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## **Jobs and the budgets and expectations for the market**

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President Obama announced job initiatives as priority number one in his first State of the Union message to joint meeting of congress on January 27th. He announced further deficits to fund them in fiscal year 2011, stabilized spending or freeze on discretionary spending for fiscal year 2012, and doubling of exports by 2015. Governor Deval Patrick was forced to call for further spending cuts and new taxes to balance the Mass. budget for fiscal year 2011. Business spending and export activity were both up, and the commonwealth should benefit with its economy disproportionately skewed to these sectors of activity. Job gains are hard to call and hard to count.

National gross domestic product (GDP) recorded fourth quarter annualized growth of 5.7% and the commonwealth is expected contract marginally, less than 1%, during the same period. Methodologically calculations for GDP and commonwealth economic growth differ and should not be compared for significance or analysis. There were no particular surprises in these announcements and the metrics.

Inventory restocking favored economic growth throughout the nation in the fourth quarter of 2009. Consumer spending favored less affluent geography; for instance the higher income commonwealth recorded less dramatic consumer recovery spending than less affluent geography. The higher-income households in the northeast continued to restrain consumption expenditures. Stimulus spending reportedly accounted for one million jobs in 2009 and continued stimulus spending is expected to favor infrastructure, government sector, and select targeted sectors such as energy, medical records and research. The commonwealth is a beneficiary in these targeted sectors even if allocated stimulus spending has reportedly been slow in 2009.

The multiplier impact of jobs vary widely. Manufacturing jobs have traditionally enjoyed the higher multipliers because these jobs represent expansion of the economic base. The Institute of Supply Management (ISM) reported its monthly barometer for manufacturing was up sharply, 58.4 for January versus 54.9 for December, significantly above analysts forecasts of 55.5 (a reading above 50 signals expansion). The ISM non-manufacturing index released shortly afterward was up a and weak as expected, 50.5 for January versus from 49.8 in December. The service or non-manufacturing sector is more sensitive to the consumer whose ranks are still suffering from unemployment and stagnant income with increasing savings rate and deleveraging. The super sectors of healthcare and education are still leading employment gains in Mass.

Any single job represents potential increases in consumption and retail sales, increases in households and housing absorption, increases in payroll and occupancy, all of which add marginally to demand for real estate. As 2010 unfolds, all will be watching whether demand in the various property sectors during this cycle will include some downsizing as reported in the industrial sector and housing.

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