

**NEW YORK CONSENSUS  
FORECASTING CONFERENCE**

Hon. Liz Krueger  
Chair  
Senate Finance Committee

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

Hon. Helene E. Weinstein  
Chair  
Assembly Ways and Means Committee






Hon. James L. Seward  
Ranking Minority Member  
Senate Finance Committee

Hon. Ed Ra  
Ranking Minority Member  
Assembly Ways and Means Committee

**MEMORANDUM**

**TO: Governor Andrew M. Cuomo  
Senator Andrea Stewart-Cousins  
Assemblyman Carl E. Heastie  
Senator John J. Flanagan  
Assemblyman Will Barclay**

**March 1, 2020**

**FROM: Robert F. Mujica Jr.   
Todd Scheuermann   
Blake G. Washington   
Shawn MacKinnon   
Lauren O'Hare **

**SUBJECT: Consensus Forecast Report**

Attached please find the FY 2021 "Consensus Economic and Revenue Forecast Report" as required by Section 23 of the State Finance Law.

Attachment

## **ECONOMIC AND REVENUE CONSENSUS REPORT FY 2021**

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 FY 2021 Budget, pursuant to the provisions of Chapter 309 of the Laws of 1996.

The Consensus Forecasting Conference was held on February 27, 2020. Based on the testimony of experts at the Conference, while the baseline outlook for both the economy and revenue remain relatively healthy, the ongoing equity market correction because of the spread of the Coronavirus poses evolving downside risks to economic activity.

### **Economic Forecast Review**

The economic forecasts contained in the Executive Budget and Legislative reports portray slowing economic growth for both the 2020 and 2021 calendar years. It is important to note that all parties' forecasts were completed prior to the February 27 Consensus Forecasting Conference; as such, the spread of the Coronavirus and the potential impact on the economy is discussed in the context of the forecasting risks below.

All parties agree that the national economy will decelerate due to slowing global growth, waning fiscal stimulus from the Tax Cuts and Jobs Act (TCJA) of 2017, labor market capacity constraints, as well as trade and other geopolitical uncertainties. The consensus forecast for U.S. real GDP growth for 2020 is 2.0 percent, followed by growth of 2.0 percent for 2021. Both projections are down from 2.3 percent growth in 2019.

All parties expect national employment to continue to grow albeit at a slower pace going forward. The consensus forecast calls for a stepdown in employment growth from 1.4 percent in 2019 to 1.3 percent in 2020 and 0.9 percent in 2021. All parties expect a slightly higher rate of consumer price inflation for 2020, as measured by the Consumer Price Index. Inflation rates of 2.0 percent and 2.2 percent are projected for 2020 and 2021, respectively, following a rate of 1.8 percent for 2019. Consistent with expectations pertaining to both employment and inflation, consensus wage growth of 4.3 percent and 4.2 percent is projected for 2020 and 2021, respectively, following growth of 4.9 percent for 2019. Similarly, consensus personal income growth of 3.9 percent and 4.1 percent is projected for 2020 and 2021, respectively, following a growth of 4.5 percent for 2019. The consensus forecast for U.S. corporate profits, with capital consumption and inventory valuation adjustments calls for growth to recover from a 0.2 percent decline in 2019 to 3.4 percent growth in 2020 and 4.1 percent in 2021. All parties agree that the 3-Month Treasury Bill rate will average 1.6 percent in 2020 and 2021, based on the parties' baseline forecast assumptions.

<b>CONSENSUS U.S. FORECAST</b>		
<b>CALENDAR YEAR</b>		
Percent Change		
	<u>CY2020</u>	<u>CY2021</u>
<b>REAL GDP</b>	2.0	2.0
<b>PERSONAL INCOME</b>	3.9	4.1
<b>WAGES</b>	4.3	4.2
<b>CORP PROFITS</b>	3.4	4.1
<b>NONFARM EMPLOYMENT</b>	1.3	0.9
<b>3-MONTH T-BILL RATE</b>	1.6	1.6
<b>CPI</b>	2.0	2.2

The parties agree that payroll employment in New York State will continue to grow at a slowing pace, with consensus forecast growth of 1.2 percent for FY 2020 and 1.1 percent for FY 2021. The consensus forecast for personal income growth is 3.9 percent for FY 2020 and 3.9 percent FY 2021. The consensus forecast calls for wage growth of 4.3 percent for FY 2020 and 4.2 percent for FY 2021.

<b>CONSENSUS N.Y. FORECAST</b>		
<b>FISCAL YEAR</b>		
Percent Change		
	<u>FY 2020</u>	<u>FY 2021</u>
<b>NONFARM EMPLOYMENT</b>	1.2	1.1
<b>PERSONAL INCOME</b>	3.9	3.9
<b>WAGES</b>	4.3	4.2
<b>Note: The Senate Minority constructs their personal income and wage series based on BEA data, whereas all other parties use NYS Department of Labor QCEW data; the two series can deviate substantially from one another.</b>		

All parties agree that there are multiple and elevated risks to the economic outlook for the national and State economies. The uncertainty surrounding the spread and impact of the Coronavirus is an exceedingly significant downside risk to the economic and revenue forecasts as it directly impacts the financial markets, global supply chains and trade and could severely restrain global and domestic growth. In contrast, a quick resolution of the Coronavirus outbreak, will lead to a rebound in the growth of the Chinese economy with stronger growth overseas that could result in stronger growth in employment, wages, and corporate profits than reflected in the consensus forecast. Energy price volatility also remains a risk. Additional sources of risk to the household sector include slower housing market growth than expected, as well as a steeper slowdown in auto sales than anticipated.

Risks to both the national and the New York forecasts also stem from monetary policy actions. Higher interest rates than reflected in the consensus forecast 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 materially deviate from the pace that is reflected in the consensus forecast. All parties identify the current equity market turmoil as a significant risk to both the national and State economic outlook. On the other hand, a quick rebound and

stronger growth in financial activities than expected could present upside potential for the State economy. The impact of the Federal tax law changes on taxpayer behavior, especially the State and Local Taxes (SALT) deduction limitation, will continue to represent a major source of risk to the State's housing market, especially in certain downstate markets. Finally, stronger global growth could give rise to stronger State employment and wage growth than reflected in the consensus forecast, while an unanticipated increase in the value of the dollar could have the opposite effect.

### **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. The revenue estimates from all parties for FY 2020 and projections for FY 2021 exhibited significant variance, but participants reached consensus on a two-year revenue total that is \$700 million above the Executive Budget estimate.

In addition to the risks mentioned above, the following risk factors could affect actual results during the next 13 months:

- the growth in financial sector bonus payments in the first quarter of calendar year 2021; and
- the extent and timing of any Federal Reserve interest rate changes, and their impact on New York's finance, housing, and business sectors; and by extension, personal income tax, sales tax, and corporate franchise tax receipts.