



Comments on the 2017 Economic Outlook Presentation to the Vermont Tax Seminar

December 8, 2016

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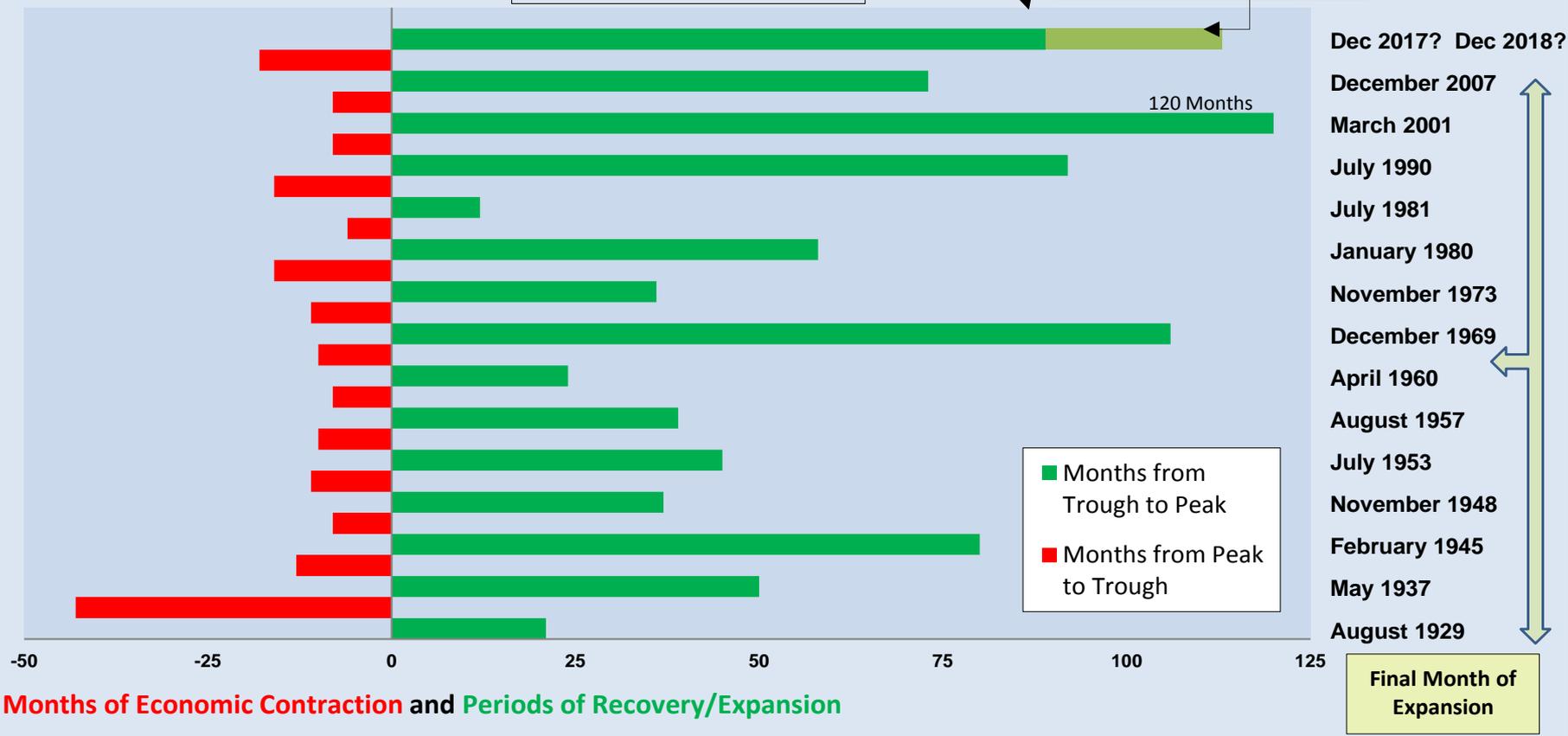
Now the 4th Longest "Up-Cycle" since WWII...

The Current Economic Upturn is "On Track" to be Among the Longest "On Record"...

(Source: National Bureau of Economic Research)

As of December 2016 (90 Months)

As of Dec. 2018 (114 Months)



Odds of a Recession Remain “Low”

US Economists Who Believe US Will Have a Recession Within Next 12 Months

Dec. 2015 - Nov. 2016. Source: WSJ Survey of Economists.



2016 Election

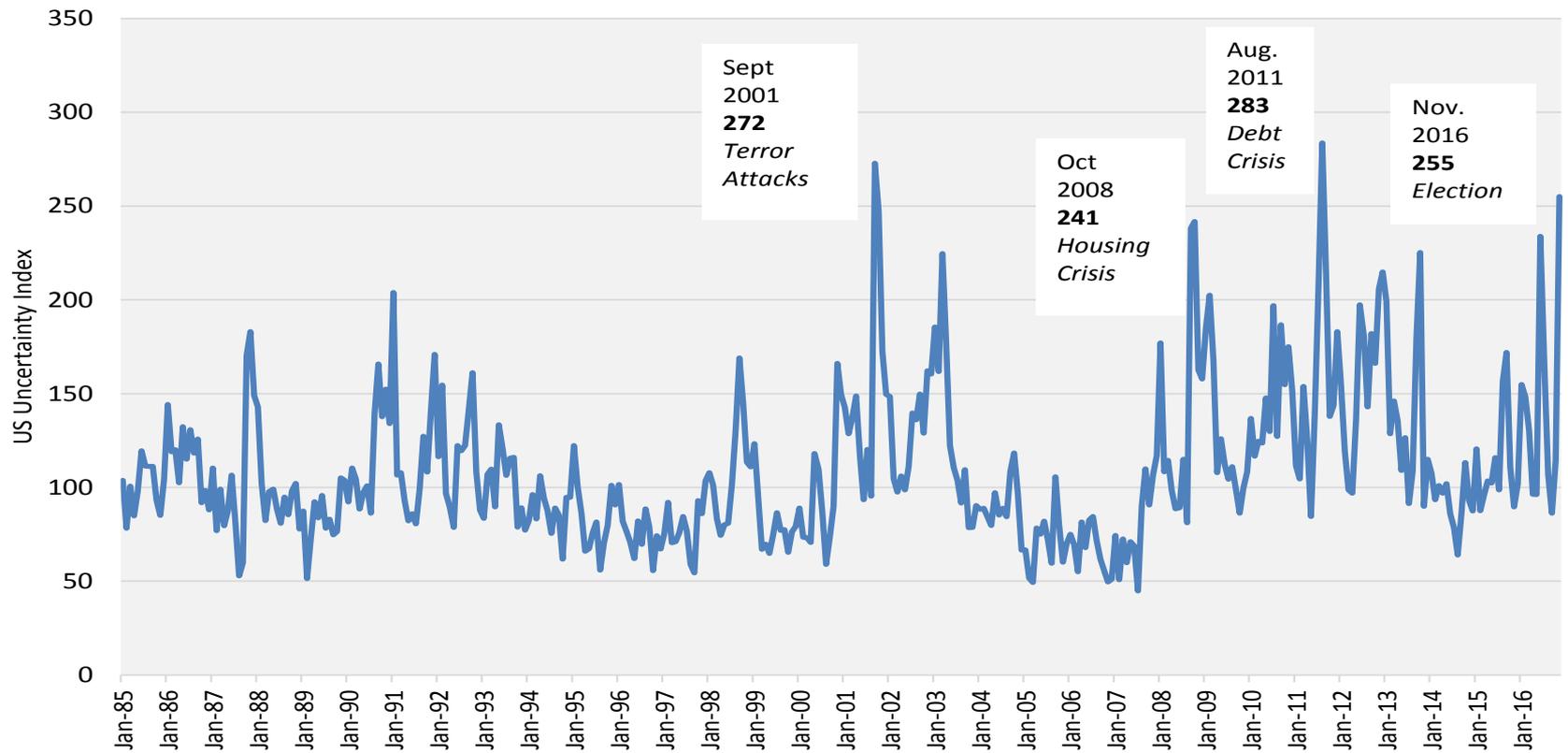
- The 2016 election was a “watershed” election in support of “change” —which likely means some uncertainty going forward.
 - Reflected voter distrust and rejection of the “status quo” and existing political institutions,
 - The electorate decided that the “risks” associated with change were lower than continuing the current federal policy trajectory,
 - Vermonters continued the well worn tradition of splitting the ticket—“change at the top” following multiple 2-year cycles of incumbent party re-election.

U.S. Uncertainty indeed looks "High" After the Election...3rd Highest in 30 Years

US News Based Policy Uncertainty Index. Jan 1985 - Nov 2016

100 = Baseline Average for Jan. 1985 - Dec. 2009

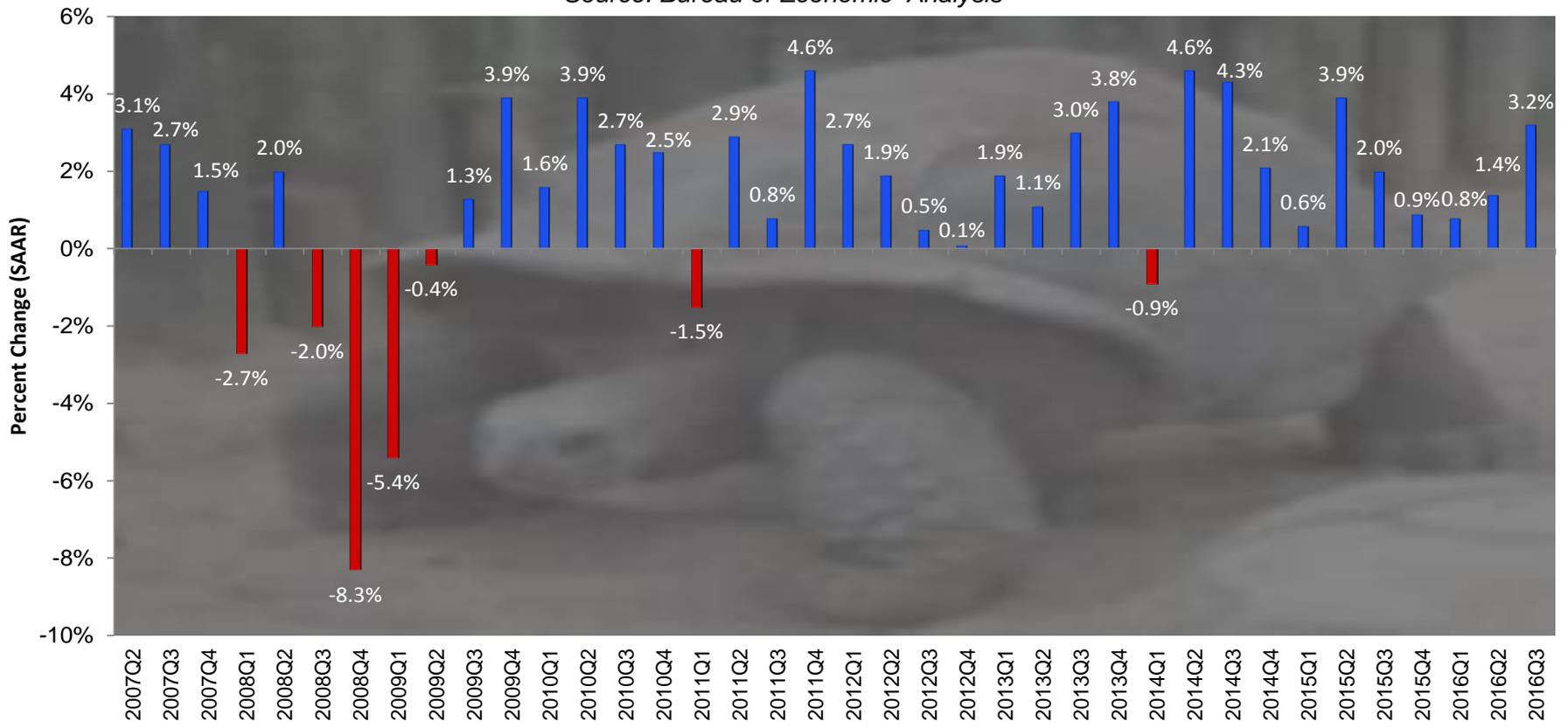
Source: Economic Policy Uncertainty



7 Years of Output Gains Has Had Its Benefits...

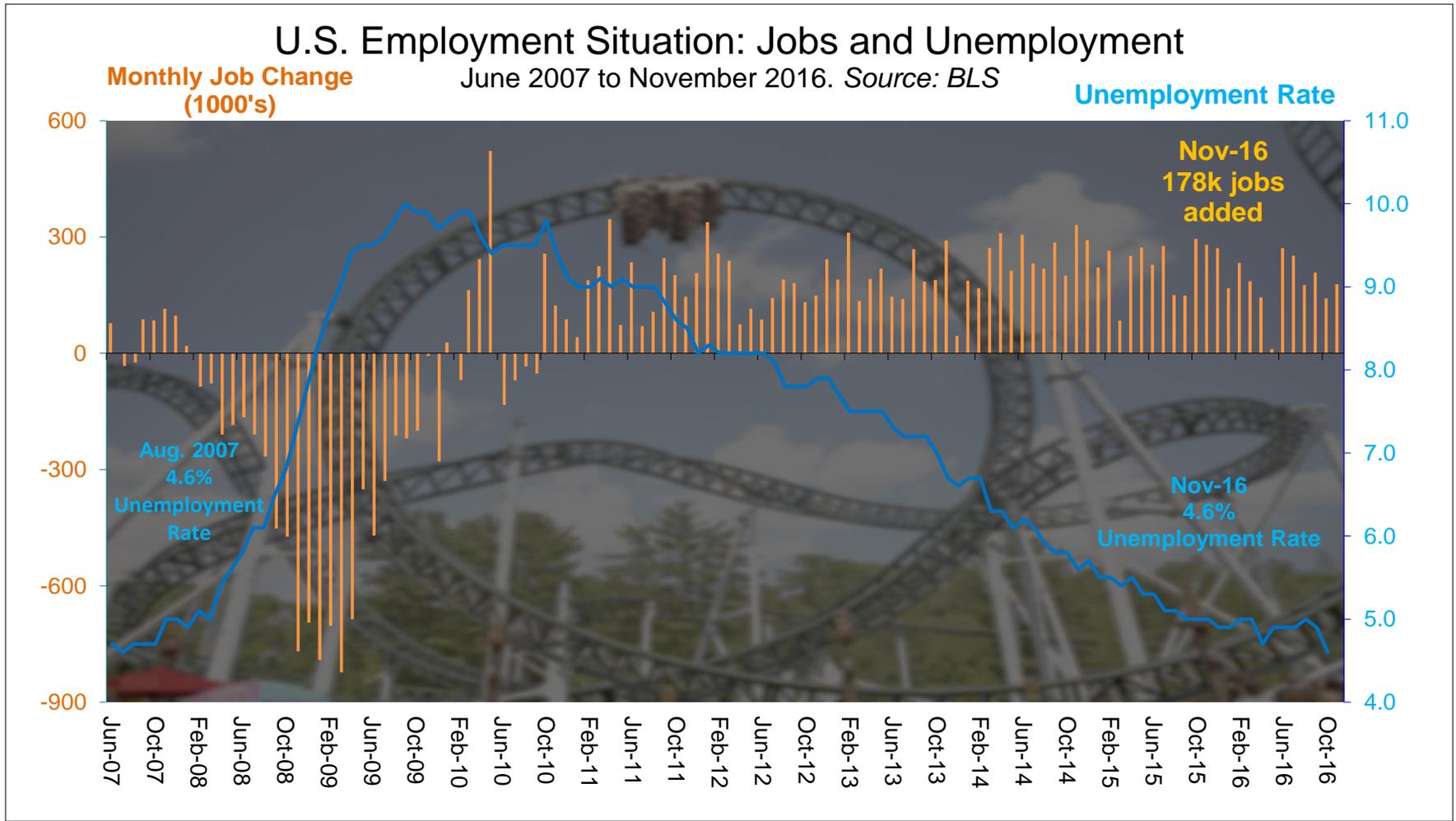
Change in Gross Domestic Product (GDP), Adjusted for Inflation. 2007(Q2) - 2016(Q3)

Source: Bureau of Economic Analysis



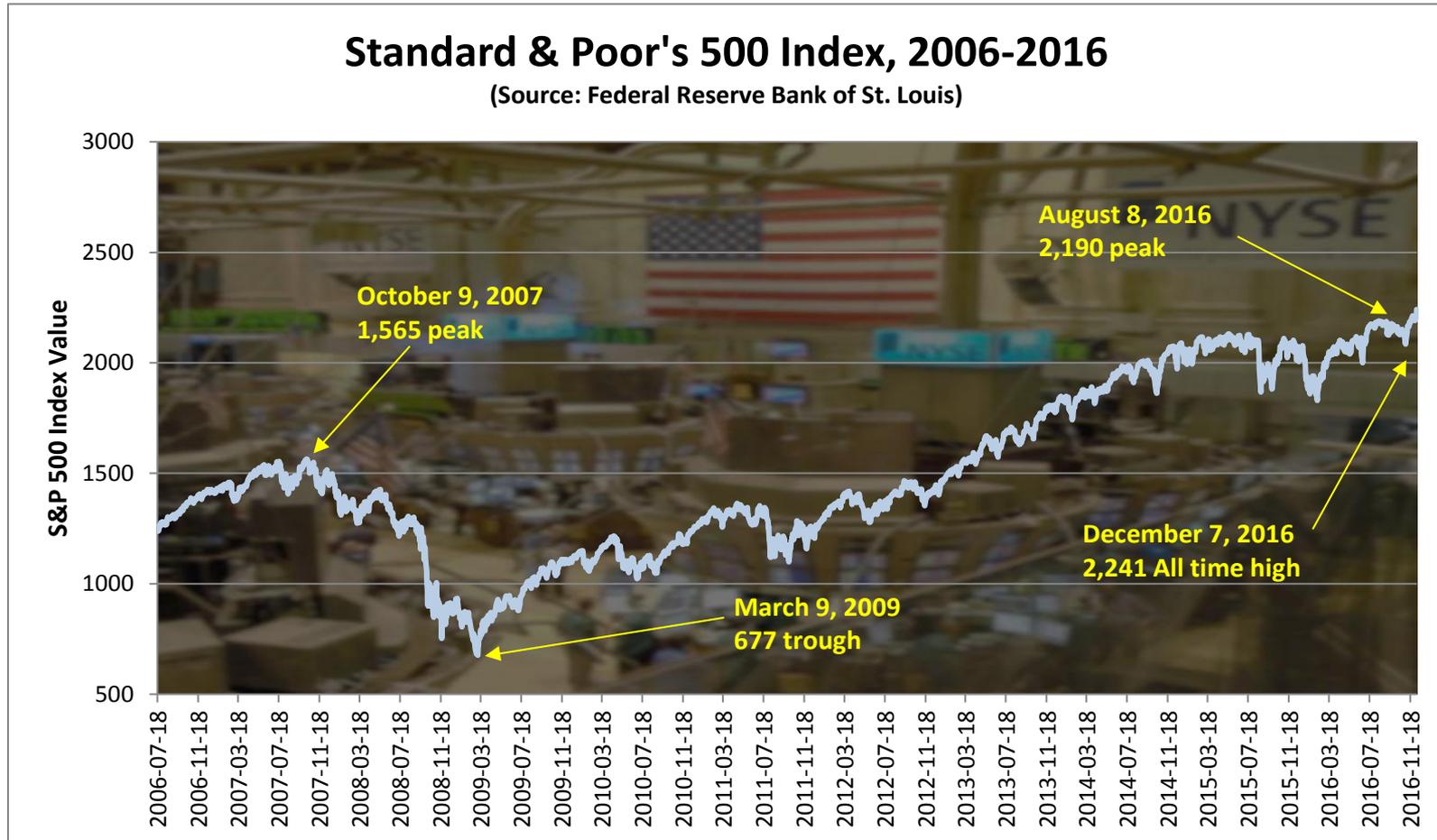
Nearly 15 million jobs added, and...

- The lowest U.R. since the Recession, 4.6% as of Nov. 2016



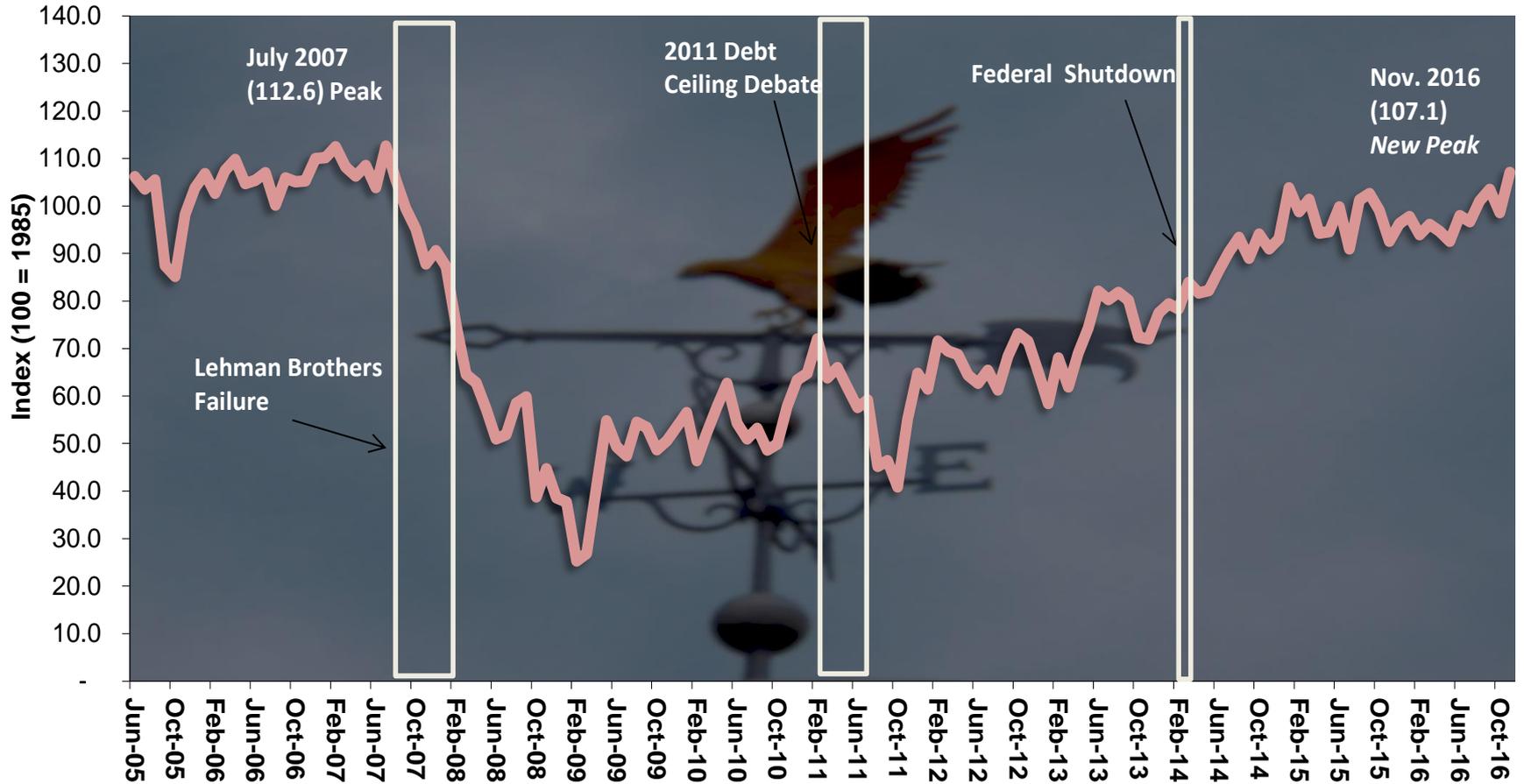
Volatile Equities...Now Mostly Up...

- Volatility has increased in the U.S. stock market...stocks last year had a bad year (Worst since calendar year 2008) but are now “back up”...

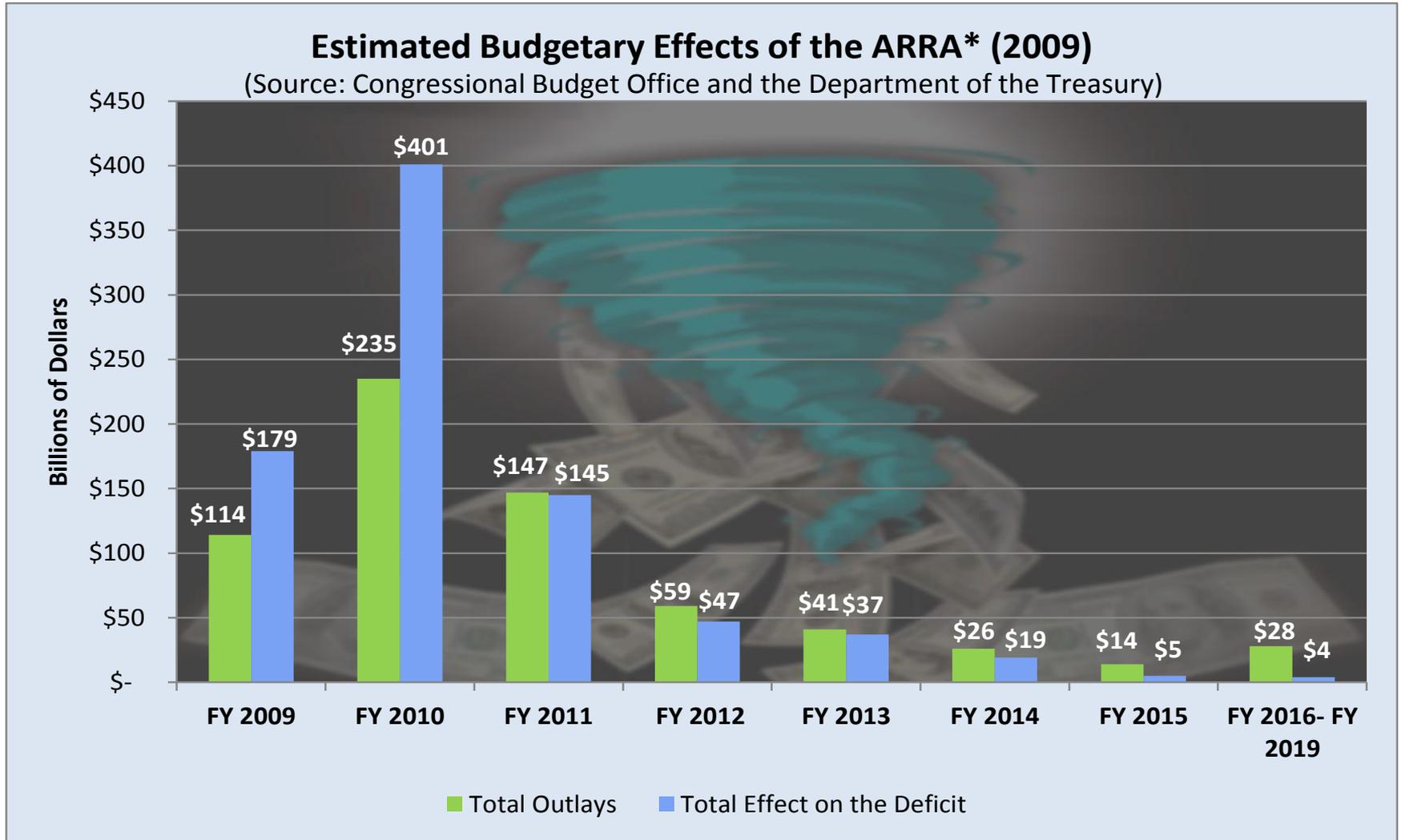


Consumer Confidence has also regained its stride...

Consumer Confidence Index, through November 2016
(Source: The Conference Board)

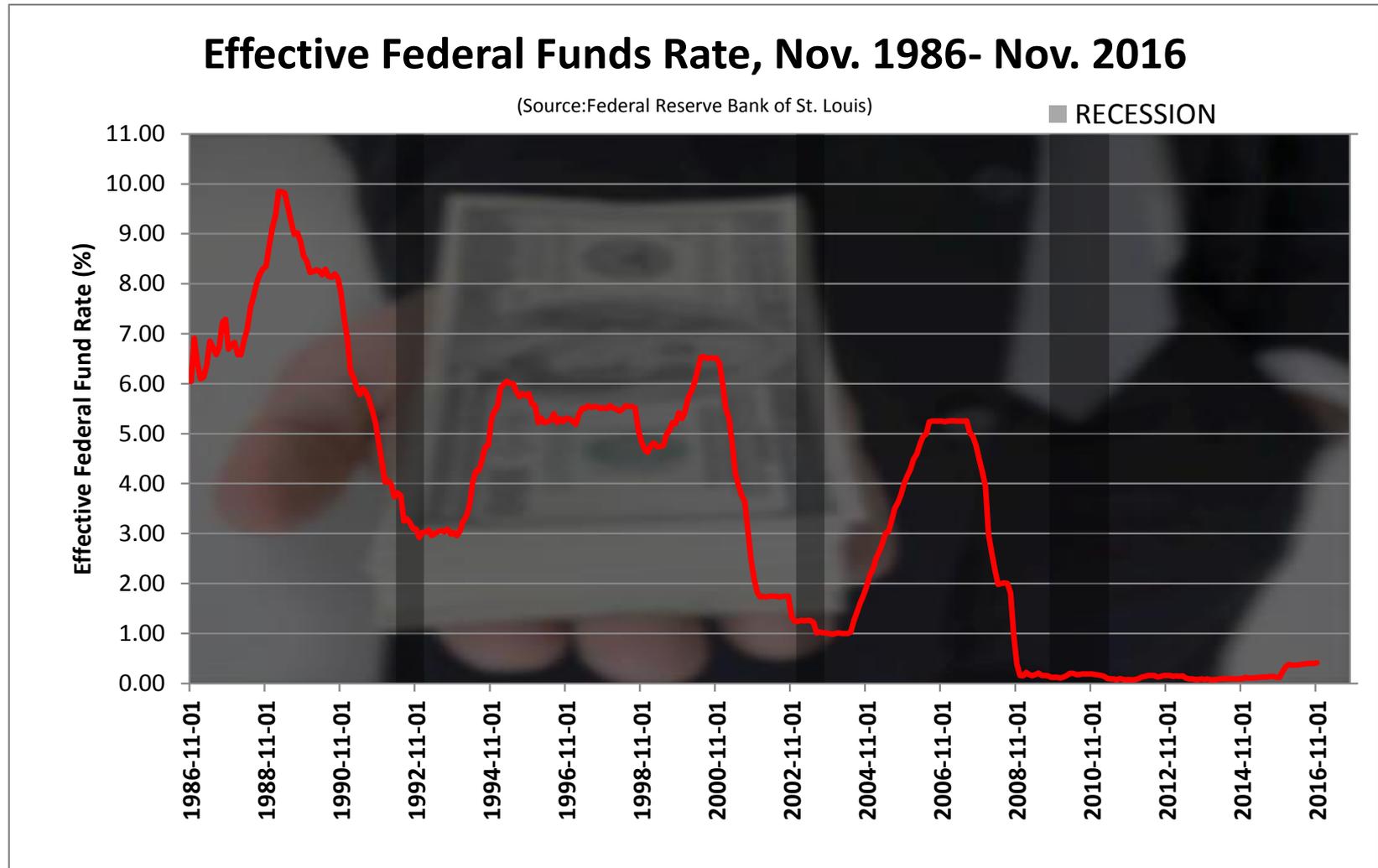


Supported by Unprecedented Stimulus...with More to Come?!?



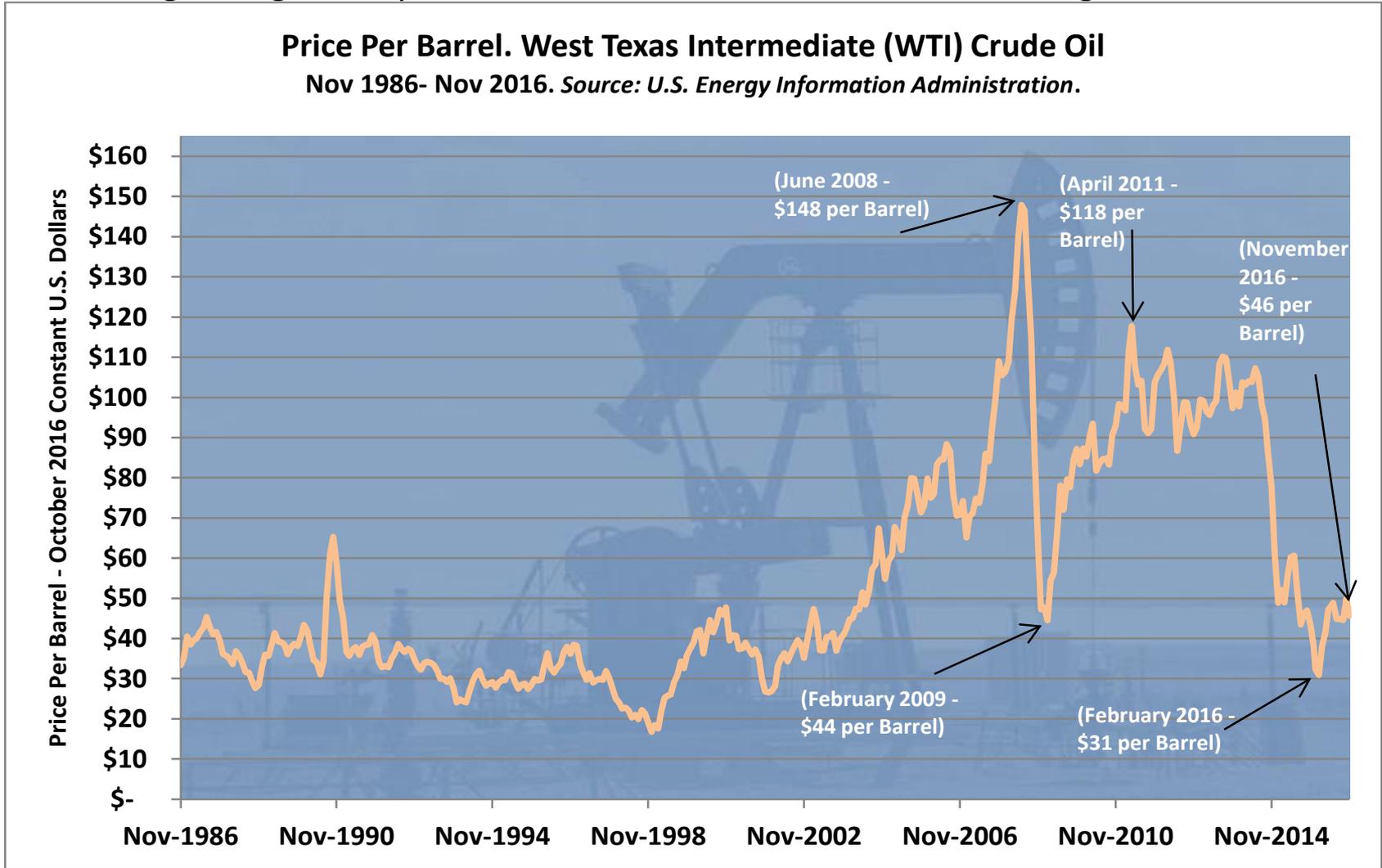
And an Unprecedented Period of Low I-Rates

- Dec 2008 - Nov 2015: A period of roughly “zero percent” Federal Funds Rate
Dec. 2015 Fed Raises ST-Rates; Dec. 2016: Another increase?



A Revolution in Energy Production

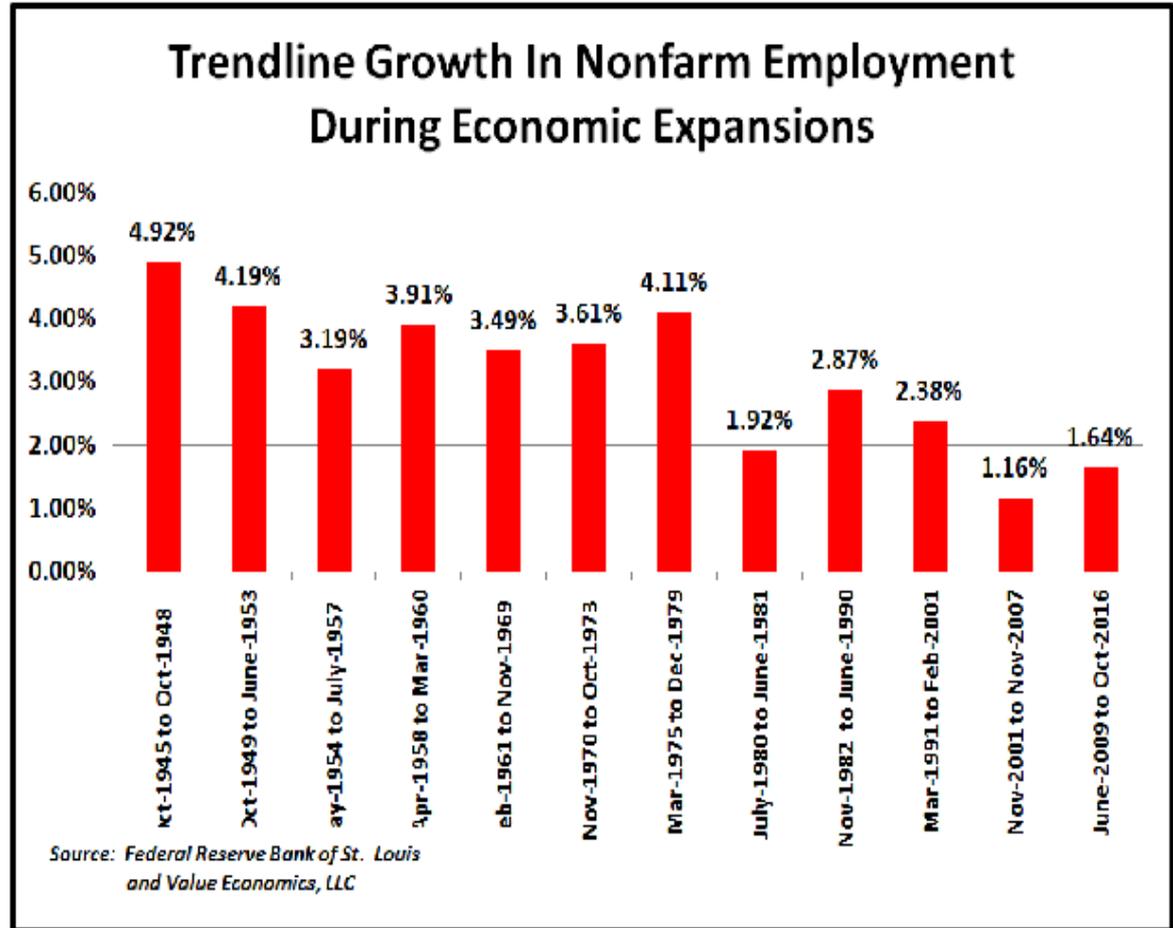
- Resulting in large NRG price declines which have continued through the Summer...



But, it has Been One of Slowest U.S. Recoveries Ever...

Growth in Total Nonfarm Employment During Economic Expansions

<u>Expansion Period</u>	<u>Trendline Growth</u>
Oct-1945 to Oct-1948	4.92%
Oct-1949 to June-1953	4.19%
May-1954 to July-1957	3.19%
Apr-1958 to Mar-1960	3.91%
Feb-1961 to Nov-1969	3.49%
Nov-1970 to Oct-1973	3.61%
Mar-1975 to Dec-1979	4.11%
July-1980 to June-1981	1.92%
Nov-1982 to June-1990	2.87%
Mar-1991 to Feb-2001	2.38%
Nov-2001 to Nov-2007	1.16%
June-2009 to Oct-2016	1.64%

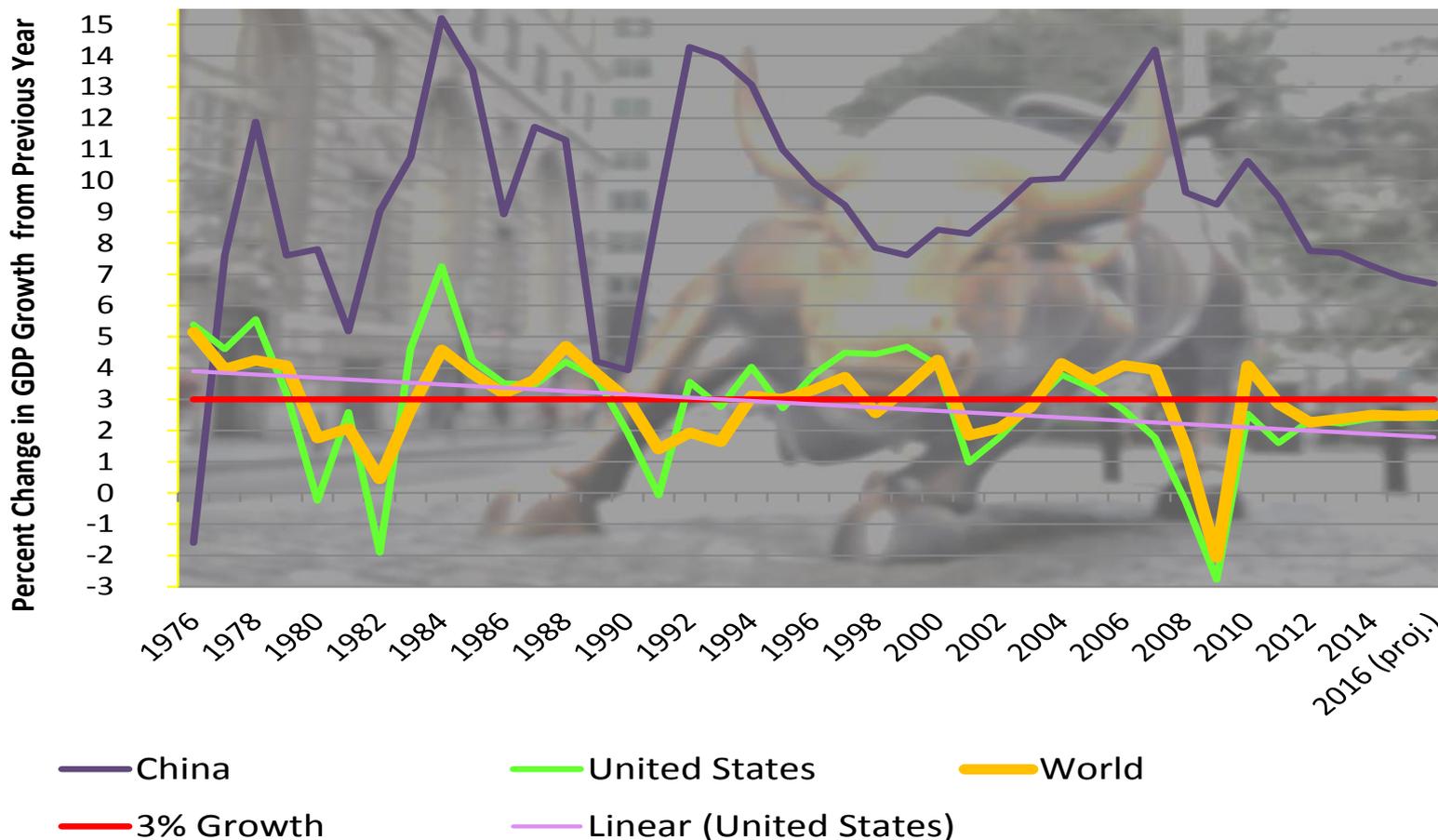


Updated on 11-04-2016

But Growth Overall has Disappointed...

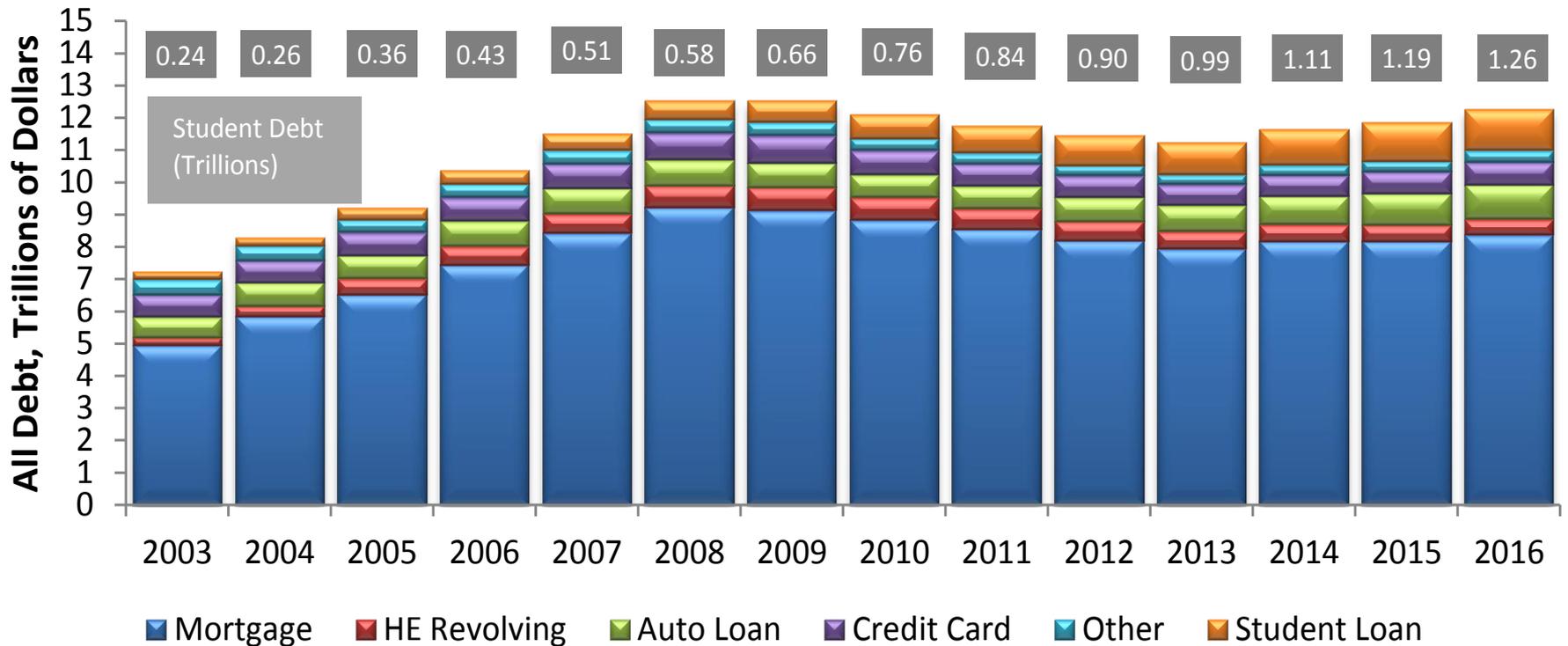
GDP Growth by Country and World, 1975-2016 (Proj.)

Source: OECD and World Bank



And “Student Loan Debt” Has Exploded...

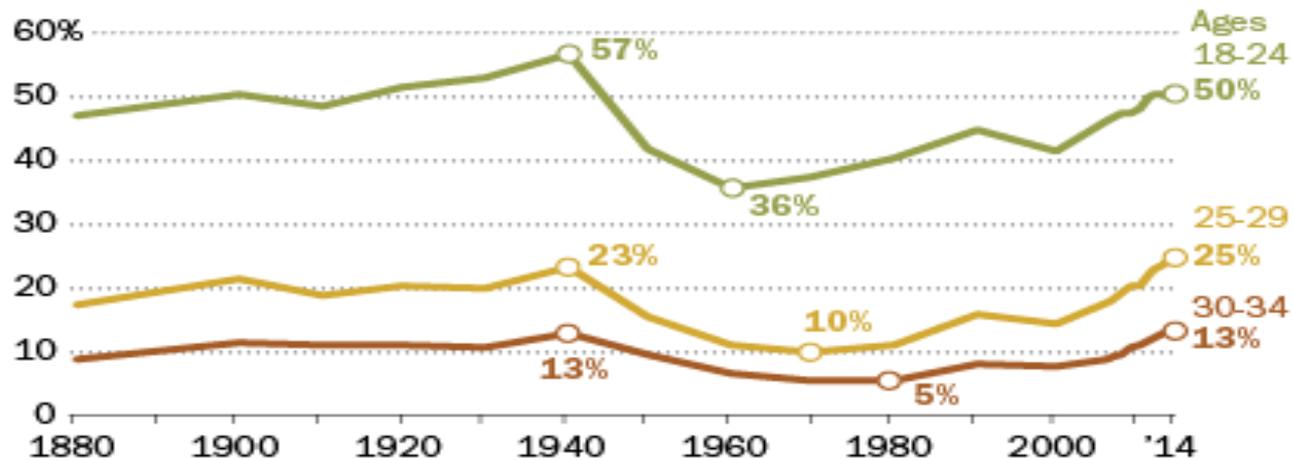
Total Debt Balance and its Composition
Source: FRBNY Consumer Credit Panel/Equifax



A “Record Number” of 25-34 Year Olds Are Now Living With Their Parents!

Record share of 25- to 34-year-olds living in parents' home

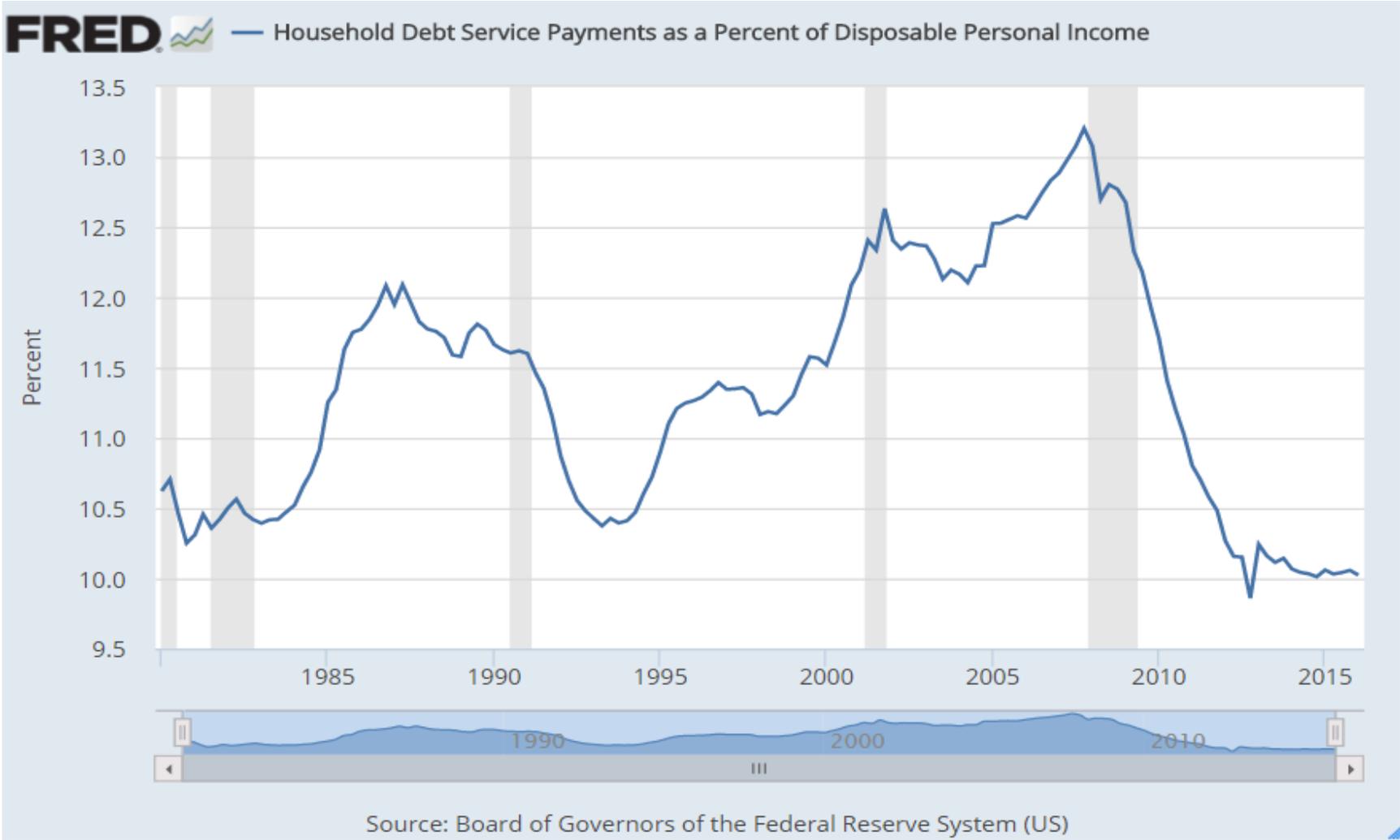
Share of U.S. young adults (ages 18-34) living in their parent(s)' home, by age



Note: “Living in parent(s) home” means residing in a household headed by a parent regardless of the young adult’s partnership status.

Source: Pew Research Center tabulations of the 1880-2000 U.S. decennial censuses and the 2006-2014 American Community Surveys (IPUMS).

But HH Debt Service is lower than the early 1980's...



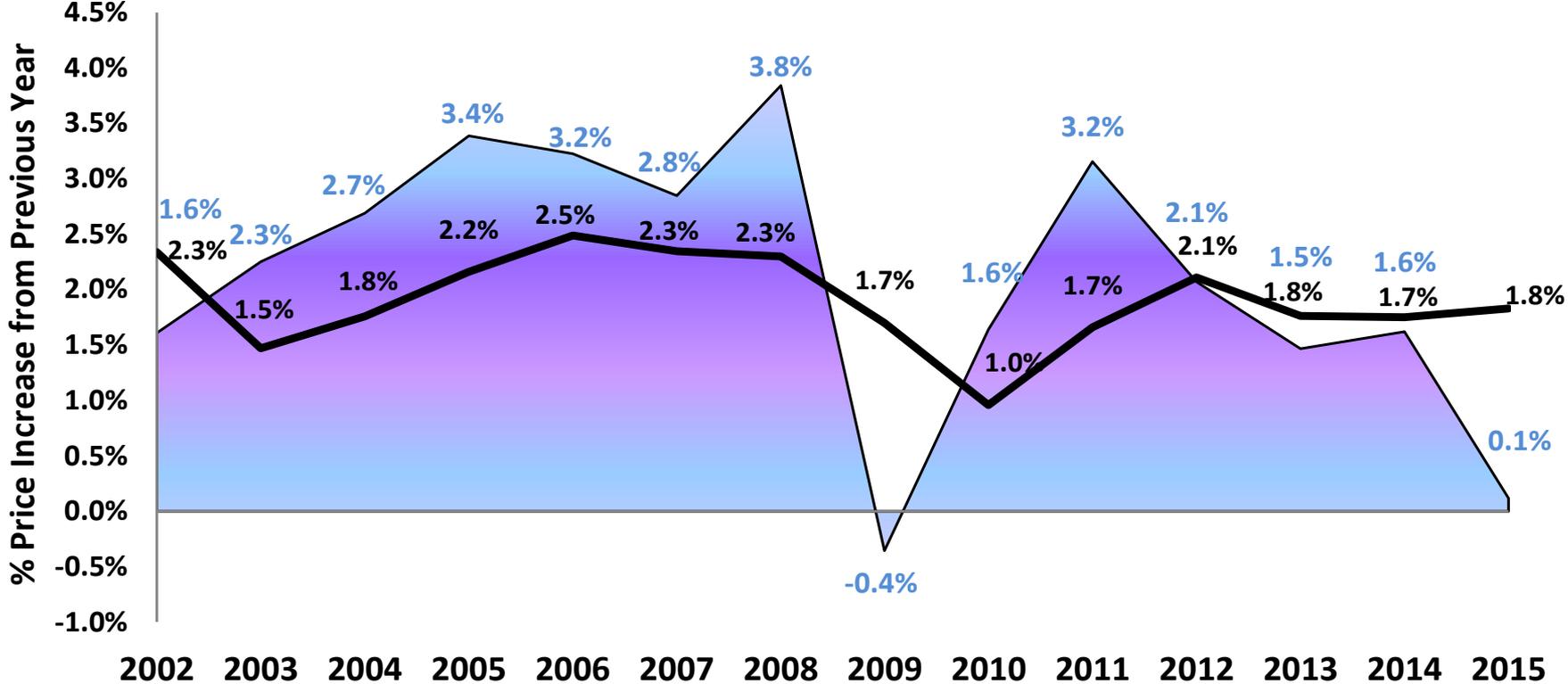
Inflation is Well Under-Control...

Consumer Price Index

All Urban Consumers, Year-over-Year Change

Source: BLS

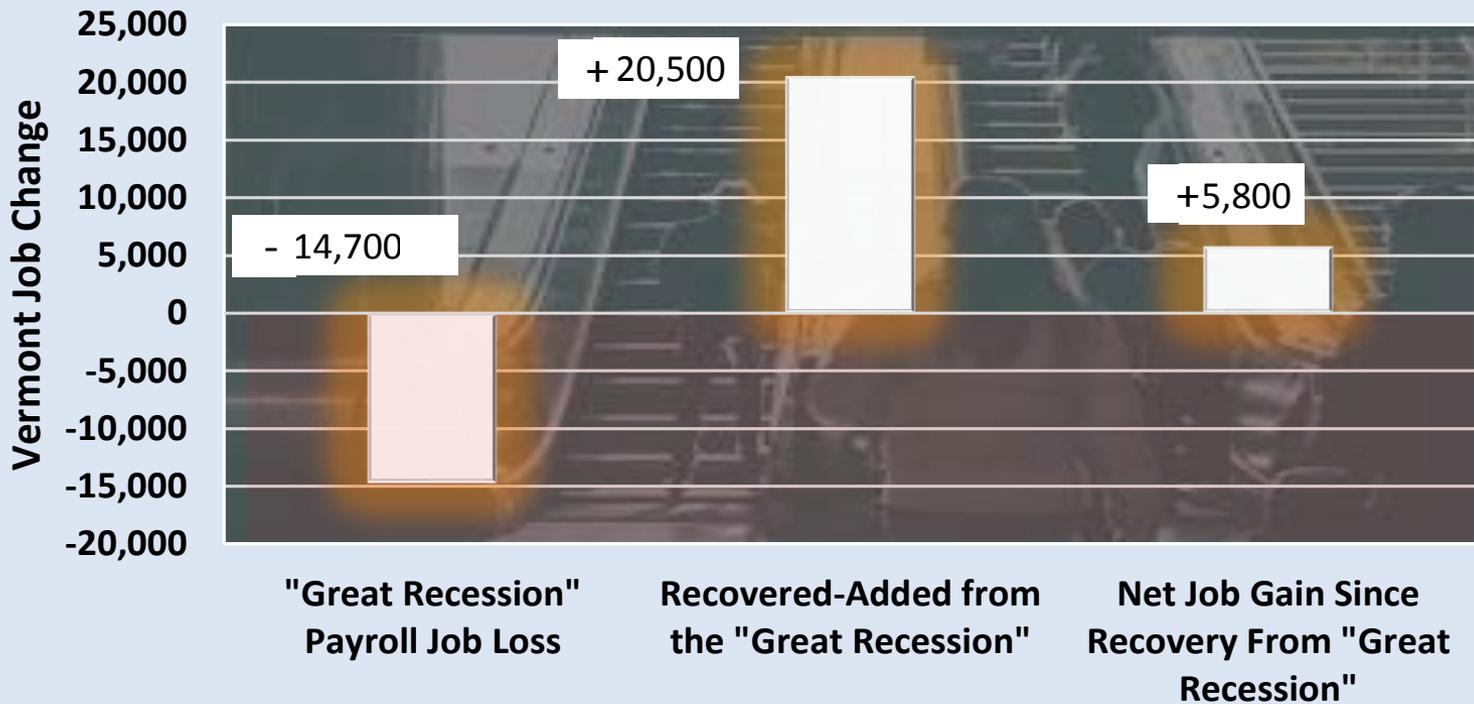
CPI - U CPI - U less Food & Energy



The Vermont's Labor Market Has Made Progress Since the "Great Recession"

Tracking Vermont Payroll Job History

Source: VT Department of Labor

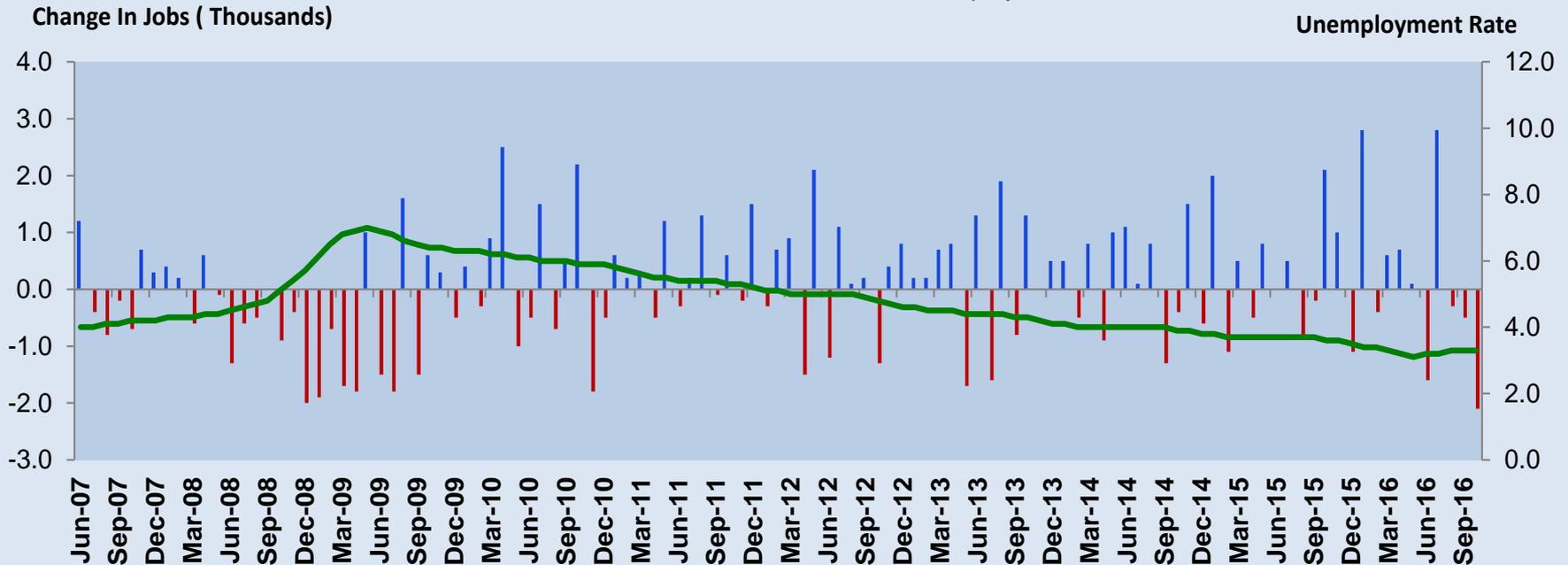


Vermont's Labor Market Has Been "Up and Down"...and This Will Continue...

Vermont Jobs - Unemployment (S.A.) June 2007 - October 2016

Source: U.S. Bureau of Labor Statistics; Boston Federal Reserve Bank

Job Gains Job Losses Unemployment Rate



Vermont's Labor Market Has Been "Up and Down"....and This Will Continue...

Payroll Job Performance By NAICS Supersector October 2015 vs. October 2016

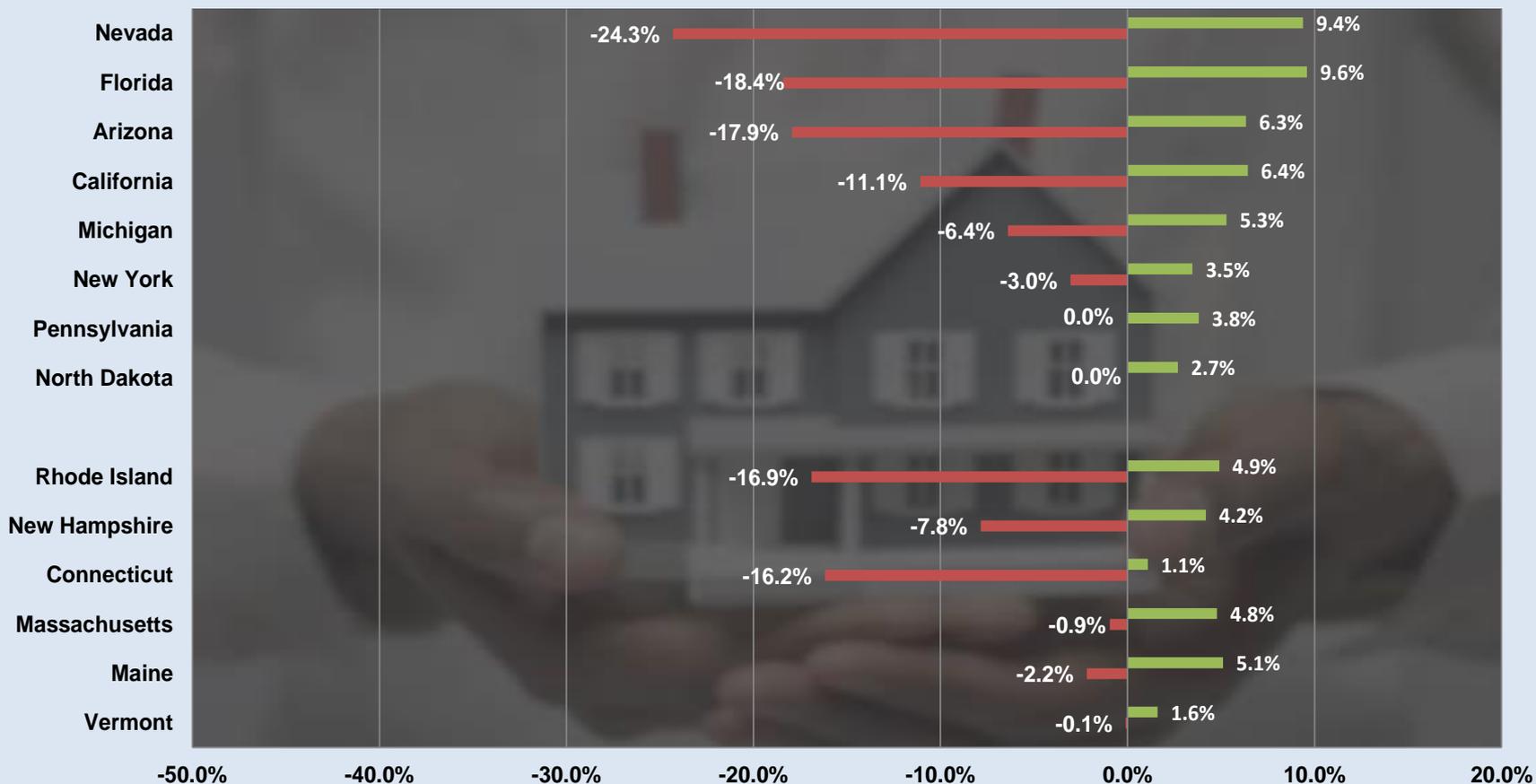
Industry Supersector	% Change in VT	VT Rank in New England	VT Rank in U.S.	Highest Ranked New England State	# of States Reporting Job Losses
Total Nonfarm	0.2%	5	40	NH (13)	7
Total Private	0.3%	4	38	NH (5)	8
Construction	2.4%	2	24	MA (7)	15
Manufacturing	-0.7%	6	29	ME (12)	30
Information	-4.4%	6	46	CT (15)	21
Financial Activities	-1.6%	5	45	NH (15)	9
Trade, Transportation, Utilities	-0.5%	6	44	NH (1)	11
Leisure and Hospitality	1.7%	4	31	RI (5)	7
Education and Health Services	1.2%	3	40	MA (20)	0
Professional and Business Services	-0.4%	5	39	RI (7)	12
Government	-0.7%	5	46	MA (11)	14

Notes: NAICS means North American Industry Classification System

Source: U.S. Department of Labor, BLS

“VT House Values” have Almost Fully Recovered All Lost Price Ground...

Change in House Prices "From Peak" and "Last 4 Quarters"
FHFA Data--Thru Q3: 2016 [All Transactions]



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