

**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. Tom O'Mara
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 Robert G. Ort
Assemblyman Will Barclay**

March 1, 2021

**FROM: Robert F. Mujica Jr. *RF*
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SUBJECT: Consensus Forecast Report

Attached please find the FY 2022 "Consensus Economic and Revenue Forecast Report" as required by Section 23 of the State Finance Law.

Attachment

ECONOMIC AND REVENUE CONSENSUS REPORT FY 2022

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 2022 Budget, pursuant to the provisions of Chapter 309 of the Laws of 1996.

The Consensus Forecasting Conference was held on February 24, 2021. Based on the testimony of experts at the Conference, the baseline outlook for both the economy and revenue remains highly uncertain and vulnerable to the effects of the COVID-19 pandemic. However, the national and State economies are expected to continue the current recovery path, both of which benefit from the increased availability of vaccines as well as substantial federal stimulus aid and supportive monetary policy.

Economic Forecast Review

The economic forecasts contained in the Executive Budget and Legislative reports portray recovering national and State economies for both the 2021 and 2022 calendar years. It is important to note that all parties' forecasts were completed prior to the February 24 Consensus Forecasting Conference.

All parties agree that the national economy, as measured by inflation-adjusted Gross Domestic Product, will recover robustly in 2021, following an unprecedented 3.5 percent decline in 2020. The consensus forecast for U.S. real GDP growth for 2021 is 5.7 percent, inclusive of additional federal fiscal stimulus, followed by growth of 3.7 percent for 2022.

All parties expect national employment growth to continue to recover. The consensus forecast calls for employment growth of 2.8 percent in 2021 and 3.6 percent in 2022, following a dramatic decline of 5.7 percent in 2020. All parties expect a higher rate of consumer price inflation for 2021 and 2022, as measured by the Consumer Price Index. All parties consent to an inflation rate projection of 2.3 percent for 2021 and 2.4 percent for 2022. Consistent with expectations pertaining to both employment and inflation, all parties consent to a wage growth projection of 6.7 percent for 2021 and 5.2 percent for 2022, following growth of just 0.6 percent for 2020. Similarly, all parties consent to a personal income growth projection of 5.7 percent for 2021 and a decline of 0.6 percent for 2022, following growth of 6.3 percent for 2020. The consensus forecast for U.S. corporate profits with capital consumption and inventory valuation adjustments included, calls for a recovery in 2021 with growth of 6.4 percent in 2021 and 5.1 percent in 2022. All parties agree that the yearly yield on 3-Month Treasury bills will average 0.2 percent in 2021 and 0.3 percent in 2022, based on the parties' baseline forecast assumptions.

CONSENSUS U.S. FORECAST
CALENDAR YEAR
 Percent Change

	<u>CY2021</u>	<u>CY2022</u>
REAL GDP	5.7	3.7
PERSONAL INCOME	5.7	(0.6)
WAGES	6.7	5.2
CORP PROFITS	6.4	5.1
NONFARM EMPLOYMENT	2.8	3.6
3-MONTH T-BILL RATE	0.2	0.3
CPI	2.3	2.4

The parties agree that payroll employment in New York State will increase by 8.8 percent in FY 2022, following a dramatic 12.1 percent decline in FY 2021. The consensus forecast for personal income growth is 6.5 percent for FY 2021 and 2.8 percent for FY 2022. The consensus forecast calls for wage growth of 6.4 percent for FY 2022, following a decline of 2.6 percent for FY 2021.

CONSENSUS N.Y. FORECAST
FISCAL YEAR
 Percent Change

	<u>FY 2021</u>	<u>FY 2022</u>
NONFARM EMPLOYMENT	(12.1)	8.8
PERSONAL INCOME	6.5	2.8
WAGES	(2.6)	6.4

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 there are multiple and elevated risks to the economic outlook for the national and State economies. Any unanticipated setbacks to the ongoing efforts to contain the spread of the Coronavirus, and therefore the sustainable re-opening of all sectors of the economy, will continue to be a significant downside risk to the economic and revenue forecasts, as it directly impacts the financial markets, global supply chains and trade.

In contrast, a quick resolution of the Coronavirus pandemic, both domestically and internationally, will lead to stronger growth in output, employment, wages, and corporate profits than reflected in the consensus forecast.

Risks to both the national and the New York forecasts also stem from monetary and fiscal 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 should interest rates materially deviate from the pace that is reflected in the consensus forecast. All parties identify the financial market outlook as critical for the health of the State economy and the underlying tax base. The impact of the federal tax law changes on taxpayer behavior, especially the state and local taxes (SALT) deduction limitation,

will continue to present a major source of risk to the State's housing market, especially in certain downstate markets. In addition, all parties agree that the spread of the Coronavirus has substantially impacted the commuting and teleworking patterns of workers with implications for the economic and fiscal outlook of the State.

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 2021 and projections for FY 2022 exhibited significant variance, but participants reached consensus on a two-year revenue total that is \$2.453 billion 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 2022; and,
- the timing of the ongoing economic recovery and the efforts to contain and, hopefully, eradicate, the Coronavirus as a threat to the national and State economies.