

**NEW YORK CONSENSUS
FORECASTING CONFERENCE**

Hon. Liz Krueger
Chair
Senate Finance Committee

Blake G. Washington
Budget Director
NYS Division of the Budget

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

Hon. Tom O'Mara
Ranking Minority Member
Senate Finance Committee

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

MEMORANDUM

TO: Governor Kathy Hochul
Senator Andrea Stewart-Cousins
Assemblymember Carl E. Heastie
Senator Robert G. Ort
Assemblymember Will Barclay

March 1, 2024

FROM: Blake G. Washington *BSW*
David Friedfel *DF*
Philip Fields *PF*
Shawn MacKinnon *SM*
Lauren O'Hare *LO*

SUBJECT: Consensus Forecast Report

Attached please find the FY 2025 "Consensus Economic and Revenue Forecast Report" as required by Section 23 of the State Finance Law.

Attachment

ECONOMIC AND REVENUE CONSENSUS REPORT FY 2024

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 2025 Budget, pursuant to the provisions of Chapter 309 of the Laws of 1996.

The Consensus Forecasting Conference was held on February 28, 2024. Based on the testimony of experts at the Conference, the baseline outlook for both the economy and revenue appears to be moderate growth for calendar year 2024, following strong economic performance in 2023. The economy remains vulnerable to headwinds from domestic fiscal/monetary policies and worldwide uncertainties.

Economic Forecast Review

The economic forecasts contained in the Executive Budget and Legislative reports portray continued but slowing growth in national and State economies for 2024. It is important to note that all parties' forecasts were completed prior to the February 28 Consensus Forecasting Conference.

All parties agree that the national economy, as measured by inflation-adjusted Gross Domestic Product, will expand at a slower pace in 2024, following growth of 2.5 percent in 2023. The consensus forecast for U.S. real GDP growth for 2024 is 2.1 percent, followed by growth of 1.8 percent for 2025.

All parties expect national employment growth to slow down. The consensus forecast calls for employment growth of 1.1 percent in 2024 and 0.6 percent in 2025, following an increase of 2.3 percent in 2023. All parties expect lower inflation for 2024, as measured by the Consumer Price Index. All parties consent to an inflation rate projection of 2.7 percent for 2024 and 2.3 percent for 2025. Consistent with expectations pertaining to both employment and inflation, all parties consent to a wage growth projection of 4.9 percent for 2024 and 4.3 percent for 2025, following growth of 6.2 percent for 2023. Similarly, all parties consent to a personal income growth projection of 4.6 percent for 2024 and 4.3 percent for 2025, following growth of 5.2 percent for 2023. The consensus forecast for U.S. corporate profits, with capital consumption and inventory valuation adjustments included, calls for 3.8 percent growth in 2024 with an increase of 3.2 percent in 2025. All parties agree that the yearly yield on 3-month Treasury bills will average 4.9 percent in 2024 and 3.9 percent in 2025, based on the parties' baseline forecast assumptions.

CONSENSUS U.S. FORECAST CALENDAR YEAR Percent Change		
	<u>CY2024</u>	<u>CY2025</u>
REAL GDP	2.1	1.8
PERSONAL INCOME	4.6	4.3
WAGES	4.9	4.3
CORP PROFITS	3.8	3.2
NONFARM EMPLOYMENT	1.1	0.6
3-MONTH T-BILL RATE	4.9	3.9
CPI	2.7	2.3

The parties agree that payroll employment in New York State will increase by 0.4 percent in FY 2025 following a 1.4 percent increase in FY 2024. The consensus forecast for personal income growth is 4.2 percent for FY 2025 following 3.8 percent for FY 2024. The consensus forecast calls for wage growth of 4.0 percent for FY 2025, following an increase of 3.8 percent for FY 2024.

CONSENSUS N.Y. FORECAST FISCAL YEAR Percent Change		
	<u>FY 2024</u>	<u>FY 2025</u>
NONFARM EMPLOYMENT	1.4	0.4
PERSONAL INCOME	3.8	4.2
WAGES	3.8	4.0
Note: The Senate and Assembly Minority construct 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.		

All parties agree that while the soft landing is likely to be achieved in 2024 and the risks of a recession in the near term has lessened, a weaker or more volatile equity market could trigger additional layoffs that would slow the employment and wage recovery. Likewise, sustained inflationary pressures could hinder economic growth.

Risks to both the national and the New York forecasts also stem from monetary and fiscal policy actions. High interest rates and the timing of monetary policy actions to lower them could dampen economic activity and reduce business investment and hiring. All parties identify the financial market outlook as critical for the health of the State economy and the underlying tax base. In addition, the persistence of telework, the relocation of urban workers out of State, and other domestic outmigration present a long-term risk to the New York 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. The

revenue estimates from all parties for FY 2024 and projections for FY 2025 exhibited significant variance, but participants reached consensus on a two-year revenue that is \$1.35 billion above the Executive Budget estimate.