

# NEW ENGLAND ECONOMIC OUTLOOK

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

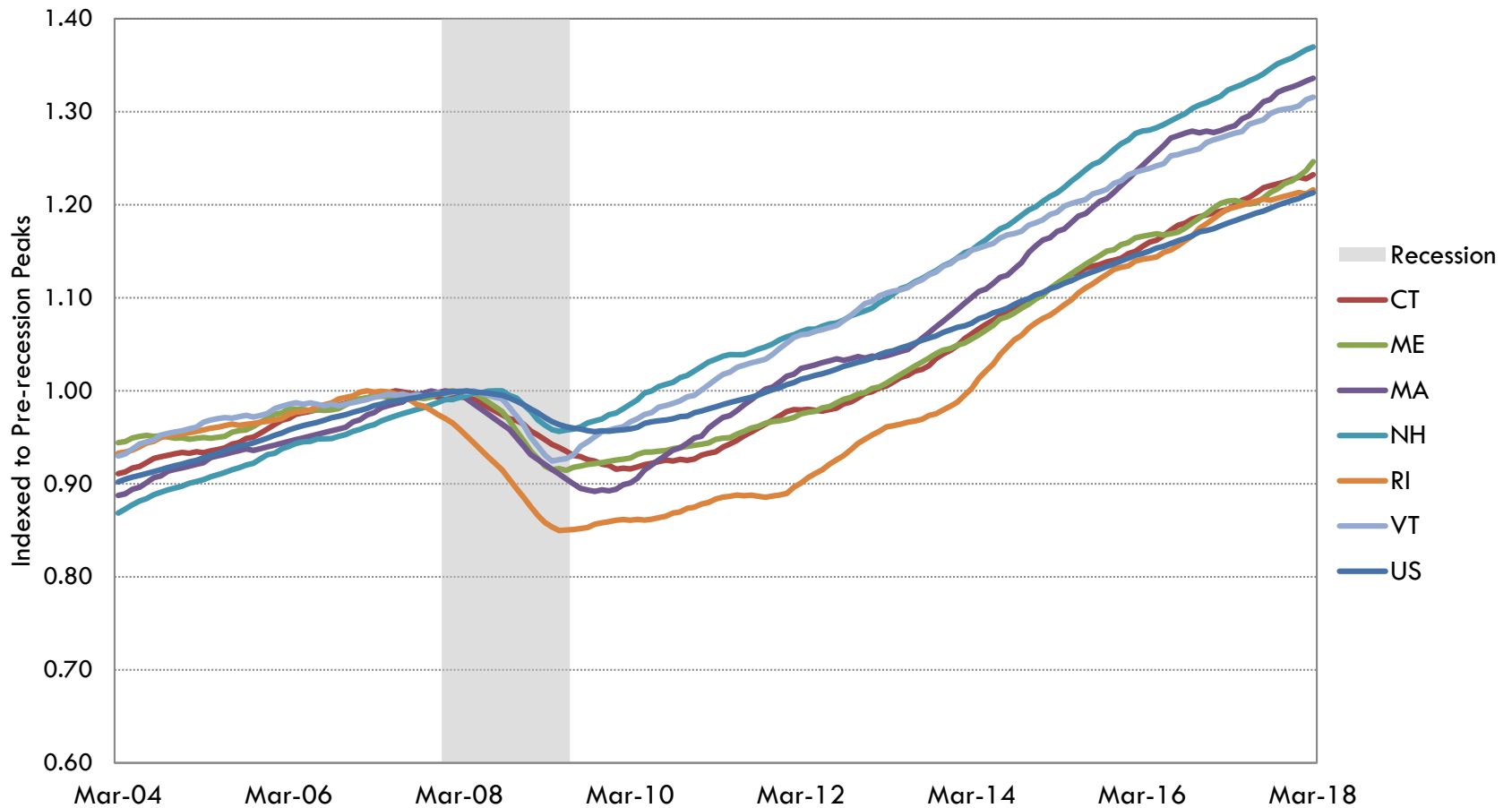
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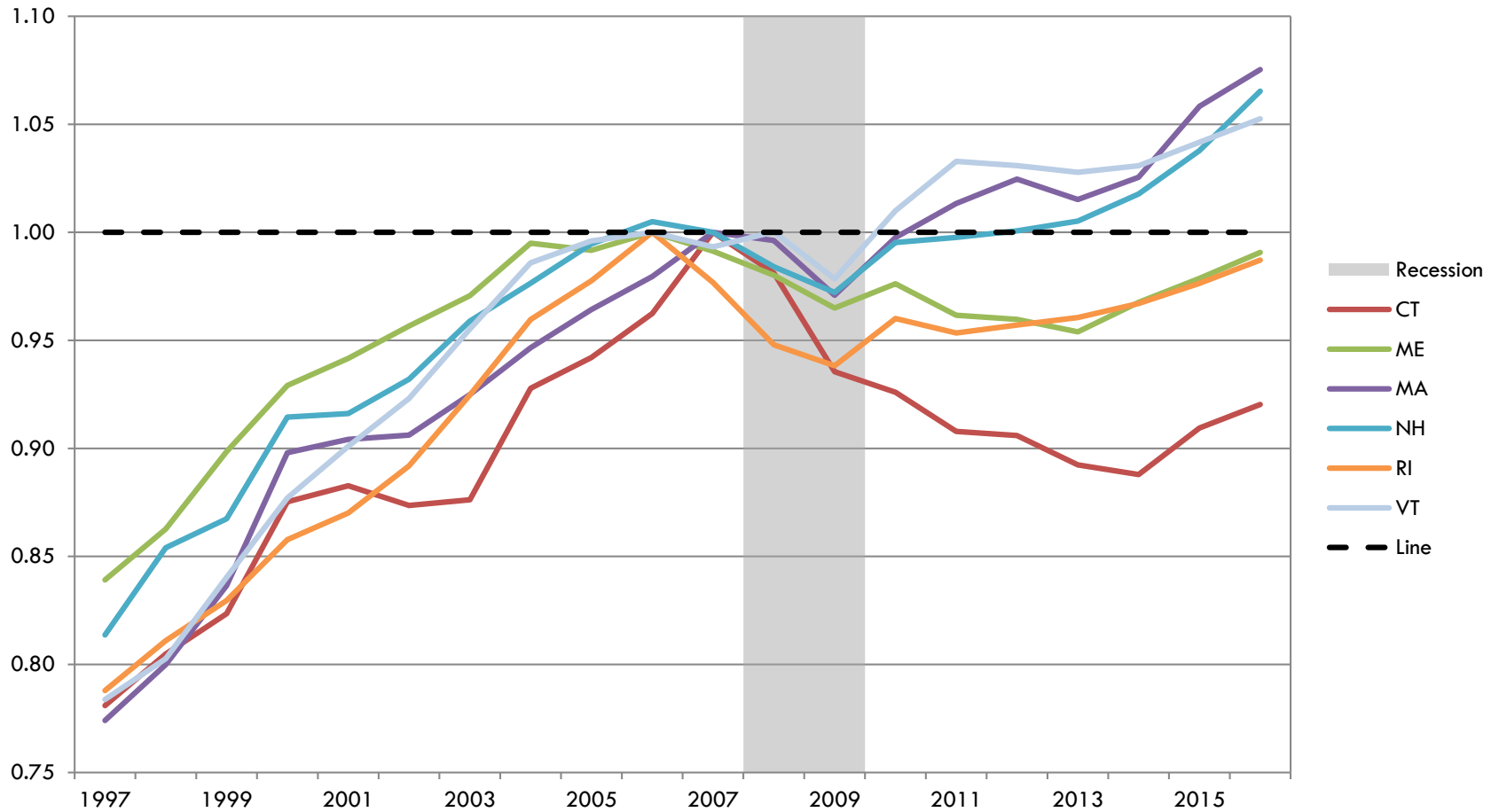
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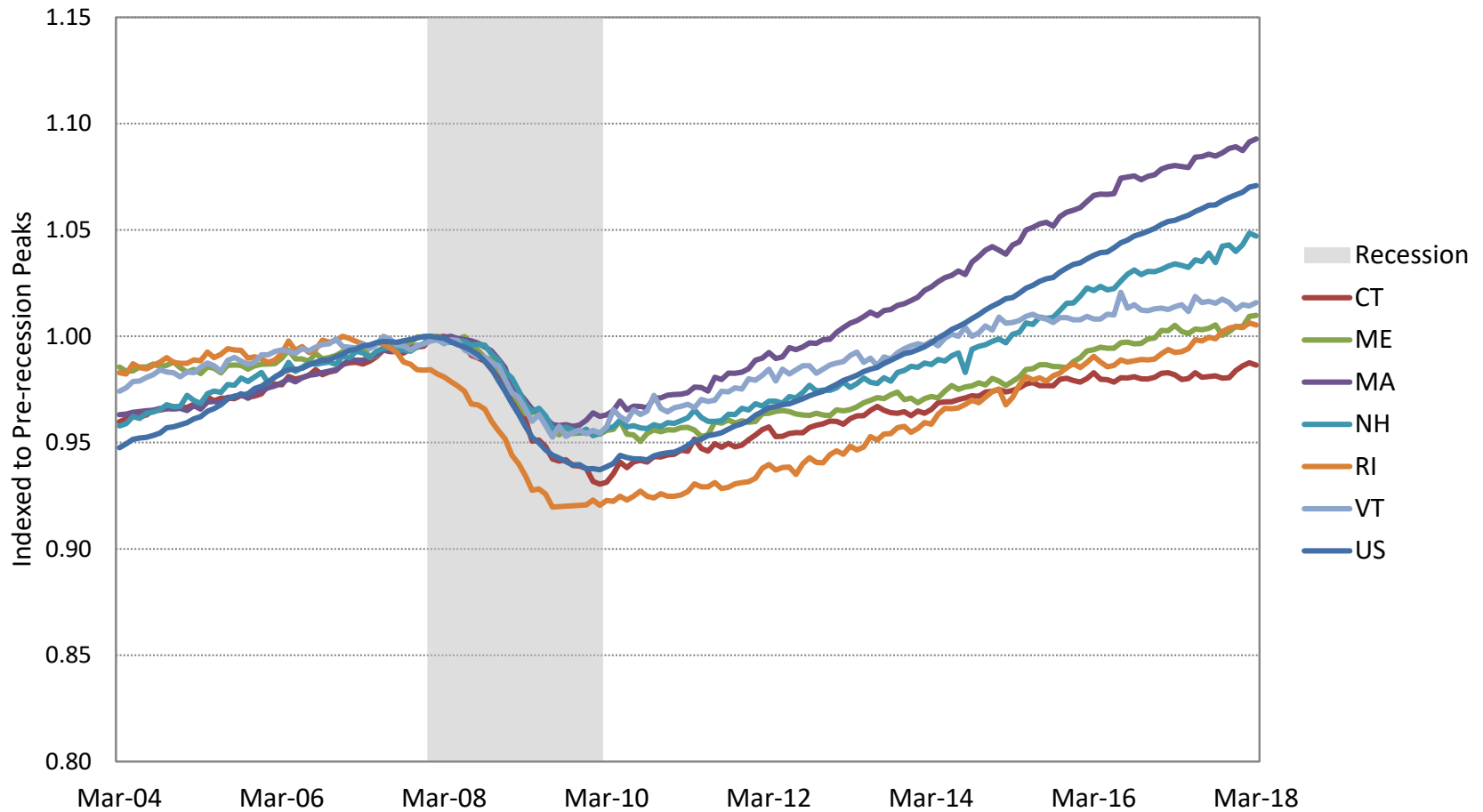
# Economic Activity: Robust Net Growth From Pre-Recession Peak



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



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



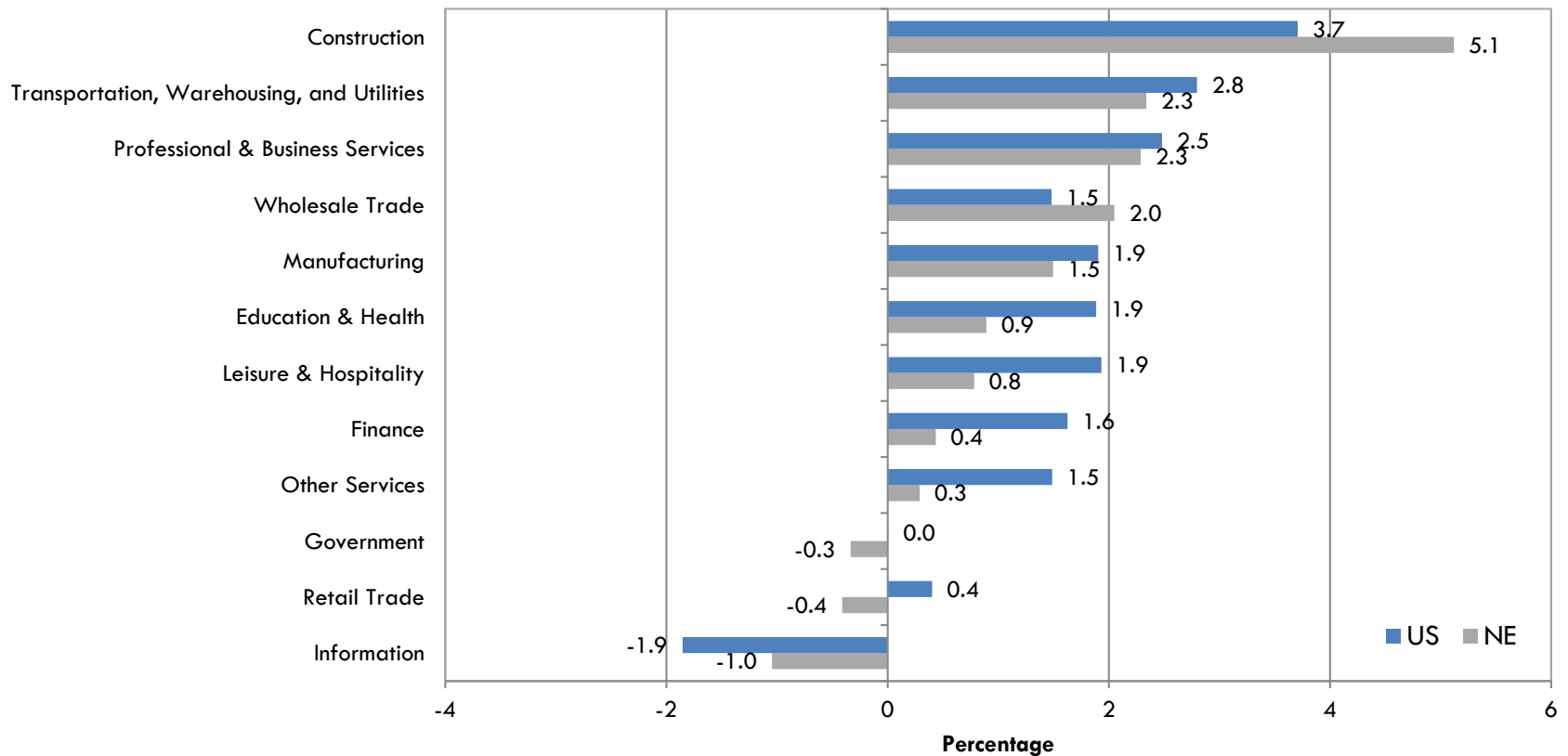
# Employment Growth Well Below Trend in ME, VT

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

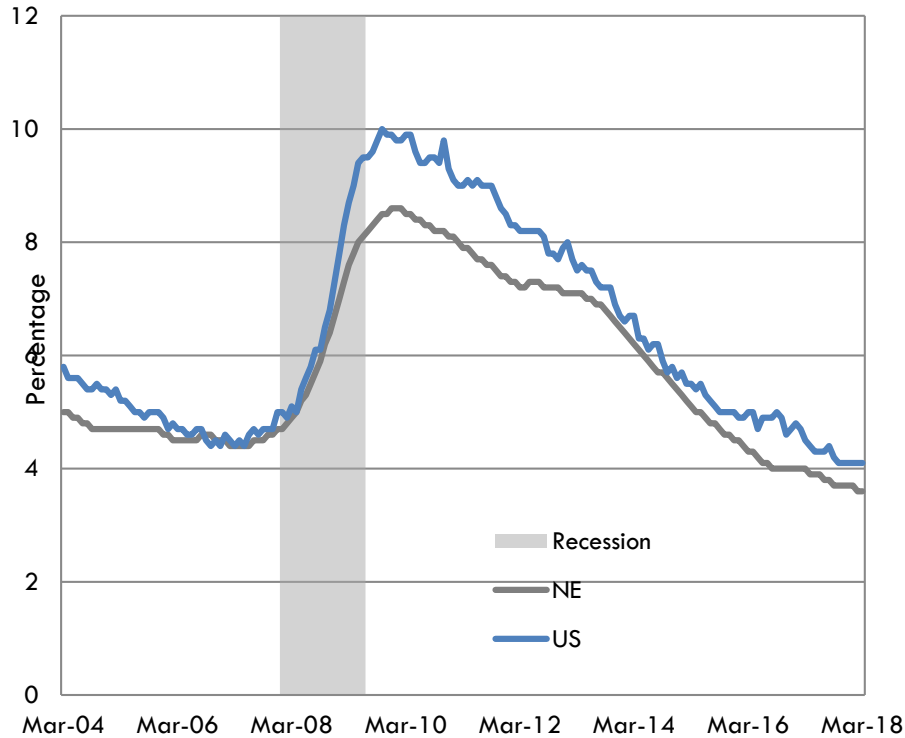
Note: “Last 12 months” refers to year-over-year growth through March 2018. “Annual Long-term trend” refers to average year-over-year growth for the period 1984-2017. “Since Peak” refers to employment change from each state’s pre-recession peak employment level.

# Construction Sector Leads Employment Growth, Information Lags

Percent Change, March 2017 - March 2018

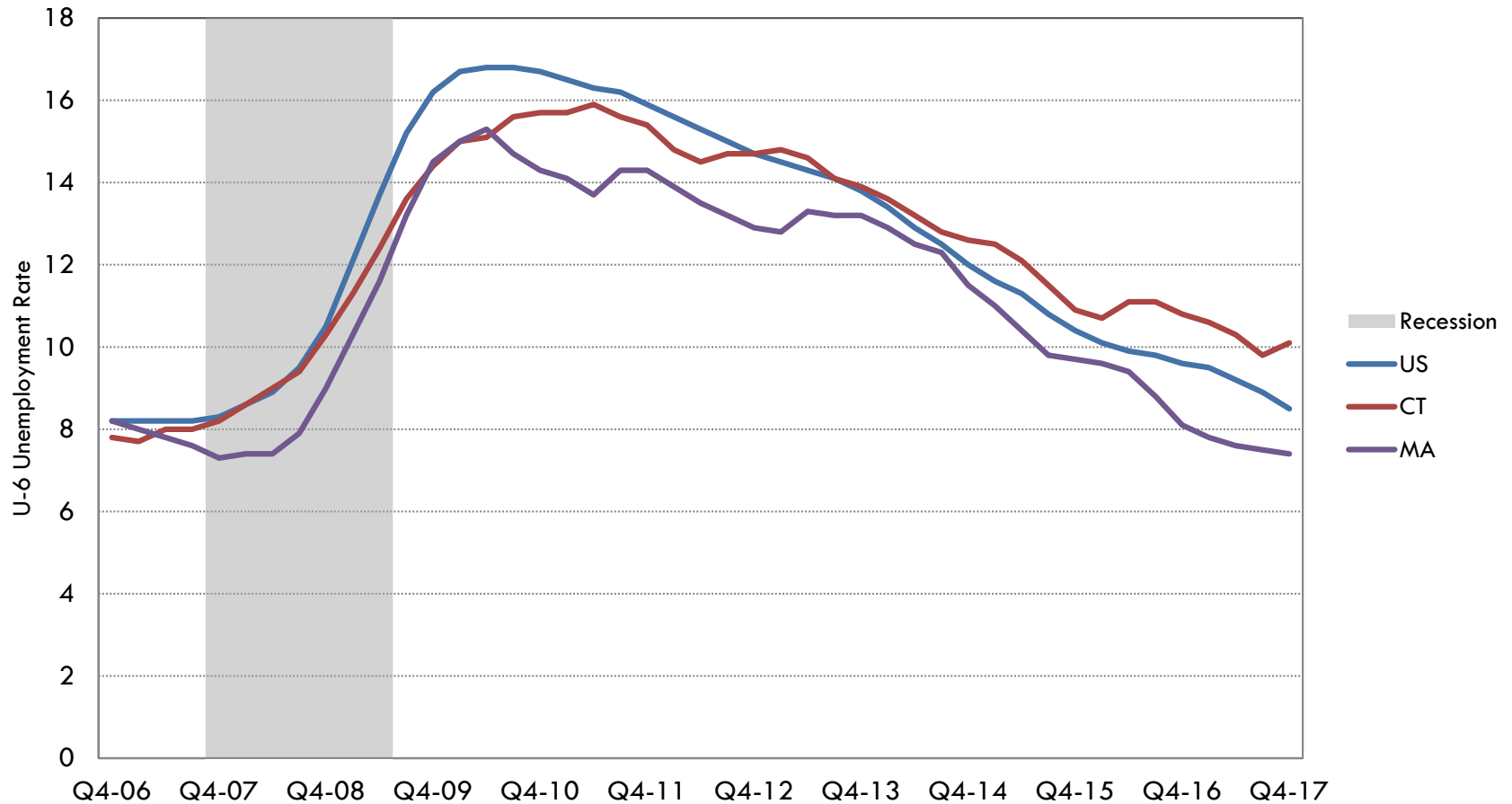


# Unemployment Rate Very Low in All New England States



	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

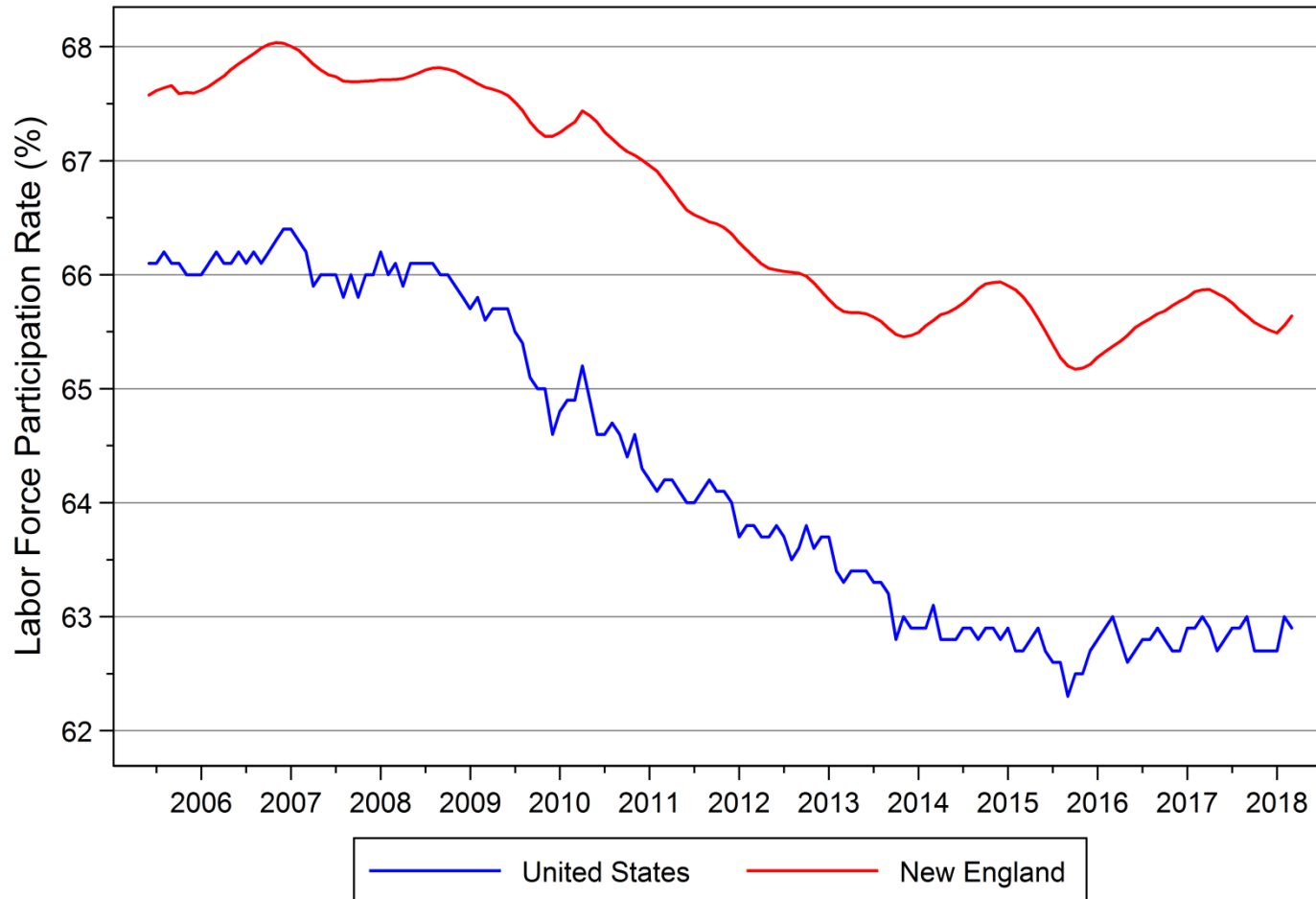
# Broader Unemployment Measure Shows Involuntary Part-Time Work Still Up in CT





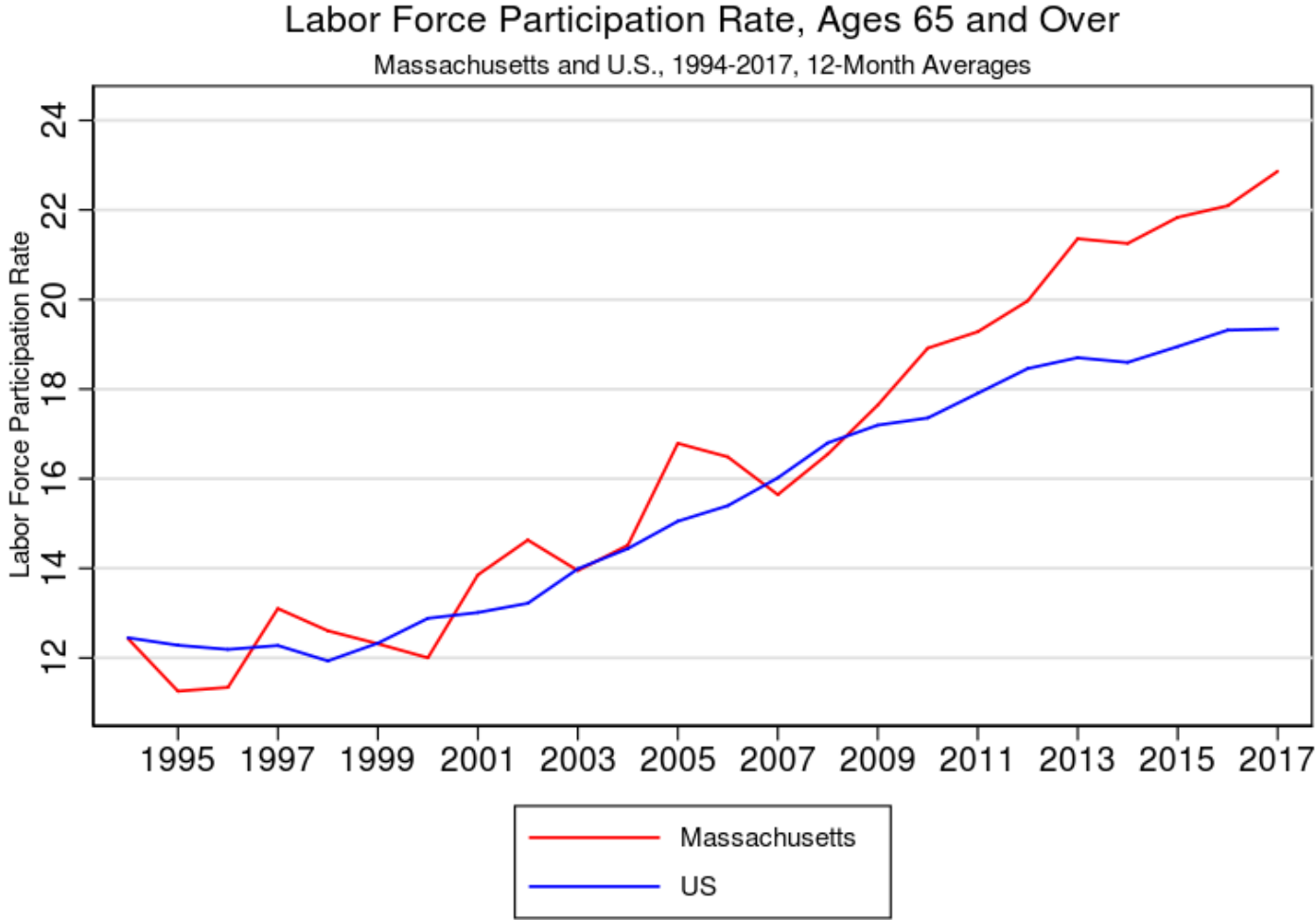
# Labor Force Participation About Flat Since Late 2014, Despite Earlier Declines

(applies to U.S. and New England)



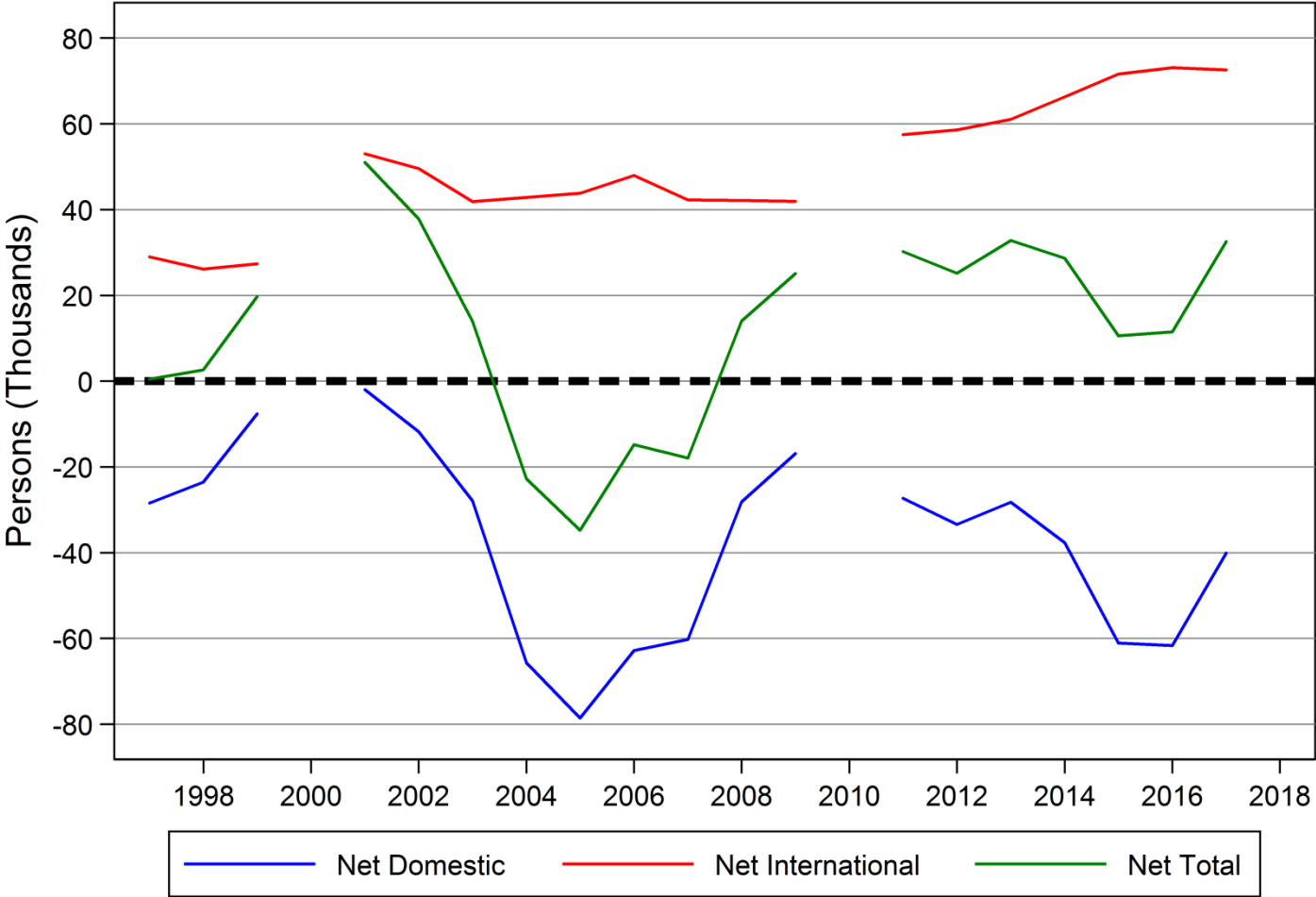
Source: Bureau of Labor Statistics; Seasonally-Adjusted Data

# Increased Participation of Older Workers is Offsetting Effects of Population Aging



Source: Author's calculations based Bureau of Labor Statistics' Current Population Survey Integrated Public Use Microdata Series (IPUMS-CPS).

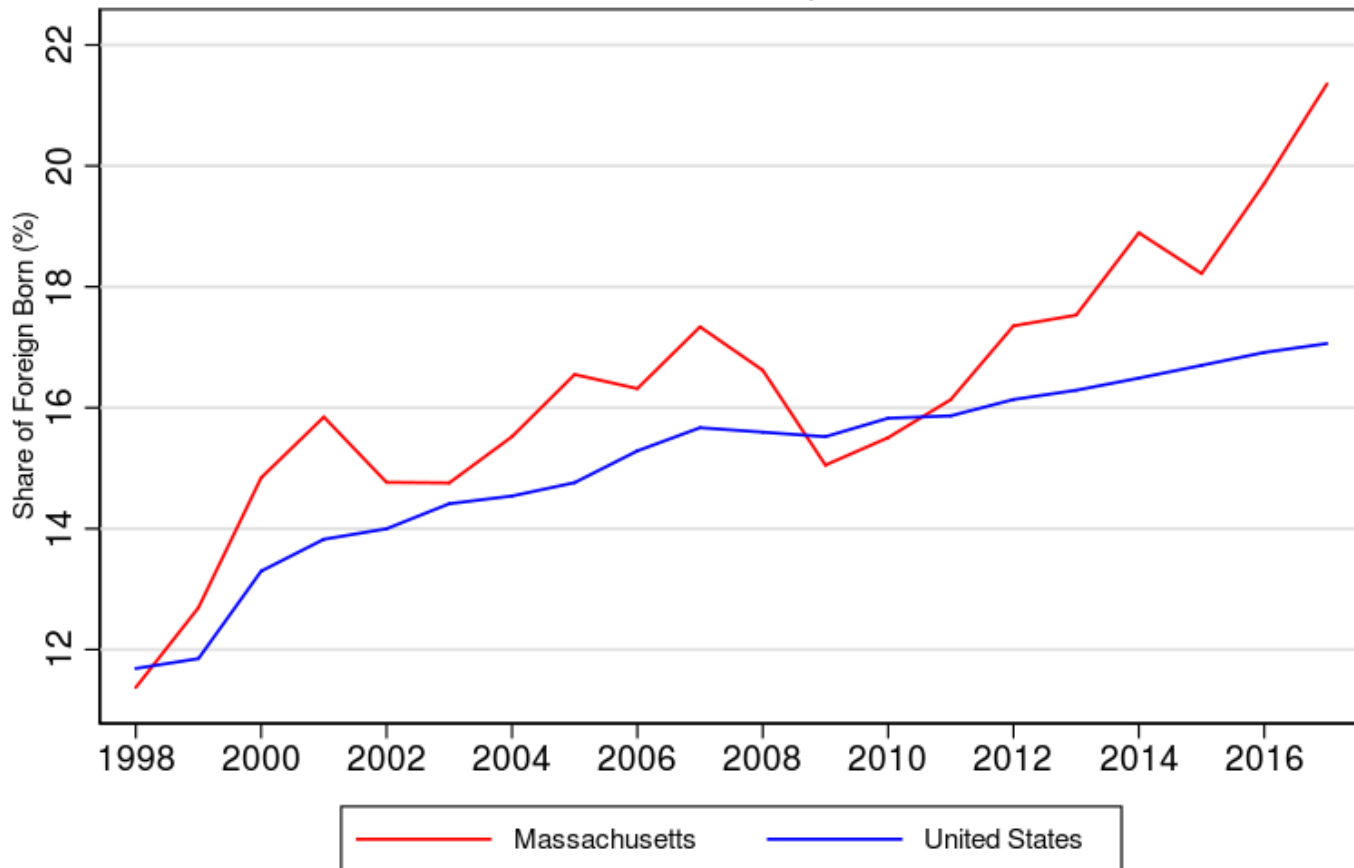
# International Migration Makes Significant Contribution to New England Population



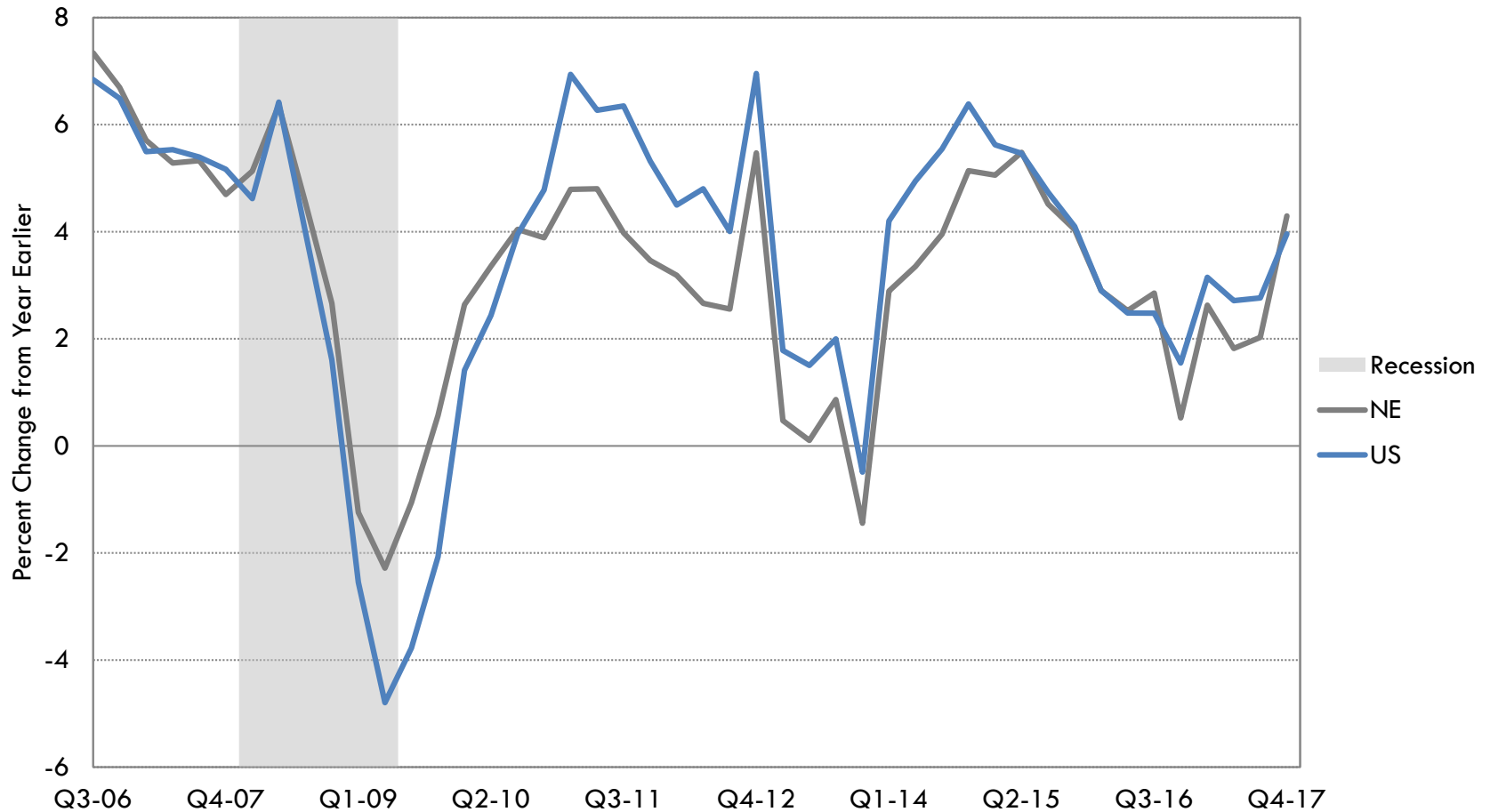
Source: Census Bureau/Haver Analytics

# 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

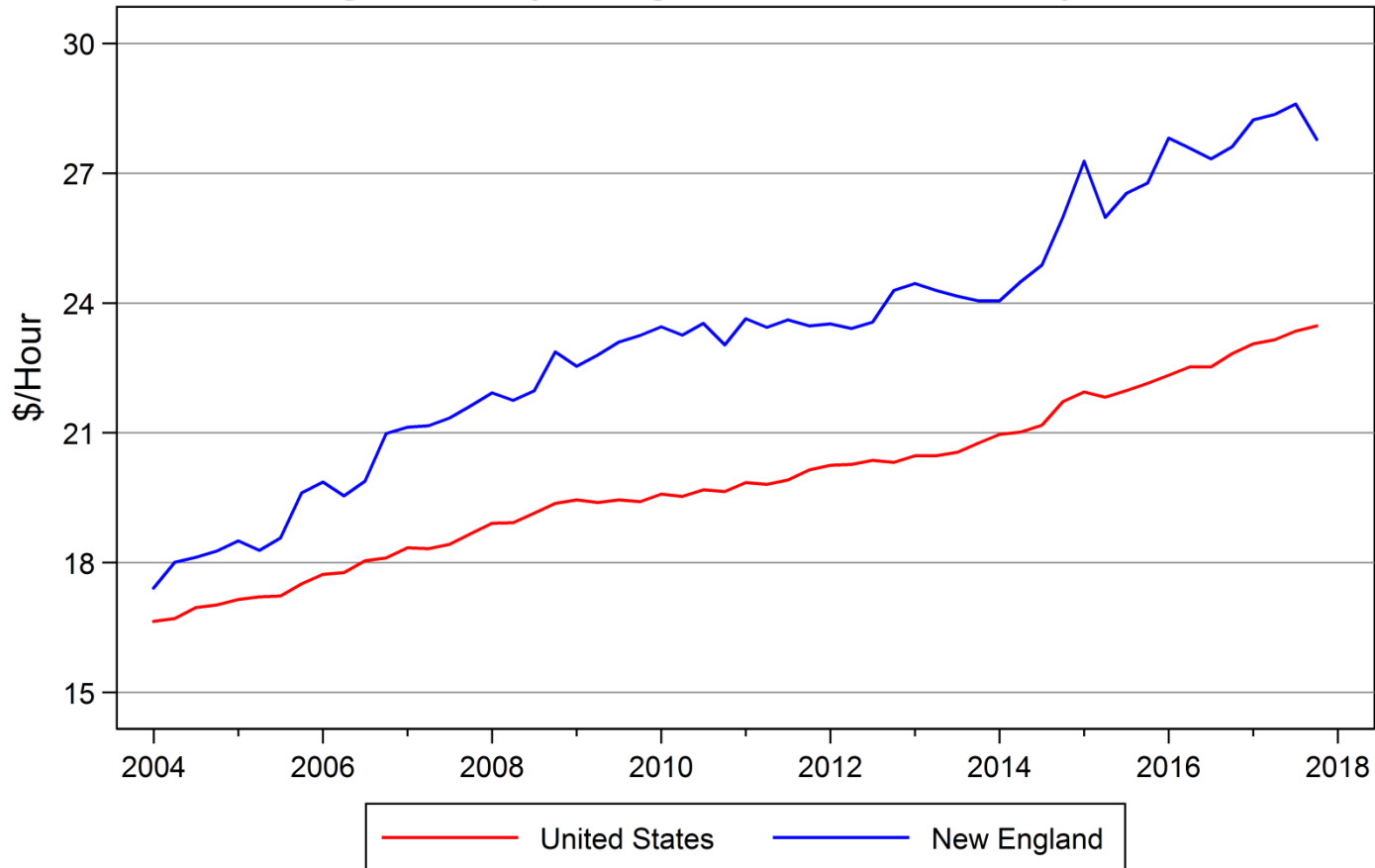


# Personal Income Growth Up from 2016Q4, But Still Moderate



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

## Average Hourly Wage, Private Industry Workers



Source: Bureau of Labor Statistics/Haver Analytics

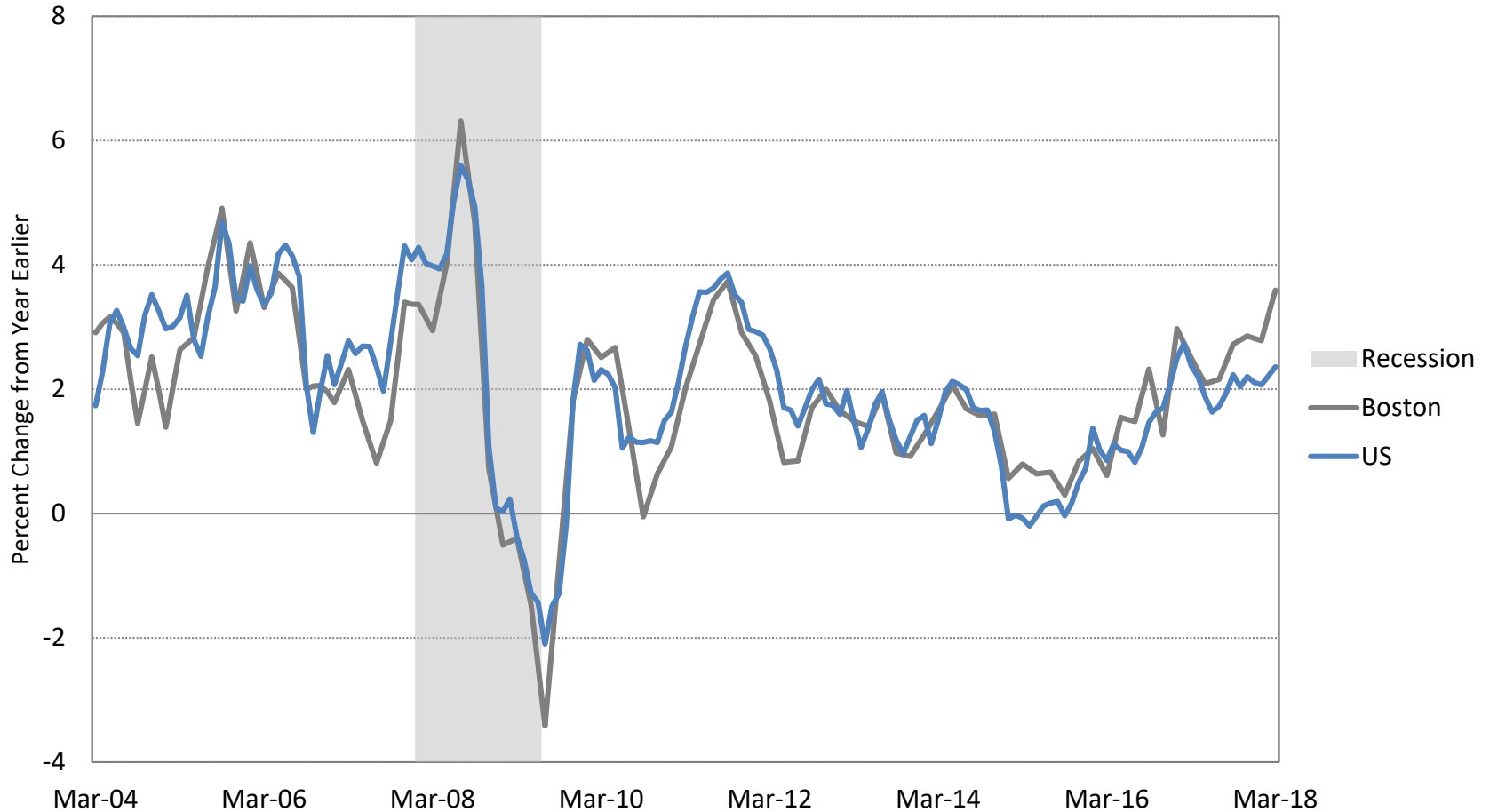
# Income and Wage Growth Above U.S. Average in MA, NH, RI (to Dec. 2017)

	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.

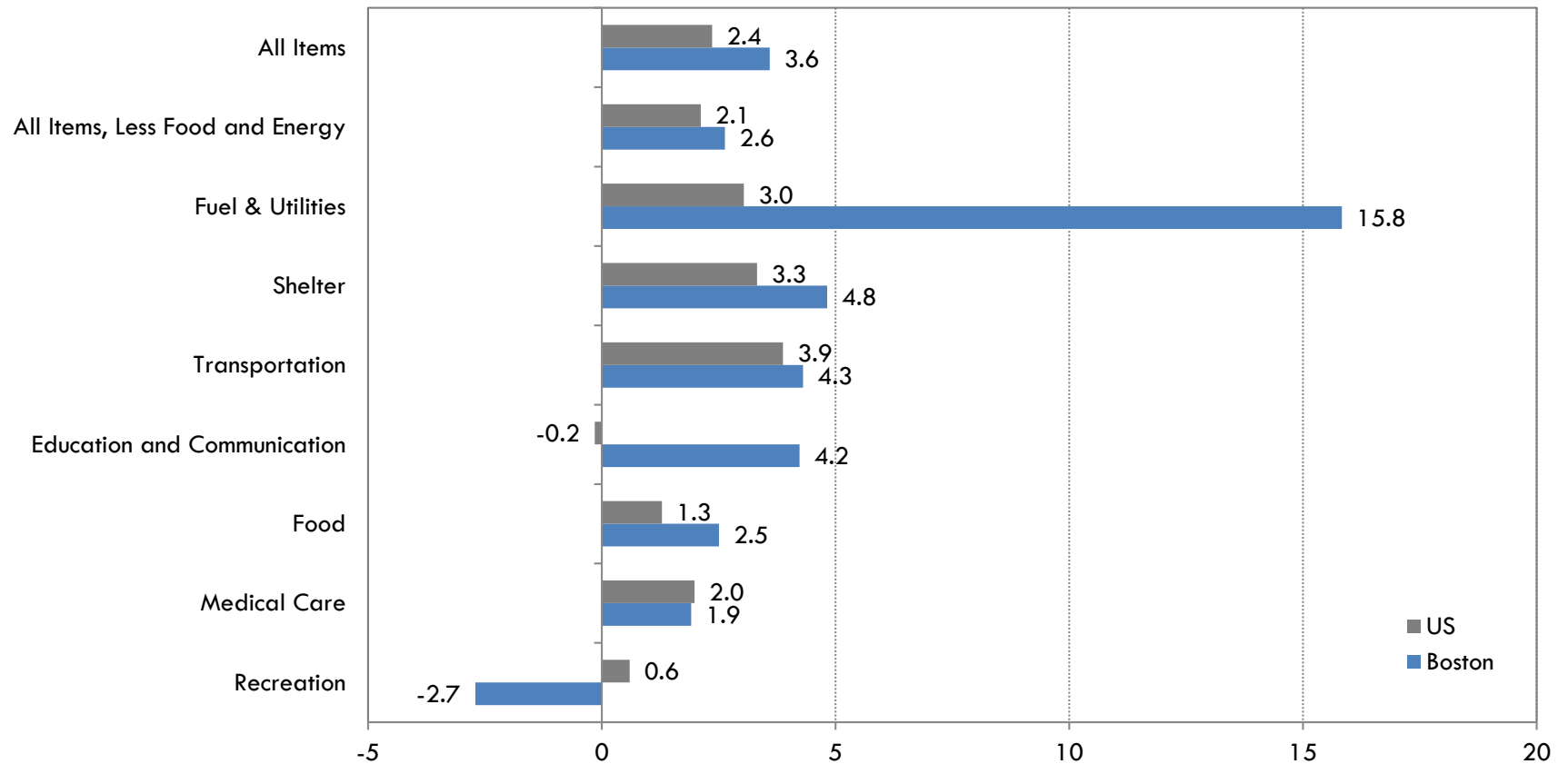
# Headline CPI Inflation Up Since 2015; Boston Rate Above U.S.



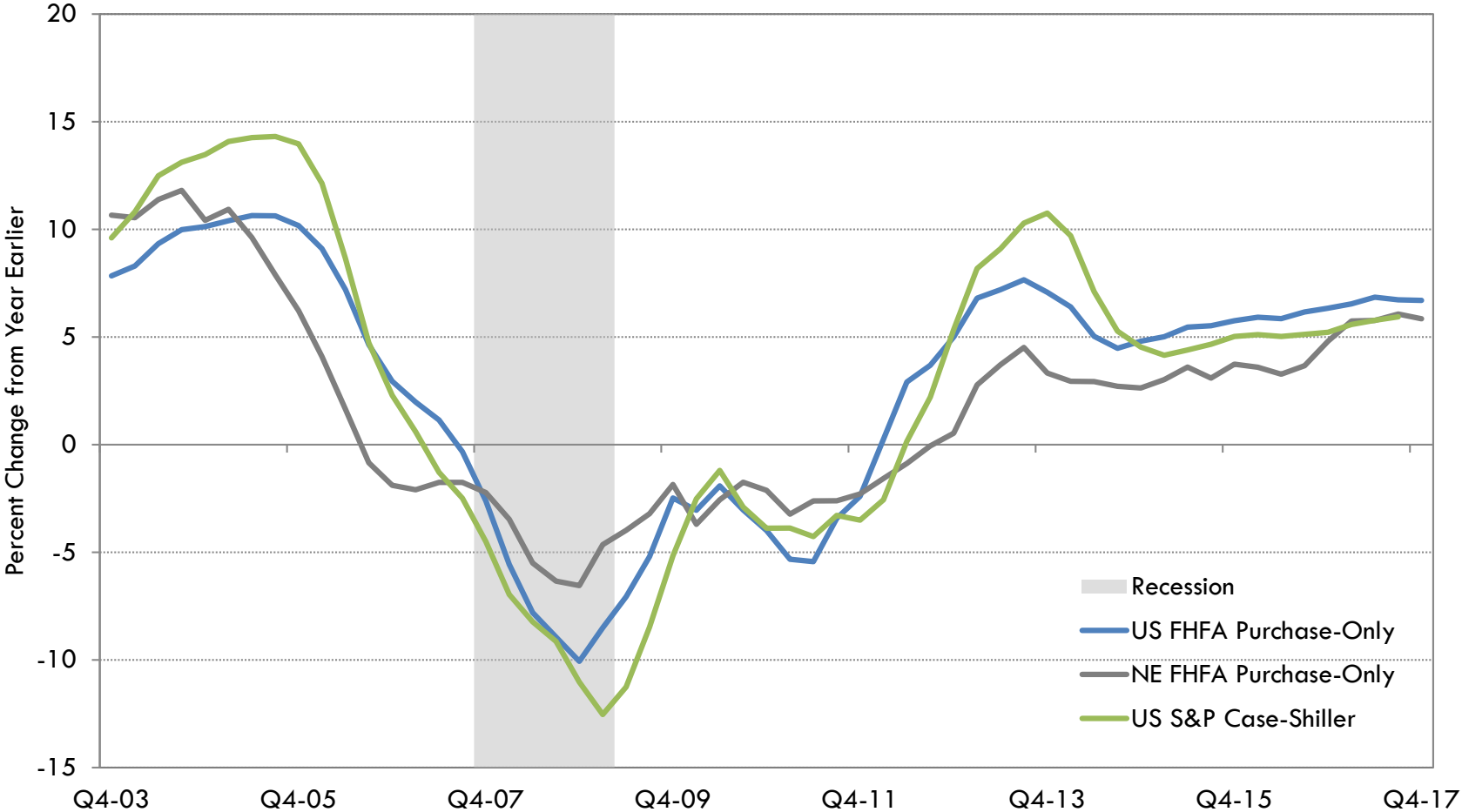


# Fuel & Utilities Prices Driving Inflation Higher in Boston

Percent Change, March 2017 - March 2018

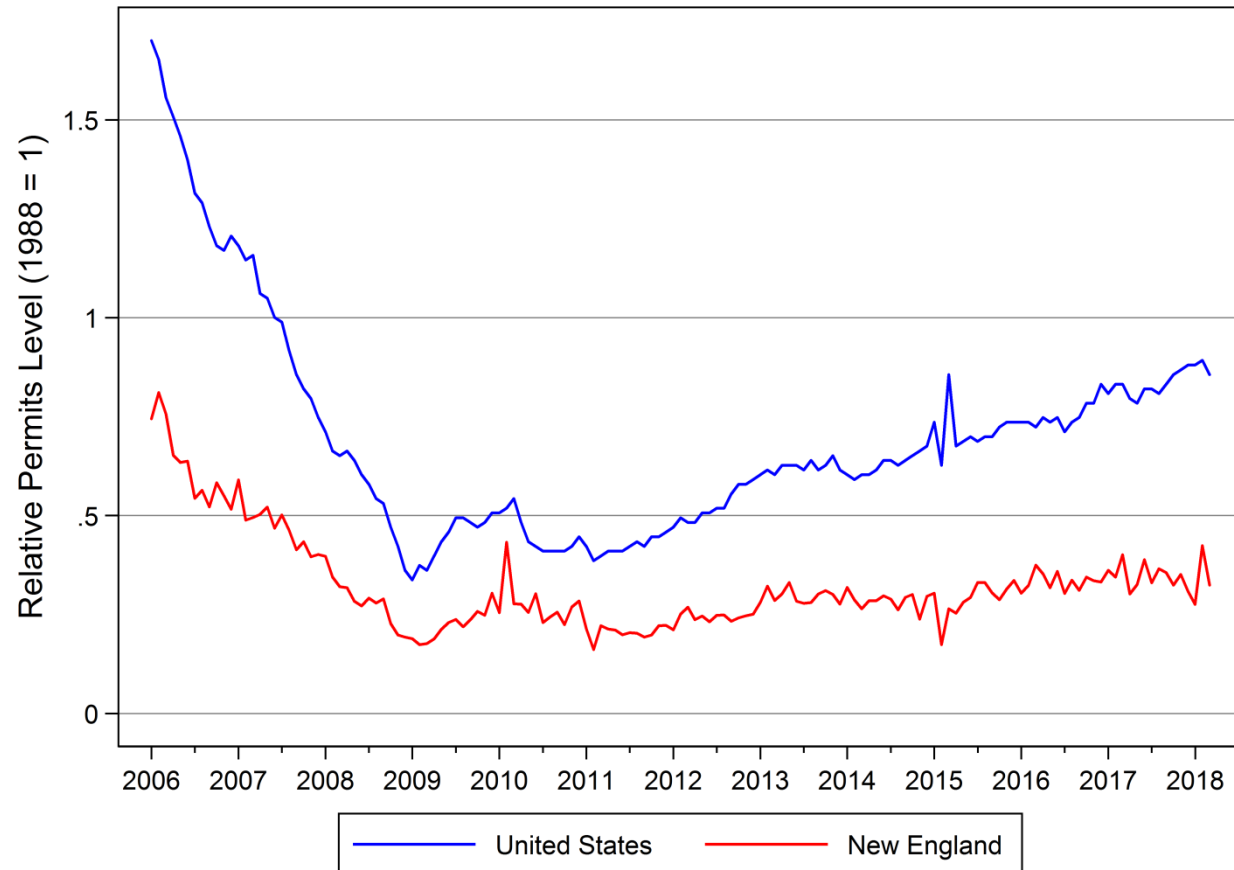


# House Price Growth Up in New England Since Mid-2016



Source: FHFA, NBER, S&P/Case-Shiller, Haver Analytics

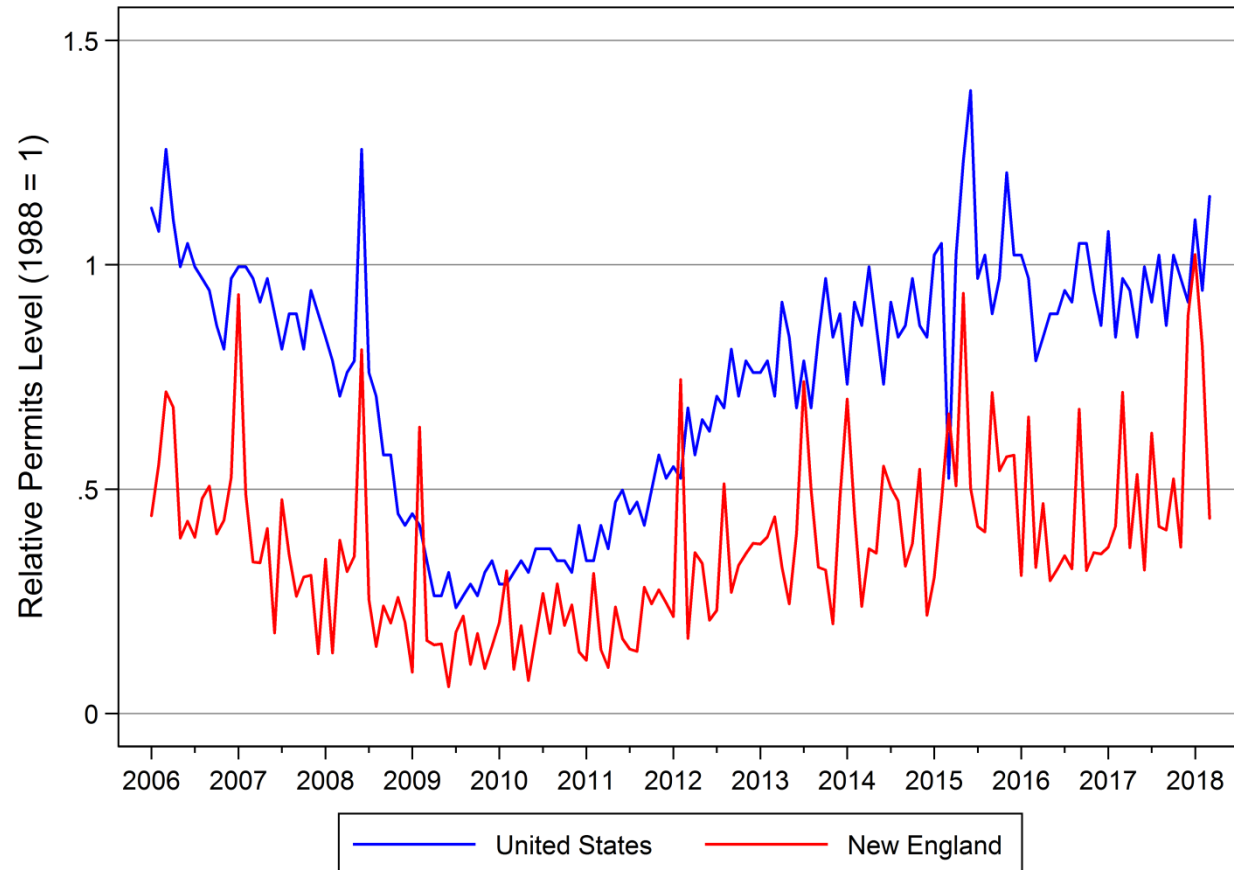
# Single-Family Permits Well Below Pre-Recession Highs



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.

# 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.

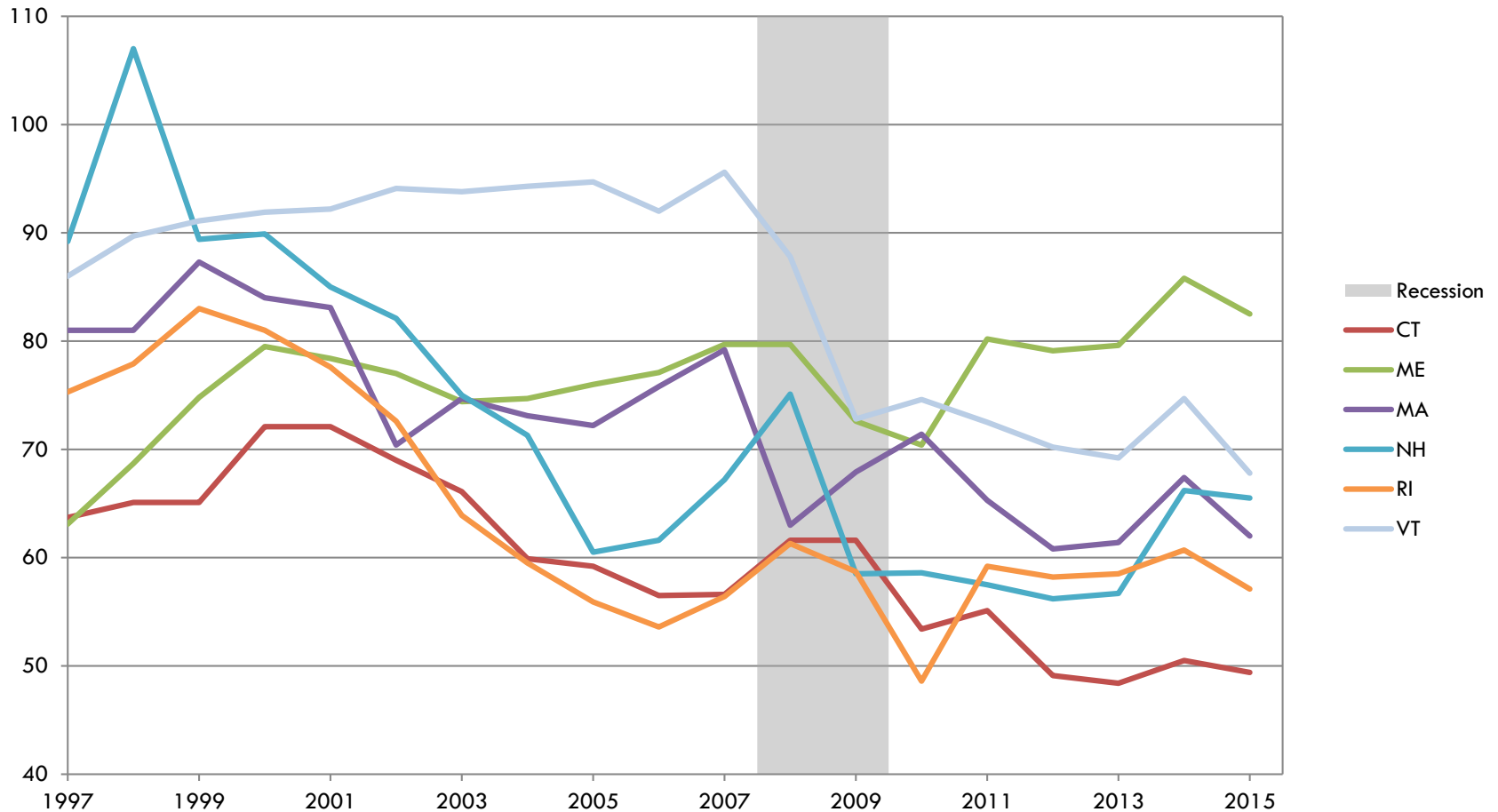


# Most NE States Facing Fiscal Strain, Weak Revenue Growth

	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%

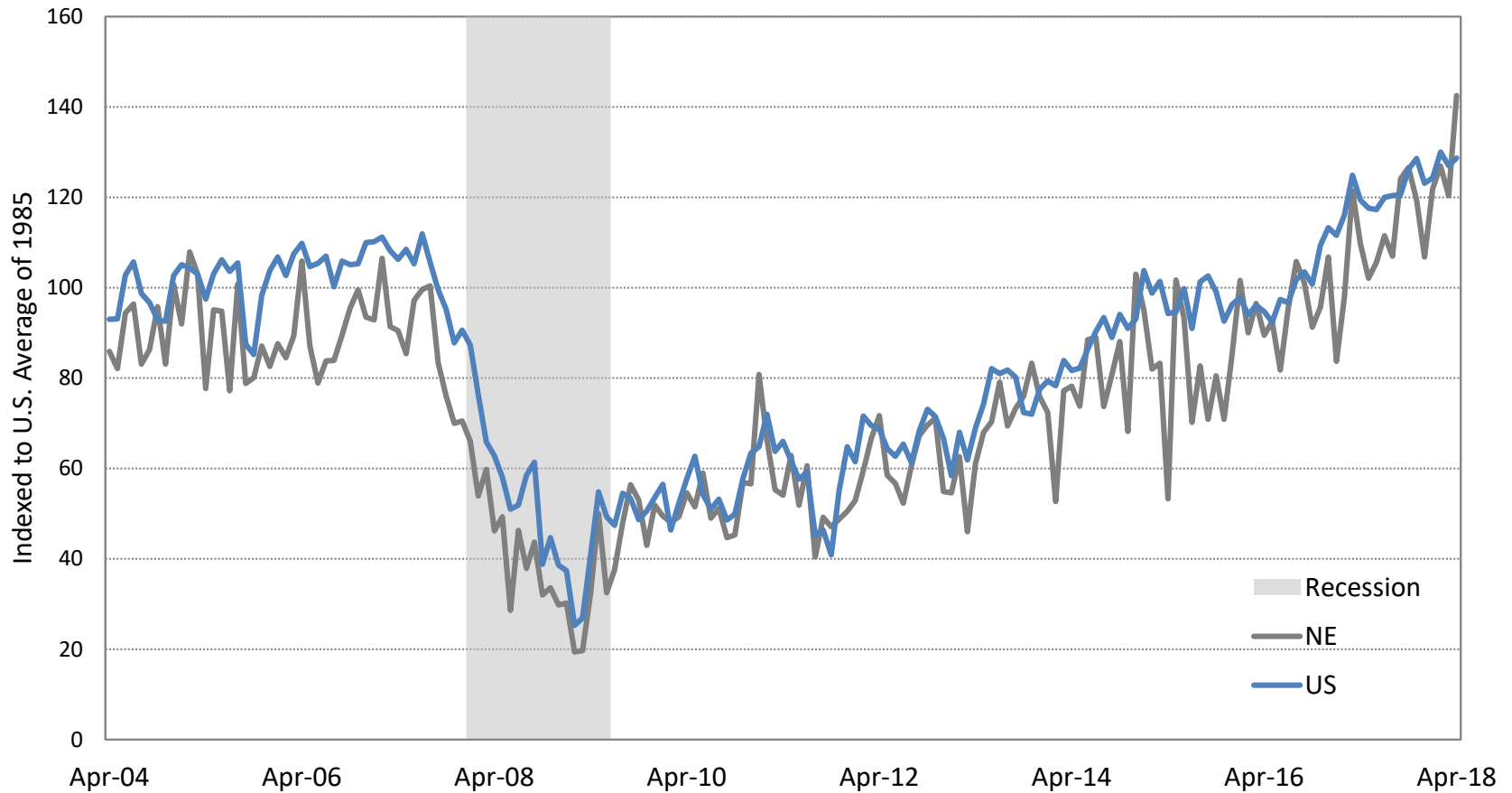
Sources: Census Bureau/Haver Analytics; Center on Budget and Policy Priorities

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

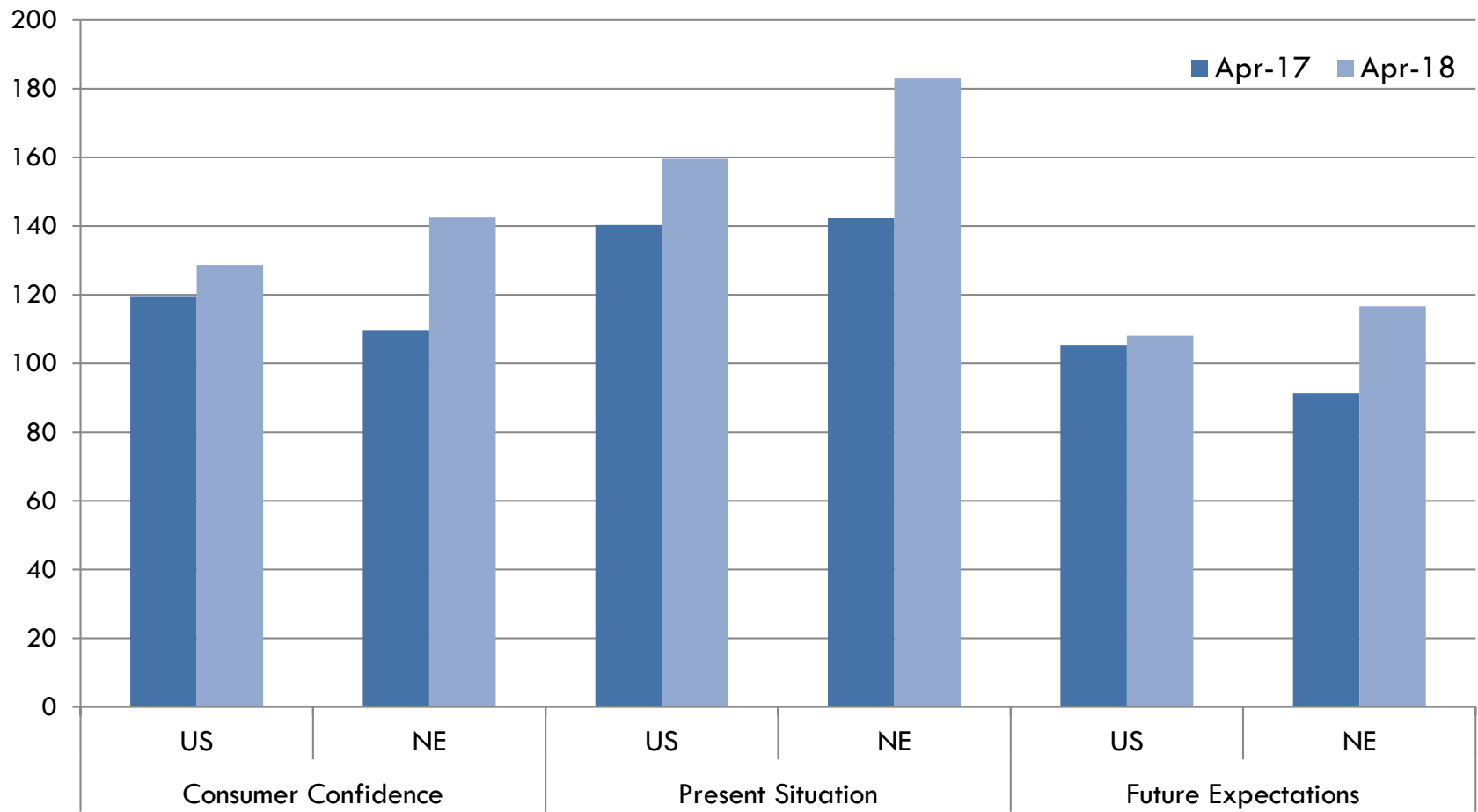




# Consumer Confidence Exceeds Pre-Recession Levels

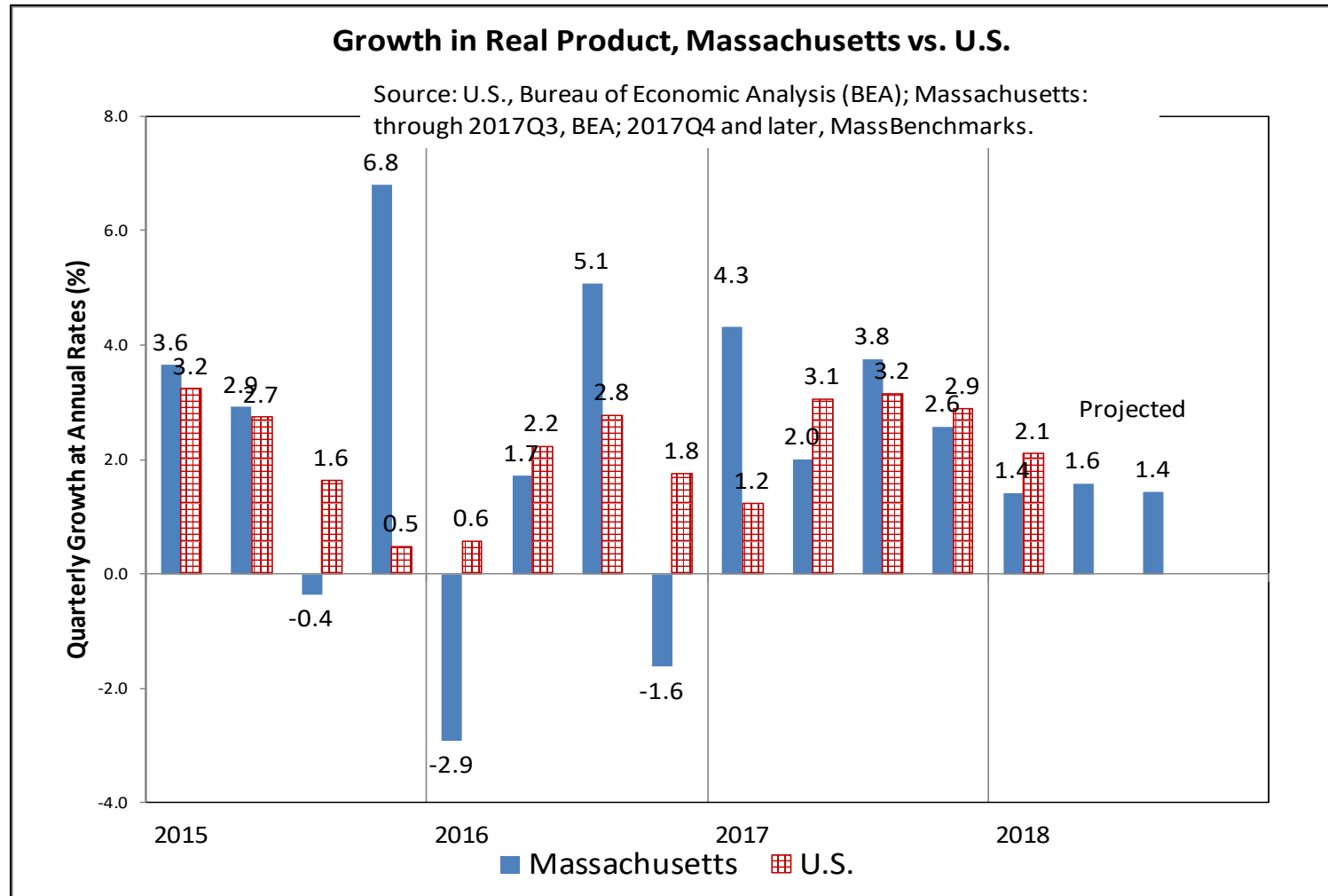


# Present and Future Confidence Both Increased



Source: The Conference Board, Haver Analytics

# 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
<b>Labor force</b>						
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%
<b>Population</b>						
% <i>change</i>	0.2%	0.3%	0.4%	0.4%	0.4%	0.4%
<b>Gross Product</b>						
% <i>change</i>	1.8%	1.9%	2.1%	1.7%	1.7%	1.9%

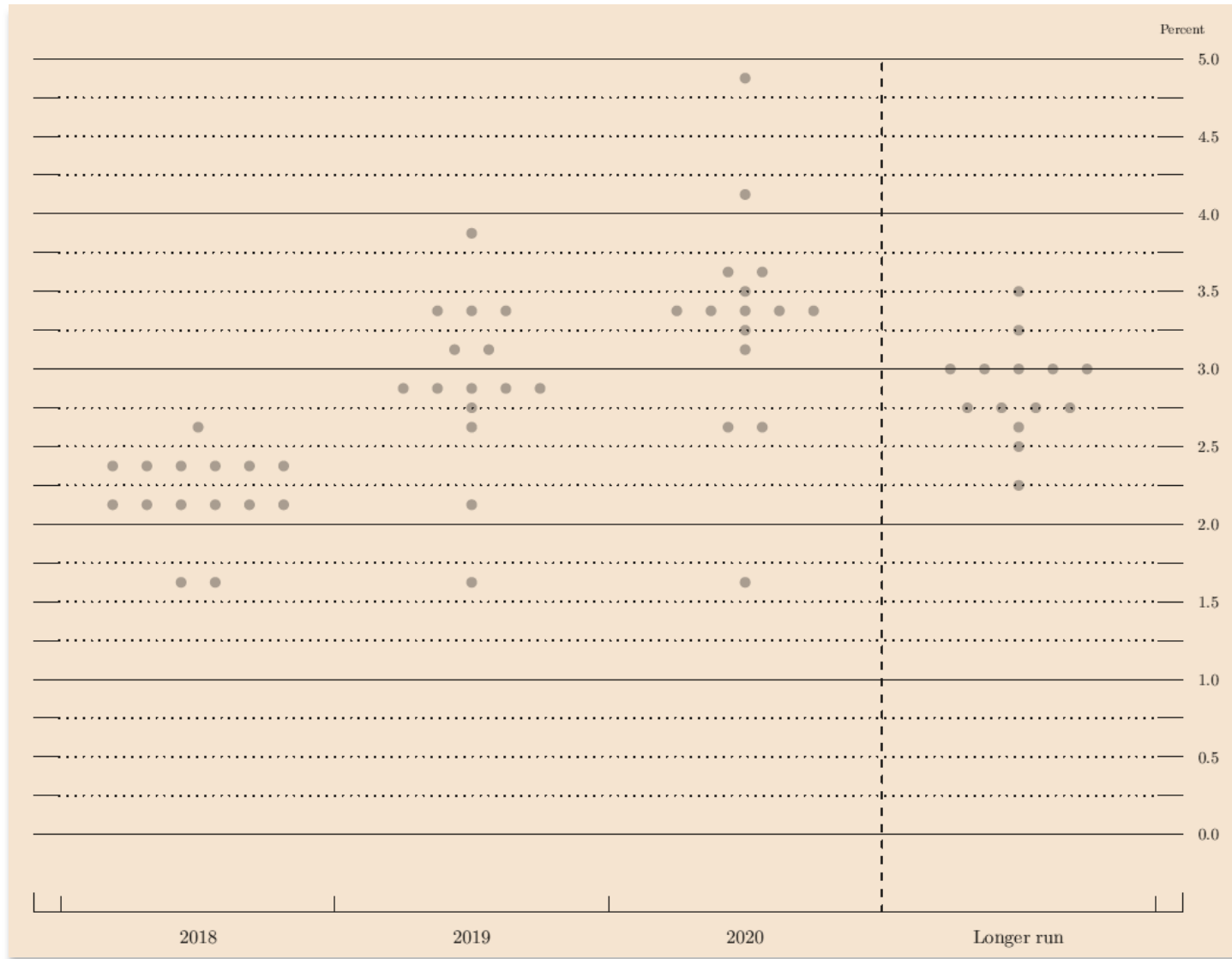
Source: New England Economic Partnership, Fall Forecast, November 2017.

# 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