

**NEW YORK CONSENSUS  
FORECASTING CONFERENCE**

Hon. Catharine M. Young  
Chair  
Senate Finance Committee

Robert F. Mujica Jr.  
Director  
NYS Division of the Budget

Hon. Herman D. Farrell Jr.  
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Assembly Ways and Means Committee

Hon. Liz Krueger  
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Senate Finance Committee

Hon. Diane J. Savino  
IDC Member  
Senate Finance Committee

Hon. Robert C. Oaks  
Ranking Minority Member  
Assembly Ways and Means Committee

**MEMORANDUM**

**TO:** Governor Andrew M. Cuomo  
Senator John J. Flanagan  
Senator Jeffrey D. Klein  
Assemblyman Carl E. Heastie  
Senator Andrea Stewart-Cousins  
Assemblyman Brian M. Kolb

**March 1, 2017**

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**SUBJECT:** Consensus Forecast Report

Attached please find the 2017-18 "Consensus Economic and Revenue Forecast Report"  
as required by Section 23 of the State Finance Law.

Attachment

## ECONOMIC AND REVENUE CONSENSUS REPORT 2017-18

This report contains the results of the consensus economic and revenue forecasting process conducted by the Executive and the Legislature in advance of the enactment of the State Fiscal Year (SFY) 2017-18 Budget, pursuant to the provisions of Chapter 309 of the Laws of 1996.

The Consensus Forecasting Conference was held on March 1, 2017. Based on the testimony of experts at the Conference, the outlooks for both the economy and revenue are strengthening, but uncertainty has increased since the end of 2016.

### Economic Forecast Review

The economic forecasts contained in the Executive Budget and Legislative reports portray continued modest economic growth for 2017, although growth is expected to improve compared to 2016. All parties agree that household spending will continue to exhibit moderate growth in 2017, supported by growth in employment, income, and net worth. The consensus forecast for real U.S. GDP growth for 2017 is 2.3 percent, following growth of 1.6 percent for 2016.

All parties expect the national labor market to continue to grow going forward though at a slower pace as the economy approaches full employment. The consensus forecast for 2017 employment growth is 1.5 percent, following 1.8 percent growth in 2016. In contrast, stronger income growth is expected for 2017, consistent with accelerating inflation. The consensus forecasts for wage and total personal income growth for 2017 are 4.6 percent and 4.4 percent, respectively, following growth of 4.2 percent and 3.5 percent in 2016. Consensus growth in the Consumer Price Index for 2017 of 2.5 percent is expected to follow an inflation rate of 1.3 percent for 2016. Consensus growth in U.S. corporate profits, including the capital consumption and inventory valuation adjustments, is expected to improve from a decline of 0.2 percent in 2016 to 6.4 percent growth in 2017. All parties expect the Federal Reserve to continue to raise its short-term interest rate target during 2017, although there is a diversity of opinion as to the exact timing of and number of additional moves.

<b>CONSENSUS U.S. FORECAST</b>		
<b>CALENDAR YEAR</b>		
<b>Percent Change</b>		
	<b>CY2017</b>	<b>CY2018</b>
<b>REAL U.S. GDP</b>	<b>2.3</b>	<b>2.3</b>
<b>PERSONAL INCOME</b>	<b>4.4</b>	<b>4.6</b>
<b>WAGES</b>	<b>4.6</b>	<b>4.5</b>
<b>CORP PROFITS</b>	<b>6.4</b>	<b>5.1</b>
<b>NONFARM EMPLOYMENT</b>	<b>1.5</b>	<b>1.3</b>
<b>3-MONTH T-BILL RATE</b>	<b>0.7</b>	<b>1.5</b>
<b>CPI</b>	<b>2.5</b>	<b>2.3</b>

The parties agree that while the New York State labor market will remain healthy, growth will slow going forward, with consensus forecast growth of 1.2 percent for FY 2018, following estimated growth of 1.4 percent for FY 2017. The consensus forecast for FY 2018 wage growth

is 4.2 percent, representing an acceleration from the FY 2017 consensus estimate of 3.8 percent. The consensus forecast for FY 2018 personal income growth is 4.7 percent, following estimated growth of 3.5 percent in FY 2017.

CONSENSUS N.Y. FORECAST		
FISCAL YEAR		
Percent Change		
	FY 2017	FY 2018
NONFARM EMPLOYMENT	1.4	1.2
PERSONAL INCOME	3.5	4.7
WAGES	3.8	4.2
Note: DOB and the Assembly Majority construct their personal income and wage series based on QCEW data.		

All parties agree that there are multiple risks to the economic outlook for the national and State economies, and thus revenues. Slower growth in the global economy would have an adverse impact on the U.S. economy, with both the euro zone and Chinese economies representing sources of uncertainty. Energy price volatility also remains both a positive and negative risk. Sources of upside risk include stronger than expected labor and housing market growth, as well as stronger growth overseas. Moreover, if the optimism currently reflected in equity markets and numerous sentiment indexes should translate into sustained economic activity, both national and State economic growth could be stronger than reflected in the consensus forecast. All parties agree that there are both upside and downside risks associated with future federal fiscal policy changes, although there are varying opinions as to how these risks should be weighted.

One of the greater risks to both the national and the New York forecasts stems from policy measures that may be taken by the Federal Reserve before the end of this year. Higher interest rates than the Federal Reserve currently envisions could hamper the housing recovery and reduce business investment and hiring. As the world's financial capital, New York could be negatively affected were interest rates to rise at either a much faster or much slower pace than reflected in the consensus forecast. On the other hand, stronger growth in financial activities than expected could present upside potential for the State economy.

### Revenue Forecast Review

Section 23 of the State Finance Law defines receipts subject to consensus as the combined total of All Funds tax receipts, General Fund miscellaneous receipts, and lottery revenues. All parties reached consensus on a two-year revenue total that is \$200 million above the Executive Budget estimate, although actual results could differ, given the risks enumerated below. Although revenue estimates from all parties for FY 2017 and projections for FY 2018 exhibited material differences, there was general consensus on the factors affecting current year receipts – bonus declines and weak non-wage income growth being the most significant.

Risk factors that could affect actual results during the next 13 months include:

- the degree to which federal tax policy affects State tax receipts;

- the scale of the recovery in bonus payments next year; and
- the extent and timing of Federal Reserve interest rate increases, and their impact on New York's finance, housing, and business sectors; and by extension, personal income, sales tax, and corporate franchise tax receipts.