

NEW ENGLAND ECONOMIC OUTLOOK

Cash Services Financial Institutions and Armored Carriers Meeting

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Federal Reserve Bank of Boston

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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.



About the Boston Federal Reserve Bank

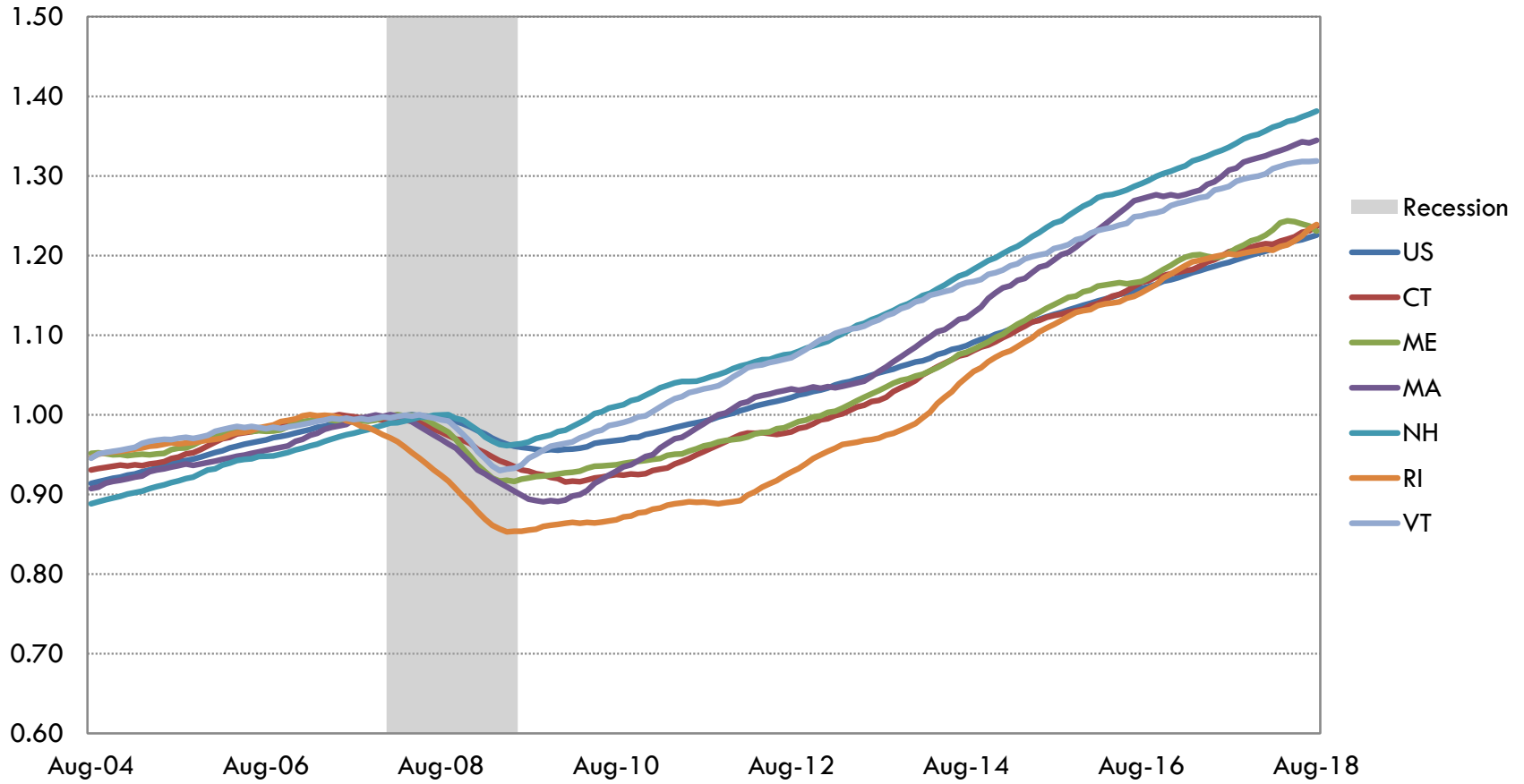
Federal Reserve System

- Board of Governors (Washington., DC)
- Regional Fed banks (12, including Boston)
- Conducts monetary policy, bank supervision

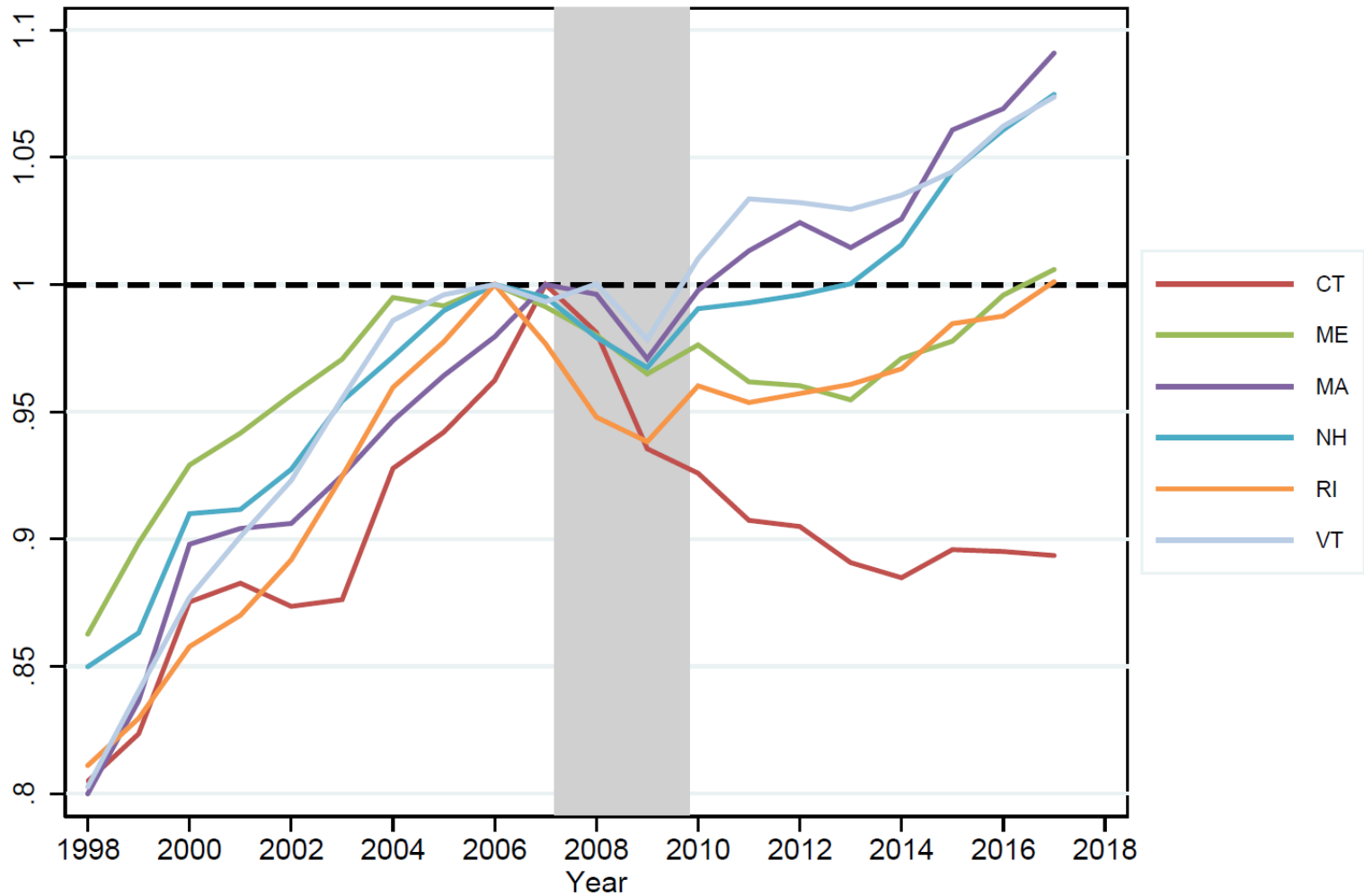
NEPPC

- Produces research that informs public policy in New England
- Recent issues: opioid epidemic, affordable housing, criminal records reform

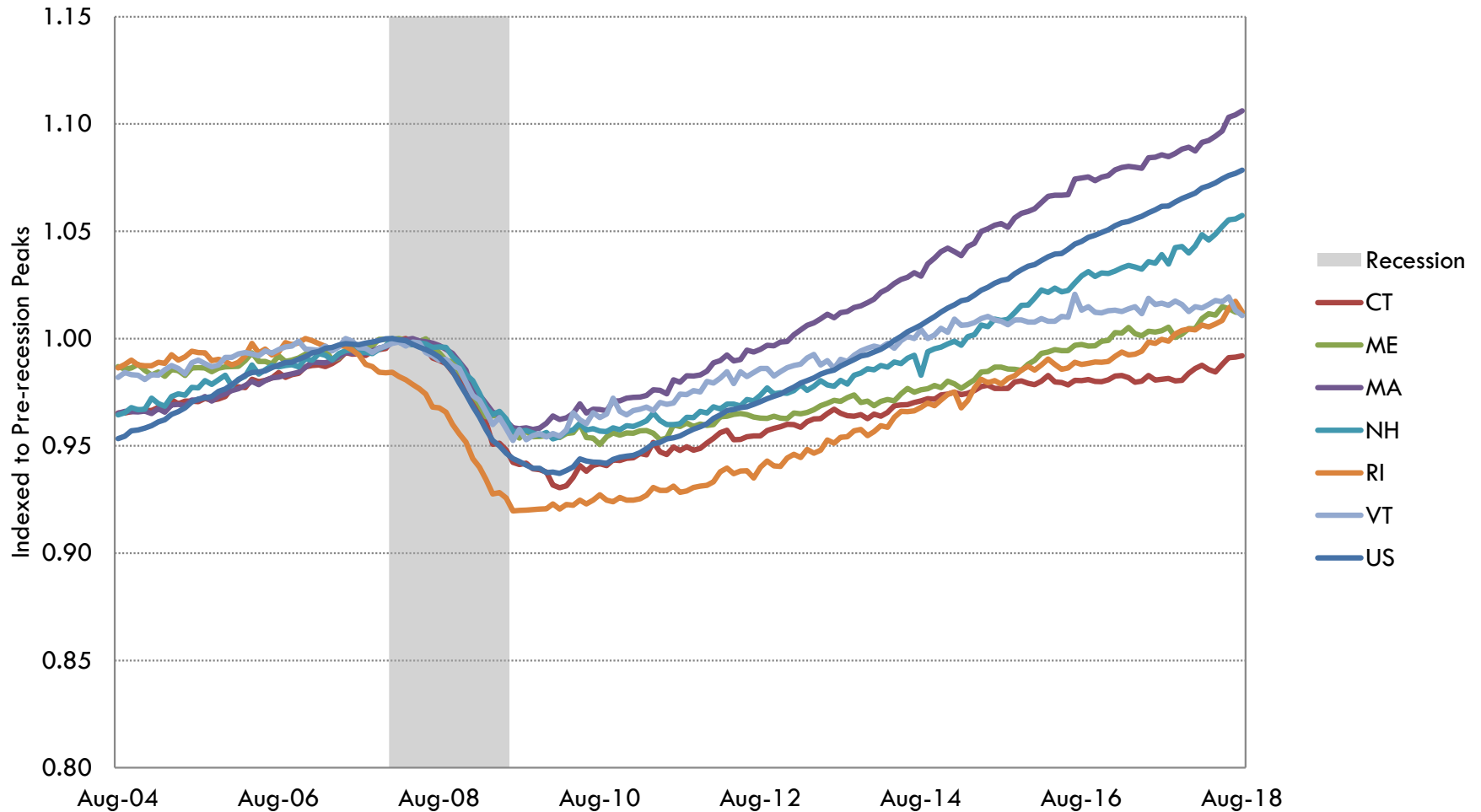
Economic Activity: Robust Net Growth From Pre-Recession Peak



Real GDP Per Capita: MA Up 8%; CT Down 10%



MA Leads Region in Job Growth Since 2007; Outpaces U.S.



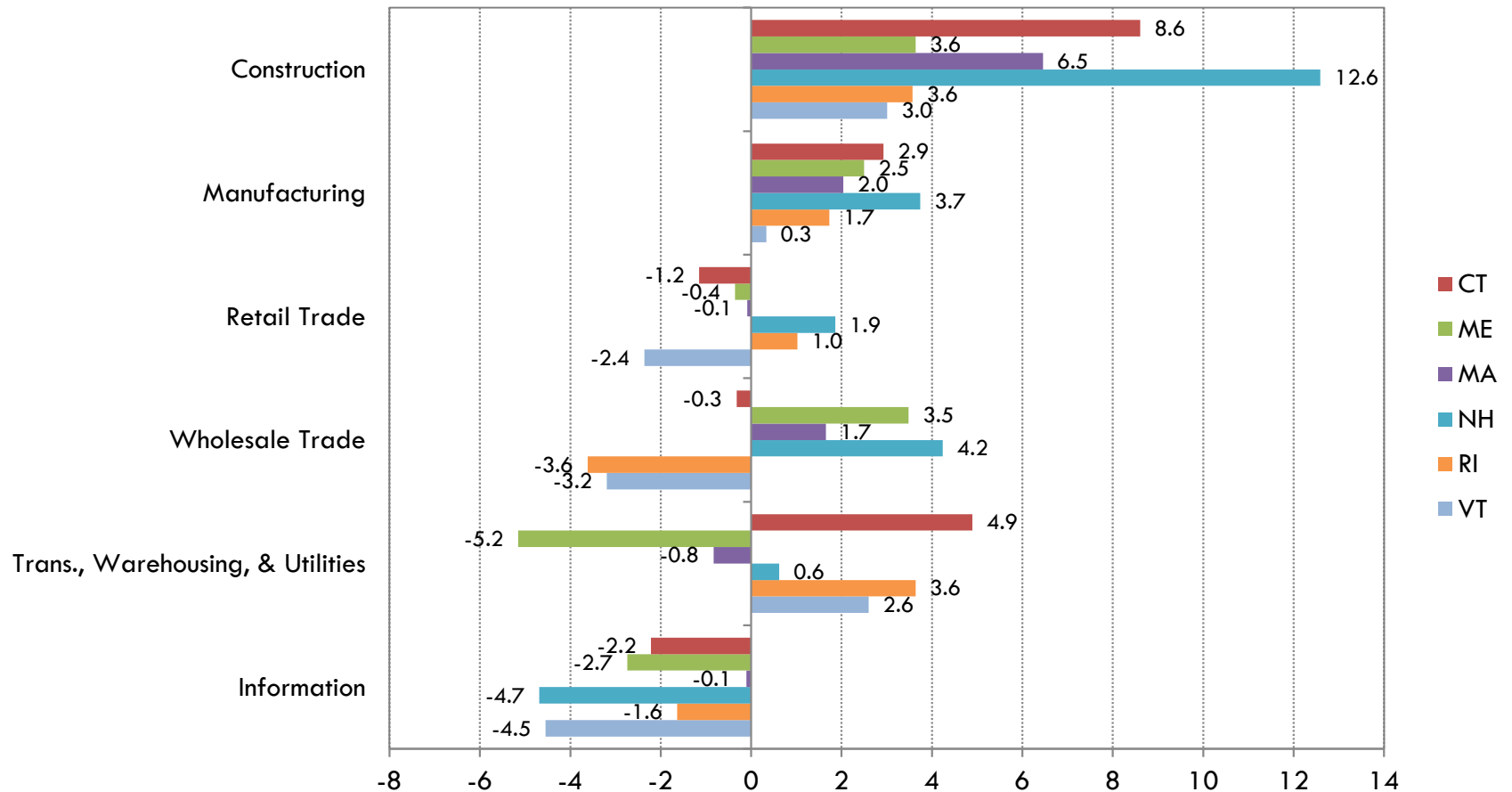
Recent Job Growth Above Long-Run Average in MA, NH, RI, CT

	Annual Long-Term Trend	Last 12 Months		Since Peak	
	Percent	Percent	Number	Percent	Number
United States	1.4	1.6	2,330,000	7.8	10,860,000
New England	0.9	1.5	108,500	5.7	407,400
Connecticut	0.5	1.1	18,800	-0.8	-13,700
Maine	1.1	0.8	5,100	1.2	7,400
Massachusetts	0.9	1.9	68,100	10.6	353,400
New Hampshire	1.5	1.8	11,900	5.7	37,400
Rhode Island	0.7	1.3	6,400	1.3	6,200
Vermont	1.3	-0.6	-1,800	1.1	3,300

Note: “Last 12 months” refers to year-over-year growth through August 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.

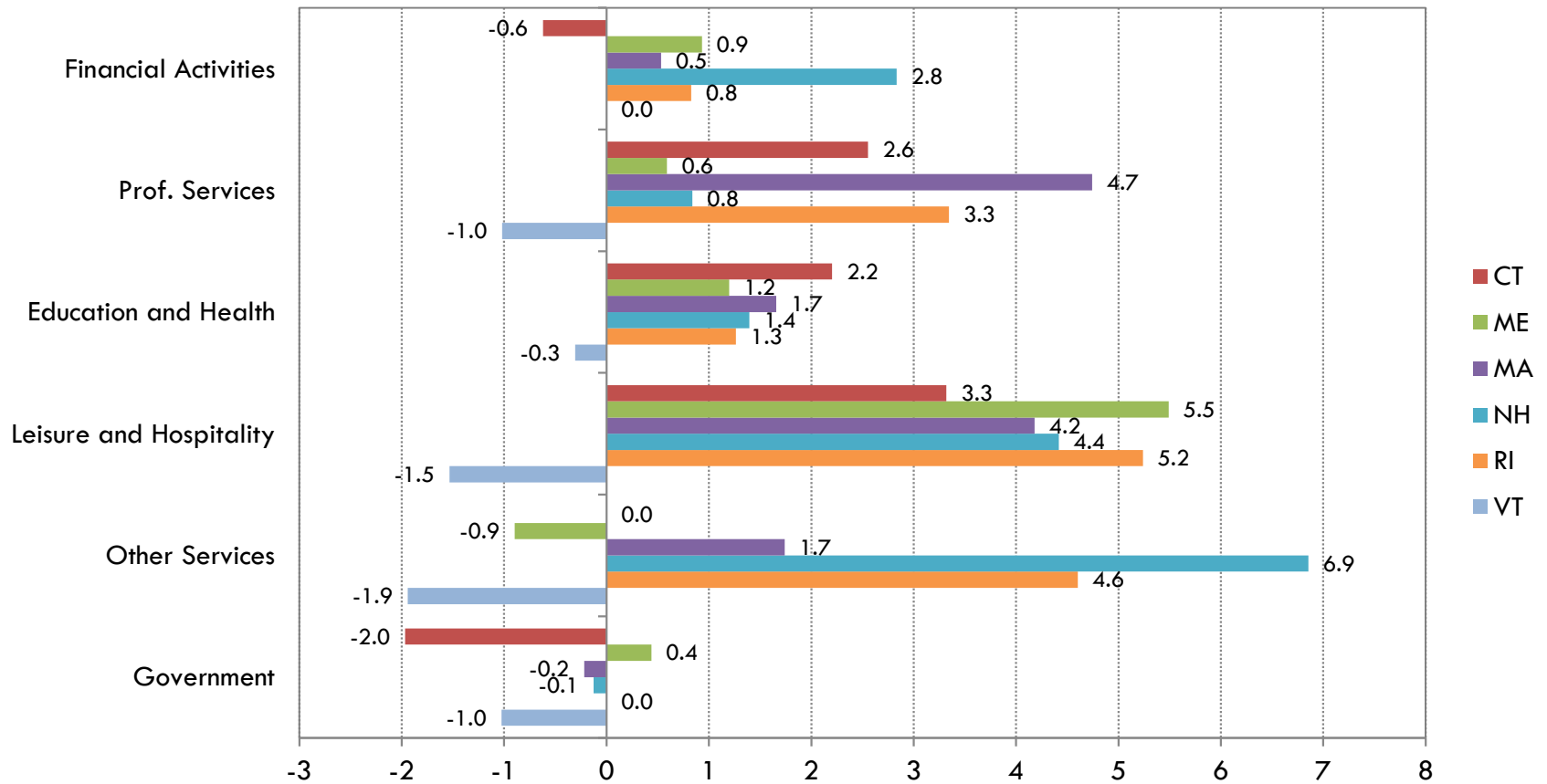
Construction Jobs Booming, Information Receding...

Percent Change, August 2017 - August 2018

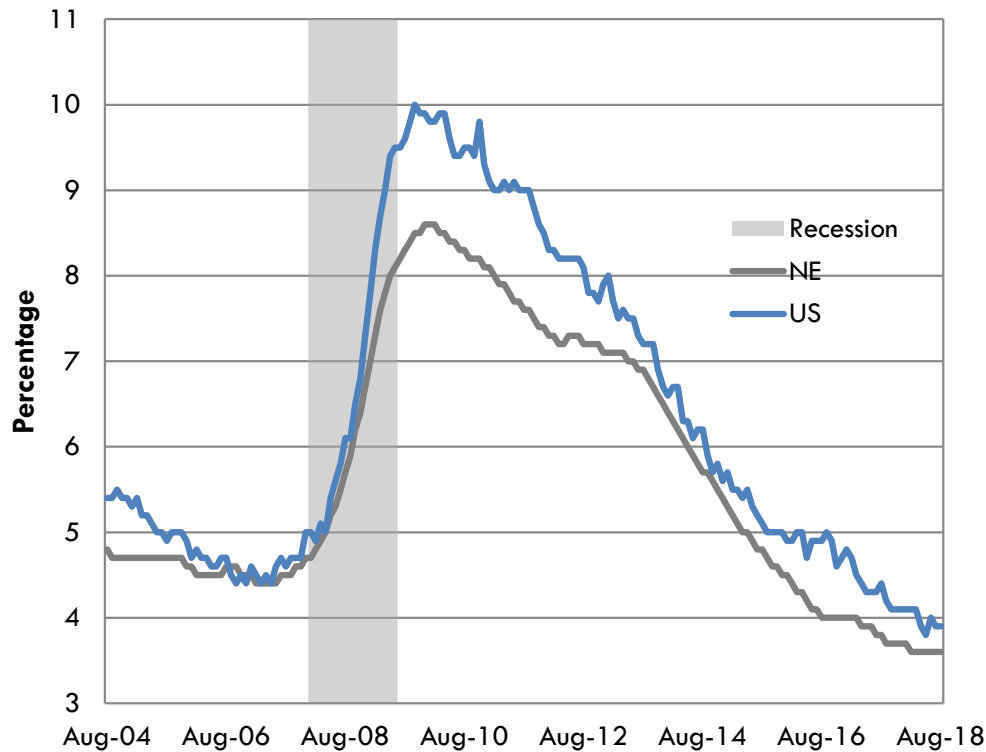


Robust Job Growth in Leisure & Hospitality in Most States

Percent Change, August 2017 - August 2018

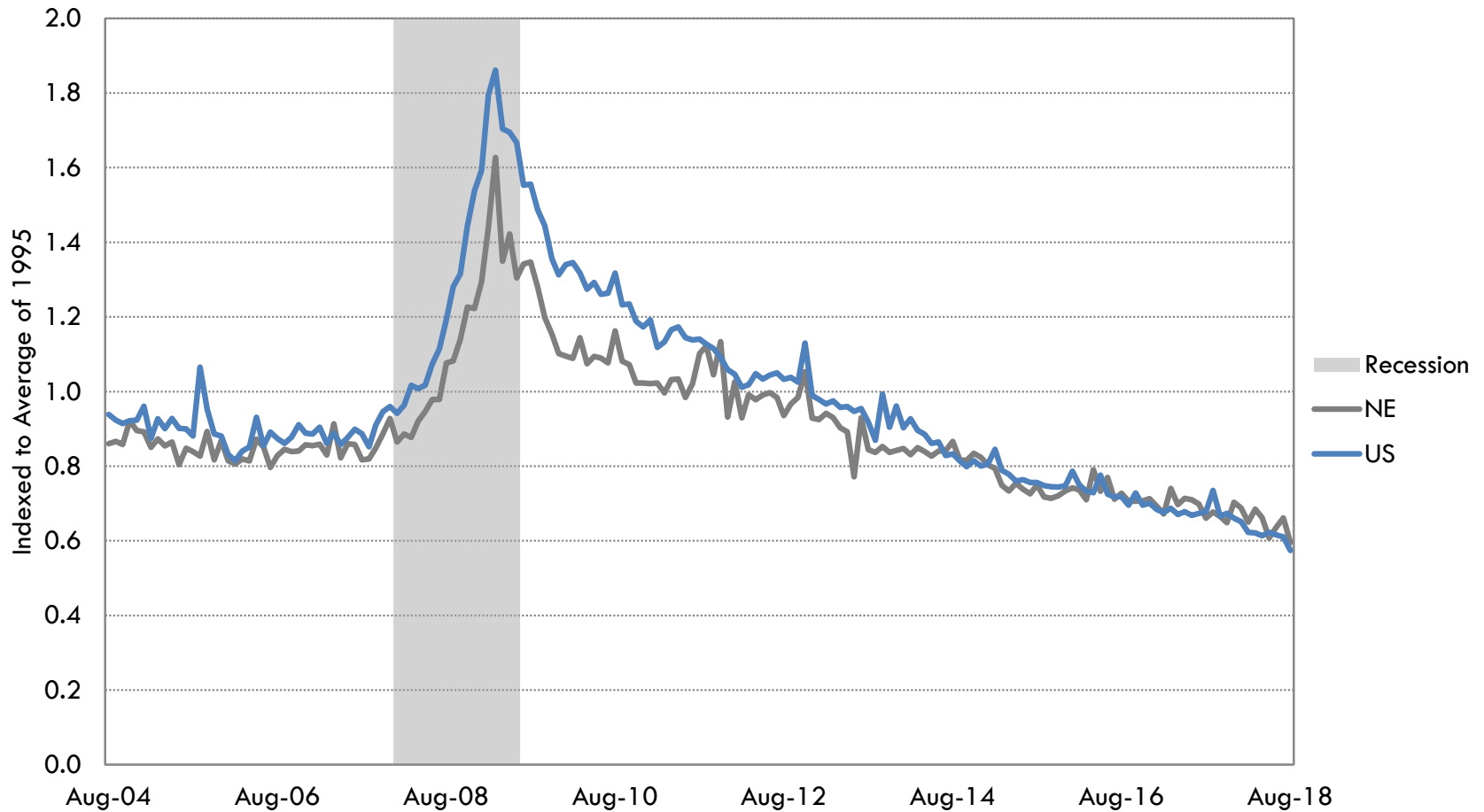


New England Unemployment Below Lowest Value Before Great Recession








	Aug-17	Aug-18
United States	4.4	3.9
New England	3.8	3.6
Connecticut	4.5	4.3
Maine	3.4	3.2
Massachusetts	3.6	3.6
New Hampshire	2.7	2.7
Rhode Island	4.4	4.0
Vermont	3.0	2.8

Initial Unemployment Claims at Historically Low Levels (= Few Recent Layoffs)

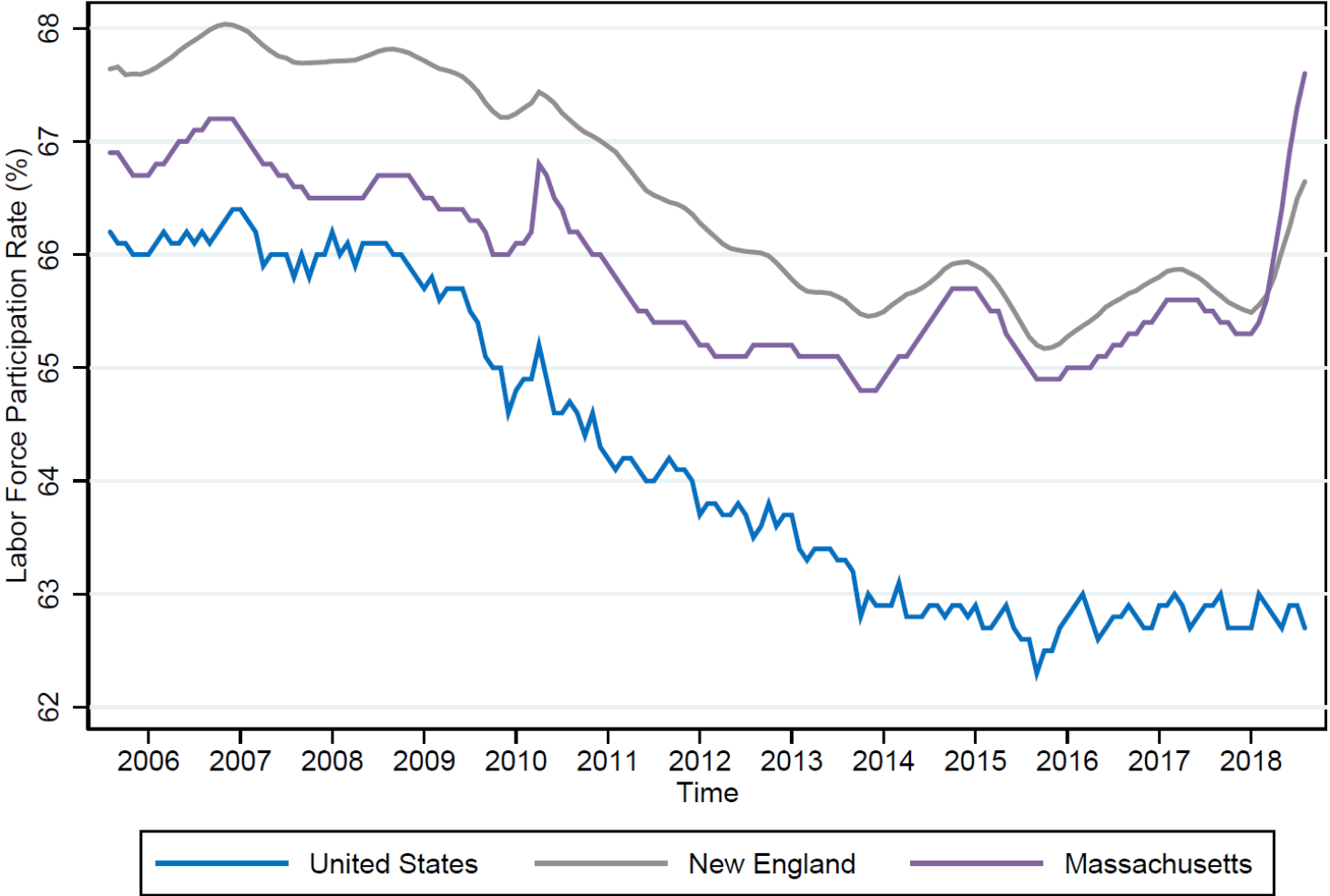


Three New England States on U.S. News' Top Ten List, Despite Weak Infrastructure

Overall	State	Health Care	Education	Economy	Opportunity	Infrastructure	Crime & Corrections	Fiscal Stability	Quality of Life
#5	 New Hampshire	13	4	11	1	37	2	26	4
#6	 Washington	2	6	3	27	4	39	27	21
#7	 Nebraska	19	9	21	13	9	20	11	14
#8	 Massachusetts	5	1	9	14	45	5	40	25
#9	 Vermont	6	8	31	6	35	7	16	26

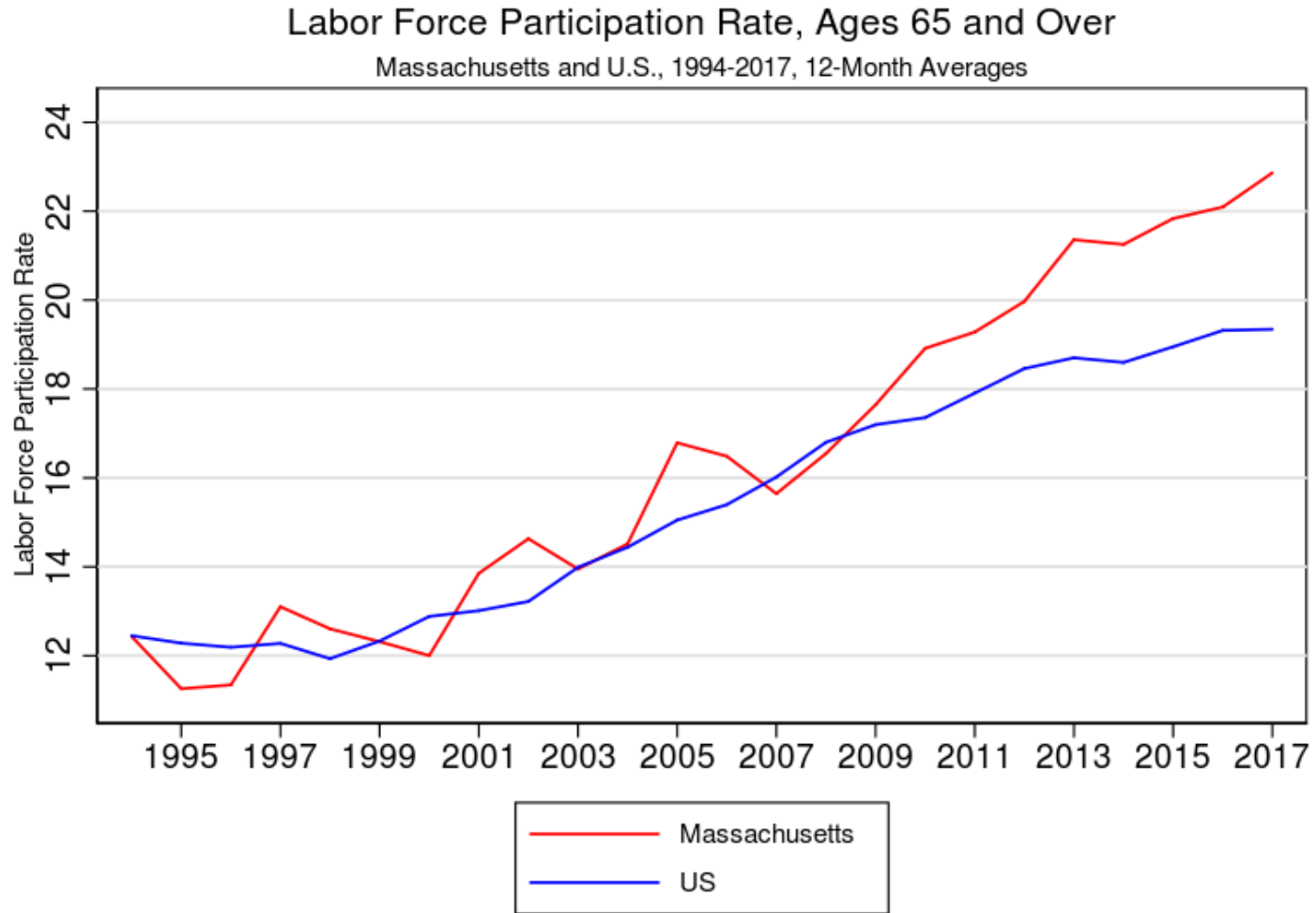
Source: U.S. News and World Report:
<https://www.usnews.com/news/best-states/rankings>

Labor Force Participation Defies National Trends Since 2014, Spurred by Mass.

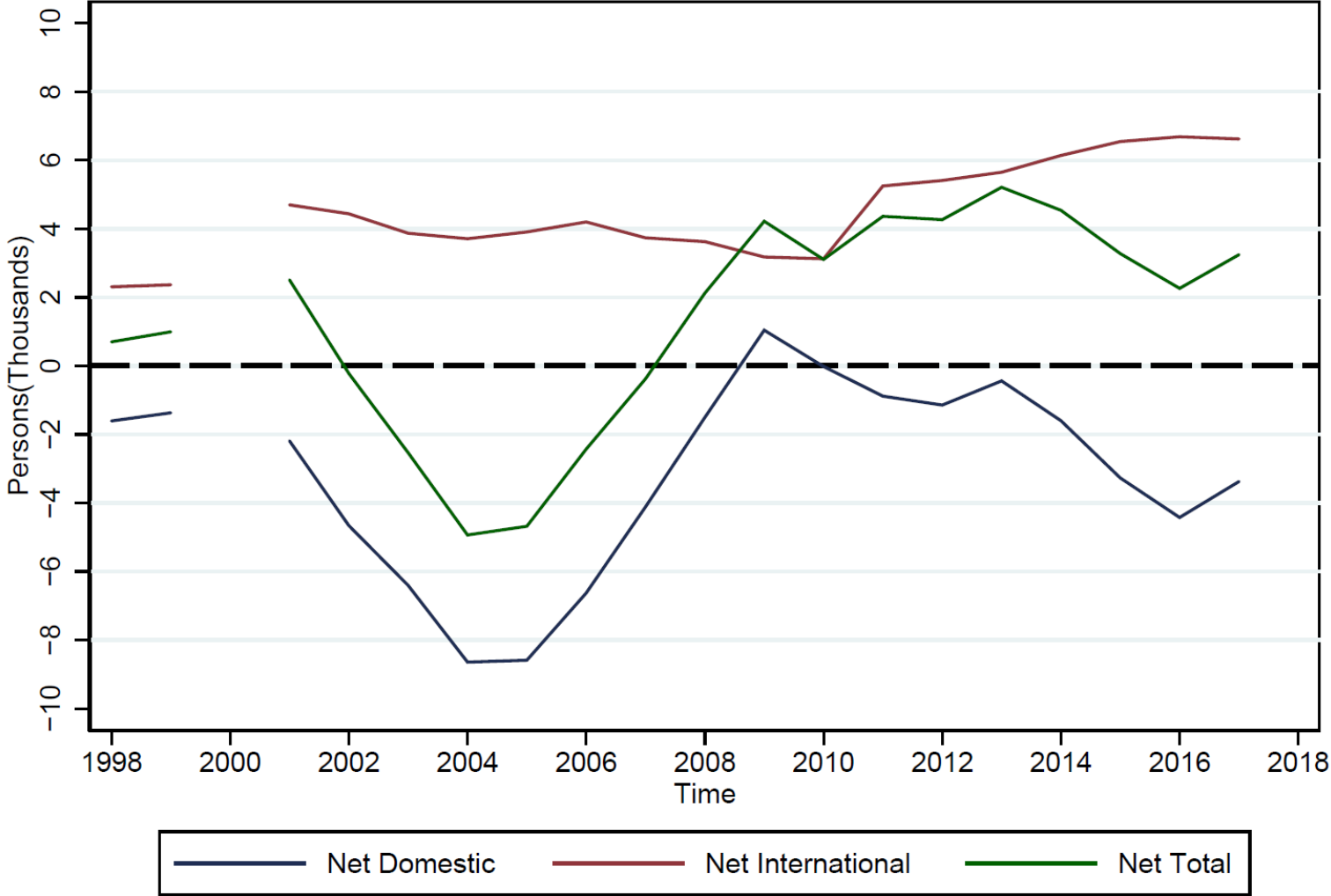


Source: Bureau of Labor Statistics; Seasonally-Adjusted Data

Increased Participation of Older Workers in MA is Offsetting Effects of Population Aging



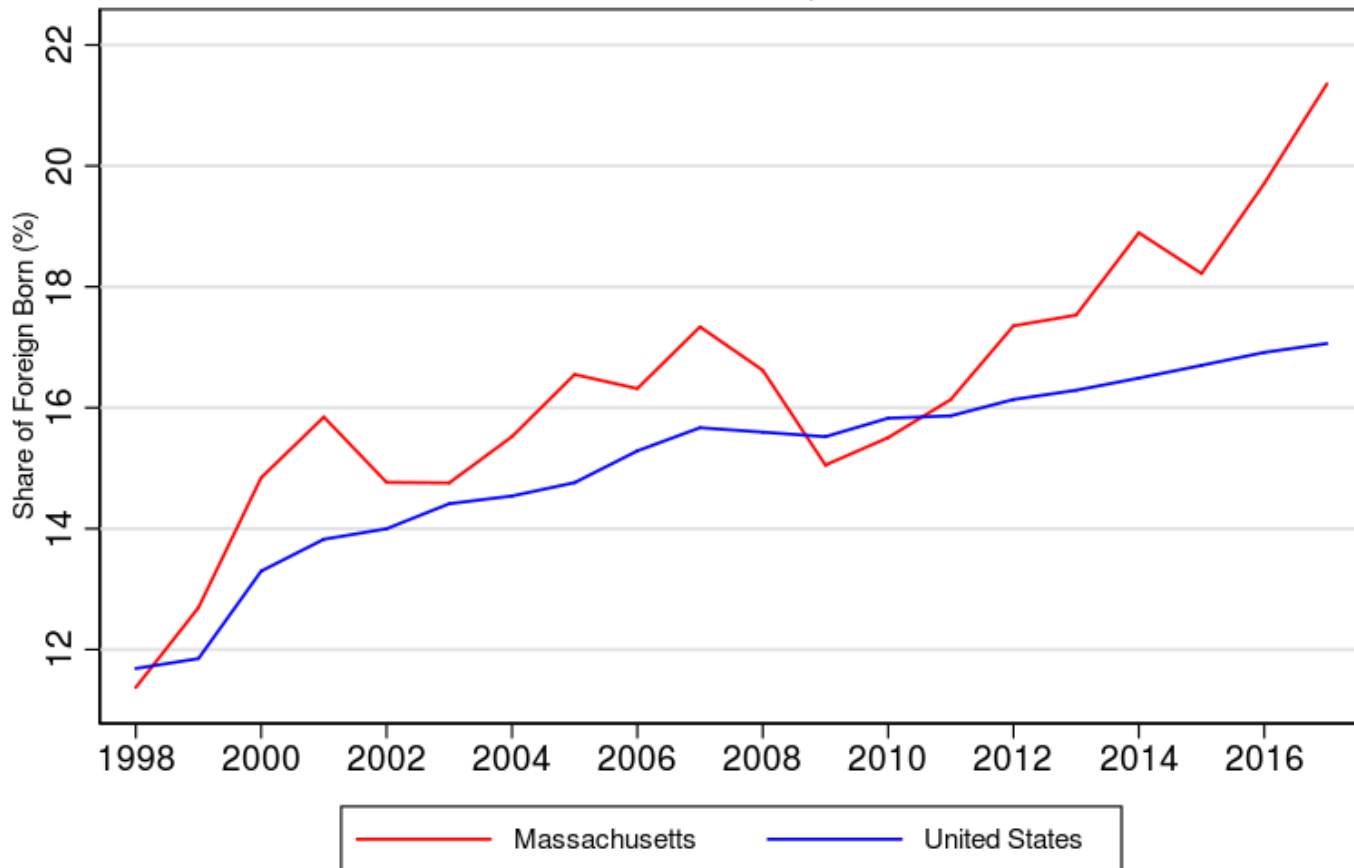
International Migration Makes Significant Contribution to Mass. Workforce



Source: Census Bureau/Haver Analytics

Foreign-Born Workers Increasing in MA Labor Force

Share of Foreign Born in Labor Force, Ages 16 and Older
Massachusetts and U.S., 1998-2016



Income and Wage Growth Above U.S. in NH; also Strong in MA & ME

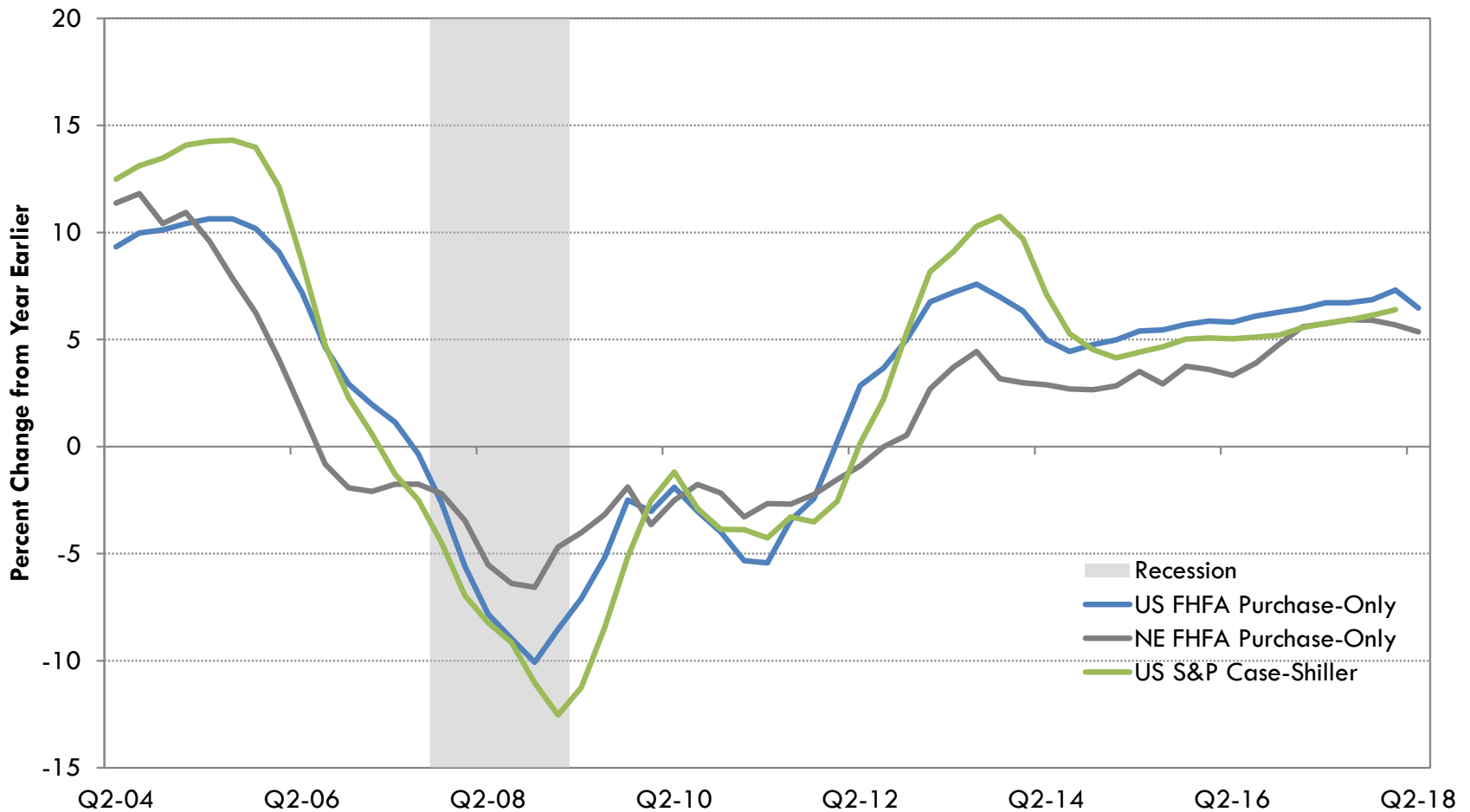
Exhibit 5.2: Income and Wage/Salary Changes - to Q2 2018

	Personal Income			Wage and Salary Disbursements		
	Jun-2018	1-Qtr. Chg.	1-Yr. Chg.	Jun-2018	1-Qtr. Chg.	1-Yr. Chg.
United States	17,481,958	1.0%	4.6%	8,799,710	1.1%	4.9%
New England	986,478	0.7%	4.2%	494,364	0.5%	4.2%
Connecticut	265,637	1.0%	3.5%	117,067	0.9%	2.1%
Maine	64,421	1.0%	4.6%	29,828	1.2%	4.7%
Massachusetts	481,897	0.5%	4.5%	265,866	0.3%	5.1%
New Hampshire	83,270	0.7%	4.8%	38,652	0.4%	5.7%
Rhode Island	57,780	0.5%	4.0%	27,647	0.3%	2.6%
Vermont	33,473	0.9%	3.1%	15,303	1.1%	3.6%

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

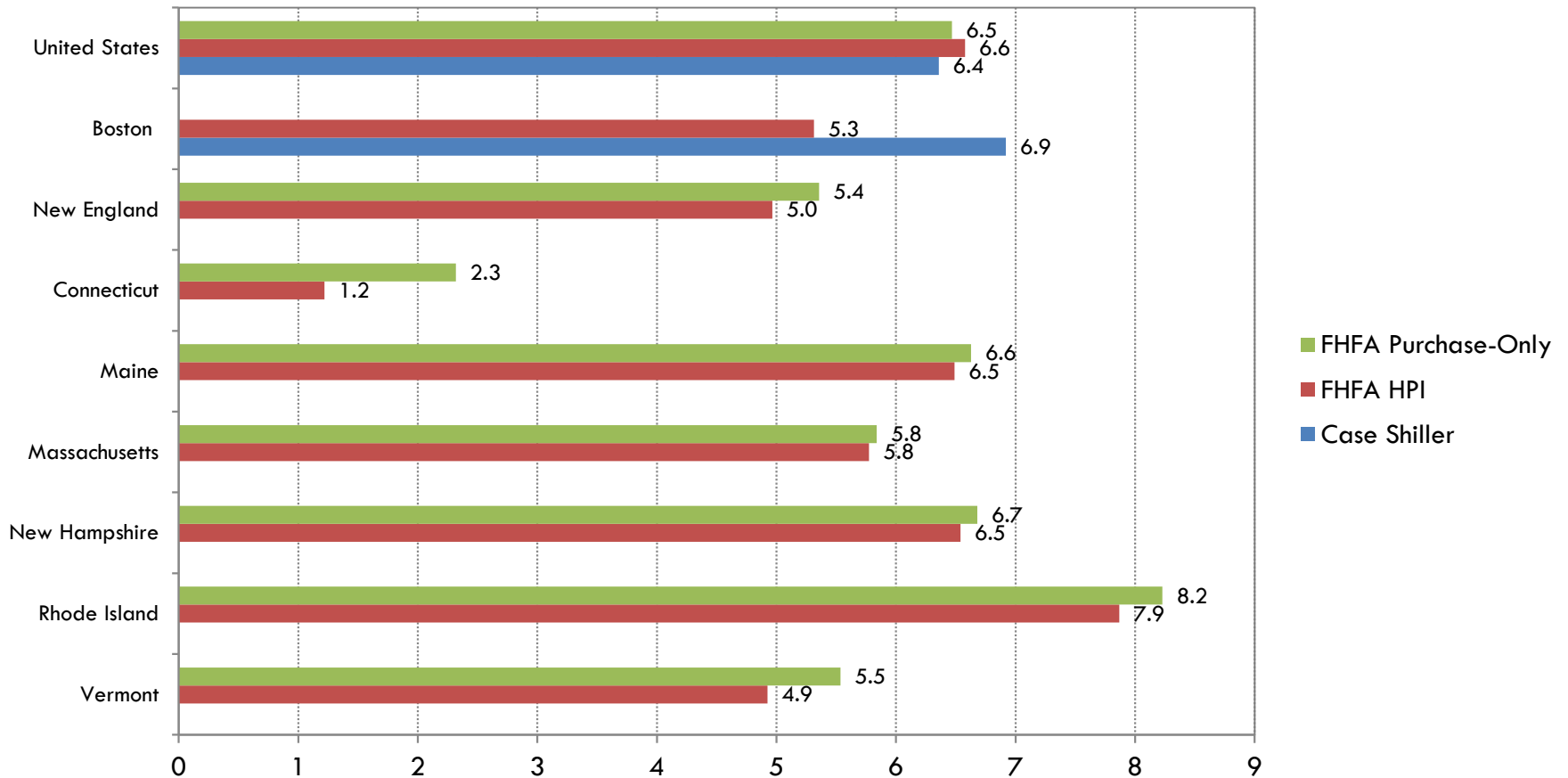
Note: Data represent millions of dollars and are seasonally adjusted.

Regional House Price Growth Eased Slightly in Second Quarter

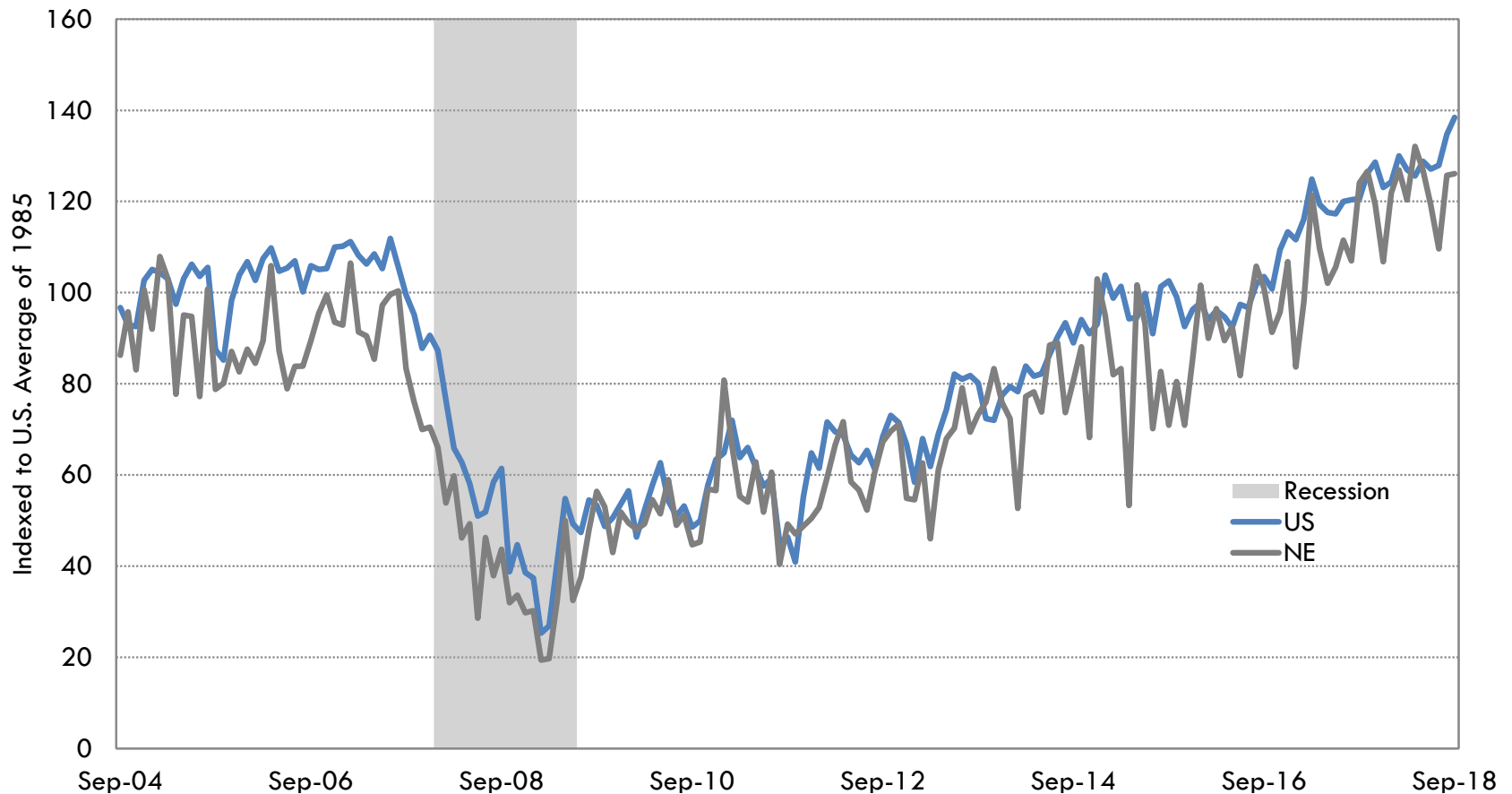


Slow House Price Growth in CT Reflects Weaker Economy

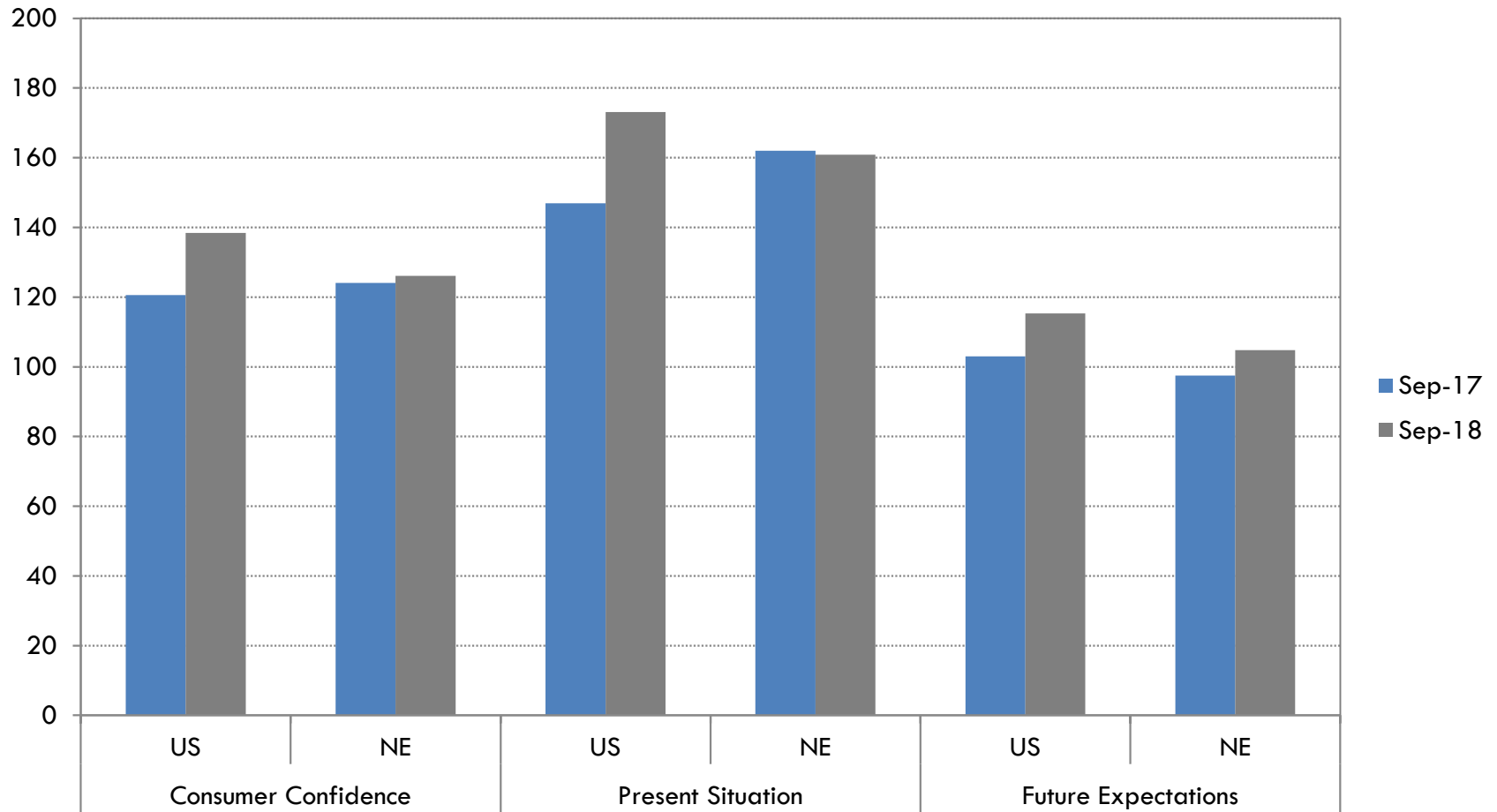
Percent Change, Q2 2017 - Q2 2018



Consumer Confidence Exceeds Pre-Recession Levels



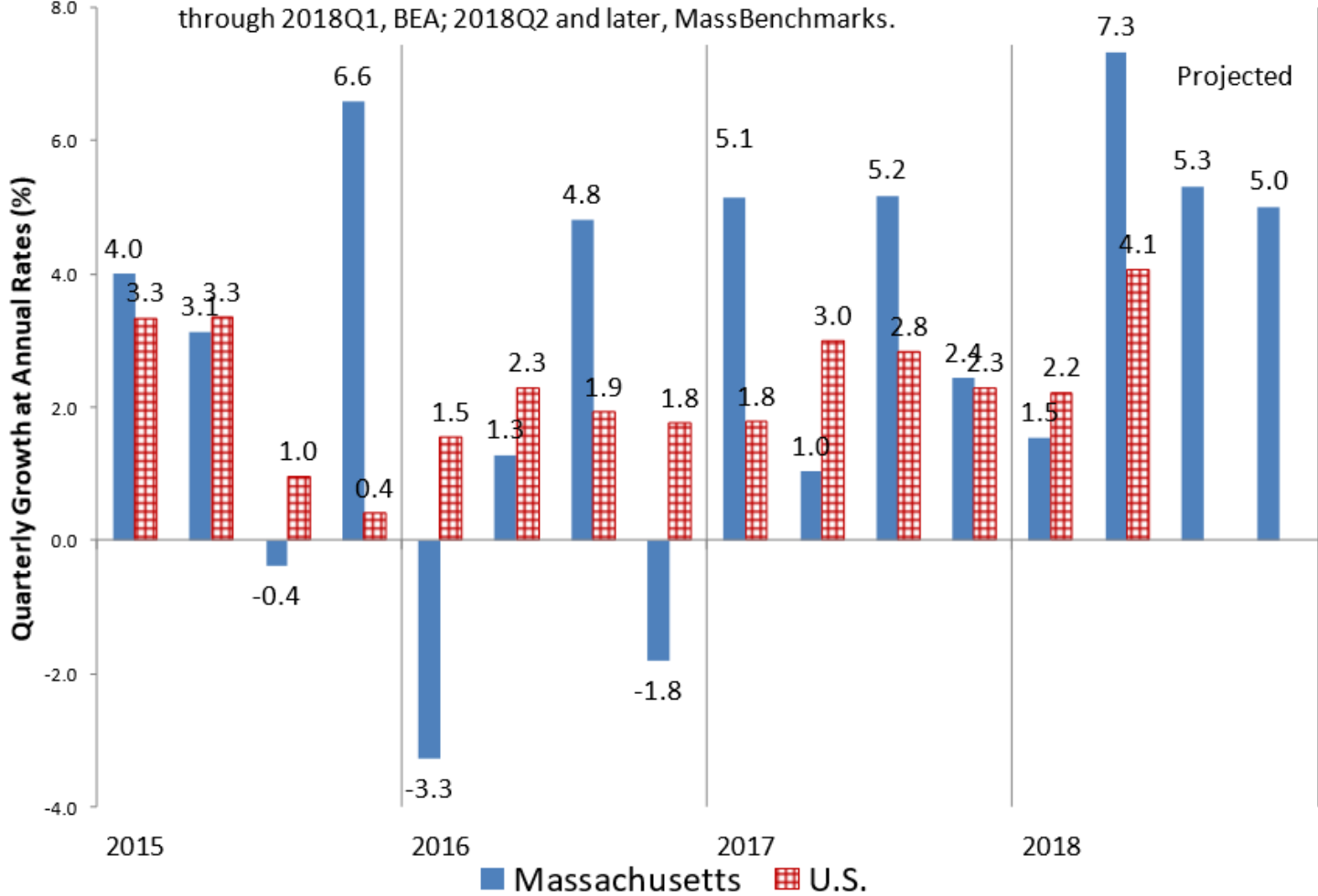
Confidence Among Region's Consumers Up Slightly from Last Year



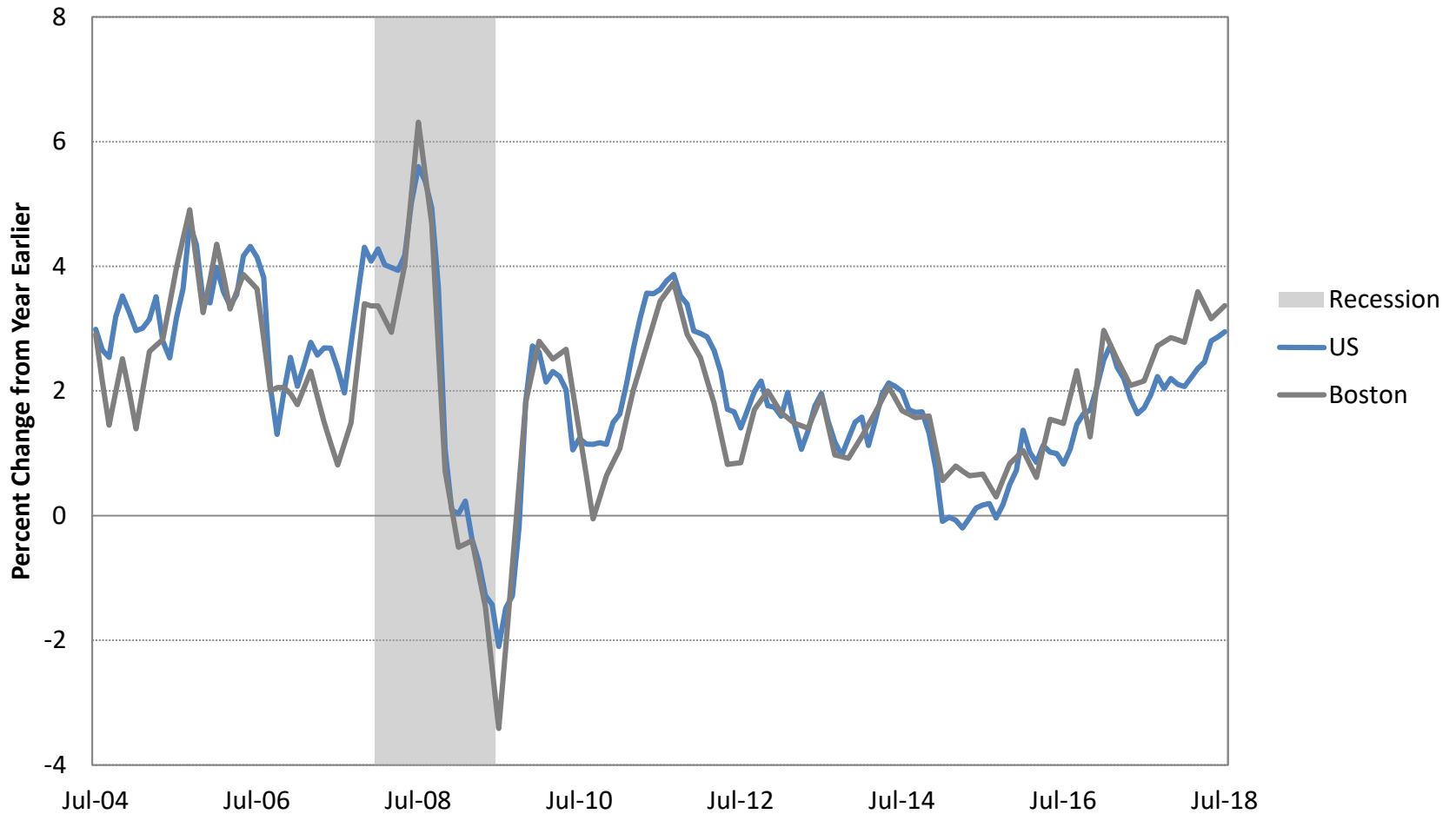
MA Econ. Growth Forecast Very Strong

Growth in Real Product, Massachusetts vs. U.S.

Source: U.S., Bureau of Economic Analysis (BEA); Massachusetts: through 2018Q1, BEA; 2018Q2 and later, MassBenchmarks.

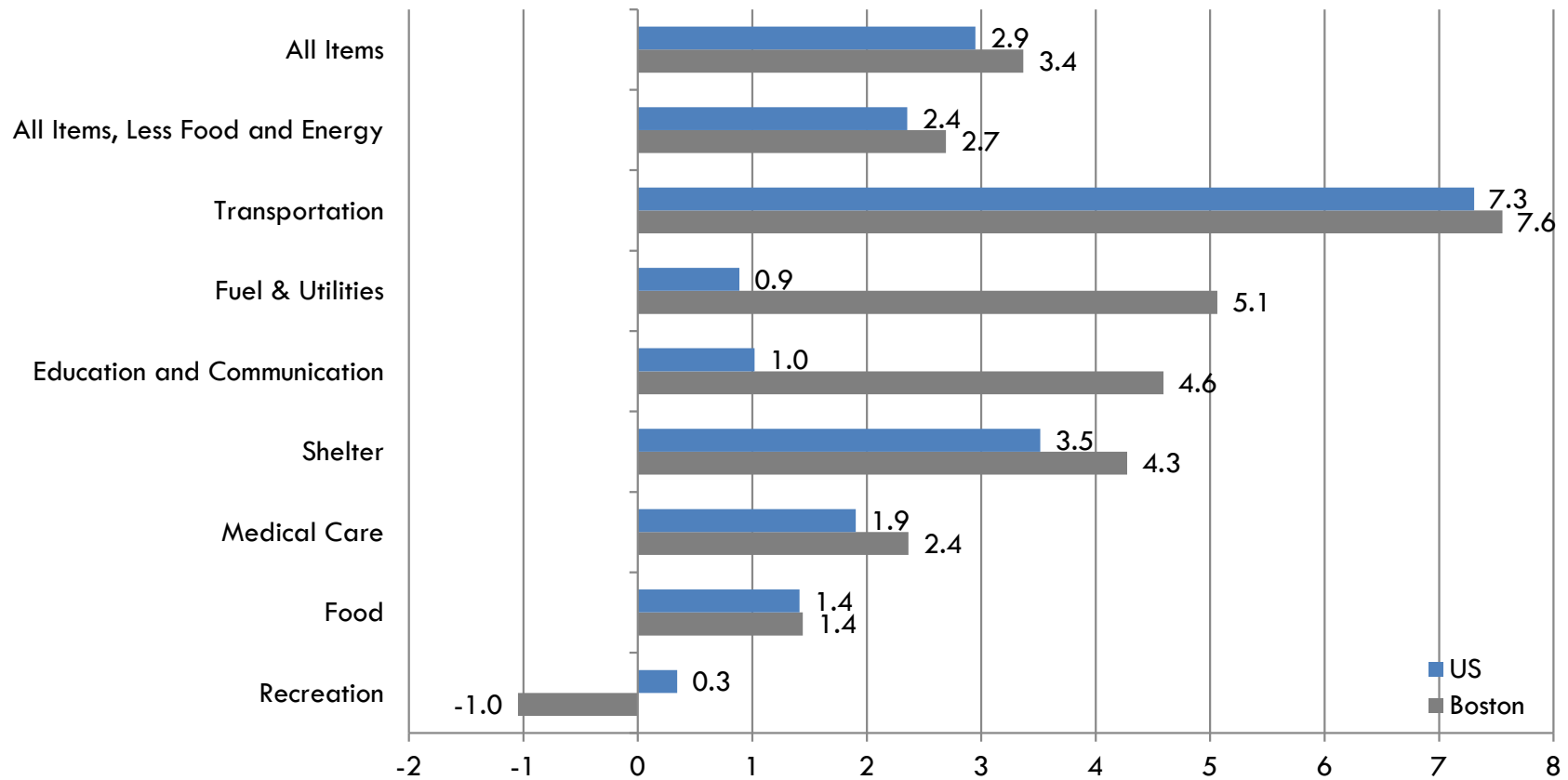


Headline CPI Inflation Up Since 2015; Boston Rate Above U.S.

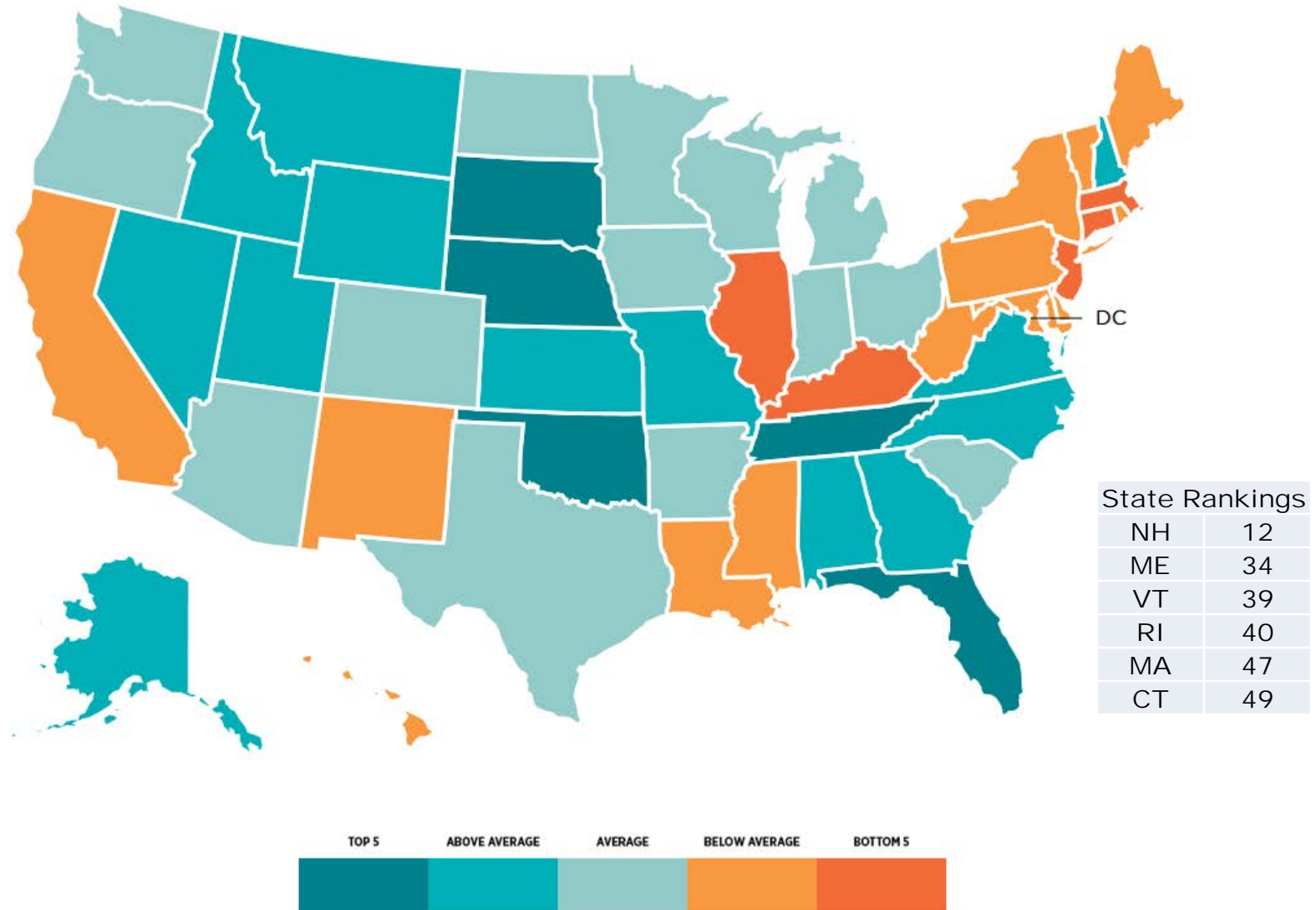


Boston Prices Rising Much Faster than U.S. for Utilities, Education

Percent Change, July 2017 - July 2018



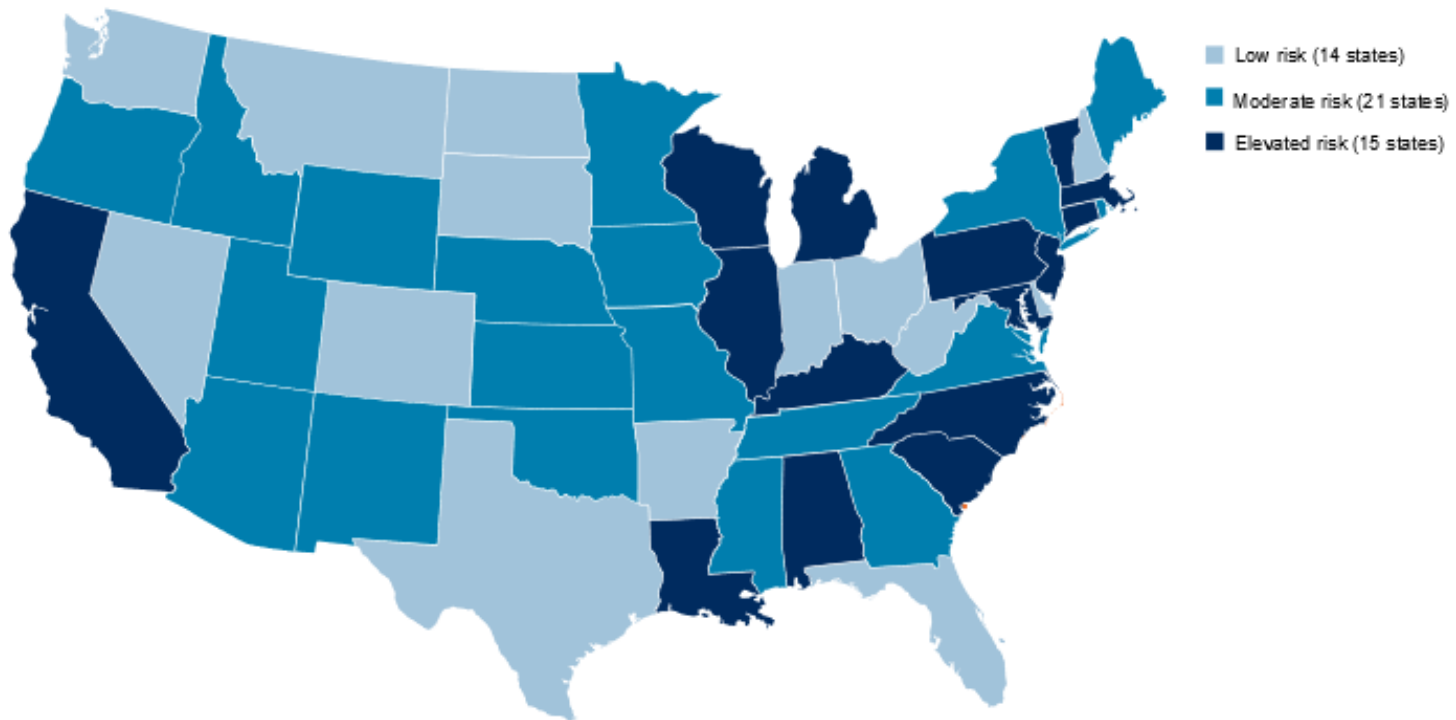
CT and MA Near Bottom of Fiscal Health Rankings (Mercatus Center, 2018)



Source: Mercatus Center, George Mason University. State Fiscal Rankings 2018.

S&P: Most New England State Budgets Vulnerable to Recession

State Susceptibility To Fiscal Distress In Recession



Source: S&P Global Market Intelligence; “When the Credit Cycle Turns, U.S. States May be Tested in Unprecedented Ways”

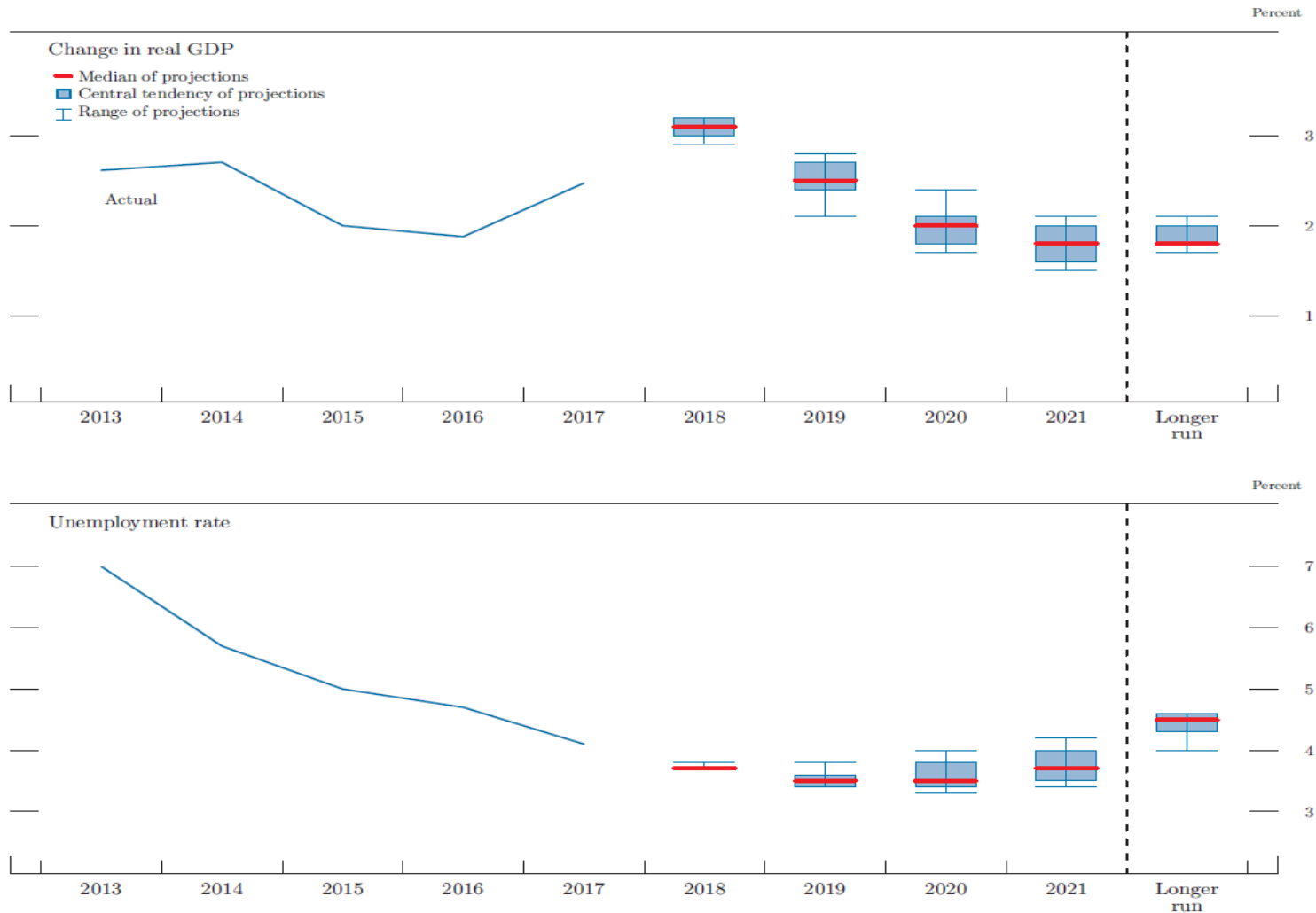
NEEP Forecast for New England: Slowing Labor Force Growth, Steady Growth in Output and Population

	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, Roughly Flat Unemployment through 2021

Figure 1. Medians, central tendencies, and ranges of economic projections, 2018–21 and over the longer run



Risks to the Outlook

- Risks for the region
 - Restraints on labor force growth
 - Tighter immigration policy
 - Domestic out-migration, aging population
 - High rents
 - Aging infrastructure
 - Fiscal stress in most states
- Macro risks
 - Upside: tax cuts, consumer confidence
 - Downside: tariffs, rising interest rates