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# Into the Unknown

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Adam Kamins, Senior Director, Moody's Analytics

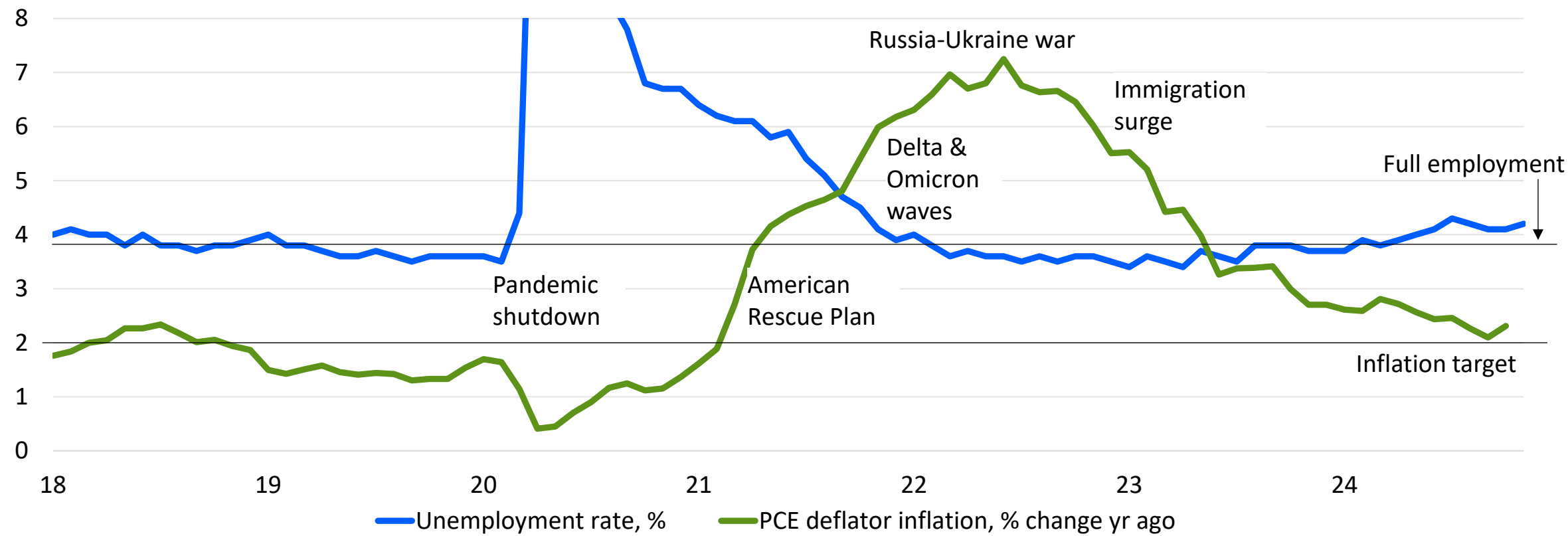
December 17, 2024

The background of the slide is a solid dark blue. Overlaid on this are several layers of thin, light blue lines that form a complex, wavy, and somewhat chaotic pattern. These lines create a sense of depth and movement, resembling a stylized topographical map or a series of overlapping waves. The pattern is most dense on the left side and fades slightly towards the right.

# 1

## U.S. Outlook

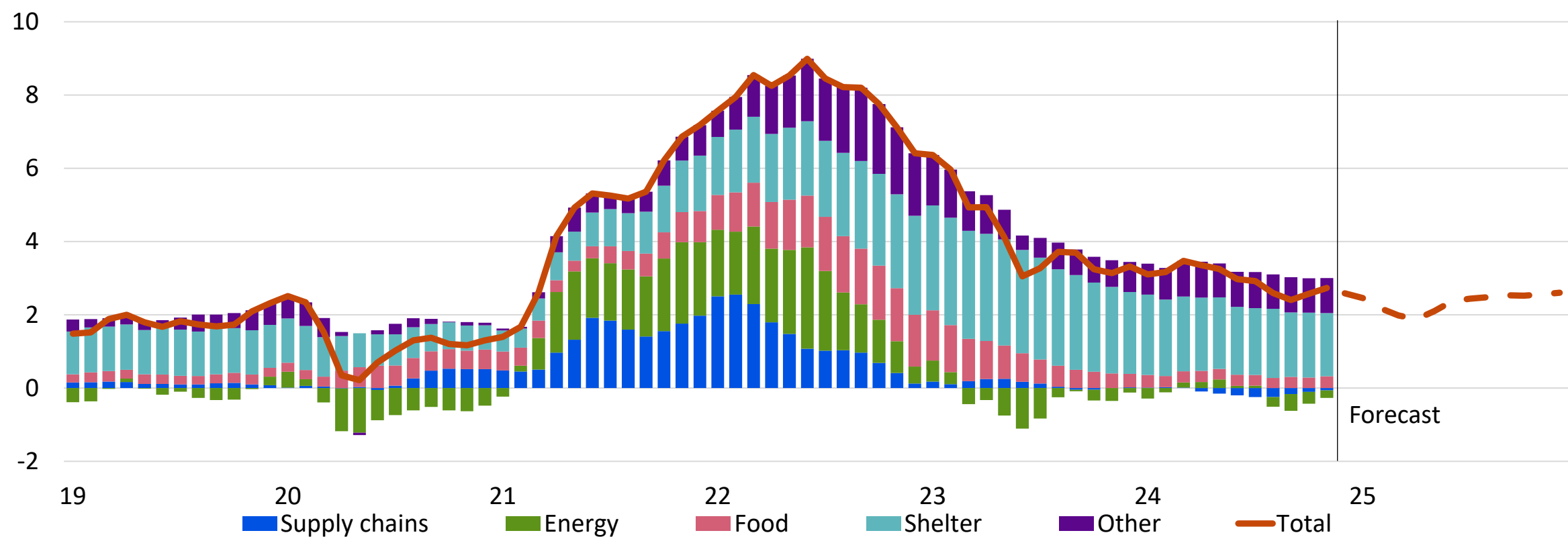
# Federal Reserve Achieves Its Dual Mandate



Sources: BLS, Moody's Analytics

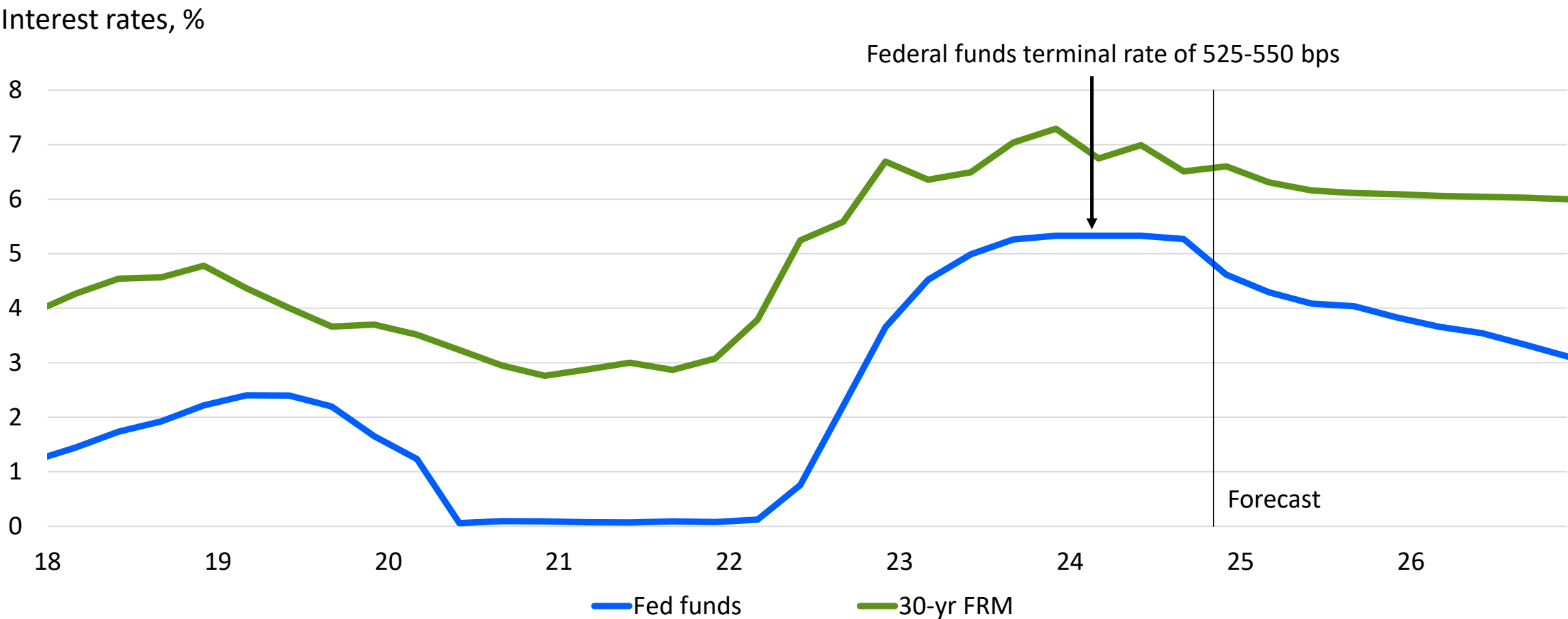
# CPI Inflation Is Close to Target, Even as Shelter Remains Stubborn

Contribution to y/y growth in consumer prices, ppt



Sources: BLS, Moody's Analytics

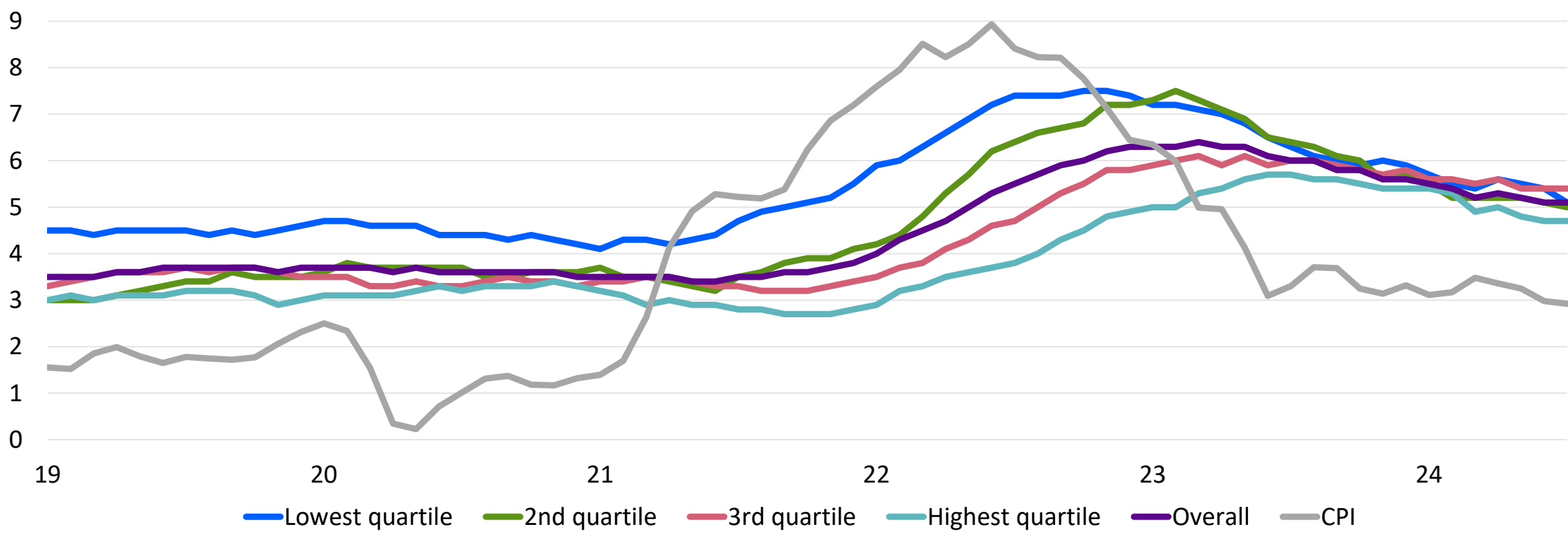
# Fed Pivots and Interest Rates Are Declining



Sources: Federal Reserve, Freddie Mac, Moody's Analytics

# Consumers Do Their Part as Their Purchasing Power Improves...

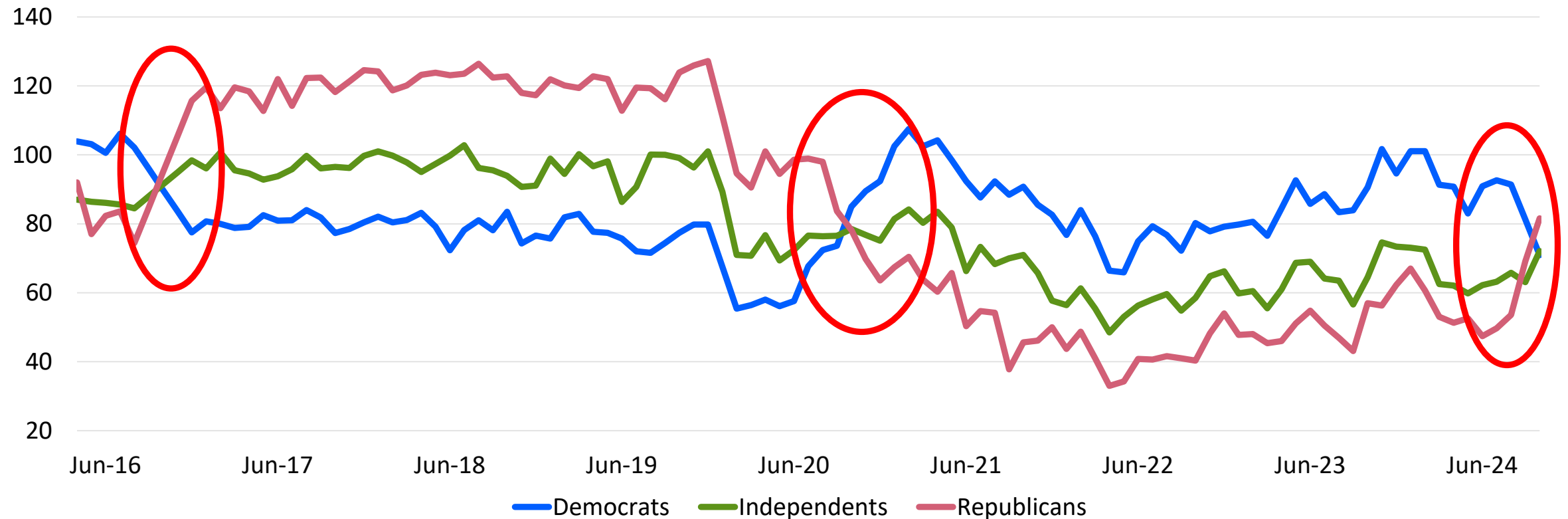
Wage growth by wage quartile and consumer price inflation, % change yr ago



Sources: BLS, Atlanta Fed, Moody's Analytics

## ...Even as Sentiment Measures Imply a Dramatic Realignment (Again)

University of Michigan Index of Consumer Sentiment, 1966Q1=100, NSA



Sources: Univ. of Michigan, Moody's Analytics

*Likely*  
*Less Than Likely*  
*Not Likely*

# The Only Certainty in the Coming Years Is Uncertainty

## Tariffs

**10%-20% on goods from China, Mexico, Vietnam, Japan, Korea & European Union**

- Up to 60% on certain products
- Focused on China, Mexico and countries where Chinese firms have diverted

**Universal, uniform 10% tariff**

- Intensive lobbying for exemptions
- Ripe for cronyism

**Punitive provocation**

- 100% to 200% rates designed to effectively stop trade
- Extreme exercise of executive authority (Trade Act of 1974 and IEEPA of 1977) raises odds of congressional challenge

## Immigration

**500,000 annual removals**

- Avg of 325,000 per yr during first admin
- Modestly more aggressive than first term

**1,000,000 annual removals**

- About 11 mil unauthorized immigrants in U.S. (DHS, 2022)
- Implies deporting ~1/3 of UI population by end of term

**+1,500,000 annual removals**

- Implies deporting ~1/2 of UI population by end of term
- Beyond CBP, INS's current resources
- Would likely require National Guard, governor approval

## Taxes & Spending

**Full TCJA extension and corporate tax cut**

- Also get small-biz provisions
- Full Republican House and Senate control allows reconciliation
- Maintain much of IRA

**Partially dismantle Affordable Care Act**

- Reduce premium subsidies
- Cut Medicaid expansion

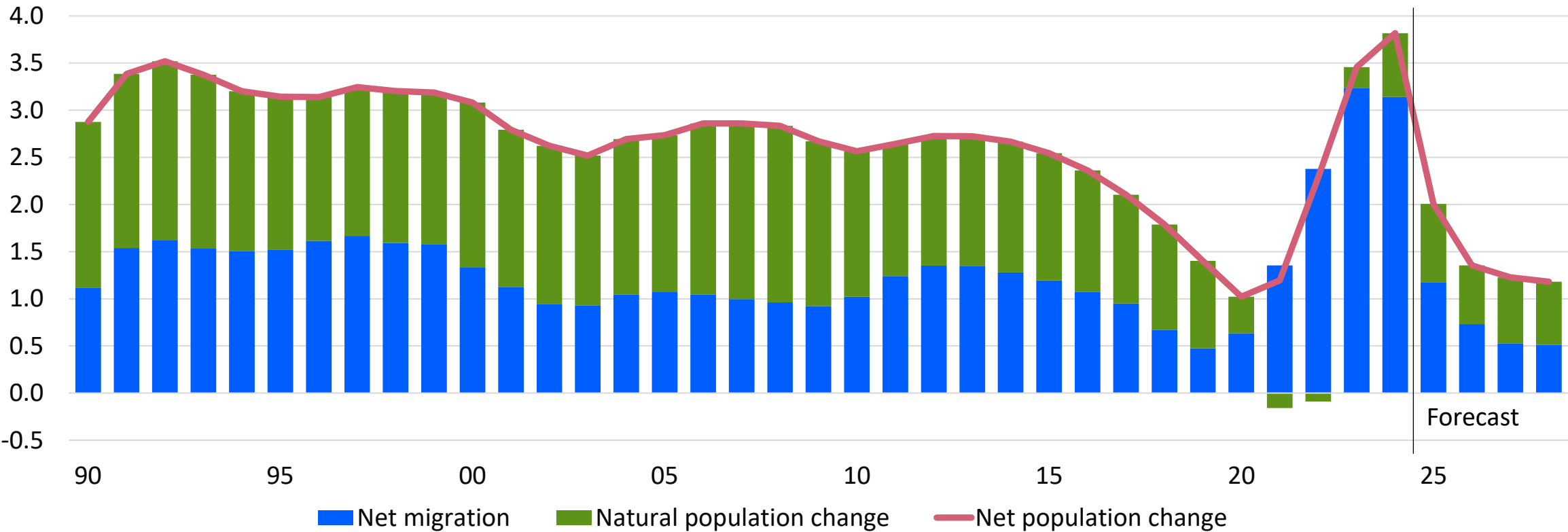
**Tax-cut-o-rama**

- No taxes on tipped wages, Social Security, overtime pay, first-time homebuyer, car loan interest, Americans abroad, reverse SALT cap...
- Deficit financed, undermines Fed independence, potential bond market revolt



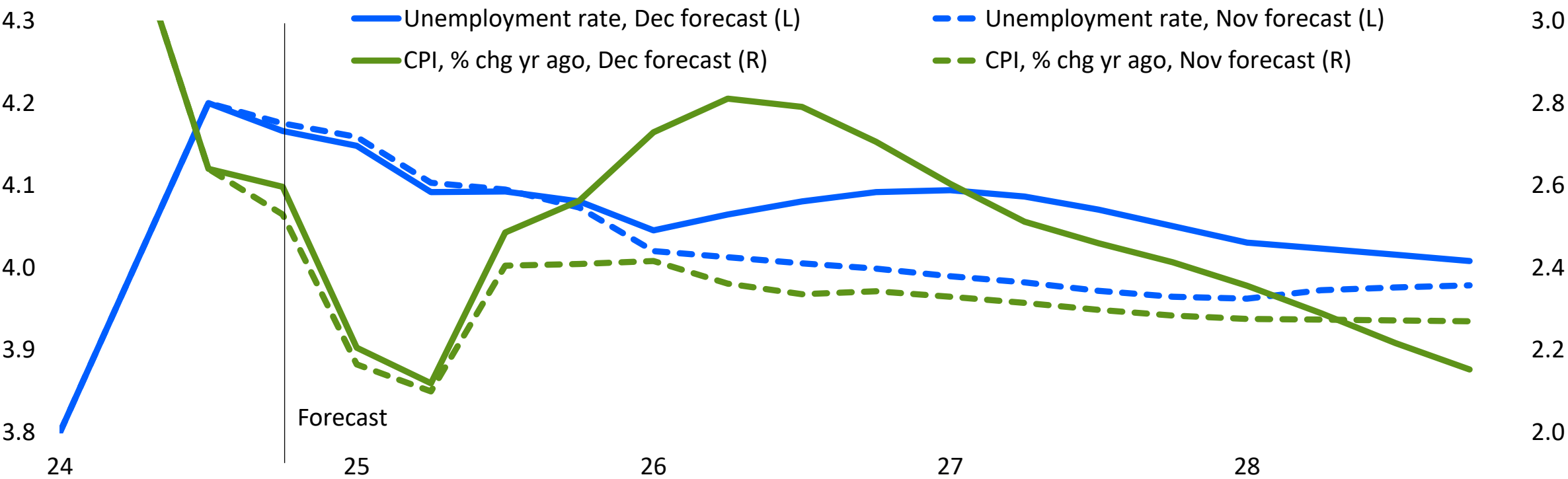
# Less Immigration Means Weaker Population and Labor Force Growth

People, mil



Sources: U.N., Moody's Analytics

# Updated Baseline Includes Modest Penalty From New Administration's Policies



Source: BLS, Moody's Analytics

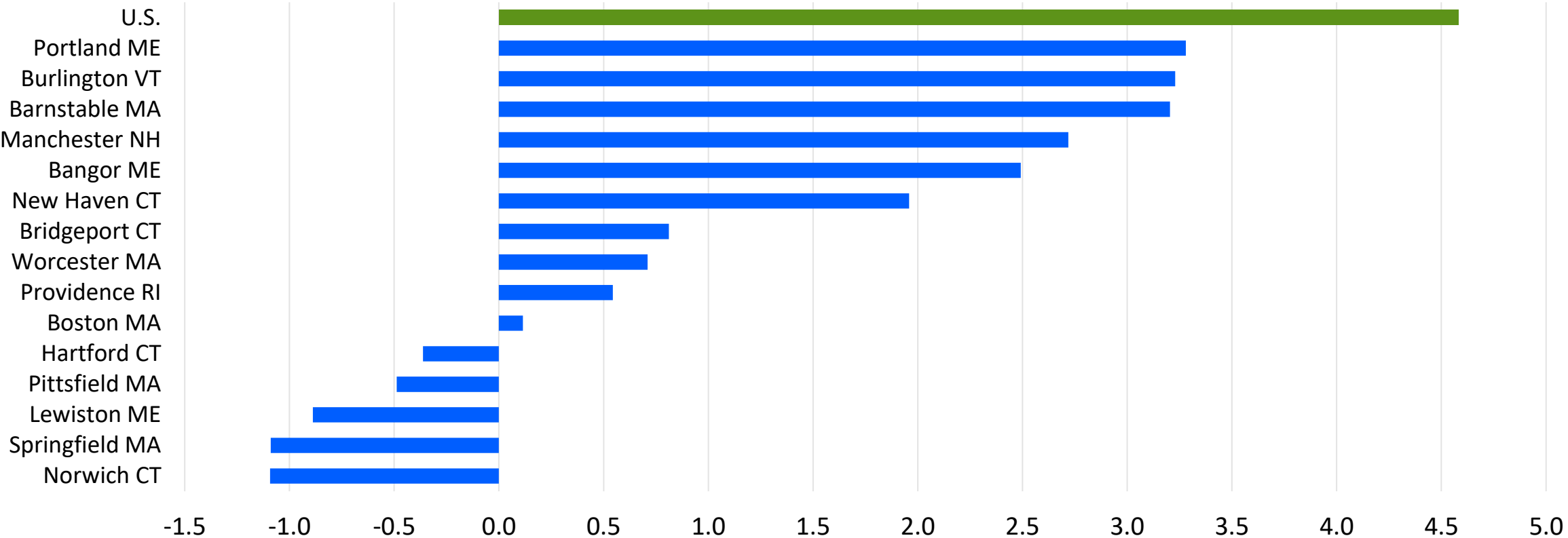
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# 2

## New England Outlook

# No Metro Area in New England Has Outperformed U.S. Since the Pandemic

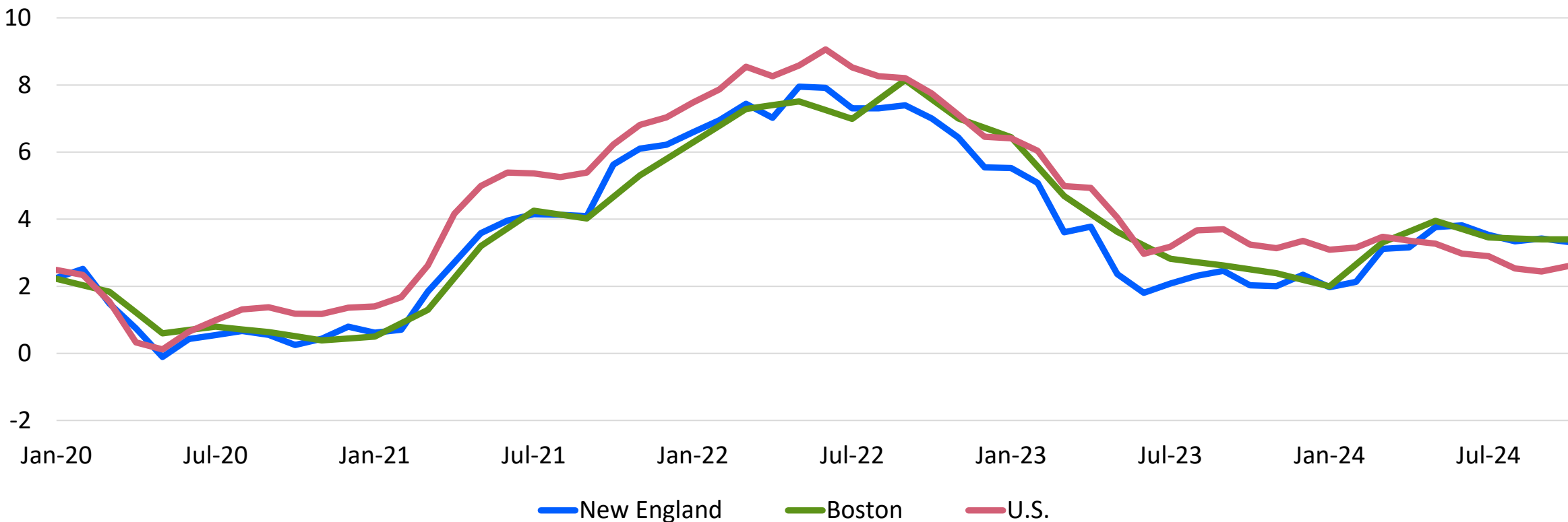
Payroll employment, % change from Feb 2020 to Oct 2024



Sources BLS,, Moody's Analytics

# Regional Inflation Ticks Higher...

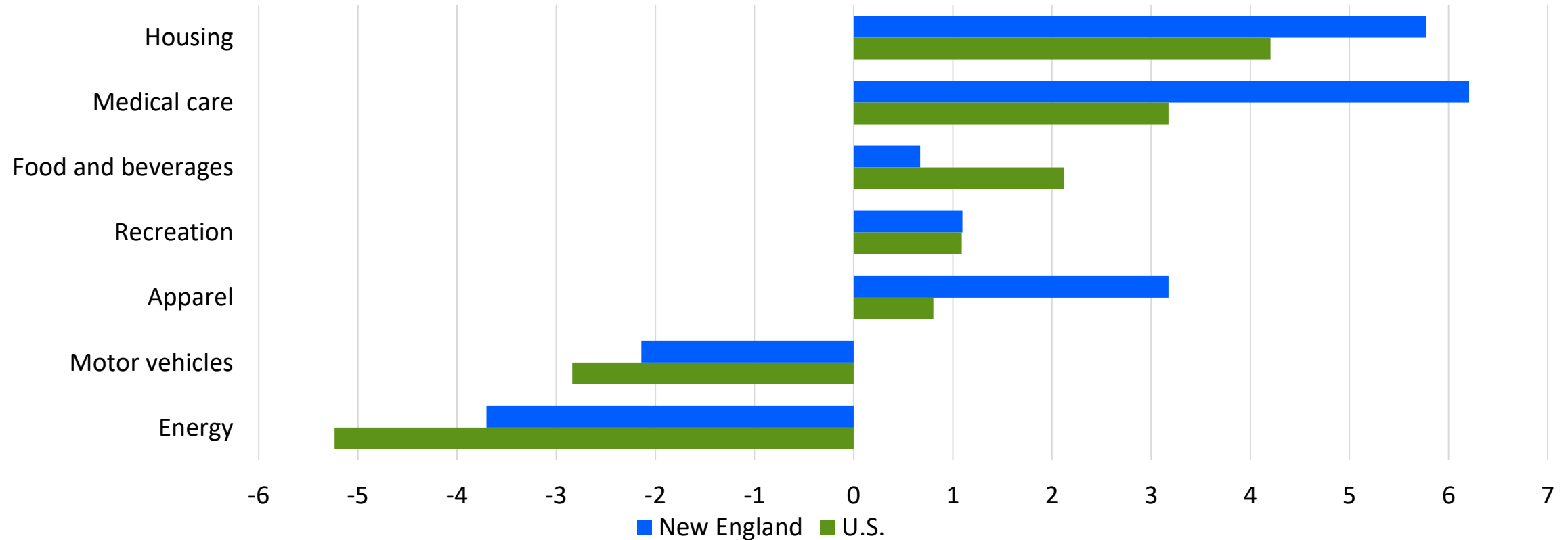
Consumer price index, % change yr ago



Sources: BLS, Moody's Analytics

## ...With Housing and Medical Costs Playing a Key Role

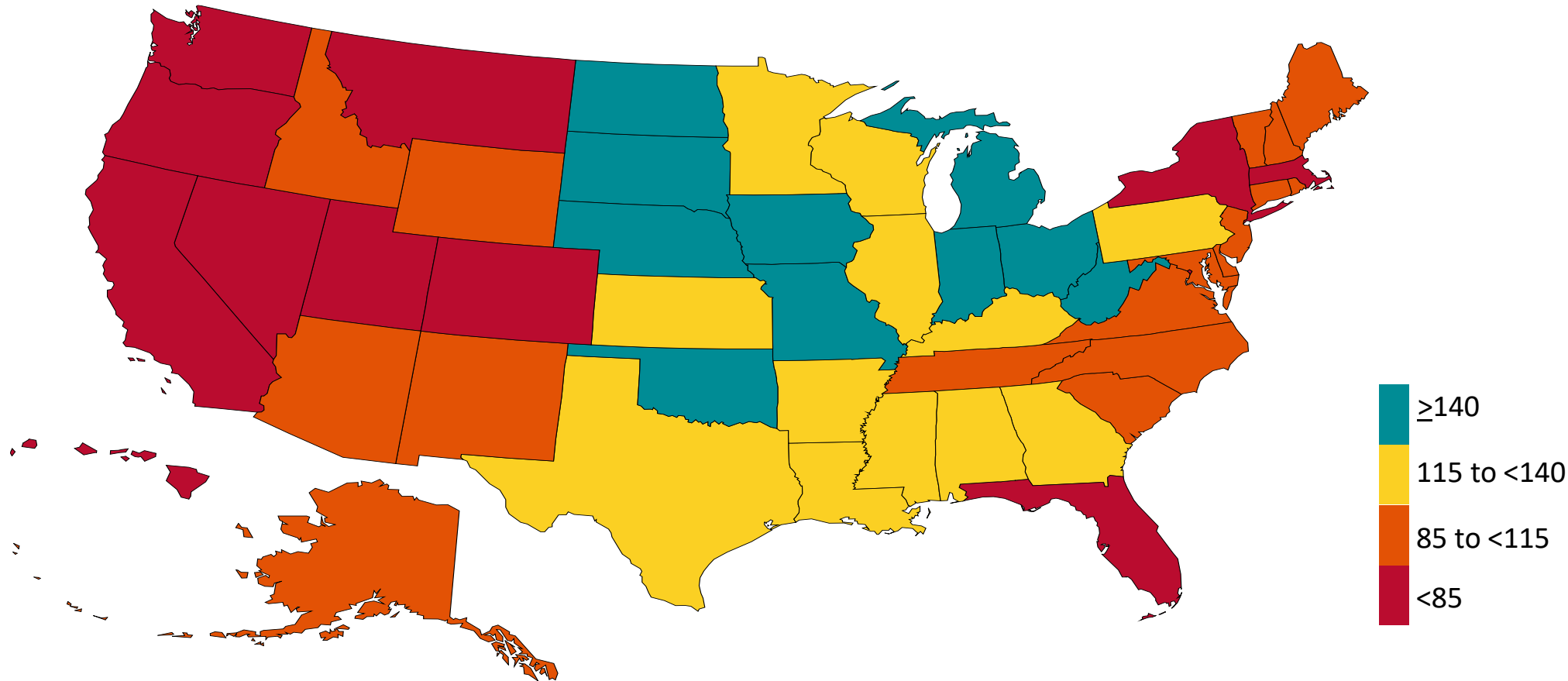
Consumer price index, 3-mo avg as of Oct, % change from 2023 to 2024



Sources: BLS, Moody's Analytics

# New England and Western U.S. Are Least Affordable

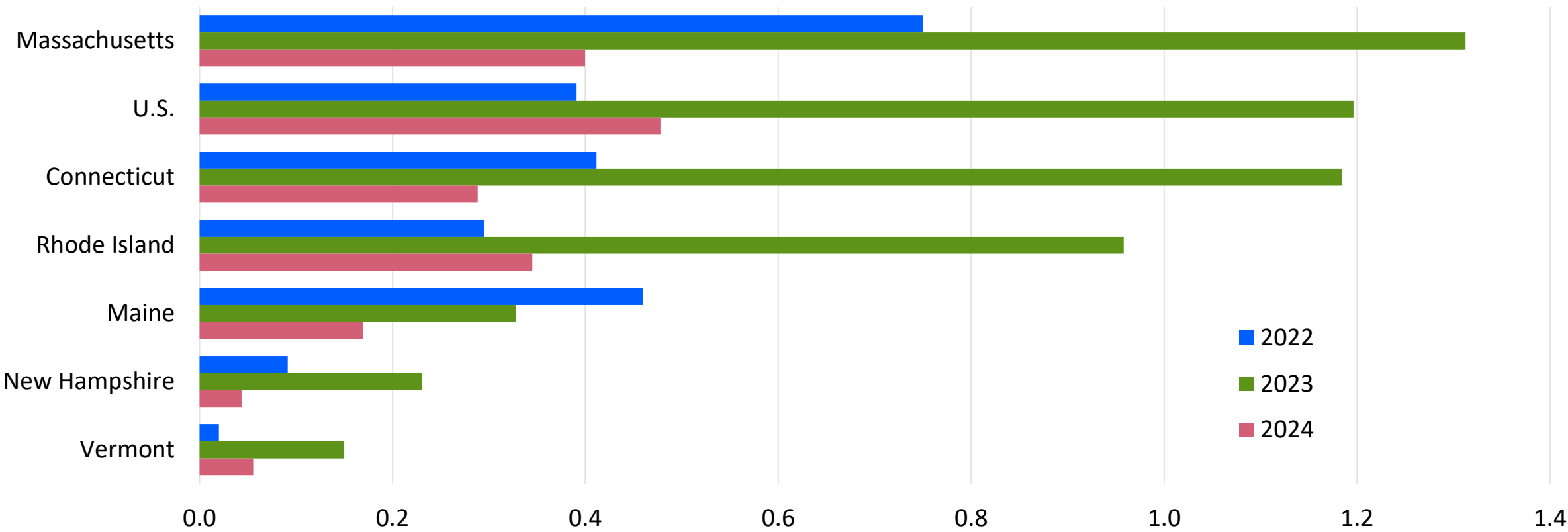
Moody's housing affordability index, 2024Q3



Sources: NAR, BEA, Census Bureau, Moody's Analytics

# Immigrant Surge Has Abated and Then Some in New England

Asylum seekers per 1,000 residents, Sep-Oct total for each yr

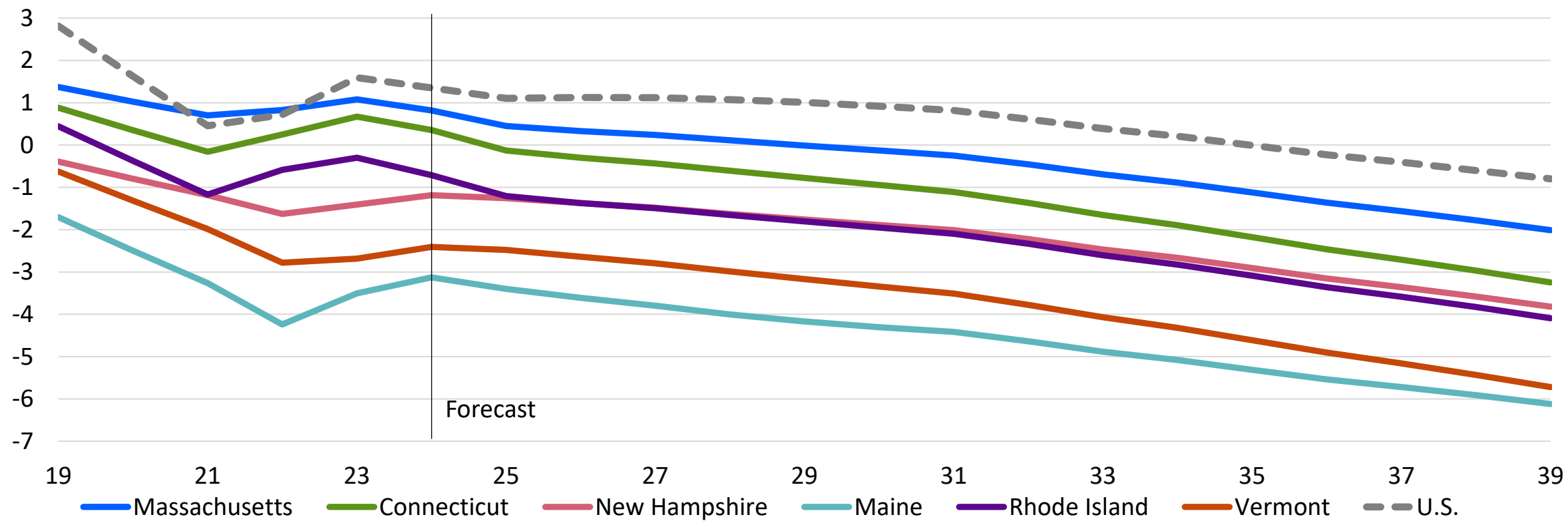


Sources: Transactional Records Access Clearinghouse, Moody's Analytics



# Elevated Senior Population Spells Steepening Natural Population Declines

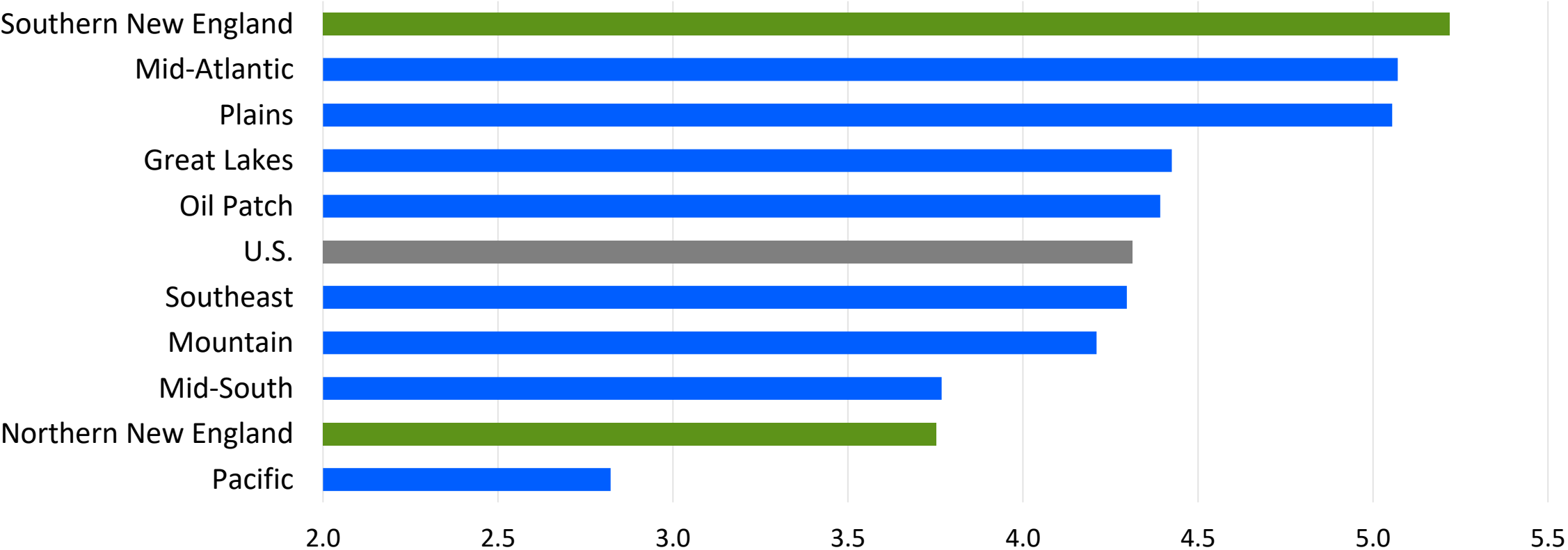
Birthrate minus death rate, # per ths



Sources: Census Bureau, Moody's Analytics

# Falling Interest Rates Bode Well for the Region's Larger Economies

Finance and insurance share of jobs, 2023, %



Sources: BLS, Moody's Analytics

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## Thank you

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