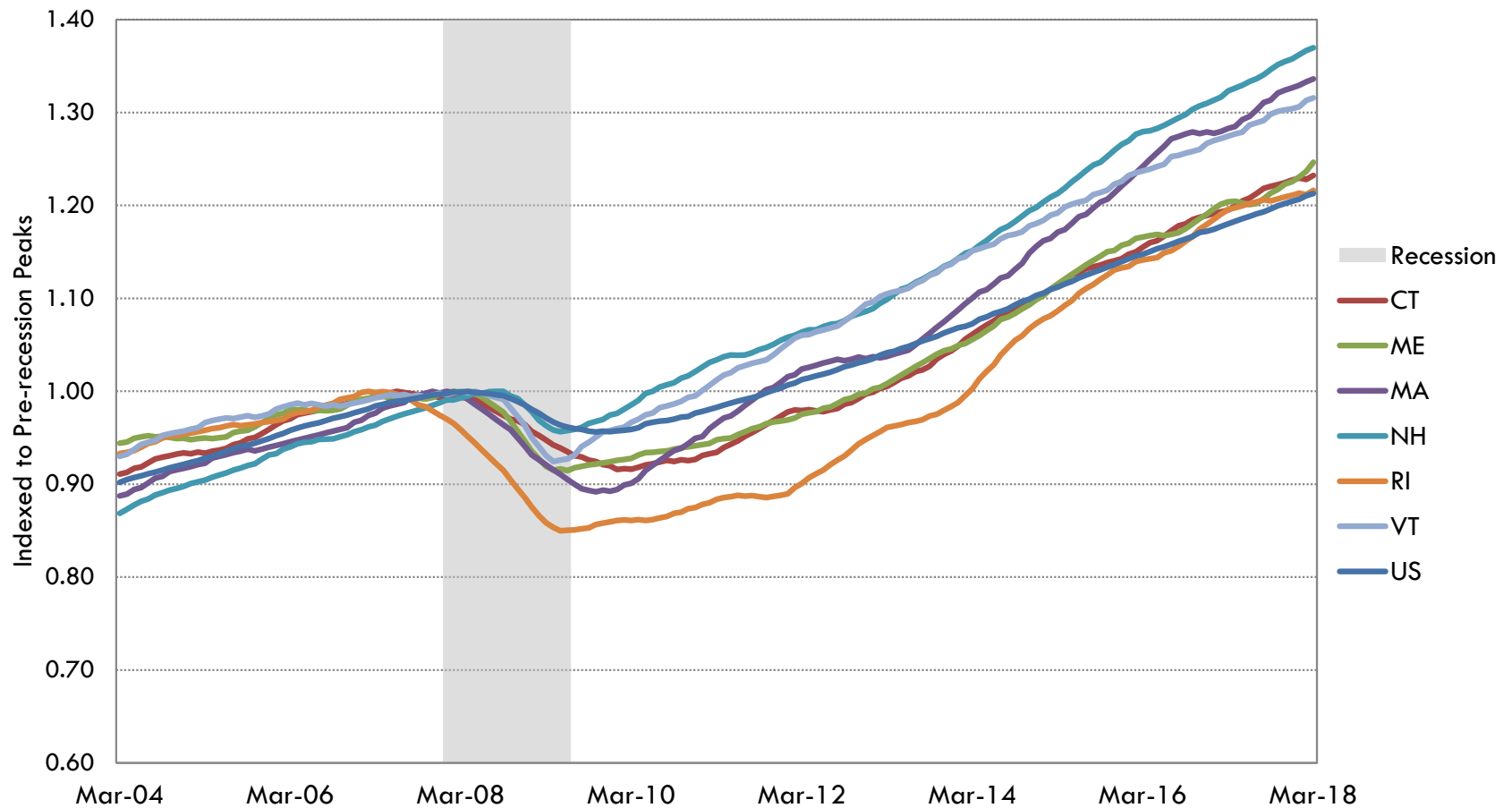


NEW ENGLAND ECONOMIC OUTLOOK

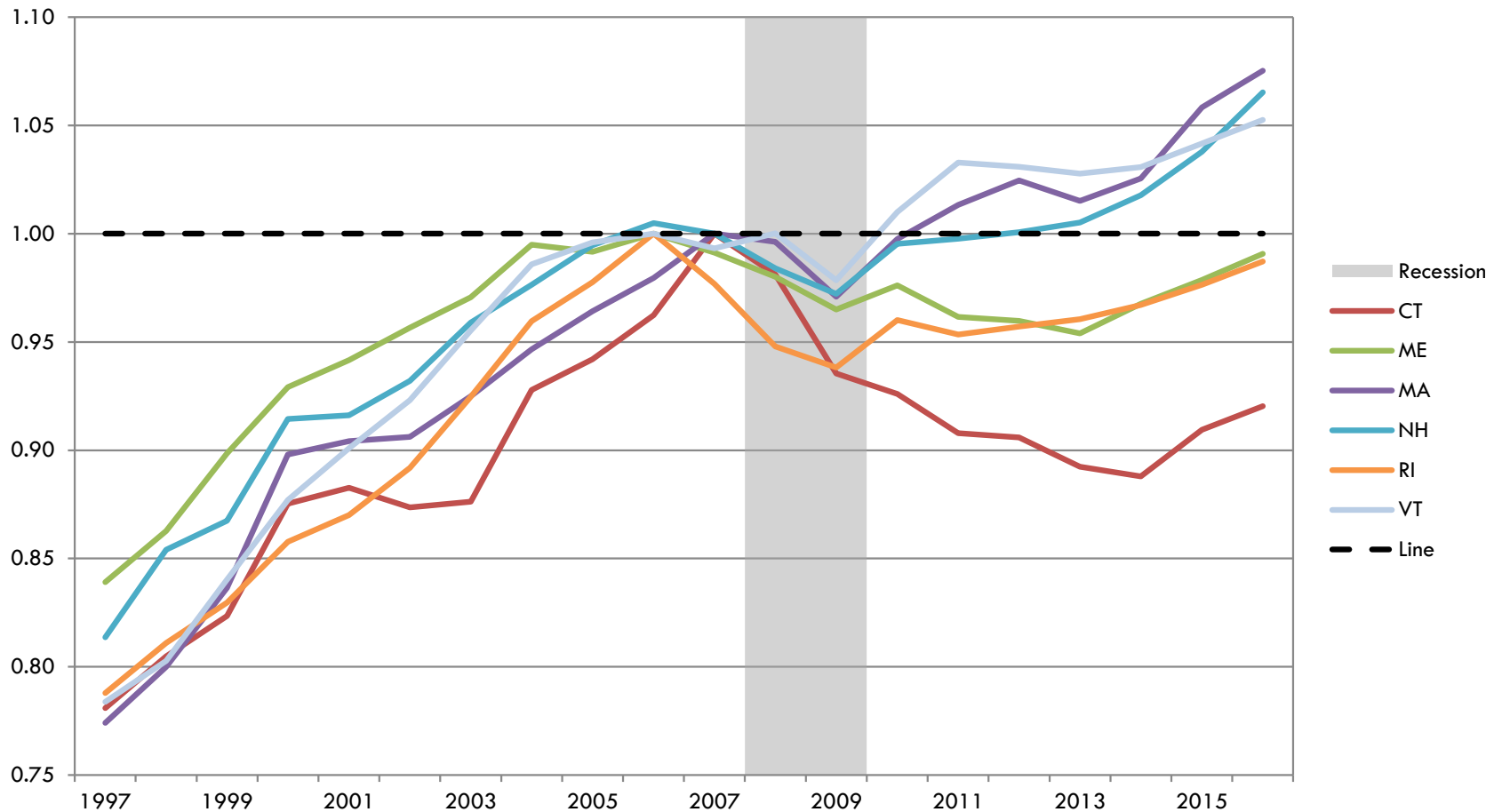
Lincoln Institute of Land Policy Economic Perspectives on State and Local Taxes May 11, 2018

Mary A. Burke
Senior Economist
New England Public Policy Center
Federal Reserve Bank of Boston

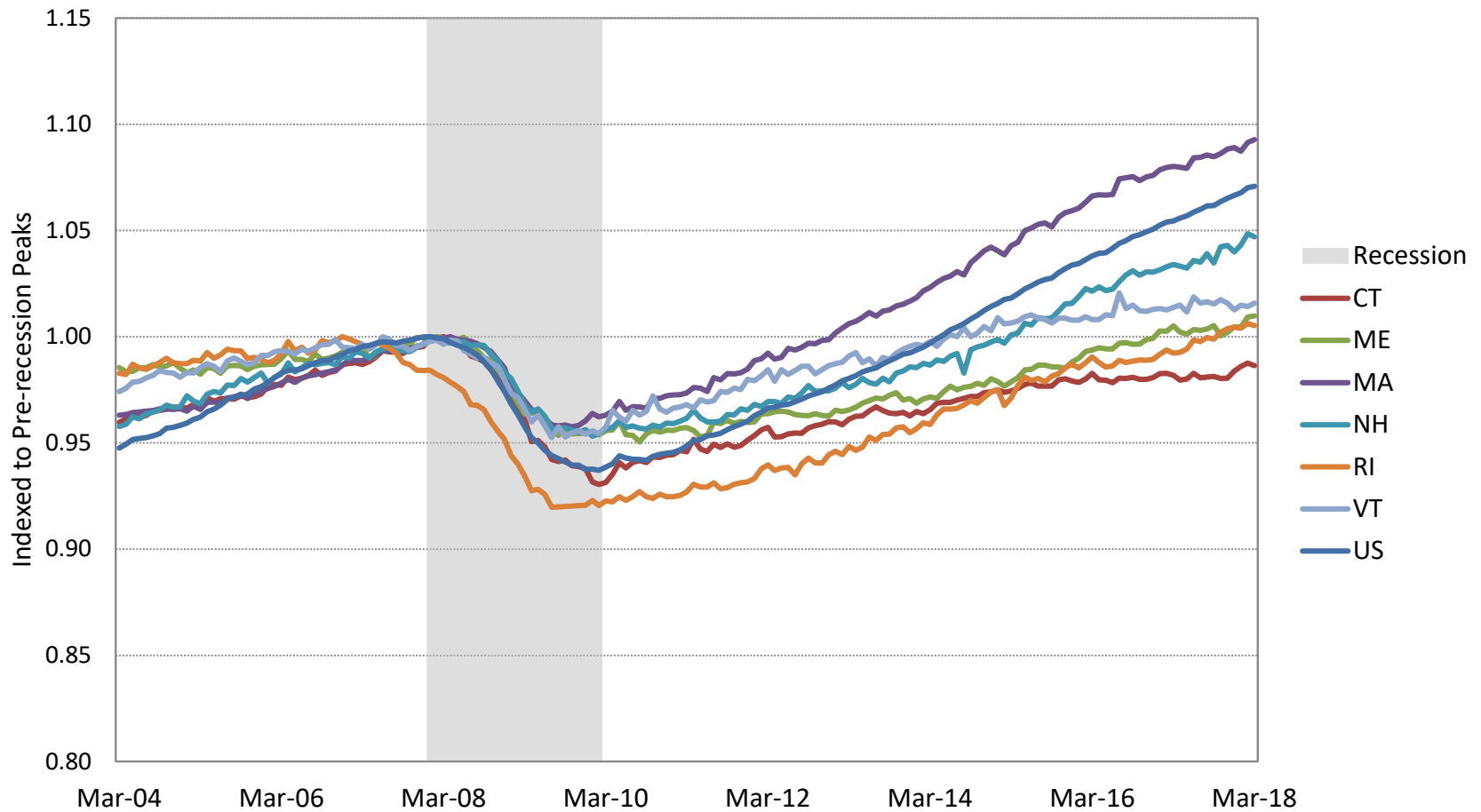
Economic Activity: Robust Net Growth From Pre-Recession Peak



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



Payroll Jobs Below Peak in CT; Job Growth Weak in VT



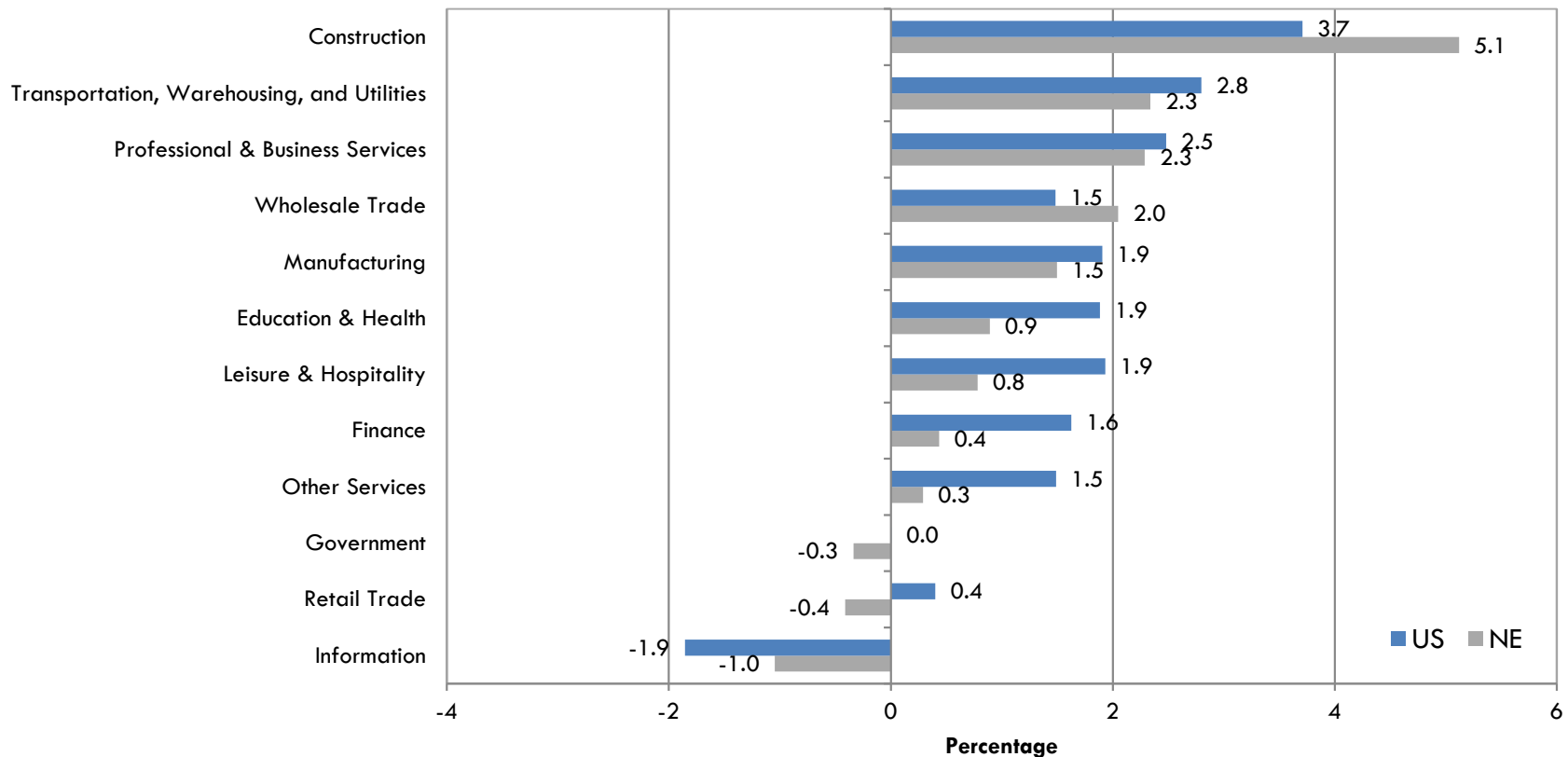
Employment Growth Well Below Trend in ME, VT

	Annual Long-term Trend	Last 12 months		Since Peak	
	Percent	Percent	Number	Percent	Number
United States	1.4	1.5	2,261,000	7.1	9,811,000
New England	0.9	0.9	68,000	4.8	343,600
Connecticut	0.5	0.5	7,800	-1.4	-23,300
Maine	1.1	0.5	2,900	1.0	6,100
Massachusetts	0.9	1.2	41,800	9.3	309,200
New Hampshire	1.5	1.3	8,500	4.7	30,700
Rhode Island	0.7	1.3	6,400	0.5	2,600
Vermont	1.3	0.2	600	1.6	4,900

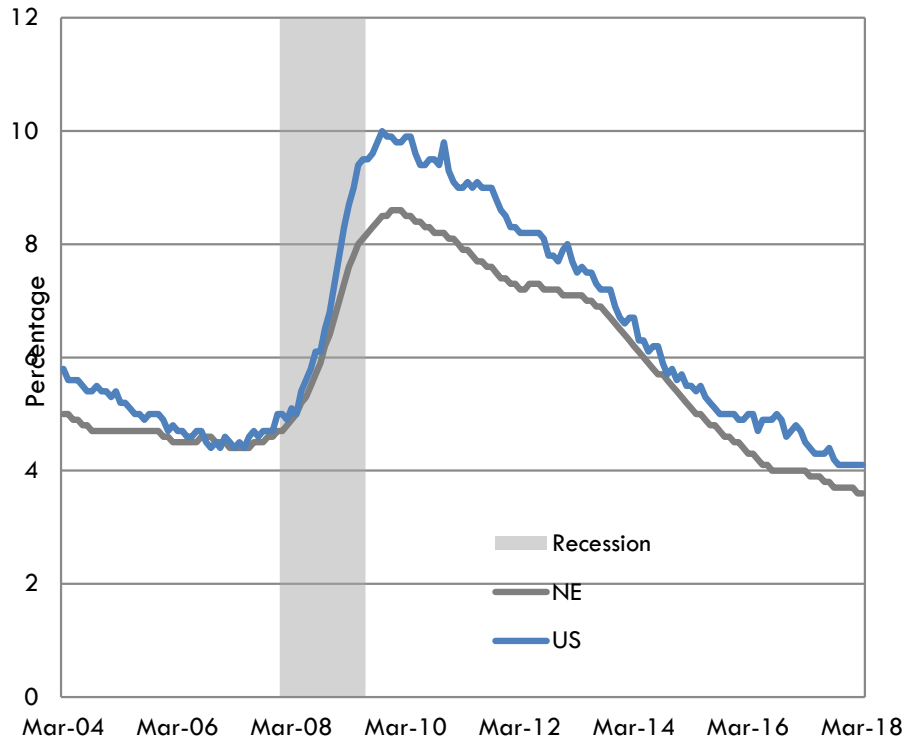
Note: “Last 12 months” refers to year-over-year growth through March 2018. “Annual Long-term trend” refers to average year-over-year growth for the period 1984-2017. “Since Peak” refers to employment change from each state’s pre-recession peak employment level.

Construction Sector Leads Employment Growth, Information Lags

Percent Change, March 2017 - March 2018

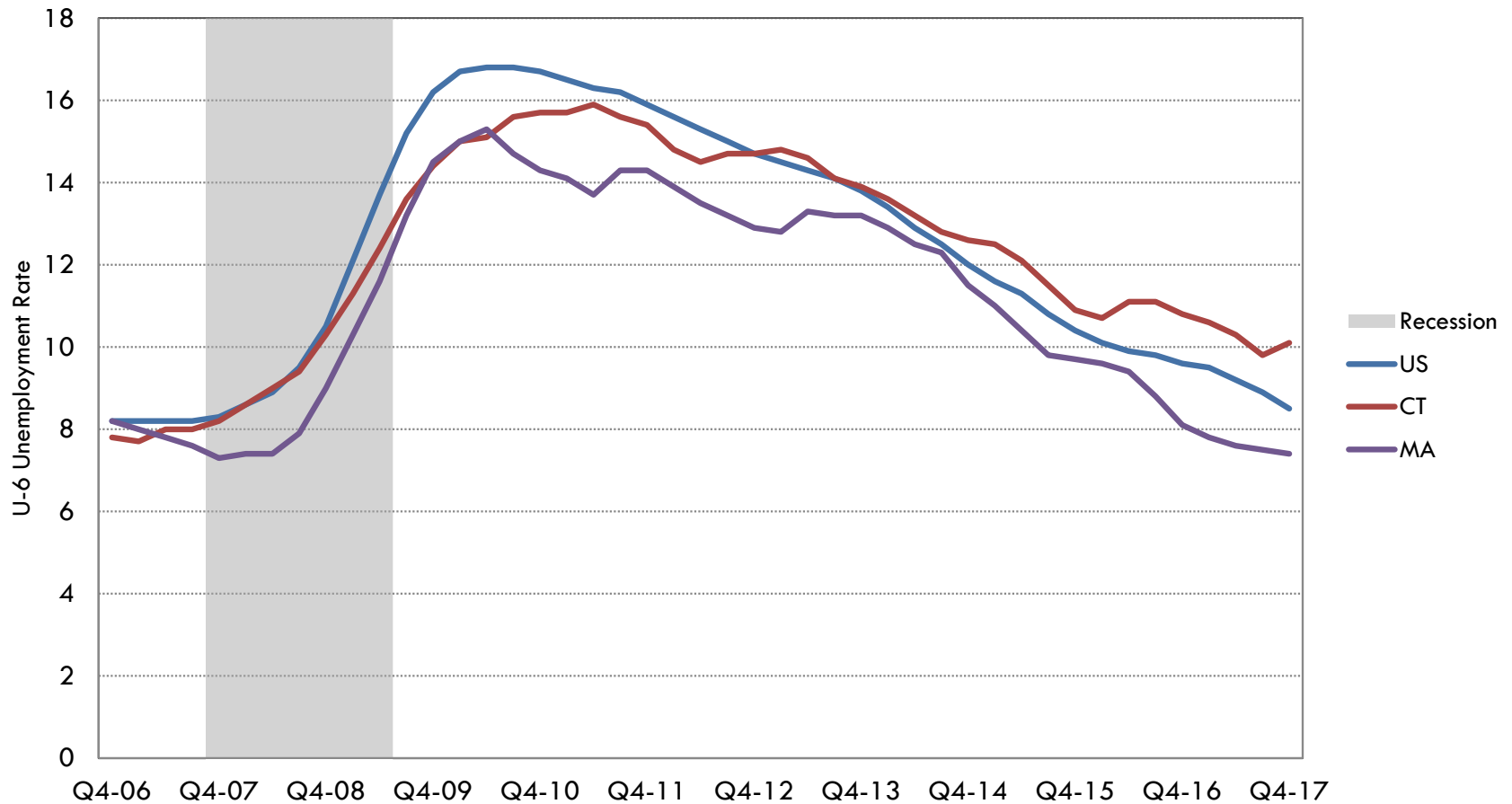


Unemployment Rate Very Low in All New England States



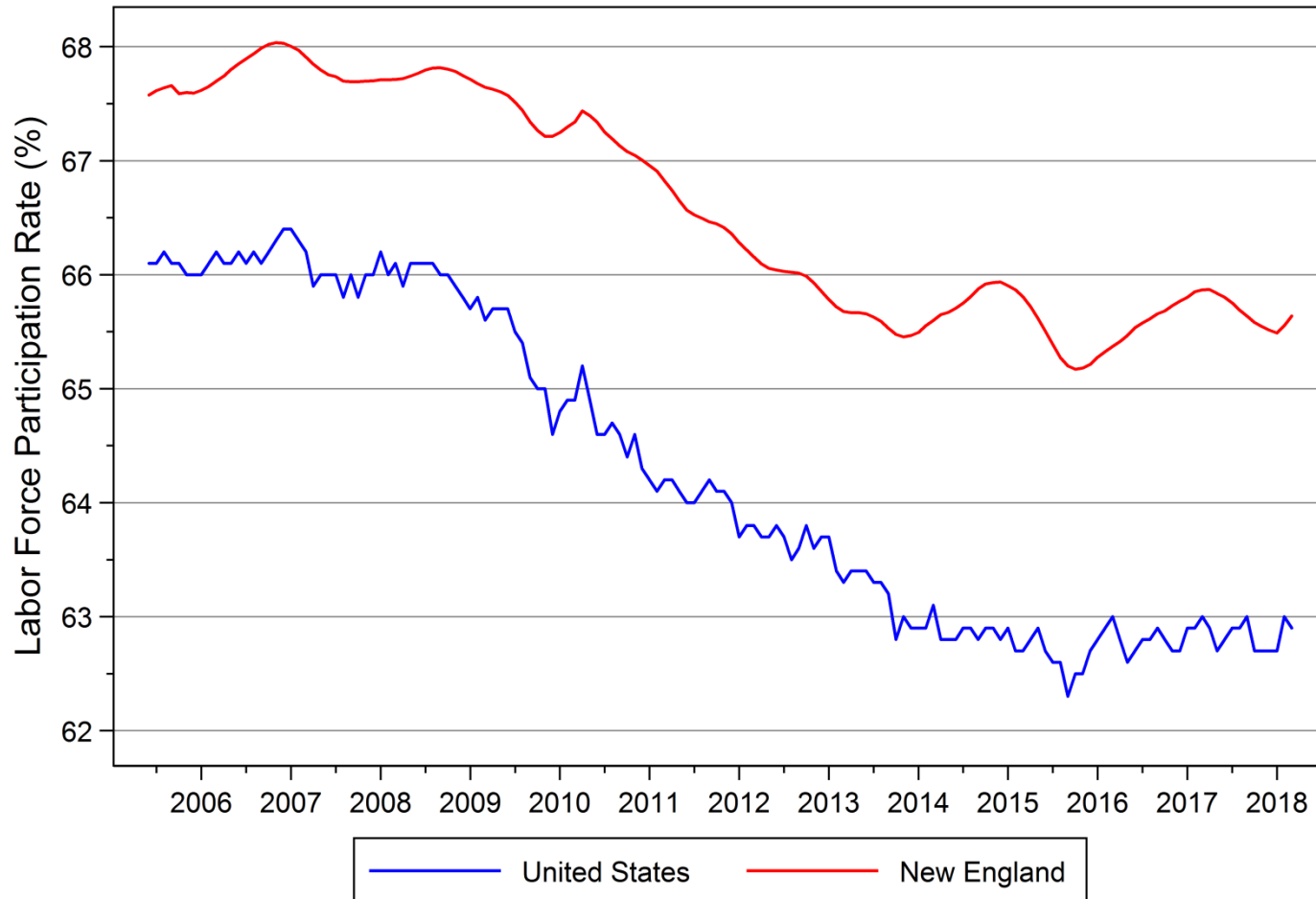
	Mar-17	Mar-18
United States	4.5	4.1
New England	4.0	3.6
Connecticut	4.9	4.5
Maine	3.3	2.7
Massachusetts	3.9	3.5
New Hampshire	2.7	2.6
Rhode Island	4.4	4.5
Vermont	3.1	2.8

Broader Unemployment Measure Shows Involuntary Part-Time Work Still Up in CT



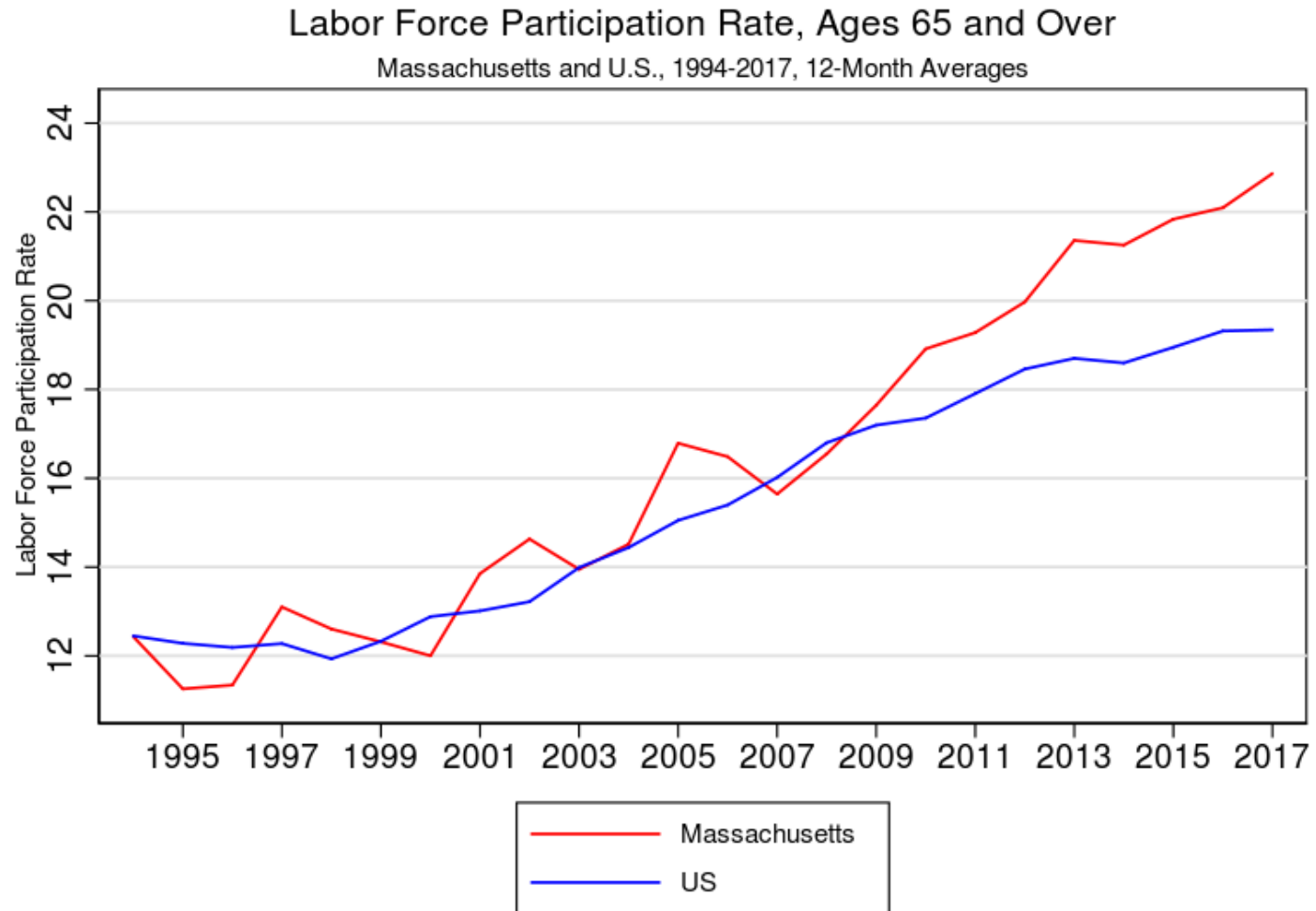
Labor Force Participation About Flat Since Late 2014, Despite Earlier Declines

(applies to U.S. and New England)

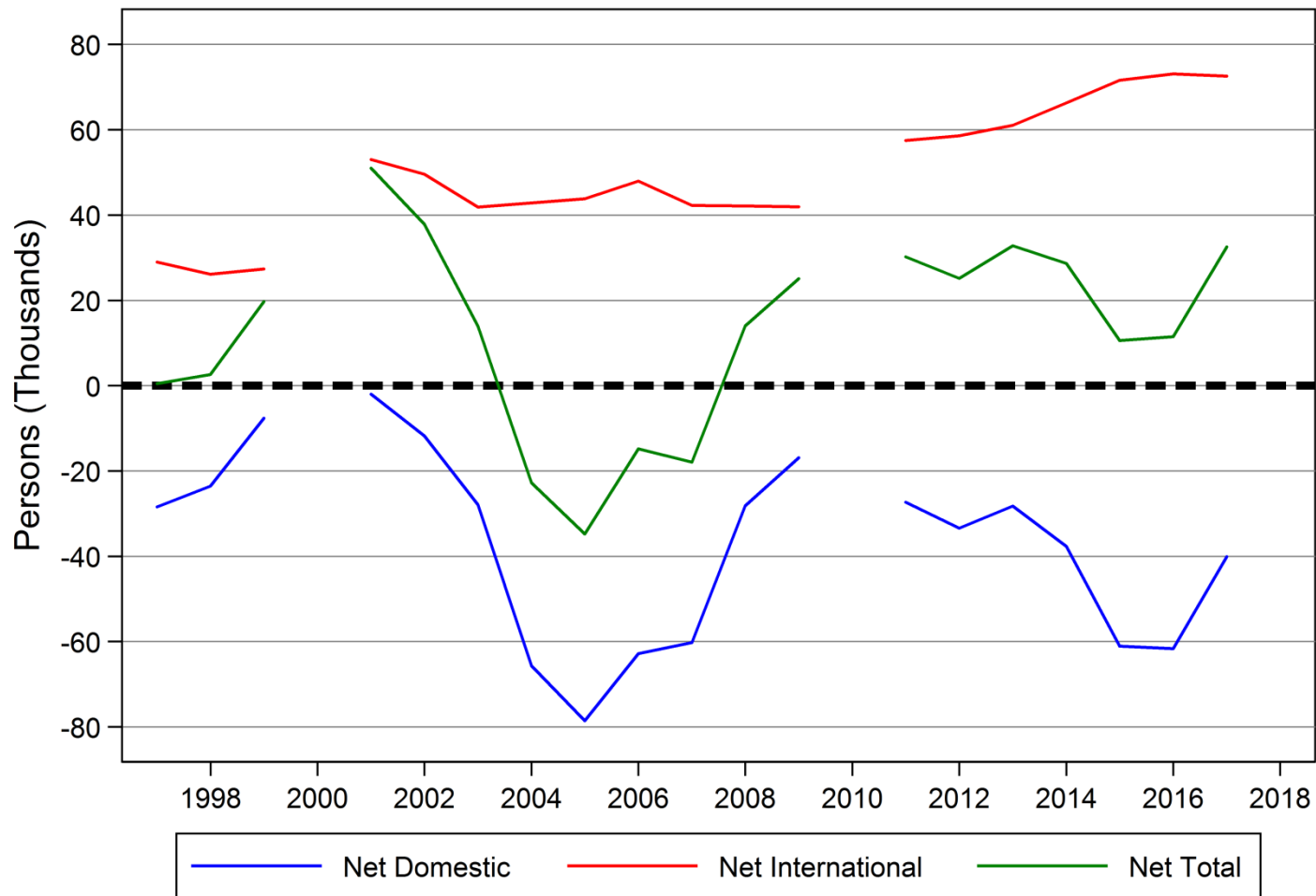


Source: Bureau of Labor Statistics; Seasonally-Adjusted Data

Increased Participation of Older Workers is Offsetting Effects of Population Aging

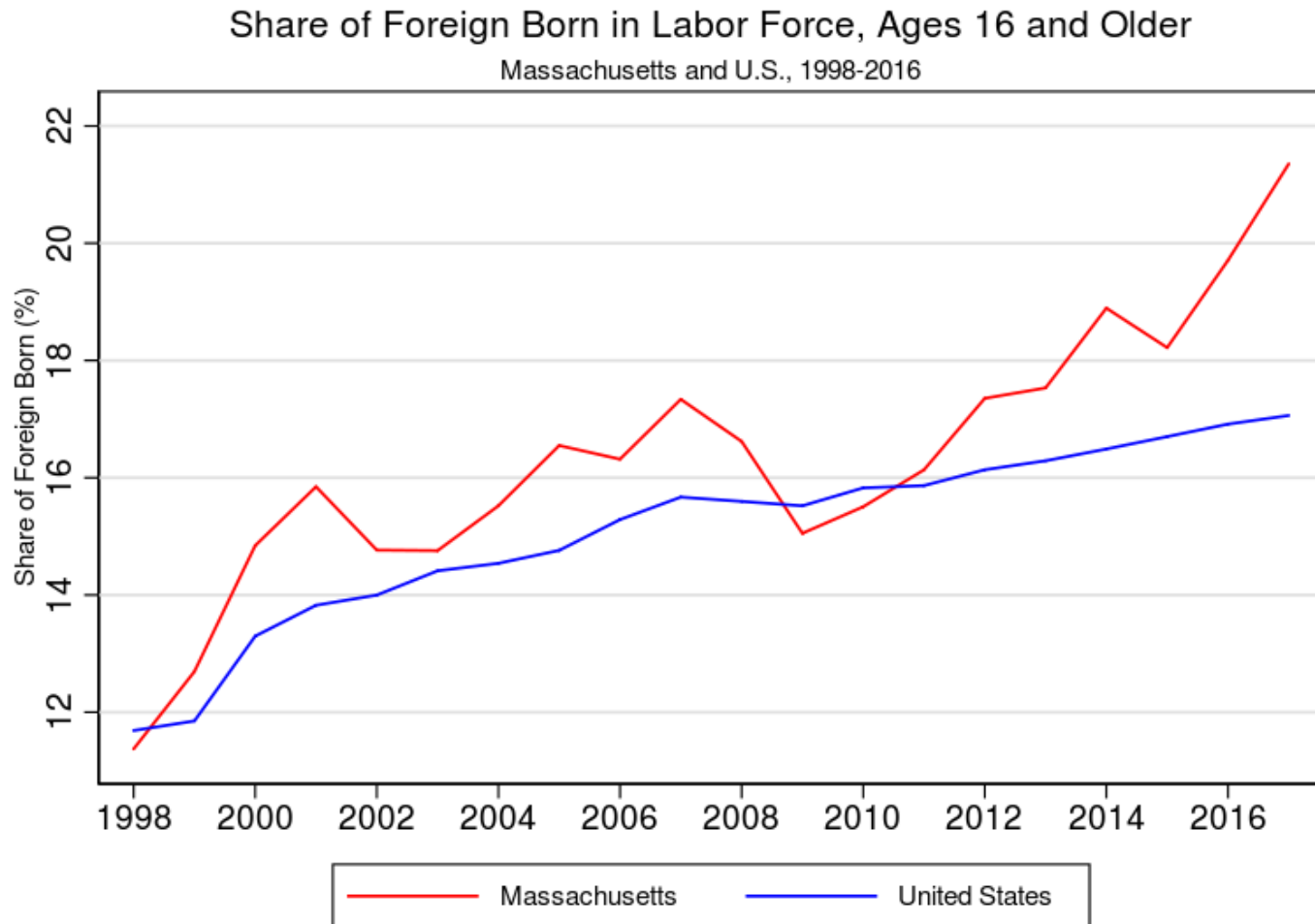


International Migration Makes Significant Contribution to New England Population

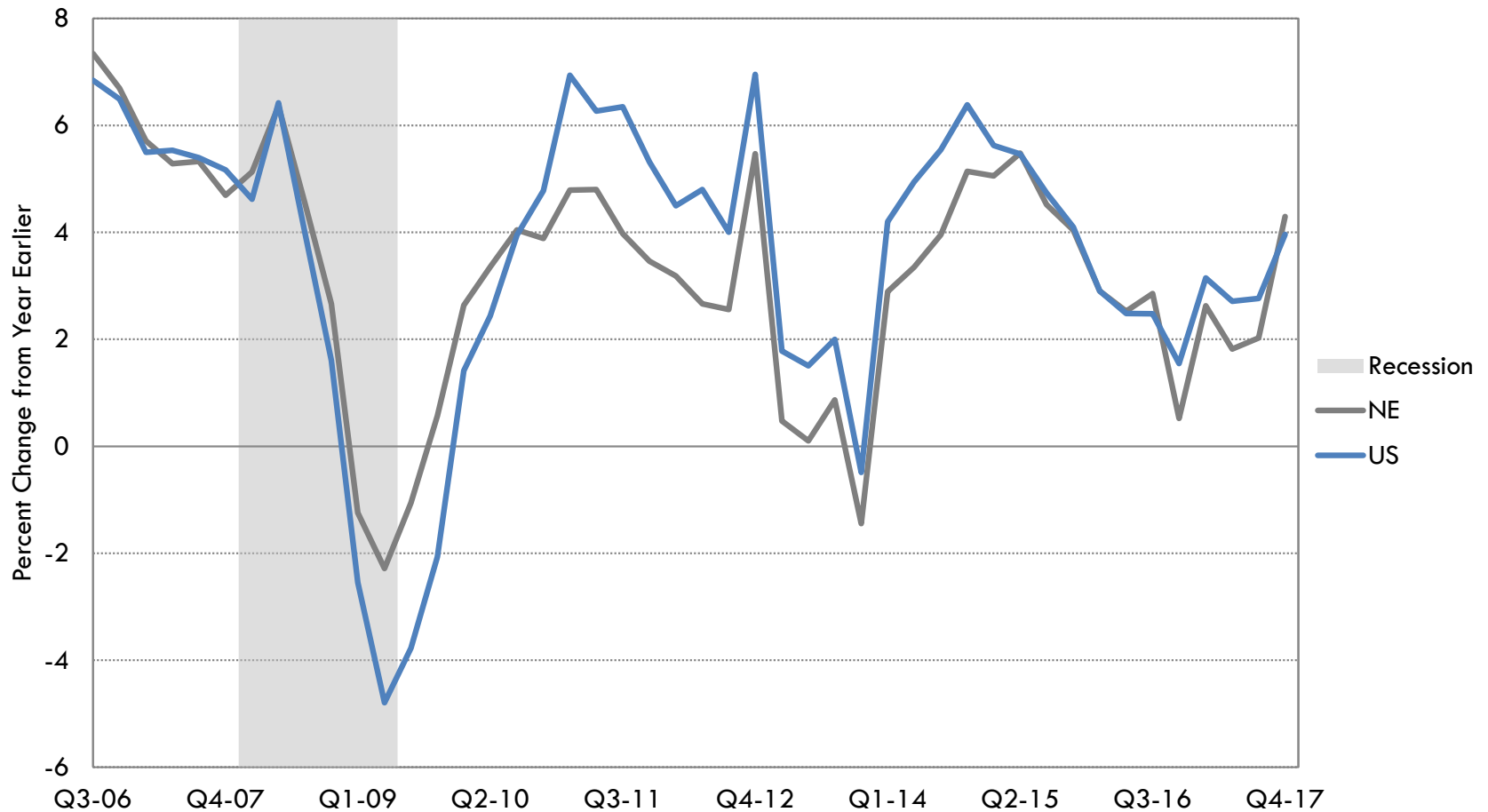


Source: Census Bureau/Haver Analytics

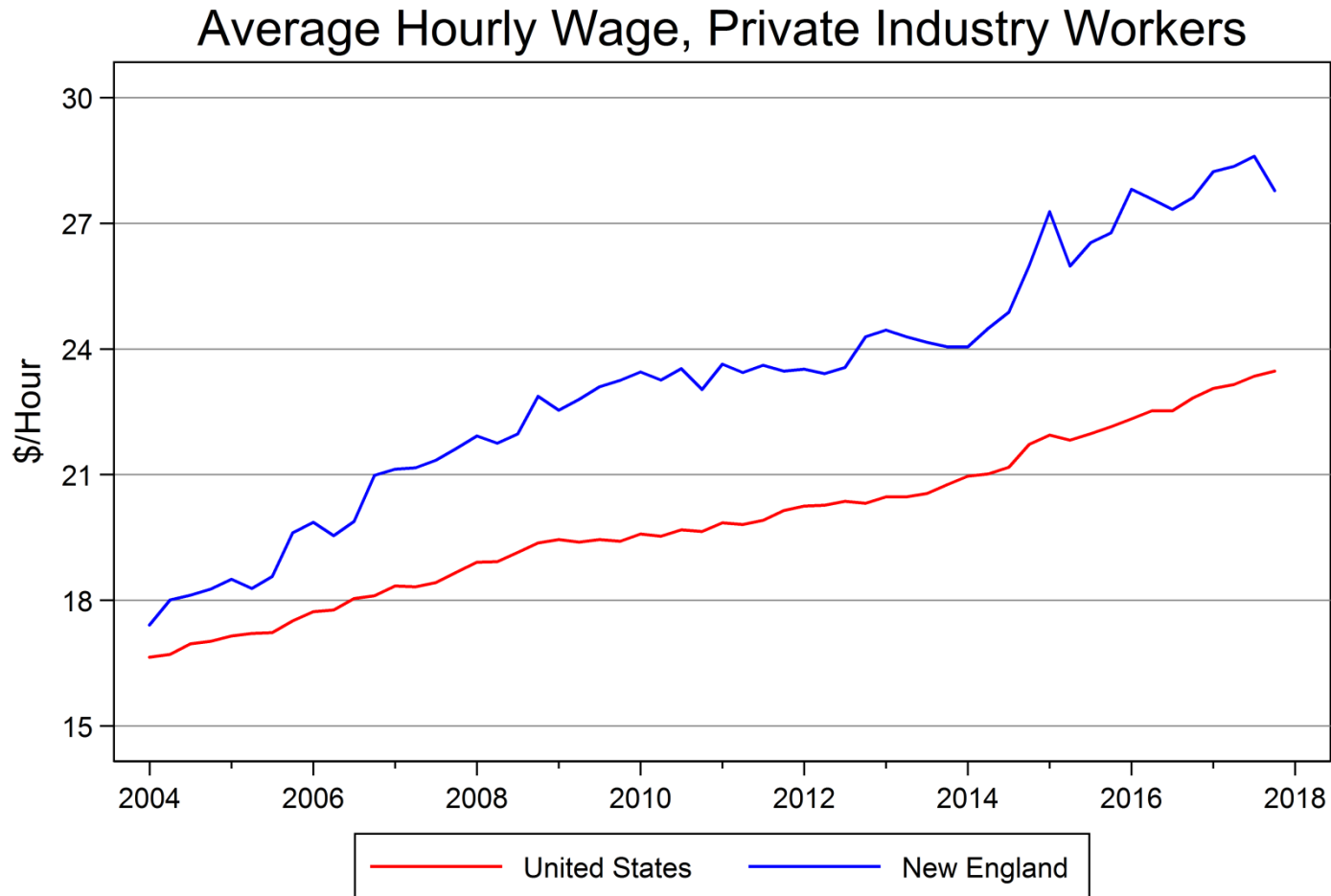
Foreign-Born Workers Increasing in MA Labor Force



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

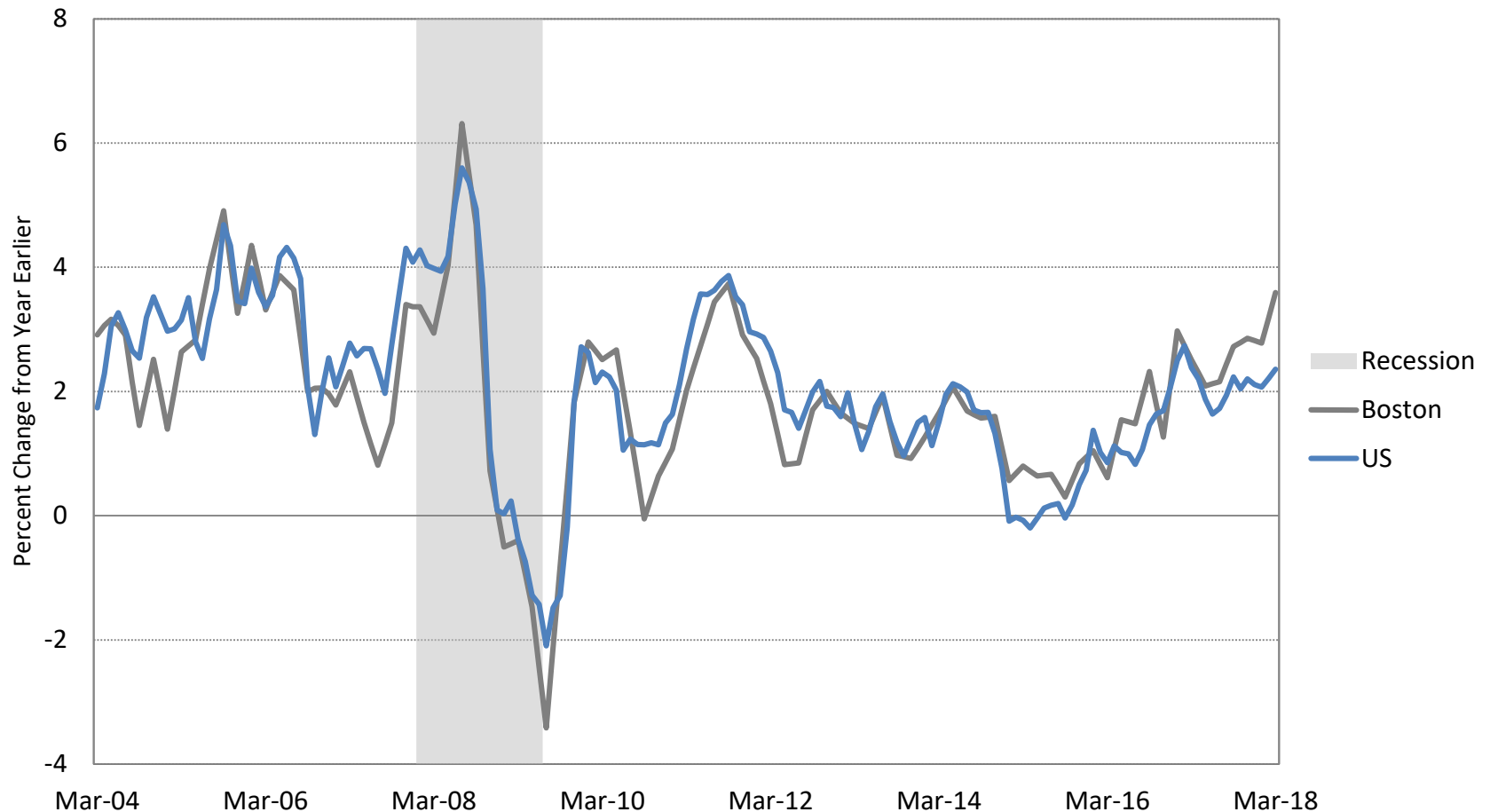
Income and Wage Growth Above U.S. Average in MA, NH, RI (to Dec. 2017)

	Personal Income			Wage and Salary Disbursements		
	Dec-2017	1-Qtr. Chg.	1-Yr. Chg.	Dec-2017	1-Qtr. Chg.	1-Yr. Chg.
United States	16,641,175	1.1%	4.0%	8,477,757	1.1%	4.6%
New England	941,596	1.2%	4.3%	480,313	1.1%	5.4%
Connecticut	254,733	1.1%	3.0%	114,774	1.0%	2.8%
Maine	61,018	1.0%	3.8%	28,928	1.0%	4.5%
Massachusetts	459,324	1.3%	4.9%	256,370	1.1%	6.3%
New Hampshire	78,737	1.2%	5.7%	37,824	1.0%	7.6%
Rhode Island	55,556	1.2%	4.6%	27,529	1.1%	6.3%
Vermont	32,228	1.0%	3.4%	14,887	1.0%	4.2%

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

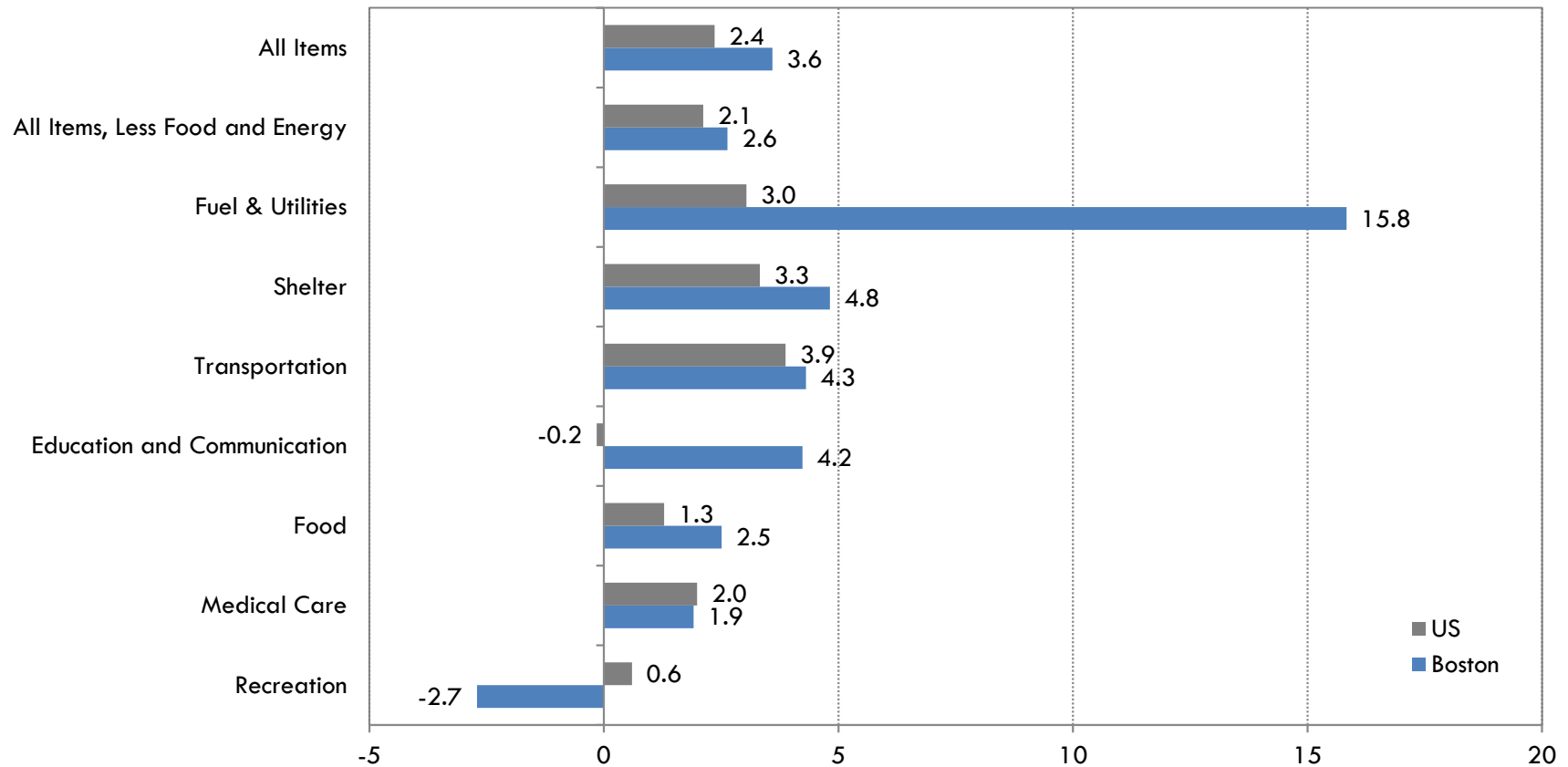
Note: Data represent millions of dollars and are seasonally adjusted.

Headline CPI Inflation Up Since 2015; Boston Rate Above U.S.

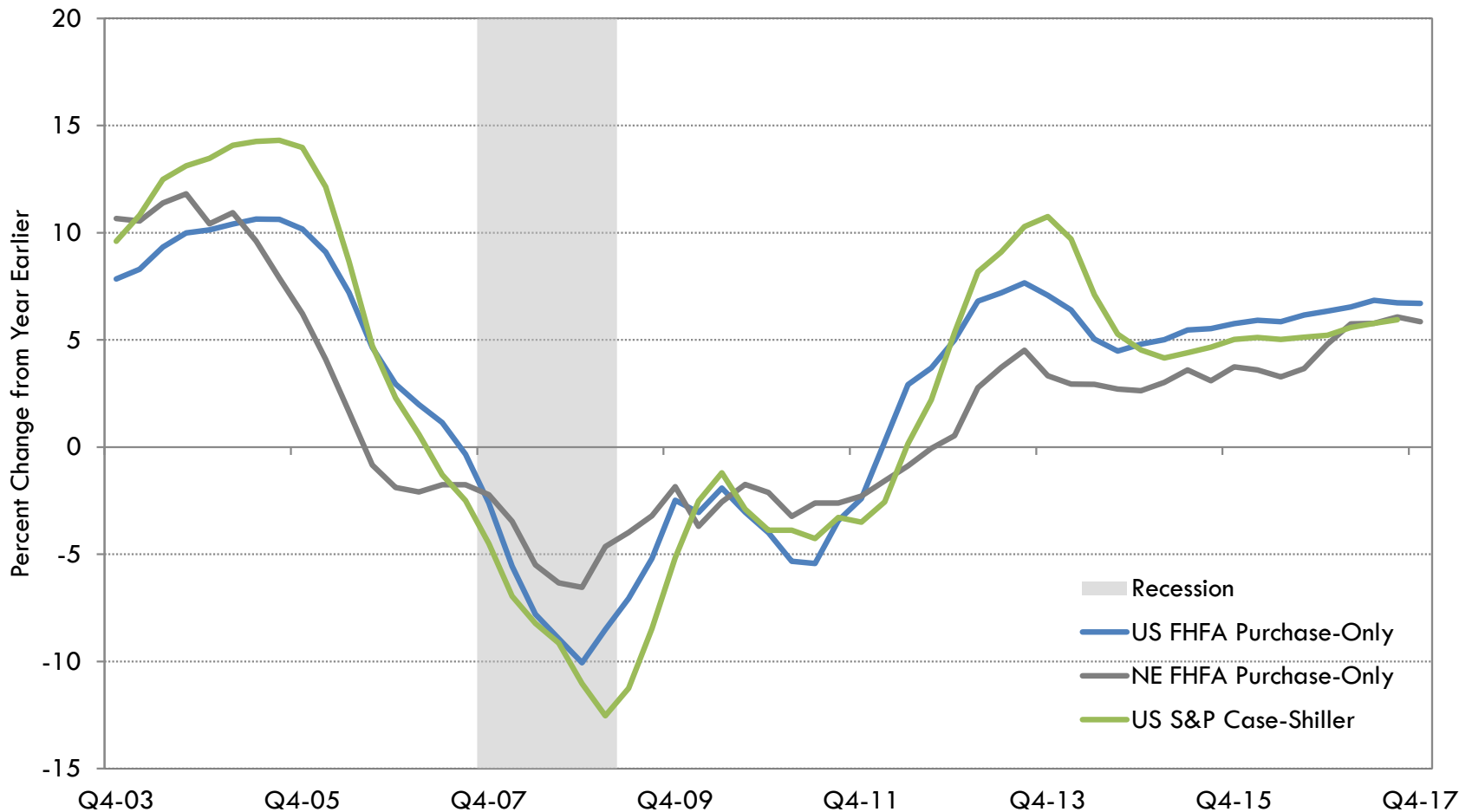


Fuel & Utilities Prices Driving Inflation Higher in Boston

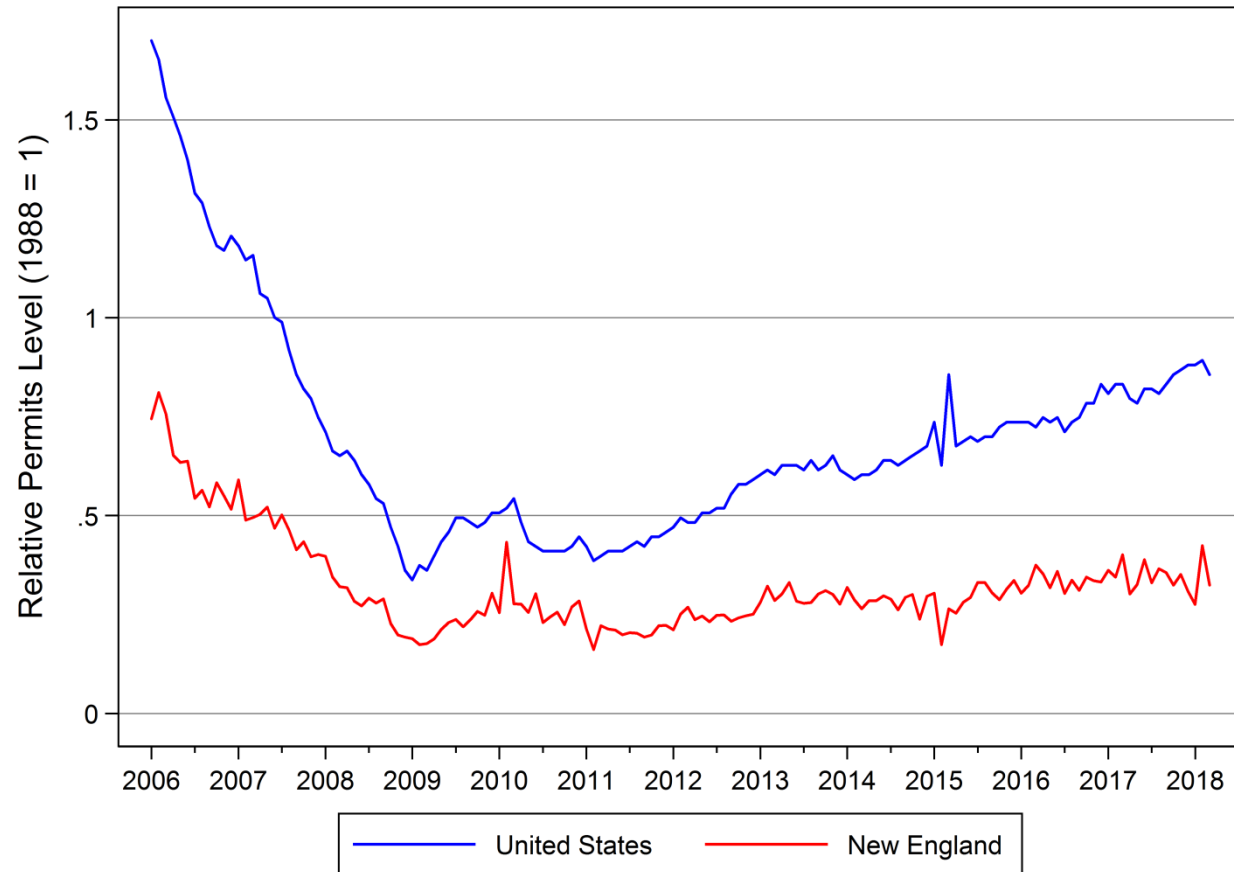
Percent Change, March 2017 - March 2018



House Price Growth Up in New England Since Mid-2016



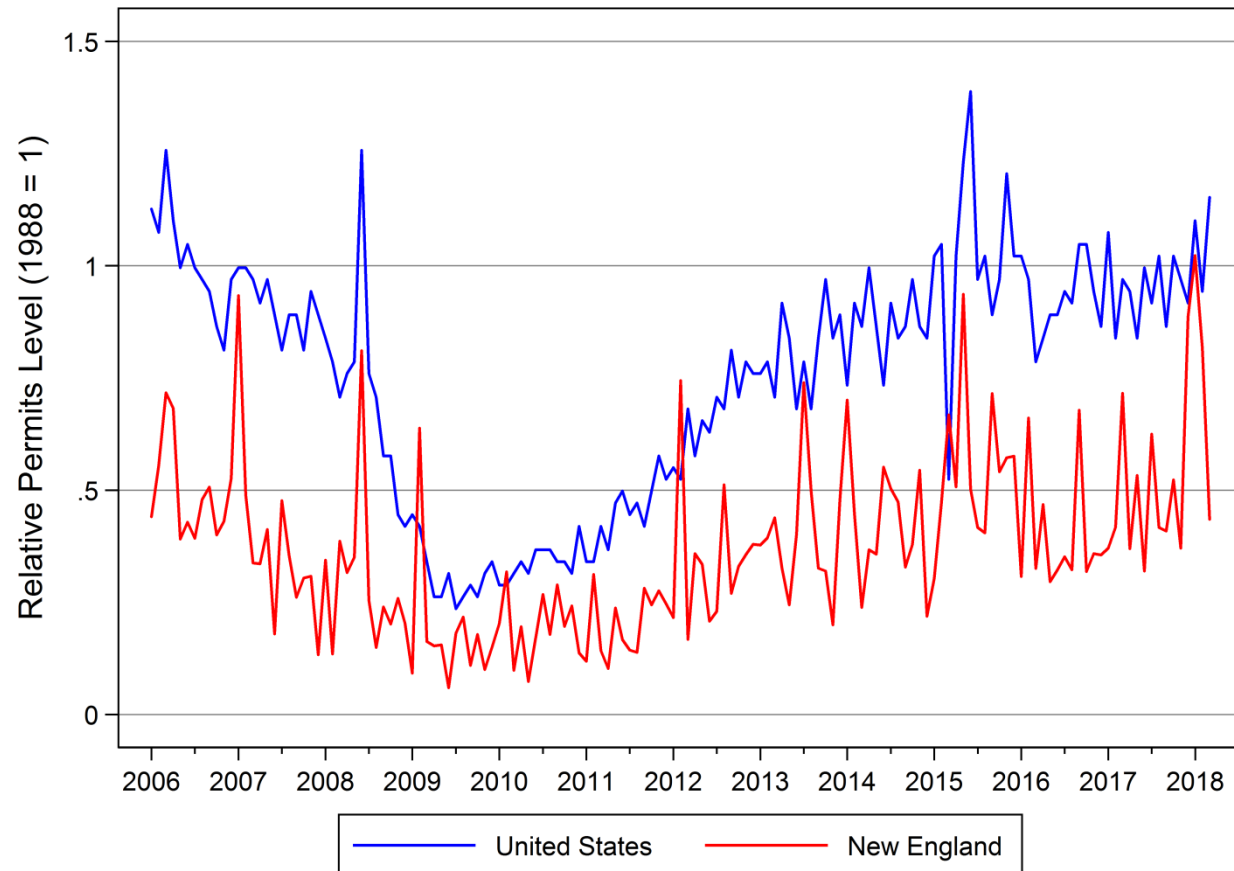
Single-Family Permits Well Below Pre-Recession Highs



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

Note: Data are seasonally adjusted.

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



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

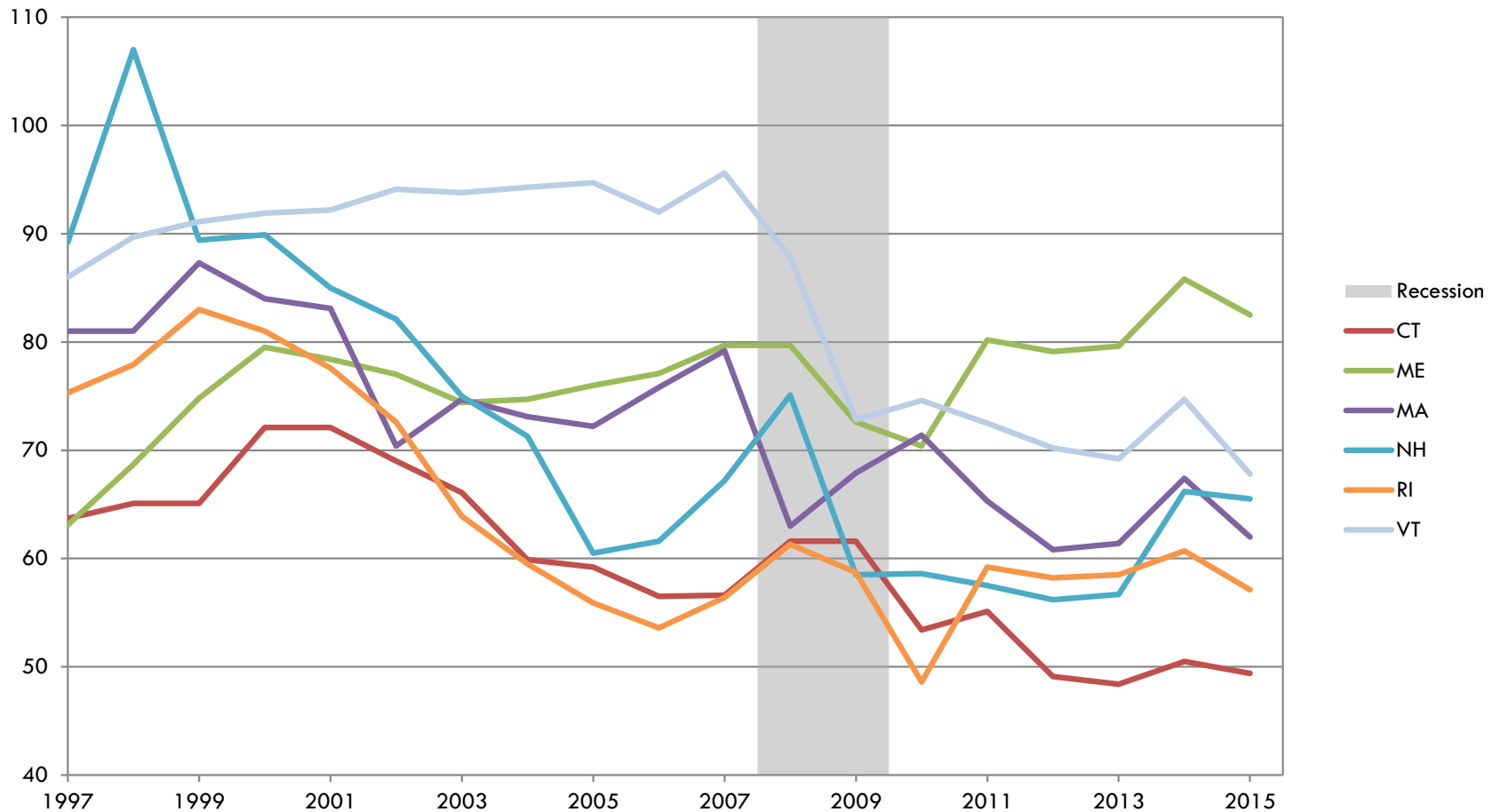
Note: Data are seasonally adjusted.

Most NE States Facing Fiscal Strain, Weak Revenue Growth

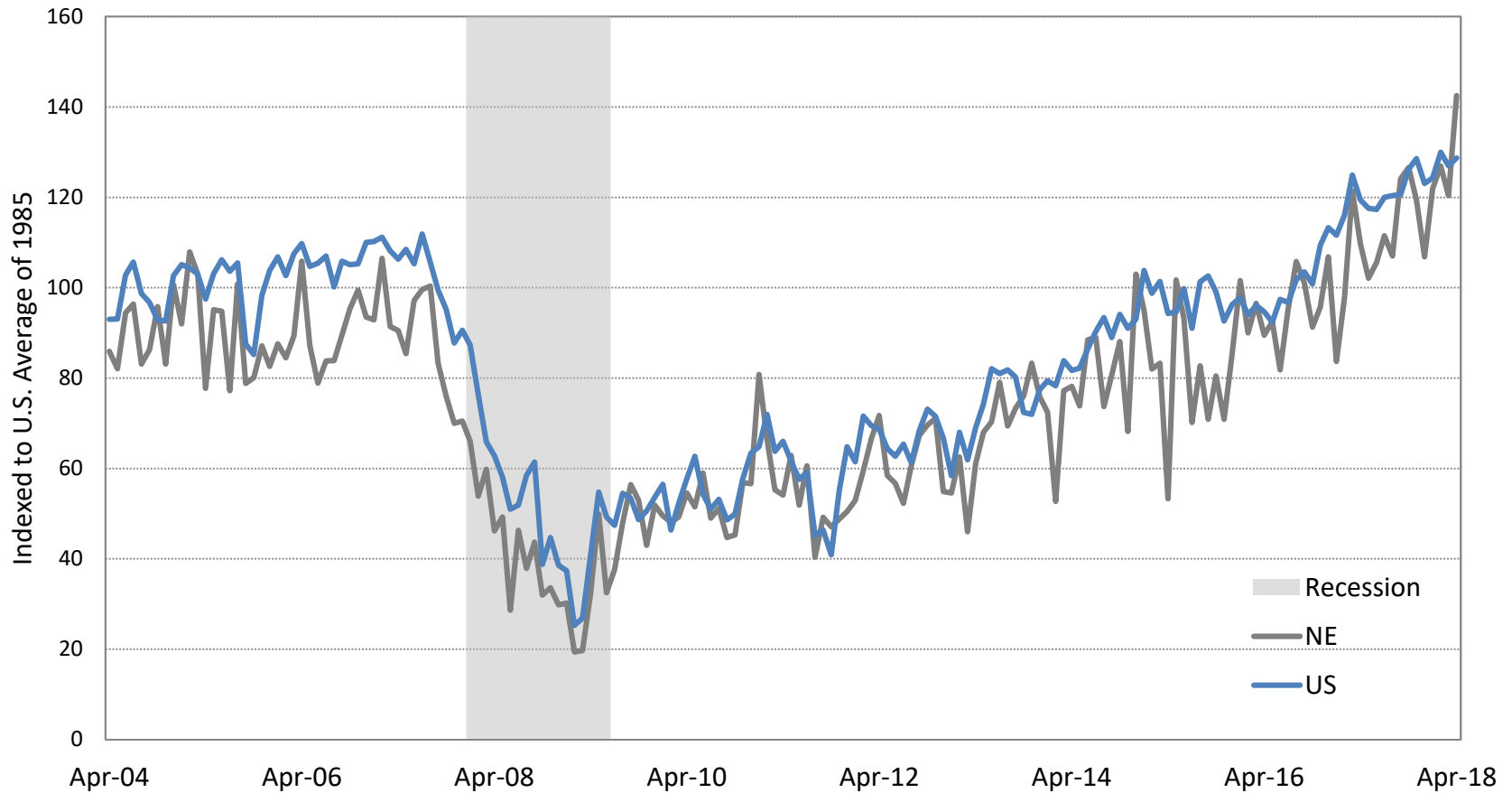
	2017YTD- 2016YTD Taxes (%)	FY17 Shortfall	As % of Gen. Fund	FY18 Shortfall	As % of Gen. Fund
CT	-0.3%	(\$467M)	3%	(\$2.3B)	13%
ME	2.1%	--	--	--	--
MA	-0.5%	(\$431M)	1%	(\$749M)	2%
NH	-11.1%	--	--	--	--
RI	-1.8%	--	--	(\$134M)	4%
VT	2.1%	--	--	(\$76M)	5%

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

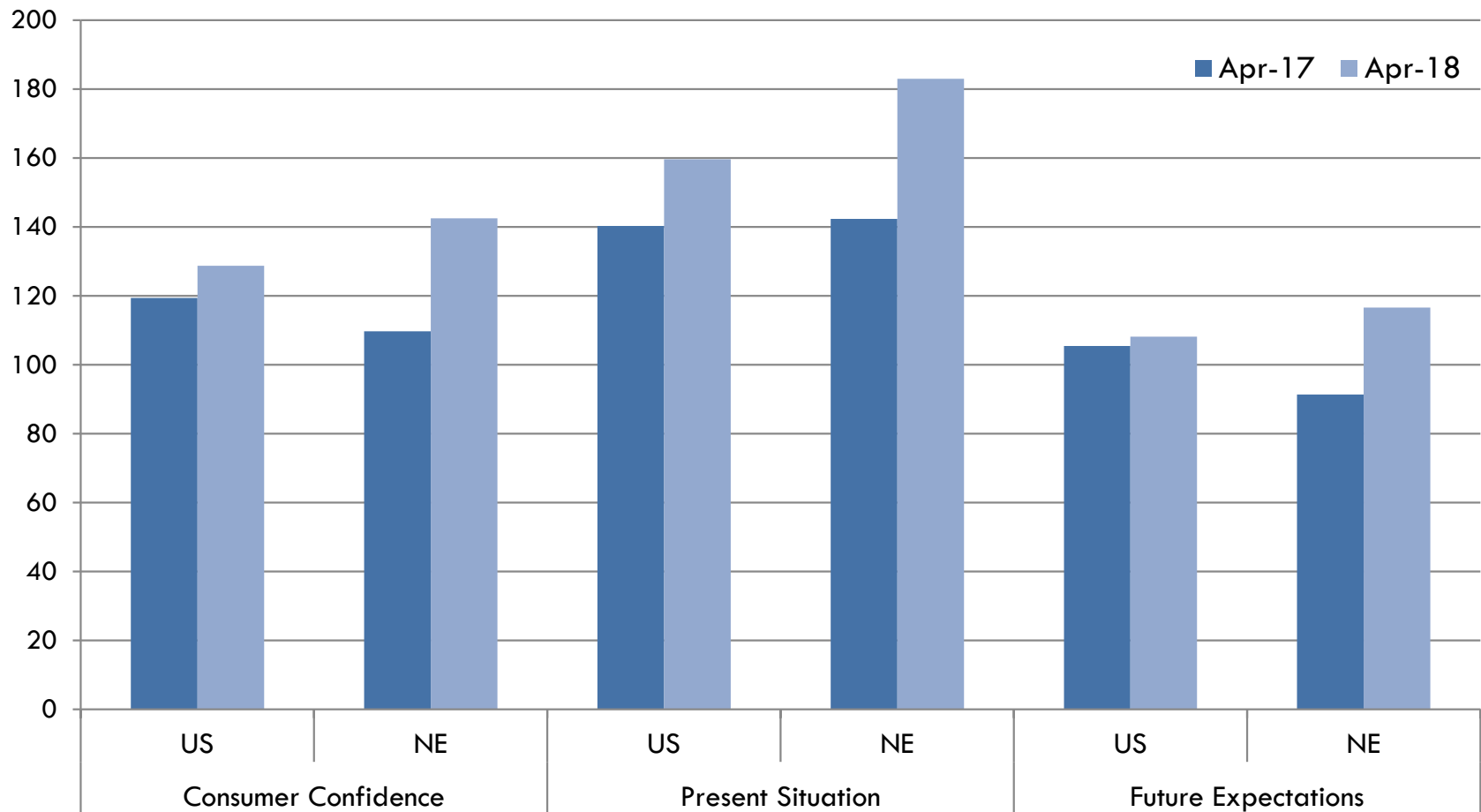
Pension Funding Level Below 70 Percent in Most States (Except ME)



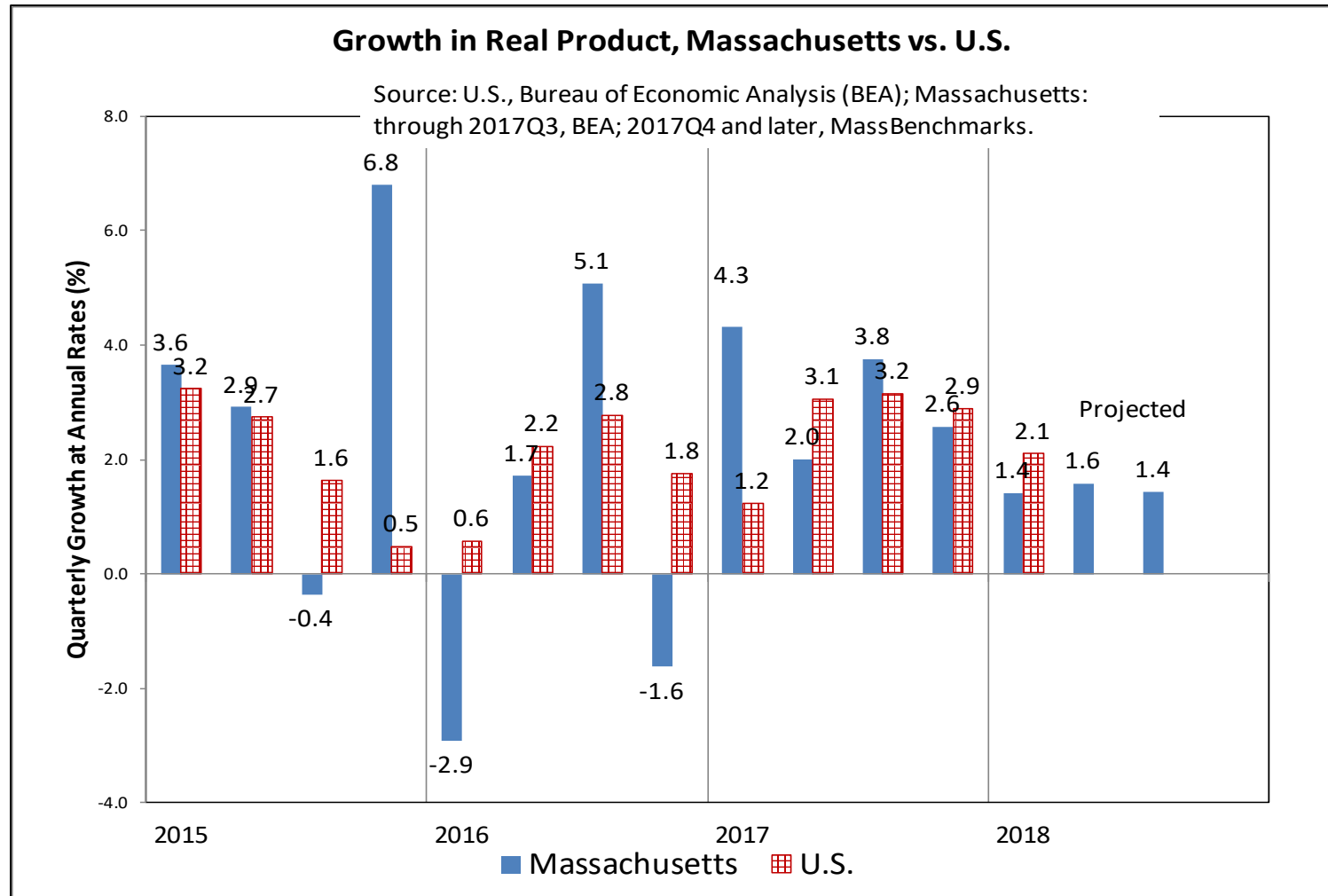
Consumer Confidence Exceeds Pre-Recession Levels



Present and Future Confidence Both Increased



MA Econ. Growth Expected to Slow in 2018



NEEP Forecasts Slowing Labor Force Growth, Steady Growth in Output and Population

	2016	2017	2018	2019	2020	2021
	actual	forecast	forecast	forecast	forecast	forecast
Labor force						
In 1,000s	7,817	7,916	7,961	7,999	8,035	8,068
% <i>change</i>	0.2%	1.3%	0.6%	0.5%	0.4%	0.4%
Population						
% <i>change</i>	0.2%	0.3%	0.4%	0.4%	0.4%	0.4%
Gross Product						
% <i>change</i>	1.8%	1.9%	2.1%	1.7%	1.7%	1.9%

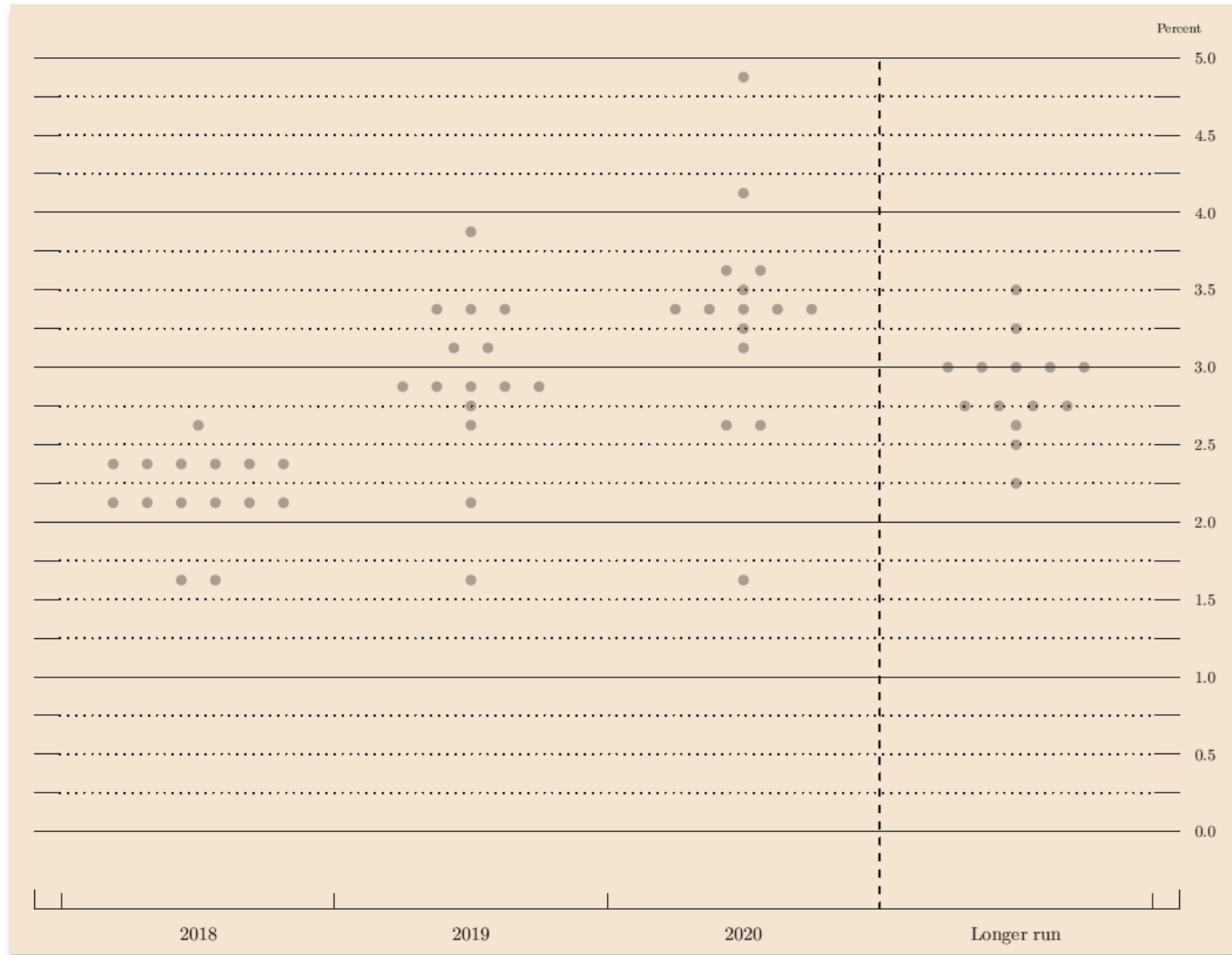
Source: New England Economic Partnership, Fall Forecast, November 2017.

FOMC Sees Slowing Growth, Flat Unemployment through 2020

Figure 1. Medians, central tendencies, and ranges of economic projections, 2018–20 and over the longer run



FOMC: Federal Funds Rate Below 4 Percent Through 2020; Long-Run Median 2.9 Percent



Source: FOMC Minutes, March 2018.

Risks to the Outlook

- Upside risks to growth
 - Strong labor market, bullish sentiment
 - Federal tax reform and deregulation
- Downside risks to growth
 - Can Fed achieve “soft landing”?
 - Stock market volatility
- Risks for the region
 - Tighter immigration policy
 - Demographic drag on labor force growth