



Economic Conditions in New England and the Nation

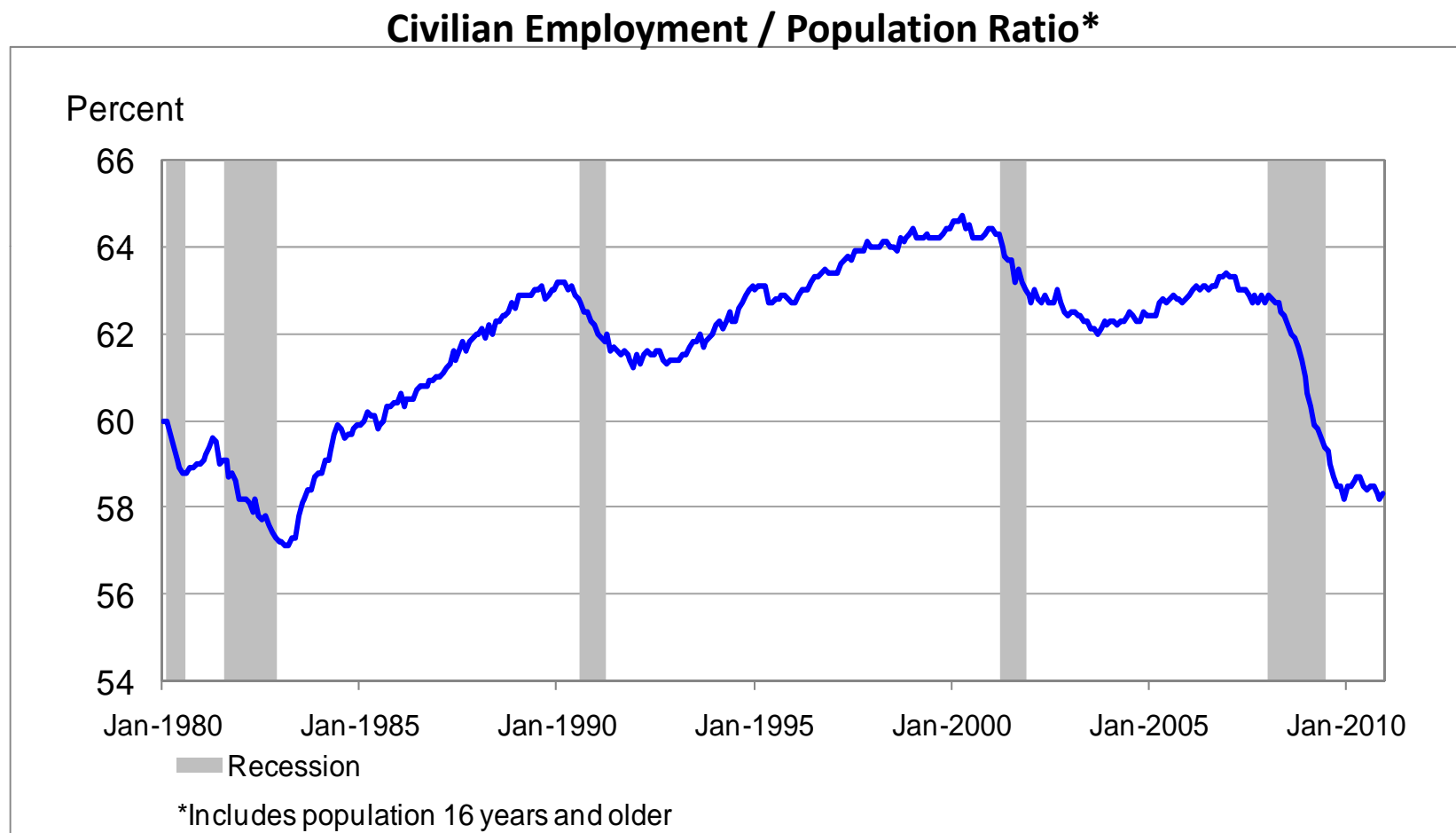
Real Estate Finance Association (REFA)
Members Only Annual Forecasting Luncheon
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Agenda

- Status of the U.S. economic recovery
- New England economic conditions compared to the nation
- Economic outlook and risks

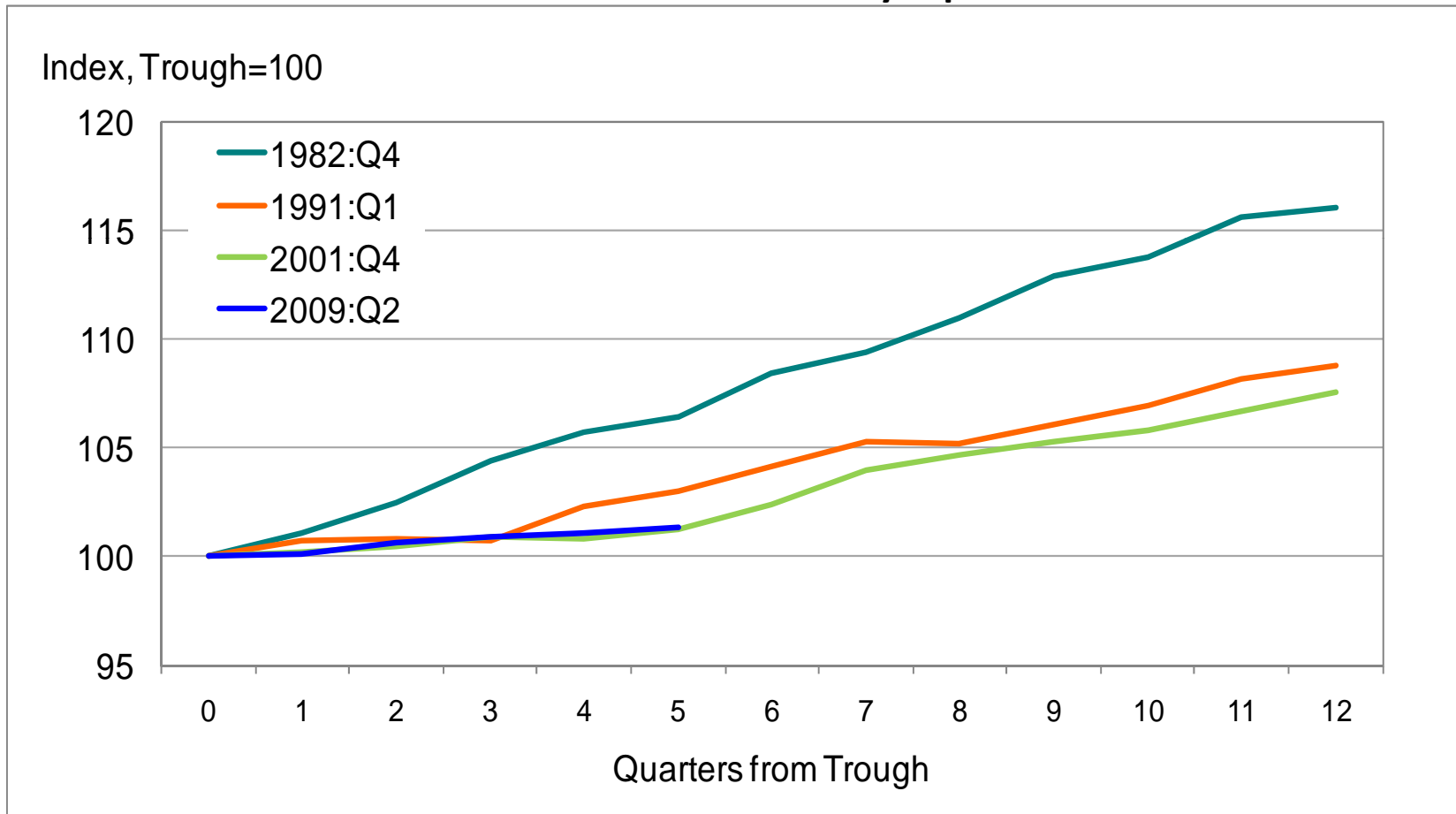
The national economic recovery has been too weak to raise the share of the population that has a job.



Source: Bureau of Labor Statistics and NBER/Haver Analytics
Federal Reserve Bank of Boston President Eric S. Rosengren, Remarks at the New England Mortgage Expo, 1/14/2011

Economic growth is tracking the early 2000s recovery, which was weaker than previous recoveries.

Real Growth in Final Sales* from Trough of Last Four Recessions
***Final sales = GDP less inventory replenishment**

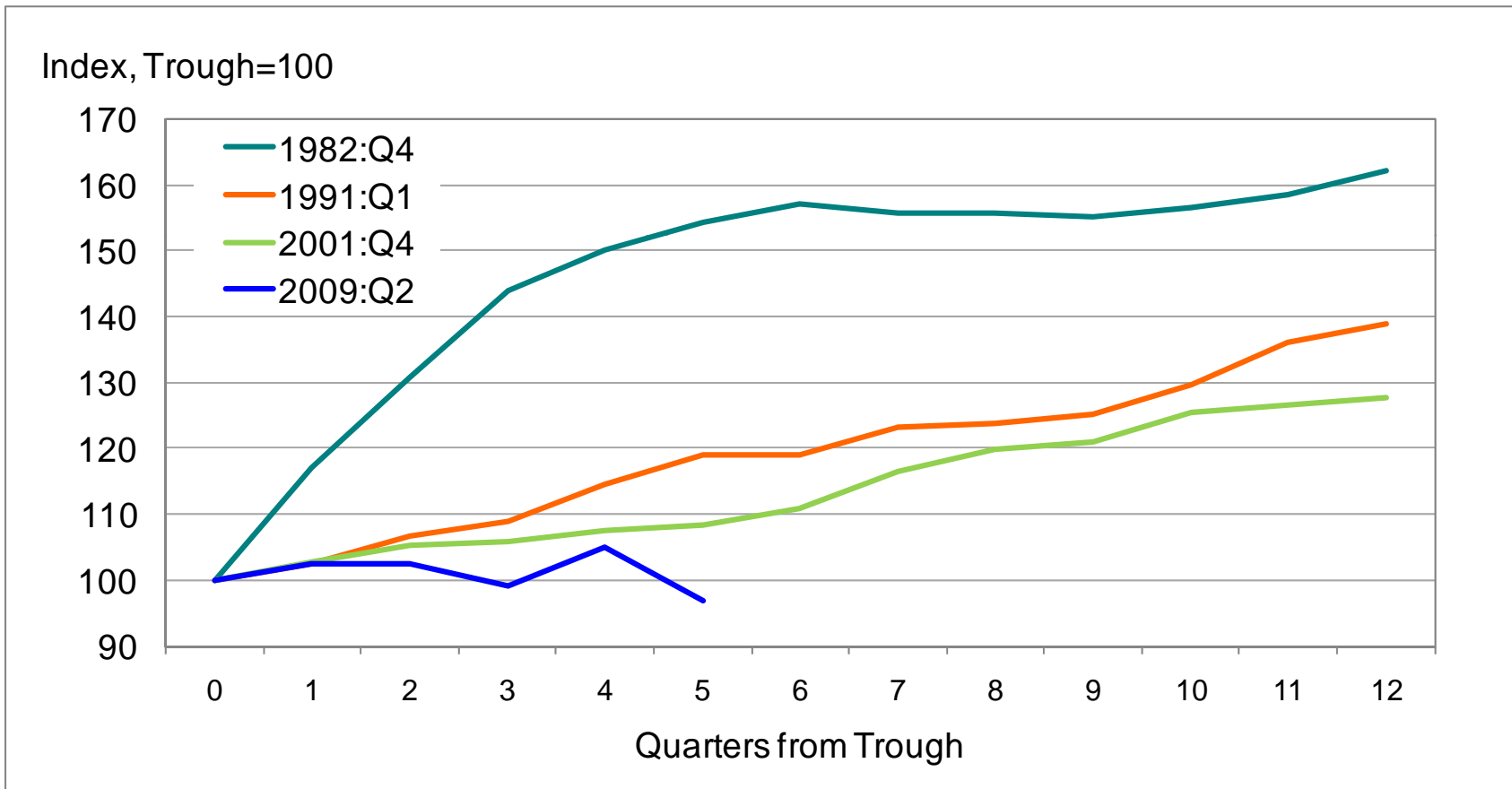


Source: BEA and NBER/Haver Analytics

Federal Reserve Bank of Boston President Eric S. Rosengren, Remarks at the New England Mortgage Expo, 1/14/2011

Housing is not playing its usual role in the recovery.

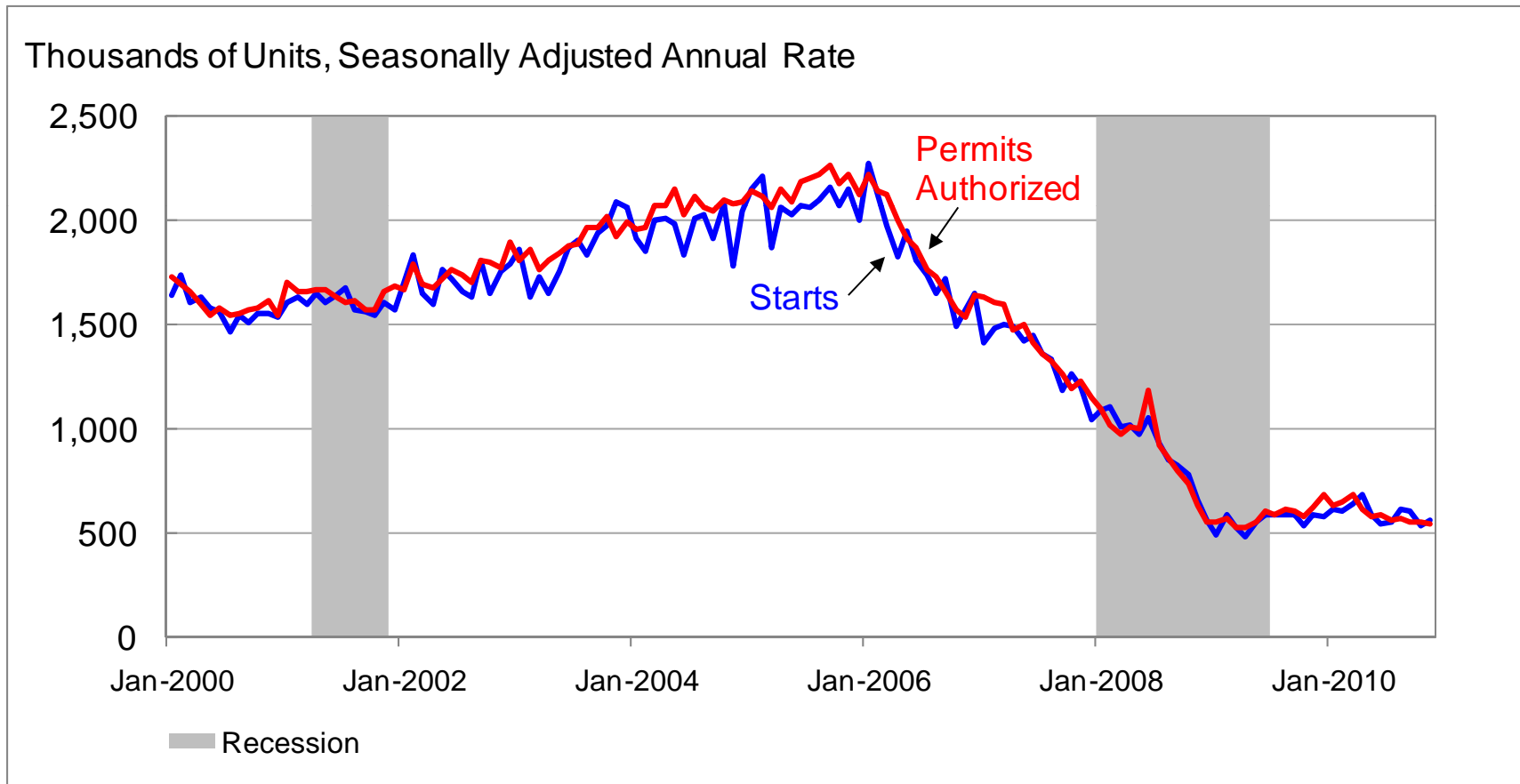
Real Growth in Residential Fixed Investment from Trough of Last Four Recessions



Source: BEA and NBER/Haver Analytics

Federal Reserve Bank of Boston President Eric S. Rosengren, Remarks at the New England Mortgage Expo, 1/14/2011

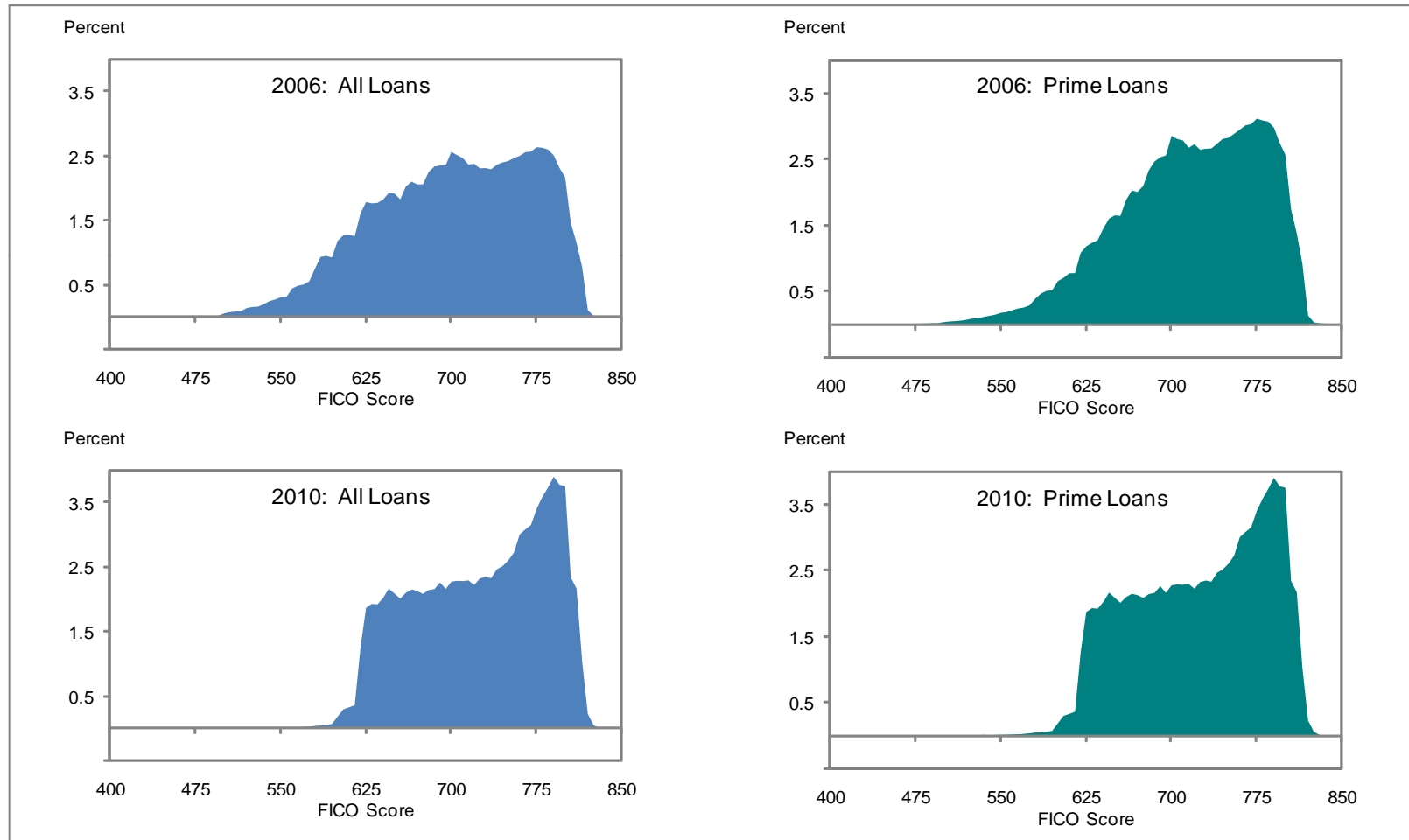
Housing starts and permits remain about one-quarter of their pre-recession levels.



Source: Bureau of the Census and NBER/Haver Analytics
Federal Reserve Bank of Boston President Eric S. Rosengren, Remarks at the New England Mortgage Expo, 1/14/2011

Credit standards have tightened since before the financial crisis.

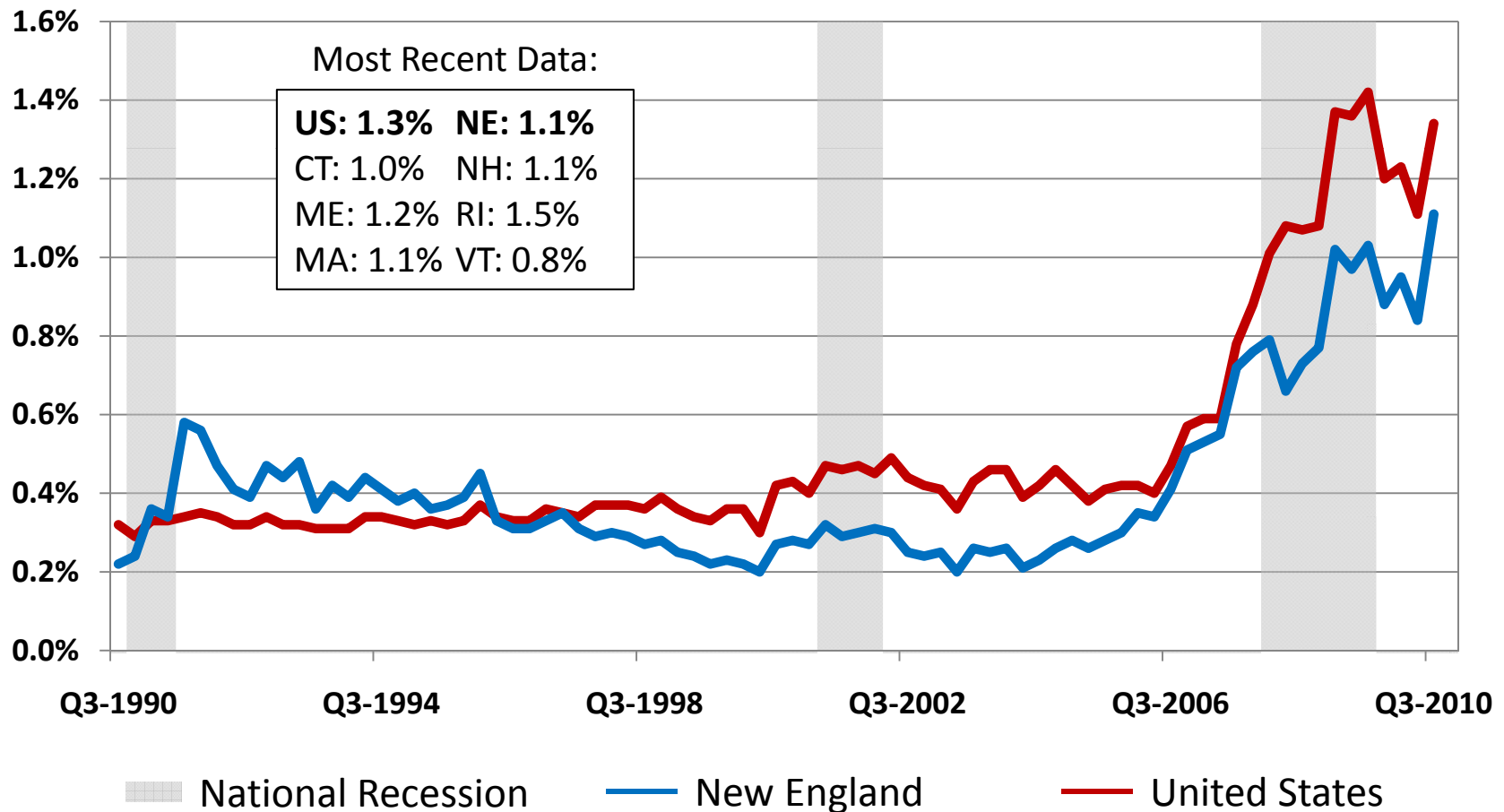
Credit Score Distribution for Purchase Loans



Source: Calculations based on data from McDash Analytics, LLC, a subsidiary of Lender Processing Services, Inc.
Eric S. Rosengren, Remarks at the New England Mortgage Expo, 1/14/2011

Foreclosures resumed their upward trend in the third quarter of 2010.

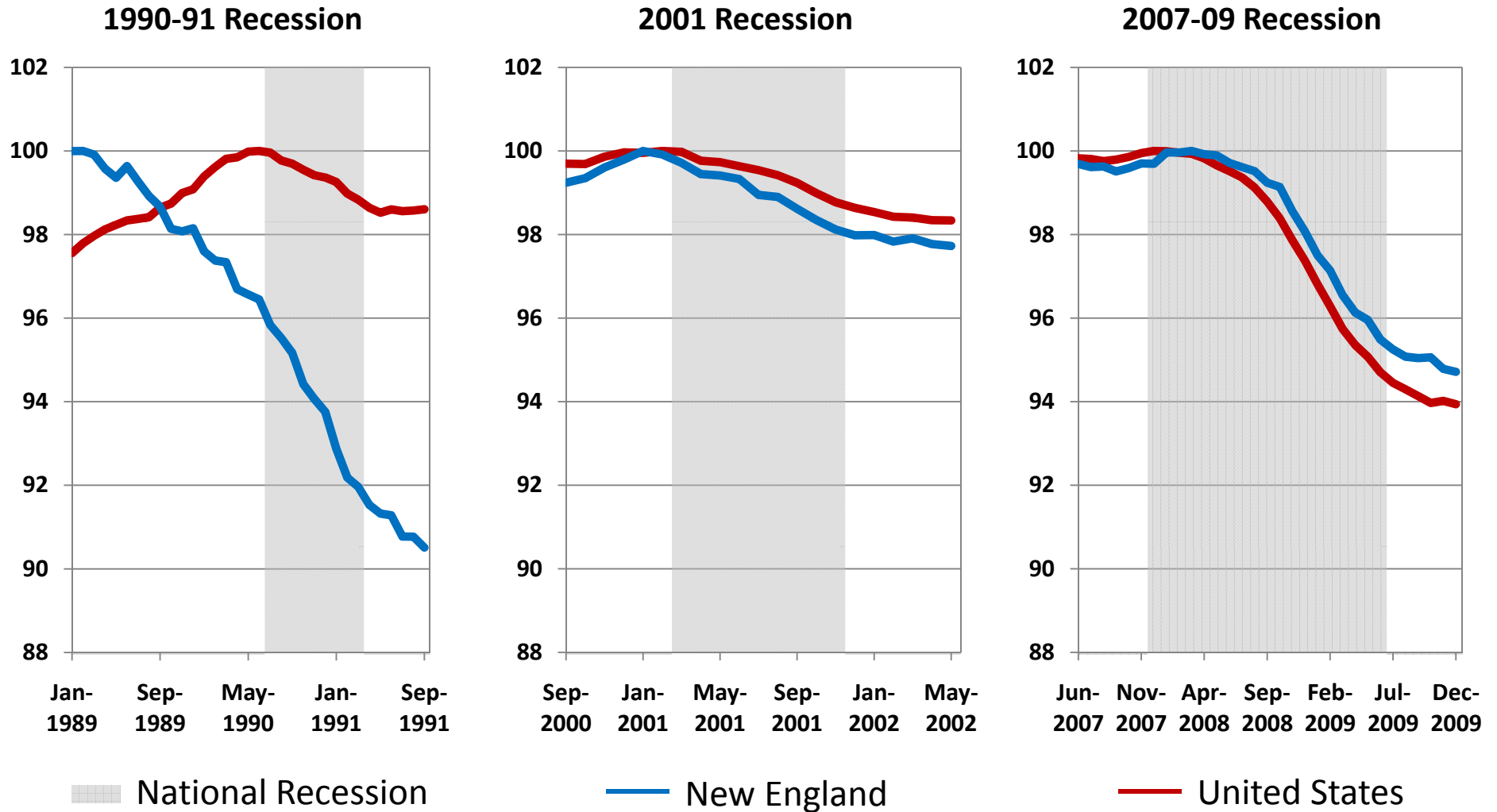
Foreclosure Starts - Percentage of All Home Loans



Source: Mortgage Bankers Association/Haver Analytics

New England fared slightly better than the U.S. during the 2007-09 recession.

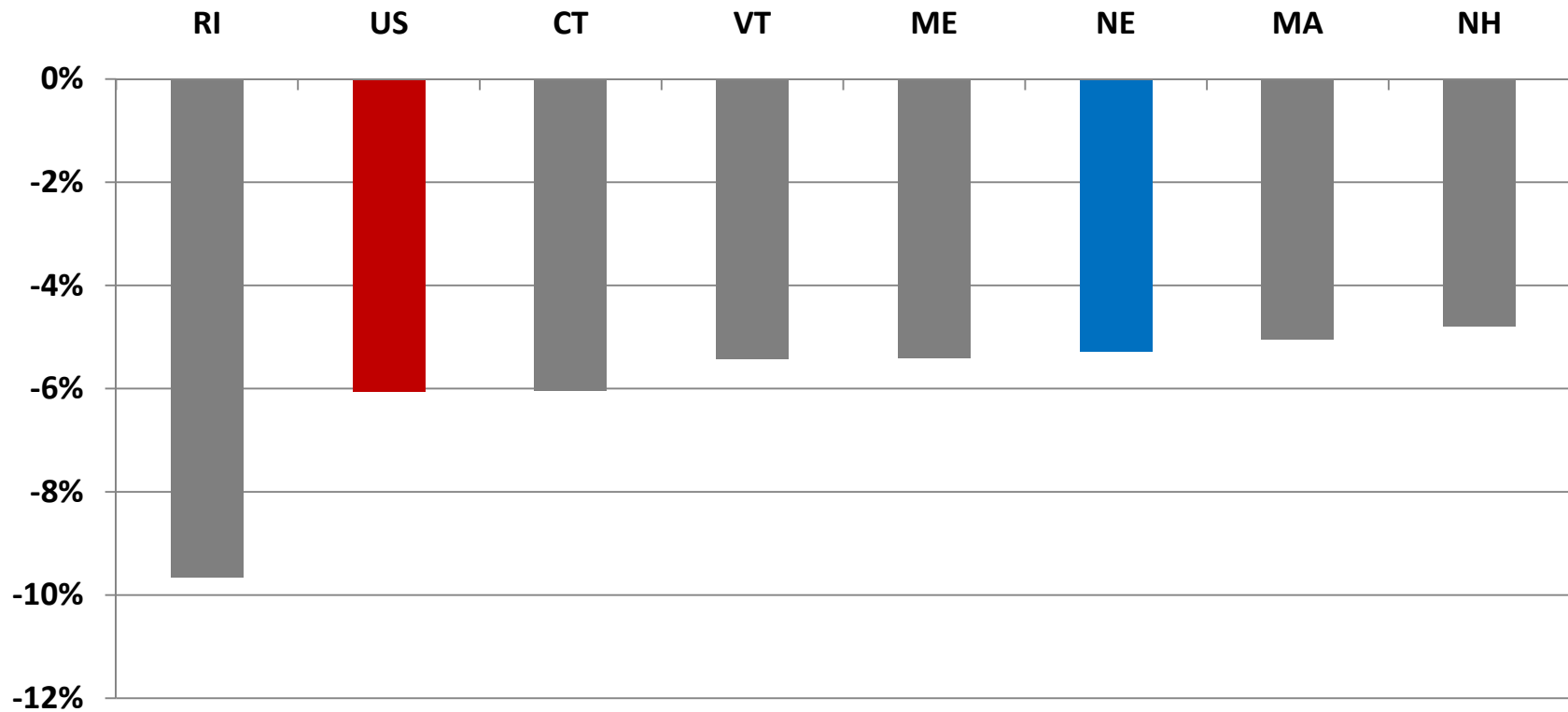
Nonfarm Payroll Employment - Indexed to Pre-Recession Peaks



Source: Bureau of Labor Statistics and NBER/Haver Analytics

Among the New England states, only Rhode Island was hit harder than the nation as a whole.

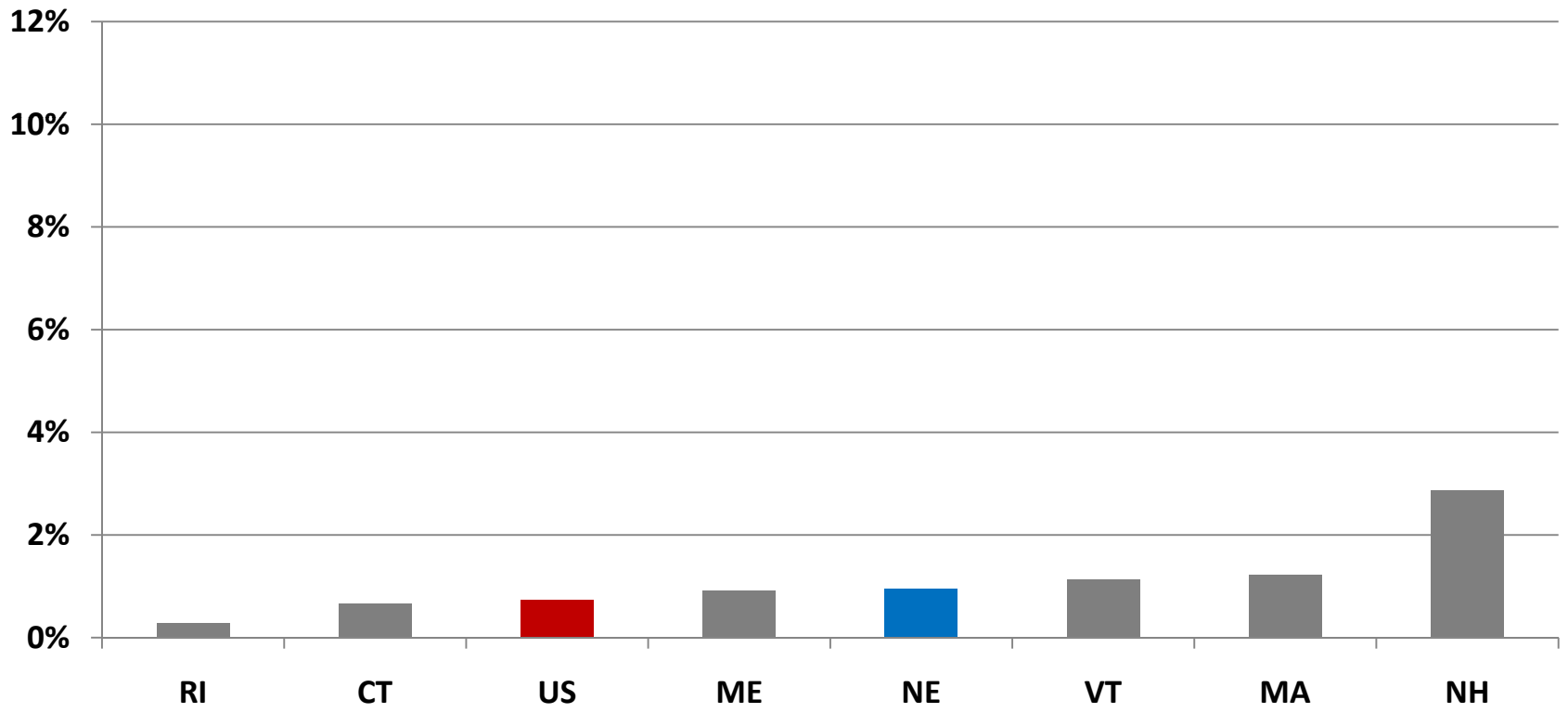
Change in Nonfarm Employment from US, NE, or State Peak to Trough



Source: Calculations Based on Bureau of Labor Statistics Data

In New England, the strongest job gains in the expansion have been in New Hampshire.

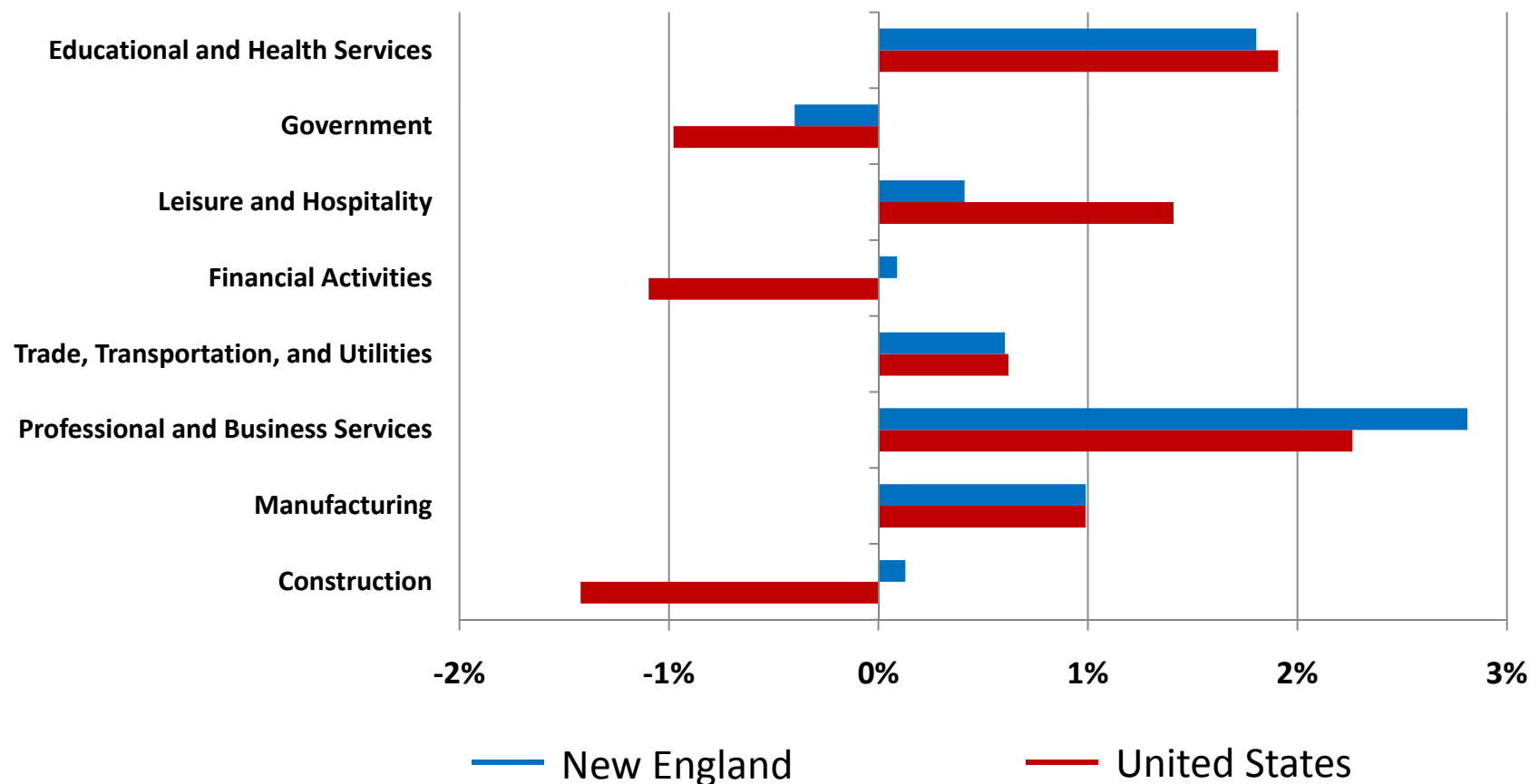
Change in Nonfarm Employment from US, NE, or State Trough to November 2010



Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics

Professional & business service and educational & health services are leading the recovery. Government employment is falling.

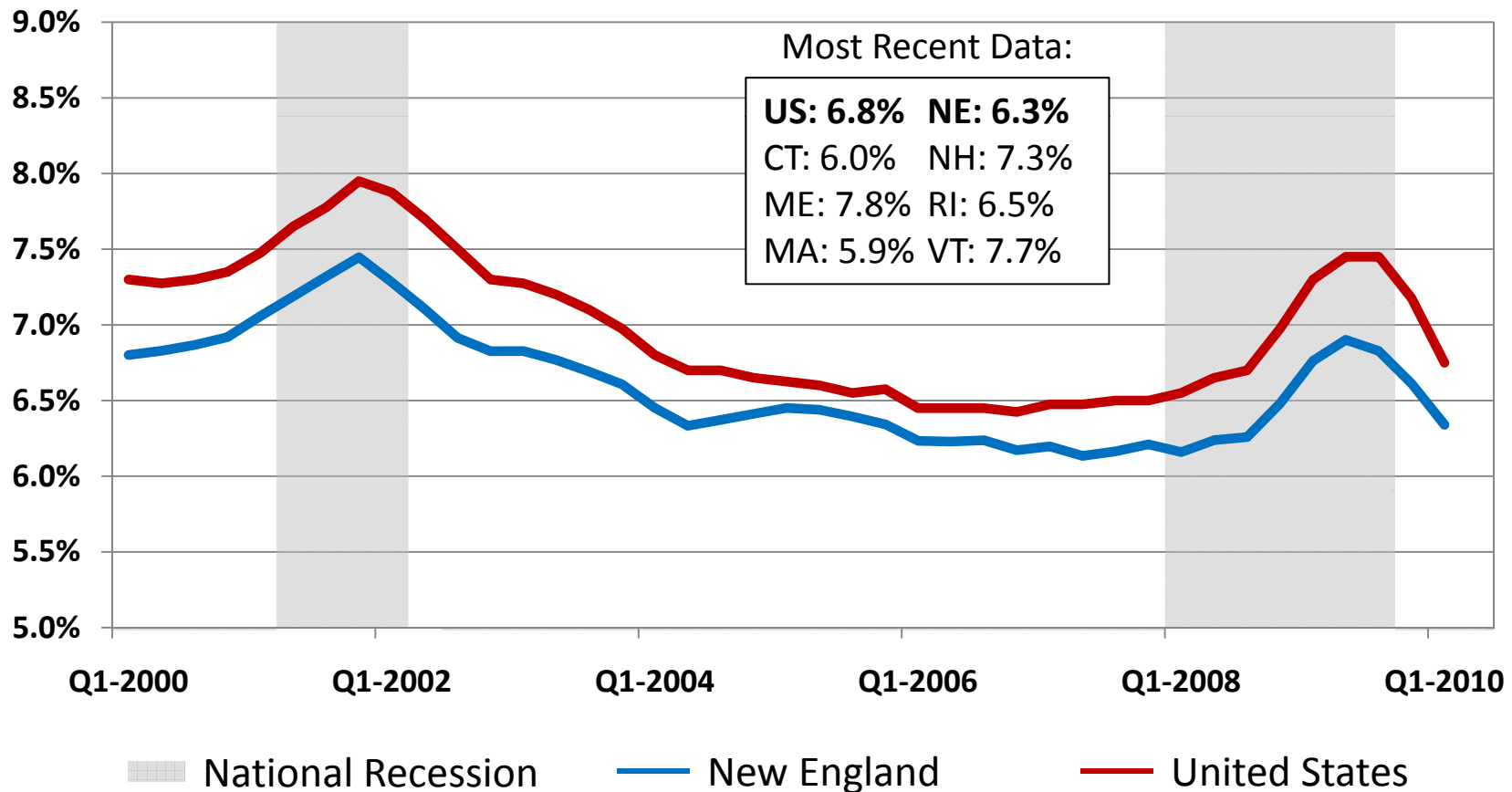
Percent Employment Change from NE or US trough to November 2010



Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics

Job destruction rates are declining to near-normal levels as layoffs abate.

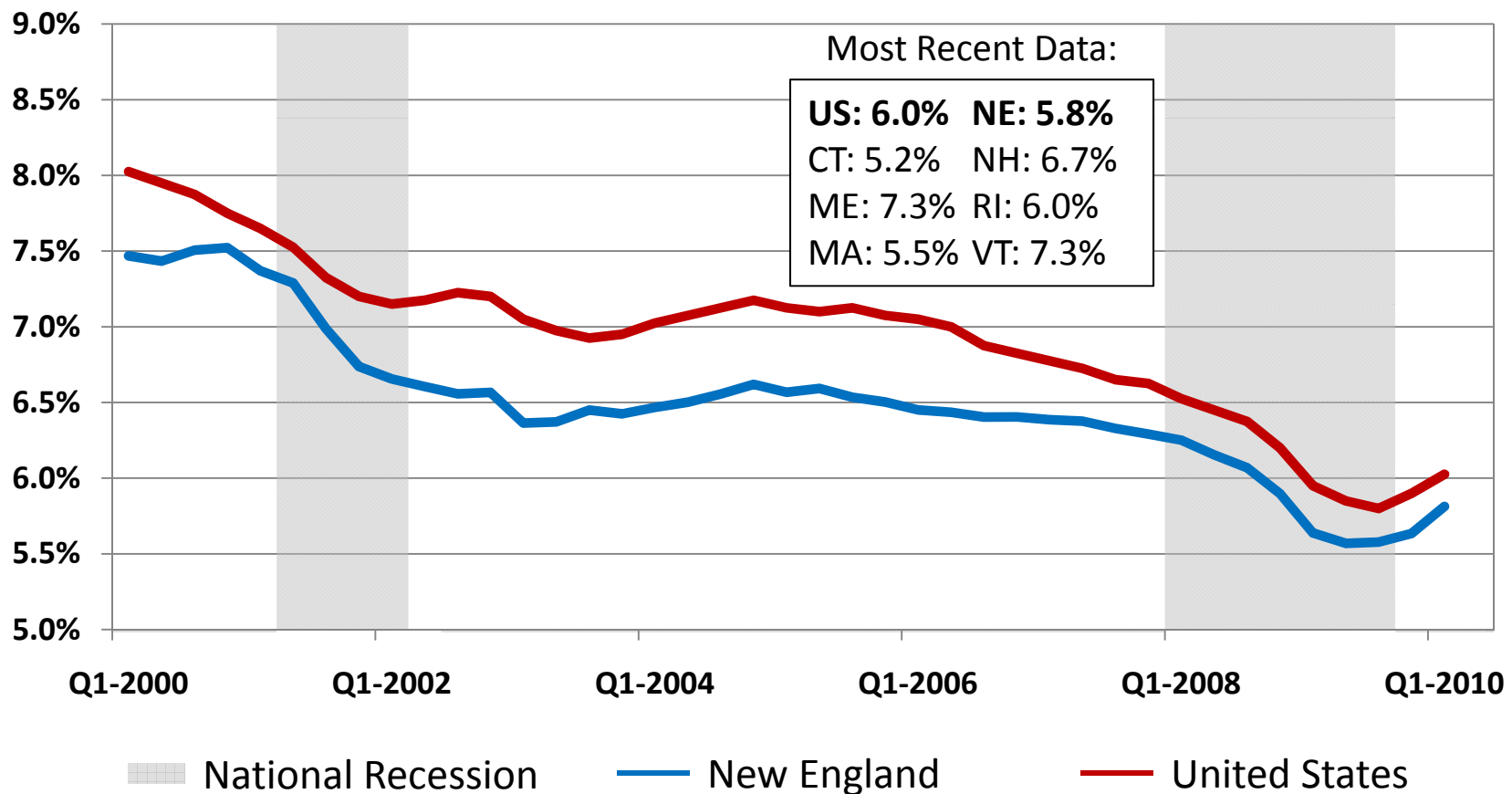
Job Destruction Rates Four Quarter Moving Averages



Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics

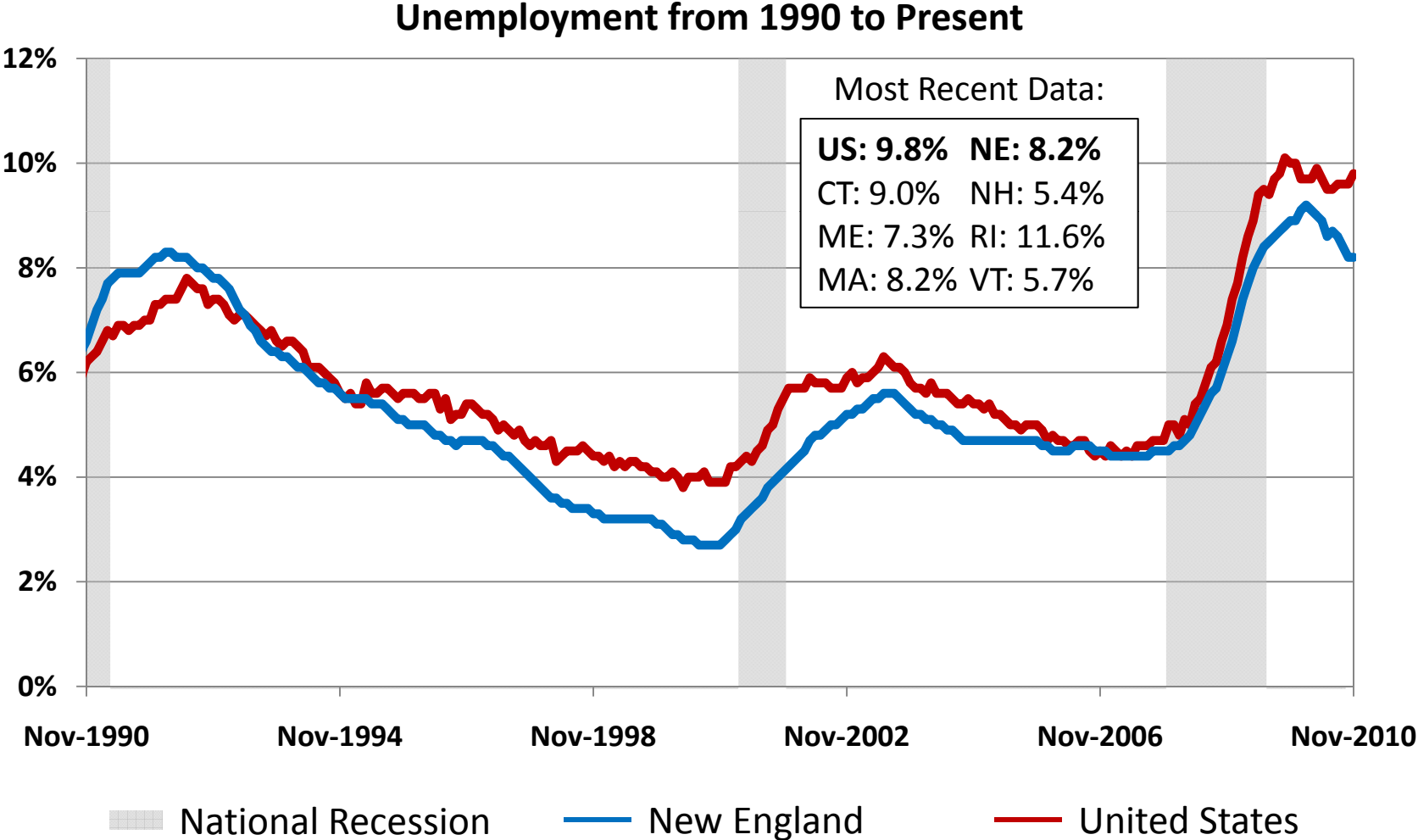
But job creation remains sluggish, making it difficult for laid-off workers to find new jobs.

**Job Creation Rates
Four Quarter Moving Averages**



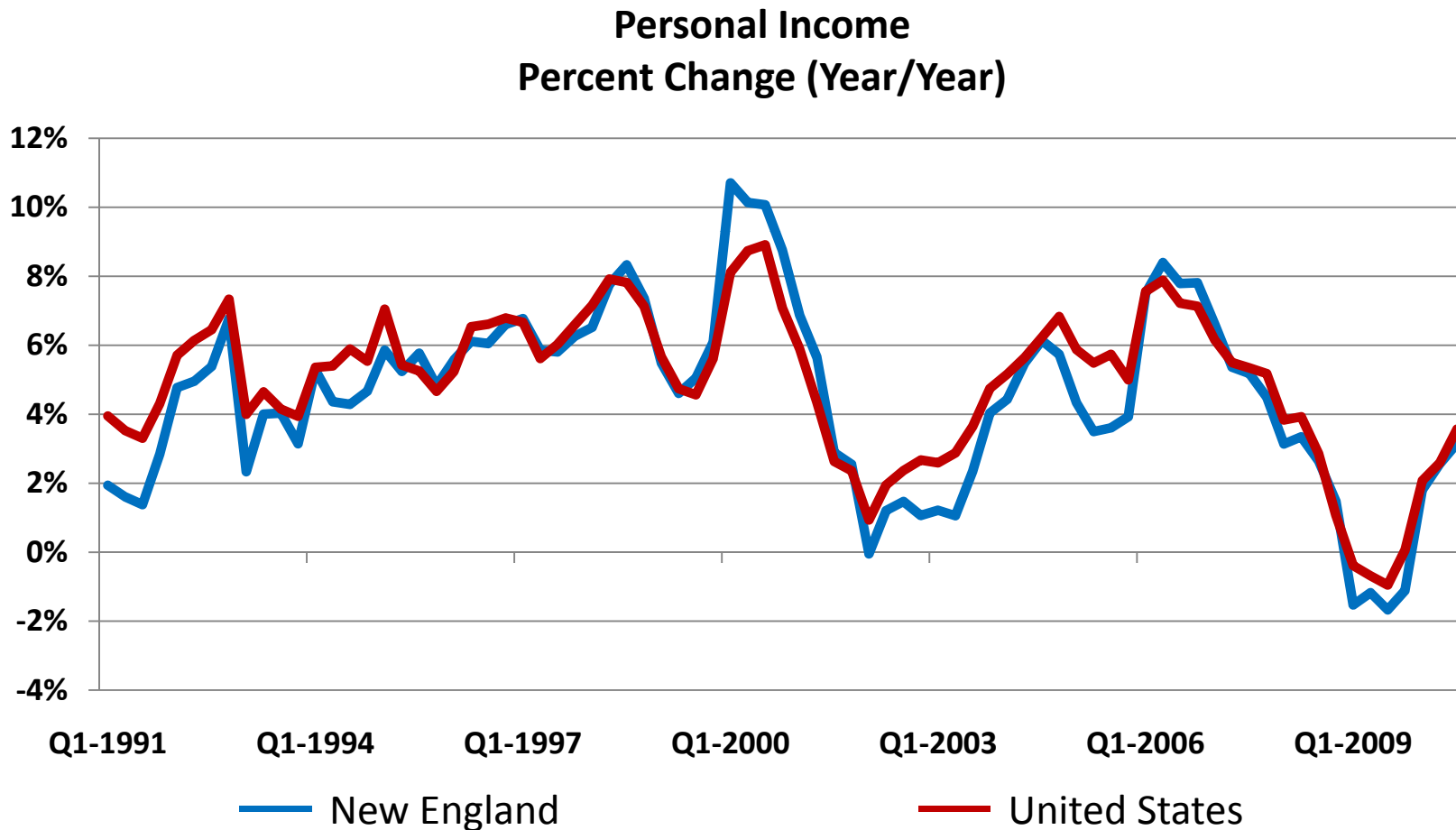
Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics

Unemployment has fallen more in New England than nationwide.



Source: Bureau of Labor Statistics/Haver Analytics

As of Q3 2010, both New England and the nation saw further improvements in personal income.

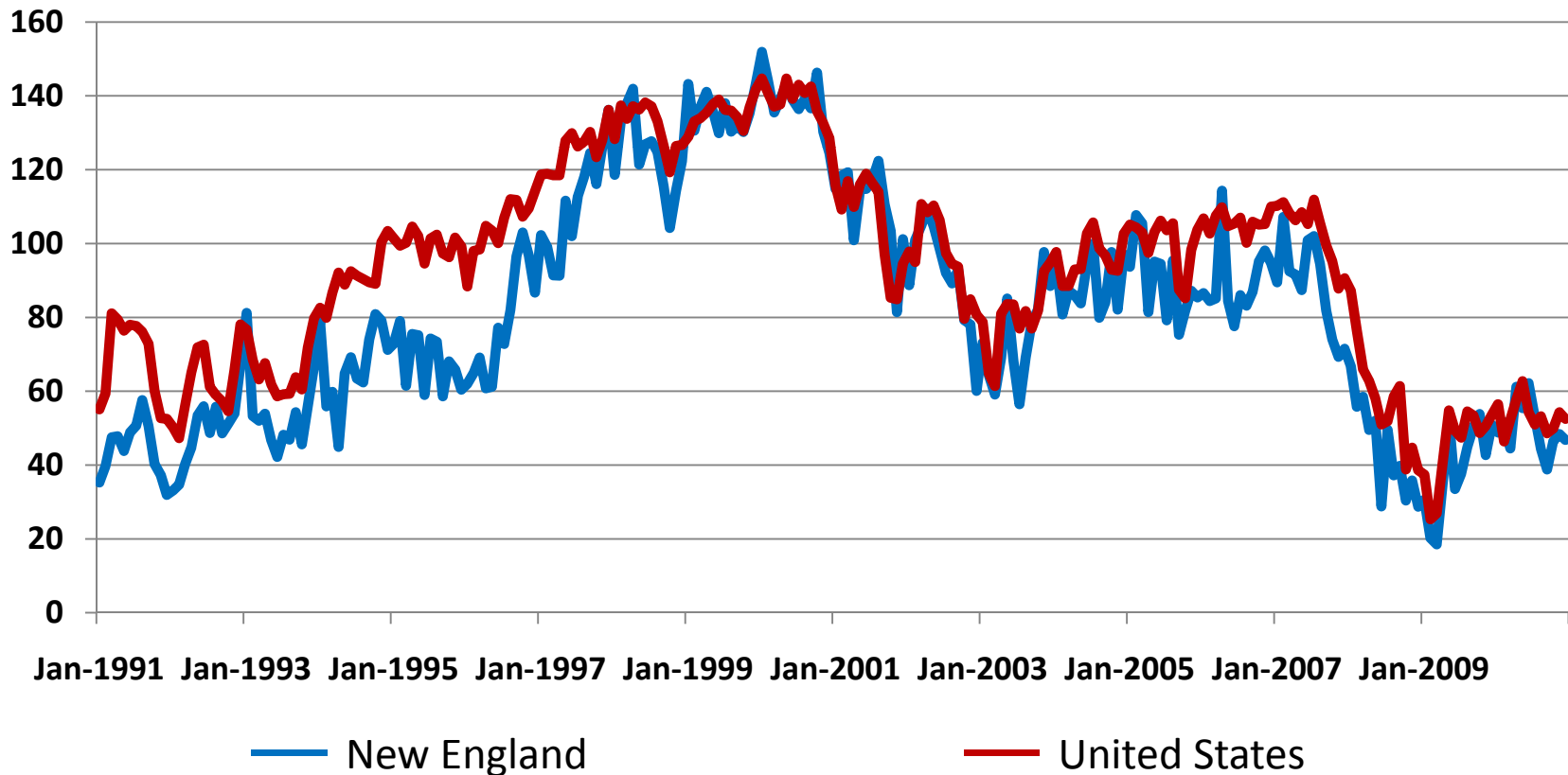


Note: Data are seasonally adjusted

Source: US Bureau of Economic Analysis/Federal Reserve Bank of Boston

Consumer confidence has declined recently due to a deterioration in future expectations.

Consumer Confidence Index
Relative Confidence Level (1985 = 100)

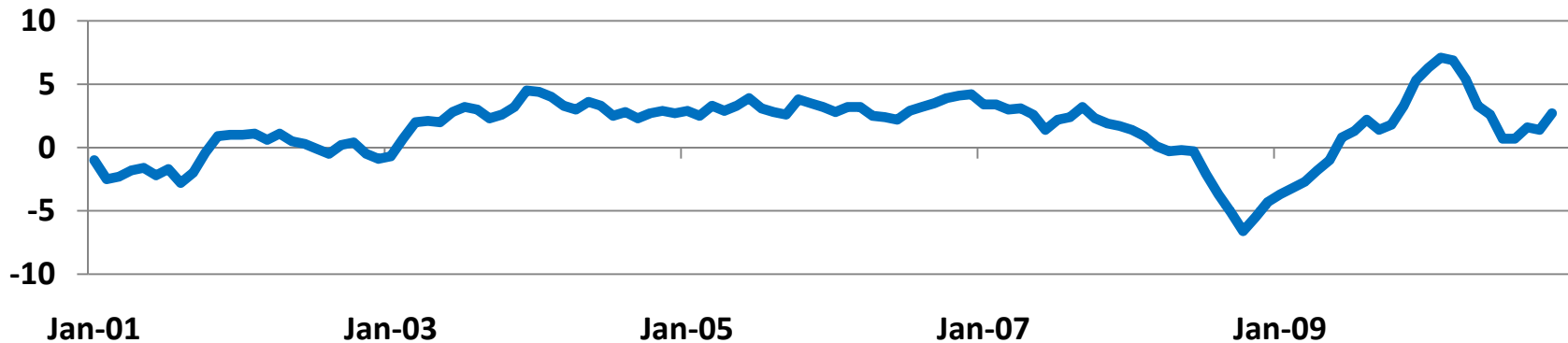


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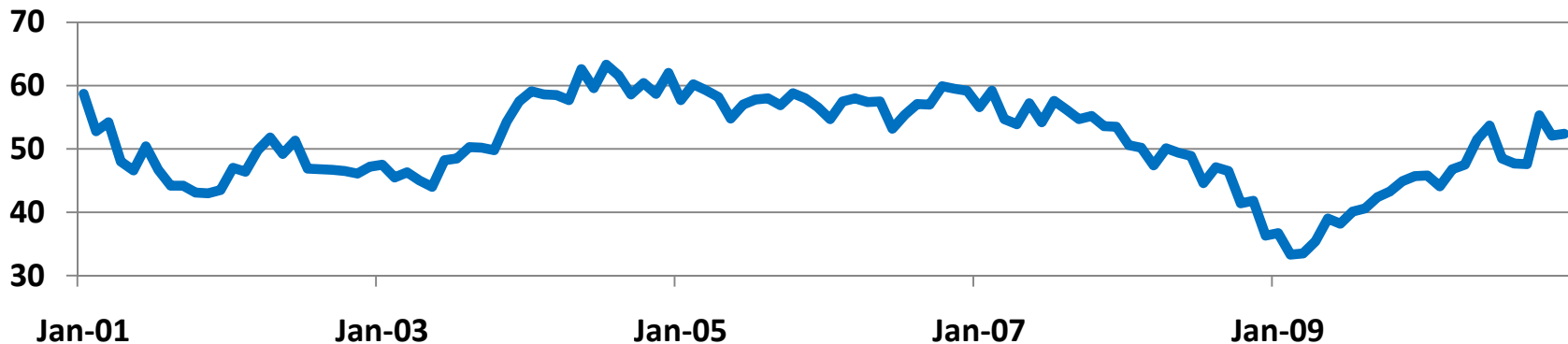
Source: The Conference Board/Haver Analytics

Business confidence edged up at the end of 2010 as the recovery is expected to continue, albeit slowly.

MassBenchmarks Leading Index



AIM Business Confidence



Note: The MassBenchmarks leading economic index was formerly known as the UMass leading index

Source: Associated Industries of Massachusetts and the University of Massachusetts

Despite some positive indicators, Federal Reserve did not change its policies at the December meeting.

Economic indicators:

- Latest data increased Fed's confidence in the economic recovery.
- Fiscal package likely to boost real GDP in 2011-12
- Housing sector weaker than expected, and oil prices and value of dollar higher than expected.

Monetary Policy response:

- Target range for federal funds rate maintained at 0 to $\frac{1}{4}$ percent. Likely to remain "exceptionally low" for extended period.
- Purchases of longer-term Treasury Securities (about \$75 billion per month through mid 2011, for total of \$600 billion)

Summary

- New England economy hit hard by the recession, but not quite as hard as U.S. economy.
- A recovery is taking hold, which will provide a boost to state tax revenues.
- November Fed forecasts indicate that full recovery could take another 4+ years.
- Weak housing markets and the fiscal problems of state and local governments will exert a drag on the recovery.

Sources of further information

- Visit www.bos.frb.org for updates on the New England and U.S. economies
 - *New England Economic Indicators* (statistical information updated continually)
 - Beige Book (anecdotal information updated every six weeks or so)
 - “News and Events” tab (speeches by Boston Fed president)
 - New England Public Policy Center “Assistance Provided” (economic updates by Boston Fed economists)
- Visit www.neepecon.org for New England state forecasts prepared by the New England Economic Partnership (May and November)