

NEW ENGLAND ECONOMIC OUTLOOK

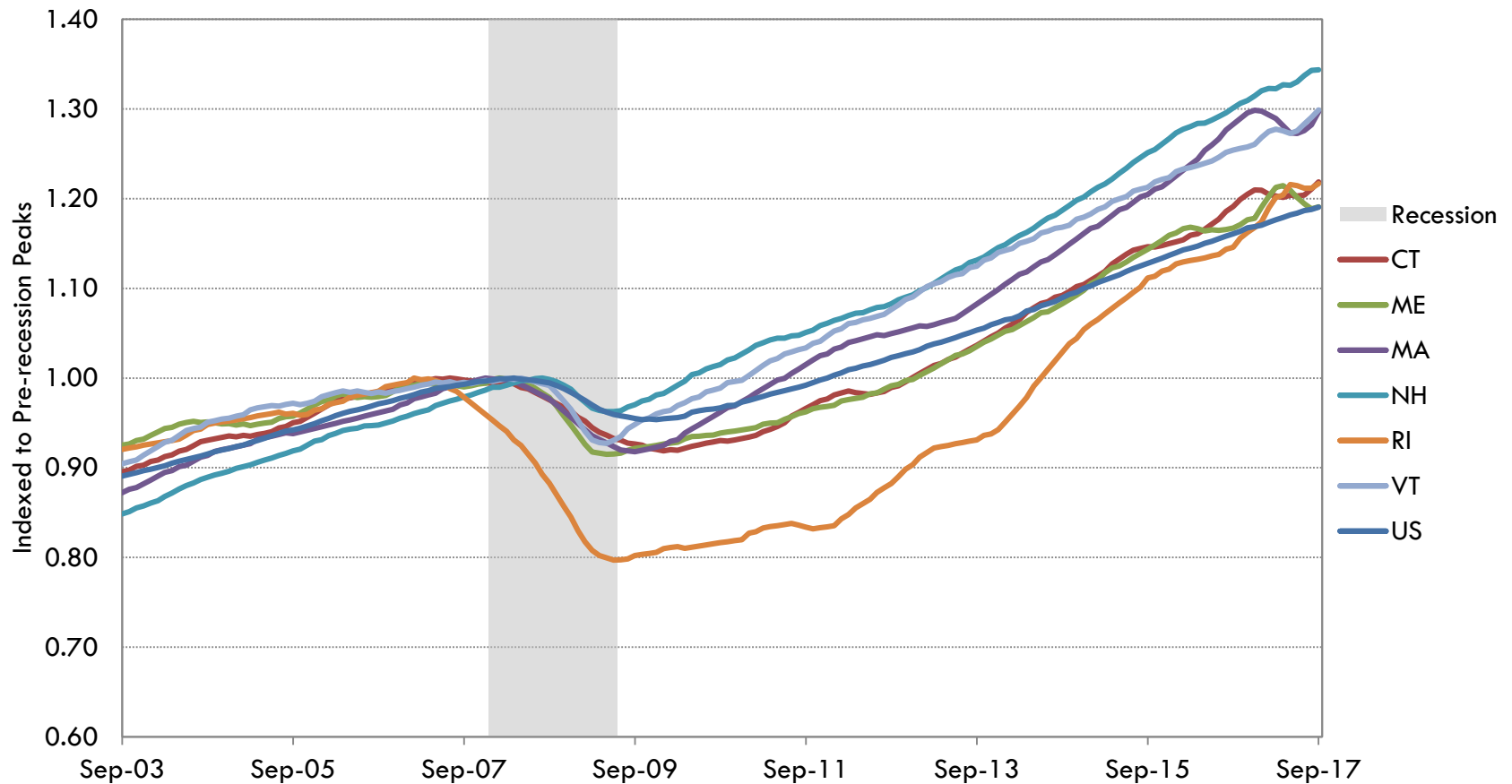
16th Annual Regional & Community Bankers Conference
Federal Reserve Bank of Boston
November 16, 2017

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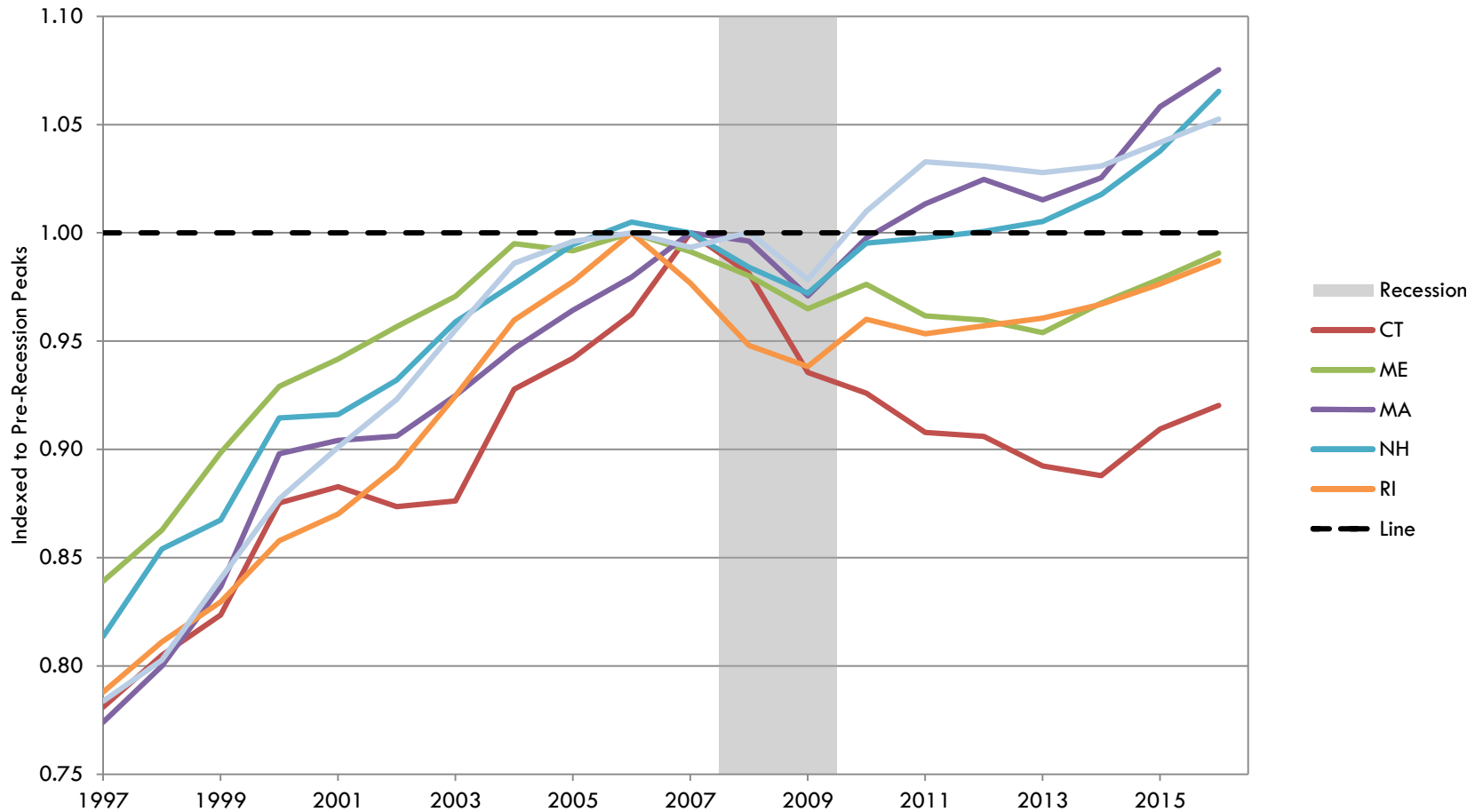


Disclaimer: The views expressed here are those of the speaker and do not necessarily represent the views of the Federal Reserve Bank of Boston or the Federal Reserve System.

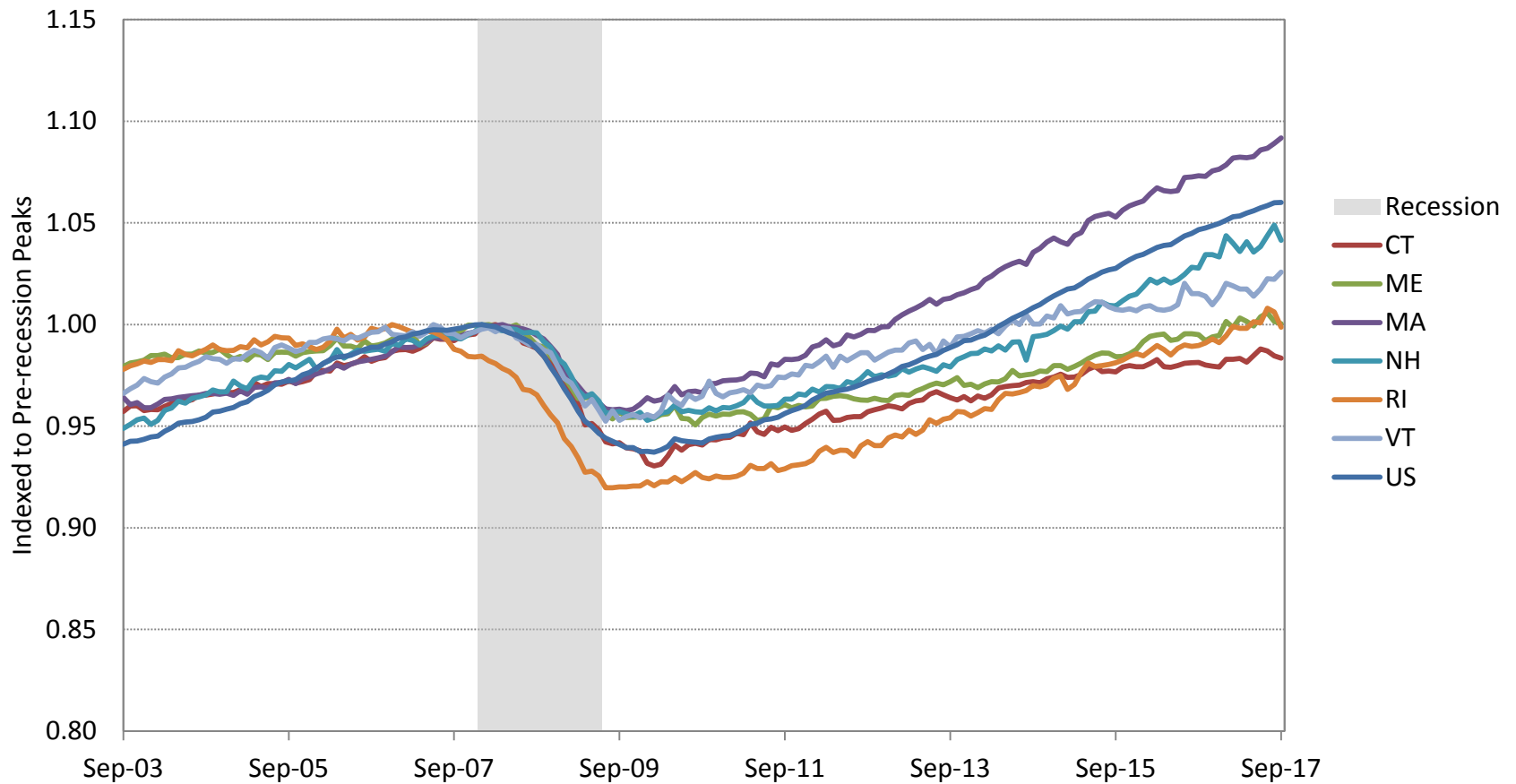
Economic Activity Indexes: Robust Net Growth From Pre-Recession Peak



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



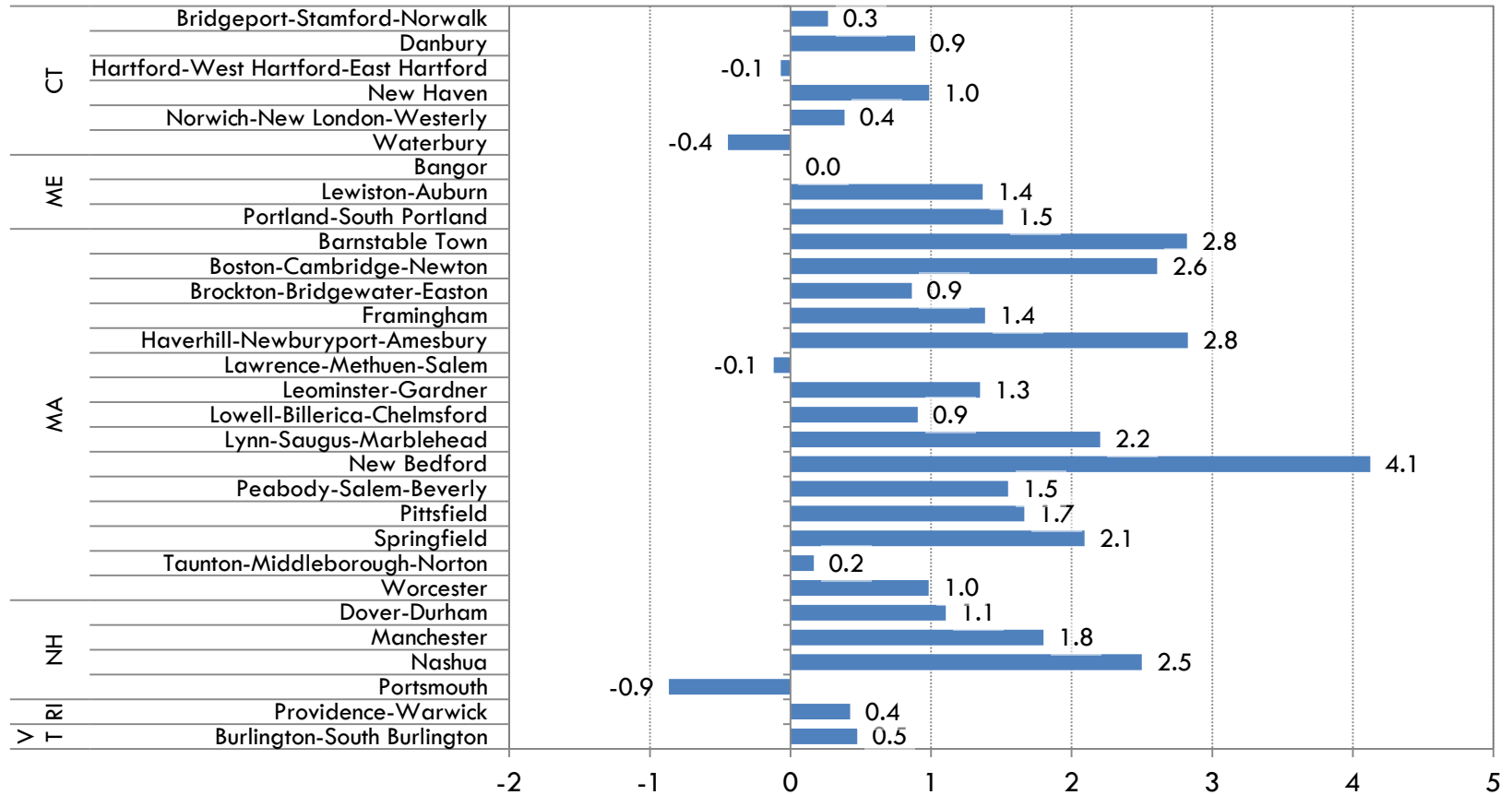
Last 12 Months: Employment Growth Below Trend in CT, ME, NH, VT

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

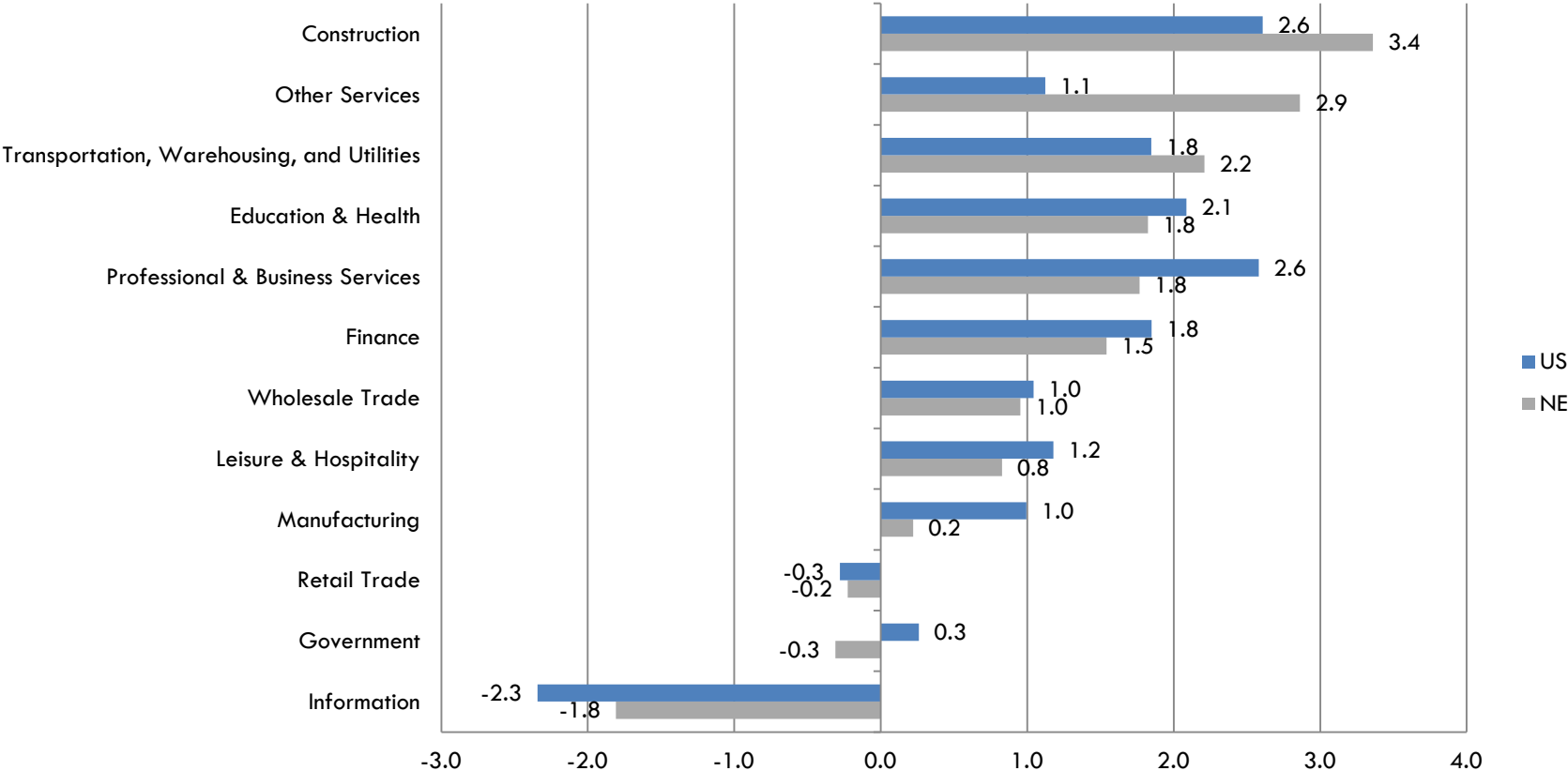
Metro Area Job Growth is Mixed; 4 Metros Saw Losses in Last 12 Months

Percent Change, September 2016 - September 2017



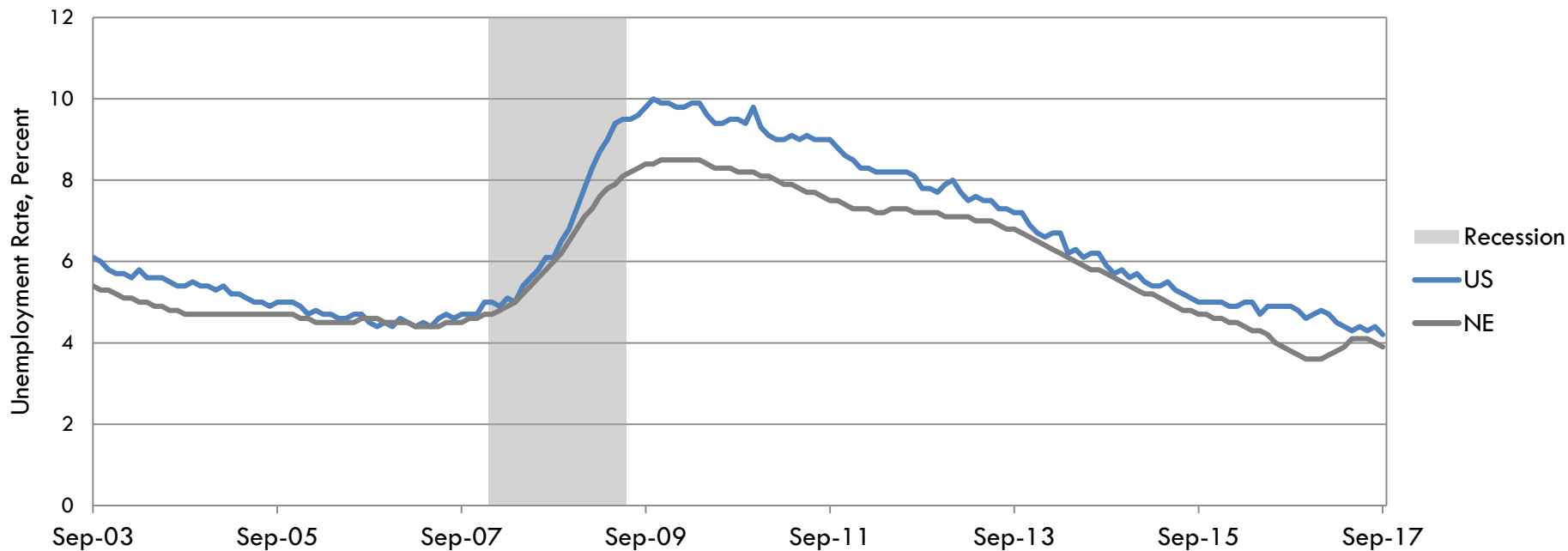
Construction Sector First in Job Growth; Warehousing Up, Retail Down

Percent Change, September 2016 - September 2017



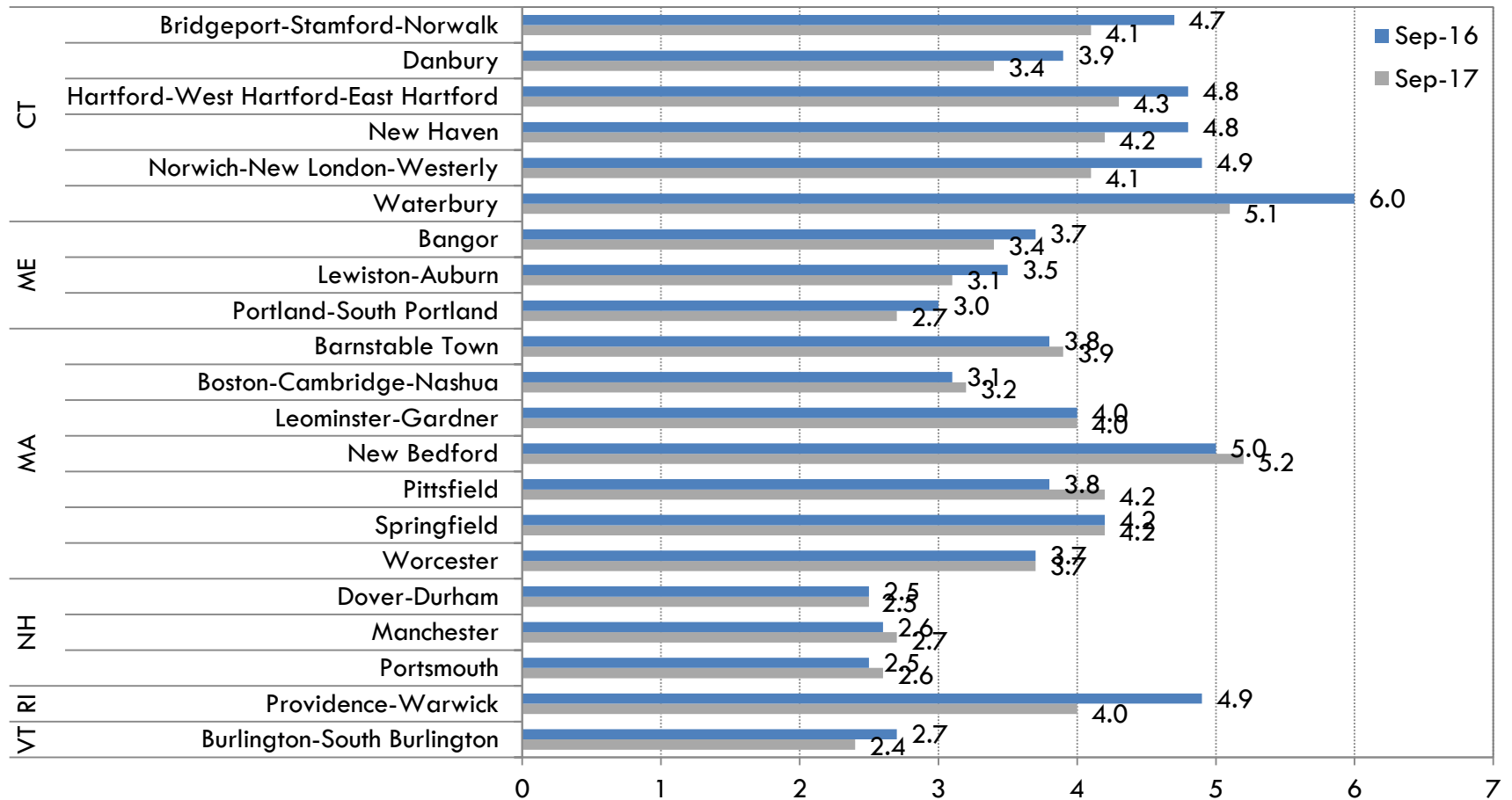
Source: Bureau of Labor Statistics, Haver Analytics

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

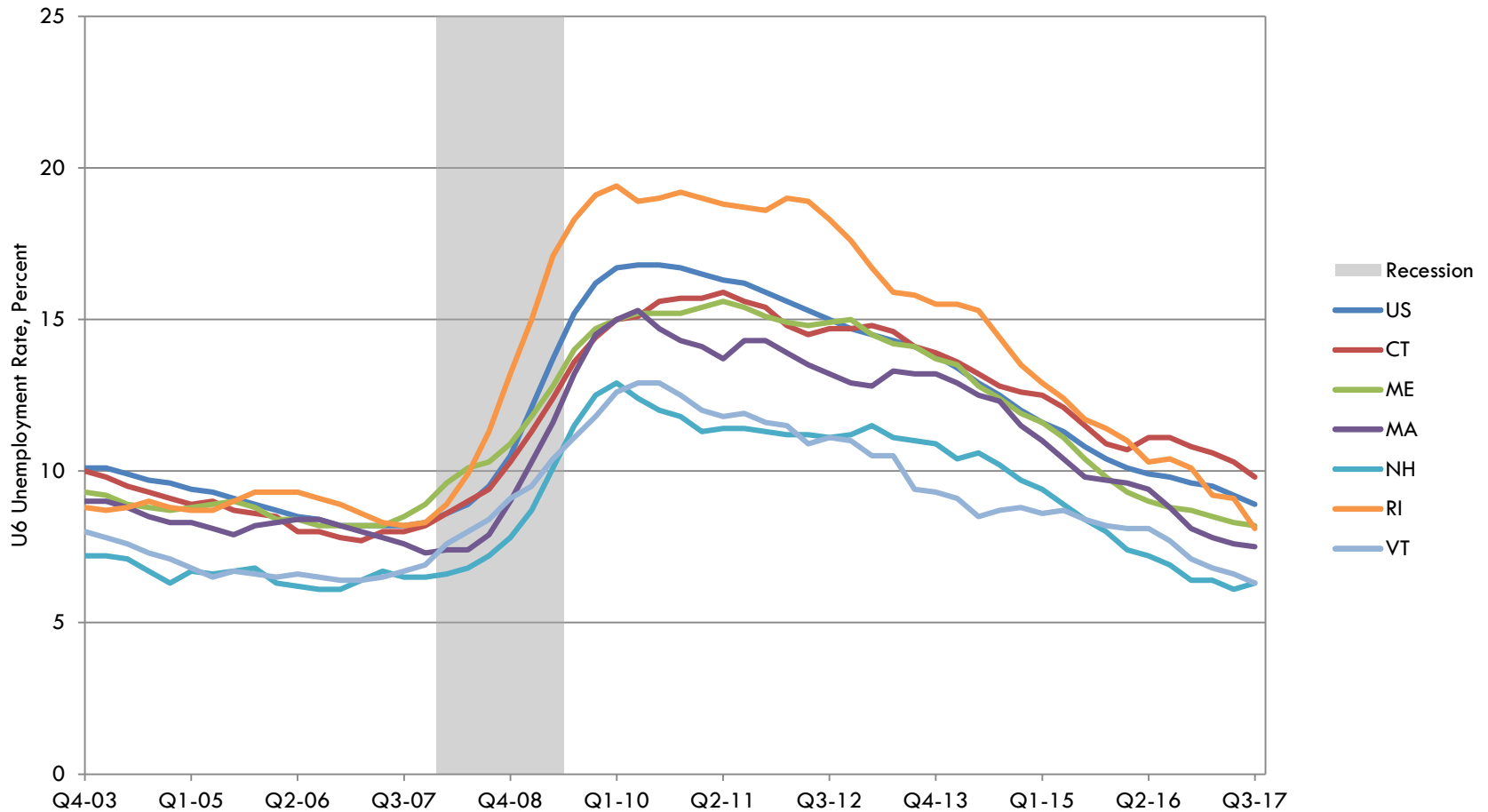


	Sep-16	Sep-17
United States	4.9	4.2
New England	3.8	3.9
Connecticut	4.8	4.6
Maine	4.0	3.7
Massachusetts	3.3	3.9
New Hampshire	2.8	2.7
Rhode Island	5.3	4.2
Vermont	3.2	2.9

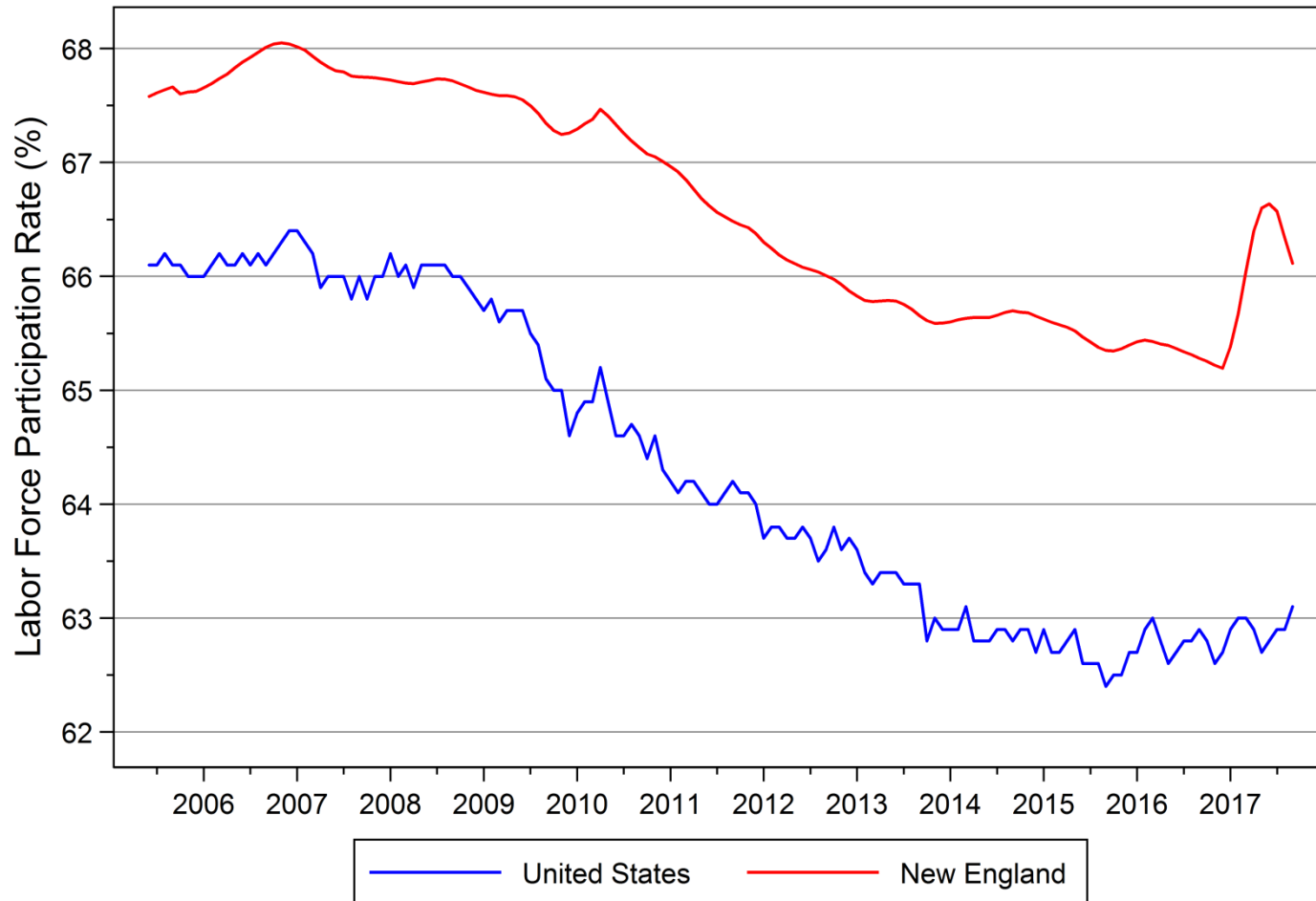
Unemployment Rate Movements Mixed Across Metros



Broader Unemployment Measure (U6) Still Elevated in CT

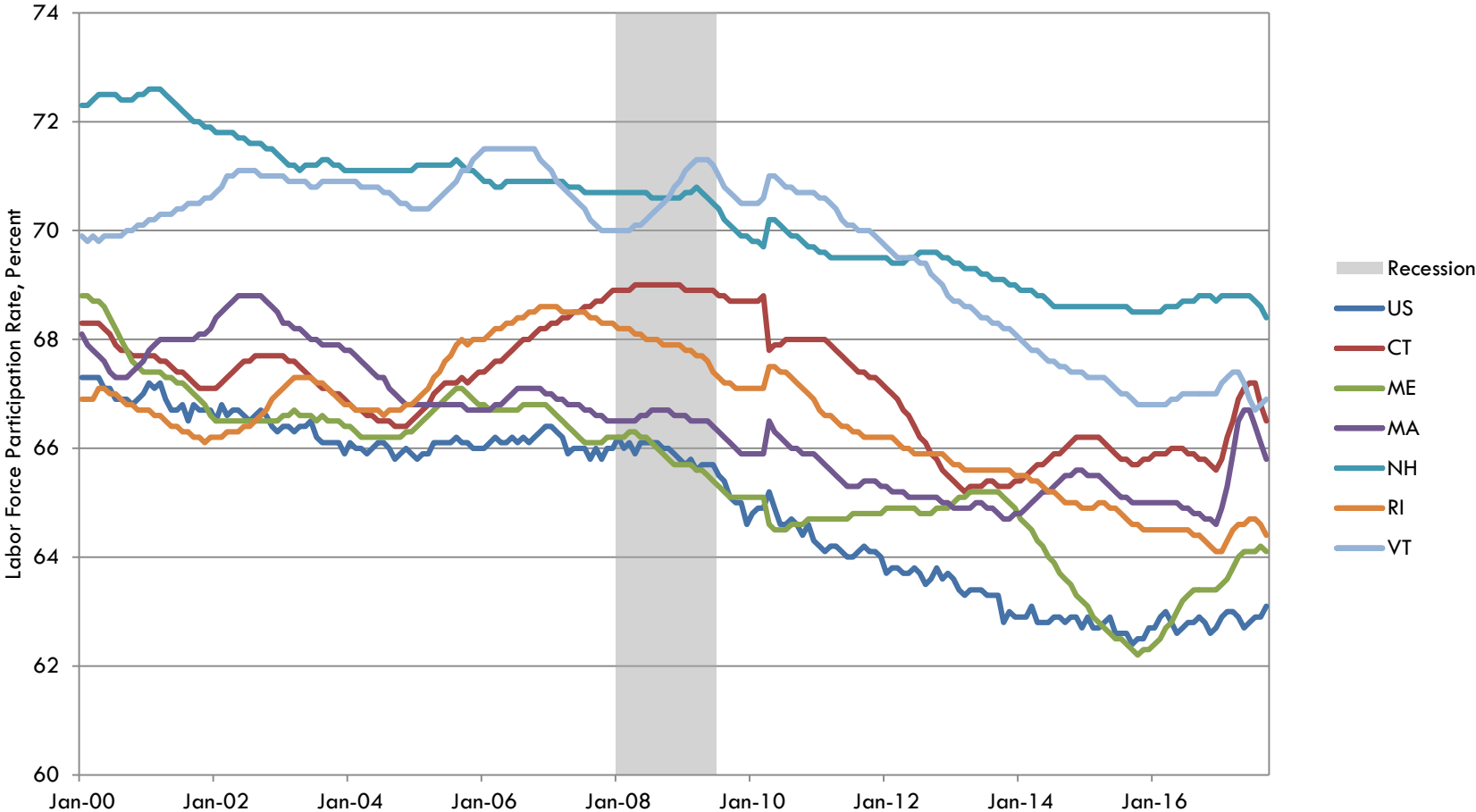


Region's Labor Force Participation Rate Up Since Dec. 2016, Despite Recent Decline



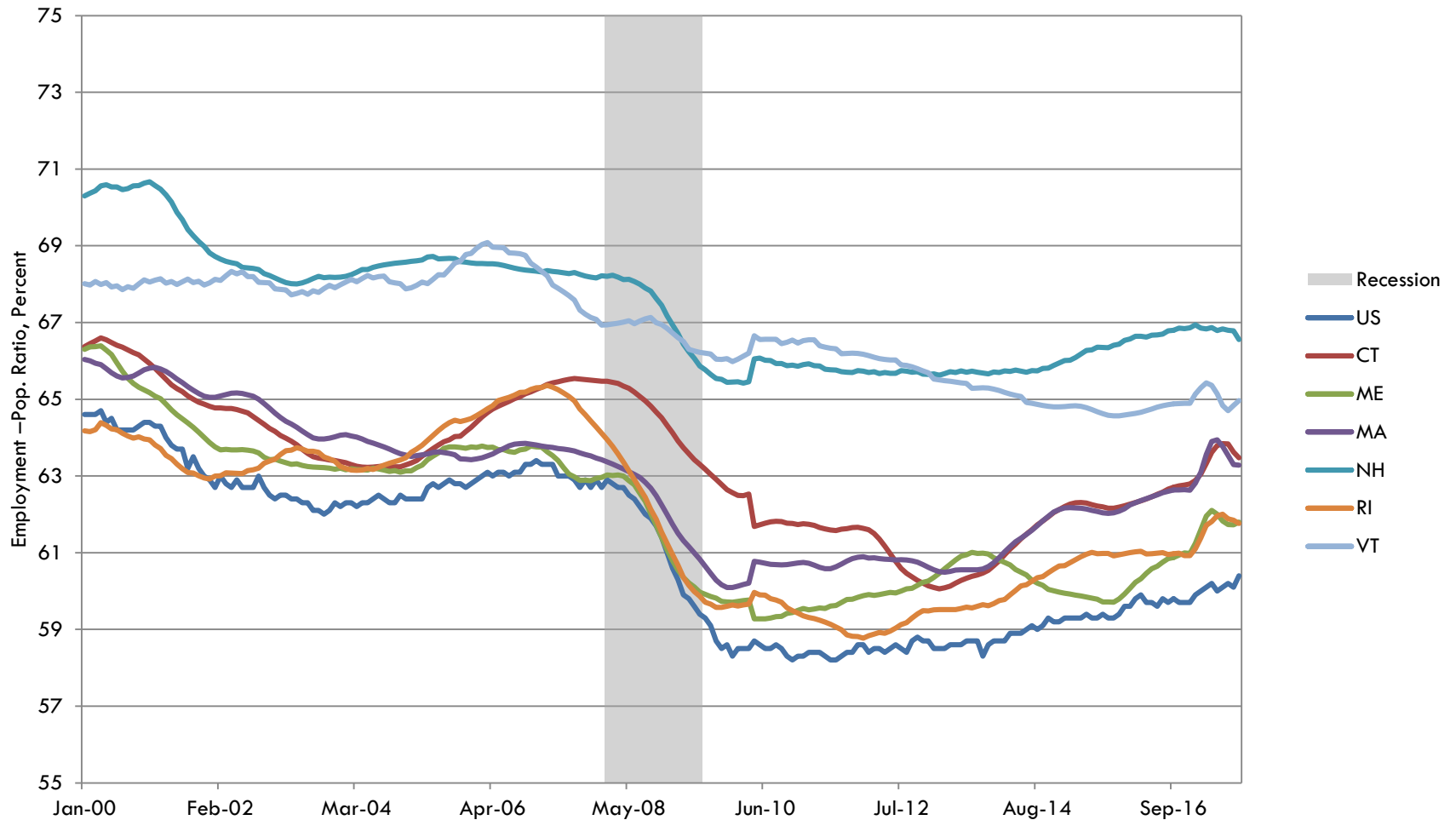
Source: Bureau of Labor Statistics; Seasonally-Adjusted Data

Labor Force Participation Rebound Owes to MA, CT, ME

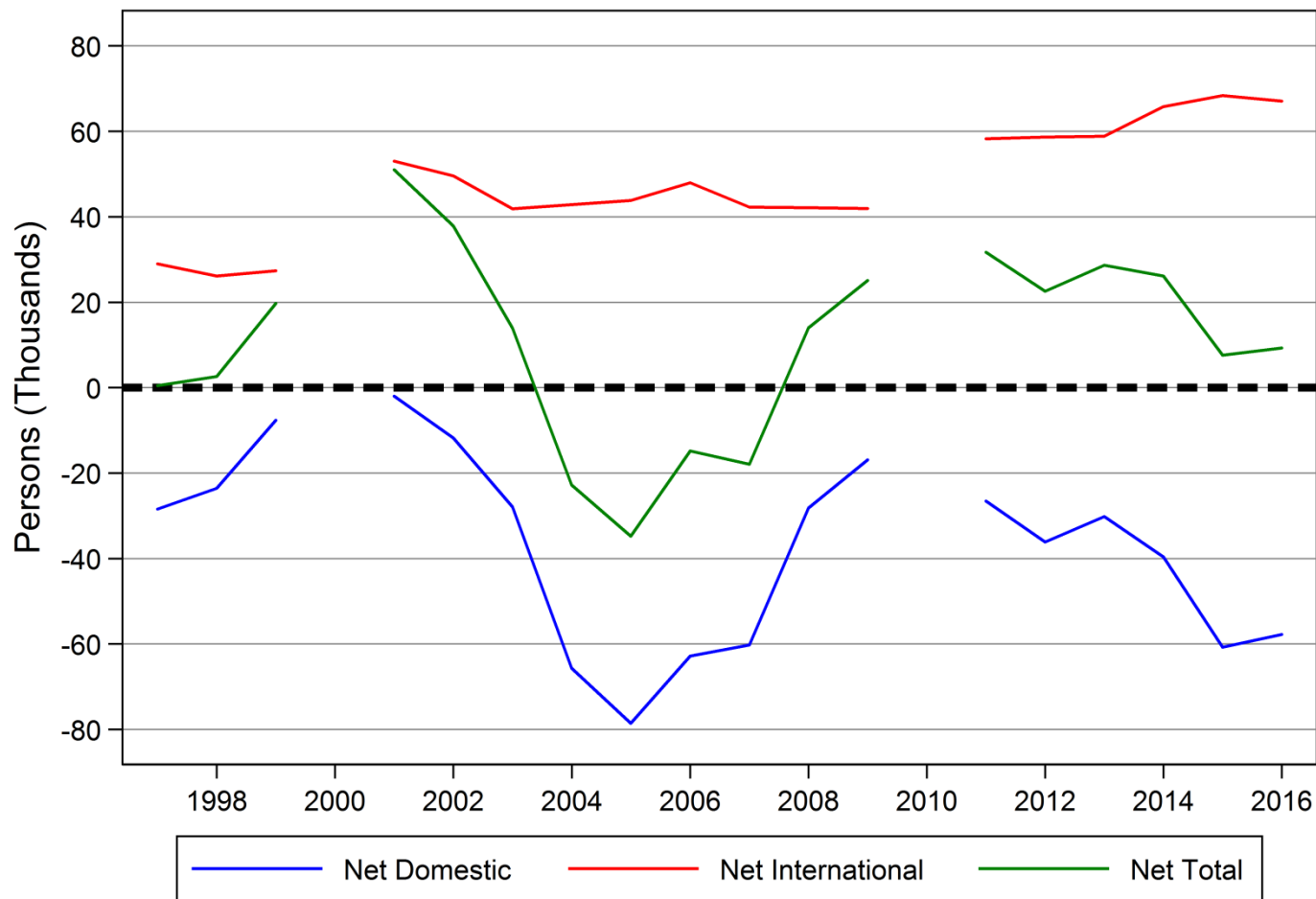


Source: Bureau of Labor Statistics, NBER, Haver Analytics

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

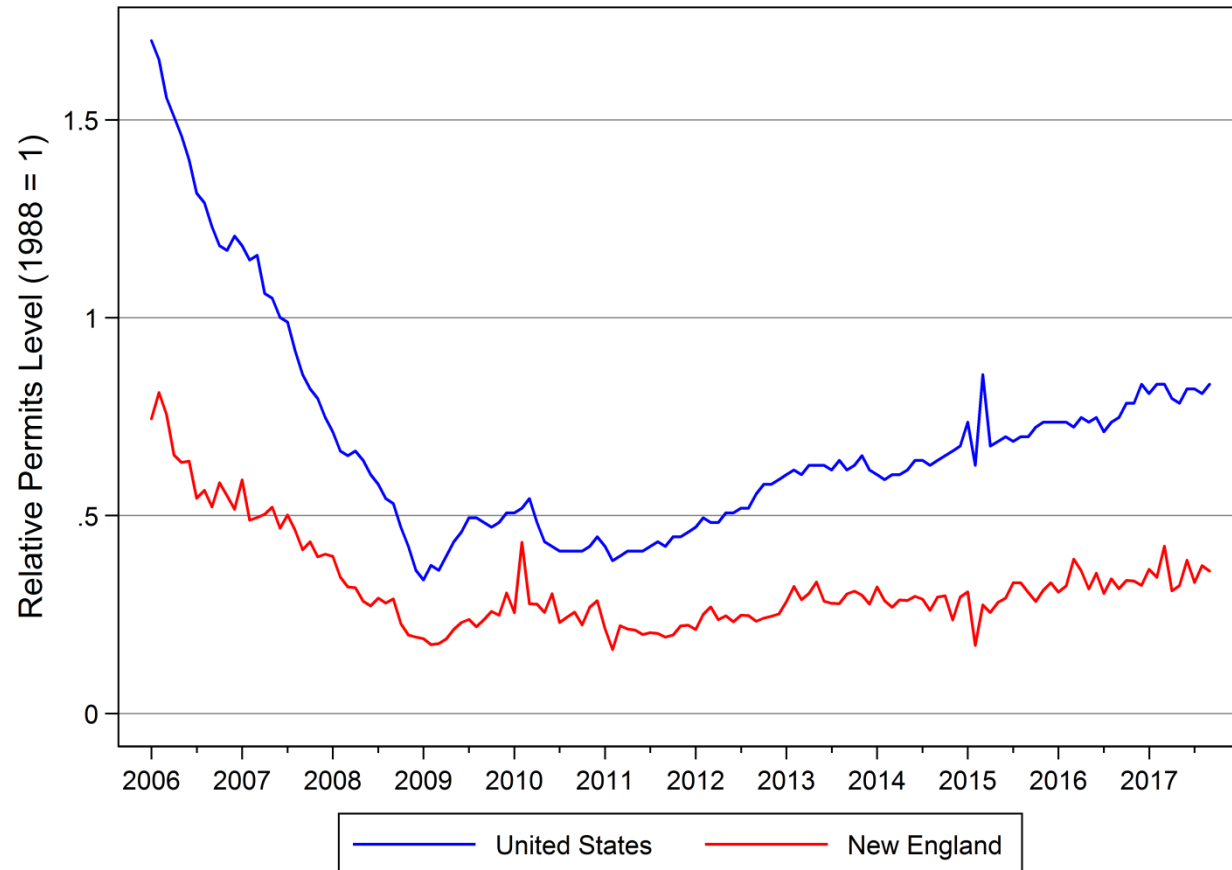


Without International Migration, New England Population Would be Declining



Source: Census Bureau/Haver Analytics

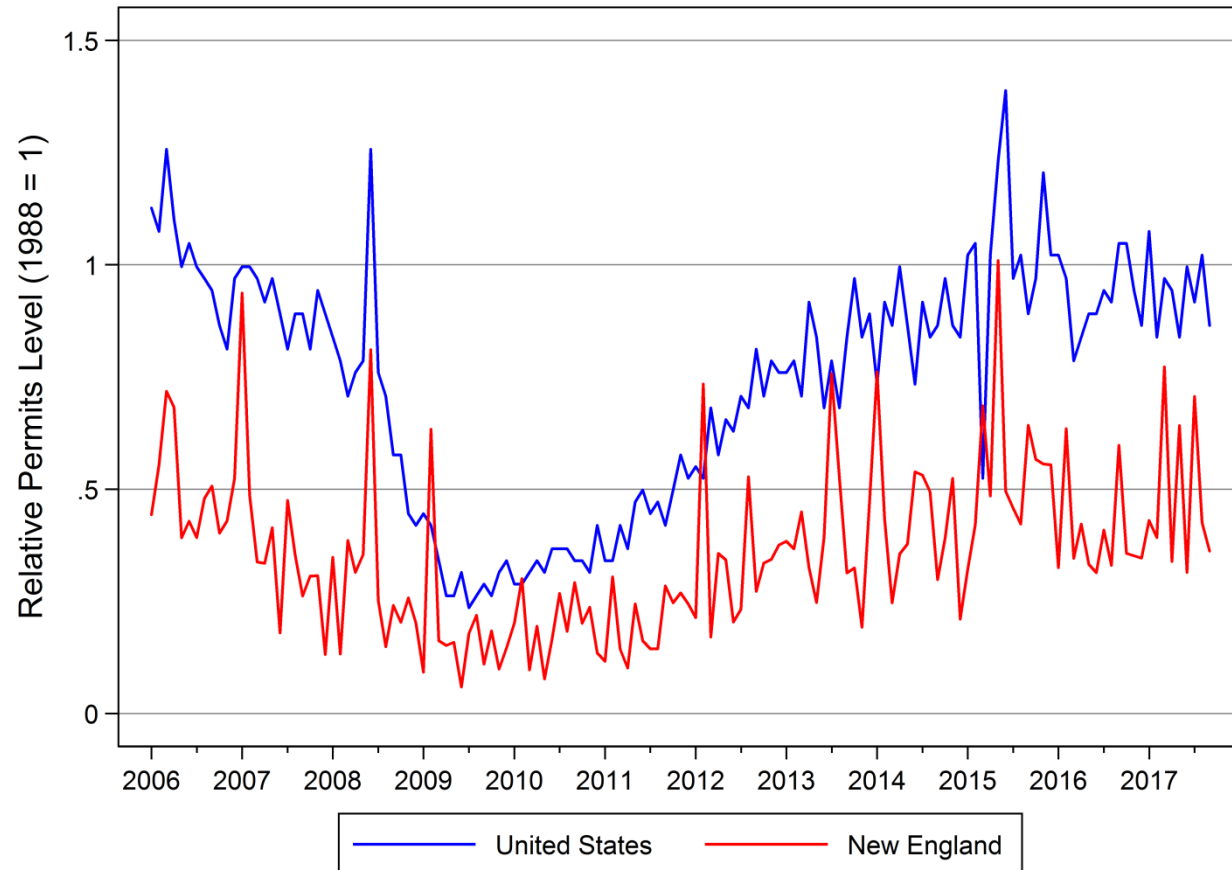
Single-Family Permits Still Well Below Pre-Recession Highs



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

Note: Data are seasonally adjusted.

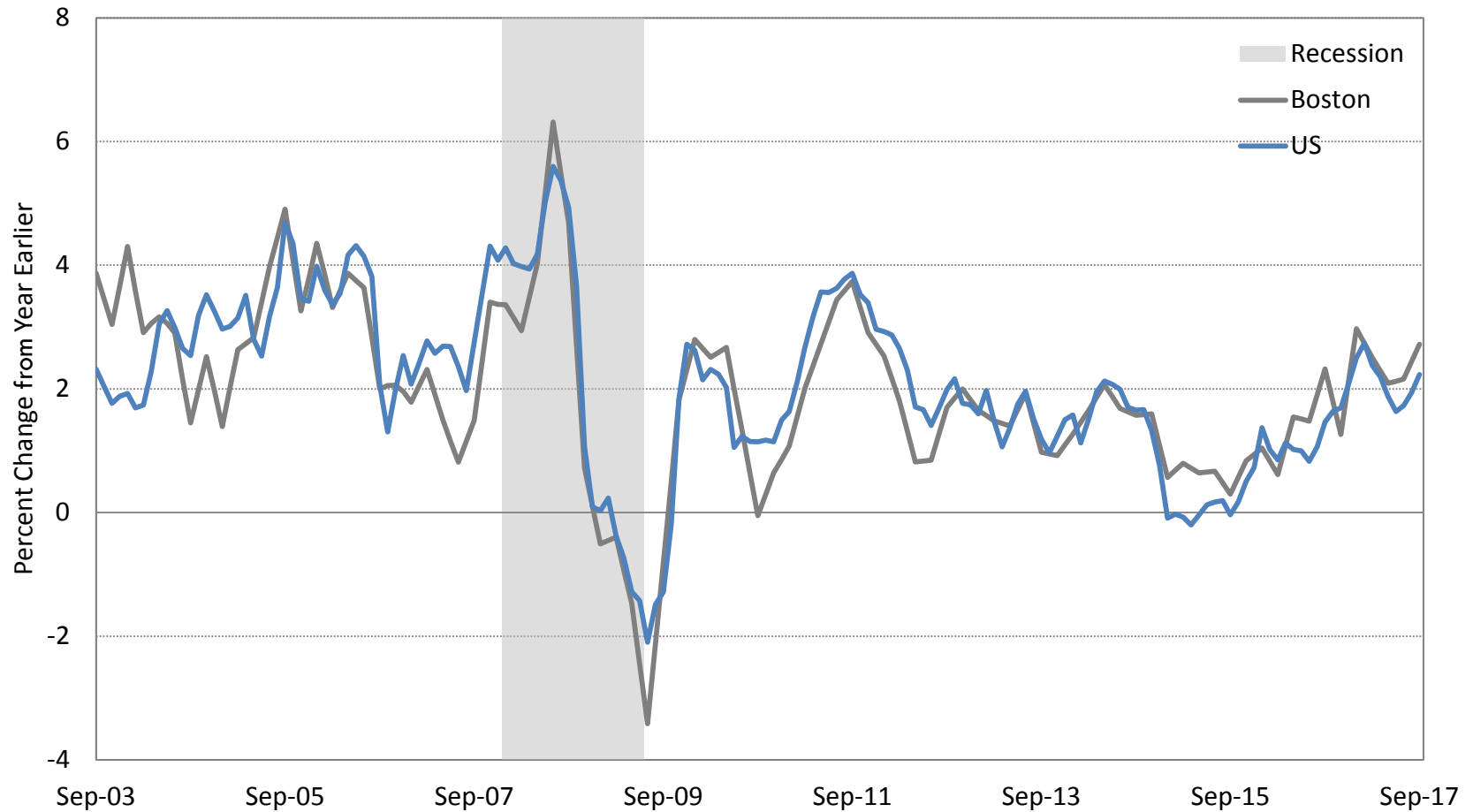
Multifamily Permits Activity At or Above Pre-Recession Levels Since Late 2015



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

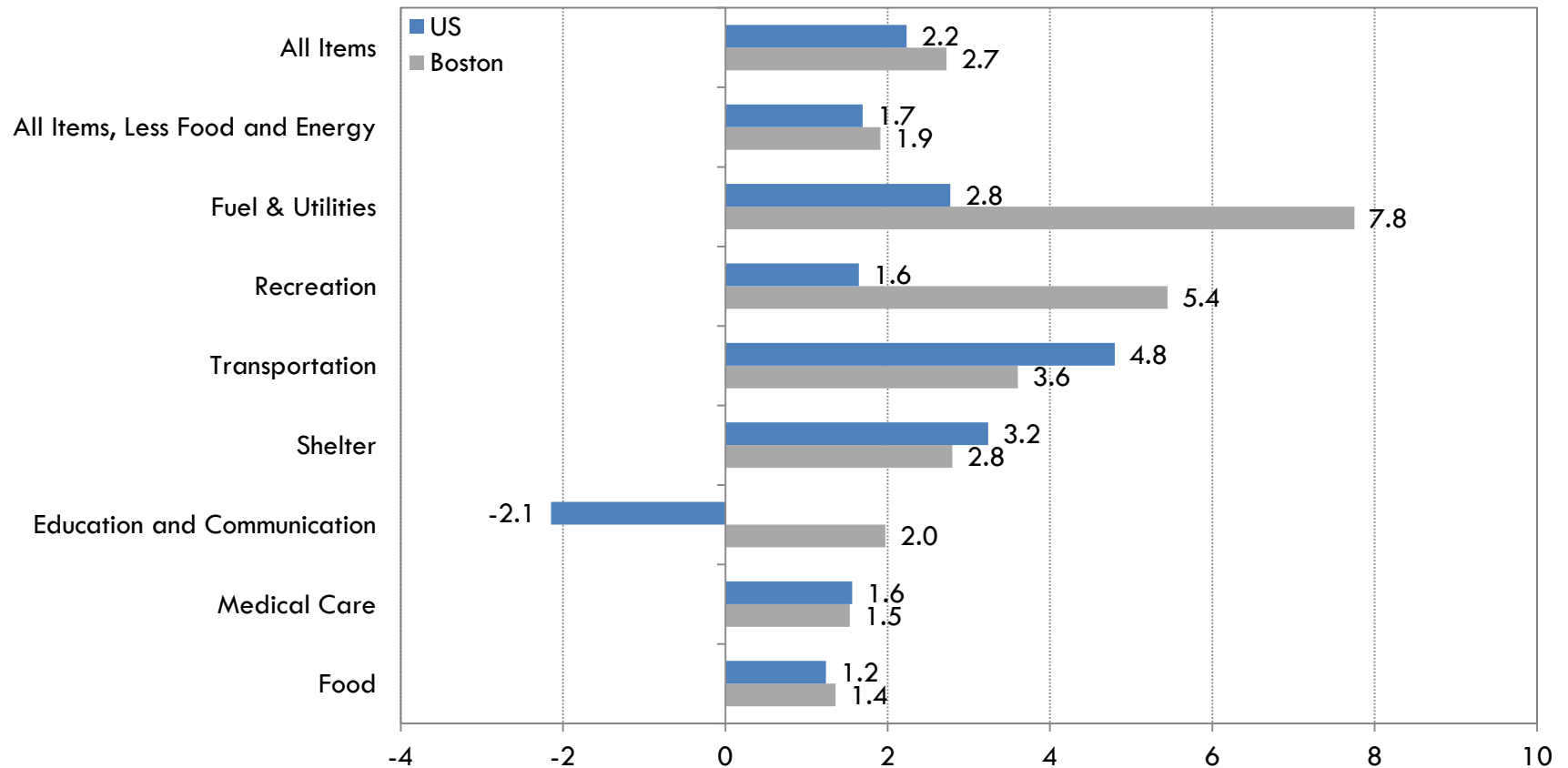
Note: Data are seasonally adjusted.

Headline CPI Inflation Up Since 2015; Boston Rate 2.7%

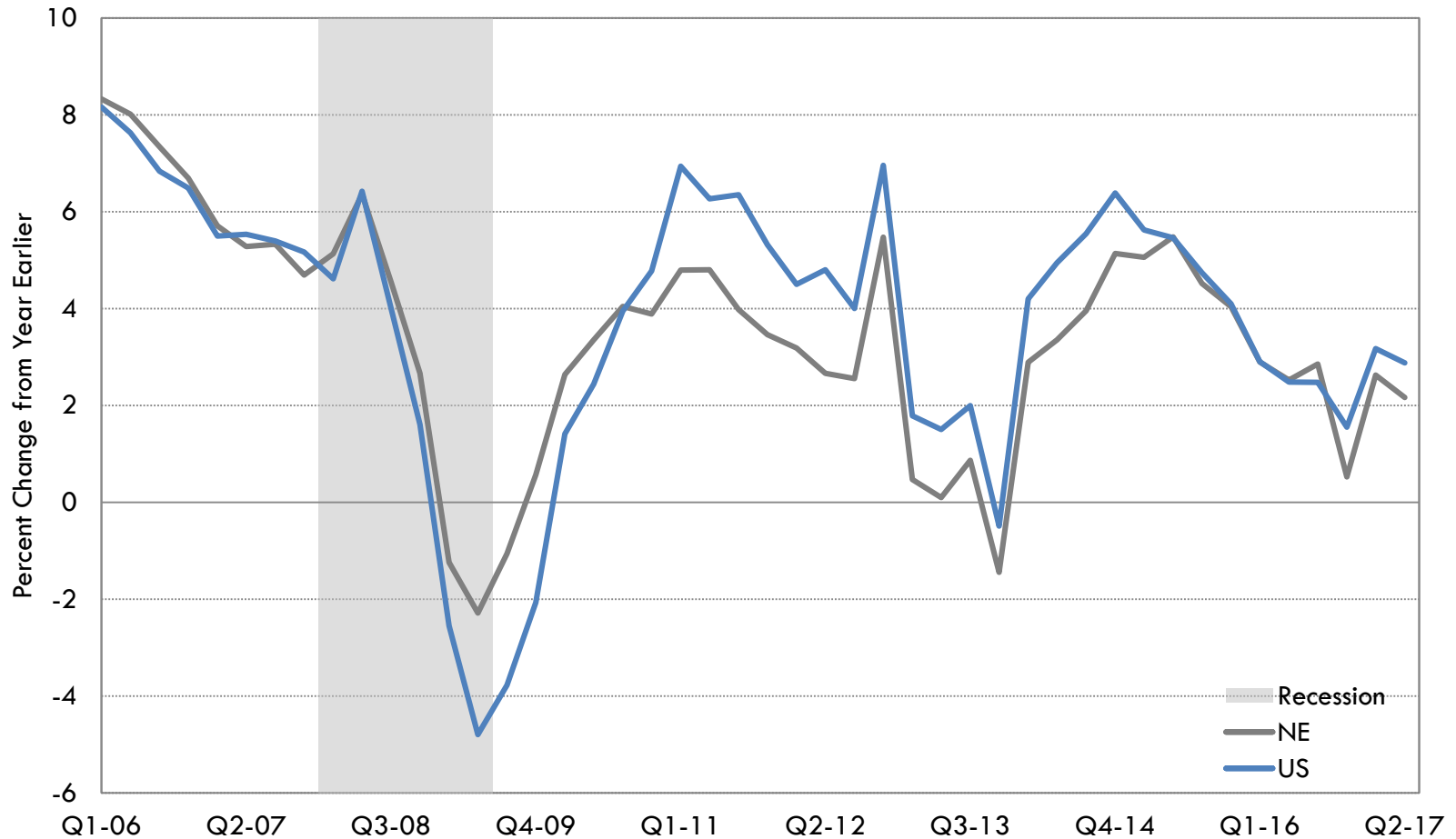


Fuel & Utilities Prices Extend Sharp Increases in Boston (not Gasoline)

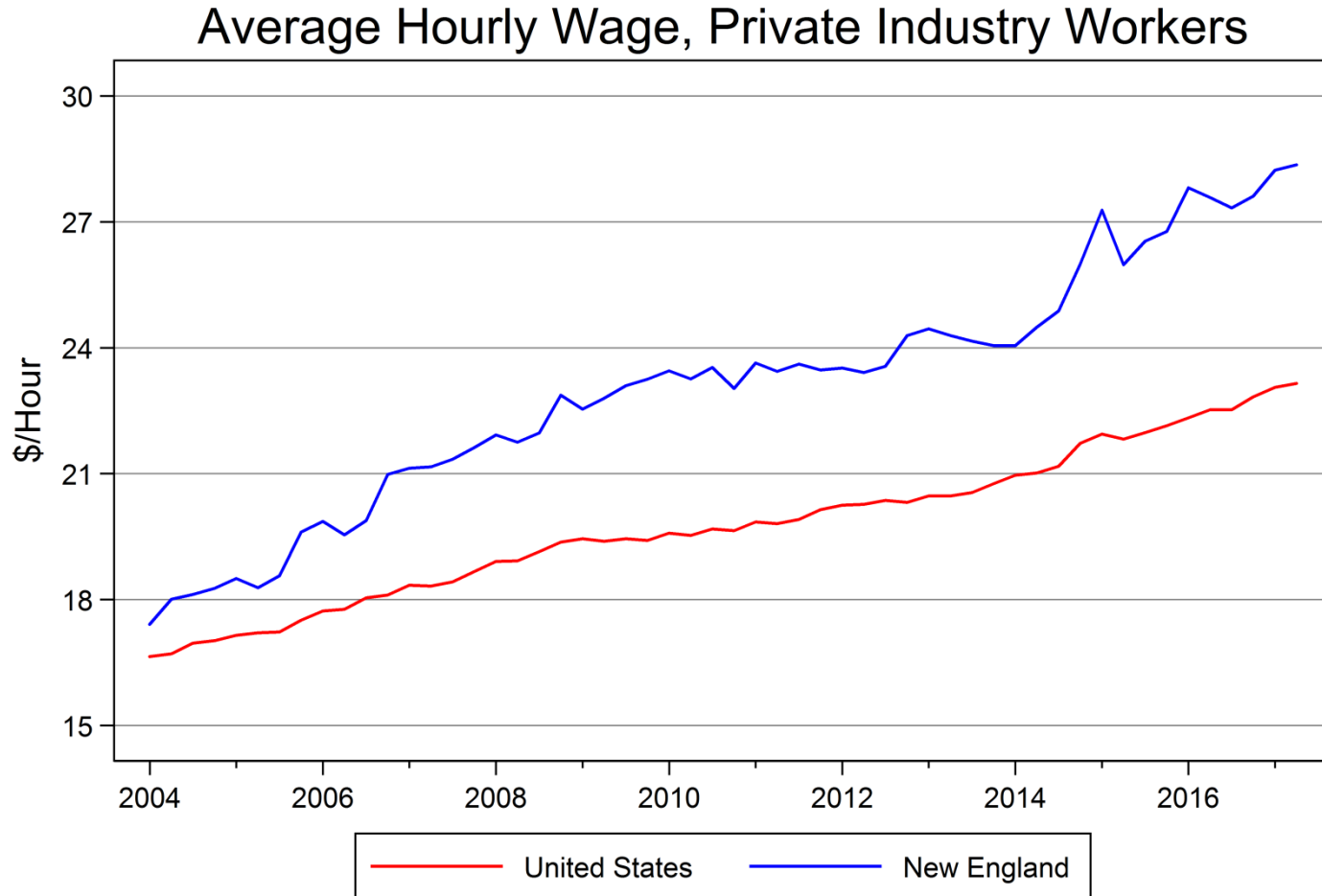
Percent Change, September 2016 - September 2017



Personal Income Growth Up from 2016Q4, But Still Moderate

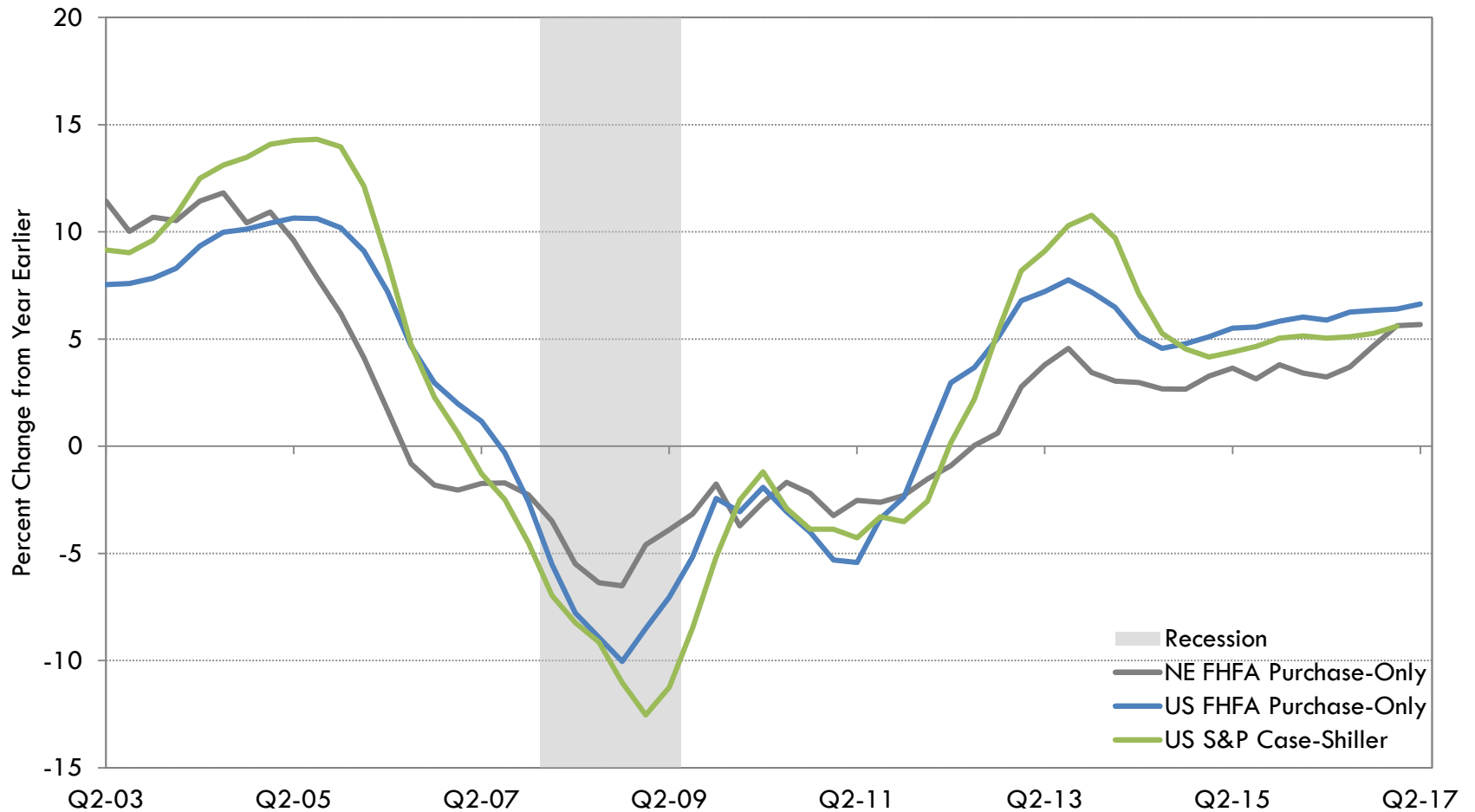


New England Hourly Wages Above U.S. Average; Increased More Since 2005



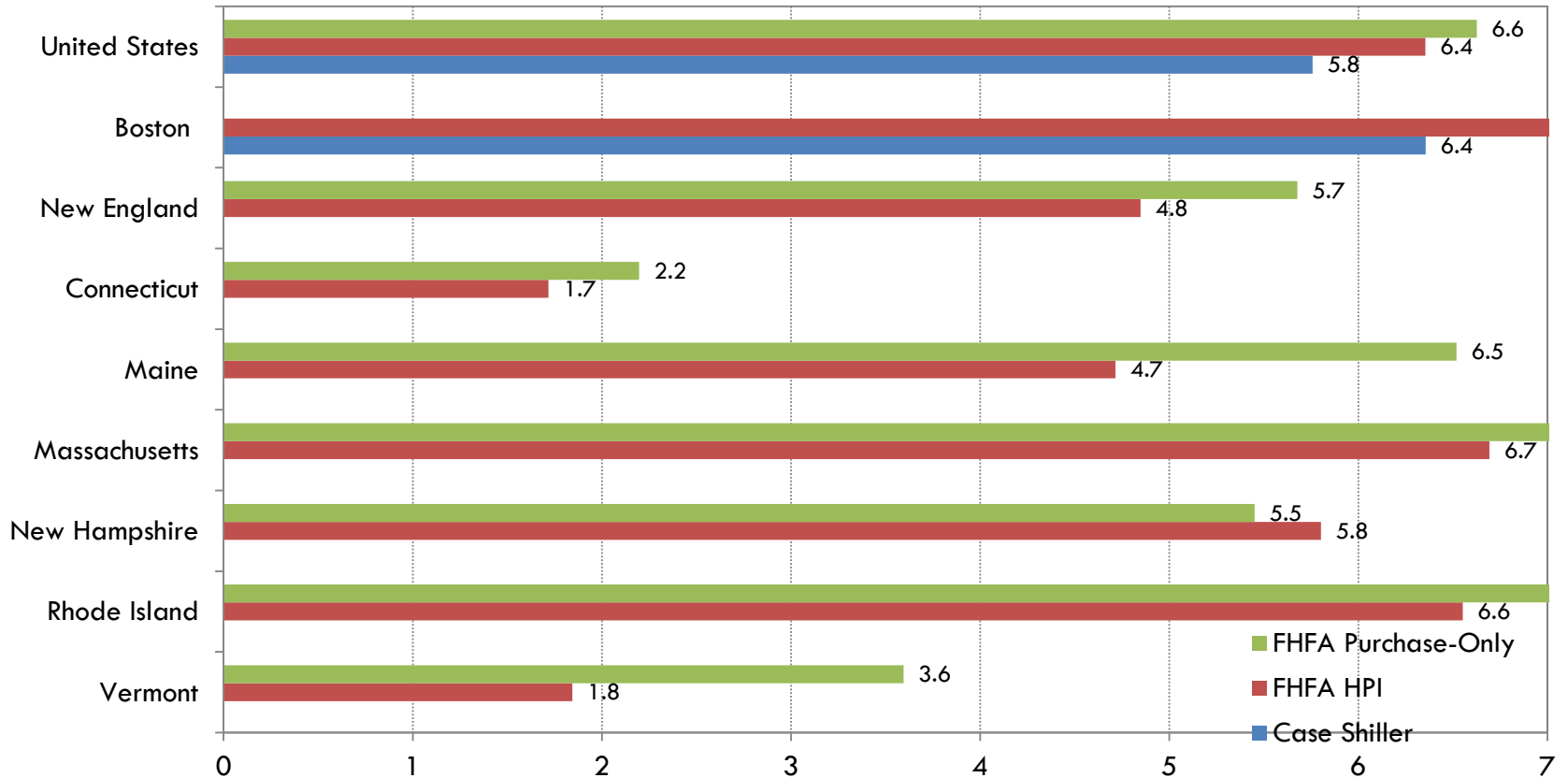
Source: Bureau of Labor Statistics/Haver Analytics

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

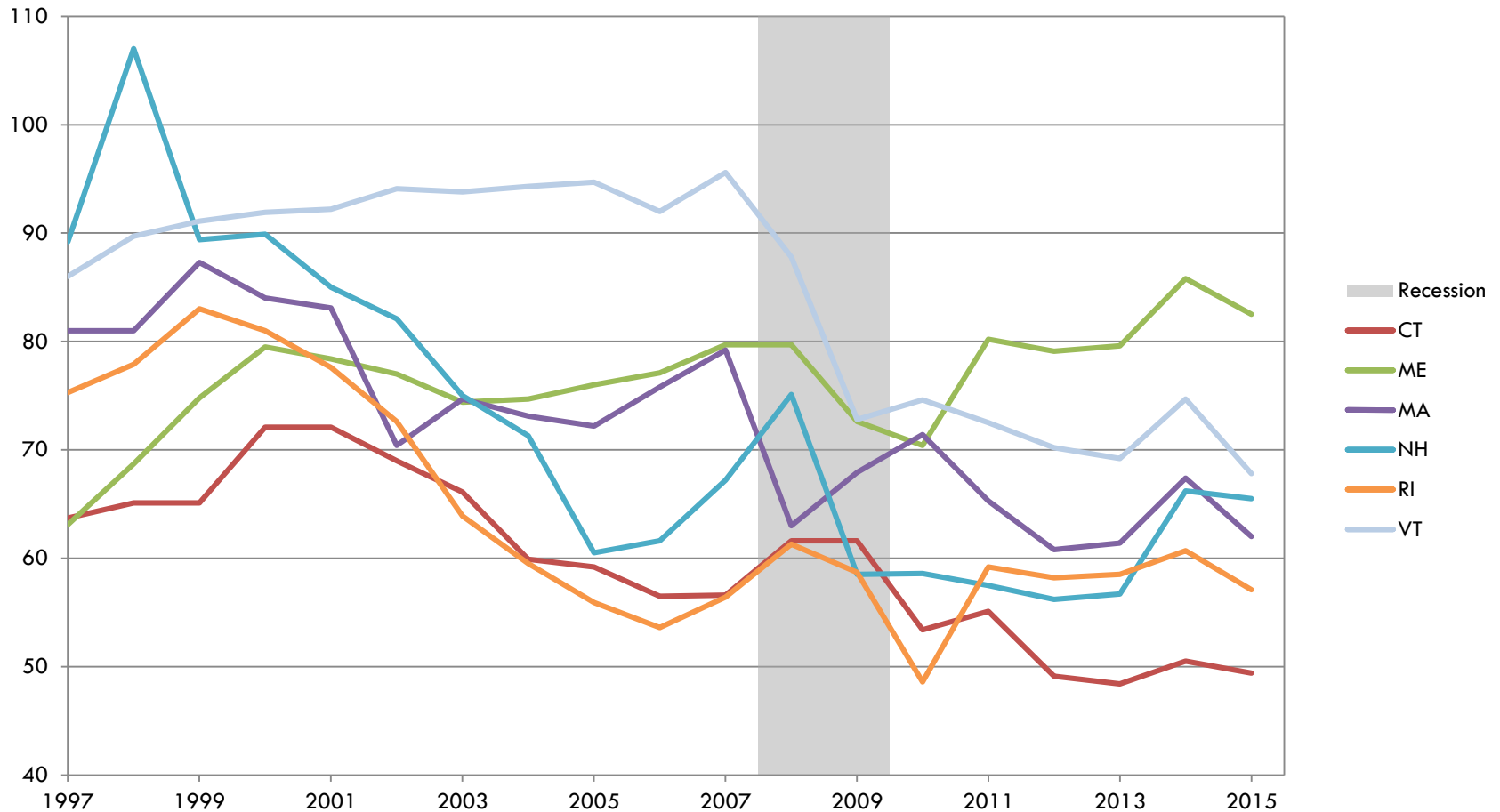


Most NE States Facing Fiscal Strain, Weak Revenue Growth

	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

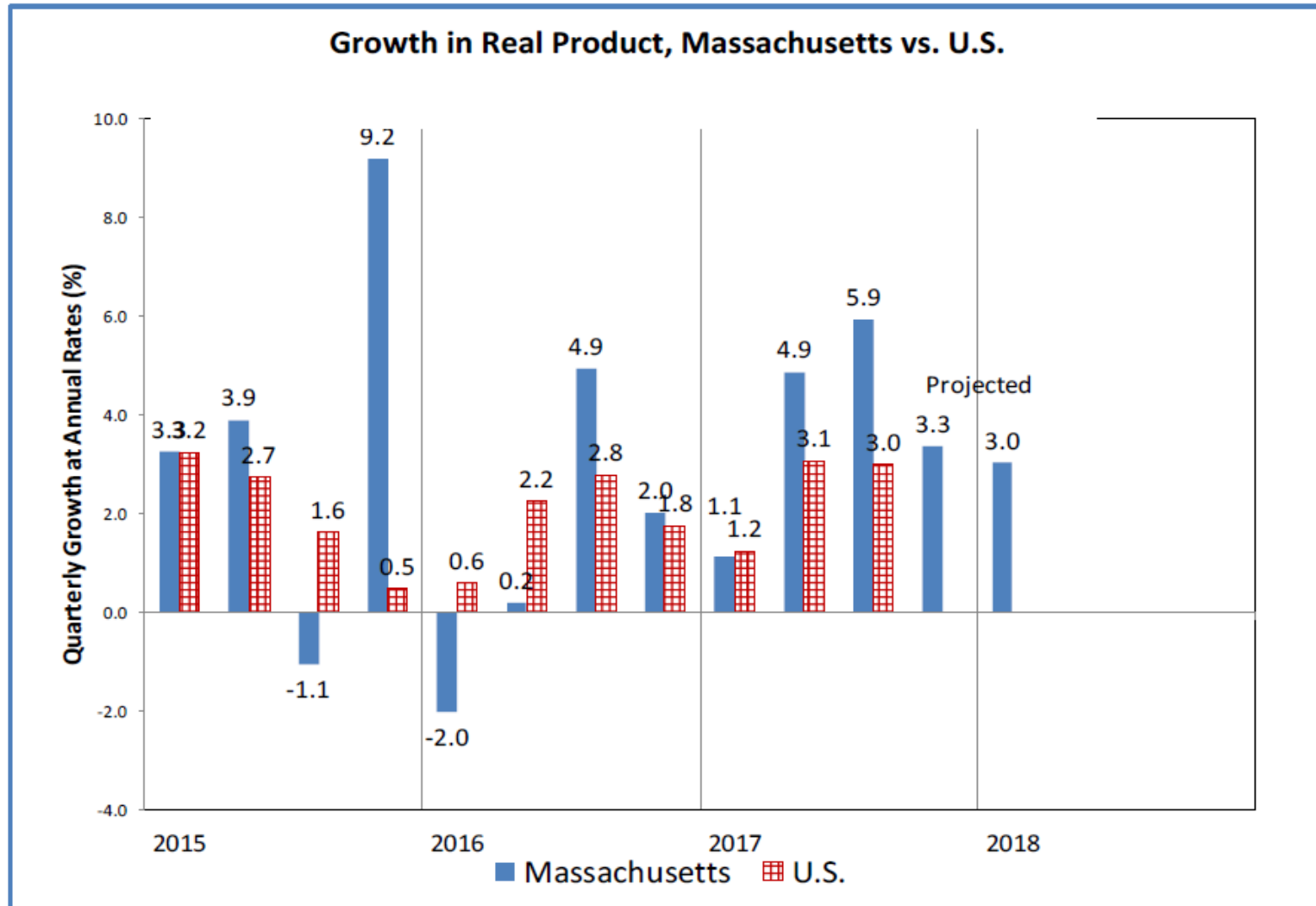
- Anticipated tax reductions already having effects
 - Delayed capital gains hurting tax revenues
- Elimination of State and Local Tax Deduction
- Changes (mostly cuts) in Medicaid funding to states (Graham-Cassidy bill)
- Uncertainty makes fiscal planning more difficult

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

Updated Sep 19; Posted Sep 19

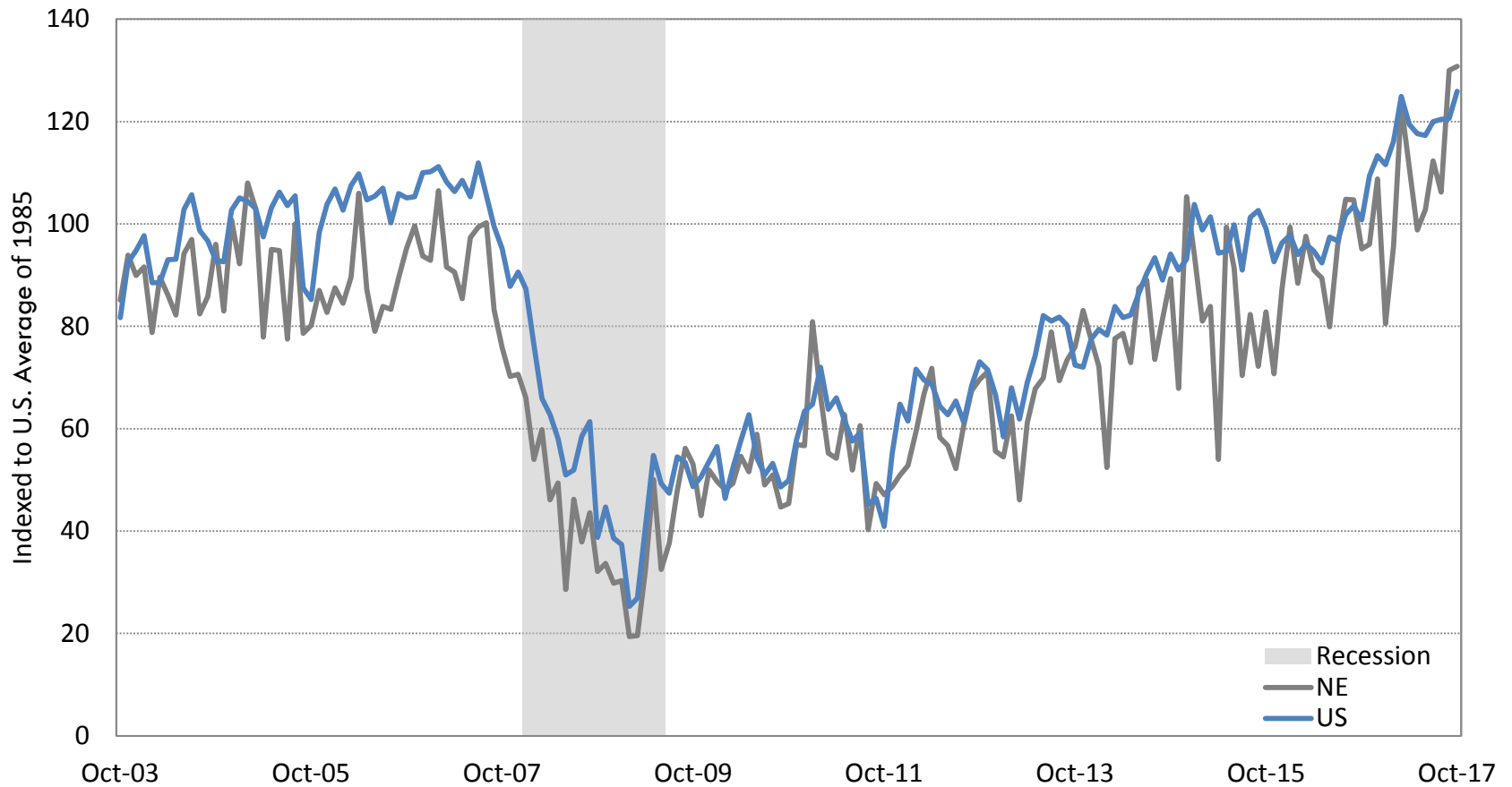


GDP Growth Surged in Q2 and Q3 in MA; Forecast Calls for Solid Growth

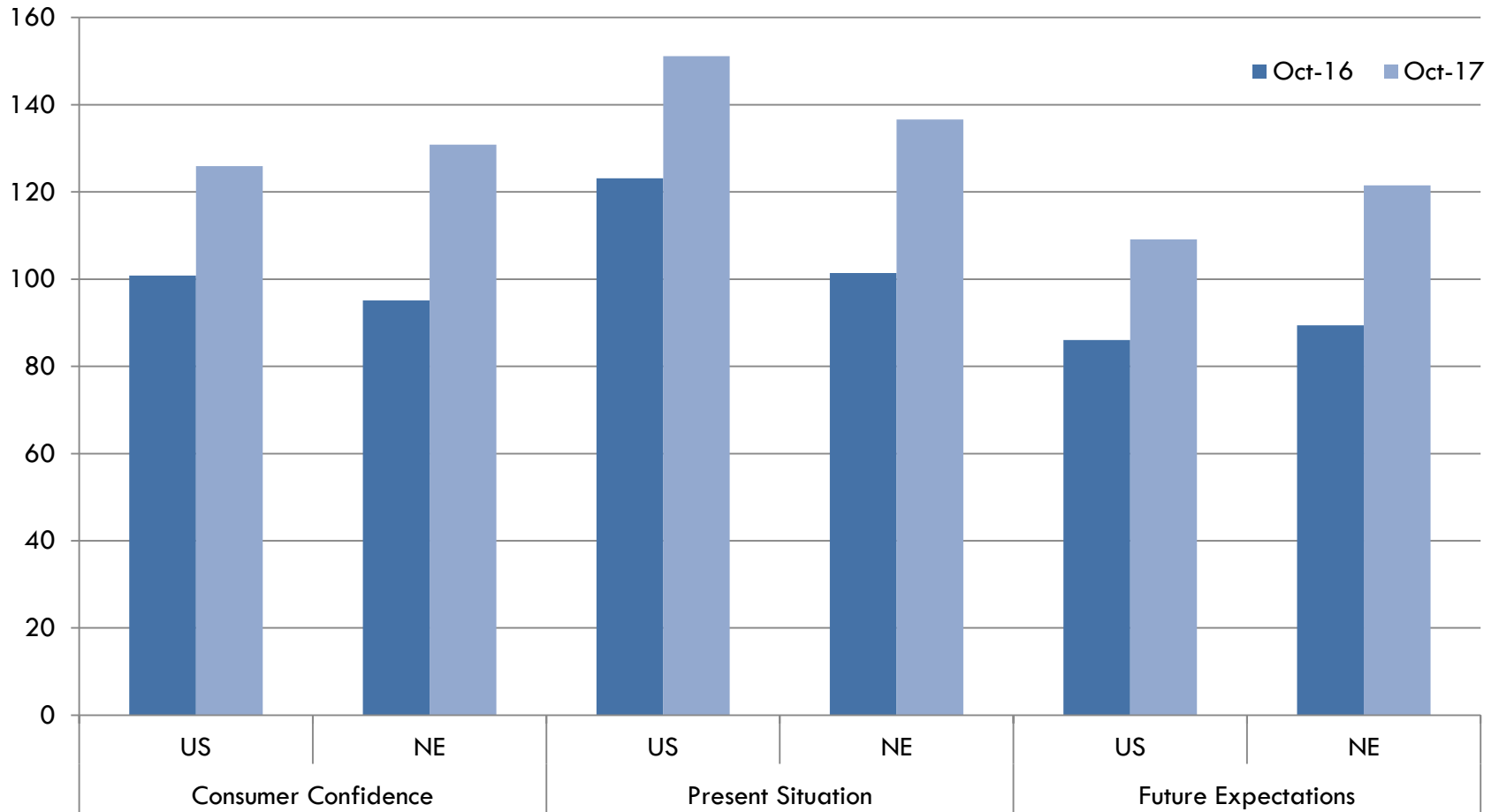


Source: U.S., Bureau of Economic Analysis (BEA); MassBenchmarks (Massachusetts 2017Q1 and later only).

Consumer Confidence Exceeds Pre-Recession Levels

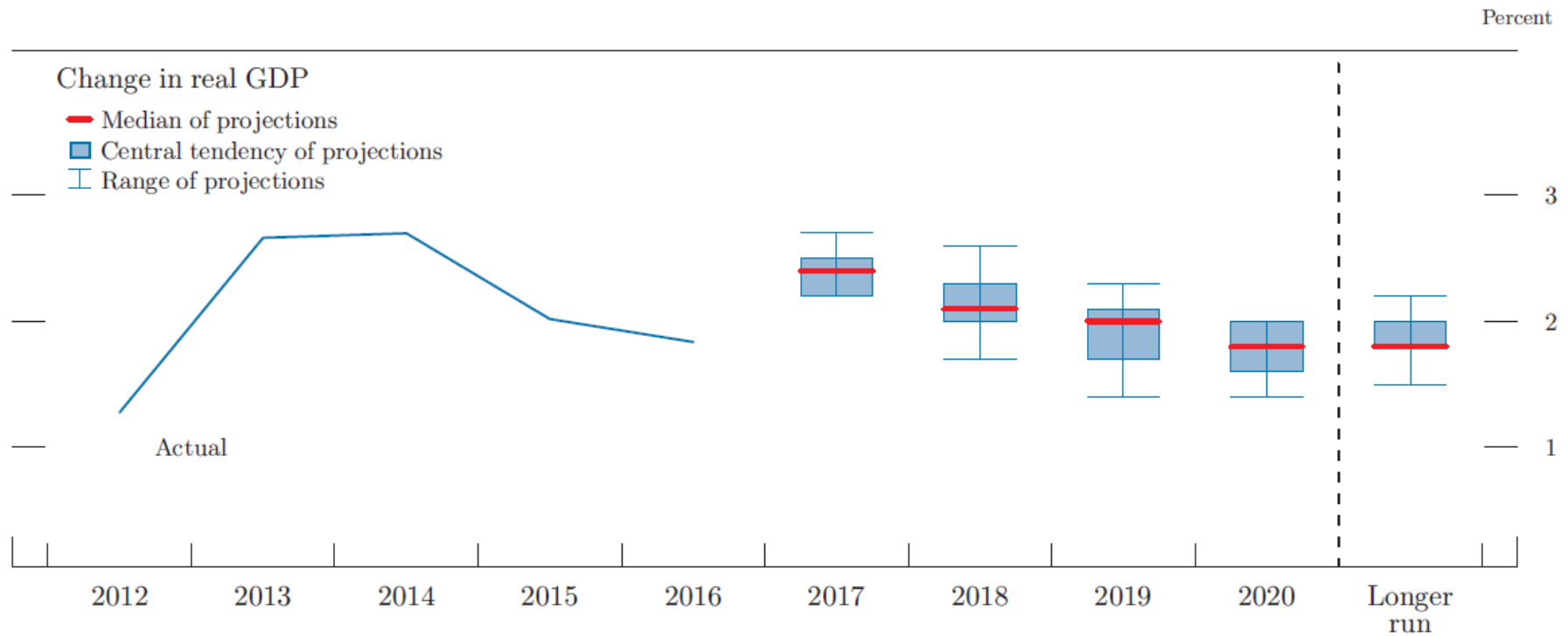


Present and Future Confidence Both Increased



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

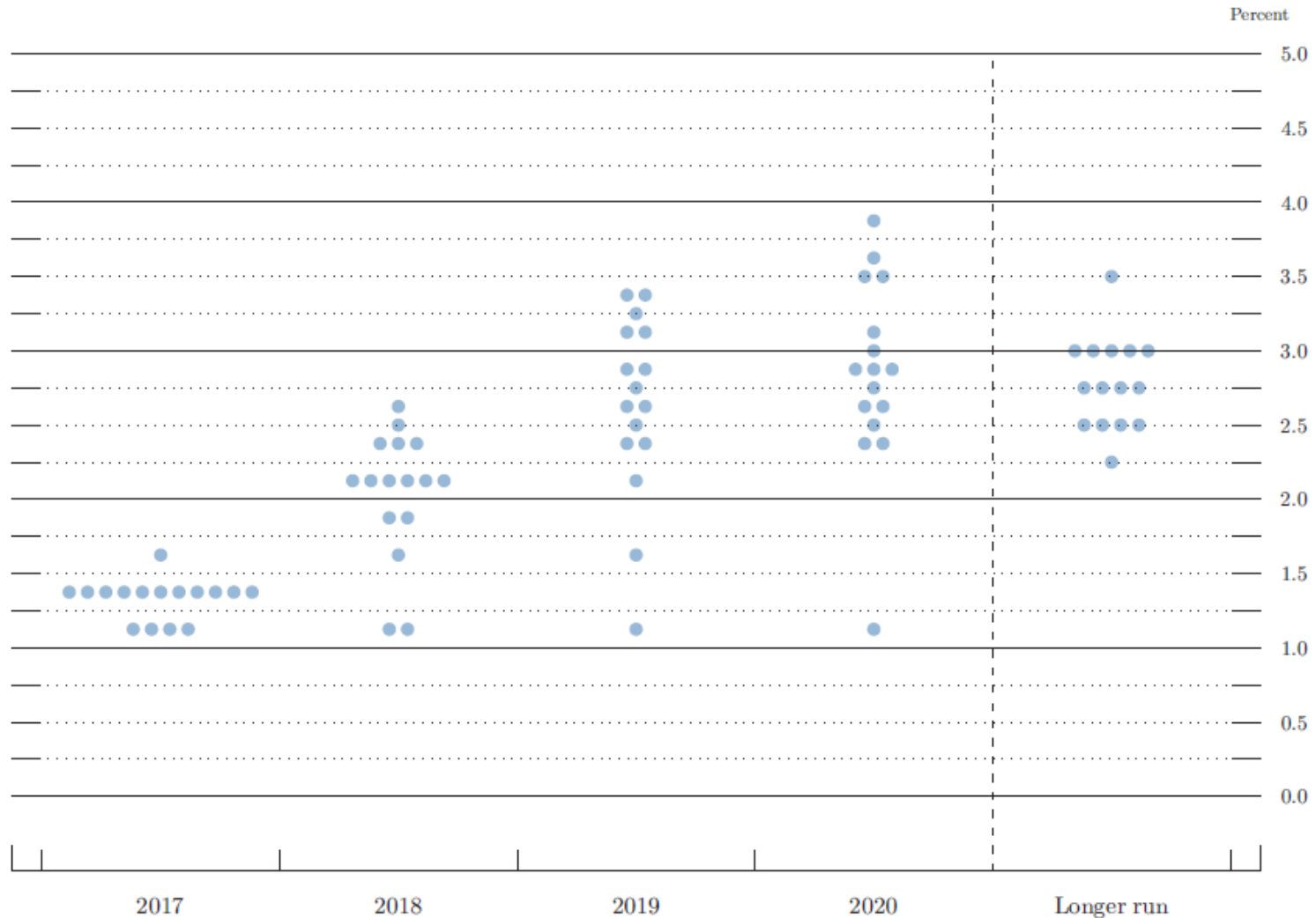
Figure 1. Medians, central tendencies, and ranges of economic projections, 2017–20 and over the longer run



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)



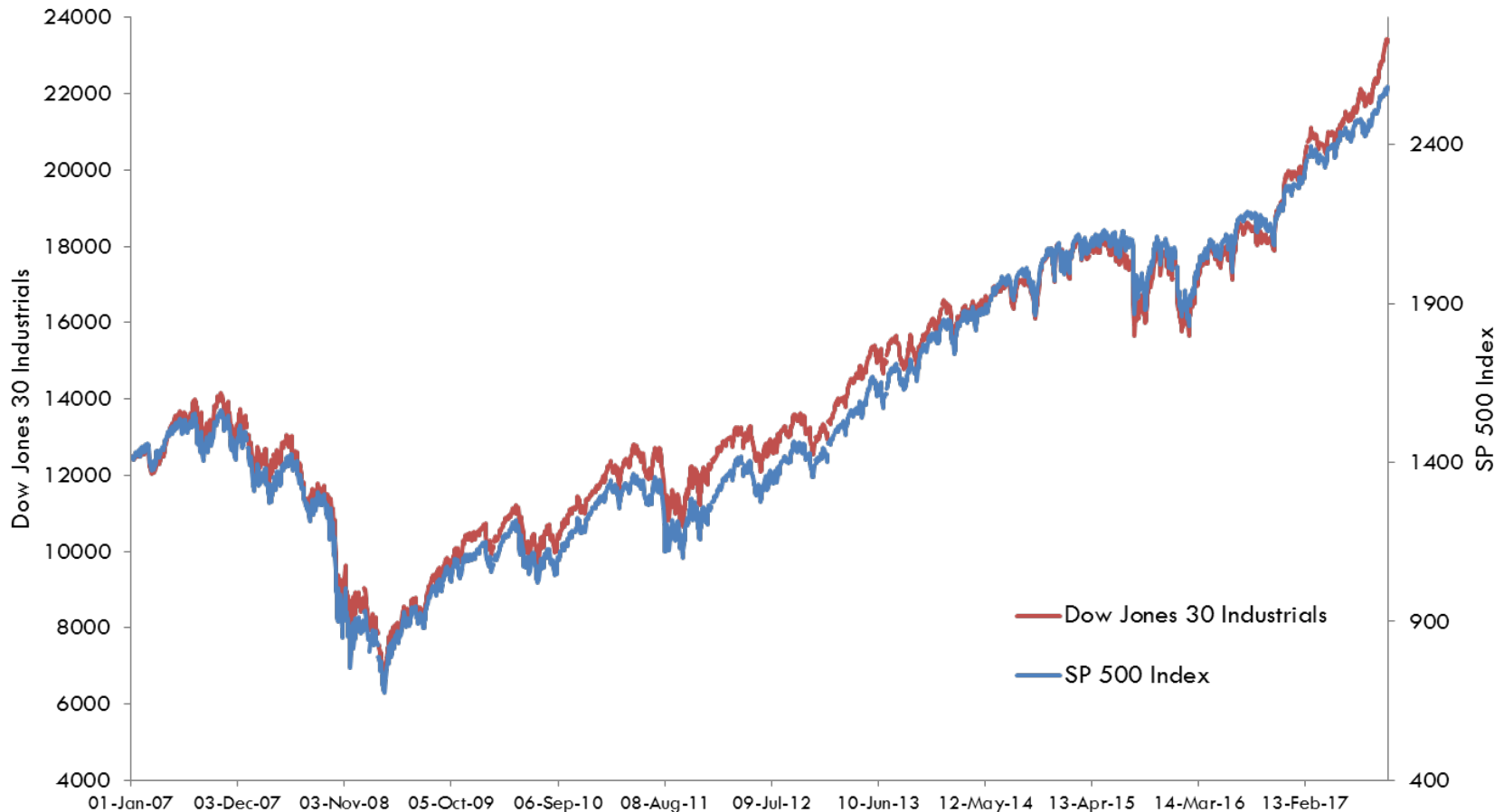
Source: Minutes of the Federal Open Market Committee September 20, 2017.

<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