

Economic Outlook 2019

SMPS Northeast Regional Conference
May 2, 2019



About CERC

- CERC drives economic development in Connecticut by providing research-based data, planning and implementation strategies to foster business formation, recruitment and growth.
- Private, nonprofit organization; founded in 1992
- Funded by utility and telecommunication companies, state contracts, and fee-based services
- Provides research, municipal, business, real estate, and marketing services



Economic Outlook: Overview

- Global Economic Trends
- U.S. Economic and Industry Trends
- The Northeastern States
- Conclusions

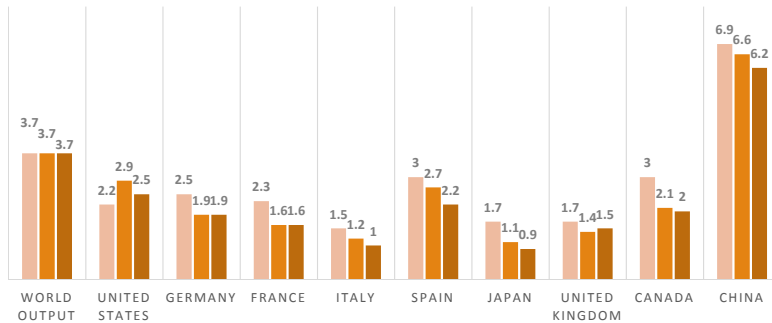
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Stable Global Growth

WORLD REAL GDP ANNUAL PERCENTAGE CHANGE

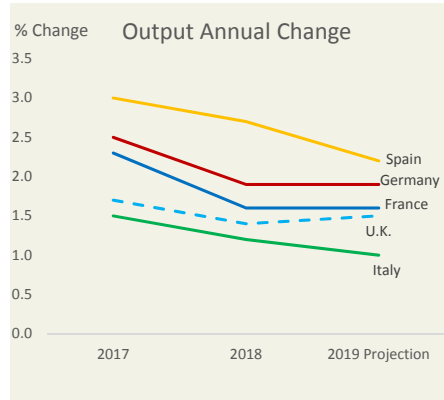
2017 2018 Projection 2019 Projection



World Economic Outlook, International Monetary Fund, Oct. 2018

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Europe

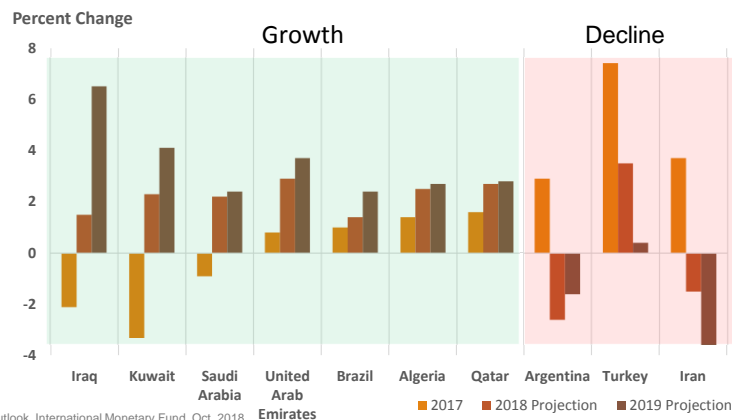


Affected by the ongoing Brexit negotiations, growth projections for Europe are adjusted downward.

World Economic Outlook, International Monetary Fund, Oct. 2018

Emerging Markets

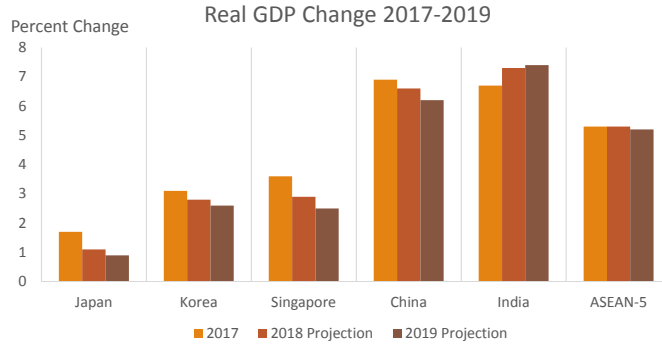
2017-2019(Projection) Real GDP Growth



World Economic Outlook, International Monetary Fund, Oct. 2018

Asia

China and several Asian economies are expected to experience weaker growth in 2019; Indian economy keeps improving.

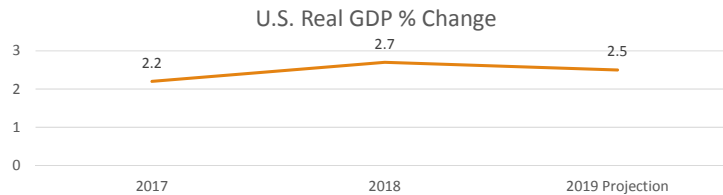


World Economic Outlook, International Monetary Fund, Oct. 2018
ASEAN-5: Indonesia, Malaysia, Philippines, Thailand, Vietnam

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U.S.

Economic growth is still strong due to effects of federal tax cuts, but 2019 growth is expected to be weaker as a result of uncertain trade environments, including tariff negotiations with China



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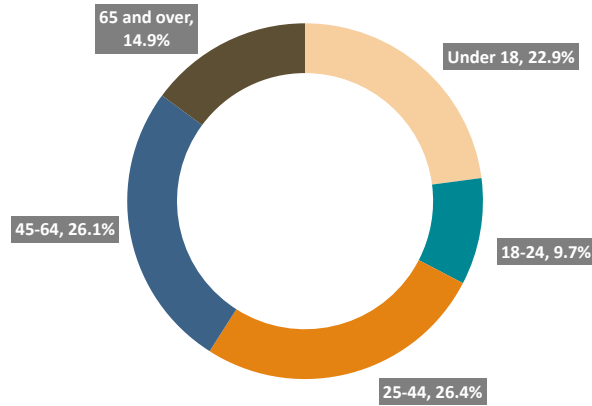
S&P 500 Index Jan - April



Yahoo! Finance

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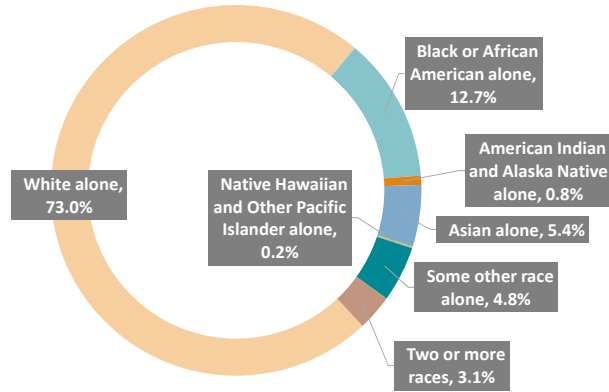
U.S. Population by Age - 2017



U.S. Census Bureau

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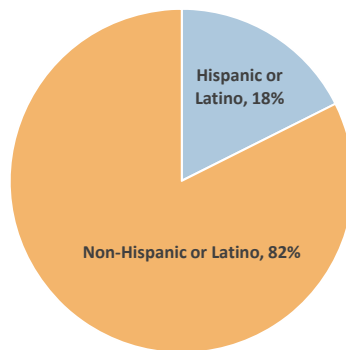
U.S. Population by Race-2017



U.S. Census Bureau

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U.S. Population by Race-2017

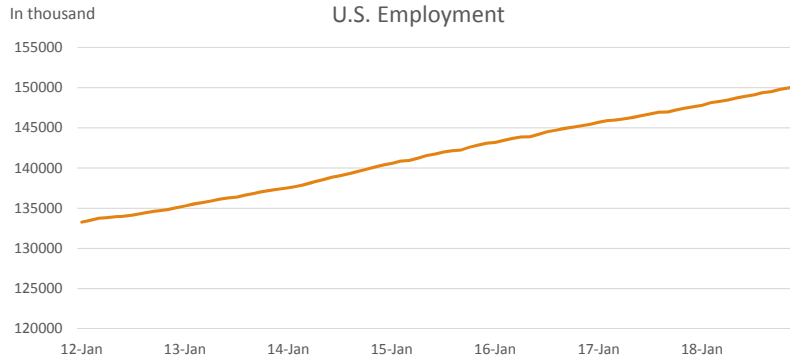


U.S. Census Bureau

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U.S. Employment

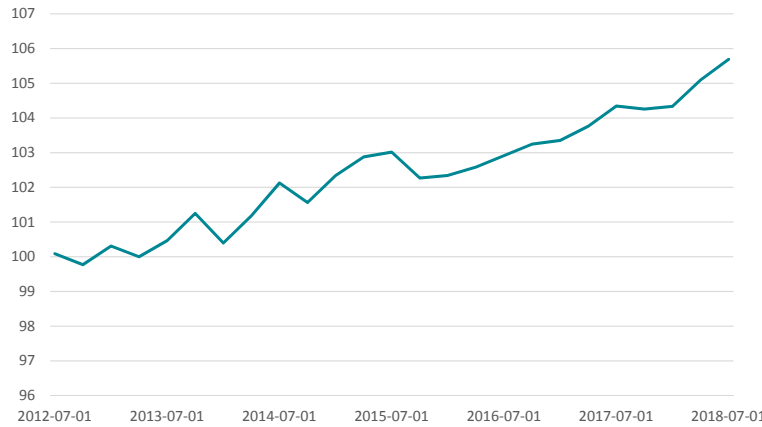


St. Louis Fed

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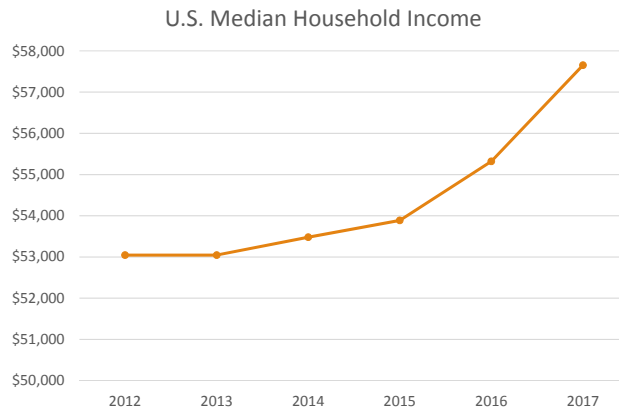
U.S. Productivity 2012-2018



Nonfarm Business Sector: Real Output Per Hour of All Persons, Index 2012=100, Quarterly, Seasonally Adjusted
Source: ST. Louis Fed

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U.S. Median Household Income



U.S. Census Bureau

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Retail: The Experience



Physical stores: Experiences that make the customer feel relaxed and comfortable lead to increases in sales and a clear differentiation from the online experience.



Online Stores: In addition to offering faster delivery times, online businesses have formed partnerships with stores for pickup and return options.

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Manufacturing: Automation

A fundamental economic transition

- Automation and robotic technology becomes more widespread
- Will cause disruption or displacement of jobs but will also create approximately 15 million new jobs in the U.S. over the next decade

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Insurance



- Innovative InsurTech Companies
- Younger Audience
- Technology Driven

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Construction

- Technology supplementing, not replacing, human workers
- Design-build's popularity growing
- Building lean cutting waste in all forms
- More drones taking flight



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Healthcare

- More ways to receive care
- Mergers among providers
- Consolidation means price increase



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Pharmaceuticals



- Advances in medical technology(3D printed organs, cells; Nanobots; Bionics)
- Introduction of new therapies: gene editing, cellular programming, etc.
- Personalized medicine (wearable monitoring; apps; digital medicine)
- Orphan drugs dominate FDA's record-breaking year (2018)
- FDA promises to speed biosimilars and cell and gene therapies in 2019

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Energy

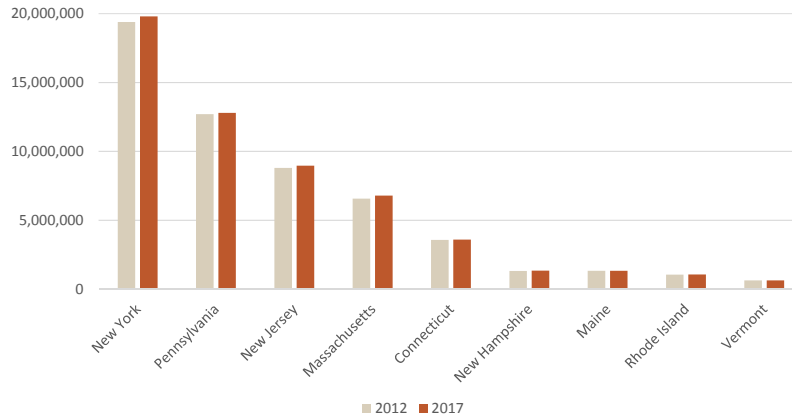
- **Residential/small businesses:** more energy choices, can choose less expensive or express environmental preferences
- **Large commercial:** sustainability, resiliency, grid independence
- **Installers:** growing market to install solar and microgrids
- **Distributors:** need to smooth out renewables at higher penetration levels



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Total Population

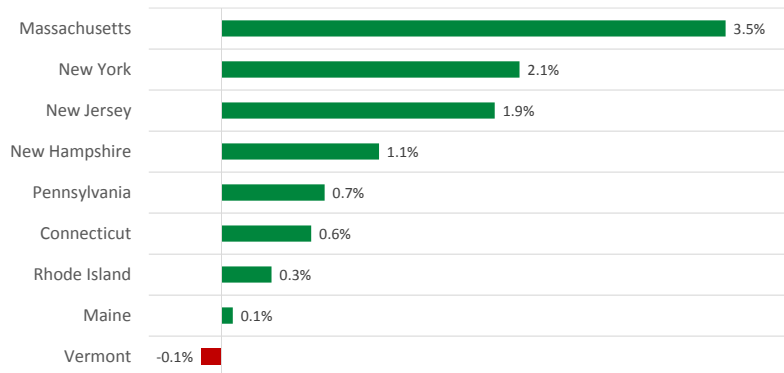


U.S. Census Bureau, 2017 estimates

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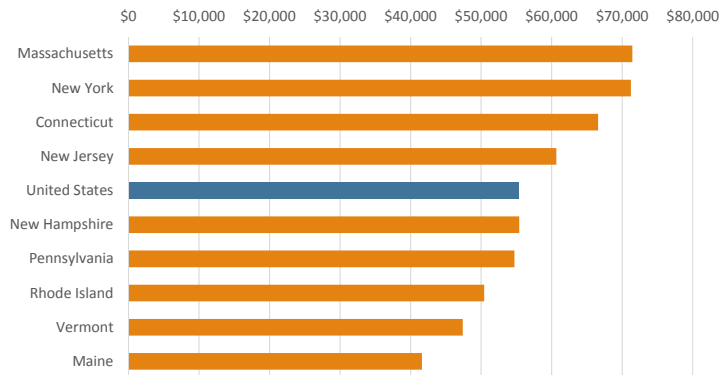
Population Percentage Change 2012-2017



U.S. Census Bureau

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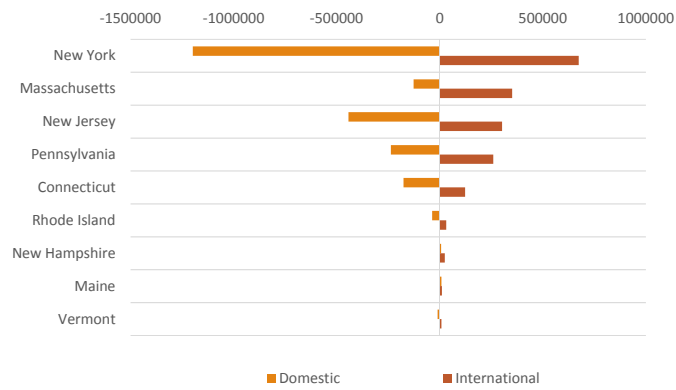
GDP per Capita 2017



Bureau of Economic Analysis

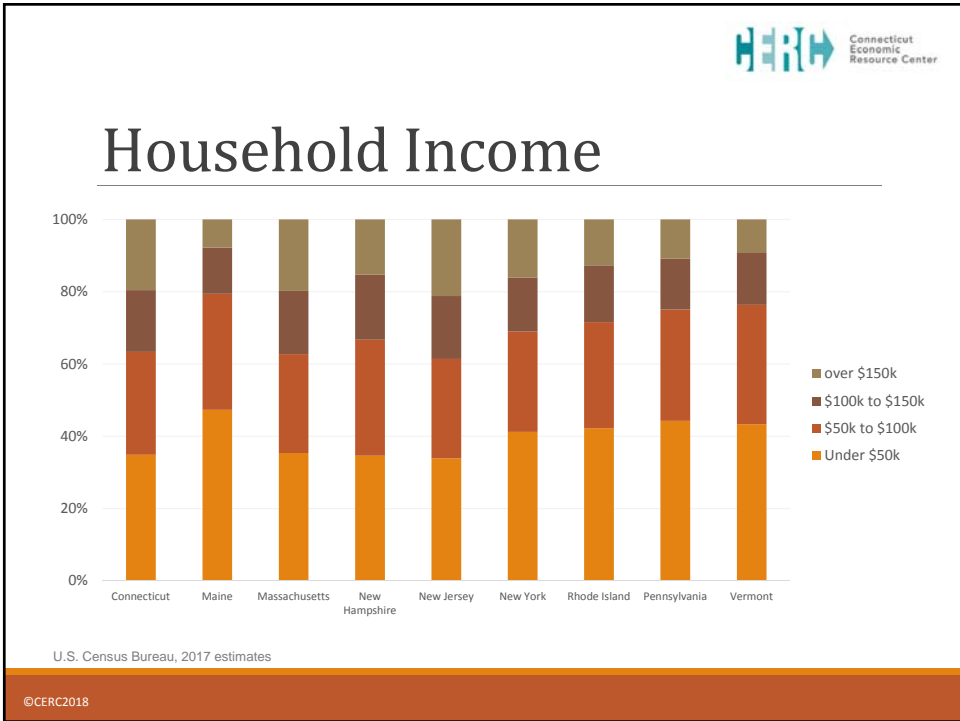
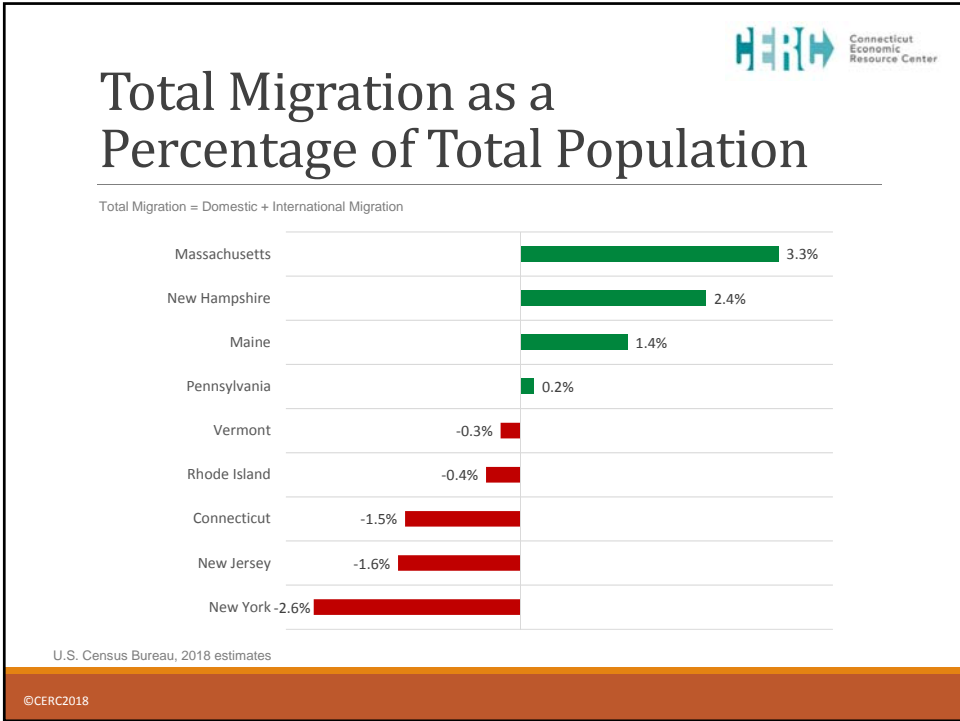
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Net Migration



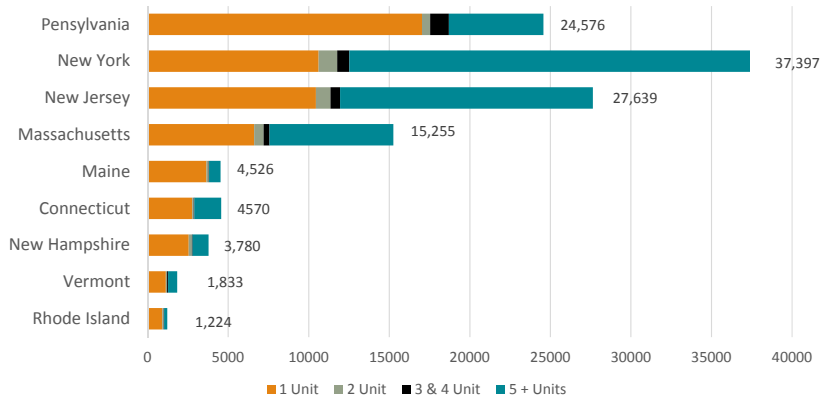
U.S. Census Bureau, 2018 estimates

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Housing Permits in 2018



U.S. Census Building Permits Survey 2018

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Top Countries - Imports

	1	2	3
Connecticut	Canada	Mexico	China
Maine	Canada	China	Netherlands
Massachusetts	Canada	China	Mexico
New Hampshire	Canada	China	Japan
New Jersey	China	Germany	Canada
New York	China	Canada	India
Pennsylvania	China	Canada	Mexico
Rhode Island	Mexico	Germany	China
Vermont	Canada	China	France

U.S. Census 2018

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Top Countries - Exports

	1	2	3
Connecticut	France	Germany	Canada
Maine	Canada	China	Malaysia
Massachusetts	Canada	China	Mexico
New Hampshire	Canada	China	Malaysia
New Jersey	Germany	Canada	Ireland
New York	Canada	Hong Kong	Switzerland
Pennsylvania	Canada	Mexico	China
Rhode Island	Canada	Dominican	Mexico
Vermont	Canada	Hong Kong	Taiwan





U.S. Census 2018

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Business

Top 3 Industries, by Employment

				
Connecticut	1	2	3	-
Maine	1	2	3	-
Massachusetts	1	3	-	2
New Hampshire	2	3	1	-
New Jersey	1	2	3	-
New York	1	2	3	-
Pennsylvania	1	2	3	-
Rhode Island	1	2	3	-
Vermont	1	2	3	-

U.S. BEA 2017

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U.S. News 'Best States' Rankings

Overall Rank	State	Healthcare	Education	Economy	Opportunity	Infrastructure	Crime & Corrections	Fiscal Stability	Quality of Life
5	New Hampshire	13	4	11	1	37	2	26	4
8	Massachusetts	5	1	9	14	45	5	40	25
9	Vermont	6	8	31	6	35	7	16	26
19	New Jersey	12	2	41	10	28	3	49	49
22	Maine	22	19	37	26	43	1	29	12
24	Connecticut	4	14	43	29	41	8	41	38
25	New York	15	23	35	43	19	11	28	37
28	Rhode Island	8	27	29	34	48	13	33	23
38	Pennsylvania	23	38	34	16	29	27	42	44

Best States Rankings, U.S. News

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Economic Outlook: Conclusions

- Projection for global economic growth is positive
- Projection for national economic growth is positive yet softening
 - companies cutting profit forecasts and tempering expectations for earnings growth for 2019 after a big 2018
- Industry transitions affect Northeast states with similar structures

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Thank You

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