

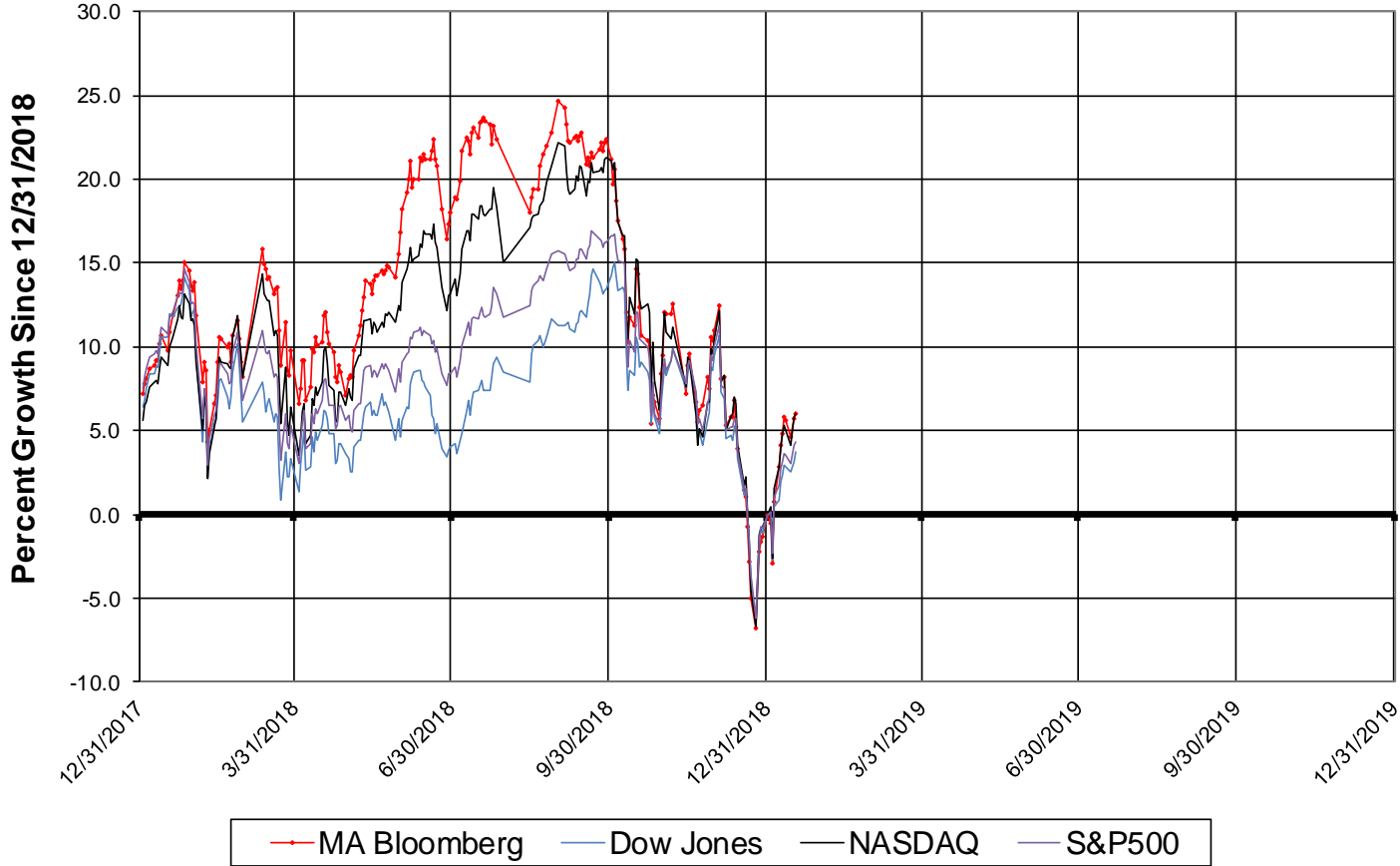
The Massachusetts Economy: Turbulent Times

Presentation to MassEcon
January 18, 2019

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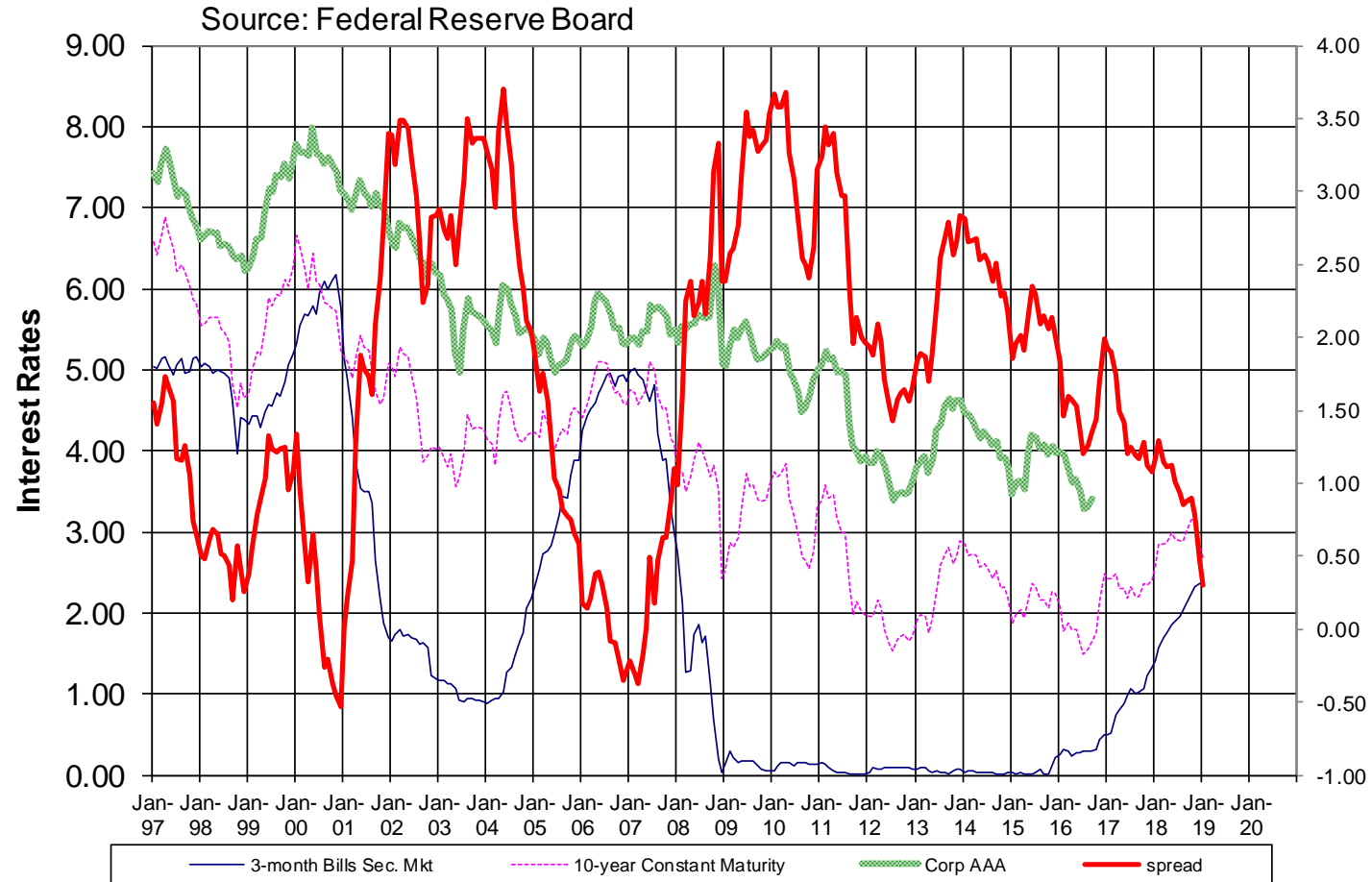
Portfolio managers have been sensitive to worrying economic and political news.

Stock Index Growth



Interest rates are a big part of the source of fear.

U.S. Treasury Securities Yield, Corporate AAA Rate



Wall Street Journal Survey of Economists: January 2019

Q&A: Appraising the Fed

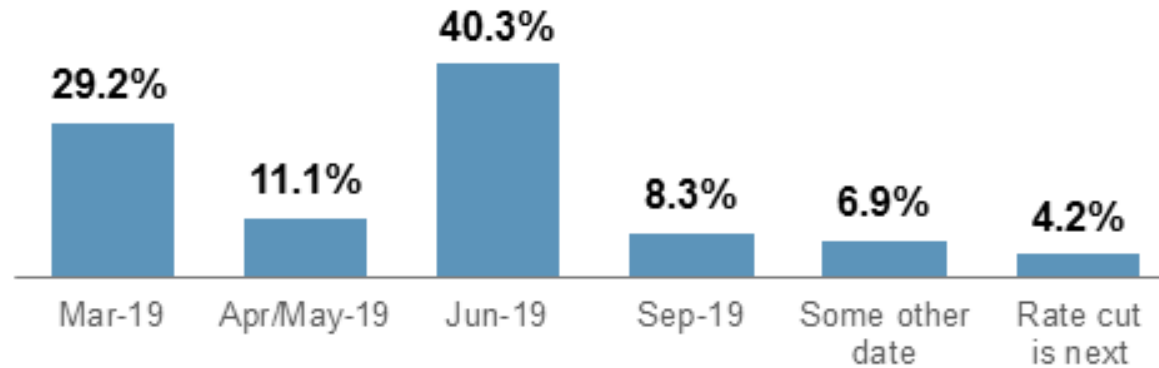
The Federal Reserve's interest rate increase in December was:



Wall Street Journal Survey of Economists: January 2019

Q&A: First Half in Sight

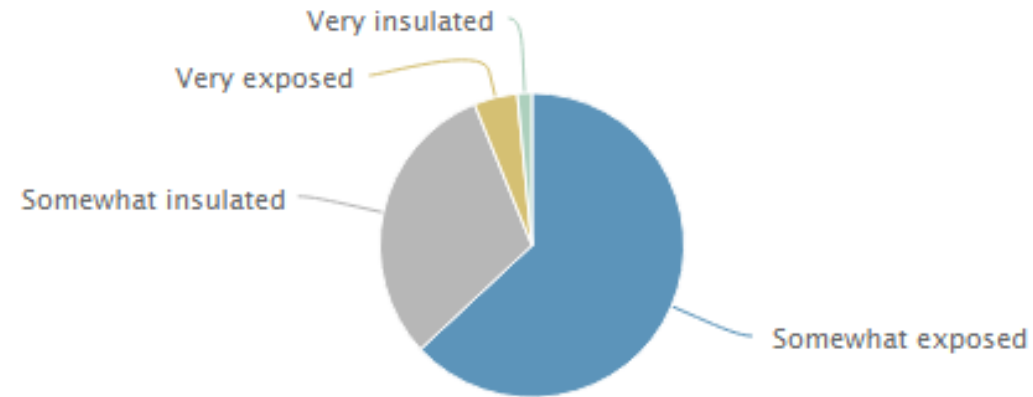
When will the Fed raise interest rates next?



Wall Street Journal Survey of Economists: January 2019

Q&A: Global Exposure

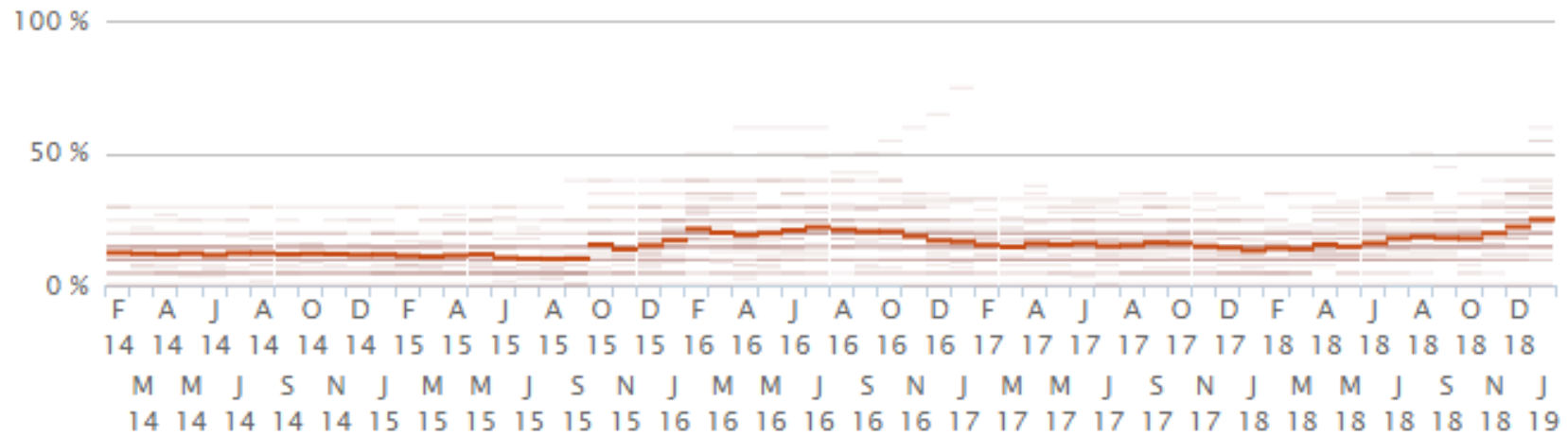
How exposed is U.S. economic growth to a slowdown in major economies like China, Europe and Japan?



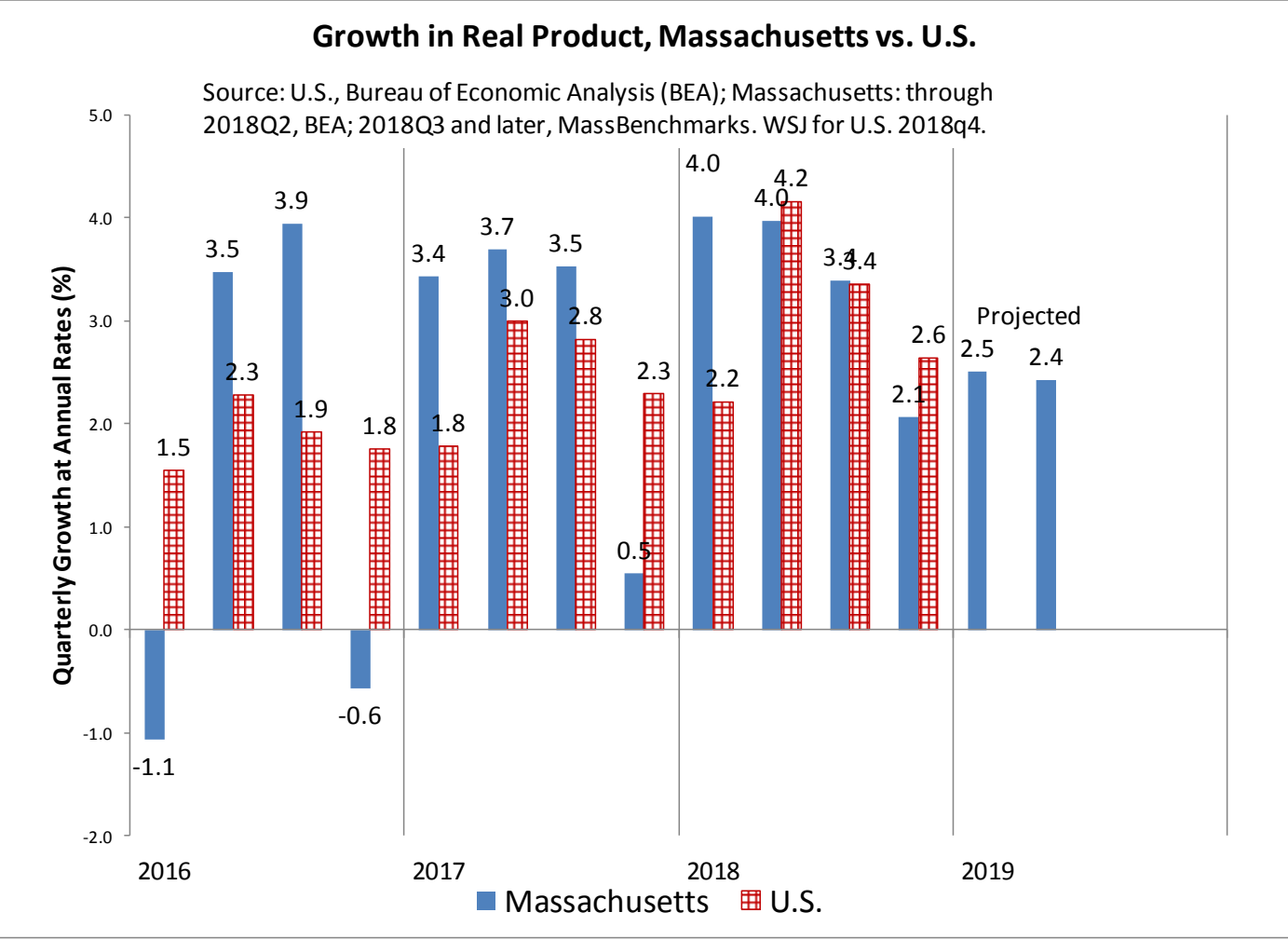
Wall Street Journal Survey of Economists: January 2019

Recession Probability

Actual Estimates **5 yr.** 3 yr. 1 yr.



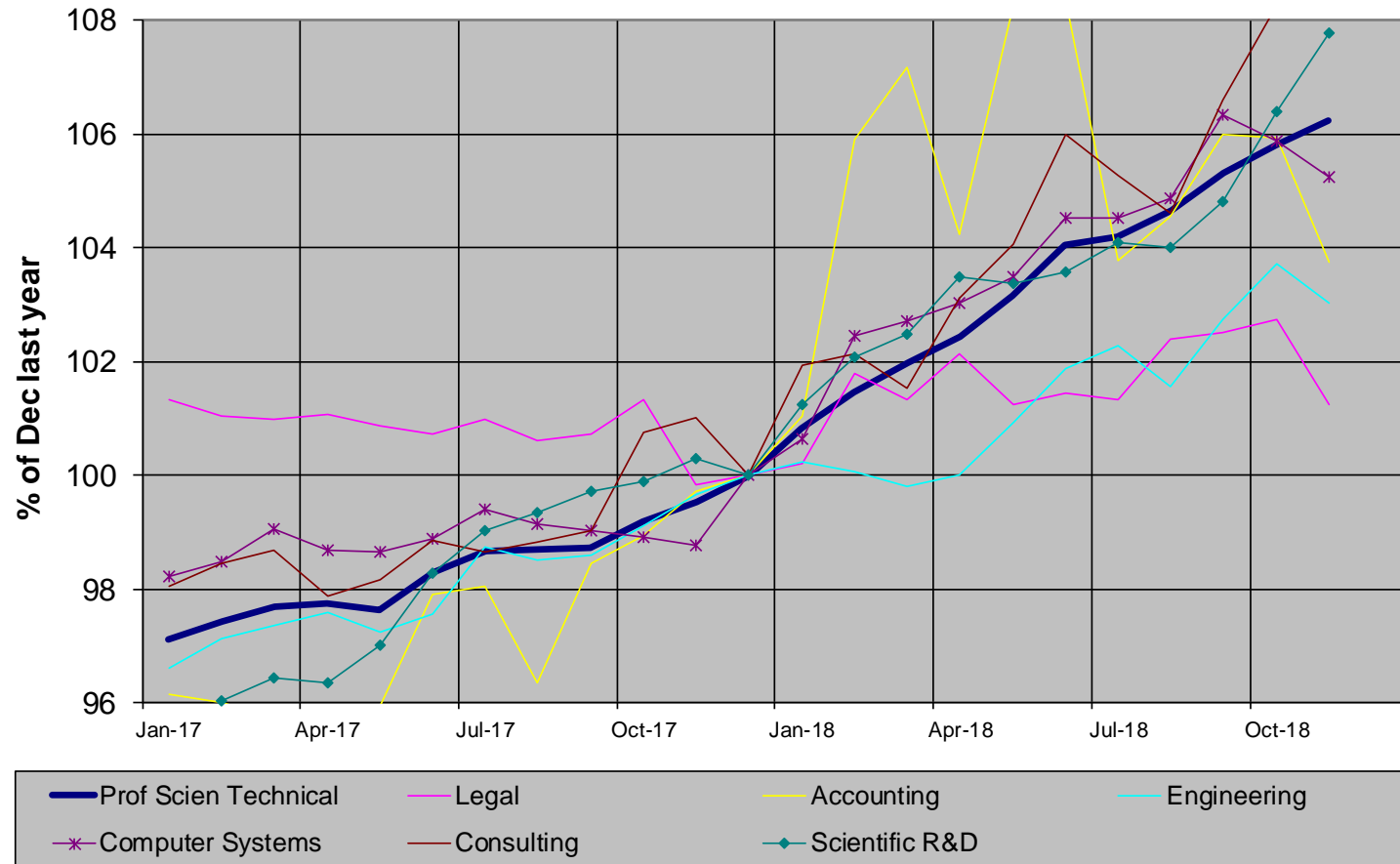
The fiscal stimulus that boosted growth in 2018 is dissipating, with slower growth ahead.



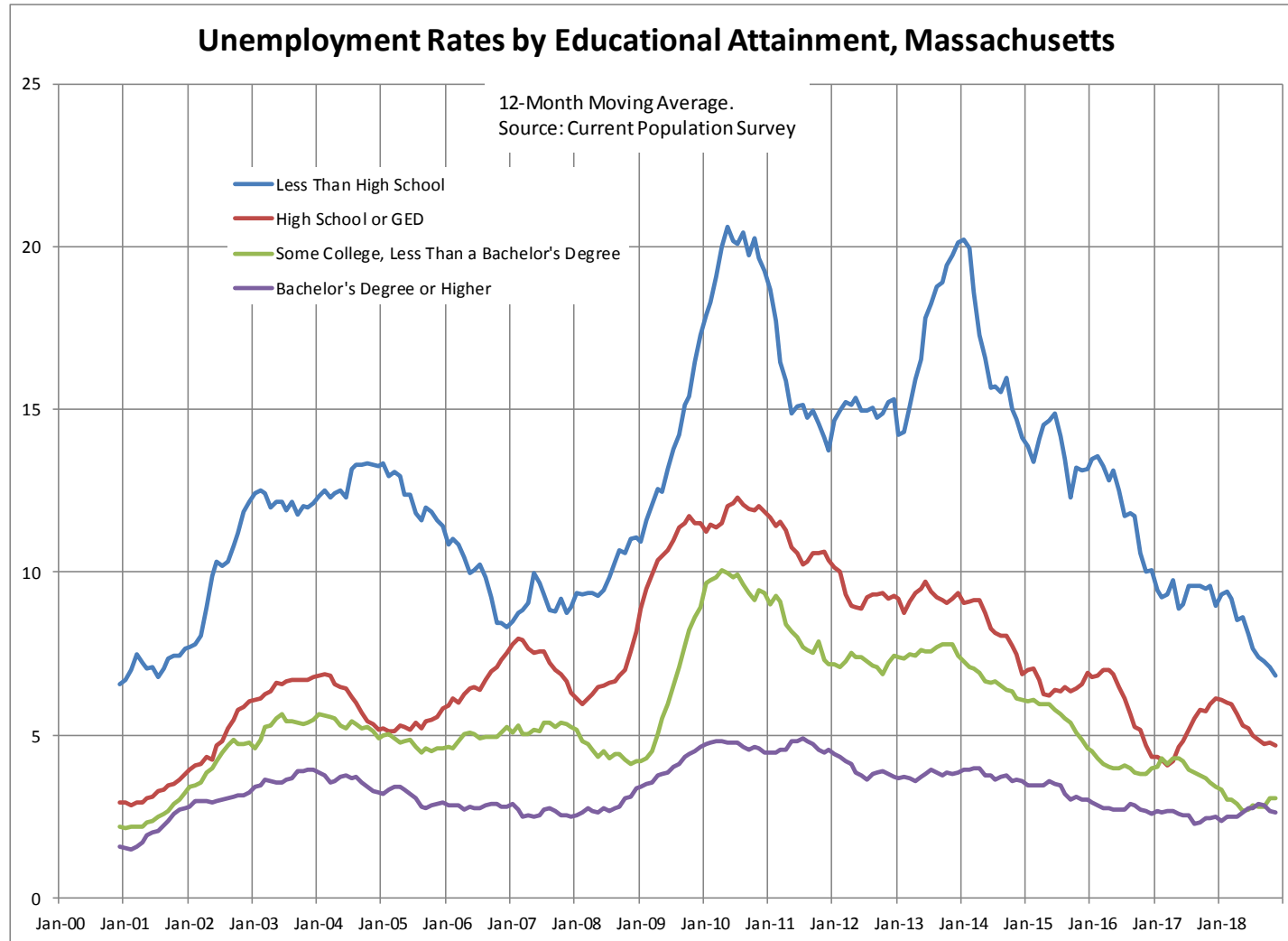
Technical, science, and knowledge-based employment is booming.

Employment in Professional, Scientific, and Technical Services

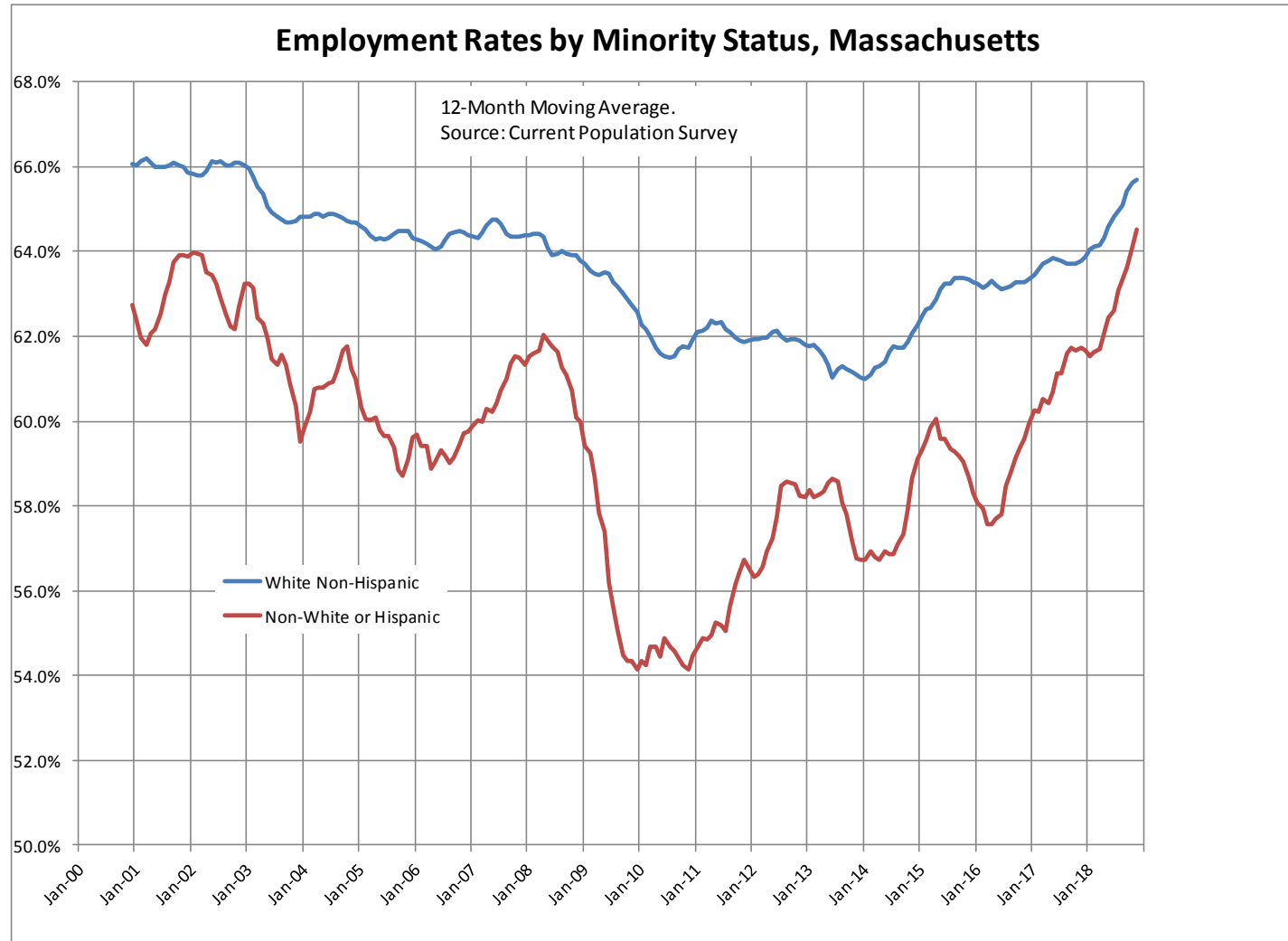
Source: U.S. BLS, author



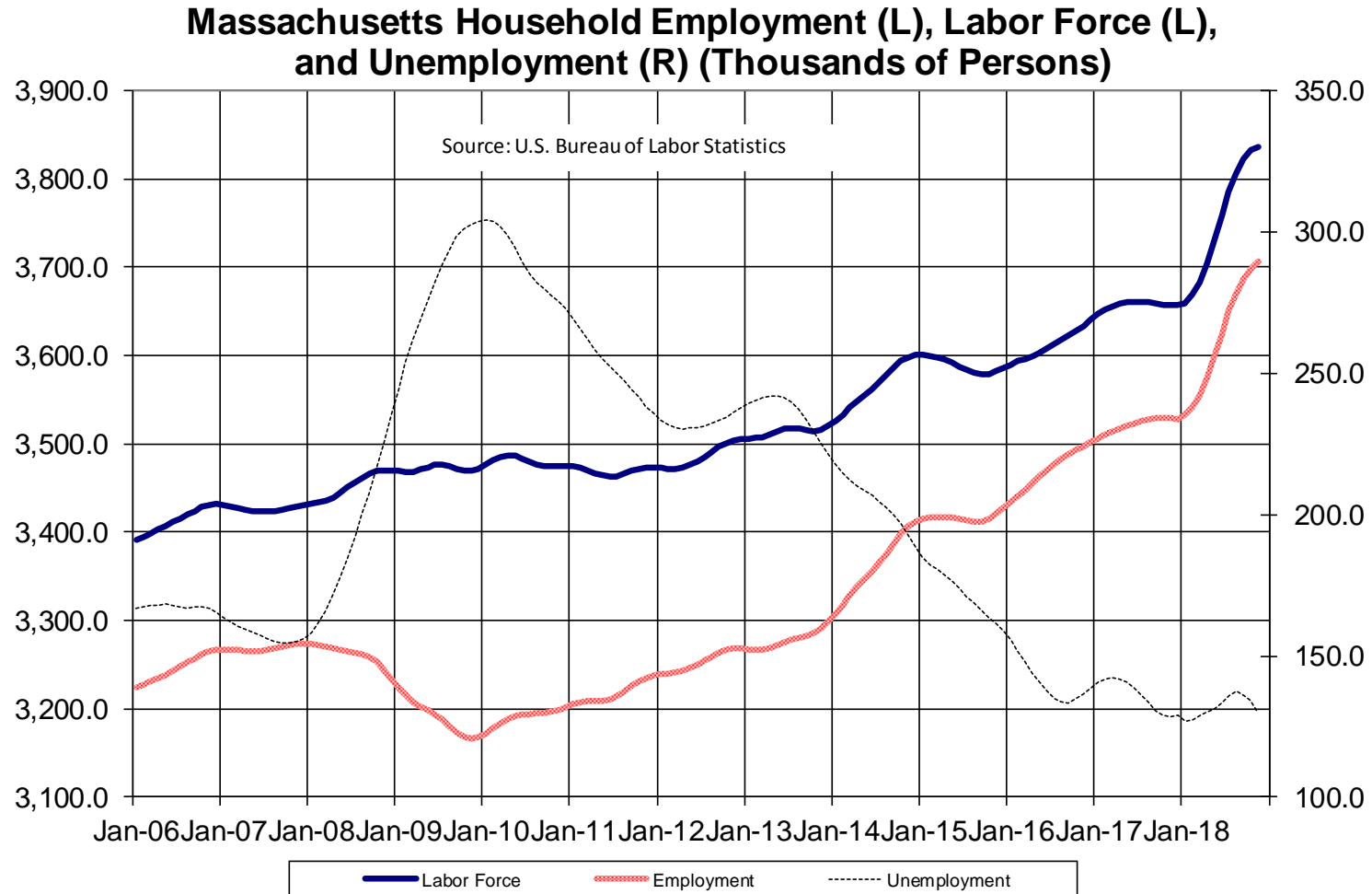
The mature expansion has improved the labor market for all skill levels ...



... and for all demographic groups.



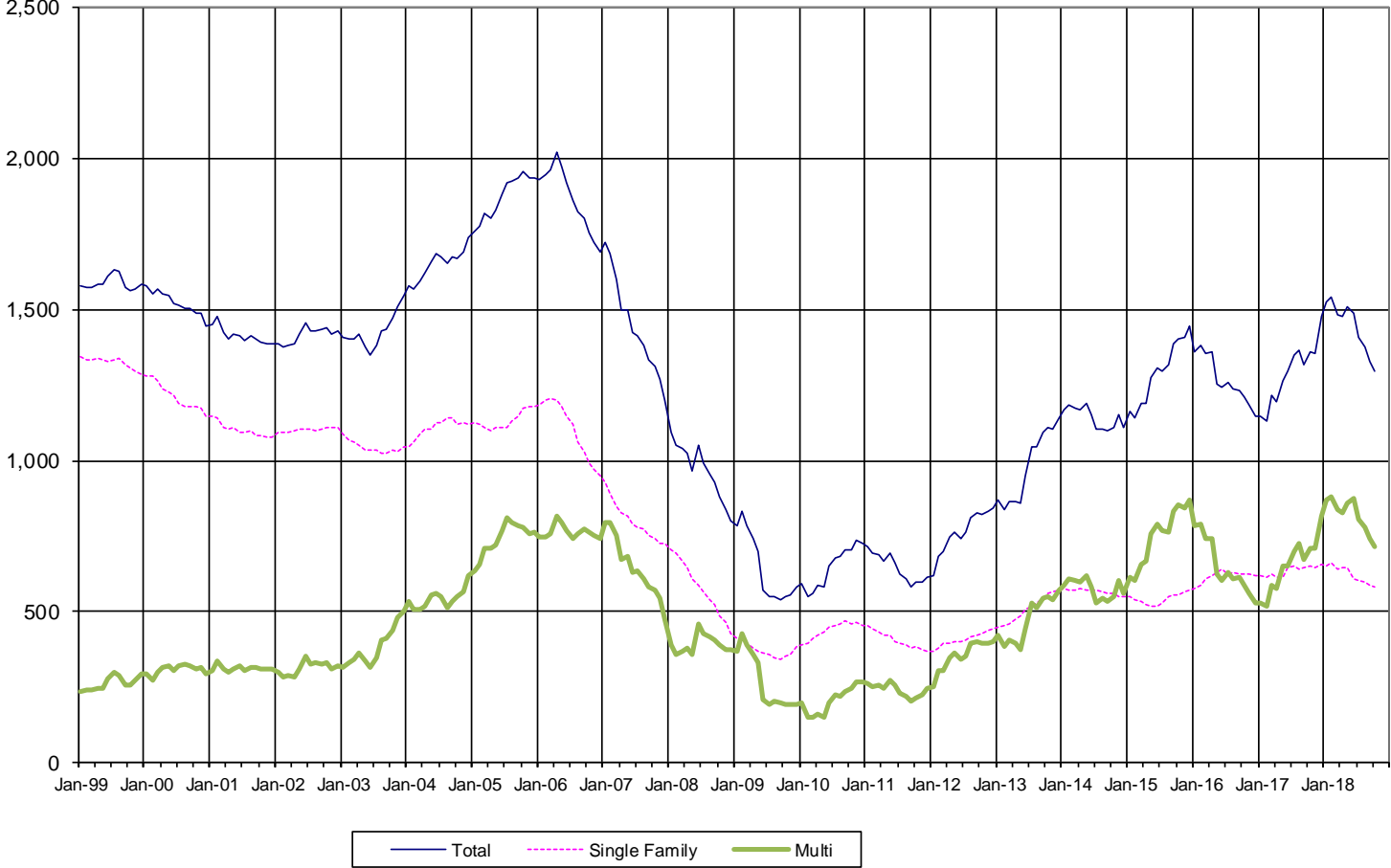
However, there are underlying problems with the survey on which these labor force measures are based. Did resident employment really increase by 178,000 over the last 12 months?



Multi-unit housing production has raised the supply of housing ...

Housing Permits, 12-Month Moving Average, Massachusetts

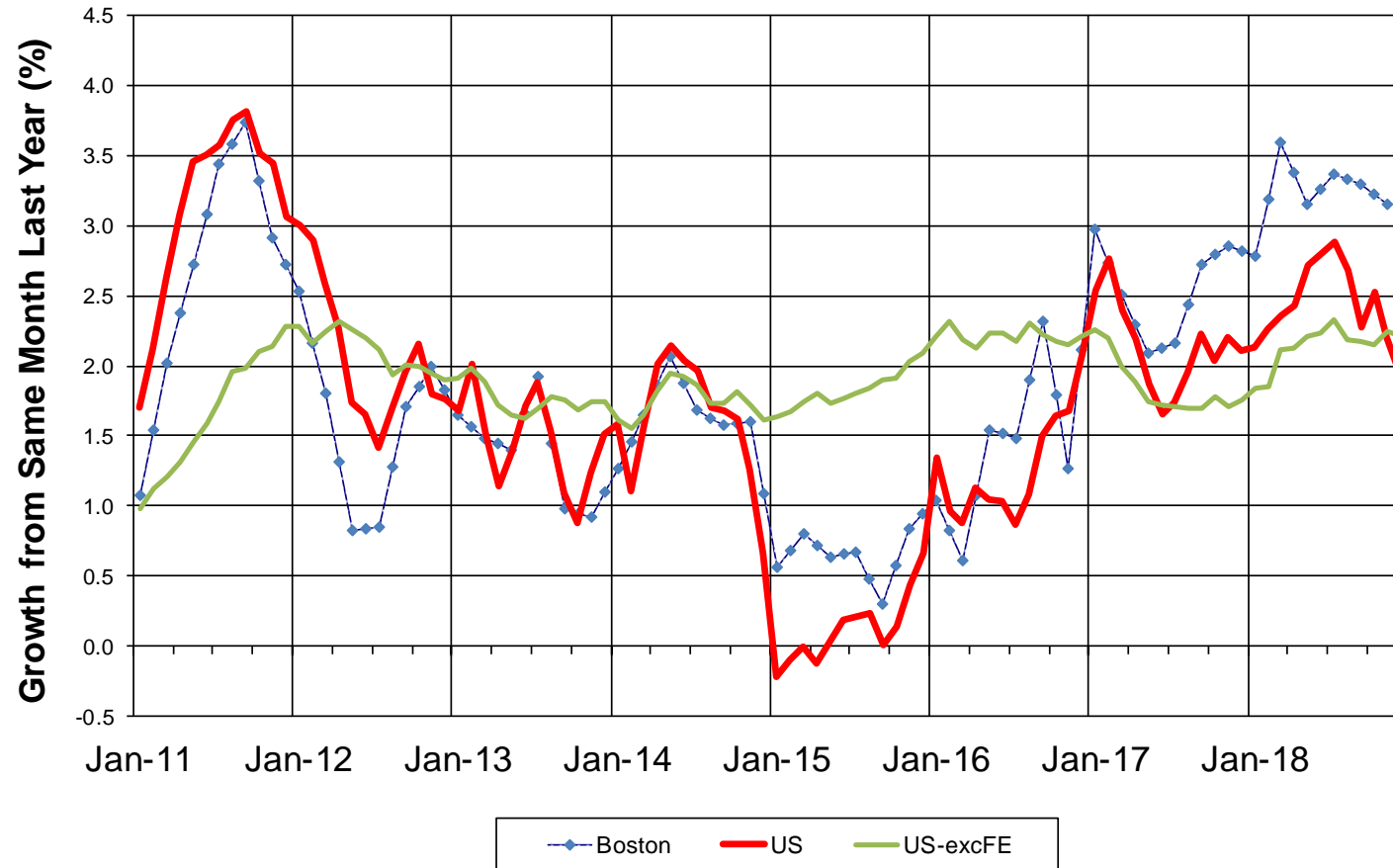
Source: U.S. Census Bureau



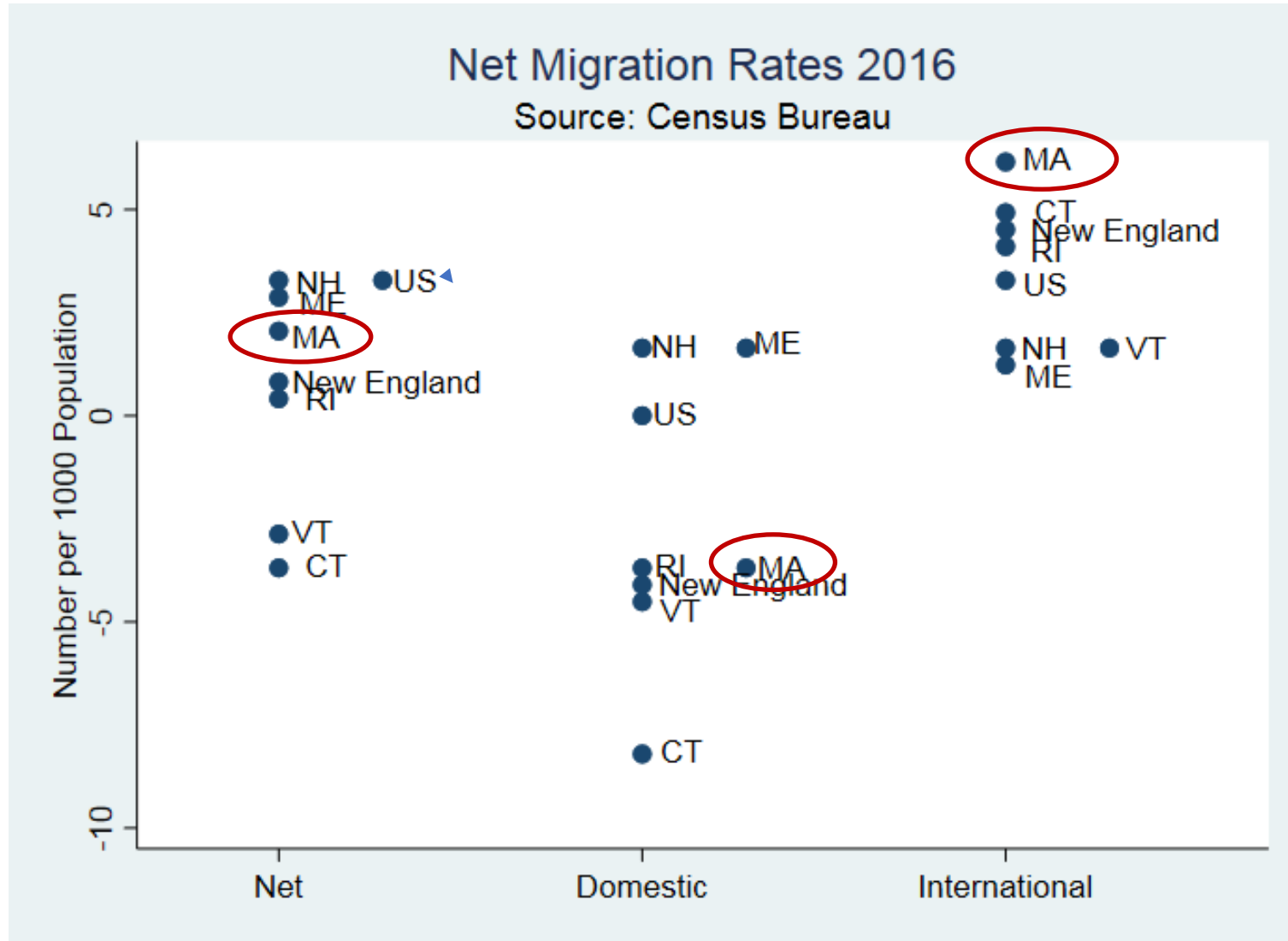
... but not enough to solve the high-cost of living problem.

Consumer Price Inflation

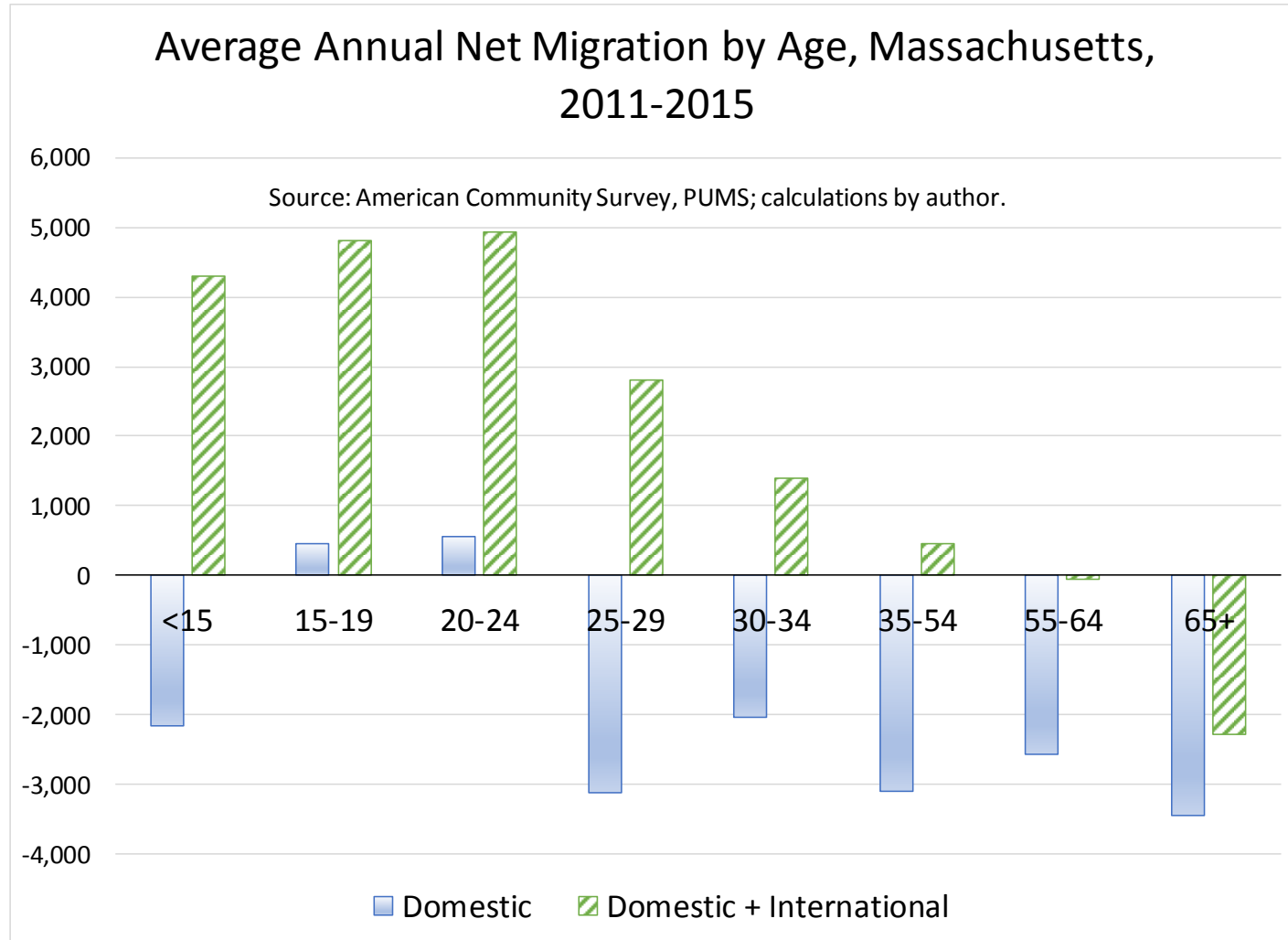
Source: BLS



On net, Massachusetts' population growth is boosted by migration, yet more people leave the state than come to Massachusetts from other states.

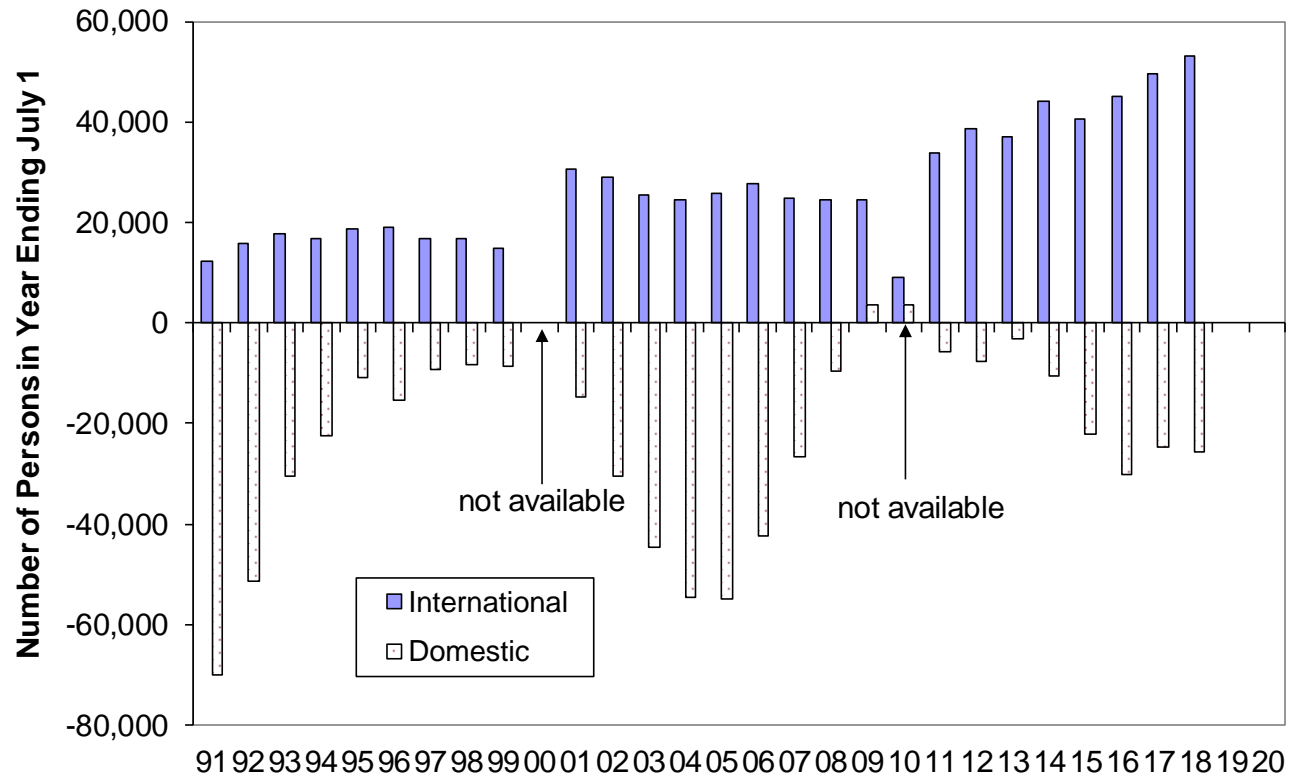


Immigration is key to the state's future labor force growth.



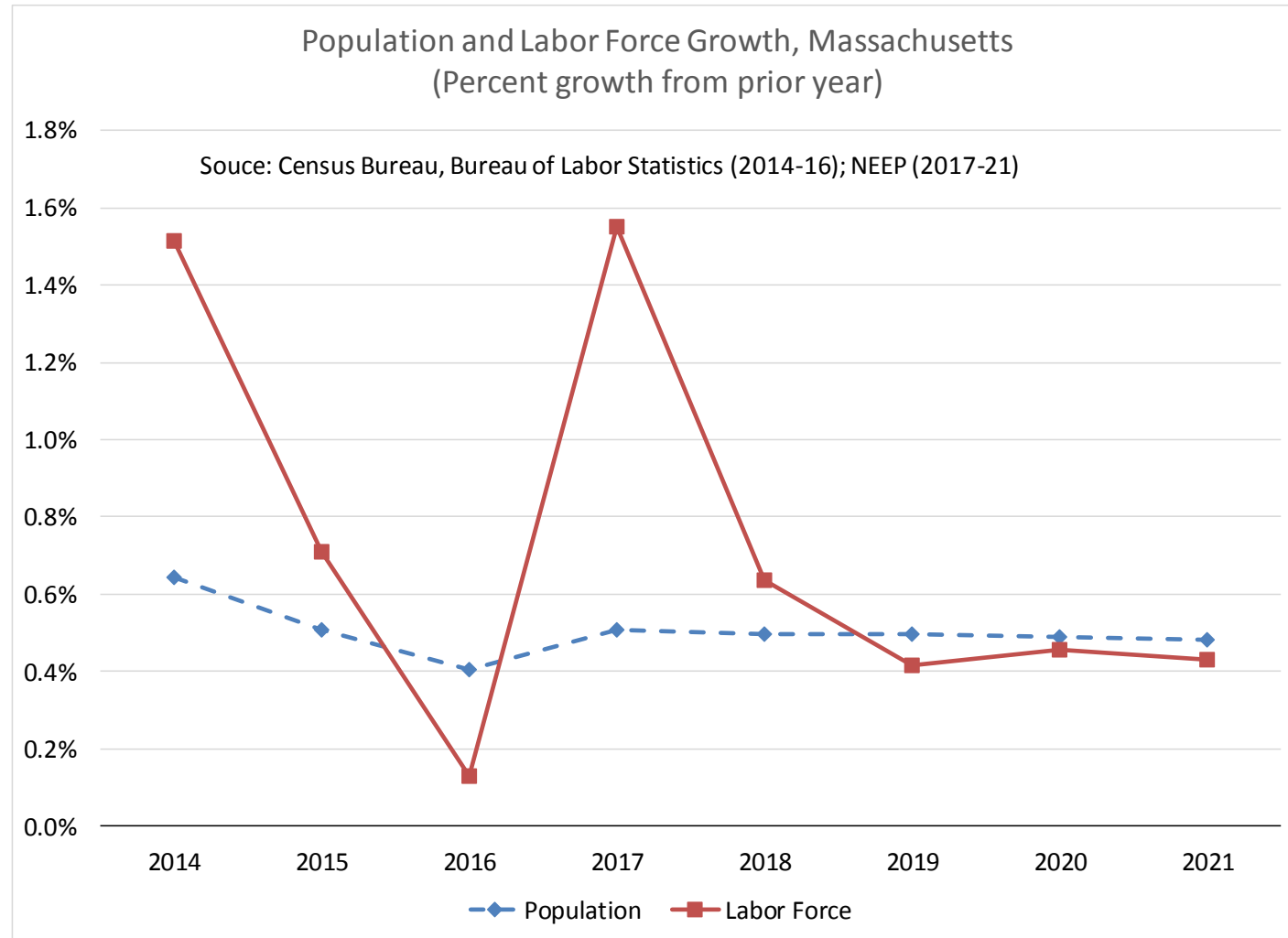
Net migration has increased from 14,800 in 2016 to 27,258 in 2018, driven by increases in international net in-migration.

Net Migration into Massachusetts

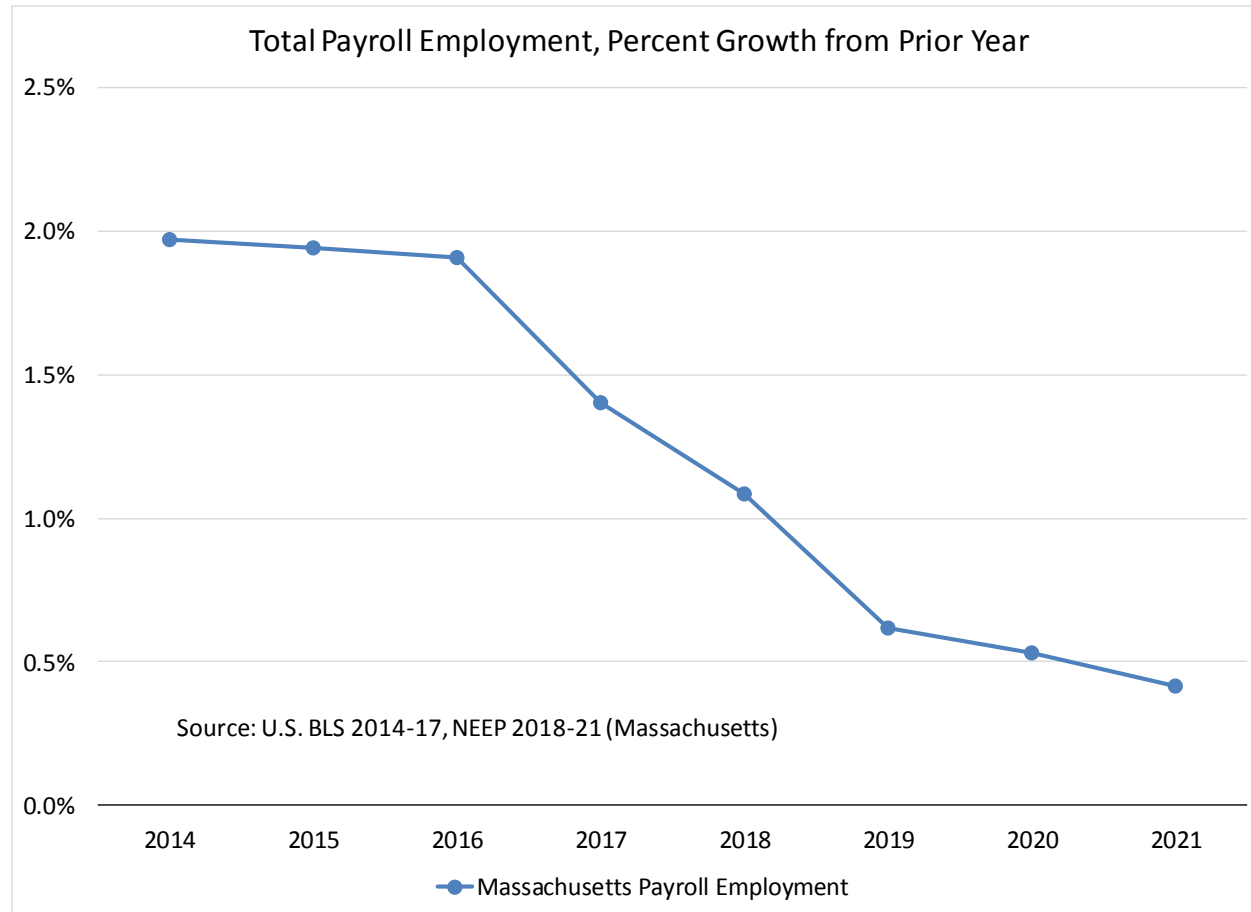


Source: Census Bureau: Population Estimates Branch

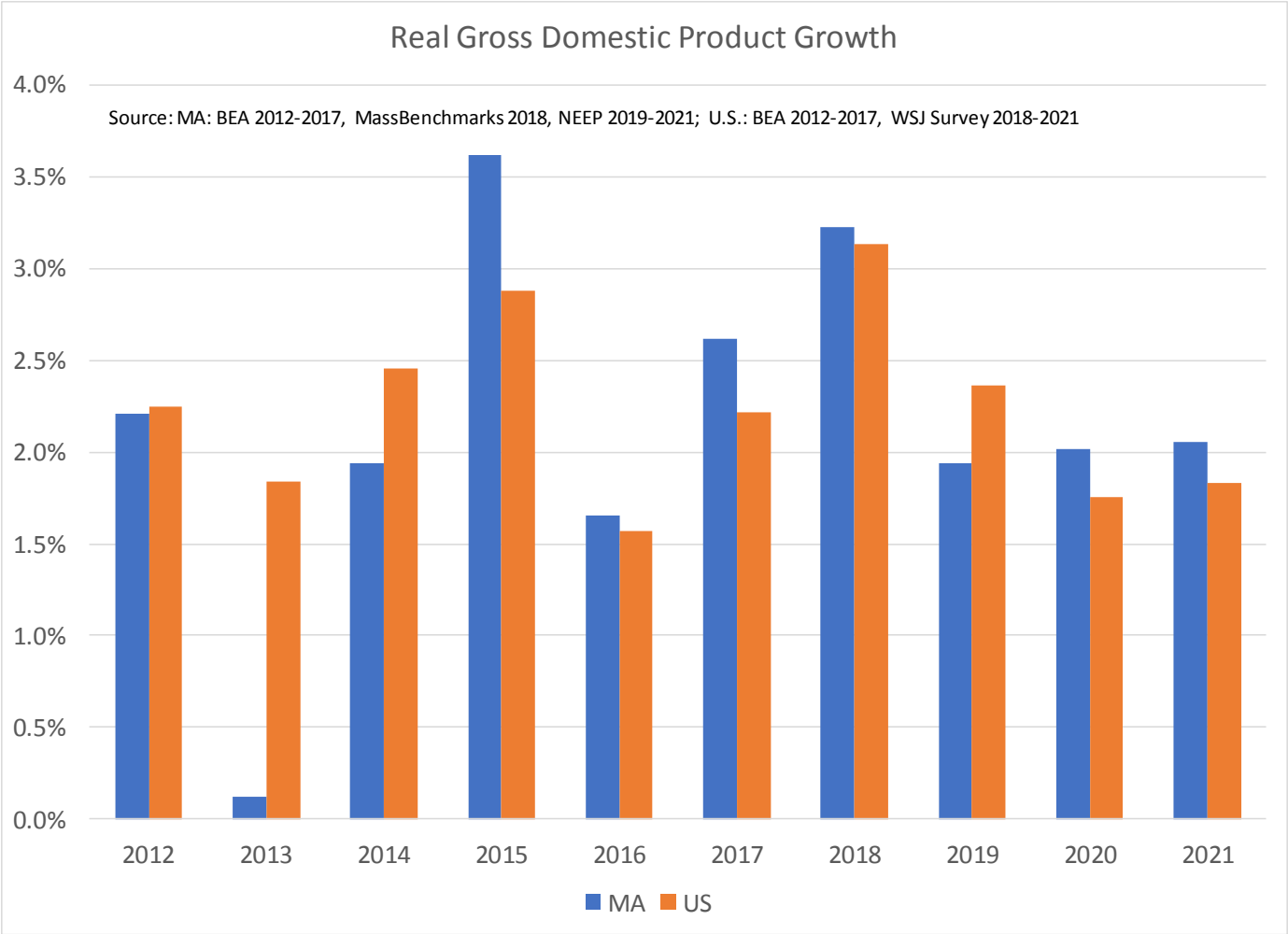
Labor force growth will slow, constrained by an aging population.



...employment growth will be constrained by the number of available workers.



Massachusetts output will continue to grow at about the same rate as the U.S.



Improvements in productivity will enable output and incomes to grow faster than employment.

