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Today's Economy

from the December 2017 Economic Outlook Webinar featuring Don Klepper-Smith.

Overall Economy

- Expansion likely to continue with odds of a full blown recession low over next 12-18 months.

National GDP Growth

- U.S. economy expanded at a 3% SAAR (Seasonally Adjusted Annual Rate) in Q3 2017.
- Growth will be tempered as monetary policy remains too cautious in Washington; economic fundamentals clearly argue for another two years of “modest growth” in the range of 2-2.5%.

Connecticut Economy

- Fractional gains expected compared to real GDP of 2.5% long-term.
- THE GOOD: Budget passed with no income or sales tax increases, stronger cap on borrowing, new rules on votes for union contracts and changes to arbitration; THE BAD: \$207m shortfall.
- Fiscal stress with expenditures out growing income by 1-2%
- Promotion of outmigration lowering overall tax base and revenues. CT 2nd in overall tax burden; Laffer Curve is in the “unproductive zone” and argues for spending cuts, not tax increases.

Structural Changes

- Globalization, use of temporary workers, e-commerce, automation, underfunded pension funds, and demographics, are all considered structural changes in the economy and will provide uncertainty relative to predictions (e.g., Amazon).
- There's a “New Economic Normal”.

Consumer Confidence

- Up 22% YTD in U.S.; New England up 16% YTD.
- Consumer spending power rising much slower than prior economic recoveries.

Job Growth

- Continues at a moderate clip despite rebounding from recent natural disasters.
- U.S. economy has created 17.5 million jobs since early 2010, with a recovery rate of 201.3% given the November 2017 data.
- CT only New England state with less current jobs than at prior peak (33,000 jobs to break even); projected recovery 2020 assuming current pace of growth.
- Springfield up 1.8% non-farm jobs vastly outperforming other regions; Hartford down -0.2%.
- Hartford LMA (Labor Market Area) lags US, but above CT in job recovery.
- Springfield has had “stellar performance” with almost 35,000 new jobs mainly due to economic development policies at state and local levels.

10-Year Yield

- 10-year rate has remained stubbornly low during this fed rising period with technical indications moving it lower before higher.



Housing

- CT single-family home sales are up 6.9% YTD; median prices up 0.6% YTD.
- New housing unit permits down 13%.

The Lighter Side



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