

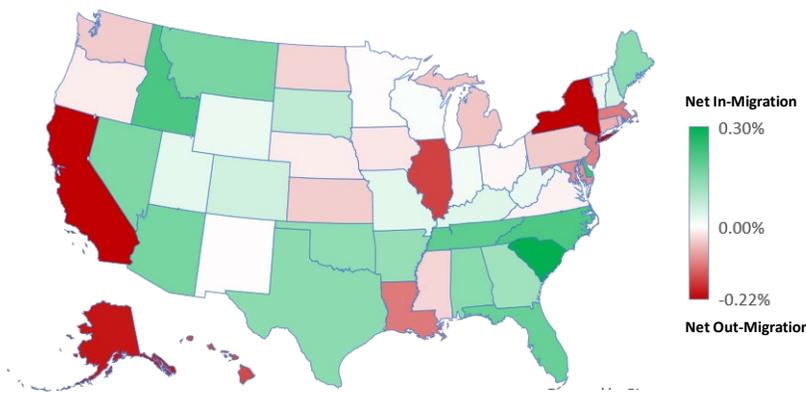
Economic & Market Watch Intelligence Brief

Briefing

- New York, Connecticut, Massachusetts and California have the highest state and local tax rates—between 15% and 16% of the average residents' incomes. States with the lowest tax rates are Mississippi, Alaska and Louisiana, at between 7.7% and 8% (Figure 1).
- Differences in state tax rates and prices make comparisons of incomes across the country difficult. For example, Oregon's median nominal income is 15th highest among the 50 states, but its taxes and prices (combined) are 1st highest, making it only the 37th highest state for after-tax real income (Figure 2). Hawaii, often considered the most expensive state, has (vs. Oregon) 4% higher prices, 5% lower taxes, and 10% higher (nominal) income, making Hawaii the 19th highest state for after-tax real income.
- Differences in after-tax real income partially affect migration patterns. Compared with Arkansas, Missouri's higher after-tax real income contributes to 6% of people who leave Missouri moving to Arkansas, but 12% of people who leave Arkansas move to Missouri. Compared with Nebraska, Missouri's lower after-tax real income contributes to 2% of people who leave Missouri moving to Nebraska, but only 1% of people who leave Nebraska move to Missouri (Figure 3).

Chart of the Week

Net Domestic Migration Rate (2023)



Commentary

As U.S. population growth slows, the U.S. economy will tend to grow more slowly. This will make domestic migration (i.e., movements of people among the 50 states, not internationally) more important for state economies. For example, California and New York have seen more people move out of the two states than move into them from other states every year since 1990. In just the past decade, California has had a net loss of 2.1 million residents and New York 1.5 million. In contrast, Texas has experienced net in-migration every year since 1990—creating a net gain of 1.3 million residents from other states.

One casualty of net out-migration is a state's budget. As people move out, state and local governments lose tax revenue and come under pressure to raise tax rates or cut services. But the higher they raise tax rates and the more they cut services, the more incentive they give residents to move to other states. For states that tax higher-income residents more heavily, the out-migration can be even more costly as wealthier residents are both fewer in number and more able to leave.

Snapshots

Figure 1. Average State and Local Tax Rates (2023)

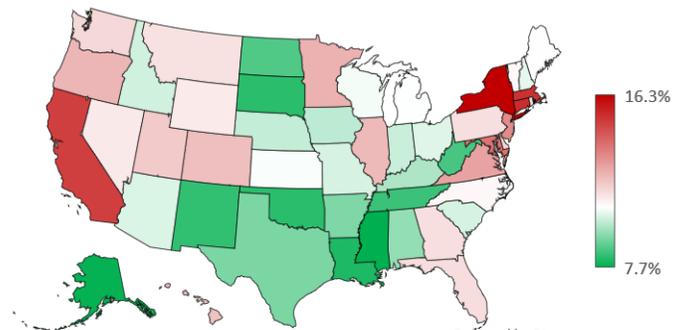


Figure 2. Median After-Tax Real Income (2023)

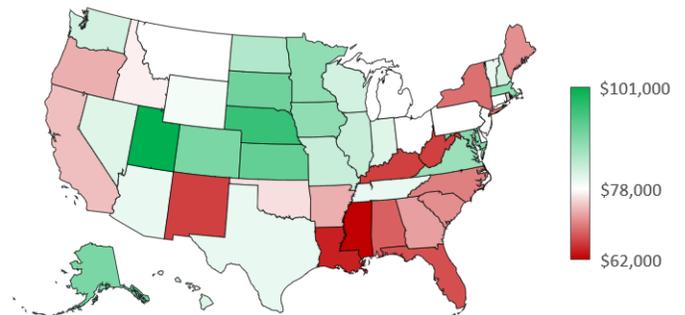
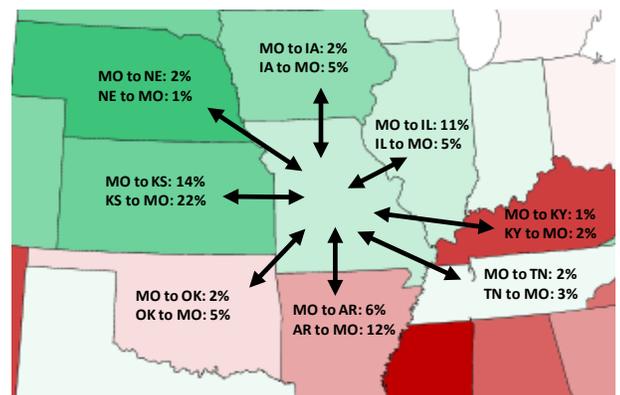


Figure 3. Median After-Tax Real Income and Migration (2023)



The Economic & Financial Research Team



John Suter, VP



Antony Davies, Director



Sam Kem, Sr. Analyst

Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES ¹	2024			2025		
	Current	Q4	Q1	Q2	Q3	Q4
Fed Funds Target ² (%)	4.75	4.50	4.00	3.75	3.75	3.50
SOFR (%)	4.82	4.45	3.95	3.70	3.40	3.25
2Y UST (%)	4.25	3.75	3.65	3.45	3.40	3.35
5Y UST (%)	4.19	3.75	3.65	3.60	3.60	3.60
10Y UST (%)	4.30	3.95	3.90	3.85	3.80	3.80
30Y UST (%)	4.47	4.25	4.20	4.20	4.20	4.20

ECONOMY	2024			2025		
	Current	Q4	Q1	Q2	Q3	Q4
PCE Inflation (%)	2.1	2.0	2.2	2.1	2.0	2.1
CPI Inflation (%)	2.4	2.1	2.2	2.2	2.1	2.1
Real GDP (%)	2.8	1.8	1.7	1.9	2.0	2.1
Unemployment (%)	4.1	4.3	4.3	4.4	4.3	4.3
Consumer Spending (%)	3.7	1.9	2.2	2.1	2.3	2.3
Industrial Production (%)	(0.6)	1.4	1.2	1.4	1.6	1.8

Equities & Currency

	Current	Year ago
DJIA	44,473	34,283
Nasdaq	19,233	13,798
S&P 500	6,007	4,415
US Dollar Index	\$1,275.34	\$1,266.15

Commodities

	Current	Year ago
Crude Oil (Per Barrel)	\$68.72	\$77.17
Natural Gas (Per MMBtu)	\$2.95	\$3.03
Coal (Per Short Ton)	\$14.10	\$14.00
Gold (Per Ounce)	\$2,631.90	\$1,937.70
Corn (Per Bushel)	\$429.75	\$464.00
Soybean (Per Bushel)	\$1,022.75	\$1,333.50

Industry

	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	3,932	3,833
U.S. Daily Power Consumption (MWh)	10,331,939	10,281,913
World Container Index (Per 40ft)	\$3,444	\$1,504

¹ Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters

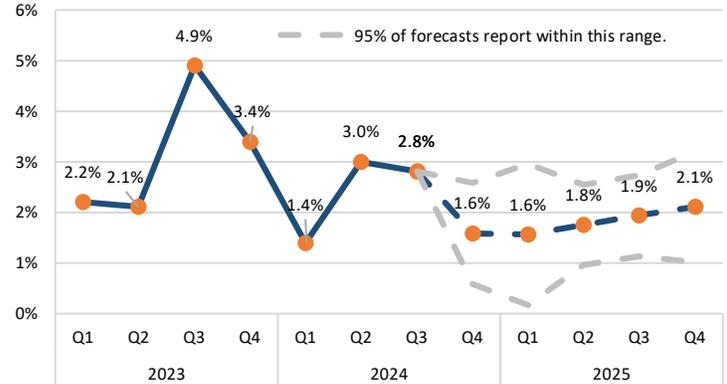
² Target rate forecast is based on futures market contracts

Source: Blue Chip Financial Forecasts, Trading Economics, Moody's Analytics, Statista, Trading Economics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, U.S. Treasury Department, Federal Reserve Bank of Atlanta, Federal Reserve Bank of New York, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, University of Michigan, The Conference Board.

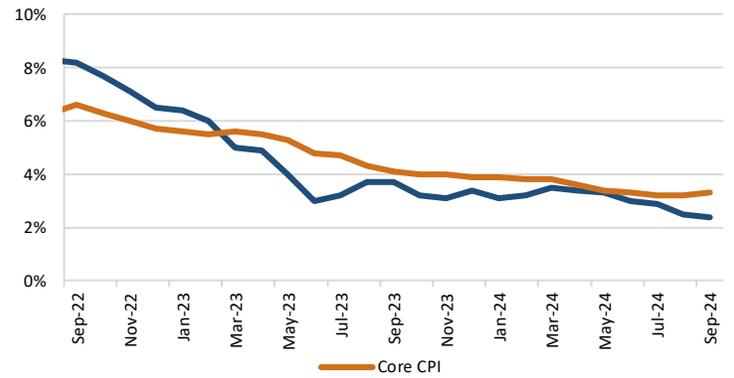
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Forecasts

Real GDP Growth Trend



Headline vs. Core Inflation



10-Year U.S. Treasury vs. Fed Funds Trend

